

EXPANSIVE OPPORTUNITIES IN THE VIETNAM INDOCHINA TRANS-REGIONAL CORRIDOR

15 November 2023

RECOMMENDATION

BUY

Fair price	83,400 VND
Current price	56,900 VND
Upside/downside	46.5%

STOCK INFORMATION

Outstanding shares (mil)	181.8
Free float (mil)	99.9
Market cap. (billion VND)	9,690
3m avg. volume (shares)	116,994
Foreign ownership (%)	0.32%
First listing date	06/06/2019

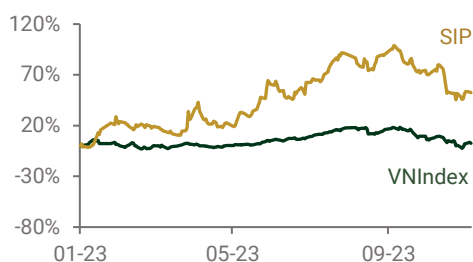
SHAREHOLDER STRUCTURE

An Loc Development and Investment JSC	22.2%
Nam Tan Uyen JSC	10.0%
Mr. Tran Manh Hung	11.4%
Mr. Lu Thanh Nha	8.4%
Others	48.0%

KEY ATTRIBUTES

EPS TTM (VND)	4,679
BVPS (VND)	21,280
Debt/Equity (%)	33%
ROA (%)	4.33%
ROE (%)	26.26%
P/E	11.39x
P/B	2.82x
Dividend yield (%)	1.88%

PRICE PERFORMANCE



COMPANY PROFILE

Saigon VRG Investment Corporation (SIP) was established in 2007, transitioned to a public company in January 2019, and officially listed on HOSE on August 8, 2023. The company operates in the industrial parks (IPs) sector, providing services within industrial zones.

ANALYST(S)

Nguyen Cuu Minh Danh
danhnguyen@phs.vn

- Boasting distinguished growth potential, attribute to the dominant position of Phuoc Dong Industrial Park (IP) in Tay Ninh and other strategically located IPs in the Southern Key Economic Zone (SKEZ).
- The residual commercial land area is considerable, fully meeting the investment shift trend currently.
- Infrastructure connectivity around SIP's IPs is being actively promoted by authorities, these enhancement support positively to growth potential.
- SIP is trading at a P/B fwd of 3.0x for 23F and 3.0x for 24F, lower than its historical median of 4.0x. Therefore we recommend to Buy SIP with a potential upside of 46.5%.

Investment thesis:

(1) Robust growth prospects in IPs sector:

During the 2019A - 2022A period, industrial land leasing revenue achieved a Compound Annual Growth Rate (CAGR) of ~20%, primarily driven by favorable leasing conditions in Phuoc Dong IP. Anticipating the persistence of SIP's leasing conditions due to having many advantages to attract new tenants, we project SIP could maintain that sustained CAGR for this sector's revenue in the period of 2023F-2027F.

(2) Expansion of IPs rental area stimulates Services sectors growth:

SIP offers utility services, including electricity and water distribution, and other supporting services to its IP tenants. Notably, the power distribution segment contributes a substantial 90% to SIP's service revenue.

We forecaste that from 2023F-2027F the amount of electricity distribution could gain a 7% CAGR driven by promising prospects from Phuoc Dong IP. Additionally, we anticipate a 5%-10% increase in retail electricity prices from 2024F-2025F, leading to an enhancement of the segment's gross profit margin from 6.3% to 8.5%.

Projection of business results: In 2023F and 2024F, we anticipate a steady growth in SIP's business activities due to positive leasing prospects. Total revenue are projected to reach VND 6,662 billion (+10% YoY) and VND 7,442 billion (+12% YoY) respectively, while NPAT reach VND 1,083 billion (+7% YoY) in 2023F and VND 1,123 billion (+4% YoY) in 2024F.

Valuation & Recommendation: Using SOTP and RNAV methods, we estimate the fair value of SIP is **83,400 VND/share**. Therefore, we recommend **BUY** with a potential upside of **46.5%**.

Risks: (1) Legal challenges posing a threat to the investment progress of tenants and SIP's expansion plans; (2) Escalation in site clearance costs impacting the investment costs of new projects; (3) Fluctuations in land rental demand due to global economic recession risks affecting investment cuts and production expansion.

Financial Results	2020A	2021A	2022A	2023F	2024F
Net Revenue (VNDbn)	5,082	5,575	6,034	6,662	7,442
Gross Profit (VNDbn)	678	771	901	1,074	1,172
Net Profit (VNDbn)	1,118	909	1,010	1,083	1,123
Gross Profit Margin (%)	13%	14%	15%	16%	16%
EPS (VND)	6,459	4,496	5,375	5,763	5,979
Book Value (VND)	29,269	32,046	35,695	17,996	18,476
Cash dividend (VND)	1,900	2,800	2,000	3,500	5,000