



VHM Update - BUY

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Company Update

Recommendation

BUY
HSX: VHM
Property

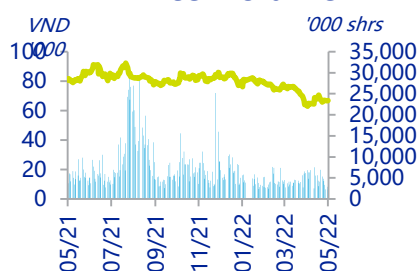
Target price (VND)	98,385
Market price (VND)	66,900
Expected share price return	47.1%
Expected dividend yield	2.2%
Expected total return	49.3%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-18.4	3.4	-14.9	-16.8
Relative	-0.9	13.9	2.5	-12.9

Source: Bloomberg

Price-Volume



Ownership

Vingroup JSC	66.66%
Viking Asia Holding II Pte. Ltd	4.59%

Stock Statistics 24-May-22

Bloomberg code	VHM VN
52-week range (VND)	59,200 - 93,769
Shares O/S (m)	4,354
Mkt cap (VND bn)	291,307
Mkt cap (USD m)	12,641
Est. Foreign room left (%)	26.7
Est. free float (%)	28.7
3m avg daily vol (shrs)	4,452,228
VND/USD	23,045
Index: VNIndex / HNX	1233.38/307.95

VINHOMES JSC (VHM VN)

Reiterate our Buy rating with target price of VND98,385 given strong pre-sales forecast in 2022

VHM announced 1Q2022 result with net revenue of VND8.9trn (-31% YoY) and PAT of VND4.7trn (-14% YoY), equivalent to 12% and 16% of its targets. The decline was mainly due to:

- (i) Lower number of retail units delivered (c.2,000 units vs. c.2,900 units),
- (ii) Lower adjusted bulk sales revenue* (VND5 trn vs. VND5.3trn),
- (iii) SGA expenses increased by 25% YoY, to VND1.4trn, and
- (iv) Financial expense increased by 32% YoY, to VND477bn given VND236bn of reversal of provision for investment recorded in 1Q2021.

Unit: VNDbn	1Q2021	1Q2022	Δ YoY
Net revenue	12,986	8,923	-31%
Gross profit	6,212	3,866	-38%
Financial income	2,307	3,829	66%
Financial expense	361	477	32%
SGA expenses	1,125	1,404	25%
PAT	5,478	4,725	-14%

Source: VHM's 1Q2022 Consolidated FS

Sales performance in 1Q2022 recorded impressive result with 9,400 units sold (+490% YoY) and contracted value of VND16.5trn (+175% YoY), of which three bulk sales transactions accounted for 44%. Unbilled bookings at the end of 1Q2022 slightly increased by 9% QoQ and 3% YoY, to VND57trn.

2022 pre-sales target was ambitiously set at USD5-6bn (+25-50% YoY) given launches of low-rise components at new mega projects: Vinhomes Ocean Park 2 – The Empire (formerly known as Vinhomes Dream City), which was launched at the end of April, followed by Vinhomes Dai An (known as Vinhomes Ocean Park 3), Vinhomes Wonder Park and Vinhomes Co Loa. In Vinhomes Ocean Park 2 – The Empire, VHM has a total of c.5,300 low-rise units with ASP between USD1,300-2,200/GFA sqm** in the first launch which yielded very positive result as per management. Details of other new projects were summarized in Appendix 1.

	2019	2020	2021	2022E	2023E
Net Sales (VNDbn)	51,627	71,547	84,986	73,540	94,482
Growth	33.5%	38.6%	18.8%	-13.5%	28.5%
EBITDA (VNDbn)	23,570	21,604	43,490	33,504	38,735
Growth	199.2%	-8.3%	101.3%	-23.0%	15.6%
PATMI (VNDbn)	21,746	27,351	38,825	30,248	32,490
Growth	52.2%	25.8%	41.9%	-22.1%	7.4%
EPS (bonus-adjusted, VND)	5,002	6,396	9,015	6,946	7,462
Growth	44.4%	27.9%	40.9%	-22.9%	7.4%
ROE	43.8%	38.6%	36.9%	22.4%	20.7%
ROIC	13.7%	13.5%	17.7%	12.6%	12.1%
Net debt/EBITDA (times)	0.5	0.4	0.2	0.6	0.8
EV/EBITDA (times)	13.1	14.3	7.1	9.2	8.0
PER (times)	13.4	10.5	7.4	9.6	9.0
PBR (times)	3.9	2.6	2.3	2.0	1.7
DPS (VND)	0	1,500	2,000	1,500	1,600
Dividend yield	0.0%	2.2%	3.0%	2.2%	2.4%

*Include bulk sales under share transfer transactions which were recorded as financial incomes.

**Low-rise GFA = Construction area times no. of floors. Subject to change depending on type of products, locations, etc.

We expect good absorption rates of these projects with estimated 2022 pre-sales of USD4.8bn given limited supply in the landed properties market, stable demand from bulk-sales customers and VHM's brand name.

In the recent AGM, the Chairman announced a plan to develop 500,000 social houses with area of 24-70sqm and expected selling price of VND300-950mn/unit under brand name 'Happy Home' in the next 5 years. Each project has an area of over 50-60ha in the suburban areas of Hanoi, HCMC, Hai Phong, Quang Ninh, Da Nang, etc. The first project may be started in 8/2022 and delivered in 6/2023.

This announcement had a positive effect on VHM's social image given the shortage of houses for low-income citizens. VHM's strategy is to support the government's effort in alleviating the prominent social housing demand especially after Covid-19. A social housing aid package of up to VND65trn (or USD2.8bn) is proposed to support social housing developers and housing for workers, in which VND15trn lending package to low-income citizens has been effective since January 30, 2022. VHM will develop the social housing projects alongside other mega projects, which is expected help to boost the growth in revenue and profit further. A social housing project is exempted from land use fee payment, but there is a capped profit of 10% on total investment capital. We will reflect these projects in our valuation once the Company provides specific guidance on the execution plan.

The real estate market is currently affected by:

- (i) government's inspection of land bidding and corporate bonds issuance, and
- (ii) tightening credit for both developers and home-buyers.

These factors led to a delay in project launches and deliveries, obstructed land bank expansion, and slowed retail sales. However, we think Vinhomes will stand firm during this challenging period and its long-term outlook remains positive given its 168mn sqm of land bank, strong financial health (net debt/Equity ratio decreased from 66.5% to 12.7% in 2016-1Q2022), proven capital raising capability and leading position (market share of 27% in all condominium segments and 19% in landed properties segment in 2016-2021).

We forecast 2022 net revenue of VND73.5trn (-14% YoY) and PAT of VND31.5trn (-19% YoY), equivalent to 98% and 105% of the company's targets and expect a recovery in 2023 with net revenue of VND94.5trn (+28% YoY) and PAT of VND33.8trn (+7% YoY) thanks to strong 2022 pre-sales. We reiterate our Buy recommendation for this stock with 2022 target price of VND98,385/share, using the NAV method.

Appendix 1: Upcoming launched mega projects

Project name	Vinhomes Ocean Park – The Empire	Vinhomes Dai An (Ocean Park 3)	Vinhomes Wonder Park	Vinhomes Co Loa
Location	Van Giang, Hung Yen	Van Giang, Hung Yen	Dan Phuong, Hanoi	Dong Anh, Hanoi
Total area (ha)	460	294	133	385
NSA (sqm)	n/a	2,123,000	364,000	1,724,000
GDV (USDbn)	> c.6	< c.5	< c.2	> c.4
Key components	Apartments, villas, shop-houses, schools, hospitals, shopping mall, 18.1ha Royal Wave Park with the world's largest Wave Pool complex	Apartments, villas, townhouses, schools, shopping mall, parks, swimming pools	Apartments, villas, shop-houses, schools, shopping mall, 16ha ecological park, Vietnam's largest swimming pool complex	Apartments, villas, shop-houses, schools, hospitals, shopping mall, exhibition complex

Source: VHM

VHM FINANCIALS MODEL	Market price (VND):	66,900	Target (VND):	98,385	Mkt cap (VNDbn):	291,307
(VNDbn except where stated)		2019	2020	2021	2022E	2023E
Total Net Sales		51,627	71,547	84,986	73,540	94,482
<i>Sales growth</i>		33.5%	38.6%	18.8%	-13.5%	28.5%
CoGS ex-dep'n		23,819	45,069	35,438	34,397	48,502
Gross profit		27,456	25,936	48,460	37,729	44,283
<i>Gross margin</i>		53.2%	36.3%	57.0%	51.3%	46.9%
SG&A		4,237	4,874	6,058	5,639	7,244
<i>SG&A as % of sales</i>		8.2%	6.8%	7.1%	7.7%	7.7%
EBITDA		23,570	21,604	43,490	33,504	38,735
<i>EBITDA margin</i>		45.7%	30.2%	51.2%	45.6%	41.0%
Depreciation		352	542	1088	1414	1697
Operating profit		23,219	21,062	42,402	32,090	37,038
<i>Operating profit margin</i>		45.0%	29.4%	49.9%	43.6%	39.2%
Profit/loss from associates and JVs		0	19	54	54	54
Financial income (excl. saving interest)		6,667	17,814	6,518	8,375	7,098
Financial expenses (excl. interest expense)		171	1,018	438	438	438
Net interest expense		1	571	871	979	1,757
Other profit		30	-789	518	246	271
Tax		5,427	8,310	9,234	7,870	8,453
<i>Effective tax rate (%)</i>		18.2%	22.8%	19.2%	20.0%	20.0%
PAT		24,318	28,207	38,948	31,479	33,813
Minority interest		2,572	855	124	1,232	1,323
PATMI		21,746	27,351	38,825	30,248	32,490
<i>Net profit margin (%)</i>		42.1%	38.2%	45.7%	41.1%	34.4%
Cash earnings		22,098	27,893	39,912	31,662	34,187
Number of shares (m)		3,290	3,290	4,354	4,354	4,354
EPS (VND)		6,502	8,315	9,015	6,946	7,462
Bonus factor (x)		0.8	0.8	1.0	1.0	1.0
Adjusted EPS (VND)		5,002	6,396	9,015	6,946	7,462
<i>EPS growth (%)</i>		44.4%	27.9%	40.9%	-22.9%	7.4%

KEY CASHFLOW AND BS ITEMS	2019	2020	2021	2022E	2023E
Increase in working capital	-39,375	-19,182	5,991	8,045	8,959
Capex	3,641	3,069	17,851	8,187	9,703
Other cash flow items	-34,024	-39,377	-18,513	-18,160	-18,160
Free cash flow	23,808	4,629	-2,442	-2,731	-2,635
Share issues (m)	-5,550	-786	6,515	0	0
Dividends paid	3,687	218	5,199	8,709	6,532
Increase in net debt	-14,571	-3,625	1,126	11,440	9,167
Net debt, end of year	12,812	9,188	10,314	21,754	30,920
Shareholders' equity	64,715	89,130	131,407	152,946	178,905
BVPS (VND)	17,053	26,053	28,647	33,319	38,902
Net debt / equity (%)	19.8%	10.3%	7.8%	14.2%	17.3%
Net debt / EBITDA (x)	0.5	0.4	0.2	0.6	0.8
Total assets	197,241	215,326	230,516	263,495	298,621

KEY RETURN AND VALUATION RATIOS	2019	2020	2021	2022E	2023E
ROE	43.8%	38.6%	36.9%	22.4%	20.7%
ROA	14.3%	13.7%	17.8%	12.6%	11.9%
ROIC	13.7%	13.5%	17.7%	12.6%	12.1%
WACC	9.7%	10.7%	11.0%	10.5%	10.4%
EVA	4.0%	2.8%	6.8%	2.1%	1.7%
PER (x)	13.4	10.5	7.4	9.6	9.0
EV/EBITDA (x)	13.1	14.3	7.1	9.2	8.0
EV/FCF (x)	13.0	66.7	-126.3	-113.0	-117.1
PBR (x)	3.9	2.6	2.3	2.0	1.7
PSR (x)	5.6	4.1	3.4	4.0	3.1
EV/sales (x)	6.0	4.3	3.6	4.2	3.3
Dividend yield	0.0%	2.2%	3.0%	2.2%	2.4%

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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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