



VHM Update - BUY

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Ms. Truc Pham

(+84 28) 3823 4159 - Ext: 303

trucptt@acbs.com.vn

Company Update

Recommendation

BUY

HSX: VHM

Property

Target price (VND) **91,486**

Market price (VND) **62,500**

Expected share price return 46.1%

Expected dividend yield 3.2%

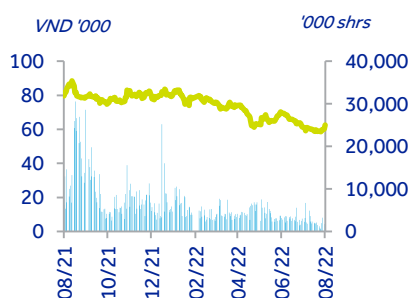
Expected total return **49.3%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-22.0	1.8	-1.1	-21.6
Relative	-5.7	-2.2	7.4	-17.5

Source: Bloomberg

Price-Volume



Ownership

Vingroup JSC 69.34%

Government of Singapore (GIC) 5.01%

Stock Statistics 2-Aug-22

Bloomberg code **VHM VN**

52-week range (VND) 58,300 - 93,769

Shares O/S (m) 4,354

Mkt cap (VND bn) 270,842

Mkt cap (USD m) 11,525

Est. Foreign room left (%) 26.8

Est. free float (%) 23.7

3m avg daily vol (shrs) 3,096,602

VND/USD 23,500

Index: VNIndex / HNX 1242.58/297.29

VINHOMES JSC (VHM VN)

Adjust target price down by 7% to VND91,486 and 2022 forecast but reiterate our Buy rating given low 1H2022 result but strong pre-sales

VHM announced 2Q2022 result with net revenue of VND4,530bn (-84% YoY) and PAT of VND622bn (-94% YoY), much lower than our forecast. Despite an over 2-times increase in financial income, to VND1,210bn and a 9% YoY decrease in financial expenses, to VND709bn, this quarterly result was strongly affected by:

- (i) Lower number of units delivered (c.730 units vs. c.11,400 units),
- (ii) Lower gross margin (31% vs 52%) given lower proportion of low-rise units delivered compared with high-rise units, and
- (iii) Higher effective tax rate (51% vs 21%); we expect the effective tax rate to normalize in 2H2022, with the whole year rate reverting to c. 20%

For 1H2022, VHM recorded net revenue of VND13,453bn (-67% YoY) and PAT of VND5,347bn (-67% YoY), completing only 18% of its targets.

Unit: VNDbn	2Q2021	2Q2022	Δ YoY	1H2021	1H2022	Δ YoY
Net revenue	28,015	4,530	-84%	41,002	13,453	-67%
Gross profit	14,449	1,391	-90%	20,661	5,257	-75%
Financial income	551	1,210	119%	2,858	5,039	76%
Financial expense	778	709	-9%	1,139	1,186	-3%
PAT	10,572	622	-94%	16,050	5,347	-67%

Source: VHM's 2Q2022 unaudited FS

On the other hand, sales performance in 2Q2022 recorded impressive result with 7,900 retail units sold (-44% YoY) and contracted value of VND76,000bn (+250% YoY), mainly thanks to:

- (i) Successful launch of Vinhomes Ocean Park 2 – The Empire with retail sales of c.VND49,000bn or USD2.1bn and
- (ii) Full absorption of 4,500 units in 3 new blocks at the Oasis and The Tropical subzones – The Beverly Solari in Vinhomes Grand Park in May.

	2019	2020	2021	2022E	2023E
Net Sales (VNDbn)	51,627	71,547	84,986	70,032	92,220
Growth	33.5%	38.6%	18.8%	-17.6%	31.7%
EBITDA (VNDbn)	23,570	21,604	43,490	31,062	38,429
Growth	199.2%	-8.3%	101.3%	-28.6%	23.7%
PATMI (VNDbn)	21,746	27,351	38,825	28,370	32,250
Growth	52.2%	25.8%	41.9%	-26.9%	13.7%
EPS (bonus-adjusted, VND)	5,002	6,396	9,015	6,515	7,406
Growth	44.4%	27.9%	40.9%	-27.7%	13.7%
ROE	43.8%	38.6%	36.9%	21.2%	20.9%
ROIC	13.7%	13.5%	17.7%	11.0%	10.5%
Net debt/EBITDA (times)	0.5	0.4	0.2	0.7	0.9
EV/EBITDA (times)	11.5	12.5	6.2	8.7	7.0
PER (times)	12.5	9.8	6.9	9.6	8.4
PBR (times)	3.7	2.4	2.2	1.9	1.6
DPS (VND)	0	1,500	2,000	2,000	2,000
Dividend yield	0.0%	2.4%	3.2%	3.2%	3.2%

For 1H2022, VHM pre-sold 17,300 units (+9% YoY) with contracted value of VND92,500bn (+234% YoY), of which 30% was bulk sales and 70% was retail sales. Unbilled bookings at the end of 2Q2022 was VND129,300bn (+162% YoY). Vinhomes will push forward the launch of Vinhomes Dai An (Ocean Park 2 – The Crown) in 2H2022 and may reschedule Vinhomes Wonder Park and Vinhomes Co Loa to 4Q2022 or 2023. However, this delay will not affect the company's pre-sales target given its completion of over 80% of pre-sales target in 1H2022 and the launch of Vinhomes Dai An will be enough to cover for 2H2022 presales.

VHM continues to extend partnerships and collaborations with sub-developers. During 2Q2022, VHM and Masterise signed strategic partnership agreement to distribute Lumiere Boulevard, located in the heart of Vinhomes Grand Park.

Regarding Happy Home – social housing projects, VHM will launch a total of 3,500 units with ASP of VND300-900mn/unit in Thanh Hoa and Quang Tri in 2022. According to the Law on Housing, social houses will be exempt from land use right fees, thus gross margin of this product is expected to be at around 30-35%, similar to other high-rise products that VHM has been developed.

The real estate market is currently affected by:

- (i) government's inspection of land bidding and corporate bonds issuance, and
- (ii) tightening credit for both developers and home-buyers.

These factors led to a delay in project launches and deliveries, obstructed land bank expansion, and slowed retail sales. The company has attributed the lower than expected number of units delivered in 2Q2022 due to the timing of project deliveries. However, we think that restricted access to credit, as many banks have reached their credit quota in 2Q2022, has also contributed to the lower deliveries figures as buyers' ability to secure mortgages and complete the handover procedures has been constrained. We have seen similar humble delivery figures across developers during 2Q2022, leading us to believe that limited access to credit is affecting the sector as a whole and not an idiosyncratic phenomenon at VHM.

We think Vinhomes will stand firm during this challenging period and its long-term outlook remains positive given its 168mn sqm of land bank, strong financial health (net debt/Equity ratio decreased from 66.5% to -1.4% in 2016-2Q2022), proven capital raising capability and leading position (market share of 27% in both condominium and landed properties segments in 2016-2Q2022).

Given low 1H2022 result, we adjust our 2022 net revenue and PAT outlooks down by 5% and 6% to VND70,032bn (-18% YoY) and PAT of VND29,526bn (-24% YoY), equivalent to 93% and 98% of the company's targets and expect a recovery in 2023 with net revenue of VND92,220bn (+32% YoY) and PAT of VND33,536bn (+14% YoY) thanks to strong 2022 pre-sales. **Using the NAV method, we reiterate our Buy rating with a target price of VND91,486/share**, down by 7% compared to our update report in 5/2022.

Appendix 1: Upcoming launched mega projects

Project name	Vinhomes Dai An	Vinhomes Wonder Park	Vinhomes Co Loa
Location	Van Giang, Hung Yen	Dan Phuong, Hanoi	Dong Anh, Hanoi
Total area (ha)	294	133	385
NSA (sqm)	2,123,000	364,000	1,724,000
GDV (USDbn)	< c.5	< c.2	> c.4
Key components	Apartments, villas, townhouses, schools, mall, parks, swimming pools	Apartments, villas, shop-houses, schools, mall, 16ha ecological park, swimming pool complex	Apartments, villas, shop-houses, schools, hospitals, mall, exhibition complex

Source: VHM

VHM FINANCIALS MODEL	Market price (VND):	62,500	Target (VND):	91,486	Mkt cap (VNDbn):	270,842
(VNDbn except where stated)	2019	2020	2021	2022E	2023E	
Total Net Sales	51,627	71,547	84,986	70,032	92,220	
<i>Sales growth</i>	<i>33.5%</i>	<i>38.6%</i>	<i>18.8%</i>	<i>-17.6%</i>	<i>31.7%</i>	
CoGS ex-dep'n	23,819	45,069	35,438	33,600	46,721	
Gross profit	27,456	25,936	48,460	35,018	43,803	
<i>Gross margin</i>	<i>53.2%</i>	<i>36.3%</i>	<i>57.0%</i>	<i>50.0%</i>	<i>47.5%</i>	
SG&A	4,237	4,874	6,058	5,370	7,071	
<i>SG&A as % of sales</i>	<i>8.2%</i>	<i>6.8%</i>	<i>7.1%</i>	<i>7.7%</i>	<i>7.7%</i>	
EBITDA	23,570	21,604	43,490	31,062	38,429	
<i>EBITDA margin</i>	<i>45.7%</i>	<i>30.2%</i>	<i>51.2%</i>	<i>44.4%</i>	<i>41.7%</i>	
Depreciation	352	542	1088	1414	1697	
Operating profit	23,219	21,062	42,402	29,648	36,732	
<i>Operating profit margin</i>	<i>45.0%</i>	<i>29.4%</i>	<i>49.9%</i>	<i>42.3%</i>	<i>39.8%</i>	
Profit/loss from associates and JVs	0	19	54	54	54	
Financial income (excl. saving interest)	6,667	17,814	6,518	8,375	7,098	
Financial expenses (excl. interest expense)	171	1,018	438	438	438	
Net interest expense	1	571	871	979	1,762	
Other profit	30	-789	518	246	271	
Tax	5,427	8,310	9,234	7,381	8,391	
<i>Effective tax rate (%)</i>	<i>18.2%</i>	<i>22.8%</i>	<i>19.2%</i>	<i>20.0%</i>	<i>20.0%</i>	
PAT	24,318	28,207	38,948	29,526	33,564	
Minority interest	2,572	855	124	1,155	1,313	
PATMI	21,746	27,351	38,825	28,370	32,250	
<i>Net profit margin (%)</i>	<i>42.1%</i>	<i>38.2%</i>	<i>45.7%</i>	<i>40.5%</i>	<i>35.0%</i>	
Cash earnings	22,098	27,893	39,912	29,784	33,947	
Number of shares (m)	3,290	3,290	4,354	4,354	4,354	
EPS (VND)	6,502	8,315	9,015	6,515	7,406	
Bonus factor (x)	0.8	0.8	1.0	1.0	1.0	
Adjusted EPS (VND)	5,002	6,396	9,015	6,515	7,406	
<i>EPS growth (%)</i>	<i>44.4%</i>	<i>27.9%</i>	<i>40.9%</i>	<i>-27.7%</i>	<i>13.7%</i>	

KEY CASHFLOW AND BS ITEMS	2019	2020	2021	2022E	2023E
Increase in working capital	-39,375	-19,182	5,991	8,368	10,038
Capex	3,641	3,069	17,851	8,187	9,703
Other cash flow items	-34,024	-39,377	-18,513	-16,260	-16,260
Free cash flow	23,808	4,629	-2,442	-3,031	-2,054
Share issues (m)	-5,550	-786	6,515	0	0
Dividends paid	3,687	218	5,199	8,709	8,709
Increase in net debt	-14,571	-3,625	1,126	11,739	10,763
Net debt, end of year	12,812	9,188	10,314	22,053	32,816
Shareholders' equity	64,715	89,130	131,407	151,069	174,611
BVPS (VND)	17,053	26,053	28,647	32,910	37,941
<i>Net debt / equity (%)</i>	<i>19.8%</i>	<i>10.3%</i>	<i>7.8%</i>	<i>14.6%</i>	<i>18.8%</i>
<i>Net debt / EBITDA (x)</i>	<i>0.5</i>	<i>0.4</i>	<i>0.2</i>	<i>0.7</i>	<i>0.9</i>
Total assets	197,241	215,326	230,516	301,918	336,222

KEY RETURN AND VALUATION RATIOS	2019	2020	2021	2022E	2023E
<i>ROE</i>	<i>43.8%</i>	<i>38.6%</i>	<i>36.9%</i>	<i>21.2%</i>	<i>20.9%</i>
<i>ROA</i>	<i>14.3%</i>	<i>13.7%</i>	<i>17.8%</i>	<i>11.0%</i>	<i>10.4%</i>
<i>ROIC</i>	<i>13.7%</i>	<i>13.5%</i>	<i>17.7%</i>	<i>11.0%</i>	<i>10.5%</i>
<i>WACC</i>	<i>9.7%</i>	<i>10.7%</i>	<i>11.0%</i>	<i>10.5%</i>	<i>10.3%</i>
<i>EVA</i>	<i>4.0%</i>	<i>2.8%</i>	<i>6.8%</i>	<i>0.5%</i>	<i>0.2%</i>
<i>PER (x)</i>	<i>12.5</i>	<i>9.8</i>	<i>6.9</i>	<i>9.6</i>	<i>8.4</i>
<i>EV/EBITDA (x)</i>	<i>11.5</i>	<i>12.5</i>	<i>6.2</i>	<i>8.7</i>	<i>7.0</i>
<i>EV/FCF (x)</i>	<i>11.4</i>	<i>58.4</i>	<i>-110.7</i>	<i>-89.2</i>	<i>-131.6</i>
<i>PBR (x)</i>	<i>3.7</i>	<i>2.4</i>	<i>2.2</i>	<i>1.9</i>	<i>1.6</i>
<i>PSR (x)</i>	<i>5.3</i>	<i>3.8</i>	<i>3.2</i>	<i>3.9</i>	<i>3.0</i>
<i>EV/sales (x)</i>	<i>5.2</i>	<i>3.8</i>	<i>3.2</i>	<i>3.9</i>	<i>2.9</i>
<i>Dividend yield</i>	<i>0.0%</i>	<i>2.4%</i>	<i>3.2%</i>	<i>3.2%</i>	<i>3.2%</i>

CONTACTS

Ho Chi Minh City Head Office

41, Mac Dinh Chi, Dist. 1, Ho Chi Minh City
Tel: (+84 28) 3823 4159
Fax: (+84 28) 3823 5060

Hanoi Office

10 Phan Chu Trinh, HoanKiem Dist., Ha Noi
Tel: (+84 24) 3942 9395
Fax: (+84 24) 3942 9407

RESEARCH DEPARTMENT

Director - Head of Research

Tyler Cheung, CFA

(+84 28) 38 234 876
tyler@acbs.com.vn

Associate Director

Gigi Nguyen Binh

(+84 28) 3823 4159 (x250)
giaonbt@acbs.com.vn

Manager – Property Truc Pham

(+84 28) 3823 4159 (x303)
trucptt@acbs.com.vn

Manager – Financials Hung Cao, CFA

(+84 28) 3823 4159 (x326)
hungcv@acbs.com.vn

Associate – Consumer-related, Technology Chi Luong

(+84 28) 3823 4159 (x327)
chiitk@acbs.com.vn

Associate – Consumer- related, Media Trung Tran

(+84 28) 3823 4159 (x351)
trungtn@acbs.com.vn

Associate– Oil & Gas Hung Phan

(+84 28) 3823 4159 (x354)
hungpv@acbs.com.vn

Associate – Construction materials Huy Huynh

(+84 28) 3823 4159 (x325)
huyha@acbs.com.vn

Associate – Derivatives, Macro Minh Trinh

(+84 28) 3823 4159 (x352)
minhtvh@acbs.com.vn

Associate – Macro Hoa Nguyen

(+84 28) 3823 4159 (ext: 352)
hoant@acbs.com.vn

Analyst – Technical Phuoc Luong

(+84 28) 3823 4159 (x354)
phuocld@acbs.com.vn

INSTITUTIONAL CLIENT DIVISION

Associate Director of Institutional Client

Huong Chu

(+84 28) 3824 6679
huongctk@acbs.com.vn

Trader Thanh Tran

(+84 28) 3824 7677
thanhtt@acbs.com.vn

Trader Dung Ly

(+84 28) 3823 4159 (x313)
dungln.hso@acbs.com.vn

Trader Nhi Nguyen

(+84 28) 3823 4159 (x315)
nhinp@acbs.com.vn

Customer Support Thanh Le

(+84 28) 3823 4798
thanhln@acbs.com.vn

DISCLAIMER

Our Recommendation System

BUY: where we believe prospective 12 month VND total return (including dividends) will be 15% or more.

HOLD: where we believe it will be -15% to 15%.

SELL: where we believe it will be lower than -15%.

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