

BECAMEX IDC (BCM) – INITIATION

Market Price	Target Price	Dividend Yield	Rating	Sector
VND77,000	VND99,000	1.07%	ADD	PROPERTY

18 November 2022

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

Consensus*: Add:0 Hold:1 Reduce:0

Target price / Consensus: 0.7%

Key changes in the report

> N/A.

Price performance



Source: VNDIRECT RESEARCH

Key statistics

52w high (VND)	98,000
52w low (VND)	49,000
3m Avg daily value (VNDmn)	14,675
Market cap (VNDbn)	79,695
Free float (%)	3
TTM P/E (x)	46.7
Current P/B (x)	4.8

Ownership

Binh Duong Province People's Committee	95.4%
Others	4.6%

Source: VNDIRECT RESEARCH

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Take a big leap during FY22-23F

- BCM and its associates own more than c.15,000 ha of land bank across Vietnam, which could sustain at least 10 years of development.
- We expect FY22-23F NP to surge 66.2% yoy/63.2% yoy, driven by revenue from residential land transfer and new IPs Cay Truong and VSIP 3.
- Initiate coverage with an Add rating and SOTP-based TP of VND99,000.

Largest industrial land bank spanning across Vietnam

BCM is the largest listed IP company in Southern Vietnam in terms of industrial land bank with 7 IPs spanning over c.5,000ha, accounting for c.35-40% of Binh Duong's total industrial land bank. BCM together with its associates now own more than c.15,000ha of land bank in Vietnam, accounting for c.25% of Vietnam's industrial land put into operation as of end-2021.

BCM is likely to deliver strong industrial land lease growth in FY22-23F...

We expect BCM to deliver strong industrial land area growth in FY22/23F of 109ha (+18.7% yoy)/119ha (+9.2% yoy), fueled by new contribution of the Cay Truong IP starting in FY23F and 70ha p.a from the Bau Bang expansion IP. Together with average rental growth of 10-20% yoy p.a given growing industrial demand, we forecast FY22-23F IP revenue to VND3,258bn (+24.7% yoy) and VND3,708bn (+13.8% yoy), respectively.

...together with residential revenue to skyrocket in FY23F...

We estimate BCM to record FY22F residential revenue of VND2,925bn (-0.4% yoy), mostly from Uni Galaxy and social housing project handovers. We expect BCM to record the c.VND5,000bn payment of 18.9ha land transfer from Binh Duong New City project for CapitaLand in FY23F. Together with existing projects, FY23F residential revenue is likely to surge by 111.6% yoy to VND6,190bn.

...and double-digit associates income growth to boost FY22-23F NP surge

We forecast FY22-23F BCM's associates income to grow at 2.9% yoy/36.4% yoy on FY21-22 low base and stable growth from VSIP, BW and IJC. We estimate BCM's FY22-23F NP to VND2,334bn (+66.2% yoy) and VND3,809bn (+63.2% yoy), respectively.

Initiate with Add and SOTP-based TP of VND99,000

Our Add recommendation was underpinned by (1) 66.2% yoy/63.2% yoy surge in FY22-23F net profit (NP); (2) attractive valuation with a 30% upside. Upside catalysts: 1) faster IP or residential land sales, 2) sooner-than-expected new IPs launches. Downside risks: 1) lower-than-expected IP land sales, 2) delays in obtaining permits for new launches and 3) higher-than-expected leverage which could take a big chunk out of profits.

Financial summary (VND)	12-21A	12-22E	12-23E	12-24E
Net revenue (bn)	6,990	7,862	11,603	9,453
Revenue growth	7.5%	12.5%	47.6%	(18.5%)
Gross margin	46.1%	42.3%	42.6%	44.7%
EBITDA margin	38.6%	46.0%	45.2%	51.8%
Net profit (bn)	1,405	2,334	3,809	3,613
Net profit growth	(29.3%)	66.2%	63.2%	(5.1%)
Recurring profit growth	(29.3%)	66.2%	63.2%	(5.1%)
Basic EPS	1,357	2,255	3,680	3,491
Adjusted EPS	1,357	2,255	3,680	3,491
BVPS	15,585	17,032	19,913	22,604
ROAE	8.7%	13.8%	19.9%	16.4%

Source: VNDIRECT RESEARCH

TAKE A BIG LEAP DURING FY22-23F

Investment thesis

Our **ADD** rating on BCM is underpinned by:

- 1) One of country leading industrial park developers with six operating IPs spanning over 4,000ha, the largest listed IP developer in terms of leasable land bank (~944ha). We see more challenges for IP developers in the next 2 years due to the slow project approval process and limited funding sources. However, this likely turns out opportunities for developers that own ready-for-lease land bank, like BCM.
- 2) *Robust earnings growth over FY22-23 (66.2% yoy – 63.2% yoy)*. We expect revenue from residential property to skyrocket in FY23F thanks to the one-off gain about ~VND5,000bn from Binh Duong New City project land transfer CapitalLand. Revenue from IP business will grow steadily 24.7% yoy – 13.8% yoy over FY22-23F thanks to the contribution of Cay Truong IP and Bau Bang expansion IP.

We see several **Upside catalysts**, including:

- 1) Higher-than-expected rental prices and land lease area, especially at new IPs such as VSIP 3 Binh Duong IP, Cay Truong IP;
- 2) Sooner-than-expected launches new IPs;
- 3) According to Notice No.96/TB-VPCP issued on Apr-2022, the Prime Minister agreed on the policy that BCM could use annual after-tax dividends to increase charter capital for the period FY21-25F, ensuring capital requirements for the Company. We expect BCM could complete legal process and pay dividends on shares in FY23-25F;
- 4) In the 2022 Annual General Meeting, the managements revealed the VSIP IPO plan within the next two years which will help BCM to increase its capital.

Downside risks are: 1) lower-than-expected IP land sales, 2) delays in obtaining permits for new launches and 3) higher-than-expect leverage which could take a big chunk out of profits.

Our SOTP-based TP is VND99,000, upside 30%

We assess BCM by valuing 4 business segments, including Industrial parks, Residential property, Commercial property and Investment in associates.

For IP business, we apply DCF approach to value the IP projects that are profit-making and under development with an assumed WACC-based discount rate of 13.1% (Risk free rate (RFR): 4%) and a specific discount rate for each projects to reflect project execution risk or the risk of projects not being fully sold due to uncertain market conditions vs. our projection.

Figure 1: BCM's industrial park valuation

IP project	Method	Remaining leasable area (ha)	Discount rate	BCM's ownership	Fair value (VNDbn)	Comment
Cay Truong IP	DCF	490	14.6%	100%	3,648	We adopt higher discount rate on upcoming projects. We assume Cay Truong IP could monetize since FY23F.
Expanded Bau Bang IP	DCF	248	13.1%	100%	4,265	
Bau Bang IP	DCF	81	13.1%	100%	1,425	
My Phuoc 3 IP	DCF	60	13.1%	100%	1,014	
My Phuoc 1 IP	DCF	33	13.1%	100%	465	
Thoi Hoa IP	DCF	23	13.1%	100%	297	
My Phuoc 2 IP	DCF	10	13.1%	100%	201	
Total		945			11,316	

Sources: VNDIRECT RESEARCH

For residential and commercial property that are profit-making and under development, we apply DCF approach with an assumed WACC-based discount rate of 13.1% (Terminal growth rate: 3%; RFR: 4%) and a specific discount rate for each projects to reflect project execution risk or the risk of projects not being fully sold due to uncertain market conditions vs. our projection.

Figure 2: BCM's residential and commercial property valuation

Project	Developer	Method	Discount rate	BCM's ownership	Fair value (VNDbn)	Comment
Becamex Tower (Office)	BCM	DCF	11.0%	100%	1,470	Stable operation since 2012-13, we adopt discount rate lower than BCM's WACC to reflect its stable income.
WTC Tower Binh Duong	BCM	DCF	12.1%	100%	1,341	Start operating since end-2022, we adopt discount rate lower than BCM's WACC to reflect its stable income from office project.
TDC Hoa Loi residential area project	TDC	DCF	14.1%	61%	914	Discount rate is based on TDC's WACC
Song Cam residential area project	TDC	DCF	15.1%	61%	678	We adopt discount rate higher than TDC's WACC on upcoming projects.
TDC Plaza	TDC	DCF	15.1%	61%	548	We adopt discount rate higher than TDC's WACC on upcoming projects.
Others	TDC	BV		61%	338	
Total					5,288	

Sources: VNDIRECT RESEARCH

For undeveloped residential landbank, we refer BCM's historical land transaction during FY21-22 for comparison.

Figure 3: BCM's land transaction during FY21-22

Location	Buyer	Seller	Year	Land area (ha)	Transaction value (VNDbn)	Unit price (VND/sqm)
Binh Duong New City	CapitaLand	BCM	2021-22	18.9	5,060	26,772,487
Thu Dau Mot, Binh Duong	Gamuda Land	BCM	2021-22	5.6	1,250	22,315,451
Thu Dau Mot, Binh Duong	BCM	IJC	2021	0.3	51	18,181,818
Thu Dau Mot, Binh Duong	BCM	IJC	2021	1.7	337	18,181,818
Thu Dau Mot, Binh Duong	TDC	BCM	2021	1.5	300	20,133,066
Average						21,116,928

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 4: Historical land transaction valuation suggest a fair value for BCM 's undeveloped residential land bank

Location	BCM's ownership	Occupancy rate	Remaining land bank (ha)	Method	Land value after adjustment (VND psm)	Fair value (VNDbn)	Comment
Thu Dau Mot	100%	57%	448	DCF	9,139,329	40,938	We have assumed BCM could transfer 10-15ha annual with selling price of c.VND20mn psm and discount rate of 13%. Compare to land value in Thu Dau Mot in the same land size, we adopt a downward adjustment of 50-60% for location factor based on Binh Duong land price list.
Ben Cat	100%	76%	309	Comparison	4,153,985	12,823	Compare to land value in Thu Dau Mot in the same land size, we adopt a downward adjustment of 70-80% for location factor based on Binh Duong land price list.
Bau Bang	100%	28%	476	Comparison	1,827,866	8,695	Compare to BCM's transaction in the same land size, we adopt a downward adjustment of 30-40% for location factor based on Binh Duong land price list.
Thuan An	100%	95%	12	Comparison	11,989,335	1,455	
Total						63,911	

Sources: VNDIRECT RESEARCH

For Investment in associates, we apply a cash flow projection for property development companies such as VSIP, BW, IJC, Becamex Binh Phuoc, Becamex Binh Dinh with an assumed WACC-based discount rate of 13-16% (Terminal growth rate: 3%; RFR: 4%) and a specific discount rate for each projects to reflect project execution risk or the risk of projects not being fully sold due to uncertain market conditions vs. our projection. For retail property developer, water business, etc. such as Becamex Tokyu, BWE, we apply FY23F target P/E of 12-13x.

Figure 5: BCM's investment in associates' valuation

Company	Method	BCM's ownership	Fair value (VNDbn)	Comment
+ VSIP	RNAV, WACC: 13%	49%	18,566	We assess VSIP by valuing 4 business segments, including Industrial parks; Residential property; Retail property and Ready-built-factory & warehouse business.
+ BW	DCF 25 years	30%	4,535	
+ IJC	RNAV, WACC: 16%	50%	3,476	We assess IJC by valuing 3 business segments, including Residential property; Commercial property; BOT.
+ Becamex Tokyu	FY23F target P/E of 13x	35%	4,556	
+ BWE	FY23F target P/E of 12x	19%	1,863	
+ Becamex Binh Phuoc	RNAV, WACC: 15%	40%	534	
+ Becamex Binh Dinh	RNAV, WACC: 15%	40%	264	
+ Others	FY23F target P/E of 10-12x		2,459	
Total			36,252	

Sources: VNDIRECT RESEARCH

For other assets, debts and minority interest, we use book value as at end-3Q22. Our SOTP-based TP is VND99,000, which implies a 30% upside, including dividend yield.

Figure 6: Equity valuation

	Method	Fair value (VNDbn)
Industrial property	DCF	11,316
Residential and commercial property	DCF	5,288
Undeveloped residential land bank	Comparison	63,911
Investment in associates	SOTP	36,252
(+) Cash and cash equivalent	BV	1,870
(-) Gross debt	BV	15,155
(-) Minority interest	BV	1,089
Equity value		102,393
Shares outstanding (m)		1,035
Target price (VND/share)		99,000

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

We outline the range of target price could achieve when there is variation in some following parameters:

Figure 7: Target price sensitivity analyst: land price in undeveloped residential project in Thu Dau Mot and Ben Cat (Unit: VND)

		Land price in Thu Dau Mot						
		7,000,000	8,000,000	9,139,329	10,000,000	11,000,000	12,000,000	13,000,000
Land price in Ben Cat	2,000,000	83,300	87,600	92,600	96,300	100,600	104,900	109,300
	3,000,000	86,300	90,600	95,500	99,300	103,600	107,900	112,200
	4,153,985	89,700	94,000	99,000	102,700	107,000	111,400	115,700
	5,000,000	92,200	96,600	101,500	105,200	109,600	113,900	118,200
	6,000,000	95,200	99,600	104,500	108,200	112,500	116,900	121,200
	7,000,000	98,200	102,500	107,500	111,200	115,500	119,800	124,200
	8,000,000	101,200	105,500	110,500	114,200	118,500	122,800	127,200

Sources: VNDIRECT RESEARCH

Figure 8: Target price sensitivity analyst: discount rate (Unit: VND)

		BCM's discount rate								
		10%	11%	12%	13%	14%	15%	16%	17%	18%
VSIP's discount rate	10%	102,400	101,700	101,200	100,600	100,100	99,600	99,200	98,800	98,400
	11%	101,800	101,200	100,600	100,100	99,500	99,100	98,600	98,200	97,800
	12%	101,300	100,600	100,100	99,500	99,000	98,500	98,100	97,700	97,300
	13%	100,800	100,100	99,600	99,000	98,500	98,000	97,600	97,200	96,800
	14%	100,300	99,700	99,100	98,500	98,000	97,600	97,100	96,700	96,300
	15%	99,800	99,200	98,600	98,100	97,600	97,100	96,700	96,300	95,900
	16%	99,400	98,800	98,200	97,700	97,200	96,700	96,300	95,900	95,500

Sources: VNDIRECT RESEARCH

Figure 9: Peer comparison

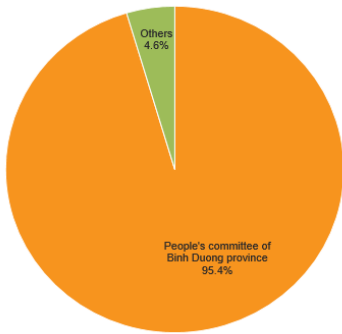
Company	Ticker	Price		Mkt cap	P/E (x)			3-year EPS		P/B (x)		ROE (%)		Net D/E as of 3Q22 (%)
		LC\$	Recom.		US\$m	FY22F	FY23F	CAGR (%)	FY22F	FY23F	FY22F	FY23F		
Investment & Industrial Development	BCM VN	77,000	ADD	3,213	35.9	19.4	33.1	4.5	3.8	13.8	19.9	71.5		
Vietnam Rubber Group	GVR VN	12,150	NR	1,959	11.8	11.0	10.4	N/A	N/A	8.2	8.5	(14.3)		
Viglacera Corp Jsc	VGC VN	30,100	NR	544	7.0	8.2	3.6	1.8	1.4	28.0	25.0	6.9		
Kinh Bac City Development	KBC VN	16,400	ADD	507	3.5	2.4	30.3	0.7	0.5	22.4	25.7	29.5		
Idico Corp Jsc	IDC VN	30,000	NR	399	4.8	4.0	19.5	1.5	1.5	13.0	16.0	22.3		
Saigon VRG Investment Corporation	SIP VN	68,100	NR	250	6.4	N/A	N/A	1.6	N/A	31.5	27.5	(100.4)		
Phuoc Hoa Rubber	PHR VN	37,000	ADD	202	6.0	6.8	8.4	1.5	1.3	32.9	28.6	(43.4)		
Sonadezi Chau Duc	SZC VN	25,600	ADD	103	9.7	4.9	66.7	1.6	1.3	18.9	32.0	133.2		
Nam Tan Uyen	NTC VN	105,500	NR	102	6.3	2.8	N/A	N/A	N/A	44.7	51.1	(131.5)		
Long Hau Corp	LHG VN	17,800	NR	36	3.8	2.7	23.7	0.6	0.5	13.4	16.7	(72.6)		
Average					6.6	5.4	23.2	1.3	1.1	22.9	25.7	(16.3)		

Note: all prices are based on the closing prices on Nov 18 2022. All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

Sources: VNDIRECT RESEARCH, BLOOMBERG, COMPANY REPORTS

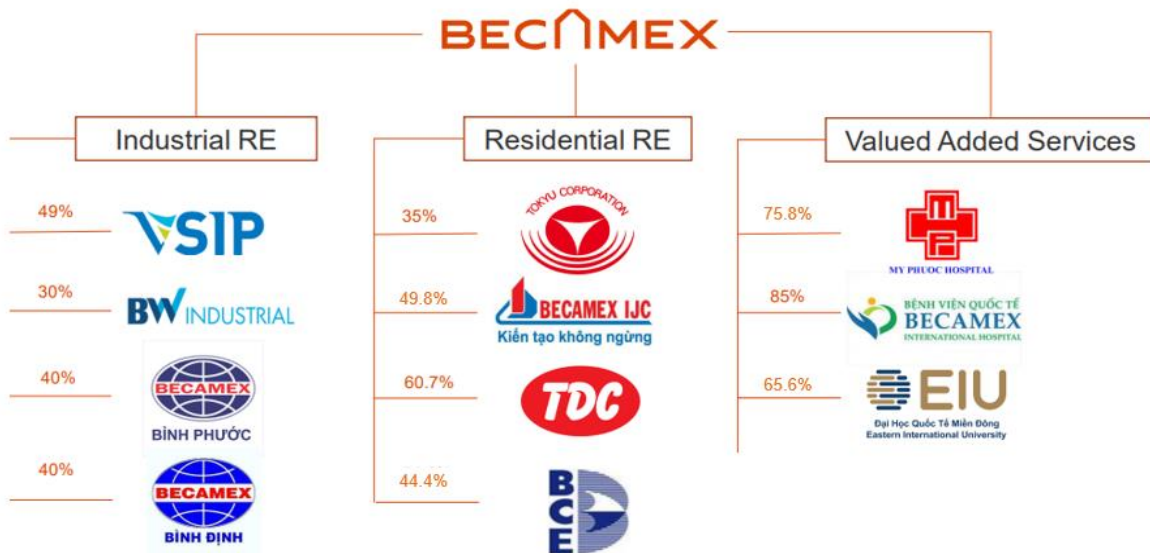
Company background

BCM's ownership structure as of end-2021



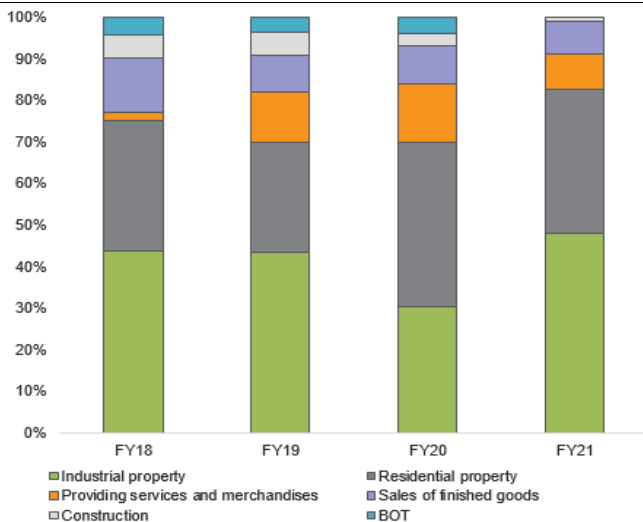
Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 10: BCM's organizational structure



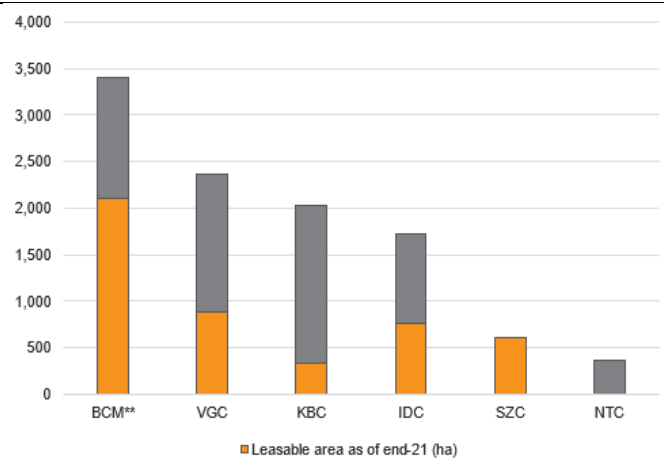
Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 11: BCM's revenue structure by segment during FY18-21



Sources: COMPANY REPORTS, VNDIRECT RESEARCH

Figure 12: Comparison of IP area by IP developer in Vietnam



*Figures are based on our estimation.

** Include VSIP, Becamex Binh Dinh, Becamex Binh Phuoc; as of end-21

Sources: COMPANY REPORTS, VNDIRECT RESEARCH

BCM is the leading integrated IP developer in Binh Duong

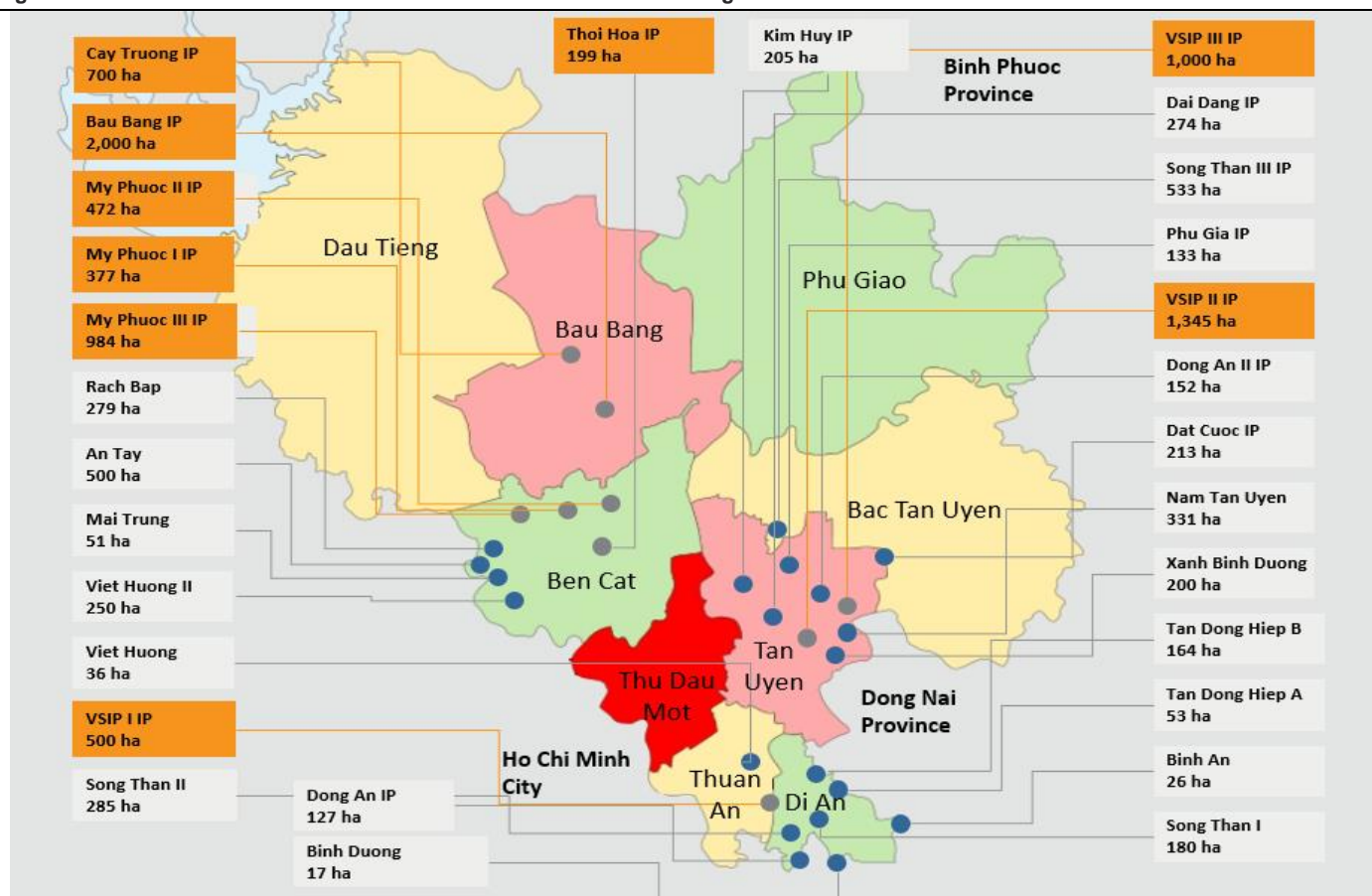
Binh Duong province – a bright spot to attract FDI inflow

Most of BCM's land bank is located in Binh Duong province, a key economic center in the South of Vietnam. Binh Duong is one of the fastest growing provinces in Vietnam in terms of socio-economic development and FDI attraction.

On province's investment incentive policies and its commitment to infrastructure, creating favorable conditions for investors, Binh Duong has become one of industrial hub in Southern Vietnam with 29 industrial parks providing c.13,500ha. Up to end-2021, Binh Duong is second only to HCMC in term of FDI attraction with more than 4,000 projects, luring a total registered capital of US\$40bn from 65 countries. In 8M22, Binh Duong has attracted c.US\$2.6bn of foreign direct investment (+72% yoy) with some notable projects such as Lego (total investment of US\$1bn), Pandora (total investment of US\$100m). We believe the province is one of the biggest beneficiaries to ride on the strong capital inflow and increasing rental prices in the next few years.

BCM is currently the leading IP developer in Binh Duong with its 6 operating IPs spanning over 4,000ha, accounting for c.30% of Binh Duong's total industrial land bank. In addition, BCM plans to put into operation Cay Truong IP (700ha) with total investment capital of VND5,459bn in 2022, bringing its total remaining rental area up to 944ha, the largest listed IP company in Southern Vietnam.

Figure 13: BCM and its associate's IPs accounts for c.60% of Binh Duong's industrial land bank



Source: VNDIRECT RESEARCH

Figure 14: List of industrial parks in BCM's pipeline as at end-2021: replenishing 700ha Cay Truong IP reinforces BCM's leading position in term of IP land bank in the South

IP name	BCM's ownership	Total land area (ha)	Leasable area (ha)	Remaining leasable area (ha)	Occupancy rate	Total investment (VNDbn)	Asking rental price (US\$ psm per lease term)	
							Land use term	Land use term
My Phuoc 1	100%	377	274	33	88%	451	90-110	2002 - 2051
My Phuoc 2	100%	472	344	10	97%	746	125-140	2005 - 2054
My Phuoc 3	100%	984	671	60	91%	693	140-160	2008 - 2057
Bau Bang	100%	1,001	735	81	89%	3,334	120-140	2007 - 2057
Bau Bang expansion	100%	1,000	755	248	67%	5,766	130-150	2016 - 2066
Thoi Hoa	100%	202	153	23	85%	666	110-120	2009 - 2059
Cay Truong	100%	700	490	490	0%	5,459	120	2016 - 2066
Total		4,736	3,420	944				

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

BCM is likely to deliver strong industrial land lease growth in FY22-23F

We forecast BCM to deliver strong industrial land area growth in FY22-23F of 109ha (+18.7% yoy)/119ha (+9.2% yoy), fuelled by new contribution of the Cay Truong IP starting since FY23F and Bau Bang expansion IP. We have not taken into account the contribution of Lai Hung IP, as the company has not received the approvals from local authorities to launch the project yet.

Together with average rental growth of 10-20% yoy p.a. given growing industrial demand in Vietnam, we forecast FY22-23F IP revenue to VND3,258bn (+24.7% yoy) and VND3,708bn (+13.8% yoy), respectively.

Figure 15: Bau Bang expansion and Cay Truong IPs to contribute significantly to BCM's IP land sales in FY22-24F... (Unit: ha)

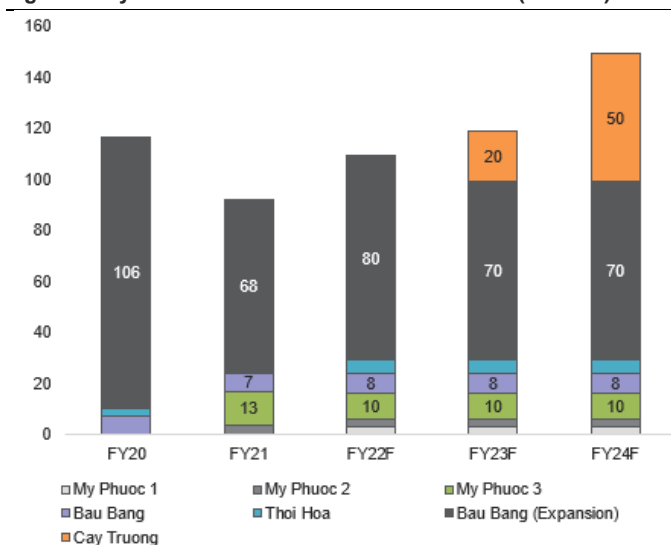


Figure 16: ...to boost a fruitful FY22-23F IP revenue growth



Strategic partnership with reputable enterprises such as Sembcorp, Warburg Pincus to expand its IP footprint across Vietnam

Besides developing integrated IPs and townships in Binh Duong, BCM is also a strategic partnership with reputable enterprises such as Sembcorp, Warburg Pincus to expand its IP footprint across Vietnam such as Binh Dinh, Binh Phuoc, Hai Phong, Bac Ninh, Hai Duong, etc.

VSIP - the leading integrated township and industrial park developer with strong portfolio across Vietnam

Vietnam-Singapore Industrial park JV Co. Ltd (VSIP), a symbol of the close ties between Vietnam and Singapore, is a 49-51 joint venture between Becamex IDC Corporation and a Singapore consortium, in which Sembcorp Development holds a 96.6% stake.

Since its founding in 1996, VSIP has grown to become a leading integrated township and industrial park developer with 12 projects across the southern, central and northern economic corridors of Vietnam, spanning 10,027ha in total land area. VSIP has played an important role in driving value-added economic transformation, attracted US\$15.6bn in total investment from 670 companies and created more than 293,000 employment opportunities in the country.

Figure 17: VSIP’s strong portfolio across Vietnam as of 3Q22



Sources: COMPANY REPORTS

Figure 18: List of industrial parks in VSIP's pipeline as at 3Q22

IP name	BCM's ownership	Total land area (ha)	IP land area (ha)	IP occupancy rate	Asking rental price (US\$ psm per lease term)	Land use term
On-going						
VSIP I Binh Duong	49%	465	465	100%	350-385	1996 - 2046
VSIP II Binh Duong	49%	2,045	1,345	100%	180-200	2006 - 2055
VSIP Bac Ninh	49%	700	500	100%	200-220	2007 - 2056
VSIP Hai Duong	49%	150	150	100%	100-120	2015 - 2065
VSIP Hai Phong	49%	1,600	507	c.90%	150-160	2008 - 2057
VSIP Nghe An 1	49%	750	226	c.90%	58	2015 - 2064
VSIP Quang Ngai	49%	915	660	55-60%	60-65	2013 - 2062
VSIP III Binh Duong	49%	1,000	1,000	0%	130-140	Started construction since early-2022
Becamex Binh Dinh	40%	1,374	1,000	5-10%	50-70	Started construction since early-2021
Becamex Binh Phuoc	40%	4,600	2,432	30-40%	90-100	2015
Future pipeline						
VSIP Bac Ninh II	49%	273	273	0%	150	2023-24
VSIP Nghe An 2	49%	142	114	0%	60	2023-24
VSIP Hai Duong 2	49%	559	559	0%	N/A	N/A
VSIP Quang Tri	49%	481	c.330	0%	N/A	N/A
Becamex VSIP Binh Thuan	30%	N/A	4,984	0%	N/A	N/A
VSIP Can Tho	49%	294	c.200	0%	N/A	N/A

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

The company has been a pioneer in the model of a green smart and sustainable industrial park for long - term strategy with the 1,000ha VSIP Binh Duong III starting construction in Mar 2022.

VSIP Binh Duong III is designed to incorporate smart technology 4.0 across the park's operations, from its energy, water and waste use, to traffic and security management. The project's 100ha first phase is also pre-qualified to meet Singapore Building and Control Authority's Green Mark for industrial districts, making it one of the greenest and most sustainable workplace environments in Vietnam. At the groundbreaking ceremony, the company announced the MOUs of more than 176ha in total land lease area with US\$1,8bn of total investment capital. Of which, LEGO Group, a Danish toymaker, intends to operate its first carbon-neutral factory on a 44ha site with an investment of more than US\$1bn.

In addition, the business is also exploring additional new expansions in Bac Ninh, Quang Tri, Nghe An, etc. provinces to capture the growing demand for industrial property in Vietnam, likely bringing more than 2,000ha industrial land to be added in FY22-24F. These projects should provide strong support for VSIP's long-term earnings growth, in our view.

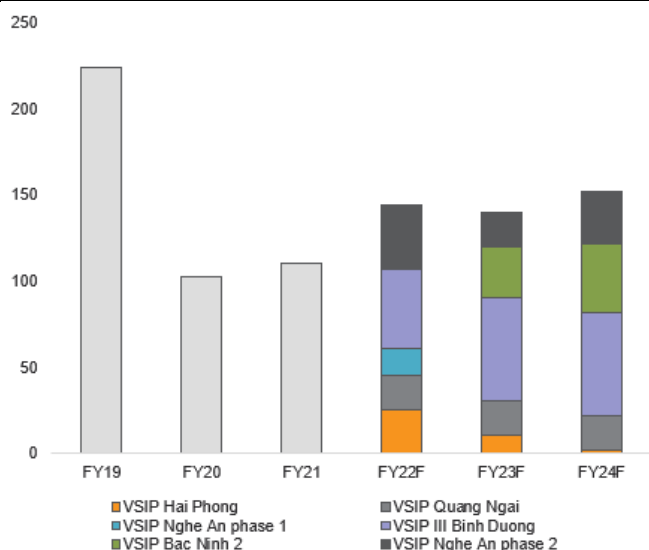
Figure 19: VSIP Binh Duong III, a pioneer in the model of a green smart and sustainable industrial park in Vietnam


- Project: VSIP Binh Duong III.
- Total land area: 1,000ha.
- Total development cost: >US\$500m.
- Expected lease price: US\$130-140 psm per lease term.
- Status: start construction since 19 Mar 2022.
- Potential tenants: LEGO (investment capital of US\$1bn), Pandora (investment capital of US\$100m), etc.

Source: VNDIRECT RESEARCH

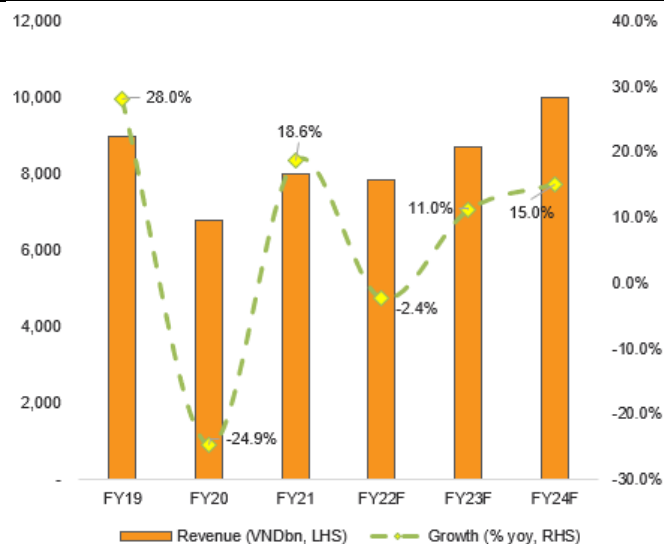
We expect VSIP to deliver 140-180ha p.a and the average rental to grow by 10-20% p.a in FY22-24F, bringing VSIP's revenue to reach VND7,814bn (-2.4% yoy) in FY22F and VND8,677bn (+11.0% yoy)/VND9,983bn (+15.0% yoy) in FY23-24F. Of which, VSIP III Binh Duong IP to contribute significantly 15-30% with 50-80ha to be delivered p.a in FY22-24F. We estimate associate income from VSIP to VND710bn in FY22F (-8.9% yoy) and VND856bn (+20.6% yoy)/VND1,015bn (+18.6% yoy) in FY23-24F, accounting for 20-30% of BCM's net profit.

Figure 20: VSIP III Binh Duong IP to contribute significantly to VSIP's IP land sales in FY22-24F (Unit:ha)



Sources: COMPANY REPORTS, VNDIRECT RESEARCH

Figure 21: Expect VSIP's revenue to back to growth momentum in FY22-24F



Sources: COMPANY REPORTS, VNDIRECT RESEARCH

BW is now reaping the fruits of its previous investment cycle

Speedy land acquisitions to become a leading for-rent logistics and industrial developer in Vietnam...

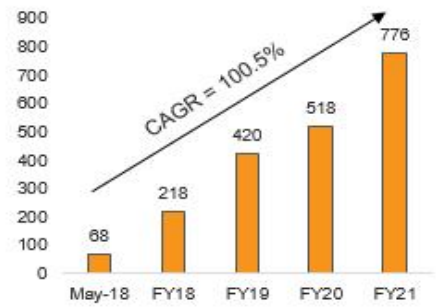
Established since 2018 by Warburg Pincus, a high-profile global private equity firm, and Becamex IDC, a leading IP developer in Vietnam – BW Industrial Development Joint Stock Company (BW, BCM's ownership of 30%) has rapidly grown to be Vietnam's largest logistics and industrial for-rent developer with total land bank up to 776ha as of end-2021. The company has been focused on developing premium grade ready-built and built-to-suit factories and warehouses with more than 35 projects in 26 strategic economic locations across Vietnam.

As of early-2022, we estimate BW has more than 2.2 million gross floor area (GFA) of properties completed and under construction and c.60-70% of its total land bank had not been deployed yet, showing the huge potential of the BW in the future. We expect the company to develop 100-150ha of land bank p.a, equivalent to additional 700,000-1,000,000 sqm GFA of ready-built warehouse and factory p.a. As a result, we forecast a 28.4% CAGR in total accumulated gross leasable area (GLA) over FY22-24F, leading its market share to jump double at c.20% as of 2023 (from c.10% in 2021).

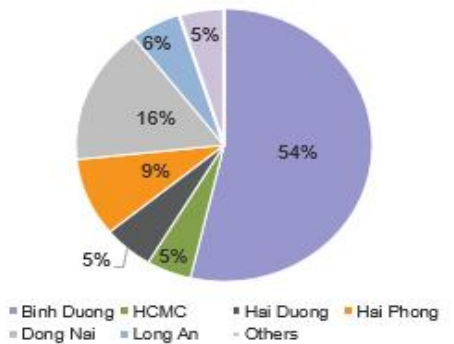
Figure 22: Speedy land acquisitions to become a leading provider in the factory and warehouse for rent with total land bank up to 776ha as at end-2021 and nationwide footprint across Vietnam



Fast-growing land bank

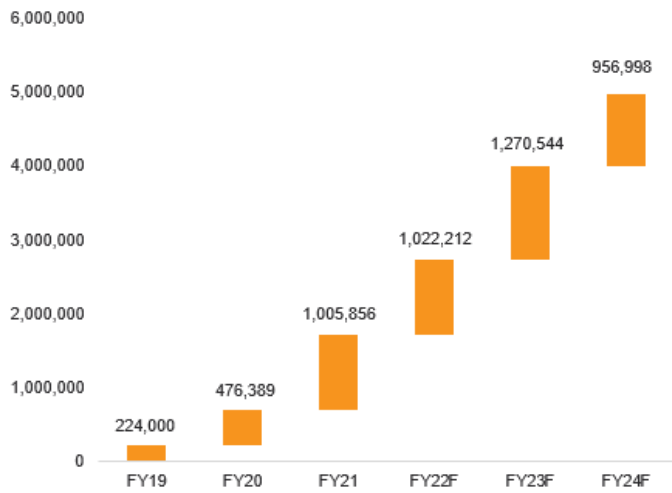


2021 land bank breakdown



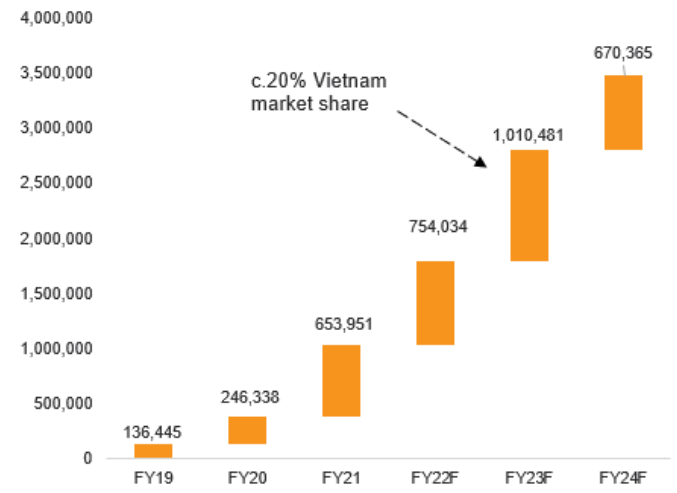
Sources: COMPANY REPORTS, VNDIRECT RESEARCH

Figure 23: Expect the company to develop c.100-120ha of land bank p.a over FY22-24F...



Sources: VNDIRECT RESEARCH

Figure 24: ... resulting an additional 800,000-1,000,000 sqm GLA of ready-built warehouse and factory p.a (Unit: sqm)



Sources: VNDIRECT RESEARCH

Figure 25: Site availability as of end-1Q22

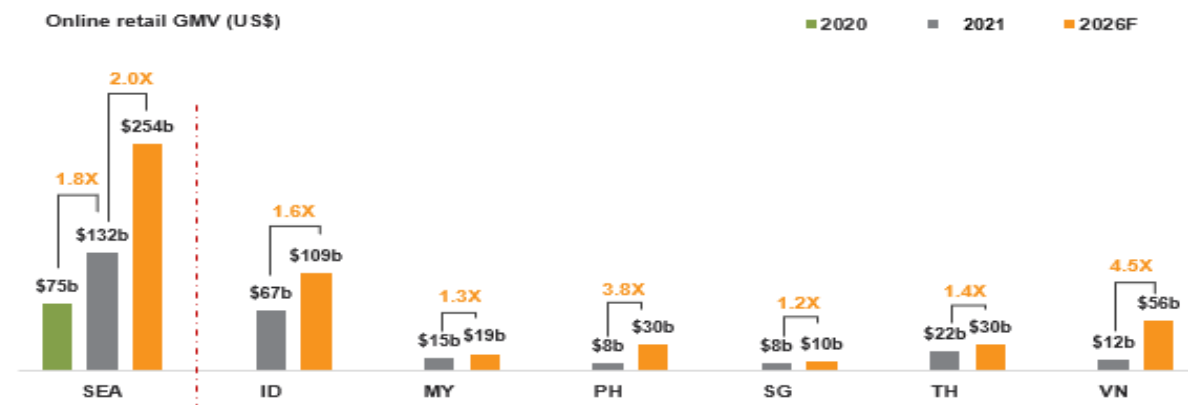
Location	Project		Construction completion	Available GLA at of 1Q22(sqm)	
Ready-built factory					
South					
Binh Duong	Bau Bang	Pre-phase & Phase 1,2	06/2019	5,400	
		Phase 3 - 7	04/2020	107,502	
	Bau Bang Extension	Phase 1	04/2023	535,181	
	My Phuoc 3	Phase 1,2,3	12/2019	0	
		Phase 4,5,6	05/2020	0	
	My Phuoc 4	Phase 1	07/2021	58,288	
Dong Nai	Nhon Trach 2 - Loc Khang	Phase 1	08/2022	159,185	
	Dau Giay	Phase 1	09/2022	83,907	
	Nhon Trach 1	Phase 1	10/2022	75,550	
Central					
Nghe An	VSIP Nghe An	Phase 1	10/2022	88,409	
North					
Bac Ninh	VSIP Bac Ninh	Phase 1	07/2019	1,537	
		Phase 1	04/2020	0	
Hai Duong	VSIP Hai Duong	Phase 2	07/2021	94,127	
		Phase 3	06/2022	104,340	
		Phase 1	04/2020	6,672	
Hai Phong	VSIP Hai Phong	Phase 2	05/2021	16,308	
		Phase 1	01/2022	62,136	
Total				1,398,542	
Ready-built warehouse					
South					
Binh Duong	VSIP 2A	Plot 1	05/2021	0	
		My Phuoc 4	Plot 1	08/2021	140,395
		Tan Dong Hiep B	Plot 1	Q3/2022	52,427
Dong Nai	Nhon Trach 2 - Loc Khang	Plot 1	08/2022	147,688	
		Plot 1	03/2020	0	
HCMC	Tan Phu Trung	Plot 3	04/2021	42,073	
		Plot 4	07/2021	0	
Long An	Vinh Loc 2	Plot 1	Q2/2023	213,000	
	Xuyen A	Plot 1	Q4/2023	220,000	
North					
Hai Phong	Deep C	Plot 1	07/2021	13,538	
		Plot 2	04/2022	54,801	
		Plot 3	Q2/2023	42,300	
Hanoi	Phu Nghia	Plot 1	12/2022	14,000	
Quang Ninh	Bac Tien Phong (Deep C)	Plot 1	Q2/2023	47,000	
Total				987,222	

Sources: VNDIRECT RESEARCH

...to capture the increasing demand for logistics facilities

The pandemic has dramatically accelerated the rise of e-commerce and digital transformation. According to Bain & Company, Southeast Asia's ecommerce gross merchandise value (GMV) is likely to boom over FY22-26F, especially for Vietnam. By end-2026, Vietnam's GMV is expected to grow 4.5x from 2021 levels to US\$56bn, the fastest-growing among Southeast Asia. Besides, robust demand for goods and the ongoing supply chain disruption heighten the need for additional warehouse space to stockpile goods and mitigate future disruptions as well, according to CBRE Econometric Advisors.

Figure 26: Vietnam's GMV is forecasted to be fastest-growing among Southeast Asia over 2021-26F

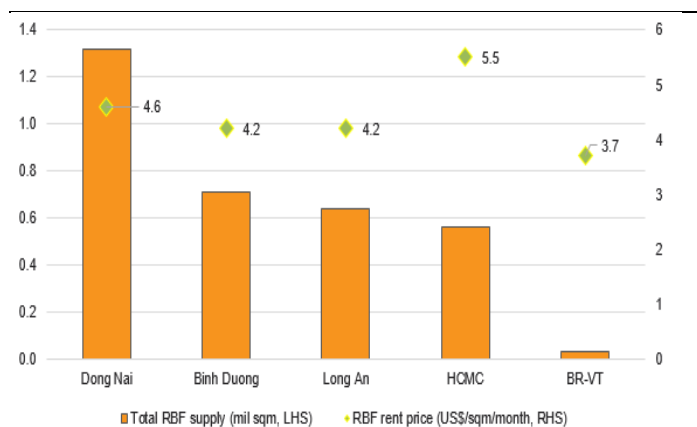


Sources: BAIN & COMPANY

We see Vietnam warehouse (WH) and ready-built factory (RBF) market are emerging with a racing to set foot from both domestic and global developers such as Logos, Boustead, ESR Cayman. According to CBRE, the 2021 WH/RBF new supply grew significantly by 10% yoy to 3.5 million sqm and 8% yoy to 3.2 million sqm, respectively, in the South. While the North recorded WH/RBF new supply rose 7% yoy to 1.3 million sqm and 9% yoy to 2.5 million sqm, respectively. CBRE is forecasting a CAGR WH/RBF new supply of 21%/14% in the South and a CAGR WH/RBF new supply of 34%/11% in the North in 2021-23F, showing the potential and excitement of this market in 2022-23F.

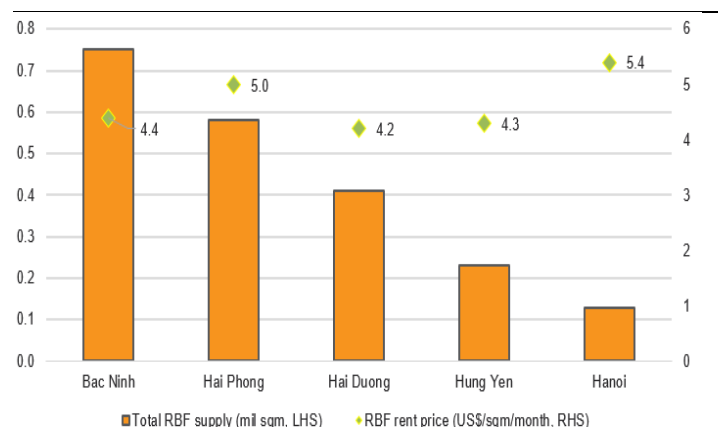
In the context of high demand and limited supply, RBF occupancy rate in the South and the North climbed to 86%/96% while its rental prices kept rising by 4.9% yoy on average to US\$4.7/sqm/month in 2021. The uptrend prices are likely to continue in 2022F, especially logistics facilities near seaports, inland ports and major air hubs, boosted by supply chain disruptions and ecommerce acceleration. We believe BW, a leading provider in the factory and warehouse for rent with nationwide expansion, is greatly enjoyed these opportunities.

Figure 27: RBF rental prices in the South as of end-2021



Sources: VNDIRECT RESEARCH, CBRE

Figure 28: RBF rental prices in the North as of end-2021

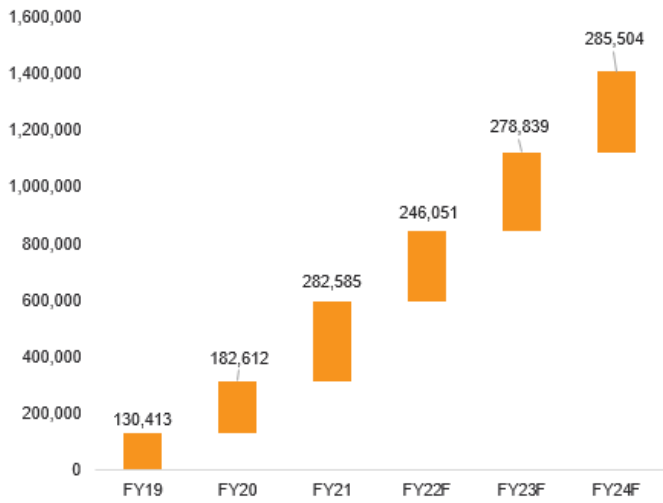


Sources: VNDIRECT RESEARCH, CBRE

.... and now reaping the fruits of its previous investment since FY23F

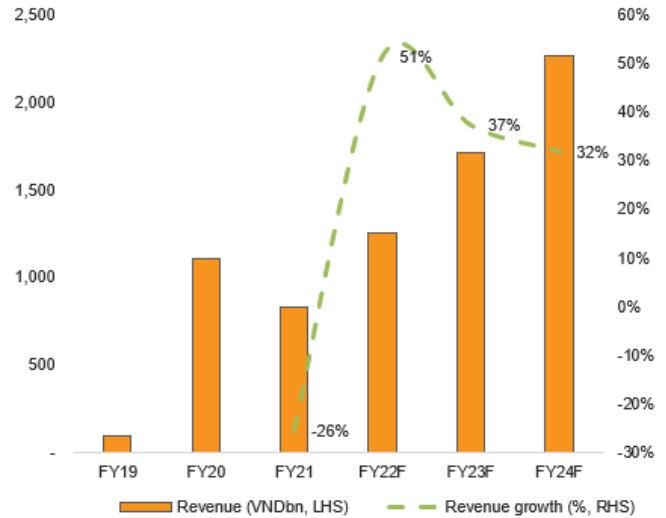
We forecast BW's revenue to reach a CAGR of 34.4% over FY22-24F thanks to 1) lease out 250,000-300,000 sqm of ready-built warehouse and factory p.a, leading a 29.2% CAGR of accumulated GLA over FY22-24F and 2) average rental prices to increase 3-5% yoy p.a to US\$5.5-6.2/sqm/month following market's growth. We estimate BCM's associate income from BW to VND85bn in FY23F (vs FY22 net loss of c.VND100-150bn) and VND228bn (+169.0% yoy) in FY24F, accounting for c.6-10% of BCM's net profit.

Figure 29: Expect the company to lease out 250,000-300,000 sqm of ready-built warehouse and factory p.a over FY22-24F (unit: sqm)



Sources: VNDIRECT RESEARCH

Figure 30: We forecast BW's revenue to reach a CAGR of 34.4% over FY22-24F



Sources: COMPANY REPORTS, VNDIRECT RESEARCH

BCM's residential business: another earnings growth engine in FY22-23F

Associated with industrial development, BCM also focuses on investing in the development of urban areas to provide services and accommodation for experts, engineers, and workers. Prominently contributing to urbanization is Becamex New City with a total area of 1,000ha and low-income housing projects within Binh Duong province.

Located at the heart of the Southern Key Economic Region, Binh Duong New City is positioned as the political, economic, cultural and financial center of Binh Duong, with total investment cost of more than VND150,000bn. Starting from 2010, Becamex has completed for building roads, Binh Duong's centralized administrative center, Eastern International University, Sport center, and other ancillary infrastructure. In FY22-23F, BCM plans to develop two commercial & services projects namely Becamex Tower New City and WTC Gateway with total investment cost of c.VND4,000bn.

Figure 31: Existing key developments at Binh Duong New City project



Sources: COMPANY REPORTS

Figure 32: Key development pipeline of BCM and its associates

Project	Developer	Type of products	Land area (ha)	Remaining units/plot	2022	2023	2024	2025
Binh Phuoc commercial and services house	IJC	Low rise	2.6	84				
IJC Hoa Loi Plot F5	IJC	Low rise	2.3	117				
IJC Hoa Loi Plot F6	IJC	Low rise	1.1	66				
IJC Hoa Loi Plot F7	IJC	Low rise	1.1	68				
IJC Hoa Loi Plot F8	IJC	Low rise	1.4	94				
IJC Hoa Loi Plot F9	IJC	Low rise	1.4	94				
IJC Hoa Loi A, B, C	IJC	Low rise	6.6	403				
IJC Hoa Loi G	IJC	Low rise	2.6	183				
Aroma C,D apartment	IJC	High rise	1.0	268				
Prince Town P1, P2, P3	IJC	Low rise	3.6	370				
Sunflower expansion (N6)	IJC	Low rise	5.3	95				
5 podium of N4 apartment	IJC	Retail	1.5	5 podium				
5b Thoi Hoa 5B40	IJC	Low rise	8.6	45				
IJC Bau Bang (C1-C14)	IJC	Low rise	14.3	915				
Sunflower	IJC	Low rise	1.5	N/A				
TDC Hoa Loi	TDC	Low rise	16.8	N/A				
Bau Bang social house	TDC	Social house	6.8	164				
Unitown	TDC	Low rise	11.9	340				
TDC Plaza	TDC	High rise	2.2	1,156				
Song Cam Hai Phong	TDC	Low rise	10.2	339				
WTC EXPO	BCM	Exhibition center	22,000 sqm GFA					
Becamex Tower New City	BCM	Office	71,000 sqm GFA					
WTC Gateway	BCM	Shopping mall & arena	90,000 sqm GFA					

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Transfer sub projects to optimise absorption rate and speed up land bank monetisation

Of its projects in above pipeline, BCM has abundant raw land bank of more than 1,200ha net saleable area as of end-2021, and mostly located in three prime districts/towns in Binh Duong province namely Ben Cat Town, Bau Bang District, Thu Dau Mot City. We understand the company is strongly promoting to attract major partners from Japan, the UK, Singapore, the US, etc. to jointly implement, especially for Binh Duong New City project.

In 4Q21, BCM successfully signed an agreement to transfer a site of 18.9ha in Binh Duong New City for CapitaLand Development. This is going to be CapitaLand's first large residential project in Vietnam with total estimated development cost of VND18,330bn. We expect BCM could complete transaction procedures to hand over the land parcel for CapitaLand and bring in revenue of VND5,000-5,200bn in FY23F.

With its jointly development strategy, we expect to see more the attendance of well-known foreign partners which will not only attract more homebuyers, improve the absorption rate in Binh Duong, but also speed up BCM's cash flow generation.

Figure 33: BCM's residential land bank as at end-2021

Location	BCM's ownership	Occupancy rate	Remaining land bank (ha)
Ben Cat	100%	75%	306
Bau Bang	100%	28%	469
Thu Dau Mot	100%	59%	464
Thuan An	100%	95%	12
Total			1,251

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Social housing development to meet demand for low-income workers

Becamex is the government-designated developer of social housing projects within Binh Duong province. Becamex is developing 37 sub-projects since 2012 with total land area of 130ha, development cost of c.VND11,000bn, providing 64,700 units for 167,000 people. The company has delivered 47,500 units as of end-2021. Besides, Becamex plans to start the phase 2 with 120,000 units for 300,000 people since 2022, with preferential prices from VND100-200m. We expect the first 20,000 units with total investment cost of VND9,500bn will be started construction in 2022-23F.

Figure 34: BCM's low-income housing projects phase 1 to provide more than 64,700 units

Location	No. of projects	Land area (sqm)	Construction area (sqm)	GFA (sqm)	Population (people)	Housing units (units)
Thu Dau Mot	4	174,277	68,252	418,907	24,332	9,345
Thuan An	7	126,676	49,610	334,285	18,859	7,241
Di An	2	80,000	31,330	211,187	11,910	4,572
Ben Cat	18	728,318	285,231	1,389,664	88,702	34,130
Tan Uyen	6	197,605	77,388	371,807	23,544	9,419
Total	37	1,306,876	511,811	2,725,850	167,347	64,707

Phase 1.1		
Location	No. of projects	Housing units
Thu Dau Mot	4	9,345
Thuan An	4	3,975
Di An	2	4,572
Ben Cat	9	13,695
Tan Uyen	4	6,973
Total	23	38,560

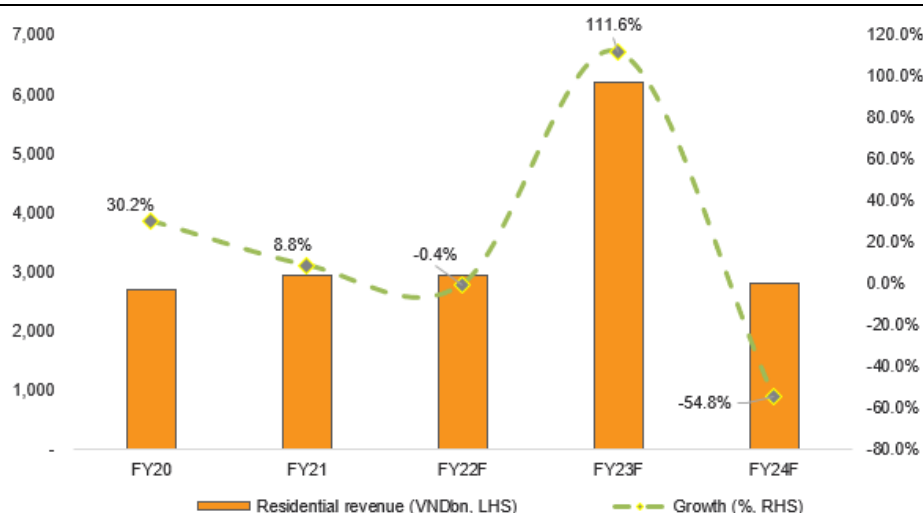
Phase 1.2		
Location	No. of projects	Housing units
Thuan An	3	3,266
Ben Cat	9	20,435
Tan Uyen	2	2,446
Total	14	26,147

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

We expect BCM's FY23F residential revenue to skyrocket on one-off gains

We estimate BCM to record FY22F residential revenue of VND2,925bn (-0.4% yoy), mostly from Uni Galaxy transfer and social housing project handovers. We expect BCM could complete the transaction procedures for 18.9ha of land transfer from Binh Duong New City project for Capitaland at end-FY22F. We cautiously forecast BCM to record the c.VND5,000-5,200bn payment of that in FY23F. Together with existing projects, FY23F residential revenue surges 111.6% yoy to VND6,190bn, in our estimates.

Figure 35: Expect FY23F residential revenue to skyrocket on one-off gains

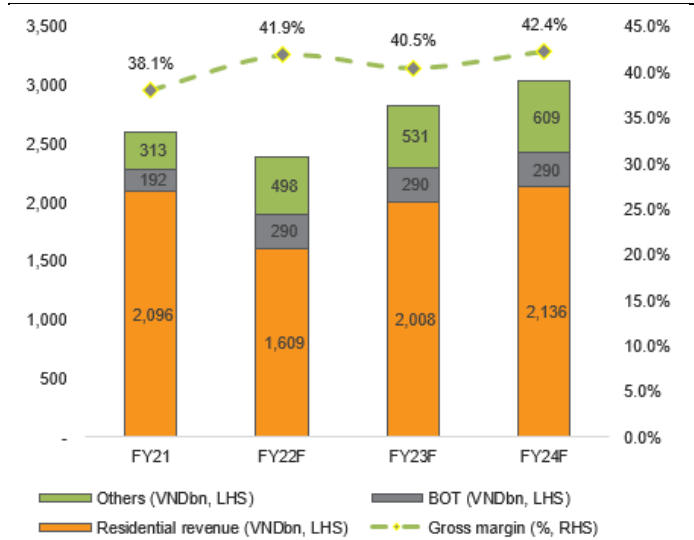


Sources: VNDIRECT RESEARCH

Associate incomes from IJC to be stable over FY22-24F

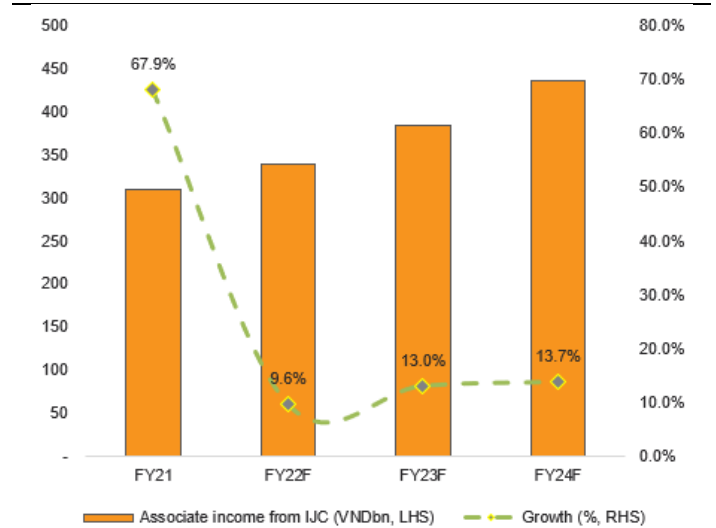
We forecast IJC’s revenue growth to be stable with a CAGR of 12.5% over FY22-24F, mostly from IJC Hoa Loi, Prince Town, Sunflower, Aroma projects handovers. We estimate FY22-24F net profit to reach a CAGR of 13.4% with the assumption of gross margin sustaining around 40-42%. Associate income from IJC to VND341bn in FY22F (+10.5% yoy) and VND413bn (+21.0% yoy)/VND441bn (+6.7% yoy) in FY23-24F, accounting for c.10-15% of BCM’s net profit.

Figure 36: We forecast IJC’s revenue to reach a CAGR of 12.5% with GPM around 40%-42% over FY22-24F...



Sources: COMPANY REPORTS, VNDIRECT RESEARCH

Figure 37: ...leading to a FY22-24F net profit CAGR of 13.4%



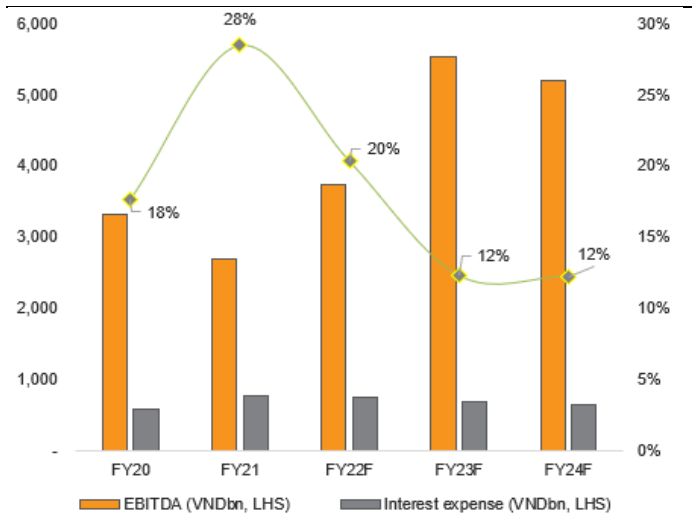
Sources: COMPANY REPORTS, VNDIRECT RESEARCH

High debt service cost takes a big chunk out of profits

Like any other infrastructure developer implementing multiple projects at the same time, Becamex has huge capital needs. As a result, interest bearing debt to equity ratio (D/E) jumped at around 1.5-2.0x over FY17-18. At the end of 3Q22, BCM's total debt reached at VND15,155bn (-8.9% ytd), causing the company's debt/equity (D/E) ratio decreased by 17.7% pts ytd to 0.8x. We see BCM's D/E has improved significantly since FY19 but remained higher than the 0.5x seen at sector average.

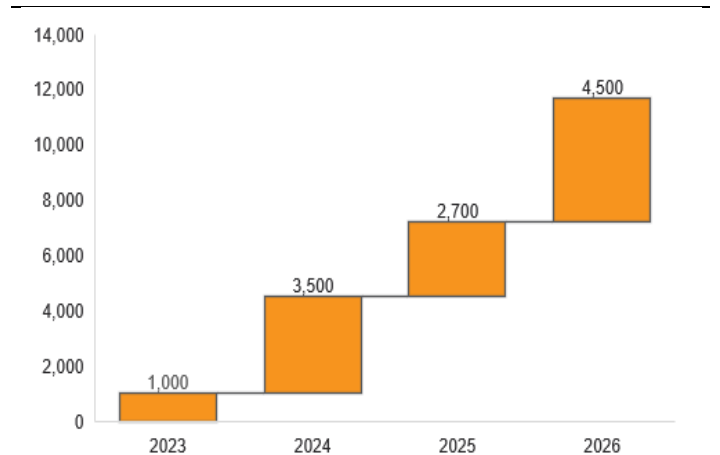
Becamex has two IP projects (Cay Truong and Lai Hung IPs), 20,000 social housing units and two commercial and services projects in Binh Duong New City projects in the pipeline over the next 3-5 years, with total development cost of more than VND25,000bn. This creates a potential risk of higher future leverage as Becamex has historically tended to fund its projects with a significant amount of debt in the capital structure. Thus, we project that BCM's D/E ratio will remain high at 0.8x-1.1x in FY22-24F. Consequently, we forecast interest expense accounts for around 10-20% of FY22-24F EBITDA.

Figure 38: We estimate interest expense accounts for c.10-20% of EBITDA over FY22-24F



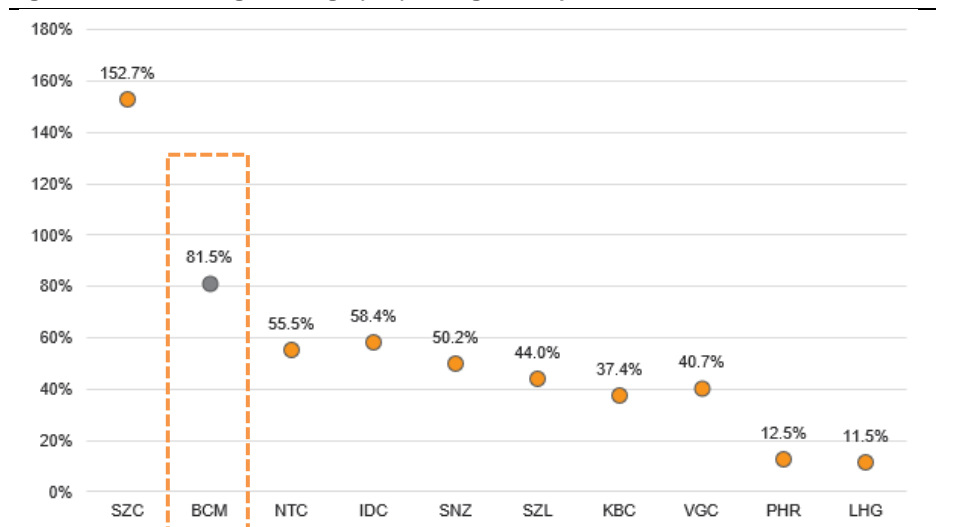
Sources: COMPANY REPORTS, VNDIRECT RESEARCH

Figure 39: Rising corporate bond maturity over FY24-26F (Unit: VNDbn)



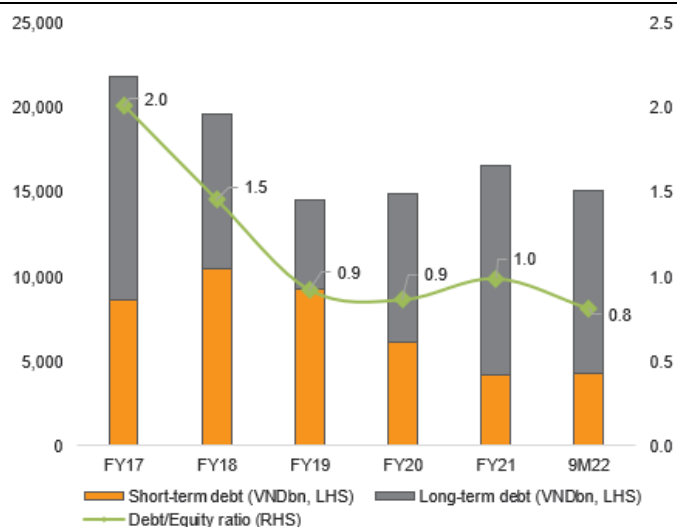
Sources: COMPANY REPORTS, VNDIRECT RESEARCH

Figure 40: BCM has high leverage (D/E) among sector peers as of end-3Q22



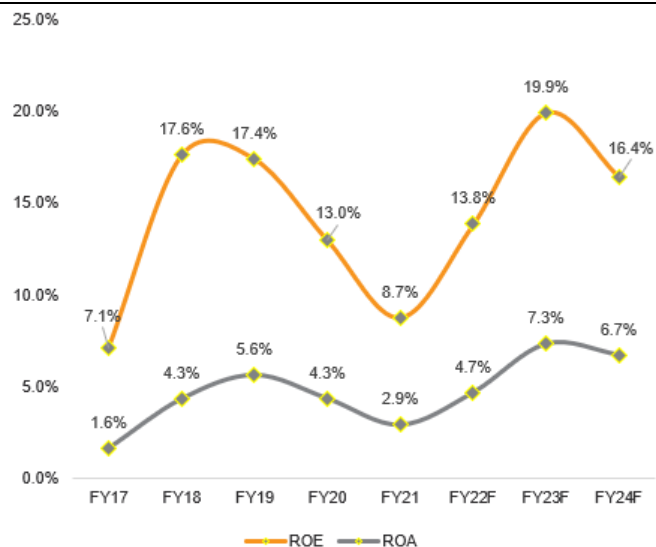
Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 41: BCM's debt-to-equity ratio tend to decrease but remain high



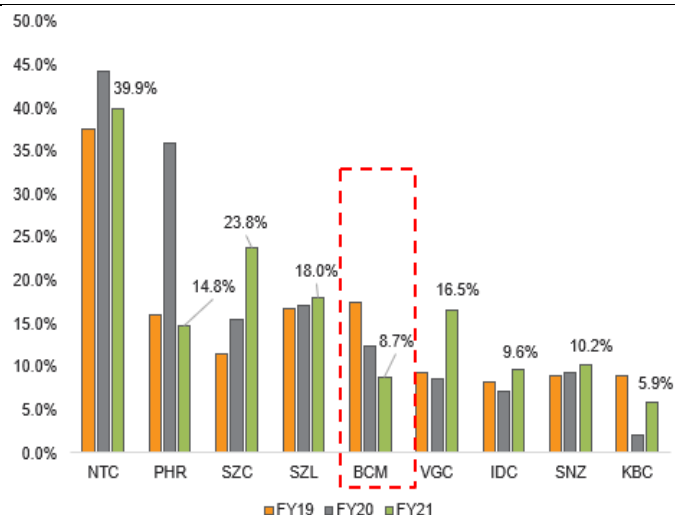
Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 42: Probability ratio is likely to jump in FY22F on the low base of FY21 and one-off gains from land transfer



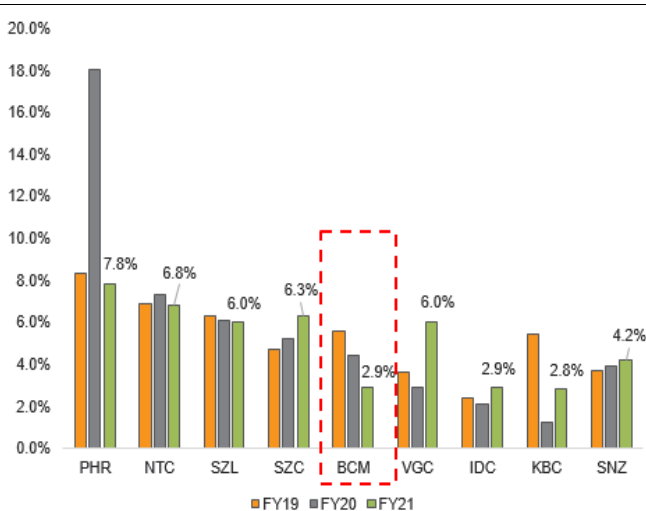
Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 43: BCM's ROE among sector peers



Sources: COMPANY REPORTS, VNDIRECT RESEARCH

Figure 44: BCM's ROA among sector peers



Sources: COMPANY REPORTS, VNDIRECT RESEARCH

FY22-24F earnings outlook

We forecast BCM's FY22F revenue to grow 12.5% yoy to VND7,862bn and net profit to surge 66.2% yoy to VND2,334bn, fuelled by:

- Revenue of residential segment records VND2,925bn (-0.4% yoy), mostly from Hoa Loi project and one-off income gains from Uni Galaxy project.
- Revenue of IP segment increases by 24.7% yoy to VND3,258bn thanks on the contribution of existing IPs.
- JV and associate income rises 2.9% yoy to VND1,051bn on VSIP's new IPs contribution.
- FY21 low base due to COVID-19 affected charitable contributions of VND430bn.

For FY23F, we expect BCM's revenue to surge 47.6% yoy to VND11,603bn and net profit to soar by 63.2% yoy to VND3,809bn due to:

- Revenue of residential segment surges by 111.6% yoy to VND6,190bn boosted by one-off income gains from 18,9ha of land transfer for Capitaland at Binh Duong New City.
- Revenue of IP segment increases by 13.8% yoy to VND3,708bn mostly from Bau Bang expansion and Cay Truong IPs.
- JV and associate income rises 36.4% yoy on VSIP's new IPs contribution and BW's supply expansion.

For FY24F, we forecast BCM's revenue to decline by 18.5% yoy to VND9,453bn and net profit to decrease by 5.1% yoy to VND3,613bn due to lack of one-off gains.

Figure 45: FY22-24F earnings forecasts, based on VNDIRECT Research estimates

VND(bn)	FY21	FY22F	FY23F	FY24F
Net revenue	6,990	7,862	11,603	9,453
% yoy	7.5%	12.5%	47.6%	-18.5%
Construction	103	180	160	170
% yoy	-51.3%	75.1%	-11.4%	6.4%
Industrial property	2,613	3,258	3,708	4,905
% yoy	24.9%	24.7%	13.8%	32.3%
Residential property	2,938	2,925	6,190	2,797
% yoy	8.8%	-0.4%	111.6%	-54.8%
Providing services and merchandises	735	850	867	876
% yoy	-25.4%	15.7%	2.0%	1.0%
Sales of finished goods	651	575	603	633
% yoy	6.0%	-11.7%	5.0%	5.0%
Gross profit	3,221	3,329	4,940	4,222
Blended GPM	46.1%	42.3%	42.6%	44.7%
SG&A	(1,221)	(1,129)	(1,376)	(1,355)
Financial income	69	132	121	150
Financial expense	(875)	(771)	(691)	(648)
Profit from associates (VNDbn)	1,022	1,051	1,434	1,750
Operating profit (VNDbn)	2,216	2,612	4,428	4,119
Other income (VNDbn)	(472)	126	25	25
Pre-tax profit	1,744	2,738	4,453	4,144
Profit after tax (VNDbn)	1,457	2,434	3,909	3,713
Net profit	1,405	2,334	3,809	3,613
% yoy	-29.3%	66.2%	63.2%	-5.1%

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

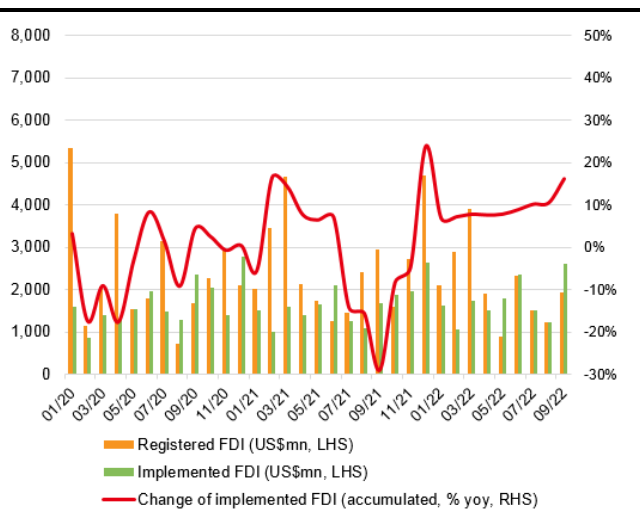
9M22 recap: Strong earnings growth on low base FY21
Figure 46: 9M22 and 9M21 results comparison

	3Q22	3Q21	% yoy chg	9M22	9M21	% yoy chg	As % of BCM's	
							FY22 guidance	Comment
Total revenue (VNDbn)	2,328.9	1,012.8	129.9%	6,535.4	4,808.2	35.9%	67.5%	
Revenue (VNDbn)	2,264.2	883.0	156.4%	5,634.2	3,987.9	41.3%		
Property	1,843.3	625.0	194.9%	4,415.2	2,891.7	52.7%		Transfer Uni Galaxy project of c.VND1,300bn to Gamuda Land.
Providing services and merchandises	274.1	148.9	84.0%	633.1	480.1	31.9%		
Sales of finished goods	126.6	96.9	30.7%	486.2	469.0	3.7%		
Others	20.2	12.1	66.9%	99.7	147.0	-32.2%		
Gross profit (VNDbn)	674.9	417.9	61.5%	2,456.3	1,746.2	40.7%		
Gross profit margin	29.8%	54.9%	-25.1% pts	43.6%	45.3%	-1.7% pts		Due to low-margin Uni Galaxy project of c.14%.
SG&A expenses(VNDbn)	282.8	235.2	20.3%	756.0	737.4	2.5%		
Financial income (VNDbn)	10.9	13.5	-19.3%	104.9	56.3	86.3%		
Financial expense (VNDbn)	139.6	163.0	-14.4%	628.4	475.3	32.2%		
Profit from associates (VNDbn)	17.3	113.2	-84.7%	590.5	740.2	-20.2%		Due to VSIP's lower contribution and a net loss of c.VND70bn at BW in 3Q22.
Operating profit (VNDbn)	280.7	146.5	91.6%	1,767.3	1,330.2	32.9%		
Other income (VNDbn)	36.5	3.1	1077.4%	205.8	23.8	764.7%		Thanks to liquidation of fixed assets in 2Q22.
Other expense (VNDbn)	6.3	97.2	-93.5%	72.7	225.5	-67.8%		No COVID-19 charitable contributions.
Pre-tax profit (VNDbn)	311.0	52.3	494.2%	1,900.5	1,128.4	68.4%		
Profit after tax (VNDbn)	259.2	50.3	415.3%	1,665.1	1,037.9	60.4%	57.7%	
Minority interest	55.9	1.8	3076.1%	88.3	49.9	77.1%		
Net profit (VNDbn)	203.3	48.6	318.4%	1,576.8	988.1	59.6%		

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

IP SECTOR: TAILWIND IS FADING
Implemented FDI remained positive, but new FDI inflow declined

According to the Ministry of Planning and Investment (MPI), the implemented capital of FDI projects rose 55.4% yoy to US\$2.6bn in Sep, thus lifting the implemented capital of FDI projects in 9M22 to US\$15.4bn, increasing 16.2% yoy (vs. a 3.7% decline in 9M21). Meanwhile, registered capital of FDI projects dropped 35.1% yoy to US\$1.9bn in Sep. For 9M22, registered capital of FDI projects declined 15.3% yoy to US\$18.7bn. The largest registered FDI project in 9M22 is the Lego's toy factory, worth US\$1.3bn.

Figure 47: Implemented FDI rose 16.2% yoy in 9M22


Source: GSO, MPI, VNDIRECT RESEARCH

Figure 48: List of major FDI projects in 9M22

FDI projects	Sectors	Registered capital (US\$bn)	Province/city
Lego's toy factory	Manufacturing	1.3	Binh Duong
Expansion of VSIP Bac Ninh project	Industrial Park	0.9	Bac Ninh
Expansion of Samsung's plant in Thai Nguyen province	Manufacturing	0.9	Thai Nguyen
The manufacturing factory of Goertek Group	Manufacturing	0.3	Nghe An
Commercial and service projects of GE Vietnam	Commercial & Service	0.2	Bac Ninh
Electronic component factory project (JNTC - Korea)	Manufacturing	0.2	Phu Tho

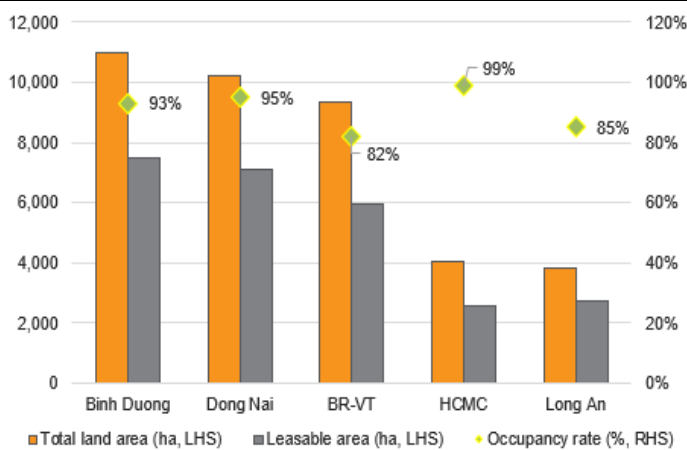
Source: GSO, MPI, VNDIRECT RESEARCH

We see the decline in FDI inflow could be explained by: (1) growing concerns over global recession, (2) high inflation weighing on demand, (3) strong USD appreciation puts pressure on emerging market and frontier market exchange rates and (4) financial market liquidity tightens due to the Fed's interest rate hike.

However, we believe the wave of manufacturing relocation from China slow down for short term and will resume in longer term. Vietnam possesses outstanding advantages compared to its competitors to attract international FDI inflows in the near future, including competitive labour costs, favorable geographical location (proximity to the production center in southern China), political stability and incentives from many FTAs (Free-Trade-Agreements). We see that recently, there have been a number of global technology giants intending to invest and expand production in Vietnam in the near future. For example, APPLE is planning to manufacture iPhone and iPad in Vietnam while GOOGLE is planning to move part of its mobile phone production line (GOOGLE Pixel 7) to Vietnam. Moreover, two Chinese technology giants, XIAOMI and OPPO, also intend to set up manufacturing activities in Vietnam.

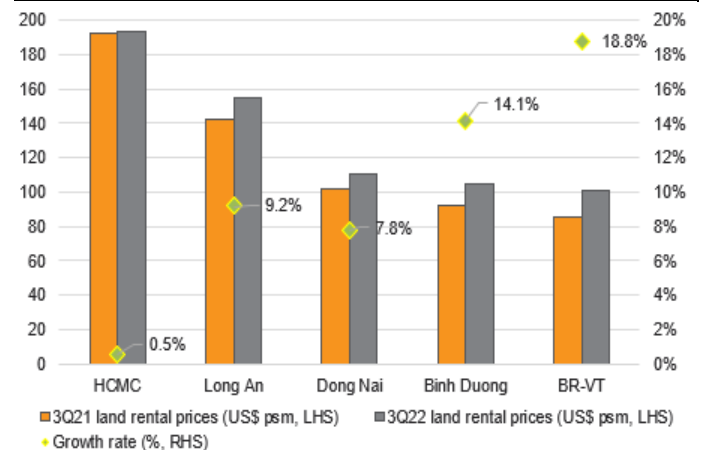
Occupancy rates & rental prices

Figure 49: Average occupancy rate in the South remained high at c.90% as of end-3Q22



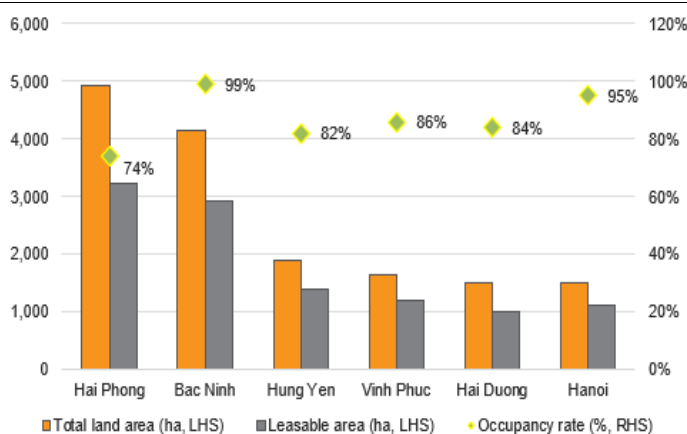
Sources: VNDIRECT RESEARCH, SAVILLS, JLL

Figure 50: Land rental prices in BR-VT increased the most at c.20% yoy among Southern IPs as of end-3Q22



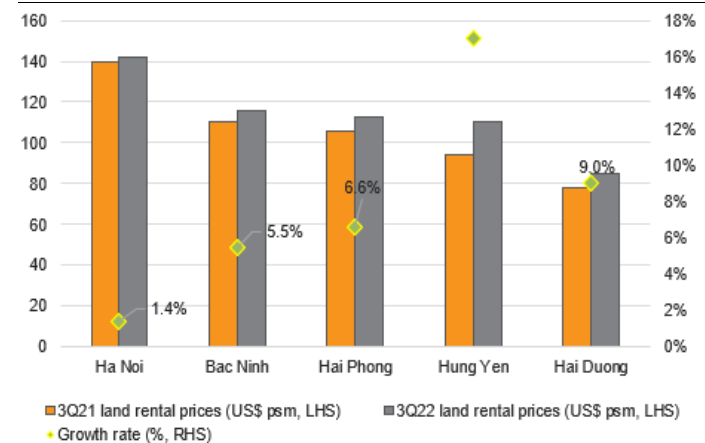
Sources: VNDIRECT RESEARCH, CBRE, SAVILLS, JLL

Figure 51: Average occupancy rate in the North remained high at c.90% as of end-3Q22



Sources: VNDIRECT RESEARCH, CBRE

Figure 52: Hung Yen has a biggest increase among five key Northern industrial cities/provinces



Sources: VNDIRECT RESEARCH, CBRE

Infrastructure development will buoy industrial property market

According to the Ministry of Transport, the Government aims to have 3,000km of highways by 2025 (from the current highways of 1,163km). Therefore, the upcoming public investment packages will focus on disbursing a series of highways such as the North-South expressway.

We believe that public investment disbursement in 2022 - 2023 will increase by 20-30% yoy as (1) additional capital for infrastructure development from the new economic stimulus package; (2) the bottleneck of a lack of construction stone and backfill has been resolved after the Government granted mining licenses for new mines; (3) construction material prices such as iron, steel, cement, construction stone are expected to decrease in 2022; (4) many key transport infrastructure projects completed the preparation as well as site clearance should begin construction since 2022.

Figure 53: Progress of key transport infrastructure projects in the period of 2021-26

Project	Total investment capital (VNDbn)	Construction progress planning							
		2019	2020	2021	2022	2023	2024	2025	2026
Cam Lo - La Son	7,700								
Cao Bo - Mai Son	1,600								
My Thuan 2 bridge	5,000								
Mai Son - Highway 45	12,920								
11 sub-projects of North-South Expressway (phase 1)									
Vinh Hao - Phan Thiet	10,853								
Phan Thiet - Dau Giay	14,360								
Nghi Son - Dien Chau	8,380								
Highway 45 - Nghi Son	6,330								
Dien Chau - Bai Vot	13,340								
Nha Trang - Cam Lam	7,615								
Cam Lam - Vinh Hao	13,690								
12 sub-projects of North-South Expressway (phase 2)	146,990								
Long Thanh international airport (phase 1)	109,112								
Total	357,890								

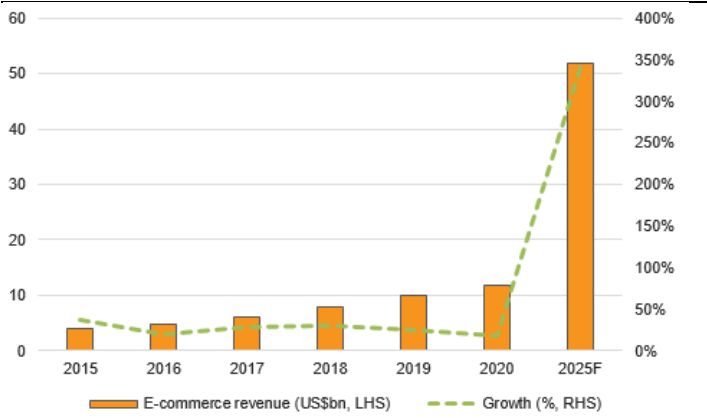
Source: VNDIRECT RESEARCH

E-commerce boom, increased inventory requirements and supply chain diversification boosting the demand for IP land for warehouse services

According to MoIT, Vietnam's e-commerce revenue is booming, with an estimated CAGR of 44.9% to US\$52bn in FY20-25F. According to CBRE Asia, the growth in e-commerce will drive the requirement for an additional 350,000sqm of new warehouse space with an approximate e-commerce revenue of US\$25-27bn, translating into an additional more than 700,000sqm in FY25F for Vietnam.

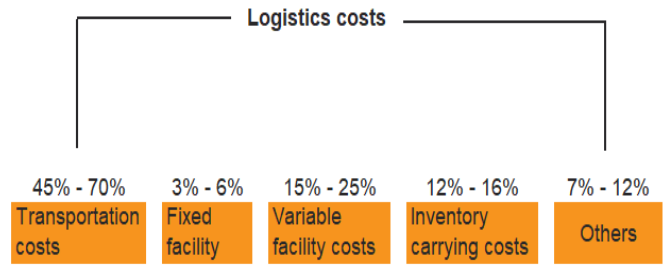
Besides, robust demand for goods and the ongoing supply chain disruption heighten the need for additional warehouse space to stockpile goods and mitigate future disruptions as well, according to CBRE Econometric Advisors. Given that rising transportation costs are much higher than warehouse cost, accounting for 45%-70% of total supply chain cost, while fixed facility costs (including real estate) account for only 3% to 6%, logistics space near major transportation hubs such as airports and ports with well-connected transport networks, will be keenly sought-after, in our view.

Figure 54: E-commerce boom in Vietnam with an estimated CARG of 44.9% for revenue over FY20-25F



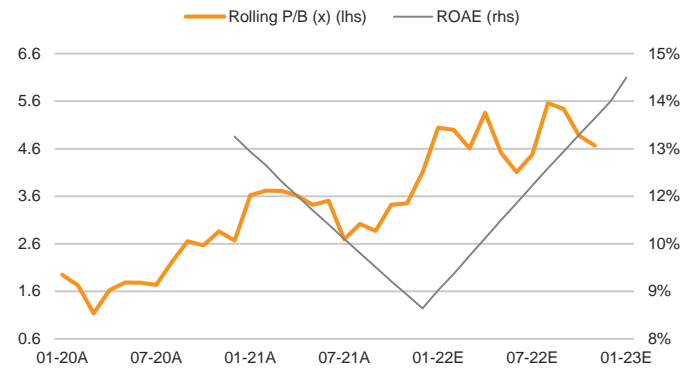
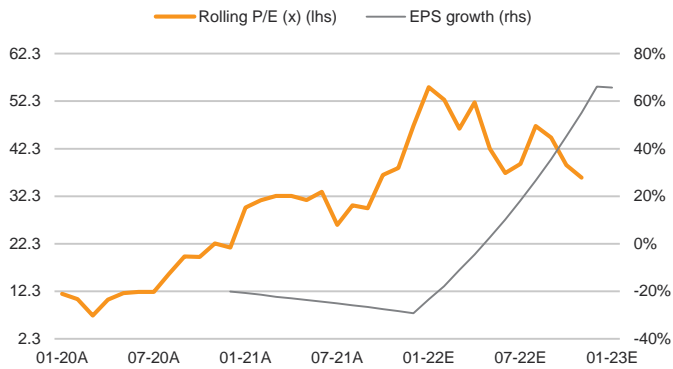
Sources: VNDIRECT RESEARCH, MoIT

Figure 55: Transportation costs increases are much higher than warehouse cost increases



Sources: VNDIRECT RESEARCH, CBRE APAC

Valuation



Income statement

(VNDbn)	12-22E	12-23E	12-24E
Net revenue	7,862	11,603	9,453
Cost of sales	(4,533)	(6,662)	(5,231)
Gen & admin expenses	(508)	(615)	(666)
Selling expenses	(622)	(761)	(690)
Operating profit	2,200	3,565	2,867
Operating EBITDA	2,316	3,678	2,978
Depreciation and amortisation	(117)	(114)	(111)
Operating EBIT	2,200	3,565	2,867
Interest income	132	121	150
Financial expense	(771)	(691)	(648)
Net other income	126	25	25
Income from associates & JVs	1,051	1,434	1,750
Pre-tax profit	2,738	4,453	4,144
Tax expense	(304)	(543)	(431)
Minority interest	(100)	(100)	(100)
Net profit	2,334	3,809	3,613
Adj. net profit to ordinary	2,334	3,809	3,613
Ordinary dividends	(828)	(828)	(828)
Retained earnings	1,506	2,981	2,785

Balance sheet

(VNDbn)	12-22E	12-23E	12-24E
Cash and equivalents	3,681	2,314	3,520
Short term investments	214	214	214
Accounts receivables	4,009	4,094	4,083
Inventories	21,940	23,440	22,268
Other current assets	80	86	91
Total current assets	29,924	30,148	30,176
Fixed assets	4,016	4,132	4,285
Total investments	16,110	17,544	19,239
Other long-term assets	1,266	1,226	1,186
Total assets	51,317	53,049	54,886
Short-term debt	4,748	4,198	4,753
Accounts payable	1,044	1,534	1,205
Other current liabilities	14,783	14,032	14,293
Total current liabilities	20,576	19,764	20,251
Total long-term debt	11,086	10,586	9,086
Other liabilities	912	875	839
Share capital	10,350	10,350	10,350
Retained earnings reserve	5,863	8,430	10,801
Shareholders' equity	17,628	20,610	23,395
Minority interest	1,115	1,215	1,315
Total liabilities & equity	51,317	53,049	54,886

Cash flow statement

(VNDbn)	12-22E	12-23E	12-24E
Pretax profit	2,738	4,453	4,144
Depreciation & amortisation	117	114	111
Tax paid	(304)	(543)	(431)
Other adjustments	(17)	0	0
Change in working capital	1,431	(1,876)	1,086
Cash flow from operations	3,964	2,147	4,910
Capex	(589)	(203)	(237)
Proceeds from assets sales	0	0	0
Others	(1,051)	(1,434)	(1,695)
Other non-current assets changes			
Cash flow from investing activities	(1,640)	(1,636)	(1,932)
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	(800)	(1,050)	(945)
Other financing cash flow			
Dividends paid	(828)	(828)	(828)
Cash flow from financing activities	(1,628)	(1,878)	(1,773)
Cash and equivalents at beginning of period	2,985	3,681	2,314
Total cash generated	696	(1,367)	1,206
Cash and equivalents at the end of period	3,681	2,314	3,520

Key ratios

	12-22E	12-23E	12-24E
Dupont			
Net profit margin	29.7%	32.8%	38.2%
Asset turnover	0.16	0.22	0.18
ROAA	4.7%	7.3%	6.7%
Avg assets/avg equity	2.97	2.73	2.45
ROAE	13.8%	19.9%	16.4%
Efficiency			
Days account receivable	139.7	94.7	116.5
Days inventory	1,766.7	1,284.2	1,558.1
Days creditor	84.1	84.1	84.3
Fixed asset turnover	2.09	2.85	2.25
ROIC	6.7%	10.4%	9.4%
Liquidity			
Current ratio	1.5	1.5	1.5
Quick ratio	0.4	0.3	0.4
Cash ratio	0.2	0.1	0.2
Cash cycle	1,822.4	1,294.8	1,590.3
Growth rate (yoy)			
Revenue growth	12.5%	47.6%	(18.5%)
Operating profit growth	10.0%	62.0%	(19.6%)
Net profit growth	66.2%	63.2%	(5.1%)
EPS growth	66.2%	63.2%	(5.1%)

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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