

Vietnam

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ADD (no change)

Consensus ratings*: Buy 6 Hold 2 Sell 0

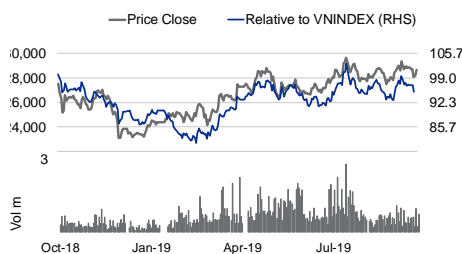
Current price:	VND28,650
Target price:	VND39,600
Previous target:	VND39,600
Up/downside:	38.2%
CGS-CIMB / Consensus:	4.0%
Reuters:	NLG.HM
Bloomberg:	NLG.VN
Market cap:	US\$308.3m
	VND7,153,979m
Average daily turnover:	US\$0.95m
	VND22,038m
Current shares o/s	259.7m
Free float:	46.3%

*Source: Bloomberg

Key financial forecasts

	Dec-19F	Dec-20F	Dec-21F
Net Profit (VNDb)	759	1,421	1,699
Core EPS (VND)	1,864	5,180	6,543
Core EPS Growth	2%	178%	26%
FD Core P/E (x)	15.37	5.53	4.38
Recurring ROE	9.7%	22.3%	22.7%
P/BV (x)	1.39	1.11	0.90
DPS (VND)	500.0	500.0	500.0
Dividend Yield	1.75%	1.75%	1.75%

Net profit is adjusted for bonus & welfare



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.2	5.5	1.7
Relative (%)	4.4	6.1	-3

Major shareholders	% held
Nguyễn Xuân Quang	13.0
PYN Elite Fund	6.8
Nguyễn Thị Bích Ngọc	5.6

Nam Long Investment Corporation

Weak 9M19 results just a blip

- NLG's 3Q19 net profit plunged by 65.1% yoy amid weak handover value and the lack of land transfers.
- The successful launch of the mid-range condo Akari in 3Q19 has consolidated NLG's presales outlook for FY20F.
- Maintain Add for promising FY20-21F outlook, backed by steady presales growth with a TP of VND39,600.

Weak 9M19 business results

- NLG's revenue fell by 70.7% yoy to VND389bn in 3Q19 due to: 1) a 61.1% yoy slump in property handover; and 2) a high base as transfer of stake in Waterpoint land project valued at VND792bn was booked in 3Q18. In 3Q19, only a few villas from the Nguyen Son project were handed over to buyers versus a huge handover of condos from Kikyo and Dailia projects in 3Q18. Hence, 3Q19 net profit plunged by 65.1% yoy to VND146bn.
- 9M19 revenue contracted by 51.7% yoy to VND1,325bn due to fewer property handovers and no land transfers. 9M19 revenue was derived from the handovers of condos in Nguyen Son and Ehomes Phu Huu projects. This is compared to 9M18 revenue of VND2,740bn which was propelled by robust sales of Kikyo, Dailia, Fuji and Nguyen Son projects plus transfer of NLG's stake in the Waterpoint project in 3Q18.
- The sharp decrease in 9M19 revenue resulted in a 35.1% yoy net profit drop in 9M19 to come in at VND412bn, forming c.43.1% of NLG's FY19F target. 9M19 net profit was at c.51.1% of our FY19 forecast.

We expect a strong rebound in 4Q19F net profit

- We expect revenue to rise by 82% yoy in 4Q19F due to i) VND344bn handover value of scheduled completion of Mizuki (apartments and villas), and newly-sold villas in the Waterpoint project, ii) land transfer income of c.VND497bn from the Akari project, and iii) service income of c.VND640bn from Business Contract Cooperation (BCC) projects.
- We forecast FY19F net profit to rise by 5.6% yoy to VND806bn.

Presales are on track to meet our forecast

- NLG's 9M19 presales value reached VND4,658bn, thanks to the Mizuki and Akari projects, making up 50% of our full-year forecast of VND9,290bn. We expect presale value of VND4,632bn in 4Q19 from the launch of the next phase of Akari project and the first phase of Waterpoint project. We believe our FY19F presale forecast is achievable, as we note that booking-to-contract conversion rate of these two projects is c.70-90%.

Maintain Add with a TP of VND39,600

- We maintain our Add rating as presales of Akari, Mizuki and Waterpoint projects should be on track in FY19-21F.
- We adjust our RNAV-based target price to VND39,600 to reflect a 8.23% stock dividend in 3Q19.
- A key downside risk to our call is higher mortgage rates in a rising interest rate environment as this may dent NLG's mid-range condo presales.
- Re-rating catalysts are higher-than-expected selling prices of the next phase of the Mizuki and Akari projects.

Analyst(s)

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Figure 1: Results comparison

VNDbn	3Q19	3Q18	YoY%	9M19	9M18	YoY%	FY19F	Comments
Net revenue	389	1,330	-70.7%	1,325	2,740	-51.7%	47.2%	
Project delivery	194	499	-61.1%	916	1,786	-48.7%		3Q19 deliveries came from Nguyen Son villas project. Mizuki and newly sold villas in Waterpoint will be handed over in 4Q19.
Other services	36	32		73	143		10.2%	Most of the service revenue is generated from BCC project construction, most workload of which falls in 4Q19.
Renting	3	5		13	15			
Construction	156	2		312	4			
Land transfer	0.3	792		11	792		40.3%	We expect a land transfer profit from Akari project recorded in 4Q19
Gross profit	239.6	637.9	-62.4%	584.7	1,182.0	-50.5%		
Gross profit margin	61.5%	48.0%	13.6% pts	43%	0%	1% pts		
Project delivery	50%	51%		45%	43%			
Other services	20%	27%		28%	22%			
Renting	91%	43%		58%	45%			
Construction	84%	12%		43%	9%			
Land transfer	51%	47%		51%	47%			
Selling expense	(33)	(45)	-26.0%	(73)	(165)	-55.6%		Due to fewer units delivered in 9M19
G&A expense	(69)	(56)	23.4%	(212)	(147)	43.9%		
Financial income	40	35	13.4%	110	92	20.1%	16.9%	Most of the income shared from BCC projects (Mizuki, Waterpoint) will be booked in 4Q19.
Financial expense	(7)	(12)	-38.3%	(43)	(20)	115.7%	61.6%	
Net other income	1	5	-82.4%	138	9	1378.8%	100.5%	Dai Phuoc was acquired at a price below the project's net asset value which had brought the company an extra earning of around VND130bn.
EBT	172	565	-69.6%	505	950	-46.9%	49.6%	
Net profit	146	420	-65.1%	412	635	-35.1%	51.1%	

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 2: Project development pipeline

Project	Location	Product	NLG Ownership	Land site (ha)	GFA (sq m)	GDV (VNDbn)	Execution timeframe*				
							2018	2019	2020	2021	2022
Mizuki	Binh Chanh, HCMC	Valora	50%	26.4	446,927	8,383					
		Flora									
Nguyen Son	Binh Chanh, HCMC	Ehomes	87%	11.0	108,881	1,456					
		Villa island									
Akari	Binh Tan, HCMC	Flora	50%	8.8	397,345	8,580					
		Flora	100%	1.1	57,012	970					
Novia	Thu Duc, HCMC	Land lot			146,700						
		Townhouse	50%	165.0	115,608	12,559					
		Villa			269,325						
Waterpoint	Ben Luc, Long An	Phase 2	100%	190.0	N/A	N/A					
Nam Long 2	Can Tho	Land lot	100%	43.0	N/A	N/A					
Hai Phong	Thuy Nguyen, Hai Phong	Ehomes	100%	22.0	172,941	5,231					
		Valora			122,400						
Waterfront	Long Hung, Dong Nai	Township	70%	192.0	N/A	N/A					
Dai Phuoc	Dong Nai	Valora/Land lot	100%	45.0	N/A	N/A					

(*) Each project execution timeframe (from first launch to completion) is in grey highlight. Otherwise, no detailed project timeframe has been announced by the company.

SOURCES: VND RESEARCH, NLG

Figure 3: Peer comparison

Company Name	Ticker	Share price (VND)	TP (VND)	Upside (%)	Recom.	Market Cap (US\$m)	P/E (x)			P/BV (x)			ROE (%)		Dividend yield (%)		Net gearing (%)
							TTM	2019F	2020F	Curr.	2019F	2020F	2019F	2020F	2019F	2020F	
Vinhomes Jsc	VHM VN	85,900	104,300	21.4%	ADD	12,399	19.0	15.8	11.0	7.0	4.6	3.3	30.7	34.0	1.4	1.7	1.7
No Va Land Inves	NVL VN	60,500	NR	N/A	NR	2,426	17.0	18.2	17.6	3.0	2.5	2.1	15.2	14.7	N/A	N/A	N/A
Khang Dien House	KDH VN	25,850	28,300	9.5%	ADD	606	17.0	14.1	11.5	2.0	1.8	1.6	12.9	14.5	2.1	2.1	1.9
Phat Dat Real Es	PDR VN	26,200	NR	N/A	NR	370	12.0	N/A	N/A	2.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dat Xanh Group	DXG VN	15,800	NR	N/A	NR	354	5.0	5.8	5.5	1.0	1.0	1.0	18.5	18.2	3.2	3.2	3.2
Van Phu - Invest	VPI VN	41,500	NR	N/A	NR	286	16.0	N/A	N/A	3.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hai Phat Investm	HPX VN	25,950	NR	N/A	NR	224	12.0	N/A	N/A	2.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average							14.0	13.5	11.4	2.9	2.5	2.0	19.3	20.4	2.2	2.3	2.3
Median							16.0	15.0	11.2	2.0	2.1	1.8	16.9	16.5	2.1	2.1	1.9
Nam Long Investm	NLG VN	28,650	39,600	38.2%	ADD	308	14.0	9.6	5.1	2.0	1.4	1.1	9.7	22.3	1.7	1.7	2.7

Note: all prices are based on the closing prices on 23 Oct 2019. All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

SOURCES: VND RESEARCH, BLOOMBERG, COMPANY REPORT

BY THE NUMBERS

Profit & Loss

(VNDb)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	3,480	2,807	1,719	2,282
Gross Profit	1,517	688	358	617
Operating EBITDA	1,026	316	15	199
Depreciation And Amortisation	(13)	(16)	(17)	(17)
Operating EBIT	1,013	299	(2)	182
Financial Income/(Expense)	92	582	1,853	2,031
Pretax Income/(Loss) from Assoc.	14	0	0	0
Non-Operating Income/(Expense)	9	137	0	0
Profit Before Tax (pre-EI)	1,128	1,018	1,851	2,213
Exceptional Items				
Pre-tax Profit	1,128	1,018	1,851	2,213
Taxation	(241)	(204)	(370)	(443)
Exceptional Income - post-tax				
Profit After Tax	887	815	1,481	1,770
Minority Interests	(124)	(9)	0	0
Prof. & Special Div	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax	(43)	(47)	(59)	(71)
Net Profit	721	759	1,421	1,699
Recurring Net Profit	424	483	1,345	1,699
Fully Diluted Recurring Net Profit	424	483	1,345	1,699

Balance Sheet

(VNDb)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	2,084	1,148	1,757	3,664
Properties Under Development	3,261	4,186	4,954	4,813
Total Debtors	1,833	1,800	1,644	1,725
Inventories	12	13	14	16
Total Other Current Assets	142	181	206	199
Total Current Assets	7,332	7,329	8,576	10,416
Fixed Assets	40	35	30	25
Total Investments	1,722	2,331	2,534	2,529
Intangible Assets	16	14	13	11
Total Other Non-Current Assets	476	391	565	648
Total Non-current Assets	2,254	2,772	3,142	3,213
Short-term Debt	201	218	140	171
Current Portion of Long-Term Debt	0	0	0	0
Total Creditors	270	292	188	230
Other Current Liabilities	2,222	1,901	2,445	2,875
Total Current Liabilities	2,694	2,411	2,774	3,276
Total Long-term Debt	806	756	706	656
Hybrid Debt - Debt Component	0	0	0	0
Total Other Non-Current Liabilities	790	866	850	726
Total Non-current Liabilities	1,596	1,622	1,556	1,382
Total Provisions	0	0	0	0
Total Liabilities	4,290	4,033	4,330	4,658
Shareholders' Equity	4,600	5,362	6,681	8,262
Minority Interests	684	693	693	693
Total Equity	5,285	6,055	7,374	8,955

Cash Flow

(VNDb)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	1,026	316	15	199
Cash Flow from Invnt. & Assoc.	0	0	0	0
Change In Working Capital	384	(1,070)	(387)	332
Straight Line Adjustment	0	0	0	0
(Incr)/Decr in Total Provisions	12	16	17	17
Other Non-Cash (Income)/Expense	(143)	(652)	(1,922)	(2,101)
Other Operating Cashflow	96	726	1,846	2,013
Net Interest (Paid)/Received	(36)	(70)	(70)	(70)
Tax Paid	(346)	(204)	(370)	(443)
Cashflow From Operations	991	(938)	(871)	(52)
Capex	0	0	0	0
Disposals Of FAs/subsidiaries	0	0	0	0
Disposals of Investment Properties	2	0	0	0
Acq. Of Subsidiaries/Investments	(1,719)	(615)	(209)	(0)
Other Investing Cashflow	(112)	638	1,945	2,108
Cash Flow From Investing	(1,830)	23	1,737	2,108
Debt Raised/(repaid)	600	(34)	(127)	(19)
Proceeds From Issue Of Shares	447	132	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(207)	(120)	(130)	(130)
Preferred Dividends				
Other Financing Cashflow	0	0	0	0
Cash Flow From Financing	840	(22)	(257)	(149)

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	24.8%	10.1%	(19.3%)	(38.8%)	32.7%
Operating EBITDA Growth	81%	15%	(69%)	(95%)	1241%
Operating EBITDA Margin	28.3%	29.5%	11.2%	0.9%	8.7%
Net Cash Per Share (VND)	8,679	4,503	730	3,850	11,947
BVPS (VND)	15,477	19,237	22,423	27,980	34,636
Gross Interest Cover	31.67	27.82	4.30	(0.03)	2.61
Effective Tax Rate	20.4%	21.3%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	13.8%	9.9%	15.7%	8.4%	7.0%
Accounts Receivables Days	96.6	126.5	236.2	366.7	269.5
Inventory Days	2.32	2.11	2.12	3.63	3.26
Accounts Payables Days	48.36	52.20	48.37	64.52	45.82
ROIC (%)	20.8%	37.0%	7.3%	(0.0%)	3.0%
ROCE (%)	24.3%	21.8%	14.3%	25.2%	25.3%
Return On Average Assets	9.65%	8.81%	3.07%	(0.56%)	0.59%

12-mth Fwd FD P/E (x) - Nam Long Investment Corporation



Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Unbooked Presales (m) (VND)	3,362,362.4	4,201,651.2	10,099,793.1	10,984,601.9	12,275,899.9
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (units)	2,127.0	2,489.0	4,775.1	5,377.1	5,970.1
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A	N/A
Gross Margins (%)	46.7%	38.5%	42.6%	51.3%	52.3%
Contracted Sales ASP (per Sm) (VND)	N/A	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	18.8%	26.1%	7.1%	-18.9%	15.3%
Investment rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	71.0%	69.0%	44.9%	29.2%	51.4%
Invnt. properties rental margin (%)	N/A	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	5.0%	5.0%	5.0%	5.0%	5.0%

SOURCES: VND RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
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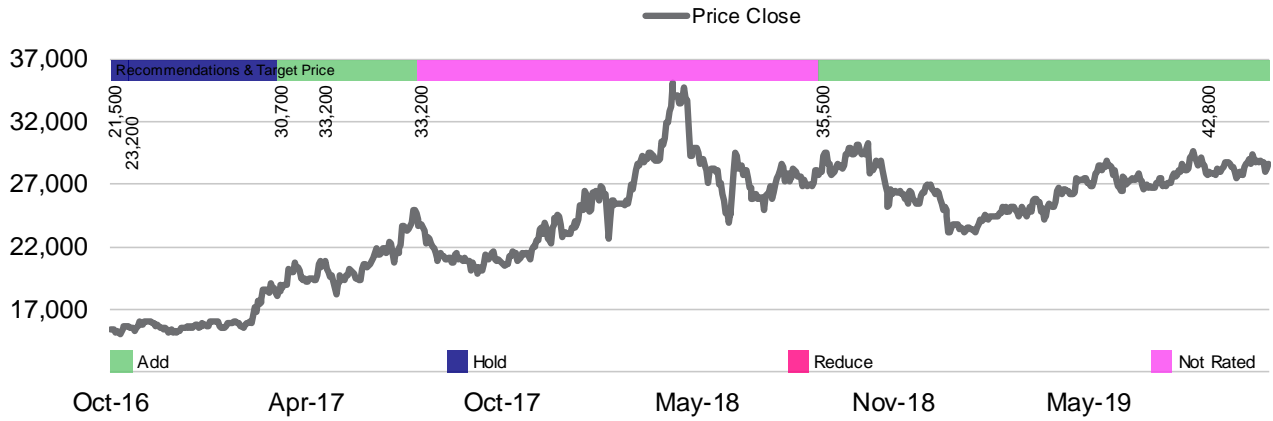
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777 companies under coverage for quarter ended on 30 September 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.8%	0.9%
Hold	26.3%	0.0%
Reduce	14.9%	0.1%

Spitzer Chart for stock being researched (2 year data)

Nam Long Investment Corporation (NLG VN)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, , **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HREIT** - Excellent, Certified **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **JWD** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **OSP** – not available, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PR9** – not available, n/a, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **S** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Very Good, Certified, **WORK** – Good, n/a.

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Definition:

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Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

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Definition:

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Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

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Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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