

31 Jan 2023

Novaland JSC (NVL)

A chaotic quarter

4Q22: Earnings slump amid the lack of non-core income

- Novaland recorded its 4Q22 decelerating topline of VND3,241.3bn (-29.4% yoy, -1.2% qoq) owing to a tepid VND2,773bn handover value (-34.2% yoy) of low-rise houses in Aqua City, NovaWorld Phan Thiet. The consulting segment and leasing segment thrived by 15% yoy/187.5% yoy, equaling to VND410bn/57.5bn in 4Q22.
- Blended gross margin continuously dipped to 33.6%, -11.2%p yoy, -9.4%p qoq, offset by a soft SGA to sale ratio (19.2%, -3%p qoq, -1%p yoy). Operating profit slumped to VND468.3bn, -31.1% qoq, -58.4% yoy.
- Financial income came in at VND907.3bn, +33.5% yoy, -42.3% qoq driven by an income of business cooperation contract (BCC) of VND719bn.
- The cool off of USD/VND resulted in a decreasing foreign exchange loss of VND84bn in 4Q22 vs VND447bn in 3Q22, Hence, financial expense eased to VND670.4bn, -12.5% yoy, -52.6% qoq in 4Q22.
- Net other income plunged by 92.4% yoy to VND30bn in 4Q22. The company recorded VND393.7bn income driven by goodwill income from acquiring Unity, Binh An Tourism, Da Lat Lake, and Hoan Vu companies in 4Q21.
- Overall, NPATMI dropped by 70.7% yoy to VND239.1bn, due to the deferred tax expense of VND843.6bn.
- Despite earning a goodwill income of VND1,269.7bn from acquiring 72.6% stake in Da Lat Valey JSC in 1Q22 other income and financial income from divesting stake of VND729bn in 3Q22, 2022 revenue and NPAT fell by 25.3/30.2% yoy, fulfilling 30.9%/34.7% of their guidance.

Negative CFO triggered concerns

- In 2022 NVL enjoyed a negative CFO of VND3,262bn, vs VND3,841.3bn in 2021. As of end-4Q22, the net gearing rose to 1.24x vs 0.98x as of end-4Q21. Total net debt rose to VND55.6tn as of end-4Q22, +46.5% YTD.
- The company obliges to pay a VND18.4tn corporate bond in next 12 months as of end-4Q22, reducing by VND4.3tn as of end-3Q22.

	2018A	2019A	2020A	2021A	2022P
Sales (VND bn)	15,290	10,931	5,026	14,903	11,135
chg. (% YoY)	31.4	(28.5)	(54.0)	196.5	(25.3)
Operating profit (VND bn)	4,006	1,660	379	3,519	1,853
Net profit (VND bn)	3,239	3,431	3,919	3,225	2,264
EPS (VND)	3,546	3,579	4,021	1,819	123
chg. (% YoY)	10.5	0.9	12.3	(54.8)	(93.2)
EBITDA (VND bn)	4,503	(1,091)	1,115	2,251	2,081
PE (x)	21.9	21.3	19.0	44.3	12.1
EV/EBITDA (x)	18.6	N.M	97.6	81.4	39.8
PB (x)	3.6	3.2	2.8	4.0	0.6
ROE (%)	19.5	15.5	13.9	8.8	5.2
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
Up/Downside

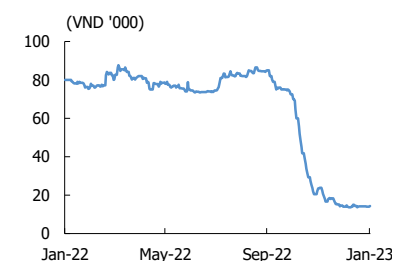
Stock Data

VNIndex (31 Jan, pt)	1,098
Stock price (31 Jan, VND)	14,200
Market cap (USD mn)	1,181
Shares outstanding (mn)	1,950
52-Week high/low (VND)	87,700/13,600
6M avg. daily turnover (USD mn)	13.15
Free float / Foreign ownership (%)	38.9/6.0
Major shareholders (%)	
NovaGroup	29.4
Diamond Properties JSC	10.4

Performance

	1M	6M	12M
Absolute (%)	(1.4)	(11.3)	(11.9)
Relative to VNIndex (%p)	(7.6)	11.9	15.6

Stock price trend



Source: Bloomberg

Research Dept

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The risk-reward trade-off is huge

- NVL is trading at 12.1x TTM PE, and 0.6x PB, a historical low in three years (the 3-year median PE of 29.3x and PB of 3.6x).
- The sharp dip in NVL price could trigger the bottom fishing strategy from those retail investors. However, we do not consider it effective given the earnings erosion and default risk have yet to be priced in.

Table 1. 4Q22 earnings

(VND bn, %, %p)

	4Q21	1Q22	2Q22	3Q22	4Q22	QoQ	YoY	Consensus
Sales	4,590.6	1,956.4	2,658.2	3,279.3	3,241.3	(1.2)	(29.4)	N.A
Gross profit	2,057.9	719.6	1,127.7	1,410.4	1,090.4	(22.7)	(47.0)	N.A
Gross margin	44.8	36.8	42.4	43.0	33.6	(9.4)	(11.2)	N.A
OP	1,126.9	154.7	550.8	679.3	468.3	(31.1)	(58.4)	N.A
OP margin	24.5	7.9	20.7	20.7	14.4	(30.4)	(41.2)	N.A
EBT	1,440.3	1,351.4	1,289.5	736.7	736.3	(0.1)	(48.9)	N.A
NPATMI	817.2	1,079.0	740.0	196.9	239.1	21.4	(70.7)	N.A

Source: Company data, KIS

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