

# Khang Dien House (KDH)

Benefiting from its reputable brand

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

**2023F sales are VND2,400 billion (+21%YoY)**

KBSV expects Khang Dien House Trading & Investment's (KDH) total sales for 2023 to reach VND2,400 billion (+21%YoY) which comes from the sales of Classia project and the new project Privia.

**The Clarita and Emeria projects benefit from the cooperation with Keppel**

In 2024–2025, KDH plans to launch small projects Clarita, Emeria and Solina. We expect these projects will achieve high absorption rates and good prices thanks to (1) KDH's reputation and Keppel's potential and (2) benefits from the development of Thu Duc and Binh Chanh. KBSV projects KDH's 2024–2025F sales will grow strongly to VND3,650 billion (+53%YoY) and VND4,300 billion (+18%YoY).

**Large projects ensure long-term profit growth**

Large projects of KDH include Tan Tao Residential Area (330ha), Le Minh Xuan Industrial Park (110ha) and Phong Phu 2 Residential Area (130ha). These projects are expected to help the real estate developer affirm its position on the market and ensure long-term profit growth.

**2023F NPAT is VND780 billion (-29%YoY)**

KBSV estimates KDH's revenue and NPAT in 2023 at VND2,556 billion (-12%YoY) and VND780 billion (-29%YoY), respectively.

**HOLD recommendation – Target price VND37,100/share**

KDH stock price has advanced 15% for three months, currently trading at a 2023 forward P/B of 2.0x, equivalent to the five-year average P/B. Based on business prospects and valuation results, we recommend HOLD for KDH shares with a target price of VND37,100/share, 8% higher than the price on September 18, 2023.

**Hold** maintain

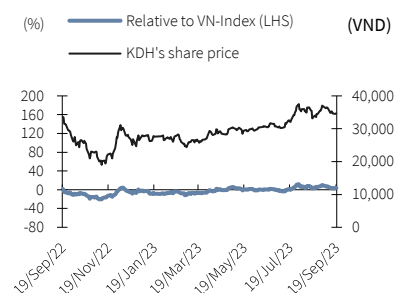
<b>Target price</b>	<b>VND37,100</b>
Upside	8%
Current price (Sep 19, 2023)	VND34,450
Consensus target price	VND40,000
Market cap (VNDbn/USDmn)	24.9/1.0

<b>Trading data</b>	
Free float	87%
3M avg trading value (VNDbn/USDmn)	68.5/2.9
Foreign ownership	11.1%
Major shareholder	Dragon Capital Fund (11%)

<b>Share price performance</b>				
(%)	<b>1M</b>	<b>3M</b>	<b>6M</b>	<b>12M</b>
<b>Absolute</b>	-2	13	32	119
<b>Relative</b>	0	4	16	96

**Forecast earnings & valuation**

FY-end	2021A	2022A	2023F	2024F
Net revenue (VNDbn)	3,738	2,912	2,556	3,444
Earnings (VNDbn)	1,355	992	1,191	1,252
Profit of the parent company (VNDbn)	1,202	1,103	780	1,085
EPS (VND)	1,777	1,539	1,088	1,513
EPS growth (%)	-11	-13	-29	39
P/E (x)	19.45	22.45	31.66	22.76
P/B (x)	2.18	2.14	2.03	1.85
ROE (%)	15	10	6	8
Dividend yield (%)	0	0	0	0



Source: Bloomberg, KB Securities Vietnam

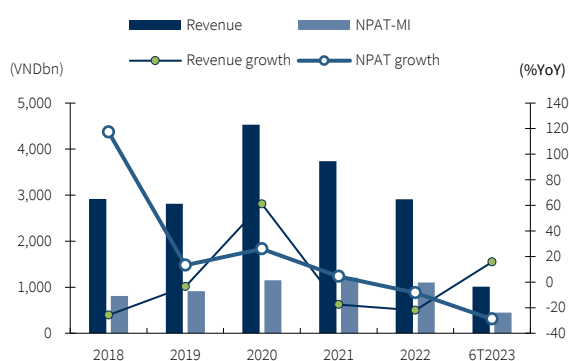
## 1H23 performance updates

Table 1. KDH – 1H23 updated results

	2Q22	2Q23	+/- %YoY	1H22	1H23	+/- %YoY	KBSV's notes
Revenue (VNDbn)	733	587	-20%	875	1,012	16%	KDH completed 33% of the year plan.
Sales of real estate properties	718	574	-20%	847	978	15%	Revenue from real estate transfer increased 15%YoY mainly from the handover of the Classia project and the transfer of some land lots.
Gross profit (VNDbn)	498	494	-1%	575	826	44%	
Gross profit margin (%)	68%	84%	16pp	66%	82%	16pp	The handover of the Classia project has a high gross profit margin.
Financial income (VNDbn)	6	8	38%	8	20	154%	
Financial expenses (VNDbn)	0	12	9954%	3	14	349%	Most of the interest costs have been capitalized, the total capitalized interest costs in 1H23 were VND407 billion (+110%YoY).
SG&A (VNDbn)	57	61	6%	129	129	0%	
Operating income (VNDbn)	446	429	-4%	451	703	56%	
Other net incomes (VNDbn)	-11	-13	22%	295	0	-100%	Other incomes decreased because in 1Q22, KDH recorded a profit after buying 60% of Phuoc Nguyen for low price.
Net profit before taxes (VNDbn)	436	416	-5%	745	703	-6%	
Corporate income tax (VNDbn)	110	159	45%	120	245	105%	The increase in CIT mainly came from the transfer of 49% of Doan Nguyen's shares in 2Q23 with a total value of VND1,521 billion, posting VND262 billion in undistributed NPAT.
Net profit after taxes (VNDbn)	326	257	-21%	626	458	-27%	Completed 46% of the year plan
<b>Profit of the parent company (VNDbn)</b>	<b>332</b>	<b>248</b>	<b>-25%</b>	<b>632</b>	<b>448</b>	<b>-29%</b>	

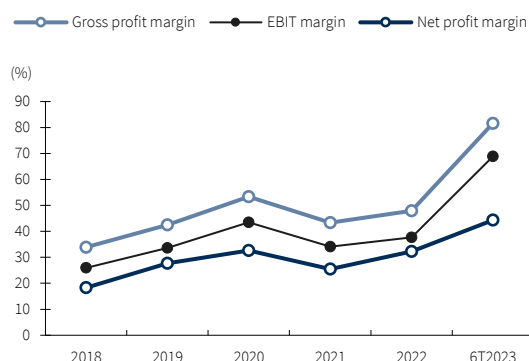
Source: Khang Dien House, KB Securities Vietnam

Fig 2. KDH – Business results in 2018–2023



Source: Khang Dien House, KB Securities Vietnam

Fig 3. KDH – Profit margin in 2018–2023 (%)



Source: Khang Dien House, KB Securities Vietnam

**2023 sales are estimated at VND2,400 billion (+21%YoY), which should be from Classia and the The Privia**

KDH continued to sell units at the Classia project in 2Q. By the end of the quarter, 90% of the project has been sold. We expect that in 2023, KDH will continue to complete sales at the project and launch a new project, The Privia. Total sales value for 2023 is forecast to reach VND2,400 billion (+21%YoY).

### Project development cooperation with Keppel Group

At the end of May 2023, Keppel Group announced the purchase of 49% shares of two KDH projects in Thu Duc for VND3,180 billion. The two sides plan to co-develop more than 200 townhouses and 600 high-rise apartments in the two above projects on an area of 11.8 ha.

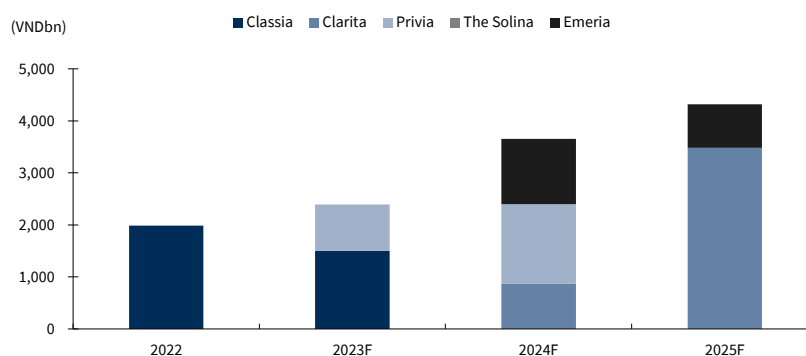
By June 2023, KDH transferred 49% of the shares of the Doan Nguyen (Emeria) project to Keppel for VND1,521 billion. We expect that KDH will complete the transfer of the remaining project (possibly the Clarita project) in 2H23.

Cooperation with Keppel helps (1) supplement business capital for KDH and (2) enhance project value and attract home buyers thanks to the large and reputable brands of both.

### 2024–2025F sales are expected to strongly grow thanks to the opening of Clarita, Emeria and The Solina projects

In 2024–2025, KDH should open for sale small projects Clarita, Emeria and The Solina. We expect KDH's projects to achieve high absorption rates and good prices thanks to (1) KDH's reputation with high product quality, on-time product handover and clear legal status with Keppel's great potential and (2) benefits from the development of Thu Duc City and Binh Chanh. This would ensure growth for KDH's total pre-sale value and profits in the medium term while waiting to unlock large land banks. KBSV estimates that 2024F–2025F sales of KDH will strongly grow to VND3,650 billion (+53%YoY) and VND4,300 billion (+18%YoY).

Fig 4. KDH – Estimated sales (VNDbn)



Source: KB Securities Vietnam

**Fig 5. KDH – Classia project**

The project belongs to the existing residential complex Mega and Safira of KDH. Khang Dien started selling the project from the 3Q22 for the average price of 180–200 million/m<sup>2</sup>. The project began to be handed over to customers in 4Q22. By the end of 4Q22, KDH began handing over certificates of land use rights to house buyers. Accumulated by the end of 2Q23, the project has sold 90% (expected to complete sales in 2023) and has handed over 65% of the units.



Source: Khang Dien House

**Fig 6. KDH – Image of Classia project**



Source: Khang Dien House

**Fig 7. KDH – Image of Classia project**



Source: Khang Dien House

**Fig 8. KDH – Progress of the Privia project**

The project is located on An Duong Vuong Street, Binh Tan District, Ho Chi Minh City. It covers an area of 1.8 ha and has three blocks of 1,100 apartments. The Privia project started construction in 2Q22. The construction of floors 6–8 of block A, block B and block C is in progress. The project is completing legal procedures to be launched in 2H23 and handed over to buyers in 2024. We think that the Privia project's design and reasonable price will suit owner-occupying needs of the market at the present.



Source: KB Securities Vietnam

Table 9. KDH – List of projects as of 2Q23

Project	Location	Area (ha)	Product	Progress
<b>Developing</b>		34.4		
The Classia	Thu Duc	4.3	176 townhouses	Started construction in April 2021 and launched in 3Q22 Sold 90% and handed over 65% of the units Transferred 49% to Kepple Land
Clarita	Thu Duc	5.8	160 low-rise apartments	In the process of completing the legal process, expected to open for sale in 2024
The Privia	Binh Tan, Ho Chi Minh City	1.8	1,100 apartments	Stated construction from the end of 2Q22, expected to be launched in 2H23 and hand over in 2024
The Solina	Binh Chanh, Ho Chi Minh City	16.4	Phase 1: 500 low-rise apartments	Completed site clearance for phase 1
Emeria	Thu Duc	6.1	~65 low-rise apartments &	Transferred 49% to Kepple Land and expected to be launched in 2024
<b>To be developed</b>		570.0		
Tan Tao Residential Area	Binh Tan, Ho Chi Minh City	330.0		Completed land clearance and 80% compensated
Le Minh Xuan Industrial Park expansion	Binh Chanh, Ho Chi Minh City	110.0		Completing the legal work
Phong Phu 2	Binh Chanh, Ho Chi Minh City	130.0		Completed the legal work

Source: Khang Dien House, KB Securities Vietnam

## Forecast & valuation

**Table 10. KDH – 2023F results**

	2022	2023	+/-%YoY	KBSV's notes
Net revenue (VNDbn)	2,912	2,556	-12%	Forecasted revenue is equal to 82% of KDH's plan.
Sales of real estate properties	2,845	2,498	-12%	Real estate transfer revenue is largely from handing over the Classia project and some land plots.
Gross profit (VNDbn)	1,460	1,621	11%	
Financial income (VNDbn)	18	22	23%	
Financial expenses (VNDbn)	91	84	-8%	
SG&A (VNDbn)	394	368	-7%	
Operating income (VNDbn)	992	1,191	20%	
Profit before taxes (VNDbn)	1,411	1,216	-14%	
CIT (VNDbn)	328	426	30%	The increase in CIT mainly came from the transferring of 49% of shares in two projects to Keppel.
Profit after taxes (VNDbn)	1,082	790	-27%	Forecasted profit is 80% of KDH's plan.
<b>NPAT of the parent company</b>	<b>1,103</b>	<b>780</b>	<b>-29%</b>	

Source: Khang Dien House, KB Securities Vietnam

### Valuation: HOLD recommendation – Target price VND37,100

Using the RNAV method, KBSV sets a target price of VND37,100 for KDH stock, equivalent to an upside of 8% compared to the closing price on September 18, 2023. We use the DCF method for projects that are in the progress or have clear implementation plans. For the remaining land banks, we use the comparables method to determine the value.

We maintain a positive assessment for KDH shares thanks to (1) its strong brand name thanks to good product quality, on-time delivery and clear legal status; (2) potential of strong sales from 2024; and (3) large land area in HCMC, which will ensure medium and long-term growth.

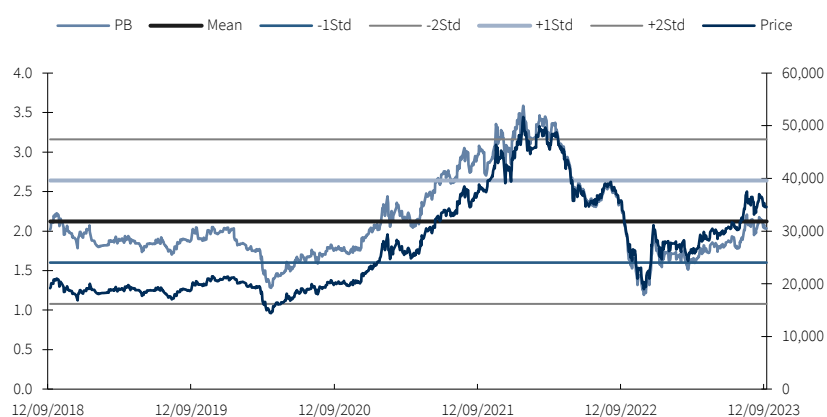
KDH stock price has gained by 15% for three months, currently trading at a 2023fw P/B of 2.0x, equivalent to the five-year average P/B. Based on the business prospects and valuation results, we recommend HOLD for KDH stock.

Table 11. KDH – Valuation results

Projects	Valuation method	Value (VNDmn)
Classia	DCF	921,054
Clarita	DCF	1,603,536
Privia	DCF	1,730,988
The Solina	DCF	1,743,662
Doan Nguyen	DCF	1,361,955
Le Minh Xuan	Comparables	2,730,000
Phong Phu 2	Comparables	3,960,000
Tan Tao	Comparables	13,365,000
Others	Book value	1,223,000
<b>Total value (VNDbn)</b>		<b>28,639,195</b>
+ Money		3,707,085
- Debts		5,803,129
<b>RNAV (VNDbn)</b>		<b>26,543,151</b>
Number of outstanding shares		716,829,995
<b>Share price (VND)</b>		<b>37,100</b>

Source: KB Securities Vietnam

Fig 12. KDH – P/B in 2018–2023 (x)



Source: KB Securities Vietnam



## KDH – 2022A–2024F financials

Income Statement					Balance Sheet				
(VND billion)	2022	2023	2023F	2024F	(VND billion)	2022	2023	2023F	2024F
Net sales	3,738	2,912	2,556	3,444	TOTAL ASSETS	14,373	21,539	22,241	23,863
Cost of sales	-1,945	-1,452	-935	-1,741	CURRENT ASSETS	13,421	20,506	21,250	22,796
Gross Profit	1,794	1,460	1,621	1,703	Cash and cash equivalents	1,365	2,753	2,103	2,068
Financial income	21	18	22	24	Short-term investments	69	43	43	43
Financial expenses	-73	-91	-84	-81	Accounts receivable	4,206	5,208	5,699	6,127
of which: interest expenses	-16	-9	-12	-8	Inventories	7,733	12,453	13,357	14,510
Gain/(loss) from joint ventures (from 2015)	0	0	0	0	LONG-TERM ASSETS	952	1,033	991	1,066
Selling expenses	-205	-175	-125	-179	Long-term trade receivables	79	73	72	87
General and admin expenses	-182	-219	-243	-216	Fixed assets	40	81	78	132
Operating profit/(loss)	1,355	992	1,191	1,252	Long-term incomplete assets	751	750	750	750
Other incomes	264	491	0	0	Long-term investments	14	14	14	14
Other expenses	-79	-72	0	0	Goodwill	0	0	0	0
Net other income/(expenses)	185	419	25	212	LIABILITIES	4,151	9,745	9,814	10,266
Income from investments in other entities	0	0	0	0	Current liabilities	2,254	3,503	3,543	4,107
Net accounting profit/(loss) before tax	1,540	1,411	1,216	1,463	Trade accounts payable	155	109	129	208
Corporate income tax expenses	-335	-328	-426	-362	Advances from customers	179	892	1,475	1,521
Net profit/(loss) after tax	1,205	1,082	790	1,101	Short-term borrowings	815	1,195	767	1,033
Minority interests	2	-21	10	16	Long-term liabilities	1,898	6,242	6,271	6,159
Attributable to parent company	1,202	1,103	780	1,085	Long-term trade payables	0	0	0	0
					Long-term advances from customers	0	0	0	0
					Unrealized revenue	8	12	0	0
					Long-term borrowings	1,738	5,576	5,623	5,511
					OWNER'S EQUITY	10,221	11,795	12,427	13,597
					Paid-in capital	6,429	7,168	7,168	7,168
					Share premium	1,177	1,312	1,311	1,311
					Undistributed earnings	2,342	2,780	3,560	4,645
					Other funds	0	0	0	0
					Minority interests	0	0	0	0
Margin ratio					Key ratios				
	2022	2023	2023F	2024F		2022	2023	2023F	2024F
Gross profit margin	53.3%	43.3%	48.0%	63.4%	Multiple				
EBITDA margin	43.8%	34.4%	37.9%	49.6%	P/E	17.3	19.5	31.7	22.8
EBIT margin	43.5%	34.1%	37.6%	49.0%	P/E diluted	17.3	18.5	0.0	0.0
Pre-tax profit margin	42.3%	32.2%	41.2%	47.6%	P/B	2.5	2.2	2.0	1.9
Operating profit margin	43.5%	33.0%	36.3%	46.6%	P/S	4.4	5.9	9.7	7.2
Net profit margin	32.6%	25.5%	32.2%	30.9%	P/Tangible Book	2.5	2.2	2.0	1.8
					P/Cash Flow	123.0	-11.1	-111.2	-203.6
					EV/EBITDA	12.8	16.5	23.0	3.6
					EV/EBIT	12.9	16.6	23.3	3.6
					Operating performance				
					ROE	14.64	13.13	6.36	8.10
					ROA	16.82	12.88	6.82	6.80
					ROIC	8.49	8.50	3.55	4.61
					Financial structure				
					Cash Ratio	0.4	0.6	0.6	0.5
					Quick Ratio	1.3	2.5	0.8	0.7
					Current Ratio	3.1	6.0	6.0	5.6
					LT Debt/Equity	0.1	0.2	0.6	0.5
					LT Debt/Total Assets	0.1	0.1	0.3	0.2
					Debt/Equity	0.5	0.2	0.1	0.1
					Debt/Total Assets	0.3	0.2	0.0	0.0
					ST Liabilities/Equity	0.2	0.3	0.3	0.3
					ST Liabilities/Total Assets	0.2	0.2	0.2	0.2
					Total Liabilities/Equity	0.7	0.4	0.8	0.8
					Total Liabilities/Total Assets	0.4	0.3	0.4	0.4
					Activity ratios				
					Account Receivable Turnover	3.8	5.2	5.2	5.3
					Inventory Turnover	0.4	0.3	0.1	0.1
					Account Payable Turnover	5.5	9.8	7.9	10.3

Source: Khang Dien House, KB Securities Vietnam



**Nguyen Xuan Binh – Head of Research**  
binhnx@kbsec.com.vn

**Research Division**  
research@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

## **Macro/Strategy**

**Tran Duc Anh – Head of Macro & Strategy**  
anhtd@kbsec.com.vn

### **Macroeconomics & Banks**

**Ho Duc Thanh – Analyst**  
thanhdh@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**  
tienss@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](mailto:ccc@kbsec.com.vn)

Website: [www.kbsec.com.vn](http://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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