

29 Apr 2021

Khang Dien House Trading and Investment JSC (KDH)

No change to growth prospects

- 1Q20 net profit grew remarkably by 32.8% yoy, fulfilling 14.9% our full-year estimate.
- 2Q21F net profit is secured thanks to the starting of handover of Lovera Vista condo project

Facts: Exciting 1Q21 net profit growth

Khang Dien House Trading and Investment JSC's (KDH) 1Q21 revenue reached VND836.5bn, +19.3% yoy. We estimate that around 20 units in the Verosa townhouse project and 300 units in Safira project were delivered in 1Q21. Gross margin (GM) in 1Q21 contracted by 5% pts yoy to 42.8%, due to the lower-margin contribution of Safira condo project. However, the financial expense dropped by 36.6% yoy as the lower Verosa units delivered in 1Q21 resulted in immaterial payment discount expense.

Overall, the 1Q21 net profit rose by 32.8% yoy to VND205bn, making up 14.9% of our full-year estimate as the strong revenue was boosted by better financial expense.

Pros & cons: 2Q21F net profit is secured

We expect KDH could maintain quarterly momentum growth in 2Q21F backed by the starting of delivery from Lovera Vista condo project.

Our FY21F projection stays unchanged as following: we estimate revenue growth to VND4.5tn and 19.2% yoy net profit growth to VND1,374nn driven by a delivery of total 2,000 units in Lovera Vista condo project and the upcoming Clarita, Armenia townhouse project.

We still keep our concern that buying sentiment would not be relaxed until 3Q21F given the another wave of COVID-19 transmission fear could postpone the sales events and deter the traffic for show flats. However, KDH has established firm footprint to weather the storm and could get the FY20F presale value of VND2.6tn driven by the two new townhouse projects including Clarita, Armenia, in our view.

We will revisit our models to reflect the upcoming condo project in 158 An Duong Vuong street (1,100 units) as the management expects to launch 4Q21F-1Q22F.

12M rating **BUY (Maintain)**

12M TP **37,500**

Up/Downside **+7.6%** include 0% div

Stock data

VNIndex (29 Apr, pt)	1,239
Stock price (29 Apr, VND)	35,150
Market cap (USD mn)	852
Shares outstanding (mn)	559
52-Week high/low (VND)	35,500/19,500
6M avg. daily turnover (USD mn)	2.71
Free float / Foreign ownership (%)	83.5/32.2
Major shareholders (%)	
Vina Capital	18.83
Dragon	17.65
Tien Loc Investment Limited	11.38

Valuation

	2020A	2021F	2022F
PE (x)	17.2	14.4	11.9
PB (x)	2.4	2.2	2.0
ROE (%)	14.6	16.0	17.3
DY (%)	1.4	1.4	1.4
EV/EBITDA (x)	12.8	10.9	8.5
EPS (VND)	2,041	2,441	2,951
BPS (VND)	14,544	16,047	18,007

Performance

	1M	6M	12M
Absolute (%)	15.6	40.6	79.8
Relative to VNIndex (%p)	10.2	5.8	15.8

Stock price



Source: Bloomberg

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Table 1. 1Q21 earnings

(VND bn, %, %p)

	1Q20	2Q20	3Q20	4Q20	1Q21	QoQ	YoY	Consensus
Sales	701	785	1755	1,291	836	(35.2)	19.3	N.A
Gross profit	335	417	544	668	358	(46.4)	6.9	N.A
Gross margin	47.8	53.1	31.0	51.7	42.8	(8.9)	(5.0)	N.A
OP	237	341	484	485	287	(40.8)	20.8	N.A
OP margin	33.9	43.5	27.6	37.5	34.3	(3.3)	0.4	N.A
EBT	205	323	470	460	268	(41.7)	31.0	N.A
NP	154	253	362	383	205	(46.4)	32.8	N.A

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.	2018A	2019A	2020F	2021F	2022F
Current assets	9,570	12,327	12,976	12,393	14,834
Cash & cash equivalents	1,836	1,207	1,836	1,926	3,766
Accounts & other receivables	1,760	3,778	3,483	3,231	2,195
Inventory	5,817	7,037	7,338	6,900	8,521
Non-current assets	520	791	817	873	936
Fixed assets	500	677	742	805	875
Investment assets	19	114	75	68	62
Others	138	119	94	87	93
Total assets	10,228	13,237	13,887	13,353	15,862
Advances from customers	1,367	2,773	2,122	636	1,885
Unearned revenue	2	0	0	0	0
Trade payables	284	696	243	217	212
Others	707	1,322	1,866	1,519	1,518
ST debt & bonds	632	377	442	450	458
LT debt & financial liabilities	337	405	1,058	1,403	1,404
Total liabilities	3,328	5,573	5,731	4,225	5,478
Controlling interest	6,864	7,625	8,127	9,095	10,351
Capital stock	4,140	5,444	5,787	5,831	5,831
Capital surplus	1,724	720	744	781	781
Other reserves	93	134	(240)	(321)	(321)
Retained earnings	907	1,327	1,836	2,804	4,060
Minority interest	35	39	31	32	34
Shareholders' equity	6,899	7,664	8,158	9,128	10,385

Cash flow

(VND bn)

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
C/F from operations	(719)	(161)	167	383	2,096
Net profit	808	915	1,152	1,374	1,684
Dep'n & Amort'n	8	9	11	19	19
Net incr. in W/C	(1,236)	(907)	(898)	(833)	637
C/F from investing	519	(201)	(1)	(33)	27
Capex	(161)	(235)	(51)	(75)	(83)
Incr. in investment	680	34	50	43	110
C/F from financing	(556)	(296)	486	(259)	(282)
Incr. in equity	101	97	(314)	24	0
Incr. in debt	(689)	(186)	1,063	8	9
Dividends	(194)	(207)	(262)	(292)	(292)
C/F from others	0	0	0	0	0
Increase in cash	(756)	(661)	651	91	1,841

Income statement

(VND bn)

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
Sales	2,917	2,813	4,532	4,538	4,806
COGS	1,677	1,313	2,568	2,294	2,237
Gross profit	1,239	1,500	1,964	2,243	2,569
Operating profit	250	268	406	440	420
Financial income	982	1,223	1,547	1,784	2,130
Interest income	200	41	35	63	110
Financial expenses	63	38	35	63	110
Interest expenses	89	42	85	86	89
Other non-operating profit	32	2	0	0	0
Gains (Losses) in associates, subsidiaries and JV	116	(33)	(40)	(42)	(44)
Earnings before tax	4	0	0	0	0
Income taxes	1,075	1,190	1,458	1,719	2,107
Net profit	266	273	304	344	421
Net profit of controlling interest	810	917	1,154	1,376	1,686
EBITDA	808	915	1,152	1,374	1,684

Key financial data

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
Per-share data (VND, adj.)					
EPS	1,514	1,613	2,041	2,441	2,951
BPS	12,161	13,362	14,544	16,047	18,007
DPS	500	500	500	500	500
Growth (%)					
Sales growth	(4.5)	(3.5)	61.1	0.1	5.9
OP growth	23.9	24.5	26.5	15.3	19.4
NP growth	44.9	13.3	25.9	19.2	22.6
EPS growth	36.3	6.5	26.5	19.6	20.9
EBITDA growth	23.8	24.5	26.5	15.7	19.2
Profitability (%)					
OP margin	33.7	43.5	34.1	39.3	44.3
NP margin	27.8	32.6	25.5	30.3	35.1
EBITDA margin	33.9	43.8	34.4	39.7	44.7
ROA	8.4	7.8	8.9	10.3	11.4
ROE	13.4	12.6	14.6	16.0	17.3
Dividend yield	1.6	1.6	1.6	1.6	1.6
Dividend payout ratio	25.6	22.6	25.1	21.2	17.3
Stability					
Net debt (VND bn)	(867)	(425)	9	(73)	(1,904)
Net debt/equity (%)	(13)	(6)	0	(1)	(18)
Valuation (x)					
PE	23.2	21.8	17.2	14.4	11.9
PB	2.9	2.6	2.4	2.2	2.0
EV/EBITDA	18.1	15.9	12.8	10.9	8.5

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