



Company Report: Vinhomes Jsc (VHM VN)

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Strong rebound in Quarter 2

Investment thesis

- Vinhomes has largest land bank in Vietnam, which are in strategic locations. Vinhomes is the highest trusted housing brand and has widest profit margin among other developers. Strong financial condition with strong brand name allow VHM to raise capital in both Vietnam and overseas;
- In Q2/2021, VHM's revenue was 28.7 trillion VND (+75% y-o-y) while gross profit was 14.3 trillion VND (+123% y-o-y). NPAT was 10.3 trillion VND (+202% y-o-y).
- Many projects are already approved by authorities, and ready for development. This becomes the main driver for growth and key point to compete with other competitors in next few years due to current slow license issuance in HCMC;

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 3 mega projects could prolong to 2022 instead of 2021 as before planned.
- Other projects such as Wonder Park, Dream city and Long Beach Can Gio would be delayed if the demand does not recover.

Recommendation:

Using the RNAV method, we value VHM at **102,300 VND/share** and we recommend **Neutral** recommendation for VHM stock.

Rating:

Neutral
Maintained

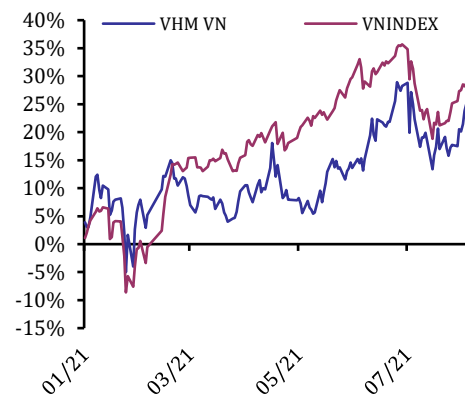
6-18m TP:

VND102,300

Share price:

VND120,000

Stock performance



Change in Share Price	1 M	3 M	1 Y
Abs. %	8%	20%	47%
Rel. % to VNI index	13%	27%	107%
Avg. share price (VND)	110,822	109,534	94,204

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	15,297	1565	2,130	15.6%	16.6	34,521	3.4	4500	211%	13.9
2018A	38,664	14776	1,729	-18.8%	21.6	12,889	7.14	1,000	58%	29.7
2019A	51,627	24,319	6,611	282.4%	4.2	16,599	4.8	0	0%	33.6
2020A	71,547	28,207	8,315	25.8%	8.5	25,719	3.8	0	0%	30.7
Q2021A	28,725	10,303	3,111	-62.6%	15.2	29,111	1.5	-	0%	-

Shares in issue (m)	3,289.51	Major shareholder	Vingroup	69.66%
Market cap. (VNĐ m)	381,583,610	Free float (%)		25.0
3 month average vol. ('000)	4,602.59	FY20 Net gearing (%)		1.12
52 Weeks high/low (VNĐ)	120,400 / 74,900			

Source : the Company, Guotai Junan Vietnam.

In Q2 2021, VHM's revenue was 28.7 trillion VND (+75% y-o-y) while gross profit was 14.3 trillion VND (+123% y-o-y). NPAT was 10.23 trillion VND (+202% y-o-y). In Q2 2021, VHM delivered 11,400 units mostly from 3 mega projects. Total converted revenue and NPAT (including BCC projects) reached 26.2 trillion VND and 10.2 trillion VND. Vinhomes Ocean Park contributed 12 trillion VND, Vinhomes Grand Park contributed 17.7 trillion VND, Vinhomes Smart City contributed 4.7 trillion VND, and others from Vinhomes Symphony and BCC projects to the total revenue in the 1H 2021. VHM also recognized 12,8 trillion VND bulk sale this quarter.

Table-1: VHM sale update

	Q1 2021	Q1 2020	Q1/21 vs Q1/20	Q2 2021	Q2 2020	Q2/21 vs Q1/21	Q2/21 vs Q2/20
Presale (unit)	1,592	4,826	-67%	14,200	17,200	194%	-17%
Presale (value) (tril VND)	6	6	-6%	22	31	239%	-30%
Unbilled booking (tril VND)	55.4	79.6	-30%	49.4	93	-38%	-47%
Revenue from property sale (tril VND)	10	17.7	-44%	26.2	16.3	48%	61%

Source: the Company, Guotai Junan (Vietnam)

Q2/2021 presale has improved compared to previous quarter Q1/2021, achieved +194% Q-o-Q growth. However, the unbilled booking shrink significantly due to weak sale from last few quarters (-38%). This little positive sign of recovery was contributed by bulk sale in Q2. Covid-19 outbreak in May put serious impact on the economy due to the prolonged social isolation in HCMC and Hanoi since mid-June, which is hurting the property sale in Q3. Launched units and sold units in Hanoi market were weaker compared to last year figure (-37% YoY and -15% YoY) and also to Q1/2021 due to new wave of Covid-19 break out in May.

In HCMC, the slow granting license issue is still constraining the number of launching units. Therefore, high demand (versus supply) for housing in HCMC led to high absorption rate. There are about 3,968 units were launched in Q2, double from Q1 number, more than +50% YoY. Sold unit was positive, with more than 4,700 units, +140% YoY and +76% QoQ.

Table-2: VHM 's project update

	Vinhomes Smart city	Vinhomes Ocean park	Vinhomes Grand park
Location	Nam Tu Liem, Hanoi	Trau Quy, Gia Lam, Hanoi	District 9, HCMC
Area	281 ha	420 ha	271 ha
Total NSA	2,601,000	3,500,000	3,241,000
Utilities	Vinmec, Vinschool, Vincom Megamall, 2000 sport courts	Vinmec, Vinschool, Vinuni, Vincom Megamall, 6.1 ha lake, 117 ha water area	36 ha green park, Vinmec, Vinschool, Vincom Megamall
Timeline	2018-2022	2018-2022	2019-2022
Products	47,000	47,300	45,500
High rise (estimated)	46,900	44,905	43,900
Low rise (estimated)	100	2,395	1,600
Bulk (estimated)	28%	31%	37%
Retail (estimated)	72%	69%	63%
Sold (%)	57%	67%	89%
Delivered	23,500	30,200	38,400
Construction progress	42%	68%	59%
Sold in Q2 2021	7,300	6,500	-

Source: the Company, Guotai Junan (Vietnam)

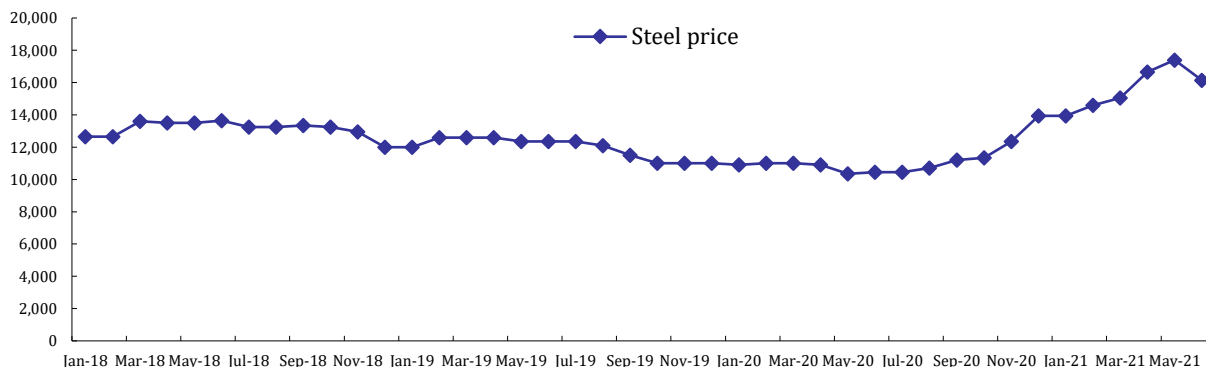
Table-3: VHM 's 3 projects sale (unit)

	Vinhomes smart city	Vinhomes Ocean park	Vinhomes Grand park
2018	2,776	8,911	-
2019	15,225	14,490	28,100
2020	7,591	7,591	12,518
Q1	4,100	300	100
Q2	1,100	5,800	10,000
Q3	1,500	600	500
Q4	891	891	1,918
2021	8,300	7,000	-
Q1	1,000	500	-
Q2	7,300	6,500	-

Source: the Company, Guotai Junan (Vietnam)

Construction cost. 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.

Chart-1: Steel price



Source: Guotai Junan (Vietnam)

Projects development planning

VHM is going to launch 2 new projects: Vinhomes Wonder Park in Dan Phuong, Hanoi and Vinhomes Dream City in Hung Yen. The detail of projects is following:

Table-4: VHM 's new projects to be launched

	Vinhomes Dream city	Vinhomes Wonder Park
Location	Hung Yen, near Ocean Park	Dan Phuong, Hanoi
Area	460 ha	133 ha
Total NSA	7,853,000	976,000
Timeline	2021-2023	2021-2023
Products	Apartments / Villas / Shophouses / Schools / Hospitals / Shopping Mall (44,000 units)	Apartments/Villas/Townhouses/Schools/Shopping Mall/ Eco-parks/Swimming Complex (2,350 low rise, 2 block high rise)

Source: the Company, Guotai Junan (Vietnam)

Besides, Vinhomes Long Beach Can Gio has been approved the master plan in February 2021. This project owns about 2,800 ha, near HCMC. The Vinhomes Long Beach Can Gio accounts mostly of construction in progress with 12,043 billion VND in balance since 2018, but this project has not been yet launched at that time.

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, especially in Q3 2021. HCMC and Hanoi are continuing to be inversely affected. Although we have been positive in the attractiveness of current 3 mega projects, the sale could prolong to 2022 instead of 2021 as before planned. Other projects such as Wonder Park, Dream city and Long Beach Can Gio would be delayed if the demand does not recover.

We remain the value of VHM at **102,300 VND/share** using RNAV method. We recommend **Neutral** for VHM stock

FINANCIAL STATEMENT AND RATIO

Income Statement					
Year end Dec (VND bil)	2017A	2018A	2019A	2020A	Q2/2021A
Revenue	15,297	38,664	51,627	71,547	28,725
yoy(%)	36.4%	152.8%	33.5%	38.6%	-
Cost of services	(10131)	(28603)	(24171)	(45611)	(14369)
Gross profit	5,167	10,061	27,456	25,936	14,356
yoy(%)	16.0%	94.7%	172.9%	-5.5%	-
SGA expenses	(2038)	(2444)	(4237)	(4874)	(1095)
Other (losses) / gains, net	(243)	(7)	30	(789)	18
Financial income	876	14565	9046	20263	587
Finance costs	(1652)	(2457)	(2549)	(4019)	(614)
Share of profits of associates and JCEs	(88)	0	0	19	11
Profit before income tax	2109	19719	29746	36517	13251
yoy(%)	-24.55%	835.08%	50.85%	22.76%	-
Income tax expense	(543)	(4942)	(5427)	(8310)	(2948)
Profit after tax	1565	14776	24319	28207	10303
yoy(%)	-29.1%	843.9%	64.6%	16.0%	-
Minority interest	(156)	(492)	(2572)	(855)	(70)
Net profit	1410	14284	21747	27351	10232
yoy(%)	-14.5%	913.3%	52.2%	25.8%	-
EPS(VND)	2,130	1,729	6,611	8,315	3,111
yoy(%)	15.6%	-18.8%	282.4%	25.8%	-

Cash Flow Statement					
Year end Dec (VND bil)	2017A	2018A	2019A	2020A	Q2/2021A
Profit before income tax	2109	19719	29746	36517	13251
Adjustments change in WC	1783	(11864)	(6584)	(15730)	422
Cash from operations	(1096)	(9318)	28767	4095	(7679)
Capital expenditure	2796	(1463)	51928	24882	5994
Cash from investing	(2405)	(751)	(3847)	(3500)	(413)
Common stock (purchase) or sale	(9459)	(17842)	(27320)	(22420)	(4253)
Other	28	12241	0	62	0
Cash from financing	5422	22204	(11105)	(1863)	(267)
Cash & cash equivalents at 1st January	5422	21259	(14792)	(2081)	(370)
Net change in cash	2802	1562	3515	13332	7746
Cash & cash equivalents at 31st December	(1241)	1954	9817	381	1372
	1562	3515	13332	13714	9118

Balance Sheet					
Year end Dec (VND bil)	2017A	2018A	2019A	2020A	Q2/2021A
Current assets	44421	91203	139555	102312	99005
Cash & equivalents	1562	3515	13332	13714	9118
Short term investment	0	1009	361	2054	4930
Receivable	24775	43356	47468	34592	42358
Inventory	17006	36858	60297	42984	34703
Non-current assets	6883	28486	57686	113014	110995
Property plant & equipment	1297	100	625	5683	5855
Intangible assets	59	28	66	223	232
Work in progress	2462	18363	28213	32361	32573
Prepayment and other receivables	1059	3474	13268	45206	44659
Investment in an associated co.	9	0	0	5838	3457
Other investment	1746	478	773	4154	6603
Total assets	51304	119689	197241	215326	210000
Current liabilities	34223	42872	121557	103385	94891
Account payable	925	2504	6078	11401	12394
Short-term borrowing	8700	6403	18162	10998	10591
Non-current liabilities	6957	28672	10969	22811	15939
Long-term borrowings	6628	25506	8343	13958	12271
Total liabilities	41180	71544	132526	126196	110830
Minority interest	3220	4912	8619	3429	3410
Share capital	2000	33495	33495	33495	33495
Other reserves and retained earnings	4904	9738	22601	52205	62265
Total equity	10124	48145	64715	89130	99170
yoy (%)	6.0%	375.6%	34.4%	37.7%	11.3%

Financial Ratio					
	2017A	2018A	2019A	2020A	Q2/2021A
Gross margin (%)	34	26	53	36	50
Operating margin (%)	11.2	11.2	11.2	11.2	11.2
Net margin (%)	9.2	36.9	42.1	38.2	35.6
ROA (%)	2.7	11.9	11.0	12.7	4.9
ROE (%)	15.5	30.7	37.6	31.6	10.4
Net gearing ratio (%)	151.4	66.3	41.0	28.0	23.1
Current ratio(x)	1.3	2.1	1.1	1.0	1.0

Source: the Company, Guotai Junan (Vietnam).

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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