

5 Nov 2021

## Novaland JSC (NVL)

### AM Briefing: Leverage concerned

#### AM Briefing

- On Nov 5, NVL made an analyst meeting briefing for the upcoming business expansion plan. Key focus areas are presale growth, and its funding demand.

#### A 9M21 earnings beyond expectation

- NVL posted 3Q21 financial results with net profit of VND556bn (-73.9% yoy) on net revenue of VND3,262bn (up 52.5% yoy).
- Revenue from property development rose to VND2.9tn (up 162% y/y) driven mainly by the continued booking of units from Saigon Royal (30% of total property revenue), Aqua City (18%) and hospitality projects (52%).
- Gross margin expanded by 8.7%p to 46% in 3Q21 thanks to the domination of high-margin low-rise units.
- In 3Q21 NVL recorded VND233bn gains from the divestment of two subsidiaries – the Vung Tau Youth Tourism and Vietnam Youth Tourism.
- For 9M2021, NVL's net revenue surged 171% yoy to VND10.3tn while its NPAT-MI reached VND2.4tn, -28% yoy, fulfilling 37.5%/58.5% the company guidance.

#### COVID-19 weighs on their sales plan

- NVL also acquired nearly 70% ownership in Green Land Ltd for a total cost of VND2.9tn to prepare for an undisclosed project in the future, per management
- Per management, around 5,000 units were sold for bookings in 9M21, bringing a contract sale value of VND5.2tn. The hospitality projects made up 50% of units and 45% of unbilled booking value.
- Since lockdown prolonged until Nov that impedes the sales events, NVL aims to sell a 7,000 units in 2021F, reducing 30% vs the initial plan. A more 2,000 units sold in 4Q21 could bring around VND15tn-20tn contract sale value, according to the management.

	2017A	2018A	2019A	2020A	2021G
Sales (VND bn)	11,632	15,290	10,931	5,026	21,462
chg. (% YoY)	58.1	31.4	(28.5)	(54.0)	327.0
Operating profit (VND bn)	2,322	4,006	1,660	379	N/A
Net profit (VND bn)	2,033	3,239	3,431	3,919	4,018
EPS (VND)	3,210	3,546	3,579	2,754	2,823
chg. (% YoY)	-5.5	10.5	0.9	-23.1	2.5
EBITDA (VND bn)	2,807	4,503	-1,091	1,115	N/A
PE (x)	32.2	29.5	28.9	25.7	37.2
EV/EBITDA (x)	28.3	25.3	-119.1	126.4	N/A
PB (x)	5.4	5.2	4.6	4.0	N/A
ROE (%)	17.5	19.5	15.5	13.9	N/A
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

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12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N.A**

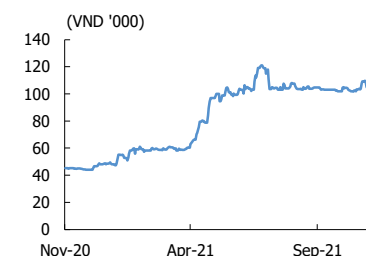
#### Stock Data

VNIndex (05 Nov, pt)	1,457
Stock price (05 Nov, VND)	105,000
Market cap (USD mn)	6,817
Shares outstanding (mn)	1,474
52-Week high/low (VND)	121,000/44,016
6M avg. daily turnover (USD mn)	12.73
Free float / Foreign ownership (%)	34.2/8.5
Major shareholders (%)	
NovaGroup	19.68
Chairman and related	21.54
Diamond Properties JSC	10.52

#### Performance

	1M	6M	12M
Absolute (%)	0.6	7.1	132.0
Relative to VNIndex (%p)	(7.0)	(9.7)	74.5

#### Stock price trend



Source: Bloomberg

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### Huge funding demand despite risky leverage

The management did not disclose the total amount of funding raised in 4Q21 and 2022F but is searching for more funding to finance the acquisition of the land bank. However, net debt/equity as of end-3Q21 increased to 0.98x from 0.96x as of end-2Q21. Net debt/equity as of end-3Q21 increased to 0.98x from 0.96x as of end-2Q21. NVL's leverage ratio, which is significantly higher than average for developers (0.2x-0.4x), remains unhealthy in our view.

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