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KDH expect strong sales thanks to the launch of new projects with good absorption rate, thereby ensuring profit growth in 2024

In 1Q23, Khang Dien House Trading & Investment (KDH) sold 50 units at Classia project. We find that the project still maintains positive sales despite the difficulties of the real estate market and declining demand, which is supported by (1) the developer's reputation for good product quality and utilities and on-time delivering houses and certificates of land use rights; and (2) the scarce supply of low-rise products. Therefore, we expect the total sales value in 2023 to reach VND3,578 billion (+80%YoY) thanks to the completion of sales at the Classia project and the opening of new projects like The Privia and Clarita.

Large projects are expected to help KDH ensure long-term profit growth

KDH is investing in three large projects, including Tan Tao Residential Area (330ha), Le Minh Xuan Industrial Park (110ha), and Phong Phu 2 Residential Area (130ha). These projects should help the company affirm its position and ensure long-term profit growth.

2023F NPAT is VND811 billion (-20%YoY)

KBSV estimates that KDH's revenue and NPAT in 2023 at VND2,490 billion (-14%YoY) and VND811 billion (-20%YoY), respectively.

HOLD recommendation - Target price VND32,300/share

KDH stock price has increased by 20% in the past two months, currently trading at a 2023 forward P/E of 24.4x. Based on the business outlook and valuation results, we recommend HOLD for KDH stocks with a target price of VND32,300/share, 8% higher than the closing price on May 29, 2023.

Hold change

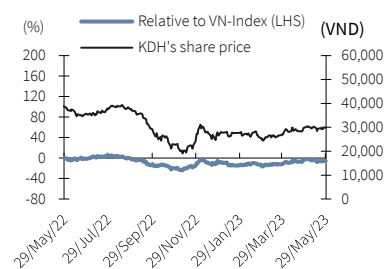
Target price	VND32,300
Upside	8%
Current price (May 29, 2023)	VND29,950
Consensus target price	VND33,800
Market cap (VNDbn/USDmn)	21.5/0.9

Trading data	
Free float	86.3%
3M avg trading value (VNDbn/USDmn)	40.8/1.7
Foreign ownership	12.9%
Major shareholder	Dragon Capital Group (9%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	6	12	39	89
Relative	3	10	28	81

Forecast earnings & valuation

FY-end	2021A	2022A	2023F	2024F
Net revenue (VNDbn)	3,738	2,912	2,490	3,262
Earnings (VNDbn)	1,355	996	1,047	1,103
Profit of the parent company (VNDbn)	1,202	1,102	881	934
EPS (VND)	1,777	1,538	1,229	1,303
EPS growth (%)	-11	-13	-20	6
P/E (x)	15.56	17.98	24.36	22.99
P/B (x)	1.75	1.72	1.71	1.59
ROE (%)	13	10	7	7
Dividend yield (%)	0	0	0	0



Source: Bloomberg, KB Securities Vietnam

Business performance updates

Table 1. KDH – 1Q23 business results

	1Q22	1Q23	+/-%YoY	KBSV notes
Revenue	143	425	198%	KDH completed 14% of the year revenue target
<i>Sales of real estate properties</i>	129	403	212%	Revenue from real estate transfer surged 212%YoY thanks to the sales of most of Classia project and some land lots.
Gross profit	77	332	329%	
<i>Gross profit margin</i>	54%	78%	24ppt	Positive GPM was attributable to the deliveries of Classia products with high GPM.
Financial income	2	13	413%	
Financial expenses	-3	-1	-54%	
SG&A	72	69	-5%	
Operating income/loss	5	275	5720%	
Other net incomes	305	12	-96%	KDH recorded profit from a cheap purchase after buying 60% of Phuoc Nguyen in 1Q22.
Net profit/loss before taxes	310	287	-7%	
Net profit/loss after taxes	300	201	-33%	KDH completed 20% of the year objective.
Profit of the parent company	299	200	-33%	

Source: Khang Dien House, KB Securities Vietnam

Sales in 2023 are estimated at VND3,578 billion (+80%YoY).

In 1Q23, Khang Dien House Trading & Investment (KDH) sold 50 units at Classia project. Accumulated to the end of 1Q, KDH sold about 85% of the apartments at the project. We expect that KDH will complete sales at the Classia project and launch new projects, The Privia and Clarita in 2023. 2023F total sales may reach VND3,578 billion (+80%YoY).

The project is in KDC's existing complex Mega, Safira.

KDH started selling the project from 3Q22 for VND180-200 million/m² on average.

The project started to be handed over to customers in 4Q22. By the end of 4Q, KDH began to give certificates of land use rights to house buyers. Accumulated to the end of the 1Q23, KDH has sold 85% of the project, completing the sale in 2023.

Fig 2. KDH – Classia project



Source: Khang Dien House

Fig 3. KDH – Classia project



Source: Khang Dien House

Fig 4. KDH – Classia project



Source: Khang Dien House

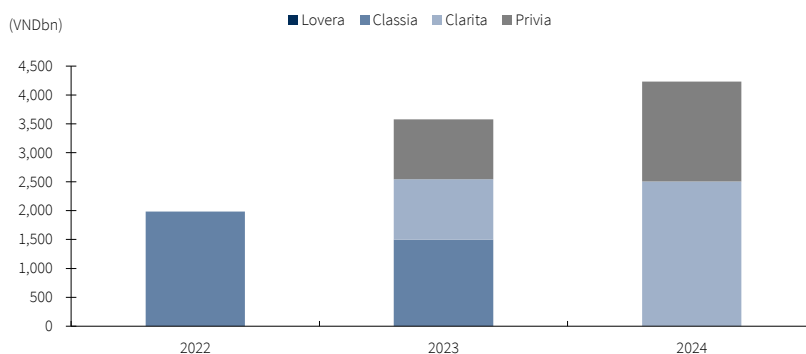
The project is located on An Duong Vuong Street, Binh Tan District, HCMC, with an area of 1.8ha with three blocks of 1,100 apartments. The construction of the project started from 2Q22, and the A, B and C blocks are currently under construction. The project should be ready for sale in early 2023 and will be completed and handed over in 2024.

Fig 5. KDH – Construction progress of Privia project



Source: Khang Dien House, KB Securities Vietnam

Fig 6. KDH – Estimated sales (VNDbn)



Source: Khang Dien House, KB Securities Vietnam

Table 7. KDH – The list of projects

Projects	Location	Area (ha)	Products	Progress
Ongoing projects		34.4		
The Classia	Thu Duc	4.3	176 shophouses	Construction started in April 2021 and opened for sale in 3Q22. KDH sold 150 units.
Clarita	Thu Duc	5.8	160 low-rise products	The land clearance has been completed, and the project should be launched in 2023.
The Privia	Binh Tan, HCMC	1.8	1,100 apartments	Construction started from late 2Q22, and the project should be launched in 3Q23.
The Solina	Binh Chanh, HCMC	16.4	Phase 1: 500 low-rise products	The land clearance has been completed, and the project should be launched in 2024.
Doan Nguyen	Thu Duc	6.1	~65 low-rise products & 620 apartments	KDH is completing the procedure for applying for a license for site clearance. The project is expected to be launched in 4Q23 or 2024.
Projects to be implemented		570.0		
Tan Tao Residential Area	Binh Tan, HCMC	330.0		The land clearance has been 80% loaded, and the project should start construction in 2024.
Expanded Le Minh Xuan Industrial Park	Binh Chanh, HCMC	110.0		The project is completing legal procedures.
Phong Phu 2	Binh Chanh, HCMC	130.0		The project is completing legal procedures.

Source: Khang Dien House, KB Securities Vietnam

Forecast & valuation

Table 8. KDH – 2023F business results

	2022	2023	+/-%YoY	KBSV's notes
Net revenue	2,912	2,490	-14%	Forecasted revenue is equal to 83% of KDH's plan.
<i>Sales of real estate properties</i>	2,845	2,433	-14%	Revenue from real estate transfer comes from the handover of Classia and Clarita projects.
Gross profit	1,383	1,422	3%	
Financial income	18	51	189%	
Financial expenses	82	80	-2%	
SG&A expenses	323	346	7%	
Operating profit	996	1,047	5%	
Profit before taxes	1,408	1,153	-18%	
Profit after taxes	1,081	891	-18%	
Profit of the parent company	1,102	881	-20%	Forecasted profit is equal to 89% of KDH's plan.

Source: Khang Dien House, KB Securities Vietnam

Valuation: HOLD recommendation with the target price of VND32,300/share

Using the method of RNAV, KBSV sets a target price of VND32,300/share for KDH stocks, equivalent to an upside of 8% compared to the closing price on May 29, 2023. We use the DCF method for projects that are in progress or have a clear implementation plan. For the remaining land bank, we use the comparison method to determine the value.

We maintain a positive rating on KDH stocks thanks to (1) its strong brand name, built on good product quality, timely handover and clear legality; (2) high sales volume in 2023 which would ensure profit growth for 2024; and (3) large land bank in HCMC, which should ensure the growth of the company in the medium and long term.

Khang Dien stock price has increased by 20% in the past two months, currently trading at a 2023 forward P/E of 24.4x. Based on the business outlook and valuation results, we recommend HOLD for KDH stocks.

Table 9. KDH – Valuation results

Projects	Valuation method	Value (VNDmn)
Classia	DCF	1,592,034
Clarita	DCF	2,345,511
Privia	DCF	1,637,290
The Solina	DCF	1,612,560
Doan Nguyen	DCF	2,362,878
Le Minh Xuan	Comparison	2,730,000
Phong Phu 2	Comparison	3,960,000
Tan Tao	Comparison	11,880,000
Total value		28,120,272
+ Money		1,476,257
- Debts		6,467,750
RNAV		23,128,779
Number of outstanding shares		716,829,995
Share price (VND)		32,300

Source: Khang Dien House, KB Securities Vietnam

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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

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