

Nam Long Group (NLG)

Product delivery boosted in 4Q21

November 2, 2021

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

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.

Buy maintain

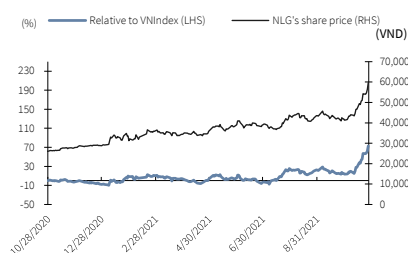
Target price	VND68,400
Up/Down (%)	18%
Current price (Oct 29, 2021)	58,000
Target price	50,200
Market cap (VNDtn/USDmn)	20.6/0.9

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

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

Forecast earnings & valuation

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 company (VNDbn)	961	835	1,185	1,525
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 4Q21

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

Projects	9M21		4Q21		2021		2022	
	Sold units	Contract value (VNDbn)	Sold units	Contract value (VNDbn)	Sold units	Contract value (VNDbn)	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

7

Source: Nam Long Group, KB Securities Vietnam

KB SECURITIES VIETNAM RESEARCH

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

Equity

Duong Duc Hieu
Head of Equity Research
hieudd@kbsec.com.vn

Nguyen Anh Tung
Senior Analyst – Financials & Information technology
tungna@kbsec.com.vn

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

Le Anh Tung
Senior Analyst – Oil & Gas & Banks
tungla@kbsec.com.vn

Nguyen Ngoc Hieu
Analyst – Power & Construction Materials
hieunn@kbsec.com.vn

Pham Nhat Anh
Analyst – Industrial Real Estate & Logistics
anhpn@kbsec.com.vn

Luong Ngoc Tuan Dung
Analyst – Consumers & Retailing
dunglnt@kbsec.com.vn

Research Division
research@kbsec.com.vn

Macro/Strategy

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

Le Hanh Quyen
Analyst – Macroeconomics & Banks
quyenlh@kbsec.com.vn

Thai Huu Cong
Analyst – Strategy & Mid cap Stocks
conghth@kbsec.com.vn

Tran Thi Phuong Anh
Analyst – Strategy & Mid cap Stocks
anhhttp@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 G, M, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da 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

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

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.