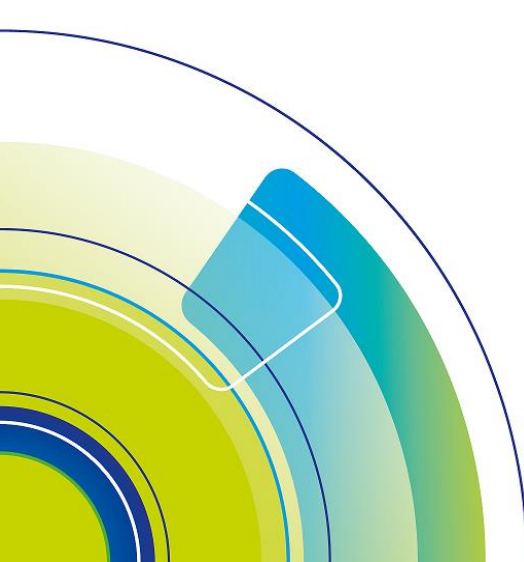




VRE Flash note - BUY

July 31, 2024



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Earnings Flash note

Recommendation

BUY

HSX: VRE

Property

Target price (VND) **29,200**

Market price (VND) **18,600**

Expected share price return 57.2%

Expected dividend yield 0.0%

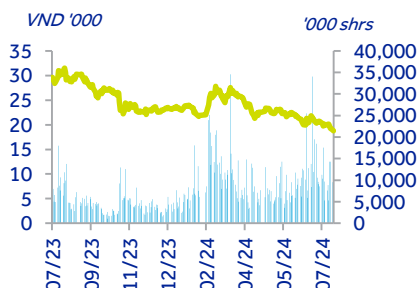
Expected total return **57.2%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-19.5	-14.9	-18.2	-37.3
Relative	-30.1	-14.6	-21.1	-39.6

Source: Bloomberg

Price-Volume



Ownership

SADO	41.5%
Vingroup JSC	18.8%

Stock Statistics 31-Jul-24

Bloomberg code **VRE VN**

52-week range (VND) 18,550-32,000

Shares O/S (m) 2,272

Mkt cap (VND bn) 42,265

Mkt cap (USD m) 1,662

Est. Foreign room left (%) 27.2%

Est. free float (%) 39.7%

3m avg daily vol (shrs) 9.8

VND/USD 25,420

Index: VNIndex / HNX 1251.51/235.36

VINCOM RETAIL JSC (VRE VN)

In 2Q2024, VRE posted revenue of VND2,479 bn (+14% YoY) and PAT of VND1,021 bn (+2% YoY). For 1H2024, VRE recorded revenue of VND4,733 bn (+15% YoY) and PAT of over VND2,104 bn (+4% YoY), completing 50% and 48% of targets, respectively.

VRE opened 3 new malls (VCP Dien Bien Phu and VCP Ha Giang and VMM Grand Park) in June. Thus, at the end of 2Q2024, total number of malls increased to 86 and total GFA grew by 67,000 sqm to over 1.8mn sqm. Average occupancy rate in 2Q2024 was 83.9%, down by 1.6 pp YoY but up 1.1 pp QoQ.

Revenue from leasing activities in 2Q2024 decreased slightly by 0.2% YoY, to VND1,940bn as the newly leased area in 3 new malls did not contribute much in this period. Segmented gross margin declined to 53.9% (-3.9 pp YoY) mainly due to: (1) higher energy cost given higher electricity price and higher consumption volume during hot weather and (2) VND100bn of leasing revenue from commercial streets had a margin of 40-50% which was lower than the normal margin of malls.

Sales of properties rose by 137% YoY, to VND467bn thanks to higher number of delivered shophouses (104 in Dong Ha Quang Tri in 2Q2024 vs 23 in Dien Bien Phu in 2Q2023). Segmented gross margin was 33.5%, much lower than 45% in 2Q2023 and our forecast of 44%.

In 2H2024, VRE is expected to open 2 new malls (VCP Bac Giang and VCP Dong Ha Quang Tri) with additional GFA of 27,600 sqm. VMM Ocean City will be rescheduled from the end of 2024 to Apr 2025 due to: (1) waiting for more residents moving to Vinhomes Ocean City after the Tet holiday to have higher consumption demand and (2) economic needs test for store openings of some international tenants took longer than expected.

In April, VRE announced to purchase 3 shophouse projects in Quang Ninh, Hai Phong and Nha Trang from Vinhomes (VHM), Vingroup (VIC) and Vinwonders Nha Trang. The Nha Trang project was behind schedule, thus VRE decided to cancel it and will receive its deposit of VND1.3trn back from VinWonders Nha Trang. The other two projects are on track and VRE expects to launch these in early 2025.

At the end of 2Q2024, VRE had over VND16.1trn of deposits for business and investment purposes, up by 25% compared to YE2023, of which VND13.8trn associated with Vingroup and related parties, up by 16% compared to YE2023.

Quick comment: As revenue from leasing activities and gross margin in 1H2024 were lower than expected, we adjust 2024 total revenue down by 6% to ~VND9.1 trn (-7% YoY) and PAT by 10% to ~VND4.2 trn (-6% YoY). Given a decline in cash and cash equivalent balance and lower 2024 profit, we adjust target price at YE2024 down by 16% to VND29,200/share, using the combination of NAV, P/E and P/B methods.

	2021	2022	2023	2024F	2025F
Net Sales (VNDbn)	5,891	7,361	9,791	9,109	8,993
Growth	-29.3%	25.0%	33.0%	-7.0%	-1.3%
EBITDA (VNDbn)	3,250	4,725	6,020	5,445	5,690
Growth	-29.0%	45.4%	27.4%	-9.5%	4.5%
PATMI (VNDbn)	1,315	2,776	4,409	4,158	3,933
Growth	-44.8%	111.2%	58.8%	-5.7%	-5.4%
EPS (bonus-adjusted, VND)	578	1,222	1,940	1,830	1,731
Growth	-44.8%	111.2%	58.8%	-5.7%	-5.4%
ROE	4.4%	8.7%	12.4%	10.4%	9.0%
ROIC	4.5%	8.6%	11.0%	7.9%	7.2%
Net debt/EBITDA (times)	-0.1	-0.8	-0.2	0.2	0.3
EV/EBITDA (times)	13.9	9.5	7.5	8.3	7.9
PER (times)	32.2	15.2	9.6	10.2	10.7
PBR (times)	1.4	1.3	1.1	1.0	0.9
DPS (VND)	0	0	0	0	0
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%

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Our Recommendation System

BUY: Expected prospective total return (including dividends) in VND will be 20% or more within 12 months

OUTPERFORM: Expected prospective total return (including dividends) in VND will be from 10% to 20% within 12 months

NEUTRAL: Expected prospective total return (including dividends) in VND will be from -10% to 10% within 12 months

UNDERPERFORM: Expected prospective total return (including dividends) in VND will be from -20% to -10% within 12 months

SELL: Expected prospective total return (including dividends) in VND will be less than -20% within 12 months

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