

24 Jan 2022

Nam Long Investment (NLG)

Below the consensus

- 4Q21 NPATMI of VND361bn plunged largely in the absence of the unexpected revaluation gain in 4Q20.
- Earnings forecasts are under review to reflect the new consolidation

Facts: Lower-than-expected 4Q21 earnings

NLG's revenue boom 380.9% yoy to VND4,418bn in 4Q21 driven a 1,854% yoy rise in property sale (VND4.4tn). Contrary to spectacular revenue growth, NPATMI drop VND361bn, -42.4% yoy largely owing to a lack of VND649bn financial gain recorded in 4Q20.

In 4Q21, revenue from product handover was remarkable mainly thanks to from handover Akari City of 1,525 units, equivalent to VND3.5tn. The result was lower than our estimation of 1,800 units.

Together with a VND429bn goodwill income booked in 1Q21 thanks to a further 30.1% stake acquisition to 65.1% of Waterfront (Izumi) project, 2021 NPATMI reached VND1,071bn, +28.2% yoy. Hence, 2021 NPATMI formed 93% of NLG's 21F target and at ~86.7% of our forecast.

Pros and cons: COVID-19 drags the contract value

The fourth wave of COVID-19 in Vietnam has been impeding the launching events of NLG in 4Q21, resulting in only VND1tn contract value being achieved in the 4Q21, per management. Overall, the company achieved a VND6tn contracted value, completing 46-60% of the company estimate (VND10-13tn). We will revisit our forecast on the full-year presale value in 2022F to factor in the pent-up launches which were postponed by the social lockdown in Southern.

Action: Earnings are under review

NLG price has retreated from the peak of VND65,000 seen in Dec, 2021 due to swing mood of retail investors. We believe the NLG's fundamental dynamics driven by its abundant land bank in the neighboring provinces close to HCMC will lead the stronger presales growth in 2022-23F. We will adjust the revaluation gains and presales in 2021 to reflect the true landscape of NLG's earnings in 2022F.

12M rating **BUY (Maintain)**

12M TP **45,300**

Up/Downside

Stock data

VNIndex (24 Jan, pt)	1,440
Stock price (24 Jan, VND)	49,200
Market cap (USD mn)	832
Shares outstanding (mn)	383
52-Week high/low (VND)	65,200/27,994
6M avg. daily turnover (USD mn)	11.46
Free float / Foreign ownership (%)	59.3/32.4
Major shareholders (%)	
Chairman	12.2
Ibworth Pte. Ltd.	9.9
PYN Elite Fund	4.5
Thai Binh Investment JSC	6.2

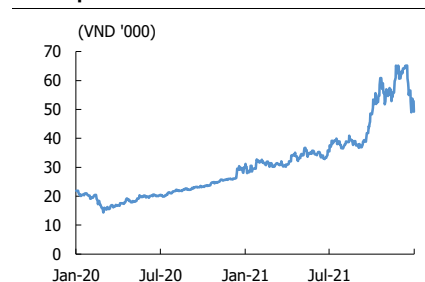
Valuation

	2020	2021	2022F
PE (x)	16.6	11.8	
PB (x)	2.6	2.6	
ROE (%)	15.7	17.5	
DY (%)	1.4	3.9	
EV/EBITDA (x)	50.5	16.7	
EPS (VND)	3,066	4,331	
BPS (VND)	19,641	24,347	

Performance

	1M	6M	12M
Absolute (%)	(18.9)	38.7	63.8
Relative to VNIndex (%p)	(16.5)	24.5	38.9

Stock price



Source: Bloomberg

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Table 1. 4Q21 earnings

(VND bn, %, %p)

	4Q20	1Q21	2Q21	3Q21	4Q21	QoQ	YoY	Consensus
Sales	919	235	401	151	4,418	2,827.0	380.9	N,A
Gross profit	251	40	116	76	1,545	1,923.1	516.7	N,A
Gross margin	27.3	17.1	29.0	50.6	35	(15.6)	7.7	N,A
OP	80	(98)	(3)	(60)	943	(1,666.1)	1,084.8	N,A
OP margin	8.7	(41.5)	(0.9)	(39.9)	21	61.2	12.7	N,A
EBT	752	348	48	294	950	223.1	26.3	N,A
EAT	634	366	48	295	769	160.6	21.3	N,A

Source: Company data, Otherwise, KIS

■ Company overview

Nam Long Investment Corporation (NLG) owns a large land bank reserve in the East and the South-West of HCMC, and neighboring cities such as Long An, Can Tho, Dong Nai. The company implements development strategy with three product types, including Ehome, Flora, Valora.

Balance sheet

(VND bn)

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
Current assets	7,321	7,923	9,300	11,263	14,157
Cash & cash equivalents	2,084	1,901	1,096	490	2,055
Accounts & other receivables	1,833	1,548	1,968	2,239	2,898
Inventory	1	0	0	0	0
Non-current assets	1,762	2,052	3,518	2,304	2,275
Fixed assets	40	58	58	51	44
Investment assets	1,722	1,994	3,460	2,253	2,230
Others	492	929	642	755	727
Total assets	9,576	10,904	13,460	14,323	17,159
Advances from customers	1,322	2,068	1,523	1,293	822
Unearned revenue	7	7	7	7	7
Trade payables	175	333	750	1,094	1,342
Others	1,779	1,427	2,003	2,332	3,178
ST debt & bonds	201	63	932	150	219
LT debt & financial liabilities	806	806	1,525	1,125	625
Total liabilities	4,290	4,704	6,740	6,000	6,193
Controlling interest	4,139	5,083	5,343	6,227	7,738
Capital stock	2,597	2,853	2,853	2,853	2,853
Capital surplus	989	989	864	864	864
Other reserves	(740)	(598)	(507)	(1,089)	(1,504)
Retained earnings	1,294	1,839	2,133	3,600	5,525
Minority interest	1,145	1,117	1,377	2,095	3,228
Shareholders' equity	5,285	6,200	6,720	8,323	10,966

Cash flow

(VND bn)

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
C/F from operations	991	325	(1,066)	(1,526)	1,769
Net profit	887	1,007	851	1,495	2,836
Dep'n & Amort'n	13	16	23	39	39
Net incr. in W/C	384	(54)	(1,791)	(2,068)	(681)
C/F from investing	(1,830)	(377)	(1,016)	2,373	373
Capex	(15)	(64)	0	0	0
Incr. in investment	(97)	11	683	1,189	373
C/F from financing	840	(131)	1,278	(1,449)	(574)
Incr. in equity	447	276	(21)	(124)	0
Incr. in net debt	600	(138)	1,561	(1,182)	(431)
Dividends	(207)	(244)	(262)	(143)	(143)
C/F from others	0	0	0	0	0

Income statement

(VND bn)

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
Sales	3,480	2,546	2,217	4,929	9,161
COGS	1,963	1,480	1,523	3,441	5,038
Gross profit	1,517	1,066	694	1,488	4,123
Operating profit	1,013	626	237	837	3,264
Financial income	97	727	448	41	161
Interest income	129	120	727	448	41
Financial expenses	21	103	60	60	60
Interest expenses	20	103	60	60	60
Other non-operating profit	9	398	13	442	0
Gains (Losses) in associates, subsidiaries and JV	14	126	142	95	299
Earnings before tax	1,128	1,226	1,015	1,762	3,544
Income taxes	241	219	165	267	709
Net profit	887	1,007	851	1,495	2,836
Net profit of controlling interest	763	960	835	1,236	2,117
EBITDA	1,026	642	260	876	3,303

Key financial data

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
Per-share data (VND, adj.)					
EPS	3,280	3,709	3,066	4,331	7,422
BPS	17,831	19,464	19,641	24,347	31,096
DPS	452	500	549	1,500	500
Growth (%)					
Sales growth	10.1	(26.8)	(12.9)	122.4	85.8
OP growth	14.9	(38.2)	(62.2)	253.4	289.9
NP growth	17.3	13.5	(15.5)	75.7	89.6
EPS growth	21.7	13.1	(17.3)	41.3	71.4
EBITDA growth	14.7	(37.5)	(59.5)	237.3	277.1
Profitability (%)					
OP margin	29.1	24.6	10.7	17.0	35.6
NP margin	25.5	39.5	38.4	30.3	31.0
EBITDA margin	29.5	25.2	11.7	17.8	36.1
ROA	9.3	9.2	2.9	2.7	5.8
ROE	20.3	19.9	15.7	15.7	17.7
Dividend yield	1.2	1.3	1.4	3.9	1.3
Dividend payout ratio	13.8	13.5	17.9	34.6	6.7
Stability					
Net debt (VND bn)	(1,077)	(1,031)	1,361	785	(1,211)
Net debt/equity (%)	(20)	(17)	20	9	(11)
Valuation (x)					
PE	15.5	13.8	16.6	11.8	6.9
PB	3.6	2.9	2.6	2.6	2.1
EV/EBITDA	9.5	17.9	50.5	16.7	4.0

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