

IDICO CORP - IDC

Add

The country third-largest IP in term of leasable landbank

Target price (12M)
VND42,600

PROPERTY | Initiation

Consensus*: Add:0 Add:0 Reduce:0

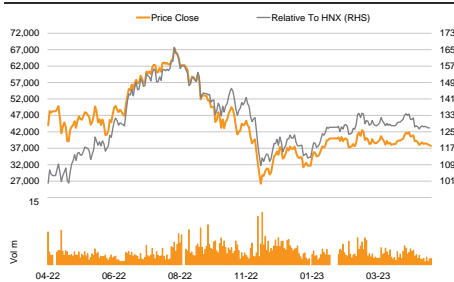
Target price / Consensus: na%

Key changes in the report

➤ N/A

Current price	VND38,100
52w high (VND)	67,500
52w low (VND)	26,200
3m Avg daily value (VNDmn)	107,186
Market cap (VNDbn)	12,506
Free float	76%
Dividend yied	10.6%
TTM P/E (x)	7.0
Current P/B (x)	2.5

Price performance



Source: VNDIRECT RESEARCH

Ownership

SSG Group	22.5%
Bach Viet Trading and Production	11.9%
Dang The Do	11.9%
Khác	53.7%

Source: VNDIRECT RESEARCH

Analyst(s):



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- IDC is the third-largest remaining rental area (751ha) and one of few IP developers in Vietnam allowed to distribute electricity directly to its tenants.
- We forecast FY23-24F earnings to decline 11.1% yoy/17.9% yoy due to lack one-off revenue recognition from fully IPs, arising challenges for IP demand.
- Initiate coverage with a Add rating and SOTP-based TP of VND42,600

Third largest listed industrial land bank spanning across Vietnam

IDC is the third-largest listed IP company in terms of remaining rental area (751ha) spanning across Vietnam's strategy location. We see more challenges for IP developers in the next two 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 IDC. We forecast FY23-24F IP revenue to plunge 14.8% yoy/13.4% yoy on high base FY22. However, we estimate FY25F IP revenue to bounce back 36.2% yoy thanks to the launch of new 470-ha IP, Tan Phuoc1.

Capacity expansion for energy business to speed up

IDC is one of few IP developers in Vietnam allowed to distribute electricity directly to its tenants in Nhon Trach IPs. Additionally, IDC is likely to operate 189MVA power substations in Huu Thanh IP before 2026F, which could help IDC's energy distribution volume CAGR of 7.2% in 2023-2030F period. Besides, the company has started construction its first rooftop solar project with installed capacity of 1.1MWp in 3Q22 and expected to enhance that of capacity to 120MW until 2026F. Together with the recovery of hydropower output to 440 million kWh (+19% yoy) in FY23F on Dak Mi 3 resumption, we forecast energy revenue CAGR of 12.6% over FY23-25F.

Earnings to drop over FY23-24F but rebound strongly in FY25F

We forecast IDC's FY23-24F net profit to drop 11.1% yoy/17.9% yoy to VND1,571bn/VND1,290bn due to lack one-off revenue recognition from fully IPs. For FY25F, we expect the company could start to monetize new 470-ha IP, Tan Phuoc 1 in Tien Giang which could increase IDC's leasable industrial land by ~30-40% yoy and would drive land sales revenue from FY25F (contribute c.5% IDC's FY25F revenue), in our view. Thus, we estimate IDC's FY25F net profit to strongly rebound 37.9% yoy to VND1,867bn.

Initiate with Add and SOTP-based TP of VND42,600

Our Add recommendation was underpinned by (1) healthy balance sheet with sustainable cash flow to counter the risk of tightening credit; (2) attractive valuation with a 18% upside. Upside catalysts: 1) higher-than-expected rental prices and land lease area; 2) sooner-than-expected launches new projects. Downside risks are: 1) lower-than-expected IP land sales, 2) delays in obtaining permits for new launches.

Financial summary (VND)	12-21A	12-22A	12-23E	12-24E
Net revenue (bn)	4,301	7,485	7,245	7,085
Revenue growth	(19.7%)	74.0%	(3.2%)	(2.2%)
Gross margin	17.1%	40.9%	34.0%	29.8%
EBITDA margin	12.6%	23.5%	18.3%	13.5%
Net profit (bn)	454	1,768	1,571	1,290
Net profit growth	(48.0%)	289.1%	(11.1%)	(17.9%)
Recurring profit growth	(49.0%)	298.9%	(11.2%)	(18.1%)
Basic EPS	1,514	5,356	4,762	3,908
Adjusted EPS	1,464	5,311	4,717	3,862
BVPS	12,999	14,988	15,595	15,457
ROAE	11.2%	40.0%	31.1%	25.2%

Source: VNDIRECT RESEARCH

The country third largest IP in term of leasable landbank

Investment thesis

Our ADD rating on IDC is underpinned by:

- 1) One of country leading industrial park developers with ten operating IPs spanning over 3,400ha, the third-largest listed IP developer in terms of remaining leasable land bank (~751ha). We see more challenges for IP developers in the next two 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 IDC.
- 2) Sustainable cash flow from energy and BOT businesses (VND3,000-3,500bn p.a) to counter the risk of tightening credit on the real estate market.
- 3) Earnings to drop over FY23-24F but rebound strongly in FY25F. We forecast IDC's FY23-24F net profit to drop 11.1% yoy/17.9% yoy to VND1,571bn/VND1,290bn due to no expected retroactive revenue recognition when changing the accounting method from annual to one-off. For FY25F, we estimate IDC's net profit to strongly rebound 37.9% yoy to VND1,867bn, triggered by the new contribution of Tan Phuoc 1 IP.
- 4) Attractive dividend yield is a plus. IDC aims to pay FY23 cash dividend of VND4,000/share, equivalent to 10.6% dividend yield.

Upside catalysts, including: 1) higher-than-expected rental prices and land lease area; 2) sooner-than-expected launches new projects. **Downside risks are:** 1) lower-than-expected IP land sales, 2) delays in obtaining permits for new launches; 3) lower-than-expected retail power price growth in FY23F.

Our SOTP-based TP is VND42,600

Our valuation is based on the sum-of-the-parts (SOTP) methodology for IDC's IP, residential, energy and BOT segments. For IP and residential projects that are under development/operation, we apply a DCF method with an assumed WACC-based discount rate of 14-16% for each project's valuation. For energy and BOT segment, we use DCF valuation for 10-20 years to value these segments. To reflect project execution risk or the risk of projects not being fully sold due to uncertain market conditions vs. our projection, we apply a 10% discount to our RNAV estimate. Our SOTP-based TP is VND42,600, which implies a 17.7% upside, including dividend yield.

Figure 1: WACC assumptions

WACC assumptions	
Market premium	11.0%
Risk-free rate	4.0%
Beta	1.5
Cost of debt	9.0%
Debt weight	33.8%
Equity weight	66.2%
Cost of equity	20.5%
WACC	16.0%

Sources: VNDIRECT RESEARCH

Figure 2: Equity valuation

Project Name	Fair value (VNDbn)	Method	Comment
Industrial park	9,941		
Huu Thanh IP	4,143	DCF	
Phu My 2 expansion IP	2,044	DCF	
Phu My 2 IP	1,896	DCF	
Que Vo 2 IP	967	DCF	
Cau Nghin IP	418	DCF	
Tan Phuoc 1 IP	472	DCF	
Residential & commercial	3,443	DCF, BV	
Energy & BOT	3,587	DCF	
Add:			
Cash and cash equivalent	1,470		
Other assets	1,573		
Less:			
Total debt	3,468		
RNAV	15,607		
Discount to RNAV	10%		To reflect project execution risk or the risk of projects not being fully sold due to uncertain market conditions vs our projection.
Shares outstanding	330,000,000		
Target price (VND/share)	42,600		

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 3: Peer comparison

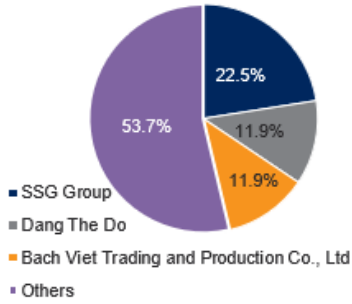
Company	Ticker	Price		Mkt cap	P/E (x)			3-year EPS		P/B (x)		ROE (%)		Net D/E as of FY22 (x)
		LC\$	Recom.		US\$m	FY23F	FY24F	CAGR (%)	FY23F	FY24F	FY23F	FY24F		
Investment & Industrial Development	BCM VN	78,500	ADD	3,461	28.1	28.2	30.8	4.3	3.9	15.1	15.0	0.8		
Viglacera Corp Jsc	VGC VN	33,050	NR	631	13.2	10.2	28.4	2.0	1.7	15.6	14.4	0.2		
Kinh Bac City Development	KBC VN	24,900	ADD	814	9.8	11.1	73.9	1.1	0.8	12.0	10.1	0.3		
Idico Corp Jsc	IDC VN	38,100	ADD	536	8.0	9.7	19.5	2.4	2.5	31.1	25.2	0.2		
Phuoc Hoa Rubber	PHR VN	40,850	ADD	236	7.9	6.8	(0.2)	1.7	1.6	21.3	24.1	(0.6)		
Sonadezi Chau Duc	SZC VN	32,250	ADD	137	6.3	3.9	117.5	1.7	1.3	29.5	37.3	1.5		
Nam Tan Uyen	NTC VN	112,300	NR	115	N/A	N/A	N/A	N/A	N/A	38.1	51.1	(1.5)		
Long Hau Corp	LHG VN	24,000	NR	51	5.8	4.8	21.7	N/A	N/A	13.6	14.5	(0.7)		
Average					8.5	7.7	41.7	1.8	1.6	21.0	25.2	0.6		

Note: all prices are based on the closing prices on Apr 27 2023. All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

Sources: VNDIRECT RESEARCH, BLOOMBERG, COMPANY REPORTS

Company background

IDC's ownership structure as of end-2022

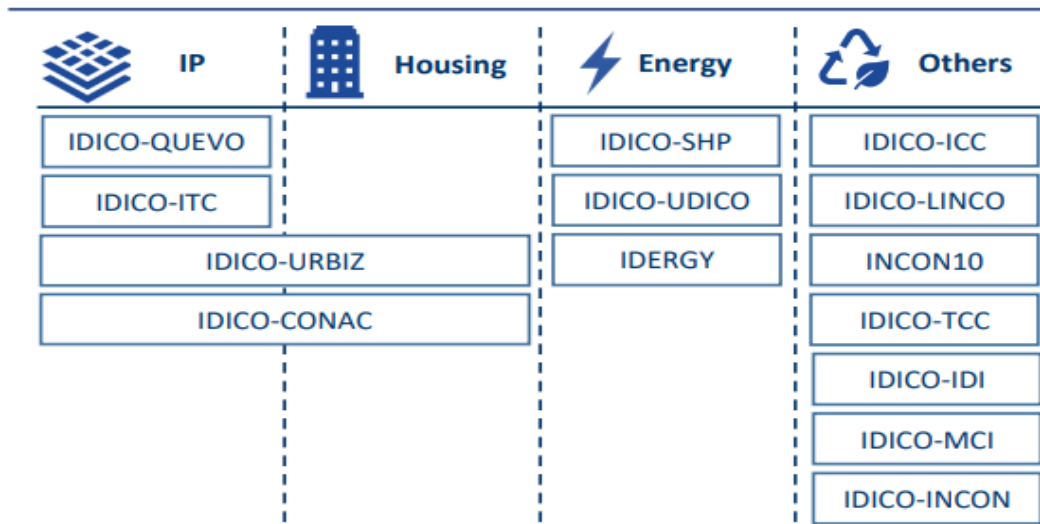


Sources: VNDIRECT RESEARCH

IDICO Corporation (IDC) was established in 2000 as a state – owned company under the Ministry of Construction. After the Ministry of Construction divested all State capital from IDC since 2020, the board of directors (BoD) has restructured the company and its subsidiaries, focusing on four core segments: industrial park real estate, commercial & residential real estate, energy and industrial park services (warehouse, ready-built-factory, BOT, etc).

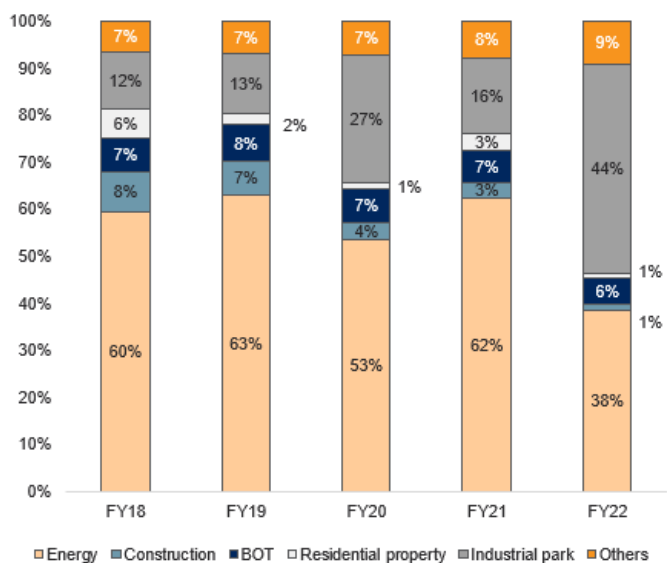
IDC was one of the pioneer IP operators in Vietnam with its first Nhon Trach 1 IP established in 1995. Over the past 20 years, IDC has grown to become one of a leading industrial park developer with 10 projects across the southern and northern Vietnam. The company has been managing 7 IPs in the South and 3 IPs in the North, with total area of 3,323ha and investment capital of c.VND15,000bn, occupying about 3% market share in Vietnam as at end-2022.

Figure 4: IDC's organizational structure



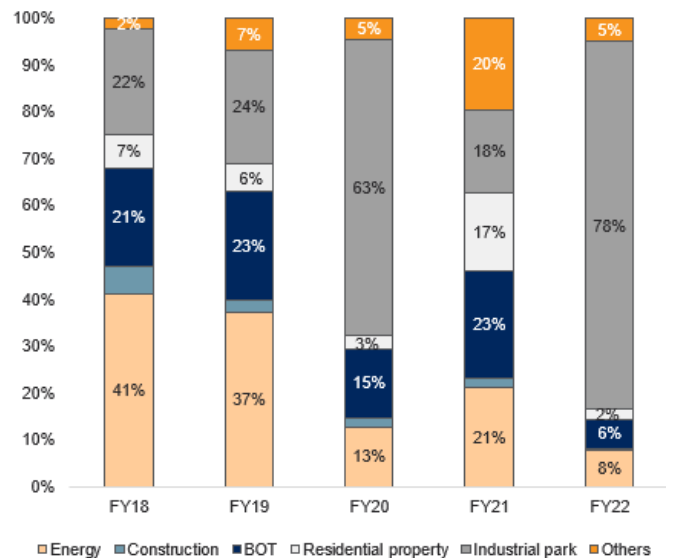
Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 5: IDC's revenue structure has changed on new IP recognition method since FY20, from allocating to one-off method



Sources: COMPANY REPORTS, VNDIRECT RESEARCH

Figure 6: IP segment has contributed the most in IDC's net profit since FY22



Sources: COMPANY REPORTS, VNDIRECT RESEARCH

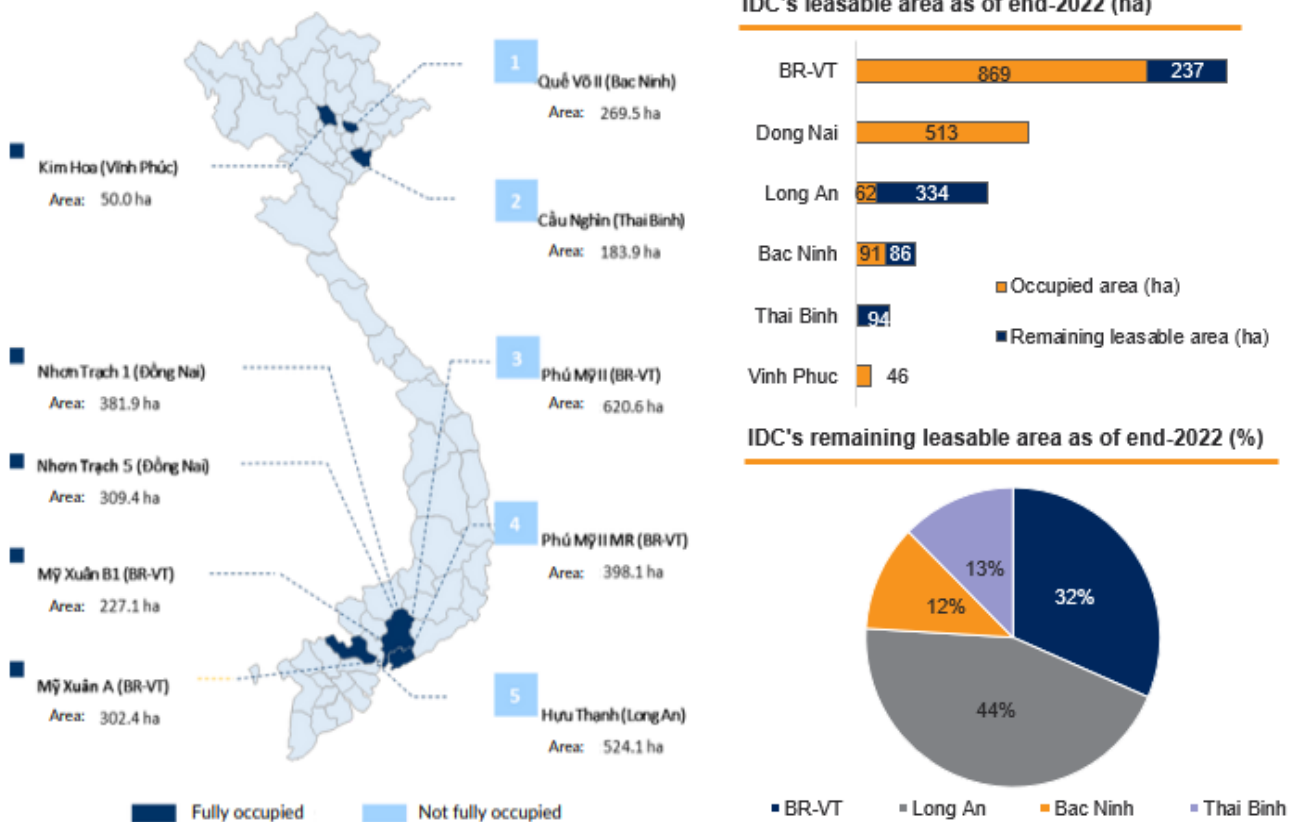
Industrial property: one of country leading industrial park developers

The third-largest listed IP developer in terms of remaining leasable area spanning across Vietnam’s strategy location

As of end-FY22, IDC has 751ha of remaining rental area, the third-largest listed IP company in Vietnam. Most of them has strategy location and good rental growth such as Long An (334ha), BR-VT (237ha), Bac Ninh (86ha). IDC has more than 2,000-2,500ha IP land bank awaiting government principal approvals. The company plans to expand 1,000-1,200ha land bank in some strategy locations in the North such as Hai Phong, Hung Yen, Ninh Binh, Ha Nam and 1,100-1,500ha land bank in the South such as BR-VT, Tien Giang, Dong Nai, Long An.

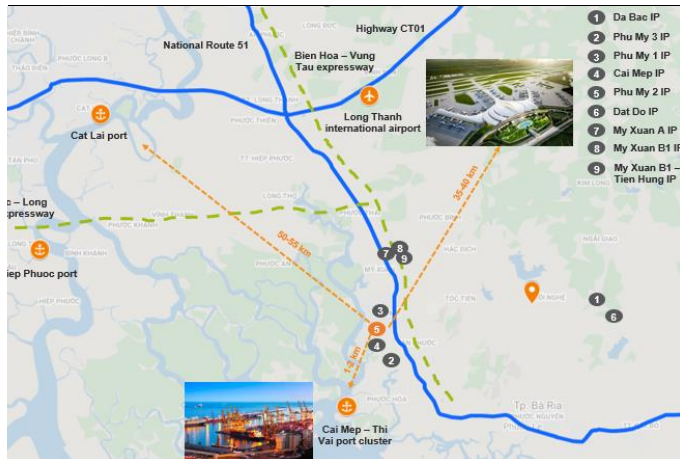
Specially, the company has submitted to the Prime Minister for investment approval at Tan Phuoc 1 IP (470ha), likely to be approved in 2H23. We expect the company to complete legal procedure and land clearance in FY24F to monetize Tan Phuoc 1 IP (470ha) since FY25F. The project is located in Tien Giang, the gateway connecting the Mekong Delta with HCMC and the Southeast region, conveniently access via Trung Luong – My Thuan Expressway and upcoming infrastructure development project such as An Huu – Cao Lanh Expressway, Rach Mieu 2 Bridge, etc. If successful, Tan Phuoc 1 IP will increase IDC’s leasable industrial land by ~30-40% yoy and would drive land sales revenue since FY25F, in our view.

Figure 7: IDC’s industrial land bank as of end-2Q22



Source: VNDIRECT RESEARCH

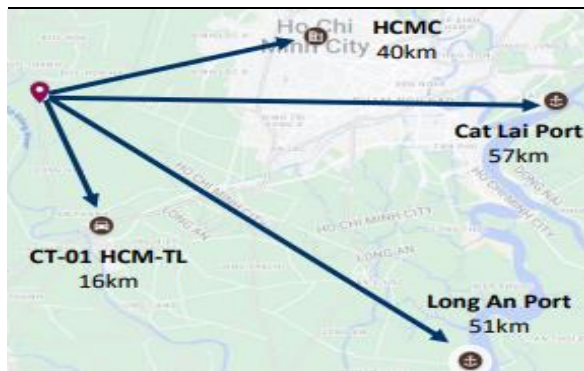
Figure 8: Phu My II & expanded Phu My II are well connected to Cai Mep – Thi Vai port cluster, other BR-VT's IPs and upcoming Long Thanh international airport



- Project: Phu My II & expanded Phu My II.
- Location: Phu My, Ba Ria – Vung Tau
Proximity to HCMC, Cai Mep -Thi Vai port cluster, upcoming Long Thanh International airport and key traffic infrastructure projects (Bien Hoa – Vung Tau expressway). BR-VT is an ideal destination for all manufacturing sectors ranging from heavy industries to chemicals and automobile to supporting industries.
- Total land area: 1,017ha.
- Total development cost: VND3,780bn.
- Rental price: US\$125-130 psm per lease term.
- Occupancy rate as of end-2022: 60-70%.
- Lease term: 2005-2055 (Phu My II IP) / 2008-2058 (expanded Phu My II IP)
- Notable tenants: Hoa Phat, Nippon steel, Posco

Source: VNDIRECT RESEARCH

Figure 9: Huu Thanh IP, IDC's key land sales drivers over FY23-25F



- Project: Huu Thanh IP.
- Location: Duc Hoa, Long An
Long An to be in spotlight thanks to improving infrastructure development, the acceleration of e-commerce and limited land bank in HCMC.
- Total land area: 524ha.
- Total development cost: VND7,300bn.
- Rental price: US\$140-160 psm per lease term.
- Occupancy rate as of end-2022: 16%.
- Lease term: 2019-2069
- Notable tenants: Pepsi, DCL, FPT retail

Source: VNDIRECT RESEARCH

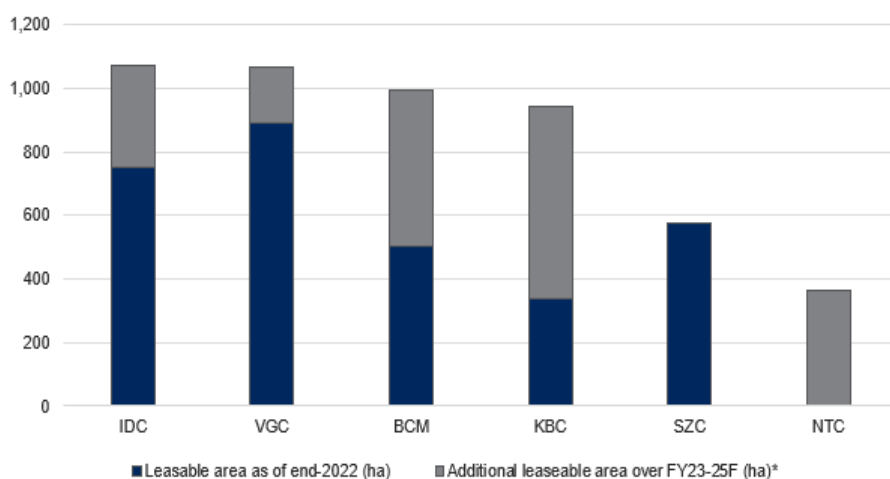
Figure 10: Tan Phuoc 1 IP, take advantage on rising infrastructure development



- Project: Tan Phuoc 1 IP.
- Location: Tan Phuoc, Tien Giang
Located on the gateway connecting the Mekong Delta with HCMC and the Southeast region, conveniently access via Trung Luong – My Thuan Expressway, upcoming infrastructure development project such as An Huu – Cao Lanh Expressway, Rach Mieu 2 Bridge.
- Total land area: 470ha.
- Legal status: The company has submitted to the Prime Minister for investment approval and expects to be approved in 2H23, monetizes since FY25F.

Source: VNDIRECT RESEARCH

Figure 11: Comparison of leasable area by listed IP developers in Vietnam



SOURCE: VNDIRECT Research

Figure 12: List of industrial parks in IDC's pipeline as at end-FY22

IP name	Location	Total land area (ha)	Leasable area (ha)	Total investment (VNDbn)	Land use term	Occupancy rate as of end-FY22	Remaining leasable area (ha)	Lease price (US\$ psm per lease term)
Nhon Trach 1	Dong Nai	382	284	458	1998 - 2048	100%	0	N/A
Nhon Trach V	Dong Nai	309	229	329	2003 - 2053	100%	0	N/A
My Xuan B1	BR-VT	227	160	544	1998 - 2062	100%	0	N/A
My Xuan A	BR-VT	302	229	342	2002 - 2052	100%	0	N/A
Kim Hoa	Vinh Phuc	106	46	252	2003 - 2053	100%	0	N/A
Phu My 2	BR-VT	621	443	1,900	2005 - 2055	73%	119	125-130
Phu My 2 expansion	BR-VT	398	273	1,880	2008 - 2058	57%	118	125-130
Que Vo II (phase 1)	Bac Ninh	270	177	1,489	2007 - 2057	51%	86	115-120
Huu Thanh	Long An	524	395	7,300	2017 - 2067	16%	334	140-160
Cau Nghin	Thai Binh	184	103	1,160	2012 - 2062	8%	94	65-70

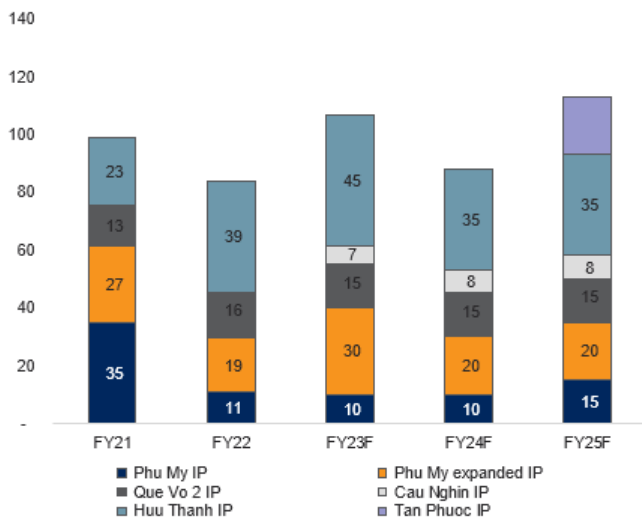
Sources: VNDIRECT RESEARCH, COMPANY REPORTS

FY23-25F outlook: Earnings to drop over FY23-24F but rebound strongly in FY25F

IDC used allocation method for IP land sales, with a modest revenue proportion of 12-13% in FY18-19. The company has adjusted the accounting method for this segment to one-off recognition since FY20, and gradually realized unearned revenue of fully IPs such as My Xuan A IP in FY20 (c.VND800bn) and Nhon Trach 5 & My Xuan B1 phase 1 IPs (c.VND1,800-2,000bn) in FY22, lifting IP revenue/gross profit proportion up to 44%/78% in FY22.

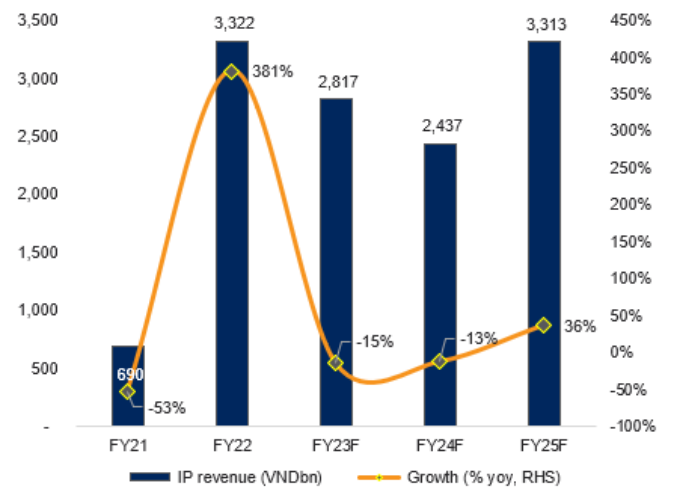
The company shared that the remaining unearned revenue (c.VND3,500-3,600bn) still not eligible for one-off recognition. Together with arising challenges for IP demand outlook, we forecast FY23-24F IP revenue to plunge 14.8% yoy/13.4% yoy to VND2,831bn/VND2,453bn, with IP land sales of 107ha/88ha (+27%/-17% yoy). We expect the company to deliver 110-120ha in FY25F on the new contribution of Tan Phuoc 1 IP, bringing FY25F IP revenue to reach VND3,339bn (+36.2% yoy). Overall, we estimate IP segment accounting for 30-40% of IDC's revenue, equivalent to 60-70% gross profit in FY23-25F.

Figure 13: Expect FY23F land sales to rise 27% yoy on strong FY22 backlog (Unit: ha)



Sources: COMPANY REPORTS, VNDIRECT RESEARCH

Figure 14: However, FY23F IP revenue likely to plunge 14.8% yoy on high base FY22



Sources: COMPANY REPORTS, VNDIRECT RESEARCH

Energy business: capacity expansion to speed up

IDC's energy segment accounted for 38%/8% of FY22 revenue/gross profit on operating two hydropower plants (114MW) and 110/22 kV substations (418 MVA).

One of few IP developers in Vietnam has been allowed to build substations and distribute electricity directly in its IP

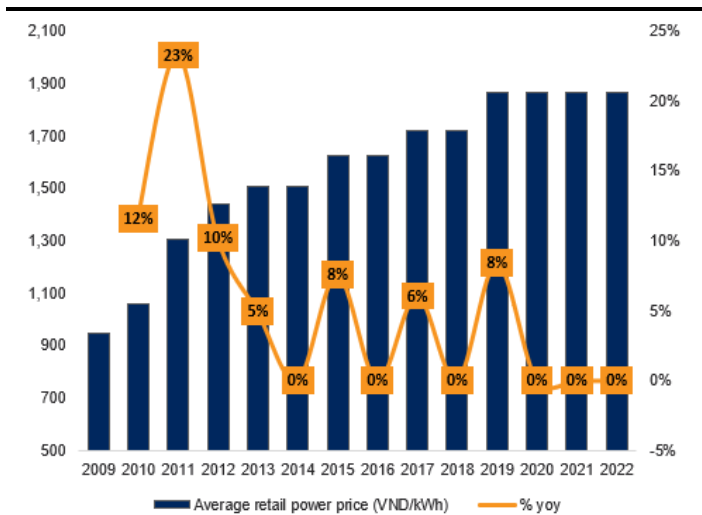
IDC is one of few IP developers in Vietnam that has been allowed to build 110/22 kV substations (418 MVA) and distribute electricity to its tenants in Nhon Trach IPs (include Nhon Trach 1,2 and 5 IPs), with FY22 output reaching 1,499 million kWh, contributing c.VND2,500bn p.a (accounting for 34%/2% of IDC's FY22 revenue/gross profit).

Notable, the Ministry of Industry and Trade approved to supplement IDC's 110kV Huu Thanh IP substation project (designed capacity of 3x63MVA, total investment cost of VND199bn) in the electricity development planning of Long An province in 2021. The management shared that T1 transformer with designed capacity of 63MVA and power grids have been under construction and could distribute electricity to its tenants in Huu Thanh IP from Dec 2023. We expect IDC could put into operation 189MVA before 2026F, which could help IDC's energy distribution volume CAGR of 7.2% in 2023-2030F period.

In addition, to take more advantage of being approved to distribute electricity to investors directly, IDC has launched its first rooftop solar project with installed capacity of 1.1MWp since 3Q22 and expected to enhance total rooftop solar capacity to 120MWp until 2026F.

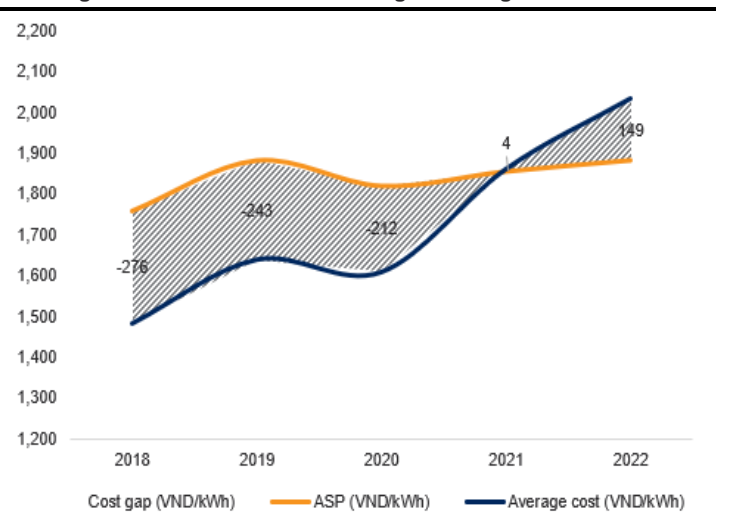
We believe energy distribution revenue likely to maintain stable in FY23F thanks to average retail power price increases to offset lower distribution volume, then rise 24.2% yoy to VND3,100bn on Huu Thanh IP substation operation in FY24F.

Figure 20: The average retail power price stayed flat since 2019



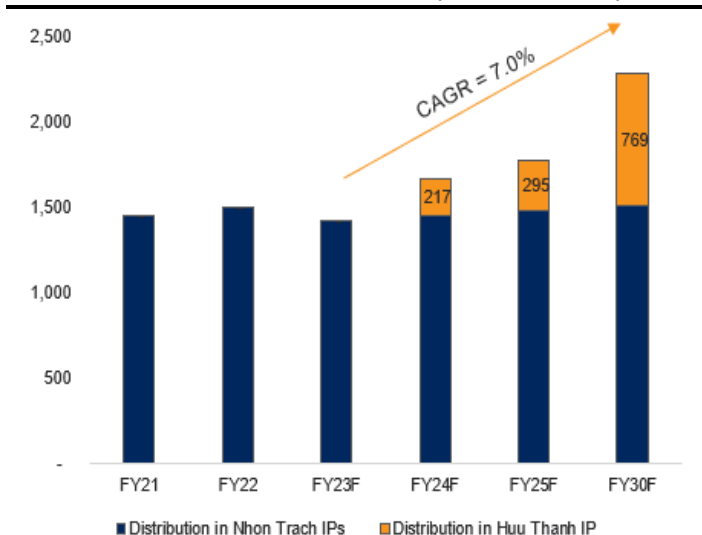
SOURCE: VNDIRECT Research, EVN

Figure 21: EVN has proposed to increase electricity price in 2023F to offset higher fuel cost and volatile foreign exchange rates



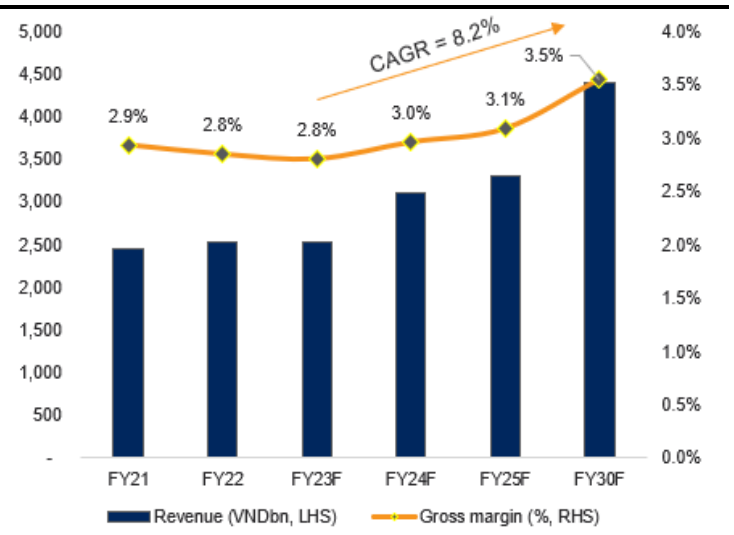
SOURCE: VNDIRECT Research, PDP8 draft

Figure 20: Energy distribution could record a solid growth since FY24F thanks to Huu Thanh IP substation (Unit: million kWh)



SOURCE: VNDIRECT Research, EVN

Figure 21:to boost FY24-25F revenue growth



SOURCE: VNDIRECT Research, PDP8 draft

Recover hydropower output despite coming out of its favorable weather condition in FY23F

IDC now owns two hydropower plants with total capacity of 114MW namely Srok Phu Mieng (51MW, 100% of ownership) and Dak Mi 3 (63MW, 51% of ownership), with annual output reaching 370-470m kWh in FY18-19. Dak Mi 3 hydropower plant had been heavy damage by historical flood in 2020 and just resumed the electricity generation since Oct 2022. In FY22, IDC hydropower output reached 369m kWh (+43% yoy) on favorable weather condition, thus FY22 revenue rose 39.5% yoy to VND364bn, accounting for 5%/5% of IDC's FY22 revenue/gross profit.

Despite coming out of its favorable weather condition, we expect IDC hydropower output to reach 440 million kWh (+19% yoy) in FY23F given fully resumption at Dakmi3. FY23 revenue will increase 18% yoy to VND430bn.

Figure 15: Srok Phu Mieng hydropower plant



Srok Phu Mieng ROE has stayed at high level of above 15% with annual output of 228 million kWh, bringing a stable revenue of VND200-220bn per year.

- Location: Binh Phuoc
- Designed capacity (MW): 51, consists of 02 units
- Annual average electricity output (million kWh): 228
- Total investment: VND1,149bn.
- Construction: 2003.
- Generation: 2006.
- Ownership: 51%

Source: VNDIRECT RESEARCH

Figure 16: Dak Mi 3 hydropower plant

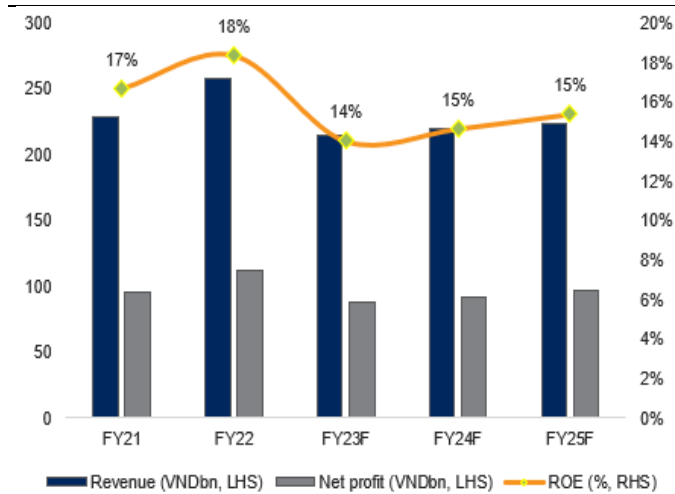


The historical flood in 2020 caused heavy damage for Dak Mi 3 hydropower plant, the company resumed the electricity generation since Oct 2022.

- Location: Quang Nam
- Designed capacity (MW): 63, consists of 02 units
- Annual average electricity output (million kWh): 212
- Total investment: VND1,626bn.
- Construction: 2013.
- Generation: 2017.
- Ownership: 100%

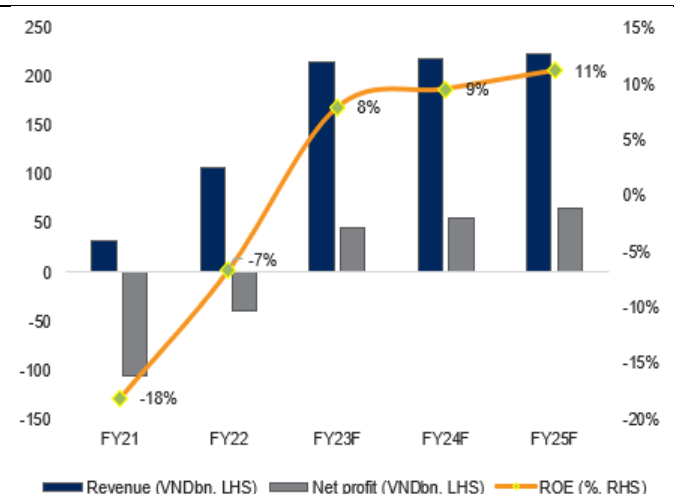
Source: VNDIRECT RESEARCH

Figure 17: Srok Phu Mieng has highly efficient level with ROE above 15%



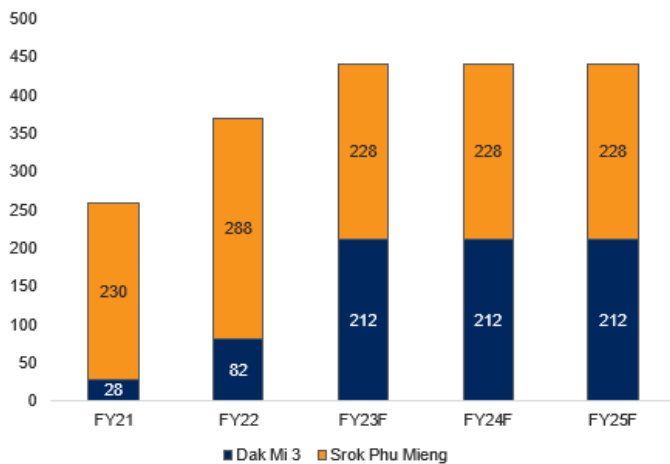
Sources: COMPANY REPORTS, VNDIRECT RESEARCH

Figure 18: Dakmi 3's revenue to recover on the hydropower output resumption since FY23F



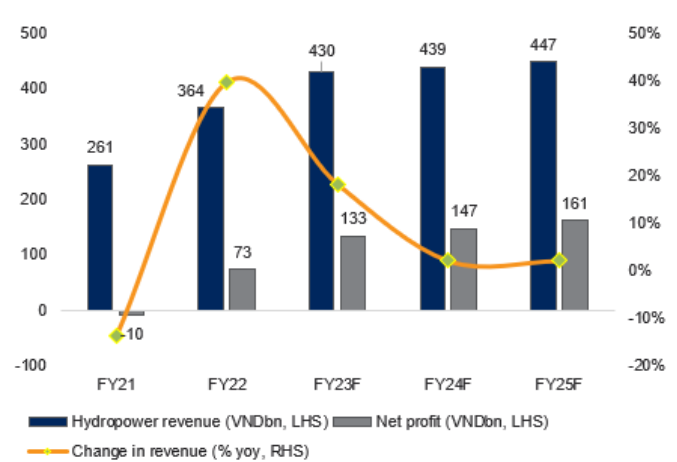
Sources: COMPANY REPORTS, VNDIRECT RESEARCH

Figure 19: Recover hydropower output to 440 million kWh (+19% yoy) in FY23F on Dak Mi 3 resumption...



Sources: COMPANY REPORTS, VNDIRECT RESEARCH

Figure 20: ...leading to a double-digit growth in FY23F hydropower revenue

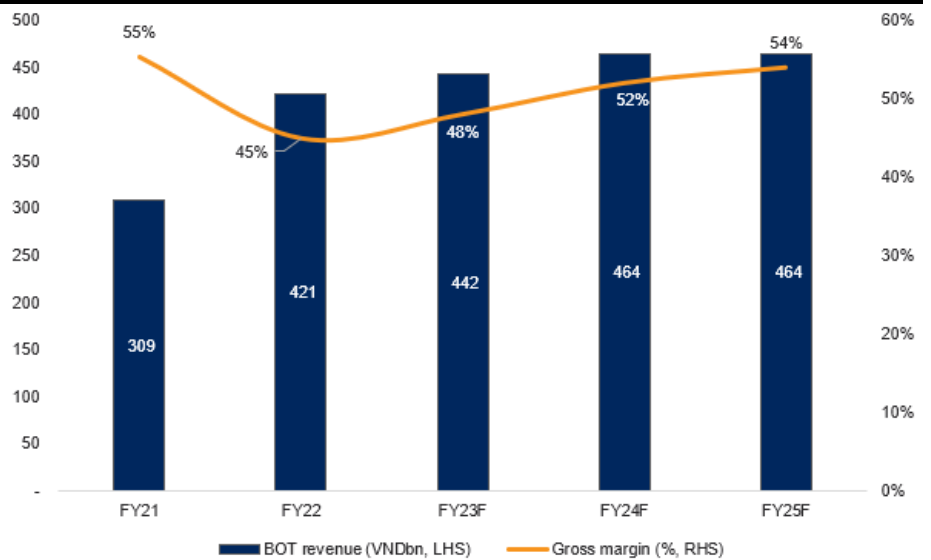


Sources: COMPANY REPORTS, VNDIRECT RESEARCH

BOT business: contribute a stable income of c. VND400bn/year

IDC currently operates two BOT projects namely National Highway 1A BOT, section An Suong - An Lac (HCMC) and BOT National Route 51 - Expansion project (Dong Nai, BR-BT), which could contribute a stable revenue of VND380-420bn p.a over a remaining ten-year tenure (their tenure of 2005-2033, 51% of ownership), accounting for 6-7% of IDC's revenue and 8-10% of gross profit.

Figure 19: Stable cash flow from BOT business over FY23-25F



SOURCE: VNDIRECT Research

Residential and commercial projects: no new projects to be booked over FY23-25F

As of end-FY22, the company owns 83ha for social & workforce project and 22ha for commercial projects, with total incurred investment of VND2,000-2,200bn, accounting for c.12% of IDC's total assets. We forecast the company could book VND400-500bn revenue on leasing 2ha commercial land at Expanded central residential area project in Long An.

However, most of residential projects have yet to be monetised due to unfavorable market conditions, which appears an inefficient use of capital with residential revenue contributing only 1-3% of FY19-22 revenue to VND100-150bn. We do not believe that there are any residential revenue breakthrough in FY23-24F, especially in the context of multi headwinds weighing on property sector outlook unless the company transfers sub projects.

Figure 21: List of residential projects in IDC's pipeline as at end-FY22

No.	Current Pipeline	Location	IDICO's Own	CAPEX Est.	To-date CAPEX	Planned	Land Area sqm
Social & Workforce Projects							833,299
1	Nhon Trach IP workforce housing project (1)	Dong Nai	100.0%	819.7	360.1	2028	100,284
2	Nhon Trach IP workforce housing project (2)	Dong Nai	100.0%	1,137.7	8.5	2026	100,000
3	Huu Thanh residential area and workforce housing project	Long An	100.0%	1,729.0	638.4	2025	470,939
4	Nhon Trach 1 Resettlement Project and Hiep Phuoc apartment building	Dong Nai	100.0%	190.6	24.8	2025	48,676
5	My Xuan B1 workforce housing project	BR-VT	51.0%	270.1	25.3	TBA	34,000
6	Vinh Cuu social housing project	Dong Nai	100.0%	TBA	TBA	TBA	79,400
Other commercial projects							216,104
7	Apartment complex on National Route 1K Hoa An	Dong Nai	66.9%	216.0	187.1	2028	70,350
8	Central residential area expansion – Long An	Long An	51.0%	422.6	417.9	2023	30,500
9	An Hoa Project	Dong Nai	100.0%	272.3	197.9	2025	38,886
10	IDICO-INCO 10 head office	Can Tho	97.8%	76.0	2.9	TBA	4,627
11	Luxury hotel – condotel complex Thuy Duong	BR-VT	51.0%	TBA	TBA	TBA	7,077
12	Conac Plaza office and apartment complex	BR-VT	51.0%	TBA	TBA	TBA	8,137
13	Bac Chau Giang Urban Area Project	Ha Nam	51.0%	672.0	257.3	TBA	56,527

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

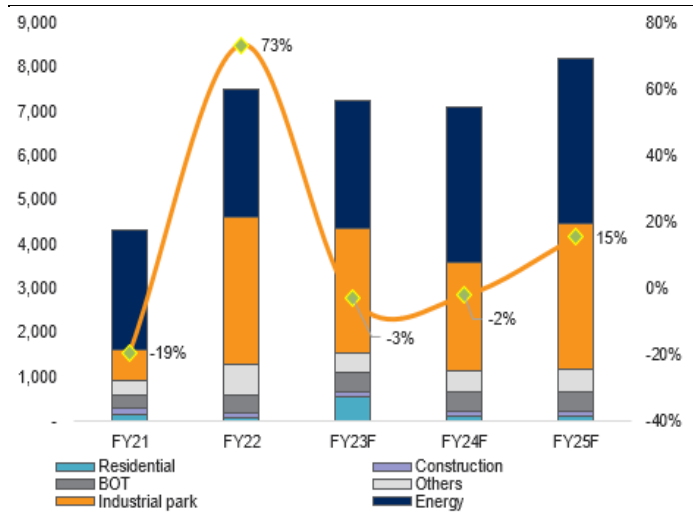
FY23-25F earnings outlook

Figure 22: FY23-25F earnings forecasts, based on VNDIRECT Research estimates

VND(bn)	FY21	FY22	FY23F	FY24F	FY25F
Net revenue	4,301	7,485	7,245	7,085	8,176
% yoy	-19.7%	74.0%	-3.2%	-2.2%	15.4%
Energy	2,698	2,878	2,905	3,520	3,709
% yoy	-5.7%	6.7%	0.9%	21.2%	5.4%
Construction	130	87	109	98	103
% yoy	-37.1%	-32.6%	24.1%	-9.7%	5.4%
BOT	309	421	442	464	464
% yoy	-17.7%	36.5%	5.0%	5.0%	0.0%
Industrial park	690	3,322	2,817	2,437	3,313
% yoy	-52.6%	381.4%	-15.2%	-13.5%	36.0%
Residential	149	86	530	100	100
% yoy	117.6%	-42.6%	518.0%	-81.1%	0.0%
Others	326	691	442	466	486
% yoy	-16.3%	112.1%	-36.1%	5.5%	4.2%
Gross profit	737	3,060	2,460	2,114	2,735
Blended GPM	17.1%	40.9%	34.0%	29.8%	33.4%
SG&A	(260)	(334)	(313)	(341)	(367)
Financial income	605	144	128	133	133
Financial expense	(294)	(186)	(192)	(183)	(185)
Pre-tax profit	756	2,618	2,123	1,771	2,362
Net profit	454	1,768	1,571	1,290	1,762
% yoy	-54.5%	289.1%	-11.1%	-17.9%	36.7%

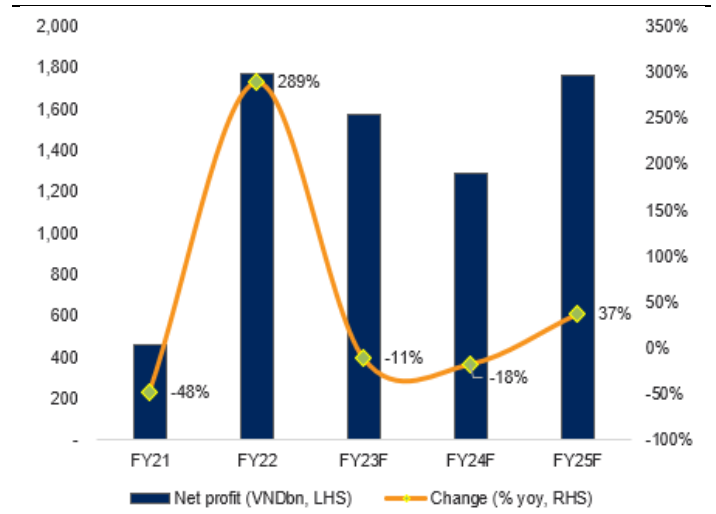
Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 23: We forecast IDC's FY23F revenue to decrease 3.2% yoy to VND7,245bn...



Sources: VNDIRECT RESEARCH

Figure 24: ...and FY23F net profit to plunge 11.1% yoy to VND1,571bn on high base FY22



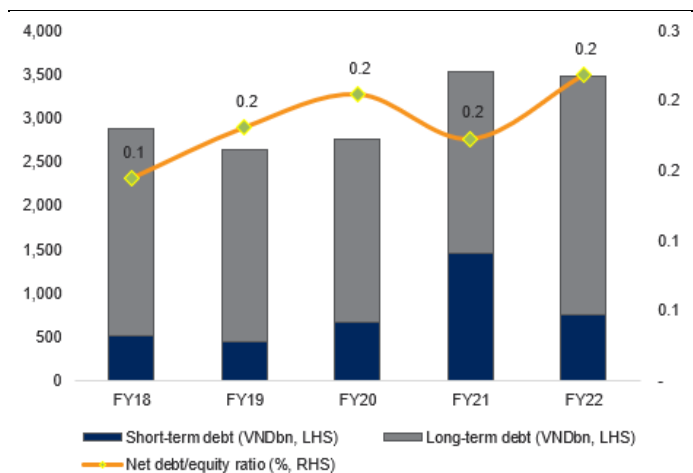
Sources: VNDIRECT RESEARCH

Financial analysis

The company has maintained a healthy capital structure with a low net debt/equity ratio of 0.2x and a high proportion of cash and cash equivalents of VND2,130bn, accounting for 12.5% of its total assets as of end-FY22. Besides, interest coverage improved significantly at 15.3x in FY22 (vs. 2.8x in FY21).

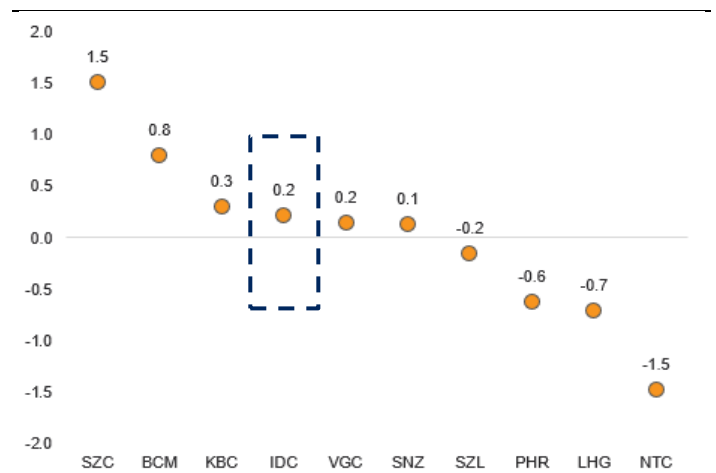
Currently, IDC has 2-4 IP projects (spanning over 1,000-1,400ha), 120 MW rooftop solar, 189 MVA power substation and 5-6 residential & commercial projects in the pipeline over the next 3-5 years, with total development cost of more than VND15,000-20,000bn. IDC plans to spend total CAPEX of VND3,068bn (+83% yoy) in 2023F, which could be backed up by core operation cashflow, in our view.

Figure 25: IDC's net debt-to-equity ratio stays healthy



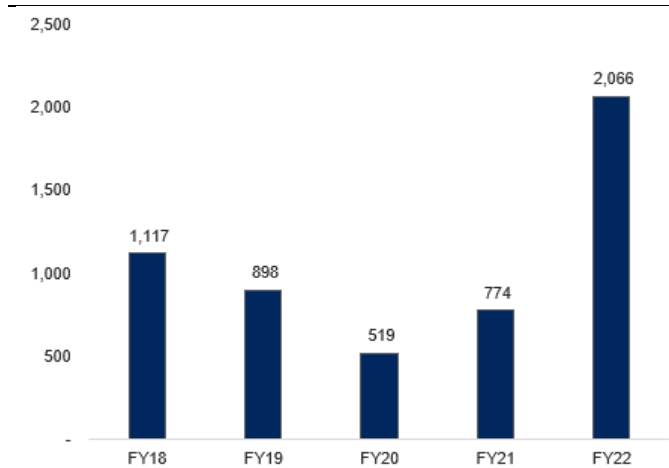
Sources: COMPANY REPORTS, VNDIRECT RESEARCH

Figure 26: IDC has healthy leverage (net D/E) among sector peers as of end-FY22



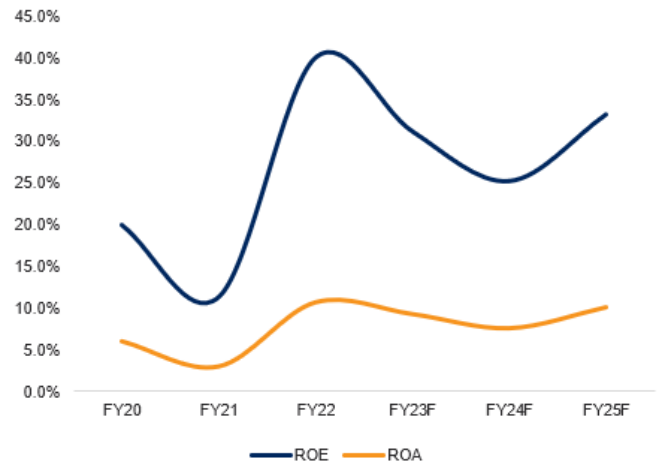
Sources: COMPANY REPORTS, VNDIRECT RESEARCH

Figure 27: Cash flow from operating activities (CFO) over FY18-22



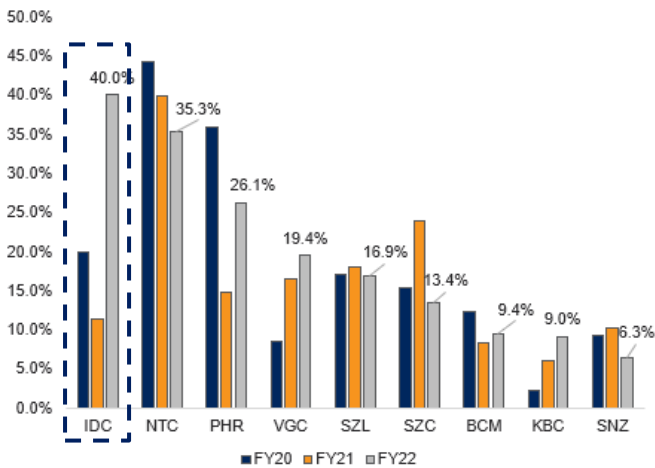
Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 28: Probability ratio is likely to plunge in FY23F on the low base of FY22



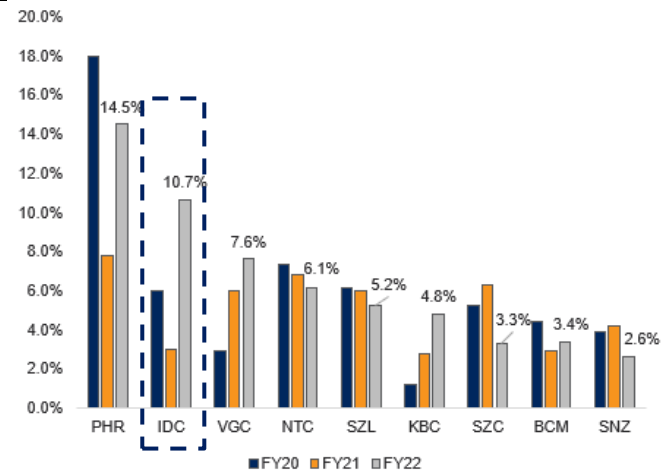
Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 29: IDC's ROE among sector peers



Sources: COMPANY REPORTS, VNDIRECT RESEARCH

Figure 30: IDC's ROA among sector peers



Sources: COMPANY REPORTS, VNDIRECT RESEARCH

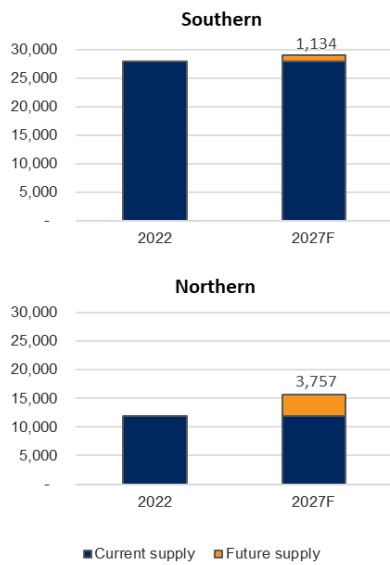
IP sector: The glass is half empty

New supply will shrink as approval process is delayed for legal procedure

Since 1Q22, there has been no record of any proposal to establish more industrial parks in both Southern and Northern market. In addition, there are limited new IPs to be put in the national IP master plan.

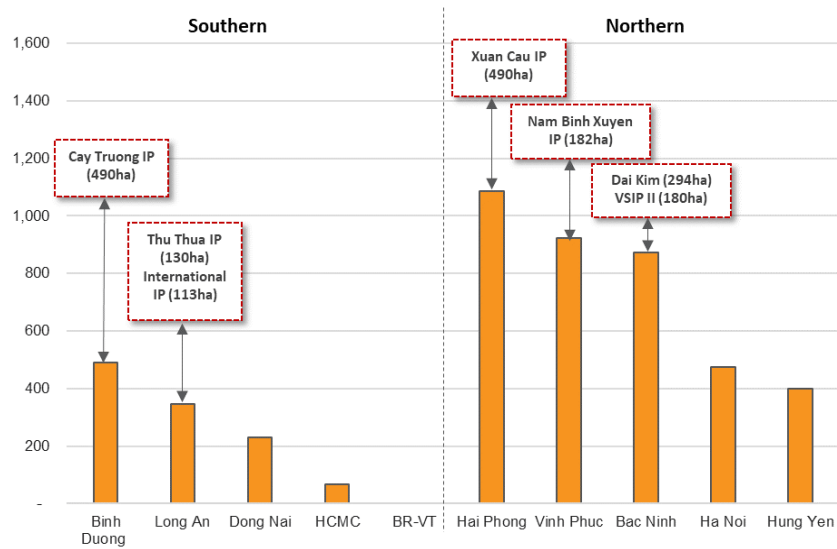
This comes from the fact that the industrial park development planning is still spreading out, primarily depending on locality decision. Therefore, the change of senior leaders of many localities in the past year has slowed down the approval procedure of many projects. This caused slower-than-expected land clearance and overlap in planning or infrastructure outside IP.

Figure 31: We believe 2 big industrial hubs will witness a scarcity of new supply...



Source: VNDIRECT RESEARCH, JLL

Figure 32: ... but, turn out this is the chance for big developers own large ready-for-lease land bank (Unit: ha)



Source: VNDIRECT RESEARCH, JLL

We believe that industrial property market will witness a scarcity of new supply from now until the end of 2023F.

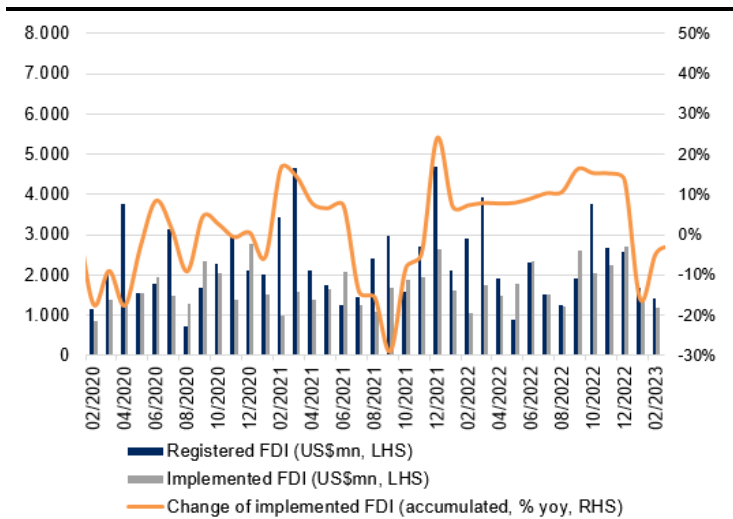
- For Southern market, after supply boom in 1H22, there no new supply to be put into operation in 2H22. We believe Southern market will go through a harsh time to deploy new project in 2023. After that, only limited new supply will be put into operation in 2024-27, about 1,134ha, higher 76% vs [previous report](#). Thanks to effort of BCM in quick process of establishment and legal status, Cay Truong IP (490ha) was officially added in future supply in 2024-27. Combine with VSIP III IP (ready-for-lease since 1Q22), we believe BCM will take advantage with large ready-for-lease land bank with up to 1,644ha.
- For Northern market, we see Northern provinces started its development in industrial later than Southern, so land bank in some provinces are still available with quite reasonable price. Although there is a high number of pending projects, we believe that the lack of new supply situation in Northern market will not end sooner 2023F, after that we expect c.3,757ha will be put into operation in 2024-26F, with the most contribution come from Hai Phong, Vinh Phuc and Bac Ninh.

Rising competition on FDI attraction from regional countries

According to the Ministry of Planning and Investment (MPI), foreign direct investment (FDI) capital declined by 1.1% yoy in 1Q23, down sharply from the increase of 7.9% in 1Q22.

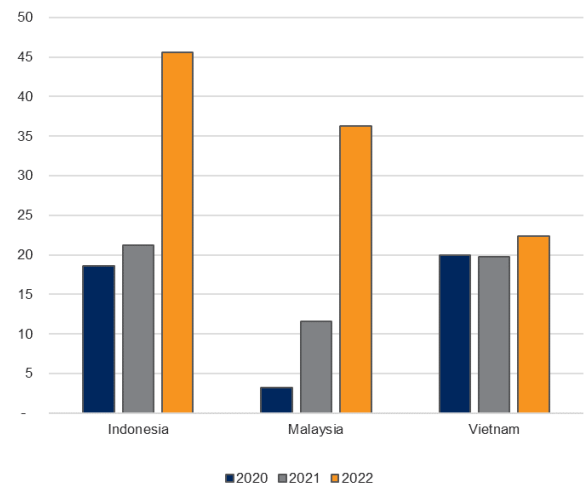
FDI inflows into Vietnam weakened in 1Q23 as new investment plans and production expansion were halted amid global economic uncertainty, including (1) slowing global growth, (2) high inflation weighing on consumers' wallets, and (3) financial market liquidity tightens due to the FED's interest rate hike.

Figure 33: FDI inflows remained low in Mar 2023



Source: VNDIRECT RESEARCH, FIA

Figure 34: Indonesia and Malaysia have a strong increase in FDI inflows in 2022 (Unit: US\$bn)



Source: VNDIRECT RESEARCH, GSO, MPI

Since 2020, Indonesia has released the Omnibus Law which provided more opportunities for foreign companies to operate or invest in this country. Since then, FDI flow to Indonesia grew positively 10% yoy in 2021 and 44% yoy in 2022 to US\$45.6bn. Vietnam and Indonesia are the two countries receiving the most FDI inflow. While Vietnam is transforming itself into an electronics equipment manufacturing hub, Indonesia is focusing on the electric vehicle supply chain.

Additionally, we see two industrial developments will shape the investment landscape in ASEAN, including EV industry and semiconductor industry. Significant developments in these industries included new categories of investors, new segments of value chains, further expansion of capacity and increasing activities in regional production networks. Thus, regarding their potential to continue receiving a high level of FDI in the next few years, regional countries has actively promoted FDI in the production of EVs, including batteries, and at the same time encourage consumers to adopt EVs. However, Vietnam is lagging behind other rivals in this trend which might dim the attractiveness of Vietnam in luring FDI flow.

The advantage of preferential tariff is disappearing, what should Vietnamese IP developers do?

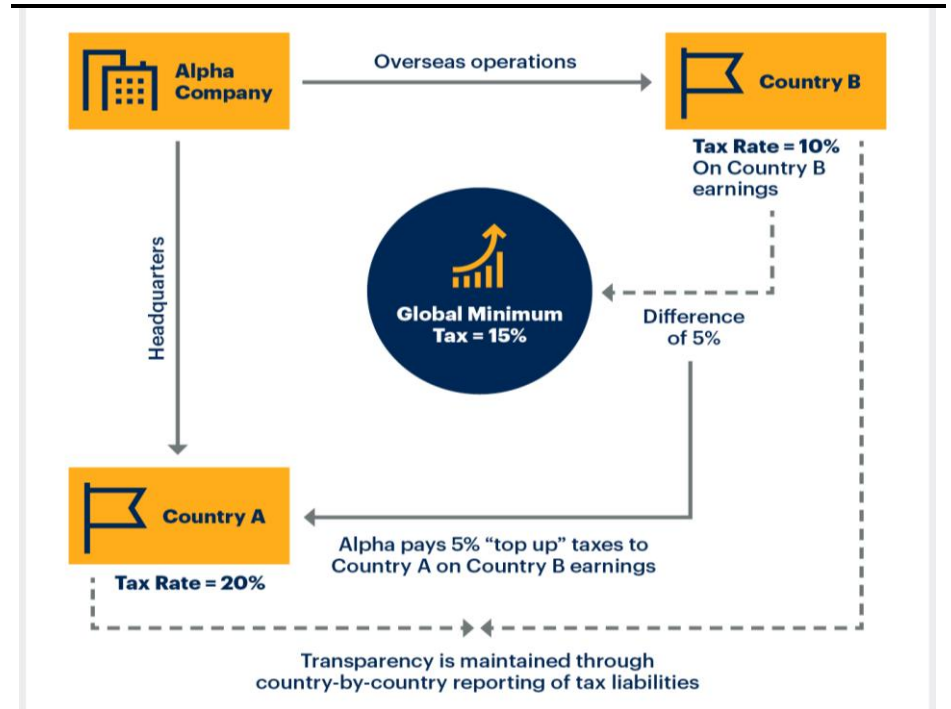
The “Global Minimum Tax” initiated by the Organization for Economic Cooperation and Development (OECD), to resolve potential tax risks from economic digitalization, is the part of Base erosion and profit shifting (BEPS).

This policy comes from developed countries - the origin of large investment capital and has been approved by 141 countries and territories, including Vietnam. Since 2024, some countries will apply a global minimum tax rate of 15% for large companies with a turnover above EUR750m.

Currently, Vietnam is using preferential tariff as a financial leverage tool to attract foreign investors. Vietnam is now offering preferential tariff at 10%, 15% and

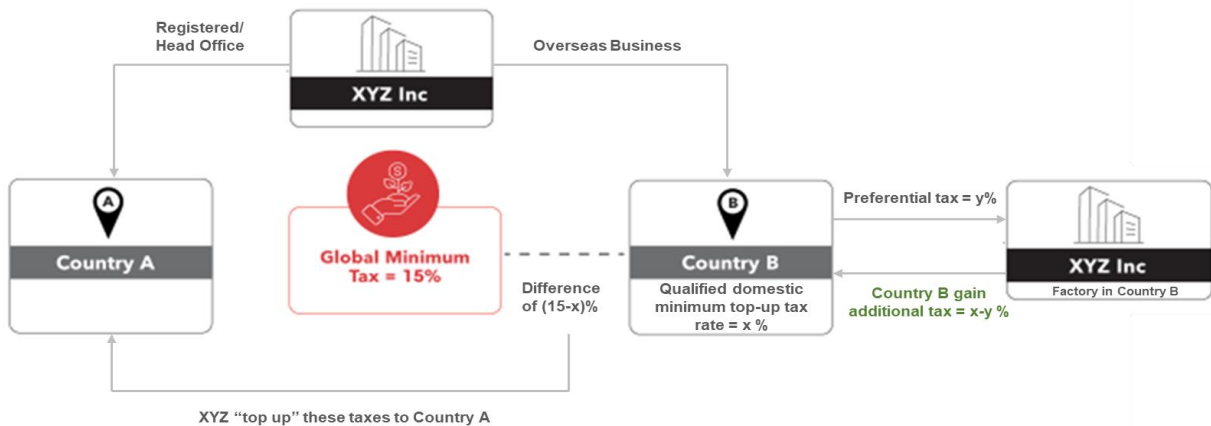
17% depending on the field, sector, investment’s scale and location. In some special cases, the preferential tariff may be only 5%, 7% and 9%.

Figure 35: Illustration about how Global Minimum Tax system work



Source: VNDIRECT RESEARCH, Gartner

Figure 36: How Qualified domestic minimum top-up tax against Global minimum tax



Source: VNDIRECT RESEARCH

We believe the application of global minimum tax will create some challenge on FDI attraction:

- If Vietnam apply this policy too soon, Vietnam will lose the advantage of preferential tariff. When global minimum tax applied, FDI enterprises have to pay tax difference to the headquartered country, making preferential tariff no longer effective.
- If Vietnam apply this policy later than headquartered countries, it will suffer the following consequences: (1) Vietnam will not get tax difference. With more than 100 FDI enterprises, national budget will lose several billion US\$ annually, (2) the investment environment will be affected. Investors will redirect their investment to other countries with a

benefit-sharing mechanism related to this new tax rule. Any country implementing a global minimum tax must negotiate with FDI corporations to implement a benefit-sharing mechanism.

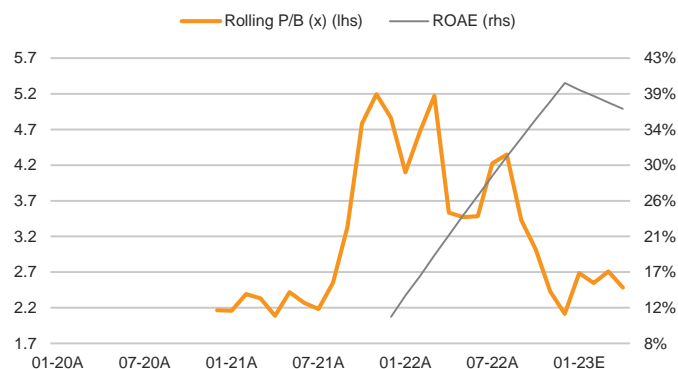
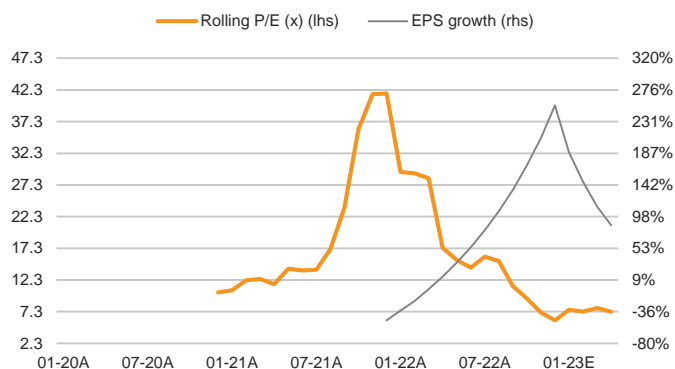
To adapt the new policy, some countries are researching the use of the Qualified domestic minimum top-up tax (QDMTT). When applying the QDMTT, governments can defend their tax rights by levying an additional tax is the gap between the domestic minimum tax rate and the preferential tax rate for FDI enterprises before that tax be recalled to headquartered country.

Once again, Vietnam is lagging behind other rivals.

- Recently, Malaysia has issued QDMTT, which is operated in tandem with global minimum tax.
- Indonesia has issued a new decree allowing global minimum tax to be implemented based on a regulatory system of measures against tax loss and tax arrangements for foreign investment, seem like how QDMTT work.
- Thailand is likewise giving priority to research and implement QDMTT in order to take the initiative.

In the context the time to apply global minimum tax is getting closer and closer, we believe that IP projects own strategic location near major transport infrastructure, high quality infrastructure in a synchronous, modern direction and providing the most utilities for investors will be more and more attractive

Valuation



Income statement

(VNDbn)	12-22A	12-23E	12-24E
Net revenue	7,485	7,245	7,085
Cost of sales	(4,426)	(4,785)	(4,971)
Gen & admin expenses	(248)	(233)	(254)
Selling expenses	(86)	(80)	(87)
Operating profit	2,726	2,147	1,774
Operating EBITDA	1,688	1,181	804
Depreciation and amortisation	1,038	965	970
Operating EBIT	2,726	2,147	1,774
Interest income	144	128	133
Financial expense	(186)	(192)	(183)
Net other income	57	41	48
Income from associates & JVs	(123)	0	0
Pre-tax profit	2,618	2,123	1,771
Tax expense	(563)	(425)	(354)
Minority interest	(287)	(127)	(127)
Net profit	1,768	1,571	1,290
Adj. net profit to ordinary	1,768	1,571	1,290
Ordinary dividends	(1,138)	(1,320)	(1,320)
Retained earnings	630	251	(30)

Balance sheet

(VNDbn)	12-22A	12-23E	12-24E
Cash and equivalents	1,087	662	768
Short term investments	1,043	1,043	1,043
Accounts receivables	878	916	885
Inventories	1,095	1,204	1,325
Other current assets	66	70	74
Total current assets	4,168	3,895	4,095
Fixed assets	10,629	10,565	10,782
Total investments	240	481	340
Other long-term assets	1,976	1,956	1,969
Total assets	17,013	16,897	17,186
Short-term debt	748	544	537
Accounts payable	343	370	385
Other current liabilities	1,231	1,212	1,736
Total current liabilities	2,322	2,126	2,657
Total long-term debt	2,720	2,684	2,570
Other liabilities	5,844	5,631	5,422
Share capital	3,300	3,300	3,300
Retained earnings reserve	1,402	1,638	1,593
Shareholders' equity	4,946	5,146	5,101
Minority interest	1,182	1,309	1,436
Total liabilities & equity	17,013	16,897	17,186

Cash flow statement

(VNDbn)	12-22A	12-23E	12-24E
Pretax profit	2,618	2,123	1,771
Depreciation & amortisation	1,038	965	970
Tax paid	(207)	(435)	(351)
Other adjustments	227	(143)	(148)
Change in working capital	(1,610)	(333)	209
Cash flow from operations	2,066	2,177	2,452
Capex	(1,497)	(893)	(1,179)
Proceeds from assets sales	54	0	0
Others	1,020	(149)	274
Other non-current assets changes	0	0	0
Cash flow from investing activities	(423)	(1,043)	(904)
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	3,027	0	0
Other financing cash flow	(3,091)	(240)	(121)
Dividends paid	(986)	(1,320)	(1,320)
Cash flow from financing activities	(1,050)	(1,560)	(1,441)
Cash and equivalents at beginning of period	495	1,087	662
Total cash generated	592	(425)	106
Cash and equivalents at the end of period	1,087	662	768

Key ratios

	12-22A	12-23E	12-24E
Dupont			
Net profit margin	23.6%	21.7%	18.2%
Asset turnover	0.45	0.43	0.42
ROAA	10.7%	9.3%	7.6%
Avg assets/avg equity	3.74	3.36	3.33
ROAE	40.0%	31.1%	25.2%
Efficiency			
Days account receivable	28.6	28.6	28.7
Days inventory	90.3	91.9	97.6
Days creditor	28.2	28.2	28.3
Fixed asset turnover	0.71	0.68	0.66
ROIC	18.4%	16.2%	13.4%
Liquidity			
Current ratio	1.8	1.8	1.5
Quick ratio	1.3	1.3	1.0
Cash ratio	0.9	0.8	0.7
Cash cycle	90.7	92.3	98.0
Growth rate (yoy)			
Revenue growth	74.0%	(3.2%)	(2.2%)
Operating profit growth	471.3%	(21.2%)	(17.4%)
Net profit growth	289.1%	(11.1%)	(17.9%)
EPS growth	253.7%	(11.1%)	(17.9%)

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.
- Add 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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