

Property Development

Neutral (Maintain)

2H20 trends: Ramping up launches, intensive promotional packages

Strong sales recovery in 2H20 anticipated

The lowest quarterly performance in 1Q20 for three years was attributed to intensified fear of COVID-19 transmission in crowded events. When normalisation of life after the lockdowns comes, developers will be under pressure to ramp up sales, which is likely to see enormous discount and eased payment terms. Online sales could also accelerate in FY20F. Temporary relief measures for developers including tax and land using payments could aid liquidity need. However, we are cautious on developers' FY20F new sales target given: i) increased economic uncertainties may dampen buying sentiment ii) disruptions of sale-forces and construction sites arising from Covid-19 pandemic

1. Condo: 1Q20 pandemic performance

Both the major condo markets in Vietnam delivered a staggering performance in 1Q20 in a swirly COVID-19 outbreak.

HCMC market double attacked

The fall of 18% yoy in 1Q20 HCMC new launch to 3,606 units was first affect by the obstacles in the licensing of new residential developments and further damaged by social distancing requirement. 1Q20 volume transaction was hit harder with 37% yoy drop to 3,757 as buying sentiment has been dampened due to the fear of slower economic growth. Despite weak Average selling prices (ASP) hit new peaks across all segments amid the supply shortage. We expect HCMC's 2H20F transaction volume to recover with launches of Lovera Vista, La Partenza, Celesta Rise, Akira, Mizuki projects.

Hanoi market brake

Hanoi market braked in 1Q20 after a five-year record high in FY19 with new supply and sold units dried by 86% yoy to 1,636 units and 77% yoy to 2,144 units respectively. Buyers were more cautious on COVID-19 transmission fear and income decrease threat. Despite a lukewarm quarter performance, we expect property launch would improve in 2H20F after the lockdown lift in late April.

2. Landed property: A 1Q20 painful result

HCMC witnessed a slight impact of COVID-19 in 1Q20 as the market has been dim since 2018 due to supply shortage with a 3% yoy fall in volume transactions and 6% yoy decrease in new supply. In contrast, Hanoi with the high base in 1Q19 was severely hit with the drop of 75% yoy and 56% yoy, respectively. However, we expect positive quarters ahead since landed property is traditionally preferred as a long-term investment compared to stock markets or bank yield.

Company	Rating	TP (VND)
VHM	BUY	90,000
KDH	BUY	25,000
NLG	BUY	29,200
DXG	BUY	12,800

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3. Mortgage rate ease to boost demand growth

1Q20 the average adjustable mortgage rate from local banks went up by 20-30bp to 11.4% vs end-FY19 despite weak demand for mortgage loans. However, mortgage rates may see just a minor drop of 10-20 bp in 2H20F even local banks enjoyed the cheap cost of fund thanks to State Bank of Vietnam’s policy rate cut by 50bp in May as they face a pressure to meet the lower ratio of short-term funds used for medium-and long-term loans from 40% to 37% in Oct 2020F. However, mortgage rates should still be affordable to most local homebuyers and won’t affect condo transactions, in our view.

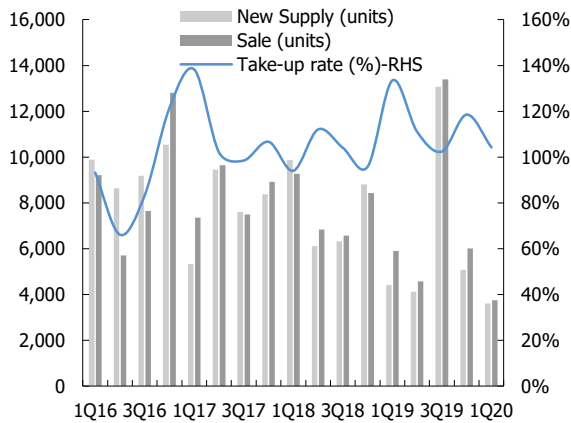
Maintain Neutral on conservatively unexciting outlook

We maintain our Neutral rating on Vietnam’s residential property sector due to a lack of significant improvement in the regulatory approval process, which might continue to bottleneck the market’s new supply over the next 12 months. Furthermore, the slower economic growth could threaten the homebuyers’ affordability.

Our top picks are KDH and NLG, in view of their positive presales in FY19-20 which help generate stellar earnings growth in FY20-21F and their strong cash balance to tap the market opportunities. We also like DXG thanks to better market sentiment given the upcoming launch of Long Duc township (land lots) and VHM thanks to their unrivalled FY20F earning growth.

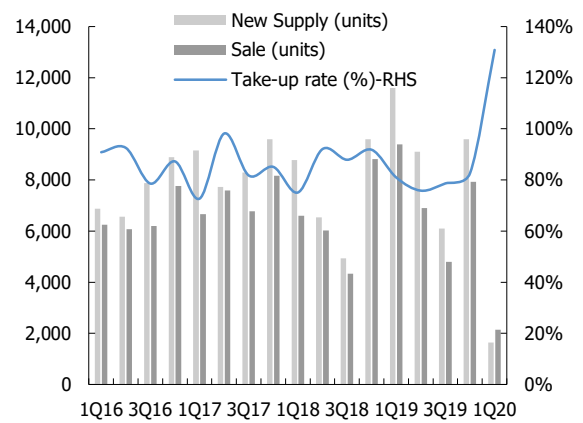
Improvement in the project approval process and better-than-expected macro outlook are the key upside risk to our call.

Figure 1. 1Q20 HCMC condo transaction (units)



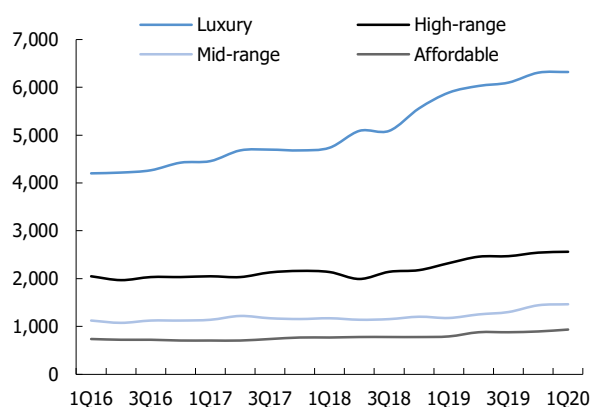
Source: CBRE, Korea Investment & Securities

Figure 2. 1Q20 Hanoi condo transaction (units)



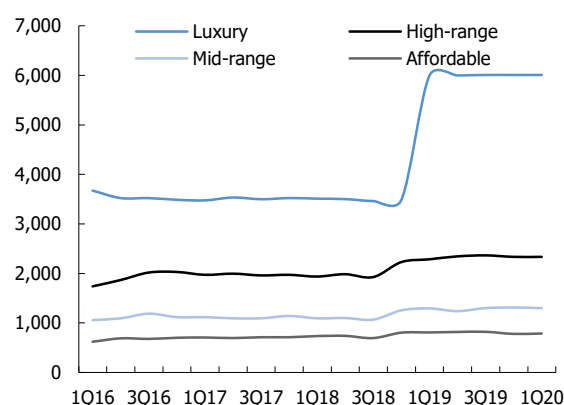
Source: CBRE, Korea Investment & Securities

Figure 3. HCMC condo, primary price (US\$ psm)



Source: CBRE, Korea Investment & Securities

Figure 4. Hanoi condo, primary price (US\$ psm)



Source: CBRE, Korea Investment & Securities

Table 1. Coverage valuation

Recommendation & TP			Earnings & Valuation										
Company			Sales	OP	NP	EPS	BPS	PE	PB	ROE	EV/EBITDA	DY	
			(VND bn)	(VND bn)	(VNDbn)	(VND)	(VND)	(X)	(X)	(%)	(X)	(%)	
VHM (HSX)	Recommendation	BUY	2017	15,297	3,128	1,410	5,639	27,617	13.8	13.8	31	10	0.0
	Target Price (VND)	90,000	2018	38,664	7,617	14,284	4,567	12,907	17.1	17.1	57	35	0.0
	Price (21 May, VND)	78,000	2019	51,627	23,219	21,747	6,493	16,748	12.0	12.0	44	12	1.3
	Mkt cap (VNDbn)	256,582	2020F	69,712	20,092	24,278	7,248	24,653	10.8	10.8	35	14	1.3
			2021F	82,370	24,934	18,540	5,535	29,188	14.1	14.1	21	13	1.3
KDH (HSX)	Recommendation	BUY	2017A	3,055	792	502	1,179	10,930	18.7	18.7	12	12	5
	TP (VND)	25,000	2018A	2,917	982	808	1,592	12,753	13.8	13.8	13	10	2.3
	Price (21 May, VND)	22,000	2019A	2,813	1,223	915	1,691	14,006	13.0	13.0	13	9	2.3
	Mkt cap (VND bn)	11,541	2020F	3,498	1,438	1,067	1,998	15,134	11.0	11.0	14	8	2.3
			2021F	4,519	1,468	1,181	2,242	16,646	9.8	9.8	14	6	2.3
NLG (HSX)	Recommendation	BUY	2017A	3,161	881	535	2,696	13,114	8.8	1.7	15	3	0
	TP (VND)	29,200	2018A	3,480	1,013	763	3,280	14,071	7.2	1.7	20	3	0.0
	Price (21 May, VND)	23,600	2019A	2,546	626	960	3,709	17,831	6.4	1.3	20	7	0.0
	Mkt cap (VND bn)	5,893	2020F	1,533	286	801	3,084	19,464	7.7	1.2	20	15	0.0
			2021F	1,565	263	1,026	3,949	22,536	6.0	1.0	15	10	0.0
DXG (HSX)	Recommendation	BUY	2017A	2,879	1,186	728	2,127	19,397	4.7	0.5	20.6	3.4	0.0
	TP (VND)	12,800	2018A	4,645	1,835	1,178	3,427	14,282	2.9	0.7	26.7	2.8	0.0
	Price (21 May, VND)	11,400	2019A	5,814	2,099	1,217	2,645	13,439	3.7	0.7	20.3	4.4	0.0
	Mkt cap (VND bn)	5,914	2020F	4,706	1,680	834	1,604	15,242	6.2	0.6	11.2	5.7	0.0
			2021F	9,098	2,138	1,056	2,031	17,252	4.9	0.6	12.5	5.4	0.0

Source: Respective company data, KIS

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