

Sector note

13 December 2022



Industrial property: the tide subsides

- 3Q22 average rental price increased by 10%-12% yoy, given high demand but limited supply.
- We see industrial property will slowdown following rising competition from Indonesia and delayed legal procedure which will shrink new supply.
- Our stock picks for long-term investment are PHR and BCM.

Southern market: Ba Ria – Vung Tau is IP hotspot

After supply boomed in 1H22, Southern industrial market did not have any new project put into operation 3Q22. 9M22 total industrial land area rose by 9.2% yoy to c.41,950ha, leading to the 8.2% yoy increase in leasable area (c.27,950ha). Besides, we see a strong new warehouse (WH) and ready-built factory (RBF) supply was put into operation in 3Q22, leading to a 30.2%/27.7% yoy increases in total supply, respectively. Average occupancy rate and rental price raised by 1.3% pts to 85.2% and 10.0% yoy to US\$125/sqm/lease term given high demand but no new supply in 3Q22.

Northern market: Rental price climbed to new high

Similar to the Southern market, there is no new industrial park coming into operation in Northern market in 3Q22. For 9M22, total land area rose by 2.7% yoy to 16,072ha. Due to no new supply in 3Q22 and limited supply in 9M22, 3Q22 occupancy rate increased by 4.7% pts yoy to 80-82%. For WH and RBF market, new supply rose by 39% yoy to 1.4m sqm and 9.5% yoy to 2.3m sqm, respectively, in 9M22.

2023F outlook: the tide subsides

We see that the positive factors for industrial property are fading due to: 1) slowdown FDI inflows (9M22 registered FDI dropped by 15.3% yoy) causing by investors' cautious sentiment toward the risky global economic recovery and FED raise interest rate may have an impact on FDI inflows into Vietnam; 2) new supply is tightened by legal procedure delay. We believe that industrial property market will see a scarcity of new supply from now through the end of 2023F in both the South and the North.

Our stock picks are PHR and BCM while NTC is in watchlist

Despite facing many difficulties, industrial property sector still has potential growth from WH and RBF thanks to E-commerce boom leading. We believe developers owning existing land bank will enjoy this trend the most. Following that, we like **PHR** and **BCM** for long-term investment. Downside risks come from: 1) prolonged the legal procedure approval time, 2) increasing competition from regional peers and 3) increasing land compensation could make slow process, driving up investment cost and land rental prices.

Analyst(s):



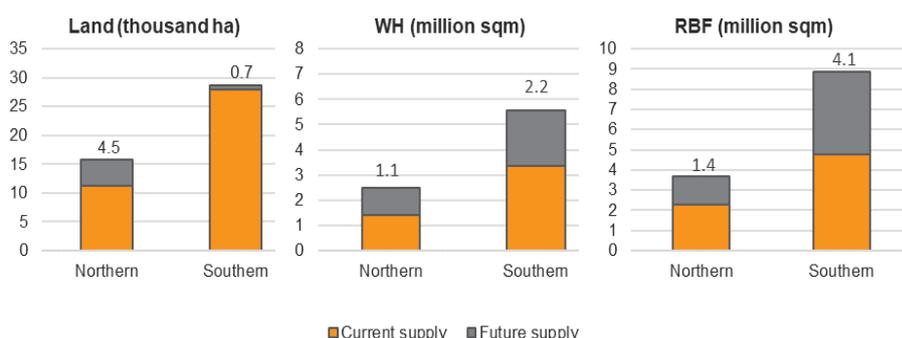
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Figure 1: We see the contrast between new supply of industrial land and WH/RBF in 2023-26F



Source: VNDIRECT RESEARCH, JLL, Cushman&Wakefield

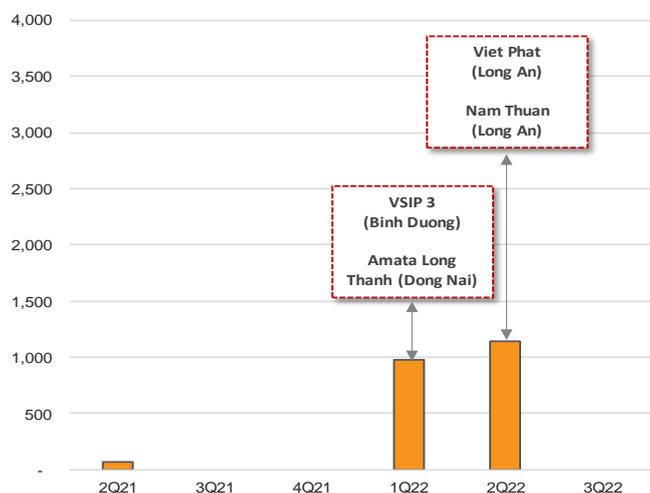
9M22 market recap: High demand drives up performance

Southern market: Ba Ria – Vung Tau is IP hotspot

After significantly delays in 2H21 due to Covid-19, 2,117ha in Long An, Binh Duong and Dong Nai have been added to the market, leading to the 8.2% yoy increase in leasable area (c.27,950ha). No new supply in 3Q22 as approval process for new project has been delayed due to the change of senior leaders of in Southern localities.

For 9M22, total industrial land area rose by 9.2% yoy to c.41,950ha, average occupancy rate and rental price increased by 1.3% pts yoy to 85.2% and 10.0% yoy to US\$125/sqm/lease term. With limited new supply for a year, 3Q22 land rental price in BR-VT increased the most at c.19% yoy to US\$101/sqm/lease term, but still had the lowest price among five key Southern industrial cities/provinces. HCMC has the highest asking price which could reach up to US\$300/sqm/lease term at prime locations.

Figure 2: New IP supply in Southern market, (Unit: leasable area, ha)



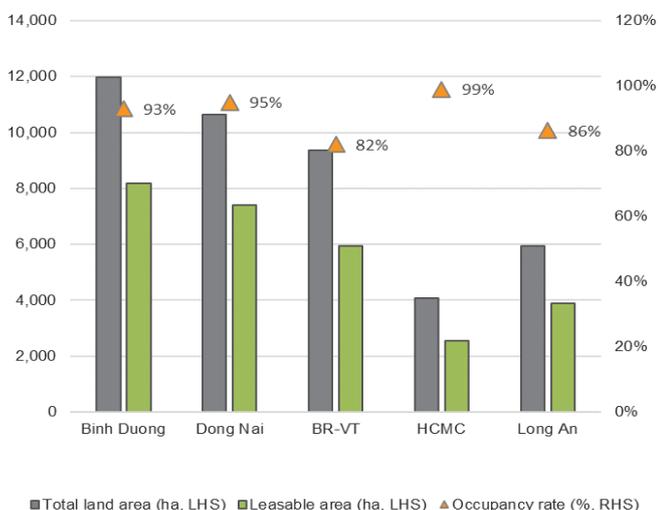
Source: VNDIRECT RESEARCH, JLL

Figure 3: Notable IP projects to be put into operation in 9M22

Project	Total area	Leasable area
VSIP 3 (49%/20% owned by BCM and PHR)	1000ha	700ha
Amata Long Thanh	410ha	275ha
Viet Phat	1800ha	923ha
Nam Thuan	308ha	217ha

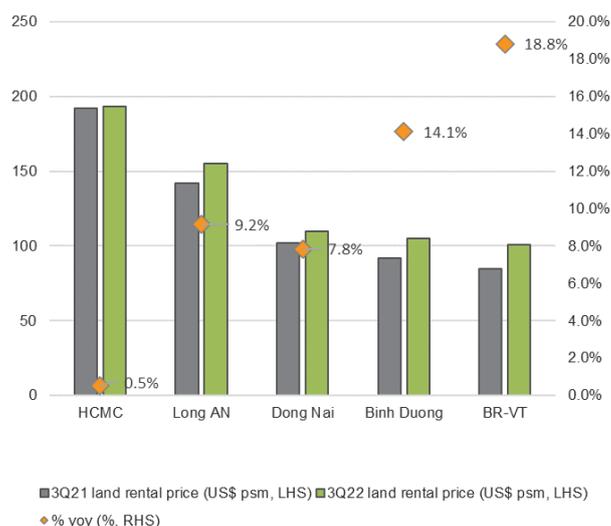
Source: VNDIRECT RESEARCH, JLL

Figure 4: Occupancy rates of 5 provinces inched up thanks to high demand at end-3Q22



Source: VNDIRECT RESEARCH, JLL

Figure 5: BR-VT enjoy the strongest rental prices growth among Southern area



Source: VNDIRECT RESEARCH, JLL

Warehouse (WH) segment in Southern market continued its vibrant development with the introduction of new supply across all cities/provinces in all grades, increased the total supply to approximately 3.36m sqm, of which modern WH accounted for 39%. Among the five key Southern cities/provinces, Binh Duong maintained its leading position with more than 1.4m sqm, took up 42% of the total supply as of 3Q22.

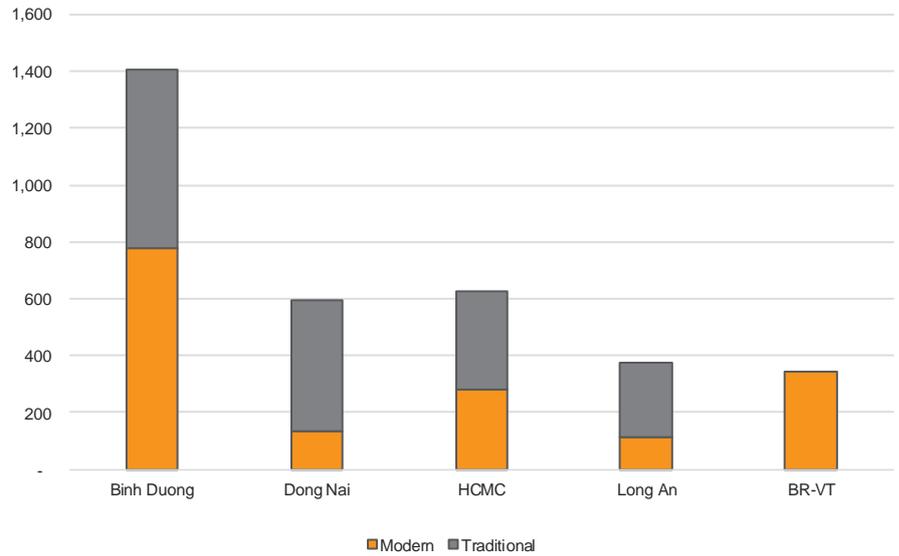
Figure 6: Binh Duong took the lead in Southern's WH supply at end-3Q22 (Unit: c.1,000 sqm)

Traditional warehouse:

- Straightforward facility.
- Must have large uninterrupted span.
- Flexibility of storage.
- Goods stored in boxes, sacks or barrels.

Modern warehouse:

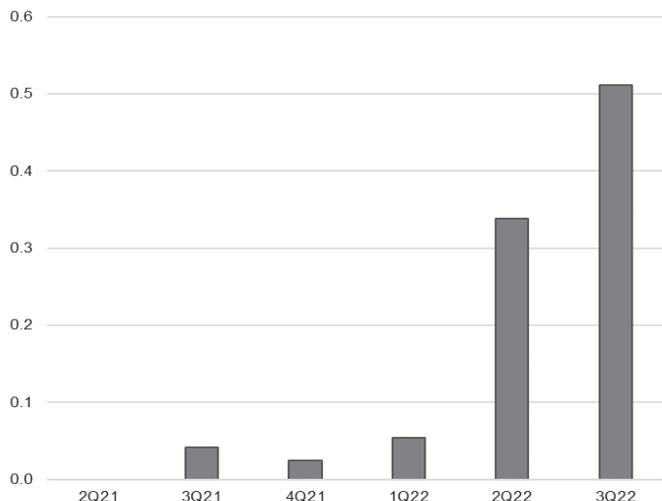
- Based on most economical material handling.
- High stacking and minimum number of aisles.
- Use dock leveler.
- Receiving areas located at truck level.



Source: VNDIRECT RESEARCH, JLL

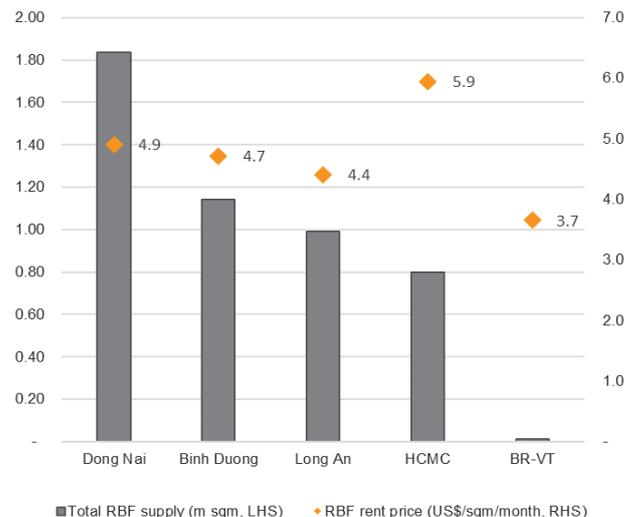
For ready-built factory (RBF), we see a strong RBF supply was put into operation in 3Q22, coming from BWID Nhon Trach 1 & 2 with total supply of c.324,333 sqm and one project in HCMC, according to JLL. For 9M22, RBF total supply rose by 27.7% yoy to 4.78m sqm mostly come from Dong Nai, Long An and HCMC with the contribution of 41.8%/31.0% and 22.7%, respectively.

Figure 7: Southern market has a strong RBF new supply in 9M22 (million sqm)



Source: VNDIRECT RESEARCH, JLL

Figure 8: Average RBF rental price in the South increased by 5.9% yoy thank to new high-quality supply



Source: VNDIRECT RESEARCH, JLL

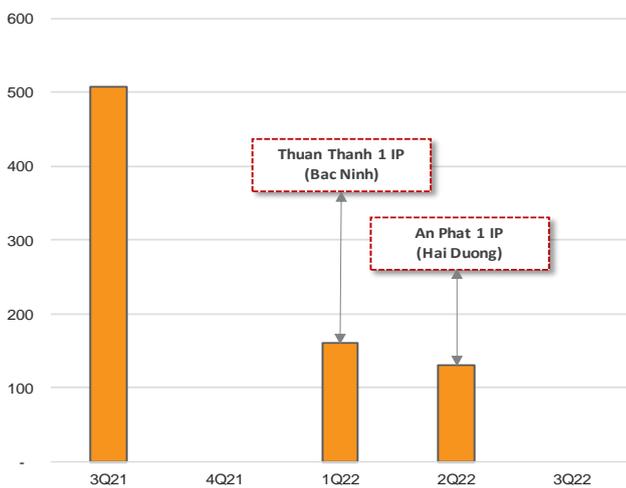
Northern market: Rental price climbed to new high

For 9M22, Northern market just recorded only two projects to be put into operation: Thuan Thanh 1 IP in Bac Ninh and An Phat 1 IP in Hai Duong with leasable area of 160ha and 130ha, respectively, leading to a 2.5% yoy increase in leasable area (c.11,333ha). 9M22 total land area rose by 2.7% yoy to 16,072ha while occupancy rate increased by 4.7% pts yoy to 80-82% at end-3Q22.

Similar to the Southern market, land rental price in five key Northern industrial cities/provinces remained at high level in 3Q22, with an average increase of 12% yoy to US\$121/sqm/lease term. We see Hung Yen is a bright spot with the highest increase of c.17% yoy to US\$100/sqm/lease term in 3Q22 rental price among five key Northern industrial cities/provinces. This led to selected projects increased their asking rent price when occupancy rate improved.

Positive market sentiment continued as large transactions of 10-15ha was recorded in 3Q22. According to CBRE, 3Q22 net absorption of Tier-1 (exclude Vinh Phuc) rose 12.7% qoq to 133ha. The significant transactions come from sectors such as electronics, energy and logistics.

Figure 9: No new supply in 3Q22 in the Northern IP market (Unit: ha)



Source: VNDIRECT RESEARCH, JLL

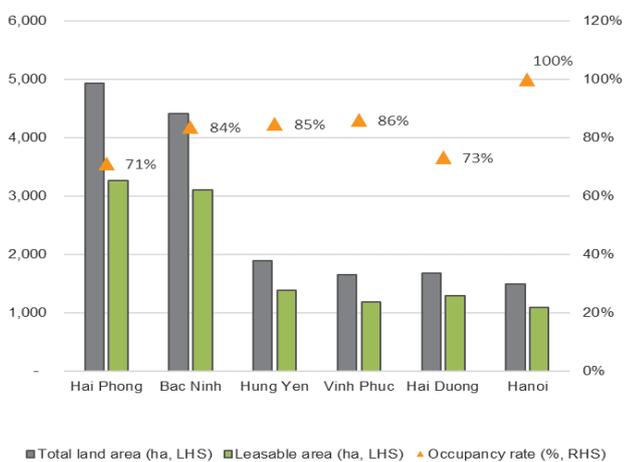
Figure 10: Just 2 new projects to be put into operation in 9M22

Project	Total area	Leasable area
Thuan Thanh 1 IP (Bac Ninh)	250ha	160ha
An Phat 1 IP (Hai Duong)	180ha	130ha



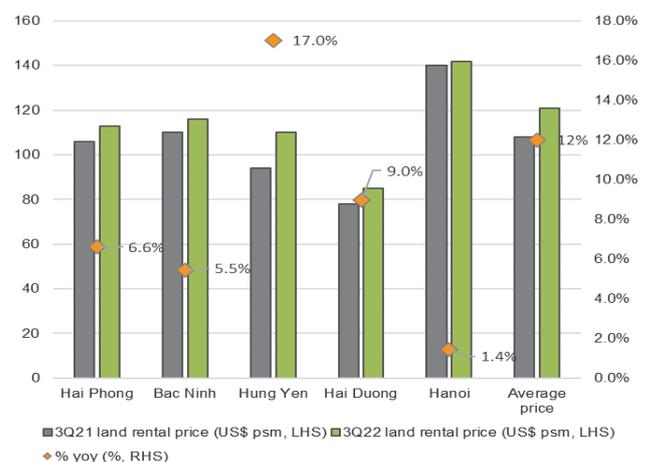
Source: VNDIRECT RESEARCH, JLL, CBRE

Figure 11: Occupancy rate in the North stay at high level in 9M22



Source: VNDIRECT RESEARCH, JLL, CBRE

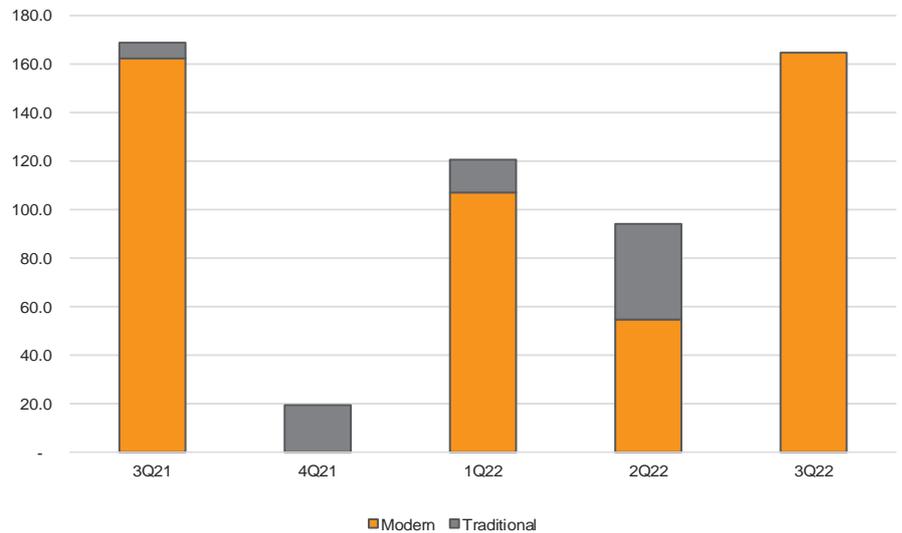
Figure 12: Hung Yen has a biggest increase in IP rental price



Source: VNDIRECT RESEARCH, JLL, CBRE

For WH market, new supply rose by 39.0% yoy to 1.4m sqm, according to JLL. On 9M22, we see new supply tend movement to modern supply with some notable projects such as: Mapletree LP in Hung Yen, Logis United and Deep C in Hai Phong... The high-quality supply to be put into operation in 9M22 led to a 5.7% yoy increase in 3Q22 WH rental price (c.US\$4.4/sqm/month).

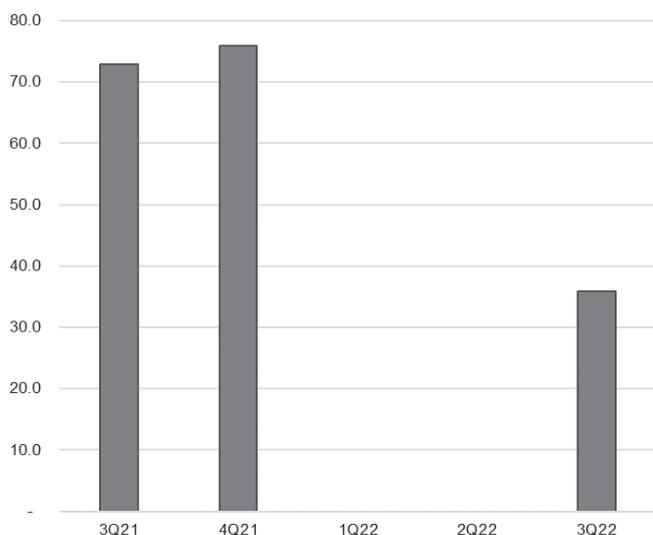
Figure 13: Modern WH increased rapidly since 1Q22 and will replace traditional WH (c.1000 sqm)



Source: VNDIRECT RESEARCH, JLL

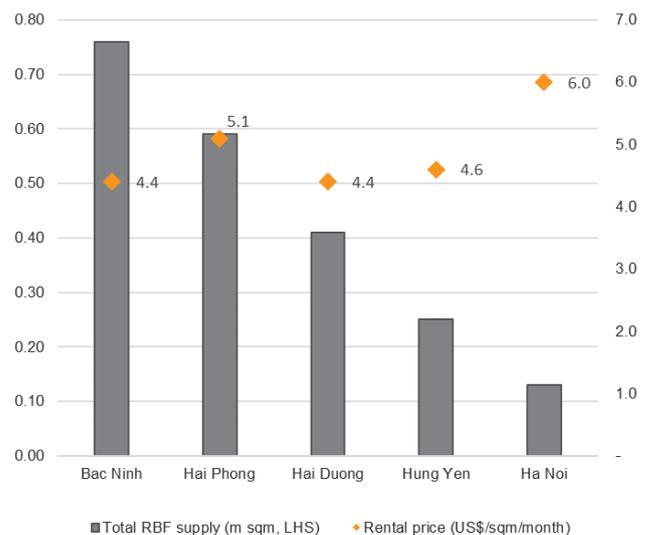
For RBF market, after half-year of scarce supply, 3Q22 received new supply of 35,834 sqm from 3 projects: Yen Phong 2C phase 1, U&Me Nam Cau Kien and Yen My II. For 9M22, new supply increased 9.5% yoy to 2.3m sqm. Hai Phong continued its leading position with proportion of 30.6% Northern supply. Average rental price increased by 3.5% yoy to US\$4.8/sqm/month. With limited supply, Ha Noi recorded biggest increase in rental price among five key Northern industrial cities/provinces.

Figure 14: After half-year of scarce supply, 3Q22 received new supply of 35,834sqm from 3 projects (Unit: c.1,000 sqm)



Source: VNDIRECT RESEARCH, JLL

Figure 15: Average RBF rental price in the North rose by 3.5% yoy thank to higher-than-expected demand



Source: VNDIRECT RESEARCH, JLL

Listed IP companies recorded a lower-than-expected 9M22 revenue

We see a lower-than-expected revenue growth in listed IP companies, following by:

- PHR's 3Q22 revenue is flat yoy and no new one-off gain was recorded, leading to a 16.1% yoy decrease in 3Q22 NP. For 9M22, revenue dropped by 11.5% yoy due to an 8.1%/30.4% yoy decrease in rubber & wood/industrial revenue, respectively. 9M22 NP rose 53.5% yoy to VND468bn thanks to a part of VSIP III's land compensation (VND289bn), but just fulfilling 45% our FY22F forecast.
- SZC's 3Q22 revenue decreased by 24.3% yoy due to: 1) IP revenue dropped by 29.9% yoy compare with high base of 3Q21, 2) residential revenue from Sonadezi Huu Phuoc was not recorded, leading to a 65.0% yoy decrease in 3Q22 NP. For 9M22, revenue increased by 17.3% yoy on the back of high demand for IP rental in 1H22 but SZC increased land price for compensation in Chau Duc IP. As a result, 9M22 NP dropped by 37.5% yoy, just fulfilling 42.4% our FY22F forecast.
- KBC's 3Q22 revenue dropped by 37.5% yoy to VND203bn due to no industrial and residential revenue was recorded, but NP surged to VND1,919bn thanks to a one-off gain from investment revaluation of VND1,975bn. Following that, 9M22 revenue decreased by 58.1% yoy to VND1,289bn while NP increased by 255.1% yoy to VND2,030bn.
- BCM reported 3Q22 revenue surged by 156.4% yoy to VND2,264bn, thanks to a VND1,300bn Uni Galaxy transfer. 3Q22 gross margin subdued 25.1% pts yoy to only 29.8% due to low gross margin of Uni Galaxy project of c.14%. 3Q22 net profit soared 318.4% yoy to VND203bn on low base 3Q21 due to COVID-19 charitable contributions. Accumulated, 9M22 revenue/net profit rose 41.3% yoy to VND5,634bn/58.0% yoy to VND1,577bn.

Figure 16: 3Q22 result of listed IP companies

	3Q22 revenue (VNDbn)	3Q21 revenue (VNDbn)	% yoy	3Q22 net profit (VNDbn)	3Q21 net profit (VNDbn)	% yoy	9M22 revenue (VNDbn)	9M21 revenue (VNDbn)	% yoy	9M22 net profit (VNDbn)	9M21 net profit (VNDbn)	% yoy
GVR	5,854	6,161	-5.0%	835	1,241	-32.7%	16,336	16,712	-2.3%	2,907	2,818	3.2%
VGC	3,213	2,211	45.3%	221	200	10.9%	11,319	7,518	50.6%	1,567	818	91.5%
BCM	2,264	883	156.4%	203	49	318.5%	5,634	3,988	41.3%	1,577	998	58.0%
SNZ	1,400	1,252	11.8%	130	272	-52.3%	3,874	3,745	3.5%	522	634	-17.6%
SIP	1,509	1,134	33.1%	191	165	15.6%	4,596	4,130	11.3%	678	679	-0.3%
KBC	203	325	-37.5%	1,919	(68)	N/A	1,289	3,077	-58.1%	2,030	572	255.1%
PHR	523	522	0.2%	122	145	-16.1%	1,132	1,280	-11.5%	468	305	53.5%
DPR	303	341	-11.1%	69	84	-18.3%	841	730	15.3%	187	139	34.6%
ITA	89	343	-73.9%	24	99	-75.9%	468	684	-31.6%	151	182	-16.9%
SZC	123	163	-24.3%	23	67	-65.0%	663	566	17.3%	160	256	-37.5%
D2D	16	147	-88.9%	(4)	86	-104.2%	55	344	-84.0%	3	194	-98.3%
NTC	53	37	42.0%	57	49	17.0%	189	165	14.5%	210	212	-1.0%
LHG	178	52	241.9%	82	20	314.4%	526	718	-26.8%	172	271	-36.6%
TIP	99	30	235.7%	40	7	503.4%	176	185	-5.0%	57	66	-13.6%

Source: VNDIRECT RESEARCH, COMPANY REPORTS

2023F outlook: The tide subsidies

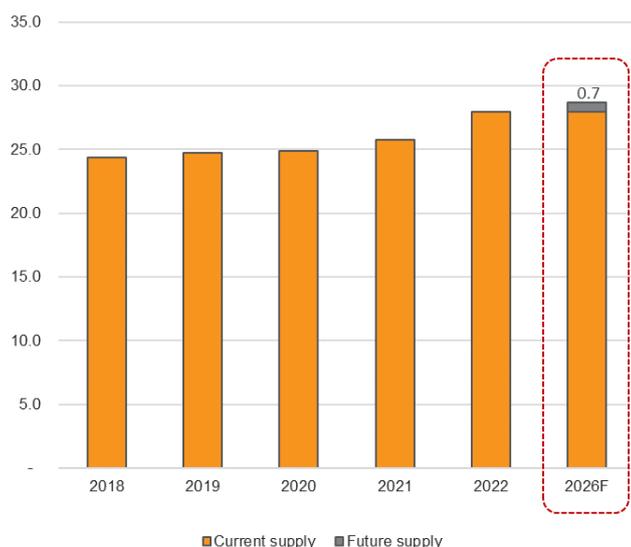
New supply will shrink as approval process is delayed for legal procedure

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.

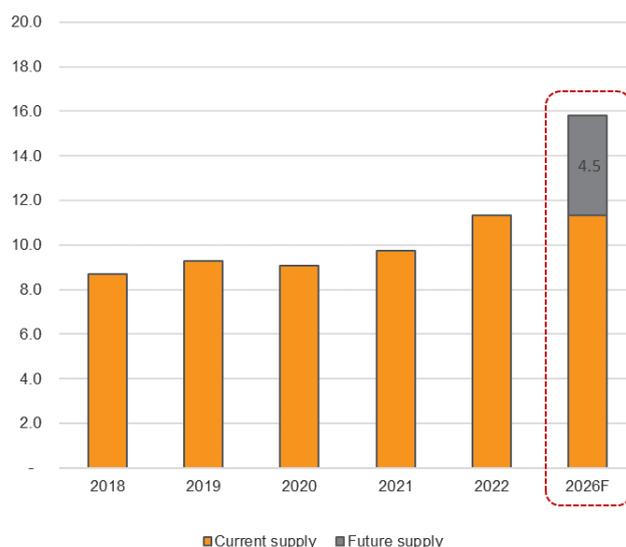
We believe that industrial property market will witness a scarcity of new supply from now until the end of 2023F. After supply boom in 2022, there is only around 700ha to be put into operation in Southern during 2023-26F, mostly come from Long An and Dong Nai. Although there is a high number of pending projects, we believe that the lack of new supply situation in Northern market will not end sooner 2023F, after that we expect c.4,500ha will be put into operation in 2024-26F, with the most contribution come from Bac Ninh and Hai Phong.

Figure 17: We see Southern supply is limited in 2023-26F after supply boom in 2022 (Unit: c.1,000ha)



Source: VNDIRECT RESEARCH, JLL

Figure 18: The lack of new supply situation in Northern market will not end sooner than 2023F. After that c.4,500 ha is expected to be put into operation in 2024-26F (Unit: c.1,000ha)



Source: VNDIRECT RESEARCH, JLL

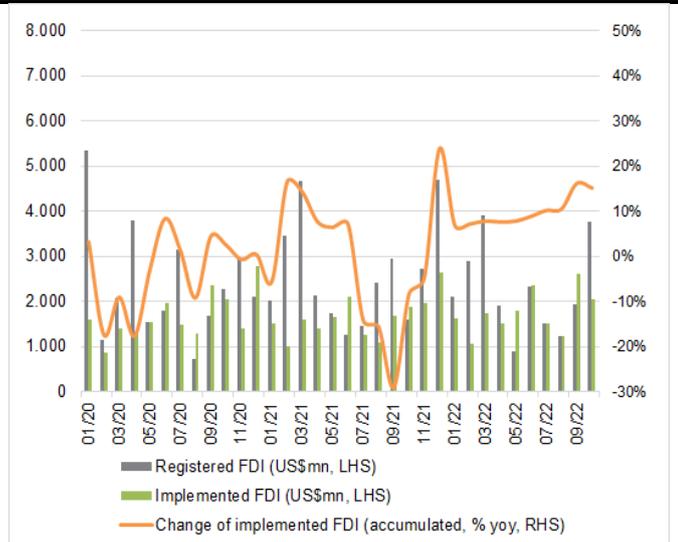
Rising competition on FDI attraction from Indonesia

Vietnam registered FDI dropped by 15.3% yoy to US\$18.8bn while implemented FDI capital still grew healthily 16.2% yoy to US\$15.4bn in 9M22. In 2022, Vietnam is among top countries to receive most FDI in regional. We see Vietnam attractiveness will sustain thanks to its proximity to China, low land rental price, competitive energy cost and skilled workforce. However, we see the growing competition from other countries and Vietnam currently lag behind in lure FDI flows of EV and semiconductor industry

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 46% yoy in 9M22 to US\$31bn. Vietnam and Indonesia are the two countries receiving the most FDI inflow. While Vietnam is transforming itself into an electronics

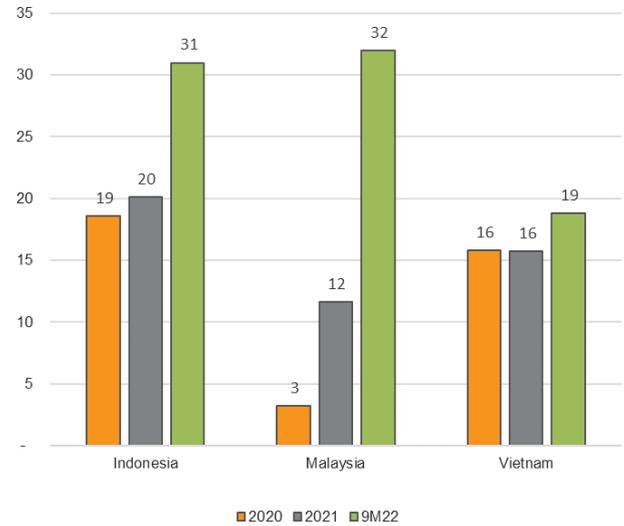
equipment manufacturing hub, Indonesia is focusing on the electric vehicle supply chain.

Figure 19: Implemented FDI rose 15.2% yoy while new FDI declined 5.4% yoy in 10M22



Source: VNDIRECT RESEARCH, FIA

Figure 20: Indonesia and Malaysia have a strong increase in FDI inflows in 9M22 (Unit: US\$bn)



Source: VNDIRECT RESEARCH, GSO, MPI

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.

Figure 21: ASEAN: EV-related measures (Selected countries)

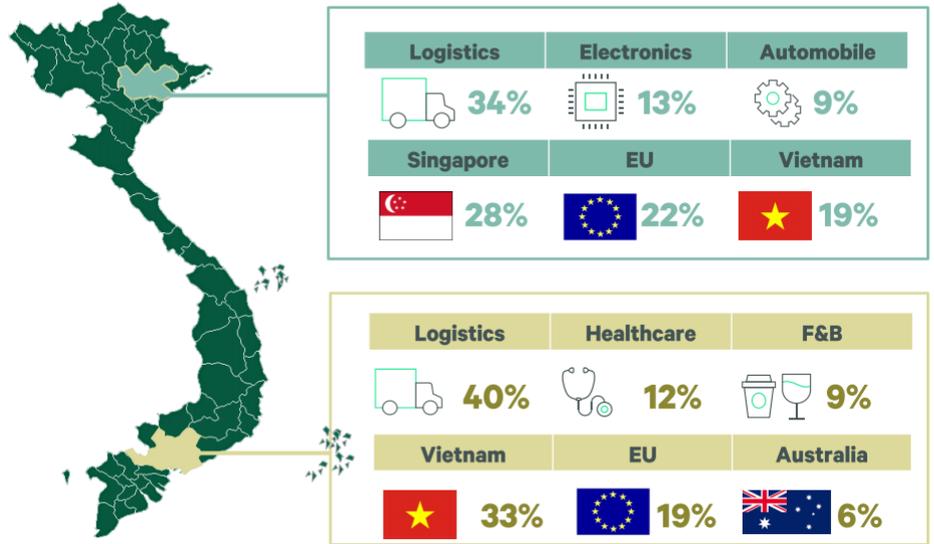
Measure	Indonesia	Malaysia	Philippines	Singapore	Thailand	Viet Nam
Carbon neutrality target	☺	☺	☺	☺	☺	☺
EV target	☺ 2035: 30 per cent of production volume	☺ 2030: 15 per cent of industry volume	☺ Electric motorbike "e-trike" programme	☺ 2040: all types of vehicles	☺ 2030: 30 per cent of all car sales	☺ Development stage
Investment incentives for MNEs	☺	☺	☺	☺	☺	☺ Incentives are general but include EV production
Incentives for EV adoption by consumers	☺	☺	☺	☺	☺	..
Industrial zones solely for EVs	..	☺	EEC (Next-generation automotive, including EVs)	..
Measure	Indonesia	Malaysia	Philippines	Singapore	Thailand	Viet Nam
National programme and institutional support	Presidential Regulation No. 55 of 2019 on Acceleration of Battery-Based Electric Vehicles Program for Road Transportation Various ministries	National Automotive Plan, launched in February 2020, involved various ministries	House Bill 10213 Electric Vehicle Industry Development Act Various Government departments	Various agencies and institutions supporting the development of different EV value chain	EV Industry Development Road Map National Electric Vehicles Policy Committee	..

Source: VNDIRECT RESEARCH, ASEAN Investment

E-commerce booming requires strong supply for WH and RBF to meet demand for Logistics sector

According to record via CBRE, both Northern and Southern market recorded a high number of inquiries, mainly come from rental demand for the Logistic sector with the proportion accounting for 34%/40%, respectively.

Figure 22: 1H22 number of rental enquiries via CBRE mostly in Logistics sector

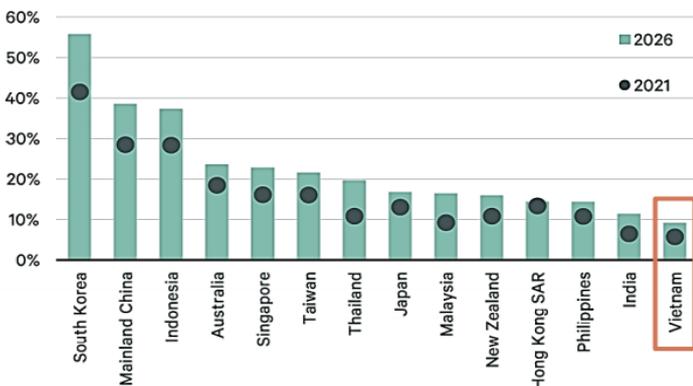


Source: VNDIRECT RESEARCH, CBRE

According to Euro Monitor and Vietnam E-Commerce Association, Vietnam's e-commerce revenue is booming, with an estimated CAGR of 25% to US\$39bn in 2021-26F. For US\$1bn of additional e-commerce sales, it would require an additional of 92,903 sqm of logistic space. Following that, more than 2.2m sqm of additional e-commerce-dedicated logistic space is estimated to be required by 2026F.

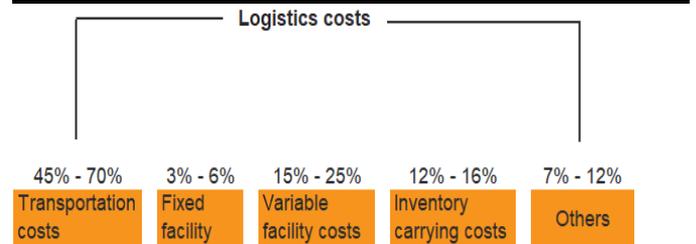
Besides, robust demand for goods and the ongoing supply chain disruption heightens the need for additional warehouse space to stockpile goods and mitigate future disruptions as well, according to CBRE Econometric Advisors. Given that rising transportation costs are much higher than warehouse cost, accounting 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 23: E-commerce boom in Vietnam with an estimated CAGR of 25% for revenue over 2021-26F



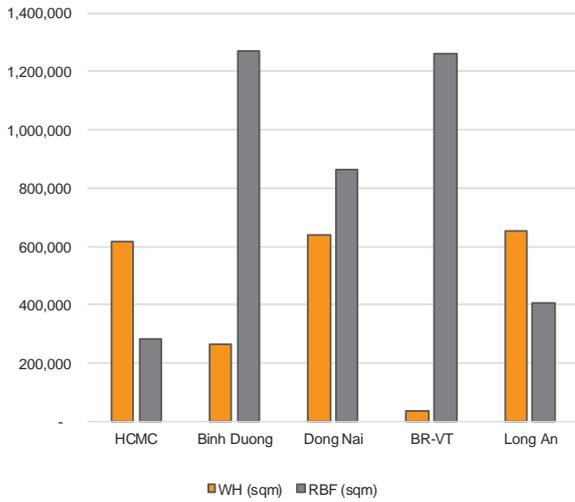
Source: VNDIRECT RESEARCH, CBRE,

Figure 24: Transportation costs increases are much higher than warehouse cost increases



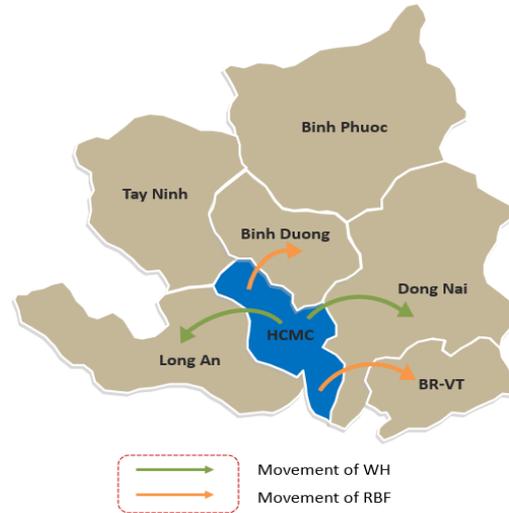
Source: VNDIRECT RESEARCH, MOIT

Figure 25: Strong new supply of WH and RBF in the South will be put into operation in 2023-26F



Source: VNDIRECT RESEARCH, Cushman&Wakefield

Figure 26: The RBF movement now tend to move to Binh Duong and BR-VT



Source: VNDIRECT RESEARCH, Cushman&Wakefield

We see a strong new supply of WH and RBF to be put into operation in next four years in both Northern and Southern market.

- For Northern market, we expect new supply will lead to impressive growth in total supply of WH and RBF at 15.0%/12.8% CAGR in 2022-26F, respectively. Total supply of WH/RBF can reach 2.5/3.7m sqm in 2026F, respectively, with notable projects come from Mapletree Hung Yen P3, GNP Nam Dinh Vu, BW Nam Dinh Vu P2 ...
- For Southern market, we estimate 2026F total supply of WH/RBF will grow at 13.4%/16.7% CAGR in 2022-26F. We see a contrast in the movement of new supply of WH and RBF. While WH movement now tend to move to Long An and Dong Nai, RBF movement tend to move to Binh Duong and BR-VT. We believe developers owning existing land bank like BCM will enjoy the most from this trend.

Stock picks: We like PHR and BCM for long-term investment while NTC is in our watchlist

Figure 27: Investment ideas

No	Ticker	1-year TP (VND/share)	Rating	Investment thesis
1	PHR	60,000	ADD	<p>The prospect of IP business remains intact though the process of land conversion progress will slow down in the couple of next quarters. PHR aims to develop five IPs with a total area of more than 2,700ha over FY26-30F.</p> <p>We expect PHR will book one-off gain in 4Q22/1Q23F, equivalent VND400bn/VND207bn, respectively, leading PHR's earnings to grow +117.6% yoy in FY22F and weaken just 2.7 % yoy in FY23F.</p> <p>PHR stock has dropped c.53% from its peak in Mar 2022 and currently traded at 7.9x FY22 P/E, which is lower than its peer average of 17.6x. Together with high dividend yield of 9.9%, we believe the risk-reward of this stock is quite attractive to accumulate at this time.</p> <p>Re-catalyst includes sooner-than-expected the legal for land to be approved. Downside risks include 1) rubber prices slump deeper than expectation; 2) Slower-than expected land clearance process.</p>
2	BCM	99,000	ADD	<p>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.</p> <p>Robust earnings growth over FY22-23 (58.2% yoy – 84.7% 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 CapitaLand. Revenue from IP business will grow steadily 17% yoy – 44% yoy over FY22-23F thanks to the contribution of Cay Truong IP and Bau Bang expansion IP.</p> <p>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-expect leverage which could take a big chunk out of profits.</p>
3	SZC	44,000	ADD	<p>SZC is well-positioned to capture the growing demand for industrial property in the South. SZC with the parent's advantage, Sonadezi Corporation, with more than 30-year experiences is attracting investors. SZC has sizeable land bank (more than 600ha) and competitive rental prices among listed IP companies in Ba Ria-Vung Tau, a major manufacturing hub in the South.</p> <p>Chau Duc IP' leasable area is still guaranteed to remain steady for upcoming years. We estimate available leasable area of this IP around 581ha, which will continue to be leased from 40-60ha per year in FY23-32F.</p> <p>Although slower-than-expected handover, SZC's residential business will be the growth engine with FY23-24F revenue contribution of 28.3%/43.0%, respectively.</p> <p>Upside catalysts: 1) higher-than-expected rental price and lease area of Chau Duc IP, 2) Sooner-than-expected implement time of Sonadezi Huu Phuoc's phase 2. Downside risks are: 1) higher-than-expected the new price for land compensation, 2) delays in obtaining permits for residential projects.</p>
4	KBC	36,400	ADD	<p>We believe KBC is well-positioned to capture the growing demand for IP as 1) KBC has a sizeable ready-to-lease industrial land bank with Trang Due 3 IP likely starting from 2023F; 2) KBC holds the leading position in attracting FDI with several tech giants in its tenant portfolio, including Samsung Electronics Vietnam in Que Vo IP, LG Electronics in Trang Due IPs, Foxconn in Quang Chau IP. In addition, KBC is now completing legal procedures and ground filling at Trang Cat urban area project (581ha), which has a potential GDV of c.VND50,000bn (based on our estimate). The company plans for its first bulk sales of 30ha in FY22-23F. We believe these projects should provide strong support for KBC's long-term earnings growth.</p>

Potential upside risks could come from faster IP or residential land sales and whether KBC can clear legal hurdles to start its new IPs. Key downside risks 1) worse-than-expected IP land sales, 2) regulatory delays in Trang Cat project and Trang Due 3 IP, and 3) delays in booking revenue from residential projects.

5 NTC N/A N/A

According to NTC's management, legal procedures for its new IP namely Nam Tan Uyen IP phase 2 (NTC3) with a total area of 346ha had been tackled bottleneck. The company is likely to monetize this new IP since early 2023F. Besides, NTC is one of the most rich-cash listed property companies with a net cash of VND1,068bn as of end-3Q22, coupled with a stable income from its associates, we estimate NTC could book c. VND180-200bn in net financial income, equivalent to 18-20% of FY23F pre-tax profit. We forecast FY23F net profit to surge 242% yoy to VND857bn on new IP contribution.

Source: VNDIRECT RESEARCH

Upside risks:

- Stronger-than-expected FDI inflows
- tackle bottleneck for legal procedures which will speed up project implementation

Downside risks:

- Increasing competition from regional peers. Not only Vietnam but also neighboring countries have rapidly established new industrial parks. For instance, Indonesia established a 4,000ha IP in 2020, Myanmar cooperated with Korea, Thailand, Singapore to attract more overseas manufacturers with Myanmar Singapore Industrial Park (436ha), Yangon Amata Smart and Eco City (800ha)
- Increasing land compensation could make slow process, drive up investment cost and land rental prices.
- Prolong the legal procedure approval time.

Figure 28: FY22-24F earnings forecast of stocks under coverage

	PHR			SZC			BCM			KBC		
	FY22F	FY23F	FY24F									
Revenue (VNDbn)	2,025	2,341	3,133	864	1,365	2,081	7,865	11,603	9,453	2,875	9,378	10,756
% growth	4.1%	15.6%	33.8%	21.2%	58.0%	52.5%	12.5%	47.6%	-18.5%	-32.3%	226.2%	14.7%
Gross profit	537	637	1,115	355	710	1,112	3,327	4,943	4,225	1,541	5,941	6,414
Gross margin (%)	26.5%	27.2%	35.6%	41.1%	52.0%	53.4%	42.3%	42.6%	44.7%	53.6%	63.4%	59.6%
Net profit	1,040	1,013	1,368	238	510	828	2,334	3,809	3,613	2,589	3,435	3,764
% growth	117.8%	-2.7%	35.1%	-26.5%	114.3%	62.4%	66.2%	63.2%	-5.1%	230.9%	32.7%	9.6%
EPS (VND/share)	7,677	7,473	10,097	2,160	4,634	7,520	2,255	3,680	3,491	3,373	4,475	4,904
BVPS (VND/share)	24,626	27,652	32,409	15,560	19,051	25,338	17,032	19,913	22,604	22,302	26,777	31,681
Dividend yield (%)	10.8%	10.8%	12.2%	3.9%	3.9%	3.9%	1.1%	1.1%	1.1%	0.0%	0.0%	0.0%
ROAE (%)	32.9%	28.6%	33.6%	15.7%	29.5%	37.3%	13.8%	19.9%	16.4%	16.7%	18.2%	36.6%
ROAA (%)	16.1%	14.0%	16.8%	3.5%	5.9%	8.5%	4.7%	7.3%	6.7%	7.8%	8.9%	18.3%

Source: VNDIRECT RESEARCH

Figure 29: Industrial property sector comparison (data at as 12 Dec 2022)

Company	Ticker	Target		Recom	Mkt cap	P/E (x)			P/B (x)			3-year		ROA (%)			
		Price	price			US\$m	TTM	FY22F	FY23F	Current	FY22F	FY23F	CAGR (%)	EPS		ROE (%)	
		LC\$	LC\$											FY22F	FY23F	FY22F	FY23F
Sonadezi Chau Duc	SZC VN	29,300	44,000	ADD	124	15.7	10.8	9.8	2.0	1.6	1.3	66.7	18.9	32	4.3	6.7	
Vietnam Rubber Group	GVR VN	14,800	N/A	N/A	2,497	13.9	15.0	13.6	1.2	N/A	N/A	10.4	8.5	8.8	5.1	5.1	
Investment & Industrial Development	BCM VN	78,000	99,000	ADD	3,405	47.2	34.8	21.3	4.6	4.5	3.8	33.1	13.8	19.9	4.7	7.3	
Kinh Bac City Development Holding	KBC VN	22,100	36,400	ADD	716	7.5	9.2	5.7	1.0	0.7	0.5	30.3	22.4	25.7	10.4	11.34	
Viglacera Corp Jsc	VGC VN	43,450	N/A	N/A	822	9.9	9.8	11.5	2.6	1.6	1.5	3.6	25	18.6	18.4	14.7	
Sonadezi Corp	SNZ VN	22,400	N/A	N/A	356	9.5	N/A	N/A	1.5	N/A	N/A	22.5	N/A	N/A	N/A	N/A	
Idico Corp Jsc	IDC VN	36,300	N/A	N/A	505	5.9	5.3	5.8	2.3	1.5	1.5	19.5	38.6	29.1	13.8	11.9	
Saigon Vrg Investment Corp	SIP VN	68,000	N/A	N/A	261	7.6	6.4	N/A	2.1	1.7	N/A	N/A	27.5	N/A	5.6	N/A	
Phuoc Hoa Rubber	PHR VN	45,500	60,000	ADD	260	9.6	7.2	8.3	1.8	1.5	1.3	8.4	32.9	28.6	16.1	14	
Nam Tan Uyen Jsc	NTC VN	120,000	N/A	N/A	121	9.8	7.1	3.2	4.6	N/A	N/A	N/A	52.06	70.32	6.9	N/A	
Long Hau Corp	LHG VN	21,000	N/A	N/A	44	5.3	4.4	3.7	0.7	0.6	0.5	23.7	16.65	21	8.5	10.85	
Viet Nam Rubber Industrial Zone and Urban Development	VRG VN	23,400	N/A	N/A	26	191.8	N/A	N/A	2.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
<i>Average</i>						27.8	11.0	9.2	2.2	1.7	1.5	24.2	25.6	28.2	9.4	10.2	
<i>Median</i>						9.7	8.2	8.3	2.0	1.6	1.3	22.5	23.7	25.7	7.7	11.1	

Source: VNDIRECT RESEARCH, BLOOMBERG

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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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