

5 May 2020

## Khang Dien House Trading and Investment JSC (KDH)

### Strong fundamental reaffirmed

- 1Q20 results in line with our expectation
- Solid FY20F net profit growth of 16.6% yoy, in our view
- Maintain BUY rating with a RNAV-based TP of VND25,000

### Facts: Strong fundamental reaffirmed

KDH's 1Q20 results were in line with our estimates. Revenue came in at VND701bn, -16.7% yoy and net profit was VND154bn, +51.2% yoy, exceeding 2.9% our forecast. Only a few units from the Verosa landed-property project is handed over to buyers in 1Q20F versus a huge handover of condos from Jamila projects in 1Q19.

### Pros & cons: Solid FY20F net profit growth

We expect KDH could maintain quarterly momentum growth in 2Q20F backed by the starting of delivery from Safira condo project. Consequently, we expect KDH could complete our FY20F net profit forecast at VND1,067bn, +16.6% yoy and revenue at VND3,498bn, +24.3% yoy. Our forecasts are below the KDH's prelim guidance by 3% as we conservatively assume higher discount expense to incur in FY2020F.

We still keep our concern that buying sentiment would not spark until 2H20F given the COVID-19 transmission fear could deter the traffic for show flats or on site visits. However, KDH is well-positioned to reap the rising demand for mid-range condo and could get the FY20F presale value of VND1,958bn, -52.3% yoy.

### Action: Attractive valuation, firm footprint

We maintain BUY with a RNAV-based TP of VND25,000. Fair value is estimated at VND13.6tn, comprising the biggest townhouse project Tan Tao of VND7.3tn in which we have discounted 70% to reflect the inherent risks. We like KDH given its strong brand name in property market, healthy balance sheet and current potential upside of 21.4% for short-term investment. We believe the strong promotion packages offered to homebuyers' of Venita Park and Lovera Vista projects will partially remove the shadow over KDH which has emerged due to the slower demand for real estate

12M rating **BUY (Maintain)**

12M TP **25,000**

Up/Downside **+21.4%** (incl 2.4% cash dividend)

#### Stock data

VNIndex (5 May, pt)	764
Stock price (5 May, VND)	21,000
Market cap (USD mn)	488
Shares outstanding (mn)	544
52-Week high/low (VND)	27,200/18,300
6M avg. daily turnover (USD mn)	0.33
Free float / Foreign ownership (%)	74.5/44.2
Major shareholders (%)	
Vietnam Enterprise Investments	16.2
VinaCapital Vietnam Opportunity	13.3

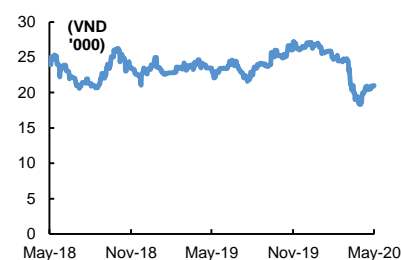
#### Valuation

	2019A	2020F	2021F
PE (x)	12.4	10.5	9.4
PB (x)	1.5	1.4	1.3
ROE (%)	12.6	13.7	14.1
DY (%)	2.4	2.4	2.4
EV/EBITDA (x)	8.9	7.2	5.5
EPS (VND)	1,691	1,998	2,242
BPS (VND)	14,006	15,134	16,646

#### Performance

	1M	6M	12M
Absolute (%)	14.8	(22.8)	(10.5)
Relative to VNIndex (%p)	5.8	2.0	9.5

#### Stock price



Source: Bloomberg

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**Table 1. 1Q20 earnings**

(VND bn, %, %p)

	1Q19	2Q19	3Q19	4Q19	1Q20	QoQ	YoY	Consensus
Sales	842	408	611	952	701	(26.4)	-16.7	N.A
Gross profit	264	238	418	581	335	(42.3)	27.1	N.A
Gross margin	31	58	68	61	48	(13.6)	16.5	N.A
OP	170	167	336	549	237	(56.8)	39.4	N.A
OP margin	20	41	55	58	34	(23.8)	13.6	N.A
EBT	147	153	334	555	205	(63.1)	39.0	N.A
NP	102	113	296	404	154	(61.8)	51.2	N.A

Source: Company data, KIS

**Table 2. Earnings and outlook**

(VND bn, %, % p)

	2019				2020		2019		2020F		1Q20		
	1Q	2Q	3Q	4Q	1Q					QoQ	YoY	Consensus (BB)	
<b>Net sales</b>	842	408	611	952	701	2,813	3,498			(26.4)	(16.7)	N.A	
Property sales	825	391	577	922	688	2,714	3,379			(25.3)	(16.5)		
Other	17	17	35	31	13	100	119			(58.3)	(25.6)		
<b>Gross profit</b>	264	238	418	581	335	1,500	1,778			(42.3)	27.1	N.A	
Gross profit margin	31.3	58.2	68.3	61.4	47.8	53.3	50.8			(13.6)	16.5		
SG&A	93	70	45	69	98	278	339			41.8	4.7		
<b>Operating profit</b>	170	167	336	549	237	1,223	1,438			(56.8)	39.4		
Financial income	9	12	14	7	5	41	41			(31.0)	(45.9)		
Financial expense	18	15	8	1	27	42	138			3283.2	45.7		
Net other income	13	12	7	0	11	33	5			0.0	0.0		
EBT	147	153	334	555	205	1,190	1,336			(63.1)	39.0		
Net profit	102	113	296	405	155	917	1,069			(61.8)	51.2		
<b>NP of controlling interest</b>	102	113	296	404	154	915	1,067			(61.8)	51.2	N.A	
EBITDA	170	169	249	644	240	1,232	1,460			(62.7)	41.2		
EBITDA margin	20	41	41	68	34	44	42			(33.4)	14.0		
OP margin	20	41	55	58	34	43	41			(23.8)	13.6		

Source: Company data, KIS

**Table 3. Equity valuation**

(VND bn)

Project Name	Fair value*	Method	Discount to NPV	Note
Tan Tao	7,320	DCF	70%	Pending compensation
Safira	1,814	DCF	5%	Ready to deliver in 2H20F
Corona	807	DCF	60%	Pending compensation
Green Village	1,832	DCF	60%	Pending legal process
Clarita	536	DCF	40%	Pending legal process, LUR has been acquired
Verosa Park	1,100	DCF	5%	Ready to deliver in 2020-21F
Lovera Vista	717	DCF	5%	Launched in 4Q19
Amena	423	BV		Pending legal process
Le Minh Xuan IP	544	BV		Pending compensation
Other	596	BV		
<b>Total inventory</b>	<b>15,689</b>			
<b>Add:</b>				
Cash and cash equivalent	1,207			
Other assets	1,653			
<b>Less:</b>	-			
Net debt (exclude CB)	782			
Other liabilities	4,174			
<b>RNAV</b>	<b>13,593</b>			
Shares outstanding	544,429,109			
<b>Target price (VND/share)</b>	<b>25,000</b>			

Note: (\*) Fair value as at Dec 19

Source: Company data, KIS

■ **Company overview**

Khang Dien House Trading and Investment JSC (KDH) is its iconic brand name in the residential real estate market with 15 years of market experience. KDH's land bank amounted to 499ha HCMC as end-FY19, mostly in the Western part of HCMC. This ensures over ten years of project development, in our view. KDH now has the third-largest land bank in HCMC (499ha) among the listed residential developers.

**Balance sheet**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Current assets	9,110	9,570	12,327	11,993	13,268
Cash & cash equivalents	2,592	1,836	1,207	1,170	3,058
Accounts & other receivables	1,548	1,760	3,778	3,440	3,042
Inventory	4,858	5,817	7,037	7,063	6,832
Non-current assets	446	520	791	838	890
Fixed assets	342	500	677	734	797
Investment assets	104	19	114	104	93
Others	160	138	119	117	118
<b>Total assets</b>	<b>9,717</b>	<b>10,228</b>	<b>13,237</b>	<b>12,948</b>	<b>14,276</b>
Advances from customers	1,087	1,367	2,773	2,278	2,460
Unearned revenue	3	2	0	0	0
Trade payables	54	284	696	912	1,383
Others	723	707	1,322	1,348	1,403
ST debt & bonds	186	632	377	385	168
LT debt & financial liabilities	1,471	337	405	60	0
<b>Total liabilities</b>	<b>3,526</b>	<b>3,328</b>	<b>5,573</b>	<b>4,982</b>	<b>5,414</b>
Controlling interest	5,214	6,864	7,625	7,924	8,819
Capital stock	3,360	4,140	5,444	5,506	5,568
Capital surplus	1,087	1,724	720	757	794
Other reserves	68	93	134	(366)	(366)
Retained earnings	698	907	1,327	2,027	2,823
Minority interest	977	35	39	41	43
<b>Shareholders' equity</b>	<b>6,191</b>	<b>6,899</b>	<b>7,664</b>	<b>7,966</b>	<b>8,863</b>

**Cash flow**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
C/F from operations	597	(719)	(161)	1,004	2,383
Net profit	502	808	915	1,067	1,181
Dep'n & Amort'n	7	8	9	22	22
Net incr. in W/C	204	(1,236)	(907)	45	1,321
C/F from investing	(82)	519	(201)	(24)	(38)
Capex	(61)	(161)	(235)	(68)	(75)
Incr. in investment	(23)	680	34	44	36
C/F from financing	1,017	(556)	(296)	(1,016)	(459)
Incr. in equity	1,488	101	97	(404)	97
Incr. in debt	(237)	(689)	(186)	(338)	(277)
Dividends	(234)	(194)	(207)	(275)	(278)
C/F from others					
<b>Increase in cash</b>	<b>1,532</b>	<b>(756)</b>	<b>(661)</b>	<b>(37)</b>	<b>1,886</b>

**Income statement**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Sales	3,055	2,917	2,813	3,498	4,519
Operating profit	792	982	1,223	1,438	1,468
Financial income	72	200	41	41	36
Interest income	43	63	38	41	36
Financial expenses	125	89	42	138	20
Interest expenses	10	32	2	0	0
Other non-operating profit	11	116	(33)	(5)	(5)
Gains (Losses) in associates, subsidiaries and JV	8	4	0	0	0
<b>Earnings before tax</b>	<b>729</b>	<b>1,075</b>	<b>1,190</b>	<b>1,336</b>	<b>1,479</b>
Income taxes	170	266	273	267	296
<b>Net profit</b>	<b>559</b>	<b>810</b>	<b>917</b>	<b>1,069</b>	<b>1,183</b>
Net profit of controlling interest	502	808	915	1,067	1,181
<b>EBITDA</b>	<b>799</b>	<b>990</b>	<b>1,232</b>	<b>1,460</b>	<b>1,490</b>

**Key financial data**

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Per-share data (VND, adj.)					
EPS	1,179	1,592	1,691	1,998	2,242
BPS	10,930	12,753	14,006	15,134	16,646
DPS	1,000	500	500	500	500
Growth (%)					
Sales growth	(22.3)	(4.5)	(3.5)	24.3	29.2
OP growth	15.0	23.9	24.5	17.6	2.1
NP growth	37.9	44.9	13.3	16.6	10.7
EPS growth	10.4	35.0	6.2	18.2	12.2
EBITDA growth	14.3	23.8	24.5	18.5	2.1
Profitability (%)					
OP margin	25.9	33.7	43.5	41.1	32.5
NP margin	18.3	27.8	32.6	30.6	26.2
EBITDA margin	26.2	33.9	43.8	41.7	33.0
ROA	7.3	8.4	7.8	8.9	8.6
ROE	11.6	13.4	12.6	13.7	14.1
Dividend yield	4.8	2.4	2.4	2.4	2.4
Dividend payout ratio	66.9	25.6	22.6	25.8	23.6
Stability					
Net debt (VND bn)	(934)	(867)	(425)	(725)	(2,890)
Net debt/equity (%)	(15)	(13)	(6)	(9)	(33)
Valuation (x)					
PE	17.8	13.2	12.4	10.5	9.4
PB	1.9	1.6	1.5	1.4	1.3
EV/EBITDA	11.2	9.9	8.9	7.2	5.5

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