

NOVALAND GROUP JSC (NVL) – UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND103,200	VND107,700	0.00%	Hold	PROPERTY

17 August 2021

Outlook – Short term: **Neutral**
Outlook – Long term: **Positive**
Valuation: **Neutral**

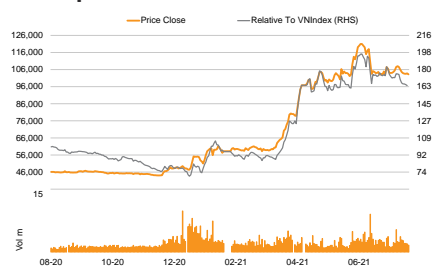
Consensus*: Add:2 Hold:5 Reduce:1

Target price / Consensus: -1.4%

Key changes in the report

- FY21, 22, 23F net profit increased by 7.7%, 39.9%, 13.9%, respectively.
- Revise TP up by 45% vs. previous TP.

Price performance



Source: VND RESEARCH

Key statistics

52w high (VND)	121,000
52w low (VND)	44,010
3m Avg daily value (VNDmn)	285,074
Market cap (VND bn)	152,960
Free float (%)	33
TTM P/E (x)	33.7
Current P/B (x)	4.5

Ownership

Bui Thanh Nhon	21.58%
Novagroup JSC.	19.72%
Diamond Properties JSC.	10.54%
Others	48.16%

Source: VND RESEARCH

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Fair valuation, more positive in longer run

- In 2Q21, NVL's net profit (NP) rose 48.2% yoy to VND1,321bn. 1H21 NP grew 53.2% yoy, fulfilling 45.4% of our full-year forecast.
- We raise FY21/22/23F NP forecasts by 7.7%/39.9%/13.9% due to the adjustment in the revenue bookings of key projects.
- Reiterate Hold with higher revalued net asset value (RNAV)-based target price (TP) of VND107,700.

Strong 2Q21 NP growth thanks to a surge in property handover value

In 2Q21, NVL's net revenue increased 258.4% yoy to VND2,544bn thanks to strong project delivery of VND2,173bn (+506.9% yoy). Of which, hospitality projects (NovaWorld Ho Tram, NovaHill Mui Ne, NovaWorld Phan Thiet) contributed nearly 70% of handover revenue, HCMC's central business district (CBD) project (Saigon Royal, Victoria Village) accounted for more than 25% and the rest delivered from very first units in Aqua City. Consequently, 2Q21 NP increased 48.2% yoy to VND1,321bn, bringing 1H21 NP to 53.2% yoy of growth, fulfilling 45.4% of our full-year forecast.

2Q21 presales strongly bounced despite the social distancing

In 2Q21, NVL sold 2,569 units (+134.0% yoy), which is equivalent to US\$1,226m (~VND28,110bn) from Aqua City, NovaWorld Phan Thiet and NovaWorld Ho Tram. Cumulatively in 1H21, presales volume and value recorded 4,388 units (+141.1% yoy) and US\$1,977m (+204.2% yoy), respectively. We believe presales growth continues to do well in 2H21F and the FY21 presales target of 10,000 units is achievable.

Revise FY21, 22, 23F NP up by 7.7%, 39.9%, 13.9%

We increase FY21-23F by 7.7%-39.9% by adding VND860bn in handover revenue from Saigon Royal and Victoria Village in FY21 revenue and postponing VND780bn handover of Grand Manhattan from FY21F to FY22F. Additionally, we raise Aqua City's ASP by 7% vs. previous forecast.

Reiterate Hold with a higher TP of VND107,700

We apply a DCF method to calculate the value of under-development projects and reassess future land bank portfolios in this update. Our new RNAV-based TP is VND107,700, which leads us to reiterate coverage on NVL with a Hold rating. We believe NVL stock has closed to its fair value as the stock surged 123% ytd. Re-rating catalysts are 1) a better-than-expected presales, and 2) legal bottlenecks resolution. Downside risks to NVL stock are 1) long regulatory stumbling blocks, 2) more complicated pandemic in cities where NVL's hospitality projects are located, and 3) dilution from convertible bonds.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	5,026	17,500	35,953	55,766
Revenue growth	(54.0%)	248.2%	105.4%	55.1%
Gross margin	36.5%	36.3%	39.1%	41.1%
EBITDA margin	89.1%	37.9%	36.5%	38.2%
Net profit (bn)	3,919	4,408	9,358	15,498
Net profit growth	14.2%	12.5%	112.3%	65.6%
Recurring profit growth				
Basic EPS	3,974	2,991	6,350	10,517
Adjusted EPS	3,974	2,991	6,350	10,517
BVPS	26,244	23,864	30,215	40,735
ROAE	16.3%	14.4%	23.5%	29.6%

Source: VND RESEARCH

FAIR VALUATION, MORE POSITIVE IN LONGER RUN

Reiterate Hold with a higher target price

Investment thesis

Novaland (NVL), in our view, has a neutral outlook in the short term as it is hard to deliver strong profit growth in FY21F, especially in the context of prolonged social distancing due to complicated pandemic situation in the South of Vietnam. However, we still like NVL in the long term as a residential property developer with enormous growth potential:

- By the end of 2Q21, NVL owns c.5,400 ha of land bank and under research real estates, equivalent to US\$45bn of gross development value (GDV). Of which, c.30% is central HCMC and satellite urban real estates and c.50% is hospitality properties, which could sustain at least 10 years of development, in our view.
- NVL's launching projects are megaprojects with huge GDV including Aqua City and its subdivisions (total GDV of c.VND150tr), NovaWorld Phan Thiet (c.VND155tr), NovaWorld Ho Tram (c.VND25tr). Among them, Aqua City received very positive feedback from customers with a take-up rate of over 92%. The resort real estate projects Nova World Phan Thiet and Nova World Ho Tram also achieved an average take-up rate of about 55%, higher than the level of 29% in the general market, according to DKRA. We believe that 2H22-2024 will be a period of strong earnings growth for NVL thanks to project deliveries.

Valuation

Figure 1: Equity valuation

Assumption		Inventory and Investment	BV as at 31 Dec 2020	Premium	Fair value	Method
Market premium	11.0%	Residential property	103,512	124,970	228,482	DCF
Risk-free rate	3.0%	Other	7		7	Book value
Beta	0.30	Total property value	103,519		228,489	
Cost of debt	10.0%	Add:				
Debt weight	60.5%	Cash and cash equivalent	12,132		12,132	
Equity weight	39.5%	Short-term investments	835		835	
Cost of equity	6.3%	Account receivables	19,089		19,089	
WACC	7.3%	Other short-term assets	1,306		1,306	
		Long-term assets	34,642		34,642	
		Less:				
		Debt	51,303		51,303	
		Other liabilities	80,304		80,304	
		Minority interest	6,246		6,246	
		Discounted RNAV			158,639	
		Shares outstanding (m)			1,474	
		Target price (VND/share)			107,700	

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

We apply a DCF method to calculate the value of projects under development with an assumed WACC-based discount rate of 7.3% and RNAV discount rate of 15% for its developing portfolio due to the highest leverage among sector peers and legal complication of NVL's projects.

In this update, we also re-evaluate the land bank portfolio for 12 projects that are planned to be deployed in the future by NVL in valuation (previously applying book value) with a discount rate of 30% from NAV due to the lack of legal information on these projects. This resulted in a 45% increase vs. previous target price (TP).

For other assets, debts and minority interest, we use book value as of 30 Jun 2021. Our RNAV-based TP is VND107,700, which leads us to reiterate coverage on NVL with a Hold rating. In our opinion, NVL stock has reached its fair value as the stock surged 123% ytd.

Potential re-rating catalysts include 1) a better-than-expected presale, 2) legal bottlenecks resolution, which will speed up project implementation in HCMC CBD earlier than expected. Downside risks to NVL stock are 1) long regulatory stumbling blocks that could delay the approval of its projects, 2) more complicated pandemic in provinces/cities where NVL's hospitality projects are located, and 3) dilution from convertible bonds.

Figure 2: Project valuation summary (as of Jun 2021)

	NSA (sqm)	ASP (VND/sqm)	GDV (VNDbn)	NPV (VNDbn)
UNDER DEVELOPMENT PROJECTS				
Sunrise Cityview	86,167	38	3,307	816
Victoria Village	93,641	68	6,398	1,860
Golf Park	18,219	17	311	75
Botanica Premier	66,295	38	2,533	639
The Botanica	38,327	34	1,298	394
Grand Manhattan	100,306	151	15,128	3,218
The Palace Residence	168,292	61	10,217	2,998
Aqua City	533,006	48	25,518	7,125
Aqua Riverside	358,256	50	17,799	5,855
Aqua City River Park	385,843	59	22,699	5,145
Aqua Phoenix	1,361,803	61	82,763	20,680
NovaHill Mui Ne	162,423	36	5,889	1,500
NovaBeach Cam Ranh	125,054	50	6,233	1,915
NovaWorld Phan Thiet	3,278,072	47	155,286	42,396
NovaWorld Ho Tram (The Tropicana)	389,945	43	16,826	4,949
NovaWorld Ho Tram (Wonderland)	36,839	78	2,860	763
NovaWorld Ho Tram (Habana Island)	105,003	50	5,238	1,886
Total RNAV				102,215
RNAV after applying 15% discount				86,882
OTHER FUTURE PROJECTS				
Palm 5.2	29,719	68	2,025	466
Palm A	40,212	63	2,520	580
Project C	505,623	122	61,790	14,212
Project D	44,722	68	3,039	699
Project F	168,292	61	10,217	2,350
Project I	1,124,339	61	68,444	15,742
Project K	108,642	65	7,098	1,633
Project P	267,765	101	26,953	6,199
Project S	295,622	72	21,417	4,926
Project T	298,085	81	24,219	5,570
Project V	53,586	122	6,555	1,508
Project X	22,871	100	2,292	527
Total RNAV				54,411
RNAV after applying 30% discount				38,088
Premium RNAV applying for valuation				124,970

Sources: VND RESEARCH, COMPANY REPORTS

Figure 3: Peer comparison

Company Name	Ticker	Share price (local cur)	TP (local cur)	Recom.	Market Cap (US\$m)	3-year Fwd EPS CAGR (%)	P/E (x)		P/B (x)		ROE (%)		Dividend yield (%)		Net D/E (%)
							2021F	2022F	2021F	2022F	2021F	2022F	2021F	2022F	
Novaland	NVL VN	103.200	107.700	HOLD	6.660	51,4	34,5	16,3	4,3	3,4	14,4	23,5	-	-	114,7
Local peer average						30,3	14,5	9,5	2,3	1,9	19,0	23,2	1,7	1,5	32,6
Local peer median						23,6	13,4	8,6	2,2	1,8	16,8	20,2	1,4	1,4	32,2
Regional peer average						13,0	14,1	11,8	0,8	0,8	7,9	8,3	3,9	4,5	57,9
Regional peer median						11,6	14,2	11,9	0,8	0,7	6,3	6,8	3,8	4,2	53,5
Vietnam															
Vinhomes	VHM VN	111.000	134.300	ADD	16.282	44,7	12,8	7,4	3,1	2,2	28,2	34,3	-	-	27,8
Khang Dien	KDH VN	41.200	45.500	ADD	1.124	23,6	20,6	13,2	2,6	2,4	14,5	21,1	1,4	1,4	22,6
Dat Xanh	DXG VN	23.800	NR	NR	540	N/A	14,0	8,4	1,6	1,4	14,0	18,2	N/A	N/A	43,6
Nam Long	NLG VN	42.250	46.700	ADD	528	22,6	10,5	8,8	1,7	1,5	19,1	19,3	3,6	3,2	36,6
China & Hongkong															
China Vanke-A	000002 CH	32,8	NR	NR	40.394	6,4	6,1	5,6	1,0	0,9	16,8	15,8	5,5	5,9	28,5
Sun Hung Kai	16 HK	139,6	NR	NR	40.993	14,7	10,5	9,7	0,5	0,5	5,2	5,4	4,5	4,7	13,6
China Overseas Land	688 HK	30,5	NR	NR	26.470	4,2	4,2	3,9	0,5	0,5	12,3	12,5	7,3	8,0	32,3
China Resources Land	1109 HK	34,9	NR	NR	26.958	5,9	6,5	5,6	0,8	0,7	13,0	13,4	5,6	6,3	29,7
China Evergrande	3333 HK	26,3	NR	NR	8.997	7,2	2,5	2,6	0,3	0,3	9,4	9,4	9,0	10,6	159,8
Country Garden	2007 HK	13,3	NR	NR	24.413	4,3	4,2	3,7	0,8	0,7	19,0	18,2	7,2	8,1	59,7
Indonesia															
Pakuwon Jati	PWON IJ	740	NR	NR	N/A	N/A	14,3	12,0	1,3	1,2	9,2	10,1	0,7	1,0	6,0
Bumi Serpong Damai	BSDE IJ	1.410	NR	NR	N/A	N/A	12,1	10,4	0,5	0,5	4,9	5,5	0,3	0,8	5,6
Ciputra Development	CTRA IJ	1.130	NR	NR	N/A	N/A	11,6	11,9	0,9	0,9	7,9	6,8	1,1	1,3	26,3
Summarecon Agung	SMRA IJ	1.134	NR	NR	N/A	N/A	31,2	23,3	1,4	1,4	4,7	5,5	0,3	0,4	85,9
Malaysia															
KLCCP Stapled	KLCCSS MK	7,7	NR	NR	2.832	N/A	18,8	17,3	0,9	0,9	5,1	5,4	4,9	5,4	9,8
SP Setia	SPSB MK	2,3	NR	NR	1.046	N/A	15,8	10,6	0,3	0,3	2,1	3,1	1,3	2,4	68,8
Sime Darby Property	SDPR MK	1,1	NR	NR	962	N/A	15,0	12,8	0,4	0,4	2,9	3,3	2,0	2,7	28,1
Singapore															
Capitaland	CAPL SP	3,7	NR	NR	15.164	N/A	19,3	16,1	0,9	0,9	5,5	6,3	2,7	3,0	68,1
Keppel Corp	KEP SP	6,7	NR	NR	7.084	29,1	14,2	11,7	0,8	0,8	6,3	7,3	3,8	4,1	89,5
City Developments	CIT SP	9,4	NR	NR	4.645	N/A	25,0	14,2	0,7	0,7	2,8	5,2	1,9	2,4	93,7
UOL Group	UOL SP	7,3	NR	NR	4.393	32,0	18,8	15,3	0,6	0,6	2,9	3,6	2,4	2,5	29,5
Frasers Property	FPL SP	1,9	NR	NR	3.257	13,3	19,8	18,8	0,5	0,5	3,1	2,9	2,2	2,9	110,6
Ascott Residence	ART SP	1,2	NR	NR	2.319	14,4	27,3	24,6	0,9	0,9	3,2	3,2	4,3	5,5	48,9
Thailand															
Land And Houses	LH TB	10,7	NR	NR	2.855	11,7	13,3	12,2	1,8	1,8	14,2	15,0	6,5	7,1	110,6
WHA Corporation	WHA TB	4,2	NR	NR	1.384	20,2	15,9	13,0	1,5	1,4	9,7	11,4	3,5	4,2	117,6
Pruksa Holding	PSH TB	18,2	NR	NR	849	11,4	10,3	8,7	0,6	0,6	6,3	7,1	6,9	7,7	55,5
Supalai	SPALI TB	20,0	NR	NR	1.212	7,3	7,3	7,0	1,1	1,0	15,4	14,6	5,5	5,7	53,5

Note: all prices are based on the closing prices on Aug 17 2021. All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

Sources: VNDIRECT RESEARCH, BLOOMBERG, COMPANY REPORTS

1Q21 results: In line with our expectation
Figure 4: Results comparison

	2Q21	2Q20	Change yoy (%)	1H21	1H20	Change yoy (%)	% FY21 forecast	Comments
Net revenue	2,544	710	258.4%	7,050	1,664	323.7%	43.4%	
<i>Project delivery</i>	2,173	358	506.9%	6,297	794	693.6%	43.0%	In 2Q21, hospitality projects (NovaWorld Ho Tram, NovaHill Mui Ne, NovaWorld Phan Thiet) contribute more than VND1,500bn, while nearly VND600bn comes from the HCMC's CBD projects (Saigon Royal, Victoria Village) and the rest delivered from very first units in Aqua City.
<i>Consulting</i>	325	242	34.4%	649	713	-9.1%		
<i>Leasing</i>	24	35	-30.7%	48	65	-25.2%		
<i>Others</i>	21	75	-71.6%	56	92	-39.6%		
Gross profit	858	217	295.3%	2,575	583	342.0%	44.6%	
<i>Gross profit margin</i>	33.7%	30.6%	+3.1% pts	36.5%	35.0%	+1.5% pts		
<i>Selling expense</i>	(183)	(16)	1052.1%	(322)	(26)	1152.3%		
<i>G&A expense</i>	(292)	(350)	-16.6%	(611)	(614)	-0.5%		
<i>% SG&A to sales</i>	18.7%	51.6%	-32.9% pts	13.2%	38.5%	-25.2% pts		
<i>Financial income</i>	1,334	1,807	-26.2%	1,906	2,665	-28.5%		
<i>Divestment of subsidiaries</i>	753	1,706	-55.8%	753	2,501	-69.9%		
<i>BCC</i>	396	-		764	-			
<i>Others</i>	184	102	81.3%	388	164	137.2%		
<i>Financial expense</i>	(1,829)	(365)	401.3%	(2,283)	(751)	203.9%		
<i>Borrowing expenses</i>	(118)	(169)	-30.1%	(149)	(302)	-50.9%		
<i>Net other income</i>	1,610	(295)	-645.7%	1,495	(368)	-506.8%		
<i>EBT</i>	1,497	998	50.0%	2,758	1,487	85.5%	53.8%	
Profit after tax	1,313	875	50.1%	2,014	1,177	71.1%	49.2%	In line with our expectation.
Net profit	1,321	891	48.2%	1,857	1,213	53.2%	45.4%	In line with our expectation.

Sources: VNDIRECT RESEARCH, COMPANY REPORT

Successful issuance of international convertible bonds to beef up capital

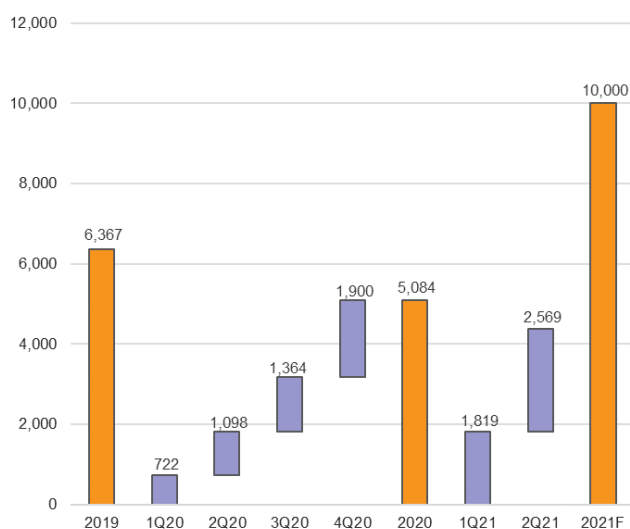
In July 2021, NVL successfully issued US\$300m (~VND6,900bn) of international convertible bonds listed on the Singapore Stock Exchange (SGX). Credit Suisse (Singapore) Limited is the Sole Global Coordinator and Sole Bookrunner. The issuance received great interest from international investors with the registration value more than 2.5 times higher than the initial issuance plan.

Accordingly, the bond has a term of 5 years from the date of issuance (maturity in 2026), with a fixed interest rate of 5.25%/year. In addition, these bonds are convertible into common shares of NVL with the conversion price is VND135,700/share, which is 15% higher than the closing price of NVL stock at the offering date – 07 Jul 2021.

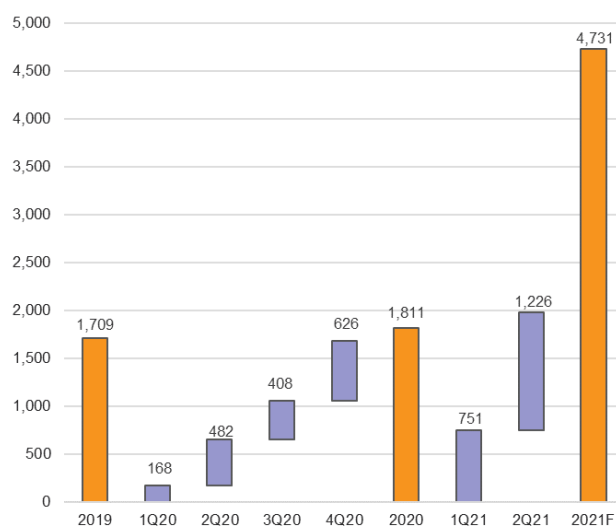
The capital raised from this issuance will be focused on developing key projects of NVL and accumulating the land bank in order to ensure its profit growth in the next three years. Besides, the success in raising capital will improve debt structure of the company due to a significant increase in medium and long-term debt.

Presales strongly bounced in 2Q21 despite the social distancing

In 2Q21, NVL sold 2,569 units (+134.0% yoy) from Aqua City, NovaWorld Phan Thiet and NovaWorld Ho Tram. Total 2Q21 presales value surged by 154.4% yoy, reaching US\$1,226m (~VND28,110bn). Cumulatively in 1H21, presales volume and value recorded 4,388 units (+141.1% yoy) and US\$1,977m (+204.2% yoy), respectively.

Figure 5: NVL's presales volume performance (units)


Sources: VNDIRECT RESEARCH, COMPANY REPORT

Figure 6: NVL's presales value performance (US\$m)


Sources: VNDIRECT RESEARCH, COMPANY REPORT

The above figures show that NVL's projects are still strongly attractive to buyers despite going through social distancing. According to the company, online events to introduce its projects are still held regularly and the offering product and financial incentive programs are suitable to the needs of investors in this period. We believe presales growth continues to do well in 2H21F and the FY21 presales target of 10,000 units is achievable. Per NVL, out of more than 5,600 presales units in 2H21, 50% of presale volume will come from satellite townships (Aqua City), 40% from hospitality properties (NovaWorld Phan Thiet and NovaWorld Ho Tram) and 10% from projects in HCMC's central business districts. Unbilled revenue increased by US\$0.1bn in 2Q21 to US\$5.4bn.

Figure 7: Key development pipeline

Project	Location	Product	NVL's ownership	Land site (ha)	No. of units	GDV (VNDbn)*	Status	Expected handover timeframe						
								2021	2022	2023	2024	2025	2026 onward	
Aqua City	Dong Nai	Low-rise	69.9%	111	2,118	25,518	Completed: 58 sample model houses (5 interior-finished units), Clubhouse Forest, Park 1, parks in internal areas, protection embankment.							
Aqua Riverside	Dong Nai	Low-rise	79.9%	77	1,754	17,799	Completed: Clubhouse, outdoor sport area, marina.							
Phoenix Island	Dong Nai	Low-rise	TBU	286	7,556	82,763	In land clearance. Expect to receive construction permits in 4Q21.							
NovaHill Mui Ne	Phan Thiet	Low-rise	100.0%	399	620	5,889	Finished, in the process of handing over.							
NovaWorld Phan Thiet	Phan Thiet	Low-rise	99.9%	986	18,684	155,286	Clubhouses: constructed 90%. Villas: 272 units finished, 259 units constructed 40%. Shop houses: 115 units finished. Ocean golf, sport fields (phase I) finished.							
NovaWorld Ho Tram (The Tropicana)	Ba Ria - Vung Tau	Low-rise	97.9%	99	1,919	16,826	Villas (50%), shop houses (seaside 100%, hillside 20%), Ocean Pool, lagoon, Koko coffee.							
NovaWorld Ho Tram (Wonderland)	Ba Ria - Vung Tau	Low-rise	100.0%	9	271	2,860	Sample model houses, amenities, sales gallery, landscape, embankment completed.							
NovaWorld Ho Tram (Habana Island)	Ba Ria - Vung Tau	Low-rise	100.0%	20	721	5,238	Expect to receive construction permits in 4Q21.							

(*) Figures are estimated by the company

Sources: VNDIRECT RESEARCH, COMPANY REPORT

FY21-FY23F earnings forecasts revision

Figure 8: Forecast revisions

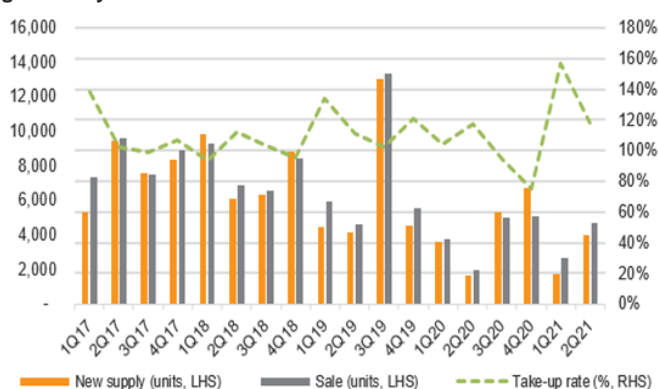
	New			Old			Change			Comment
	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	
Net revenue	17,500	35,953	55,766	16,263	26,425	49,132	7.6%	36.1%	13.5%	Adding VND860bn in handover revenue from Saigon Royal and Victoria Village in FY21 revenue. Postponing VND780bn handover of Grand Manhattan from FY21 to FY22. We raise Aqua City's ASP by 7% vs. previous forecast.
Gross profit	6,344	14,056	22,912	5,772	10,127	19,980	9.9%	38.8%	14.7%	
Gross margin	36.3%	39.1%	41.1%	35.5%	38.3%	40.7%	+0.8% pts	+0.8% pts	+0.4% pts	
SG&A expenses	(1,565)	(3,214)	(4,986)	(1,454)	(2,363)	(4,393)	7.6%	36.1%	13.5%	
Operating profit	4,780	10,841	17,926	4,318	7,764	15,587	10.7%	39.6%	15.0%	
Financial income	2,673	3,695	5,445	2,516	2,866	4,860	6.2%	28.9%	12.0%	
Financial expense	(2,531)	(3,974)	(5,720)	(2,270)	(3,120)	(4,972)	11.5%	27.4%	15.1%	FY21F total debt increased by 14.4% compared to the previous projection due to the successful issuance of US\$300mn convertible bonds.
Net profit	4,408	9,358	15,498	4,092	6,690	13,601	7.7%	39.9%	13.9%	7.5% higher than NVL's FY21 guidance.

Source: VND RESEARCH

Southern Vietnam residential market: bright spot from the satellite urban area while hospitality property shows V-shaped recovery

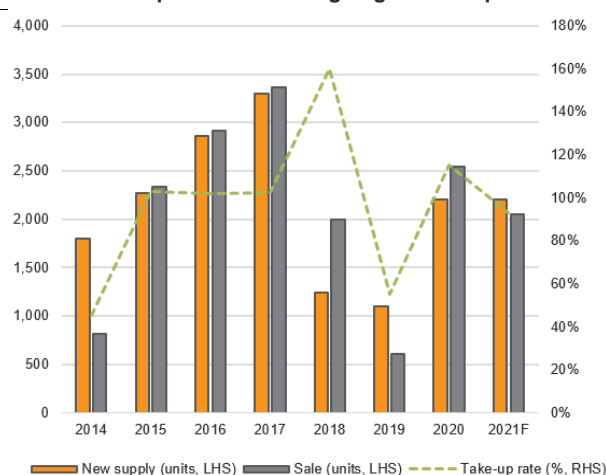
Although current new supply is still limited, we see signs of warming up in condo supply since 2022 onwards in HCMC market

Figure 9: Sales volume (unit) of condo in HCMC recovered significantly in 2Q21



Sources: CBRE, SAVILLS, VNDIRECT RESEARCH

Figure 10: The HCMC new landed supply in 2H21F mostly comes from new phases of existing large township



Sources: CBRE, VNDIRECT RESEARCH

According to CBRE, the sales volume of HCMC condo market in 2Q21 strongly bounced +143.1% yoy to 4,700 units driven by ample new launches of 3,968 units (+141.4% yoy). Mid-end segment still dominated the market with new supply increase of 246.6% yoy to 3,116 units, accounting for 78.5% of total new supply, mostly from the West and the South. Take-up rate remained high at 118.4% (+0.7% pts yoy).

After new regulatory measures such as Decree 148 and Amended Construction Law 2020 issued in 2020, we project the HCMC new condo supply will recover from 2022F, with +26.2% yoy in 2022F and +55.7% yoy in 2023F, of which mid-end segment bounces with a 30-50% contribution of total condo supply. We believe suburb housing market in HCMC namely Binh Chanh, Can Gio, Nha Be, Thu Duc City will continue to do well in 2H21-2022F, driven by the infrastructure project development in these areas.

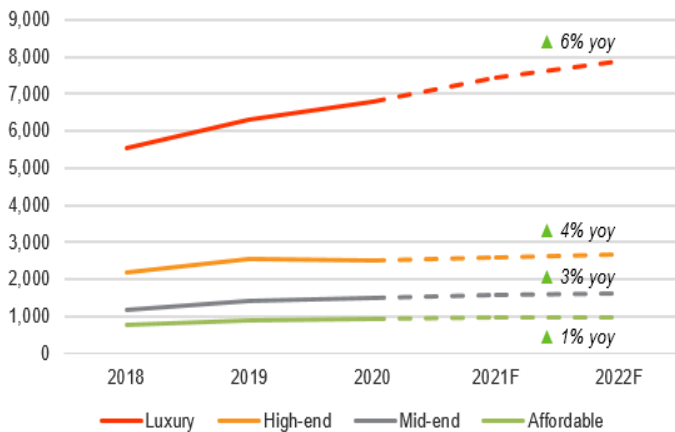
Housing prices of HCMC suburbs likely continue to increase in 2H21-22F

We believe there will be no announcements of discounts in HCMC housing primary prices in 2H21-22F due to the increase in development cost with higher compensation cost, financing cost in the past two years and higher material cost. We expect developers will offer better handover conditions, better facilities and supporting payment terms to stimulate demand rather than decrease their primary prices.

Condo primary prices in HCMC will continue to increase at a slower pace of 1-4% yoy in all segments except the luxury segment, in our view. The luxury segment likely continues to be more excited in 2H21-22F buoyed by the launches of projects having sought-after locations in District 1 and Thu Duc City, after a new pricing level of US\$16,500-18,000 psm set by a new branded residence project in District 1 in 1H21.

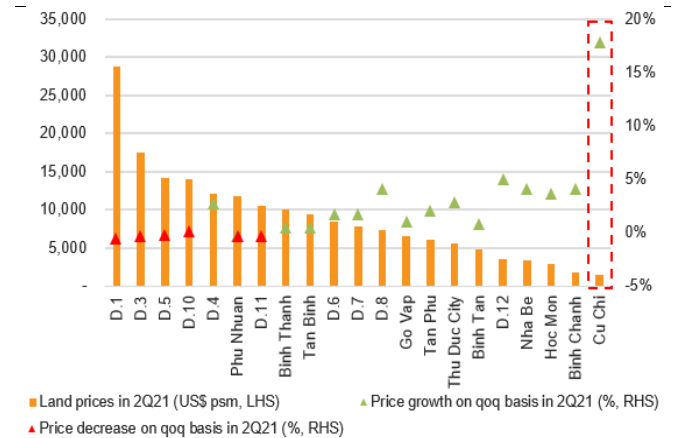
Besides, landed prices of suburb in HCMC likely continue to rise impressively in 2H21F on the expansion of expressway to the west and coastal areas in the south with imminent infrastructure projects such as Ben Luc – Long Thanh, Dau Giay – Phan Thiet, Long Thanh international airport phase 1. The proposal on establishment of Northwest City consisting of Cu Chi and Hoc Mon coupled with process planning for urbanizing Cu Chi, Hoc Mon, Binh Chanh, Nha Be, Can Gio into urban districts should boost land prices in these areas as well.

Figure 11: HCMC condo primary prices (US\$ psm) will continue to increase at a slower pace in 2H21-22F, in our view



Sources: VNDIRECT RESEARCH, CBRE

Figure 12: We expect landed prices of suburb in HCMC continue to rise impressively in 2H21F



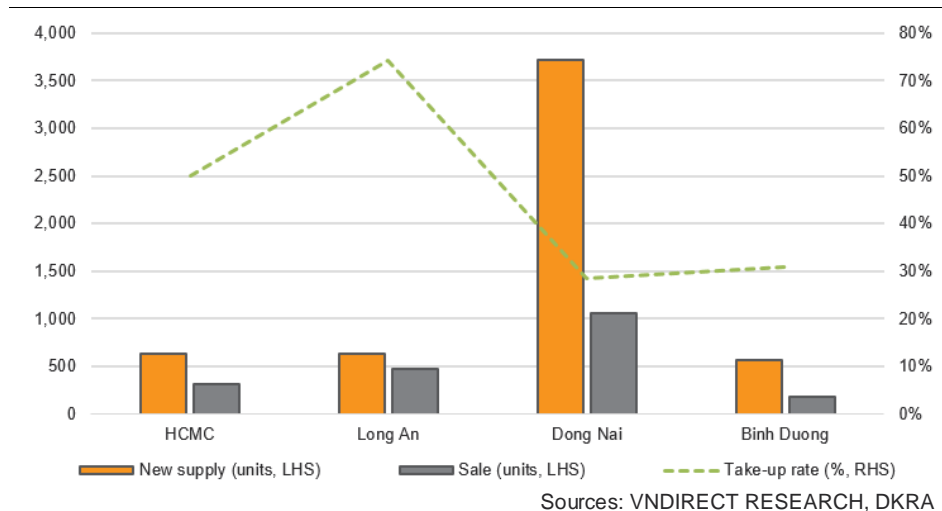
Sources: VNDIRECT RESEARCH

HCMC’s neighbouring provinces will still take spotlights over 2H21-2022F

As a result of strong price escalation along with limited supply in HCMC housing market, investors are looking for new opportunities in neighbouring provinces to HCMC such as Long An and Dong Nai. In 1H21, new supply for ready-built houses in Dong Nai contributed the most with 3,700 units, accounting for 67% of that in Southern market, followed by Long An with 630 units, accounting for 11%, according to DKRA.

This open opportunities for developers that own massive landbank in those areas like NVL with mega township project Aqua City. We believe the launches of the project in 2H21-2022F will draw investors’ attention and achieve high take-up rate thanks to their sought-after location, legal transparency and quality products.

Figure 13: New supply for ready-built houses in Dong Nai was 6 times higher than that of HCMC in 1H21



V-shaped recovery for Vietnam’s hospitality property, with a recovery to 2019 level expected in 2023

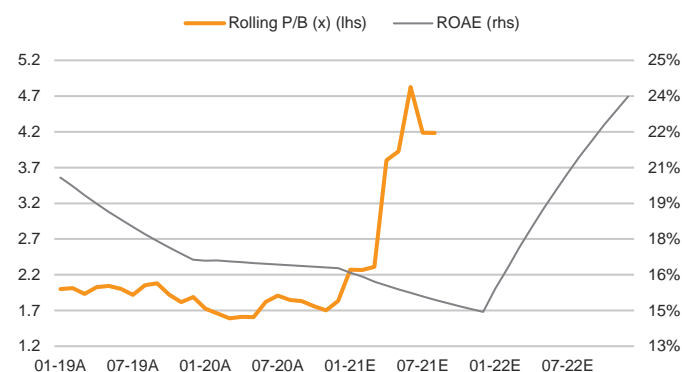
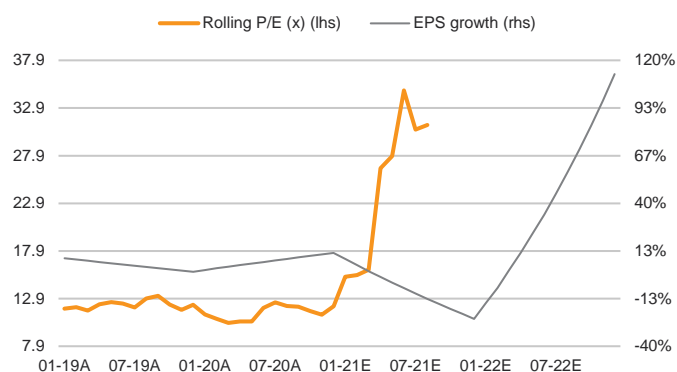
According to DKRA, new supply for beach villas gradually bounced with 1,019 units in 1H21, 88% higher than that in 2020, mostly from Ba Ria –Vung Tau, Phu Quoc, Binh Thuan. Demand is still dull with only c.300 units but higher than 270.3% yoy in sales volume, translating into a take-up rate of 29%.

We expect a recovery to 2019 level in 2023, driven by the bounces of international visitors. All countries around the world are stepping up their immunization efforts to combat the COVID-19 pandemic. Several countries stand out for rolling out vaccination, of which Canada has the highest percentage of the population (61.6%) vaccinated with at least one dose of the COVID-19 vaccine, following by the UK (59.4%), US (50.9%), Germany (45.1%), Italy (43.1%), France (41.2%) and China (estimated at 36.0%).

According to Vietnam National Administration of Tourism, the path to recovery for Vietnam’s tourism will follow four stages: 1) recovery led by domestic tourism; 2) pilot reception of limited international tourist groups in certain tourist sites; 3) reception of visitors from countries with good progress in Covid-19 containment; 4) full recovery of international tourism. Currently, we see Vietnam entering the second stage with approval for Phu Quoc to welcome foreign tourists having vaccine passports in mid-Jun.

Figure 14: New supply for beach villas picked up in 1H21



Valuation

Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	17,500	35,953	55,766
Cost of sales	(11,156)	(21,897)	(32,854)
Gen & admin expenses	(1,103)	(2,265)	(3,513)
Selling expenses	(462)	(949)	(1,473)
Operating profit	4,780	10,841	17,926
Operating EBITDA	4,488	10,512	17,577
Depreciation and amortisation	291	330	349
Operating EBIT	4,780	10,841	17,926
Interest income	2,673	3,695	5,445
Financial expense	(2,531)	(3,974)	(5,720)
Net other income	526	1,081	1,677
Income from associates & JVs	68	68	68
Pre-tax profit	5,517	11,712	19,396
Tax expense	(1,103)	(2,342)	(3,879)
Minority interest	(5)	(12)	(19)
Net profit	4,408	9,358	15,498
Adj. net profit to ordinary	4,408	9,358	15,498
Ordinary dividends			
Retained earnings	4,408	9,358	15,498

Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	16,104	42,066	73,164
Short term investments	758	796	836
Accounts receivables	18,346	37,480	57,901
Inventories	94,350	99,024	113,934
Other current assets	3,446	4,093	6,349
Total current assets	133,003	183,458	252,183
Fixed assets	1,514	1,491	1,455
Total investments	24,473	24,473	24,473
Other long-term assets	9,774	10,817	11,925
Total assets	168,764	220,238	290,036
Short-term debt	22,091	28,251	35,847
Accounts payable	3,664	7,193	10,792
Other current liabilities	13,921	38,128	65,015
Total current liabilities	39,676	73,571	111,654
Total long-term debt	41,025	49,196	65,341
Other liabilities	46,848	46,899	46,965
Share capital	14,736	14,736	14,736
Retained earnings reserve	16,460	25,818	41,321
Shareholders' equity	35,167	44,525	60,028
Minority interest	6,048	6,048	6,048
Total liabilities & equity	168,764	220,238	290,036

Cash flow statement

(VNDbn)	12-21E	12-22E	12-23E
Pretax profit	5,517	11,712	19,396
Depreciation & amortisation	291	330	349
Tax paid	(1,103)	(2,342)	(3,879)
Other adjustments	(6)	(8)	(12)
Change in working capital	(7,281)	9,313	(661)
Cash flow from operations	(2,583)	19,004	15,193
Capex	(381)	(380)	(380)
Proceeds from assets sales	(6,596)	(6,881)	(7,343)
Others	(36)	(38)	(40)
Other non-current assets changes			
Cash flow from investing activities	(7,013)	(7,299)	(7,763)
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	14,215	14,331	23,741
Other financing cash flow			
Dividends paid	(74)	(74)	(74)
Cash flow from financing activities	14,141	14,257	23,667
Cash and equivalents at beginning of period	11,559	16,104	42,066
Total cash generated	4,545	25,962	31,098
Cash and equivalents at the end of period	16,104	42,066	73,164

Key ratios

	12-21E	12-22E	12-23E
Dupont			
Net profit margin	25.2%	26.0%	27.8%
Asset turnover	0.11	0.18	0.22
ROAA	2.8%	4.8%	6.1%
Avg assets/avg equity	5.13	4.88	4.88
ROAE	14.4%	23.5%	29.6%
Efficiency			
Days account receivable	21.0	21.1	21.1
Days inventory	3,087.0	1,650.6	1,265.8
Days creditor	119.9	119.9	119.9
Fixed asset turnover	11.60	23.93	37.85
ROIC	4.2%	7.3%	9.3%
Liquidity			
Current ratio	3.4	2.5	2.3
Quick ratio	1.0	1.1	1.2
Cash ratio	0.4	0.6	0.7
Cash cycle	2,988.1	1,551.8	1,167.0
Growth rate (yoy)			
Revenue growth	248.2%	105.4%	55.1%
Operating profit growth	1,162.2%	126.8%	65.3%
Net profit growth	12.5%	112.3%	65.6%
EPS growth	(24.7%)	112.3%	65.6%

Source: VND RESEARCH

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RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

- Add The stock's total return is expected to reach 15% or higher over the next 12 months.
- 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.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- 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.

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