

29 Oct 2020

Khang Dien House Trading and Investment JSC (KDH)

No change to growth prospects

- 9M20 net profit grew remarkably by 50.5% yoy, fulfilling 67.7% our full-year estimate.
- 4Q20F net profit of VND336bn is secured, in our view
- Maintain BUY rating with a RNAV-based TP of VND27,000

Facts: Exciting 3Q20 net profit growth

KDH reported a stellar 3Q20 revenue growth of 187.2% yoy to VND1.7tn and net profit growth of 22% to VND362bn on the back of first delivery batch of 800 units of Safira project. As the lower-margin condo house (30-35%) majored, blended gross margin contracted by 37.3% pts yoy in 3Q20, which resulted in the weaker net profit increase vs revenue growth in 3Q20. Overall, 9M20 net profit reached VND769bn, 50.5% yoy, forming 67.7% our full-year forecast.

Pros & cons: 4Q20F net profit is secured

We expect KDH could achieve 4Q20F net profit of VND336bn backed by the delivery of around 400 units in Safira condo project and of 20 units in Verosa project

We are waiting for the peak season of sales events in 4Q20F where we believe KDH could enjoy healthy momentum presales growth in Verosa, Lovera Vista, Amerna and Clarita projects. We forecast KDH could get the FY20F presale value of VND1,958bn, -52.3% yoy.

In 4Q20, the company is going to build infrastructure in Le Minh Xuan industrial park (extension) which is expected to come into operation in FY22F-23F, in our view. We could factor in the potential contribution from the industrial segment when more information is available.

Action: Maintain Buy

We adjust our RNAV-based target price to VND27,000 to reflect a 4.8% stock dividend increase in 3Q20. We maintain our BUY rating driven by underlying earnings growth prospect in FY21F and on track presales growth. Upside risks in the short term could come from successful presales of new projects in 2022F; our mid- to long-term investment thesis depends on whether KDH can successfully unlock its mega-sized projects in FY21-22F and industrial estate. Key downside risks to our call include: 1) slow process in obtaining building permits, delaying new launches; and 2) sluggish economic recovery that curb the demand.

12M rating **BUY (Maintain)**

12M TP **27,000**

Up/Downside **+15%** (incl 2.1% cash dividend)

Stock data

VNIndex (29 Oct, pt)	919
Stock price (29 Oct, VND)	23,950
Market cap (USD mn)	577
Shares outstanding (mn)	559
52-Week high/low (VND)	25,378/17,074
6M avg. daily turnover (USD mn)	0.65
Free float / Foreign ownership (%)	80.7/40.7
Major shareholders (%)	
Vina Capital	18.95
Dragon	21.17
Tien Loc Investment Limited	11.38

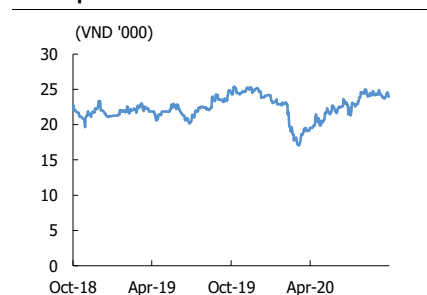
Valuation

	2019A	2020F	2021F
PE (x)	15.1	12.5	10.2
PB (x)	1.8	1.7	1.5
ROE (%)	12.6	14.2	15.9
DY (%)	2.1	2.1	2.1
EV/EBITDA (x)	10.9	8.6	7.1
EPS (VND)	1,613	1,954	2,386
BPS (VND)	13,362	14,223	15,857

Performance

	1M	6M	12M
Absolute (%)	(1.8)	22.5	(3.2)
Relative to VNIndex (%p)	(3.6)	1.7	2.8

Stock price



Source: Bloomberg

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Table 1. 3Q20 earnings

(VND bn, %, %p)

	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY	Consensus
Sales	611	952	701	785	1,755	123.6	187.2	N.A
Gross profit	418	581	335	417	544	30.6	30.3	N.A
Gross margin	68.3	61.4	47.8	53.1	31.0	(22.1)	(37.3)	N.A
OP	336	549	237	341	484	41.7	44.0	N.A
OP margin	55.0	57.7	33.9	43.5	27.6	(15.9)	(27.4)	N.A
EBT	334	555	205	323	470	45.5	40.5	N.A
NP	296	404	154	253	362	42.7	22.0	N.A

Source: Company data, KIS

Table 2. Earnings and outlook

(VND bn, %, % p)

	2019				2020F			2019	2020F	3Q20		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q			QoQ	YoY	Consensus (BB)
Net sales	842	408	611	952	701	785	1,755	2,813	3,602	123.6	187.2	
Property sales	825	391	577	922	688	765	1,744	2,714	3,482	128.1	202.6	
Others	17	17	35	31	13	20	11	100	119	(46.0)	(68.8)	
Gross profit	264	238	418	581	335	417	544	1,500	1,851	30.6	30.3	
Gross margin	31.3	58.2	68.3	61.4	47.8	53.1	31.0	53.3	51.4	(22.1)	(37.3)	
SG&A	93	70	45	69	98	75	60	278	346	(19.8)	34.1	
Operating profit	170	167	336	549	237	341	484	1,223	1,506	41.7	44.0	
Associate's income												
Financial income	9	12	14	7	5	6	15	41	24	167.8	8.3	
Financial expense	18	15	8	82	27	19	22	42	138	17.8	176.5	
Net other income	(13)	(12)	(7)	(0)	(11)	(6)	(7)	(33)	(5)	0.0	0.0	
EBT	147	153	334	555	205	323	470	1,190	1,386	45.5	40.5	
Net profit	102	113	296	405	155	254	362	917	1,109	42.8	22.2	
NP of controlling interest	102	113	296	404	154	253	362	915	1,104	42.7	22.0	
EBITDA	170	169	249	644	240	344	486	1,232	1,528	41.5	95.1	
EBITDA margin	20.2	41.5	40.7	67.6	34.1	43.7	27.7	43.8	42.4	(16.1)	(13.1)	
OP margin	20.2	40.9	55.0	57.7	33.9	43.5	27.6	43.5	41.8	(15.9)	(27.4)	

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%	
Total inventory	15,689			
Add:				
Cash and cash equivalent	1,824			
Other assets	2,208			
Less:				
Net debt	1,876			
Other liabilities	2,837			
RNAV	15,087			
Shares outstanding	558,806,579			
Target price (VND/share)	27,000			

Note: (*) Fair value as at Sep 2020

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	11,742	11,701
Cash & cash equivalents	2,592	1,836	1,207	1,046	1,527
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
Total assets	9,717	10,228	13,237	12,696	12,703
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
Total liabilities	3,526	3,328	5,573	4,704	3,664
Controlling interest	5,214	6,864	7,625	7,948	8,988
Capital stock	3,360	4,140	5,444	5,769	5,831
Capital surplus	1,087	1,724	720	757	794
Other reserves	68	93	134	(366)	(366)
Retained earnings	698	907	1,327	1,788	2,730
Minority interest	977	35	39	45	52
Shareholders' equity	6,191	6,899	7,664	7,993	9,039

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					
Increase in cash	1,532	(756)	(661)	(147)	492

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
Gross profit	1,036	1,239	1,500	1,851	2,162
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
Earnings before tax	729	1,075	1,190	1,386	1,688
Income taxes	170	266	273	277	338
Net profit	559	810	917	1,109	1,350
Net profit of controlling interest	502	808	915	1,104	1,344
EBITDA	799	990	1,232	1,528	1,754

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	21.9	16.1	15.1	12.5	10.2
PB	2.4	2.0	1.8	1.7	1.5
EV/EBITDA	13.8	12.3	10.9	8.6	7.1

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