INDUSTRIAL PARKS

TOWARD SUSTAINABLE DEVELOPMENT

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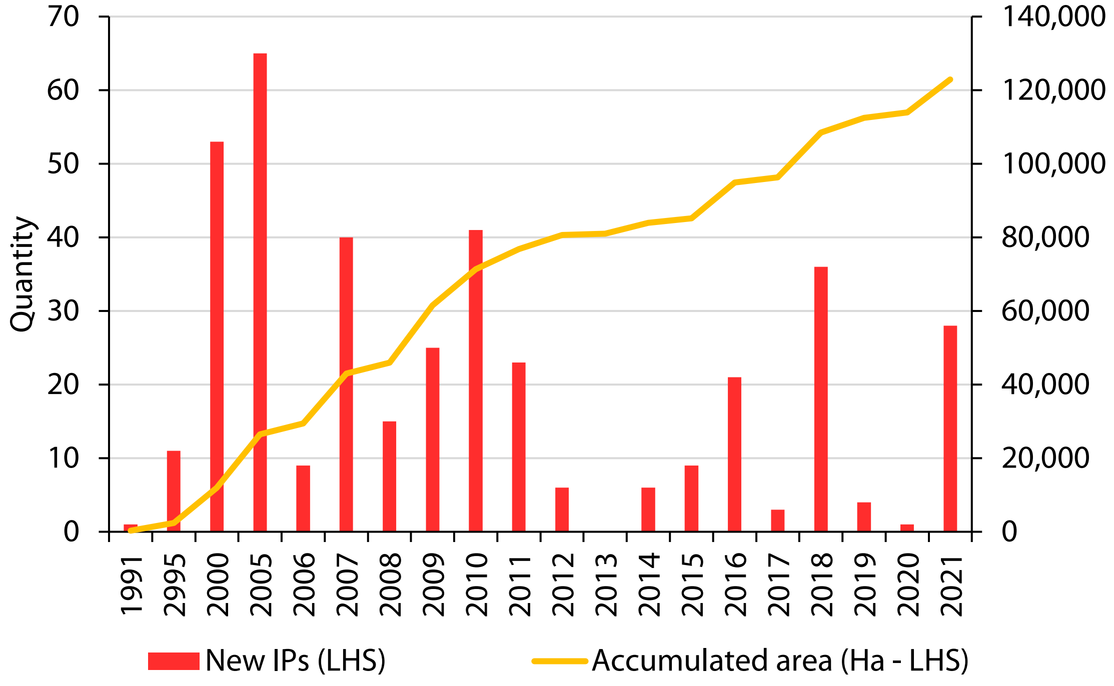
NEW IP ESTABLISHMENTS ACCELERATED

- "China +One" strategy and Covid-19 pandemic were main substances boosting many Industrial Parks (IPs) to be established since March 2020.
- There were 28 IPs were approved to establish with 8,900 hectares in 2021, which was significant compared with previous 2 years. Totally, 397 IPs were established, in which, 291 IPs are operating with occupancy rate of 52,5% on average.
- In 1H2022, there were 13 IPs approved by Prime Minister with a total area of 3,682 hectares. In which, the majority IPs located in Long An province.

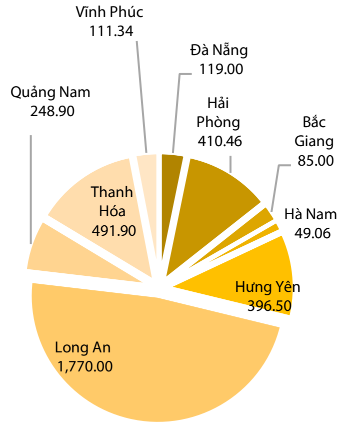
Figure 1: New IPs from 1991 to 2021



Source:.MoPI, Rong Viet Securities

Figure 2: New established IPs in 1H2022 summary

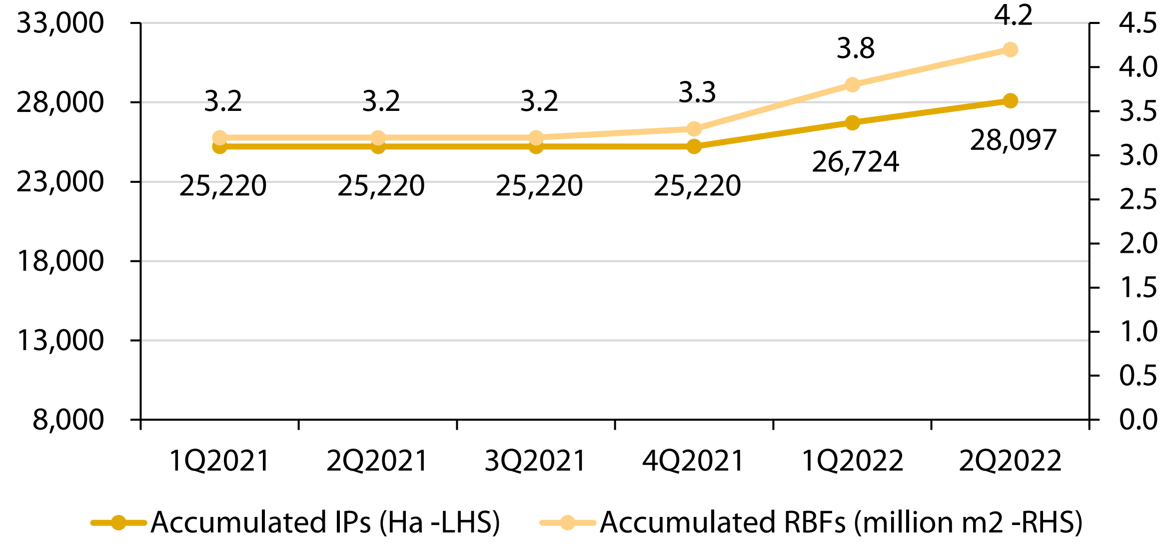
IP Name	Province	Area (Ha)
Hoa Cam - Phase 2	Da Nang	119.0
Tien Thanh	Hai Phong	410.5
Hoa Phu Expansion	Bac Giang	85.0
Dong Van I Expansion	Ha Nam	49.1
Thang Long II Expansion (phase3)	Hung Yen	180.5
Yen My II Expansion	Hung Yen	216.0
Loc Giang	Long An	466.0
PRODEZI	Long An	400.0
Tan Lap	Long An	654.0
TANDOLAND	Long An	250.0
Tam Thang Expansion	Quang Nam	248.9
Dong Vang	Thanh Hoa	491.9
Phuc Yen	Vinh Phuc	111.3



Source: Rong Viet Securities

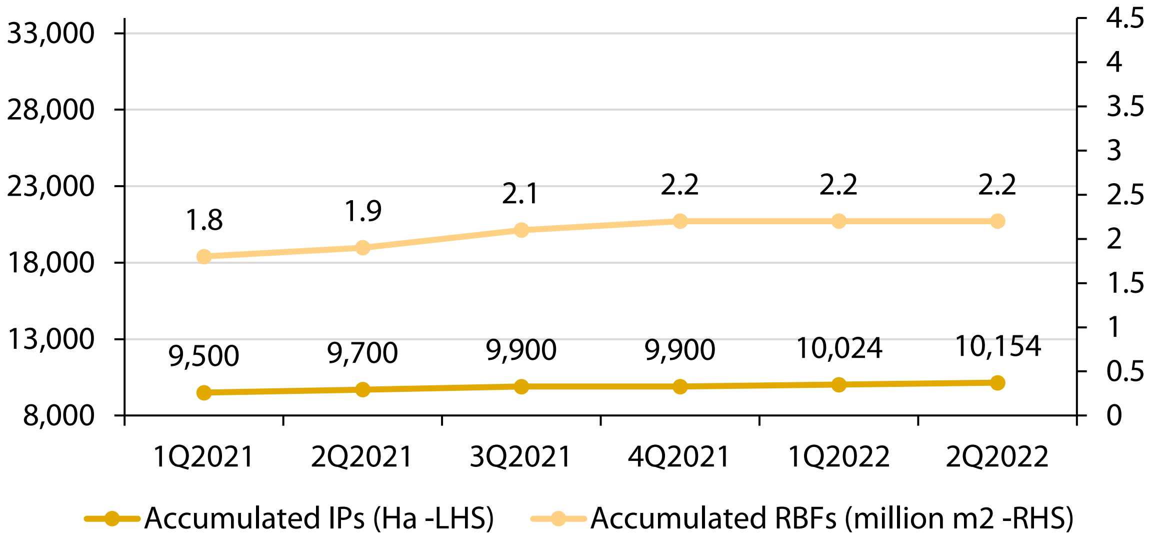
SOUTHERN REGION'S SUPPLY ACCELERATED IN 1H2022

Figure 3: Southern industrial land and Ready-built Factory(RBF)



Source:.JLL, Rong Viet Securities
Southern area consists of HCMC, Binh Duong, Dong Nai, Ba Ria Vung Tau and Long An markets

Figure 4: Northern industrial land and Ready-built Factory(RBF)



Source: JLL, Rong Viet Securities
Northern area consists of Hanoi, Hai Phong, Bac Ninh, Hung Yen and Hai Duong markets.

- In 1H2022, Industrial land market recorded increases in supply in both the Northern and Southern region. Occupancy rates remained high in both side at 79% and 83.6% respectively. Notably, There was a significant increase in supply in the South (3,131 ha) compared to the North (254 ha) in the 1H2022.
- Southern RBFs market also witnessed a sharp increase in supply with ~ 1 million sqm in 1H2022. While the North have not recorded any new supply in the first 6 months.

CENTRAL, TIER 2 CITIES MIGHT BECOME THE NEXT HOT SPOTS

Figure 5: Northern industrial land supply

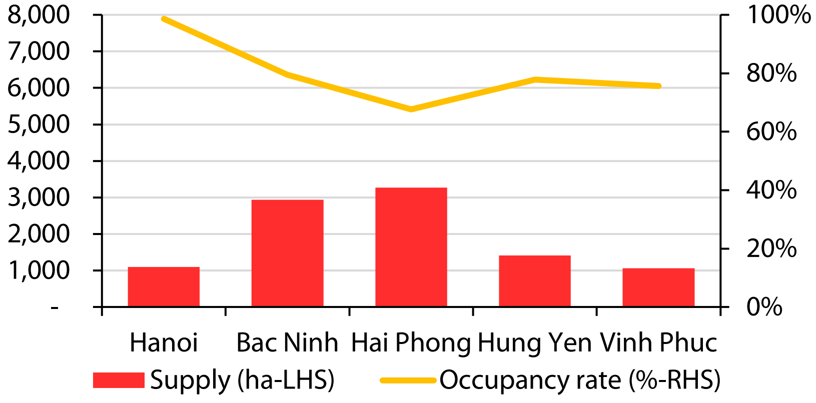


Figure 6: Central industrial land supply

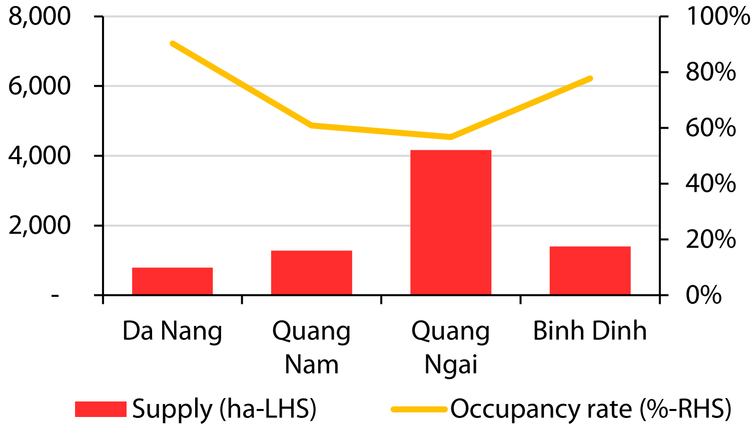


Figure 7: Southern industrial land supply

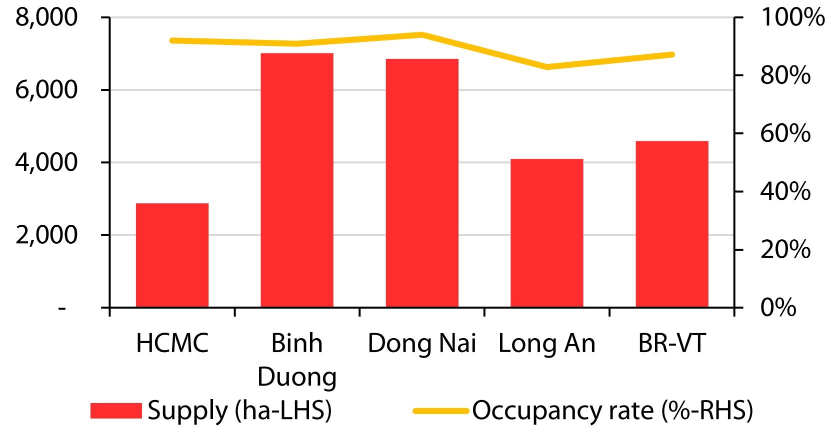
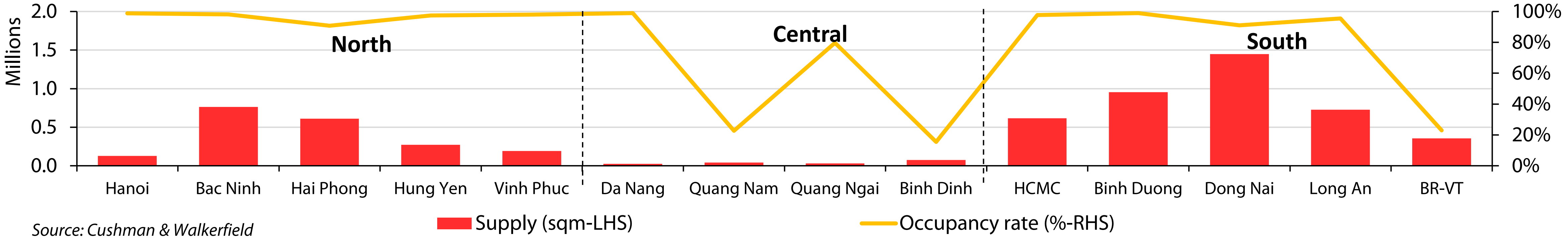


Figure 8: Ready-built Factory(RBF) supply

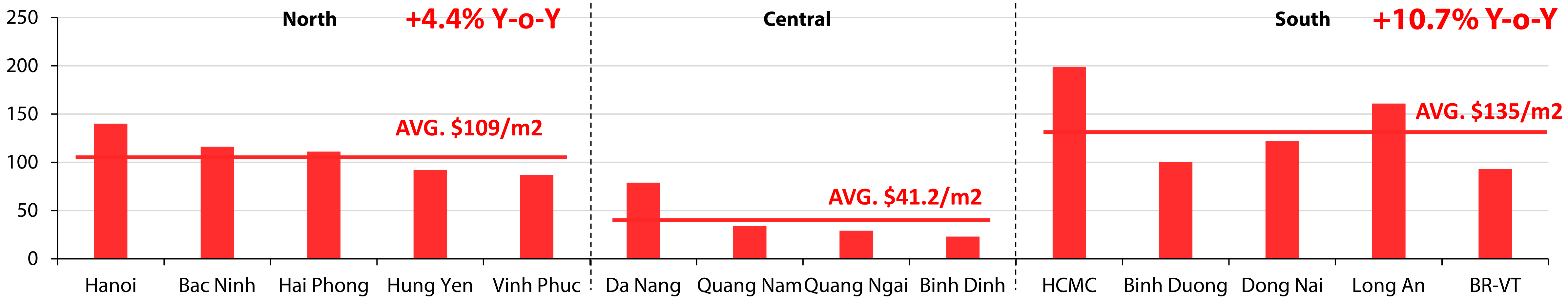


Source: Cushman & Walkerfield

- The North is considered as the top choice for global manufactures looking to expand out of China while maintaining proximity in supplies. Bac Ninh and Hai Phong are attractive destinations as having large land bank and low occupancy rate compared to peers in the region.
- Large land bank, dense seaport system will make the central industrial parks more attractive to investor in the future as national expressway completed.
- The South maintained its industrial center position as the most preferred destination for new manufactures entering the Vietnam market. HCMC, Binh Duong, Dong Nai nearly reach the supply limit, Long An and BR-VT will become the next hot spots to replace those industrial centers.
- The RBF market operated effective in major cities as occupancy rate maintained above 90%.

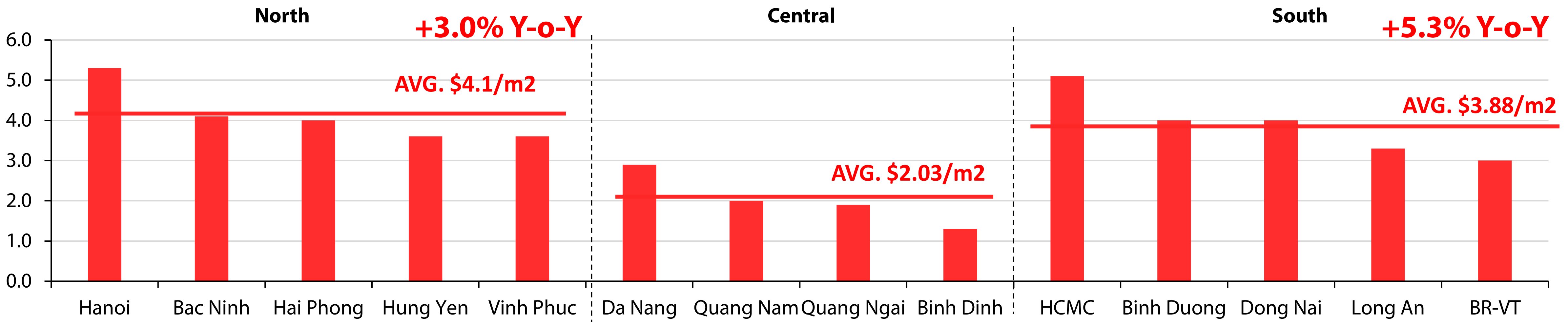
LEASING PRICE CONTINUED TO RISE

Figure 9: Industrial land leasing price (USD/m2/cycle)



Source: JJL, Cushman & Walkerfield

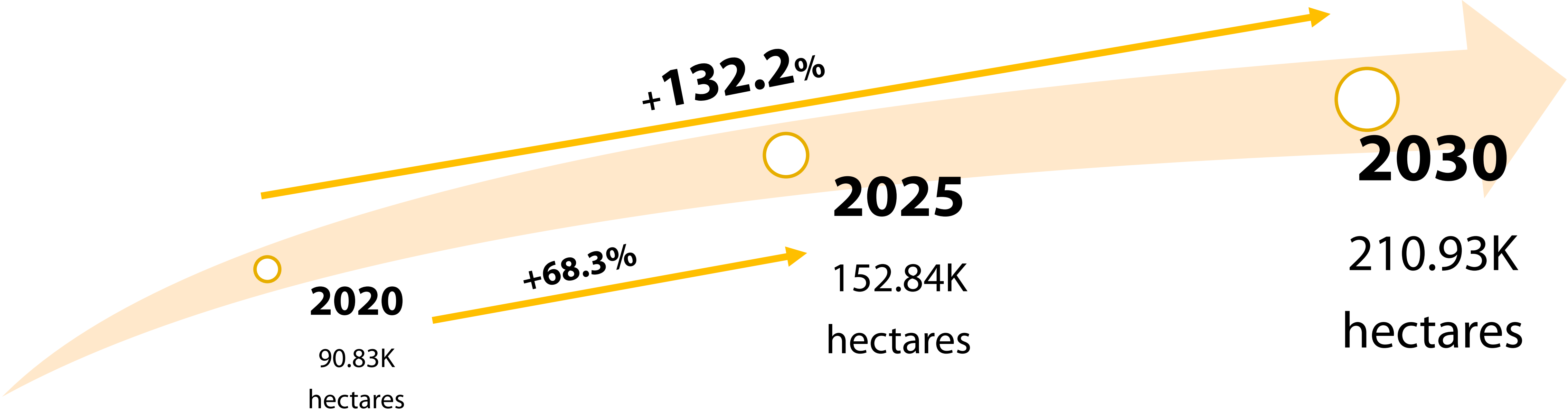
Figure xx: Ready-built Factory leasing price (USD/m2/month)



Source: JJL,Cushman & Walkerfield

RESOLUTION 39/2021/QH15 DEFINED LONG-TERM PLAN OF DEVELOPING INDUSTRIAL LAND BANK IN THE PERIOD 2021-2030

Figure 10: IP land bank development pipeline in the Resolution 39/2021/QH15



Source:. Rong Viet Securities

- On 13th November 2021, National Assembly passed resolution about national plan of land use in the period of 2021-2030 ensuring demand for the 10-year socio-economic development strategy.
- The resolution reveals the allocation pipeline to increase IP land bank from 90.83 K hectares in 2020 to 152.84 K hectares (+68.3%) in 2025 and 210.93 K hectares (+132.2%) in 2030. This original base to estimate the future supplies the next 10 years.

DECREE 35/2022/NĐ-CP GIVES MECHANISM AND ORIENTATION FOR IPS BUSINESS TO ENTER NEW PHASE

Changes in Decree 35/2022/NĐ-CP related to Industrial Park establishment

Decree 35/2022/NĐ-CP	Comment
• Article 2, Clause 6 defines Hi-tech Park terminology • Article 2, Clause 22 defines conditions to account for occupancy rate • Article 2, Clause 23 defines public service and utility facility for workers in an industrial park • Article 2, Clause 24 defines the term "*National industrial park or economic zone information system*"	There are more terminologies to be defined, which cause ambiguous in the previous decree
• Article 4, Clause 4 lists conditions to compile a list of industrial parks in a province or centrally-affiliated city	The requirements are set to be higher, ones of those are: -Industrial parks be synchronously connected to technical utility, social infrastructure and can attract human resources and serve as a hub to mobilize resources needed for development of industrial parks. -Each industrial park must reserve the space accounting for 2% of total area for development of accommodation, public service and utility facilities for workers and employees
• Article 6, Clause 6 :An industrial park is defined as already established since the competent authority	The clause helps reducing time and simplifies IPs investment process
• Article 7, clause 6: People's Committees of provinces shall be responsible for collecting written opinions on proposals involved in the master construction plan of the industrial park having area of above 200 hectares from Ministry of construction and Ministry of Planning and Investment.	This may prolong processing time but ensure long term sustainability as focusing more on synchronous planning in general.

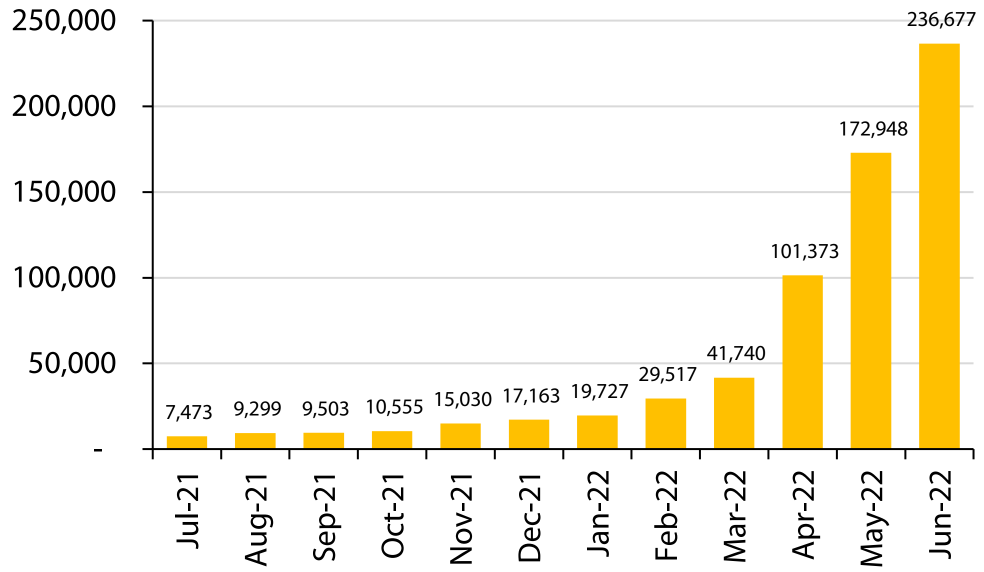
DECREE 35/2022/ND-CP GIVES MECHANISM AND ORIENTATION FOR IPS BUSINESS TO ENTER NEW PHASE

Continues…

Decree 35/2022/ND-CP	Comment
• Article 7, clause 7: The People's Committee of a province shall decide to adjust location and size of land included in the planning schemes for construction of the industrial park without any change of its district in several cases	This clause give People's Committees of provinces more authorities in adjusting minor changes, which save more processing time than before.
• Article 8, Clause 5 mentions requirements for project expansion.	The initial investor will be prioritized in being selected for the expansion phase
• Article 9 listed Preconditions for investment in infrastructure facilities of industrial park projects including minimum areas for SMEs	The conditions are clearer to ensure sustainable development. Notably, SMEs are paid attention.
• Article 10 mentions Eligibility requirements of investors in IP projects	The experienced developers with strong financial capability have more competitive advantage in biding.
• Article 27: Rights and obligations of investors	The article regulates pricing framework for developers to their customers.
• Article 29, clause 5: People's Committee shall approve the planning scheme for construction of the industrial park associated with the planning scheme for construction of housing blocks, public service and utility facilities for workers and employees in that industrial park	The clause shows encouragement in housing development for workers and employees in IP area.
• Article 32, 33, 37, 39, 40, 43. 44 mentions requirements, promotions policies, conditions to certify, termination policies for specialized industrial parks, eco-industrial parks, hi-tech industrial parks.	The government encourage to develop more these types of IP in the future toward sustainability.
• Chapter V: NATIONAL INDUSTRIAL PARK AND ECONOMIC ZONE INFORMATION SYSTEM	The government want to execute digital transformation in managing developments and operation of IPs and economic zones

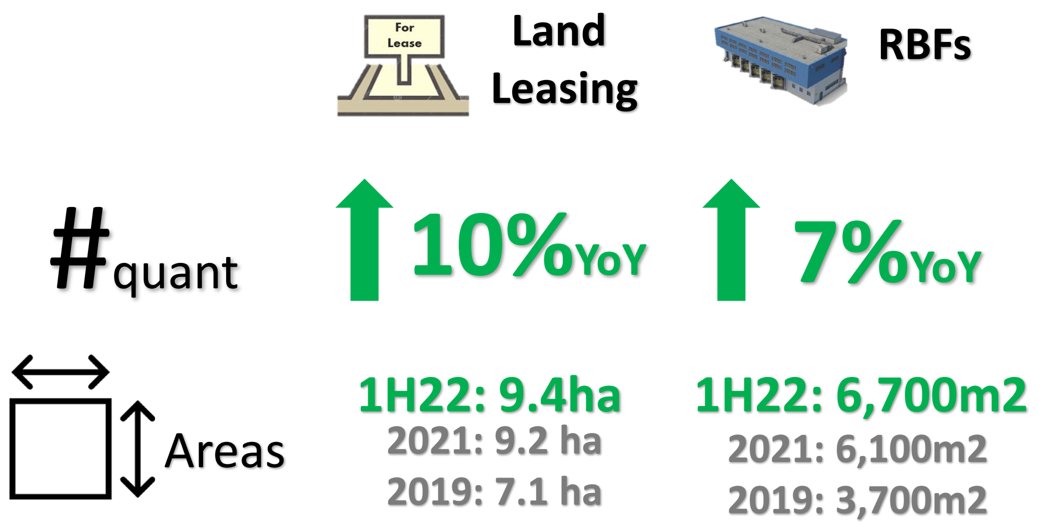
INTERNATIONAL FLIGHT REOPENING SUPPORTED IP BUSINESS'S RECOVERY

Figure 11: International arrivals to Vietnam (visitors)



Source:. tradingeconomics.com

Figure 12: CBRE statistics in 1H2022

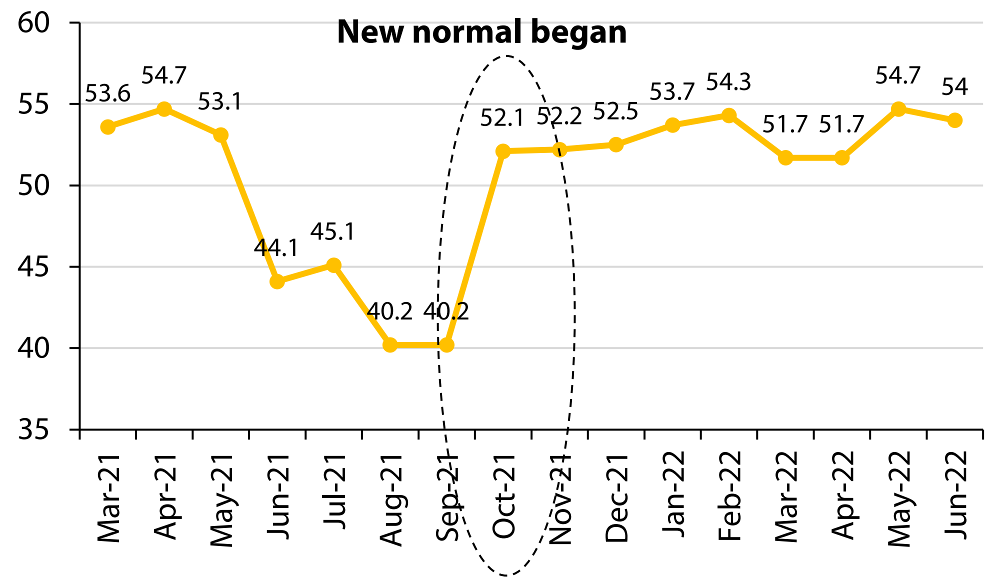


Source:.CBRE

- International arrivals to Vietnam recorded a robust recovery in 1H2022 as Vietnam has fully opened its tourism sector following further improvement in the COVID-19 situation and resumption of international flight after two year. Considering the first six months, arrivals surged 582.2 % to ~ 602 thousand.
- Fully opening partly support boosting leasing operation in IPs. According to a statistics from CRBE, there was a significant numbers of requests in both land leasing and RBFs to CBRE compared to previous years.

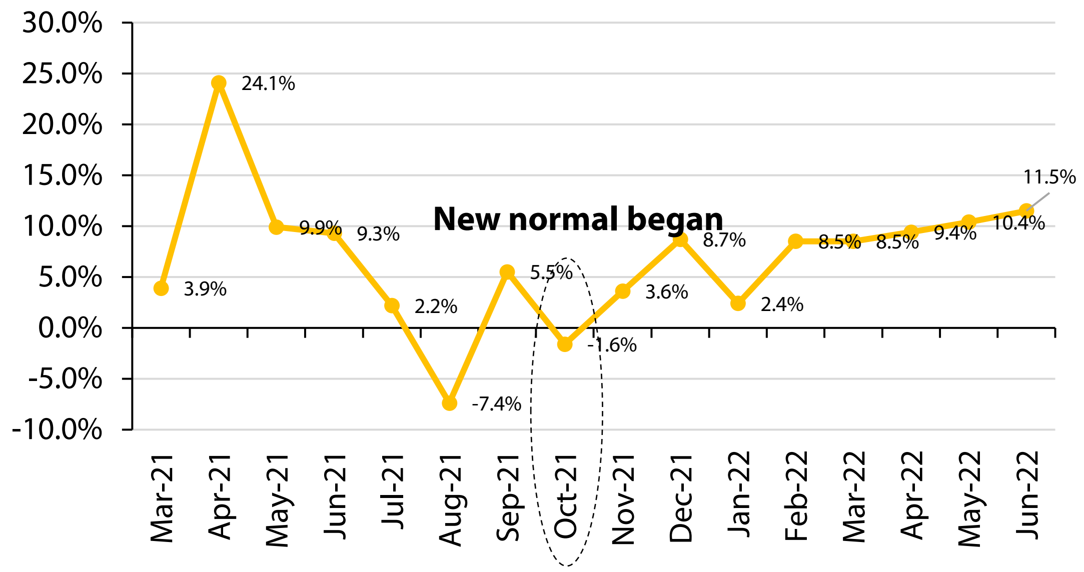
INDUSTRIAL SECTOR MAINTAINED POSITIVE PERFORMANCE AND OUTLOOK

Figure 13: Vietnam monthly PMI



Source:. tradingeconomics.com/

Figure 14: Vietnam monthly Industrial Output (YoY%)

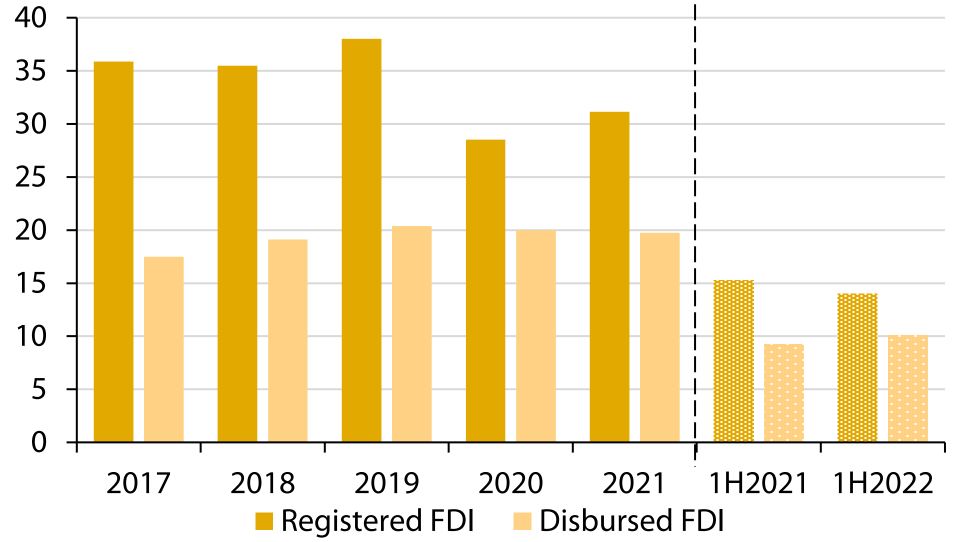


Source: CBRE

- Vietnam factory growth remains robust as PMI closed the 1H2022 at 54 pointing to the ninth straight month of expansion in factory activity as a lack of disruption from the COVID-19 pandemic restrictions.
- In addition, Vietnam industrial sector constantly performed well as industrial production output have showed positive growth since Vietnam stopped social distancing in Octorber,2021.

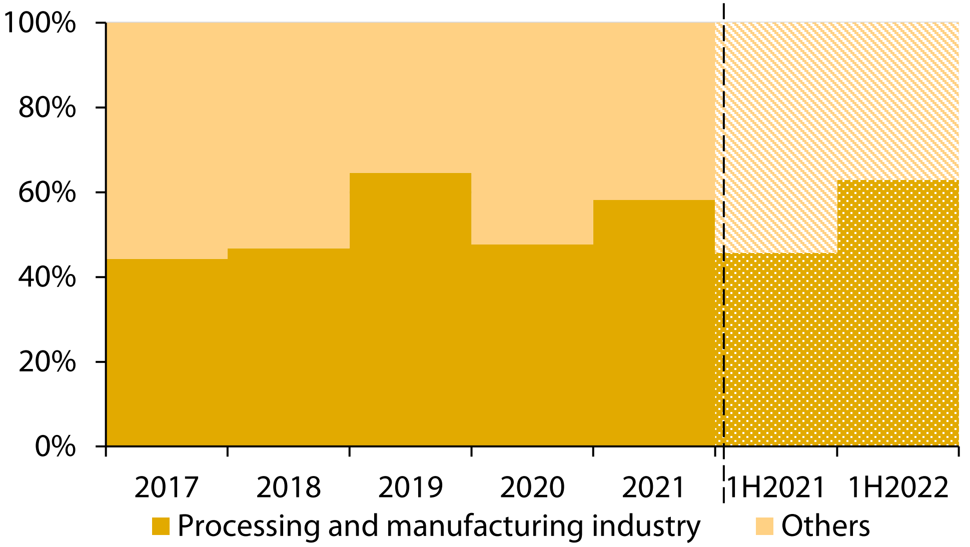
FDI INFLOWS REMAIND STABLE

Figure 15: FDI Inflows (USD bn)



Source: GSO, Rong Viet Securities

Figure 16: Registered FDI Breakdown (%)

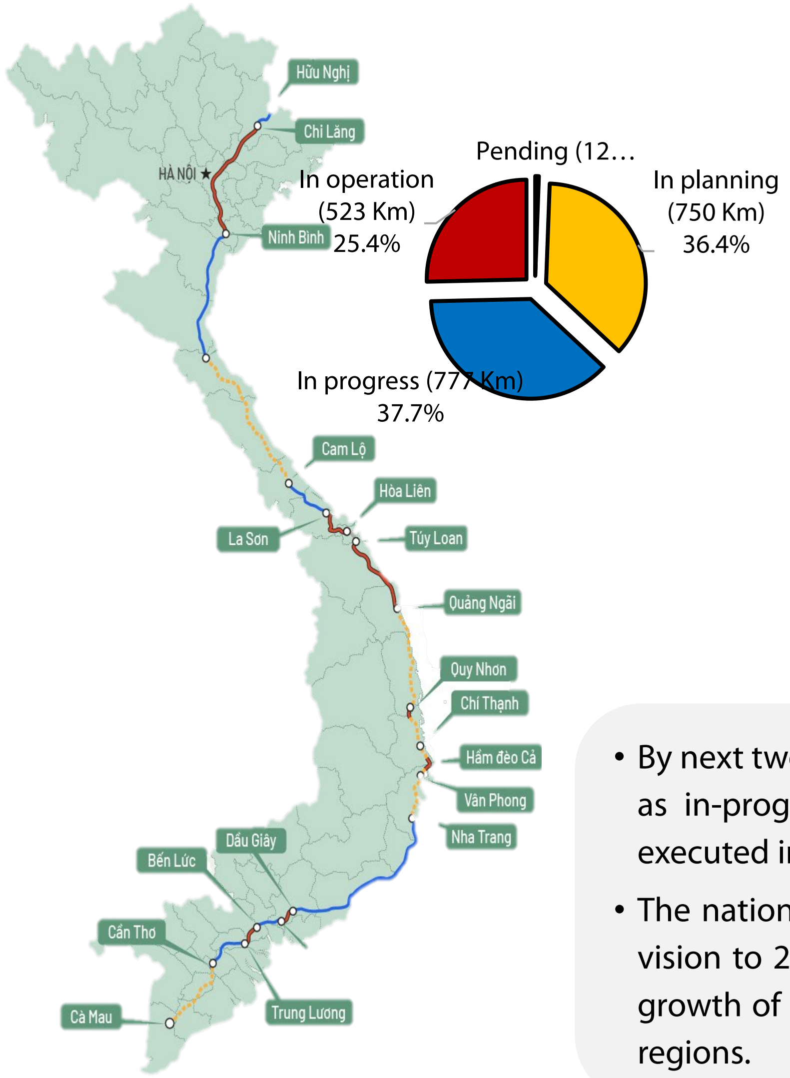


Source: GSO, Rong Viet Securities

- 1H2022, disbursed FDI reached USD 10.06bn (+% 8.85yoy). The manufacturing and processing sector continues to take lead in attracting investment capital, with registered FDI reaching USD 8.8bn, accounting for 63% of the total investment capital
- There were 84 countries and territories invested in Vietnam in the first six months. Among which, Singapore led with a total investment of more than USD 4.1 billion, accounting for 29.5%. The Republic of Korea ranked second with ~ USD 2.66 billion, accounting for ~ 19% (+29.6%YoY). With a large-scale Lego project worth over USD1.3 billion of total investment capital, Denmark ranked third with a total registered capital of ~ USD 1.32 billion.

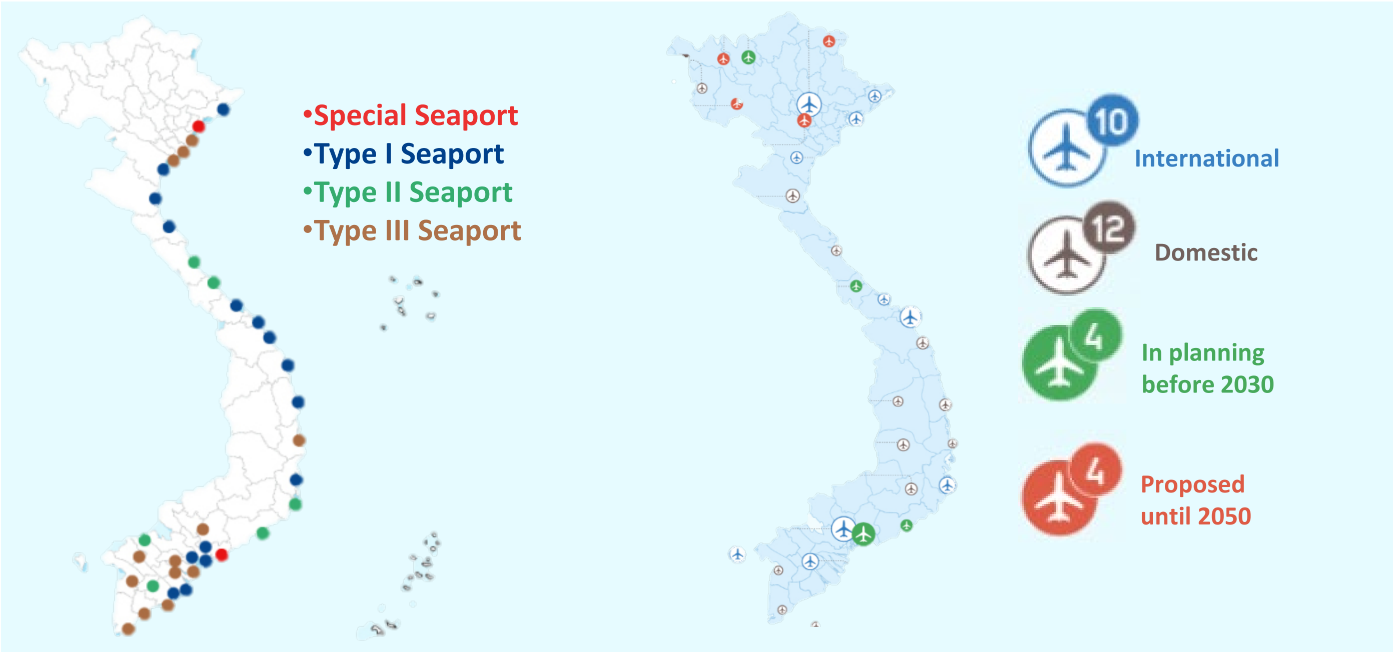
INFRACSTRUCTURE DEVELOPMENTS STRENGTHEN MID- AND LONG-TERM OUTLOOK

Figure 17: National Expressway Map



Source:. Vnexpress, Rong Viet Securities

Figure 18: Vietnam Airports and Seaports system plan until 2030, vision to 2050



Source:. Vnexpress, Rong Viet Securities

- By next two years, total distances of national expressway project is expected to be ~1300 km (or +63% of total project) as in-progress constructions completed. Recently, the 12 in-planning projects (~750 Km) were approved to be executed in the period of 2021-2025 by Ministry of Transport.
- The national expressway combining with government plan in developing seaports and airports network until 2030, vision to 2050 will enhance Vietnam logistics capability and impliedly reduce logistics costs. Which will support the growth of industrial sectors, international trade, and reduce uneven distribution in industrial concentration between regions.

COSTS AND BENEFITS WERE STILL ATTRACTIVE

Figure 19: Free trade agreements summary

Region	Viet Nam	Malaysia	Thailand	Philippines
AFTA	✓	✓	✓	✓
AFTA-CN	✓	✓	✓	✓
India	✓	✓	✓	✓
Korea	✓	✓	✓	✓
Japan	✓	✓	✓	✓
CPTPP	✓	✓	✗	✗
EU	✓	O	O	O
US	✗	O	O	✗

O: in negotiations

Source:. Savill

Figure 20: Elements affecting business envrionment summary

Nation	Manufacturing Salaries ($/month)	Avg Price of Industrial Land ($/sqm)	Industrial construction cost* ($/sqm)	Tax rate (%)	Number of IPs
Vietnam	**315**	**109**	**309-389**	**20**	**394**
Malaysia	784	171	326-380	24	340
Thailand	407	159	534-668	20	89
Philippines	302	109	519-584	30	342
Indonesia	203	159	336-365	25	230
China	1,072	n/a	273-334	25	n/a

Source:. Savill, Cushman & Walkerfield, Arcadis
**Data were taken at the major cities in each nations*

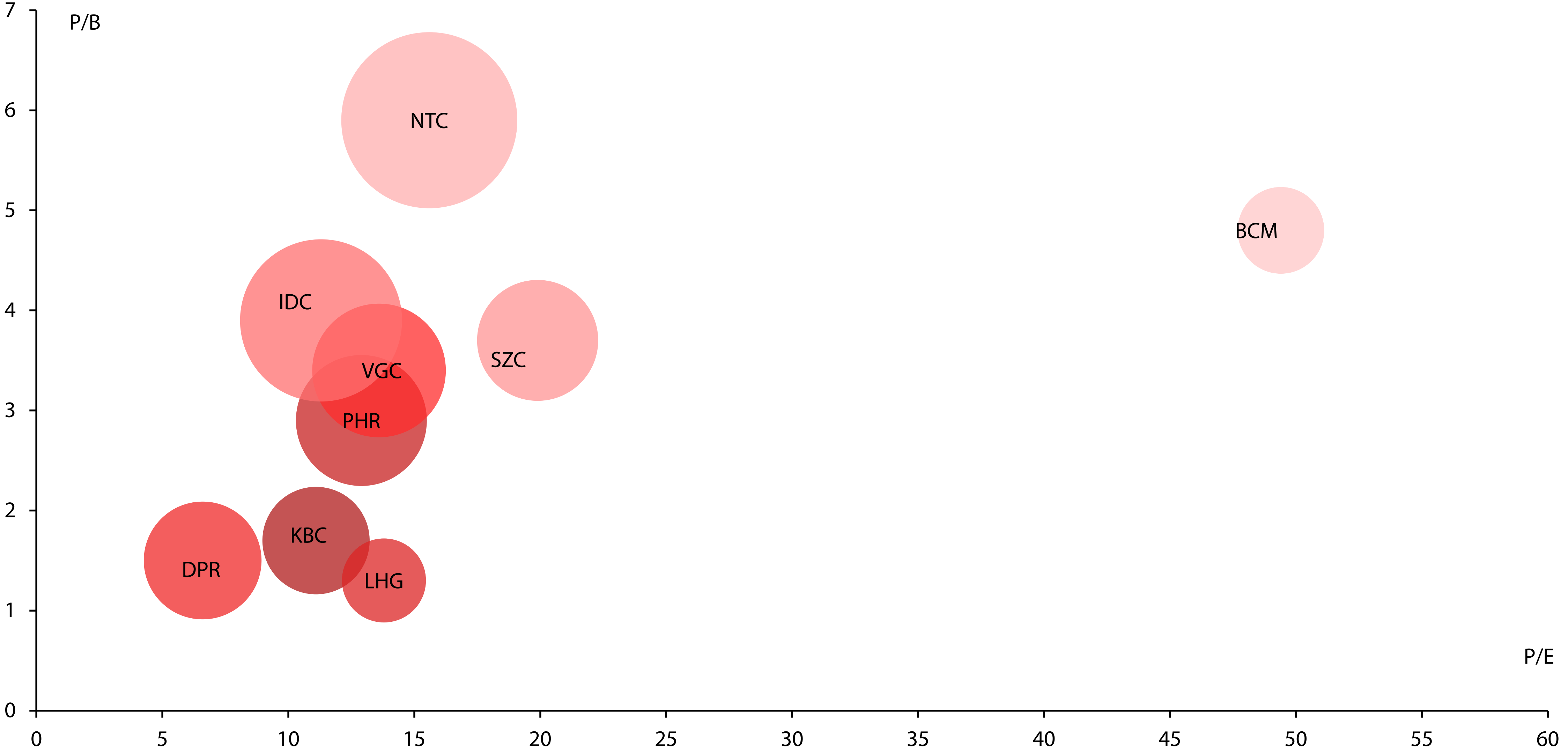
Southeast Asia countries are dominating the market in attracting manufactures from China thanks to affordable costs, rising domestic consumption and improving infrastructure. Vietnam is a rising star among those to become a leading industrial hub as having competitive advantages to peers. Beside stable politics, Vietnam participated in many FTAs. In addition, capex and recurring expense are still relatively low compared to peers in the region.

INDUSTRY COMPARABLE (TTM)

Ticker	Market cap (USD mn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
KBC	1,245.3	44,900	-38.18	-39.19	34.86	32.32	209.42	97.49	8.22	18.46	0.00	11.08	1.71
PHR	403.0	88,400	-5.13	26.00	25.13	18.64	-5.94	36.95	10.97	21.10	3.61	12.94	2.85
LHG	78.9	56,300	-49.71	-58.89	0.00	0.00	-60.27	29.05	4.56	9.49	5.17	13.78	1.29
DPR	135.8	72,600	1.98	22.09	35.53	25.96	130.52	35.86	11.98	22.04	2.04	6.58	1.47
VGC	1,135.3	N/A	38.77	62.23	34.82	17.40	107.31	13.94	9.65	27.65	2.54	13.56	3.44
IDC	897.9	N/A	25.68	86.89	46.67	34.31	71.90	26.55	11.66	39.70	3.15	11.31	3.85
SZC	231.3	N/A	51.33	61.70	89.08	39.31	8.52	31.88	4.88	19.34	1.86	19.88	3.66
NTC	189.9	N/A	2.89	6.07	68.01	53.05	1.13	108.50	6.80	44.73	8.65	15.57	5.86
BCM	3,553.6	**N/A**	22.10	17.51	36.58	34.21	-25.85	24.93	3.68	11.06	1.00	49.38	4.80

Source: Bloomberg, Rong Viet Securities. Share price as of August 10th, 2022.

PE, PB & ROE (TTM)

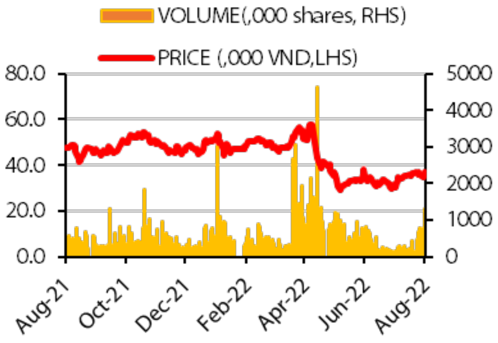


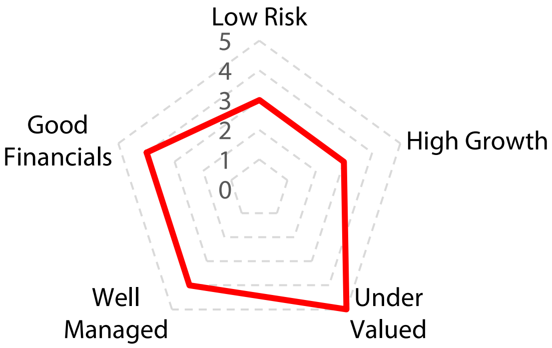
Source: Bloomberg, Rong Viet Securities. Bubble size equals respective ROE. Share price as of August 10th, 2022.

MIGHT BE SMALL BUT MIGHTY

HSX: LHG

BUY: +53% <MP 36,750> <TP: 56,300>





STOCK INFO

Sector	Industrial Park
Market Cap (USD Mn)	79
Current Shares O/S (Mn shares)	50
3M Avg. Volume (K)	463
3M Avg. Trading Value (VND bn)	16
Remaining foreign room (%)	33
52-week range ('000 VND)	63.0 – 29.4

FINANCIALS

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	782	865	935
NPATMI (VND bn)	295	253	368
ROA (%)	10.8	8.3	10.6
ROE (%)	21.5	16.7	22.1
EPS (VND)	5,900	4,758	6,918
Book Value (VND)	29,236	31,314	35,324
Cash dividend (VND)	1,900	1,900	1,900
P/E (x) (*)	9.6	12.9	8.8
P/B (x) (*)	1.8	1.8	1.6

INVESTMENT RATIONALES

Prime location of Long Hau 3-phase 1 IP (LH3-p1) ensure profit until 2026

- With leasing rate of at least 12 ha/year on average and leasable area of ~ 60 ha as of December 31st 2021, we believe that LHG had enough supply for leasing until at least 2025. In addition, prime location closing to strategical infrastructure will push up ASP in the future. In 2022F, we expect the IP land sales will be 12ha (+9% yoy) and the ASP would be $220/ sqm (+11.67%).

Long Hau 3-phase 2 and An Dinh IPs will be soon approved investment policy ensuring long-term business plan

- Long Hau 3-phase 2 and An Dinh IPs are submitting investment policy to the Prime Minister. LHG expects that LH3-p2 will be approved in 3Q2022, and Anh Dinh IPs will get approval in 4Q2022. LHG also expects these IP to be commercialized from 2024.

One of top ready-built factories (RBFs) developers with ambitious expansion plan.

- As of 2021, there are ~ 100 thousands sqm of RBF area. The company plans to launch another ~ 35 thousand sqm from 2022 and 2022. In addition, LHG planned to launch a 10,000 sqm warehouse in 2023 in LH 3 IP. Notably, RBFs project (~30 ha) in Da Nang Hi-Tech park will make LHG as one the top RBFs developers in Vietnam.

RISK TO OUR CALL

- Higher investment costs due to slower than expected progress of land clearance and land rental fee payment.
- Higher than expected potential payable to IPC due to dispute of investment expenditure amount for Long Hau resident relocation

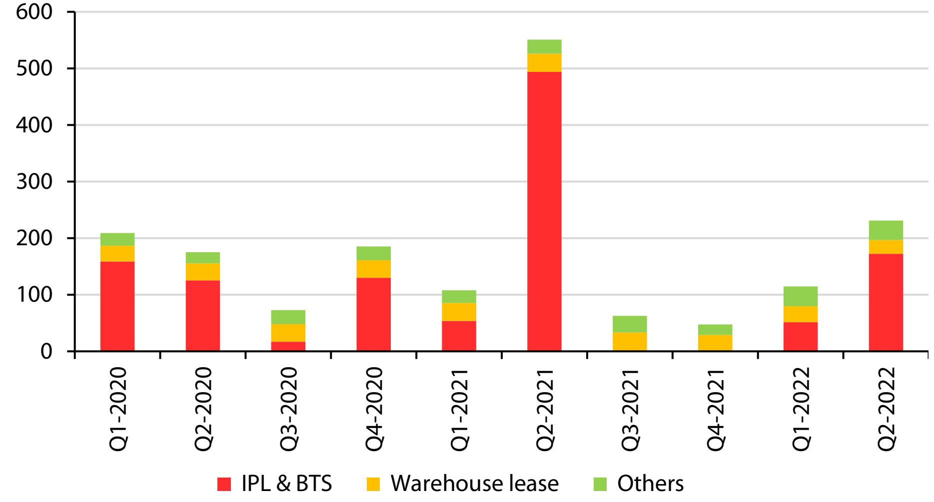
1H2022 UNDERPERFORMED YOY BUT WAS STILL IN LINE WITH PLAN

Table 1: 6M2022's performance

(VND Bn)	6M 2022	+/- YoY
Revenue	**348**	-48%
Gross profit	**118**	-25%
EBIT	**309**	-1.4%
NPAT	**90**	-64.7%

Source: LHG, Rong Viet Securities

Figure 1: LHG sales breakdowns (VND bn)



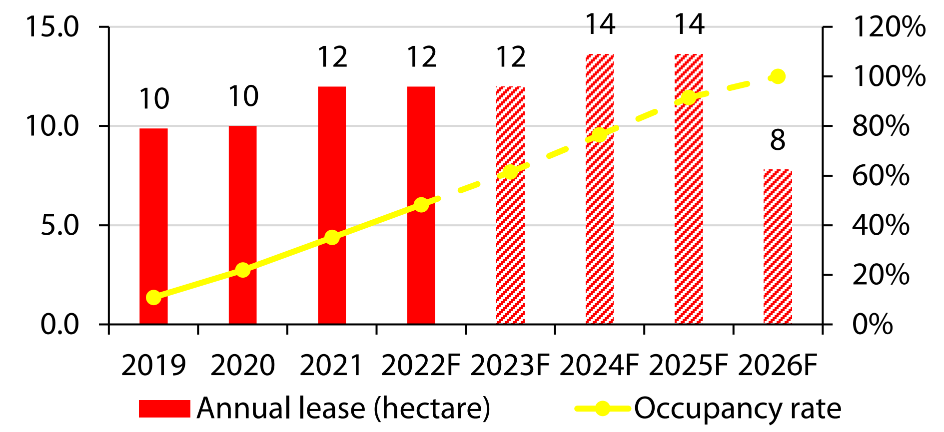
Source: LHG, Rong Viet Securities

IP segment was back in 6M 2022

- Long Hau recorded revenue of VND 347.7 billion or ~$14.92 mn (-47.8% yoy) and NPAT of VND 89.52 billion or ~$3.84 mn (-64.4% yoy) in 6M 2022. The company completed 45% of planned revenue and 81% planned NPAT.
- IP segment: after not recording any new IP land lease in 2H2021, revenue and gross profit reached VND 224 bn or ~$9.61 mn (-59.1%) and VND 63 bn or ~$2.7 mn (-79.2%) respectively in 1H2021. The YoY underperformance was due to (1) high base of 2Q2021 as LHG recorded the historical high in earnings thanks to leasing contract of 10 hectares with LOGOS, and (2) deteriorated GPM of industrial land leasing segment to 18% in last quarter. In particular, shareholders approved to increase the total investment cost of Long Hau 3 phase 1 (LH3.1) by ~24% at AGM on April 28, (from VND1,706 billion or ~$73.22 mn to VND 2,107 billion or ~$90.43 mn). This upward revision was due to higher clearance cost (+ ~ VND 290 billion or ~$12.45 mn), new obligation to local government (+VND 56 billion or ~$2.4 mn), and other provisions related to legal procedure (+VND 55 billion or ~$2.36 mn) and led to higher COGS.
- Warehouse: Revenue and gross profit reached VND 53bn or ~$2.27 mn (-18.1%) and VND 31bn or ~$1.33 mn (-14.7%) respectively.
- Others: revenue and gross profit reached VND 71 bn or ~$3.05 mn (+31.6%) and VND 24 bn or ~$1.03 mn (+26.1%) .
- General GPM was 33.9%, lower than that of 6M 2021 (53.7%) because of the higher investment cost to LH 3.1.

PRIME LOCATION OF LONG HAU 3-P1 ENSURE SHORT – AND MID-TERM PERFORMANCE

Figure 2: LH3-p1 leasing schedule forecast



Source: LHG, Rong Viet Securities

Figure 3: Location of LH3-p1 IP

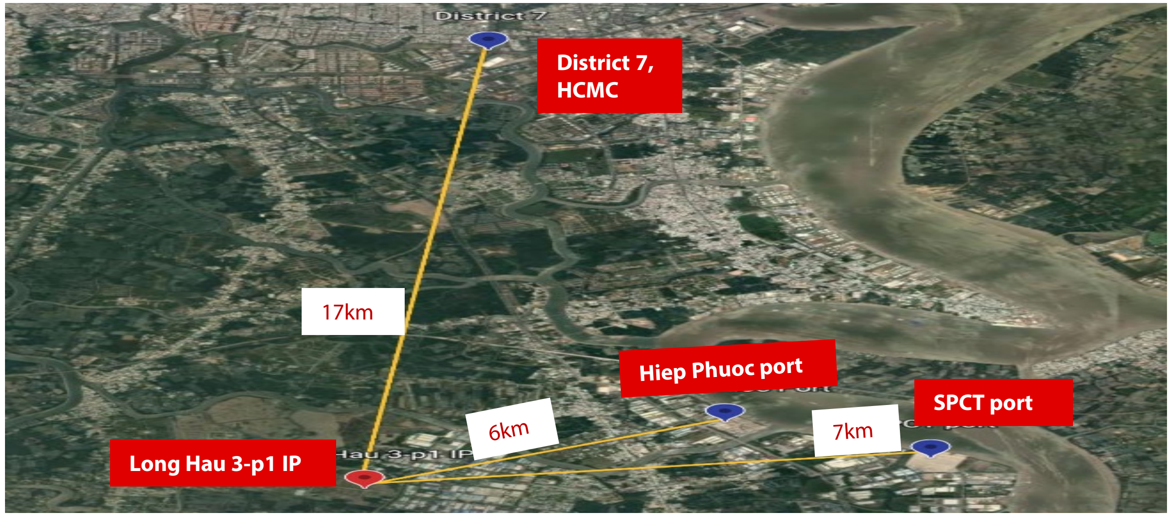
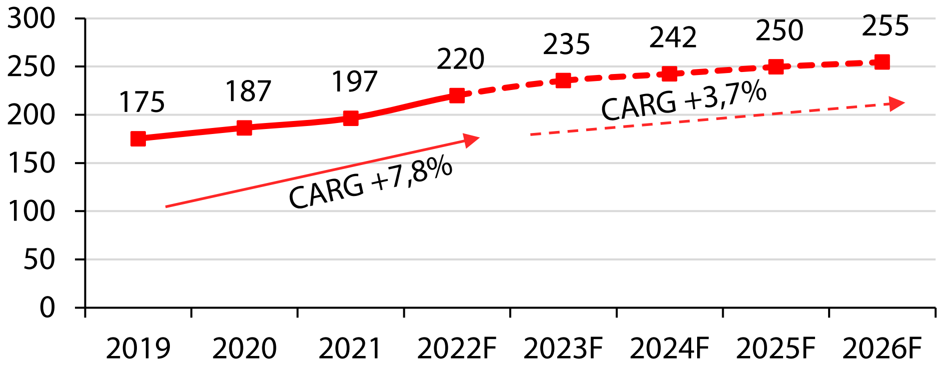


Figure 4: Leasing price estimate of LH3-p1 IP (USD per sqm)

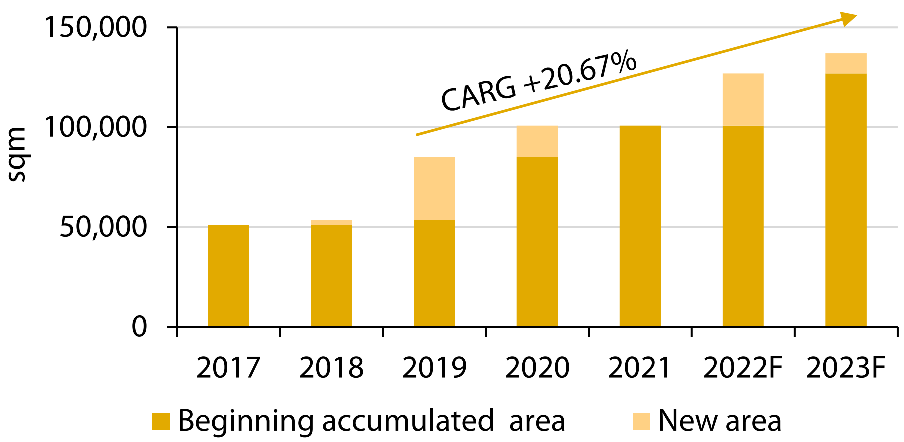


Source: LHG, Rong Viet Securities

We are confident that current leasable land bank in LH3-p1 ensure Long Hau 's performance until at least 2025 with leasing rate of at least 10 ha per year. The plan is feasible due to:

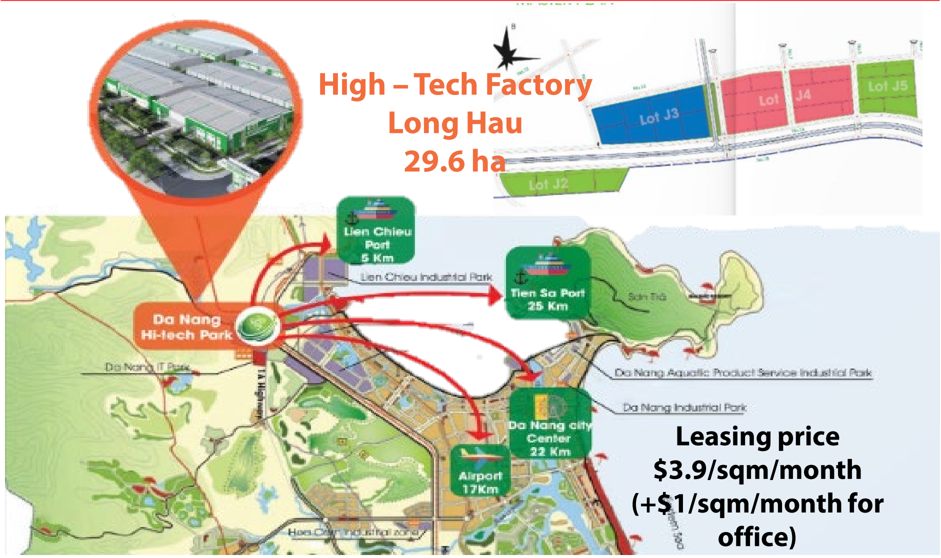
1) The LH3-p1 IP is close to the Hiep Phuoc port cluster.
2) The tenants of the nearby IP (Hiep Phuoc II), still cannot pay land rental fee and obtain their land use rights.
3) Overall occupancy rate of IPs in Long An province statistically reached 90% proved the attractiveness of Long Hau 3-p1
4) LHG has one-stop services supporting tentants from pre- to post-investing

Figure 5: Long Hau 's RBFs bank



Source: LHG, Rong Viet Securities

Figure 6: RBFs of Long Hau in Da Nang Hi-Tech park (sqm)



Source: LHG

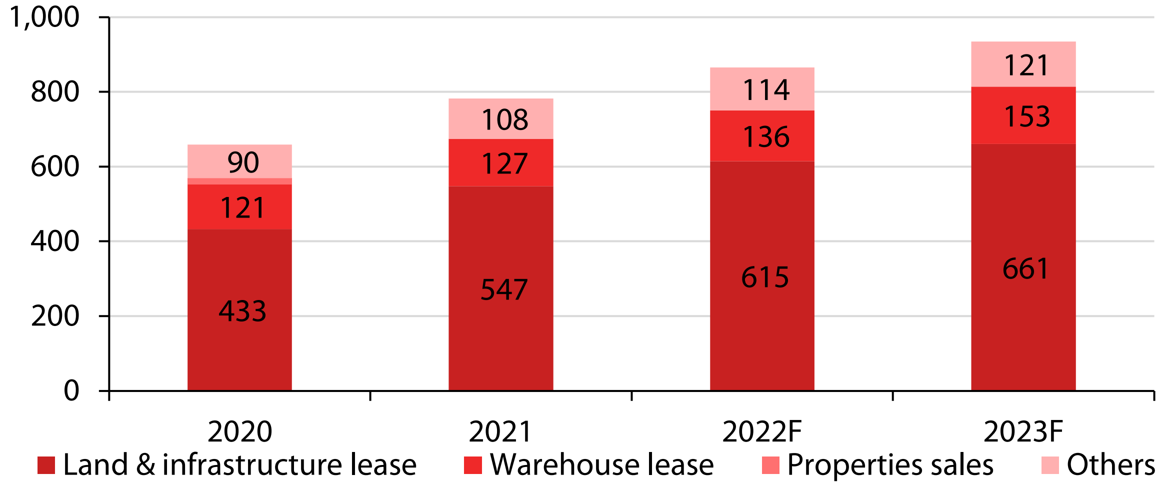
Table 2: Top RBFs developers in Vietnam in term of leasing space

RBF developers	Area (sqm)
Kinh Bac City	577,000
BWID	488,000
Shenzhen Shenyue	263,000
Kizuna JV JSC	222,000
Amata	197,500
Thang Long IP	181,500
KTG Industrial	181,000
Mapletree	181,000
FU CHUAN Ltd	174,000
Tanimex	162,400

Source: Cushman & Wakerfield

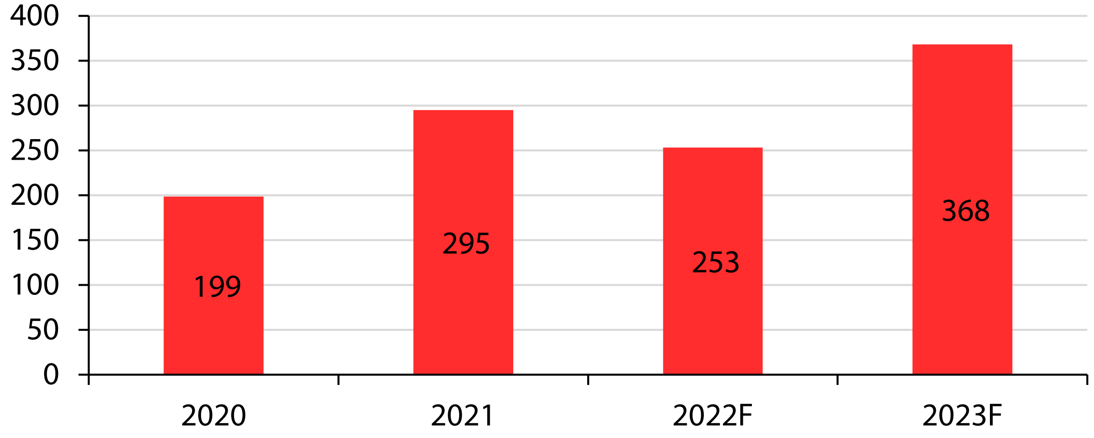
- Long Hau 's RBF segment expect to had stable income with steady annual cashflow and will show strong growth in next few year as Long Hau plan to expand leasing area aggressively. By the end of 2023, Long Hau will add ~36,000 sqm of leasing space, bring the GFA of Long Hau to ~137,000 sqm.
- We expect that Long Hau will soon become one of leading RBF developers in Vietnam in term of GFA. This is supported by RBFs project in Da Nang Hi –tech Park (29.6 ha) and High-rise RBF expansion in Long Hau 3 IP.

Figure 7: FY22-23 revenue forecast (VND bn)



Source: LHG, Rong Viet Securities

Figure 8: FY21-22 NPAT-MI forecast (VND bn)



Source: LHG, Rong Viet Securities

FY2022 forecast

We estimated that LHG will reach revenue of VND 865 billion (or ~USD 37 million, +10.7%) and NPAT-MI of VND 253 billion (or ~ USD 11 million, -14%). In which

1) IP segment: Revenue will reach VND 615 billion or ~$26.39 mn (+12.5%). We assume that LHG will lease 12 hectares of LH3-p1 IP with an average lease price of 220 USD per sqm.

2) Warehouse: Revenue is estimated at VND 136 billion or ~$5.84 mn (+5% yoy) and gross profit will reach VND 77 billion or ~$3.3 mn (+7% yoy).

3) Others: Revenue and gross profit will reach VND 114 billion or ~$4.89 mn and VND 41 billion or ~$1.76 mn, respectively.

Earnings takes back to growth trajectory in 2023

In 2023, we projected that revenue reach VND 935 bn or ~$40.13 mn (+8.04%) and NPAT-MI will show improvement and reach VND 368 bn or ~$15.79 mn (+45.4%) as GPM of Industrial land leasing go back up and Long Hau will launch new RBFs in2023.

Table 3: Valuation summary

SOTP (VND bn)	NPV	Ownership	Effective NPV
LH3-P1 IP	1,285	100%	1,285
LH3-P2 IP	145	100%	145
AN DINH IP	163	100%	163
WAREHOUSE	707	100%	707
CASH AND SHORT-TERM INVESTMENT		100%	1,077
OTHER LONG-TERM INVESTMENTS		100%	202
Less: TOTAL DEBT		100%	-187
Less: PAYABLES TO THE GOVERNMENT AND IPC		100%	-574
Less: MINORITY INTEREST		100%	-1
RNAV			**2,818**
Shares outstanding (million shares)			50
Fair value per share (VND)			**56,300**

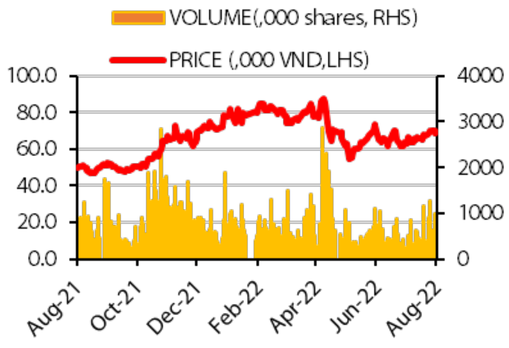
Source: Rong Viet Securities

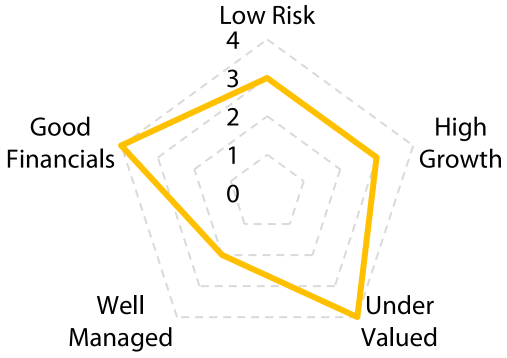
Based on the sum-of-the-part valuation method (SOTP), we estimate the target price to be VND 56,300 per share. The total expected profit is about 53.2% (compared to the closing price on August 10th, 2022).

For long term, we expect LH 3.2 and An Dinh IPs will receive investment policy approvals in 2022 and be available for lease from 2024 onward.

LAND HANDOVER COMPENSATION LIFT UP 2022 'S EARNING

BUY: +27.6% **<MP: 69,300>** **<TP: 88,400>**





STOCK INFO

Sector	Industrial Park
Market Cap ($ mn)	402
Current Shares O/S (mn shares)	135
3M Avg. Volume (K)	519
3M Avg. Trading Value ($ mn)	34
Remaining foreign room (%)	35,3
52-week range ('000 VND)	90,7 - 49,3

FINANCIALS

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	1,945	1,703	1,958
NPATMI VND bn)	478	1,005	1,114
ROA (%)	7.6	15.7	15.1
ROE (%)	15.4	29.4	276.3
EPS (VND)	2,363	5,194	5,754
Book Value (VND)	22,057	28,734	34,128
Cash dividend (VND)	10,500	4,000	4,000
P/E (x)	19.7	9.3	8.4
P/B (x)	3.1	2.4	2.0

INVESTMENT RATIONALES

The land handover compensation will boost earnings in 2022 as well as 2023:

- PHR is on the process of handing over 691 hectares to VSIP for developing VSIP 3 IP as VSIP received the approval for VSIP 3 investment plan. PHR will receive the compensation of VND 691 bn (~ USD 30 mn) from VSIP in 2022 and the rest VND 207 bn(~USD 9 mn) in 2023. Besides that, PHR will receive at least VND 1.2 bn/ ha following selling progress of VSIP 3 as part of handover compensation agreement. We estimate that the additional compensation could contribute VND 81 billion/ year (or USD 3.5 mn) to EBT at leasing rate of ~10% of total leasable area or ~68 ha/ year.

Abundant land bank in Binh Duong ensures mid- and long-term growth:

- PHR plans to convert 5,600 hectares of 15,000 hectares rubber farm in Vietnam into industrial parks. Of which, 2,600 hectares area of four IPs including NTC 3, VSIP 3, Tan Lap 1 and Tan Binh expansion might be put into operation in 2022-2024.

Rubber and wood processing segment weaken in short-term:

- Lower demand from China and higher input cost affects short-term performance of PHR. Besides, wood processing segment will be impacted in 2022 as rubber tree structure is younger than before. So that, there are not many old trees to be liquidated and supply for wood processing business.

RISKS TO OUR CALL

- Lower than expected progress of new IP projects.
- Volatility of rubber price

CORE BUSINESS DETERIORATED, COMPENSATION LIFT EARNINGS UP IN 6M2022 HSX: PHR

A part of compensation payment from land transfer to VSIP 3 IP contributed a major part to PHR's earnings in the first half of 2022:

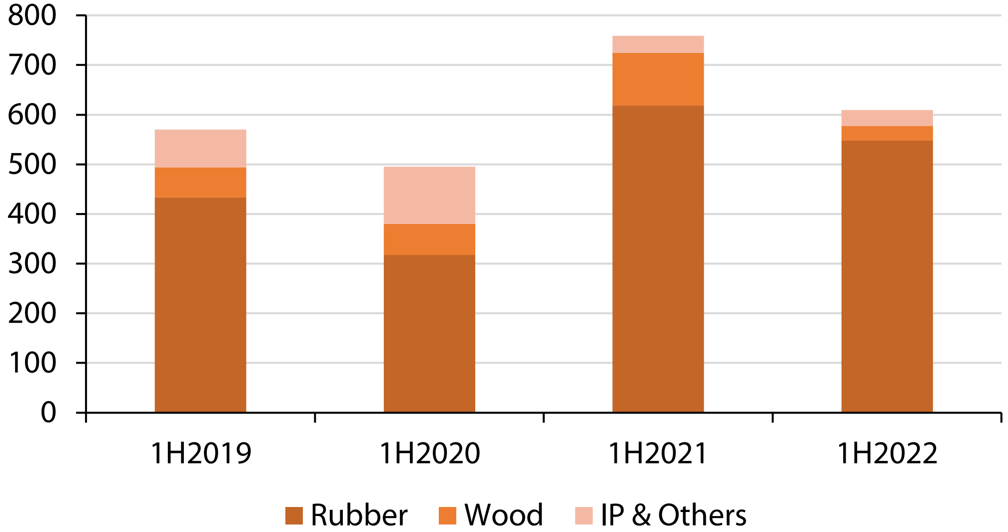
- 6M2022 revenue posted VND 607 bn (-19.6% YoY, USD 26.4 mn) and NPAT reached VND 355 bn (+109.1% YoY, USD 15.43 mn). Revenue impaired due to rubber and wood processing segments. The surge in the bottom line was the result of compensation payment from VSIP 3.
- Rubber segment: revenue reached VND 548 bn (USD 23.826 mn), down by 11.3% YoY. The lower-than-expected result is due to decrease in external purchasing. Price of material input, fertilizers, and labor cost increase combine with ASP calm affected total of selling output of PHR in the last half. In addition, Wood processing took hit as young rubber trees account for major part in tree bank structure and there are fewer old trees to cut. Thus, revenue of the segment plummeted to VND 28 bn (USD 1.2 mn) or -.73.1% YoY
- The legal procedure of VSIP 3 IP –Phase 1 was completed. PHR received VND 289 bn(~USD 12.5mn) as a part of compensation payment in 6H2021 making other incomes surge by 1916.7% YoY, to VND 292 bn (USD 12.7 mn).

Table 1: 1H2022 earning resutls

(VND Bn)	6M 2022	+/- %YoY
Revenue	**607**	-19.6
Gross profit	**98**	-24.4
EBIT	**44**	-43.9
NPAT	**355**	109.1

Source: PHR, Rong Viet Securities

Figure 1: Revenue by segment (VND bn)



Source: PHR, Rong Viet Securities

Table 2: Industrial park projects (hectares)

IP projects	% Ownership	Area	Status	Implementary year
Tan Binh	80	352	The last 6 hectares will be leased in H2/2022	Done
VSIP III	20 (expected)	1,000	Phase 1 (196,45 ha) has been approved, 60 hectares were leased	2022
Tan Lap I	51	202	Included in 2016-2020 master plan, waiting for resolution related auction concern mentioned in Decree 167/2017/ ND - CP	2023
NTC-3	32.85	345.86	waiting for resolution related auction concern mentioned in Decree 167/2017/ ND - CP	2023
Tan Binh – Expansion	80	739	Included in 2021-2025 master plan	2024
Tan Lap II	51	180	Included in 2016-2020 master plan	2024-2025
Hoi Nghia	100	715	Included in 2021-2025 master plan	After 2025
Binh My	100	1,002	Included in 2021-2025 master plan	After 2025

Source: PHR, Rong Viet Securities

VSIP III IP, PHR had a common agreement with VSIP to invest 20% stake in VSIP III, both sides have yet signed the business cooperation contract. In addition, the total investment was adjusted from USD 253 million to USD 516 million, it is estimated that PHR's capital contribution will be at ~USD 15.48 million (~VND 356.04 billion). As planned, PHR will disburse according to the project investment progress. Recently, VSIP has signed contracts of 60 hectares (in which, 44 hectares was taken by Lego), the leasing price is in range 110 USD/m2 to 115 USD/m2.

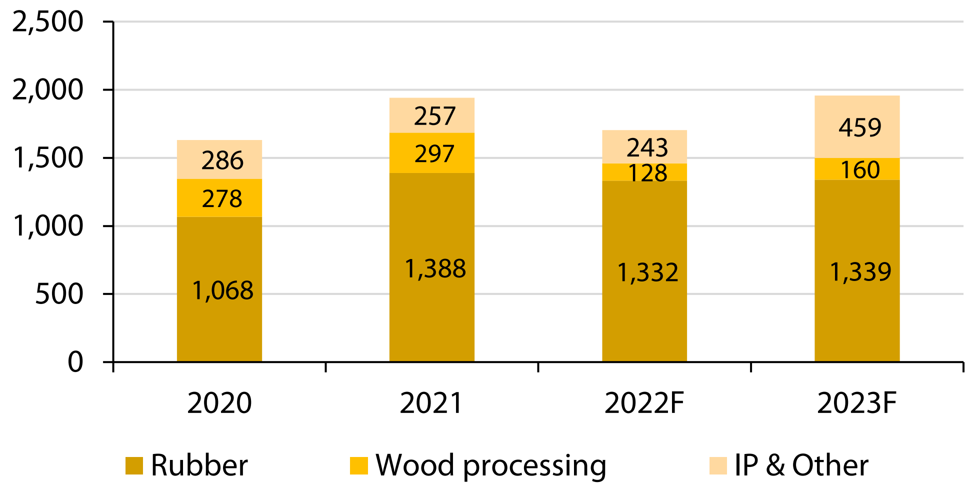
Tan Binh IP PHR ensured that the last 6 hectares will be leased this year, there are some interested investors recently, PHR is just seeking the best price. This source of revenue will be recognized in 2023.

Tan Binh – Expansion IP, the project was included in 2021-2025 master plan of Binh Duong province and will be progressed further when the plan is approved at the Central level.

Tan Lap I IP, the project will be the next priority after VSIP III and NTC-3, was included in the 2016 – 2020 master plan. However, the projects bottlenecked due to auction concerned related to Decree 167/2017/ND-CP. Therefore, we expected that the project cannot move further by the end of this year.

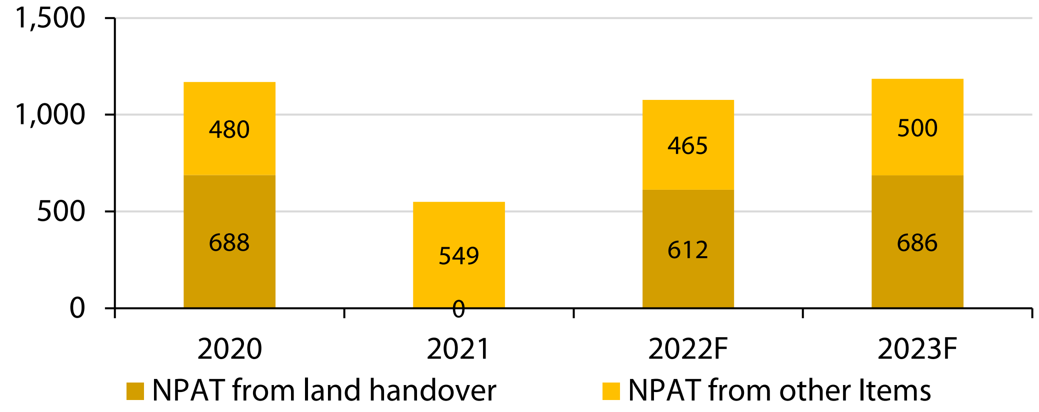
Other IPs, Binh My IP and Hoi Nghia IP were included in the 2016 – 2020 master plan of Binh Duong as Tan Binh – expansion IP. However, PHR has yet planned any things for these two IPs.

Figure 2: FY2022-2023 sales forecast (VND bn)



Source: Rong Viet Securities

Figure 3: FY2022-2023 earnings forecast breakdown(VND bn)



Source: Rong Viet Securities

2H2022 forecast

Revenue will slightly decrease by -7.6% YoY and NPAT will grow 68.2% YoY. In particular:

1) Revenue reached VND 1,093 bn (~$47 mn). We estimate that rubber sales to reach ~VND 783bn (+1.8% yoy, ~ $33.6mn). While wood processing segment deteriorated due to lacking supply that mentioned above with revenue of VND 99 bn (~ $4.2 mn). IP segment expect to record the very last sale of Tan Binh IP and is expected to record VND 210 bn (~$9.01 mn) in revenue.

2) In addition, NPAT spiked thanks to the abnormal other income from land handover to VSIP 3. Specifically, PHR expected to record VND 475bn (~$20.39 mn) in 2H2022. Including fixed amount and varied amount based on sale progress of VSIP 3.

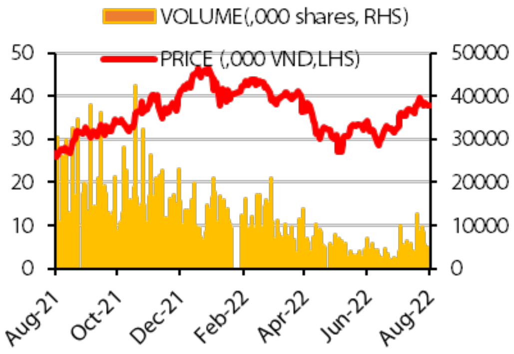
PHR's FY2023 forecast: Other incomes contribute the major part

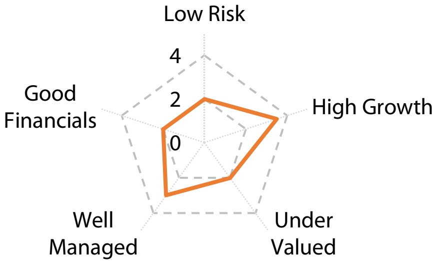
We expect that revenue will recover and reach of VND 1,958 bn or ~$84.03 mn (+15% YoY) thanks to availability to lease of Tan Lap I (202 ha). In addition, NPAT grows 10.4% to VND 1,150 bn or ~$49.36 mn as compensation stream based on sale progress of VSIP 3 keep toping up to other income item.

TRANG CAT UA PLAYS KEY ROLE TO FULFILL FY2022 BUSINESS GUIDANCE

HSX: KBC

<ACCUMULATE +19%> <MP: 37,800> <TP: 44,900>





STOCK INFO

Sector	Industrial Park
Market Cap ($ mn)	1,241
Current Shares O/S (mn shares)	768
3M Avg. Volume (K)	4460
3M Avg. Trading Value ($ mn)	154
Remaining foreign room (%)	29.3
52-week range ('000 VND)	47.18 - 26.33

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	4,309	5,104	11,140
NPATMI VND bn)	784	4,068	3,648
ROA (%)	3.5	12.3	9.2
ROE (%)	5.9	20.1	15.3
EPS (VND)	1,647	5,299	4,752
Book Value (VND)	29,203	26,373	31,125
Cash dividend (VND)	-	-	-
P/E (x)	36.9	7.1	8.0
P/B (x)	2.1	1.4	1.2

INVESTMENT RATIONALES

2022 outlook: Ability to fulfill business plan depends on bulk-sale in Trang Cat UA

- KBC targets 9,800 billion (+227.5% YoY) in revenue and NPAT of 4,500 billion (+471.2%) in 2022 given the contribution of handover IPs (NSHL, Tan Phu Trung) and residential land (Trang Cat, Phuc Ninh, and Trang Due). In which, revenue from Trang Cat UA will contribute more than 60% in revenue and c. 67% in NPAT guidance for FY2022.
- In 1H2022, the handover of industrial park area was quite slow compared to the same period last year (equivalent to about 29% YoY), making the total revenue filled merely 11% of the full year plan. Meanwhile, owing to re-evaluating the investment in SDN, KBC recorded a one-off profit of c. VND 2.4 Tn and filled c. 55% of the NPAT target.

Residential land transferring to boost gross profit margin in the mid-term

- Trang Cat and Phuc Ninh are the two profitable projects which will contribute to revenue and profit from the YE2022. In the base case, we expect KBC can handover apart of its bulk-sale area in Trang Cat by YE2022, while delay the transferring of Phuc Ninh to 2023.
- Revenue from residential projects will account for more than 70% of KBC's total revenue on average in 2023 – 2026, making its GPM expand to average 67% in the same period.

Large land-bank requires large amount of investment capital

- By the end of June 2022, KBC's total IP and residential land bank are 6,417 ha and 1,178 ha respectively which are large enough for the company to develop in next 10 – 20 years. About 20% of its land bank is cleaned land.
- To fulfill legal documents for those projects available for sales, it requires large amount of investment fund. We expect that the company will gradually develop its projects or it will have financial difficulties or income diluted (due to stock-issuance).

RISKS TO OUR CALL

- Upside risk: we expect the company will handover about one-third of Trang Cat UB area compared to its 2022 plan. In case KBC can successfully transfer all 30ha bulk sale in 2022, the company will exceed its profit guidance more than 30%, which will positively impact on the stock price in the short-term.

By the end of 6M2022, total revenue came at roughly VND 1,087 billion (-60% YoY, fulfilling 11% of the guidance) and NPAT posted VND 2,457 billion (+210% YoY, completing 54.6% of the plan).

- The handover of industrial park land was quite slow compared to the same period last year (equivalent to about 29% YoY), making the total revenue from core business activities only filled 11% of the full year business plan.
- Owing to re-evaluating the investment in SDN, KBC recorded a one-off profit of nearly 2,400 billion dong. As such, KBC has completed nearly 55% of the NPAT target for the whole year 2022.
- 6M2022 delivered area:

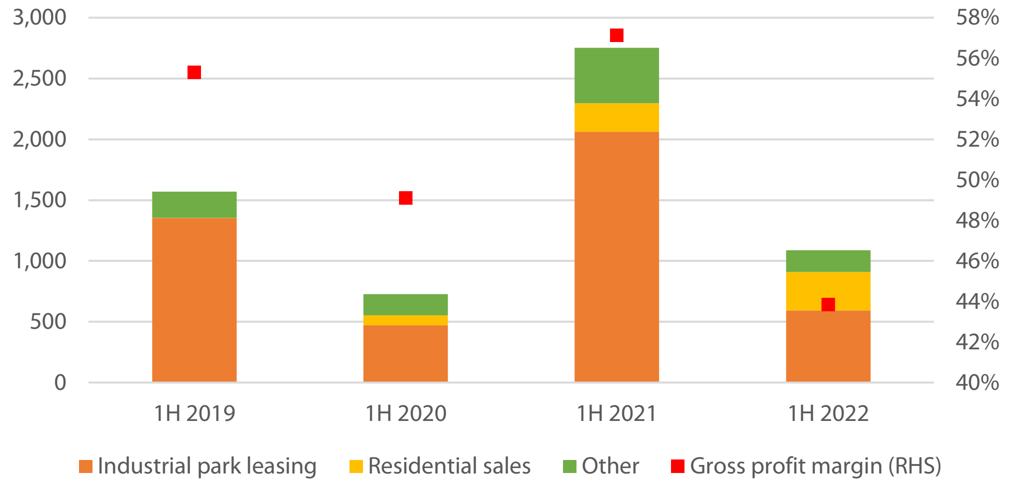
(1) Leasing 16.8 ha in Tan Phu Trung Industrial Park. Thus, KBC will hand over an additional 13.2 hectares in the second half of 2022, according to the plan.

(2) Transferring 4 hectares of urban land in Trang Due project. It's expected to hand over about 2 more hectares in 2H 22.

Figure 2: 1H business results

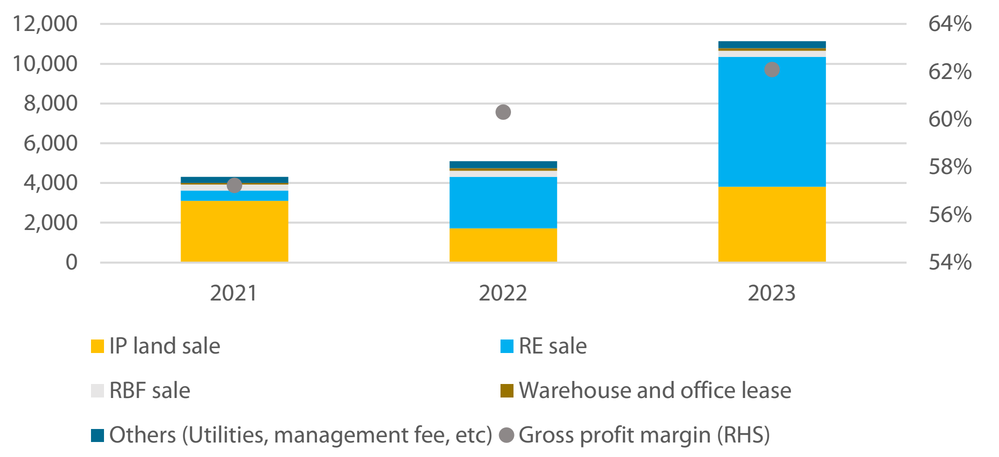
(VND Bn)	6M 2022	+/- %YoY
Revenue	**1,087**	-61
Gross profit	**477**	-70
EBIT	**236**	-81
NPAT	**2,374**	271

Figure 1: Revenue by segment (VND bn)



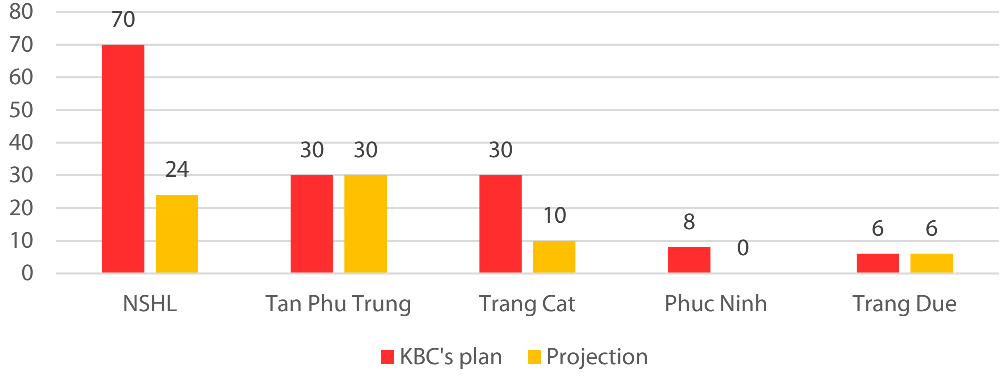
Source: KBC, Rong Viet Securities

Figure 3: FY2022-2023 sales forecast (VND bn)



Source: Rong Viet Securities

Figure 4: FY2022 land-handover forecast



Source: Rong Viet Securities

Aggressive business plan's growth owing to bulk-sales in Trang Cat UA

- In 2022, KBC targets 9,800 billion (+227.5% YoY) in revenue and NPAT of 4,500 billion (+471.2%).
- The ambitious plan comes mostly from residential project named Trang Cat UA. Particularly, the company plans to bulk-sale about 30ha in this project, contribute 61% of revenue plan and 67% of net profit plan.
- The handover IPs in Nam Son Hap Linh (NSHL), Tan Phu Trung and transfer residential projects in Phuc Ninh and Trang Due will contribute the remaining revenue and net profit in its FY2022 guidance.

2H 2022 forecast

In our base case, we expect KBC can complete its business plan in Tan Phu Trung IP, Trang Due UA, and a part area of NSHL IP and Trang Due UA. Due to legal processing, KBC may have to delay handover land in Phuc Ninh to 2023.

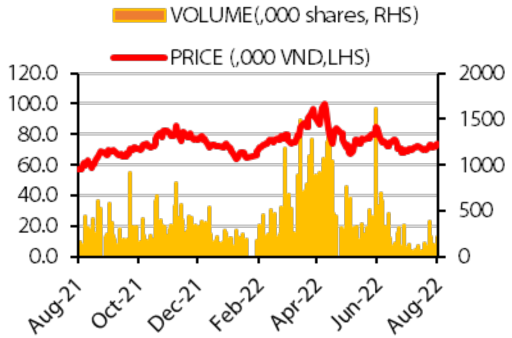
2H 2022 revenue and net profit will be at VND 4.0 Tn (or USD 174 mn, +270% HoH) and VND 1.7 Tn (or USD 73 mn, -29% HoH), respectively.

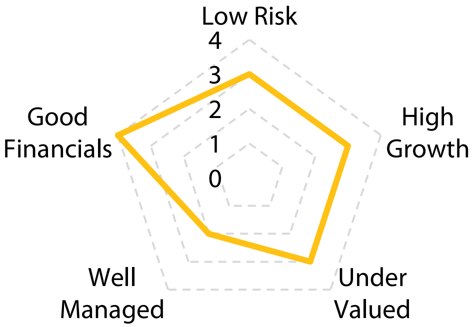
FY2022 total revenue and NPAT will be at VND 5.1 Tn (or USD 221 mn, +18% YoY) and VND 4.1 Tn (or USD 176 mn, +419% YoY), fulfill 52% its revenue and 89% its net profit guidance for 2022.

POTENTIAL FROM CHANGING USE OF RUBBER LAND

HSX: DPR

<NEUTRAL: -1.4%> **<MP 75,900>** **<TP: 72,600>**





STOCK INFO

Sector	Industrial Park
Market Cap (USD Mn)	135
Current Shares O/S (Mn shares)	43
3M Avg. Volume (K)	247
3M Avg. Trading Value (VND bn)	19
Remaining foreign room (%)	0
52-week range ('000 VND)	102.1 – 58.5

FINANCIALS

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	1,217	1,376	1,242
NPATMI (VND bn)	431	496	652
ROA (%)	5.6	11.7	13.6
ROE (%)	9.1	20.6	22.8
EPS (VND)	7,235	7,894	9,945
Book Value (VND)	50,762	52,501	62,446
Cash dividend (VND)	3,000	3,000	3,000
P/E (x) (*)	10.0	9.3	7.4
P/B (x) (*)	1.4	1.4	1.2

INVESTMENT RATIONALES

Rubber land handover will bring steady cashflow for DPR in next 10 years.

- In next 10 years, DPR has plan to change the use of 2,000 hectares of rubber land to the third parties, which is benefit from master plan of Binh Phuoc Province in period of 2020-2030, to develop industrial parks and or residential area. Hand overing is expected to bring VND 20 bn/ year to DPR or contribute ~ VND 4,500 to EPS each year.

Industrial park segment will be benefit as the expansion IPs is located in strategic area of Binh Phuoc to develop industrial sector and is close to key future infrastructures

- The expansion plan of Bac Dong Phu IP and Nam Dong Phu IP are waiting for investment policy approval. The total expansion area is 797 hectares, which is three times larger than the current one. Beside closing to Binh Duong, the leasing price will be promoted as these Ips locate in heat zone of industrial-oriented area of Binh Phuoc and is close to major roads such as QL13, DT 741, QL14 and potential Expressways.

Strong cash balance secure cash dividends payment plan for years or even large investment plan

- Having an amount of VND 1,264 bn or ~$54.25 mn in cash and short-term investment as of 06/30/2022, which accounts for 31.7% total assets and is equivalent to VND 29,390 per share, we believe DPR can maintain the payment of a dividend of VND 3.000 per share.

RISK TO OUR CALL

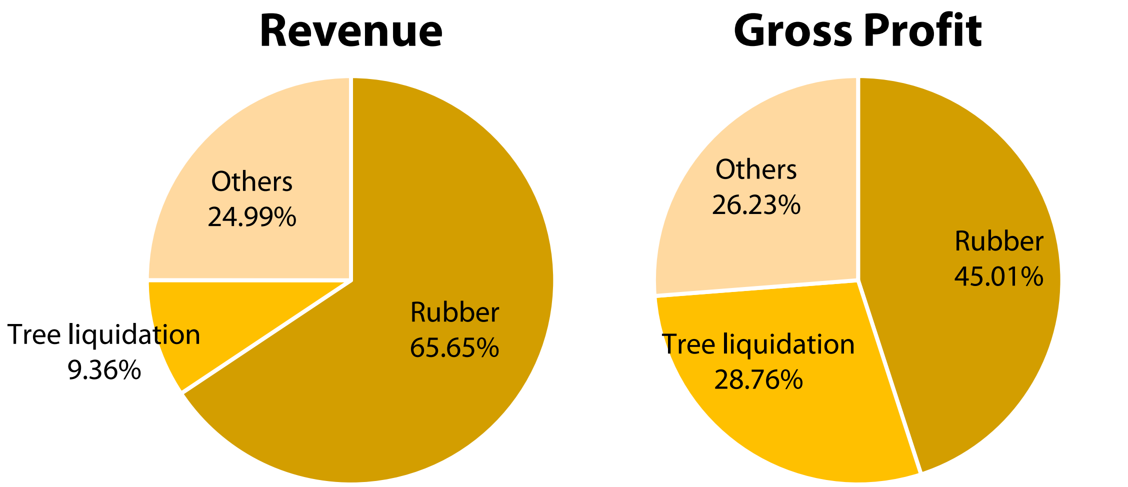
- Slower in rubber land hand overing process than expected due to lack of interested-in investors.
- Rubber price fluctuation.

Table 1: 6M2022 business results

(VND Bn)	6M 2022	+/- %YoY
Revenue	**500**	17.3
Gross profit	**150**	17.4
EBIT	**101**	31.3
NPAT	**103**	46.2

Source: DPR, Rong Viet Securities

Figure 1: Revenue and GP breakdows by segments

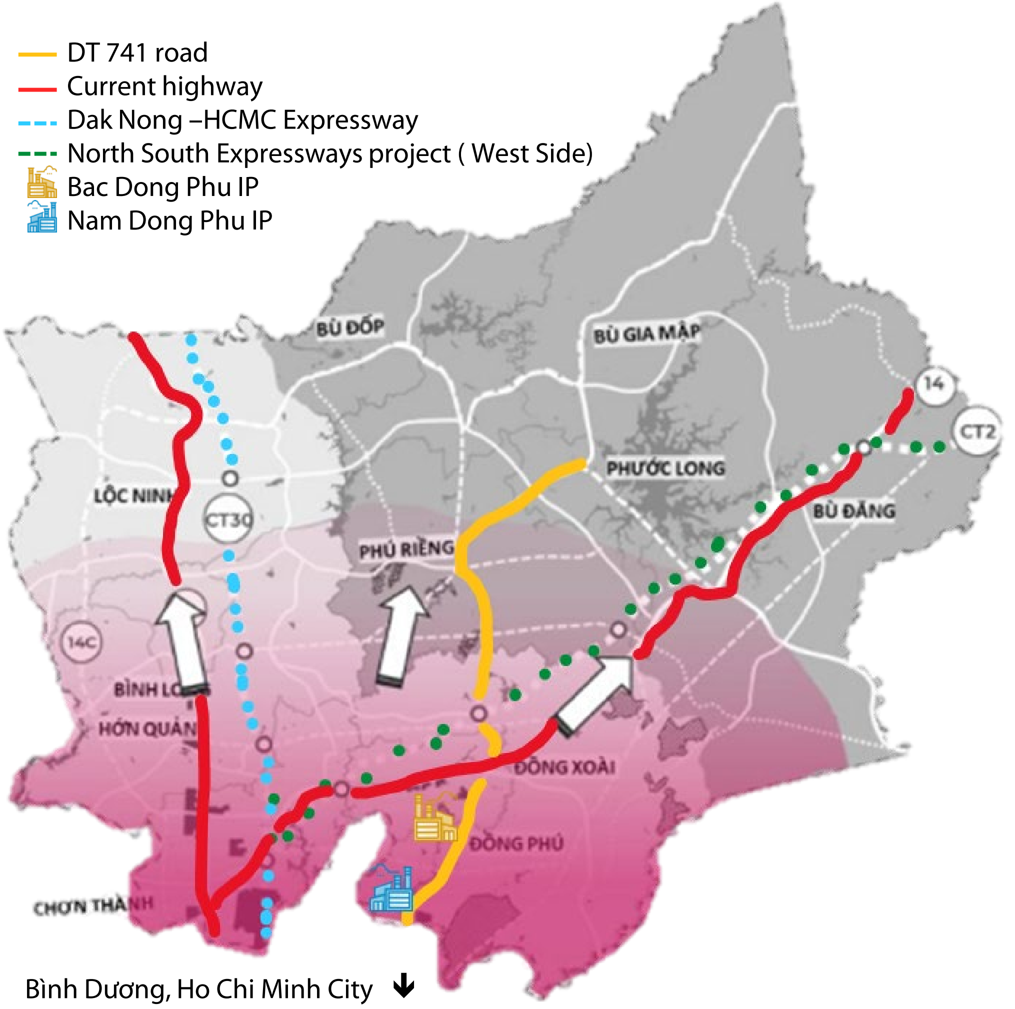


Source: DPR

6M 2022 RESULTS: RUBBER SEGMENT WAS STILL THE MAIN PILLAR

- DPR recorded consolidated revenue of ~VND 500bn or ~$21.46 mn (+17.3% yoy) and NPAT of VND 103bn or ~$4.42 mn (+46.2% yoy) in 6M 2022. In which:
- The rubber segment was the main pillar in both revenue and profit, thanks to stronger increase in sale volume (~17.8% YoY) than ASP's decrease (~7.4%). As a result, revenue of the segment reached VND 328.1 bn or ~$14.08 mn (+9.1%), while GP was VND 67 bn or ~$2.88 mn (-41.2%)
- The company also recognized ~ VND 47bn or ~$2.02 mn (+61.1% YoY) from the liquidation of rubber trees and GP of the segment reached VND 43.2 bn or ~$1.85 mn (+66.3%YoY)
- The other segments including IP land leasing, other services brought ~VND 125 bn or ~$5.36 mn (+38.9%YoY) in revenue and VND 39.4 bn or ~$1.69 mn (+84.4%) in GP.

Figure 2: Space orientation for industrial development in the period of 2021 – 2030 (Pink zone)



Source: Binh Phuoc Province,Rong Viet Securities

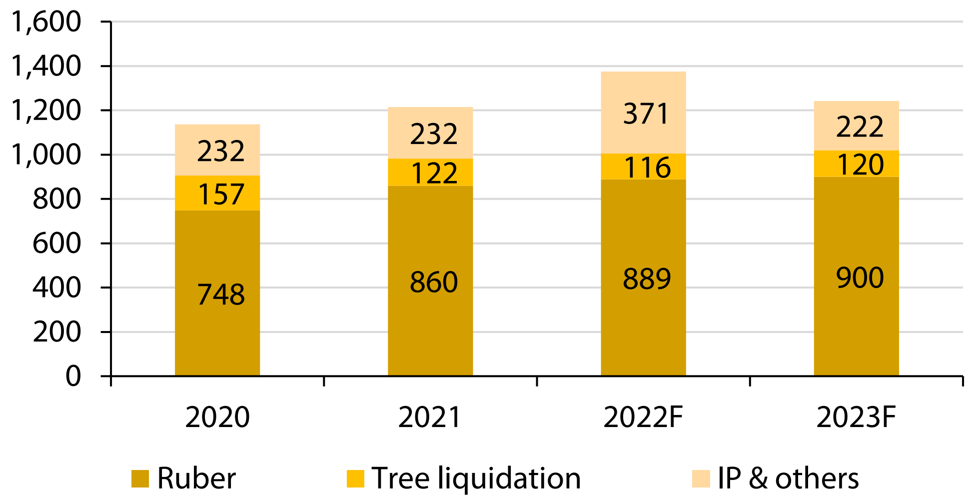
Table 2: Overview of DPR Land Fund

DPR's land bank	Area (ha)	Notes
Rubber plants area	**4,800**	Down from 5,500 hectares since 2021
Handover to Binh Phuoc province	**1,828**	Compensation price is 1.042 billion /ha
Self-developed IPs & other projects	**2258**	
• Bac Dong Phu IP	258	15 hectares remaining for lease, expected to fill in 2022, 2023
• Bac Dong Phu expansion IP	317	Waiting for investment policy approval, expected to start leasing at the end of 2023
• Nam Dong Phu expansion IP	480	Waiting for investment policy approval, expected to start leasing in 2026
• **Other projects**	1,203	In planning for the period of 2021-2030
Total	**8,886**	

Source: DPR,Rong Viet Securities

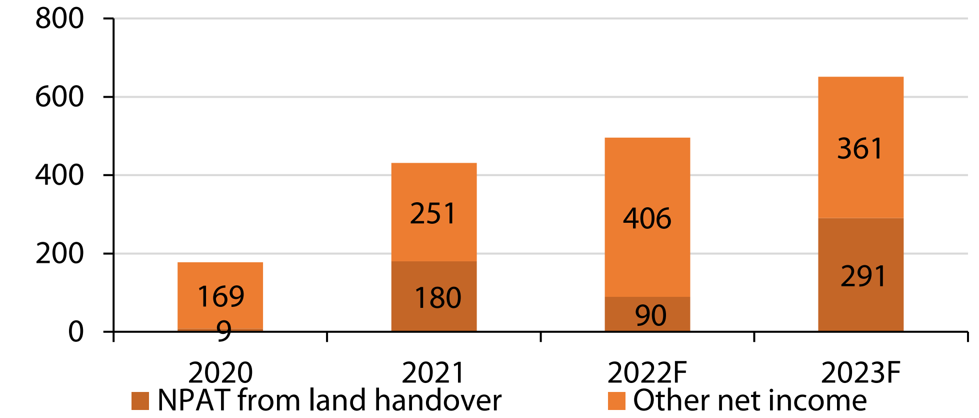
- According to the master plan of Binh Phuoc Province for period 2021-20230, DPR possibly convert 4,000 ha of rubber land for industrial or residential purposes. Besides plan of hand overing 2,000 ha to the province for 3rd parties. DPR had plans to self develop on the remaining areas of 2000 hectares.
- The self-developing plan will benefit from (1) future infrastructure developments as shown in figure 2, (2) as well as Binh Phuoc province's strategy to attract industrial investments in southern region, where it has regional link with Binh Duong. In this area, DPR is expanding Bac Dong Phu IP and Nam Dong Phu IP. The projects are on progress to get investment policies approval from the Government. We expected these 2 IP to start leasing from 2024 and 2026, respectively.

Figure 3: FY2022-2023 sales forecast (VND bn)



Source: Rong Viet Securities

Figure 4: FY2022-2023 earnings forecast (VND bn)



Source: Rong Viet Securities

2H2022 forecast

Revenue and NPAT will grow 11.1% YoY and 11.6% YoY respectively:

1) Revenue reached VND 876 bn or ~$37.6 mn. We estimate rubber sales to reach ~VND 561bn or ~$24.08 mn (+0.28% yoy) as sales volume and ASP are expected to be similar as last year. While the last area of Bac Dong Phu IP will be record once instead of annual allocation.

2) In addition, NPAT spiked thanks to the abnormal income from land handover of to Binh Phuoc People's Committee. The handover area would be 100 hectares and is expected to bring VND 96 bn or ~$4.12 mn for DPR.

DPR 's FY2023 forecast: Other income will skyrocket

We expect that revenue will slightly decrease to VND 1,244 bn or ~$53.39 mn (-9.7% YoY) due to IP segment lack of inventory, while NPAT will show a strong growth of ~31% to VND 652 bn or ~$27.98 mn as land handover will take lead and contribute a large part in other income items. In particular:

1) We expect that DPR will lease the last 2 ha of Bac Dong Phu IP and ~ 1% of Bac Dong Phu expansion IP or 5 ha in 2023 compared with 12 ha leased as expected in 2022.

2) Beside the annual income stream from land handover to Binh Phuoc province, we expected that, DPR will record another abnormal income from land handover to Bac Dong Phu IP developer, who owners are DPR (51%) , NTC (40%) and others (9%) to execute the expansion project

Table 3: Valuation summary

SOTP (VND bn)	NPV	Ownership	Effective NPV
RUBBER	566	100%	566
TREE LIQUIDATION	462	100%	462
IP	512	51%	261
LAND TRANSFER	1,007	100%	1,007
CASH	593	100%	593
SHORT-TERM AND LONG-TERM INVESTMENTS	839	100%	839
Less: DEBT	-54	100%	-54
Less: MINORITY INTERESTS	-551	100%	-551
Total equity value			**3,123**
Shares outstanding (million shares)			43
Fair value per share (VND)			**72,600**

Source: Rong Viet Securities

Based on the sum-of-the-part valuation method (SOTP), we estimate the target price to be VND 72,600 per share, which translates to total expected profit of -1.4% (compared to the closing price on August 10th, 2022).

In the long term, the recognition of 200bn per year thanks to land handover activities will still be a positive point for the company's cash flow from 2021 to 2030. In addition, we expect that from 2023 onwards, the expanded industrial parks of Bac Dong Phu (317ha) and Nam Dong Phu (480ha) support DPR 's revenues and profit growth.

Nonetheless, the risks of delay longer than expected in the legal process of land transfers and investments of the above industrial zones are noteworthy.

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