

28 Oct 2022

## Khang Dien House (KDH)

### Non-core income led the 3Q22 earnings

- 3Q22 net profit slightly inched up by 11.1% yoy to VND351.6bn, on the back of a VND122.9 other income.
- The presale target in 2022F could be lower.
- Maintain BUY.

### Facts: Other income drove the 3Q22 NPATMI growth

Khang Dien House Trading and Investment JSC's (KDH) 3Q22 revenue reached VND802.7bn, -33.1% yoy, +9.6% qoq thanks to the delivery of 40 units in Classia townhouse project. Gross margin (GM) in 3Q22 boomed by 23.7%p yoy and -4.5%p qoq to 63.5%, offset by the rising SGA to sale. The SGA expense surged to VND93.9bn (+107.3% yoy) owing to the rising commission fee offered to dealers. In addition, financial expenses climbed to VND49.3bn (+83.1% yoy) amid growing early payment discount expenses granted to homebuyers. Together with a compensation income from contract termination of VND122.9bn in the other income, NPATMI sustained by +11.1% yoy to VND351.6bn in 3Q22. Overall, 9M22 performance was mixed with a VND1,677.9bn net revenue, -46.7% yoy, and a VND982.9bn NPATMI, 24.7% yoy. These are making up 41/70% of its guidance and 34.9/57.8% of our forecasts.

### Pros & cons: Presale growth could be lower.

Until now, KDH sold and booked 72 units of Classia townhouse project. Besides Classia project, KDH is taking further preparation steps to do the soft launches of the Privia condo projects in late Dec. However, the launch of Clarita townhouse project in Dist 2 could be rescheduled to 1H23F. Net debt skyrocketed to VND4,452bn (3.9x YTD), driving the net gearing to 38.1% as of end-3Q22 vs 10.9% as of end-4Q21. The company leveraged the long-term loan to finance Le Minh Xuan industrial park and Tan Tao townhouse project.

### Actions: Earnings are under review

KDH accelerates loan growth amid the inflationary lending rate. However, the presale growth could be slower than the company's estimate since the credit crunch and mortgage rate hike dampen the homebuyers' affordability. We think KDH's prestigious brand name and accommodative payment discount could help KDH to weather the storm.

12M rating **BUY (Maintain)**

12M TP **VND37,500**

Up/Downside

#### Stock data

VNIndex (28 Oct, pt)	1,027
Stock price (28 Oct, VND)	23,000
Market cap (USD mn)	664
Shares outstanding (mn)	717
52-Week high/low (VND)	51,637/21,000
6M avg. daily turnover (USD mn)	1.86
Free float / Foreign ownership (%)	87.4/28.8
Major shareholders (%)	
Vina Capital	21.1
Dragon	15.02
Tien Loc Investment Limited	11.38

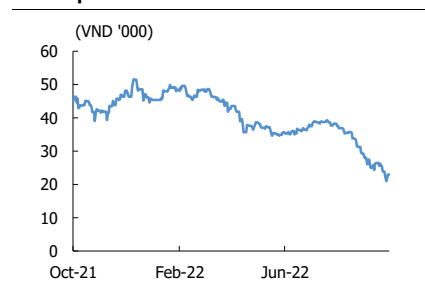
#### Valuation

	2020A	2021A	2022F
PE (x)	11.3	10.8	10.8
PB (x)	1.6	1.3	1.2
ROE (%)	14.6	16.0	17.3
DY (%)	2.2	2.2	2.2
EV/EBITDA (x)	10.3	8.4	9.9
EPS (VND)	1,613	2,041	2,137
BPS (VND)	13,362	14,544	17,970

#### Performance

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

#### Stock price



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**Table 1. 3Q22 earnings**

(VND bn, %, %p)

	3Q21	4Q21	1Q22	2Q22	3Q22	QoQ	YoY
Sales	1,199.3	590.0	142.7	732.5	802.7	9.6	(33.1)
Gross profit	477.2	484.8	77.4	497.7	509.5	2.4	6.8
Gross margin	39.8	82.2	54.2	67.9	63.5	(4.5)	23.7
OP	431.9	324.0	5.2	441.1	415.6	(5.8)	(3.8)
OP margin	36.0	54.9	3.6	60.2	51.8	(8.4)	15.8
EBT	400.4	532.8	309.8	435.1	483.0	11.0	20.6
NPATMI	316.6	414.3	299.5	331.8	351.6	6.0	11.1

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 of 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
<b>Total assets</b>	<b>10,228</b>	<b>13,237</b>	<b>13,887</b>	<b>13,353</b>	<b>15,862</b>
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
<b>Total liabilities</b>	<b>3,328</b>	<b>5,573</b>	<b>5,731</b>	<b>4,225</b>	<b>5,478</b>
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
<b>Shareholders' equity</b>	<b>6,899</b>	<b>7,664</b>	<b>8,158</b>	<b>9,128</b>	<b>10,385</b>

**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
<b>Increase in cash</b>	<b>(756)</b>	<b>(661)</b>	<b>651</b>	<b>91</b>	<b>1,841</b>

**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
<b>Gross profit</b>	<b>982</b>	<b>1,223</b>	<b>1,547</b>	<b>1,784</b>	<b>2,164</b>
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
<b>Earnings before tax</b>	<b>(266)</b>	<b>(273)</b>	<b>(304)</b>	<b>(344)</b>	<b>(428)</b>
Income taxes	250	268	406	440	424
<b>Net profit</b>	<b>810</b>	<b>917</b>	<b>1,154</b>	<b>1,376</b>	<b>1,713</b>
Net profit of controlling interest	808	915	1,152	1,374	1,711
<b>EBITDA</b>	<b>990</b>	<b>1,232</b>	<b>1,558</b>	<b>1,803</b>	<b>2,183</b>

**Key financial data**

FY-ending Dec.	2018A	2019A	2020A	2021A	2022F
Per-share data (VND, adj.)					
EPS	1,514	1,613	2,041	2,137	2,122
BPS	12,161	13,362	14,544	17,970	18,523
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	2.2	2.2	2.2	2.2	2.2
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	15.2	14.3	11.3	10.8	10.8
PB	1.9	1.7	1.6	1.3	1.2
EV/EBITDA	11.6	10.3	8.4	9.9	21.4

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