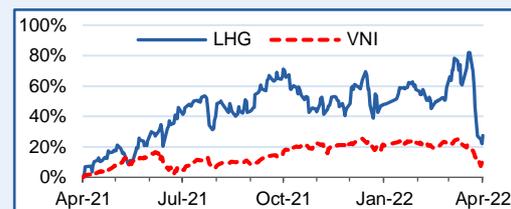




Long Hau JSC (LHG)

AGM Note

Industry	IP & UA real estate		2021	2022F	2023F	2024F
Report Date	April 29, 2022	Rev y/y	21.5%	19.6%	20.0%	30.6%
Current Price	VND43,900	EPS y/y	48.5%	27.4%	23.9%	20.6%
Last Target Price*	VND67,000	GPM	52.7%	55.7%	58.2%	54.5%
Upside to TP	+52.6%	NPM	37.7%	40.2%	41.5%	38.3%
Dividend Yield	4.3%	EV/EBITDA	3.1x	2.5x	2.0x	1.7x
TSR	+56.9%	P/E	8.3x	6.5x	5.3x	4.4x
Rating*	BUY	P/B	1.5x	1.3x	1.1x	0.9x



		LHG	Peers	VNI
Market Cap	USD95.6mn	7.1x	16.4x	15.1x
Foreign Room	USD31.6mn	1.5x	3.8x	2.3x
ADTV30D	USD2.8mn	-0.7x	-86.3%	N/A
State Ownership	58.4%	21.2%	22.2%	15.8%
Outstanding Shares	50.0 mn	10.7%	5.9%	2.6%
Fully Diluted Shares	50.0 mn			

(*) 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).

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Conservative guidance; expansion project to debut in 2024

- We attended LHG's annual general meeting (AGM) in Long An Province on April 28.
- Shareholders approved management's 2022 guidance for total income (including revenue, financial income and other income) of VND781bn (USD34mn; -5% YoY) and NPAT-MI of VND111bn (USD4.8mn; -62% YoY), representing 80% and 30% of our respective full-year forecasts. We note that LHG has a track record of setting conservative profit guidance as the company's NPAT-MI achieved 162% and 183% of its 2020 and 2021 guidance, respectively.
- Despite LHG's conservative profit guidance for 2022, management's targets IP land sales recognition of 12 ha in 2022, which is slightly lower than our forecast of 13 ha.
- Shareholders approved a FY2021 cash dividend of VND1,900/share — equivalent to a 4.3% dividend yield and in line with our current expectation.
- Additionally, shareholders approved the resignation of board of directors (BOD) members Mr. Vo Tan Thinh and Mr. Ma Van Khanh and Board of Supervisors (BOS) members Ms. Do Thi Kim Thi and Mr. Nguyen Anh Huy. Shareholders appointed one new independent BOD member — Mr. Nguyen Nam Hai — and one new BOS member — Ms. Bui Hai Ha.

Shareholders approved a conservative business plan for 2022-2025. We believe LHG's management has issued conservative guidance mainly due to the company's overestimated expenses. While total income guidance for 2022-2025 makes up 83% of our forecast for the period, total NPAT-MI guidance for 2022-2025 only represents 25% of our assumption for the period.

Figure 1: LHG's 2022-2025 guidance and our forecasts

VND bn	2022	2023	2024	2025
Total income guidance	781	900	1,295	1,482
PBT guidance	194	214	221	238
NPAT-MI guidance	111	123	130	141
VCSC forecasts for total income	982	1,163	1,507	1,693
VCSC forecasts for PBT	470	582	702	822
VCSC forecasts for NPAT-MI	376	466	562	657
Total income guidance/forecast	80%	77%	86%	88%
PBT guidance/forecast	41%	37%	31%	29%
NPAT-MI guidance/forecast	30%	26%	23%	21%

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

Figure 2: LHG's 2016-2021 NPAT-MI guidance and actual results

VND bn	2016	2017	2018	2019	2020	2021
NPAT-MI guidance	75	101	128	128	123	161
Actual NPAT-MI	165	166	176	143	199	295
NPAT-MI actual/guidance	220%	164%	138%	112%	162%	183%

Source: LHG, VCSC

Management expects to debut IP land sales for the Long Hau 3.2 (LH3.2) and An Dinh IPs starting in 2024F, which is in line with our current expectation. The Government has approved provincial master plans for the LH3.2 IP in Long An Province with a total site area of 90 ha and An Dinh IP in Vinh Long Province with a total site area of 200 ha. These IP projects are awaiting the Prime Minister's final investment approval before starting development — LHG expects to receive this approval in 2022. We believe these expansion projects will secure LHG's long-term outlook due to the Long Hau 3.1 (LH3.1) IP being able to secure profit growth for LHG for at least the next three years. As of end-2021, the LH3.1 IP had remaining leasable area of 61 ha — in which we estimate ~40 ha is available to lease.

Upward revision of the total investment cost of LH3.1 was approved. Shareholders approved to increase the total investment cost of LH3.1 by 24% to VND2.1tn (USD91mn) from previously VND1.7tn (USD74mn), implying that the revised development cost is USD100/sqm/term vs previously USD81/sqm/term. This upward revision is mainly due to higher land clearance costs because of the recent road infrastructure upgrades in the area. However, LHG has conservatively recognized development costs for sold IP land at ~USD89/sqm/term, which is around 10% higher than the previous approved development cost. As a result, we believe the negative impact on future IP land sales from the revised investment cost for LH3.1 will be partially cushioned. Nevertheless, we have not incorporated this new development cost into our forecasts and valuation; therefore, we see potential downside risk to our forecasts and valuation for LHG, pending a fuller review.

VCSC Rating System

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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