RONG VIET SECURITIES

PRELIMINARY 2H2021 OUTLOOK

RONG VIET SECURITIES

INDUSTRIAL PARK

TRYING TO EXPAND THE LAND BANK

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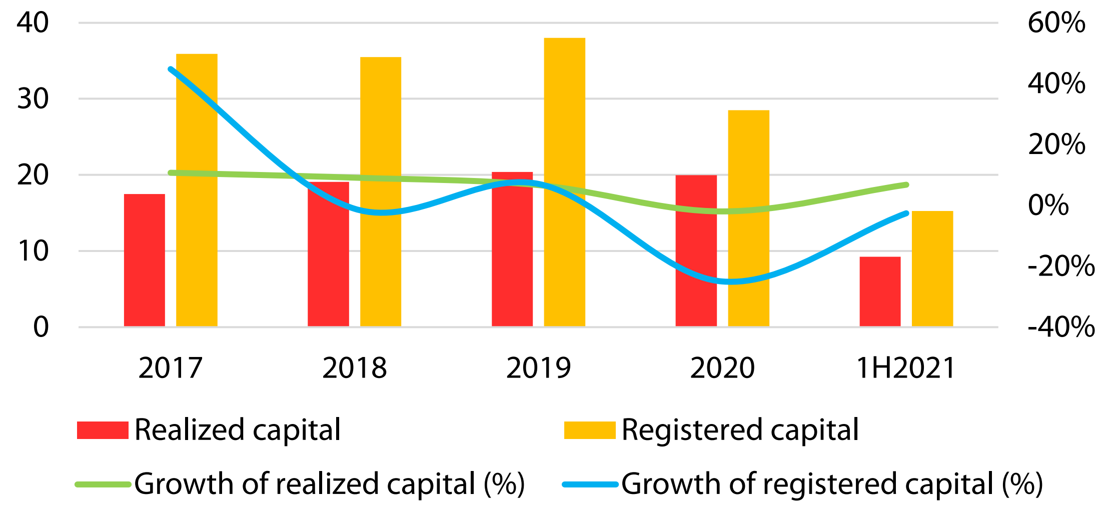
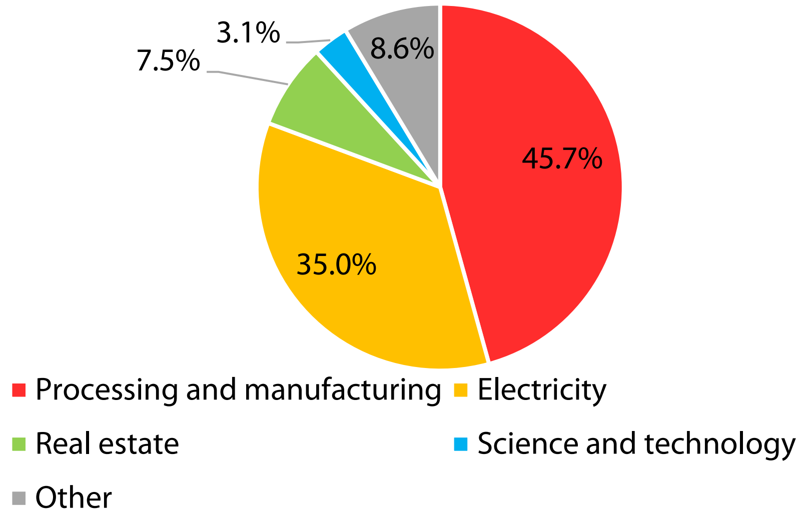
- In 1H2021, the positive economic outlook helped realized capital reach USD 9.24 billion, up by 6.8% yoy. In contrast, registered capital decreased slightly by 2.6% yoy, to USD 15.27 billion. Newly registered and adjusted capital reached USD 9.5 billion (+13% yoy - with large projects such as LNG Long An I and II thermal power plants with a capital of USD 3.1 billion and O Mon II thermal power plant with capital of over USD 1.3 billion) and USD 4.1 billion (+10% yoy – with big projects such as LG Display increasing capital by USD 750 million and Polytex Far Eastern increasing capital by USD 610 million), respectively. However, it could not offset the decrease in paid-in capital for share purchase (down by 54.3% yoy, reaching only USD 1.6 billion).
- The processing and manufacturing industry continued to attract the most investment with USD 6.98 billion (accounting for 45.7%). The second industry was electricity production and distribution with USD 5.34 billion (35%), followed by the real estate and science and technology industries.
- In terms of provinces, Long An attracted the most investment with USD 3.57 billion (accounting for 23.4%) thanks to the Long An I and II LNG thermal power plant. Ho Chi Minh city ranked second with USD 1.43 billion (9.3%), followed by Can Tho, Binh Duong and Hai Phong.

Figure 1: FDI (USD bn)



Source: MPI, Rong Viet Securities

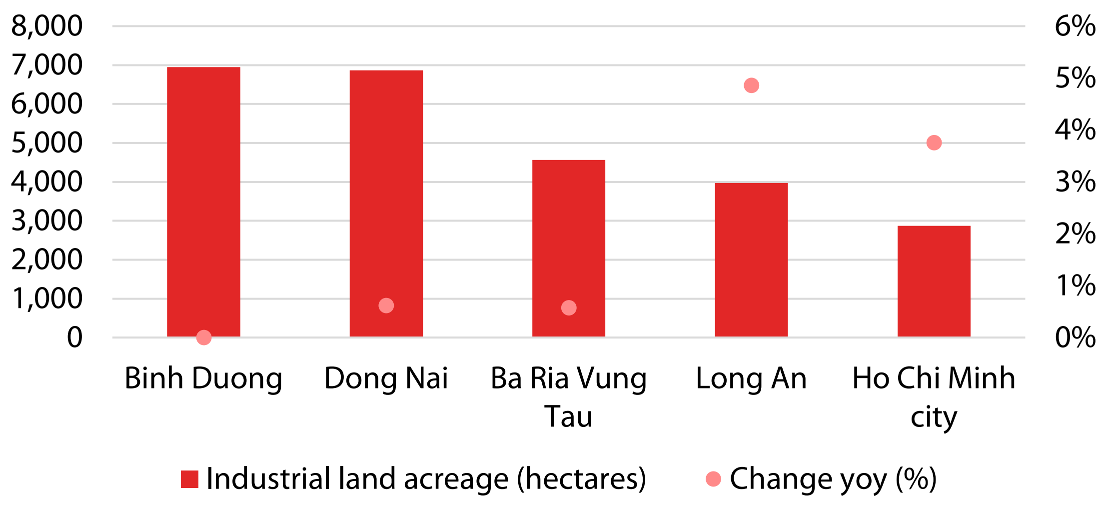
Figure 2: FDI by industry



Source: MPI, Rong Viet Securities

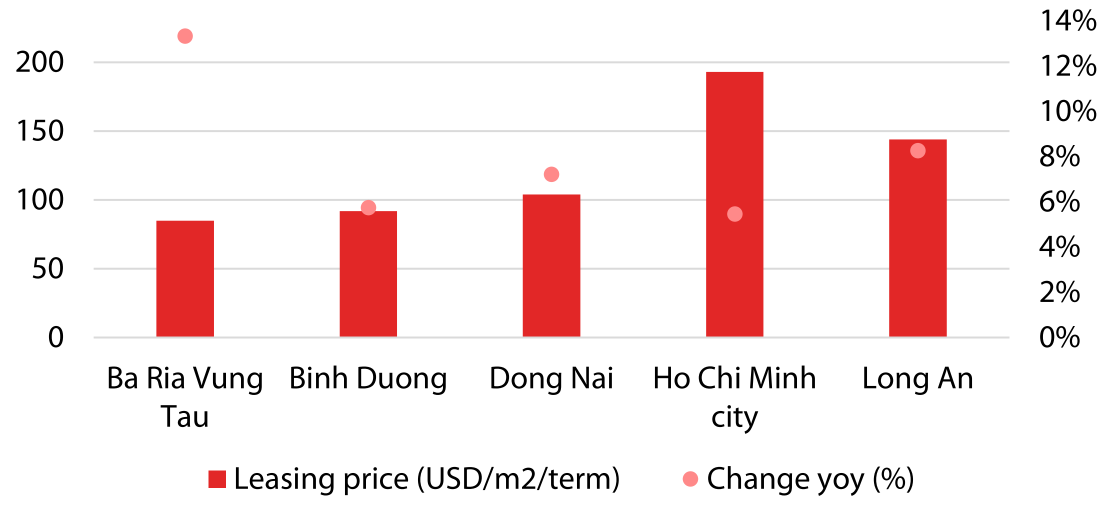
- Dong Nai and Binh Duong - the two oldest Industrial Parks in Vietnam - continued to lead the South with abundant land banks and the highest occupancy rate.
- The outbreak of Covid has slowed down the legal progress of new projects. Thus, the supply has not improved much as out of the five major industrial zones, only Long An recorded an adjustment to expand Phu An Thanh IP by 353 hectares (updated till the end of 1Q2021). Meanwhile, the demand increased, so the occupancy rate has remained high at 85%.
- The demand of new and existing investors increased while the supply was limited, so the leasing price in 2Q2021 increased by 7.1% yoy, to USD 113/m2/term. Leasing price in Vung Tau increased the most, by 13% yoy, to 85 USD/m2/term as demand for industrial land increased sharply because (1) supply in Binh Duong and Dong Nai was not plentiful and (2) the leasing price is more affordable than Long An's leasing price.

Figure 3: Industrial land supply in 2Q2021



Source: JLL, Rong Viet Securities

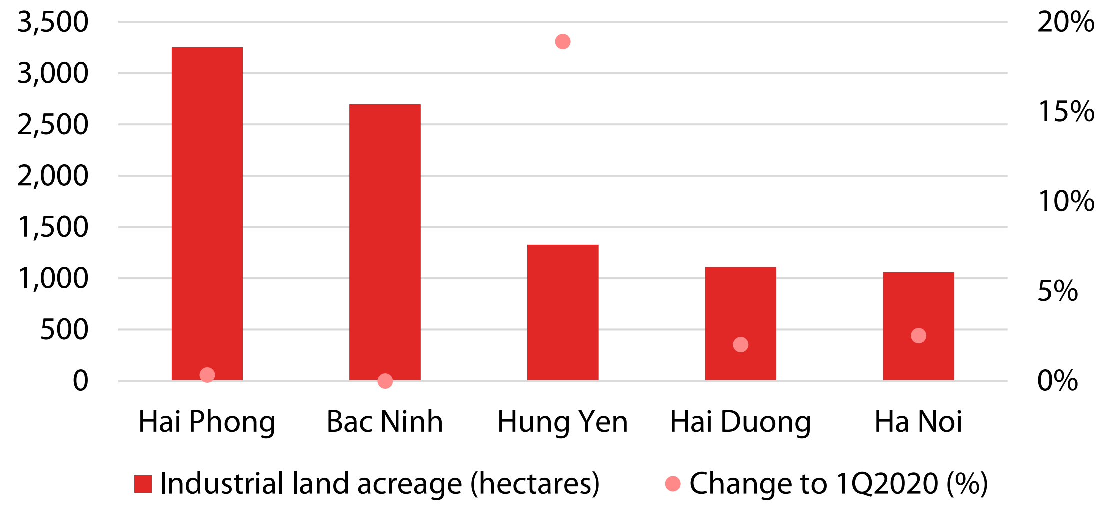
Figure 4: Leasing price in 2Q2021



Source: JLL, Rong Viet Securities

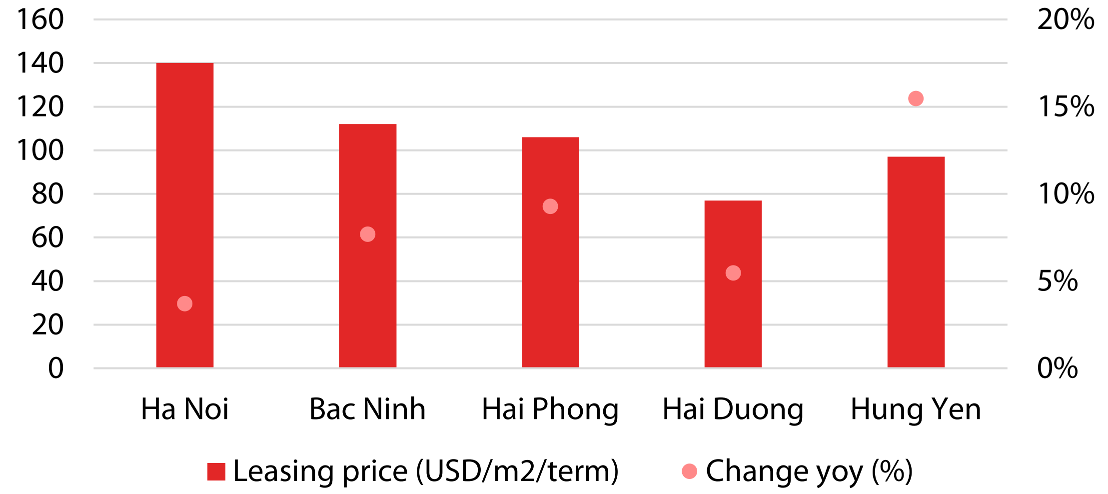
- Hai Phong and Bac Ninh are the leader in the Northern industrial zone due to the advantages of big land banks, favorable location and developed transportation infrastructure.
- Land lease contracts with large corporations such as Foxconn, Pegatron and LG Display helped the occupancy rate stay at 75%.
- IPs in Bac Ninh and Bac Giang were affected during the outbreak of Covid in 2Q2021, which partly affected leasing activities in this area. Therefore, in 2Q2021, the average leasing price of Northern IPs increased by 5.9% yoy, to 107 USD/m2/term, less than in the South.

Figure 5: Industrial land supply in 2Q2021



Source: JLL, Rong Viet Securities

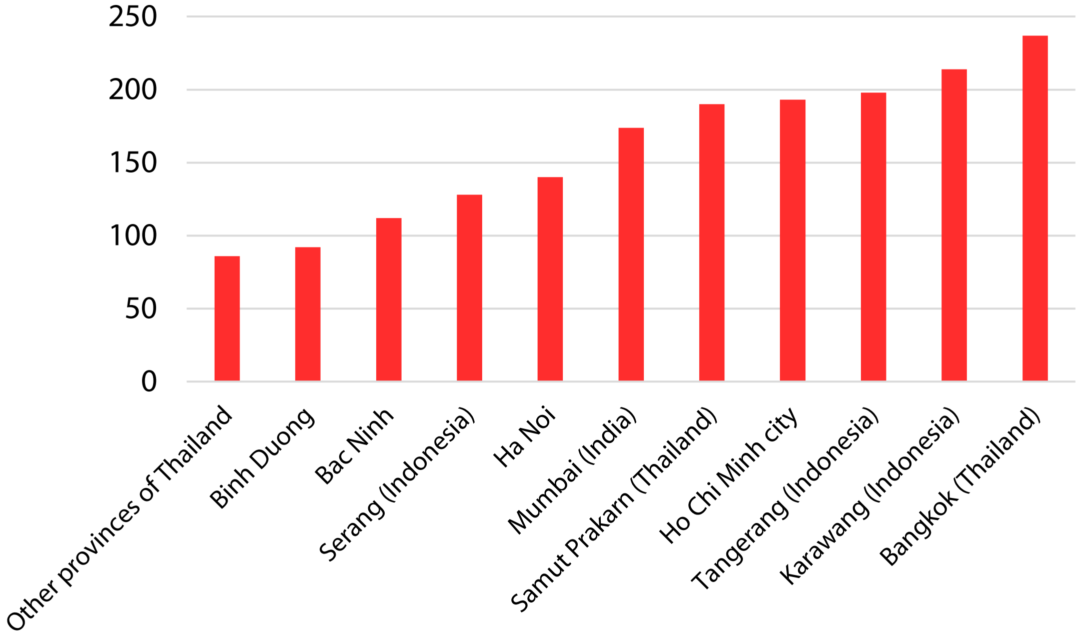
Figure 6: Leasing price in 2Q2021



Source: JLL, Rong Viet Securities

- The outbreak of Covid affected the number of potential clients. Leasing rates and leasing price growth will slow down in 2H2021.
- At the same time, the inspection and appraisal activities of the State officers will also be affected due to the pandemic. Therefore, the legal progress of future projects will slow down.

Figure 7: Leasing price in 1H2021 (USD/m2/term)

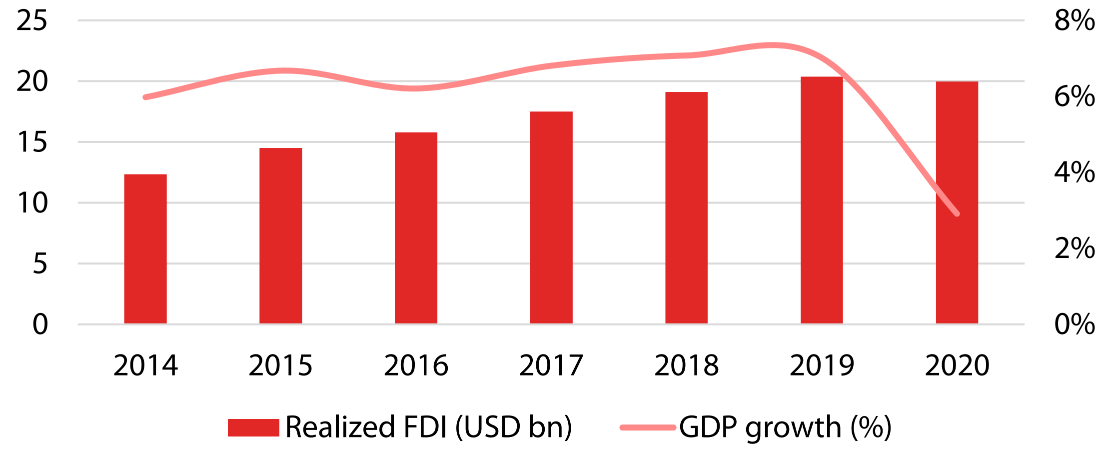


Source: Rong Viet Securities

For the long term, there are two main highlights:

- **Expanding the land bank is the optimal way** as the leasing price may not increase much in the future. The leasing price in Vietnam is getting closer to the price of other countries, reducing the Vietnamese price advantage. Therefore, the growth depending on the increase in leasing price will not be sustainable. Currently, KBC is expanding its land bank in Hai Duong, Hung Yen, Long An and Vung Tau. PHR expects to convert its rubber fields to IP projects such as Tan Binh expansion, Hoi Nghia, Binh My. Also, LHG wants to expand its supply with Long Hau expansion – phase 2, Tan Tap in Long An and An Dinh in Vinh Long.
- **Demand may shift to other provinces:** the current land bank in Bac Ninh, Binh Duong and Dong Nai has a high occupancy rate (>90%), while new projects need time to complete the legal process and infrastructure. Therefore, the demand may increase in:
  - Hai Phong and Vung Tau, as these two provinces have a large supply and competitive prices. In Hai Phong, BCM owning VSIP Hai Phong IP (507 ha, 72% occupancy rate by the end of 2020) and KBC owning Trang Due 3 IP (687 ha, expected to operate from 2023) will have growth opportunities. IDC owning Phu My 2 IP (621 ha, 77% occupancy rate), Phu My 2 expansion IP (401 ha, 34% occupancy rate) and SZC owning Chau Duc IP (1,556 ha, 40% occupancy rate) will benefit in Vung Tau.
  - Northeast provinces such as Quang Ninh and Thai Nguyen also have opportunities to attract more investment as leasing prices are competitive and the infrastructure has improved.

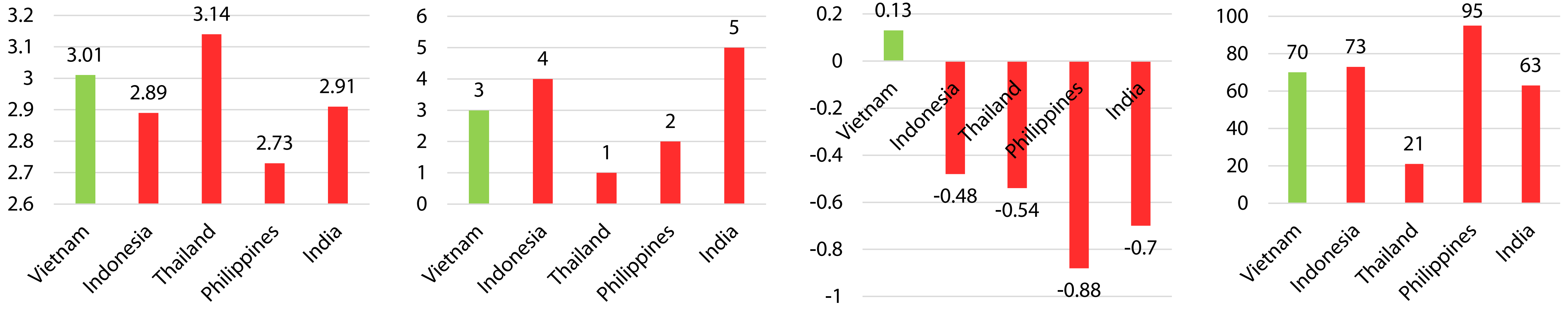
Figure 8: Realized FDI



Source: MPI, UNCTAD, Rong Viet Securities

- Vietnam FDI attraction has grown steadily thanks to (1) positive GDP growth; (2) stable political background; (3) continuous improved infrastructure; (4) transparent administrative and legal system; (5) competitive tax incentives.
- Compared to other countries, Vietnam has many strengths to attract FDI in the future as it is "slightly" better than Indonesia (having problems with ethnicity, religion and traffic), Thailand (political instability and high household debt), India (underdeveloped infrastructure and uncompetitive tax policy). The Philippines is a major competitor with good English-speaking workforce and low industrial land leasing prices.

Figure 9: Infrastructure quality (scores), workforce ranking, political stability (scores) and ease of doing business index

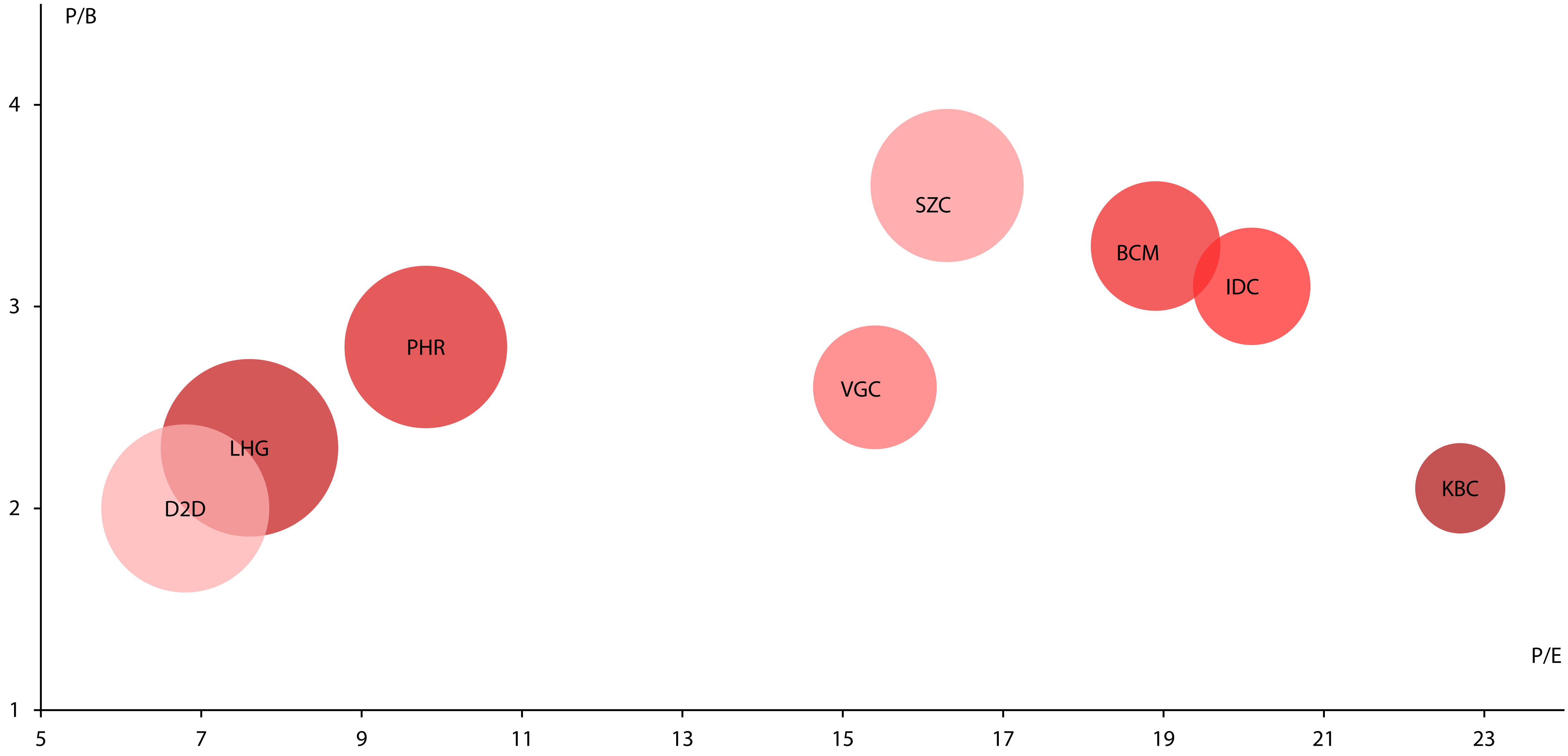


Source: World Bank, Weforum.org, The Global Economy, Rong Viet Securities

INDUSTRY COMPARABLE (TTM)

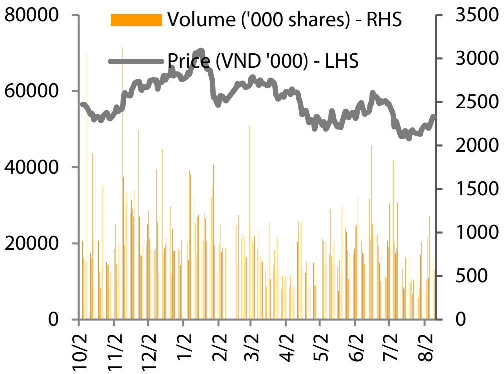
Ticker	Market cap (USD mn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
KBC	705.7	46,200	49.6	N/A	0.0	0.0	36.6	0.0	0.0	0.0	0.0	22.7	1.6
PHR	300.5	61,300	19.8	-16.3	19.6	13.5	-18.0	39.5	11.4	21.6	4.9	9.8	2.3
LHG	111.3	52,300	30.5	105.7	49.1	43.6	104.7	36.8	12.5	25.9	0.0	7.6	1.8
BCM	1,881	N/A	-17.1	10.7	29.5	26.5	17.6	34.8	4.8	13.8	1.9	18.9	2.8
VGC	596.5	N/A	-1.6	82.9	29.4	12.9	37.5	9.6	4.3	12.6	3.6	15.4	2.1
IDC	440.9	N/A	-0.5	-1.4	19.7	10.9	25.8	13.3	3.4	11.3	0.0	20.1	2.6
SZC	176.5	N/A	13.1	-13.5	62.9	51.4	18.1	44.5	5.4	19.3	2.5	16.3	3.1
D2D	67.1	N/A	-48.5	-43.4	60.8	56.3	-50.7	55.9	11.4	23.2	3.9	6.8	1.5

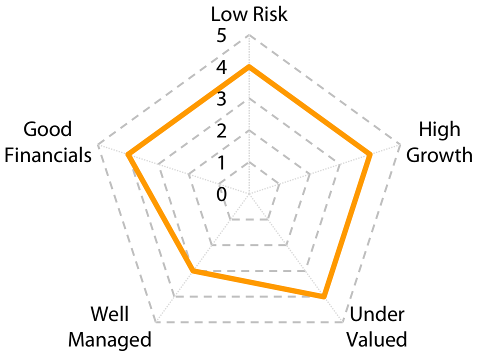
Source: Bloomberg, RongViet Securities. Share price as of 2 Aug 2021



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 2 Aug 2021.

<BUY: 20%> **<MP: 51,000>** **<TP: 61,300>**





STOCK INFO

Sector	Basic Materials
Market Cap ($ mn)	300.5
Current Shares O/S (mn shares)	135.5
3M Avg. Volume (K)	811
3M Avg. Trading Value (VND Bn)	43.4
Remaining foreign room (%)	37.7
52-week range (‘000 VND)	47.5-70.5

FINANCIALS	2020A	2021F	2022F
Revenue	1,632	1,896	2,923
NPATMI	1,082	234	1,320
ROA (%)	16.5	3.4	16.9
ROE (%)	33.8	7.4	36.5
EPS (VND)	6,523	1,413	7,959
Book Value (VND)	24,096	23,953	27,244
Cash dividend (VND)	2,500	1,500	4,500
P/E (x) (*)	4.3	36.1	6.4
P/B (x) (*)	1.3	2.1	1.9

INVESTMENT RATIONALES

The land compensation will improve results and dividend in 2022

- PHR will hand over 691 ha to VSIP to develop the VSIP 3 IP. So far, VSIP has adjusted its plan and submitted it to the Government for the third time. However, due to the Covid-19 resurgence, the appraisal of the Government may be slower than expected, so we suppose that the legal process of VSIP 3 will be completed in 2022. Once PHR receive and book the land compensation money from VSIP, the NPAT will reach USD 57.4 mn (+463% YoY) in 2022 and the cash dividend will be at least USD 0.196/share. In the case PHR cannot book the land compensation money from VSIP (accounting for 80% of the planned parent company's PBT), we expect that the cash dividend will be USD 0.043-0.065/share instead of USD 0.174/share as the company expects.

Tan Lap 1 and Tan Binh expansion IPs will improve the income in the upcoming years

- The company submitted the Tan Lap 1 IP plan to the People’s Committee of Binh Duong and expects to complete the project's legal in late 2021 or early 2022. We expect Tan Lap IP to start leasing from 2022 with an average of 35 hectare/year. In addition, the Tan Binh expansion IP’s legal is processed and it is expected to be put into use from 2024 with 40-50 hectare leased per year. Accordingly, new IPs will increase revenue and gross profit in the 2021-2025 period by 30%/year and 68%/year.

Higher demand for tires and rubber gloves help the rubber segment recover

- The recovery of the automotive industry and higher demand for rubber gloves increase the demand for rubber. Supply decline in China (due to natural effects) and Thailand (disease reduces the yield) led to the increase in rubber prices. We expect that prices can remain high in the coming years as the demand from countries that can control Covid improve while Thailand’s supply is still not plentiful.

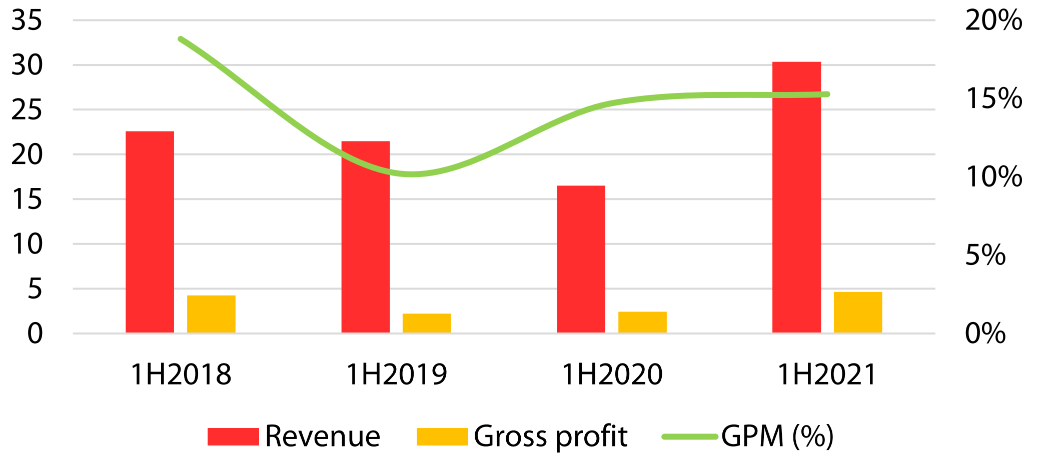
RISKS TO OUR CALL

- The legal procedures of IP projects are slower than expected, slowing down the growth of income. Or demand for renting industrial land is lower than expected, leading to a lower leased rate.

PHR could not book the compensation money as VSIP 3 IP’s legal has not been completed

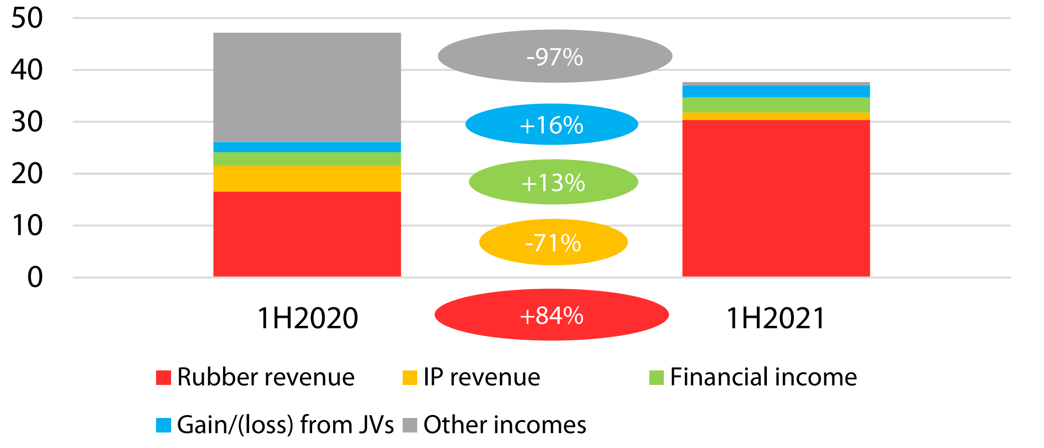
- In 1H2021, revenue was USD 31.8 mn, up by 48% YoY thanks to the recovery of the rubber segment. Meanwhile, NPAT decrease by 70% YoY, to USD 7 mn due to no land compensation money.
- The rubber segment recorded strong growth as revenue reached USD 30.3 mn, up by 84% YoY. The growth-driven were the increases in sales volume and selling price. The automotive industry's rebound in the US and China increase rubber demand (sale volume was 13,458 tons, up by 36% YoY). The demand was higher while supply decreased in China and Thailand, helping PHR's selling price increase by 36% YoY, reaching USD 1,900/ton.
- In contrast, the revenue of the IP segment decreased by 71% YoY, to USD 1.4 mn as the company could lease any industrial land in 1H2021.
- The gross profit dropped from 29% to 18% due to the decrease of the IP segment (having a higher GPM). Gross profit reached USD 5.6 mn, decreasing by 12% YoY.
- Selling expenses and G&A expenses increased by 13% YoY (to USD 0.5 mn) and 23% YoY (to USD 1.7 mn), respectively due to a rising of labor costs.
- The legal of the VSIP 3 IP is still waiting to be completed. Thus, PHR could not book any land compensation money in 1H2021. As a result, other incomes plummeted by 97% YoY, to USD 0.6 mn. Meanwhile, in 1H2020, the company booked the land compensation money of USD 19.8 mn from Nam Tan Uyen.

Figure 1: Results of the rubber segment (USD mn)



Source: PHR, Rong Viet Securities

Figure 2: Income sources (USD mn)



Source: PHR, Rong Viet Securities

Table 1: IP projects

	PHR's benefits (%)	Total area (hectare)	Commercial area (hectare)	Status	Implementary year
Nam Tan Uyen 3	32.9	346	259	Waiting for receiving land from the province and will start leasing from 2022	2021
VSIP 3	20	1,000	650	Submitted the investment plan to the Government	2022
Tan Lap 1	51	200	140	Submitted the investment plan to the People's Committee of Binh Duong	2022
Tan Binh expansion	80	1,055	739	Being a part of the district's 2021-2025 planning	2024
Tan Lap 2	51	180	126	Being a part of the district's 2021-2025 planning	2024-2025
Hoi Nghia	100	715	429	Being a part of the district's 2021-2025 planning	After 2025
Binh My	100	1,002	601	Being a part of the district's 2021-2025 planning	After 2025

Source: PHR, Rong Viet Securities

No land compensation money (from VSIP) will decrease results in 2021

- It is expected that revenue in 2021 will reach USD 82.4 mn (+16% YoY) as the rubber segment will continue to perform well in 2H2021. However, due to the bad performance of the IP segment, gross profit will drop by 32% YoY, to USD 11.4 mn.
- VSIP has adjusted the plan of VSIP 3 IP to solve some issues and it is waiting for the Government's approval. However, the Covid-19 re-outbreak and there are new leaders in the People's Committee of Binh Duong, so the process of appraising the application for the VSIP 3 project may be slowed down. It may be only completed in 2022, so that the land compensation money will not be booked in 2H2021. Accordingly, NPAT will reach only USD 10.2 mn (-78% YoY).

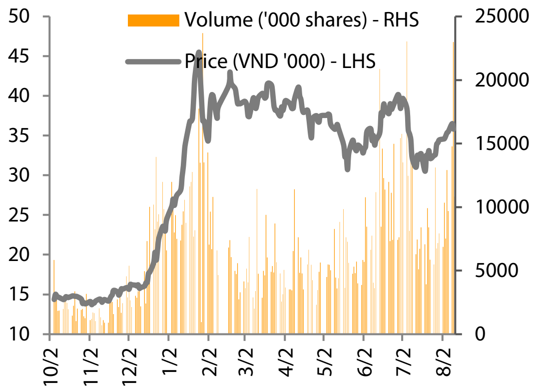
In 2022, results will grow thanks to the IP segment

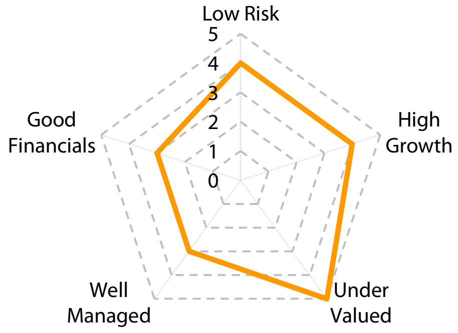
- Besides the rubber segment (sales volume and selling price are expected to remain high) and Tan Binh IP, PHR's incomes will be improved when Tan Lap 1 IP is put into use. It is expected that Tan Lap 1 IP will be leased 35 ha with the leasing price of USD 109/m2/term. Also, the legal of VSIP 3 IP is expected to be completed in 2022, helping PHR book the compensation money of USD 39 mn.
- Hence, revenue and NPAT will reach USD 127.1 mn (+54% YoY) and USD 57.4 mn (+463% YoY), respectively.
- In addition, PHR will continue to process the legal document of other IP projects such as Tan Binh expansion, Tan Lap 2, Hoi Nghia and Binh My.

HUGE LAND BANK READY FOR THE FUTURE

HSX: KBC

<BUY: 34%> <MP: 34,550> <TP: 46,200>





STOCK INFO

Sector	Financials
Market Cap ($ mn)	705.7
Current Shares O/S (mn shares)	470
3M Avg. Volume (K)	8,741
3M Avg. Trading Value (VND Bn)	311
Remaining foreign room (%)	29.5
52-week range ('000 VND)	12.4-45.5

FINANCIALS

FINANCIALS	2020A	2021F	2022F
Revenue	2,151	5,256	10,617
NPATMI	224	1,020	4,915
ROA (%)	0.9	4.2	17.2
ROE (%)	2.3	10.2	36.3
EPS (VND)	471	2,171	10,462
Book Value (VND)	20,650	21,321	28,783
Cash dividend (VND)	0	1,500	2,000
P/E (x) (*)	28.1	15.9	3.3
P/B (x) (*)	0.6	1.6	1.2

INVESTMENT RATIONALES

Industrial parks are located in favorable locations to help take advantage of the coming FDI

- In early 2021, Nam Son Hap Linh IP was officially put into use, helping to increase KBC's available commercial land to 324 hectares (updated till the end of 1Q2021). Also, land supply will increase sharply, reaching 780 hectares once Trang Due 3 IP is put into operation (expected in 2022). Thereby, that will ensure that the land bank is large enough to lease in the next five years.
- The leasing price will increase year over year thanks to (1) IPs located in hot spots that attract a lot of FDI such as Bac Ninh, Bac Giang, Hai Phong and Ho Chi Minh City. That will ensure the demand for industrial land remains stable. (2) Multiple customers base with huge international technology companies such as Samsung (in Que Vo IP), LG (in Trang Due IP), Foxconn (in Quang Chau IP) and Oppo (in Nam Son Hap Linh IP). This is a proof of KBC's product quality and also it helps to attract satellite companies.

The urban area will "explode" with the Trang Cat project

- Trang Cat urban area (584.9 ha) has completed land clearance of 582 ha. Currently, the company has paid all amount for land use fees, so the People's Committee of Hai Phong has handed the land to KBC. The implementation of infrastructure is planned to begin from the end of this year and will open for sale in 2022. Currently, Kinh Bac is negotiating to sell 60 hectares to a real estate developing company. Therefore, we expect KBC to book around USD 276.4 mn from this, contributing 60% to the revenue of 2022. Thereby, the forecasted revenue in 2022 will reach USD 461.6 mn, up by 102% yoy.

RISKS TO OUR CALL

- Delay of the legal completion of Trang Cat UA and Trang Due 3 IP may slow down the handover progress and booked revenue.

Table 1: Results of leasing industrial land

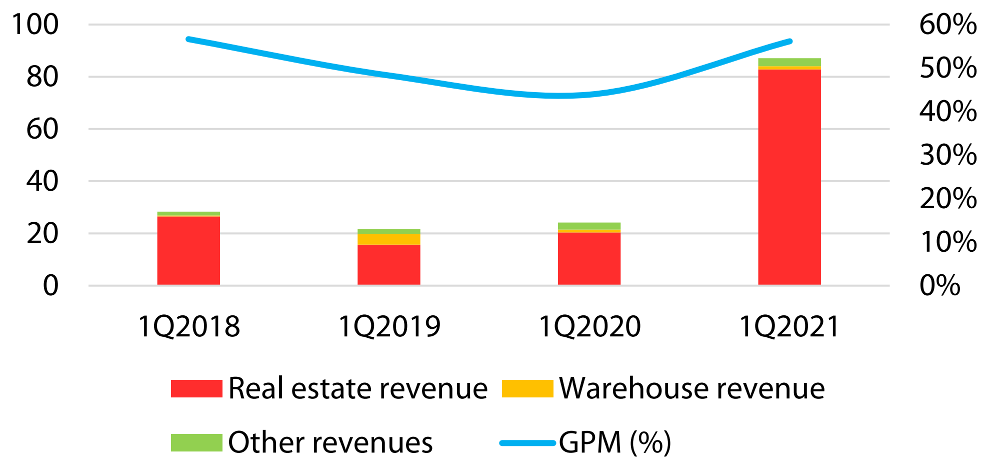
	Leased area (hectares)	Leasing price (USD/m2/term)	Change to 2020 (%)
Quang Chau IP	32.9	100	+25
Tan Phu Trung IP	21.9	130	+2
Nam Son Hap Linh IP	10.4	130	
Total	65.2 (+350% yoy)		

Source: KBC, Rong Viet Securities

Net revenue reached USD 87 mn (+260% yoy) and NPAT post-MI was USD 26 mn (+1.013% yoy) thanks to a sharp increase in the leased IP area.

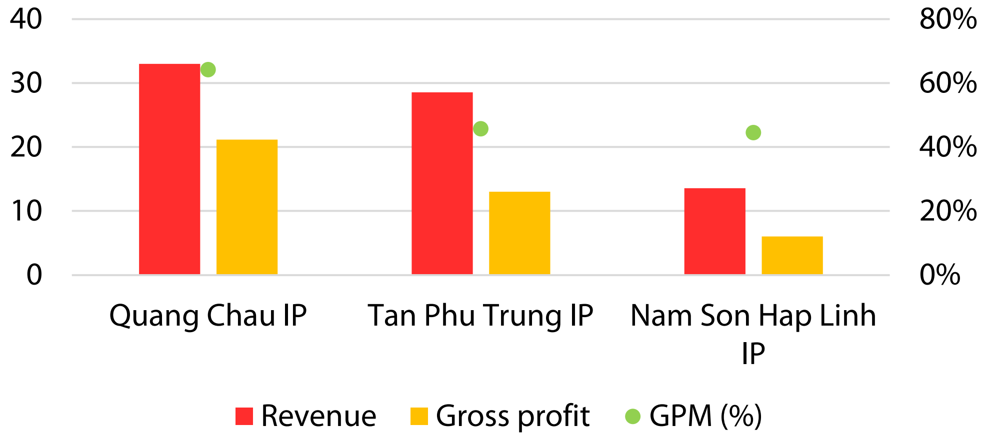
- The result of leasing industrial land was very positive as the leased area increased by 350% yoy, to 65.2 hectares and the leasing price also increased. Besides, KBC recorded the revenue of handing over 1.3 hectares of land in Trang Due UA with an average price of USD 478/m2. Thereby, real estate revenue increased by 307% yoy, to USD 82.8 mn.
- GPM increased from 44% to 56% because in 1Q2020, most of the real estate revenue came from Tan Phu Trung IP (having lower GPM than Quang Chau IP's GPM).
- Interest expenses increased by 101% yoy, to USD 3.7 mn as long-term debt rose to finance for land use fee in Trang Cat UA. High brokerage and consulting costs increased selling expenses by 754% yoy, to USD 4.7 mn.

Figure 1: Revenue sources (USD mn)



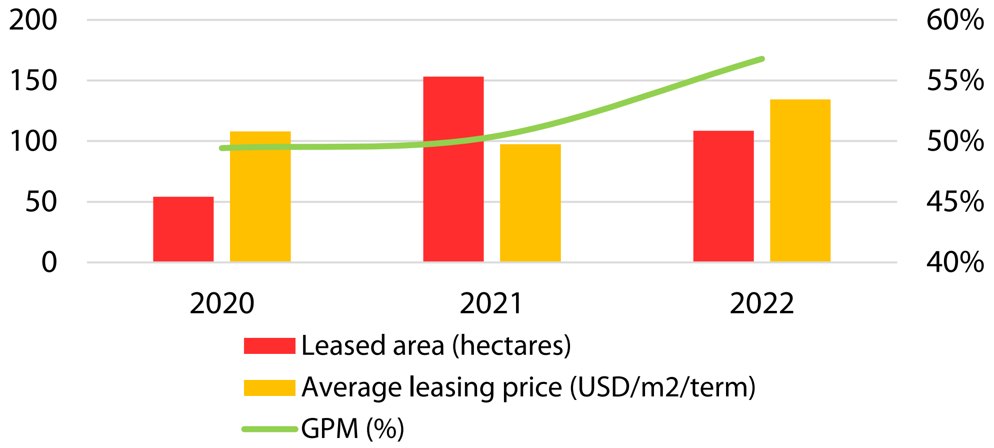
Source: KBC, Rong Viet Securities

Figure 2: Results of IP projects (USD mn)



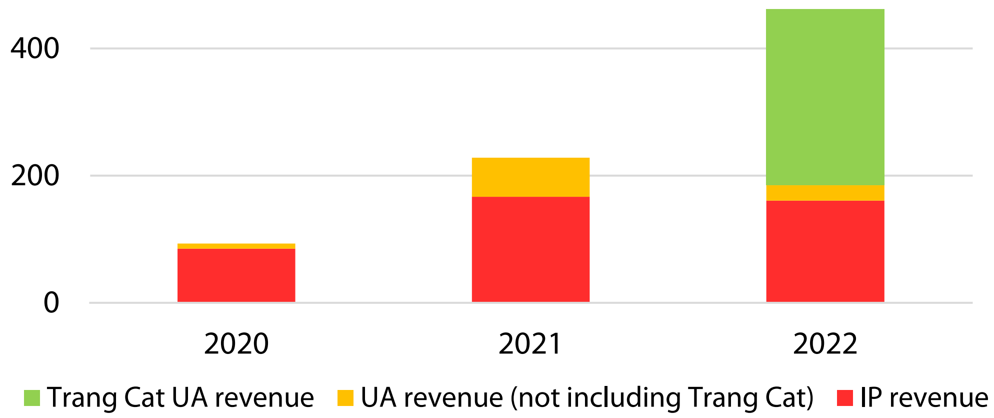
Source: KBC, Rong Viet Securities

Figure 3: Forecasted results of IP segment



Source: Rong Viet Securities

Figure 4: Revenue sources (USD mn)



Source: Rong Viet securities

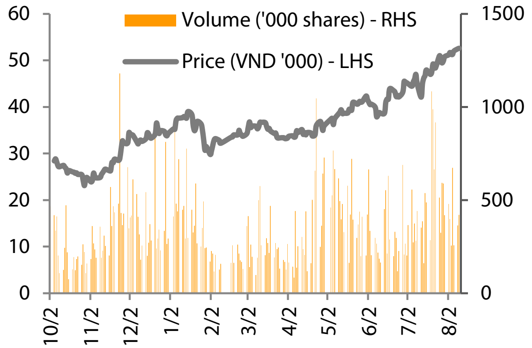
2H2021 books a large income from Nam Son Hap Linh IP and Phuc Ninh UA

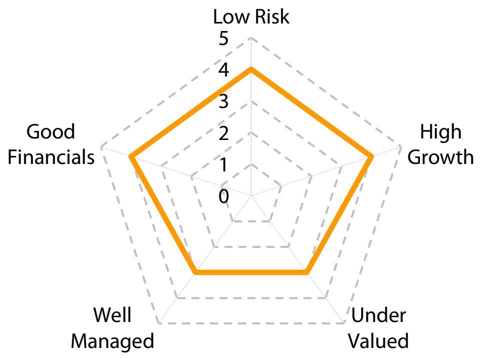
- KBC may book the revenue of leasing 63 hectares in Nam Son Hap Linh IP to Oppo with the leasing price of 70 USD/m2/term. Thus, the total leased industrial land in 2021 will reach 153 hectares, an increase of 183% yoy, including 88 hectares in Nam Son Hap Linh IP, 40 hectares in Quang Chau IP (+77% yoy) and 25 hectares in Tan Phu Trung IP (-20% yoy). In addition, the leasing price in Quang Chau and Tan Phu Trung Industrial Parks will reach 100 USD/m2/term (+25% yoy) and 130 USD/m2/term (+2% yoy), respectively. Besides, KBC will also book the revenue of handing over 7.33 hectares of land in Phuc Ninh UA.
- Revenue and NPAT post-MI in 2021 will grow by 144% yoy (to USD 228.5 mn) and 355% yoy (to USD 44.3 mn), respectively.

In 2022, income will be booked from selling part of Trang Cat UA

- Beside existing projects such as (1) Quang Chau IP (expected to lease the remaining 8 hectares of commercial area), Nam Son Hap Linh IP (40 hectares), Tan Phu Trung IP (40 hectares) and (2) Trang Due UA (handover 3 hectares) and Phuc Ninh (1 hectare), the revenue will improve with new projects such as Trang Due 3 IP (leasing 20 hectares with 122 USD/m2/term) and Trang Cat UA (wholesaling 60 hectares and booking the revenue of USD 276.4 mn, equivalent to 60% of total revenue).
- Revenue and NPAT post-MI in 2022 will reach USD 461.6 mn (+102% yoy) and USD 213.7 mn (+382% yoy), respectively.

<NEUTRAL: 2.1%> <MP: 51,200> <TP: 52,300>





STOCK INFO

Sector	Industrials
Market Cap ($ mn)	111.3
Current Shares O/S (mn shares)	50
3M Avg. Volume (K)	426
3M Avg. Trading Value (VND Bn)	18.4
Remaining foreign room (%)	39.5
52-week range ('000 VND)	18.4-51

FINANCIALS

FINANCIALS	2020A	2021F	2022F
Revenue	644	823	859
NPATMI	191	277	307
ROA (%)	7.3	9.4	9.8
ROE (%)	14.8	19.7	19.9
EPS (VND)	3,810	5,544	6,142
Book Value (VND)	25,673	28,158	30,801
Cash dividend (VND)	1,900	1,900	2,200
P/E (x) (*)	3.9	9.2	8.3
P/B (x) (*)	0.6	1.8	1.7

INVESTMENT RATIONALES

Convenient location helps leasing prices increase

- Long Hau 3 IP is located 25 km from Ho Chi Minh City, 25 km from Cat Lai and 3 km from Tan Cang - Hiep Phuoc port. In the future, besides the QL1, the DT 827E once it is completed will be an alternative way to connect Ho Chi Minh City and Long An, making the transportation of goods more convenient. Long An has attracted more and more FDI as the total FDI has increased by 17% per year in the 2017-2020 period. The increasing production investment helps the leasing price in Long Hau 3 IP reached 200 USD/m2/term in 1H2021 (+25% yoy).

The warehouse segment grows steadily as demand moves higher

- Renting ready-built warehouses/factories helps companies save time and costs, especially helping to reduce the production interruptions when moving factories from other countries to Vietnam. High demand helped the segment's gross profit grow by 21%/year in the 2017-2020 period. In the future, LHG will increase the supply when building ~57,000m2 of warehouses, bringing the total supply to about 159,000m2 in 2023 (up by 55% compared to the supply at the end of 2020).

The compensation fee related to Long Hau 1 resettlement site has not been finalized

- Tan Thuan Company required LHG to pay an amount of USD 14.3 mn (LHG paid USD 3.2 mn already), this amount was included in our valuation model as potential debt. The State officers are still investigating and have not come to a conclusion.

RISKS TO OUR CALL

- The delay in compensation for the remaining land of Long Hau 3 - Phase 1 IP will reduce the absorption rate in the context of increasing demand.
- In case LHG has to pay the compensation fee to Tan Thuan, it may cause the share price to drop in the short term.

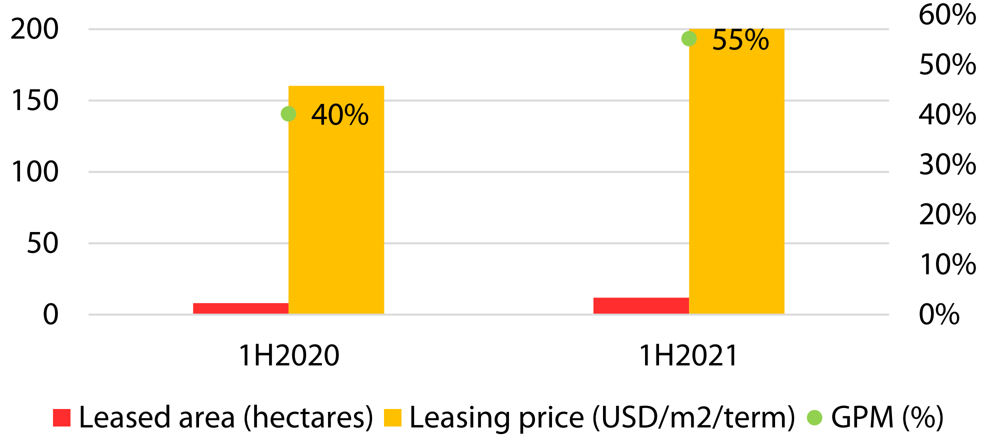
1H2021 STRONG GROWTH THANKS TO THE IP SEGMENT

Positive results thanks to increased leased area and leasing price

Revenue increased by 72% yoy, to USD 29 mn and PAT increased by 126% yoy, to USD 10.9 mn thanks to a sharp increase in leased area and leasing price.

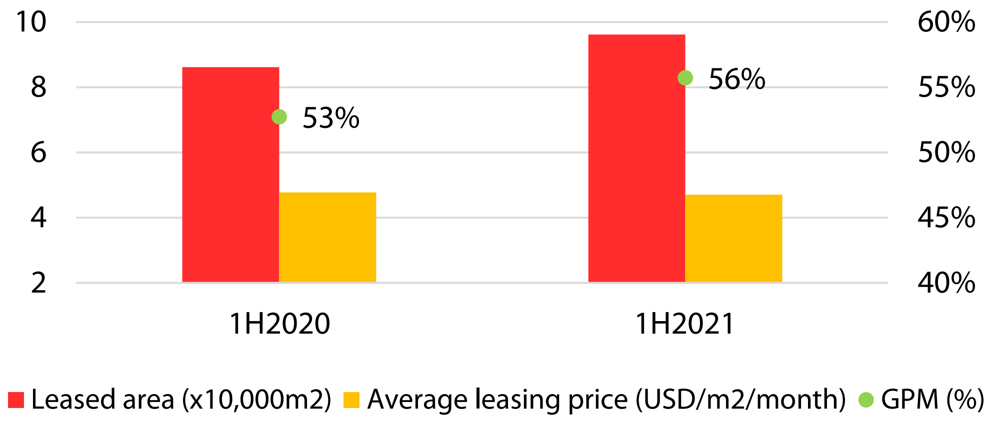
- In 1H2021, the company leased 12 hectares (+49% yoy), of which the majority (11 hectares) was leased to Logos – a company operating in logistics. The leasing price was 200 USD/m2/term (+25% yoy) thanks to the favorable location of Long Hau 3 - Phase1 IP and the limited supply in Long An province. Revenue of IP segment reached USD 23.7 mn (+73% yoy)
- Revenue of warehouse segment and IP services segment increased by 11% yoy (reaching USD 2.8 mn as LHG leased an additional 6,000m2 of Long An high-rise warehouse) and 22% yoy (reaching USD 2.3 mn), respectively.
- The increase in leasing prices helped improve GPM from 42% to 54%. Gross profit reached USD 15.6 mn, up by 120% yoy.
- The increase in the bonus for management staff caused the G&A expenses to increase by 29% yoy, to USD 1.7 mn. Selling expenses increased by 19% yoy, to USD 0.4 mn.
- Good control of expenses helps expenses increased less than gross profit. Therefore, PAT reached USD 10.9 mn, up by 126% yoy.

Figure 1: Results of the IP segment



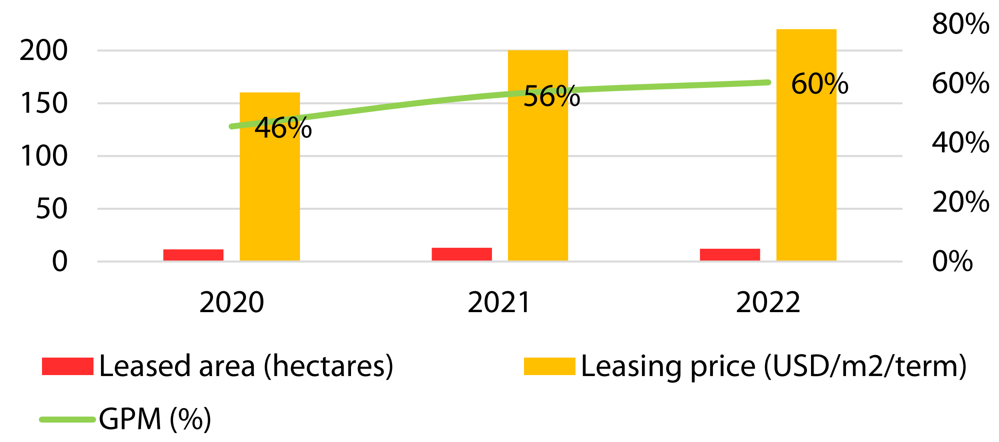
Source: LHG, Rong Viet Securities

Figure 2: Results of the warehouse segment



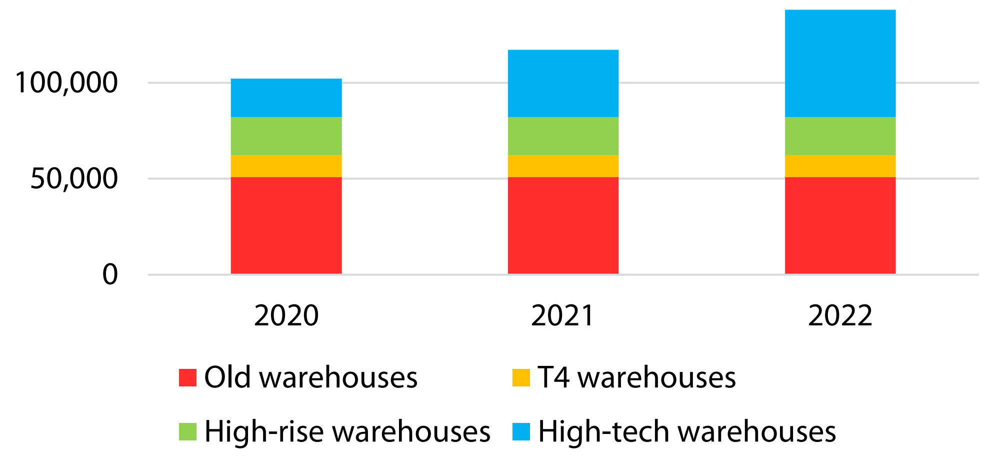
Source: LHG, Rong Viet Securities

Figure 3: Forecasted results of IP segment



Source: Rong Viet Securities

Figure 4: Warehouses supply (m2)



Source: Rong Viet securities

2H2021 - LHG will not lease too much industrial land due to its limited land bank and the impact of Covid-19

- Due to limited land bank and 12 ha already leased in 1H2021, LHG will not accelerate its industrial land leasing in 2H2021. It is expected that the leased area of 2021 will be only 13 hectares and the average leasing price will be 200 USD/m2/term (+25% yoy). Thereby, revenue and gross profit of the IP segment will increase by 39% yoy (to USD 26.1 mn) and 68% yoy (to USD 14.7 mn).
- The Covid-19 pandemic will negatively affect the demand for warehouses, so it is expected that the total warehouse area leased by the end of this year will only reach 98,180m2, an increase of 8,000m2 compared to 2020, of which 6,000m2 has added in 1H2021. Revenue and gross profit of the warehouse segment will reach USD 5.4 mn (+4.1% yoy) and USD 2.9 mn (+ 5.5% yoy).

2022 results are driven by leasing prices and increased warehouse supply

It is expected that revenue and PAT will reach USD 37.3 mn (+4.4% yoy) and USD 13.3 mn (+11% yoy), respectively. The growth drivers are an increase of 10% yoy in leasing price (to $220/m2/term) and the total warehouse area for lease reached 123,430m2 (+26% yoy). In contrast, the industrial land leased will be only 12 ha (down by 1 ha yoy) as LHG does not want to lease too much land, so it can ensure a enough supply of land until 2025.

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