

# Kinh Bac City (KBC)

## Growth potential from large landbank

March 18, 2024

Analyst Nguyen Ngoc Anh  
anhntn@kbsec.com.vn

**2023 NPAT & revenue hit VND2,218 billion (+41% YoY) and VND5,645 billion (+494% YoY) respectively**

For the whole year 2023, Kinh Bac City Development (KBC) posted VND2,218 billion (+41% YoY) in NPAT on revenue of VND5,645 billion (+494% YoY) thanks to recording income from leasing 152ha land in Quang Chau, Nam Son Hap Linh (NSHL), and Tan Phu Trung industrial parks. The results completed 63% of revenue and 56% of net profit targets for 2023.

**KBC prepare land bank to develop in advance, ensuring long-term growth potential**

KBC is planning to prepare land bank to develop for many years with a total area of up to 3,500ha of industrial park land and 650ha of urban area land, ensuring long-term growth. In 2024, KBC focuses on the progress of projects in Trang Due 3, Hung Yen and two industrial parks in Long An, which are expected to be available for lease in 2024-2025.

**KBC expects to lease 107ha of industrial park land in 2024**

We expect that Trang Due 3 Industrial Park will have its investment policy approved in 1H24 and start to contribute to KBC's land rental revenue from 2024. Revenue should come from 40ha of Trang Due 3 Industrial Park, 17ha of Quang Chau Industrial Park, 20ha of Tan Phu Trung Industrial Park, and 30ha of NSHL Industrial Park.

**BUY recommendation & target price VND40,600 apiece**

Based on business prospects and valuation results of the business, we give a BUY recommendation to KBC stock with a target price of VND40,600/share, 20.8% higher than the closing price at VND33,600 on March 17, 2024.

**Buy** maintain

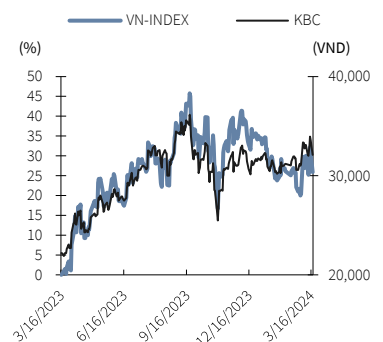
<b>Target price</b>	<b>VND40,600</b>
Upside	20.8%
Current price (Mar 17, 2024)	VND33,600
Consensus target price	VND38,740
Market cap (VNDtn/USDbn)	25.8/1.04

<b>Trading data</b>	
Free float	75%
3M avg trading value (VNDbn/USDmn)	262/10.6
Foreign ownership	21.72%
Major shareholder	Chairman Dang Thanh Tam (18.1%)

<b>Share price performance</b>				
(%)	<b>1M</b>	<b>3M</b>	<b>6M</b>	<b>12M</b>
<b>Absolute</b>	2	-1	-7	45
<b>Relative</b>	-1	-12	-8	26

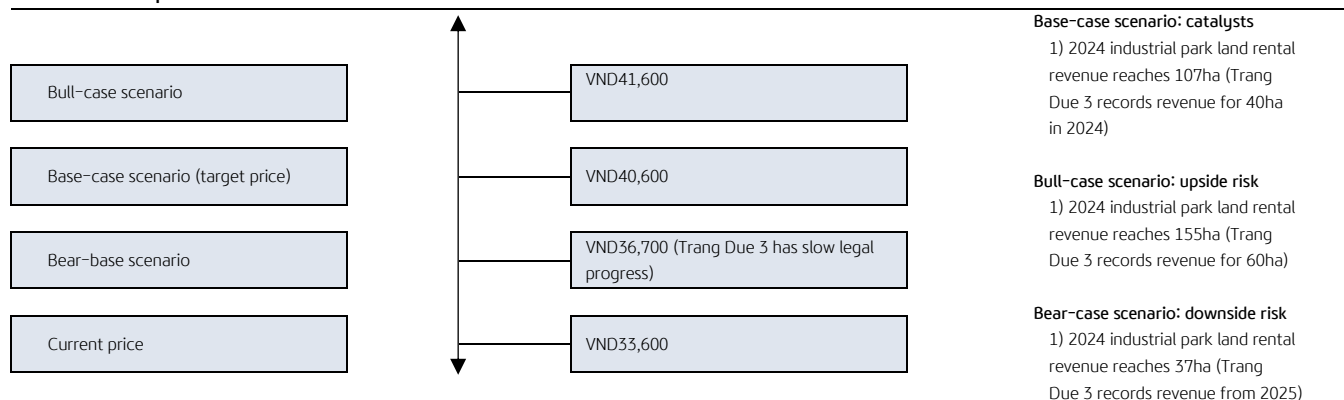
### Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	950	5,645	4,852	7,192
NPAT (VNDbn)	1,577	2,218	1,707	1,960
NPAT-MI (VNDbn)	1,526	1,996	1,451	1,666
EPS (VND)	1,993	2,600	1,890	2,170
EPS growth (%)	20%	30%	-28%	14%
P/E (x)	17	13	18	16
P/B (x)	1.1	1.3	1.2	1.1
ROE (%)	9%	11%	8%	9%
Dividend yield (%)	0%	0%	0%	0%



Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



Source: Bloomberg, KB Securities Vietnam

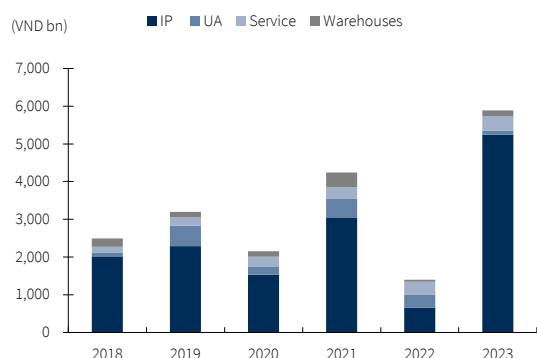
## 2023 performance updates

Table 1. KBC – 2023 business results

	3Q23	4Q23	+/-%QoQ	2022	2023	+/-% YoY	Notes
<b>Net revenue (VNDbn)</b>	<b>247</b>	<b>847</b>	<b>242%</b>	<b>950</b>	<b>5,645</b>	<b>494%</b>	KBC completed 63% of 2023 revenue plan (VND9,000 billion) In 4Q23, KBC recorded rental revenue from more than 23ha of industrial park land while in 3Q there were no new lease contracts. For the whole year 2023, the company recorded a total revenue from leasing 152ha in Quang Chau (60ha), NSHL (80ha) and Tan Phu Trung (12ha).
- Industrial parks & infrastructure lease	216	680	214%	657	5,247	699%	
- Urban area property sales	50	26	-48%	353	105	-70%	
- Services	108	108	-1%	337	388	15%	
Gross profit (VNDbn)	111	377	240%	266	3,686	1,287%	GPM advanced thanks to increased proportion of revenue from leasing industrial park land, which is the segment with the highest gross margin (higher than the industry average because the leased land has been prepared for a long time and has low costs).
Gross profit margin (%)	44.8%	44.5%	-0.3 ppt	28%	65%	+37 pts	
Financial income (VNDbn)	58	104	80%	340	454	34%	KBC recorded a profit from transferring shares at Kinh Bac – Da Nang Investment Company Limited for nearly VND109 billion.
Financial expenses (VNDbn)	39	124	219%	595	450	-24%	Financial expenses in 2023 plunged after reducing debt costs by nearly VND120 billion. KBC's total debt decreased to just over VND3,600 billion (-53% YTD).
SG&A (VNDbn)	76	153	103%	510	825	62%	Selling expenses increased mainly due to an increase of more than VND300 billion in legal consulting and sales brokerage fees.
Profit/loss from associates (VNDbn)	-2	-11		2,187	-11		In 2022, KBC recorded a sudden profit from revaluing its investment in Saigon – Da Nang Investment JSC.
PBT (VNDbn)	47	213	352%	1,697	2,865	69%	
<b>NPAT (VNDbn)</b>	<b>19</b>	<b>131</b>	<b>608%</b>	<b>1,577</b>	<b>2,218</b>	<b>41%</b>	KBC completed 56% of 2023 NPAT plan (VND4,000 billion).

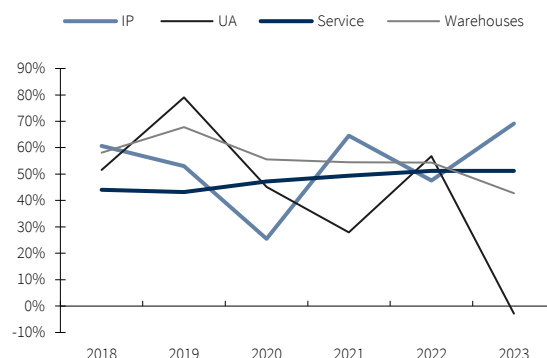
Source: Kinh Bac City Development, KB Securities Vietnam

Fig 2. KBC – Revenue breakdown (VNDbn)



Source: Kinh Bac City Development, KB Securities Vietnam

Fig 3. KBC – GPM of the main business segments (%)



Source: Kinh Bac City Development, KB Securities Vietnam

### Continuous accumulating land bank ensures long-term growth potential for KBC

KBC is implementing and planning to implement many projects, carrying out the necessary legal procedures to continue to receive new approvals for projects in Bac Ninh, Thai Nguyen, Hau Giang, Can Tho, and Vung Tau. The real estate developer has prepared land in advance for many years with total expected area of up to 3,500ha of industrial park land and 650ha of residential land to meet the needs of FDI capital flows into Vietnam.

In 2024, KBC will focus on accelerating the legal progress and completing site clearance for projects in Trang Due 3 Industrial Park, industrial cluster in Hung Yen and two industrial parks in Long An. These should be available for lease in 2024–2025.

### We expect KBC will lease 107ha of industrial park land in 2024

We expect KBC would record new rental revenue for 107ha of industrial park land in 2024, and Trang Due 3 and Hung Yen Industrial Park should start leasing in the second half of this year.

- KBC signed an MOU for 182ha of industrial park land in 2023 but only recorded rental revenue for 152ha due to legal issues at NSHL and delays from the buyer. Currently, the remaining 30ha of land in Quang Chau Industrial Park (17ha), NSHL (10ha) and Tan Phu Trung (3ha) are expected to be handed over this year.
- With more than 180ha industrial park land ready for lease in large industrial parks Quang Chau, NSHL, and Tan Phu Trung (industrial parks with favorable locations attracting many large customers), in addition to the 30ha with MOU signed, we expect KBC will record new revenue from leasing an additional 37ha in these industrial parks. Trang Due 3 and Hung Yen industrial parks should record 40ha and 10ha respectively in 2H24.

Fig 4. KBC – Quang Chau Industrial Park



Source: Kinh Bac City Development

Fig 5. KBC – Tan Phu Trung Industrial Park



Source: Kinh Bac City Development

Location: Next to highway 18B, convenient traffic with Cai Lan deep-water port, Hai Phong port, Noi Bai airport and Vietnam-China border.

The total area of NSHL is 300ha. 60 ha of land has not yet been cleared, and 80ha has been leased in 2023 (current occupancy rate at 54%). 10ha of land has a signed MOU but could not be handed over in 2023.

The current average rent is USD142/m<sup>2</sup>/rental term.

Fig 6. KBC – NSHL Industrial Park



Source: Kinh Bac City Development

The developer of Trang Due Industrial Park SHP, a subsidiary of KBC. The project covers 1,088ha and has three phases:

- Phase 1 & phase 2 (401ha) have been 100% occupied. The total capital attracting FDI is USD9.6 billion, of which USD8.2 billion is investment capital from projects under LG Group.
- Trang Due 3 Industrial Park belongs to Dinh Vu – Cat Hai economic zone with a scale of 687ha, focusing on attracting electronics and high-tech industries. In November 2023, Trang Due 3 was approved for 1/2000 planning.

Currently, Trang Due 3 has prepared 200ha of land to complete site clearance. After the investment policy is approved, it can be rented immediately (LG is ready to sign a lease contract for 62ha of land as soon as possible).

Fig 7. KBC – Trang Due 3 Industrial Park



Source: Kinh Bac City Development

Fig 8. KBC – Phuc Ninh Urban Area

Phuc Ninh Urban Area with a total area of 114.5ha is located in a prime location in the center of Bac Ninh province, 30km from Hanoi capital. The total investment is more than VND4,000 billion.

- Phase 1: 6.2ha (sold out)
- Phase 2: 22ha (sold but has not been recorded due to legal problems in determining land use fees)
- Phase 3: not yet implemented

The problem of determining Phuc Ninh's land use fees is expected to be resolved and recognize revenue from 2025.



Source: Kinh Bac City Development

Table 9. KBC – Main industrial parks

Project	Location	Leasable area	Occupancy rate	Estimated rent (USD/m <sup>2</sup> /lease term)	Notes
<b>Under management &amp; for lease</b>					
Que Vo 1	Nam Son, Que Vo, Bac Ninh	192	100%	75	
Que Vo 2	Nam Son, Que Vo, Bac Ninh	171	100%	90	
Trang Due 1	An Duong, Hai Phong	129	100%	80	
Trang Due 2	An Duong, Hai Phong	133	100%	85	
Quang Chau	Viet Yen, Bac Giang	306.9	96%	130	
Quang Chau expanded	Viet Yen, Bac Giang	67	89%	130	The remaining 17ha of land has a signed MOU.
NSHL	Dai Dong, Tien Du, Bac Ninh	204	54%	142	There are still 60ha yet to be compensated.
Tan Phu Trung	Tan Phu Trung, HCM	314	78%	182	
<b>Ongoing preparation</b>					
Long An Industrial Park Cluster	Long An	110.6	0%	120	Compensation and land clearance are being carried out, and the investment policy has not been approved yet.
– Phuoc Vinh Dong 2	Phuoc Vinh Dong, Long An	32.4			
– Tan Tap industrial cluster	Tan Tap, Long An	46.3			
– Phuoc Vinh Dong 4	Phuoc Vinh Dong, Long An	31.9			
Hung Yen Industrial Park Cluster	Hung Yen	245	0%	150	Three out of five industrial parks have received approval and are conducting compensation and land clearance (completed clearance for 40ha). Expected rent is USD150 /m <sup>2</sup> /lease term.
Long An Industrial Park	Long An		0%		
– Loc Giang		327		125	Investment policy was approved from April 2022.
– Nam Tan Tap		159			
– Tan Tap		461		125	
Trang Due 3	An Duong, Hai Phong	456	0%	120	Planning 1/2000 approved, waiting for investment policy approval. Land clearance for 200ha of land has been completed.

Source: Kinh Bac City Development, KB Securities Vietnam

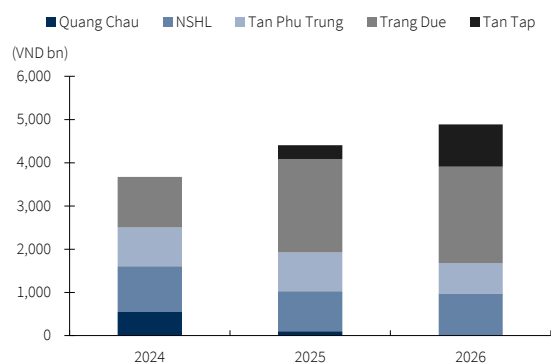
## Forecast & valuation

Table 10. KBC –

	2023	2024F	+/-%YoY	Notes
Revenue (VNDbn)	5,645	4,852	-14%	
- Industrial parks & infrastructure lease	5,247	4,043	-23%	In 2024, KBC should record rental revenue from 107ha of industrial park land (30ha with signed MOU from 2023): 17ha in Quang Chau Industrial Park, 30ha in NSHL Industrial Park, 20ha in Tan Phu Trung Industrial Park, and 40ha at Trang Due 3 Industrial Park
- Urban area property sales	105	235	124%	KBC would record revenue from the social housing project in Nenh town and Trang Due urban area
- Services	388	422	9%	
Gross profit (VNDbn)	3,686	3,048	-17%	
Gross profit margin (%)	65%	63%	-2 ppts	GPM should decrease slightly because in 2024 Tan Phu Trung's revenue proportion increased (20ha out of 107ha), while Tan Phu Trung's GPM was lower than Quang Chau and NSHL.
Financial income (VNDbn)	454	265	-42%	
Financial expenses (VNDbn)	450	384	-15%	Expenses should be lower thanks to reduction in loan balance from the end of 2Q23.
SG&A (VNDbn)	825	790	-4%	
PBT (VNDbn)	2,865	2,144	-25%	
NPAT (VNDbn)	2,218	1,694	-24%	

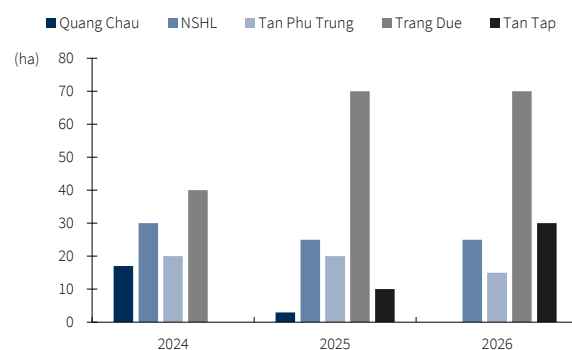
Source: Kinh Bac City Development, KB Securities Vietnam

Fig 11. KBC – Industrial park land sales in 2024–2026F (VNDbn)



Source: Kinh Bac City Development, KB Securities Vietnam

Fig 12. KBC – Industrial park land handover in 2024–2026F (ha)



Source: Kinh Bac City Development

### Valuation: BUY rating with target price VND40,600

- We maintain a positive rating for KBC shares because (1) Quang Chau, Tan Phu Trung, and NSHL industrial parks with a total available area for lease of more than 180ha are still attracting many large new investors. (2) Trang Due 3 Industrial Park is expected to bring in revenue from 2024 and fully occupied soon because the demand for industrial parks in Hai Phong is still high, and LG Group is ready to sign a lease as soon as possible. (3) New projects of KBC have been continuously deployed, ensuring KBC's mid- and long-term growth momentum.

- Regarding urban projects: As the legal progress of Phuc Ninh Urban Area is still facing many difficulties, and Trang Cat Urban Area still has problems with legal procedures, we expect Phuc Ninh to be able to record revenue after the land use fee is determined in 2025, and Trang Cat will start recording revenue from the end of 2025.

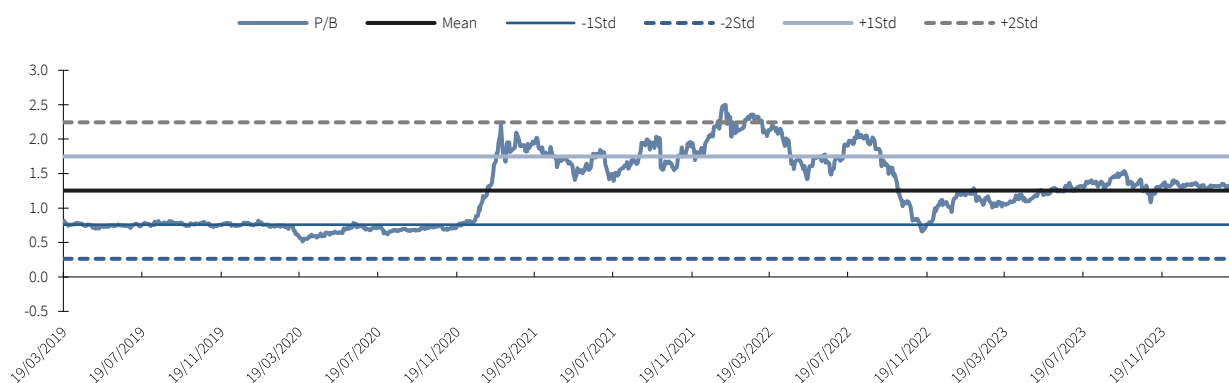
Based on business prospects and valuation results, we give a BUY recommendation for KBC stock. The target price is VND40,600/share, 20.8% higher than the closing price at VND33,600 on March 17, 2024.

**Table 13. KBC – Stock valuation**

Project	Valuation method	KBC ownership	Net present value (VNDbn)	Value attributed to KBC (VNDbn)
<b>Industrial park</b>				<b>16,073</b>
- Quang Chau & Quang Chau expansion	DCF	88%	1,352	1,191
- Nam Son Hap Linh	DCF	100%	1,997	1,997
- Trang Due 3	DCF	87%	5,447	4,714
- Tan Phu Trung	DCF	72%	1,732	1,254
- Long An Industrial Cluster	DCF	83%	777	644
- Hung Yen Industrial Cluster	DCF	69%	2,939	2,019
-Long An Industrial Parks	DCF	66%	6,451	4,254
<b>Urban areas</b>				<b>17,367</b>
- Phuc Ninh	DCF	100%	1,785	1,785
- Trang Due	DCF	87%	650	563
- Trang Cat	DCF	100%	14,578	14,578
- Social housing in TT Nenh	DCF	74%	600	441
<b>Others</b>				<b>640</b>
(+) Cash and cash equivalents				786
(-) Net debt				3,659
<b>RNAV</b>				<b>31,207</b>
Outstanding shares				767,604,759
<b>Target price (VND)</b>				<b>40,600</b>
Current price (March 17, 2024)				33,600
TSR				20.8%

Source: Kinh Bac City Development, KB Securities Vietnam

**Fig 14. KBC – Five-year P/B (x)**



Source: Bloomberg, KB Securities Vietnam





**Nguyen Xuan Binh – Head of Research**  
binhnx@kbsec.com.vn

## Equity

### Banks, Insurance & Securities

**Nguyen Anh Tung – Manager**  
tungna@kbsec.com.vn

**Pham Phuong Linh – Analyst**  
linhpp@kbsec.com.vn

### Real Estate, Construction & Materials

**Pham Hoang Bao Nga – Senior Analyst**  
ngaphb@kbsec.com.vn

**Nguyen Duong Nguyen – Analyst**  
nguyennd1@kbsec.com.vn

### Retails & Consumers

**Nguyen Truong Giang – Analyst**  
giangnt1@kbsec.com.vn

### Industrial Real Estate, Logistics

**Nguyen Thi Ngoc Anh – Analyst**  
anhntn@kbsec.com.vn

### Oil & Gas, Chemicals

**Pham Minh Hieu – Analyst**  
hieupm@kbsec.com.vn

**Research Division**  
research@kbsec.com.vn

## Macro/Strategy

**Tran Duc Anh – Head of Macro & Strategy**  
anhhd@kbsec.com.vn

### Macroeconomics & Banks

**Ho Duc Thanh – Analyst**  
thanhhd@kbsec.com.vn

**Vu Thu Uyen – Analyst**  
uyenvt@kbsec.com.vn

### Strategy, Investment Themes

**Nghiem Sy Tien – Analyst**  
tiens@kbsec.com.vn

**Nguyen Dinh Thuan – Analyst**  
thuannd@kbsec.com.vn

## Support team

**Nguyen Cam Tho – Assistant**  
thonc@kbsec.com.vn

**Nguyen Thi Huong – Assistant**  
huongnt3@kbsec.com.vn

## KB SECURITIES VIETNAM (KBSV)

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### Head Office:

Levels 16&17, Tower 2, Capital Place, 29 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam  
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

### Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam  
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

### Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180–192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam  
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

### Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam  
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

## CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656  
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276  
Email: [ccc@kbsec.com.vn](mailto:ccc@kbsec.com.vn)  
Website: [www.kbsec.com.vn](http://www.kbsec.com.vn)

## Investment ratings & definitions

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### Investment Ratings for Stocks

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

Buy:	Hold:	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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