

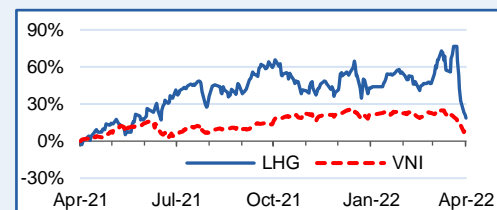


# Long Hau JSC (LHG)

# Earnings Flash

Industry	IP & UA Real Estate		2021	Q1/2022	2022F
Report Date	April 27, 2022				
Current Price	VND41,050	Rev y/y	21.5%	3.7%	19.6%
Target Price*	VND67,000	EPS y/y	48.5%	49.0%	27.4%
Upside	+63.2%	GPM	52.7%	52.6%	55.7%
Dividend Yield	4.6%	NPM	37.7%	42.6%	40.2%
TSR	+67.8%	EV/EBITDA	2.9x	N.M.	2.4x
Rating*	BUY	P/E	7.8x	N.M.	6.1x
		P/B	1.4x	1.4x	1.2x
Market Cap	USD89.4mn		<u>LHG</u>	<u>Peers</u>	<u>VNI</u>
Foreign Room	USD29.4mn	P/E (ttm)	6.6x	16.3x	15.2x
ADTV30D	USD2.8mn	P/B (curr)	1.4x	3.7x	2.4x
State Ownership	48.7%	Net D/E	-0.7x	-86.3%	N/A
Outstanding Shares	50.0 mn	ROE	21.2%	22.2%	15.7%
Fully Diluted Shares	50.0 mn	ROA	10.7%	5.9%	2.6%

\* TP and rating last updated February 14, 2022



## Company Overview:

LHG is an industrial park (IP) developer in Long An Province with 460 ha of total land. LHG's IP projects are in close proximity to HCMC and its ports are only 19 km south of central HCMC. LHG is 49% owned by State-owned Tan Thuan Industrial Development Ltd. Co. (IPC).

## Strong profit growth in Q1 2022 thanks to interest income

- LHG released Q1 2022 results with revenue edging up 3.7% YoY to VND114bn (USD5mn) and NPAT-MI surging 49% YoY to VND49bn (USD2.1mn). The profit growth in Q1 2022 was mainly driven by financial income increasing 231% YoY to VND13bn (USD565,000) thanks to LHG's improved financial position.
- Although the company has not announced its IP land sales area for Q1 2022, we estimate that it recognized 1 ha of IP land at an average selling price (ASP) of USD220/sqm/term in the quarter. This ASP is broadly in line with our expectation.
- LHG's Q1 2022 revenue and NPAT-MI completed 12% and 13% of our respective full-year forecasts. We believe the low completion rate was mainly due to recognition timing.
- We note that LHG recognized 11 ha of IP land sales in 2021, including 10 ha of IP land sales for LOGOS Vietnam Long An Limited Company in Q2 2021. We currently forecast that LHG will recognize 13 ha of IP land sales in full-year 2022F.
- Although our outlook remains bullish for LHG's IP land sales thanks to its large and cleared IP land area, management is conservative regarding sales recognition, which will lead to recognition postponement over the short term. We therefore see potential downside risks to our forecasts, pending a more extensive review.

**Ready built factory (RBF) & dormitory leasing revenue was slightly below our current forecasts.** In Q1 2022, RBF & dormitory revenue dropped 12% YoY to VND28bn (USD1.2mn), completing 19% of our full-year 2022F forecast. While the revenue breakdown between RBFs and dormitories was not announced, we believe the decrease was mainly due to the RBF segment as it targets small and mid-sized company tenants that could have been negatively affected by COVID-19 disruptions in H2 2021.

**Advance from a client was VND83bn (USD3.6mn) as of end-Q1 2022, potentially translating to revenue in future quarters.** As of end-Q1 2022, LHG's advances from its client balance amounted to VND83bn (USD3.6mn) vs VND41bn (USD1.8mn) as of end-2021 and mainly included an advance from Pharmacy 3/2 Joint Stock Company. While LHG has not provided the proportion of the advance in the contract value, we expect LHG's IP land sales will be derived from this advance balance in future quarters.

Dang Thai, CFA  
 Senior Analyst  
[dang.thai@vcsc.com.vn](mailto:dang.thai@vcsc.com.vn)  
 +848 3914 3588 ext. 149

Hong Luu  
 Senior Manager  
[hong.luu@vcsc.com.vn](mailto:hong.luu@vcsc.com.vn)  
 +8428 3914 3588 ext. 120

**Figure 1: LHG's Q1 2022 results**

VND bn	Q1 2021	Q1 2022	YoY Growth	VCSC's 2022F	Q1 2022 vs VCSC's 2022F
<b>Revenue</b>	<b>110</b>	<b>114</b>	<b>3.7%</b>	<b>935</b>	<b>12.2%</b>
<i>IP land sales</i>	53	51	-3.9%	672	7.6%
<i>RBF &amp; dormitory leasing</i>	32	28	-11.7%	149	19.0%
<i>Others</i>	25	35	40.6%	113	30.5%
<b>Gross profit</b>	<b>57</b>	<b>60</b>	<b>5.1%</b>	<b>520</b>	<b>11.5%</b>
SG&A	-15	-11	-21.1%	-84	13.6%
<b>EBIT</b>	<b>43</b>	<b>49</b>	<b>14.1%</b>	<b>436</b>	<b>11.1%</b>
Financial income	4	13	231.2%	39	31.8%
Financial expenses	-4	-4	-14.1%	-14	25.6%
Net income from affiliates	3	2	-15.3%	6	44.1%
Net other income	1	-0	N.M.	2	N.M.
<b>PBT</b>	<b>46</b>	<b>60</b>	<b>31.2%</b>	<b>470</b>	<b>12.8%</b>
<b>NPAT-MI</b>	<b>33</b>	<b>49</b>	<b>49.0%</b>	<b>376</b>	<b>12.9%</b>
GPM	51.9%	52.6%		55.7%	
OPM	38.7%	42.5%		46.7%	
NPM	29.6%	42.6%		40.2%	

Source: LHG, VCSC forecasts (last updated February 14, 2022)

## VCSC Rating System

**Stock ratings** are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + 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
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## Contacts

### Corporate

[www.vcsc.com.vn](http://www.vcsc.com.vn)

#### Head Office

Bitexco Financial Tower, 15th Floor  
2 Hai Trieu Street, District 1, HCMC  
+84 28 3914 3588

#### Transaction Office Nguyen Hue

Vinatex Building, 1st & 3rd Floor  
10 Nguyen Hue Street, District 1, HCMC  
+84 28 3914 3588 (417)

#### Transaction Office Dong Da

9 Nguyen Ngoc Doan  
Dong Da District, Hanoi  
+84 24 6262 6999

#### Hanoi Branch

109 Tran Hung Dao  
Hoan Kiem District, Hanoi  
+84 24 6262 6999

#### Transaction Office Nguyen Cong Tru

Floor 6B, 236-238 Nguyen Cong Tru Street  
District 1, HCMC  
+84 28 3914 3588 (400)

#### Transaction Office ABS

Sailing Tower, 8th Floor  
111A Pasteur Street, District 1, HCMC  
+84 28 3914 3588 (403)

### Research

**Research Team:** +84 28 3914 3588  
[research@vcsc.com.vn](mailto:research@vcsc.com.vn)

**Alastair Macdonald, Head of Research, ext 105**  
[alastair.macdonald@vcsc.com.vn](mailto:alastair.macdonald@vcsc.com.vn)

#### Banks, Securities and Insurance

##### Long Ngo, Associate Director, ext 123

- Truc Ngo, Analyst, ext 116
- Ngoc Huynh, Analyst, ext 138
- Nhan Nguyen, Analyst, ext 139

#### Macro

##### Luong Hoang, Manager, ext 364

- Nguyen Truong, Senior Analyst, ext 132

#### Consumer

##### Nam Hoang, Manager, ext 124

- Ha Dao, Senior Analyst, ext 194
- Ha Huynh, Analyst, ext 185
- Huy Phan, Analyst, ext 173

#### Oil & Gas and Power

##### Duong Dinh, Senior Manager, ext 140

- Tram Ngo, Manager, ext 135
- Duc Le, Analyst, ext 196

#### Real Estate and Infrastructure

##### Hong Luu, Senior Manager, ext 120

- Dang Thai, Senior Analyst, ext 149
- Duc Pham, Analyst, ext 174

#### Materials and Industrials

##### Vy Nguyen, Manager, ext 147

- Vinh Bui, Analyst, ext 149

#### Retail Client Research

##### Duc Vu, Senior Manager, ext 363

- Trung Nguyen, Senior Analyst, ext 129
- Anh Tong, Analyst, ext 363
- Ha Bui, Analyst, ext 364

### Brokerage and Institutional Sales & Trading

#### Tuan Nhan

##### Managing Director, Brokerage & Institutional Sales & Trading

+84 28 3914 3588, ext 107  
[tuan.nhan@vcsc.com.vn](mailto:tuan.nhan@vcsc.com.vn)

#### Quynh Chau

##### Managing Director Brokerage

+84 28 3914 3588, ext 222  
[quynh.chau@vcsc.com.vn](mailto:quynh.chau@vcsc.com.vn)

#### Dung Nguyen

##### Director Institutional Sales & Trading

+84 28 3914 3588, ext 136  
[dung.nguyen@vcsc.com.vn](mailto:dung.nguyen@vcsc.com.vn)