

30 Jul 2020

Long Hau Corp (LHG)

Solid performance

- 1H20 net profit rose 35.2% yoy, meeting 66% of our FY20F forecast
- Land presale growth sustain in FY21-22F driven by higher rents

Facts: 2Q20 net profit fueled by higher land sales

Long Hau's 2Q20 net profit were -30.9% qoq and +80.5% yoy to VND43.6bn, mainly fueled by robust revenue growth of land sales to VND126bn, +108.3 yoy. The exciting 1H20 revenue growth of land sales of 48.9% yoy were also the key driver to boost net 1H20 total revenue up to VND388bn, 38.2% yoy and 1H20 net profit to VND107bn, +35.2% yoy. Its 1H20 net profit formed 87.7% the company guidance and 66% our forecast.

Pros and cons: A sustainable 2H20 net profit

We forecast the 4ha backlog of land area at end-1H20 could translate into 2H20F revenue, adding to total FY20F land sale area of 12ha. We lower our land presales for 2020F to 12ha as Covid-19 will likely delay buying decisions by foreign investors given the travel restrictions. Despite a diminishing land sale area of 40%, the FY20F revenue is expected to slide by 9.9% as we witness a 33% surge yoy in LHG's land rent in 2Q20. Our new gross margin assumption is up by 4% pts, helping to offset the 20% revenue cut in our new forecast. Our new net profit stays unchanged.

Presales sustain in FY21-22F

We believe the catalyst for land area and rent in FY20F-21F is travel bubble agreements with certain countries, where there are few new Covid-19 cases. We forecast LHG's land rent grow strongly driven by demand for production or supply chains relocation from China to Vietnam. However, the growth of LHG's land presales area could be sustainable due to its limited total area in LH3 industrial park while the expansion is waiting for licensing procedure.

Actions: Downgrade with TP of VND20,000

We downgrade our rating to Hold as we think the potential catalyst and lure dividend yield have priced in the market price. In the medium term, we expect the new lank bank of Long Hau industrial park 3 phase 2 could trigger a surprising business growth FY22-23F.

12M rating **HOLD Downgrade**

Stock data

VNIndex (30 Jul, pt)	801
Stock price (30 Jul, VND)	18,900
Market cap (USD mn)	41
Shares outstanding (mn)	50
52-Week high/low (VND)	19,464/10,415
6M avg. daily turnover (USD mn)	0.20
Free float / Foreign ownership (%)	48.7/5.1
Major shareholders (%)	
Tan Thuan Industrial Park Development	48.6
Indochian Growth Master Fund	4.9

Valuation

	2018A	2019F	2020F
PE (x)	6.6	5.8	4.2
PB (x)	0.8	0.8	0.7
ROE (%)	15.3	16.6	21.0
DY (%)	7.9	10.1	10.1
EV/EBITDA (x)	1.8	1.8	1.9
EPS (VND)	2,854	3,278	4,470
BPS (VND)	24,012	25,481	28,023

Performance

	1M	6M	12M
Absolute (%)	18.2	37.7	17.5
Relative to VNIndex (%p)	20.7	53.5	34.6

Stock price



Source: Bloomberg

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Table 1. 2Q20 earnings

(VND bn, %, %p)

	2Q19	3Q19	4Q19	1Q20	2Q20P	QoQ	YoY	Consensus
Sales	108	50	269	206	181	(12)	68	N/A
Gross profit	48	25	61	94	70	(26)	44	N/A
Gross margin	45	51	23	46	38	(704)	(648)	N/A
OP	28	14	38	75	51	(32)	82	N/A
OP margin	26	27	14	36	28	(815)	209	N/A
EBT	33	24	51	80	52	(35)	57	N/A
NP	24	19	36	63	44	(31)	81	N/A

Source: Company data, Otherwise, KIS

Table 2. Earnings and outlook

(VNDbn, %, % p)

	2019				2020F				2019	2020F	2Q20P		
	1Q	2Q	3Q	4Q	1Q	2QP	3QF	4QF			QoQ	YoY	Consensus (BB)
Net sales	173	108	50	269	206	181	135	137	599	666	(12)	68	
Property sales	131	61	2	205	159	126	78	78	398	441	(20)	108	
Leasing	23	23	26	27	28	30	31	31	99	120	9	30	
Others	19	24	22	38	20	24	26	28	102	98	24	3	
Gross profit	79	48	25	61	94	70	59	60	213	282	(26)	44	
Gross margin	46	45	51	23	46	38	43	44	36	42	(704)	(648)	
SG&A	13	21	12	23	19	19	20	20	69	79	(2)	(8)	
Operating profit	66	28	14	38	75	51	38	40	145	203	(32)	82	
Associate's income	(3)	(3)	5	8	4	(4)	0	0	8	0	(197)	25	
Financial income	6	9	6	7	4	9	4	4	29	21	99	(3)	
Financial expense	1	1	1	2	3	4	6	6	5	(19)	25	208	
Net other income	2	0	0	1	0	0	0	0	3		0	0	
EBT	70	33	24	51	80	52	36	37	179	206	(35)	57	
Net profit	55	24	19	36	63	44	28	29	143	164	(31)	81	
NP of controlling interest	55	24	19	36	63	44	28	29	143		(31)	81	
EBITDA	75	37	22	47	86	64	52	53	182	265	(25)	74	
EBITDA margin	43	34	45	18	42	36	39	39	30	55	(605)	113	
OP margin	38	26	27	14	36	28	28	29	24	31	(815)	209	

Table 3. RNAV method, key inputs, based on our estimates

(VND bn)

Product	Commercial Name	Project name	BV as at 2Q20	Premium	Fair value	Method
Industrial park	Long Hau 3	Long Hau 3, phase 1	455	691	1,146	DCF
	Add:					
		Cash and cash equivalent	104		104	BV
		Short-term investment	534		534	BV
		Customer receivables	22		22	BV
		Long term assets	201		201	BV
	Less:					
		Net debt	500		500	BV
		Other liabilities	450		450	BV
		RNAV	365		1,056	BV
		No. of o/s shares (mn shares)	50		50	BV
		Discount to RNAV			10%	
		Implied value per share (VND)			19,008	

Table 4. P/E method, key inputs, based on our estimates

(VND)

	FY20F	FY201F	Avg.CY20-21F
EPS	3,278	4,470	3,874
Industry median multiple	7	7	7
Target multiple			6
Implied value per share			21,307

Table 5. Blended target price, based on our estimates

(VND, %)

Method	Implied value per share	Weight	Weighted price
RNAV	19,008	50%	9,504
P/E	21,307	50%	10,654
Target price (round)			20,000

Note: Separate NP excluding dividend

Source: Company data, KIS

■ Company overview

Long Hau Corporation (LHG) owns a large industrial park land bank. Close to HCMC via Nha Be District, Long Hau industrial parks have a more strategic venue than other industrial parks. Its geographical advantage is boosted by the comprehensive infrastructure system of HCMC ranging from Saigon- Hiep Phuoc Port, Saigon Premier Container Terminal to the upcoming Long Thanh – Ben Luc Expressway. This supporting infrastructure will facilitate its outreach to customers.

Balance sheet

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Current assets	1,340	1,437	1,355	1,648	2,096
Cash & cash equivalents	817	631	631	639	939
Accounts & other receivables	216	339	458	695	932
Inventory	307	464	263	311	222
Non-current assets	631	658	751	701	691
Fixed assets	53	49	45	40	34
Investment assets	579	609	706	661	656
Others	17	22	50	48	59
Total assets	1,988	2,118	2,155	2,396	2,846
Advances from customers	58	70	70	70	70
Unearned revenue	154	12	12	12	12
Trade payables	12	25	25	25	25
Others	367	523	526	543	565
ST debt & bonds	24	21	14	0	0
LT debt & financial liabilities	39	48	35	200	500
Total liabilities	897	971	954	1,121	1,443
Controlling interest	1,091	1,146	1,201	1,274	1,401
Capital stock	500	500	500	500	500
Capital surplus	72	72	72	72	72
Other reserves	79	80	80	80	80
Retained earnings	440	495	549	623	750
Minority interest	0	1	1	1	1
Shareholders' equity	1,091	1,147	1,201	1,275	1,402

Cash flow

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
C/F from operations	201	121	116	206	254
Net profit	166	176	143	164	224
Dep'n & Amort'n	5	7	5	5	5
Net incr. in W/C	(13)	(109)	(32)	(256)	(281)
C/F from investing	0	45	(105)	10	(32)
Capex	0	(82)	(145)	(11)	(53)
Incr. in investment	0	44	40	21	21
C/F from financing	0	(69)	(94)	77	226
Incr. in equity	0	0	0	0	0
Incr. in net debt	0	6	(20)	151	300
Dividends	0	(75)	(74)	(74)	(74)
C/F from others	0	0	0	0	0
Increase in cash	201	97	(82)	293	448

Income statement

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Sales	488	430	599	666	795
COGS	217	186	385	384	399
Gross profit	271	244	213	282	396
Operating profit	192	173	145	203	302
Financial income	13	38	29	21	21
Interest income	13	38	29	21	21
Financial expenses	(6)	(5)	(5)	(19)	(43)
Interest expenses	(6)	(5)	(5)	(19)	(43)
Other non-operating profit	9	2	11	0	0
Gains (Losses) in associates, subsidiaries and JV	0	6	0	0	0
Earnings before tax	208	215	179	206	281
Income taxes	(42)	(39)	(37)	(42)	(57)
Net profit	166	176	143	164	224
Net profit of controlling interest	166	176	143	164	224
EBITDA	220	204	198	265	365

Key financial data

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Per-share data (VND, adj.)					
EPS	6,157	3,519	2,854	3,278	4,470
BPS	21,822	22,923	24,012	25,481	28,023
DPS	1,500	1,500	1,900	1,900	1,900
Growth (%)					
Sales growth	1.6	(11.8)	39.2	11.2	19.4
OP growth	4.1	(9.8)	(16.4)	40.3	48.8
NP growth	0.2	6.1	(18.9)	14.9	36.3
EPS growth	(3.0)	(42.9)	(18.9)	14.9	36.3
EBITDA growth	4.4	(7.5)	(3.2)	34.1	37.8
Profitability (%)					
OP margin	39.3	40.2	24.2	30.5	38.0
NP margin	34.0	40.9	23.8	24.6	28.1
EBITDA margin	45.2	47.4	33.0	39.8	45.9
ROA	11.4	8.8	7.3	8.9	11.5
ROE	23.6	19.2	15.3	16.6	21.0
Dividend yield	7.9	7.9	7.9	10.1	10.1
Dividend payout ratio	18.8	35.0	41.3	36.0	26.4
Stability					
Net debt (VND bn)	(698)	(494)	(513)	(370)	(370)
Net debt/equity (%)	(64)	(43)	(43)	(29)	(26)
Valuation (x)					
PE	3.1	5.4	6.6	5.8	4.2
PB	0.7	0.9	0.8	0.8	0.7
EV/EBITDA	1.3	(1.2)	1.8	1.8	1.9

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