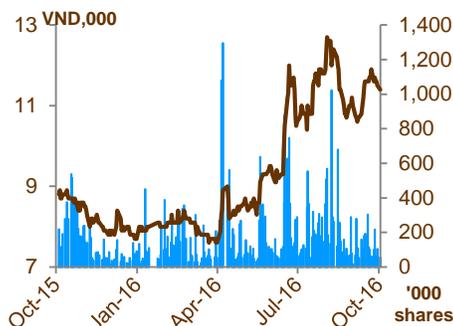


Rating

NEUTRAL
ITC VN

Property

Market price (VND)	11,400
Target price (VND)	13.000
Annualized price return (%)	14%
Expected dividend yield (%)	0%
Expected annualized total return (%)	14%



Stock performance (%)

	YTD	1m	3m	12m
Absolute	39%	4%	7%	30%
Relative	21%	3%	2%	17%

Source: StoxPlus, relative to VNI

Stock Statistics

24-Oct-16

52-week range (VND)	7,600 / 12,700
Shares o/s (mn)	68.65
Mkt cap (VNDbn)	789
Mkt cap (\$m)	36
Foreign % owned	9.3%
Est. free float (mnshrs)	43
3m avg daily vol (shrs)	0.185mn
VND/USD	22,032
Index: VN-Index/HNX	678/83

Source: StoxPlus

Ownership

24-Oct-16

Tuong Lai Architecture	20.00%
Design Joint Stock Company	
Saigon Real Estate Corporation	16.15%
Kingsmead Vietnam and Indochina Growth Master Fund	
Korea Investment Management Co., Ltd	5.01%

Source: Cafef

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Investment & Trading Real Estate JSC (Hose: ITC) to be reborn by Terra Royal.

Pros:

- Golden demographic, increasing income and high urbanization rate are boosting housing demand in Hochiminh.
- The success of Terra Royal luxury project will likely build a great reputation for Intresco.

Cons:

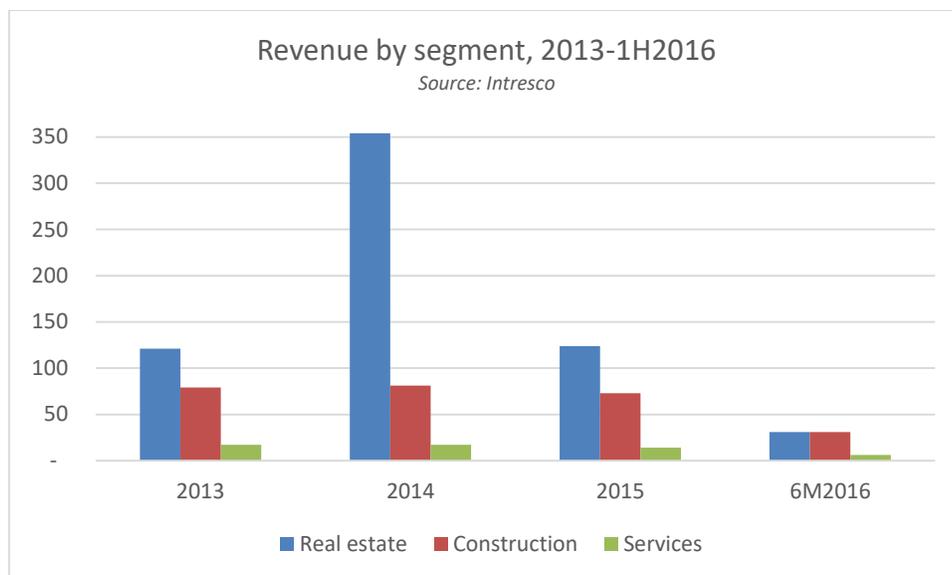
- Luxury segment is showing signs of oversupply. Overconcentration on Terra Royal exposes Intresco to high business risk.
- Business results in the coming 3 years depend on Star Village only, which is affected negatively by environmental pollution from Da Phuoc landfill nearby.

Recommendation: We value ITC share at VND13k per share at the end of 2017, based on discount cash flow, for total annualized return of 13% at the current market price of VND11.4k. So NEUTRAL.

	2013	2014	2015	2016E	2017E
Net revenue (VNDbn)	218	454	213	139	411
<i>Growth (%)</i>	56%	108%	-53%	-35%	197%
Operating profit (VNDbn)	(242.30)	20.25	25.76	5.90	35.45
<i>Margin (%)</i>	-111%	4%	12%	4%	9%
Other profit	-1.22	9.27	-6.15	1.30	0.00
Net profit (VNDbn)	-297.6	7.3	7.4	1.2	23.5
<i>Margin (%)</i>	-136%	2%	3%	1%	6%
Outstanding shares (million)	69	69	69	69	69
EPS (bonus-adjusted, VND)	(4,302)	106	104	14	337
<i>Growth (%)</i>	-4358%	102%	-2%	-86%	2232%
ROE (%) (excl minority)	-18%	0%	0%	0%	2%
Net debt/Equity (%)	29%	14%	23%	37%	17%
PER (x)	-2.7	109.9	111.9	789.2	33.8
PBR (x)	0.55	0.54	0.54	0.53	0.52
EV/EBITDA (x)	-5.2	39.3	38.4	131.9	26.5
DPS (VND, as reported)	-	-	-	-	-
<i>Dividend yield (%)</i>	0%	0%	0%	0%	0%

Main business

Intresco is a mid-sized property developer in Ho Chi Minh. Real estate is the main contributor to revenue and profit. Currently, Intresco has 5 projects, of which 2 have been launched and brings revenue and profit in the foreseeable future.



Projects	Location	Land area (ha)	Unit			Status
			Apartments	Hotel rooms	Villas/ Townhouses	
Star Village	Nha Be District, HCMC	55.4	n/a	-	965	Launched villa/townhouse part in 2015. Land plot price at VND8.5-11mn per sqm. Sold 45%.
Terra Royal project	District 3, HCMC	0.65	366	305	-	Launched in the year end. Apartment price at VND68-80mn per sqm
6A project	Binh Chanh District, HCMC	n/a	-	-	-	Land clearance in progress
Long Phuoc	District 9, HCMC	16	-	-	-	Seeking to transfer the project
Intresco Highlands Đak Nông	Gia Nghia commune, Đak Nông	10.7	n/a	n/a	n/a	Land clearance in progress

The important projects

Terra Royal

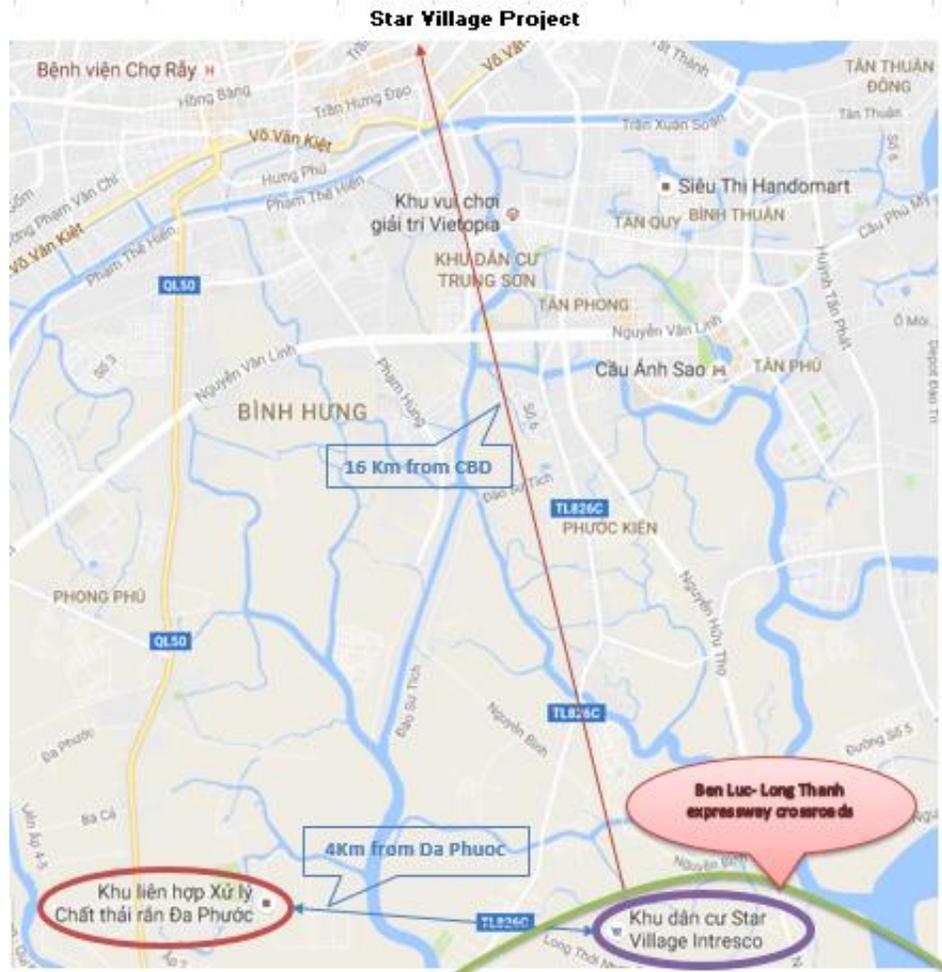
Terra Royal project, which is located right at the corner of Nam Ky Khoi Nghia and Ly Chinh Thang streets in district 3, has two parts including 366 apartments and 305 hotel rooms. Travelling time from Terra Royal to the CBD of Hochiminh or Tan Son Nhat airport is just 10 minutes, an advantage to attract high income customers.

After a long land clearance process, Terra Royal (formerly known as Intresco Plaza) was finally groundbreaking last June and is going to be sold by the year end. It may take Intresco 3 years (until 2019) to complete construction and hand over finished apartments to the customers.

Terra Royal supplies luxury apartments to the market at the expected price of VND68mn-80mn per sqm (incl VAT). According to CBRE, the increase of luxury and

Two minus points of Star Village are (1) underdeveloped infrastructure and (2) air pollution resulted from Da Phuoc landfill nearby. However, while Hochiminh authorities are trying to solve the pollution, Ben Luc – Long Thanh expressway (which is under construction) is expected to boost housing demand on the area.

As of 30 June 2016, total advances from customers of Star Village were VND74bn thanks to the villa part. We think Intresco has had to launch the villa and townhouse of Star Village in order to afford the cash outflow of the construction of Terra Royal, which includes apartment and hotel parts.



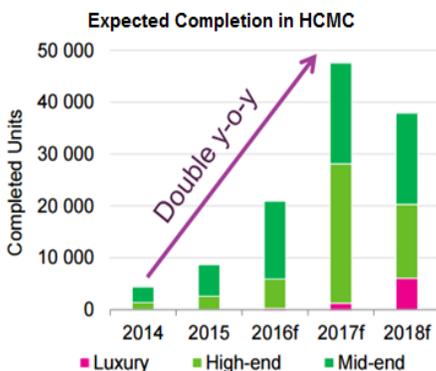
Risk

Unclear market target

5 current projects of Intresco are scattered into many segments (low-end land plot to high-end apartment) may prevent Intresco from understanding its target customers well. Meanwhile, the overconcentration on Terra Royal, of which construction cost is around VND1.7trn, approximately 55% of total assets as of June 2016, exposes Intresco to more business risk.

The coming flooding of finished products

According to CBRE, property market in Ho Chi Minh City has showed signs of unbalance in 1H2016. Many property projects are going to handover in the coming quarters, putting a high pressure on new ones. CBRE estimates the number of



completed apartments to double every year from 2014 until 2017, which may overwhelm market demand. Of note, high-end and luxury segment outpace mid-end.

2016-2017 forecasts

Intresco reported revenue to drop 40% YoY to VND69bn in the first half of this year, mostly due to lower revenue of property segment. In terms of profit, Intresco recognized VND134mn net profit, fulfilling 1% of the year target of VND40bn. For the whole year, we expect revenue and net profit to reach VND139bn and VND1.2bn respectively.

In 2017, we expect Intresco to record more revenue from villas and townhouses of Star Village. We estimate revenue and net profit at VND411bn and VND23bn respectively. Meanwhile, Intresco will only be able to record revenue from Terra Royal, its most promising project, in 2019.

Valuation

We value ITC based on an asset revaluation method as follows:

- Discount cash flow: for active projects including Star Village and Terra Royal. We assume cost of equity at 15%, cost of debt 10.3%, leverage 1.55x (total asset over equity, the same as 2015) and corporate tax rate at 20%, resulting in WACC at 12.6%.
- Book value: for inactive projects including 6A project, hotel & services of Terra Royal, Long Phuoc project

CASH FLOW FROM ACTIVE PROJECTS IN 2016 - 2019 (VNDbn)

No.	Items	ITC				Total
		2016	2017	2018	2019	
I	Cash inflow	398.81	883.90	750.96	912.65	2,946.32
	Star Village project (*)	398.81	398.81	265.88	265.88	1,329.38
	Terra Royal project		485.08	485.08	646.78	1,616.94
II	Cash outflow	612.92	601.59	442.28	183.86	1,840.65
	Star Village project (*)	190.00	152.00	-	-	342.00
	Terra Royal project	400.98	400.98	400.98	133.66	1,336.60
	Selling expenses (2%)	7.98	17.68	15.02	18.25	58.93
	G&A expenses (3.5%)	13.96	30.94	26.28	31.94	103.12
III	Net cash before tax	(214.10)	282.30	308.68	728.80	1,105.67
	Tax (1%)	3.99	8.84	7.51	9.13	29.46
IV	Net cash after tax	(218.09)	273.46	301.17	719.67	1,076.21
					NPV in 2017	863

(*) only townhouse in Star Village, the apartment in drawing

VALUATION

No.	Projects	Method	Project NPV
1	Active projects		863
	<i>Star Village project</i>	<i>DCF</i>	751
	<i>Terra Royal project</i>	<i>DCF</i>	112
2	Inactive projects		828
	<i>Terra Royal project (hotel & services)</i>	<i>BV</i>	474
	<i>6A project</i>	<i>BV</i>	130
	<i>Long Phuoc project</i>	<i>BV</i>	115
	<i>Others</i>	<i>BV</i>	109
3	Total project NPV		1,691
4	Debts		787
5	Equity		904
6	Shares count (million)		69
7	ITC		13,086

ITC FINANCIALS MODEL	Price: VND11k	Target: VND13k	Mkt cap: VND788bn		CASHFLOW AND BS ITEMS (VNDbn)	2014	2015	2016E	2017E
Unit: VNDbn	2014	2015	2016E	2017E	Receivable turnover (x)	9.16	4.08	4.08	4.08
Net Revenue	454	213	139	411	Inventory turnover (x)	0.25	0.11	0.11	0.11
Sales growth (%)	108%	-53%	-35%	197%	Payable turnover (x)	1.13	0.55	0.55	0.55
COGS	413	170	110	327	Increase in WC	-186	140	218	-273
Gross margin (%)	9%	20%	20%	20%	Capex	1	8	-	-
SG&A	20	17	22	49	Other cashflow items	16	-4	-	-
EBITDA	26	30	10	40	Free cash flow	214	-140	-213	301
EBITDA margin (%)	6%	14%	7%	10%	Share issues	-	-	-	-
Depr'n & Amort'n	6	4	4	4	Dividends paid	-	-	-	-
Operating profit	20	26	6	35	Increase in net debt	-214	140	213	-301
Operating margin (%)	4%	12%	4%	9%	Net debt, end of year	208	348	560	259
Net interest expense	36	22	12	6	Enterprise value	1,002	1,142	1,355	1,054
Capitalized interest	25	17	18	39	Total equity	1,480	1,494	1,495	1,519
As % of avg net debt (incl capitalized interest)	14%	12%	11%	10%	Minority interests	6	7	7	7
Interest cover (x)	0.92	2.16	0.98	4.43	Shareholder's equity	1,474	1,487	1,488	1,512
Other profit/loss	9	(6)	1	-	BVPS (VND)	21,330	21,527	21,542	21,879
Tax	0	0	0	4	Net debt / equity (%)	14%	23%	37%	17%
Effective tax rate (%)	3%	5%	1%	1%	Net debt / EBITDA (x)	8.0	11.5	54.6	6.5
Net profit	7.3	7.4	1.2	23.5	Total assets	2,165	2,309	3,123	2,845
Net margin (%)	2%	3%	1%	6%	- Net debt = debts – cash & equivalent				
Minorities	0	0	0	0	KEY RETURN AND VALUATION RATIOS	2014	2015	2016E	2017E
Net attributable profit	7.29	7.16	1.00	23.28	ROE (%) (excl minority interest)	0%	0%	0%	2%
Number of shares (m)	69	69	69	69	ROA (%)	0%	0%	0%	1%
EPS (VND, bonus-adjusted)	106	104	14	337	ROIC (%)	1.09%	0.74%	0.25%	1.25%
EPS growth (%)	102%	-2%	-86%	2232%	WACC (%) (*)	14.62%	14.12%	12.60%	12.60%
DPS (VND)	-	-	-	-	PER (x)	108.0	110.0	789.2	33.8
Payout ratio (%)	0%	0%	0%	0%	PBR (x)	0.5	0.5	0.5	0.5
					PSR (x)	1.7	3.7	5.7	1.9
					EV/EBITDA (x)	38.8	37.9	131.9	26.5
					EV/Sales (x)	2.2	5.4	9.8	2.6
					Dividend yield (%) (bonus-adjusted)	0%	0%	0%	0%
					(*) based on net debt				

- EBITDA = Net revenue – (COGs - Depr'n & Amort'n)– SG&A expenses
- EBIT = EBITDA – Depr'n & Amort'n
- Net interest expenses = interest expenses – interest income
- Other profit/loss consists of other financial income/expenses, profit share from JVs/associates and other income/loss
- Payout ratio = Dividend paid / Net attributable profit

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Our Recommendation System

OVERWEIGHT: where we believe prospective 12 month VND total return (including dividends) will be 15% or more.

NEUTRAL: where we believe it will be -5% to 15%.

UNDERWEIGHT: where we believe it will be -5% or less.

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