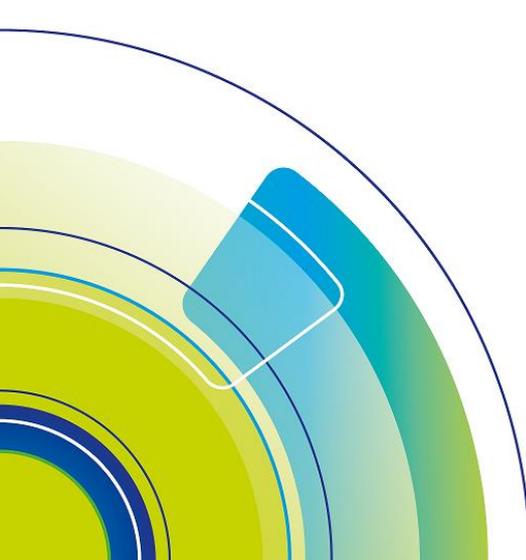




# VHM Update - BUY

March 1, 2024

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## Company Update

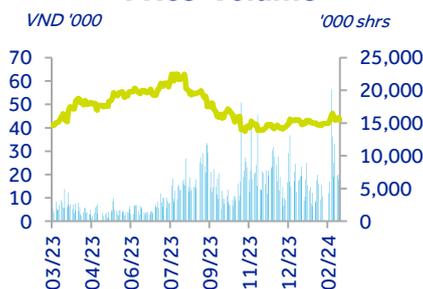
Recommendation	<b>BUY</b>
	<b>HSX: VHM</b>
	<b>Property</b>
Target price (VND)	<b>61,400</b>
Market price (VND)	<b>43,400</b>
Expected share price return	41.4%
Expected dividend yield	0.0%
Expected total return	<b>41.4%</b>

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	0.5	4.6	5.1	4.6
Relative	-10.4	-2.2	-8.6	-15.8

Source: Bloomberg

## Price-Volume



## Ownership

Vingroup 69.3%

## Stock Statistics 29-Feb-24

<b>Bloomberg code</b>	<b>VHM VN</b>
52-week range (VND)	36,750 - 66,200
Shares O/S (m)	4,354
Mkt cap (VND bn)	188,980
Mkt cap (USD m)	7,614
Est. Foreign room left (%)	27.6
Est. free float (%)	21.1
3m avg daily vol (mn)	6,791,354
VND/USD	24,820
Index: VNIndex / HNX	1252.73/235.46

## VINHOMES JSC (VHM VN)

2023 business results were slightly lower than ACBS's forecast because project handover in 4Q2023 was not as expected. Reiterate our BUY recommendation with a target price of VND61,400/share at YE2024, down by 8% compared to the previous target price.

2023 business results were positive with revenue of over VND103.3 trn (+66% YoY) and PAT of nearly VND33.3 trn (+14% YoY), equivalent to 90% of ACBS's forecast and 111% of the company's profit target. Revenue mainly came from projects delivery launched in the 2021-2022 period such as Ocean Park 2 (~VND57.6 trn), Ocean Park 3 (~VND26.8 trn), Smart City (~VND4 trn), etc.

Gross margin decreased by 14.8% to 34.4% because the majority of units delivered at Ocean Park 2 & 3 were low-rise units under BCC contracts, so VHM had to share profits with partners.

In 2023, VHM recorded presold units of ~28,800 (-7% YoY) with presales of ~VND87 trn (-32% YoY). Because the real estate market did not have many positive recovering signals, the company only launched two new small-scale projects, Vinhomes Golden Avenue in Quang Ninh and Vinhomes Skypark in Bac Giang, and continued to sell the remaining units at existing projects Ocean Park 1, 2, 3, Smart City, Grand Park, etc.

Presales in 4Q2023 improved sharply compared to the same period last year and the previous quarter with nearly 19,700 units (+535% QoQ) and contracted value of ~VND30.3 trn (+68% YoY and +88% QoQ), including a bulk sales transaction at a project in HCMC with a value of ~VND18.8 trn for nearly 14,500 high-rise and low-rise units.

In 2024, VHM plans to launch 3 new projects: Vu Yen, Co Loa and Wonder Park with details in Table 1. We expect 2024 presales to improve to over VND96 trn (+11% YoY) with assumptions that interest rates will stabilize at the current level, the government continues to promote investment in infrastructure development and market sentiment will gradually improve compared to last year.

Because presales of Ocean Park 2 & 3 were lower than our forecast, we adjust our 2024 revenue forecast by 18% to ~VND71.2 trn (-31% YoY). However, 2024 PAT is adjusted up by 3% to over VND34.6 trn (+4% YoY) thanks to the bulk sales transaction of the project in HCMC incurred in 4Q2023 which was out of our expectation. **Using the NAV method, we reiterate our BUY recommendation with a target price of VND61,400/share at YE2024 which is 8% lower than the previous target price mainly due to an increase in net debt and updated presales of Ocean Park 2 & 3 projects.**

	2021	2022	2023U	2024E	2025E
Net Sales (VNDbn)	84,986	62,393	103,334	71,221	40,697
Growth	18.8%	-26.6%	65.6%	-31.1%	-42.9%
EBITDA (VNDbn)	43,490	26,837	30,084	24,416	14,018
Growth	101.3%	-38.3%	12.1%	-18.8%	-42.6%
PATMI (VNDbn)	38,825	28,831	33,126	34,161	41,106
Growth	41.9%	-25.7%	14.9%	3.1%	20.3%
EPS (bonus-adjusted, VND)	9,015	6,621	7,607	7,845	9,440
Growth	40.9%	-26.6%	14.9%	3.1%	20.3%
ROE	36.9%	21.4%	20.4%	17.5%	17.7%
ROIC	17.7%	9.5%	7.5%	7.0%	7.8%
Net debt/EBITDA (times)	0.2	0.7	1.3	2.0	3.9
EV/EBITDA (times)	5.2	8.5	7.6	9.3	16.2
PER (times)	4.8	6.6	5.7	5.5	4.6
PBR (times)	1.5	1.3	1.1	0.9	0.7
DPS (VND)	2,000	-	-	-	-
Dividend yield	4.6%	0.0%	0.0%	0.0%	0.0%

**2023 business results were lower than our forecast but exceeded the company's targets**

**2023 business results were positive with revenue of over VND103.3 trn (+66% YoY) and PAT of nearly VND33.3 trn (+14% YoY)**, equivalent to 90% of ACBS's forecast and 111% of the company's profit target. Revenue mainly came from projects launched in the 2021-2022 period such as Ocean Park 2 (~VND57.6 trn), Ocean Park 3 (~VND26.8 trn), Smart City (~VND4 trn), etc.

Gross margin decreased by 14.8% to 34.4% because the majority of units delivered at Ocean Park 2 & 3 were low-rise units under BCC contracts, so VHM had to share profits with partners.

**In 2023, VHM recorded presold units of ~28,800 (-7% YoY) with presales of ~VND87 trn (-32% YoY)**. Because the real estate market did not have many positive recovering signals, the company only launched two new small-scale projects, Vinhomes Golden Avenue in Quang Ninh and Vinhomes Skypark in Bac Giang, and continued to sell the remaining units at existing projects Ocean Park 1, 2, 3, Smart City, Grand Park, etc.

Around 51% of 2023 presales was bulk sales and the remaining 49% was retail. The Ocean Park 3 project was the best seller with over VND32 trn, followed by Ocean Park 2 with over VND12 trn. The backlog at YE2023 was ~VND99.7 trn (-7% YoY), of which Ocean Park 3 accounted for 21%, Ocean Park 2 for 17% and three projects Ocean Park 1, Grand Park and Smart City for 23%. Around 67% of backlog came from bulk sales transactions and 33% from retail sales. VHM plans to record more than 50% of the total backlog in 2024.

**Presales in 4Q2023 improved sharply** compared to the same period last year and the previous quarter with nearly 19,700 units (+535% QoQ) and contracted value ~VND30.3 trn (+68% YoY and +88% QoQ), including a bulk sales transaction at a project in HCMC with a value of ~VND18.8 trn for nearly 14,500 high-rise and low-rise units.

In 2023, construction in progress increased by nearly VND13.3 trn to nearly VND64 trn given increased site clearance costs for a project in HCMC. Deposits for investment purposes to Vingroup (HSX: VIC) and related parties continued to increase by ~VND21.4 trn to ~VND87.4 trn, accounting for around 20% of VHM's total assets.

**In 2023, the company still maintained good financial status.** Although net debt increased by nearly VND20 trn to over VND38.7 trn, Net Debt/Equity ratio increased from 12.9% to 21.2% and Net Debt/EBITDA from 0.7x to 1.3x, the company still maintained good financial status when compared with the Industry median of 19.9% and 4.2x, respectively.

#### 2024 Forecast

Recently, **VHM announced the establishment of its own salesforce** and its projects will be sold via two channels: direct sales and through agencies instead of only selling through agencies as before. We think this is an appropriate strategy to promote sales, ensure consistent sales quality and selling prices, help increase more trust with home buyers and reduce dependence on agencies.

**In 2024, VHM plans to launch 3 projects: Vu Yen, Co Loa and Wonder Park** with details in Table 1. We expect 2024 presales to improve to over VND96 trn (+11% YoY) with assumptions that interest rates will stabilize at the current level, the government continues to promote investment in infrastructure development and market sentiment will gradually improve compared to last year.

**Table 1: New projects expected to be implemented**

Project name	Vinhomes Vu Yen	Vinhomes Wonder Park	Vinhomes Co Loa
Location	Thuy Nguyen, Hai Phong	Dan Phuong, Hanoi	Dong Anh, Hanoi
Total area (ha)	877	133	385
NSA (sqm)	2,589,000	486,000	1,399,000
Key components	Villas, shop-houses, hotel, , schools, shopping mall, amusement park, 160ha golf course	Apartments, villas, shop-houses, schools, shopping mall, 16ha ecological park, swimming pool complex	Apartments, villas, shop-houses, schools, hospitals, shopping mall, 90 ha exhibition complex

Source: VHM, ACBS

Because presales of Ocean Park 2 & 3 were lower than our forecast, we adjust our 2024 revenue forecast down by 18% to ~VND71.2 trn (-31% YoY). However, 2024 PAT is adjusted up by 3% to over VND34.6 trn (+4% YoY) thanks to the bulk sales transaction of the project in HCMC incurred in 4Q2023 which was out of our expectation. Most of the income will come from the handover of Ocean Park 3, Ocean Park 2, Golden Avenue, Vu Yen and the project in HCMC.

### Valuation

Using the NAV method, we reiterate our BUY recommendation with a target price of VND61,400/share at YE2024 which is 8% lower than the previous target price mainly due to an increase in net debt and updated presales of Ocean Park 2 and 3 projects.

<b>VHM FINANCIALS MODEL</b>	Market price (VND):	43,400	Target (VND):	61,400	Mkt cap (VNDbn):	188,980
(VNDbn except where stated)	2021	2022	2023U	2024E	2025E	
<b>Total Net Sales</b>	<b>84,986</b>	<b>62,393</b>	<b>103,334</b>	<b>71,221</b>	<b>40,697</b>	
<i>Sales growth</i>	<i>18.8%</i>	<i>-26.6%</i>	<i>65.6%</i>	<i>-31.1%</i>	<i>-42.9%</i>	
CoGS ex-dep'n	35,438	30,480	65,594	41,528	23,664	
<b>Gross profit</b>	<b>48,460</b>	<b>30,696</b>	<b>35,590</b>	<b>27,327</b>	<b>14,432</b>	
<i>Gross margin</i>	<i>57.0%</i>	<i>49.2%</i>	<i>34.4%</i>	<i>38.4%</i>	<i>35.5%</i>	
SG&A	6,058	5,076	7,656	5,277	3,015	
<i>SG&amp;A as % of sales</i>	<i>7.1%</i>	<i>8.1%</i>	<i>7.4%</i>	<i>7.4%</i>	<i>7.4%</i>	
<b>EBITDA</b>	<b>43,490</b>	<b>26,837</b>	<b>30,084</b>	<b>24,416</b>	<b>14,018</b>	
<i>EBITDA margin</i>	<i>51.2%</i>	<i>43.0%</i>	<i>29.1%</i>	<i>34.3%</i>	<i>34.4%</i>	
Depreciation	1088	1217	2150	2365	2602	
<b>Operating profit</b>	<b>42,402</b>	<b>25,621</b>	<b>27,933</b>	<b>22,050</b>	<b>11,416</b>	
<i>Operating profit margin</i>	<i>49.9%</i>	<i>41.1%</i>	<i>27.0%</i>	<i>31.0%</i>	<i>28.1%</i>	
Profit/loss from associates and JVs	54	56	11	11	11	
Financial income (excl. saving interest)	6,518	13,870	13,881	21,924	42,511	
Financial expenses (excl. interest expense)	438	2,319	905	52	52	
Net interest expense	871	-745	-3,390	-1,853	-1,209	
Other profit	518	670	-1,066	0	0	
Tax	9,234	9,481	9,957	11,234	13,518	
<i>Effective tax rate (%)</i>	<i>19.2%</i>	<i>24.5%</i>	<i>23.0%</i>	<i>24.5%</i>	<i>24.5%</i>	
<b>PAT</b>	<b>38,948</b>	<b>29,162</b>	<b>33,287</b>	<b>34,552</b>	<b>41,577</b>	
Minority interest	124	331	161	392	472	
<b>PATMI</b>	<b>38,825</b>	<b>28,831</b>	<b>33,126</b>	<b>34,161</b>	<b>41,106</b>	
<i>Net profit margin (%)</i>	<i>45.7%</i>	<i>46.2%</i>	<i>32.1%</i>	<i>48.0%</i>	<i>101.0%</i>	
Cash earnings	39,912	30,047	35,276	36,526	43,708	
Number of shares (m)	4,354	4,354	4,354	4,354	4,354	
<b>EPS (VND)</b>	<b>9,015</b>	<b>6,621</b>	<b>7,607</b>	<b>7,845</b>	<b>9,440</b>	
Bonus factor (x)	1.0	1.0	1.0	1.0	1.0	
<b>Adjusted EPS (VND)</b>	<b>9,015</b>	<b>6,621</b>	<b>7,607</b>	<b>7,845</b>	<b>9,440</b>	
<i>EPS growth (%)</i>	<i>40.9%</i>	<i>-26.6%</i>	<i>14.9%</i>	<i>3.1%</i>	<i>20.3%</i>	

KEY CASHFLOW AND BS ITEMS	2021	2022	2023U	2024E	2025E
Increase in working capital	5,991	-3,040	-4,919	-1,515	260
Capex	17,851	18,251	13,900	18,051	18,051
Other cash flow items	-18,513	-14,232	-45,965	-30,422	-30,422
<b>Free cash flow</b>	<b>-2,442</b>	<b>604</b>	<b>-19,670</b>	<b>-10,432</b>	<b>-5,026</b>
Share issues (m)	6,515	0	17	0	0
Dividends paid	5,199	9,384	0	0	0
Increase in net debt	1,126	8,779	19,654	10,432	5,026
<b>Net debt, end of year</b>	<b>10,314</b>	<b>19,093</b>	<b>38,747</b>	<b>49,179</b>	<b>54,204</b>
<b>Shareholders' equity</b>	<b>131,407</b>	<b>148,522</b>	<b>182,369</b>	<b>216,530</b>	<b>257,636</b>
BVPS (VND)	28,647	33,349	41,116	48,765	57,968
<i>Net debt / equity (%)</i>	<i>7.8%</i>	<i>12.9%</i>	<i>21.2%</i>	<i>22.7%</i>	<i>21.0%</i>
<i>Net debt / EBITDA (x)</i>	<i>0.2</i>	<i>0.7</i>	<i>1.3</i>	<i>2.0</i>	<i>3.9</i>
<b>Total assets</b>	<b>230,516</b>	<b>361,813</b>	<b>447,361</b>	<b>491,954</b>	<b>538,085</b>

KEY RETURN AND VALUATION RATIOS	2021	2022	2023U	2024E	2025E
<i>ROE</i>	<i>36.9%</i>	<i>21.4%</i>	<i>20.4%</i>	<i>17.5%</i>	<i>17.7%</i>
<i>ROA</i>	<i>17.8%</i>	<i>9.9%</i>	<i>8.3%</i>	<i>7.3%</i>	<i>8.1%</i>
<i>ROIC</i>	<i>17.7%</i>	<i>9.5%</i>	<i>7.5%</i>	<i>7.0%</i>	<i>7.8%</i>
<i>WACC</i>	<i>14.9%</i>	<i>13.4%</i>	<i>11.8%</i>	<i>12.3%</i>	<i>12.7%</i>
<i>EVA</i>	<i>2.8%</i>	<i>-3.9%</i>	<i>-4.3%</i>	<i>-5.3%</i>	<i>-4.9%</i>
<i>PER (x)</i>	<i>4.8</i>	<i>6.6</i>	<i>5.7</i>	<i>5.5</i>	<i>4.6</i>
<i>EV/EBITDA (x)</i>	<i>5.2</i>	<i>8.5</i>	<i>7.6</i>	<i>9.3</i>	<i>16.2</i>
<i>EV/FCF (x)</i>	<i>-93.2</i>	<i>376.7</i>	<i>-11.6</i>	<i>-21.8</i>	<i>-45.3</i>
<i>PBR (x)</i>	<i>1.5</i>	<i>1.3</i>	<i>1.1</i>	<i>0.9</i>	<i>0.7</i>
<i>PSR (x)</i>	<i>2.2</i>	<i>3.0</i>	<i>1.8</i>	<i>2.7</i>	<i>4.6</i>
<i>EV/sales (x)</i>	<i>2.7</i>	<i>3.6</i>	<i>2.2</i>	<i>3.2</i>	<i>5.6</i>
<i>Dividend yield</i>	<i>4.6%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>

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**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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