

VINCOM RETAIL JSC (VRE) – EARNINGS UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND30,850	VND36,600	0.00%	Add	REAL ESTATE

02 November 2021

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

Consensus*: Add:11 Hold:3 Reduce:0
 Target price / Consensus: 5.8%

Key changes in the report

➤ N/a

Price performance



Source: VND RESEARCH

Key statistics

52w high (VND)	37,800
52w low (VND)	25,300
3m Avg daily value (VNDmn)	145,165
Market cap (VND bn)	70,442
Free float (%)	31
TTM P/E (x)	32.5
Current P/B (x)	2.6

Ownership Structure at 30/09/2021

SADO Trading Commercial JSC	40.5%
Vingroup JSC	18.3%
Others	41.2%

Source: VND RESEARCH

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Darkest before dawn

- In 3Q21, VRE posted VND787bn of revenue (-55.3% yoy; -47.8% qoq) and only VND24bn of net profit (-95.8% yoy, -93.7% qoq).
- Vincom Retail's 9M21 revenue and net profit decrease 10.9%/15.3% yoy, fulfilling 55% of our FY21F earnings forecast.
- VRE is expected to launch a further support package of VND500bn and hand over about 90 shophouses in 4Q21 with a revenue of VND400bn.

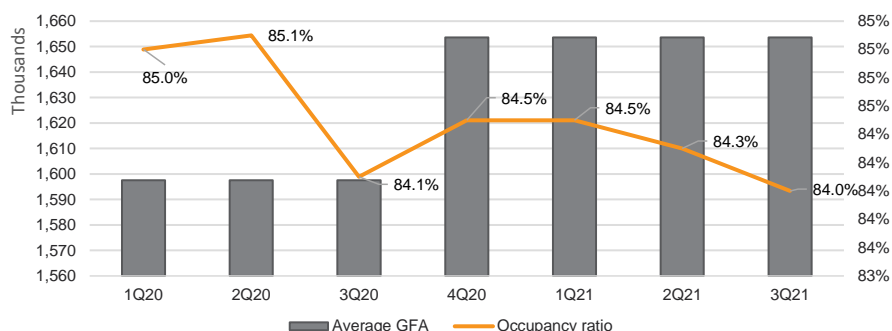
3Q21 results were hit hard by nationwide social distancing

- 3Q21 leasing revenue slid 54.7% yoy and 46.8% qoq to VND728bn as VRE released largest support package with the amount of VND925bn (compared to VND350bn in 2Q21 and VND145bn in 3Q20) mostly in the form of rent waive.
- Revenue from property delivery fell 81% yoy to VND20bn in 3Q21 as only 05 units were handed over in 3Q21 compared to 22 units in 3Q20.
- VRE's gross margin dropped 31.4% pts to 16.6% as VRE's leasing business were feezed during social distancing in 3Q21. Thus, 3Q21 gross profit dropped 84.6% yoy to VND130bn.
- SG&A expenses decreased 32% yoy as VRE cuts operating costs of shopping centers during social distancing period.
- Consequently, VRE posted VND787bn of 3Q21 revenue (-55.3% yoy; -47.8% qoq) and only VND24bn of net profit (-95.8% yoy, -93.7% qoq).
- For 9M21, VRE's revenue and net profit dropped 10.9%/15.3% yoy to VND4,524bn/VND1,193bn, forming 55% of our FY21F forecast.

Key takeaway from analyst meeting on 29 Oct

- The company is targeting to launch a further support package of VND500bn in 4Q21 for tenants as some entertainment businesses (cinema, indoor playground, ...) have not been allowed to open yet.
- The company aims to hand over about 90 shophouses in 4Q21 with expected revenue of about VND400bn.
- The 68,000 sqm Vincom Megamall Smart City will fully open in early 2022 and we expect it will reach over 85% occupancy rate. So far some necessary business tenants are allowed to open in this mega mall since 4Q2021.

Average GFA (sqm - LHS) and occupancy ratio (VND - RHS) of VRE from 1Q20 – 3Q21



Source: VND RESEARCH, Company reports

Figure 1: 9M21 results comparison

	3Q20	3Q21	yoy(%)	9M20	9M21	yoy(%)	VND's forecast	%vs VND's forecast	Comments
Revenue	1,760	787	-55.3%	5,076	4,524	-10.9%	7,687	58.9%	Below our forecast.
Leasing of Investment Properties	1,607	728	-54.7%	4,363	3,810	-12.7%	6109	62.4%	Support package amounted to VND925bn mostly in the form of rent waiver, compared to that of VND45bn in 3Q20.
Sale of Inventory Properties	107	20	-80.9%	602	568	-5.5%	1397	40.7%	Only 05 units were handed over in 3Q21 compared to 22 units in 3Q20.
Gross profit	845	130	-84.6%	2,249	1,928	-14.3%	3,444	56.0%	
Gross margin	48.0%	16.6%	-31.4% pts	44.3%	42.6%	-1.7% pts	44.8%	-2.2% pts	
Leasing of Investment Properties	52.0%	21.0%	-31.0% pts	48.0%	46.3%	-1.7% pts	48.9%	-2.6% pts	
Sale of Inventory Properties	46.0%	56.0%	10.0% pts	48.8%	45.4%	-3.4% pts	45.0%	0.4% pts	
Net financial expense	-49	-11	-77.7%	-123	-96	-22.4%	-161	59.6%	
Selling expense	40	-22	-155.3%	145	121	-16.4%	-277	43.8%	
G&A expense	84	106	27.0%	265	251	-5.5%	-295	85.0%	
SG&A	123	84	-32.0%	411	372	-9.4%	-572	65.1%	Below our forecast.
S/Revenue	2.27%	-2.80%	-5.1% pts	2.86%	2.68%	-0.2% pts	3.60%	-0.9% pts	
G&A/Revenue	4.74%	13.47%	8.7% pts	5.23%	5.54%	0.3% pts	3.84%	1.7% pts	
SG&A/Revenue	7.01%	10.67%	3.7% pts	8.09%	8.23%	0.1% pts	7.44%	0.8% pts	
Operating profit	673	36	-94.7%	1,716	1,460	-14.9%	2,872	50.8%	Below our forecast.
Other income	44	13	-70.6%	66	51	-22.4%	25	202.3%	
EBT	716	48	-93.3%	1,782	1,512	-15.2%	2,737	55.2%	
NP	572	24	-95.8%	1,407	1,193	-15.3%	2,178	54.8%	Below our forecast

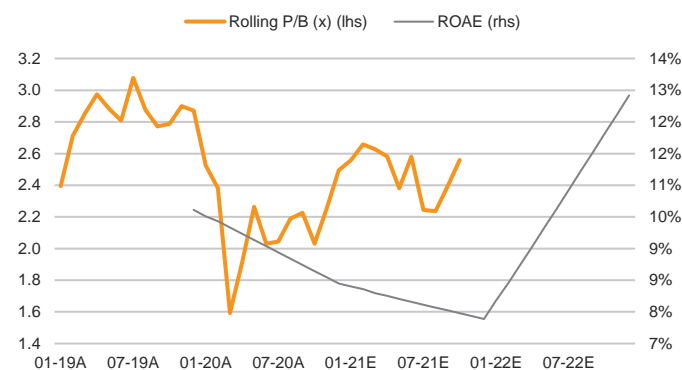
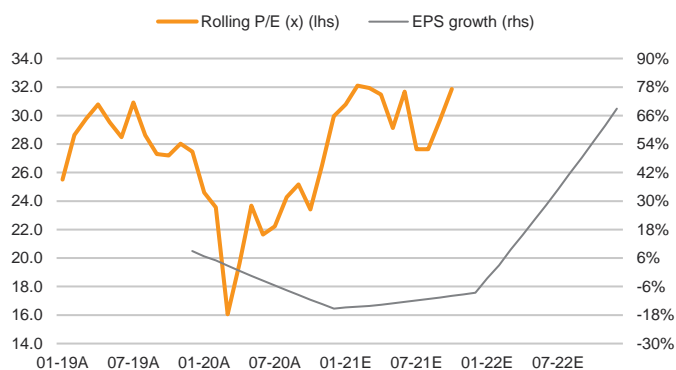
Source: VNDIRECT Research, Company reports

Figure 2: Sector comparison

Company	Bloomberg Ticker	Recom.	Share Price (local curr)	Target Price (local curr)	Market Cap (US\$m)	P/E (x)			3-year EPS CAGR (%)	P/BV (x)			ROE (%)			ROA (%)		
						TTM	FY22F	FY23F		TTM	FY22F	FY23F	TTM	FY22F	FY23F	TTM	FY22F	FY23F
Retail real estate companies																		
Vincom Retail JSC	VRE VN	ADD	31,150	36,600	3,106	32.5	19.2	16.1	25.2%	2.6	2.6	2.5	7.6%	13.1%	15.4%	5.5%	9.1%	10.5%
SM Prime Holdings Inc	SMPH PM	na	na	na	na	49.8	40.0	27.4	-5.9%	3.0	2.9	2.7	6.2%	7.1%	9.8%	2.7%	3.5%	5.0%
Central Pattana PCL	CPN TB	na	58.25	63.25	7,794	27.2	37.3	27.6	-10.4%	3.7	3.4	3.1	14.2%	10.1%	12.0%	4.4%	3.1%	4.1%
Pakuwon Jati Tbk PT	PWON IJ	na	515.0	700.0	1,742	27.2	17.5	14.4	-7.7%	1.6	1.6	1.4	6.2%	8.6%	9.8%	3.3%	4.7%	5.3%
Average - Retail real estate peers						34.7	31.6	23.1	-8.0%	2.8	2.6	2.4	8.9%	8.6%	10.5%	3.4%	3.8%	4.8%

 Data as at 01st Nov 2021

Source: VNDIRECT Research, Bloomberg

Valuation

Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	7,687	10,497	12,381
Cost of sales	(4,243)	(4,961)	(5,832)
Gen & admin expenses	(295)	(427)	(512)
Selling expenses	(277)	(398)	(471)
Operating profit	2,872	4,711	5,566
Operating EBITDA	4,731	6,719	7,807
Depreciation and amortisation	(1,859)	(2,008)	(2,241)
Operating EBIT	2,872	4,711	5,566
Interest income	220	300	354
Financial expense	(381)	(423)	(425)
Net other income	25	35	41
Income from associates & JVs	0	0	0
Pre-tax profit	2,736	4,623	5,536
Tax expense	(558)	(943)	(1,129)
Minority interest	0	(1)	(1)
Net profit	2,178	3,679	4,406
Adj. net profit to ordinary	2,178	3,679	4,406
Ordinary dividends	(3,493)	(3,493)	(3,493)
Retained earnings	(1,315)	186	913

Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	4,571	2,868	654
Short term investments	74	101	119
Accounts receivables	423	563	665
Inventories	679	713	748
Other current assets	1,153	1,575	1,857
Total current assets	6,900	5,820	4,043
Fixed assets	1,214	1,378	1,673
Total investments	592	808	954
Other long-term assets	30,862	33,408	36,026
Total assets	39,568	41,414	42,696
Short-term debt	77	105	124
Accounts payable	696	814	956
Other current liabilities	5,299	5,915	6,555
Total current liabilities	6,072	6,834	7,635
Total long-term debt	4,295	4,995	4,322
Other liabilities	1,171	1,369	1,610
Share capital	23,288	23,288	23,288
Retained earnings reserve	6,655	6,870	7,796
Shareholders' equity	27,995	28,181	29,093
Minority interest	35	35	36
Total liabilities & equity	39,568	41,414	42,696

Cash flow statement

(VNDbn)	12-21E	12-22E	12-23E
Pretax profit	2,736	4,623	5,536
Depreciation & amortisation	1,865	2,017	2,248
Tax paid			
Other adjustments	(2,855)	(723)	(860)
Change in working capital	1,844	143	373
Cash flow from operations	3,590	6,060	7,297
Capex	(2,340)	(4,159)	(4,574)
Proceeds from assets sales	14	15	17
Others	1,236	(241)	(161)
Other non-current assets changes	2,274	(287)	(251)
Cash flow from investing activities	1,184	(4,672)	(4,969)
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	218	728	(654)
Other financing cash flow	(66)	198	240
Dividends paid	(3,493)	(3,493)	(3,493)
Cash flow from financing activities	(3,341)	(2,567)	(3,907)
Cash and equivalents at beginning of period	3,051	4,571	2,868
Total cash generated	1,433	(1,179)	(1,579)
Cash and equivalents at the end of period	4,484	3,392	1,289

Key ratios

	12-21E	12-22E	12-23E
Dupont			
Net profit margin	28.3%	35.0%	35.6%
Asset turnover	0.19	0.26	0.29
ROAA	5.5%	9.1%	10.5%
Avg assets/avg equity	1.38	1.44	1.47
ROAE	7.6%	13.1%	15.4%
Efficiency			
Days account receivable	16.6	16.8	16.8
Days inventory	58.4	52.5	46.8
Days creditor	59.9	59.9	59.8
Fixed asset turnover	5.86	8.10	8.11
ROIC	6.7%	11.0%	13.1%
Liquidity			
Current ratio	1.1	0.9	0.5
Quick ratio	1.0	0.7	0.4
Cash ratio	0.8	0.4	0.1
Cash cycle	15.1	9.4	3.8
Growth rate (yoy)			
Revenue growth	(7.7%)	36.6%	17.9%
Operating profit growth	(7.1%)	64.0%	18.1%
Net profit growth	(8.6%)	68.9%	19.8%
EPS growth	(8.6%)	68.9%	19.8%

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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