

10 Feb 2023

Novaland JSC (NVL)

Bless Novaland's heart

AM Brief:

- On Feb 10, 2023 Novaland held a meeting which gave the audience a walkthrough of the its restricting plan and cash flow .

Hold your breath with due debt payment

- In 2022 NVL suffered a negative CFO of VND3,262bn, vs VND3,841.3bn in 2021. As of end-4Q22, the net gearing rose to 1.24x vs 0.98x as of end-4Q21. Total net debt rose to VND55.6tn as of end-4Q22, +46.5% YTD.
- The company obliges to pay a VND18.4tn corporate bond in next 12 months as of end-4Q22, reducing by VND4.3tn as of end-3Q22.
- In Q4 2022, the company raised VND4tn from capital markets and collected VND3tn of cashflow from presale, lagged behind management's 4Q22 plan stated in its 3Q22 analyst meeting (VND10tn presale and VND6.5tn loan in 4Q22F).
- The company's total contract value reached VND9.2tn, - 40% QoQ in 4Q22 and VND8.1tn (flat YoY) in 2022, which mainly came from Aqua City, NovaWorld Phan Thiet and NovaWorld Ho Tram. At end-2022, NVL's unbilled backlog was VND242.3tn (+39% YoY), with Aqua City (50%), NovaWorld Phan Thiet (25%) and NovaWorld Ho Tram (11%).
- Construction progress could take a breath as the company focuses on completing units that have been paid by homebuyers, according to the management.
- A comprehensive restricting plan in whole conglomerate is on progress by NVL's consulting well-known advisory service providers. The plan includes the negotiation with lenders and bond holders to restructure the debt payment schedule, (2) focusing on developing key projects and (3) potential asset sales.
- To save money, NVL even procrastinates the interest subsidy program in those current projects and promises to pay back when signing the official contract.
- The company did not address our concern on the debt payment/cash inflow from the homebuyers and even capex. They will seek the consent from the BOD and present in upcoming AGM.

	2018A	2019A	2020A	2021A	2022P
Sales (VND bn)	15,290	10,931	5,026	14,903	11,135
chg. (% YoY)	31.4	(28.5)	(54.0)	196.5	(25.3)
Operating profit (VND bn)	4,006	1,660	379	3,519	1,853
Net profit (VND bn)	3,239	3,431	3,919	3,225	2,264
EPS (VND)	3,546	3,579	4,021	1,819	123
chg. (% YoY)	10.5	0.9	12.3	(54.8)	(93.2)
EBITDA (VND bn)	4,503	(1,091)	1,115	2,251	2,081
PE (x)	21.9	21.3	19.0	44.3	12.1
EV/EBITDA (x)	18.6	N.M	97.6	81.4	39.8
PB (x)	3.6	3.2	2.8	4.0	0.6
ROE (%)	19.5	15.5	13.9	8.8	5.2
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 (10 Feb, pt)	1,055
Stock price (10 Feb, VND)	13,750
Market cap (USD mn)	1,137
Shares outstanding (mn)	1,950
52-Week high/low (VND)	87,700/13,600
6M avg. daily turnover (USD mn)	13.18
Free float / Foreign ownership (%)	38.9/6.3
Major shareholders (%)	
NovaGroup	29.4
Diamond Properties JSC	10.4

Performance

	1M	6M	12M
Absolute (%)	(1.4)	(83.5)	(82.5)
Relative to VNIndex (%p)	(1.7)	(68.0)	(53.6)

Stock price trend



Source: Bloomberg

Research Dept

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The risk-reward trade-off is huge

- NVL is trading at 12.1x TTM PE, and 0.6x PB, a historical low in three years (the 3-year median PE of 29.3x and PB of 3.6x). However, we recommend a conservative approach toward NVL amid the sensitive period and given the earnings erosion and default risk have yet to be priced in.

Table 1. Debt structure: Huge due bond payment exerts pressure (VND bn)

		4Q22		3Q22		4Q21	
		Total equivalent-loan		Total equivalent-loan		Total equivalent-loan	
		Sum	24,345.8	Sum	30,120.4	Sum	19,087.7
Short-term	Bank		5,078.9	Bank	4,375.2	Bank	6,966.0
	Bond		18,147.9	Bond	22,702.5	Bond	7,595.4
	Other		1,119.0	Other	3,042.8	Other	4,526.2
		Sum	39,060.2	Sum	41,622.3	Sum	41,430.8
Long-term	Bank		7,631.5	Bank	6,971.0	Bank	9,982.2
	Bond		25,724.8	Bond	27,787.6	Bond	29,295.1
	Other		5,703.9	Other	6,863.7	Other	2,153.5

Source: Company data, KIS

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Prepared by: Research Dept

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