



KDH Update - BUY

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Company Update

Recommendation

BUY

HOSE: KDH

Property

Current price (VND)	54,600
Target price (VND)	62,870
Expected share price return	15.1%
Expected dividend yield	0.0%
Expected total return	15.1%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	7.8	9.2	18.6	83.1
Relative	7.2	7.4	13.9	54.8

Source: Bloomberg



Ownership

Dragon Capital	7.0%
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Stock Statistics

3-Mar-22

Bloomberg code	KDH VN
52-week range (VND)	27,091 - 57,500
Shares O/S (m)	643
Mkt cap (VND bn)	35,362
Mkt cap (USD m)	1,539
Foreign room left (%)	15.9
Est. free float (%)	86.9
3m avg daily vol (shrs)	1,923,919
VND/USD	22,980
Index: VNIndex / HNX	1505.85/451.15

KHANG DIEN HOUSE TRADING AND INVESTMENT JSC (KDH VN)

Increase target price by 45% to VND62,870 and upgrade to Buy thanks to revaluation of projects in Binh Tan and Binh Chanh districts of Ho Chi Minh City

Business result

KDH posted unaudited 2021 net revenue of VND3,738bn (-18% YoY) and PAT of VND1,204bn (+4% YoY), equivalent to 77% and 98% of our forecast. The underperforming top line was mainly due to a delay in the launch of Classia project (previously known as Armena), while the bottom line was similar to our projection thanks to nearly VND200bn of revaluation surplus from acquiring Nguyen Thu JSC, which owns a project in Phu Huu Ward, Thu Duc City at the cost of VND420bn. Near the end of 2021, KDH announced its plan to buy 60% of Doan Nguyen Ltd. at the max cost of VND620bn to acquire an over 6ha residential project at Binh Trung Dong and Cat Lai Wards, Thu Duc City.

Given the impacts of the 4th wave of the COVID, KDH just sold 28 units (-94% YoY) at Verosa Park and Lovera Vista in 2021. Thus, advance from customers dropped by over VND2,000bn, to VND157bn at YE2021.

Fund raising

In 2Q2022, KDH will issue VND2,000bn of 36-month non-convertible, unsecured and no-warrant corporate bonds to the public with a fixed coupon rate of 9-10%, of which VND1,600bn will be used for land clearance at Tan Tao urban area and construction and development of the condominium project in Binh Tan district and VND400bn for construction and development of the Classia project. We expect Net debt/Equity ratio increased from 10.9% at YE2021 to 16.9% at YE2022.

Forecast

In 2022, the company is expected to launch three new projects, i.e. Classia in Thu Duc City (4.3ha with 180 low-rise units), Clarita in Thu Duc City (5.8ha with 159 low-rise units) and a condominium project in Binh Tan district (1.8ha with ~1,000 units). Given low supply, infrastructure development and the potential of the Thu Duc City, we expect high absorption rates of these projects with estimated 2022 sales value of over VND6,400bn.

	2018	2019	2020	2021U	2022E
Net Sales (VNDbn)	2,917	2,813	4,532	3,738	3,926
Growth (%)	-4.5%	-3.5%	61.1%	-17.5%	5.0%
EBITDA (VNDbn)	990	1,232	1,558	1,419	1,746
Growth (%)	23.8%	24.5%	26.4%	-8.9%	23.0%
PATMI (VNDbn)	808	915	1,153	1,202	1,311
Growth (%)	60.9%	13.3%	26.0%	4.3%	9.1%
EPS (bonus-adjusted, VND)	1,333	1,463	1,873	1,790	1,938
Growth (%)	6.0%	9.8%	28.0%	-4.4%	8.2%
ROE (%)	12.4%	12.6%	14.6%	13.1%	12.1%
ROIC (%)	7.9%	7.6%	8.3%	8.5%	8.5%
Net debt/EBITDA (x)	-0.9	-0.3	0.0	0.8	1.1
EV/EBITDA (x)	34.6	28.1	22.5	25.5	21.2
PER (x)	41.0	37.3	29.2	30.5	28.2
PBR (x)	3.3	3.9	3.8	3.4	3.1
DPS (VND)	500	500	-	-	-
Dividend yield (%)	0.9%	0.9%	0.0%	0.0%	0.0%

We expect a 5% YoY growth in 2022 net revenue, to VND3,926bn and a 9% YoY growth in PAT, to VND1,316bn mainly thanks to delivery of Classia and Clarita projects.

Le Minh Xuan expansion IP is expected to start building infrastructure and waste & water treatment plants from 3Q2022 and start leasing from 2023 with expected land leasing rate of USD260/sqm. KDH is finishing legal paper for Corona City and expects to launch in 2023. These two projects will be key growth drivers for the next year.

Valuation

With a total area of 330ha, **Tan Tao urban area** is KDH's biggest project and one of the biggest urban areas in the west of HCMC. It is adjacent to current residential area of Binh Tan and Binh Chanh districts and near many key facilities such as Aeon Mall Binh Tan and City Children's Hospital. Given an increase of clearance area by 80ha to 270ha and a 40% of average market price to VND7mn/sqm, our valuation for this project doubled to VND18,900bn.

Regarding **Corona City** and **Phong Phu 2** projects, we increased selling prices and absorption rate to reflect the growing market price and higher demand when Binh Chanh rural district was proposed to upgrade to urban district or city by 2025.

Overall, KDH has a clear project legal status, good product design, on-time delivery and healthy financial status. It is expected to benefit from the development of the Thu Duc city, proposal to upgrade Binh Chanh rural district to urban district or city by 2025 and low supply of industrial land in HCMC. Using the RNAV method, we suggest a target price of VND62,870 at YE22, up by 45% compared to our previous target price mainly thanks to the revaluation of some projects in Binh Tan and Binh Chanh districts, especially Tan Tao urban area. **Upgrade to Buy.**

	Location	Total area (ha)	Old valuation (VNDbn)	New valuation (VNDbn)	Note
Tan Tao urban area	Binh Tan	330.0	9,500	18,900	Market price Clean area increased by 80ha to 270ha. Market price increased by 40% to VND7mn/sqm
Corona City (11A)	Binh Chanh	16.4	1,473	2,934	DCF Increase selling price by 26% Increase absorption rate from 85% to 100%
Phong Phu 2	Binh Chanh	132.9	8,560	11,185	DCF Increase selling price by 15% Increase absorption rate from 90% to 100%
Condominium in Binh Tan Dt.	Binh Tan	1.8	1,278	1,135	DCF Delay in development
Lovera Vista	Binh Chanh	1.8	86	311	DCF Launch of remaining 163 units were rescheduled from 2021 to later years.
Clarita	Thu Duc City	5.8	1,671	1,434	DCF Delay in development
Classia	Thu Duc City	4.3	1,723	1,672	DCF Delay in development
Verosa	Thu Duc City	8.1	0	16	DCF Delivery of remaining 4 units were rescheduled from 2021 to 2022.
Le Minh Xuan expansion IP	Binh Chanh	109.9	2,156	2,036	DCF Delay in development
Other assets			1,254	1,938	BV
Total assets			27,411	41,574	
Net debt			741	1,118	BV
Minority			31	35	BV
NAV			26,638	40,421	
Number of shares (mn)			615	643	
NAV per share			43,308	62,870	

KDH FINANCIALS MODEL	Market price (VND):	54,600	Target (VND):	62,870	Mkt cap (VNDbn):	35,362
(VNDbn except where stated)	2018	2019	2020	2021U	2022E	
Net Sales	2,917	2,813	4,532	3,738	3,926	
<i>Sales growth</i>	<i>-4.5%</i>	<i>-3.5%</i>	<i>61.1%</i>	<i>-17.5%</i>	<i>5.0%</i>	
CoGS ex-dep'n	1,670	1,304	2,558	1,935	1,777	
<i>Gross margin</i>	<i>42.5%</i>	<i>53.3%</i>	<i>43.3%</i>	<i>48.0%</i>	<i>54.5%</i>	
SG&A	257	278	416	384	403	
<i>SG&A as % of sales</i>	<i>8.8%</i>	<i>9.9%</i>	<i>9.2%</i>	<i>10.3%</i>	<i>10.3%</i>	
EBITDA	990	1,232	1,558	1,419	1,746	
<i>EBITDA margin</i>	<i>33.9%</i>	<i>43.8%</i>	<i>34.4%</i>	<i>38.0%</i>	<i>44.5%</i>	
Depreciation	8	9	11	10	11	
Operating profit	982	1,223	1,547	1,408	1,735	
<i>Operating profit margin</i>	<i>33.7%</i>	<i>43.5%</i>	<i>34.1%</i>	<i>37.7%</i>	<i>44.2%</i>	
Profit/loss from associates and JVs	4	-	-	-	-	
Financial income (excl. saving interest)	137	3	-	-	-	
Financial expenses (excl. interest expense)	57	40	85	57	57	
Net interest expense	-31	-37	-35	-5	-1	
<i>as % of avg, net debt</i>	<i>3.4%</i>	<i>5.7%</i>	<i>16.9%</i>	<i>-0.8%</i>	<i>-0.1%</i>	
Other profit/loss	-21	-33	-39	184	0	
<i>Tax</i>	<i>266</i>	<i>273</i>	<i>304</i>	<i>335</i>	<i>366</i>	
<i>Effective tax rate (%)</i>	<i>24.8%</i>	<i>22.9%</i>	<i>20.8%</i>	<i>21.8%</i>	<i>21.8%</i>	
Minority interest	2	2	2	2	2	
PATMI	808	915	1,153	1,202	1,311	
<i>Net profit margin (%)</i>	<i>27.8%</i>	<i>32.6%</i>	<i>25.5%</i>	<i>32.2%</i>	<i>33.4%</i>	
Cash earnings	817	926	1,165	1,215	1,324	
Number of shares (m)	414	544	559	643	643	
EPS (VND)	2,020	1,690	2,060	1,790	1,938	
Bonus factor (x)	0.7	0.9	0.9	1.0	1.0	
Adjusted EPS (VND)	1,333	1,463	1,873	1,790	1,938	
<i>EPS growth (%)</i>	<i>6.0%</i>	<i>9.8%</i>	<i>28.0%</i>	<i>-4.4%</i>	<i>8.2%</i>	

KEY CASHFLOW AND BS ITEMS	2018	2019	2020	2021U	2022E
Increase in working capital	660	1,186	825	3,068	1,934
Capex	161	235	48	49	92
Other cash flow items	30	162	-149	-143	-130
Free cash flow	26	-333	143	-2,045	-833
Share issues (m)	101	97	-314	936	0
Dividends paid	194	207	262	0	0
Increase in net debt	66	443	433	1,108	833
Net debt, end of year	-867	-424	9	1,118	1,950
Shareholders' equity	6,899	7,664	8,158	10,221	11,532
BVPS (VND)	16,579	14,006	14,544	15,842	17,871
Net debt / equity (%)	-12.6%	-5.5%	0.1%	10.9%	16.9%
Net debt / EBITDA (x)	-0.9	-0.3	0.0	0.8	1.1
Total assets	10,228	13,237	13,934	14,349	16,495

KEY RETURN AND VALUATION RATIOS	2018	2019	2020	2021U	2022E
ROE	12.4%	12.6%	14.6%	13.1%	12.1%
ROA	8.1%	7.8%	8.5%	8.5%	8.5%
ROIC	7.9%	7.6%	8.3%	8.5%	8.5%
WACC	14.6%	9.1%	8.4%	9.1%	8.6%
EVA	-6.7%	-1.5%	-0.1%	-0.6%	-0.1%
PER (x)	41.0	37.3	29.2	30.5	28.2
EV/EBITDA (x)	34.6	28.1	22.5	25.5	21.2
EV/FCF (x)	1302.8	-104.2	245.7	-17.7	-44.5
PBR (x)	3.3	3.9	3.8	3.4	3.1
PSR (x)	12.0	12.5	7.7	9.4	8.9
EV/sales (x)	11.7	12.3	7.7	9.7	9.4
Dividend yield	0.9%	0.9%	0.0%	0.0%	0.0%

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DISCLAIMER

Our Recommendation System

BUY: where we believe prospective 12 month VND total return (including dividends) will be 15% or more.

HOLD: where we believe it will be -15% to 15%.

SELL: where we believe it will be lower than -15%.

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