

## ITA – HOSE

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(VNDmn)	FY2006	FY 2007	%y/y	FY 2008 company's plan	Q1/2007	Q4/2007	Q1/2008	Q1/2008 comparative	
								%y/y	%q/q
Net sales	352,763	924,919	162.2%	1,768,000	178,652	286,655	255,476	43.0%	-10.9%
Financial income	18,069	45,358	151.0%		28,972	6,428	40,564	40.0%	531.1%
Pretax profit	184,707	461,818	150.0%		97,181	177,678	119,820	23.3%	-32.6%
Net profit	148,227	367,375	147.8%	600,000	78,255	146,064	100,951	29.0%	-30.9%
Net margin (%)	42.0%	39.7%	-5.5%		43.8%	51.0%	39.5%		
ROA	12.44%	8.45%	-32.1%						
ROE	26.06%	11.15%	-57.2%						
Current ratio	0.58	1.67			1.02		1.09		
Debt ratio	0.61	0.29			0.51		0.27		
Outstanding shares		69,561,391		136,054,795					
EPS		5,281		4,410					
P/E		13.6		16.3					

Source: ITA

**Investment conclusion:** Tan Tao Investment Industry Corporation (ITA) is one of the leading industrial park developers in Vietnam operating two successful industrial parks, Tan Tao and Tan Duc. With a base in industrial parks, ITA Group is now expanding its operation and has 42 big real estate and infrastructure projects. These projects will generate revenue for the company going forward. FY 2008 targets are high and may be tough to reach. Forward EPS is estimated at about VND4,410 due to additional share issues. At the current price of VND72,000 forward P/E is 16.3x, which is fully priced in our opinion.

We recently visited the company and talked to the CEO, Mr. Thai Van Men.

The company posted revenues of VND 255.5 billion in the first quarter, up 43% y/y but down 10.9% q/q. Net profits came in at VND 101 billion, an increase of 29% y/y but down 32.6% q/q. Net margins fell from 51% in Q4 to 39.5% in Q1. This is despite the fact that financial income expanded from 2.2% of sales in Q4 to 16.6% in Q1. It's clear that core earnings deteriorated sharply in Q1. This is due to the lumpy nature of its business with much of the revenue from the key Tan Tao project having been posted last year.

In FY2008, the company has put in some very ambitious targets. We see revenues coming mainly from projects such as Tan Tao IP, Tan Duc IP and Tan Duc E.city. Of these revenues from Tan Duc IP (phase 2) and Tan Duc E.City will provide the bulk of the new revenues this year. Tan Tao related revenues will be mainly from leaseholders following deferred income payment method. That said the FY2008 target is too ambitious in our opinion and we doubt if it can be reached. We have tried to get some more details from the company but so far could not.

Last year, ITA posted VND 924 billion in total revenues and VND 367.4 billion in net profit, up 2.5 times y/y. Revenues from land leasing activities accounted for more than 70% of net sales. The main contribution to revenues in FY2007 were Tan Tao industrial park (IP) and Tan Duc IP (phase 1).

In FY2008, ITA also posted financial income of VND45.3 billion, of which VND19.3 billion came from gains on the sale of shares. At the end of FY2007 that company had a mixed portfolio including short term stock investments of VND 42 billion and VND109.6 billion in special investments. They also had long term investments of VND 48 billion in stock. Last year Itaco paid \$32 million for a 51% stake in the Long An province-based ITA-Power and \$15 million for a 50% stake in North-West Power JSC in Lai Chau province.

By the end of FY2008, ITA plans to boost its chartered capital from VND1,115 billion to VND 2,000 billion. This capital will be drawn not only from local investors but also from the overseas market. ITA hopes to list on the Singapore exchange in Q3. The company isn't sure yet whether they will list new shares or simply list some existing shares. Foreign investors currently hold a 37.7% stake.

ITA has a full project pipeline consisting of 42 IP and infrastructure projects mostly in Long An province, bordering HCMC. ITA's strategy is to combine short-term, mid-term and long-term investment projects to ensure a steady revenue flow. IP's will continue to provide much of the short term revenue. Then over the medium-term, income from residential areas and related

buildings will kick in. And in the long-term, ITA hopes that infrastructure projects such as the power plant project will start to generate revenue.

## Main projects of ITA in the future

Project	Location	Total investment capital	Large - scale	Current status of project
Tan Duc industrial park phrase 2	Long An province	VND 994 bn	271.2 ha	Construction started on 15th Dec, 2007
Tan Duc E.city phrase 2	Long An province	VND 5,840 bn	348 ha	Proceeding with compensation and land clearance Approved the detail planning 1/500, expected to commence at the end of 2009
Tan Tao E.city	HCM city	VND 1,168 bn	144.6 ha	
Saigon - MeKong E.city Urban Project	Ben Luc and Duc Hue Districts -Long An province	US\$ 2.6 bn	2,568 ha	Expected to finish in 2015
East Southern Community college	Duc Hoa Dist. - Long An province	VND 468.3 bn	40 ha	Expected to start in 3Q2008 and finish in 2011
High way project	Tan Son Nhat – Long An	US\$ 270 mn	60 km length	Under compensation
Waterworks Project	Ben Luc Dist. -Long An province	US\$ 70 mn	300,000 m3 per day	NA
Power station Project	Long An province	US\$ 300 mn	600 MW	Expected to start in 2015
Power station Project	Kien Luong Dist. - Kien Giang province	US\$ 5.3 bn	3,600 - 4,400 MW	2009-2013
AGRITA Energy and Mechanic IP	Hung Yen province	NA	IP: 500 ha Residential area: 200 ha	Officially submitted the detail planning 1/2000
Tan Tao – Ha Nam Industrial Park	Ha Nam province	NA	712 ha	Expected to start in 2009 Approved the detail planning 1/2000
Hai Au Land Reclamation	Kien Giang province	VND 1,488 bn	199.7 ha	

Source: ITA's website and HOSE

By the end of FY2007, Tan Tao Industrial Park had attracted 257 leaseholders including 39 foreign leaseholders with total registered capital of US\$155.69million or VND 6,267.85 billion. Despite having an occupancy rate of almost 100%, revenues from this IP will still contribute to total revenue due to the deferred payment method. About 30% of leaseholders paid up front and the other 70% adopted the deferred payment method spread over 5 to 10 years.

Phase 1 of Tan Duc Industrial Park has just been completed, including all related infrastructure development. This site has an occupancy rate of 90%. Phase 2 started on Dec 15th, 2007 and so far 50% of this area has been leased out. The income from Tan Duc IP phrase 2 wasn't booked in Q1, and we expect it to contribute to revenues from Q2. The project is likely to be completed by Q2 and will be leased an average sales price of USD 40-55/m2.

Beside investments in IPs, ITA also focuses on constructing the surrounding residential areas and building several infrastructure development projects such as power stations, waterworks and schools. Secure and reliable power and water supply are critical to any industrial park and they intend to construct a power station and a waterworks plant in Long An to service both the industrial park and surrounding residential area.

As for other projects, the Vietnamese Prime Minister has recently given approval for ITA and the PetroVietnam group to jointly build a 4,400-MW thermal power center in southern Kien Giang province. Now that the Vietnamese government has ratified the project they have asked ITA to help local authorities to speed up it's implementation. This massive project covers 600 hectares in Kien Luong district and the Kien Luong thermal power center is expected to cost \$6.7 billion. Groundbreaking is due in 2009 and the plant is expected to be operational by 2013.

The balance sheet is fairly strong with a current ratio is more than 1 and a debt ratio of just 0.27. In terms of capital needs, in FY2008 and FY2009, they plan to finance about VND 11,200 billion worth of projects, including the Agrita Engery and Mechanic Industrial Park phrase 1 (VND 205 billion), Tan Tao – Ha Nam IP (VND 200 billion), a complex at Dien Bien Phu street (VND 2,000billion), Tan Duc E.city (VND 1,000 billion) and Saigon – Mekong E.city Urban (VND 2,000 billion). Existing bank loans are small, short term loans are just VND 78.8 billion and long term loans total VND 341 billion.

We suspect the company will use a mix of equity, bonds and bank loans to fund this pipeline but with capital sources scarce we wouldn't be surprised to see a slowdown in execution.

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