

Vietnam

ADD (previously NOT RATED)

Consensus ratings*: Buy 6 Hold 2 Sell 0

Current price:	VND89,500
Target price:	VND104,300
Previous target:	N/A
Up/downside:	16.5%
CGS-CIMB / Consensus:	4.5%
Reuters:	VHM.HM
Bloomberg:	VHM VN
Market cap:	US\$12,920m
	VND299,781,504m
Average daily turnover:	US\$2.44m
	VND56,703m
Current shares o/s:	3,350m
Free float:	10.4%

*Source: Bloomberg

Key changes in this note

➤ N/A



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.9	12.6	8.7
Relative (%)	3.3	10	11

Major shareholders	% held
Vingroup JSC	69.7
GIC	5.7

Analyst(s)

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Vinhomes JSC

Time to appear on investors' radar

- Vinhomes JSC (VHM) has a land bank of 16,400ha (as of 2018) which should sustain at least 15 years of development, in our view.
- We expect a 64.9% CAGR in contracted value in FY18-21F with major contribution from its sizeable mid-range projects.
- We expect strong delivery from mid-range projects to fuel 36.7% net profit CAGR in FY18-21F.
- We initiate coverage of VHM with an Add rating and RNAV-based TP of VND104,300 due to positive presales outlook and attractive valuation.

Sizeable land bank to secure pipeline for at least 15 years

Vinhomes' (VHM) total land bank, including land under acquisition, was 16,400ha as of 2018, and is located in eight cities in Vietnam. This highlights its strong land acquisition and master planning capability, in our view. As at end-2018, as much as 91% of its total land bank had not been deployed yet, including mega projects like Cu Chi, Green Ha Long and Long Beach Can Gio. We expect these projects to be executed in FY20-36F and estimate gross development value (GDV) of VND2,625tr (US\$112bn).

Giant enters the mid-range housing market

VHM debuted its first two mid-range projects (Ocean Park and Smart City) in late 2018, while another was launched in District 9 of Ho Chi Minh City (HCMC) in Jul 2019. In total, VHM currently has six mid-range projects in the pipeline with total NSA of 20m sq m to be presold in FY18-25F. The projects are meant to tap into housing demand from >100,000 newly formed households every year in the cities. We forecast an 87.5% CAGR in mid-range project presales in FY18-21F, owing to smaller ticket size and long mortgage tenor. This also spurs our total presales forecast of 64.9% CAGR in FY18-21F.

Solid earnings outlook for FY19-21F

We forecast VHM's FY19F revenue to rise by 29.4% yoy, underpinned by the announcement of bulk sales at Ocean Park and Smart City amounting to VND28.8tr based on our estimates. We expect 36.6% yoy growth in FY19F net profit, of which 59% could come from bulk sales transactions. In the longer term, we expect net profit CAGR of 36.7% in FY18-21F, driven by deliveries of mid-range projects. We expect FY19-21F ROE to be sustained above 35%, but believe it will track below the FY18 level (57%) due to the high-base effect caused by aggressive project deliveries in FY18.

Initiate with Add and RNAV-based TP of VND104,300

We initiate coverage on VHM with an Add rating due to positive presales outlook on mid-range projects and its attractive valuations. We believe it deserves a closer look from investors seeking a long-term opportunity, powered by the monetisation of VHM's sizeable land bank. Downside risks: 1) slower-than-expected presales; 2) surge in mortgage rates and 3) slow approval of building permits.

Financial Summary	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues (VNDb)	15,297	38,806	50,232	79,719	128,113
Operating EBITDA (VNDb)	3,539	7,580	17,178	27,035	47,774
Net Profit (VNDb)	1,410	14,234	19,444	24,886	36,398
Core EPS (VND)	5,639	4,551	5,805	7,430	10,867
Core EPS Growth	(14.5%)	(19.3%)	27.6%	28.0%	46.3%
FD Core P/E (x)	15.87	19.67	15.42	12.05	8.24
DPS (VND)	0.0	0.0	1,000.0	1,000.0	1,000.0
Dividend Yield	0.00%	0.00%	1.12%	1.12%	1.12%
EV/EBITDA (x)	11.12	41.33	19.41	12.69	7.27
P/FCFE (x)	NA	NA	32.5	249.1	81.2
Net Gearing	136%	59%	40%	37%	26%
P/BV (x)	3.24	6.94	5.06	3.71	2.63
ROE	31.0%	56.8%	38.0%	35.5%	37.4%
% Change In Core EPS Estimates					
CGS-CIMB/Consensus EPS (x)			1.06	0.95	1.08

SOURCES: VND RESEARCH, COMPANY REPORTS

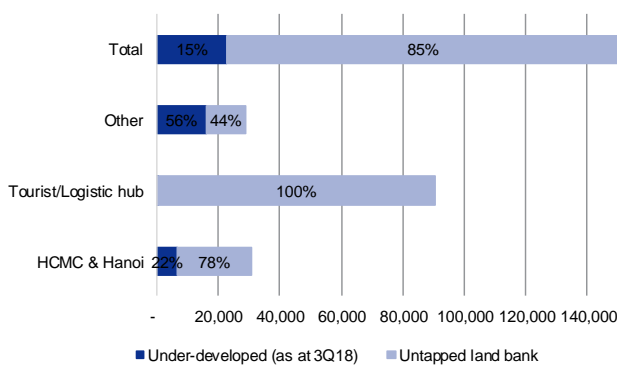
Time to appear on investors' radars

Sizeable land bank to fuel an ambitious strategy

VHM is leading land acquisitions in the housing market >

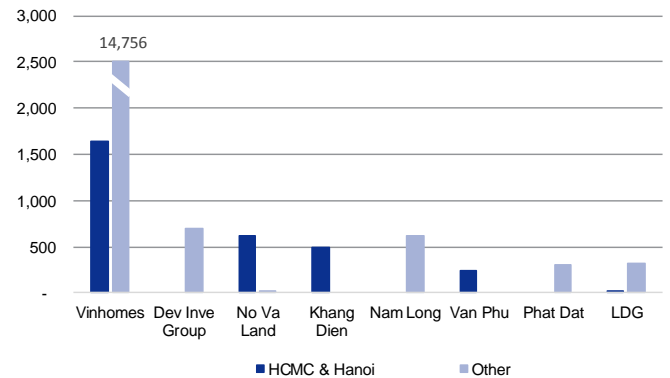
At the time of its IPO in 2018, VHM announced it had 16,400ha land bank, not only in its traditional markets, such as Hanoi and HCMC, but also in strategic locations in Ha Long, Hai Phong, and other second-tier cities. Excluding the projects under development at the end of 2018, VHM's untapped land bank remains more than 20x that of the next biggest developer. In the past, VHM's high-end projects were usually located in prime locations within 10km radius of central business districts (CBDs) to benefit from existing infrastructure and surround public facilities. However, non-CBD land bank acquisition was a big step to help VHM diversify market risk and be a first-mover in most of the second-tier cities, while other developers have been paying too much attention to the traditional top-tier markets, in our view.

Figure 1: VHM's land bank (ha) usage by location as at Dec 2018



SOURCES: VND RESEARCH, COMPANY REPORTS

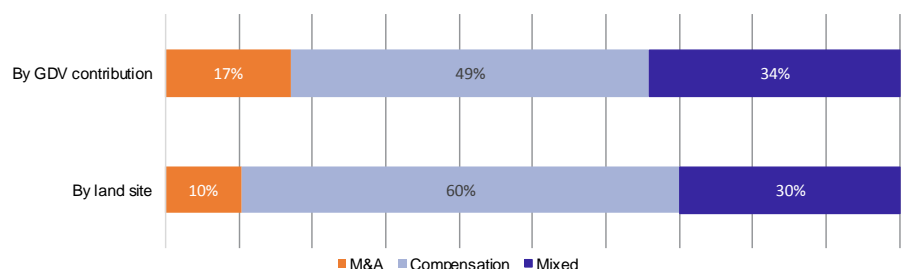
Figure 2: Local residential developers' untapped land bank (ha) as at 31 Dec 2018



SOURCES: VND RESEARCH, COMPANY REPORTS

In Vietnam, we understand that different types of land require different procedures to successfully obtain the land use right (LUR). This means that peers would need more time and financial resources to master one of the channels and create a core driver for their long-term strategy. In fact, VHM's land bank was variably sourced from state land divestment, or exchanged for public infrastructure built by VHM, or re-purchased from private landlords. The group has shown unparalleled land acquisition capability, empowered by its superior financial position, proven brand and wide access to several types of land while most local peers tend to stick to only one. This also explains management's strong confidence in mega projects that require sizeable capital resources and skilled legal teams to secure LUR and building permissions.

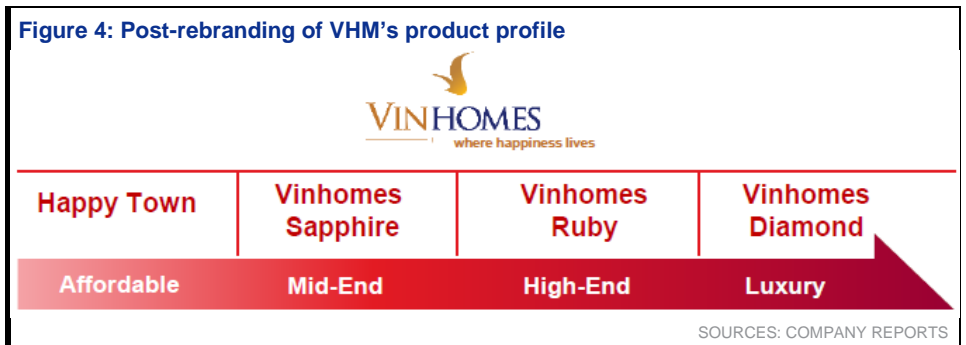
Figure 3: VHM's land bank and project gross development value (GDV) by acquisition channel (as at Dec 2018)



SOURCES: VND RESEARCH, COMPANY REPORTS

Development strategy for mass penetration ➤

In Mar 2019, VHM announced changes to its long-term development strategy and product branding to better reach its target customers in different market segments. Significant changes include changing the name of its Vincity projects to Vinhomes Sapphire to improve buyer perception, although product specifications remain the same in our view. Traditional high-end or upper mid-range products are now under Vinhomes Ruby and Diamond brands, which focus on high income households. The Happy Town brand is still in the brainstorming stage for concept development, which basically focuses on providing affordable housing solutions for low- to middle-income workers in industrial towns.



We believe its new development strategy improves the brand position of VHM's products and enables it to better target a specific buyer profile. However, we think it would be easier to evaluate VHM's presales growth by grouping together projects that share similar key elements which drive the market such as location, buyer purpose, affordability and their preferred product format. We believe projects in the pipeline can be divided into three different strategic categories, each with different supply and demand dynamics. The first focuses on maximising buyer privilege and premier living experiences in the heart of prime cities, which, in our view, is which VHM has done best in the past. The second focuses on providing housing solutions for middle-income buyers, which have rapidly increased in major cities due to hyper urbanisation and job migration. The last category comprises projects designed to capture the wave of tourism or industrial parks to boost the economy and attract investors in lower-tier cities.

Figure 5: Project category specification

Category	I	II	III
Market	HCMC & Hanoi	HCMC & Hanoi	Low-tier cities
Key market drivers	Land bank, Buyer perception	Population, mortgage rate, infrastructure	Infrastructure, Industry/Tourism
Buyer purchasing criteria	Privillage, capital gain	Affordability	Investment income, second weekend home
Occupation purpose (in black)			
Buyer preference for condo (in black)			
Location	Urban, CBD	Sub-urban	Sub-urban, rural
Project size	Medium - Large	Large - Mega	Medium - Mega
Vinhomes brand	Diamond, Ruby	Sapphire, Ruby, Diamond	Sapphire, Ruby

SOURCES: VND RESEARCH

The 1st category: The high-end Vinhomes

Vinhomes is the residential real estate brand used by its parent- Vingroup (VIC VN, Not Rated, CP: VND120,100) to penetrate the local high-end residential market after its success in the hospitality and retail segments. VHM's high-end Vinhomes projects have now been divided into Vinhomes Diamond and Ruby with selling prices above US\$2,000 per sq m in order to better capture specific customer profiles, as well as to make them distinct from the mid-range Vinhomes projects. The projects are designed to provide high quality construction, luxury interiors, and fully integrated amenities from the group's eco-system. They are in prime locations, with easy access to public transportation which enables buyers to commute to their work places quickly and easily. As at Dec 2018, there were five completed high-end Vinhomes projects in Hanoi and HCMC, including the symbolic Landmark 81 building.

Figure 6: Fully-occupied Vinhomes Times City with mega mall and Vinpearl aquarium beneath the buildings



SOURCES: WWW.TRAVELOKA.COM

Figure 7: Established Vinhomes Central Park with skydeck Landmark 81 and signature riverside park



SOURCES: BATDONGSAN.COM

High-end development limited in HCMC ➤

Based on a market study of CBRE Vietnam (a well-recognised real estate agency, Unlisted), high-end apartments witnessed positive momentum in HCMC, with an 81% yoy increase in transaction volume to 12,381 units in 2018 as new projects were put on the market. Hanoi, in fact, reported the segment's sales volume falling 21% to 5,608 units last year, less than half of HCMC. We believe this is because HCMC is well diversified in terms of building concepts and buyers are attracted by the higher investment yield compared to the poor performance of Hanoi's market. However, as stated in our report, **2019 Navigating Vietnam (Jan 2019)**, we believe scarcity of land bank and a tense regulatory environment could hinder new developments in HCMC, and the situation could be even more serious in the CBD area where high-end projects are usually located. We think Hanoi and second-tier cities may be a good option for developers to replenish land bank and secure future presales.

The company currently has five high-end projects in Hanoi and another three in HCMC in the pipeline, for which ground-breaking and presale launches are expected to take place in FY19-20F. In 2018, VHM's projects in HCMC saw slow progress in obtaining construction permits, while others had almost no trouble in starting presales, such as Ocean Park, Smart City, and West Point. This has clearly reduced the risk of not meeting its presales targets for upcoming projects, in our view, while HCMC may only contribute 8% to our estimated total GDV from high-end projects launched in FY19-20F under this project category.

Figure 8: High-end developments of VHM in major cities

As at 30 Jun 2019									
No.	Project name	Location	Land size (ha)	Product	NSA ('000 sqm)	Units*	Est. GDV* (VNDtr)	Take-up rate	Project completion status
1	Royal City	Hanoi	12.1	Condominium	520	22	22.4	100%	Completed
2	Times City	Hanoi	36.4	Condominium	1,094	14,587	39.9	100%	Completed
3	Gardenia	Hanoi	17.6	Condominium & villa	326	3,155	12.7	100%	Completed
4	Metropolis	Hanoi	3.5	Condominium	142	1,893	10.7	100%	Completed
5	Green Bay	Hanoi	26.6	Condominium	291	1,960	15.8	100%	Completed
6	The Harmony	Hanoi	97.5	Condominium & villa	468	4,680	20.3	100%	Completed
7	Sky Lake	Hanoi	2.3	Condominium	252	1,680	7.9	100%	Project was 40% delivered still 1H19 and will complete handover in 2019
8	West Point	Hanoi	2.4	Condominium	129	1,322	6.1	100%	Project is expected to start delivery in 2020
9	Central Park	HCMC	41.6	Condominium & villa	963	12,382	51.7	100%	Completed
10	Golden River	HCMC	15.8	Condominium & villa	248	2,815	24.6	100%	Construction was completed. Handover status reached 94% still 2H19 and will be completed in 2019
11	Galaxy	Hanoi	11.0	Condominium	632	8,427	32.7	0%	First launch will be in 2H19
12	Sai Dong	Hanoi	4.4	Condominium	129	1,720	4.6	0%	First launch will be in 2019
13	Gallery	Hanoi	6.8	Condominium	408	5,440	26.7	0%	First launch will be in 2019
14	Ky Hoa	HCMC	6.6	Condotel	129	1,720	6.7	0%	First launch will be in 2019
15	Landmark	HCMC	0.6	Service apartment	48	640	2.4	0%	First launch will be in 2019
16	Me Tri 2	Hanoi	74.0	Condominium & villa	350	1,750	31.7	0%	First launch will be in 2020
17	Co Loa	Hanoi	317.3	Villa	2,660	8,867	52.1	0%	First launch will be in 2020
18	Leman Golf	HCMC	200.0	Golf villa	138	307	3.2	0%	First launch will be in 2020

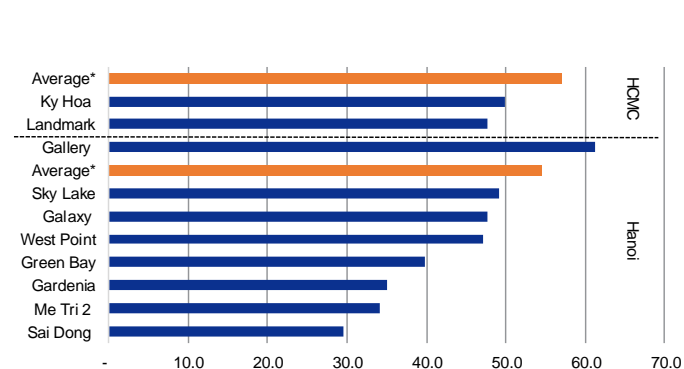
(*) Figures are based on our estimate/assumption

SOURCES: VND RESEARCH, COMPANY REPORTS

Reasonable pricing and attractive yields to spur VHM's high-end project presales

As the key location for VHM's upcoming high-end projects, Hanoi's CBD has been filled by many high-density buildings with poor construction quality built in the last decade due to poor zoning and development approvals easily obtained by inexperienced developers. Looking at the company's draft designs for upcoming projects, we expect VHM to continue to implement its successful architectural concept proven by the company's two sold-out projects in HCMC (Golden River, and Central Park) despite a higher degree of competition from both domestic and foreign developers. In fact, as at 2Q19 the ASP of high-end Vinhomes condos in VHM's pipeline tracks below the average for high-end condos in Hanoi (CBRE Vietnam), except for Gallery due to its close proximity to Hanoi's CBD. Therefore, we strongly believe that its reasonable prices and better building quality could help VHM quickly secure presales while penetration of foreign developers in the city is still low according to their current project pipeline.

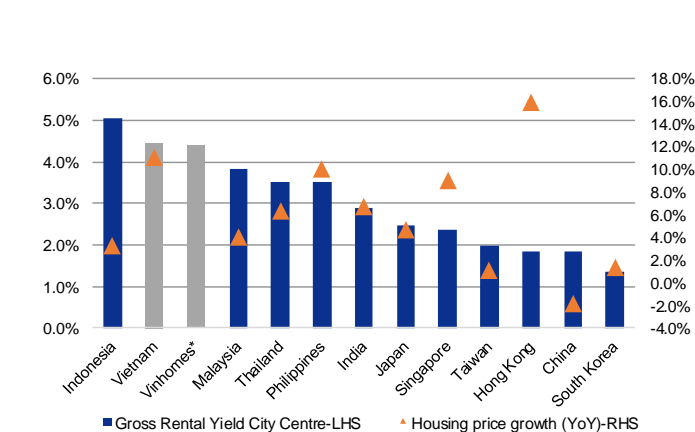
Figure 9: Vinhomes apartment ASPs (VNDm per sq m) seem to be at reasonable levels given the building quality and prime locations



(*) Prices are based on average price for high-range apartment reported by CBRE in 2Q19.

SOURCES: VND RESEARCH, COMPANY REPORTS, CBRE VIETNAM

Figure 10: Yields attract foreign investors in regional property market



(*) Based on average current asking rental rates of completed Vinhomes projects

SOURCES: NUMBEO, GLOBAL PROPERTY GUIDE, SAVILLS, BATDONGSAN.COM.VN

Gross rental yields for high-end apartments in Hanoi and HCMC are around 4-5% (as at Dec 2018) and potential capital gains are above 10% (according to CBRE Vietnam), turning Vietnam into one of the region's best destinations for real estate investment, in our view. We also note that completed Vinhomes projects currently offer higher rental yields than most regional peer markets. This could also explain why signature luxury projects like Vinhomes Golden River and West Point were reported to quickly reach the 30% foreign ownership limit implemented in 2015. Buyers who were unable to purchase condos because of the ownership cap have now agreed to sign long-term lease agreements with a 30-year tenor. We believe there will be a shortage of land bank in prime locations in the next five years and well-located projects in Hanoi and HCMC are likely to enjoy higher rental yields and property value appreciation. This could draw foreign investors to VHM's high-end projects in HCMC and Hanoi in the long-term.

More high-end presales to be seen in Hanoi ➤

In 2019F, VHM plans to launch three Vinhomes high-end projects in Hanoi with total net saleable area (NSA) of 1.2m sq m and two projects in HCMC, with total NSA of 177,000 sq m. The pipeline includes 15,500 and 2,360 apartments in both cities, respectively. Gallery, Galaxy, Me Tri 2, and Co Loa projects account for 89% of total GDV in the segment pipeline due to their sizeable scale of development and superior selling price given their prime locations. We expect VHM's selling prices to be VND40m-70m/sq m for apartments, with the highest prices for its Gallery project in downtown Hanoi. We believe Vinhomes villa/townhouse presales this year are likely to come mainly from Co Loa, at our estimated selling price of VND18m/sq m of NSA, located in a suburban area 15 km north of Hanoi's CBD.

Based on each project's execution time and market absorption, we project VHM would have 3,914 apartments and a few villas sold in 2019F with major contribution from Hanoi projects. We expect high absorption of VHM's high-end condos, thanks to the optimisation between selling price, quality and location. We estimate that this could result in VND16.2tr worth of FY19F presales booked as revenue in FY20-21F. We also believe high-end Vinhomes projects could account for 80-90% of Hanoi's high-end apartment transaction volumes, based on CBRE's forecast for 2019-21. We believe VHM can easily replicate its success in HCMC of outperforming local developers and gain high volume share in Hanoi, where fewer foreign developers are participating compared to HCMC. We think presales could see a sharp improvement in FY20-21F, thanks to the launch of large-scale projects like Co Loa and Leman Golf, with more contribution from landed products.

Figure 11: High-end Vinhomes retail presales

	2018A	2019F	2020F	2021F	2022F	2023F
Presale volume by product (units)						
Apartment	1,761	3,914	4,573	4,573	3,885	3,442
Villa/townhouse	1,202	36	1,915	1,915	1,915	1,915
Total	2,963	3,950	6,488	6,488	5,800	5,358
Presale volume by location (units)						
HCMC	331	664	664	664	320	49
Hanoi	1,430	3,250	3,909	3,909	3,565	3,393
Total	1,761	3,914	4,573	4,573	3,885	3,442
Presale value (VNDbn)						
Apartment	8,077	14,789	16,461	16,954	15,095	13,932
Villa/townhouse	6,972	1,435	12,023	12,384	12,756	13,138
Total	15,049	16,224	28,484	29,339	27,851	27,071

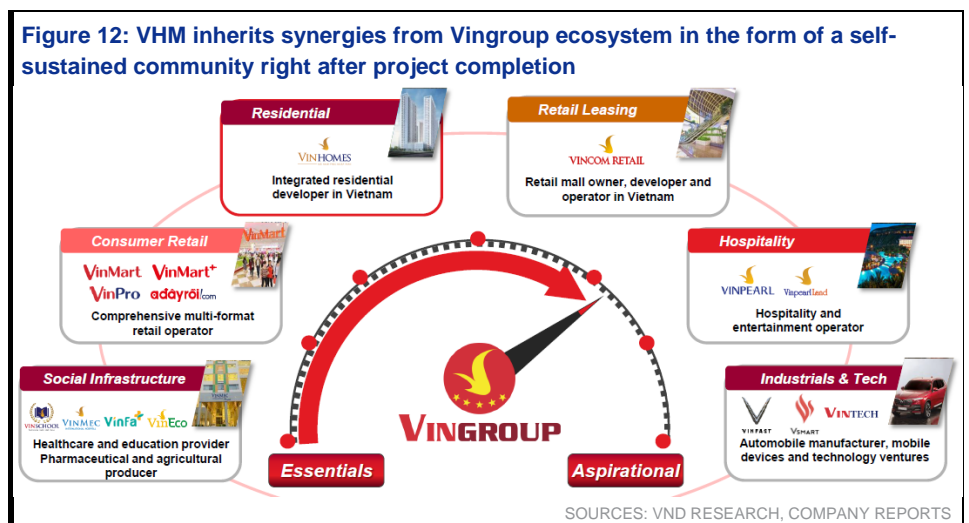
SOURCES: VND RESEARCH, COMPANY REPORTS

The 2nd category: Mass penetration into the mid-range segment

Mid-range condo and residential market >

We believe Vietnam’s mid-range residential property segment will continue to drive volume growth in the medium-to-long term, as we are positive on urban housing demand in Hanoi and HCMC. Higher incomes among buyers and easily access to mortgages continue to fuel home purchases, with unit value of no more than VND3bn. This is also supported by a surge in purchases of mid-range condos (with selling prices within US\$1,000-2,000 per sq m as at 2Q19). The transaction volume for this segment posted a 44% CAGR in 2012-18 while other segments showed declines in volume. In our view, population growth and hyper-urbanisation in HCMC and Hanoi will strongly cement mid-range condominium sales as long as mortgage rates and selling condo prices remain at manageable levels.

To achieve more sustainable growth from the surge in housing demand, the concept of Vinhomes Sapphire was introduced in 2018 with the aim of penetrating the high-volume mid-range segment. Meanwhile, Vinhomes Ruby and Diamond products target high-end homebuyers. The mid-range projects are located in suburban areas, around 10km from CBDs, but are still located close to existing or developing infrastructure for access to CBDs. Suburban locations with cheaper land cost allow VHM to maintain average condo prices near VND2bn per unit which is affordable for most mid-range buyers and thus ensures liquidity, in our view. These projects are the size of a regular township which is in line with state policy due to the decentralisation of urban areas as the government seeks to ease pressure on existing public infrastructure. Additionally, VHM benefits from synergies within Vingroup’s ecosystem and is able to quickly form self-sustained communities away from urban areas.



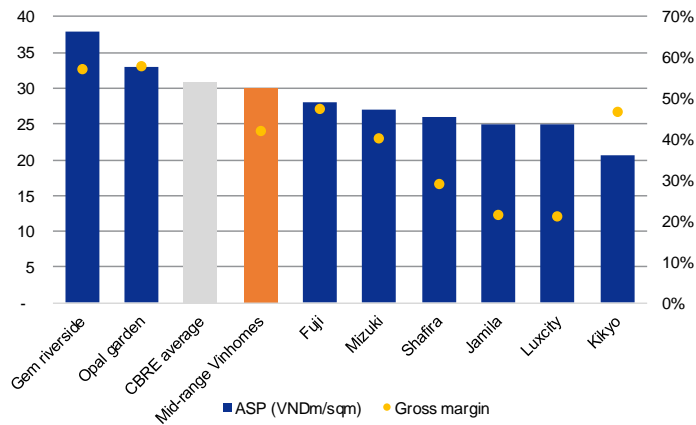
Excellent margins for large-scale mid-range development >

There are six mid-range projects in the current pipeline, with the first two launched at the end of 2018. These projects mainly offer mid-range apartments, with unit size of 30-80 sq m, and landed properties. It targets selling prices of around VND28m-35m/sq m for apartments, which is far below high-end Vinhomes products that are currently quoted at above VND40m/sq m. However, we believe that a few of the high-rises in these projects might be upgraded to Ruby or Diamond standard with higher selling prices if the developer sees enough demand for higher-class products. This may cause differences between actual selling prices and our expectation but in a positive way and on a minimal scale.

We expect VHM to achieve 35-40% gross margin for high-rise components in FY19-25F including in the higher-class condos, better than half of the comparable projects in the same range. This is likely to be due to: 1) lower building cost for condominiums as they have just one level of basement parking or separately built on-ground parking units, which cuts down construction cost by 2-3%, in our

opinion (buildings usually have two or three basement levels); 2) cheaper land cost for locations with low population density and underdeveloped infrastructure; and 3) the company's reputation and strong synergies within the Vingroup's ecosystem, for which management believes it deserves a premium selling price.

Figure 13: Mid-range Vinhomes aim for higher margins than the mid-range average (as at 2Q19)



SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 14: Typical mid-range Vinhomes condo section layout – parking unit to cut basements out of condominium buildings



SOURCES: VND RESEARCH, COMPANY REPORTS

Pioneer in providing financial aid to mid-range buyers ▶

VHM has established a prominent partnership with Techcombank (TCB VN, Add, TP: VND27,400) to provide financial assistance to both VHM's projects and buyers. Buyers of apartments are offered exclusive mortgage packages with tenors of up to 35 years, 10-15 years longer than most tenors offered by other banks. With the longer payment period, monthly mortgage payments are smaller and ease the burden on buyers. We ran the same affordability test as in our sector note, and found that based on our estimates, the monthly mortgage payment for a two-bedroom Sapphire apartment (average unit size of 60 sq m) would take 34% of the buyer's monthly household income, lower than the average mid-range condo purchases in both cities. This makes Vinhomes Sapphire a more affordable option for middle-income buyers, while also narrowing the gap between monthly rent payments and mortgage financed purchases as shown in our simulation below. However, this does not seem to work in Hanoi where rental rates are already way too low due to weak rental demand and a stronger preference for home ownership. Well-tailored products and a good branding strategy to re-educate buyers would be enough to win market demand, in our view, as this area has less peer participation in the segment compared to the south of the country.

Figure 15: Two-bedroom condo size and unit value at selected projects (as at Jun 19) - Compact apartment size to minimise ticket size for buyer's first home

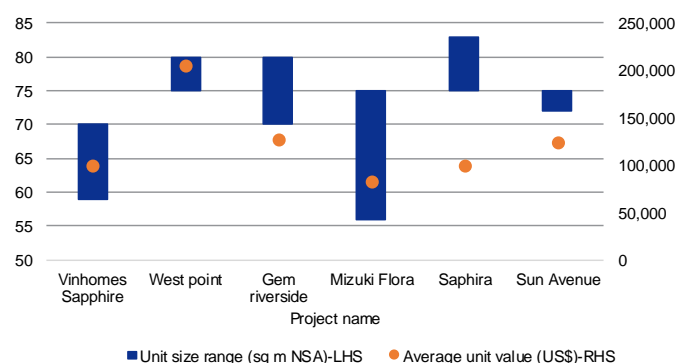
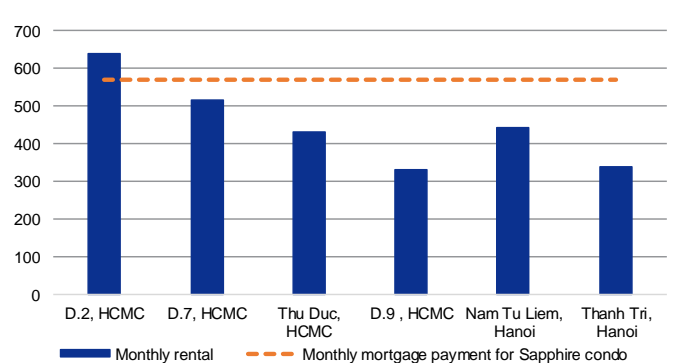


Figure 16: Average rental by location vs. mortgage payment for purchasing Sapphire condo (US\$ per two-bedroom condo) as at Jun 2019



Great kick-off in Hanoi but slow in HCMC ➤

As at 1Q19, two of the six Sapphire projects from its current pipeline have been listed for sale. Ocean Park and Smart City (Sportia) were the first two launched in the East and West of Hanoi at the end of 2018. In HCMC, a slower regulatory approval process put the project launch behind those in the North. Having been delayed from the initial launch in late 2018, Grand Park was officially launched in Jul 2019, while we expect Tay Tang Long and Cu Chi to only come on the market in 2020F and 2024F, respectively. Cu Chi will be the biggest project in the project category that VHM is investing in, in our view. The company targets to leverage the great flow of infrastructure investment into the West of HCMC. We believe that construction of the mega project will be rolled out gradually (each has around 15 building blocks) to scale down upfront costs. This would also give VHM time to adjust selling prices and volumes, based on actual market absorption, especially since mortgage rates and the market's overall supply could significantly impact sales volumes, in our view.

Figure 17: Summary of VHM's mid-range projects

As at 30 Jun 2019									
No.	Project name	Location	Land size (ha)	Product	NSA ('000 sqm)	Units*	Est. GDV* (VNDbn)	Take-up rate	Project completion status
1	Ocean Park	Gia Lam - Hanoi	420.0	Apartment	3,207	53,457	80,817	29%	Foundation is completed for the first 16 blocks and number of them already moved to the body construction. All low rise units and ~4,100 condos were sold to sub-developer in 2Q19.
				Villa	829	2,395	23,404	100%	
2	Smart city (Sportia)	Nam Tu Liem-Hanoi	281.0	Apartment	3,197	53,288	74,896	8%	Foundation works were completed for the first eight blocks in 1H19. Low-rise section will be opened for sales in FY20F based on our estimates. 2,700 condos was sold to sub-developer in 2Q19 under wholesale strategy.
				Villa	25	73	2,193	0%	
3	Grand Park	D. 9-HCMC	272.0	Apartment	2,592	43,500	74,774	39%	Launched in Jul 2019 with 10,000 condos sold to buyer and 6,900 condos sold to sub-developer. Low-rise section will be launched in 2H19F.
				Villa	745	1,600	18,603	0%	
4	Dan Phuong	Dan Phuong -Hanoi	126.0	Villa	891	2,546	16,181	0%	Launch will be in FY20F as licence is pending final approval before its foundation work.
				Apartment	219	3,650	5,966	0%	
5	Tay Tang Long	D. 9-HCMC	129.3	Apartment	569	9,483	25,833	0%	Land clearance and regulatory approvals are still ongoing for launch expected in FY20F.
6	Cu Chi	Hoc Mon -HCMC	923.8	Villa	2,163	6,476	75,216	0%	Land clearance and regulatory approvals are still ongoing for launch expected in FY21F.
				Apartment	7,525	125,400	298,539	0%	

(*) Figures are based on our estimate/assumption

SOURCES: VND RESEARCH, COMPANY REPORTS

We do not expect Vinhomes mid-range project launches to overwhelm the market ➤

Following our observation in our most recent **sector report titled "Shining north, dimming south"** in Jun 2019, we believe HCMC and Hanoi could both see demand for at least 50,000 housing units each year over the next five years and most of these are for condominiums because of their relatively smaller ticket size compared to other types of housing. Vinhomes Sapphire 2019 presales plan is designed with a package size of 25,000 condo units in HCMC, solely from Grand Park before new supplies from Tay Tang Long in 2020F and Cu Chi in 2024F. However, due to the time-consuming project licensing process mentioned in our sector update, we are more conservative in our Vinhomes mid-range condo presales forecast in HCMC (excluding bulk sales) of around 13,542 units in 2019F and 12,887 units in 2020-21F contributed by Grand Park and Tay Tang Long.

In Hanoi, Ocean Park and Smart City seem to be in a more favourable location compared to Grand Park, though infrastructure between the project and HCMC's CBD (Ring Road 3) is still in the works. In fact, transportation to downtown Hanoi has been established. Therefore, together with an easier regulatory process in Hanoi, presales in the capital seem to outpace HCMC, in our view. We expect VHM to continue pushing retail presales at Ocean Park and Smart City after their

soft launch in late 2018 and bring number of condos under signed contract to 16,502 in 2019F.

Figure 18: Mid-range Vinhomes retail presales

	2018A	2019F	2020F	2021F	2022F	2023F
Presale volume by product (units)						
Apartment	9,249	30,044	28,328	28,328	18,446	17,348
Villa/townhouse	-	867	1,360	2,463	2,264	1,668
Total	9,249	30,911	29,689	30,791	20,710	19,016
Presale value by product (VNDbn)						
Apartment	12,635	55,054	54,718	56,360	35,990	34,545
Villa/townhouse	-	12,126	13,827	26,987	25,083	17,450
Total	12,635	67,180	68,545	83,347	61,073	51,995

SOURCES: VND RESEARCH ESTIMATES, COMPANY REPORTS

Given that buyers are hungry for landed products in cities, we believe villas and townhouses in well-planned zones with integrated facilities like the Sapphire projects could see strong absorption. We think VHM could see retail presales of 867 low-rise units in 2019F and secure VND12.1tr in unbilled revenue. Overall, we estimate VHM to report aggregate retail contracted value of VND67.2tr in 2019F from Ocean Park, Smart City and Grand Park. We also believe primary ASP of Sapphire projects could enjoy a 3% CAGR in FY19-23F to compensate for rising prices spurred by strong demand for mid-range condos in both cities, as well as growing project infrastructure and built-in amenities.

The 3rd category: VHM's projects in lower-tier cities

Significant pipeline for flagship presales in the long-term ►

Nine projects in seven low-tier cities are being executed or prepared for launch in FY19-20F, according to a VHM's business plan. Construction on five of them has started, and presales began in Dec 2018, with expected NSA of 3m sq m. Vinhomes Dragon Bay is the only completed project where presales ended within the first three months of launch. Although the project was aimed at the lower-tier market, it offers an identical product as traditional markets but at a lower price, mostly due to cheaper land. Given local buyers' preference for landed property, also known as "value keeper" property, VHM's products in these markets are usually villas, townhouses, or resort villas to serve both local housing demand and investors seeking income from vacation rentals.

Figure 19: VHM projects in lower-tier markets

No.	Project name	Location	Land size (ha)	Product	NSA ('000 sqm)	Est. GDV* (VNDtr)	Take-up rate	As at 30 Jun 2019
								Project completion status
1	Dragon Bay	Ha Long	20.6	Villa & townhouse	124	376	3.1	100% Completed
2	Imperia	Hai Phong	78.5	Villa & townhouse	556	4,633	11.4	100% Construction was completed and 96% of the project was handed over to buyer. The remaining will be fully delivered in 2H19F.
3	Marina	Hai Phong	49.8	Villa & townhouse	588	1,153	7.3	50% Launched in Nov 2018. First section will be delivered in 2H19F
4	New Centre	Ha Tinh	2.0	Condominium	567	4,773	6.6	50% Launched in 3Q18. Foundation work has been completed and proceed to the body part. Delivery will start in 2019F.
5	Star City	Thanh Hoa	1,475.0	Apartment Villa	488 748	6,507 1,870	10.0 11.9	0% 81% First launch will be in 2020F 318 units was delivered to buyers in 1H19.
6	Long Beach	Can Gio	2,865.6	Villa & townhouse	15,618	15,168	647.3	0% LUR is being achieved and the launch is planned to be in 2020F. Development details have not been released yet
7	Dream City	Hung Yen	405.0	Villa & townhouse	3,764	67,790	174.3	0% First launch will be in 2021F
8	Lang Van	Da Nang	1,067.9	Villa & resort	1,264	6,320	18.4	0% First launch will be in 2020F
9	Vu Yen	Hai Phong	868.5	Golf villa	1,297	3,243	23.5	0% First launch will be in 2020F
10	Green	Ha Long	7,946.6	Condominium & villa	29,675	75,455	1,266.9	0% LUR is being achieved and the launch is planned to be in 2022F. Development details have not been released yet

(*) Figures are based on our estimate/assumption

SOURCES: VND RESEARCH, COMPANY REPORTS

Vinhomes Long Beach Can Gio and Vinhomes Green Ha Long are VHM's two biggest projects, designed solely to generate an major infrastructure boost. Both

projects are well connected to the new airports built to increase the flow of foreign visitors to local tourist attractions, and also from new highways to connect core cities (HCMC, Hanoi, and Hai Phong). The projects also enjoy Vinpearl's (Unlisted) entertainment facilities to capture demand from those seeking a second home that is just a 1.5-hour drive from HCMC, Hanoi, and Hai Phong. We believe total GDV from the two projects could rise to VND1.914tr (~US\$82.5bn) but the project's phases are spread over 10-15 years and suggest potential adjustments to the actual value when construction starts, or during the building process. However, resort town developments of such scale are yet to be seen in Vietnam, and the idea of a second home to escape to on the weekends is still unfamiliar to the majority of homebuyers who are still trying to purchase their first house. This leaves us with limited capability to assess actual demand, which is the only meaningful and sustainable driver to ensure liquidity in the long-term, in our view.

Well-equipped to conquer lower-tier markets ►

Besides capitalising on tourism, infrastructure or a logistics boom, these projects require a lot more than just building houses to create new communities. Hence, timely and strong public amenities are essential to driving population growth in any new township. Basic amenities like education, healthcare, and retail units have to be operated before buyers decide to move in. Normally, these facilities need one or two years to become fully operational if the developer outsources to both public (mostly for healthcare and education) and private operators. However, given the synergies from the Vingroup ecosystem, it could take less than 12 months to complete the facilities and help boost buyers' accommodations. Moreover, lower-tier markets or rural areas seem to be less favourable to most commercial property investors as weak local expenditure for ancillary services. This could mean unattractive yields for investors or take longer to persuade them that their investments are feasible.

Mega-sized projects are on route to be launched ►

VHM has launched five projects in lower-tier markets, including Dragon Bay, Imperia, Star City, New Centre and Marina in FY16-18, mostly in Vietnam's northern region. Without new launch in FY19, we expect VHM to report contracted value of VND9.4tr from sales of 1,044 villas and 1,332 apartments in FY19F mainly from presales of Star City, Marina. Vinhomes Vu Yen (Hai Phong) will be offered in FY20F, with an aggregate 1.3m sq m NSA supplied to the markets. Key products include villas and townhouses as their high liquidity best matches the burgeoning market demand. In FY20-21F, Vu Yen, Dream City, and Lang Van are expected to be launched given its high execution feasibility, thanks to its relatively smaller scale compared to Green Ha Long and Long Beach Can Gio. Additional presales from this project could spur 85.6% of our forecast contracted value for 2020F to reach VND19.0tr. Presales could continue to climb to a new high and we estimate a CAGR of 56.6% in FY20-23F, given the launch of Green Ha Long and Long Beach.

Figure 20: VHM's retail presales forecasts for lower-tier markets

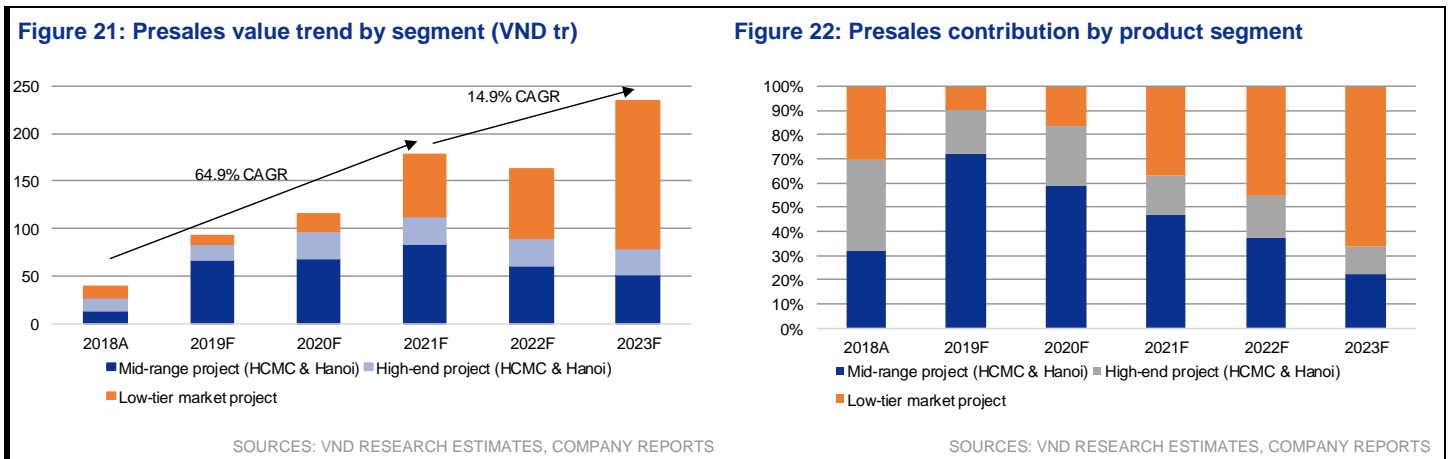
	2018A	2019F	2020F	2021F	2022F	2023F
Presale volume by product (units)						
Apartment	1,332	1,332	2,959	21,210	20,745	20,745
Villa/townhouse	2,131	1,044	2,636	5,089	6,240	12,678
Total	3,463	2,376	5,595	26,299	26,985	33,424
Presale value by product (VNDbn)						
Apartment	1,778	1,832	4,379	33,437	33,750	34,763
Villa/townhouse	10,171	7,529	14,611	31,602	39,832	120,631
Total	11,949	9,361	18,990	65,038	73,582	155,394

SOURCES: VND RESEARCH ESTIMATES, COMPANY REPORTS

Sustainable presales growth expected in FY19-21F

In 2019F, we expect VHM to have presales from 15 projects with a wide range of products across the country which we think could lock in VND92.8tr of presales, up 134.1% yoy. Based on the launches of mid-range Sapphire projects and their

major contribution to presales value, we expect VHM to achieve a 64.9% CAGR in FY18-21F presales, backed by strong housing demand in undersupplied markets. The mid-range projects could lead presales in FY19-20F while VHM is in the final stages of launching its Vinhomes mega projects in low-tier markets, which will add GDV to its pipeline from 2021F. We expect projects in lower-tier cities should lead the FY21F-onwards growth momentum when VHM, funded by previous sales, plans to begin its mega projects where heavy upfront capex is required for basic infrastructure. Presales value would be more sustainable, in our view, as it will be driven by actual housing demand in top-tier cities and investment flow into new vacation-friendly townships near Hanoi and HCMC such as Long Beach Can Gio and Green Ha Long. By diversifying to various markets, we believe VHM also mitigates the risk of changes in the regulatory environment or market liquidity towards a product.



Wholesale mega projects to speed up land bank monetisation

VHM has introduced a wholesale (bulk sales) strategy for all of its mega projects, starting with the low-rise section of Ocean Park (1,734 units) transferred to a sub-developer in 2Q19. The transaction brought in revenue of VND15.1tr when VHM handed over the relevant land parcel (~30.4ha) with completed basic infrastructure. Management believes the new sales method could help VHM bring forward project cash flow while VHM will focus more on master planning, infrastructure and building amenities. The company also expects gross margin of 50-60% from these transactions and to achieve earnings which are close to premium value generated by developing the project sections itself. For FY19F, besides the transferred land from the low-rise Ocean Park, VHM also successfully facilitated bulk sales for Grand Park and Smart City which led to our estimate of VND26.6tr total bulk sales booked in FY19F and VND5.5tr in FY20F.

Figure 23: Bulk sale transaction details

Project	Unit type	Execution period	Land size (ha)	Units	Est. sales* (VNDbn)
Ocean Park	Low-rise	2Q19	34.6	2,395	23,404
	High-rise	2H19F	N/A	4,100	3,268
Smart City	High-rise	2H19F	N/A	2,700	2,152
Grand Park	High-rise	FY20F	N/A	6,900	5,500

(*) Figures are based on our estimate/assumption

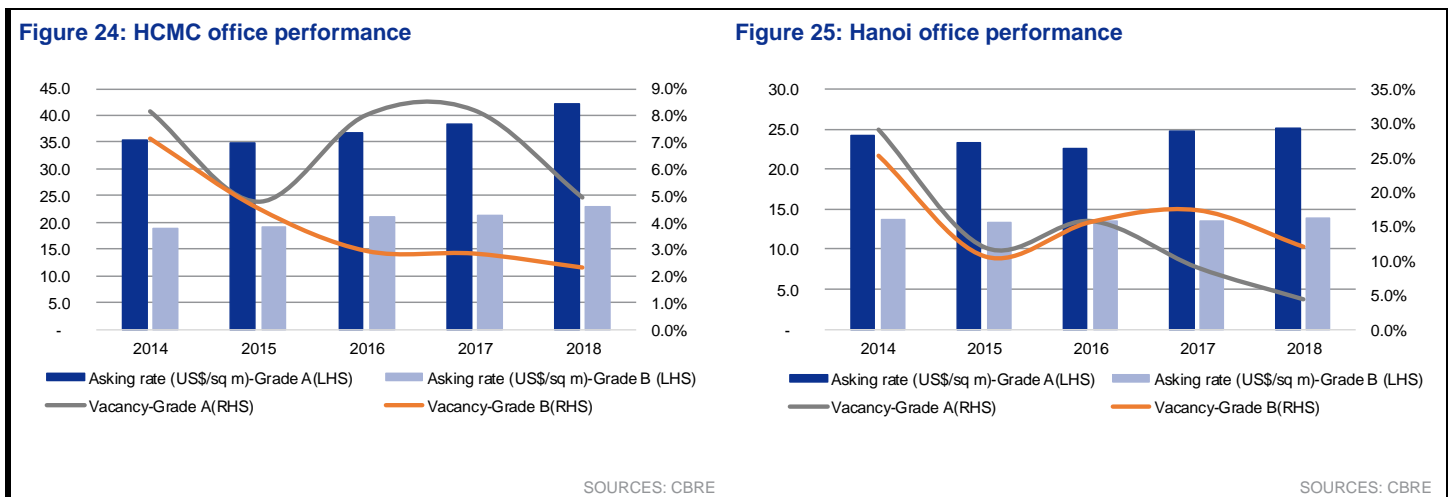
SOURCES: VND RESEARCH ESTIMATES, COMPANY REPORTS

With its wholesale strategy, VHM intends to speed up cash flow generation without materially affecting initial project RNAV, as it stated during an analyst meeting on 30 Jul 2019. Wholesale volumes and product formats are likely to vary between projects and based on whether buyers decide to use the Vinhomes brand and have VHM as the co-developer. Hence, determining fixed volumes or margins for future wholesale transactions is impossible, in our view. Therefore, we maintain

our presales projection in the absence of any official details on each wholesale transaction, which have yet to be released by VHM. We also have factored the Me Linh transfer into our FY19F net profit forecasts, but await further transaction details for the six blocks at Ocean Park.

Office leases could enjoy an increase in asking rate

VHM also handles office operations under the name Vinoffice, which is responsible for managing office leasing inside existing and new Vingroup projects. The company manages 98,000sq m of grade A office floor at Vincom Dong Khoi (HCMC) and Vinhomes Times City (Hanoi) (as at Jun 2019). The projects' occupancy rate stood at 95% in 2018 as limited new supply joined the market in both cities. Total net operating income (NOI) from both office centres reached VND697bn in FY18, generating a leasing yield of 42%. From 2019 onwards, VHM's office floor will be built up from the completion of commercial sections inside a number of CBD-based projects such as Landmark 81, Ky Hoa and Gallery. We expect VHM could add 491,180sq m of NLA to its leasing capacity, a nearly seven-fold increase, by FY22F following the completion of related residential projects.



Due to land bank scarcity in CBDs and significant investment flow into the residential segment in the last five years, office leasing capacity improved by just 16% in HCMC and 5% in Hanoi (according to CBRE) during 2018-15. Office vacancies for grade A & B were usually kept at a very low level and lifted the asking rate by 15.8% for Grade A and 10.8% for grade B in 2018. In light of an emerging economy that is attracting inbound investment, the demand for office floor space has outpaced new building development and led to changes in fundamentals for the segment over the medium-to-long term. CBRE expects Hanoi and HCMC to see only 7-10% additional leasing capacity expansion with low vacancy (below 10%) in 2019-20F in both cities due to the undersupply situation which is expected to continue over the long-term. We believe the leasing rate growth could stay at 10% p.a. and remain the only revenue driver for Vinoffice in FY19-20F given the absence of new projects completed in FY21-22. Leasing yield could slightly improve by 1-2% pts in the period, but could ease to 9% in FY21F as new Vinoffice centres come onstream, in our view. Yields could recover, jumping to 27% in FY22F as we believe new Vinoffice centres could be fully occupied within 24 months.

Financials

Strong earnings for the first listed year ►

VHM ended 2018 with strong financial results from delivering property to buyers, with total handover value soaring 146% from 2017 to VND74.4tr. Contributions came from completed projects launched in 2016-17 such as Golden River, Central

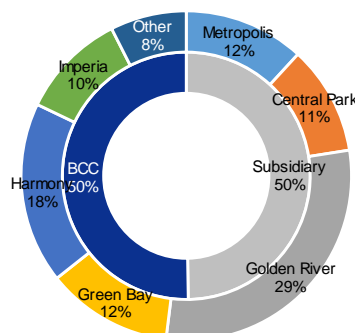
Park, Harmony, Metropolis, Green Bay and Imperia. Total FY18 revenue, however, was only VND38.8tr, which excluded the sales from Vinhomes Harmony, Imperia, Sky Lake and Golden River to comply with the accounting practices for business cooperation contracts (BCC) projects. In fact, the absence of BCCs contribution to the topline was compensated for by VND9.5tr financial income from BCC profit sharing in FY18.

Figure 26: FY18 financial results

VNDbn	FY17	Pro-forma FY17	Preliminary FY18	Growth (YoY)	Pro-forma growth (yoy)
Revenue	15,297	30,449	38,805	153.7%	27.4%
Property handover	12,780	29,881	35,760	179.8%	19.7%
Other	2,517	568	3,045	21.0%	436.1%
Gross profit	5,167	11,847	9,726	88.2%	-17.9%
Gross margin	33.8%	38.9%	25.1%	-8.7%	-13.8%
SG&A	(2,038)	(4,011)	(2,326)	14.1%	-42.0%
SG&A per sale	13.3%	13.2%	6.0%	-7.3%	-7.2%
BCC profit sharings	-	1,165	9,549		719.7%
Operating profit	3,128	8,748	19,569	525.5%	123.7%
PBT	2,109	8,617	19,609	829.9%	127.6%
Net profit	1,410	6,633	14,234	909.7%	114.6%

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 27: FY18 handover bookings contribution



SOURCES: VND RESEARCH, COMPANY REPORTS

Gross margin from property sales in FY18 fell 13.8% pts to 25.9% versus pro-forma FY17 due to thin margins for its distribution service for Vinhomes Thang Long and the loss-making delivery of the Landmark 81 skyscraper, which required high spending. VHM's FY18 blended margin was 25.1% after factoring in other non-core operations including management services. These projects were largely delivered last year, leaving slight margin pressure on FY19F gross margin. Gross profit from offices, management services and property transfers were still small, contributing 5% of total. As part of the re-structuring, an internal brokerage company (Vinhomes Property Management Jsc, Unlisted) was sold to VHM to save a net 3% commission charged on property sales. As a result of this transaction, SG&A expenses over total revenue fell to just 6% in FY18 from 13% the previous year. This leads us to apply the same SG&A expense rate in our projection below. FY18 net profit, therefore, surged 115% from the pro-forma FY17 figure to VND14.2tr, but was still slightly below the company's net profit target of VND15.5tr for FY18 due to slow construction progress for several projects.

1H19 financial results recap ►

Figure 28: 1H19 results were solid, thanks to bulk sales of Ocean Park

VNDbn	2Q19	2Q18	% yoy	1H19	1H18	% yoy	Comments
Revenue	20,917	5,111	309.3%	26,736	15,527	72.2%	
<i>Property sales</i>	5,027	4,675	7.5%	9,865	14,765	-33.2%	Major project such Central Park, Golden River, Green Bay largely handed over in FY18 when Skylake was the only project to start delivery in 1Q19
<i>Management fee</i>	400	290	38.0%	705	404	74.4%	Due to more occupation at completed projects
<i>Office lease</i>	190	110	72.4%	574	271	111.9%	Due to consolidation of Vinoffice in 4Q18
<i>Bulk sales</i>	15,100			15,100	-		This came from bulk sales of 1,734 low-rise units of Ocean Park. Due to consolidation of Vinhomes construction in 4Q18, and profits from Vinschool, Vinretail, and Vinpearl to cover amenity construction cost.
<i>Other</i>	201	35	468.6%	493	87	463.1%	
Gross profit	9,289	1,550	499.5%	10,576	7,351	43.9%	
Gross margin	44.4%	30.3%	14.1% pts	39.6%	47.3%	-7.8% pts	Higher margin from 2Q19 bulk sale to counter the drag from expensive construction of Landmark 81 delivered in 1Q19.
Selling expenses	(345)	(126)	174.6%	(556)	(538)	3.3%	Increase due to higher property sales booked in 1H19
G&A expenses	(620)	(112)	452.5%	(814)	(324)	151.3%	Increase due to bigger project portfolio with mega projects launched in late of 2018 and 2Q19.
Operating profit	8,324	1,312	534.6%	9,206	6,489	41.9%	
Financial incomes	2,378	4,340	-45.2%	5,318	7,351	-27.7%	
<i>BCC profit sharings</i>	1,710	3,897	-56.1%	2,710	5,712	-52.6%	Due to soft deliveries at BCC projects amounted to VND8.0tr (-44% yoy) mainly contributed by Skylake, Harmony, Star city.
Financial expenses	(684)	(624)	9.6%	(1,166)	(925)	26.1%	
<i>Interest expenses</i>	(675)	(586)	15.4%	(1,005)	(886)	13.5%	Could be due to less capitalised interest from projects that completed their construction and delivery as our opinion.
Net other income/(loss)	40	43	-7.9%	30	39	-23.7%	
PBT	10,058	5,106	97.0%	13,387	9,730	37.6%	
Net profit	7,243	4,132	75.3%	9,853	7,858	25.4%	

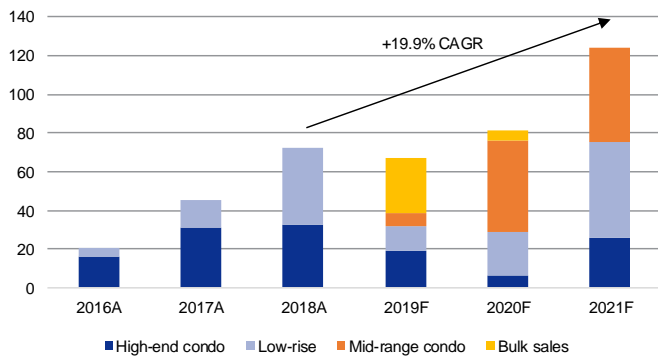
SOURCES: VND RESEARCH, COMPANY REPORTS

Earnings outlook for FY19-20F ►

We expect residential real estate delivery to be the greatest contributor to VHM's top and bottom lines from 2019F onwards as office leasing income is expected to come only from minor sections of several compound projects. In FY19F, we believe handover value of pre-sold properties could drop by 6.6% to VND67.2tr (including BCC project deliveries and bulk sales) from VND71.9tr in FY18 as key projects like Golden River, Harmony, Central Park and Imperia mostly completed deliveries in FY17-18, while the completion of newly-launched projects is mainly scheduled for FY19-20F. However, we expect mega projects deliveries (including Ocean Park, Smart City, and Grand Park) to pull VHM's FY20-21F handover value up to VND81.5tr in FY20F and VND124.2tr in FY21F (+19.9% CAGR in FY18-21F). VHM's revenue could post faster growth of a 48.9% CAGR in FY18-21F, in our view, on a low base due to the deconsolidated revenue from the BCC projects in FY18.

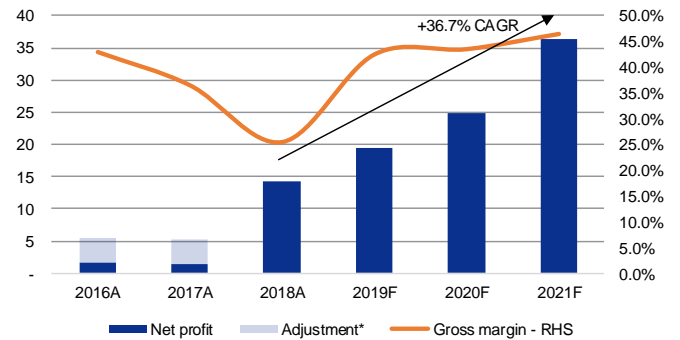
With a strong construction pipeline, we expect VHM's FY19F gross margin to recover by 16.8% pts from the abnormal FY18 level which was dragged by non-recurring distribution sales and expensive building bookings to a healthy level of 41.9%. In FY20-21F, we also expect the gross margin to sustain above 40%, mostly backed by the significant handover value from low-rise units at mega projects, for which we assume gross margin will rebound in the range of 40-60%. Therefore, we estimate net profit could increase by CAGR of 36.7% in FY18-21F to reach VND36.4tr in FY21F. Given the 50-70% contribution from mega projects to our FY20-21F net profit forecast, we think our expected net profit growth for VHM seems to be achievable given the fast pace of construction (Figures 31-36) at its mega projects as at end-2H19F.

Figure 29: Handover value by product category (VND tr)



SOURCES: VND RESEARCH ESTIMATES, COMPANY REPORTS

Figure 30: Net profit trend (VND tr)



(*) Adjust for net profit contribution from deconsolidated projects

SOURCES: VND RESEARCH ESTIMATES, COMPANY REPORTS

Mega project construction status as at Aug 2019 ▶

Figure 31: Ocean Park - First high-rise section could be ready for handover in FY20F



SOURCES: VINHOMESLAND.VN

Figure 32: Ocean Park - The central reservoir and salt water lagoon were finished in 1H19



SOURCES: VINHOMESLAND.VN

Figure 33: Smart City - Eight blocks of condos have finished foundation works and body construction up to the 12th floor



SOURCES: WWW.VINHOMESDAIMO.COM

Figure 34: Smart City – Intergrated Vincom mega mall was roughly finished while the central park was already in shape



SOURCES: WWW.VINHOMESDAIMO.COM

Figure 35: Grand Park – First condo section (17 blocks) has finish foundation works and body construction up to 21th floor



SOURCES: REVER.VN

Figure 36: Grand Park – Finished central park with a coastal lagoon



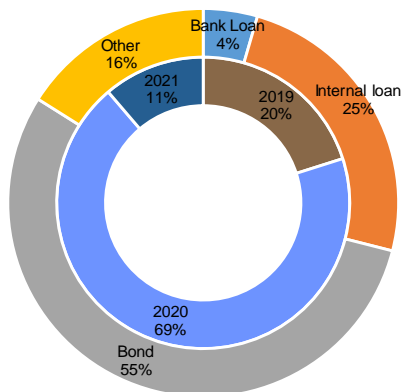
SOURCES: REVER.VN

Leverage position looks healthy ➤

As at the end of FY18, total interest bearing loans reached VND36.6tr, of which 48% were under straight bonds issued in 2017-18 and also from Vingroup’s related companies, with a weighted average interest rate of 8.9%. Except the bonds issued to fund land acquisition, bank loans and other borrowings are support VHM’s working capital at an average rate of 7.9% as at 31 Dec 2018. We simulate a repayment schedule of all outstanding debts to assess the cash flow pressure in the medium-to-long term. Debt obligations are less likely to significantly impact VHM’s FY19F solvency as there is only VND4.4tr of mature bonds and internal borrowings, but the firm will need to repay VND22.1tr in FY20F mostly from straight bond maturity. However, we expect all the amounts due to be sufficiently covered by both VHM’s presales collection and debt reversals.

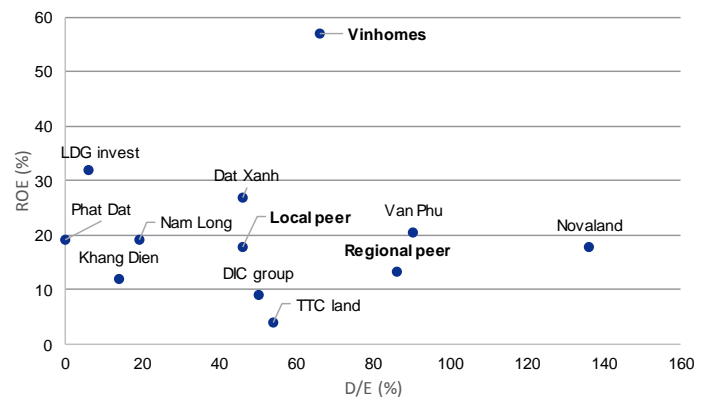
We also saw that VHM’s FY18 year-end gearing position at a D/E ratio of 0.66x was at reasonable levels compared to both local and regional peers while its ROE significantly outperformed peers, thanks to a big chunk of project delivery booked in FY18 (Figure 38). Given the tightening debt market for real estate sector, VHM seems to have well diversified capital sources as the company inherited the ability of Vingroup to access off-shore funding through both debt and equity instruments. We expect its FY19F net gearing level to decline to 40% from 59% in FY18F thanks to the stronger collection from presold units at sizeable projects which will help fund the company’s working capital in our view.

Figure 37: VHM’s debt structure by lenders (outer ring) and due date (inner ring) as of FY18



SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 38: D/E ratio and ROE peer comparison as of FY18

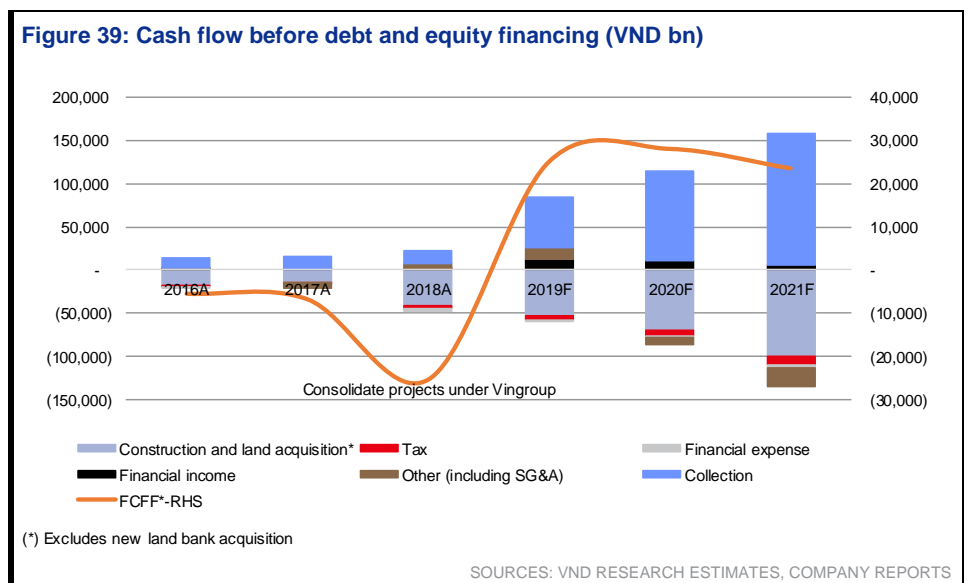


SOURCES: VND RESEARCH, COMPANY REPORTS, Bloomberg

Strong self-sustained cash flow ➤

As a property company, a large chunk of VHM's cash flow is mainly driven by cash collection from property presales and spending on construction and land cost. FY18 net operating and investing cash flow was negative due to the transfer of 21 projects to VHM from Vingroup at cost. VHM also returned some of its non-residential projects, except Vinoffice, to other Vingroup subsidiaries and net of the transaction value for only VND15.6tr in the period. Business re-structuring was sufficiently funded by VND12tr proceeds from a May 2018 private placement to the Government of Singapore Investment Corporation (GIC) and ordinary shares to Vingroup. From FY19F onwards, we believe presales collection would sufficiently fund the construction of the launched mega projects as the costly foundation and land cost were fulfilled by end-FY18. This leads to our expectation of strong positive free cash flow amounting to VND15tr-20tr p.a. that allows VHM to pay off the aforementioned VND22.1tr debt obligations due in FY20F and to buffer its land compensation at the other mega projects in lower-tier cities to be launched in 2020-22F.

Figure 39: Cash flow before debt and equity financing (VND bn)



Valuation and recommendation

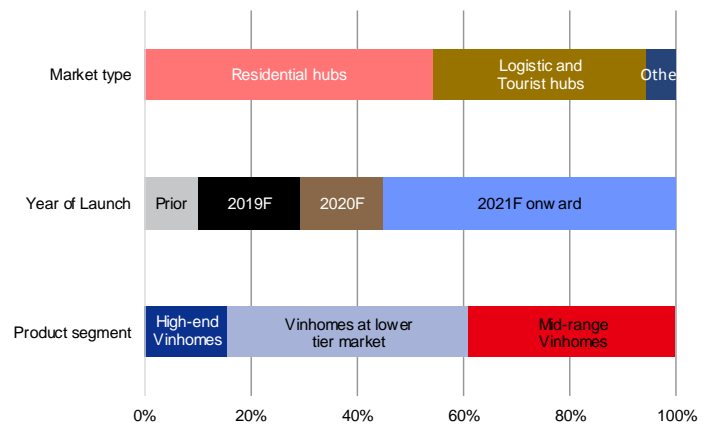
We apply a DCF method with an assumed WACC-based discount rate of 12.3% for each project's valuation given the detailed execution and presales plans announced by VHM to revise its inventory and investment assets. To fairly compensate for risks on project execution and presales performance, we applied discounts on each project NPV (Figure 52) instead of a common discount directly on full-RNAV due to lack of discount-to-RNAV ratio track record. Different discount levels would be applied to each project, depending on the execution period, land acquisition, and market absorption. Our RNAV-based TP is VND104,300, which implies 16.5% upside and leads us to initiate coverage on VHM with an Add rating. Our RNAV calculation is largely driven by housing demand in huge residential hubs like HCMC & Hanoi, and also due to our expectation of a housing boom in new markets where the economy is boosted by logistics or the tourism industry. However, ~50% of NAV premium belong to projects that will be launched before 2021F, while several long-awaited projects like Cu Chi, Green Ha Long and Long Beach Can Gio contribute 32% of the value due to our deep discounts. For such substantial long-term pipeline projects, we applied an 80% haircut to phases that are due to start after 2023F. We also reiterate that future new wholesale transactions have not been reflected in our model due to the complexity of the deal terms and our assumption that the company would aim to closely retrieve project NAV by developing the project internally.

Figure 40: Equity valuation (VND bn)

Inventory and Investment	BV as at 30		Fair value	Method
	Jul 2019	Premium		
Residential property	45,848	272,770	318,617	DCF
Office lease			23,344	DCF
Other	353		353	Book value
Total property value	46,200	296,113	342,314	
Add:				
Cash and cash equivalent	14,036		14,036	
Other assets	78,699		78,699	
Less:				
Net debt (exclude CB)	26,062		26,062	
Other liabilities	53,901		53,901	
Minority interest	5,830		5,830	
Discounted RNAV			349,256	
Shares outstanding (m)	1,921		3,350	
Target price (VND/share)			104,300	
Market price (VND/share)			89,500	
Upside			16.5%	
Assumption				
Adjusted Beta	1.0			
Market premium	10.1%			
Risk-free rate	5.0%			
Cost of equity	15.1%			
Cost of debt	9.4%			
Debt weight	38%			
Equity weight	62%			
WACC	12.3%			

SOURCES: VND RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Figure 41: Project NAV premium contribution



SOURCES: VND RESEARCH

Figure 41: Project valuation summary (as at Jun 2019)

No.	Project	Location	Status	Stake	Land site ('000 sq m)	NSA ('000 sq m)	Launch date	Delivery end date	Est. GDV (VNDbn)	Premium discount	NPV (VNDbn)
Vinhomes - High-end (HCMC & Hanoi)											
1	Royal City	Hanoi	Completed	58%	121	520	2010	2015	22,428	0%	-
2	Times City	Hanoi	Completed	100%	364	1,094	2011	2017	39,866	0%	-
3	Central Park	HCMC	Completed	100%	416	963	2015	2018	51,715	0%	118
4	Golden River	HCMC	Under development	99%	158	248	2016	2019F	24,608	0%	827
5	Gardenia	Hanoi	Completed	100%	176	326	2016	2018	12,727	0%	-
6	Metropolis	Hanoi	Under development	100%	35	142	2016	2019F	10,663	0%	53
7	Green Bay	Hanoi	Completed	100%	266	291	2017	2019F	15,828	0%	-
8	The Harmony	Hanoi	Completed	87%	975	468	2017	2018	20,330	0%	105
9	Sky Lake	Hanoi	Under development	100%	23	165	2017	2019F	7,868	0%	2,437
10	West Point	Hanoi	Under development	100%	24	129	2018	2021F	6,121	0%	1,575
11	Galaxy	Hanoi	Untapped	95%	110	632	2019F	2025F	32,663	0%	7,717
12	Sai Dong	Hanoi	Untapped	100%	44	129	2019F	2022F	4,553	0%	1,361
13	Gallery	Hanoi	Untapped	83%	68	408	2019F	2024F	26,705	10%	7,680
14	Ky Hoa	HCMC	Untapped	68%	66	129	2019F	2022F	6,678	0%	1,427
15	Landmark	HCMC	Untapped	100%	6	48	2019F	2023F	2,407	9%	427
16	Me Tri 2	Hanoi	Untapped	83%	740	767	2020F	2024F	31,696	0%	8,001
17	Co Loa	Hanoi	Untapped	83%	3,173	2,660	2020F	2025F	52,077	1%	9,935
18	Leman Golf	HCMC	Untapped	100%	2,000	138	2020F	2022F	3,247	0%	1,044
Vinhomes - Low tier market											
19	Dragon Bay	Ha Long	Completed	99%	206	124	2016	2018	3,115	0%	-
20	Imperia	Hai Phong	Completed	99%	785	556	2017	2018	11,424	0%	214
21	Star City	Thanh Hoa	Under development	100%	14,750	1,236	2018	2023F	24,723	5%	2,744
22	New Centre	Ha Tinh	Under development	100%	20	358	2018	2022F	6,630	0%	249
23	Marina	Hai Phong	Under development	100%	498	396	2018	2021F	7,367	0%	3,602
24	Vu Yen	Hai Phong	Untapped	100%	8,685	1,297	2020F	2024F	24,779	0%	6,157
25	Lang Van	Da Nang	Untapped	100%	10,679	1,264	2020F	2024F	19,413	10%	4,590
26	Dream City	Hung Yen	Untapped	100%	4,050	7,598	2021F	2026F	187,877	41%	11,996
27	Green	Ha Long	Untapped	100%	79,466	29,675	2022F	2036F	1,359,727	76%	50,205
28	Long Beach	Can Gio	Untapped	99%	28,656	15,618	2021F	2031F	687,717	73%	44,299
Vinhomes - Mid-range (HCMC & Hanoi)											
29	Ocean Park	Hanoi	Under development	84%	4,200	3,207	2018	2024F	87,828	10%	16,700
30	Sportia	Hanoi	Under development	81%	2,810	2,563	2018	2025F	95,091	9%	11,221
31	Dan Phuong	Hanoi	Untapped	100%	1,260	1,110	2020F	2024F	23,359	1%	6,175
32	Grand Park	HCMC	Under development	90%	2,720	2,941	2019F	2023F	115,865	0%	34,886
33	Cu Chi	HCMC	Untapped	98%	9,238	9,688	2021F	2038F	332,516	47%	29,904
34	Tay Tang Long	HCMC	Untapped	90%	1,293	569	2020F	2024F	27,430	20%	7,120
Grand total					178,081	87,458			3,387,040		272,770

SOURCES: VND RESEARCH ESTIMATES, COMPANY REPORTS

Peer valuation

Figure 42: Peer comparison

Company Name	Ticker	Share price (local cur)	TP (local cur)	Upside	Recom.	Market Cap (US\$mn)	3-year Fwd EPS CAGR (%)	P/E (x)		P/B (x)		ROE (%)		Dividend yield (%)		Net D/E (%)
								2019F	2020F	2019F	2020F	2019F	2020F	2019F	2020F	
Vinhomes	VHM VN	89,500	104,300	16.5%	ADD	12,918	34.7	16.3	13.0	4.8	3.5	34.8	31.3	1.1	1.1	1.6
Local peer average							17.9	11.9	9.9	1.7	1.5	15.9	18.0	2.1	2.1	16.0
Local peer median							17.9	11.5	8.4	1.5	1.4	15.2	17.0	2.1	2.1	4.4
Regional peer average							(1.4)	12.4	12.2	1.0	1.0	11.9	12.0	4.2	4.5	50.7
Regional peer median							5.0	10.7	10.1	0.9	0.8	8.3	7.9	4.1	4.5	42.4
Vietnam																
Novaland	NVL VN	61,500	NR	N/A	NR	2,466	N/A	18.6	17.8	2.5	2.2	15.2	14.7	N/A	N/A	75.7
Khang Dien	KDH VN	25,350	28,300	11.6%	ADD	595	7.5	14.0	11.4	1.7	1.6	12.9	14.5	2.1	2.1	-12.6
Dat Xanh	DXG VN	16,900	NR	N/A	NR	375	N/A	6.0	5.5	1.2	1.2	20.4	19.3	2.4	2.4	21.4
Nam Long	NLG VN	27,800	42,800	54.0%	ADD	297	28.3	8.9	4.8	1.3	1.0	15.2	23.6	1.8	1.8	-20.7
China & Hongkong																
China Vanke-A	000002 CH	26.1	32.6	24.8%	ADD	41,199	13.8	7.7	6.8	1.7	1.4	23.8	23.1	4.4	5.0	36.3
Sun Hung Kai	16 HK	114.0	147.0	28.9%	ADD	42,129	(100.0)	10.1	9.1	0.6	0.6	6.1	6.5	4.3	4.6	12.5
China Overseas Land	688 HK	24.9	33.8	35.7%	ADD	34,791	12.2	6.7	6.0	0.9	0.8	17.9	18.1	3.9	4.4	32.5
China Resources Land	1109 HK	32.5	40.5	24.8%	ADD	28,815	18.3	7.8	6.7	1.3	1.3	25.7	28.1	4.5	5.2	33.0
China Evergrande	3333 HK	16.5	28.0	69.5%	ADD	27,658	2.3	5.5	4.8	1.5	1.3	49.2	48.4	8.9	8.3	175.8
Country Garden	2007 HK	9.9	9.0	-9.4%	REDUCE	27,430	11.3	5.4	4.7	1.4	1.1	39.9	38.2	6.3	7.3	50.8
CK Asset Holdings	1113 HK	53.8	62.0	15.3%	HOLD	25,317	(4.7)	6.7	8.6	0.6	0.6	9.2	6.8	4.5	3.5	4.1
Henderson Land	12 HK	37.8	50.0	32.3%	ADD	23,339	(15.7)	10.1	10.4	0.6	0.6	5.8	5.5	3.9	4.3	21.7
Hang Lung Properties	101 HK	17.7	14.5	-18.0%	REDUCE	10,141	(16.8)	19.9	18.8	0.6	0.5	3.0	2.9	4.1	4.1	11.9
KWG Group	1813 HK	6.8	9.6	42.0%	ADD	2,737	19.0	4.4	3.5	0.7	0.6	19.0	22.6	9.1	11.4	79.3
Greentown China	3900 HK	6.3	5.6	-10.4%	REDUCE	1,730	90.7	5.0	5.0	0.4	0.4	19.5	18.4	4.4	4.8	63.4
Indonesia																
Pakuwon Jati	PWON IJ	650	750	15.4%	ADD	2,216	7.0	12.2	12.9	2.2	2.0	19.9	16.3	1.5	1.6	7.3
Bumi Serpong Damai	BSDE IJ	1,350	2,200	63.0%	ADD	1,839	33.9	11.2	9.9	0.9	0.8	8.6	8.9	0.5	0.9	11.4
Ciputra Development	CTRA IJ	1,070	1,600	49.5%	ADD	1,406	11.4	19.0	16.2	1.4	1.3	7.4	8.2	0.9	0.8	31.3
Summarecon Agung	SMRA IJ	1,155	1,700	47.2%	ADD	1,180	14.0	35.6	32.8	2.5	2.3	7.1	7.3	0.5	0.6	78.1
Malaysia																
KLCCP Stapled	KLCCSS MK	8.1	8.1	-0.5%	HOLD	3,497	4.6	18.6	18.1	1.1	1.1	6.8	7.0	6.6	6.7	10.0
SP Setia	SPSB MK	1.4	1.9	31.7%	HOLD	1,392	2.1	19.2	14.2	0.5	0.4	2.1	2.8	2.3	3.1	56.3
Sime Darby Property	SDPR MK	0.9	1.3	53.8%	ADD	1,399	21.6	19.3	24.3	0.6	0.6	4.4	3.3	3.6	2.9	27.8
UOA Development	UOAD MK	7.4	2.2	-70.3%	HOLD	954	(13.9)	8.8	10.2	0.7	0.7	8.5	7.3	1.4	1.4	-10.1
UEM Sunrise Bhd	UEMS MK	0.7	1.0	35.9%	ADD	776	(22.1)	13.5	23.3	0.4	0.4	3.3	1.8	-	-	47.7
Eco World	ECW MK	0.7	0.9	37.7%	HOLD	465	(100.0)	9.4	8.7	0.4	0.4	4.5	4.7	-	-	78.8
Mah Sing Group	MSGB MK	0.8	1.2	55.8%	ADD	447	6.3	12.3	9.2	0.6	0.5	4.7	6.0	3.6	5.9	-13.6
Singapore																
CapitaLand	CAPL SP	3.5	4.1	18.2%	ADD	12,857	(6.7)	9.7	12.5	0.8	0.8	5.3	6.1	3.3	3.3	55.9
Keppel Corp	KEP SP	6.1	8.4	37.0%	ADD	8,110	5.5	11.4	10.0	0.9	0.9	8.4	9.1	4.0	4.6	47.0
City Developments	CIT SP	9.8	10.7	9.2%	ADD	6,436	(6.5)	13.7	20.7	0.9	0.9	4.8	4.3	1.9	1.9	32.8
UOL Group	UOL SP	7.6	8.5	12.2%	ADD	4,636	(7.3)	17.5	16.7	0.6	0.6	3.7	3.8	2.3	2.3	27.3
Frasers Property	FPL SP	1.8	2.1	19.1%	ADD	3,716	(100.0)	11.9	15.0	0.5	0.5	5.6	4.3	4.9	4.9	84.4
Ascott Residence	ART SP	1.3	1.3	0.2%	HOLD	2,074	6.9	25.7	24.7	1.0	1.0	4.1	4.2	5.4	5.5	53.6
Thailand																
Land And Houses	LH TB	9.9	12.3	24.9%	ADD	3,854	0.9	13.8	12.6	2.5	2.4	18.0	19.4	6.7	6.7	84.4
WHA Corporation	WHA TB	4.7	5.2	10.6%	ADD	2,263	14.2	21.6	17.3	2.6	2.4	11.8	14.2	1.9	2.4	104.5
Pruksa Holding	PSH TB	17.0	21.9	28.8%	ADD	1,218	3.1	6.9	6.6	1.0	0.9	14.4	14.0	8.1	8.3	61.3
Supalai	SPALI TB	17.9	22.7	26.8%	HOLD	1,256	3.7	6.6	6.1	1.0	0.9	16.8	16.2	5.3	5.8	37.7
Quality Houses	QH TB	2.7	3.2	21.8%	ADD	933	3.5	8.5	7.8	1.1	1.0	13.3	13.6	7.6	7.6	72.9
Singha Estate	S TB	3.1	4.4	42.6%	ADD	696	21.8	15.5	11.9	1.2	1.2	8.3	10.0	1.2	2.0	132.5
Sansiri	SIRI TB	1.2	1.3	5.7%	HOLD	570	6.4	8.4	8.1	0.6	0.6	7.3	7.6	9.3	9.4	147.8
LPN Development	LPN TB	5.7	7.2	26.3%	HOLD	271	6.7	6.3	5.8	0.7	0.6	11.2	11.5	11.7	10.6	37.3

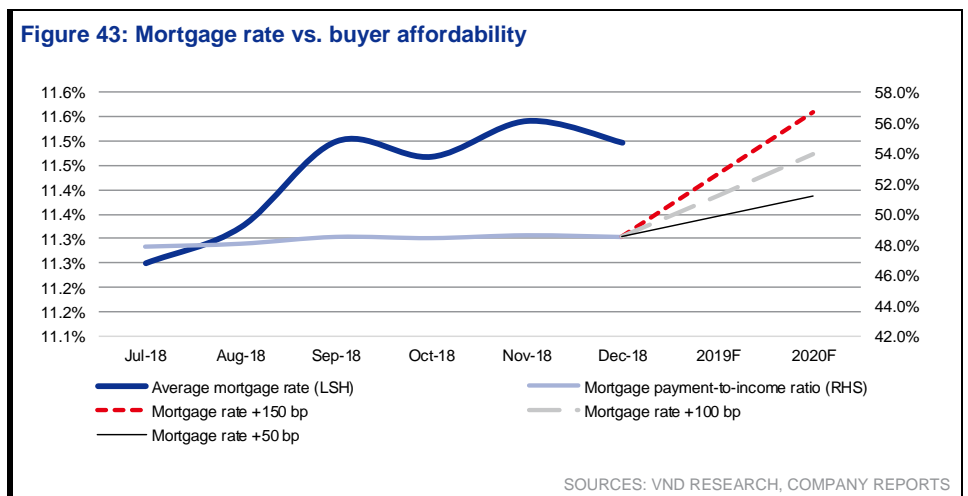
Note: all prices are based on the closing prices on 24 Sep 2019. All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

SOURCES: VND RESEARCH, BLOOMBERG, COMPANY REPORT

Risks

Credit availability to home buyers ►

Mortgages have been a core part of the local real estate market recovery since 2014. Banks helped to increase market liquidity by making mortgages available to most homebuyers. However, policy rate hikes and changes in the banking system have started distressing the mortgage rate and may jeopardise homebuyer affordability in the long-term, in our view. Our mortgage payment-to-income test from our **2019 navigator report** (Jan 2019) points to the ratio being close to the upper limit (Figure 43). We think this may discourage potential homebuyers, especially if the rate surges more than 100bp in 2019F.



This is a general concern of ours regarding local real estate firms, as their projects tend to be purchased by middle-income earners. This customer group is extremely sensitive to interest rate movements as more than half of their home purchases are funded by mortgages. Per our previous sector update, the average mortgage rate now stands at 11.5% and is still accessible to most buyers. However, close monitoring is required as it is possible that the rate may break the affordability limit based on our stress test in the short- and medium-term. A shock from an increase in interest rate could freeze market transaction volumes and negatively affect the project cash flow and earnings bookings for any real estate company.

Over-estimated market absorption ►

We believe that VHM may gradually shift towards low-tier markets away from HCMC and Hanoi to diversify its exposure and hedge against the risk of a market meltdown in the future. The lower-tier markets offer a less competitive environment and VHM has the advantage of having a well-known nationwide brand that enables it to easily penetrate and take the leading position. However, there is a lack of reliable track records and market data which are needed to study buyers' real demand. This could lead to the misjudgment of the absorption of each product. A number of VHM's projects in the pipeline in lower-tier markets are large-scale and require significant upfront outlay for land acquisition. We believe this could trigger large sunk cost if products show weak demand and drag down the firm's investment turnover when assets are not quickly monetised as planned.

Long pipeline means uncertainty in project execution ►

Large volumes and a long pipeline could raise scepticism on a project's land compensation, presales and execution outlook as there are strong connections between government intervention and the real estate market. The recent twist in the project licensing process mentioned in our **2019 navigator report** is evidence of this, in our view, as developers have to keep delaying launch dates until they obtain their construction licences. A majority of our valuation premium also comes

from pre-approval projects regardless of how strong VHM's legal team is in terms of handling unpredictable changes in state regulations in the future.

Risk of defects could rise along with project scale >

Although VHM's multi-project management capability has been proved by its current developments, maintaining the quality of both construction and services is a challenge for any developer, in our view. Foreign developers are also introducing new development concepts and raising buyers' perspectives on the value and quality of a high-end product. This means VHM is not only fighting against construction defects, but also has to improve quality in order to protect its market share from foreign developers.

SWOT analysis

Figure 44: SWOT analysis for VHM

Strengths:

- Strong land acquisition and legal team to launch projects in a timely manner and secure future earnings.
- Widespread brand awareness and strong reputation across Vietnam, which helps the company penetrate new markets.
- Lots of support from Vingroup's ecosystem to nearly complete the supply chain in the housing market and quickly establish new townships to raise property values.

Opportunities:

- Low-tier cities offer more housing demand when the local economy is booming.
- Strong residential demand for mid-range condos in Hanoi and HCMC to secure positive absorption of mid-range apartments.
- Fast population growth among affluent and high-income buyers who generate great demand for high-end products.
- Higher investment yield and capital gain compared to the region attract foreign condo buyers.

Weaknesses:

- Product format and designs are hard to change to update for new development concepts as buyers are learning faster and demand is greater than in the past.

Threats:

- Interest rate may be a concern for mid-range apartment buyers and affect VHM's presales at relevant projects.
- Frequent regulatory changes may affect the execution pipeline and project cash flow.

SOURCES: VND RESEARCH

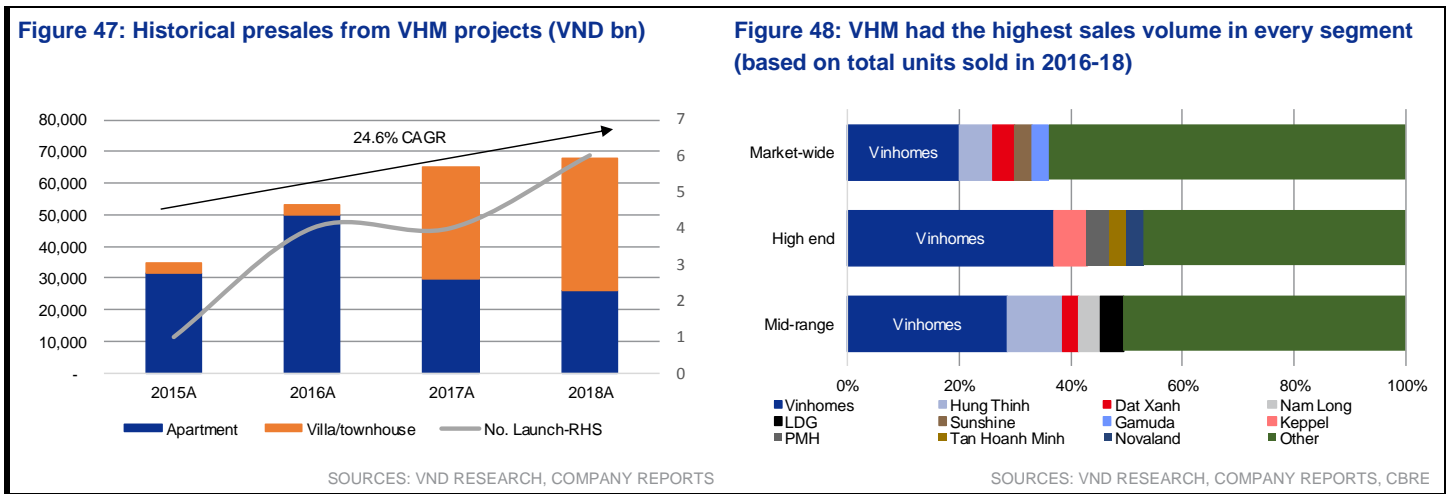
Appendix

Leader in the housing market due to solid track record and strong financials >

VHM was introduced to the local market as the first high-end residential developer under Vingroup through the launch of the Royal City project in Hanoi in 2010 and Times City (phase 1) in the following year. Despite its prime location, it took five years to complete the presales phase as Hanoi's housing market went through a quiet period after the property bubble burst in 2012-13. Having learnt the importance of timing to capture a property market recovery, Vingroup kicked off its first residential projects in HCMC - Vinhomes Central Park and Golden River - at a combined GDV of VND76.7tr in 2015-16. It took just three years to almost finish both presales and construction (in 2018). The success was due largely to VIC's strong financial position to deliver a huge Build & Transfer (BT) contract which was paid off as it held the most valuable land bank in HCMC and Hanoi.



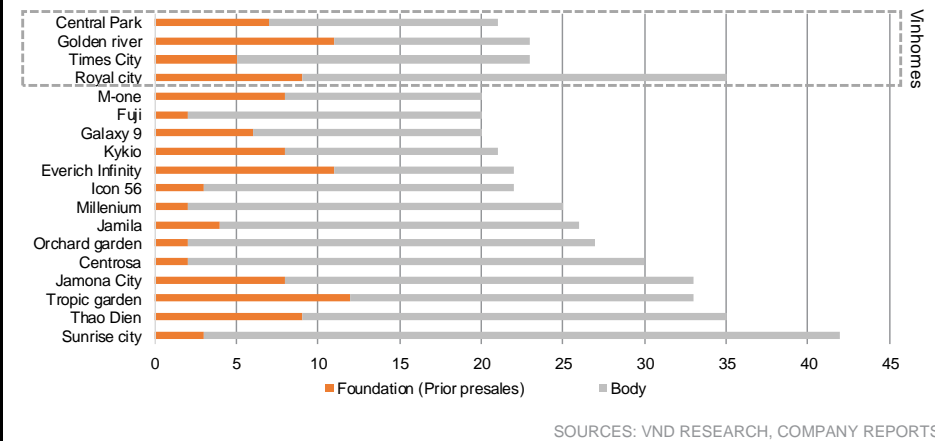
VIC reported that 29,535 condo units were sold in FY16-18, around 37% of market volume, according to CBRE’s total transaction volume for high-end condos in the period. VHM’s market share was more than double that of the next major developer in every segment it participates in (as at Dec 2018 according to VHM). The company claimed that it commanded a volume market share of ~20% in 2016-18 (Figure 48), making it the biggest residential developer in Vietnam after eight years of joining the market, thanks to its aggressive land acquisition and ability to spot a good entry point. It underwent a business restructuring to switch to a profit centre management model in 2018, and VHM was created to inherit Vingroup’s vision and 23 projects with 83.6m residential NSA in the pipeline in order to maintain the group’s leading position in Vietnam’s residential market, with an aggressive pipeline over the next 15 years.



Strong commitment to project execution timeline ➤

Strong relationships with top-tier construction firms and a higher bargaining position allow VHM to accelerate its project execution timeframe and outpace most local peers. VHM’s average construction period is about 22 months for an average building size (300-400 units), except for the Royal City with 940 units. Hence, VHM’s project construction period for a medium-sized building is 18% below peer average, with its main contractors being leaders in the construction sector, including Coteccons (CTD VN, Not Rated, CP: VND96,700) and Hoa Binh (HBC VN, Not Rated, CP: VND14,100). This enables VHM to speed up both presales collection from buyers and profit bookings from developments. The fast and full delivery also highlights its commitment to buyers in delivering sizeable projects and solidifies our assumption of its execution capability for more than 27 projects in FY19-32F, equivalent to 81.5m sq m of residential NSA.

Figure 49: Comparable project timeframe (months of construction for every first building)



Management ➤

The profit and loss management model suggests that the management team bears full responsibility for each business segment and also gives it full power over operations as it can step in as a key member of the Board of Directors (BOD). We believe this increases management’s efficiency to deliver the group’s vision for the local housing market.

Figure 50: Strong management capabilities for a local developer, in our view (structure as at 31 Dec 2018)

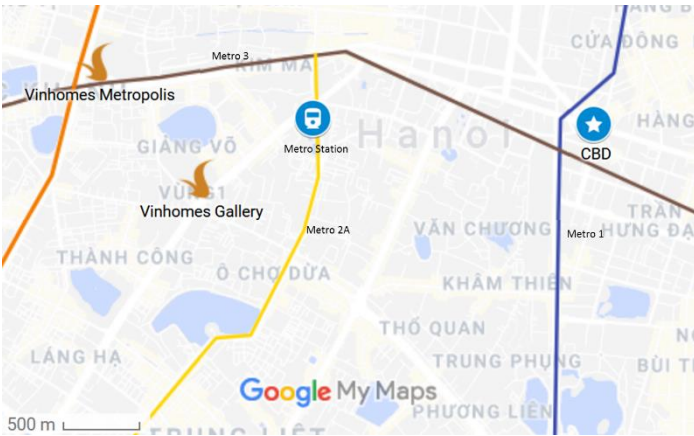
Category	Name	Role	Key Experience
Board of Directors	Nguyen Dieu Linh	Chairwoman	>15 years with Vingroup, >22 years experience, Vice Chairwoman of Vingroup since 2008, previously Deputy CEO of Vingroup
	Pham Nhat Vuong	Non-Executive Director	>25 years experience, Founder of Vingroup, formerly known as Technocom Corporation in 1993, Chairman of Vingroup since 2011
	Nguyen Viet Quang	Non-Executive Director	>22 years experience, CEO of Vingroup, Previously Chairman and CEO of Board of Directors at Vinmec
Management Team	Cao Thi Ha An	Executive Director	>27 years experience, Business Development Director at Vingroup since 2016, Previously Deputy CEO and Director of Military Insurance JSC
	Varun Kapur	Independent Non-Executive Director	>27 years experience, Currently also Managing Partner of Indgrowth Capital, Previously Partner and Managing Director at TPG
	Mueen Uddeen	Independent Non-Executive Director	>30 years experience, Currently also Managing Director of Arcpoint Associates Advisory
	Pham Thieu Hoa	CEO	>15 years with Vingroup, >20 years experience, Project Development Director of Vingroup since 2005, Currently holds directorships in other Vinhomes subsidiaries
	Dao Thi Thien Huong	Standing Dy CEO	>18 years experience, Previously Partner and Dy CEO at PwC Vietnam and CFO at Vietjet Air
	Douglas Farrell	Dy CEO, Finance and Investment	>15 years experience in financial services, Appointed Deputy Chief Executive of Finance and Investment of Vinhomes in 2018, Chartered Accountant
	Nguyen Duc Quang	Dy CEO, Sales and Marketing	>4 years with Vingroup, >10 years experience, Previously Sales and Marketing Director at BMW
	Phi Thi Thuc Nga	Dy CEO, Customer services	>10 years with Vingroup, Currently in charge of customer services for Vinhomes
	Pham Van Khuong	Dy CEO, Construction	>16 years with Vingroup, >35 years experience, Previously Dy CEO of Vingroup
	Nguyen Ngoc Thuy Linh	Dy CEO, Operations	>3 years with Vingroup, >8 years experience, Previously executive at Richard Moore Associates, Audio Visual Global and Head of Marketing Department at Syrena
Nguyen Van Trai	Dy CEO, Security, Safety and Fire Prevention	>10 years with Vingroup, Previously held directorship in Vincom Security since 2013	

SOURCES: COMPANY REPORTS

High-end Vinhomes projects are located close to city centres



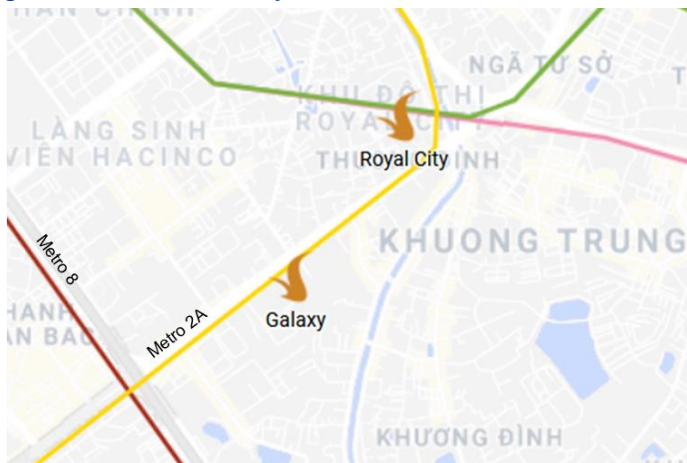
Figure 51: Vinhomes Gallery – Giang Vo, Hanoi



- Product: 5,440 high-range apartments
- Selling price at launch: VND61m/sq m
- Execution timeframe: 2019-23F
- Our expected sale velocity: 1,000 units p.a.
- Good landscape with view to Giang Vo Lake
- 22-minute drive to Hanoi CBD
- Decent finishing and fully integrated amenities from Vingroup environment
- Direct link to BRT station and Cat Linh-Ha Dong (2A) railway (finished in 2Q19)
- Target buyer: High income and affluent people in Hanoi, foreign investors

SOURCES: VND RESEARCH, COMPANY REPORTS

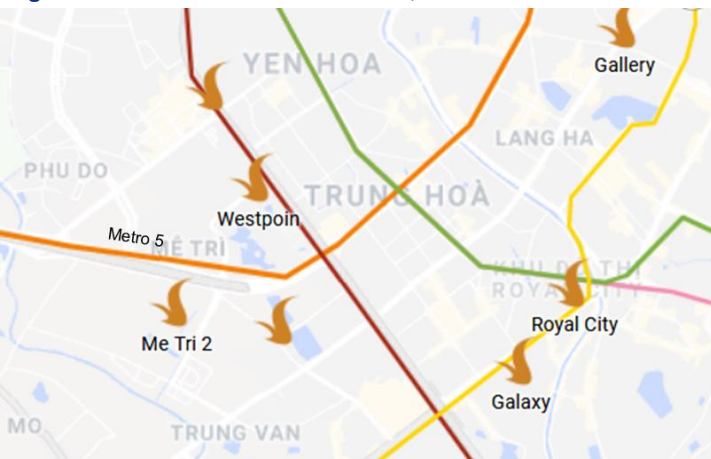
Figure 52: Vinhomes Galaxy – Thanh Xuan, Hanoi



- Product: 10,200 high-range apartments
- Selling price at launch: VND47.7m/sq m
- Execution timeframe: 2019-23F
- Our expected sale velocity: 1,300 units p.a.
- 25-minute drive to Hanoi CBD
- Decent finishing and fully integrated amenities from Vingroup environment
- Direct link to BRT station and Cat Linh-Ha Dong railway (finished in 2Q19)
- Target buyer: high income and affluent people in Hanoi, foreign investors

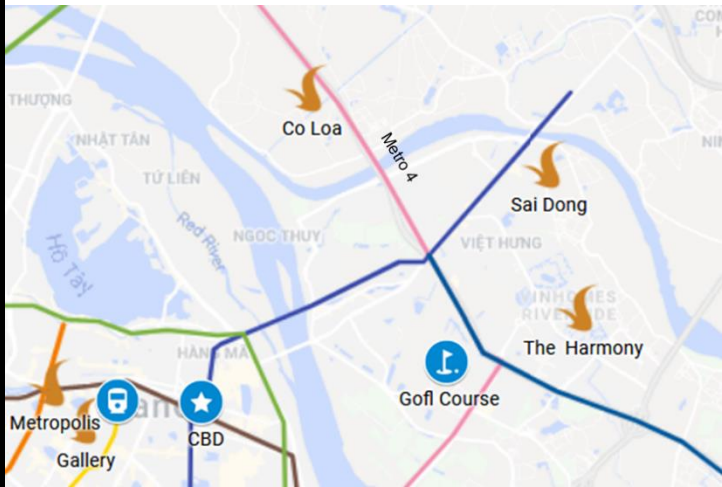
SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 53: Vinhomes Me Tri 2 - Me Tri, Hanoi



- Product: 5,200 apartments and 1,750 villas
- Selling price at launch: Apartment-VND34m/sq m; Villa-VND48m/sq m.
- Execution timeframe: 2019-22F
- Our expected sale velocity: 1,300 apartments & 350 villas p.a.
- Enjoy fully established amenities from Phase 1
- 30-minute drive to Hanoi CBD
- At the intersection of Thang Long highway – Tran Duy Hung main road and potential metro line 5
- Target buyer: high income and affluent people in Hanoi, foreign investors

Figure 54: Vinhomes Co Loa – Dong Anh District, Hanoi

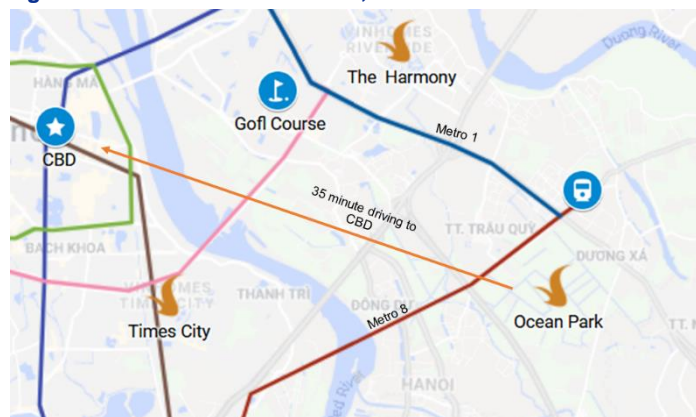


- Product: 2.7m sq m NSA of villas (~8,800 units)
- Selling price at launch: VND15.9m/sq m.
- Execution timeframe: 2019-23F
- Our expected sale velocity: 1,500 villas p.a.
- Cheaper selling price, thanks to lower land cost compared with other inner district projects.
- 20-minute drive to Noi Bai airport, and 25 minutes to Hanoi CBD.
- Directly connected to the 8-lane Truong Sa main road, and metro line 4
- Target buyer: high income and affluent people

Vinhomes mid-range projects are well-located to capture new infrastructure investment ►

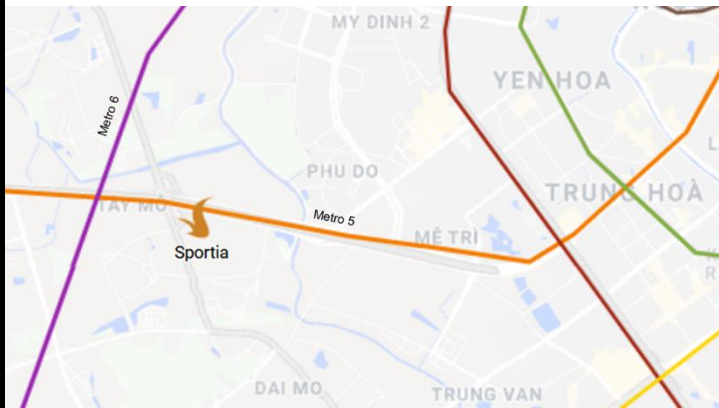
Besides the aforementioned execution capability and Vingroup's well-integrated ecosystem for every project, we identify the selling points of the announced mid-range projects based on criteria such as location, construction quality, finishing level, surroundings and amenities below. This should enable a general understanding of the differences and unique key selling points of each project, which we believe supports our assumptions for market absorption volume.

Figure 55: Ocean Park – Gia Lam, Hanoi



- Product: 39,900 apartments
- Selling price at launch: Apartment-VND28m/sq m
- Execution timeframe: 2019-24F.
- Our expected sales velocity: 8,700 p.a.
- Opportunity to enjoy built-in saltwater lagoon and nearby golf course
- Connection to a metro line will improve commuting to Hanoi CBD
- Target buyers: middle-income class from the east of Hanoi and Hung Yen province.

Figure 56: Smart City (Sportia) – Nam Tu Liem, Hanoi

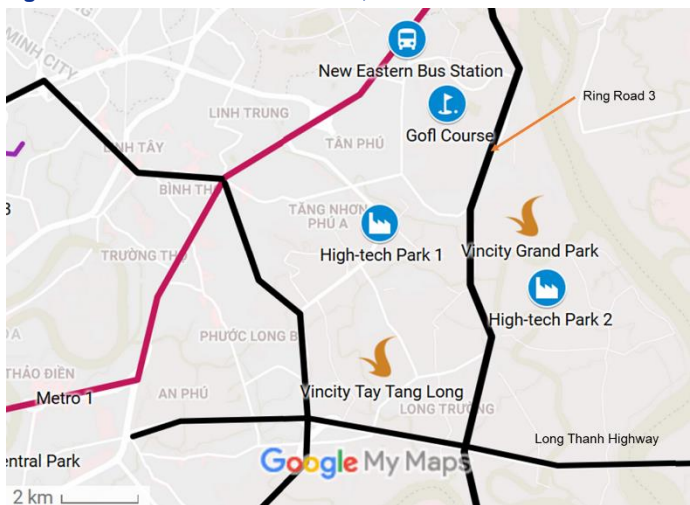


- Product: 42,300 apartments and 100 villas
- Selling price at launch: Apartment-VND30m/sq m; Villa-VND86m/sq m.
- Execution timeframe: 2019-24F.
- Our expected sales velocity: 8,700 apartments & 100 villas p.a.
- Opportunity to enjoy sports facilities and a nearby golf course.
- Better connection to Hanoi CBD than Ocean Park with great linkage to 8-lane Thang Long highway (35 minutes from CBD) and metro lines 5 & 6.
- 35 minutes to Noi Bai airport by taking Ring Road 3 to void CBD traffic.
- Target buyers: Middle-income class from the west of Hanoi or the high-tech park in Hoa Lac.

SOURCES: VND RESEARCH, COMPANY REPORTS

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 57: Grand Park – District 9, HCMC

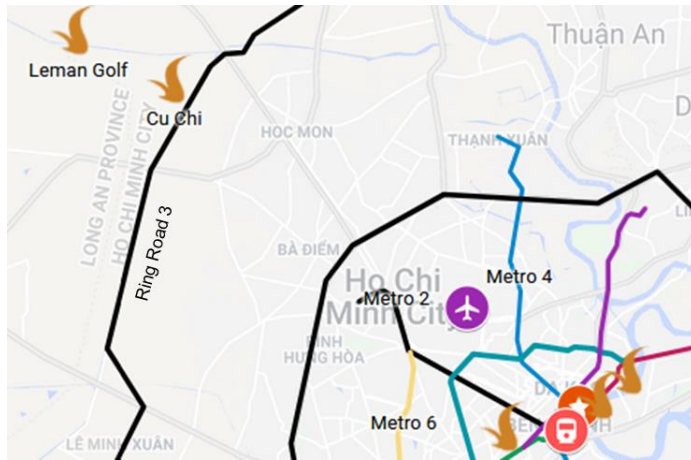


- Product: 43,500 apartments and 1,600 villas
- Selling price at launch: Apartment-VND32m/sq m; Villa-VND50m/sq m.
- Execution timeframe: 2019-24F.
- Our expected sales velocity: 7,300 apartments & 500 villas p.a.
- Near the completed High-tech park 1 & and the upcoming phase 2 of the industrial park.
- Conveniently connected to Long Thanh highway and the Eastern Bus Station
- Direct link to Ring Road 3 to provide efficient linkages with Binh Duong and the South of HCMC. Expected to be ready in 2022.
- Target buyers: Middle-income class from the east of HCMC, the south of Binh Duong province and the east of Dong Nai province.

SOURCES: VND RESEARCH, COMPANY REPORTS

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 58: Cu Chi – Hoc Mon, HCMC



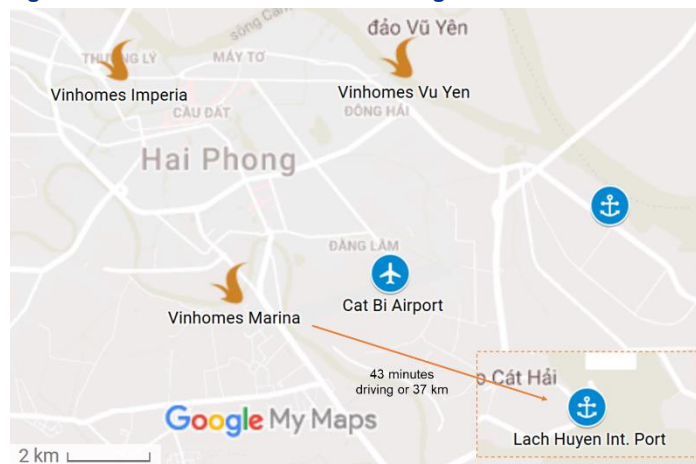
SOURCES: VND RESEARCH, COMPANY REPORTS

- Product: 125,000 apartments and 6,500 villas
- Selling price at launch: Apartment-VND30m/sq m; Villa-VND40m/sq m.
- Execution timeframe: 2020-32F.
- Our expected sales velocity: 9,500 apartments & 1,100 villas p.a.
- Convenient access to Lemans golf course (expected to open in 2022)
- Industrial parks nearby: Linh Trung 3, Thai Hoa, Duc Hoa
- Direct link to Ring Road 3 to provide efficient transport link with the provinces of Binh Duong and Long An. Expected to be ready in 2022
- Target buyers: Middle-income class from the west and the north of HCMC, the south of Binh Duong province, and the north of Long An province.

SOURCES: VND RESEARCH, COMPANY REPORTS

Major lower-tier market project briefs ►

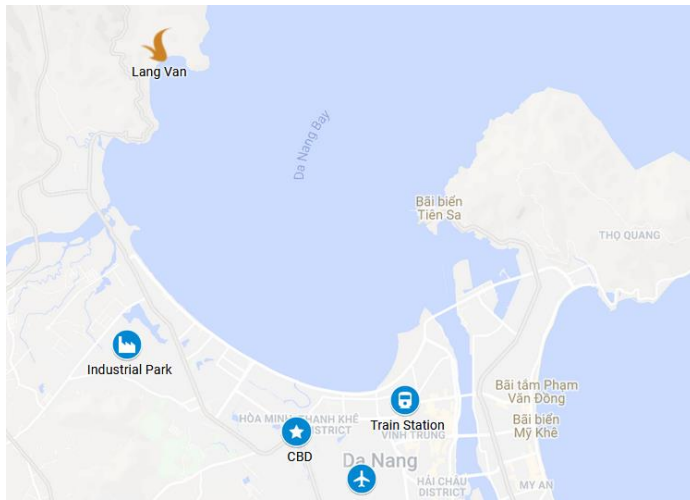
Figure 59: Vinhomes Marina – Hai Phong



- Product: 1.2m sq m NSA of villas and townhouses (1,153 units)
- Plot ratio: 1.3
- Selling price at launch: VND20.0m/sq m.
- Execution timeframe: 2018-20F
- Our expected sale velocity: 532 units p.a.
- Located in the heart of Hai Phong city.
- 20-minute drive to Cat Bi International Airport and 43 minutes to Lach Huyen port
- Demand for housing is backed by local economy
- Target buyer: Local high-income earners, investors from HCMC and Hanoi.

SOURCES: VND RESEARCH, COMPANY REPORTS

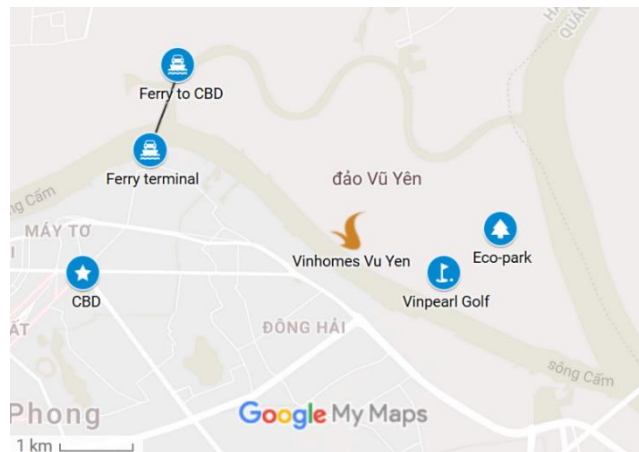
Figure 60: Vinhomes Lang Van – Da Nang



- Product: 1.3m sq m NSA of villas and townhouses (6,320 units)
- Plot ratio: 0.4
- Selling price at launch: Villa-VND18m/sq m
- Execution timeframe: 2019-22F
- Our expected sales velocity: 1,000 villas p.a.
- 23-minute drive to Da Nang International Airport and city centre
- 2 km to the nearest coast, 18 km to Ba Na Hills
- An industry park lies to the south of the project
- Target buyer: Local high-income earners, investors from HCMC and Hanoi.

SOURCES: VND RESEARCH, COMPANY REPORTS

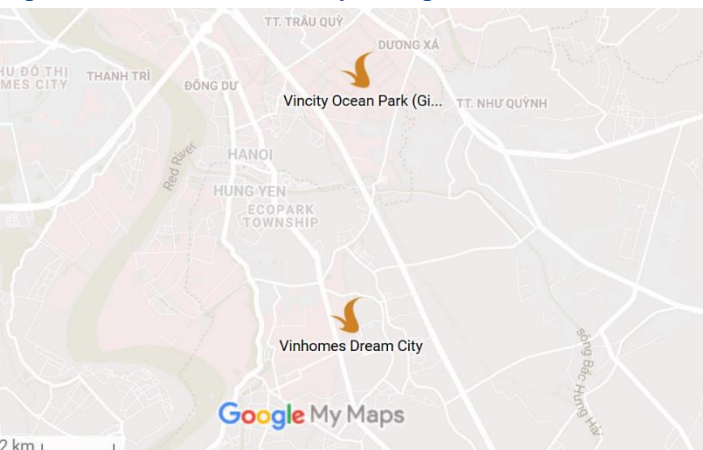
Figure 61: Vinhomes Vu Yen - Hai Phong



- Product: 1.3m sq m NSA of villas (3,243 units)
- Plot ratio: 3.4
- Selling price at launch: VND14m/sq m.
- Execution timeframe: 2019-21F
- Our expected sales velocity: 1,000 villas p.a.
- On Vu Yen island surrounded by a river. The project would be a high-class isolated residential compound
- Enjoy luxury entertainment services from nearby Vinpearl Golf course and eco-park on the island
- Upcoming bridge to link directly to the CBD
- Target buyer: Local high-income earners, investors from HCMC and Hanoi.

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 62: Vinhomes Dream City – Hung Yen



- Product: 11m sq m NSA
- Plot ratio: 0.3
- Selling price at launch: VND22m/sq m NSA.
- Our expected sales velocity: Apartment-1,100 unit p.a.
- Execution timeframe: 2021-26F
- 45-minute drive to Hanoi CBD as it is not far from Ocean Park.
- Easy connection to Hai Phong - Hung Yen highway
- Right next to an existing township.
- Target buyer: Middle- to high-income earners from the town, investors from Hanoi and Hai Phong

SOURCES: VND RESEARCH, COMPANY REPORTS

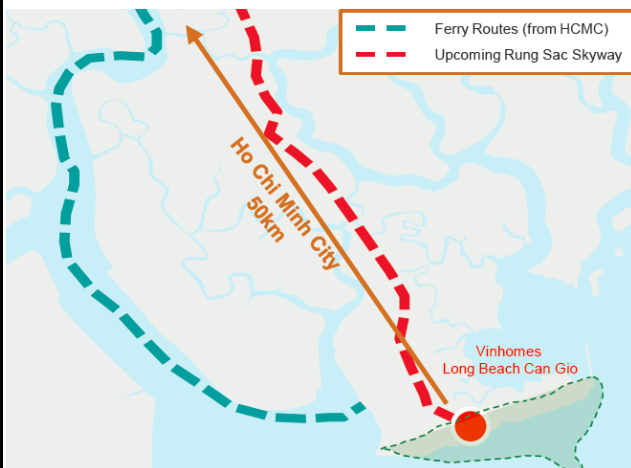
Figure 63: Vinhomes Green Ha Long – Ha Long, Quang Ninh



- Product: 29,7m sq m NSA of Villas & resorts
- Execution timeframe: 2020-36F
- Status: Land clearance is underway
- Selling price: VND14mn/sq m (phase 1)
- Expected sales velocity: 2,400 units p.a.
- Lach Huyen deep sea port (3mn TEU) expected to be completed and fully operated in 2019; critical to boost the logistics flow of the northern region through the area.
- Van Don International Airport nearly completed, with terminals in the final stage of construction. This will attract more direct arrivals Ha Long and significantly boost tourism activities as per a government master plan until 2020.
- Ha Long owns one of the best tourist attractions and shows a 46% CAGR in tourist revenue in 2010-16.
- Target buyer: Investors from Hanoi, high income and affluent locals

SOURCES: VND RESEARCH, COMPANY REPORTS

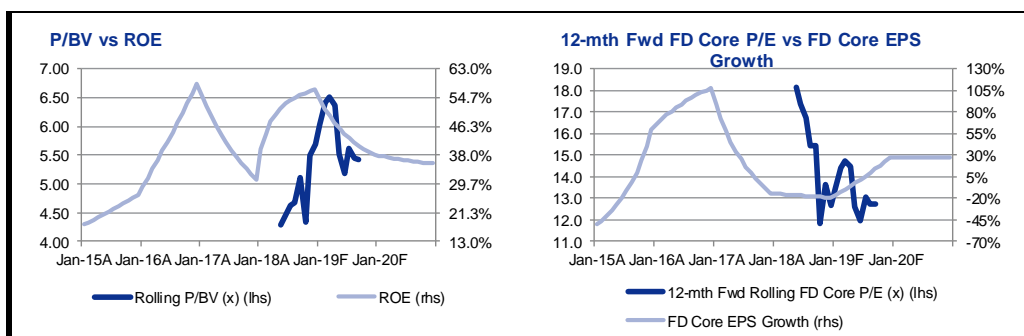
Figure 64: Vinhomes Long Beach – Can Gio, HCMC



- Product: 15,6m sq m NSA of Villas/resorts
- Execution timeframe: 2021-31F
- Status: Land clearance is under way
- Expected sales velocity: 2,700 units p.a.
- Direct link to Long Thanh highway and Long Thanh airport
- VHM will build a skyway connecting Long Thanh highway directly to the project.
- Upcoming Can Gio bridge would cut travel time from HCMC to around 1.5 hours, suggesting new weekend vacation site.
- Key tourist destinations near HCMC, with Can Gio Mangrove (UNESCO site) and integrated Vinpearl entertainment facilities
- Target buyer: Investors from HCMC and Hanoi, high income and affluent from HCMC looking for a vacation home.

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	15,297	38,806	50,232	79,719	128,113
Gross Profit	5,577	9,906	21,305	34,617	59,388
Operating EBITDA	3,539	7,580	17,178	27,035	47,774
Depreciation And Amortisation	(410)	(180)	(267)	(269)	(272)
Operating EBIT	3,128	7,400	16,911	26,766	47,503
Financial Income/(Expense)	(688)	12,195	10,033	7,718	3,576
Pretax Income/(Loss) from Assoc.	(88)	0	0	0	0
Non-Operating Income/(Expense)	(243)	13	0	0	0
Profit Before Tax (pre-EI)	2,109	19,609	26,944	34,484	51,078
Exceptional Items					
Pre-tax Profit	2,109	19,609	26,944	34,484	51,078
Taxation	(543)	(4,855)	(5,389)	(6,897)	(10,216)
Exceptional Income - post-tax					
Profit After Tax	1,565	14,754	21,555	27,588	40,863
Minority Interests	(156)	(520)	(2,111)	(2,702)	(4,465)
Prof. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	0	0	0	0	0
Net Profit	1,410	14,234	19,444	24,886	36,398
Recurring Net Profit	1,410	14,234	19,444	24,886	36,398
Fully Diluted Recurring Net Profit	1,410	14,234	19,444	24,886	36,398

Cash Flow

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	3,539	7,580	17,178	27,035	47,774
Cash Flow from Inv. & Assoc.	0	0	0	0	0
Change In Working Capital	337	(22,186)	19,921	(1,401)	(11,194)
Straight Line Adjustment	0	0	0	0	0
(Incr)/Decr in Total Provisions	689	19	580	510	498
Other Non-Cash (Income)/Expense	16	(2)	(11,998)	(10,327)	(6,235)
Other Operating Cashflow	(10)	11,207	11,731	10,058	5,964
Net Interest (Paid)/Received	(902)	(2,442)	(1,965)	(2,609)	(2,660)
Tax Paid	(872)	(3,408)	(5,389)	(6,897)	(10,216)
Cashflow From Operations	2,796	(9,232)	30,059	16,368	23,931
Capex	0	0	0	0	0
Disposals Of FAs/subsidiaries	34	4,902	0	0	0
Disposals of Investment Properties	2,028	23,474	0	0	0
Acq. Of Subsidiaries/investments	(3,469)	(50,328)	(24,827)	(20,165)	(20,237)
Other Investing Cashflow	(8,052)	5,887	0	0	0
Cash Flow From Investing	(9,459)	(16,066)	(24,827)	(20,165)	(20,237)
Debt Raised/(repaid)	5,394	15,954	4,000	5,000	0
Proceeds From Issue Of Shares	28	12,241	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	0	(945)	(3,350)	(3,350)	(3,350)
Preferred Dividends					
Other Financing Cashflow	0	0	6,699	6,699	6,699
Cash Flow From Financing	5,422	27,250	7,350	8,350	3,350

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	1,562	3,516	9,398	7,252	7,596
Properties Under Development	16,891	26,974	68,043	99,559	129,172
Total Debtors	24,775	41,761	22,039	31,696	44,964
Inventories	116	116	116	116	116
Total Other Current Assets	1,079	8,099	7,334	10,215	14,053
Total Current Assets	44,421	80,466	106,929	148,837	195,901
Fixed Assets	1,297	371	347	323	297
Total Investments	4,380	29,068	65,738	96,075	122,391
Intangible Assets	686	1,046	957	868	779
Total Other Non-Current Assets	520	6,857	7,204	3,796	5,532
Total Non-current Assets	6,883	37,342	74,247	101,062	128,999
Short-term Debt	8,700	6,403	8,209	8,209	8,209
Current Portion of Long-Term Debt	0	0	0	0	0
Total Creditors	925	2,149	2,157	3,353	5,099
Other Current Liabilities	24,598	32,506	73,167	111,239	146,742
Total Current Liabilities	34,223	41,058	83,533	122,801	160,050
Total Long-term Debt	6,628	25,506	27,700	32,700	32,700
Hybrid Debt - Debt Component	0	0	0	0	0
Total Other Non-Current Liabilities	329	3,126	3,619	3,836	4,075
Total Non-current Liabilities	6,957	28,631	31,319	36,536	36,774
Total Provisions	0	0	0	0	0
Total Liabilities	41,180	69,689	114,852	159,337	196,824
Shareholders' Equity	6,904	43,173	59,268	80,804	113,852
Minority Interests	3,220	4,945	7,057	9,758	14,223
Total Equity	10,124	48,119	66,324	90,562	128,076

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	36%	154%	29%	59%	61%
Operating EBITDA Growth	35%	114%	127%	57%	77%
Operating EBITDA Margin	23.1%	19.5%	34.2%	33.9%	37.3%
Net Cash Per Share (VND)	(55,063)	(8,477)	(7,915)	(10,048)	(9,945)
BVPS (VND)	27,617	12,889	17,694	24,124	33,991
Gross Interest Cover	3.47	3.03	8.60	10.26	17.86
Effective Tax Rate	25.8%	24.8%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	NA	NA	17.2%	13.5%	9.2%
Accounts Receivables Days	350.6	312.9	231.8	123.4	109.2
Inventory Days	9.79	1.46	1.46	0.94	0.61
Accounts Payables Days	48.66	19.41	27.17	22.36	22.44
ROIC (%)	488%	30%	27%	70%	119%
ROCE (%)	18.5%	41.9%	31.7%	31.7%	35.8%
Return On Average Assets	4.8%	5.9%	9.1%	9.9%	13.2%

Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Unbooked Presales (m) (VND)	N/A	68,900.0	101,829.7	142,755.5	197,273.0
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A	N/A
Gross Margins (%)	36.5%	25.5%	42.4%	43.4%	46.4%
Contracted Sales ASP (per Sm) (VND)	N/A	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	N/A	95.9%	95.4%	96.3%	96.9%
Inv. properties rental margin (%)	N/A	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	N/A	-6.0%	-8.2%	-9.5%	-9.1%

SOURCES: VND RESEARCH, COMPANY REPORTS

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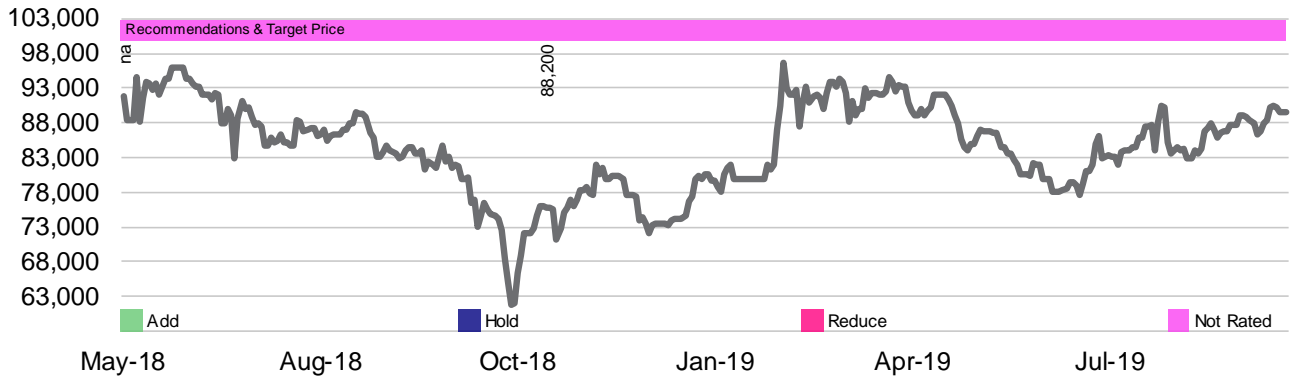
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— Price Close



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, , **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HREIT** - Excellent, Certified **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **JWD** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **OSP** – not available, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PR9** – not available, n/a, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **S** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Very Good, Certified, **WORK** – Good, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 31, 2018) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

* The company, its director or management had been reportedly accused for breaching proper corporate governance such as violation of the SEC's regulations or charged with corruption.

RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the:(i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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