

29 Apr 2022

## Vinhomes JSC (VHM)

### Overblown worry over slower earnings

- 1Q22 NPATMI declined 15.9% yoy due to the lack of bulk sale transactions recorded in 1Q21
- Vinhomes Empire with an estimated GDV of USD6bn will add to earnings growth in 2022F-23F, per management
- Maintain BUY with unchanged TP

#### Facts: Temporarily tepid 1Q22 is a blip

Vinhomes recorded its 1Q22 decelerating 31.3% yoy growth of topline (VND8.9tn). The bottom line dropped less by 15.9% yoy (VND4.5tn) thanks to a stronger growth of financial income (66% yoy, VND3.8tn) which offset the gross margin contraction (43.3%, -4.5%p).

Not only due to the lack of a VND2.9tn bulk sale of Ocean Park in 1Q21, total revenue decrease was also attributed to the immaterial handover revenue (2,100 units, VND5.9tn, -40.5% yoy) which comprised of a VND2.6tn revenue (670 units) in Ocean Park project, VND1.7tn revenue (957 units) in Smart City project, VND1.3tn revenue (95 units) in Grand Park project). The gross margin squeezed due to the domination of thin-margin handover revenue from retail homebuyers. The company recorded a VND3.8tn financial income from stake transfer in Grand Park project

In 1Q22, VHM conducted 3 bulk sale transactions of which 2 are related to newly-launched projects in 2022F with contract sales of VND7.3tn. Overall, 9,400 units has been sold with a VND16.5tn contracted sales, bringing 2022 unbilled booking value of VND57tn (VND22tn bulk sale) as of end-2021.

#### Pros & cons: Presale expected to boom back in 2022F

Per management, four new mega townhouse projects, Wonder Park, Dream City, Coloa and Dai An, are rescheduled to open for retail sale in 2H22F. One newly-added project in the pipeline is Vinhomes Empire townhouse which is adjacent to Vinhomes Ocean Park. This project will offer around 12,000 low-rise units (high-rise units are pending) with total estimated USD6bn GDV. Of which, around 5,800 low-rise units will be offered for sub-developers as bulk sale and for homebuyers as retail sale in 2Q22F.

The company aims a rebounding presale guidance of USD5-6bn in 2022F vs USD3.2tn recorded in 2021. However, the NPAT estimates proposed in 2022F AGM could retreat to VND30tn, -22.8% yoy, equivalent to a VND75tn revenue, -11.7% yoy

#### Action: Earnings are under review

VHM's share price retreated since the investors' sentiments are vulnerable over some investigation on the market manipulation and corporate bond issuance. The valuation is light as the 12MF PE has slipped to 7.7x, a historical low level. Given the rosy presale growth momentum and cheaper valuation across the sector, VHM is worth accumulation. We review our presale forecasts and factor in the newly-added project (Vinhomes Empire) to reflect the new landscape of VHM's development pipeline and earnings estimates

12M rating **BUY**

12M TP **93,615**

Up/Downside **+17.4%** (includes 1.0% dividend)

#### Stock data

VNIndex (29 Apr, pt)	1,367
Stock price (29 Apr, VND)	65,000
Market cap (USD mn)	12,323
Shares outstanding (mn)	4,354
52-Week high/low (VND)	91,014/63,000
6M avg. daily turnover (USD mn)	20.13
Free float / Foreign ownership (%)	22.6/23.5
Major shareholders (%)	
Vingroup	66.6
Government of Singapore	6.13
Viking Asia Holdings II Pte.Ltd	4.6

#### Valuation

	2020A	2021A	2022F
PE (x)	10.2	7.3	7.7
PB (x)	3.2	2.2	1.8
ROE (%)	35.6	35.2	27.8
DY (%)	0.1	1.8	1.5
EV/EBITDA (x)	10.6	6.9	6.5
EPS (VND)	6,393	8,916	8,450
BPS (VND)	20,469	30,178	36,670

#### Performance

	1M	6M	12M
Absolute (%)	(15.0)	(24.0)	(13.7)
Relative to VNIndex (%)	(6.3)	(19.0)	(25.3)

#### Stock price



Source: Bloomberg

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**Table 1. 1Q22 earnings**

(VND bn, %, %p)

	1Q21	2Q21	3Q21	4Q21	1Q22	QoQ	YoY	Consensus
Sales	12,986.4	28,014.6	20,679.4	23,413.0	8,923.5	(61.9)	(31.3)	N.A
Gross profit	6,212.3	14,356.4	13,647.8	14,098.6	3,866.0	26.4	61.2	N.A
Gross margin	47.8	51.2	66.0	60.2	43.3	(16.9)	(4.5)	N.A
OP	5,087.4	13,551.2	12,987.6	11,146.3	2,461.8	(77.9)	(51.6)	N.A
OP margin	39.2	48.4	62.8	47.6	27.6	(20.0)	(11.6)	N.A
EBT	7,085.0	13,446.0	13,811.5	14,126.2	5,885.6	(58.3)	(16.9)	N.A
NPATMI	5,396.1	10,521.2	11,166.8	11,932.5	4,540.1	(62.0)	(15.9)	N.A

Source: Company data, KIS

### ■ Company overview

The company is operating a close real estate development model from project development, general plan, design, site clearance, construction, sale, handover and post-sale management and maintenance. According to CBRE, VHM owns 22% residential market share in Vietnam, leaving the follower with 4% behind.

In addition to on-going real estate projects, VHM also develops and trades office projects for lease, VHM's office projects are located next to Vinhomes projects and works as a component of complex projects developed by VHM. As a subsidiary of Vingroup, VHM has favourable conditions to invest and develop real estate projects, enjoys a close relationship with its parent company's partners and takes advantages of Vingroup ecosystem.

**Balance sheet**

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021A	2022F
Current assets	91,203	139,555	102,010	94,437	334,093
Cash & cash equivalents	3,515	13,332	12,479	4,626	155,235
Accounts & other receivables	43,356	47,468	34,024	37,750	51,094
Inventory	36,743	60,297	43,227	28,579	90,767
Non-current assets	24,771	36,237	56,248	74,324	101,121
Fixed assets	100	625	6,075	6,271	5,894
Investment assets	24,670	35,612	50,173	68,052	95,227
Others	3,716	21,449	56,680	61,756	57,708
Total assets	119,689	197,241	214,937	230,516	492,923
Advances from customers	14,207	40,246	27,310	8,865	203,778
Unearned revenue	0	0	0	0	0
Trade payables	2,504	6,078	10,860	12,507	10,459
Others	22,924	59,697	62,126	57,818	62,770
ST debt & bonds	6,403	18,162	10,998	251	12,245
LT debt & financial liabilities	25,506	8,343	13,958	19,668	36,663
Total liabilities	71,544	132,526	125,252	99,109	325,916
Controlling interest	43,231	56,096	86,148	124,741	159,675
Capital stock	33,495	33,495	33,495	43,544	43,544
Capital surplus	295	295	295	1,260	1,260
Other reserves	1,814	(3,734)	(4,151)	524	524
Retained earnings	7,627	26,040	56,509	79,413	114,347
Minority interest	4,912	8,619	3,538	6,666	7,332
Shareholders' equity	48,143	64,715	89,685	131,407	167,007

**Cash flow**

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021A	2022F
C/F from operations	(1,463)	51,928	22,273	18,987	144,365
Net profit	14,776	24,319	28,767	38,771	38,283
Dep'n & Amort'n	262	352	583	1,088	1,093
Net incr. in W/C	(3,331)	38,178	10,910	(13,193)	110,122
C/F from investing	(17,842)	(27,320)	(21,171)	(23,909)	(19,396)
Capex	0	0	0	0	0
Incr. in investment	(17,842)	(27,320)	(21,171)	(23,909)	(19,396)
C/F from financing	21,259	(14,792)	(1,955)	(4,165)	25,640
Incr. in equity	12,241	(5,550)	(821)	6,515	0
Incr. in debt	9,963	(5,555)	(976)	(5,481)	28,990
Dividends	(945)	(3,687)	(158)	(5,199)	(3,350)
C/F from others	0	0	0	0	0
Increase in cash	1,954	9,817	(853)	(9,087)	150,609

**Income statement**

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021A	2022F
Sales	38,664	51,627	70,890	84,986	81,122
COGS	28,603	24,171	45,104	36,526	30,547
Gross profit	10,061	27,456	25,787	48,460	50,575
SG&A	2,444	4,237	5,078	6,058	6,868
Operating profit	7,617	23,219	20,709	42,402	43,707
Financial income	9,046	20,718	8,981	5,944	3,844
Interest income	1,544	2,379	2,496	7,995	5,944
Financial expenses	2,549	3,702	3,036	2,815	1,863
Interest expenses	2,378	2,984	3,036	2,815	1,863
Other non-operating profit	(7)	30	(678)	518	(10)
Gains (Losses) in associates, subsidiaries and JV	0	0	0	0	0
Earnings before tax	19,719	29,746	37,047	48,129	46,826
Income taxes	4,942	5,427	8,280	9,234	9,367
Net profit	14,776	24,319	28,767	38,949	37,459
Net profit of controlling interest	14,284	21,747	27,839	38,283	36,793
EBITDA	7,879	23,570	21,292	43,490	44,722

**Key financial data**

FY-ending Dec.	2018A	2019A	2020A	2021A	2022F
Per-share data (VND, adj.)					
EPS	3,280	4,994	6,393	8,916	8,450
BPS	11,057	14,862	20,469	30,178	36,670
DPS	282	1,101	47	1,194	1,000
Growth (%)					
Sales growth	152.8	33.5	37.3	19.9	(4.5)
OP growth	143.5	204.8	(10.8)	104.8	7.5
NP growth	843.9	64.6	18.3	35.2	0.1
EPS growth	180.4	52.2	28.0	39.5	(5.2)
EBITDA growth	122.7	199.2	(9.7)	104.3	7.3
Profitability (%)					
OP margin	19.7	45.0	29.2	49.9	56.2
NP margin	38.2	47.1	40.6	45.8	48.0
EBITDA margin	20.4	45.7	30.0	51.2	57.5
ROA	16.7	13.7	13.3	17.4	8.7
ROE	49.0	38.5	35.6	35.2	27.8
Dividend yield	0.4	1.7	0.1	1.8	1.5
Dividend payout ratio	8.6	22.0	0.7	13.4	11.8
Stability					
Net debt (VND bn)	28,393	13,173	11,242	15,293	(106,326)
Net debt/equity (%)	59.0	20.4	12.6	11.6	(63.7)
Valuation (x)					
PE	19.8	13.0	10.2	7.3	7.7
PB	5.9	4.4	3.2	2.2	1.8
EV/EBITDA	31.2	9.8	10.6	6.9	6.5

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