

Nam Long Invest (NLG)

Accelerating the delivery of Mizuki Park

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4Q22 sales continue to slow down

In 4Q22, Nam Long Investment Corporation (NLG) only sold 64 units (-81%QoQ) in two projects Akari City (for VND150 billion) and Southgate (for VND80 billion), totaling VND230 billion (-85%QoQ) in contract value. Whole-year sales hit VND10,152 billion, surging 71% YoY thanks to strong sales in 1H22.

NLG would continue to sell existing products

We believe that tight credit into real estate and prolonged legal procedures in Izumi and Can Tho projects will continue to affect NLG's sales in 2023. Total sales value in 2023 is expected to reach VND6,615 billion (-35%YoY), gained from Mizuki Park, Akari City and Southgate, Izumi City and Can Tho projects.

2023E gains 25% YoY to VND696 billion

We forecast NLG's 2023 NPAT would hit VND696 billion (+25% YoY), mainly contributed by the deliveries of products in Southgate and Mizuki Park (phase 2) and the divestment of the remaining 25% stake at Paragon Dai Phuoc.

BUY recommendation – Target price: VND35,800/share

Although NLG's business results are much lower than expected, we still maintain a positive assessment of NLG stocks thanks to (1) its solid fundamentals with safe financial structure and (2) the attractiveness of mid-end apartment projects in HCMC such as Mizuki and Akari City and affordable apartments in Ehome Southgate to owner-occupants.

Based on NLG's business outlook and valuation results, we recommend BUY for NLG stocks with a target price of VND35,800/share.

Buy maintain

Target price VND35,800

Upside (%)	40
Current price (Mar 6, 2023)	VND25,600
Consensus target price	VND32,600
Market cap (VNDbn/USDmn)	9.8/0.4

Forecast earnings & valuation

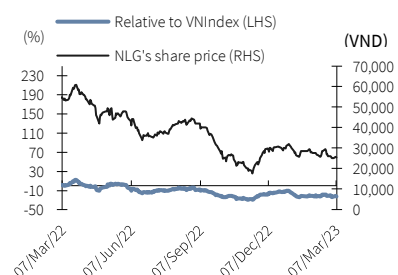
Fy-end	2021A	2022A	2023F	2024F
Net revenue (VNDbn)	5,206	4,339	3,870	6,151
Earnings (VNDbn)	1,205	1,041	870	981
NPAT of parent company (VNDbn)	1,071	556	696	731
EPS (VND)	2,686	1,448	1,811	1,903
EPS growth (%)	-3	-46	25	5
P/E (x)	9.31	17.26	14.13	13.45
P/B (x)	1.07	1.07	0.69	0.64
ROE (%)	11	4	7	7
Dividend yield (%)	5	1	na	na

Trading data

Free float	57.8%
3M avg trading value	34.5/1.5
Foreign ownership	4.8%
Major shareholder	Mr Nguyen Xuan Quang (12%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	-8	-5	-42	-52
Relative	-4	-8	-24	-23



Source: Bloomberg, KB Securities Vietnam

Business performance in 4Q and whole year of 2022

4Q profit increased 21%YoY thanks to the recognition of profit from the transfer of Paragon Dai Phuoc project and accelerated handover of Akari City, Southgate, and Mizuki projects

NLG's net revenue reached VND1,629 billion (-63% YoY) in 4Q, of which the majority came from the sales of inventory properties of VND1,538 billion (-65%YoY). During the quarter, the corporation handed over 90 units in Akari City and 234 units in Southgate project for VND261 billion and VND1,219 billion, respectively.

NPAT of the parent company was VND437 billion, gaining 21%YoY thanks to (1) VND244 billion from the transfer of 25% shares in Paragon Dai Phuoc project and (2) recording revenue from 146 apartments in Mizuki Park in associates' interests.

Accordingly, NLG recorded net revenue of VND4,339 billion (-17% YoY), and NPAT of the parent company reached VND 556 billion (-48% YoY) in 2022. Revenue and profit results completed 61% and 46% of the business's respective full-year targets and reached 109% and 96% of our forecast.

Business results failed to reach the targets because: (1) The number of apartments handed over in 2022 is 1,289 units, 45% lower than in 2021. The delivery of Can Tho project is delayed compared to the plan due to slow administrative procedures. (2) In addition, the procedure to transfer 25% of the shares in Paragon Dai Phuoc to foreign partner Nishi Nippon Railroad has not been completed.

Table 1. NLG - 4Q22 & 2022 performance

(VNDbn)	4Q2022	4Q2021	change	2022	2021	Changes
Net Revenue	1,629	4,418	-63%	4,339	5,206	-17%
Sales of real estate properties	1,538	4,409	-65%	4,083	4,481	-9%
Gross profit	814	1,545	-47%	1,984	1,778	12%
Gross profit margin	50%	35%	15pp	46%	34%	12pp
Financial income	307	56	448%	386	445	-13%
Financial expenses	69	52	33%	199	112	78%
Associates	22	(4)	-695%	25	91	-73%
Selling expense	186	380	-51%	511	416	23%
G&A expenses	199	222	-10%	644	581	11%
NPAT	688	944	-27%	1,041	1,205	-14%
Other profit	16	6	167%	29	435	-93%
NPAT	705	950	-26%	1,070	1,640	-35%
PBT	590	769	-23%	866	1,478	-41%
NPAT of the parent company	437	361	21%	556	1,071	-48%

Source: Nam Long Investment, KB Securities Vietnam

Table 2. NLG – Delivered apartment volume & value in 4Q & 2022 (unit, VNDbn)

Projects	4Q2022		2022	
	Units	Amount	Units	Amount
Flora Akari	90	261	334	1,020
Valora Southgate	156	1,128	398	2,517
Ehome Southgate (MR1)	78	91	330	354
Flora Novia	6	11	81	148
Mizuki Park			146	444
Others				44
Total	330	1,491	1,289	4,527

Source: Nam Long Investment, KB Securities Vietnam

NLG recorded subdued sales in 4Q

In 4Q22, Nam Long Investment Corporation (NLG) only sold 64 units (-81%QoQ) in two projects Akari City (for VND150 billion) and Southgate (for VND80 billion), totaling VND230 billion (-85%QoQ) in contract value. Whole-year sales hit VND10,152 billion, surging 71% YoY thanks to strong sales in 1H22. This sales result reached 85% of our estimate in the previous report and 83% of NLG's adjusted objective (Table 3).

Table 3. NLG – 2022 sales (Units/VNDbn)

	4Q2022		9M2022		2022	
	Unit	Amount	Unit	Amount	Unit	Amount
Izumi City	-	-	271	1,929	271	1,929
Mizuki Park	-	-	390	2,813	390	2,813
Akari City	41	150	867	2,859	908	3,009
Southgate	23	80	433	2,205	456	2,285
Can Tho	-	-	27	116	27	116
Total	64	230	1,988	9,922	2,052	10,152

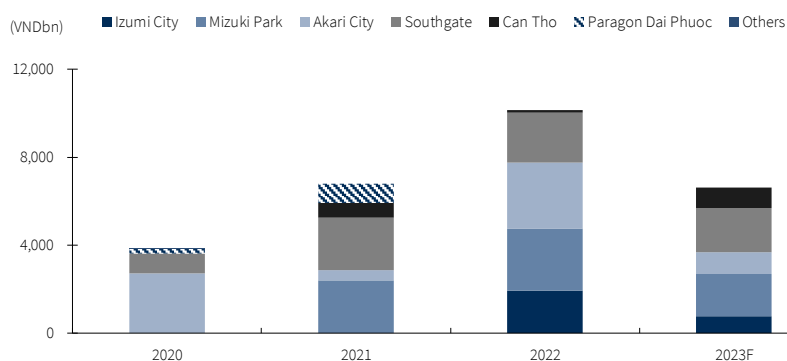
Source: Nam Long Investment, KB Securities Vietnam

Less positive sales in 4Q reflected the general difficulties of the real estate market

NLG's sales results in 3Q and 4Q reflected the difficulties of the real estate market related to tight control of credit into real estate, increased interest rates (adversely impacted house buying demand), and delayed for sale due to slow legal procedures. In addition, the property completion in Izumi City and Can Tho is prolonged. We believe that these would remain as obstacles to NLG's 2023 sales.

In our prudent view, we estimate NLG's total sales value in 2023 at VND6,615 billion (-35%YoY), which is attributable to the revenue from Mizuki Park, Akari City, Southgate, Izumi City, and Can Tho projects.

Fig 4. NLG – 2020A–2023F sales from real estate properties (VNDbn)



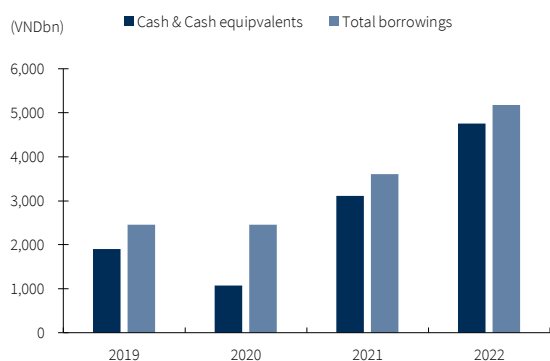
Source: Nam Long Investment, KB Securities Vietnam

NLG has good financial status

At the end of 2022, cash and cash equivalents were VND4,761 billion (up 23% YTD), accounting for 18% of total assets.

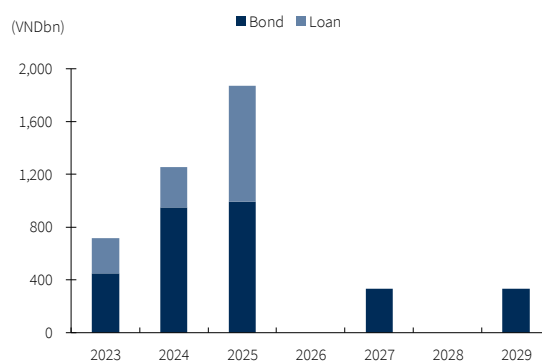
Debt value is VND5,179 billion (up 43% YTD), and the debt to total assets ratio is 0.19x. 58% of debt is corporate bonds, of which VND450 billion in bonds would be matured in 2023. Therefore, we believe that NLG will not face any pressure to pay bond principal and interest.

Fig 5. NLG – Cash & cash equivalents, and borrowings (VNDbn)



Source: Nam Long Investment, KB Securities Vietnam

Fig 6. NLG – Year of maturity of payables



Source: Nam Long Investment, KB Securities Vietnam

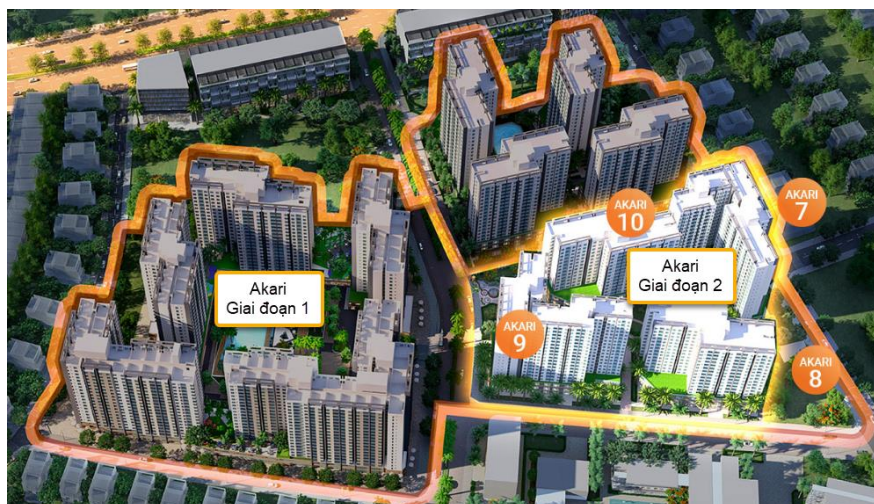
Fig 9. NLG – Akari City project

The project has an area of 8.5ha located in Binh Tan, HCMC.

- Phase 1: Sold out and handed over 1,800 products
- Phase 2: Launched block AK 7,8 on March 19, 2022 with an absorption rate of more than 70%.

By the end of 2022, NLG sold more than 900 out of 1690 units.

The average price of phase 2 is about VND48 million/m².



Source: Nam Long Investment, KB Securities Vietnam

Fig 10. NLG – Izumi City project

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

– Introduced for the first time in 4Q21, 270 products booked with a total contract value of VND1,929 billion.

– The project is still waiting for the adjustment of the master plan, expected to be opened for sale in 2023.



Source: Nam Long Investment, KB Securities Vietnam

Table 11. NLG – Other projects

Projects	Location	Area (ha)	Progress
Can Tho	Can Tho	43ha	Received land allocation in Feb 2023 Expect to launch Ehome project in 2023
Paragon Dai Phuoc	Dong Nai	45ha	Waiting for master plan approval
VSIP Hai Phong	Hai Phong	21ha	n/a

Source: Nam Long Investment, KB Securities Vietnam

Forecast & valuation

2023F performance

We estimate NLG's 2023 business results as follows:

- 2023F revenue may hit VND3,870 billion (-11% YoY), of which revenue from real estate transfer will be VND 3,587 billion (-20% YoY, mostly from the handover of the Southgate project).
- Gross profit should reach VND1,668 billion (-16% YoY). Gross profit margin may decrease 3ppts YoY to 43%.
- Profit from joint ventures and associates is VND325 billion (+1,199%YoY), gained from the deliveries of apartments in Mizuki Park.
- Profit from financial activities comes from the remaining 25% profit from the divestment from Paragon Dai Phuoc.
- NPAT of the parent shareholder should be VND696 billion (+25% YoY).

Table 12. NLG - 2023-2024F performance

(VNDbn)	2022	+/-% YoY	2023	+/-% YoY
Net revenue	3,870	-11%	6,151	59%
- Inventory property sales	3,587	-20%	5,873	64%
Gross profit	1,668	-16%	2,476	48%
Financial income	396	3%	185	-53%
Associates	325	1199%	325	0%
NPBT	1,195	12%	1,306	9%
NPAT of the parent company	696	25%	731	5%

Source: KB Securities Vietnam

BUY recommendation with the target price of VND35,800/share, 40% higher than closing price on March 6, 2023

Using the RNAV method (Table 13), we set a target price for NLG at VND35,800/share, 40% higher than the closing price on March 6, 2023. We lowered the target price compared to the previous report, based on (1) the changes in cash and loan balance at the end of 4Q22 and (2) NLG's adjustment of sales progress of ongoing projects.

Although NLG's business results are much lower than expected, we still maintain a positive assessment of NLG stocks thanks to (1) its solid fundamentals with safe financial structure and (2) the attractiveness of mid-end apartment projects in HCMC such as Mizuki and Akari City and affordable apartments in Ehome Southgate to owner-occupants. However, we also note that the lengthy legal procedures of two projects Izumi City and Can Tho may significantly affect the corporation's sales results.

Table 23. NLG – Valuation results

Projects	Valuation method	Value
Waterpoint 1	DCF	1,832,371
Waterpoint 2	DCF	2,449,905
Mizuki	DCF	2,286,706
Akari City	DCF	1,640,261
Nam Long Dai Phuoc	DCF	1,130,918
Waterfront	DCF	2,726,637
Nam Long Hai Phong	DCF	1,316,562
Nam Long Can Tho	DCF	1,773,849
		15,157,209
+ Cash		3,773,259
- Net debt		5,179,304
RNAV		13,751,164
Outstanding shares		384,080,300
Target price (VND)		35,800

Source: KB Securities Vietnam

NLG – 2020A–2023F financials

Income Statement					Balance Sheet				
(VND billion)	2021	2022	2022F	2023F	(VND billion)	2021	2022	2022F	2023F
Net sales	5,206	4,339	3,870	6,511	CURRENT ASSETS	21,784	23,489	24,943	25,337
Cost of sales	-3,427	-2,355	-2,202	-3,676	Cash and cash equivalents	3,112	3,773	3,909	3,566
Gross Profit	1,778	1,984	1,668	2,476	Short-term investments	744	987	987	987
Financial income	445	386	396	185	Accounts receivable	1,934	3,570	3,931	5,659
Financial expenses	-112	-189	-181	-173	Inventories	15,490	14,828	15,752	14,726
of which: interest expenses	-102	-148	-181	-173	LONG-TERM ASSETS	1,833	3,599	3,747	4,047
Gain/(loss) from joint ventures (from 2015)	91	25	0	0	Long-term trade receivables	82	9	193	347
Selling expenses	-416	-511	-464	-731	Fixed assets	78	154	88	193
General and admin expenses	-581	-644	-549	-775	Investment properties	359	236	267	274
Operating profit/(loss)	1,205	1,041	870	981	Long-term incomplete assets	20	128	128	128
Other incomes	441	42	0	0	Long-term investments	873	2,136	2,136	2,136
Other expenses	-6	-14	0	0	TOTAL ASSETS	23,618	27,088	28,690	29,384
Net other income/(expenses)	435	29	0	0	LIABILITIES	10,090	13,773	14,472	14,064
Income from investments in other entities	0	25	325	325	Current liabilities	6,318	8,851	9,269	9,155
Net accounting profit/(loss) before tax	1,640	1,070	1,185	1,306	Trade accounts payable	585	981	981	655
Corporate income tax expenses	-162	-204	-228	-206	Advances from customers	2,463	3,271	3,069	3,199
Net profit/(loss) after tax	1,478	866	967	1,100	Short-term unrealized revenue	7	7	0	0
Minority interests	407	309	271	369	Short-term borrowings	1,293	1,804	1,935	1,538
Attributable to parent company	1,071	556	696	731	Long-term liabilities	3,772	4,922	5,202	4,910
					Long-term trade payables	0	0	0	0
					Long-term advances from customers	0	0	0	0
					Unrealized revenue	285	354	354	354
					Long-term borrowings	2,315	3,375	3,676	3,383
					OWNER'S EQUITY	13,528	10,594	14,039	15,315
					Paid-in capital	3,829	3,841	3,841	3,841
					Share premium	2,643	2,643	2,643	2,643
					Undistributed earnings	2,444	2,493	3,199	3,920
					Minority interests	0	0	0	0

Margin ratio				
	2021	2022	2022F	2023F
Gross profit margin	30.3%	34.2%	45.7%	43.7%
EBITDA margin	11.7%	16.6%	19.9%	17.3%
EBIT margin	10.7%	15.0%	19.1%	16.9%
Pre-tax profit margin	45.8%	31.5%	24.7%	30.9%
Operating profit margin	45.2%	23.2%	24.0%	22.5%
Net profit margin	38.4%	28.4%	20.0%	25.0%

Cash Flow Statement				
(VND billion)	2021	2022	2022F	2023F
Net profit/(loss) before tax	1,640	1,070	1,185	1,306
Depreciation and amortisation	30	36	15	23
Profit/loss from investing activities	-958	-410	-325	-325
Interest expense	102	148	-181	-173
Operating profit/(loss) before changes in Working Capital	890	843	595	835
(Increase)/decrease in receivables	212	-1,481	665	-406
(Increase)/decrease in inventories	1215	-491	-1,000	1,026
Increase/(decrease) in payables	-582	1,425	0	-326
(Increase)/decrease in prepaid expenses	-159	-154	-69	-281
Net cash inflows/(outflows) from operating activities	1,296	-225	-218	469
Purchases of fixed assets and other long term assets	-19	-112	-77	-123
Proceeds from disposal of fixed assets	0	0	0	0
Loans granted, purchases of debt instruments	-755	-3,419	0	0
Collection of loans, proceeds from sales of debts instruments	0	3,143	0	0
Investments in other entities	-1,260	-534	0	0
Proceeds from divestment in other entities	0	175	0	0
Dividends and interest received	28	200	0	0
Net cash inflows/(outflows) from investing activities	-2,006	-547	-77	-123
Proceeds from issue of shares	2,637	187	0	0
Payments for share returns and repurchases	0	0	0	0
Proceeds from borrowings	2,443	3,595	0	0
Repayment of borrowings	-1,999	-2,021	432	-690
Finance lease principal payments	0	0	0	0
Dividends paid	-333	-327	0	0
Interests, dividends, profits received	0	0	0	0
Net cash inflows/(outflows) from financing activities	2,749	1,434	432	-690
Net increase in cash and cash equivalents	2,038	662	196	-344
Cash and cash equivalents at the beginning of period	1,073	3,112	3,773	3,909
Cash and cash equivalents at the end of period	3,112	3,773	3,909	3,566

Key ratios				
	2021	2022	2022F	2023F
Multiple				
P/E	9.3	17.3	14.1	13.5
P/E diluted	8.8	17.0	0.0	0.0
P/B	1.1	1.1	0.7	0.6
P/S	18	2.2	50.8	79.9
P/Tangible Book	0.7	0.7	0.7	0.6
P/Cash Flow	7.4	-42.7	-45.0	21.0
EV/EBITDA	12.4	12.7	24.0	6.3
EV/EBIT	12.9	13.3	24.5	6.5
Operating performance				
ROE	10.58	4.14	6.80	7.18
ROA	5.90	4.67	3.48	4.89
ROIC	5.75	2.19	3.37	3.74
Financial structure				
Cash Ratio	0.5	0.4	0.4	0.4
Quick Ratio	0.8	0.8	0.6	0.6
Current Ratio	3.5	2.7	2.7	2.8
LT Debt/Equity	0.2	0.3	0.3	0.2
LT Debt/Total Assets	0.1	0.1	0.1	0.1
Debt/Equity	0.5	0.7	0.1	0.1
Debt/Total Assets	0.3	0.3	0.1	0.1
ST Liabilities/Equity	0.5	0.7	0.7	0.6
ST Liabilities/Total Assets	0.3	0.3	0.3	0.3
Total Liabilities/Equity	0.8	1.0	1.0	0.9
Total Liabilities/Total Assets	0.4	0.5	0.5	0.5
Activity ratios				
Account Receivable Turnover	7.8	4.3	4.0	7.3
Inventory Turnover	0.3	0.2	0.1	0.2
Account Payable Turnover	7.0	3.0	2.2	4.5

Source: Nam Long Investment, KB Securities Vietnam

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(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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