

Khang Dien House (KDH)

Expecting strong sales in 2023

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KDH has the advantage of owning a land bank in HCMC, especially when the land bank in the inner city is becoming scarce

Khang Dien House Trading and Investment (KDH) is one of the reputable investors with 20 years of experience in the field of medium and high-end real estate investment and development in Ho Chi Minh City (HCMC). Khang Dien owns a large land bank of more than 600ha in HCMC, concentrated in convenient locations in Thu Duc and the western area of the city.

Strong sales in 2023 should ensure profitable growth for 2024

In 2022, KDH sold more than 120 low-rise apartments in the Classia project, accounting for 68% of the total number of apartments in the project. We expect that in 2023, KDH will complete sales at the Classia project and launch a new project, The Privia. KBSV estimates that the total sales value in 2023 at VND3,436 billion (+45%YoY), coming from Classia, The Privia and Clarita projects.

Large projects are expected to help KDH Dien 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), which should help affirm the company's position and ensure long-term profit. KBSV estimates that KDH's 2023 revenue and NPAT at VND2,185 billion (-25%YoY) and VND708 billion (-36%YoY), respectively.

BUY recommendation - Target price VND34,000/share

Based on the business outlook and valuation results, we recommend BUY for KDH stock with a target price of VND34,000/share, 30% higher than the closing price on March 21, 2022.

Buy maintain

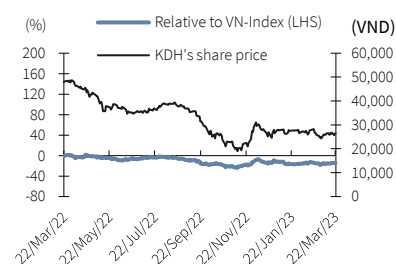
Target price	VND34,000
Upside	30%
Current price (Mar 21, 2023)	VND26,200
Consensus target price	VND35,900
Market cap (VNDbn/USDmn)	19.0/0.8

Trading data	
Free float	85.7%
3M avg trading value (VNDbn/USDmn)	39.2/1.7
Foreign ownership	13.3%
Major shareholder	Dragon Capital Group (9%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-6	-5	-25	67
Relative	-2	-4	-9	63

Forecast earnings & valuation

FY-end	2021A	2022A	2023F	2024F
Net revenue (VNDbn)	3,738	2,912	2,185	3,190
Earnings (VNDbn)	1,355	996	833	1,224
Profit of the parent company (VNDbn)	1,202	1,102	708	1,026
EPS (VND)	1,777	1,538	987	1,431
EPS growth (%)	-11	-13	-36	45
P/E (x)	15.56	17.98	26.54	18.31
P/B (x)	1.75	1.72	1.52	1.40
ROE (%)	13	10	6	8
Dividend yield (%)	0	0	0	0



Source: Bloomberg, KB Securities Vietnam

Business performance updates

4Q NPAT plunged 71%YoY to VND119 billion

4Q22 net revenue reached VND 1,234 billion (+109% YoY), of which the sales of real estate properties were VND1,218 billion (+ 113%YoY), mostly coming from the handover of low-rise units at Classia project.

NPAT of the parent company was VND119 billion (-71%YoY), sharply decreasing due to (1) a steep fall in 4Q GPM (from 82% in 4Q21 to 24% as a number of projects have low profit margin) and (2) KDH's high base in 4Q21 after recording interests from a cheap purchase of 99.9% shares of Nguyen Thu Real Estate Development JSC.

NPAT of the parent company in 2022 reached VND1,102 billion (-8% YoY)

For the whole year of 2022, KDH recorded VND2,912 billion in revenue (-22%YoY) from the recognition of 100 low-rise apartments in Classia project (accounting for 62% of revenue) and from some other projects with low profit margin. NPAT of the parent company reached VND1,102 billion (-8% YoY).

Table 1. KDH – 2022 business results

	2021	2022	+/- %	KBSV notes
Revenue	3,739	2,912	-22%	KDH completed 73% of the year revenue target Revenue from real estate transfer decreased by 21%YoY as KDH handed over most of the products in 2021. In 2022, KDH recorded revenue from 100 low-rise apartments in Classia project (62% of revenue) and a few apartments from old projects.
<i>Sales of real estate properties</i>	3,682	2,845	-23%	
Gross profit	1,794	1,383	-23%	
<i>Gross profit margin</i>	48%	47%		
Financial income	21	18	-14%	
Financial expenses	73	82	12%	
Selling expenses	205	103	-50%	
G&A expenses	182	220	21%	
Operating income/loss	1,355	996	-26%	
Other net incomes	185	412	123%	KDH recorded profit from a cheap purchase after buying 60% of Phuoc Nguyen in 1Q22
Net profit/loss before taxes	1,540	1,408	-9%	
Net profit/loss after taxes	1,205	1,081	-10%	KDH completed 77% of the year NPAT objective
Profit of the parent company	1,202	1,102	-8%	

Source: Khang Dien House, KB Securities Vietnam

Sales in 2023 are estimated at VND3,436 billion (+45%YoY)

In 2022, KDH sold more than 120 low-rise apartments in the Classia project, accounting for 68% of the total number of apartments in the project. We expect that in 2023, KDH will complete sales at the Classia project and launch a new project, The Privia. KBSV estimates that the total sales value in 2023 at VND3,436 billion (+45%YoY), coming from Classia, The Privia and Clarita projects. High sales should ensure profitable growth for 2024.

Fig 1. KDH – Image of Classia project

The project is located in the 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.



Source: Khang Dien House

Fig 3. KDH – Image of Classia project



Source: Khang Dien House

Fig 4. KDH – Image of Classia project



Source: Khang Dien House

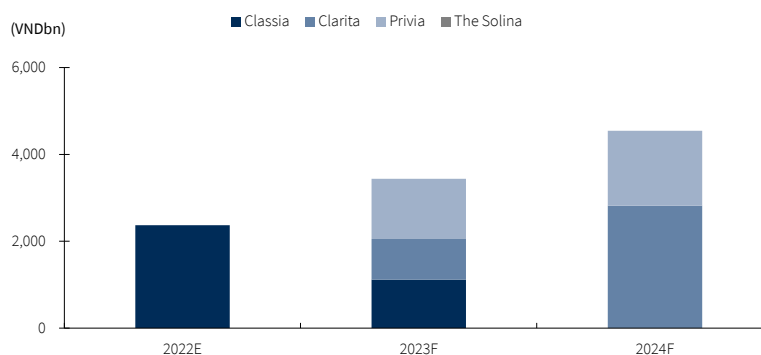
Fig 5. KDH – Construction progress of Privia project

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.



Source: Khang Dien House, KB Securities Vietnam

Fig 6. KDH – Estimated sales (VNDbn)



Source: KB Securities Vietnam

Table 7. KDH – The list of projects

Projects	Location	Area (ha)	Products	Progress (as of December 2022)
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 120 units and handed over 100 units.
Clarita	Thu Duc	5.8		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 early 2023.
The Solina	Binh Chanh, HCMC	16.4	Phase 1: 500 low-rise apartments	The land clearance has been 90% loaded, and the project should be launched in 2024.
Doan Nguyen	Thu Duc	6.1		KDH is completing the procedure for applying for a license for site clearance. The project finished leveling, and should start infrastructure work in 2023. 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 has had a planning map (scale 1/500).
Phong Phu 2	Binh Chanh, HCMC	130.0		The project is completing legal procedures.

Source: Khang Dien House, KB Securities Vietnam

Forecast & valuation

2023F performance

We estimate KDH's 2023 revenue at VND2,185 billion (-25%YoY), coming from the handover of low-rise apartments at Classia and Lovera Vista projects (with VND1,498 billion and VND536 billion, respectively).

NPAT of the parent company should be VND708 billion (-36%YoY).

GPM may reach 53% thanks to the handover of low-rise units at the Classia project with high GPM.

Table 8. KDH – 2023–2024F business results

(VNDbn)	2022	2023F	%YoY	2024F	%YoY
Net revenue	2,912	2,185	-25%	3,190	46%
<i>Sales of real estate properties</i>	3,682	2,134	-42%	3,123	46%
Gross profit	1,383	1,165	-16%	1,608	38%
SG&A expenses	323	304	-6%	347	14%
Other net incomes	412	93	-77%	116	24%
Net profit/loss before taxes	1,408	927	-34%	1,339	45%
Net profit/loss after taxes	1,081	716	-34%	1,041	45%
Profit of the parent company	1,102	708	-36%	1,026	45%

Source: Khang Dien House, KB Securities Vietnam

BUY recommendation – target price VND34,000 apiece

Using a RNAV model, KBSV sets a target price of VND34,000/share for KDH stocks, equivalent to a 30% upside compared to the closing price on March 21, 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. This valuation result is down 3% from the previous report due to the adjustment of sales schedule at Clarita and The Solina projects.

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. Based on KDH's business outlook and valuation results, we recommend BUY for KDH stocks.

Table 9. KDH – Final valuation results

Projects	Valuation method	Value (VNDmn)
Classia	DCF	2,324,066
Clarita	DCF	1,870,114
Privia	DCF	1,644,950
The Solina	DCF	1,745,333
Doan Nguyen	DCF	3,294,064
Le Minh Xuan	Comparison	2,730,000
Phong Phu 2	Comparison	3,465,000
Tan Tao	Comparison	10,395,000
Total value		27,468,526
+ Money		2,752,073
- Debts		6,771,015
RNAV		23,449,584
Number of outstanding shares		708,829,995
Share price (VND)		34,000

Source: KB Securities Vietnam

KDH – 2020A–2023F financials

Income Statement					Balance Sheet				
(VND billion)	2021	2022	2022F	2023F	(VND billion)	2021	2022	2022F	2023F
Net sales	3,738	2,912	2,185	3,190	TOTAL ASSETS	14,373	21,632	21,677	23,489
Cost of sales	-1,945	-1,529	-1,022	-1,582	CURRENT ASSETS	13,421	20,601	20,702	22,439
Gross Profit	1,794	1,383	1,163	1,608	Cash and cash equivalents	1,365	2,752	3,803	2,655
Financial income	21	18	45	35	Short-term investments	69	44	44	44
Financial expenses	-73	-82	-71	-72	Accounts receivable	4,206	5,303	4,765	5,456
of which: interest expenses	-16	0	-9	-5	Inventories	7,733	12,441	12,029	14,223
Gain/(loss) from joint ventures (from 2015)	0	0	0	0	LONG-TERM ASSETS	952	1,031	974	1,050
Selling expenses	-205	-103	-96	-147	Long-term trade receivables	79	71	61	80
General and admin expenses	-182	-220	-208	-200	Fixed assets	40	81	72	123
Operating profit/(loss)	1,355	996	833	1,224	Long-term incomplete assets	751	750	750	750
Other incomes	264	491	0	0	Long-term investments	14	14	14	14
Other expenses	-79	-78	0	0	Goodwill	0	0	0	0
Net other income/(expenses)	185	412	93	116	LIABILITIES	4,151	9,838	9,337	10,038
Income from investments in other entities	0	0	0	0	Current liabilities	2,254	3,427	3,005	3,646
Net accounting profit/(loss) before tax	1,540	1,408	927	1,339	Trade accounts payable	155	108	138	185
Corporate income tax expenses	-335	-327	-210	-299	Advances from customers	179	988	860	1,169
Net profit/(loss) after tax	1,205	1,081	716	1,041	Short-term borrowings	815	1,028	983	1,117
Minority interests	2	-21	9	15	Long-term liabilities	1,898	6,411	6,332	6,393
Attributable to parent company	1,202	1,102	708	1,026	Long-term trade payables	0	0	0	0
					Long-term advances from customers	0	0	0	0
					Unrealized revenue	8	13	0	0
					Long-term borrowings	1,738	5,743	5,682	5,743
					OWNER'S EQUITY	10,221	11,794	12,340	13,451
					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	2,779	3,487	4,513
					Other funds	0	0	0	0
					Minority interests	0	0	0	0
Margin ratio					Key ratios				
						2021	2022	2022F	2023F
Gross profit margin	53.3%	43.3%	48.0%	53.2%	Multiple				
EBITDA margin	43.8%	34.4%	37.9%	40.0%	P/E	13.9	15.6	26.5	18.3
EBIT margin	43.5%	34.1%	37.6%	39.3%	P/E diluted	13.9	14.8	0.0	0.0
Pre-tax profit margin	42.3%	32.2%	41.2%	42.4%	P/B	2.0	1.8	1.5	1.4
Operating profit margin	43.5%	33.0%	36.3%	38.1%	P/S	3.5	4.8	8.6	5.9
Net profit margin	32.6%	25.5%	32.2%	32.8%	P/Tangible Book	2.0	1.7	1.5	1.4
					P/Cash Flow	98.4	-8.9	15.7	-14.7
					EV/EBITDA	10.3	13.4	25.1	3.5
					EV/EBIT	10.4	13.5	25.5	3.5
Cash Flow Statement					Operating performance				
(VND billion)	2021	2022	2022F	2023F	ROE	14.57	13.09	5.81	7.74
Net profit/(loss) before tax	1,540	1,408	927	1,339	ROA	16.82	12.88	4.66	6.55
Depreciation and amortisation	10	-255	15	18	ROIC	8.49	8.50	3.30	4.43
Profit/loss from investing activities	-21	-18	0	0	Financial structure				
Interest expense	16	0	-9	-5	Cash Ratio	0.4	0.6	1.3	0.7
Operating profit/(loss) before changes in Working Capital	1,546	1,135	933	1,352	Quick Ratio	1.3	2.5	1.5	0.9
(Increase)/decrease in receivables	-577	-577	-12	-158	Current Ratio	3.1	6.0	6.9	6.2
(Increase)/decrease in inventories	-395	-4,708	411	-2,194	LT Debt/Equity	0.1	0.2	0.6	0.6
Increase/(decrease) in payables	-1,942	3,134	30	46	LT Debt/Total Assets	0.1	0.1	0.3	0.2
(Increase)/decrease in prepaid expenses	252	-9	54	-21	Debt/Equity	0.5	0.2	0.1	0.1
Net cash inflows/(outflows) from operating activities	-2,010	-1,824	1,197	-1,279	Debt/Total Assets	0.3	0.2	0.0	0.0
Purchases of fixed assets and other long term assets	-58	-63	-40	-64	ST Liabilities/Equity	0.2	0.3	0.2	0.3
Proceeds from disposal of fixed assets	0	0	0	0	ST Liabilities/Total Assets	0.2	0.2	0.1	0.2
Loans granted, purchases of debt instruments	-69	0	0	0	Total Liabilities/Equity	0.7	0.4	0.8	0.7
Collection of loans, proceeds from sales of debts instruments	0	26	0	0	Total Liabilities/Total Assets	0.4	0.3	0.4	0.4
Investments in other entities	0	0	0	0	Activity ratios				
Proceeds from divestment in other entities	0	0	0	0	Account Receivable Turnover	3.8	5.2	4.3	5.4
Dividends and interest received	20	17	0	0	Inventory Turnover	0.4	0.3	0.1	0.1
Net cash inflows/(outflows) from investing activities	-106	-20	-40	-64	Account Payable Turnover	5.5	9.8	8.3	9.8
Proceeds from issue of shares	939	230	0	0					
Payments for share returns and repurchases	0	0	0	0					
Proceeds from borrowings	2,174	4,209	0	0					
Repayment of borrowings	-1,467	-1,208	-106	194					
Finance lease principal payments	0	0	0	0					
Dividends paid	0	0	0	0					
Interests, dividends, profits received	0	0	0	0					
Net cash inflows/(outflows) from financing activities	1,646	3,230	-106	194					
Net increase in cash and cash equivalents	-470	1,387	1,051	-1,148					
Cash and cash equivalents at the beginning of period	1,836	1,365	2,752	3,803					
Cash and cash equivalents at the end of period	1,365	2,752	3,803	2,655					

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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