

10 Aug 2020

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

### Strong earnings visibility

- 2Q20 exciting net profit growth above our expectation
- Solid FY20F net profit growth of 21% yoy is secured, in our view
- Maintain BUY rating with a RNAV-based TP of VND28,200

### Facts: Exciting 2Q20 net profit growth

KDH reported a stellar 2Q20 net profit growth of 125% yoy to VND253bn on the back of delivery of 57 units of Verosa landed property project. Thanks to the high-value Verosa units, 2Q20 revenue inched by 92.3% yoy to VND785bn. Gross margin remained at 53% in 2Q20. Overall, 1H20 net profit reached VND408bn, 89.7% yoy, forming 38% our forecast.

### Pros & cons: 2H20 net profit is secured

We raise our net profit by 3% to VND1,104bn and revenue to VND3,602 bn to factor in the faster-than-expected delivery of Verosa project as we believe 20 units booked in July could be transferred to revenue in 4Q20F. We expect KDH could maintain quarterly momentum growth in 2H20F backed by the starting of delivery from Safira condo project.

We still keep our concern that buying sentiment would not be relaxed until 4Q20F given the second wave of COVID-19 transmission fear could postpone the sales events and deter the traffic for show flats. However, KDH has established firm footprint to weather the storm and could get the FY20F presale value of VND1,958bn, -52.3% yoy.

### Action: Maintain Buy with higher TP of VND28,200

We adjust upward our RNAV-based TP to VND28,200 thanks to RNAV contribution from two new landed property projects including Amerna (Dist 9) and Clarita (in Dist 2) as we have much clearer launching plan. Launched in late 4Q20F-1Q21F, these projects are expected to supplement 30% to FY21F-22F revenue stream, in our view. We believe the strong promotion packages offered to homebuyers' of Amerna and Clarita 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 **28,200**

Up/Downside **+17.1%** (incl 1.7% cash dividend)

#### Stock data

VNIndex (10 Aug, pt)	843
Stock price (10 Aug, VND)	24,500
Market cap (USD mn)	555
Shares outstanding (mn)	525
52-Week high/low (VND)	27,200/18,300
6M avg. daily turnover (USD mn)	0.51
Free float / Foreign ownership (%)	79.8/43.7
Major shareholders (%)	
Vietnam Enterprise Investments	16.2
VinaCapital Vietnam Opportunity	13.3

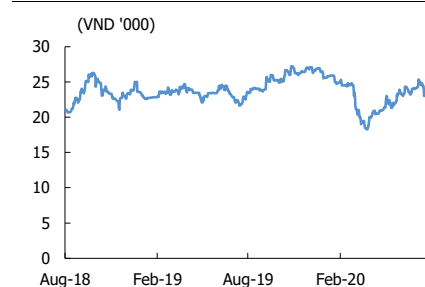
#### Valuation

	2019A	2020F	2021F
PE (x)	14.5	11.9	9.6
PB (x)	1.7	1.6	1.4
ROE (%)	12.6	14.2	15.8
DY (%)	2.0	2.0	2.0
EV/EBITDA (x)	10.5	8.2	6.6
EPS (VND)	1,691	2,067	2,551
BPS (VND)	14,006	15,204	17,015

#### Performance

	1M	6M	12M
Absolute (%)	1.4	(1.6)	3.8
Relative to VNIndex (%p)	4.3	7.0	15.6

#### Stock price



Source: Bloomberg

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**Table 1. 2Q20 earnings**

(VND bn, %, %p)

	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY	Consensus
Sales	408	611	952	701	785	(26.4)	-16.7	N.A
Gross profit	238	418	581	335	417	(42.3)	27.1	N.A
Gross margin	58	68	61	48	53	(13.6)	16.5	N.A
OP	167	336	549	237	341	(56.8)	39.4	N.A
OP margin	41	55	58	34	43	(23.8)	13.6	N.A
EBT	153	334	555	205	323	(63.1)	39.0	N.A
NP	113	296	404	154	253	(61.8)	51.2	N.A

Source: Company data, KIS

**Table 2. Earnings and outlook**

(VND bn, %, % p)

	2019				2020F				2019	2020F	2Q20P		
	1Q	2Q	3Q	4Q	1Q	2QP	3QF	4QF			QoQ	YoY	Consensus (BB)
<b>Net sales</b>	842	408	611	952	701	785	1292	824	2,813	3,602	11.9	92.3	
Property sales	825	391	577	922	688	765	1257	772	2,714	3,482	11.1	95.6	
Others	17	17	35	31	13	20	35	52	100	119	57.5	16.4	
<b>Gross profit</b>	264	238	418	581	335	417	589	511	1,500	1,851	24.3	75.3	
Gross margin	31	58	68	61	48	53	46	62	53	51	5.3	(5.1)	
SG&A	93	70	45	69	98	75	124	49	278	346	(23.0)	6.8	
<b>Operating profit</b>	170	167	336	549	237	341	465	462	1,223	1,506	43.8	104.2	
Associate's income													
Financial income	9	12	14	7	5	6	6	8	41	24	17.7	(55.0)	
Financial expense	18	15	8	82	27	19	45	48	42	138	(29.8)	26.7	
Net other income	(13)	(12)	(7)	(0)	(11)	(6)	5	5	(33)	(5)	0.0	0.0	
EBT	147	153	334	555	205	323	431	427	1,190	1,386	57.6	110.6	
Net profit	102	113	296	405	155	254	345	356	917	1,109	63.9	125.1	
<b>NP of controlling interest</b>	102	113	296	404	154	253	269	427	915	1,104	64.0	125.1	
EBITDA	170	169	249	644	240	344	468	476	1,232	1,528	43.3	103.2	
EBITDA margin	20	41	41	68	34	44	36	58	44	42	9.6	2.4	
OP margin	20	41	55	58	34	43	36	56	43	42	9.6	2.5	

Source: Company data, KIS

**Table 3. Equity valuation**

(VND bn)

Project Name	Fair value*	Method	Discount to NPV	Note
Tan Tao	5,770	DCF	80%	Pending compensation
Safira	1,824	DCF	5%	Ready to deliver in 2H20F
Corona	857	DCF	60%	Pending compensation
Green Village	1,832	DCF	60%	Pending legal process
Clarita	543	DCF	30%	Ready to launch in 4Q20F-1Q21F
Verosa Park	1,108	DCF	5%	Ready to deliver in 2020-21F
Lovera Vista	599	DCF	5%	Launched in 4Q19
Amena	695	BV	30%	Ready to launch in 4Q20F-1Q21F
Le Minh Xuan IP	544	BV	80%	Pending compensation
Other	596	BV	5%	
<b>Total inventory</b>	<b>15,689</b>			
<b>Add:</b>				
Cash and cash equivalent	1,824			
Other assets	2,208			
<b>Less:</b>				
Net debt (exclude CB)	1,362			
Other liabilities	1,672			
<b>RNAV</b>	<b>15,365</b>			
Shares outstanding	544,429,109			
<b>Target price (VND/share)</b>	<b>28,200</b>			

Note: (\*) Fair value as at Jun 20

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	11,755	11,727
Cash & cash equivalents	2,592	1,836	1,207	1,060	1,554
Accounts & other receivables	1,548	1,760	3,778	3,440	2,937
Inventory	4,858	5,817	7,037	6,936	6,900
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	116	113
<b>Total assets</b>	<b>9,717</b>	<b>10,228</b>	<b>13,237</b>	<b>12,710</b>	<b>12,730</b>
Advances from customers	1,087	1,367	2,773	1,982	859
Unearned revenue	3	2	0	0	0
Trade payables	54	284	696	927	1,249
Others	723	707	1,322	1,350	1,388
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>4,704</b>	<b>3,664</b>
Controlling interest	5,214	6,864	7,625	7,961	9,015
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	2,064	3,019
Minority interest	977	35	39	45	52
<b>Shareholders' equity</b>	<b>6,191</b>	<b>6,899</b>	<b>7,664</b>	<b>8,006</b>	<b>9,066</b>

**Cash flow**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
C/F from operations	597	(719)	(161)	911	995
Net profit	502	808	915	1,104	1,344
Dep'n & Amort'n	7	8	9	22	22
Net incr. in W/C	204	(1,236)	(907)	(105)	(237)
C/F from investing	(82)	519	(201)	(42)	(45)
Capex	(61)	(161)	(235)	(68)	(75)
Incr. in investment	(23)	680	34	27	30
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>(147)</b>	<b>492</b>

**Income statement**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Sales	3,055	2,917	2,813	3,602	4,519
COGS	2,019	1,677	1,313	1,750	2,358
<b>Gross profit</b>	<b>1,036</b>	<b>1,239</b>	<b>1,500</b>	<b>1,851</b>	<b>2,162</b>
Operating profit	792	982	1,223	1,506	1,732
Financial income	72	200	41	24	30
Interest income	43	63	38	24	30
Financial expenses	125	89	42	138	69
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>1,386</b>	<b>1,688</b>
Income taxes	170	266	273	277	338
<b>Net profit</b>	<b>559</b>	<b>810</b>	<b>917</b>	<b>1,109</b>	<b>1,350</b>
Net profit of controlling interest	502	808	915	1,104	1,344
<b>EBITDA</b>	<b>799</b>	<b>990</b>	<b>1,232</b>	<b>1,528</b>	<b>1,754</b>

**Key financial data**

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Per-share data (VND, adj.)					
EPS	1,179	1,592	1,691	2,067	2,551
BPS	10,930	12,753	14,006	15,204	17,015
DPS	1,000	500	500	500	500
Growth (%)					
Sales growth	(22.3)	(4.5)	(3.5)	28.0	25.5
OP growth	15.0	23.9	24.5	23.1	15.0
NP growth	37.9	44.9	13.3	21.0	21.7
EPS growth	10.4	35.0	6.2	22.2	23.4
EBITDA growth	14.3	23.8	24.5	24.0	14.8
Profitability (%)					
OP margin	25.9	33.7	43.5	41.8	38.3
NP margin	18.3	27.8	32.6	30.8	29.9
EBITDA margin	26.2	33.9	43.8	42.4	38.8
ROA	7.3	8.4	7.8	9.4	10.9
ROE	11.6	13.4	12.6	14.2	15.8
Dividend yield	4.8	2.4	2.4	2.0	2.0
Dividend payout ratio	66.9	25.6	22.6	24.9	20.7
Stability					
Net debt (VND bn)	(934)	(867)	(425)	(615)	(1,386)
Net debt/equity (%)	(15)	(13)	(6)	(8)	(15)
Valuation (x)					
PE	20.8	15.4	14.5	11.9	9.6
PB	2.2	1.9	1.7	1.6	1.4
EV/EBITDA	13.1	11.7	10.5	8.2	6.6

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