

4 May 2021

# VINGROUP (VIC)

## AM briefing: Narrowing the downside risk

### 1Q21 analyst meeting briefing

- We tuned in to VIC's analyst meeting on May 4 which briefs its stunning 1Q21 results and upcoming strategic plan. Here is the snapshot:

### Glamorous 1Q21 NPATMI despite lingering bottlenecks

- Vingroup reported its stunning 1Q21 NPATMI at VND2tn, 4.7 times higher yoy on the back of a 51.6% yoy growth in total revenue to VND23.2tn and a 1.2% pts yoy expansion in blended gross margin (GM).
- Property sales: This segment plays a real milk cow with a VND10.6tn revenue in 1Q21, +54.8% yoy, significantly propelling total revenue growth since its proportion of 45.7% of total revenue. The 1Q21 property segment witnessed 9,000 units handed in three mega townhouse projects and in commercial shophouse/condotel projects. GM also expanded by 5.8% pts yoy.
- Industrials: Vinfast generated a 47.7% yoy revenue growth to a VND4.8bn thanks to the sales of over 12,000 units in 1Q21. However, the GM deterioration to -56.6%, - 21.4% yoy pts in 1Q21 casts a shadow on this business efficiency.
- Other income: VIC posted a VND3.5tn other revenue of service of contractor management, 5 times higher yoy backed by stronger handover value of construction service.
- Hospitality and entertainment service: This was the only segment recording the revenue decrease to 48.4% yoy in 1Q21, implying that COVID-19 fallout has still weighted on their recovery road.

12M rating **Not-rated**

12M TP **N/A**

Up/Downside **N/A**

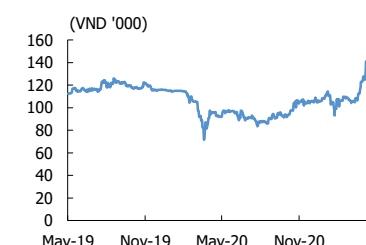
#### Stock Data

VNIndex (04 May, pt)	1,242
Stock price (04 May, VND)	133,600
Market cap (USD mn)	19,589
Shares outstanding (mn)	3,382
52-Week high/low (VND)	144,000/83,500
6M avg. daily turnover (USD mn)	7.47
Free float / Foreign ownership (%)	23.2/14.6
Major shareholders (%)	
Chairman and related	<b>33.65</b>
Vietnam Investment Group JSC	<b>32.52</b>
SK Investment Vina	<b>6.0</b>

#### Performance

	1M	6M	12M
Absolute (%)	8.6	29.1	45.5
Relative to VNIndex (%p)	7.1	(3.9)	(20.2)

#### Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020A	2021F
Sales (VND bn)	89,350	121,894	130,036	110,490	138,954
chg. (% YoY)	55.1	36.4	6.7	(15.0)	25.8
Operating profit (VND bn)	11,551	11,471	10,625	-3,344	8,842
Net profit (VND bn)	4,462	3,824	7,546	5,465	8,535
EPS (VND)	1,501	1,286	2,433	1,691	2,122
chg. (% YoY)	8.9	-14.3	89.2	-30.5	25.5
EBITDA (VND bn)	15,536	16,626	18,963	6,720	26038/
PE (x)	82.1	118.1	62.6	86.8	63.0
EV/EBITDA (x)	25.3	30.4	29.4	82.6	25.1
PB (x)	11.1	8.2	6.0	5.8	4.9
ROE (%)	8.9	5.0	6.9	4.3	8.1
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. FY21F is based on Bloomberg estimates

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- Education: Vinschool sparked with a stellar revenue growth of 136% yoy and recorded a positive gross margin to 29% in 1Q21 vs -22.6% in 1Q20.

### Eyeing on some extraordinary initiatives in the 2021

- Industrial manufacturing: From the management, VIC aims to take the lead in EV means of transportation 1) launch 5 e-motorcycle models, 2) prepare for the launch of 3 new smart EV (electric vehicle) and ICE (internal combustion engine) car models, and 3) commence the operation of EBus in both Vinhomes/Vinpearl locations and public transportation system of Hanoi, HCMC, and Phu Quoc. Furthermore, Vsmart mobile phone will jump from top 5 to top 3 market share in domestic market.
- Education: Open 4 new VinSchool campuses in Thanh Hoa and Hanoi. VinUni (Vingroup University) will recruit leading professors, promote applied interdisciplinary research and the implementation of technology-enabled active learning.

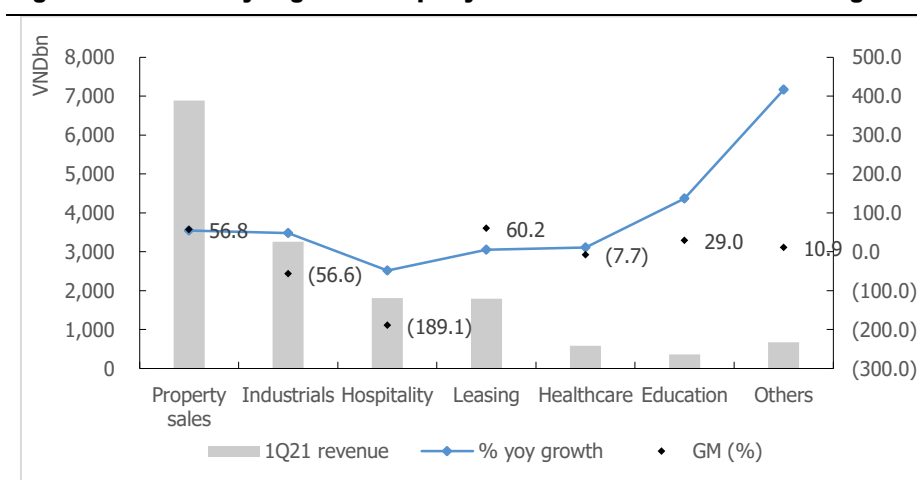
**Table 1. 1Q21 earnings**

(VND bn, %, %p)

	1Q20	2Q20	3Q20	4Q20	1Q21	QoQ	YoY	Consensus
Sales	15,368	23,359	35,914	35,821	23,294	(35.0)	51.6	N.A
Gross profit	1,986	3,414	6,301	5,580	3,285	(41.1)	65.4	N.A
Gross margin	12.9	14.6	17.5	15.6	14.1	(1.5)	1.2	N.A
OP	(1,895)	(344)	1,966	(4,198)	(1,544)	(63.2)	(18.5)	N.A
OP margin	(12.3)	(1.5)	5.5	(11.7)	(6.6)	5.1	5.7	N.A
EBT	3,428	2,694	3,609	4,231	2,786	(34.2)	(18.7)	N.A
NP	438	2,046	1,540	1,103	2,094	89.9	377.6	N.A

Source: Company data, KIS

**Figure 1. Revenue by segment: Property sales still dominated VIC'1Q21 growth**



Source: KIS

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