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## NLG – Humble 1Q2022 business result mainly due to a delay in recording ~VND350bn profit from transferring 50% of Paragon Dai Phuoc

Nam Long (HSX: NLG) announced humble 1Q2022 business result with a 149% YoY increase in net revenue, to VND587bn but a 91% YoY decrease in PAT, to VND33bn. Consolidation of Southgate project from 3Q2021 after increasing voting ratio from 50% to 65% led to the high growth of the top line, a 26 pts YoY increase in gross margin to 42.6% and a decrease in profit shared from associates and joint ventures to VND0bn. The decrease in the bottom line was mainly due to VND423bn of revaluation surplus from consolidating Izumi project (i.e. increasing ownership from 35.1% to 65.1%) recorded in 1Q2021. The results were equivalent to only 8% and 2% of the company's revenue and PAT targets and lower than our estimation mainly due to a delay in recording ~VND350bn of profit from transferring 50% of Paragon Dai Phuoc and lower project delivery than expectation.

Unit: VNDbn	1Q2021	1Q2022	YoY growth
Net revenue	236	587	+149%
Gross margin	17.0%	42.6%	+26 pts
Financial income	8	23	+201%
Financial expenses	21	39	+83%
SGA expenses	138	194	+41%
Profit from associates and JVs	32	0	-100%
Other income	429	6	-99%
PAT	366	33	-91%

On 19/3/2022, NLG and its two strategic partners Hankyu Hanshin Properties and Nishi Nippon Railroad officially launched 500 units at Block AK7 and AK8 of Akari project and recorded an absorption rate of 85% and sales value of over VND1,400bn in the first 4 hours. On 16/4/2022, the company and its two partners continued to introduce 300 Flora Panorama units of Mizuki project with an absorption rate of 80% and sales value of around VND900bn in the first 3 hours. If including bookings of over VND1,300bn for 190 units at Izumi project near the end of 2021 and sales result from other projects, NLG sold 1,274 units with a total value of nearly VND5,900bn in 4M2022, completing 27% and 25% of 2022 targets, respectively.

**Comment:** We maintain our 2022 forecast for NLG with net revenue of VND6,266bn (+21% YoY) and PATMI of VND1,237bn (+16% YoY) as we think project delivery will speed up and profit from transferring Paragon Dai Phuoc will be recorded in the coming quarters. We keep our current target price for this stock at VND56,597 which is 34% above the market price.

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