

# Khang Dien House (KDH)

The Privia officially launched

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The Privia project should achieve a good absorption rate, contributing to KDH's sales in 2023–2024

Sales are estimated to reach VND2,574 billion (+30%YoY) in 2023 and see robust growth from 2024

2023F NPAT is VND891 billion (–19%YoY)

BUY recommendation – Target price: 36,500VND/share

By the end of November, Khang Dien House (KDH) launched The Privia project, located on An Duong Vuong Street, Binh Tan District, Ho Chi Minh City (HCMC). The project covers an area of 1.8ha and has three blocks of 1,043 apartments. We expect The Privia to record good absorption rate thanks to (1) the reputation of developer KDH for high product quality, on-time house handover and clear legal status and (2) low supply of apartments in the inner city area of HCMC.

KBSV forecasts that the total sales of KDH in 2023 will reach VND2,574 billion (+30%YoY) from two projects Classia and The Privia.

In 2024–2025, KDH plans to launch small projects Clarita, Emeria and The Solina. 2024F–2025F sales should grow strongly to VND3,960 billion (+47%YoY) and VND4,320 billion (+9%YoY) respectively.

KBSV estimates 2023 revenue and NPAT of KDH at VND2,638 billion (–9%YoY) and VND780 billion (–29%YoY), respectively.

KDH is currently trading at 2024fw P/B of 1.6x, equivalent to –1std of five-year average P/B of the company. Based on business prospects and valuation results of the business, we give a BUY recommendation for KDH stock with a target price of VND36,500/share, 16% higher than the closing price on November 29, 2023.

**Buy** change

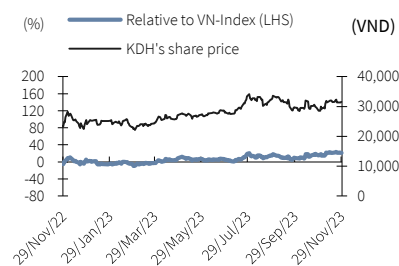
<b>Target price</b>	<b>VND36,500</b>
Upside	16%
Current price (Sep 19, 2023)	VND35,500
Consensus target price	VND38,500
Market cap (VNDbn/USDmn)	25.2/1.0/1.0

<b>Trading data</b>	
Free float	89.4%
3M avg trading value (VNDbn/USDmn)	45.8/1.9
Foreign ownership	11.8%
Major shareholder	Dragon Capital (11%)

<b>Share price performance</b>				
(%)	<b>1M</b>	<b>3M</b>	<b>6M</b>	<b>12M</b>
<b>Absolute</b>	10	–2	17	35
<b>Relative</b>	5	6	14	28

**Forecast earnings & valuation**

FY-end	2021A	2022A	2023F	2024F
Net revenue (VNDbn)	3,738	2,912	2,638	3,743
Operating income (VNDbn)	1,355	992	1,263	1,512
Profit of the parent company (VNDbn)	1,202	1,103	891	1,163
EPS (VND)	1,777	1,539	1,244	1,622
EPS growth (%)	–11	–13	–19	30
P/E (x)	19.45	22.45	25.37	19.45
P/B (x)	2.18	2.14	1.68	1.56
ROE (%)	13	10	6	7
Dividend yield (%)	0	0	0	0



Source: Bloomberg, KB Securities Vietnam

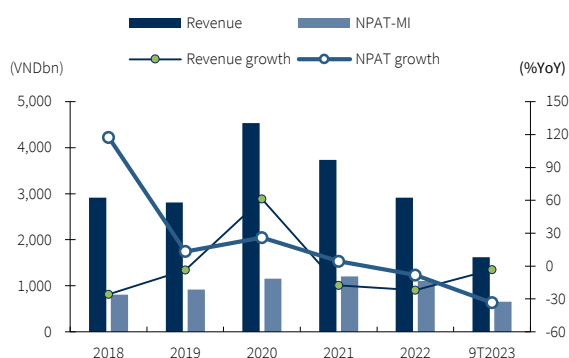
## 9M23 performance updates

Table 1. KDH – 3Q23 & 9M23 results

	3Q22	3Q23	+/- %YoY	9M22	9M23	+/- %YoY	KBSV's notes
Revenue (VNDbn)	803	616	-23%	1,678	1,624	-3%	KDH reached 52% full-year revenue target. The gain in revenue from real estate transfer was mainly from the handover of the Classia project and the transfer of some land lots.
Sales of real estate properties	786	593	-25%	1,633	1,568	-4%	
Gross profit (VNDbn)	509	433	-15%	1,085	1,281	18%	GPM benefited from the deliveries at Classia with high GPM.
Gross profit margin (%)	63%	70%	7pp	65%	79%	14pp	
Financial income (VNDbn)	0	13	3049%	8	33	296%	Most of the interest expense has been capitalized, total interest expense capitalized in 9M23 is VND487 billion (+33%YoY).
Financial expenses (VNDbn)	49	68	38%	52	87	67%	
SG&A (VNDbn)	94	120	28%	223	257	15%	Other incomes decreased due to (1)a profit from buying 60% of Phuoc Nguyen for low price in 1Q22 and (2) an income of VND123 billion from contract termination compensation in 3Q22.
Operating income (VNDbn)	367	257	-30%	818	970	19%	
Other net incomes (VNDbn)	116	-2	-102%	411	-14	-103%	The increase in CIT mainly came from the transfer of 49% of Doan Nguyen and Clarita shares in 2Q-3Q23 with a total value of VND3,182 billion, posting VND1,131 billion in interests and undistributed NPAT.
Net profit before taxes (VNDbn)	485	256	-47%	1,228	956	-22%	
Corporate income tax (VNDbn)	138	45	-67%	258	288	12%	KDH completed 67% NPAT target for 2023.
Net profit after taxes (VNDbn)	345	210	-39%	971	667	-31%	
<b>Profit of the parent company (VNDbn)</b>	<b>352</b>	<b>208</b>	<b>-41%</b>	<b>983</b>	<b>655</b>	<b>-33%</b>	

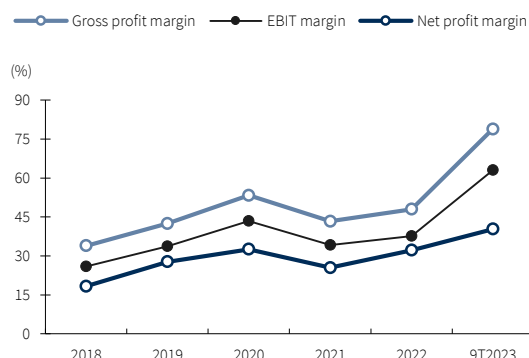
Source: Khang Dien House, KB Securities Vietnam

Fig 2. KDH – Revenue & NPAT in 2018–2023 (VNDbn)



Source: Khang Dien House, KB Securities Vietnam

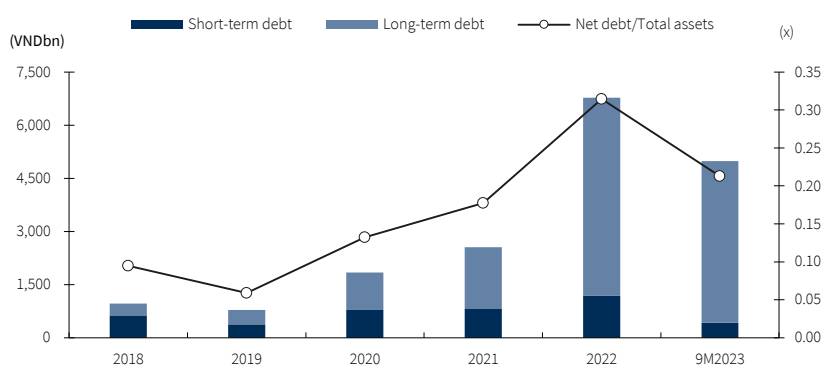
Fig 3. KDH – GPM in 2018–2023 (%)



Source: Khang Dien House, KB Securities Vietnam

- At the end of 3Q23, KDH's debt was VND4,984 billion, down 26% compared to the beginning of the quarter.
- Of that, the outstanding bond debt is VND1,100 billion. These bonds will mature in 2025.

Fig 4. KDH – Loans in 2018–2023 (VNDbn)



Source: KB Securities Vietnam

### KDH cooperated with Keppel Group to develop projects

By June and July 2023, KDH has transferred 49% of the shares of Doan Nguyen (Emeria) and Clarita projects to Keppel for a total value of VND1,521 billion and VND1,661 billion. The cooperation with Keppel helps KDH (1) supplement business capital and (2) enhance project value and attract home buyers thanks to the prestigious brands of both.

### Sales in 2023 are estimated at VND2,574 billion (+30%YoY), mainly from Classia and The Privia

In 3Q, KDH continued the sales of apartments in Classia, so by the end of the quarter, 92% of the project has been sold.

On November 25, KDH officially launched The Privia project, located at An Duong Vuong Street, Binh Tan District, HCMC. The project has an area of 1.8ha with three blocks of 1,043 apartments. The project is under construction to the 23rd floor, expected to top out in 1Q24 and be ready for handover from 4Q24. The price is about VND48–52 million/m<sup>2</sup> (excluding VAT and discounts). We expect The Privia to have a good absorption rate thanks to (1) the reputation of developer KDH for high product quality, on-time house handover and clear legal status and (2) low supply of apartments in the inner city area of HCMC.

We forecast sales in 2023 to reach VND2,574 billion (+30%YoY) coming from two projects Classia and The Privia, of which The Privia contributes more than 40%.

### 2024–2025F sales are expected to grow strongly

In 2024–2025, KDH plans to launch small projects Clarita, Emeria and The Solina. 2024F–2025F sales should grow strongly to VND3,960 billion (+47%YoY) and VND4,320 billion (+9%YoY) respectively.

**Fig 5. KDH – Image of 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 75% 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

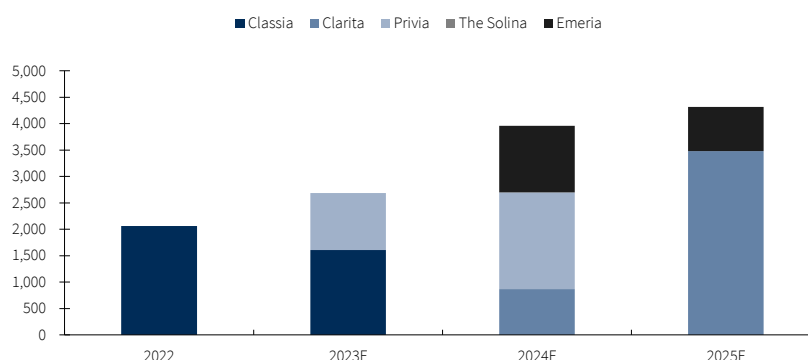
**Fig 8. KDH – Progress of the Privia project**

The project is located on An Duong Vuong Street, Binh Tan District, HCMC. It covers an area of 1.8 ha and has three blocks of 1,100 apartments. The project is under construction to the 23rd floor, expected to be launched on November 25, 2023 and be ready for handover from 2024



Source: KB Securities Vietnam

Fig 9. KDH – 2023–2025F sales (VNDbn)



Source: KB Securities Vietnam

Table 10. KDH – List of projects as of 3Q23

Projects	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 92% and handed over 75% 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 - Stated construction from the end of 2Q22, - Launched on November 25, 2023 and expected to hand over in 2024
The Privia	Binh Tan, HCMC	1.8	1,043 apartments	- Completed site clearance for phase 1
The Solina	Binh Chanh, HCMC	16.4	Phase 1: 500 low-rise apartments	- Transferred 49% to Kepple Land and expected to be launched in 2024
Emeria	Thu Duc	6.1	~65 low-rise apartments & 620 apartments	
<b>To be developed</b>		570.0		
Tan Tao Residential Area	Binh Tan, HCMC	330.0		- Completed land clearance and compensated 80%
Le Minh Xuan Industrial Park expansion	Binh Chanh, HCMC	110.0		- Completing the legal work
Phong Phu 2	Binh Chanh, HCMC	130.0		- Completed the legal work

Source: Khang Dien House, KB Securities Vietnam

## Forecast & valuation

**Table 11. KDH – 2023F business results**

	2022	2023	+/-%YoY	KBSV's notes
Net revenue (VNDbn)	2,912	2,638	-9%	Forecasted revenue is equal to 85% of KDH's plan.
Sales of real estate properties	2,845	2,578	-9%	Real estate transfer revenue is largely from handing over the Classia project and some land plots.
Gross profit (VNDbn)	1,460	1,702	17%	
Financial income (VNDbn)	18	54	206%	
Financial expenses (VNDbn)	91	113	24%	
SG&A (VNDbn)	394	380	-4%	
Operating income (VNDbn)	992	1,263	27%	
Profit before taxes (VNDbn)	1,411	1,288	-9%	
CIT (VNDbn)	328	387	18%	The increase in CIT mainly came from the transferring of 49% of shares in two projects to Keppel.
Profit after taxes (VNDbn)	1,082	902	-17%	Forecasted profit is 90% of KDH's plan.
<b>NPAT of the parent company</b>	<b>1,103</b>	<b>891</b>	<b>-19%</b>	

Source: Khang Dien House, KB Securities Vietnam

### BUY recommendation – Target price VND36,500/share

Using RNAV, KBSV sets a target price of VND36,500/share for KDH, equivalent to an upside of 16% compared to the closing price on November 29, 2023. We use DCF method for projects that are ongoing 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, based on KDH (1) reputation for good product quality, on-time delivery and clear legal status; (2) expectations that The Privia project will achieve an absorption rate and strong sales from 2024; and (3) large land bank in HCMC to ensure medium and long-term growth.

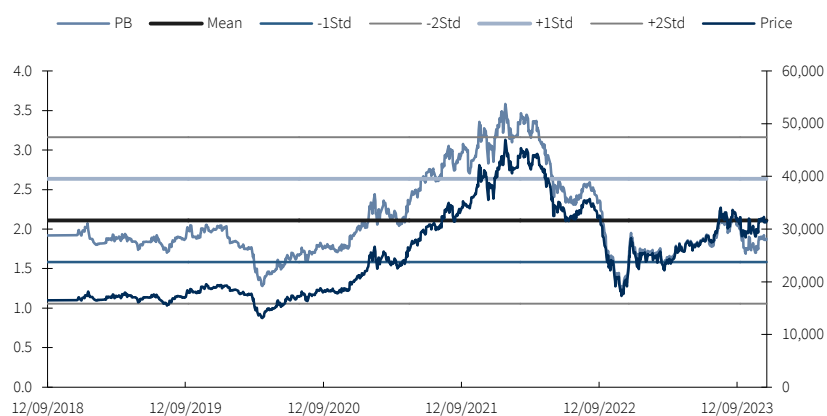
KDH is currently trading at 2024fw P/B of 1.6x, equivalent to -1std of five-year average P/B of the company. Based on business prospects and valuation results of the business, we give a BUY recommendation for KDH stock.

Table 12. KDH – Valuation results

Projects	Valuation method	Value (VNDmn)
Classia	DCF	603,629
Clarita	DCF	1,659,967
Privia	DCF	2,322,152
The Solina	DCF	2,713,847
Doan Nguyen	DCF	1,430,361
Le Minh Xuan	Comparables	2,730,000
Phong Phu 2	Comparables	3,960,000
Tan Tao	Comparables	13,365,000
<b>Total value (VNDbn)</b>		<b>28,784,956</b>
+ Money		2,334,298
- Debts		4,984,329
<b>RNAV (VNDbn)</b>		<b>26,134,925</b>
Number of outstanding shares		716,829,995
<b>Share price (VND)</b>		<b>36,500</b>

Source: KB Securities Vietnam

Fig 13. KDH – P/B in 2018–2023 (x)



Source: 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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