

BAMBOO CAPITAL JSC (BCG) – UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND17,800	VND24,000	4.49%	ADD	Conglomerate

31 August 2021

Outlook – Short term: Positive
Outlook – Long term: Positive
Valuation: Positive

Consensus*: Add: 1 Hold: Reduce:

Target price / Consensus: N/A

Key changes in the report

- Raise FY21, 22, and 23F by 32.3%, 33.2%, 13.4%, respectively vs. previous forecast.
- Revise TP up by 33.3% from old TP.

Price performance



Source: VND RESEARCH

Key statistics

52w high (VND)	18,050
52w low (VND)	4,900
3m Avg daily value (VNDmn)	42,109
Market cap (VNDbn)	5,043
Free float (%)	52
TTM P/E (x)	9.4
Current P/B (x)	2.0

Ownership

Nguyen Ho Nam	14.8%
Helios Services & Investment JSC.	10.0%
Nguyen Viet Khai	7.6%
Others	67.6%

Source: VND RESEARCH

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Solid growth momentum maintains in 2H21

- In 1H21, BCG's net profit (NP) is 19.8 times higher than the same period last year, fulfilling 49.3% of our full year forecast.
- We raise our forecast for FY21/22/23F NP by 32.3%/33.2%/13.4% vs. previous projection, respectively, due to the adjustment of property handover revenue.
- Reiterate our Add call with higher target price (TP) of VND24,000/share.

1H21 net profit exceeded our expectation

In 2Q21, BCG's net revenue raised by 56.0% yoy to VND814bn thanks to strong growth in goods production (+76.2% yoy) and construction segment (+37.5% yoy). Thereby, 2Q21 net profit surged by 1,285.9% yoy to VND218bn, resulting in 1H21 net profit growth of 1,866.7% yoy, fulfilling 49.3% of our full year forecast and 59.3% company guidance. This result is better-than-expected as 2H21 revenue will continue to increase strongly given the handover of VND3,497bn from Malibu Hoi An and King Crown Village projects.

Property remains as growth engine in FY21-22F

We estimate that BCG will hand over 67 villas and 601 condotels at Malibu Hoi An project, along with all 12 remaining villas at Thao Dien project in 2H21, contributing VND3,479bn in BCG's FY21F revenue and VND756bn in FY21F net profit. In FY22F, we expect the company to record revenue of VND4,300bn and net profit of VND621bn from property segment.

Renewable energy (RE) is the core strategy in the long term

Currently, BCG is completing 500MW of wind power projects and 164MWp of solar power. At the same time, BCG is implementing rooftop solar power projects with a total capacity of 50MWp. We expect that the total capacity to come into operation in FY21F is 520MW and by FY23F it will be nearly 1.4GW. We forecast that BCG's RE segment will record a slight profit of VND75bn in FY21F and will gradually increase to VND750bn by FY23F when interest expense pressure decreases, helping to improve cash flow and capital structure for property and RE projects in the future.

Reiterate our Add call with higher TP of VND24,000/share

We reiterate our Add rating and raise TP to VND24,000/share based on SOTP valuation on three main segments including property, RE and other businesses. Re-rating catalysts are (1) better-than-expected presales in hospitality property projects, (2) more favorable new Feed-in Tariff (FIT) prices than expected after national PDP8. Downside risks including (1) the slow growth of the hospitality real estate market due to the pandemic, 2) the failure to complete the schedule to enjoy incentives for renewable energy projects, and 3) the risk of dilution due to huge capital needs.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	1,855	5,922	8,117	9,789
Revenue growth	17.7%	219.3%	37.1%	20.6%
Gross margin	22.7%	36.2%	31.2%	34.0%
EBITDA margin	38.7%	46.5%	47.2%	72.1%
Net profit (bn)	211	897	986	2,010
Net profit growth	84.7%	324.3%	10.0%	103.9%
Recurring profit growth	84.7%	324.3%	10.0%	103.9%
Basic EPS	1,554	4,321	4,751	9,687
Adjusted EPS	1,554	4,321	4,751	9,687
BVPS	11,587	14,561	18,512	27,399
ROAE	15.1%	39.0%	28.7%	42.2%

SOLID GROWTH MOMENTUM MAINTAINS IN 2H21

Reiterate Add rating with higher target price (TP)

Investment thesis

We have positive view on BCG's outlook for FY21-23F thanks to the following factors:

- According to our projection, revenue from Malibu Hoi An, King Crown Village Phase 1 would contribute VND3,479bn in FY21F, accounting for 58.7% of total revenue. In addition, the handover of these first projects could help BCG strengthen its brand as a reputable real estate developer, creating a premise for future sales and project implementation.
- BCG owns a large portfolio of real estate projects, in which both hospitality property (in well-known tourist cities) and residential property (in HCMC) segments are expected to face difficulties in presale activities due to social distancing in 3Q21. However, we believe a recovery from 4Q21 on the back of vaccine penetration accelerates. We expect the take-up rate of the projects to reach 70-90% after launching in 2021-22 thanks to its favorable location and competitive selling price compared to other real estate projects in the same area. As a result, the property developing segment is expected to contribute 53.0% in FY22F revenue.
- The renewable energy (RE) sector still has a lot of potential in the general development trend of the electricity industry in the context of a more significant shortfall of electricity in 2022-23F when the economy is supported by the loosening monetary policies, positive macroeconomic factors, and the recovery of exporting demand post pandemic. After the FIT 1 tariff for wind power expires in Nov 2021, BCG expects to put into operation at least 180MW of wind power in 2022. We believe that the FIT 2 price for wind electricity is still positive enough for developers to continue investing in wind power after 2022. We forecast that BCG's RE segment will achieve VND75bn of NP in FY21 and gradually increase to c.VND750bn in FY23F as interest pressure decreases, helping to improve cash flow and additional funding for property and RE development.

Reiterate Add rating with higher TP of VND24,000/share

Our valuation is based on the sum-of-the-parts (SOTP) methodology for BCG's three main businesses including property, renewable energy, and others. For real estate and other businesses, we apply a cash flow projection with a WACC of 11% (vs. 12% in previous projection as debt/equity ratio increased to 70% from 65%) to calculate the NPV of the projects. For the RE segment, we apply DCF valuation for the entire plant's life (20 years) with an average WACC of 8.1% (vs. 9.8% in previous valuation due to lower debt costs of RE projects compared to other industries according to the bank's preferential policies for RE loans and higher debt/equity ratio), based on estimates of the company's progress in putting the plant into operation.

For other assets, liabilities and minority interest, we use the book value as at 30 Jun 2021. Thereby, our new TP is VND24,000/share, which corresponds to reiterate our Add rating for BCG.

Figure 1: SOTP-based valuation

SOTP valuation (VNDbn)	Method	
Renewable energy	DCF 20 years	9,765
Property	NPV	5,184
Others		913
Investment in affiliates	Book value at the end of 2Q21	1,725
(+) Cash and cash equivalents		1,936
(+) Other assets		1,344
(-) Total debt		13,155
(-) Minority interests	Book value at the end of 2Q21	2,718
Equity value		4,993
Number of outstanding share (million shares)		208
Equity value per share (VND/share)		24,060
Target price (rounded) (VND/share)		24,000

Sources: VND RESEARCH

Figure 2: Peer comparison (data as at 30 Aug 2021)

Company Name	Ticker	Share price (local cur)	TP (local cur)	Recom.	Market Cap (US\$m)	3-year Fwd EPS CAGR (%)	P/E (x)		P/B (x)		ROE (%)		Dividend yield (%)		Net D/E (%)
							2021F	2022F	2021F	2022F	2021F	2022F	2021F	2022F	
Property															
Vinhomes	VHM VN	106,900	134,300	ADD	15,716	44.7	12.8	7.4	3.1	2.2	28.2	34.3	-	-	27.8
Novaland	NVL VN	104,000	107,700	HOLD	6,727	51.4	24.9	15.2	3.4	2.8	14.7	20.1	-	-	114.7
Khang Dien	KDH VN	39,500	45,500	ADD	1,080	23.6	20.6	13.2	2.6	2.4	14.5	21.1	1.4	1.4	22.6
Dat Xanh	DXG VN	22,250	NR	NR	506	N/A	14.0	8.4	1.6	1.4	14.0	18.2	N/A	N/A	43.6
Nam Long	NLG VN	43,500	46,700	ADD	545	22.6	10.5	8.8	1.7	1.5	19.1	19.3	3.6	3.2	36.6
Average						35.6	16.6	10.6	2.5	2.0	18.1	22.6	1.2	1.2	49.1
Power															
PetroVietnam Power Corp	POW VN	11,950	15,000	ADD	1,228	11.0	13.1	10.4	0.9	0.8	7.1	8.5	1.7	4.8	14.6
PetroVietnam Nhon Trach 2 Power JSC	NT2 VN	20,850	NR	NR	263	19.1	18.7	12.0	1.6	1.7	8.2	13.2	8.5	8.5	16.6
Gia Lai Electricity JSC	GEG VN	18,100	NR	NR	237	22.8	19.6	16.7	1.5	1.5	8.0	8.0	2.1	2.1	105.7
Thanh Thanh Cong - Bien Hoa JSC	SBT VN	22,600	NR	NR	612	21.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	80.4
Pha Lai Thermal Power JSC	PPC VN	24,800	NR	NR	349	9.3	19.1	11.4	1.6	1.6	7.9	13.9	21.0	7.1	-27.6
Refrigeration Electrical Engineering Corp	REE VN	65,000	NR	NR	882	11.2	11.9	10.2	1.6	1.4	14.2	13.9	N/A	2.5	29.6
Vinh Son - Song Hinh Hydropower JSC	VSH VN	28,000	NR	NR	290	14.9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	171.7
Average						15.6	16.5	12.2	1.4	1.4	9.1	11.5	8.3	5.0	55.9
Construction															
Coteccons Construction JSC	CTD VN	69,100	NR	NR	224	34.5	19.8	14.5	0.6	0.6	3.2	4.3	2.2	2.2	-40.2
Hoa Binh Construction Group JSC	HBC VN	15,050	NR	NR	153	23.7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	117.1
Average						29.1	19.8	14.5	0.6	0.6	3.2	4.3	2.2	2.2	38.5
Conglomerate															
Dat Phuong JSC	DPG VN	41,800	NR	NR	116	8.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	120.6
Power Construction JSC No.1	PC1 VN	34,600	NR	NR	290	14.3	14.5	12.9	1.4	1.3	10.0	10.7	N/A	N/A	46.5
Average						11.4	14.5	12.9	1.4	1.3	10.0	10.7	N/A	N/A	83.6
Bamboo Capital JSC	BCG VN	17,800	24,000	ADD	232	75.6	5.6	5.1	1.6	1.3	39.0	28.7	3.3	3.3	172.2

Sources: VND RESEARCH, BLOOMBERG

Potential risks and catalysts

Potential catalysts include 1) higher-than-expected presales in property projects, 2) more favorable new FIT prices than expected after power development plan 8 (PDP8). (3) Successful IPO of the RE business line (BCG Energy) in the international market. Currently, SP Group - a company operating the national grid of Singapore, has signed a memorandum of understanding on receiving the transfer of 49% shares of Skylar Jsc. from BCG Energy.

Risks:

- Slow growth in hospitality real estate market: BCG's property projects are mainly tourism, resort and high-end projects, which are sensitive to

the economic cycle. Currently, the hospitality property market is being negatively affected by the Covid-19 pandemic. In addition, the incomplete legal issue (for condotels) is also a factor that makes this type of properties less attractive to investors.

- Incentive policies for RE projects are currently attractive, however, the incentive period is quite short and creates risks for projects that cannot be completed in time.
- Dilution risk: Property and RE projects both require large investment capital, especially for solar power projects, where investors have to disburse a large amount of capital in a short time, while the payback period is long (up to 7-8 years), thus creating pressure on raising capital for the company. BCG's debt to equity ratio is currently around 2.5x as at 30 Jun 2021.

1H21 business results: Net profit grew significantly, exceeding our expectations

Figure 3: 1H21 results comparison

(VNDbn)	2Q21	2Q20	Change yoy (%)	1H21	1H20	Change yoy (%)	% FY21 forecast	Comments
Net revenue	814	522	56.0%	1,448	907	59.7%	28.0%	Revenue from property handover has not been recognised in 1H21. We expect that BCG's revenue will increase sharply in 2H21 from the handover of VND2,695bn from Malibu project and VND784bn from King Crown Village Thao Dien project.
Goods	575	326	76.2%	934	540	72.9%		
Services	25	40	-36.3%	126	82	54.3%		
Construction	214	156	37.5%	388	285	36.3%		
Gross profit	303	72	321.7%	506	148	242.3%	26.0%	
Gross profit margin	37.2%	13.7%	+23.4% pts	34.9%	16.3%	+18.6% pts		Blended GPM improved strongly thanks to the high GPM of the property and RE segments.
Financial income	714	197	261.7%	1,027	250	311.1%	242.6%	Income from business cooperation contracts (BCC) and stocks/bonds investment increased sharply yoy.
Financial expense	(423)	(128)	230.2%	(646)	(181)	256.5%	87.3%	Interest expense raised due to a sharp increase of 187% ytd in total debt.
Selling expense	(30)	(23)	30.1%	(54)	(57)	-4.8%	26.1%	
General & administrative expense	(134)	(65)	104.3%	(205)	(95)	115.8%	56.7%	
SG&A expenses/ Revenue	20.1%	17.0%	+3.1% pts	17.9%	16.7%	+1.2% pts		
Operating profit	399	38	961.5%	593	51	1073.8%	43.1%	
Other profit	(3)	0	-2802.4%	3	1	361.4%	-69.2%	
EBT	395	38	949.0%	596	51	1065.5%	59.6%	
Profit after tax	316	19	1583.0%	478	27	1665.0%	59.9%	Higher than our expectation.
Net profit	218	16	1285.9%	336	17	1866.7%	49.3%	Higher than our expectation.

Sources: VNDIRECT RESEARCH, COMPANY REPORT

FY21-22F outlook: Property is the main driver for earnings growth

Property - the main driver for strong growth in 2H21F and FY22F

After putting Casa Marina phase 1 into operation, BCG has implemented Malibu Hoi An and King Crown Village since 2018 and launched for sale in FY19. However, due to the impact of the COVID-19 pandemic, construction progress and delivery was slower than planned and delayed from end-2020 to 2021. In terms of sales progress, by Jun 2021, BCG had sold 566 condotel units and 41 villas in Hoi An, while 17 villas in Thao Dien also have been sold out. In which, BCG has handed over 5 villas at King Crown Village in 1Q21. We estimate that BCG will continue to hand over 67 villas (60% of villas) and 601 condotels (90% of condotels) at Malibu Hoi An project, along with all remaining 12 villas in Thao

Dien project in FY21F, bringing in FY21F revenue of VND3,479bn and FY12F net profit of VND756bn, according to our forecast.

In 2022, we expect BCG will continue to hand over the rest (29 villas and 67 condotels) at Malibu Hoi An project and hand over new projects such as Casa Marina phase 2, Hoi An D'or, Casa Marina Mui Ne and Amor Riverside Binh Chanh. According to our forecast, BCG can record revenue of VND4,300bn and net profit of VND621bn from the property segment in FY22F.

Figure 4: BCG's property portfolio

Project	Land area (ha)	Location	Type of property	Total investment (VNDbn)	2019	2020	2021	2022	2023	2024
Completed projects										
Casa Marina (Phase 1)	1.50	Ghenh Rang, Quy Nhon, Binh Dinh	56 rooms/bungalow	198						
Under development projects										
Malibu Hoi An	10.30	Hoi An, Quang Nam	Villas, condotels	2,729						
King Crown Village	0.91	Thu Duc, HCMC	Phase 1: Villas, Phase 2: Complex of hotels, commerce, offices	1,539						
Casa Marina Premium	12.00	Ghenh Rang, Quy Nhon, Binh Dinh	Villas	1,853						
Amor Garden	7.00	Hoi An, Quang Nam	Villas, condotels	3,334						
Hoi An D'or (Con Bap)	24.40	Hoi An, Quang Nam	Resort complex combined with cultural preservation	3,860						
King Crown Infinity	1.26	Thu Duc, HCMC	Complex of apartments, officetel, shophouse	4,584						
Casa Marina Mui Ne	1.21	Mui Ne, Phan Thiet, Binh Thuan	Villas, condotels	1,611						
Amor Residence Villa	0.75	Binh Chanh, HCMC	Villas	355						
Land bank for future projects										
King Crown City	4.00	Thu Duc, HCMC	Complex of 8 blocks of high-class apartments, offices, commerce and services	NA						
King Crown Park	5.60	Binh Tan, HCMC	Complex of 7 blocks of high-class apartments, offices, commerce and services	NA						

Sources: VND RESEARCH, BCG

Renewable energy (RE) segment: implementing closely the plan and waiting for Power Development Plan 8 (PDP8)

In terms of energy, Vietnam is forecasted to be in short position of electricity in the long term, so we believe that solar and wind power will still be important energy sources in the future. BCG has a pipeline of about 2.5 GW currently proposing to supplement the PDP8 and still has a project to deploy in FY21-22F.

In 2021, BCG focuses on constructing 500MW of wind power projects and 164MWp of solar power, most of which are unfinished projects from 2020. At the same time, BCG is implementing rooftop solar power projects with a total capacity of 50 MWp.

In the longer term, BCG Energy aims to be the leading platform for RE. In terms of energy, in parallel with the implementation of wind and solar power projects, BCG is also focusing resources to prepare for the development of LNG projects in the coming time. If all conditions are favorable after the official PDP8 is issued, BCG will continue to implement the construction of solar power projects. In addition, after a joint venture with Singapore Power (SP Group), BCG might develop from 100-150MWp of rooftop solar power projects per year.

Although the management board expect to be able to partially energise wind power projects before 30 Oct, the project implementation will face difficulties due to supply shortage of turbines. Therefore, we cautiously assume that phase 1 of

Ca Mau and Tra Vinh factories will come into operation in Apr 2022 and Nov 2022, respectively, according to the company's previously announced plan.

We forecast that BCG's RE segment will achieve VND75bn of NP in FY21 and gradually increase to c.VND750bn in FY23F as interest pressure decreases, helping to improve cash flow and additional funding for property and RE development.

Figure 5: BCG's renewable energy project portfolio

	Location	BCG's ownership	Capacity (MWp/MW)	Volume (million kWh)	Selling price (c/kWh)	Total investment (VNDbn)	Commercial operation date
Solar power							
			MWp				
BCG-CME Long An 1	Thanh Hoa, Long An	38%	41	60	9.35	1,088	06/2019
BCG-CME Long An 2	Thanh Hoa, Long An	33%	100	151	7.09	2,200	08/2020
Vneco - Vinh Long	Vung Liem, Vinh Long	100%	49	70	7.09	1,156	12/2020
					Phase 1:		
Phu My	Phu My, Binh Dinh	86%	330	520	7,09	6,214	Phase 1: 216MWp in Dec 2020, Phase 2: 6M21
Sunflower	Thanh Hoa, Long An		50	NA	NA	862	NA
Redsun	Thanh Hoa, Long An		50	NA	NA	846	NA
4 BCG Duc Hoa projects	Duc Hue, Long An		200	NA	NA	3,495	NA
Krong Pa 2	Krong Pa, Gia Lai		49	NA	NA	1,181	NA
Wind power							
			MW				
Tra Vinh	Dong Thanh, Tra Vinh	NA	200	582	8,47*	8,040	Phase 1: 80MW in Nov 2022
Ca Mau	Khai Long, Ca Mau	NA	300	920	8,47*	13,000	Phase 1: 100MW in Apr 2022
Soc Trang	Vinh Chau, Soc Trang		50	153	NA	1,864	NA

* Proposed selling price of the Ministry of Industry and Trade for projects operating after Nov 2021

Sources: VND RESEARCH, BCG

Strategic cooperation between Bamboo Capital and Deo Ca Group elevates construction projects

Besides renewable energy and property development as two strategic business lines, BCG also focuses on construction and transport infrastructure development. This segment is concentrated in a member unit of Transport and Industry Development Investment Corporation (Tracodi, HOSE: TCD).

Despite the prolonged pandemic in 2021, TCD's business scale is still expanding. TCD's earnings had a high growth period due to the implementation of RE and property projects of the parent company - BCG. As the parent company expands its project portfolio, TCD's workload is getting larger. In 1H21, TCD recorded a impressive growth of 80.4% in revenue and 631.4% in net profit.

Regarding the plan for 2H21, TCD will continue to construct property projects such as King Crown Infinity in Thu Duc and Malibu project and Hoi An D'or project in Hoi An. In 3Q21, the total contract value of property projects, solar projects and wind power projects are over VND500bn, VND250bn, and VND120bn, respectively. Thus, TCD estimates its total construction revenue in 3Q21 is c.VND800bn and reach more than VND1, 300bn in 4Q21 revenue.

In addition, TCD also plans to implement more projects in the field of transport infrastructure by cooperating with Deo Ca Group (HOSE: HHV). Specifically, in 2H21, several parts of North-South expressways and parts of expressways in the Western region will be deployed such as Can Tho - Ca Mau expressway, the boulevard connecting HCMC with Tan An city (Long An province), the western bypass of Can Tho... In which, the Can Tho-Ca Mau expressway project has a total investment of about VND46,200-61,000bn, expected to start construction in the period 2021-25.

Earnings revision

We revise our net profit forecast for FY21-23F up by 13.4%-33.3% from previous forecast.

Figure 6: FY21-23F earnings forecast revision

	New forecast			Old forecast			Change			Comments
	2021	2022	2023	2021	2022	2023	2021	2022	2023	
Net revenue	5,922	8,117	9,789	5,170	7,727	9,932	14.6%	5.0%	-1.4%	Increase property handover revenue by 14.1% vs. previous forecast due to the handover of all 17 King Crown Village Thao Dien villas in FY21F. At the same time, we raise 37% of construction revenue as business results exceeded our expectations in 1H21.
Gross profit	2,147	2,529	3,324	1,944	2,498	3,493	10.4%	1.3%	-4.8%	
GPM	36.2%	31.2%	34.0%	37.6%	32.3%	35.2%	-1.4% pts	-1.2% pts	-1.2% pts	
SG&A expenses	533	568	685	569	695	894	-6.3%	-18.3%	-23.3%	
Operating profit	1,614	1,961	2,639	1,375	1,802	2,599	17.3%	8.8%	1.5%	
Financial income	1,063	678	1,026	418	512	846	154.2%	32.3%	21.3%	Total debt increased by 20% compared to the previous forecast, adding BCC cost of cVND400bn.
Financial expense	1,249	1,018	999	488	752	738	155.9%	35.4%	35.3%	
Net profit	897	986	2,010	678	740	1,772	32.3%	33.2%	13.4%	

Sources: VND RESEARCH

Update the progress of BCG's under development projects

Property projects

Figure 7: King Crown Infinity project



- Under construction of the tunnel and fence.
- Ready for the second sales launch.

Sources: VND RESEARCH, BCG

Figure 8: Malibu Hoi An project



- Condotel: Finishing the interior part.
- Villa: Finished model unit and rough parts of other villas.
- Completed the bridge, swimming pool, path and main hall.
- Ready to start handover by the end of 2021.

Sources: VND RESEARCH, BCG

Figure 9: Casa Marina Premium project



- Finished model house.
- Under construction of infrastructure and landscape items.
- Ready to hold the opening ceremony.

Sources: VND RESEARCH, BCG

Figure 10: Hoi An D'or project



- 202 shophouses: Under construction of piles and foundations.
- Under construction of the welcome gate and the project's showroom.
- The opening ceremony for the shophouse part can be held in 2021.

Sources: VND RESEARCH, BCG

Figure 11: Casa Marina Mui Ne project



- Finishing rough parts for model houses and villas.
- Completed 90% of the construction volume for the infrastructure part.
- Ready for sales of phase 1 including 34 villas in 2021.

Sources: VND RESEARCH, BCG

Figure 12: Amor Riverside Villas project





- Completed 90% of the construction volume for the infrastructure part.
- Ready to build the pile and foundation for the model house.

Sources: VND RESEARCH, BCG




Renewable energy projects

Figure 13: Solar power projects in the development plan

			
REDSUN	SUNFLOWER	KRONGPA 2	VNT
Capacity: 50 MW	Capacity: 50 MW	Capacity: 49 MW	Capacity: 200 MW
Location: Thanh Hoa, Long An	Location: Thanh Hoa, Long An	Location: Krong Pa, Gia Lai	Location: Duc Hue, Long An
Project type: Ground-mounted solar power	Project type: Ground-mounted and floating solar power	Project type: Ground-mounted solar power	Project type: Ground-mounted solar power
Total Investment: VND854bn	Total Investment: VND854bn	Total Investment: VND1,154bn	Total Investment: VND3,414bn
COD: 2022	COD: 2022	COD: 2021 - 2022	COD: 2022
Area: 60 ha	Area: 25 ha on water & 35 ha on land	Area: 63 ha	Area: 240 ha

Sources: BCG

Figure 14: Wind power projects in the development plan

		
CA MAU (PHASE 2 & 3)	TRÀ VINH (GĐ 2)	SÓC TRĂNG
Capacity: 200 MW	Capacity: 120 MW	Capacity: 50 MW
Location: Khai Long, Ca Mau	Location: Dong Thanh, Tra Vinh	Location: Vinh Chau, Soc Trang
Project type: Wind power near shore	Project type: Wind power near shore	Project type: Wind power on shore
Total Investment: VND9,446bn	Total Investment: VND4,718bn	Total Investment: VND1,823bn
COD: 2022 - 2023	COD: 2022 - 2023	COD: 2022 - 2023
Area: 5,089.9 ha	Area: 2,095 ha	Area: 766 ha

Sources: BCG

Figure 15: Rooftop solar power projects are expected to operate in 2021

Projects into operation in 2021	Capacity (MWp)	Location	Area (sqm)
VNM Quang Ngai	7.19	Quang Ngai	58,706
Vinamilk Thong Nhat Thanh Hoa	16.18	Thanh Hoa	112,442
Vinamilk Tay Ninh	14.70	Tay Ninh	117,905
An Phat Hai Duong	13.00	Hai Duong	
Vinamilk Nghe An	5.41	Nghe An	35,011
Fortex Tien Hai	5.00	Thai Binh	
Vinamilk Nhu Thanh TH	4.10	Thanh Hoa	26,993
Vedan Dong Nai	3.00	Dong Nai	21,000

Sources: VND RESEARCH, COMPANY REPORT

Southern Vietnam residential market: bright spot from the satellite urban area while hospitality property shows V-shaped recovery

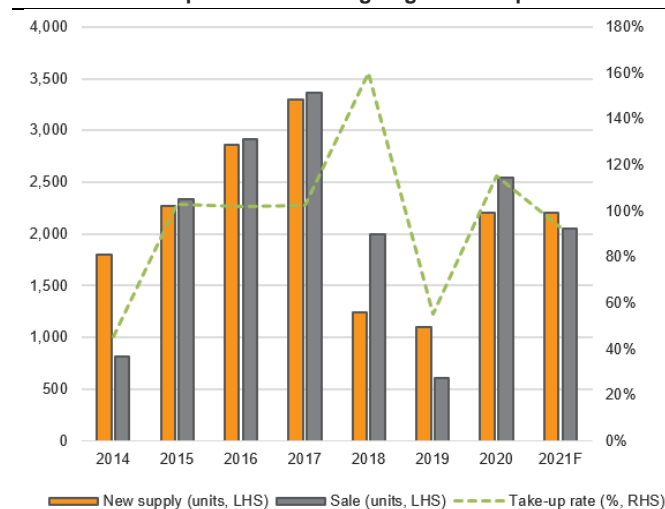
Although current new supply is still limited, we see signs of warming up in condo supply since 2022 onwards in HCMC market

Figure 16: Sales volume of condo in HCMC recovered significantly in 2Q21



Sources: CBRE, SAVILLS, VNDIRECT RESEARCH

Figure 17: The HCMC new landed supply in 2H21F mostly comes from new phases of existing large township



Sources: CBRE, VNDIRECT RESEARCH

According to CBRE, the sales volume of HCMC condo market in 2Q21 strongly bounced +143.1% yoy to 4,700 units driven by ample new launches of 3,968 units (+141.4% yoy). Mid-end segment still dominated the market with new supply increase of 246.6% yoy to 3,116 units, accounting for 78.5% of total new supply, mostly from the West and the South. Take-up rate remained high at 118.4% (+0.7% pts yoy).

After new regulatory measures such as Decree 148 and Amended Construction Law 2020 issued in 2020, we project the HCMC new condo supply will recover from 2022F, with +26.2% yoy in 2022F and +55.7% yoy in 2023F, of which mid-end segment bounces with a 30-50% contribution of total condo supply. We believe suburb housing market in HCMC namely Binh Chanh, Can Gio, Nha Be, Thu Duc City will continue to do well in 2H21-2022F, driven by the infrastructure project development in these areas.

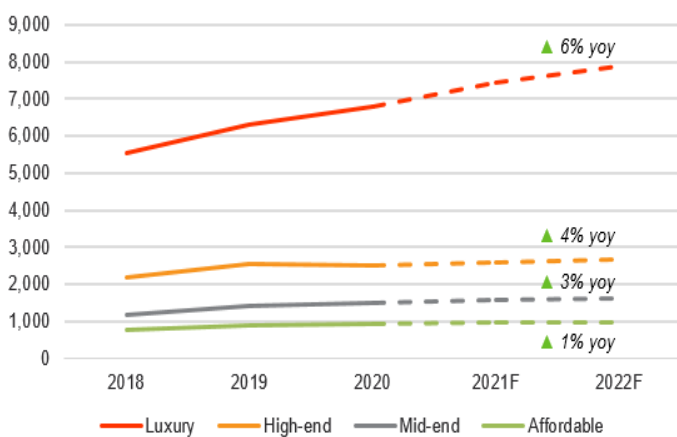
Housing prices of HCMC suburbs likely continue to increase in 2H21-22F

We believe there will be no announcements of discounts in HCMC housing primary prices in 2H21-22F due to the increase in development cost with higher compensation cost, financing cost in the past two years and higher material cost. We expect developers will offer better handover conditions, better facilities and supporting payment terms to stimulate demand rather than decrease their primary prices.

Condo primary prices in HCMC will continue to increase at a slower pace of 1-4% yoy in all segments except the luxury segment, in our view. The luxury segment likely continues to be more excited in 2H21-22F buoyed by the launches of projects having sought-after locations in District 1 and Thu Duc City, after a new pricing level of US\$16,500-18,000 psm set by a new branded residence project in District 1 in 1H21.

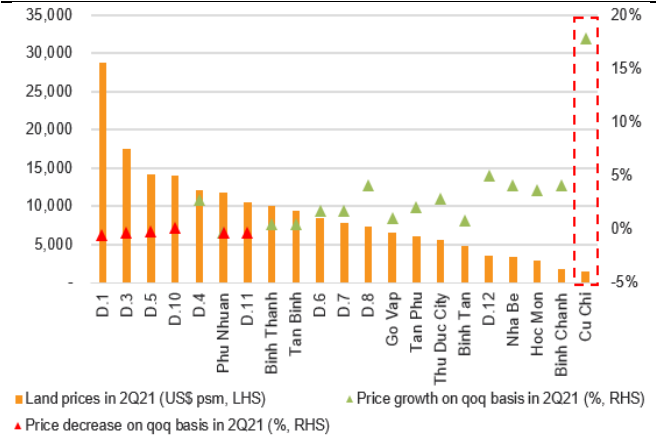
Besides, landed prices of suburb in HCMC likely continue to rise impressively in 2H21F on the expansion of expressway to the west and coastal areas in the south with imminent infrastructure projects such as Ben Luc – Long Thanh, Dau Giay – Phan Thiet, Long Thanh international airport phase 1. The proposal on establishment of Northwest City consisting of Cu Chi and Hoc Mon coupled with process planning for urbanizing Cu Chi, Hoc Mon, Binh Chanh, Nha Be, Can Gio into urban districts should boost land prices in these areas as well.

Figure 18: HCMC condo primary prices will continue to increase at a slower pace in 2H21-22F, in our view



Sources: VNDIRECT RESEARCH, CBRE

Figure 19: We expect landed prices of suburb in HCMC continue to rise impressively in 2H21F



Sources: VNDIRECT RESEARCH

For residential real estate, BCG is focusing on projects in HCMC such as Amor Riverside project in Binh Chanh, King Crown Infinity project in Thu Duc, King Crown Village project in Thao Dien which have completed phase 1. In addition, BCG is still continuing to expand landbanks for residential projects in HCMC. In 2022, BCG will launch two projects with a total scale of 10ha in Thu Duc and Binh Tan district. On the back of high market demand while new supply is in short, we believe BCG will continue to promote the development of residential real estate projects in HCMC and neighboring provinces such as Vung Tau and Long An. Accordingly, BCG is now expanding its landbanks in these areas.

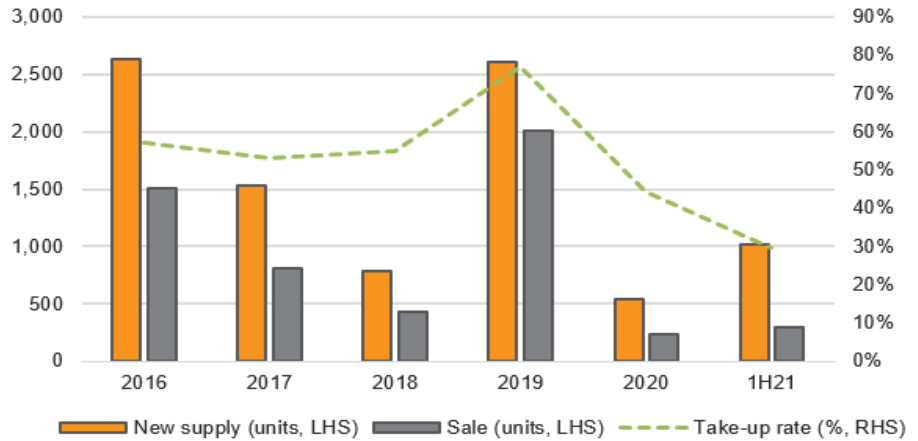
V-shaped recovery for Vietnam’s hospitality property, with a recovery to 2019 level expected in 2023

According to DKRA, new supply for beach villas gradually bounced with 1,019 units in 1H21, 88% higher than that in 2020, mostly from Ba Ria –Vung Tau, Phu Quoc, Binh Thuan. Demand is still dull with only c.300 units but higher than 270.3% yoy in sales volume, translating into a take-up rate of 29%.

We expect a recovery to 2019 level in 2023, driven by the bounces of international visitors. All countries around the world are stepping up their immunization efforts to combat the COVID-19 pandemic. Several countries stand out for rolling out vaccination, of which Canada has the highest percentage of the population (61.6%) vaccinated with at least one dose of the COVID-19 vaccine, following by the UK (59.4%), US (50.9%), Germany (45.1%), Italy (43.1%), France (41.2%) and China (estimated at 36.0%).

According to Vietnam National Administration of Tourism, the path to recovery for Vietnam’s tourism will follow four stages: 1) recovery led by domestic tourism; 2) pilot reception of limited international tourist groups in certain tourist sites; 3) reception of visitors from countries with good progress in Covid-19 containment; 4) full recovery of international tourism. Currently, we see Vietnam entering the second stage with approval for Phu Quoc to welcome foreign tourists having vaccine passports in mid-Jun.

Figure 20: New supply for beach villas picked up in 1H21



Sources: VNDIRECT RESEARCH, DKRA

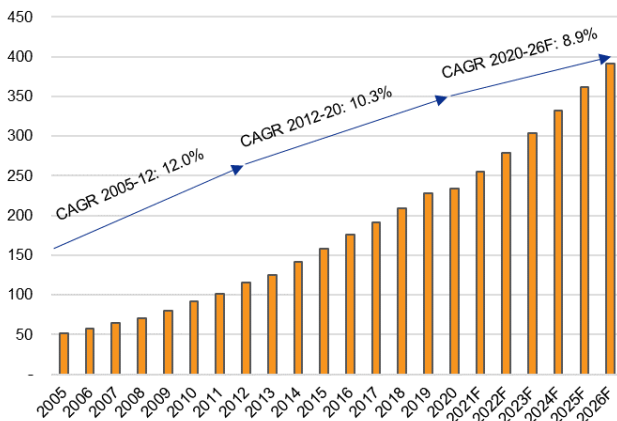
For BCG, there are hospitality property projects including: Malibu Hoi An project has been launched and opened for sales since 2019 so project revenue is not affected by pandemic; the Casa Marina Premium project in Quy Nhon, currently completed the model house and is implementing infrastructure construction, this project has not been sold yet but with a prime location on the hillside facing the sea of 160 villas, the company is quite confident that it will successfully open for sale when the pandemic situation is under control. In addition, the complex project of Hoi An D'or with an area of 24.4ha including hotels, villas and 220 shophouses is the project that owns the “golden” location in Hoi An, so the demands of buyers will also expected to be high. BCG will open for sale after the social distance ends, we think this project will also achieve a positive absorption rate.

Power sector in Vietnam: Go green, go clean

Power shortage could persist until 2024F

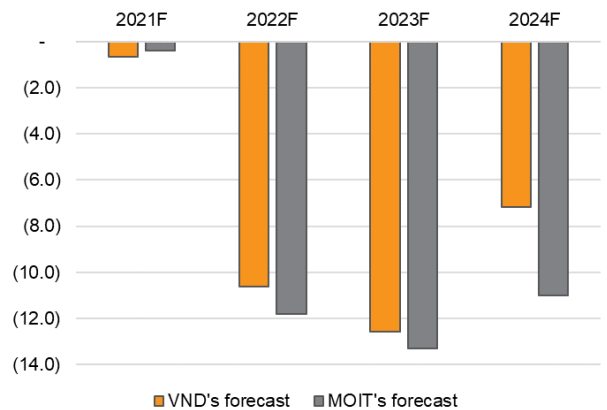
We expect that demand CAGR over 2020 – 2026F to reach 8.9%. Many traditional power projects (coal-fired, gas-fired and hydropower) were behind schedule in the 2016-2020 period with a total capacity of more than 7,000MW due to the delayed investment. As a result, we believe the power shortage will still linger until 2024F.

Figure 21: Electricity demand is expected to grow at 8.9% CAGR in 2020-26F (Unit: bn kWh)



Sources: VNDIRECT RESEARCH, EVN, MOIT

Figure 22: Power shortage forecasts in 2021-2024F (unit: bn kWh)

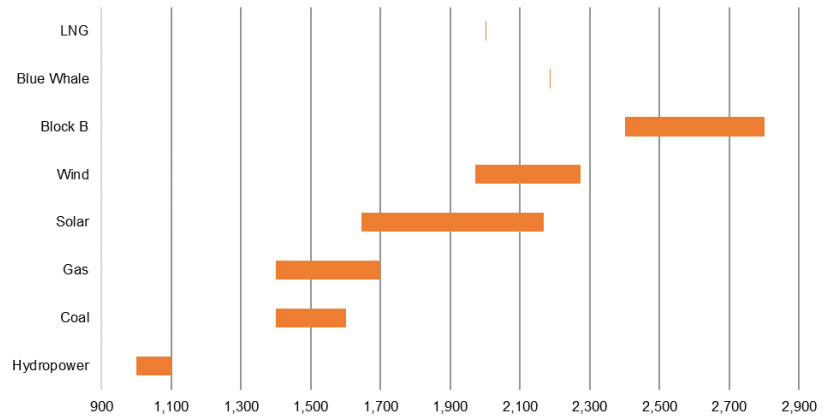


Sources: VNDIRECT RESEARCH, MOIT

Favorable policies for renewable energy (RE) development

In our opinion, electricity ASP should recover thereafter, thanks to: (1) Favorable policies for RE development according to draft PDP 8. (2) Electricity shortage worsens as the economy recovers from Covid-19. (3) Higher coal and oil prices can boost the bidding prices of traditional gas-fired and coal-fired power plants. (4) The contribution from newly-commissioned plants which use more expensive inputs (such as liquefied natural gas – LNG, high quality coal...).

Figure 23: Comparison of ASPs from different power sources over 2018-2023F (Unit: VND/kWh)

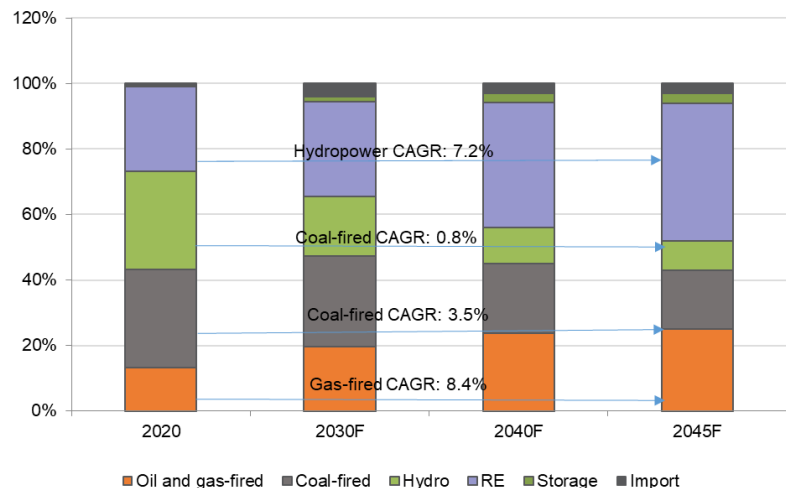


Sources: VNDIRECT RESEARCH, EVN

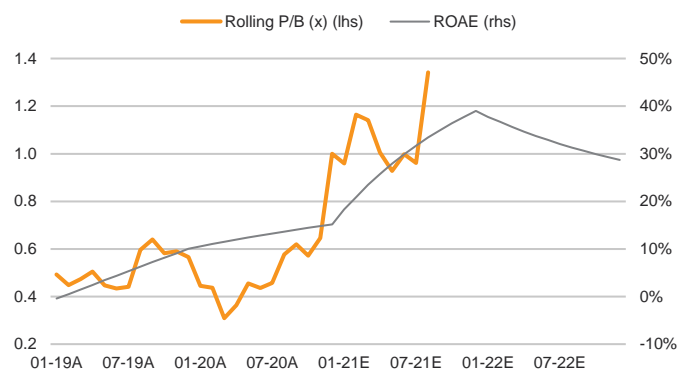
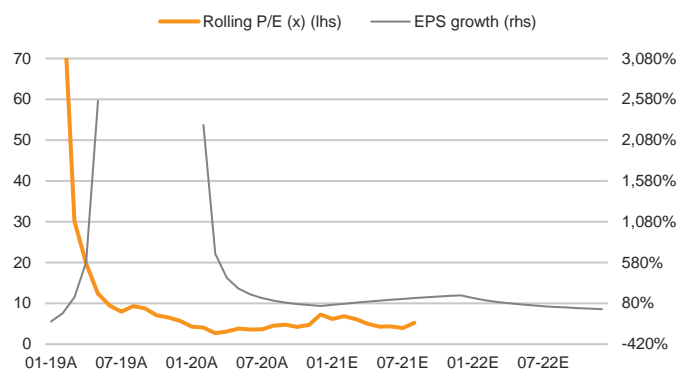
We believe that the trend of the energy industry will be towards RE:

- RE - mainly solar and wind power – will grow aggressively in the Middle and Southern region, supported by declining investment costs of new projects. We forecast that RE will grow at a CAGR of 7.7% in FY20-45F.
- Slowdown in the development of coal-fired power plants due to investment delay.
- Gas-fired power would be the key sources of baseload thanks to its stability and increasing capacity to import LNG. We forecast that gas-fired grow at a CAGR of 8.4% in FY20-45F.
- Hydropower potential had been fully exploited. Total hydropower projects capacity are only about 4,000MW and there is no big project whose capacity is more than 100MW in FY20-45F.

Figure 24: Distribution of installed capacity by energy type in PDP 8 draft



Sources: VNDIRECT RESEARCH, EVN

Valuation

Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	5,922	8,117	9,789
Cost of sales	(3,776)	(5,588)	(6,465)
Gen & admin expenses	(415)	(406)	(489)
Selling expenses	(118)	(162)	(196)
Operating profit	1,614	1,961	2,639
Operating EBITDA	2,006	3,473	5,659
Depreciation and amortisation	(392)	(1,512)	(3,020)
Operating EBIT	1,614	1,961	2,639
Interest income	199	339	513
Financial expense	(1,249)	(1,018)	(999)
Net other income	859	330	502
Income from associates & JVs	(60)	(60)	632
Pre-tax profit	1,363	1,552	3,288
Tax expense	(273)	(311)	(659)
Minority interest	(193)	(255)	(618)
Net profit	897	986	2,010
Adj. net profit to ordinary	897	986	2,010
Ordinary dividends	(166)	(166)	(166)
Retained earnings	731	820	1,844

Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	2,663	4,996	7,902
Short term investments	651	651	651
Accounts receivables	3,943	4,871	6,328
Inventories	2,236	1,742	722
Other current assets	1,922	2,228	481
Total current assets	11,415	14,487	16,083
Fixed assets	10,170	23,430	44,097
Total investments	1,189	1,189	1,189
Other long-term assets	7,890	8,256	8,534
Total assets	30,663	47,361	69,903
Short-term debt	2,145	3,374	4,570
Accounts payable	365	359	405
Other current liabilities	7,432	12,608	23,999
Total current liabilities	9,942	16,341	28,974
Total long-term debt	9,108	18,333	25,779
Other liabilities	7,010	7,010	7,010
Share capital	2,075	2,075	2,075
Retained earnings reserve	946	1,766	3,610
Shareholders' equity	3,022	3,842	5,686
Minority interest	1,581	1,836	2,454
Total liabilities & equity	30,663	47,361	69,903

Cash flow statement

(VNDbn)	12-21E	12-22E	12-23E
Pretax profit	1,363	1,552	3,288
Depreciation & amortisation	392	1,512	3,020
Tax paid	(273)	(311)	(659)
Other adjustments	5,672	(115)	(13,869)
Change in working capital	(3,329)	4,851	13,067
Cash flow from operations	3,824	7,489	4,847
Capex	(8,608)	(15,078)	(10,139)
Proceeds from assets sales	0	0	0
Others	(678)	(366)	(279)
Other non-current assets changes	0	0	0
Cash flow from investing activities	(9,287)	(15,444)	(10,418)
New share issuance	715	0	0
Shares buyback	0	0	0
Net borrowings	6,673	10,454	8,642
Other financing cash flow	0	0	0
Dividends paid	(166)	(166)	(166)
Cash flow from financing activities	7,222	10,288	8,476
Cash and equivalents at beginning of period	903	2,663	4,996
Total cash generated	1,760	2,333	2,905
Cash and equivalents at the end of period	2,663	4,996	7,902

Key ratios

	12-21E	12-22E	12-23E
Dupont			
Net profit margin	15.1%	12.1%	20.5%
Asset turnover	0.22	0.21	0.17
ROAA	3.3%	2.5%	3.4%
Avg assets/avg equity	11.92	11.37	12.31
ROAE	39.0%	28.7%	42.2%
Efficiency			
Days account receivable	73.0	49.0	65.9
Days inventory	216.2	113.8	40.7
Days creditor	35.3	23.5	22.8
Fixed asset turnover	0.81	0.48	0.29
ROIC	5.7%	3.6%	5.2%
Liquidity			
Current ratio	1.1	0.9	0.6
Quick ratio	0.9	0.8	0.5
Cash ratio	0.3	0.3	0.3
Cash cycle	253.8	139.3	83.8
Growth rate (yoy)			
Revenue growth	219.3%	37.1%	20.6%
Operating profit growth	1,746.9%	21.5%	34.6%
Net profit growth	324.3%	10.0%	103.9%
EPS growth	178.1%	10.0%	103.9%

Source: VND RESEARCH

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RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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