

7 Aug 2023

Housing property

A miracle called VHM

1Q23 was awesome but 2Q23 was much more stunning

The 2Q23 earnings results trailed the expectation (several companies made losses and posted negative net profit growth in 2Q23) except VHM with revenue/NPAT growth standing at 624.8% yoy/12.1% qoq (VND32.8tn revenue) and 15.6x yoy/-18.5% qoq (VND9.7tn net profit). Thankfully, the 2Q23 aggregated revenue/ NPAT of 27 listed housing developers grew splendidly with 104% yoy/18.1% qoq revenue and 163% yoy/ -11.2% qoq net profit. Thanks to the 2023 guidance set gloomy, the completion of full-year companies' NPAT estimates were rosy (VHM: 72.1%; SSH: 161%; NLG: 27%).

Rescheduling debt alleviates NVL's debt duty

The loan balance picked up by 12.8% YTD, while the bond balance shrinks by 17.8% YTD thanks to redemption and due payment like VHM, SSH, NVL, PDR, and DXG. Regarding the due debt payment as of end-2Q23, the listed developers must pay around VND24.8tn, -33.5%YTD. Of which, around VND17.7tn (-40.9% YTD) of corporate bonds must be paid in the next 12 months. The pressure drags on NVL with VND13.8tn bond, lessening than 1Q23' VND20.8tn thanks to bondholders' acceptance to reschedule. In terms of inventory including construction in progress, there's around VND368.1tn inventory as of end-2Q23 and NVL posted a growing inventory balance.

2Q23 bolsters the 3Q23F anticipation

In contrast to tepid 2Q23 when the seasonal marketing campaigns or sales events commenced, we believe the market could welcome numerous activities including the soft launch of NLG, KDH, and PDR. In addition, we expect bond subscriptions could be more buoyant thanks to VHM and VIC's issuance totaling VND12tn-15tn in 3Q23. Two things could stay the same as 2Q23 regarding to the bond payment duty: real estate due bond payment could mount to VND57-60tn in 3Q23 and more and more bond issuers could not exercise new rescheduling commitment.

2023F neutral outlook; tackling the licensing issue could yield

What we feel relieved lies in the mortgage rates which dropped by 0.5%p in early 3Q23F and could decelerate more by 0.5% in late 3Q23F. The easing mortgage rates could solidify the take-up rate of soft launches in 3Q23F. The recently ramping-up solutions and urges from Prime Minister to tackle the licensing bottlenecks could signal rising hope from the developers. In light of 3Q23 earnings results, we project a yoy and qoq reduction NPAT as we do not think VHM could persist its booming growth compensated by the positive growth of NVL, DXG, NLG and DIG. We maintain Neutral given the corporate bond payment has yet been resolved thoroughly and signal of relieving licensing process must need time to shine.

Neutral (Maintain)

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

Research Dept

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Again, ignoring the loss, and paying attention to VHM

2Q23 earnings growth crept above the expectation.

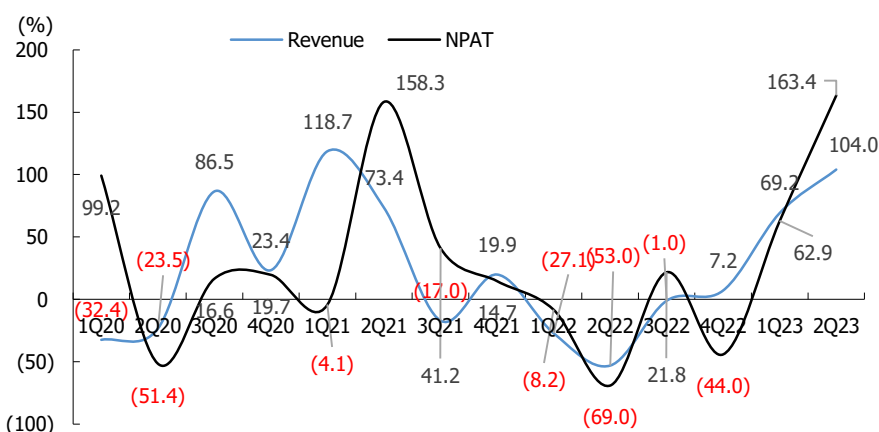
This quarterly earnings report on housing property is intended to track the earnings growth trend of listed Vietnamese residential developers. Normally, the 2nd quarter is not the peak season. Based on our collection, the 2Q23 aggregate revenue momentum of 27 listed companies was 104% yoy /18.1% qoq. NPAT spiked up by 163.4% yoy, -11.2% qoq in 2Q23 despite the brisk 1Q23

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

	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY
Revenue	20,421.9	31,505.1	50,406.8	35,283.8	41,657.5	18.1	104.0
OP	5,468.6	10,570.2	15,702.0	6,646.1	13,452.2	102.4	146.0
NPAT	4,313.3	17,267.1	10,265.4	12,791.9	11,363.3	(11.2)	163.4

Source: Fiinpro, KIS

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

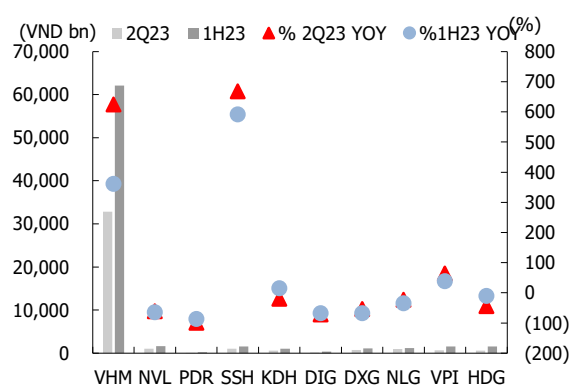


Source: Fiinpro

The sector diverged with some players recording PBT losses or suffering the NPAT slump in 2Q23

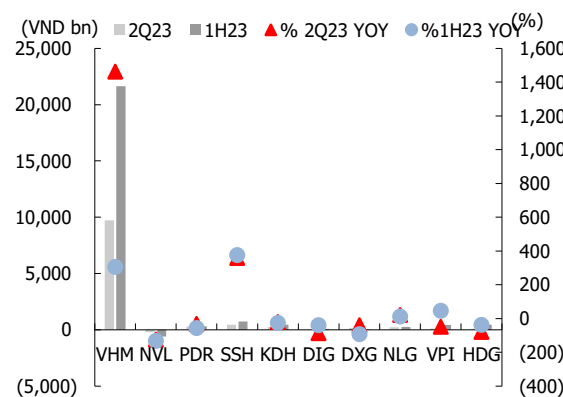
In terms of the constituent, VHM led the sway with revenue/NPAT shares standing at 78%/85.5% in 2Q23. VHM's revenue/NPAT growth made up sector aggregate growth of 492.4% yoy/+13.5x yoy in 2Q22. Excluding VHM, we saw the revenue drop across the whole sector and PBT loss transmitted to some profound names including NVL, DRH, QCG, and NRC. Nothing was unexpected about the loss as 2Q23 was the lowest season of sale events and revenue booking. Furthermore, the supply bottlenecks and homebuyers' demand contraction have been prolonged in 2Q23.

Figure 2. Revenue: VHM rocked the market again

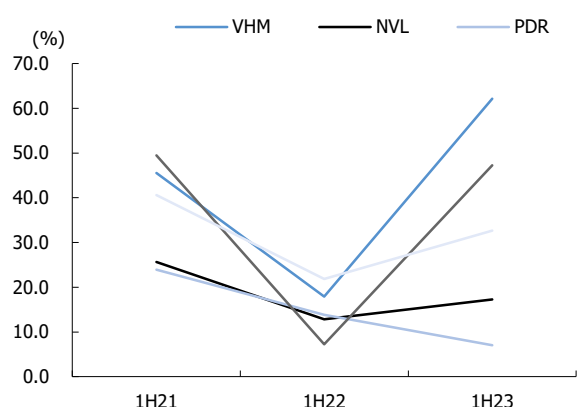


Source: Company data, Fiinpro

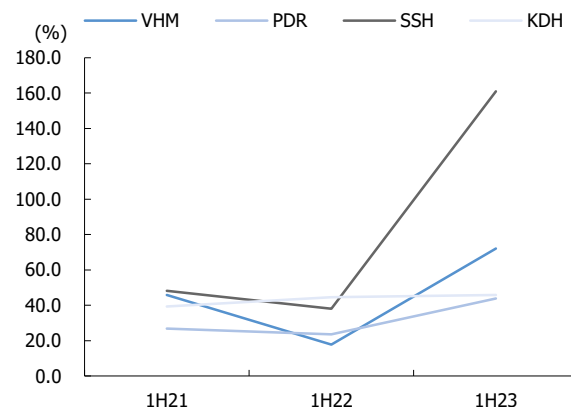
Figure 3. Net profit: VHM changed the landscape



Source: Company data, Fiinpro

Figure 4. Revenue completion: VHM topped

Source: Company data, Fiinpro

Figure 5. Net profit completion: VHM changed the landscape

Source: Company data, Fiinpro

1H23 looked rosy across the income statement from the top to the bottom thanks to financial income from the VHM's bulksale in 1Q23

Table 2. 1H23 snapshot: Financial income growth was a savor (VNDbn, %)

	1H23	1H22	1H21	%1H23 YOY	%1H22 YOY	% 1H21 YOY
Revenue	76,941.3	41,273.4	72,021.4	86.4	(42.7)	88.9
Gross profit	26,783.4	17,882.7	38,987.9	49.8	(45.2)	152.1
OP	20,098.2	10,410.6	25,770.3	93.1	(59.6)	219.3
Financial income	17,915.8	9,439.1	6,784.3	89.8	39.1	(49.0)
Other income	(635.1)	1,817.3	1,967.1	(134.9)	(7.6)	(265.5)
NPAT	24,155.2	12,165.9	22,470.5	98.5	(45.9)	57.0

Source: Fiinpro

While the GM change varies from the product mix, the SGA to sales rose negatively despite the modest revenue growth

Table 3. 2Q23 snapshot: GM contraction weighed the earnings (VNDbn, %, %p)

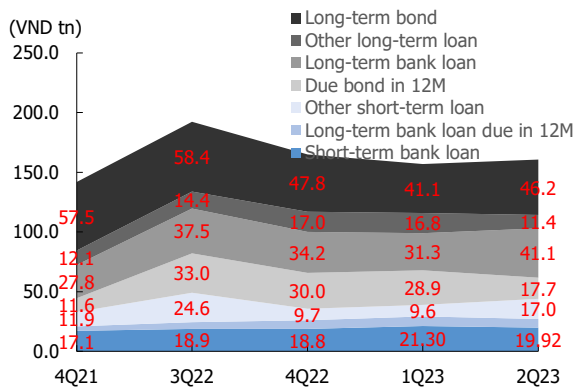
	Gross profit	% yoy gross profit	GM	GM yoy	SGA/sales	SGA/sales yoy
VHM	19,858.2	237.3	32.0	(11.8)	(5.5)	25.9
NVL	622.0	(66.3)	37.8	(2.2)	(50.6)	35.5
PDR	173.6	(86.5)	88.0	1.1	(46.0)	(35.8)
SSH	913.5	1,081.3	60.4	25.0	(10.4)	(2.0)
KDH	825.9	43.5	81.6	15.9	(12.8)	11.8
DIG	74.2	(82.1)	20.7	(17.2)	(23.6)	5.4
DXG	456.5	(75.0)	41.8	(12.9)	(34.7)	8.6
NLG	720.5	(11.2)	60.6	16.2	(36.1)	7.5
VPI	1,065.8	138.7	69.8	29.2	(19.2)	1.3

Source: Fiinpro

Soften pressure on NVL's debt service

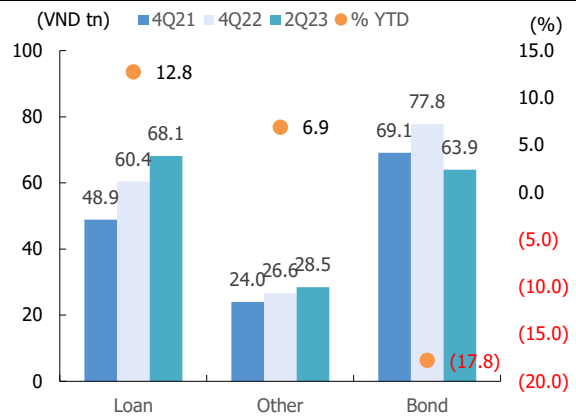
We examined into the bank loan, corporate bonds, and others (lenders could be contractors, BOD's relatives...). The loan balance grew 17.8% YTD thanks to VHM's increasing loan balance (38% YTD), while the bond balance shrinks by 19.8% YTD thanks to redemption and due payment like VHM, SSH, PDR, and DXG. Regarding the due debt payment in 12 months as of end-2Q23, the listed developers must pay around VND24.8tn, -33.5% YTD. Of which, around VND17.7tn (-40.9% YTD), corporate bonds must be paid in 12 months. The pressure drags on NVL with the VND13.8tn bond despite the effort to reschedule the bond payment in 1H23.

Figure 6. Total debt: Due bond remained stressful



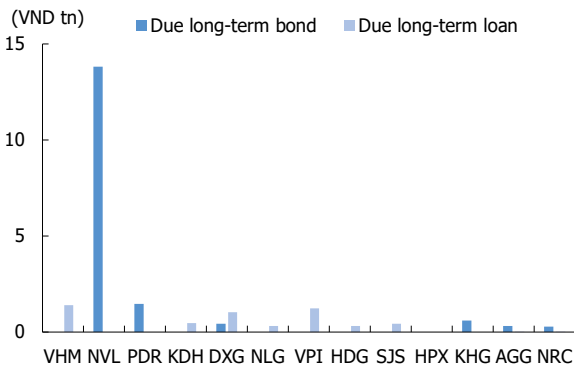
Source: Company data, Fiinpro

Figure 7. Total debt: Bond down due to redemption



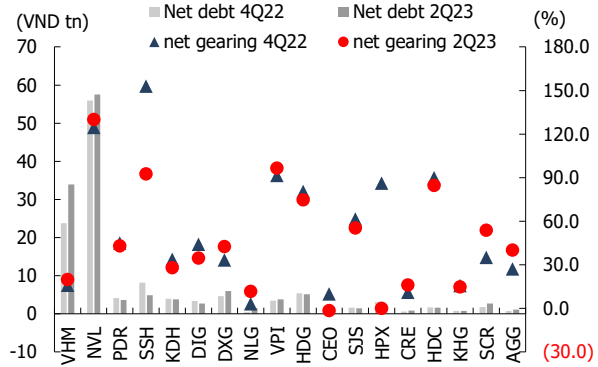
Source: Company data, Fiinpro

Figure 8. Due debt: NVL's debt duty eased



Source: Company data, Fiinpro

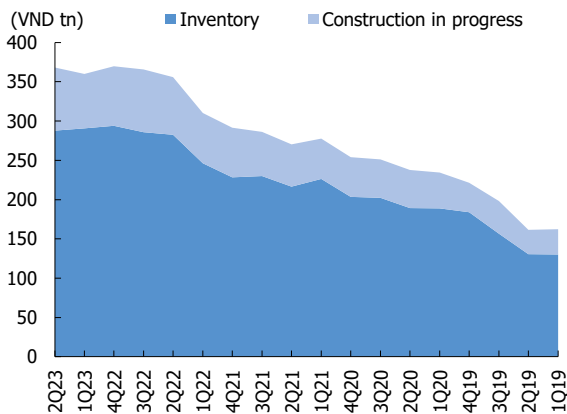
Figure 9. Net gearing: some reduced but stayed high



Source: Company data, Fiinpro

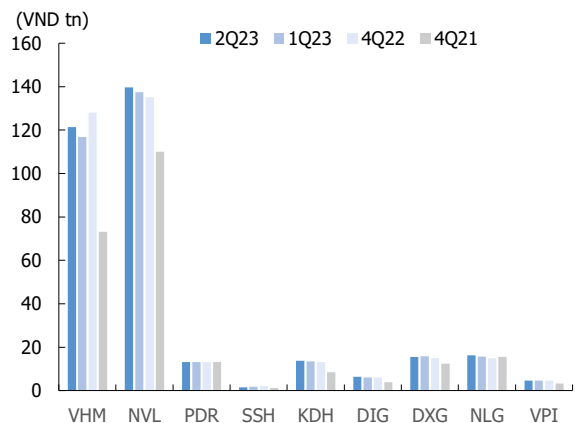
In terms of inventory including construction in progress, there's around VND368.1tn inventory as of end-2Q23 largely unchanged YTD. Since most developers stockpiled the inventory for up to 2-3 years on the account of prolonged license process, it could be hard to judge inventory growth as the con points. Even inventory balance stayed flattish, the advance payment dropped to VND84.8tn as of end-2Q23, largely stemming from VHM's decelerating advance payment.

Figure 10. Inventory: Stockpile moved up strongly



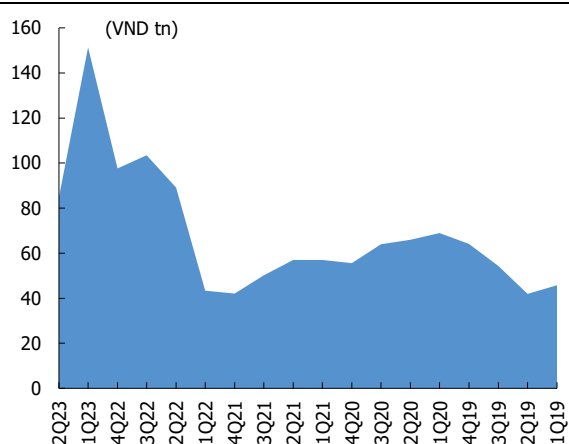
Source: Company data, Fiinpro

Figure 11. Inventory: NVL kept surging



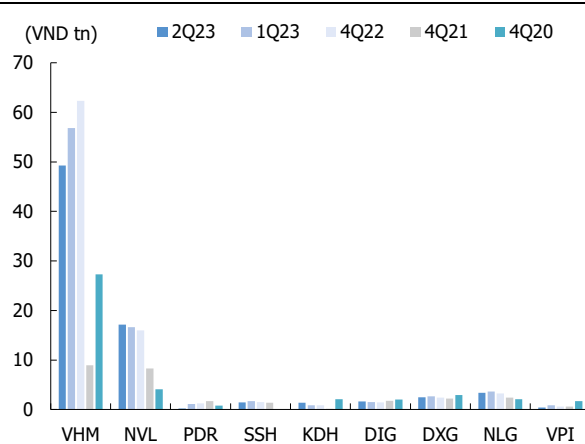
Source: Company data, Fiinpro

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



Source: Company data, Fiinpro

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



Source: Company data, Fiinpro

What is next in 3Q23F?

In light of the 3Q23F business result expectation, we do not think VHM could persist in its ballooning earnings growth given the fact that the no more bulk sale transaction is signed in 2Q23, per management. The yoy and qoq slump in VHM's earnings growth is envisaged, in our view. Nonetheless, we still anticipate NLG, could record bullish yoy growth thanks to their financial income gains from the Dai Phuoc project. The other top players could record the positive growth including DXG and NVL. Overall, the aggregated 3Q23 NPAT could subside in 3Q23 on the yoy and qoq basis

The next 3Q23 could be different from 2Q23 in terms of 1) we project many soft launches from PDR, VHM, NLG, and KDH could excite the market. 2) the take-up rates could look brisk assisted by the easing mortgage rates given the 0.5%p reduction in early 3Q23 and another expected deceleration of 0.5%p-1%p in late 3Q23F and 3) the bond issuance market could be much buoyant thanks to VHM and VIC's issuance up to VND12-15tn in 3Q23.

However, the 2Q23 traits could linger in 3Q23F regarding the 1) bond payment duty remains high with around VND57-60tn and the rescheduling is a must to bondholders 2) inability to pay the new schedule of bond duty could be more normal.

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