

Vinhomes (VHM)

Sales performed strongly in 2Q22

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VHM upheld its leading position in the residential real estate market

Vinhomes (VHM) upheld its leading position in the residential real estate segment, targeting both the mid- and high-end markets during 2016–2Q22, 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 of floor space, ensuring profit growth and maintaining market share in the coming years.

VHM launched Vinhomes Ocean Park 2 – The Empire and recorded positive results

In late April, VHM successfully launched a new large-scale project Vinhomes Ocean Park 2 – The Empire in Hung Yen with approximately 5,300 low-rise products. By the end of 2Q22, the absorption rate of the project reached 86% with sales revenue of VND49 trillion. Given initial positive results at The Empire, we adjust our 2022F sales revenue of VHM to VND117.8 trillion (+49%YoY), up 34% from the previous projection (Figure 2).

The Empire is still under construction as planned and should be handed over this year

The construction of The Empire is still on schedule, assuring VHM being on track for handing over 45% of the total 12,600 units this year. We estimate NPAT of the parent company in 2022 and 2023 at VND30,878 billion (–20%YoY) and VND34,744 billion (+13%YoY), respectively.

We recommend BUY for VHM stocks with a target price of VND104,400/share

Based on the business outlook and valuation results, we reiterate our BUY recommendation for VHM stocks. The target price is VND104,400/share, equivalent to a total return of 70% compared to the closing price on September 12, 2022.

Buy maintain

Target price	VND104,400
Upside/Downside	70%
Current price (Sep 12, 2022)	VND61,400
Consensus target price	VND92,800
Market cap (VNDtn/USDtn)	266.5/11.3

Forecast earnings & valuation

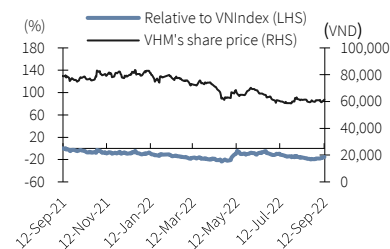
FY-end	2020A	2021A	2022F	2023F
Net sales (VNDbn)	71,547	84,986	99,495	107,643
Net gain/Loss (VNDbn)	37,306	47,665	39,792	44,661
NPAT of the parent company (VNDbn)	27,351	38,825	30,878	34,744
EPS (VND)	8,166	8,916	7,091	7,979
EPS growth (%)	26	9	–20	13
P/E (x)	8.36	7.66	8.66	7.70
P/B (x)	2.67	2.38	1.59	1.58
ROE (%)	36	35	19	21
Dividend yield (%)	7	1	6	

Trading data

Free float	23.7%
3M avg trading value (VNDbn/USDmn)	144.8/6.2
Foreign ownership	
Major shareholder	Vingroup (VIC) (66.66%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	1	–10	–15	–22
Relative	2	–6	1	–15



Source: Bloomberg, KB Securities Vietnam

Business performance

In 2Q22, NPAT fell sharply by 95% YoY mainly due to timing differences in deliveries

VHM released 2Q22 business results with NPAT of the parent company touching VND509 billion (-95% YoY) on net revenue of VND4,530 billion (-84% YoY). In detail, inventory property sales during the period went down to VND2,027 billion (-92%YoY), primarily coming from three projects Ocean Park (VND900 billion), Smart City (VND300 billion), and Grand Park (VND500 billion). Inventory property sales, including business cooperation contracts (BCC), were VND2,164 billion (-91%YoY). The decrease in revenue compared to last year's corresponding period was due to timing differences in deliveries.

Gross profit reached VND1,391 billion, down 90%YoY. Gross profit margin contracted from 50% in 2Q21 to 31% in 2Q22 due to the low profit margin of the construction segment, reaching only 0.1%.

By the end of June, Vinhomes' cash and cash equivalents rose substantially by 545% compared to early 2Q22 to VND29.8 trillion on high sales revenue.

Table 1. VHM – 2Q22 business results

VND bn	2Q2022	2Q2021	% YoY
Net sales	4,530	28,015	-84%
- Inventory property sales	2,027	25,308	-92%
Gross profit	1,391	14,449	-90%
Financial income	1,210	551	120%
Financial expenses	709	778	-9%
Selling expenses	354	554	-36%
G&A expenses	494	251	97%
Net gain/Loss	1,055	13,428	-92%
PBT	622	10,572	-94%
NPAT of the parent company	509	10,521	-95%

Source: Vinhomes, KB Securities Vietnam

VHM recorded positive sales result in 2Q22 thanks to the launch of The Empire

In 2Q22, VHM recorded positive sales result with 7,900 products sold (-44%YoY), equaling contracted sales of VND76 trillion (+250%YoY). Specifically, VHM launched Phase 1 of The Empire (460ha) in Hung Yen with 5,300 low-rise apartments. As of June 30, the absorption rate of the project reached 86%, with sales revenue of VND49 trillion. In the first half of 2022, the enterprise sold 17,300 products (+9%YoY) with a total contract value of VND92.5 trillion (+234%YoY). Unbilled bookings posted VND129 trillion (+162%YoY).

The Board of Management believes VHM can fulfill the year plan

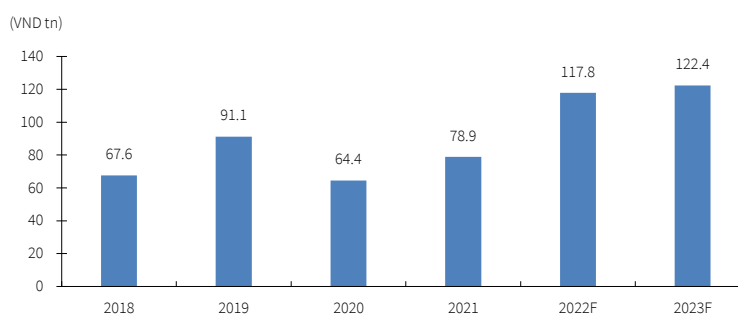
Although the business results in 1H22 were not as good as that over the same period last year, the Board of Management believes VHM can fulfill the year plan for the following reasons: (1) The construction of The Empire is on schedule, with 45% of the total 12,600 units expected to be handed over this year and (2) the delivery of Ocean Park and Smart City is in 2H22.

We believe VHM will have completed the sale at the three projects Ocean Park, Smart City, and Grand Park by the end of June 2023, given small numbers of inventory properties at 3%, 8%, and 7%, respectively.

Vinhomes Ocean Park 2 – The Crown should be opened for sale in the second half of 2022

VHM may open for sale the project Vinhomes Ocean Park 2 – The Crown (formerly Vinhomes Dai An) in the second half of this year. The launch of The Wonder Park and Co Loa should be in 4Q22. It may also be pushed back to 2023, which will not dampen the business results in 2022 since the enterprise achieved 77% of the year plan right in the first six months. Given initial positive results at The Empire, we revise our 2022F sales revenue to VND 117.8 trillion (+49%YoY), up 34% from the previous forecast (Figure 2).

Fig 2. VHM – Contracted sales (VND tn)

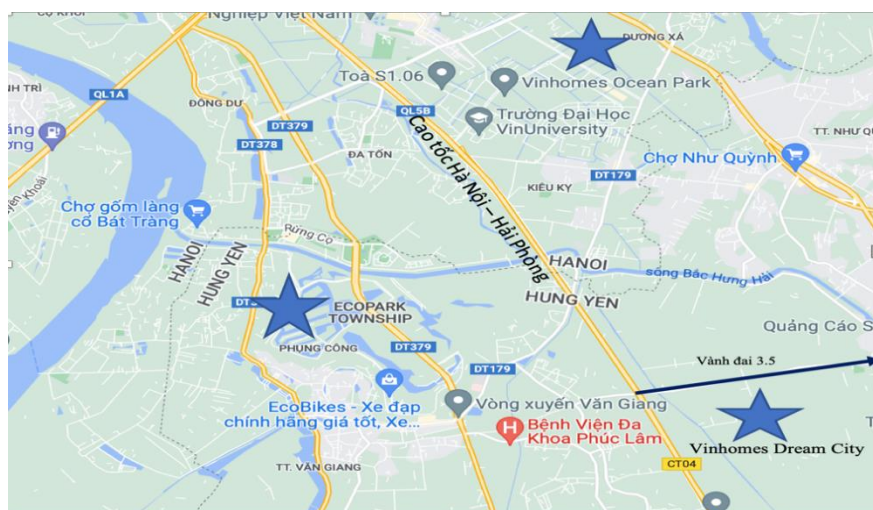


Source: KB Securities Vietnam

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. Therefore, the project has a good connection with the downtown areas and neighboring provinces.

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 (18.1 ha), Laguna saltwater lake (9.3 ha), and sand park (1 ha), etc.

Img 3. VHM – Vinhomes Ocean Park 2 – The Empire



Source: KB Securities Vietnam

Table 4. VHM – Large projects about to be launched

	Vinhomes Ocean Park 2 – The Crown	Vinhomes Wonder Park	Vinhomes Co Loa
Location	Van Giang, Hung Yen	Dan Phuong, Hanoi	Dong Anh, Hanoi
Area	294ha	133ha	385ha
Net selling area (m ²)	2,123,000	364,000	1,724,000
Gross development value (USD bn)	<5	<2	>4
Products	Apartments, villas, townhouses, schools, parks, swimming pools, central parks, etc.	Apartments, villas, townhouses, schools, shopping malls, 16ha eco-park, the largest swimming pool in Vietnam	Apartments, villas, commercial townhouses, schools, shopping malls, exhibition areas

Source: Vinhomes, KB Securities Vietnam

Forecast & Valuation

The outlook for growth is bright thanks to large-scale projects with strong upside potential

We are upbeat about VHM's medium and long-term growth prospects for: (1) VHM upheld its leading position with a large landbank of up to 168 million m² of floor space and (2) Growth momentum comes from launched megaprojects and those about to be opened for sale, namely Vinhomes Ocean Park 2 – The Crown, Vinhomes Wonder Park, and Vinhomes Co Loa, most of which are low-rise products with strong upside potential.

Based on the RNAV (revalued net asset value) valuation method, we maintain our BUY recommendation for VHM stocks with a target price of VND104,400/share, 70% higher than the closing price on September 12, 2022. We revise our target price higher than the previous projection due to changes in cash and cash equivalents and net debt at the end of 2Q22.

Table 5, VHM – Target price according to RNAV method (VND/share)

Projects	Valuation method	Value
Real estate development	DCF	402,018,423
Leasing	DCF	14,240,243
Industrial parks	DCF	30,297,349
		456,556,014
+ Cash		29,835,077
- Net debt		31,860,966
RNAV		454,530,125
Shares outstanding		4,354,367,488
Target price (VND/share)		104,400

Source: KB Securities Vietnam

VHM – 2020A–2023E financials

Income Statement					Balance Sheet				
(VND billion)	2020A	2021A	2022F	2023F	(VND billion)	2020A	2021A	2022F	2023F
Net sales	71,547	84,986	99,495	107,643	TOTAL ASSETS	215,326	230,516	267,937	269,095
Cost of sales	-45,611	-36,526	-52,843	-54,960	CURRENT ASSETS	102,312	94,437	114,177	135,555
Gross Profit	25,936	48,460	46,652	52,684	Cash and cash equivalents	13,714	4,626	17,970	19,147
Financial income	20,245	7,995	1,310	1,380	Short-term investments	2,054	4,979	4,979	4,979
Financial expenses	-4,019	-2,786	-2,582	-3,007	Accounts receivable	34,592	37,750	37,456	45,367
of which: interest expenses	-3,002	-2,348	-2,254	-2,553	Inventories	42,984	28,579	35,268	47,560
Gain/(loss) from joint ventures (from 2015)	19	54	0	0	LONG-TERM ASSETS	113,014	136,079	153,760	133,540
Selling expenses	-2,681	-2,289	-2,498	-2,955	Long-term trade receivables	11,084	14,955	15,527	16,798
General and admin expenses	-2,193	-3,769	-3,091	-3,440	Fixed assets	5,907	7,498	8,978	11,214
Operating profit/(loss)	37,306	47,665	39,792	44,661	Long-term incomplete assets	32,361	45,033	45,033	45,033
Other incomes	221	617	0	0	Long-term investments	9,756	10,940	10,940	10,940
Other expenses	-1,010	-99	0	0	Goodwill	0	0	0	0
Net other income/(expenses)	-789	518	-112	-147	LIABILITIES	4,704	6,922	9,114	11,936
Income from investments in other entities	0	0	0	0	Current liabilities	103,385	75,401	81,585	81,908
Net accounting profit/(loss) before tax	36,517	48,183	39,679	44,514	Trade accounts payable	11,401	12,507	11,399	12,772
Corporate income tax expenses	-8,310	-9,234	-8,134	-9,331	Advances from customers	26,969	8,865	8,955	10,458
Net profit/(loss) after tax	28,207	38,948	31,545	35,183	Short-term borrowings	10,998	251	7,960	8,784
Minority interests	855	124	667	439	Long-term liabilities	22,811	23,708	17,940	18,336
Attributable to parent company	27,351	38,825	30,878	34,744	Long-term trade payables	0	0	0	0
					Long-term advances from customers	0	0	0	0
					Unrealized revenue	3,326	1,251	44	58
					Long-term borrowings	13,958	19,668	17,909	18,299
					OWNER'S EQUITY	6,200	10,594	14,039	15,315
					Paid-in capital	33,495	43,544	43,544	43,544
					Share premium	295	1,260	1,260	1,260
					Undistributed earnings	56,259	79,413	116,250	116,250
					Other funds	0	0	0	0
					Minority interests	0	0	0	0
Margin ratio					Key ratios				
	2020A	2021A	2022F	2023F		2020A	2021A	2022F	2023F
Gross profit margin	53.2%	36.3%	57.0%	46.9%	Multiple				
EBITDA margin	45.7%	30.2%	51.2%	42.5%	P/E	8.4	7.7	8.7	7.7
EBIT margin	45.0%	29.4%	49.9%	41.3%	P/E diluted	8.4	7.7	0.0	0.0
Pre-tax profit margin	57.6%	51.0%	56.7%	39.9%	P/B	2.7	2.4	1.6	1.6
Operating profit margin	57.6%	52.1%	56.1%	40.0%	P/S	3.2	3.5	2.7	2.5
Net profit margin	47.1%	39.4%	45.8%	31.7%	P/Tangible Book	2.6	2.3	1.6	1.6
					P/Cash Flow	9.2	17.4	14.1	23.5
					EV/EBITDA	11.1	7.2	6.7	5.9
					EV/EBIT	11.4	7.4	6.9	6.1
					Operating performance				
					ROE	35.56	35.21	18.73	20.84
					ROA	22.45	31.76	24.05	24.78
					ROIC	13.26	17.42	11.77	13.07
					Financial structure				
					Cash Ratio	0.1	0.1	0.2	0.1
					Quick Ratio	0.5	0.6	0.4	0.5
					Current Ratio	1.0	1.3	1.4	1.7
					LT Debt/Equity	0.2	0.2	0.2	0.1
					LT Debt/Total Assets	0.1	0.1	0.1	0.1
					Debt/Equity	1.2	0.6	0.0	0.1
					Debt/Total Assets	0.5	0.3	0.0	0.0
					ST Liabilities/Equity	1.2	0.6	0.5	0.5
					ST Liabilities/Total Assets	0.5	0.3	0.3	0.3
					Total Liabilities/Equity	1.4	0.8	0.6	0.6
					Total Liabilities/Total Assets	0.6	0.4	0.4	0.4
					Activity ratios				
					Account Receivable Turnover	7.3	6.6	6.9	7.5
					Inventory Turnover	0.9	1.0	1.7	1.3
					Account Payable Turnover	5.2	3.1	4.4	4.5

Source: Vinhomes, 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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