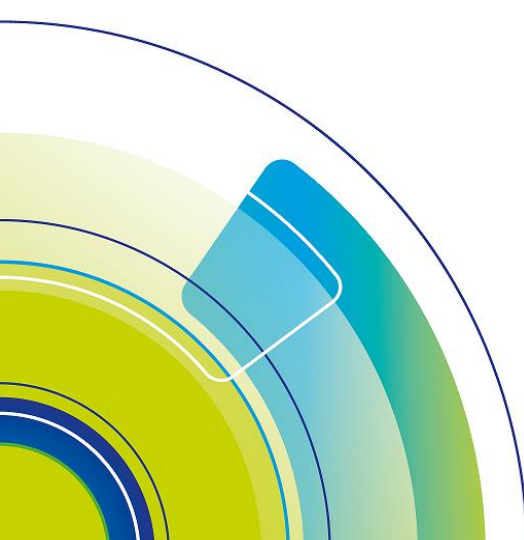




NLG Update - OUTPERFORM

Wednesday, August 21, 2024



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Company Update

Recommendation **OUTPERFORM**
HOSE: NLG
Property
Current price (VND) **40,600**
Target price (VND) **46,900**

Expected share price return 15.5%

Expected dividend yield 1.2%

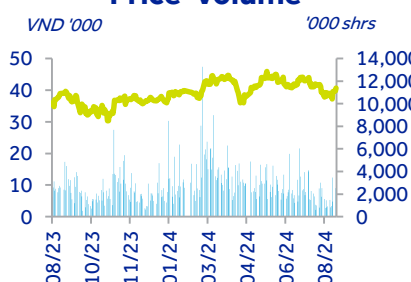
Expected total return **16.7%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	12.0	-1.1	-5.9	14.7
Relative	-1.8	-1.7	-6.3	4.6

Source: Bloomberg

Price-Volume



Ownership

Mr. Nguyen Xuan Quang (Chairman)	10.5%
Ibworth Pte Ltd	8.2%
Dragon Capital and related parties	6.9%

Stock Statistics 20-Aug-24

Bloomberg code	NLG VN
52-week range (VND)	29,200 - 46,150
Shares O/S (m)	384.8
Mkt cap (VND bn)	15,622
Mkt cap (USD m)	623
Foreign room left (%)	1.0
Est. free float (%)	55.3
3m avg daily vol (shrs)	2,351,621
VND/USD	25,080
Index: VNIndex / HNX	1272.55/238.23

NAM LONG INVESTMENT CORPORATION (NLG VN)

2Q2024 profit mainly came from the 25% transfer transaction at Paragon Dai Phuoc project. Revise down NPATMI 2024 forecast by 11% to VND 535bn (+11% YoY). Roll forward valuation to 2025 with a target price of VND46,900/share and change our rating from Buy to Outperform as stock price increased by 14% since our update report in April, 2024.

NLG reported 2Q2024 revenue of VND252bn (-74% YoY) and NPATMI of VND145bn (+20% YoY). The decline in revenue was mainly due to lower units delivered (70 units at Southgate, Izumi and Akari compared with 99 units in 2Q2023). The increase in NPATMI was mainly thanks to financial profit of VND231bn from a 25% transfer transaction at Paragon Dai Phuoc to Nishi Nippon Railroad with a value of VND662bn.

NLG completed only 7% of 2024's revenue target and 13% of profit target in 1H2024. The company posted low result in 1H2024 with revenue of VND457bn (-62% YoY) and NPATMI of VND68bn (-47% YoY) given the majority of revenue and profit will be booked in the 4Q2024 when around 70% of Akari – Phase 2 is delivered with estimated revenue of VND3.4trn.

Sales performance continued to recover. In 2Q2024, NLG sold 648 units (+46% QoQ and +286% YoY) with a total value of over VND1.5trn (+29% QoQ and +140% YoY), of which Southgate and Akari were two best sellers, contributing 45% and 37% to total sales value, respectively. For 1H2024, NLG sold nearly 1,100 units (5 times higher than 1H2023) with a total value of nearly VND2.7trn (three times higher than 1H2023). We expect 2024 presales at around VND6.4trn (+61% YoY) and 2025 presales at VND9.7trn (+52% YoY).

NLG's financial health was still in a good position. In 1H2024 net debt increased by VND975bn, to over VND6.5trn and Net debt/Equity ratio increased from 18.6% to 26.2%, in line with the sector median of 26.7%. In 3Q2024, the company plans to have 2 tranches of private issuance of corporate bonds with a total value of VND950bn (VND500bn and VND450bn) for 36 months, fixed interest rate of 9.78%/year in the first four terms and fluctuated interest rate for the following terms. The proceed is used to pay back the principal of VND950bn corporate bonds due in Sep 2024.

Given deliveries at Southgate and Izumi was under our expectation and delivery at Can Tho project depends on land use fee payment progress, we adjust 2024 estimated revenue down by 12% to VND5,341bn and NPATMI by 11% to VND535bn. For 2025, we expect revenue at VND6,234bn (+17% YoY) and NPATMI at VND586bn (+10% YoY) thanks to deliveries at Southgate, Akari, Can Tho, Mizuki and Izumi projects. Using the NAV method, we roll forward target price to VND46,900 at YE2025, up by 9% compared to the 2024 target price. Change our rating from Buy to Outperform as stock price increased by 14% since our update report in April, 2024.

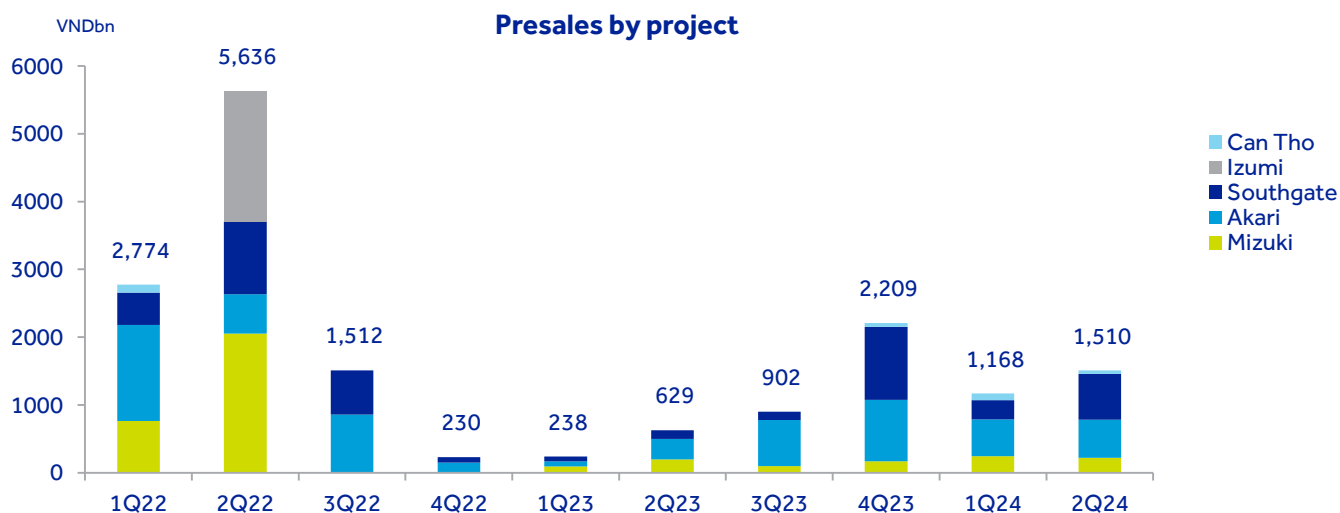
	2021	2022	2023	2024F	2025F
Net Sales (VNDbn)	5,206	4,339	3,181	5,341	6,234
Growth	134.8%	-16.6%	-26.7%	67.9%	16.7%
EBITDA (VNDbn)	811	865	630	989	1,422
Growth	213.0%	6.6%	-27.1%	56.9%	43.8%
NPATMI (VNDbn)	1,071	556	484	535	586
Growth	28.3%	-48.1%	-13.0%	10.6%	9.6%
EPS (bonus-adjusted, VND)	3,188	1,426	1,171	1,315	1,440
Growth	14.8%	-55.3%	-17.9%	12.2%	9.6%
ROE	12.0%	6.1%	5.1%	11.1%	11.9%
ROIC	6.0%	2.2%	2.1%	2.3%	2.4%
Net debt/EBITDA (x)	-0.3	0.5	4.0	3.8	3.0
EV/EBITDA (x)	23.6	22.1	30.3	19.3	13.4
PER (x)	12.7	28.5	34.7	30.9	28.2
PBR (x)	1.7	1.7	1.7	1.6	1.6
DPS (VND)	1,178	500	500	500	500
Dividend Yield	2.9%	1.2%	1.2%	1.2%	1.2%

Sales performance continues to recover

NLG's presales hit the bottom in 4Q2022 and 1Q2023 and started to recover from 2Q2023 when interest rate was adjusted to an affordable level and market sentiment improved. In 2Q2024, NLG sold 648 units (+46% QoQ and +286% YoY) with a total value of over VND1.5trn (+29% QoQ and +140% YoY), of which Southgate and Akari were two best sellers, accounting for 45% and 37% of total sales value, respectively.

For 1H2024, NLG sold nearly 1,100 units (five times higher than 1H2023) with a total value of nearly VND2.7trn (three times higher than 1H2023). Akari (292 units sold with presales of VND1,108bn) and Mizuki (522 units sold with presales of VND958bn) were two main contributors in the 1H2024 presales.

We expect 2024 presales at around VND6.4trn (+61% YoY) and 2025 presales at VND9.7trn (+52% YoY) with assumptions that interest rate will be stable at the current level and market sentiment will continue to improve.



Source: NLG, ACBS.

Currently Nam Long has 12 projects with a total land area of 677ha, mainly in the south east of Vietnam. According to the management, in the next 3 years, NLG plans to expand its land bank by 150-200ha.

No.	Project	Location	Stake	Land area (ha)	GDV (VNDbn)	Product	Total units	% launch (estimated)	Progress at the end of 2Q2024
1	Mizuki	HCMC	50%	26.2	15,081	Valora	63	64%	Launched 13 blocks with over 2,800 Flora and 39 Valora. Accumulatively sold 98% and delivered 97% of the total units launched.
						Flora	4,264		
2	EhomeS Nam Sai Gon	HCMC	100%	2.6	1,700	EhomeS	1,765	89%	Launched 7 blocks, of which 6 blocks were sold out and 1 block was for lease. Accumulatively delivered 1,523 units.
3	Akari	HCMC	50%	8.5	16,184	Flora	5,096	70%	Phase 1: sold out and delivered 6 blocks with ~1,900 units Phase 2: nearly sold out 4 blocks with ~1,700 units. Expect to deliver from 10/2024.
4	Southgate (Waterpoint Phase 1)	Long An	65%	165.0	40,479	Valora	2,250	84%	Accumulatively sold 95% and delivered 73% of ~1,900 Valora launched
						Flora	6,590	0%	
5	Ehome Southgate	Long An	100%	3.4	1,562	EhomeS	1,357	100%	Accumulatively sold 97% and delivered 51%
6	Waterpoint (Phase 2)	Long An	100%	190.0	108,387	Valora	862	0%	Waiting for 1/500 Plan
						Flora	14,213		
7	Nam Long Central Lake	Can Tho	100%	40.0	4,151	Valora	264	24%	Launched 210 units in 2021 and accumulatively sold 99%. Pending land use fee payment. Expect to deliver from 2H2024.
						Land lot	617		
8	EhomeS Nam Long Can Tho	Can Tho	100%	3.8	1,389	EhomeS	1,590	61%	Received construction permit in 8/2023 and sales permit in 10/2023. Accumulatively sold 206 units with a total value of VND205bn
9	Paragon Dai Phuoc	Dong Nai	50%	45.0	13,775	Valora	518	0%	The divestment of 25% stake with revenue of VND663bn and profit of VND231bn was booked in 2Q2024. Waiting to adjust 1/500 Plan.
10	Izumi City	Dong Nai	65%	170.0	71,884	Valora	2,687	10%	Launched and sold out 275 units in 2022. Accumulatively delivered 179 units.
						Flora	7,931	0%	
11	Nam Long Hai Phong 1	Hai Phong	50%	21.0	11,525	Valora	739	0%	
12	Nam Long Hai Phong 2	Hai Phong	100%	1.5	1,627	Ehome	2,159	0%	
						Ehome	887	0%	

Source: NLG, ACBS.

Note: NLG has three main products Ehome and EhomeS (USD24,000-70,000/apartment), Flora (USD110,000-160,000/apartment) and Valora (from USD150,000/townhouse or villa)

Forecast and valuation

Given deliveries at Southgate and Izumi was under our expectation and delivery at Can Tho project depends on land use fee payment progress, we adjust 2024 estimated revenue down by 12% to VND5,341bn and NPATMI by 11% to VND535bn. For 2025, we expect revenue at VND6,234bn (+17% YoY) and NPATMI at VND586bn (+10% YoY) thanks to deliveries at Southgate, Akari, Can Tho, Mizuki and Izumi projects. The 2025 forecast did not include a potential transfer transaction of 8.9ha at Southgate project to Aeon. Using the NAV method, we roll forward target price to VND46,900 at YE2025, up by 9% compared to the 2024 target price. Change our rating from Buy to Outperform as stock price increased by 14% since our update report in April, 2024.

NLG FINANCIALS MODEL	Price (VND):	40,600	Target (VND):	46,900	Mkt cap (VND bn):	15,622
(VND bn except where stated)	2021	2022	2023	2024F	2025F	
Total Net Sales	5,206	4,339	3,181	5,341	6,234	
<i>Sales growth</i>	<i>134.8%</i>	<i>-16.6%</i>	<i>-26.7%</i>	<i>67.9%</i>	<i>16.7%</i>	
CoGS ex-dep'n	3,397	2,319	1,571	2,931	3,313	
Gross profit	1,778	1,984	1,562	2,357	2,862	
<i>Gross margin</i>	<i>34.2%</i>	<i>45.7%</i>	<i>49.1%</i>	<i>44.1%</i>	<i>45.9%</i>	
SG&A	997	1,155	980	1,421	1,499	
<i>SG&A as % of sales</i>	<i>19.2%</i>	<i>26.6%</i>	<i>30.8%</i>	<i>26.6%</i>	<i>24.0%</i>	
EBITDA	811	865	630	989	1,422	
<i>EBITDA margin</i>	<i>15.6%</i>	<i>19.9%</i>	<i>19.8%</i>	<i>18.5%</i>	<i>22.8%</i>	
Depreciation	30	36	49	54	59	
Operating profit	872	854	1,000	1,022	1,410	
<i>Operating profit margin</i>	<i>16.8%</i>	<i>19.7%</i>	<i>31.4%</i>	<i>19.1%</i>	<i>22.6%</i>	
Financial income (excl. saving interest)	401	245	102	232	-	
Financial expenses (excl. interest expense)	10	51	18	-	-	
Net interest expense	58	7	142	164	202	
Profit/loss from associates and JVs	91	25	418	87	47	
Other profit	435	29	(20)	-	-	
Tax	162	204	121	218	242	
<i>Effective tax rate</i>	<i>9.9%</i>	<i>19.1%</i>	<i>13.1%</i>	<i>20.0%</i>	<i>20.0%</i>	
Minority interest	407	309	317	337	380	
NPATMI	1,071	556	484	535	586	
<i>Net profit margin</i>	<i>20.6%</i>	<i>12.8%</i>	<i>15.2%</i>	<i>10.0%</i>	<i>9.4%</i>	
Cash earnings	1,101	592	533	589	645	
Number of shares (m)	383	384	385	385	385	
EPS (VND)	3,188	1,426	1,171	1,315	1,440	
Bonus factor (x)	1.0	1.0	1.0	1.0	1.0	
Adjusted EPS (VND)	3,188	1,426	1,171	1,315	1,440	
<i>EPS growth</i>	<i>14.8%</i>	<i>-55.3%</i>	<i>-17.9%</i>	<i>12.2%</i>	<i>9.6%</i>	

KEY CASHFLOW AND BS ITEMS	2021	2022	2023	2024F	2025F
Increase in working capital	7,609	-1,046	2,153	2,574	1,045
Capex	19	73	23	23	23
Other cash flow items	5,818	-1,898	-268	1,000	-
Free cash flow	-709	-333	-1,911	-1,008	-423
Share issues (m)	2,637	187	0	0	0
Dividends paid	333	521	187	192	192
Increase in net debt	-1,596	666	2,099	1,201	616
Net debt, end of year	-247	419	2,517	3,718	4,333
Shareholders' equity	13,528	13,315	13,533	13,876	14,270
BVPS (VND)	23,318	23,407	24,386	25,004	25,714
<i>Net debt / equity</i>	<i>-1.8%</i>	<i>3.1%</i>	<i>18.6%</i>	<i>26.8%</i>	<i>30.4%</i>
<i>Net debt / EBITDA (x)</i>	<i>-0.3</i>	<i>0.5</i>	<i>4.0</i>	<i>3.8</i>	<i>3.0</i>
Total assets	23,618	27,085	28,611	30,155	31,164

KEY RETURN AND VALUATION RATIOS	2021	2022	2023	2024F	2025F
<i>ROE</i>	<i>12.0%</i>	<i>6.1%</i>	<i>5.1%</i>	<i>11.1%</i>	<i>11.9%</i>
<i>ROA</i>	<i>5.7%</i>	<i>2.2%</i>	<i>1.7%</i>	<i>1.8%</i>	<i>1.9%</i>
<i>ROIC</i>	<i>6.0%</i>	<i>2.2%</i>	<i>2.1%</i>	<i>2.3%</i>	<i>2.4%</i>
<i>WACC</i>	<i>12.7%</i>	<i>12.5%</i>	<i>11.9%</i>	<i>11.5%</i>	<i>11.4%</i>
<i>EVA</i>	<i>-6.7%</i>	<i>-10.3%</i>	<i>-9.8%</i>	<i>-9.2%</i>	<i>-8.9%</i>
<i>PER (x)</i>	<i>12.7</i>	<i>28.5</i>	<i>34.7</i>	<i>30.9</i>	<i>28.2</i>
<i>EV/EBITDA (x)</i>	<i>23.6</i>	<i>22.1</i>	<i>30.3</i>	<i>19.3</i>	<i>13.4</i>
<i>EV/FCF (x)</i>	<i>-27.0</i>	<i>-57.4</i>	<i>-10.0</i>	<i>-19.0</i>	<i>-45.2</i>
<i>PBR (x)</i>	<i>1.7</i>	<i>1.7</i>	<i>1.7</i>	<i>1.6</i>	<i>1.6</i>
<i>PSR (x)</i>	<i>3.0</i>	<i>3.6</i>	<i>4.9</i>	<i>2.9</i>	<i>2.5</i>
<i>EV/sales (x)</i>	<i>3.7</i>	<i>4.4</i>	<i>6.0</i>	<i>3.6</i>	<i>3.1</i>
<i>Dividend yield</i>	<i>2.9%</i>	<i>1.2%</i>	<i>1.2%</i>	<i>1.2%</i>	<i>1.2%</i>

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DISCLAIMER

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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