

VINHOMES JSC (VHM) – UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND50,200	VND82,000	3.98%	Add	PROPERTY

29 November 2022

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

Consensus*: Add:10 Hold:1 Reduce:0

Target price / Consensus: -10.2%

Key changes in the report

- Revise FY22F/23F/24F net profit down by 10.8%/34.6%/42.4% vs. previous forecast, respectively.
- Revise TP down by 28.7% from old TP.

Price performance



Source: VNDIRECT RESEARCH

Key statistics

52w high (VND)	86,000
52w low (VND)	43,400
3m Avg daily value (VNDmn)	133,523
Market cap (VND bn)	204,438
Free float (%)	38
TTM P/E (x)	6.5
Current P/B (x)	1.5

Ownership

Vingroup JSC.	66.7%
Government of Singapore	5.7%
Viking Asia Holdings II Pte. Ltd.	5.6%
Others	22.0%

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Stand out in the midst of sector difficulties

- 3Q22 net profit (NP) grew 29.8% yoy mainly thanks to the start of product handover at Vinhomes The Empire and bulk sales transactions. 9M22 NP (-27.3% yoy) fulfilled 56.5% of our full-year forecast.
- We lowered FY22-24F NP by 10.8%-42.4% as presales might be hit by multi macro headwinds.
- Reiterate Add with lower RNAV-based TP of VND82,000.

Strong NP growth in 3Q22 thanks to The Empire handovers and bulk sales

VHM posted 3Q22 results with VND17.8tr (-13.9% yoy) in revenue and VND14.5tr (+29.8% yoy) in NP. The strong NP growth was primarily driven by the delivery of 1,300 units at The Empire thanks to accelerated construction, the pre-tax gain of VND8.9tr from bulk sales transactions at The Empire and The Crown and ongoing handovers at Ocean Park, Grand Park and Smart City. Thereby, 9M22 NP (-27.3% yoy) fulfilled 56.5% of our FY22F forecast; however, the continuing delivery at The Empire is expected to be strong in 4Q22, together with handovers at other ongoing projects, driving the whole FY22's NP target.

Multi headwinds weigh on presales outlook into 2023

We see increasing headwinds weighing on sector outlook into 2023, including: 1) tightening bank loans into property sector and stricter supervision in corporate bond issuance will limit developer's raising fund possibility; 2) rising mortgage rates will hinder the housing purchasing decisions; 3) uncertainties from Land Law 2013 amendment might cause the cautious sentiment of both developers and home buyers. Property market will likely experience a harsh winter in 2023F before a reversal in monetary policy, in our view. Thus, we forecast VHM's presales value will decrease by 33.8% yoy in FY23F.

We are cautiously lower FY23-24F earnings forecasts

We revise VHM's FY22F/23F/24F revenue and net profit down by 44.7%/28.6%/40.9% and 10.8%/34.6%/42.4%, respectively from previous forecast, underpinned by lower presales growth and delay at Co Loa and Wonder Park vs. previous projection.

Reiterate Add with lower TP of VND82,000

We lower our RNAV-based TP by 28.7% following FY23-24F EPS downward, presales slow down and higher WACC. In our view, VHM is among a few developers that have strong balance sheet (net debt/equity: 17.3% at end-3Q22) and ample liquidity (VND15.9tr cash & cash equivalents at end 3Q22). Though we are not positive about the property sector outlook in 2023, VHM is still attractive for long term investment regarding its position and brand name. Potential re-rating catalyst is a reversal of monetary policy that supports property market. A downside risk are delays in obtaining permits for new launches and higher mortgage rates may dent VHM's presales.

Financial summary (VND)	12-21A	12-22E	12-23E	12-24E
Net revenue (bn)	84,986	49,948	83,124	93,066
Revenue growth	18.8%	(41.2%)	66.4%	12.0%
Gross margin	57.0%	55.0%	51.3%	55.7%
EBITDA margin	60.7%	88.8%	59.8%	63.7%
Net profit (bn)	38,825	31,066	32,087	38,394
Net profit growth	41.9%	(20.0%)	3.3%	19.7%
Recurring profit growth	41.9%	(20.0%)	3.3%	19.7%
Basic EPS	10,079	7,135	7,369	8,817
Adjusted EPS	10,079	7,135	7,369	8,817
BVPS	28,648	35,881	43,250	52,067
ROAE	36.9%	22.1%	18.6%	18.5%

Source: VNDIRECT RESEARCH

STAND OUT IN THE MIDST OF SECTOR DIFFICULTIES

Investment thesis

We like Vinhomes (VHM VN) for:

- VHM is a leading property developer with a total land bank of about 16,800ha by the end of 2021; 90% of that are not developed yet. VHM has a great contribution on Vietnam's real estate market with average market share in Vietnam's residential sector in the period of 2019-3Q22 is 44% in the high-end condo segment, 43% in the mid-end condo segment, and 31% in the landed properties segment, according to CBRE.
- In the context of tightening bank loans into property sector and stricter supervision in corporate bond issuance, we still believe that liquidity is not a concern for VHM. Its cash and cash equivalents increased by three times from Dec 2021, showing that the cash flow is supported by projects launched for sale recently. Although VHM has accessed to international capital markets, but we believe VHM continues to focus on borrowing in VND (accounting for 100% of total debt, limited any impact from the recent foreign exchange fluctuation) and maintains low leverage with a net debt/equity ratio of 17.3% as at Sep 2022 to minimize potential risks.
- Though we are not positive about the property sector 2023 outlook, VHM is still attractive for long term investment regarding its position, brand name and undemanding valuation. VHM stock price has dropped 37% ytd, following the market correction. Currently, VHM is traded at 1.1x FY23F P/B, which is a 68% discount to its 3-year average of 3.4x.

Reiterate Add with a lower RNAV-based TP of VND82,000

We apply a DCF method with an assumed WACC-based discount rate of 13.4% for each project's valuation given the detailed execution and presales plans announced by VHM to revise its inventory and investment assets. To fairly compensate for risks on project execution and presales performance, we applied discounts on each project NPV instead of a common discount directly on full-RNAV due to lack of discount-to-RNAV ratio track record. Different discount levels would be applied to each project, depending on the execution period, land acquisition, and market absorption, resulting in the general full-RNAV discount of 30%, which also reflects the difficult period of property market ahead.

We revised down our TP to VND82,000 on the back of (1) higher discounts for Vinhomes Galaxy, Vinhomes Gallery, Ha Long Green and Long Beach Can Gio and several other projects from previous projection due to less favorable market conditions may cause delays in deployment and lower-than-expected presales; and (2) a higher WACC assumption of residential property in the current high interest rate environment.

Potential re-rating is a reversal of monetary policy that supports property market. A downside risks are delays in obtaining permits for new launches and higher mortgage rates may dent VHM's presales.

Figure 1: Equity valuation (unit: VNDbn)

Inventory and Investment	Book value as at 30 Sep 2022	Premium	Fair value	Method
Residential property	114,111	223,194	337,306	DCF
Office lease			25,505	DCF
Industrial property			5,380	DCF
Other	1,272		1,272	Book value
Total property value	115,383		369,462	
Add:				
Cash and cash equivalent	14,743		14,743	
Short-term investments	1,172		1,172	
Other receivables	6,124		6,124	
Other assets	64,152		64,152	
Less:				
Total debt (exclude CB)	40,152		40,152	
Other liabilities	54,737		54,737	
Minority interest	4,415		4,415	
Discounted RNAV			356,349	
Shares outstanding (m)			4,354	
Target price (VND/share)			82,000	
Adjusted Beta	1.0			
Market premium	11.0%			
Risk-free rate	4.0%			
Cost of debt	10.0%			
Cost of equity	15.0%			
Debt weight	22.8%			
Equity weight	77.2%			
WACC	13.4%			

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 2: Peer comparison

Company	Ticker	Price		Mkt cap		P/E (x)		3-year EPS			P/B (x)		ROE (%)		Net D/E as of 3Q22 (%)
		LC\$	US\$m	TTM	FY22F	FY23F	CAGR (%)	Current	FY22F	FY23F	FY22F	FY23F			
Vinhomes	VHM VN	50,200	8,252	6.5	7.0	6.8	(0.4)	1.5	1.4	1.2	22.1	18.6	7.8		
Residential/hospitality developers															
Novaland	NVL VN	20,450	1,608	14.0	17.2	18.8	11.2	1.1	0.9	0.9	5.6	4.9	103.1		
Phat Dat	PDR VN	12,000	349	4.0	2.5	1.6	38.7	1.0	0.7	0.5	28.3	30.7	35.7		
Khang Dien	KDH VN	24,000	649	11.5	9.7	7.3	44.4	1.4	1.4	1.2	25.6	35.6	10.9		
Nam Long	NLG VN	26,750	387	20.0	7.9	5.4	58.9	1.1	1.1	0.9	14.6	19.1	-1.8		
Dat Xanh	DXG VN	11,250	259	7.7	3.2	1.5	46.3	0.7	0.6	0.4	21.7	34.6	10.9		
Development Investment Construction	DIG VN	13,900	320	8.2	8.9	8.1	0.1	1.1	N/A	N/A	15.9	12.2	15.2		
Local peer average				11.8	11.0	7.2	23.1	1.5	1.0	2.2	18.7	21.0	39.0		
Local peer median				11.1	8.9	7.1	11.2	1.1	1.0	0.9	18.8	18.9	15.2		
China & Hongkong															
China Vanke-A	000002 CH	N/A	27,126	8.8	8.3	7.6	1.0	0.8	0.8	0.7	9.8	9.8	39.0		
Sun Hung Kai	16 HK	92.4	34,180	10.5	9.0	8.6	N/A	0.4	0.4	0.4	4.7	4.8	17.1		
China Overseas Land	688 HK	21.3	28,704	5.7	5.6	5.3	N/A	0.6	0.5	0.5	9.6	9.3	31.6		
China Resources Land	1109 HK	29.0	31,245	7.5	7.7	7.1	0.4	1.0	0.9	0.8	12.3	12.4	25.9		
China Evergrande	3333 HK	15.6	2,787	1.3	5.9	N/A	N/A	0.1	0.1	0.1	(3.2)	(0.4)	159.8		
Country Garden	2007 HK	8.9	10,255	5.1	4.2	4.1	N/A	0.3	0.3	0.3	7.8	7.1	52.4		
Indonesia															
Pakuwon Jati	PWON IJ	595	1,454	12.3	14.4	12.9	1.1	1.3	1.3	1.2	9.5	9.6	-3.8		
Bumi Serpong Damai	BSDE IJ	1,320	1,254	14.6	14.2	10.8	1.1	0.6	0.6	0.5	4.1	4.9	0.0		
Ciputra Development	CTRA IJ	1,025	1,194	8.3	10.4	10.0	1.2	1.0	1.0	0.9	10.0	9.5	12.3		
Summarecon Agung	SMRA IJ	1,097	647	21.9	20.6	15.4	1.9	1.1	1.1	1.0	5.4	6.8	38.0		
Malaysia															
KLCCP Stapled	KLCCSS MK	6.9	2,744	40.1	17.6	16.4	0.0	2.4	0.9	0.9	5.5	5.8	9.4		
SP Setia	SPSB MK	1.3	577	12.3	10.9	10.0	0.1	0.2	0.2	0.2	1.8	2.0	69.9		
Sime Darby Property	SDPR MK	0.8	721	14.8	13.6	11.6	0.1	0.3	0.3	0.3	2.6	3.0	32.0		
Singapore															
Keppel Corp	KEP SP	5.2	9,550	11.7	13.9	14.2	N/A	1.1	1.1	1.1	7.5	7.9	67.3		
City Developments	CIT SP	8.8	5,372	5.9	8.3	14.1	N/A	0.8	0.8	0.7	10.1	5.7	99.6		
UOL Group	UOL SP	6.8	3,990	9.3	15.6	14.6	1.1	0.5	0.5	0.5	3.3	3.5	25.8		
Frasers Property	FPL SP	1.7	2,682	4.2	16.5	15.2	0.0	0.4	0.3	0.3	2.4	2.5	69.2		
Thailand															
Land And Houses	LH TB	7.8	3,123	13.4	13.7	13.0	1.2	2.3	2.1	2.1	15.9	16.2	109.5		
WHA Corporation	WHA TB	4.1	1,546	16.0	17.3	13.4	0.6	1.8	1.7	1.6	10.4	12.0	103.5		
Pruksa Holding	PSH TB	12.7	734	10.2	9.9	9.4	N/A	0.6	0.6	0.6	6.1	6.2	36.9		
Supalai	SPALI TB	14.8	1,239	5.0	6.5	6.5	N/A	1.0	1.0	0.9	16.1	14.8	42.5		

Note: all prices are based on the closing prices on Nov 28 2022. All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

Sources: VNDIRECT RESEARCH, BLOOMBERG

3Q22 recap: Strong profit growth thanks to on track The Empire handovers and bulk sales

VHM posted 3Q22 results with net revenue reaching VND17.8tr (-13.9% yoy) while net profit growing 29.8% yoy to VND14.5tr. The buoyant net profit growth was primarily driven by the delivery of 1,300 units at The Empire thanks to accelerated construction, the pre-tax gain of VND8.9tr from bulk sales transactions at Vinhomes Ocean Park 2 – The Empire and Vinhomes Ocean Park 3 – The Crown and ongoing handovers at Ocean Park, Grand Park and Smart City. Thereby, VHM recorded 9M22 NP decline of 27.3% yoy, that looked much better than the sharp contraction of -68.3% yoy in 1H22 NP due to timing differences, as delivery in Vinhomes Ocean Park 2 – The Empire only started from 3Q22.

VHM's 9M22 NP (-27.3% yoy) fulfilled 56.5% of our full-year forecast. However, the continuing delivery at The Empire is expected to be strong in 4Q22, together with planned handovers at Ocean Park, Grand Park and Smart City, driving the whole year FY22's NP target.

Figure 3: 3Q22 and 9M22 results comparison

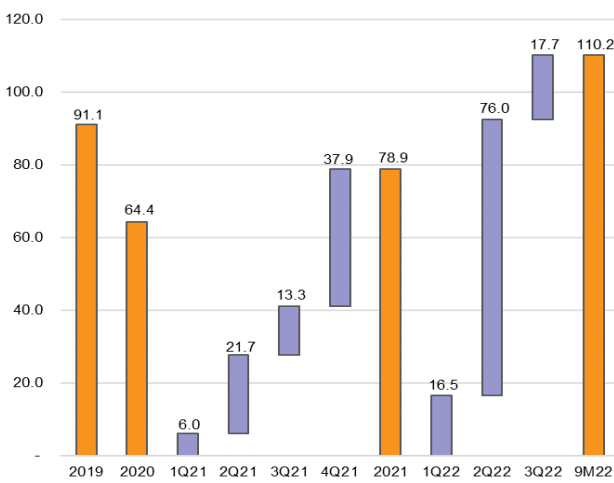
(VNDbn)	3Q22	3Q21	% yoy change	9M22	9M21	%yoy change	% of our FY22 forecast (%)	Comment
Net revenue	17,805	20,679	-13.9%	31,199	61,681	-49.4%	34.6%	
Sale of Inventory properties	14,344	17,339	-17.3%	22,332	52,663	-57.6%	29.4%	VHM handed over more than 1,300 units at Ocean Park 2 - The Empire project in 3Q22, contributing 60.5% of 9M22 property sale revenue. If both Vinhomes and BCC projects and bulk sales under shares transfer transactions are included, VHM's adjusted revenue reached VND41.0tr in 9M22 (-28.9% yoy), fulfilling 49.7% of our forecast.
Key contributors:								
VH The Empire				13,200				
VH Ocean Park				4,200	21,600			
VH Smart City				2,200	12,200			
VH Grand Park				2,200	17,100			
VH Symphony					600			
Real estate management	313	514	-39.1%	1,517	1,605	-5.5%		
Leasing	509	280	81.6%	984	1,243	-20.9%		
Construction services	2,116	2,465	-14.1%	4,824	5,691	-15.2%		
Other	523	82	540.6%	1,600	1,004	59.4%		
Gross profit	9,296	13,648	-31.9%	15,182	34,309	-55.7%	34.5%	GPM contracted significantly due to higher value of bulk sales transactions recognised as revenue in 9M21 vs. in 9M22.
Gross profit margin	52.2%	66.0%	-13.8% pts	48.7%	55.6%	-7.0% pts	+0.0% pts	
SG&A expense	(1,289)	(660)	95.3%	(3,476)	(2,590)	34.2%	95.4%	
% SG&A to sales	7.2%	3.2%	+4.0% pts	11.1%	4.2%	+6.9% pts	+1.5% pts	
Financial income	10,922	1,394	683.5%	15,658	4,252	268.3%	193.8%	
Divestment income	8,918	-		12,092	1,746	592.7%		A pre-tax gain of VND8.9tr from bulk sales transactions at The Empire and The Crown was recognised in 3Q22.
BCC	939	900	4.3%	1,345	1,015	32.5%		Profit distribution from BCC projects is contributed mainly by Vinhomes Star City (VND2.3tr), Vinhomes The Harmony (VND0.54tr), Vinhomes Imperia (VND0.47tr).
Other financial income	1,065	494	115.6%	2,221	1,491	48.9%		
Financial expense	(862)	(512)	68.3%	(2,040)	(1,651)	23.6%	52.9%	
Borrowing expenses	(725)	(502)	44.2%	(1,777)	(1,708)	4.0%		
Profit/(losses) from affiliates	4	22	-84.1%	25	53	-53.6%		
Net other income	879	(80)		844	(31)			
EBT	18,949	13,812	37.2%	26,194	34,342	-23.7%	58.8%	
Profit after tax	14,575	11,195	30.2%	20,048	27,245	-26.4%	56.3%	Lower than our expectation.
Net profit	14,494	11,167	29.8%	19,700	27,084	-27.3%	56.5%	

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

9M22 presales value grew robustly thanks to the launch of The Empire and The Crown

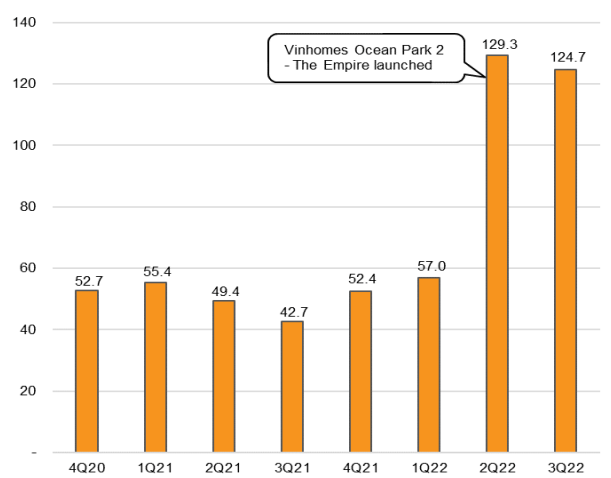
In 3Q22, VHM recorded 15,600 units in presales volume (+97% qoq/+164% yoy) and VND17.7tr in value (-78% qoq/+33% yoy), including VND11.0tr from bulk sales transactions at high-rise components at The Empire and The Crown and VND6.7tr from retail presales, mainly from low-rise units at The Empire. Cumulatively, VHM's 9M22 total presales value reached VND110.2tr (+169% yoy) and fulfilled 90.8% of our FY22F presales forecast and 91.8% of VHM's FY22 presales plan of VND120tr. VHM has launched the project of Vinhomes Ocean Park 3 - The Crown on 10 Oct 2022 with 1,000 low-rise units first launched and 80% deposited within 3 days. In our opinion, this is a commendable result for VHM's sales performance in the context of rising interest rates affecting the demand for property investment.

Figure 4: VHM's presales value performance in FY19-9M22 (unit: VNDtr)



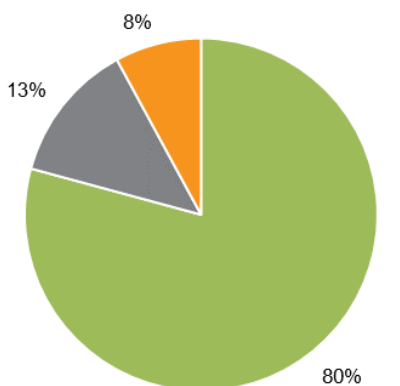
Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 5: VHM's quarterly unbilled bookings in FY21-9M22 (Unit: VNDtr)



Sources: VNDIRECT RESEARCH, COMPANY REPORTS

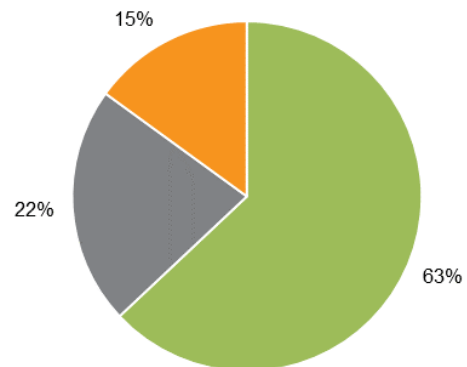
Figure 6: VHM's 9M22 presales contribution by project (%)



- Ocean Park 2 - The Empire
- Ocean Park 1, Smart City and Grand Park
- Others

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 7: VHM's end-3Q22 unbilled bookings contribution by project



- Ocean Park 2 - The Empire
- Ocean Park 1, Smart City and Grand Park
- Others

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

The end-3Q22 unbilled booking reached VND124.7tr (-4% qoq), primarily due to the delivery of retail products at The Empire, accounting for 63% of unbilled booking value. The rest comes from Ocean Park 1, Smart City, Grand Park and other projects.

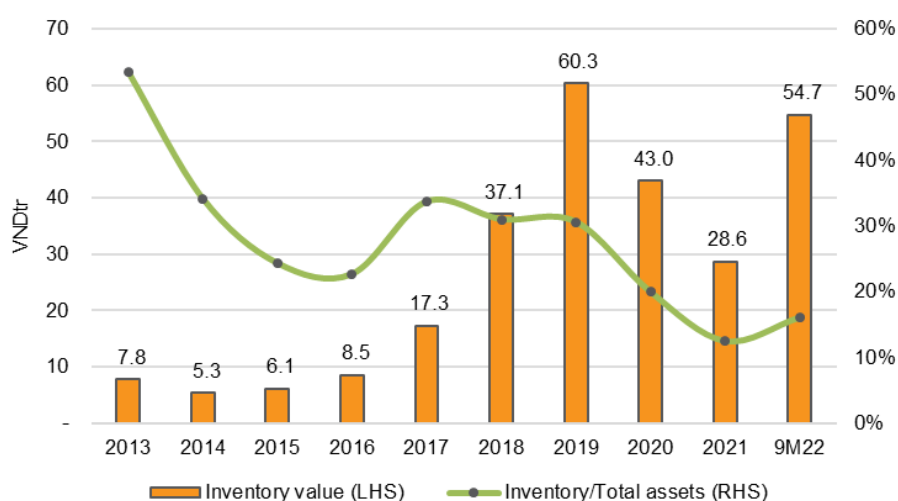
FY23-24F outlook: presales value is likely to dwindle as multiple macro headwinds are blowing

In FY22F, we expect presales to reach VND129.5tr of value (+64.1% yoy), slightly surpass VHM's presales plan. In which, 4Q22 presales will be supported by launch of Vinhomes Ocean Park 3 – The Crown project.

We see increasing headwinds weighing on sector outlook into 2023F, including: 1) tightening bank loans into property sector and stricter supervision in corporate bond issuance will limit developer's raising fund possibility; 2) rising mortgage rates will hinder the housing purchasing decisions; 3) uncertainties from Land Law 2013 amendment might cause the cautious sentiment of both developers and home buyers. Property market will likely experience a harsh winter in 2023F before a reversal in monetary policy, in our view

VHM's inventory value by end-3Q22 increased sharply by 1.9 times ytd to nearly VND54.7tr, most of which is properties for sale under construction. The ratio of inventory to total assets remained low, accounting for only 16% of total assets at end-3Q22, making VHM's pressure to release inventory not high, in our opinion.

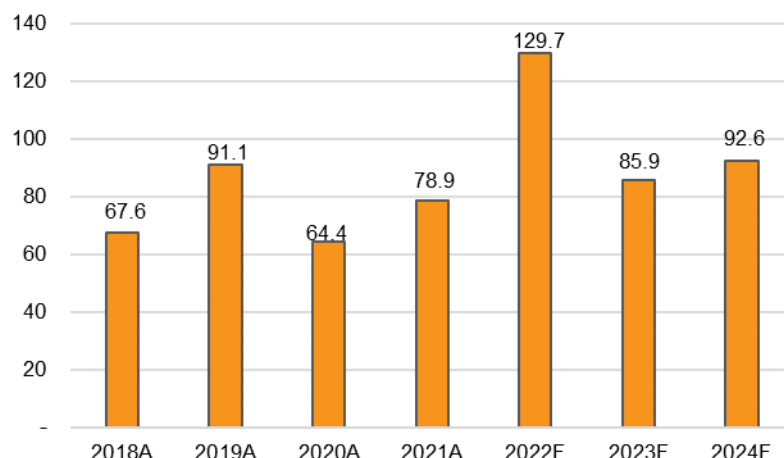
Figure 8: VHM's inventory in 2013-9M22



Sources: VNDIRECT RESEARCH, COMPANY REPORTS

For presale activities in FY23/24F, we believe that presales value will decrease by 33.8% yoy in FY23F due to weaker demand for property investment in the context of interest rates continuing to rise, then gradually recover by 7.8% yoy in FY24F when there are new supportive policies. VHM's products will still be interested in the market and supported by small capital flows of individual investors through VMI with attractive profit yield, in our opinion.

Figure 9: VHM's presales value forecast (VNDtr)



Sources: VNDIRECT RESEARCH, COMPANY REPORTS

VHM's mega projects to be implemented in 2022-2023F

Figure 10: Vinhomes The Empire



Vinhomes Dream City is conveniently located next to Ocean Park

- Description: Mega mixed-use integrated residential and commercial project.
- Location: Van Giang, Hung Yen.
- Total project area (including infrastructure): c.460ha.
- Net Saleable Area (NSA): 2,950,000 sqm.
- Key Components: Apartments / Villas / Shop houses / Schools / Hospitals / Shopping Malls; 18.1ha Central Park with the world's largest Wave Pool complex.
- Launched in 2Q22, landed property under construction, delivery expected to start by end-3Q22.

Sources: VNDIRECT RESEARCH, VHM

Figure 11: Vinhomes The Crown



Vinhomes The Crown (previously known as Vinhomes Dai An) is the third phase of the Vinhomes Ocean Park, close proximity with Ocean Park and The Empire.

- Description: Mega mixed-use integrated residential and commercial project.
- Location: Van Giang, Hung Yen.
- Total project area (including infrastructure): c.294ha.
- Key Components: Villas / Townhouses / Apartments / Schools / Parks / Swimming pools; 12.3ha Paradise Bay including Tropical Lagoon salt lake, Four Seasons indoor swimming pool, Aqua Bay waterslide, Aquarium children playground, Marina Square....
- Launched in 3Q22, construction has been started.

Sources: VNDIRECT RESEARCH, VHM

Figure 12: Vinhomes Wonder Park



Located at the west of Hanoi and well-connected to My Dinh, Cau Giay, Ba Dinh, Hoan Kiem by metro line. The project will include parks complex with high-end residential villas and townhouses – a model for ecological urban living.

- Description: Mega mixed-use integrated residential and commercial project.
- Location: Dan Phuong, Hanoi.
- Total project area (including infrastructure): c.133ha.
- Net Saleable Area (NSA): 364,000 sqm.
- Key Components: Apartments / Villas / Shop houses / Schools / Hospitals / Shopping Malls; 16ha grand Ecological park / Vietnam's largest swimming pool complex (both indoor and outdoor).
- Expected launch time: 2023F.

Sources: VNDIRECT RESEARCH, VHM

Figure 13: Vinhomes Co Loa



Vinhomes Co Loa is a unique project with a combination of a lively suburban community with an exhibition complex and benefiting from upcoming bridges connecting the CBD and the North of Hanoi.

- Description: Mega mixed-use integrated residential and commercial project.
- Location: Co Loa, Dong Anh, Hanoi.
- Total project area (including infrastructure): c.385ha.
- Net Saleable Area (NSA): 1,724,000 sqm.
- Key Components: Apartments / Villas / Shop houses / Schools / Shopping Malls / Exhibition Complex / 90ha National Exhibition Center.
- Expected launch time: 2023F.

Sources: VNDIRECT RESEARCH, VHM

For longer term, two key super mega-projects of Vinhomes Green Ha Long and Vinhomes Long Beach Can Gio will be blockbusters and growth drivers for VHM from 2024-25F onwards.

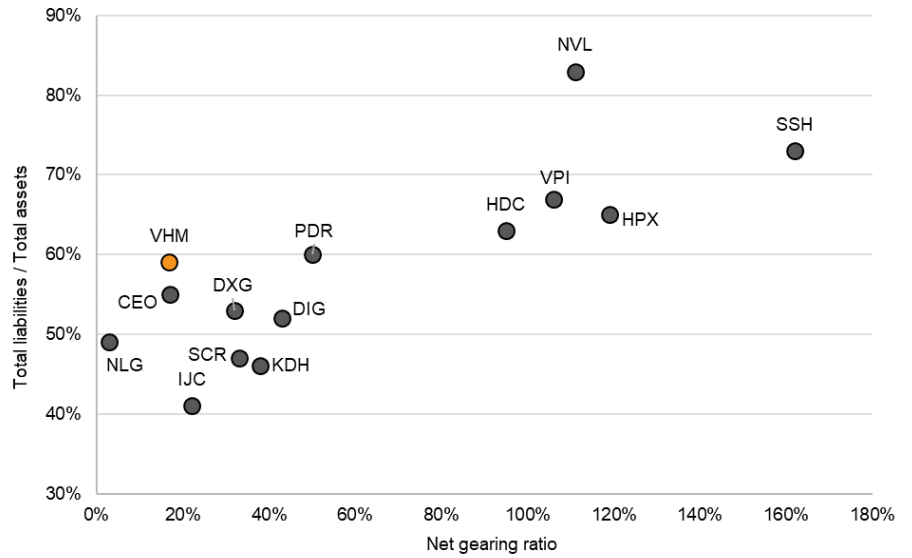
VHM is among a few developers that have strong balance sheet

VHM's total assets have always increased throughout the history of the business, reaching VND341.6tr (+48.3% ytd) as of 30 Sep 2022. VHM's net gearing ratio remains low compared to its peer despite raising in 9M22. As of 30 Sep 2022, VHM's net debt/equity ratio was 17.3%, which is a very safe level for a property developer.

In its debt structure (total debt of VND40.2tr), 24% comes from domestic bonds, 36% comes from bank loans, and the remaining 39% comes from partner loans and other sources. VHM continues to focus on borrowing in VND, accounting for 100% of total debt, which completely eliminate exchange rate risk for VHM's loan.

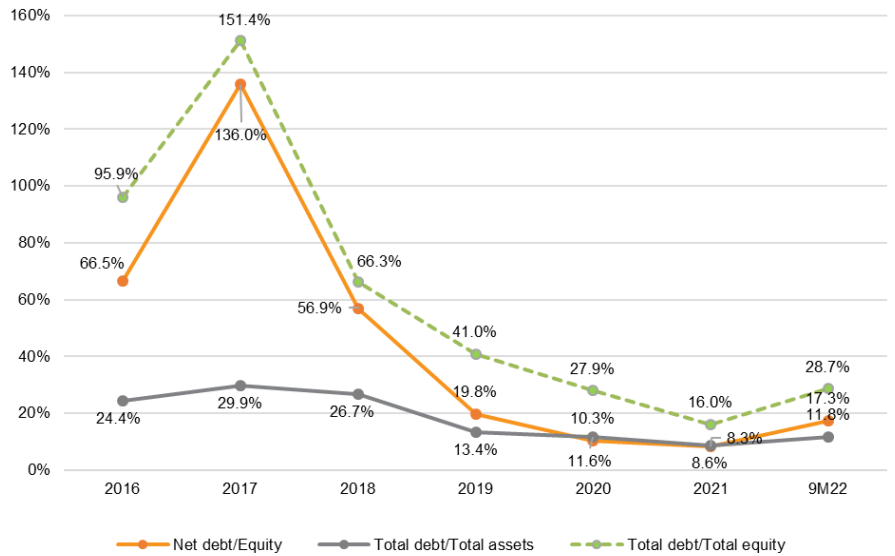
As at 30 Sep 2022, VHM has VND3,340bn of bonds and VND18,243bn of bank loans maturing within the next 1 year. Banks are still willing to provide mortgage loans to companies with quality assets like VHM, we believe that the company's short-term debt payment pressure is not great. Thus, we believe that internal liquidity is not a big issue for VHM.

Figure 14: VHM has good financial health compared to its peers



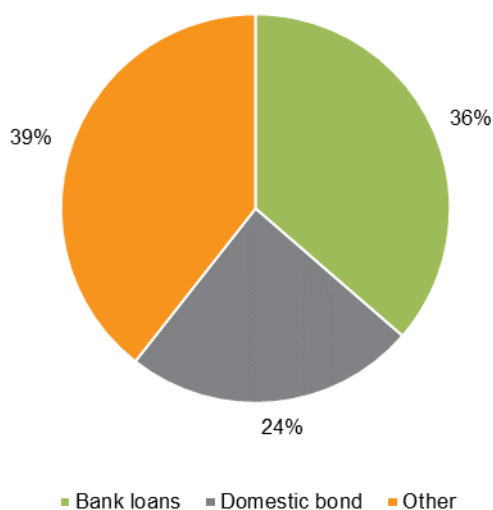
Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 15: VHM's leverage ratios are showing signs of increasing although still at low levels



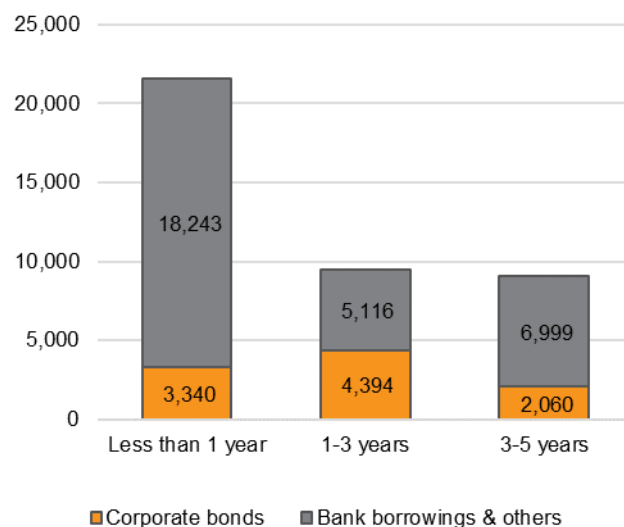
Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 16: Total debt breakdown by funding source as at 30 Sep 2022



Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 17: VHM's debt maturity (Unit: VNDbn)



Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Newly established VMI to provide investment initiative for small retail investors

In Oct 2022, Vingroup announced the establishment of VMI Real Estate Investment and Management JSC. (VMI) with the chartered capital of US\$783m. VMI was established by Mr. Pham Nhat Vuong as the main shareholder (90% stake in VIC shares), along with VHM (5% stake) and Mr. Vuong's wife (5% stake), to help allow small-cap investors to jointly invest in VHM properties with a guaranteed return and to generate liquidity for Vinhomes products as well as diversify investment channels for customers. As announced, the investors may receive profit sharing from the capital gain from the sale of Vinhomes' properties while committed a minimum profit within the 5-year timeframe.

The model allows investors with smaller capital to join the market without the need to leverage risky financial instruments. In this initiative, VMI will buy VHM properties, then sign business cooperation contracts with individual investors. While this model is relatively new in Vietnam, it is not a stranger to the global financial market. We believe that the presence of VMI will partly help VHM ensure liquidity for project development in the context of tight bank credit and unfavorable bond market.

FY22-24F forecast revisions

We have made the following revisions to our forecasts for FY22-24F:

FY22F:

- We revise down the revenue booking of about VND5.0tr from Vinhomes Wonder Park and Co Loa to FY24F due to slower-than-expected project implementation. In addition, we convert about US\$20tr of bulk sales in revenue to financial income with an assumption of 57% in profit margin. As a result, we reduce our FY22F revenue forecast by 44.7% to VND49,948bn (-41.2% yoy).
- We revise our FY22F net profit forecast down by 10.8% from previous projection to VND31,066bn (-20.0% yoy), slightly exceeding the company's FY22 profit guidance.

FY23F:

- We conservatively delayed the assumption of revenue booking from high-rise component in Vinhomes The Empire (VND52.4tr), Vinhomes Co Loa (VND20.4tr), Wonder Park (VND9.5tr), and Tay Tang Long (VND5.7tr) from previous projection in FY23F to FY24F. In other side, we revise up the revenue booking of about VND37.8tr from Vinhomes The Empire and The Crown in FY23F.

- Overall, we reduce our FY23F revenue forecast by 28.6% to VND83,124bn (+66.4% yoy from low-base in FY22F) and decreased FY23F net profit by 34.6% to VND32,087bn (+3.3% yoy).

FY24F:

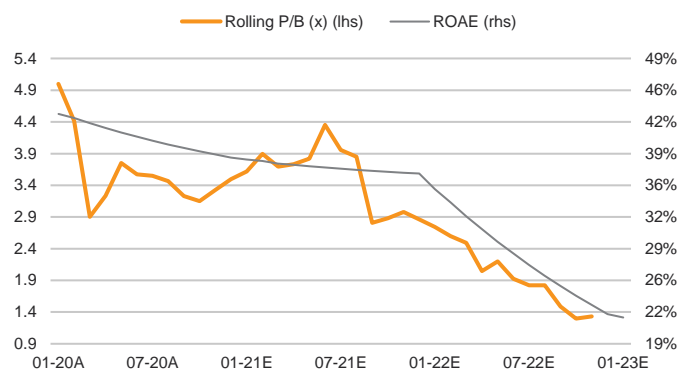
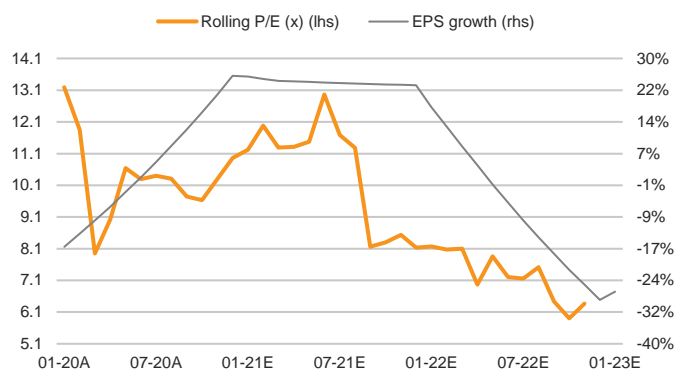
- We adjusted the handover progress of Vinhomes Galaxy, Gallery, Tay Tang Long and Lang Van and high-rise component in The Empire, resulting in a decrease of 37.2% in FY24F handover value from previous forecast.

- Overall, we revise our previous FY24F revenue down by 40.9% to VND93,066bn (+12.0% yoy) and FY24F net profit down by 42.4% to VND38,394bn (+19.7% yoy).

Figure 18: FY22-24F forecast revisions

(VNDbn)	New			Old			Change		
	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
Net sales	49,948	83,124	93,066	90,292	116,494	157,464	-44.7%	-28.6%	-40.9%
Gross profit	27,447	42,602	51,796	43,960	63,823	84,963	-37.6%	-33.2%	-39.0%
<i>Gross profit margin (%)</i>	55.0%	51.3%	55.7%	48.7%	54.8%	54.0%	-6.3% pts	-3.5% pts	+1.7% pts
SG&A expenses	(2,712)	(4,989)	(5,267)	(3,642)	(5,760)	(6,507)	-25.5%	-13.4%	-19.1%
Financial income	17,935	10,299	10,885	8,079	7,975	10,561	122.0%	29.1%	3.1%
Financial expense	(3,126)	(7,133)	(8,596)	(3,854)	(3,972)	(4,669)	-18.9%	79.6%	84.1%
EBT	39,544	40,779	48,818	44,543	62,066	84,349	-11.2%	-34.3%	-42.1%
Profit after tax	31,635	32,623	39,055	35,635	49,653	67,479	-11.2%	-34.3%	-42.1%
Net profit	31,066	32,087	38,394	34,839	49,054	66,668	-10.8%	-34.6%	-42.4%

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Valuation

Income statement

(VNDbn)	12-22E	12-23E	12-24E
Net revenue	49,948	83,124	93,066
Cost of sales	(22,501)	(40,522)	(41,270)
Gen & admin expenses	(1,528)	(3,333)	(3,463)
Selling expenses	(1,184)	(1,656)	(1,804)
Operating profit	24,735	37,613	46,529
Operating EBITDA	26,398	39,375	48,399
Depreciation and amortisation	(1,663)	(1,762)	(1,870)
Operating EBIT	24,735	37,613	46,529
Interest income	17,935	10,299	10,885
Financial expense	(3,126)	(7,133)	(8,596)
Net other income	0	0	0
Income from associates & JVs	0	0	0
Pre-tax profit	39,544	40,779	48,818
Tax expense	(7,909)	(8,156)	(9,764)
Minority interest	(569)	(536)	(660)
Net profit	31,066	32,087	38,394
Adj. net profit to ordinary	31,066	32,087	38,394
Ordinary dividends			
Retained earnings	31,066	32,087	38,394

Balance sheet

(VNDbn)	12-22E	12-23E	12-24E
Cash and equivalents	29,067	32,278	58,154
Short term investments	3,183	4,139	5,380
Accounts receivables	71,564	104,865	115,321
Inventories	62,342	64,765	74,708
Other current assets	24,668	26,001	26,764
Total current assets	190,825	232,047	280,328
Fixed assets	76,074	88,954	104,512
Total investments	10,862	10,862	10,862
Other long-term assets	84,825	98,156	101,123
Total assets	362,586	430,020	496,825
Short-term debt	16,323	21,392	33,900
Accounts payable	7,704	13,875	14,131
Other current liabilities	154,037	177,470	192,306
Total current liabilities	178,064	212,737	240,337
Total long-term debt	19,668	19,668	19,668
Other liabilities	4,166	4,303	4,455
Share capital	43,544	43,544	43,544
Retained earnings reserve	110,910	142,997	181,391
Shareholders' equity	156,238	188,325	226,719
Minority interest	4,450	4,986	5,647
Total liabilities & equity	362,586	430,020	496,825

Cash flow statement

(VNDbn)	12-22E	12-23E	12-24E
Pretax profit	39,544	40,779	48,818
Depreciation & amortisation	1,663	1,762	1,870
Tax paid	(7,909)	(8,156)	(9,764)
Other adjustments	18,015	10,305	10,908
Change in working capital	5,270	(19,512)	(7,646)
Cash flow from operations	56,583	25,179	44,186
Capex	(29,797)	(15,784)	(18,691)
Proceeds from assets sales	(17,935)	(10,299)	(10,885)
Others	(487)	(955)	(1,242)
Other non-current assets changes	0	0	0
Cash flow from investing activities	(48,219)	(27,038)	(30,817)
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	16,072	5,069	12,508
Other financing cash flow	0	0	0
Dividends paid	0	0	0
Cash flow from financing activities	16,072	5,069	12,508
Cash and equivalents at beginning of period	4,626	29,067	32,278
Total cash generated	24,435	3,210	25,876
Cash and equivalents at the end of period	29,061	32,278	58,154

Key ratios

	12-22E	12-23E	12-24E
Dupont			
Net profit margin	62.2%	38.6%	41.3%
Asset turnover	0.17	0.21	0.20
ROAA	10.5%	8.1%	8.3%
Avg assets/avg equity	2.11	2.30	2.23
ROAE	22.1%	18.6%	18.5%
Efficiency			
Days account receivable	65.9	56.2	43.7
Days inventory	1,011.3	583.4	662.5
Days creditor	125.0	125.0	125.3
Fixed asset turnover	0.78	1.01	0.96
ROIC	15.8%	13.7%	13.4%
Liquidity			
Current ratio	1.1	1.1	1.2
Quick ratio	0.7	0.8	0.9
Cash ratio	0.2	0.2	0.3
Cash cycle	952.2	514.6	581.0
Growth rate (yoy)			
Revenue growth	(41.2%)	66.4%	12.0%
Operating profit growth	(41.7%)	52.1%	23.7%
Net profit growth	(20.0%)	3.3%	19.7%
EPS growth	(29.2%)	3.3%	19.7%

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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