

Industrial park

July 07, 2022

# Nam Tan Uyen Joint Stock Company

(Upcom: NTC)

## 2022 AGM update

**Buy**  
(Update)  
Target price  
**VND 251,000**  
(Upside: 14.3%)

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### Valuation

We adjust the discount rate in Nam Tan Uyen Joint Stock Company (NTC)'s RNAV valuation model to 17.4% (previously 15.6%), considering the twin risks of inflation and the Fed's interest rate rise. Thus, we lower our target price for NTC to VND251,000 (from VND259,000), down by 3% from our previous TP, but maintain our Buy rating.

### Investment points

#### Legal issues of NTC3 project expected to be resolved

Phase 2 of the Nam Tan Uyen Industrial Park expansion project (NTC3) was approved by the government in 2018. Although the project was planned to be operational from 2021, Decree 67/2021/ND-CP mandated a review by the People's Committee.

After completion of the review process, the land origin is not within the scope of Decree 67 and not subject to land auction. At NTC's AGM, held on June 28, 2022, the company's CEO said that the Vietnam Rubber Group is working with authorities to remove any remaining obstacles and allow the project to begin operations soon.

#### NTC3 project to provide growth momentum

With a commercial land area of 288.52 ha and estimated rental price in the area of around US\$100–110/m<sup>2</sup>/lease cycle, we believe that NTC is capable of leasing its entire NTC3 land bank within five years and generating annual EAT of VND400bn–600bn in 2022–2027. NTC has paid off most of the loan for the NTC3 project, which is currently the company's only loan. Based on an accounting change (from annual allocation to one-time recognition) for revenue from IP leasing activities, we expect a dramatic rise in NTC's profit in FY22.

#### 2022 business plan

NTC projects total revenue of VND653.5bn in 2022, an increase of 36.87% YoY, of which business activities will account for VND476bn, or 75%, financial activities VND175bn (-14% YoY), and other activities VND2.5bn.

NTC expects NPAT to reach VND262bn (-10.7% YoY), and plans to lease 100 ha of land in the NTC-3 Industrial Park for US\$110–118/m<sup>2</sup>/term. We view NTC's NPAT forecast as highly cautious and believe the company can complete the NTC-3 project much sooner than its forecast if all proceeds as planned.

NTC also plans to list on HOSE in late-2022 or early-2023.

### Business performance in 1H22 without NTC-3 project's contribution

#### Key metrics



Price on 07/07/22 (VND)	163,100	Market cap (VND bn)	4,063
NPAT (22F, VND bn)	846	Shares outstanding (mn share)	24
EPS growth (22F, %)	187	Free float (%)	20.1
Market EPS growth (22F, %)	NA	Foreign ownership (%)	4.0
P/E (22F, x)	5.1	Beta (12M)	1.0
Market P/E (x)	NA	52-week low	161,000
VN-Index	1,198	52-week high	230,000

#### Share performances

(%)	1T	6T	12T
Absolute	-1.9	-12.5	-20.9
Relative	3.4	5.5	-7.6

#### Earnings and valuation metrics

FY (31/12)	2018	2019	2020	2021	2022 (F)	2023 (F)
Revenue (VNDbn)	532	194	264	271	1,220	1,247
OP (VNDbn)	438	86	344	343	1,057	1,148
OP margin (%)	82.3	44.5	130.5	126.6	86.7	92.0
NP (VNDbn)	470	237	291	294	846	918
EPS (VND)	19,357	9,855	12,123	12,274	35,248	38,253
ROE (%)	95.9	40.4	46.04	46.3	113.0	70.8
P/E (x)	2.7	11.2	16.3	15.8	5.1	4.7
P/B (x)	2.1	4.6	10.1	7.4	5.9	3.0
Dividend yield (%)	30.9	6.8	3.0	4.71	4.71	5.88

Note: Net profit refers to net profit attributable to controlling interests

Source: company data, Bloomberg, Mirae Asset Vietnam Research

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At the AGM, NTC's CEO stated that the company has no industrial land to lease in the first six months, so it is likely that NTC's 1H22 results will fall below those of last year.

**NTC has high dividend payout ratio.**

The company consistently generates strong cash flow and maintains over 80% of its charter in cash annually (equivalent to 65–73% of NPAT). In 2021, the company presented a dividend plan to shareholders at a rate of 90%; in 2022, an expected dividend rate of at least 60% is anticipated.

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## Valuation

We adjust NTC's book value; as a result, the company's adjusted book value is VND142,000/share.

The NTC-3 Industrial Park Project is valued using the RNAV method. The discount rate in the valuation model has been increased from 15.6% to 17.4%, considering the twin risks of inflation and the Fed's interest rate rise.

Accordingly, we lower our target price for NTC to VND251,000 (from VND259,000), down by 3% from the previous target price. We maintain our Buy rating for NTC.

## Nam Tan Uyen Joint Stock Company (Upcom: NTC)

Comprehensive Income Statement (Summarized)				
(VNDbn)	2021	2022F	2023F	2024F
<b>Revenue</b>	<b>271</b>	<b>1,220</b>	<b>1,247</b>	<b>1,302</b>
COGS	(80)	(312)	(303)	(367)
<b>Gross profit</b>	<b>191</b>	<b>908</b>	<b>945</b>	<b>935</b>
SG&A	(47)	(57)	(45)	(48)
<b>Operating profit</b>	<b>343</b>	<b>1,057</b>	<b>1,148</b>	<b>1,185</b>
<b>Operating profit (adjusted)</b>	<b>343</b>	<b>1,057</b>	<b>1,148</b>	<b>1,185</b>
<b>Non-Operating Profit</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Financial Income	199	205	247	296
Net Gain from Inv in Associates	-	-	-	-
<b>Pre-tax Profit</b>	<b>344</b>	<b>1,057</b>	<b>1,148</b>	<b>1,185</b>
Income Tax	(49)	(211)	(230)	(237)
Profit from Continuing Operations	343	1,057	1,148	1,185
Other Profit	1	-	-	-
<b>Net Profit</b>	<b>294</b>	<b>846</b>	<b>918</b>	<b>948</b>
Net profit of the parent Company	294	846	918	948
Minority interest	-	-	-	-
<b>NPAT</b>	<b>294</b>	<b>846</b>	<b>918</b>	<b>948</b>
Net profit of the parent Company	294	846	918	948
Minority interests	-	-	-	-
EBITDA	360	1,067	1,161	1,197
FCF (Free Cash Flow)	389	1,407	699	956
EBITDA Margin (%)	131.3	87.3	92.9	91.8
Operation Profit Margin (%)	126.5	86.7	92.0	91.0
Net Profit Margin (%)	108.5	69.3	73.6	72.8

Cashflows (summarized)				
(VNDbn)	2021	2022F	2023F	2024F
<b>Cash Flow from the operating Activities</b>	<b>318</b>	<b>929</b>	<b>878</b>	<b>933</b>
Pre-tax profit	344	1,057	1,148	1,185
Non-cash expense	13	10	12	11
Depreciation	14	9	12	11
Amortization				
Others	-1	1	0	0
Chg. In Working Capital	11	73	-52	-26
Chg. In AR & Other Receivable	2	-67	18	-26
Chg. In Inventories	0	0	0	0
Chg. In AP & Other payables	9	140	-70	0
Income Tax Paid	-49	-211	-230	-237
<b>Cash Flow from Inv Activities</b>	<b>11</b>	<b>492</b>	<b>-148</b>	<b>58</b>
Chg. In PP&E	11	-3	-3	-3
Chg. In Intangible Assets	0	0	0	0
Chg. In other Long-term Inv	95	203	0	0
Chg. In other Non-current Assets	-95	292	-145	61
<b>Cash Flow from Fin Activities</b>	<b>-532</b>	<b>-276</b>	<b>-383</b>	<b>-309</b>
Chg. In Financial liabilities	-397	-322	-19	-76
Issued Shares	0	0	0	0
Dividend Paid	-192	-192	-240	-240
Others	57	238	-123	7
<b>Increase (Decrease) in Cash</b>	<b>-203</b>	<b>1,145</b>	<b>347</b>	<b>682</b>
Beginning Balance	212	9	1,155	1,501
Ending Balance	9	1,155	1,501	2,184

Balance sheet (summarized)				
(VNDbn)	2021	2022F	2023F	2024F
<b>Current Assets</b>	<b>1,425</b>	<b>2,410</b>	<b>2,863</b>	<b>3,563</b>
Cash and Cash Equivalents	9	1,155	1,501	2,184
AR and Other Receivables	65	132	114	140
Inventories	0	0	0	0
Others	1,350	1,123	1,247	1,240
<b>Non-Current Assets</b>	<b>2,785</b>	<b>2,285</b>	<b>2,421</b>	<b>2,352</b>
Short-term Investment	203	-	-	-
Property, Plant and Equipment	40	29	24	15
Other non-current assets	2,542	2,256	2,397	2,337
<b>Total assets</b>	<b>4,210</b>	<b>4,695</b>	<b>5,283</b>	<b>5,916</b>
<b>Current liabilities</b>	<b>549</b>	<b>438</b>	<b>407</b>	<b>387</b>
AP & other Payable	2	142	72	72
Short-term Financial Liabilities	200	0	0	0
Other Current Liabilities	347	297	335	316
<b>Non-Current Liabilities</b>	<b>3,029</b>	<b>2,958</b>	<b>2,900</b>	<b>2,844</b>
Long-term Financial Liabilities	0	-9	-9	-9
Other Non-current Liabilities	3,029	2,967	2,909	2,852
<b>Total Liabilities</b>	<b>3,578</b>	<b>3,396</b>	<b>3,307</b>	<b>3,231</b>
<b>Current liabilities</b>	<b>632</b>	<b>1,298</b>	<b>1,976</b>	<b>2,685</b>
AP & other Payable	240	240	240	240
Short-term Financial Liabilities	6	6	6	6
Other Current Liabilities	387	1,053	1,731	2,439
<b>Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Long-term Financial Liabilities	<b>294</b>	<b>846</b>	<b>918</b>	<b>948</b>

Forecast/valuations (summarized)				
	2021	2022F	2023F	2024F
P/E (x)	17.46	6.07	5.59	5.42
P/CF (x)	-25.3	4.5	14.8	7.5
P/B (x)	8.1	4.0	2.6	1.9
EPS (VND)	12,260	35,248	38,253	39,507
CFPS (VND)	-8,446	47,726	14,447	28,422
BPS (VND)	26,352	54,099	82,352	111,859
DPS (VND)	8,000	8,000	10,000	10,000
Payout Ratio (%)	65%	23%	26%	25%
Dividend Yield (%)	3.74%	3.74%	4.67%	4.67%
Revenue Growth (%)	31.61%	350.00%	10.00%	10.00%
EBITDA Growth (%)	-124.20%	196.72%	8.78%	3.16%
Inventory Turnover (x)	152.00	138.67	146.56	145.74
Day Inventory Outstanding (days)	2.40	2.63	2.49	2.50
Account Receivable Turnover (x)	4.08	12.36	10.13	10.27
Day Receivable Turnover (days)	89.43	29.54	36.02	35.56
Account Payable Turnover (x)	0.38	2.47	2.95	3.28
Day Payable Turnover (days)	958.04	147.70	123.66	111.29
ROA	6.80%	19.00%	18.40%	16.93%
ROE	44.73%	87.63%	56.07%	40.68%
ROIC	31.11%	176.51%	305.31%	197.79%
Liabilities to Equity Ratio (%)	543.89%	351.79%	201.96%	138.64%
Current Ratio (%)	2.60	5.50	7.04	9.20
Net Debt to Equity Ratio (%)	31.66%	-0.67%	-0.44%	-0.32%
Interest coverage ratio (x)	196.49	1,460.89	1,321.43	1,066.39

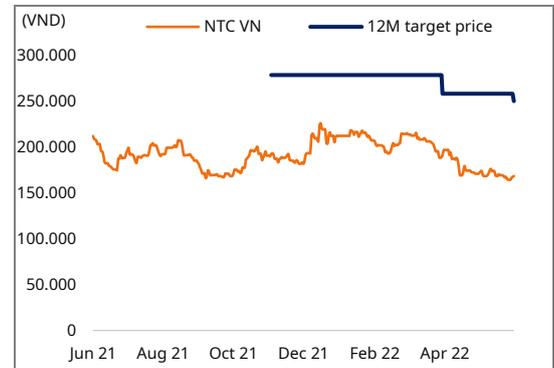
Source: company data, Bloomberg, Mirae Asset Vietnam Research

## APPENDIX 1

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Company (Code)	Date	Rating	Target Price
NTC (NTC VN)	30/11/21	Buy	279,500
NTC (NTC VN)	28/04/22	Buy	259,000
NTC (NTC VN)	04/07/22	Buy	251,000



#### Stock Ratings

Buy	: Relative performance of 20% or greater
Trading Buy	: Relative performance of 10% or greater, but with volatility
Hold	: Relative performance of -10% and 10%
Sell	: Relative performance of -10%

#### Industry Ratings

Overweight	: Fundamentals are favorable or improving
Neutral	: Fundamentals are steady without any material changes
Underweight	: Fundamentals are unfavorable or worsening

Ratings and Target Price History (Share price (—), Target price (—), Not covered (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))

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