

Khang Dien House (KDH)

Growth prospects from new projects

March 5, 2024

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The Privia project recorded a good absorption rate and is expected to be handed over to customers from 4Q24

At the end of November 2023, Khang Dien House Trading and Investment JSC (KDH) officially opened for sale the Privia project, located on An Duong Vuong Street, Binh Tan District, Ho Chi Minh City. The project covers an area of 1.8ha with three blocks of 1,043 apartments. By the end of February 2024, the project topped out all three buildings and sold 99% of the apartments. KDH will continue to complete and handover apartments to buyers from 4Q24.

Clarita and Emeria should be launched in 2024

KBSV expects that in 2024, KDH will launch two projects, Clarita and Emeria, in cooperation with Keppel. These two projects have a total area of 11.8ha on Vo Chi Cong Street, Binh Trung Dong Ward, Thu Duc. The construction started in 3Q23 and should be finished to contribute to KDH's sales from 2H24. KBSV estimates 2024F–2025F sales of KDH to reach VND2,468 billion (–46% YoY) and VND4,217 billion (+71%YoY).

2024F NPAT is VND891 billion (+12%YoY)

KBSV estimates KDH's revenue and NPAT in 2024 at VND3,227 billion (+54%YoY) and VND804 billion (+12%YoY) respectively thanks to the start of handover of the Privia project.

HOLD recommendation – Target price VND37,700/share

Based on business prospects and valuation results of the company, we give a HOLD rating to KDH shares with a target price of VND37,700, 5% higher than the closing price on March 5, 2024.

Hold change

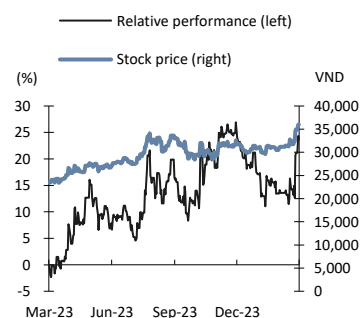
Target price	VND37,700
Upside	5%
Current price (Mar 5, 2023)	VND37,700
Consensus target price	VND38,100
Market cap (VNDbn/USDbn)	28.8/1.2

Trading data	
Free float	89.4%
3M avg trading value (VNDbn/USDmn)	70.7/2.9
Foreign ownership	5.4%
Major shareholder	Dragon Capital Fund (11%)

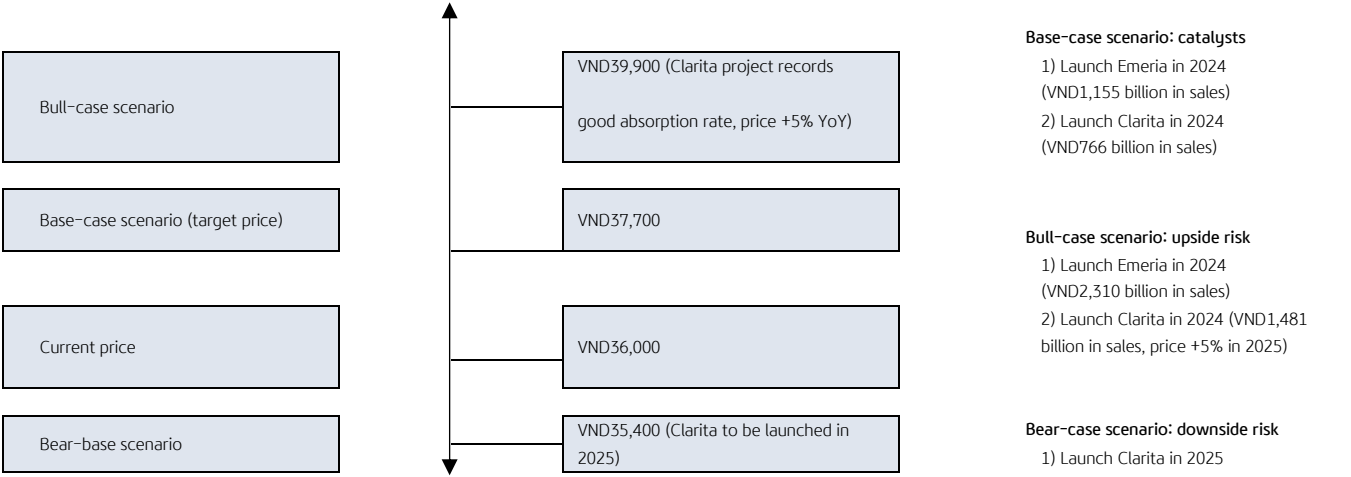
Share price performance				
(%)	1M	3M	6M	12M
Absolute	17	12	9	53
Relative	9	–1	6	24

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	2,912	2,093	3,227	5,703
Operating income (VNDbn)	992	1,110	1,064	2,242
NPATMI (VNDbn)	1,103	717	804	1,088
EPS (VND)	1,539	897	1,005	1,361
EPS growth (%)	–18	–42	12	35
P/E (x)	20.24	38.63	35.81	26.45
P/B (x)	1.93	2.06	1.76	1.59
ROE (%)	9.4	4.6	4.9	6.0
Dividend yield (%)	0	0	0	0



Investment opinion & risks



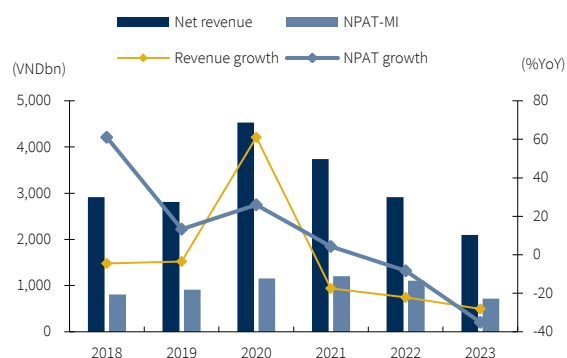
2023 performance updates

Table 1. KDH – Business results in 4Q23 and the whole 2023

	4Q22	4Q23	+/-%Yo Y	2022	2023	+/-%Yo Y	KBSV's notes
Revenue (VNDbn)	1,234	469	-62%	2,912	2,093	-28%	Revenue completed 68% of the year plan.
<i>Sales of real estate properties</i>	1,218	452	-63%	2,852	2,020	-29%	The sales of real estate transfer were from the handover of the Classia project and some land lots.
Gross profit (VNDbn)	298	292	-2%	1,460	1,573	8%	
<i>Gross profit margin (%)</i>	24%	62%	+38pp	50%	75%	+25pp	The positive growth was attributable to the handover of the Classia project with high GPM.
Financial income (VNDbn)	9	16	75%	18	50	180%	
Financial expenses (VNDbn)	-29	-56	91%	-91	-143	58%	Financial costs mainly came from payment discounts (incentives for customers), while most interest expenses were capitalized. Total capitalized interest expenses in 2023 were VND760 billion (+37%YoY).
SG&A (VNDbn)	-100	-112	12%	-394	-369	-6%	
Operating income (VNDbn)	179	140	-22%	992	1,110	12%	
Other net incomes (VNDbn)	1	12	776%	419	-38	-	Other incomes decreased YoY because (1) KDH recorded a profit from a cheap purchase of 60% of Phuoc Nguyen and recorded an income of VND123 billion from contract termination compensation in 2022, and (2) in 2023, a loss of VND44 billion will be recorded from liquidation of investment cooperation contracts.
Net profit before taxes (VNDbn)	180	116	-36%	1,411	1,071	-24%	
Corporate income tax (VNDbn)	-69	-52	-24%	-328	-341	4%	The increase in CIT mainly came from the transfer of 49% shares of two projects Doan Nguyen and Clarita (in 2Q and 3Q23) with a total transfer value of VND 3,182 billion, recording VND1,131 billion to undistributed NPAT.
Net profit after taxes (VNDbn)	111	63	-43%	1,082	731	-32%	NPAT completed 73% of the year objective.
Profit of the parent company (VNDbn)	119	62	-48%	1,103	717	-35%	

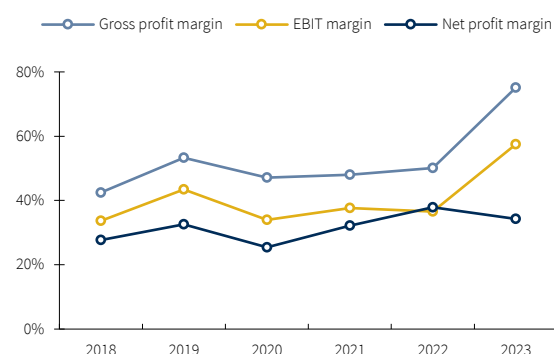
Source: Khang Dien House, KB Securities Vietnam

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



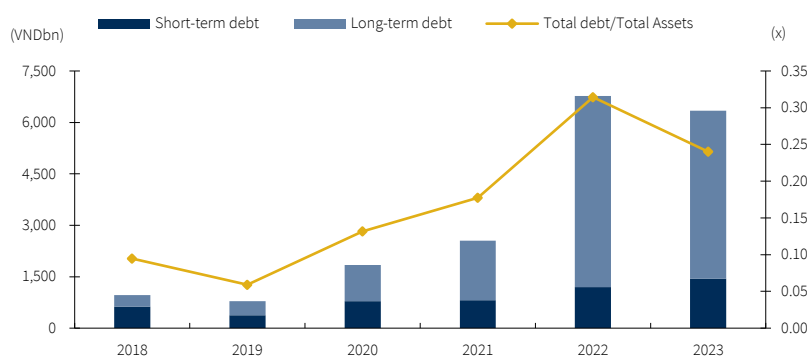
Source: Khang Dien House, KB Securities Vietnam

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



Source: Khang Dien House, KB Securities Vietnam

Fig 4. KDH – Debt structure in 2018–2023 (VNDbn)



Source: KB Securities Vietnam

- At the end of 2023, KDH's debt was VND6,346 billion, down 6% compared to the beginning of the period.
- Of that, the outstanding bond debt is VND1,100 billion, which will mature in 2025.

The Privia project has sold 99% of apartments and expected to hand over sold units from 4Q24

In 4Q23, KDH officially opened for sale the Privia project, located on An Duong Vuong Street, Binh Tan District, Ho Chi Minh City. The project covers an area of 1.8ha with three blocks of 1,043 apartments. By the end of February 2024, the project topped out all three buildings and sold 99% of the apartments. The average price of the project is about VND55 million/m² (excluding VAT and discounts). KDH will continue to complete and handover apartments to buyers from 4Q24. The Privia project recorded a good absorption rate thanks to (1) the prestigious brand of developer KDH with high product quality, guaranteed construction progress, on-time house handover and clear legal status; (2) scarce apartment supply in the inner city of HCM; and (3) preferential sales policies for customers.

Fig 5. KDH – Image of Classia project

The project belongs to the existing residential complex Mega and Safira of KDH.

KDH started selling the project from 3Q22 for the average price of VND180–200 million/m². 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 2023, the project has sold 95% (expected to complete sales in 2024) and has handed over 90% 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 Privia project started construction in 2Q22 and has currently topped out all three buildings. The project should be completed and handed over by the end of 2024.

The Privia was officially launched on November 25, 2023. By the end of February 2024, 99% of the units have been sold.



Source: Khang Dien House

2024–2025F sales come from Clarita, Emeria and The Solina projects

KBSV expects that in 2024, KDH will launch two projects, Clarita and Emeria, in cooperation with Keppel. These two projects have a total area of 11.8ha on Vo Chi Cong Street, Binh Trung Dong Ward, Thu Duc. The construction started in 3Q23 and should be finished to contribute to KDH's sales from 2H24. KBSV estimates 2024F–2025F sales of KDH to reach VND2,468 billion (–46% YoY) and VND4,217 billion (+71%YoY).

Fig 9. KDH – Image of Emeria and Clarita projects



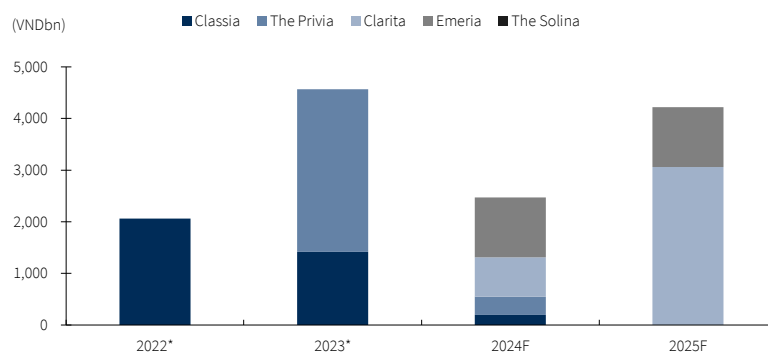
Source: KB Securities Vietnam

Fig 10. KDH – Image of Clarita project



Source: KB Securities Vietnam

Fig 11. KDH – 2022A–2025F sales



Source: KB Securities Vietnam (estimates)

Table 12. KDH – List of projects (as of 2023-end)

Projects	Location	Area (ha)	Product	Progress
Developing		34.4		
The Classia	Thu Duc	4.3	176 townhouses	<ul style="list-style-type: none"> - Started construction in April 2021 and launched in 3Q22 - Sold 95% and handed over 90% 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 99% as of February 2024. Expected to be handed over from 4Q24
Clarita	Thu Duc	5.8	160 low-rise apartments	<ul style="list-style-type: none"> - Transferred 49% to Kepple Land - Under construction, expected to open for sale in 2024
Emeria	Thu Duc	6.1	~60 low-rise apartments & 620 apartments	<ul style="list-style-type: none"> - Transferred 49% to Kepple Land and expected to be launched in 2024
The Solina	Binh Chanh, HCMC	16.4	Phase 1: 500 low-rise apartments	Completed land clearance for phase 1
To be developed		570.0		
Tan Tao Residential Area	Binh Tan, HCMC	330.0		<ul style="list-style-type: none"> - Completed land clearance and compensated 80%
Le Minh Xuan Industrial Park expansion	Binh Chanh, HCMC	110.0		<ul style="list-style-type: none"> - Completing the legal work
Phong Phu 2	Binh Chanh, HCMC	130.0		<ul style="list-style-type: none"> - Completed the legal work

Source: Khang Dien House, KB Securities Vietnam

Forecast & valuation

Table 13. KDH – 2024F business results

	2023	2024F	+/-%YoY	KBSV's notes
Net revenue (VNDbn)	2,093	3,227	54%	
Sales of real estate properties	2,020	3,172	57%	Real estate transfer revenue mainly comes from handing over the Privia project and some remaining apartments at the Classia project.
Gross profit (VNDbn)	1,573	1,541	-2%	
Financial income (VNDbn)	75%	48%	-27pp	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 expenses (VNDbn)	50	37	-25%	
SG&A (VNDbn)	-143	-98	-32%	
Operating income (VNDbn)	-369	-417	13%	
Profit before taxes (VNDbn)	1,110	1,064	-4%	
CIT (VNDbn)	1,071	1,064	-1%	
Profit after taxes (VNDbn)	731	825	13%	
NPAT of the parent company	717	804	12%	

Source: Khang Dien House, KB Securities Vietnam

Valuation: HOLD recommendation
– Target price VND37,700/share

KBSV maintains a positive assessment for KDH shares thanks to (1) reputable brand with good product quality, on-time delivery and clear legal status (2) expectations that the Emeria and Clarita projects will be launched in 2024, achieving a good absorption rate, and (3) large land bank in HCMC, ensuring KDH's growth in the medium and long term.

KBSV used RNAV to find a reasonable price for KDH shares and DCF method for projects that are being implemented or have clear implementation plans. For the remaining land funds, we use the comparables method to determine the value.

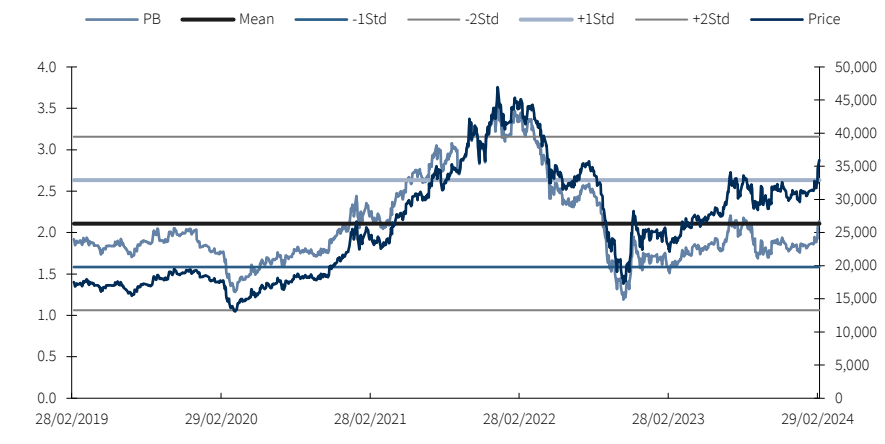
KDH stock is currently trading at a 2024 forward P/B of 1.8x, compared to a five-year average P/B of 2.1x. KDH shares have increased 15% YTD in price, partly reflecting the prospect of profit growth and plans to open new projects in 2024. Therefore, based on business prospects and valuation results, we give a HOLD recommendation with a target price of VND37,700/share, 5% higher than the closing price on March 5, 2024.

Table 14. KDH – Valuation results

Project	Valuation method	Value (VNDmn)
Classia	DCF	596,525
Privia	DCF	1,033,184
Clarita	DCF	1,498,889
Solina	DCF	2,751,542
Emeria Doan Nguyen	DCF	1,397,072
Le Minh Xuan	Comparables	2,730,000
Phong Phu 2	Comparables	3,960,000
Tan Tao	Comparables	13,365,000
Binh Trung Dong	Comparables	4,198,567
Others	BV	1,236,535
		32,767,314
+ Cash		3,729,620
– Debts		6,345,850
RNAV		30,151,084
Outstanding shares		799,311,971
Share price (VND)		37,700

Source: KB Securities Vietnam

Fig 25. KDH – P/B in 2018–2023 (x)



Source: Khang Dien House, 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	2,093	3,227	5,703	CURRENT ASSETS	20,506	24,720	25,884	28,806
Cost of sales	-1,452	-521	-1,686	-2,562	Cash and cash equivalents	2,753	3,730	3,014	3,026
Gross Profit	1,460	1,573	1,541	3,141	Short-term investments	43	9	9	9
Financial income	18	50	37	62	Accounts receivable	5,208	1,811	3,822	6,572
Financial expenses	-91	-143	-98	-190	Inventories	12,453	18,788	18,788	18,788
of which: interest expenses	-9	0	0	0	LONG-TERM ASSETS	10,333	16,988	18,229	2,001
Gain/(loss) from joint ventures (from 2015)	0	0	0	0	Long-term trade receivables	73	76	76	76
Selling expenses	-175	-163	-212	-402	Fixed assets	81	81	206	372
General and admin expenses	-219	-206	-205	-369	Investment properties	102	131	137	143
Operating profit/(loss)	992	1,110	1,064	2,242	Long-term incomplete assets	750	933	933	933
Other incomes	419	-38	0	0	Long-term investments	14	12	12	12
Other expenses	491	74	0	0	TOTAL ASSETS	21,539	26,418	27,713	30,807
Net other income/(expenses)	-72	-112	0	0	LIABILITIES	9,745	10,890	11,350	12,749
Income from investments in other entities	0	0	0	0	Current liabilities	3,503	5,329	5,646	6,894
Net accounting profit/(loss) before tax	1,411	1,071	1,064	2,242	Trade accounts payable	109	96	24	36
Corporate income tax expenses	21	483	-240	-548	Advances from customers	892	2,354	2,354	2,354
Net profit/(loss) after tax	1,082	731	825	1,695	Short-term unrealized revenue	0	0	0	0
Minority interests	-21	14	21	607	Short-term borrowings	1195	1,444	1,517	1,592
Attributable to parent company	1,103	717	804	1,088	Long-term liabilities	6,242	5,561	5,704	5,856
					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	5,049	5,200
					OWNER'S EQUITY	11,795	10,594	11,039	15,315
					Paid-in capital	7,188	7,993	7,993	7,993
					Share premium	1312	1,339	1,339	1,339
					Undistributed earnings	2,780	3,768	4,571	5,659
					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%	75.1%	47.8%	Multiple				
EBITDA margin	37.9%	27.8%	58.2%	35.7%	P/E	20.2	38.6	35.8	26.5
EBIT margin	37.6%	36.6%	57.5%	34.8%	P/E diluted	20.2	38.6	0.0	0.0
Pre-tax profit margin	41.2%	48.4%	51.2%	33.0%	P/B	19	2.1	18	16
Operating profit margin	36.3%	34.1%	53.0%	33.0%	P/S	7.7	13.2	8.9	5.0
Net profit margin	32.2%	37.2%	34.9%	25.6%	P/Tangible Book	19	18	18	16
					P/Cash Flow	-213	-17.8	-36.7	-18,481.5
					EV/EBITDA	32.8	26.6	29.9	14.6
					EV/EBIT	25.0	26.9	30.6	14.9
					Operating performance				
					ROE	9.35	4.62	4.91	6.02
					ROA	7.06	6.15	5.21	10.31
					ROIC	5.12	2.71	2.90	3.53
					Financial structure				
					Cash Ratio	0.8	0.7	0.5	0.4
					Quick Ratio	2.3	10	12	14
					Current Ratio	5.9	4.6	4.6	4.2
					LT Debt/Equity	0.5	0.3	0.3	0.3
					LT Debt/Total Assets	0.3	0.2	0.2	0.2
					Debt/Equity	0.3	0.3	0.3	0.4
					Debt/Total Assets	0.2	0.2	0.2	0.2
					ST Liabilities/Equity	0.3	0.3	0.3	0.4
					ST Liabilities/Total Assets	0.2	0.2	0.2	0.2
					Total Liabilities/Equity	0.8	0.7	0.7	0.7
					Total Liabilities/Total Assets	0.5	0.4	0.4	0.4
					Activity ratios				
					Account Receivable Turnover	0.6	0.6	11	11
					Inventory Turnover	0.1	0.0	0.1	0.1
					Account Payable Turnover	110	5.1	28.1	85.7

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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