

## VRE – 1Q2022 result was affected by COVID-19 but still strongly recovered compared to 4Q2021

VRE's 1Q2022 result was below its 1Q2021 level given the pandemic, but strongly recovered compared to 4Q2021 with total revenue of VND1,369bn (-38% YoY but +0.2% QoQ) and PAT of VND378bn (-52% YoY but +210% QoQ).

Leasing revenue was VND1,246bn (+40% QoQ but -27% YoY) due to a supporting package of VND464bn in terms of rent waivers for tenants affected by COVID-19, a significant drop from VND766bn in 4Q2021. VRE expected the supporting package would continue to decrease in the coming quarters as the economy is recovering. Average occupancy rate of 80 malls in 1Q2022 decreased slightly by 0.2 ppts QoQ and 1.6 ppts YoY to 82.7% as small tenants with financial difficulties left. However, many big international and local tenants are planning to open a considerable number of new stores in the malls in the coming months. Footfall in Vincom's malls continued to increase in the first quarter of 2022, reaching 26.5 million for the whole quarter, an increase of 30% compared to 4Q2021, and 2x times compared to 3Q2021, and is expected to continue this upward trend.

Three new malls are expected to be opened in 2022, of which VMM Smart City with a total GFA of 68,000 sqm already opened on 28/4/2022 and VCP My Tho and VCP Bac Lieu, with a total GFA of ~27,000 sqm, are to be opened later in June with high committed occupancy rates of 98% for VMM Smart City, 96% for VCP My Tho, and 95% for VCP Bac Lieu. From 2022 to 2026, VRE adjusts its expansion plan from additional 3mn of retail GFA to 1.4-2.0mn sqm due to the pandemic with an expected capex of USD0.7-1bn, mostly generated from its operating cash flow. The company also wants to upgrade tenant mix in existing 20-25 malls in 2022-2023 and improve lightning and signage system in all existing malls to improve customer experience and footfall.

Property sales decreased by 81% QoQ and 81% YoY, to VND84bn, primarily due to project recognition timing as lower number of shophouses were delivered (20 units vs 104 units in 4Q2021 and 111 units in 1Q2021). On the other hand, pre-sales witnessed a strong rebound. Over 270 shophouses, 240 of which were from the Quang Tri project, were sold with a total contracted sales of nearly VND 1.6 trn in 1Q2022. The Company sets a presales target of nearly 600 units with value of more than VND 3.1 trn for the full year 2022. However, the contribution of property sales will fall in the years to come because VRE will focus on the leasing segment, which is the Company's core business going forward.

Unit: VNDbn	1Q2021	4Q2021	1Q2022	QoQ	YoY
Leasing revenue	1,712	891	1,246	+40%	-27%
Property sales	452	436	84	-81%	-81%
<b>Total revenue</b>	<b>2,226</b>	<b>1,367</b>	<b>1,369</b>	<b>+0.2%</b>	<b>-38%</b>
<b>PAT</b>	<b>781</b>	<b>122</b>	<b>378</b>	<b>+210%</b>	<b>-52%</b>

Source: VRE's 4Q2021 and 1Q2022 financial statements.

**Comment:** The 1Q2022 result was lower than our expectation, but we maintain our 2022 forecast with net revenue of VND7,496bn (+27% YoY) and PAT of VND2,320bn (+31% YoY) given the opening of three new malls, recovering footfall and expected decreasing supporting package in the coming quarters. Our 2022 target price remained unchanged at VND34k/share which is 14% above the market price.

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