

28 Jul 2022

Vinhomes JSC (VHM)

Still undervalued

- 2Q22 NPATMI declined 95.2% yoy due to the lack of bulk sale transactions recorded in 2Q21.
- Vinhomes Empire with an estimated GDV of USD6bn will add to earnings growth in 2022F-23F, per management.
- Maintain BUY with unchanged TP.

Facts: On track to growth

Vinhomes recorded its 2Q22 sharp plunge of both the revenue and NPATMI, by 83.8/95.2% yoy, prompting 1H22 revenue to drop to VND13.4tn (-67.2% yoy) and NPATMI to tumble to VND5,048bn, (-68.3% yoy)

The total revenue deceleration was attributed to the lack of a total VND8.5bn bulk sale recorded in 1H21 (VND2.9tn bulk sale of Ocean Park in 1Q21 and VND5.6tn bulk sale of Grand Park in 2Q21), and the so meaningless handover revenue (730 units, VND2tn, -92.5% yoy) which comprised of a VND900bn revenue in Ocean Park project, VND300bn revenue in Smart City project, VND500bn revenue in Grand Park project). The gross margin squeezed due to the domination of thin-margin (30-35%) handover revenue from retail homebuyers.

The company did not record any bulk sale income in financial gains. In 2Q22, VHM launched 5,300 retail units of Vinhomes Empire townhouse (total 12,600 low-rise units) translating to a VND49tn contract sale, 66% gross margin) to retail buyers and offered 2,800 units to sub-developers as bulk sale. Overall, 17,300 units has been sold with a VND92.5tn contracted sales, bringing unbilled booking value of VN129.3tn (VND28tn bulk sale) as of end-2Q22.

Pros & cons: Presale expected to boom back in 2H22F

Per management, Wonder Park, Coloa projects are on track to open for retail sale in 4Q22F-1Q23F and Dai An (Crown) project is planned for launch in 3Q22F with 8,000 units in first phase. The company keeps its revenue and NPAT guidance at VND75tn/30tn and expects the 45% of 12,600 units in Empire project to be delivered in 2H22F. Moreover, about VND1,300bn revenue from transferring Vinhomes Star City in Thanh Hoa province to DXG could be recorded in 2H22F with gross margin of 50%

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 undemanding as the 12MF PE has slipped to 7.0x, a historical low level. Given the rosy presale growth momentum and cheaper valuation across the sector, VHM is worth accumulation. We will 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 **+60.2%** (includes 1.0% dividend)

Stock data

VNIndex (28 Jul, pt)	1,208
Stock price (28 Jul, VND)	58,800
Market cap (USD mn)	10,958
Shares outstanding (mn)	4,354
52-Week high/low (VND)	88,432/58,600
6M avg. daily turnover (USD mn)	11.37
Free float / Foreign ownership (%)	23.7/23.2
Major shareholders (%)	
Vingroup	66.6
Government of Singapore	5.01
Viking Asia Holdings II Pte.Ltd	4.6

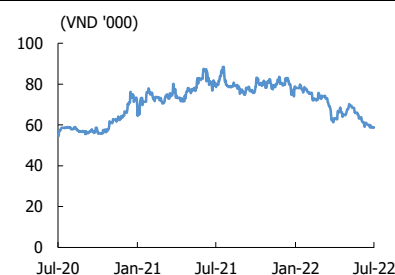
Valuation

	2020A	2021A	2022F
PE (x)	9.2	6.6	7.0
PB (x)	2.9	1.9	1.6
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 (%)	(7.8)	(24.7)	(25.1)
Relative to VNIndex (%p)	(7.4)	(7.1)	(21.2)

Stock price



Source: Bloomberg

Nhan Lai

nhan.lai@kisvn.vn

Table 1. 2Q22 earnings

(VND bn, %, %p)

	1Q21	2Q21	3Q21	4Q21	1Q22	QoQ	YoY	Consensus
Sales	28,014.6	20,679.4	23,413.0	8,923.5	4,530.0	(49.2)	(83.8)	N.A
Gross profit	14,356.4	13,647.8	14,098.6	3,866.0	1,391.2	(64.0)	(90.3)	N.A
Gross margin	51.2	66.0	60.2	43.3	30.7	(12.6)	(20.5)	N.A
OP	13,551.2	12,987.6	11,146.3	2,461.8	543.7	(77.9)	(96.0)	N.A
OP margin	48.4	62.8	47.6	27.6	12.0	(15.6)	(36.4)	N.A
EBT	13,446.0	13,811.5	14,126.2	5,885.6	1,256.7	(78.6)	(90.7)	N.A
NPATMI	10,521.2	11,166.8	11,932.5	4,540.1	508.9	(88.8)	(95.2)	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	38,949	37,459
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	17.9	11.8	9.2	6.6	7.0
PB	5.3	4.0	2.9	1.9	1.6
EV/EBITDA	31.2	9.8	10.6	6.9	6.5

■ **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 28 Jul 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 28 Jul 2022.

KIS Vietnam Securities Corp. has issued CW with underlying stocks of Vinhomes JSC (VHM) 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..