

28 Jul 2023

Vincom Retail (VRE)

AM Briefing: Faring well amid the abnormal post - outbreak

AM Briefing:

- On Jul 28, we tuned in to VRE's 2Q23, and the presentation covered how the weather the storm of tightening retail consumption amid the inflation fear.

2Q23 brisk earnings were on track

- Vincom Retail released the 2Q23 on Jul 28, featuring a VND2,172.8bn revenue (+17.5% yoy, +11.8% qoq) and a VND1,000.6bn NPAT (+29.4% yoy, -2.3% qoq).
- The total revenue surged arose from an all-around growth
 - ❖ Renting real estate and providing related services revenue inched up VND1,943.5bn, +6.6% yoy, +1.6% qoq. Per the company, this segment was backed by (1) occupancy rate hike by 3.0%p yoy (0.1%p qoq) to 85.5% in 2Q23. Footfall to all VRE's malls sit at 84.4mn, 97% of pre-pandemic level and 2) average rent rate hike of 3-5% yoy.
 - ❖ Real estate transfer skyrocketed to VND197.2bn vs VND8bn in 2Q22 thanks to handover of 23 shophouses in Dien Bien project vs 2 shophouses in Uong Bi and Thai Hoa projects
 - ❖ Provide other services to increase to VND32.1bn, +71.1% yoy, +17.6% qoq
- Since gross margin (GM) contracted by -2.6%p yoy, -6.4%p qoq to 54.7% due to some seasonal energy cost in summer season (extra of VND35bn in 2Q23), gross profit growth slowed down with 12.1% yoy to VND1,189.4bn in 2Q23.
- Lower SG&A to net revenue pushed up the operating profit to VND1,071.5bn, +16.1% yoy.
- The finance income gained the spotlight with VND278.2bn (+166.5% yoy, +24.3% qoq) in 2Q23.
- Healthy balance sheet sustained with a net cash of VND5,461bn, 12%% of total asset as of the end of 2Q23.

	2018A	2019A	2020A	2021A	2022A
Sales (VND bn)	9,124.0	9,259.3	8,328.9	5,891.1	7,361.4
chg. (% YoY)	65.3	1.5	(10.0)	(29.3)	25.0
Operating profit (VND bn)	2,890.5	3,583.0	3,092.7	1,757.2	3,273.3
Net profit (VND bn)	2,404.4	2,851.5	2,381.9	1,314.5	2,776.1
EPS (VND)	1,228.0	1,226.0	1,048.0	578.0	1,222.0
chg. (% YoY)	15.2	(0.2)	(14.5)	(44.8)	111.4
EBITDA (VND bn)	4,047.5	5,030.3	4,575.2	3,249.6	4,725.2
PE (x)	27.6	23.3	27.9	50.5	23.9
EV/EBITDA (x)	16.5	13.5	15.1	20.4	13.2
PB (x)	2.3	2.5	2.3	2.2	2.0
ROE (%)	8.8	10.3	8.5	4.4	8.7
Dividend yield (%)	3.7	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 TP

Up/Downside

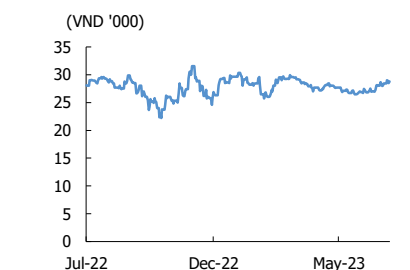
Stock Data

VNIndex (28 Jul, pt)	1,208
Stock price (28 Jul, VND)	28,800
Market cap (USD mn)	2,762
Shares outstanding (mn)	2,272
52-Week high/low (VND)	31,550/22,200
6M avg. daily turnover (USD mn)	3.93
Free float / Foreign ownership (%)	26.4/32.3
Major shareholders (%)	
SADO Trading Commercial JSC	40.5
Vingroup	18.37
WP Investment III B.V.	4.89

Performance

	1M	6M	12M
Absolute (%)	5.5	(5.0)	2.5
Relative to VNIndex (%)	(0.7)	(13.9)	1.2

Stock price trend



Source: Bloomberg

Handover revenue trails but mall opening lags forecast

- The 1H23 performance was brisk with a revenue of VND4,116bn (+28% yoy) and VND2,025bn (+76% yoy) thanks to 1) No subsidy package of VND464bn in 1H22 2) optimization initiatives across operation/marketing/HR functions and 3) occupancy rates from 82.5% in 1H22 to 85.5% in 1H23.
- The company targeted for 2023 business result with (1) base case: VND10,350bn revenue (+40% yoy) and VND4,680bn (+68% yoy), and (2) optimistic case: VND11,500bn revenue (+57% yoy) and VND5,200 NPAT (+87% yoy). 1H23 results completed 39.8/43% of their base case guidance.
- The opening pipeline contracts to only 1: Vincom Plaza Ha Giang (9,500 sqm) could be launched in 3Q23 while the VMM Grand Park could be rescheduled to 3Q24F.
- In contrast, the shophouse handover plan follows the schedule with 350-400 units (Vincom shophouses in Quang Tri-total 515 units) in 3Q23.
- The occupancy rate could pick up to 90% as of end-4Q23F and the 2H23F rent growth could come in at 5% yoy, per management.
- The 12MF PE sits at 14.3x, significantly lower than the 2022 median of 23.9x. We selectively fancy VRE thanks to its earnings turnaround in 2023 which also is factored in the market expectation but we skeptically expect VRE could weather the storm. The decreasing demand for consumption is saw widely across the economic indicators.

Table 1. Earnings summary

(VND bn, %, % p)

	2021				2022				2023		2Q23		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q23	2Q23	QoQ	YoY	Consensus (BB)
Net sales	2,226.4	1,510.4	787.4	1,367.0	1,369.5	1,849.5	2,005.2	2,084.4	1,943.3	2,172.8	11.8	17.5	N.A
Gross profit	1,168.4	629.4	130.3	464.0	611.4	1,061.1	1,039.0	1,052.2	1,188.4	1,189.4	0.1	12.1	N.A
Gross margin	52.5	41.7	16.6	33.9	44.6	57.4	51.8	50.5	61.2	54.7	(6.4)	(2.6)	
SG&A	156.1	132.2	84.0	262.7	142.4	138.3	95.6	167.0	107.7	117.8	9.4	(14.8)	
Operating profit	1,012.3	497.3	46.4	201.3	469.0	922.8	943.4	885.2	1,080.6	1,071.5	(0.8)	16.1	
Financial income	101.6	119.7	78.4	87.4	102.9	104.4	130.4	200.9	223.8	278.2	24.3	166.5	
Financial expense	154.1	151.9	89.2	91.0	89.5	88.1	89.4	92.1	100.4	80.0	(20.3)	(9.2)	
Interest expense	153.3	151.1	88.4	90.9	89.5	88.1	89.4	92.1	100.4	80.0	(20.3)	(9.2)	
Net other income	20.1	18.4	12.9	(17.0)	18.4	20.3	5.6	28.4	44.7	(1.3)	(102.9)	(106.4)	
EBT	979.8	483.4	48.4	180.7	500.7	959.5	990.0	1,022.5	1,248.8	1,268.4	1.6	32.2	
Net profit	781.1	387.6	24.4	121.9	377.6	773.1	793.6	791.5	1,024.0	1,000.6	(2.3)	29.4	
NP of controlling interest	780.9	387.5	24.3	121.8	377.4	773.0	793.4	791.0	1,023.8	1,000.6	(2.3)	29.4	N.A
EBITDA	1,508.0	1,009.8	505.5	634.2	938.1	1,402.8	1,448.7	1,494.2	1,720.4	1,719.6	(0.0)	22.6	
EBITDA margin	67.7	66.9	64.2	46.4	68.5	75.8	72.2	71.7	88.5	79.1	(9.4)	3.3	
OP margin	45.5	32.9	5.9	14.7	34.2	49.9	47.0	42.5	55.6	49.3	(6.3)	(0.6)	

Source: Company data, KIS

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