[FLASHNOTE]

Sonadezi Chau Duc JSC.

03/10/2021

Shinhan Securities

Before you invest, ask us!

RATING	BUY
Current price (VND)	41,800

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COMPANY INFORMATION

Industry	Real Estate Investment & Services
Ticker	SZC
Stock Exchange	HOSE

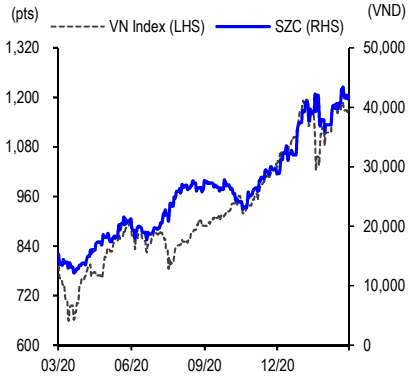
STOCK TRADING DATA

VN INDEX	1,170.1
Market Cap. (bn VND)	4,180.0
Outstanding Shares (1mn)	100.0
Free Floating Shares (1mn)	42.0
52-week High (VND)	44,000
52-week Low (VND)	11,900
Avg. Trading Volume (mn)	1.28
Avg. Reading T/O (bn VND)	50.0

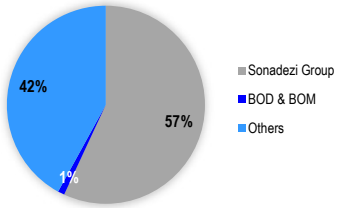
STOCK PERFORMANCE

(%)	3M	6M	12M
Absolute	45.1	50.9	158.0
Rel. to VNIDEX	31.6	19.3	118.3

STOCK PRICE PERFORMANCE



SHAREHOLDER STRUCTURE



INVESTMENT THESIS

1) Core business: Develop industrial parks & residential areas, supply electricity & water, rent warehouse, etc.

2) Business position: Operating Chau Duc Industrial Park - the largest IP in Ba Ria -Vung Tau province

- Target customer: manufacturing enterprise (FDI & local)
- Competitors: the other industrial park developer as Becamex, Kinh Bac, Idico, Saigon VRG, etc.

3) Investment catalyst:

- Sonadezi Chau Duc is operating a mega industrial park & urban project in Chau Duc, which is the largest area IP project in Ba Ria-Vung Tau province, including 1,556 ha IPs and 690 ha urban areas. This project location is 18km and 54 km to Cai Mep-Thi Vai deep seaport and Long Thanh international airport, respectively. The location is a huge advantage in attracting investment for Sonadezi Chau Duc
- Ba Ria-Vung Tau locates in the South East Key Economic Zone, showing outstanding performance top 5 largest registered FDI over the past years. Their competitive advantage is higher than HCM City, Dong Nai, Binh Duong, and Long An, not only come from a lower rental price around USD70/sqm/rental cycle, but also come from the strategic position nearly seaports & airports.
- The approval pages take the developer 2-3 years to approve for establishing or expanding an IP, and 2-3 more years for clearance – building infrastructure. It takes 5-6 years for a new IP to be available for lease. This may create an oligopolistic advantage to Sonadezi Chau Duc when demand surges whereas other IPs' supply are limited in the South of Vietnam. We estimate the rest IPs have accumulated an available-to-lease area is about 600 hectares, which is able to secure a stable growth rate for the company over the next 4 years.

4) Risk:

- Sonadezi Chau Duc applies a one-off revenue accounting method for the IP leasing revenue, which will lead to high fluctuations in business results between quarters and years.
- They also plan the international golf project with a total area of 152 ha, requesting around VND1,985 bn of CAPEX. In the unfavorable outlook for tourists due to the Covid-19 and weak business performance from many golf competitors in the South, we concern seriously about the golf project results after business. SZC will face high interest expense if they keep developing their golf project as plan.
- In line with positive results, SZC stock price has surged 162% in last year, earn an amazing performance for investors. Short-term risks may generate short-term profit-taking, making it difficult for SZC's share price to increase sharply.

FINANCIAL INFORMATION

	2016	2017	2018	2019	2020
Sales (bn VND)	**101**	**220**	**290**	**329**	**433**
OP (bn VND)	39	78	111	139	199
Pre-tax (bn VND)	48	83	113	156	220
NP (bn VND)	**44**	**73**	**97**	**134**	**186**
EPS (VND)	399	657	779	1,140	1,861
BPS (VND)	10,897	11,182	11,564	11,959	12,642
PER (x)	-	-	-	15.5	22.5
EV/EBITDA (x)	-	-	-	10.5	14.5
PBR (x)	-	-	-	1.5	3.3
ROE (%)	-	6.0	6.8	9.7	15.1

(*) Database information provided by Bloomberg

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