

29 Jul 2021

Vinhomes JSC (VHM)

Robust 2Q21 earnings as expected

- Headlines 2Q21 NPATMI swelled 172.3% yoy to VND10.2tn
- Two new projects (Wonder Park, Dream City) launched in 2H21F could bring around VND20tn presale retail value.
- Maintain BUY with unchanged TP of VND121,700

Facts: Shining 2Q21 earnings

Vinhomes reported an exciting 2Q21 controlling interest net profit spiked by 72.3% yoy and 89.6% qoq to VND10.2tn. The brisk profit stemmed from the combination of a soaring total revenue of 75.4% yoy to VND28.2tn and an expanding gross margin of 10.6%p yoy. The total revenue growth is mainly driven by the property revenue growth of 66.7% yoy to VND26tn, equivalent to 11,400 units handed in 2Q21. The key contributors to property sales included 1) Ocean Park (VND6.0tn), Grand Park (VND16.2tn of which bulk sales was VND5.6tn), Smart City (VND3.4tn). The gross margin stretched to 50% in 2Q21 on the back of the domination of high-margin low-rise units in Grand Park. Overall, 1H21 net profit fulfilled 47.8%/44.6% of our forecast/company estimate.

Despite the social restrictions from April, the 2Q21 new retail booking was exciting with VND6tn presale value, equivalent to 2,000 units sold. As of end-2Q21, unbilled booking value was VND45.9tn of which bulk sale was VND27.2tn, pending further information review.

Pros & cons: Wonder Park and Dream City on track

Per management, two new townhouse projects Wonder Park and Dream City with expecting total FY21F presales of VND20tn could be opened for sale from 2H21F. This figure adds to a total full-year company presale estimate of VND91tn. We maintain our estimate of bulk sale to be VND24-27tn in FY21F driven by three current mega township and upcoming ones. Our FY21F projection stays unchanged as following we estimate a 21.7% yoy revenue growth to VND86.2tn and 17.5% yoy net profit growth to VND32.7tn driven by a delivery of total 2,600 remainders of Grand Park, Smart City and Ocean Park.

Action: Bargain valuation despite firm growth outlook

VHM deserves the high conviction BUY rating. Our estimated TP stays unchanged at VND121,700. Its flexible sales strategy in combining retail and bulk sales seems to help the firm withstand market headwinds, maintaining constant pre-sale activities and earnings growth. We strongly believe VHM's valuation is unwarranted given by its FY21F topping earning growth.

12M rating **BUY**

12M TP **121,700**

Up/Downside **+13.7%** (includes 1.0% dividend)

Stock data

VNIndex (29 Jul, pt)	1,294
Stock price (29 Jul, VND)	107,900
Market cap (USD mn)	15,452
Shares outstanding (mn)	3,290
52-Week high/low (VND)	118,600/75,300
6M avg. daily turnover (USD mn)	17.58
Free float / Foreign ownership (%)	23.4/23.2
Major shareholders (%)	
Vingroup	69.66
Government of Singapore	5.78
Viking Asia Holdings II Pte.Ltd	5.65

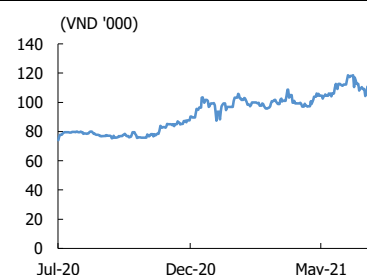
Valuation

	2020A	2021F	2022F
PE (x)	12.1	10.3	9.2
PB (x)	3.9	2.9	2.3
ROE (%)	39.1	32.4	27.8
DY (%)	0.0	1.0	1.0
EV/EBITDA (x)	16.6	9.0	6.3
EPS (VND)	8,311	9,763	10,984
BPS (VND)	25,719	34,482	44,467

Performance

	1M	6M	12M
Absolute (%)	(9.0)	15.4	38.9
Relative to VNIndex (%p)	(0.8)	(7.7)	(25.7)

Stock price



Source: Bloomberg

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Table 1. 2Q21 earnings

(VND bn, %, %p)

	2Q20	3Q20	4Q20	1Q21	2Q21	QoQ	YoY	Consensus
Sales	16,377.5	26,482.6	21,511.6	12,986.4	28,725.2	121.2	75.4	N.A
Gross profit	6,454.6	9,114.8	7,298.2	6,212.3	14,356.4	230.1	221.4	N.A
Gross margin	39.4	34.4	33.9	47.8	50.0	2.1	10.6	N.A
OP	5,612.8	7,538.3	5,680.1	5,087.4	13,261.0	160.7	136.3	N.A
OP margin	34.3	28.5	26.4	39.2	46.2	7.0	11.9	N.A
EBT	5,030.4	7,502.5	14,847.7	7,085.0	13,251.3	87.0	163.4	N.A
NP	3,758.5	6,058.3	11,502.5	5,396.1	10,232.5	89.6	172.3	N.A

Source: Company data, KIS

■ Company overview

The company is operating a close real estate development model from project development, general plan, design, site clearance, construction, sale, handover and post-sale management and maintenance. According to CBRE, VHM owns 22% residential market share in Vietnam, leaving the follower with 4% behind.

In addition to on-going real estate projects, VHM also develops and trades office projects for lease, VHM's office projects are located next to Vinhomes projects and works as a component of complex projects developed by VHM. As a subsidiary of Vingroup, VHM has favourable conditions to invest and develop real estate projects, enjoys a close relationship with its parent company's partners and takes advantages of Vingroup ecosystem.

Balance sheet

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021F	2022F
Current assets	91,203	139,555	102,010	182,590	326,405
Cash & cash equivalents	3,515	13,332	12,479	52,032	109,001
Accounts & other receivables	43,356	47,468	34,024	39,134	52,835
Inventory	36,743	60,297	43,227	75,138	137,419
Non-current assets	24,771	36,237	56,248	67,476	97,813
Fixed assets	100	625	6,075	5,700	5,306
Investment assets	24,670	35,612	50,173	61,776	92,508
Others	3,716	21,449	56,680	66,134	62,992
Total assets	119,689	197,241	214,937	316,201	487,210
Advances from customers	14,207	40,246	27,310	69,296	203,778
Unearned revenue	0	0	0	0	0
Trade payables	2,504	6,078	10,860	10,460	7,355
Others	22,924	59,697	62,126	67,147	72,671
ST debt & bonds	6,403	18,162	10,998	9,814	12,245
LT debt & financial liabilities	25,506	8,343	13,958	39,094	36,663
Total liabilities	71,544	132,526	125,252	195,812	332,712
Controlling interest	43,231	56,096	86,148	115,500	148,943
Capital stock	33,495	33,495	33,495	33,495	33,495
Capital surplus	295	295	295	295	295
Other reserves	1,814	(3,734)	(4,151)	(4,151)	(4,151)
Retained earnings	7,627	26,040	56,509	85,861	119,304
Minority interest	4,912	8,619	3,538	4,889	5,555
Shareholders' equity	48,143	64,715	89,685	120,388	154,497

Cash flow

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021F	2022F
C/F from operations	(1,463)	51,928	22,273	21,674	85,613
Net profit	14,284	21,747	27,839	32,701	36,793
Dep'n & Amort'n	262	352	583	963	1,015
Net incr. in W/C	(3,331)	38,178	10,910	(4,389)	53,029
C/F from investing	(17,842)	(27,320)	(21,171)	(2,724)	(25,295)
Capex	0	0	0	0	0
Incr. in investment	(17,842)	(27,320)	(21,171)	(2,724)	(25,295)
C/F from financing	21,259	(14,792)	(1,955)	20,603	(3,350)
Incr. in equity	12,241	(5,550)	(821)	0	0
Incr. in debt	9,963	(5,555)	(976)	23,953	(0)
Dividends	(945)	(3,687)	(158)	(3,350)	(3,350)
C/F from others	0	0	0	0	0
Increase in cash	1,954	9,817	(853)	39,553	56,968

Income statement

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021F	2022F
Sales	38,664	51,627	70,890	86,239	81,122
COGS	28,603	24,171	45,104	43,444	30,547
Gross profit	10,061	27,456	25,787	42,795	50,575
SG&A	2,444	4,237	5,078	6,174	6,868
Operating profit	7,617	23,219	20,709	36,620	43,707
Financial income	9,046	20,718	8,981	5,944	3,844
Interest income	1,544	2,379	2,496	8,981	5,944
Financial expenses	2,549	3,702	3,036	2,815	1,863
Interest expenses	2,378	2,984	3,036	2,815	1,863
Other non-operating profit	(7)	30	(678)	0	(10)
Gains (Losses) in associates, subsidiaries and JV	0	0	0	0	0
Earnings before tax	19,719	29,746	37,047	42,565	46,826
Income taxes	4,942	5,427	8,280	8,513	9,367
Net profit	14,776	24,319	28,767	34,052	37,459
Net profit of controlling interest	14,284	21,747	27,839	32,701	36,793
EBITDA	7,879	23,570	21,292	37,584	44,722

Key financial data

FY-ending Dec.	2018A	2019A	2020A	2021F	2022F
Per-share data (VND, adj.)					
EPS	4,567	6,493	8,311	9,763	10,984
BPS	12,907	16,748	25,719	34,482	44,467
DPS	0	1,101	47	1,000	1,000
Growth (%)					
Sales growth	152.8	33.5	37.3	21.7	(5.9)
OP growth	143.5	204.8	(10.8)	76.8	19.4
NP growth	913.3	52.2	28.0	17.5	12.5
EPS growth	(19.0)	42.2	28.0	17.5	12.5
EBITDA growth	122.7	199.2	(9.7)	76.5	19.0
Profitability (%)					
OP margin	19.7	45.0	29.2	42.5	53.9
NP margin	38.2	47.1	40.6	39.5	46.2
EBITDA margin	20.4	45.7	30.0	43.6	55.1
ROA	6.0	12.1	7.4	11.0	8.7
ROE	57.0	43.8	39.1	32.4	27.8
Dividend yield		1.1	0.0	1.0	1.0
Dividend payout ratio	0.0	17.0	0.6	10.2	9.1
Stability					
Net debt (VND bn)	28,393	13,173	12,477	(3,124)	(60,092)
Net debt/equity (%)	59.0	20.4	13.9	(2.6)	(38.9)
Valuation (x)					
PE	22.1	15.5	12.1	10.3	9.2
PB	7.8	6.0	3.9	2.9	2.3
EV/EBITDA	44.3	15.3	16.6	9.0	6.3

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