



IDICO (IDC)

Analyst Meeting Note

Industry	IP & Power		2021A	2022F	2023F	2024F
Report Date	July 18, 2022	Rev y/y	-19.7%	67.8%	17.4%	22.7%
Current Price	VND58,600	EPS y/y	-48.2%	319.0%	18.9%	20.1%
Target Price*	VND93,200	GPM	17.1%	39.7%	39.0%	39.6%
Upside to TP	+59.0%	NPM	10.6%	26.4%	26.7%	26.1%
Dividend Yield	6.2%	EV/EBITDA	24.7x	7.1x	6.2x	5.0x
TSR	+65.2%	P/E	43.0x	10.3x	8.6x	7.2x
Rating*	BUY	P/B**	2.7x	2.3x	2.0x	1.5x



			IDC	Peers	VNI
Market Cap	USD840.8mn	P/E (ttm)	29.6x	19.6x	12.8x
Foreign Room	USD356.3mn	P/B (curr)**	2.6x	2.2x	2.0x
ADTV30D	USD4.6mn	Net D/E	16.0%	13.8%	N/A
State Ownership	0.0%	ROE	16.5%	12.5%	15.8%
Outstanding Shares	330.0 mn	ROA	4.2%	3.6%	2.6%
Fully Diluted Shares	330.0 mn				

(*) Last updated April 5, 2022; (**) adjusted P/B

Company Overview

Vietnam Urban and Industrial Zone Development Corporation - IDICO (HNX: IDC) is a leading industrial park (IP) developer in Vietnam with a current total site area of 3,268 ha in key southern and northern industrial provinces. IDC also invests in hydropower plants, electricity trading, construction, toll roads and real estate projects.

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Upbeat IP land sales in H1 2022; bright IP pipeline outlook

We attended IDC's first analyst tour and meeting on July 15.

The main agenda of this tour was to visit major projects of IDC's tenants (including POSCO, Heineken and Hoa Phat Group, among others) in its IP projects in Dong Nai and Ba Ria – Vung Tau (BR-VT) provinces as well as participate in management's discussion on the company's businesses and outlook.

Overall, this analyst tour provided comprehensive information on IDC, including its key business segments and major projects. Moreover, management expressed a positive view for IDC's five-year business plan, which reaffirmed our positive view on the company.

Upbeat IP land sales in H1 2022 — on track to meet IDC's full-year IP land sales target of 160 ha. As of July 15, management shared that IDC's land sales YTD were around 90 ha, including two major contracts totaling more than 50 ha in the Huu Thanh IP in Long An Province. We believe the remaining IP land sales YTD were mainly from the Phu My 2 and Phu My 2 Expansion IP projects. Management is confident it will meet its 2022 full-year land sales guidance for 160 ha (+61% YoY) vs our current forecast of 130 ha (+31% YoY).

Recognition for the Nhon Trach 5 IP was finalized in Q2 2022, per management. IDC recognized all unearned revenue from the Nhon Trach 5 IP at VND1.4tn (USD63mn as end-Q1 2022) as revenue; however, the recognition of this revenue is recorded as a retroactive recognition, which we believe is similar to the My Xuan A in 2021's financial statements (revenue was recorded in the profit & loss statements of the previous year and increased the beginning balance of retained earnings).

Upbeat preliminary H1 2022 PBT results. Management shared that IDC's preliminary H1 2022 PBT (including a retroactively finalized recognition of the fully-occupied Nhon Trach 5 IP) completed 60% of its full-year PBT profit guidance of VND2.8tn (USD120mn; +267% YoY). Based on our estimates, this implies Q2 2022 PBT of approximately VND360bn (USD16mn; +7% YoY and flat QoQ) and H1 2022 PBT of around VND715bn (USD31mn; +61% YoY). We therefore see potential downside risk to our profit forecasts for IDC as we previously expected finalized recognition for fully-occupied IPs would be recognized in profit & loss statements at the year of finalization. However, we note these are non-cash recognitions, which will not affect our cash flow forecasts and discounted cash flow (DCF) valuation for IDC.

Strong PBT growth guidance for 2022-2026. Management guides for 2022-2026 revenue and NPAT-MI CAGRs of 23% and 21%, respectively — in line with management's plan shared at IDC's AGM in April 2022. This management guidance is more confident than our forecasts, and we believe the gap is mainly due to higher-than-expected profit recognition for IP land sales over the

period. Management also expects to pay FY2022-2026 dividends (including in stock and cash) averaging above 40% on par per year.

Figure 1: IDC's five-year business plan

VND bn	2022	2023	2024	2025	2026
Total income guidance	7,971	9,226	10,301	14,704	18,166
PBT guidance	2,765	3,324	4,154	4,870	5,817
VCSC forecasts for PBT	2,584	3,009	3,774	4,680	5,564
PBT guidance / VCSC forecast	107.0%	110.4%	110.1%	104.1%	104.6%

Source: IDC guidance shared at April 2022 AGM, VCSC forecasts

Management provided detailed updates on IDC's current IP projects, including key figures such as remaining leasable area, occupancy rates and land clearance process as of end Q2-2022. The details are shown in the **Figure 2**.

Figure 2: IDC's current IP projects in selling process as of end-Q2 2022

IPs	Location	IDC's ownership	Total site area (ha)	Total leasable area (ha)	Remaining leasable area (ha)	Occupancy rate	% of area completed land clearance
Que Vo 2	Bac Ninh	51%	270	177	92	48%	63%
Cau Nghin	Thai Binh	100%	184	103	100	2%	43%
Phu My 2	BR-VT	100%	621	443	119	73%	100%
Phu My 2 Expansion	BR-VT	100%	398	273	128	53%	100%
Huu Thanh	Long An	100%	524	395	315	20%	96%
Total			1,997	1,391	754	46%	

Source: IDC, VCSC compilation

First future project Tan Phuoc 1 IP to obtain investment approval in 2022. Management expects to obtain critical approval for the Tan Phuoc 1 IP in Tien Giang Province in Q4 2022 with a total site area of 470 ha. We believe this IP will benefit from infrastructure upgrades to improve connectivity between HCMC and the Mekong Delta region.

Urban area segment to be medium and long-term growth driver for IDC. The company shared a list of 11 residential/commercial projects in developments with a total cleared area of more than 60 ha. We note that our current valuation and forecasts have only factored six of the 11 projects. Details of IDC's residential/commercial projects are shown in **Figure 3**.

Figure 3: IDC's ongoing and future residential/commercial projects as of end Q2 2022

IPs	Provinces/cities	IDC's ownership	Total site area (sqm)	Status
Huu Thanh worker's housing and residential area	Long An	51.0%	470,939	Completed land clearance for 86% of the total site area; received land handover approval for 71% of the total site area
Nhon Trach worker housing 1	Dong Nai	100.0%	100,284	Amending development plans to 25-floor apartments from nine floors
Nhon Trach worker housing 2	Dong Nai	100.0%	100,000	Received land handover
National highway 1K residential area	Dong Nai	66.9%	70,350	Land clearance and investment process for the remainder of 22,965 sqm
Bac Chau Giang residential area	Ha Nam	33.2%	56,527	Infrastructure construction
Hiep Phuoc residential area	Dong Nai	66.9%	48,676	Legal procedures for first phase
An Hoa housing	Dong Nai	100.0%	38,886	Researching to amend development plan
My Xuan B1 Residence	BR-VT	51.0%	~34,000	In preparation phase for investment
Central residential expansion area Ward 6 - commercial land ⁽¹⁾	Long An	51.0%	30,500	Amending 1/500 development plan
CONAC Plaza	BR-VT	51.0%	8,137	Market research
Hotel-Condotel Complex Thuy Duong	BR-VT	51.0%	7,077	Process investment procedures from Q3 2022
Total			~965,400	

Source: IDC, VCSC compilation

IDC to distribute electricity in the Huu Thanh IP. IDC shared that its 67%-owned subsidiary IDICO-UDICO JSC (HOSE: UIC) received approval to invest in substations and electricity distribution in the Huu Thanh IP in Long An Province with a capacity of 189 megavolt-ampere (MVA). UIC has solid experience in this segment as it invested in the Tuy Ha and Nhon Trach 5 substations with a total capacity of 418 MVA. IDC expects to have VND1.4tn (USD61mn) from the fully-utilized substations in the Huu Thanh IP vs currently VND2.5tn (USD109mn) of electricity distribution revenue annually. We note that we have not factored the electricity distribution in the Huu Thanh IP into our forecasts and valuation, pending a more extensive review.

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UNDERPERFORM	If the projected TSR is between -10% and -20%
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