

Vinhomes (VHM)

Positive outlook driven by megaprojects

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VHM continues to lead the real estate market

Vinhomes (VHM) continues to maintain its leading position in the segment of residential real estate targeting both the mid-and high-end market for the period 2016–3Q21 with a market share up to 25%, which is 3% higher than the business coming second. The group currently owns a landbank of 168 million m², helping to ensure profit growth and maintain market share in the coming years.

VHM will complete sales at two megaprojects and launch three new projects in 2022

In 2022, VHM will complete sales at two megaprojects Ocean Park and Grand Park and launch three new major projects Wonder Park, Dream City and Co Loa with high potential for price appreciation of a majority of low-rise products. The total value of new contracts signed in 2021 and 2022 is estimated at VND63 trillion (+5% YoY) and VND73 trillion (+16% YoY) respectively.

Business results should maintain growth momentum

Business results should maintain growth momentum in the years to come. We expect that VHM would record a profit after tax (PAT) of VND31,214 billion (+11% YoY) on revenue of VND80,480 billion (+12% YoY) for 2021. These figures for 2022 should raise to VND35,946 billion (+15% YoY) and VND93,327 billion (+16% YoY) respectively.

We recommend BUYING VHM shares with a target price of VND105,600/share

Basing on valuation results as well as business outlook, we maintain our BUY recommendation for VHM shares with a target price of VND105,600 apiece, 26% higher than the closing price on December 20, 2021.

Buy maintain

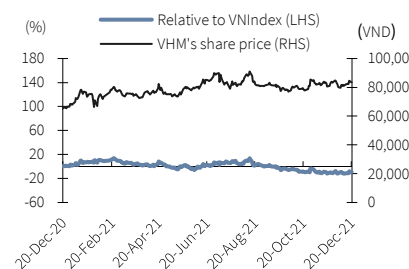
Target price	VND105,600
Upside/Downside	26%
Current price (Dec 20, 2021)	VND83,500
Consensus target price	VND101,800
Market cap (VNDtn/USDbn)	363.6/15.9

Trading data	
Free float	22.6%
3M avg trading value (VNDbn/USDmn)	530.2/23.3
Foreign ownership	26.8%
Major shareholder	Vingroup (VIC 86.66%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	1	5	-2	29
Relative	0	-5	-9	-9

Forecast earnings & valuation

FY-end	2019A	2020A	2021F	2022F
Net revenue (VNDbn)	51,627	71,547	80,480	93,327
Earnings/Loss (VNDbn)	29,715	37,306	40,573	46,727
Profit attributable to parent (VNDbn)	21,747	27,351	30,409	29,413
EPS (VND)	6,495	8,166	6,984	6,755
EPS growth (%)	52	26	-14	-3
P/E (x)	12.34	9.81	11.96	12.36
P/B (x)	4.78	3.13	3.07	2.46
ROE (%)	39	36	26	24
Dividend yield (%)	0	6	1	0



Source: Bloomberg, KB Securities Vietnam

9M21 business performance

9M21 sales increased by 12.5% YoY

3Q21 sales reached VND19.1 trillion (-25.1% YoY), including revenue from business cooperation contract (BCC) projects and VND13.1 trillion from bulk sale transactions. Profit attributable to the parent company was VND11.2 trillion (+84.3% YoY).

In the first nine months of 2021, VHM recorded a revenue of VND61.7 trillion (+24.9% YoY) with VND52.7 trillion (+12.5% YoY) in sales. VHM's 9M21 revenue including from BCC projects and bulk sale should be VND66.7 billion (+6.6% YoY).

9M21 gross profit was higher than 9M20's thanks to the handover of projects with better profit margins

From January till the end of September 2021, gross profit was VND34.3 trillion (-85.6% YoY) and gross profit margin reached 56% (+37% YoY) thanks to the large contribution of bulk sale at two projects Ocean Park and Smart City with high profit margins. Profit attributable to the parent company hit VND27.1 trillion (-65.8% YoY). In 9M21, the group completed 77.7% and 68.6% of the profit and revenue plan for the whole year.

During the first nine months of the year, the number of apartments sold were 21,700 units (-13.5% YoY) with a total contract value of VND41 trillion (-14.4% YoY). Unbilled bookings (bulk sale transactions included) by the end of 3Q21 reached VND42.7 trillion (-31.9% YoY).

Table 1. VHM – Business performance

(VNDbn)	9M21	9M20	%change
Net revenue	61,681	49,378	25%
- Sales of inventory properties	52,663	46,806	13%
Gross profit	34,309	18,488	86%
Financial income	4,252	10,543	-60%
Financial expenses	(1,651)	(2,512)	-34%
Earnings from joint ventures	53		
Selling expenses	(1,287)	(1,925)	-33%
SG&A expenses	(1,304)	(1,535)	-15%
Net income from business activities	34,373	23,059	49%
Net profit before tax	34,342	22,199	55%
Profit after tax	27,245	17,208	58%
Profit attributable to parent company	27,084	16,337	66%
EPS (VND)	6,312	3,820	65%

Source: Vinhomes, KB Securities Vietnam

VHM expects to sell all of its products from Ocean Park and Grand Park soon

On the assumption that three major projects will continue to maintain positive sales, the corporation expects to sell out of its products at Ocean Park and Grand Park in 2022 and the Smart City project in 2023.

3Q sales stayed positive despite the pandemic

In the third quarter of 2021, VHM sold 5,900 apartments (1,100 low-rise units and 4,800 high-rise units) mostly from Dream City and Star City projects. Sales contracts in 3Q were worth up to VND13 trillion, of which VND8 trillion is from bulk sale at the Dream City project and VND5 trillion is from retail. During the first three quarters of the year, VHM sold 21,700 products in total (-14% YoY) for VND41 trillion (-14% YoY). VHM currently has a few bulk sale transactions under negotiation with its partners, of which 4-5 transactions might be made in 4Q21. According to our estimates, VHM would sell 16,130 products, equivalent to VND23 trillion in 4Q. The total number of units sold for the whole year 2021 therefore would reach 37,830 with a total value of newly signed contracts supposed to be VND63 trillion (+5% YoY).

The total value of newly signed contracts in our estimate decreased by 11% in 2021 as compared to the previous forecast, reaching 70% of VHM's plan due to the complicated developments of the pandemic in the third quarter of the year which affected sales of major projects and the launch of Wonder Park and Dream City projects.

The launch of Wonder Park will be pushed back to 2022

VHM will push back the launch of the Wonder Park project to 2022 instead of late 2021 as previously planned. Also in 2022, the group plans to open for sale Dream City to retail customers and Co Loa (Table 2). We forecast the total contract value in 2022 to reach VND73 trillion (+16% YoY).

Table 2. VHM – Projects

Project	Location	Area (ha)	Floor area (million m ²)	Product
Dream City	Hung Yen	460	6.50	Apartments, Villas/Shophouses
Wonder Park	Hanoi	133	7.80	Apartments, Villas/Townhouses
Co Loa	Hanoi	385	5.00	Apartments, Villas/Shophouses

Source: Vinhomes, KB Securities Vietnam

2021F–2022F business performance

2021F results

Given unpredictable developments of the COVID-19 pandemic, we make a forecast for 2021 business results of VHM as follows:

We revise down the group's 2021F revenue to VND80,480 billion (+12%YoY), mostly from *Ocean Park*, *Smart City* and *Grand Park*.

Gross profit margin should climb to 47% from 36% of 2019 thanks to higher revenue from the delivery of low-rise apartments and bulk sale with good profit margins.

PAT is supposed to be VND31,214 billion (+11% YoY).

2022F results

In 2022, KBSV expects VHM's revenue at VND93,327 billion (+16% YoY) coming from *Ocean Park*, *Smart City*, *Grand Park* and two new projects *Dream City* and *Wonder Park*.

Gross profit may reach VND45,559 billion (+20% YoY) and gross profit margin should be 49%.

We forecast PAT at VND35,946 billion (+15% YoY).

Table 3. VHM – 2021F–2022F business results

(VNDbn)	2020A	2021F	+/-% YoY	2022F	+/-% YoY
Net revenue	71,547	80,480	12%	93,327	16%
- Sales of inventory properties	67,309	70,322	4%	86,428	23%
Gross profit	25,936	38,047	47%	45,559	20%
Pre-tax profit	36,517	40,288	10%	46,396	15%
Post-tax profit	28,207	31,214	11%	35,946	15%

Source: Vinhomes, KB Securities Vietnam

Valuation & recommendation

Positive outlook is driven by megaprojects

We take a positive stance for the long-term growth prospect of VHM shares, supported by: (1) VHM's maintaining its leading position with a landbank of up to 164 million m², and (2) Growth momentum coming from three major projects opened for sale and new projects about to be launched namely *Dream City*, *Wonder Park* and *Co Loa*.

Table 4. VHM – RNAV method

Projects	Valuation method	Value
Real estate development	DCF	421,747,766
Leasing	DCF	11,518,644
Industrial parks	DCF	30,297,349
		473,563,758
+ Cash		9,117,973
- Net debt		22,861,964
RNAV		459,819,767
Outstanding shares		4,354,368,093
Share price (VND)		105,600

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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