

Vinhomes (VHM)

Strong sales ensure 2023 profit growth

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VHM accelerated the handover of units The Empire project

Vinhomes (VHM) 2022 revenue was VND62.4 trillion (-27%YoY), of which the sales from property inventories reached VND 51.2 trillion (-30% YoY), mainly from the projects The Empire, Ocean Park, Smart City, and Grand Park. If bulk sale transactions and business cooperation contracts (BCC) are included, the total revenue of 2022 will hit VND81.4 trillion (-14%YoY). NPAT of the parent company reached VND28.8 trillion (-26%YoY).

2022 sales recorded impressive growth

Sales in 2022 recorded impressive results with 30,900 products sold (-21%YoY) for a total contract value of VND128.2 trillion (+62%YoY) thanks to the launch of two new big projects The Empire and The Crown. This result achieved 107% of the company's target and was in line with our forecast. Total sold contract value and unrecognized accumulated revenue by the end of 2022 grew impressively to VND107.6 trillion (+105%YoY), which help to ensure profit for 2023.

VHM expects to open for sale three new projects in 2023

In 2023, VHM will continue to sell units at two projects The Empire and The Crown and plan to launch three new projects, including Vu Yen (Hai Phong), Co Loa (Hanoi) and Golden Avenue (Quang Ninh) when the market is favorable.

BUY recommendation with the target price of VND79,700/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 recommend BUY for VHM shares with a target price of VND79,700 apiece, 84% higher than the closing price on March 17, 2023.

Buy maintain

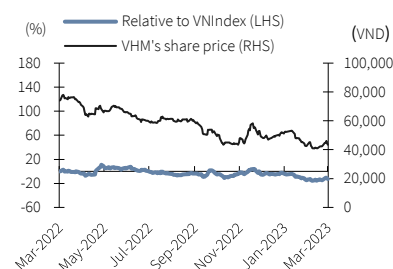
Target price	VND79,700
Upside	84%
Current price (Mar 17, 2023)	VND43,350
Consensus target price	VND74,300
Market cap (VNDtn)	188.8

Trading data	
Free float	23.7%
3M avg trading value (VNDbn/USDmn)	103.2/4.4
Foreign ownership	25.9%
Major shareholder	Vingroup (VIC, 66.66%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	2	-22	-29	-41
Relative	2	-21	-13	-13

Forecast earnings & valuation

FY-end	2021A	2022A	2023F	2024F
Net revenue (VNDbn)	84,986	62,393	84,015	94,148
Earnings (VNDbn)	47,665	37,973	35,584	41,630
Profit of the parent company (VNDbn)	38,825	28,831	27,947	31,893
EPS (VND)	8,916	6,575	6,418	7,324
EPS growth (%)	9	-26	-2	14
P/E (x)	4.99	6.77	6.75	5.91
P/B (x)	1.55	1.34	1.07	0.92
ROE (%)	35	20	16	16
Dividend yield (%)	4	0	0	0



Source: Bloomberg, KB Securities Vietnam

4Q22 business performance

VHM continued to accelerate the handover of units at The Empire

VHM's 4Q net revenue reached VND31.2 trillion (+34%YoY), of which, the sales of real estate property inventories hit VND28.7 trillion (+39%YoY) mainly from the retail sales of low-rise products at The Empire project (VND22.1 trillion). NPAT of the parent company reached VND8.9 trillion (-24%YoY).

Accumulated for the whole year, VHM's revenue reached VND62.4 trillion (-27%YoY), of which the sales of inventory properties hit VND51.2 trillion (-30% YoY) from (1) the deliveries of more than 3,500 low-rise apartments at The Empire project in 3Q and recorded revenue of VND35.3 trillion in 4Q; and (2) revenue from Ocean Park (VND4.6 trillion), Smart City (VND5.6 trillion) and Grand Park (VND4.7 trillion). If bulk sale transactions and BCC projects are included, the revenue would reach VND81.4 trillion (-14%YoY).

Financial income reached VND16.7 trillion (+109%YoY) thanks to (1) realizing a profit of VND8.9 trillion from bulk sale transactions of high-rise subdivisions at The Empire and The Crown in 3Q; and (2) recorded profit of VND1.7 trillion from BCC projects The Harmony, Star City, and Imperia.

Financial expenses were valued at VND4.4 trillion (+58% YoY), mainly from interest expenses, bond issuance, and a loss of VND1.6 trillion from divestment of a project in 4Q.

NPAT of the parent company was VND28.8 trillion (-26%YoY), equal to 96% of our forecast.

Table 1. VHM – 4Q22 & 2022 business results

(VNDbn)	4Q22	4Q21	% YoY	2022	2021	% YoY
Net revenue	31,193	23,305	34%	62,393	84,986	-27%
<i>Sales of inventory properties</i>	<i>28,692</i>	<i>20,656</i>	<i>39%</i>	<i>51,202</i>	<i>73,319</i>	<i>-30%</i>
Gross profit	15,085	14,150	7%	30,696	48,460	-37%
Financial income	1,490	3,743	-60%	16,690	7,995	109%
Financial expenses	2,413	1,135	113%	4,394	2,786	58%
Selling expenses	1,118	1,002	12%	2,432	2,289	6%
General & admin expenses	602	2,465	-76%	2,644	3,769	-30%
Net operating profit	12,474	13,292	-6%	37,973	47,665	-20%
Profit before taxes	12,467	13,841	-10%	38,643	48,183	-20%
Profit of the parent company	8,928	11,740	-24%	28,831	38,825	-26%

Source: Vinhomes, KB Securities Vietnam

Sales in 2022 were impressive thanks to The Empire and The Crown projects

At the beginning of 4Q, VHM officially opened for sale the first 1,000 units at The Crown project, of which 800 units of the first phase were advanced after three days. The estimated price for the first batch of apartments is about USD2,200/m² of construction floor. The total retail contract value of The Crown project reached VND10.7 trillion.

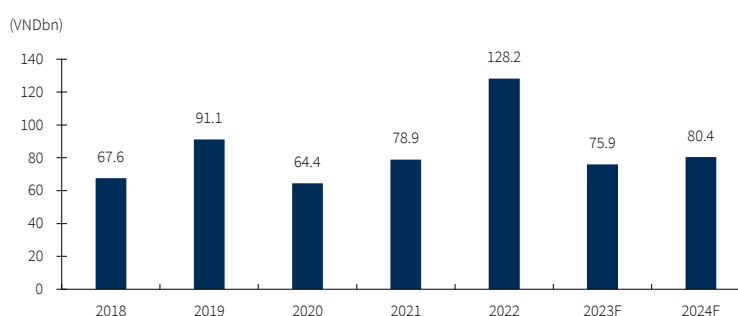
For the whole year of 2022, VHM sold 30,900 units (-21%YoY) for a total contract value of VND128.2 trillion (+62%YoY). Of that, the sales of The Empire project reached VND88.5 trillion, The Crown VND20.5 trillion and three big projects Ocean Park, Smart City, and Grand Park VND16.6 trillion. The results hit 107% of the company's target and are in line with our estimates.

High unrealized revenue ensures profit for 2023

The total value of contracts sold and unrealized revenue by the end of 2022 impressively grew to VND107.6 trillion (+105%YoY), of which 49% came from The Empire project and 22% from The Crown project.

In 2023, VHM will continue to sell units at two projects The Empire and The Crown and plans to launch three new projects, including Vu Yen (Hai Phong), Co Loa (Hanoi) and Golden Avenue (Quang Ninh) when the market is favorable. We estimate sales value at VND75.9 trillion, down 41%YoY from the high base level of 2022 due to concerns about difficulties in the real estate market as well as low market demand.

Fig 2. VHM – Value of sold contracts in 2018–2024F (VNDbn)



Source: Vinhomes, KB Securities Vietnam

Fig 3. VHM – Vinhomes Ocean Park 2 – The Empire

- Vinhomes Ocean Park 2 – The Empire project has an area of 294 ha in Hung Yen.
- The project includes 24 buildings and 12,600 low-rise apartments.
- VHM started selling the project in April 2022 with 5,300 low-rise apartments.
- By the end of the 4Q22, 93% of the units have been sold.
- The project started to be handed over from 3Q22. VHM delivered 3,500 low-rise units at the project in 3Q & 4Q22.



Source: KB Securities Vietnam

- Vinhomes Ocean Park 3 – The Crown project has an area of 294ha in Hung Yen.
- The project includes 10 buildings and 8,500 low-rise apartments.
- VHM started selling the project in October 2022 with 1,700 low-rise units.
- By the end of 4Q22, 55% of units have been absorbed.
- The project is under construction and should start delivering in 2023.

Fig 4. VHM – Vinhomes Ocean Park 3 – The Crown



Source: Vinhomes, KB Securities Vietnam

Forecast & valuation

2023

We estimate that VHM's 2023 revenue at VND84.0 trillion (+35%YoY), coming from projects The Empire, The Crown, Ocean Park, Smart City, and Grand Park. Of that, two projects The Empire and The Crown should contribute 70%. Gross profit may hit VND40.4 trillion (-26%YoY), so GPM should be 48%. Financial income reached VND3.8 trillion (-77%YoY), mostly from Star City project. NPAT of the parent company should be VND27.9 trillion (-3%YoY).

Table 5. VHM – 2023–2024F results

(VNDbn)	2022A	2023F	+/-% yoy	2024F	+/-% yoy
Net revenue	62,393	84,015	35%	94,148	12%
<i>Sales of inventory properties</i>	67,309	73,317	9%	83,877	14%
Gross profit	54,772	40,386	-26%	48,542	20%
Financial income	16,690	3,841	-77%	2,824	-26%
Profit before taxes	38,643	35,718	-8%	41,805	17%
Profit of the parent company	28,831	27,947	-3%	31,893	14%

Source: Vinhomes, KB Securities Vietnam

Note: We assume the company will recognize all bulk sale transactions as net revenue, and financial income only comes from BCC projects.

BUY recommendation with the target price of VND79,700 per share

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

Using RNAV, we maintain our BUY recommendation for VHM stocks with a new target price of VND79,700/share, 84% higher than the closing price on March 17, 2023. We lower our target price compared to the previous report due to (1) the change in VHM's cash balance and net debt at the end of 4Q22 and (2) the adjustment of some projects' launching dates.

Table 6. VHM – RNAV results

Project	Valuation method	Value
Real estate development	DCF	328,743,955
Real estate leasing	DCF	9,230,813
Industrial parks	DCF	24,288,164
		372,262,932
+ Money		10,816,783
- Debts		36,206,399
RNAV		346,873,316
Number of outstanding shares		4,354,367,488
Share price (VND)		79,700

Source: KB Securities Vietnam

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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

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