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2Q23 sales figures improved against the previous quarter

In 2Q23, Nam Long Group (NLG) saw sales figures improve from the previous quarter yet far below the high base achieved over the same period a year ago. In particular, contracted sales value touched VND629 billion (+164% QoQ, -77% YoY), driven by deliveries at current projects, namely Mizuki Park, Akari City and Southgate.

NLG targets revenue to reach VND9,430 billion (+15% YoY) for the whole year

NLG sets a target of VND9,430 billion (+15% YoY) for full-year revenue on the launch of Southgate, Can Tho, Akari City, and Mizuki Park. However, we take a more conservative stance with estimated revenue of ~VND4,842 billion (-41% YoY), with the main contributors being Akari City, Mizuki Park, and Southgate.

2023F NPAT should be VND619 billion (+11% YoY)

We expect NLG's 2023F NPAT at VND619 billion (+11% YoY), largely from handovers at Southgate and Izumi City and the acceleration of deliveries at the Mizuki Park project (phase 2) and one-off gains from the remaining 25% stake sale at the Paragon Dai Phuoc project.

We recommend HOLD for NLG with a target price of VND40,200/share

We remain upbeat about NLG, supported by (1) solid inner strength with a healthy financial structure and (2) mid-end residential projects in Ho Chi Minh City, such as Mizuki and Akari City or Ehome Southgate offering affordable prices, still appealing to home seekers. NLG's shares have increased by 17% over the past three months and are trading at a 2023 forward P/B of 1.5x, equivalent to the 5-year average P/B. Based on business prospects and valuation results, we recommend HOLD for NLG with a target price of VND40,200/share, implying a total return of 5%.

Hold maintain

Target price VND40,200

Upside	5%
Current price (Sep 12, 2023)	VND38,300
Consensus target price	VND41,200
Market cap (VNDbn/USDmn)	14.7/0.6

Trading data

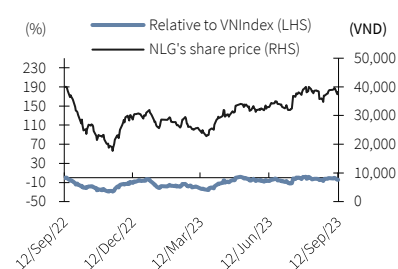
Free float	56.5%
3M avg trading value (VNDbn/USDmn)	125.3/5.3
Foreign ownership	8%
Major shareholder	Nguyen Xuan Quang (12%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	16	49	-4	16
Relative	4	31	-4	4

Forecast earnings & valuation

FY-end	2021A	2022A	2023F	2024F
Net revenue (VNDbn)	5,206	4,339	3,939	4,956
EBIT (VNDbn)	1,205	1,041	778	1,172
NPAT of parent company (VNDbn)	1,071	556	619	867
EPS (VND)	2,686	1,448	1,612	2,258
EPS growth (%)	-3	-46	11	40
P/E (x)	9.31	17.26	23.76	16.97
P/B (x)	1.07	1.07	1.53	1.41
ROE (%)	11	4	6	8
Dividend yield (%)	5	1	1	1

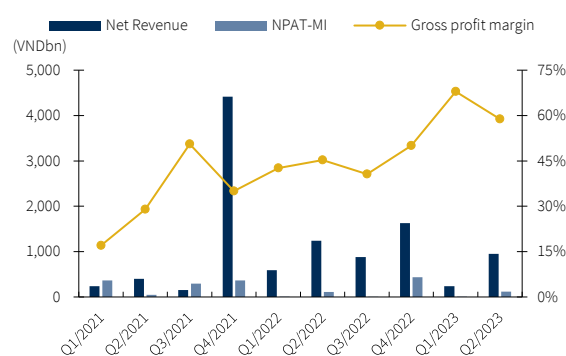


Business performance

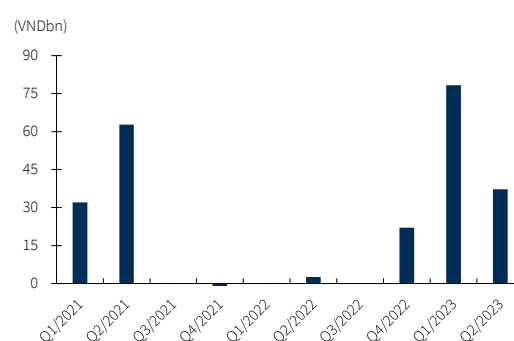
Table 1. NLG – 1H22–1H23 business results

(VND bn)	Q2/2022	Q2/2023	%YoY	1H2022	1H2023	%YoY	Comments
Net revenue	1,241	953	-23%	1,828	1,188	-35%	Completed 25% of the full-year objective.
Property sales	1,176	877	-25%	1,719	1,052	-39%	1H23 revenue mainly comes from deliveries of 88 units at the Southgate project, bringing in revenue of VND931 billion.
Gross profit	561	561	0%	811	720	-11%	
Gross profit margin (GPM)	45%	59%	14pp	44%	61%	16pp	Higher GMP was due to the fact that the majority of delivered products were high-margin villas at the Valora project.
Property sales	48%	54%	6pp	46%	61%	15pp	
Financial income	26	41	55%	50	86	74%	
Financial expense	42	75	76%	81	151	86%	Interest expenses surged due to rising interest rates and the issuance of an additional VND1,000 billion worth of bonds in 4Q22 and 1Q23.
Shared profit from associates	3	37	1376%	3	116	4472%	Gains come from handing over 662 units at Mizuki Park, with revenue reaching VND1,960 billion.
SG&A	308	250	-19%	502	429	-15%	
EBIT	240	314	31%	281	343	22%	
Other income	2	6	166%	5	12	120%	
Profit before tax (PBT)	242	320	32%	286	354	24%	
NPAT	192	231	20%	225	248	10%	
NPAT of parent company	111	121	9%	111	128	15%	Completed 22% of the full-year objective.

Source: Nam Long Group, KB Securities Vietnam

Fig 2. NLG – Business results in 2021–2023


Source: Nam Long Group, KB Securities Vietnam

Fig 3. NLG – Shared profits from associates in 2021–2023 (VNDbn)


Source: Nam Long Group, KB Securities Vietnam

2Q23 sales figures improved against the previous quarter

In 2Q23, NLG saw sales figures improve from the previous quarter yet far below the high base achieved in 2Q22. In particular, contracted sales value touched VND629 billion (+164% QoQ, -77% YoY), driven by deliveries at current projects, namely Mizuki Park, Akari City, and Southgate.

Despite numerous challenges faced by the housing market, NLG's share price still increased thanks to (1) an effective product strategy targeting mid-end and affordable housing with full amenities, meeting the real needs of home seekers and (2) introducing a new sales policy to support buyers such as

offering a loan interest rate of 8%/year within 18 months after deliveries or only 30% of the contracted value as deposit required until deliveries.

Table 4. NLG – 1H23 sales figures and plan for 2H23 (VND bn)

	1Q2023	2Q2023	1H2023	Plan for 2H2023
Mizuki Park	96	196	292	1,162
Akari City	76	302	378	2,472
Southgate	66	131	197	3,340
Ehome Southgate				727
EhomeS Can Tho				835
Total	238	629	867	6,974

Source: Nam Long Group, KB Securities Vietnam

We expect NLG’s 2023F revenue to reach VND4,842 billion (-41%YoY)

NLG aims to generate VND8,563 billion (+392% YoY) in second-half revenue, backed by the launch of (1) Ehome 3 Apartment at Southgate and EhomeS Can Tho, (2) Flora Apartment at Akari City AK NEO, and Mizuki Park, and (3) Valora Villa at the The Pearl subdivision of the Waterpoint project. Thus, NLG targets to achieve ~VND9,430 billion (+15%YoY) in full-year revenue.

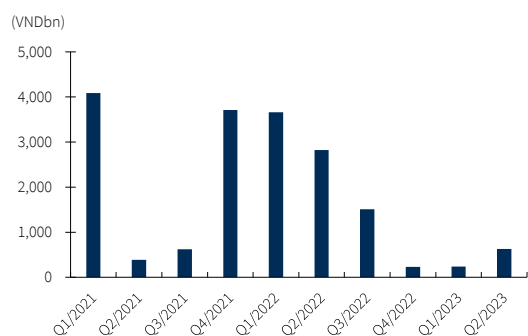
However, we take a more conservative stance with estimated revenue of ~VND4,842 billion (-41% YoY), with the main contributors being Akari City, Mizuki Park, and Southgate.

NLG remains stick to its product strategy, targeting affordable housing and social housing projects

In light of increasingly scarce supply yet high demand for affordable housing, NLG opened for sale Ehome Southgate in Waterpoint Long An Urban Area with a rate of ~VND1 billion/50m2 unit. The project had a high absorption rate, with more than 700 units sold and handed over in phases 1 and 2 and phase 3 remaining opened for sale in 2H23. Also, NLG will launch EHomeS Can Tho with an expected asking price of ~VND600 million/unit.

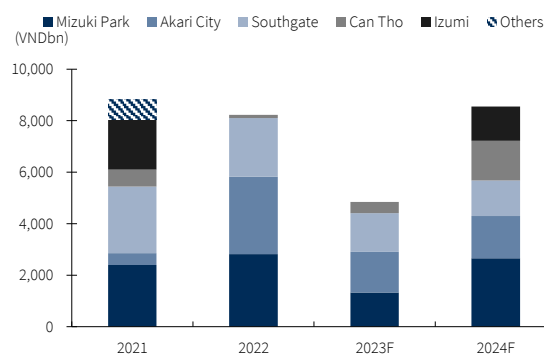
Apart from the ongoing projects, the enterprise is considering expanding its land bank with six affordable housing and social housing projects in Hai Phong, Dong Nai, and Can Tho.

Fig 5. NLG – Sales by quarter in 2021–2023



Source: Nam Long Group, KB Securities Vietnam

Fig 6. NLG – 2021A–2024F sales at projects (VNDbn)



Source: Nam Long Group, KB Securities Vietnam

Fig 7. NLG – Waterpoint project

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

- Phase 1: presold Rivera 1 low-rise subdivision and The Aqua from 4Q19 (delivered)
- Phase 2:
 - In 2021: presold Rivera 2, Aquaria 2 and Ehome Southgate (phase 1) (delivered).
 - In August 2022: introduced Ehome Southgate (phase 2) (sold out, delivered).
 - Continued to open for sale at subdivisions previously launched The Aqua 1, 2.
 - In 2H23: opened for sale low-rise subdivision Park Village (96 units- introduced in December 2022), The Pearl (160 units), and Ehome Southgate (phase 3).



Source: Nam Long Group, KB Securities Vietnam

Fig 8. NLG – Waterpoint project



Source: Nam Long Group, KB Securities Vietnam

Fig 9. NLG – Ehome Southgate project



Source: Nam Long Group, KB Securities Vietnam

Fig 10. NLG – Mizuki Park project

The project covers an area of 26 ha and is located in Binh Chanh, Ho Chi Minh City with over 4,000 products.

- Phase 1: handed over 1,400 Flora MP 1-5 apartments.
- Phase 2:
 - MP 6, 7, 8 were presold in April 2021, topped off in August 2022, and handed over three months ahead of schedule at the end of 2022. NLG accelerated the handover schedule in the fourth quarter of 2022 instead of 1Q23 as initially planned.
 - MP 9, 10 were pre-sold in 4Q21, topped off in early 2023, and handed over from June 2023.
 - Mizuki Panorama was presold in April 2022, topped off in early 2023, and handed over from July 2023.



Source: Nam Long Group, KB Securities Vietnam

Fig 11. NLG – Mizuki Park project



Source: Nam Long Group, KB Securities Vietnam

Fig 12. NLG – Akari City project



Source: Nam Long Group, KB Securities Vietnam

Fig 13. NLG – Akari City project

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

- Phase 1: Sold out and delivered 1,800 products.
- Phase 2:
 - Opened for sale block AK 7, 8 in March 2022, AK 9 in July 2022, and will launch block AK NEO (AK 10) in 3Q23.
 - By the end of 2Q23, NLG sold about 1,000/1,690 units, with deliveries expected from 2024.
 - As of August 2023, the project was built to the 22nd floor.



Source: Nam Long Group, KB Securities Vietnam

Fig 14. NLG – Izumi City project

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

- Presold in 4Q21 with 270 products booked, equaling total contracted value of VND1,929 billion.
- Handover of subdivision 1A expected at the end of 2023.
- NLG temporarily suspends the launch plan to adjust the design and offer more suitable products.



Source: Nam Long Group, KB Securities Vietnam

Table 15. NLG – Projects

Project	Location	Area	Progress
Paragon Dai Phuoc	Dong Nai	45ha	Waiting for master plan
VSIP Hai Phong	Hai Phong	21ha	Expected to be opened for sale in 2024
Can Tho	Can Tho		Received the land allocation decision
			Open for sale EhomeS social housing products in 2H23 at a rate of about VND15.8 million/m ²
			EhomeS Can Tho social housing project covers an area of 3.8 ha with 12 blocks, maximum 9 floors high with 1,602 apartments.
EhomeS Nguyen Son*	City. HCM	43ha	Completed and handed over 1,436 units in 2018–2019
			242 apartments block C are under construction and are expected to be handed over in 1Q24
Resettlement Area project for Xom Chai area	Can Tho	15ha	
Trade Union Institution Area	Can Tho	1.93ha	
Residential project in An Duong District	Hai Phong	16ha	
Social housing project in An Lao District	Hai Phong	9.7ha	
Social Housing project in Bien Hoa	Dong Nai	1.4ha	
Social Housing project in Bien Hoa	Dong Nai	2.85ha	

Source: Nam Long Group, KB Securities Vietnam

Forecast & Valuation

Table 16. NLG – 2022A–2023F business results

	2022A	2023A	+/-%YoY	Comments
Net revenue	4,339	3,939	-9%	2023F revenue is equal to 81% of NLG's objective.
Property sales	4,083	3,651	-11%	Property sales revenue was largely from handing over Southgate and Izumi City, and transferring a land lot at Kykyo Residence.
Gross profit	1,984	1,653	-17%	Driven by one-off gains from the remaining 25% stake sale at the Paragon Dai Phuoc project.
Financial income	386	252	-35%	
Financial expense	199	182	-8%	
Shared profits from associates	25	328	1213%	Driven by deliveries at Mizuki Park.
SG&A	1,155	945	-18%	
EBIT	1,041	778	-25%	
Profit before tax (PBT)	1,070	1,106	3%	
NPAT	866	895	3%	
NPAT of parent company	556	619	11%	2023F NPAT is equal to 105% of NLG's objective.

Source: Nam Long Group, KB Securities Vietnam

We recommend HOLD for NLG with a target price of VND40,200/share

We utilize the revalued net asset value (RNAV) valuation method to find a fair price for NLG's shares.

We remain upbeat about NLG, supported by (1) solid inner strength with a healthy financial structure and (2) mid-end residential projects in Ho Chi Minh City, such as Mizuki and Akari City or Ehome Southgate offering affordable prices, still appealing to home seekers. However, we note that the problem related to legal approval at the Izumi City and Paragon Dai Phuoc projects could significantly affect NLG's business results.

NLG's share has increased by 17% over the past months and is trading at a 2023 forward P/B of 1.5x, equivalent to the 5-year average P/B. Based on business prospects and valuation results, we recommend HOLD for NLG with a target price of VND40,200/share, 5% higher than the closing price on September 12, 2023.

Table 17. NLG – Valuation result

Project	Valuation method	Value (VND mn)
Waterpoint 1	DCF	2,066,851
Waterpoint 2	DCF	2,523,153
Mizuki	DCF	2,311,028
Akari City	DCF	1,539,000
Nam Long Dai Phuoc	DCF	1,474,541
Waterfront	DCF	5,322,515
Nam Long Hai Phong	DCF	1,002,132
Nam Long Can Tho	DCF	1,895,408
		18,134,628
+ Cash		2,320,274
- Debt		5,046,608
RNAV		15,408,294
Outstanding shares		384,080,300
Value per share (VND)		40,200

Source: KB Securities Vietnam

Fig 18. NLG – Historical P/B and share price performance in 2018–2023 (x, VND/share)



Source: KB Securities Vietnam

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Investment ratings & definitions

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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