

Vincom Retail JSC (VRE)

ADD (Maintained)

Property

Current Price	VND19,400
52Wk High/Low	VND28,150/VND16,800
Target Price	VND23,400
Previous TP	VND29,600
TP vs Consensus	-20.1%
Upside	20.6%
Dividend Yield	0.0%
Total stock return	20.6%

Growth rating	Positive
Value rating	Positive
ST Technical Analysis	Neutral

Market Cap	USD1.75bn
3m Avg daily value	USD8.9mn
Avail Foreign Room	USD473mn
Outstanding Shares	2,272mn
Fully diluted O/S	2,133mn

	VRE	Peers	VNI
P/E TTM	9.6x	16.4x	13.6x
P/B Current	1.1x	1.5x	1.7x
ROA	8.6%	4.6%	2.1%
ROE	11.2%	11.0%	12.3%

**as of 9/16/2024*

Share Price performance



Share price (%)	1M	3M	12M
Ordinary share	3.3	-11.9	-33.5
Relative to index	-1.0	-3.2	1.0

Ownership

SADO Trading Commercial JSC	41.5%
Vingroup JSC	18.8%
Others	39.7%

Business Description

VRE is currently the leading company in leasing retail space in Vietnam, boasting a national presence with 87 retail malls and an aggregate retail space exceeding 1.83m sqm GFA (by August 2024). VRE manages a diverse portfolio of shopping centers and malls tailored to meet the specific needs of varied consumer demographics, including Vincom Mega Malls, Vincom Centers, Vincom Plaza, and Vincom+.

Analyst(s):



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New shophouses and malls power earnings growth

- We maintain our ADD rating with 20.6% upside. We decrease our TP by 20.9% while the share price has decreased by 8.9% since our last report.
- Our lower TP is due to the mixed impact of rolling to FY25-29 and changes in our forecasts to our 5Y DCF model, and lower FY24 P/E target.
- TTM P/E of 9.6x is below peers in the region and undervalues the company's potential growth capacity.

Financial Highlights

- 1H24 net profit grew 3.9% YoY thanks to a recovery of the leasing business after the pandemic and the on-schedule delivery of shophouses.
- 1H24 gross profit margin contracted 5.7% YoY due to increased property sales in the revenue mix and seasonal one-off costs.
- We expect net profit to decline by 6.7% YoY to VND4.1tn (USD164mn) in FY24 and increase 2.1% YoY to VND4.2tn (USD168mn) in FY25.

Investment Thesis

Unbilled shophouse inventory will continue to contribute to 2H24 revenue

In 1H24, property delivery revenue soared 272% YoY to VND744bn (USD30mn). At end-2Q24, VRE had unbilled shophouses of VND230bn (USD9.2mn) in value, which should be recognized in 2H24, according to management.

New malls will start contributing to revenue from 2H24

In June 2024, VRE opened three new malls, including Vincom Mega Mall (VMM) Grand Park (HCMC), VCP Dien Bien Phu, VCP Ha Giang, and reopened VCP 3/2 (HCMC). VCP Dien Bien Phu, VCP Ha Giang, and VMM Grand Park will begin generating leasing revenue from 3Q24 onward. VCP Bac Giang will start contributing leasing revenue from 4Q24. Furthermore, VRE expects to launch Vincom Plaza (VCP) Dong Ha Quang Tri in November 2024.

Anticipating VND2.4tn (USD94mn) RPT loan collection in September 2024

At end-June 2024, VRE had VND2.4tn (USD94mn) of loans receivable from related parties. Loans receivable from VinFast were VND1.9tn (USD76mn) and Vinbus were VND450bn (USD18mn), with an interest rate of 12% p.a. These loans will expire in September and proceeds are scheduled to be collected at end-3Q24.

VRE is well-positioned to meet growing retailer demand

VRE is expanding its GFA with the Vincom Mega Mall (VMM) model, focusing on life-design mega malls and new consumption trends. The new VMM Grand Park mall, with a 94% occupancy rate, along with the company's efforts in acquiring new tenants for existing malls, have boosted VMM's system-wide occupancy to 90.3% in 2Q24. VRE also renovated Vincom Plaza (VCP) 3/2 in HCMC, raising its occupancy from 56% to 82% (90% including deposits and commitments). The average occupancy rate of the VCP system reached 79.7% in 2Q24. Vincom Retail has an advantage with its early land acquisitions, positioning itself for prime future locations alongside Vingroup/Vinhomes' large residential projects.

Financial summary	12-23A	12-24E	12-25F	12-26F
Number of malls under operation	83	88	94	101
Total leasing area ('m sqm GFA)	1.75	1.86	2.03	2.23
Revenue growth (% YoY)	33.0%	-1.1%	6.7%	17.6%
Gross profit margin (%)	54.6%	51.4%	51.0%	52.9%
Net profit growth (% YoY)	58.8%	-6.7%	2.1%	20.1%
P/E (x)	12.1	13.0	12.7	10.6
P/B (x)	1.5	1.5	1.5	1.4
Net D/E (%)	-3.3%	-1.7%	-2.4%	2.3%
Interest coverage (x)	19.3	17.4	15.2	10.4

Source: VNDIRECT RESEARCH

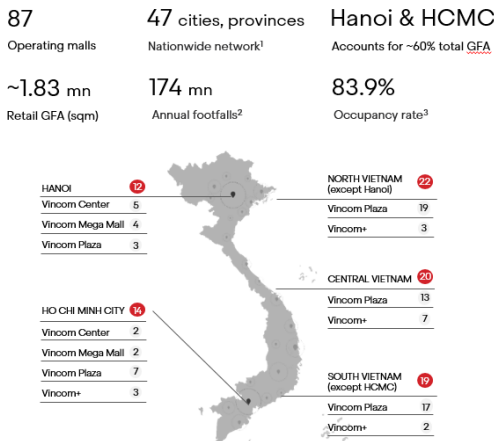
Company Profile: The leading retail space lessor in Vietnam

Vincom Retail (HOSE: VRE) is currently the leading lessor of retail space in Vietnam, boasting a national presence with 87 shopping centers and malls, with aggregate GFA of retail space exceeding 1.83 million sqm (by August 2024).

VRE manages a diverse portfolio of shopping malls tailored to meet the specific needs of diverse consumer demographics, including:

- **Vincom Centers:** located in city centers and central business districts of Hanoi and HCMC where consumers can enjoy premium and high-end brands.
- **Vincom Mega Malls:** positioned in densely populated and expansive residential locales, with brands from premium to mass.
- **Vincom Plaza:** in suburban areas of Hanoi and HCMC or high-density urban areas within cities and provinces, lessees are major mass brands.
- **Vincom+:** situated in medium-density or non-central business district areas of other cities and provinces outside of Hanoi and HCMC, leasing space to mass brands.

Figure 1: VRE's malls in Vietnam



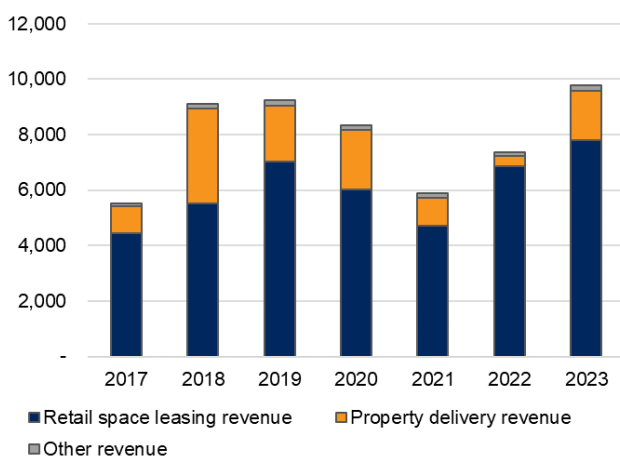
Source: VRE, VNDIRECT RESEARCH

Figure 2: VRE's mall formats



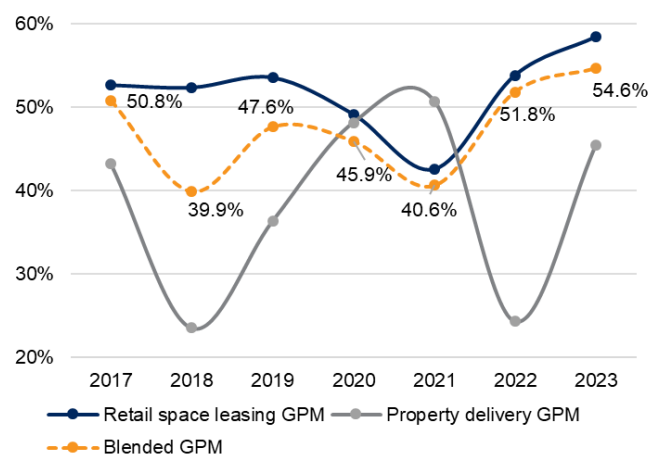
Source: VRE, VNDIRECT RESEARCH

Figure 3: Revenue composition (Unit: VNDbn)



Source: VRE, VNDIRECT RESEARCH

Figure 4: Gross profit margin (Unit: %)



Source: VRE, VNDIRECT RESEARCH

2Q24 results recap: Property sales drive earnings amid modest leasing recovery

Figure 5: 2Q24 results comparison

(VNDbn)	2Q24	% YoY change	% QoQ change	1H24	% YoY change	1H24/FY24 forecast
Revenue	2,479	14.1%	9.9%	4,733	15.0%	49.0%
Leasing activities and related services	1,940	-0.2%	0.6%	3,867	0.3%	43.5%
Sale of inventory properties	467	136.8%	68.7%	744	271.9%	141.1%
Others	72	123.7%	42.6%	122	105.6%	48.0%
Gross profit	1,209	1.7%	-3.6%	2,465	3.7%	45.6%
Gross profit margin (%)	48.8%	-5.9% pts	-6.9% pts	52.1%	-5.7% pts	
Leasing activities and related services (%)	53.9%	-4.0% pts	-6.1% pts	56.9%	-2.9% pts	
Sale of inventory properties (%)	33.5%	-11.5% pts	-1.8% pts	34.2%	-10.7% pts	
SG&A expense	(216)	82.9%	4.0%	(423)	76.9%	47.0%
% SG&A to sales	8.7%	3.3% pts	-0.5% pts	8.9%	3.5% pts	
Financial income	420	51.1%	-3.4%	855	70.4%	73.7%
Interest income	420	51.0%	-3.3%	855	70.3%	
Financial expenses	(179)	123.5%	27.3%	(319)	76.9%	70.8%
Interest expenses	(102)	40.0%	-2.0%	(206)	25.9%	
Pre-tax profit	1,277	0.7%	-6.6%	2,644	5.0%	52.0%
Net profit	1,021	2.1%	-5.6%	2,104	3.9%	51.8%
Net profit margin (%)	41.2%	-4.8% pts	-6.8% pts	44.5%	-4.7% pts	

Source: VRE, VNDIRECT RESEARCH

Strong property deliveries amid modest leasing recovery

Vincom Retail's 2Q24 revenue was VND2.48tn (USD99mn), increasing 14.1% YoY and 9.9% QoQ, while 1H24 revenue reached VND4.73tn (USD189mn, +15% YoY):

- 1) Retail space leasing revenue in 2Q was VND1.94tn (USD78mn), up 0.6% QoQ but decreasing 0.2% YoY as newly leased areas signed in end-June had not contributed to leasing revenue for the period. The average occupancy rate in 2Q24 reached 83.9%, increasing 1.1% pts QoQ but declining 1.6% pts YoY.

1H24 leasing revenue reached VND3.87tn (USD155mn), +0.3% YoY.

- 2) Revenue from shophouse deliveries in 2Q was VND467bn (USD19mn), accelerating 137% YoY and 68.7% QoQ, following the deliveries of 104 units from Vincom Shophouse Royal Park.

1H24 property delivery revenue reached VND744bn (USD30mn), +272% YoY.

GPM impacted by increased property sales and seasonal, one-off costs

2Q24 gross profit margin (GPM) was 48.8%, contracting 6.9% pts QoQ due to higher energy consumption during the summer season and down 5.9% pts YoY due to: 1) higher electricity price; 2) higher land cost, due to the expiration of the Government's land waiver policy (issued during the Covid-19 pandemic) for some shopping malls; 3) increasing provision expenses relating to a tenant in the entertainment category; 4) higher contribution of shophouse deliveries, which have lower GPM.

Consequently, net profit declined 5.6% QoQ to VND1.02tn (USD41mn). However, 2Q24 net profit increased 2.1% YoY, contributing to VND2.1tn (USD84mn, +3.9% YoY) for 1H24.

Figure 6: Balance sheet analysis

	2Q23	3Q23	4Q23	1Q24	2Q24
BS items (VNDbn)					
Cash, cash equivalents and short-term investments	7,615	8,806	5,173	3,939	2,453
Receivables from tenants	1,051	1,147	1,240	1,170	1,443
Investment properties	25,836	25,517	25,180	24,864	27,124
Inventories	1,452	782	640	511	229
Construction in progress	705	762	1,028	1,000	782
Loan receivables	-	-	-	2,350	2,350
Deposits to VIC and related partners	5,814	5,814	11,862	12,225	13,757
Deposits from tenants	1,399	1,408	1,489	1,441	1,476
Interest bearing debts	2,154	2,159	3,936	3,956	3,977
Key ratios					
A/R Days	50	45	48	46	50
Inventories Days	45	32	34	35	29
Cash conversion cycle	66	51	60	58	53
Equity/Assets	80.2%	82.2%	79.4%	79.4%	76.3%
Net Debts/Equity	-15.4%	-18.1%	-3.3%	0.0%	3.8%

Source: VRE, VNDIRECT RESEARCH

Declines in liquidity should be temporary

Cash levels have significantly declined over the past quarters, primarily due to:

- 1) Increasing BCC deposits for Vingroup/Vinpearl/Vinhomes to purchase shophouses
- 2) Larger payments for taxes

However, with VRE expecting to receive VND2.4tn (USD94mn) this September and VND1.3tn (USD53mn) in 2025, cash flow is projected to improve.

Anticipating VND2.4tn (USD94mn) RPT loan collection in September 2024

At end-June 2024, VRE had VND2.4tn (USD94mn) of loans receivable to related parties. Loans receivables from VinFast were VND1.9tn (USD76mn) and from Vinbus were VND450bn (USD18mn), with an interest rate of 12% p.a. These loans will expire in September and proceeds are scheduled to be collected by the end of 3Q24.

VRE's total short-term loans to VinFast amount to VND2.5tn (USD100mn), with VND600bn (USD24mn) already recovered. Similarly, VRE lent VND550bn (USD22mn) to Vinbus and has recovered VND100bn (USD4mn).

Substantial deposits to VIC/VHM to facilitate long-term mall expansion

By the end of June 2024, VRE had made VND13.7tn (USD550mn) of deposits for business operations in Vingroup, Vinhomes, and related entities, increasing 12.5% QoQ and 136.6% YoY. VND10.7tn (USD429mn) were long-term deposits for developing shopping malls in Vingroup/Vinhomes' residential projects under BCC contracts with the remaining VND3tn (VND122mn) being deposited for VIC and VHM to purchase shophouses for resale.

According to the BCC contracts, VRE will advance the development costs to either Vingroup or Vinhomes, depending on which entity is the designated developer, and such developers will transfer those shopping malls in the pipeline to VRE at cost when they are completed. Also, according to such BCC contracts, when the shopping malls are ready for commercial operation but Vingroup and related parties have not completed all procedures to handover the shopping malls to VRE, VRE is entitled to manage these shopping malls, receiving the economic interest, and sharing a profit with VIC equal to the depreciation cost of the asset (as the asset still belongs to VIC).

Elevated borrowing to support expansion plan

Total interest-bearing debt reached nearly VND4.0tn (USD159mn) by the end of June 2024, slightly increasing 1% YTD but surging 84.7% YoY, including VND1.8tn (USD73mn) to mature in 12 months.

Consequently, the net debt to equity ratio reached 3.8%, from -3.3% at end-December 2023 and -15.4% at end-June 2023. However, this is still a low and controllable leverage level.

FY24-25 outlook: New shophouses and shopping malls drive earnings growth

FY24-25 forecast revision

Figure 7: FY24-25 forecast revision

(VNDbn)	FY23	Old		New				Comment
		FY24	FY25	FY24	% YoY	FY25	% YoY	
Net revenue	9,791	9,668	10,816	9,686	-1.1%	10,339	6.7%	We revise FY24 revenue up 0.2% compared to the previous forecast, due to: 1) We increase the projected property deliveries revenue based on the actual results in 1H24 and the updated progress of VRE's shophouses presales; 2) We reduced our estimation of leasing revenue by lowering the expected number of operational shopping malls for the year (from 89 to 88) and adjusting the new mall's revenue contribution to begin in 3Q.
Leasing of Investment Properties	7,796	8,886	10,413	8,501	9.0%	9,756	14.8%	
Sale of Inventory Properties	1,772	527	94	924	-47.9%	267	-71.1%	We lower FY25 revenue by 4.4% mainly due to our lower expectation of available shopping malls (from 95 to 94).
COGS	(4,446)	(4,541)	(5,145)	(4,708)	5.9%	(5,069)	7.7%	
Gross Profit	5,346	5,127	5,671	4,978	-6.9%	5,270	5.9%	The lower gross profit margin (GPM) projection mainly resulted from the lower GPM of shophouse deliveries segment.
Gross profit margin (%)	54.6%	53.0%	52.4%	51.4%	-3.2% pts	51.0%	-0.4% pts	
Leasing of Investment Properties	58.4%	57.5%	56.8%	55.8%	-2.6% pts	54.3%	-1.5% pts	
Sale of Inventory Properties	45.4%	50.0%	50.0%	36.3%	-9.1% pts	36.3%	0.0% pts	
Financial income	1,146.0	1,160.2	1,081.6	1,452.9	26.8%	1,344.1	-7.5%	We revise up our estimation on financial income and financial expense in FY24 after the stronger-than-expected results in 1H24
Financial expenses	(330.0)	(450.9)	(567.7)	(539.4)	63.5%	(371.6)	-31.1%	We revise up FY25 financial income accordingly, while reducing financial expenses by adjusting to lower interest costs.
SG&A expense	(780)	(900)	(1,169)	(892)	14.4%	(1,153)	29.3%	
Selling expenses	(341)	(225)	(265)	(223)	-34.6%	(260)	16.6%	
General and admin expenses	(439)	(675)	(904)	(669)	52.4%	(893)	33.5%	
Pretax profit	5,526	5,089	5,197	5,153	-6.7%	5,262	2.1%	
Net profit	4,408	4,060	4,146	4,111	-6.7%	4,198	2.1%	

Source: VRE, VNDIRECT RESEARCH

Shophouse deliveries and new malls to fuel 2H24 earnings

VND230bn in unbilled shophouse value set for recognition in 2H24

At end-2Q24, VRE had unbilled shophouses of VND230bn (USD9.2mn) in value, which should be recognized in 2H24, according to management.

In 1H24, Vincom Retail made deposits to purchase three shophouse projects in Quang Ninh, Hai Phong, and Nha Trang from Vinhomes, Vingroup, and Vinwonders Nha Trang. The two projects in Quang Ninh (Vinhomes Golden Avenue) and Hai Phong (Vinhomes Royal Island) are expected to be launched in early 2025, and should fuel FY25-26 earnings growth.

The Nha Trang project fell short of expected progress, leading VRE to halt its investment. VRE will recover its VND1.3tn (USD53mn) deposit within six months, with a penalty charge.

New malls will start contributing to revenue from 2H24

VRE expects to launch Vincom Plaza (VCP) Dong Ha Quang Tri in November 2024.

In June 2024, VRE opened three new malls, including Vincom Mega Mall (VMM) Grand Park (HCMC), VCP Dien Bien Phu, VCP Ha Giang, and reopened VCP 3/2 (HCMC). By the end of June, the occupancy rate in VMM Grand Park reached 94%, and 86%/95% in VCP Dien Bien Phu/VCP Ha Giang. After that, VCP Bac Giang was opened on July 27.

VCP Dien Bien Phu and VCP Ha Giang were launched at the end of June (on June 28), while VMM Grand Park had its soft opening on June 1 and officially opened on July 20. VCP Dien Bien Phu, VCP Ha Giang, and VMM Grand Park will begin generating leasing revenue from 3Q24 onward. VCP Bac Giang will start contributing leasing revenue beginning in 4Q.

Initially, VRE planned to put into operation six new shopping malls in FY24, for a total of 89 shopping malls, with an aggregate retail space exceeding 1,921,000 sqm GFA. However, VMM Ocean City has been rescheduled to open in April 2025.

VRE is well-positioned to meet growing retailer demand

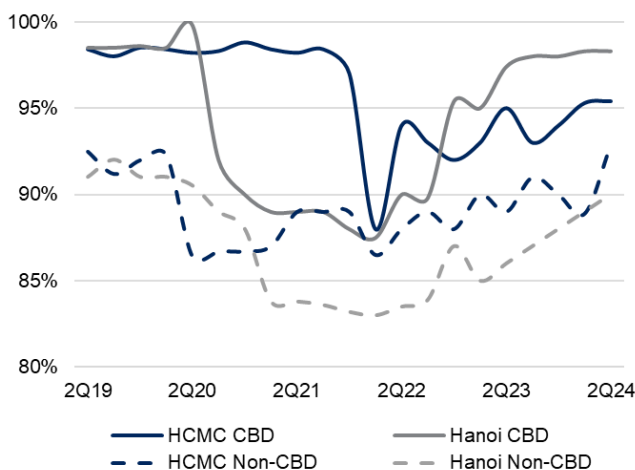
The market has continued to enjoy strong demand amid tight supply

Robust demand has pushed up both rental prices and occupancy rates across central and suburban areas of Hanoi and HCMC. In CBDs, occupancy rates have continued to climb, albeit more slowly due to constrained supply and elevated rental prices. Meanwhile, non-CBD areas have experienced more gradual occupancy growth, driven by the expansion of suburban residential developments and comparatively lower rental costs.

In Hanoi, the average occupancy rate in 2Q24 reached 98.3% (unchanged vs 1Q24 and +0.9% pts YoY) in the CBD area and 90.0% (+1.0% pts QoQ and +4.0% pts YoY) in non-CBD areas. The average asking rent for the ground floor by 2Q24 in CBD and non-CBD areas grew by 11.3%/18.3% YoY, respectively, reaching USD181.8/sqm/month and USD31.9/sqm/month.

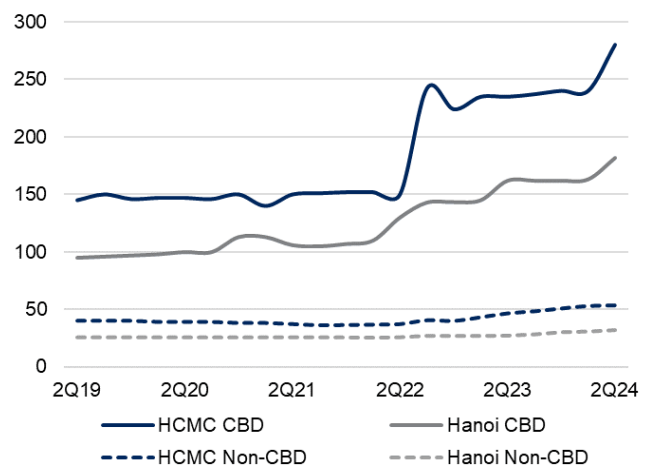
In HCMC, the average occupancy rate in 2Q24 rose 0.1% pts QoQ and 0.4% pts YoY to 95.4% in the CBD area. The figure for the non-CBD area increased 4.0% pts QoQ and 3.9% pts YoY to 88.9%. The average asking rent for the ground floor reached USD280/sqm/month in the CBD (+18.5% YoY), and rose 15.5% YoY to USD53.8/sqm/month in non-CBD areas.

Figure 8: Average occupancy rate (%)



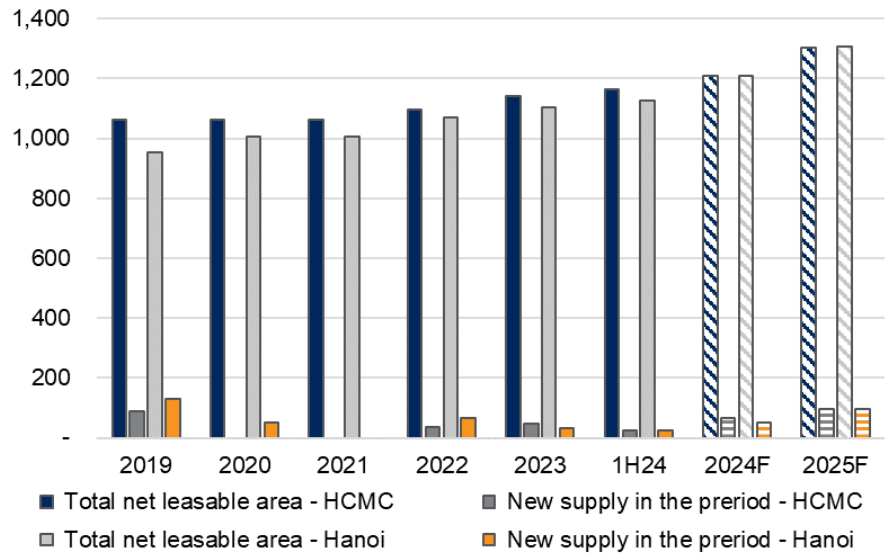
Source: CBRE, CUSHMAN & WAKEFIELD, VNDIRECT RESEARCH

Figure 9: Average asking rent for ground floor (USD/sqm/month)



Source: CBRE, CUSHMAN & WAKEFIELD, VNDIRECT RESEARCH

Figure 10: Retail space supply in Hanoi and HCMC ('000 sqm GFA)



Source: CBRE, CUSHMAN & WAKEFIELD, VNDIRECT RESEARCH

High demand coupled with limited supply has led to near full occupancy in CBD areas (with occupancy rates in Hanoi reaching 98% and over 95% in HCMC), and non-CBD areas achieved an occupancy rate of 90% in Hanoi and 88.9% in HCMC, as of 2Q24. Successful retailers already established in CBD areas are looking to extend their reach into non-CBD regions or tier-2 provinces. Additionally, Chinese F&B and lifestyle brands are showing a growing interest in expanding their market presence in Vietnam, based on CBRE's research.

VRE has mall development strategy to prepare for long-term growth

VRE plans to develop its retail leasing space by adding 800,000 sqm of GFA between 2024 and 2028, although project timelines may be adjusted based on market conditions. Leveraging Vingroup/Vinhomes' synergized land and facilities, VRE is well-positioned to attract both international and domestic retail brands looking to expand their presence. *VRE focuses on the VMM model, developing life-design mega malls*

VRE is mainly expanding its GFA with the VMM model, developing life-design mega malls, and adapting to the new consumption trends.

Its latest mall, VMM Grand Park, developed according to this new strategy from the outset, has achieved a high occupancy rate (94%). This, along with the company's efforts in acquiring new tenants for existing malls, has boosted the average occupancy rate of the whole Vincom Mega Mall system by 1.7 % points QoQ to reach 90.3% in 2Q24. VMM Grand Park is the second mall to follow the life-design mall concept, out of VRE's portfolio of six Vincom Mega Malls.

Vincom Retail restructured its mall to attract tenants

VRE has successfully renovated and reopened Vincom Plaza 3/2 in HCMC, with its occupancy rate rising significantly from 56% in 2Q23 to 82% (90% if including deposits and commitments) in 2Q24. The mall was repositioned with a new tenant mix of fashion, F&B, and entertainment, better catering to the needs of the target customers of college students, families, and office workers.

The new VCP malls with higher occupancy rates and the improved occupancy rate in the existing mall have supported the average occupancy rate of the entire Vincom Plaza system, increasing it by 1.1 % points QoQ to 79.7%

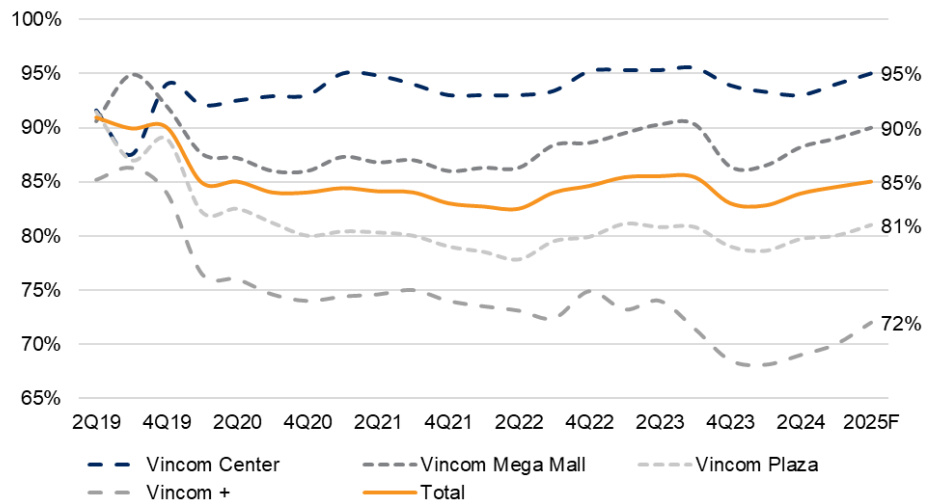
VRE's edge is as a top retail space developer in the domestic market

We believe that major retail property landlords compete to attract brands and consumer foot traffic through 1) prime locations; 2) scale (large space, diverse retail brands, and entertainment options); 3) brand visibility (the prominence of the shopping center's brand); and 4) customer experience.

Vincom Retail has an advantage with its early land acquisitions, positioning itself for prime future locations alongside Vingroup/Vinhomes' large residential projects. While VMM malls excel in scale, VCP malls benefit from their early presence in central areas of cities and provinces outside Hanoi and HCMC.

We adjust our expectation of the average occupancy rate of VRE's total shopping malls to 84.5% in FY24 and 85.0% in FY25. We expect Vincom Mega Mall's occupancy rate at 89%/90% and Vincom Plaza at 80%/81% in FY24-25, respectively.

Figure 11: Our estimate of VRE occupancy rate (Unit: %)



Source: VRE, VNDIRECT RESEARCH

Valuation: Reiterate ADD with a lower TP of VND23,400

Our valuation is based on an equal weighting combination of DCF valuation and P/E multiple:

- DCF model: We apply a WACC assumption for the five-year projection model of 10.7%. We use a risk-free rate of 2.79% (based on the 10-year bond yield as of June 30) and an [equity risk premium](#) of 7.78%. We adjust our forecasts in the next years based on a more conservative timeline of new malls in operations and roll our model to FY25-29.
- P/E method: We apply a lower target P/E of 13.0x on FY24 EPS (from the previous target multiple of 15.0x), which is higher than the TTM P/E of 9.6x and 1Y average P/E of 12.3x. Despite VRE's superior EPS growth compared to its regional peers, it has been historically traded in a lower range. For a detailed analysis of how different P/E multiples impact our target price, please refer to our sensitivity analysis table (figure 20).

Potential re-rating catalysts include: 1) faster-than-expected mall openings; and 2) faster-than-expected recovery in retail, leading to strong growth in the leasing business.

Downside risks include: 1) slower-than-expected mall openings, 2) a lower-than-expected occupancy ratio and lower-than-expected rental rate; and 3) growing market competition from rivals such as Aeon and Central Retail.

Figure 12: Valuation summary (Unit: VND)

Methodology	Price	Weight	Weighted Value
DCF Valuation	23,233	50%	11,617
P/E Valuation	23,520	50%	11,760
Target price (rounded)			23,400

Source: VNDIRECT RESEARCH

Figure 13: WACC assumptions

	Value
Beta	1.1
Market Risk Premium	7.8%
Risk-free rate	2.8%
Cost of Equity	11.4%
Cost of Debt	10.0%
WACC	10.7%

Source: VNDIRECT RESEARCH

Figure 14: Valuation by DCF-5yrs

DCF Method	Amount	Unit
PV of Free Cash Flows	7,775	VNDbn
PV of Terminal Value (4.0% growth)	39,365	VNDbn
Enterprise value	47,140	VNDbn
Cash and cash equivalents	10,673	VNDbn
Total debts	(5,020)	VNDbn
Equity Value	52,792	VNDbn
Number of shares	2,272	million
Price per share	23,233	VND/share

Source: VNDIRECT RESEARCH

Figure 15: Our forecast free cash flow to the firm

	2024	2025	2026	2027	2028	2029
EBIT	4,086	4,117	5,304	6,077	7,160	8,039
less: Taxes	(1,041)	(1,063)	(1,277)	(1,479)	(1,738)	(1,886)
EBIAT	3,045	3,054	4,027	4,598	5,422	6,153
Plus: Depreciation and amortization	2,588	3,850	3,984	4,341	4,517	4,644
Less: Capital expenditure	(10,389)	(10,901)	(8,007)	(4,400)	(2,810)	(4,086)
Plus: Changes in working capital	2,380	333	259	157	51	(291)
Free cash flow (FCFF)	(2,376)	(3,664)	263	4,696	7,180	6,420
Present value of FCF	(2,138)	(2,968)	189	3,052	4,164	3,338

Source: VNDIRECT RESEARCH

Figure 16: Sensitivities of the DCF-based TP to assumptions

Terminal growth rate (%)	Base case	WACC (%)				
		Base case				
		10.3%	10.5%	10.7%	10.9%	11.1%
3.0%		22,103	21,671	21,262	20,873	20,504
3.5%		23,142	22,650	22,185	21,745	21,328
4.0%		24,344	23,776	23,233	22,741	22,267
4.5%		25,750	25,088	24,470	23,890	23,345
5.0%		27,418	26,636	25,909	25,231	24,597

Source: VNDIRECT RESEARCH

Figure 17: Valuation by P/E multiple

FY24F NPAT attribute to common share holder (VNDbn)	4,111
FY24F No. of outstanding share (m)	2,272.3
EPS 2024F	1,809.2
Target P/E(x)	13.0
Implied price 2024F (rounded)	23,520

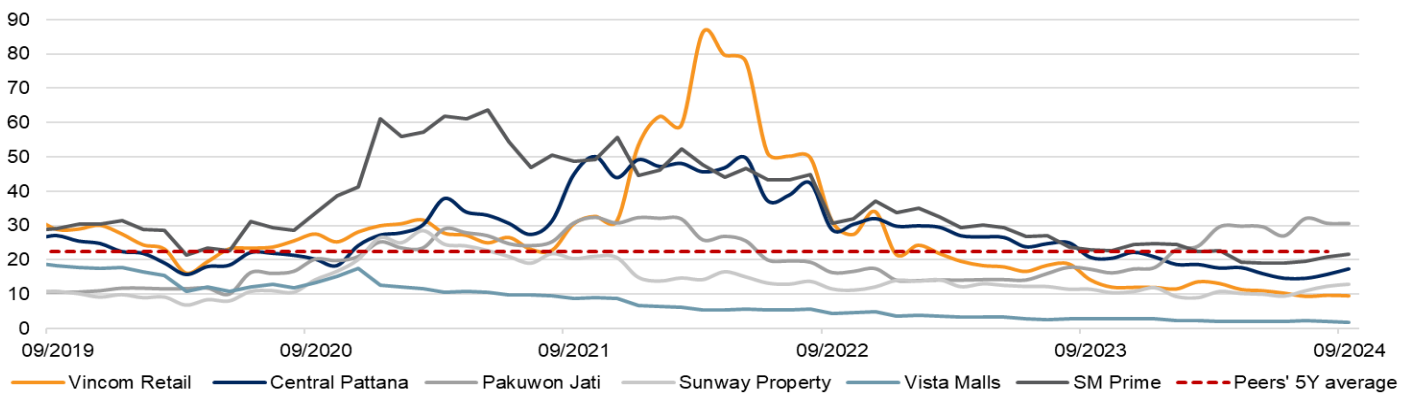
Source: VNDIRECT RESEARCH

Figure 18: Sensitivities of the TP to our target P/E assumptions

Target P/E (x)									
Ourcase									
11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5	15.0	
19,901	20,806	21,710	22,615	23,520	24,424	25,329	26,233	27,138	

Source: VNDIRECT RESEARCH

Figure 19: Peer comparison (TTM P/E, data as of 16 September 2024)



Source: BLOOMBERG, VNDIRECT RESEARCH

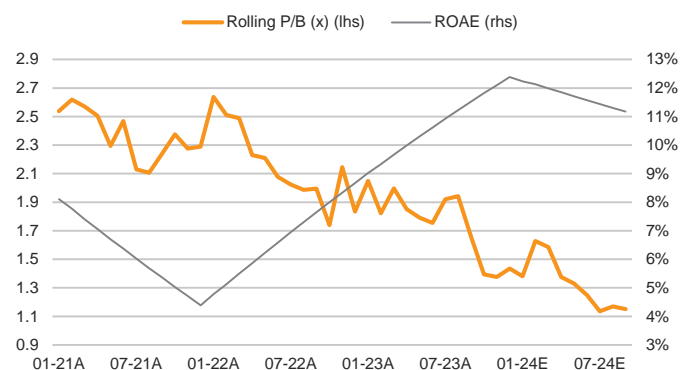
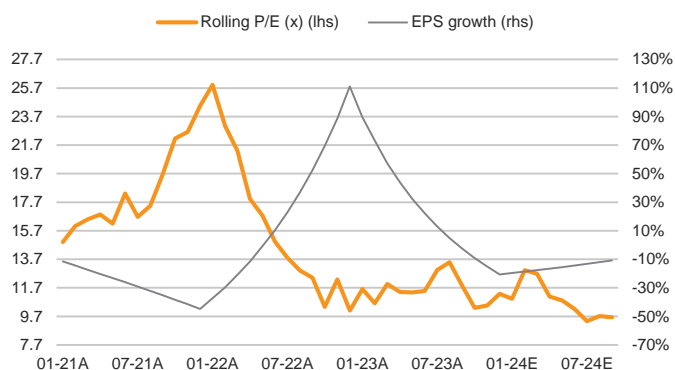
Figure 20: Peer comparison (data as of 16 September 2024)

Company	Ticker	Country	Market cap USDmn	P/E (x)			P/B (x)		3-year EPS growth CAGR (%)	ROE (%)		ROA (%)		D/E (x)
				TTM FY24 (*)	Adjusted P/E	Current FY24 (*)	Current FY24 (*)	CAGR (%)		TTM FY24 (*)	TTM FY24 (*)	TTM FY24 (*)	TTM FY24 (*)	
Central Pattana	CPN TB	Thailand	8,833	17.5	17.8	15.8	3.2	2.9	40.0	19.1	16.6	5.8	5.7	1.2
Sunway Bhd	SWB TK	Malaysia	5,493	30.9	29.0	17.0	2.0	1.6	9.8	7.0	5.8	3.1	2.9	0.7
Uol Group Ltd	UOL SP	Singapore	1,601	13.3	11.6	15.6	1.3	1.2	36.8	9.9	10.1	5.6	6.4	0.3
Pakuwon Jati Tbk	PWON IJ	Indonesia	3,697	6.8	15.6	5.1	0.4	0.4	43.8	6.5	2.6	3.1	1.9	0.3
Aeon Mall Co Ltd	8905 JP	Japan	3,371	22.7	25.6	21.4	1.0	1.0	57.0	4.5	4.0	1.3	1.8	1.8
Vistamalls Inc	STR PM	Philippines	281	1.8	N/A	2.2	0.3	N/A	2.1	19.2	N/A	8.6	N/A	0.2
Sm Prime Hldgs	SMPH PM	Philippines	16,483	21.5	21.1	25.8	2.2	2.2	33.0	10.9	10.7	4.5	4.7	1.0
Average				16.4	20.1	14.7	1.5	1.6	31.8	11.0	8.3	4.6	3.9	0.8
Median				17.5	19.5	15.7	1.3	1.4	36.8	9.9	7.9	4.5	3.8	0.6
Vincom Retail Jsc	VRE VN	Vietnam	1,750	9.6	10.9	13.0	1.1	1.1	58.8	11.9	10.7	9.3	8.6	0.1

Source: BLOOMBERG, VNDIRECT RESEARCH

(*) FY24 forecast, except for VRE, is based on Bloomberg consensus. (**) Adjusted P/E = P/E divided by the Market P/E times the VN-Index P/E

Valuation



Income statement

(VNDbn)	12-23A	12-24E	12-25E
Net revenue	9,791	9,686	10,339
Cost of sales	(4,445)	(4,708)	(5,069)
Gen & admin expenses	(439)	(669)	(893)
Selling expenses	(341)	(223)	(260)
Operating profit	4,566	4,086	4,117
Operating EBITDA	5,928	6,667	7,553
Depreciation and amortisation	(1,362)	(2,581)	(3,436)
Operating EBIT	4,566	4,086	4,117
Interest income	1,146	1,453	1,344
Financial expense	(330)	(539)	(372)
Net other income	144	153	173
Income from associates & JVs	0	0	0
Pre-tax profit	5,526	5,153	5,262
Tax expense	(1,117)	(1,041)	(1,063)
Minority interest	(1)	(1)	(1)
Net profit	4,408	4,111	4,198
Adj. net profit to ordinary	4,408	4,111	4,198
Ordinary dividends	0	(3,493)	(3,493)
Retained earnings	4,408	618	705

Balance sheet

(VNDbn)	12-23A	12-24E	12-25E
Cash and equivalents	4,102	4,613	5,780
Short term investments	1,071	1,060	1,131
Accounts receivables	1,613	305	338
Inventories	640	277	93
Other current assets	2,611	2,583	2,757
Total current assets	10,036	8,838	10,099
Fixed assets	1,442	1,478	1,008
Total investments	12	11	11
Other long-term assets	36,164	39,162	40,451
Total assets	47,655	49,488	51,569
Short-term debt	1,792	2,678	3,484
Accounts payable	448	772	831
Other current liabilities	4,005	3,724	3,967
Total current liabilities	6,245	7,174	8,283
Total long-term debt	2,144	2,343	2,492
Other liabilities	1,438	1,525	1,642
Share capital	23,288	23,288	23,288
Retained earnings reserve	16,476	17,094	17,800
Shareholders' equity	37,805	38,422	39,127
Minority interest	23	24	25
Total liabilities & equity	47,655	49,488	51,569

Cash flow statement

(VNDbn)	12-23A	12-24E	12-25E
Pretax profit	5,526	5,153	5,262
Depreciation & amortisation	1,454	2,588	3,850
Tax paid	(576)	(1,041)	(1,063)
Other adjustments	(1,020)	(2,091)	(1,399)
Change in working capital	(1,492)	2,380	333
Cash flow from operations	3,892	6,989	6,984
Capex	(8,322)	(10,389)	(10,901)
Proceeds from assets sales	817	777	738
Others	1,950	11	(71)
Other non-current assets changes	(1,966)	5,445	6,837
Cash flow from investing activities	(7,521)	(4,156)	(3,397)
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	732	1,085	956
Other financing cash flow	(21)	87	117
Dividends paid	0	(3,493)	(3,493)
Cash flow from financing activities	711	(2,321)	(2,421)
Cash and equivalents at beginning of period	7,020	4,102	4,613
Total cash generated	(2,918)	512	1,166
Cash and equivalents at the end of period	4,102	4,613	5,780

Key ratios

	12-23A	12-24E	12-25E
Dupont			
Net profit margin	45.0%	42.4%	40.6%
Asset turnover	0.22	0.20	0.20
ROAA	9.8%	8.5%	8.3%
Avg assets/avg equity	1.27	1.27	1.30
ROAE	12.4%	10.8%	10.8%
Efficiency			
Days account receivable	46.2	8.6	9.0
Days inventory	52.5	21.5	6.7
Days creditor	36.8	60.0	59.9
Fixed asset turnover	7.65	6.63	8.32
ROIC	10.6%	9.5%	9.3%
Liquidity			
Current ratio	1.6	1.2	1.2
Quick ratio	1.5	1.2	1.2
Cash ratio	0.8	0.8	0.8
Cash cycle	61.9	(29.8)	(44.1)
Growth rate (yoy)			
Revenue growth	33.0%	(1.1%)	6.7%
Operating profit growth	39.5%	(10.5%)	0.8%
Net profit growth	58.8%	(6.7%)	2.1%
EPS growth	(20.6%)	(6.7%)	2.1%

Source: VNDIRECT RESEARCH

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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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