Binh Chanh Construction Investment JSC (BCI – HSX)

Turning land into gold

Particulars (VND bn)	Q4-FY15	Q1-FY16	*+/- qoq*	Q1-FY15	*+/- yoy*
Net Revenue	43.4	345.6	-87%	22.5	93%
PAT	9.3	99.7	-91%	23.9	-61%
EBIT	7.9	124.0	-94%	22.0	-64%
EBIT margin (%)	18.2%	35.9%	-1,764bps	97.7%	-7,942bps

Source: BCI, RongViet Research

- **Upbeat earnings growth bolstered by extraordinary income;**
- **Realizing the potential of the land bank;**
- **Fast-growing transport infrastructure to projects' prospect.**

Outlook and valuation:

BCI is one of the most experienced real estate developers in HCMC. The firm is advantaged by a large land bank of over 300ha it has accumulated over the years at a very low cost. BCI was once known for its conservative business strategy and unfluctuating revenue and earnings. Following the withdrawal of the State-related HFIC as its largest shareholder and the following acquisition by KDH in mid-2015, BCI witnessed a major shift in its direction where the Company has been actively seeking to liquidate non-operating assets to focus resources on its larger projects. To counter the location disadvantage of its projects, BCI plans to start the construction of the two-kilometer Binh Tien Street BT project this year. We view these as necessary preparations that should put BCI on a fast growth tracks starting 2018.

Combining the RNAV method and the comparable valuation approach (P/B), we determine the reasonable per-share price for the stock of BCI at **VND28,400**, 20% higher than the stocks' close as of July 06 2016 and translating into a market capitalization of VND2,640bn. All else being equal, the target price is adjusted down 1% due to some refinement in the model. We also change our recommendation from NEUTRAL to **ACCUMULATE** in the **LONG TERM** because the stock has dropped a bit since February and the upside has increased enough to validate a stronger recommendation.

Table 1: Key financials

Y/E Dec (VND bn)	FY2014	FY2015	FY2016F	FY2017F
Net Revenues	240.8	462.9	451.3	1.209.4
% chg	*-31.2*	*92.3*	*-2.5*	72.3
PAT	97.2	292.9	233.6	372.7
% chg	*1.6*	*201.2*	*-20.2*	60.3
EBIT margin (%)	40.4	63.3	51.8	30.8
ROA (%)	2.9	9.0	7.0	9.6
ROE (%)	5.5	15.4	11.1	16.1
EPS (VND)	1,346	3,124	2,479	4,298
Adjusted EPS (VND)	1,122	3,124	2,479	4,298
Book value (VND)	24,505	23,353	25,047	28,332
Cash dividend (VND)	800	1,000	1,000	1,000
P/E adjusted (x)	13.0	7.7	9.5	5.5
P/BV (x)	0.7	1.0	0.9	0.8

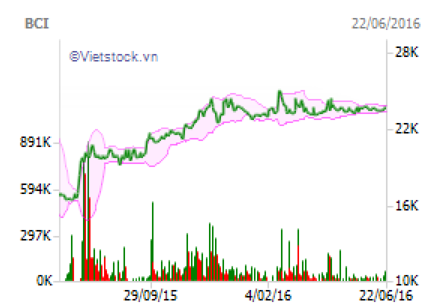
Sources: BCI, RongViet Securities; Stock price as of 7 July, 2016

ACCUMULATE

CMP (VND)	23,800
Target Price (VND)	28,400
Investment Period	LONG TERM

Stock Info

Sector	Real estate
Market Cap (VND bn)	2,064
Current Shares O/S	86,720,144
Beta	0.74
Free float (%)	0.43
52 weeks High	25,100
52 weeks Low	16,000
20-day Avg. Volume	30,689



Performance (%)

	3M	1Y	3Y
REE	-2.07	44.79	107.02
General Industrials	8.94	7.50	29.34
VN30 Index	10.31	26.65	79.20
VN-Index	8.79	7.14	25.41

Major Shareholders (%)

Khang Dien House	57.0
Foreigner Investor Room (%)	39.9

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Upbeat earnings growth bolstered by extraordinary income

A radical change in leadership jumpstarted a financial and organizational overhaul in BCI. Last year, the Company reported a jump in revenue (+92% yoy) and net income (+275% yoy) thanks to asset sales and other extraordinary income. Residential land sale recorded the transfer of 10.5ha in Phong Phu 4 Residential Area (PP4) to the Management Authority of the South Saigon (MASS). In addition, BCI recorded negative COGS in Q2 (minus VND82 bn) as it surrendered part for the project's infrastructure works, which were previously BCI's responsibility to develop, to the MASS. In 4Q/2015, the Company sold the land of Nhat Lan 5 Apartment for VND42 bn.

BCI posted strong indutrial land sales in 2H2015 as it adjusted the lease term and renew contracts for the the Le Minh Xuan Area for Small Industries and Handicrafts Industrial Park, which added VND32bn to net revenue. Lastly, the liquidation of nearly 1 hectare of cleared land alongside Vo Van Kiet Boulevard, which belong to an old project, i.e. Nam Hung Vuong RA, also brought VND97bn in Other income.

Exhibit 1: 2015 income breakdown (VND bn)

No.	Item	Revenue	COGS	Gross profit
1	Residential land/apartment sales	281,087	13,520	267,567
	Phong Phu 4 RA – land transfer for resettlement	*169,000*	*(36,000)*	*205,000*
	Nhat Lan 5 Apartment	*42,015*	*15,912*	*26,103*
	Nam Hung Vuong RA	*15,000*	*5,000*	*10,000*
	Phong Phu 5 RA	*13,000*	*2,000*	*11,000*
	Tay Ten Lua RA	*7,000*	*1,000*	*6,000*
	Others (Nhat Lan 2, 3, etc.)	*35,072*	*25,608*	*9,464*
2	Property service fees/Comissions	5	-	5
3	Leasing revenus	4,099	-	4,099
4	Project utilities service fees	18,415	5,223	13,192
5	Industrual land sales	73,843	19,879	53,964
	Le Minh Xuan IP	*41,843*	*8,879*	*32,964*
	Area for Small Industries and Handicrafts	*32,000*	*11,000*	*21,000*
6	Industrial park services	71,842	32,236	39,606
	Pre-built factories	*25,000*		
	Industrial park services (water, electricity, etc.)	*46,842*		
7	Subsidiary consolidated revenue	13,590	8,823	4,767
8	Financial income	7,497		
9	Other income	98,505		
	TOTAL	**714,566**	**99,560**	**437,162**

Source: BCI, RongViet Research

The liquidation of non-profitable assets has helped BCI raise cash for its larger projects such as Corona City (11A RA), Phong Phu 2 RA, Le Minh Xuan IP Expanded. Currently, BCI has the largest sellable inventory in Phong Phu 4 RA. Now that PP4 is finally free from the tangled mess of crossing transactions with the state authority, BCI is relieved to turn its focus to the bigger picture while pushing sales at the project.

Considering the high base of 2015, it was not surprising that BCI targeted a negative 59% in bottom-line growth this year. BCI reported a sharp decline in earnings from a year earlier in 1Q2015 as the result of slow sales during the holiday season and the absence of large transactions. NPAT dropped 61% yoy in the three months ended March 2016.

Exhibit 3: 1QFY2016 and YTD Results

Particulars (VND bn)	Q1-FY16	Q4-FY15	+/- % (qoq)	Q1-FY15	+/- % (yoy)
Net Revenue	43.4	345.6	-87.5%	22.5	92.8%
Gross profit	22.4	206.4	-89.2%	12.8	75.1%
SG&AC	-11.3	-77.9	-85.4%	9.4	-220.1%
Operating Income	33.7	284.3	-88.1%	3.3	910.7%
EBITDA	7.9	124.0	-93.6%	20.1	-60.7%
EBIT	7.9	124.0	-93.6%	22.0	-64.0%
Financial expenses	-4.1	-2.7	48.8%	3.1	-230.4%
- Interest Expenses	-3.2	-2.6	21.9%	3.1	-203.5%
Dep. and amortization	1.8	1.8	0.0%	1.8	-0.9%
Non-recurring income (*)					
Extraordinary income (*)		87.9			
PBT	11.1	126.6	-91.2%	18.9	-41.2%
NPAT	9.3	99.7	-90.7%	23.9	-61.3%
(*) Adjusted NPAT	9.3	29.4	-68.5%	23.9	-61.3%

Source: BCI, RongViet Securities

Exhibit 4: 1QFY2016 performance analysis

Particulars	Q1-FY16	Q4-FY15	+/- % (qoq)	Q1-FY15	+/- % (yoy)
Profitability Ratios (%)					
Gross Margin	51.6	59.7	-808bps	56.8	-520bps
EBITDA Margin	14.0	35.3	-2,133bps	89.5	-7,544bps
EBIT Margin	18.2	35.9	-1,764bps	97.7	-7,942bps
Net Margin	21.4	28.8	-747bps	106.4	-8,499bps
Adjusted Net Margin	21.4	8.5	1,287bps	106.4	-8,499bps
Turnover *(x)					
-Inventories	0.0	-0.3	0.2	0.0	-0.1
-Receivables	1.8	19.8	-18.0	0.6	1.2
-Payables	-0.3	-1.4	1.1	0.1	-0.5
Leverage (%)					
Total Debt/ Equity	0.6	0.7	0.0	0.8	-0.2

Source: BC,I (*) annualised

With the knots untied, the course is set for BCI to realize its full potential

With 360 hectares of industrial and residential land in HCMC, over 60% of which is "clean" land, BCI has one of the largest land bank in Saigon. The firm is taking the battle to projects where its has the highest rate of clearance and will push construction across the board between 2016 and 2018.

(1) Phong Phu 4 Residential Area (commercially known as Viet Phu Garden)

(2) 11A Residential Area (or Corona City)

(3) An Lac Plaza (or western Dragon)

(4) Le Minh Xuan Industrial Park Expanded

(5) Binh Tien Streen BT Project (in association with Licogi 16)

Phong Phu 4 RA: Clean and cleared

By the end of 1Q2015, PP4 was the largest project in BCI's marketable inventories. Lying along side AH50, the 85-hectare project has a 2,300 lots for townhouses and 640 units of apartments. PP4 was started in 2009 and now has a compensation rate of 90%.

Sales in PP4 between 2013-2015 were relatively slow, largely due to the unfinished between BCI and the Management Authority of South Saigon. Orginally, BCI was contracted to leave more than 24ha of commercial land in PP4 to the MASS for resettlement. In 2010 the Company received a deposit for 10.3 hectares at VND2.7mn per sqm but the full price (VND7.5mn per sqm) was not agreed to until the last quarter of 2015. Revenue from this one transaction totals around VND280 bn, part of which was recognized in 2015 and the rest will be booked this year. Last year, BCI also manage to retrieve the remaining 14ha from the MASS for its own development. This increased the commercial land of PP4 in the Company's inventories to over 15 hectares. PP4 is offering residential land plots for town houses and villas at prices starting from VND12 mn per sqm.

PP4 has certain sales advantages. The project is located in the heart of a densely populated neighbourhood. Though it is not fully compensated, the project has finished paved roads, a clinic, a kindergarten, a primary school among other facilities. PP4 is 10 km from the vibrant Phu My Hung but just 3km away from the Ben Luc - Long Thanh Expressway under development. Upon the construction Binh Tien Street - a 2-kilometer BT project invested by BCI, another road connecting PP4 and the main stream of AH50 may also be started.

Exhibit 4: BCI's current project pipeline

Project	Carrying value* (VND bn)	Area (m^2)	Sellable (m^2)	Clearance	Total Inv. (VND bn)	Descriptions/Progress
Le Minh Area for Small industries and Handicrafts	7	167,190	105,027	100%	50	- Lease term extended from 40 years to 50 years and annual lease payment changed to lump-sum payment; - 50% of contracts renewed by 2015 year end. - New lease rate ~VND2 mn/sqm for the remaining years.
Le Minh Xuan IP Expanded	219	1,099,138	662,278	63%	950	- Phase 1 (52 hectares): to be open for sale in 2016; 5.1 hectares still under compensation. - Phase 2 (58 hectares): compensation to be finished in 2016
Tan Tao Central City Urban Area	556	3,299,670	989,000	42%	8,300	- Under compensation.
Phong Phu 4 Residential Area (Viet Phu Garden)	461	850,475	402,620	85%	1,300	- 10.3 hectares handed over to the MASS for resettlement under the final contract signed in late 2015. - 50% of the low-rise area (10.5 hectares) sold at an average VND11 mn/sqm (w/ VAT); - 14 hectares in the high-rise area returned by the MASS for commcercial development.
11A Residential Area (Corona City)	371	181,600	68,500	89%	850	- Townhouses: 3.04ha; villas 2.24ha, high-rise condos: 1.57ha. - 1/2000 planing approved, 1/500 planning under adjustment; investment certificate pending for approval. - Binh Tien Street BT project to start in 2016.
Phong Phu 2 Residential Area	197	1,270,897	609,800	48%	4,000	- Under compensation.
An Lac Plaza (Western Dragon)	286	57,749	36,457	100%	660	- Sales began in Q4/2015; prices started from VND23 mn/sqm (w/ VAT). - 100% (463 units) sold by 1Q2016. - Handover scheduled in 2017.
158 An Duong Vuong	195	19,000	n/a	100%	n/a	- Finding buyer for wholesale.
510 Kinh Duong Vuong	205	8,800	n/a	100%	n/a	- Finding buyer for wholesale.
Total	**2,635**				**16,110**	

Source: BCI, RongViet Research

Corona City (11A RA): The next big thing

In the same district as PP4, Corona City has a total land area of 18 hectares, and like its sister project, is 90% compensated. BCI has invested more than VND380 bn for the compensation and obtained the 1/500 planning plus the Investment Certificate for Corona City. The Company plans to start sales here in the third or fourth quarter of 2016.

As compared to PP4, Corona City looks better from a sale perpective. Corona City shares the borders with two of BCI's past projects, i.e. Phong Phu 5 RA (PP5) and Binh Hung RA. With a robust neighbourhood nearby and plenty comparable properties, it should not be hard to market residential land here. In addition, the start of BInh Tien Street crossing the project would provide a huge boost to its commercial value. Though it is not currently for sale, we believe Corona City could sell comfortably around VND20-25mn per sqm.

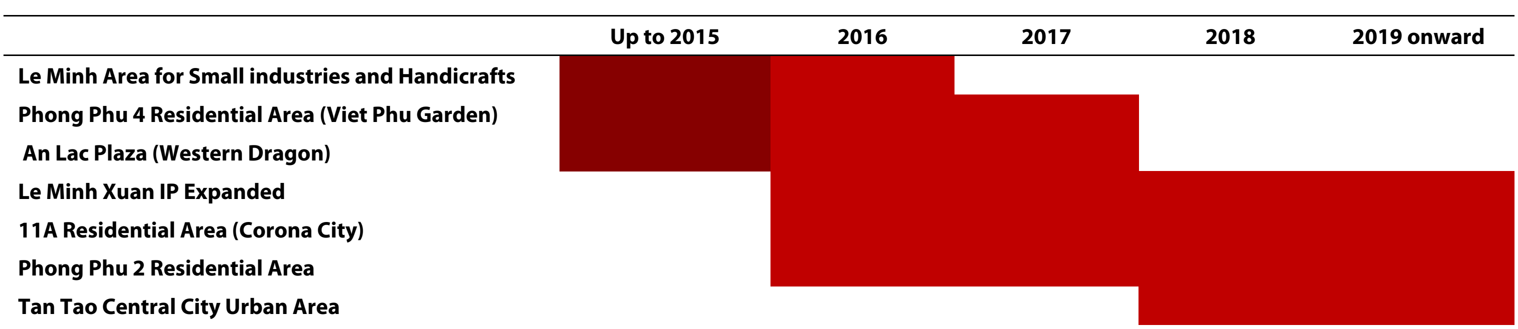
Western Dragon: Last but not least

Previously known as An Lac Plaza, Wester Dragon is BCI's lastest high-rise project. With a total investment around VND700bn, the eighteen-storey condo is built on a land area of 7,553 sqm and has 463 units of apartments sizing from 50 sqm to 70 sqm which sells from VND23 mn per sqm after VAT. Western Dragon is distributed through Hoang Anh Sai Gon – a renowned realtor. The project was first marketed in 4Q2015 and is now sold out. BCI will begin handing over sold units in early 2017.

Western Dragon is located in a robust neighbourhood of Tay Ten Lua Residential Area, one of BCI's past projects. There is limited supply of affordable apartments and only a small number of competing developers within Binh Chanh District. However, given the project's total investment and primary offering prices, we estimate BCI's gross profit margin in Western Dragon only 15-20%.

Being less densly populated areas of Saigon, western districts such as Binh Tan, Binh Chanh, District 8, etc. are never thought to have a strong market for apartments. BCI's decision to sell the entire project through Hoang Anh Saigon for an early finish is an indication of the Company's intent to move away from this less profitable, long-lead-time segment. That is more relevant considering BCI's liquidatio of Nhat Lan 5, also a low-end high-rise project, last year and the firm's plan to liquidate similar projects such as 158 An Duong Vuong and 510 Kinh Duong Vuong this year.

Exhibit 5: Project timeline



Source: BCI, RongViet Research

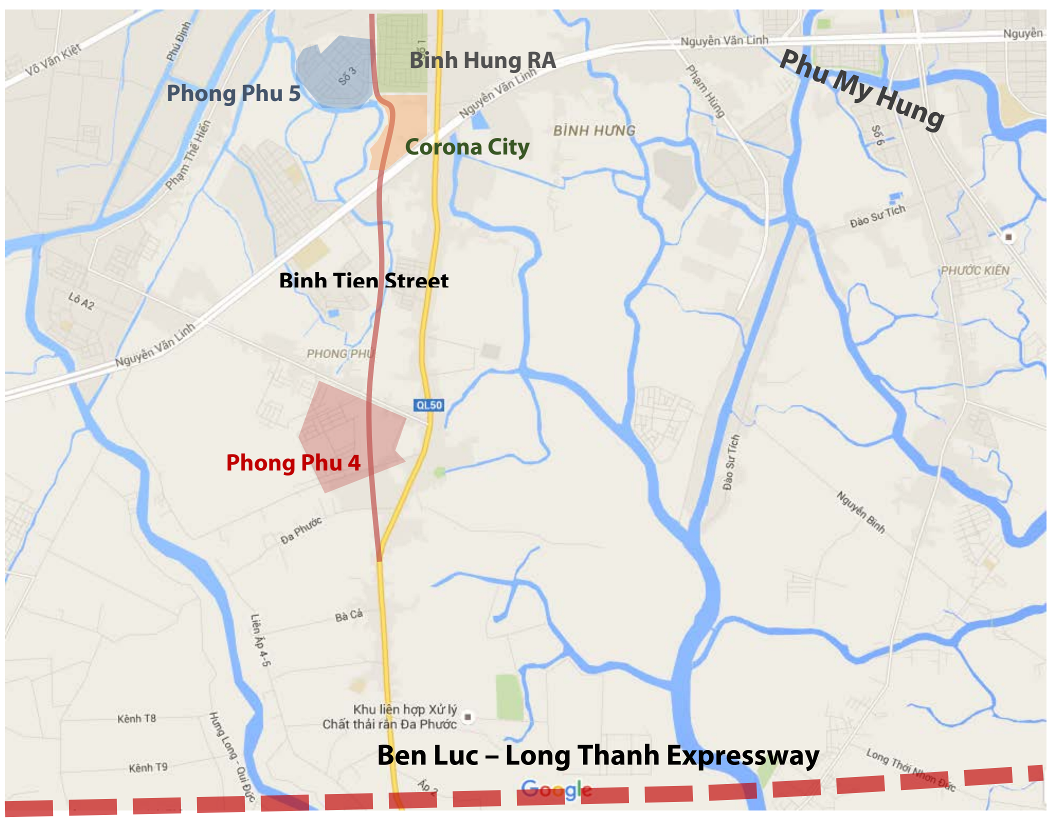
Le Minh Xuan Ip Expanded: Timing is the key

HCMC has been a strong base of FDI attraction in Vietnam, which gives industrial park developers here an edge against those in other provinces. BCI has two industrial projects in the city. The earlier 100-hectare Le Minh Xuan IP was developed in 1997 and is now fully occupied. The Area for Small Industries and Handicraft is a 17-hectar section of Le Minh Xuan IP which was just developed in 2005. Orginally, the area was leased on a 40-year tenure with annual payment. In 2015, BCI was allowed to extend the lease period by another ten years (to 2025) but had to re-negotiate with exisiting tenants for lump-sum collection of the remaining years. The lease rates after said adjustments were about VND2 mn per sqm. This shortens the duration of the cash flows and allows one-time sales recognition for the leased area as long as the tenants agree to new terms. Until now, around half to the existing tenants in the Area for Small Industries and Handicrafts have renewed contracts with BCI. Total sales for the entire 17 hectares are estimated around VND210 bn, 40% of which was booked in 2015. We expect the remaining amount to be recognized this year.

Le Minh Xuan IP Expanded will be BCI's third industrial project. The industrial park has a total investment of VND950 bn cover an area of 109.9 hectares, 63% of which has been compensated. In Phase 1 of the project, which is set to start this year, BCI will try to clear another 5.1 hectares then begin to lease out the compensated area. Phase 2 should begin in late 2016 as BCI push compensation in the remaining area.

Le Minh Xuan IP Expanded starts when demand industrial land is Saigon is at its peak and new supply is limited. Since more than half of the project's area has been compensated, we do not expect execution and sales to take a long time.

Exhibit 6: BCI's project map



Source: RongViet Research

Better connectivity means better profitability

One minus to BCI's property pipeline is the relatively long distance from the projects to the city center. On top of locational disadvantage, the lack of a really effective means of transportation reduces the projects' attraction and marketability. Realizing this, BCI has made a proposal to become the investor of Binh Tien Street, a 2-kilometer street that would go right through BCI's project cluster in Binh Chanh, i.e. Phong Phu 5 – Binh Hung – Corona City while connecting District 6 (Ta Quang Buu Street) and Binh Chanh District (Nguyen Van Linh Boulevard).

Binh Tien Street will be developed for an estimated VND1,000bn under the built – transfer framework by a joint venture between BCI and Licogi 16 (HSX – LCG) where the construction value is deductible in LUR payment by the investors. The construction of Binh Tien Street is expected to start in Q3 and finish within 13 months. The extending part of the Binh Tien that goes parallel with AH50 and leads directly to the Phong Phu 4 RA and Phong Phu 2 RA is also under consideration.

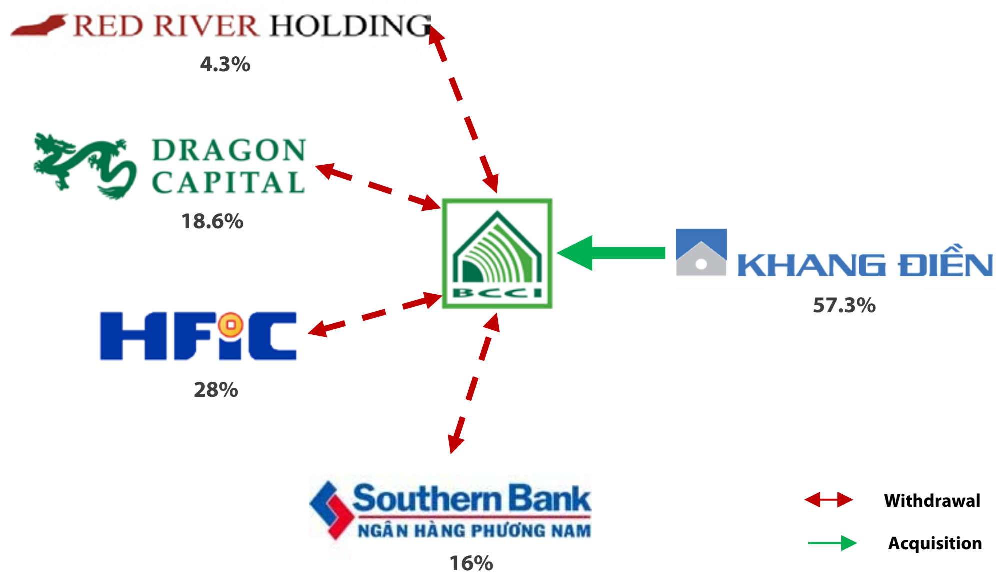
The construction of Ben Luc – Long Thanh Expressway is also expected to bring about a price premium for BCI's properties in Binh Chanh. 57 kilometers from start to end, the national-priority Ben Luc – Long Thanh Expressway is the longest land transport project in the South of Vietnam. The Expressway will go through the three districts of Nha Be, Binh Chanh and Can Gio in HCMC and the district of Nhon Trach in Dong Nai Province. The project is an attempt to create a link that would facilitate traveling, investment and economic growth in the Southeastern region. Ben Luc - Long Thanh Expressway is scheduled to complete in part by 2017 whereas the entire project will finish by 2019.

A similar case where infrastructure upgrade entirely altered the face of the property market happened just two years ago in the west of Saigon. Between 2013 and 2015, the completion of Long Thanh – Dau Giay Expressway created a boom in the property market of District 2 and District 9 and resulted in the great success of many developers in the area, including KDH, the one company that acquired BCI last year. Although market conditions now are far different from 2015, we believe the completion of Binh Tien Street and Ben Luc – Long Thanh Expressway could still have a positive impact on the sale prospect of BCI's projects.

The shift in the ownership is bringing a new energy

Before the arrival of KDH, BCI's ownership structure was dominated by the Hochiminh City Financial Investment Company (aka HFIC) with 28%, Dragon Capital with nearly 19% and Southern Bank with more than 16%. Such a structure hindered the Company's flexibility and discouraged ambition in many decisions. However, since HFIC and DC withdrew and KDH became the controlling shareholder, we have witnessed major changes in the business direction of BCI. Recent liquidation of smaller project and the push for Binh Tien Street are strong indications of BCI's renewed ambition for growth.

Exhibit 7: Ownership changes



Source: RongViet Research

We have always viewed BCI as a company with many strengths. In the past, the best the Company could do with its vast land bank was developing cheap apartments and residential land for sale. The Company seemed too comfortable with recurring income from land leasing and industrial services to push the progress of its key projects. By the time HFIC announced the divorce with BCI, the stock was trading at 0.6 times its book value per share, significantly lower than the industry average of 1.1 times.

KDH, on the other hand, is a rising name among property developers in the East of Saigon. Upon the completion of the HCMC-Long Thanh-Dau Giay Expressway, KDH's line of townhouse and villa compound (e.g. Mega Residences, Mega Ruby, Mega Village, Melosa Garden, etc.) proved to be a big success. Nonetheless, as land prices in Dist.2 and Dist.9 continue to rise, KDH finds it increasingly more difficult to expand its pipeline without venturing too far into the luxury and high-rise segments or sacrificing its profit margins.

A handshake with KDH will allow BCI to exploit the full potential of its land bank, for example, by selling products with more added value such as ready-built townhouses and villas. If the pieces fit, there are vast opportunities for both companies in the intermediate and long term. We believe BCI would focus this year and the next on finishing the legal works and preparations for its main projects, including the 320-hectare Tan Tao Urban Area. In the meantime, KDH will spend more time with ongoing projects in its pipeline while helping BCI in aspects such as organizational restructuring and capital raising. We expect the firms to collaborate more closely in property development only from 2018.

The preparation of land is often the most time-consuming stage of a property project, which is why developers tend to utilize their own capital rather than debt for land compensation and clearance. Given the large size of its projects, we estimate that BCI's will need no less than VND3,000 bn to entirely "clear" the land in its current pipeline. In the EGM in November 2015, BCI's shareholders passed the plan to raise the Company's chartered capital to VND1,200bn through private placement at a price no less than 120% of market price at the time of issuance.

Though the said issuance will strengthen BCI's financial position, assuming the firm can see it done, we are concerned that there will be more issuance plans will be introduced over the next 2 years, given the firm's gasping capital needs. Dilution aside, the issuance will make it much more difficult for the Company to keep its EPS growing, especially when real estate market HCM is cooling off.

Exhibit 8: Sales breakdown 2015 – 2019 (VND mn)

	2015	2016	2017	2018	2019
I. Property sales					
Western Dragon			569,910	152,460	38,115
Phong Phu 4	169,000	165,861	269,148	251,205	358,864
Corona City			77,063	242,747	424,807
Le Minh Xuan IP (current)	41,843	44,254	44,254		
Le Minh Xuan Area for Small industries and Handicrafts		168,762			
Le Minh Xuan IP Expanded		59,605	250,341	328,573	328,573
Other	35,072				
TOTAL	**245,915**	**438,481**	**1,210,715**	**974,984**	**1,150,359**
II. Project liquidation					
Nhat Lan 5	42,015				
Dong Tay Highway	96,600				
510 Kinh Duong Vuong		250,800			
158 An Duong Vuong		232,320			
TOTAL	**138,615**	**483,120**			

Source: RongViet Research

Strong bottom-line supported by continued project liquidation

BCI's 2016 guidance dictates a 9-percent year-over-year drop in revenue and a 41-percent decline in PAT as compared to 2015.The remaining sales of the 10.5 hectares transferred to the MASS will be recognized along with the unbooked part of Le Minh Xuan Area for Small industries and Handicrafts, which depends only on contract renewal rather than new sales. In addition to expected a modest percentage of retail sales in PP4 and recurring income from industrial services in Le Minh Xuan IP, that puts BCI's revenue and profit plan well within its reach.We estimate BCI may book around VND462bn of revenue this year.

We reiterate, however, that the said plan does not account for the liquidation of 510 Kinh Duong Vuong (8,800 sqm) and 158 An Duong Vuong (19,000 sqm). We estimate BCI's 2016 PAT will reach VND232 bn, down only 20% yoy should the firm recognizes the sales entirely. Otherwise, 2016 PAT is forecast at about VND169 bn, down VND42.3% yoy.

More than just real properties

Aside from its property pipeline, BCI also holds 20% in BigC An Lac Co. Ltd., a JV between the firm and Casino Group and the investor of three BigC supermarkets in HCMC, i.e. An Lac, Mien Dong, Hoang Van Thu. In 4Q2015, BCI and Casino Group set up a new JV that would invest in the fourth stores, i.e. BigC City Land (Dist.7, HCMC). The carrying value of BCI's combined investment in both JVs as of the end of 1Q2015 was VND193bn. BigC is a very popular retail brand in Vietnam and each year BCI has a stable shared profits of VND30-40bn from the JV.

In May 2016, the entire network of 34 supermarkets under BigC Vietnam was sold by the parent company, i.e. Casino to Central Group for over USD1bn. There has been no statement from BCI with regard to the sales of its shares in BigC An Lac to Central Group though we believe the action is under serious consideration. Given the price agreed upon by Casino and Central, we estimate BCI can get a pretax profit of over VND300bn if it can make the sales. However, until the sales value can be measured with more certainty, we exclude the investment in BigC An Lac from our revaluation of BCI's net asset value.

Exhibit 9: Revaluation of BCI's real estate projects

Project	Carrying value	Revaluation	+/-	Method
An Lac Plaza	286	276	(10)	DCF
Phong Phu 4	461	464	3	DCF
Le Minh Xuan IP Expanded	219	467	248	DCF
Le Minh Xuan Area for Small industries and Handicrafts	7	165	158	DCF
Corona City	371	381	10	DCF
510 Kinh Duong Vuong	205	232	27	Comparable
158 An Dương Vuong	195	251	56	Comparable

Source: RongViet Research

To determine the reasonable equity value for BCI, we combine the RNAV with the P/B methods. In the RNAV approach, we revalue the real estate projects in the Company's pipeline with consideration of additional investments nessceary to put the projects online.

As for the relative value method, the market-cap-weighted average P/B ratio of listed real estate companies is estimated at about 1.1x. Considering of the characteristics particular to BCI's projects, we believe the appropriate P/B for the Company is 1.0x.

Exhibit 10: Revaluation of LHG's equity (VND bn)

Chỉ tiêu	31/03/2016 (Đã kiểm toán)	Giá trị đánh giá lại
Cash and cash equivalents	53,39	53,39
Short-term investments	-	-
Receivables	110,70	110,70
Inventory	2.209,48	2.989,26
Other short-term assets	4,78	4,78
Tangible fixed assets & construction in progress	507,24	534,56
Intangible fixed assets	0,09	0,09
Investment property	84,02	84,02
Long-term investments	219,41	219,41
Other long-term assets	5,39	5,39
Long-term receivables	109,82	109,82
Goodwill	3,33	3,33
Total	3.304,24	4.299,42
Deductions		
Liabilities	1.292,31	1.292,3
Minority shareholders' interest	-	0
Net asset value	**2.011,9**	**2.822,4**
Total outstanding shares		86.720.144
Net asset value per share (VND)		**32.547**

Source: RongViet Research

Exhibit 11: Industry peers' P/B ratios

Ticker	Market cap (billion VND)*	P/B (x)
KBC	6.952,45	0,96
KDH	4.140,00	1,26
NLG	3.128,74	1,39
PDR	2.986,79	1,31
IJC	2.412,91	0,81
SJS	2.337,39	1,17
SCR	2.105,56	0,70
DIG	2.062,10	0,73
BCI	2.046,60	1,02
DXG	1.828,41	1,16
HDG	1.823,25	1,84
CEO	1.091,12	0,91
NBB	1.058,91	0,84
TDH	830,58	0,60
Average		**1,06**

Source: RongViet Research

Exhibit 12: Valuation matrix

Method	Price (VND)	Weight	Weighted price (VND)
NAV	**32,243**	60%	**19,018**
P/B	**23,353**	40%	**9,341**
Total			**28,360**

Source: RongViet Research

Outlook and valuation:

BCI is one of the most experienced real estate developers in HCMC. The firm is advantaged by a large land bank of over 300ha it has accumulated over the years at a very low cost. BCI was once known for its conservative business strategy and unfluctuating revenue and earnings. Following the withdrawal of the State-related HFIC as its largest shareholder and the following acquisition by KDH in mid-2015, BCI witnessed a major shift in its direction where the Company has been actively seeking to liquidate non-operating assets to focus resources on its larger projects. To counter the location disadvantage of its projects, BCI plans to start the construction of the two-kilometer Binh Tien Street BT project this year. We view these as necessary preparations that should put BCI on a fast growth tracks starting 2018.

Combining the RNAV method and the comparable valuation approach (P/B), we determine the reasonable per-share price for the stock of BCI at **VND28,400**, 20% higher than the stocks' close as of July 06 2016 and translating into a market capitalization of VND2,640bn. All else being equal, the target price is adjusted down 1% due to some refinement in the model. We also change our recommendation from NEUTRAL to **ACCUMULATE** in the **LONG TERM** because the stock has dropped a bit since February and the upside has increased enough to validate a stronger recommendation.

VND Billion

PERFORMANCE	FY2013	FY2014	FY2015E	FY2016F
Revenue	240.8	462.9	451.3	1,209.4
COGS	125.7	80.1	113.8	700.0
Gross profit	**115.1**	**382.8**	**337.4**	**509.3**
Selling Expense	4.9	4.6	4.5	24.2
G&A Expense	48.8	126.8	124.1	85.5
Finance Income	6.6	7.5	6.4	4.6
Finance Expense	8.5	11.6	17.5	1.4
Other profits	57.4	89.6	69.7	90.5
PBT	**97.2**	**365.0**	**292.0**	**493.3**
Prov. of Tax	-0.3	72.1	58.4	98.7
Minority's Interest	0.2	0.0	0.0	0.0
PAT to Equity Shareholder	**97.2**	**292.9**	**233.6**	**394.6**
EBIT	**104.3**	**376.3**	**308.2**	**493.3**
EBITDA	96.8	368.8	320.0	508.1

Unit: %

FINANCIAL RATIO	FY2013	FY2014	FY2015E	FY2016F
Growth				
Revenue	-31.2	92.3	-2.5	168.0
Operating Income	-14.0	309.4	-16.9	91.4
EBITDA	-19.8	281.1	-13.2	58.8
EBIT	-19.2	260.8	-18.1	60.1
PAT	1.6	201.2	-20.2	68.9
Total Assets	-5.9	0.6	5.5	16.9
Equity	1.0	14.4	7.3	14.2
Internal growth rate	2.2	10.9	7.0	13.2
Profitability				
Gross profit/Revenue	47.8	82.7	74.8	42.1
Operating profit/ Revenue	25.5	54.3	46.3	33.0
EBITDA/ Revenue	40.2	79.7	70.9	42.0
EBITDA/ Revenue	43.3	81.3	68.3	40.8
Net margin	40.4	63.3	51.8	32.6
ROAA	2.9	9.0	7.0	10.6
ROIC or RONA	3.9	13.6	10.4	15.6
ROAE	5.5	15.4	11.1	17.0
Efficiency				
Receivable Turnover	1.0	2.8	5.3	11.8
Inventory Turnover	0.1	0.0	0.0	0.3
Payable Turnover	0.3	0.2	0.5	1.8
Liquidity				
Current	4.7	6.0	8.7	4.7
Quick	0.7	0.7	0.8	0.9
Solvency				
Total Debt/Equity	82.8	66.0	58.1	61.9
Current Debt/Equity	6.0	5.0	8.0	7.0
Long-term Debt/ Equity	19.0	17.6	22.1	19.3

VND Billion

BALANCE SHEET	FY2013	FY2014	FY2015E	FY2016F
Cash and equivalents	87.4	153.9	129.5	533.1
Short-term investment	0.0	43.5	43.5	43.5
Receivables	248.0	85.2	83.5	120.9
Inventories	2,119.9	2,195.7	2,640.3	2,945.1
Other current assets	8.2	10.9	9.6	9.0
Total Current Asset	**2,463.6**	**2,489.2**	**2,906.4**	**3,651.6**
Tangible Fixed Assets	27.3	24.4	-13.3	14.2
Intangible Fixed Assets	0.1	0.1	0.1	0.1
Construction in Progress	439.6	440.0	232.0	29.1
Investment Property	94.4	84.9	84.9	84.9
Long-term Invest ment	207.3	212.6	223.2	234.4
Other long-term assets	1.0	0.7	0.7	0.9
Goodwill	3.8	3.4	3.4	3.4
Long-term Asset	**773.5**	**766.1**	**527.6**	**363.5**
Total Asset	**3,237.1**	**3,255.3**	**3,433.9**	**4,015.1**
Payables	70.4	137.4	56.9	210.0
Other current liabilities	347.2	176.6	103.8	399.1
Current Debt	107.0	101.2	174.0	174.0
Long-term Debt	336.5	356.1	479.0	479.0
Other long-term liabilities	605.1	565.6	448.1	273.0
Total Liability	**1,466.2**	**1,336.9**	**1,261.8**	**1,535.1**
Owner's Equity	**1,770.9**	**2,025.2**	**2,172.1**	**2,480.0**
Capital	722.7	867.2	867.2	867.2
Retained Earnings	193.8	284.2	431.1	739.0
Funds & Reverses	243.7	263.1	263.1	263.1
Others	**0.0**	**0.0**	**0.0**	**0.0**
Total Equity	**1,770.9**	**2,025.2**	**2,172.1**	**2,480.0**
Minority's Interest	0.0	0.0	0.0	0.0
TOTAL RESOURCES	**3,237.1**	**3,362.1**	**3,433.9**	**4,015.1**

CASH FLOW STATEMENT	FY2013	FY2014	FY2015E	FY2016F
Profit before tax	97.2	365.0	292.0	493.3
-Depreciation	7.5	7.1	11.9	14.9
-Adjustments	*-37.5*	*-22.0*	*-74.6*	*-50.0*
+/- Working capital	-70.3	-261.8	-770.7	-167.1
Net Operating CFs	**-3.0**	**88.3**	**-541.4**	**291.1**
+/- Fixed Asset	-1.7	-20.9	241.4	165.5
+/- Deposit, equity investment	-20.0	-43.5	-60.6	-61.3
Interest, dividend, cash profit	74.2	28.9	67.1	45.0
Net Investing CFs	**52.5**	**-35.5**	**247.9**	**149.2**
+/- Capital	0.0	0.0	0.0	0.0
+/- Debt	-72.7	13.8	245.6	50.0
Dividend paid& other	-64.5	-0.1	23.5	-86.7
Net Financing CFs	**-137.2**	**13.7**	**269.1**	**-36.7**
+/- cash & equivalents	-87.6	66.5	-24.4	403.6
Beginning cash & equivalents	**0.0**	**87.4**	**153.9**	**129.5**
Impact of exchange rate	175.0	0.0	0.0	0.0
Ending cash & equivalents	**87.4**	**153.9**	**129.5**	**533.1**

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Intermediate- term (up to 6 months)	>20%	10% to 20%	-5% to10%	-15% to- 5%	<-15%
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