Shinhan Securities

Before you invest, ask us!

Kinh Bac Urban JSC.

02/22/2021

RATING	REDUCE
Current price (VND)	40,900

Analyst: Trung Hoang
Email: trung.ht@shinhan.com
Điện thoại: ☎ (84-28) 6299-8025

COMPANY INFORMATION

Industry	Real Estate Investment & Services
Ticker	KBC
Stock Exchange	HOSE

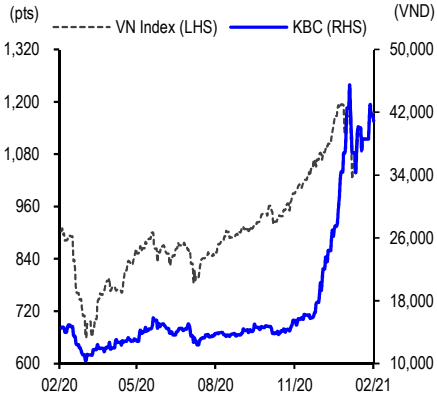
STOCK TRADING DATA

VN INDEX	1,175.0
Market Cap. (bn VND)	19,213.2
Outstanding Shares (1mn)	469.8
Free Floating Shares (1mn)	303.1
52-week High (VND)	47,000
52-week Low (VND)	10,000
Avg. Trading Volume (mn)	5.65
Avg. Reading T/O (bn VND)	223.3

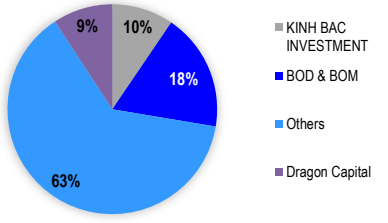
STOCK PERFORMANCE

(%)	3M	6M	12M
Absoulute	163.9	196.4	172.7
Percentage	145.2	158.9	146.7

STOCK PRICE PERFORMANCE



SHAREHOLDER STRUCTURE



INVESTMENT THESIS

1) Core business: Industrial park & residential area development (accounting for 80% revenue), IP's services, warehouse leasing, etc.

2) Business position: Top 10 largest IP developers in Vietnam

- Target customer: manufacturing enterprise (FDI & local)
- Competitors: other industrial park developers (Becamex, Saigon VRG, Viglacera, etc.)

3) Investment catalyst:

- Kinh Bac is operating 8 IPs with a total land area of 2,900 hectares. In which, there are 7 IPs in the North (Bac Ninh, Bac Giang, and Hai Phong) and 1 Tan Phu Trung IP (Cu Chi - HCMC). Associated companies are operating 5 IPs with a total area of about 1,500 hectares. Kinh Bac is considered as a highly reputed IP developer in Vietnam as well-known investors (such as LG Display, Foxconn, etc.) select their IPs to settle their plant.
- Industrial real estate industry has had a positive growth in recent years and is expected to maintain in 2021. Some IPs in the North (Hai Phong, Bac Ninh, Hai Duong) and the South (Ho Chi Minh City, Dong Nai, and Long An) all have a 20-30% increase the rental price over the past 3 years. This main driver is from the shifting of production from China and FTAs, and the demand for industrial land is also increasing nationwide. In addition, we expect that the demand for IPs to maintain stable growth in the coming time, the main driving force comes from the relocation of the global supply chain due to the disruption by Covid-19 pandemic. Vietnam is one of the most attractive destinations for investors who own production lines in China.

4) Risk:

- KBC applies a one-off revenue accounting method for the IP leasing segment, which will lead to high fluctuations in business results between quarters and years. For example, KBC's profit decreased by -49% YoY in the 4Q20, leading to a sharp decline in profits by -69% YoY in 2020, while profit in 2019 increased sharply by +35% YoY.
- Financial report of KBC have many unclear items: 20% of total assets as accounts receivable lasting many years but with very little provision. KBC's IPs have been in operation for 5-10 years, but the audit opinion stated that the commitments on land use fee and land lease price have not been completed with the government. These uncertainties on the financial statements make a significant impact on the asset quality of KBC.
- Although the company reports its profits annually, KBC's operating cash flow is almost much weaker than its profits over the past years. Accumulated amount for the last 4 years (one cycle to put a new IP into operation) recorded a profit of VND 3,653 bn but the operating cash flow was at -VND1,411 bn. This leads to uncertainty about the quality of the company's profits, while other companies in the same industry IP firms enjoy very strong operating cash flow in recent years.
- After a strong increase since Q3 / 2020, KBC's market capitalization is up to VND19,000 bn and P/E at 112x. In addition, KBC has a history of a low-cash dividend policy, with only one time 10% payout in 2019. We think that the above valuation is quite expensive compared to other peers in the same industry that always have strong cash flows and stable dividend policy.

FINANCIAL INFORMATION

	2016	2017	2018	2019	2020
Sales (bn VND)	**1,972**	**1,260**	**2,491**	**3,210**	**2,154**
OP (bn VND)	953	473	1,162	1,533	345
Pre-tax (bn VND)	921	812	1,047	1,364	430
NP(bn VND)	**557**	**585**	**746**	**918**	**171**
EPS(VND)	1,186	1,244	1,588	1,955	363
BPS(VND)	16,397	17,644	19,106	20,061	20,486
PER(x)	11.7	10.8	8.3	7.9	112.5
EV/EBITDA(x)	9.3	18.1	7.7	6.0	35.2
PBR(x)	0.8	0.8	0.7	0.8	2.0
ROE(%)	7.5	7.3	8.6	10.0	1.8

(*) Database information provided by Bloomberg

[FLASHNOTE]

Kinh Bac Urban JSC.

02/22/2021

Shinhan Securities

Before you invest, ask us!



Compliance Notice

- The content of this report is made for the purpose of providing information and reflects the views of the writer without any impact from others.
- This report is based on historical databases and stock prices are subject to change in the future..
- Shinhan Securities Vietnam Ltd.., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith.
- Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or Shinhan Securities Vietnam Ltd.
- The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

Copyright ⓒ 2020 Shinhan Securities Vietnam Ltd. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of Shinhan Securities Vietnam Ltd.