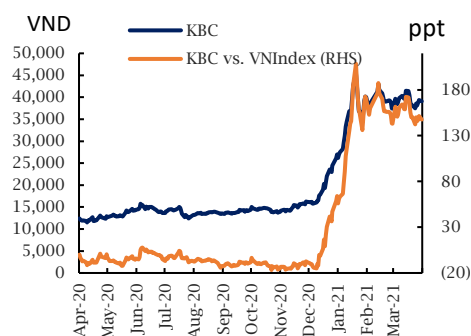


BUY
TP upside: +34.3%
Close 12 April 2021

 Price VND 41,100
 12M Target VND 55,200

Share price performance relative to VN


Market cap	USD 850.99 mn
6M avg. daily turnover	USD 7.20 mn
Outstanding shares	469.76 mn
Free float	64.22%
FINI ownership	21.80%
Major shareholders	42.12%
2020 Net debt / equity	0.45x
2021F P/E (x)	9.24x
2022F P/E (x)	6.79x
2021F P/B (x)	1.83x
2022F P/B (x)	1.54x
FOL Room	27.20%
Dividend yield	1.95%

Source: Bloomberg, Company data

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Bloomberg code: YUTA

AGM Highlights: X Factors

Event: We attended KBC's AGM on Saturday, April 10.

Key takeaways

High target for revenue and profit in 2021. Management targets VND 6.6tn in revenues, which would be 3.1 times higher than 2020A revenues. KBC targets VND 2.0tn in 2020E PAT, would be 6.25 times higher YoY.

KBC's IP projects have attracted many potential tenants. Management disclosed that four potential tenants will fill 124.7 ha of Nam Son Hap Linh IP, accounting for 62.4% of the project's total leasable area, and 45.6ha of the remaining area of Quang Chau IP will be leased to two tenants. In addition, potential tenants are in place for 30ha of Quang Chau IP's expansion phase and for 20ha of Tan Phu Trung IP.

Positive news on administrative procedures. KBC recently obtained project investment approval for Trang Due IP - Phase 3 (687ha), a project that is located in a newly established economic zone. Enterprises operating there will receive special tax incentives such as 1) corporate income tax exemption for the first four years after the business starts making a profit and 2) 50% reduction of corporate income tax for the subsequent nine years. Additionally, the company has been working on the administrative procedures to deliver 62.5ha of NSHL IP to tenants.

No cash dividend to be paid as KBC targets shoring up the balance sheet. The BOD has determined that KBC's cash flow is sufficient to secure debt payments and land use fees of Trang Cat UA (the company has tried to pay the full LUR fees for Trang Cat UA in 2020 given the fees might be adjusted upwards in 2021). Therefore, AGM attendees approved the plan to retain earnings from 2019 (the decision to not pay out a cash dividend for 2020 was approved at the 2020 AGM).

Capital increase. KBC will increase its capital by issuing new shares to existing shareholders from the parent company's equity; shareholders who own 3 shares will receive 1 new share. We raised a question regarding our concern about the dilution from the private placement. KBC's chairman stated that the BOD will discuss the matter with a major institutional shareholder and will prioritize existing shareholders for this placement. The planned private placement was approved with an estimated 100mil shares to be issued, equivalent to 21.3% of total current outstanding shares.

Our view

Trang Cat is a mega residential project that offers two options to realize profit: (1) split the project into sub-projects to sell to other developers, which would not optimize the selling price but would reduce the business's cashflow pressure, and (2) sell ready-to-build land to sub-developers after completing the ground engineering, which would increase cashflow pressure but optimize the selling price. However, the determination of the chairman and BOD on these options remains unclear to us.

Dilution risk from private issuance, KBC's chairman highlighted that the planned private placement will be thoroughly discussed with a major institutional shareholder. We hope that the potential negative impact of dilution will be reduced as a result.

We maintain our BUY recommendation and target price of VND 55,200, implying 36.25% 12-month TSR. KBC is a proxy on Vietnam's advantageous position in the global manufacturing diversification story. KBC is an optimal proxy on Vietnam industrial property, which should be supported by factors such as resilient global demand, diversification of manufacturing from China, and the domestic infrastructure rollout. The stock has returned 68% YTD, but in our view, the rerating is only just getting started.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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