

Vinhomes (VHM)

Driven by the launch of new projects

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VHM continues to maintain its leading position in the real estate market

Vinhomes (VHM) continues to maintain its leading position in the residential real estate segment, targeting both the mid- and high-end markets during 2016–2021, with a market share of up to 27%, 4% higher than the second-ranked company. VHM currently owns a large landbank of up to VND168 million m², helping to ensure the profit growth and maintain market share in the coming years.

VHM should sell all products at three megaprojects and open for sale three new projects Dream City, Wonder Park, and Co Loa

VHM should complete sales at three megaprojects Ocean Park, Smart City, and Grand Park in 2022. Meanwhile, three new big projects, Wonder Park, Dream City, and Co Loa, are expected to be launched in 2022, the majority of which are low-rise products with high upside potential. The total value of new contracts signed in 2022 and 2023 is estimated at VND88 trillion (+11%YoY) and VND98 trillion (+11%YoY), respectively.

Business results continue to maintain growth momentum

Business results should maintain growth momentum in the years to come. We estimate VHM's 2022F NPAT to reach VND43,466 billion (+11% YoY). In 2023F, this figure should be VND48,822 billion (+12% YoY).

We recommend BUYING VHM shares with a target price of VND107,800/share

Based on the valuation results and business outlook, we maintain our BUY recommendation for VHM shares with a target price of VND107,800/share, 36% higher than the closing price on February 20, 2022.

Buy maintain

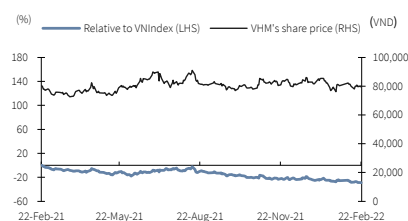
Target price	VND107,800
Upside/Downside	36%
Current price (Feb 20, 2022)	VND79,300
Consensus target price	VND102,000
Market cap (VNDtn/USDbn)	345.3/15.1

Trading data	
Free float	22.6%
3M avg trading value (VNDbn/USDmn)	508.8/22.3
Foreign ownership	26.1%
Major shareholder	Vingroup (VIC) (66.66%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-4	-6	-10	-1
Relative	-4	-7	-20	-29

Forecast earnings & valuation

FY-end	2019A	2021A	2022A	2023F
Net revenue (VNDbn)	71,547	85,094	125,252	134,159
Earnings/Loss (VNDbn)	37,306	48,164	56,034	62,845
Profit attributable to parent company (VNDbn)	27,351	39,017	43,466	48,822
EPS (VND)	6,495	8,166	9,982	11,212
EPS growth (%)	52	26	22	12
P/E (x)	12.21	9.71	7.94	7.07
P/B (x)	4.74	3.10	2.14	1.64
ROE (%)	39	36	27	24
Dividend yield (%)	0	6	1	0



Source: Bloomberg, KB Securities Vietnam

Updated business performance

Inventory property sales in 2021 increased by 9% YoY

Sales of inventory property (business cooperation contract (BCC) projects and bulk sale transactions included) in 4Q21 reached VND25.4 trillion (-25%YoY) from the delivery of 13,000 products, of which 97% were from three megaprojects. During the period, VHM recorded a financial income of VND2.7 trillion thanks to the handover of the project on Hon Mot Island (Nha Trang). NPAT of the parent company hit VND11.9 trillion (+8% YoY). For the whole year of 2021, VHM posted revenue of VND85.1 trillion (+19% YoY) with VND73.5 trillion (+9% YoY) from inventory property sales. Revenue, including bulk sale transactions and BCC projects, was VND94.7 trillion (-3% YoY).

Gross profit was higher YoY thanks to the handover of projects with higher profit margins

Gross profit reached VND48.4 trillion (+87% YoY). The gross profit margin was 56%, up from 36% in 2020, thanks to the bulk sales at the two projects, Ocean Park and Smart City, with high profit margins. NPAT of the parent company was VND39.0 trillion (+43% YoY). Thus, profit and revenue in 2021 fulfilled 111% and 94% of the full-year targets for profit and revenue, respectively.

By the end of 4Q21, the total value of signed contracts and unbilled bookings (bulk sale transactions included) hit VND52.4 trillion (-16% YoY).

Table 1. VHM – 2020A–2021A business results

(VNDbn)	2021A	2020A	% YoY
Net sales	85,094	71,547	19%
- Sales of inventory property	73,484	46,806	57%
Gross profit	48,408	25,936	87%
Financial income	7,984	20,245	-61%
Financial expenses	(2,738)	(4,019)	-32%
Earnings from joint venture	53		
Selling expenses	(2,301)	(2,681)	-14%
SG&A expenses	(3,242)	(2,193)	48%
Net income from business activities	48,164	37,306	29%
NPBT	48,469	36,517	33%
NPAT	39,231	28,207	39%
Profit attributable to the parent company	39,017	27,351	43%
EPS (VND)	9,060	6,396	42%

Source: Vinhomes, KB Securities Vietnam

Business results remained positive, bulk sales should be promoted

In 4Q21, VHM sold 17,400 units (+544% YoY), equivalent to a total contract value of VND37.9 trillion (+130% YoY), with VND16 trillion from retail customers (about 4,400 units). During the quarter, VHM carried out seven bulk sale transactions (in Ocean Park, Smart City, Wonder Park, Dai An, and one project in the South) with a total contract value of VND22 trillion.

Over the past year, the number of sold apartments with non-refundable deposits hit 31,900 units (+41% YoY) with a total contract value of VND78.9 trillion, up 22% YoY and 25% higher than our previous forecast.

VHM should sell all apartments at three megaprojects and launch two new projects, Wonder Park and Dream City, to retail customers

For the launched megaprojects, Ocean Park, Smart City, and Grand Park, inventory properties account for 11–14% of the total apartments. Sales of Vinhomes Smart City should be accelerated so that all three projects are sold out this year.

VHM plans to launch Dream City and Wonder Park to retail customers in 1H22 and open for sale Co Loa in late 2022 (Table 2). Dream City and Wonder Park are currently in the process of infrastructure completion (Table 2, Image 3, Image 4). Most of the products available for sale are low-rise ones. The sale of low-rise products, especially in projects with completed infrastructure and utilities at this time, may benefit VHM thanks to their high absorption rate. Besides, the synchronous development of infrastructure along with the Red River urban zoning planning and the district development plan will help create a high upside potential for low-rise properties. We estimate these two projects will contribute considerably to total sales in 2022.

For 2022, we forecast VHM' revenue of VND88 trillion (+11%YoY) (Figure 5), with 33% from three launched megaprojects and 36% from Wonder Park and Dream City.

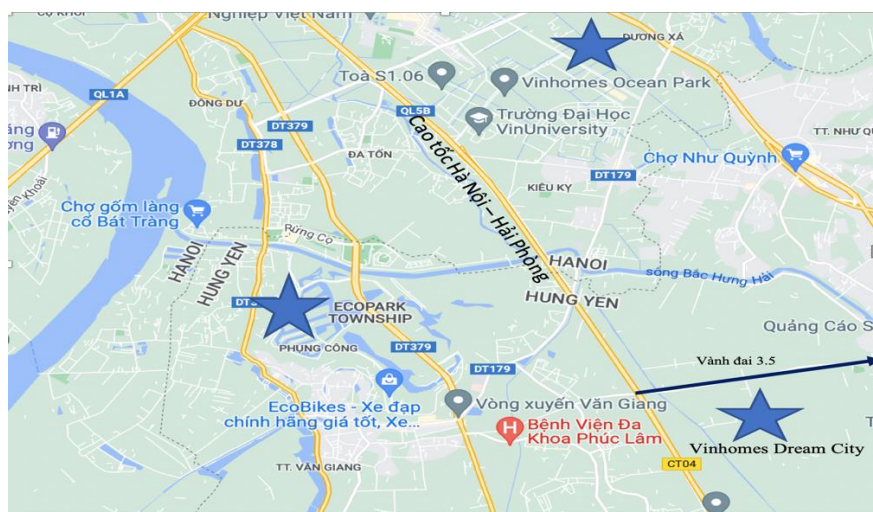
Table 2. VHM – New projects

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

Img 3. VHM – Vinhomes Dream City

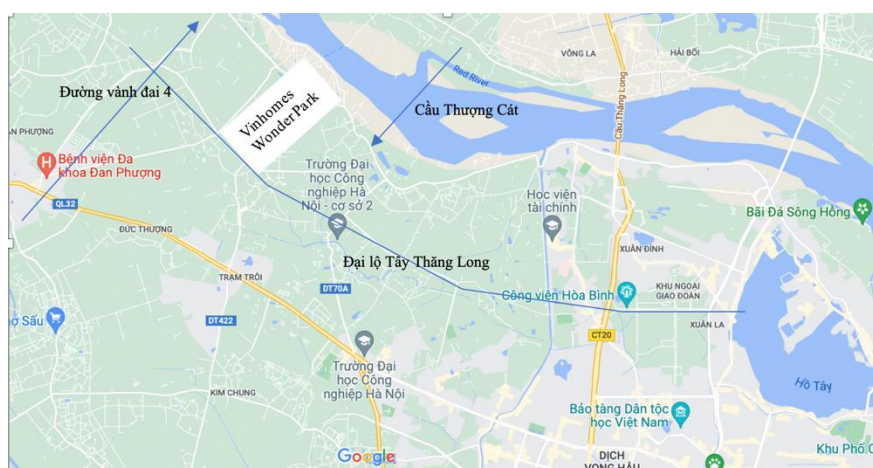
The project is close to the Ocean Park project, next to the Hanoi-Hai Phong highway and Ring Road No. 3.5, connected to the downtown and neighboring provinces.



Source: KB Securities Vietnam

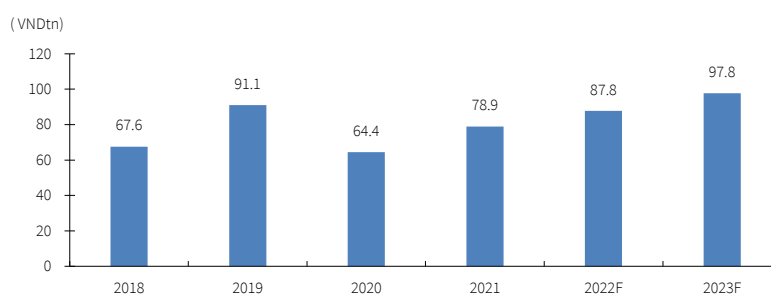
Img 4. VHM – Vinhomes Wonder Park

The project is in Dan Phuong District, Hanoi, near Ring Road No. 4 and Tay Thang Long Avenue (connected to Vo Chi Cong Street).



Source: KB Securities Vietnam

Fig 5. VHM – 2018A-2023F contract value (VNDtn)



Source: Vinhomes, KB Securities Vietnam

Forecast business performance

2022F business results

We estimate VHM's 2022F revenue to reach VND125,252 billion (+47% YoY), primarily from Ocean Park, Smart City, Grand Park projects, and two new projects Dream City and Wonder Park.

Gross profit should reach VND64,225 billion (+17% YoY), and gross profit margin is 51%.

NPAT of the parent company is supposed to be VND43,466 billion (+11% YoY).

2023F business results

In 2023F, we expect VHM's revenue to be VND134,159 billion (+7% YoY).

Gross profit may hit VND72,349 billion (+13% YoY), and gross profit margin is 54%.

NPAT of the parent company should reach VND48,822 billion (+12% YoY).

Table 6. VHM – 2022F–2023F business results

(VNDbn)	2021A	2022F	% YoY	2023F	% YoY
Net revenue	85,094	125,252	47%	134,159	7%
– Sales of inventory properties	67,309	109,443	63%	120,386	10%
Financial income	7,984	1,310	–84%	1,380	5%
Gross profit	54,772	64,225	17%	72,349	13%
NPBT	48,469	55,814	15%	62,556	12%
Profit attributable to the parent company	39,017	43,466	11%	48,822	12%

Source: Vinhomes, KB Securities Vietnam

Our estimate is based on the assumption that the company will include revenue from all bulk sale transactions in its net revenue. Financial income only comes from profits from the BCC project Vinhomes Star.

Valuation and recommendation

The outlook is bright, driven by large-scale projects with high upside potential

We take a positive stance towards VHM's long-term growth, supported by the following reasons: (1) VHM's leading position with a large landbank of up to 168 million m² of floor area; (2) growth momentum from three launched megaprojects and projects about to be launched such as Dream City, Wonder Park and Co Loa (mostly low-rise products with high upside potential). Based on the RNAV valuation method, we maintain our BUY recommendation for VHM shares with a target price of VND107,800/share, 36% higher than the closing price on February 20, 2022.

Table 7. VHM – Share price according to the RNAV valuation method (VND)

Project	Valuation method	Value
Real estate development	DCF	426,076,139
Leasing	DCF	17,926,609
Industrial parks	DCF	30,297,349
		484,300,096
+ Cash		4,823,700
- Net debt		19,918,807
RNAV		469,204,989
Outstanding shares		4,354,368,093
Share price (VND)		107,800

Source: KB Securities Vietnam

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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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