RONG VIET SECURITIES

Preliminary 2H2020 outlook

August 2020

RONG VIET SECURITIES

INDUSTRIAL REAL ESTATE

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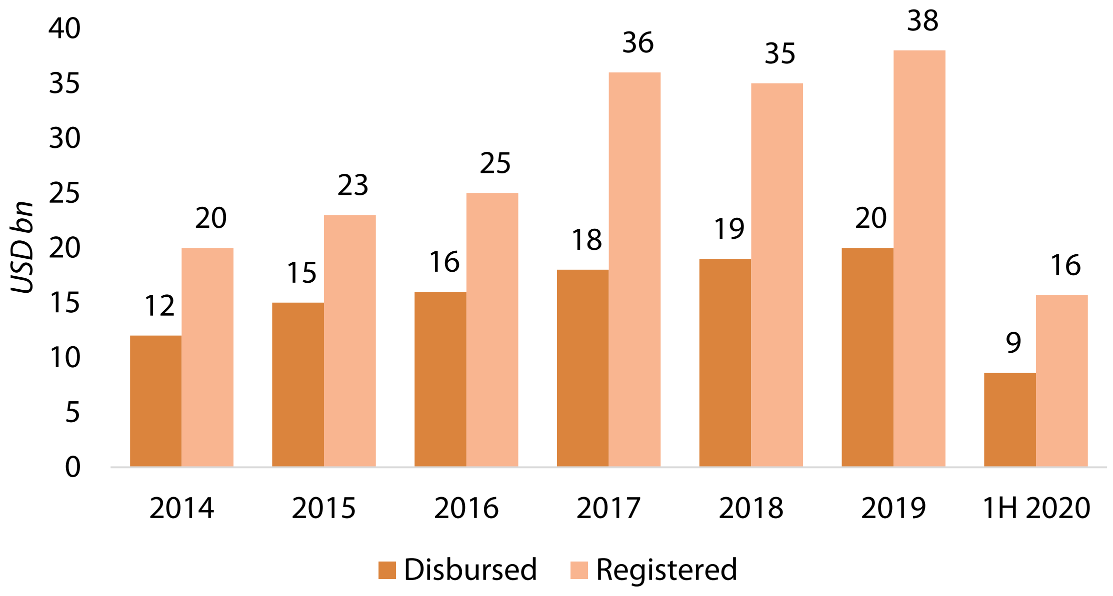
FDI inflows

- 1H 2020 recorded disbursed FDI of USD 9 bn (flat YoY) and registered FDI of VND 16 bn (-15% YoY).
- BR-VT and Hai Phong saw an 186% and 41% increase YoY in FDI inflows while other provinces witnessed a decrease YoY during 1H.

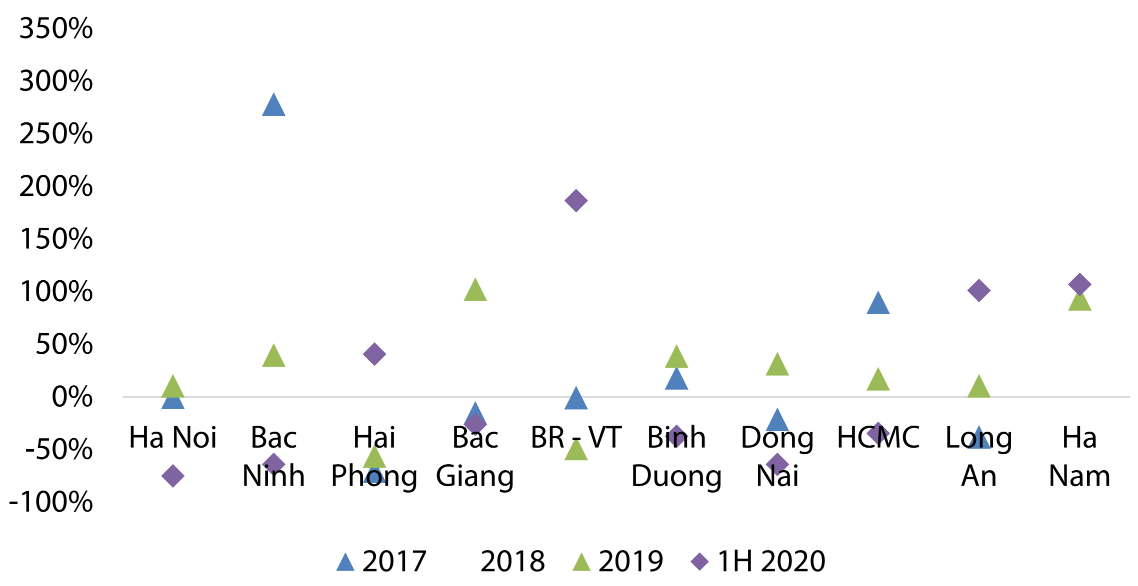
Flat FDI inflows, leading by the manufacturing sectors, accounting for 71% in 1H. A major part of inflows should go to Ha noi and Bac Ninh in the north and Ho Chi Minh, Dong Nai and Binh Duong in the south.

Figure 1: FDI inflow (USD bn)



Source: MPI, RongViet Securities

Figure 2: FDI growth, by province (%)



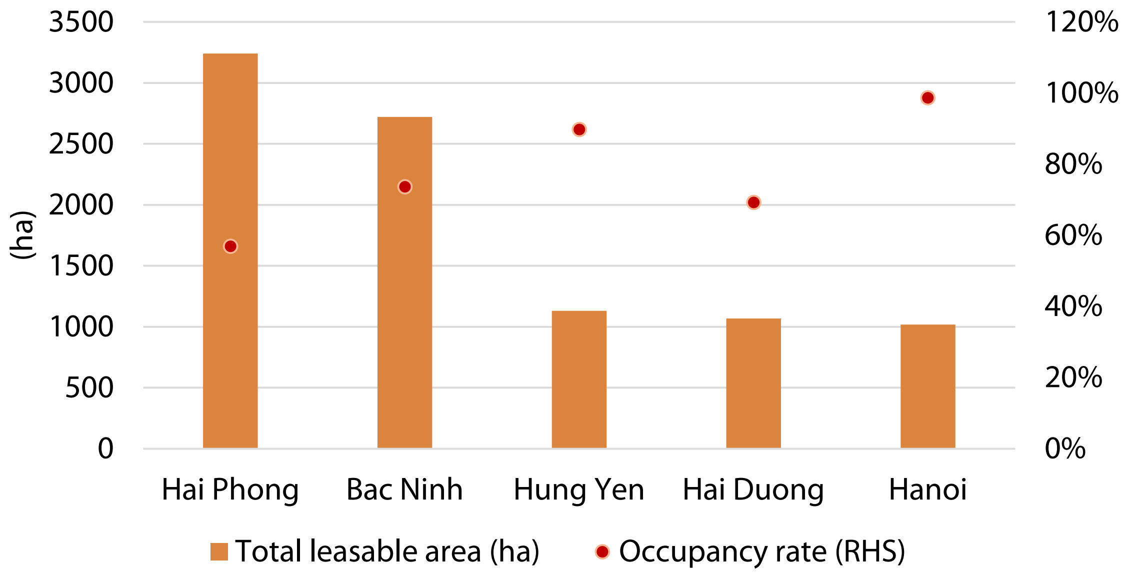
Source: MPI, RongViet Securities

INDUSTRIAL REAL ESTATE INDUSTRY - REVIEW

Northern industrial market

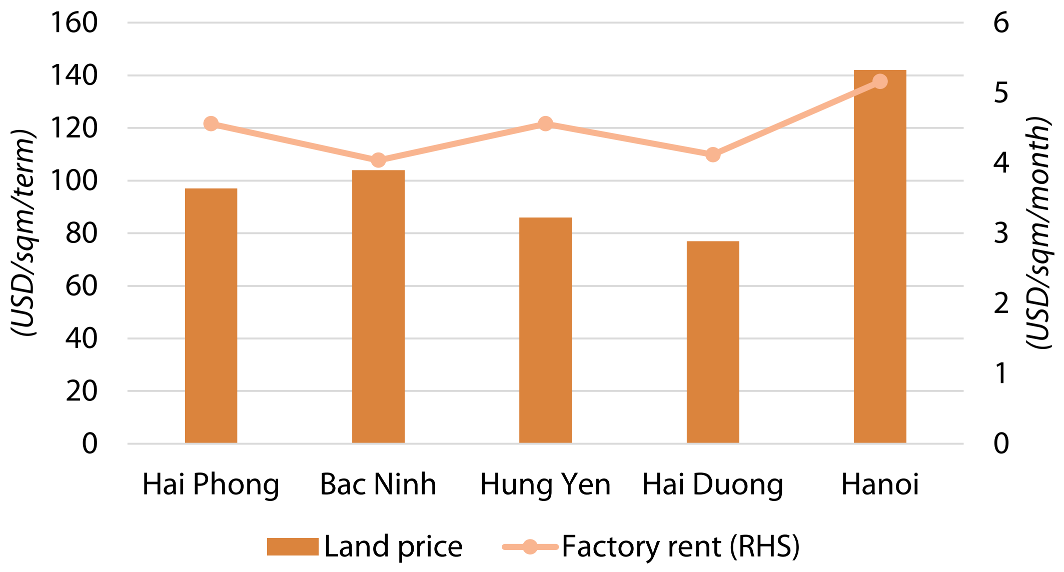
- Since February 2020 when the Covid-19 pandemic began spreading, traffic has been suspended, making it difficult for investors – especially foreigners – to either implement site inspection or directly work with industrial park (IP) developers. The market is likely to recover and grow rapidly after the epidemic is well under control.
- The average land prices in the first quarter (Q1) of this year reached USD 99 per square meter per lease term, up 6.5% YoY.
- Bac Ninh and Haiphong were still notable industrial markets in the North, thanks to their massive supply.

Figure 3: Total Stock and Occupancy Rate



Source: JLL, RongViet Securities

Figure 4: Average Land and Factory Rents

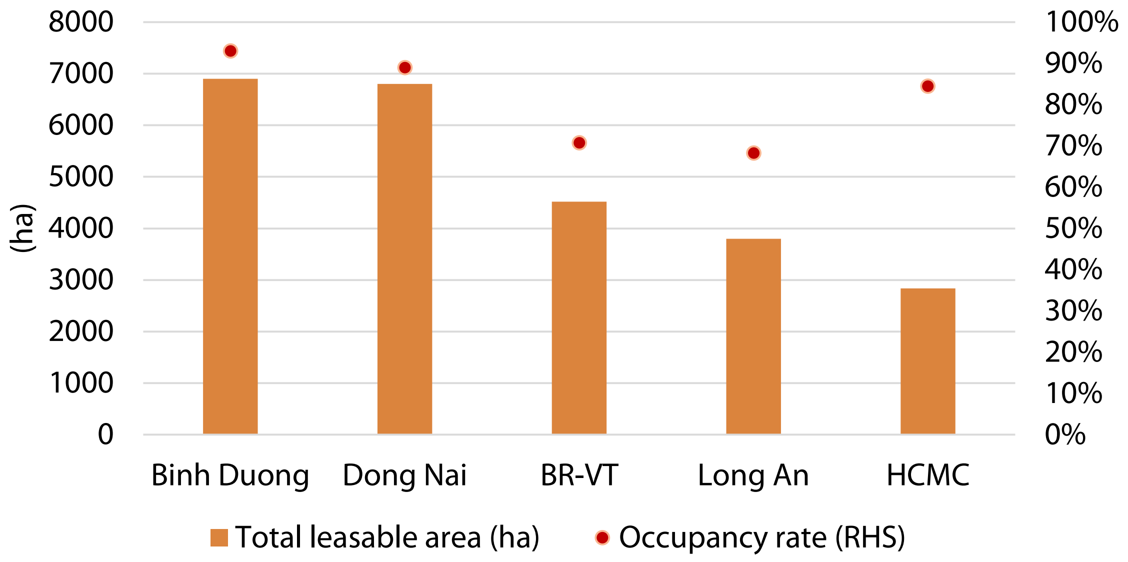


Source: JLL, RongViet Securities

Southern industrial market

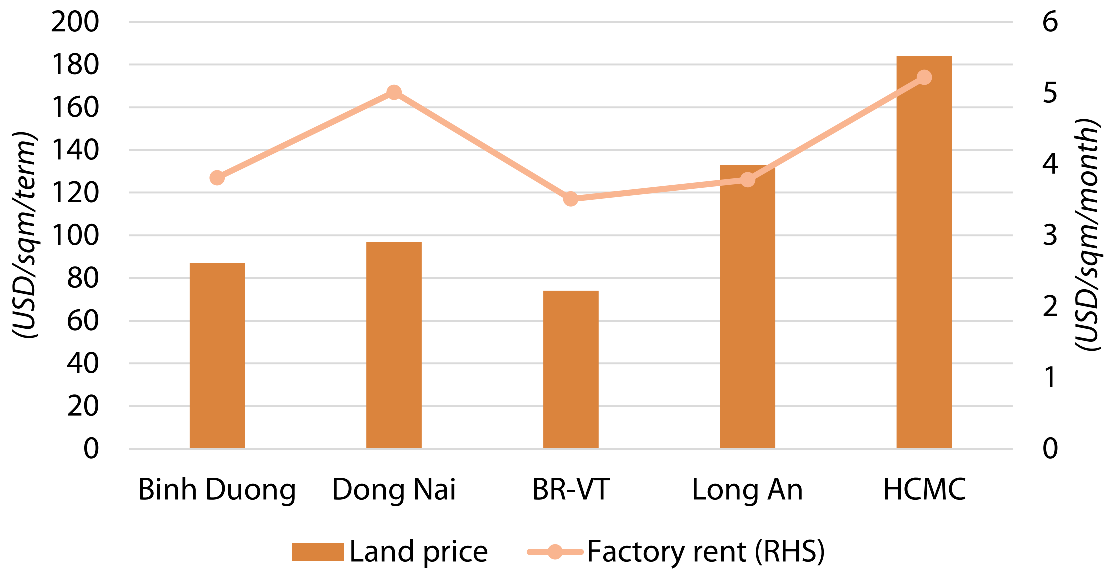
- The shortage of available land has become an issue due to high current occupancy rates while supply has been limited.
- Buoyed by strong fundamentals, Vietnam has attracted interest from investors, who are actively looking into joint ventures with local industrial developers or to acquire land bank and operating assets.
- Although Covid-19 may be causing temporary difficulties, there is still a strong demand for industrial space. The average price for industrial land in Southern Vietnam is at US$106 per square meter per lease term, up 9.7% YoY, according to a JLL report.

Figure 5: Total Stock and Occupancy Rate



Source: JLL, RongViet Securities

Figure 6: Average Land and Factory Rents



Source: JLL, RongViet Securities

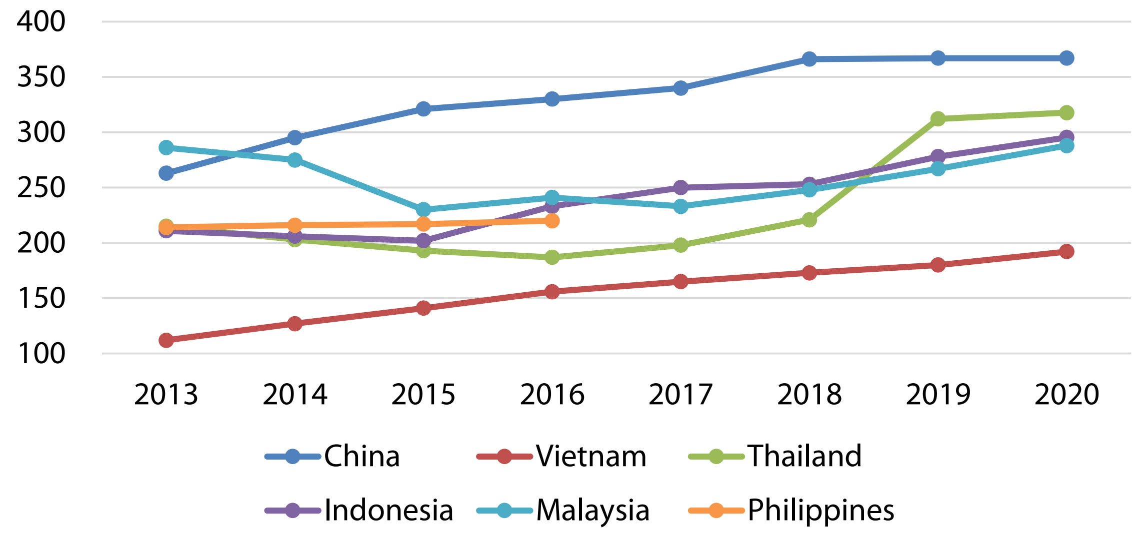
Vietnam's business environment looks attractive

Some of the advantages we have seen:

- Relatively lower labor costs. Estimated Vietnam's labor cost is equal to 52% and 64% that of China and three Asean competitors', including Thailand, Indonesia and Malaysia, average.
- Business environment is still improving, ranked 70th in 2019, following behind Malaysia, Thailand and China. We think Indonesia, whose ranked 73rd, should be Vietnam's main competitor in attracting FDI firms.

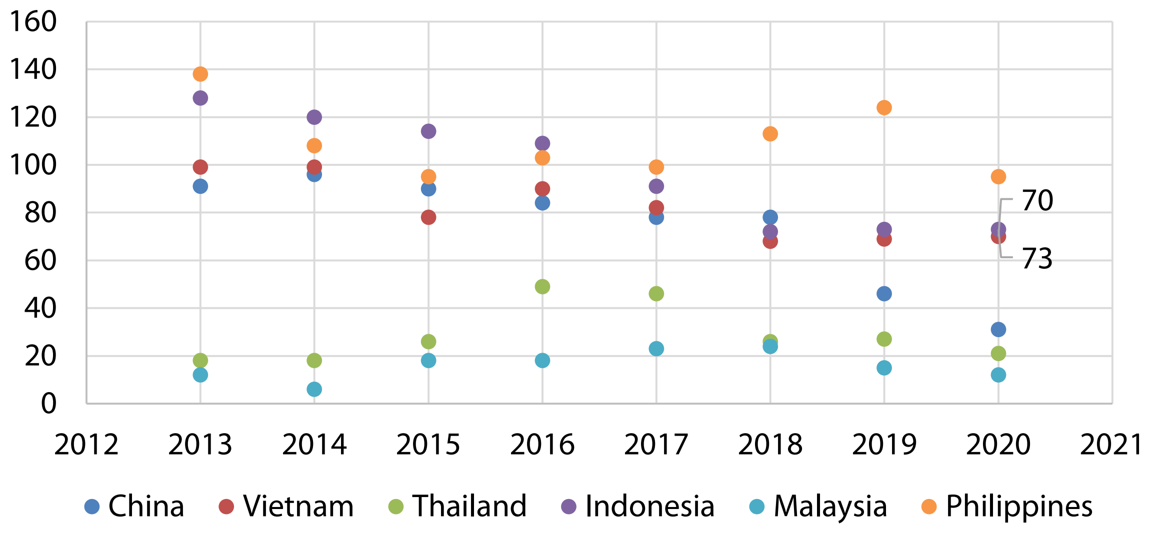
=> The market, however, is expected to quickly rebound as soon as the situation is well under control. One can assume that the business environment in Vietnam is excellent for foreign investors and more attractive than that of some other countries in the region, with low labor costs and a stable political situation.

Figure 7 : Monthly minimum wages (USD per month)



Source: Trading economics, RongViet Securities

Figure 8: The ease of doing business (ranking)



Source: World Bank

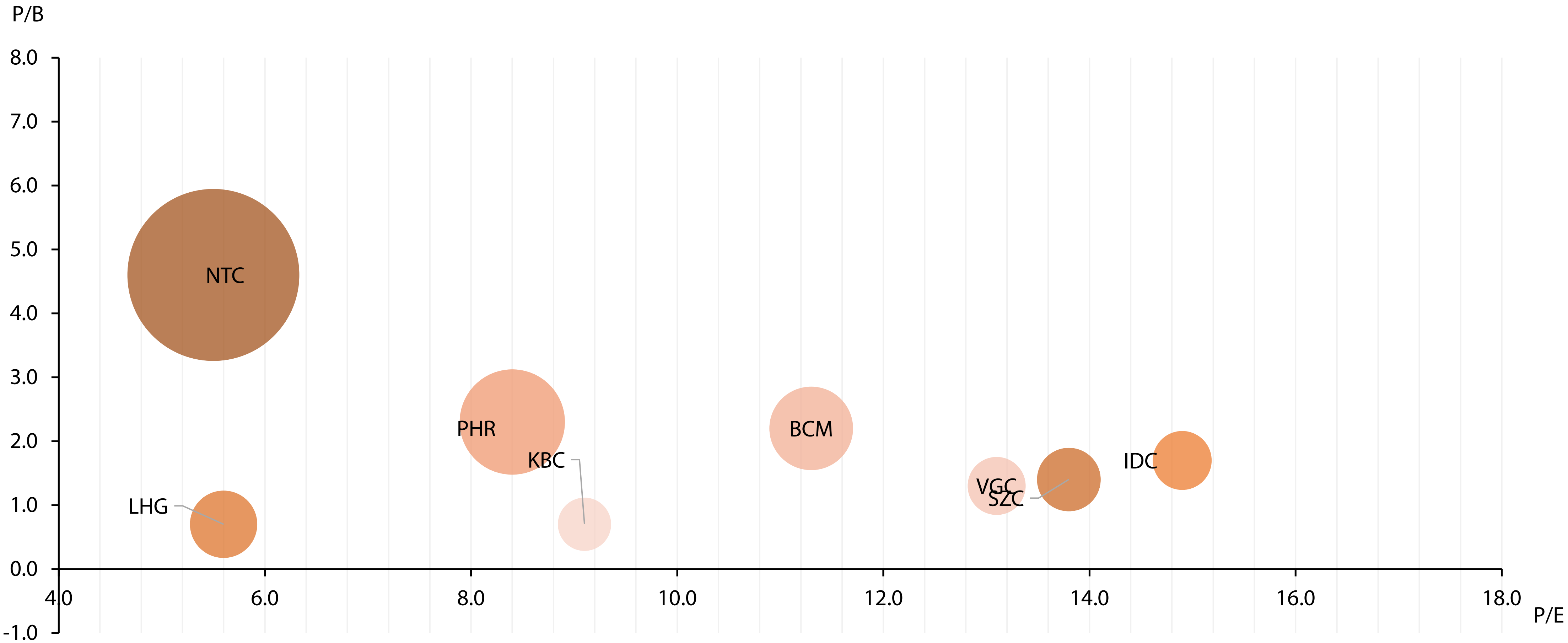
INDUSTRIAL REAL ESTATE INDUSTRY

Industry comparable: 1H2020 financials

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	269.7	14,700	-53.7	-63.6	37.5	31.8	-85.8	7.6	2.9	5.0	0.0	12.0	0.7
LHG	46.0	27,000	38.2	34.5	38.8	32.4	35.2	27.6	7.0	13.5	0.0	6.6	0.9
PHR	309.4	54,000	-13.0	93.2	31.5	21.2	224.0	108.3	14.6	29.0	0.0	8.5	2.4
BCM	1,264.70	#N/A	-26.6	-30.1	29.6	24.9	-54.9	21.5	4.3	12.4	0	15.6	2
IDC	244.7	#N/A	-7.4	0.9	21.1	11.4	-13.0	5.5	2.8	9.5	0.0	14.2	1.7
VGC	416.1	#N/A	0.1	-4.1	16.6	10.4	-11.5	6.5	3.0	8.6	0.0	15.8	1.5

Source: Bloomberg, RongViet Securities. Share price as of 07 Aug 2020.

Industry comparable



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 07 Aug 2020.

LHG – AWAITING FOR LAUNCHES OF LH3 INDUSTRIAL PARK

INVESTMENT RATIONALE

Exploiting the Long Hau phase-3 industrial park

- Remaining huge land bank: The whole Long Hau 3 has a total area of 891 ha, in which phase 1 has 124 ha and phase 2 has 90 ha. We think this should bring a great upside once the compensation issue is solved. Currently, total land area being leveled was 65ha and the total commercial land area that can be handed over and recorded is 30ha, which has been already deposited by customers.
- Favorable location: Long Hau hubs possess a strategic location given close proximity to HCMC (25 km to the center) or Cat Lai (25 km) and Tan Cang - Hiep Phuoc Ports (3km). Long Hau 3 is getting much attractive given new supply in HCMC and its outskirts are dried out.
- Upside potential though increasing rental price level: Scanty supply in the southern has been lifting the average rental price. According to LHG, selling price continued to surge from 120 USD/sqm in 1H to 150 USD/sqm in 2H 2019, and more 10% since the beginning of this year, suggesting another 35% increase. However, the increase in selling price also offsets for upward trend in compensation cost. Conclusionly, the overall margin has been slightly changed.

RISKS TO OUR CALL

- **Compensation standstill in Long Hau 3 is the biggest risk.** The clearance process has been presenting for about 3 years and is showing no sign of a more positive progress. This suggests higher development costs and slow absorption to such unceasing demand.
- **Higher potential liability relating to compensation price for resettlement area for Long Hau 1.** Current potential liability of VND 328 bn (in which, VND 65 bn was prepaid) was factored into our valuation calculation. We however see any upsurge for this obligation unforeseeable; and if there is any, will drag our arrived fair value down.

BUY 27%

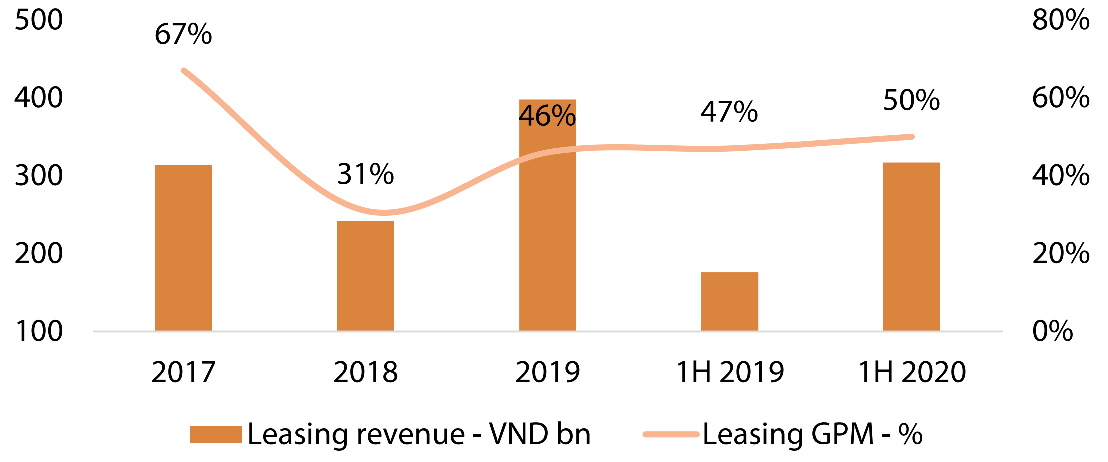
CMP (VND)	**21,300**
Target Price (VND)	**27,000**
*Cash Dividend (VND)**	*0*

STOCK INFO	
Sector	Industrials
Market Cap ($ mn)	46
Current Shares O/S (mn shares)	50
3M Avg. Volume (K)	449
3M Avg. Trading Value ($ mn)	0.4
Remaining foreign room (%)	43.6
52-week range ('000 VND)	10.2-21.5

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	**430**	**599**	**684**	**717**
Growth (%)	*-11.8*	*39.3*	*14.2*	*4.8*
NPATMI (VND bn)	**176**	**134**	**231**	**259**
Growth (%)	*6.1*	*-23.9*	*72.4*	*12.1*
ROA (%)	8.57	6.2	8.9	8.3
ROE (%)	15.72	11.4	18.3	16.6
EPS (VND)	3,378	2,672	4,625	5,184
Book Value (VND)	22,922	23,640	28,647	33,830
Cash dividend (VND)	1,600	1,600	1,900	1,500
P/E (x) (*)	6.3	7.8	4.6	4.1
P/B (x) (*)	0.9	0.9	0.7	0.6

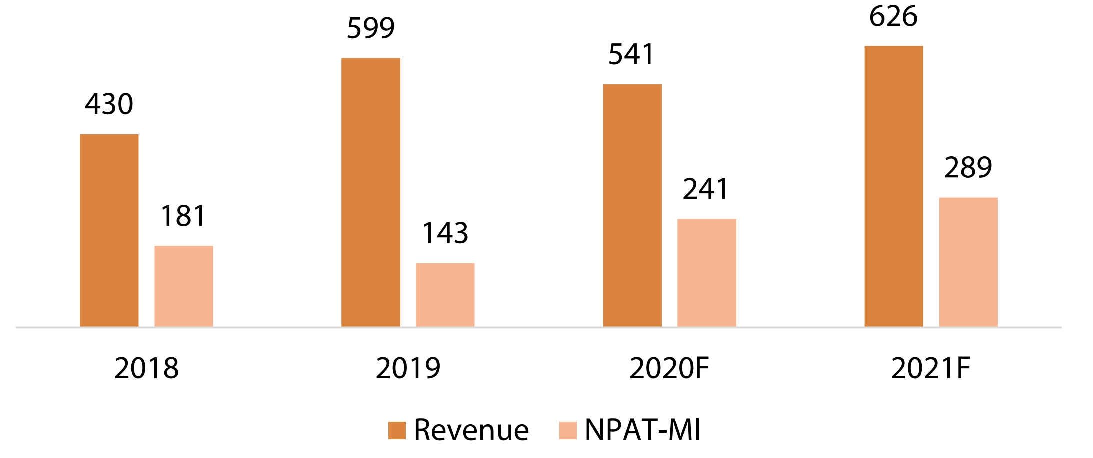
(*) Share price as of Aug 7th, 2020.

Figure 1: Leasing revenue (VND bn) & GPM (%)



Source: LHG, RongViet Securities

Figure 2: Forecasted revenue & NPATMI (VND bn)

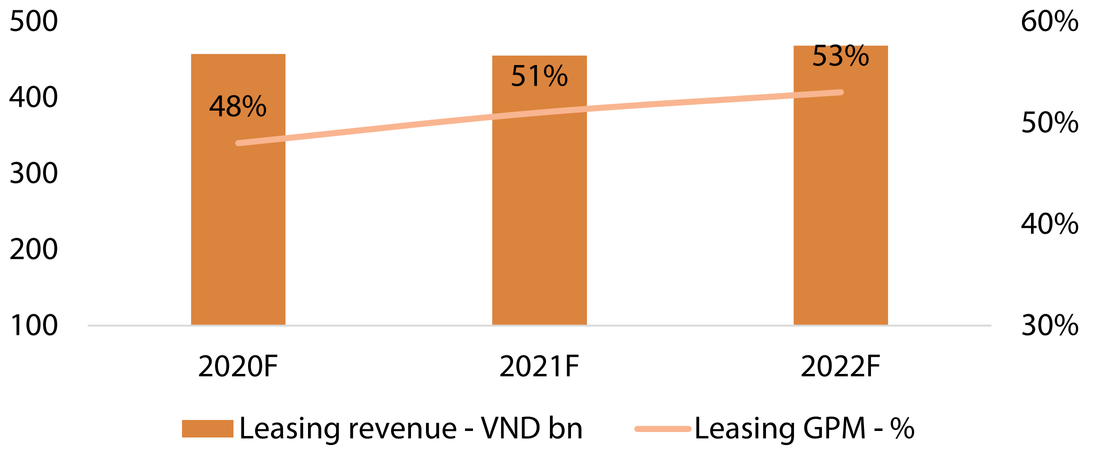


Source: LHG, Rong Viet Securities.

Start recognizing profit from hand-over of the Long Hau 3 industrial park

- The income from subleasing activities was completed in 2019 and would no longer be recognized as profits in the next few years.
- Started to hand over Long Hau phase-3 industrial park since 2019, however, compensation progress of the Long Hau 3 industrial park has been continuously delayed. As of result, the company has only completed 42% of the total planned investment cost of VND 939 billion in 2019.
- Currently, total land area being leveled was 65ha and the total commercial land area that can be handed over and recorded is 30ha, which has been deposited by customers.

Figure 3: Forecasted leasing revenue & GPM (%)



Source: RongViet Securities

PHR – PROFIT IS SECURED BY LAND TRANSFERED MONEY

INVESTMENT RATIONALE

Dividends will be high in 2020 and 2021

- 346 ha and 691 ha will be handed over to NTC and VSIP, respectively. PHR will receive USD 37.3 million in compensation from NTC and book all of that in 2020. In the case of VSIP, PHR will receive at least USD 74.6 million in compensation. The payment will depend on the rental progress. The company may book USD 4.3-6.5 million received from VSIP in 2020 if the legal procedure is completed soon. The land compensation will help PHR ensure to pay a minimum dividend payout of 40% in 2020 and 2021.

Put into operation Tan Lap 1 IP and expanded Tan Binh IP

- The company is trying to complete the procedures of Tan Lap 1 IP (202 ha) in 2020. This IP aims to develop the wood industry of Binh Duong province. According to the plan, PHR holds 51%, the rest 49% is shared with other partners, in which one partner specializing in wood is Kaiser.
- The existing Tan Binh IP is 83% full, so the company is registering to expand another 1,055 hectares into the 2021-2025 plan of to attract more FDI into the province.

Large land bank is located in a favorable location

- The company manages more than 15,000 hectares of rubber. According to the 2021-2025 plan, apart from 5,000 ha of rubber trees, the remaining 10,000 ha will be used to develop IPs and other projects. This land is close to Ho Chi Minh City (60 km away) and Binh Duong transportation infrastructure is well developed, hence PHR's IPs have many opportunities.

RISKS TO OUR CALL

- Legal procedures of VSIP IP, causing the company not to receive compensation.
- Lower than expected demand for IP may affect occupancy rates and rental prices.
- Not getting approval for future IP projects from Binh Duong province will limit the company's growth.

ACCUMMULATE +11%

CMP (VND)	**52,900**
Target price (VND)	**54,000**
Cash dividend in 12 months	*4,500*

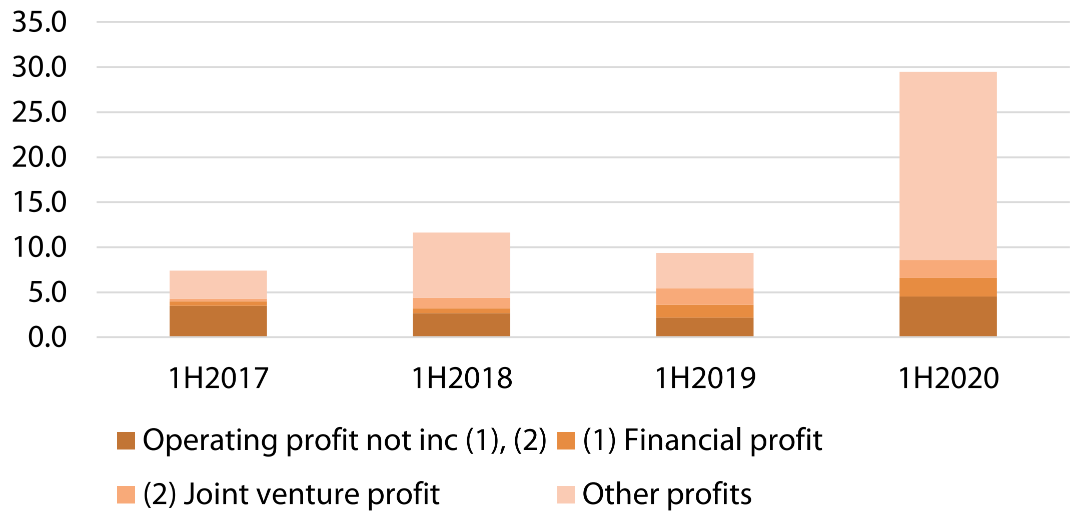
STOCK INFO	
Sector	Basic Materials
Market Cap ($ mn)	309
Current Shares O/S (mn shares)	135
3M Avg. Volume (K)	1,532
3M Avg. Trading Value ($ mn)	3.3
Remaining foreign room (%)	37.8
52-week range ('000 VND)	32-69.7

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	**1,558**	**1,633**	**1,362**	**1,923**
Growth (%)	*-5.8*	*4.8*	*-16.6*	*41.2*
NPATMI (VND bn)	**628**	**475**	**1,108**	**1,255**
Growth (%)	*94.0*	*-24.3*	*133.1*	*13.3*
ROA (%)	12.4	8.1	19.2	19.5
ROE (%)	24	18.6	39.2	38.3
EPS (VND)	3,788	2,866	6,681	7,568
Book Value (VND)	19,710	19,294	21,308	24,728
Cash dividend (VND)	2,000	3,000	4,500	4,500
P/E (x) (*)	14.2	18.7	8	7.1
P/B (x) (*)	1.6	1.7	2.5	2.2

(*) Share price as of Aug 7th, 2020.

PHR - 1H2020 results grew up thanks to land compensation

Figure 1: Structure of PBT (USD million)



Source: PHR, Rong Viet Securities

Table 1: Profit planned for 2020 (USD million)

Source of profit	Amount	Proportion (%)
Land compensation money from Nam Tan Uyen	37.3	75.3
Liquidation of rubber wood	3	6.1
Dividends from subsidiaries and affiliates	4.9	9.9
Other	4.3	8.6
Total	49.6	

Source: PHR, Rong Viet Securities

Tan Binh IP increased PHR's gross profit while the core business was declining

- Rubber: revenue decreased by 23% YoY, to USD 16.4 million. The decline in production was due to the impact of the China-US trade war and the Covid-19 causing sales volume to drop by 22.5% YoY, to 9,879 tons. The selling price decreased by 4% YoY, to USD 1,389/ton.
- Liquidation of wood: 1H2020, the company liquidated wood on 185 hectares with a price of USD 6,906/ha. The profit was USD 1.3 million (-66% YoY).
- Tan Binh IP: No new lease in 1H2020. There are 202.6 ha leased, accounting for 83% of the commercial land. Revenue and gross profit reached USD 5 million (+52% YoY) and USD 3.5 million (+78% YoY), respectively.
- Consolidated revenue reached USD 21.4 million (-13% YoY) and gross profit reached USD 6.3 million (+54% YoY).

PAT increased sharply thanks to land compensation

- Other income increased 5.3x, to USD 20.9 million, mainly coming from land compensation (USD 19.7 million) received from NTC. PAT was USD 24 million, up 3.1x.
- The remaining USD 17.7 million from NTC is expected to be booked in 3Q (USD 12.9 million) and 4Q (USD 4.7 million). In addition, when the VSIP completes the project's legal procedures, PHR may book a part of compensation which is about USD 4.3-6.5 million in 2020.

PHR - Future results depend on receiving land compensation and IP development

Table 2: Plan for 2021-2025

Project	Area (ha)	Comment
IP projects (Industrial Park)	5,000	1,000 ha for VSIP III and Nam Tan Uyen, 1,500 ha for Tan Binh expansion (2,3), the rest for Tan Lap and other IPs.
High tech agriculture	2,450	
Residential area	1,360	
Hazardous waste treatment and cemetery	500	In co-operation with Biwase.PHR will be the main investor.
Bac Tan Uyen administrative center	370	
Hand over to Binh Duong	100	
Other	520	
Total	10,300	

Source: PHR, Rong Viet Securities

Profits in 2020 and 2021 will mostly come from receiving land compensation

- In 2020, 75% of the planned profit will come from NTC's land compensation (USD 37.3 million). PHR will be able to pay the minimum dividend payout ratio of 40% as planned.
- In 2021, we expect the company's PBT to reach USD 71.2 million. 65% will come from VSIP's compensation. Currently, VSIP has not completed the legal procedures for the project. PBT will be only USD 25.3 million if PHR cannot book the compensation money. Dividend payout could be reduced to only 15-20%.

Benefit from the new FDI

- During the period 2015-2019, Vietnam's FDI had an average growth of 5.7%/year. As an ideal destination for FDI, many companies are moving their factories out of China. Vietnam's strengths include: stable politics, large consumer market, innovative Government and an affordable workforce.
- Phuoc Hoa has the advantage of being located in Binh Duong province which is close to Ho Chi Minh city (60km away) and has a developed transportation infrastructure. Therefore, PHR is trying to complete legal procedures and put Tan Lap 1 IP into use in 2020. The value of both Tan Lap 1 IP and expanded Tan Lap 1 IP is about USD 77.4 million.
- In the period of 2021-2025, the company will register and develop 3 IP, including: expanded Tan Binh IP (1,055 ha), Binh My IP (1,002 ha) and Hoi Nghia IP (715 ha).

KBC – LEASES REMAIN STABLE

INVESTMENT RATIONALE

Expecting the launch of Nam Son Hap Linh

- Land & infrastructure leases to reach 87 ha (-19% YoY), bringing VND 1,703 billion in revenue, down 26% YoY. Estimated gross profit margin decreases to 52% compared to 53% in 2019. The average rental price will be USD 85 / m2 (-8% YoY). The reason for the decrease in the average rental price is due to the rental rate in Nam Son Hap Linh which is lower than the average rental price in 2019. FY2020 no longer contributes from high-rental-rate areas likes Trang Due or Que Vo.
- Leasing area include (1) 36 ha in Quang Chau, (2) 32 ha in Nam Son Hap Linh and (3) 19 ha in Tan Phu Trung. We assume that Nam Son Hap Linh, estimated at 213 ha of commercial land, will begin construction work from 3Q. According to KBC, there are about 100 ha of land area compensated and 66 ha available for sale in Nam Son Hap Linh. We believe this industrial park will contribute in terms of rental area from 2020 onwards.

Notable handover amount from Trang Due urban area

- Handover of 6 ha land commercial in the Trang Due urban area, equivalent to VND 600 billion in revenue. Gross profit margin is estimated at 50%. Currently 12 ha/17 ha of clean commercial land have been sold and wait for handover. The remaining total of 12 ha, equivalent to VND 1,200 billion, will gradually be recorded as revenue in 2020-2021.
- For the Phuc Ninh urban area, we have not included the handover plan in 2020 due to the risk of prolonged legal process.

RISKS TO OUR CALL

- Delay in legal procedures of Nam Son Hap Linh industrial park.

ACCUMULATE 11%

CMP (VND)	**13,300**
Target Price (VND)	**14,700**
*Cash Dividend (VND)**	*0*

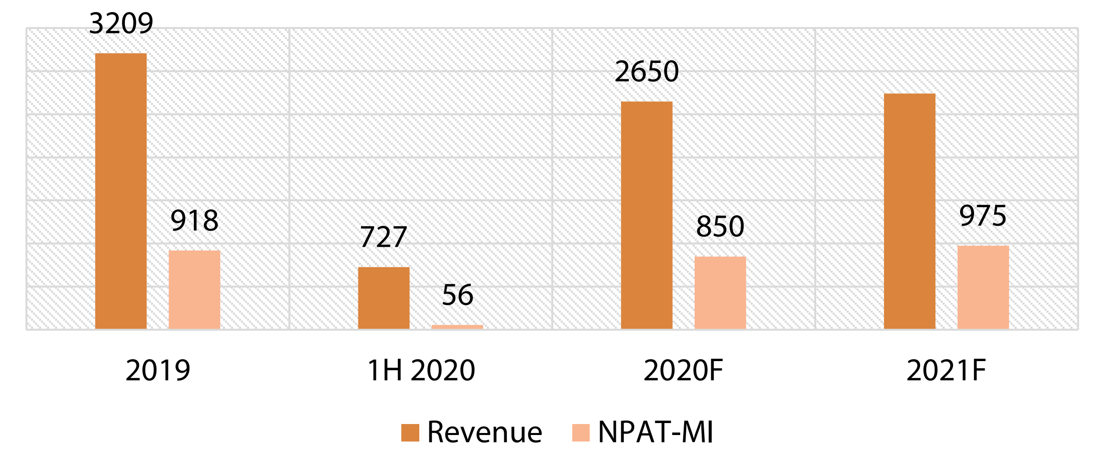
STOCK INFO	
Sector	Industrials
Market Cap ($ mn)	270
Current Shares O/S (mn shares)	470
3M Avg. Volume (K)	2,967
3M Avg. Trading Value ($ mn)	1.8
Remaining foreign room (%)	28.0
52-week range ('000 VND)	10-16.9

FORECAST	**2018A**	**2019A**	**2020F**	**2021F**
Revenue (VND bn)	**2,491**	**3,250**	**2,690**	**2,822**
Growth (%)	*97.7*	*30.5*	*-17.2*	*4.9*
NPATMI (VND bn)	**746**	**855**	**835**	**936**
Growth (%)	*27.7*	*14.6*	*-2.3*	*12.1*
ROA (%)	4.57	5.1	5	5.3
ROE (%)	7.91	9.3	8.5	8.7
EPS (VND)	1,569	1,820	1,781	1,997
Book Value (VND)	18,992	22,218	21,557	23,526
Cash dividend (VND)	500	500	500	500
P/E (x) (*)	8.5	6.9	7.5	6.7
P/B (x) (*)	0.7	0.7	0.6	0.6

(*) Share price as of Aug 7th, 2020.

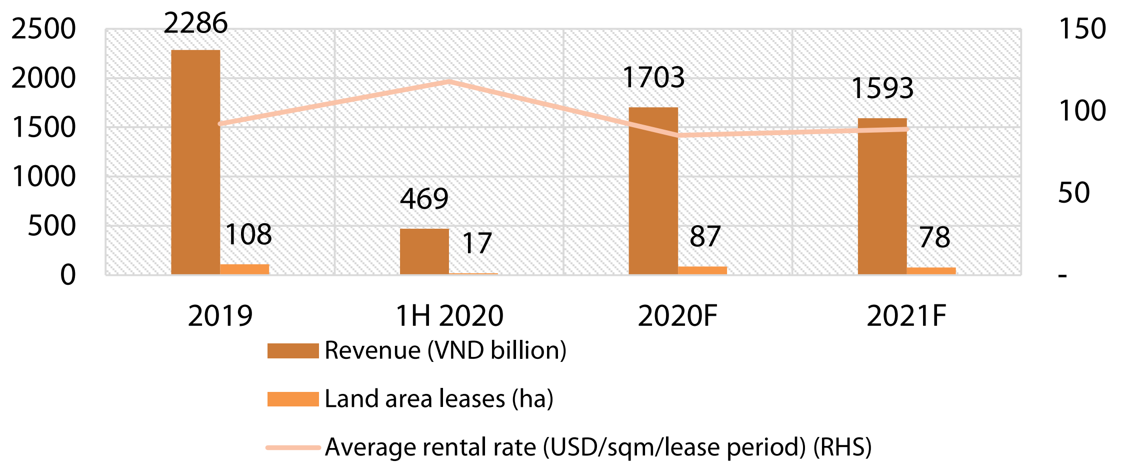
KBC – Huge land bank to capture high leasing demand

Figure 1: Forecasted revenue and NPATMI (VND billion)



Source: RongViet Securities

Figure 2: Revenue and land leasing by industrial parks



Source: Rong Viet Securities.

Figure 3: Leasing status of KBC's industrial parks at the end of June 2020

	Total area (ha)	Total leasable area (ha)	Leased land			Occupancy (%)	Remaining leasable land (ha)
			FY 2019	+/- YoY	1H 2020		
Que Vo 2	300	171	8	-85%		100	-
Quang Chau	426	276	68	362%	2	77	59
Trang Due 2	214	133	4	-84%		100	-
Nam Son Hap Linh	332	213	-	-		0	213
Tan Phu Trung	543	314	27	59%	15	40	157
Trang Due 3	687	456	-	-		0	456
Total	**3,001**	**1,884**	**107**	**-3%**	**17**		**885**

Source: KBC, RongViet Securities

SZC – HUGE AVAILABLE LAND BANK TO CAPTURE DEMAND

OPPORTUNITIES

Growth momentum thanks to huge and available land bank in Chau Duc industrial park

- Compensation progress: By the end of 2019, SZC compensated for 70% of the total industrial park land area, with a total value of VND 1,543 billion. During last year, SZC paid a compensation cost of VND 121 billion for a 50ha land area. For 2020, SZC targets to spend VND 700 billion on land compensation, equivalent to 270ha land area.
- Lease progress: Total accumulative land leased was 394ha, equivalent to an occupancy rate of 31%. In 2019, SZC signed 16 lease contracts with a land area of 56ha. In 2020, SZC targets to sign 50ha land lease and and book a 23ha land lease, recognizing revenue of VND 282 billion.

Launching the Huu Phuoc residential area

- Total phase-1 site area is 40ha, and SZC plan to launch the first batch of 23ha land area by the end of 2020. As of management, there is VND 5 billion in revenue expecting to recognize in 2020.

Past financial performance was not good, but gradually improved

- Financial ratios of SZC has been gradually improved over recent years, mainly due to the accerlation of profit growth (CAGR of 45%). Meanwhile, the D/E leverage ratio also increased sharply during this period (from 0.7 times in 2016 to 1.6 times in 2019). However, equity capital only saw a slight increase. This shows that SZC has focused on enhancing the effeciency of existing assets and raising fund from bank loans.

RISKS

- Slow absorption rate of Chau Duc industrial park.

N/A N/A

CMP (VND)	**26,800**
Target price (VND)	**N/A**
Cash dividend in 12 months	*0*

STOCK INFO	
Sector	Industrials
Market Cap ($ mn)	116
Current Shares O/S (mn shares)	100
3M Avg. Volume (K)	1,369
3M Avg. Trading Value ($ mn)	1.3
Remaining foreign room (%)	48.3
52-week range ('000 VND)	11.9-27.3

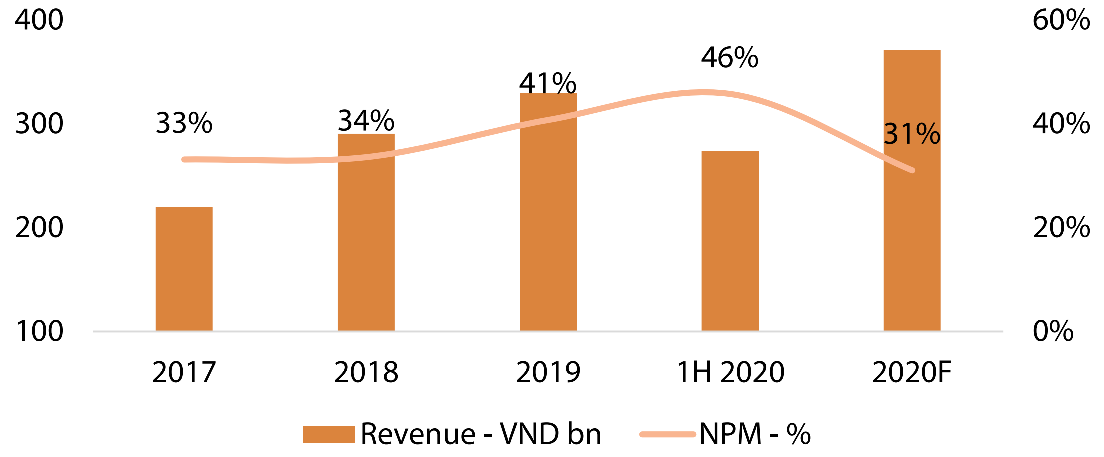
FINANCIALS	**2016A**	**2017A**	**2018A**	**2019A**
Revenue (VND bn)	**101**	**220**	**290**	**329**
Growth (%)	*N/A*	*116.7%*	*32.1%*	*13.5%*
NPATMI (VND bn)	**44**	**73**	**97**	**134**
Growth (%)	*N/A*	*65.9%*	*32.9%*	*38.1%*
ROA (%)	2.2%	3.6%	4.1%	4.7%
ROE (%)	4.0%	6.6%	8.5%	11.4%
EPS (VND)	440	730	970	1,340
Book Value (VND)	10,897	11,182	11,564	11,959
Cash dividend (VND)	-	-	-	800
P/E (x) (*)	N/A	N/A	N/A	13.2
P/B (x) (*)	N/A	N/A	N/A	1.5

(*) Share price as of Aug 7th, 2020.

SZC – Chau Duc industrial park is still main profit driver

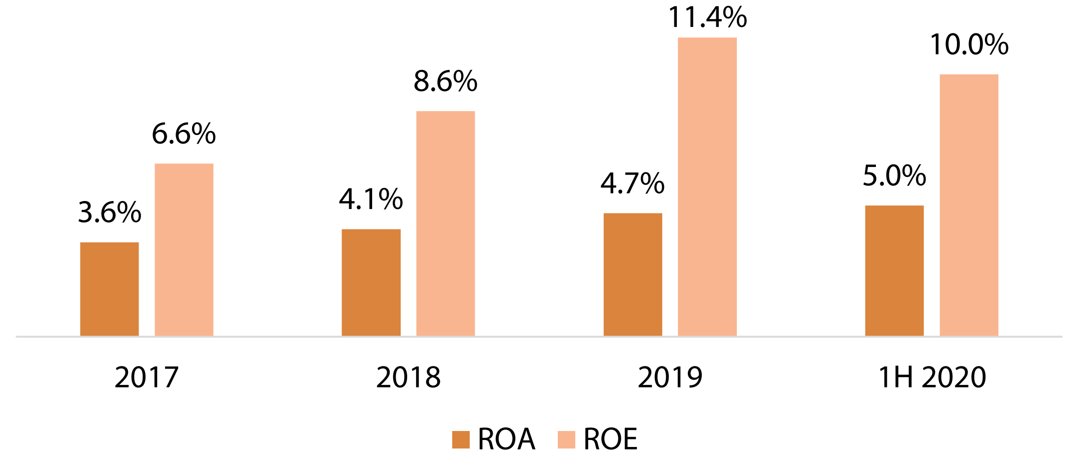
RONGVIET SECURITIES

Figure 1: Revenue (VND bn) and net profit margin (%)



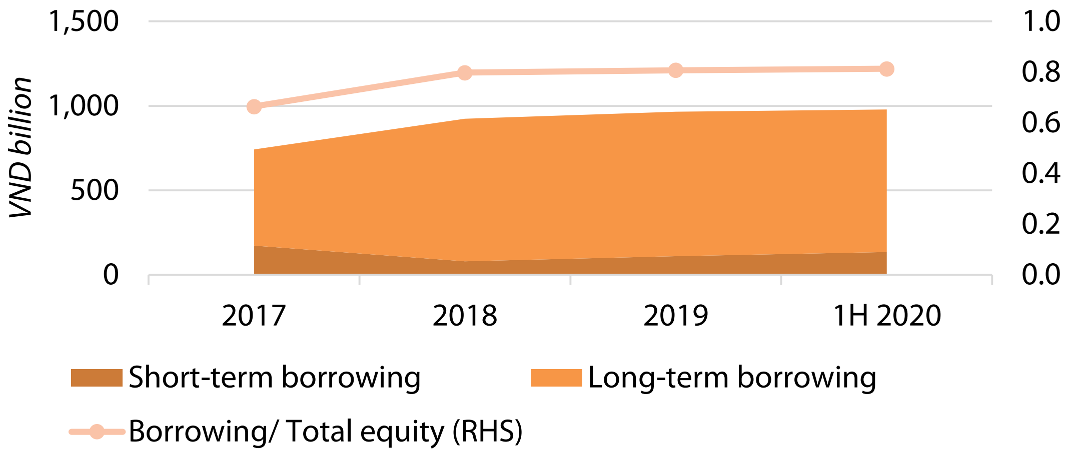
Source: SZC, RongViet Securities

Figure 2: ROA and ROE to be improved



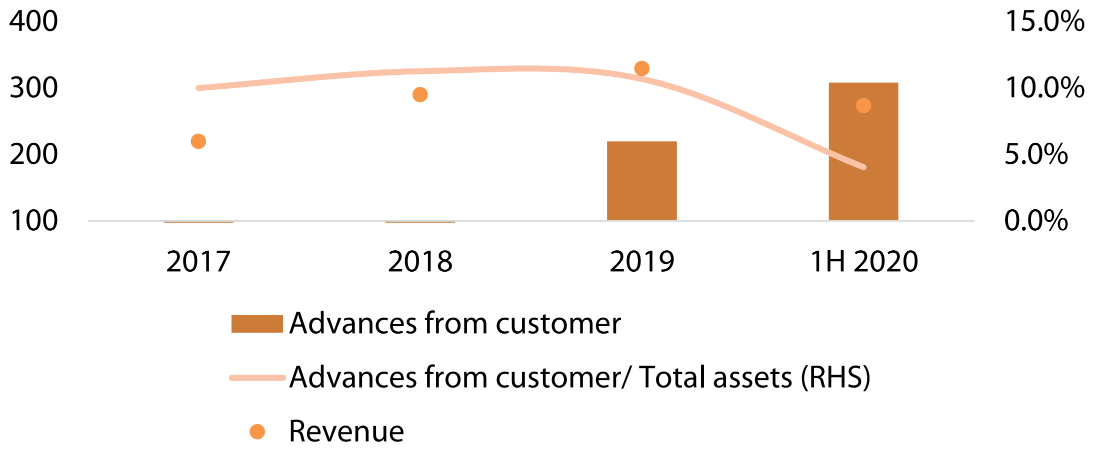
Source: SZC, RongViet Securities

Figure 3: Debt structure



Source: SZC, RongViet Securities

Figure 4: Advances from customer



Source: SZC, RongViet Securities

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