

## CENTURY LAND JSC (CRE) – UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND52,400	VND49,000	1.9%	Hold	PROPERTY

27 August 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Neutral**

Consensus\*: Add:0 Hold:1 Reduce:1

Target price / Consensus: 33.0%

### Key changes in the report

➤ FY21-22F EPS increased by 12.8%-7.8%

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	54,500
52w low (VND)	17,291
3m Avg daily value (VNDmn)	58,110
Market cap (VND bn)	4,954
Free float (%)	41
TTM P/E (x)	11.7
Current P/B (x)	2.2

### Ownership

Cen Group	42.6%
Vietnam Master Holding 2 Ltd	8.9%
Others	48.5%

Source: VND RESEARCH

### Analyst(s):



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## Solid outlook already priced in

- 1H21 net profit (NP) surged 121% yoy to VND250bn, fulfilling 70% of our FY21F forecast.
- We revise up FY21-22F NP by 12.8%-7.8% following strong 1H21 results which were driven by secondary investment activities.
- Reiterate Hold with a higher TP of VND49,000.

### Better than expected 1H21 performance

CRE posted VND1,644bn (+277% yoy) in 2Q21 revenue, on the back of (1) VND1,292bn (+845% yoy) of secondary investment activities, which mainly came from two residential projects, Louis City and Hinode Royal Park in Hanoi, and (2) VND474bn (+82% yoy) of brokerage business, driven by 120% yoy growth of transaction volume. However, 2Q21 gross profit margin (GPM) decreased to 16.7% vs. 41.2% in 2Q20 on higher revenue contribution from secondary investment (which delivered only 15.1% of GPM in 1H21) and lower margin of brokerage. CRE is aggressively acquiring market share by low brokerage fee strategy. Thus, 2Q21 earnings grew 40.7% yoy to VND127bn. For 1H21, revenue jumped 422% yoy to VND3,685bn while NP increased 87% yoy to VND250bn, fulfilling 70% of our FY21F forecast.

### Dealing with short-term headwinds but long-term outlook still intact

The government's stricter nationwide social distancing protocols which have been imposed since early-Jul, blocked the residential sale activities in 3Q, or even in 4Q. Thus, we lower CRE's FY21F brokerage transactions volume to 9,024 units (+7% yoy), down 28% vs. previous forecast. However, we expect property market to warm up from 4Q21F onward with surging demand amid low mortgage interest rates. CRE's FY22 brokerage transactions volume is expected to grow 40% yoy, bringing FY22F brokerage revenue up 37% yoy to VND1,819bn.

### We raise FY21-22F net profit forecast by 12.8%-7.8%

Despite a downgrade on brokerage business in FY21, we revise up FY21-22F revenue of secondary investment by 61.1%-44.5% following better-than-expected performance in 1H21. Louis City and Hinode Royal Park are the key revenue growth drivers for FY22F. Consequently, we expect revenue to accelerate 141.5% yoy in FY21 and slow down to 22.2% yoy in FY22F. CRE's NP is forecasted to increase 40.5%-22.4% over FY21-22F.

### Reiterate HOLD rating with a target price of VND49,000

Our TP is based on an equal weighting of (1) a target P/E of 11x on average FY21-22F EPS and (2) a target P/B of 1.7x on average FY21-22F BVPS. Upside catalyst is a larger-than-expected scale of the company's secondary investment. Downside risks include a prolonged pandemic, which would impact brokerage activities and the launch of real estate projects.

Financial summary (VND)	12-19A	12-20A	12-21E	12-22E
Net revenue (bn)	2,312	2,117	5,115	6,252
Revenue growth	37.1%	(8.4%)	141.5%	22.2%
Gross margin	32.5%	28.3%	18.1%	18.2%
EBITDA margin	21.3%	16.4%	12.0%	12.0%
Net profit (bn)	389	294	413	505
Net profit growth	23.3%	(24.4%)	40.5%	22.4%
Recurring profit growth	22.7%	(23.6%)	39.7%	22.1%
Basic EPS	4,050	3,060	4,301	5,264
Adjusted EPS	3,701	2,671	3,864	4,708
BVPS	19,102	20,987	27,194	32,672
ROAE	23.6%	15.3%	17.9%	17.6%

Source: VND RESEARCH

## SOLID OUTLOOK ALREADY PRICED IN

### Investment thesis

We believe 1H21 performance is a sprint before a slowdown in 2H21 as the ongoing Covid-19 wave cast shadow. However, we still like CRE for long-term investment as (1) its leading position in brokerage property with 14% market share will help CRE to ride on the resurgence of housing demand post-pandemic; (2) recent tie-up with Novaland (NVL VN, Hold) and Vinhomes (VHM VN, Add) to distribute their projects, will solidify its marketing position in Northern market; and (3) strong investment pipeline ensures a breakthrough for secondary investment segment in 2021- 22F.

### Reiterate HOLD with a higher target price of VND49,000

Our target price is based on an equal weighting of (1) a target P/E of 11x on average FY21-22F EPS and (2) a target P/B of 1.7x on average FY21-22F BVPS. We revise our target price to VND49,000 from VND33,700 following a 12.8%-7.8% upward revision in FY21-22F EPS and a higher target valuation multiple. Our target P/B multiple of 1.7x for CRE is derived from the average of local property brokers (DXS, NRC and KHG).

CRE's 1H21 robust results have propelled share price to rally 24% in the past three months, nearly double the increase of our property coverage (+13%) and outperforming the VN-Index benchmark of -1.2%. Currently, CRE is trading at 11.7x of TTM P/E and 13.6x of FY21 P/E, which is a record high since its listing and 35% discount to its peers. We believe the share price is quite fair in the near-term investment horizon. For a longer run, we will wait for more information about company's project pipeline in 2023 – 2024.

Upside catalyst is a larger-than-expected scale of the company's secondary investment sales. Downside risks include a prolonged pandemic, which would impact brokerage activities and the launch of real estate projects.

Figure 1: P/E method, key inputs, based on our estimates

Average EPS 2021-22	4,286
Industry average multiple	18.1
Target multiple	11.0
Implied value per share (VND)	47,144

Source: VNDIRECT RESEARCH

Figure 2: P/B method, key inputs, based on our estimates

Average Book value 2021-22	29,933
Industry average multiple	1.6
Target multiple	1.7
Implied value per share (VND)	50,885

Source: VNDIRECT RESEARCH

Figure 3: Blended target price, based on our estimates

Method	Implied value per share (VND)	Weight (%)	Weighted price (VND)
P/E	47,144	50%	23,572
P/B	50,885	50%	25,443
Target price (VND, rounded)			49,000

Source: VNDIRECT RESEARCH

Figure 4: Peer comparison (Data as at 27 Aug 2021)

Company	Ticker	Price		Mkt cap	P/E (x)		P/BV (x)		ROE (%)		ROA (%)		D/E (%)	
		LC\$	LC\$		TTM	21F	Current	21F	TTM	21F	Current	21F	Current	21F
Dat Xanh Services JSC	DXS VN	28,300	40,200	444.9	9.8	7.6	1.8	1.7	15.5	28.9	8.1	11.2	13.3	
Danh Khoi Group JSC	NRC VN	19,400	na	68.3	27.6	na	1.7	na	(1.4)	na	(0.9)	(0.9)	16.1	
Khai Hoan Land JSC	KHG VN	13,900	na	106.6	16.8	na	1.2	na	7.7	na	5.8	na	20.5	
Average				206.6	18.1	7.6	1.6	1.7	7.3	28.9	4.3	5.1	16.6	
Median				106.6	16.8	7.6	1.7	1.7	7.7	28.9	5.8	5.1	16.1	
Century Land JSC	CRE VN	52,400	49,000	220.6	11.7	13.6	2.2	1.9	19.6	17.9	10.4	8.8	40.2	

Source: VNDIRECT RESEARCH ESTIMATES, BLOOMBERG

## 1H21 recap: Secondary investment business performed better than our expectation

Figure 5: 1H21 business results

VNDbn	2Q21	2Q20	% yoy	1H21	1H20	% yoy	vs full year forecast	Comment
<b>Net revenue</b>	<b>1,644.2</b>	<b>436.1</b>	<b>277.0%</b>	<b>3,685.1</b>	<b>705.8</b>	<b>422.1%</b>	<b>96.4%</b>	
Brokerage	473.9	260.3	82.0%	855.5	481.3	77.7%	59.0%	Brokerage revenue surged 77.7% yoy in 1H21 on the back of (1) transactions volume jumped 56.2% yoy to 5,186 units; and (2) average property value per unit grew 30.7% yoy.
Secondary investment	1,292.2	136.8	844.6%	2,941.9	183.4	1504.0%	126.9%	Secondary investment revenue was significantly higher than our previous forecast. Absorption rate at two residential property projects named Hinode Royal Park and Louis City reached 57% (equivalent 264 units) in 1H21, higher than our full-year forecast of 45%. These two projects recorded VND2,691bn in revenue, accounting for 91% of this segment revenue.
Office leasing	15.9	37.2	-57.1%	21.6	43.3	-50.1%	61.4%	
Advertising, event organization	4.9	1.8	174.7%	8.8	2.7	225.6%	43.8%	
Revenue deductions	(142.1)	-	na	(142.1)	(5.0)	na	na	The customer returned the leased premises at the Dolphin Plaza project in 2Q21.
<b>Gross profit</b>	<b>274.8</b>	<b>179.8</b>	<b>52.8%</b>	<b>535.6</b>	<b>287.1</b>	<b>86.5%</b>	<b>56.0%</b>	
SG&A expense	83.0	60.6	37.1%	186.8	116.5	60.3%	44.5%	
EBIT	208.9	459.0	-54.5%	365.8	510.4	-28.3%	69.5%	
Interest expense	42.1	0.6	7463.9%	49.7	2.8	1689.9%	77.0%	
Pre-tax profit	161.7	122.1	32.4%	316.1	176.5	79.1%	69.3%	
After tax profit	128.4	96.9	32.5%	251.1	139.2	80.4%	68.9%	
<b>Net profit</b>	<b>127.2</b>	<b>90.4</b>	<b>40.7%</b>	<b>250.4</b>	<b>133.6</b>	<b>87.4%</b>	<b>69.9%</b>	
<b>Gross profit margin</b>	<b>16.7%</b>	<b>41.2%</b>	<b>-24.5% pts</b>	<b>14.5%</b>	<b>40.7%</b>	<b>-26.1% pts</b>	<b>-10.5% pts</b>	
Brokerage	19.3%	61.2%	-41.8% pts	25.8%	49.9%	-24.2% pts	-18.0% pts	CRE's brokerage segment's GPM decreased sharply by 24.2% pts to 25.8% in 1H21 due to a low-fee strategy of CRE to grab more market share.
Secondary investment	24.5%	5.3%	19.2% pts	15.1%	18.0%	-2.9% pts	2.2% pts	The increased selling price at two projects Hinode Royal Park and Louis City in 2Q21 helped improve the secondary investment's GPM to 24.5% from 7.8% of 1Q21 and much higher than that of 5.3% of 2Q20.
Office leasing	56.0%	33.7%	22.3% pts	51.7%	40.7%	10.9% pts	1.4% pts	
Advertising, event organization	18.6%	44.2%	-25.6% pts	22.0%	40.1%	-18.1% pts	-5.4% pts	
SG&A as % of revenue	5.1%	13.9%	-8.8% pts	5.1%	16.5%	-11.4% pts	-5.9% pts	Lower-than-expected SG&A as % of revenue thanks to a higher-than-expected proportion of the secondary investment segment (with a lower SG&A as % revenue than brokerage segment) in total revenue.
EBIT margin	12.7%	105.3%	-92.6% pts	9.9%	72.3%	-62.4% pts	-3.8% pts	
<b>Net profit margin</b>	<b>7.7%</b>	<b>20.7%</b>	<b>-13.0% pts</b>	<b>6.8%</b>	<b>18.9%</b>	<b>-12.1% pts</b>	<b>-2.6% pts</b>	

Source: VNDIRECT RESEARCH, COMPANY REPORTS

## Brokerage business outlook

### Slowdown in the 2H21 due to current wave

The government's stricter nationwide social distancing protocols which have been imposed since early-Jul, blocked the residential sale activities in 3Q, or even in 4Q. According to the Vietnam Association Of Real Estate Brokers, the brokerage transactions volume in Vietnam plunged by 52% qoq in 2Q21.

Dealing with headwinds, CRE has ramped up sales activities through digital channels (such as 3D property scanning, 360 VR Tour,... help customers experience a virtual tour of property products). However, brokerage transactions volume in 3Q21 might plunge compared to the previous quarter.

CRE management said that the number of customers property reservation agreements was positive at the beginning of 3Q21. Besides, we expect the pandemic will be gradually controlled thanks to the government vaccination

targets. Thus, we believe that the real estate transactions demand is still high and CRE's brokerage transactions volume will recover strongly from 4Q21F.

We lower CRE's FY21F brokerage transactions volume to 9,024 units (+7% yoy), down 28% versus previous forecast. However, we raise our assumption of average property value per unit by 21% as the company focuses on selling low-rise products in 2021. As a result, FY21F brokerage revenue was VND1,328bn (+28.1% yoy), 8.5% lower than our previous forecast. For FY22F, we expect brokerage transactions volume to grow 40% yoy on the back of a number of residential projects from big developers, i.e., Vinhomes, Novaland, Bitexco,... which are in the distribution pipeline of CRE. Thus, FY22F brokerage revenue will jump 37% yoy to VND1,819bn, in our view.

**Figure 6: CRE has started distributing products of large developers in 1H21**

Project	Location	Investor	Total units	Average price per unit (VND bn)	Type of brokerage	Sales start time	Units sold
The Manor Central Park Z2	Hanoi	Bitexco	113	24.2	Exclusive	Jun-20	86
Vinhomes Grand Park	HCMC	Vinhomes	900	3.2	F1	Jul-20	86
The Matrix One	Hanoi	MIK Home	156	8.4	Exclusive	Nov-20	127
Nova World Phan Thiet	Binh Thuan	Novaland	2,000	7.0	F2	Mar-21	183
Vinhomes Smart City	Hanoi	Thai Son	1,500	2.5	Non exclusive	Mar-21	103
Casamia Calm Hoi An	Quang Nam	Dat Phuong Hoi An	100	6.9	Exclusive	Apr-21	91

Source: VNDIRECT RESEARCH, COMPANY REPORTS

### Gross margin of brokerage business compress on low-fee strategy

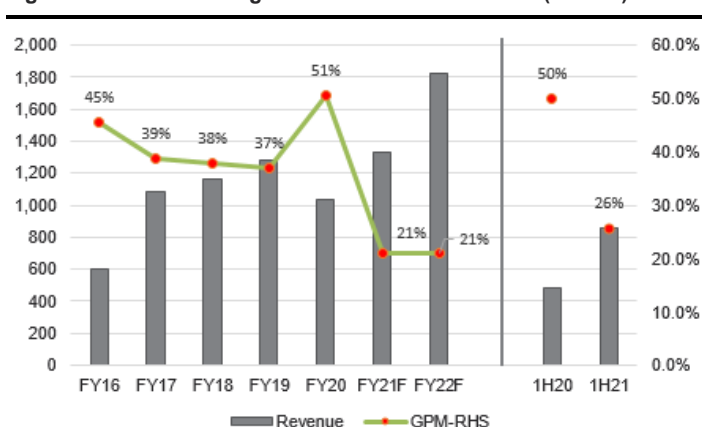
CRE is aggressively acquiring more market share by adopting low brokerage fee strategy. CRE's market share will likely increase from 14% in FY20 to around 20% in FY23F, according to our estimates. Thus, GPM of brokerage business is expected to decrease to 21% in FY21-22F from 50.5% in FY20. We expect GPM of brokerage segment will bounce back from FY23F onward as the company acquires a larger market share.

**Figure 7: CRE's brokerage portfolio at the end of Jun 2021**

Total projects on selling	110
Total units on selling	52,788
Total value on selling (VND bn)	458,965
Sold units in 1H21	5,186
Sold value in 1H21 (VND bn)	25,953

Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 8: CRE's brokerage business result forecasts (VNDbn)**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

### Secondary investment business outlook

#### Better than expected 1H21 performance prompt us to upgrade our forecasts

Currently, the investment portfolio of CRE includes four major projects: Louis City (in Hoang Mai Dist, Hanoi), Hinode Royal Park (Hoai Duc Dist, Hanoi), Binh Minh Garden (Long Bien Dist, Hanoi) and C-Sky View (Thu Dau Mot City, Binh Duong) with total investment of VND6.1tr. In 1H21, CRE posted VND2,942bn in

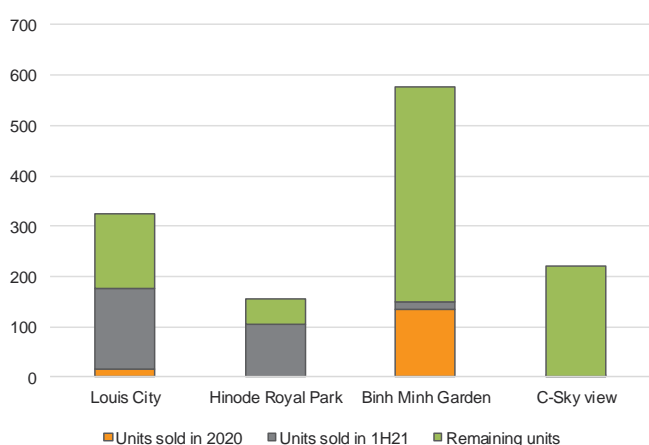


secondary investment revenue (vs. VND183bn in 1H20), mainly coming from Louis City and Hinode Royal Park.

We observed that the selling prices of Louis City and Hinode Royal Park increased about 25-30% qoq in 2Q21 thanks to their prime location. Hinode Royal Park project locates in the West of Hanoi with proximity to several major infrastructure projects (Nhon - Hanoi Station Metro line; Ring Road 3.5 from Thang Long Highway – National Highway No.32) which are expected to be completed in 2021. Consequently, GPM of secondary investment widened 24.5% in 2Q21, from 7.8% of 1Q21 and much higher than 5.3% of 2Q20.

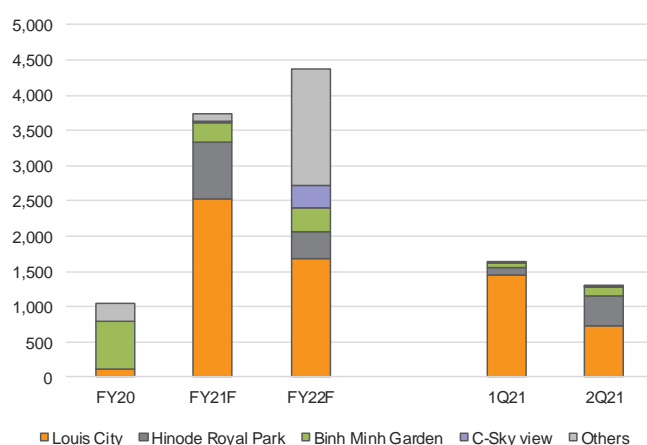
We believe that the excellent absorption rates of 57% after only eight months since launching and the potential for price appreciation in these two low-rise projects demonstrate the experience of CRE management in selecting investment projects.

**Figure 9: Sales progress at CRE's major secondary investment projects (units)**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 10: CRE's secondary investment business revenue forecasts (VNDbn)**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

We revise up our forecasted revenue for secondary investment activities by 61.1% to VND3,734bn following better than expected 2Q21 results. Bookings this year will be driven mainly by the Louis City, Hinode Royal Park and Binh Minh Garden projects. For FY22F, we estimate secondary investment revenue will grow 17.2% yoy to VND4,375bn thanks to the remaining revenue from current projects. The company is also actively looking to add new projects to the secondary investment pipeline, such as Thanh Cong Tower (Thanh Xuan, Hanoi) and a new residential property in Bac Ninh (cooperation with Trustlink Investment and Service JSC).

### Funding for large-scale projects raises debt burden in FY21-22F

The accelerated secondary investment pipeline has led to a significant increase in working capital needs. CRE has been using mostly debt to finance this, leading to a significant increase in the company's leverage.

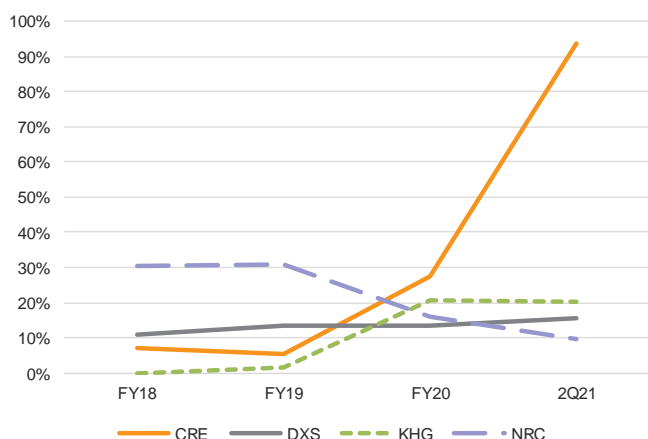
At the end of 2Q21, CRE's total debt had increased to VND2,137tn (+26.2% qoq, 288.5% ytd), causing the company's debt/equity (D/E) ratio was 0.94x, significantly higher than the 0.27x seen at the end of FY20. Thus, CRE's D/E ratio is also much higher than that of its peers, including DXS, KHG and NRC, which are around 0.1x-0.2x. In FY21-22F, we project that CRE's D/E ratio will inch up to 0.79x/0.71x

CRE's management shared that in the next three years, the company will focus on market share expansion while its profitability will be generated in the long term. Thus, despite using more financial leverage, the company's ROE is

forecasted to be only 17.9%-17.6% in FY21-22F, up slightly from 15.3% in FY20, but still lower than FY19's level of 23.6%.

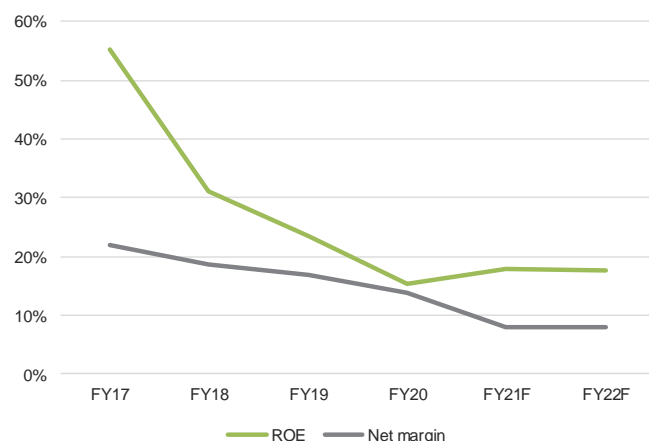
We have not reflected in our forecast the equity issuance for existing shareholders that was approved at the FY21 AGM (which is expected to raise VND960bn) due to limited available information. However, if all the proceeds be used to pay down debt, the debt/equity ratio will remain at 0.31x and need to be watched.

**Figure 11: CRE's D/E ratio is higher than its peers**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 12: FY21-22F ROE and net margin are forecasted to decline sharply compared to FY17-19**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

### FY21-22F earnings revision

**Figure 13: Earnings revision for FY21-22F (VND bn)**

	Old forecasts		New forecasts		% Δ change		Comments
	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	
VNDbn							
<b>Revenue</b>	<b>3,824.0</b>	<b>4,684.7</b>	<b>5,114.7</b>	<b>6,252.3</b>	<b>33.8%</b>	<b>33.5%</b>	
<i>Brokerage</i>	1,451.1	1,596.2	1,328.4	1,819.3	-8.5%	14.0%	
<i>Secondary investment</i>	2,317.6	3,027.7	3,733.9	4,375.3	61.1%	44.5%	
<b>Gross profit</b>	<b>956.4</b>	<b>1,133.2</b>	<b>927.1</b>	<b>1,136.4</b>	<b>-3.1%</b>	<b>0.3%</b>	
SG&A expense	420.3	478.1	299.4	365.4	-28.8%	-23.6%	
EBIT	536.1	655.1	627.6	771.0	17.1%	17.7%	
Interest expense	64.6	53.7	125.0	150.9	93.6%	181.2%	We revise up our FY21/22F interest expense by 93.6%/181.2% due to 52%/85% higher-than-expected total debt, in which 111% higher-than-expected long-term debt by high-yield bonds vs. our previous forecasts.
Pre-tax profit	465.2	593.7	523.9	639.5	12.6%	7.7%	
After tax profit	372.2	474.9	419.1	511.6	12.6%	7.7%	
<b>Net profit</b>	<b>365.9</b>	<b>468.6</b>	<b>412.9</b>	<b>505.3</b>	<b>12.8%</b>	<b>7.8%</b>	
<b>Gross profit margin</b>	<b>25.0%</b>	<b>24.2%</b>	<b>18.1%</b>	<b>18.2%</b>	<b>-6.9% pts</b>	<b>-6.0% pts</b>	
<i>Brokerage</i>	43.7%	43.7%	21.0%	21.0%	-22.7% pts	-22.7% pts	
<i>Secondary investment</i>	12.9%	13.5%	16.8%	16.7%	3.9% pts	3.2% pts	
SG&A as % of revenue	11.0%	10.2%	5.9%	5.8%	-5.1% pts	-4.4% pts	We revise down our FY21/22F SG&A expense as % of revenue by 5.1% pts/4.4% pts thanks to higher proportion of secondary investment segment (with a lower SG&A as % revenue than brokerage segment) in total company.
EBIT margin	14.0%	14.0%	12.3%	12.3%	-1.7% pts	-1.7% pts	
<b>Net profit margin</b>	<b>9.6%</b>	<b>10.0%</b>	<b>8.1%</b>	<b>8.1%</b>	<b>-1.5% pts</b>	<b>-1.9% pts</b>	

Source: VNDIRECT RESEARCH

## PROPERTY MARKET FY21–23F OUTLOOK

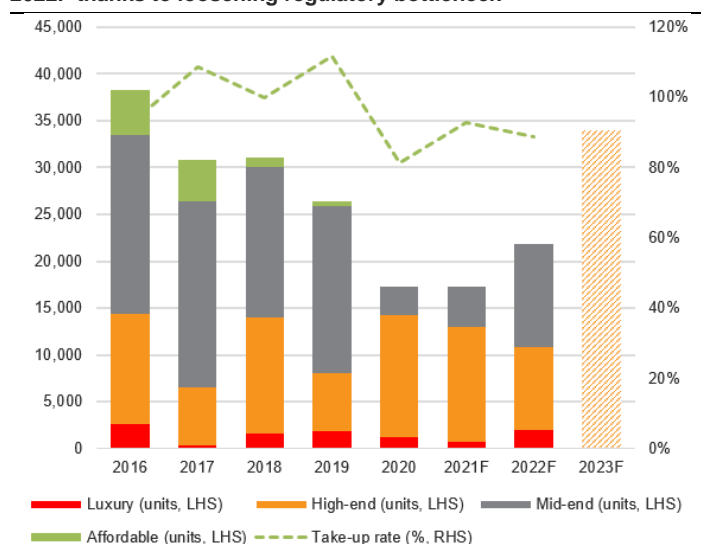
### Good times for property market are just around the corner

We see there are likely to be more challenges for property market in 3Q21F due to the 4th COVID-19 outbreak. But we believe the property market will bounce back strongly as soon as the outbreak is under control in 4Q21F. We expect good times for the property market is from 4Q21F with housing supply gradually recovering thanks to loosening regulatory bottleneck while higher housing demand fueled by the recovery of macro fundamentals, stepping up infrastructure development and low mortgage rates.

### Southern residential market: signs of warming up in condo supply since 2022 onwards

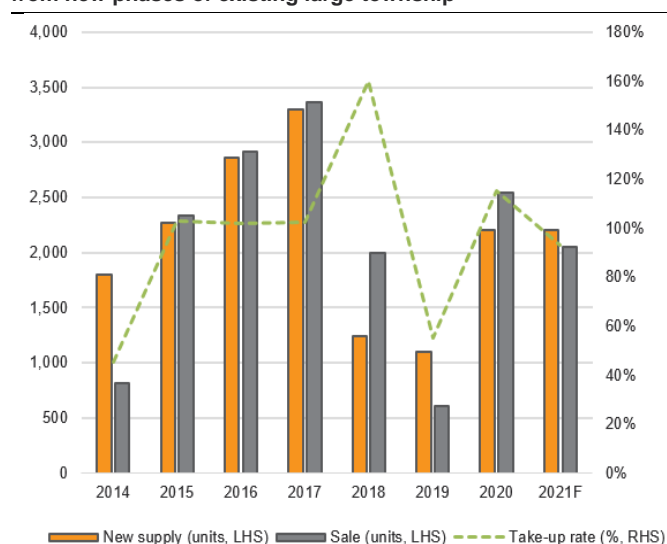
After new regulatory measures such as Decree 148 and Amended Construction Law 2020 issued in 2020, we project the HCMC new condo supply will recover from 2022F, with +26.2% yoy in 2022F and +55.7% yoy in 2023F, of which mid-end segment bounces with a 30-50% contribution of total condo supply. We believe suburb housing market in HCMC namely Binh Chanh, Can Gio, Nha Be, Thu Duc City will continue to do well in 2H21-2022F, driven by the infrastructure project development in these areas.

**Figure 14: The HCMC new condo supply is expected to recover from 2022F thanks to loosening regulatory bottleneck**



Sources: CBRE, SAVILLS, VNDIRECT RESEARCH

**Figure 15: The HCMC new landed supply in 2H21F mostly comes from new phases of existing large township**



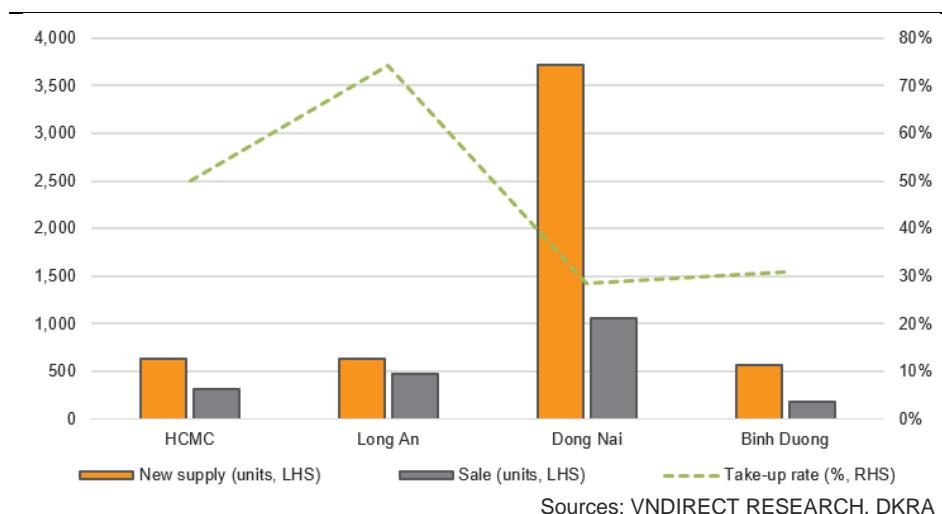
Sources: CBRE, VNDIRECT RESEARCH

### HCMC's neighbouring provinces will take spotlights over 2H21-2022F

As a result of strong price escalation along with limited supply, investors are looking for new opportunities in neighbouring provinces to HCMC such as Long An and Dong Nai. In 1H21, new supply for ready-built houses in Dong Nai contributed the most with 3,700 units, accounting for 67% of that in Southern market, followed by Long An with 630 units, accounting for 11%, according to DKRA.

This open opportunities for developers that own massive landbank in those areas such as NLG, NVL with mega township projects namely Waterfront, Southgate, Aqua City. We believe the launches of these projects in 2H21-2022F will draw investors' attention and achieve high take-up rate thanks to their sought-after location, legal transparency and quality products.

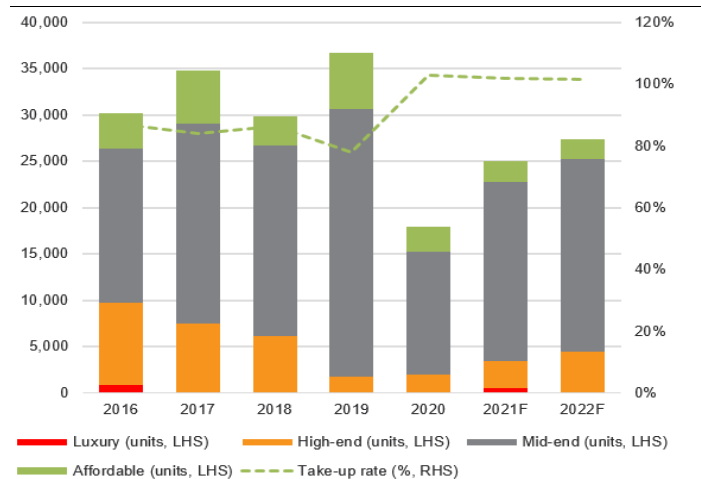
**Figure 16: New supply for ready-built houses in Dong Nai was 6 times higher than that of HCMC in 1H21**



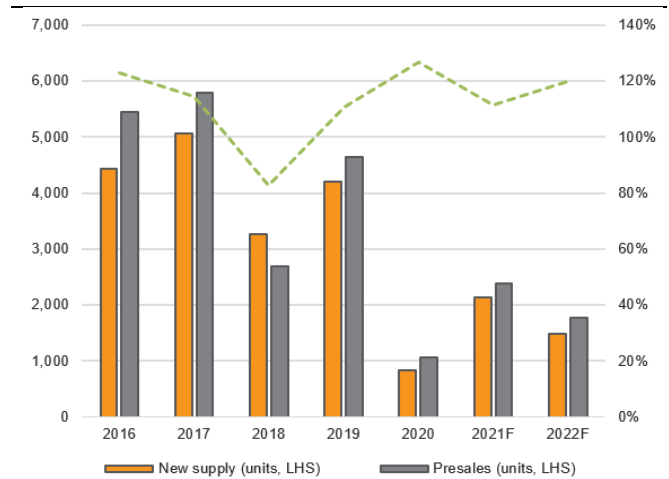
### Northern residential market: Ample supply from upcoming mega township projects

We expect to see a 40% increase in new condo supply in 2021F to circa (c.) 25,000 units, dominated mostly by units in the west and the east of Hanoi, driven by the stable new supply from Vinhomes' massive projects, followed by Sunshine Empire (c.2,200 units) and Gamuda City (c.2,000 units). Meanwhile, landed property markets at Hanoi's neighbouring provinces such as Hung Yen are likely in the spotlight in FY21-22F. Vinhomes also plans to launch a 460ha mega township in Hung Yen in 2H21F.

**Figure 17: Hanoi new condo supply recovery in 2021-22F, driven by a stable contribution from Vinhomes' massive projects**



**Figure 18: Lacklustre new landed supply in Hanoi while spotlight in its neighbouring provinces**



### Hung Yen is likely in the spotlight in 2H21-2022F

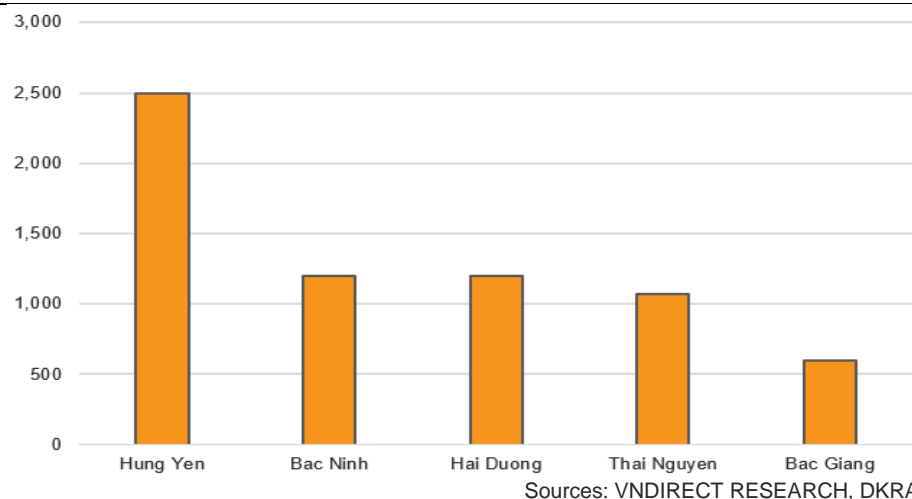
We consider Hung Yen as one of Northern emerging property markets, along with Bac Ninh and Quang Ninh. This province is situated at the heart of the Northern Delta, having favorable connection to Hanoi, Hai Phong and Nam Dinh. According to CBRE, in 2020, selling prices for landed property in Hung Yen rose 12% yoy, higher than the Hanoi average rate of 7.6%.

New landed supply in Hung Yen could reach 2,500 units in 2021F, 16.8% higher than that of Hanoi, mostly from mega township projects namely Ecopark (500ha)

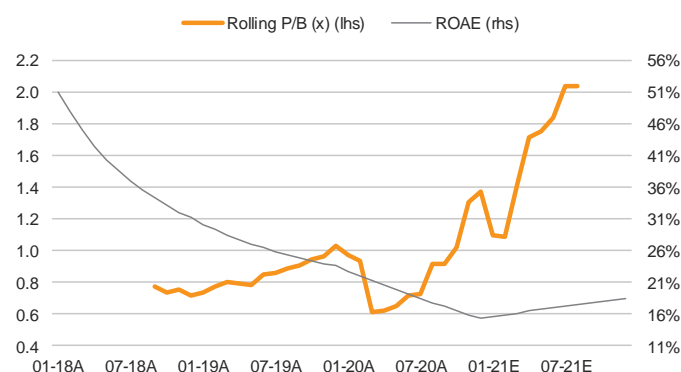
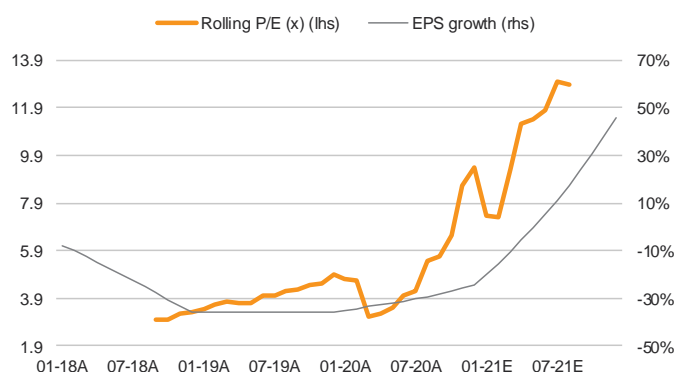


and Vinhomes Dream City (460ha). We believe these projects will achieve a 70-80% take-up rate in 2021F, driven by high demand from experts, engineers and workers in this area.

**Figure 19: Abundant new products (2,500 landed units) from mega projects should add more excitement for Hung Yen property market in 2021F**



## Valuation



### Income statement

(VNDbn)	12-20A	12-21E	12-22E
Net revenue	2,117	5,115	6,252
Cost of sales	(1,518)	(4,188)	(5,116)
Gen & admin expenses	(191)	(213)	(247)
Selling expenses	(43)	(87)	(119)
<b>Operating profit</b>	<b>364</b>	<b>628</b>	<b>771</b>
Operating EBITDA	330	592	730
<b>Depreciation and amortisation</b>	<b>35</b>	<b>36</b>	<b>41</b>
<b>Operating EBIT</b>	<b>364</b>	<b>628</b>	<b>771</b>
Interest income	24	29	29
Financial expense	(17)	(135)	(163)
Net other income	2	3	3
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>374</b>	<b>524</b>	<b>639</b>
Tax expense	(74)	(105)	(128)
Minority interest	(6)	(6)	(6)
<b>Net profit</b>	<b>294</b>	<b>413</b>	<b>505</b>
Adj. net profit to ordinary	294	413	505
Ordinary dividends	(80)	(96)	(96)
<b>Retained earnings</b>	<b>214</b>	<b>317</b>	<b>409</b>

### Balance sheet

(VNDbn)	12-20A	12-21E	12-22E
Cash and equivalents	191	113	156
Short term investments	220	250	250
Accounts receivables	1,615	1,962	2,313
Inventories	32	1,434	1,752
Other current assets	19	45	55
<b>Total current assets</b>	<b>2,077</b>	<b>3,804</b>	<b>4,526</b>
Fixed assets	233	237	265
Total investments	0	0	0
Other long-term assets	1,502	1,483	1,563
<b>Total assets</b>	<b>3,811</b>	<b>5,524</b>	<b>6,355</b>
Short-term debt	371	1,118	1,266
Accounts payable	155	138	140
Other current liabilities	789	665	813
<b>Total current liabilities</b>	<b>1,315</b>	<b>1,921</b>	<b>2,219</b>
Total long-term debt	450	950	950
Other liabilities	2	7	7
Share capital	800	960	960
Retained earnings reserve	950	1,267	1,676
<b>Shareholders' equity</b>	<b>2,015</b>	<b>2,611</b>	<b>3,136</b>
Minority interest	30	36	42
<b>Total liabilities &amp; equity</b>	<b>3,811</b>	<b>5,524</b>	<b>6,355</b>

### Cash flow statement

(VNDbn)	12-20A	12-21E	12-22E
<b>Pretax profit</b>	<b>374</b>	<b>524</b>	<b>639</b>
Depreciation & amortisation	35	36	41
Tax paid	(99)	(105)	(128)
Other adjustments	(47)	71	88
<b>Change in working capital</b>	<b>(724)</b>	<b>(1,838)</b>	<b>(572)</b>
<b>Cash flow from operations</b>	<b>(461)</b>	<b>(1,312)</b>	<b>68</b>
Capex	(16)	(50)	(80)
Proceeds from assets sales	0	3	3
Others	(133)	(30)	0
Other non-current assets changes	(28)	0	0
<b>Cash flow from investing activities</b>	<b>(177)</b>	<b>(77)</b>	<b>(77)</b>
New share issuance	4	160	0
Shares buyback	0	0	0
Net borrowings	738	1,247	148
Other financing cash flow			
Dividends paid	(80)	(96)	(96)
<b>Cash flow from financing activities</b>	<b>662</b>	<b>1,311</b>	<b>52</b>
Cash and equivalents at beginning of period	168	191	113
<b>Total cash generated</b>	<b>24</b>	<b>(79)</b>	<b>44</b>
Cash and equivalents at the end of period	191	113	156

### Key ratios

	12-20A	12-21E	12-22E
<b>Dupont</b>			
Net profit margin	13.9%	8.1%	8.1%
Asset turnover	0.65	1.10	1.05
ROAA	9.0%	8.8%	8.5%
Avg assets/avg equity	1.69	2.02	2.07
ROAE	15.3%	17.9%	17.6%
<b>Efficiency</b>			
Days account receivable	279.1	140.0	135.0
Days inventory	7.7	125.0	125.0
Days creditor	37.5	12.0	10.0
Fixed asset turnover	9.15	21.80	24.91
ROIC	10.3%	8.8%	9.4%
<b>Liquidity</b>			
Current ratio	1.6	2.0	2.0
Quick ratio	1.6	1.2	1.3
Cash ratio	0.3	0.2	0.2
Cash cycle	249.4	253.0	250.0
<b>Growth rate (yoy)</b>			
Revenue growth	(8.4%)	141.5%	22.2%
Operating profit growth	(28.6%)	72.3%	22.8%
Net profit growth	(24.4%)	40.5%	22.4%
EPS growth	(24.4%)	40.5%	22.4%

Source: VND RESEARCH

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## 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.

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