

Kinh Bac City Development Holding Corporation

[Vietnam / Industrial real estate]

Bloomberg Code (KBC VN) | Reuters Code (KBC.HM)

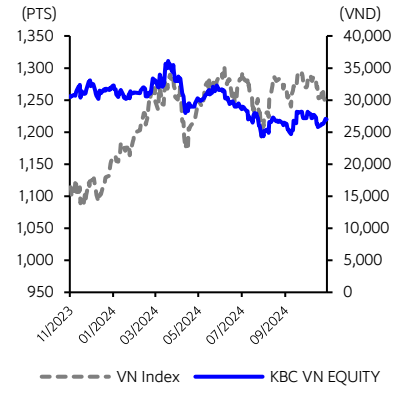
BUY

Update Coverage

Target price (12 months)	**34,600 VND**
Current price (26/11/24)	27,850 VND
Upside/downside (%)	24%

VNINDEX		1,242
HNXINDEX		223
Market Cap (bn VND)		21,377
Outstanding shares (mn)		768
Free-Floating (mn)		426
52-Wk High/Low (VND)		36,300/24,200
90-day avg. trading volume (mn)		3.14
90-day avg. turnover (bn VND)		85
Major shareholders (%)	Dang Thanh Tam	18.06%
	Kinh Bac Consulting and Investment JSC	8.11%

Performance	3T	6T	12T
Absolute (%)	9.8	-10.7	-5.6
Relative to VN-Index (%)	6.8	-11.1	-19.9



Source: Bloomberg

Expectations for legal acceleration in 2025

Update coverage with BUY call and target price of VND 34,600

Kinh Bac Urban Development Corporation (KBC) is one of the leading enterprises in the field of developing industrial parks and real estate projects. Kinh Bac owns projects in all three regions of Vietnam, in big cities such as Bac Giang, Hai Phong, Da Nang, Ho Chi Minh, and Long An. In 2024, KBC faced challenges in meeting its business goals due to obstacles in site clearance and legal processes. However, the outlook for 2025 appears more optimistic. Key factors expected to drive positive change include (1) Continued growth in FDI inflows, boosting demand for land leases, and (2) The completion of legal formalities for industrial park and urban area projects, enabling them to generate revenue. We update our valuation for KBC shares at VND34,600 mainly due to the adjusted time allocation of Trang Due 3 Industrial Park and Trang Cat Urban Area projects being slower than the original plan. We use the RNAV valuation method to value KBC.

Update business results in 9M/2024

Kinh Bac reported net revenue of VND 1,994 billion (-58% YoY) for the 9M/2024, with the industrial park segment contributing VND 1,116 billion (-76% YoY) and net profit reaching VND 397 billion (-81% YoY). The estimated industrial park land leased in 9M/2024 was approximately 30 hectares, mainly due to obstacles in site clearance and legal issues.

Continued growth in FDI inflows, boosting demand for land leases

In the first 10 months of 2024, cumulative disbursed FDI reached approximately USD 19.5 billion (+8.8% YoY). Additionally, cumulative registered FDI grew to around USD 27.2 billion (+1.9% YoY). With over 90% of industrial park tenants being foreign enterprises, the rise in FDI provides a strong foundation for Kinh Bac's continued growth.

Completing legal formalities for IP and urban projects will enable revenue generation.

We estimate that KBC's revenue will reach approximately VND 3,873 billion (-33% YoY) in 2024 and VND 9,285 billion (+140% YoY) in 2025. After-tax profit for 2024 is projected at VND 1,513 billion (-33% YoY) and VND 3,167 billion (+109% YoY) in 2025. We expect: (1) leased industrial park land area to reach about 60 hectares in 2024 and 150 hectares in 2025, with significant contributions from Nam Son Hap Linh, Trang Due 3, and industrial parks in Long An; and (2) continued growth in the urban real estate segment in 2024 (driven by the Nenh Social Housing project) and a surge anticipated in 2025 as the Trang Cat urban area project completes legal procedures and begins sales.

Risks: (1) Risk of weakening FDI capital flows; (2) Risk of real estate market decline; (3) Risk of slow project implementation; (4) Legal risks.

Year to Dec.	2023	2024F	2025F	2026F	2027F
Revenue (bn VND)	**5,859**	**3,873**	**9,285**	**13,846**	**13,794**
OP (bn VND)	2,874	1,875	3,930	6,840	6,732
NP (bn VND)	**2,245**	**1,513**	**3,167**	**5,519**	**5,431**
EPS (VND)	2,646	1,783	3,732	6,503	6,400
BPS (VND)	23,683	24,961	28,193	34,196	40,096
OPM (%)	49%	48%	42%	49%	49%
NPM (%)	38%	39%	34%	40%	39%
ROE (%)	**11%**	**7%**	**13%**	**19%**	**16%**
PER (x)	10.72	15.34	7.33	4.21	4.27
PBR (x)	1.04	1.10	0.97	0.80	0.68
EV/EBITDA (x)	11.46	6.17	9.22	4.61	2.70

Source: Company data, Shinhan Securities Vietnam

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Valuation and Recommendation

Update valuation with BUY recommendation, target price VND 34,600

We offer an updated Kinh Bac City Development Holding Corporation (KBC) valuation with a buy recommendation and a target price of VND 34,600, representing a 24% increase from the current price. With a strong outlook from both industrial park and real estate business segments, we expect growth for Kinh Bac with the following views:

1) The rise in foreign direct investment (FDI) inflows is significantly driving demand for industrial park leasing.
2) Industrial park projects are projected to finalize legal processes and begin contributing to revenue in 2025.
3) The Trang Cat and Phuc Ninh Urban Area projects are key contributors to growth.

Valuation method

We apply the revalued net asset value (RNAV) method to value Kinh Bac City Development Holding Corporation (KBC). Based on the RNAV method, we estimate the value of KBC shares at 34,600 VND.

The RNAV method

Project Name	Ownership ratio (%)	Valuation method	Discount (%)	Value (billion VND)
- Industrial Park				**13,076**
Quang Chau Expansion	88%	RNAV		95
Nam Son Hap Linh	100%	RNAV		2,469
Tan Phu Trung	72%	RNAV		959
Trang Due 3	87%	RNAV		2,606
Other Industrial Parks		RNAV		4,693
Service Fees of Industrial Parks		DCF		2,254
- Urban Area				**11,973**
Trang Cat	100%	DCF	50%	7,576
Phuc Ninh - Bac Ninh Urban Area	100%	DCF		2,648
Other Projects		DCF		1,749
Total				**25,048**
+ Cash and short-term investments				9,515
+ Long-term investments, fixed assets			20%	5,636
- Debt				5,931
- Deposit (Saigon - Ham Tan Tourism JSC)				5,650
- Minority interests				2,091
Equity value				26,528
Number of shares				767,604,759
Target price (VND)				**34,600**
Current price (VND)				27,850
Upside (%)				**24%**

Variable	Value
D/E	0.28
Beta	1.2
Risk-free rate	2.9%
Cost of equity	16.6%
Cost of debt	11.2%
WACC	14.9%

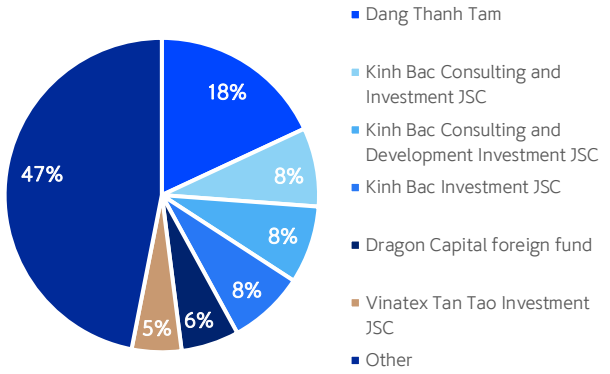
For the Weighted average cost of capital (WACC), we use the 10-year Vietnamese government bond yield at 2.9% as the risk-free rate. Beta is calculated based on historical data of the last 5 years of KBC and VNINDEX.

Company background

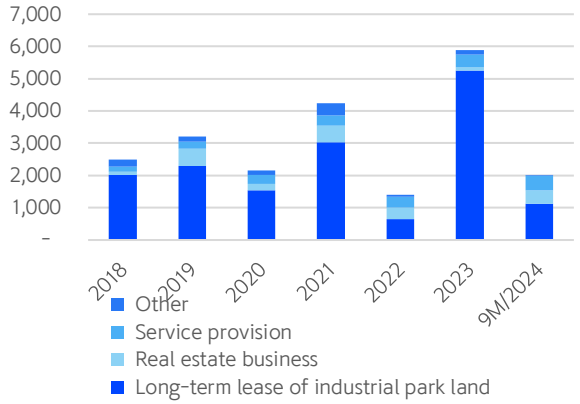
Company history

Kinh Bac City Development Holding Corporation (HoSE: KBC), established in 2002, is one of the leading industrial real estate development enterprises in Vietnam. KBC has experience working with and attracting leading FDI corporations in Vietnam. More than 90% of customers at KBC's industrial park are foreign corporations, from countries such as Japan, Taiwan, Korea, and China with big names such as Canon, Foxconn, LG... By the end of 2022, KBC owned a land fund of up to 6,386 hectares of industrial park land from North to South.

Shareholder structure of KBC



KBC's revenue structure from 2018 – 9M/2024 (billion VND)

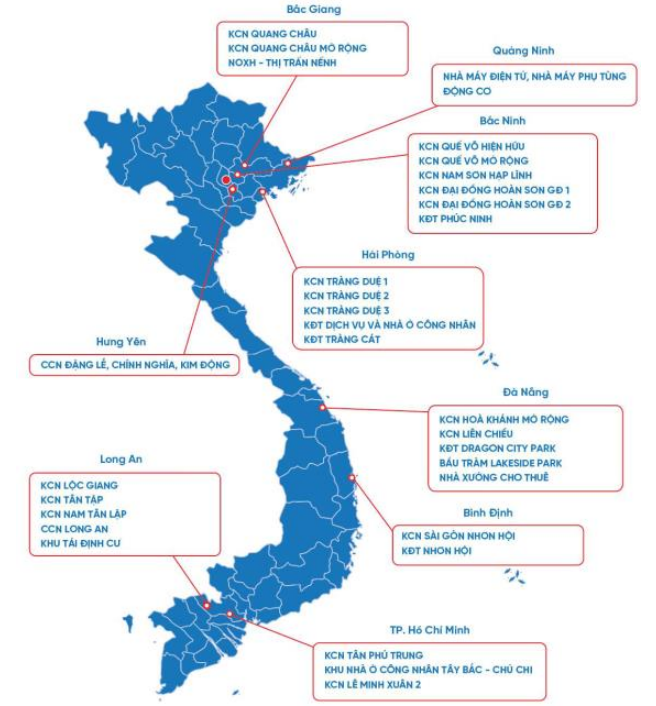


Source: Company report, Shinhan Vietnam Securities

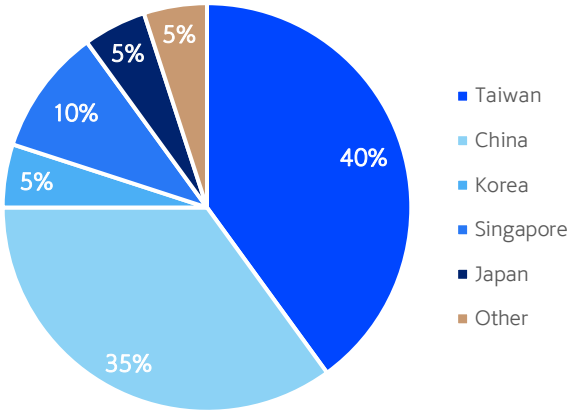
Kinh Bac is mostly owned by the Chairman of the Board of Directors Dang Thanh Tam and his related companies. Major shareholders account for 53% of the shareholder structure.

Kinh Bac's revenue mainly comes from long-term leasing of land and infrastructure in industrial parks, accounting for 50% - 70% of KBC's revenue structure. In addition, real estate business and service provision in industrial parks account for about 15% and 10%, respectively.

Overview of KBC's industrial parks in 2023



KBC's customer structure by country in 2023 (%)

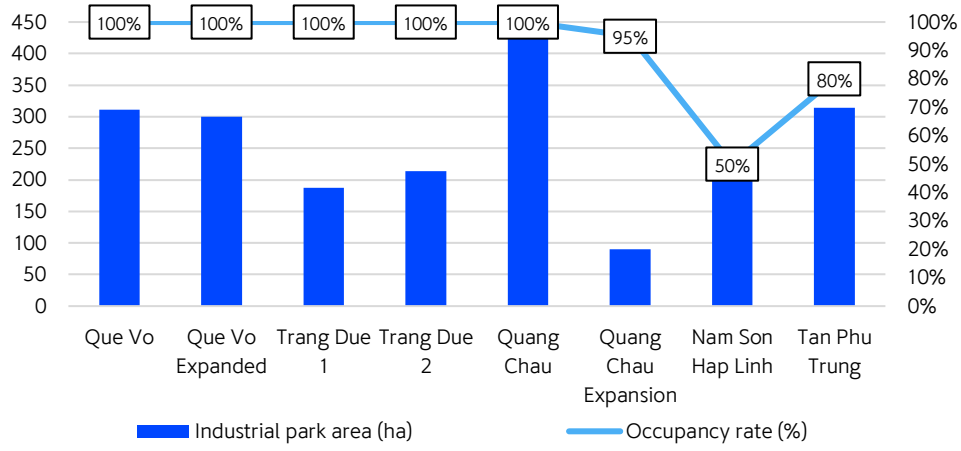


Source: Company report, Shinhan Vietnam Securities

KBC's projects are distributed in all three regions: North - Central - South, in large cities such as Bac Giang, Hai Phong, Da Nang, Ho Chi Minh, and Long An. Along with operating current projects, KBC is also establishing new projects in Hung Yen, Hai Duong, Quang Ninh, Tay Ninh, Vung Tau, Tien Giang,...

More than 90% of customers in KBC's industrial parks are foreign businesses from Japan, Taiwan, Korea, China, Hong Kong, etc. Some large corporations rent KBC industrial parks include Canon, Foxconn, LG, JA Solar, Luxshare – ICT, Goertek, Fuyu, Jufeng, and Ingrasys, ... Which customers from Taiwan and China are the main customer groups at KBC industrial parks.

Industrial parks area and occupancy rate of KBC's current operating industrial parks

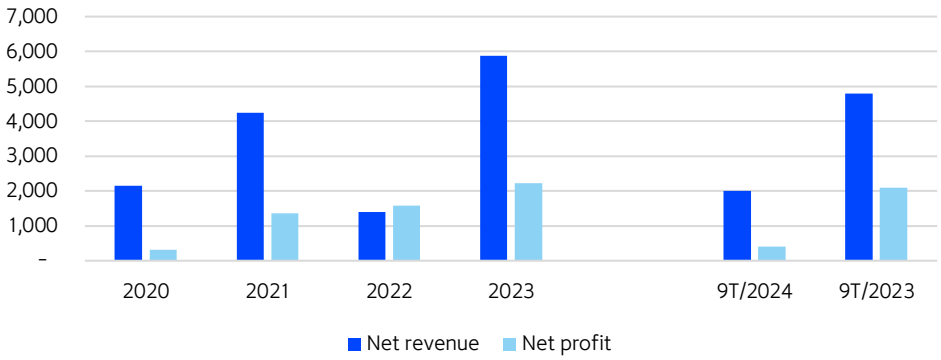


Source: Company report, Shinhan Vietnam Securities

KBC's industrial parks are located mainly in big cities with high occupancy rates. Of the total 6,386.54 hectares of industrial park land mentioned above, 04 industrial parks have a total area of 1,013 hectares and achieve a 100% occupancy rate, and 01 industrial park has an area of 426 hectares and achieves a 96% occupancy rate. Normally, it takes KBC about 6 years to reach an occupancy rate of over 90%.

Update business results in 9M/2024

Kinh Bac revenue and profit 2020 – 9M/2024 (billion VND)



Source: Company report, Shinhan Vietnam Securities

In 9M/2024, Kinh Bac Urban Area reported a net revenue of VND 1,994 billion (-58% YoY). Profit after tax totaled VND 397 billion (-81% YoY). The breakdown is as follows:

The industrial park segment generated VND 1,994 billion (-76% YoY), contributing 56% of the total revenue. The total area of land leased in the IP segment during 9M/2024 was approximately 30 hectares. The segment underperformed compared to projections due to challenges related to site clearance and legal issues, which include:

- The Tan Phu Trung IP project, which still requires compensation for 33.2 hectares of land. Currently, land compensation is delayed due to disagreements over a fair compensation price. The introduction of the new real estate law in August 2024, along with the updated land price list in Ho Chi Minh City, is expected to facilitate compensation and site clearance for businesses.
- The Nam Son Hap Linh Industrial Park project, which has experienced delays in land leasing. In 2023, Bac Ninh province exhausted its allocated land quota, but the Prime Minister's Decision 227/QD-TTG issued on March 12, 2024, increased the land quota for the province by 780 hectares, raising it from 4,760 hectares to 5,540 hectares. This will enable the allocation of land to districts, including Tien Du district, where Nam Son Hap Linh Industrial Park is located. The district's Decision 657/QD-UBND allows for an additional 55 hectares to be allocated to the park, enabling the company to commence leasing in 2024 and 2025.

The urban real estate transfer segment experienced significant growth, reaching VND 421 billion (+432% YoY), accounting for 21% of total revenue. This growth was driven by the transfer of the Nhenh Social Housing project.

Other revenue sources contributed VND 456 billion (+16% YoY), or 23% of revenue, primarily due to increased service revenues (electricity, water, wastewater treatment) and factory rental income compared to the previous year.

In terms of the company's overall business plan, Kinh Bac Urban Area has met 22% of its revenue target and 10% of its net profit target for the year.

In 9M/2024, KBC received VND 5,650 billion from Saigon - Ham Tan Tourism JSC as a deposit for the Trang Cat Urban Area project, which is intended for exclusive brokerage services of more than 40.5 hectares of residential land in the project. This amount is expected to be refunded on September 20, 2025, should the Trang Cat Urban Area project not meet sale qualifications.

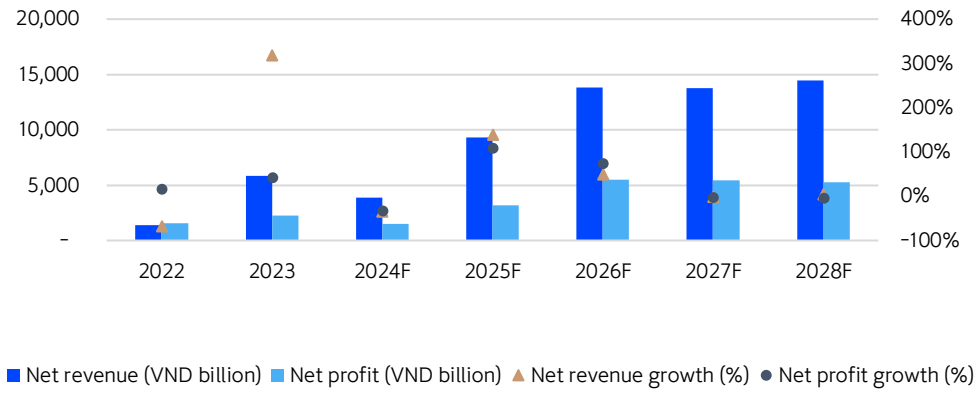
Additionally, on August 28, 2024, KBC issued bonds worth VND 1,000 billion, with a two-year term and a 10.5% annual interest rate, paid semi-annually. The proceeds are intended for debt restructuring and capital supplementation for industrial park projects.

The company's performance has been lower than expected due to delays in project execution and legal challenges. However, revenue and profit are anticipated to improve in the coming year as industrial park projects finalize legal procedures and compensation..

Earnings estimates

Business is expected to improve in 2025 after legal procedures are completed

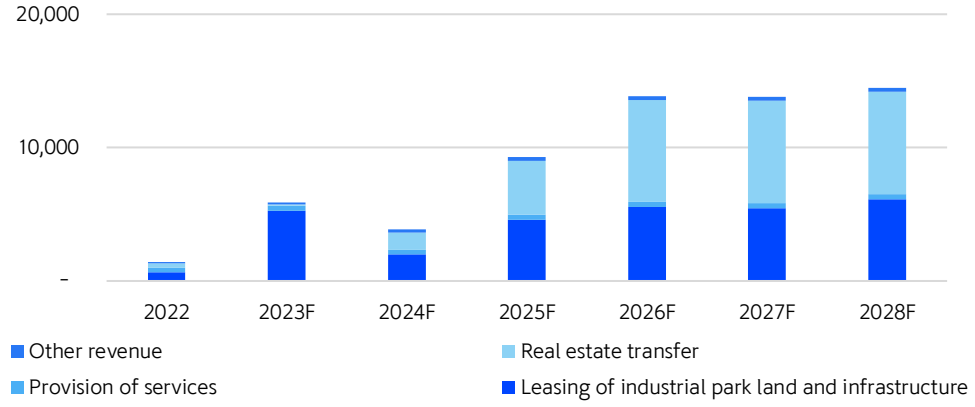
Kinh Bac net revenue and net profit forecast 2022 – 2028F



Source: Company report, Shinhan Securities Vietnam

We forecast Kinh Bac Urban Development Corporation's net revenue to reach approximately VND 3,873 billion (-33% YoY) in 2024 and VND 9,285 billion (+140% YoY) in 2025. The projected net profit for 2024 is VND 1,513 billion (-33% YoY), and for 2025, it is expected to reach VND 3,167 billion (+109% YoY).

Kinh Bac revenue structure 2022 – 2028F (billion VND)



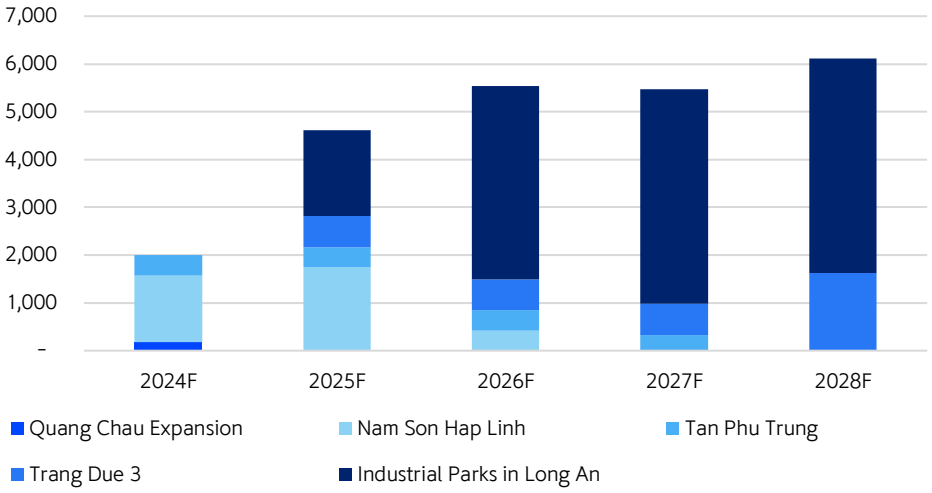
Source: Company report, Shinhan Securities Vietnam

In 2024, KBC's revenue and profit will mainly come from industrial park land leasing and real estate project transfers. We estimate that KBC will lease approximately 60 hectares, primarily from Nam Son Hap Linh IP (40 ha), Quang Chau IP expansion (4.91 ha), and Tan Phu Trung IP (16.9 ha). For real estate transfers, we expect the Nhenh Social Housing project to contribute around 1.6 hectares.

In 2025, KBC's business performance is expected to improve as legal procedures for the Nam Son Hap Linh and Trang Due 3 industrial park projects are completed. We estimate that KBC will lease around 150 hectares, primarily from Nam Son Hap Linh IP, Trang Due 3 IP, and industrial parks in Long An. Additionally, we expect KBC to begin recognizing revenue from the Trang Cat Urban Area project in 2025, boosting real estate transfer income.

The IP segment is expected to grow significantly due to Trang Due 3 and Long An industrial parks.

Forecast of Kinh Bac's industrial park revenue 2023F - 2028F (billion VND)



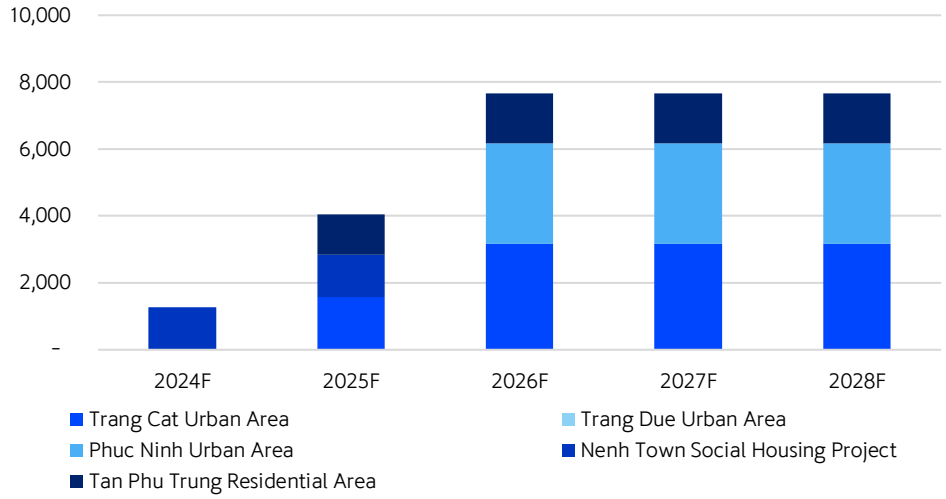
Source: Company report, Shinhan Securities Vietnam

With a landbank of 456 hectares at Trang Due 3 IP and additional lands in Long An, including Nam Tan Tap IP (159 ha), Tan Tap IP (460 ha), and Loc Giang IP (326 ha), KBC has strong long-term growth potential.

The company is also working on necessary legal procedures to approve new projects in Bac Ninh, Thai Nguyen, Hau Giang, Can Tho, and Vung Tau, covering an estimated 3,500 hectares of industrial land and 650 hectares of urban land.

Real estate transfer revenue is expected to see explosive growth due to the Trang Cat Urban Area project.

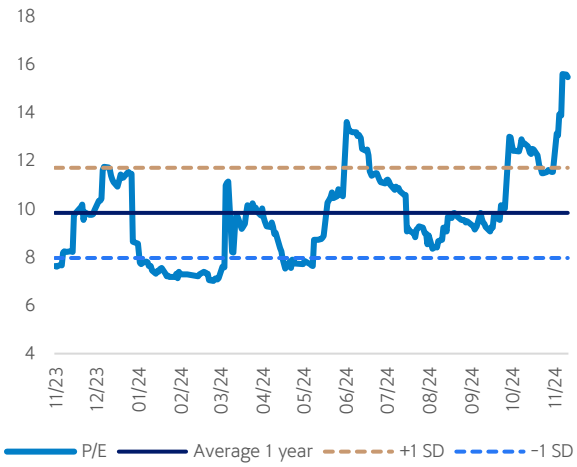
Forecast of Kinh Bac's real estate transfer revenue 2023F - 2028F (billion VND)



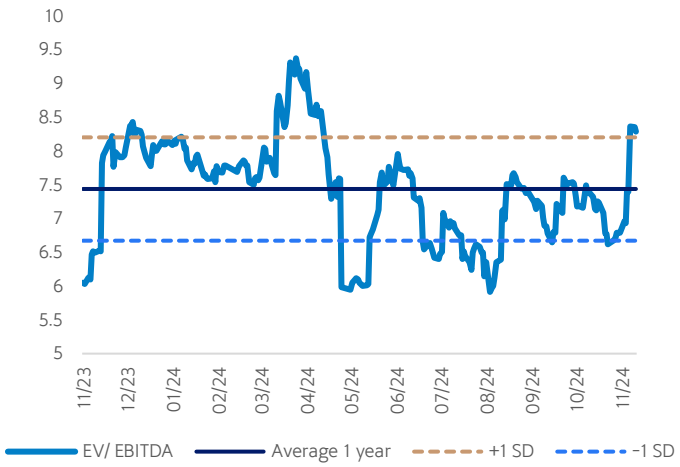
Source: Company report, Shinhan Securities Vietnam

The Trang Cat Urban Area project is expected to make a significant contribution to KBC's financial performance starting in 2025. We estimate KBC will hand over 20–30 hectares of land annually, generating approximately VND 6,500–9,500 billion in revenue and VND 2,300–4,700 billion in profit. Additionally, the Phuc Ninh Urban Area project is nearing completion, and we expect it to contribute to KBC's revenue starting in 2026.

P/E 1 year

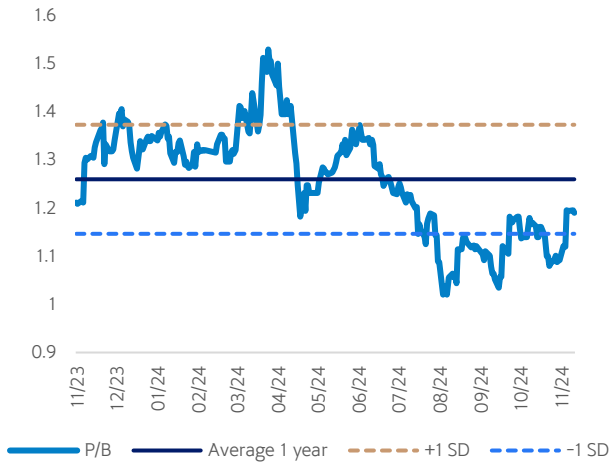


EV/EBITDA 1 year

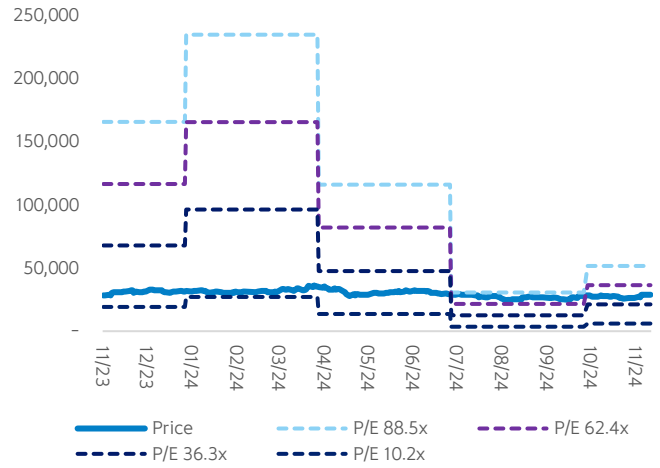


Source: Bloomberg data, Shinhan Securities Vietnam

P/B 1 year

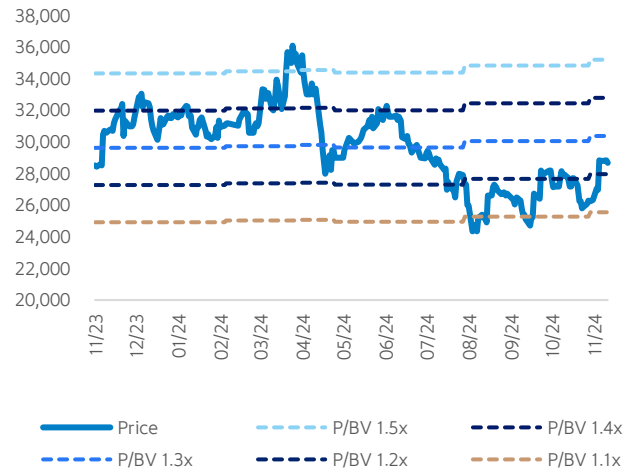


P/E band



Source: Bloomberg data, Shinhan Securities Vietnam

P/B band

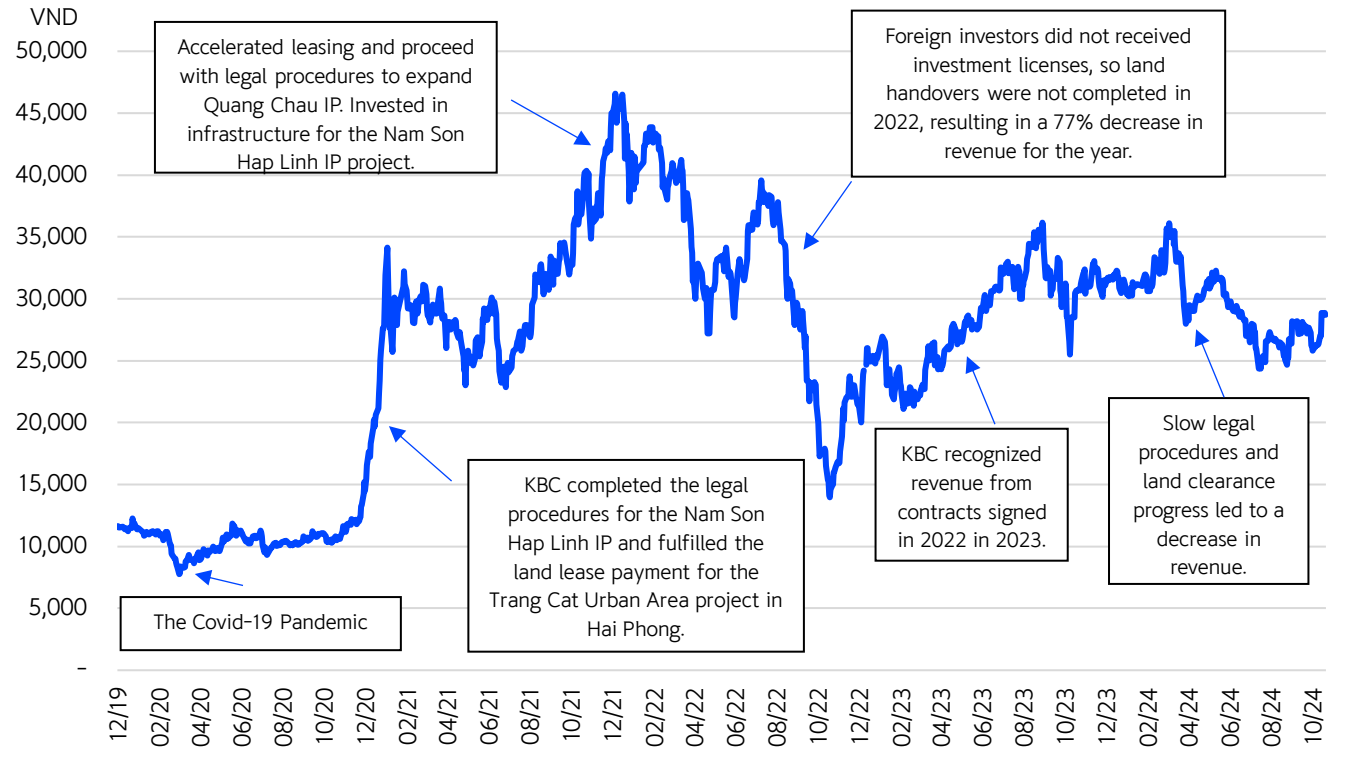


ROE and MA



Source: Bloomberg data, Shinhan Securities Vietnam

Key event chart of KBC



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Appendix: Financial statements

Statement of financial position

Year to Dec. (bn VND)	2023	2024F	2025F	2026F	2027F
Total assets	**33,434**	**43,075**	**53,793**	**63,422**	**73,033**
Current assets	25,029	34,454	44,988	54,426	63,834
Cash & equivalents	841	7,945	12,711	17,470	21,388
Short-term financial asset	1,864	1,864	1,864	1,864	1,864
Accounts receivable	10,105	11,204	15,628	18,829	22,692
Inventories	12,219	13,441	14,785	16,263	17,889
Non-current assets	8,405	8,621	8,805	8,996	9,199
Net fixed assets	449	516	530	536	535
Investment assets	-	-	-	-	-
Other long-term assets	7,956	8,105	8,276	8,460	8,665
Total liabilities	**13,213**	**21,870**	**30,107**	**35,128**	**40,210**
Current liabilities	6,579	7,159	12,406	15,432	18,324
Accounts payable	436	477	920	1,008	964
Short-term borrowings	337	725	5,367	8,137	10,895
Others	5,805	5,958	6,119	6,287	6,464
Non-current liabilities	6,635	14,711	17,701	19,696	21,886
Long-term borrowings	3,322	5,259	7,116	7,808	8,498
Other financial liabilities	3,313	9,452	10,585	11,888	13,389
Total shareholders' equity	**20,221**	**21,205**	**23,686**	**28,294**	**32,823**
Charter capital	7,676	7,676	7,676	7,676	7,676
Capital surplus	2,744	2,744	2,744	2,744	2,744
Retained earnings	7,754	8,739	11,219	15,828	20,356
Other capital	2	2	2	2	2
Non-controlling interest equity	2,045	2,045	2,045	2,045	2,045
*Total debt	3,659	5,983	12,483	15,945	19,393
*Net debt (cash)	2,818	(1,962)	(228)	(1,525)	(1,995)

Statement of comprehensive income

Year to Dec. (bn VND)	2023	2024F	2025F	2026F	2027F
Revenue	**5,859**	**3,873**	**9,285**	**13,846**	**13,794**
Growth (%)	319%	-34%	140%	49%	0%
COGS	**(1,923)**	**(2,062)**	**(3,980)**	**(4,360)**	**(4,171)**
Gross profit	**3,695**	**1,811**	**5,305**	**9,486**	**9,622**
GPM (%)	63%	47%	57%	69%	70%
SG&A	**(813)**	**(708)**	**(1,698)**	**(2,533)**	**(2,523)**
Operating profit	**2,883**	**1,102**	**3,607**	**6,953**	**7,099**
Growth (%)	-1278%	-62%	227%	93%	2%
OPM (%)	49%	28%	39%	50%	51%
Non-operating profit	**9**	**758**	**288**	**(166)**	**(420)**
Financial income	426	465	254	130	94
Financial expense	(426)	(343)	(581)	(894)	(1,111)
In which: interest expenses	(380)	(343)	(581)	(894)	(1,111)
Net other non-operating profit	9	636	615	598	598
Pre-tax profit	**2,891**	**1,860**	**3,895**	**6,787**	**6,679**
Income tax	(646)	(348)	(728)	(1,269)	(1,248)
Net profit	**2,245**	**1,513**	**3,167**	**5,519**	**5,431**
Growth (%)	42%	-33%	109%	74%	-2%
NPM (%)	38%	39%	34%	40%	39%
Controlling interest	2,031	1,368	2,865	4,992	4,912
Non-controlling interest	214	144	302	527	518
EBIT	**3,271**	**2,203**	**4,476**	**7,681**	**7,791**
Growth (%)	47%	-33%	103%	72%	1%
EBIT Margin (%)	56%	57%	48%	55%	56%
EBITDA	**3,403**	**2,276**	**4,558**	**7,772**	**7,888**
Growth (%)	48%	-33%	100%	70%	2%
EBITDA margin (%)	58%	59%	49%	56%	57%

Statement of cash flow

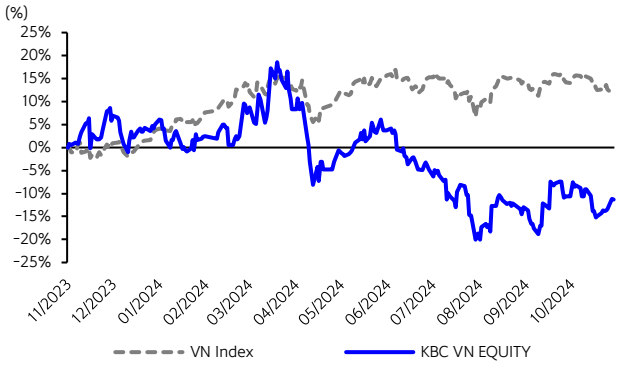
Year to Dec. (bn VND)	2023	2024F	2025F	2026F	2027F
Cash flow from operations	**3,002**	**5,304**	**(1,254)**	**1,778**	**950**
Net profit	2,891	1,860	3,895	6,787	6,679
Depreciation expense	133	73	83	90	98
(Gain) from investing activities	(415)	-	-	-	-
Interest expense/ income	108	-	-	-	-
Change in working capital	416	3,992	(4,027)	(3,081)	(3,768)
Others	(130)	(477)	(903)	(1,492)	(1,541)
Cash flow from investments	**153**	**(140)**	**(97)**	**(97)**	**(97)**
Change in fixed assets	(1,251)	(140)	(97)	(97)	(97)
Change in investment assets	-	-	-	-	-
Others	1,404	-	-	-	-
Cash flow from financing	**(3,997)**	**1,940**	**6,116**	**3,078**	**3,065**
Change in equity	130	-	-	-	-
Net borrowing	(3,997)	2,324	6,500	3,462	3,448
Dividends	(130)	(384)	(384)	(384)	(384)
Change in total cash	**(842)**	**7,104**	**4,765**	**4,759**	**3,918**
Beginning cash	1,683	841	7,945	12,711	17,470
Change in FX rates	-	-	-	-	-
Ending cash	841	7,945	12,711	17,470	21,388

Key ratios

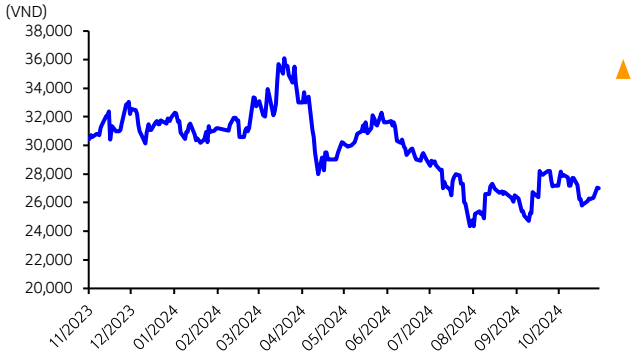
Year to Dec.	2023	2024F	2025F	2026F	2027F
EPS (VND)	2,646	1,783	3,732	6,503	6,400
BPS (VND)	23,683	24,961	28,193	34,196	40,096
DPS (VND)	170	500	500	500	500
PER (x)	10.72	15.34	7.33	4.21	4.27
PBR (x)	1.04	1.10	0.97	0.80	0.68
EV/EBITDA (x)	11.46	6.17	9.22	4.61	2.70
Dividend payout ratio (%)	1%	2%	2%	1%	1%
Dividend yield (%)	1%	2%	2%	2%	2%
Profitability					
EBITDA margin (%)	58%	59%	49%	56%	57%
OPM (%)	49%	28%	39%	50%	51%
NPM (%)	38%	39%	34%	40%	39%
ROA (%)	7%	4%	7%	9%	8%
ROE (%)	12%	7%	14%	21%	18%
Stability					
Debt to equity ratio (%)	18%	28%	53%	56%	59%
Net debt ratio (%)	83%	-86%	-5%	-20%	-25%
Cash ratio (%)	13%	111%	102%	113%	117%
Interest coverage ratio (x)	8.61	6.43	7.71	8.59	7.01
Activity (%)					
Inventory turnover (days)	765	1,209	555	409	452
Accounts receivable turnover (days)	640	956	501	431	520
Accounts payable turnover (days)	84	81	64	81	86

Kinh Bac City Development Holding Corporation (KBC)

Share price



Target price (VND)



Date	Rating	TP (VND)	TP gap (%)	
			TB	Max/Min
29/12/2023 (Initiate)	BUY	42,400	50	16/114
11/03/2024 (Update)	BUY	42,400	48	16/103
26/11/2024 (Update)	BUY	34,600	14	-5/43

Note: Calculation of target price gap based on past 12 months

Shinhan Securities Vietnam

Stock	Sector
◆ **BUY:** Expected 12-month gain of 15% or more ◆ **HOLD:** Expected 12-month loss of 15% to gain of 15% ◆ **SELL:** Expected 12-month loss of 15% or more	◆ **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL

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