

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

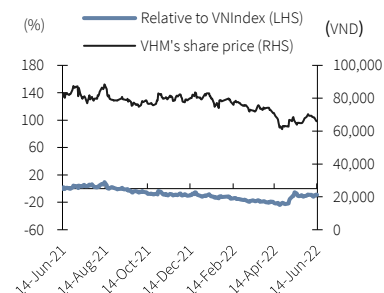
Target price	VND103,300
Upside/Downside	56%
Current price (Jun 14, 2022)	VND66,000
Consensus target price	VND99,600
Market cap (VNDtn/USDbn)	287.4/12.4

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	12M
Absolute	0	-10	-15	-18
Relative	-4	7	-1	-9

Forecast earnings & valuation

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%

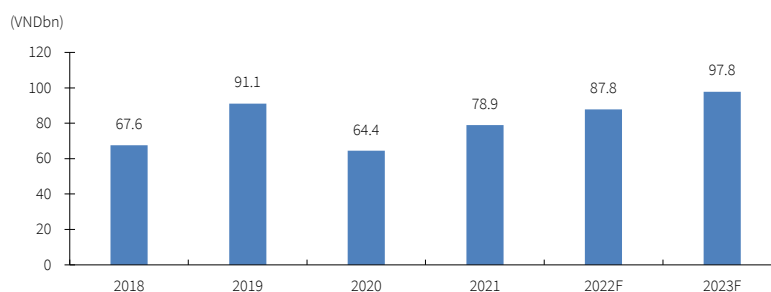
Source: Vinhomes, KB Securities Vietnam

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%.

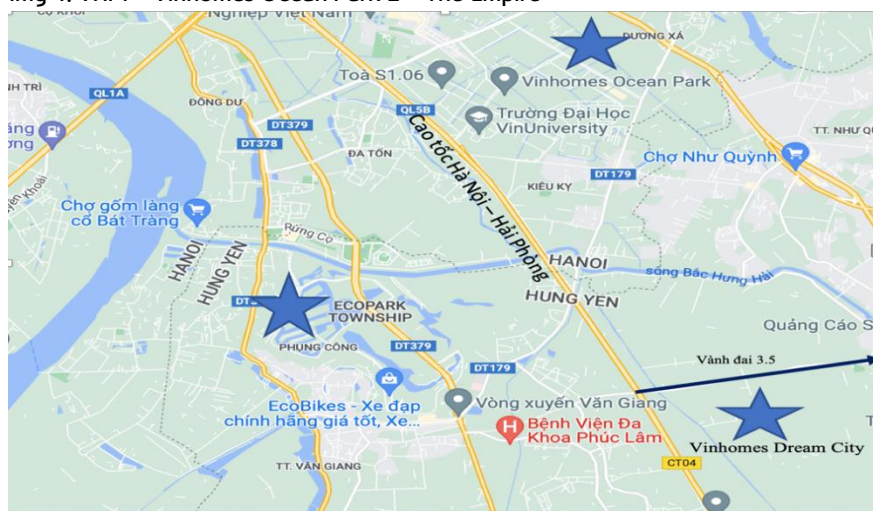
Fig 3. VHM – Contract value (VNDtn)



Source: Vinhomes, KB Securities Vietnam

Fig 4. VHM – Vinhomes Ocean Park 2 – The Empire

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.



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

*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.

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)

Project	Valuation method	Value
Real estate development	DCF	413,181,262
Leasing	DCF	15,761,646
Industrial parks	DCF	30,297,349
		469,240,256
+ Cash		5,628,513
– Net debt		25,466,748
RNAV		449,401,821
Outstanding shares		4,354,368,093
Target price (VND)		103,300

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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