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**Sales fell sharply in 1Q but started to rebound from the first half of April**

Nam Long Investment's (NLG) 1Q sales dropped sharply compared to the same period last year with 45 units sold (total contract value of VND238 billion, down 91%YoY), reflecting the difficulties of the real estate market. However, sales has improved since the first half of April with 44 apartments sold for VND196 billion.

**Target sales in 2023 is VND9,430 billion (+15% YoY)**

NLG aims to get VND9,430 billion (+15% YoY) in 2023 revenue from the sales of Southgate, Can Tho, Hai Phong, Akari City and Mizuki Park projects. However, our estimate is more conservative with 2023 sales of around VND4,466 billion (-46%YoY), coming from Akari City, Mizuki Park and Southgate projects.

**2023F NPAT reaches VND583 billion (+5% YoY)**

We forecast NLG's 2023 NPAT would reach VND583 billion (+5% YoY), which come from the handover of Southgate and Izumi City projects. The company should also accelerate the delivery of Mizuki Park project (phase 2) and the transfer of 25% remaining stake in Paragon Dai Phuoc project.

**HOLD recommendation – Target price VND35,200 apiece**

We maintain a positive rating on NLG stock thanks to (1) its strong fundamentals with safe financial structure and (2) the attractiveness of mid-end apartment projects in HCMC such as Mizuki and Akari City or affordable apartments Ehome Southgate to buyers with owner-occupation needs. NLG share price has increased by 44% in the past two months. All things considered, we recommend HOLD for NLG stock with a target price of VND35,200/share, 7% higher than the closing price on May 15, 2023.

## Hold change

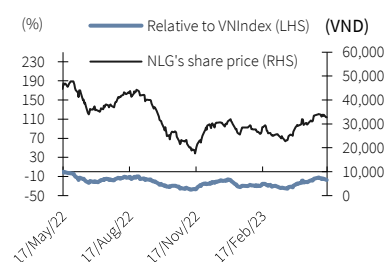
<b>Target price</b>	<b>VND35,200</b>
Upside (%)	7%
Current price (May 15, 2023)	VND32,800
Consensus target price	VND35,500
Market cap (VNDbn/USDmn)	12.6/0.5

<b>Trading data</b>	
Free float	57.2%
3M avg trading value	56.5/2.4
Foreign ownership	4.5%
Major shareholder	Chairman Nguyen Xuan Quang (12%)

<b>Share price performance</b>				
(%)	<b>1M</b>	<b>3M</b>	<b>6M</b>	<b>12M</b>
<b>Absolute</b>	10	23	51	-30
<b>Relative</b>	10	23	44	-17

### Forecast earnings & valuation

FY-end	2021A	2022A	2023F	2024F
Net revenue (VNDbn)	5,206	4,339	3,864	4,995
Earnings (VNDbn)	1,205	1,041	725	1,200
NPAT of parent company (VNDbn)	1,071	556	583	889
EPS (VND)	2,686	1,448	1,519	2,316
EPS growth (%)	-3	-46	5	52
P/E (x)	9.31	17.26	21.60	14.16
P/B (x)	1.07	1.07	0.89	0.82
ROE (%)	11	4	6	8
Dividend yield (%)	5	1	2	2



Source: Bloomberg, KB Securities Vietnam

Table 1. NLG – 1Q23 business results

	1Q22	1Q23	+/-%YoY	KBSV's notes
<b>Net sales</b>	<b>587</b>	<b>235</b>	<b>-60%</b>	
Sales of real estate properties	543	175	-68%	This revenue segment mainly comes from (1) 12 Flora apartments at Akari City project with VND30 billion and (2) 17 Valora villas and 24 Ehome apartments at Southgate project with respective revenue of VND107 billion and VND27 billion.
Gross profit	250	160	-36%	
Financial income	23	46	95%	
Financial expenses	39	77	98%	Interest expense increased due to rising interest rates and the issuance of an additional VND1,000 billion of bonds in 4Q22 and 1Q23.
Profit from joint ventures and associates	0	78	12163x	Profit from handing over 413 units at Mizuki Park project is equivalent to revenue of VND1,317 billion.
SG&A expenses	194	178		
Operating income	41	29	-30%	
Other incomes	3	6	84%	
Profit before taxes	44	34	-22%	
Profit after taxes	33	16	-50%	
<b>NPAT of the parent company</b>	<b>1</b>	<b>7</b>	<b>980%</b>	

Source: Nam Long Investment, KB Securities Vietnam

### Sales fell sharply in 1Q but started to rebound from the first half of April

NLG's 1Q sales dropped sharply compared to the same period last year with 45 units sold (total contract value of VND238 billion, down 91%YoY), reflecting the difficulties of the real estate market. However, sales has improved since the first half of April with 44 apartments sold for VND196 billion.

### NLG has right product orientation

The positive point is that despite the general difficult situation, two mid-end housing projects in the inner city Mizuki and Akari City have good absorption rates thanks to meeting the needs of customers who want to buy houses for their own occupation. This is one of NLG's strengths when it comes to developing affordable housing products with a variety of product lines like Ehome/EhomeS, Flora, and Valora with prices and progress in line with the income of each customer segment.

### Sales in 2023 is forecast to reach VND4,466 billion (-46%YoY)

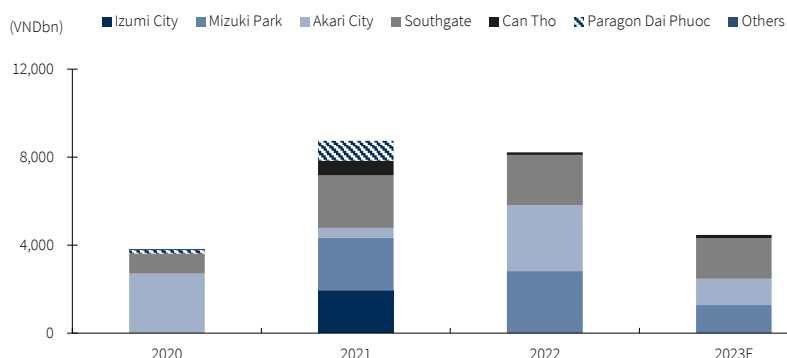
NLG aims to get VND9,430 billion (+15% YoY) in 2023 revenue from the launch of the Ehome product line (Nguyen Son, Southgate, EhomeS Can Tho, and Hai Phong projects) and the Flora product line (Akari project. City and Mizuki Park and 256 Valora products of The Pearl subdivision Waterpoint project). However, our estimate is more conservative with 2023 sales of around VND4,466 billion (-46%YoY), coming from Akari City, Mizuki Park and Southgate projects.

Table 2. NLG – 2023 sales of real estate projects

Projects	1Q2023		First half of April 2023	
	Units	Value (VNDbn)	Units	Value (VNDbn)
Mizuki Park	16	96	12	44
Akari City	20	76	30	111
Southgate	9	66	2	41
<b>Total</b>	<b>45</b>	<b>238</b>	<b>44</b>	<b>196</b>

Source: Nam Long Investment, KB Securities Vietnam

Fig 3. NLG – 2021A–2023F sales (VNDbn)



Source: Nam Long Investment, KB Securities Vietnam

Fig 4. NLG – Waterpoint project

The project has an area of 165ha located in Ben Luc, Long An.

- Phase 1: NLG launched Rivera 1 and The Aqua low-rise subdivisions from 4Q19 (completed the deliveries).
- Phase 2:
  - In 2021, NLG launched Rivera 2, Aquaria 2 and Ehome Southgate (phase 1)
  - In August 2022, phase 1 of Ehome Southgate was opened for sale (phase 2), 100% of apartments for sale have been absorbed and completed.
  - Ehome Southgate is under construction (phase 3).
  - NLG continue to sell the subdivisions that had been opened for sale in the previous period - The Aqua 1, 2 and Park Village subdivisions (newly introduced in December 2022)



Source: Nam Long Investment, KB Securities Vietnam

Fig 5. NLG – Waterpoint project



Source: Nam Long Investment, KB Securities Vietnam

Fig 6. NLG – Ehome Southgate project



Source: Nam Long Investment, KB Securities Vietnam



**Fig 7. NLG – Mizuki Park project**

The project has an area of 26ha located in Binh Chanh, Ho Chi Minh City, consisting of more than 4,000 products.

- Phase 1: NLG handed over 1,400 Flora MP 1-5 apartments.
- Phase 2:
  - MP 6, 7, and 8 were launched in April 2021, topped out in August 2022, and delivered three months ahead of schedule at the end of 2022. NLG accelerated the handover, so it was completed in 4Q22 instead of 1Q23 as previously planned.
  - In 4Q22 and 1Q23, NLG recorded VND1,760 billion in revenue from handing over 560 apartments.
  - MP 9 and 10 were launched in 4Q21 and topped out in early 2023.
  - NLG opened Mizuki Panorama for sale in April 2022 and topped out in early 2023.

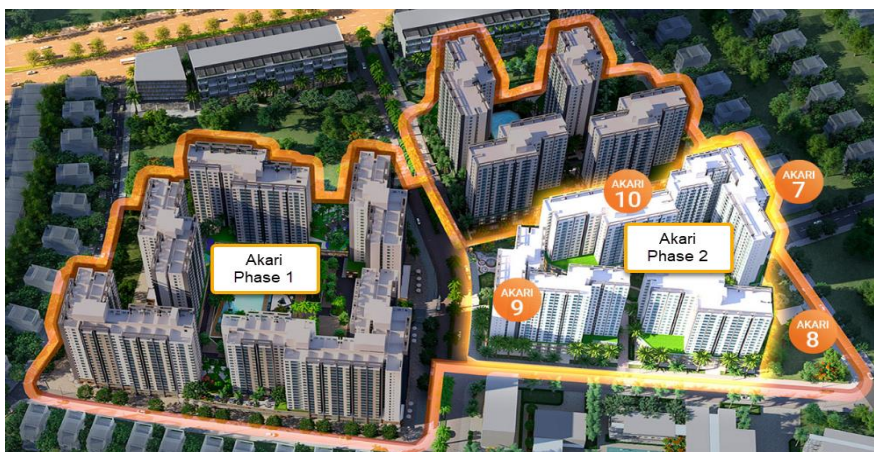


Source: Nam Long Investment, KB Securities Vietnam

**Fig 8. NLG – Akari City project**

The project has an area of 8.5 ha located in Binh Tan, Ho Chi Minh City

- Phase 1: NLG sold out and handed over 1,800 products.
  - Phase 2: NLG launched block AK 7 and 8 on March 19, 2022 with an absorption rate of more than 70%.
- The project is currently under construction. By the end of the 1Q23, NLG has sold more than 900 out of 1690 units.



Source: Nam Long Investment, KB Securities Vietnam

**Fig 9. NLG – Izumi project**

The project has an area of 170ha located in Dong Nai.

- It was introduced for the first time in 4Q21 with 270 products booked with a total contract value of VND1,929 billion.
- Subdivision 1A should be handed over by the end of 2023.
- NLG is temporarily suspending the sale plan to adjust the design and provide more suitable products.



Source: Nam Long Investment, KB Securities Vietnam

Table 10. NLG – Other projects

Source: Nam Long Investment, KB Securities Vietnam

Table 11. NLG – 2023F business results

	2022	2023	+/-%YoY	KBSV's notes
<b>Net sales</b>	<b>4,339</b>	<b>3,864</b>	<b>-11%</b>	Forecasted revenue is equal to 80% of NLG's plan.
Sales of real estate properties	4,083	3,582	-12%	The majority of revenue from real estate transfer comes from the handover of Southgate, Izumi City, and the land plots at Kykyo Residence project.
Gross profit	1,984	1,581	-20%	
Financial income	386	252	-35%	Profit recognized from transferring 25% of shares in Paragon DP project to foreign partners
Financial expenses	199	181	-9%	
Profit from joint ventures and associates	25	330	1220%	Profit from handover at Mizuki Park project
SG&A expenses	1,155	927	-20%	
Operating income	1,041	725	-30%	
Other incomes	1,070	1,055	-1%	
Profit before taxes	866	854	-1%	
<b>Profit after taxes</b>	<b>556</b>	<b>583</b>	<b>5%</b>	Forecasted profit equal is to 99% of NLG's plan

Source: Nam Long Investment, KB Securities Vietnam

### HOLD recommendation with the target price of VND35,200

Using the RNAV method, we set a target price for NLG stock at VND35,200/share, 7% higher than the closing price on May 15, 2023.

We maintain a positive rating on NLG stock thanks to (1) its strong fundamentals with safe financial structure and (2) the attractiveness of mid-end apartment projects in HCMC such as Mizuki and Akari City or affordable apartments Ehome Southgate to buyers with owner-occupation needs. However, we also note that the lengthy legal process approval and the absorption capacity at the two projects Izumi City and Can Tho may significantly affect NLG's sales.

NLG stock price has gained by 44% over the past two months and is currently trading at a 2023F P/E of 21.6x. Based on the business outlook and valuation results, we give a HOLD recommendation to NLG stock with a target price of VND35,200.

Table 13. NLG – Final valuation

Projects	Valuation method	Value (VNDmn)
Waterpoint 1	DCF	2,048,031
Waterpoint 2	DCF	2,449,905
Mizuki	DCF	2,449,357
Akari City	DCF	1,720,826
NL Dai Phuoc	DCF	1,250,428
Waterfront	DCF	2,879,363
NL Hai Phong	DCF	1,305,051
NL Can Tho	DCF	1,596,083
		15,699,045
+ Money		3,425,939
- Debts		5,605,000
<b>RNAV</b>		<b>13,519,984</b>
Number of outstanding shares		384,080,300
<b>Share price (VND)</b>		<b>35,200</b>

Source: KB Securities Vietnam



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## Investment ratings & definitions

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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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