

30 Jan 2023

Vinhomes JSC (VHM)

The perfect end

- 4Q22 NPATMI dropped 25.2% yoy, 38.4% qoq to VND8.9tn amid the gross margin contraction and absence of bulk sale
- Presale growth is expected to be steady in 2023F, per management.
- Maintain BUY with unchanged TP.

Facts: 4Q22 fulfilled the guidance

In 4Q22 Empire project played a key revenue catalyst growth with a VND22.1tn revenue contributing to a VND28.7tn property revenue. The total revenue summed to VND31.2tn, +75.2% qoq, +33.2% yoy.

However, NPATMI plunged to VND8.9tn, -25.2% yoy, -38.4% qoq despite the brisk revenue growth. We attribute the NPATMI slump to the facts including 1) The gross margin slid to 48.4%, -3.9% qoq, -11.9% yoy due to the domination of thin-margin (35-48%) high rise property revenue and 2) the absence of a VND10,923bn financial income recorded in 3Q22 from the bulk sale transactions in Empire and Crown projects.

The 4Q22 results erase doubt about VHM's fulfilment ability of 2022F revenue/NPAT guidance thanks to their completion of 83.3/96.3% of full year guidance in 2022. Overall, the company achieved VND62.5tn revenue, and a VND28.8tn NPAT, equaling to -26.6/-26.4% yoy in 2022.

In 4Q22, VHM sold 1,097 units of Empire and Crown projects of which 213 units are bulk sale. Overall, over 33,900 units have been sold with a VND128.2tn contracted sales (62% yoy), bringing unbilled booking value of VN107tn as of end-4Q22, providing the strong foundation for 2023F earnings.

Pros & cons: Presale expected to be steady

In 2023F, the company plans to launch the remainder of Ocean Park, Smart City and Grand Park with 6,230 units. Per management, Wonder Park, Coloa projects are on track to open for retail sale in 1Q23F and Dai An (Crown) project launched in 3Q22F with 800 units on Oct 10. In Nov, the company will proceed the soft launch of Golden Avenue project in Quang Ninh province with total 2,000 low-rise units, translating to a VND18-19tn gross development value (USD800mn).

Action: Earnings are under review

VHM's share price sharply plunged since the investors' sentiments are vulnerable over some investigation on the market distortion and corporate bond issuance. TTM PE slipped to 7.0x, a historical low level and that offers a bargain price given the steady earnings growth prospect. VHM deserves to trade at a high premium underpinned by the rosy presale growth momentum. We will review our presale forecasts and factor in the newly-added project (Vinhomes Empire) to reflect the new landscape of VHM's development pipeline and earnings estimates.

12M rating **BUY**

12M TP **93,615**

Up/Downside **+112.7%** (includes 1.0% dividend)

Stock data

VNIndex (30 Jan, pt)	1,103
Stock price (30 Jan, VND)	51,500
Market cap (USD mn)	9,561
Shares outstanding (mn)	4,354
52-Week high/low (VND)	79,869/43,400
6M avg. daily turnover (USD mn)	5.83
Free float / Foreign ownership (%)	23.7/24.4
Major shareholders (%)	
Vingroup	66.6
Government of Singapore	5.01
Viking Asia Holdings II Pte.Ltd	4.6

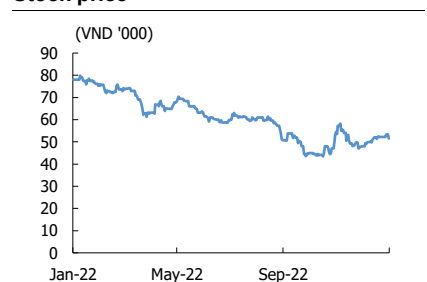
Valuation

	2020A	2021A	2022F
PE (x)	9.2	6.6	7.0
PB (x)	2.9	1.9	1.6
ROE (%)	35.6	35.2	27.8
DY (%)	0.1	1.8	1.5
EV/EBITDA (x)	10.6	6.9	6.5
EPS (VND)	6,393	8,916	8,450
BPS (VND)	20,469	30,178	36,670

Performance

	1M	6M	12M
Absolute (%)	7.3	(14.0)	(34.0)
Relative to VNIndex (%p)	(2.2)	(6.0)	(9.7)

Stock price



Source: Bloomberg

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Table 1. 4Q22 earnings

(VND bn, %, %p)

	4Q21	1Q22	2Q22	3Q22	4Q22	QoQ	YoY
Sales	23,413.0	8,923.5	4,530.0	17,804.9	31,193.3	75.2	33.2
Gross profit	14,098.6	3,866.0	1,391.2	9,295.9	15,084.7	62.3	7.0
Gross margin	60.2	43.3	30.7	52.2	48.4	(3.9)	(11.9)
OP	11,146.3	2,461.8	543.7	8,006.6	13,365.0	66.9	19.9
OP margin	47.6	27.6	12.0	45.0	42.8	(2.1)	(4.8)
EBT	14,126.2	5,885.6	1,256.7	18,948.7	12,467.5	(34.2)	(11.7)
NPATMI	11,932.5	4,540.1	508.9	14,493.8	8,927.8	(38.4)	(25.2)

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	2021A	2022F
Current assets	91,203	139,555	102,010	94,437	334,093
Cash & cash equivalents	3,515	13,332	12,479	4,626	155,235
Accounts & other receivables	43,356	47,468	34,024	37,750	51,094
Inventory	36,743	60,297	43,227	28,579	90,767
Non-current assets	24,771	36,237	56,248	74,324	101,121
Fixed assets	100	625	6,075	6,271	5,894
Investment assets	24,670	35,612	50,173	68,052	95,227
Others	3,716	21,449	56,680	61,756	57,708
Total assets	119,689	197,241	214,937	230,516	492,923
Advances from customers	14,207	40,246	27,310	8,865	203,778
Unearned revenue	0	0	0	0	0
Trade payables	2,504	6,078	10,860	12,507	10,459
Others	22,924	59,697	62,126	57,818	62,770
ST debt & bonds	6,403	18,162	10,998	251	12,245
LT debt & financial liabilities	25,506	8,343	13,958	19,668	36,663
Total liabilities	71,544	132,526	125,252	99,109	325,916
Controlling interest	43,231	56,096	86,148	124,741	159,675
Capital stock	33,495	33,495	33,495	43,544	43,544
Capital surplus	295	295	295	1,260	1,260
Other reserves	1,814	(3,734)	(4,151)	524	524
Retained earnings	7,627	26,040	56,509	79,413	114,347
Minority interest	4,912	8,619	3,538	6,666	7,332
Shareholders' equity	48,143	64,715	89,685	131,407	167,007

Cash flow

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021A	2022F
C/F from operations	(1,463)	51,928	22,273	18,987	144,365
Net profit	14,776	24,319	28,767	38,949	37,459
Dep'n & Amort'n	262	352	583	1,088	1,093
Net incr. in W/C	(3,331)	38,178	10,910	(13,193)	110,122
C/F from investing	(17,842)	(27,320)	(21,171)	(23,909)	(19,396)
Capex	0	0	0	0	0
Incr. in investment	(17,842)	(27,320)	(21,171)	(23,909)	(19,396)
C/F from financing	21,259	(14,792)	(1,955)	(4,165)	25,640
Incr. in equity	12,241	(5,550)	(821)	6,515	0
Incr. in debt	9,963	(5,555)	(976)	(5,481)	28,990
Dividends	(945)	(3,687)	(158)	(5,199)	(3,350)
C/F from others	0	0	0	0	0
Increase in cash	1,954	9,817	(853)	(9,087)	150,609

Income statement

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021A	2022F
Sales	38,664	51,627	70,890	84,986	81,122
COGS	28,603	24,171	45,104	36,526	30,547
Gross profit	10,061	27,456	25,787	48,460	50,575
SG&A	2,444	4,237	5,078	6,058	6,868
Operating profit	7,617	23,219	20,709	42,402	43,707
Financial income	9,046	20,718	8,981	5,944	3,844
Interest income	1,544	2,379	2,496	7,995	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)	518	(10)
Gains (Losses) in associates, subsidiaries and JV	0	0	0	0	0
Earnings before tax	19,719	29,746	37,047	48,129	46,826
Income taxes	4,942	5,427	8,280	9,234	9,367
Net profit	14,776	24,319	28,767	38,949	37,459
Net profit of controlling interest	14,284	21,747	27,839	38,283	36,793
EBITDA	7,879	23,570	21,292	43,490	44,722

Key financial data

FY-ending Dec.	2018A	2019A	2020A	2021A	2022F
Per-share data (VND, adj.)					
EPS	3,280	4,994	6,393	8,916	8,450
BPS	11,057	14,862	20,469	30,178	36,670
DPS	282	1,101	47	1,194	1,000
Growth (%)					
Sales growth	152.8	33.5	37.3	19.9	(4.5)
OP growth	143.5	204.8	(10.8)	104.8	7.5
NP growth	843.9	64.6	18.3	35.2	0.1
EPS growth	180.4	52.2	28.0	39.5	(5.2)
EBITDA growth	122.7	199.2	(9.7)	104.3	7.3
Profitability (%)					
OP margin	19.7	45.0	29.2	49.9	56.2
NP margin	38.2	47.1	40.6	45.8	48.0
EBITDA margin	20.4	45.7	30.0	51.2	57.5
ROA	16.7	13.7	13.3	17.4	8.7
ROE	49.0	38.5	35.6	35.2	27.8
Dividend yield	0.4	1.7	0.1	1.8	1.5
Dividend payout ratio	8.6	22.0	0.7	13.4	11.8
Stability					
Net debt (VND bn)	28,393	13,173	11,242	15,293	(106,326)
Net debt/equity (%)	59.0	20.4	12.6	11.6	(63.7)
Valuation (x)					
PE	17.9	11.8	9.2	6.6	7.0
PB	5.3	4.0	2.9	1.9	1.6
EV/EBITDA	31.2	9.8	10.6	6.9	6.5

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