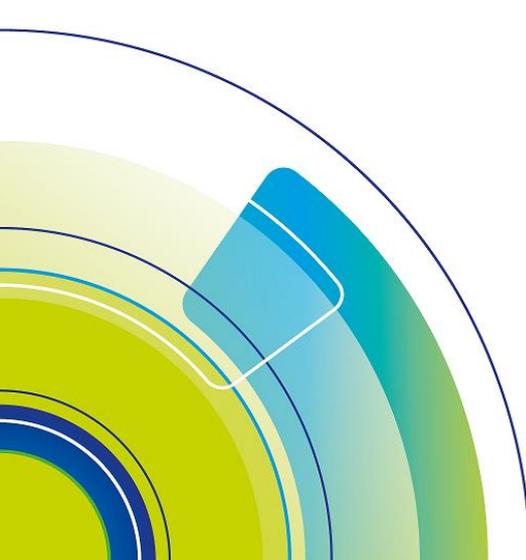




# VRE Flash note - BUY

February 4, 2025

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## Ms. Truc Pham

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## Earnings Flash note

### Recommendation

**BUY**

HSX: VRE

Property

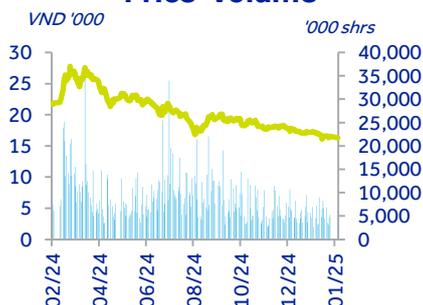
Target price (VND)	21,800
Market price (VND)	16,300
Expected share price return	36.0%
Expected dividend yield	0.0%
Expected total return	36.0%

### Stock performance (%)

	YTD	1M	3M	12M
Absolute	-5.0	-5.2	-8.2	-26.9
Relative	-4.4	-5.1	-8.3	-35.7

Source: Bloomberg

### Price-Volume



### Ownership

SADO	41.5%
Vingroup JSC	18.8%

### Stock Statistics

3-Feb-24

Bloomberg code	VRE VN
52-week range (VND)	16,100 - 28,750
Shares O/S (m)	2,272
Mkt cap (VND bn)	37,039
Mkt cap (USD m)	1,455
Est. foreign room left (%)	20.2
Est. free float (%)	39.7
3m avg daily vol (shrs)	5,624,529
VND/USD	25,460
Index: VNIndex / HNX	1259.29/224.96

## VINCOM RETAIL JSC (VRE VN)

A flat 4Q2024 and a slight decrease in 2024 business results which were in line with our forecast. The decline was mainly due to a lower number of shophouses delivered when handovers at existing projects near completion. Keep our 2025 forecast and our Buy rating unchanged for VRE with a YE2025 target price of VND21,800/share, down by 22% compared to the previous target price given higher net debt and cost of equity.

VRE posted a flat 4Q2024 result with revenue of VND2,128 bn (-9% YoY) and NPAT of VND1,085 bn (+2% YoY). The decline in the top line was mainly due to a 78% decline in property sales to VND60 bn which was driven by a lower number of shophouses delivered (11 units vs 28 units) although rental revenue from operating malls still grew at 4% YoY, to VND2,027 bn.

VRE posted a slight decline in 2024 with revenue of VND8,939 bn (-9% YoY) and NPAT of VND4,096 bn (-7% YoY), completing 92% of the company's target and 98% of our forecast. The decline resulted from a 53% YoY drop in property sales, to VND839 bn which was driven by a lower number of shophouses delivered (167 units mainly at Dong Ha Quang Tri project in 2024 vs 346 units in 2023).

Regarding property leasing segment, revenue slightly improved to VND2,027 bn (+4% YoY) in 4Q2024 and VND7,878 bn in 2024 (+1% YoY) mainly thanks to 5 new malls opened in 2024 (VMM Grand Park, VCP Dien Bien Phu, VCP Ha Giang, VCP Bac Giang and VCP Dong Ha Quang Tri) which added 95,000 sqm of retail GFA. On the other hand, average occupancy rate slightly dropped from 84.8% in 2023 to 84.2% in 2024 mainly due to closure of some entertainment tenants severely impacted by Covid-19 and some VinFast showrooms amounted to 40,000 sqm of vacant spaces in some malls. The good news was that average occupancy rates were trending up from a trough 82.8% in 1Q2024 to 85.4% in 4Q2024 (+0.6 ppts QoQ and +2.4 ppts YoY).

Gross margin of leasing segment in 2024 declined from 58.4% to 55.8% mainly due to: (1) a 10% YoY increase in energy cost given higher electricity price announced by EVN and higher volume given 5 new shopping malls, (2) lower occupancy rate, (3) leasing revenue from commercial streets had a margin of 40-50% which was lower than the normal margin of malls.

Leasing NOI also went down by 2% YoY, to VND7,078 bn in 2024 mainly due to VND240bn of provision for bad debts incurred by an entertainment tenants which have been affected by the COVID and filed for bankruptcy.

	2022	2023	2024U	2025F	2026F
Net Sales (VNDbn)	7,361	9,791	8,939	9,298	11,155
Growth	25.0%	33.0%	-8.7%	4.0%	20.0%
EBITDA (VNDbn)	4,725	6,020	5,152	5,641	6,329
Growth	45.4%	27.4%	-14.4%	9.5%	12.2%
PATMI (VNDbn)	2,776	4,409	3,826	3,993	4,271
Growth	111.2%	58.8%	-13.2%	4.4%	7.0%
EPS (bonus-adjusted, VND)	1,222	1,940	1,684	1,757	1,880
Growth	111.2%	58.8%	-13.2%	4.4%	7.0%
ROE	8.7%	12.4%	9.6%	9.1%	8.9%
ROIC	8.6%	11.0%	7.5%	7.2%	7.8%
Net debt/EBITDA (times)	-0.8	-0.2	0.3	0.0	-0.2
EV/EBITDA (times)	8.0	6.3	7.4	6.7	6.0
PER (times)	13.1	8.2	9.5	9.1	8.5
PBR (times)	1.1	1.0	0.9	0.8	0.7
DPS (VND)	0	0	0	0	0
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%

At YE2024, VRE had 88 malls with a total GFA of c.1.84 mn sqm. **For 2025, VRE plans to open 3 new malls (VMM Ocean City, VMM Royal Island and VCP Vinh)** with a total new GFA of nearly 117,000 sqm (+6,3% YoY) (Please refer to Table 2).

Regarding property sales, **unbilled backlog at the end of 2024 was VND187 bn from Dong Ha Quang Tri project which is expected to be realized in 2025. In 2Q2024, VRE acquired commercial components in two Vinhomes's projects Vinhomes Royal Island and Vinhomes Golden Avenue** with NSA of 85,600 sqm and 24,200 sqm, respectively. Total investment capital of these projects is around VND6.1 trn and VRE already deposited VND5.5 trn to Vinhomes/Vingroup. **VRE expected to launch these two projects in 2025 and deliver and recognized revenue and profit from 2026.**

In 4Q2024, VRE collected a deposit of VND1.3 trn from VinWonder Nha Trang as this project is behind the schedule and VRE decided to not develop this project. **At YE2024, net debt was VND1.5 trn compared with net cash of VND1.2 trn at YE2023 mainly due to deposits to Vingroup, Vinhomes and related parties** (for the right to acquire shopping mall and retail components in their mixed-used projects at costs) increased by over VND 7.8 trn, to VND19.7 trn which accounted for over 1/3<sup>rd</sup> of total assets. Thus, Net debt/Equity ratio increased from -3.3% to 3.6%.

**Quick comment:** Our 2025 forecast remained flat compared to 2024 with revenue of VND9.3 trn (+4% YoY) and PAT of VND4 trn (+4% YoY). We adjust YE2025 target price down by 22% to VND21,800/share given an increase of nearly VND2.4 trn in net debt in 4Q2024 and higher cost of equity which was driven by higher treasury yield and equity risk premium. Reiterate our Buy rating for this stock.

**Table 1: Summary of 4Q2024 and 2024 business results**

Unit: VNDbn	4Q2023	4Q2024	YoY Change	2023	2024	YoY Change	VRE's target	% completion
Total revenue	2,343	2,128	-9%	9,791	8,939	+9%	9,500	94%
Of which: Property leasing	1,952	2,027	+4%	7,796	7,878	+1%		
Property sales	267	60	-78%	1,772	839	-53%		
Others	124	41	-67%	223	222	-1%		
Gross profit	1,268	1,201	-5%	5,346	4,755	-11%		
Financial income	343	547	+60%	1,146	1,786	+56%		
Financial expenses	74	275	+271%	330	838	+154%		
Selling expense	84	144	+72%	341	341	-0%		
G&A expenses	179	169	-6%	439	642	+46%		
NPAT	1,068	1,085	+2%	4,409	4,096	-7%	4,420	92%

Sources: VRE, ACBS.

**Table 2: New malls to be opened in 2025 (+6,3% GFA)**

Project	Location	Retail GFA (sqm)	Expected opening date
VMM Ocean City	Hung Yen	53,200	2Q2025
VMM Royal Island	Hai Phong	44,500	3Q2025
VCP Vinh	Nghe An	19,200	4Q2025
<b>Total No. of Malls (YE2024)</b>			
<b>88</b>		<b>1,841,200</b>	

Source: VRE

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### 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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