

# Vinhomes (VHM)

## Maintaining good sales

March 19, 2024

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### Business results in 2023 are better than expected

Vinhomes (VHM) 4Q23 revenue reached VND8.7 trillion (-72%YoY), and NPAT was VND826 billion (-91%YoY). 2023 revenue hit VND103.6 trillion (+66%YoY). If including bulk sales and BCC projects, the whole year's revenue should be VND121.4 trillion (+49%YoY), mainly supported by the handover of the Ocean Park 2 and Ocean Park 3 projects. Full year NPAT was VND33.4 trillion (+16%YoY). The results beat revenue and NPAT targets by 21% and 12%.

### 4Q sales mainly came from bulk sales

In 4Q23, VHM sold 19,700 products (+535%QoQ), 74% (~14,500 units) of which was from the bulk sales of one project in HCMC. Total value of contracts sold in the quarter reached VND30.3 trillion (+88%QoQ/+68%YoY). Accumulated sales for the whole year decreased 32% YoY to VND87.0 trillion.

### KBSV estimates 2024 sales at VND89 trillion (+3%YoY)

KBSV expects the total value of sales contracts in 2024 of VHM to reach VND89 trillion (+3%YoY), mostly coming from the Ocean Park 2 & 3 projects and two new projects to be in 2024, Vu Yen and Wonder Park.

### BUY recommendation – Target price VND69,000/share

VHM maintains its leading position thanks to its large land bank and strong project implementation ability. Valuation is attractive with a 2024 forward P/B of 0.8x, below the -1std line of VHM's five-year average P/B. Based on business prospects and valuation, we continue to give a BUY rating to VHM shares with a target price of VND69,000/share, 64% higher than the closing price on March 18, 2024.

## Buy maintain

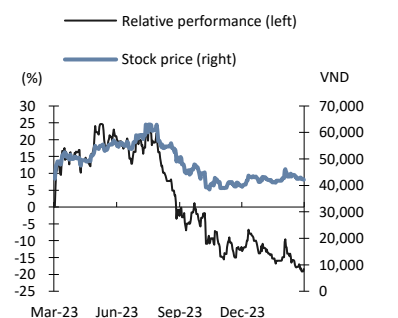
<b>Target price</b>	<b>VND69,000</b>
Upside	64%
Current price (Mar 18, 2024)	VND42,100
Consensus target price	VND61,800
Market cap (VNDtn/USDbn)	185.9/7.5

<b>Trading data</b>	
Free float	21.1%
3M avg trading value (VNDbn/USDmn)	300.3/12.2
Foreign ownership	28%
Major shareholder	Vingroup (VIC, 66.66%)

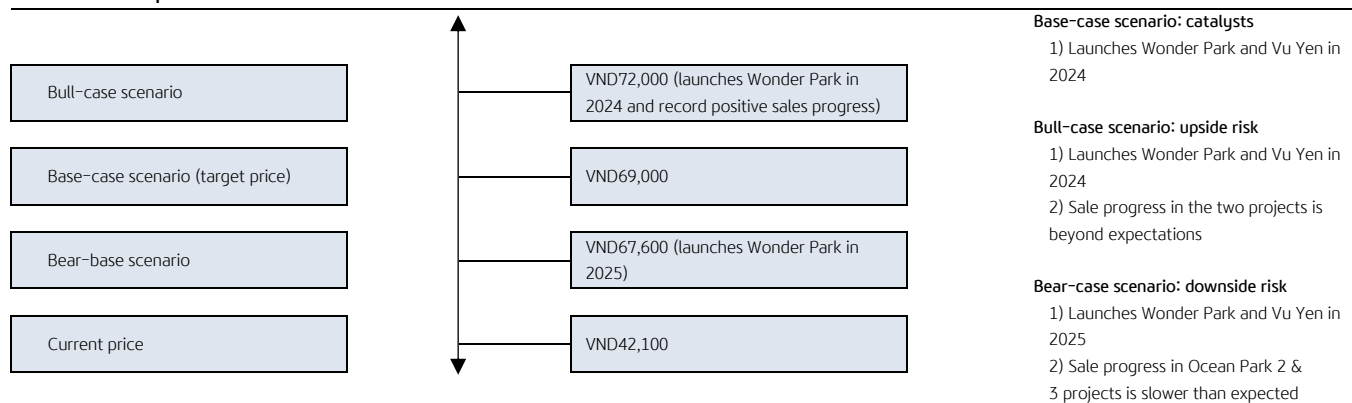
<b>Share price performance</b>				
(%)	1M	3M	6M	12M
<b>Absolute</b>	-1	6	-14	-3
<b>Relative</b>	-4	-7	-16	-18

### Forecast earnings & valuation

FY-end	2022A	2023A	2024F	2025F
Net revenue (VNDbn)	62,393	103,557	126,429	122,150
EBIT (VNDbn)	37,973	44,045	39,122	42,057
NPAT-MI (VNDbn)	28,831	33,371	30,045	32,614
EPS (VND)	6,621	7,664	6,900	7,490
EPS growth (%)	-26	16	-10	9
P/E (x)	6.34	5.60	6.10	5.62
P/B (x)	1.26	1.04	0.87	0.75
ROE (%)	19	18	14	13
Dividend yield (%)	0%	0%	0%	0%



Investment opinion & risks



Source: KB Securities Vietnam

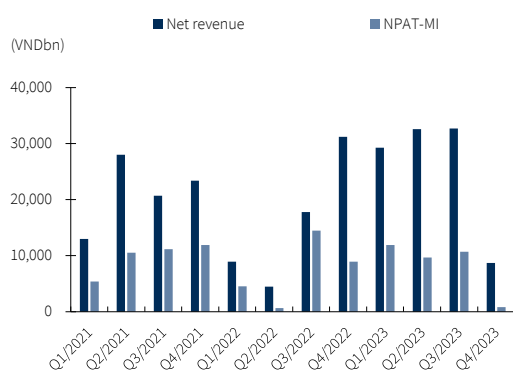
## 2023 performance updates

Table 1. VHM – 2023 business results

	4Q22	4Q23	+/-%YoY	2022	2023	+/-%YoY	Notes
Net revenue (VNDbn)	31,193	8,698	-72%	62,393	103,557	66%	If including bulk sales and BCCs, revenue in 2023 will reach VND121.4 trillion (+49%YoY), exceeding 21% of the whole year 2023 revenue plan.
Property sales	28,702	3,909	-86%	51,202	89,669	75%	The sales of real estate properties in 2023 mainly came from the handover of (1) low-rise apartments at Ocean Park 2 and three projects with values of VND57.6 trillion and VND26.8 trillion respectively and (2) Ocean Park and Smart City projects with VND5.1 trillion in revenue. Revenue from real estate transfer in 2023 (including bulk sales and BCCs) hit VND107.7 trillion (+53%YoY).
Gross profit (VNDbn)	15,085	882	-94%	30,696	35,707	16%	
Gross profit margin (%)	48%	10%	-38pp	49%	34%	-15pp	Because part of the low-rise apartments handed over at Ocean Park 2 and 3 projects under BCCs (profit sharing with partners) have low profit margins.
Financial income (VNDbn)	1,490	4,913	230%	16,690	19,954	20%	
BCC income (VNDbn)	244	201	-18%	1,673	1,226	-27%	Most come from the Star City project (Thanh Hoa.)
Other financial income (VNDbn)	1,246	4,712	278%	15,017	18,728	25%	Financial income came from (1) pre-tax profit of VND8.5 trillion from bulk sales at Ocean Park 2 and 3 projects in 1Q23 and VND2.9 trillion at Grand Park project in 4Q23 and (2) interest on deposits, advances and loans of VND6.4 trillion (+29%YoY).
Financial expenses (VNDbn)	2,413	1,760	-27%	4,394	3,870	-12%	
SG&A (VNDbn)	1,720	2,899	69%	5,076	7,756	53%	
Operating income (VNDbn)	12,474	1,147	-91%	37,973	44,045	16%	
PBT (VNDbn)	12,467	1,323	-89%	38,643	43,310	12%	
NPAT (VNDbn)	8,952	891	-90%	29,162	33,533	15%	The result beat the profit objective for the whole year 2023 by 12%.
<b>NPAT-MI (VNDbn)</b>	<b>8,928</b>	<b>826</b>	<b>-91%</b>	<b>28,831</b>	<b>33,371</b>	<b>16%</b>	

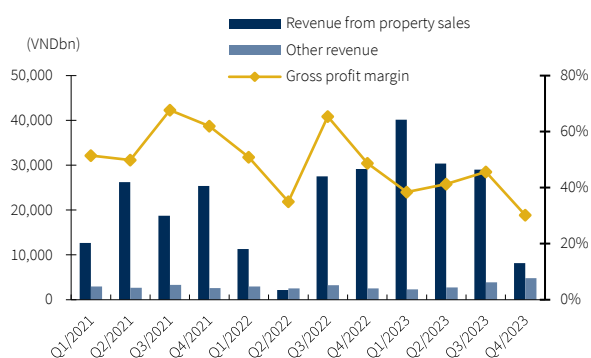
Source: Vinhomes, KB Securities Vietnam

Fig 2. VHM – Revenue &amp; NPAT in 2021–2023 (VNDbn)



Source: Vinhomes, KB Securities Vietnam

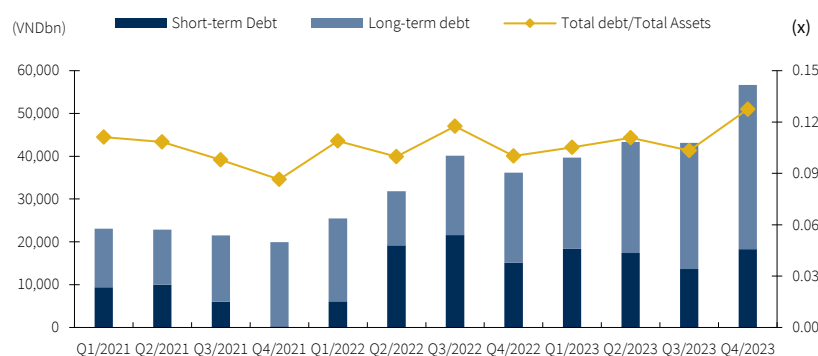
Fig 3. VHM – Revenue &amp; GPM (including bulk sales &amp; BCCs) in 2021–2023 (VNDbn, %)



Source: Vinhomes, KB Securities Vietnam

- At the end of 2023, VHM's debt is VND56.7 trillion (+57% YTD). Short-term debt is VND18.3 trillion, accounting for 32% of total debt.
- Outstanding bond is worth VND15.4 trillion, accounting for 27% of total debt, of which VND4,422 billion will mature in 2H24.
- Debt to total assets ratio is 0.13x, still at a safe level compared to the average level of businesses in the same industry (0.2x).

Fig 4. VHM – Debt in 2021–2023 (VNDbn)



Source: KB Securities Vietnam

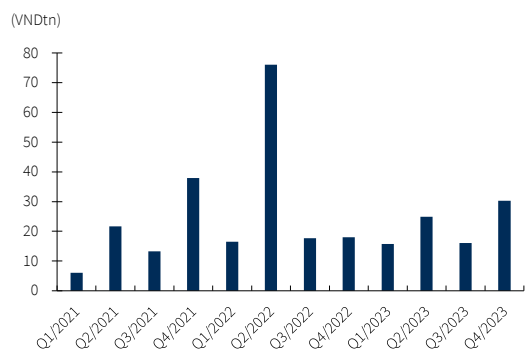
#### 4Q sales improved thanks to bulk sales

In 4Q23, VHM sold 19,700 products (+535%QoQ), 74% (~14,500 units) of which was from the bulk sales of one project in HCMC. Retail sales were from Ocean Park 1 & 2, Grand Park and Sky Park. Total value of contracts sold in the quarter reached VND30.3 trillion (+88%QoQ/+68%YoY), of which 73% was from bulk sales (including the project in HCMC).

Accumulated sales for the whole year hit VND87.0 trillion, decreasing 32% YoY compared to the high base level of 2022. Two projects, Ocean Park 2 and 3 respectively account for 14% and 37% of the total sales. Bulk sales contributed 51% of full-year 2023 sales. Revenue from newly launched projects was 17% higher than our forecast as it included bulk sales from the project in HCMC.

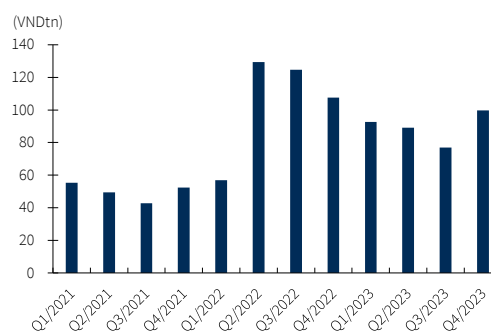
Sales and unrecorded revenue by the end of the fourth quarter of 2023 reached 99.7 trillion VND (-7%YoY), of which 67% was from wholesale, the two projects Ocean Park 2 and 3 contributed 17% and 3% respectively. 21%. VHM plans to record 50% of this amount in 2024.

Fig 5. VHM – Sales by quarter (VNDtn)



Source: Vinhomes, KB Securities Vietnam

Fig 6. VHM – Unrecorded revenue by quarter (VNDtn)



Source: Vinhomes, KB Securities Vietnam

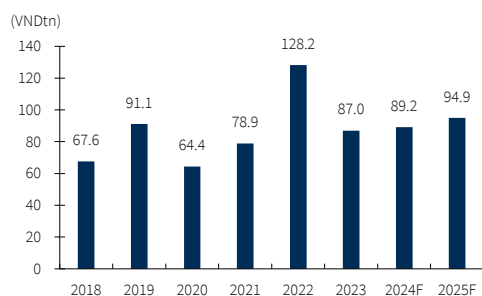
**Total sales contract value in 2024 is forecast to reach VND89 trillion (+3%YoY)**

KBSV estimates the total value of sales contracts in 2024 will reach VND89 trillion (+3%YoY), mostly coming from the Ocean Park 2 & 3 projects and two new projects in 2024, Vu Yen and Wonder Park. Sales in 2025 are expected to increase 6% YoY to reach VND95 trillion.

We see that although demand for low-rise products such as townhouses and villas remains low, VHM's sales should still record good results thanks to:

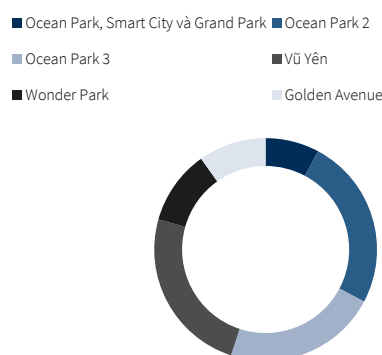
- The retail channel gradually should rebound thanks to (1) promoting brokerage activities with a new model supplemented with a proprietary trading distribution system in parallel with the existing agent system, (2) home buying policy with attractive interest rates, and (3) prestige and experience of developer VHM.
- Bulk sales channel continues to maintain good sales results.

Fig 7. VHM – Sales in 2018A–2025F (VNDtn)



Source: Vinhomes, KB Securities Vietnam

Fig 8. VHM – Sales structure in 2024F



Source: Vinhomes, KB Securities Vietnam

Fig 9. VHM – Vinhomes Ocean Park 2 – The Empire

- Vinhomes Ocean Park 2 – The Empire project has an area of 459ha in Hung Yen.
- The project includes 24 apartment buildings and 14,400 low-rise apartments.
- VHM started selling the project in April 2022 with 5,300 low-rise apartments.
- The project is under construction, starting to be handed over from 3Q22. By the end of 4Q23, the project had about 2,900 units remaining.



Source: KB Securities Vietnam

Fig 10. VHM – Vinhomes Ocean Park 3 – The Crown

- Vinhomes Ocean Park 3 – The Crown project has an area of 294ha in Hung Yen.
- The project includes 10 apartment buildings and 9,300 low-rise apartments.
- VHM started selling the project in October 2022 with 2,400 low-rise apartments.
- The project is under construction, started handover in 3Q23. 2,400 units were handed over. It is estimated that by the end of 4Q23, 2,500 units were handed over.
- By the end of 4Q23, the project had about 3,800 units remaining.



Source: KB Securities Vietnam

Fig 21. VHM – Golden Avenue

- Golden Avenue project has an area of 116ha in Mong Cai, Quang Ninh.
- The project includes 2,200 low-rise apartments.
- VHM launched the project in August 2023.
- In the first sale, VHM plans to open for sale 700 low-rise apartments in the New York subdivision for a selling price of about USD1,200/m<sup>2</sup> construction floor.
- As of the end of 4Q23, the project has sold 24%.



Source: KB Securities Vietnam

Table 12. VHM – Big projects to be developed

	Location	Area
Vu Yen	Thuy Nguyen, Hai Phong	865ha
Co Loa	Dong Anh, Hanoi	385ha
Wonder Park	Dan Phuong, Hanoi	133ha

Source: Vinhomes, KB Securities Vietnam

## Forecast & valuation

**Table 13. VHM – 2023A–2024F results**

	2023	2024F	+/-%YoY	Notes
<b>Net revenue (VNDbn)</b>	<b>103,557</b>	<b>126,429</b>	<b>22%</b>	
<i>Property sales</i>	<i>89,669</i>	<i>111,549</i>	<i>24%</i>	The increase is mainly thanks to the handover at the Ocean Park 2 and Ocean Park 3 projects.
Gross profit (VNDbn)	35,707	48,553	36%	
<i>Gross profit margin (%)</i>	<i>34%</i>	<i>38%</i>	<i>-20pp</i>	
Financial income (VNDbn)	19,954	3,793	-81%	
<i>BCC income</i>	<i>1,673</i>	<i>1,004</i>	<i>-40%</i>	Most comes from the Star City project (Thanh Hoa).
<i>Other financial income</i>	<i>18,281</i>	<i>2,789</i>	<i>-85%</i>	Bulk sales are assumed to be recorded in revenue.
Financial expenses (VNDbn)	3,870	6,139	59%	
SG&A (VNDbn)	7,756	7,085	-9%	
Operating income (VNDbn)	44,045	39,122	-11%	
PBT (VNDbn)	43,310	39,163	-10%	
NPAT (VNDbn)	33,533	30,478	-9%	
<b>NPAT-MI (VNDbn)</b>	<b>33,371</b>	<b>30,045</b>	<b>-10%</b>	

Source: KB Securities Vietnam



## BUY recommendation – Target price VND69,000/share

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

However, we pay attention to risks related to (1) the implementation and absorption progress of large projects and (2) internal transactions.

Using the RNAV method, we set a new target price for VHM stock at VND69,000/share, 64% higher than the closing price on March 18, 2024.

## Attractive valuation with P/B 2024fw of 0.8x

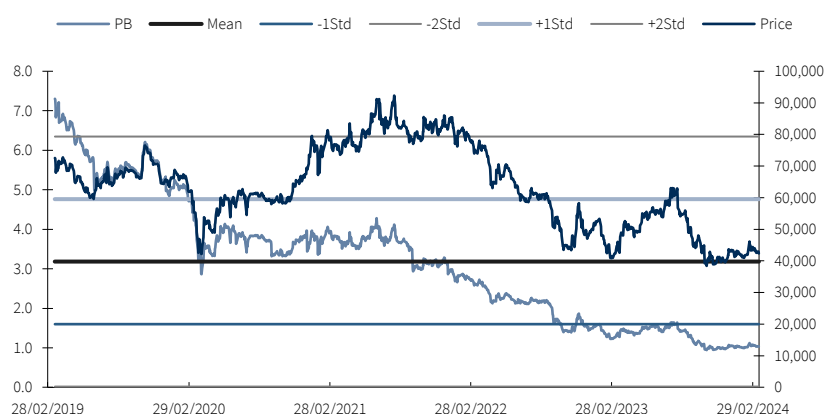
VHM stock price is currently trading at a 2024fw P/B of 0.8x, below the -1std line of VHM's five-year average P/B. Based on business prospects and valuation results, we maintain our BUY rating for VHM stock with a target price of VND69,000/share.

**Table 14. VHM – RNAV**

Projects	Valuation method	Value (VNDmn)
Ongoing projects	DCF	156,796,541
Future projects	DCF	161,473,581
Others	DCF	25,000,597
		<b>343,270,719</b>
+ Cash		14,103,180
- Net debt		56,683,560
<b>RNAV</b>		<b>300,690,339</b>
Outstanding shares		4,354,367,488
<b>Value per share (VND)</b>		<b>69,000</b>

Source: KB Securities Vietnam

**Fig 35. VHM – P/B in 2019–2024 (x)**



Source: Bloomberg, KB Securities Vietnam



## VHM – 2022A–2025F financials

Income Statement					Balance Sheet				
(VND billion)	2022A	2023A	2024F	2025F	(VND billion)	2022A	2023A	2024F	2025F
Net sales	62,393	103,557	126,429	122,150	TOTAL ASSETS	361,813	444,631	477,698	499,136
Cost of sales	-31,696	-67,850	-77,877	-69,443	CURRENT ASSETS	196,535	242,341	243,868	227,669
Gross Profit	30,696	35,707	48,553	52,707	Cash and cash equivalents	10,817	14,103	11,881	11,075
Financial income	16,690	19,954	3,793	3,665	Short-term investments	6,297	3,834	3,834	3,834
Financial expenses	-4,394	-3,870	-6,139	-6,266	Accounts receivable	96,209	132,871	123,161	106,515
of which: interest expenses	-2,076	-3,053	-4,375	-4,412	Inventories	64,362	55,318	68,777	70,031
Gain/(loss) from joint ventures (from 2015)	56	11	0	0	LONG-TERM ASSETS	165,277	202,290	233,830	271,466
Selling expenses	-2,432	-3,663	-4,022	-4,064	Long-term trade receivables	22,797	33,800	36,570	39,944
General and admin expenses	-2,644	-4,093	-3,063	-3,984	Fixed assets	9,340	11,671	24,304	39,686
Operating profit/(loss)	37,973	44,045	39,122	42,057	Long-term incomplete assets	50,683	60,790	60,790	60,790
Other incomes	1,134	785	0	0	Long-term investments	7,491	7,760	7,812	7,812
Other expenses	-464	-1,520	0	0	Goodwill	0	0	0	0
Net other income/(expenses)	670	-735	41	287	LIABILITIES	4,704	6,922	9,114	11,936
Income from investments in other entities	0	0	0	0	Current liabilities	187,762	211,073	230,502	215,999
Net accounting profit/(loss) before tax	38,643	43,310	39,163	42,344	Trade accounts payable	15,031	20,452	25,445	22,677
Corporate income tax expenses	-9,481	-9,777	-8,685	-9,425	Advances from customers	61,963	35,137	46,607	34,991
Net profit/(loss) after tax	29,162	33,533	30,478	32,919	Short-term borrowings	15,330	18,290	18,964	19,344
Minority interests	331	161	434	305	Long-term liabilities	25,528	50,921	32,876	36,155
Attributable to parent company	28,831	33,371	30,045	32,614	Long-term trade payables	0	0	0	0
					Long-term advances from customers	0	0	0	0
					Unrealized revenue	917	771	43	37
					Long-term borrowings	20,876	38,394	32,872	36,159
					OWNER'S EQUITY	6,200	10,594	14,039	15,315
					Paid-in capital	43,544	43,544	43,544	43,544
					Share premium	1,260	1,260	1,260	1,260
					Undistributed earnings	99,934	133,392	165,749	198,105
					Other funds	0	0	0	0
					Minority interests	0	0	0	0
Margin ratio					Key ratios				
	2022A	2023A	2024F	2025F		2022A	2023A	2024F	2025F
Gross profit margin	49.2%	34.5%	38.4%	43.1%	Multiple				
EBITDA margin	67.2%	46.2%	36.0%	41.1%	P/E	6.3	5.6	6.1	5.6
EBIT margin	65.3%	44.8%	34.4%	38.3%	P/E diluted	6.3	5.6	0.0	0.0
Pre-tax profit margin	61.9%	41.8%	31.0%	34.7%	P/B	1.3	1.0	0.9	0.8
Operating profit margin	60.9%	42.5%	30.9%	34.4%	P/S	2.9	1.8	1.4	1.5
Net profit margin	46.7%	32.4%	24.1%	26.9%	P/Tangible Book	1.2	1.0	0.9	0.7
					P/Cash Flow	5.8	123.1	8.5	13.2
					EV/EBITDA	5.0	4.9	5.0	4.6
					EV/EBIT	5.2	5.0	5.2	5.0
					Operating performance				
					ROE	19.41	18.27	14.02	13.21
					ROA	24.74	22.75	18.11	17.63
					ROIC	8.06	7.54	6.38	6.60
					Financial structure				
					Cash Ratio	0.1	0.1	0.1	0.1
					Quick Ratio	0.7	0.9	0.8	0.7
					Current Ratio	1.0	1.1	1.1	1.1
					LT Debt/Equity	0.1	0.2	0.2	0.1
					LT Debt/Total Assets	0.1	0.1	0.1	0.1
					Debt/Equity	1.3	1.2	1.1	0.9
					Debt/Total Assets	0.5	0.5	0.5	0.4
					ST Liabilities/Equity	1.3	1.2	1.1	0.9
					ST Liabilities/Total Assets	0.5	0.5	0.5	0.4
					Total Liabilities/Equity	1.4	1.4	1.2	1.0
					Total Liabilities/Total Assets	0.6	0.6	0.6	0.5
					Activity ratios				
					Account Receivable Turnover	4.1	6.0	8.7	8.0
					Inventory Turnover	0.7	1.1	1.3	1.0
					Account Payable Turnover	2.3	3.8	3.4	2.9

Source: Vinhomes, KB Securities Vietnam

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## Investment ratings & definitions

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### 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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