

31 Jul 2023

VINGROUP (VIC)

AM briefing: A wild dream one step closer

2Q23 analyst meeting briefing

- We tuned in to VIC's analyst meeting on Jul 31 which featured the strategic visibility on Vinfast and shed some colors on its 2Q23 operational updates.

Gross margin turnaround in 2Q23

- Vingroup reported its tepid 2Q23 NPAT of VND398bn (-28% yoy, -191.2% qoq), despite the rosy revenue growth of 252.2% yoy, 21% qoq to VND47.1tn.
- The blended gross margin (GM) reaped 22.3% in 2Q23, vs -35.3% in 2Q22 and 11.4% in 1Q23. Hence, operating profit turned black to VND4,190.2bn in 1Q23 vs -VND1,359.2bn in 1Q23. The company made a loss in other income of VND545.5bn in 2Q23 vs -VND537.6bn in 1Q23 arose from the internal combustion engine cease.
- Industrials: Revenue soared 2.4x yoy, 4.6x qoq to VND8tn. GM loss narrowed to -42.4% vs -234.2% in 1Q23 and -225.3% in 2Q22. The company delivered VF8 City in the United States and VF9/VF5/FV8/VF e34s models in Vietnam. Total handover of EVs amounted to 9,500 cars/10,200 electric motorcycles in 2Q23. 26,000 backlogs of EVs were booked as of end-2Q23.
- Hospitality: Revenue fared well at VND2,295.6bn, +13.9% yoy, +13.7% qoq thanks to tourism revival (2Q23 room nights sold 362,000, +26% yoy, +23% qoq) offsetting the room price reduction to travel agency in 2Q23 (1Q23 is normally higher qoq). VIC admitted the weight from the negative yoy growth of 1H23 visitors amid tightening consumption and costlier airline fares.
- Education: the 2Q23 revenue sustained to VND946.5bn, 26.5 yoy, -29.4% qoq. GM slumped to 13.3% in 2Q23.
- Healthcare: Vinmec chain revenue persisted at VND1,016bn revenue, +3.9% yoy, +6.9% qoq and a positive GM of 17.5%, -5.7%p yoy, +8%p qoq in 2Q23.

	2018A	2019A	2020A	2021A	2022A
Sales (VND bn)	121,894.4	130,036.0	110,490.0	125,687.9	101,793.6
chg. (% YoY)	36.4	6.7	(15.0)	13.8	(19.0)
Operating profit (VND bn)	11,470.6	10,625.3	(3,343.9)	3,120.3	(10,630.9)
Net profit (VND bn)	3,823.7	7,545.9	5,464.6	(2,513.9)	8,781.9
EPS (VND)	1,286.0	2,433.0	1,691.0	(685.0)	2,367.0
chg. (% YoY)	(14.3)	89.2	(30.5)	(140.5)	(445.5)
EBITDA (VND bn)	16,625.8	18,963.0	6,719.7	18,040.0	10,653.2
PE (x)	45.5	24.1	33.4	N.M	24.6
EV/EBITDA (x)	14.2	14.5	40.5	16.8	8.3
PB (x)	3.1	2.3	2.2	2.0	1.5
ROE (%)	9.0	11.6	7.0	(2.8)	1.3
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 (28 Jul, pt)	1,208
Stock price (28 Jul, VND)	51,500
Market cap (USD mn)	8,872
Shares outstanding (mn)	3,814
52-Week high/low (VND)	71200./50100.
6M avg. daily turnover (USD mn)	4.44
Free float / Foreign ownership (%)	26/13
Major shareholders (%)	
Pham Nhat Vuong and related	17.87
Vietnam Investment Group JSC	32.58
VMI Property JSC	6.92

Performance

	1M	6M	12M
Absolute (%)	(1.3)	(3.5)	(13.9)
Relative to VNIndex (%p)	(7.5)	(13.7)	(16.0)

Stock price trend



Source: Bloomberg

Research Dep

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Wary about the accelerating net gearing

- Net debt surged to VND162.6tn, 12.2% YTD prompting net gearing of 1.18x as of end-2Q23 vs 1.1x as of end-4Q22. Net debt/EBITDA surged to 3.5x
- Total debt stood at VND185.9tn as of end 2Q23. The company must pay a VND75.3tn within the next 12 months, of which the corporate bond due payment was VND28.2tn, the syndicated loan was VND1134tn and the reminder was a bank loan. The heightened debt is raising concerns about its refinancing capacity amid the increasingly costlier borrowing rate (64.5% of total debt is a floating interest rate).
- The exchange rate ease could blow a glimpse of relief since 44.8% of total debt was USD-denominated loan.

VinFast's listing plan is one step closer

- Vinfast recalled 990 units VF8 in May due to screen settings.
- Vinfast held the groundbreaking ceremony for its North Carolina factory on 28 July; U.S Securities and Exchange declared Vinfast's F-4 in connection with the proposed business combination with Black Spade effective.
- The company plans to raise USD300-400mn from the IPO and the investors after listing out of USD2bn capex to build the factory.
- VIC also reconfirmed the pipeline of supply amid the concern over the semi-conduct and battery shortage. However, the sales could largely center on Vietnam in 2023F before accelerating in the US, Canada and Europe in the backdrop of increasing brand recognition and sales channels. Total EVs volume sales guidance has yet been released in the meeting.

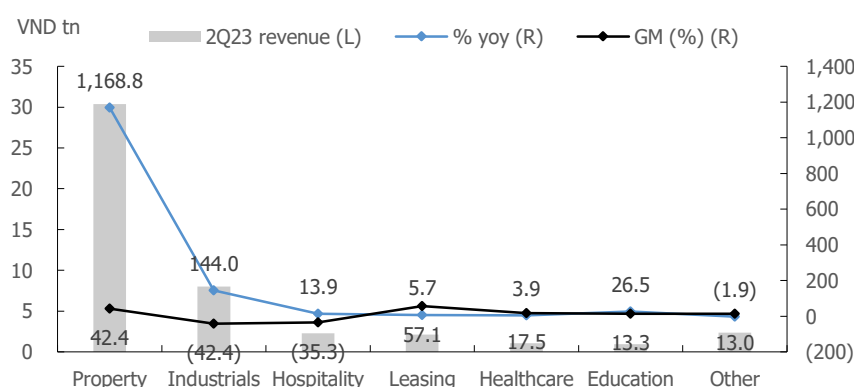
Table 1. 2Q23 earnings

(VND bn, %, %p)

	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	Consensus
Sales	13,384	28,742	41,168	38,963	47,143	21.0	252.2	N.A
Gross profit	(4,719)	5,758	12,804	4,435	10,496	136.7	(322.4)	N.A
Gross margin	(35.3)	20.0	31.1	11.4	22.3	10.9	57.5	N.A
OP	(9,464)	87	3,951	(1,359)	4,190	(408.3)	(144.3)	N.A
OP margin	(70.7)	0.3	9.6	(3.5)	8.9	12.4	79.6	N.A
EBT	1,559	5,252	3,955	4,264	3,672	(592.3)	135.6	N.A
NPAT	553	506	410	589	398	(191.2)	(28.0)	N.A

Source: Company data, KIS

Figure 1. Revenue by segment: VIC traded Vinfast GM for revenue growth



Source: KIS, Company report

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