

5 May 2023

Housing property

Don't look at only Vinhomes

The loss was not odd in 1Q23; VHM stays resilient in 2023F

Several companies made losses and posted negative net profit growth in 1Q23. However, the 1Q23 aggregated NPAT of 27 listed housing developers grew splendidly with 69.2% yoy revenue growth and 63% yoy net profit growth. VHM was a savior with revenue/NPAT growth standing at 228.3% yoy (VND29.3tn revenue) and 152.3% yoy (VND11.9tn net profit). Despite the poor 2022 with revenue growth of -22.5% yoy and net profit contraction of 28.1% yoy, the 2023 guidance is set gloomy: the bottom line is flattish at 5.1% yoy (VHM: VND30tn, +3% yoy)

Only NVL's balance sheet grew scary

The loan balance remains flattish, while the bond balance shrinks by 13.3% YTD thanks to redemption and due payment like DIG, NVL, PDR, and AGG. Regarding the due debt payment as of end-1Q23, the listed developers must pay around VND37tn, unchanged vs end-4Q22. Of which, around VND28.9tn (-3.7% YTD), corporate bonds must be paid in next 12 months. The pressure drags on NVL with VND20.8tn bond. In terms of inventory including construction in progress, there's around VND360.7bn inventory as of end-1Q23 and NVL posted a growing inventory balance.

The 2Q23F could be chaotic but full of anticipation

Entering the season marketing campaigns or sales events in 2Q23F, we do not think the market could be excited usually with numerous activities. The 2Q23F could witness the abundant real estate due bond payment up to VND40-45tn, higher than VND23tn due in 1Q23, and more and more bond issuers could ask for rescheduling. One thing that could relieve lies on the bond issuance landscape. The newly-amended Decree 08 and Circular 02 on corporate bond issuance could spur bond subscription. However, we think the coupon rate could see a 3-4%p higher than the average ones in 2022 (11-13%) to compensate for the destroyed belief of bond buyers.

2023F neutral outlook; tackling the licensing issue could yield

We maintain our Neutral rating on Vietnam's residential sector due to the inherent roots of bottlenecks have yet been addressed thoroughly including the expensive mortgage rates, the deteriorated homebuyers' purchasing power.

The recently ramping-up solutions and urges from Prime Minister to tackle the licensing bottlenecks could signal rising hope from the developers. We look forward to more and more housing properties could be legal to mobilize funds and launch. Despite some headwinds blowing fiercely, many developers with their flexible strategy in sales combined with concrete balance sheets could weather the storm smoothly.

Neutral (Maintain)

Company	Rating	TP (VND)
Vinhomes	BUY	93,615
Khang Dien	BUY	37,500
Nam Long	BUY	45,300

Research Dept

researchdept@kisvn.vn

1Q22 earnings growth of the whole grew splendidly since VHM was savior.

Again, some made losses but VHM led the whole

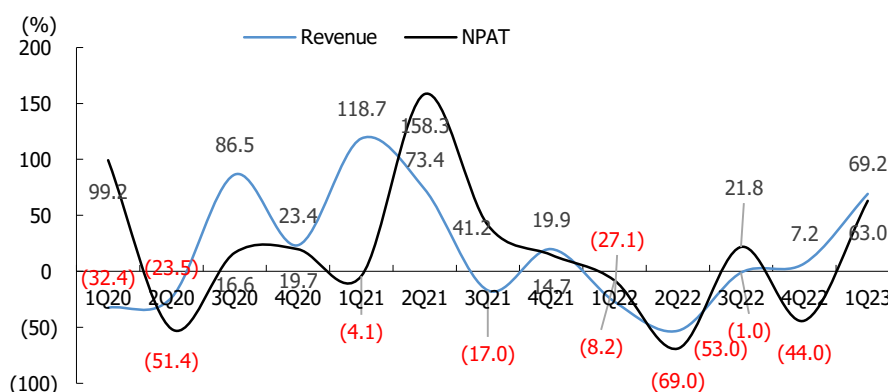
This quarterly earnings report on housing property is intended to track the earnings growth trend of listed Vietnamese residential developers. Normally, the 1st quarter is the off-peak season. Based on our collection, the 1Q23 aggregate revenue momentum of 27 listed companies was 69.2% yoy but -30% qoq. The last two quarters were mixed at -27.1% yoy/118.7% yoy in 1Q22/1Q21. NPAT spiked up 63% yoy and 24.7% qoq in 1Q23 vs -44.0% yoy/-40.5% qoq in 4Q22.

Table 1. aggregated earnings: 1Q23 growth skewed in favor VHM (VNDbn, %)

	1Q22	2Q22	3Q22	4Q22	1Q23	QoQ	YoY
Revenue	20,851.5	20,421.9	31,505.1	50,406.8	35,283.5	(30.0)	69.2
OP	4,942.0	4,888.0	10,570.2	15,702.0	6,619.7	(57.8)	33.9
NPAT	7,852.6	4,313.3	17,267.1	10,265.4	12,796.0	24.7	63.0

Source: Fiinpro, KIS

Figure 1. Revenue/net profit yoy growth: 1Q23 climbed back to green territory

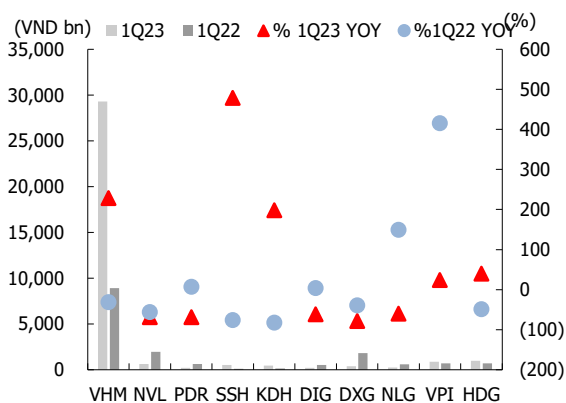


Source: Fiinpro

The sector diverged with some players recording PBT losses in 1Q23

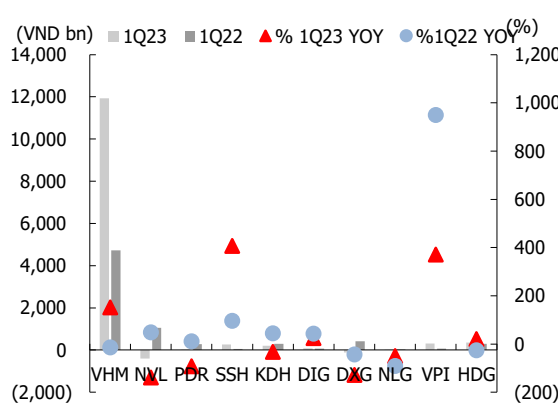
In terms of the constituent, VHM led the sway with revenue/NPAT shares standing at 83%/93.2%. VHM's revenue/NPAT growth made up sector aggregate growth of 189.6% yoy/+141.9 yoy in 1Q22. Excluding VHM, we saw the revenue drop across the whole sector and PBT loss transmitted to some profound names including DXG, NVL, CRE, and NRC. Nothing was unexpected about the loss as 1Q23 was the lowest season of sale events and revenue booking. Furthermore, the credit crunch in 2022 and homebuyers' demand contraction from late 2022 and have been prolonged in 1Q23.

Figure 2. Revenue: only VHM was strong enough



Source: Company data, Fiinpro

Figure 3. Net profit: VHM changed the landscape



Source: Company data, Fiinpro

**VHM once again
dominates the 2023
steady guidance growth**

The AGM season lightens VHM

Despite the poor 2022 with revenue growth of -22.5% yoy and net profit contraction of 28.1% yoy, the 2023 guidance is set gloomy: the bottom line is flattish at 5.1% yoy amid the rosy top-line growth of 49.6% yoy. While some solid firms (VHM, KDH, NLG) look forward conservatively with their unchanged yoy net profit growth guidance, the smaller ones seem optimistic (DIG, NBB, HQC). Notably, these players fell shy of 2022 net profit guidance.

Table 2. 2023 guidance: VHM is still the biggest catalyst (VNDbn, %)

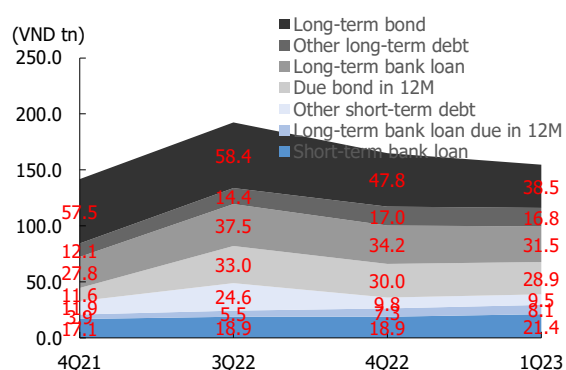
	Revenue			NPAT		
	2023G	2022A	% YoY	2023G	2022A	% YoY
VHM	100,000	62,500	60.0	30,000	29,126	3.0
KDH	3,100	2,911	6.0	1,000	1,103	(9.0)
NLG	4,800	4,324	11.0	586	558	5.0
DXG	5,500	5,512	(0.2)	158	534	(70.4)
DIG	4,000	1,897	110.9	1120	191	485.2
SJS	1,145	572	100.0	256	141	82.0
NTL	700	391	79.0	240	107	125.0
NBB	800	466	72.0	21	7	189.0
LDG	1,448	276	424.0	4	4	0.0
SCR	540	900	(40.0)	16	64	(75.0)
VPI	2,200	2,152	2.2	500	492	1.6
KHG	1,060	1,426	(25.7)	480	442	8.6
HDC	1,770	1,298	36.4	488	420	16.2
CSC	1,025	1,731	(40.8)	152.5	363	(58.0)
NRC	200	194	3.0	50.0	(73)	
HQC	1,700	332	411.7	150	19	697.9
TOTAL	129,988	86,882	49.6	35,221	33,498	5.1

Source: Fiinpro, KIS

Again, NVL weights the balance sheet

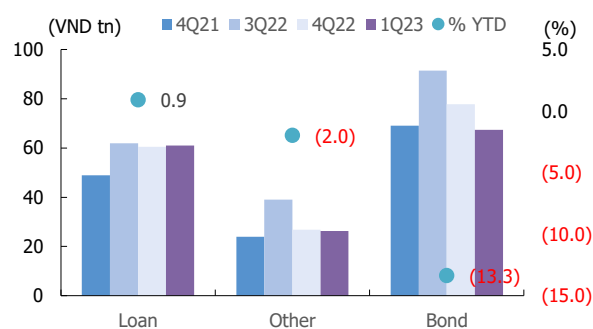
We examined into the bank loan, corporate bonds, and others (lenders could be contractors, BOD's relatives...). The loan balance remains flattish, while the bond balance shrinks by 13.3% YTD thanks to redemption and due payment like DIG, NVL, PDR, and AGG. Regarding the due debt payment in 2023F as of end-1Q23, the listed developers must pay around VND37tn, unchanged vs end-4Q22. Of which, around VND28.9tn (-3.7% YTD), corporate bonds must be paid in 2023. The pressure drags on NVL with VND20.8tn bond.

Figure 6. Total debt: Due bond remained stressful



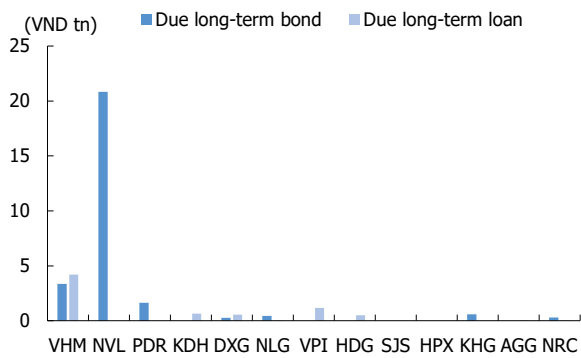
Source: Company data, Fiinpro

Figure 7. Total debt: Bond down due to redemption



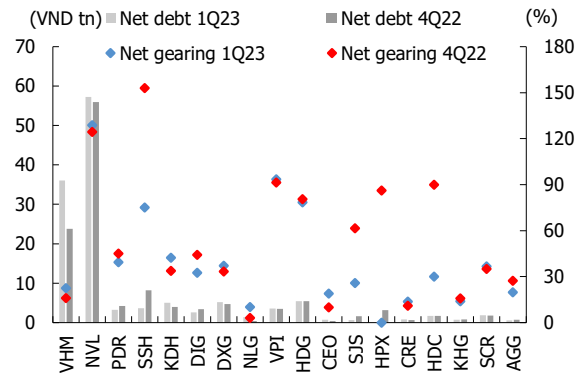
Source: Company data, Fiinpro

Figure 8. Due debt: NVL has yet to relieve the bondholder



Source: Company data, Fiipro

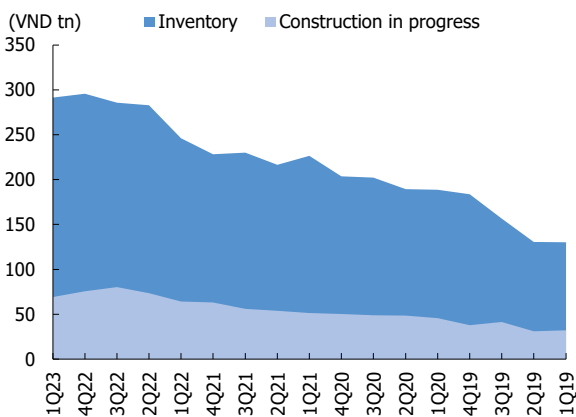
Figure 9. Net gearing: some reduced but stayed high



Source: Company data, Fiipro

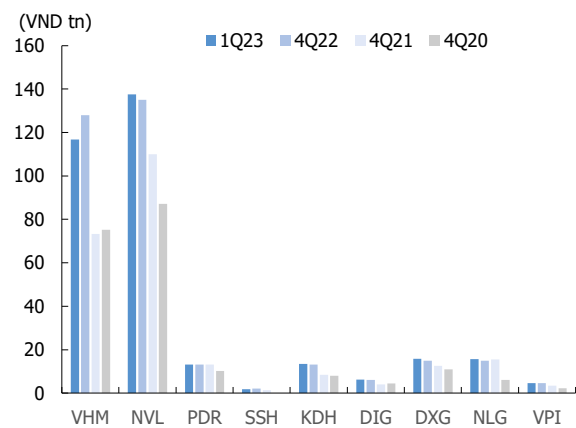
In terms of inventory including construction in progress, there's around VND360.7bn inventory as of end-1Q23 and NVL posted a growing inventory balance. Since most developers stockpiled the inventory for up to 2-3 years on the account of prolonged license process, it could be hard to judge inventory growth as the con points. Even inventory balance rose, the advance payment dropped to VND93.7tn as of end-1Q23, largely stemming from VHM's decelerating advance payment.

Figure 10. Inventory: Stockpile moved up strongly



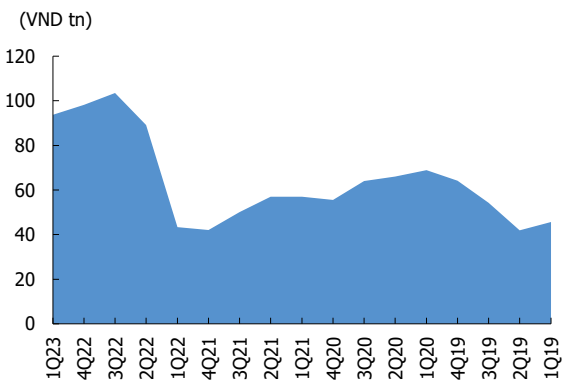
Source: Company data, Fiipro

Figure 11. Inventory: NVL kept surging



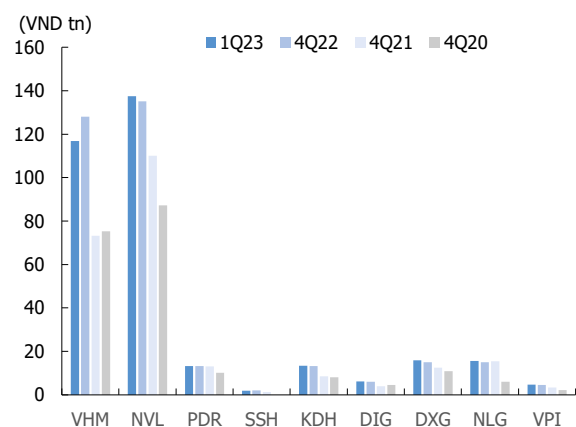
Source: Company data, Fiipro

Figure 12. Advance payment: Despite inventory being unchanged, advance payment was subdued



Source: Company data, Fiipro

Figure 13. Advance payment: VHM and NVL reaped the highest growth



Source: Company data, Fiipro

What is next in 2Q23F?

Entering the season marketing campaigns or sales events in 2Q23F, we do not think the market could be warm or excited with numerous activities. The expensive mortgage rates could also cast a shadow on the homebuyers' affordability. We believe developers scrutinize how to leverage homebuyers' eligibility with an extremely accommodative subsidy package or seek banks that could offer the most competitive lending parcel.

The 2Q23F could witness the abundant real estate due bond payment up to VND40-45tn of which Novaland must pay VND8,700bn, Sovico Group (VND6,400bn), Hung Thinh (VND2,300bn), R&H Group (VND2,500bn). The newly-amended Decree 08 and Circular 02 on corporate bond issuance and bond subscription by banks could blow a wind of relief for those bondholders thanks to loosening clauses on repayment and professional individual buyers. However, that is not sufficient to fill in the lost trust of subscribers. Hence, we expect the nominal coupon rate could surge by 3-4%p higher than the average in 2022 (11-13%) with more favorable issuance conditions: publicly listed bond issuance, and buy-back commitment from a third party. The easing deposit rate could spur the bondholder (banks, securities firms, and other professional entities) to join in. Overall, we envisage a much more buoyant bond issuance landscape in 2Q23-3Q23.

The recently ramping-up solutions and urges from Prime Minister to tackle the legal bottlenecks could signal rising hope from the developers. We look forward to more and more housing properties could be legal to mobilize funds and launch. As a result, the advance payment could play a key source of bond redemption, especially NVL, DXG, and PDR.

In light of the 2Q23F business result expectation given the off-peak performance quarter throughout the year, we still anticipate NLG could record bullish yoy growth thanks to their financial income gains from Dai Phuoc project. In contrast, VHM could subside after the skyrocketing 1Q23

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