

31 Oct 2022

VINGROUP (VIC)

AM briefing: Concern about the debt service

3Q22 analyst meeting briefing

- We tuned in to VIC's analyst meeting on Oct 31 which featured the strategic visibility on Vinfast and shed some light on its 3Q22 operational updates.

Back on the rails except industrials

- Vingroup reported its brisk 3Q22 NPATMI of VND946.8bn vs a loss of VND351.3bn despite a flattish revenue VND28.7tn, -4.4% yoy and a shrinking blended gross margin (GM) of 20% (-18.8%). The encouraging NPATMI was driven by a VND9.9tn financial gain (6.5x yoy) from bulk sale transaction in Empire and Crown townhouse projects.
- Property sales: Revenue contracted by 15.2% yoy (VND16.6tn) and GM shrank by 18.4%p yoy (59.5%) owing to domination of low- margin high rise bulk sales.
- Industrials: this segment suffers a revenue slump of 23.9% yoy with revenue of VND2.7tn. GM deteriorated to -211.5%, -135.2%p yoy. The company is proud to end the transition phase from ICE to EV and delivered the first batch of VF 8 model in Sep.
- Hospitality and entertainment service: this division spiked with a VND2.2tn revenue, 3.4x yoy thanks to 15,400 rooms being booked. The GM still at -23.9% but less than -315.9% seen in 4Q21.
- Education: the 3Q22 revenue boomed with a VND938.2bn, 328.1% yoy.
- Healthcare: Vinmec chain was prosperous with a VND1.2tn revenue, +115.1% yoy, and a positive GM of 24.4%, +46.7%p yoy.

12M rating **Non-rated**

12M TP

Up/Downside

Stock Data

VNIndex (31 Oct, pt)	1,028
Stock price (31 Oct, VND)	55,400
Market cap (USD mn)	8,505
Shares outstanding (mn)	3,814
52-Week high/low (VND)	107,200/54,600
6M avg. daily turnover (USD mn)	4.35
Free float / Foreign ownership (%)	24.7/12.2
Major shareholders (%)	
Pham Nhat Vuong and related	25.47
Vietnam Investment Group JSC	32.58
SK Investment Vina	5.98

Performance

	1M	6M	12M
Absolute (%)	0.7	(30.8)	(42.2)
Relative to VNIndex (%p)	9.8	(6.7)	(14.4)

Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	89,350.1	121,894.4	130,036.0	110,490.0	125,687.9
chg. (% YoY)	55.1	36.4	6.7	(15.0)	13.8
Operating profit (VND bn)	11,550.8	11,470.6	10,625.3	(3,343.9)	3,120.3
Net profit (VND bn)	4,462.4	3,823.7	7,545.9	5,464.6	(2,513.9)
EPS (VND)	1,501.0	1,286.0	2,433.0	1,691.0	(685.0)
chg. (% YoY)	8.9	(14.3)	89.2	(30.5)	(140.5)
EBITDA (VND bn)	15,536.3	16,625.8	18,963.0	6,719.7	18,040.0
PE (x)	34.2	49.2	26.1	36.2	N.M
EV/EBITDA (x)	12.1	15.0	15.3	42.7	17.7
PB (x)	4.6	3.4	2.5	2.4	2.1
ROE (%)	8.9	5.0	6.9	4.3	(1.7)
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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Wary about the accelerating net gearing

- Net debt surged to VND143.8tn, +50% YTD due to a USD625mn exchangeable bond, prompting net gearing of 1.04x as of end-3Q22 vs 0.6x as of end-4Q21.
- The company must pay a VND45.7tn within next 12 months, raising concerns about its refinancing capacity amid the increasingly costlier borrowing rate.
- CFO earned a positive VND1,073bn in 9M22 vs a -VND18.5tn in 9M21.

Enhancing brand name recognition of Vinfast

- Vinfast installs charging ports in all cities and provinces, including within PV Oil and Petrolimex gasoline station network.
- In terms of global presence, Vinfast will launch 17 showrooms by end-2022F in the US and Canada.

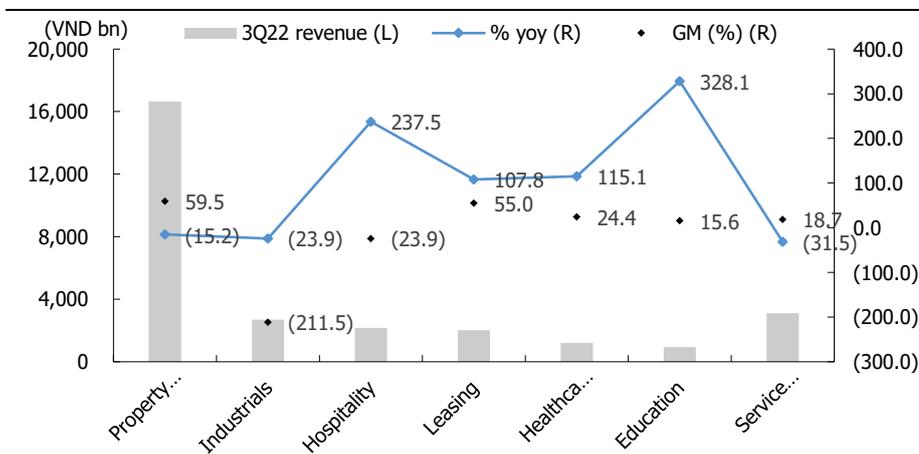
Table 1. 3Q22 earnings

(VND bn, %, %p)

	3Q21	4Q21	1Q22	2Q22	3Q22	QoQ	YoY	Consensus
Sales	30,112	34,839	18,229	13,385	28,792	115.1	(4.4)	N.A
Gross profit	11,698	8,625	205	(4,719)	5,758	N.M	(50.8)	N.A
Gross margin	38.8	24.8	1.1	(35.3)	20.0	55.3	(18.8)	N.A
OP	4,649	(2,626)	(6,119)	(9,464)	87	N.M	(98.1)	N.A
OP margin	15.4	(7.5)	(33.6)	(70.7)	0.3	33.9	(15.1)	N.A
EBT	3,315	(6,568)	1,928	1,559	5,252	172.4	58.5	N.A
NPATMI	(351)	(5,706)	2,454	3,392	947	(61.4)	N.M	N.A

Source: Company data, KIS

Figure 1. Revenue by segment: Property sales still dominated VIC'3Q22 growth



Source: KIS, Company report

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