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

Vingroup (VIC)

3Q earnings up 209% YoY

3Q earnings increased significantly.

- 3Q earnings increased by 209% YoY to VND1,540 billion due to: 1) delivering a large number of apartments in 3 Mega projects; 2) SG&A expenses plummeted by 37% yoy and 3) Recording VND3,887 billion as financial income from transferring of shares
- In 3Q2020, VIC recorded VND 3,887 billion as financial income mainly from transferring of shares in The CrownX – a subsidiary of Masan (MSN) that owns Vincommerce. By the end of 3Q2020, Vingroup owned 13% of The CrownX.
- In the first nine month of 2020, gross profit from property sales (including bulk sales revenue from Grand Park) reached VND27,065 billion (up 7.6%yoy) thanks to delivering a large number of apartments in three mega projects. Gross profit margin plunged to 45% from 49% during the same period last year due to higher proportion of retail sales transactions and lower margin of the sale of the office complex at Metropolis (~30%). Gross profit from leasing was VND2,400 billion (down 12.6%yoy) due to a VND820 billion support package for tenants. Hospitality and entertainment services recorded a negative gross profit of VND2,418 billion as the closures of Vinpearl hotels/resorts in Danang due to the second wave of Covid-19. Manufacturing activities also recorded a negative profit of VND5,457 billion. The number of car produced was not optimal, so fixed costs (mainly depreciation costs) remained high. The adjusted gross profit of leasing and manufacturing activities (excluding Covid-19 related expenses and depreciation costs) reached VND50 billion and VND -1,435 billion.

Vingroup's businesses show positive results.

- In 3Q2020, Vinhomes sold more than 3,000 units to retails customers with total contract value of VND 10.5 trillion. In the first nine months, Vingroup sold 25,500 units and delivered 31,000 units. Total unbilled bookings by the end of 3Q2020 reached VND86 trillion. At least 11,000 units are expected to be delivered by Vinhomes in 4Q2020
- Vincom retail's performance recovered strongly compared to the previous quarter. Foot traffic in Hanoi and HCMC's malls increased significantly after the second wave of Covid-19. As end of 3Q2020, VRE owns 79 malls over 43 cities/provinces with the total retail GFA of 1.6 million sqm, up 5%yoy thanks to the opening of 6 Vincom Plaza and 3 Vincom +.
- Number of room nights sold in 3Q increased by 94%qoq. Vinpearl has gradually reopened hotels/resorts after the second wave of Covid-19. By October 15, 25 hotels and resorts and all amusement facilities are in operation.

- In 3Q2020, VinFast sold 7,400 cars and 15,900 e-scooters. 3Q2020 marked as the quarter with the strongest sales for both cars and e-motocycles. In this quarter, VinFast introduced VinFast President – Limited edition VinFast Lux SA. The first 100 cars sold in one month and will be delivered within 4Q2020. For the first nine months, VinFast sold 18,500 cars and 37,300 e-scooters, three car model were the best seller in its segments. Vingroup expects that the number of cars sold in 2020 may increase by 4,000 compare to the original plan of 20,000 cars sold.
- In 3Q2020, Vingroup sold 446,000 smartphones. VinSmart smartphones and sustained the third position in the smartphone market. The market share in the fourth week of September reached 15.4%. By the end of 3Q2020, Vingroup launched 17 smartphone models. VinSmart has received a contract manufacturing order for two million smartphones from a major U.S. carrier and continued to negotiate with other major partners.

KB SECURITIES VIETNAM RESEARCH

Head of Research – Nguyen Xuan Binh

binhnx@kbsec.com.vn

Macro/Strategy

Head of Macro & Strategy – Tran Duc Anh

anhtd@kbsec.com.vn

Macro Analyst – Thai Thi Viet Trinh

trinhhtt@kbsec.com.vn

Market Strategist – Le Anh Tung

tungla@kbsec.com.vn

Equity analyst – Tran Thi Phuong Anh

anhttp@kbsec.com.vn

Equity (Hanoi)

Head of Equity Research (Hanoi) – Duong Duc Hieu

hieudd@kbsec.com.vn

Information Technology & Logistics Analyst – Nguyen Anh Tung

tungna@kbsec.com.vn

Property Analyst – Pham Hoang Bao Nga

ngaphb@kbsec.com.vn

Power & Construction Material Analyst – Nguyen Ngoc Hieu

hieunn@kbsec.com.vn

Equity (Ho Chi Minh)

Head of Equity Research (Ho Chi Minh) – Harrison Kim

harrison.kim@kbf.com

Consumer & Retailing Analyst – Dao Phuc Phuong Dung

dungdpp@kbsec.com.vn

Fisheries & Pharmaceuticals Analyst – Nguyen Thanh Danh

danhnt@kbsec.com.vn

Oil & Gas & Chemicals Analyst – Nguyen Vinh

vinhn@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

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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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