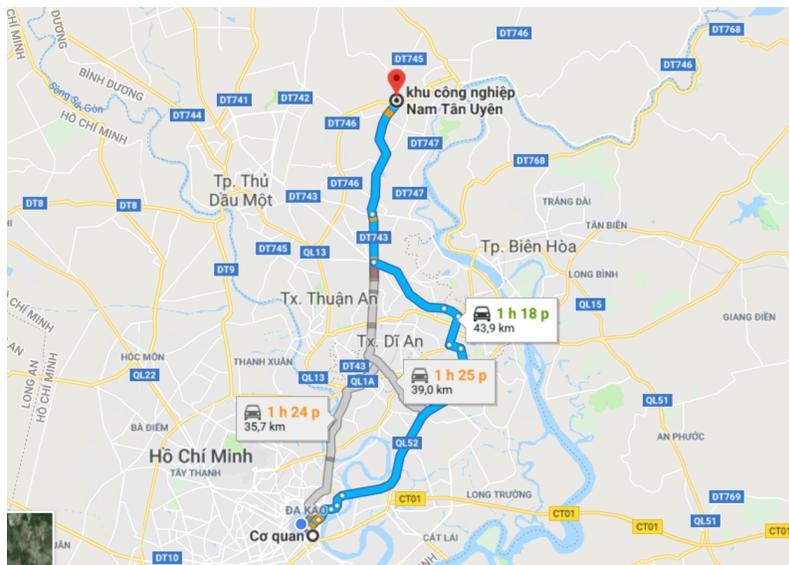


NAM TAN UYEN INDUSTRIAL PARK (UPCOM: NTC) – 18 Oct 2018

NTC – NAM TAN UYEN INDUSTRIAL PARK – WATCH

Nam Tan Uyen (NTC) HQ is located in Binh Duong province (about 1.5 hours from the city centre). The Industrial Park (NTC1 and NTC2) is already full and the expansion (NTC3) looks promising despite some uncertainties about the land tax.



Below are our notes from our visit to NTC.

- NTC said the demand for land in NTC3 is high (from local, Chinese and Taiwanese companies). Currently, **the current demand is about 100ha** in which more than half is from current customers in NTC1 and NTC2.
- The NTC3 project is approved by the Prime Minister and waiting for the final paperwork from Binh Duong Authority. NTC expects the paperwork will be finalised in Nov. It will take another four months to build the infrastructure.
- The price for NTC3 land is expected to be around \$80-\$90/m² and only environmentally-friendly businesses will be allowed to purchase. Also, labour-intensive businesses will be discouraged in NTC3.
- NTC2 will record about VND300bn in revenue in 2018 from selling residential areas. This abnormal return will boost FY2018 revenue to more than VND600bn (including income from financial activities) and FY2018 PBT is expected to be VND500bn. (FY2018 EPS VND25,000).

The future looks bright for NTC but **what are the risks?**

- The biggest risk is the land tax. The tax is uncertain and could be from USD15/m² (for a location far from the main road) to USD25/m² (for a location near the main road).
- The private placement issuance for Vietnam Rubber Group is entirely unnecessary (It is likely NTC was forced to do this) and it is a sign of weak corporate governance.

What do we think?

- YE2018 PBT will be abnormally high and YE2019 PBT will not be as high as 2018.
- Assuming NTC is able to sell 100ha in 2019 (selling price USD85/m², land tax USD20/m² and infrastructure cost USD10/m²), the gross profit will increase about VND24bn (the revenue is spread over 50 years) and the financial income will increase about VND100bn from interest.
- For a quick calculation, YE2019 NPAT is expected to be about VND200bn, **EPS VND12,500** (assuming no dilution)
- Given the current market situation and the fact that NTC is considered a defensive stock, we would like to suggest watching NTC closely and starting to buy around VND65,000. **The reason for the conservative strategy is that we do not know how much is the dilution for the private placement and what would be the price after the dilution.** (There's a possibility that the dilution could be massive). If the dilution is low, then it could be a clearer signal for a BUY.



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