

Property Development

Neutral (Maintain)

4Q20F trends: Company zigs while sector zags

Upbeat 4Q20F earnings growth expected

We could see a better quarter on quarter in 4Q20F new supply as the developers are under pressure to ramp up sales to meet the full-year target. However, the accelerating launches in 4Q20F still suffer a drop by 10-30% yoy as the second COVID wave in Aug discouraged the marketing plan which were kicked off to bolster sale events in 4Q20F. Despite the new supply slumps on yoy base in 4Q20F, we are upbeat on 4Q20F earning growth of 35-40% yoy leading by VHM, DXG thanks to tens of thousands of units delivered in 4Q20F.

Company	Rating	TP (VND)
VHM	BUY	93,500
KDH	BUY	27,000
NLG	BUY	30,900
DXG	BUY	14,600

1. Condo: HCM concerned and Hanoi resilient in 3Q20

HCMC market not only shrank but also darkened. Hanoi market shone despite difficulties.

HCMC: Grand Park dominated the South

Similar to 3Q19, Grand Park project contributed the majority of HCMC supply in 3Q20 at 88%. Since Grand Park launched in high-end segment and the other project supplies dried due to second wave of outbreak and prolonged stricter licensing process, the supply in the mid-range segment was absent in 3Q20. Overall, total supply was 3,964 units, -69.7% yoy in 3Q20, raising total new launch in 9M20 to 9,214 units, -57.4% yoy. Take-up rate sustained at 90% with 3,552 units transacted, -73.5% yoy in 3Q20, adding total transaction in 9M20 to 8,890 units, -62.7% yoy. We expect HCMC's 4Q20F to recover qoq with launches of 4,000 units in La Partenza, Celesta Rise, Mizuki and Grand Park projects

Hanoi: Take-up rate solid despite headwinds

Social requirements from second wave of outbreak in Da Nang weighted on Hanoi market performance in 3Q20, with a 3,503 units launched in 3Q20, -42.6% yoy and 10,711 units in 9M20, -45% yoy. The take-up rates were still optimistic at 120% in 3Q20 and at 94% in 9M20 driven by the majority of mid-range and affordable segment. We could see a better 4Q20F performance of 5,000-6,000 but could not compensate for whole year supply decrease to 15,000-16,000 units.

2. Landed property: Performance rehabilitation

Mixed picture were seen in 3Q20 as Hanoi new supply fell by 92% yoy while HCMC new supply went up by 135% yoy thanks to the 77% contribution from Vinhomes Grand Park landed-property part. COVID-19 impact has pushed back the launch of several landed property projects to FY2021F including Armena, Clarita, Vinhomes Wonder Park. We expect a healthy take-up rate in 4Q20F as it is the peak season for homebuyers to buy landed property as a traditionally preferred investment.

Nhan Lai

Nhan.lt@kisvn.vn

3. Mortgage rate remain favourable

3Q20 the average adjustable mortgage rate from local banks continued decreasing with 80-100% pts drop in Sept vs Aug. We believe the currently favorable mortgage rate is among the key aid to bolster transaction volume besides banks ease the equity contribution and increase loan to collateral ratio.

4. Bond mobilization moderate in 4Q20F

Following the strong 1H20 momentum, 3Q20 continued witnessing a boom in property corporate bond issuance with VND20.6tn, adding to total VND66.2tn in 9M20 and accounting for 20.1% of the total bond issuance in 9M20. We believe the strong growth in 3Q20 was attributable to the ramp up of issuance ahead of effectiveness of Decree 81 in Sept. Notably, the Sept issuance was VND1,929bn, significant drop vs August number of VND11.6tn. Bearing in mind that the Decree 81 imposes stricter regulations in bond private placement, property corporate bond market could subside in 4Q20F.

5. 4Q20F earnings boom expected

The 9M20 business performance of real estate was resilient despite the gloomy property market settings. The listed developers saw 9M20 revenue and profit after tax up by 3.4%/2% yoy, completing 53.1% and 51.6% their guidance respectively. As most of delivery schedule is more skewed in favour of 4Q20F, we expect the last quarter could see exciting revenue and NPATMI yoy growth driven by the handover of tens of thousands units.

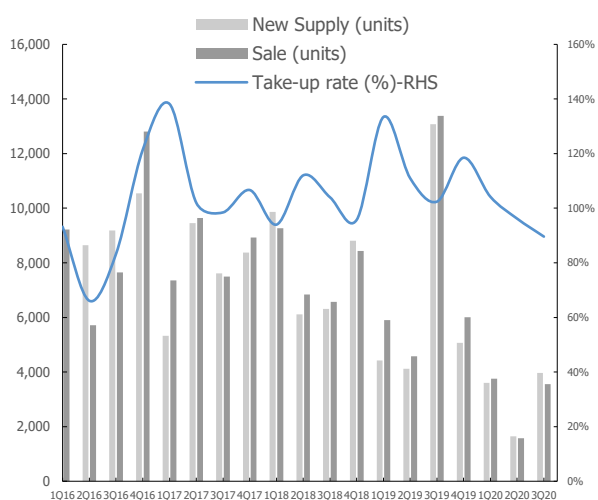
6. Maintain Neutral on tepid 4Q20F outlook

We maintain our Neutral rating on Vietnam's residential property sector due to a lack of significant improvement in the regulatory approval process, which might continue to bottleneck the market's new supply over the next 5 months. Furthermore, the slower economic growth could threaten the homebuyers' affordability.

Our top picks are KDH and NLG, in view of their positive presales in FY19-20 which help generate stellar earnings growth in FY20-21F and their strong cash balance to tap the market opportunities. We also like DXG thanks to better market sentiment given the upcoming launch of Long Duc township (land lots) and VHM thanks to their unrivalled FY20F earning growth.

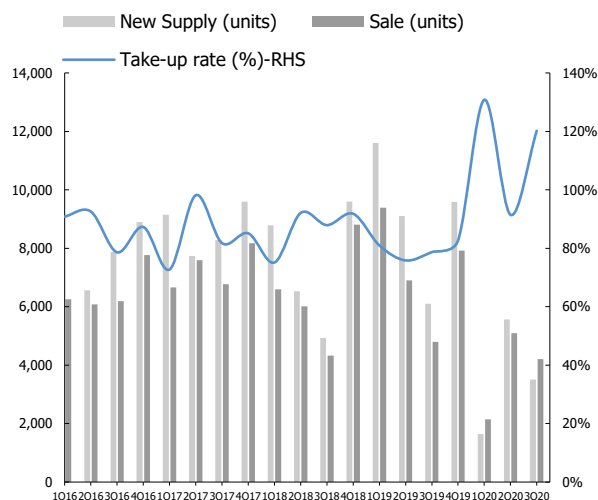
Improvement in the project approval process and better-than-expected macro outlook are the key upside risk to our call.

Figure 1. 3Q20 HCMC condo transaction (units)



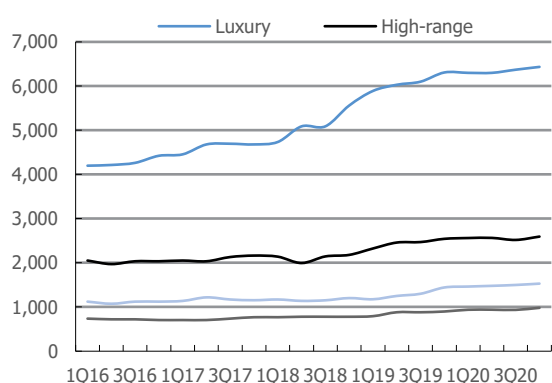
Source: CBRE, Korea Investment & Securities

Figure 2. 3Q20 Hanoi condo transaction (units)



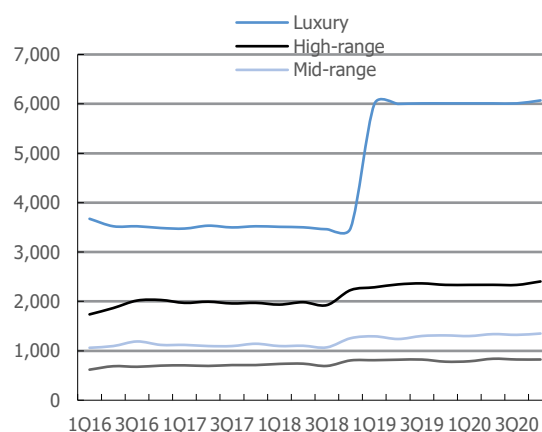
Source: CBRE, Korea Investment & Securities

Figure 3. HCMC condo, primary price (US\$ psm)



Source: CBRE, Korea Investment & Securities

Figure 4. Hanoi condo, primary price (US\$ psm)



Source: CBRE, Korea Investment & Securities

Table 1. 9M20 business performance

Sticker	Market cap (VND bn)	9M20 % yoy			% FY20F Company guidance	
		Revenue	Financial income	NPATMI	% Revenue	% PAT
VHM	249,016	31.2	37.7	6.6	23.6	34.2
NVL	61,204	(60.2)	758.2	202.1	11.2	33.2
PDR	15,827	5.7	(33.1)	79.1	42.5	37.1
KDH	13,747	74.2	(27.7)	50.8	31.2	23.3
HPX	7,565	(44.2)	31.7	(14.9)	27.4	8.0
NLG	7,487	(2.0)	(20.6)	(49.5)	43.3	21.7
VPI	6,650	28.2	138.8	100.7	31.8	14.7
DXG	6,530	(50.6)	(80.1)	(142.8)	22.0	(47.2)
DIG	6,134	44.9	(34.4)	34.3	36.0	10.8

FLC	3,500	(13.1)	11.1	(2078.2)	8.1	18.2
SJS	2,694	(14.4)	38.1	51.2	2.5	46.2
AGG	2,407	(70.3)	375.7	196.8	11.3	74.7
SCR	2,290	(53.5)	(34.0)	(70.2)	16.7	97.2
NBB	2,221	542.0	(97.8)	(49.8)	54.4	53.3
QCG	1,637	127.5	105.3	(52.2)	174.2	77.5
Sector average		3.4	62.5	2.0	53.1	51.6

Source: Respective company data, KIS

Table 2. Coverage valuation

Recommendation & TP			Earnings & Valuation										
Company			Sales (VND bn)	OP (VND bn)	NP (VND bn)	EPS (VND)	BPS (VND)	PE (x)	PB (x)	ROE (%)	EV/EBITDA (x)	DY (%)	
Vinhomes (VHM)	Recommendation	BUY	2017A	15,297	3,128	1,410	5,639	27,617	14.1	2.9	31.0	10	0.0
	Target Price (VND)	93,500	2018A	38,664	7,617	14,284	4,567	12,907	17.4	6.2	57.0	36	0.0
	Price (18 Nov, VND)	77,400	2019A	51,627	23,219	21,747	6,493	16,748	12.3	4.8	43.8	12	1.4
	Market cap (VND bn)	249,016	2020F	91,787	31,621	28,895	8,627	26,031	9.0	3.0	40.3	8.6	1.3
			2021F	75,138	33,290	32,724	9,770	33,756	7.9	2.3	32.7	8.6	1.3
Khang Dien (KDH)	Recommendation	BUY	2017A	3,055	792	502	1,179	10.4	799	20.8	13.1	2.2	11.6
	TP (VND)	27,000	2018A	2,917	982	808	1,592	35.0	990	15.4	11.8	1.9	13.4
	Price (18 Nov, VND)	24,450	2019A	2,813	1,223	915	1,691	6.2	1,232	14.5	10.5	1.8	12.6
	Market cap (VND bn)	13,747	2020F	3,602	1,506	1,104	1,954	14,223	12.5	1.7	14	9	2.0
			2021F	4,519	1,732	1,343	2,386	15,857	10.2	1.5	16	7	2.0
Nam Long (NLG)	Recommendation	BUY	2017A	3,161	881	535	2,696	13,114	9.8	1.9	14.7	4.1	0.0
	TP (VND)	30,900	2018A	3,480	1,013	763	3,280	14,071	8.0	1.9	19.8	4.0	0.0
	Price (10 Nov, VND)	27,300	2019A	2,546	626	960	3,709	17,831	7.1	1.5	20.3	8.0	0.0
	Market cap (VND bn)	7,487	2020F	1,867	245	826	3,032	19,464	9.0	1.4	19.9	17.0	1.8
			2021F	4,073	686	1,112	3,898	20,605	7.0	1.3	15.1	9.5	1.8
Dat Xanh (DXG)	Recommendation	BUY	2017A	2,879	1,186	728	2,127	19,397	4.3	3.2	0.5	20.6	0.0
	TP (VND)	14,600	2018A	4,645	1,835	1,178	3,427	14,282	2.7	2.7	0.6	26.7	0.0
	Price (10 Nov, VND)	12,750	2019A	5,814	2,099	1217	2,645	13,439	3.5	4.2	0.7	20.3	0.0
	Market cap (VND bn)	6,530	2020F	4,019	1,559	190	365	14,002	35.0	8.0	0.9	2.7	0.0
			2021F	6,949	2,156	1,002	1,927	15,908	6.6	5.6	0.8	12.9	0.0

Source: Respective company data, KIS

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