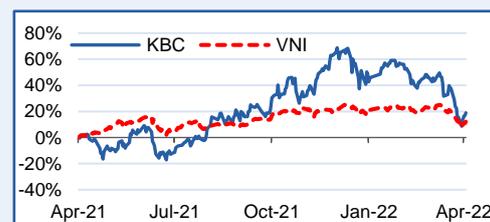


Industry	IP Real Estate		2021	Q1/2022	2022F
Report Date	April 29, 2022	Rev y/y	100.3%	-65.5%	155.4%
Current Price	VND43,800	EPS y/y	188.4%	-19.8%	324.2%
Target Price*	VND60,600	NPAT-MI**	784	481	4,200
Upside to TP	+38.4%	GPM	57.2%	40.4%	64.3%
Dividend Yield	0.0%	NPM	18.2%	69.5%	38.2%
TSR	+38.4%	P/E	31.8x	N.M.	7.5x
Rating*	MARKET PERFORM	P/B	1.8x	1.7x	1.0x



			KBC	Peers	VNI
Market Cap	USD1.1bn	P/E (ttm)	37.9x	13.3x	15.2x
Foreign Room	USD325.6mn	P/B (curr)	1.7x	2.9x	2.4x
ADTV30D	USD11.5mn	Net D/E	24.2%	3.0%	N/A
State Ownership	0.0%	ROE	5.3%	22.9%	15.8%
Outstanding Shares	575.7 mn	ROA	2.2%	4.8%	2.6%
Fully Diluted Shares	725.7 mn				

* Updated March 2, 2022; ** VND bn

Company Overview

Founded in 2002, KBC is an industrial park (IP) developer in Vietnam. KBC and its associates own ~5,000 ha of industrial land. Most of KBC's land is in industrial hubs in northern Vietnam. KBC's major clients include LG, Foxconn, Canon and GoerTek.

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Weak land sales, non-cash abnormal gain in Q1 2022

- KBC released Q1 2022 results with revenue plunging 66% YoY to VND692bn (USD30mn) and NPAT-MI declining 20% YoY to VND481bn (USD21mn).
- The plunge in the top line was mainly due to weak IP land sales in Q1 2022 vs upbeat recognition in Q1 2021 that was mainly driven by the Quang Chau and Tan Phu Trung (TPT) IP's respective land sales of 33 ha and 22 ha in Q1 2021. KBC has not released its IP land sales area for Q1 2022.
- Meanwhile, the bottom line was mainly contributed by a non-cash abnormal gain of VND499bn (USD22mn) in Q1 2022 vs no such gain in Q1 2021. This non-cash abnormal gain was derived from the increased value in KBC's investment in Sai Gon Nhon Hoi IP JSC, which is the main developer of the Nhon Hoi A IP and UA projects with a total site area of 630 ha. KBC acquired a 35% stake in this company in Q4 2021. We note that we have not factored this abnormal gain into our forecasts.
- KBC's Q1 2022 revenue and NPAT-MI completed 6% and 11% of our respective full-year forecasts. We believe the gap was mainly due to (1) a lower-than-expected recognition from IP land sales and (2) our 2022F profit forecasts being highly dependent on our bulk sales assumption for the Trang Cat project, which contributes 69% to our 2022F NPAT-MI forecast.
- We see potential downside risks to our forecasts for KBC due to weaker-than-expected IP land sales recognition and increased risks of delay in high-value bulk sales as debt issuance to finance the real estate segment in Vietnam has become tighter.

Figure 1: KBC's Q1 2022 results

VND bn	Q1 2021	Q1 2022	YoY Growth	2022F	Q1 2022 vs VCSC's 2022F
Revenue	2,002	692	-65.5%	11,002	6.3%
Gross profit	1,123	279	-75.2%	7,075	3.9%
SG&A expenses	-187	-144	-23.4%	-1,040	13.8%
EBIT	936	135	-85.5%	6,035	2.2%
Financial income	42	70	67.1%	266	26.3%
Financial expenses	-94	-145	53.4%	-651	22.2%
Net income from affiliates	2	11	576.7%	13	84.5%
Net other gains/(losses)	-3	499	N.M.	5	104x
PBT	882	570	-35.3%	5,667	10.1%
NPAT-MI	599	481	-19.8%	4,200	11.4%
GPM	56.1%	40.4%		64.3%	
NPM	29.9%	69.5%		38.2%	

Source: KBC, VCSC forecast (last updated March 2, 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
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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