NAM LONG INVESTMENT CORPORATION (NLG: HSX)

KB Securities

UPDATED REPORT
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Pham Hoang Bao Nga – Analyst
ngaphb@kbsec.com.vn

NLG's revenue inQ2/2019 fell 33.7% yoy, NPAT of shareholders of the parent company gained 24% yoy.

In the first 6M 2019, net revenue of NLG reached VND935.3 billion, declining 33.7% YoY and NPAT of shareholders of the parent company hit VND265.7 billion, gaining 23.5% yoy thanks to the record of profit gained from the purchase of Viet Thien Lam Investment Corporation in Q1.

Healthy financial status with low debt rate.

NLG has heathy financial status and low debt rate thanks to the access to foreign investors' capital.

The key projects are implemented and offered for sale according to the company's plans.

Mizuki Park Project is being completed and handed over to customers in Q4/2019; while Waterpoint Long An and Akari City recorded positive sale results.

2019 revenue of NLG may reach VND3,408.6 billion (-2% yoy) and NPAT of the parent company will hit VND866.1 billion (+ 13.4% yoy.)

KBSV forecast that NLG revenue will surge in Q4/2019 while a lot of projects such as Flora Novia, Waterpoint and Mizuki Park, which will be handed over to customers and eligible for revenue record.

Recommended: to BUY

Based on valuation results and business outlook reflected in the sales of newly offered projects, KBSV recommend investors to BUY NLG shares at a target price of VND35,800/share, 20% higher than the closing price on July 26, 2019.

Buy

Target price	35,800VND
Up/Down	20%
Current price (26/07/2019)	29,8500VND
Target price	35,800VND
Market cap	6,839.74 bil. VND (349.22 mil. USD)

Exchange rate on 29/07/2019: 1USD= 23,240 VND

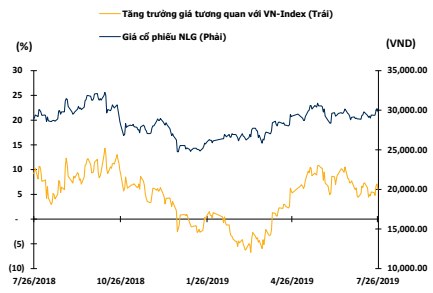
Trading data	
Outstading share volume	229,136,918
Average trading data (3M)	885,506
% foreign ownership	49%

% price change

(%)	1M	3M	6M	12M
NLG	2%	2%	15%	-1%
VN-INDEX	3.5%	1%	9%	-3.6%

Forecast revenue and valuation

	2016A	2017A	2018A	2019F
Revenue (bil. VND)	2,533.80	3,161.31	3,479.61	3408.6
Growth rate (%)	101.3%	24.8%	10.1%	-2%
Gross profit (bil. VND)	822.88	1,294.94	1,503.46	1389
Gross profit margin (%)	32.48	40.96	43.21	40%
Net profit (bil. VND)	387.57	756.16	887.19	1322.3
Growth rate (%)	85.8%	95.1%	17.3%	19%
EPS (thousand VND)	2,373.00	3,314.00	3,521.00	3866.6
EPS growth	67.4%	39.7%	6.2%	10%



Source: Fiinpro, KBSV

BUSINESS PERFORMANCE IN 1H/2019

NLG revenue in Q2/2019 declined 33.7% yoy, but NPAT of shareholders of the parent company went up 24% yoy.

Nam Long Investment Corporation (NLG) has announced its consolidated financial statement in Q2/2019. Accordingly, accumulated in the first 6M of othe year, net revenue reached VND935.3 billion, losing 33.7% against the growth in the same period of 2018, and NPAT of shareholders of the parent company reached VND265.7 billion, up by 23.5% yoy. The company has completed 27% revenue and 28% net profit in the year's plan. In particular:

Revenue from real estate investment hit VND722 billion, losing 43.9% yoy from the hand-over of 700 apartments in EHomeS South Sai Gon, the rest of Kykio Flora apartments, and villas in Valora Island and Valora Nguyen Son projects. Revenue from the sale of real estate properties reduced over the previous year as the company's big projects such as Flora Novia, Waterpoint, and Akari City are all under construction.

Revenue from construction jumped to VND 156 billion, lower than VND 2 billion increase in 2018. In addition, NLG recorded VND10.9 billion from the hand-over of projects.

NPAT of shareholders of the parent company gained 24%, partly recording the earnings from the purchase of Viet Thien Lam Investment Corporation – the company owns a series of Paragon Dai Phuoc in Q1.

GPM reached 36.8%, slightly falling compared to the 38.5% growth in 2018.

Rising interest expense comes from bank loans and bond issuance to implement projects

In this period, financial cost surged to VND35.6 billion, up by 345% yoy due to interest cost from bank loans and the issuance of VND120 billion bonds to AIA Life Insurance, VND30 billion to Gennerali and VND510 billion to Manulife with an interest rate of 6.5%/year. These loans will be used to develop infrastructure of projects and accumulate new landbank.

By the end of Q2/2019, short and long-term loans of a NLG was valued at VND924 billion, debt/owner equity ratio was 0.16, still low compared to that in Real estate companies.

Table 1: Business performance in 1H/2019

Tỷ VNĐ	Q2/2019	Q2/2018	% yoy	1H/2019	1H/2018	% yoy
Doanh thu thuần	603.00	871.00	-30.8%	935.30	1,410.30	-34%
Giá vốn hàng bán	353.60	507.90	-30.4%	590.30	866.20	-32%
Lợi nhuận gộp	249.40	363.10	-31.3%	345.00	544.00	-37%
Doanh thu tài chính	40.90	34.80	17.5%	56.60	53.00	7%
Chi phí tài chính	21.20	4.20	404.8%	35.60	8.10	340%
Trong đó: Chi phí lãi vay	21.20	4.10	417.1%	35.10	8.00	339%
Lãi/(lỗ) từ công ty liên doanh	4.80	2.50	92.0%	13.20	3.20	312.5%
Chi phí bán hàng	33.20	61.60	-46.1%	55.00	120.00	-54.2%
Chi phí quản lý doanh nghiệp	69.40	44.50	56.0%	134.80	91.00	48.1%
Lợi nhuận khác	0.65	2.90	-77.6%	137.70	4.70	2830%
Lợi nhuận trước thuế	171.90	293.00	-41.3%	327.00	385.00	-15.1%
Lợi nhuận sau thuế	133.40	235.60	-43.4%	284.50	298.50	-4.7%
Lợi nhuận của Cổ đông của Công ty mẹ	120.50	183.30	-34.3%	265.70	215.00	23.6%
Lãi cơ bản trên cổ phiếu (VND)	496.00	949.00	-47.7%	1,091.00	1,102.00	-1.0%

Source: NLG

UPDATED PROGRESS OF NLG'S LARGE PROJECTS

Waterpoint Project – Long An – has been successfully offered for sale

Waterpoint Project is located in Ben Luc District, Long An, and has a total area of 365 ha. The project include 5 subdivisions, in which 3 divisions Central Park, Rivera 1&2, and Aquaria are in the Phase 1 of the project, the 2 other subdivisions Marina and Southgate are still 100% owned by Nam Long (Picture 2). Nam Long will develop 165ha in the Phase 1 with strategic partners such as Hankyu Hanshin and Nishiteshu, TBS Group and Tan Hiep Investment Co., Ltd.

Waterpoint Project has been compensated 99% and paid for 340ha land use fees. Nam Long has cleared 165ha, and the company now is implementing the construction of the main roads, some internal facilities and model houses in the very first subdivisions of the project (Figure 3). In Phase 1, Nam Long will deploy 1703 products, including: 853 garden shophouses, 223 shophouses, 211 duplex villas, 118 single villas and 298 villas with prices only from VND2,3 billion (Table 4 & 5). All products will be được bàn giao thô, hoàn thiện mặt ngoài.

Akari City Project has been re-opened for sale as planned

The project has started to receive reservations from July 20 and officially opened for sale for the first phase on September 15. All 512 apartments in the list of products in Phase 1 have been reserved.

On June 29, 2019, Nam Long held a Closing ceremony for the housing savings program and registered to buy Akari City project. Customers who have reserved products at Akari City project from the previous sale opening and participated in Nam Long Housing Savings Program - Vietcombank has priority to choose the apartment in the product list. In Phase 1, Nam Long will sell 4 blocks of AK1, AK2, AK5 and AK6 with a total of 1254 apartments, the prices of apartments are from VND1.6 billion for 2-bedroom apartments (VAT included). All apartments of Phase 1 have been deposited.

Mizuki Park Project will still been handed over to customers as planned in Q4/2019.

5 MP1 - MP5 blocks in Phase 1 of Mizuki Park Project are being painted the 2nd layer. The unit in charge of construction is finishing the project interior, installing glass, electromechanical system, flooring and finishing the furniture of each apartment. The Mizuki Park project will be completed and handed over to customers according to the schedule set by Nam Long Developer in Q4/2019.

Currently, NLG is carrying out the Phase 2 of the project. According to the company's plan, Phase 2 includes MP6, MP7, and MP8 blocks, which will be opened for sale in Q4/2019, providing nearly 900 apartments to the market.

Picture 2: Waterpoint project

Source: NLG

Picture 3: Waterpoint project progress

Source: NLG

Table 4: Apartments in Waterpoint

	Phân khu Aquaria	Phân khu Rivera
Nhà vườn	695	158
Nhà phố thương mại		
+ Mặt đường nhỏ	105	52
+ Mặt đường lớn		66
Biệt thự song lập	142	69
Biệt thư đơn lập	72	46
Đất biệt thự	196	102
Tổng		1703

Source: NLG, KBSV

Table 5: Prices of the Waterpoint project

Loại hình	Diện tích đất	Diện tích xây dựng	Giá bán (chưa bao gồm VAT)
Nhà vườn	6m x 15m	104m2	Từ 2.3 tỷ VND
Nhà phố thương mại			
+ Mặt đường nhỏ	6m x 17m	174m2	Từ 3.7 tỷ VND
+ Mặt đường lớn			Từ 4.1 tỷ VND
Biệt thự song lập	10m x 15m	150m2	Từ 3.6 tỷ VND
Biệt thư đơn lập	15m x 15m	185m2	Từ 5.1tỷ VND

Source: NLG, KBSV

FORECAST BUSINESS PERFORMANCE

KBSV forecasts NLG revenue will reach VND3,408.6 billion, losing 2% yoy and NPAT of shareholders of the parent company will hit VND866.1 billion, up 13.4% yoy.

To be more specific:

Revenue from the sale of real estate properties will reach VND1,873.2 billion, reducing 22% yoy, and coming from:

+ EHomeS South Saigon: revenue from 840 apartments will reach VND578 billion.

+ Flora Novia: revenue from 548 apartments will hit VND810.7 billion.

+ Valora Island: revenue from 29 villas will be VND215.6 billion.

+ Valora Nguyen Son: hand over and record revenue from 56 shophouses, reaching VND269 billion.

Revenue from the ownership transference of projects will be VND629 billion, down by 20.5% yoy

Revenue from construction services will hit VND713 billion, up by 167% yoy.

Revenue from commercial real estate will be VND193 billion.

The revenue of more than VND4,297 billion from the projects of Mizuki Park and Waterpoint Long An in 2019 will not be consolidated into the Financial statement of NLG. Instead, the company will record VND388 billion of NPAT gained from the projects into Interests (losses) from joint venture companies.

RECOMMENDATION

Recommendation

We are positive about the prospects of NLG in 2019 thanks to good sales results from key projects with large scale, especially when the real estate market in Ho Chi Minh City showed signs of slowing down due to legal issues causing a sharp decline in the supply source. NLG's business activities are expected to remain stable thanks to a healthy financial status with low debt ratio and a large landbank for exploitation. NLG's revenue is expected to grow steadily in the coming years as the company will hand over a series of

large-scale projects.

KBSV continues to recommend to **BUY** NLG shares with a target price of VND35,800/share according to the RNAV method, 20% higher than the closing price on July 26, 2019.

Table 6: RNAV model

Dự án	Phương pháp định giá	Tỷ lệ sở hữu	RNAV(tỷ VND)
Đầu tư BĐS			**7,810**
- EhomeS Nam Sài Gòn	DCF	100%	37
- Valora Island	DCF	100%	37
- Valora Nguyên Sơn	DCF	100%	84
- Mizuki Park	DCF	50%	1,853
- Flora Novia	DCF	100%	242
- Akari City	DCF	50%	618
- Waterpoint P1	DCF	50%	1,187
- Waterpoint P2	Tham chiếu	100%	1,425
- Dự án Paragon Đại Phước	Book Value	100%	1,610
- Các dự án khác	Book Value	100%	717
+ Tiền và các khoản tương đương tiền			1592
-Nợ vay			829.5
RNAV			8572.0
Giá cổ phiếu (VND)			**35,800**

Source: KBSV

Báo cáo Kết quả HĐKD

(Tỷ VNĐ)	2016	2017	2018	6TH/2019
Doanh số thuần	2,533.80	3,161.31	3,479.61	935.35
Giá vốn hàng bán	1,710.92	1,866.37	1,976.15	590.29
Lãi gộp	822.88	1,294.94	1,503.46	345.06
Thu nhập tài chính	25.69	94.75	129.05	56.59
Chi phí tài chính	28.61	29.34	37.01	35.62
Trong đó: Chi phí lãi vay	20.55	27.83	36.41	35.18
Lãi/(lỗ) từ công ty liên doanh (từ năm 2015)	0.60	-2.87	13.98	13.25
Chi phí bán hàng	188.62	218.51	251.78	55.03
Chi phí quản lý doanh nghiệp	154.39	195.17	238.80	134.80
Lãi/(lỗ) từ hoạt động kinh doanh	477.55	943.81	1,118.89	189.44
Thu nhập khác	11.01	9.75	18.88	139.90
Chi phí khác	4.22	3.32	9.76	2.15
Thu nhập khác, ròng	-6.79	6.44	9.11	137.75
Lãi/(lỗ) từ công ty liên doanh	0.00	0.00	0.00	0.00
Lãi/(lỗ) ròng trước thuế	484.34	950.24	1,128.00	327.19
Chi phí thuế thu nhập doanh nghiệp	96.77	194.08	240.81	42.71
Lãi/(lỗ) thuần sau thuế	387.57	756.16	887.19	284.48
Lợi ích của cổ đông thiểu số	42.35	221.15	123.72	18.72
Lợi nhuận của Cổ đông của Công ty mẹ	345.22	535.02	763.47	265.75

Tỷ suất lợi nhuận

	2016	2017	2018	TTM
Tỷ suất lợi nhuận gộp	32.48%	40.96%	43.21%	42.26%
Tỷ suất EBITDA	19.48%	28.31%	29.50%	27.49%
Tỷ suất EBIT	18.94%	27.88%	29.11%	27.02%
Tỷ suất lợi nhuận trước thuế	19.12%	30.06%	32.42%	34.63%
Tỷ suất lãi hoạt động KD	18.85%	29.85%	32.16%	30.02%
Tỷ suất lợi nhuận thuần	15.30%	23.92%	25.50%	28.28%

Bảng cân đối kế toán

(Tỷ VNĐ)	2016	2017	2018	6TH/2019
TÀI SẢN NGẮN HẠN	5,828.22	6,778.56	7,320.03	7,759.62
Tiền và tương đương tiền	931.56	2,082.08	2,084.18	1,810.23
Giá trị thuần đầu tư ngắn hạn	38.87	60.50	16.18	43.52
Các khoản phải thu	1,094.93	578.56	1,832.51	1,274.38
Hàng tồn kho, ròng	3,698.43	3,884.01	3,261.23	4,525.73
TÀI SẢN DÀI HẠN	380.59	1,127.39	2,254.36	2,544.09
Phải thu dài hạn	124.87	76.49	199.05	352.40
Tài sản cố định	55.17	56.46	52.49	57.33
Giá trị ròng tài sản đầu tư	39.34	32.84	37.68	160.02
Tài sản dở dang dài hạn	0.00	0.00	10.19	5.89
Đầu tư dài hạn	30.52	755.47	1,684.42	1,695.67
TỔNG CỘNG TÀI SẢN	6,208.81	7,905.95	9,574.40	10,303.71
NỢ PHẢI TRẢ	3,061.54	4,183.20	4,289.90	4,701.68
Nợ ngắn hạn	2,179.39	3,060.69	2,693.61	2,714.58
Phải trả người bán	199.48	291.48	269.92	129.86
Người mua trả tiền trước	651.55	1,249.94	1,080.29	1,169.00
Doanh thu chưa thực hiện ngắn hạn	0.00	0.00	0.00	0.00
Vay ngắn hạn	353.65	215.97	201.42	154.51
Nợ dài hạn	882.14	1,122.51	1,596.29	1,987.10
Phải trả nhà cung cấp dài hạn	0.00	0.00	0.00	0.00
Người mua trả tiền trước dài hạn	0.00	0.00	0.00	7.44
Doanh thu chưa thực hiên	0.00	324.01	718.15	762.47
Vay dài hạn	349.61	228.55	805.98	769.86
VỐN CHỦ SỞ HỮU	3,147.27	3,722.75	5,284.50	5,602.03
Vốn góp	1,421.15	1,572.26	2,391.37	2,391.37
Thặng dư vốn cổ phần	492.16	492.05	988.51	988.51
Lãi chưa phân phối	578.40	863.75	1,293.71	1,442.95
Lợi ích cổ đông không kiểm soát	663.51	802.63	684.19	1,149.36

Báo cáo lưu chuyển tiền tệ

Gián tiếp - Tỷ VNĐ	2016	2017	2018	6TH/2019
Lãi trước thuế	484.34	950.24	1,128.00	327.19
Khấu hao TSCĐ	13.74	13.60	13.45	7.77
Lãi/(lỗ) từ hoạt động đầu tư	-43.71	-92.12	-143.03	-69.84
Chi phí lãi vay	20.55	28.54	36.41	35.18
Lãi/(lỗ) trước những thay đổi vốn lưu động	476.35	898.95	1,033.05	299.47
(Tăng)/giảm các khoản phải thu	-566.79	634.06	-382.17	411.14
(Tăng)/giảm hàng tồn kho	-35.06	-179.16	620.74	-1,390.13
Tăng/(giảm) các khoản phải trả	27.37	1,274.54	78.74	604.57
(Tăng)/giảm chi phí trả trước	-34.08	-48.60	66.25	-14.75
Lưu chuyển tiền tệ ròng từ các hoạt động sản xuất kinh doanh	-261.16	2,260.98	991.46	-315.02
Tiền mua tài sản cố định và các tài sản dài hạn khác	-7.92	-5.77	-15.35	-2.48
Tiền thu được từ thanh lý tài sản cố định	35.60	0.50	0.00	0.00
Tiền cho vay hoặc mua công cụ nợ	-64.01	-108.63	-240.63	-27.34
Tiền thu từ cho vay hoặc thu từ phát hành công cụ nợ	0.00	10.10	44.32	2.00
Đầu tư vào các doanh nghiệp khác	-246.41	-750.84	-1,718.72	0.00
Tiền thu từ việc bán các khoản đầu tư vào các doanh nghiệp	211.58	22.40	1.53	0.00
Cổ tức và tiền lãi nhận được	25.69	45.75	99.27	40.97
Lưu chuyển tiền tệ ròng từ hoạt động đầu tư	-45.47	-786.49	-1,829.57	13.15
Tiền thu từ phát hành cổ phiếu và vốn góp	385.96	78.02	540.04	572.50
Chi trả cho việc mua lại, trả lại cổ phiếu	0.00	-20.00	-93.43	-324.33
Tiền thu được các khoản đi vay	865.19	217.01	1,003.00	244.24
Tiền trả các khoản đi vay	-339.61	-476.07	-402.73	-327.28
Tiền thanh toán vốn gốc đi thuê tài chính	0.00	0.00	0.00	0.00
Cổ tức đã trả	-96.55	-122.92	-206.67	-137.20
Tiền lãi đã nhận	0.00	0.00	0.00	0.00
Lưu chuyển tiền tệ từ hoạt động tài chính	814.99	-323.96	840.20	27.93
Lưu chuyển tiền thuần trong kỳ	508.37	1,150.52	2.10	-273.94
Tiền và tương đương tiền đầu kỳ	423.20	931.56	2,082.08	2,084.18
Tiền và tương đương tiền cuối kỳ	931.56	2,082.08	2,084.18	1,810.23

Chỉ số chính

	2016	2017	2018	TTM
Chỉ số định giá				
P/E	13.16	9.43	9.87	8.49
P/E pha loãng	11.74	8.42	9.10	8.26
P/B	1.71	1.61	1.55	1.54
P/S	1.67	1.48	2.05	2.22
P/Tangible Book	1.35	1.27	1.35	1.28
P/Cash Flow	-16.24	2.08	7.20	20.02
Giá trị doanh nghiệp/EBITDA	8.13	3.41	5.91	8.39
Giá trị doanh nghiệp/EBIT	8.36	3.47	5.98	8.54
Khả năng sinh lời				
ROE%	12.39	15.58	16.95	15.15
ROA%	6.15	7.58	8.74	8.23
ROIC%	12.46	21.15	16.10	15.18
Cấu trúc tài chính				
Tỷ suất thanh toán tiền mặt	0.43	0.68	0.77	0.67
Tỷ suất thanh toán nhanh	0.93	0.87	1.45	1.19
Tỷ suất thanh toán hiện thời	2.67	2.21	2.72	2.86
Vốn vay dài hạn/Vốn CSH	0.11	0.06	0.15	0.14
Vốn vay dài hạn/Tổng Tài sản	0.06	0.03	0.08	0.07
Vốn vay ngắn hạn/Vốn CSH	0.22	0.12	0.19	0.17
Vốn vay ngắn hạn/Tổng Tài sản	0.11	0.06	0.11	0.09
Công nợ ngắn hạn/Vốn CSH	0.69	0.82	0.51	0.48
Công nợ ngắn hạn/Tổng Tài sản	0.35	0.39	0.28	0.26
Tổng công nợ/Vốn CSH	0.97	1.12	0.81	0.84
Tổng công nợ/Tổng Tài sản	0.49	0.53	0.45	0.46
Chỉ số hoạt động				
Hệ số quay vòng phải thu khách hàng	10.07	11.14	14.03	10.60
Hệ số quay vòng HTK	0.46	0.49	0.55	0.45
Hệ số quay vòng phải trả nhà cung cấp	8.60	7.60	7.04	8.36

Source: NLG, KBSV

Investment portfolio recommendations

Buy: +15% or more

Hold: between +15% and -15%

Sell: -15% or less

DISCLAIMER

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KB SECURITIES VIETNAM (KBSV)

Head Office:
Floor G, 2&7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam.
Tel: (+84) 24 7303 5333 - Fax: (+84) 24 3776 5928

Hanoi Branch
Floor 1, VP Tower, 5 Dien Bien Phu Street, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 3776 5929 - Fax: (+84) 24 3822 3131

Saigon Branch
Floor 1, Saigon Trade Center, 37 Ton Duc Thang Street, Ben Nghe Ward, District 1, HCMC, Vietnam
Tel: (+84) 28 7306 3338 - Fax: (+84) 28 3910 1611

Ho Chi Minh Branch
Floor 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

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 - Ext: 2656

Private Customer Care Center: (+84) 24 7303 5333 - Ext: 2276

Hotmail: ccc@kbsec.com.vn

Website: www.kbsec.com.vn