

STOCK PITCH REPORT

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Sonadezi Chau Duc (SZC)

Leveraging the wave of increased FDI

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Rating

Target price	VND46,000
Support/Entry 1	VND38,000–39,000
Upside 1	19%
Support/Entry 2	VND33,000–35,000
Upside 2	35%

Note:

Investors need to combine the assessment of market trend, the attractiveness of investment catalysts and their risk appetite to manage the stock exposure in each price zone accordingly.

Since the determination of each support/entry level is based on different time frames, we do not provide a fixed stop loss. In general, stop loss levels should be set tighter for near supports/entries (5–7%) and wider for far supports/entries (10–15%).

Business operation

Sonadezi Chau Duc (SZC) is a real estate developer involved in: (i) urban and industrial development, including industrial parks, residential areas, and golf courses; (ii) infrastructure management and trading across various projects; and (iii) real estate services, including transactions, purchasing, transferring, and managing properties. Some notable projects are Chau Duc Industrial-Urban Park, BOT Road 768, and Sonadezi sports and fitness Service Area.

Stock price relative comparison

Currently, SZC is trading at a P/B below its 5-year average. With strong expectations for business performance this year and promising leasing prospects in the years ahead, we believe SZC's valuation could exceed the historical average, approaching a P/B that is +1 standard deviation above the norm.

INVESTMENT CATALYSTS

Tight industrial land supply in the South amid Ba Ria – Vung Tau's leadership in newly registered FDI

Vietnam is facing scarce industrial land supply, with only three new industrial parks launched in 2023. Notably, the southern region did not see any new projects become operational throughout the year.

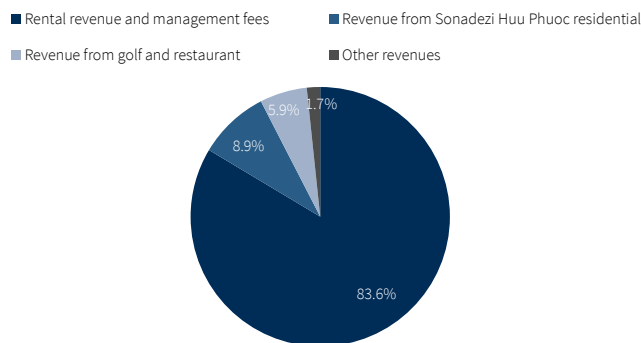
Large land bank in prime locations with strong growth potential

SZC operates Chau Duc Industrial Park in Ba Ria – Vung Tau, a region with strong potential for industrial and logistics infrastructure development.

Projections for future lease price hikes

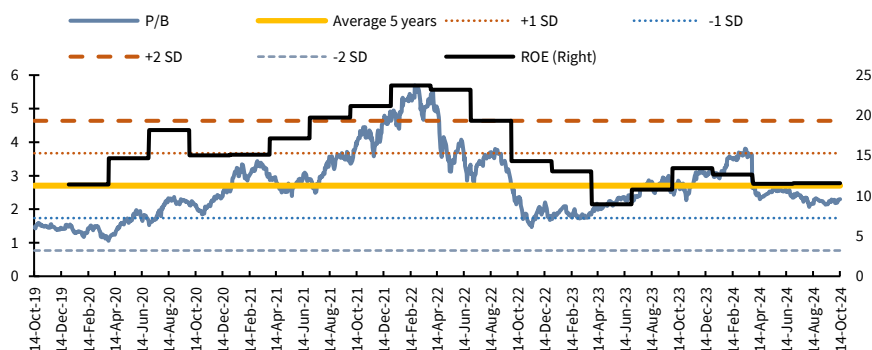
Following the successful acquisition of a major client, Electronic Tripod Vietnam, KBSV anticipates accelerated contracted value growth for the industrial park leasing segment. In 2024, we project rental prices to rise by ~10–12% YoY.

Revenue composition



Source: Sonadezi Chau Duc, KB Securities Vietnam

Ticker – P/B and ROE (x, %)



Source: Bloomberg, KB Securities Vietnam

1. Tight industrial land supply in the South amid Ba Ria – Vung Tau’s leadership in newly registered FDI

SZC benefits from tight supply in the Southern region and the trend of expansion into tier-2 markets

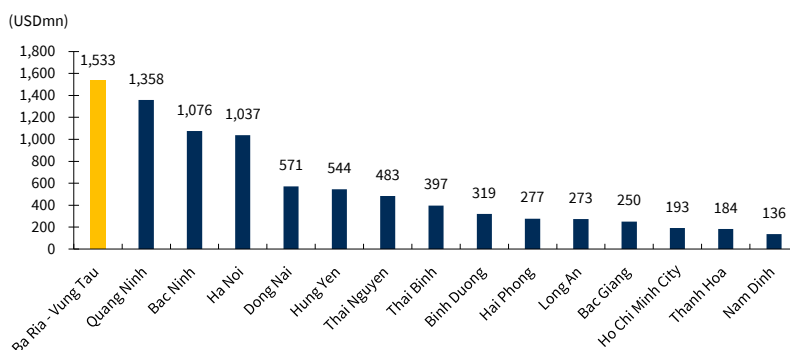
Vietnam is currently facing scarce industrial land supply, with only three new industrial parks launched in 2023. Notably, the Southern region did not witness the operation of any new projects throughout the year. As of the end of 1Q2024, the occupancy rate of industrial parks in the South reached ~93%. Meanwhile, strong demand for land rental continues to drive up asking prices, which increased by an average of 2.4% YoY in tier-1 markets by the end of 1Q2024. Key challenges contributing to these supply constraints are: (i) difficulties in land clearance and compensation cost calculations and (ii) delays in the legal approval process for projects in Southern provinces. These factors are expected to continue exerting pressure on the already limited supply of industrial land in tier-1 markets in the South.

In response, both domestic and foreign manufacturers are increasingly expanding into tier-2 markets such as Ba Ria – Vung Tau and Tay Ninh. These regions offer relatively abundant industrial land and more competitive rental rates compared to tier-1 markets. Companies like SZC, with ready-to-lease projects in key markets like Ba Ria – Vung Tau, are well-positioned to capitalize on this demand.

Ba Ria – Vung Tau has emerged as the leader in newly registered FDI in Vietnam. In the first half of 2024, cumulative newly registered capital in the region reached USD1,583 million, marking an impressive 85-fold increase compared to the same period last year.

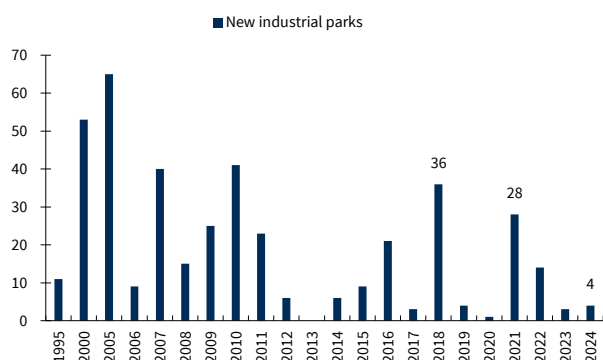
This substantial surge underscores the growing demand for industrial land leasing in the area, signaling significant potential for future growth in the region's industrial real estate market.

Fig 1. SZC – Newly registered FDI in 1H2024 (USDmn)



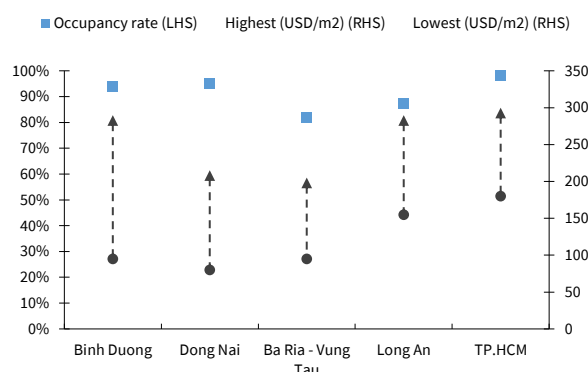
Source: Fiiipro, KB Securities Vietnam

Fig 2. Vietnam – New industrial parks



Source: Vietnam Industrial Zone

Fig 3. Southern Vietnam – Occupancy rate, lease price range



Source: CBRE

2. Large land bank in prime locations with strong growth potential

Chau Duc Industrial Park is strategically situated in Ba Ria – Vung Tau, a province with strong potential for industrial and logistic infrastructure development

SZC owns Chau Duc Industrial Park located in Ba Ria – Vung Tau, a region with strong potential for industrial and logistics infrastructure development, offering advantages such as:

- 1) **Proximity to the Thi Vai – Cai Mep deep-water port:** Situated ~20 km from this critical logistics hub, the port is a vital economic engine for Vietnam. We expect the Thi Vai – Cai Mep port cluster to further enhance the appeal of Ria – Vung Tau to major global manufacturers.
- 2) **Proximity to Long Thanh International Airport (around 54 km away):** While ocean and air freight have traditionally been separated, the global flow of goods increasingly demands integrated transportation solutions. Combining air and maritime shipping enhances logistics flexibility and leverages the strengths of both methods. We believe the potential integration of Long Thanh Airport with the Thi Vai – Cai Mep port cluster will offer significant benefits to the industrial and logistic sectors in Ba Ria – Vung Tau.
- 3) **Road connectivity:** Ba Ria – Vung Tau is developing a comprehensive national road network, including the Bien Hoa – Vung Tau expressway, Ho Chi Minh City’s Ring Road 4, and major highways such as national highway 55 (NH55), NH56, NH51, and NH51C. Notably, the Bien Hoa – Vung Tau expressway, with an investment of VND 23,000 billion, will pass through several large industrial parks, alleviating traffic congestion on NH51 and shortening the travel time between Ho Chi Minh City and Ba Ria – Vung Tau. The strategic location of Chau Duc Industrial Park along this route will help attract investment, reducing transportation costs and time.

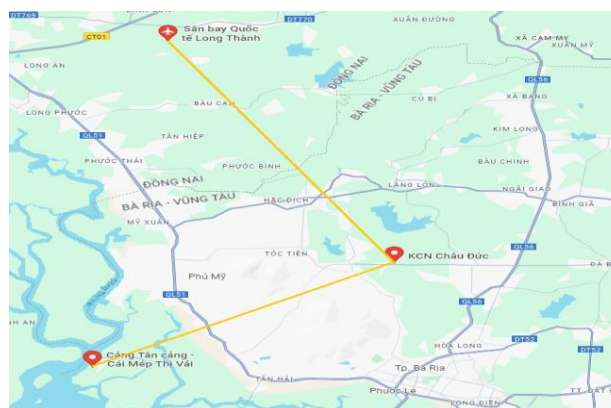
SZC boasts a sizeable land bank in Ba Ria – Vung Tau

Chau Duc Industrial Park spans 1,556 ha, with 1,109 ha designated as saleable land. The remaining area available for lease is over 400 ha. In 2024, SZC plans to establish and approve a compensation and site clearance plan for 92.99 ha of industrial land, with an estimated cost of more than VND1,089 billion. This will secure SZC's leasing operations for at least the next few years.

KBSV estimates that SZC's leased land is ~30–40 ha per year. In 2023, the total leased and MOU-signed area reached 66.23 ha (+65% YoY). A major client, Electronic Tripod Vietnam (with an investment of USD250 million), is one of the key players in the electronics manufacturing sector. Securing this client is expected to pave the way for SZC to attract more supporting enterprises, boosting the project's occupancy rate.

Fig 4. SZC – Chau Duc Industrial Park

SZC is poised to benefit from the upcoming operation of the Bien Hoa – Vung Tau expressway, which will enhance its ability to attract investment into the project. In response, SZC is accelerating site clearance efforts to capitalize on the expected rise in demand as the expressway nears completion.



Source: Googlemap

3. Projections for future lease price hikes

SZC's rental prices are expected to rise by 10–12% YoY

We forecast an acceleration in industrial land sales will accelerate and expect continued price increases at SZC's industrial parks in the coming years. Following the successful acquisition of Electronic Tripod Vietnam as a major client, KBSV expects a boost in industrial park sales driven by: (i) robust FDI inflows into Vietnam, especially into Ba Ria – Vung Tau; (ii) a broader client base, including high-profile clients such as Electronic Tripod Vietnam; (iii) ongoing infrastructure development in the road and port sectors in Ba Ria – Vung Tau and the Long Thanh airport in neighboring Dong Nai; and (iv) SZC's competitive land pricing, with rental rates 20–35% lower than other industrial parks. In 2024, we project rental prices to rise by ~10–12% YoY. Given the strong demand, we anticipate SZC's profits will grow significantly this year, with an estimated increase of ~70% YoY).

RISKS

Risk of slower-than-expected industrial land absorption

Risks to the industrial park land absorption rate, if slower than expected, could prevent rental prices from increasing as anticipated, which would in turn reduce the profitability of industrial park developers. Besides, increased competition from other industrial parks in the southern region poses another risk.

Risk of competition in attracting FDI

At the same time, attracting FDI into Vietnam is facing stronger competition from other Southeast Asian countries, which could affect the demand for industrial park leasing.

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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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