

21 Oct 2022

## Nam Long Investment (NLG)

### Extra eye on the presale growth

- 3Q22 NPAT of VND51bn plunged by 82.7% yoy, -73.5% qoq
- Presale forecasts are under review to reflect the fierce headwinds

#### Facts: Trailed the forecast

NLG's revenue boomed 484.1% yoy to VND882bn in 3Q22 driven property sale (VND857bn, +166.3x yoy). Contrary to spectacular revenue growth, net profit drop 82.7% yoy to VND51bn. In 3Q22, revenue from product handover was remarkable mainly thanks to the handover Valora Southgate of 39 units (VND364bn), and Akari City of 55 units, (VND191bn). We attribute the sharp net profit reduction to the absence of a non-cash revaluation gain of VND362bn from consolidating Southgate JSC. NLG increased its voting rights in Southgate JSC from 50%-65% thanks to the authorization of votes from current shareholders in 3Q21.

9M22 revenue stayed solid with VND2,710bn, +244% yoy. However, 9M22 NPAT subdued 61% yoy to VND276bn due to the lack of goodwill income of VND429bn booked in 1Q21 and revaluation gain of VND362bn booked in 3Q21. Overall, 9M22 revenue and NPAT formed 38.1/22.8% of NLG's 22F targets.

#### Pros and cons: presale target concern

We believe the fulfillment of net profit target is a matter of booking timing and the company could achieve it in 4Q22F thanks to the VND444bn financial gains from revaluation in Paragon Dai Phuoc project. The land investigation from the governmental agencies is slowing the process and the company could end the deal in 4Q22F, in our view.

On the contrary, we are concerned with the presale target. In 3Q22, the company reaped VND1,512bn presale value, prompting a VND9,922bn unbilled booking sales in 9M22. The amount is far below the full-year target of VND23tn.

#### Action: Earnings are under review

NLG price continues to retreat against a backdrop of persisting presale growth concerns due to mortgage rate hikes and loan room constraints. We acknowledge the NLG's fundamental dynamics driven by its firm footprint and proven track record could help NLG to weather the storm. We will adjust the revaluation gains and presales in 2022 to reflect the true landscape of NLG's earnings in 2022F-23F.

12M rating **BUY (Maintain)**

12M TP **45,300**

Up/Downside

#### Stock data

VNIndex (21 Oct, pt)	1,020
Stock price (21 Oct, VND)	24,600
Market cap (USD mn)	382
Shares outstanding (mn)	383
52-Week high/low (VND)	64,399/23,550
6M avg. daily turnover (USD mn)	4.34
Free float / Foreign ownership (%)	55.3/40.0
Major shareholders (%)	
Nguyen Xuan Quang	11.8
Ibworth Pte. Ltd.	8.19
PYN Elite Fund	4.5
Thai Binh Investment JSC	5.9

#### Valuation

	2019	2020	2021
PE (x)	7.5	9.5	9.8
PB (x)	1.4	1.3	1.1
ROE (%)	16.7	12.9	10.6
DY (%)	3.6	3.4	4.5
EV/EBITDA (x)	8.8	34.3	13.0
EPS (VND)	3,512	2,780	2,686
BPS (VND)	19,464	19,641	23,318

#### Performance

	1M	6M	12M
Absolute (%)	(32.7)	(45.9)	(45.5)
Relative to VNIndex (%p)	(17.1)	(21.1)	(20.2)

#### Stock price



Source: Bloomberg

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**Table 1. 3Q22 earnings**

(VND bn, %, %p)

	3Q21	4Q21	1Q22	2Q22	3Q22	QoQ	YoY	Consensus
Sales	151	4,418	587	1,241	882	(28.9)	484.1	N.A
Gross profit	76	1,545	250	561	358	(36.2)	368.8	N.A
Gross margin	50.6	35.0	42.6	45.2	40.6	(4.6)	(10.0)	N.A
OP	(60)	943	56	253	91	(64.2)	N.M	N.A
OP margin	(39.9)	21.3	9.6	20.4	10.3	(10.1)	50.2	N.A
EBT	294	950	44	242	79	(67.3)	(73.1)	N.A
EAT	295	769	33	192	51	(73.5)	(82.7)	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	2020A	2021A	2022F
Current assets	7,321	7,923	9,570	21,784	14,157
Cash & cash equivalents	2,084	1,901	1,073	3,112	2,055
Accounts & other receivables	1,833	1,548	2,228	1,934	2,898
Inventory	1	0	0	0	0
Non-current assets	1,762	2,052	3,580	1,291	2,275
Fixed assets	40	58	58	59	44
Investment assets	1,722	1,994	3,522	1,232	2,230
Others	492	929	493	543	727
<b>Total assets</b>	<b>9,576</b>	<b>10,904</b>	<b>13,643</b>	<b>23,618</b>	<b>17,159</b>
Advances from customers	1,322	2,068	364	(3,208)	822
Unearned revenue	7	7	7	7	7
Trade payables	175	333	2,463	2,725	1,342
Others	1,779	1,427	2,173	5,523	3,178
ST debt & bonds	201	63	390	585	219
LT debt & financial liabilities	806	806	1,525	2,315	625
<b>Total liabilities</b>	<b>4,290</b>	<b>4,704</b>	<b>6,922</b>	<b>10,090</b>	<b>6,193</b>
Controlling interest	4,139	5,083	2,505	8,310	7,738
Capital stock	2,597	2,853	3,829	2,853	2,853
Capital surplus	989	989	2,643	864	864
Other reserves	(740)	(598)	(6,099)	2,149	(1,504)
Retained earnings	1,294	1,839	2,132	2,444	5,525
Minority interest	1,145	1,117	4,598	5,217	3,228
Shareholders' equity	5,285	6,200	7,103	13,528	10,966

**Cash flow**

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021A	2022F
C/F from operations	991	325	(1,111)	1,296	1,769
Net profit	887	1,007	835	1,071	2,836
Dep'n & Amort'n	13	16	23	30	39
Net incr. in W/C	384	(54)	(1,049)	686	(681)
C/F from investing	(1,830)	(377)	(1,043)	(2,006)	373
Capex	(15)	(64)	0	0	0
Incr. in investment	(97)	11	34	(746)	373
C/F from financing	840	(131)	1,326	2,749	(574)
Incr. in equity	447	276	(6)	2,637	0
Incr. in net debt	600	(138)	1,589	444	(431)
Dividends	(207)	(244)	(257)	(333)	(143)
C/F from others	0	0	0	0	0

**Income statement**

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021A	2022F
Sales	3,480	2,546	2,217	5,206	9,161
COGS	1,963	1,480	1,523	3,397	5,038
<b>Gross profit</b>	<b>1,517</b>	<b>1,066</b>	<b>694</b>	<b>1,808</b>	<b>4,123</b>
Operating profit	491	425	434	997	3,264
Financial income	1,013	626	236	781	161
Interest income	97	727	445	296	41
Financial expenses	129	120	727	445	60
Interest expenses	21	103	112	60	60
Other non-operating profit	20	53	102	60	0
Gains (Losses) in associates, subsidiaries and JV	9	398	13	435	299
<b>Earnings before tax</b>	<b>14</b>	<b>126</b>	<b>142</b>	<b>91</b>	<b>3,544</b>
Income taxes	1,128	1,226	1,015	1,640	709
<b>Net profit</b>	<b>241</b>	<b>219</b>	<b>165</b>	<b>162</b>	<b>2,836</b>
Net profit of controlling interest	887	1,007	850	1,478	2,117
<b>EBITDA</b>	<b>763</b>	<b>960</b>	<b>835</b>	<b>1,071</b>	<b>3,303</b>

**Key financial data**

FY-ending Dec.	2018A	2019A	2020A	2021A	2022F
Per-share data (VND, adj.)					
EPS	3,280	3,709	2,780	2,686	7,422
BPS	17,831	19,464	23,489	35,276	38,436
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	8.7	7.5	9.5	9.8	3.3
PB	1.4	1.4	1.3	1.1	0.6
EV/EBITDA	9.5	5.1	8.8	34.3	4.0

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