RONG VIET SECURITIES

INDUSTRIAL PARK REAL ESTATES

OPPORTUNITIES ARISE FROM THE NEW INVESTMENT WAVE

Hung Le – hung.ltq@vdsc.com.vn

INDUSTRIAL PARK- THE MACRO THEME IS SUPPORTIVE

Investment Rating

Negative **Neutral** **Positive**

Overview

Leveraging geography and cost advantages, Vietnam is poised for a fresh wave of foreign investment post-global supply chain disruptions. The impacts of a two-year pandemic shock and a year of geopolitical conflicts over interests among major powers, which led to abrupt monetary policy reversals to combat inflation, have subsided. We anticipate the return of an investment wave, with a new surge targeting friendly nations like Vietnam to diversify supply chains, seize the benefits of recently signed free trade agreements, and expand markets. Amid this, the industrial real estate sector will thrive, despite current policy and infrastructure limitations. Ongoing improvements are enhancing Vietnam's industrial real estate value. Investment prospects is for enterprises with substantial land and project reserves for long-term development or ambition to grow ready-built warehouses/factories (RBWs/RBFs).

Highlights

Investment landscape stayed resilient in1H2023

- FDI inflow signaled growth at the end of the 1H, concentration was still on processing and manufacturing sector. Chinese investors was on highlight.
- IP real estate market absorption surpassed 1H2022 and the 5 years quarterly average, while new supply still slowed, and occupancy was at high level both in the North and the South, leading to surge in leasing price.
- Revenue of the sector based on our coverage and sector were mixed. The result favored developers having projects exposure to the North, while margin was still lucrative.

Positive outlook can be expected in the medium- and long-term for industrial park real estate industry

- As we expect a pend-up demand in industrial investing, which was withheld due to continuous pushing factors (pandemic, monetary tightening), will surges as those factors are fading away.
- While new supply will keep at slower pace as constrained by duration of investment process and 2025 quota for each province following Decision 326 of the Prime Minister.
- Leasing price is expected to keep growing under high occupancy, and demand in the North and the South industrial hubs.

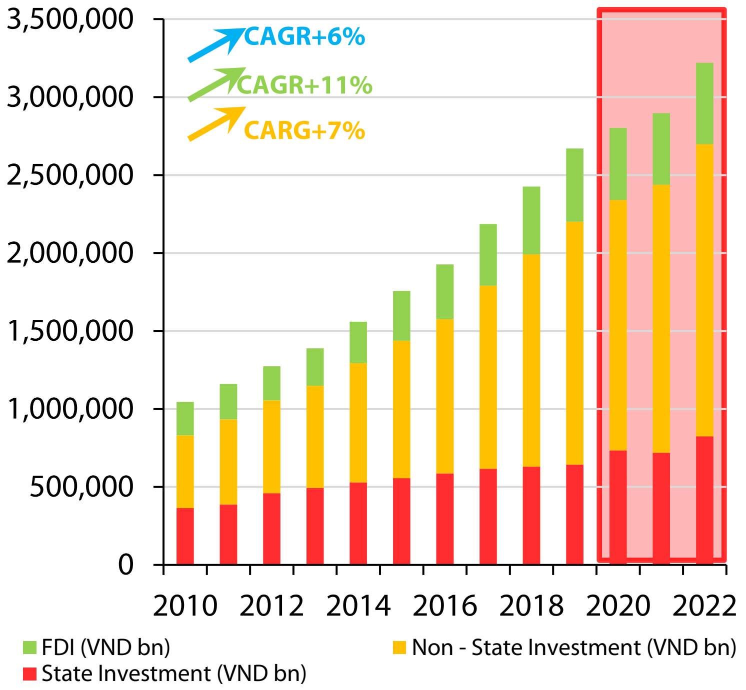
INDUSTRIAL PARK- THE MACRO THEME IS SUPPORTIVE

Valuation	• In the first half of the year, the industrial park stock have shown significant return performance (20%-100%), primarily reflecting investors' optimism about upcoming earnings results and the revaluation of companies' projects in the context of benefiting from macro trends. There have been positive signals in the industrial investment wave, along with monetary policy returning to a losing stance. • We believe that these prospects will continue into the second half of 2023 and 2024. Stocks that (1) have attractive valuations (P/E, P/B), (2) possess a large leasable land bank or long list of approved IP projects for long-term development, and (3) are strategically located in industrial center, represent good investment opportunities to hold in both the medium and long term.
Stocks Recommendation	**LHG** (BUY, TP: VND 50,000), **SIP** (BUY, TP: VND 84,000), **NTC** (BUY, TP: VND 254,000), **KBC** (ACCUMULATE, TP: VND 40,000), **PHR** (NEUTRAL, TP: VND 50,000)
Risks	• Global minimum tax agreement, may impact FDI inflow as there has yet been guidance from the government. • Power disruption due to supply shortage may impair Vietnam’s attractiveness. • Non cost factors such as infrastructure, labor quality, development of supporting industries improve slower than other peers are top concerns for multinational companies when choosing an investing destination.

DEMAND – VIETNAM INVESTMENT LANDSCAPE FROM 2011 TO 2022

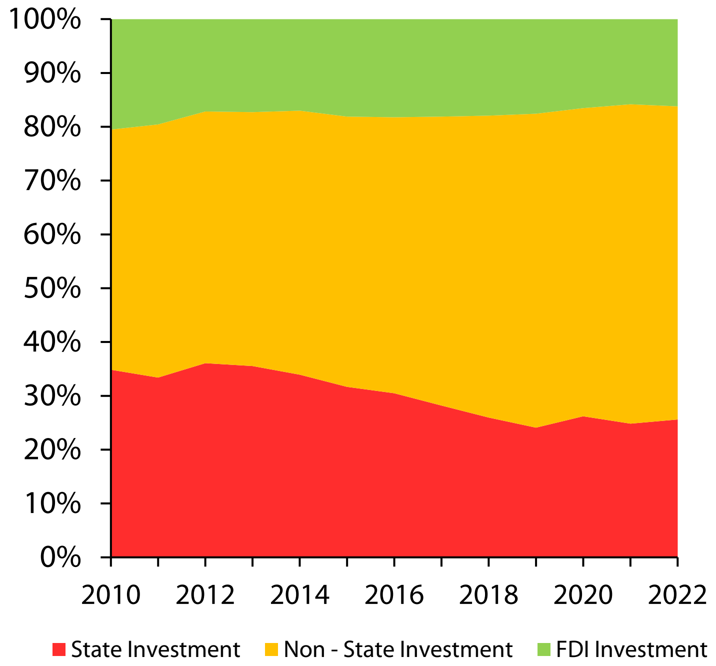
- In the last 11 years, , the total investment of all types of ownership has maintained a CAGR of 9%. Among them, the Domestic Non-State Investment has contributed the most with a CAGR of +11% and has consistently maintained an average contribution rate above 50%.
- During the pandemic period (2020-2021), investment demand experienced a decline but remained positive, thanks to the Non–State sector. Then, Investment landscape witnessed a recovery pace back to pre-pandemic levels in the year 2022.

Figure 1: Investment by types of ownership



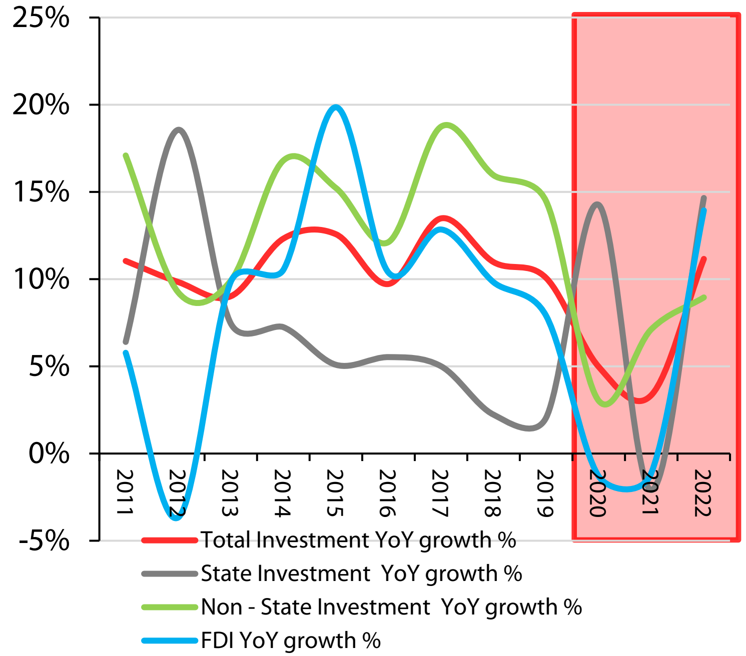
Source: GSO, RongViet Securities

Figure 2: Contributions by types of ownership



Source: GSO, RongViet Securities

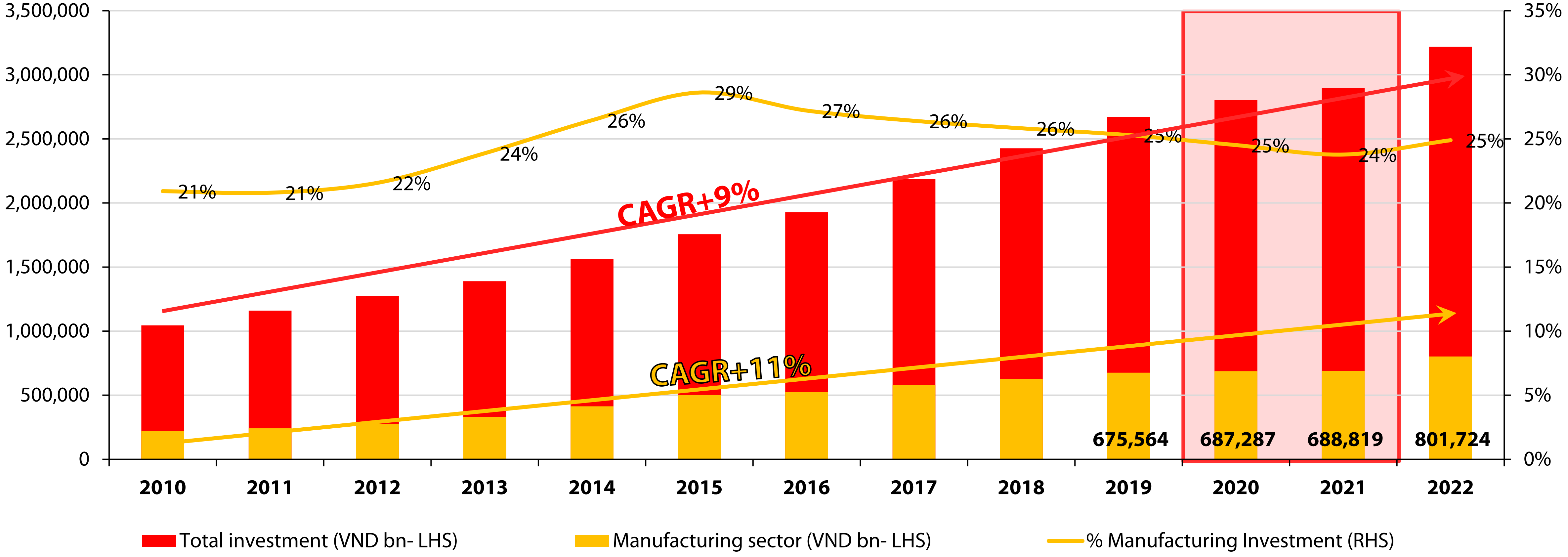
Figure 3: Investment growth rate during 2011-2022



Source: GSO, RongViet Securities

- Within the overall investment demand, investment in the manufacturing sector has experienced a higher growth rate compared to the general average, with a CAGR of **+11%**. However, during the two pandemic years, the growth rate somewhat slowed down, and rebounded at **16%** YoY in 2022.

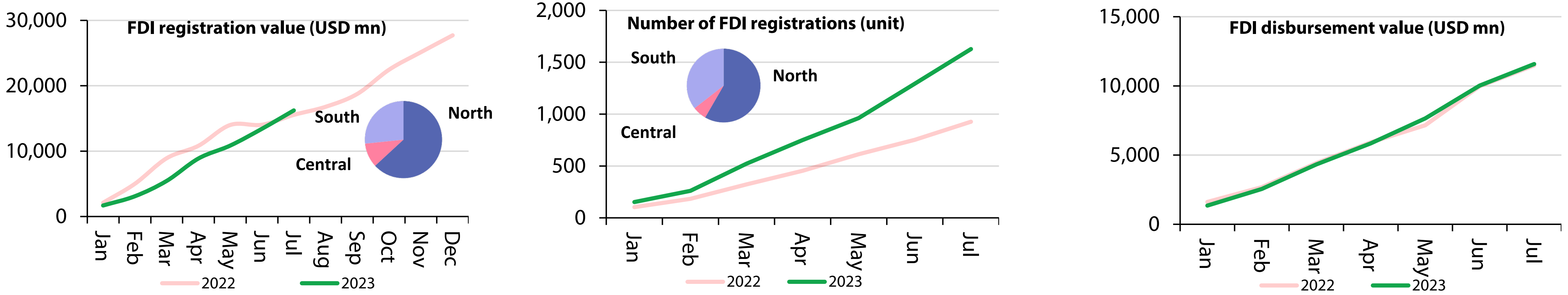
Figure 2: Total investment in processing and manufacturing sector versus total investment of all sectors



Source: GSO, RongViet Securities

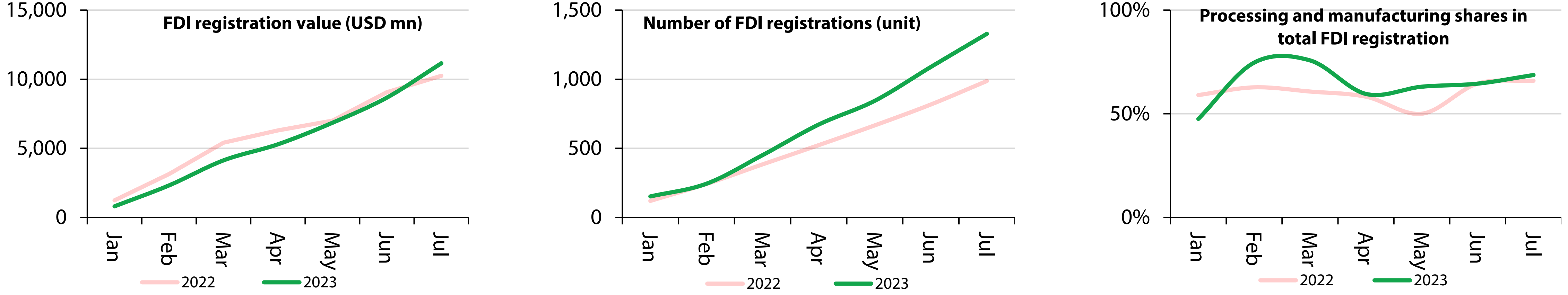
DEMAND – FDI IN THE 7M2023 WAS BETTER THAN EXPECTED

Figure 4-6: FDI metrics(*) in the 1H2023 – The registration value exceeded last year figure; the number of projects increased significantly, and the disbursement value stayed resilient



Source: Fiinpro, RongViet Securities
(*)YTD accumulated data

Figure 7-9: FDI metrics(*) on processing, manufacturing and logistics sector in the 1H2023 – Stay resilient and account a majority share of FDI registration

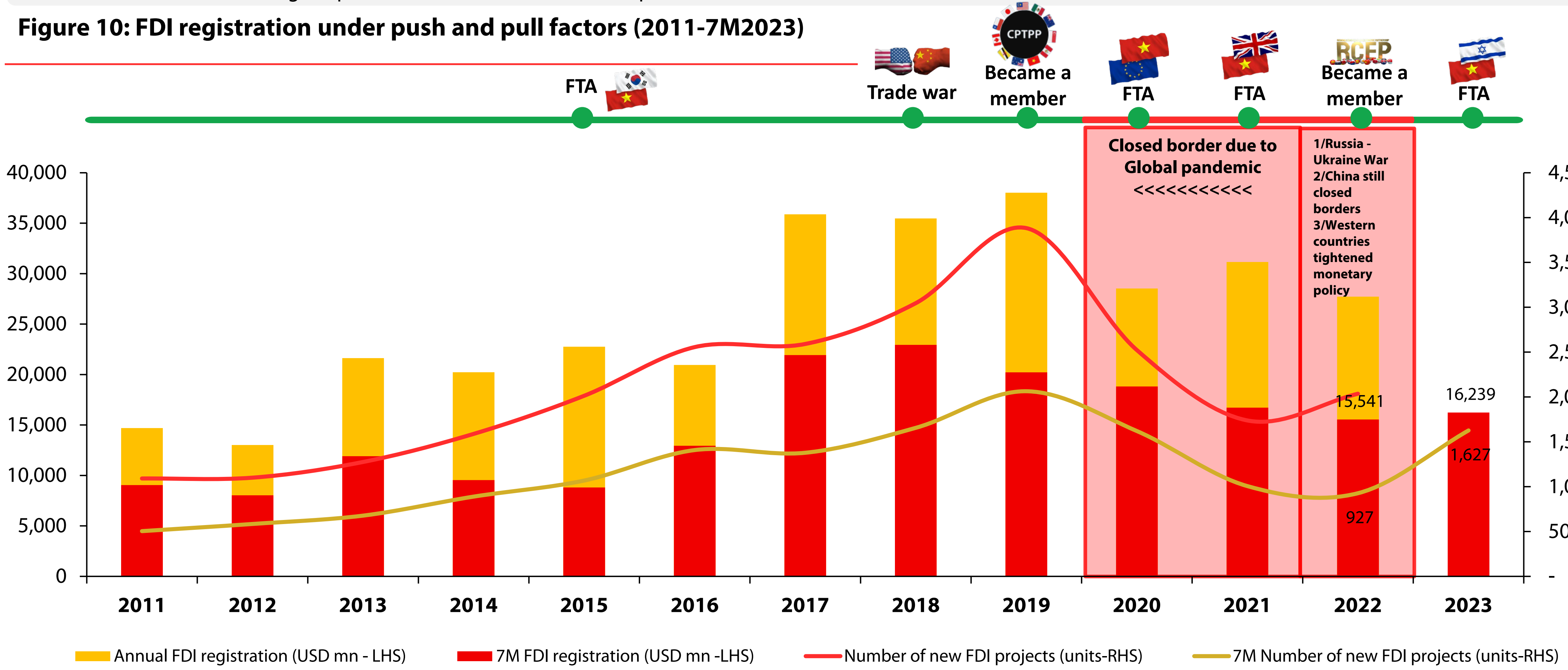


Source: Fiinpro, RongViet Securities
(*) YTD accumulated data

DEMAND – NEW WAVE OF FDI MAY COME SOONER THAN EXPECTED

Recent macro data indicates a less-likely-to-occur global recession, as initially predicted, despite the continued tight monetary policies worldwide. In addition, the pace of rate hikes has slowed down, and the level have approached the peak of the cycle. Early phase of the expansion cycle more likely come soon. This forms positive outlook of a recovery in FDI inflow to, especially following the disruptions in the global supply chain due to the pandemic and geopolitical conflicts. In addition, pulling factors driving capital from countries that are economic partners with Vietnam under FTAs (figure) will also be reignited. Hence, we expect that a new wave of FDI with structural significance, as outlined in the latest strategic report, will arrive sooner than anticipated from the 2H2023.

Figure 10: FDI registration under push and pull factors (2011-7M2023)



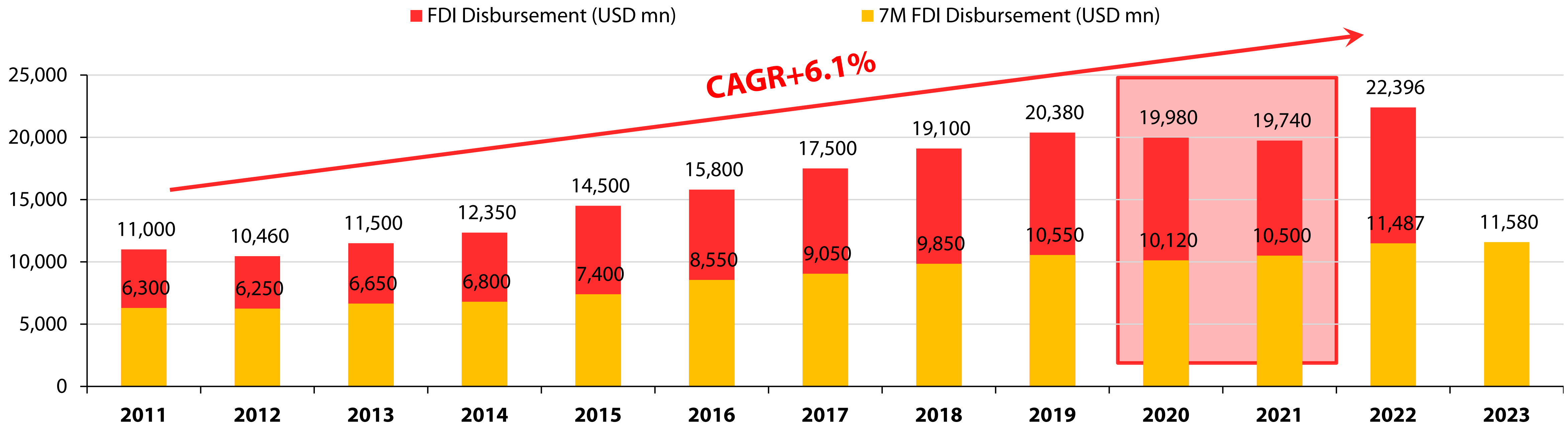
Source: Fiinpro, RongViet Securities

DEMAND – FDI DISBURSEMENT KEPT GROWING

Despite experiencing registration fluctuations, the disbursement of FDI has demonstrated a consistent upward trajectory over the past 11 years. While a minor adjustment was observed during the pandemic period due to Vietnam's temporary border closures, the overall trend remains positive. We believe that the momentum of increasing FDI disbursement will continue. This projection is underpinned by a notable surge in newly registered FDI projects, coupled with a resurgence in patterns reminiscent of the pre-pandemic era, driven by rising new project registrations and returning pre-pandemic trends. Constraints have diminished, replaced by factors fostering investment demand (Figure 10).

Additionally, the recent surge in new investment registrations is a positive sign. This will contribute to overall investment growth in the years ahead, as Vietnam's investment landscape proves profitable as the case study of Samsung, LG, or Intel.

Figure 11: FDI disbursement (2011-7M2023)



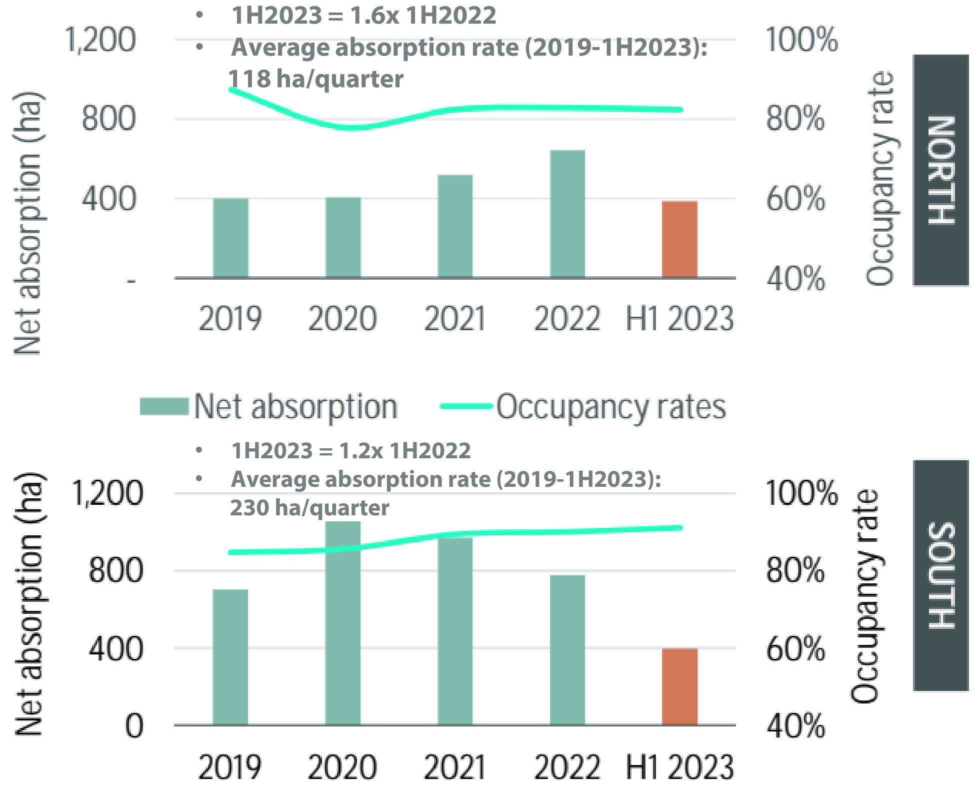
Source: Fiinpro, RongViet Securities

DEMAND – INDUSTRIAL LAND LEASING IN 6M2023

The North market was heating up in 1H2023.

- Regarding IP land leasing, both the Northern and Southern regions have witnessed an absorption rate of ~ 400 hectares in 1H2023 and exceeded the 1H2022 lease. Notably, the Northern region stands out as a rising star, with an absorption rate nearly surpassing the figures recorded in both 2019 and 2020, as well as the average absorption rate of the past 5 years.
- The occupancy is still high level in both regions. While the North stay flat at ~80%, the South climbed up further to 90%.

Figure 12: IP land absorption in the 1H2023



Source: CBRE

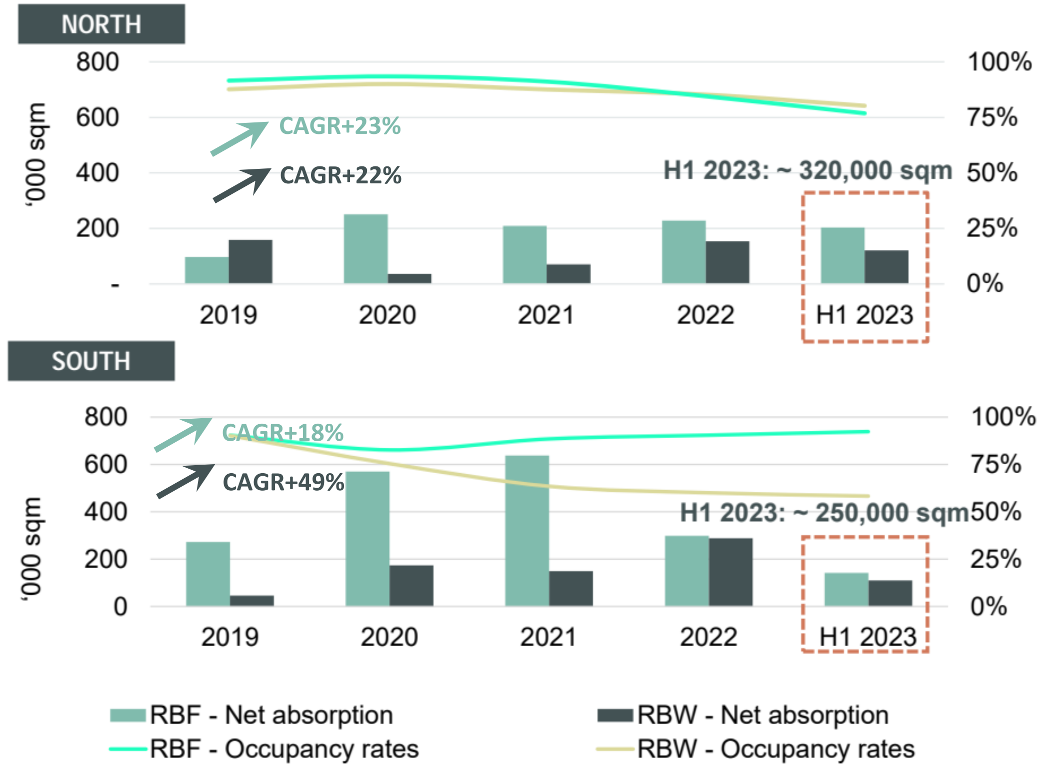
Figure 13: Electronics industry witnessed the highest demand for IP land leasing

Source: Houselink

DEMAND –RBF & RBW LEASING IN 6M2023

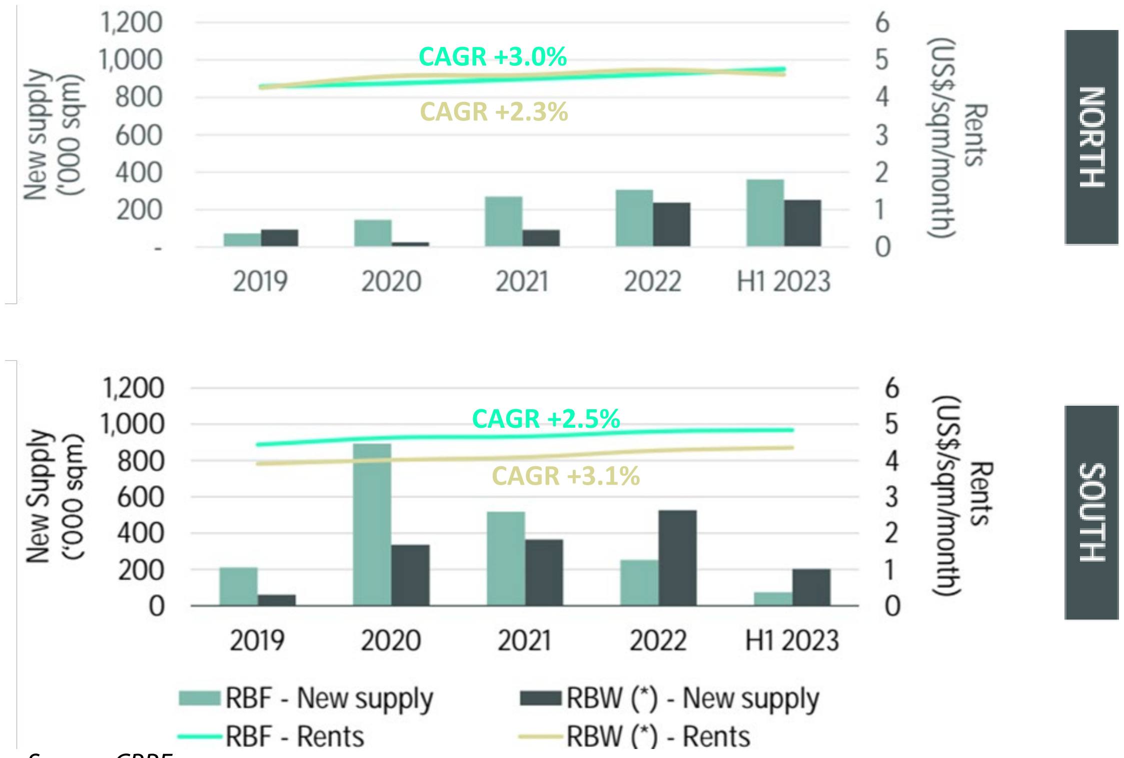
- The ready-built factories (RBF)/warehouses (RBW) leasing activities continues to thrive in both the Northern and Southern regions during the first half of the year (Figure 14). Supply indicate strong growth in the Northern region, whereas the Southern region has seen a slowdown, particularly in the RBF segment (figure 15). Notably, the occupancy rate of RBFs in the Southern region remains high, as new supply has increased slightly less than the market absorption.
- In terms of leasing prices, the overall trend continues to growth at CPI level annualy, albeit at a slower rate compared to the lease prices for IP land.
- In our coverage list, LHG (~114,000 sqm), KBC (~130,000 sqm), NTC (60,000 sqm), SIP (119,000 sqm) are IP developers having RBF leasing segment. Among them, LHG (Da Nang, Long An), and SIP (Ho Chi Minh, Tay Ninh, Dong Nai) have ambitious plan to grow this business.

Figure 14: RBFs and RBW lease in the 1H2023



Source: CBRE

Figure 15: RBFs and RBW Supply and lease price in the 1H2023



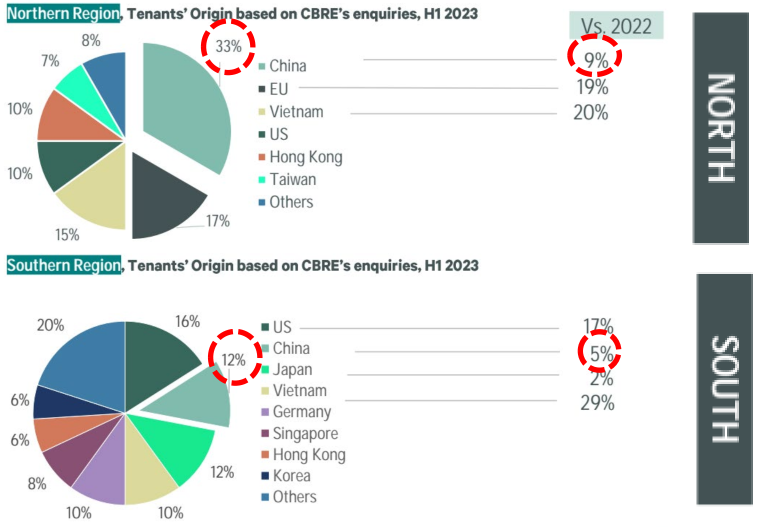
Source: CBRE

DEMAND – CHINESE TENANTS WERE ON THE HIGHLIGHT

We believe that the "China+1" trend is still ongoing and will become even more pronounced, especially after China's 3-year border closure due to the pandemic.

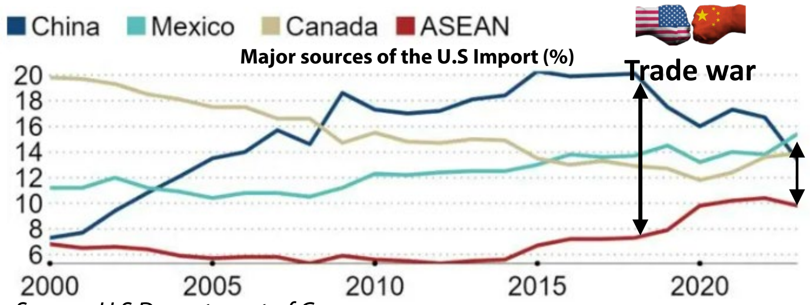
- According to CBRE's survey, Chinese tenants accounted for the largest portion in term of seeking industrial land lease in 1H2023, and showed a significant demand relatively to last year (figure 16)
- The shift in FDI capital from China to Vietnam (figure 19) exhibited strong correlations with changes in imported goods structures by countries to the US (figure 17).
- Notably FDI inflows into China have also experienced a significant decline since 2022 (figure 18).

Figure 16: There was a surge in demand from Chinese tenants



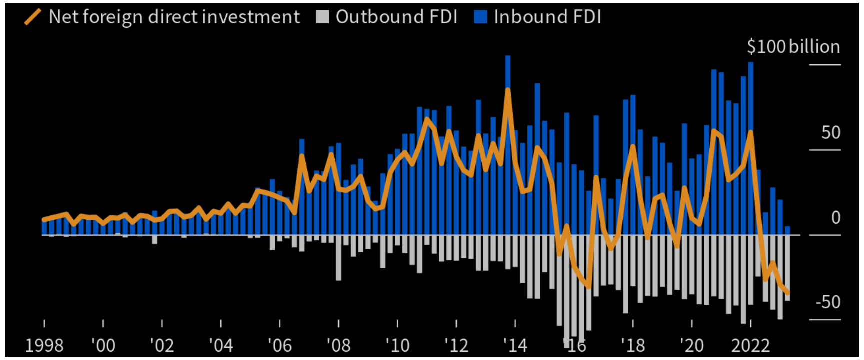
Source: CBRE

Figure 17: ASEAN replaced China to produce goods for the U.S



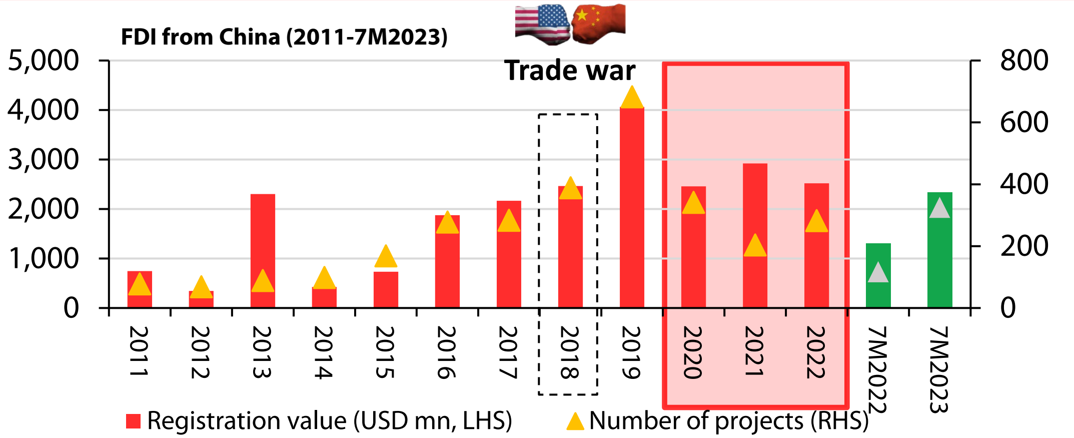
Source: U.S Department of Commerce

Figure 18: FDI in China slumps to the lowest level since 1998



Source: Bloomberg, China's State Administration of Foreign Exchange

Figure 19: FDI flow from China surged after Pandemic

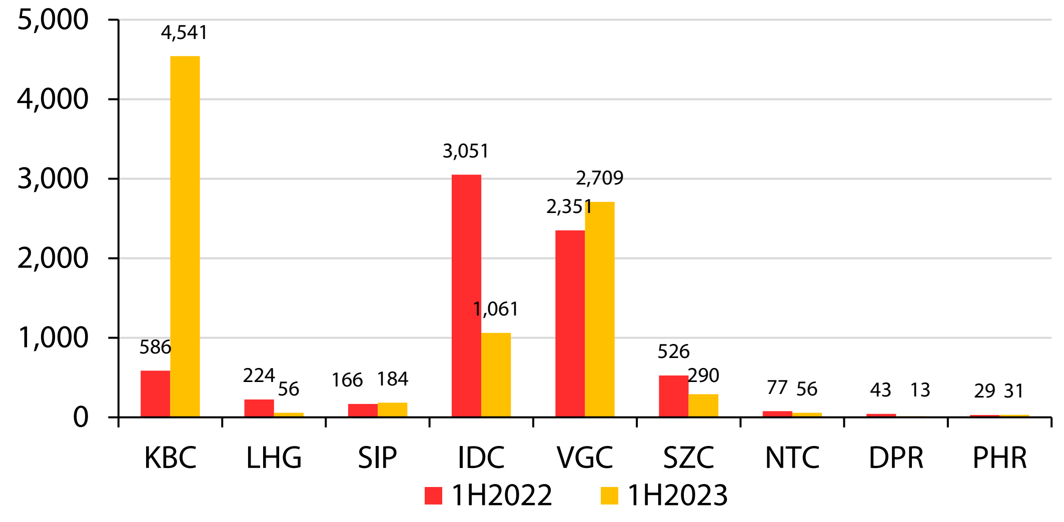


Source: Fiinpro, RongViet Securities

Revenue results were mixed, while gross profit margins preserved

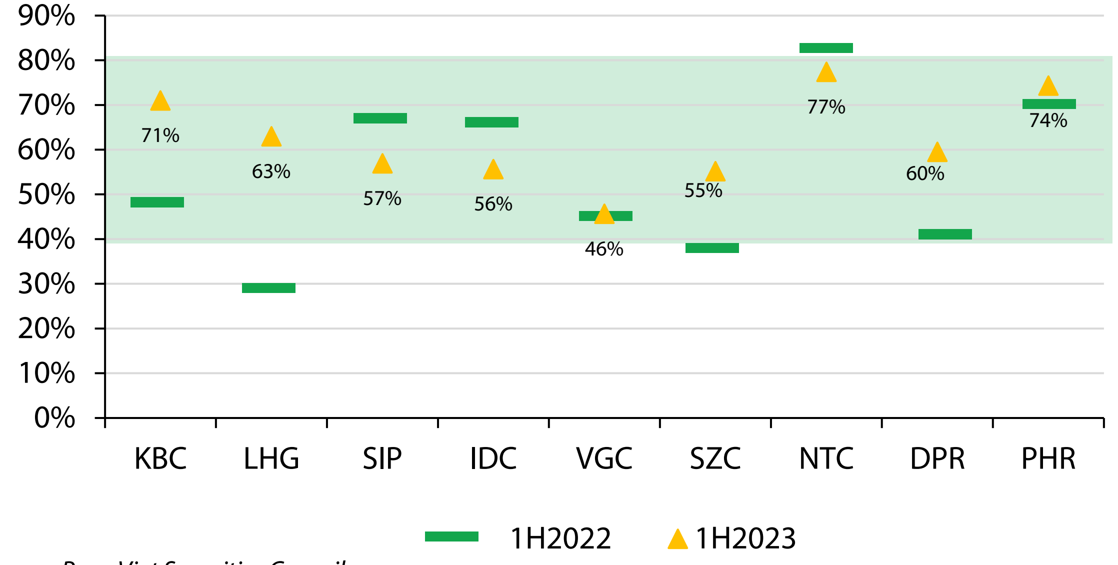
- The revenue of IP leasing segment has shown significant differentiation among companies. KBC, VCG, and SIP have recorded revenue growth. In which, performance of KBC and VGC, with large land portfolios in the Northern region, are significant as benefiting from the more dynamic investment wave happening in the North. On the other hand, companies that experienced 100% occupation, or have limited inventory, or are pursuing new projects such as LHG, NTC, DPR, PHR, are experiencing slower sales. This is primarily due to a substantial portion of revenue being book from unearned revenues (NTC, DPR, PHR), minimal recorded handovers to smoothing earnings while waiting for other projects (LHG).
- Notably, IDC's actual IP leasing revenue was relatively stable if (1) we exclude approximately VND 1.4 trillion of revenue from Nhon Trach 5 Industrial Park in the first half of 2022 (one-time revenue recognition), and (2) add VND 401 billion of revenue from Que Vo 2 Industrial Park (recognized as real estate revenue). In particular , the adjusted estimated revenue is around VND 1.5 trillion, representing a slight decrease of ~ 9% compared to the same period.
- The profit margin of this business segment has enhanced compared to the same period, attributed to (1) leasing prices keeping increasing, (2) the VND depreciation against USD since 2H2022, or (3) no retrospective COGS adjusting as changing in total investment (LHG). Overall, the gross profit margin is maintained above 46% - 70% depending on the project's age, location and geographic nature of the surrounding area.

Figure 20: IP land leasing revenue 1H2023 (VND bn)



Source: RongViet Securities Compiles

Figure 21: Gross profit margin of IP leasing segment in (%)

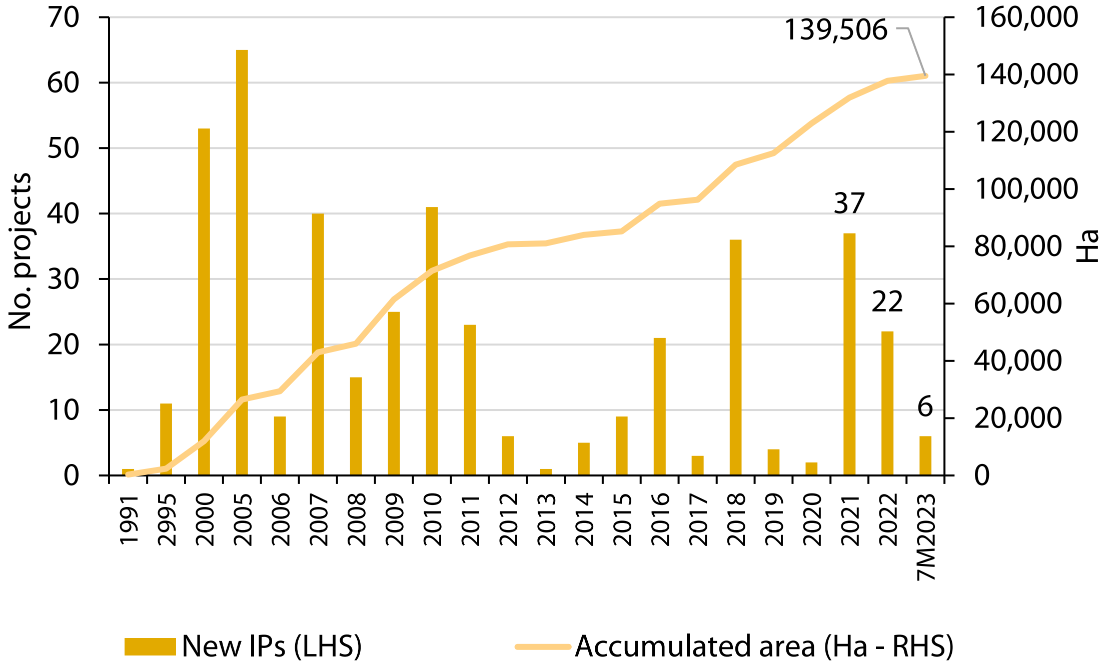


Source: RongViet Securities Compiles

SUPPLY – NEW INDUSTRIAL PARK ESTABLISHMENT SLOWED IN 1H2023

Investment policy approval for IP projects decelerated from in 1H2023 as there were 6 new approved industrial park, with total area of 1,714 ha, making the accumulated IP area reached 139,506 ha.

Figure 22: Industrial parks establishment (1991-7M2023)



Source: MPI, RongViet Securities Compiles

Figure 23: New established IPs in 1H2023 - Locate mostly in the North

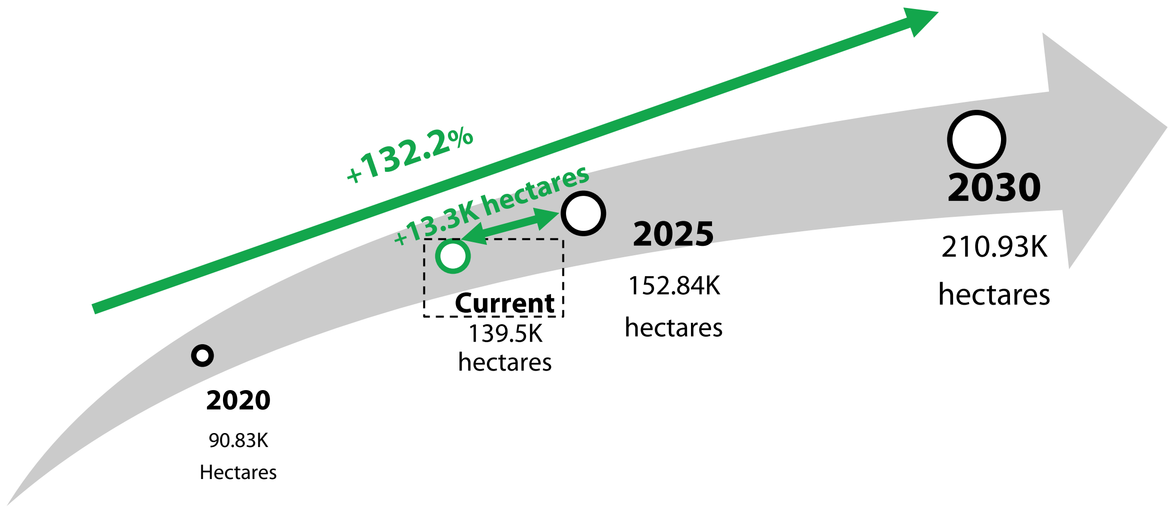
Date	Decision no.	Project name	Province	Total Area (Ha)
2/8/2023	57/QĐ-TTg	THO LOC IP (PHASE 1)	NGHE AN	500
3/6/2023	179/QĐ-TTg	THAI HA IP (PHASE 2)	HA NAM	100
4/4/2023	342/QĐ-TTg	BINH XUYEN II IP (PHASE 2)	VINH PHUC	63
4/29/2023	460/QĐ-TTg	DUC HOA 1 IP	LONG AN	207
5/15/2023	501/QĐ-TTg	VSIP LANG SON IP	LANG SON	600
7/14/2023	842/QĐ-TTg	LONG DUC 3 IP	DONG NAI	245
Total				**1,714**

Source: RongViet Securities Compiles

SUPPLY – GUIDANCES FROM THE AUTHORITIES FOR LONG-TERM DEVELOPMENT

- According to Decision 326/QĐ-TTG (03/09/2022) following the guidance in Resolution 39/2021/QH15, The major industrial hubs were allocated to the Red River Delta, the Southeast and other provinces surrounding these two areas.
- Accumulated IP area reached 139,506 ha and there is still plenty of room to establish new IPs until 2025 (figure 24). However, if looking deeper into provincial level in each region, the story is different among localities.

Figure 24: IP land use quota in Resolution 39/2021/QH15



Source: RongViet Securities Compiles

Figure 25: IP land quota allocation detail in Decision 326/QĐ-TTG (03/09/2022)

Economic Regions	2030 Plan (Ha)	2025 Quota (Ha)
NORTHWEST	6,493	4,625
NORTHEAST	22,665	13,546
RED RIVER DELTA	**46,053**	**34,086**
NORTH CENTRAL COAST	23,293	17,156
SOUTH CENTRAL COAST	19,447	15,114
CENTRAL HIGHLANDS	3,151	2,432
SOUTHEAST	**62,059**	**45,869**
MEKONG DELTA	27,766	20,013
Total	**210,927**	**152,841**

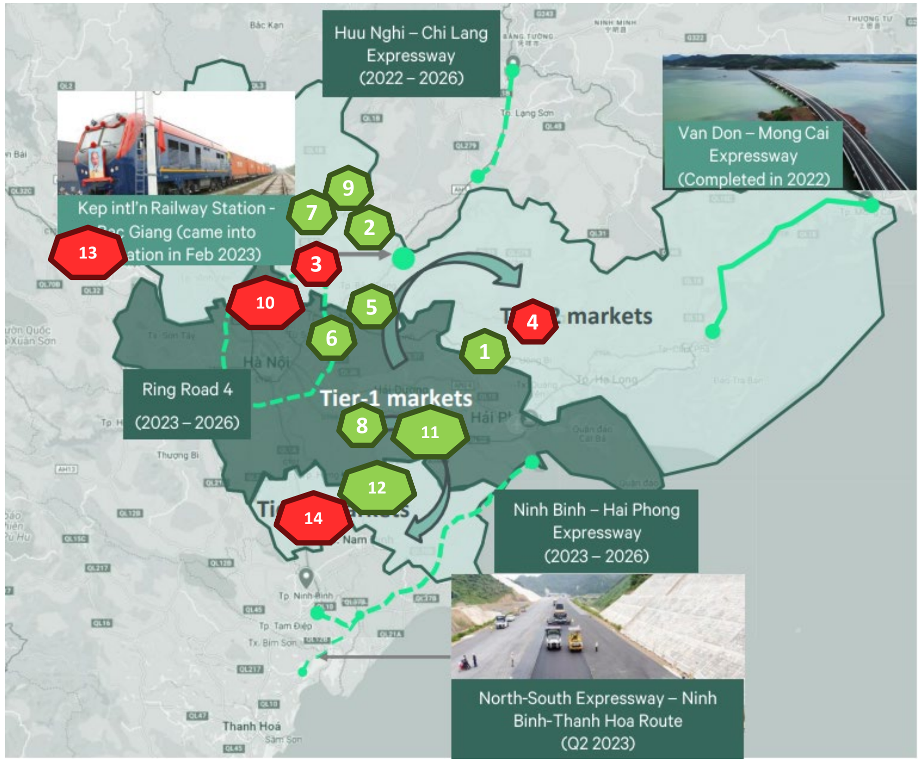
Source: RongViet Securities Compiles

SUPPLY – CURRENT STATUS OF THE NORTHERN MARKET

According to our estimates, the Northern region could potentially establish an additional approximately 5,334 hectares by 2025. This expansion is primarily focused in areas such as Hai Phong, Bac Giang, Thai Nguyen, Thai Binh, and Nam Dinh. Conversely, Hanoi and Bac Ninh, which are categorized as tier 1 cities, are facing challenges in creating new IPs as their existing areas have already surpassed government quota (Figure 27).

The increasingly synchronized and comprehensive infrastructure is a notable highlight, adding value to industrial projects in the Northern region (Figure 26).

Figure 26: The northern market and surrounding going-to-be-built infrastructures



Source: CBRE

Figure 27: IP land quota detail in Decision 326/QĐ-TTG by provincial level

No.	Provinces	Exposed tickers	2030 Plan (ha)	2025 Quota (ha)	Current Statistics (*) (ha)	Versus 2025 quota (ha)	Versus 2030 plan (ha)
1	**HAI PHONG**	KBC	8,710	7,262	5,992	1,270	2,718
2	**BAC GIANG**	KBC	7,000	3,377	2,424	953	4,576
3	BAC NINH	KBC, VGC, IDC, SGT	6,408	4,760	5,899	(1,139)	509
4	QUANG NINH	KBC, VGC	5,904	3,658	3,900	(242)	2,004
5	HAI DUONG	KBC, VGC, IDV, AAA	5,661	3,115	2,588	527	3,073
6	HUNG YEN	KBC, VGC, HPG	5,021	3,849	2,873	976	2,148
7	VINH PHUC	IDV, SHI	4,815	3,037	2,817	220	1,998
8	HA NAM	VGC, DTD, IDV ,HPG	4,627	4,027	3,474	553	1,153
9	**THAI NGUYEN**	SGT, TNG	4,245	3,286	2,095	1,191	2,150
10	HA NOI		3,828	2,787	2,825	(38)	1,003
11	**THAI BINH**	VCG, IDC	2,565	1,662	826	836	1,739
12	**NAM DINH**		2,546	2,077	1,288	789	1,258
13	PHU THO	VGC	2,485	1,766	2,219	(453)	266
14	NINH BINH		1,872	1,510	1,619	(109)	253
	Total		**65,687**	**46,173**	**40,839**	**5,334**	**24,848**

Source: RongViet Securities Compiles

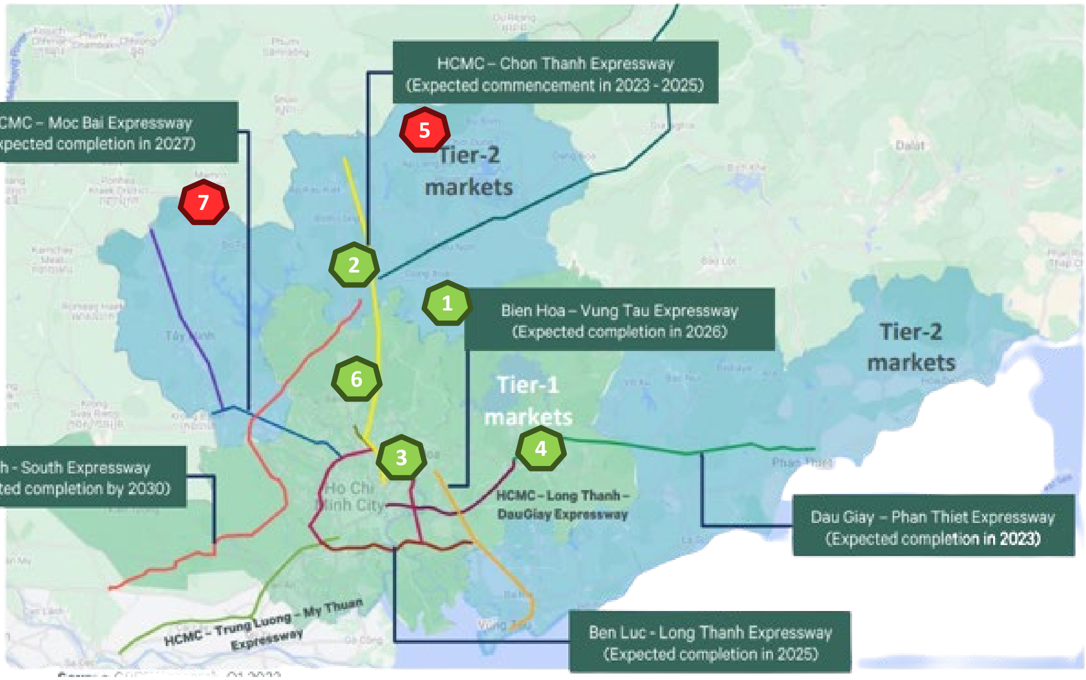
SUPPLY – CURRENT STATUS OF THE SOUTHERN MARKET

The Southern market still has room for establishing additional industrial parks with around 5,142 hectares quota remaining until 2025. The focus is primarily on areas such as Dong Nai, Long An, and Ho Chi Minh City.

Binh Phuoc is a notable name, with the total area of existing IPs having already surpassed the target for 2025. As a result, projects seeking investment policy approval in this region, such as the expansions of Nam Dong Phu, Bac Dong Phu, and Minh Hung 3, will face significant challenges in obtaining approval, at least until 2025.

Infrastructure system in the Southern region is also set to improve with projects outlined in figure 28.

Figure 28: The southern market and surrounding going-to-be-built infrastructures



Source: CBRE

Figure 29: IP land quota detail in Decision 326/QĐ-TTG by provincial level

No.	Provinces	Exposed tickers	2030 Plan	2025 Quota	Current Statistics (*)	Versus 2025 quota	Versus 2030 plan
1	DONG NAI	TID, IDC, SZG, SZL,SIP, IDC, BAX, D2D	18,543	12,470	10,243	2,227	8,300
2	BINH DUONG	NTC, BCM, PHR, GVR, KSB	14,990	11,990	11,242	748	3,748
3	LONG AN	LHG, IDC, KBC, STG	12,433	10,479	9,134	1,345	3,299
4	BA RIA - VUNG TAU	IDC, SZC	10,755	8,550	8,493	57	2,262
5	BINH PHUOC	DPR,MH3, BCM, IDC	7,584	4,258	4,553	(295)	3,031
6	HO CHI MINH CITY	HPI, KBC, SIP, KDH ITA	5,918	5,021	4,128	893	1,790
7	TAY NINH	SIP	4,269	3,580	3,415	165	854
	Total		**74,492**	**56,348**	**51,206**	**5,142**	**23,286**

Source: RongViet Securities Compiles

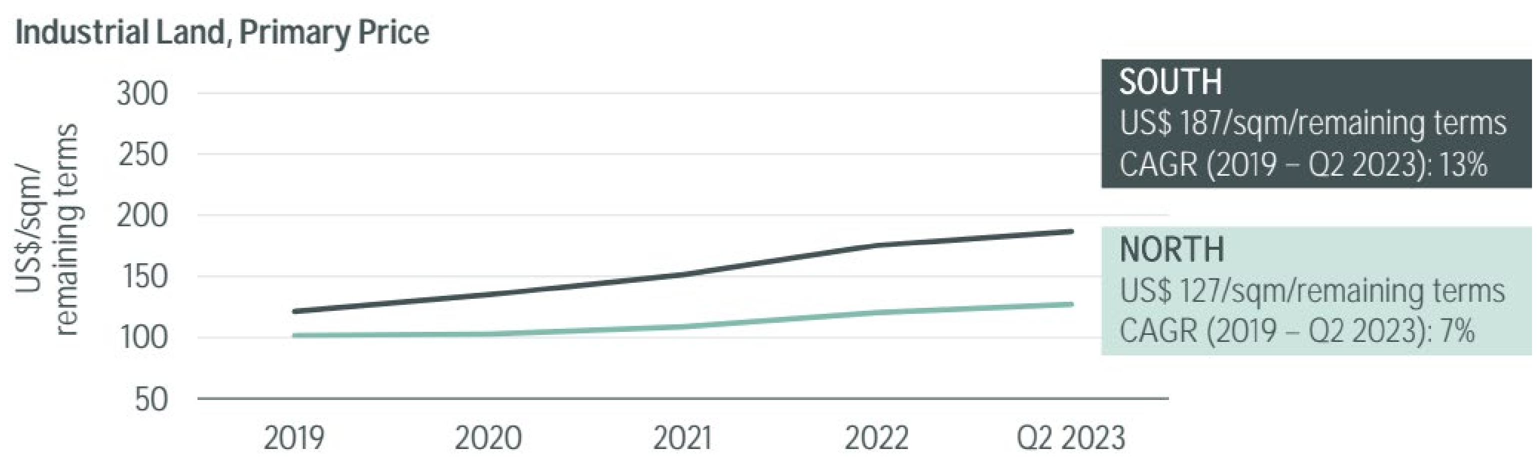
Figure 30: IP land inventory summary including leasable lands from ongoing, seeking investment policy approvals, or is-in-master plan of the provinces projects.

Ticker	THE NORTHERN REGION											THE SOUTHERN REGION							TOTAL
	HAI PHONG	BAC GIANG	BAC NINH	QUANG NINH	HAI DUONG	HUNG YEN	VINH PHUC	HA NAM	THAI NGUYEN	THAI BINH	PHU THO	DONG NAI	BINH DUONG	LONG AN	BA RIA - VUNG TAU	BINH PHUOC	HO CHI MINH CITY	TAY NINH	
KBC	450		77		903	158								888			63		**2,538**
PHR (*)													2494						**2,494**
SIP												334					130	800	**1,263**
VSIP	51									333			616						**1,000**
BCM													944						**944**
IDC			86							94				334	314				**828**
VGC			265	103		70		180		51	24								**693**
SZC															560				**560**
DPR (*)																518			**518**
MH3 (*)																432			**432**
TID												400							**400**
SGT			67						116					171					**354**
NTC													256						**256**
SHI							122												**122**
LHG														113					**113**
SZG												71							**71**
VRG					68														**68**
DTD								30											**30**

Source: RongViet Securities Compile, the data was collected as of the end 2022 from annual report, websites of the companies
PHR (*): All the land bank is included in Binh Duong master plan for period 2021-2030
DPR (*): All the land bank are from Bac Dong Phu Expansion, and Nam Dong Phu Expansion.
MH3 (*): The current leasable area is ~ 51 ha, the rest areas is from Minh Hung 3 Expansion IP (577 ha)
Both DPR and MH3 are struggling in seeking investment policy approvals for new projects in Binh Phuoc due to reaching 2025 quota.

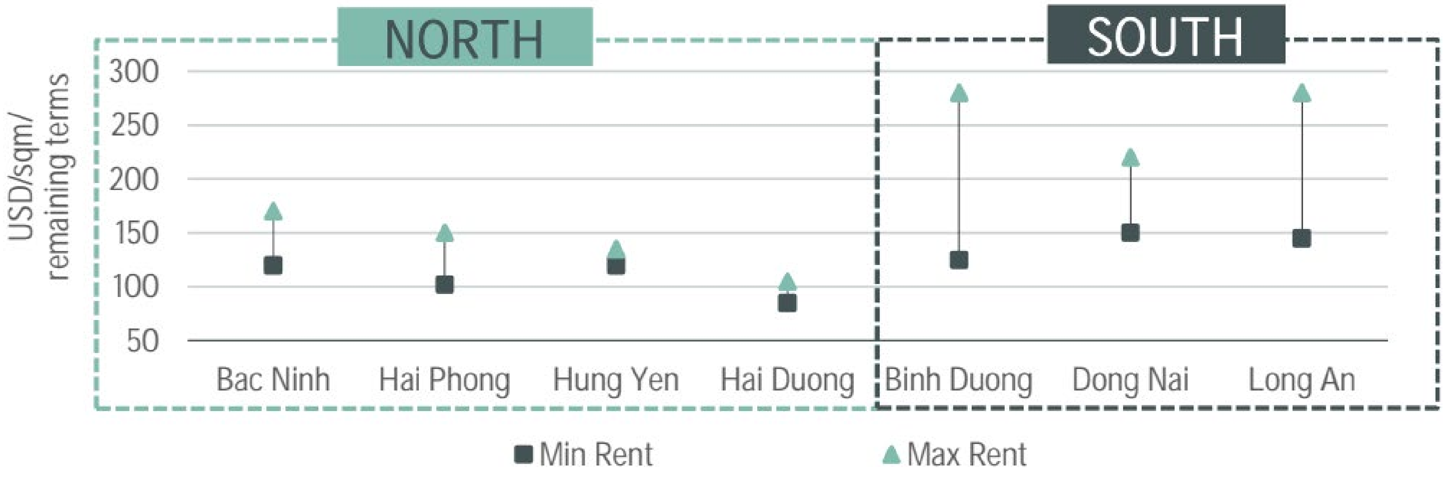
LEASING PRICE – UPTREND COUNTINUES TO PREVAIL

Figure 31: Leasing prices trend in last 5 years in the North and the South



Source: CBRE

Figure 32: Leasing price range in Tier 1 provinces as of 2Q2023



Source: CBRE

- In recent years, the demand for industrial land has remained substantial, driven by both FDI and DDI inflows as Vietnam focuses on industrial development and attracts foreign investment in processing and manufacturing sectors. On the other hand, the pace of new supply has been somewhat sluggish due to the consistently high occupancy rates in existing industrial parks in both the northern and southern regions, coupled with slow legal and investment completion processes for new projects. As a result, we believe that the upward trend of leasing price, as observed in previous years (Figure 31), will continue.
- Regarding the price disparity among provinces, then price range, as well as the price levels in the Northern provinces, is significantly lower compared to the Southern region (Figure 32). According to our assessment, several factors contribute to this divergence:
  - **Differential lease pricing**: In some Northern provinces, the lease prices quoted do not include land use fees (In other words, tenants pay annual fees to the government to use the land), unlike certain Southern provinces.
  - **Price range:** The price range in the Northern region is narrower, partly due to better transportation connectivity infrastructure in Northern provinces compared to the South, leading to lower price differentials.

CHALLENGE #1: GLOBAL MINIMUM TAX AGREEMENT (GTMA)

Global minimum do not really have a significant impact on attracting multinational companies (MNCs)

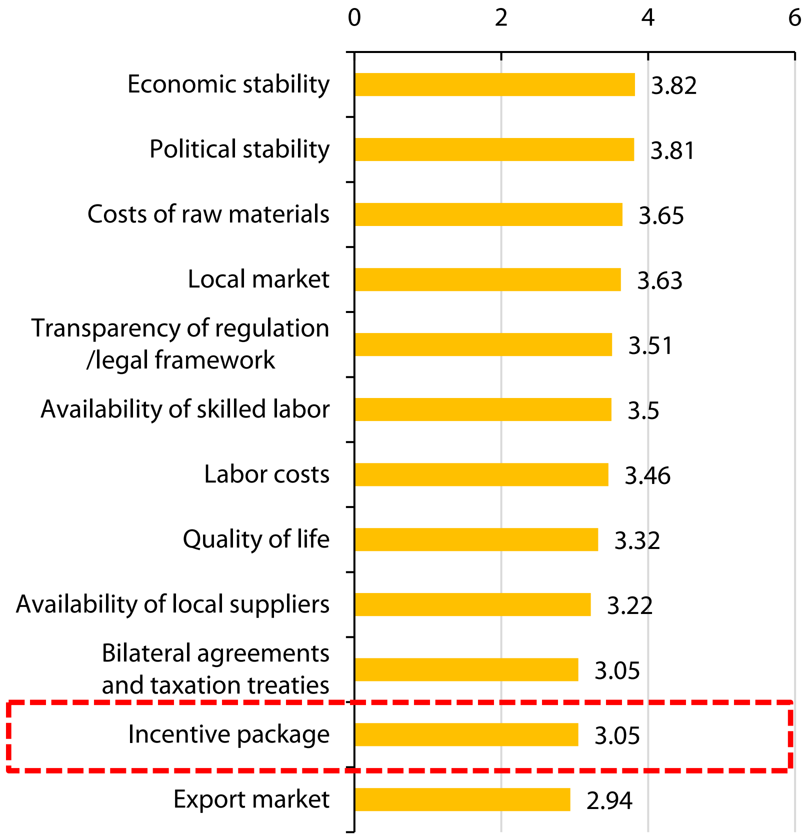
- Current CIT and other tax incentives of Vietnam are the modest to the other peers (figure 33).
- Tax incentive is not a top priority factor in considering investment destination of MNC, according to a research of UNIDO (figure 34). Tax incentives is just put on the list and negotiating table to make the final decision when there is more than one potential location to maximize the project investment efficiency (Intel invested to Costa Rica,1997).
- The GTMA was applied to prevent countries from competing via tax incentives, but cost advantage persists in Vietnam (Appendix in the following page)

Figure 33: Regional Tax incentives policies & attitude toward GMTA

	Vietnam	Philippines	Malaysia	Thailand	Indonesia	China	India
CIT	20%	25%	24%	15%-20%	22%	25%	30%
Income Tax Holidays (ITH)	Tax exemption for 2-4 years.	Tax exemption for 4-7 years	Tax exemption for 5-10 years	Tax exemption for 3-8 years	Tax exemption for 5 - 20 years.	Tax exemption for 2-5 years.	Tax exemption for 5 years.
Preferential Tax rate	• 50% payable tax in 4 years • 10-17% in 10 – 15 years	• 5% (5-10 years)	• 10-15%, that applies for a certain period or indefinitely, depending on the project's conditions and criteria.	N/A	• 50% CIT reduction for 2 years	• 50% reductions in tax rate for the subsequent 3 years after ITH for Hi-Tech and encouraged industries.	• 50 % payable tax in 5 years • 50 % discount on reinvested profits for the next 5 years.
Member of Global Minimum Tax Agreement (GMTA)	Yes	No	Yes	Yes	Yes	Yes	Yes
Counter action	Outlying		Yes	Yes	Yes	N.A	N.A

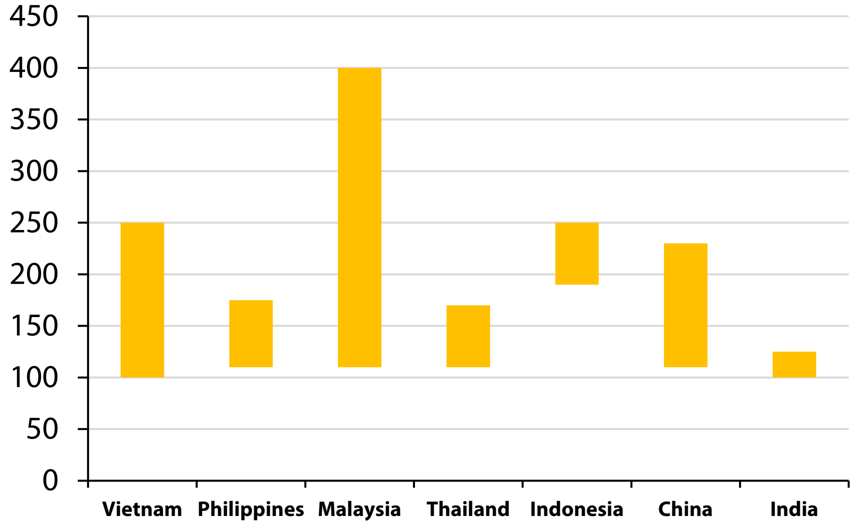
Source: RongViet Securities Compile

Figure 34: Factors ranking in considering destination of FDI companies



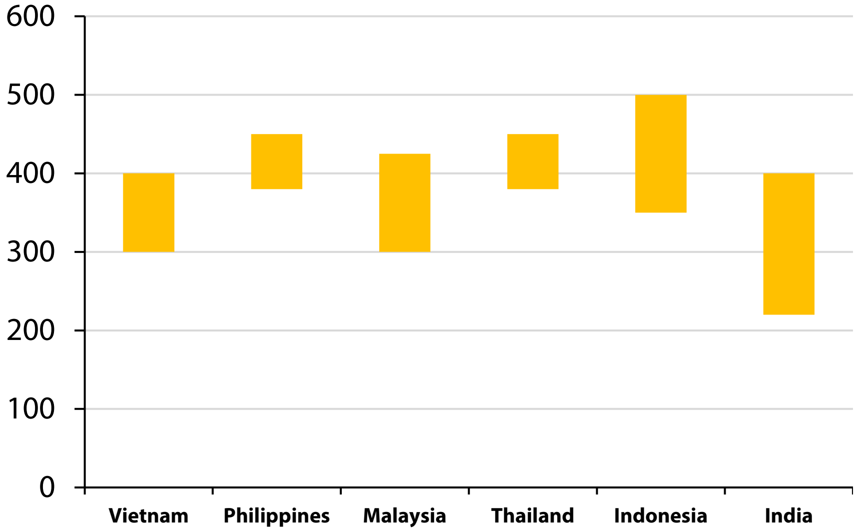
Source: UNIDO,2011

Figure 35: IP land leasing price (USD/sqm/term)



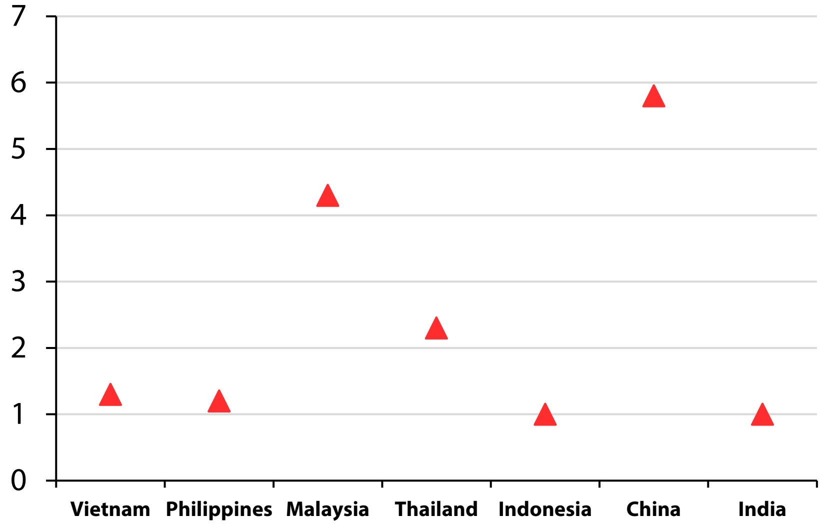
Source: JLL Research

Figure 36: Construction cost (USD/sqm)



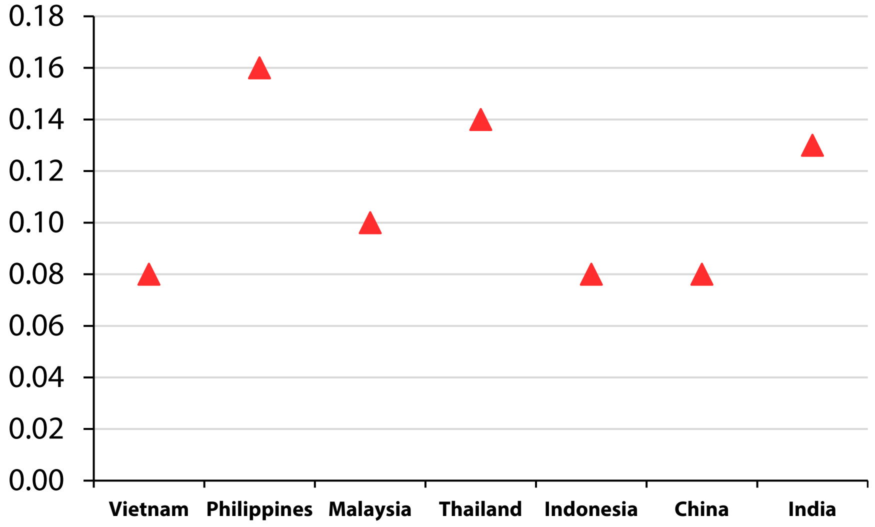
Source: JLL Research

Figure 37: Manufacturing wage (USD/hour)



Source: Euromonitor

Figure 38: Electricity price for businesses (USD/kWh)



Source: Statista, Globalpetroprices

CHALLENGE #2: POWER DISRUPTION

Figure 39:Growth rate of commercial electricity in the North is always higher than the average

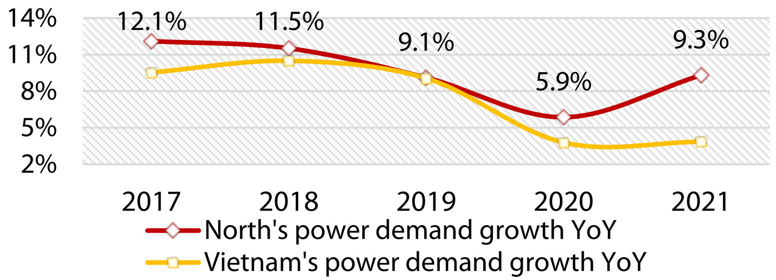


Figure 40: Consumption (MW) in the North is always high during summer

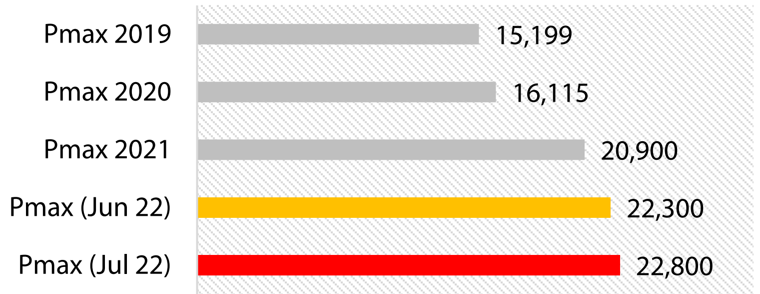
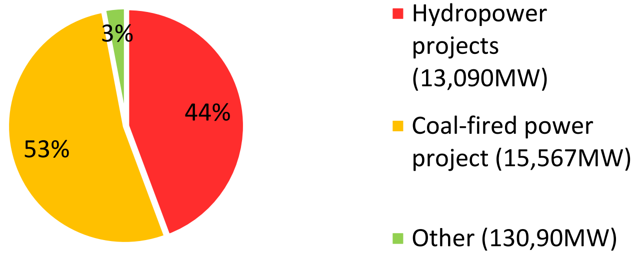


Figure 41: The Northern supply capacity (29,537 MW) breakdowns.



Source: EVN, RongViet Securities

Figure 42: The Power Development Plan for the 2021-2030 will increase by ~80% of current capacity

(MW)	2023	PDP 8 plan until2030	Change
Coal-fired power project	26,087	30,127	4,040
Hydropower projects	22,999	29,346	6,347
Solar (excluding rooftop solar)	8,908	12,836	3,928
Wind Power	**5,059**	**27,880**	**22,821**
Imports	572	5,000	4,428
Waste to energy	395	2,270	1,875
Domestic gas-fired power projects	7,422	14,930	7,508
LNG to power projects		**22,400**	**22,400**
Other	9,263	300	
Total	**80,705**	**145,089**	**64,384**

Source: EVN, RongViet Securities

Local power shortages in the Northern region were anticipated, impacting industrial production over there, and indirectly lessen Vietnam's investment appeal to foreign investors.

- Although the total capacity of Northern power plants (Figure 41) still surpasses peak consumption during the summer (Figure 40). However, the heavy reliance on hydroelectric and coal-fired power plant (97%) results in significant fluctuations in effective capacity, especially when hot weather reaches peak due to the El Niño effect ,and coal-fired power plants face fuel shortages and frequent unexpected technical issues, as seen recently. Meanwhile, the electricity demand in the Northern region continues to rise considerably beyond the national average trend (Figure 39), leading to severe power not only residential, but also industrial consumption.
- Despite the government's approval of the Power Development Plan 8 in May, outlining a plan to address energy issues (Figure 42). However, the implementation may take time as longer than expected, the delay will increase power supply risk for Vietnam investment landscape.

CHALLENGE #3: THERE ARE NON-COST FACTORS NEEDED TO BE IMPROVED

Figure 43: Non-cost factors in comparison with the other peers

	Infrastructure			Labor forces		Business environment		
	Logistics Performance index	Quality of Roads	Quality of Ports	Labor productivities ($'000/person/year)	Labour Availability	Ease of doing business	JLL transparency Index	localization rate(*)
Vietnam	3.2	3.4	3.8	7.0	66.6	69.7	3.36	Low
Thailand	3.7	4.4	4.1	11.5	50.1	80.6	2.63	High
Indonesia	2.9	4.2	4.3	8.3	183.9	69.7	2.86	Medium
Philippines	3.2	3.7	3.7	8.7	71.8	63.1	2.91	Low
Malaysia	3.6	5.3	5.2	24.5	23.2	81.7	2.61	Medium
China	4.0	4.6	4.5	21.8	988.5	77.2	2.54	High
India	3.2	4.5	4.5	6.3	940.4	71.1	2.73	High

Source: Trading Economics, World Bank, Euromonitor, JLL Index
(*) Represented by the rate of automotive industry localization in each country

According to JLL, Vietnam must look to other elements to retain its attractiveness to FDI as they evaluated that :

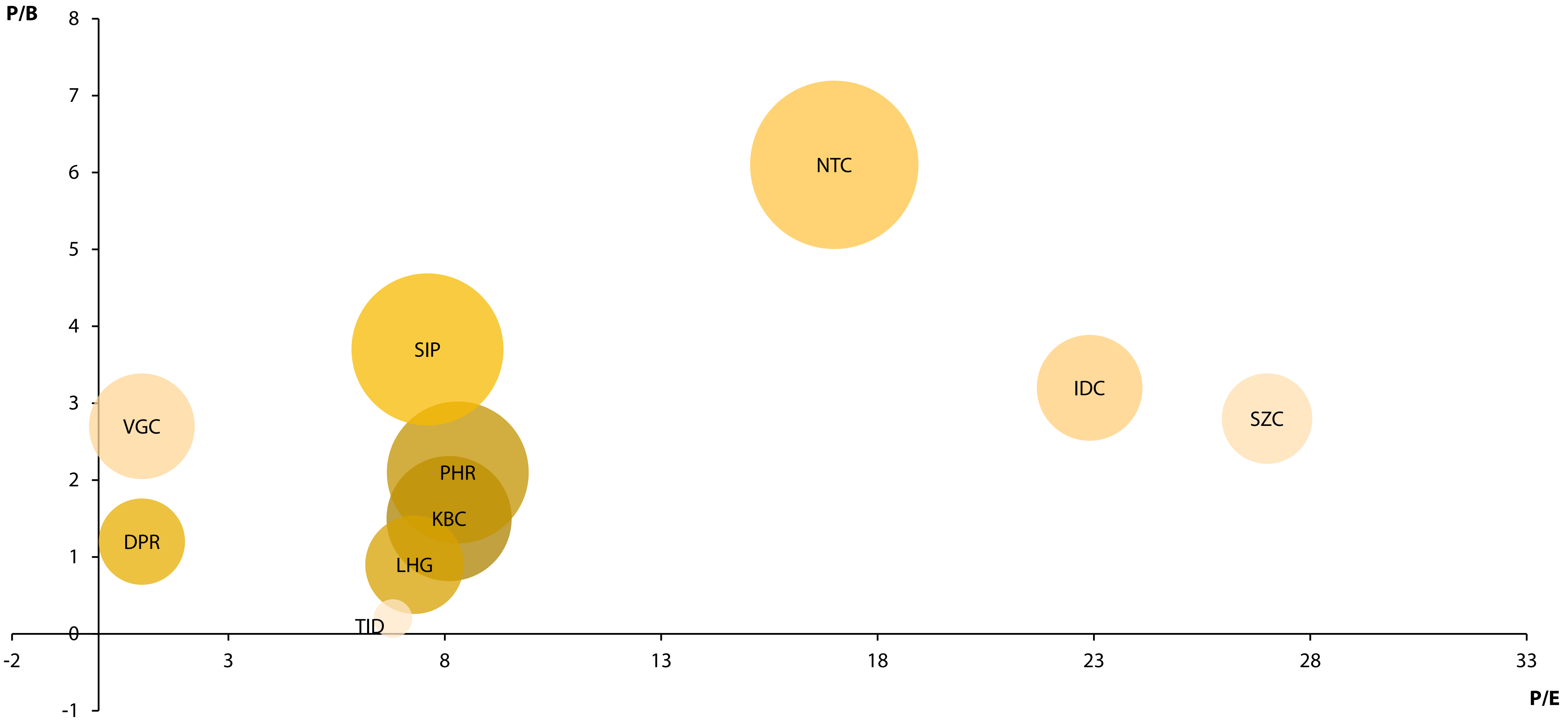
- **Infrastructure:** Despite a considerable national highway network, road quality in Vietnam lags its competitors. Many roads, including national highways, are narrow and of poor quality. The ratio of national highways to provincial roads is similar, whereas industrialized nations typically have double the secondary road length.
- **Labor Force:** Labor costs have risen faster than productivity growth. Varied manufacturing capabilities at different production stages have kept Vietnam in an "assembly platform" role, hindering progress up the value chain.
- **Real Estate Transparency:** JLL rates Vietnam's transparency low due to unclear incentive schemes (ambiguous fees and hidden costs) and inadequate tenant information (legal status, project timeline, etc.).
- **Supporting Industries:** Inadequate FDI-supporting industries are a drawback. VCCI data shows only 36% of Vietnamese companies join production networks, compared to 60% in Malaysia and Thailand. This low localization rate indirectly raises production costs and lead times.

INDUSTRY COMPARABLE

Ticker	Mkt Cap. ($mn)	Target price (VND)	Closing price (07/31/2023)	NTM Cash dividend	Foreign room leftover %	Revenue growth %YoY 2022A	Revenue growth %YoY 2023F	Revenue growth %YoY 2024F	NPAT-MI growth %YoY 2022A	NPAT-MI growth %YoY 2023F	NPAT-MI growth %YoY 2024F	2023 's Profitability ROE(*)	2023 's Profitability ROA(*)	P/E Cur.(*)	P/E 5 Yr. AVG	P/B Cur.(*)	P/B 5 Yr. AVG
LHG	1,385	50,000	27,700	1,900	33.0	-19.5	14.7	25.6	-26.3	49.4	31.2	18.5	9.8	4.6	7.4	0.8	1.1
SIP	12,090	84,000	66,500	2,000	48.6	8.2	12.5	5.2	18.9	-4.2	15.1	25.0	4.5	12.9	n.a	1.6	n.a
NTC	4,344	256,000	179,000	6,000	45.7	-1.0	-15.0	149.1	-12.9	-8.1	18.4	28.3	5.1	18.5	12.8	4.5	5.6
KBC	26,444	40,000	34,450	2,000	28.6	-77.6	760.9	3.2	39.4	116.1	5.7	18.2	9.1	7.9	22.2	1.3	1.3
PHR	6,897	49,000	48,973	3,000	33.8	-12.2	-1.4	-0.8	91.5	-47.0	-30.6	14.8	7.8	14.7	11.5	2.2	2.3
DPR	2,893	N.R	66,600	3,000	46.8	-0.5	-12.9	-2.0	-49.1	-21.5	-22.3	8.1	4.4	15.4	8.0	1.2	1.0
IDC	15,675	N.R	47,500	n.a	38.5	74.0	n.a	n.a	1000.4	n.a	n.a	14.9	4.6	22.9	20.5	3.2	2.8
VGC	21,521	N.R	48,000	n.a	44.3	30.4	n.a	n.a	72.7	n.a	n.a	15.0	5.1	18.4	15.9	2.7	2.0
BCM	74,727	N.R	72,200	n.a	46.3	-6.8	n.a	n.a	-12.1	n.a	n.a	2.8	1.0	155.3	30.7	4.4	3.2
SZC	4,506	N.R	37,550	n.a	17.0	20.4	n.a	n.a	-39.1	n.a	n.a	10.8	2.7	27.0	n.a	2.8	n.a
TID	4,880	N.R	24,400	n.a	-	36.5	n.a	n.a	-59.7	n.a	n.a	5.9	0.9	36.4	59.6	2.3	3.0
DTD	1,292	N.R	30,100	n.a	40.2	-16.1	n.a	n.a	-9.6	n.a	n.a	29.2	11.1	5.7	6.9	1.4	1.3

Source: Bloomberg, RongViet Securities. Data was updated as of Aug 31st,2023.
**For covered stocks: ROE, ROA, P/B, and P/E are estimated based on 2023 earnings*
For followed stocks: the ratios was updated based on last 12 months data
N.R: Non rate
N.A: Not available
NPAT-MI: Net profit after tax and minority interest

PE, PB AND ROE (TTM)

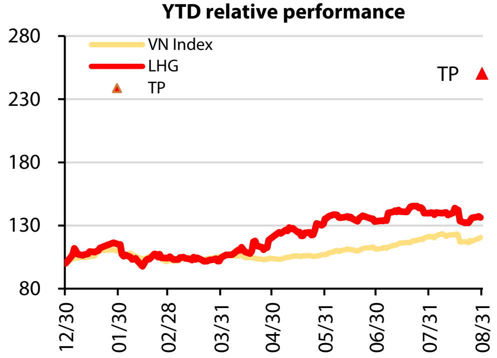


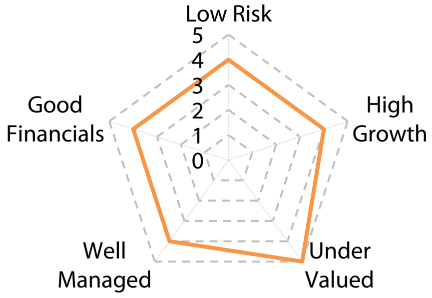
Source: Bloomberg, RongViet Securities. Bubble size equals respective ROE. Share price as of 31st Aug 2023.

GROWING FROM THE LOW BASE

HSX: LHG

BUY: +81% **MP: 27,700** **TP: 50,000**





STOCK INFO

Sector	Real Estate
Market Cap ($ mn)	57.52
Current Shares O/S (mn shares)	50.01
3M Avg. Volume (K)	191.54
3M Avg. Trading Value (VND Bn)	5.33
Remaining foreign room (%)	32.86
52-week range ('000 VND)	14.45 - 37.4

FINANCIALS

FINANCIALS	2022A	2023F	2024F
Revenue (VND bn)	629	722	907
NPATMI (VND bn)	204	302	397
ROA (%)	7.0	9.8	12.0
ROE (%)	13.6	18.5	21.1
EPS (VND)	4077	6048	7936
Book Value (VND)	30,673	34,666	40,566
Cash dividend (VND)	1,900	1,900	1,900
P/E (x)	5.2	4.6	3.5
P/B (x)	0.7	0.8	0.7

INVESTMENT RATIONALES

The value of the current leasable area in Long Hau 3.1 (LH 3.1) is revised up owing to the robust growth of rental price as demand is constantly high.

- According to CBRE 's 2Q2023 report, the absorption rate in the first 6 months of 2023 of the Southern markets is 20% higher than the first half of 2022. Due to the limited ready for handover IP land, while the demand is abundant, the rental price continues to maintain strong growth. The report also statistics that, the price witnessed a CAGR of 13% during 2019-2Q2023 in the Southern market. In which, the lease price in Long An area has recorded an average increase from 230 USD/m2 to over 260 USD/m2 as of the end of 2Q2023.
- LH3.1 is in one of the most prime locations of Long An, the leasing price, thus, has a higher price than the average. The value of the remaining leasable area (~ 53 ha) is revised up to a higher valuation.

21,343 m2 of new RBFs space were put into operation creating a new source of income for LHG

- Following Sales documents, LHG has signed a contract to lease RBFs lot 3A (23,24,25,26 - 12,067 sqm) from December 2022 and ready to hand over for lease RBFs lot J4 (3,4- 9,274 m2) in Da Nang Hi-tech park from 4Q2022. Under full occupancy conditions, this new area can generate stable annual cash flow of up to ~ VND 31billion (or USD 1.3 million) per year.

The investment policy approvals for An Dinh and Long Hau 3.2 (LH3.2) will create room for industrial real estate business development activities in the long term.

- Decision 686/QD-TTg has approved the master plan of Long An province for the period 2021-2030, creating a condition to speed up the implementation of planning 1/2000 for LH3.2 project, this is a barrier to progress further in approval of investment policy process. We expect LHG to obtain approval in no later than 1Q2024.
- An Dinh Industrial Park has completed additional documents and applied for approval of investment to the Ministry of Planning and Investment since March 9, 2023. LHG expects to complete investment policy in 3Q2023.

2023 revenue will reach VND 722 billion (USD 30.4 mn, +15%YoY), NPAT grow by 48% YoY to VND 302 billion (USD 12.7 mn) thanks to the low base of 2022 as…

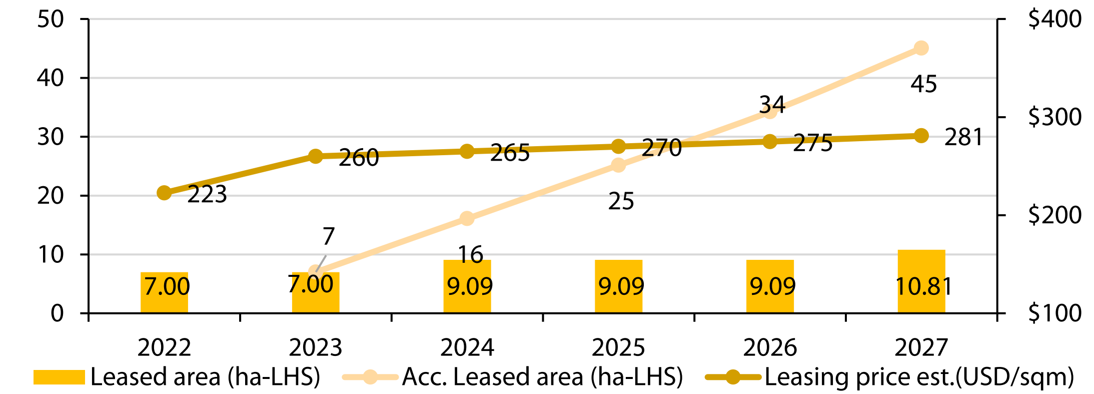
- (1) LHG will no longer retrospectively book additional COGS due to capex revision in LH3.1. The gross profit margin thus, will improve and widen thanks to (2) increases in leasing price. In addition, (3) new RBFs will create additional income, and (4) the services segment continue to grow following the increase in occupancy of the project (figure 4).

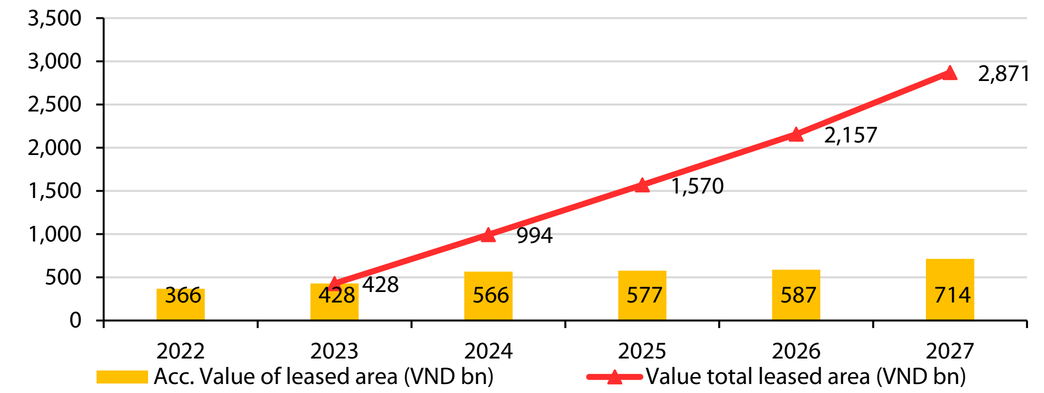
RISKS TO OUR CALL

- The downside risk may come from the lower leasable area than our estimate (7ha in 2023), while a surprise denial the potential obligation related to IPC (VND 328 billion or USD 14 million) from the State audit will make our target price underestimated by VND 6,351.

POSITIVE OUTLOOK FOR SHORT-AND MEDIUM TERM THANKS TO LH3.1 INVENTORY AND RBF SEGMENT

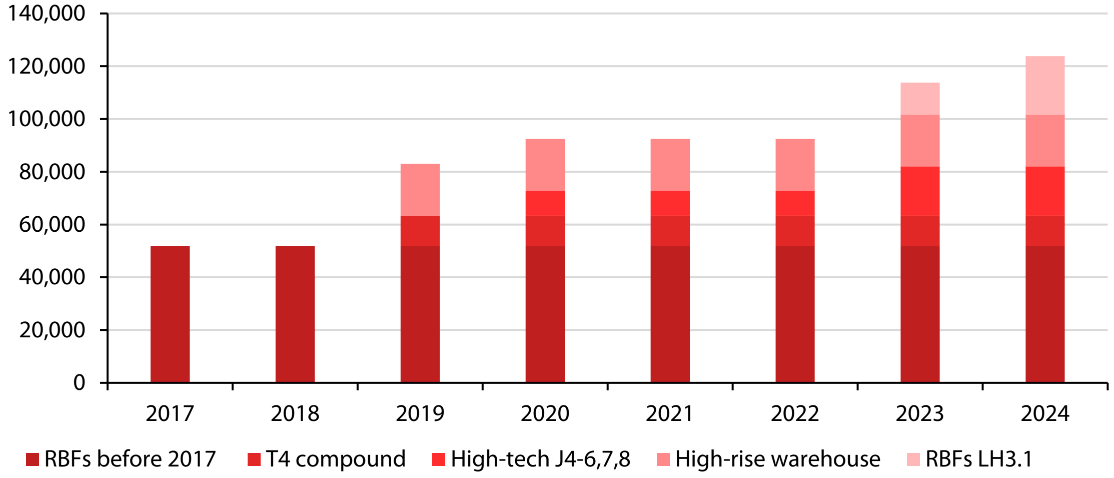
Figure1: After revising rental price forecast, the total contract value could reach VND 2,871 billion (USD 119 mn), while the remaining to-be-paid capex is ~ VND 501 billion (VND 21 mn) and NPV per share is ~ VND 26,000





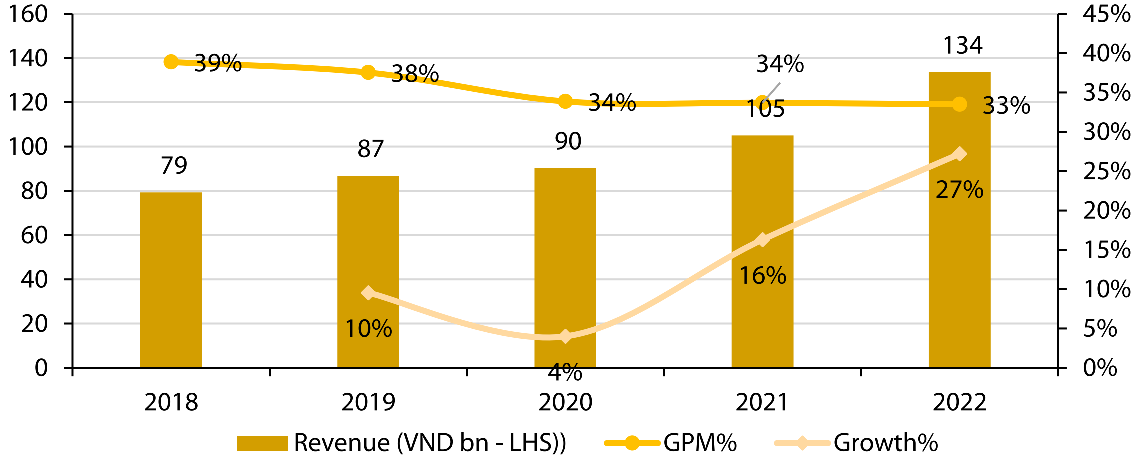
Source: LHG, RongViet Securities

Figure 2: LHG is expanding RBFs space, which can bring stable revenue stream of VND 178 billion P.A when the occupancy reaches 100%.



Source: LHG, RongViet Securities

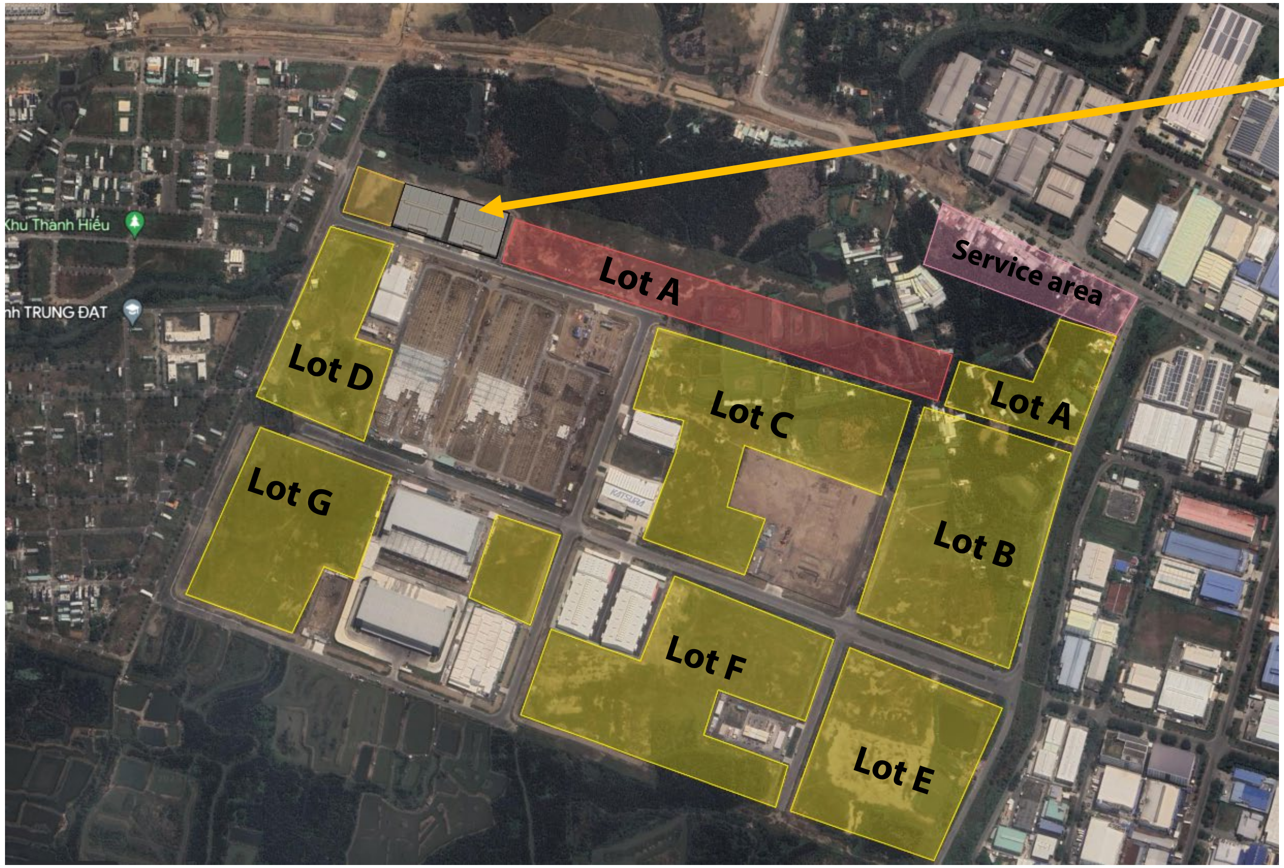
Figure 3: The other services segment witness a positive growth (CARG +11%) as project's occupancy increase in the last five years



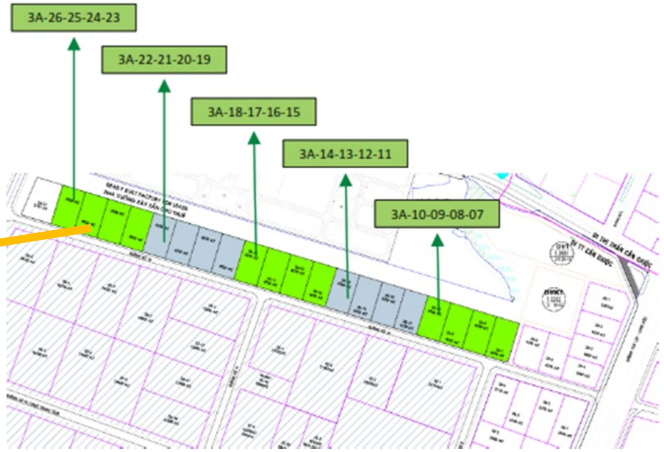
Source: LHG, RongViet Securities

LONG HAU 3 PHASE 1- THERE STILL A LARGE ROOM TO DEVELOP

Figure 4: Long Hau 3 phase 1 map - 12,274 sqm RBFs space were launch in 2Q2023



Source: Google, RongViet Securities, Image was taken as of 07/31/2023



	Leasable Area (ha)	Remainning Area (ha)
Lot A	**11.7**	**10.0**
+RBFs 3A	6.8	5.1
+BTS factory	0.7	0.7
+IP land	4.2	4.2
Lot B	7.1	7.1
Lot C	15.6	3.07
Lot D	16.7	4.83
Lot E	6.8	6.8
Lot F	13.7	10.3
Lot G	16.7	8.73
Service Area	2.49	2.49
Total	**90.9**	**53.3**

Source: LHG, RongViet Securities

LONG HAU 3 PHASE 2 AND AN DINH ARE PROJECT FUND TO DEVELOP IN THE LONG-TERM

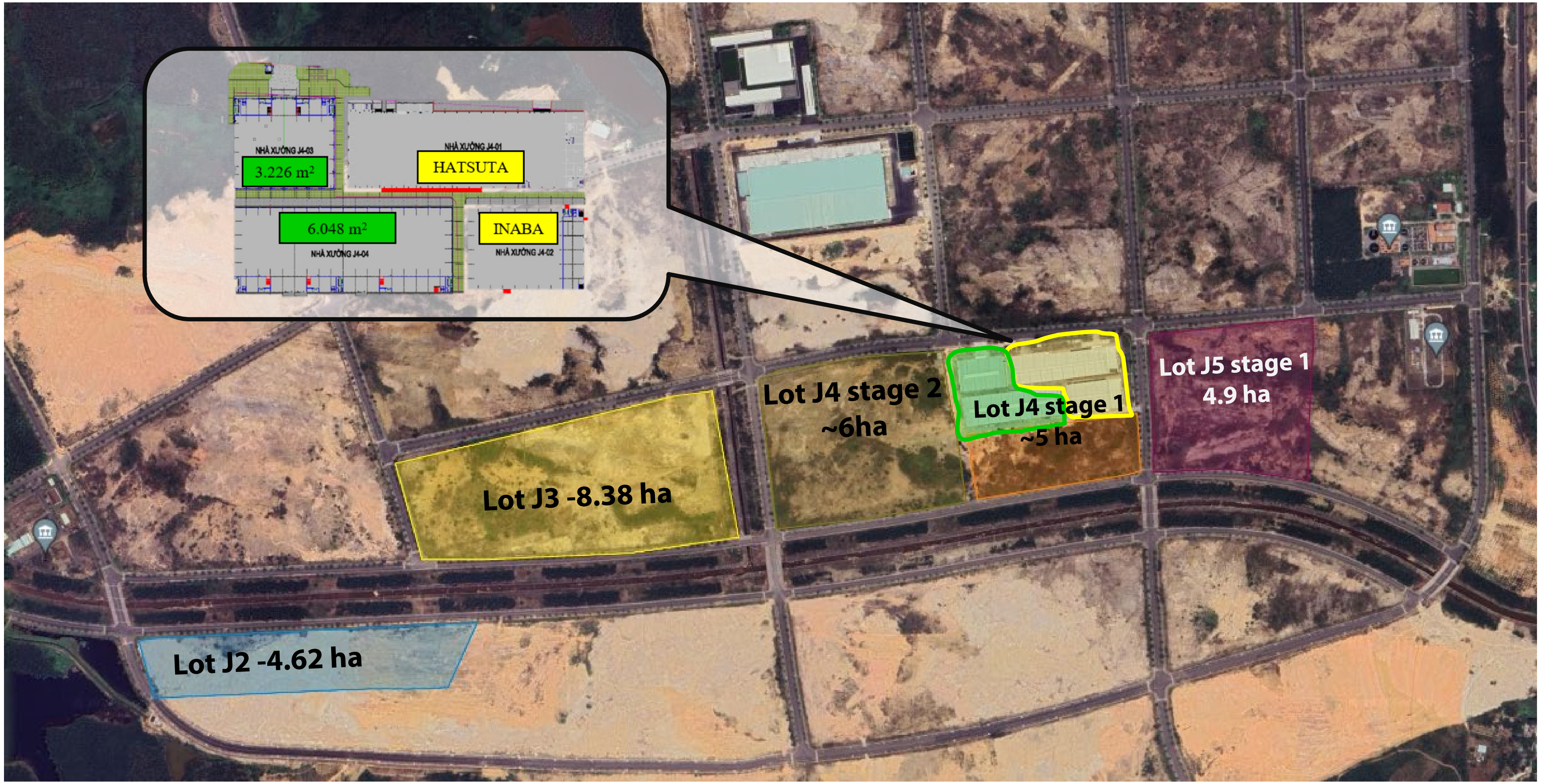
Figure 5: Long Hau 3 phase 2 (90 HA) 's location

Source: LHG, RongViet Securities

Figure 6: An Dinh Industrial Park (200 Ha) 's location

Source: LHG, RongViet Securities

Figure 7: RBFs project in DA NANG HI- TECH PARK – 9,274 sqm RBFs space were launched in 2Q2023

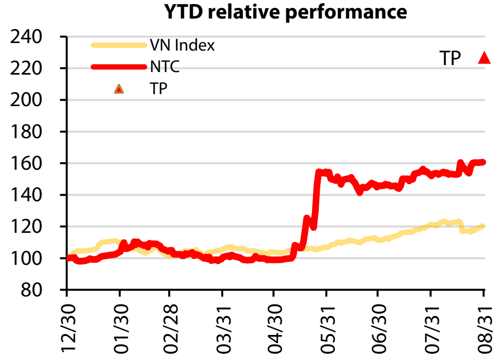


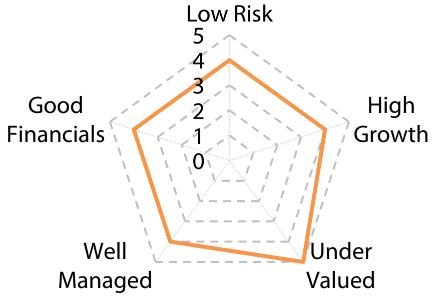
Source: LHG, RongViet Securities

THE GROWTH ENGINE RETURNS

UPCOM: NTC

BUY: +42% **MP:179,000** **TP: 254,000**





STOCK INFO

Sector	Real Estate
Market Cap ($ mn)	180.36
Current Shares O/S (mn shares)	24.00
3M Avg. Volume (K)	8.92
3M Avg. Trading Value (VND Bn)	1.54
Remaining foreign room (%)	49.00
52-week range ('000 VND)	86 - 189

FINANCIALS	2022A	2023F	2024F
Revenue (VND bn)	268	228	568
NPATMI (VND bn)	256	235	279
ROA (%)	6.2	5.1	4.0
ROE (%)	38.1	28.3	25.6
EPS (VND)	10,685	9,808	11,610
Book Value (VND)	29,759	39,551	51,143
Cash dividend (VND)	8,000	6,000	6,000
P/E (x)	10.6	18.3	15.4
P/B (x)	3.8	4.5	3.5

INVESTMENT RATIONALES

NTU 3 project – The new growth engine will kick off from 2024

- NTU 1&2 were full since 2018 and legal issues block NTU3 from investing and using the land even with approval, making NTC's profits stagnant for years. Binh Duong province's decision to hand over the land for NTU 3 project (346ha) is a crucial step to solve the biggest problem after 5 years of delay.
- The investment and operation of NTU3 will boost the growth and value of NTC company thanks to (1) prime location and (2) limited supply in nearby area.

Investment basket contain hidden gems as they were recorded under historical cost method making the book value is underestimated.

- All NTC's investments are booked at historical cost, which does not reflect real accumulated earnings from these investments, as well as fair value for the stable dividend in the past years.
- In addition, some of these are exposed to the new industrial park projects (Table 2), which increase the value of those gems.

Earnings will be flat in 2023 and can shoot up from 2024.

- We expect that NTC could sign MoUs of 90 hectares in NTU-3 following to its 2023 earnings guidance. However, the booking will start from 2024 as durations may took more than 6 months to complete LUR fees, register construction license, build up infrastructure, and seek potential tenants, as well as cash collection that meet revenue booking requirements.
- We expect NTC's performance to be slightly off from the previous year with total estimated revenue of ~ VND 228 billion (USD 9.65 million, -15% YoY) and VND 256 billion (USD 10.84 million, -8%YoY) of NPAT versus its guidance of VND 813 billion (USD 34.41 million, 89%) in revenue and VND 284 billion (USD 12.02 million, 11% YoY) as leasing less services area (one-off booking).
- Following the 2023 leasing guidance, we estimated that total revenue in 2024 could reach VND 568 billion (USD 24.04 million,+149%) and NPAT will be VND 279 billion (USD 11.81 million, +18%YoY). In which, we expect 15% of leased area to be one-off booking.

RISKS TO OUR CALL

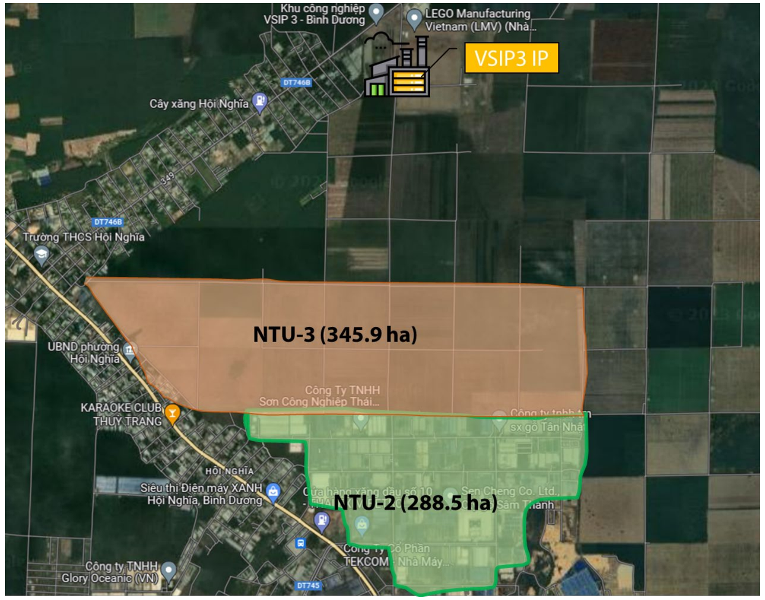
- The downside risk could be more expensive than our estimate LUR expenditure.

NTU3 – CAPEX ESTIMATE

Table1: The project could bring VND 9,090 billion (USD 386 million) cash assuming lease price appreciation of 2% p.a with current lease rate of $130/sqm versus the below Capex plan and implying a contribution of VND 135,000 to per–share price.

Capex items	% Progress	Cost estimation (VND billion)	Unit cost on leasable (VND billion /ha)	Note
Site clearance	~100%	860	3.36	Already paid VND 704 billion to Phuoc Hoa Rubber company, VND 156.14 billion to support relocation for affected households.
LUR cost	0%	2,403	9.4	NTC expects to receive quoting leasing price from Binh Duong province within 90 days since the handover approval. According to the recent leasing price estimation for VSIP 3 - the nearby project, the LUR cost per sqm is ~ $40/sqm. In which, 1st phase hand overing will be 344.43 ha, while the remaining 1.43 ha related to area of a household and People committee place. NTC already paid the site clearance for this area.
Construction	0%	844	3.3	According to historical data, NTC estimates that construction cost is VND 2.5 billion per a general hectare or VND 3.3 billion for a GFA hectare.
Other fees	100%	15	0.06	Other fees include legal fees, advisory fees, planning fees, etc.
Total		**4,122**	**16.12**	

Project location



Source: NTC, RongViet Securities
p.a: per annum

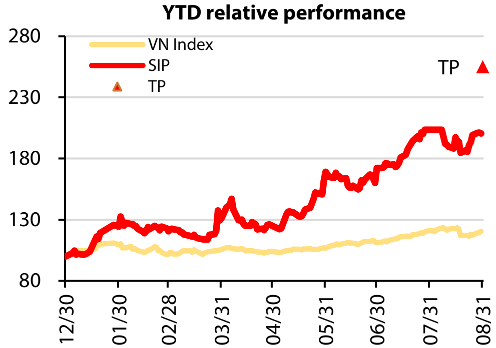
Table2 : Hidden gems marked by initial cost recognition

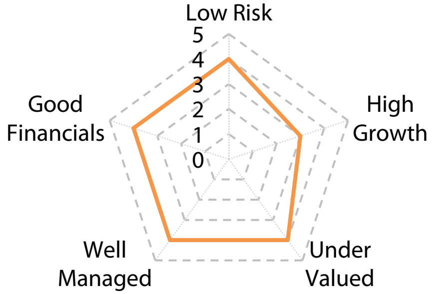
Equity investment portfolio	Stake	Book value (VND Bn)	Market value (VND Bn)	LTM (*) Dividend (VND Bn)	Note
Investments in Associates(>20%)		**283**			
Bac Dong Phu Industrial Park Jsc,	40%	120	n.a	10	This industrial developer is operating 2 fully occupied IPs - Bac Dong Phu (258 ha) and Nam Dong Phu (90ha), and is seeking investment policy approval for BDP Ext. IP (317 ha) and NDP Ext. IP (480 ha)
Truong Phat Rubber Jsc,	20%	10	n.a		Processing Rubber Wood
Binh Long Rubber Industrial Park Jsc, (UPCOM: MH3)	37%	44	368		This industrial developer is operating one fully occupied IP – Minh Hung 3 (291 ha) and is seeking investment policy approval for Minh Hung 3 Ext. IP (577.53 ha).
Dau Giay Industrial Park Jsc,	22%	29	n.a	13	This industrial developer is operating Dau Giay IP (328 ha)
Nam Tan Uyen Urban and Industrial development LLC,	20%	80	n.a		Develop Nam Tan Uyen residential project (19.8ha)
Other equity investments		**172**			
Sai Gon VRG Investment Jsc (UPCOM: SIP)	9%	91	891	16	This IP developer operates 4 large scale project (Le Minh Xuan 3, Loc An -Binh Son, and Phuoc Dong)
VRG Daknong Jsc,	12%	36	n.a		Invest in construction, operation and management of hydroelectric plants Invest in planting, caring, exploiting and processing rubber, other industrial crops and afforestation.
An Dien Industrial Jsc,	8%	8	n.a	2	This IP developer operates Rach Bap – An Dien Industrial Park (639ha)
Geruco Song Con hydropower plant jsc, (OTC: GSC)	2.16%	13	n.a		Operating 2 hydro power plants in Quang Nam & Da Nang with a capacity of 63 MW and 49,2 MW respectively.
Tan Binh Industrial Park Jsc,	15%	24	n.a	19	This industrial developer is operating a fully occupied IP –Tan Binh IP (352 ha), and is seeking an expansion project (1,055 ha)

Source: NTC, RongViet Securities | (*) LTM as of 2Q2023

HSX: SIP

BUY+ 26% **MP: 66,500** **TP: 84,000**





STOCK INFO

Sector	Real Estate
Market Cap (USD Mn)	501.98
Current Shares O/S (Mn shares)	181.81
3M Avg. Volume (K)	178.62
3M Avg. Trading Value (VND bn)	10.85
Remaining foreign room (%)	48.63
52-week range ('000 VND)	25.85 - 71.9

FINANCIALS

FINANCIALS	2022A	2023F	2024F
Revenue (VND bn)	6,035	6,786	7,141
NPATMI (VND bn)	977	937	1,078
ROA (%)	5.1	4.5	4.3
ROE (%)	30.1	25.0	23.9
EPS (VND)	9,266	9,066	10,434
Book Value (VND)	35,695	41,262	49,695
Cash dividend (VND)	2,000	3,500	2,000
P/E (x)	7.1	14.7	12.7
P/B (x)	1.8	3.2	2.7

INVESTMENT RATIONALES

Large ready for leasing IP land bank, which located in prime locations, will ensure sales and cashflow in next 5 -8 years

- SIP 's projects are located in, or within a radius of less than 50km from the center of Ho Chi Minh City and are conveniently connected to infrastructure such as National Highway 22, Tan Son Nhat Airport, Long Thanh - Dau Day Expressway, Long Thanh Airport, and Cai Mep - Thi Vai Port.
- The remaining land bank can be leased for up to 1,070 hectares, allowing SIP to generate a cash flow of VND 36,533 billion (USD 1,534.3 million) in the next 10 years. Meanwhile, the estimated total investment can be increased by approximately VND 5,708 billion (USD 239.7 million) for site clearance, construction.

Ambitious ready-built factories(RBFs) development plan and industrial services business providing to tenants will bring recurring attractive growing cashflow

- Located in a prime position and meeting the growing demand for logistics and supporting industries, the value of 119,319 m2 RBFs will bring stable cash flow and will further increase as SIP's plan to expand factory area in the coming years.
- The utility services (distribute power and treated water to tenants) and other industrial park services (include annual management fees, waste collection, office supplies, warehouse fees, and ICD area) will benefit from the industrial park ecosystem and earnings will grow following the increase in occupancy rate - In 2022, the segments gross profit of VND 585 billion was recorded with a CAGR of 21.7% since 2017.

Huge potential cash conversion opportunity from residential real estate projects, especially the Phuoc Dong A urban project, which is ready to be commercialized.

- SIP owns residential land funds of 823 ha in their IP projects, which have great potential in long term and was detailed in table 3
- Specifically, Phuoc Dong A (247 ha) has completed 1/500 and was commercialized a part of the project.

Revenue keep grow gradually in 2023, but earnings may slightly down due to lower interest income from short term loan to the major shareholder.

- Based on their leasing guidance for 2023, the total estimated revenue will be VND 6,726 billion (USD 282.mn, + 11.5YoY) and NPAT would reach VND 9,031 billion (USD379 mn, -5%YoY).

RISKS TO OUR CALL

- Trading liquidity is extremely low due to low floating outstanding shares, which could increase stock price volatility

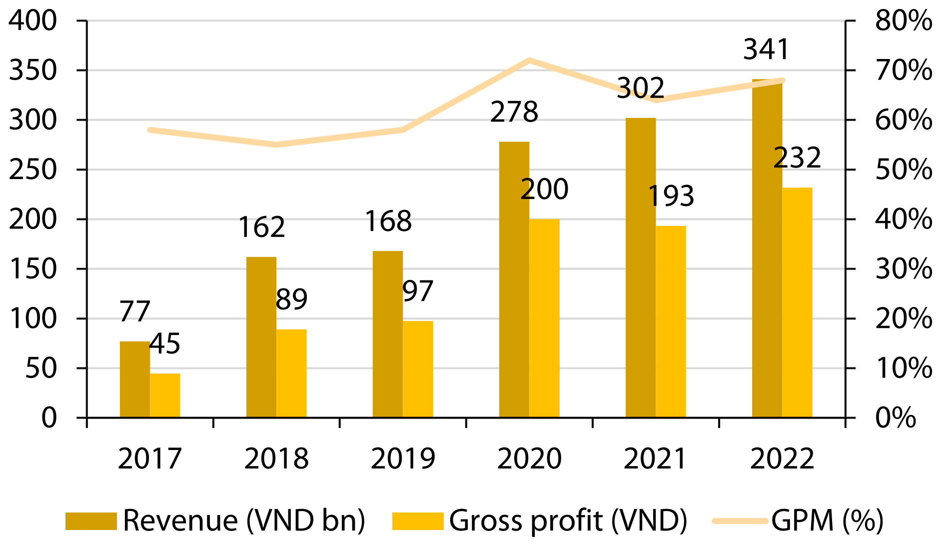
LARGE IP LAND BANK IN PRIME LOCATION

Table 1 : The remaining land bank can be leased for up to 1,070 hectares, allowing SIP to generate a cash flow of VND 36,533 billion

Projects	Remainning leasable area (ha)	Lease price (USD/sqm)	Ownership	Total contract value of leasble area (VND Bn)	Capex to be paid (VND bn)	Project NPV (VND billion)	Effective NAV (VND bn)	Per share contribution (VND)
Total	**1,070**	**123**		**36,533**	**5,708**	**12,310**	**11,349**	**124,843**
Phuoc Dong 1	40	90	100%	904	939	200	200	2,195
Phuoc Dong 2	748	90	100%	19,140	2,289	3,903	3,903	42,939
Dong Nam	49	250	100%	3,142	674	1,839	1,839	20,234
Le Minh Xuan 3	104	250	100%	7,484	903	3,268	3,268	35,952
Loc An Binh Son	129	170	69%	5,864	903	3,099	2,138	23,523

Source: SIP, RongViet Securities

Figure 2: Revenue showed a CAGR of 28% in the period 2017-2022



Source: SIP, RongViet Securities

Figure 1: SIP's large land bank(*) are located in prime location around Ho Chi Minh City – Economic Center of Vietnam

Source: SIP, RongViet Securities

ATTRACTIVE RBFS AND ULTILITIES SEGMENT

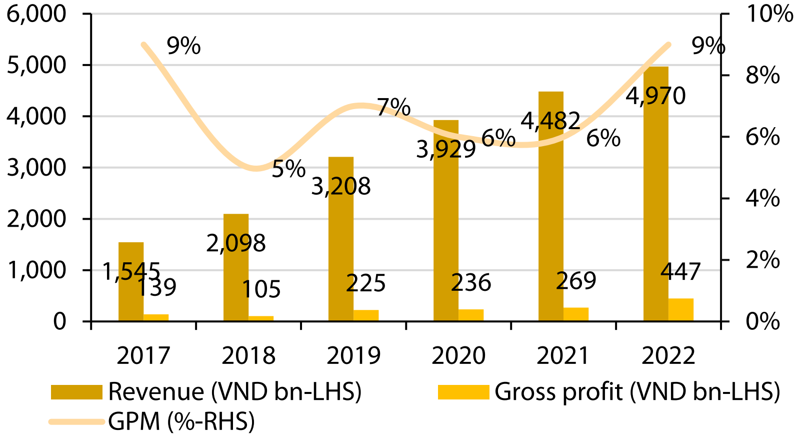
Figure 3 : Substation in Phuoc Dong IP

Source: SIP, RongViet Securities

Figure 4: Water factory In Phuoc Dong IP

Source: SIP, RongViet Securities

Figure 5: GP showed a CAGR of 21.5% in 2017-2022



Source: SIP, RongViet Securities, GP(*) : gross profit

- SIP is one of the few IP developers that has a license to distribute power via their own110kV substations. The total capacity in the 3 IPs were 919 MVA(Phuoc Dong- 567MWA, Dong Nam – 189 MWA, Le Minh Xuan 3 -189 MWA). Specifically, the gross profit margin (GPM) of segment ranges between 6%-10%. In addition, SIP is also taking this advantage to develop solar panels system in rooftop of factories. In particular, a floating solar power plant with a total capacity of 476kWp is invested in Phuoc Dong. Which produces about 746,500 kWh / year, helps reduce emissions to the environment, and is counted for ESG exposure to any tenants in the IP. In the long term, SIP plan to develop 30 MW solar power plant in its IPs.
- Besides, SIP has two on-site water supply plants in Phuoc Dong (120,000 m3/day-night) and Dong Nam (10,000 m3/day-night) providing clean water to the tenants and an attractive GPM of 60% on average.

Table 3: RBF projects summary

IPs	GFA (m2)	Leasing price $/m2/mon.	Service fee $/m2/year
Phuoc Dong	31,878	3.8	1.0
Dong Nam	39,841	5.3	1.0
Le Minh Xuan 3	47,599	5.3	1.0
Total	**119,318**		

Source: SIP, RongViet Securities

- Located in a prime position and meeting the growing demand for logistics and supporting industries, the value of 119,319 m2 RBFs will benefit from stable cash flow and will further increase as SIP's plan to expand factory area in the coming years.

POTENTIAL RESIDENTIAL REAL ESTATE PROJECTS

Table 3: SIP's residential real estate projects summary – Phuoc Dong A (247 ha) is ready

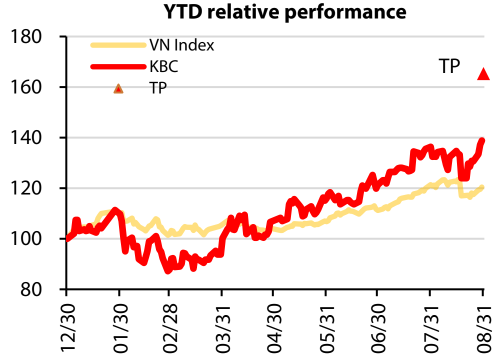
Projects	Location	%Stake	Total area (ha)	Total GFA (ha)	Total investment (VND bn)	The remaining Capex (VND bn)	Available GFA (ha)	Occupancy	Leasing price ($/sqm)	Site clearance / Total area	Progress
Residential real estate											
Phuoc Dong - Bời Lời	Go Dau, Tay Ninh	100%	648								
Area A		100%	247	180	1,241	959	163			100%	Has completed 1/500 and was commercialized a part of the project
Area B		100%	401	~200,5	n.a	n.a	n.a			0%	To be site cleared
Dong Nam	Cu Chi, HCM	100%	55.77	54	671	599	48			93%	Having the 1/2000 plan and on pending mode
Le Minh Xuan 3	Binh Chanh, HCM	100%	80	n.a	n.a	n.a	n.a	n.a	n.a	n.a	Having the 1/2000 plan, but facing legal issue
Loc An-Binh Son	Long Thanh, Dong Nai	89.9%	39.2	n.a	n.a	n.a	n.a	n.a	n.a	n.a	Having the 1/2000 plan for phase 1 and on pending mode

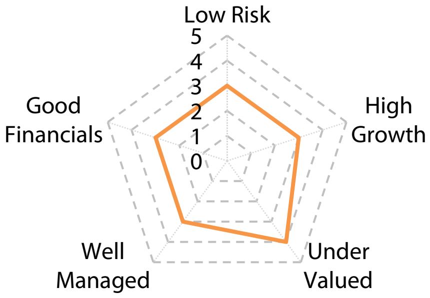
Source: SIP, RongViet Securities

NEVER BEEN BETTER THAN THE PRESENT

HSX: KBC

ACCUMULATE: + 16% **MP: 33,000** **TP: 40,000**





STOCK INFO

Sector	Real Estate
Market Cap ($ mn)	1,097.94
Current Shares O/S (mn shares)	767.61
3M Avg. Volume (K)	8,961.52
3M Avg. Trading Value (VND Bn)	277.35
Remaining foreign room (%)	27.56
52-week range ('000 VND)	13.25 - 35.9

FINANCIALS

FINANCIALS	2022A	2023F	2024F
Revenue (VND bn)	950	8,241	8,505
NPATMI (VND bn)	1,526	3,344	3,534
ROA (%)	4.63	9.13	8.60
ROE (%)	10.08	18.20	15.52
EPS (VND)	1,988	4,356	4,604
Book Value (VND)	20,933	26,937	32,392
Cash dividend (VND)	-	2,000	-
P/E (x)	22.93	7.91	7.48
P/B (x)	2.18	1.28	1.06

INVESTMENT RATIONALES

Closing large deals in 1H2023 helped KBC alleviate the pressure of bond maturities and helped KBC enhance creditability in eyes creditors for the upcoming project.

- In 6M2023, the significant handover (132 hectares) has provided KBC with the financial resources to fully settle all maturing bond debts in 2023 and 2024 (USD 162.5 million). Concurrently, KBC has reduced its outstanding loan balance from VND 7,638 billion (USD 318.25 million) at the end of 2022 to VND 4,166 billion (USD 173.58 million, -45% YTD) (see Figure 2).
- "With (1) timely debt repayment, coupled with (2) sales capability (Table 1) benefiting from a leading position in the context of the ongoing FDI investment wave, raising capital for KBC's Industrial Parks (IPs) and Industrial Clusters (ICs) projects will proceed smoothly."

The large leasable land bank that KBC from ongoing, approved, and pending-to be approved projects will ensure a long-term growth plan.

- In addition to the IPs KBC is currently operating, alongside projects that have been approved and are expected to begin leasing by the end of 2024, the Trang Due 3 IP project (450 ha) is anticipated to receive investment policy in Q3 2023. The leasable land bank is estimated to increase to around 1,743 ha by the end of the year (Figure 6).

The bottlenecks for urban real estate projects are gradually being resolved, while Social housing is a new product aligned with government direction and its IP ecosystem.

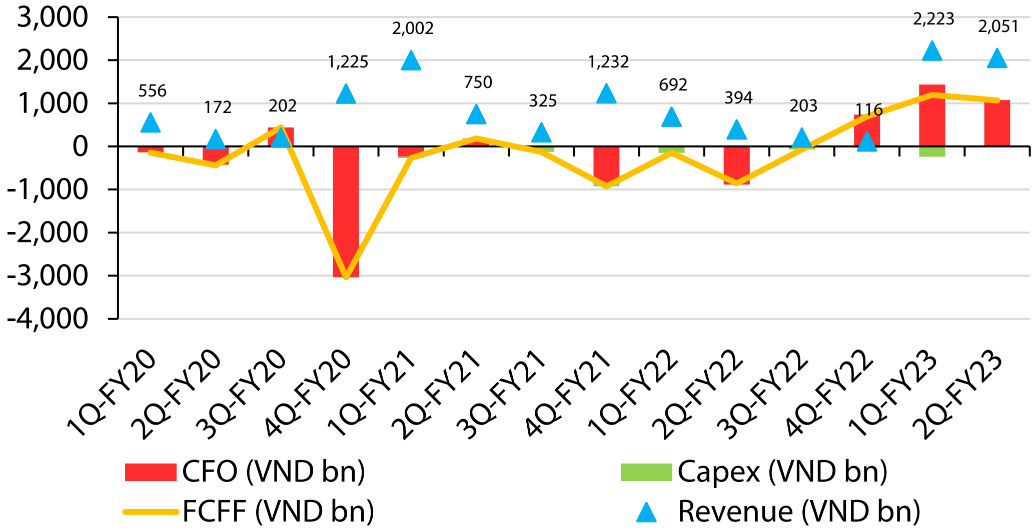
- KBC will complete the additional land use fee payment (a significant legal bottleneck) for the Phuc Ninh Urban project this year. As a result, KBC can continue to collect money and recognize revenue for the 9.5 ha area that has been contracted. At the same time, they will proceed with the next phases of the project. Additionally, the master plan approval for Hai Phong City is a crucial factor for the Trang Cat Urban project to undertake subsequent legal procedures, aiming to realize the potential value of the project by commencing it in June 2024, as concluded by the People's Committee in the announcement No. 144/TB-VP.
- KBC is deploying the development of social housing projects in Nenh town (8.7 ha, 16 buildings, ~6,400 units) and in the Trang Due Urban project (3.1 ha, 10 buildings, 2,640 units). All have commenced construction and have begun selling for the first phase. This is a sustainable move, not only providing economic benefits but also enhancing the value of real estate in the IPs that KBC develops.

The 2023 earnings results are expected to reach a record level since the establishment; however, it will be quite challenging to fulfill the annual guidance.

- The financial report as of1H2023 indicates that the advance payments from customers has reduced to zero. Thus, we have a cautious towards handover and revenue in 2H 2023. The prolonged and uncertain process of completing sales procedures has led us to adopt a prudent stance. Our base envisions a total of 193/ 250 hectares target by the company.

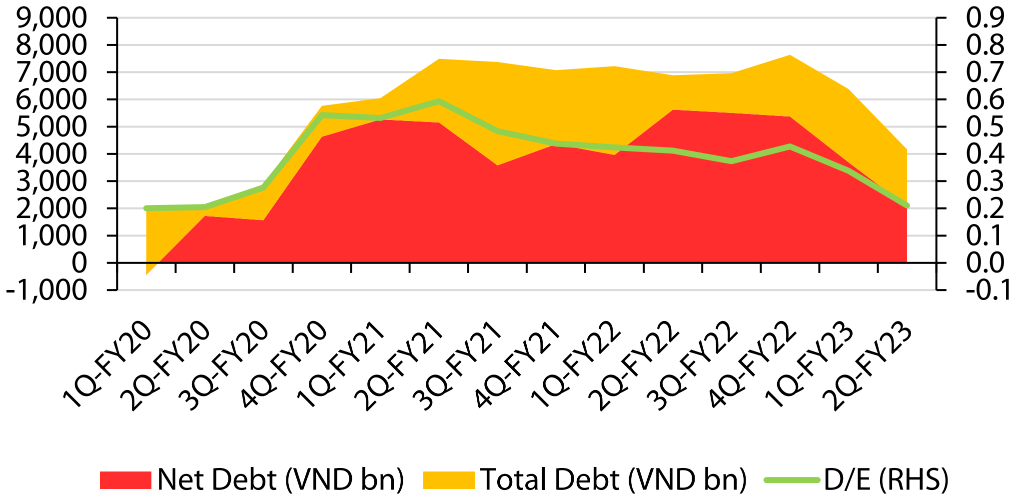
RISKS TO OUR CALL - The legal progress is not proceeding as anticipated, and the potential for slower sales than projected poses risks that affect cash flow as well as valuation.

Figure 1: Cash flow from leasing activities started to rebound from 4Q2022, and the conditions are met for recognizing revenue and profit in 1H2023.



Source: KBC, RongViet Securities

Figure 2: This helps KBC successfully deleverage and restore its net borrowing levels as well as leverage ratios to pre-pandemic levels



Source: KBC, RongViet Securities

Table 1: it took KBC an average of 8.14 years to achieve an occupancy rate of approximately 80%, there are some projects reaching this milestone in as little as 4 years.

IPs	Time to reach 80% of occupancy (years)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Que Vo	3	66%	0%	15%	1%	1%	0%	6%	0%	4%	2%	1%	1%	1%	3%				
Que Vo Expansion	13	4%	0%	2%	15%	20%	2%	3%	12%	3%	2%	0%	4%	31%	2%				
Trang Due 1	7			4%	11%	17%	1%	0%	37%	22%	0%	7%	0%	1%	0%				
Trang Due 2	3										28%	36%	13%	19%	4%				
Nam Son Hap Linh	0																17%	0%	46%
Tan Phu Trung	18	5%	2%	3%	2%	2%	2%	-1%	2%	2%	3%	4%	6%	6%	9%	12%	10%	8%	6%
Quang Chau	13			10%	3%	3%	4%	5%	4%	4%	4%	4%	8%	6%	24%	0%	19%		
Average	**8.14**																		

Source: KBC, RongViet Securities

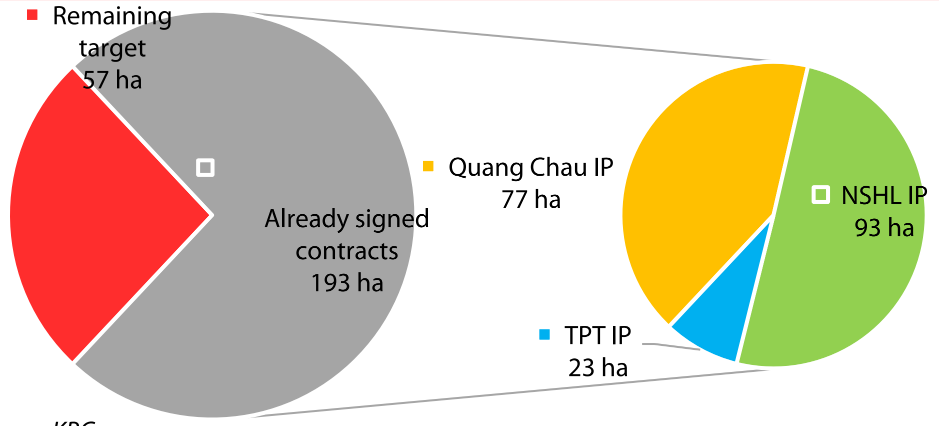
Table 2: Summary of the upcoming IP projects by KBC

Projects	Location	Ownership Ratio (%)	Area (ha)	Project Progress
Northern projects			**2.202**	
Trang Due 3 (TD3)	Hai Phong	87%	687	Investment approval: Expected in 3Q2023 Land clearance progress: 200 out of 687 hectares Sales progress: 80 hectares under Memorandums of Understanding (MoUs) Rental price: USD 130-140 per square meter.
Dang Le Cluster Cluster of Needles Justice Cluster	Hung Yen	75% 75% 75%	75 75 75	In progress of investment and land clearance
Kim Thanh Thanh Ha Binh Giang	Hai Duong	100% 100% 100%	437 400 453	Completing procedures to to request investment approval.
Projects in the South			**1.513**	
Nam Tan Tap	Long An	38%	245	Land clearance in 2023: 117.8 out of 245 hectares. Sales progress: 30 hectares under Memorandums of Understanding (MoUs). Leasing price: Above $175 per square meter.
Phuoc Vinh Dong cluster 1 Phuoc Vinh Dong cluster 2 Phuoc Vinh Dong cluster 4	Long An	100% 88% 72%	50 48 50	In progress of investment and land clearance
Tan Tap (TT)	Long An	65%	654	Currently undergoing investment and land clearance, with plans to commence operations from 2025 Leasing price: Above $175 per square meter.
Loc Giang (LG)	Long An	74%	466	Currently undergoing investment and land clearance, with plans to commence operations from 2025.

Source: KBC, RongViet Securities

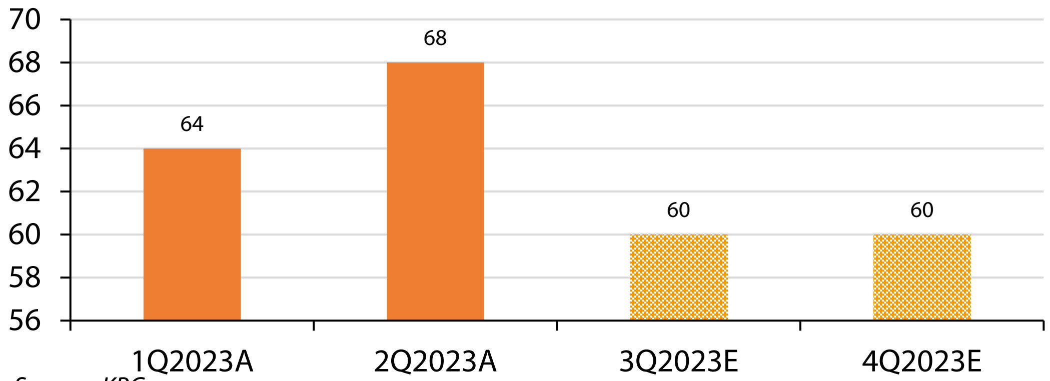
2023 EARNINGS RESULTS ARE EXPECTED TO REACH A RECORD HIGH SINCE ESTABLISHMENT THANKS TO LARGE SIGNED CONTRACTS

Figure 3: Sales progress as of the end of 1H2023



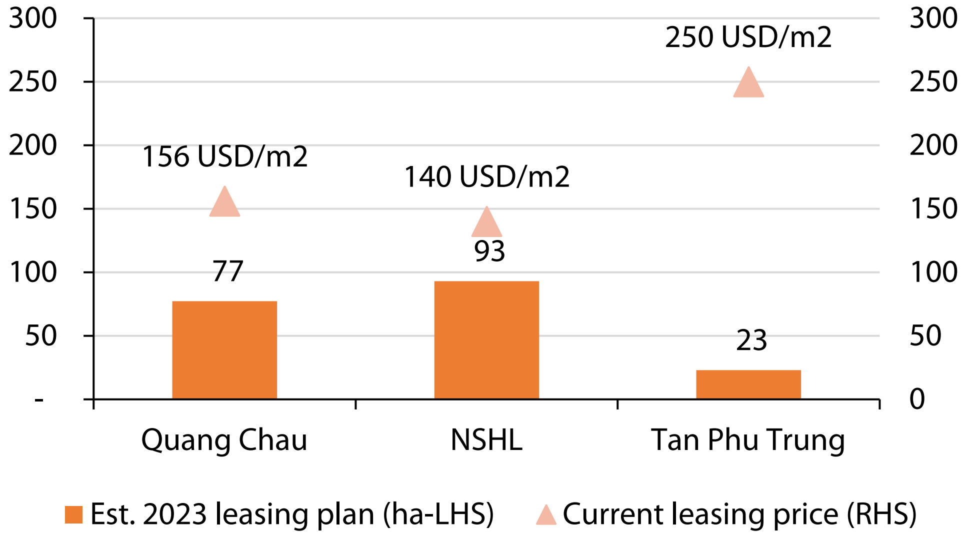
Source : KBC

Figure 4: KBC's handover plan for the year 2023 (hectares)



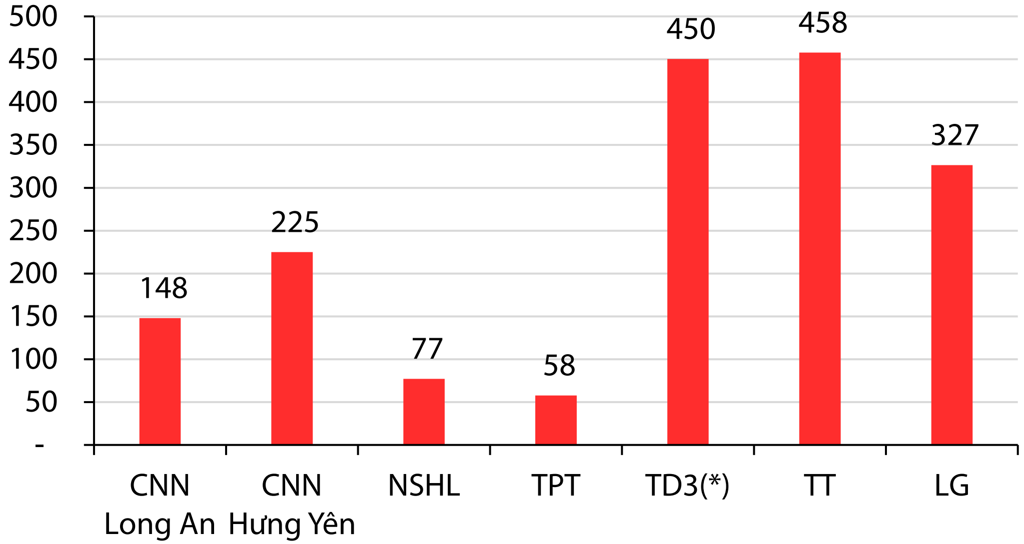
Source : KBC

Figure 5: Our leasing estimate (hectares).



Source : KBC, RongViet Securities

Figure 6: Remaining leasable area available for development as of the end of 2023.



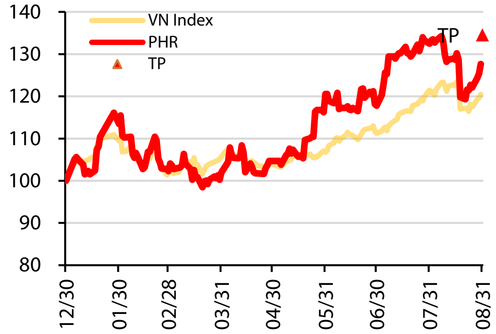
Source : KBC, RongViet Securities
TD 3 (*): Trang Due 3 is likely to be approved by this year

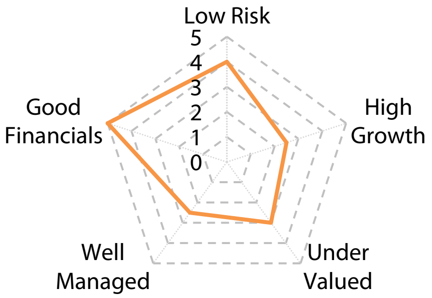
OBSTACLES ARE STILL AHEAD; IT WILL TAKE TIMES FOR VALUE TO SHINE

HSX: PHR

NEUTRAL: 2% **MP: 48,973** **TP: 50,000**

YTD relative performance





STOCK INFO

Sector	Chemicals
Market Cap ($ mn)	286.36
Current Shares O/S (mn shares)	135.50
3M Avg. Volume (K)	577.72
3M Avg. Trading Value (VND Bn)	28.56
Remaining foreign room (%)	32.88
52-week range ('000 VND)	30.6 - 68.5

FINANCIALS

FINANCIALS	2022A	2023F	2024F
Revenue (VND bn)	1,709	1,685	1,672
NPATMI (VND bn)	885	470	327
ROA (%)	14.3	7.8	5.8
ROE (%)	28.2	14.8	11.2
EPS (VND)	6,535	3,471	2,410
Book Value (VND)	24,240	22,571	20,499
Cash dividend (VND)	4,500	4,000	4,000
P/E (x)	6.0	14.7	21.1
P/B (x)	1.6	2.3	2.5

INVESTMENT RATIONALES

The crucial bottleneck clearance in NTU-3 IP project resumes commercial possibility and lift the valuation of the investment in Nam Tan Uyen JSC, (ownership: 32.85%)

- Progress of NTU-3 (PHR- 32.85%) became positive as the crucial bottleneck was solved, and land handover of the project will be processed further. The increase in value of NTC implies an enhancement of PHR's investment portfolio value.

The value of the current rubber land bank may take a longer time to see as legal bottlenecks are being gradually solved following procedure operation as a SOE.

- PHR is in the process of reducing its rubber production area in Binh Duong to expand its industrial park segment and other projects, but it has to deal with various regulations in Vietnam that limit its ability to use and transfer its rubber land for other purposes. PHR has a significant opportunity to increase its value if it can overcome the regulatory challenges and use its existing rubber land for industrial park development.
- The challenges includes: 1/ Restructuring plan of GVR – a state own enterprise (SOE), 2/ Land used after going equitization following 60 resolution/2018/QH2014 as it require the asset to be used as the initial register purpose, 3/ Decree 167/2017/ND-CP on disposition of public property, which required auction process, and 4/ the investment law that regulates who to be chosen as the investor of the project.
- GVR and PHR are trying to solve these bottlenecks. Directive 12/CT-TTg on 05/06/2023 is positive signal that open a barrier that allow GVR and their subsidiaries to take part in as the investors of the project on its rubber land. In addition, they are orienting to pursue the projects in an integrated approach with the master plan of both National and Provincial level. We believe this is a proper methods, but it may take longer time.

The 2023 earnings guidance may not reach due to uncertainty of recovery trend in rubber price and potential delay of the varied part of compensation agreement in VSIP3 deal.

- Sale volume is likely to reach as PHR maintains a stable demand from frequent partners thanks to high-quality products. However, the rubber price is being dominated by weak demand from the China market. In addition, the varied part of compensation agreement (~ VND 90 billion) may not get as contract with Lego and Pandora have yet completed.
- In our base case, the total revenue is estimated at VND 1,685 billion (USD 73.8 million, -1.4% YoY), NPAT could reach VND 470 billion (USD 19.74 million, - 46.4%YoY).

RISKS TO OUR CALL

- The core earnings is weakening in a solid trend, surprise from a quick reversal of rubber price and other incomes source - such as: more tree liquidation, sooner-than-expected compensation, may impact our estimate.

Table 1: Sales volume is likely to reach the target, but the sales price's outlook seems hard to meet the company's guidance

No.	Target	Unit	2022 Plan	2022 Actual	% 2022 Actual versus 2022 plan	2023 Plan	% 2023 plan vs 2022 Actual
1	Exploited area	Ha	7,332	7,331.74	0%	8,292.88	13%
2	Replant area	Ha	460.73	483.42	5%	254.15	-47%
3	Exploited Volume	Ton	21,600	21,049	-3%	24,200	15%
	In Which: Phuoc Hoa - Kampong Thom	Ton	12,200	13,678	12%	13,000	-5%
4	Purchase from third parties	Ton	25,700	24,697	-4%	23,000	-7%
	In Which: Phuoc Hoa - Kampong Thom	Ton	12,200	13,678	12%	13,000	-5%
5	Processed volume	Ton	22,900	21,211	-7%	21,200	0%
6	Sales volume	Ton	35,100	32,840	-6%	34,300	4%
	In Which: Phuoc Hoa - Kampong Thom	Ton	12,200	11,218	-8%	13,000	16%
7	**Sales price**	**VND million/ton**	**39.45**	**38.82**	**-2%**	**37.96**	**-2%**
8	Revenue	VND billion	2,252.79	2,178.09	-3%	1,813.44	-17%
9	**PBT**	**VND billion**	**898.84**	**921.42**	**3%**	**549.14**	**-40%**
10	Cash dividend	%	40	40	0%	30.00	-25%
11	Capex	VND billion	214	181.91	-15%	354.77	95%

Source: PHR, Rong Viet Securities

PENDING PROJECTS TO BE WATCHED

Table1: Summary of Industrial Park projects that PHR has interest – Long list of pending projects will take place in a long-run

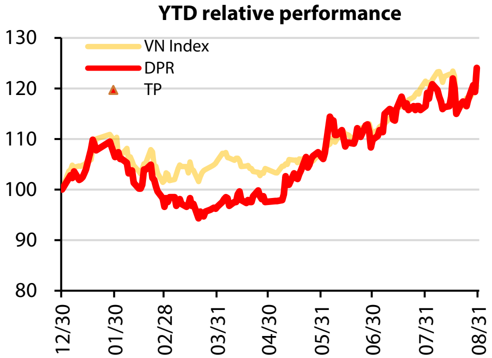
Industrial park projects	% Ownership	Area (ha)	Progress
Operating and aleardy included in master plan of 2016-2020 projects			
Tan Binh	80	352	Fully occupied
VSIP III	20	1,000	The BCC (in which PHR contributes 20% of the capital) approval from the parent company (GVR) is on progress due to revising the inital total investment.
NTC-3	32.85	345.8	The province agree to go further in handover process. The project will be ready for lease from 2024
Tan Lap I	51	202	Waiting for 1/2000 plan from Binh Duong province following to 35 Decree guidance, before processing further for investment policy.
Lai Hung	0	600	Included in the master plan 2016-2020. If Becamex starts the investment process, PHR will receive compensation for the land handover at the price of not less than VND 2.5 billion/ha.
Pending projects for the period 2020 -2030			
Tan Binh expansion	80	739	PHR was proposed to be the developer and these projects has and included in the master plan of Binh Duong province for the period of 2021-2025 and which is expected to approve by 1Q2024. The approval of the master plan is the base to go further in applying for investment policies from the authority.
Tan Lap II	51	180	
Hoi Nghia	100	715	
Binh My	100	1,002	
Tan Thanh (*)	**100**	**425**	
Tan Dinh Cluster 1,2,3,4 – (75 ha each) (*)	**100**	**300**	

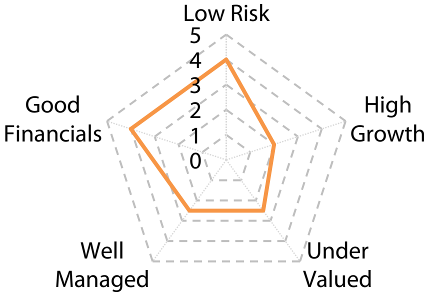
Source: PHR, RongViet Securities

(*): The new additional projects in Binh Duong's master plan

THE GOOD TIME IS NOT THIS TIME

MP: 66,600 **TP: N.A**





STOCK INFO

Sector	Chemicals
Market Cap ($ mn)	120.13
Current Shares O/S (mn shares)	43.44
3M Avg. Volume (K)	157.14
3M Avg. Trading Value (VND Bn)	9.74
Remaining foreign room (%)	46.95
52-week range ('000 VND)	38.3 - 73.1

FINANCIALS

FINANCIALS	2022	2023F	2024F
Revenue (VND bn)	1,211	1,064	1,043
NPATMI (VND bn)	248	188	146
ROA (%)	6.0	4.4	3.2
ROE (%)	11.0	8.1	6.0
EPS (VND)	5,767	4,376	3,402
Book Value (VND)	53,676	55,049	57,430
Cash dividend (VND)	3,000	3,000	3,000
P/E (x)	12.0	15.2	19.6
P/B (x)	1.3	1.2	1.2

INVESTMENT RATIONALES

The quota of industrial land bank in master plan of Binh Phuoc province for 2021-2025 is a bottleneck for Bac Dong Phu expansion and Nam Dong Phu Expansion

- The master plan of Binh Phuoc province until 2025 (01/ND-HDND, 01/17/2023) includes 7,584 hectares of industrial land, which is 1,523 hectares higher than the approved target in Decision 326/QD-TT dated 9/3/2022.
- According to Decree 35/2022/ND-CP, the approval of the investment policies for the industrial park project must be in line with the master plan of the locality. Therefore, the above bottleneck could be a barrier for the master plan of the province to be approved and may imply a prolonger progress of approving the investment policies for the two projects.

The plan to transfer 2,000 hectares to Binh Phuoc province until 2030 is clear, but still uncertain in term of cash conversion timing

- Master plan of Binh Phuoc has included 2,000 hectares of DPR rubber land. Of which 800 ha will be used for developing New Dong Xoai urban area, 1,000 ha will be planned for IP and industrial clusters. From now to 2025, the company expects to hand back 300 hectares to the province.
- However, the timing of the above plan is uncertain and will depend on (1) when the master plan of Binh Phuoc is approved, and (2) a potential real estate developer who has experiences and financial capacity to deploy the project with large scale (>200 ha).

The rubber price has reached the bottom, but it's difficult to achieve earnings 2023 guidance.

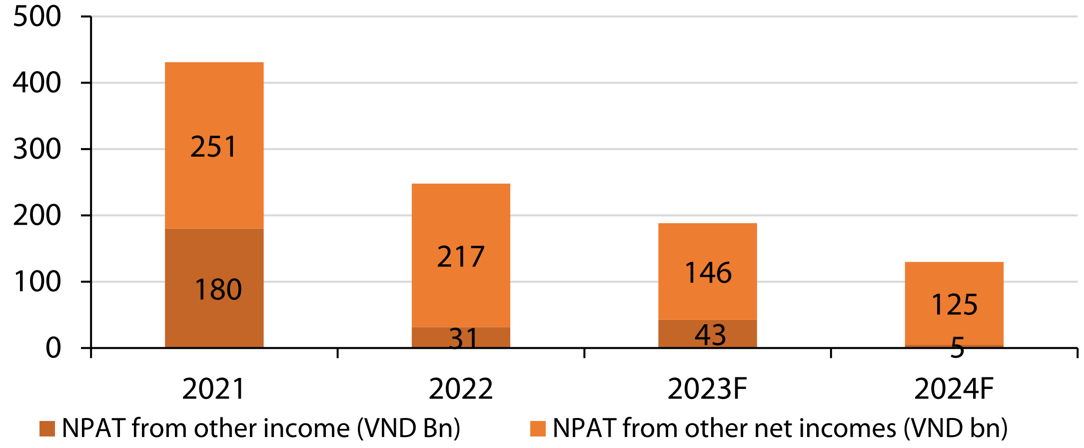
- We assuming DPR's sales volume is likely to reach 2023 guidance because DPR maintains a stable demand from frequent partners, and rubber price may return slightly in 2H2023 thanks to peak season with annual ASP of VND 36 million/ton (less than 2022's ASP of VND38.7 million/ton). In addition, DPR could liquidate 474 ha rubber trees, and lease the last 2,7 ha in Bac Dong Phu IP and can collect compensation in full and bring an income of VND 47 billion (USD 2.04 million) from Tien Hung 2 project.
- Totally, we estimate that the 2023 revenue of DPR will reach VND 1,064 billion (USD 44.7 million,-12 %YoY), NPAT-MI will be VND 188 billion (USD 9 million,-11 %YoY).

RISKS TO OUR CALL

- Upward risk could be a surprising recover in rubber price, the legal bottles are resolved quicker than we expected, while the downside risk includes the delay of Tien Hung 2's compensation.

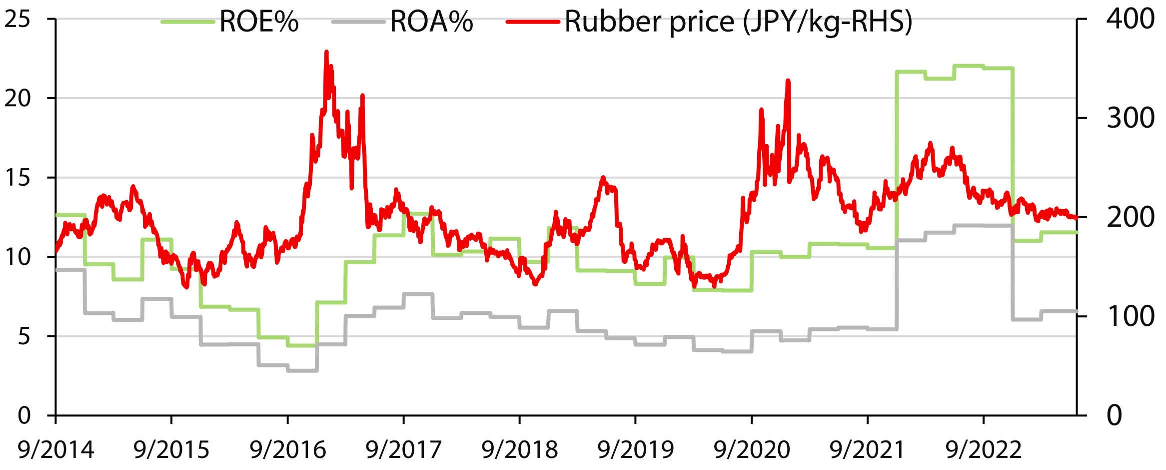
VALUATION IS RELYING ON UNCERTAIN LAND CONVERSION PLAN

Figure1: The delay of new IPs and uncertainty of land hand overing plan, while rubber price lack of demand force could make earnings worsen…



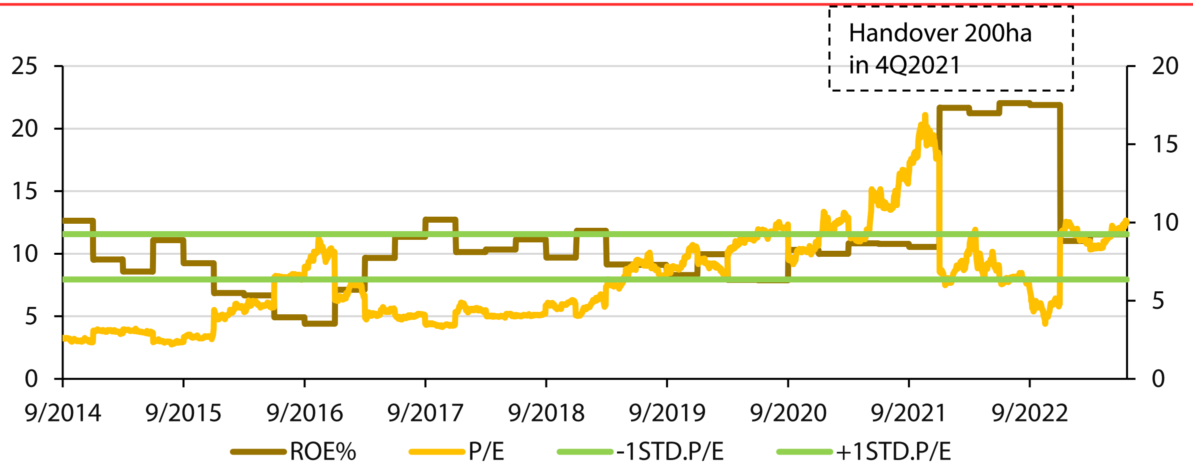
Source: DPR, RongViet Securities

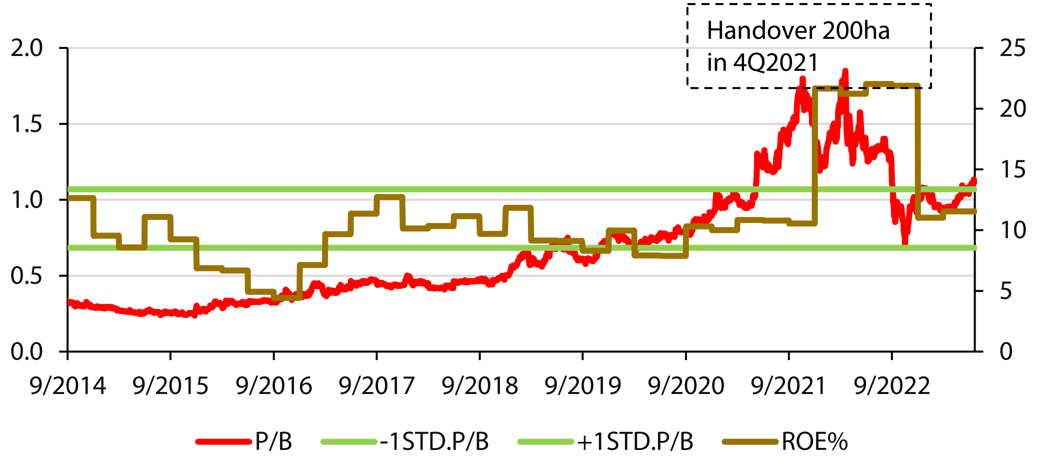
Figure2: Exclude the period of recording abnormal income from compensation in 4Q2021, lagging profitability indicators (ROE,ROA) showed positive correlation with trend of rubber price



Source: Bloomberg, RongViet Securities

Figure 3: Current valuation (both P/E and P/B) is relatively high compared to earnings outlook





Source: Bloomberg, RongViet Securities
(*) P/E, P/B –LHS; ROE% -RHS

ANALYSIS & INVESTMENT ADVISORY DEPARTMENT

Lam Nguyen
Head of Research
lam.ntp@vdsc.com.vn
+ 84 28 6299 2006 (1313)

Vu Tran
Senior Manager
vu.thx@vdsc.com.vn
+ 84 28 6299 2006 (1512)
- O&G
- Fertilizer

Tung Do
Manager
tung.dt@vdsc.com.vn
+ 84 28 6299 2006 (1521)
- Aviation
- Logistics
- Market Strategy

An Nguyen
Senior Analyst
an.ntn@vdsc.com.vn
+ 84 28 6299 2006 (1526)
Food & Beverage
Automotive & Spare parts

Lam Do
Senior Analyst
lam.dt@vdsc.com.vn
+ 84 28 6299 2006 (1524)
- Real Estate

Hung Le
Analyst
hung.ltq@vdsc.com.vn
+ 84 28 6299 2006 (1530)
- Industrial RE
- Market Strategy

Loan Nguyen
Analyst
loan.nh@vdsc.com.vn
+ 84 28 6299 2006 (1526)
- Retail
- Fishery
- F&B

Chinh Nguyen
Analyst
chinh.nd@vdsc.com.vn
+ 84 28 6299 2006 (1530)
- Bank

Hoai Trinh
Analyst
hoai.ttt@vdsc.com.vn
+ 84 28 6299 2006 (1530)
- Utilities
- Textiles

Quan Cao
Analyst
quan.cn@vdsc.com.vn
+ 84 28 6299 2006 (2223)
- Seaport
- Pharmaceutical

Ha My Tran
Senior Consultant
my.tth@vdsc.com.vn
+ 84 28 6299 2006
- Macroeconomics

Bernard Lapointe
Senior Consultant
bernard.lapointe@vdsc.com.vn
+ 84 28 6299 2006

Trinh Nguyen
Senior Consultant
trinh.nh@vdsc.com.vn
+ 84 28 6299 2006

Ngan Le
Analyst
ngan.lk@vdsc.com.vn
+ 84 28 6299 2006
- O&G
- Fertilizer

Ha Tran
Assistant
ha.ttn@vdsc.com.vn
+ 84 28 6299 2006 (1526)

Khanh Dang
Assistant
khanh.bdc@vdsc.com.vn
+ 84 28 6299 2006

RONG VIET
SECURITIES

VIET DRAGON SECURITIES CORPORATION

Floor 1 to Floor 8, Viet Dragon Tower, 141 Nguyen Du Street., Dist.1, HCMC, Vietnam

www.vdsc.com.vn

Kiến tạo tương lai thịnh vượng