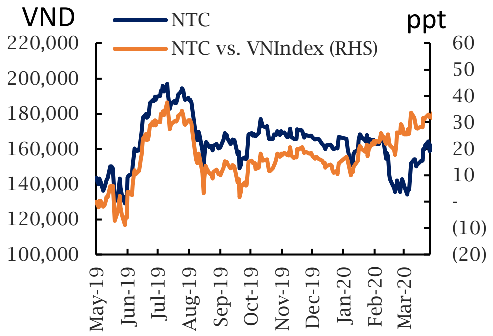
Nam Tan Uyen Industrial Park [NTC VN]

4 June 2020

Not Rated

Close 4 Jun 2020

Price	VND201,900
12M Target	NA



Market cap	US$139 mn
6M avg. daily turnover	US0.27mn
Outstanding shares	16mn
Free float	25%
FINI ownership	0%
Major shareholders	72%
FOL room	47%
Net cash	US$2.1mn
2020E dividend yield	4%

Source: Bloomberg, Company data

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Bloomberg code: YUTA

AGM Notes: NTC3 is already priced in

NTC held its AGM yesterday morning (June 3).

Key takeaways

Earnings to decline YoY in 2020 due to the delayed NTC3 project. NTC targets PAT of VND177bn (-25% YoY), but sets its operating revenue and financial income target at VND390bn (+2% YoY). The NTC1 and NTC2 industrial parks are at nearly full take-up rates. Management expects NTC3 to drive growth in earnings and cash flow going forward, but it does not expect lease signing to start until 4Q20 at the earliest.

NTC3-related costs will be higher than previously guidance as NTC raised its land compensation guidance from VND209bn (which was announced last year) to VND856bn. Additionally, NTC will pay VND2,618bn to the government for a 50-year lease, equivalent to VND7.5bn per hectare NLA. This is c.90% higher than what it paid for land rental at NTC1 and NTC2.

NTC plans to list on the HSX in Aug 2020 and the BOD has opted to issue shares to increase its charter capital. Shareholders at the AGM also approved an additional maximum credit line of VND3,212bn to fund the NTC3 project.

2019 dividend per share of VND10K is equivalent to a 5% dividend yield. AGM voters agreed to a 2020 profit distribution plan in which the minimum dividend per share will be VND8K, equivalent to a 4% forward yield.

Investment plan in NTC4 industrial park. NTC4 is a component of the Binh Duong authorities' 2021-2025 land use plan. Details of this planned project must be submitted to the provincial authorities, then the development partners (i.e., PHR and NTC) will determine their respective capital contributions. NTC4's planned area comprises 700ha of what is now agricultural land under PHR's management. PHR and NTC have agreed to establish a joint venture to invest in NTC4. Details of the NTC4 project's plan are to be unveiled by the end of this year.

Our view

We believe that industrial property is primed to benefit from manufacturer migration due to Vietnam's cost advantages, proximity to China's manufacturing ecosystem, and substantial array of international trade agreements. However, we believe that transport infrastructure is a crucial obstacle for foreign firms operating production facilities here. Therefore, industrial parks located in convenient areas are especially likely to benefit from increased demand, and NTC3 is among that group.

NTC's share price likely reflects its fair value based on our back-of-the-envelope calculation. Investors might consider waiting for details of the planned NTC4 project (to be unveiled by yearend) before revisiting NTC as a stock idea. Given that PRH already has two major projects in their pipeline, it is possible that NTC might hold 80% of the potential NTC4 joint venture, with PHR taking up the remaining 20% stake.

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