

18 Feb 2022

Phat Dat Real Estate (PDR)

AM Briefing: Diversified engines of growth

AM Briefing

- On Feb 18, PDR set up an analyst meeting to brief their 4Q21 results, land bank acquisition, and development plan in 2022F-24F.

2021 earnings trailed the guidance

- Phat Dat JSC (PDR) reported a stellar 4Q21 bottom line of VND753.8bn, up 50% yoy despite a tepid revenue growth of -13.1% yoy (VND1,228bn).
- 2021 NPATMI soared by 53% yoy to VND1,865bn on the back of gross margin gains of 28.5%p to 76.3% in 2021. We believe the gross margin expansion were driven by handover of high-margin land lots in Nhon Hoi project (Section 9) in Binh Dinh province.
- Overall, PDR fulfilled their revenue and NPATMI guidance by 76.5%/103.6% in 2021
- The market is expecting PDR could earn a VND10tn revenue and a VND3.6tn net profit in 2022F, equivalent to a 177%/67%yoy.

The acceleration of gearing concerns

- In 2021, PDR aggressively offered a VND2,375bn corporate bond at 12-13% coupon rate, bringing to a VND3,246bn loan balance as of end-2021.
- The net gearing rose to 42.1% as of end-21 vs 36.5% last year, raising concerns about the heightened leverage amid the industry average of 30-35%
- The company has yet provided fund plan in 2022F but eyed on the seeking financing from abroad thanks to its credit rating B by Fitch Ratings Service

12M rating **Non-rated**

12M TP **N.A**

Up/Downside *N.A*

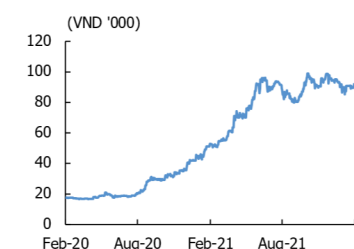
Stock Data

VNIndex (18 Feb, pt)	1,505
Stock price (18 Feb, VND)	91,200
Market cap (USD mn)	1,969
Shares outstanding (mn)	493
52-Week high/low (VND)	99,000/50,623
6M avg. daily turnover (USD mn)	15.75
Free float / Foreign ownership (%)	37.7/2.8
Major shareholders (%)	
Chairman	51.48
Phát Đạt Holdings	8.93

Performance

	1M	6M	12M
Absolute (%)	3.6	2.5	72.1
Relative to VNIndex (%p)	(1.0)	(8.8)	42.5

Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	1,327	2,148	3,400	3,911	3,620
chg. (% YoY)	(11.4)	61.9	58.3	15.0	(7.4)
Operating profit (VND bn)	360	560	1,101	1,574	2,525
Net profit (VND bn)	440	643	874	1,220	1,865
EPS (VND)	1,873	2,287	2,534	2,926	3,866
chg. (% YoY)	64.9	22.1	10.8	15.5	32.1
EBITDA (VND bn)	362	564	1,107	1,581	2,540
PE (x)	46.4	38.1	34.5	29.9	24.3
EV/EBITDA (x)	56.1	43.1	28.6	24.2	19.0
PB (x)	7.2	7.1	7.0	7.1	6.4
ROE (%)	16.8	20.3	22.2	25.5	28.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

Analysts who prepared this report are registered as research analysts in Vietnam but not in any other jurisdiction, including the U.S.
PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES & DISCLAIMERS AT THE END OF THIS REPORT.

Nhan Lai

Nhan.lai@kisvn.vn

Land bank acquired from BT projects still pending

- PDR is undertaking two build-transfer (BT) projects in exchange for more than 27.2 ha of land in HCMC. BT investors will be allocated a land parcel in exchange for the investment that they have spent on the infrastructure project.
- We note that the new Law on Management and Use of Public Assets became effective in 2018; however, the Ministry of Finance (MOF) has not yet issued a decree instructing how public assets should be used to pay for BT projects. In 2018, the MOF requested a temporary suspension on the use of public assets to pay BT investors, causing several BT projects to be interrupted. At AGM, the management did not give any prospects on these BTs. We think this situation will continue to drag on in 2021 and perhaps longer, making PDR wait at least two more years before it returns to the HCMC housing market.

Aggressively stretching to second-tier regions

- The company claims to acquire at least 5,531ha as of end-2021 (459ha as of end-2020) in 8 provinces of which 18-20% is secured for development while the remainders are sought for a legal license.
- Breaking down by type of purpose, 28% of the total land bank is monetised for industrial estates. In detail, PDR plans to monetize a 24ha logistic area in Cai Mep-Vung Tau province and 394ha Cao Lanh industrial park in Dong Thap province in 2022F
- Regarding the pipelines of development, PDR is going to launch a 4ha high-rise project in Binh Duong province (total around 6,000 units) and three hospitality projects in Ba Ria- Vung Tau with each of 400,000-455,000 net salable area

■ **Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**

- BUY: Expected total return will be 15%p or more
- Hold: Expected total return will be between -5%p and 15%p
- Sell: Expected total return will be -5%p or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

■ **Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

■ **Analyst Certification**

I/We, as the research analyst/analysts who prepared this report, do hereby certify that the views expressed in this research report accurately reflect my/our personal views about the subject securities and issuers discussed in this report. I/We do hereby also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

■ **Important compliance notice**

As of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), KIS Vietnam Securities Corp. or its affiliates does not own 1% or more of any class of common equity securities of the companies mentioned in this report.

There is no actual, material conflict of interest of the research analyst or KIS Vietnam Securities Corp. or its affiliates known at the time of publication of the research report or at the time of the public appearance.

KIS Vietnam Securities Corp. or its affiliates has not managed or co-managed a public offering of securities for the companies mentioned in this report in the past 12 months;

KIS Vietnam Securities Corp. or its affiliates has not received compensation for investment banking services from the companies mentioned in this report in the past 12 months; KIS Vietnam Securities Corp. or its affiliates does not expect to receive or intend to seek compensation for investment banking services from the companies mentioned in this report in the next 3 months.

KIS Vietnam Securities Corp. or its affiliates was not making a market in securities of the companies mentioned in this report at the time that the research report was published.

KIS Vietnam Securities Corp. does not own over 1% of shares of the companies mentioned in this report as of 18 Feb 2022.

KIS Vietnam Securities Corp. has not provided this report to various third parties.

Neither the analyst/analysts who prepared this report nor their associates own any shares of the company/companies mentioned in this report as of 18 Feb 2022.

KIS Vietnam Securities Corp. has not issued CW with underlying stocks of Phat Dat Real Estate (PDR) and is not the liquidity provider.

Prepared by: Nhan Lai

Global Disclaimer

■ General

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KIS Vietnam Securities Corp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KIS Vietnam Securities Corp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KIS Vietnam Securities Corp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KIS Vietnam Securities Corp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or KIS Vietnam Securities Corp. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

■ Country-specific disclaimer

United States: This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

United Kingdom: This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

Hong Kong: This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

Singapore: This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

Copyright © 2022 KIS Vietnam Securities Corp.. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp..