

Nam Long Group (NLG)

Product delivery boosted in 4Q21

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NLG would boost sales in 4Q after direct selling in 3Q was adversely affected

In 4Q21, we estimate Nam Long Group (NLG) would sell 881 properties under projects Flora Mizuki MP9-10, Southgate, Can Tho and Izumi City, equivalent to total sales of VND3,865 billion. For the whole year, NLG would sell 2,236 properties (+98% YoY) for VND8,943 billion (+135% YoY).

Handover would be accelerated in 4Q

NLG would accelerate the handover of real estate under three projects Akari City, Southgate and Can Tho in 4Q21. We estimate NLG would bring back VND4,185 billion in revenue following the handover of 1,480 products from these projects. Thus, for the whole year, NLG would record VND4,256 billion in revenue from the sales of land, apartments, villas, townhouses.

Business results should maintain growth momentum

Business results would maintain strong growth momentum in the years to come. We estimate NLG's earnings at VND1,441 billion (+69% YoY) on revenue of VND5,109 billion (+130% YoY) for 2021 and earnings at VND1,809 billion (+26% YoY) on revenue of VND7,108 billion (+39% YoY) for 2022.

We recommend BUYING NLG shares with a target price of VND68,400 per share

Based on valuation results and business outlook, we recommend BUYING NLG shares with a target price of VND68,400/share, 18% higher than the closing price on October 29, 2021.

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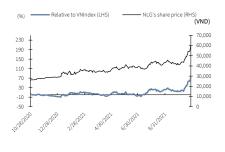
Target price	VND68,400
Up/Down (%)	18%
Current price (Oct 29, 2021)	58,000
Target price	50,200
Market cap (VNDtn/USDmn)	20.6/0.9

Trading data	
Free float	61.9%
Avg trading volume	154.5/6.8
(VNDbn/USDmn)	
Foreign ownership (%)	8.3%
Majoritiy shareholder	Mr. Nguyen Xuan Quang (12.6%)

hare price performance						
(%)	1M	3M	6M	12M		
Absolute	40	44	73	129		
Relative	33	31	55	84		

Forecast earnings & valuation
Financial year-end

Financial year-end	2019A	2020A	2021F	2022F
Net sales (VNDbn)	2,546	2,217	5,109	7,108
Profit/Loss (VNDbn)	844	1,002	1,594	1,983
Profit attributable to parent	961	835	1,185	1,525
company (VNDbn)				
EPS (VND)	3,512	2,780	3,095	3,981
EPS growth (%)	16	-21	11	29
P/E (x)	12.10	15.29	19.29	15.00
P/B (x)	2.18	2.16	1.75	1.70
ROE (%)	17	13	11	13
Dividend yield (%)	1	1		



Source: Bloomberg, KB Securities Vietnam

9M21 business performance

3Q business results markedly improved thanks to higher revaluation following the Southgate project consolidation

NLG's 3Q21 earnings were VND295 billion (+822% YoY) on revenue of VND151 billion (-76% YoY).

NLG recorded 9M21 net sales of only VND787 billion (-41% YoY) due to the delay in the handover of the Akari City project caused by the complicated developments of COVID-19 in the Southern provinces in 3Q. Most of the revenue came from the handover of some available-for-sale apartments of previous projects. 9M21 PAT increased significantly to VND709 billion (+227% YoY) thanks to: (1) Realizing VND423 billion in profit from the revaluation of the Izumi project after buying an additional 30% stake in 1Q (NLG currently owns 70% capital of the project) (2) Profit from joint ventures and associates owing to the handover of 309 products under Southgate project (3) Realizing VND362 billion in profit from revaluation of assets after consolidating Southgate JSC in 3Q.

By the end of 3Q21, NLG delivered 16% and 62% of the full-year profit and revenue plan, respectively.

Table 1. NLG - 9M21 business performance

(VNDbn)	9M2020	9M2021	% changed
Net revenue	1,298	787	-39%
- Land, apartments, townhouses, villas sales	367	72	-80%
- Construction	464	272	-41%
- Product delivery	403	102	-75%
Gross profit	420	232	-45%
Financial revenue	78	388	397%
Financial expenses	21	61	190%
Profit of joint ventures, associates	44	95	116%
Selling expenses	25	36	44%
Management costs	238	358	50%
Net profit from operating activities	258	261	1%
Other profits	7	429	6029%
PBT	265	690	160%
PAT	217	709	227%
Profit attributable to parent company	208	709	241%

Source: KB Securities Vietnam

Table 2. NLG - 9M21 revenue from projects (VNDbn)

Projects	Products	Revenue (VNDbn)
Flora Novia	8	14
Nguyen Son – Villa (Valora Island)	1	5
Nguyen Son – Villa (Small Island)	12	34
Nguyen Son – EhomeS Nam Saigon	3	5
Phu Huu Project - Land lots	3	12
Nam Long Hong Phat – Land lots	2	2
Total	29	72

Source: KB Securities Vietnam

3Q21 sales was affected by the complicated developments of the pandemic in the Southern region

Due to the complicated developments of the pandemic in the Southern region, sales activities were temporarily suspended. The plan to launch Mizuki MP9–10 apartments was pushed back from 3Q to 4Q. In order to mitigate the impact of the pandemic, NLG conducted online sales for two projects Can Tho and Ehome Southgate (Block B2) with a total value of VND554 billion, equivalent to 290 products sold.

NLG successfully sold 1,355 products (+53% YoY) in 9M21, equivalent to a total contract value of VND5,078 billion (+52% YoY), mostly from the sales of 338 products in Valora Southgate and 637 products in Flora Mizuki for VND2,090 billion and VND1,975 billion respectively.

NLG continues to promote sales, resuming the sales of the Izumi City project Regarding the sales plan in 4Q21, NLG expects to: (1) Launch Flora Mizuki MP9–10 at VND45 million/m²; (2) Continue to open for sale Rivera 2 and Aquaria subdivisions and Ehome apartments under Southgate project and Can Tho project and (3) Launch 275 properties under Izumi City project with the price of VND50 million/m². We estimate that in 4Q21, NLG would sell 881 properties, equivalent to a total sales value of VND3,865 billion. Thus, for the whole year, NLG would sell 2,236 properties (+98% YoY) for VND8,943 billion (+135%YoY) (Table 3).

NLG focuses on delivering its products to record revenue and profit in 4Q21 The progress of projects was significantly affected in 3Q21 when the construction and delivery of products were delayed. In 4Q, NLG will accelerate the handover of (1) 1200 apartments in Akari City project, (2) 230 low-rise products in Southgate and (3) about 50 plots of land in Can Tho project. Revenue recorded from three projects is estimated at VND4,185 billion.

Nam Long divested of its 25% stake in Dai Phuoc project

NLG has completed the handover of 25% stake of Paragon Dai Phuoc to a Japanese partner Nishi Nippon Railroad. The company expects to complete the sale of the remaining 25% to Nishi in 4Q22, which should bring in VND300 billion in earnings.

NLG earned nearly VND2,950 billion from the private placement of 60 million shares and bonds in 9M21 In the first nine months of the year, NLG successfully made a private placement for 60 million shares, earning nearly VND2,000 billion which would be used to buy PG Hai Phong project and invest in the Akari project – Lot F. Besides, the company earned VND950 billion from two tranches of individual bond issuance. The capital mobilized should be used to buy the capital contribution in Dong Nai Waterfront City and develop the infrastructure in Dong Nai Waterfront project.

NLG disclosed an issuance plan for 4021

NLG plans to issue 23.9 million shares (6.93% ratio), 12,485 million stock dividends (3.62% ratio) and 1.3 million ESOP shares in 4Q this year.

Table 3. NLG - The number of sold units and contract value in 2021 & 2022

	9M	121	4Q21		4Q21 2021			21	2022		
Projects	Sold units	Contract value (VNDbn)									
Akari	88	458			88	458					
Mizuki	637	1,975	242	913	879	2,888	970	3,978			
Southgate	338	2,090	110	542	448	2,632	778	4,103			
Can Tho 43ha	116	369	111	318	227	687	645	1,721			
Ehome Southgate	174	185	143	150	317	335	572	598			
Izumi City			275	1,942	275	1,942	738	5,793			
Others	2	1			2	1					
Total	1,355	5,078	881	3,865	2,236	8,943	3,703	16,193			

Source: Nam Long Group, KB Securities Vietnam

2021F business performance

2021 performance should be good

We estimate:

- NLG's 2021 revenue may reach VND5,109 billion (+130% YoY), of which revenue from the sales of real estate properties should be VND4,256 billion (+383% YoY). The two big revenue contributors are Akari City and the Southgate project (newly consolidated), which add VND2,706 billion and VND1,347 billion to the total revenue.
- Gross profit is expected to hit VND1,998 billion (+198% YoY). Gross profit margin should be 39%, improved from 31% in 2020 due to the delivery of low-rise products and villas at Southgate project with high profit margin.
- Post-tax profit should be VND1,441 billion (+69% YoY).
- KBSV forecast for NLG's 2021 earnings and revenue growth are 5% and 3% higher than the company's business guidance.

2022 performance is expected to be positive

- NLG's estimated revenue in 2022 is VND7,108 billion (+39% YoY), of which real estate sales are VND6,255 billion (+47% YoY), which comes from the rest of the Akari project and other projects like Izumi City, Southgate and Can Tho.
- Gross profit may reach VND2,884 billion (+44% YoY). Accordingly, gross profit margin is 40%.
- Post-tax profit should be VND1,809 billion (+26% YoY).

Table 4. NLG – Estimated revenue from key projects in 2021 & 2022 (VNDbn)

	2021	2022
Akari	2,706	1,457
Southgate	1,347	2,155
Can Tho 43ha	132	1,058
Izumi City		1,584

Source: KB Securities Vietnam

Table 5. NLG - Forecast business results in 2021 & 2022 (VNDbn)

	2021	+/-% YoY	2022	+/-% YoY
Net revenue	5,109	130%	7,108	39%
- Saes of real estate properties	4,256	383%	6,255	47%
- Real estate services	367	-44%	375	2%
- Construction	351	-50%	426	22%
- Others	136	653%	51	-62%
Gross profit	1,998	198%	2,884	44%
Financial revenue	409	-44%	205	-50%
Other sources of profit	204	1508%	249	22%
Pre-tax profit	1,799	77%	2,232	24%
Post-tax profit	1,441	69%	1,809	26%

Source: KB Securities Vietnam

Recommendation

KBSV recommends BUYING NLG shares with a target price of VND68,400/share, 18% higher than the closing price on October 29, 2021 Using the RNAV method (Table 6), we set a target price for NLG shares at VND68,400/share, 18% higher than the closing price on October 28, 2021. Based on the business outlook and valuation results, we recommend BUYING NLG shares with a target price of VND68,400/share, 18% higher than the closing price on October 29, 2021.

Table 6. NLG - RNAV method

Projects	Methods	Value (VNDmn)
Waterpoint 1	DCF	1,608,985
Waterpoint 2	DCF	4,787,304
Mizuki	DCF	2,733,960
Akari City	DCF	1,215,433
Nam Long Dai Phuoc	DCF	2,535,375
Waterfront	DCF	8,366,340
Nam Long Hai Phong	DCF	807,083
Nam Long Can Tho	DCF	2,627,584
Others	Book value	624,000
		25,306,065
+ Cash		895,870
+ Short-term financial investment		1,358,322
- Loans		4,000,359
RNAV		23,559,898
Outstanding shares		345,270,660
Share price (VND)		68,400

Source: KB Securities Vietnam

NLG - 2019A-2022F financials

Income Statement (VND billion)	2045	2025	20245	20225	Balance Sheet (VND billion)	2019	2020	2021F	2022
	2019	2020	2021F	2022F	· ·				
Net sales	2,546	2,217	5,109	7,108	CURRENT ASSETS	7,923	9,570	19,638	22,26
Cost of sales Gross Profit	-1,480 1,066	-1,546 671	-3,111 1,998	-4,223 2.884	Cash and cash equivalents Short-term investments	1,901 67	1,073 35	1,471 35	2,08
Financial income	97	727	409	2,884	Accounts receivable	1,548	2,228	2,320	2,88
ı	-21	-103	-159	-182	Inventories	1,548 4,298	6,069	2,320 15,557	16,89
Financial expenses					LONG-TERM ASSETS	4,298 2.981	4.073		
of which: interest expenses Gain/(loss) from joint ventures (from 2015)	-20 126	-53 142	-135 0	-150 0	Long-term trade receivables	2,981	102	2,586 255	3,15
Selling expenses	-119	-68	-255	-355	Fixed assets	77	77	112	23
General and admin expenses	-306	-367	-398	-569	Investment properties	185	260	267	27
Operating profit/(loss)	844	1.002	1.594	1,983	Long-term incomplete assets	194	38	38	
Other incomes	406	30	0	1,563	Long-term investments	1,809	3,262	863	86
Other expenses	-23	-18	0	0	TOTAL ASSETS	10,904	13,643	22,224	25,4
Net other income/(expenses)	383	13	204	249	LIABILITIES	4,704	6,922	9.114	11,9
Income from investments in other entities	0	0	0	0	Current liabilities	3,024	4,439	7,010	9,4
Net accounting profit/(loss) before tax	1,226	1,015	1,799	2,232	Trade accounts payable	175	390	622	66
Corporate income tax expenses	-219	-165	-358	-423	Advances from customers	1,322	2.098	3,832	5,3
Net profit/(loss) after tax	1,007	850	1,441	1,809	Short-term unrealized revenue	7	2,038	0	3,3.
Minority interests	47	15	255	284	Short-term unrealized revenue Short-term borrowings	63	932	1,022	1,42
Attributable to parent company	961	835	1,185	1,525	Snort-term borrowings Long-term liabilities	1,680	2,483	2,104	2,5
Action and to patetic company	301	653	1,103	1,323	Long-term trade payables	1,080	2,463	2,104	2,3
Margin ratio					Long-term dadvances from customers	0	0	0	
Walgiirauo	2019	2020	2021F	2022F	Unrealized revenue	695	757	68	
Gross profit margin	43.2%	41.9%	30.3%	39.1%	Long-term borrowings	806	1,525	2,044	2,4
EBITDA margin	29.5%	26.0%	11.7%	26.6%	OWNER'S EQUITY	6,200	10,594	14,039	15,3
EBIT margin	29.1%	25.2%	10.7%	26.3%	Paid-in capital	2,597	2,853	3,830	3,8
Pre-tax profit margin	32.4%	48.2%	45.8%	35.2%	Share premium	989	989	2,643	2.6
Operating profit margin	32.4%	33.1%	45.2%	31.2%	Undistributed earnings	1,839	2,132	3,317	4.8
Net profit margin	25.5%	39.6%	38.4%	28.2%	Minority interests	0	2,132	3,317	4,0
net pront margin	23.570	33.070	30.470	20.270	minority interests	-			
Cash Flow Statement					Key ratios				
(VND billion)	2019	2020	2021F	2022F		2019	2020	2021F	2022
Net profit/(loss) before tax	1,226	1,015	1,799	2,232	Multiple				
Depreciation and amortisation	21	23	16	26	P/E	12.1	15.3	19.3	15
Profit/loss from investing activities	-611	-868	0	0	P/E diluted	11.2	14.2	0.0	0
Interest expense	20	53	-135	-150	P/B	2.2	2.2	1.7	1
Operating profit/(loss) before changes in Working Capital	656	222	1,678	2,109	P/S	4.3	5.5	62.3	60
(Increase)/decrease in receivables	-336	25	-242	12	P/Tangible Book	1.8	1.8	1.7	1
(Increase)/decrease in inventories	433	-1,668	-1,000	-1,336	P/Cash Flow	33.9	-10.9	-210.2	-849
Increase/(decrease) in payables	-170	683	232	39	EV/EBITDA	15.1	52.1	20.7	2
(Increase)/decrease in prepaid expenses	18	-89	-284	-278	EV/EBIT	15.6	57.2	20.9	2
Net cash inflows/(outflows) from operating activities	325	-1,111	-109	-27	Operating performance				
Purchases of fixed assets and other long term assets	-64	-44	-102	-142	ROE	16.73	12.92	10.99	13.4
Proceeds from disposal of fixed assets	3	0	0	0	ROA	8.69	2.77	11.01	12.5
Loans granted, purchases of debt instruments	-72	-40	0	0	ROIC	9.38	6.80	6.48	7.1
Collection of loans, proceeds from sales of debts instruments	0	0	0	0	Financial structure				
Investments in other entities	-362	-3,165	0	0	Cash Ratio	0.6	0.2	0.2	0
Proceeds from divestment in other entities	33	2,089	0	0	Quick Ratio	1.1	0.7	0.3	C
Dividends and interest received	83	118	0	0	Current Ratio	2.6	2.2	2.8	2
Net cash inflows/(outflows) from investing activities	-377	-1,043	-102	-142	LT Debt/Equity	0.1	0.2	0.2	0
Proceeds from issue of shares	573	0	0	0	LT Debt/Total Assets	0.1	0.1	0.1	C
Payments for share returns and repurchases	-319	-6	0	0	Debt/Equity	0.5	0.7	0.1	C
Proceeds from borrowings	329	1,879	0	0	Debt/Total Assets	0.3	0.3	0.0	C
Repayment of borrowings	-471	-290	609	785	ST Liabilities/Equity	0.5	0.7	0.5	(
Finance lease principal payments	0	0	0	0	ST Liabilities/Total Assets	0.3	0.3	0.3	(
Dividends paid	-244	-257	0	0	Total Liabilities/Equity	0.8	1.0	0.7	
•	0	0	0	0	Total Liabilities/Total Assets	0.4	0.5	0.4	
Interests, dividends, profits received				785	Activity ratios				
Interests, dividends, profits received Net cash inflows/(outflows) from financing activities	-131	1,326	609						
Net cash inflows/(outflows) from financing activities	-131 -184	1,326 -827				7.0	4.2	7.0	8
Net cash inflows/(outflows) from financing activities Net increase in cash and cash equivalents	-184	-827	609 398 1.073	616 1.471	Account Receivable Turnover	7.0 0.4	4.2 0.3		8
Net cash inflows/(outflows) from financing activities			398	616				7.0 0.3 6.1	

Source: Nam Long Group, KB Securities Vietnam

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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	Undernerform the market

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