



KBC Update - OUTPERFORM

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Company Update

Recommendation **OUTPERFORM**

HSX: **KBC**

Property

Market price (VND)	29,600
Target price (VND)	32,700
Expected share price return	10.3%
Expected dividend yield	0.0%
Expected total return	10.3%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	8.8	2.8	10.4	-2.6
Relative	5.9	-0.4	3.9	-12.2

Source: Bloomberg

Price-Volume



Ownership

Dang Thanh Tam (Chairman)	18.06%
Kinh Bac Consultancy & Investment JSC	8.11%
DC and related parties	4.99%

Stock Statistics 25-Feb-25

Bloomberg code	KBC VN
52-week range (VND)	24,200 - 36,300
Shares O/S (m)	768
Mkt cap (VND bn)	22,721
Mkt cap (USD m)	885
Est. Foreign room left (%)	29.5
Est. free float (%)	63.6
3m avg daily vol (shrs)	4,135,888
VND/USD	25,670
Index: VNIndex / HNX	1303.16/238.31

KINH BAC CITY DEVELOPMENT HOLDING CORPORATION JSC (KBC VN)

Disappointing 2024 result was below our forecast due to low industrial park area delivered in 4Q2024. Adjust 2025 NPAT up by 19% to VND1.2 trn given a delay in industrial land area delivered from 4Q2024 to 2025. YE2025 target price is VND32,700/share, down by 16% compared to the previous target price given VND5.3 trn increase in net debt and VND2-3 trn increase in additional land use fee paid for Trang Cat urban area. Change rating from Buy to Outperform.

KBC reported a decline in 4Q2024 with revenue of VND781 bn (-5% YoY) and NPAT of VND63 bn (-60% YoY) mainly due to a lower revenue proportion of the highest-margin-segment, Industrial park (IP), which led to a decline in gross margin from 59% to 49%. In 4Q2024, IP revenue dropped by 88% YoY, to VND78 bn from the handover of over 3 ha at Nam Son Hap Linh IP (1.9 ha) and Tan Phu Trung IP (1.4 ha). Conversely, residential property revenue increased nearly 19 times YoY to VND488 bn from the handover of over 29,000 sqm at the social housing project in Nenh town, Bac Giang province.

In 2024, KBC announced revenue of VND2,776 bn (-53% YoY) and NPAT of VND460 bn (-80% YoY), completing 11% of its profit target and 78% of our forecast. The decline was mainly due to:

- (1) IP leasing revenue decreased by 77% YoY to VND1,195 bn due to lower area delivered (33 ha at the Nam Son Hap Linh, Quang Chau expansion and Tan Phu Trung IPs in 2024 compared to 150ha at these IPs in 2023) and
- (2) Gross margin decreased from 67% to 46% as the revenue proportion of the IP segment, which had a margin of 68%, dropped from 89% to 43% while revenue proportion of the residential property segment, which had a margin of 12%, rose from 2% to 33%.

Trang Due 3 IP with a total area of 653 ha in Hai Phong and total investment capital of nearly VND8.1 trn was finally approved in Jan 2025. This IP attracts many huge electronic tenants such as LG and will be the key growth driver for KBC in 2025-2026.

Given a delay in industrial land area delivered from 4Q2024 to 2025, we adjust 2025 revenue up by 20% to VND4,839 bn (+74% YoY) and NPAT by 19% to VND1,157 bn (+152% YoY), mainly generated from the Nam Son Hap Linh, Tan Phu Trung and Trang Due 3 IPs. YE2025 target price is VND32,700/share, down by 16% compared to the previous target price as net debt increased by nearly VND5.3 trn in 4Q2024 and additional land use fee for Trang Cat urban area may increase by VND2-3 trn. Change our rating from Buy to Outperform.

	2022	2023	2024U	2025F	2026F
Net Sales (VNDbn)	950	5,618	2,776	4,839	5,296
Growth	-77.6%	491.2%	-50.6%	74.3%	9.5%
EBITDA (VNDbn)	(168)	3,015	818	1,713	1,966
Growth	n/a	n/a	n/a	109.5%	14.7%
NPATMI (VNDbn)	1,526	2,031	426	1,072	1,413
Growth	95.2%	33.0%	-79.0%	151.6%	31.8%
EPS (bonus-adjusted, VND)	1,993	2,646	555	1,397	1,841
Growth	67.5%	32.8%	-79.0%	151.7%	31.8%
ROE	10.2%	11.9%	2.3%	5.6%	7.0%
ROIC	5.1%	6.1%	0.7%	2.4%	2.7%
Net debt/EBITDA (times)	-20.9	0.3	2.1	0.8	0.5
EV/EBITDA (times)	-139.2	7.8	28.7	13.7	11.9
PER (times)	14.9	11.2	53.3	21.2	16.1
PBR (times)	1.4	1.3	1.2	1.2	1.1
DPS (VND)	0	0	0	0	0
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%

Table 1: 4Q2024 and 2024 business results

Unit: VND billion	4Q2023	4Q2024	YoY Change	2023	2024	YoY Change	2024 Plan	% completion
Revenue	821	781	-5%	5,859	2,776	-53%	9,000	31%
Of which: IP	654	78	-88%	5,221	1,195	-77%		
Residential property	26	488	+1812%	105	910	+768%		
Warehouse, factory leasing	34	51	+50%	145	196	+35%		
Water, Power supply	106	109	+3%	386	420	+9%		
Gross profit	386	385	-0%	3,695	1,283	-65%		
Financial income	76	158	+108%	426	451	+6%		
Financial expenses	100	65	-35%	426	258	-39%		
SG&A expenses	141	215	+52%	813	627	-23%		
NPAT	158	63	-60%	2,245	460	-80%	4,000	11%

Sources: KBC, ACBS.

IP segment: handover progress in 2024 was quite slow; site clearance is expected to accelerate in 2025

Currently, KBC is operating 3 IP projects: Nam Son Hap Linh, Quang Chau expansion and Tan Phu Trung with the remaining NLA of about 166 ha at the end of 2024.

Trang Due 3 IP is a potential project that will significantly contribute to KBC's business results from 2025. The project has a total area of 687 ha and is located on the National Highway No.10 and between the National Highway 5A and the expressway from Hanoi to Hai Phong. It was finally approved in Jan 2025 after many years of delay. KBC has compensated about 200 ha, of which NLA is 140ha. KBC plans to pay land use fee annually rather than in a lump sum like previous projects. This project is attracting many potential projects such as LG and satellite companies (62-100 ha), a cookers and grills manufacturing project from China (60 ha) and a CNC battery manufacturing project from Korea (20 ha).

Regarding IP projects in Long An, the company is waiting for compensation and land use fee calculation from the Long An People's Committee. For industrial clusters (IC) in Hung Yen, KBC is in the compensation stages.



Table 2: KBC's Industrial Parks

No.	Project	Location	KBC's stake	Total area (ha)	NLA (ha)	Occupancy rate at 3Q2024	Avg. leasing rate (USD/sqm/remaining term)	Progress
Fully occupied IPs								
1	Que Vo 1 IP	Bac Ninh	100.0%	311	192	100.0%		
2	Que Vo 2 IP	Bac Ninh	100.0%	300	173	100.0%		
3	Quang Chau IP	Bac Giang	89.0%	426	307	100.0%		
4	Trang Due 1 IP	Hai Phong	89.3%	188	129	100.0%		
5	Trang Due 2 IP	Hai Phong	89.3%	214	133	100.0%		
IPs available for lease								
6	Nam Son Hap Linh IP	Bac Ninh	100.0%	300	204	59.4%	152	Remaining 60 ha has not been compensated Remaining NLA of 85 ha.
7	Quang Chau exp. IP	Bac Giang	89.0%	90	67	94.8%	132	Remaining NLA of 3.5 ha
8	Tan Phu Trung IP	HCMC	72.8%	543	346	76.9%	233	Remaining 33 ha has not been compensated. Remaining NLA of 80 ha.
Upcoming IPs								
9	Trang Due 3 IP	Hai Phong	89.3%	687	456	n/a	n/a	Approved in 1/2025
10	Trang Due IC	Hai Phong	89.3%	59	n/a	n/a	n/a	Had 1/500 Plan
11	Trang Cat IP	Hai Phong	100.0%	206	126	n/a	n/a	
12	Phuoc Vinh Dong 1 IC	Long An	100.0%	50	35	n/a	n/a	
13	Phuoc Vinh Dong 2 IC	Long An	89.0%	49	31	n/a	n/a	Had Approval of Investment in Principle. Completing compensation plan, etc.
14	Phuoc Vinh Dong 4 IC	Long An	72.8%	50	36	n/a	n/a	
15	Tan Tap IC	Long An	89.3%	71	42	n/a	n/a	
16	Tan Tap IP	Long An	66.0%	654	461	n/a	n/a	Had Approval of Investment in Principle. Completing 1/2000 Plan and compensation plan. Invested VND349 bn in 2023.
17	Loc Giang IP	Long An	72.8%	687	456	n/a	n/a	Had Approval of Investment in Principle. Completing 1/2000 Plan and compensation plan. Invested VND47 bn in 2023.
18	Hung Yen IC	Hung Yen	93.9%	59	n/a	n/a	n/a	Compensated 32 ha.

Sources: KBC, ACBS.
Residential projects: Debts increased mainly to finance for Trang Cat urban area

Trang Cat urban area has a scale of 585 ha in Dinh Vu - Cat Hai economic zone, Hai Phong city. According to the plan, this urban area will have more than 25,800 products, including 8,655 townhouses, 3,256 villas, 7,178 apartments and more than 5,940 social housing units. KBC has compensated 582 ha, ground-filled 80 ha and paid land use fees of VND3.5 trn. This project was approved for adjusted 1/500 Plan in October 2023 and adjusted Investment in principle in January 2025. Due to the adjustment of the General Planning of Hai Phong province, this project has an additional 73 ha of NSA and is expected to pay an additional VND6-7 trn of land use fees which is VND2-3 trn higher than KBC's previous estimation. Total investment capital of this project also increased by over 10 times from VND6.3 trn to VND69 trn. KBC plans to build infrastructure for this project from 2026.

Previously, in 1Q2024, KBC received a deposit of VND5,650 bn from Saigon Ham Tan Tourism JSC to ensure the signing and implementation of a real estate brokerage service contract for 40 ha. In 4Q2024, KBC increased total debts by nearly VND4.2 trn, to over VND10.1 trn at YE2024, leading to Net debt/Equity ratio rising from -17.4% to 8.2%. This was mainly due to KBC had two new bank loans of over VND5.5 trn borrowed from VPBank to finance for this project.

Table 3: KBC's residential projects

No.	Project	Location	KBC's stake	Total area (ha)	Progress
1	Diplomatic Area	Hanoi	100%	2.0	Looking for partners to co-develop
2	Phuc Ninh urban area	Bac Ninh	100%	136.5	Compensated 88.2 ha. Completed 119/150 townhouses/villas. Had 121 land use right certificates. Received bookings for 12ha with a total sales value of VND1.6 trn and recognized revenue of VND346 bn for 2.51 ha. Completing legal procedures to continue to recognize revenue.
3	Tan Phu Trung residential area	HCMC	73%	47.7	Fully compensated. Completing legal procedures.
4	Trang Cat urban area	Hai Phong	100%	584.9	Compensated 582ha, ground filled 80ha, paid land use fee of VND3.5 trn, received adjusted 1/500 Plan in 10/2023 and adjusted investment in principle in 1/2025. Expect to start construction from 2026.
5	Trang Due urban area	Hai Phong	89%	42.1	15 villas have not been recorded revenue and commercial & service land has not been put into operation. The social housing project has started construction since 2023. In 2024, KBC completes the construction and sells Phase 1 of the social housing project which includes 3 blocks and 768 apartments.
6	Social houses in Nenh town	Bac Giang	76%	12.6	Deliver and record revenue for 5 blocks and construct the next 5 blocks in 2024.
7	Loc Giang resettlement area	Long An	73%	31	Completing 1/500 Plan, compensation and infrastructure construction
8	Tan Lap resettlement area	Long An	89%	11.9	Completing legal procedures
9	Phuoc Vinh Dong 2 IC resettlement area	Long An	89%	10.5	Completing legal procedures
10	Phuoc Vinh Dong 4 IC resettlement area	Long An	73%	10.5	Completing legal procedures

Sources: KBC, ACBS.

KBC FINANCIALS MODEL	Price (VND):	29,600	Target (VND):	32,700	Mkt cap (VND bn):	22,721
(VND bn except where stated)		2022	2023	2024U	2025F	2026F
Total Net Sales		950	5,618	2,776	4,839	5,296
<i>Sales growth</i>		-77.6%	491.2%	-50.6%	74.3%	9.5%
CoGS ex-dep'n		608	1,791	1,331	2,425	2,564
SG&A		510	813	627	700	766
<i>SG&A as % of sales</i>		53.7%	14.5%	22.6%	14.5%	14.5%
EBITDA		-168	3,015	818	1,713	1,966
<i>EBITDA margin</i>		-17.7%	53.7%	29.5%	35.4%	37.1%
Depreciation		76	133	161	177	195
Operating profit		-245	2,882	657	1,536	1,771
<i>Operating profit margin</i>		-25.7%	51.3%	23.7%	31.7%	33.4%
Profit/loss from associates and JVs		2,187	(8)	57	57	57
Financial income (excl. saving interest)		0	112	8	0	0
Financial expenses (excl. interest expense)		73	47	-10	15	17
Net interest expense		469	353	113	487	591
<i>as % of avg, net debt</i>		15.7%	15.8%	8.5%	n/a	8.5%
Other profit/loss		10	17	-143	-143	-143
Tax		120	646	304	289	325
<i>Effective tax rate</i>		7.1%	22.4%	39.8%	20.0%	20.0%
PAT		1,577	2,245	460	1,157	1,299
Minorities		50	214	34	85	95
Net profit		1,526	2,031	426	1,072	1,204
<i>Net profit margin</i>		160.6%	36.1%	15.4%	22.2%	22.7%
Cash earnings		1,603	2,163	587	1,250	1,399
Number of shares (m)		768	768	768	768	768
EPS (VND)		1,993	2,646	555	1,397	1,568
Bonus factor (x)		1.0	1.0	1.0	1.0	1.0
Adjusted EPS (VND)		1,993	2,646	555	1,397	1,568
<i>EPS growth</i>		67.5%	32.8%	-79.0%	151.7%	12.3%

KEY CASHFLOW AND BS ITEMS	2022	2023	2024U	2025F	2026F
Increase in working capital	629	-853	2,738	714	1,164
Capex	274	1,251	156	156	156
Other cash flow items	-2,072	795	1,571	-	-
Free cash flow	-1,372	2,560	-736	379	287
Share issues	335	130	1	-	-
Dividends paid	0	130	-	-	-
Increase in net debt	1,037	-2,560	735	-379	-287
Net debt, end of year	3,514	954	1,689	1,310	1,022
Shareholders' equity	17,846	20,221	20,682	21,754	23,167
Minority interest	1,777	2,045	2,080	2,288	2,516
BVPS (VND)	20,933	23,679	24,234	25,360	26,903
<i>Net debt / equity</i>	<i>19.7%</i>	<i>4.7%</i>	<i>8.2%</i>	<i>6.0%</i>	<i>4.4%</i>
<i>Net debt / EBITDA (x)</i>	<i>-20.9</i>	<i>0.3</i>	<i>2.1</i>	<i>0.8</i>	<i>0.5</i>
Total assets	34,907	33,434	44,765	45,459	46,584

KEY RETURN AND VALUATION RATIOS	2022	2023	2024U	2025F	2026F
<i>ROE</i>	<i>10.2%</i>	<i>11.9%</i>	<i>2.3%</i>	<i>5.6%</i>	<i>7.0%</i>
<i>ROA</i>	<i>4.7%</i>	<i>5.9%</i>	<i>1.1%</i>	<i>2.4%</i>	<i>3.1%</i>
<i>ROIC</i>	<i>5.1%</i>	<i>6.1%</i>	<i>0.7%</i>	<i>2.4%</i>	<i>2.7%</i>
<i>WACC</i>	<i>14.7%</i>	<i>15.6%</i>	<i>15.2%</i>	<i>15.3%</i>	<i>15.2%</i>
<i>EVA</i>	<i>-9.6%</i>	<i>-9.5%</i>	<i>-14.4%</i>	<i>-13.0%</i>	<i>-12.5%</i>
<i>PER (x)</i>	<i>14.9</i>	<i>11.2</i>	<i>53.3</i>	<i>21.2</i>	<i>16.1</i>
<i>EV/EBITDA (x)</i>	<i>-139.2</i>	<i>7.8</i>	<i>28.7</i>	<i>13.7</i>	<i>11.9</i>
<i>EV/FCF (x)</i>	<i>-17.1</i>	<i>9.2</i>	<i>-31.9</i>	<i>61.9</i>	<i>81.6</i>
<i>PBR (x)</i>	<i>1.4</i>	<i>1.3</i>	<i>1.2</i>	<i>1.2</i>	<i>1.1</i>
<i>PSR (x)</i>	<i>23.9</i>	<i>4.0</i>	<i>8.2</i>	<i>4.7</i>	<i>4.3</i>
<i>EV/sales (x)</i>	<i>24.7</i>	<i>4.2</i>	<i>8.5</i>	<i>4.8</i>	<i>4.4</i>
<i>Dividend yield</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>

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Our Recommendation System

BUY: Expected prospective total return (including dividends) in VND will be 20% or more within 12 months

OUTPERFORM: Expected prospective total return (including dividends) in VND will be from 10% to 20% within 12 months

NEUTRAL: Expected prospective total return (including dividends) in VND will be from -10% to 10% within 12 months

UNDERPERFORM: Expected prospective total return (including dividends) in VND will be from -20% to -10% within 12 months

SELL: Expected prospective total return (including dividends) in VND will be less than -20% within 12 months

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