

29 Oct 2021

## Khang Dien House (KDH)

### Buoyant 4Q21F ahead

- 3Q21 net profit retreated by -12.4% yoy to VND316.6bn, bringing the 9M21 of VND788bn, +2.4% yoy.
- 4Q21F net profit is secured thanks to the handover of Lovera Vista condo project

### Facts: Tepid 3Q21 earnings trailed the forecast

Khang Dien House Trading and Investment JSC's (KDH) 3Q21 revenue reached VND1,199bn, -31.7% yoy and net profit posted VND316.6bn, -12.4% yoy. We estimate that around 550-580 units in the Lovera Vista high-rise mid-end project were delivered in 3Q21.

Gross margin (GM) in 3Q21 expanded by 8.8% p yoy to 39.8%, due to the higher-margin contribution of Lovera Vista vs lower one of Safira condo project seen in 3Q20. Moreover, the SGA expense was significantly lower by 24.9% yoy to VND45.3bn owing to sluggish marketing activities.

Despite the weak earnings growth in 3Q21, we view the results positive amid the strict and prolonged social distancing requirements from late May to Sep.

Overall, the 9Q21 performance was mixed with a -2.9% yoy total revenue growth to VND3.1tn and a 2.4% yoy net profit growth to VND788bn. These are making up 69.4%/57.4% of our full-year estimates.

### Pros & cons: 4Q21F net profit is secured

We expect KDH could maintain quarterly momentum growth in 4Q21F backed by the acceleration from Lovera Vista condo project.

Our FY21F projection stays unchanged as following: we estimate revenue growth to VND4.5tn and 19.2% yoy net profit growth to VND1,374bn.

We still keep our concern that buying sentiment would not be relaxed until 2022F given the transmission fear could postpone the sales events and deter the traffic for show flats. Hence, the launches of Armenia and Clarita townhouse projects could be hit. We will revisit our models to reflect the rescheduled pipelines of those three projects including 158 An Duong Vuong condo project, two above townhouse projects.

12M rating **BUY (Maintain)**

12M TP **37,500**

Up/Downside

#### Stock data

VNIndex (29 Oct, pt)	1,444
Stock price (29 Oct, VND)	51,000
Market cap (USD mn)	1,441
Shares outstanding (mn)	643
52-Week high/low (VND)	51,000/22,091
6M avg. daily turnover (USD mn)	6.22
Free float / Foreign ownership (%)	85.8/30.7
Major shareholders (%)	
Vina Capital	18.83
Dragon	17.65
Tien Loc Investment Limited	11.38

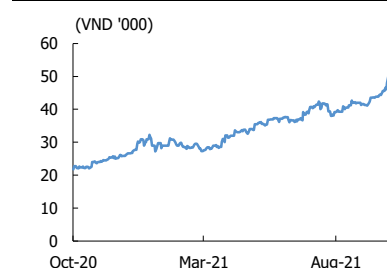
#### Valuation

	2020A	2021F	2022F
PE (x)	24.7	20.7	16.8
PB (x)	3.5	3.1	2.8
ROE (%)	14.6	16.0	17.3
DY (%)	1.0	1.0	1.0
EV/EBITDA (x)	18.3	15.7	12.1
EPS (VND)	2,041	2,441	2,951
BPS (VND)	14,544	16,047	18,007

#### Performance

	1M	6M	12M
Absolute (%)	22.6	59.6	124.4
Relative to VNIndex (%p)	14.7	42.2	66.2

#### Stock price



Source: Bloomberg

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**Table 1. 3Q21 earnings**

(VND bn, %, %p)

	3Q20	4Q20	1Q21	2Q20	3Q21	QoQ	YoY	Consensus
Sales	1,755.1	1,291.0	836.5	1,112.0	1,199.3	7.8	(31.7)	N.A
Gross profit	544.1	667.9	358.2	472.1	477.2	1.1	(12.3)	N.A
Gross margin	31.0	51.7	42.8	42.5	39.8	(2.7)	8.8	N.A
OP	483.8	484.8	286.9	365.6	431.9	18.1	(10.7)	N.A
OP margin	27.6	37.5	34.3	32.9	36.0	3.1	8.5	N.A
EBT	469.6	460.2	268.3	338.2	400.4	18.4	(14.7)	N.A
NPATMI	361.6	382.6	205.1	266.4	316.6	18.8	(12.4)	N.A

Source: Company data, KIS

### ■ Company overview

Khang Dien House Trading and Investment JSC (KDH) is its iconic brand name in the residential real estate market with 15 years of market experience. KDH's land bank amounted to 499ha HCMC as end-FY19, mostly in the Western part of HCMC. This ensures over ten years of project development, in our view. KDH now has the third-largest land bank in HCMC (499ha) among the listed residential developers.

**Balance sheet**

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021F	2022F
Current assets	9,570	12,327	12,976	12,393	14,834
Cash & cash equivalents	1,836	1,207	1,836	1,926	3,766
Accounts & other receivables	1,760	3,778	3,483	3,231	2,195
Inventory	5,817	7,037	7,338	6,900	8,521
Non-current assets	520	791	817	873	936
Fixed assets	500	677	742	805	875
Investment assets	19	114	75	68	62
Others	138	119	94	87	93
<b>Total assets</b>	<b>10,228</b>	<b>13,237</b>	<b>13,887</b>	<b>13,353</b>	<b>15,862</b>
Advances from customers	1,367	2,773	2,122	636	1,885
Unearned revenue	2	0	0	0	0
Trade payables	284	696	243	217	212
Others	707	1,322	1,866	1,519	1,518
ST debt & bonds	632	377	442	450	458
LT debt & financial liabilities	337	405	1,058	1,403	1,404
<b>Total liabilities</b>	<b>3,328</b>	<b>5,573</b>	<b>5,731</b>	<b>4,225</b>	<b>5,478</b>
Controlling interest	6,864	7,625	8,127	9,095	10,351
Capital stock	4,140	5,444	5,787	5,831	5,831
Capital surplus	1,724	720	744	781	781
Other reserves	93	134	(240)	(321)	(321)
Retained earnings	907	1,327	1,836	2,804	4,060
Minority interest	35	39	31	32	34
<b>Shareholders' equity</b>	<b>6,899</b>	<b>7,664</b>	<b>8,158</b>	<b>9,128</b>	<b>10,385</b>

**Cash flow**

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021F	2022F
C/F from operations	(719)	(161)	167	383	2,096
Net profit of controlling interest	808	915	1,152	1,374	1,684
Dep'n & Amort'n	8	9	11	19	19
Net incr. in W/C	(1,236)	(907)	(898)	(833)	637
C/F from investing	519	(201)	(1)	(33)	27
Capex	(161)	(235)	(51)	(75)	(83)
Incr. in investment	680	34	50	43	110
C/F from financing	(556)	(296)	486	(259)	(282)
Incr. in equity	101	97	(314)	24	0
Incr. in debt	(689)	(186)	1,063	8	9
Dividends	(194)	(207)	(262)	(292)	(292)
C/F from others	0	0	0	0	0
<b>Increase in cash</b>	<b>(756)</b>	<b>(661)</b>	<b>651</b>	<b>91</b>	<b>1,841</b>

**Income statement**

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021F	2022F
Sales	2,917	2,813	4,532	4,538	4,806
COGS	1,677	1,313	2,568	2,294	2,237
Operating expense	250	268	406	440	424
<b>Gross profit</b>	<b>982</b>	<b>1,223</b>	<b>1,547</b>	<b>1,784</b>	<b>2,164</b>
Operating profit	200	41	35	63	110
Financial income	63	38	35	63	110
Interest income	89	42	85	86	89
Financial expenses	32	2	0	0	0
Interest expenses	116	(33)	(40)	(42)	(44)
Other non-operating profit	4	0	0	0	0
Gains (Losses) in associates, subsidiaries and JV	1,075	1,190	1,458	1,719	2,141
<b>Earnings before tax</b>	<b>(266)</b>	<b>(273)</b>	<b>(304)</b>	<b>(344)</b>	<b>(428)</b>
Income taxes	250	268	406	440	424
<b>Net profit</b>	<b>810</b>	<b>917</b>	<b>1,154</b>	<b>1,376</b>	<b>1,713</b>
Net profit of controlling interest	808	915	1,152	1,374	1,711
<b>EBITDA</b>	<b>990</b>	<b>1,232</b>	<b>1,558</b>	<b>1,803</b>	<b>2,183</b>

**Key financial data**

FY-ending Dec.	2018A	2019A	2020A	2021F	2022F
Per-share data (VND, adj.)					
EPS	1,514	1,613	2,041	2,441	2,951
BPS	12,161	13,362	14,544	16,047	18,007
DPS	500	500	500	500	500
Growth (%)					
Sales growth	(4.5)	(3.5)	61.1	0.1	5.9
OP growth	23.9	24.5	26.5	15.3	19.4
NP growth	44.9	13.3	25.9	19.2	22.6
EPS growth	36.3	6.5	26.5	19.6	20.9
EBITDA growth	23.8	24.5	26.5	15.7	19.2
Profitability (%)					
OP margin	33.7	43.5	34.1	39.3	44.3
NP margin	27.8	32.6	25.5	30.3	35.1
EBITDA margin	33.9	43.8	34.4	39.7	44.7
ROA	8.4	7.8	8.9	10.3	11.4
ROE	13.4	12.6	14.6	16.0	17.3
Dividend yield	1.0	1.0	1.0	1.0	1.0
Dividend payout ratio	25.6	22.6	25.1	21.2	17.3
Stability					
Net debt (VND bn)	(867)	(425)	9	(73)	(1,904)
Net debt/equity (%)	(13)	(6)	0	(1)	(18)
Valuation (x)					
PE	33.4	31.3	24.7	20.7	16.8
PB	4.2	3.8	3.5	3.1	2.8
EV/EBITDA	26.4	22.9	18.3	15.7	12.1

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