

Vinhomes (VHM)

Boosted by bulk sales

June 6, 2023

Senior Analyst Pham Hoang Bao Nga
ngaphb@kbsec.com.vn

1Q profit comes from the handover of units at Ocean Park 2 and 3 projects

Vinhomes' (VHM) 1Q revenue reached VND29.3 trillion (+228%YoY) mainly thanks to the handover at Ocean Park 2 project. If including bulk sale transactions at Ocean Park 2 and 3 projects (recorded in financial income) and BCCs projects, revenue hit VND42.5 trillion (+198%YoY). NPAT of the parent company was VND11.9 trillion (+162%YoY).

1Q sales were supported by bulk sale activities

In 1Q23, VHM sold 2,300 products (-76%YoY) for a total contract value of VND15.7 trillion (-5%YoY), of which VND11.2 trillion came from bulk sale transactions at Ocean Park 2 and Ocean Park 3 and VND4.5 trillion from retail transactions, mostly from 223 units in Ocean Park 3. Total contract value and accrued revenue by the end of 1Q reached VND92.7 trillion (+63%YoY).

VHM will continue to promote sales at two projects Ocean Park 2 and Ocean Park 3

For the rest of the year, VHM will continue to promote sales at two projects Ocean Park 2 and Ocean Park 3 and plans to launch two new projects, including Vu Yen (Hai Phong) and Golden Avenue (Quang Ninh), depending on market conditions. We estimate the total contract value in 2023 to reach VND74.2 trillion (-42%YoY), mostly from Ocean Park 2 and Ocean Park 3 projects.

BUY recommendation with the target price of VND78,300/share

VHM maintains its leading position thanks to its large land bank and strong project implementation capability. Based on the business outlook and valuation, we maintain our BUY recommendation for VHM stocks with the target price of VND78,300/share, 42% higher than the closing price on June 6, 2023.

Buy maintain

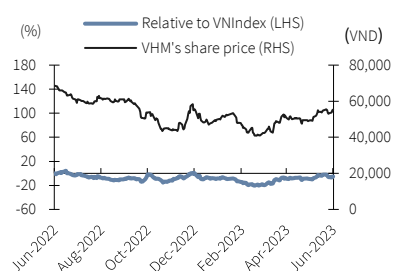
Target price	VND78,300
Upside	42%
Current price (Jun 6, 2023)	VND55,000
Consensus target price	VND73,200
Market cap (VNDtn/USDbn)	240.4/10.2

Trading data	
Free float	23.7%
3M avg trading value (VNDbn/USDmn)	88.0/3.7
Foreign ownership	25.6%
Major shareholder	Vingroup (VIC, 66.66%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	12	35	10	-19
Relative	7	27	0	-5

Forecast earnings & valuation

FY-end	2021A	2022A	2023F	2024F
Net revenue (VNDbn)	84,986	62,393	93,412	94,458
Operating profit (VNDbn)	47,665	37,973	39,081	38,233
Profit of the parent company (VNDbn)	38,825	28,831	30,276	29,267
EPS (VND)	8,916	6,575	6,953	6,721
EPS growth (%)	9	-26	6	-3
P/E (x)	4.99	6.77	7.91	8.18
P/B (x)	1.55	1.34	1.36	1.17
ROE (%)	35	20	17	14
Dividend yield (%)	4%	0%	0%	0%



Source: Bloomberg, KB Securities Vietnam

Business performance updates

Table 1. VHM – 1Q23 business results

(VNDbn)	1Q22	1Q23	+/-%YoY	KBSV's notes
Net sales	8,923	29,299	228%	If including bulk sale transactions and BCC projects, 1Q revenue reached VND42,485 billion (+198%YoY). The handover of 2,600 low-rise apartments at Ocean Park 2 project with a value of VND26.5 trillion contributed the most to the sales.
<i>Sales of real estate inventories</i>	5,961	27,004	353%	Ocean Park, Smart City and Grand Park projects added VN471 billion to the total revenue.
Gross profit	3,866	6,643	72%	
<i>Gross profit margin (%)</i>	43%	23%	-20pp	The decrease in GPM was because most of the low-rise apartments are handed over at Ocean Park 2 project under BCCs.
Financial income	3,829	11,294	195%	
<i>Profit from BCC projects</i>	187	834	346%	Most of the profit came from Star City (Thanh Hoa) and The Harmony projects.
<i>Other financial incomes</i>	3,642	10,460	187%	In 1Q23, VHM recorded VND8.5 trillion from bulk sale at Ocean Park 2 and Ocean Park 3 projects.
Financial expenses	477	877	84%	
SG&A	1,404	1,558	11%	
Operating profit	5,824	15,503	166%	
Profit before taxes	5,886	15,074	156%	
Profit after taxes	4,725	11,923	152%	
NPAT of the parent company	4,540	11,917	162%	

Source: Vinhomes, KB Securities Vietnam

Sales are boosted by bulk sale at two projects Ocean Park 2 and 3

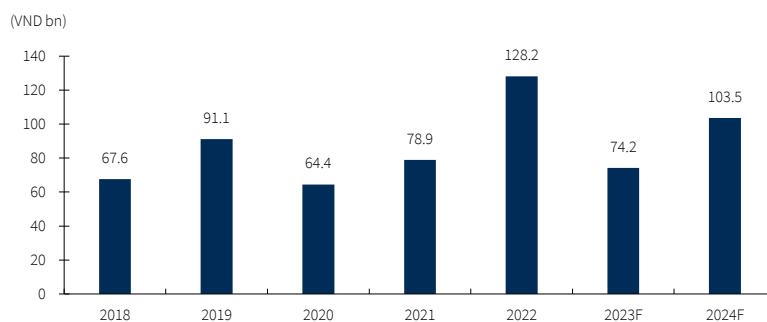
In 1Q23, VHM sold 2,300 products (-76%YoY) for a total contract value of VND15.7 trillion (-5%YoY), of which VND11.2 trillion (or 90% of the total value) came from bulk sale transactions at Ocean Park 2 and Ocean Park 3 and VND4.5 trillion from retail transactions, mostly from 223 units in Ocean Park 3. Total contract value and accrued revenue by the end of 1Q reached VND92.7 trillion (+63%YoY).

VHM would continue to promote sales at two projects Ocean Park 2 and 3

For the rest of the year, VHM will continue to promote sales at two projects Ocean Park 2 and Ocean Park 3 and plans to launch two new projects, including Vu Yen (Hai Phong) and Golden Avenue (Quang Ninh), depending on market conditions. The planning map (scale 1/500) of three social housing projects including Nam Trang Cat – Hai Phong (5,000 apartments), Thanh Hoa (3,100 apartments) and Quang Tri (100 low-rise apartments) has been approved, and the three should be opened for sale in 2H23.

We estimate the total contract value in 2023 to reach VND74.2 trillion (-42%YoY), mostly from Ocean Park 2 and Ocean Park 3 projects. Our estimate is down 41%YoY from the high base level of 2022 as we have a cautious view about the difficulties of the real estate market and the low market demand.

Fig 2. VHM – Total contract value of sold units (VNDbn)



Source: Vinhomes, KB Securities Vietnam

Table 3. VHM – Ongoing projects

	Units	Remaining units	Unbilled booking (VNDtn)
Ocean Park	49,300	1,900	
Smart City	46,300	6,800	23.2
Grand Park	47,200	950	

Source: Vinhomes, KB Securities Vietnam

Fig 4. VHM – Vinhomes Ocean Park 2 – The Empire

- Vinhomes Ocean Park 2 – The Empire project in Hung Yen has an area of 294 ha.
- The project includes 24 apartment buildings and 12,600 low-rise apartments.
- VHM started selling the project in April 2022 with 5,300 low-rise apartments opened for sale.
- By the end of 1Q23, 93% of the units have been absorbed.
- The project was under construction and handed over from 3Q22. By the end of 1Q23, VHM has delivered 6,100 low-rise apartments at the project.



Source: Vinhomes, KB Securities Vietnam

Fig 5. VHM – Vinhomes Ocean Park 3 – The Crown

- Vinhomes Ocean Park 3 – The Crown project in Hung Yen has an area of 294ha.
- The project includes 10 apartment buildings and 9,400 low-rise apartments.
- VHM started selling the project in October 2022 with 2,400 low-rise apartments opened for sale.
- By the end of 1Q23, 47% of the units have been absorbed.
- The project is under construction and expected to start handing over in 2023.



Source: Vinhomes, KB Securities Vietnam

Table 6. VHM – Larger projects to be implemented

	Location	Total area
Vu Yen	Thuy Nguyen, Hai Phong	865ha
Golden Avenue	Mong Cai, Quang Ninh	116ha
Co Loa	Dong Anh, Hanoi	385ha
Wonder Park	Dan Phuong, Hanoi	133ha

Source: Vinhomes, KB Securities Vietnam

Forecast & valuation

Table 7. VHM – 2023F business results

(VNDbn)	2022	2023	+/-%YoY	KBSV's notes
Net sales	62,393	93,412	50%	
<i>Sales of real estate inventories</i>	51,202	81,517	59%	Sales growth should be mainly thanks to handover at Ocean Park 2 and Ocean Park 3 projects.
Gross profit	30,696	35,296	15%	
<i>Gross profit margin (%)</i>	49%	38%	-11pp	GPM may decrease as low-rise apartments are handed over at Ocean Park 2 project under BCCs.
Financial income	16,690	13,065	-22%	
<i>Profit from BCC projects</i>	1,673	960	-43%	Most of the profit comes from Star City (Thanh Hoa) and The Harmony projects.
<i>Other financial incomes</i>	15,017	12,105	-19%	VHM would record profit from bulk sale at Ocean Park 2 & 3 projects.
Financial expenses	4,394	3,608	-18%	
SG&A	5,076	5,671	12%	
Operating profit	37,973	39,081	3%	
Profit before taxes	38,643	38,705	0%	
Profit after taxes	29,162	30,592	5%	
NPAT of the parent company	28,831	30,276	5%	

Source: KB Securities Vietnam

Valuation: BUY recommendation with the target price of VND78,300

We maintain a positive assessment of VHM's medium and long-term growth as it is a leading real estate developer in Vietnam with a large land bank, strong project implementation capacity and good financial status.

Using RNAV, we maintain our BUY recommendation for VHM stocks with a new target price of VND78,300/share, 42% higher than the closing price on June 6, 2023.

Table 8. VHM – Valuation according to RNAV

Project	Valuation method	Value
Real estate development	DCF	333,972,035
Real estate leasing	DCF	10,263,263
Industrial parks	DCF	24,288,164
		378,523,463
+ Money		1,899,644
- Debts		39,698,900
RNAV		340,724,207
Number of outstanding shares		4,354,367,488
Share price (VND)		78,300

Source: KB Securities Vietnam

Nguyen Xuan Binh – Head of Research
binhnx@kbsec.com.vn

Equity

Banks, Insurance & Securities

Nguyen Anh Tung – Manager
tungna@kbsec.com.vn

Pham Phuong Linh – Analyst
linhpp@kbsec.com.vn

Real Estate, Construction & Materials

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

Nguyen Duong Nguyen – Analyst
nguyennd1@kbsec.com.vn

Retails & Consumers

Nguyen Truong Giang – Analyst
giangnt1@kbsec.com.vn

Industrial Real Estate, Logistics

Nguyen Thi Ngoc Anh – Analyst
anhntn@kbsec.com.vn

Information Technology, Utilities

Nguyen Dinh Thuan – Analyst
thuannd@kbsec.com.vn

Oil & Gas, Chemicals

Pham Minh Hieu – Analyst
hieupm@kbsec.com.vn

Research Division
research@kbsec.com.vn

Macro/Strategy

Tran Duc Anh – Head of Macro & Strategy
anhtd@kbsec.com.vn

Macroeconomics & Banks

Ho Duc Thanh – Analyst
thanhdh@kbsec.com.vn

Vu Thu Uyen – Analyst
uyenvt@kbsec.com.vn

Strategy, Investment Themes

Thai Huu Cong – Analyst
congth@kbsec.com.vn

Nghiem Sy Tien – Analyst
tienss@kbsec.com.vn

Support team

Nguyen Cam Tho – Assistant
thonc@kbsec.com.vn

Nguyen Thi Huong – Assistant
huongnt3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels 16&17, Tower 2, Capital Place, 29 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 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

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam

Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

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

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

Email: ccc@kbsec.com.vn

Website: www.kbsec.com.vn

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

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.