

20 Jul 2023

Nam Long (NLG)

AM Briefing: Hope is on the rise

AM Briefing:

- On Jul 20, we attended NLG Day held by Nam Long, and the presentation covered the 2Q23 business results, presales target.

Tepid results as expected in 2Q23

- The company shed some light on its 2Q23 prelim results with a VND953bn revenue, -23.2% yoy, and a VND121bn NPATMI (+9.2% yoy) largely arising from the handover of 88 Southgate units (VND931bn).
- The gross margin of 88 Southgate units was rosy at 58.8%, 13.6%p yoy, pushing the gross profit to the same as 2Q22 at VND561bn.
- The SGA expense slid to VND250bn, -18.8% yoy, attributed to the EBIT growth of 22.6% yoy to VND311bn.
- The associate income growth of VND37bn was backed by the delivery of 662 units of Mizuki projects.

Solid 2023F guidance remains unchanged, per management

- The 1H23 NPATMI came in at VND128bn, +14.7% yoy despite a VND1,188bn revenue, -35% yoy thanks to increasing associate income of VND116bn, +45.7x yoy assisted by handover of 1,075 units Mizuki projects.
- Overall, the company fulfilled 24.8/21.8% of its full-year guidance.
- Facing the doubt of full-year guidance completion feasibility, the company reaffirms its capability by a solid pipeline of VND870bn revenue from Southgate project, VND495bn revenue from Ehome, and VND1,871bn revenue from Izumi City project.
- Furthermore, the financial gain from the remainder stake transfer in the Paragon Dai Phuoc project which the company recorded the first 25% stake of VND244bn in 4Q22 is foreseen to materialize in 4Q23F, per management.

	2018A	2019A	2020A	2021A	2022A
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	11.4	9.9	12.5	13.2
EV/EBITDA (x)	3.2	7.7	13.2	46.6	18.3
PB (x)	1.5	2.0	1.9	1.9	1.6
ROE (%)	15.6	20.3	19.9	15.7	14.7
Dividend yield (%)	1.5	1.3	2.6	2.4	3.1

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

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12M rating **BUY (Maintain)**

12M TP **45,300**

Up/Downside

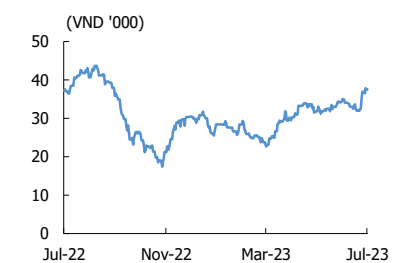
Stock Data

VNIndex (20 Jul, pt)	1,043
Stock price (20 Jul, VND)	4,240
Market cap (USD mn)	86
Shares outstanding (mn)	477
52-Week high/low (VND)	6,210/1,610
6M avg. daily turnover (USD mn)	1.36
Free float / Foreign ownership (%)	84.1/5
Major shareholders (%)	
Chairman	11.57
Ibeworthy Pte. Ltd.	8.19
Thai Binh Investment JSC	5.9

Performance

	1M	6M	12M
Absolute (%)	7.3	32.2	0.8
Relative to VNIndex (%p)	1.7	25.6	1.3

Stock price trend



Source: Bloomberg

Hope on 2H23 presales growth is on the rise

- Addressing the presales growth in 2H23F of VND8,563bn vs VND867bn in 1H23, the company shares they are bullish with their marketing sale plan amid the supply scarcity, and the economic growth landscape in 2H23F boosting the homebuyers' confidence.
- The presales growth comes from Waterpoint Southgate (VND3,340bn), Ehome (VND727bn), Akari (VND2,472bn) and Mizuki (VND1,162bn)
- We acknowledge the company's ambition and effort to shore up the sales plan but stay skeptical about the feasibility and expect the company could reinstate its presales target down in the 4Q23.
- We are reviewing the earnings in 2023F-25F to factor in the true landscape of NLG's business plan.

Table 1. 2Q23 earnings

(VND bn, %, %p)

	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY
Sales	1,241	882	1,629	235	953	305.5	(23.2)
Gross profit	561	358	814	160	561	251.2	(0.1)
Gross margin	45.2	40.6	50.0	67.9	58.8	(9.1)	13.6
OP	253	91	429	(19)	311	(1,758.0)	22.6
OP margin	20.4	10.3	26.3	(8.0)	32.6	40.5	12.2
EBT	242	79	705	34	320	829.9	32.3
NPATMI	111	43	437	7	121	1,674.1	9.2

Source: Company data, KIS

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Prepared by: Nhan Lai

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