

22 Oct 2020

Nam Long Investment Corporation (NLG)

Mixed 9M20 performance

Lower gross margin drag 3Q20 net profit below expectation

- NLG's revenue rose by 64.3% yoy to VND640.1bn in 3Q20 thanks to an impressive all-round growth, including: 1) the 49% yoy surge in property handover to VND290bn; and 2) a project management revenue of VND92bn vs a loss of VND131bn in 3Q19. Despite the stellar 3Q20 revenue growth, net profit plunged by 80% yoy to VND29bn in 3Q20 below our expectation of VND67bn in [our preview report](#), due to a small 20% gross margin in 3Q20. Gross margin contraction of 42% pts yoy in 3Q20 was attributable to lower-margin handover of land lot for education in Tan Thuan Dong ward, Dist 7.
- 9M20 revenue stayed flat yoy to VND1,298bn thanks to a strong growth of 97% in project management and construction to VND783bn which offsetting the decreasing handover revenue of -49.2%yoy to VND465bn. 9M20 property revenue was derived from the handovers of remaining units in Nguyen Son, Novia projects and land lot for education. This is compared to 9M19 revenue of VND916bn which was mostly propelled by robust sales of Novia project.
- The sharp decrease net profit of 49.5% yoy to VND208bn in 9M20 was blamed for a -11.8% pts yoy gross margin narrow and the absence of VND138.6bn other income in 9M19. 9M20 NPATMI fulfilled 26% of our FY20F forecast.

Positive 9M20 presales beat expectation

- NLG's 9M20 presales value reached VND3.3tn, +22.5% yoy, thanks to the Southgate and Akari projects, making up 67.4% of our full-year forecast of VND4.9tn. The result was highly optimistic amid the safety requirements to prevent COVID-19 transmission which affected the marketing events and salesforces.

	2017A	2018A	2019A	2020F	2021F
Sales (VND bn)	3,161	3,480	2,546	1,533	1,585
chg. (% YoY)	24.8	10.1	-26.8	-39.8	3.4
Operating profit (VND bn)	881	1,013	626	287	269
Net profit (VND bn)	535	763	960	801	951
EPS (VND)	2,696	3,280	3,709	3,084	3,664
chg. (% YoY)	47.6	21.7	13.1	-16.9	18.8
EBITDA (VND bn)	895	1,026	642	322	305
PE (x)	9.9	8.2	7.2	8.7	7.3
EV/EBITDA (x)	4.2	4.1	8.2	17.1	12.9
PB (x)	1.9	1.9	1.5	1.4	1.2
ROE (%)	19.8	20.3	19.9	14.7	15.2
Dividend yield (%)	1.9	1.7	1.9	1.9	1.9

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

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12M rating **BUY (Maintain)**

12M TP **26,650**

Up/Downside

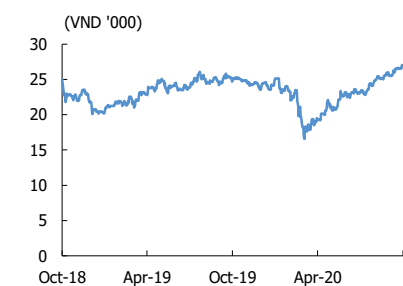
Stock Data

VNIndex (21 Oct, pt)	939
Stock price (21 Oct, VND)	26,800
Market cap (USD mn)	318
Shares outstanding (mn)	275
52-Week high/low (VND)	27,050/16,552
6M avg. daily turnover (USD mn)	1.18
Free float / Foreign ownership (%)	61.1/48.4
Major shareholders (%)	
Ibeworthy Pte. Ltd.	9.9
PYN Elite Fund	7.4
International Finance Corporation	4.9

Performance

	1M	6M	12M
Absolute (%)	4.9	39.3	8.6
Relative to VNIndex (%p)	1.2	15.5	11.3

Stock price trend



Source: Bloomberg

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Table 1. Earnings and outlook

(VND bn, %, % p)

	2019				2020F			2019	2020F	3Q20		Consensus (BB)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q			QoQ	YoY	
Net sales	332	603	389	1,221	416	242	640	2,546	1,533	164.6	64.3	N.A
Property sales	286	437	194	1,049	144	32	290	1,965	219	811.6	49.5	
Project management	31	172	(131)	60	178	96	92	132	265	(4.4)	N.M	
Project transfer	8	0	11	(11)	36	15	0	0	271	(100.0)	N.M	
Construction	8	2	315	124	59	99	258	449	779	160.5	(18.1)	
Gross profit	96	249	240	482	157	138	125	1,066	521	(9.6)	(47.8)	N.A
Gross margin	28.8	41.4	61.5	39.4	37.7	57.2	19.5	41.9	34.0	(37.6)	(42.0)	
SG&A	87	103	103	140	76	98	89	-425	234	(8.8)	(186.9)	
Operating profit	8	147	137	342	81	40	36	642	287	(11.4)	(73.9)	
Associate's income	8	5	(2)	114	15	27	1	126	149	(95.9)	(171.6)	
Financial income	16	41	42	22	37	25	16	97	538	(33.9)	(60.7)	
Financial expense	14	21	7	2	3	6	12	-21	-17	87.3	60.4	
Net other income	137	1	1	244	10	(7)	2	383	0	(134.4)	187.1	
EBT	155	172	172	721	140	80	44	1,226	957	(45.3)	(74.4)	
Net profit	151	133	163	560	117	68	32	962	803	(52.4)	(80.1)	
NP of controlling interest	145	121	146	548	110	68	29	960	801	(57.1)	(80.0)	N.A
EBITDA	14	149	150	344	86	46	42	642	322	(10.0)	(72.3)	
EBITDA margin	4.1	24.8	38.6	28.2	20.7	19.1	6.5	25.2	21.0	(12.6)	(32.1)	
OP margin	2.5	24.3	35.2	28.0	19.5	16.7	5.6	25.2	18.7	(11.1)	(29.6)	

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