

## Vinhomes JSC (VHM)

Add (Maintained)

### PROPERTY

Current Price	VND44,200
52Wk High/Low	VND63,000/ 38,450
Target Price	VND66,400
Previous Target Price	VND85,500
TP vs Consensus	+7.5%
Upside	50.2%
Dividend Yield	0 %
TSR	50.2%

Growth rating	Positive
Value rating	Positive
ST Technical Analysis	<a href="#">Positive</a>

Market Cap	US\$7.70bn
3MADTV	US\$14.3m
Avail Foreign Room	US\$2.24m
Outstanding Shares	4,354m
Fully Diluted O/S	4,354m

	VHM	Peers	VNI
P/E TTM	5.8x	59.2x	14.7x
P/B Current	1.1x	1.4x	1.8x
ROA	8.3%	2.5%	2.0%
ROE	20.6%	6.2%	12.1%

\*as of April 10, 2024

### Share Price Performance



Share price (%)	1M	3M	12M
Ordinary share	1.1	-0.8	-15.2
Relative to index	0.9	-8.6	-32.1

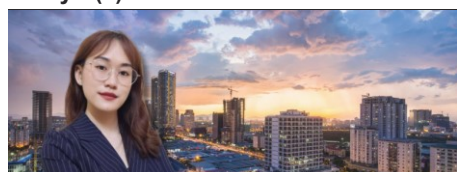
### Ownership

Vingroup JSC.	69.3%
Others	30.7%

### Business Descripton

VHM is recognized as a leading developer in the domestic property industry, with a market share of 27% across all segments, 39%/43% in mid-end and high-end condominiums, and 35% in landed properties. The company currently has a total land bank of nearly 19,600ha, most of which is situated in prime locations in populous areas or has potential for tourism development.

### Analyst(s):



**Huyen Phan**

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## Strategic expansion secures medium-term growth

- We maintain our ADD rating with 50.2% upside. We decrease our TP by 22.3% while the share price has increased 8.5% since our last report.
- The main driver of our TP change is that we apply a 40% discount rate on our RNAV valuation anticipating risks related to a slower-than-expected property market recovery and higher exposure to risk from parent Vingroup.
- The current P/B of 1.1x is below the peer average (1.4x) and undervalues the company's potential growth capacity.

### Financial Highlights

- 4Q23 revenue declined 72.1% yoy to VND8,698bn (US\$358mn). 2023 revenue totaled VND103,557bn (US\$4,262mn), 66.0% higher than 2022's result, fulfilling 97.7% of our full-year forecast.
- 4Q23 net profit slid 91.0% yoy to VND826bn (US\$34mn). 2023 net profit reached VND33,371bn (US\$1,373mn), completing 91.3% of our forecast.
- We forecast net profit to grow 4.9%/30.7% in FY24/25. We lowered our NP forecasts by ~19.6% pts as we pushed back our assumptions for deliveries of the Vinhomes Co Loa and Vinhomes Wonder Park projects by 12 months each and lowered our Vu Yen selling price assumption after the project was officially launched.

### Investment Thesis

#### VHM is pioneering social housing development, which is the key to resolving the supply-demand mismatch in the residential market

In response to Government influence and financial support, residential property developers have been actively developing social housing projects to address a market imbalance given the oversupply of luxury housing. Vinhomes is a pioneer in this area, having broken ground on two social housing projects in 1Q2024 that should launch in the second half of this year. Although these projects have a lower gross profit margin than mid and high-end developments, they provide additional revenue opportunities and spread Vinhomes' brand awareness to a broader range of homebuyers.

#### Adoption of amended property laws will strengthen VHM's market position

Amid the Government's continuing efforts to support the property market, we expect that the market will welcome regulatory clarifications of the law that help to smooth project approval processes. Any new regulations and policies that help resolve legal problems will support market sentiment. The amended laws (effective date expected in 2H24-1H25) will require developers to prove stronger finances, implementation capability, and legal adequacy, which should increase competitive advantages for leading companies like VHM.

#### Rising debt to supplement project development

During 2023, VHM's total interest-bearing debt rose 58.9%. Long-term debt accounted for 67.7% (VND38.4tn/~US\$1.6bn). Long-term debt surged 83.9% to finance the company's large-scale projects. As a result, interest coverage declined by 4.4x ytd to 15.2x. However, VHM's leverage remains quite manageable compared to peers, as the industry's average net D/E in 2023 was ~0.4x and interest coverage was far lower at 3.7x.

Financial summary (VND)	12-23A	12-24E	12-25F	12-26F
Net revenue (bn)	103,557	120,042	136,006	146,946
New contracts value (bn)	87.00	90.77	128.24	147.74
Revenue growth (% yoy)	66.0%	15.9%	13.3%	8.0%
Gross margin (%)	34.5%	35.1%	36.2%	36.4%
EBITDA margin (%)	46.2%	41.1%	46.7%	48.9%
Net profit growth (% yoy)	15.7%	4.9%	30.7%	14.4%
P/B (x)	1.00	1.40	1.55	1.80
Land bank (ha)	16.80	19.60	20.58	21.61
D/E (x)	0.35	0.28	0.25	0.19
Interest coverage (x)	19.62	18.38	13.35	10.29

## Company Profile

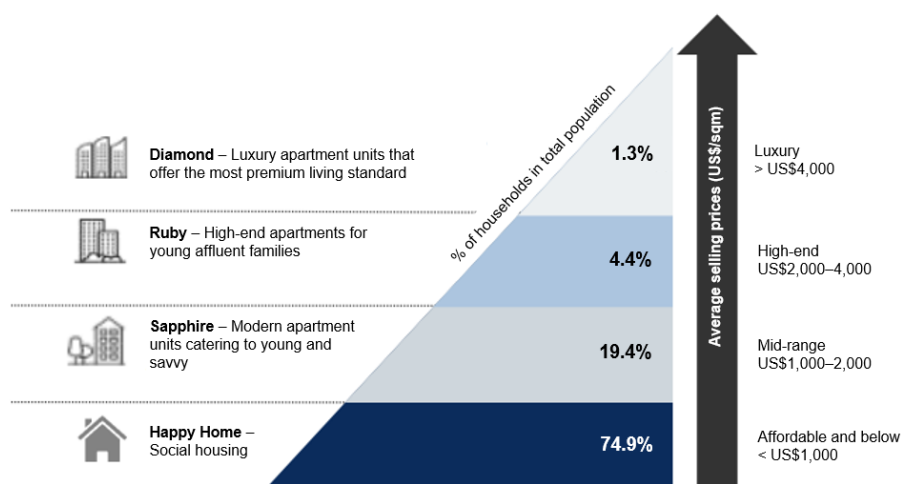
### A leading developer in Vietnam’s residential property market

Vinhomes was established in 2008 and listed on the Ho Chi Minh Stock Exchange (HOSE) in May 2018. VHM has become the largest listed property developer in Vietnam by market cap (at US\$7.6bn by April 8, 2023).

The company is recognized as a leading developer in the domestic residential property industry, with market share of 27% across all segments, 39%/43% in mid-end and high-end condominiums, and 35% in landed properties in 2023.

By December 2023, VHM had a total land bank of nearly 19,600 ha, most of which is situated at prime locations in populous areas or has potential for tourism development.

**Figure 1: Vinhomes offers products in all segments of the residential property market**



Source: VHM, VNDIRECT RESEARCH

### A key player in Vingroup’s ecosystem

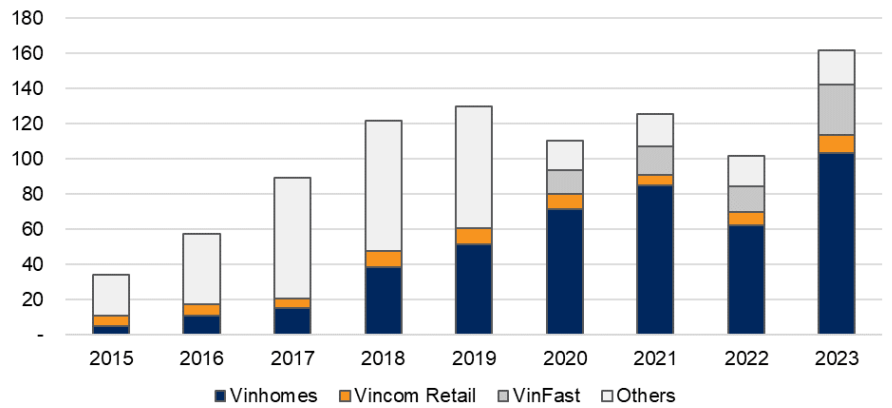
VHM is majorly owned by Vingroup (HOSE: VIC, the largest private conglomerate in Vietnam), which has a 69.3% stake as of the end of December 2023 and provides complementary offerings from its ecosystem such as hospitals, schools and retail facilities. Vinhomes plays a vital role in Vingroup’s business, contributing about 65-70% to the group’s total revenue over the last four years.

**Figure 2: Vinhomes forms part of the residential property services of Vingroup’s ecosystem**



Source: VIC, VNDIRECT RESEARCH

**Figure 3: Vinhomes contributes a major part of Vingroup's total revenue (Unit: VNDtn)**

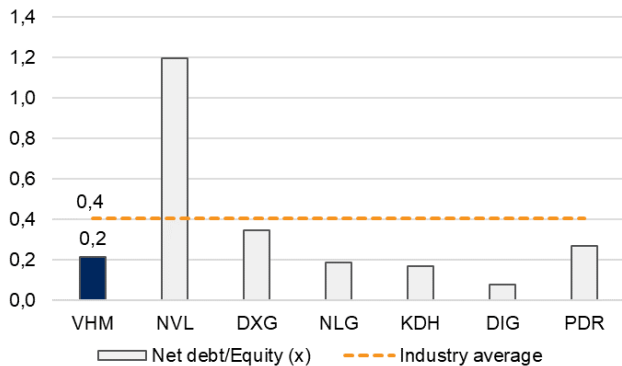


Source: COMPANY REPORTS, VNDIRECT RESEARCH

**VHM is backed by a strong financial position compared to peers**

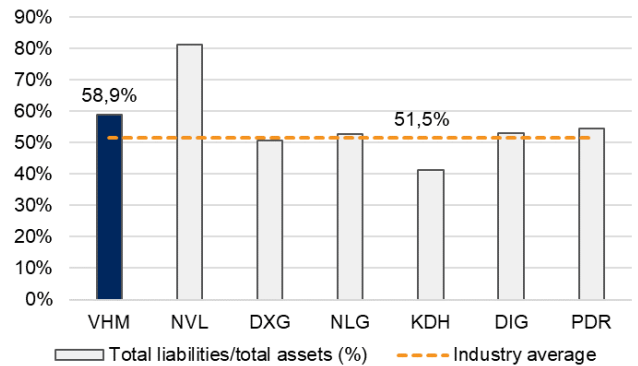
In comparison with industry peers, VHM has one of the strongest balance sheets with a net debt-to-equity ratio of 0.2x as of end-2023, which is much lower than the industry's average of 0.4x (VHM has maintained its net D/E ratio around 0.1x – 0.2x for the last three years). VHM also had a notable interest coverage capability of 15.2x in 2023, far higher than the peer average of 3.7x. These help to alleviate any potential liquidity risk or default risk.

**Figure 4: Peer comparison by net debt/equity ratio at YE2023**



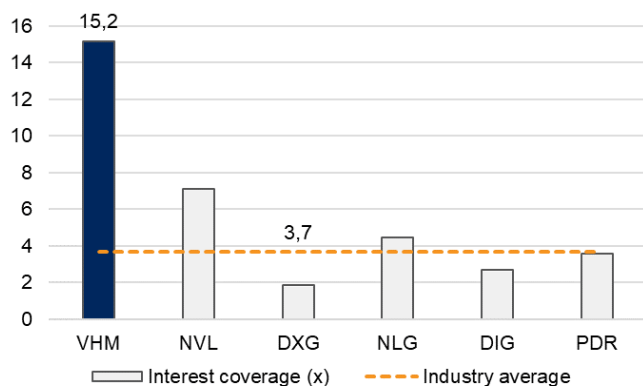
Source: COMPANY REPORTS, VNDIRECT RESEARCH

**Figure 5: Peer comparison by total liabilities/total assets at YE2023**



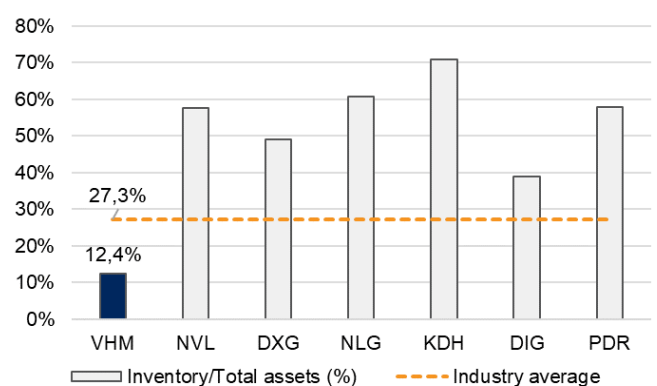
Source: COMPANY REPORTS, VNDIRECT RESEARCH

**Figure 6: Peer comparison by interest coverage ratio in 2023**



Source: COMPANY REPORTS, VNDIRECT RESEARCH

**Figure 7: Peer comparison by inventory/total assets ratio at YE2023**



Source: COMPANY REPORTS, VNDIRECT RESEARCH

## Recap: Earnings reached highest ever in 2023, despite humble results in 4Q

**Figure 8: 4Q23 and 2023 results comparison**

(VNDbn)	4Q23	4Q22	% yoy change	2023	2022	% yoy change	% of our full-year forecast
<b>Revenue</b>	<b>8,698</b>	<b>31,194</b>	<b>-72.1%</b>	<b>103,557</b>	<b>62,393</b>	<b>66.0%</b>	<b>97.7%</b>
Sale of inventory properties	3,909	28,702	-86.4%	89,669	51,202	75.1%	96.7%
<i>Key contributors:</i>							
Vinhomes Ocean Park 2 (Hung Yen)	1,600			57,600	35,300		
Vinhomes Ocean Park 3 (Hung Yen)	1,100			26,800	-		
Vinhomes Ocean Park (Ha Noi)	424			1,100	4,600		
Vinhomes Smart City (Ha Noi)	500			4,000	5,600		
Construction services	2,974	1,106	168.8%	6,681	5,235	27.6%	102.1%
Real estate management	888	960	-7.4%	3,019	2,464	22.5%	110.6%
Office leasing	122	141	-13.3%	1,070	1,186	-9.7%	89.5%
Others	804	284	182.8%	2,918	2,306	26.5%	105.4%
<b>Gross profit</b>	<b>882</b>	<b>15,514</b>	<b>-94.3%</b>	<b>35,707</b>	<b>30,696</b>	<b>16.3%</b>	<b>91.5%</b>
Gross profit margin (%)	10.1%	49.7%	-39.6% pts	34.5%	49.2%	-14.7% pts	
<b>SG&amp;A expense</b>	<b>(2,899)</b>	<b>(1,600)</b>	<b>81.2%</b>	<b>(7,756)</b>	<b>(5,076)</b>	<b>52.8%</b>	<b>122.6%</b>
% SG&A to sales	33.3%	5.1%	28.2% pts	7.5%	8.1%	-0.6% pts	
<b>Financial income</b>	<b>4,913</b>	<b>1,032</b>	<b>375.8%</b>	<b>19,954</b>	<b>16,690</b>	<b>19.6%</b>	<b>109.0%</b>
Interest income	1,837	805	128.1%	6,409	2,820	127.2%	97.2%
Income from sales of investment	2,831	(343)	N/A	11,356	11,587	-2.0%	113.6%
Income from BCC projects	216	337	-35.9%	1,226	1,673	-26.7%	71.6%
<b>Financial expenses</b>	<b>(1,014)</b>	<b>(299)</b>	<b>239.2%</b>	<b>(3,870)</b>	<b>(4,394)</b>	<b>-11.9%</b>	<b>60.7%</b>
Interest and bond issuance expenses	1,014	299	239.2%	(3,053)	(2,076)	47.1%	62.3%
<b>Pre-tax profit</b>	<b>1,323</b>	<b>12,449</b>	<b>-89.4%</b>	<b>43,310</b>	<b>38,643</b>	<b>12.1%</b>	<b>97.1%</b>
<b>Net profit</b>	<b>826</b>	<b>9,130</b>	<b>-91.0%</b>	<b>33,371</b>	<b>28,831</b>	<b>15.7%</b>	<b>91.3%</b>
Net profit margin (%)	9.5%	29.3%	-19.8% pts	32.2%	46.2%	-14.0% pts	

Source: VHM, VNDIRECT RESEARCH

### Revenue plummeted in 4Q23 but exceeded full-year plan

4Q23 revenue declined 72.1% yoy to VND8,698bn (US\$358mn). 2023 revenue totaled VND103,557bn (US\$4,262mn), 66.0% higher than 2022's result, fulfilling 103.6% of the company's business plan for FY23 and 97.7% of our full-year forecast.

By the end of December 2023, Vinhomes had sold 88% of the total units at Vinhomes Ocean Park 2 and 72% of the total units at Vinhomes Ocean Park 3. In terms of deliveries, ~9,900 low-rise units at Vinhomes Ocean Park 2 and ~3,400 low-rise units at Vinhomes Ocean Park 3 (including units under Business Cooperation Contracts (BCC)), were handed over to customers.

### Gross profit margin was reduced by one-time cost allocation reconciliation

Gross profit margin in 2023 contracted by 14.7% pts yoy to 34.5% as a higher number of handed-over units from Vinhomes Ocean Park 2 and 3 were under BCC, where VHM shared profit with partners.

A one-time cost allocation reconciliation for sold products resulted in a 10.1% contraction of 4Q23 GPM. In the absence of this accounting activity, 4Q23 GPM would have been around 25%.

### Bulk sales drove financial income growth

Net financial income surged 431.5% yoy in 4Q23 to VND3,153bn (US\$160mn), thanks to: 1) a VND2,831bn (US\$117mn) gain from bulk sales; and 2) higher interest income of 128.1% yoy. FY23 net financial income rose 33.1% yoy to VND16,084bn (US\$662mn).

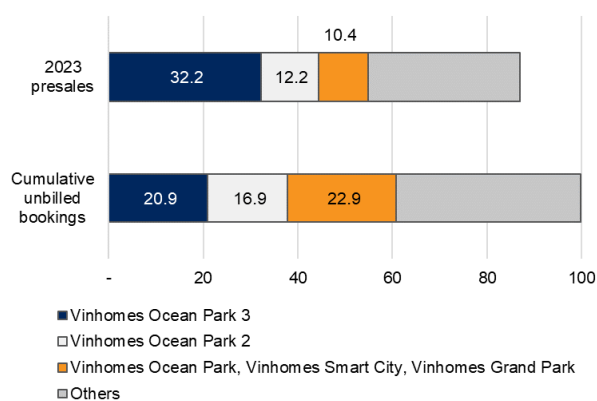
As a result, 4Q23 net profit landed at VND826bn (US\$34mn), sliding 91.0% yoy. However, 2023 net profit reached VND33,371bn (US\$1,373mn), completing 91.3% of our full-year forecast.

### Positive signs spotted in new contract sales

FY23 new contract sales value dropped by 32.1% yoy (to VND87tn ~ US\$3.6bn) from the previous year's high base when Vinhomes Ocean Park 2 and 3 were introduced with a record-breaking pre-sales performance. Contract sales value during 2023 was 51% in bulk and 49% in retail sales, of which total sales at Vinhomes Ocean Park 2 and 3 accounted for 14% and 37%, respectively.

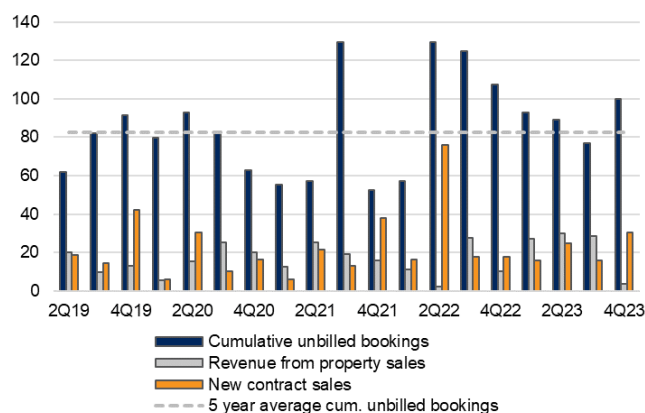
4Q23 recorded 19,666 pre-sale units, equivalent to VND30.3tr (US\$1.2bn) in value. 4Q23 contract sales value was 68.3% higher than 4Q22's result and was the highest quarterly-based value since 4Q21, thanks to the successful closure of bulk sales deals during the quarter (accounted for 73% of total contract sales value in the quarter).

Figure 9: VHM's pre-sales composition in 2023 (Unit: VNDtn)



Source: VHM, VNDIRECT RESEARCH

Figure 10: New contract sales in 4Q23 were the highest of the past five quarters (Unit: VNDtn)



Source: VHM, VNDIRECT RESEARCH

We believe 4Q23 results illustrated VHM's cautious stance, rather than showing a declining trend in product delivery activities, as FY23 revenue and net profit reached record highs and completed 103.6%/108.0% of full-year guidance, respectively. With the positive progress in pre-sales, VHM is capable of delivering more units that were sold in previous quarters.

However, the strong 4Q result will make FY23 a high base, which is not preferable for FY24 as the residential property market has not fully recovered. FY24 guidance for net profit (VND35tn/~US\$1.43bn) is 4% higher than FY23's actual result (VND33tn/~US\$1.37bn), which represents resilient growth amid the ongoing challenging market.

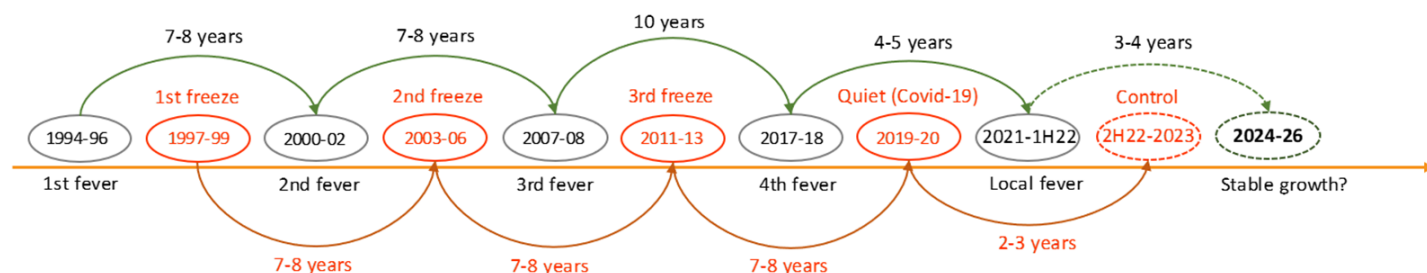
## FY24-25 outlook: Strategic expansion secures medium-term growth

Figure 11: FY24-25 earnings forecast revision

(VNDbn)	FY23	Old		New				Comment
		FY24	FY25	FY24	% chg	FY25	% chg	
<b>Revenue</b>	<b>103,557</b>	<b>119,261</b>	<b>138,775</b>	<b>120,042</b>	<b>0.7%</b>	<b>136,006</b>	<b>-2.0%</b>	We increase FY24 revenue by 0.7% vs the previous forecast as we adjust our estimation on product delivery timeline regarding the company's on-scheduled project implementation capability and the market's improving demand. Accordingly, FY25 revenue is lower by 2.0%.
% yoy	66.0%	15.2%	16.4%	15.9%		13.3%		
Sale of inventory properties	89,669	104,114	122,613	105,189	1.0%	120,227	-1.9%	
<b>Gross profit</b>	<b>35,707</b>	<b>49,102</b>	<b>60,786</b>	<b>42,154</b>	<b>-14.1%</b>	<b>49,197</b>	<b>-19.1%</b>	Gross profit margin is revised up by 0.6%/1.1% pts yoy in FY24-25 as we expect the proportion of BCC with partners' units to be decelerating.
Gross profit margin (%)	34.5%	41.2%	43.8%	35.1%	-6.1% pts	36.2%	-7.6% pts	
Sale of inventory properties GM (%)	37.7%	44.2%	47.5%	39.5%	-4.7% pts	41.6%	-5.9% pts	
<b>SG&amp;A expense</b>	<b>(7,756)</b>	<b>(23,956)</b>	<b>(26,272)</b>	<b>(24,141)</b>	<b>0.8%</b>	<b>(25,947)</b>	<b>-1.2%</b>	We reduce financial income by 18.3%/29.9% in FY24-25, mainly because we adjusted the expected delivery of BCC sales and bulk sales in Vinhomes Wonder Park and Vinhomes Co Loa to start at end of FY25 and lowered our Vinhomes Vu Yen's product selling price assumption after the project was officially launched.
<b>Financial income</b>	<b>19,954</b>	<b>36,184</b>	<b>54,556</b>	<b>29,568</b>	<b>-18.3%</b>	<b>38,238</b>	<b>-29.9%</b>	
Pre-tax profit	43,310	52,241	72,394	44,008	-15.8%	58,220	-19.6%	
<b>Net profit</b>	<b>33,371</b>	<b>43,538</b>	<b>57,611</b>	<b>35,023</b>	<b>-19.6%</b>	<b>45,770</b>	<b>-20.6%</b>	
% yoy	15.7%	30.5%	32.3%	4.9%		30.7%		
EPS	7,664	9,999	13,231	8,043	-19.6%	10,511	-20.6%	

Source: VHM, VNDIRECT RESEARCH

Figure 12: We believe the property market has passed its toughest phase and will gradually warm up during 2024



Source: VNDIRECT RESEARCH

### VHM as a participant, but also a trend leader in the market

**Social housing development is the key to resolving supply-demand mismatch in the residential market, and VHM is a pioneer developer**

In response to encouragement from the Government via a credit package (VND120tn ~ US\$5bn, interest rates of 1.5-2 pts % lower than SOCBs' average lending rate) and supportive regulations under the amended Housing Law in order to achieve a plan of 1 million social housing projects completed by 2030, residential property developers have been actively carrying out projects in this segment.

We believe Vinhomes is managing its social housing projects portfolio well in terms of development progress and product diversity.



In January 2024, Vinhomes broke ground on two social housing projects under the “Happy Home” brand, one in Nam Trang Cat (Hai Phong city, 28ha) and the other in Cam Ranh (Khanh Hoa province, 88ha). We expect the two projects to be launched by 2H24, together with a project in Quang Tri.

**Figure 13: VHM’s social housing project development pipeline updates**

Project location	Area (ha)	Components	Current progress	Execution time frame*		
				2024F	2025F	2026F onward
Dong Ha, Quang Tri	2	100 low rise units	1/500 master plan approved			
Nam Trang Cat	28	4,400 high-rise units and 300 low-rise units	Infrastructure and facilities are under construction			
Cam Ranh, Khanh Hoa	87	4,100 low-rise unit	Infrastructure and facilities are under construction			
Vinhomes Vu Yen - Hai Phong	50	N/A	Investment policy approved			

(\* Each project execution timeframe (from first launch to delivery completion) is in navy blue highlight. Otherwise, no detail project timeframe has been announced by the company

Source: VHM, VNDIRECT RESEARCH

We see that Vinhomes is making a wise move to provide both low-rise and high-rise products in its social housing projects. This social housing segment is going to expand its share in Vietnam’s residential property market in the coming decade, therefore it requires wider product supply variety and higher quality to meet different demand of customers. Expanding to the affordable segment will not only help solve the residential property market’s supply and demand imbalance, but also spread Vinhomes’ brand identity to a broader range of homebuyers.

**Figure 14: Vinhomes offer three types of social housing product under its Happy Home brand**

Project’s type	Floor area per unit (m2)	Projected price per unit (VNDm)
Low-rise	50-70	from 300 to 950
High-rise	30-50	
Multi-storied	apartment: 24 garret: 12	

Source: VHM, VNDIRECT RESEARCH

Social housing projects will result in lower gross profit margins for developers. In a social housing project, the social housing area is entitled to a maximum net profit margin of 10%. With the commercial housing area (which accounts for a maximum 20% of a total project) being counted separately, a total project’s net profit margin will be around 15-16%.

However, we believe implementing social housing projects is going to bring about pros rather than cons, as it helps the property market recover by solving the basic problems of demand-supply balance. The property market’s recovery will cast a positive shadow on the total economy, which then support the absorption as well as development of residential property projects in general.

**The adoption of amended property laws will strengthen VHM’s position in the market**

On March 26, 2024, the Prime Minister sent an urgent official letter to ministries and relevant authorities regarding the preparation of decrees guiding the implementation of the 2024 Land Law to provide a basis for proposing to the National Assembly to allow the 2024 Land Law to take effect from July 1, 2024 (earlier than the previous plan of January 1, 2025).

With the Government’s continuing effort to support the property market, we expect that the market will welcome clarified instructions for the regulations

under the law, which will help to smooth the projects approval process in the coming months. Any new regulations and policies that help resolve the current legal problems will strengthen market sentiment.

Also, the earlier validation of the amended Land Law will provide a fundamental understanding for the application of the amended Housing Law and Law on Real Estate Business before they start taking effect on January 1, 2025.

We believe that the amended laws, when in effect, will help the market develop in a more transparent, healthy and sustainable direction, by resolving outstanding legal bottlenecks, as well as imposing stricter requirements for investors and protecting the rights of home buyers. Thus, in general, developers will be required to prove stronger finances, implementation capability, and legal adequacy, which should bolster the competitive advantages for leading developers, such as VHM.

### Strategic expansion secures medium-term growth

#### Earnings poised to grow with mega projects launched in FY24-25

Regardless of the high base formed by the two mega projects Vinhomes Grand Park and Vinhomes Ocean Park 2 in FY21-22, we observe that VHM managed to meet its sales progress and delivery schedule for its next projects in the pipeline amid unfavorable conditions clouding the residential property market in 2H22-1H23 related to 1) limited credit room for property and 2) rising lending rates denting the housing demand.

Given the company's project implementation capability and the recovery of contracted sales value in 4Q23, which reflected improvement in market demand, we believe VHM will maintain positive pre-sales growth in the coming quarters through a number of projects expected to be launched (figure 15), which will supplement revenue growth in FY25-27.

**Figure 15: VHM's key project development pipeline**

Project	Location	Product type	Area (ha)	Execution time frame*			
				2023A	2024F	2025F	2026F onward
Vinhomes Ocean Park	Gia Lam, Ha Noi	Complex	420.0				
Vinhomes Smart City	Nam Tu Liem, Ha Noi	Complex	280.0				
Vinhomes Ocean Park 2	Hung Yen	Complex	459.8				
Vinhomes Ocean Park 3	Hung Yen	Complex	294.0				
Vinhomes Golden Avenue	Mong Cai, Quang Ninh	Complex	116.0				
Vinhomes Sky Park	Bac Giang	Apartment	1.1				
Vinhomes Vu Yen	Hai Phong	Complex	877.0				
Vinhomes Wonder Park	Dan Phuong, Ha Noi	Complex	133.0				
Vinhomes Co Loa	Dong Anh, Ha Noi	Complex	385.0				
Vinhomes Ha Long Xanh	Quang Ninh	Complex	4,110				
Vinhomes Long Beach	Can Gio, HCMC	Condotel, villa	2,870				
Vinhomes International University Town	Hoc Mon, HCMC	Complex	9,240				
Vinhomes Me Tri 2	Nam Tu Liem, Ha Noi	Complex	75.0				

(\* ) Each project execution time frame (from first launch to delivery completion) is in navy blue highlight. Otherwise, no detail project time frame has been announced by the company

Source: VHM, VNDIRECT RESEARCH

We expect VHM's new contracts value to increase by 4.3% yoy in FY24, reaching VND90.8tn (US\$3.7bn) in FY24 due to:

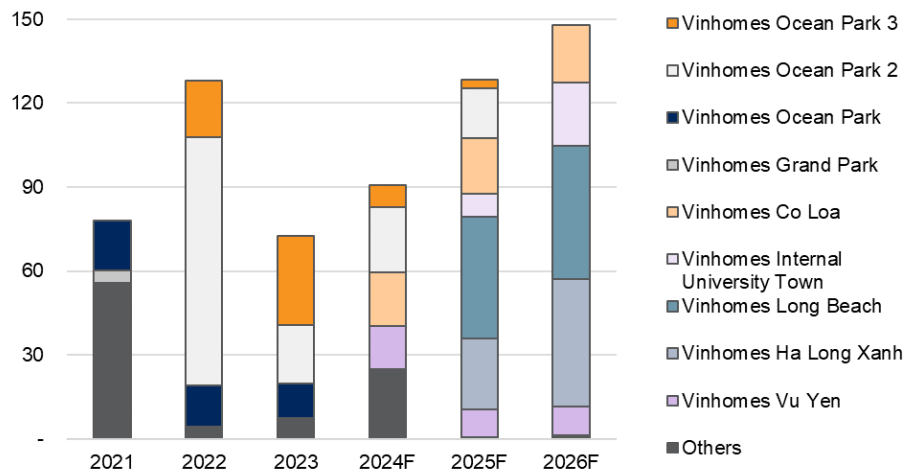
- (1) three mega projects, including Vinhomes Vu Yen (877ha, Hai Phong), Vinhomes Co Loa (385ha, Hanoi) and Vinhomes Wonder Park (133ha, Hanoi), which we expect to be launched in 2H24F;



(2) the remaining 2,900 low-rise units in Vinhomes Ocean Park 2 (460ha, Hung Yen), 3,800 low-rise units in Vinhomes Ocean Park 3 (294ha, Hung Yen) and 2,220 units of Vinhomes Ocean Park (420ha, Hanoi), Vinhomes Smart City (280ha, Hanoi) and Vinhomes Grand Park (272ha, HCMC).

For FY25, the new contracts value is estimated to be at VND128.2tn (US\$5.2bn), up 41.3% yoy, as we expect the contribution of Vinhomes Ha Long Xanh (5,545ha, Quang Ninh), Vinhomes Long Beach Can Gio (2,870ha, HCMC), and Vinhomes International University Town (924 ha, HCMC) by 4Q25F.

**Figure 16: Our estimation of VHM's new contracts value by project (Unit: VNDtn)**



Source: VNDIRECT RESEARCH

*Updates on the three new projects expected to be launched in 2024:*

**Figure 17: Vinhomes Vu Yen (launched in 1Q24)**



- Location: Thuy Nguyen, Hai Phong
- Total project area: 877ha (NSA: 258.9ha)
- Key component: Townhouse/Villa/Shophouse
- Current progress: Infrastructure and facilities are under construction

**Figure 18: Vinhomes Co Loa (expected to be launched in 4Q24F)**



- Location: Dong Anh, Ha Noi
- Total project area: 385ha (NSA: 139.9ha)
- Key component: Apartment/Townhouse/Villa/Shophouse
- Current progress: Infrastructure and facilities are under construction

**Figure 19: Vinhomes Wonder Park (expected to be launched in 4Q24F)**



- Location: Dan Phuong, Ha Noi
- Total project area: 133ha (NSA: 36.4ha)
- Key component: Apartment/Townhouse/Villa/ Shophouse
- Current progress: Infrastructure and facilities are under construction

Note: Expected timeline is based on our estimation and is subject to the company's plans and market conditions

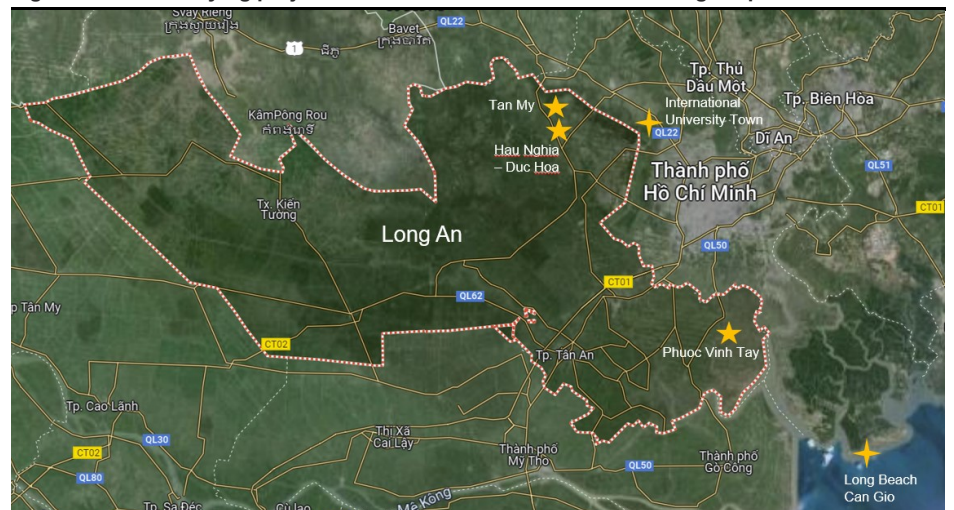
Source: VHM, VNDIRECT RESEARCH

### New projects coming in pipeline; Long An is in the spotlight

Recently, Vinhomes has been the only developer to register to implement large-scale projects in Long An, a tier-2 province southwest of HCMC that connects the city and the rest of the Mekong Delta:

- In March 2024, the consortium of Thai Son Investment Construction JSC (VHM owns 99.91%) and Dai An Investment Construction JSC (VHM owns 100%) registered to develop the Tan My New Urban (Duc Hoa district), with a total area of 931ha, gross development value of VND74.4tn and an implementation time expected to be seven years from the developer's approval;
- In February 2024, a Vinhomes – VIG consortium registered to develop Phuoc Vinh Tay New Urban (Can Giuoc district), with a total area of 1,090 ha, and a development value of VND80tn;
- Green City Development JSC (VHM owns 99.91%) is implementing the Hau Nghia – Duc Hoa New Urban (Duc Hoa district), with a total area of 197.2 ha, and a development value of US\$1.2bn (VND28,258bn). Sales are expected to launch in 2028.

**Figure 20: VHM is eyeing projects in HCMC satellite areas within Long An province**



Source: GOOGLEMAP, VNDIRECT RESEARCH

Long An forms part of the Southern key economic zone<sup>1</sup>, with 2023 GRDP growth of 5.77% (higher than Vietnam's GDP growth of 5.05%) and strong FDI inflows, including US\$595mn of newly registered capital in 2023 (+37.1% yoy).

Compared with HCMC's eastward tier-2 provinces such as Binh Duong or Dong Nai, Long An's residential property market has been less attractive due to lack of transportation and housing infrastructure. Long An aims to "unlock" its potential with its local plan to 2030, which will be comprised of 27 urban cities, in which Ben Luc – Can Giuoc – Duc Hoa are going to be the class III cities that welcome residential activities shifting from HCMC. (This is in line with HCMC's population decentralization policy that will attempt to broaden urbanization development). The residential property market in these areas could observe strong growth as happened in Di An, Thuan An (Binh Duong) or Thu Duc when they were upgraded into cities, resulting in good absorption at Vinhomes projects.

Supplementing the plan are many transportation infrastructure projects connecting HCMC and Long An: broadening National road 1A, HCMC – Trung Luong expressway and Vo Van Kiet road are being considered, with Ben Luc – Long Thanh expressway (HCMC Ring road 3) scheduled to be completed by 3Q25, and Ring Road 4 to start construction in 2025.

Long An also plans infrastructure investment of up to VND30tn in 2022-25. Long An completed 96.9% its plan of public investment disbursement in 2023, which to some extent, reflects the determination of local authorities.

### **Rising debt to supplement the projects' development**

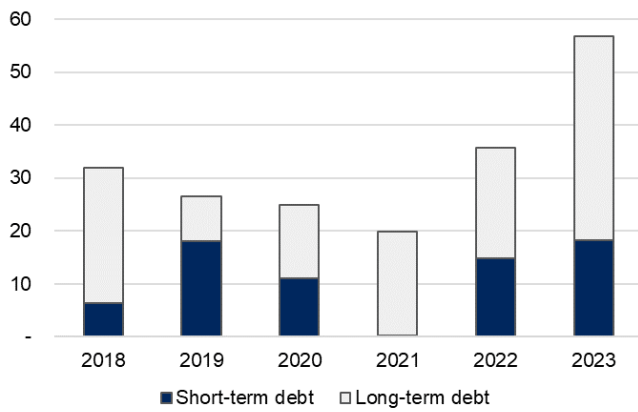
By end of 2023, VHM posted a net debt-to-equity ratio of 0.21x, 0.07x higher than in the beginning of the year, reaching the same level as its FY18-23 average. Total interest-bearing debt was VND56.7tn (US\$2.3bn) by end of 2023, up 58.9% from the beginning of the year, of which long-term debt accounted for 67.7% (VND38.4tn ~ US\$1.6bn). Long-term debt surged 83.9% to supplement the company's large-scale project development. As a result, interest coverage declined by 4.4x ytd to 15.2x.

However, VHM's leverage usage remains quite competent compared to peers in the sector, as the peers' average net D/E in 2023 was around 0.4x and interest coverage was far lower at 3.7x.

In March 2024, VHM issued VND3tn of corporate bonds, with a tenor of 36 months and 12% pa. VHM plans to issue VND10tn of corporate bonds by 3Q24. These bonds will be non-convertible, non-warrants and unsecured and will mature within 24-36 months. The company's aggressive expansion plan requires capital funding, which should also call for a consistent revenue stream to pay off its debt and remain solvent. We believe VHM has an advantage to secure cash flow from customer payments, with its capability of on-scheduled project implementation proven by its track record as well as homebuyers supporting via endowing payment policies.

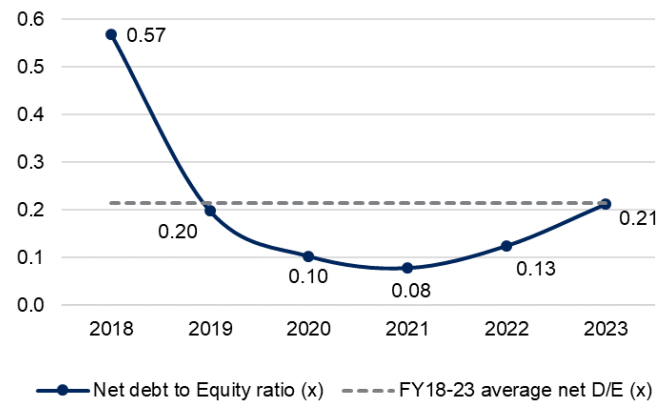
<sup>1</sup> Vietnam's Southern key economic zone consists of HCMC, Tien Giang, Dong Nai, Binh Duong, Ba Ria – Vung Tau, Binh Phuoc, Tay Ninh, Long An

Figure 21: VHM's debt composition by tenor (Unit: VNDtn)



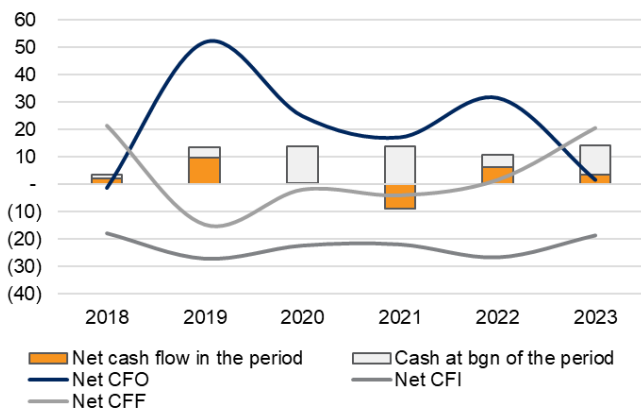
Source: VHM, VNDIRECT RESEARCH

Figure 22: VHM's net debt-to-equity ratio



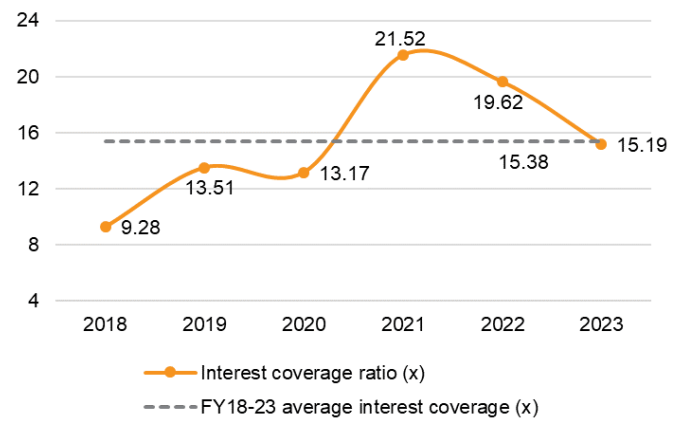
Source: VHM, VNDIRECT RESEARCH

Figure 23: VHM's cash flows



Source: VHM, VNDIRECT RESEARCH

Figure 24: VHM's interest coverage ratio



Source: VHM, VNDIRECT RESEARCH



## Valuation

### Reiterate Add with a lower TP of VND66,400

Our valuation is based on an equal weighting combination of RNAV valuation and P/B multiple:

- We apply a DCF method with an assumed WACC-based discount rate of 12.8% for each project's valuation given the detailed execution and pre-sales plans announced by VHM to revise its inventory and investment assets. To fairly compensate for risks on project execution and pre-sales performance, we applied discounts on each project's NPV, depending on the execution period, land acquisition as well as market absorption. We use a risk-free rate of 2.24% (the Vietnamese Government's 10-year bond yield as of September 30, 2023) and an equity risk premium of 9.0% (according to adjustments from [NYU Stern](#)).

We apply a discount rate of 40% for our RNAV valuation, which is due to risks related to parent Vingroup (~VHM FY23 net profit margin minus VIC FY23 net profit margin), and for a slower-than-expected property market recovery:

- (1) higher exposure to risk from Vingroup in terms of financial obligations and market sentiment after [Vingroup sold a majority of its stake in Vincom Retail](#);
- (2) longer-lasting-than-expected uncertainties in the economy which hurt customer demand;
- (3) slower-than-expected legal bottlenecks tackling progress, which we believe not to be a significant problem to Vinhomes' projects but have an impact on market sentiment in general.

- We apply our target P/B on an average FY24 book value of 1.4x, equivalent to the current peer average level. The multiple is higher than the VHM's 1Y average traded P/B (1.3x), as we believe that VHM deserves higher P/B in 2024 after maintaining consistent business performance and solvency amid prolonged headwinds in the residential property market.

**Figure 25: Valuation summary (Unit: VND)**

Method	Implied value per share	Weight (%)	Weighted price
RNAV	68,755	50%	34,377
P/B	64,037	50%	32,018
<b>Target price (rounded)</b>			<b>66,400</b>

Source: VNDIRECT RESEARCH

**Figure 26: TP's sensitivities to our assumptions**

		Discount rate to RNAV (%)				
		10%	20%	30%	40%	50%
Target P/B (x)	1.2	79,010	73,281	67,551	61,822	56,092
	1.3	81,297	75,568	69,838	64,109	58,379
	1.4	83,585	77,855	72,125	66,396	60,666
	1.5	85,872	80,142	74,412	68,683	62,953
	1.6	88,159	82,429	76,699	70,970	65,240

Source: VNDIRECT RESEARCH

**Figure 27: RNAV valuation (Unit: VNDbn)**

Inventory and investment	Book value as at 31/12/2023	Fair value	Method
<b>Residential property</b>	<b>127,370</b>	<b>369,350</b>	<b>DCF</b>
<i>Major contributors:</i>			
Vinhomes Ocean Park 2		14,282	
Vinhomes Ocean Park 3		11,275	
Vinhomes Co Loa		14,396	
Vinhomes Vu Yen		19,789	
Vinhomes Green Ha Long		69,059	
Vinhomes Long Beach		37,860	
Vinhomes International University Town		26,511	
<b>Office lease</b>	<b>460</b>	<b>31,755</b>	<b>DCF</b>
<b>Industrial property and others</b>	<b>7,246</b>	<b>9,373</b>	<b>Book value</b>
<b>Total property value</b>	<b>135,076</b>	<b>410,478</b>	
<b>Add:</b>			
Cash and cash equivalent	14,103	14,103	
Short-term investments	3,834	3,834	
Other assets	225,601	225,601	
<b>Less:</b>			
Total debt (exclude CB)	56,684	56,684	
Other liabilities	95,024	95,024	
Minority interest	3,335	3,335	
<b>Discounted RNAV</b>		<b>299,384</b>	
<i>Discount rate</i>		<i>40%</i>	
Shares outstanding (m)		4,354	
<b>Implied value per share (VND)</b>		<b>68,755</b>	

Source: VHM, VNDIRECT RESEARCH

**Figure 28: WACC assumptions**

Assumption	
Adjusted Beta	1.3
Market premium	9.0%
Risk-free rate	2.2%
Cost of equity	13.9%
Cost of debt	10.0%
Debt weight	29%
Equity weight	71%
WACC	12.8%

Source: VNDIRECT RESEARCH

**Figure 29: P/B valuation (Unit: VND)**

<b>FY24 estimated book value per share</b>	<b>45,740</b>
Current P/B (x)	
<i>VHM</i>	<i>1.1</i>
<i>Sector average</i>	<i>1.4</i>
Peer's 1Y P/B (x)	
<i>VHM</i>	<i>1.3</i>
<i>Sector average</i>	<i>1.5</i>
<b>FY24 target P/B (x)</b>	<b>1.4</b>
<b>Implied value per share</b>	<b>64,037</b>

Source: BLOOMBERG, VNDIRECT RESEARCH



**Figure 30: Peer comparison (data as of April 10, 2024)**

Company	Ticker	Current price	Market cap	P/E (x)		P/B (x)		3-year EPS growth	ROE (%)		ROA (%)		D/E (x)
		LC\$	US\$m	TTM	FY24	Current	FY24	CAGR (%)	TTM	FY24	TTM	FY24	
<b>Vinhomes JSC</b>	<b>VHM VN</b>	<b>44,200</b>	<b>7,714.6</b>	<b>5.8</b>	<b>5.3</b>	<b>1.1</b>	<b>1.4</b>	<b>15.8</b>	<b>20.6</b>	<b>18.5</b>	<b>8.3</b>	<b>7.8</b>	<b>0.3</b>
No Va Land Investment Group Corp	NVL VN	17,750	1,387.5	57.2	N/A	0.9	0.9	(72.0)	1.6	(3.7)	0.2	N/A	1.3
Phat Dat Real Estate Development Corp	PDR VN	31,600	935.8	31.7	46.4	2.5	2.3	(38.6)	7.7	5.6	3.1	3.3	0.3
Khang Dien House Trading and Investment JSC	KDH VN	36,000	1,153.4	42.6	28.0	2.1	1.9	(35.8)	5.3	6.8	3.0	4.1	0.4
Nam Long Investment Corp	NLG VN	42,500	655.5	35.2	28.6	1.7	1.7	(11.3)	5.0	5.7	1.7	4.3	0.5
Dat Xanh Group JSC	DXG VN	19,600	566.2	75.9	46.0	1.3	1.3	(23.1)	1.8	2.9	0.6	1.5	0.4
Development Investment Construction JSC	DIG VN	32,300	789.6	165.9	N/A	2.6	N/A	(17.4)	1.6	N/A	0.8	N/A	0.4
<b>Average</b>				<b>59.2</b>	<b>30.9</b>	<b>1.7</b>	<b>1.6</b>	<b>(26.1)</b>	<b>6.2</b>	<b>6.0</b>	<b>2.5</b>	<b>4.2</b>	<b>0.5</b>
<b>Median</b>				<b>42.6</b>	<b>28.6</b>	<b>1.7</b>	<b>1.6</b>	<b>(23.1)</b>	<b>5.0</b>	<b>5.7</b>	<b>1.7</b>	<b>4.1</b>	<b>0.4</b>

Source: BLOOMBERG, VNDIRECT RESEARCH

### Key investment thesis sensitivities

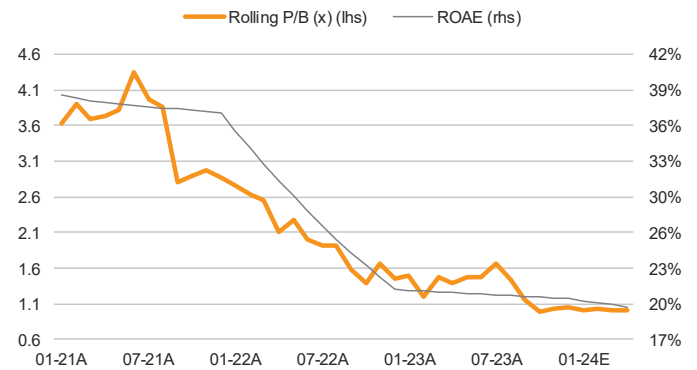
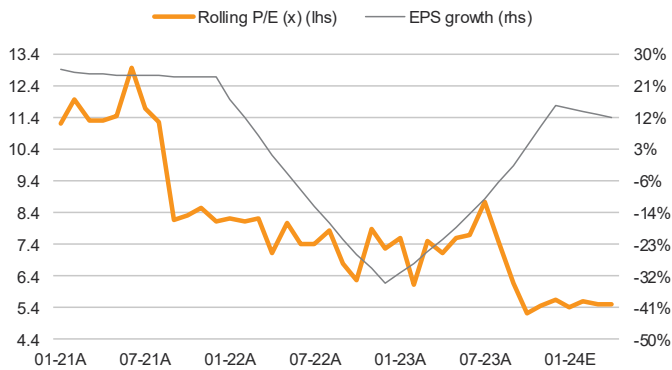
#### Potential re-rating catalyst:

- Supporting policies take effects and lending rates continue to decline helps the market warm up sooner-than-expected.

#### Downside risk:

- Slower-than-expected progress of legal bottlenecks tackling progress, which will result in delays in obtaining permits for new launches.
- Longer-lasting-than-expected uncertainties in the economy and the lending rates take longer time to reach an attractive level, which shall dent home-purchasers affordability and lead to lower-than-expected presales.

**Valuation**



**Income statement**

(VNDbn)	12-23A	12-24E	12-25E
Net revenue	103,557	120,042	136,006
Cost of sales	(67,850)	(77,888)	(86,809)
Gen & admin expenses	(4,093)	(5,074)	(2,995)
Selling expenses	(3,663)	(19,067)	(22,953)
<b>Operating profit</b>	<b>27,951</b>	<b>18,013</b>	<b>23,250</b>
Operating EBITDA	29,387	20,205	25,639
<b>Depreciation and amortisation</b>	<b>(1,436)</b>	<b>(2,192)</b>	<b>(2,389)</b>
<b>Operating EBIT</b>	<b>27,951</b>	<b>18,013</b>	<b>23,250</b>
Interest income	19,954	29,568	38,238
Financial expense	(3,870)	(4,017)	(3,692)
Net other income	(735)	434	415
Income from associates & JVs	11	10	9
<b>Pre-tax profit</b>	<b>43,310</b>	<b>44,008</b>	<b>58,220</b>
Tax expense	(9,777)	(8,802)	(11,644)
Minority interest	(161)	(183)	(806)
<b>Net profit</b>	<b>33,371</b>	<b>35,023</b>	<b>45,770</b>
Adj. net profit to ordinary	33,371	35,023	45,770
Ordinary dividends			
<b>Retained earnings</b>	<b>33,371</b>	<b>35,023</b>	<b>45,770</b>

**Balance sheet**

(VNDbn)	12-23A	12-24E	12-25E
Cash and equivalents	14,103	16,348	18,522
Short term investments	3,834	4,026	4,428
Accounts receivables	132,871	153,131	166,270
Inventories	55,318	59,846	64,073
Other current assets	36,215	18,756	22,799
<b>Total current assets</b>	<b>242,341</b>	<b>252,108</b>	<b>276,093</b>
Fixed assets	72,462	78,596	56,704
Total investments	7,760	8,870	8,117
Other long-term assets	122,068	117,317	119,613
<b>Total assets</b>	<b>444,631</b>	<b>456,891</b>	<b>460,526</b>
Short-term debt	18,290	22,338	20,140
Accounts payable	20,452	23,478	18,317
Other current liabilities	172,331	160,657	135,078
<b>Total current liabilities</b>	<b>211,073</b>	<b>206,474</b>	<b>173,535</b>
Total long-term debt	38,394	36,760	32,619
Other liabilities	12,527	11,146	9,767
Share capital	43,544	43,544	43,544
Retained earnings reserve	133,392	153,267	195,361
<b>Shareholders' equity</b>	<b>179,302</b>	<b>199,177</b>	<b>241,271</b>
Minority interest	3,335	3,335	3,335
<b>Total liabilities &amp; equity</b>	<b>444,631</b>	<b>456,891</b>	<b>460,526</b>

**Cash flow statement**

(VNDbn)	12-23A	12-24E	12-25E
<b>Pretax profit</b>	<b>43,310</b>	<b>44,008</b>	<b>58,220</b>
Depreciation & amortisation	1,436	2,192	2,389
Tax paid	(5,812)	(8,802)	(11,644)
Other adjustments	(15,467)	(3,010)	(1,464)
<b>Change in working capital</b>	<b>(21,951)</b>	<b>(11,427)</b>	<b>(54,517)</b>
<b>Cash flow from operations</b>	<b>1,517</b>	<b>22,960</b>	<b>(7,016)</b>
Capex	(9,988)	(9,504)	18,199
Proceeds from assets sales	2,775	3,006	1,461
Others	(11,419)	(28,748)	(23,547)
Other non-current assets changes	0	0	0
<b>Cash flow from investing activities</b>	<b>(18,632)</b>	<b>(35,246)</b>	<b>(3,887)</b>
New share issuance	6	0	0
Shares buyback	0	0	0
Net borrowings	20,396	24,530	23,077
Other financing cash flow	0	0	0
Dividends paid	0	(10,000)	(10,000)
<b>Cash flow from financing activities</b>	<b>20,401</b>	<b>14,530</b>	<b>13,077</b>
Cash and equivalents at beginning of period	10,817	14,103	16,348
<b>Total cash generated</b>	<b>3,286</b>	<b>2,245</b>	<b>2,174</b>
Cash and equivalents at the end of period	14,103	16,348	18,522

**Key ratios**

	12-23A	12-24E	12-25E
<b>Dupont</b>			
Net profit margin	32.2%	29.2%	33.7%
Asset turnover	0.26	0.27	0.30
ROAA	8.3%	7.8%	10.0%
Avg assets/avg equity	2.49	2.38	2.08
ROAE	20.6%	18.5%	20.8%
<b>Efficiency</b>			
Days account receivable	68.8	73.6	58.1
Days inventory	297.6	281.2	269.4
Days creditor	110.0	110.3	77.0
Fixed asset turnover	1.56	1.59	2.01
ROIC	13.9%	13.4%	15.4%
<b>Liquidity</b>			
Current ratio	1.1	1.2	1.6
Quick ratio	0.9	0.9	1.2
Cash ratio	0.1	0.1	0.1
Cash cycle	256.3	244.5	250.5
<b>Growth rate (yoy)</b>			
Revenue growth	66.0%	15.9%	13.3%
Operating profit growth	9.1%	(35.6%)	29.1%
Net profit growth	15.7%	4.9%	30.7%
EPS growth	15.7%	4.9%	30.7%

Source: VNDIRECT 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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