

INDUSTRY UPDATE
Huy Vuong

Analyst

 Email: huyvk@fpts.com.vn

Phone: (84.8) 6290 8686 - Ext: 7592

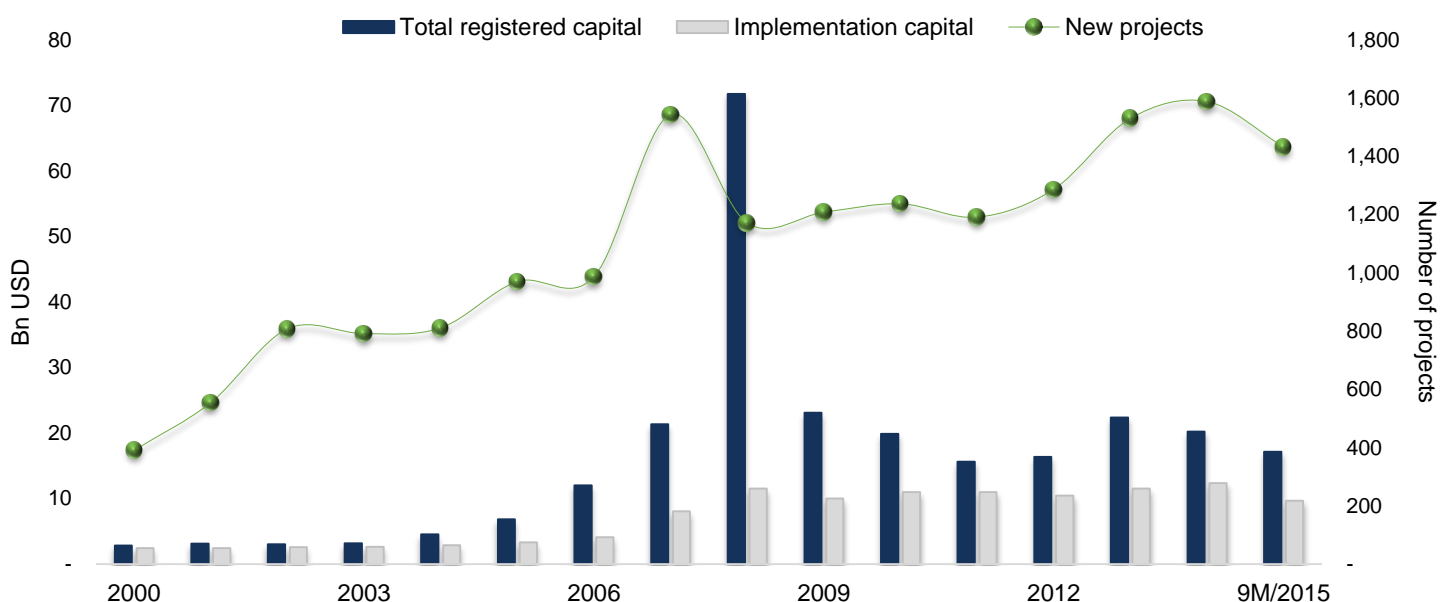
The Trans-Pacific Partnership (TPP) is favouring industrial-properties operating enterprises.

TPP WILL LEAD TO HIGH DEMAND FOR INDUSTRIAL LAND

On 05th October 2015, the United States, Japan and 10 other Pacific Rim nations reached final agreement on the largest regional trade accord in history. This is Vietnam's great opportunity for economic development. The group of 12 TPP nations contributes 40% of global GDP so that Vietnam is able to access to broader market. Vietnam's GDP, hence, is expected to additionally increase by 8 – 10% or even higher until 2030. However, severe competition is also coming follow TPP and such competition will force local enterprises to raise productivity. Improving productivity then play critical role in helping Vietnam to obtain long-term sustainable growth.

Thanks to TPP, Vietnam would hopefully welcome stronger wave of Foreign Direct Investment (FDI) in addition to the expansion of existing FDI projects and local businesses, Vietnam's participation in Free Trade Agreements (FTAs) with Europe, ASEAN, international shift of manufacturing from China to Vietnam... All boost demand for industrial land and relevant properties (e.g. good quality constructed factories & warehouses).

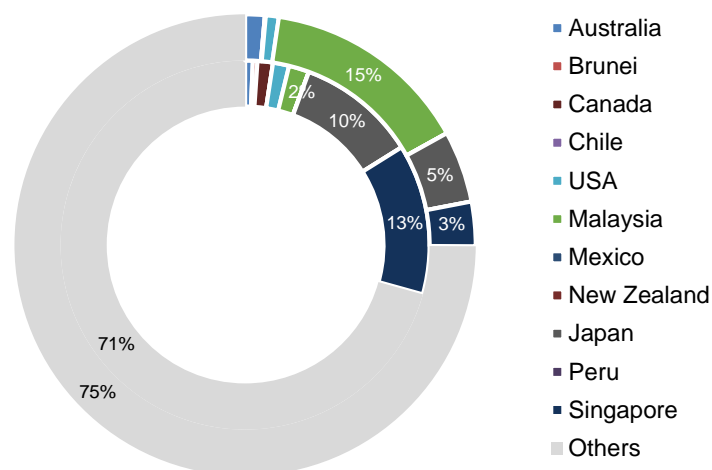
In the first 9 months of 2015, total registered FDI capital is USD17.15 Bn (+53.40% compared to the same period of 2014).

FDI capital into Vietnam


(Source: Foreign Investment Agency - Ministry of Planning and Investment)

To be more details, Vietnam's 11 TPP partners contributed nearly 30% of total FDI capital in recent 2 years.

**% 11 TPP partners' FDI into Vietnam
(2014 & 9M/2015)**



(Source: FIA Vietnam; FPTS Research)

Therefore, industrial-properties operating enterprises, especially who has industrial zones nearby urban cities such as Ho Chi Minh city (HCMC) and Ha Noi, will benefit greatly.

LISTED INDUSTRIAL-PROPERTIES OPERATING COMPANIES

Kinh Bac City Development Holding Corporation (HSX: KBC)

No.	Industrial zone	Location	Price (USD/m ²)	Size (ha)	Note
1	Trang Due	Hai Phong	60-70	400	Phase I (186ha): occupancy 95%; Phase II (214ha): compensated 80ha
2	Trang Cat	Hai Phong			Located in the industrial – services complex with size of up to 800ha; In-progress compensation (Trang Cat urban area is compensated 540/581ha).
3	Quang Chau	Bac Giang	50-55	426	Occupancy 28% (remaining sellable area of 200ha).
4	Que Vo	Bac Ninh	50-55	611	Existing area 300ha: occupancy 90%; Expanded area 311ha: occupancy 68%
5	Nam Son – Hap Linh	Bac Ninh	55-65	402	Compensated 100ha.
6	Dai Dong – Hoang Son	Bac Ninh	60-70	400	Phase I (268ha): occupancy 90%; Phase II: infrastructure development.
7	Phuong Nam	Quang Ninh		569	
8	Saigon – Chan May	Hue		650	Compensated 72ha.
9	Tan Phu Trung	HCMC	50-55	542	Occupancy 20%.

(Source: FPTS Research, update on 08/10/2015)

Tan Tao Investment Industrial JSC (HSX: ITA)

No.	Industrial zone	Location	Price (USD/m ²)	Size (ha)	Note
1	Tan Tao	HCMC	200-250	443	Occupancy 90%
2	Tan Duc	Long An	60-70	545	Phase I: occupancy 90%; Phase II: occupancy 30%

(Source: FPTTS Research, update on 08/10/2015)

Binh Chanh Construction Investment Shareholding Company (HSX: BCI)

No.	Industrial zone	Location	Price (USD/m ²)	Size (ha)	Note
1	Le Minh Xuan (expanded)	HCMC		109	In-progress legal procedures.

(Source: FPTTS Research, update on 08/10/2015)

No.2 Industrial Urban Development JSC (HSX: D2D)

No.	Industrial zone	Location	Price (USD/m ²)	Size (ha)	Note
1	Nhon Trach 2	Dong Nai	70	331	Occupancy 99%.

(Source: FPTTS Research, update on 08/10/2015)

Sonadezi Long Thanh (HSX: SZL)

No.	Industrial zone	Location	Price (USD/m ²)	Size (ha)	Note
1	Long Thanh	Doang Nai	70	308	Occupancy 80%.
2	Long Phuoc 1	Dong Nai		75	In-progress legal procedures.

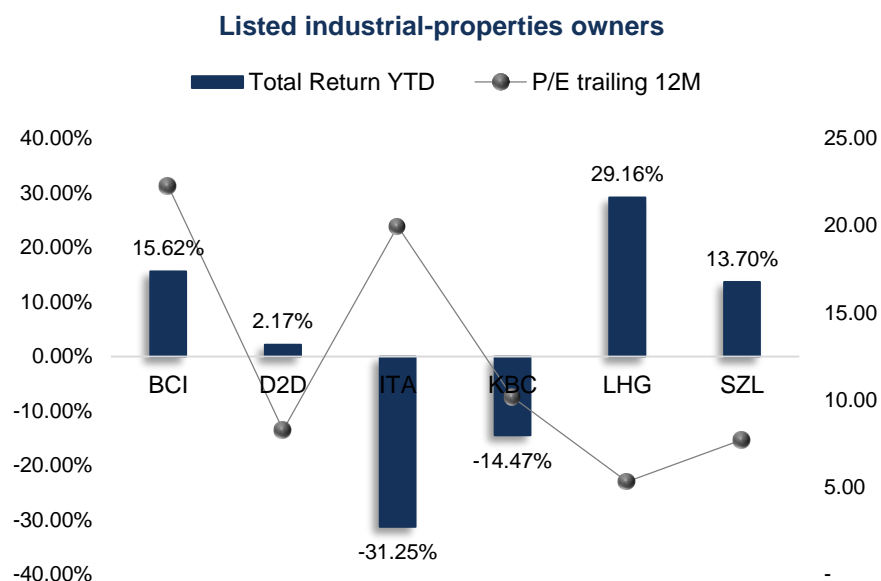
(Source: FPTTS Research, update on 08/10/2015)

Long Hau Corporation (HSX: LHG)

No.	Industrial zone	Location	Price (USD/m ²)	Size (ha)	Note
1	Long Hau 1 & 2	Long An	95-100	250	Occupancy 127/167 ha (sellable land).
2	Long Hau 3	Long An	95-100	142	In-progress legal procedures.
3	Long Hau (remaining land)	Long An		337	Deployment after Long Hau 3.

(Source: FPTTS Research, update on 08/10/2015)

As of 08th October 2015, only ITA and KBC have big negative YTD return (while VN-Index gained 6.76% YTD) although they both have positive business results.



(Source: FPTS Research, update on 08/10/2015)

It is reasonable to assume that investors will pay more attention to ITA and KBC in upcoming time due to their catalysts:

- Large industrial land bank (available for sale) locating in convenient areas nearby HCMC and Ha Noi.
- Gradually positive business results (higher ROE and higher Net profit).
- Attractive P/B trailing and P/E forward (in case of completing 100% business plan) in comparison with the industry average level (P/B trailing 0.88x and P/E forward 2015 22.55x).

6 listed industrial-properties owners' key financial items

No.	Sym.	ROE 2011 - 2013	ROE:2014	Revenue 2015P (Bn VND)	NI 2015P (Bn VND)	NI 1H/2015 (Bn VND)	% YoY	% 1H over BP 2015	P/B trailing	P/E trailing 12M	implied P/E fw 2015P
1	BCI	6.65%	5.52%	379	120	26	-36.75%	22%	0.98	22.28	15.25
2	D2D	13.13%	16.53%	286	43	17	-47.02%	40%	0.92	8.27	7.92
3	ITA	1.05%	1.92%	1,167	510	113	98.94%	22%	0.50	19.97	9.05
4	KBC	-2.59%	6.91%	1,979	739	253	503.37%	34%	0.94	10.16	8.65
5	LHG	9.46%	3.93%	296	36	26	9M/2014 lost VND21.46 Bn	72%	0.60	5.33	10.64
6	SZL	9.91%	9.32%	175	21	24	8.95%	113%	0.79	7.73	16.37

P: Business plan; NI: Net income attributable to parent shareholders
(Source: FPTS Research, update on 08/10/2015)

RECOMMENDATION AND EXPLANATION

Recommendation system is based on the difference between target price and market price of each stock in order to provide appropriate information for investors in 12-month investment period from recommended day.

The expected rate of return at 18% is estimated based on 12-month Government bond rate in addition to market risk premium in Vietnam.

Recommendation	Explanation
12-months period	
Buy	If target price is higher than market price by 18%
Add	If target price is higher than market price from 7% to 18%
Hold	If target price compared to market price is within -7% to 7%
Reduce	If target price is lower than market price from -7% to -18%
Sell	If target price is lower than market price by -18%

DISCLAIMER OF LIABILITY

All of information and analysis on this report made by FPTTS are based on reliable, available, and legal information sources. We do not guarantee about the correctness or completeness of information.

Investors who are using this report need to be noticed that all of comments on this report are only the subjective opinions of FPTTS analysts. The investors have to take their own responsibility about their decision when using this report.

FPTS may base on all information in this report or others to make decision for us, but not have any claim on legal of given information.

At making this analysis report time, FPTTS and analyst do not hold above stocks.

This report may not be copied, reproduced, published, or redistributed by any person for any purpose without the written permission of an authorized representative of FPTTS. Please cite sources when quoting.

The information related to stocks in this report, FPTTS reports or other information can be viewed at <https://ezsearch.fpts.com.vn> or will be provided upon official request.

© 2010 FPT Securities

FPT Securities
Head quarter

Floor 2nd, 71 Nguyen Chi Thanh, Dong Da District, Hanoi, Vietnam.

Tel: (84.4) 3 773 7070 / 271 7171

Fax: (84.4) 3 773 9058

HCM Branch

Floor 3rd, Ben Thanh Times Square Building, 136-138 Le Thi Hong Gam, District 1, HCMC, Vietnam.

Tel: (84.8) 6 290 8686

Fax: (84.8) 6 291 0607

Da Nang Branch

100 Quang Trung, Thach Thang, Hai Chau District, Da Nang, Vietnam.

Tel: (84.511) 3553 666

Fax: (84.511) 3553 888