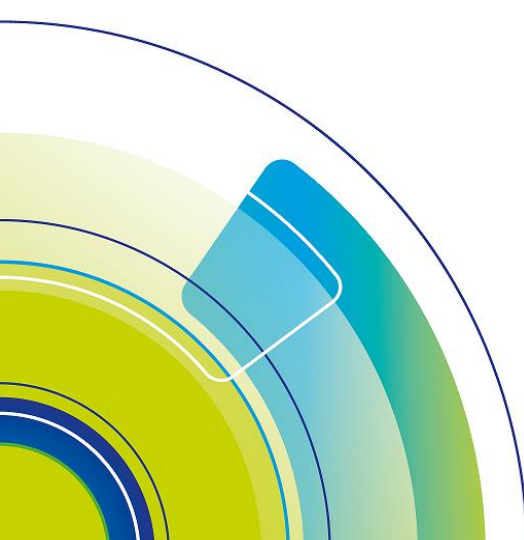




NLG Update - OUTPERFORM

Monday, December 25, 2023



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Company Update

Recommendation **OUTPERFORM**

HOSE: NLG

Property

Current price (VND) **36,700**

Target price (VND) **42,212**

Expected share price return 15.0%

Expected dividend yield 1.4%

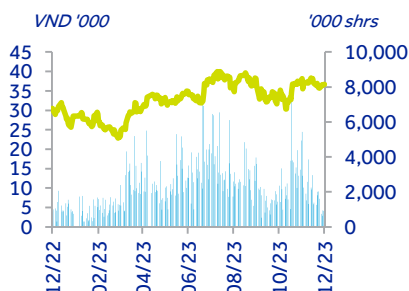
Expected total return **16.4%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	19.1	-3.8	1.4	21.1
Relative	7.4	-2.9	8.6	11.4

Source: Bloomberg

Price - Volume



Ownership

Mr. Nguyen Xuan Quang (Chairman)	11.6%
Ibworth Pte Ltd	8.2%
DC and related parties	8.1%

Stock Statistics 22-Dec-23

Bloomberg code	NLG VN
52-week range (VND)	22,800 - 40,750
Shares O/S (m)	384.8
Mkt cap (VND bn)	14,121
Mkt cap (USD m)	579
Foreign room left (%)	6.8
Est. free float (%)	56.7
3m avg daily vol (shrs)	2,211,321
VND/USD	24,400
Index: VNIndex / HNX	1106.82/228.98

NAM LONG INVESTMENT CORPORATION (NLG VN)

Adjust 2023 PATMI down by 15% to VND496bn (~10.8% YoY) because the 25% divestment of Paragon Dai Phuoc is delayed to 2024. Roll forward target price to VND42,212 at YE2024 and give an Outperform recommendation.

In 9M2023, Nam Long posted revenue of VND1,545bn (~43% YoY) and NPATMI of VND194bn (+62.7% YoY), equivalent to 51% and 33% of our forecast. The decline in revenue was mainly due to the lower number of units handed over at Southgate, Akari and Novia projects (323 units vs 813 units). The increase in the bottom line was mainly thanks to: (1) an increase in gross margin from 43.2% to 56.3% given the higher revenue proportion of Valora Southgate project, (2) higher profit from associates and joint ventures (VND205bn vs VND3bn) generated from the delivery of 890 units with a total revenue of nearly VND3trn at the Mizuki project and (3) higher deferred income tax (VND80bn vs VND35bn).

Sales performance reached the bottom in 4Q2022 and 1Q2023 and showed signs of recovery from 2Q2023 when interest rate fell and the market sentiment improved. Both Sales values in 2Q2023 and 3Q2023 declined compared to the same periods last year but recorded impressive growth compared to the previous quarter. Presales in 11M2023 was over VND3trn, equivalent to nearly 1/3rd of the company's target, of which Southgate, Akari and Mizuki accounted for 43%, 42% and 15%, respectively. We expect 2024 presales to recover to nearly VND6trn (+50% YoY) with assumptions that interest rate will be stable at the current level and market sentiment will continue to improve.

In 9M2023, although net debt increased by over VND1.7trn, the company was still in a good financial position compared to peers. Net debt/Equity ratio rose from 3.1% to 16.4% but still lower than the industry median of 26.3%. Net debt/EBITDA rose from 0.5x to 3.0x but still lower than industry median of 4.3x.

However, we adjust 2023 NPATMI down by 15% to VND496bn (~10.8% YoY) because the 25% divestment of Paragon Dai Phuoc is delayed from 4Q2023 to 2024. We expect a strong growth in 2024 with estimated revenue of over VND6.3trn (+109.3% YoY) and PATMI of VND845 bn (+70.2% YoY) given delivery of Southgate, Akari, Mizuki, Izumi and Can Tho projects and 25% divestment of Paragon Dai Phuoc. Using RNAV method, we derive a target price of VND42,212 at the end of 2024 and give an OUTPERFORM recommendation for this stock.

	2021	2022	2023E	2024E	2025E
Net Sales (VNDbn)	5,206	4,339	3,025	6,332	7,870
Growth	134.8%	-16.6%	-30.3%	109.3%	24.3%
EBITDA (VNDbn)	811	865	659	1,615	1,811
Growth	213.0%	6.6%	-23.8%	145.1%	12.2%
NPATMI (VNDbn)	1,071	556	496	845	727
Growth	28.3%	-48.1%	-10.8%	70.2%	-13.9%
EPS (bonus-adjusted, VND)	3,188	1,426	1,266	2,082	1,789
Growth	14.8%	-55.3%	-11.2%	64.5%	-14.1%
ROE	12.0%	6.1%	10.8%	17.5%	14.6%
ROIC	6.0%	2.2%	2.1%	3.3%	2.9%
Net debt/EBITDA (x)	-0.3	0.5	3.1	2.0	2.3
EV/EBITDA (x)	20.1	18.8	24.7	10.1	9.0
PER (x)	11.5	25.7	29.0	17.6	20.5
PBR (x)	1.6	1.6	1.5	1.5	1.4
DPS (VND)	1,178	500	500	500	500
Dividend Yield	3.2%	1.4%	1.4%	1.4%	1.4%

Sales performance showed signs of recovery

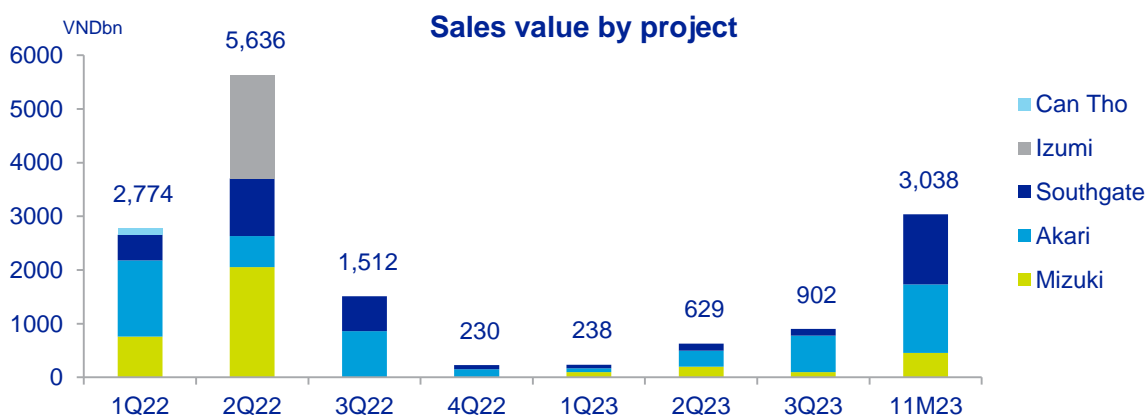
Sales result (from three projects Southgate, Akari and Mizuki) reached the bottom in 4Q2022 and 1Q2023 and showed signs of recovery from 2Q2023 when interest rate fell and market sentiment improved. Sales values in 2Q2023 and 3Q2023 declined compared to the same periods last year but recorded impressive growth compared to the previous quarter. Sales value was recorded at VND629bn (-89% YoY but +164% QoQ) in 2Q2023 and over VND900bn (-40% YoY but +43% QoQ) in 3Q2023.

In 9M2023, 448 units were sold (-78% YoY) with a total value of nearly VND1,800 bn (-82% YoY). Presales in 11M2023 was over VND3trn, equivalent to nearly 1/3rd of the company's target, of which Southgate, Akari and Mizuki accounted for 43%, 42% and 15%, respectively. We expect 2024 presales to recover to nearly VND6trn (+50% YoY) with an assumption that interest rate will be stable at the current level and market sentiment will continue to improve.

Southgate project: Sales result was humble in 9M2023 with only 94 units sold for a total value of VND320bn. However, sales picked up remarkably in October and November with a total sales value of nearly VND1trn, three times higher than the 9M2023 result. NLG delivered 100 units at this project and recorded revenue of VND1.1trn in 9M2023. In mid-December, Khai Sang Group signed a contract to buy the entire A2 block which includes 197 Ehome Southgate apartments to develop facility for EMASI Plus school.

Akari project: In September 2023, NLG launched the last block of Phase 2 named AK10 (AK Neo) with a total of 338 units at an average selling price of around VND50mn/sqm. In 9M2023, the company sold 277 units with a total value of VND1.1trn and delivered 20 units with total revenue of VND55bn. In 11M2023 presales was nearly VND1.3trn. Although the company received sales permit for Phase 2 of Akari which includes four blocks AK7, AK8, AK9 and AK10 and 1,690 units at the end of November, 2023, time of signing Sales and Purchase Agreements (SPAs) will be rescheduled to 1Q2024 and delivery time will also be rescheduled from April 2024 to November 2024 to extent payment time for homebuyers.

Mizuki project: In 9M2023, NLG sold 77 units with a total value of VND389bn and delivered 890 units with a total revenue of VND3trn. In 11M2023 sales value was VND457bn.



Source: NLG, ACBS.

No.	Project	Location	Stake	Land area (ha)	GDV (VNDbn)	Product	Total units	% launch (estimated)	Progress
1	Flora Novia	HCMC	100%	1.1	842	Flora	518	100%	Sold out. Delivered 99%.
						Valora	187		
2	Mizuki Park	HCMC	50%	26.2	14,421	Flora	4,040	67%	Phase 1: Sold and delivered 5 blocks MP1,2,3,4,5 with 1,400 Flora units. Phase 2: Launched 5 blocks MP6,7,8,9,10 and sold nearly 800 Flora units in 2021. In 2022, launched 3 block Panorama and 39 Valora, sold 390 units with a total value of VND2.8trn. In 9M23 sold 77 units with a total value of VND389bn and delivered 890 units with a total revenue of VND3trn. In 11M23 sales value was VND457bn.
	EhomeS Nam Sai Gon		87%	11.2	1,583	EhomeS	1,678	77%	Sold and delivered 6 blocks with over 1,300 units. Block C is constructing for lease.
	Valora Island					Valora	100	100%	Completed
3	Akari City	HCMC	50%	8.8	14,501	Flora	5,228	68%	Phase 1: sold and delivered over 1,800 units at 6 block AK1,2,3,4,5,6. Phase 2: In 2022 launched 3 blocks AK7,8,9 and sold 900 units for VND3trn. Launched block AK10 (AK Neo) in Sep 2023 with a total of 338 units. In 9M23 sold 277 units with a total value of VND1.1trn and delivered 20 units with total revenue of VND55bn. In 11M23 presales was VND1.3trn.
					17,236	Valora	2,174	85%	Accumulatively sold ~83% and delivered ~63%. In 9M23, delivered 100 units with a total revenue of nearly VND1.1trn.
						Flora	4,302	0%	n/a
4	Southgate (Waterpoint Phase 1)	Long An	65%	165.0	1,579	Ehome	1,357	57%	In 2021 launched 2 Blocks of 384 units, sold 338 units. In 2022 launched 1 block of 193 units and delivered 330 units. In 9M23, launched 4 blocks with a total of 780 units and delivered 196 units with a total revenue of VND231bn. Sold Block A2 to Khai Sang Group.
5	Waterpoint Phase 2	Long An	100%	190.0	n/a	Valora, Flora, Ehome	n/a	0%	n/a
6	Can Tho 43	Can Tho	100%	43.0	4,401	Valora	923	23%	Received land allocation decision in 2/2023. Received construction permit in 8/2023 and sales permit in 10/2023 for EhomeS.
						EhomeS	1,602	0%	
7	Paragon Dai Phuoc	Dong Nai	50%	45.0	12,223	Valora	677	0%	Pending revised master plan. The divestment of 25% stake with revenue of VND663bn was delayed.
8	Izumi City	Dong Nai	65%	170.0	36,684	Valora	3,691	8%	In 2022, sold 275 units with a total value of VND1.9trn. Received sales permit for Phase 1A1 in 5/2023. Deliver from 4Q23.
						Flora	3,215	0%	n/a
9	VSIP Hai Phong	Hai Phong	50%	21.0	10,137	Valora	739	0%	n/a
						Ehome	2,159		

Source: NLG, ACBS.

Note: NLG has three main products Ehome and EhomeS (USD40,000-70,000/apartment), Flora (USD110,000-160,000/apartment) and Valora (from USD150,000/townhouse or villa)

Nam Long plans to develop more social housing projects

Nam Long is one of the pioneers in Vietnam's affordable housing market, thus it is expected to benefit from the government's support for social housing development. The Housing Law 2023 which was approved on 27/11/2023 and applied from 1/1/2025 will remove some difficulties for developers. In the old Housing Law, developers are required to reserve 20% of commercial project area for social housing but the new law allows them to: (1) build social housing in other locations outside their commercial housing projects or pay money equivalent to the value of the social housing land area and (2) develop commercial housing projects and provide commercial services up to 20% of the social housing project area and enjoy all profits from this commercial service business. Thus, NLG continues to target the affordable housing market and is considering 6 new projects with a total area of nearly 47ha in Dong Nai, Can Tho and Hai Phong with details in the table below.

Table: New projects NLG is considering

No.	Project	Location	Land area (ha)
1	Social housing in Bien Hoa	Dong Nai	1.4
2	Social housing in Bien Hoa	Dong Nai	2.85
3	Trade Union Institution Area	Can Tho	1.93
4	Resettlement area for Xom Chai area	Can Tho	15
5	Residential project in An Duong district which Hai Phong plans to convert to social housing	Hai Phong	16
6	Social housing in An Lao district	Hai Phong	9.7
Total			46.88

Source: NLG, ACBS

Forecast and valuation

We adjust 2023 NPATMI down by 15% to VND496bn (-10.8% YoY) because the 25% divestment of Paragon Dai Phuoc is delayed from 4Q2023 to 2024. We expect a strong growth in 2024 with estimated revenue of over VND6.3trn (+109.3% YoY) and NPATMI of VND845 bn (+70.2% YoY) given delivery of Southgate, Akari, Mizuki, Izumi and Can Tho projects and 25% divestment of Paragon Dai Phuoc. Using RNAV method, we derive a target price of VND42,212 at the end of 2024 and give an OUTPERFORM recommendation for this stock.

NLG FINANCIALS MODEL	Price (VND):	36,700	Target (VND):	41,212	Mkt cap (VND bn):	14,121
(VND bn except where stated)	2021	2022	2023E	2024E	2025E	
Total Net Sales	5,206	4,339	3,025	6,332	7,870	
<i>Sales growth</i>	<i>134.8%</i>	<i>-16.6%</i>	<i>-30.3%</i>	<i>109.3%</i>	<i>24.3%</i>	
CoGS ex-dep'n	3,397	2,319	1,368	3,032	3,965	
Gross profit	1,778	1,984	1,618	3,257	3,858	
<i>Gross margin</i>	<i>34.2%</i>	<i>45.7%</i>	<i>53.5%</i>	<i>51.4%</i>	<i>49.0%</i>	
SG&A	997	1,155	998	1,685	2,094	
<i>SG&A as % of sales</i>	<i>19.2%</i>	<i>26.6%</i>	<i>33.0%</i>	<i>26.6%</i>	<i>26.6%</i>	
EBITDA	811	865	659	1,615	1,811	
<i>EBITDA margin</i>	<i>15.6%</i>	<i>19.9%</i>	<i>21.8%</i>	<i>25.5%</i>	<i>23.0%</i>	
Depreciation	30	36	39	43	47	
Operating profit	872	854	927	1,683	1,839	
<i>Operating profit margin</i>	<i>16.8%</i>	<i>19.7%</i>	<i>30.6%</i>	<i>26.6%</i>	<i>23.4%</i>	
Financial income (excl. saving interest)	401	245	-	232	-	
Financial expenses (excl. interest expense)	10	51	-	-	-	
Net interest expense	58	7	133	191	220	
Profit/loss from associates and JVs	91	25	307	111	76	
Other profit	435	29	-	-	-	
Tax	162	204	79	345	324	
<i>Effective tax rate</i>	<i>9.9%</i>	<i>19.1%</i>	<i>9.9%</i>	<i>20.0%</i>	<i>20.0%</i>	
Minority interest	407	309	219	534	568	
NPATMI	1,071	556	496	845	727	
<i>Net profit margin</i>	<i>20.6%</i>	<i>12.8%</i>	<i>16.4%</i>	<i>13.3%</i>	<i>9.2%</i>	
Cash earnings	1,101	592	535	888	775	
Number of shares (m)	383	384	385	385	385	
EPS (VND)	3,188	1,426	1,266	2,082	1,789	
Bonus factor (x)	1.0	1.0	1.0	1.0	1.0	
Adjusted EPS (VND)	3,188	1,426	1,266	2,082	1,789	
<i>EPS growth</i>	<i>14.8%</i>	<i>-55.3%</i>	<i>-11.2%</i>	<i>64.5%</i>	<i>-14.1%</i>	

KEY CASHFLOW AND BS ITEMS	2021	2022	2023E	2024E	2025E
Increase in working capital	7,609	-1,046	2,300	1,712	1,438
Capex	19	73	73	73	73
Other cash flow items	5,818	-1,898	385	0	0
Free cash flow	-709	-333	-1,452	-897	-736
Share issues (m)	2,637	187	0	0	0
Dividends paid	333	521	192	192	192
Increase in net debt	-1,596	666	1,644	1,089	928
Net debt, end of year	-247	419	2,063	3,152	4,081
Shareholders' equity	13,528	13,315	13,619	14,272	14,807
BVPS (VND)	23,318	23,407	23,898	25,043	25,981
<i>Net debt / equity</i>	<i>-1.8%</i>	<i>3.1%</i>	<i>15.1%</i>	<i>22.1%</i>	<i>27.6%</i>
<i>Net debt / EBITDA (x)</i>	<i>-0.3</i>	<i>0.5</i>	<i>3.1</i>	<i>2.0</i>	<i>2.3</i>
Total assets	23,618	27,085	29,033	30,775	32,238

KEY RETURN AND VALUATION RATIOS	2021	2022	2023E	2024E	2025E
<i>ROE</i>	<i>12.0%</i>	<i>6.1%</i>	<i>10.8%</i>	<i>17.5%</i>	<i>14.6%</i>
<i>ROA</i>	<i>5.7%</i>	<i>2.2%</i>	<i>1.8%</i>	<i>2.8%</i>	<i>2.3%</i>
<i>ROIC</i>	<i>6.0%</i>	<i>2.2%</i>	<i>2.1%</i>	<i>3.3%</i>	<i>2.9%</i>
<i>WACC</i>	<i>14.6%</i>	<i>14.4%</i>	<i>13.8%</i>	<i>13.4%</i>	<i>13.1%</i>
<i>EVA</i>	<i>-8.6%</i>	<i>-12.2%</i>	<i>-11.6%</i>	<i>-10.0%</i>	<i>-10.3%</i>
<i>PER (x)</i>	<i>11.5</i>	<i>25.7</i>	<i>29.0</i>	<i>17.6</i>	<i>20.5</i>
<i>EV/EBITDA (x)</i>	<i>20.1</i>	<i>18.8</i>	<i>24.7</i>	<i>10.1</i>	<i>9.0</i>
<i>EV/FCF (x)</i>	<i>-23.0</i>	<i>-48.9</i>	<i>-11.2</i>	<i>-18.2</i>	<i>-22.1</i>
<i>PBR (x)</i>	<i>1.6</i>	<i>1.6</i>	<i>1.5</i>	<i>1.5</i>	<i>1.4</i>
<i>PSR (x)</i>	<i>2.7</i>	<i>3.3</i>	<i>4.7</i>	<i>2.2</i>	<i>1.8</i>
<i>EV/sales (x)</i>	<i>3.1</i>	<i>3.8</i>	<i>5.4</i>	<i>2.6</i>	<i>2.1</i>
<i>Dividend yield</i>	<i>3.2%</i>	<i>1.4%</i>	<i>1.4%</i>	<i>1.4%</i>	<i>1.4%</i>

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DISCLAIMER

Our Recommendation System

BUY: Expected prospective total return (including dividends) in VND will be 20% or more within 12 months

OUTPERFORM: Expected prospective total return (including dividends) in VND will be from 10% to 20% within 12 months

NEUTRAL: Expected prospective total return (including dividends) in VND will be from -10% to 10% within 12 months

UNDERPERFORM: Expected prospective total return (including dividends) in VND will be from -20% to -10% within 12 months

SELL: Expected prospective total return (including dividends) in VND will be less than -20% within 12 months

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