



VRE Update - BUY

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Company Update

Recommendation

BUY
HSX: VRE
Property
Target price (VND) 36,668

Market price (VND) 28,100

Expected share price return 30.5%

Expected dividend yield 0.0%

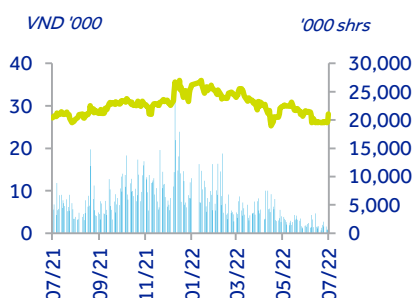
Expected total return 30.5%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-6.6	-2.6	-5.9	3.3
Relative	11.3	-2.2	4.0	7.3

Source: Bloomberg

Price-Volume



Ownership

Vingroup JSC 60.3%

Stock Statistics

28-Jul-22

Bloomberg code VRE VN

52-week range (VND) 25,100 - 37,000

Shares O/S (m) 2,272

Mkt cap (VND bn) 63,852

Mkt cap (USD m) 2,715

Est. Foreign room left (%) 18.4

Est. free float (%) 23.5

3m avg daily vol (shrs) 2,460,206

VND/USD 23,520

Index: VNIndex / HNX 1217.05/290.83

VINCOM RETAIL JSC (VRE VN)

Upgrade 2022 forecasts and our target price to VND36,668 given lower expected supporting package to tenants, higher 2022 property presales and lower net debt balance. Change rating from Hold to Buy as stock price has adjusted by 12% since our update report in 3/2022.

VRE announced a positive 2Q2022 result with net revenue of VND1,850bn (+23% YoY) and PAT of VND773bn (+100% YoY), which was in line with our forecast. This result was mainly thanks to a 33% YoY growth of leasing revenue, to VND1,822bn driven by: (1) minimal supporting package when tenants returned to relatively normal businesses compared with VND424bn spent in 2Q2021 and (2) openings of VMM Smart City, VCP My Tho and VCP Bac Lieu with total retail GFA of ~93,000 sqm in 2Q2022.

On the other hand, property sales dropped by 91% YoY, to VND8bn due to lower units delivered (2 units vs 16 units). However, presales recorded deposits for 218 units in 2 new projects, leading to unbilled bookings of VND2,900bn at the end of 2Q2022 which will drive property sales to increase in 2023.

For 1H2022, VRE recorded stable result compared with 1H2021 with net revenue of VND3,219bn (-14% YoY) and PAT of VND1,151bn (-2% YoY), completing 40% and 48% of targets, respectively.

	2Q2021	2Q2022	YoY	1H2021	1H2022	YoY
Leasing revenue	1,370	1,822	+33%	3,082	3,069	-0%
Property sales	96	8	-91%	548	93	-83%
Other revenue	45	19	-59%	107	58	-46%
Total revenue	1,510	1,850	+23%	3,737	3,219	-14%
PAT	388	773	+100%	1,168	1,151	-2%

Source: VRE's unaudited 2Q2022 FS.

As of 2Q2022, VRE has 83 operating malls with a total retail GFA of ~1.75mn sqm (+6% YoY) and average occupancy rate of 82.5% (-1.6 ppts YoY). Next year, VRE plans to open VMM The Empire, VMM Grand Park and some VCPs in Ha Giang, Quang Tri, etc. to increase total retail GFA to ~2mn sqm. For 2024-2026 period, VRE plans retail GFA to reach ~3-3.7mn sqm with VMM as the main contribution.

	2019	2020	2021	2022E	2023E
Net Sales (VNDbn)	9,259	8,329	5,891	7,618	11,269
Growth	1.5%	-10.0%	-29.3%	29.3%	47.9%
EBITDA (VNDbn)	5,030	4,575	3,250	4,505	6,389
Growth	24.3%	-9.0%	-29.0%	38.6%	41.8%
PAT (VNDbn)	2,853	2,382	1,315	2,396	3,855
Growth	18.2%	-16.5%	-44.8%	82.2%	60.9%
EPS (bonus-adjusted, VND)	1,227	1,048	578	1,054	1,697
Growth	0.6%	-14.6%	-44.8%	82.3%	60.9%
ROE	10.3%	8.5%	4.4%	7.5%	11.0%
ROIC	10.3%	8.5%	4.5%	7.6%	11.6%
Net debt/EBITDA (times)	0.1	0.2	-0.1	-0.3	-0.5
EV/EBITDA (times)	12.3	13.5	19.0	13.7	9.7
PER (times)	22.4	26.8	48.6	26.6	16.6
PBR (times)	2.4	2.2	2.1	1.9	1.7
DPS (VND)	1,050	0	0	0	0
Dividend yield	3.7%	0.0%	0.0%	0.0%	0.0%

As the pandemic in Vietnam has been put under control, we revised estimated 2022 supporting package from VND800bn to VND600bn, thus slightly increase estimated 2022 revenue and PAT up by 2% and 3%, to VND7,618bn (+29% YoY) and VND2,396bn (+82% YoY), respectively.

Overall, we believe VRE will strongly recover in 2022 given its internal strength (i.e. dominant market share, healthy financial status and support from the Vingroup ecosystem) and external growth drivers (e.g. recovering local retail market and continuous expansion of international brands in Vietnam). **We upgrade our target price by 8% to VND36,668 and change rating from Hold to Buy** as the stock price has adjusted by 12% since our update report in 3/2022. Our main concerns for this stock are: (1) delays in developing Vinhomes' mega projects may affect VRE's expansion plan, (2) disruption of supply chains given China's zero-COVID policy may affect tenants' new stores' openings and (3) inflation concerns may affect shoppers' consumption of non-essential goods.

Appendix 1: Occupancy rate

	2Q2021	1Q2022	2Q2022	YoY (ppts)	QoQ (ppts)
Vincom Center (VCC)	94.8%	93.0%	93.0%	-1.8	0.0
Vincom Mega Mall (VMM)	86.8%	86.3%	86.3%	-0.5	0.0
Vincom Plaza (VCP)	80.3%	78.5%	77.8%	-2.5	-0.7
Vincom+ (VC+)	74.6%	73.5%	73.1%	-1.5	-0.4
Total	84.1%	82.7%	82.5%	-1.6	-0.2

Source: VRE

VRE FINANCIALS MODEL	Price (VND):	28,100	Target (VND):	36,668	Mkt cap (VND bn):	63,852
(VND bn except where stated)	2019	2020	2021	2022E	2023E	
Total Net Sales	9,259	8,329	5,891	7,618	11,269	
Of which: Property leasing with related services	7,017	6,008	4,701	6,663	8,324	
Property sales	2,027	2,149	1,004	750	2,720	
Others	215	172	186	205	226	
<i>Sales growth</i>	<i>1.5%</i>	<i>-10.0%</i>	<i>-29.3%</i>	<i>29.3%</i>	<i>47.9%</i>	
CoGS ex-dep'n	3,408	3,025	2,007	2,416	3,849	
Gross profit	4,404	3,821	2,392	3,648	5,749	
<i>Gross margin</i>	<i>47.6%</i>	<i>45.9%</i>	<i>40.6%</i>	<i>47.9%</i>	<i>51.0%</i>	
SG&A	821	729	635	697	1,032	
<i>SG&A as % of sales</i>	<i>8.9%</i>	<i>8.7%</i>	<i>10.8%</i>	<i>9.2%</i>	<i>9.2%</i>	
EBITDA	5,030	4,575	3,250	4,505	6,389	
<i>EBITDA margin</i>	<i>54.3%</i>	<i>54.9%</i>	<i>55.2%</i>	<i>59.1%</i>	<i>56.7%</i>	
Depreciation	1,447	1,483	1,492	1,555	1,672	
Operating profit	3,583	3,093	1,757	2,950	4,717	
<i>Operating profit margin</i>	<i>38.7%</i>	<i>37.1%</i>	<i>29.8%</i>	<i>38.7%</i>	<i>41.9%</i>	
Financial income (excl. saving and lending interest)	0	-	-	-	-	
Financial expenses (excl. interest expense)	6	24	41	41	41	
<i>as % of avg. net debt</i>	<i>24.6%</i>	<i>24.1%</i>	<i>25.7%</i>	<i>6.0%</i>	<i>4.7%</i>	
Other profit	30	91	34	34	34	
Tax	724	610	377	599	964	
<i>Effective tax rate</i>	<i>20.2%</i>	<i>20.4%</i>	<i>22.3%</i>	<i>20.0%</i>	<i>20.0%</i>	
Minority interest	0	0	1	0	0	
NPATMI	2,851	2,382	1,315	2,396	3,855	
<i>Net profit margin</i>	<i>30.8%</i>	<i>28.6%</i>	<i>22.3%</i>	<i>31.4%</i>	<i>34.2%</i>	
Cash earnings	4,299	3,864	2,807	3,951	5,527	
Number of shares (m)	2,272	2,272	2,272	2,272	2,272	
EPS (VND)	1,227	1,048	578	1,054	1,697	
Bonus factor (x)	1.0	1.0	1.0	1.0	1.0	
Adjusted EPS (VND)	1,227	1,048	578	1,054	1,697	
<i>EPS growth</i>	<i>0.6%</i>	<i>-14.6%</i>	<i>-44.8%</i>	<i>82.3%</i>	<i>60.9%</i>	

KEY CASHFLOW AND BS ITEMS	2019	2020	2021	2022E	2023E
Increase in working capital	1,242	1,499	752	957	270
Capex	1,896	4,377	652	1,925	3,383
Other cash flow items	2,284	1,838	-292	0	0
Free cash flow	3,445	-173	1,111	1,069	1,875
Share issues	-1,954	0	0	0	0
Dividends paid	2,451	0	0	0	0
Increase in net debt	960	173	-1,111	-1,069	-1,875
Net debt, end of year	608	781	-330	-1,399	-3,273
Shareholders' equity	26,954	29,336	30,651	33,047	36,902
BVPS (VND)	11,847	12,895	13,473	14,525	16,217
<i>Net debt / equity</i>	<i>2.3%</i>	<i>2.7%</i>	<i>-1.1%</i>	<i>-4.2%</i>	<i>-8.9%</i>
<i>Net debt / EBITDA (x)</i>	<i>0.1</i>	<i>0.2</i>	<i>-0.1</i>	<i>-0.3</i>	<i>-0.5</i>
Total assets	35,839	39,816	37,873	45,457	57,133

KEY RETURN AND VALUATION RATIOS	2019	2020	2021	2022E	2023E
<i>ROE</i>	<i>10.3%</i>	<i>8.5%</i>	<i>4.4%</i>	<i>7.5%</i>	<i>11.0%</i>
<i>ROA</i>	<i>7.7%</i>	<i>6.3%</i>	<i>3.4%</i>	<i>5.8%</i>	<i>7.5%</i>
<i>ROIC</i>	<i>10.3%</i>	<i>8.5%</i>	<i>4.5%</i>	<i>7.6%</i>	<i>11.6%</i>
<i>WACC</i>	<i>12.1%</i>	<i>11.8%</i>	<i>12.5%</i>	<i>12.5%</i>	<i>12.5%</i>
<i>EVA</i>	<i>-1.8%</i>	<i>-3.3%</i>	<i>-7.9%</i>	<i>-4.8%</i>	<i>-0.9%</i>
<i>PER (x)</i>	<i>22.4</i>	<i>26.8</i>	<i>48.6</i>	<i>26.6</i>	<i>16.6</i>
<i>EV/EBITDA (x)</i>	<i>12.3</i>	<i>13.5</i>	<i>19.0</i>	<i>13.7</i>	<i>9.7</i>
<i>EV/FCF (x)</i>	<i>17.9</i>	<i>-357.4</i>	<i>55.7</i>	<i>57.8</i>	<i>33.0</i>
<i>PBR (x)</i>	<i>2.4</i>	<i>2.2</i>	<i>2.1</i>	<i>1.9</i>	<i>1.7</i>
<i>PSR (x)</i>	<i>6.9</i>	<i>7.7</i>	<i>10.8</i>	<i>8.4</i>	<i>5.7</i>
<i>EV/sales (x)</i>	<i>6.7</i>	<i>7.4</i>	<i>10.5</i>	<i>8.1</i>	<i>5.5</i>
<i>Dividend yield</i>	<i>3.7%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>

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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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