

Vinhomes (VHM)

Bulk sales of three mega projects accelerated

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VHM continues to maintain its leading position in the real estate market

Vinhomes (VHM) continues to maintain its leading position in the residential real estate segment with a 25% market share in 2016 – 2Q21, 3% higher than the secondly ranked company. VHM currently owns a land bank of up to 164 million m², helping to ensure profit growth and maintain market share in the coming years. VHM real estate projects have a great competitive advantage thanks to benefits from the products and services of the Vingroup's (VIC) available ecosystem.

VHM completed sales at three mega projects and launched two new projects, Dream City and Wonder Park

VHM's growth is driven by three mega projects Ocean Park, Smart City and Grand Park with accelerated bulk sales and the faster-than-expected implementation progress. We believe that VHM will complete sales of the three projects in this year. Two new projects, Wonder Park and Dream City, should be launched by the end of 2021 with mostly low-rise products and good potential for price appreciation. The total value of newly signed contracts this year may reach VND70.8 trillion, of which the three mega projects account for 85%.

Business results continue to maintain a positive growth

VHM's performance may maintain a good growth momentum in the coming years. We estimate VHM's 2021 earnings and revenue at VND34,437 billion (+22%YoY) and VND83,324 billion (+16%YoY). 2022F respective figures may be VND40,285 billion (+17%YoY) and VND97,418 billion (+17%YoY).

KBSV recommends BUYING VHM shares (target price VND97,200/share)

Based on the business outlook and valuation, we maintain our BUY recommendation for VHM shares with a target price of VND97,200/share, 25% higher than the closing price on September 21, 2020.

Buy maintain

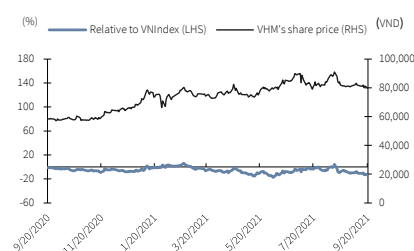
Target price	VND97,200
Upside/downside (%)	25%
Current price (Sep 9, 2021)	77,500
Consensus target price	NA
Market cap (VNDtn/USDm)	347/15

Trading data	
Free float (%)	25%
3M avg trading value (VNDbn/USDm)	997/43
Foreign ownership (%)	27
Major shareholder	Vingroup – VIC (66.66%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-5	-3	6	36
Relative	-4	-3	-8	-14

Forecast earnings & valuation

FY-end	2019A	2020A	2021F	2022F
Net sales (VNDbn)	51,627	71,547	83,324	97,418
Earnings/loss (VNDbn)	29,715	37,306	44,744	52,342
Profit attributable to parent (VNDbn)	21,747	27,351	30,271	33,466
EPS (VND)	6,493	8,166	6,952	7,686
EPS growth (%)	52	26	-15	11
P/E (x)	12.34	9.81	11.49	10.40
P/B (x)	4.78	3.13	2.94	2.23
ROE (%)	39	36	29	27
Dividend yield (%)	0	6	1	



6M21 performance

The sales of inventory properties gained 69% YoY

2Q earnings attributable to the parent shareholder reached VND10.2 trillion (+200%YoY) on revenue of VND28.7 trillion (+75.0%YoY). 6M21 revenue reached VND41.7 trillion (+82.1%YoY), of which the sales of real estate inventory properties were VND36.0 trillion (+69.0%YoY). 6M21 revenue surged thanks to the handover of a large number of apartments in two big projects, Ocean Park and Grand Park (VND12.0 trillion and VND17.7 trillion respectively, including bulk and pre-sales). If including revenue from bulk sales and business cooperation contracts, VHM's 1H21 revenue would reach VND44.6 billion (+25.3 %YoY).

Gross profit was higher than the same period last year thanks to the handover of projects with better profit margin

Gross profit was VND20.6 trillion (+119.4% YoY). Gross profit margin reached 49%, up from 41% in the same period in 2020 thanks to low-rise Manhattan subdivision (high gross profit margin of 60%) and bulk sales. Net profit attributable to the parent reached VND15.6 billion (+51.5%YoY).

Revenue from financial activities decreased YoY thanks to the sudden profit from bulk sale transactions at Vinhomes Grand Park

Financial income reached VND2.7 trillion (-69.5%YoY) as VHM recorded VND7.5 trillion in 1H21 profit from selling its 80% stake in a subsidiary which was developing the phase 2 of Grand Park.

In 1H2021, the number of sold apartments reached 15,800 units (-28.2% YoY) with the total contract value of VND27.7 trillion (-25.9% YoY). The total value of signed contracts and unrecorded revenue (including bulk sales) by the end of 2Q21 was VND49.4 trillion (-46.9% YoY).

Table 1. VHM – Business results

(VNDbn)	1H21	1H20	% change
Net revenue	41,712	22,896	82%
Gross profit	20,569	9,374	119%
Financial income	2,883	9,423	-69%
Financial expenses	975	1,308	-25%
Earnings from joint ventures	31		
Selling expenses	1,035	799	30%
SG&A expenses	1,185	1,084	9%
Income from business activities	20,288	15,606	30%
Other incomes	120	65	85%
Pre-tax profit	20,336	14,696	38%
Post-tax profit	15,781	11,061	43%
Profit attributable to parent company	15,629	10,279	52%
EPS (VND)	4,751	3,125	52%

Source: Vinhomes, KB Securities Vietnam

Investment highlights

VHM expects to complete the sale of three mega projects this year

The three mega projects will continue to maintain their sales speed and will soon complete the sale. In 2Q21, VHM completed two bulk sale transactions of two projects Ocean Park and Smart City with the transaction value of VND6.1 trillion and VND6.7 trillion, respectively. In addition, VHM currently has five bulk sale transactions under negotiation, which are expected to be completed this year. We think that the social distancing during the pandemic in 3Q21 may partly affect the sales progress at the three major projects. However, this risk is minimized as the progress of project deliver is faster than planned and the online sales channel Vinhomes Online has been implemented.

VHM will promote the pre-sale of new projects in 2H21

In 2H21, VHM should launch the next two big projects, Dream City and Wonder Park, with low-rise apartments for sale in the first phase. We believe that these projects will benefit from the planning projects of the Red River urban area and the historic inner city as well as infrastructure projects in the coming time. In addition, the opening and sale of low-rise products, especially those located in projects with complete campus and utilities at this time, creates a great advantage for VHM as the supply of low-rise products is low while the demand is high, causing primary selling prices to increase. According to JLL data, the absorption rate of new units launched in 2Q21 in Hanoi reached 67%, reflecting good market sentiment. We believe that the selling price of low-rise products in these two projects will reach the selling price of about USD3,500/m².

VHM continues to expand industrial park leasing

VHM will promote industrial real estate development in big cities with good infrastructure such as Hai Phong, Quang Ninh, Bac Giang and Hai Duong. The company is positive about this promising segment thanks to favorable macro factors and FDI inflows into Vietnam. The landbank for industrial development of VHM has a total area of 29 million m². It is expected that in 2H21, VHM will complete legal procedures for VinFast Export Processing Industrial Park (25ha) to put it into operation.

2021–2022F business performance

2021F performance is still positive

We estimate:

The total number of units sold in 2021 will reach 35,250 with the assumption that VHM will complete the sale in three major projects that have been implemented.

The total value of new contracts signed in the year reached about VND70,861 billion, up 10% YoY, completing 78% of the business plan due to the risk of Coronavirus-induced delays in the pre-sale progress of the Wonder Park and Dream City projects.

Accordingly, VHM's may hit VND34,437 billion (+22%YoY) on revenue of VND83,324 billion (+16%YoY).

Gross profit margin reached 49%, up from 36% in 2019 thanks to revenue from low-rise apartments and good profit margins from bulk sale activities.

KBSV forecast VHM's 2022 results

VHM's 2022 post-tax earnings are VND40,285 billion (+17%YoY) on revenue of VND97,418 billion (+17%YoY).

Gross profit may reach VND47,574 billion (+13%YoY), and gross profit margin should be 47%.

Table 2. VHM – Pre-sale and delivery plans in 2021–2022

	Ocean Park	Smart City	Grand Park	Dream City	Wonder Park	Total
Sold units						
2020A	30,800	25,800	39,300			95,900
2021F	11,900	13,100	9,500	450	300	35,250
2022F				17,110	6,860	23,970
Revenue (VNDbn)						
Estimated total revenue						
2020A	44,600	20,200	16,900			81,700
2021F	18,740	21,615	29,367			69,722
2022F	17,510	21,706	20,160	21,515	10,262	91,153

Source: Vinhomes, KB Securities Vietnam

Table 3. VHM – 2021–2022 forecast results

(VNDbn)	2020A	2021F	+/-% YoY	2022F	+/-% YoY
Net revenue	71,547	83,324	16%	97,418	17%
– Sales of inventory properties	67,309	77,322	15%	91,154	18%
Gross profit	25,936	41,299	59%	47,574	15%
Pre-tax profit	36,517	44,449	22%	51,997	17%
Post-tax profit	28,207	34,437	22%	40,285	17%

Source: Vinhomes, KB Securities Vietnam

Recommendation

VHM has a positive outlook with three mega projects as the main driving force

We positively evaluate the prospect of VHM shares in 2021 because: (1) Vinhomes continues to maintain its leading position with a land bank of up to 164 million m² of gross floor area; and (2) growth momentum comes from three implemented mega projects and some about-to-be-launched projects such as Dream City and Wonder Park.

Using RNAV method, we maintain our BUY recommendation for VHM shares with a new target price of VND97,200/share, 25% higher than the closing price on September 21, 2021.

Table 4. VHM – RNAV method

Projects	Valuation method	Value
Real estate development	DCF	384,443,683
Leasing	DCF	12,174,408
Industrial parks	DCF	30,297,349
		436,915,440
+ Cash		9,117,973
- Loans		22,861,964
RNAV		423,171,449
Outstanding shares		4,354,368,093
Share price (VND)		97,200

Source: KB Securities Vietnam

VHM – 2019A–2022F financial data

Income Statement					Balance Sheet				
(VND billion)	2019	2020	2021F	2022F	(VND billion)	2019	2020	2021F	2022F
Net sales	51,627	71,547	83,324	97,418	TOTAL ASSETS	197,241	215,326	238,604	276,491
Cost of sales	-24,171	-45,611	-42,025	-49,845	CURRENT ASSETS	139,555	102,312	128,720	157,007
Gross Profit	27,456	25,936	41,299	47,574	Cash and cash equivalents	13,332	13,714	20,052	25,326
Financial income	9,046	20,245	12,499	14,613	Short-term investments	361	2,054	2,054	2,054
Financial expenses	-2,549	-4,019	-3,126	-3,044	Accounts receivable	47,468	34,592	41,780	51,102
of which: interest expenses	-2,378	-3,002	-2,497	-2,624	Inventories	60,297	42,984	52,117	61,666
Gain/(loss) from joint ventures (from 2015)	0	19	0	0	LONG-TERM ASSETS	57,686	113,014	109,884	119,484
Selling expenses	-2,081	-2,681	-3,152	-3,685	Long-term trade receivables	8,115	11,084	4,166	4,871
General and admin expenses	-2,156	-2,193	-2,775	-3,116	Fixed assets	690	5,907	8,561	11,681
Operating profit/(loss)	29,715	37,306	44,744	52,342	Long-term incomplete assets	28,213	32,361	32,361	32,361
Other incomes	186	221	0	0	Long-term investments	773	9,756	4,696	4,696
Other expenses	-156	-1,010	0	0	Goodwill	0	0	0	0
Net other income/(expenses)	30	-789	-295	-345	LIABILITIES	4,704	6,922	9,114	11,936
Income from investments in other entities	0	0	0	0	Current liabilities	121,557	103,385	103,691	105,301
Net accounting profit/(loss) before tax	29,746	36,517	44,449	51,997	Trade accounts payable	6,078	11,401	8,405	5,431
Corporate income tax expenses	-5,427	-8,310	-10,012	-11,712	Advances from customers	40,246	26,969	31,408	31,025
Net profit/(loss) after tax	24,319	28,207	34,437	40,285	Short-term borrowings	18,162	10,998	12,499	14,613
Minority interests	2,572	855	4,166	6,819	Long-term liabilities	10,969	22,811	16,713	19,524
Attributable to parent company	21,747	27,351	30,271	33,466	Long-term trade payables	0	0	0	0
					Long-term advances from customers	0	0	0	0
					Unrealized revenue	1,535	3,326	59	58
					Long-term borrowings	8,343	13,958	16,665	19,484
					OWNER'S EQUITY	6,200	10,594	14,039	15,315
					Paid-in capital	33,495	33,495	43,544	43,544
					Share premium	295	295	295	295
					Undistributed earnings	26,040	56,259	76,482	109,948
					Other funds	0	0	0	0
					Minority interests	0	0	0	0
Margin ratio					Key ratios				
	2019	2020	2021F	2022F		2019	2020	2021F	2022F
Gross profit margin	26.0%	53.2%	36.3%	49.6%	Multiple				
EBITDA margin	20.4%	45.7%	30.2%	43.1%	P/E	12.3	9.8	11.1	10.1
EBIT margin	19.7%	45.0%	29.4%	42.5%	P/E diluted	12.3	9.8	0.0	0.0
Pre-tax profit margin	51.0%	57.6%	51.0%	53.3%	P/B	4.8	3.1	2.9	2.2
Operating profit margin	51.0%	57.6%	52.1%	53.7%	P/S	5.2	3.8	4.1	3.5
Net profit margin	38.2%	47.1%	39.4%	41.3%	P/Tangible Book	4.2	3.0	2.9	2.2
					P/Cash Flow	5.2	10.8	61.8	79.6
					EV/EBITDA	11.9	12.9	9.8	8.4
					EV/EBIT	12.1	13.3	9.9	8.6
					Operating performance				
					ROE	38.54	35.56	29.13	26.56
					ROA	30.45	22.45	28.66	26.64
					ROIC	13.72	13.26	14.43	14.57
					Financial structure				
					Cash Ratio	0.1	0.1	0.2	0.2
					Quick Ratio	0.5	0.5	0.3	0.4
					Current Ratio	1.2	1.0	1.2	1.5
					LT Debt/Equity	0.1	0.2	0.1	0.1
					LT Debt/Total Assets	0.0	0.1	0.1	0.1
					Debt/Equity	1.9	1.2	0.1	0.1
					Debt/Total Assets	0.6	0.5	0.1	0.1
					ST Liabilities/Equity	1.9	1.2	0.9	0.7
					ST Liabilities/Total Assets	0.6	0.5	0.4	0.4
					Total Liabilities/Equity	2.1	1.4	1.0	0.8
					Total Liabilities/Total Assets	0.7	0.6	0.5	0.5
					Activity ratios				
					Account Receivable Turnover	6.5	7.3	6.8	6.0
					Inventory Turnover	0.5	0.9	0.9	0.9
					Account Payable Turnover	5.6	5.2	4.2	7.2

Source: Vinhomes, 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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