

21 Oct 2021

Nam Long Investment (NLG)

Better-than-expected 3Q21 earnings

- 3Q21 net profit of VND297bn boomed largely on the unexpected revaluation gain.
- Forecast, target price and rating are under review

Facts: 3Q21 brisk earnings beat the consensus

NLG's revenue plunged 76.4%y to VND151bn in 3Q21 due to: 1) a 98.2% yoy drop in property sale (VND5bn); and 2) a -76.6% yoy growth in contractor service revenue to VND22bn. Contrary to tepid revenue, net profit boomed with VND297bn, +915.5% yoy in 3Q21, largely driven by a VND361bn financial gain.

In 3Q21, revenue from product handover was minimum, mainly due to social lockdown in Southern Vietnam which prevented Nam Long from handover Akari City, Southgate project as planned. However, NLG earned a VND361bn revaluation gain from the consolidation of Southgate JSC driven by receiving an additional 15% voting right to 65%.

Together with a VND429bn goodwill income booked in 1Q21 thanks to a further 30.1% stake acquisition to 65.1% of Waterfront (Izumi) project, 9M21 net profit reached VND709bn. Hence, 9M21 net profit formed c.60% of NLG's 21F target and at c.57.6% of our 21F forecast.

Pros and cons: Akari condo project lead 4Q21F

We estimate that 4Q21 revenue will record the first batch of Akari condo project with total of 1,700 units that could be handed in 21F.

The fourth wave of COVID-19 in Vietnam has been impeding the launching events of NLG in 3Q21, resulting in only VND5tn contract value being achieved in the 9M21, 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 lengthened pipeline of launching projects in 4Q21F.

Action: Rating are under review

NLG price has far been beyond our target price driven by the better-than-expected net profit in 3Q21. Furthermore, the market is anticipating reaping the pent-up demand for houses post-lockdown period. We will adjust the revaluation gains in 3Q21 to reflect the true landscape of NLG's earnings in 21F and review our target price.

12M rating **BUY (Maintain)**

12M TP **45,300**

Up/Downside

Stock data

VNIndex (21 Oct, pt)	1,385
Stock price (21 Oct, VND)	51,000
Market cap (USD mn)	774
Shares outstanding (mn)	345
52-Week high/low (VND)	51,000/25,830
6M avg. daily turnover (USD mn)	5.55
Free float / Foreign ownership (%)	61.7/44.3
Major shareholders (%)	
Chairman	13.4
Ibworth Pte. Ltd.	9.9
PYN Elite Fund	7.2
Thai Binh Investment JSC	6.3

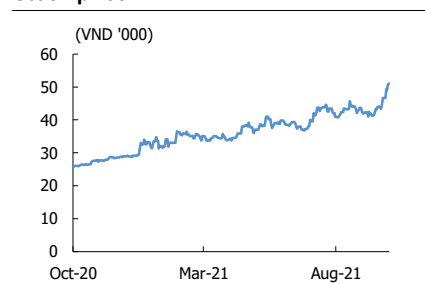
Valuation

	2019A	2020F	2021F
PE (x)	13.8	16.6	11.8
PB (x)	2.9	2.6	2.6
ROE (%)	19.9	15.7	17.5
DY (%)	1.3	1.4	3.9
EV/EBITDA (x)	17.9	50.5	16.7
EPS (VND)	3,709	3,066	4,331
BPS (VND)	19,464	19,641	24,347

Performance

	1M	6M	12M
Absolute (%)	21.7	48.8	95.6
Relative to VNIndex (%p)	18.3	38.7	46.0

Stock price



Source: Bloomberg

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Table 1. 2Q21 earnings

(VND bn, %, %p)

	3Q20	4Q20	1Q21	2Q21	3Q21	QoQ	YoY	Consensus
Sales	640	919	235	401	151	(62.3)	(76.4)	N,A
Gross profit	125	251	40	116	76	(34.3)	(38.9)	N,A
Gross margin	19.5	27.3	17.1	29.0	50.6	21.6	31.1	N,A
OP	36	80	(98)	(3)	(60)	1,662.5	(268.3)	N,A
OP margin	5.6	8.7	(41.5)	(0.9)	(39.9)	(39.0)	(45.5)	N,A
EBT	44	752	348	48	294	514.3	568.8	N,A
NP	32	634	366	48	295	512.7	812.6	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.	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 & bonds	201	63	932	150	219
LT debt & financial liabilities	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 net debt	600	(138)	1,561	(1,182)	(431)
Dividends	(207)	(244)	(262)	(143)	(143)
C/F from others	0	0	0	0	0

Income statement

(VND bn)

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
Sales	3,480	2,546	2,217	4,929	9,161
COGS	1,963	1,480	1,523	3,441	5,038
Gross profit	1,517	1,066	694	1,488	4,123
Operating profit	1,013	626	237	837	3,264
Financial income	97	727	448	41	161
Interest income	129	120	727	448	41
Financial expenses	21	103	60	60	60
Interest expenses	20	103	60	60	60
Other non-operating profit	9	398	13	442	0
Gains (Losses) in associates, subsidiaries and JV	14	126	142	95	299
Earnings before tax	1,128	1,226	1,015	1,762	3,544
Income taxes	241	219	165	267	709
Net profit	887	1,007	851	1,495	2,836
Net profit of controlling interest	763	960	835	1,236	2,117
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	2.7	5.8
ROE	20.3	19.9	15.7	15.7	17.7
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	15.5	13.8	16.6	11.8	6.9
PB	3.6	2.9	2.6	2.6	2.1
EV/EBITDA	9.5	17.9	50.5	16.7	4.0

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