

28 Oct 2022

Novaland JSC (NVL)

Debt payment capacity is controversial

Deferred tax expense dragged down the 3Q22 NPATMI

- Novaland recorded its 3Q22 flattish topline (VND3,279.3bn) owing to a tepid VND2.7bn handover value (-7.3% yoy) of low-rise houses in Aqua City, NovaWorld Ho Tram, NovaWorld Phan Thiet, NovaHill Mui Ne. The consulting segment and leasing segment thrived by 61.9% yoy/172.2% yoy in 3Q22.
- Blended gross margin slid 43.0%, -3%p yoy, offset by soft SGA to sale ratio in 3Q22. Operating profit was brisk with a VND679.3bn, +23.3% qoq, 4.7% yoy.
- Financial income surged by 48.5% yoy to VND1,573.1bn driven by a divestment income of VND729bn in Khanh An, Carava Resort and Sai Gon.
- NVL's USD debt exposure (24.5% of total debt as of end-3Q22) resulted in a foreign exchange loss of VND447bn in 3Q22. Hence, financial expense climbed to VND1,414.8bn, +76.9% yoy.
- Overall, NPATMI plunged sharply by 64.8% yoy to VND196.8bn, due to the deferred tax expense of VND269.2bn.

Concerns about the fulfillment probability

- Despite earning a goodwill income of VND1,269.7bn from acquiring 72.6% stake in Da Lat Valey JSC in 1Q22 other income and financial income from divesting stake of VND729bn in 3Q22, 9M22 revenue and NPAT dropped by 23.5%/19.4% yoy, fulfilling 21.9%/31.6% of their guidance. The management could adjust the 2022F guidance in next meeting.

Heightened fear of 1-year debt payment ability

- In 9M22 NVL enjoyed a positive CFO of VND1,955bn, significantly higher than VND83.2bn in 9M21. As of end-3Q22, the net gearing rose to 1.04x vs 0.98x as of end-4Q21. Total net debt rose to VND46.4tn as of end-3Q22, +22.1% YTD.
- The company obliges to pay a VND22.7tn corporate bond in next 12 months and that will be secured by operation/financing cashflow, per management. A VND24tn cash receipt was collected from selling property in 9M22 and VND10tn could be retrieved in 4Q22F. Furthermore, NVL could borrow VND6.5tn in 4Q22F.

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	11,632	15,290	10,931	5,026	14,903
chg. (% YoY)	58.1	31.4	(28.5)	(54.0)	196.5
Operating profit (VND bn)	2,322	4,006	1,660	379	3,519
Net profit (VND bn)	2,033	3,239	3,431	3,919	3,225
EPS (VND)	3,210	3,546	3,579	4,021	1,819
chg. (% YoY)	(5.5)	10.5	0.9	12.3	(54.8)
EBITDA (VND bn)	2,807	4,503	(1,091)	1,115	2,251
PE (x)	24.6	21.9	21.3	19.0	44.3
EV/EBITDA (x)	20.8	18.6	(90.2)	97.6	81.4
PB (x)	3.7	3.6	3.2	2.8	4.0
ROE (%)	17.5	19.5	15.5	13.9	8.8
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

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12M rating **Non-rated**

12M TP

Up/Downside

Stock Data

VNIndex (28 Oct, pt)	1,027
Stock price (28 Oct, VND)	72,500
Market cap (USD mn)	5,693
Shares outstanding (mn)	1,950
52-Week high/low (VND)	91,000/72,500
6M avg. daily turnover (USD mn)	8.84
Free float / Foreign ownership (%)	30.9/5.3
Major shareholders (%)	
NovaGroup	37.1
Diamond Properties JSC	10.52

Performance

	1M	6M	12M
Absolute (%)	(13.9)	(11.3)	(11.9)
Relative to VNIndex (%p)	(3.8)	11.9	15.6

Stock price trend



Source: Bloomberg

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The valuation looks expensive; investors seem bullish

- NVL is trading at 49x TTM PE, and 4.1x PB, significantly higher than the 3-year median PE of 29.3x and PB of 3.6x.
- While we are still upbeat about the unrivaled monetization of NVL's blockbuster land bank in satellite cities, we could not be relieved of its relentlessly rising net debt. Furthermore, the credit unavailability allocated to developers and homebuyers not only hinders the homebuyers' purchase decisions but also jeopardises NVL's fund demand to pay due debts. Given those pros and cons, we recommend a conservative approach toward NVL.

Table 1. 3Q22 earnings

(VND bn, %, %p)

	3Q21	4Q21	1Q22	2Q22	3Q22	QoQ	YoY	Consensus
Sales	3,261.9	4,590.6	1,956.4	2,658.2	3,279.3	23.4	0.5	N.A
Gross profit	1,501.4	2,057.9	719.6	1,127.7	1,410.4	25.1	(6.1)	N.A
Gross margin	46.0	44.8	36.8	42.4	43.0	0.6	(3.0)	N.A
OP	648.5	1,126.9	154.7	550.8	679.3	23.3	4.7	N.A
OP margin	19.9	24.5	7.9	20.7	20.7	0.0	4.0	N.A
EBT	895.5	1,440.3	1,351.4	1,289.5	736.7	(42.9)	(17.7)	N.A
NPATMI	555.6	817.2	1,079.0	740.0	196.9	(73.4)	(64.6)	N.A

Source: Company data, KIS

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