

## KINHBAC CITY DEVELOPEMENT SHARE HOLDING CORP (KBC) – EGM UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND56,400	VND81,800	0.00%	Add	PROPERTY

10 February 2022

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

Consensus\*: Add:8 Hold:2 Reduce:1

Target price / Consensus: 17.7%

### Key changes in the report

➤ N/A.

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	62,100
52w low (VND)	30,500
3m Avg daily value (VNDmn)	482,112
Market cap (VND bn)	32,191
Free float (%)	52
TTM P/E (x)	41
Current P/B (x)	2.3

### Ownership

Dang Thanh Tam	14.8%
Kinh Bac Consulting & Investment	8.0%
Others	77.2%

Source: VND RESEARCH

### Analyst(s):



Tu Nguyen Cam

tu.nguyencam2@vndirect.com.vn

www.vndirect.com.vn

### The 1st 2022 Extraordinary General Meeting key takeaways

- KBC posted VND212bn in 4Q21 NP (+9.3% yoy). Consequently, FY21 NP soared 249.8% yoy to VND783.7bn, but making up only 74% our forecasts.
- Management targets VND9,800bn (+127.5% yoy) for FY22F revenue and VND4,500bn (+474.2% yoy) for net profit.
- The EGM approved to pay stock dividend by 33.33% and raise its capital via private placement in 2022.

### Weaker than expected 4Q21 results

- In 4Q21, KBC leased out 31.2ha of IP land (-22.2% yoy), in which Quang Chau IP (15.9ha) and Nam Son Hap Linh IP (15.3ha).
- KBC recorded an unexpected expense of VND115.8bn due to IP land transfer between tenants in Q4/21. This amount was largely offset in 4Q21 revenue.
- 4Q21 GPM expanded by 41.9% pts yoy to 59.6%, as KBC revised its outdated development cost for 90ha land area at Quang Chau IP in 4Q20.
- 4Q21 financial income drop 80.7% to VND52.0bn due to one-off profit of VND250.5bn from divesting Saigon Hue IP JSC in 4Q20.
- KBC recorded 4Q21 revenue of VND1,232.0bn (+0.9% yoy) and NP of VND212.0bn (+9.3% yoy).
- Consequently, KBC posted FY21 revenue of VND4,309bn (+100.3% yoy) and NP of VND784bn (+249.8% yoy), coming in at 92.6%/74.0% our forecasts.

### The management targets VND4,500bn (+474.2% yoy) for FY22F net profit

- The management announced that KBC is completing legal procedures for investment licenses for three IPs (c.1,300ha) in Hai Duong after being added to the province's master planning at end-2021. Of which KBC has submitted an investment license application for Binh Giang 1 IP (150ha).
- Trang Due 3 IP has submitted documents awaiting approval from the Ministry of Planning and Investment. The company has completed compensation and clearance of more than 100ha and expected to start handing over from 2Q22. Previously, KBC shared that the company signed an MOU to lease 35ha for US\$135/sqm in early-2022 and plans to sign an MOU with LG Display Vietnam to lease 80ha for US\$130/sqm at this IP.
- KBC is selecting contractors for Trang Cat urban area project and expects to start ground filling for its first 50-80ha land area in early-2Q22. The detailed plan will be shared in the Annual General Meeting of Shareholders 2022.
- Management is guiding for FY22F revenue of VND9,800bn (+127.5% yoy) and net profit of VND4,500bn (+474.2% yoy).

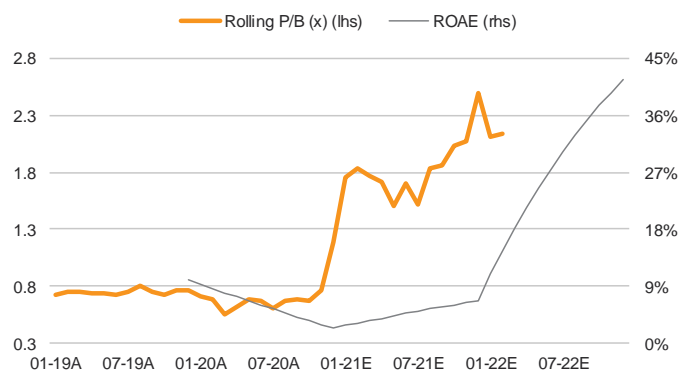
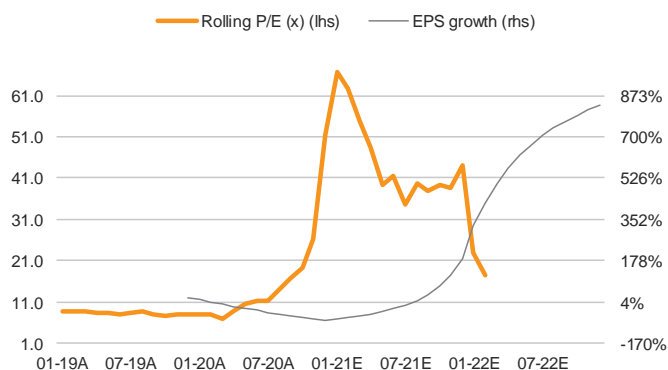
### FY22F capital raising plan:

- KBC plans to issue a maximum of 150m new shares in a private placement (equivalent to 26.3% of its current share) to beef up its working capital, restructure debt and/or increase the scale of operating capital, capital contribution to subsidiaries, joint ventures, and associates.
- The selling price is not lower than 80% to the 30 consecutive days of average closing price.
- The transfer restriction period is 36 months for strategic investors and 18 months for professional securities investors.
- EGM approved to pay a 2021 stock dividend with the ratio of 3:1.

**Figure 1: 4Q21 and FY21 results comparison**

	4Q21	4Q20	% yoy chg	FY21	FY20	% yoy chg	As % of FY21 our estimate	Comment
<b>IP leased land area (ha)</b>	<b>31.2</b>	<b>40.1</b>	<b>-22.2%</b>	<b>113.9</b>	<b>59.6</b>	<b>91.1%</b>	<b>85.0%</b>	
Tan Phu Trung IP	-	19.4		21.9	36.2			
Quang Chau IP	15.9	19.4		56.6	22.0			
NSHL IP	15.3	1.2		33.8	1.2			
<b>Residential land area (ha)</b>	<b>2.3</b>	<b>0.5</b>	<b>348.4%</b>	<b>4.6</b>	<b>1.0</b>	<b>377.2%</b>		
Phuc Ninh Residential Urban Area	-	0.2		-	0.2			
Trang Due Residential Urban Area	0.1	0.9		4.6	2.3			
<b>Revenue (VNDbn)</b>	<b>1,232.0</b>	<b>1,221.3</b>	<b>0.9%</b>	<b>4,308.6</b>	<b>2,151.0</b>	<b>100.3%</b>	<b>92.6%</b>	
IP land sales	984.2	1,017.0	-3.2%	3,098.6	1,537.3	101.6%		KBC leased out 113.9ha in FY21 (+91.1% yoy).
IP factory sales	47.5	33.1	43.5%	310.6	33.1	838.4%		Mostly from Quang Chau IP.
IP factory leasing	13.2	24.0	-45.2%	79.7	107.2	-25.7%		
Utilities services	80.4	73.8	8.9%	305.0	277.1	10.1%		
Residential property	106.8	74.7	43.0%	514.6	196.2	162.3%		Driven by the handover of townhouse and villas land area in Trang Due project.
<b>Gross profit (VNDbn)</b>	<b>734.8</b>	<b>216.6</b>	<b>239.2%</b>	<b>2,465.8</b>	<b>689.0</b>	<b>257.9%</b>		
Gross profit margin	59.6%	17.7%	41.9% pts	57.2%	32.0%	25.2% pts		As KBC revised its outdated development cost for 90ha land area at Quang Chau IP in 4Q20.
SG&A expenses(VNDbn)	246.1	142.8	72.3%	620.5	322.9	92.2%		
Financial income (VNDbn)	52.0	269.5	-80.7%	163.1	313.7	-48.0%		Due to one-off profit of VND250.5bn from divesting Saigon Hue IP JSC in 4Q20.
Financial expense (VNDbn)	131.9	56.1	135.1%	535.2	230.2	132.5%		Due to a sharp increase in interest expense.
Operating profit (VNDbn)	417.3	288.0	44.9%	1,485.8	452.2	228.6%		
Pre-tax profit (VNDbn)	301.5	288.2	4.6%	1,364.7	453.2	201.1%		
Other profit (VNDbn)	(115.8)	0.1		(121.2)	0.9			Due to IP land transfer between tenants in Q4/21. This amount was largely offset in 4Q21 revenue.
Profit after tax (VNDbn)	222.1	223.4	-0.6%	955.1	319.8	198.7%		
Minority interest	10.0	29.4	-66.0%	171.4	95.8	78.9%		
<b>Net profit (VNDbn)</b>	<b>212.0</b>	<b>194.0</b>	<b>9.3%</b>	<b>783.7</b>	<b>224.0</b>	<b>249.8%</b>	<b>74.0%</b>	

Sources: VND RESEARCH, COMPANY REPORTS

**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	4,309	17,507	19,766
Cost of sales	(1,843)	(6,339)	(6,829)
Gen & admin expenses	(431)	(328)	(390)
Selling expenses	(190)	(325)	(427)
<b>Operating profit</b>	<b>1,845</b>	<b>10,514</b>	<b>12,119</b>
Operating EBITDA	1,770	10,460	12,063
<b>Depreciation and amortisation</b>	<b>76</b>	<b>54</b>	<b>56</b>
<b>Operating EBIT</b>	<b>1,845</b>	<b>10,514</b>	<b>12,119</b>
Interest income	163	150	150
Financial expense	(535)	(711)	(489)
Net other income	(121)	(43)	(48)
Income from associates & JVs	13	0	0
<b>Pre-tax profit</b>	<b>1,365</b>	<b>9,909</b>	<b>11,733</b>
Tax expense	(410)	(2,378)	(2,816)
Minority interest	(171)	(228)	(384)
<b>Net profit</b>	<b>784</b>	<b>7,303</b>	<b>8,533</b>
Adj. net profit to ordinary	784	7,303	8,533
Ordinary dividends	0	0	0
<b>Retained earnings</b>	<b>784</b>	<b>7,303</b>	<b>8,533</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	2,562	7,838	11,754
Short term investments	2,016	2,013	2,014
Accounts receivables	10,150	10,396	14,104
Inventories	11,461	13,714	13,395
Other current assets	246	259	272
<b>Total current assets</b>	<b>26,435</b>	<b>34,220</b>	<b>41,537</b>
Fixed assets	1,350	1,392	1,436
Total investments	1,899	1,133	1,228
Other long-term assets	921	908	895
<b>Total assets</b>	<b>30,605</b>	<b>37,653</b>	<b>45,096</b>
Short-term debt	1,435	1,152	652
Accounts payable	152	524	564
Other current liabilities	5,064	6,280	7,259
<b>Total current liabilities</b>	<b>6,652</b>	<b>7,955</b>	<b>8,474</b>
Total long-term debt	5,642	4,006	2,005
Other liabilities	2,139	2,048	2,056
Share capital	5,757	5,698	5,698
Retained earnings reserve	5,100	12,403	20,936
<b>Shareholders' equity</b>	<b>13,892</b>	<b>21,136</b>	<b>29,668</b>
Minority interest	2,280	2,508	2,893
<b>Total liabilities &amp; equity</b>	<b>30,605</b>	<b>37,653</b>	<b>45,096</b>

**Cash flow statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>1,365</b>	<b>9,909</b>	<b>11,733</b>
Depreciation & amortisation	76	54	56
Tax paid	(347)	(2,469)	(2,808)
Other adjustments	(100)	(207)	(151)
<b>Change in working capital</b>	<b>(1,923)</b>	<b>(925)</b>	<b>(2,381)</b>
<b>Cash flow from operations</b>	<b>(930)</b>	<b>6,363</b>	<b>6,449</b>
Capex	(211)	(83)	(87)
Proceeds from assets sales	0	0	0
Others	(3,338)	915	56
Other non-current assets changes	0	0	0
<b>Cash flow from investing activities</b>	<b>(3,549)</b>	<b>832</b>	<b>(32)</b>
New share issuance	4,583	0	0
Shares buyback	0	0	0
Net borrowings	4,285	0	0
Other financing cash flow	(2,859)	(1,920)	(2,501)
Dividends paid	(19)	0	0
<b>Cash flow from financing activities</b>	<b>5,991</b>	<b>(1,920)</b>	<b>(2,501)</b>
Cash and equivalents at beginning of period	1,050	2,562	7,838
<b>Total cash generated</b>	<b>1,512</b>	<b>5,275</b>	<b>3,916</b>
Cash and equivalents at the end of period	2,562	7,838	11,754

**Key ratios**

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	18.2%	41.7%	43.2%
Asset turnover	0.16	0.51	0.48
ROAA	2.9%	21.4%	20.6%
Avg assets/avg equity	2.31	1.95	1.63
ROAE	6.6%	41.7%	33.6%
<b>Efficiency</b>			
Days account receivable	163.1	32.2	30.3
Days inventory	2,270.1	789.6	715.9
Days creditor	30.1	30.1	30.1
Fixed asset turnover	3.48	12.77	13.98
ROIC	3.4%	25.4%	24.2%
<b>Liquidity</b>			
Current ratio	4.0	4.3	4.9
Quick ratio	2.3	2.6	3.3
Cash ratio	0.7	1.2	1.6
Cash cycle	2,403.1	791.7	716.0
<b>Growth rate (yoy)</b>			
Revenue growth	100.3%	306.3%	12.9%
Operating profit growth	404.1%	469.8%	15.3%
Net profit growth	250.1%	831.9%	16.8%
EPS growth	188.7%	831.9%	16.8%

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.

#### Hien Tran Khanh – Research Director

Email: [hien.trankhanh@vndirect.com.vn](mailto:hien.trankhanh@vndirect.com.vn)

#### Tu Nguyen – Analyst

Email: [tu.nguyencam2@vndirect.com.vn](mailto:tu.nguyencam2@vndirect.com.vn)

#### Toan Chu Duc – Senior Analyst

Email: [toan.chuduc@vndirect.com.vn](mailto:toan.chuduc@vndirect.com.vn)

#### VNDIRECT Securities Corporation

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi

Tel: +84 2439724568

Email: [research@vndirect.com.vn](mailto:research@vndirect.com.vn)

Website: <https://vndirect.com.vn>