

22 Jul 2022

Nam Long Investment (NLG)

Riding on the tailwinds

- 2Q22 NPATMI of VND111bn spiked by 135.4% yoy driven by a VND1,146bn handover revenue of Southgate project
- Earnings forecasts are under review to reflect the new consolidation

Facts: Lower-than-expected 2Q22 earnings

NLG's revenue boom 209.6% yoy to VND1,241bn in 2Q22 driven a VND1,146bn property sale (47.8x yoy). Contrary to spectacular revenue growth, net profit/NPATMI swelled by +299.4/135.4% yoy to VND192/111bn. In 2Q22, revenue from product handover was remarkable mainly thanks to the handover Valora Southgate of 139 units (VND774bn), and Akari City of 90 units, (VND320bn). Together with a VND543bn property sale booked in 1Q22, 1H22 results stayed solid with revenue of VND1,828bn, 188% yoy. However, 1H22 NPATMI of VND111bn downed by 73% yoy due to the absence of goodwill income of VND365bn booked in 1H21. Overall, 1H22 revenue and NPATMI formed 25.6/18.4% of NLG's 22F targets.

Pros and cons: Investigation drags the revaluation income

In 2022 AGM on Apr, 23, the management expected 2Q22 net profit could book a VND444bn financial gains from revaluation in Paragon Dai Phuoc project when doing business cooperation with a Japanese partner. However, the land investigation from the governmental agencies is slowing the process and the company is waiting for approval to complete the transaction in 3Q22F.

Despite missing the 2Q22 net profit target, the company achieved outstanding contract sales with a VND8,400bn, +87.1%yo y in 1H22, completing 36% of the full-year estimate (VND23tn). We attribute the exciting booking sales to the favourable appetite towards the NLG's property products and the resumption of site visits, and sales events which were locked in 1H21. 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 the 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 2022F-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 (22 Jul, pt)	1,202
Stock price (22 Jul, VND)	38,250
Market cap (USD mn)	626
Shares outstanding (mn)	383
52-Week high/low (VND)	64,399/34,000
6M avg. daily turnover (USD mn)	7.65
Free float / Foreign ownership (%)	54.6/39.3
Major shareholders (%)	
Chairman	11.8
Ibworth Pte. Ltd.	9.9
PYN Elite Fund	4.5
Thai Binh Investment JSC	5.9

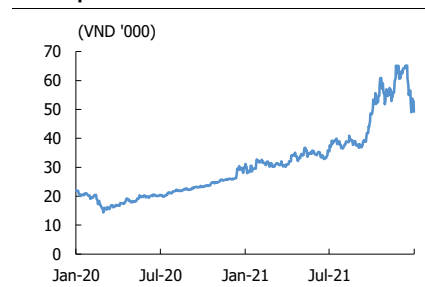
Valuation

	2019	2020	2021
PE (x)	10.9	13.7	14.2
PB (x)	2.0	1.9	1.6
ROE (%)	16.7	12.9	10.6
DY (%)	2.5	2.3	3.1
EV/EBITDA (x)	13.4	47.4	18.6
EPS (VND)	3,512	2,780	2,6860
BPS (VND)	19,464	19,641	23,318

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

Nhan Lai

Nhan.lai@kisvn.vn

Table 1. 2Q22 earnings

(VND bn, %, %p)

	2Q21	3Q21	4Q21	1Q22	2Q22	QoQ	YoY	Consensus
Sales	401	151	4,418	587	1,241	111.2	209.6	N.A
Gross profit	116	76	1,545	250	561	124.4	382.8	N.A
Gross margin	29.0	50.6	35.0	42.6	45.2	2.7	16.2	N.A
OP	(3)	(60)	943	56	253	349.2	N.M	N.A
OP margin	(0.9)	(39.9)	21.3	9.6	20.4	10.8	21.3	N.A
EBT	48	294	950	44	242	447.1	405.6	N.A
EAT	48	295	769	33	192	488.9	299.4	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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Prepared by: Nhan Lai

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