

24 Oct 2023

VINGROUP (VIC)

AM briefing: A wild dream faces hurdles

3Q23 analyst meeting briefing

- We tuned in to VIC's analyst meeting on Oct 31 which featured the strategic visibility on Vinfast and shed some colors on its 3Q23 operational updates.

NPATMI turned a loss in 3Q23

- Vingroup's 3Q23 NPAT was resilient at VND567.3bn (12% yoy, 169.3% qoq), thanks to a combination of the brisk revenue growth of 68% yoy, 1.7% qoq to VND47.9tn and other income of VND6,619bn. However, the NPATMI was in red territory at VND669bn.
- The blended gross margin (GM) reaped 24.5%, 4.4%p yoy, 2.2%p qoq in 3Q23. Hence, operating profit ballooned to VND4,736bn in 3Q23 vs VND87.3bn in 3Q22.
- Industrials: Revenue soared 176.1% yoy, -7% qoq VND7,457bn. GM loss stayed at -63% vs -211.5.2% in 3Q22 and -42.4% in 2Q23. Per management, total handover of EVs amounted to 10,027 cars/28,200 electric motorcycles in 2Q23. 18,000 backlogs of EVs were booked as of end-3Q23. 126 showrooms are present globally of which international markets occupies 35 showroom.
- Hospitality: Revenue fared well at VND2,383bn, 9.7% yoy, +3.8% qoq thanks to tourism revival. GM persisted at negative 27%, improving than 2Q23 of -35% as the company must exercise the profit share scheme and suffer from slower-than-expected the foreign tourist revival.
- Education: the 3Q23 revenue surged to VND1,146n, +22.2 %yoy, 21.1% qoq. GM slumped to 11.3% in 2Q23.
- Healthcare: Vinmec chain revenue persisted at VND1,118.3bn revenue, -6.9% yoy, +4.9% qoq and a positive GM of 16.%, -7.7%p yoy, +8%p qoq in 3Q23.

12M rating **NON-RATED**

12M TP

Up/Downside

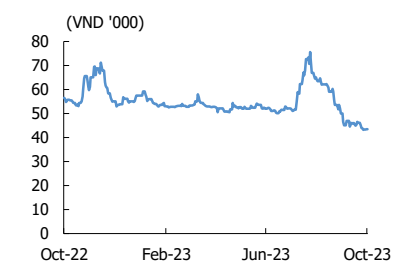
Stock Data

VNIndex (24 Oct, pt)	1,106
Stock price (24 Oct, VND)	43,450
Market cap (USD mn)	6,747
Shares outstanding (mn)	3,814
52-Week high/low (VND)	75,600/43,200
6M avg. daily turnover (USD mn)	17.65
Free float / Foreign ownership (%)	26.0/12.9
Major shareholders (%)	
Pham Nhat Vuong and related	18.12
Vietnam Investment Group JSC	33.04
VMI Property JSC	6.38

Performance

	1M	6M	12M
Absolute (%)	(13.1)	(17.4)	(23.1)
Relative to VNIndex (%p)	(5.8)	(24.7)	(37.1)

Stock price trend



Source: Bloomberg

	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)	99.74	50.20	60.45	N.M	19.14
EV/EBITDA (x)	26.75	25.19	63.28	21.34	31.70
PB (x)	7.03	4.96	4.17	2.13	1.53
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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Refinancing discussion is initiated

- Net debt surged to VND169.2tn, 17.6% YTD prompting net gearing of 1.15x as of end-3Q23 vs 1.1x as of end-4Q22. Net debt/EBITDA surged to 3.5x
- Total debt stood at VND193.5tn as of end 3Q23. The company must pay VND62.6tn within the next 12 months, of which the corporate bond due payment was VND48.2tn, the syndicated loan was VND11.5tn and the remainder was a bank loan. The heightened debt is raising concerns about its refinancing capacity amid the increasingly costlier borrowing rate (62.5% of total debt is a floating interest rate).
- The company reassures the attendees that it could receive the refinance package of VND42tn from the bank's securities firm.
- The exchange rate swing could further blow a headwind since 44.2% of total debt was a USD-denominated loan.

Fund raising plan is on track

- VIC claimed to raise USD239mn after listing Vinfast (VFS) in Nasdaq and receiving USD291mn from Chairman's grant. The company signs with Yorkville Advisors Global to raise to USD1bn.

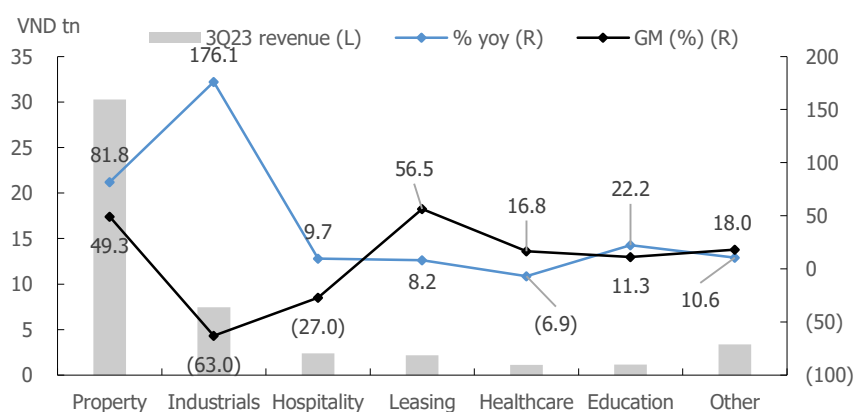
Table 1. 3Q23 earnings

(VND bn, %, %p)

	3Q22	4Q22	1Q23	2Q23	3Q23	QoQ	YoY	Consensus
Sales	28,742	41,168	38,963	47,143	47,948	1.7	66.8	N.A
Gross profit	5,758	12,804	4,435	10,496	11,740	11.9	103.9	N.A
Gross margin	20.0	31.1	11.4	22.3	24.5	2.2	4.4	N.A
OP	87	3,951	(1,359)	4,190	4,736	13.0	5,322.4	N.A
OP margin	0.3	9.6	(3.5)	8.9	9.9	1.0	9.6	N.A
EBT	5,252	3,955	4,264	3,672	4,475	803.3	(14.8)	N.A
NPAT	506	410	589	398	567	169.3	12.0	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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