

We Create Fortune

Bamboo Capital JSC

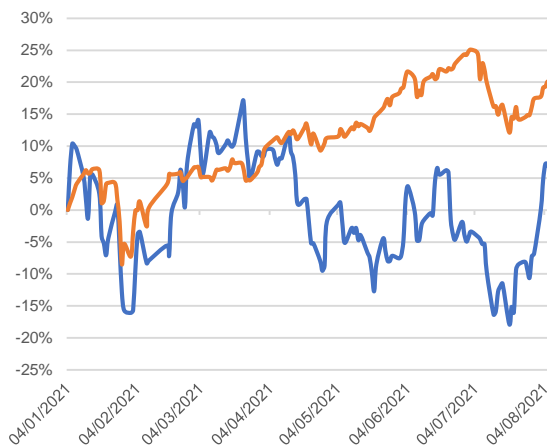
2Q2021 EARNING UPDATE

Recommendation: BUY
Closing price (VND): 14,550
Target price (VND): 18.293
Exchange: HOSE
Sector: Special Finance (ICB: L4)

Key figures

Market cap (VND bn):	2,895
Outstanding shares:	207,537,502
Listed shares:	207,537,502
State ownership:	0%
Foreign ownership:	5.31%
P/E TTM:	4.7x
P/B:	1.2x
ROE:	13.93%
ROA:	2.03%
Dividend yield:	8.6%

Share price performance BCG vs VN-Index



Gross margins rise sharply thanks to real estate and electricity business

BCG announced its 2Q2021 business result with net revenue reached VND814bn (+56%YoY) and NPAT-MI reached VND218bn (+1.286% YoY). Strongly growth thanks to (1) Hand over 5 villas of King Crown Infinity project (2) VNECO Vinh Long (49 MWp) and Phu My (phase 1 - 214 MWp) solar power plants started generating electricity in 1Q2021 and stable operation in 2Q2021.

The gross profit margin of 2Q2021 reached 37.2%, increased sharply from 13.7% in the same period last year thanks to the real estate and power generation business which have high gross profit margin.

Financial income reached VND714bn, an increase of 3.6 times over the same period thanks to income from stocks and bonds investment reached VND320bn and the income from investment cooperation contracts was VND386bn. During the period, BCG also paid VND190bn in expenses payable for investment cooperation contracts.

Interest expense increased +196% YoY to VND214bn as the company increased borrowing and issuing bonds to supplement capital for renewable energy and real estate projects. General & administrative and selling expenses increased by 104% YoY and 30% YoY, respectively.

In 2Q2021, BCG's power plants (excluding rooftop power projects) produced nearly 153 mn kWh compared to only 14.5 mn kWh in 2Q2020. Exception of GAIA Power Plant (BCG – CME Long An 2), which has electricity output fell out of expectations, other plants achieved the plan.

For real estate business, RE projects in Ho Chi Minh City (King Crown Infinity and Amor Riverside Villa) are currently suspending construction to serve anti-epidemic measures of local government. Hoi An D'or project (Hoi An, Quang Nam) was officially started in mid-April, the project has a total investment of VND2.330bn and a scale of ~24.5 ha.

In 2Q2021, BCG and its member companies signed notable cooperation agreements with major global corporations. BCG Energy and SP Group (Singapore Power Group) have established a joint venture to invest in the energy sector in Vietnam (BCG Energy owns 51% of the venture) with the initial goal of developing a capacity of 500 MW rooftop solar energy by 2025.

In addition, BCG Land and Lotte Land (under Lotte E&C - Korea) have signed a strategic cooperation to jointly develop real estate projects in Vietnam. BCG has also signed a memorandum of cooperation with Deo Ca Group, according to which BCG and its strategic partners will participate in investing in shares of Deo Ca Transport Infrastructure Investment Jsc (UPCOM: HHV) with a minimum of 50 million shares. BCG will cooperate in research and investment in major transport infrastructure projects across the country, such as Can Tho – Ca Mau expressway, boulevard connecting

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Ho Chi Minh City with Tan An city (Long An province), Can Tho bypass route...

Investment perspective

Currently, we recommend BUY for BCG with a target price of **VND18,293** which is equivalent to a price increase of 26%. BCG will hold a meeting with analysts on August 13 and we will update the information discuss with the Company's management along with the new forecast and valuation in the next updated report.

2Q2021 business results explanation:

	2Q2021	2Q2020	YoY (%)	Notes
Revenue	814,269	521,991	56%	Handing over products of Thao Dien KCV project and 2 solar power plants VNECO Vinh Long and Phu My came into operation from the beginning of 2021 and operated stably in Q2/2021
Goods and finished products	574,720	326,337	76%	
Service provider	25,456	39,963	-36%	
Construction contract	214,092	155,689	38%	
Deductions	(4)	-		
Net sales	814,265	521,976	56%	
COGS	(511,753)	(450,246)	14%	
Goods and finished products	(297,102)	(308,802)	-4%	
Service provider	(9,072)	(7,662)	18%	
Construction contract	(205,577)	(133,781)	54%	
Gross profit	302,513	71,730	322%	
Goods and finished products	277,618	17,535	1483%	
Service provider	16,384	32,301	-49%	
Construction contract	8,515	21,908	-61%	
Financial income	713,578	197,289	262%	Income from business cooperation contracts and investment in stocks and bonds increased sharply over the same period.
Financial expenses	(423,277)	(128,177)	230%	
of which: interest expenses	(213,892)	(73,206)	192%	Interest expenses rose slightly as total bank loans and bond issuance increased by 307percent.
Gain/(loss) from joint venture (from 2015)	(30,032)	(14,376)	109%	
Selling expenses	(30,340)	(23,312)	30%	
General and admin expenses	(133,592)	(65,571)	104%	
Operating profit/(loss)	398,850	37,584	961%	
Other income	1,933	3,775	-49%	
Other expenses	(5,311)	(3,649)	46%	
Net other income	(3,378)	125	-2797%	
Income from investments in other entities	-	-		
Net profit/(loss) before tax	395,472	37,709	949%	
Corporate income tax – current	(92,051)	(19,038)	384%	
Corporate income tax – deferred	12,143	89	13492%	
Corporate income tax expenses	(79,909)	(18,949)	322%	
Net profit/(loss) after tax	315,563	18,760	1582%	
Minority interests	97,639	2,975	3182%	
Attributable to Parent Company	217,924	15,785	1281%	

Source: BCG Financial Statement

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FINANCIAL STATEMENTS

VNDbn	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

VNDbn	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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