

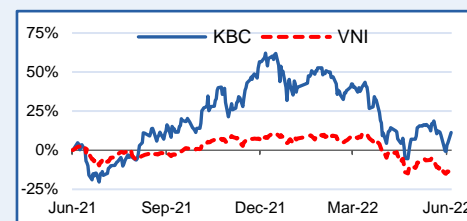


# Kinh Bac City (KBC)

# AGM Note

Industry	IP Real Estate		2021A	2022F	2023F	2024F
<b>Report Date</b>	<b>June 27, 2022</b>					
Current Price	VND32,000	Rev y/y	97.4%	134.8%	27.7%	12.0%
Target Price**	VND41,600	EPS y/y	187.9%	332.2%	22.4%	6.3%
Upside to TP	+30.0%	NPAT-MI **	782	4,306	5,272	5,606
Dividend Yield	0.0%	GPM	58.1%	65.2%	66.2%	63.7%
TSR	+30.0%	NPM	18.4%	43.2%	41.4%	39.3%
Rating*	BUY	P/E	31.1x	7.2x	5.9x	5.5x
		P/B	1.8x	1.2x	1.0x	0.8x
Market Cap	USD1.1bn					
Foreign Room	USD236.0mn	P/E (ttm)	36.9x	14.6x	13.1x	
ADTV30D	USD5.2mn	P/B (curr)	1.7x	3.1x	2.0x	
State Ownership	0.0%	Net D/E	24.2%	3.0%	N/A	
Outstanding Shares^	767.6 mn	ROE	5.3%	22.9%	15.6%	
Fully Diluted Shares^	917.6 mn	ROA	2.2%	4.8%	2.5%	

\* TP and rating last updated May 20, 2022; \*\* VND bn; ^ adjusted for bonus share issuance of 3:1 on June 22, 2022.



## Company Overview

Founded in 2002, KBC is an industrial park (IP) developer in Vietnam. KBC and its associates own ~5,175 ha of industrial land and 1,059 ha of residential land. Most of KBC's land is located in industrial hubs in northern Vietnam. KBC's major clients include LG, Foxconn, Canon, Hanwha and GoerTek.

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## Solid 2022 profit guidance; upbeat IP land sales outlook

- KBC hosted its AGM in Bac Ninh Province on June 25.
- Shareholders approved KBC's 2022 guidance for total income (including revenue, financial income and other income) of VND9.8tn (USD426mn; +119% YoY) and NPAT of VND4.5tn (USD196mn; +371% YoY), which are equivalent 96% and 101% our respective full-year forecasts. This guidance is unchanged from what was announced at KBC's extraordinary general meeting of shareholders (EGM) on February 10.
- The AGM did not include major proposals as KBC held its EGM earlier this year and received approval from shareholders for major 2022 proposals. For example, KBC's private placement plan was approved by shareholders for a maximum amount of 150 million shares (19.5% of current total shares outstanding); however, this plan has not yet been executed. Please see more details in our [EGM Note](#), dated February 10, 2022.

**Management shared a potential IP land sales contract of up to 150 ha in 2022** from the Nam Son Hap Linh (NSHL) IP in Bac Ninh Province and Quang Chau IP in Bac Giang Province. KBC shared that it is in negotiation for a potential 82.8 ha of IP land sales for the NSHL IP in 2022, including some major contracts from electronic device manufacturers and logistics/warehouse developers. In addition, management expects to complete legal procedures for a 90-ha expansion of the Quang Chau IP in 2022 and is in negotiation for 67 ha of IP land sales in this IP project. We currently forecast that KBC will recognize 104 ha of IP land sales in 2022 and foresee no significant changes to our 2022F forecasts.

### KBC's major potential IP land sales contracts in 2022

IP	Potential tenant	Potential area
Quang Chau Expansion	Taiwanese high-tech electronic component manufacturer	40.0 ha
NSHL	Chinese mobile phone component manufacturer	22.8 ha
NSHL	Taiwanese electronic device manufacturer	15.0 ha
Quang Chau Expansion	Chinese electronic component manufacturer	12.0 ha
NSHL	Singaporean logistics & warehouse developer	10.0 ha
NSHL	South Korean logistics & warehouse developer	10.0 ha
NSHL	Chinese electronic device manufacturer	10.0 ha

Source: KBC, VCSC

**Ambitious expansion plan continues.** Management shared that the Trang Due 3 IP (687 ha) in Hai Phong is in final steps of receiving approval for development; several tenants have expressed interest in this IP. Moreover, KBC expects to launch land sales for its IP projects in Long An Province in 2022 and accelerate legal procedures for its new IP projects in northern Vietnam's Hung Yen and Hai Duong provinces and southern Vietnam's Long An and Ba Ria-Vung Tau provinces. Notably, management shared that it is considering to invest in a new IP project in Quang Ninh Province in northern Vietnam and that a major tenant has shown interest in building a significant yacht manufacturing project in this province.

## 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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**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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