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Senior Analyst Pham Hoang Bao Nga
ngaphb@kbsec.com.vn

3Q23 presales continued to improve against previous quarters

Nam Long Group (NLG) continued to see improvements in 3Q23 presales with the total contract value of VND902 billion (+43% QoQ, -40% YoY) from existing projects Mizuki Park, Akari City and Southgate. The figure for 9M23 touched VND1,769 billion, down 78% from the high base in 9M22. Thus, the group achieved 19% of the full-year presales objective set.

Presales should hit VND3,170 billion (-61% YoY) for 2023F and recover well in 2024

KBSV forecasts 2023F presales to reach VND3,170 billion (-61%YoY) from Akari City, Mizuki Park, and Southgate projects. Our 35% downward revision from the prior report is due to a slow presales recovery in the first nine months of the year. We expect presales to improve more clearly next year, reaching VND5,439 billion (+72% YoY).

2023F NPAT is expected to reach VND498 billion (-10% YoY)

Our projection for NLG's 2023F NPAT is VND498 billion (-10% YoY) from deliveries at Southgate and Izumi City and promoting handovers at the Mizuki Park project (Phase 2). NLG may recognize a 25% stake sale at the Paragon Dai Phuoc project in 2024 due to waiting for approval from the Dong Nai authorities to update the ownership title of the foreign buyer on its enterprise registration certificate.

We recommend BUY for NLG with a target price of VND42,200/share

We remain upbeat about NLG thanks to (1) its solid fundamentals with a healthy capital structure and (2) its high absorption rates of mid-range/affordable apartment projects. Based on business prospects and valuation results, we upgrade from HOLD to BUY rating for NLG with a target price of VND42,200/share, 15% higher than the closing price as of November 24, 2023.

Buy update

Target price VND42,200

Upside	15%
Current price (Nov 24, 2023)	VND36,900
Consensus target price	VND40,700
Market cap (VNDbn/USDmn)	14.2/0.6

Trading data

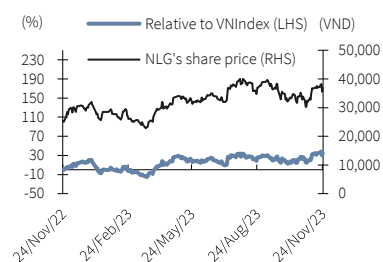
Free float	56.7%
3M avg trading value (VNDbn/USDmn)	89.9/3.7
Foreign ownership	7.2%
Major shareholder	Nguyen Xuan Quang (12%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	8	6	15	48
Relative	8	13	12	35

Forecast earnings & valuation

FY-end	2021A	2022A	2023F	2024F
Net revenue (VNDbn)	5,206	4,339	4,053	4,545
EBIT (VNDbn)	1,205	1,041	560	844
NPAT-MI (VNDbn)	1,071	556	498	686
EPS (VND)	2,686	1,448	1,297	1,786
EPS growth (%)	-3	-46	-10	38
P/E (x)	9.31	17.26	28.44	20.66
P/B (x)	1.07	1.07	1.50	1.40
ROE (%)	11	4	6	7
Dividend yield (%)	5	1	1	1

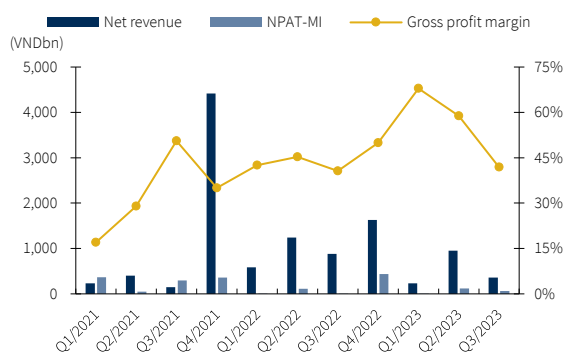


Business performance

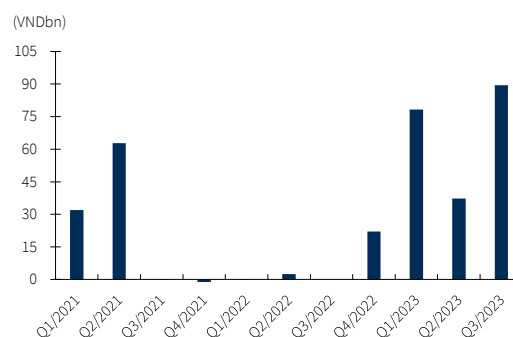
Table 1. NLG – 9M22–9M23 business results

(VNDbn)	3Q2022	3Q2023	%YoY	9M2022	9M2023	%YoY	Comments
Net revenue	882	357	-60%	2,710	1,545	-43%	Completed 32% of the full-year revenue target Property sales for 9M2023 decreased YoY due to a sharp fall in handovers. Specifically, NLG delivered 323 apartments (-60%YoY): (1) 100 Valora Southgate villas with revenue of VND1,051 billion (2) 196 Ehome Southgate apartments with revenue of VND231 billion (3) 20 Akari City apartments with revenue of VND55 billion
<i>Property sales</i>	<i>826</i>	<i>307</i>	<i>-63%</i>	<i>2,545</i>	<i>1,359</i>	<i>-47%</i>	
Gross profit	358	150	-58%	1,170	870	-26%	
Gross profit margin	41%	42%	1pp	43%	56%	13pp	Gross profit margin improved thanks to the majority of delivered products being Valora villas with high margin.
<i>Property sales</i>	<i>36%</i>	<i>49%</i>	<i>13pp</i>	<i>43%</i>	<i>58%</i>	<i>15pp</i>	
Financial income	29	32	10%	79	118	50%	
Financial expenses	48	66	38%	129	217	68%	Interest expenses surged due to rising interest rates and debts.
Shared profit from associates	0	89	-	3	205	8001%	Driven by the handover of 890 units at the Mizuki Park project with revenue reaching VND2,950 billion
SG&A	267	197	-26%	769	626	-19%	
EBIT	72	8	-89%	353	350	-1%	
Other income	7	-4	-	13	7	-41%	
PBT	79	3	-96%	365	358	-2%	
Corporate income tax	-28	68	-	-89	-39	57%	In the third quarter of 2023, NLG recognized VND81 billion deferred tax income.
NPAT	51	71	39%	276	319	16%	
NPAT-MI	8	66	738%	119	194	63%	Completed 33% of the full-year profit target

Source: Nam Long Group, KB Securities Vietnam

Fig 2. NLG – Net revenue, NPAT-MI, GPM in 2021–2023 (VNDbn, %)


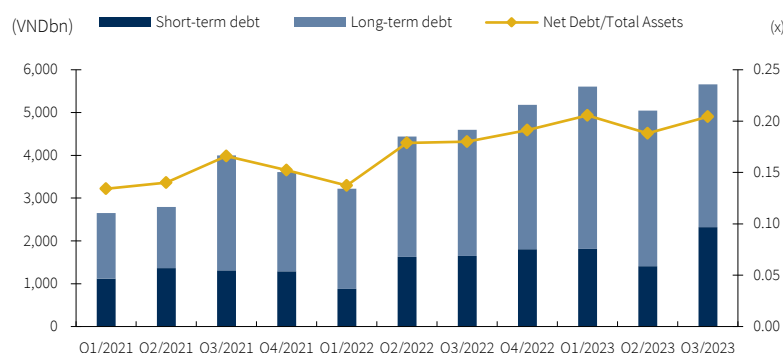
Source: Nam Long Group, KB Securities Vietnam

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


Source: Nam Long Group, KB Securities Vietnam

- By the end of 3Q23, NLG's total outstanding debt was VND5,662 billion, up 9% YTD.
- Outstanding bond debt is VND3,078 billion, accounting for 54% of total outstanding debt, of which VND950 billion worth of bonds will mature in 2024.

Fig 4. NLG – Liabilities in 2021–2023 (VNDbn)



Source: Nam Long Group, KB Securities Vietnam

3Q23 presales continued to improve

3Q23 presales maintain recovery momentum with a total contract value from existing projects Mizuki Park, Akari City, and Southgate reaching VND902 billion (up 43% QoQ, down 40% YoY). The figure for 9M23 reached VND1,769 billion, down 78% from the high base in 9M22. Thus, the group fulfilled 19% of the full-year presales target set.

In the third quarter, NLG launched the last block in the Akari City project (Phase 2), AK NEO, with 338 apartments. Presales on the first day recorded approximately VND600 billion. As of October 15, 2023, NLG had sold 218/338 units, equivalent to an absorption rate of 64%, with sales revenue amounting to VND900 billion. Despite numerous difficulties faced by the real estate market, the Akari City project still achieved positive results thanks to (1) its right target market when offering affordable housing with full amenities, meeting the needs of home buyers and (2) flexible sales policies to support customers.

Table 5. NLG – Presales for 9M23 and 2023F (VNDbn)

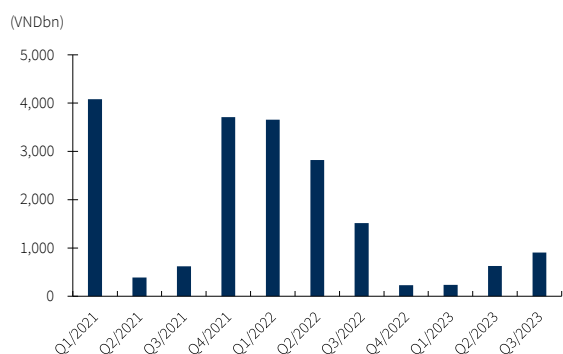
(VNDbn)	1Q2023	2Q2023	3Q2023	9M2023	KBSV's forecast for 2023F
Mizuki Park	96	196	97	389	543
Akari City	76	302	682	1,060	1,600
Southgate	66	131	123	320	810
Can Tho					216
Total	238	629	902	1,769	3,170

Source: Nam Long Group, KB Securities Vietnam

KBSV estimates 2023F presales to reach VND3,170 billion (-61% YoY)

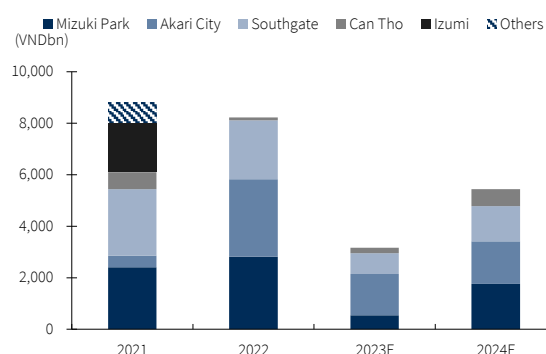
We forecast 2023F presales to reach VND 3,170 billion (-61%YoY) from Akari City, Mizuki Park and Southgate projects. Our 35% downward revision from the prior report is due to a slower-than-expected presales recovery in the year's first nine months. We expect presales to improve more clearly next year, reaching VND5,439 billion (+72% YoY).

Fig 6. NLG – Presales by quarter in 2021–2023 (VNDbn)



Source: Nam Long Group, KB Securities Vietnam

Fig 7. NLG – Presales in 2021A–2024F (VNDbn)



Source: Nam Long Group, KB Securities Vietnam

Fig 8. NLG – Waterpoint project

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

- Phase 1: Low-rise subdivision Rivera 1 and The Aqua were presold in the fourth quarter of 2019 (handed over).
- Phase 2:
 - In 2021: Rivera 2, Aquaria 2, and Ehome Southgate (phase 1) were presold (handed over).
 - In August 2022: Ehome Southgate (phase 2) were handed over (sold out, handed over).
 - The Aqua 1, 2 continued to be presold.
 - In 4Q23: The Park Village low-rise subdivision (96 units) was opened for sale, and construction of Phase 3 of Ehome Southgate started on November 20, including 3 blocks with 580 apartments (handover expected in 2025)



Source: Nam Long Group, KB Securities Vietnam

Fig 9. NLG – Waterpoint project



Source: Nam Long Group, KB Securities Vietnam

Fig 10. NLG – Ehome Southgate project



Source: Nam Long Group, KB Securities Vietnam

Fig 11. NLG – Mizuki Park project

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

- Phase 1: 1,400 Flora MP 1-5 apartments were handed over.
- Phase 2:
 - Flora MP 6, 7, 8 were presold in April 2021, topped off in August 2022, and handed over 3 months ahead of schedule at the end of 2022. NLG accelerated the delivery in 4Q22 instead of 1Q23 as initially planned.
 - Flora MP 9, 10 were presold in the fourth quarter of 2021, 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.
 - In the fourth quarter of 2023, the deliveries at Flora Panorama and Villa The Mizuki should continue.



Source: Nam Long Group, KB Securities Vietnam

Fig 12. NLG – Mizuki Park project



Source: Nam Long Group, KB Securities Vietnam

Fig 13. NLG – Flora Panorama and The Mizuki



Source: Nam Long Group, KB Securities Vietnam

Fig 14. 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: 1,800 products were sold out and delivered.
- Phase 2:
 - NLG opened for sale Block AK 7,8 in March 2022, AK 9 in July 2022, and AK NEO (AK 10) in 3Q23.
 - By the end of 3Q23, NLG had sold approximately 1,100 out of 1,690 units.
 - On November 21, 2023, Nam Long topped out all 4 blocks in Phase 2, and the delivery is expected in the fourth quarter of 2024.



Source: Nam Long Group, KB Securities Vietnam

Fig 15. NLG – Akari City project



Source: Nam Long Group, KB Securities Vietnam

Fig 16. NLG – Akari City project



Source: Nam Long Group, KB Securities Vietnam

Fig 17. NLG – Izumi City project

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

- The project was introduced for the first time in the fourth quarter of 2021 with 270 products booked with a total contract value of VND1,929 billion.
- The 1A subdivision's delivery should proceed in 4Q23.
- NLG is temporarily suspending its launch plans to adjust the designs and offer more suitable products.



Source: Nam Long Group, KB Securities Vietnam

Table 18. NLG's projects

Project	Location	Scale	Progress
Paragon Dai Phuoc	Dong Nai	45ha	Waiting for master plan 25% stake sales at the Paragon project will be recorded in 2024 due to waiting for approval from the Dong Nai authorities to update the ownership title of the foreign buyer on its enterprise registration certificate.
VSIP Hai Phong	Hai Phong	21ha	Expected to be opened for sale in 2024
Can Tho	Can Tho	43ha	Received the land allocation decision The EhomeS social housing project should be opened for sale in 4Q23 at about 15.8 million/m ² The EhomeS Can Tho social housing project covers an area of 3.8 ha, including 12 blocks, maximum 9 floors each with 1,602 apartments.
EhomeS Nguyen Son*	Ho Chi Minh City		Completed and handed over 1,436 units in 2018-2019 Block C was topped off in October 2023 (242 units) and is expected to be delivered in 1Q24.
Xom Chai resettlement 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 19. NLG – 2022A–2023F business results

(VNDbn)	2022A	2023F	+/-%YoY	Comments
Net revenue	4,339	4,053	-7%	Our forecast revenue for 2023F is equal to 84% of NLG's objective.
Property sales	4,083	3,756	-8%	Property sales recognition is mainly from handovers at Southgate and Izumi City and transferring land lots at Kykyo Residence.
Gross profit	1,984	1,727	-13%	
Financial income	386	101	-74%	Financial income decreased compared to the previous report due to delay in recording 25% stake sales at the Paragon Dai Phuoc project.
Financial expenses	199	296	49%	
Shared profit from associates	25	406	1524%	Driven by handovers at Mizuki Park
SG&A	1,155	973	-16%	
EBIT	1,041	560	-46%	
PBT	1,070	966	-10%	
NPAT	866	782	-10%	
NPAT-MI	556	498	-10%	Our forecast profit for 2023F is equal to 85% of NLG's objective.

Source: Nam Long Group, KB Securities Vietnam

We recommend BUY for NLG with a target price of VND42,200/share

We utilize the revalued net asset value (RNAV) valuation approach to assess NLG's value.

We remain upbeat about NLG thanks to (1) its solid fundamentals with a healthy capital structure and (2) mid-end apartment projects in Ho Chi Minh City like Mizuki and Akari City or affordable apartments at Ehome Southgate still attracting lots of home buyers, with the construction progress on schedule. However, we also note that the legal problems at the Izumi City and Paragon Dai Phuoc projects could significantly affect NLG's business results.

Based on business prospects and valuation results, we recommend BUY for NLG with a target price of VND42,200/share, equivalent to a total return of 15%.

Table 20. NLG – Valuation results

Project	Valuation method	Value (VNDmn)
Waterpoint 1	DCF	2,082,865
Waterpoint 2	DCF	2,523,153
Mizuki	DCF	2,462,055
Akari City	DCF	1,645,867
Nam Long Dai Phuoc	DCF	1,053,775
Waterfront	DCF	5,983,443
Nam Long Hai Phong	DCF	1,002,132
Nam Long Can Tho	DCF	1,634,665
		18,387,954
+ Cash		3,507,057
- Debt		5,662,406
RNAV		16,232,605
Outstanding shares		384,080,300
Value per share (VND)		42,200

Source: KB Securities Vietnam

Fig 21. NLG – Historical P/B in 2018-2023 (x)



Source: KB Securities Vietnam

NLG – 2021A–2024F financials

Income Statement					Balance Sheet				
(VND billion)	2021	2022	2023F	2024F	(VND billion)	2021	2022	2023F	2024F
Net sales	5,206	4,339	4,053	4,545	CURRENT ASSETS	21,784	23,489	24,841	25,364
Cost of sales	-3,427	-2,355	-2,325	-2,471	Cash and cash equivalents	3,112	3,773	3,400	1,374
Gross Profit	1,778	1,984	1,727	2,075	Short-term investments	744	987	987	987
Financial income	445	386	101	294	Accounts receivable	1,934	3,570	5,535	7,136
Financial expenses	-112	-199	-296	-297	Inventories	15,490	14,828	14,555	15,466
of which: interest expenses	-102	-148	-296	-297	LONG-TERM ASSETS	18,333	3,599	3,667	3,921
Gain/(loss) from joint ventures (from 2025)	91	25	0	0	Long-term trade receivables	82	9	203	256
Selling expenses	-416	-511	-446	-545	Fixed assets	78	154	92	166
General and admin expenses	-581	-644	-527	-682	Investment properties	359	236	267	274
Operating profit/(loss)	1,205	1,041	560	844	Long-term incomplete assets	20	128	128	128
Other incomes	441	42	0	0	Long-term investments	873	2,136	2,136	2,136
Other expenses	-6	-14	0	0	TOTAL ASSETS	23,618	27,088	28,508	29,285
Net other income/(expenses)	435	29	0	0	LIABILITIES	10,090	13,773	14,445	14,171
Income from investments in other entities	0	25	406	402	Current liabilities	6,318	8,851	9,069	9,236
Net accounting profit/(loss) before tax	1,640	1,070	966	1,246	Trade accounts payable	585	981	981	440
Corporate income tax expenses	-162	-204	-185	-196	Advances from customers	2,463	3,271	3,244	3,409
Net profit/(loss) after tax	1,478	866	782	1,050	Short-term unrealized revenue	7	7	0	0
Minority interests	407	309	284	364	Short-term borrowings	1,293	1,804	2,026	1,818
Attributable to parent company	1,071	556	498	686	Long-term liabilities	3,772	4,922	5,376	4,935
					Long-term trade payables	0	0	0	0
					Long-term advances from customers	0	0	0	0
					Unrealized revenue	285	354	354	354
					Long-term borrowings	2,315	3,375	3,850	3,409
					OWNER'S EQUITY	13,528	15,994	14,039	15,315
					Paid-in capital	3,829	3,841	3,841	3,841
					Share premium	2,643	2,643	2,643	2,643
					Undistributed earnings	2,444	2,493	2,992	3,677
					Minority interests	0	0	0	0
Margin ratio					Key ratios				
	2021	2022	2023F	2024F		2021	2022	2023F	2024F
Gross profit margin	30.3%	34.2%	45.7%	42.6%	Multiple				
EBITDA margin	11.7%	15.6%	19.9%	19.0%	P/E	9.3	17.3	28.4	20.7
EBIT margin	10.7%	15.0%	19.1%	18.6%	P/E diluted	8.8	17.0	0.0	0.0
Pre-tax profit margin	45.8%	31.5%	24.7%	23.8%	P/B	1.1	1.1	1.5	1.4
Operating profit margin	45.2%	23.2%	24.0%	13.8%	P/S	1.8	2.2	69.9	15.9
Net profit margin	38.4%	28.4%	20.0%	19.3%	P/Tangible Book	0.7	0.7	1.0	0.9
					P/Cash Flow	7.4	-42.7	-17.8	-11.0
					EV/EBITDA	12.4	12.7	27.6	10.1
					EV/EBIT	12.9	13.3	28.1	10.4
					Operating performance				
					ROE	10.58	4.14	5.56	6.94
					ROA	5.90	4.67	4.01	4.29
					ROIC	5.75	2.19	2.74	3.58
					Financial structure				
					Cash Ratio	0.5	0.4	0.4	0.1
					Quick Ratio	0.8	0.8	0.6	0.3
					Current Ratio	3.5	2.7	2.7	2.7
					LT Debt/Equity	0.2	0.3	0.3	0.2
					LT Debt/Total Assets	0.1	0.1	0.1	0.1
					Debt/Equity	0.5	0.7	0.1	0.1
					Debt/Total Assets	0.3	0.3	0.1	0.1
					ST Liabilities/Equity	0.5	0.7	0.6	0.6
					ST Liabilities/Total Assets	0.3	0.3	0.3	0.3
					Total Liabilities/Equity	0.8	1.0	1.0	0.9
					Total Liabilities/Total Assets	0.4	0.5	0.5	0.5
					Activity ratios				
					Account Receivable Turnover	7.8	4.3	4.1	6.3
					Inventory Turnover	0.3	0.2	0.2	0.2
					Account Payable Turnover	7.0	3.0	2.4	3.5

Source: Nam Long Group, KB Securities Vietnam

Nguyen Xuan Binh – Head of Research
binhnx@kbsec.com.vn

Research Division
research@kbsec.com.vn

Equity

Banks, Insurance & Securities

Nguyen Anh Tung – Manager
tungna@kbsec.com.vn

Pham Phuong Linh – Analyst
linhpp@kbsec.com.vn

Real Estate, Construction & Materials

Pham Hoang Bao Nga – Senior Analyst
ngaphb@kbsec.com.vn

Nguyen Duong Nguyen – Analyst
nguyennd1@kbsec.com.vn

Retails & Consumers

Nguyen Truong Giang – Analyst
giangnt1@kbsec.com.vn

Industrial Real Estate, Logistics

Nguyen Thi Ngoc Anh – Analyst
anhntn@kbsec.com.vn

Information Technology, Utilities

Nguyen Dinh Thuan – Analyst
thuannd@kbsec.com.vn

Oil & Gas, Chemicals

Pham Minh Hieu – Analyst
hieupm@kbsec.com.vn

Macro/Strategy

Tran Duc Anh – Head of Macro & Strategy
anhtd@kbsec.com.vn

Macroeconomics & Banks

Ho Duc Thanh – Analyst
thanhdh@kbsec.com.vn

Vu Thu Uyen – Analyst
uyenvt@kbsec.com.vn

Strategy, Investment Themes

Thai Huu Cong – Analyst
congth@kbsec.com.vn

Nghiem Sy Tien – Analyst
tienss@kbsec.com.vn

Support team

Nguyen Cam Tho – Assistant
thonc@kbsec.com.vn

Nguyen Thi Huong – Assistant
huongnt3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels 16&17, Tower 2, Capital Place, 29 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180–192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276
Email: ccc@kbsec.com.vn
Website: www.kbsec.com.vn

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(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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