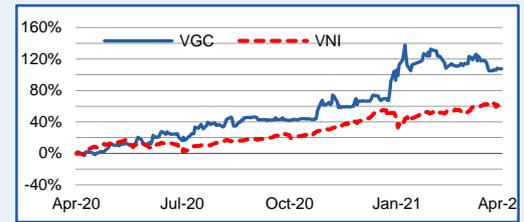


Industry:	Diversified		2020	Q1-21	2021F
Report Date:	April 28, 2021	Rev y/y	-7.0%	-1.0%	7.2%
Current Price	VND35,650	NPAT y/y	-7.8%	182.3%	21.3%
Rating:	NOT RATED	EPS y/y	-7.8%	182.3%	21.3%
		DPS	1,100		1,100
		P/B	2.5x		2.4x
		EV/EBITDA	10.5x		8.6x
		P/E	27.1x		22.4x

	USD650mn		VGC	VNI
Market Cap:	USD43mn	P/E (ttm)	22.5x	18.0x
Foreign Room:	USD270,280	P/B (curr)	2.3x	2.5x
ADTV30D:	38.6%	Net D/E	0.8x	n/a
State Ownership:	448 mn	ROE	9.8%	14.2%
Outstanding Shares:	448 mn	ROA	3.3%	2.3%
Fully Diluted Shares:				



**Company Overview:**

VGC was originally a State-owned enterprise and has a leading position in Vietnam's construction material industry, including building glass, sanitary wares, granite, ceramic tiles and brick. VGC is also a reputable industrial park developer with a land bank of 4,000 ha. The company has the potential to double its landbank in the next five years.

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## Aggressive five-year business plan

- We attended VGC's AGM in Hanoi on April 27, 2021. We do not cover VGC; however, we model it as a subsidiary of GELEX (HOSE: GEX). We currently have a MARKET PERFORM rating for GEX with a target price of VND25,000/share.
- Shareholders approved management's 2021 guidance, including revenue of VND12tn (USD522mn; +27% YoY) and reported PBT of VND1tn (USD43mn; +19% YoY). We currently forecast reported PBT of VND1.1tn (USD47.2mn), which is 7% higher than the company's guidance.
- VGC also provided its 2022-2025 guidance for revenue and PBT growth of 11% and 13% per year on average over this period, respectively. We see upside risk to our full-year forecast for VGC and GEX as we currently have a flat earnings forecast for VGC in 2022-2025. We note that we currently assume GEX owns a 46% stake in VGC in our model and that GEX increased its ownership ratio in VGC from 46% to 50.2% in March.
- The AGM approved a 2020 cash dividend of VND1,100/share (3.1% yield) vs our forecast of VND900/share and also proposed a 2021 cash dividend of VND1,200/share (3.4% yield) vs our forecast of VND1,100/share.

**Q1 2021 NPAT was higher than our expectation, completing 39% of our full-year forecast.** VGC released Q1 2021 results in which revenue was VND2.4tn (USD103mn; -1% YoY) while NPAT surged 182.3% YoY to VND277bn (USD12mn). The industrial park segment's gross profit grew by 27% YoY. In addition, gross margin expansion in the construction material segment improved. Specifically, the building glass segment prices have recovered. The new Phu My building glass plant profited in its first quarter of operation. Sanitary wares also performed well YoY.

**Figure 1: VGC's revenue and gross profit by segment in Q1 2021**

VND bn	Q1 2020	Q1 2021	YoY growth (%)
<b>Revenue</b>	<b>2,374</b>	<b>2,358</b>	<b>-1%</b>
Construction material	1,489	1,490	0%
Industrial park leasing	885	869	-2%
<b>Gross profit</b>	<b>534</b>	<b>677</b>	<b>27%</b>
Construction material	259	330	27%
Industrial park leasing	276	350	27%

Source: VGC, VCSC

**The company guides for 173 ha of leasing area in 2021 (+26% YoY).** VGC guides to spend VND2.8tn (USD122mn) for new investments in 2021 (in which VND2.4tn is for its industrial park leasing segment). In 2021, VGC will continue to conduct land clearance and build infrastructure in

five key industrial parks in the North of Vietnam: Yen Phong IIC, Yen Phong Expansion, Phu Ha, Tien Hai, Phong Dien, and Thuan Thanh. VGC expects to lease 173 ha in 2021 vs 137 ha in 2020. Going forward, the company has guided to accelerate investment spending ~VND20tn (USD900mn) in 2021-2025 to continue to add an additional 3,000-4,000 ha of industrial park land — nearly double its existing land bank. We have not yet incorporated this land bank expansion into our forecast and are waiting for details regarding the legal status and timing. Furthermore, the company addressed investor concern regarding competition in this promising segment as many new players are penetrating the market. Management believes VGC's IPs will be the best choice for foreign investors thanks to the company's 20 years of experience and strong brand name,.

**The Ministry of Construction expects to completely divest its remaining 38.6% stake in 2022.**

The Prime Minister has agreed with the Ministry of Construction regarding the draft divestment proposal. We note that GEX successfully bought 18.6 million VGC shares in March (83% of total registered shares) to increase its ownership ratio in VGC from 46% to 50.2%. We see potential upside risk to our 2021 NPAT forecasts due to a one-off revaluation gain from consolidating VGC.

**The vice chairman resigned.** Mr. Luyen Cong Minh — who was previously the chairman of VGC before GEX's current chairman Mr. Nguyen Van Tuan (GEX's chairman) was appointed in 2018 — officially resigned. We note that the CEO, Mr. Nguyen Anh Tuan (who has 26 years of experience), is remaining with the company.

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**Stock ratings** are set based on projected total shareholder return (TSR), defined as  $(\text{target price} - \text{current price}) / \text{current price} + \text{dividend yield}$ , and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
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Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

**Target prices** are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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