

13 Dec 2022

Nam Long Investment (NLG)

Briefing: Slower growth through 2023F is foreseeable

AM Briefing

- On Dec 12, we attended NLG's analyst meeting day, and the presentation was largely centered on the financial position, 2022F guidance, and contract sale.

Healthy balance sheet reaffirmed

- Net debt to equity came in at 5% of which VND450bn bond is due in 2023F out of total VND2,610bn bond as of end-3Q22. The bondholders are institutions including TCBS (37%), IFC (20%), insurers (18%). However, the company is exposed to interest rate risk since 60% of total debt (VND4,537bn) has floating rates.
- The company keeps its strong credit ratings and gets a VND530bn credit line from Standard Chartered Vietnam Bank to finance its construction expense of Izumi project. The lending rate is geared towards 10.2% p.a in 3.5-year tenure.
- Furthermore, the company is going to receive another VND500bn tranche of IFC bond and 50% of divestment income of VND941.4bn in Dec, 2022.

Headwinds weight the contract sales in 2022

- NLG revises down its VND23.3tn contract sales to VND12.3tn in 2022F, 2.08x higher than 2021. The 2022F guidance could also be adjusted to a VND6tn revenue and a VND905bn NPATMI, significantly lower than the AGM targets of VND7.1tn/VND1.2tn, respectively.
- The company blames the slower-than-expected legal frameworks and unanticipated soon dry-up of mortgage loans for their missing of guidance especially the Can Tho project, Izumi project.

Earnings are under review

- We will factor in the revaluation gains and presales in 2022F-23F to reflect the true landscape of NLG's earnings.

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	3,161.3	3,479.6	2,546.1	2,216.7	5,205.5
chg. (% YoY)	24.8	10.1	(26.8)	(12.9)	134.8
Operating profit (VND bn)	881.3	1,012.9	641.6	236.3	781.4
Net profit (VND bn)	535.0	763.5	960.6	834.9	1,070.8
EPS (VND)	3,314.0	3,521.0	4,479.0	3,078.0	3,099.0
chg. (% YoY)	39.7	6.2	27.2	(31.3)	0.7
EBITDA (VND bn)	894.9	1,026.3	662.3	259.2	811.4
PE (x)	8.1	8.7	7.5	9.5	10.0
EV/EBITDA (x)	3.2	5.6	9.6	36.8	14.1
PB (x)	1.5	1.5	1.5	1.5	1.2
ROE (%)	15.6	17.0	16.7	12.9	10.6
Dividend yield (%)	1.5	1.7	3.4	3.1	4.1

12M rating **BUY (Maintain)**

12M TP **45,300**

Up/Downside

Stock Data

VNIndex (13 Dec, pt)	1,031
Stock price (13 Dec, VND)	28,250
Market cap (USD mn)	459
Shares outstanding (mn)	384
52-Week high/low (VND)	63,723/17,465
6M avg. daily turnover (USD mn)	3.36
Free float / Foreign ownership (%)	60.4/45.0
Major shareholders (%)	
Chairman	12.09
Ibeworthy Pte. Ltd.	8.19
Thai Binh Investment JSC	5.9

Performance

	1M	6M	12M
Absolute (%)	47.2	(28.4)	(51.7)
Relative to VNIndex (%p)	39.0	(13.2)	(22.6)

Stock price trend



Source: Bloomberg

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