

Nam Long Group (NLG)

Presales to enjoy a robust recovery

February 28, 2024

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4Q2023 presales enjoyed a strong recovery on good absorption rates at Southgate and Akari City Phase 2

In 4Q2023, Nam Long Group (NLG) recorded a strong recovery in presales, up 145% QoQ and up 48% YoY to VND2,208 billion, primarily driven by Southgate (VND1,074 billion) and Akari City (VND908 billion). The figure for the entire year 2023 is VND3,977 billion (down 12% YoY), exceeding our estimate by 25% due to better-than-expected absorption rates at the abovementioned projects.

Presales should hit VND5,214 billion (+31% YoY) for 2024F

We project presales for 2024F to reach VND5,214 billion (+31% YoY), with the contribution coming from Akari City, Mizuki Park, Southgate, and EhomeS Can Tho. For 2025, we expect the figure to be VND6,783 billion (+30% YoY).

NPAT is expected to reach VND541 billion (+12% YoY) for 2024F

For 2024F, we anticipate NLG's NPAT at VND541 billion (+12% YoY) thanks to deliveries at Southgate, Izumi City, Mizuki Park, Akari City, and Can Tho. KBSV expects NLG to complete legal procedures to recognize profits from a 25% stake sale at Paragon Dai Phuoc in 2024.

We recommend BUY for NLG with a target price of VND44,500/share

We remain upbeat about NLG due to (1) its solid inner strength with a healthy financial structure and (2) mid-range housing projects that continue to attract homebuyers. Based on business prospects and valuation results, we recommend BUY for NLG with a target price of VND44,500/share, representing a 16% upside compared to the closing price on February 28, 2024.

Buy maintain

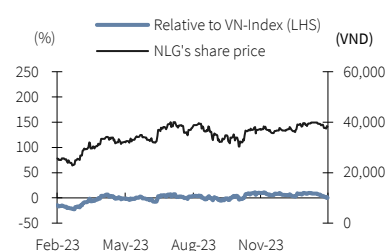
Target price	VND44,500
Upside	16%
Current price (Feb 28, 2024)	VND38,200
Consensus target price	VND42,700
Market cap (VNDbn/USDmn)	14.7/0.6

Trading data	
Free float	57.3%
3M avg trading value (VNDbn/USDmn)	92.4/3.8
Foreign ownership	5.4%
Major shareholder	Mr. Nguyen Xuan Quang (12%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	0	0	2	52
Relative	0	0	-2	27

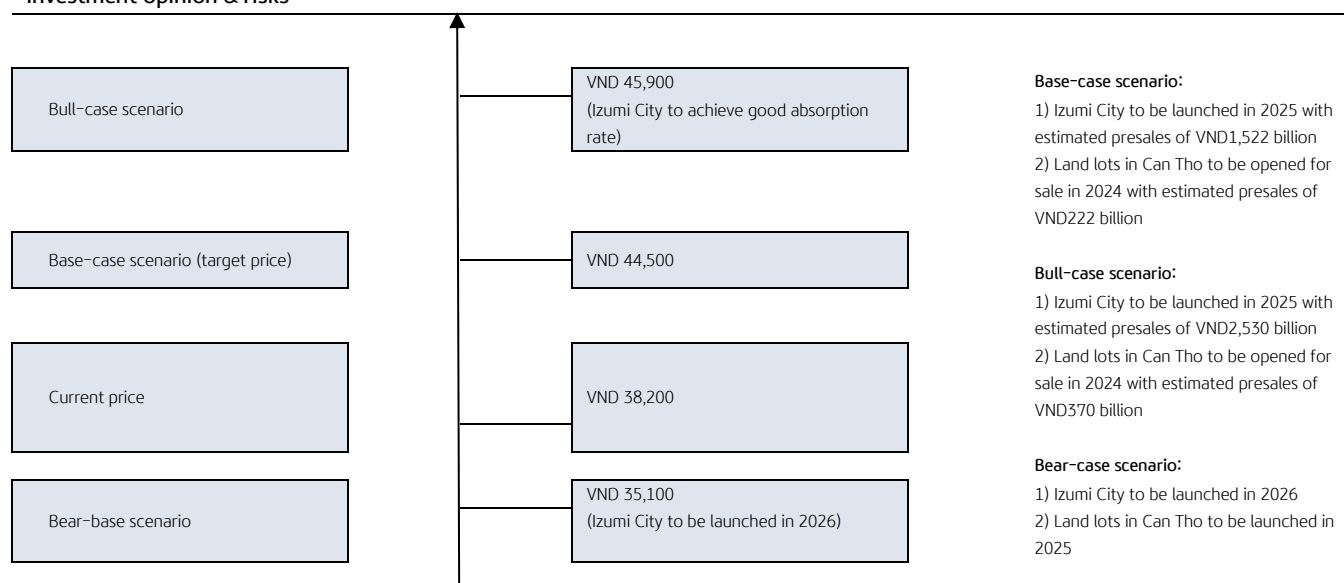
Forecast earnings & valuation

FY-end	2022A	2023A	2024F	2025F
Net revenue (VNDbn)	4,339	3,181	5,047	6,723
Operating income/loss (VNDbn)	1,041	942	1,220	1,445
NPAT-MI (VNDbn)	556	484	541	614
EPS (VND)	1,448	1,257	1,407	1,595
EPS growth (%)	-48	-13	12	13
P/E (x)	27.31	31.06	27.16	23.95
P/B (x)	1.69	1.60	1.05	0.99
ROE (%)	4.2	3.6	3.8	4.1
Dividend yield (%)	0	0	0	0



Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



Source: Bloomberg, KB Securities Vietnam

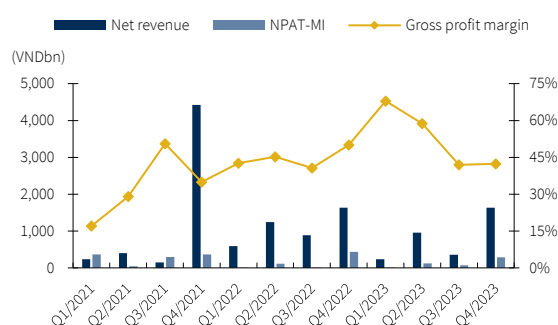
Business performance

Table 1. NLG – 2022A–2023A business results

(VNDbn)	4Q2022	4Q2023	%YoY	2022A	2023A	%YoY	KBSV's comments
Net revenue	1,629	1,636	0%	4,339	3,181	-27%	Completed 66% of the revenue target for the whole year 2023 Property sales in 2023 dropped YoY due to a decrease in the number of units handed over. Specifically, NLG delivered 578 apartments (-50% YoY). Revenue primarily came from Southgate (VND1,578 billion) and Izumi City (VND1,174 billion).
<i>Property sales</i>	1,538	1,546	1%	4,083	2,905	-29%	
Gross profit	814	692	-15%	1,984	1,562	-21%	
Gross profit margin	50%	42%	-8pp	46%	49%	3pp	Gross profit margin improved thanks to the majority of delivered products being Valora villas with high gross profit margin.
<i>Property sales</i>	50%	51%	1pp	45%	53%	8pp	
Financial income	307	128	-58%	386	246	-36%	
Financial expenses	-69	-87	25%	-199	-305	53%	Profit came from handing over 1,017 units at Mizuki Park with revenue reaching VND4,162 billion.
Shared profits from associates	22	213	868%	25	418	1604%	
SG&A	-385	-354	-8%	-1,155	-980	-15%	
Operating income/loss	688	591	-14%	1,041	942	-10%	
Other income	16	19	18%	29	27	-8%	
Profit before tax	705	611	-13%	1,070	968	-10%	
Corporate income tax	-115	-129	12%	-204	-168	18%	Completed 83% of the profit target for the whole year 2023
Profit after tax	590	482	-18%	866	800	-8%	
NPAT-MI	437	290	-34%	556	484	-13%	

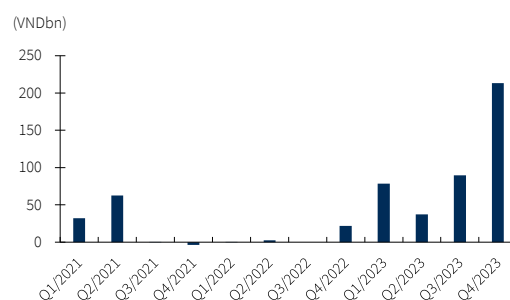
Source: Nam Long Group, KB Securities Vietnam

Fig 2. NLG – 2021A–2023A business results



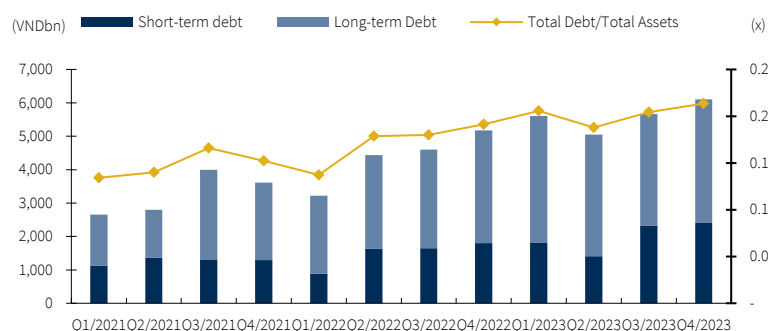
Source: Nam Long Group, KB Securities Vietnam

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



Source: Nam Long Group, KB Securities Vietnam

Fig 4. NLG – Debt structure in 2021–2023 (VNDbn)



Source: Nam Long Group, KB Securities Vietnam

4Q2023 presales enjoyed a strong recovery on good absorption rates at Southgate and Akari City Phase 2

4Q2023 presales experienced a robust recovery, reaching VND2,208 billion (+145% QoQ; +48% YoY). In particular:

The Southgate project achieved VND1,074 billion, driven by sales of high-value villas and bulk sales transactions for Block A2 at Ehome Phase 3.

The Akari City project continued to exhibit a high absorption rate, recording contracted sales of VND908 billion, helped by (1) its right target market, especially amid an oversupply of high-end properties, (2) affordable products with full amenities, meeting the needs of homebuyers, on-schedule project implementation, and (3) flexible sales policies to support customers.

For the entire year 2023, contracted sales touched VND3,977 billion (down 12% YoY), exceeding our estimation by 25% thanks to better-than-expected absorption rates at Southgate and Akari City.

Table 5. NLG – Number of units sold in 2023

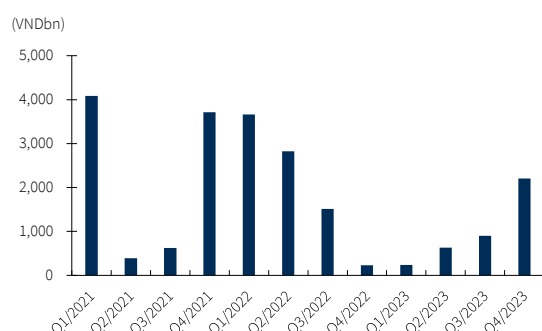
(VNDbn)	1Q2023	2Q2023	3Q2023	4Q2023	FY2023	KBSV's forecast
Mizuki Park	96	196	97	169	558	543
Akari City	76	302	682	908	1,968	1600
Southgate	66	131	123	1,074	1,394	810
EhomeS Can Tho				58	58	216
Total	238	629	902	2,208	3,977	3,170

Source: Nam Long Group, KB Securities Vietnam

Presales should hit VND5,214 billion (+31% YoY) for 2024F

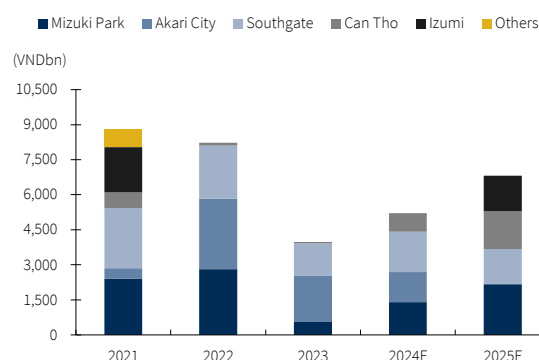
KBSV forecasts presales for 2024F and 2025F at VND5,214 billion (+31% YoY) and VND6,783 billion (+30% YoY) respectively, with the contribution coming from Akari City, Mizuki Park, Southgate, EhomeS Can Tho, and Izumi City. We anticipate that NLG's existing projects will continue to maintain high absorption rates due to (1) affordable products that meet the needs of customers and (2) the expectation that lower mortgage rates will stimulate housing demand.

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



Source: Nam Long Group, KB Securities Vietnam

Fig 7. NLG – Presales in 2021A–2025F (VNDbn)



Source: Nam Long Group, KB Securities Vietnam

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

- Phase 1: Launched low-rise subdivisions Rivera 1 and The Aqua in 4Q2019 (handed over)
- Phase 2:
 - In 2021, Rivera 2, Aquaria 2, and Ehome Southgate Phase 1 were launched (handed over)
 - In August 2022, Ehome Southgate Phase 2 was opened for sale for the first time (sold out, handed over).
 - Subdivisions The Aqua 1,2 continue to be opened for sale.
 - In 4Q2023, the low-rise subdivision Park Village (96 units) was opened for sale, construction on Ehome Southgate Phase 3 comprising three blocks with 580 apartments (handover expected in 2025) started, bulk sale transaction for a third of block A2 at Ehome was carried out.

Fig 8. NLG – Waterpoint project



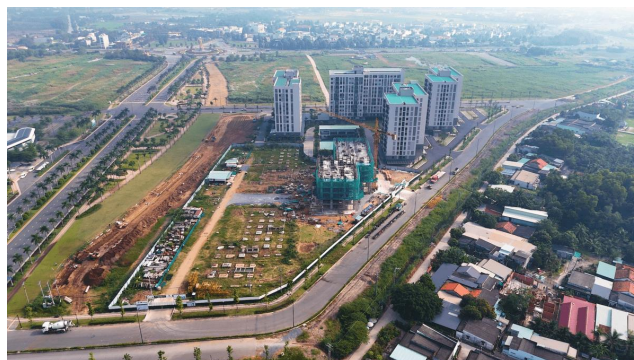
Source: Nam Long Group, KB Securities Vietnam

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, located in Binh Chanh, Ho Chi Minh City, with more than 4,000 properties.

- Phase 1: Handed over 1,400 Flora MP 1–5 apartments
- Phase 2:
 - MP 6, 7, 8 were opened for sale in April 2021, topped off in August 2022, and handed over three months ahead of schedule at the end of 2022. NLG accelerated handovers in 4Q2022 instead of the initially planned 1Q2023.
 - MP 9 and 10 were opened for sale in 4Q2021, topped off in early 2023, and started deliveries in June 2023.
 - Mizuki Panorama was opened for sale in April 2022, topped off in early 2023, and started deliveries in July 2023.
 - In 4Q2023, NLG continued to hand over at Flora Panorama and The Mizuki.



Source: Nam Long Group, KB Securities Vietnam

Fig 12. NLG – Mizuki Park project



Source: Nam Long Group, KB Securities Vietnam

Fig 13. NLG – Subdivisions Flora Panorama & The Mizuki



Source: Nam Long Group, KB Securities Vietnam

Fig 14. NLG – Akari City project

The project covers an area of 8.5 ha, located in Binh Tan, Ho Chi Minh City.

- Phase 1: Sold out and delivered 1,800 products
- Phase 2:
 - Launched block AK 7, 8 in March 2022, AK 9 in July 2022, and block AK NEO (AK 10) in 3Q2023.
 - By the end of 4Q2023, NLG had successfully sold approximately 1,000 out of the total 1,690 units.
 - On November 21, 2023, NLG topped out all 4 blocks under Phase 2, with the commencement of handovers scheduled from 4Q2024.



Source: Nam Long Group, KB Securities Vietnam

Fig 15. NLG – Izumi City project

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

- First introduced in 4Q2021 with 270 products in 1A subdivision booked, totaling a contract value of VND1,929 billion
- Handed over 166 products in subdivision 1A in 4Q2023
- NLG is temporarily suspending the launch plan to adjust the design and introduce more suitable products.



Source: Nam Long Group, KB Securities Vietnam

Table 16. NLG – Other projects

Project	Location	Scale	Progress
Paragon Dai Phuoc	Dong Nai	45 ha	Awaiting master plan
			The recognition of profits from the divestment of a 25% stake in the Paragon Dai Phuoc project is postponed until 2024 due to the waiting for the completion of procedures to update the investment certificate.
VSIP Hai Phong	Hai Phong	21 ha	Expected to be launched in 2025
Can Tho	Can Tho	43 ha	Received the land allocation decision
			The EhomeS social housing project was opened for sale in 4Q 2023 at a price of ~16 million/m ² , with 41 units already sold.
EhomeS Nguyen Son*	Ho Chi Minh City		(The EhomeS Can Tho social housing project covers an area of 3.8 ha, comprising 12 blocks, with a maximum height of 9 floors and a total of 1,602 apartments). Completed and handed over 1,436 units in 2018–2019 Block C has been topped off in October 2023 (242 units), and handover is expected in 1Q2024.

Source: Nam Long Group, KB Securities Vietnam

Forecast & Valuation

Table 17. NLG – 2023A–2024F business results

(VNDbn)	2023A	2024F	+/-%YoY	KBSV's comments
Net revenue	3,181	5,047	59%	
Property sales	2,905	4,658	60%	Property sales comes from handovers at Southgate and Izumi City, Akari City, and Can Tho.
Gross profit	1,562	2,446	57%	
Financial income	246	390	59%	Financial income comes from 25% stake sales at the Paragon Dai Phuoc project to a foreign partner.
Financial expenses	-305	-336	10%	
Shared profits from associates	418	169	-60%	Driven by the Mizuki Park project
SG&A	-980	-1,449	48%	
Operating income/loss	942	1,220	30%	
Profit before tax	968	1,220	26%	
Profit after tax	800	1,044	30%	
NPAT-MI	484	541	12%	

Source: Nam Long Group, KB Securities Vietnam

We recommend BUY for NLG with a target price of VND44,500/share

We use the revalued net asset value (RNAV) pricing method to assess NLG's value.

We remain upbeat about NLG due to (1) its solid inner strength with a healthy financial structure and (2) mid-range housing projects in Ho Chi Minh City, such as Mizuki and Akari City, as well as the Ehome Southgate project offering affordable apartments, all showing strong absorption rates and attracting a large number of homebuyers. The progress of these projects is consistently ensured to align with the established plans.

However, we also note the potential impact on NLG's business results due to the approval process for legal procedures at the Izumi City and Paragon Dai Phuoc projects.

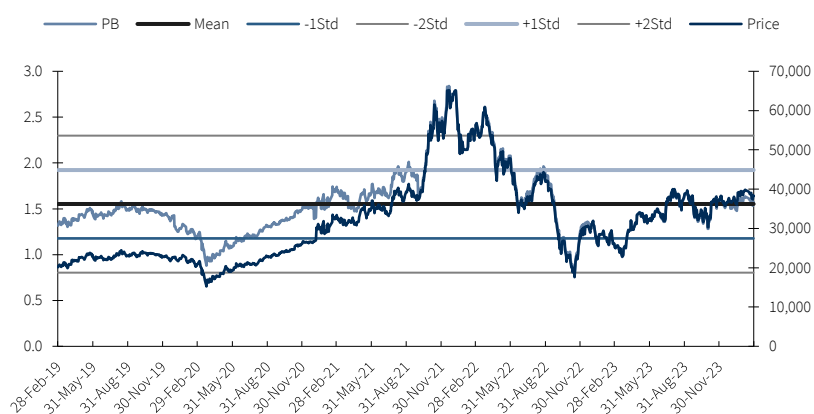
Based on business prospects and valuation results, we recommend BUY for NLG with a target price of VND44,500/share, representing a 20% upside compared to the closing price on February 28, 2024.

Table 18. NLG – Valuation results

Project	Valuation method	Value (VNDmn)
Waterpoint 1	DCF	2,667,851
Waterpoint 2	DCF	2,950,908
Mizuki	DCF	3,352,861
Akari City	DCF	1,790,403
Nam Long Dai Phuoc	DCF	1,315,230
Waterfront	DCF	5,566,362
Nam Long Hai Phong	DCF	1,005,961
Nam Long Can Tho	DCF	2,027,062
		20,676,638
+ Cash		2,540,150
- Total debt		6,107,460
RNAV		17,109,328
Outstanding shares		384,080,300
Value per share (VND)		44,500

Source: KB Securities Vietnam

Fig 19. NLG – Historical P/B in 2019–2024 (x)



Source: KB Securities Vietnam

NLG – 2022A–2025F financials

Income Statement (VND billion)					Balance Sheet (VND billion)				
	2022	2023	2024F	2025F		2022	2023	2024F	2025F
Net sales	4,339	3,181	5,047	6,723	CURRENT ASSETS	23,720	25,309	26,474	29,842
Cost of sales	-2,355	-1,619	-2,601	-3,607	Cash and cash equivalents	3,773	2,540	2,457	2,984
Gross Profit	1,984	1,562	2,446	3,116	Short-term investments	987	1,050	1,050	1,050
Financial income	386	246	390	269	Accounts receivable	3,570	3,634	3,660	5,033
Financial expenses	-199	-305	-336	-349	Inventories	14,830	17,348	18,398	19,391
of which: interest expenses	-148	-262	-289	-300	LONG-TERM ASSETS	3,365	3,293	3,339	3,391
Gain/(loss) from joint ventures (from 2015)	25	418	169	410	Long-term trade receivables	11	13	13	13
Selling expenses	-511	-424	-634	-871	Fixed assets	154	146	201	258
General and admin expenses	-644	-556	-815	-1,130	Investment properties	337	299	290	285
Operating profit/(loss)	1,041	942	1,220	1,445	Long-term incomplete assets	26	44	44	44
Other incomes	42	47	0	0	Long-term investments	2,136	2,220	2,220	2,220
Other expenses	-14	-20	0	0	TOTAL ASSETS	27,085	28,602	29,813	33,232
Net other income/(expenses)	29	27	0	0	LIABILITIES	19,770	15,074	15,689	18,355
Income from investments in other entities	0	0	0	0	Current liabilities	8,851	9,887	10,391	12,942
Net accounting profit/(loss) before tax	1,070	968	1,220	1,445	Trade accounts payable	981	1,175	1,052	1,325
Corporate income tax expenses	-204	-168	-177	-226	Advances from customers	3,271	3,815	2,664	3,209
Net profit/(loss) after tax	866	800	1,044	1,220	Short-term unrealized revenue	7	8	0	0
Minority interests	309	317	502	606	Short-term borrowings	1804	2,402	2,522	2,648
Attributable to parent company	556	484	541	614	Long-term liabilities	4,919	5,187	5,298	5,413
					Long-term trade payables	0	0	0	0
					Long-term advances from customers	0	0	0	0
					Unrealized revenue	354	260	260	260
					Long-term borrowings	3,375	3,705	3,817	3,931
					OWNER'S EQUITY	13,315	10,594	14,039	15,315
					Paid-in capital	3,841	3,848	3,848	3,848
					Share premium	2,643	2,642	2,642	2,642
					Undistributed earnings	2,493	2,879	3,421	4,034
					Minority interests	0	0	0	0
Margin ratio					Key ratios				
	2022	2023	2024F	2025F		2022	2023	2024F	2025F
Gross profit margin	34.2%	45.7%	49.1%	48.5%	Multiple				
EBITDA margin	15.6%	19.9%	19.9%	20.8%	P/E	27.3	311	27.2	24.0
EBIT margin	15.0%	19.1%	18.3%	19.8%	P/E diluted	27.3	311	0.0	0.0
Pre-tax profit margin	31.5%	24.7%	30.4%	24.2%	P/B	17	16	10	10
Operating profit margin	23.1%	24.0%	29.6%	24.2%	P/S	3.5	4.7	2.9	2.2
Net profit margin	28.4%	19.9%	25.2%	20.7%	P/Tangible Book	11	11	10	10
					P/Cash Flow	-14.7	-6.9	63.4	17.0
					EV/EBITDA	24.2	35.9	22.1	20.1
					EV/EBIT	25.2	39.1	23.3	21.1
					Operating performance				
					ROE	4.18	3.58	3.83	4.12
					ROA	4.67	3.15	5.23	5.62
					ROIC	2.05	1.69	1.82	1.85
					Financial structure				
					Cash Ratio	0.4	0.3	0.2	0.2
					Quick Ratio	0.9	0.7	0.7	0.7
					Current Ratio	2.7	2.6	2.5	2.3
					LT Debt/Equity	0.3	0.3	0.3	0.3
					LT Debt/Total Assets	0.1	0.1	0.1	0.1
					Debt/Equity	0.7	0.7	0.7	0.9
					Debt/Total Assets	0.3	0.3	0.3	0.4
					ST Liabilities/Equity	0.7	0.7	0.7	0.9
					ST Liabilities/Total Assets	0.3	0.3	0.3	0.4
					Total Liabilities/Equity	10	11	11	12
					Total Liabilities/Total Assets	0.5	0.5	0.5	0.6
					Activity ratios				
					Account Receivable Turnover	16	0.9	14	15
					Inventory Turnover	0.2	0.1	0.1	0.2
					Account Payable Turnover	3.0	15	2.3	3.0

Source: Nam Long Group, 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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