

22 Jul 2021

Nam Long Investment (NLG)

Still going strong

- 2Q21 net profit of VND47bn is lackluster due to the minimum property revenue.
- Maintain BUY with unchanged TP of VND45,300

Facts: Tepid 1H21 earnings trailed our forecast

NLG's revenue rose by 65.7% yoy to VND401bn in 2Q21 due to: 1) a 62.7% yoy hike in construction revenue to VND161.2bn; and 2) a 56.3% yoy growth in contractor service revenue to VND150bn. In 2Q21, only a few villas from the Nguyen Son project and land lots in Phu Huu project were handed over to buyers, resulting to a VND24bn property revenue.

However, the blended gross margin contracted by 28.2% yoy pts to 29% in 2Q21, driving the operating profit to a minor loss of VND3bn vs VND40bn booked in 2Q20. Hence, 2Q21 net profit plunged by 31.1% yoy to VND47bn.

1H21 revenue slightly subdued by -3.4% yoy to VND636bn, due to fewer property handovers and no land transfers. Despite the flattish 1H21 revenue growth, the net profit jumped by 130.8% yoy driven by a VND429bn goodwill income booked in 1Q21 thanks to a further 30.1% stake acquisition to 65.1% of Waterfront (Izumi) project. Overall, 1H21 net profit formed c.35.7% of NLG's FY21F target and at c.35.4% of our FY21F forecast.

Pros and cons: Akari condo project lead 2H21F

We estimate that 3Q21 revenue will record the first batch of Akari condo project with total 1,700 units could be handed in FY21F. In addition, we believe that the company could book a VND310bn financial income from 50% divestment in Dai Phuoc project instead of 100% stake transfer in late 4Q21F. We maintain the net profit of VND1,236bn and revenue of VND4.9tn in FY21F.

The fourth wave of COVID-19 in Vietnam has been impeding the launching events of NLG in 2Q21, resulting in only VND4tn contract value being achieved in the 1H21, per management. We will revisit our forecast on the full-year presale value of which we projected a VND15.4tn could be completed thanks to a lengthen pipeline of launching projects in 4Q21F. However, we believe this bottleneck is temporary, and NLG sets a firm footprint to ride on the resilient property markets in neighboring provinces.

Actions: Reiterate BUY with unchanged TP of VND45,300

We maintain our Add rating as presales of Akari, Mizuki, Waterfront, VSIP Quang Ninh and Waterpoint projects should be on track in FY21-22F. Key risk in our model is worse-than-expected COVID-19 which could dampen the homebuyers' demand.

12M rating **BUY (Maintain)**

12M TP **45,300**

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

Stock data

VNIndex (21 Jul, pt)	1,271
Stock price (21 Jul, VND)	38,150
Market cap (USD mn)	473
Shares outstanding (mn)	285
52-Week high/low (VND)	41,000/22,198
6M avg. daily turnover (USD mn)	3.64
Free float / Foreign ownership (%)	53.6/45.8
Major shareholders (%)	
Chairman	13.4
Ibworth Pte. Ltd.	9.9
PYN Elite Fund	7.4
Thai Binh Investment JSC	6.3

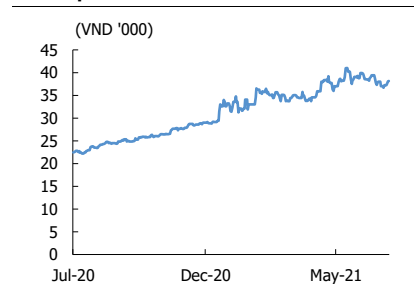
Valuation

	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 (%)	(4.0)	18.1	69.8
Relative to VNIndex (%p)	3.2	8.4	20.0

Stock price



Source: Bloomberg

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Table 1. 2Q21 earnings

(VND bn, %, %p)

	2Q20	3Q20	4Q20	1Q21	2Q21	QoQ	YoY	Consensus
Sales	242	640	919	235	401	70.5	65.7	N,A
Gross profit	138	125	251	40	116	189.8	(15.9)	N,A
Gross margin	57.2	19.5	27.3	17.1	29.0	11.9	(28.2)	N,A
OP	40	36	80	(98)	(3)	(96.5)	(108.5)	N,A
OP margin	16.7	5.6	8.7	(41.5)	(0.9)	40.7	(17.5)	N,A
EBT	80	44	752	348	48	(86.3)	(40.4)	N,A
NP	68	32	634	366	48	(86.9)	(29.1)	N,A

Source: Company data, Otherwise, KIS

■ 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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