

Khang Dien House (KDH)

Maintaining stable growth

May 30, 2023

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

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 scare 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

VND32,300
8%
VND29,950
VND33,800
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%)

(%)	
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160	+
120	+
80	tomment .
40	+ \
0	
-40	+
-80	Τ
Š	12 12 12 12
20/Way	19 111/155 50/150 150 150 150 150 150 150 150 150 150

Share price performance

Absolute

Relative

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	1,202	1,102	881	934		
(VNDbn)						
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		

o VN-Index (LHS) (VND) re price 60,000 50.000 40.000 30.000 20,000 10,000 0

3M

12

10

1M

6

3

6M

39

28

12M

89

81

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
Sales of real estate properties	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%	
Gross profit margin	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).

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.

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).

Fig 2. KDH – Classia project



Source: Khang Dien House

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Source: Khang Dien House

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)

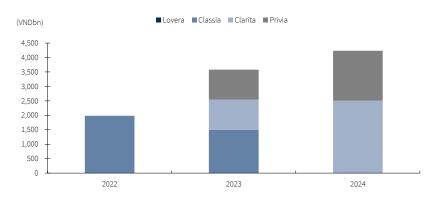


Table 7. KDH - The list of projects

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 appartments	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.

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.
				Revenue from real estate transfer comes from the handover of Classia and
Sales of real estate properties	2,845	2,433	-14%	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.

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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

KDH - 2022A-2024F financials

Income Statement (VND billion)	2022	2022	2023F	2024F	Balance Sheet (VND billion)	2022	2023	2023F	2024
Net sales	3,738	2023 2,912	2023F 2,490	3,262	TOTAL ASSETS	14,373	21,632	2023F 22,978	23,76
Net sales Cost of sales					CURRENT ASSETS		20,601	21,990	
Gross Profit	-1,945 1,794	-1,529 1.383	-1,068 1,422	-1,766 1,496	Cash and cash equivalents	13,421 1,365	20,601	4,295	22,71 1,23
Financial income	21	1,363	51	36	Short-term investments	1,305	44	4,295	1,23
Financial expenses	-73	-82	-80	-74	Accounts receivable	4.206	5,303	5,023	5.49
of which: interest expenses	-16	-02	-10	-74	Inventories	7,733	12.441	12.568	15.87
Gain/(loss) from joint ventures (from 2015)	-10	0	-10	-6	LONG-TERM ASSETS	7,733 952	1,031	988	1,05
Selling expenses	-205	-103	-109	-150	Long-term trade receivables	79	71	69	1,05
General and admin expenses	-182	-220	-237	-205	Fixed assets	40	81	77	12
Operating profit/(loss)	1,355	996	1.047	1,103	Long-term incomplete assets	751	750	750	75
Other incomes	264	491	1,047	1,103	Long-term investments	14	14	14	1
Other expenses	-79	-78	0	0	Goodwill	0	0	0	1
Net other income/(expenses)	185	-78 412	106	118	LIABILITIES	4,151	9,838	10.433	10.25
Income from investments in other entities	0	0	0	0	Current liabilities	2,254	3,427	3,309	3,73
Net accounting profit/(loss) before tax	1,540	1,408	1,153	1,222	Trade accounts payable	155	108	144	20
Corporate income tax expenses	-335	-327	-262	-272	Advances from customers	179	988	980	1.19
Net profit/(loss) after tax	1,205	1,081	891	949	Short-term borrowings	815	1,028	1,121	1,14
Minority interests	1,205	-21	10	15	Long-term liabilities	1,898	6,411	7,124	6,52
Attributable to parent company	1,202	1,102	881	934	Long-term trade payables	1,050	0,411	7,124	0,32
Attributable to parent company	1,202	1,102	001	334	Long-term advances from customers	0	0	0	
Margin ratio					Unrealized revenue	8	13	0	
wai giii Tatio	2022	2023	2023F	2024F	Long-term borrowings	1,738	5,743	6,474	5,87
Gross profit margin	53.3%	43.3%	48.0%	57.1%	OWNER'S EQUITY	10,221	11,794	12,545	13,51
EBITDA margin	43.8%	34.4%	37.9%	43.8%	Paid-in capital	6,429	7,168	7,168	7,16
EBIT margin	43.5%	34.1%	37.6%	43.2%	Share premium	1,177	1,312	1,311	1,31
Pre-tax profit margin	42.3%	32.2%	41.2%	46.3%	Undistributed earnings	2,342	2,779	3,661	4,59
Operating profit margin	43.5%	33.0%	36.3%	42.0%	Other funds	2,342	0	3,001	4,33
Net profit margin	32.6%	25.5%	32.2%	35.8%	Minority interests	0	0	0	
Net pront margin	52.070	23.370	SE.E70	33.070	milioney interests				
Cash Flow Statement					Key ratios				
(VND billion)	2022	2023	2023F	2024F		2022	2023	2023F	2024
Net profit/(loss) before tax	1,540	1,408	1,153	1,222	Multiple				
Depreciation and amortisation	10	-255	15	19	P/E	13.9	15.6	24.4	23.
Profit/loss from investing activities	-21	-18	0	0	P/E diluted	13.9	14.8	0.0	0.
Interest expense	16	0	-10	-6	P/B	2.0	1.8	1.7	1.
Operating profit/(loss) before changes in Working Capital	1,546	1,135	1,158	1,235	P/S	3.5	4.8	8.6	6.
(Increase)/decrease in receivables	-577	-577	-83	-102	P/Tangible Book	2.0	1.7	1.7	1.
(Increase)/decrease in inventories	-395	-4,708	-127	-3,306	P/Cash Flow	98.4	-8.9	28.1	-8.
Increase/(decrease) in payables	-1,942	3,134	36	62	EV/EBITDA	10.3	13.4	22.9	5.
(Increase)/decrease in prepaid expenses	252	-9	53	-26	EV/EBIT	10.4	13.5	23.3	5.
Net cash inflows/(outflows) from operating activities	-2,010	-1,824	765	-2,416	Operating performance				
Purchases of fixed assets and other long term assets	-58	-63	-46	-65	ROE	14.57	13.09	7.10	7.02
Proceeds from disposal of fixed assets	0	0	0	0	ROA	16.82	12.88	5.68	5.75
Loans granted, purchases of debt instruments	-69	0	0	0	ROIC	8.49	8.50	3.88	3.99
Collection of loans, proceeds from sales of debts instruments	0	26	0	0	Financial structure				
Investments in other entities	0	0	0	0	Cash Ratio	0.4	0.6	1.3	0.
Proceeds from divestment in other entities	0	0	0	0	Quick Ratio	1.3	2.5	1.5	0.
Dividends and interest received	20	17	0	0	Current Ratio	3.1	6.0	6.6	6.
Net cash inflows/(outflows) from investing activities	-106	-20	-46	-65	LT Debt/Equity	0.1	0.2	0.6	0.
Proceeds from issue of shares	939	230	0	0	LT Debt/Total Assets	0.1	0.1	0.3	0.
Payments for share returns and repurchases	0	0	0	0	Debt/Equity	0.5	0.2	0.1	0.
Proceeds from borrowings	2,174	4,209	0	0	Debt/Total Assets	0.3	0.2	0.0	0.
Repayment of borrowings	-1,467	-1,208	824	-580	ST Liabilities/Equity	0.2	0.3	0.3	0
Finance lease principal payments	0	0	0	0	ST Liabilities/Total Assets	0.2	0.2	0.1	0
Dividends paid	0	0	0	0	Total Liabilities/Equity	0.7	0.4	0.8	0
Interests, dividends, profits received	0	0	0	0	Total Liabilities/Total Assets	0.4	0.3	0.5	0
Net cash inflows/(outflows) from financing activities	1,646	3,230	824	-580	Activity ratios	0.4		2.3	
	,	-,				3.8	5.2	4.6	5
	-470	1,38/	1,542	-3.061	Account Receivable Turnover	3.X			
Net increase in cash and cash equivalents		1,387 1,365	1,542 2,752	-3,061 4,295	Account Receivable Turnover Inventory Turnover	3.8 0.4	0.3	0.1	
	-470 1,836 1,365	1,387 1,365 2,752	2,752 4,295		Account Receivable Turnover Inventory Turnover Account Payable Turnover				0. 10.

KB SECURITIES VIETNAM RESEARCH

Nguyen Xuan Binh - Head of Research

binhnx@kbsec.com.vn

Equity

Banks, Insurance & Securities

Nguyen Anh Tung – Manager

tungna@kbsec.com.vn

Pham Phuong Linh - Analyst

linhpp@kbsec.com.vn

Real Estate, Construction & Materials

Pham Hoang Bao Nga - Senior Analyst

ngaphb@kbsec.com.vn

Nguyen Duong Nguyen - Analyst

nguyennd1@kbsec.com.vn

Retails & Consumers

Nguyen Truong Giang - Analyst

giangnt1@kbsec.com.vn

Industrial Real Estate, Logistics

Nguyen Thi Ngoc Anh - Analyst

anhntn@kbsec.com.vn

Information Technology, Utilities

Nguyen Dinh Thuan - Analyst

thuannd@kbsec.com.vn

Oil & Gas, Chemicals

Pham Minh Hieu - Analyst

hieupm@kbsec.com.vn

Research Division

research@kbsec.com.vn

Macro/Strategy

Tran Duc Anh - Head of Macro & Strategy

anhtd@kbsec.com.vn

Macroeconomics & Banks

Ho Duc Thanh - Analyst

thanhhd@kbsec.com.vn

Vu Thu Uyen - Analyst

uyenvt@kbsec.com.vn

Strategy, Investment Themes

Thai Huu Cong - Analyst

congth@kbsec.com.vn

Nghiem Sy Tien - Analyst

tienns@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 16&17, Tower 2, Capital Place, 29 Lieu Giai Street, Ba Dinh 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	Undernerform the market

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