

25 Apr 2023

# VINGROUP (VIC)

## AM briefing: A wild dream

### 1Q23 analyst meeting briefing

- We tuned in to VIC's analyst meeting on Apr 25 which featured the strategical visibility on Vinfast and shed some light on its 1Q23 operational updates.

### Industrials/Vinfast traded off the profit for brand recognition

- Vingroup reported its brisk 1Q23 NPAT of VND589bn (15% yoy), slower than revenue growth of 113.7% yoy to VND38.9tn. The blended gross margin (GM) expansion of 10.3%p yoy (11.4% in 1Q23) gained the spotlight. Yet, operating profit was still negative at VND1,359bn in 1Q23 vs -VND6,119bn in 1Q22. The company made loss in other income of VND537.6bn arose from the internal combustion engine cease.
- Property sales: Revenue skyrocket by 4.3x yoy (VND28.8tn) and GM shrank by 25.9%p yoy (25.4%) owing to domination of low- margin high rise handover.
- Industrials: this segment suffers a revenue slump of 47.% yoy with revenue of VND1.7tn. GM deteriorated to -234.2%, -141.4%p yoy. The company is proud to deliver VF8 City to customers in the United States and VF9/VF5 Plus models to customers in Vietnam. Total electric vehicles delivered in 1Q23 was 1,800 cars (4x yoy) and 9,800 electric motorcycles, per management.
- Hospitality spiked with a VND2tn revenue, 49.6% yoy thanks to tourism revival of 91% yoy. The GM still at -39.7% but less than -96.9% seen in 1Q22.
- Education: the 1Q23 revenue boomed with a VND1,341bn, 96.9% yoy. GM stayed rosy at 33.2%, +14.3%p yoy.
- Healthcare: Vinmec chain sustained with a VND997.2bn revenue, +15.3% yoy, and a positive GM of 9.5%, -4.1%p yoy/-14.3%p qoq.

	2018A	2019A	2020A	2021A	2022A
Sales (VND bn)	121,894.4	130,036.0	110,490.0	125,687.9	101,793.6
chg. (% YoY)	36.4	6.7	(15.0)	13.8	(19.0)
Operating profit (VND bn)	11,470.6	10,625.3	(3,343.9)	3,120.3	(10,630.9)
Net profit (VND bn)	3,823.7	7,545.9	5,464.6	(2,513.9)	8,781.9
EPS (VND)	1,286.0	2,433.0	1,691.0	(685.0)	2,367.0
chg. (% YoY)	(14.3)	89.2	(30.5)	(140.5)	(445.5)
EBITDA (VND bn)	16,625.8	18,963.0	6,719.7	18,040.0	10,653.2
PE (x)	46.5	24.6	34.2	N.M	24.6
EV/EBITDA (x)	14.4	14.7	41.1	17.0	8.3
PB (x)	3.2	2.4	2.3	2.0	1.5
ROE (%)	5.0	6.9	4.3	(1.7)	1.3
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 (25 Apr, pt)	1,035
Stock price (25 Apr, VND)	23,350
Market cap (USD mn)	527
Shares outstanding (mn)	529
52-Week high/low (VND)	40,818/23,150
6M avg. daily turnover (USD mn)	3.42
Free float / Foreign ownership (%)	20.4/10.3
Major shareholders (%)	
Pham Nhat Vuong and related	17.87
Vietnam Investment Group JSC	32.58
VMI Property JSC	6.92

### Performance

	1M	6M	12M
Absolute (%)	(3.7)	(26.9)	(30.8)
Relative to VNIndex (%p)	(2.6)	(31.3)	(11.1)

### Stock price trend



Source: Bloomberg

### Research Dep

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### Wary about the accelerating net gearing

- Net debt surged to VND154.2tn, +27% yoy prompting net gearing of 1.13x as of end-1Q23 vs 0.89x as of end-1Q22. Net debt/EBITDA surged to 3.2x
- Total debt stood at VND188.6tn as of end 1Q23. The company must pay a VND64.4tn within the next 12 months, of which the corporate bond due payment was VND13.5tn, the syndicated loan was VND11.4tn and the reminder was a bank loan. The heightened debt is raising concerns about its refinancing capacity amid the increasingly costlier borrowing rate (57.5% of total debt is a floating interest rate).
- The exchange rate ease could blow a glimpse of relief since 39.4% of total debt was USD-denominated loan.

### Vinfast's aggressive signals of investment outlay

- Vinfast accelerated EV sales and product delivery of VF 8/ VF 9 in the U.S. and implement a global marketing campaign by opening more 1S, 2S, and 3S stores in target geographies. Scale vehicle production to ensure timely delivery to customers who placed orders in 2022 and for upcoming production for VF 6 and VF 7.
- VinES to become a comprehensive energy solutions provider and provide VinFast competitive advantage across the battery value chain.
- However, the company has yet to announce the capex demand in 2023F.

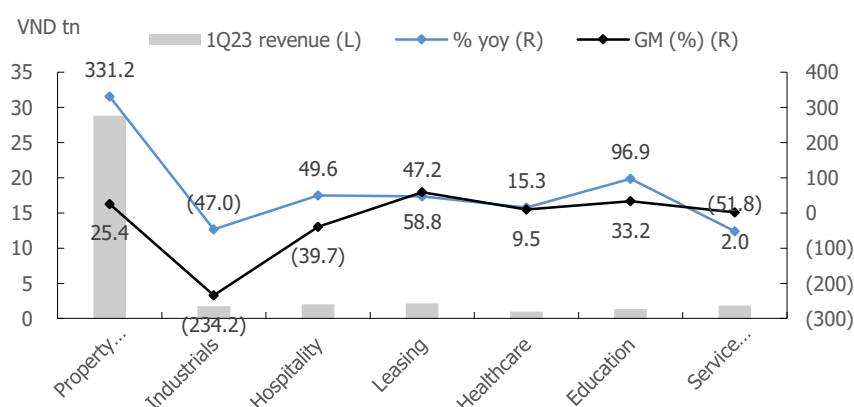
**Table 1. 1Q23 earnings**

(VND bn, %, %p)

	1Q22	2Q22	3Q22	4Q22	1Q23	QoQ	YoY	Consensus
Sales	18,229	13,384	28,742	41,168	38,963	(5.4)	113.7	N.A
Gross profit	205	(4,719)	5,758	12,804	4,435	(65.4)	2,062.6	N.A
Gross margin	1.1	(35.3)	20.0	31.1	11.4	(19.7)	10.3	N.A
OP	(6,119)	(9,464)	87	3,951	(1,359)	(134.4)	(77.8)	N.A
OP margin	(33.6)	(70.7)	0.3	9.6	(3.5)	(13.1)	30.1	N.A
EBT	1,928	1,559	5,252	3,955	4,264	309.5	121.2	N.A
NPATMI	2,454	3,392	947	1,559	1,066	(492.8)	(56.5)	N.A

Source: Company data, KIS

**Figure 1. Revenue by segment: Property sales still dominated VIC'1Q23 growth**



Source: KIS, Company report

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