

We Create Fortune

Bamboo Capital JSC (HOSE: BCG)

EARNING UPDATE Q1/2021

Recommendation: BUY

Close price (VND): 12,350

Target Price (VND): **18,293**

Upside: **+48.12%**

Sector: Specialty Finance (ICB: L4)

FINANCIAL OUTLOOK

Market cap (VND bill):	2,512
Outstanding shares:	203,468,140
Issued shares:	203,468,140
State ownership:	0%
Foreigner ownership:	7.73%
P/E (TTM):	4.16
P/B (TTM):	1.06
ROE:	11.2%
ROA:	1.6%
Div. yield:	9.72%

Share price performance relative to VN-Index



Gross profit margin increased sharply in the first quarter of 2021

BCG's earning update Q1/2021

BCG's Q1/2021 net revenue rose 65% YoY to VND634bn, NPAT-MI increased significantly 9,021% YoY to VND118bn. Revenue grew strongly based on: (1) Handing over 5 villas of King Crown Infinity project; (2) 2 solar power plants: VNECO in Vinh Long (49 MWp) and Phu My Phase1 in Binh Dinh (214 MWp) started generating electricity in Q1/2021. Gross profit margin improved strongly to 32% from 20% in Q1/2021 thanks to the high gross profit margin of the real estate and the renewable energy sector.

Interest expenses increased by 207% to VND135bn as the company increased debt and issuing bonds to finance for renewable energy projects. Meanwhile, financial income increased strongly 497% YoY thanks to the recognition of interest from trading cooperation contracts and profit from investment in stocks and bonds.

Update on ongoing projects:

Real Estate Projects:

Radisson Blu Hoi An: The project has completed the basic construction. Due to the impact of the Covid-19 pandemic, the sale of the remaining products as well as the handover to the customers have been delayed. BCG intends to open the remaining products for sale in June and start the handover in December of this year. The remaining project has about 123 condotels and 51 villas.

King Crown Village: The project has handed over 10 of 17 villas and 5 villas has been recorded in revenue in Q1/2021, the handover of all of villas will be completed this year. Phase 2 of the project (commercial complex) is in legal procedure completion stage.

King Crown Infinity: 160 apartments were sold in the first sale. BCG will open the next sale in 2021.

Hoian d'Or: The project has a scale of 24.4 hectares in Hoi An, Quang Nam and is designed as a resort complex with components such as 5-star hotel, resort villa, shophouse and condotel with a total estimated investment of VND2,330bn. BCG plans to open for sale the first products of Hoian d'Or in 2021. The groundbreaking ceremony of the project has just been taken place on April 18, 2021.

Amor Garden: This project is expected to be transferred in Q1/2021, the profit by the transfer is about VND 150 bn.

Renewable Energy (RE) projects:

Two solar power plants, VNECO Vinh Long and Phu My Phase 1, have been operating since the beginning of this year. BCG is implementing the rest of the Phu My project with the capacity of 116 MWp. In addition, BCG also continues to implement a number of rooftop solar power projects.

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Update on AGM 2021:

On May 15, 2021, BCG held the 2021 AGM, shareholders approved the business plan for 2021 with revenue of VND5,375 bn (+289.8% YoY), NPAT of VND 806.4 bn (+303% YoY), the expected dividend rate in 2021 is around 12%. The Company does not deduct the bonus and welfare fund.

Besides, BCG will increase the capital to VND 5,063 bn through stock issuance:

1. Stock dividend rate for 2020 is 2%.
2. Convert 900 bn bonds into shares (conversion price is 10,000 VND).
3. Issuing to existing shareholders with an issuance ratio of 2:1 (issuing price is 12,000 VND).
4. Private placement for strategic partners.

Shareholders in the AGM also approved issuing bonds with a maximum amount of VND 3 trillion. This is a non-convertible bond and without warrant or collateral.

The capital raised from these issuances will be used to finance solar farm projects, solar rooftop projects, real estate projects, M&A activities, etc. According to BOD, there are 3 Institutional investors interested in the private placement of BCG and the negotiation is expected to be completed in Q2/2021.

In addition to ongoing solar power projects, BCG also started to proceed with wind power projects in Ca Mau and Tra Vinh (both of which are offshore projects) with a total capacity of 500 MW in 2021 and is expected to generate 300 MW by September 2022. The difficulties in implementing wind power projects are (1) Lack of turbines due to the impact of the Covid-19 pandemic on the supply chains and (2) The complex construction requires contractors to have sufficient experience, especially for offshore wind power projects. Moreover, BCG also plans to do research and expand to the LNG power segment.

In the real estate sector: Besides the ongoing projects, a number of new projects are also being developed such as King Crown Park (King Duong Vuong, Binh Tan District), King Crown City (Pham Van Dong, Thu Duc City), Cat Trinh Industrial Park (Binh Dinh).

Furthermore, residential, industrial and infrastructure construction can become key business segment of BCG after restructuring Tracodi (HOSE: TCD). BCG ambitiously enhances Tracodi to become one of the leading contractors in Vietnam. Currently, Tracodi only executes residential projects assigned by BCG, however in the coming time, Tracodi will expand to infrastructure and transportation projects.

Investment Outlook:

We believe that BCG is a promising enterprise in the renewable energy (RE) industry. With our estimated total capacity of 451 MWp, including two large projects, VNECO Vinh Long and Phu My, which started generating power this year, we believe that RE projects will bring abundant and stable cash flow for BCG to finance its future investment plans. However, we believe that the performance of BCG's power plants in 2021 will be affected by oversupply due to (1) low electricity demand in 2021 because of the impact of the Covid-19 pandemic (2) La Nina phenomenon causing the increase of hydropower productivity (3) the sharp increase of solar power capacity in the end of 2020. We expect solar power plants to improve their operational efficiency in 2022 when the Covid-19 pandemic is under control and the electricity consumption demand re-increases.

We maintain our forecast that BCG's NPAT will reach VND 363 bn in 2021, +35.7% YoY. We maintain our BUY recommendation for BCG with a target price of VND 18,293, equivalent to upside of 48%.

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Sheet 1: Q1/2021 business results explanation:

	Q1/2021	Q1/2020	Change (%)	Note
Revenue	634,341	384,951	65%	Significant increased due to the handover of King Crown Village Thao Dien project and 2 solar power plants VNECO Vinh Long and Phu My operating from the beginning of 2021
<i>Goods and finished products</i>	<i>359,408</i>	<i>214,091</i>	<i>68%</i>	
<i>Service provider</i>	<i>101,248</i>	<i>42,113</i>	<i>140%</i>	
<i>Construction contract</i>	<i>173,684</i>	<i>128,726</i>	<i>35%</i>	
Deductions	(484)	-		
Net sales	633,857	384,951	65%	
COGS	(430,387)	(308,846)	39%	
<i>Goods and finished products</i>	<i>(259,868)</i>	<i>(184,006)</i>	<i>41%</i>	
<i>Service provider</i>	<i>(38,131)</i>	<i>(2,871)</i>	<i>1228%</i>	
<i>Construction contract</i>	<i>(132,386)</i>	<i>(121,968)</i>	<i>9%</i>	
Gross profit	203,470	76,104	167%	
<i>Goods and finished products</i>	<i>99,540</i>	<i>30,085</i>	<i>231%</i>	
<i>Service provider</i>	<i>63,117</i>	<i>39,242</i>	<i>61%</i>	
<i>Construction contract</i>	<i>41,298</i>	<i>6,758</i>	<i>511%</i>	
Financial income	313,279	52,488	497%	Income from business cooperation contracts and investment in stocks and bonds increased sharply over the same period.
Financial expenses	(222,418)	(52,963)	320%	
<i>of which: interest expenses</i>	<i>(134,962)</i>	<i>(43,990)</i>	<i>207%</i>	Interest expenses increased sharply as total bank loans and bond issuance increased by 226% YoY.
Gain/(loss) from joint venture (from 2015)	(5,306)	-		
Selling expenses	(23,528)	(33,245)	-29%	
General and admin expenses	(71,518)	(29,462)	143%	
Operating profit/(loss)	193,979	12,922	1401%	
Other income	6,887	1,044	560%	
Other expenses	(782)	(578)	35%	
Net other income	6,105	466	1211%	
Income from investments in other entities	-	-		
Net profit/(loss) before tax	200,085	13,388	1395%	
Corporate income tax – current	(39,499)	(5,140)	669%	
Corporate income tax – deferred	2,132	89	2286%	
Corporate income tax expenses	(37,368)	(5,050)	640%	
Net profit/(loss) after tax	162,717	8,338	1852%	
Minority interests	44,752	7,044	535%	
Attributable to Parent Company	117,965	1,293	9021%	

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FINANCIAL STATEMENT

VND Bn	2018	2019	2020
Balance sheet			
+ Cash	74	150	903
+ Short-term financial investment	16	36	594
+ Short-term receivables	1,629	1,196	5,963
+ Inventories	180	842	2,322
+ Other current assets	58	63	481
Current assets	1,956	2,287	10,264
+ Long-term receivables	1,018	2,755	6,988
+ Fixed assets	226	311	365
+ Investment properties	653	0	0
+ Long-term incomplete assets	214	18	4,048
+ Long-term investments	882	1,363	1,312
+ Other long-term assets	371	521	1,078
Total long-term assets	3,365	4,967	13,791
Total assets	5,321	7,255	24,055
+ Current liabilities	2,884	3,118	10,626
In which: Short-term borrowings	923	1,245	2,028
+ Long-term liabilities	1,029	2,512	10,444
In which: Long-term borrowings	702	1,137	2,552
Total liabilities	3,913	5,630	21,070
+ Paid-in capital	1,080	1,080	1,360
+ Share premium	0	0	0
+ Undistributed earnings	-11	134	239
+ Other capital/funds	338	411	1,387
Equity	1,408	1,625	2,985
Total capital	5,321	7,255	24,055
Cash flow			
Cash flow from operating activities	-996	-1,081	-969
Cash flow from investing activities	992	-138	182
Cash flow from financing activities	137	1,105	864
Net increase in cash and cash equivalents	133	-114	77
Cash and cash equivalents at the beginning of the period	55	188	74
Cash and cash equivalents at the end of the period	188	74	150
Liquidity ratios			
Current payout ratio	0.68	0.73	0.97
Quick payout ratio	0.60	0.44	0.70
Cash ratio	0.03	0.06	0.14
Net Debt/EBITDA	5.15	4.81	3.89
Coverage ratio	1.21	2.09	2.08
Number of days receivable	159.4	129.9	148.3
Number of days to pay	215.1	156.8	674.0
Number of days in stock	90.7	143.8	409.0
Capital Structure			
Equity/Total Assets	0.26	0.22	0.12
Liabilities/Total Assets	0.74	0.78	0.88
Liabilities/Equity	2.78	3.47	7.06
Debt/Equity	1.15	1.47	1.53
Short-term debt/Equity	0.66	0.77	0.68

VND Bn	2018	2019	2020
Income Statement			
Net sales	1,113	1,576	1,902
Cost of sales	-882	-1,297	-1,412
Gross profit	231	279	491
Financial income	209	327	798
Financial expenses	-225	-185	-550
Income from affiliates	0	0	0
Selling expenses	-64	-71	-110
General and admin expenses	-106	-176	-215
Operating profit/(loss)	41	190	381
Other net income	-5	3	-1
PBT	36	192	380
NPAT	11	141	280
Attributable to parent company	-16	114	215
Minority interests	27	26	65
Basic EPS (VND)	-147	1,059	0
Book value/share (VND)	9,913	11,248	11,759
Dividend (VND/share)	0	0	0
EBIT	205	368	731
EBITDA	228	393	760
Growth			
Revenue	-44.1%	41.5%	20.7%
EBITDA	52.1%	72.6%	93.4%
EBIT	52.5%	79.5%	98.5%
Net profit	-81.0%	1140.7%	99.2%
Equity	3.7%	15.4%	83.8%
Paid-in capital	0.0%	0.0%	25.9%
Total assets	50.0%	36.3%	231.6%
Valuation			
P/E	-37.7	7.5	8.4
P/B	0.6	0.7	1.1
P/Revenue			
Dividend yield	0.0%	0.0%	0.0%
EV/EBITDA	9.4	7.8	6.4
EV/Revenue	1.9	1.9	2.6
Gross profit margin	20.8%	17.7%	25.8%
Profit margin from operating activities	18.9%	23.2%	38.5%
Net profit margin	1.0%	8.9%	14.7%
Selling expenses/net sales	5.8%	4.5%	5.8%
General and admin expenses/net sales	9.5%	11.2%	11.3%
ROE	0.8%	9.3%	12.1%
ROA	0.3%	2.2%	1.8%
ROIC	2.4%	7.6%	9.3%



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BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

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