



Company Report: Nam Long Investment Jsc (NLG VN)

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Hit by the pandemic

Investment thesis

- Mizuki and Akari in HCMC and Water point in Long An are the key projects for next year since phase 1 were very successfully launched with high absorption rate;
- In Q2 2021, NLG's revenue was 400 billion VND (+65% y-o-y) while gross profit was 116.2 billion VND (-16% y-o-y). NPAT was 48.1 billion VND (-29% y-o-y)
- The demand for Nam Long product has been high due to the reasonable selling price and trusted brand;
- Demand in HCMC market are high. Housing price is pushing up high compared to 2019
- NLG is owning 681 ha of landbank for 2021-2025 development.

Risk

- License granting has been not yet improved this year;
- Cyclicality and credit tightening are burden on growth.
- Impact of Covid-19 and new wave of outbreak in May 2021, the presale is continuing to be hit, then the delivery for 2021 could be lower than expected.
- The sale of current projects slow down because of the pandemic.

Recommendation:

Using the RNAV method, we value NLG at **34,300 VND/share** and we recommend **Neutral** recommendation for NLG stock.

Rating:

Neutral
 Maintained

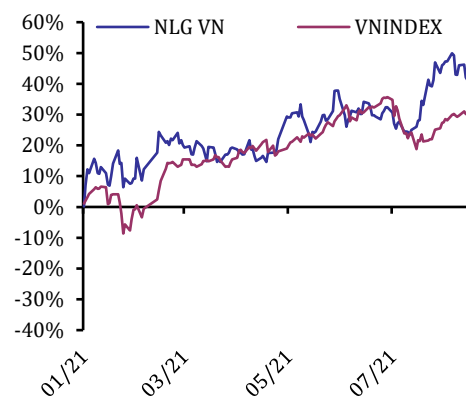
6-18m TP:

VND34,300

Share price:

VND40,750

Stock performance



Change in Share Price	1 M	3 M	1 Y
Abs. %	2.9%	5.6%	64.2%
Rel. % to VNI index	5.3%	4.8%	116.1%
Avg. share price (VND)	42,712	39,966	33,420

Source: Bloomberg, Guotai Junan Vietnam

Year End	Revenue	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
12/31	(VND Bil)	(VND Bil)	(VND)	(Δ%)	(x)	(VND)	(x)	(VND)	(%)	(%)
2017A	3,165	760	3,425	41.0%	9.9	18,573	1.8	470	14%	14.5
2018A	3,480	887	3,193	-6.8%	8.5	19,226	1.34	386	12%	14.4
2019A	2,549	1,010	3,709	16.2%	6.7	19,462	1.3	770	21%	15.5
2020A	2,260	894	3,078	-17.0%	12.3	19,641	1.8	932	30%	13.1
Q2021A	401	48	-	-95.6%	11	22,703	1.8	438	-	-

Shares in issue (m)	285.27	Major shareholder	Nguyen Xuan Quang	12.98%
Market cap. (VNĐ m)	11,667,570	Free float (%)		65.0
3 month average vol. ('000)	3,370.46	FY20 Net gearing (%)		1.08
52 Weeks high/low (VNĐ)	23,890 / 45,300			

Source : the Company, Guotai Junan Vietnam.

In Q2 2021, NLG's revenue was 400 billion VND (+65% y-o-y) while gross profit was 116.2 billion VND (-16% y-o-y). NPAT was 48.1 billion VND (-29% y-o-y). In Q2 2021, there were 28 units delivered by parent company, other 309 units were delivered by the Joint venture (Southgate Water point project in Long An province). Total revenue from the group was 1,126.6 billion VND. In the 1H 2021, NLG recognized 429 billion VND other income, which is from revalue the investment in Dong Nai City Waterfront LLC after acquired additional 30% stake of the company.

Table-1: NLG sale update

Projects	May and June 2021			6 months 2021			Change %
	unit sold	Value (bil)	Average unit sold/month	unit sold	Value (bil)	Average unit sold/month	% Average unit sold change
Flora Akari	34	117	17	90	467	15	13%
Flora Mizuki	45	137	23	646	2,003	108	-79%
Valora South gate	23	136	12	334	2,021	56	-79%
Total	102	391	51	1,070	4,491	178	-71%

Source: the Company, Guotai Junan (Vietnam)

Q2/2021 presale was down significantly compared to previous quarter Q1/2021. Average unit sold in May and June reduced -71%, to 51 units/months from 242 units/month 4 months in January to April. This is due to Covid-19 pandemic outbreak in the Southern provinces such as HCMC, Dong Nai, Long An, where most of the Nam Long's projects are located.

Presae value for 1H 2021 reached 4,491 billion VND, higher than total presale value in 2020 (+17%).

Table-2: NLG's current developing projects and landbank

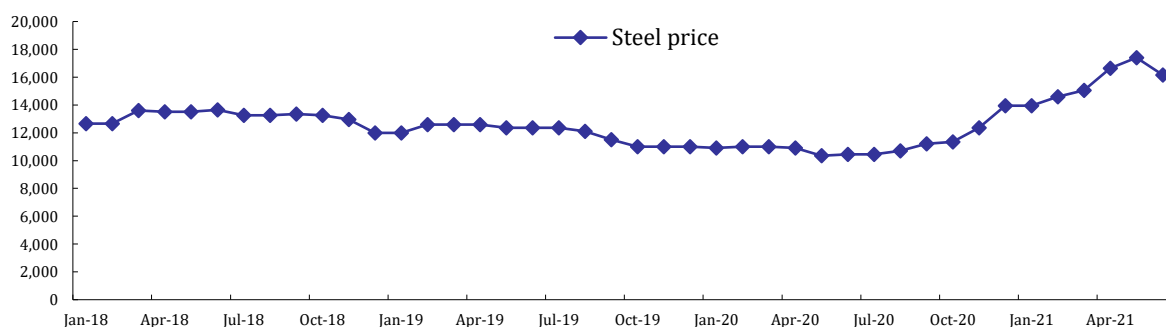
Project	Area (ha)	Location	Ownership (%)	Units	Absorption rate
Mizuki Park	26.2	HCMC	50%	4,231	40%
Ehomes Nguyen Son	11.2	HCMC	87%	1,778	100%
Valora island		HCMC			100%
Flora Novia	1.1	HCMC	100%	548	100%
Akari City	8.8	HCMC	50%	5,228	38%
South Gate Water point (phase 1)	165	Long An	50%	3,227	48%
South Gate Water point (phase 2)	190	Long An	100%	N/A	N/A
Nam Long 2	43	Can Tho	100%	1,531 land lots	N/A
Paragon Dai Phuoc	45	Dong Nai	100%	587	N/A
Waterfront	170	Dong Nai	70%	6,906	N/A
VSIP	21	Hai Phong	50%	3,096	N/A

Source: the Company, Guotai Junan (Vietnam)

Because social isolation is strictly imposing in HCMC, Dong Nai and Long An, and would probably prolong to Q4, we think this would affect the presale plan for this year. The online sale does not resolve the problem since house is a large investment and need direct site visit and contact.

Construction cost

Chart-1: Steel price



Source: Guotai Junan (Vietnam)

Steel price and other construction materials such as concrete, stone, sand etc. have increased significantly since early 2021. In Q2, steel price reduced significantly due to low demand. This is partly due to Covid-19 pandemic outbreak led to delay in construction and demand for steel decrease. In Q2, especially in June and July, steel price recorded a 15% decrease from the top in May. Steel price reduce would balance the supply and demand, and then public investment from government and private contractor would be released from the high-cost pressure.

NLG's plan for 2021-2023. The launching units come from Akari City, Mizuki Park, Southgate, Can Tho, VSIP Hai Phong, Waterfront City Dong Nai where the price point is suitable for the mass buyer. NLG products are pricing at reasonable level, while housing market has been hot and leading to disappearance of affordable house.

Table-3: NLG's plan of development

Project	Phase	Segments	Unit	Price (bil VND)	2020 presale	2021 presale	2022 presale	2023 presale onward
Mizuki	P2-CC3	Flora	760	1.8				
	P2-CC5	Flora	796	4.7				
	P2-CC5	Valora	24	11.7				
	P3 CC 6789	Flora	436	2.8				
	P3 CC 6789	Valora	38	22.7				
	P3 CC 6789	Flora	627	3				
Akari	P1	Flora	1,862	2.2				
	P2	Flora	3,366	2.1				
Southgate	P1 ABC	Valora	1,700	3.7				
	P2 ABC	Valora	1,240	3.7				
	MRT1	Ehomes	1,432	0.8				
VSIP	P1	Valora	369	3.7				
	P2 A	Valora	370	3.7				
	P2 B	Ehomes	2,159	1.2				
Nam Long Can Tho	P1	Valora	449	2.5				
	P1	Land lot	N/A					
	P2	Valora	254	2.5				
	P2	Land lot	N/A					
	P3	Valora	483	2.5				
	P3	Ehomes	419	1				
Waterfront	P1A	Valora	447	4.2				
	P1B	Valora	797	4.3				
	P23-3b-4	Valora	2,447	6				
	P5	Flora	3,215	2.8				
Waterpoint 2	N/A	Flora	6,538					
				30,228				
		<i>Flora</i>	<i>19,037 units</i>	Deliver plan (units)				
		<i>Valora</i>	<i>8,743 units</i>	2020	2021	2022	2023 onward	
		<i>Ehome/Ehomes</i>	<i>4,010 units</i>	812	2,033	3,168	22,209	
		Total	31,790 units					

Source: the Company, Guotai Junan (Vietnam)

Private share offering. NLG will issue 60 million shares through private placement with selling price of 33,500 VND/share. Total of 2,010 billion VND will be raised to invest in land bank acquisition (PG Hai Phong project) and funding Akari project.

Recommendation

We note that due to the impact of Covid-19 and new wave of outbreak in May 2021, the presale is continuing to be hit due to social isolation strictly imposed in HCMC and Dong Nai, especially in Q3 2021. If the pandemic would not be contained in September, there is high possibility that it would prolong to the end of year. We remain the value of NLG at **34,300 VND/share** using RNAV method, after adjusting for the 60 million new shares issued in July. We recommend **Neutral** for NLG stock

FINANCIAL STATEMENT AND RATIO

Income Statement					
Year end Dec (VND bil)	2017A	2018A	2019A	2020A	Q2/2021A
Revenue	3,165	3,480	2,549	2,260	401
yoy(%)	24.9%	9.9%	-26.8%	-11.3%	-
Cost of services	(1,866)	(1,976)	(1,480)	(1,546)	(285)
Gross profit	1,298	1,503	1,069	714	116
yoy(%)	57.8%	15.8%	-28.9%	-33.2%	-
SGA expenses	(414)	(491)	(425)	(434)	(120)
Other (losses) / gains, net	6	9	383	13	1
Financial income	92	143	223	868	72
Finance costs	(29)	(37)	(21)	(103)	(21)
Share of profits of associates and JCEs	(3)	14	126	142	63
Profit before income tax	954	1,128	1,229	1,058	48
yoy(%)	96.92%	18.27%	8.94%	-14%	-
Income tax expense	(194)	(241)	(219)	(165)	0
Profit after tax	760	887	1,010	894	48
yoy(%)	96.0%	16.8%	13.8%	-11.5%	-
Minority interest	(221)	(124)	(47)	(15)	(1)
Net profit	539	763	963	878	47
yoy(%)	56.0%	41.8%	26.2%	-8.8%	-
EPS(VND)	3,425	3,193	3,709	3,078	136
yoy(%)	41.0%	-6.8%	16.2%	-17.0%	-

Cash Flow Statement					
Year end Dec (VND bil)	2017A	2018A	2019A	2020A	Q2/2021A
Profit before income tax	484	950	1,128	1,226	1,015
Adjustments	(8)	(51)	(95)	(570)	(793)
change in WC	(738)	1,362	(42)	(331)	(1,333)
Cash from operations	(261)	2,261	991	325	(1,111)
Capital expenditure	(8)	(6)	(15)	(64)	(44)
Cash from investing	(45)	(786)	(1,830)	(377)	(1,043)
Common stock (purchase) or sale	386	78	540	573	-
Other	912	(201)	1,047	112	1,583
Cash from financing	815	(324)	840	(131)	1,326
Cash & cash equivalents at 1st January	423	932	2,082	2,084	1,901
Net change in cash	508	1,151	2	(184)	(827)
Cash & cash equivalents at 31st December	932	2,082	2,084	1,901	1,073

Source: the Company, Guotai Junan (Vietnam).

Balance Sheet					
Year end Dec (VND bil)	2017A	2018A	2019A	2020A	Q2/2021A
Current assets	6,779	7,320	7,923	9,570	17,377
Cash & equivalents	2,082	2,084	1,901	1,073	1,221
Short term investment	60	16	67	35	62
Receivable	579	1,833	1,548	2,228	1,850
Inventory	3,884	3,261	4,298	6,069	14,009
Non-current assets	1,127	2,254	2,981	4,073	2,746
Property plant & equipment	44	40	58	58	58
Intangible assets	13	13	19	20	18
Work in progress	-	10	194	38	35
Prepayment and other receivables	197	267	282	328	396
Investment in an associated co.	750	1,680	1,806	3,260	1,923
Other investment	6	4	2	2	2
Total assets	7,906	9,574	10,904	13,643	20,123
Current liabilities	3,061	2,694	3,024	4,439	7,291
Account payable	291	270	175	390	1,765
Short-term borrowing	216	201	63	932	1,481
Non-current liabilities	1,123	1,596	1,680	2,483	3,169
Long-term borrowings	229	806	806	1,525	1,314
Total liabilities	4,183	4,290	4,704	6,922	10,460
Minority interest	803	684	1,145	1,117	3,186
Share capital	1,572	2,391	2,597	2,853	2,853
Other reserves and retained earnings	4904	9738	22601	52205	62265
Total equity	3,723	5,285	6,200	6,720	9,663
yoy (%)	18.3%	42.0%	17.3%	8.4%	43.8%

Financial Ratio					
	2017A	2018A	2019A	2020A	Q2/2021A
Gross margin (%)	41.0	43.2	41.9	31.6	29.0
Operating margin (%)	11.2	11.2	11.2	11.2	11.2
Net margin (%)	17.0	21.9	37.8	38.9	11.7
ROA (%)	6.8	8.0	8.8	6.4	0.2
ROE (%)	20.4	16.8	16.3	13.3	0.5
Net gearing ratio (%)	11.9	19.1	14.0	36.6	28.9
Current ratio(x)	2.2	2.7	2.6	2.2	2.4

COMPANY RATING DEFINITION

Benchmark: **VN – Index.**

Time Horizon: **6 to 18 months**

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: **VN – Index**

Time Horizon: **6 to 18 months**

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% OrThe Fundamental outlook of the sector is unfavorable

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