

LONG HAU CORP (LHG) – AGM NOTE

Market Price VND19,450	Target Price N/A	Dividend Yield 8.20%	Rating NOT RATED	Sector PROPERTY
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Outlook – Short term



Outlook – Long term



Valuation



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We attended Long Hau Corporation (LHG)'s 2019 AGM on April 8 and below is our key takeaways:

Better-than-expected net profit in 2018. LHG recorded FY18 revenue of VND430bn (-11.8% yoy), in line with its guidance. Meanwhile, FY18 net profit achieved VND175.9bn (+7% yoy), fulfilling 138% its plan, mostly thanks to a huge jump of interest income (VND38.4bn, +443% yoy). The slight decrease of revenue was attributed to a drop of 23.6% yoy in industrial park (IP) land sales, nevertheless partially offset by a healthy growth of 20% yoy in the factory lease segment.

Long Hau 3 IP phase 1 is expected to start operation in 2HFY19. LHG completed compensating 66% out of its total land area of 123.9 ha in Long Hau 3 IP. To date, 10ha has been secured for lease through MOUs with foreign clients. LHG aims to achieve 100% compensation for LH3 IP by this year-end.

A conservative FY19 guidance has been set. LHG targets FY19 revenue of VND600bn (+39.5% yoy), and VND127bn in net profit (-27.8% yoy). This is based on VND360bn of IP land sales (+51.8% yoy) driven by a delivery of 16ha in LH3 IP and 137bn from the factory lease/sale segment (+78% yoy), and stable service revenue of VND103bn (+1% yoy). However, the expected slump of FY19 NP is mainly caused by a lower gross margin of LH3 IP and a jump in interest expense. LHG plans to raise a new loan of VND390bn this year to finance for the compensation and infrastructure cost in LH3 IP.

A potential COGS expense of VND300bn may be recorded in FY19. A potential liability of VND300bn is claimed by Tan Thuan Industrial Park Development company based on a delivery of 4ha of state land in 2007 to help LHG relocate the residents. This amount reflects the difference between the market price of state land vs the price to LHG. However, there has yet to be a final decision from the Department of Natural Resource and Environment of Ho Chi Minh City who is in charge of evaluating the market price of this parcel.

Attractive dividend yield. LHG will maintain the dividend amount of 16% par value over 19-20F, equivalent to a current 8.2% dividend yield.

1Q19 result fulfilled 43% net profit guidance. LHG announced 1Q19 revenue of VND173bn (+3.1% yoy) and net profit of VND55bn (-28.3% yoy). The gross margin in 1Q19 decreased by 17.5% pts yoy, to touch 45.9%. Overall, the company achieved 43% FY19 net profit plan.

Price performance



Source: VNDIRECT

Key statistics

52w high (VND)	26,600
52w low (VND)	16,200
3m Avg daily volume (shares)	0.27
3m Avg daily value (VNDmn)	6,865
Market cap (VNDbn)	980
Outstanding shares (m)	50.4
Free float (%)	42
TTM P/E (x)	5.53
Current P/B (x)	0.85

Ownership

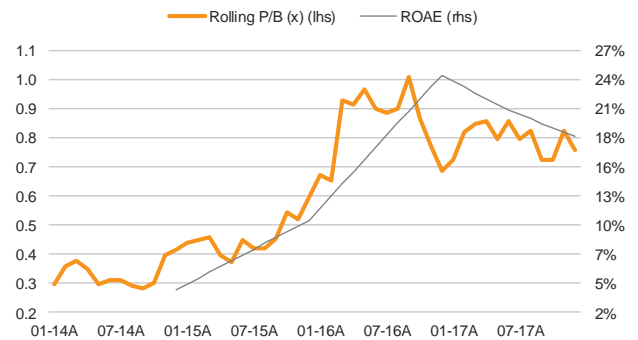
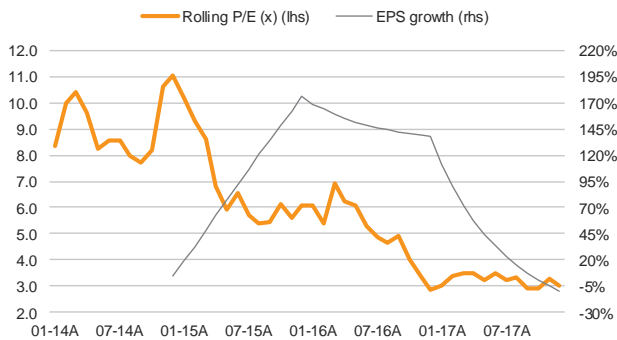
Tan Thuan Industrial Park Development	48.6%
Indochina Growth Master Fund	6.8%
Minh Phuc Trading	1.7%
Others	100.00

Source: VNDIRECT

Financial summary (VND)	12-15A	12-16A	12-17A	12-18A
Net revenue (bn)	232	480	488	430
Revenue growth	(25.7%)	106.8%	1.6%	(11.8%)
Gross margin	43.2%	56.9%	55.6%	56.7%
EBITDA margin	24.0%	43.0%	43.6%	51.0%
Net profit (bn)	70	166	164	176
Net profit growth	176.5%	137.8%	(0.6%)	7.0%
Recurring profit growth				
Basic EPS	2,668	6,345	5,670	3,519
Adjusted EPS	2,668	6,345	5,670	3,519
BVPS	26,217	25,693	21,836	22,938
ROAE	10.5%	24.4%	18.7%	15.7%

Source: VNDIRECT

Valuation



Income statement

(VNDbn)	12-16A	12-17A	12-18A
Net revenue	480	488	430
Cost of sales	(207)	(217)	(186)
Gen & admin expenses			
Selling expenses	(89)	(79)	(71)
Operating profit	184	192	173
Operating EBITDA	184	192	173
Depreciation and amortisation			
Operating EBIT	184	192	173
Interest income	14	7	38
Financial expense	(9)	(6)	(5)
Net other income	3	9	2
Income from associates & JVs	5	5	6
Pre-tax profit	197	207	215
Tax expense	(32)	(42)	(39)
Minority interest			
Net profit	166	164	176
Adj. net profit to ordinary	166	164	176
Ordinary dividends			
Retained earnings	166	164	176

Balance sheet

(VNDbn)	12-16A	12-17A	12-18A
Cash and equivalents	255	456	352
Short term investments	12	362	279
Accounts receivables	419	216	339
Inventories	216	307	464
Other current assets	1	0	3
Total current assets	903	1,340	1,437
Fixed assets	49	53	50
Total investments	225	225	202
Other long-term assets	349	371	427
Total assets	1,527	1,989	2,117
Short-term debt	22	24	21
Accounts payable	11	12	25
Other current liabilities	509	521	535
Total current liabilities	542	557	582
Total long-term debt	50	39	48
Other liabilities	265	301	341
Share capital	261	500	500
Retained earnings reserve	331	440	495
Shareholders' equity	670	1,092	1,147
Minority interest			
Total liabilities & equity	1,527	1,989	2,117

Cash flow statement

(VNDbn)	12-16A	12-17A	12-18A
Pretax profit	197	207	215
Depreciation & amortisation	27	29	31
Tax paid	(31)	(19)	(20)
Other adjustments	24	(64)	(59)
Change in working capital	54	159	(258)
Cash flow from operations	272	312	(91)
Capex	(11)	(43)	(71)
Proceeds from assets sales	2		
Others	(29)	(349)	83
Other non-current assets changes	(4)	17	44
Cash flow from investing activities	(42)	(375)	56
New share issuance		312	1
Shares buyback			
Net borrowings	(64)	(8)	6
Other financing cash flow			
Dividends paid	(39)	(39)	(75)
Cash flow from financing activities	(103)	265	(69)
Cash and equivalents at beginning of period	128	255	456
Total cash generated	127	201	(104)
Cash and equivalents at the end of period	254	456	352

Key ratios

	12-16A	12-17A	12-18A
Dupont			
Net profit margin	34.5%	33.7%	40.9%
Asset turnover	0.33	0.28	0.21
ROAA	11.4%	9.4%	8.6%
Avg assets/avg equity	2.15	2.00	1.83
ROAE	24.4%	18.7%	15.7%
Efficiency			
Days account receivable	221	41	28
Days inventory	383	517	908
Days creditor	20.0	20.6	49.9
Fixed asset turnover	9.37	9.55	8.34
ROIC	22.3%	14.2%	14.5%
Liquidity			
Current ratio	1.67	2.40	2.47
Quick ratio	1.27	1.85	1.67
Cash ratio	0.49	1.47	1.08
Cash cycle	584	537	886
Growth rate (yoy)			
Revenue growth	106.8%	1.6%	(11.8%)
Operating profit growth	281.4%	4.1%	(9.8%)
Net profit growth	137.8%	(0.6%)	7.0%
EPS growth	137.8%	(10.6%)	(37.9%)
Share value			
Basic EPS (VND)	6,345	5,670	3,519
BVPS (VND)	25,693	21,836	22,938

Source: VNDIRECT

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information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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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.

Country Ratings

Definition:

- Overweight An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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