

Sector: Real Estate | REAL ESTATE RESEARCH

Recommendation

BUY

REAL ESTATE INVESTMENT & TRADING JSC (HSX: ITC)
ATTRACTIVE VALUATION

Current price:	22,400
Previous target price	-
New target price:	27,400
Dividend yield	4.5%
Upside	26.8%

Date:	29/11/2021
Outstanding Shares (Million)	79,726,294
Market Cap (VND billion)	1,420
Avg. 6M Trading vol:	472,217
% Foreign float	0.13%

SHAREHOLDER STRUCTURE	
Saigon Real Estate Corp LLC	16.17%
Future Architecture Design JSC	24.67%
Toan Viet Investment JSC	13.09%
Thien Hai Inv-Trading Co., Ltd	6.81%

Real Estate Research:

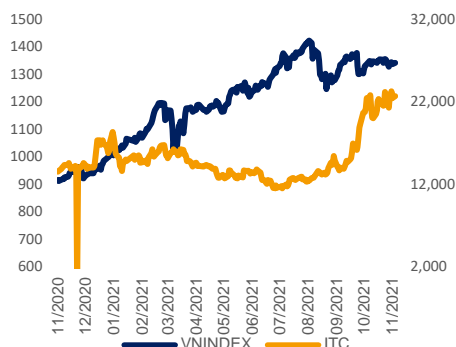
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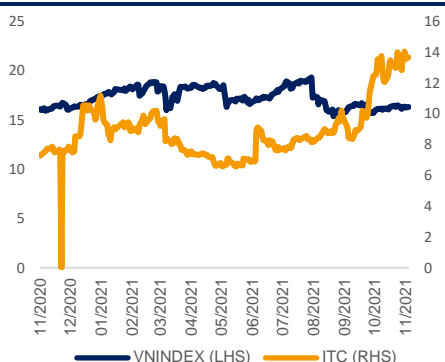
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Target price:	27,000 VND
Stop-loss price:	21,500 VND

Price comparison between ITC and VN index



P/E comparison between ITC and VN index



VALUATION

We recommend **BUY** ITC with target price of **VND 27,400/share**, upside +26.8% compared to price on 11/26/2021 by P/B method and 20% discount to price.

FORECAST OF BUSINESS RESULTS

BSC forecasts that ITC's revenue and NPAT in 2021 will reach VND 705 billion (-24% YoY) and VND 137 billion (+1% YoY), EPS fw = VND 1,724 and P/E fw=13.0, P/B fw= 1.1.

INVESTMENT THESIS

- ITC is trading at an attractive valuation compared to its peers.
- Implementation of key projects on schedule and positive signals from long backlog projects.

RISKS

- The Covid-19 epidemic will affect the construction, sales and leasing of shopping centers and hotels .

COMPANY UPDATE

- 9M2021 business results: Revenue and NPAT in the first 9 months of 2021 of ITC reached VND 350 billion (+1% YoY) and VND 62 billion (-11% YoY) respectively, mainly contributed from the apartment business at Terra Royal .
- Projects that have been completed but have not yet recorded revenue for many years such as Long Phuoc Residential Area, Thinh Vuong Building have positive signals in 2021 when a part has been sold/transferred with high profit margin.

	2020	2021	Peer	VN-Index
PE (x)	105.2x	96.9x	15.6x	17.6x
PB (x)	1.0	1.1	2.6x	2.8x
D/E (%)	44%	44%	17%	N/A
ROE (%)	7.6%	7.7%	13.1%	15.8%
ROA (%)	3.1%	3.1%	6.4%	2.5%

	2019	2020	2021F
Net Sales	451	922	705
Gross Profit	157	299	272
NPAT	114	136	137
EPS	1,690	1,774	1,724
EPS Growth	43%	5%	-3%

COMPANY UPDATE

9M2021 business results: Revenue and NPAT in the first 9 months of 2021 of ITC reached VND 350 billion (+1% YoY) and VND 62 billion (-11% YoY). ITC's revenue in the first 9 months of 2021 mainly comes from the continued implementation of apartment business at Terra Royal (Crossroad of Nam Ky Khoi Nghia - Ly Chinh Thang, District 3, Ho Chi Minh City). In which, Q3/2021 revenue and NPAT reached VND 108 billion (-19% YoY) and VND 44 billion (+42% YoY) thanks to high gross profit margin (64% compared to 32.7% in the same period in 2020). However, although Covid-19 disease in Q3/2021 did not affect the sale of apartments (VND 108 billion, +8.6% YoY) but it had a strong impact on the rental of shopping malls and hotels (usually accounting for 15-17% net revenue).

NPAT in 9M/2021 is quite low, mainly because G&A costs and especially interest expenses increase over the same period (VND 43 billion in 9M/2021, 5.5 times higher than VND 7 billion in 9M/2020). The reason is due to accounting for interest expenses after Terra Royal project completes construction work in Q4/2020 (total value of debt to serve this project at the end of 2020 is VND 373 billion, accounting for 49% of ITC's total loans with an average interest rate of 11%/year).

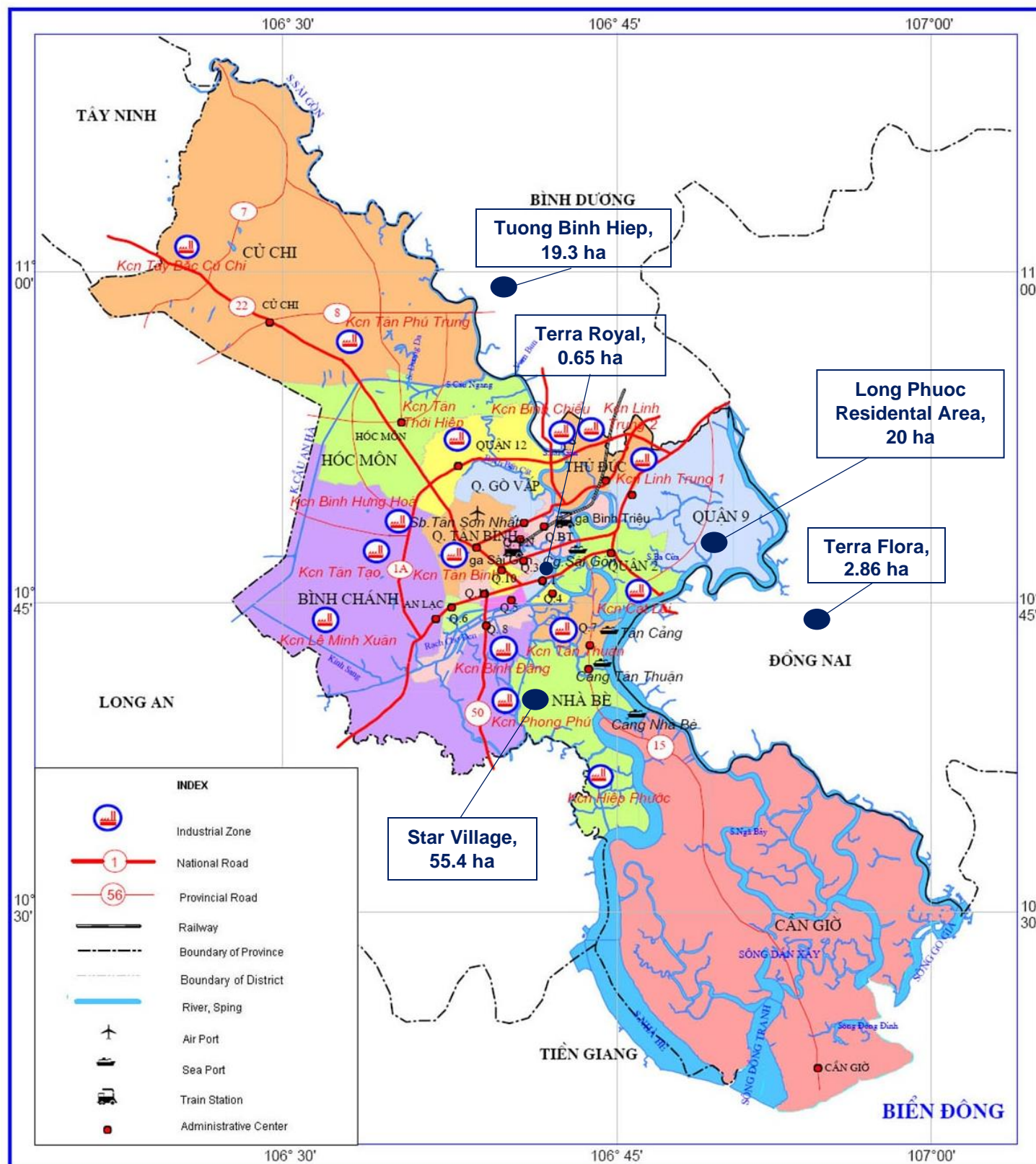
Regarding **the implementation of projects**, most of ITC's main projects have completed construction and are in business, including Terra Royal, Star Village phase 1 (ground phase), Terra Flora. Completed projects that have not yet recorded revenue for many years such as Long Phuoc Residential Area, Thinh Vuong Building have positive signals in 2021 when a part has been sold/transferred with high profit margin. The main driving force of ITC in the coming years will be based on the implementation of Tuong Binh Hiep Residential Area, Stars Village phase 2 and Terra Flora projects.

Ongoing projects

Project	Ownership rate	Location	Project scale (m2)	Total investment (billion VND)	Unit	Condition
Terra Royal	100%	District 3	6,525	2,700	366	Completed construction of 3Q2020 and put into business
Star Village	100%	Nha Be	554,000	7,600	3,073	Completed the sale of Phase 1 of the project (44.9ha) from 2019, is implementing the construction of Phase 2
Long Phuoc residential area	100%	District 9	200,000	-	-	Finding a transfer partner
Terra Flora	85%	Nhon Trach	28,643	1,000	-	Completed 2 apartment blocks D1, D2 (initiating business in block D1 - 115 apartments) and constructed 1 office block.
Phuoc Hai Tourist Area	50%	Vung Tau	151,000	-	-	Expected to start construction in 2022-2026.
Tuong Binh Hiep	65%	Binh Duong	193,000	-	746	Completing compensation and land allocation in Phase 1, construction has not yet commenced.
Intresco Residential Area 6A	N/A	Binh Chanh	-	-	-	Continue to compensate the rest and complete the legal system (backlog of more than 20 years).

Source: ITC

ITC's projects location



Source: BSC Research

Accordingly, we estimate that the revenue and NPAT for the whole year 2021 will reach VND 705 billion (-24% YoY) and VND 137 billion (+1% YoY), which will largely come from the apartment and rental business at the project. Terra Royal project.

VND billion	2020	2019	% YoY	9T21	9T20	% YoY	2021F	Comment
Net Revenue	922	451	104%	350	347	7%	705	Update business results 9M/2021: Revenue and NPAT in the first 9 months of 2021 reached VND 350 billion (+7% YoY) and VND 62 billion (-10.5% YoY). The main reason comes from the fact that the rental of shopping centers and hotels is greatly affected by the epidemic situation. While high interest expense (up 5.5 times over the same period in 2020) made NPAT in the first 9 months decrease by 10.5%. 9M2021 has recorded positive signals from backlog projects for many years such as Binh Trung Dong (Thinh Vuong building) and Long Phuoc residential area
Gross profit	299	157	91.2%	140	100	39.8%	272	
GPM	32.5%	34.7%		40.1%	28.7%			
Sales & Administration Expenses	(56)	(40)	40%	46	23	98.7%	71	
SG&A/ Net revenue	6.1%	8.9%		13.4%	6.7%			
EBIT	243	117	109%	97	77	22%	201	
Financial revenue	3	7	(61%)	1	1	25.5%	1	
Financial expenses	(5)	(31)	518%	(43)	(7)	550%	(58)	
PBT	180	118	52%	78	82	(6%)	172	
NPAT	136	114	20%	62	70	(10.5%)	137	
NPM	15%	26%		17.8%	19.9%		20%	

Source: BSC Research

VALUATION

In our opinion, ITC is trading at a P/B of 1.0x with attractive valuation compared to the industry P/B of 2.6x. We recommend **BUY** for **ITC** with a target price of VND 27,400/share, upside 26.8% (including dividend yield of 4.5%) compared to the closing price on 11/26/2021 by P/method method. B with P/B fw=1.5 – based on expectations on sales progress, implementation of current projects – and 20% discount on price.

P/B method	
Book value	1,819
Target P/B	1.5
Enterprise value	2,728
Discount rate	20%
Enterprise value after discount	2,183
Number of shares	79,726,294
Target price	27,400
Dividend yield	4.5%
Upside	26.8%

Source: BSC Research

Disclosure

The information, statements, forecasts and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable but their accuracy completeness or correctness are not guaranteed. Expressions of opinion herein were arrived at after due and careful consideration and they were based upon the best information then known to us, and in our opinion are fair and reasonable in the circumstances prevailing at the time. Expressions of opinion contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. BSC and other companies in the BSC and/or their officers, directors and employees may have positions and may affect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for these companies. This document is for private circulation only and is not for publication in the press or elsewhere. BSC accepts no liability whatsoever for any direct or consequential loss arising from any use of this or its content. The use of any information, statements forecasts and projections contained herein shall be at the sole discretion and risk of the user. No part of this material may be (i) copied, photocopied or duplicated in any form by any mean or (ii) redistributed without the prior written consent of BIDV Securities Company (BSC).

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