

BCI – A profit surge in Q4 helps the company reach 88% of profit plan for FY2013**Estimates for Q3/2013 and FY2013:**

- **Q3/2013:** Revenue and profit of BCI in Q3/2013 remained as low as the 2 previous quarters with VND34.6 billion in net revenue and VND5.9 billion in NPAT, deriving from (1) the stable income of land and factory leasing and other services at Le Minh Xuan Industrial Zone;(2) the sharing profit from Big C supermarket system and (3) revenue from selling the remained apartments of Nhat Lan 2 Apartment.
- **In 9M/2013**, BCI has accumulatively earned VND79.6 billion in net revenue and VND20.2 billion in NPAT, respectively fulfilling 17.5% and 22.5% of full year plan.
- **FY2013:** BCI's net revenue is estimated to be VND475 billion, exceeding 3.6% plan and pre-tax profit is estimated to reach VND88 billion, fulfilling 88% plan, equivalent to an EPS of 1,071 VND per share, down 55.3% yoy because there is no one time gain from the stake transfer of Phong Phu Industrial Zone like last year.
- **Eventually, the biggest part of full year' revenue and profit of BCI will be recorded in last quarter**, with the net revenue of VND377.6 billion and pre-tax profit of 67.4 billion.

Business updates:**1. Main sources of Revenue and Profit in FY2013:**

- ❖ **Nhat Lan, a 12 storey apartment in Binh Tan District:** in the first half of 2013, BCI sold out the last 30 apartments of the project, accordingly recording VND27.5 billion in 1H/13 and the rest of VND17 billion in Q3/2013. The gross profit margin of this project is about 10-13%.
- ❖ **Nhat Lan 3 Apartment (formerly known as Tan Tao 1 Apartment) at Binh Tan District:** is in the completing process. The selling price is VND14 million/m² (including VAT). BCI has sold 120 resettlement apartments and 197 commercial ones for totally VND 250 billion. There are 30 apartments left unsold.. As the apartments will be handled on 15 Oct 2013, revenue will be recorded in Q4/2013 amounting to VND210 billion. The gross profit margin of this project is about 10-13%.

Nhat Lan 3 Apartment, after adjusting apartment area to below 70m² and selling price to below VND15 million/m², has become suitable for middle and above income earners, resulting in good consumption. Although the project meets the requirement to receive support from the VND30,000 billion package, only less than 10 out of 317 customers can enjoy the preferential interest of 6% from this package.
- ❖ **Lands at Bac Luong Beo Residential Area, Binh Tan District:** The project has finished selling from end of 2010, but VND200 billion has not been recognized because the revenue recognition of this project depends on the building progress of the buyers. Up to now, the construction of the customers has nearly done. Therefore, BCI can recognize VND150 billion in revenue for Q4/2013 while the rest will be recognized in 2014. The gross profit margin of this project is as high as 30%.
- ❖ **Revenue from leasing of lands, factory, warehouses and supplying other services at Le Minh Xuan Industrial Zone:** This is a regular source of revenue, about 60-70 billion VND per year with high GPM of 50%.

- ❖ **Profit from associates:** BCI has invested VND131.4 billion in Big C An Lac Supermarket Trading Services Company Ltd., (equivalent to 20% ownership). The supermarket system of Big C operates effectively and helps BCI gain a profit of about VND35 billion per year.

BVSC's comments:

BCI is a leading real estate company in the South with multi-year experience in developing large scale real estate projects and owning such a large clear land bank at reasonable cost. Its products target at middle income segment which is suitable for the income range of the majority of people in Vietnam.

The Company has the stable income from leasing of lands, factories, warehouses and supplying other services at Le Minh Xuan Industrial Zone and from Big C An Lac Company, which is nearly enough to cover the annual interest and SG&A.

In Q4/2013, BCI simultaneously records revenue from both Nhat Lan 3 Apartments and Bac Luong Beo Residential Area, which helps the company nearly fulfill the year plan.

Based on trading price as at 21 Oct 2013, share of BCI has the forward P/E 13x and P/B 0.6x which are at the industry's average. The stock is suitable for long-term investments.

Key risks:

- Big projects in the future such as Green Village Residential Area (formerly known as Phong Phu 2 Residential Area) and Corona Residential Area (formerly known as 11A Residential Area) have just paid part of land use right fee. Therefore, their cost of land may fiercely increase after fully certifying the amount of land use right fee payable.
- BCI's shares have low liquidity despite the slight increase in trading volume recently.