

28 Jan 2022

Vinhomes JSC (VHM)

Beating the consensus

- 4Q21 NPATMI edged up 3.7% yoy to VND11.9tn of which the bulk sale accounted for ~50%.
- Two new projects (Wonder Park, Dream City) are being delayed to open for retail sale in 2H22F.
- Earnings are under review.ki

Facts: Continuously surprising quarter earnings growth

Vinhomes sustained its 4Q21 splendid results of a VND11.9tn NPATMI, +3.7% yoy, 6.9% qoq, topping those listed in the Vietnamese equity market. Marking the three consecutive earnings quarters of over VND10-11tn, 4Q21 earnings came it with a surprise.

The brisk profit mainly stemmed from an expanding gross margin of 26.3%p yoy (-5.8%p qoq) to 60.2% in 4Q21. The gross margin stretch was backed by the domination of high-margin bulk sales revenue of around VND12.6tn (out of total property sales of VND20.8tn, +4.5% yoy) from various projects (Smart City, Ocean Park, Dan Phuong, Dai An)

In 4Q21, the leasing segment was hit by outbreak with revenue growth of -25% yoy (VND353bn). The other segments including the real estate management, and contractor management segments all reaped the spectacular growth with a 121.5% yoy (VND623bn) and 91.3% yoy growth (VND1,616bn). The company recorded a VND2.7tn financial income from selling Hon Mot project in Nha Trang with total contract sale value of VND3.4tn.

Overall, 2021 revenue and net profit reached VND85.1tn/VND39tn, +20% yoy/38.5% yoy, fulfilled 98.7.5%/119.3% of our estimates.

In 4Q21, VHM sold 17,400 units with a VND37.9tn contracted sales, bringing 2021 unbilled booking value of VND52.4tn (bulk sale was VND39.8tn), far below the initial guidance of VND90-91tn.

The company acquired a VND15.6tn value of construction in progress project in Cu Chi, pending further information.

Pros & cons: Presale expected to boom back in 2022F

Per management, three new mega townhouse projects, Wonder Park, Dream City, Coloa, are rescheduled to open for retail sale in 2H22F.

The company aims to target a rebounding presale guidance in 2022F. However, the earnings estimates could be retreated.

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

12M rating **BUY**

12M TP **93,615**

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

Stock data

VNIndex (28 Jan, pt)	1,479
Stock price (28 Jan, VND)	80,300
Market cap (USD mn)	15,428
Shares outstanding (mn)	4,354
52-Week high/low (VND)	91,014/66,971
6M avg. daily turnover (USD mn)	31.93
Free float / Foreign ownership (%)	22.6/23.8
Major shareholders (%)	
Vingroup	66.6
Government of Singapore	5.78
Viking Asia Holdings II Pte.Ltd	4.6

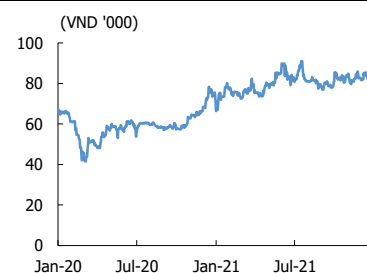
Valuation

	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 (%)	(3.0)	(2.3)	13.2
Relative to VNIndex (%p)	(2.1)	(15.9)	(28.4)

Stock price



Source: Bloomberg

Nhan Lai

nhan.lt@kisvn.vn

new landscape of VHM's development pipeline.

Table 1. 4Q21 earnings

(VND bn, %, %p)

	4Q20	1Q21	2Q21	3Q21	4Q21	QoQ	YoY	Consensus
Sales	21,511.6	12,986.4	28,014.6	20,679.4	23,413.0	13.2	8.8	N.A
Gross profit	7,298.2	6,212.3	14,356.4	13,647.8	14,098.6	102.3	192.2	N.A
Gross margin	33.9	47.8	51.2	66.0	60.2	(5.8)	26.3	N.A
OP	5,680.1	5,087.4	13,551.2	12,987.6	11,146.3	(14.2)	96.2	N.A
OP margin	26.4	39.2	48.4	62.8	47.6	(15.2)	21.2	N.A
EBT	14,847.7	7,085.0	13,446.0	13,811.5	14,126.2	2.3	(4.9)	N.A
NPATMI	11,502.5	5,396.1	10,521.2	11,166.8	11,932.5	6.9	3.7	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	14,776	24,319	28,767	34,052	37,459
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

■ **Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**

- BUY: Expected total return will be 15%p or more
- Hold: Expected total return will be between -5%p and 15%p
- Sell: Expected total return will be -5%p or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

■ **Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

■ **Analyst Certification**

I/We, as the research analyst/analysts who prepared this report, do hereby certify that the views expressed in this research report accurately reflect my/our personal views about the subject securities and issuers discussed in this report. I/We do hereby also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

■ **Important compliance notice**

As of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), KIS Vietnam Securities Corp. or its affiliates does not own 1% or more of any class of common equity securities of the companies mentioned in this report.

There is no actual, material conflict of interest of the research analyst or KIS Vietnam Securities Corp. or its affiliates known at the time of publication of the research report or at the time of the public appearance.

KIS Vietnam Securities Corp. or its affiliates has not managed or co-managed a public offering of securities for the companies mentioned in this report in the past 12 months;

KIS Vietnam Securities Corp. or its affiliates has not received compensation for investment banking services from the companies mentioned in this report in the past 12 months; KIS Vietnam Securities Corp. or its affiliates does not expect to receive or intend to seek compensation for investment banking services from the companies mentioned in this report in the next 3 months.

KIS Vietnam Securities Corp. or its affiliates was not making a market in securities of the companies mentioned in this report at the time that the research report was published.

KIS Vietnam Securities Corp. does not own over 1% of shares of the companies mentioned in this report as of 28 Jan 2022.

KIS Vietnam Securities Corp. has not provided this report to various third parties.

Neither the analyst/analysts who prepared this report nor their associates own any shares of the company/companies mentioned in this report as of 28 Jan 2022.

KIS Vietnam Securities Corp. has issued CW with underlying stocks of Vinhomes JSC (VHM) and is not the liquidity provider.

Prepared by: Nhan Lai

Global Disclaimer

■ General

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KIS Vietnam Securities Corp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KIS Vietnam Securities Corp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KIS Vietnam Securities Corp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KIS Vietnam Securities Corp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or KIS Vietnam Securities Corp. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

■ Country-specific disclaimer

United States: This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

United Kingdom: This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

Hong Kong: This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

Singapore: This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

Copyright © 2022 KIS Vietnam Securities Corp.. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp..