

Khang Dien House (KDH)

The handover of The Privia going on schedule

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Manager Pham Hoang Bao Nga
ngaphb@kbsec.com.vn

9M24 NP-MI hit VND412 billion (-37%YoY), completing 52% of the full-year plan

3Q revenue of Khang Dien House (KDH) hit VND253 billion (-59%YoY), coming from the Classia project and some land lots. NPAT-MI was VND70 billion (-66%YoY). 9M24 revenue reached VND1,231 billion (-24%YoY), and NPAT was VND412 billion (-37%YoY). The results are equal to 32% and 52% of the company's revenue and MPAT targets, respectively.

The Privia project has started handover since October 2024

The Privia project (Binh Tan, Ho Chi Minh City-HCMC) with a scale of 1,043 apartments has started to be handed over since October 2024. This project will be the main contributor to KDH's revenue and profit growth in 2024. KBSV estimates KDH's revenue and NPAT in 2024 to reach VND3,670 billion (+76% YoY) and VND934 billion (+30% YoY), respectively.

KDH should launch two projects Clarita and Emeria in 2025

The two projects, Clarita and Emeria, which KDH developed with Keppel Land, started construction of the low-rise subdivision from October 2023 and are now nearly completed. The company is applying for a sales license, which is expected to be available in late 2024 or early 2025. KBSV expects the project to open for sale in the first half of 2025, contributing the majority to Khang Dien's presales and profit in 2025-2026. We estimate 2025 and 2026 contract sales to reach VND4,990 billion (+9xYoY) and VND6,500 billion (+30%YoY), respectively.

Valuation: BUY rating - Target price VND38,300/share

KDH shares are currently trading at a 2025fw P/B of 1.8x, lower than its five-year average P/B. Therefore, based on the business outlook and valuation results, we recommend BUY with a target price of VND38,300 (expected return of 17%).

Buy change

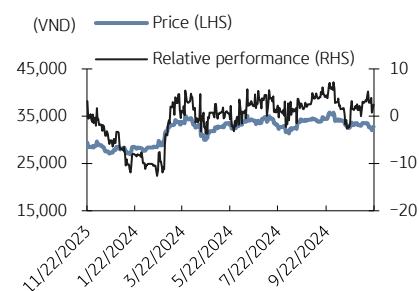
Target price	VND38,300
Upside	17%
Current price (Nov 21, 2024)	VND32,800
Consensus target price	VND40,700
Market cap (VNDtn/USDbn)	32.7/1.3

Trading data	
Free float	62.2%
3M avg trading value (VNDbn/USDmn)	98.3/3.9
Foreign ownership	36.7%
Major shareholder	Dragon Capital Fund (9.2%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	0.3	-4.0	-1.4	11.7
Relative	3.6	0.2	1.6	1.4

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net presales (VNDbn)	2,912	2,088	3,670	5,700
Operating income/loss (VNDbn)	992	1,122	1,232	2,554
NPAT-MI (VNDbn)	1,103	716	934	1,055
EPS (VND)	1,539	895	923	1,043
EPS growth (%)	-18	-42	3	13
P/E (x)	20.24	38.63	35.52	31.44
P/B (x)	1.93	2.06	1.91	1.80
ROE (%)	9.4	4.6	4.8	4.9
Dividend yield (%)	0	0	0	0



Source: Bloomberg, KB Securities Vietnam

Revenue composition (2023)



Source: Khang Dien House, KB Securities Vietnam

Business operation

Khang Dien House Trading and Investment JSC (KDH) is one of the reputable investors with 20 years of experience in the field of investment and development of mid- and high-end real estate in HCMC. It owns a large land bank of more than 600 ha, all located in HCMC.

Investment Catalysts

KDH has the advantage of a large land bank covering more than 600ha in HCMC, especially when the inner-city land fund is becoming scarce. Major projects in KDH's medium and long-term plans have recently recorded significant progress in terms of legality.

Clarita and Emeria projects will be launched in 2025. These two projects will contribute the majority to Khang Dien's presales in 2025–2026. KBSV estimates 2025F–2026F presales to reach VND4,990 billion (+9xYoY) and VND6,500 billion (+30%YoY).

The hand over The Privia project in 4Q ensures profit growth in 2024. KBSV estimates 2024 net profit to reach VND934 billion (+30%YoY), 18% higher than the company's plan.

Notes

Please find more details [here](#)

Please see more details below

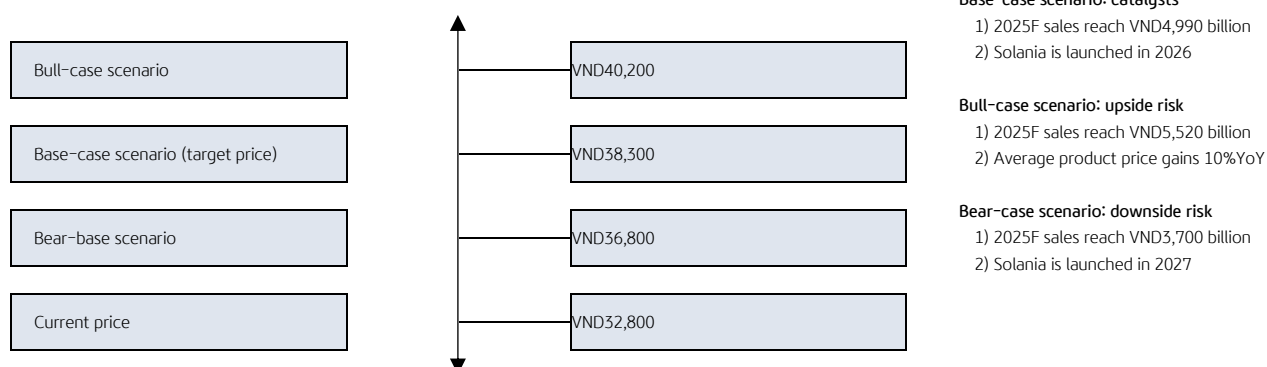
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Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	3,670	5,950	14%	5%	3,814	5,678	-4%	5%
EBIT	1,302	2,899	17%	23%	1,346	2,673	-3%	8%
NP after MI	934	1,144	17%	7%	945	1,051	-1%	9%

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



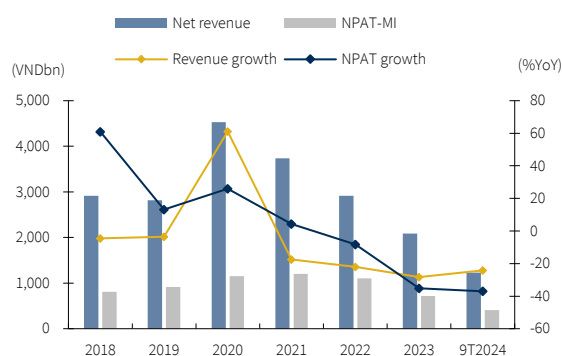
3Q24 performance updates

Table 1. KDH – 3Q & 9M24 updated results

(VNDbn, %)	3Q23	3Q24	+/-%YoY	9M23	9M24	+/-%YoY	Notes
Revenue	616	253	-59%	1,624	1,231	-24%	KDH completed 32% of the revenue target for 2024.
<i>Sales of real estate properties</i>	593	239	-60%	1,570	1,191	-24%	Real estate transfer revenue came from handing over the Classia project and transferring some land lots.
Gross profit	433	158	-64%	1,281	832	-35%	
<i>Gross profit margin</i>	70%	62%	-8pp	79%	68%	-11pp	
Financial income	13	7	-43%	33	30	-11%	
Financial expenses	-68	-13	-81%	-87	-45	-48%	Financial expenses mainly come from payment discounts (customer incentives), while most of the interest expenses have been capitalized. Capitalized interest expenses in 9M24 were VND589 billion (+21%YoY).
SG&A	-120	-67	-44%	-257	-201	-22%	
Operating income/loss	257	85	-67%	970	616	-36%	
Other incomes	-14	-22	53%	-14	-70	388%	
PBT	256	74	-71%	956	546	-43%	
NPAT	210	66	-68%	667	410	-38%	KDH completed 52% of the full-year NPAT objective.
NPAT-MI	208	70	-66%	655	412	-37%	
<i>NPAT margin</i>	34%	28%	-6pp	40%	33%	-7pp	

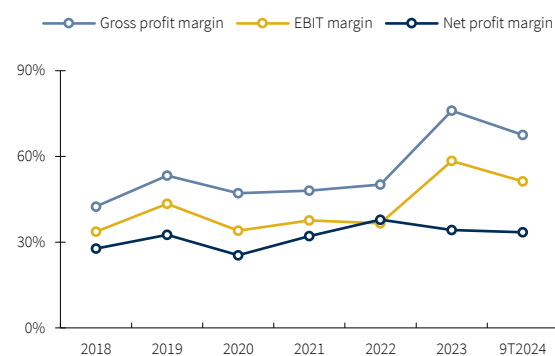
Source: Khang Dien House, KB Securities Vietnam

Fig 2. KDH – Revenue & NPAT in 2018–9M24 (VNDbn)



Source: Khang Dien House, KB Securities Vietnam

Fig 3. KDH – Profit margin in 2018–9M24 (%)



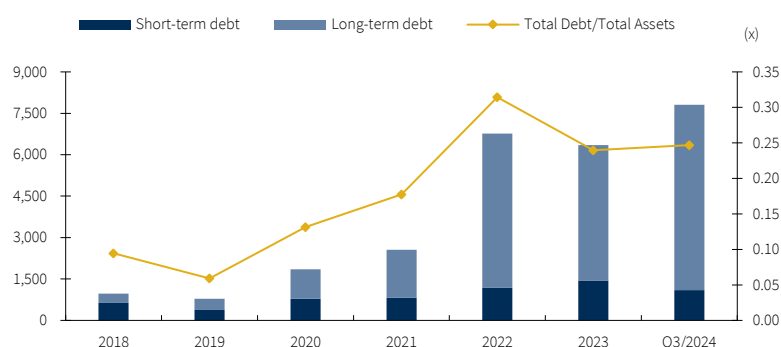
Source: Khang Dien House, KB Securities Vietnam

- At the end of 3Q, KDH's debt rose 23% QoQ to VND7,808 billion, of which short-term loans accounted for 14%.

- From 2022, KDH will increase borrowing (mainly long-term bank loans) to contribute capital to invest in the Doan Nguyen Housing Project (Emeria) and finance the implementation of projects The Privia, Clarita, The Solina, Le Minh Xuan, Tan Tao Residential Area and Phong Phu industrial parks.

- Debt/total assets ratio is at 0.25x, among the highest in the real estate industry.

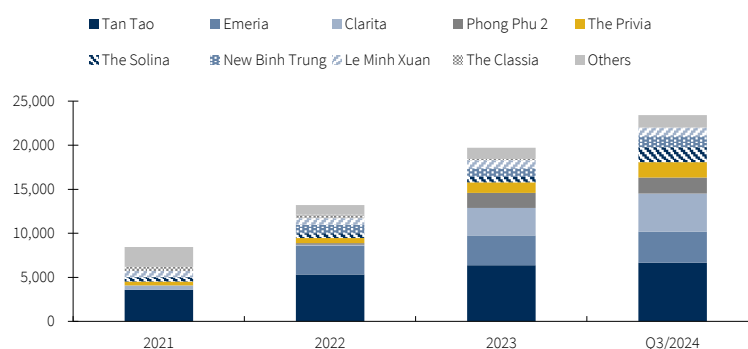
Fig 4. KDH – Debt structure in 2018–2Q24 (VNDbn)



Source: Khang Dien House, KB Securities Vietnam

By the end of 3Q24, the value of KDH's inventory construction in progress was VND22,511 billion, increasing 14% YTD. The inventory value of (1) the Solina project spiked VND934 billion YTD after the business paid land use fee for this project, and that of (2) Clarita surged VND1,015 billion as KDH is focusing on project construction.

Fig 5. KDH – Value of inventory and construction in progress in 2021–3Q24 (VNDbn)



Source: Khang Dien House, KB Securities Vietnam

The Clarita and Emeria projects will make most of KDH's presales and profits in 2025–2026F

KDH is preparing to launch two projects in cooperation with Keppel Land, Clarita and Emeria. These two projects started construction of the low-rise segment in October 2023 and are now nearly completed. The company is applying for sales licenses, which are expected to be available in late 2024 or early 2025. KBSV expects the projects to launch in the first half of 2025, contributing the majority to Khang Dien's contract sales and profits in 2025–2026.

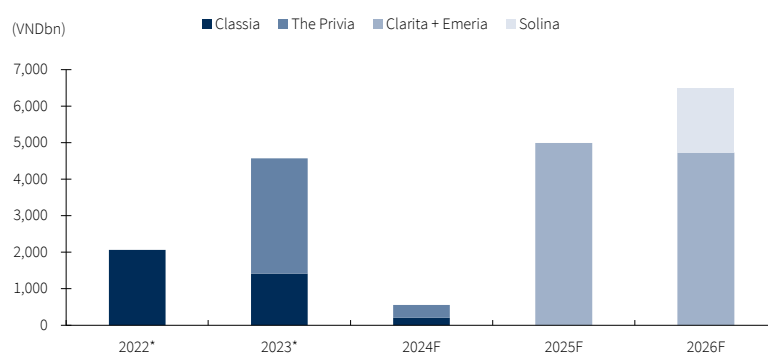
We estimate 2024 sales to reach VND550 billion (–88%YoY) as there are no new project launches. 2025F presales will grow strongly compared to the low base of 2024, reaching VND4,990 billion (+9xYoY), and 2026F presales may hit VND6,500 billion (+30%YoY) thanks to the opening of the Solina project.

Fig 6. KDH – Clarita and Emerica



Source: KB Securities Vietnam

Fig 7. KDH – 2022A–2026F contract sales (VNDbn)



Source: KB Securities Vietnam

Table 8. KDH – List of projects (by the end of 3Q24)

Projects	Location	Area (ha)	Product	Progress
Developing		18.0		
The Classia	Thu Duc	4.3	176 townhouses	<ul style="list-style-type: none"> - Started construction in April 2021 and launched in 3Q22, average price at VND180–200 million/m² - Sold out and handed over 99% of the units - Stated construction from the end of 2Q22, topped out three buildings
The Privia	Binh Tan, HCMC	1.8	1,043 apartments	<ul style="list-style-type: none"> - Launched in 4Q23 and sold out by the end of 1Q24 - Started handover from October 2024
Clarita		5.8		<ul style="list-style-type: none"> - Transferred 49% to Kepple Land - Under construction, expected to be opened for sale in 2024
Emeria	Thu Duc	6.1	200 low-rise apartments & 600 apartments	<ul style="list-style-type: none"> - Transferred 49% to Kepple Land - Started construction of the low-rise subdivision from October 2023, currently applying for a sales license, and expected to be available by the end of 2024 or early 2025 - Would implement high-rise subdivision later
To be developed		606.4		
The Solina	Binh Chanh, HCMC	16.4	Phase 1: 500 low-rise apartments	<ul style="list-style-type: none"> - Completed land clearance and got 1/500 scale planning for phase 1 - Paid land use fees for phase 1 (13ha) - Getting approval for a construction permit, expecting to start construction form 2025
Tan Tao Residential Area	Binh Tan, HCMC	330.0		<ul style="list-style-type: none"> - Completed land clearance and compensated 85%
Le Minh Xuan Industrial Park expansion	Binh Chanh, HCMC	110.0		<ul style="list-style-type: none"> - Approved 1/500 planning - Compensation completed and land allocated Phase 1 ~89ha - Determining land rent and applying for construction permit, which should be done in 4Q and be available for lease from 2025
Phong Phu 2	Binh Chanh, HCMC	130.0		<ul style="list-style-type: none"> - Compensation almost done, completing the legal work
New Binh Trung		20		<ul style="list-style-type: none"> - Compensation almost done, completing the legal work

Source: Khang Dien House, KB Securities Vietnam

Forecast & valuation

Table 10. KDH – 2024–2025F results

(VNDbn, %)	2023	2024F	+/-%YoY	2025F	+/-%YoY	Assumptions
Revenue	2,088	3,670	76%	5,700	55%	
<i>Sales of real estate properties</i>	2,032	3,622	78%	5,595	54%	2024F real estate transfer revenue mainly comes from handing over the (1) Privia project, (2) some remaining apartments at the Classia project, and (3) the transfer of land lots that the company has not planned for development.
Gross profit	1,587	1,775	12%	3,454	95%	
<i>Gross profit margin</i>	76%	48%	-28pp	61%	13pp	Gross profit margin in 2024 will decrease due to mainly handing over high-rise apartments at the Privia project, which have a lower gross profit margin than low-rise apartments at the Classia project handed over in 2023.
Financial income	50	43	-14%	62	47%	
Financial expenses	-148	-113	-24%	-193	71%	
SG&A	-367	-473	29%	-770	63%	
Operating income/loss	1,122	1,232	10%	2,554	107%	
PBT	1,069	1,232	15%	2,554	107%	
NPAT	730	958	31%	1,992	108%	
NPAT-MI	716	934	30%	1,055	13%	
<i>NPAT margin</i>	34%	25%	-9pp	19%	-7pp	

Source: KB Securities Vietnam

Valuation: BUY rating – Target price VND38,300/share

Using an RNAV model, we found the price target for KDH shares at VND38,300, 17% higher than the closing price on November 21, 2024. In addition, we used the DCF method for projects that are under implementation or have a clear implementation plan and comparables for the remaining land banks.

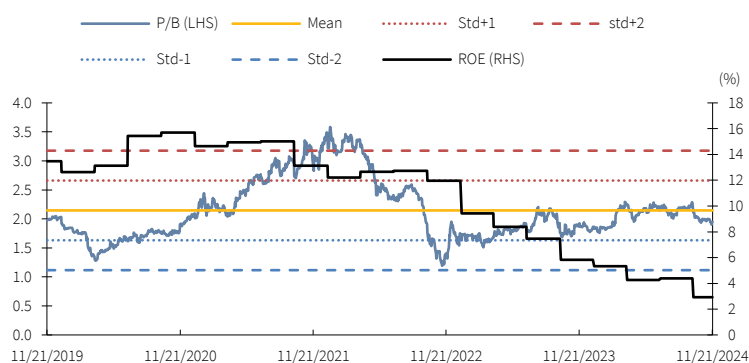
KDH shares are currently trading at a P/B 2025fw of 1.8x, lower than their five-year average P/B. Therefore, based on the business outlook and valuation results, we give a BUY rating with a final price target of VND38,300.

Table 10. KDH – Final valuation

Project	Valuation method	Value (VNDmn)
Privia	DCF	1,177,799
Clarita	DCF	2,021,962
Solina	DCF	2,663,370
Emeria Doan Nguyen	DCF	1,834,581
Le Minh Xuan	DCF	2,633,879
Phong Phu 2	Comparables	4,961,000
Tan Tao	Comparables	17,523,000
Binh Trung Dong	Comparables	9,062,015
Others	Book value	1,416,000
		43,293,606
+ Cash		3,295,280
- Debts		7,808,450
RNAV		38,780,436
Outstanding shares		1,011,142,594
Share price (VND)		38,300

Source: KB Securities Vietnam

Fig 11. KDH – P/B & ROE in 2019–2024 (x, %)



Source: KB Securities Vietnam

KDH – 2022A–2025F financials

Income Statement (VND billion)					Balance Sheet (VND billion)				
	2022	2023	2024F	2025F		2022	2023	2024F	2025F
Net sales	2,912	2,088	3,670	5,950	CURRENT ASSETS	20,506	24,737	27,753	30,285
Cost of sales	-1,452	-501	-1,895	-2,248	Cash and cash equivalents	2,753	3,730	1,502	1,859
Gross Profit	1,460	1,587	1,775	3,702	Short-term investments	43	9	9	9
Financial income	18	50	43	65	Accounts receivable	5,208	1,831	3,802	4,404
Financial expenses	-91	-148	-113	-201	Inventories	12,453	16,787	22,154	23,585
of which: interest expenses	-9	0	0	0	LONG-TERM ASSETS	10,333	1,744	1,897	2,082
Gain/(loss) from joint ventures (from 2015)	0	0	0	0	Long-term trade receivables	73	76	76	76
Selling expenses	-175	-162	-241	-420	Fixed assets	81	81	228	407
General and admin expenses	-219	-205	-233	-384	Investment properties	102	131	137	143
Operating profit/(loss)	992	1,122	1,232	2,762	Long-term incomplete assets	750	933	933	933
Other incomes	419	-53	0	0	Long-term investments	14	12	12	12
Other expenses	491	69	0	0	TOTAL ASSETS	21,539	26,481	29,650	32,367
Net other income/(expenses)	-72	-121	0	0	LIABILITIES	9,745	10,958	10,158	10,722
Income from investments in other entities	0	0	0	0	Current liabilities	3,503	5,346	5,775	6,228
Net accounting profit/(loss) before tax	1,411	1,069	1,232	2,762	Trade accounts payable	109	92	71	50
Corporate income tax expenses	21	477	-274	-608	Advances from customers	892	2,388	2,188	1,988
Net profit/(loss) after tax	1,082	730	958	2,154	Short-term unrealized revenue	0	0	0	0
Minority interests	-21	14	24	1010	Short-term borrowings	1195	1,444	1,517	1,592
Attributable to parent company	1,103	716	934	1,144	Long-term liabilities	6,242	5,612	4,383	4,494
					Long-term trade payables	0	0	0	0
					Long-term advances from customers	0	0	0	0
					Unrealized revenue	12	14	14	14
					Long-term borrowings	5,576	4,902	3,676	3,786
					OWNER'S EQUITY	11,795	10,594	14,039	15,315
					Paid-in capital	7,168	7,993	10,111	10,111
					Share premium	1312	1,339	3,238	3,238
					Undistributed earnings	2,780	3,767	3,683	4,827
					Minority interests	0	0	0	0
Margin ratio					Key ratios				
	2022	2023	2024F	2025F		2022	2023	2024F	2025F
Gross profit margin	48.0%	50.1%	76.0%	48.4%	Multiple				
EBITDA margin	37.9%	27.8%	58.2%	36.2%	P/E	20.2	38.6	35.5	29.0
EBIT margin	37.6%	36.6%	58.4%	35.5%	P/E diluted	20.2	38.6	35.5	29.0
Pre-tax profit margin	41.2%	48.4%	51.2%	33.6%	P/B	19	2.1	19	18
Operating profit margin	36.3%	34.1%	53.7%	33.8%	P/S	7.7	13.2	9.0	5.6
Net profit margin	32.2%	37.2%	34.9%	26.7%	P/Tangible Book	19	18	17	15
					P/Cash Flow	-213	-17.9	-8.5	82.7
					EV/EBITDA	32.8	26.7	29.3	13.5
					EV/EBIT	25.0	26.6	29.9	13.7
					Operating performance				
					ROE	9.35	4.61	4.79	5.29
					ROA	7.06	6.23	5.78	11.59
					ROIC	5.12	2.70	3.15	3.54
					Financial structure				
					Cash Ratio	0.8	0.7	0.3	0.3
					Quick Ratio	2.3	10	0.9	10
					Current Ratio	5.9	4.6	4.8	4.9
					LT Debt/Equity	0.5	0.3	0.2	0.2
					LT Debt/Total Assets	0.3	0.2	0.1	0.1
					Debt/Equity	0.3	0.3	0.3	0.3
					Debt/Total Assets	0.2	0.2	0.2	0.2
					ST Liabilities/Equity	0.3	0.3	0.3	0.3
					ST Liabilities/Total Assets	0.2	0.2	0.2	0.2
					Total Liabilities/Equity	0.8	0.7	0.5	0.5
					Total Liabilities/Total Assets	0.5	0.4	0.3	0.3
					Activity ratios				
					Account Receivable Turnover	0.6	0.6	13	15
					Inventory Turnover	0.1	0.0	0.1	0.1
					Account Payable Turnover	110	5.0	23.2	37.3

Source: Khang Dien House, KB Securities Vietnam

KB SECURITIES VIETNAM RESEARCH

Research Division

research@kbsec.com.vn

Nguyen Xuan Binh – Head of research

binhnx@kbsec.com.vn

Financials**Nguyen Anh Tung – Manager**

tungna@kbsec.com.vn

Pham Phuong Linh – Analyst

linhpp@kbsec.com.vn

Consumer**Nguyen Duc Quan – Analyst**

quannd@kbsec.com.vn

Nguyen Hoang Duy Anh – Analyst

anhnhd@kbsec.com.vn

Real Estate**Pham Hoang Bao Nga – Manager**

ngaphb@kbsec.com.vn

Nguyen Thi Trang – Analyst

trangnt6@kbsec.com.vn

Industrials & Materials**Nguyen Thi Ngoc Anh – Analyst**

anhntn@kbsec.com.vn

Nguyen Duong Nguyen – Analyst

nguyennd1@kbsec.com.vn

Macro & Strategy**Tran Duc Anh – Head of macro & strategy**

anhtd@kbsec.com.vn

Nghiem Sy Tien – Analyst

tienns@kbsec.com.vn

Nguyen Dinh Thuan – Analyst

thuannd@kbsec.com.vn

Energy, Utilities & IT**Pham Minh Hieu – Analyst**

hieupm@kbsec.com.vn

Nguyen Viet Anh – Analyst

anhnv3@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

Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Neutral:	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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