

Vingroup divests Vincom Retail

Vingroup (HSX: VIC) has agreed to transfer up to 100% interest in SDI Trading Development and Investment Company Limited (SDI), which holds a 99% stake in the charter capital of Sado Trading Commercial Joint Stock Company – a significant shareholder with a 41.5% interest in Vincom Retail JSC (HSX: VRE).

According to the analyst meeting call on 3/18/2024, valuation for transferring 100% stake of SDI is VND39.08trn (USD1.6bn) in cash. The purchase price comprises of SDI's effective interest in VRE at approximately VND32,000/share and SDI's minority benefits in some real estate projects of Vingroup such as Vu Yen in Hai Phong and Green Ha Long in Quang Ninh province. 55% of the transfer will be finalized in this month and the remainder is expected to be completed in the next 6 months. Buyers are local investors with experiences in real estate/retail malls in Vietnam. VIC is expected to earn profit before tax of VND21.5trn or USD887mn from this divestment. The use of the proceed has not been decided. There will be no change in operational structure, current leasing contracts with both internal and external tenants, BCC contracts with VIC and its related parties as well as VRE's new malls openings plan. If the divestment took place, VIC will hold remaining 18.8% of VRE and currently has no plan to divest this remaining stake. There is no requirement for VRE's operational performance, shareholder agreement or delisting VRE in the contract with buyers. However, there is a clause that requires no individual shareholder holding more than 25% stake of VRE.

Comment: With all the above preliminary information, we think that this transaction, if successful, will not affect VRE's current business operation. The transaction mainly affects VIC's financial situation in a better direction, increasing cash inflow for the Group. However, the progress of selling shares and receiving money as well as the name of the buyers have not been disclosed in detail, so we cannot fully assess the impact of this transaction on VRE's strategy and business prospects in the coming years. With the selling price of VND32,000/share, VRE is valued at a trailing P/E of 16.5x and P/B of 1.9x. We maintain our Buy recommendation for VRE with a target price of VND34.900/share at YE2024.

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