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Overall demand is expected to remain high.

Overall demand is still healthy based on population growth, an increase in urbanisation rate and a rise of middle income class. Demand for the affordable and mid-range apartments in the West of Hanoi remains high, while in the center, high-end condo and landed property segments are expected to grow robustly.

Vast land bank with low costs is a key feature to drive the company forward.

VPI's current portfolio consists of about 18 projects and some unpublished projects with the total square up to 230 hectares. This land bank is sufficient for the next five years of development. Most of VPI's projects are located in high demand areas of Hanoi with an ease to access transportation networks, public infrastructure and business center. VPI has an advantage to execute the projects due to low land costs by doing the Build-Transfer projects and getting land in exchange for infrastructure.

Revenue continues to grow.

We estimate the Company's revenue in 2018 is approximately VND2,143 billion, up 144.8% y-o-y; profit after tax reaches VND593 billion, up 40.7% y-o-y, mainly from low-rise segments of Hao Nam and Giang Vo project. In 2019, the forecasted revenue is VND3,512 billion, up 63.9% y-o-y; profit after tax might be VND686 billion, up 15.7% y-o-y, from Kien Hung building project, low-rise segment of An Hung project, high-rise segments from Giang Vo and Hao Nam project.

Risk does exist.

Even though all of the statistics show a positive signal for the real estate market, risks do exist. VPI might face some key risks including the 10 – year- cycle of real estate business, changes in macro factors and regulatory risks.

Buy Maintain

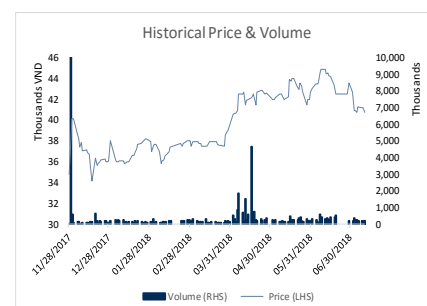
Target Price	VND48,330
Upside/Downside	18.6%
Current price (11 July 2018)	VND40,750
Target price	VND48,330
Market cap	VND6,520 bn

Trading Data	
Outstanding share	160,000,000
Avg. Daily Volume (3M)	231,928
% Foreign owned	10.17%
Dividend per share	VND1,100

Performance (%)				
	1M	3M	6M	12M
VPI	-8.7%	-1.2%	113.9%	
VNINDEX	-12.0%	-23.4%	-14.4%	

Forecast earnings & valuation

FY-End	2017A	2018F	2019F
Revenue (VNDbn)	875.5	2142.9	3511.9
Growth rate(%)	13.4%	144.8%	63.9%
Operating profit (VNDbn)	456.8	895.3	1091.6
Gross margin (%)	52.2%	41.8%	31.1%
Net profit (VNDbn)	421.7	593.4	687.2
Growth rate(%)	2257.3%	40.7%	15.8%
EPS	2635.6	3708.75	4295
EPS growth	285.77%	40.7%	15.8%
P/E	14.42	10.99	9.5



Source: KBSV

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MARKET OVERVIEW

Robust Growth, slower in Q2, highest FH rate since 2011.

Inflation rose to highest June's CPI since 2011, pressure on SBV's Inflation Target of 4%

Real estate sector has attracted the second largest FDI injection

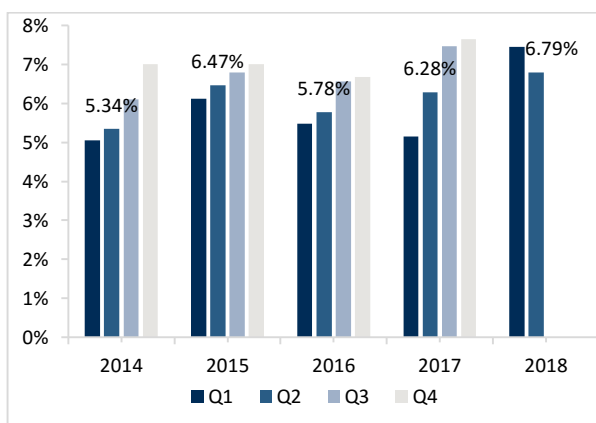
1. Vietnam Economy

Available data suggests that last year's strong economic momentum carried over into this year. The economy continued to grow at a stellar, slightly slower, pace in the second quarter of the year at 6.79%, after expanding at an over 10-year high rate in the first quarter (7.48%). Vietnam remained among the world's fastest growing economies thanks to flourishing exports, high inflows of foreign direct investment (FDI) and a thriving tourism sector (Figure 1).

According to GSO, June's CPI rose by 0.61% over May, the highest pace for June since 2011. CPI increased 2.22% against December 2017 and 4.67% YoY, causing the FH 2018 index to rise 3.29% YoY (Figure 2).

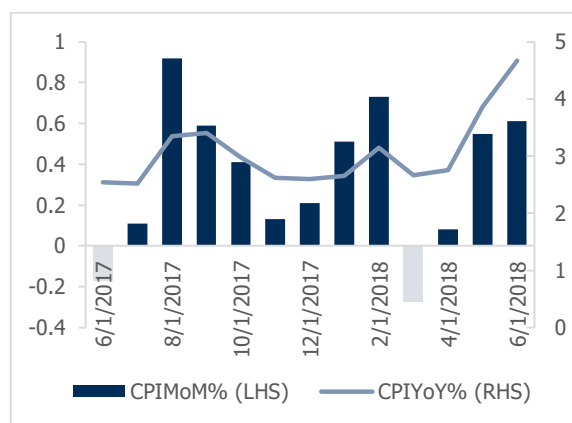
Vietnam's FDI – including newly registered capital, increased capital, capital contribution, and share purchase – reached a total of US\$20.33 billion in the first half of 2018, an increase of 5.7% YoY. The real estate sector has attracted the second largest FDI injection with US\$5.54 billion, accounting for 27.3% of total FDI coming in. Hanoi was the country's leader in FDI approvals in the first half of 2018, with US\$5.87 billion. The highlight of this period was when Japan-based Sumitomo Corp along with other local partners such as BRG were approved by the city's People's Committee for a US\$4.13-billion smart city project in Dong Anh district (Figure 3).

Figure 1: GDP Growth by quarters



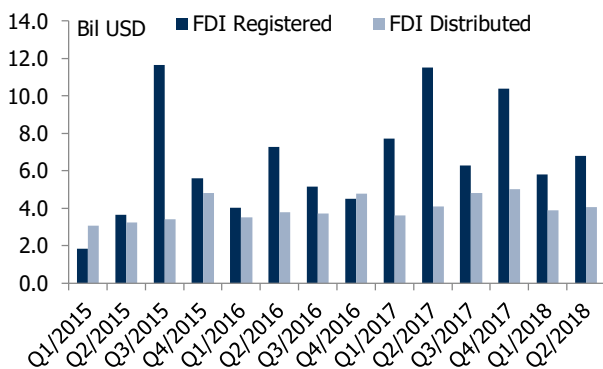
Source: GSO, KBSV

Figure 2: CPI MoM and YoY



Source: GSO, Bloomberg, KBSV

Figure 3: FDI distribution



Source: MPI, KBSV

Vietnam real estate market continued to grow.

Vietnam population increased significantly by nearly 20.8% during the last 17 years.

Urbanisation rate is estimated to reach 50.7% in 2039

Over 50% of Vietnam population is expected to join global middle income class in 2035.

The working-age population grows rapidly and has an impact on domestic demand.

2. Vietnam Real Estate Market

Vietnam real estate market shifts at the same direction with the economy. It is strongly supported by several factors, in which including GDP growth, demographics as well as the development of domestic consumer market (thanks to the fastest growth of middle income class in any country). In the first half of 2018, strengthening of macroeconomic fundamentals and strong GDP growth were key factors to the development of Vietnam real estate market.

The real estate market is supported by demographics.

The population in Vietnam has been increasing significantly over the years, from 77.6 million people in 2000 to 93,7 million people in 2017 and it is expected to reach 95 million people in 2018 as an estimation of GOPFP. Hanoi and HCMC are two cities having the fastest population growth in Vietnam. Total population in Hanoi and HCMC in 2017 was 15.6 million people, accounts for 16,5% Vietnam's population (Figure 4).

According to the GSO research, the urbanisation rate in 2017 was 33%, this a quite low, but it is predicted to continue increasing year by year and might reach 50.7% in 2039. With the labour restructuring, people moving from rural area to urban area to work cause increasing in demand for houses, especially affordable and mid-end apartments.

Sustainable growth of GDP lead to increase in GDP per capita and growth of middle and affluent income class. The number of people in middle income class in 2020 is expected to be 33 million. A rise in income might boost purchasing power and positively affect demand and affordability for residential housing products. As Viet Nam's workforce becomes more urbanized, the resulting gain in productivity will translate into rising middle class affluence. As the data from World Bank, the top 40% of Vietnamese households own 55% of total income. As the prediction of World Bank, if the annual growth rate of average consumption is 4%, in 2035, more than half (50 million) of the Vietnamese population (approximately 50 million) will join the global middle class, compared to just 11% in 2017, and the middle class income might reach at least USD15,000 (Figure 5).

Vietnam economy in general and the real estate in particular benefit from the youthful and fast growing working-age population, boosting domestic demand and output. According to the statistics of GSO about the aging population structure, Vietnam is still in a period known as "golden population structure", meaning for every 2 people or more working, there is only one dependent person. The number of people aged from 15 to 64 accounts for nearly 70% the total population, and the number of people aged over 65 still less than 15% until 2044 (Figure 6).

The number of condominium units launched in Hanoi in 2018 is predicted to decrease after a three-year growing period.

There was a considerable decline in the number of units launched in the first half of 2018.

Prices fluctuated slightly, but absorption remained positive.

**Big inner changes extent the time of the cycle.
It is time for the prestigious developers.**

Hanoi Market

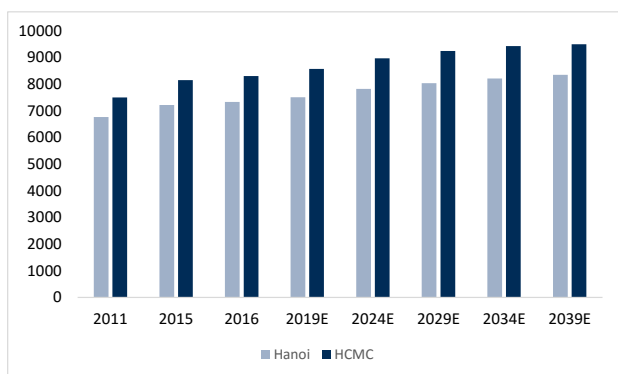
As the prediction of CBRE, there will be 32,000 units launched in Hanoi in 2018 – a decrease of 10% y-o-y. The supply for condominium in Hanoi started increasing rapidly from 2015. Total units launch in 2015 was about 34000, nearly double those in 2014 and remained high until 2017. A total of 35000 units launched in 2017, up by 12% y-o-y. The mid-end segment accounted for more than 65% of total units launched in 2017 and more than 50% in 2015 and 2016. An absorption rate was over 70% during the past 3 years due to infrastructure improvements in non-prime locations. These numbers show that demand and supply for each sector were quite balanced in the past 3 years (Figure 8,9).

According to CBRE, in the first half of 2018, there were 15,334 units launched in Hanoi, from 23 projects in which 6534 unit launched in Q1, down by 20% y-o-y and 8800 unit launched in Q2. Most of launched projects in this period are situated in the West and North of the city. There were three new noticeable projects in high-end segment including D'Eldorado 2, Starlake and Vinhomes West Point, all situated in excellent position, which attracted positive market attention. The share of high-end segment account for 37% in this quarter. Condominium property prices in the first half of 2018 was recorded at US\$1,332 psm, down by 0.4% q-o-q but up by 0.4% y-o-y, remained under 2% fluctuations. The three high end projects have increased the average primary price of high-end segment by 1.5% y-o-y.

There were 5,900 sold units during Q2 2018, down by 22% y-o-y. One of the reason might be concerns about safety issues emerged in during the quarter, which may affect sentiment of certain buyers, however it creates opportunities for developers with good track records. Absorption remained positive, because developer typically reviews current products in the second quarter of the year and prepare for new products launched in the second half of the year, therefore, the launched supply decreased, market has time to absorb unsold units. The real estate inventory is estimated at approximately VND24,473 billion (US\$1.07 billion), down 81% from the peak of the property crisis in 2013 (VND128,548 billion) and 4.29% from the end of 2017 (VND 25,382 billion). This is a positive signal for the market, it shows that developers are more experienced in developing residential projects and analyzing market conditions (Figure 7).

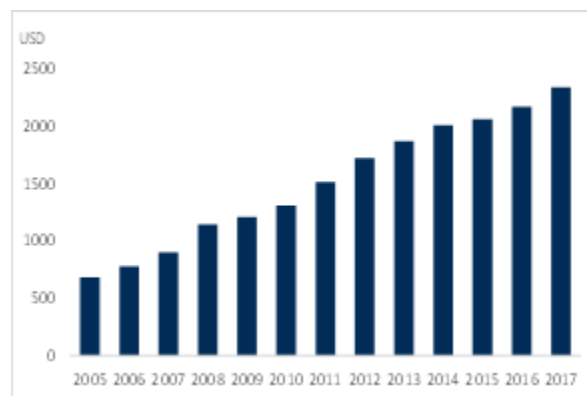
Concerns still remain over the stability of credit growth, the real estate market is expected to develop further in the second half of 2018. It is important to take a longer term view on the ups and downs of the real estate cycle. Vietnam real estate market cycle has 4 phases: recovery, growth, recession and crisis, so as the timeline, 2018 will be the end point of the cycle. However, as our point of view, the real estate market might reach the peak of the cycle in 2020 and start to going downturn. In 2018-2020 period, the market requires the big internal change from the real estate developers to best fit with the development of the market. Additionally, real estate market share in this period would be more concentrated only in prestigious and high quality developers. Furthermore, in 2020, Vietnam's Banking Sector will apply Basel II, therefore the capital flows into the real estate market might reduce.

Figure 4: Population in Hanoi and HCMC (in thousands)



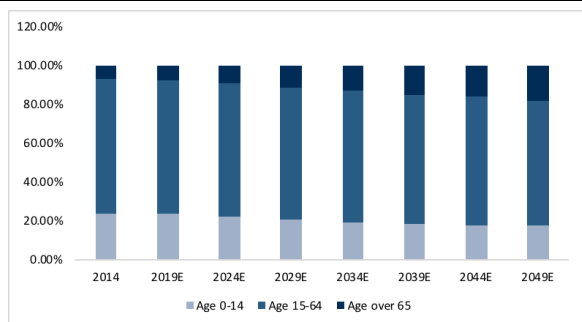
Source: Bloomberg

Figure 5: GDP per capita



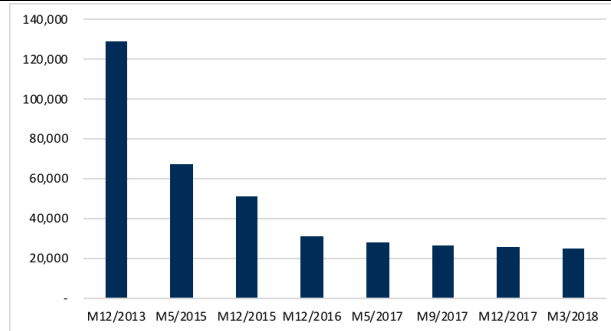
Source: GSO

Figure 6: Vietnam's Aging population structure



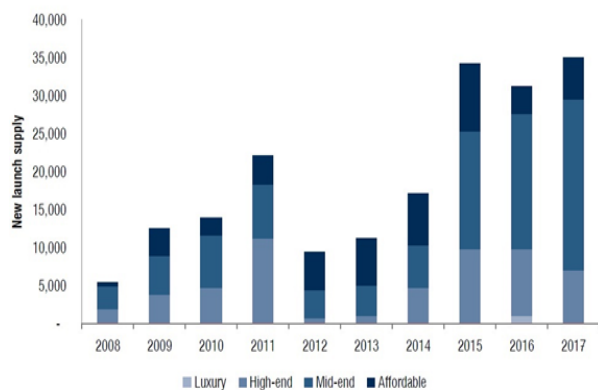
Source: GSO

Figure 7: Vietnam real estate inventory



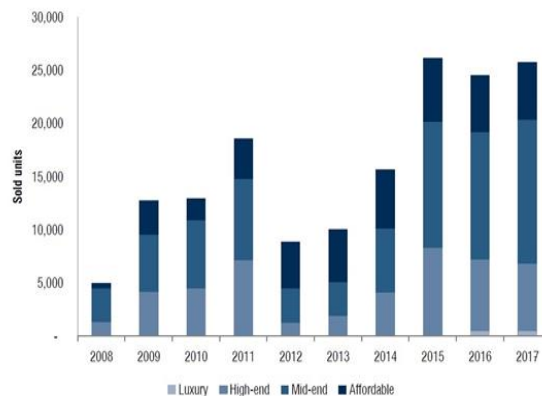
Source: KBSV

Figure 8: Condominium units launched in Ha Noi



Source: CBRE

Figure 9: Condominium units sold in Ha Noi



Source: CBRE

Recent news

The CPTPP Agreement is expected to boost investment and promote exports.

The CPTPP brings huge economic benefits to Vietnam, from trade liberalization to boost productivity growth. There will be an increasing demands in investors and developers looking to the corporate real estate market (CRE) in regards to light and heavy industry. Exporters will benefit from the trade liberalisation, domestic private firms will be able to tap into global value chains and it has the potential to sustain domestic reform momentum. All factors combine to show an increase in FDI of which CRE will absorb a healthy proportion.

BIM Group cooperates with Aeon to build the second Aeon Mall in Hadong

In March 2018, developer BIM Group and the AEON Viet Nam Co Ltd, a subsidiary of the leading Japanese retail and financial services corporation AEON, have signed a co-operation agreement to build a new shopping mall in Ha Dong district, Hanoi. The mall will be the second Aeon Mall in Hanoi and the biggest mall in Vietnam with a total floor area of over 200,000sqm. Construction will start in 2017 and is expected to be completed in April, 2019. The mall contributes a huge part to the infrastructure in the West of Hanoi and also pushes the price of property in this area.

The State Bank of Vietnam tightened bank credit to prevent real estate market from overheating.

In 2018, The State Bank of Vietnam (SBV) issued Circular No. 563/NHNN-TTGSNH requiring credit institutions and foreign bank branches to restructure their credits toward prioritising the capital for production and business activities. The circular states to ensure a prudent banking sector and a sustainable credit growth, credit institutions and foreign bank branches have to limit the concentration of credit on real estate and construction, make the balance of capital resources, utilise capital for medium and long term loans, ensure liquidity; regularly review, assess and monitor the process of real estate projects, financial records of customers, the credits and mortgaged assets to take appropriate and timely measures. Government has attempted to closely monitor and control capital flows from real estate investment. As the result of limiting bank credit going into real estate market, developers are expected to look for other sources of funding besides bank loans.

Fire safety becomes a hot issue at apartment projects.

Behavior of home buyer changed after Carina fire incident. Home buyers become more cautious and paying more attention about safety issue when choosing apartments. In HCMC, the demand for condominium slows down in Q2/2018.

COMPANY OVERVIEW

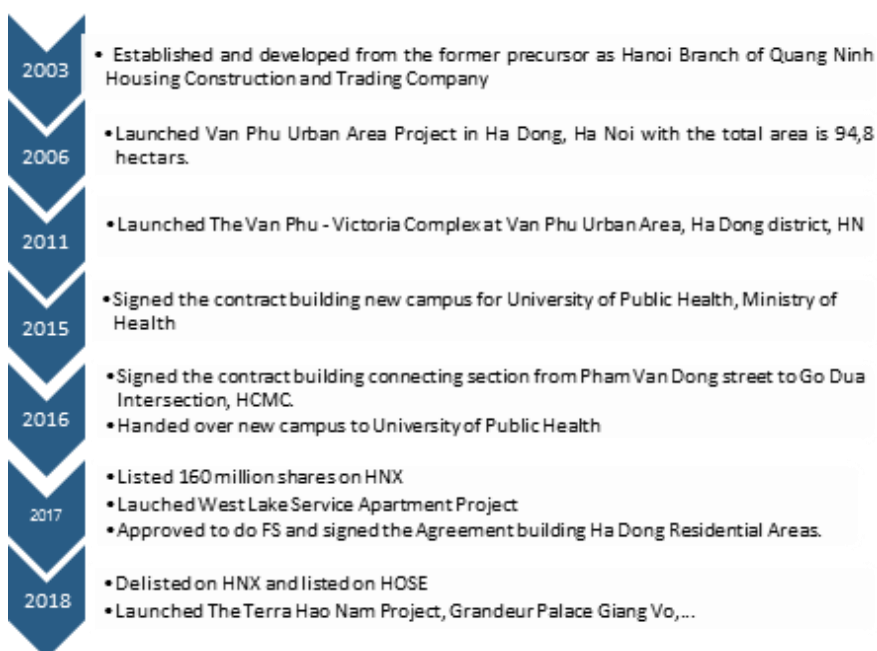
Van Phu-Invest Investment Corporation is a leading real estate developer in the West of Hanoi.

VPI’s business activities include real estate business, property investment and development, architectural and technical consultancy, mainly in Hanoi, Ho Chi Minh City.

In 2017, Van Phu – Invest became a public company.

1. Company profile

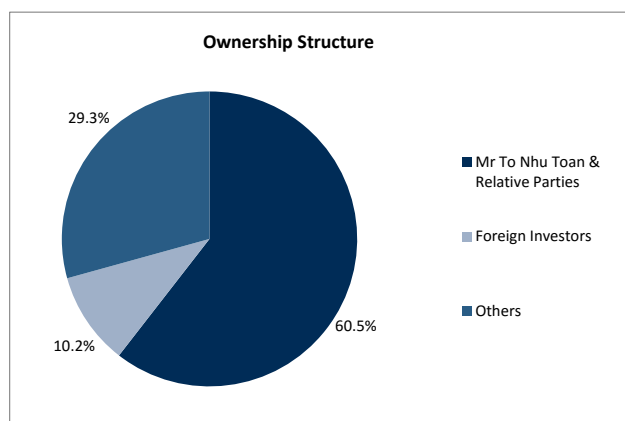
Company history



Company structure and ownership

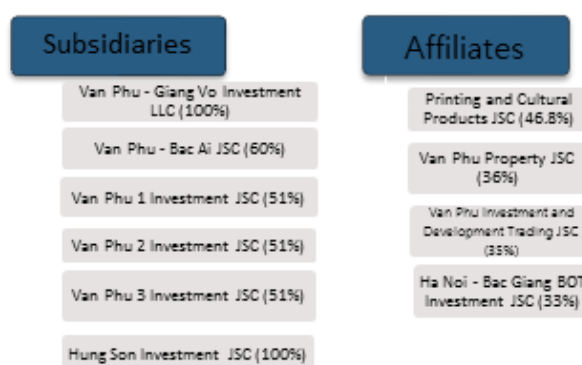
VPI has 6 subsidiaries and 4 affiliates with the effective interest as in Figure 10 and 11.

Figure 10: Ownership Structure



Source: VPI

Figure 11: Company structure



Source: VPI

List of Foreign Investors	% owned
Dragon Capital	5%
Vietnam Holdings	4%
APS	1%

Source: VPI

Van Phu has launched and completed many large-scale construction projects, in which The Victoria Shophouse and The Van Phu – Victoria Project are two outstanding projects.

Competitive developer, beyond low land cost.

Build-Transfer (BT) projects: the fastest route to accumulate land funds

1. **Building a new campus of Hanoi University of Public Health in exchange for a land lot of 9031 square meters on Giang Vo Street.**
2. **Building a connection section from Pham Van Dong street to Go Dua intersection, Thu Duc, HCMC in exchange for 6 land lots in HCMC**
3. **Building roads connecting urban areas and residential areas in Ha Dong district in exchange for 5 land lots in the West of Hanoi.**

Completed projects

The Victoria Shophouse is in Van Phu Urban area, including 148 shophouses with total area of 18,430m² at Van Phu Street in Ha Dong district. The project inherits the infrastructure network in this area. The owners of these properties can use these shophouses for both residential and commercial purposes. In 2017, Van Phu had completed handing over all of 148 shophouses to the owners and recorded in 2017 revenue.

The Van Phu – Victoria is a high-end apartment and service complex with 3 buildings, up to 1290 apartments in Van Phu Urban Area. Van Phu had completed handing over in August 2018 (Figure 12).

2. Business Model

Ongoing Projects and Land bank

VPI currently has a land bank of approximately 230 hectares. This landbank is accumulated by several BT contracts, therefore the land costs of VPI is lower than the market price. This strategy is highly appreciated because VPI can extent the land fund with low cost to develop the company real estate business (Figure 13).

In 2015, VPI has signed the BT contract building the new campus of Hanoi University of Public Health for the Ministry of Health with a total investment of VND640 billion (roughly US\$28.21 million). VPI is offered the former campus of this university on Giang Vo street, Ba Dinh district, Hanoi with total area of 9031 square meters. This land is the diamond land lot in the center of Ba Dinh district. VPI is currently launching a residential complex Grandeur Palace – Giang Vo on this land. This project includes 22 – floor-high-rise building with total area of 2155 square meters and 32 low-rise buildings. This project situated on crowded street with great business potential, therefore it is generating good attention from buyers.

VPI is launching three more BT infrastructure projects, in which two projects in Hanoi and the other project in Ho Chi Minh City. In 2017, VPI signed the BT contract with Ho Chi Minh City government to build the connection section from Pham Van Dong street to Go Dua intersection, and the development costs is paid by six lots of land in HCMC. This amount of land fund is not enough and the city is finding more lands to pay for VPI.

The authorities of Hanoi have approved VPI's feasibility study for the project to build roads connecting urban areas and residential areas in Ha Dong district under the BT scheme, preparing to sign the contracts. VPI as an investor will receive land funds in exchange. VPI is entitled to use Kien Hung, Bac Lam, Phu Lam, Ha Cau and Duong Noi land lot in Ha Dong district, in which Kien Hung and Phu Lam are the largest projects with the total area up to 7.6 hectares and 13 ha respectively.

In the next two years, the company plans launching Grandeur Palace – My Dinh, Kien Hung project and Duong Noi project. In 2019, the company will

hand over the apartments in Grandeur Palace – Giang Vo and The Terra – An Hung; and put the Ho Tay hotel project into operation.

Product is diversified to best fit location and bring maximum value.

Most of VPI bank in Hanoi is located in the West of Ha Noi, where the infrastructure is currently invested and developed rapidly. As a plan on developing Ha Noi by 2030 with a vision to 2050, the west and southwest of Ha Noi will become a new administrative, service and trading centre. The development of infrastructure and transportation network might strongly enhance the value of VPI’s projects. In particular, Kien Hung, Bac Lam and Phu Lam project might benefit from the completion of Chu Van Street connecting from Nguyen Xien Street to Xa La Urban Area. The Cat Linh – Ha Dong Metro line and the connection roads from urban areas and residential areas in Ha Dong is expected to shorten the time to access the city centre and add extra value to VPI’s Projects. In this area, VPI plans to build affordable/mid-range condo.

In Hanoi, VPI has 3 more projects in the centre of Hanoi including Giang Vo, Hao Nam and My Dinh. These projects locate in excellent location with densely populated area, adequate infrastructure and public services. In this area, VPI plans to build fully furnished high-end condo.

Figure 12: VPI’s completed projects

Project	Area (sqm)
Van Phu Urban Area Infrastructure Ha Dong District, Ha Noi	948,000
Van Phu - Victoria Building	1,500
University of Public Security Ordnance Technology - New Campus	263,000
Ha Noi - Bac Giang Highway	45.8km
Victoria Shophouse	18,800
Connecting section from Pham Van Dong Street to Go Dua Intersection (National Highway 1), Thu Duc District, HCMC	2.75km
Ha Noi University of Public Health - New Campus	77,300

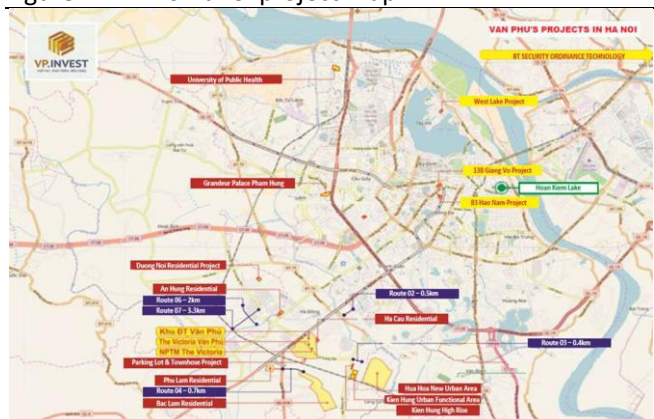
Source: VPI

Figure 13: VPI’s Portfolio

Project	Land Origins	City	Area (sqm)	GFA (sqm)
Grandeur Palace - Giang Vo	BT - Hanoi	Ha Noi	9,031	49,770
The Terra - Hao Nam	University of Joint Operation with Printing and	Ha Noi	6,681	27,852
The Terra - An Hung	Taking-over assignn	Ha Noi	35,574	288,250
Grandeur Palace - Pham Hung	Taking-over assignn	Ha Noi	22,744	213,825
West Lake Serviced Apartment		Ha Noi	4,632	32,056
Kien Hung Building	BT - Ha Dong	Ha Noi	9,986	108,849
Kien Hung Urban Area	BT - Ha Dong	Ha Noi	75,684	126,339
Phu Lam Project	BT - Ha Dong	Ha Noi	136,430	257,978
Bac Lam Urban Area	BT - Ha Dong	Ha Noi	418,422	483,946
Ha Cau Project	BT - Ha Dong	Ha Noi	23,014	133,356
Duong Noi Project	BT - Ha Dong	Ha Noi	25,522	39,431
Huu Hoa Project	BT - Ha Dong	Ha Noi	1,560,000	
129 Dinh Tien Hoang Land Lot	BT - HCMC	HCMC	7,200	84,325
234 Ly Tu Trong Land Lot	BT - HCMC	HCMC	642	4,187
132 Dao Duy Tu Land Lot	BT - HCMC	HCMC	10,618	98,747
582 Kinh Duong Vuong Land Lot	BT - HCMC	HCMC	11,463	106,606
12 Ky Dong	BT - HCMC	HCMC	940	
42 Trung Dinh	BT - HCMC	HCMC	807	

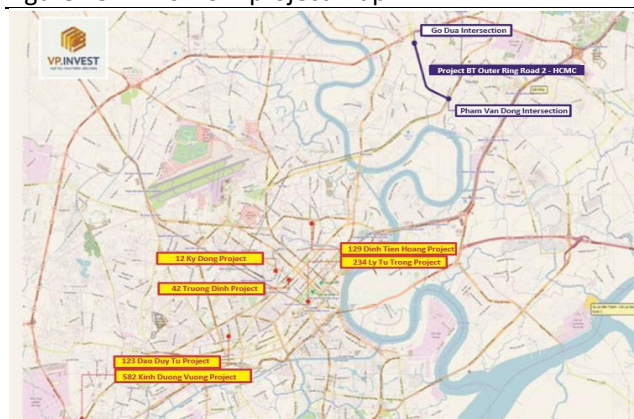
Source: VPI

Figure 14: VPI’s Hanoi project map



Source: VPI

Figure 15: VPI’s HCM project map



Source: VPI

Financial analysis

Positive results in 2017 and the first half of 2018.

Revenue 2017 increased by 13.4% yoy, thanks to 11 shop houses the the V5-V6 of the Victoria project. Gross margin ratio increased significantly from 12.9% to 52.2% because projects that generate revenue in 2017 had low cost of goods sold. Net profit after tax valued at 421.7 VND billion, up by 2,257.3% yoy. In Q1/2018, Revenue and Net profit was just VND27.2 billion and VND6.13 billion because large projects such as Giang Vo and Hao Nam project just can be recorded in revenue in the ending of 2018. In Q2/2018, VPI planned to record VND180 billion in revenue from Thao Dien project transfer (Figure 15).

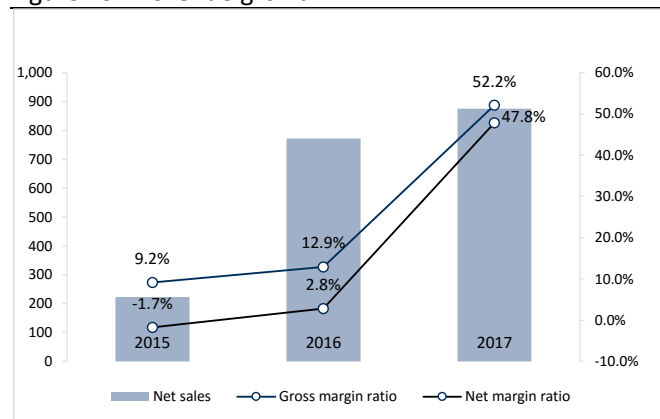
Total assets fell slightly due to decrease of cash

Total assets in Q1-2018 reached 3,595 billion, decreased by 3.78% compared to beginning of 2018 and increased by 32.7% compared to 2016. Receivables accounted for a large proportion of total assets, nearly 41.3%, mainly due to receivable from Ministry of health and compensation for land clearance. Cash decreased significantly by 75% due to large cash demand for BT projects. The shortage of cash can affect the progress of ongoing projects

Capital structure is at safe level

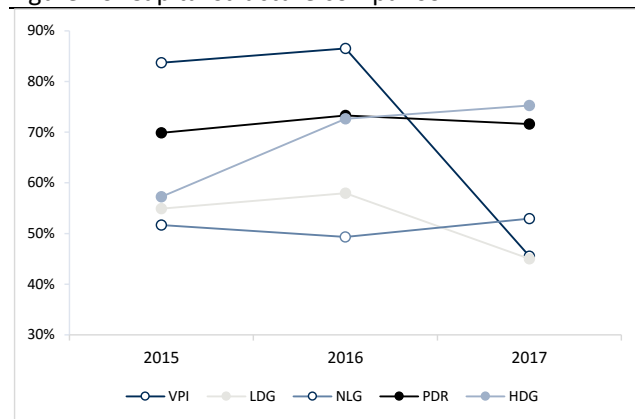
The ratio of debt / total assets of VPI is quite low compared to other real estate stock, reaching 43.2%. Total investment for projects implemented in the period 2018-2021 of Van Phu including Giang Vo project, Hao Nam project, An Hung project, Kien Hung project, My Dinh project reached VND 8,461 billion excluding projects without specific plan.

Figure 15 : Revenue growth



Source: KBSV

Figure 16: Capital structure comparison



Source: KBSV

The 10 – year – cycle of real estate market – economic risks.

Legal problems: the legal concerns over condotels and red books for foreigners

Risks linked to the project implementation schedules and sale schedule.

Others

Risks

VPI revenue is dominated by revenue from residential sales, therefore the ups and downs of the industry might directly impact the earnings of VPI.

The risk of fluctuations in macroeconomic variables including growth, inflation, interest rates, exchange rates and government policies to adjust macroeconomic variables will have a direct or indirect impact on the performance of the all businesses. For instance, Circular No. 563/NHNN-TTGSNH might limit the capital flow to the real estate market, so real estate company might face difficulty in raising capital.

Along with the traditional segments new products would be introduced by VPI including condotels, officitel in Grandeur Palace My Dinh, however, the legal issues for these new products have not resolved, especially condotels. Condotel investors are not currently granted a pink book which confers ownership rights for buildings, the legal status of pink book regarding condotel have not been confirmed by the laws.

With the current trend of integration, the number of foreigners coming for living and working in Vietnam increases rapidly. Although the authorities have made efforts to issue guidelines and allows foreigners to own the right to property, there are still many conflicts that make it difficult to implement legal procedures for foreigners to obtain red books.

VPI, with characteristics of real estate developers, faces typical issues in the sector which is the progression of the project including related legal issues, the speed of compensation for land clearance and for capital disbursement, for sale. Earnings from residential sales are only recorded upon delivery of properties, therefore with low speed of sales or late payment of customers might increase the inventories and receivables, while revenue inflows fluctuate. These risks might strongly impact VPI's revenue, therefore VPI has to look for other sources of funding to finance the business activities.

Risks which related to objective natural phenomena, natural disasters, war or fire might cause great difficulties and could heavily affect the construction and business activities of VPI.

VALUATION

VPI's after-tax profit in 2018 is forecasted to reach VND593 billion, up 40.62% yoy, corresponding to the forward EPS of 3,706 VND/share.

1.2018 Earning Forecast

In 2018, total revenue of VPI is forecasted at 2,143 VND billion, up 144% yoy. This growth comes from the following projects: (1) 32 low-rise villas of Giang Vo project will be handed over in December 2018. We estimate that the land price on a prudent basis is VND220 million/sqm although the current prices traded in this area fluctuate between VND250-300 million/sqm. Low-rise villas have currently started to be built and the ability to complete as plan is very high; (2) 25 low-rise villas of The Terra Hao Nam project will be given in December 2018; (3) VPI expects to transfer 49% of the Terra An Hung project to Japanese partner. We expect VPI will earn VND 800 billion from this deal. (4) 180 billion of revenue will be generated from Thao Dien project transfer in 2018. The details of assumptions are

presented in Figure 19 and 20.

Gross profit margin is estimated to fall slightly from 52.2% in 2017 to 41.8% in 2018 as projects which can be handed over in 2018 have lower gross margins.

Financial income was estimated at VND2 billion, down sharply from 2017 due to the absence of gain from the sale of investments. Financial expenses were estimated at 40.1 billion, up 50.7%, mainly due to increased interest expenses from new loans to finance investment projects.

General and administrator expense/revenue was 5.0%, down more than 1% compared to 2017 due to strong revenue growth.

VPI's after-tax profit in 2019 is forecasted to reach VND686 billion, up 15.68% yoy, corresponding to the forward EPS of 4,289.6 VND/share.

In 2019, total revenue of VPI is estimated at 3,512 VND billion, up 63.9% yoy. This increase thanks to projects: (1) High-rise building of Giang Vo project, (2) High-rise building of Hao Nam project, (3) low-rise villas of Terra An Hung project, (4) high-rise building of Kien Hung project.

Figure 17: Giang Vo Project cashflows

	2018F	2019F
Cash inflows	881,120,210,000	1,290,076,832,000
Cash outflows	908,093,824,433	876,993,107,953
Corporate Tax	41,387,147,941	66,742,490,039
Present value	(68,360,762,374)	346,341,234,008
PVI Present value	236,785,699,307	
Sales	831,036,290,000	1,340,160,752,000
Cost of goods sales	582,548,735,796	939,440,264,204
Gross profit	248,487,554,204	400,720,487,796
Selling expenses	41,551,814,500	67,008,037,600
EBIT	206,935,739,704	333,712,450,196
Corporate tax	41,387,147,941	66,742,490,039
After-tax profit	165,548,591,763	266,969,960,157

Figure 18: Hao Nam Project cashflows

	2018F	2019F
Cash inflows	673,722,176,000	355,367,232,000
Cash outflows	304,090,535,919	447,651,464,081
Corporate Tax	29,141,827,875	16,036,759,645
Present value	340,489,812,206	(108,320,991,726)
PVI Present value	245,052,815,091	
Sales	663,800,000,000	365,289,408,000
Cost of goods sales	484,900,860,626	266,841,139,374
Gross profit	178,899,139,374	98,448,268,626
Selling expenses	33,190,000,000	18,264,470,400
EBIT	145,709,139,374	80,183,798,226
Corporate tax	29,141,827,875	16,036,759,645
After-tax profit	116,567,311,499	64,147,038,581

Figure 19: Giang Vo Project Revenue

	Area (sqm)	Price/sqm (VND)	2018F	2019F
Low-rise building			831,036,290,000	
Construction area	3,094			
Price		220,000,000		
GFA	13,909			
Price		10,810,000		
High-rise building			50,083,920,000	1,290,076,832,000
Sales schedule			40%	60%
Payment schedule			30%	70%
Shopping centre and offices			166,946,400,000	250,419,600,000
Area	7,729		2,782	4,174
% usage	90%			
Unit price		60,000,000		
Apartments			419,452,160,000	629,178,240,000
Area	19,564		6,260	9,391
% usage	80%			
Unit price		67,000,000		

Source: KBSV

Figure 20: Hao Nam Project Revenue

	Area (sqm)	Price/sqm (VND)	2018F	2019F
Low-rise building			663,800,000,000	
Construction area	2144			
Price				
GFA	10,510			
Price				
High-rise building			9,922,176,000	355,367,232,000
Sales schedule			40%	60%
Payment schedule			30%	70%
Shopping centre and offices			33,073,920,000	49,610,880,000
Area	2871		1034	1550
% usage	90%			
Unit price		32,000,000		
Apartments			128,456,640,000	192,684,960,000
Area	8541		2733	4100
% usage	80%			
Unit price		47,000,000		

Source: KBSV

2. Valuation Methods

Revalued Net Asset Value (RNAV) and Relative Multiple Valuation using Public Comparable Company Analysis are applied as valuation methodologies to utilise in deriving a target price for VPI.

RNAV method

As a real estate enterprise, the value of VPI depends very much on the value of the land fund and future projects. The use of the RNAV valuation method is necessary to properly assess the quality of the firm's assets.

DCF method is applied to revalue projects which have sufficient information including Giang Vo project, Hao Nam project, An Hung project, Grandeur Palace My Dinh. Levered beta is 0.951 calculated from companies in the same industry; risk free rate is 4.84% which is equal to 10 year Vietnam T-bond and expected rate of market return is 13.02%, equal to average return of 8 year-VNINDEX. Based on these assumptions, the cost of equity applied for DCF model is 12.6%. Other projects are estimated based on current land price of projects with conservative discount for safety.

Relative multiple valuation

VPI is now trading at P/E trailing of around 15.46x. The P/E forward of 2018 is forecasted at 10.99x. This is quite cheap compared to the average of enterprises in the real estate industry and compared to the VNIndex on average.

Van Phu is a real estate company with great potential for development with vast land funds from BT projects. Most of land lots are in excellence location and possible to bring large profit. We highly appreciate the high growth potential in business results of VPI over the next three years. Based on results from valuation methods and prospective projects, we recommend BUY for VPI. Target price is 48,330 VND per share, 18.9% higher than the price at 10/07/2018.

Figure 21: Project RNAV

(VNDbn)	Owner rate	Revaluation value
Grandeur Palace Giang Vo project	100%	239
The Terra Hao Nam project	49.90%	244
The Terra An Hung project	51%	1,434
Grandeur Palace My Dinh project	100%	820
Kien Hung High-rise building	100%	294
Kien Hung urban area project	50%	284
Duong Noi project	50%	319
Ha Cau project	50%	173
Bac Lam urban area project	50%	1,046
Phu Lam project	50%	341
132 Dao Duy Tu project	19%	202
582 Kinh Duong Vuong project	19%	65
234 Ly Tu Trong project	19%	46
129 Dinh Tien Hoang project	19%	130
Huu Hoa urban area project	25%	1,287
Total		6,924

Source: KBSV

Figure 22: 2018 Earning Forecast

(VNDbn)	2017	2018F	2019F
Net Sale	875	2,143	3,512
138B Giang Vo		831	1,340
83 Hao Nam		332	365
The Victoria An Hung		800	706
Thao Dien		180	
Kiến Hưng			1,100
COGS	419	1,248	2,420
138B Giang Vo		583	939
83 Hao Nam		152	267
The Victoria An Hung		350	527
Thao Dien		163	-
Kiến Hưng		-	687
Gross margin	457	895	1,092
Financial income	76	2	2
Financial expenses	27	40	51
Selling expenses	-	-	-
General and adm exp.	53	107	175
Earning before tax	523	752	869
Earning after tax	422	593	686
EPS	2,636	3,709	4,290

Source: KBSV

Figure 23: Peer group comparison`

	Ticker	Dilluted trailing P/E	Charter Capital	Weight	P/E weight
Dat Xanh Real Estate Service & Construction	DXG	7.83	3,425,714,120,000	16.2%	1.27
Nam Long Investment Cooperation	NLG	10.98	1,886,716,900,000	8.9%	0.98
HDG Construction JSC	HDG	11.83	759,680,800,000	3.6%	0.42
Phat Dat Real Estate Development Joint Sto	PDR	12.22	2,663,890,070,000	12.6%	1.54
Sai Gon Thuong Tin Real Estate JSC	SCR	9.14	3,170,337,940,000	15.0%	1.37
DIC Corp	DIG	29.64	2,381,948,190,000	11.2%	3.33
Khang Dien House Trading and Investment J	KDH	16.45	3,878,323,170,000	18.3%	3.01
LDG Investment JSC	LDG	7.40	1,887,494,540,000	8.9%	0.66
Song Da Urban & Industrial Zone Investmen	SJS	13.41	1,148,555,400,000	5.4%	0.73
Average P/E					13.29

Source: KBSV

Figure 24: VPI Valuation

Method	Current	2018F	2019F	Estimate price	Weight	Weighted Price
P/E	15.46	10.987	9.499	49,296.06	30%	14,788.82
RNAV				47,916.4	70%	33,541.51
Target price						48,330.32

Source: KBSV

APPENDIXES

Financial Information

Profit & Loss

(VNDbn)	2015	2016	2017	Q1/2018
Sales	247	774	875	27
Sales deductions	-24	-2	0	-13
Net sales	223	772	875	15
Cost of sales	-203	-672	-419	-9
Gross Profit	20	100	457	6
Financial income	3	2	76	1
Financial expenses	-9	-19	-27	-1
of which: interest expenses	-9	-19	-27	-1
Gain/(loss) from joint ventures (from 2015)	0	-16	20	6
Selling expenses	-3	-2	0	0
General and admin expenses	-11	-32	-53	-5
Operating profit/(loss)	0	33	473	6
Other incomes	0	2	81	0
Other expenses	-3	-5	-31	0
Net other income/(expenses)	-3	-4	50	0
Net accounting profit/(loss) before tax	-3	29	523	6
Corporate income tax - current	-1	-7	-104	0
Corporate income tax expenses	-1	-7	-104	0
Net profit/(loss) after tax	-4	22	419	6
Minority interests	0	4	-3	-1
Attributable to parent company	-4	18	422	6

Cashflow statement

(VNDbn)	2015	2016	2017	Q1/2018
Net profit/(loss) before tax	-3.02	29.17	522.77	6.01
Depreciation and amortisation	1.27	2.32	1.78	0.65
Profit/loss from investing activities	-2.52	-2.41	-75.35	-0.96
Interest expense	9.20	19.26	26.60	1.48
Operating profit/(loss) before changes in Working Capital	4.93	48.34	475.79	7.17
(Increase)/decrease in receivables	-143.01	-566.52	-510.17	-89.68
(Increase)/decrease in inventories	-581.23	-10.22	-7.75	-9.77
Increase/(decrease) in payables	181.57	329.57	-271.09	-89.54
(Increase)/decrease in prepaid expenses	1.72	2.04	0.91	-0.66
Interest paid	-12.67	-31.25	-26.60	-1.48
Corporate Income Tax paid	-6.16	-2.34	-73.30	-63.08
Other payments on operating activities	0.00	0.00	-1.68	-0.01
Net cash inflows/(outflows) from operating activities	-554.85	-230.38	-413.89	-247.03
Purchases of fixed assets and other long term assets	-4.45	-8.36	-23.03	-6.95
Proceeds from disposal of fixed assets	0.53	0.63	0.53	-5.00
Loans granted, purchases of debt instruments	0.00	-12.75	-23.20	0.00
Collection of loans, proceeds from sales of debts instruments	0.00	2.55	1.83	0.00
Investments in other entities	-117.69	-177.05	-279.41	-1.08
Proceeds from divestment in other entities	478.58	309.51	164.07	17.09
Dividends and interest received	2.52	2.06	3.95	0.96
Net cash inflows/(outflows) from investing activities	359.49	116.59	-155.27	5.02
Proceeds from issue of shares	0.00	0.00	975.74	0.00
Proceeds from borrowings	682.70	975.64	1,469.51	163.81
Repayment of borrowings	-508.25	-774.49	-1,412.63	-165.08
Dividends paid	0.00	0.00	-244.17	0.00
Net cash inflows/(outflows) from financing activities	174.45	201.15	788.45	-1.27
Net increase in cash and cash equivalents	-20.91	87.36	219.29	-243.28
Cash and cash equivalents at the beginning of period	39.94	19.03	106.38	325.68
Cash and cash equivalents at the end of period	19.03	106.38	325.68	82.40

Source: KBSV

Financial Ratios

	2015	2016	2017
EBIT	6.80	65.75	403.77
EBITDA	8.07	68.07	405.55
Gross profit margin	9.17%	12.94%	52.17%
EBITDA margin	3.61%	8.82%	46.32%
EBIT margin	3.04%	8.52%	46.12%
Pre-tax profit margin	-1.35%	3.78%	59.71%
Operating profit margin	0.05%	4.26%	54.05%
Net profit margin	-1.73%	2.84%	47.85%
Asset Turnover Ratio	0.11	0.32	0.27
Equity Turnover Ratio	0.65	2.18	0.73
ROE	-1.02%	5.06%	35.14%
ROA	-0.17%	0.75%	13.12%
EV	1,467.03	1,580.82	6,879.25
P/E	-308.24	60.36	15.63
P/E diluted	-308.24	60.36	15.63
P/B	3.27	3.18	3.57

Source: KBSV

Statement of Financial Position

(VNDbn)	2015	2016	2017	Q1/2018
CURRENT ASSETS	1,620	2,319	2,587	2,421
Cash and cash equivalents	19	106	326	82
Cash	19	38	226	48
Cash equivalents	0	68	100	35
Short-term investments	0	0	22	27
Held-to-maturity investments	0	0	22	27
Accounts receivable	375	1,003	1,052	1,112
Trade accounts receivable	78	893	801	767
Prepayments to suppliers	167	39	32	57
Short-term loans receivables	0	10	4	4
Other receivables	130	60	215	284
Provision for doubtful debts	0	0	0	0
Inventories	1,136	1,146	1,139	1,149
Inventories	1,136	1,146	1,139	1,149
Other current assets	91	64	48	50
Short-term prepaid expenses	0	0	0	0
VAT to be claimed	89	64	48	48
Other taxes receivable	1	0	0	2
LONG-TERM ASSETS	490	374	1,150	1,175
Long-term trade receivables	85	115	490	501
Long-term loans receivables	2	2	0	0
Other long-term receivables	83	113	490	501
Fixed assets	6	13	9	9
Tangible fixed assets	6	13	9	9
Cost	15	20	14	14
Accumulated depreciation	-9	-7	-5	-5
Cost	0	0	0	0
Accumulated depreciation	0	0	0	0
Long-term incomplete assets	39	40	144	151
Long-term cost of work in progress	0	0	45	46
Construction in progress	39	40	98	105
Long-term investments	357	206	505	511
Investments in associates	130	189	488	484
Other long-term investments	228	17	17	27
Good will (before 2015)	0	0	1	0
Other long-term assets	3	1	3	4
Long-term prepayments	3	1	3	4
Good will	0	0	0	0
TOTAL ASSETS	2,110	2,694	3,737	3,596
LIABILITIES	1,767	2,330	1,701	1,554
Current liabilities	1,238	1,883	1,380	1,216
Trade accounts payable	74	232	132	72
Advances from customers	75	2	1	1
Taxes and other payable to State Budget	1	13	77	10
Payable to employees	2	2	8	1
Accrued expenses	763	688	492	483
Short-term unrealized revenue	0	301	0	0
Other payables	88	97	337	334
Short-term borrowings	234	548	334	316
Bonus and welfare funds	0	0	0	0
Long-term liabilities	529	447	320	337
Other long-term payables	357	388	41	41
Long-term borrowings	172	59	279	296
OWNER'S EQUITY	344	364	2,037	2,042
Capital and reserves	344	364	2,037	2,042
Paid-in capital	262	262	1,600	1,600
Common shares	262	262	1,600	1,600
Investment and development funds	15	15	15	15
Other funds	8	8	8	8
Undistributed earnings	45	54	221	228
Beginning accumulated undistributed earnings	49	37	-12	221
Current period undistributed earnings	-4	18	234	6
Minority interests	14	24	193	192
TOTAL RESOURCES	2,110	2,694	3,737	3,596

Investment Rating for Company

Buy: +15% or beyond

Hold: between +15% and -15%

Sell: -15% or beyond

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