

27 Apr 2021

Novaland JSC (NVL)

AGM Briefing: Transformation in progress

AGM Briefing

- On April 27, NVL made an AGM presentation briefing for the upcoming business expansion plan. Key focus areas are FY21F guidance, presale growth, and its fund demand.

Ambitious but feasible FY21F guidance

- In FY21F, NVL's net profit estimate almost stays flattish by 5% yoy to VND4.1tn despite a booming revenue growth of 5 times yoy to VND27.5tn.
- We regard this FY21F net profit guidance as ambitious if excluding the one-off financial income of VND5.1tn recorded in FY20, the adjusted net profit in FY20 is almost minimal.
- However, we also deem it feasible thanks to the starting handover of around 3,000 units in the coastal cities and HCMC's neighboring provinces (NovaWorld Phan Thiet, NovaWorld Ho Tram, NovaHill Mui Ne, NovaBeach Cam Ranh, and Aqua City)

Aggressive presales target concerned

- Per management, at least 10,000 units could be launched in FY21F despite the moderate number last year (around 6,000 units) and the prolonged COVID-19 fallout that impedes the sales events. We estimate the company could grab at least VND80-120tn contract sales in FY21F based on an average selling price VND8-12bn/unit

Huge fund raising required

- Further information (verification) is required, to fund for the development of projects in FY21F, the company needs to raise an investment fund of 40 m shares this year

	2017A	2018A	2019A	2020A	2021G
Sales (VND bn)	11,632	15,290	10,931	5,026	27,492
chg. (% YoY)	58.1	31.4	(28.5)	(54.0)	447.0
Operating profit (VND bn)	2,322	4,006	1,660	379	N/A
Net profit (VND bn)	2,033	3,239	3,431	3,919	4,060
EPS (VND)	3,210	3,546	3,579	4,021	4,116
chg. (% YoY)	-5.5	10.5	0.9	12.3	2.4
EBITDA (VND bn)	2,807	4,503	-1,091	1,115	N/A
PE (x)	35.8	32.6	31.9	28.4	29.5
EV/EBITDA (x)	30.5	27.3	-127.5	134.7	N/A
PB (x)	5.9	5.7	5.0	4.4	N/A
ROE (%)	17.5	19.5	15.5	13.9	N/A
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

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

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12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N.A**

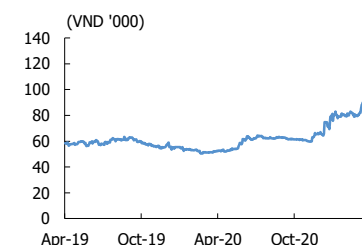
Stock Data

VNIndex (27 Apr, pt)	1,220
Stock price (27 Apr, VND)	121,500
Market cap (USD mn)	5,666
Shares outstanding (mn)	1,075
52-Week high/low (VND)	121,500/51,910
6M avg. daily turnover (USD mn)	9.19
Free float / Foreign ownership (%)	29.6/7.
Major shareholders (%)	
NovaGroup	20.09
Chairman and related	31.99
Diamond Properties JSC	10.74

Performance

	1M	6M	12M
Absolute (%)	52.8	97.9	132.7
Relative to VNIndex (%p)	47.9	68.2	71.7

Stock price trend



Source: Bloomberg

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Uncertain on bottlenecks in HCMC's CBD projects

- In the meeting, the management commits to push the relevant parties in HCMC's People Committee to quickly solve the issues in NVL's projects. We understand that it could be clumsy for NVL to envisage a clear picture of those projects to the audience as these problems require an extensive discussion with authority.

Fair valuation as the growth has priced in

- We favour NVL thanks to 1) Novaland (NVL) owns the second-largest land bank among listed property developers in Vietnam, only behind Vinhomes which helps NVL sustain at least 10 years of development 2) The strategy of developing satellite urban area properties with the mega project Aqua City will bring significant revenue in the long term from FY22F. However, we remain conservative on this move as we observe that the hospitality market is slowing down and takes times to bounce back. Risks of high leverage and of potential diluted shares from a US\$600mn convertible bond result us to rate a Neutral on NVL.

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