



KDH Update - BUY

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Company Update

Recommendation

BUY

HOSE: KDH

Property

Current price (VND) 38,750

Target price (VND) 52,359

Expected share price return 35.1%

Expected dividend yield 0.0%

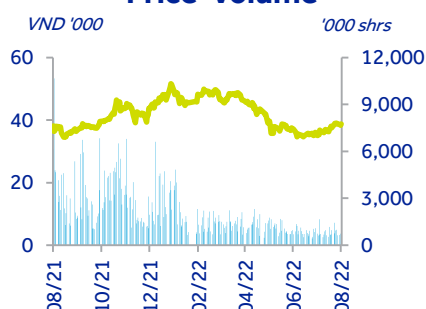
Expected total return 35.1%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-16.4	6.4	-1.7	-0.4
Relative	-1.1	-1.2	-1.6	5.6

Source: Bloomberg

Price-Volume



Ownership

Dragon Capital 7.2%

Stock Statistics

10-Aug-22

Bloomberg code	KDH VN
52-week range (VND)	33,909 - 52,273
Shares O/S (m)	717
Mkt cap (VND bn)	27,777
Mkt cap (USD m)	1,180
Foreign room left (%)	17.9
Est. free float (%)	85.3
3m avg daily vol (shrs)	934,336
VND/USD	23,530
Index: VNIIndex / HNX	1257.26/303.54

KHANG DIEN HOUSE TRADING AND INVESTMENT JSC (KDH VN)

KDH remains a strong developer in the mid to high-end residential real estate segment with healthy financial status and its projects have clear legal statuses, good product design and on-time delivery. We reiterate our Buy rating with a lower target price of VND52,359/share given delay in project launches.

Business result

KDH posted good 2Q2022 result with net revenue of VND733bn (-34% YoY) and PAT of VND326bn (+23% YoY), equivalent to 91% and 112% of our forecasts, respectively. This result was mainly thanks to delivery of 40 villas at Classia high-end project which yielded a very high gross margin of 68% compared with 38% in 2Q2021 as Classia was acquired long ago at low cost while selling prices were much higher than other projects that KDH has developed.

For 1H2022, KDH posted net revenue of VND 875bn (-55% YoY) and PAT of VND625bn (+32% YoY), completing 22% and 48% of targets, respectively. This result was mainly thanks to higher gross margin (65% vs 43%) and VND269bn of revaluation surplus from acquiring 60% of Phuoc Nguyen Real Estate Investment JSC which owns a 6ha Doan Nguyen project in Thu Duc City that has resulted in inventories increasing by VND3,181bn.

Unit: VNDbn	2Q2021	2Q2022	Δ YoY	1H2021	1H2022	Δ YoY
Net revenue	1,112	733	-34%	1,948	875	-55%
Gross profit	426	498	+17%	830	575	-44%
PAT	265	326	+23%	473	625	+32%

Source: KDH's unaudited 2Q2022 FS.

Fund raising

KDH's plan to issue VND2,000bn of 36-month non-convertible, unsecured and non-warrant corporate bonds to the public with a fixed coupon rate of 9-10% in 2Q2022 for land clearance at Tan Tao urban area and development of Classia and Privia projects has been put on hold as the company borrowed ~VND2,000bn from OCB at 11-11.17%/year in 1H2022.

	2019	2020	2021	2022E	2023E
Net Sales (VNDbn)	2,813	4,532	3,738	3,480	3,883
Growth (%)	-3.5%	61.1%	-17.5%	-6.9%	11.6%
EBITDA (VNDbn)	1,232	1,558	1,418	1,729	1,848
Growth (%)	24.5%	26.4%	-9.0%	22.0%	6.9%
PATMI (VNDbn)	915	1,153	1,202	1,532	1,612
Growth (%)	13.3%	26.0%	4.3%	27.4%	5.2%
EPS (bonus-adjusted, VND)	1,463	1,873	1,790	2,141	2,136
Growth (%)	9.8%	28.0%	-4.4%	31.6%	-0.3%
ROE (%)	12.6%	14.6%	13.1%	14.0%	12.8%
ROIC (%)	7.6%	8.3%	8.5%	9.3%	8.2%
Net debt/EBITDA (x)	-0.3	0.0	0.8	2.2	2.5
EV/EBITDA (x)	19.9	16.0	18.4	18.3	17.5
PER (x)	26.5	20.7	21.6	18.1	18.1
PBR (x)	2.8	2.7	2.4	2.4	2.1
DPS (VND)	500	-	-	-	-
Dividend yield (%)	1.3%	0.0%	0.0%	0.0%	0.0%

Sales plan in 2H2022 and 2023-2024

Classia project was officially launched in 3Q2022 and KDH expects to finish this project in this year. The condominium project in Binh Tan district (1.8ha with over 1,000 units) was renamed as Privia and will be launched 1-2 blocks depending on its legal progress in 2H2022.

For 2023, KDH will continue to sell Privia and launch 2 new projects in 2H2023 with details as shown in Appendix 1.

- Clarita project has a total area of 5.8ha in Thu Duc City with 159 low-rise units. KDH will land fill and build infrastructure for this project towards the end of 2022.
- 11A project has a total area of 16.4ha in Binh Chanh Dt, HCMC. KDH is finishing its legal document and expects to land fill this project in 4Q2022.

For 2024, the company expects to launch 2 new projects Tan Tao urban area which is under land clearance for the remaining 20% and Phong Phu 2 which is finishing its legal document. For Le Minh Xuan expansion IP, the company expects to build infrastructure in 4Q2022 and start to lease from 4Q2023. This IP has received many leasing interests from light industry and logistics companies.

2022 Forecast

Taking into account revaluation surplus from acquiring Phuoc Nguyen JSC and a delay of Clarita project from 2022 to 2023, we adjust revenue down by 11%, to VND3,480bn (-7% YoY) but PAT up by 17%, to VND1,535bn (+27% YoY), equivalent to 87% and 110% of the company's targets, respectively.

Valuation

Overall, KDH is a strong developer in the mid to high end residential real estate segment with healthy financial status and its projects have clear legal statuses, good product design and on-time delivery. 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 limited supply of industrial land in HCMC. Using the RNAV method, **we reiterate our Buy rating for this stock with a target price of VND52,359** which is 7% lower than our previous target price due to delay in launches of Clarita and Le Minh Xuan expansion IP.

Appendix 1: Projects update

	Location	Total area (ha)	Progress
Tan Tao urban area	Binh Tan	330.0	Land clearance 80%. Expected launch in 2024.
Corona City (11A)	Binh Chanh	16.4	Finishing legal document and expect to land fill in 4Q2022. Expected launch in 2H2023.
Phong Phu 2	Binh Chanh	132.9	Finishing legal document. Expected launch in 2024.
Privia	Binh Tan	1.8	Expected launch 1-2 blocks depending on legal progress in 2H2022.
Clarita	Thu Duc City	5.8	Land fill and build infrastructure towards the end of 2022. Expected launch in 2H2023.
Classia	Thu Duc City	4.3	Officially launch in 3Q2022. Expect to finish in 2022.
Le Minh Xuan expansion IP	Binh Chanh	109.9	Build infrastructure in 4Q2022. Start to lease from 4Q2023.

Source: KDH.

KDH FINANCIALS MODEL	Market price (VND):	38,750	Target (VND):	52,359	Mkt cap (VNDbn):	27,777
(VNDbn except where stated)	2019	2020	2021	2022E	2023E	
Net Sales	2,813	4,532	3,738	3,480	3,883	
<i>Sales growth</i>	<i>-3.5%</i>	<i>61.1%</i>	<i>-17.5%</i>	<i>-6.9%</i>	<i>11.6%</i>	
CoGS ex-dep'n	1,304	2,558	1,934	1,229	1,452	
<i>Gross margin</i>	<i>53.3%</i>	<i>43.3%</i>	<i>48.0%</i>	<i>64.4%</i>	<i>62.3%</i>	
SG&A	278	416	387	522	582	
<i>SG&A as % of sales</i>	<i>9.9%</i>	<i>9.2%</i>	<i>10.3%</i>	<i>15.0%</i>	<i>15.0%</i>	
EBITDA	1,232	1,558	1,418	1,729	1,848	
<i>EBITDA margin</i>	<i>43.8%</i>	<i>34.4%</i>	<i>37.9%</i>	<i>49.7%</i>	<i>47.6%</i>	
Depreciation	9	11	10	11	12	
Operating profit	1,223	1,547	1,407	1,718	1,837	
<i>Operating profit margin</i>	<i>43.5%</i>	<i>34.1%</i>	<i>37.6%</i>	<i>49.4%</i>	<i>47.3%</i>	
Profit/loss from associates and JVs	0	0	0	0	0	
Financial income (excl. saving interest)	3	-	-	-	-	
Financial expenses (excl. interest expense)	40	85	57	57	57	
Net interest expense	-37	-35	-5	0	17	
<i>as % of avg, net debt</i>	<i>5.7%</i>	<i>16.9%</i>	<i>-0.9%</i>	<i>0.0%</i>	<i>0.4%</i>	
Other profit/loss	-33	-39	185	300	300	
<i>Tax</i>	<i>273</i>	<i>304</i>	<i>335</i>	<i>427</i>	<i>449</i>	
<i>Effective tax rate (%)</i>	<i>22.9%</i>	<i>20.8%</i>	<i>21.8%</i>	<i>21.8%</i>	<i>21.8%</i>	
Minority interest	2	2	2	2	2	
PATMI	915	1,153	1,202	1,532	1,612	
<i>Net profit margin (%)</i>	<i>32.6%</i>	<i>25.5%</i>	<i>32.2%</i>	<i>44.1%</i>	<i>41.6%</i>	
Cash earnings	926	1,165	1,215	1,546	1,625	
Number of shares (m)	544	559	643	717	717	
EPS (VND)	1,690	2,060	1,790	2,141	2,136	
Bonus factor (x)	0.9	0.9	1.0	1.0	1.0	
Adjusted EPS (VND)	1,463	1,873	1,790	2,141	2,136	
<i>EPS growth (%)</i>	<i>9.8%</i>	<i>28.0%</i>	<i>-4.4%</i>	<i>31.6%</i>	<i>-0.3%</i>	

KEY CASHFLOW AND BS ITEMS	2019	2020	2021	2022E	2023E
Increase in working capital	1,186	825	3,054	4,189	2,347
Capex	235	48	57	31	92
Other cash flow items	162	-149	-151	0	0
Free cash flow	-333	143	-2,047	-2,675	-801
Share issues (m)	97	-314	939	0	0
Dividends paid	207	262	0	0	0
Increase in net debt	443	433	1,108	2,675	801
Net debt, end of year	-424	9	1,118	3,792	4,593
Shareholders' equity	7,664	8,158	10,221	11,754	13,365
BVPS (VND)	14,006	14,544	15,842	18,215	20,708
<i>Net debt / equity (%)</i>	<i>-5.5%</i>	<i>0.1%</i>	<i>10.9%</i>	<i>32.3%</i>	<i>34.4%</i>
<i>Net debt / EBITDA (x)</i>	<i>-0.3</i>	<i>0.0</i>	<i>0.8</i>	<i>2.2</i>	<i>2.5</i>
Total assets	13,237	13,934	14,373	18,582	20,996

KEY RETURN AND VALUATION RATIOS	2019	2020	2021	2022E	2023E
<i>ROE</i>	<i>12.6%</i>	<i>14.6%</i>	<i>13.1%</i>	<i>14.0%</i>	<i>12.8%</i>
<i>ROA</i>	<i>7.8%</i>	<i>8.5%</i>	<i>8.5%</i>	<i>9.3%</i>	<i>8.2%</i>
<i>ROIC</i>	<i>7.6%</i>	<i>8.3%</i>	<i>8.5%</i>	<i>9.3%</i>	<i>8.2%</i>
<i>WACC</i>	<i>9.1%</i>	<i>8.4%</i>	<i>9.2%</i>	<i>8.6%</i>	<i>8.6%</i>
<i>EVA</i>	<i>-1.5%</i>	<i>-0.1%</i>	<i>-0.7%</i>	<i>0.7%</i>	<i>-0.3%</i>
<i>PER (x)</i>	<i>26.5</i>	<i>20.7</i>	<i>21.6</i>	<i>18.1</i>	<i>18.1</i>
<i>EV/EBITDA (x)</i>	<i>19.9</i>	<i>16.0</i>	<i>18.4</i>	<i>18.3</i>	<i>17.5</i>
<i>EV/FCF (x)</i>	<i>-73.6</i>	<i>174.4</i>	<i>-12.7</i>	<i>-11.8</i>	<i>-40.4</i>
<i>PBR (x)</i>	<i>2.8</i>	<i>2.7</i>	<i>2.4</i>	<i>2.4</i>	<i>2.1</i>
<i>PSR (x)</i>	<i>8.9</i>	<i>5.5</i>	<i>6.7</i>	<i>8.0</i>	<i>7.2</i>
<i>EV/sales (x)</i>	<i>8.7</i>	<i>5.5</i>	<i>7.0</i>	<i>9.1</i>	<i>8.3</i>
<i>Dividend yield</i>	<i>1.3%</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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