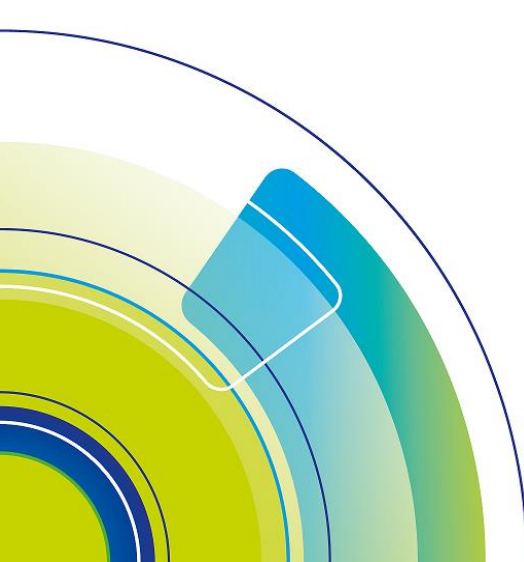




BCM Initiation report - OUTPERFORM

October 4, 2023



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Company Coverage

Recommendation **OUTPERFORM**

HSX: BCM

Property

Target price (VND) **78,813**

Market price (VND) **68,500**

Expected share price return 15.1%

Expected dividend yield 1.3%

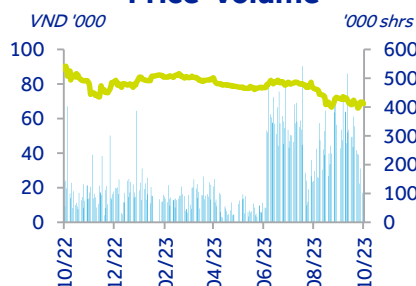
Expected total return **16.4%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-15.0	-3.9	-12.4	-22.8
Relative	-27.5	1.6	-16.1	-26.6

Source: Bloomberg

Price-Volume



Ownership

The People's Committee of Binh Duong province 95.4%

Stock Statistics 3-Oct-23

Bloomberg code **BCM VN**

52-week range (VND) 64,000 - 91,500

Shares O/S (m) 1,035

Mkt cap (VND bn) 70,898

Mkt cap (USD m) 2,888

Est. Foreign room left (%) 46.7

Est. free float (%) 3.3

3m avg daily vol (shrs) 273,447

VND/USD 24,550

Index: VNIndex / HNX 1118.10/226.68

INVESTMENT AND INDUSTRIAL DEVELOPMENT – CORPORATION (BCM VN)

The biggest property developer in Binh Duong

Becamex IDC has remaining industrial NLA of 942ha and residential NSA of nearly 1,000ha in Binh Duong province. It is the biggest industrial property developer in Binh Duong with over 30% provincial market share and the third biggest developer in Vietnam with 3.6% national market share. If adding its associates which established 18 industrial parks (IPs) covering a total area of over 11,400ha, BCM will be the biggest IP developer in Vietnam with 12.4% national market share.

Growth rate of newly registered FDI in Binh Duong shows signs of slowing down in recent years, but future outlook remains stable

Newly registered FDI in Binh Duong shows signs of slowing down after the peak in 2015. However, in the long-term, we think the industrial property segment still has resilient and sustainable outlook thanks to China+1 trend and FTAs signed with strategic partners in recent years. Given limited industrial land bank and stable demand from foreign corporations, we expect a slight increase in average leasing rates and stable occupancy rates in the coming years.

The transfer of 18.9ha to CapitaLand will support 2023 business result

The 1H2023 was unpleasant given difficulties in the residential property market, but we expect a double digit growth for the whole year with estimated revenue of VND9,068bn (+39% YoY) and PAT at VND2,187bn (+28% YoY). This forecast is based on the transferring of 18.9ha of residential area in Binh Duong New City (BDNC) to CapitaLand with a contracted value of USD242mn and estimated gross profit of around VND2,400bn. We expect that the company will continue to sell land lots in BDNC to sub-developers and net profit will sustain with CAGR of 8% in 2023-2025 period.

Rating and valuation

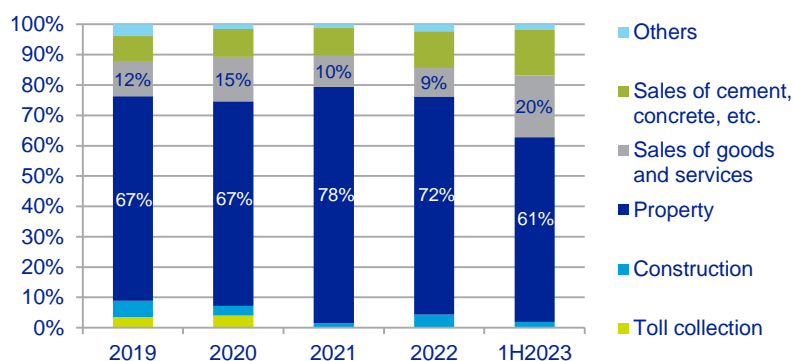
We give an OUTPERFORM rating for BCM with a reasonable price of VND78,813/share, using the RNAV method. This price is 15.1% above the market price and equivalent to 2023 P/E of 40.3x and P/B of 4.3x.

	2020	2021	2022	2023E	2024F
Net Sales (VNDbn)	6,505	6,982	6,506	9,068	7,590
Growth	-20.8%	7.3%	-6.8%	39.4%	-16.3%
EBITDA (VNDbn)	3,274	3,209	2,769	3,610	3,616
Growth	0.7%	-2.0%	-13.7%	30.4%	0.2%
PATMI (VNDbn)	1,986	1,451	1,686	2,157	2,277
Growth	-20.2%	-26.9%	16.2%	28.0%	5.5%
EPS (bonus-adjusted, VND)	1,854	1,270	1,502	1,954	2,069
Growth	-19.6%	-31.5%	18.2%	30.1%	5.9%
ROE	13.0%	9.0%	10.2%	12.3%	12.2%
ROIC	8.9%	8.3%	7.4%	9.0%	8.4%
Net debt/EBITDA (times)	4.0	4.2	5.2	4.1	4.4
EV/EBITDA (times)	26.3	26.8	31.1	23.9	23.8
PER (times)	36.9	53.9	45.6	35.0	33.1
PBR (times)	4.1	4.1	4.0	3.7	3.5
DPS (VND)	800	700	800	900	900
Dividend yield	1.2%	1.0%	1.2%	1.3%	1.3%

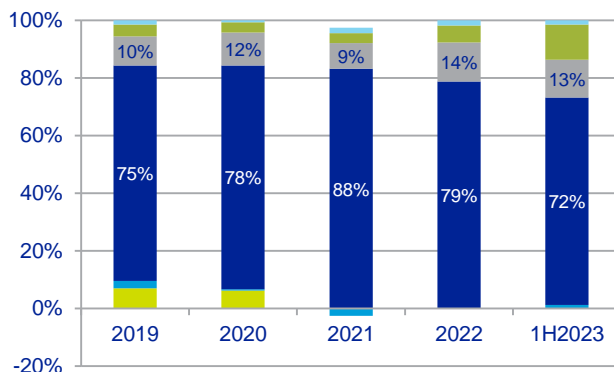
Company overview

Becamex IDC was established in 1976 in Binh Duong. After many mergers and restructuring, it became one of the major economic groups in the South of Vietnam with a charter capital of VND10,350bn and 27 member companies. Its core business is property which includes industrial parks and residential areas. From 2019 to 1H2023, property contributed more than 60% of total revenue and more than 70% of total gross profit. Sales of goods and services (mainly sales of construction materials and providing education and healthcare services) were the second biggest business line which contributed 9%-20% to total revenue and 9-14% to total gross profit.

Revenue breakdown

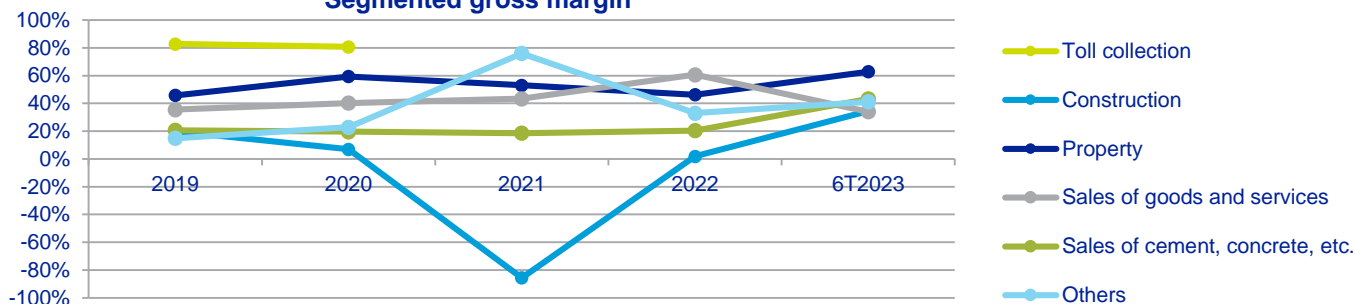


Gross profit breakdown

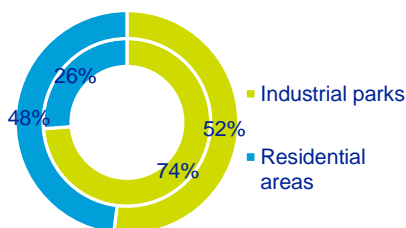


Note: From 2021, BCM did not have consolidated revenue from toll collection as the company reduced its ownership in Becamex IJC (HSX: IJC) from 78.8% to 49.8%.

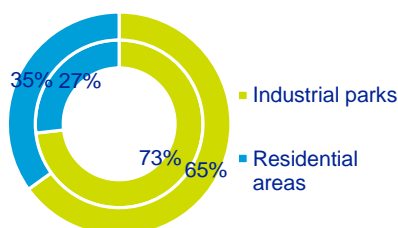
Segmented gross margin



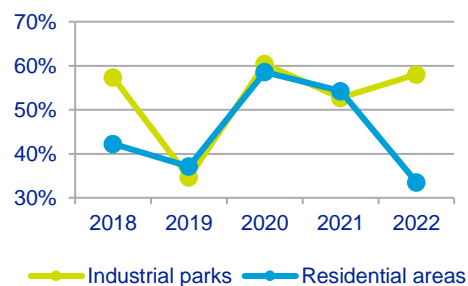
Property revenue breakdown (2021:inner circle, 2022: outer circle)



Property gross profit breakdown (2021:inner circle, 2022: outer circle)



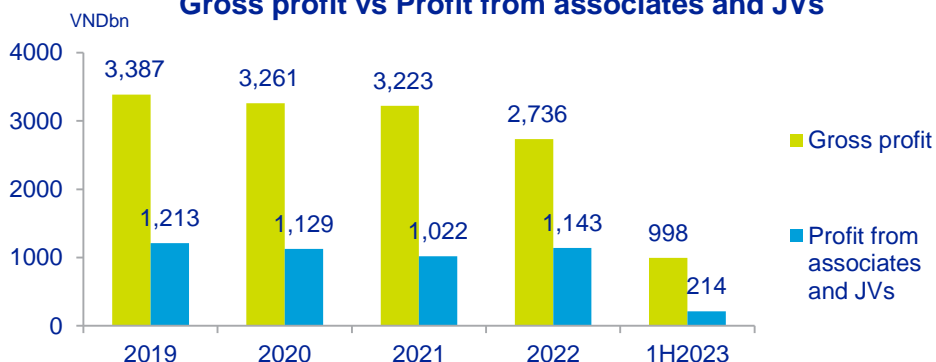
Property gross margin



Source: BCM, ACBS.

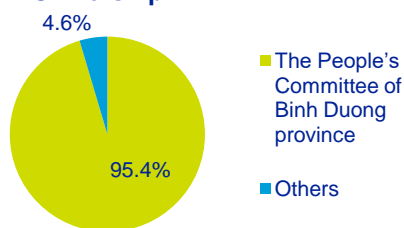
Apart from profit from main business lines, BCM also has sufficient profit from associates and joint ventures (accounting for 20-40% of gross profit), of which VSIP is the main contributor. VSIP is also a leading industrial and residential property developer which BCM holds 49% and SembCorp (Singapore) holds 51%.

Gross profit vs Profit from associates and JVs



Source: BCM, ACBS

Ownership

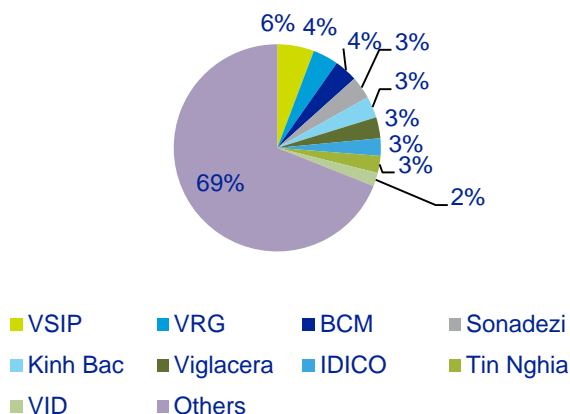


Currently, the People's Committee of Binh Duong province holds 95.4% of BCM and some investment funds hold more than 1%. Thus, BCM has low free float and average daily trading volume.

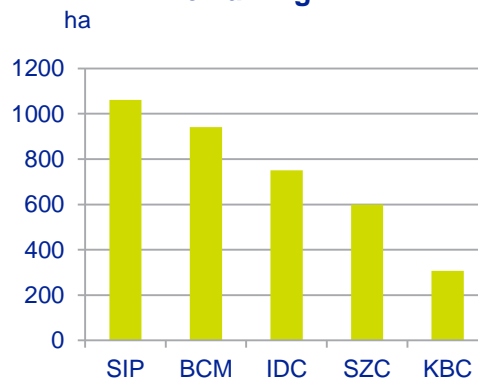
Industrial property: Top 3 market share and 942ha of remaining NLA

With 7 IPs covering a total area of over 4,700ha, Becamex is the biggest developer in Binh Duong with over 30% provincial market share and the third biggest developer in Vietnam with 3.6% national market share. These IPs are located in the north of Binh Duong, along National Road No.13 and My Phuoc – Tan Van Road, 40-64km to Tan Son Nhat airport, 50-74km to Cat Lai port and 89-110km to Cai Mep port. At YE2022, the company has 942ha of remaining NLA which was quite significant compared to other listed IP developers.

Industrial land market share



Remaining NLA



Source: ACBS

Table: BCM's industrial parks

No.	Project name	Location	BCM's stake	IP area (ha)	NLA (ha)	Remaining NLA (ha)	Total investment (VNDbn)	Occupancy rate	Estimated leasing rate (USD/sqm/remaining term)	Leasing time
IPs that BCM is the main developer				4,729	3,421	942	19,282			
1	My Phuoc 1	Binh Duong	100%	377	274	33	451	88%	100	2002-2052
2	My Phuoc 2	Binh Duong	100%	477	344	14	746	96%	120	2005-2055
3	My Phuoc 3	Binh Duong	100%	978	671	67	2,864	90%	120	2006-2056
4	Thoi Hoa	Binh Duong	100%	199	153	23	666	85%	120	2006-2056
5	Bau Bang	Binh Duong	100%	998	735	73	3,334	90%	120	2007-2057
6	Bau Bang expansion	Binh Duong	100%	1,000	755	241	5,762	68%	120	2016-2066
7	Cay Truong	Binh Duong	100%	700	490	490	5,459	n/a	120	2016-2066

Source: BCM, ACBS

Key project: Cay Truong IP

The new Cay Truong IP is expected to start leasing from 2023 and will be the key project in the coming years. It is located next to Bau Bang and Bau Bang expansion IPs and has NLA of 490ha and total investment of nearly VND5,500bn. This IP targets tenants from multi sectors.

Given unstable global economy and weak consumer demand, we forecast BCM's IP leasing area to decline to 62ha (-26% YoY) in 2023, mainly from Bau Bang, Bau Bang expansion and Cay Truong IPs. However, with an increase of around 9% YoY in leasing rates, revenue from IPs is forecast to decline by 16% YoY to VND2trn in 2023. We expect demand to recover in 2024 and IP leasing area to increase to 93ha (+51% YoY) in 2024. With an estimated 4% YoY increase in leasing rates, we forecast IP leasing revenue at over VND3trn (+50% YoY) in the next year.

Residential property

Becamex owns a total residential area of nearly 3,100ha in Binh Duong, of which estimated remaining NSA is nearly 1,000ha. BCM offers a wide range of products from low-end to mid-end segments, including social housing, land lot, apartment, shophouse, townhouse and villa for expats, workers and residents. Relocation & residential areas and social housing projects had good absorption rates given their affordable selling prices and sustainable demand from workers and residents.

Table: BCM's residential property projects

Project	BCM's stake	Total area (ha)	Estimated NSA (ha)	Estimated remaining NSA (ha)	Total investment (VNDbn)	Note
Thoi Hoa relocation & residential area	100%	350	193	86	1,799	Land lot market price = VND6-10mn/sqm
Bau Bang relocation & residential area	100%	668	n/a	465	2,586	Land lot market price = VND4-8mn/sqm
Viet-Sing relocation & residential area	100%	117	64	0	694	Land lot market price = VND4.4mn/sqm
My Phuoc relocation & residential area	100%	943	519	212	2,235	Land lot market price = VND8-11mn/sqm
Binh Duong New City	100%	1,000	550	223	32,000	Sunflower expansion project: VND26mn/sqm Princetown expansion project: VND26mn/sqm Midori Park The Glory project: VND33mn/sqm

Becamex City Center	100%	6.1	3.6	n/a	3,000	Completed Becamex Tower office building, Horizon and Sunrise condo buildings and Becamex Hotel Thu Dau Mot.
Social housing	100%	n/a	n/a	n/a	1,200	8,168 units were completed 3,283 units to be developed Current selling price = VND7-9mn/sqm Average unit size = 30sqm
Total		3,084		986	43,514	

Source: BCM, ACBS

Currently, BDNC is the most potential residential property project of BCM with a total site of 1,000ha. The company usually sold land lots inside BDNC to sub-developers such as Becamex IJC, Becamex Tokyu and CapitaLand to develop sub-projects. We expect BDNC will attract more sub-developers with strong brand names and financial health to develop BDNC to a more qualified and lively urban area.

Table: Sub-projects in BDNC

Sub-developer	Area (ha)	Total investment	Project
Becamex IJC	40.8	VND11,187bn	IJC urban area, Princetown, Princetown expansion, Sunflower, Sunflower expansion, Aroma condos
Becamex Tokyu	110	USD1.2bn	Tokyu Garden City, of which Sora Garden condos, Midori Park Haruka townhouses, Midori Park The View condos were completed and Midori The Glory condos are under development.
CapitaLand	18.9	SGD1.1bn	Expected to be developed in 2023-2027

Source: ACBS

With a long-term vision of sustainable development, BCM also invested in education and healthcare as parts of the ecosystem besides industrial, infrastructure and property development. Currently, it operates two hospitals and one university as shown in the table below:

Table: Healthcare and education projects

	BCM's stake	Total investment (VNDbn)	Number of rooms	Note
Becamex International Hospital	85%	2,000	1,200	Operate from 2016
My Phuoc Hospital	65.5%	300	300	Operate from 2011
Eastern International University	51%	751	n/a	Operate from 2011

Source: BCM, ACBS

We forecast revenue from residential property projects at ~VND5.4trn (+140% YoY) in 2023 thanks to the transfer of 18.9ha at BDNC to CapitaLand with the contracted value of USD242mn (VND5,100bn) and 5.2ha at My Phuoc, Thoi Hoa and Bau Bang residential areas. For 2024, we expect land sales in BDNC to stabilize at a normal level and 2024 revenue is expected at ~VND2.8trn (-48% YoY).

Associate company VSIP contributes significantly to BCM's profit

VSIP was established in 1996 with a charter capital of VND946bn on the basis of cooperation between two governments including Singapore led by SembCorp (Ticker: U96) owing 51% stake and Vietnam led by Becamex IDC owning 49%. VSIP normally contributed 28-58% to BCM's total EBT. VSIP has a gross land bank of over 10,000ha of industrial, urban and service area across the nation, of which IP area is over 7,500ha.

In terms of IPs, VSIP is the market leader with 15 established IPs covering a total area of over 7,500ha and cumulatively attracting ~880 tenants from 30 countries with a total registered capital of ~USD18.7bn. In 2022, it started to develop a new IP – VSIP 3 Binh Duong – covering a total area of 1,000ha, which attracted the biggest FDI project in 2022 – LEGO with a registered capital of USD1.3bn. In August, 2023, VSIP held break-ground ceremonies for 3 IPs (VSIP Bac Ninh 2, VSIP Nghe An 2 and VSIP Can Tho – Phase 1) and received investment licenses for 2 IPs (VSIP Thai Binh and VSIP Ha Tinh).

No.	Project name	Location	BCM's stake	Total area (ha)	IP area (ha)	Occupancy rate	Estiamted leasing rate (USD/sqm/remaining term)	Leasing time
Projects that VSIP is the main developer				10,155	7,525			
1	VSIP 1 Binh Duong	Binh Duong	49%	500	473	100%	n/a	1996-2046
2	VSIP 2 Binh Duong - Phase 1	Binh Duong	49%	345	338	100%	n/a	2006-2056
	VSIP 2 Binh Duong - Phase 2	Binh Duong	49%	1,700	1,000	100%	n/a	2008-2058
3	VSIP 3 Binh Duong	Binh Duong	49%	1,000	1,000	n/a	>100	2018-2068
4	VSIP Bac Ninh 1	Bac Ninh	49%	700	500	100%	n/a	2007-2057
5	VSIP Bac Ninh 2	Bac Ninh	49%	273	273	n/a	123	2018-2068
6	VSIP Hai Phong	Hai Phong	49%	1,600	507	90%	116	2008-2058
7	VSIP Quang Ngai - Phase 1	Quang Ngai	49%	1,180	660	65%	63	2012-2062
8	VSIP Hai Duong - Phase 1	Hai Duong	49%	150	150	100%	n/a	2015-2065
9	VSIP Nghe An 1	Nghe An	49%	309	226	86%	61	2015-2065
10	VSIP Nghe An 2	Nghe An	49%	441	441	n/a	65	2023-2073
11	VSIP Can Tho – Phase 1	Can Tho	49%	294	294	n/a	n/a	2022-2072
12	VSIP Lang Son	Lang Son	49%	600	600	n/a	n/a	2023-2073
13	VSIP Thai Binh	Thai Binh	49%	333	333	n/a	n/a	2023-2073
14	VSIP Ha Tinh	Ha Tinh	49%	190	190	n/a	n/a	2023-2073
15	VSIP Quang Tri	Quang Tri	n/a	481	481	n/a	n/a	2021-2071
Projects that other associates are main developers				6,526	3,916			
16	Becamex Binh Phuoc	Binh Phuoc	40%	4,633	2,448	12%	85	2008-2058
17	Becamex Binh Dinh – Phase 1	Binh Dinh	40%	1,425	1,000	n/a	70	2020-2070
18	Son My 2	Binh Thuan	38%	468	468	n/a	n/a	2023-2073

Source: ACBS

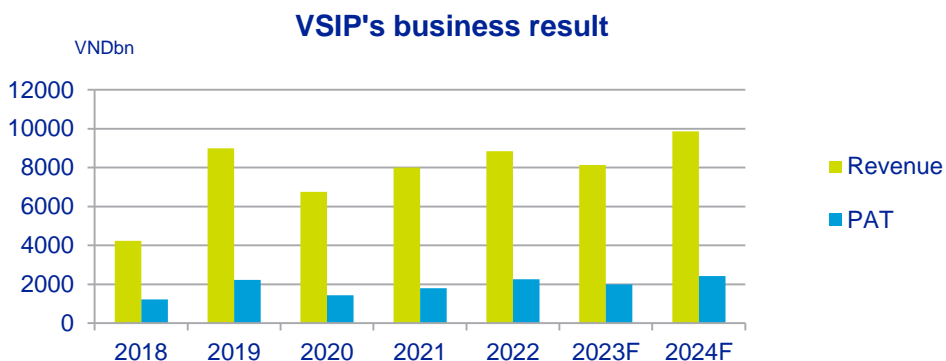
VSIP also develops residential projects next to its IPs to provide expats and workers green, convenient and qualified accomodation with affordable selling prices. Some of its projects are summarized in the table below:

Project	Location	Total area (ha)	Product	Total units
Belhomes	Bac Ninh	5.7	Townhouse, shophouse	365
Thien My Loc	Quang Ngai	254	Townhouse, shophouse	6,500
Sun Casa	Binh Duong	6	Townhouse, shophouse	383
Sun Casa Central	Binh Duong	30	Townhouse, shophouse	879
The Habitat	Binh Duong	4.1	Condo	1,500

Source: ACBS

In 2018-2022, VSIP's revenue grew at CAGR of 20.2%, to over VND8.800bn in 2022 and PAT grew at a CAGR of 16.7% to VND2,258bn. After-tax profit margins were maintained in the range of 21-29% in this period.

In 2023-2024, we forecast that VSIP will lease 119-164 ha of industrial land per year with average leasing rate increasing by 5-7%/year. It is expected to deliver remaining low-rise units at Sun Casa Central project in Binh Duong in 2023 and condos at The Habitat – Phase 3 from 2024. Estimated VSIP's PAT is nearly VND2trn (~11% YoY) in 2023 and over VND2.4trn (+21% YoY) in 2024. Shared profit from VSIP to BCM accounted for 45-51% of BCM's PAT.



Source: BCM, ACBS

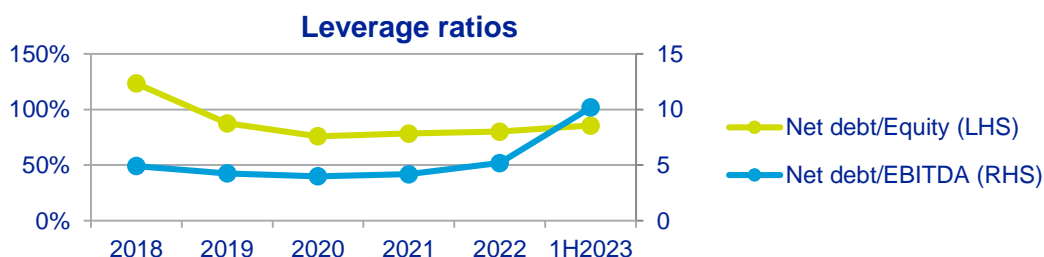
On the other hand, if legal corridor supports the listing of FDI companies, VSIP can plan for its IPO in the coming years.

Financial status

Leverage ratios increased in 1H2023 but may return to normal levels at YE2023

In contrast to most industrial property developers which maintain net cash positions, BCM had net debt position with relatively high leverage ratios. (Please see Appendix 1 for details.) The reason relates to the company's stock ownership, of which the People's Committee of Binh Duong accounted for 95.4%. Thus, BCM has to get governmental approval if it wants to raise charter capital. However, the company has not got approval for many years. Therefore, BCM's operation is dependent on debts. From the peak of 123.4% in 2018, Net debt/Equity ratios were kept at a stable range of 75.9%-87.6% in 2019-2022 period. On the other hand, Net debt/EBITDA ratios was in an upward trend from the trough of 4.0x in 2020 to 5.2x in 2022.

In 1H2023, net debt increased by VND861bn, to VND15,241bn while trailing-12-month EBITDA decreased by VND1,274bn to VND1,495bn, leading to an increase in Net debt/Equity from 80.1% to 85.6% and Net debt/EBITDA from 5.2x to 10.2x. With the assumption that the transfer of 18.9ha between BCM and CapitalLand finalized in 2H2023, we expect leverage ratios to return to normal levels with Net debt/Equity of 78.0% and Net debt/EBITDA of 4.1x.



Source: BCM, ACBS

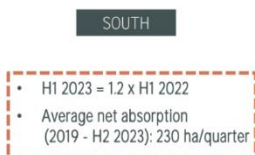
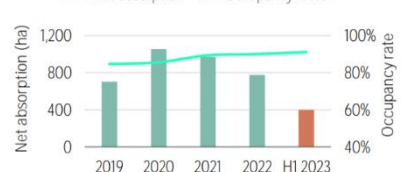
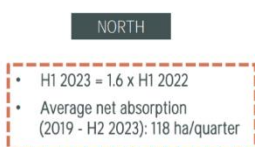
Future outlook

Positive mid- and long-term outlook for the industrial property segment

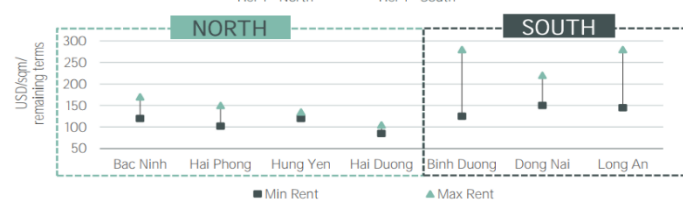
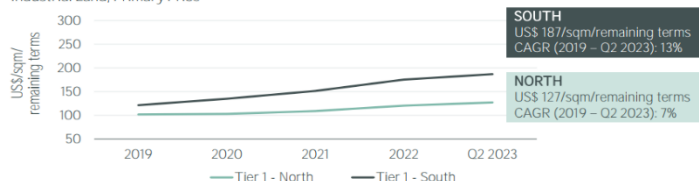
Despite unstable global economy and a forecast of lower economic growth in 2024 compared to 2023, Vietnam is still a stable destination for attracting foreign investment. In 9M2023, registered FDI was USD20.2bn (+7.7% YoY) and disbursed FDI was USD15.9bn (+2.2% YoY).

The industrial property segment also posted a solid performance in 1H2023 with rising leasing rate and stable occupancy rate. According to CBRE, net absorption of industrial land in 1H2023 was nearly 400ha in the North (+60% YoY) and around 400ha in the South (+20% YoY). Occupancy rates were stable at around 81% in the North and over 85% in the South. Land leasing rates increased at 2019-2Q2023 CAGR of 7%, to USD127/sqm/remaining leasing term in the North and at 2019-2Q2023 CAGR of 13% to USD187/sqm/remaining leasing term in the South.

Industrial Land, Net absorption and Occupancy rates



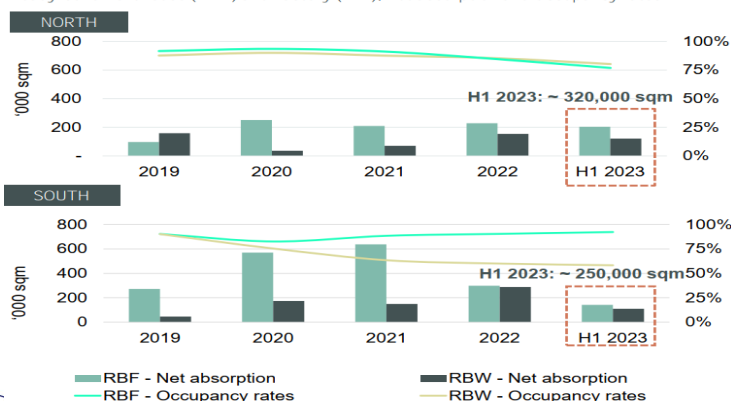
Industrial Land, Primary Price



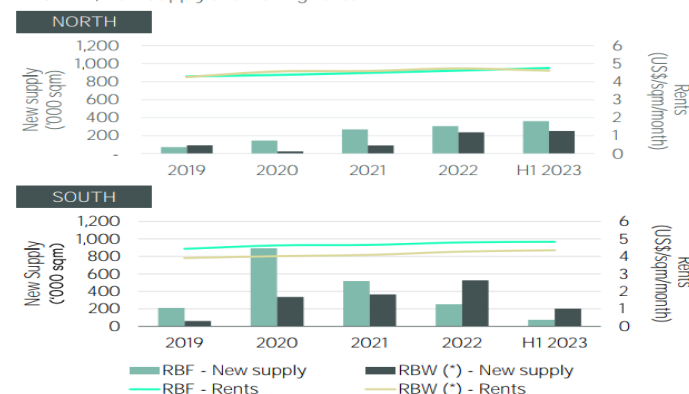
Source: CBRE

In 1H2023, the ready-built factory (RBF) and ready-built warehouse (RBW) market recorded ~320,000 sqm of net absorption in the North and ~250,000 in the South thanks to expansion of Chinese manufacturers, especially in the North. Rental growth slowed down and recorded at around USD4.8/sqm/month in the North and USD4.7/sqm/month in the South with 2019-2Q2023 CAGR of 2.3-3.1%. Given strong competition from new supply, occupancy rate in the North was on a decline to around 78% while occupancy rate in the south was stable at around 75%.

Ready-built Warehouse (RBW) and Factory (RBF), Net absorption and Occupancy rates



RBF/RBW, New Supply and Asking rents



Source: CBRE

In the long term, the industrial real estate segment faces difficulties such as: (1) the global minimum tax expected to be applied in the EU and Korea from 2024, (2) growth rate of manufacturing wages in Vietnam higher than Asia-average, (3) prolonged land clearance process and (4) insufficient infrastructure.

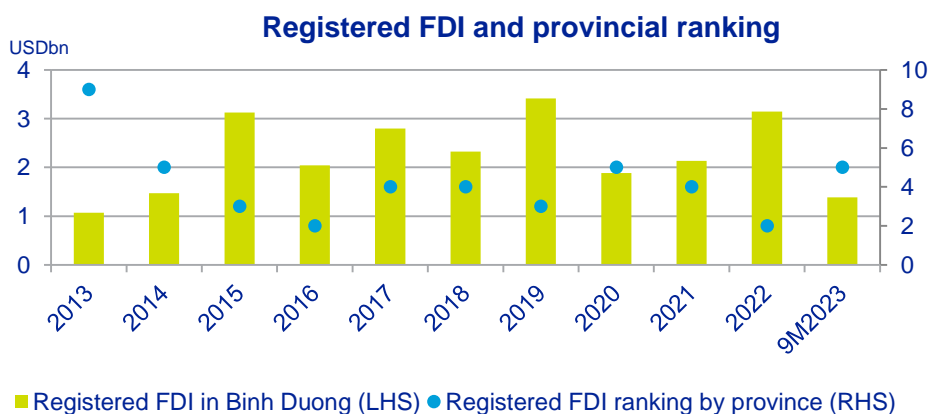
However, this segment is supported by many factors: (1) China+1 trend and China-Taiwan tension encourage many corporations to shift their manufacturing facilities to Vietnam and neighboring countries, (2) relatively stable macroeconomic growth with an expected GDP growth of above 6% in the long-term, (3) large and affordable work force, (4) competitive leasing rates, (5) infrastructure development and (6) FTAs.

Therefore, we maintain positive mid- and long-term outlook for the industrial property segment. Due to limited land area but stable demand from foreign companies, leasing rates are expected to continue to grow at a slower pace and occupancy rate may stabilize. There will be increasing demand for green and smart IPs, multi-floor industrial facilities in crowded locations and hybrid facilities that can convert between warehouse and factory to tailor to tenants' demand.

BCM's growth allies with the development of Binh Duong

Most of BCM's land bank is located in Binh Duong, the center of the Southern Key Economic Zone, thus the company's growth allies with the development of this province. With 29 established IPs covering a total area of ~12,700ha, Binh Duong has the largest industrial land area in Vietnam and accounts for 10% of national market share. Binh Duong province has always been in the Top 10 provinces attracting FDI in the last 10 years. In 2022, it was ranked #2 in registered FDI with USD3.1bn thanks to the biggest project LEGO of USD1.3bn at VSIP Binh Duong 3.

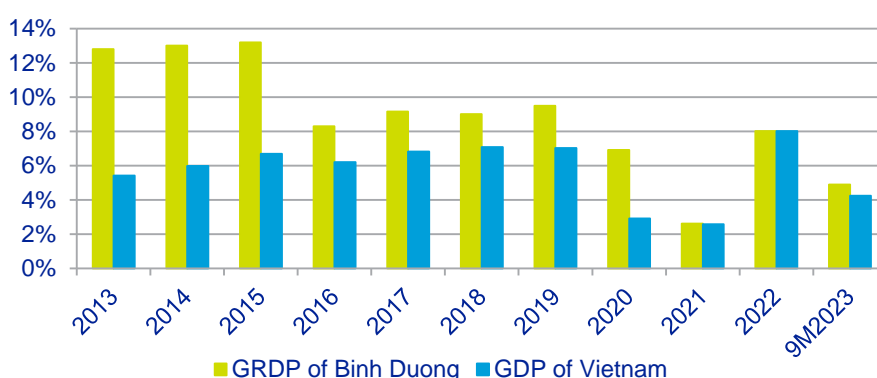
In 9M2023, although registered FDI in Vietnam increased by 7.7% YoY, registered FDI in Binh Duong dropped by 48.8% YoY, to USD1.4bn, which was ranked #4 in the nation. We think that competition among provinces and cities in attracting FDI will become more intense and may affect FDI flows to Binh Duong in the coming years. However, we still expect Binh Duong to continue to be in the Top 10 in attracting FDI thanks to constantly investing and upgrading transport infrastructure, synchronous development planning and always promoting the administrative reform process to create more favorable investment environment for investors.



Source: ACBS

GRDP of Binh Duong province was 8.01% in 2022 and 4.9% in 9M2023, similar to Vietnam's GDP. Previously, Binh Duong recorded higher economic growth rates than the whole country, but from 2021 they have slowed down. The main reason is that Binh Duong's core manufacturing and export industries such as wood, plastic, footwear and textiles were strongly affected by COVID, the global economic recession and low consumer demand. Although there are still many difficulties and challenges, there have been some signs of recovery, for example IIP and export turnover in August increased compared to the previous month. We expect Binh Duong province's economy to continue to recover in the near future, however achieving high growth rate of over 8% like previous years is challenging.

Economic growth of Binh Duong vs Vietnam



Source: ACBS

Binh Duong has an average GRDP per capita of VND166mn, ranking No. 5 in Vietnam. The provincial population in 2021 was 2.7 mn people (+4.1% YoY), ranking No. 6 in the country. The residential property market in this province is driven by many factors: (1) the plan to develop about 10,000 ha of industrial land in 2022-2030 period, leading to the demand of residential projects from foreign experts and workers, (2) Binh Duong's population is expected to continue to grow at a high rate thanks to its ability to attract immigrants to work and live (CAGR of 4.7% in 2011-2021 period), (3) proximity to HCMC, (4) Binh Duong's property selling prices are lower than HCMC's and (5) ongoing and upcoming transportation infrastructure projects such as Ring Road 3 and 4, Ho Chi Minh City - Thu Dau Mot - Chon Thanh Expressway, National Highway 13 expansion, etc. Therefore, we think that the potential for developing residential property projects is still large, especially affordable apartment and townhouse projects located near HCMC, social housing and worker housing projects.

2023-2024 Outlook

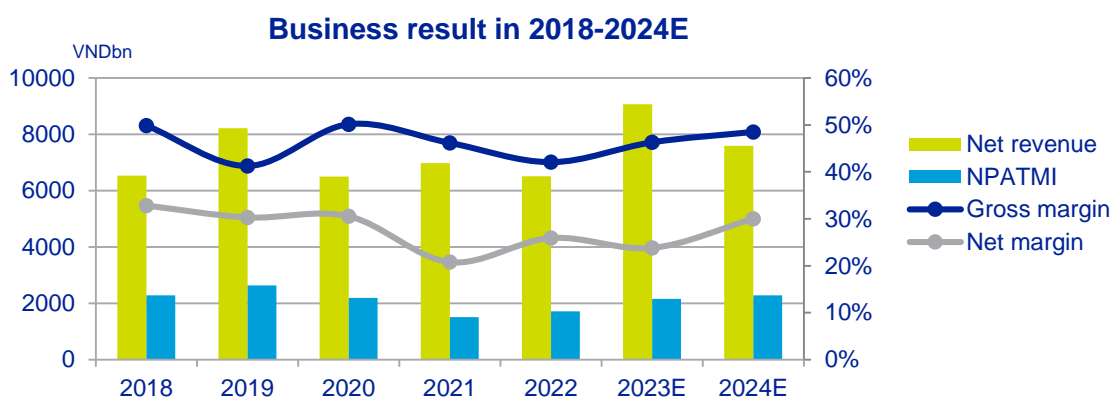
In 2018-2022, BCM's business results did not have big fluctuation, except for a decline in 2021-2022 due to the COVID pandemic. Annual revenue was in the range of VND6-8trn and net profit was around VND2trn. Gross margin and net margin fluctuated in the range of 41-50% and 21-33% in this period, respectively.

BCM recorded unpleasant business result in 1H2023 with net revenue of VND1,885bn (-44% YoY) and PAT of VND49bn (-97% YoY) due to unfavorable residential property market, a 63%YoY decline in profit from associates and joint ventures, to VND214bn

and a 30% YoY increase in SG&A expenses. The company just completed 20% of revenue target and 2% of profit target in 1H2023.

According to the company, the land transfer of 18.9ha in BDNC to CapitaLand with a value of USD242mn will be finalized and realized in 2H2023. Thus, we expect a strong growth in 2H2023 with estimated revenue of VND7,183bn (+129% YoY) and estimated PATMI of VND1,985bn (+665% YoY). For the whole year of 2023, we forecast revenue at VND9,068bn (+39% YoY) and PATMI at VND2,157bn (+28% YoY).

For 2024, we expect net revenue to decline by 16% YoY, to VND7,590bn mainly due to lower residential property revenue as land transfer in BDNC return to a normal level. NPATMI, on the other hand, is forecast to increase by 6% YoY, to VND2,277bn thanks to higher industrial property revenue (VND3trn, +50% YoY) which improves gross margin by 2.2 percentage points and higher profit from associates and JVs (VND1,222bn, +20% YoY).



Source: BCM, ACBS

Valuation

We give an OUTPERFORM rating for BCM with a reasonable price of VND78,813/share, using RNAV valuation method. This price is 15.1% above the market price and equivalent to 2023 P/E of 40.3x and P/B of 4.3x. Details of valuation is shown in the table below.

	BCM's stake	Revaluation (VNDbn)	Note
Investment property		1,755	
Becamex Tower	100%	411	Discounted cash flow (DCF)
WTC Tower	100%	483	DCF
Becamex Hotel	100%	225	DCF
Becamex Hotel New City	100%	507	DCF
Others	100%	130	Book value (BV)
Industrial parks		14,155	
My Phuoc 1	100%	590	DCF
My Phuoc 2	100%	507	DCF
My Phuoc 3	100%	1,577	DCF
Thoi Hoa	100%	1,220	DCF
Bau Bang	100%	1,416	DCF
Bau Bang expansion	100%	2,880	DCF
Cay Truong	100%	5,966	DCF
Residential projects		56,290	
My Phuoc residential area	100%	8,798	Estimated remaining NSA = 212ha Reference price = VND4.6mn/sqm Discount rate = 10%
Thoi Hoa residential area	100%	3,582	Estimated remaining NSA = 86ha Reference price = VND4.6mn/sqm Discount rate = 10%
Bau Bang residential area	100%	6,695	Estimated remaining NSA = 465ha Reference price = VND1.8mn/sqm Discount rate = 20%
Thu Dau Mot	100%	33,331	Estimated remaining NSA = 445ha Reference price = VND10.7mn/sqm Discount rate = 30%
Thuan An	100%	1,742	Estimated remaining NSA = 12.1ha Reference price = VND14.4mn/sqm
Others	100%	2,142	BV
Investment in subsidiaries		1,254	
Urban development JSC (UDJ)	51%	93	Number of shares = 8.4mn Market price = VND11,000/share
Binh Duong Trading and Development JSC (TDC)	61%	728	Number of shares = 60.7mn Market price = VND12,000/share
Binh Duong Construction and Transportation JSC (BCE)	44%	109	Number of shares = 15.5mn Market price = VND7,000/share
Others		324	BV
Investment in associates and other long-term investment		24,239	
VSIP	49%	10,113	DCF
Binh Duong Water Environment JSC (BWE)	25%	1,894	Number of shares = 15.5mn ACBS's valuation = VND50,500/share
Vietnam Technology and Communication JSC (TTN)	49%	95	Number of shares = 12mn Market price = VND8,000/share
Becamex Binh Phuoc Infrastructure JSC	40%	1484	DCF
Becamex Binh Dinh JSC	40%	441	DCF
Infrastructure Development JSC (IJC)	50%	2,256	Number of shares = 125.3mn ACBS's valuation = VND18,000/share
Others		7,956	BV
Total assets		97,692	
Net debt		15,241	
Minority interest		880	
RNAV		81,571	
Number of shares		1,035,000,000	
RNAV per share (VND)		78,813	

Appendix 1: Peers comparison

Ticker	Mkt cap (USD mn)	Gross margin (%)	ROE (%)	ROA (%)	Net debt/Equity	Net debt/EBITDA	Current ratio	Quick ratio	Dividend yield (%)	Trailing P/E	2023F P/E	Trailing P/B	Avg. daily traded value (VNDbn)
BCM	2,906	42.1	8.8	3.3	85.6	10.2	1.3	0.2	1.0	155.6	35.0	4.2	20
KBC	952	28.0	10.1	4.6	1.1	0.1	3.6	1.0	n/a	7.0	9.0	1.3	306
VGC	843	29.0	23.5	7.7	17.9	0.4	1.1	0.4	4.4	17.6	16.9	2.6	56
IDC	607	40.9	37.7	10.1	23.0	0.5	2.4	1.4	8.9	18.3	8.5	3.0	157
SIP	443	14.9	30.2	5.1	(89.6)	(2.9)	3.7	2.0	2.9	6.0	6.6	1.7	10
ITA	216	n/a	(2.6)	(2.2)	0.2	n/a	2.7	0.1	n/a	n/a	n/a	0.5	31
NTC	182	70.6	38.0	6.2	(147.4)	(5.0)	3.7	3.5	4.3	17.3	16.0	6.2	2
SZC	168	36.1	11.7	3.3	136.6	4.4	1.0	0.1	n/a	20.4	16.6	2.1	45
LHG	64	40.8	12.3	7.0	(67.3)	(4.5)	2.2	1.2	6.1	8.2	6.5	1.0	7
TIP	62	55.8	8.7	6.8	(6.5)	(1.2)	16.6	2.7	0.9	8.9	n/a	0.9	5
IDV	44	67.9	15.7	6.9	(45.3)	(3.3)	2.8	2.6	1.2	8.5	n/a	1.5	1
SZL	38	32.7	13.3	5.4	(2.4)	(0.1)	1.9	1.2	7.8	11.0	n/a	1.6	0
MH3	37	43.9	20.6	5.0	(217.6)	(13.5)	11.7	11.4	10.2	8.1	n/a	1.5	0
D2D	33	28.7	1.3	1.0	(27.9)	(7.6)	3.1	1.6	11.3	46.4	n/a	0.9	2
VRG	26	65.9	16.7	7.6	(28.6)	(1.3)	7.8	5.5	7.4	12.8	n/a	2.0	0
Average	441	42.7	16.4	5.2	(24.5)	(0.7)	4.4	2.3	5.5	30.0	11.4	2.1	43

Source: Bloomberg, ACBS

BCM FINANCIALS MODEL	Price (VND):	68,500	Target (VND):	78,813	Mkt cap (VND bn):	70,898
(VND bn except where stated)	2020	2021	2022	2023E	2024E	
Total Net Sales	6,505	6,982	6,506	9,068	7,590	
<i>Sales growth</i>	-20.8%	7.3%	-6.8%	39.4%	-16.3%	
CoGS ex-dep'n	3,006	3,573	3,581	4,663	3,680	
Gross profit	3,261	3,223	2,736	4,196	3,681	
<i>Gross margin</i>	50.1%	46.2%	42.1%	46.3%	48.5%	
SG&A	1,353	1,221	1,299	1,811	1,516	
<i>SG&A as % of sales</i>	20.8%	17.5%	20.0%	20.0%	20.0%	
Profit from associates and JVs	1,129	1,022	1,143	1,016	1,222	
EBITDA	3,274	3,209	2,769	3,610	3,616	
<i>EBITDA margin</i>	50.3%	46.0%	42.6%	39.8%	47.6%	
Depreciation	238	186	190	209	230	
Operating profit	3,036	3,023	2,579	3,401	3,387	
<i>Operating profit margin</i>	46.7%	43.3%	39.6%	37.5%	44.6%	
Financial income (excl. saving and lending interest)	6	64	5	1	1	
Financial expenses (excl. interest expense)	9	106	0	-	-	
<i>Net interest expense</i>	563	719	810	807	757	
<i>Net interest expenses as % of operating profit</i>	18.5%	23.8%	31.4%	23.7%	22.4%	
Other profit	17	(472)	121	(100)	-	
Tax	301	287	180	308	325	
<i>Effective tax rate</i>	12.1%	16.0%	9.5%	12.3%	12.3%	
Minority interest	200	53	29	29	29	
NPATMI	1,986	1,451	1,686	2,157	2,277	
<i>Net profit margin</i>	30.5%	20.8%	25.9%	23.8%	30.0%	
Cash earnings	2,224	1,637	1,876	2,366	2,506	
Number of shares (mn)	1,035	1,035	1,035	1,035	1,035	
EPS (VND)	1,854	1,270	1,502	1,954	2,069	
Bonus factor (x)	1.0	1.0	1.0	1.0	1.0	
Adjusted EPS (VND)	1,854	1,270	1,502	1,954	2,069	
<i>EPS growth</i>	-19.6%	-31.5%	18.2%	30.1%	5.9%	

KEY CASHFLOW AND BS ITEMS	2020	2021	2022	2023E	2024E
Increase in working capital	-1,987	-1,004	835	-85	375
Capex	332	18	109	153	153
Other cash flow items	-2,715	-2,179	-1,151	-2,015	-2,015
Free cash flow	1,164	445	-219	282	-37
Share issues	0	0	0	0	0
Dividends paid	411	828	725	828	932
Increase in net debt	-752	383	944	546	969
Net debt, end of year	13,052	13,436	14,379	14,925	15,894
Shareholders' equity	17,187	17,145	17,945	19,140	20,350
BVPS (VND)	16,606	16,565	17,338	18,493	19,662
Net debt / equity	75.9%	78.4%	80.1%	78.0%	78.1%
Net debt / EBITDA (x)	4.0	4.2	5.2	4.1	4.4
Total assets	48,485	48,952	48,290	51,151	54,053

KEY RETURN AND VALUATION RATIOS	2020	2021	2022	2023E	2024E
ROE	13.0%	9.0%	10.2%	12.3%	12.2%
ROA	4.4%	3.0%	3.5%	4.4%	4.4%
ROIC	8.9%	8.3%	7.4%	9.0%	8.4%
WACC	12.3%	12.3%	12.5%	12.3%	12.2%
EVA	-3.4%	-4.0%	-5.0%	-3.4%	-3.8%
PER (x)	36.9	53.9	45.6	35.0	33.1
EV/EBITDA (x)	26.3	26.8	31.1	23.9	23.8
EV/FCF (x)	74.0	193.8	-393.2	305.0	-2298.6
PBR (x)	4.1	4.1	4.0	3.7	3.5
PSR (x)	10.9	10.2	10.9	7.8	9.3
EV/sales (x)	13.2	12.3	13.2	9.5	11.3
Dividend yield	1.2%	1.0%	1.2%	1.3%	1.3%

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BUY	: total stock returns (including dividend yield) over the next 12 months are forecast to be 20% or higher.
OUTPERFORM	: total stock returns (including dividend yield) over the next 12 months are forecast to be from 10 to 20%.
NEUTRAL	: total stock returns (including dividend yield) over the next 12 months are forecast to be between -10 and 10%.
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