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### Opened-for-sale projects in 1Q22 all had high absorption rates

In the first four months of 2022, Nam Long Group (NLG) launched two blocks AK7 and AK8 of Akari City phase 2 and three blocks of Mizuki Panorama. Both projects had high absorption rates of over 80% on the first sale opening day. In 4M22, NLG sold more than 1,500 products with a total contract value of VND6,797 billion, delivering 30% of the full-year sales plan.

### Inventory property sales should rebound strongly in 2022

In 2022, NLG will continue its sale at Mizuki, Akari (phase 2), Southgate, Can Tho, and Izumi City. We estimate the total sales revenue to be over VND15,000 billion (+71%YoY).

### Business results should maintain growth momentum in the coming years

Business results should maintain growth momentum in the years to come. This year, NLG may record an additional VND340 billion in profit from transferring a 50% stake at Paragon Dai Phuoc One Member LLC to its strategic Japanese investor NNR. In 2022, we estimate NLG's NPAT to reach VND1,247 billion (+16% YoY) on revenue of VND5,893 billion (+13% YoY). Those figures in 2023 should rise to VND1,552 billion (+24% YoY) and VND6,461 billion (+10% YoY), respectively.

### We recommend BUYING NLG shares with a target price of VND62,400 apiece

Based on the business outlook and valuation results, we recommend BUYING NLG shares with a target price of VND62,400 per share, 30% higher than the closing price on May 5, 2022.

**Buy** maintain

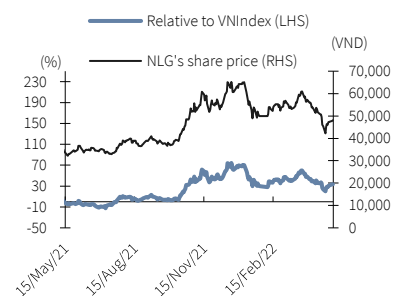
<b>Target price</b>	<b>VND62,400</b>
Upside/Downside	30%
Current price (May 5, 2022)	VND48,050
Consensus target price	VND61,900
Market cap (VNDbn/USDmn)	18.4/0.8

<b>Trading data</b>	
Free float	60%
3M average trading value (VNDbn/USDmn)	244.1/10.7
Foreign ownership	15.5%
Major shareholder	Nguyen Xuan Quang (11.6%)

<b>Share price performance</b>				
(%)	<b>1M</b>	<b>3M</b>	<b>6M</b>	<b>12M</b>
<b>Absolute</b>	-15	-2	-2	41
<b>Relative</b>	-6	3	0	-10

#### Forecast earnings & valuation

FY-end	2020A	2021A	2022F	2023F
Net sales (VNDbn)	2,217	5,206	5,893	6,461
Earnings/Loss (VNDbn)	1,002	1,205	2,213	2,050
NPAT of parent company (VNDbn)	855	1,071	1,247	1,552
EPS (VND)	2,780	2,686	3,256	4,053
EPS growth (%)	-21	-3	21	24
P/E (x)	16.98	17.57	14.76	11.86
P/B (x)	2.40	2.02	1.21	1.11
ROE (%)	13	11	12	13
Dividend yield (%)	2	1	1	



Source: Bloomberg, KB Securities Vietnam

## Updated business performance

1

Net sales in the first quarter of 2022 reached VND587 billion (+381% YoY), most of which came from the handover of 99 Flora apartments at the Akari City project and 64 Valora apartments at the Southgate project.

The gross profit margin was 43%, up 26 ppts YoY, supported by sales of low-rise apartments at the Southgate project with an encouraging gross profit margin.

NPAT of the parent company hit VND630 million (-100% YoY) as NLG recorded an extraordinary profit of VND429 billion following assets revaluation at the Izumi City project in the first quarter of 2021.

Thus, by the end of 1Q22, NLG has fulfilled 8% and 0.1% of the full-year plan for revenue and NPAT.

**Table 1. NLG – 1Q22 business results**

(VNDbn)	1Q22	1Q21	% YoY
Net revenue	587.4	235.8	149%
- Sales of land, apartments, townhouses, villas	542.9		
Akari City	248	43.9	1137%
Valora Southgate	251		
- Construction	5.6	66.2	-92%
- Inventory property sales	-	21.1	-100%
- Other	38.9	104.4	-63%
Gross profit margin	250.1	40.1	524%
Financial income	23.5	7.8	201%
Financial expense	38.7	21.2	83%
Associates	0.0	31.9	-100%
Selling expense	59.2	10.4	469%
G&A expense	134.5	127.3	6%
NPAT	41.2	(78.9)	
Other profit	3.0	427.3	-99%
PBT	44.2	348.3	-87%
NPAT	32.7	366.3	-91%
NPAT of the parent company	0.6	365.3	-100%

Source: Nam Long Group, KB Securities Vietnam

### 1Q22 business results were positive

In 1Q22, NLG sold 1,274 products, equivalent to a total contract value of VND5,895 billion. In particular, NLG launched the Akari City project (phase 2) at the end of March 2022 and sold more than 560 apartments by the end of 1Q22, equivalent to a total contract value of nearly VND1,850 billion.

On April 16, 2022, NLG officially introduced Mizuki Panorama of the Mizuki Park project. This is the premium product line of Nam Long's Flora mid-range apartment line, including three blocks with 416 apartments and selling prices of VND48 million/m<sup>2</sup>. NLG had sold 235/416 units for VND900 billion as of April 20, 2022.

Thus, in 4M22, NLG sold more than 1,500 products with a contract value of VND6,797 billion, delivering 30% of the whole year plan (Table 2).

2

## NLG targets ambitious sales plan in 2022

In 2Q22, NLG will open for sale Flora Panorama of the Akari City project (phase 2) and the next phase of the Ehome Southgate project. NLG will continue its sale at Mizuki, Akari (phase 2), Southgate, Can Tho, and Izumi City and may launch two new projects, Hai Phong and Paragon Dai Phuoc in 4Q22. The company expects the total sales revenue in 2022 to reach about VND23,400 billion (+166% YoY).

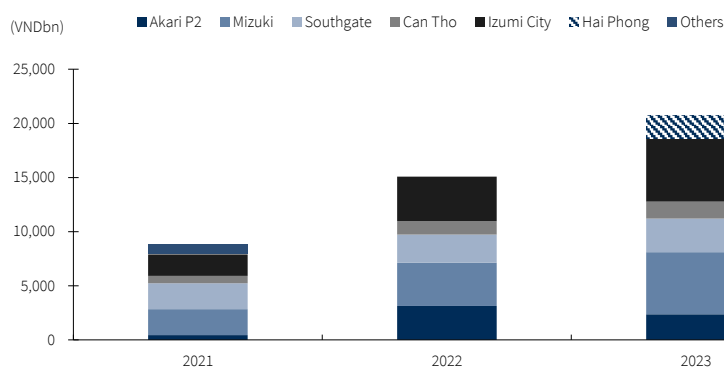
Concerning the challenges associated with credit control in the real estate sector and legal problems, we estimate the total sales revenue at more than VND15,000 billion (+71% YoY). Our forecast is lower than NLG's since we do not cover the Hai Phong and Paragon Dai Phuoc projects, which will be opened for sale this year, in the valuation. Still, it is 10% higher than the previous projection, assuming increases in the number of units sold and selling prices at the two projects, Akari City and Mizuki Park, given their high absorption rates in 1Q22.

**Table 2. NLG – 4M22 inventory property sales**

Project	Sold	Value (VNDbn)
Mizuki Park	313	1,756
Flora Akari	560	1,849
Can Tho 43ha	27	116
Southgate	184	838
Izumi	190	1,337
Mizuki Panorama	235	900
<b>Total</b>	<b>1,509</b>	<b>6,795</b>

Source: Nam Long Group, KB Securities Vietnam

**Fig 3. NLG – 2021A–2023E sales**



Source: Nam Long Group, KB Securities Vietnam

#### Img 4. NLG – Mizuki Park

The project covers an area of 26 ha in Binh Chanh District, Ho Chi Minh City, with more than 4,000 products

- Phase 1: NLG handed over 1,400 apartments Flora MP 1-5
- Phase 2:
  - NLG launched MP 6, 7, 8 in April 2021 and MP 9, 10 in 4Q21. By the end of 1Q22, NLG has sold more than 1,000 Flora MP 6-10 apartments.
  - NLG opened for sale Mizuki Panorama in April 2022. As of April 20, 2022, NLG has sold 235/416 units.
  - NLG will open for sale 39 units in Compound Villa of The Mizuki.



Source: Nam Long Group, KB Securities Vietnam

#### Img 5. NLG – Waterpoint

The project covers an area of 165ha in Ben Luc, Long An.

- Phase 1: NLG handed over low-rise products at Rivera 1 and The Aqua in 4Q21
- Phase 2:
  - NLG opened for sale Rivera 2 and Aquaria 2.
  - NLG launched EHomeS in 3Q21, will open for sale 340 products and hand over 382 products in 2022.
  - NLG opened for sale Grand Villa of The Aqua During 1Q22, NLG sold nearly 1,700 products.



Source: Nam Long Group, KB Securities Vietnam



### Img 6. NLG – Akari City

The project covers an area of 8.5 ha in Binh Tan District, Ho Chi Minh City.

– Phase 1: NLG sold out and handed over 1,800 products.

– Phase 2: NLG launched blocks AK7, AK8 on March 19, 2022 with absorption rates of more than 80%.

The average price in phase 2 is about VND48 million/m<sup>2</sup>.



Source: Nam Long Group, KB Securities Vietnam

### Img 7. NLG – Izumi City

The project covers an area of 170 ha in Dong Nai.

– NLG officially introduced to the market in 4Q21 with nearly 300 products booked.

– In 1Q22, NLG sold 190/792 products available for sale in 2022.



Source: Nam Long Group, KB Securities Vietnam

### NLG recorded more than VND340 billion in profit from divestment at the Dai Phuoc project in 2022

NLG completed the transfer of a 50% stake at Paragon Dai Phuoc One Member LLC to its strategic Japanese investor Nishi Nippon Railroad (NNR) in 2021. NLG will record more than VND340 billion in profit from this deal in 2Q22 or in 4Q22 at the latest instead of 1Q22, since NLG is in the final stage of legal procedures associated with this divestment.

### NLG targets ambitious business sales plan in 2022

NLG approved the business plan in 2022 with NPAT of the parent company of VND1,206 billion (+13% YoY) and revenue of VND7,151 billion (+37% YoY). The company's profit plan is relatively close to our forecast of VND1,247 billion. Besides, NLG's management approved the plan to pay cash dividends (10%) in 2022.

## Forecast business performance

### 2022F business results

We keep our forecast for NLG's business results in 2022 as follows:

- Revenue may reach VND5,893 billion (+13% YoY). The gains primarily come from inventory property sales at VND5,189 billion (+16% YoY), thanks to the handover of Akari City (VND1,360 billion) and Southgate (VND2,771 billion) projects.
- Gross profit is VND2,558 billion (+44% YoY). The gross profit margin is 43% vs. 34% in 2021, thanks to the handover of low-rise apartments/villas at the Southgate and Can Tho projects with high profit margins.
- NPAT of the parent company should be VND1,247 billion (+19% YoY).

### 2023F business results

Our forecast for NLG's business results in 2023 is as follows:

- Revenue may reach VND6,461 billion (+10% YoY). The gains primarily come from inventory property sales at VND5,674 billion (+9% YoY) thanks to the handover of Izumi City, Southgate, and Can Tho projects.
- Profit from joint ventures and associates should be VND577 billion from delivering the Mizuki project.
- Gross profit is VND3,076 billion (+20% YoY). The gross profit margin is 48%, thanks to the high profit margin of low-rise products.
- NPAT of the parent company should be VND1,552 billion (+24% YoY).

**Table 8. NLG – 2022E–2023E sales of some projects**

Project	2022F	2023F
Akari	1,360	-
Southgate	2,771	2,507
Can tho 43ha	1,058	1,547
Izumi City	-	1,620
Total	5,189	5,674

Source: KB Securities Vietnam

**Table 9. NLG – 2022E–2023E business results**

(VNDbn)	2022F	+/-% YoY	2023F	+/-% YoY
Net revenue	5,893	13%	6,461	10%
- Inventory property sales	5,189	16%	5,674	9%
- Real estate services	317	13%	348	10%
- Construction	369	13%	405	10%
Gross profit	2,558	44%	3,076	20%
Financial income	468	5%	194	-59%
Joint ventures, Associates	-	-	577	-
PBT	2,213	35%	2,627	19%
NPAT of the parent company	1,247	16%	1,552	24%

Source: KB Securities Vietnam

## Recommendation

**We recommend BUYING NLG shares with a target price of VND62,400/share**

Based on the business outlook and Revalued Net Asset Value (RNAV) valuation method (Table 6), we recommend BUYING NLG shares with a target price of VND62,400/share, 30% higher than the closing price on May 5, 2022. The change in target price against the previous forecast is mainly due to changes in cash and net debt at the end of 1Q22.

We are upbeat about NLG's prospects, given high absorption rates of launched projects. We also expect the profit margin of projects to improve further thanks to rising prices amid limited supply and growing demand.

**Table 10. NLG – Share price according to RNAV**

Project	Valuation method	Value
Waterpoint 1	DCF	4,150,870
Waterpoint 2	DCF	3,183,597
Mizuki	DCF	2,574,090
Akari City	DCF	2,598,025
Nam Long Dai Phuoc	DCF	3,049,532
Waterfront	DCF	4,235,783
Nam Long Hai Phong	DCF	1,466,107
Nam Long Can Tho	DCF	2,621,522
Other projects	Book value	196,000
		24,075,526
+ Cash		2,884,314
+ Short-term investment		157,161
- Net debt		3,219,497
<b>RNAV</b>		<b>23,897,504</b>
Outstanding share		382,940,313
<b>Share price (VND)</b>		<b>62,400</b>

Source: KB Securities Vietnam





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### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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