

10 Nov 2020

Nam Long Investment Corporation (NLG)

Still going strong

- 4Q20F net profit of VND618bn is secured driven by one-off VND612bn financial gains from a 35% equity stake transfer
- FY21F net profit is estimated to grow by 34.6% yoy mainly backed by condo delivery in Akari project

Facts: Tepid 9M20 earnings trailed our forecast

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 25.2% of our FY20F forecast, in line with our expectation

Pros and cons: Stake transfer in Waterfront leads 4Q20F

We expect a VND618bn net profit in 4Q20F mainly on the back of 1) an extraordinary financial gain of VND612bn from a 35% equity stake transfer in Waterfront project 2) a (BCC) income of VND119bn from newly-sold 440 shophouses in Southgate project.

We expect presale value of VND1.3-1.4tn in 4Q20F from the launch of the next phase Mizuki (600 units), Southgate projects (34 units), adding to NLG's FY20F presale value of VND4.7tn, making up 95.9% of our full-year forecast of VND4.9tn.

FY21F net profit growth of 34.6% yoy expected

We increase our FY21F net profit estimate by 16.9% to VND1,112bn (+34.6% yoy) to factor in the higher-than-expected delivery of Southgate and a VND310bn financial income from 100% transfer stake in Dai Phuoc project. FY21F earnings should largely come from handover of Southgate (569 units) and Akari project (1,200 units).

Actions: Reiterate BUY with upgraded TP of VND30,900

Given the higher Southgate GDV and additional Waterfront project's RNAV, we revise up our TP to VND30,900, which implies 15% upside to market price. Our FY20-21F EPS are higher than the consensus as we have factored in the change in Akari, Mizuki, Waterpoint, and Hai Phong projects. Key downside risks are: 1) slow regulatory approval process; 2) slower-than-expected presales at key projects dragged by mild recovery economic growth.

12M rating	BUY
12M TP	30,900
Up/Downside	+15% (incl 1.8% cash dividend)

Stock data

VNIndex (10 Nov, pt)	952
Stock price (10 Nov, VND)	27,300
Market cap (USD mn)	324
Shares outstanding (mn)	275
52-Week high/low (VND)	27,300/16,552
6M avg. daily turnover (USD mn)	1.18
Free float / Foreign ownership (%)	61./48.3
Major shareholders (%)	
Ibworth Pte. Ltd.	9.9
PYN Elite Fund	7.4
International Finance Corporation	4.9

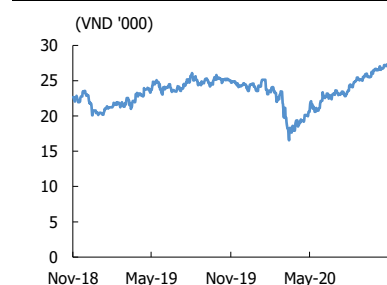
Valuation

	2019A	2020F	2021F
PE (x)	7.4	9.0	7.0
PB (x)	1.5	1.4	1.3
ROE (%)	19.9	15.1	17.5
DY (%)	1.8	1.8	1.8
EV/EBITDA (x)	8.4	17.0	9.5
EPS (VND)	3,709	3,032	3,898
BPS (VND)	19,464	20,605	23,887

Performance

	1M	6M	12M
Absolute (%)	2.4	32.6	9.1
Relative to VNIndex (%p)	(0.7)	14.3	14.3

Stock price



Source: Bloomberg

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Table 1. 3Q20 earnings

(VND bn, %, %p)

	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY	Consensus
Sales	389	1,221	416	242	640	164.6	64.3	N,A
Gross profit	240	482	157	138	125	(9.6)	(47.8)	N,A
Gross margin	62	39	38	57.2	19.5	(37.6)	(42.0)	N,A
OP	137	342	81	40	36	(11.4)	(73.9)	N,A
OP margin	35	28	20	16.7	5.6	(2.8)	(29.6)	N,A
EBT	172	721	140	80	44	(45.3)	(74.4)	N,A
NP	146	548	110	68	29	(57.1)	(80.0)	N,A

Source: Company data, Otherwise, KIS

Table 2. Earnings and outlook

(VNDbn, %, % p)

	2019				2020F				2019	2020F	3Q20		Conse nsus (BB)
	1Q	2Q	3Q	4Q	1Q	2QP	3Q	4QF			QoQ	YoY	
Net sales	332	603	389	1,221	416	242	640	569	2,546	1,867	164.6	64.3	N,A
Property sales	286	437	194	1,049	144	32	290	153	1,965	619	811.6	49.5	
Project management	31	172	(131)	60	178	96	92	34	132	400	(4.4)	(170.4)	
Project transfer	8	0	11	(11)	36	15	0	220	0	271	(100.0)		
Construction	8	2	315	124	59	99	258	161	449	577	160.5	(18.1)	
Gross profit	96	249	240	482	157	138	125	181	1,066	601	(9.6)	(47.8)	N,A
Gross margin	28.8	41.4	61.5	39.4	37.7	57.2	19.5	31.8	41.9	32.2	(37.6)	(42.0)	
SG&A	(87)	(103)	(103)	(140)	76	98	89	93	-425	356	(8.8)	(186.9)	
Operating profit	8	147	137	342	81	40	36	88	642	245	(11.4)	(73.9)	
Associate's income	8	5	(2)	114	15	27	1	119	126	163	(95.9)	(171.6)	
Financial income	16	41	42	22	37	25	16	624	97	702	(33.9)	(60.7)	
Financial expense	14	21	7	2	3	6	12	8	-21	29	87.3	60.4	
Net other income	137	1	1	244	10	(7)	2	(5)	383	0	(134.4)	187.1	
EBT	155	172	172	721	140	80	44	818	1,226	1,081	(45.3)	(74.4)	
Net profit	151	133	163	560	117	68	32	648	962	865	(52.4)	(80.1)	
NP of controlling interest	145	121	146	548	110	68	29	618	960	826	(57.1)	(80.0)	N,A
EBITDA	14	149	150	344	86	46	42	106	642	280	(10.0)	(72.3)	
EBITDA margin	4.1	24.8	38.6	28.2	20.7	19.1	6.5	18.6	25.2	15.0	(14.2)	(32.1)	
OP margin	2.5	24.3	35.2	28.0	19.5	16.7	5.6	15.4	25.2	13.1	(2.8)	(29.6)	

Source: Company data, Otherwise, KIS

Table 3. Forecast revision

VNDbn	New		Old		Change		Note
	FY20F	FY21F	FY20F	FY21F	FY20F	FY21F	
Presale value	5,442	10,854	4,966	10,057	9.6%	7.9%	We factor in the faster presale value in Southgate townhouse in FY20F
Handover value	2,257	4,344	2,161	5,613	4.4%	-22.6%	
Net sales	1,867	4,073	1,533	1,585	21.7%	156.9%	
Property delivery	619	2,610	219	0	183.0%		We reflect the VND246bn revenue of land lot for education recorded in 3Q20. We change revenue recognition from Akari project from financial income to FY21F top line
Project transfer	271	125	271	125	0.0%	0.0%	
Other	977	1,338	1,044	1,460	-25.9%	-26.6%	
Gross profit	601	1,187	521	513	15.4%	131.4%	
Gross margin	32.2%	29.2%	34.0%	32.4%	-1.8% pts	-3.2% pts	
SG&A expenses	(356)	(501)	(234)	(244)	52.0%	105.1%	We raise SG&A to sales from 5% to 8%
Operating profit	245	686	287	269	-14.5%	155.2%	
Profit/loss in JV/associates	163	239	149	825	9%	-71%	We consolidate revenue from Akari to FY21F top line
Financial income	702	559	538	133	30.5%	321.2%	We increase the financial income from Waterfront to VND612bn in FY20F and move a VND310bn financial income from Dai Phuoc project from FY20F to FY21F.
Financial expense	(29)	(29)	(17)	(93)	68.9%	-69.3%	
Net other income	0	0	0	0			
Net profit	826	1,112	801	951	3.2%	16.9%	

Source: KIS

Table 4. Fair value calculation

(VND bn, %)

Project Name	NAV		Discount to NAV	
	NAV	Method		
Southgate-Waterpoint	2,183	DCF	30%	
Mizuki Park	1,017	DCF	30%	
Akari	2,463	DCF	30%	
Hai Phong	291	DCF	30%	
Can Tho	245	DCF	30%	
Dai Phuoc	2,050	BV		
Waterfront	1,387	DCF	10%	
Other	167	BV		-
Total inventory	9,804			
Add				
Cash and cash equivalent	981			
Short-term investments	36			
Short-term A/R	898			
Other short-term assets	253			
Long-term assets	497			
Less				
Net debt (exclude CB)	1,593			
Other liabilities	1,070			
Minority interest	1,145			
RNAV	8,726			
Shares outstanding	283,596,291			
Target price (VND/share)	30,900			

 Note: Separate NP excluding dividend
 Source: Company data, Korea Investment & Securities

■ **Company overview**

Nam Long Investment Corporation (NLG) owns a large land bank reserve in the East and the South-West of HCMC, and neighboring cities such as Long An, Can Tho, Dong Nai. The company implements development strategy with three product types, including Ehome, Flora, Valora.

Balance sheet

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Current assets	6,779	7,321	7,782	8,092	9,780
Cash & cash equivalents	2,082	2,084	1,894	2,744	749
Accounts & other receivables	579	1,833	1,500	1,153	2,064
Inventory	11	1	0	0	0
Non-current assets	832	1,762	2,053	2,170	2,268
Fixed assets	44	40	54	52	46
Investment assets	788	1,722	2,000	2,118	2,222
Others	296	492	956	835	885
Total assets	7,906	9,576	10,791	11,097	12,932
Advances from customers	1,080	1,322	85	1,129	1,435
Unearned revenue	0	7	7	7	7
Trade payables	270	175	120	338	383
Others	2,388	1,779	3,508	1,736	2,383
ST debt & bonds	216	201	63	53	122
LT debt & financial liabilities	229	806	806	806	626
Total liabilities	4,183	4,290	4,588	4,069	4,957
Controlling interest	3,039	4,139	5,052	5,872	6,818
Capital stock	2,391	2,597	2,597	2,853	2,853
Capital surplus	989	989	1,120	864	864
Other reserves	(1,635)	(1,285)	(1,170)	(1,316)	(1,580)
Retained earnings	1,294	1,839	2,505	3,471	4,681
Minority interest	684	1,145	1,147	1,156	1,156
Shareholders' equity	3,723	5,285	6,199	7,028	7,975

Income statement

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Sales	3,161	3,480	2,546	1,867	4,073
COGS	(1,853)	(1,963)	(1,480)	1,230	2,850
Gross profit	1,309	1,517	1,066	636	1,223
Operating profit	881	1,013	626	245	686
Financial income	129	97	538	559	78
Interest income	95	129	120	702	559
Financial expenses	(37)	(21)	(18)	29	103
Interest expenses	(36)	(20)	(18)	29	103
Other non-operating profit	6	9	398	0	0
Gains (Losses) in associates, subsidiaries and JV	(3)	14	126	163	239
Earnings before tax	950	1,128	1,226	1,081	1,455
Income taxes	(194)	(241)	(219)	216	291
Net profit	756	887	1,007	865	1,164
Net profit of controlling interest	535	763	960	826	1,112
EBITDA	895	1,026	642	280	722

Cash flow

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
C/F from operations	2,261	991	528	172	(2,343)
Net profit	535	763	960	820	1,122
Dep'n & Amort'n	14	13	16	35	36
Net incr. in W/C	1,681	384	0	140	(2,736)
C/F from investing	(786)	(1,830)	(598)	679	594
Capex	0	0	(302)	0	0
Incr. in investment	(59)	(112)	129	823	719
C/F from financing	(324)	840	(131)	(21)	(254)
Incr. in equity	58	447	276	132	0
Incr. in net debt	(259)	600	(138)	(10)	(111)
Dividends	(123)	(207)	(244)	(143)	(143)
C/F from others	0	0	0	0	0

Key financial data

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Per-share data (VND, adj.)					
EPS	2,696	3,280	3,709	3,010	3,933
BPS	14,071	17,831	19,462	20,584	23,902
DPS	497	452	500	549	500
Growth (%)					
Sales growth	25%	10%	-27%	-26.7	118.2
OP growth	84%	15%	-38%	-57.5	167.4
NP growth	55%	43%	26%	-14.6	36.8
EPS growth	48%	22%	13%	-18.9	30.7
EBITDA growth	81%	15%	-37%	-53.0	148.0
Profitability (%)					
OP margin	27.9	29.1	24.6	14.3	17.5
NP margin	23.9	25.5	39.5	44.5	27.5
EBITDA margin	28.3	29.5	25.2	16.1	18.3
ROA	10.0	9.3	9.3	2.7	5.8
ROE	19.8	20.3	19.9	15.0	17.7
Dividend yield	0.0	0.0	0.0	1.8	1.8
Dividend payout ratio	0.0	0.0	0.0	18.2	12.7
Stability					
Net debt (VND bn)	(1,638)	(1,077)	(1,031)	(1,885)	(0)
Net debt/equity (%)	(44)	(20)	(17)	(27)	(0)
Valuation (x)					
PE	8.0	6.5	6.8	9.0	6.9
PB	1.5	1.5	1.4	1.4	1.3
EV/EBITDA	3.8	5.0	7.6	15.6	9.1

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