

Vietnam

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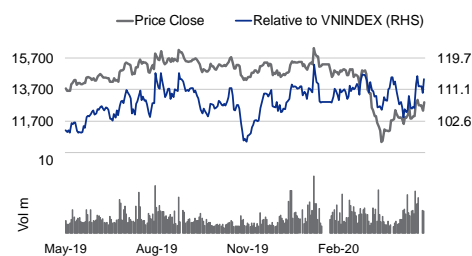
Consensus ratings*: Buy 6 Hold 1 Sell 0

Current price:	VND12,900
Target price:	VND17,500
Previous target:	VND17,500
Up/downside:	35.7%
CGS-CIMB / Consensus:	4.6%
Reuters:	KBC.HM
Bloomberg:	KBC VN
Market cap:	US\$258.8m
	VND6,059,907m
Average daily turnover:	US\$1.38m
	VND32,157m
Current shares o/s	475.7m
Free float:	37.0%

*Source: Bloomberg

Key financial forecasts

	Dec-20F	Dec-21F	Dec-22F
Net Profit (VNDb)	1,052	800	519
Core EPS (VND)	2,239	1,702	1,104
Core EPS Growth	23.0%	(24.0%)	(35.1%)
FD Core P/E (x)	5.76	7.58	11.68
Recurring ROE	10.6%	7.4%	4.5%
P/BV (x)	0.58	0.54	0.51
DPS (VND)	-	-	-
Dividend Yield	0%	0%	0%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	9.3	-12.8	-6.5
Relative (%)	0.4	4.7	15.1

Major shareholders

	% held
Dang Thanh Tam	16.0
Kinh Bac Consulting and Investment	9.6
Dragon Capital	5.6

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Kinh Bac City Corp

Diverging top- and bottomlines

- 1Q20 revenue grew 11.2% yoy to VND556bn, driven by an 18% yoy increase in industrial properties (IP) revenue, mostly from subsidiary Tan Phu Trung.
- Net profit fell 40% yoy to only VND54bn to come in at 5.2% of our full-year forecast.
- Reiterate our Add rating, with an RNAV-based target price of VND17,500.

Positive topline growth but a sharp drop in bottomline

- Kinh Bac City Corp's (KBC) 1Q20 revenue rose 11.2% yoy to VND556bn as IP land leasing revenue jumped 18% yoy to VND422bn. 1Q20 revenue from residential properties was VND46bn while no income was booked in 1Q19. Meanwhile, revenues from factory sales and leasing slid 72% yoy to VND26bn.
- KBC's total leased land was 14.5 ha in 1Q20, with most deriving from Tan Phu Trung IP, a subsidiary that is 72%-owned by KBC.
- 1Q20 expenses surged 20.6% yoy due to additional expense of VND6bn for building factories in Trang Due IP and a 25% yoy increase in land clearance cost at Tan Phu Trung IP, leading to a drop of 4.4% pts in blended gross margin to only 43.9%.
- Pre-tax profit rose 9.1% yoy as net financial expense slid from VND40bn in 1Q19 to VND31.7bn in 1Q20. However, minority interest soared 182% yoy as 76% of 1Q20 revenue was contributed by subsidiary Tan Phu Trung IP. As a result, 1Q20 net profit dropped 40% yoy to VND54bn, accounting for only 5.2% of our full-year forecast.

Reiterate Add with TP of VND17,500

- Key downside risks include 1) a slowdown in IP land sales, 2) failure to address issues in the Phuc Ninh project's master plan for handover in 2020F, and 3) failure of Nam Son-Hap Linh IP to be ready for leasing. Re-rating catalysts are: 1) a faster rate of IP or residential land sales, and 2) approval for Trang Due 3 IP.

Figure 1: 1Q20 results comparison

	1Q20	1Q19	% yoy chg	% of FY20F forecast	Comment
IP land leasing (ha)	14.50	11.72	23.7%		Thanks to investors' high demand in Tan Phu Trung IP, KBC's total leasing area increased 23.7% yoy in 1Q20.
Que Vo Ips		3.13			
Tan Phu Trung IP	14.50	6.69	116.7%		
Trang Due 2 IP		1.90			
Average price (USD/sqm)	123.8	129.6	-4.5%		
Revenue (VNDbn)	555.8	499.8	11.20%	12.8%	KBC had revenue from Tan Phu Trung IP, with a total leased area of 14.5ha in 1Q20.
IP land leasing	422.0	357.3	18.10%		
Residential property sales	46.4				
IP factory sales & leasing	26.1	94.6	-72.45%		Only revenue from factory leasing was recored in 1Q20, while KBC's 1Q19 revenue included that from factory sales totalling VND83bn
Others	61.4	47.9	28.06%		
COGS	311.88	258.53	20.64%		The increase in COGS mainly comes from an additional expense of VND6bn in factories in Trang Due IP and a 25% yoy increase in land clearance cost of Tan Phu Trung IP
Gross profit (VNDbn)	243.9	241.3	1.09%	10.9%	
Gross profit margin	43.9%	48.3%	-4.39% pts		
IP land & RP sales	42.7%	43.8%	-1.1% pts		
Factory leasing & sale	25.8%	62.4%	-36.6% pts		KBC recorded an addition expense of VND6bn at the factory in Trang Due, causing the factory's margin in 1Q20 to drop sharply to 26%, from 62% in 1Q19.
SG&A expenses (VNDbn)	77.8	76.3	1.88%		
Operating profit (VNDbn)	166.2	165.0	0.72%		
Net financial expense (VNDbn)	31.7	40.0	-20.60%		
Pre-tax profit (VNDbn)	134.5	123.2	9.14%	8.7%	Net financial expense reduced from VND40bn in 1Q19 to VND31.7bn in 1Q20 help the pre-tax profit rose 9.1% yoy
Profit after tax (VNDbn)	94.2	103.3	-8.77%		
Minority interest	40.4	14.3	182.21%		
Net profit (VNDbn)	53.8	89.0	-39.47%	5.2%	1Q20 profit mainly came from subsidiaries in Tan Phu Trung IP, which is 72% owned by KBC.

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 2: Peer comparison

Company Name	Ticker	Price	TP	Recom.	Market Cap (US\$ m)	3-year EPS CAGR	P/E	P/B	ROE (%)	Dividend yield (%)	Net gearing (%)
		(local curr)	(local curr)			%	TTM	Current	2019	TTM	2019
Kinh Bac City Development Sh	KBC VN	12,900	17,500	Add	6,060	18.6	6.9	0.6	9.5	8.4	12.2
Investment & Industrial Deve	BCM VN	22,600	NA	NR	23,391	NA	9.7	1.6	17.7	2.9	87.6
Viglacera Corp Jsc	VGC VN	17,300	NA	NR	7,756	-6.3	11.9	1.2	10.1	6.1	-9.0
Sonadezi Corp	SNZ VN	21,900	NA	NR	8,245	NA	20.2	1.8	9.0	4.8	12.3
Saigon Vrg Investment Corp	SIP VN	77,000	NA	NR	5,317	NA	8.9	3.2	42.5	1.3	-235.9
Idico Corp Jsc	IDC VN	16,900	NA	NR	5,070	NA	14.7	1.5	10.0	6.3	18.1
Tan Tao Investment Industry	ITA VN	2,610	NA	NR	2,449	351.5	11.0	NA	1.9	NA	3.3
Nam Tan Uyen Jsc	NTC VN	166,500	NA	NR	2,664	68.7	11.3	4.6	40.4	9.4	-218.9
Sonadezi Chau Duc Shareholdi	SZC VN	18,000	NA	NR	1,800	43.2	15.8	1.5	9.7	4.9	46.2
Industrial Urban Devel Jsc 2	D2D VN	55,500	NA	NR	1,183	117.0	3.5	1.4	50.9	4.2	-146.0
Vietnam Average							11.9	2.1	21.4	5.0	-49.1
Vietnam Median							11.3	1.6	10.1	4.8	3.3
Waha Corp Pcl	WHA TB	2.7	3.82	Add	28,979	3.7	12.1	1.3	11.4	3.0	109.7
Amata Corp Public Co Ltd	AMATA TB	12.5	18.20	Add	9,649	20.5	7.7	0.9	12.9	3.5	65.7
Frasers Property Thailand Pc	FPT TB	12.1	NA	NR	17,654	69.9	16.9	0.9	5.3	4.0	163.3
Rojana Indus Park Pub Co Ltd	ROJNA TB	4.1	NA	NR	6,021	163.6	4.6	0.6	14.0	9.6	115.7
Thailand Average							10.3	0.9	10.9	5.0	113.6
Bumi Serpong Damai Pt	BSDE IJ	675	NA	NR	20,142	72.8	4.6	0.4	10.1	NA	9.5
Ciputra Development Tbk Pt	CTRA IJ	525	NA	NR	15,107	5.8	8.4	0.6	7.8	1.9	27.8
Lippo Karawaci Tbk Pt	LPKR IJ	147	NA	NR	16,158	13.3	NA	0.4	-6.0	NA	39.7
Indonesia Average							6.5	0.5	3.9	1.9	25.7
Uem Sunrise Bhd	UEMS MK	0.46	0.92	Add	11,239	39.9	9.2	0.3	3.1	NA	32.7
Malaysia Average							9.2	0.3	3.1	NA	32.7

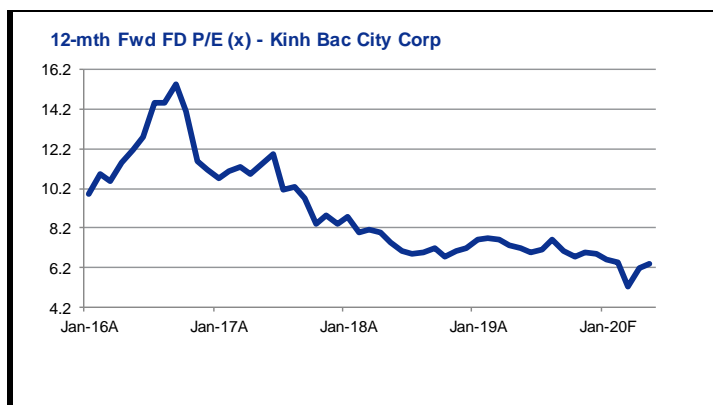
All prices are based on the closing prices on 05 May 2020. All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

SOURCES: VND RESEARCH, BLOOMBERG, COMPANY REPORT

BY THE NUMBERS

Profit & Loss				
(VNDb)	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	3,250	4,343	3,278	2,150
Gross Profit	1,869	2,231	1,719	1,162
Operating EBITDA	1,557	1,696	1,316	897
Depreciation And Amortisation	0	0	0	0
Operating EBIT	1,557	1,696	1,316	897
Financial Income/(Expense)	(141)	(134)	(133)	(133)
Pretax Income/(Loss) from Assoc.	0	14	14	14
Non-Operating Income/(Expense)	(27)	(10)	(5)	(5)
Profit Before Tax (pre-EI)	1,389	1,566	1,191	772
Exceptional Items				
Pre-tax Profit	1,389	1,566	1,191	772
Taxation	(309)	(329)	(250)	(162)
Exceptional Income - post-tax				
Profit After Tax	1,080	1,237	941	610
Minority Interests	(225)	(186)	(141)	(92)
Prof. & Special Div	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	855	1,052	800	519
Recurring Net Profit	855	1,052	800	519
Fully Diluted Recurring Net Profit	855	1,052	800	519

Cash Flow				
(VNDb)	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	1,557	1,696	1,316	897
Cash Flow from Inv. & Assoc.				
Change In Working Capital	370	1,151	728	1,708
Straight Line Adjustment	0	0	0	0
(Incr)/Decr in Total Provisions	1	1	0	0
Other Non-Cash (Income)/Expense	0	98	100	102
Other Operating Cashflow	(0)	(10)	(5)	(5)
Net Interest (Paid)/Received	(199)	(216)	(215)	(215)
Tax Paid	(180)	(329)	(250)	(162)
Cashflow From Operations	1,549	2,392	1,672	2,324
Capex	(436)	(43)	(33)	(22)
Disposals Of FAs/subsidiaries	0	14	14	14
Disposals of Investment Properties	0	0	0	0
Acq. Of Subsidiaries/Investments	0	0	0	0
Other Investing Cashflow	13	26	26	26
Cash Flow From Investing	(423)	(3)	7	19
Debt Raised/(repaid)	(216)	(180)	0	(544)
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(480)	0	0	0
Preferred Dividends	0	0	0	0
Other Financing Cashflow	0	0	0	0
Cash Flow From Financing	(696)	(180)	0	(544)



Balance Sheet				
(VNDb)	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	656	2,516	4,196	5,994
Properties Under Development				
Total Debtors	5,516	7,760	6,938	4,552
Inventories	7,605	8,560	8,463	8,317
Total Other Current Assets	198	260	232	153
Total Current Assets	13,976	19,096	19,829	19,015
Fixed Assets	252	526	493	449
Total Investments	1,298	1,222	1,187	1,152
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	1,000	728	728	728
Total Non-current Assets	2,551	2,475	2,408	2,328
Short-term Debt	826	138	138	138
Current Portion of Long-Term Debt	0	0	0	0
Total Creditors	834	1,020	882	559
Other Current Liabilities	1,300	3,283	2,841	1,801
Total Current Liabilities	2,960	4,441	3,861	2,499
Total Long-term Debt	1,377	1,953	1,953	1,409
Hybrid Debt - Debt Component	0	0	0	0
Total Other Non-Current Liabilities	949	2,918	3,224	3,626
Total Non-current Liabilities	2,326	4,871	5,177	5,035
Total Provisions	805	664	664	664
Total Liabilities	6,090	9,976	9,702	8,197
Shareholders' Equity	9,420	10,459	11,258	11,777
Minority Interests	1,017	1,137	1,278	1,369
Total Equity	10,437	11,595	12,536	13,146

Key Ratios				
	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	30.5%	33.6%	(24.5%)	(34.4%)
Operating EBITDA Growth	34%	9%	(22%)	(32%)
Operating EBITDA Margin	47.9%	39.1%	40.1%	41.7%
Net Cash Per Share (VND)	(3,293)	904	4,479	9,466
BVPS (VND)	20,053	22,264	23,966	25,070
Gross Interest Cover	7.84	7.85	6.11	4.17
Effective Tax Rate	22.3%	21.0%	21.0%	21.0%
Net Dividend Payout Ratio	56.2%	NA	NA	NA
Accounts Receivables Days	174.7	151.5	237.4	282.9
Inventory Days	2,142	1,401	1,992	3,098
Accounts Payables Days	56.13	57.19	62.46	74.66
ROIC (%)	12.3%	13.6%	9.7%	6.8%
ROCE (%)	12.4%	12.8%	9.4%	6.4%
Return On Average Assets	7.30%	7.20%	4.90%	3.41%

Key Drivers				
	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Unbooked Presales (m) (VND)	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A
Gross Margins (%)	N/A	N/A	N/A	N/A
Contracted Sales ASP (per Sm) (VND)	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	N/A	N/A	N/A	N/A
Inv. properties rental margin (%)	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	N/A	N/A	N/A	N/A

SOURCES: VND RESEARCH, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	

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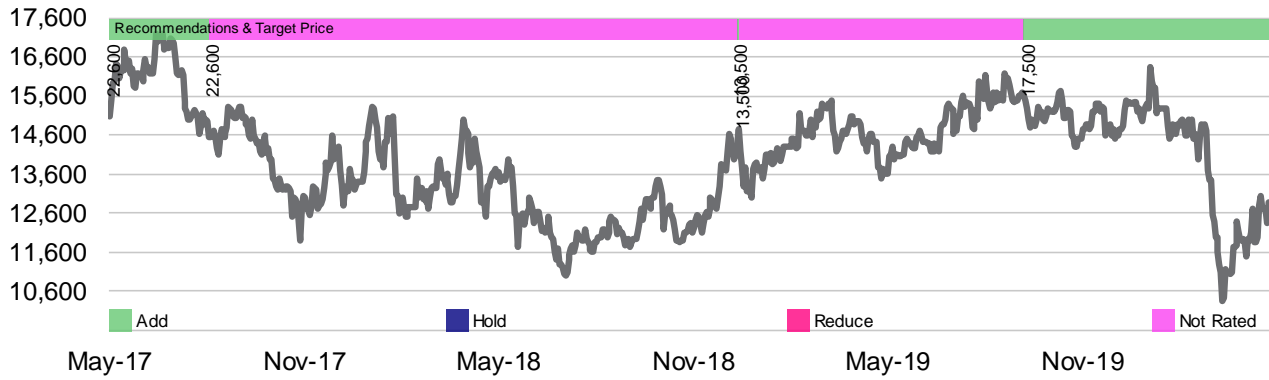
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811 companies under coverage for quarter ended on 31 March 2020		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.8%	0.1%
Hold	27.6%	0.0%
Reduce	11.6%	0.0%

Spitzer Chart for stock being researched (2 year data)

Kinh Bac City Corp (KBC VN)

— Price Close



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BGP** – Excellent, Certified, **BPCG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, n/a, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** - Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TNR** – Very Good, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI) .

RECOMMENDATION FRAMEWORK

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Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the:(i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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