

29 Oct 2021

Vinhomes JSC (VHM)

Bulk sales to fuel 3Q21 rosy profit growth

- Headlines 3Q21 NPATMI swelled 84.3% yoy to VND11.1tn
- Two new projects (Wonder Park, Dream City) are being delayed to open for retail sale in 2022.
- Earnings are under review

Facts: Continuous brisk quarter growth

Vinhomes buoyed the morning trading session with the announcement of a vibrant VND11.1tn NPATMI, +84.3% yoy, 9.1% qoq, topping those listed in the Vietnamese equity market and marking the two consecutive earnings quarters of over VND10tn. The brisk profit mainly stemmed from an expanding gross margin of 31.6%p yoy and +16%p qoq to 66% which offset the weak revenue growth of VND20.7tn, 21.9% yoy. The gross margin stretch was backed by the domination of high-margin bulk sales revenue of VND13.3tn (out of total property sales of VND17.3bn). Dream City project bulk sale contributed around VND8tn revenue.

Besides, the sluggish property revenue growth of -31.9% yoy that pushed the total revenue drop, the real estate management, and contractor management segments all reaped the spectacular performance with a 60.9% yoy and 518.6% yoy growth. Overall, 9M21 revenue and net profit reached VND61.7tn/VND27tn, +24.9% yoy/ 65.8% yoy, fulfilled 71.5%/82.8% of our estimate.

Making the advantages of less stringent social distancing lockdown in the Northern and the virtual sale channel, VHM sold 5,900 units with a VND13.3tn contracted sales in 3Q21, bringing 9M21 unbilled booking value was VND42.7tn of which bulk sale was VND27.2tn, pending further information review.

Pros & cons: Social distancing weighs on the 2021F presales

Per management, three new mega townhouse projects, Wonder Park, Dream City, Coloa, are rescheduled to open for retail sale in 2022F instead of 2021. Also, the company targets to reap the value of the 4Q21F presale of VND29-30tn, bringing the FY21F presale value to around VND71tn, far below the initial guidance of VND90-91tn.

Action: Earnings are under review

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. Our current target price is revised to VND93,615 to incorporate the 30% stock split in Sep. We are reviewing our presale forecasts to reflect the new landscape of VHM's development pipeline.

12M rating **BUY**

12M TP **93,615**

Up/Downside **+17.4%** (includes 1.0% dividend)

Stock data

VNIndex (28 Oct, pt)	1,438
Stock price (28 Oct, VND)	81,000
Market cap (USD mn)	16,248
Shares outstanding (mn)	4,354
52-Week high/low (VND)	91,014/57,415
6M avg. daily turnover (USD mn)	29.07
Free float / Foreign ownership (%)	22.6/22.8
Major shareholders (%)	
Vingroup	66.6
Government of Singapore	5.78
Viking Asia Holdings II Pte.Ltd	4.6

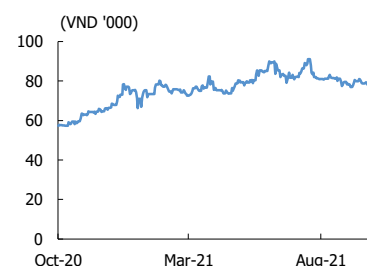
Valuation

	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. 3Q21 earnings

(VND bn, %, %p)

	3Q20	4Q20	1Q21	2Q21	3Q21	QoQ	YoY	Consensus
Sales	26,482.6	21,511.6	12,986.4	28,014.6	20,679.4	(26.2)	(21.9)	N.A
Gross profit	9,114.8	7,298.2	6,212.3	14,356.4	13,647.8	94.1	148.7	N.A
Gross margin	34.4	33.9	47.8	51.2	66.0	14.8	31.6	N.A
OP	7,538.3	5,680.1	5,087.4	13,551.2	12,987.6	(4.2)	72.3	N.A
OP margin	28.5	26.4	39.2	48.4	62.8	14.4	34.3	N.A
EBT	7,502.5	14,847.7	7,085.0	13,446.0	13,811.5	2.7	84.1	N.A
NPATMI	6,058.3	11,502.5	5,396.1	10,521.2	11,166.8	6.1	84.3	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 of controlling interest	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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