

28 Jan 2022

Khang Dien House (KDH)

One in a million

- 2Q22 net profit slightly rose by 24.6% yoy to VND331.8bn, on the back of a gross margin expansion.
- The presale target in 2022F is on track to boom.

Facts: Gross margin expansion drove the NPATMI

Khang Dien House Trading and Investment JSC's (KDH) 2Q22 revenue reached VND732.5bn, -34.1% yoy and NPATMI posted VND331.8bn, 24.6% yoy. Gross margin (GM) in 2Q22 boomed by 25.5% p yoy and 13.7%p qoq to 67.9%. Moreover, the SGA expense subdued by 46.8% yoy to VND56.6bn. Together with a VND308bn non-cash gain from land plot consolidation in 1Q22, the 1H22 performance was mixed with a VND875bn net revenue, -55% yoy, and a VND631bn NPATMI, 34% yoy. These are making up 21.8%/45% of its guidance and 18.2%/38.25 of our forecasts. We are still seeking the company's explanation to drive the 2Q22's revenue growth.

Pros & cons: Presale growth in 2H22F could boom strongly

As we expect, the sales events could be kicked off from 2H22F. Contrast to the sluggish presales growth in 2021 which was impeded by social lockdown, KDH is exciting to come back to the real estate market. The company will officially hold a sale training event to brokers/agents on Aug, 4 for Classia townhouse project (180 units) which being constructed from Sep, 2021. Besides Classia project, KDH is taking further preparation steps to do the soft launches of Claria and the Privia condo projects in late 4Q22F.

Actions: Earnings are under review

KDH's share price has retreated from the peak of VND50,000 on Jan 9, 2022 so far. We think the concerns are still there with the credit crunch to developers, homebuyers' sentiment deterioration. However, KDH is one in a million case who could deserve a high premium underpinned by their qualified earnings and solid fundamental prospect. Their healthy balance sheet is another advantage amid the threaten of interest hike. Overall, KDH is among our favorite stock picks and while we are reviewing our forecast to reflect the new business environment, we maintain BUY.

12M rating **BUY (Maintain)**

12M TP **37,500**

Up/Downside

Stock data

VNIndex (29 Jul, pt)	1,206
Stock price (29 Jul, VND)	37,500
Market cap (USD mn)	1,179
Shares outstanding (mn)	717
52-Week high/low (VND)	51,637/34,546
6M avg. daily turnover (USD mn)	2.13
Free float / Foreign ownership (%)	85.3/28.9
Major shareholders (%)	
Vina Capital	21.1
Dragon	15.02
Tien Loc Investment Limited	11.38

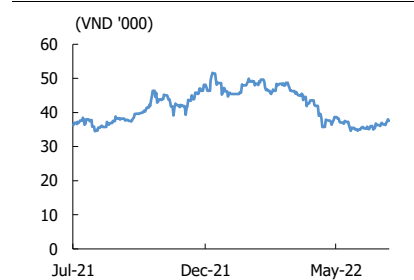
Valuation

	2020A	2021A	2022F
PE (x)	18.4	15.4	12.5
PB (x)	2.6	2.3	2.1
ROE (%)	14.6	16.0	17.3
DY (%)	1.3	1.3	1.3
EV/EBITDA (x)	13.6	11.7	8.7
EPS (VND)	2,041	2,441	2,998
BPS (VND)	14,544	16,047	18,054

Performance

	1M	6M	12M
Absolute (%)	5.0	(15.5)	3.8
Relative to VNIndex (%p)	5.5	1.0	8.9

Stock price



Nhan Lai

Nhan.It@kisvn.vn

Table 1. 2Q22 earnings

(VND bn, %, %p)

	2Q20	3Q21	4Q21	1Q22	2Q22	QoQ	YoY	Consensus
Sales	1,112.0	1,199.3	590.0	142.7	732.5	413.2	(34.1)	N.A
Gross profit	472.1	477.2	484.8	77.4	497.7	542.8	5.4	N.A
Gross margin	42.5	39.8	82.2	54.2	67.9	13.7	25.5	N.A
OP	365.6	431.9	324.0	5.2	441.1	8,398.5	20.6	N.A
OP margin	32.9	36.0	54.9	3.6	60.2	56.6	27.3	N.A
EBT	338.2	400.4	532.8	309.8	435.1	40.4	28.6	N.A
NPATMI	266.4	316.6	414.3	299.5	331.8	10.8	24.6	N.A

Source: Company data, KIS

■ Company overview

Khang Dien House Trading and Investment JSC (KDH) is its iconic brand name in the residential real estate market with 15 years of market experience. KDH's land bank amounted to 499ha HCMC as end-FY19, mostly in the Western part of HCMC. This ensures over ten years of project development, in our view. KDH now has the third-largest land bank in HCMC (499ha) among the listed residential developers.

Balance sheet

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021A	2022F
Current assets	9,570	12,327	12,976	12,393	14,834
Cash & cash equivalents	1,836	1,207	1,836	1,926	3,766
Accounts & other receivables	1,760	3,778	3,483	3,231	2,195
Inventory	5,817	7,037	7,338	6,900	8,521
Non-current assets	520	791	817	873	936
Fixed assets	500	677	742	805	875
Investment assets	19	114	75	68	62
Others	138	119	94	87	93
Total assets	10,228	13,237	13,887	13,353	15,862
Advances from customers	1,367	2,773	2,122	636	1,885
Unearned revenue	2	0	0	0	0
Trade payables	284	696	243	217	212
Others	707	1,322	1,866	1,519	1,518
ST debt & bonds	632	377	442	450	458
LT debt & financial liabilities	337	405	1,058	1,403	1,404
Total liabilities	3,328	5,573	5,731	4,225	5,478
Controlling interest	6,864	7,625	8,127	9,095	10,351
Capital stock	4,140	5,444	5,787	5,831	5,831
Capital surplus	1,724	720	744	781	781
Other reserves	93	134	(240)	(321)	(321)
Retained earnings	907	1,327	1,836	2,804	4,060
Minority interest	35	39	31	32	34
Shareholders' equity	6,899	7,664	8,158	9,128	10,385

Cash flow

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021A	2022F
C/F from operations	(719)	(161)	167	383	2,096
Net profit	810	917	1,154	1,376	1,713
Dep'n & Amort'n	8	9	11	19	19
Net incr. in W/C	(1,236)	(907)	(898)	(833)	637
C/F from investing	519	(201)	(1)	(33)	27
Capex	(161)	(235)	(51)	(75)	(83)
Incr. in investment	680	34	50	43	110
C/F from financing	(556)	(296)	486	(259)	(282)
Incr. in equity	101	97	(314)	24	0
Incr. in debt	(689)	(186)	1,063	8	9
Dividends	(194)	(207)	(262)	(292)	(292)
C/F from others	0	0	0	0	0
Increase in cash	(756)	(661)	651	91	1,841

Income statement

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021A	2022F
Sales	2,917	2,813	4,532	4,538	4,806
COGS	1,677	1,313	2,568	2,294	2,237
Operating expense	250	268	406	440	424
Gross profit	982	1,223	1,547	1,784	2,164
Operating profit	200	41	35	63	110
Financial income	63	38	35	63	110
Interest income	89	42	85	86	89
Financial expenses	32	2	0	0	0
Interest expenses	116	(33)	(40)	(42)	(44)
Other non-operating profit	4	0	0	0	0
Gains (Losses) in associates, subsidiaries and JV	1,075	1,190	1,458	1,719	2,141
Earnings before tax	(266)	(273)	(304)	(344)	(428)
Income taxes	250	268	406	440	424
Net profit	810	917	1,154	1,376	1,713
Net profit of controlling interest	808	915	1,152	1,374	1,711
EBITDA	990	1,232	1,558	1,803	2,183

Key financial data

FY-ending Dec.	2018A	2019A	2020A	2021A	2022F
Per-share data (VND, adj.)					
EPS	1,514	1,613	2,041	2,441	2,951
BPS	12,161	13,362	14,544	16,047	18,007
DPS	500	500	500	500	500
Growth (%)					
Sales growth	(4.5)	(3.5)	61.1	0.1	5.9
OP growth	23.9	24.5	26.5	15.3	19.4
NP growth	44.9	13.3	25.9	19.2	22.6
EPS growth	36.3	6.5	26.5	19.6	20.9
EBITDA growth	23.8	24.5	26.5	15.7	19.2
Profitability (%)					
OP margin	33.7	43.5	34.1	39.3	44.3
NP margin	27.8	32.6	25.5	30.3	35.1
EBITDA margin	33.9	43.8	34.4	39.7	44.7
ROA	8.4	7.8	8.9	10.3	11.4
ROE	13.4	12.6	14.6	16.0	17.3
Dividend yield	1.0	1.0	1.0	1.0	1.0
Dividend payout ratio	25.6	22.6	25.1	21.2	17.3
Stability					
Net debt (VND bn)	(867)	(425)	9	(73)	(1,904)
Net debt/equity (%)	(13)	(6)	0	(1)	(18)
Valuation (x)					
PE	24.8	23.3	18.4	15.4	12.5
PB	3.1	2.8	2.6	2.3	2.1
EV/EBITDA	19.4	17.0	13.6	11.7	8.7

■ **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 Jan 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 Jan 2022.

KIS Vietnam Securities Corp. has issued CW with underlying stocks of Khang Dien House (KDH) 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..