

IJC
NOT RATED

Price (11/11/2020) VND 13,000

Target Price 12M N/A

What's new?

- ▶ We met with management to discuss IJC's operations and outlook.
- ▶ The company has 68ha of favorably located landbank.
- ▶ IJC also operates two tollgates on Highway 13, with remaining useful life of 17 years.
- ▶ Binh Duong province is Vietnam's 3rd largest FDI destination. This should underpin housing demand.

Our view

- ▶ We have a positive macro outlook on Binh Duong province as a key geographic beneficiary of the FDI story.
- ▶ IJC's large landbank should bolster its operations in the years ahead.
- ▶ Tollgates should also generate stable cash flow over the long term.
- ▶ The stock trades at 0.9x trailing P/B, a substantial discount to the 2.5x P/B average for real estate developers.

Company profile: IJC operates in multiple sectors including residential real estate (54.4% of 2019 revenue), toll collections (17.6%), construction, and property investment in Binh Duong province. Located north of HCMC, Binh Duong is Vietnam's third largest FDI destination and one of the nation's fastest growing provinces.

Share price performance relative to VNINDEX


Market cap (USD mn)	76.6
6M ADT (USD k)	213
Outstanding shares (mn)	137
Free float (%)	31
FINI ownership (%)	1.3
Major shareholders (%)	78.8
3Q20 Net debt/equity (%)	23%
TTM P/E (x)	6.8
3Q20 P/B (x)	0.93
Exchange	HOSE
FOL Room (%)	47.7%

Financial outlook (VND bn)

	2016A	2017A	2018A	2019A
Sales	1,971	948	1,246	1,600
Op.Profit	271	332	377	432
Net Profit	128	184	233	284
EPS (VND)	397	1,143	1,445	1,764
EPS chg (%)	4.9	188.1	26.4	22.1
P/E (x)	66.5	23.1	18.3	15.0
ROE (%)	4.3	8.0	13.7	15.9
Div.yield (%)	6.6	8.2	9.8	4.1

BECAMEX INFRASTRUCTURE DEV'T (IJC)

Potential development projects to support operations

Sizable landbank is attractively located. IJC's total landbank comprises nearly 68ha. Of the total, projects have been launched on 35ha while the remaining 33ha is under development. IJC's cost base for this landbank is low because it was acquired many years ago. In our opinion, this legacy landbank should allow for growth in the company's real estate business in years ahead.

Toll stations provide stable cash flow. IJC operates two tollgates on National Road 13 – the key route connecting Binh Duong and Binh Phuoc provinces with HCM City. These facilities have a remaining life of c.17 years. The tollgates are underpinned by high and stable volume of vehicle flow and provide significant gross profit margin of c.80%. We think that IJC's toll business benefits from the sizable projects in northern Binh Duong Province, which should continue to add to the already sizeable traffic flow in upcoming years.

FDI inflow growth encourages housing demand in Binh Duong. In 2019, Binh Duong province ranked 3rd nationwide, following up Hanoi and Ho Chi Minh City in attracting FDI with a total capital of more than USD 3.1 billion, up 50% YoY. Backed by its large land bank, infrastructure development and adjacent location to Ho Chi Minh City, we expect that Binh Duong province will continue to attract a large amount of FDI. This promotes the demand for housing for locals and experts working in various industrial parks.

IJC has fulfilled 90% of annual profit guidance in 9M20. Revenue in the first three quarters increased by 30.8% YoY to VND 1,840 billion, fulfilling 88% of management's full-year revenue target. However, YTD gross margin fell by 7.9ppt YoY to reach 23.7% as a result of an increase in relatively low-margin (18.7% in 9M20) property sales as part of the revenue mix. Although SG&A expenses decreased by 15.1% YoY to VND62 billion, net financial expenses increased by 40% to VND 98 billion. As a result, 9M2020 NPAT fell by 10.4% YoY to VND 224 billion. However, the NPAT decline was within management's expectations, as 9M20 NPAT has fulfilled 90% of the company's full-year target for 2020.

Valuation. At the closing price on November 11, 2020 of VND 12,550 / share, IJC is trading at P/B 0.93x, significantly lower than the sector P/B of 2.52x.

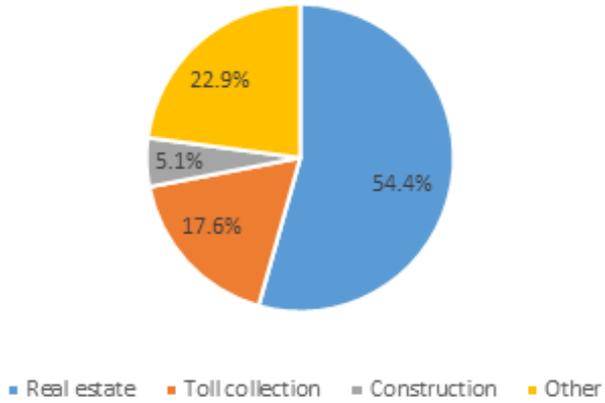
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COMPANY OVERVIEW

IJC is involved in real estate, toll collections, construction, and leasing services in Binh Duong province.

Figure 1: Revenue mix in 2019 (%)

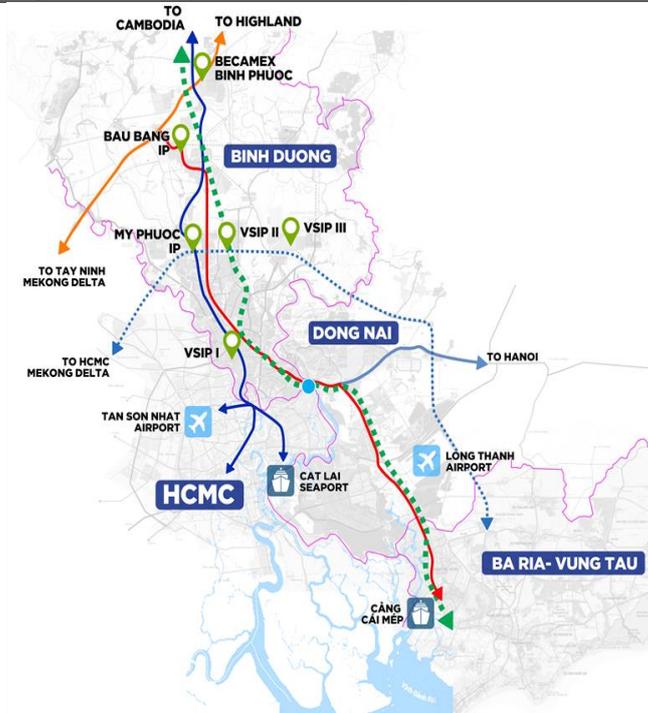


Source: Company

IJC is located in Binh Duong province, a key economic center in the South. The province boasts thoroughly developed infrastructure and interconnected transportation networks.

Binh Duong is one of the fastest growing provinces in Vietnam. Its annual gross regional domestic product (GRDP) growth has outperformed national GDP growth for at least the past five years (please see figure 3).

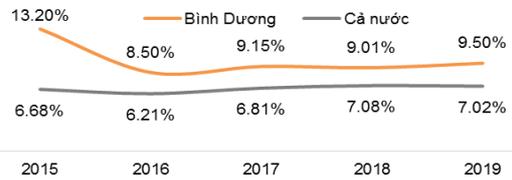
Figure 2: Comprehensive transport infrastructure



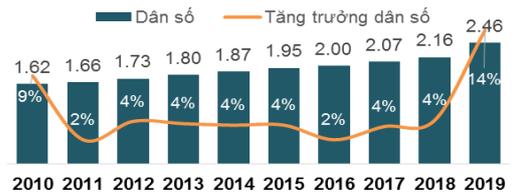
Source: Company

Figure 3: Binh Duong's GRDP is always an outperformer

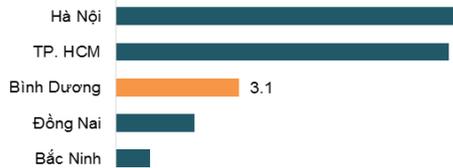
Tăng trưởng kinh tế của Binh Duong giai đoạn 2015 - 2019



Thống kê dân số Binh Duong giai đoạn 2010 - 2019



Top 5 tỉnh thành thu hút FDI 2019 (tỷ USD)



Nguồn: Tổng cục Thống kê, Cục Đầu tư nước ngoài

Real estate: unlocking the sizeable landbank

Large landbank ensures company's operations for years

IJC's key strength lies in its sizeable landbank. According to IJC, the company's total commercial landbank is c.68ha. Of the total, 35ha of projects have been launched while the remaining of 33ha remains under the development phase for potential future projects.

IJC obtained its landbank from various parties many years ago, when the price was still very low. The remaining landbank should underpin the business in the years ahead.

Figure 4: Current and potential projects under development

No	Projects	Location	Total area (sqm)	Remaining area (sqm)	NSA (sqm)	ASP (VNDmn/sqm)	Market value (VNDmn)
Projects being launched							
1	Dự án The Green River	P. Thới Hòa, TX. Bến Cát, tỉnh Bình Dương	571,931	80,893	36,402	8.0	291,215
2	Hòa Lợi G5, G7, G8, G23, G27 relocation projects	Tp. Thủ Dầu Một, tỉnh Bình Dương	44,175	25,807	11,613	11.0	127,745
3	Sunflower Luxury Villa	Khu N7 + N8, Khu Đô thị mới, P. Hòa Phú, TP. TDM, Bình Dương	53,746	39,366	39,366	40.0	496,800
4	IJC Aroma Luxury Apartment	Lô N5, Trung tâm Thành phố mới Bình Du	21,338	10,669			51,456
5	Princetown townhouse	P. Hòa Phú, Tp. Thủ Dầu Một, tỉnh Bình Du	6,462	490	490	30.0	14,700
6	IJC City	P. Hòa Phú, Tp. Thủ Dầu Một, tỉnh Bình Du	236,961	49,365	22,214	30.0	666,428
7	IJC Hòa Lợi (F1-F16) residential	Tp. Thủ Dầu Một, tỉnh Bình Dương	146,882	138,933	56,268	30.0	1,688,036
8	Social housing D9, D3, D10, D5, D3A	TX. Tân Uyên, tỉnh Bình Dương	29,679	5,623	2,530	10.0	25,304
Projects under development							
9	Bàu Bàng worker housing	Huyện Bàu Bàng, tỉnh Bình Dương	20,684	3,142	1,414	10.0	14,139
10	Princetown extension project	P. Hòa Phú, Tp. Thủ Dầu Một, tỉnh Bình Du	36,364	36,364	16,364	24.5	400,913
11	Sunflower extention	P. Hòa Phú, Tp. Thủ Dầu Một, tỉnh Bình Du	52,728	52,728	23,728	24.5	581,326
12	Hòa Lợi relocation housing project	P. Hòa Phú, Tp. Thủ Dầu Một, tỉnh Bình Du	66,267	66,267	29,820	24.5	730,594
13	Ấp 5C Bàu Bàng residential area	Huyện Bàu Bàng, tỉnh Bình Dương	143,424	143,424	64,541	8.0	516,326
14	IJC Bình Phước worker housing	Huyện Chơn Thành, tỉnh Bình Phước	26,012	26,012	11,705	5.0	58,527
Total value						316,455	5,663,508

Source: Company, (*) YSVN's estimates

Current projects are favorably located.

The landbank has been fully cleared and is located in favorable locations such as Binh Duong New City Center or otherwise adjacent to residential areas and large industrial parks with well-developed transportation infrastructure and integrated utilities (Figure 5.). We estimate the value of launched and potential projects at VND 5,600 billion (Figure 4).

Among launched projects, the most prominent is the Sunflower Villa project located at the heart of Binh Duong New City with total investment of VND 1,180 billion in an area of c.8 ha shared by 100 premium semi-detached and detached villas. IJC expects revenue and profit are expected to be VND 1,551 billion and VND 203 billion, respectively, with an IRR of 18%.

Also, the company expects to complete Blocks C, D, and E at its Aroma apartment project, which is adjacent to the Sun Flower project and has invested capital of VND474 billion. Management expects this project to generate revenue and profit of VND 1,106 billion and 83 billion, respectively.

Figure 5: current projects



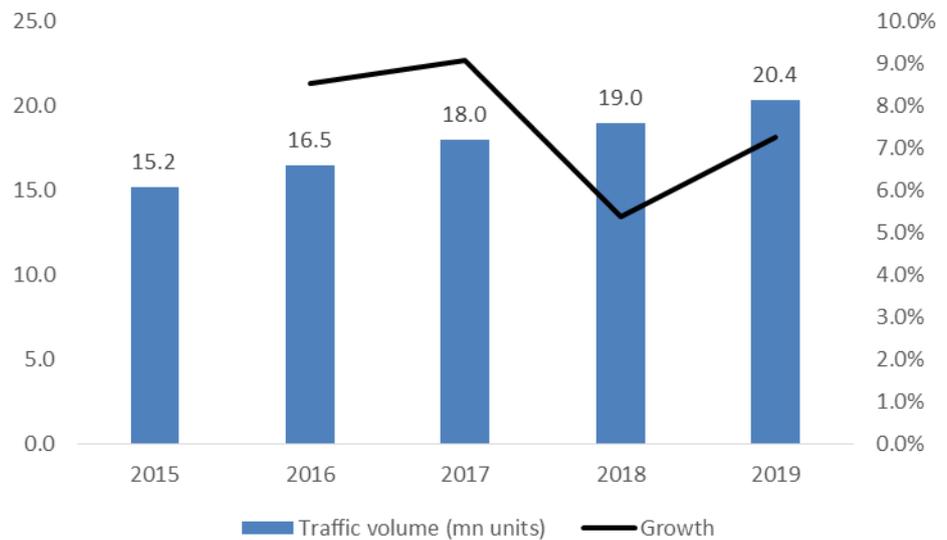
- 1 Dự án Biệt thự Sunflower
 - 2 Dự án Chung cư IJC AROMA
 - 3 Dự án Khu đô thị IJC
 - 4 Dự án Phố thương mại Prince Town
 - 5 Dự án Khu dân cư IJC Hòa Lợi (F1-F16)
 - 6 Dự án tái định cư và nhà ở xã hội Tân Uyên
 - 7 Dự án khu dân cư Suối Trè – Tân Bình
 - 8 Dự án Phố thương mại IJC
 - 9 Dự án khu dân cư The Green River
 - 10 Dự án nhà ở công nhân, khu dân cư Đâu Bàng
- *** Các dự án sắp triển khai
- Dự án Sunflower mở rộng
 - Dự án Prince Town mở rộng
 - Dự án Khu tái định cư Hòa Lợi

Source: Company

Toll collections benefit from Northside projects

Traffic toll collection has served as IJC's core business since its inception. Currently, the traffic toll collection is the second largest contributor in total revenue, accounting for 17.6% of total revenue in 2019. This segment is highly profitable with gross profit margin of over 80%.

Figure 6: Traffic volume (million units)



Source: Company, YSVN

The revenue of this segment is derived from 02 BOT toll stations on National road 13 located in Thuan An Town and Thu Dau Mot City, with the useful life ended in 2037. Traffic volume increases steadily each year in this road, owing to being the center of Southern industrial area and the intersection of Ho Chi Minh City, Binh Duong and neighboring provinces. This generates a relatively stable cash flow for IJC. Specifically, the traffic volume reached 20.4mn units in 2019, grew by 7.3% YoY, equivalent to CAGR of 7.6% in 2015 -2019 period.

Growth prospect is consistent with the development of many large-scale projects in the North. Binh Duong is developing large industrial zones in the North, where Bau Bang science-technology zone of 900ha is the key point; Green Gate education urban planning of 600ha in Tan Uyen, building Viet Duc International University in Ben Cat town with the largest scale in Vietnam ... Toll collections on National road 13 is thus expected to continue to be a stable source of earnings for IJC in the upcoming years.

Other businesses

Construction: IJC is a primary constructor of infrastructure and social housing projects in Binh Duong province. Its major partners include Industrial Investment and Development Corporation, Becamex Tokyu Limited Company, and Vietnam-Singapore Industrial Park JSC.

Investment property: IJC leases out several floors at Becamex Tower shopping mall and the ground floor of block B in the IJC Aroma building. Consolidated revenue from this segment reached VND 22 billion in 2019, an increase of 7% YoY.

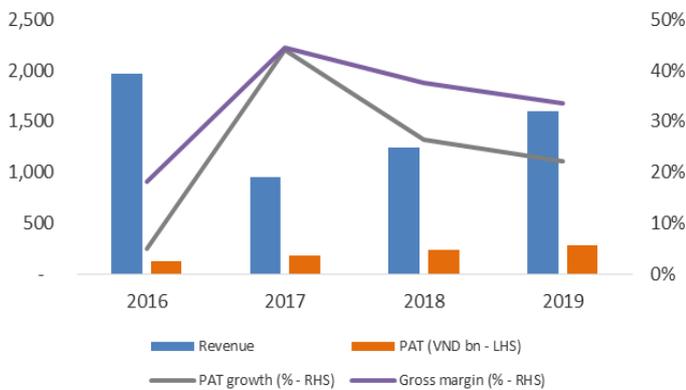
Joint venture: The Becamex City Center project is an cooperative investment and construction JV with Industrial Investment and Development JSC. This project has an area of over 61k m2 and total investment of VND 2.5 trillion. The Center offers office space, luxury apartments, commercial space, 5-star hotels, amusement parks, parking lots, and parks.

Financial outlook

IJC has maintained steady revenue growth of over 20% over the last 3 years (2017-2019).

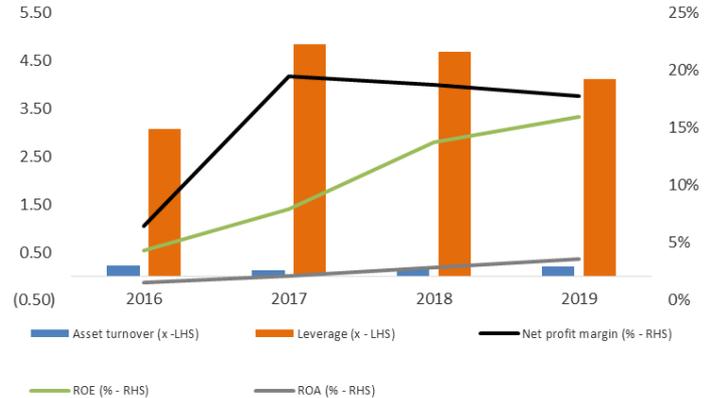
Its profitability has also improved significantly over years. ROE reached 16% in 2019, underpinned by improved asset turnover.

Figure 7 : Revenue growth of two digits (2015-2019)



Source: IJC, YSVN

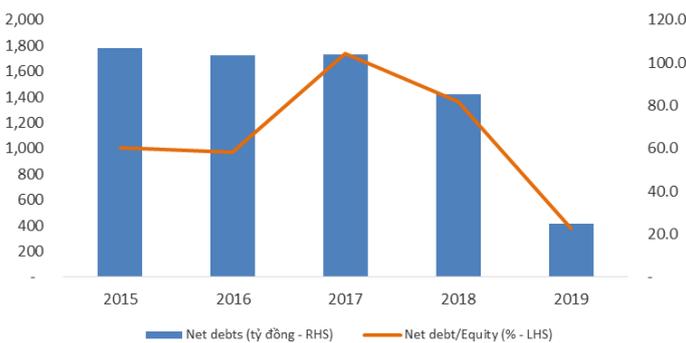
Figure 8: Improved profitability



Source: IJC, YSVN

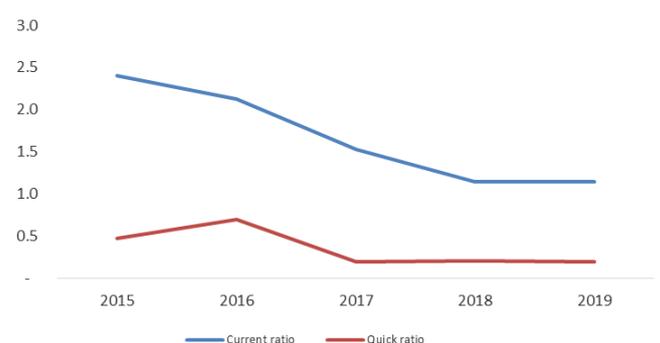
Significant reduction in financial leverage. Net debt decreased significantly by 71% YoY to VND414 billion as of 2019. As a result, the company's net debt / equity ratio plunged to reach 22.6% at 2019, down from 81.8% at 2018.

Figure. 9: Leverage decreased significantly



Source: IJC, YSVN

Figure. 10: Improved liquidity



Source: IJC, YSVN

IJC's liquidity will improve. Inventories are at a relatively high level at c.83% of short-term assets. As a result, the quick ratio is constrained at a relatively low level, indicating a high demand for cash.

IJC will soon improve its liquidity ratios (possibly in 4Q20) assuming a successful transfer of land use rights to Becamex (BCM, Not rated) of Land Lot J9, which is located in a new urban area of Binh Duong province (specifically in Hoa Phu ward, Thu Dau Mot City). The property I is valued at VND 799 billion in the transfer contract.

VALUATION AND RISK

We do not cover IJC and have no investment recommendation. However, the valuation could attract some attention given its substantial discount to the sector average for real estate developers. At the closing price on November 11, 2020 of VND 13,000, IJC is trading at 0.93x 3Q20 P/B, substantially lower than the real estate sector average of 2.52x.

RISK

Delayed implementation of potential projects due to market factors. This is a typical risk for all real estate businesses, but it could reduce the company's cash flow and profitability if it occurs.

Regulatory changes. Changes in regulations and policies related to real estate management or BOT toll operations could also affect the company (but not only negatively).

PROFIT AND LOSS (VND bn)				
	2016A	2017A	2018A	2019A
Revenue	1,971	948	1,246	1,600
Cost of goods sold	(1,615)	(527)	(777)	(1,062)
Gross profits	356	422	469	538
Operating expenses	(85)	(90)	(92)	(105)
Operating profits	271	332	377	432
Net interest expenses	(113)	(116)	(109)	(88)
Net investments income/(loss)	-	-	-	-
Net other incomes	3	6	14	1
Pretax profits	161	222	282	345
Income taxes	(33)	(37)	(49)	(61)
Minority interests	-	-	-	-
Net profits	128	184	233	284
<i>Core earnings</i>	128	184	233	284
EBITDA	307	370	415	471
EPS (VND)	397	1,143	1,445	1,764

KEY RATIOS				
	2016A	2017A	2018A	2019A
Growth (% YoY)				
Sales		-52%	31%	28%
Operating profit		22.6	13.7	14.6
EBITDA		20.5	12.3	13.3
Net profit		44.0	26.4	22.1
EPS (VND)		188.1	26.4	22.1
Profitability ratio (%)				
Gross margin	18.0	44.5	37.6	33.6
Operating margin	13.7	35.0	30.3	27.0
EBITDA margin	15.6	39.0	33.3	29.4
Net margin	6.5	19.4	18.7	17.8
ROA	1.6	2.1	2.9	3.6
ROE	4.7	8.0	13.7	15.9
Stability				
Net debt/equity (%)	58.0	104.4	81.8	22.6
Int. coverage (x)	3.5	4.5	5.5	7.7
Int. & ST debt coverage (x)	0.7	0.7	0.4	0.4
Cash conversion days	565.6	2620.1	1454.0	1048.8
Current ratio (X)	2.1	1.5	1.2	1.1
Quick ratio (X)	0.7	0.2	0.2	0.2
Net cash/(debt) (VND mn)	(1,723)	(1,733)	(1,421)	(414)
Efficiency				
Days receivable outstanding	239	573	225	196
Days inventory outstanding	598	3594	2457	1699
Days payable outstanding	271	1546	1228	847

Source: Company, YSVN

BALANCE SHEET (VND bn)				
	2016A	2017A	2018A	2019A
Total assets	9,135	8,023	8,138	7,547
Cash & cash equivalents	72	73	206	56
ST Investment	11	18	31	45
Accounts receivable	2,377	686	927	898
Inventories	5,021	5,349	5,110	4,780
Other current assets	23	9	3	2
Net fixed assets	559	562	534	525
Others	1,073	1,326	1,327	1,241
Total liabilities	6,166	6,363	6,401	5,715
Current liabilities	3,529	4,004	5,453	5,031
Accounts payable	2,173	2,289	2,939	1,989
ST debts	451	603	1,553	500
Long-term liabilities	2,638	2,359	948	684
Long-term debts	1,355	1,220	105	15
Others	1,283	1,139	843	669
Shareholder's equity	2,968	1,660	1,737	1,832
Share capital	2,742	1,371	1,371	1,371
Treasury stocks	-	-	-	-
Others	89	99	114	125
Retained earnings	127	180	242	326
Minority interest	-	-	-	-

CASH FLOW (VND bn)				
	2016A	2017A	2018A	2019A
Operating cash flow	(3,855)	1,717	424	1,078
Net income	128	184	233	284
Dep. & amortisation	(1,120)	35	34	32
Change in working capital	(4,071)	1,699	503	991
Others	1,208	(201)	(347)	(229)
Investment cash flow	1,669	(252)	11	(50)
Net capex	6	8	26	(45)
Change in LT investment	1,456	(253)	(1)	9
Change in other assets	207	(6)	(14)	(14)
Cash flow after invt.	(2,186)	1,465	435	1,028
Financing cash flow	2,045	(1,464)	(302)	(1,178)
Change in share capital	1,718	(1,371)	-	-
Net change in debt	383	17	(165)	(1,144)
Change in other LT liab.	(56)	(110)	(137)	(35)
Net change in cash flow	(141)	1	133	(150)
Beginning cash flow	212	72	73	206
Ending Cash Balance	72	73	206	56

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