

Vinhomes (VHM)

Sales should be boosted by megaprojects

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VHM continues to maintain its leading position in the real estate market

Vinhomes (VHM) continues to maintain its leading position in the residential real estate segment, targeting both the mid- and high-end markets during 2016–2021, with market share of up to 27%, 4% higher than the second-ranked company. VHM currently owns a large landbank of up to VND168 million m², boosting the profit growth and maintaining market share in the coming years.

Vinhomes Ocean Park 2 – The Empire recorded positive sales VHM opened for sale Vinhomes Ocean Park 2 – The Empire in Hung Yen at the end of April with about 5,800 low–rise products, ranging from USD1,300 to USD2,200/m². The project achieved a high absorption rate thanks to its favorable location and modern facilities.

VHM should complete sales at three megaprojects and launch The Empire, Wonder Park, Dai An, and Co Loa VHM should complete sales at three megaprojects, Ocean Park, Smart City, and Grand Park, in 2022. The company plans to launch new ones, namely The Empire, Wonder Park, Dai An, and Co Loa, next year, most of which are low-rise products with high potential for price appreciation, thus ensuring sales revenue in the short and medium term. The total value of newly signed contracts in 2022 and 2023 is estimated at VND88 trillion (+11%YoY) and VND98 trillion (+12%YoY), respectively.

We recommend BUY for VHM stock with a target price of VND103,300 apiece Based on the business outlook and valuation results, we iterate our BUY recommendation for VHM stock with a target price of VND103,300/share, 56% higher than the closing price on June 14, 2022.

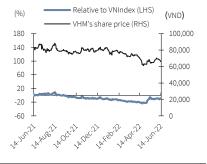
Buy maintain

Target price	VND103,300
Upside/Downside	56%
Current price (Jun 14, 2022)	VND66,000
Consensus target price	VND99,600
Market cap (VNDtn/USDbn)	287.4/12.4

Trading data	
Free float	23.7%
3M avg trading value (VNDbn/USDmn)	288.0/12.5
Foreign ownership	26.6%
Major shareholder	Vingroup (VIC)
	(66.66%)

Share price performance							
(%)	1M	3M	6M	12N			
Absolute	0	-10	-15	-18			
Relative	-4	7	-1	-9			

FY-end	2020A	2021A	2022F	2023F
Net sales (VNDbn)	71,547	84,986	110,125	126,591
Earnings/Loss (VNDbn)	37,306	47,665	47,399	56,955
NPAT of parent company (VNDbn)	27,351	38,825	36,845	44,363
EPS (VND)	8,166	8,916	8,462	10,188
EPS growth (%)	26	9	-5	20
P/E (x)	8.36	7.66	9.37	7.78
P/B (x)	2.67	2.38	2.05	2.04
ROE (%)	36	35	22	27
Dividend yield (%)	7	1	3	



Source: Bloomberg, KB Securities Vietnam

Business performance

Net profit in the first quarter of 2022 decreased by 16% YoY

Inventory property sales in 1Q22 reached VND5,961 billion (-41% YoY), coming from Ocean Park (VND2.6 trillion), Smart City (VND1.7 trillion), and Grand Park (VND1.3 trillion). During the quarter, VHM posted financial income of VND3,173 billion from bulk sale transactions at the Grand Park project. Also, the business realized VND188 billion in earnings from business cooperation contracts (BCC) such as Star City (Thanh Hoa) and The Harmony.

Inventory property sales (including BCC projects and bulk sale transactions) in 1Q22 were VND11,316 billion (-10% YoY).

Gross profit reached VND7,273 billion (-9% YoY). Gross profit margin was 51% (flat YoY).

NPAT of the parent company was VND4,540 billion (-16% YoY).

Thus, by the end of the first quarter of 2022, VHM has delivered 18% of the full-year plan for earnings.

Table 1. VHM - 1Q21-1Q22 business results

(VND bn)	1Q2022	1Q2021	% YoY
Net sales	8,923	12,986	-31%
- Inventory property sales	5,961	10,016	-40%
Gross profit	3,866	6,212	-38%
Financial income	3,829	2,307	66%
Financial expense	(477)	(361)	32%
Joint ventures, associates	11	21	-48%
Selling expense	(327)	(457)	-28%
G&A expense	(1,077)	(668)	61%
Earnings/Loss	5,824	7,054	-17%
Other	62	31	102%
Profit before tax	5,886	7,085	-17%
Profit after tax	4,725	5,478	-14%
NPAT of the parent company	4,540	5,396	-16%

Source: Vinhomes, KB Securities Vietnam

Sales activities still maintain positive results

Over the first quarter, VHM sold 9,400 units, primarily from three big projects, Ocean Park, Smart City, and Grand Park, with a total contract value of VND16,500 billion. By the end of the first quarter of 2022, the combined value of signed contracts and unbilled bookings was VND57 trillion (+9% QoQ and +3% YoY), 42% of which came from three major projects.

Inventory properties of three large projects, Ocean Park, Smart City, and Grand Park, are 3900, 5800, and 5300 apartments, accounting for 8–12% of the total number of properties. We believe VHM will complete sales at these projects within this year.

Table 2. VHM - Launched projects

	Vinhomes Ocean Park	Vinhomes Smart City	Vinhomes Grand Park
No. of apartments	49,300	46,300	47,200
Inventory properties	3,900	5,800	5,300
Unbilled booking (VND bn)	6,040	6,320	11,720
Progress	78%	60%	62%

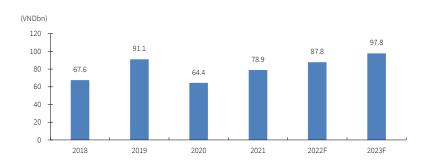
Source: Vinhomes, KB Securities Vietnam

Vinhomes Ocean Park 2 - The Empire recorded a high absorption rate

At the end of April 2022, VHM launched Vinhomes Ocean Park 2 - The Empire (The Empire) (formerly Vinhomes Dream City) with 5,800 low-rise products at about USD1,300-2,200/m². The project recorded a high absorption rate thanks to its favorable location and modern facilities.

VHM targets sales revenue of VND120 billion (+52% YoY) coming from bulk sales and retail sales when opening for sale low-rise products at new projects including The Empire, Wonder Park, Dai An, and Co Loa. However, we maintain our sales forecast of VND88 trillion (+11%YoY), 27% lower than the company's target (Figure 3). In particular, the total value of sales contracts in 2022 from three major projects account for 33%, and from two projects Wonder Park and The Empire represent 36%.

Fig 3. VHM - Contract value (VNDtn)

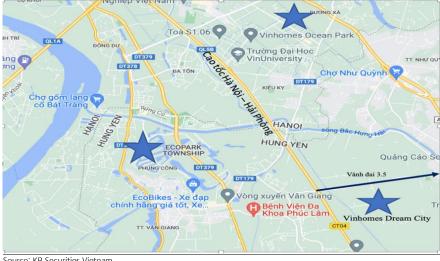


Source: Vinhomes, KB Securities Vietnam

The Empire is in Van Giang, Hung Yen, close to Ocean Park, next to the Hanoi - Hai Phong expressway and the ring road No. 3.5. The Empire covers nearly 460 ha and was opened for sale at the end of April 2022. The project provides many unique facilities such as the Royal Wave Park artificial wave park complex (18 ha), Laguna saltwater lake (9.3 ha), and sand park (1 ha).

VHM has completed the water park, and the low-rise apartments are under construction.

Img 4. VHM - Vinhomes Ocean Park 2 - The Empire



Source: KB Securities Vietnam

Img 5. VHM - Vinhomes Ocean Park 2 - The Empire



Source: KB Securities Vietnam

Img 6. VHM – Vinhomes Ocean Park 2 – The Empire



Source: KB Securities Vietnam

Table 7. VHM – Projects expected to be launched in late 2022

	Vinhomes Dai An	Vinhomes Wonder Park	Vinhomes Co Loa
Location	Van Giang, Hung Yen	Dan Phuong, Hanoi	Dong Anh, Hanoi
Area	294 ha	133 ha	385 ha

Source: Vinhomes, KB Securities Vietnam

Forecast & Valuation

2022F business results

We estimate VHM's 2022 revenue to reach VND110,125 billion (+30%YoY), mostly coming from Ocean Park, Smart City, Grand Park, and two new projects, Dream City and Wonder Park.

Gross profit is VND54.891 billion (+1%YoY), and gross profit margin is 50%. NPAT of the parent company should reach VND36,545 billion (-5%YoY).

2023F business results

VHM's estimated revenue in 2023 is VND126,591 billion (+15%YoY). Gross profit is VND66,202 billion (+21%YoY), and gross profit margin is 52%. NPAT of the parent company should reach VND44,363 billion (+20%YoY).

Table 8, 2022F-2023F business results

(VND bn)	2021A	2022F	+/-%YoY	2023F	+/-%YoY
Net sales	84,986	110,125	30%	126,591	15%
- Inventory property sales	67,309	96,226	43%	113,594	18%
Financial income	7,995	1,310	-84%	1,380	5%
Gross profit	54,772	54,891	0%	66,202	21%
Profit before tax	48,183	47,275	-2%	56,782	20%
NPAT of the parent company	38,825	36,845	-5%	44,363	20%

Source: Vinhomes, KB Securities Vietnam

The outlook for VHM is bright thanks to large-scale projects with high potential for price appreciation We are upbeat about VHM's medium and long-term prospects as: (1) VHM continues to maintain its leading position with a land bank of up to 168 million m² of floor space; and (2) Growth momentum should come from projects such as The Empire, Dai An, Wonder Park, Co Loa, most of which are low-rise products with high potential for price appreciation.

Based on the RNAV (revalued net asset value) valuation method, we maintain our BUY recommendation for VHM stock with a target price of VND103,300/share, 56% higher than the closing price on June 14, 2022. We revise our target price down given changes in cash and net debt at the end of 1Q22.

Table 9. VHM - Target price according to RNAV valuation method (VND/share)

Valuation method	Value
DCF	413,181,262
DCF	15,761,646
DCF	30,297,349
	469,240,256
	5,628,313
	25,466,748
	449,401,821
	4,354,368,093
	103,300
	DCF DCF

Source: KB Securities Vietnam

^{*}Our Revenue Estimate is based on the assumption that the company will recognize all wholesale transactions as net sales. Financial income comes only from profits from BCC projects.

VHM - 2020A-2023E financials

Income Statement (VND billion)	2020A	2021A	2022F	2023F	Balance Sheet (VND billion)	2020A	2021A	2022F	2023
Netsales	71,547	84,986	110,125	126,591	TOTAL ASSETS	215,326	230,516	273,451	279,22
Cost of sales	-45,611	-36,526	-55,234	-60,389	CURRENT ASSETS	102,312	94,437	123,418	155,72
Gross Profit	25,936	48,460	54,891	66,202	Cash and cash equivalents	13,714	4,626	21,614	26,62
Financial income	20,245	7,995	1,310	1,380	Short-term investments	2,054	4,979	4,979	4,97
Financial expenses	-4,019	-2,786	-2,616	-3,106	Accounts receivable	34,592	37,750	41,458	53,35
of which: interest expenses	-3,002	-2,348	-2,284	-2,637	Inventories	42,984	28,579	36,864	52,25
Gain/(loss) from joint ventures (from 2015)	19	54	0	0	LONG-TERM ASSETS	113,014	136,079	150,033	123,50
Selling expenses	-2,681	-2,289	-2,765	-3,475	Long-term trade receivables	11,084	14,955	17,186	19,75
General and admin expenses	-2,193	-3,769	-3,421	-4,046	Fixed assets	5,907	7,498	9,283	12,03
Operating profit/(loss)	37,306	47,665	47,399	56,955	Long-term incomplete assets	32,361	45,033	45,033	45,03
Other incomes	221	617	0	0	Long-term investments	9,756	10,940	10,940	10,94
Other expenses	-1,010	-99	0	0	Goodwill	0	0	0	44.0
Net other income/(expenses)	-789	518	-124	-173	LIABILITIES	4,704	6,922	9,114	11,9
Income from investments in other entities	0	0	0	0	Current liabilities Trade accounts payable	103,385	75,401	85,111	88,66
Net accounting profit/(loss) before tax	36,517	48,183	47,275	56,782		11,401	12,507	11,915	14,03
Corporate income tax expenses	-8,310	-9,234	-9,691	-11,902	Advances from customers	26,969	8,865	9,911	12,29
Net profit/(loss) after tax	28,207 855	38,948	37,583	44,879	Short-term borrowings	10,998	251	8,810 19,857	10,3
Minority interests		124	738	517	Long-term liabilities	22,811	23,708		21,5
Attributable to parent company	27,351	38,825	36,845	44,363	Long-term trade payables	0	0	0	
Mauria vatia					Long-term advances from customers	0	0		
Margin ratio	20204	20244	20225	20225	Unrealized revenue	3,326	1,251	49	21,5
Cross profit marris	2020A	2021A	2022F	2023F	Long-term borrowings OWNER'S EQUITY	13,958	19,668	19,823	
Gross profit margin	53.2% 45.7%	36.3% 30.2%	57.0%	49.8% 45.4%		6,200	10,594	14,039	15,3: 43,5
EBITDA margin			51.2%		Paid-in capital	33,495	43,544	43,544	
EBIT margin Pre-tax profit margin	45.0% 57.6%	29.4% 51.0%	49.9% 56.7%	44.2% 42.9%	Share premium Undistributed earnings	295 56,259	1,260 79,413	1,260 116,250	1,2 116,2
Operating profit margin	57.6%	52.1%	56.1%	43.0%	Other funds	0	75,413	110,230	110,2.
Net profit margin	47.1%	39.4%	45.8%	34.1%	Minority interests	0	0	0	
Net pront margin	47.1/0	39.470	43.0/0	34.1/0	Willotty Titelests	0	- 0		
Cash Flow Statement					Key ratios				
(VND billion)	2020A	2021A	2022F	2023F	key latios	2020A	2021A	2022F	2023
Net profit/(loss) before tax	36,517	48,183	47,275	56,782	Multiple	20207	LULIA		
Depreciation and amortisation	542	1,088	1,272	1,566	P/E	8.4	7.7	9.4	7.
Profit/loss from investing activities	-20,213	-7,761	-3,881	-12,106	P/E diluted	8.4	7.7	0.0	0
Interest expense	3,002	2,348	-2,284	-2,637	P/B	2.7	2.4	2.0	2
Operating profit/(loss) before changes in Working Capital	20,787	44,371	42,187	43,581	P/S	3.2	3.5	3.1	2
(Increase)/decrease in receivables	5,598	-7,504	163	-2,828	P/Tangible Book	2.6	2.3	2.0	2
(Increase)/decrease in inventories	13,824	15,114	-8,286	-15,394	P/Cash Flow	9.2	17.4	15.9	20
Increase/(decrease) in payables	-7,057	-21,599	-592	2,118	EV/EBITDA	11.1	7.2	7.2	6
(Increase)/decrease in prepaid expenses	411	797	215	4,068	EV/EBIT	11.4	7.4	7.4	6
Net cash inflows/(outflows) from operating activities	24,882	17,074	21,712	17,007	Operating performance				
Purchases of fixed assets and other long term assets	-3,500	-17,898	-3,304	-3,798	ROE	35.56	35.21	22.31	26.5
Proceeds from disposal of fixed assets	430	46	0	0	ROA	22.45	31.76	28.36	30.9
Loans granted, purchases of debt instruments	-4,826	-16,805	0	0	ROIC	13.26	17.42	13.74	16.0
Collection of loans, proceeds from sales of debts instruments	16,411	12,838	0	0	Financial structure				
Investments in other entities	-53,488	-11,582	0	0	Cash Ratio	0.1	0.1	0.2	0
Proceeds from divestment in other entities	21,317	7,582	0	0	Quick Ratio	0.5	0.6	0.5	0
Dividends and interest received	1,235	3,823	0	0	Current Ratio	1.0	1.3	1.5	1
Net cash inflows/(outflows) from investing activities	-22,420	-21,996	-3,304	-3,798	LT Debt/Equity	0.2	0.2	0.2	0
Proceeds from issue of shares	62	6,515	0	0	LT Debt/Total Assets	0.1	0.1	0.1	0
Payments for share returns and repurchases	-848	0,515	0	0	Debt/Equity	1.2	0.6	0.1	0
Proceeds from borrowings	19,663	13,820	0	0	Debt/Total Assets	0.5	0.3	0.0	0
Repayment of borrowings	-20,740	-19,301	8,714	3,218	ST Liabilities/Equity	1.2	0.6	0.5	c
Finance lease principal payments	0	0	0	0	ST Liabilities/Total Assets	0.5	0.3	0.3	c
Dividends paid	-218	-5,199	-871	0	Total Liabilities/Equity	1.4	0.8	0.6	c
Interests, dividends, profits received	0	0	0	0	Total Liabilities/Total Assets	0.6	0.4	0.4	c
		-4,165	7,843	3,218	Activity ratios	3.0	0.4	07	
Net cash inflows/(outflows) from financing activities	-2,081 381			16 427	Account Receivable Turnover	7 2	6.6	73	7
Net cash inflows/(outflows) from financing activities Net increase in cash and cash equivalents	381	-9,088	26,251	16,427 21.614	Account Receivable Turnover	7.3 0.9	6.6 1.0	7.3 1.7	7
Net cash inflows/(outflows) from financing activities				16,427 21,614 38,041	Account Receivable Turnover Inventory Turnover Account Payable Turnover	7.3 0.9 5.2	6.6 1.0 3.1	7.3 1.7 4.5	7 1 4

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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	Undernerform the market

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