

14 May 2021

Nam Long Investment (NLG)

Even more promising in FY22F

Upbeat for housing market in HCMC's neighbouring province

We revise up the presale value from VND13.5tn to VND15.4tn in FY21F and from VND16.7tn to VND23.2tn in FY22F to factor in the encouraging attributes 1) the average selling price (ASP) Mizuki condo project is around VND37-42m/sq m in 2021 in tandem with the latest launch in April, 2) Dai Phuoc townhouse project could be developed in 4Q21F-1Q22F instead of being transferred to third party, and 3) Waterfront Izumi ASP could enjoy an excitement up to VND40-45m/sqm.

We believe that property in second-tier regions neighbouring to HCMC including Dong Nai, Binh Duong, Long An, and Ba Ria Vung Tau continue to be the key locations to sustain the market momentum in FY21F. The rapidly improved suburban infrastructure system coupled with the shortfall of land bank in HCMC propel most developers under our coverage to seek the momentum growth through a focus shift to second-tier regions. Furthermore, homebuyers could find a safe haven to "lock in" their assets amid the cheap era of money. Nam Long could ride on the buoyant housing market thanks to their 681ha land bank in those neighbouring markets.

FY21F-22F earnings remain solid

In FY21F, we adjust upward total revenue to VND4.9tn due to more handover of Akira condo project. However, we maintain the net profit of VND1,236bn to reflect the lower-than-expected net profit margin of Waterpoint –Southgate townhouses in NLG's associate income. We keep a forecast of VND310bn financial income from a 50% stake transfer in Dai Phuoc project.

Maintain BUY at a higher RNAV-based TP of VND45,300

We increase our RNAV-based target price to VND45,300 thanks to 1) rising GDV of those projects backed by increasing average selling prices of 40-50%, and 2) the new contribution of Dai Phuoc townhouse project. Key risks in our models are the complexity of COVID-19 outbreak that hurting the sale events of NLG's projects; slowdown of economy recovery.

Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(YoY)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2018A	3,480	491	763	3,280	21.7	1,026	11.6	6.6	2.7	20.3	1.2
2019A	2,546	425	960	3,709	13.1	642	10.3	12.8	2.1	19.9	1.3
2020F	2,217	434	835	3,066	(17.3)	260	12.4	37.0	2.0	15.7	1.4
2021F	4,929	613	1,236	4,331	41.3	876	8.8	12.5	1.9	20.0	3.9
2022F	9,161	820	2,117	7,422	71.4	3,303	5.1	2.9	1.6	26.9	1.3

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

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12M rating **BUY (Maintain)**

12M TP **45,300** from 38,800

Up/Downside **+22.2%** (incl 3.9% cash dividend)

Stock Data

VNIndex (14 May, pt)	1,266
Stock price (14 May, VND)	38,150
Market cap (USD mn)	472
Shares outstanding (mn)	285
52-Week high/low (VND)	39,650/20,261
6M avg. daily turnover (USD mn)	2.33
Free float / Foreign ownership (%)	52.9/44.6
Major shareholders (%)	
Ibworth Pte. Ltd.	9.9
PYN Elite Fund	7.4
Nam Khang Construction	7.9

Performance

	1M	6M	12M
Absolute (%)	7.9	36.4	75.3
Relative to VNIndex (%p)	7.1	4.5	20.5

Stock price trend

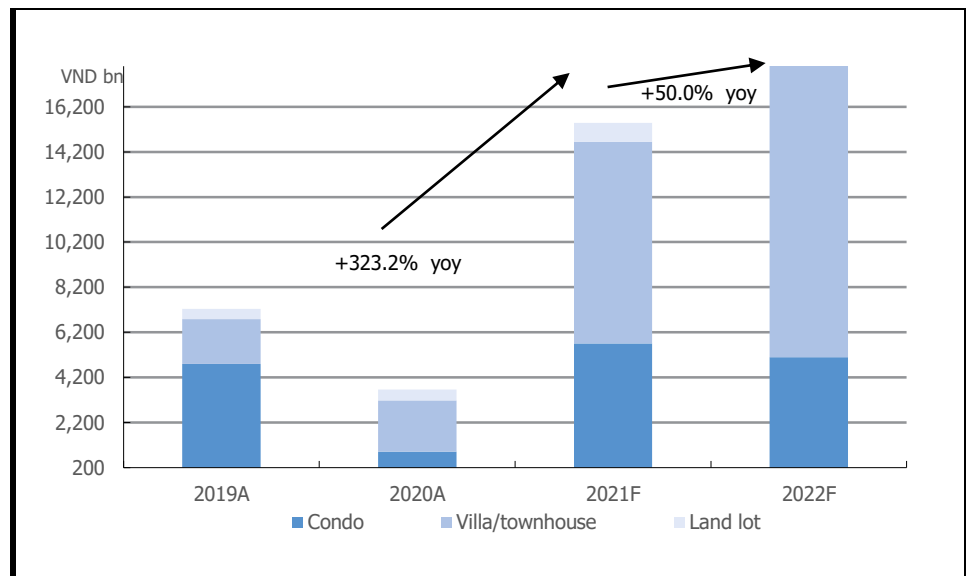


Source: Bloomberg

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Table 1: Forecasted presale volumes by products (VND bn)



Source: KIS

As of end-April, NLG secured around VND3tn presale value in 4M21 of which VND2tn is coming from Mizuki project and the remainder of VND1tn presale value is contributed by 200 units in Southgate townhouse project. In April, NLG successfully launched around 600 units of Mizuki condo project at the ASP of VND37-42m/ sq m, compared to VND28-32m/ sq m in 2018. Hence, we adjust the new ASP of Mizuki applied to launches from 2021 to VND40m/sq m instead of VND34-35m/sq m, resulting in our new estimate in FY21F presale value to VND2,696bn from VND1,915bn.

Due to the slower process from 2019, only limited top-tier developers in HCMC receive the licence to deploy. The scarcity of new supply has partly resulted in the average selling prices of property in HCMC in 2020 being 100-150% higher than in 2018. The shortfall of landed property in 2019-2020, coupled with a higher value for a comparable unit area vs. 2018, discouraged both developers and investors. In contrast to the dim outlook for HCMC's landed property market, the city's neighbouring provinces, namely Dong Nai, Binh Phuoc, Ba Ria-Vung Tau, Binh Duong, and Binh Thuan should see a property market boom in 2021F-22F, in our view. Those areas are riding the buoyant infrastructure investment spending, with the upcoming launch of new projects and completion of existing projects in 2021-22F, including the Dau Giay-Bien Hoa-Vung Tau, Dau Giay-Phan Thiet and Ben Luc-Dau Giay highways. Besides, the units in those areas are cheaper, similar to prices in HCMC four to five years ago, promising an attractive potential return for investors as the developers had acquired land there at a cost lower vs. land in HCMC. We expect developers including Nam Long that owns a massive land bank in provinces surrounding HCMC to benefit from the booming landed property market. Hence, we raise the ASP of Waterfront Dong Nai project from VND25-30m/ sq m to VND40-45m/ sq m in tandem with the market prices of around VND50-60m/ sq m. The presale value of the Waterfront project is leveraged to VND3,620bn from VND2,459bn in FY21F. Furthermore, the company could develop the Dai Phuoc Dong Nai townhouse project, and hence, we add Dai Phuoc townhouse project to the NLG's project development pipeline. We expect the company could launch 243 units in late 4Q21F-1Q22F, adding around VND3tn presale value in FY22F. Overall, total bookings could reach VND15.4tn in FY21F and VND23.2tn in

FY22F.

Table 2. Project development pipeline

Project	Location	Product	NLG Ownership	Land site (ha)	GFA (sq m)	GDV (VNDbn)	Execution timeframe*				
							2019	2020	2021	2022	2023 onward
Mizuki (phase 2)	Binh Chanh, HCMC	Valora Flora	50%	N/A	N/A	5,498					
Akari	Binh Tan, HCMC	Flora Land lot	50%	8.8	397,345 146,700	11,726					
Waterpoint	Ben Luc, Long An	Townhouse Villa Phase 2	50%	165.0	115,608 269,325	11,755					
Nam Long 2	Can Tho	Land lot	100%	43.0	446,927	1,528					
Hai Phong	Thuy Nguyen, Hai Phong	Ehomes Valora	100%	22.0	177,800 106,416	5,153					
Waterfront	Long Hung, Dong Nai	Township	65%	170.0	1,317,470	27,912					
Dai Phuoc	Nhon Trach, Dong Nai	Valora	100%	45							

(*) Each project execution timeframe (from first launch to completion) is in grey highlight. Otherwise, no detailed project timeframe has been announced by the company.

Source: KIS

Table 3. Forecast revision

VND bn, %, % p

VNDbn	New		Old		Change		Note
	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	
Presale value	15,070	22,538	13,543	16,742	11.3	34.6	We factor in the rising ASP in Mizuki and Waterfront townhouse in FY21F-22F
Handover value	4,287	6,155	3,587	7,148	19.5	(13.9)	
Net sales	4,929	9,161	4,153	8,507	18.7	7.7	
Property delivery	3,150	7,342	2,374	6,688	32.7	9.8	We raise more volume handed in Akira project from 1,000 units to 1,300 units
Project transfer	125	0	125	0	0.0		
Other	1,654	1,819	1,654	1,819	0.0	0.0	
Gross profit	1,450	4,083	1,176	3,387	23.2	20.6	
Gross margin	29.4	44.6	28.3	39.8	1.1	4.8	
SG&A expenses	613	820	612	821	0.1	(0.2)	
Operating profit	837	3,264	565	2,566	48.2	27.2	
Profit/loss in JV/associates	95	299	236	618	(59.8)	(51.6)	We reduce net profit from associates due to the higher discount/promotion expense in the Waterpoint project.
Financial income	448	41	848	8	(47.2)	448.3	We move a VND310bn financial income from stake transfer Dai Phuoc project to other income
Financial expense	60	60	60	60	0.0	0.0	
Net other income	442	0	13	0	33.8		We record the income from Dai Phuoc's stake transfer to other income.
Net profit	1,236	2,117	1,258	2,137	(1.8)	(0.9)	

Source: KIS

Some of our key assumptions for FY21F-22F include: 1) a VND310bn financial income from 50% divestment in Dai Phuoc project instead of 100% stake transfer, and 2) Waterfront revenue is consolidated in NLG's financial statements from 2021F onwards. Overall, in FY21F, we estimate a 122.4% yoy growth to VN4.9 in total revenue and a 50.5% yoy growth to VND1.2tn in NPATMI thanks to a delivery of total 1,700 units in Akira condo project and

Waterpoint –Southgate townhouse project.

Table 4. Fair value calculation

(VND bn, %)

Project Name	NAV	Method	Discount to NAV	Note
Southgate-Waterpoint	4,452	DCF	30%	NAV of Waterpoint is increased in our estimate due to the increase in our average selling price from VND2.5m/ sq m to VND5m/ sq m in line with the hotspot Long An housing market.
Mizuki Park	264	DCF	30%	
Akari	1,671	DCF	30%	
Hai Phong	383	DCF	30%	
Can Tho	488	DCF	20%	
Dai Phuoc	2,357	DCF		
Waterfront	7,133	DCF	30%	NAV of Waterfront is increased in our estimate due to the rise in our average selling price from VND25m/ sq m to VND40-43m psm
Other	48	BV	-	
Total inventory	16,796			
Add				
Cash and cash equivalent	1,096			
Short-term investments	46			
Short-term A/R	1,122			
Other short-term assets	524			
Long-term assets	782			
Less				
Net debt (exclude CB)	2,651			
Other liabilities	1,670			
Minority interest	3,189			
RNAV	12,857			
Shares outstanding	283,596,291			
Target price (VND/share)	45,300			

Source: KIS

In our Waterfront model, we increase the average selling price from VND25m to VND40-43m psm thanks to rising demand in Dong Nai housing market. The GDV of Waterfront project is adjusted upward to VND7.1tn.

We still apply the WACC of 10.1% and maintain our discount of 30% to NAV of each project as we concern on the execution risk and presales estimates which are vulnerable to COVID-19 outbreak. Our TP for NLG is now at VND45,300bn, bringing a 18.7% upside.

Balance sheet

(VND bn)

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
Current assets	7,321	7,923	9,300	11,263	14,157
Cash & cash equivalents	2,084	1,901	1,096	490	2,055
Accounts & other receivables	1,833	1,548	1,968	2,239	2,898
Inventory	1	0	0	0	0
Non-current assets	1,762	2,052	3,518	2,304	2,275
Fixed assets	40	58	58	51	44
Investment assets	1,722	1,994	3,460	2,253	2,230
Others	492	929	642	755	727
Total assets	9,576	10,904	13,460	14,323	17,159
Advances from customers	1,322	2,068	1,523	1,293	822
Unearned revenue	7	7	7	7	7
Trade payables	175	333	750	1,094	1,342
Others	1,779	1,427	2,003	2,332	3,178
ST debt & due bonds	201	63	932	150	219
LT debt & bonds	806	806	1,525	1,125	625
Total liabilities	4,290	4,704	6,740	6,000	6,193
Controlling interest	4,139	5,083	5,343	6,227	7,738
Capital stock	2,597	2,853	2,853	2,853	2,853
Capital surplus	989	989	864	864	864
Other reserves	(740)	(598)	(507)	(1,089)	(1,504)
Retained earnings	1,294	1,839	2,133	3,600	5,525
Minority interest	1,145	1,117	1,377	2,095	3,228
Shareholders' equity	5,285	6,200	6,720	8,323	10,966

Cash flow

(VND bn)

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
C/F from operations	991	325	(1,066)	(1,526)	1,769
Net profit	763	960	835	1,236	2,117
Dep'n & Amort'n	13	16	23	39	39
Net incr. in W/C	384	(54)	(1,791)	(2,068)	(681)
C/F from investing	(1,830)	(377)	(1,016)	2,373	373
Capex	(15)	(64)	0	0	0
Incr. in investment	(97)	11	683	1,189	373
C/F from financing	840	(131)	1,278	(1,449)	(574)
Incr. in equity	447	276	(21)	(124)	0
Incr. in debt	600	(138)	1,561	(1,182)	(431)
Dividends	(207)	(244)	(262)	(143)	(143)
C/F from others	0	0	0	0	0
Increase in cash	2	(183)	(804)	(602)	1,568

Income statement

(VND bn)

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
Sales		2,546	2,217	4,929	9,161
COGS		1,963	1,480	1,523	3,441
Gross profit	1,517	1,066	694	1,488	4,123
SG&A expenses		491	425	434	613
Operating profit	1,013	626	237	837	3,264
Financial income		97	727	448	41
Interest income		129	120	727	448
Financial expenses		21	103	60	60
Interest expenses		20	103	60	60
Other non-operating profit		9	398	13	442
Gains (Losses) in associates, subsidiaries and JV		14	126	142	95
Earnings before tax	1,128	1,226	1,015	1,762	3,544
Income taxes		241	219	165	267
Net profit	887	1,007	851	1,495	2,836
Net profit of controlling interest		763	960	835	1,236
EBITDA	1,026	642	260	876	3,303

Key financial data

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
Per-share data (VND, adj.)					
EPS	3,280	3,709	3,066	4,331	7,422
BPS	17,831	19,464	19,641	24,347	31,096
DPS	452	500	549	1,500	500
Growth (%)					
Sales growth	10.1	(26.8)	(12.9)	122.4	85.8
OP growth	14.9	(38.2)	(62.2)	253.4	289.9
NP growth	17.3	13.5	(15.5)	75.7	89.6
EPS growth	21.7	13.1	(17.3)	41.3	71.4
EBITDA growth	14.7	(37.5)	(59.5)	237.3	277.1
Profitability (%)					
OP margin	29.1	24.6	10.7	17.0	35.6
NP margin	25.5	39.5	38.4	30.3	31.0
EBITDA margin	29.5	25.2	11.7	17.8	36.1
ROA	9.3	9.2	2.9	4.7	16.5
ROE	20.3	19.9	15.7	20.0	26.9
Dividend yield	1.2	1.3	1.4	3.9	1.3
Dividend payout ratio	13.8	13.5	17.9	34.6	6.7
Stability					
Net debt (VND bn)	(1,077)	(1,031)	1,361	785	(1,211)
Net debt/equity (%)	(20)	(17)	20	9	(11)
Valuation (x)					
PE	11.6	10.3	12.4	8.8	5.1
PB	2.7	2.1	2.0	1.9	1.6
EV/EBITDA	6.6	12.8	37.0	12.5	2.9

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