

Kinh Bac City (KBC)

Looking forward to the removal of legal barriers

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In 3Q2024, KBC reported a significant 963% YoY surge in NPAT

In 3Q2024, KBC reported revenue of VND950 billion (+285% YoY) and NPAT of VND201 billion (+963% YoY), driven by the handover of 14.4 ha of IP land and 1.4 ha at the Nenh Town Social Housing project. However, for 9M2024, KBC's performance declined significantly compared to 9M2023, with revenue of VND1,994 billion (-58% YoY) and NPAT of VND397 billion (-81% YoY), as the total IP land handed over during the period reached only 29.6 ha, a significant decrease from the 128 ha delivered in 9M2023.

KBSV estimates IP land sales to generate VND2,867 billion (+108% YoY) in revenue for KBC

KBSV projects KBC to hand over 95 ha of IP land in 2025, generating revenue of VND2,867 billion (+108% YoY). This growth should be driven by contributions from: (1) Nam Son Hap Linh IP (20 ha); (2) Tan Phu Trung IP (15 ha); and (3) three new IPs expected to secure legal approvals and commence leasing in 2025: Trang Due IP (40 ha); (4) Nam Tan Lap IP (10 ha); and Hung Yen Industrial Cluster (10 ha).

KBC approved the private placement plan for 250 million shares

At the November 2024 General Meeting of Shareholders, KBC announced plans to issue 250 million private shares in 2025 to professional investors. If successfully executed, the issuance could raise VND6,250 billion, which is expected to be used for debt restructuring and to bolster the company's working capital.

We recommend BUY for KBC with a target price of VND34,400/share

Given KBC's promising business outlook and valuation results, we maintain our BUY recommendation with a target price of VND34,400 per share, representing a 24.5% upside from the closing price of VND27,600 on December 20, 2024.

Buy maintain

Target price	VND34,400
Upside	24.5%
Current price (Dec 20, 2024)	VND 27,600
Consensus target price	VND 36,000
Market cap (VNDtn/USDbn)	21.2/0.8

Forecast earnings & valuation

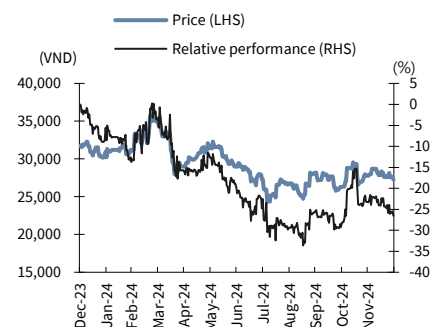
FY-end	2022A	2023A	2024F	2025F
Net revenue (VNDbn)	950	5,618	2,400	5,411
Operating income/loss (VNDbn)	1,686	2,874	696	1,786
NPAT-MI (VNDbn)	1,526	2,031	490	1,256
EPS (VND)	1,988	2,646	638	1,636
EPS growth (%)	5	33	-76	156
P/E (x)	12.2	12.0	42.7	16.7
P/B (x)	1.0	1.2	1.0	0.9
ROE (%)	9	11	3	7
Dividend yield (%)	0	1	0	0

Trading data

Free float	63.6%
3M avg trading value (VNDbn/USDmn)	137.2/5.4
Foreign ownership	18.8%
Major shareholder	Chairman Dang Thanh Tam (18.1%)

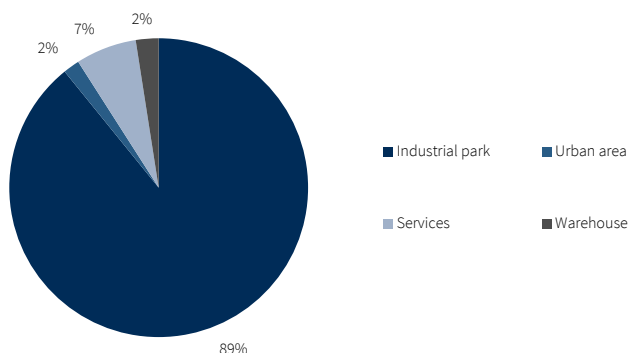
Share price performance

(%)	1M	3M	6M	12M
Absolute	2.6	3.6	-7.4	-12.4
Relative	-0.5	4.9	-5.2	-26.4



Source: Bloomberg, KB Securities Vietnam

Revenue composition (2023)



Source: Kinh Bac City Development Holding, KB Securities Vietnam

Business operation

Founded in 2002, Kinh Bac City Development Holding Corporation (KBC) has established itself as a leading player in the industrial real estate sector.

Currently, KBC owns 6,611 ha of IP land or 5.1% of Vietnam's total industrial land. Over 90% of tenants in KBC's high-tech IPs are major foreign companies from Japan, Taiwan, South Korea, and China, including Canon, Foxconn, LG, and Ingrasys.

KBC's largest ongoing projects, which are in the process of legal finalization, include the Due 3 IP and the Trang Cat UA.

Investment Catalysts

KBC is a leading IP developer with a sizeable land bank of nearly 7,000 ha. The company is actively developing several IP projects, including Trang Due 3 IP, Hung Yen Industrial Cluster, Tan Tap IP, and Loc Giang IP. These developments ensure a robust land reserve for the company in the years to come.

KBC's performance is expected to recover from 2024's low bases. KBSV projects revenue and NPAT in 2025 to reach VND5,411 billion (+125% YoY) and VND1,472 billion (+151% YoY), respectively, driven by the handover of 95 ha of IP land and deliveries at the Phuc Ninh and Trang Due UA projects.

Notes

Please find more details below

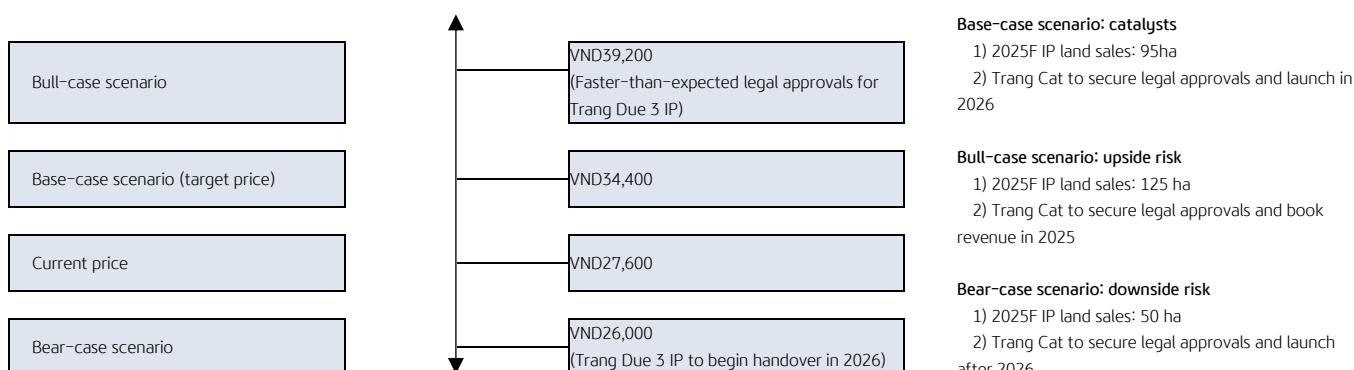
Please see more details below

Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	2,400	5,411	-16%	+28%	2,789	7,519	-14%	-29%
EBIT	577	1,614	-21%	+2%	684	1,742	-19%	-7%
NP after MI	490	1,256	-44%	-24%	530	1,510	-8%	-17%

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



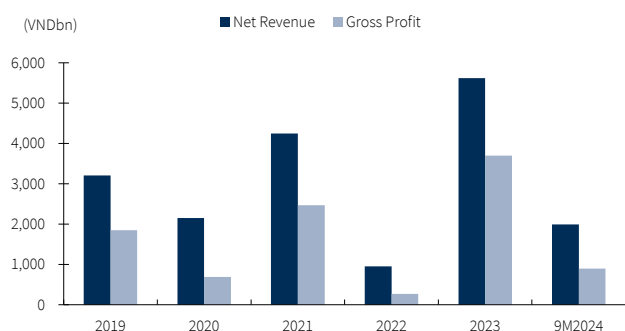
Business performance

Table 1. KBC – 9M2024 business performance

(VNDbn)	3Q2023	3Q2024	+/-%YoY	9M2023	9M2024	+/-%YoY	Notes
Revenue	247	950	285%	4,798	1,994	-58%	Met 22% of the 2024 revenue target of VND9,000 billion
– IP land handover	26	585	2123%	4,567	1,117	-76%	In 3Q2024, KBC handed over nearly 14.4 ha of IP land (2 ha at Quang Chau IP and 12.4 ha at Nam Son Hap Linh IP). For 9M2024, KBC delivered nearly 29.6 ha of IP land from 128 ha in 9M2023.
– UA & social housing handover	50	196	292%	79	422	432%	Driven by the handover of 3 ha at the Nenh Town Social Housing project
– Service provision	108	116	7%	280	311	11%	
Gross profit	110	359	226%	3,309	898	-73%	
Gross profit margin (GPM)	45%	38%	-7pp	69%	45%	-24pp	The significant decline was driven by lower IP land sales, which typically yield the highest gross margins, compared to the same period in 2023.
Financial income	58	116	100%	350	294	-16%	This decrease was attributed to the absence of extraordinary gains, such as the VND108 billion profit from the sale of a subsidiary in 2023.
Financial expenses	39	85	118%	325	193	-41%	
Shared profits from joint ventures/affiliates	(2)	(5)	127%	(1)	(14)	1843%	
SG&A	76	131	73%	672	412	-39%	
Operating income/loss	52	253	384%	2,661	573	-78%	
Profit before tax (PBT)	47	250	430%	2,652	600	-77%	
Net profit after tax (NPAT)	19	201	963%	2,087	397	-81%	Met 10% of the 2024 net profit target of VND4,000 billion
NP after MI (NPAT-MI)	5	196	4256%	1,926	352	-82%	
NPAT margin	8%	21%	+14pp	43%	20%	-24pp	

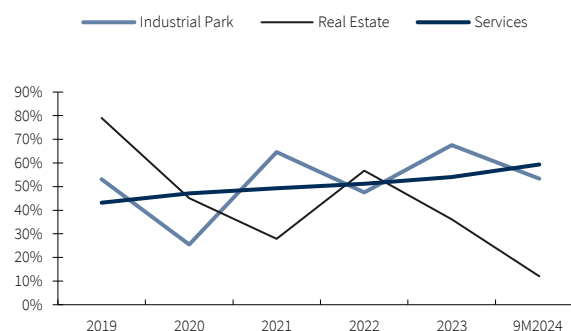
Source: Kinh Bac City Development Holding, KB Securities Vietnam

Fig 1. KBC – Revenue, gross profit in 2019–2024 (VNDbn)



Source: Kinh Bac City Development Holding, KB Securities Vietnam

Fig 2. KBC – GPM across core business segments (%)



Source: Kinh Bac City Development Holding, KB Securities Vietnam

KBC is projected to hand over 43 ha of IP land for the whole year of 2024

In 3Q2024, KBC handed over 14.4 ha of IP land, comprising 2 ha at the expanded Quang Chau IP and 12.4 ha at Nam Son Hap Linh IP. For 9M2024, a total of 29.6 ha was handed over, significantly lower than the 128 ha recorded in 9M2023. The company anticipates recognizing about 13 ha of backlog from Tan Phu Trung IP and Quang Chau IP in revenue during 4Q2024, bringing KBC's total leased land for 2024 to 43 ha.

It is anticipated that three new IPs will contribute to KBC's land leasing revenue in 2025

In addition to revenue from existing IPs, we expect KBC to secure legal approvals for three new IPs in 2025 (Trang Due IP, Nam Tan Tap IP, and Hung Yen Industrial Cluster), which will drive growth in IP land leasing revenue for the year. Specifically:

- Trang Due 3 IP (687 ha): We anticipate that this park will make a significant contribution to KBC's future IP land leasing revenue. As of November 14, 2024, the Hai Phong City People's Committee issued investment registration certificates for two clients of Trang Due 1 and 2, including LG Corp (with an additional USD1 billion investment) and Heesung Group (with an additional USD125 million investment). We expect Trang Due 3 to soon receive investment approval and potentially begin land handovers to clients in 2025.
- Nam Tan Lap IP (245 ha, part of Long An IP): Investment approval has been granted, and as of the end of 3Q2024, the site clearance rate for this IP stood at 67.5%. The company plans to begin leasing in 2025. Due to its prime location, just 700 meters from Long An International Port and 24 km from Ho Chi Minh City (HCMC), we project Nam Tan Lap IP will contribute approximately 10–20 ha to annual land leasing revenue.
- Hung Yen Industrial Cluster (375 ha), comprising Kim Dong, Dang Le, and Chinh Nghia IPs: Investment approval has been granted for this cluster. As of the end of 2023, the site clearance rate was 9%, covering 32 ha. By 9M2024, KBC recorded construction costs of VND314 billion for the Dang Le and Kim Dong IPs, a significant increase from VND97 billion at the end of 2023. We expect the Hung Yen Industrial Cluster to start leasing land in 2025, contributing 10–20 ha to annual land leasing revenue.

KBSV estimates that in 2025, IP land sales will generate VND2,867 billion in revenue from 95 ha of leased IP land, driven by: two operational IPs namely Nam Son Hap Linh IP (20 ha) and Tan Phu Trung IP (15 ha) and three new IPs expected to secure legal approvals and launch in 2025, including Trang Due IP (40 ha), Nam Tan Lap IP (10 ha), and Hung Yen Industrial Cluster (10 ha).

Trang Due IP is developed by SHP, a subsidiary of KBC, with a total area of 1,088 ha, divided into three phases:

- Phase 1 & Phase 2 (401 ha) are fully occupied (100% leased).
- Phase 3 is located within the Dinh Vu – Cat Hai Economic Zone, covering 687 ha. In November 2023, Trang Due 3 received approval for its 1/2000 planning.

Trang Due 3 has more than 200 ha of land that has completed site clearance and over 100 ha under Memoranda of Understanding (MOUs). The project is currently awaiting investment approval and is expected to begin operations in 2025.

Fig 3. KBC – Trang Due IP



Source: Hai Phong Economic Zone Management Board

Table 2. KBC – Major IP projects

Project	Location	Leasable area (ha)	Fill rate	Estimated lease rate (USD/m ² /lease term)	Notes
Fully-occupied IPs					
Que Vo 1	Que Vo, Bac Ninh	192	100%	75	
Que Vo 2	Que Vo, Bac Ninh	171	100%	90	
Trang Due 1	An Duong, Hai Phong	129	100%	80	
Trang Due 2	An Duong, Hai Phong	129	100%	85	
Quang Chau	Viet Yen, Bac Giang	129	0%	0	
Operational IPs					
Expanded Quang Chau	Viet Yen, Bac Giang	67	94%	120	4 ha is expected to be handed over in 4Q2024.
Nam Son Hap Linh	Tien Du, Bac Ninh	204	58%	150	60 ha remains pending site clearance.
Tan Phu Trung	Tan Phu Trung, HCMC	314	74%	150	More than 8 ha is expected to be handed over in 4Q2024. 33 ha remains pending site clearance.
IPs pending launch/awaiting legal approvals					
Long An Industrial Cluster	Long An	111	0%	120	The project is currently undergoing compensation and site clearance, but the investment approval has not yet been granted.
– Phuoc Vinh Dong 2	Phuoc Vinh Dong, Long An	32			
– Tan Tap Industrial Cluster	Tan Tap, Long An	46			
– Phuoc Vinh Dong 4	Phuoc Vinh Dong, Long An	32			
Hung Yen Industrial Cluster	Hung Yen	245	0%	110	Three out of five IPs have received approval, and compensation and site clearance are in progress, with bank financing secured.
Long An IP	Long An	1403	0%		
– Loc Giang		327		90	Investment approval was granted in April 2022. The 1/2000 master plan was approved in July 2024. Site clearance is currently underway.
– Nam Tan Tap		159		125	Investment approval was granted in August 2021. Site clearance is currently underway. As of the end of 2Q2024, with 107.1 ha compensated as of the end of 2Q2024, reflecting a 67.5% completion rate.
– Tan Tap		461		125	The 1/5000 master plan has been approved. By the end of 2023, VND348.59 billion had been invested into the project.
Trang Due 3	An Duong, Hai Phong	456	0%	140	The 1/2000 master plan has been approved, and investment approval is pending. Site clearance for 200 ha has been completed.

Source: Kinh Bac City Development Holding, KB Securities Vietnam

Revenue from urban area handover is expected to grow by 329% YoY in 2025

- The Nenh Town Social Housing Project has handed over and recognized revenue for 3 ha of land in Phase 1, which includes 5 apartment buildings, with handovers commencing in Q2 2024. Phase 2, which is similar in size to Phase 1 and includes 5 additional apartment buildings, is currently under development and is expected to be completed and handed over in 2025.
- The Trang Due Urban Area Project currently has 15 unsold villas, which have not yet been recognized as revenue due to pending sales approval. It is expected that the project will be fully handed over and recognized in 2025, with an estimated revenue of VND125 billion.

- The Phuc Ninh Urban Area Project has completed 119 villas out of a total of 150. The total reserved area exceeds 12 ha, with 2.5 ha of land already recognized as revenue. The project has faced legal obstacles related to land use payments and site clearance costs. We expect KBC to recognize revenue for the remaining 9.5 ha, which is estimated to contribute VND1,330 billion in 2025.
- The Trang Cat Urban Area Project covers 584.9 ha, with approximately 120 ha of land already leveled. At the end of 2023, the project received approval for a revised 1/2000 master plan, expanding the developable land to 282.1 ha. Due to the zoning revision, the company is required to pay additional land use fees. We expect KBC to resolve the necessary legal conditions and begin sales by 2026.

KBSV anticipates that the legal issues at KBC's urban area projects will be addressed and advanced in 2025. As a result, revenue from urban area project transfers is expected to grow 329% YoY, reaching VND1,815 billion in 2025. This growth will be driven by: (i) the handover of 15 villas at Trang Due Urban Area and (ii) the recognition of revenue from the remaining 9.5 ha at Phuc Ninh Urban Area.

Fig 4. KBC – Trang Cat Urban Area



Source: Kinh Bac City Development Holding

KBC approved the private placement plan for 250 million shares

At the General Shareholders' Meeting in November 2024, KBC plans to issue 250 million shares through a private placement in 2025 to professional investors. These shares will be subject to a one-year lock-up period, with the issuance price expected to be set at 80% of the closing price from the last 30 consecutive trading sessions.

If the issuance is successful, KBC expects to raise VND6,250 billion. The proceeds will primarily be used for debt restructuring with Saigon-Bac Giang Industrial Park JSC and Hung Yen Investment & Development Group JSC. The remaining funds will be used to supplement and expand working capital, as well as to restructure bank loans.

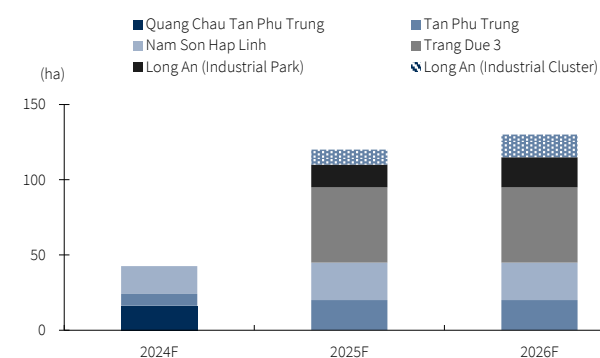
Forecast

Table 3. KBC – 2023A–2025F business performance

(VNDbn)	2023A	2024F	+/--%YoY	2025F	+/--%YoY	Notes
Revenue	5,618	2,400	-57%	5,351	123%	We expect KBC to achieve 30% of its full-year revenue target of VND9,000 billion by end-2024. In 2024, KBC is projected to generate IP land leasing revenue from the handover of 43 ha. In 2025, leased IP land is expected to increase to 95 ha, with contributions from: 20 ha at Nam Son Hap Linh IP, 15 ha at Tan Phu Trung IP, 40 ha at Trang Due IP, 10 ha at Nam Tan Lap IP, and 10 ha at the Hung Yen Industrial Cluster.
- IP land handover	5,221	1,351	-74%	2,807	108%	In 2024, KBC is expected to hand over 3 ha at the Nenh Town Social Housing project. In 2025, the company is projected to hand over 9.5 ha at the Phuc Ninh UA and 15 villas at the Trang Due UA.
- UA & social housing handover	105	423	304%	1,815	329%	
- Service provision	386	413	7%	446	8%	
- Warehouse, factory, office leasing	145	213	47%	284	33%	
Gross profit	3,695	1,073	-71%	2,280	113%	
Gross profit margin (GPM)	66%	44.7%	-21%	42.6%	-2.1%	The expected decline in 2024F GPM is attributed to (i) a reduction in the area of IP land handed over compared to 2023 and (ii) the recognition of revenue from the social housing project, which has a lower gross margin.
Financial income	426	386	-9%	550	42%	
Financial expenses	-426	-247	-42%	-385	56%	
Shared profits from joint ventures/associates	-8	0	-100%	0	0%	
SG&A	-813	-516	-37%	-725	40%	
Operating income/loss	2,874	696	-76%	1,721	147%	
Profit before tax (PBT)	2,891	732	-75%	1,775	142%	
Net profit after tax (NPAT)	2,245	586	-74%	1,420	142%	We expect KBC to achieve 15% of its full-year net profit target of VND4,000 billion by end-2024
NP after MI (NPAT-MI)	2,031	490	-76%	1,206	146%	
NPAT margin	40%	24%	-16%	27%	2%	

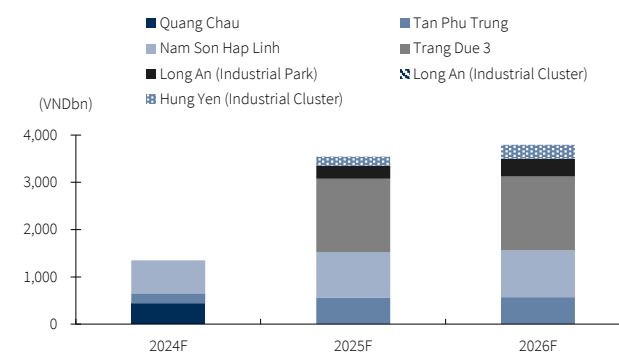
Source: Kinh Bac City Development Holding, KB Securities Vietnam

Fig 5. KBC – 2024F–2026F IP land sales (ha)



Source: KB Securities Vietnam

Fig 6. KBC – 2024F–2026F IP land sales revenue breakdown (VNDbn)



Source: KB Securities Vietnam

Valuation

We recommend BUY for KBC with a target price of VND34,400/share

We maintain a positive outlook on KBC's long-term growth prospects, recognizing its position as a leading industrial real estate developer in Vietnam with a substantial land bank in prime locations. However, we highlight risks associated with the progress of IP and urban area development projects due to ongoing legal hurdles.

Using the RNAV valuation method, we have set a revised target price of VND34,400 per share for KBC, reflecting a 24.5% upside from the closing price on December 20, 2024. This revision reflects adjustments to the leasing schedules for Nam Son Hap Linh IP and Tan Phu Trung IP. Our projections for IP land handover areas in 2024F/2025F have been updated to 43 ha/95 ha, compared to previous estimates of 51 ha/97 ha.

KBC is currently trading at a 2025 forward P/B ratio of 1.1x, below its 5-year average. Considering the company's business outlook and valuation results, we reaffirm our BUY recommendation for KBC with a target price of VND34,400 per share.

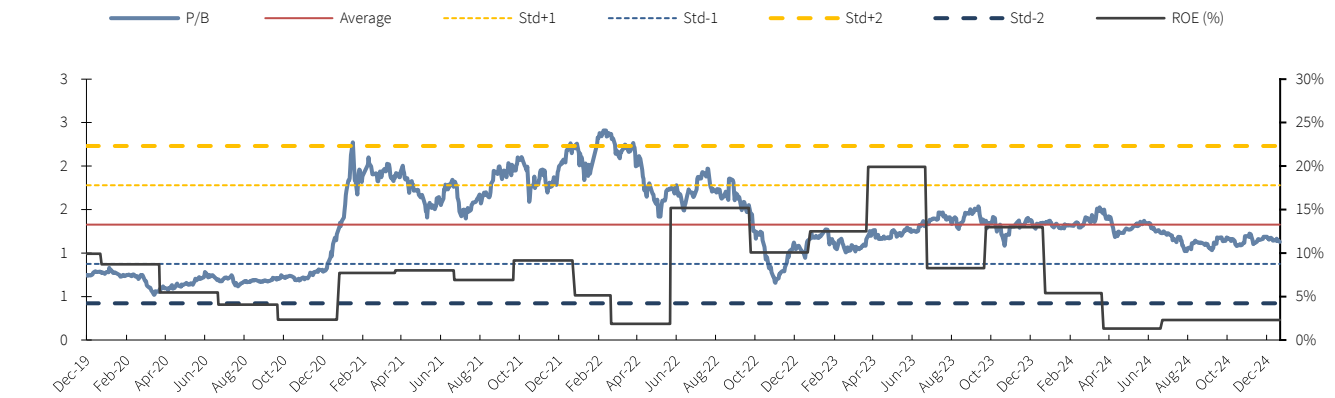
Table 4. KBC – Valuation results

	Valuation method	KBC's ownership	NPV	Contribution to KBC (VNDbn)
Industrial Parks (IPs)				12,486
– Expanded Quang Chau IP	DCF	88%	201	177
– Nam Son Hap Linh IP	DCF	100%	886	886
– Trang Due 3 IP	DCF	87%	3,042	2,633
– Tan Phu Trung IP	DCF	72%	1,413	1,023
– Long An Industrial Cluster	DCF	83%	1,821	1,508
– Hung Yen Industrial Cluster	DCF	69%	2,148	1,476
– Long An IP	DCF	60%	8,991	4,783
Urban areas (UAs)				16,047
– Phuc Ninh UA	DCF	100%	1,696	1,696
– Trang Due UA	DCF	87%	340	294
– Trang Cat UA	DCF	100%	14,056	14,056
Total				28,532
(+) Cash & equivalents, short-term investments*				3,773
(-) Total debt				5,931
RNAV				26,374
Number of shares outstanding				767,604,759
Value per share (VND)				34,400
Current price (Dec 20, 2024) (VND)				27,600
Upside				24.5%

Source:

**We exclude the VND5,737 billion in other payables (the deposit from the brokerage service provider for the Trang Cat urban area project) from the valuation model.*

Fig 7. KBC – P/B in 2019-2024



Source: Bloomberg, KB Securities Vietnam

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Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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