

VINCOM RETAIL JSC (VRE)

ADD (Maintained)

PROPERTY

Current Price	VND17,350
52Wk High/Low	VND27,800/VND16,100
Target Price	VND20,200
Previous TP	VND21,700
TP vs Consensus	-13.9%
Upside	16.4%
Dividend Yield	0.0%
Total stock return	16.4%

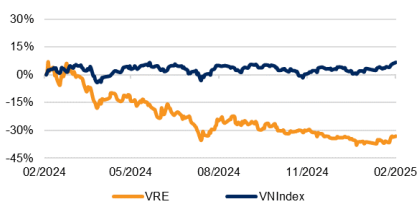
Growth rating	Positive
Value rating	Positive
ST Technical Analysis	Positive

Market Cap	USD1.55bn
3m Avg daily value	USD4.1mn
Avail Foreign Room	USD497mn
Outstanding Shares	2,272mn
Fully diluted O/S	2,272mn

	VRE	Peers	VNI
P/E TTM	9.6x	14.2x	12.9x
P/B Current	0.9x	1.4x	1.7x
ROA	8.0%	4.9%	2.1%
ROE	10.3%	11.4%	13.0%

*as of 02/24/2025

Share Price performance



Share price (%)	1M	3M	12M
Ordinary share	4.8	-4.1	-31.8
Relative to index	3.1	6.2	7.6

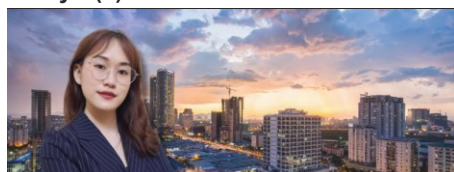
Ownership

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 88 retail malls and an aggregate retail space exceeding 1.84m sqm GFA (by December 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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Leasing activities drive resilient earnings growth

- We maintain our ADD rating with 16.4% upside. We decrease our TP by 6.9% while the share price has decreased by 5.2% since our last report.
- Our lower TP is mainly due to changing our valuation approach from P/E multiple to P/B multiple, and higher WACC for DCF assumptions.
- The current P/B of 0.9x reflects cautious investor sentiment amid VRE's efforts to enhance its asset efficiency.

Financial Highlights

- FY24 net profit fell 7.1% YoY, primarily due to lower recognition of property sales as current projects near completion.
- FY24 leasing NOI margin declined 5.4% pts YoY due to higher expenses, one-off provision, and lower performance in 1H24.
- We expect net profit to increase by 14.4% YoY to VND4.7tn (USD184mn) in FY25 and increase 12.6% YoY to VND5.3tn (USD207mn) in FY26.

Investment Thesis

Three new shopping malls planned for 2025

VRE announced its plan for Vincom Mega Malls (VMM) Ocean City, VMM Royal Island and Vincom Plaza (VCP) Vinh in FY25, adding 116,900 sqm of retail GFA. We expect leasing revenue to increase 16.5%/13.6% YoY in FY25-26, respectively, as new malls launched in FY24 contribute to full-year results, renovated malls and existing malls with improving occupancy rates generate higher revenue.

Broad-based occupancy recovery driven by portfolio-wide improvement

Vincom Retail has been renovating its malls and implementing initiatives to enhance its portfolio, aiming to optimize operations and attract tenants. 4Q24 average occupancy rate grew 0.6% pts QoQ and 2.4% pts YoY to 85.4%, with improvement observed in all four lines of malls. We expect the average occupancy rate of VRE's shopping malls to increase 1.1%/0.9% pts YoY in FY25-26.

Property sales revenue to slow in 2025 but recover in 2026

We expect VRE to handover the remaining shophouse units in Vincom Dong Ha (Quang Tri) in FY25. The project had a total unbilled bookings value of VND187bn (USD7.3mn), at end-2024. With no other projects scheduled for delivery in FY25, we expect property sales revenue will decreased 77.7% YoY.

VRE is acquiring two shophouse components in Vinhomes Royal Island (Hai Phong) and Vinhomes Golden Avenue (Quang Ninh). We expect these projects to start sales in 2025 and to recognize revenue from 2H26.

Solvency remains strong despite high leverage and operating expenses

Net D/E increased from negative to 3.6% by end-2024, driven by higher borrowings for mall expansion, yet the company maintains a strong financial position. The interest coverage ratio declined 6.3x YoY to 8.5x in FY24, as earnings decreased due to lower inventory property sales, amid rising interest expenses and SG&A costs.

Financial summary	12-23A	12-24A	12-25E	12-26F
Number of malls under operation	83	88	91	97
Total leasing area ('m sqm GFA)	1.75	1.84	1.98	2.20
Revenue growth (% YoY)	33.0%	-8.7%	7.8%	16.7%
Gross profit margin (%)	54.6%	53.2%	55.0%	55.7%
Net profit growth (% YoY)	58.8%	-7.1%	14.4%	12.6%
P/E (x)	12.1x	13.0x	11.4x	10.1x
P/B (x)	1.5x	1.2x	0.9x	1.0x
Net D/E (%)	-3.3%	3.6%	2.9%	2.8%
Interest coverage (x)	15.1x	7.5x	7.1x	8.4x
Debt service coverage (x)	4.5x	6.6x	2.8x	6.6x

Source: VRE, VNDIRECT RESEARCH

Company Profile: The leading retail space lessor in Vietnam

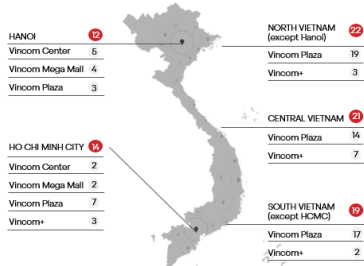
Vincom Retail (HOSE: VRE) stands as the premier lessor of retail space in Vietnam, with a national footprint comprising 88 shopping centers and malls. As of December 2024, the company boasts an impressive aggregate GFA of retail space of over 1.84 million sqm.

VRE's diverse portfolio of shopping malls is strategically designed to cater to various consumer demographics, including:

- **Vincom Centers:** Located in the heart of Hanoi and Ho Chi Minh City, these centers have an array of premium and high-end brands that appeal to discerning shoppers.
- **Vincom Mega Malls:** Strategically positioned in densely populated residential areas, these malls provide a mix of brands ranging from premium to mass-market, ensuring accessibility for a broad audience.
- **Vincom Plaza:** Situated in suburban regions of Hanoi and Ho Chi Minh City, as well as high-density urban locales, these plazas primarily host major mass-market brands, catering to everyday consumer needs.
- **Vincom+:** Found in medium-density or non-central business district areas across other cities and provinces, Vincom+ locations focus on leasing space to mass-market brands, further enhancing VRE's outreach.

Figure 1: VRE's malls in Vietnam

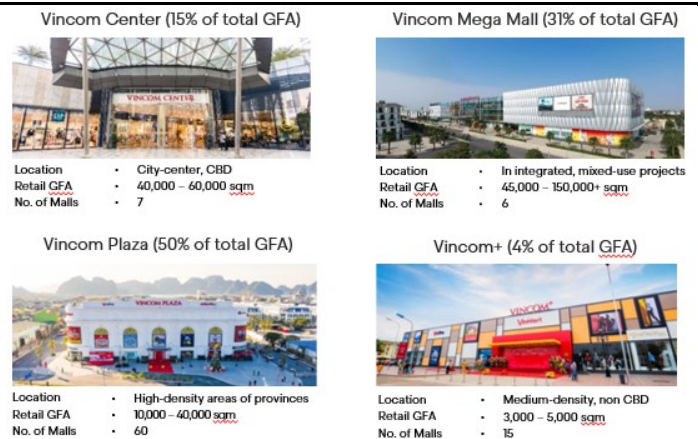
88	48 cities, provinces	Hanoi & HCMC
Operating malls	Nationwide network ¹	Accounts for ~60% total GFA
~1.84 mn	174 mn	84.6%
Retail GFA (sqm)	Annual footfalls ²	Occupancy rate ³



Notes: 1. As at 8 November 2024. 2. Company Data in 2023. 3. 9Q2024, including committed and deposits across the whole system

Source: VRE, VNDIRECT RESEARCH

Figure 2: VRE's mall formats



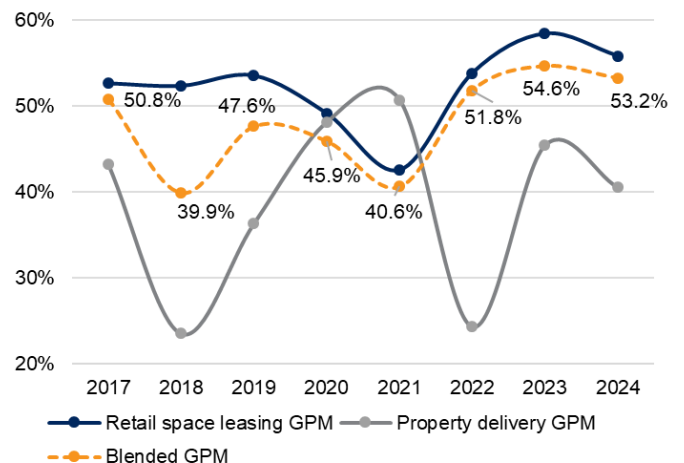
Source: VRE, VNDIRECT RESEARCH

Figure 3: Revenue composition (Unit: VNDbn)



Source: VRE, VNDIRECT RESEARCH

Figure 4: Gross profit margin (Unit: %)



Source: VRE, VNDIRECT RESEARCH

4Q24 results recap: Net profit rises on leasing recovery

Figure 5: 4Q24 results comparison

(VNDbn)	4Q24	% YoY change	% QoQ change	2024	% YoY change	2024/FY24 forecast
Revenue	2,128	-9.2%	2.4%	8,939	-8.7%	96.3%
Leasing activities and related services	2,027	3.9%	2.2%	7,878	1.0%	96.1%
Sale of inventory properties	60	-77.6%	68.5%	839	-52.6%	102.5%
Others	41	-66.9%	-30.4%	222	-0.5%	85.1%
Gross profit	1,201	-5.3%	10.3%	4,755	-11.0%	99.8%
Gross profit margin (%)	56.5%	2.3% pts	4.0% pts	53.2%	-1.4% pts	
Leasing activities and related services (%)	55.8%	-1.2% pts	2.0% pts	55.8%	-2.6% pts	
Sale of inventory properties (%)	116.1%	64.6% pts	71.9% pts	40.5%	-5.0% pts	
Others (%)	2.0%	-12.4% pts	-10.9% pts	8.4%	15.5% pts	
SG&A expense	(312)	18.8%	26.2%	(983)	26.0%	110.2%
% SG&A to sales	14.7%	3.5% pts	2.8% pts	11.0%	3.0% pts	
Leasing NOI	1,432	2.4%	2.4%	5,626	-2.1%	119.2%
Leasing NOI margin (%)	67.5%	-4.5% pts	0.0% pts	68.8%	-5.4% pts	
Financial income	547	59.6%	42.8%	1,786	55.8%	101.3%
Interest income	547	59.7%	42.8%	1,771	54.5%	
Financial expenses	(275)	271.0%	12.8%	(838)	153.6%	135.8%
Interest expenses	(147)	99.0%	5.4%	(566)	71.3%	
Pre-tax profit	1,370	1.3%	22.5%	5,133	-7.1%	99.4%
Net profit	1,085	1.7%	19.7%	4,096	-7.1%	99.4%
Net profit margin (%)	51.0%	5.4% pts	7.4% pts	45.8%	0.8% pts	

Source: VRE, VNDIRECT RESEARCH

Revenue declined as property deliveries near completion

Revenue dropped 9.2% YoY to VND2.13tn (USD83.5mn) in 4Q24, resulting in FY24 revenue decreasing 8.7% YoY to VND8.94tn (USD351mn), tracking 96.3% of our full-year forecast. Leasing revenue increased 3.9% YoY, but total revenue was dragged down by lower recognition of property sales, as current projects near completion. However, 4Q24 revenue increased 2.4% QoQ, as both retail space leasing and shophouse delivery activity accelerated from the previous quarter.

- 1) **Shophouse Deliveries:** Revenue from shophouse deliveries was VND60bn (USD2.4mn) in 4Q24, following the delivery of a proportion of the remaining units from Vincom Shophouse Royal Park in Dong Ha, Quang Tri. FY24 property delivery revenue slid 52.6% YoY to VND839bn (USD32.9mn).
- 2) **Retail Space Leasing:** Retail space leasing revenue reached VND2.03tn (USD79.5mn) in 4Q24, increasing 3.9% YoY and 2.2% QoQ, thanks to continued improvement in occupancy rates at existing malls and high occupancy rates at five new malls (94-99%). FY24 leasing revenue modestly rose by 1.0% YoY to VND7.88tn (USD309mn).

The average occupancy rate in FY24 reached 84.2%, declining 0.6% pts YoY, impacted by a lower occupancy rate in 1H24 as some tenants who did not recover from Covid-19 phased out contracts in late 2023 - early 2024. 4Q24 average occupancy rate grew 0.6% pts QoQ and 2.4% pts YoY to 85.4%, with improvement observed in all four lines of malls. Footfall in 4Q accelerated 19%

YoY thanks to new mall openings, upgrades to existing malls, and effective marketing initiatives implemented in FY24.

GPM recovered in 4Q but expenses and provision hit leasing NOI margin

Gross profit margin (GPM) of core business activity recovered in 4Q24...

FY24 blended gross profit margin (GPM) dropped 1.4% pts YoY to 53.2%, with GPM of leasing activities decreasing 2.6% pts YoY to 55.8% and property sales GPM declining 5.0% pts YoY to 40.5%.

In 4Q24, blended GPM increased 4.0% pts QoQ and 2.3% pts YoY to 56.5%, mainly attributable to a higher GPM of shophouse deliveries.

4Q24 GPM of core business activity – retail space leasing rose 2.0% pts QoQ as new malls and upgraded existing malls enhanced revenue and optimized costs, while contracting 1.2% pts YoY due to higher electricity expenses.

... but leasing NOI margin was impeded by higher expenses and provision

4Q24 leasing net operating income (NOI) margin remained unchanged from 3Q24 at 67.5%, while dropping 4.5% pts YoY due to higher electricity price (as EVN increased energy price by 4.8% in October 2024) and increased marketing expense.

Combining higher expenses with a one-off provision related to a tenant in the entertainment sector and lower performance in 1H24, FY24 leasing NOI margin declined 5.4% pts YoY to 68.8%. Excluding the one-off increase in provision, FY24 leasing NOI margin would have reached 73%.

Consequently, net profit rose 1.7% YoY and 19.7% QoQ to VND1.09tn (USD42.9mn) in 4Q24. FY24 net profit decreased 7.1% YoY to VND4.10tn (USD162mn), completing 99.4% of our full-year projections.

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

Figure 6: Balance sheet analysis

	4Q23	1Q24	2Q24	3Q24	4Q24
BS items (VNDbn)					
Cash, cash equivalents and short-term investments	5,173	3,939	2,453	4,885	3,011
Receivables from tenants	1,240	1,170	1,443	1,485	1,462
Investment properties	25,180	24,864	27,124	27,034	27,084
Inventories	640	511	229	251	295
Construction in progress	1,028	1,000	782	838	802
Loan receivables	-	2,350	2,350	-	-
Deposits to VIC and related partners	11,862	12,225	13,757	14,220	19,678
Deposits from tenants	1,489	1,441	1,476	1,494	1,523
Interest bearing debts	3,936	3,956	3,977	4,022	4,533
Key ratios					
A/R Days	48	46	50	61	64
Inventories Days	34	35	29	21	19
Cash conversion cycle	34	32	24	30	43
Equity/Assets	79.4%	79.4%	76.3%	76.8%	75.9%
Net Debts/Equity	-3.3%	0.0%	3.8%	-2.1%	3.6%

Source: VRE, VNDIRECT RESEARCH

By the end of FY24, VRE had made deposits totaling VND19.7tn (USD772mn) for business operations within Vingroup, Vinhomes, and related entities, increase of 38.4% QoQ and 65.9% YoY. These deposits, both short-term and long-term, are earmarked for the development of shopping malls and acquisitions of shophouses in Vingroup/Vinhomes' residential projects under BCC contracts.

In 4Q24, VRE deposited VND3.0tn (USD117mn) for new shopping malls and VND1.4tn (USD55mn) for shophouse projects, which are expected to be launched in FY25.

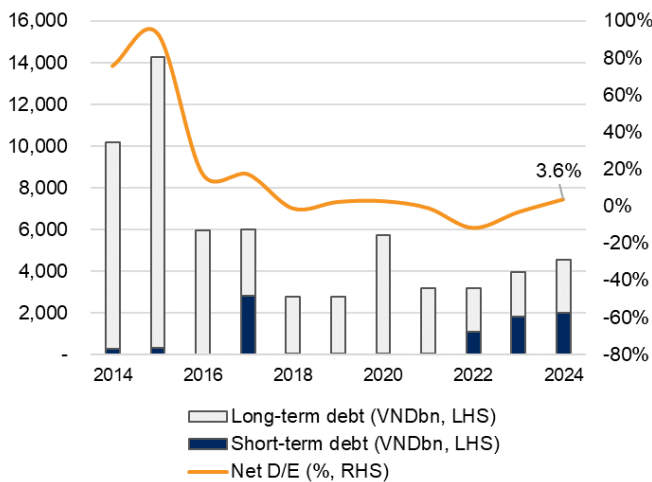
According to the BCC contracts, VRE will advance development costs to either Vingroup or Vinhomes, depending on which entity is designated as the developer. Upon completion, these developers will transfer those shopping malls in the pipeline to VRE at net book value when they are completed. Also, according 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, receive the economic interest, and share a profit with VIC equal to covering the costs incurred related to such assets.

Solvency remains strong despite rising leverage and operating expenses

At end-FY24, VRE's total interest-bearing debt rose by 15.2% YoY to VND4.5tn (USD178mn). The net debt-to-equity ratio increased from -3.3% to 3.6%, marking its highest level since FY20, as the company continued leveraging to support its ambitious mall expansion plan. However, this gearing ratio still reflects a strong financial position.

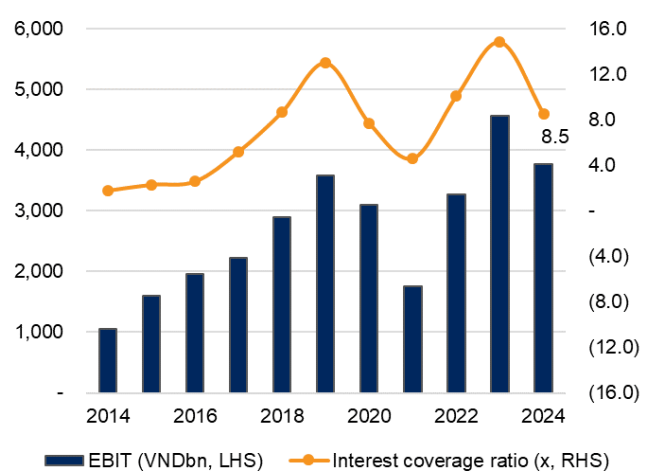
The interest coverage ratio declined by 6.3x YoY to 8.5x in FY24, driven by decreasing earnings due to lower inventory property sales, amid higher interest expenses and increased SG&A costs.

Figure 7: Net debt-to-equity ratio



Source: VRE, VNDIRECT RESEARCH

Figure 8: Interest coverage ratio



Source: VRE, VNDIRECT RESEARCH

FY25-26 outlook: Leasing activities to drive resilient earnings growth

FY25-26 forecast revision

Figure 9: FY25-26 forecast revision

(VNDbn)	Old		New				Comment
	FY24	FY25	FY25	% YoY	FY26	% YoY	
Net revenue	8,939	10,130	9,636	7.8%	11,241	16.7%	We revise FY25 revenue down 4.9% compared to the previous forecast, due to: 1) we lowered the estimated average rental prices as we expect VRE will maintain prices to attract new tenants and support current tenants; 2) we lower the shophouse deliveries revenue regarding the backlog for FY25.
Leasing of Investment Properties	7,878	9,503	9,180	16.5%	10,431	13.6%	
Sale of Inventory Properties	839	311	187	-77.7%	494	164.2%	
COGS	(4,184)	(4,847)	(4,333)	3.6%	(4,981)	15.0%	
Gross Profit	4,755	5,283	5,303	11.5%	6,260	18.0%	
Gross profit margin (%)	53.2%	52.2%	55.0%	1.8% pts	55.7%	0.7% pts	
Leasing of Investment Properties	55.8%	54.1%	56.7%	0.9% pts	57.8%	1.1% pts	
Sale of Inventory Properties	40.5%	36.3%	40.6%	0.1% pts	40.5%	-0.1% pts	
Financial income	1,786.0	1,519.5	1,830.8	2.5%	1,686.2	-7.9%	We revised up financial expenses by 54% considering the higher-than-expected results in FY24 and that VRE will continue to need funding for its expansion plan. However, we revised up financial income by 20% with major contribution from interest income, leading net financial income revised upward by 5%
Financial expenses	(838.0)	(484.6)	(745.1)	-11.1%	(785.1)	5.4%	
SG&A expense	(965)	(1,132)	(969)	0.4%	(1,079)	11.4%	We decreased SG&A expenses by 14% to reflect the cost optimization effect across VRE's shopping malls.
Selling expenses	(323)	(256)	(323)	0.0%	(366)	13.3%	
General and admin expenses	(642)	(876)	(646)	0.6%	(713)	10.4%	
Pretax profit	5,133	5,355	5,873	14.4%	6,610	12.5%	
Net profit	4,096	4,273	4,685	14.4%	5,274	12.6%	

Source: VRE, VNDIRECT RESEARCH

Vietnam stays attractive for retail landlords and tenants

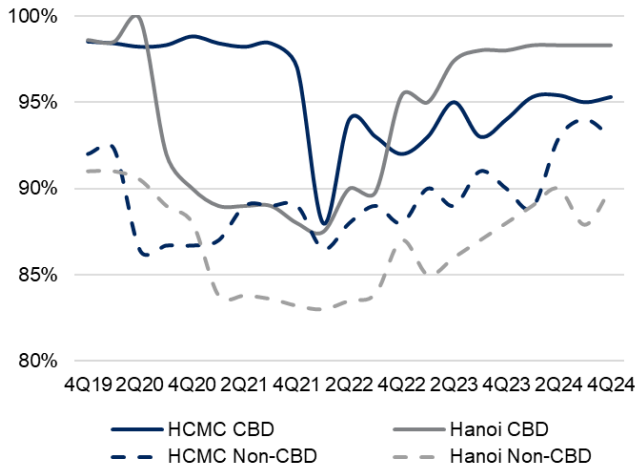
Strong demand elevates rental prices and occupancy despite new supply

Strong demand amid tightened supply continued to drive rental prices upward in CBD areas in both Hanoi and HCMC markets. According to data from CBRE, the average asking rent for ground floor spaces in 4Q24 grew by 16.2%/15.4% YoY in Hanoi and HCMC, respectively, reaching USD173/sqm/month and USD280/sqm/month.

As supply expanded in non-CBD areas, though still lagging behind demand, rental prices in these areas also rose. CBRE data shows that by 4Q24, the average asking rent for ground floor spaces grew by 10.1%/4% YoY in Hanoi and HCMC, reaching USD37.3/sqm/month and USD53/sqm/month.

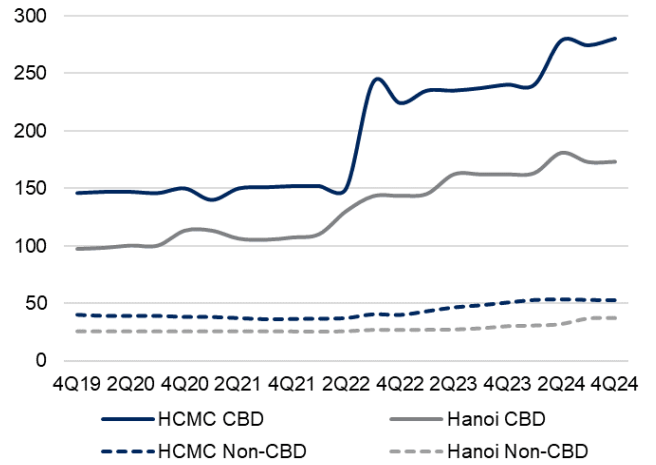
Average occupancy rates (across CBD and non-CBD areas) in FY24 of both Hanoi and HCMC increased due to the high absorption rate of new shopping malls and additional take-up in existing malls. In FY24, Hanoi added 24,581 sqm and HCMC added 117,000 sqm of new net leasable area. However, average occupancy rates continued to increase, by 1.9% pts YoY to 89.9% in Hanoi, and by 2% pts YoY to 93% in HCMC.

Figure 10: Average occupancy rate (%)



Source: CBRE, VNDIRECT RESEARCH

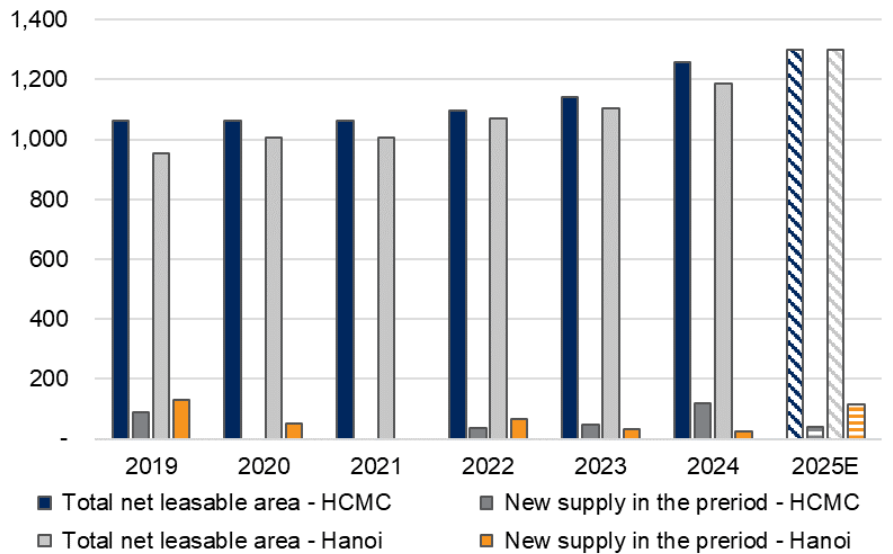
Figure 11: Average asking rent for ground floor (USD/sqm/month)



Source: CBRE, VNDIRECT RESEARCH

Looking ahead to FY25, Hanoi market is expected to welcome 115,800 sqm of new net leasable area (NLA) and HCMC market is expected to add 39,955 sqm NLA, totalling to 115,755 sqm new NLA (+10% YoY).

Figure 12: The market awaits higher new supply in FY25 (unit: '000 sqm NLA)



Source: CBRE, VNDIRECT RESEARCH

Major retail leasing developers are planning to expand in Vietnam

Retail leasing developers are primarily focusing on expanding into promising urban areas while improving the operational efficiency of their existing portfolios. However, despite strong financial capacity and high demand from retail brands, legal procedures pose a risk, as initial mall opening schedules have faced delays due to prolonged government approval processes.

AEON MALL is securing land in overseas markets to develop new malls and establish a dominant presence. Domestically, it aims to improve operational efficiency and profitability through diversified revenue streams, introducing new business areas within malls, increasing customer engagement via digital technologies, and implementing strategies to boost foot traffic. Additionally,

AEON plans to open new malls with unconventional approaches, tailoring development models to each location's unique characteristics. In Vietnam, AEON plans to open three new malls over the next three years in Ha Long, Thanh Hoa, and Da Nang. Initially, it planned to open two malls in FY25 (financial year ending February 2025), but the timeline has been pushed to FY26-27. In January 2025, AEON broke ground on a project in Dong Nai, which is expected to launch in 2027 (~AEON's FY28).

Lotte Shopping (South Korea) intends to upgrade its key domestic department stores to focus on luxury goods, develop next-generation complex shopping malls, strengthen its e-commerce platforms, and expand its presence in Southeast Asia. Lotte Group is developing the Lotte Eco Smart City Thu Thiem complex in HCMC, which will include a shopping mall, hotel, residential units, and office space. Although construction began in August 2022, the project is still pending land valuation, with completion is expected by 2028.

Vincom Retail will continue opening new malls and leasing shophouses within Vinhomes/Vingroup residential projects. To drive foot traffic, VRE is conceptualizing commercial streets and hosting large-scale events (e.g., Anh Trai Say Hi in Vinhomes OCP 3 Hung Yen). The company is also enhancing operational efficiency and occupancy rates in existing malls by maximizing leasing space, upgrading both interior and exterior designs, and repositioning malls with an improved tenant mix that aligns with evolving consumer behavior. VRE is going to open three new malls in FY25, in which Vincom Mega Mall Ocean City was previously scheduled for FY24. The opening of VMM Ocean City was rescheduled to align with the increasing residency at Vinhomes Ocean City, as the community was still developing in FY24.

Figure 13: Key retail space developers in the Vietnamese market and their expansion plans in Vietnam

Company	Market presence	Number of malls in Vietnam	Target customer	Key differentiators	Announced expansion plan in Vietnam
Vincom Retail	Leading local retail chain	88, including: 6 Vincom Mega Mall, 7 Vincom Center, 60 Vincom Plaza, and 15 Vincom+	<ul style="list-style-type: none"> - All income levels, with formats tailored to mass-market and premium segments - Caters to high-traffic urban areas, offering diverse retail and entertainment options 	<ul style="list-style-type: none"> - The largest retail space operator in Vietnam with a strong connection to the Vingroup ecosystem (residential, healthcare, education) - Prioritizes creating comprehensive lifestyle destinations by integrating entertainment, dining, and leisure experiences into its malls, ensuring its malls are not just shopping centers but social and entertainment hubs 	Launch three shopping malls in FY25, including malls in Hung Yen, Hai Phong and Nghe An
AEON MALL	Japanese retailer expanding regionally	7 malls	<ul style="list-style-type: none"> - Middle-class families and urban shoppers - Focus on offering a Japanese shopping experience and lifestyle 	<ul style="list-style-type: none"> - Anchored by Japanese brands and services, including large grocery formats - High-quality service focus, including free shuttle buses and family-friendly facilities 	Planning to open three new malls in Vietnam for the next three years in Ha Long, Thanh Hoa and Da Nang. The mall in Thanh Hoa is expected to launch in 2H26. In January 2025, AEON also broke ground a project in Dong Nai, with expected launch in FY28
Lotte Shopping	South Korean brand, well-established in Asia	3 department stores and 16 grocery stores	<ul style="list-style-type: none"> - Premium and middle-class urban consumers - Targets higher-income groups with department stores and multiplexes 	<ul style="list-style-type: none"> - Strong integration of entertainment (cinemas) and international food and beverage offerings - Offers modern, high-end retail experiences designed to appeal to affluent shoppers 	Lotte Group is developing the Lotte Eco Smart City Thu Thiem complex in HCMC. While the project commenced construction in August 2022, it remains pending land valuation. Scheduled for completion by 2028, the development will comprise a shopping mall, hotel, residential units, and office space
Central Retail	Subsidiary of Central Group - a Thai conglomerate with a regional presence	350 malls and stores, including malls and hypermarkets (Go!, after acquiring Big C), specialty stores (Nguyen Kim electronics stores, Supersports, Come Home, Kubo, Robins), and smaller retail outlets (Tops Daily, Family Mart, Lan Chi)	<ul style="list-style-type: none"> - Covers all consumer segments, from budget-conscious to premium shoppers - Attracts families, young professionals, and urban dwellers - Offers diverse formats: large malls like GO! and community-focused spaces 	<ul style="list-style-type: none"> - Wide range of malls: from large-scale, full-service malls to smaller, community-oriented ones - Strong integration of retail and grocery via GO! (Big C) anchors - Partnerships with local brands and emphasis on localized customer experiences - Focus on modern retail with sustainability and customer experience innovation 	Central Retail has announced plans to open new malls in Vietnam from 2025 onwards. Notably, the company is constructing a GO! Mall in Hung Yen Province, which is scheduled to commence operations in 2025

Source: COMPANIES REPORTS, VNDIRECT RESEARCH

Leasing area expansion and improving mall efficiency in FY25

We believe that major retail property landlords are competing 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.

Three new shopping malls are set to launch in FY25

VRE announced its plan to open two Vincom Mega Malls and one Vincom Plaza mall in FY25, adding 116,900 sqm of retail GFA to its mall portfolio:

Figure 14: Vincom Mega Mall Ocean City



- Location: Van Giang, Hung Yen
- Project area: 53,200 sqm of retail GFA
- Current progress: Under construction, expected to launch in 2Q25
- Target customers: Residents of Vinhomes Ocean City (Hanoi and Hung Yen), individuals residing and working in nearby industrial zones, students from universities in surrounding areas

Figure 15: Vincom Mega Mall Royal Islands



- Location: Thuy Nguyen, Hai Phong
- Project area: 44,500 sqm of retail GFA
- Current progress: Under construction, expected to launch in 3Q25
- Target customers: Residents of Vinhomes Royal Island and tourists to Hai Phong

Figure 16: Vincom Plaza Vinh



- Location: Vinh, Nghe An
- Project area: 19,200 sqm of retail GFA
- Current progress: Under construction, expected to launch in 4Q25
- Target customers: Young people, families, and office workers in the mid-town area

Source: VRE, VNDIRECT RESEARCH

VRE aims to expand its retail leasing portfolio by adding 800,000 sqm of retail GFA between 2024 and 2028, with project timelines subject to market conditions.

In FY24, VRE successfully launched five new shopping malls, adding 93,000 sqm to its portfolio, accounting for ~11.6% of its long-term expansion target.

We maintain our forecast of 91 malls under operation by the end of FY25, which is in-line with the company's guidance. We expect leasing revenue to return to double-digit growth in FY25-26, with 16.5%/13.6% YoY increase, respectively, as new malls launched in FY24 contribute to full-year results, renovated malls and existing malls with improving occupancy rates generates higher revenue.

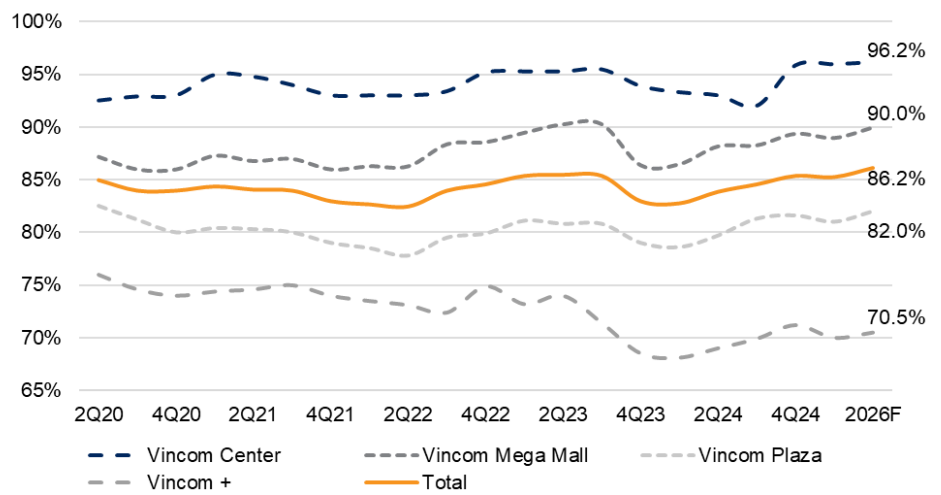
We expect the average occupancy rate to further improve in FY25

In FY23-24, VRE undertook renovations of Vincom Plaza 3/2 (HCMC) and Vincom Plaza Imperia (Hai Phong), focusing on enhancing the exterior, refining target customer positioning, and upgrading the tenant mix. These efforts boosted occupancy rates in these malls by 36%/26% pts, reaching 92%/82%, respectively, by the end of 4Q24 compared to pre-renovation levels.

The average occupancy rate across VRE’s shopping malls in FY24 was in line with our forecast at 84.2%. We maintain our forecast for an average occupancy rate in FY25 of 85.3% (+1.1% pts YoY), in which we expect the occupancy rate in Vincom Plaza malls and Vincom Mega malls (accounting for 50%/31% of VRE’s total leasing GFA) to reach 81%/89%, respectively.

Looking ahead, we expect VRE will continue to succeed in improving its overall leasing space absorption in FY26, with the average occupancy rate increasing 0.9% pts YoY to 86.2%.

Figure 17: Our estimate of VRE’s occupancy rate by FY26 (Unit: %)



Source: VRE, VNDIRECT RESEARCH

Property sales revenue will slow until FY26

We expect that VRE will handover the remaining shophouse units in Vincom Shophouse Royal Park (Dong Ha, Quang Tri) in FY25. The project has a total unbilled bookings value of VND187bn (USD7.3mn), at end-December 2024. With no other projects scheduled for delivery in FY25, we expect property sales revenue will decreased 77.7% YoY.

As previously mentioned, VRE is acquiring two shophouse components in Vinhomes Royal Island (Hai Phong) and Vinhomes Golden Avenue (Quang Ninh). We expect these projects to start sales in FY25, with revenue recognition starting in 2H26. At end-FY24, VRE had made VND5.5tn (VND215mn) in short-term deposits with VIC and VHM for the purchase of these projects.

These projects benefit from their prime locations in coastal provinces renowned for tourism – Hai Phong and Quang Ninh – making them attractive to both residents and visitors. Combined with integrated entertainment features within Vingroup/Vinhomes’ mega projects, this positioning is expected to boost demand for commercial properties, appealing to individuals and businesses seeking opportunities for trade and services, thereby encouraging strong absorption rates in the shophouse components.

Figure 18: Vinhomes Royal Island



Area: 85,600 sqm NSA
Number of units: ~1,000
Expected launch: FY25
Expected delivery: FY26

Source: VRE, VNDIRECT RESEARCH

Figure 19: Vinhomes Golden Avenue



Area: 24,200 sqm NSA
Number of units: ~200
Expected launch: FY25
Expected delivery: FY26

Source: VRE, VNDIRECT RESEARCH

Valuation

Reiterate ADD with a lower target price of VND20,200/share

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

- DCF model: We apply a higher WACC assumption for the five-year projection model from 11.2% to 12.0% (figure 21). We use a higher risk-free rate of 3.0% (based on the 10-year bond yield as of December 31, 2024) and a higher [equity risk premium](#) of 8.35%.
- P/B method: We apply a target P/B of 1.0x on our estimated FY25 book value, as it reflects the company's fair value based on its book assets. VRE's current P/B is 0.9x, below its historical average of 1.2x in one-year and 1.7x in three-year time, reflecting cautious investor sentiment toward the stock performance amid VRE's efforts to enhance its asset efficiency. At the current 0.9x P/B, the stock is trading below its book value, suggesting an undervaluation relative to its fundamentals.

We expect market sentiment to improve, which could drive a re-rating of the stock. A potential upward revision of the target P/B would depend on the company's ability to sustainably improve ROE through earnings growth from its expansion plans, maintain healthy liquidity, and introduce additional catalysts that enhance revenue visibility. See Figure 26 for the impact of P/B multiple changes on our target price.

Figure 20: Valuation summary (Unit: VND)

Methodology	Price	Weight	Weighted Value
DCF Valuation	20,331	50%	10,166
P/B Valuation	20,013	50%	10,007
Target price (rounded)			20,200

Source: VNDIRECT RESEARCH

Figure 21: WACC assumptions

	Old	New
Beta (YTD, Dstock)	1.20	1.20
Market Risk Premium	7.78%	8.35%
Risk-free rate	2.66%	3.00%
Cost of Equity	12.00%	13.02%
Cost of Debt	10.00%	10.00%
WACC	11.20%	12.02%

Source: VNDIRECT RESEARCH

Figure 22: Valuation by DCF-5Y

DCF Method	Amount	Unit
PV of Free Cash Flows	14,081	VNDbn
PV of Terminal Value (3.0% growth)	33,640	VNDbn
Enterprise value	47,721	VNDbn
Cash and cash equivalents	3,011	VNDbn
Total debts	(4,533)	VNDbn
Equity Value	46,198	VNDbn
Price per share	20,331	VND/share

Source: VNDIRECT RESEARCH

Figure 23: Our forecast free cash flow to the firm (VNDbn)

	2025	2026	2027	2028	2029
EBIT	4,334	4,951	6,800	7,126	7,259
less: Taxes	(1,186)	(1,335)	(1,672)	(1,748)	(1,758)
EBIAT	3,148	3,616	5,128	5,378	5,501
Plus: Depreciation and amortization	2,907	3,573	3,775	3,962	4,183
Less: Capital expenditure	(6,740)	(4,609)	(3,725)	(4,320)	(5,084)
Less: Changes in working capital	(1,973)	1,095	1,707	1,043	768
Free cash flow (FCFF)	(2,658)	3,675	6,885	6,063	5,368
Present value of FCF	(2,658)	3,308	5,577	4,365	3,489

Source: VNDIRECT RESEARCH

Figure 24: Sensitivity of the DCF-based TP to assumptions

Terminal growth rate (%)	Base case	WACC (%)				
		Base case				
		11.0%	11.5%	12.0%	12.5%	13.0%
2.0%		21,234	20,409	19,666	18,994	18,383
2.5%		21,681	20,785	19,984	19,262	18,609
3.0%		22,178	21,200	20,331	19,553	18,853
3.5%		22,734	21,661	20,714	19,872	19,118
4.0%		23,364	22,177	21,139	20,222	19,407

Source: VNDIRECT RESEARCH

Figure 25: Valuation by P/B multiple

FY25 estimated book value per share					20,133
P/B (x)	Current	1Y average	3Y average	5Y average	
VRE	0.9	1.2	1.7	1.9	
Sector average	1.2	1.2	1.7	2.1	
Target P/B (x)					1.0
Implied value per share					20,133

Source: VNDIRECT RESEARCH

Figure 26: Sensitivities of the TP to our target P/B assumptions

Target P/B (x)								
Our case								
0.80	0.85	0.90	0.95	1.00	1.05	1.10	1.15	1.20
16,106	17,113	18,120	19,126	20,133	21,140	22,146	23,153	24,160

Source: VNDIRECT RESEARCH

Figure 27: Peer comparison (data as of 02/24/2025)

Company	Ticker	Country	Market cap	P/E (x)		P/B (x)		3-year EPS growth		ROE (%)		ROA (%)		D/E (%)
				TTM	FY25	Current	FY25	CAGR (%)	TTM	FY25	TTM	FY25		
Central Pattana	CPN TB	Thailand	6,828	13.6	13.8	2.4	2.2	40.0	18.1	16.9	5.8	6.0	122.6	
Sunway Bhd	SWB TK	Malaysia	6,586	29.3	31.9	2.3	1.9	9.8	8.4	6.6	3.7	3.3	65.1	
Uol Group Ltd	UOL SP	Singapore	1,165	8.3	8.4	0.9	0.9	36.8	11.7	10.6	6.9	6.5	27.0	
Pakuwon Jati Tbk	PWON IJ	Indonesia	3,402	6.5	17.5	0.4	0.4	43.8	6.5	2.6	3.1	1.7	32.2	
Aeon Mall Co Ltd	8905 JP	Japan	2,977	24.8	27.0	0.9	0.9	57.0	3.8	3.5	1.1	1.8	180.0	
Vistamalls Inc	STR PM	Philippines	217	1.3	N/A	0.2	N/A	2.1	20.3	N/A	9.2	N/A	21.5	
Sm Prime Hldgs	SMPH PM	Philippines	11,673	15.4	13.8	2.4	1.4	N/A	10.8	10.7	4.5	5.1	95.3	
Average				14.2	18.7	1.4	1.3	31.6	11.4	8.5	4.9	4.0	77.7	
Median				13.6	15.7	0.9	1.2	38.4	10.8	8.6	4.5	4.2	65.1	
Vincom Retail Jsc	VRE VN	Vietnam	1,547	9.6	11.4	0.9	1.0	(7.1)	10.3	10.6	8.0	8.1	10.8	

Source: BLOOMBERG, VNDIRECT RESEARCH

Re-rating catalysts and downside risks

Potential re-rating catalysts include: faster-than-expected recovery in retail sector, which supports: 1) faster-than-expected mall openings and leasing revenue growth; and 2) stronger-than-expected absorption of shophouse projects.

Downside risks include: 1) slower-than-expected recovery in retail sector, resulting in slower-than-expected mall openings, lower-than-expected occupancy ratio, and average rental rate; and 2) growing market competition from rivals such as AEON, Lotte, and Central.

Recommendation history

Figure 28: Our historical recommendation vs actual stock price performance (VND/share)



Source: VNDIRECT RESEARCH

*Graph begins at the date the current analyst took over coverage.

Income Statement

(VNDbn)	2020A	2021A	2022A	2023A	2024A	2025F	2026F
Net revenue	8,329	5,891	7,361	9,791	8,939	9,636	11,241
Cost of sales	(4,508)	(3,499)	(3,545)	(4,445)	(4,184)	(4,333)	(4,981)
Gross Profit	3,821	2,392	3,817	5,346	4,755	5,303	6,260
Gen & admin expenses	(399)	(433)	(371)	(439)	(642)	(646)	(713)
Selling expenses	(330)	(202)	(172)	(341)	(341)	(323)	(366)
Operating EBIT	3,093	1,757	3,273	4,566	3,773	4,334	5,181
Depreciation and amortization	1,483	1,492	1,452	1,454	1,379	2,907	3,573
Operating EBITDA	4,576	3,249	4,725	6,020	5,152	7,241	8,754
Financial income	276	387	539	1,146	1,786	1,831	1,686
Interest expense	(443)	(445)	(321)	(302)	(505)	(612)	(620)
Net other income	(1,416)	(1,499)	(1,419)	(1,338)	(1,300)	(2,587)	(3,210)
Income from associates & JVs	-	-	-	-	-	-	-
Pre-tax profit	2,993	1,692	3,524	5,526	5,133	5,873	6,610
Tax expense	(610)	(377)	(747)	(1,117)	(1,038)	(1,186)	(1,335)
Net profit after tax	2,382	1,315	2,777	4,409	4,096	4,686	5,275
Adj. net profit to ordinary	2,382	1,315	2,776	4,409	4,096	4,685	5,274

Balance Sheet

(VNDbn)	2020A	2021A	2022A	2023A	2024A	2025F	2026F
Cash and equivalents	3,051	3,297	7,020	4,102	2,885	4,217	4,768
Short term investments	1,894	190	97	1,071	126	136	158
Accounts receivable	1,446	1,488	1,404	1,613	2,016	842	1,099
Inventories	520	583	1,178	640	295	65	173
Other current assets	101	1,268	835	2,611	6,990	7,535	8,790
Total current assets	7,012	6,827	10,535	10,036	12,312	12,796	14,988
Fixed assets	450	439	418	413	221	(76)	(395)
Total investments	27,732	26,269	26,514	25,180	27,084	30,456	31,416
Other long-term assets	4,622	4,338	5,234	12,025	15,609	17,948	20,746
Total assets	39,816	37,873	42,701	47,654	55,226	61,124	66,755
Short-term debt	20	20	1,065	1,792	2,010	2,482	2,827
Accounts payable	788	526	725	448	462	711	817
Other current liabilities	2,730	2,344	4,029	4,005	3,449	3,749	4,186
Total current liabilities	3,538	2,890	5,819	6,245	5,921	6,942	7,830
Total long-term debt	5,706	3,138	2,121	2,144	2,523	3,240	3,555
Other liabilities	1,237	1,195	1,336	1,438	4,860	4,333	3,486
Share capital	23,288	23,288	23,288	23,288	23,288	23,288	23,288
Retained earnings reserve	7,974	9,289	12,065	16,476	20,595	25,288	30,569
Shareholder equity	29,301	30,616	33,392	37,804	41,922	46,608	51,882
Minority interest	34	35	32	23	-	1	2
Total liabilities & equity	39,816	37,873	42,701	47,654	55,226	61,124	66,755

Cash Flow Statement

(VNDbn)	2020A	2021A	2022A	2023A	2024A	2025F	2026F
Pretax profit	2,993	1,692	3,524	5,526	5,133	5,873	6,610
Depreciation & amortization	1,483	1,492	1,452	1,454	1,379	2,907	3,573
Tax paid	(593)	(584)	(159)	(576)	(1,274)	(1,457)	(1,640)
Other adjustments	(192)	(238)	(475)	(1,020)	(1,367)	(2,397)	(2,667)
Change in working capital	331	(657)	730	(1,492)	(3,113)	1,973	(1,095)
Cash flow from operations	4,022	1,705	5,072	3,892	758	6,899	4,781
Capex	(4,377)	(1,567)	(2,538)	(8,322)	(4,192)	(6,740)	(4,609)
Proceeds from asset sales	-	915	374	817	11	401	410
Others	244	402	443	953	630	-	-
Other non-current asset changes	(1,126)	1,412	393	(969)	1,088	110	156
Cash flow from investing activity	(5,259)	1,162	(1,328)	(7,521)	(2,463)	(6,229)	(4,043)
New share issuance	-	-	-	-	-	-	-
Share buyback	-	-	-	-	-	-	-
Net borrowing	2,920	(2,600)	-	732	509	1,189	659
Other financing cash flow	(20)	(21)	(21)	(21)	(21)	(526)	(846)
Dividends paid	-	-	-	-	-	-	-
Cash flow from financing activity	2,900	(2,621)	(21)	711	488	663	(187)
Beginning cash and equivalents	1,388	3,051	3,297	7,020	4,102	2,885	4,217
Total cash generated	1,663	246	3,723	(2,918)	(1,217)	1,333	551
Ending cash and equivalents	3,051	3,297	7,020	4,102	2,885	4,217	4,768

Key ratios

Valuation Ratios	2020A	2021A	2022A	2023A	2024A	2025F	2026F
EPS (VND)	1,116	616	1,301	2,066	1,920	2,196	2,472
Price to Earnings	11.2x	20.3x	9.6x	12.1x	13.0x	11.4x	10.1x
1-yr PEG	(0.7x)	(0.5x)	0.1x	0.2x	(1.8x)	0.8x	0.8x
EV to EBIT	23.9x	39.7x	17.5x	11.6x	14.6x	12.2x	10.2x
EV to EBITDA	16.2x	21.5x	12.1x	8.8x	10.7x	7.3x	6.0x
Price to Sales	3.8x	5.1x	3.6x	2.4x	2.6x	2.3x	2.0x
Price to Book	2.0x	1.9x	1.7x	1.5x	1.2x	0.9x	1.0x
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend Payout Ratio	-	-	-	-	-	-	-
Growth Rates							
Net Revenue YoY	-10.0%	-29.3%	25.0%	33.0%	-8.7%	7.8%	16.7%
Gross Profit YoY	-13.2%	-37.4%	59.5%	40.1%	-11.0%	11.5%	18.0%
Net Profit YoY	-16.5%	-44.8%	111.2%	58.8%	-7.1%	14.4%	12.6%
EPS YoY	-16.5%	-44.8%	111.2%	58.8%	-7.1%	14.4%	12.6%
Profitability Ratios							
Gross Margin	45.9%	40.6%	51.8%	54.6%	53.2%	55.0%	55.7%
EBITDA Margin	54.6%	54.8%	64.2%	61.2%	57.6%	75.1%	77.9%
Operating Margin	37.1%	29.8%	44.5%	46.6%	42.2%	45.0%	46.1%
Net Profit Margin	28.6%	22.3%	37.7%	45.0%	45.8%	48.6%	46.9%
Return on Avg Assets	6.3%	3.4%	6.9%	9.8%	8.0%	8.1%	8.2%
Return on Avg Equity	8.5%	4.4%	8.7%	12.4%	10.3%	10.6%	10.7%
Leverage Ratios							
Interest Coverage Ratio (EBIT/I)	7.0x	3.9x	10.2x	15.1x	7.5x	7.1x	8.4x
Debt Service Coverage	13.9x	1.0x	19.3x	4.5x	6.6x	2.8x	6.6x
EBITDA / (I + Cap Ex)	94.9%	161.5%	165.3%	69.8%	109.7%	98.5%	167.4%
Total Debt/Capital	16.3%	9.4%	8.7%	9.4%	9.8%	10.9%	11.0%
Total Debt/Equity	19.5%	10.3%	9.5%	10.4%	10.8%	12.3%	12.3%
Net Debt/Equity	2.7%	-1.1%	-11.8%	-3.3%	3.6%	2.9%	2.8%
Liquidity Ratios							
Asset Turnover	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Accounts Receivable Turnover	13.3	5.9	6.5	7.6	5.7	9.1	22.9
A/R DOH	27.4	61.9	56.2	48.0	64.0	40.1	15.9
Accounts Payable Turnover	5.9	9.0	11.8	16.7	19.6	16.4	14.7
A/P DOH	61.9	40.6	30.9	21.9	18.6	22.3	24.8
Inventory Turnover	11.1	10.7	8.4	10.8	19.1	53.5	94.3
Inv DOH	32.9	34.1	43.5	33.8	19.1	6.8	3.9
Current Ratio	2.0x	2.4x	1.8x	1.6x	2.1x	1.8x	1.9x
Quick Ratio	1.8x	2.2x	1.6x	1.5x	2.0x	1.8x	1.9x

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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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