

NOVALAND GROUP JSC (NVL) – UPDATE

| Market Price | Target Price | Dividend Yield | Rating | Sector |
|--------------|--------------|----------------|--------|----------|
| VND103,200 | VND107,700 | 0.00% | Hold | PROPERTY |

17 August 2021

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

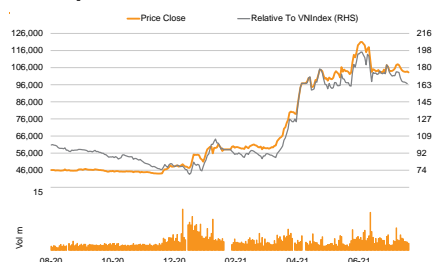
Consensus*: Add:2 Hold:5 Reduce:1

Target price / Consensus: -1.4%

Key changes in the report

- FY21, 22, 23F net profit increased by 7.7%, 39.9%, 13.9%, respectively.
- Revise TP up by 45% vs. previous TP.

Price performance



Source: VND RESEARCH

Key statistics

| | |
|----------------------------|---------|
| 52w high (VND) | 121,000 |
| 52w low (VND) | 44,010 |
| 3m Avg daily value (VNDmn) | 285,074 |
| Market cap (VND bn) | 152,960 |
| Free float (%) | 33 |
| TTM P/E (x) | 33.7 |
| Current P/B (x) | 4.5 |

Ownership

| | |
|-------------------------|--------|
| Bui Thanh Nhon | 21.58% |
| Novagroup JSC. | 19.72% |
| Diamond Properties JSC. | 10.54% |
| Others | 48.16% |

Source: VND RESEARCH

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Fair valuation, more positive in longer run

- In 2Q21, NVL's net profit (NP) rose 48.2% yoy to VND1,321bn. 1H21 NP grew 53.2% yoy, fulfilling 45.4% of our full-year forecast.
- We raise FY21/22/23F NP forecasts by 7.7%/39.9%/13.9% due to the adjustment in the revenue bookings of key projects.
- Reiterate Hold with higher revalued net asset value (RNAV)-based target price (TP) of VND107,700.

Strong 2Q21 NP growth thanks to a surge in property handover value

In 2Q21, NVL's net revenue increased 258.4% yoy to VND2,544bn thanks to strong project delivery of VND2,173bn (+506.9% yoy). Of which, hospitality projects (NovaWorld Ho Tram, NovaHill Mui Ne, NovaWorld Phan Thiet) contributed nearly 70% of handover revenue, HCMC's central business district (CBD) project (Saigon Royal, Victoria Village) accounted for more than 25% and the rest delivered from very first units in Aqua City. Consequently, 2Q21 NP increased 48.2% yoy to VND1,321bn, bringing 1H21 NP to 53.2% yoy of growth, fulfilling 45.4% of our full-year forecast.

2Q21 presales strongly bounced despite the social distancing

In 2Q21, NVL sold 2,569 units (+134.0% yoy), which is equivalent to US\$1,226m (~VND28,110bn) from Aqua City, NovaWorld Phan Thiet and NovaWorld Ho Tram. Cumulatively in 1H21, presales volume and value recorded 4,388 units (+141.1% yoy) and US\$1,977m (+204.2% yoy), respectively. We believe presales growth continues to do well in 2H21F and the FY21 presales target of 10,000 units is achievable.

Revise FY21, 22, 23F NP up by 7.7%, 39.9%, 13.9%

We increase FY21-23F by 7.7%-39.9% by adding VND860bn in handover revenue from Saigon Royal and Victoria Village in FY21 revenue and postponing VND780bn handover of Grand Manhattan from FY21F to FY22F. Additionally, we raise Aqua City's ASP by 7% vs. previous forecast.

Reiterate Hold with a higher TP of VND107,700

We apply a DCF method to calculate the value of under-development projects and reassess future land bank portfolios in this update. Our new RNAV-based TP is VND107,700, which leads us to reiterate coverage on NVL with a Hold rating. We believe NVL stock has closed to its fair value as the stock surged 123% ytd. Re-rating catalysts are 1) a better-than-expected presales, and 2) legal bottlenecks resolution. Downside risks to NVL stock are 1) long regulatory stumbling blocks, 2) more complicated pandemic in cities where NVL's hospitality projects are located, and 3) dilution from convertible bonds.

| Financial summary (VND) | 12-20A | 12-21E | 12-22E | 12-23E |
|-------------------------|---------|--------|--------|--------|
| Net revenue (bn) | 5,026 | 17,500 | 35,953 | 55,766 |
| Revenue growth | (54.0%) | 248.2% | 105.4% | 55.1% |
| Gross margin | 36.5% | 36.3% | 39.1% | 41.1% |
| EBITDA margin | 89.1% | 37.9% | 36.5% | 38.2% |
| Net profit (bn) | 3,919 | 4,408 | 9,358 | 15,498 |
| Net profit growth | 14.2% | 12.5% | 112.3% | 65.6% |
| Recurring profit growth | | | | |
| Basic EPS | 3,974 | 2,991 | 6,350 | 10,517 |
| Adjusted EPS | 3,974 | 2,991 | 6,350 | 10,517 |
| BVPS | 26,244 | 23,864 | 30,215 | 40,735 |
| ROAE | 16.3% | 14.4% | 23.5% | 29.6% |

Source: VND RESEARCH

FAIR VALUATION, MORE POSSITIVE IN LONGER RUN

Reiterate Hold with a higher target price

Investment thesis

Novaland (NVL), in our view, has a neutral outlook in the short term as it is hard to deliver strong profit growth in FY21F, especially in the context of prolonged social distancing due to complicated pandemic situation in the South of Vietnam. However, we still like NVL in the long term as a residential property developer with enormous growth potential:

- By the end of 2Q21, NVL owns c.5,400 ha of land bank and under research real estates, equivalent to US\$45bn of gross development value (GDV). Of which, c.30% is central HCMC and satellite urban real estates and c.50% is hospitality properties, which could sustain at least 10 years of development, in our view.
- NVL's launching projects are megaprojects with huge GDV including Aqua City and its subdivisions (total GDV of c.VND150tr), NovaWorld Phan Thiet (c.VND155tr), NovaWorld Ho Tram (c.VND25tr). Among them, Aqua City received very positive feedback from customers with a take-up rate of over 92%. The resort real estate projects Nova World Phan Thiet and Nova World Ho Tram also achieved an average take-up rate of about 55%, higher than the level of 29% in the general market, according to DKRA. We believe that 2H22-2024 will be a period of strong earnings growth for NVL thanks to project deliveries.

Valuation

Figure 1: Equity valuation

| Assumption | | Inventory and Investment | BV as at 31 Dec 2020 | Premium | Fair value | Method |
|----------------|-------------|---------------------------------|-------------------------|---------|----------------|------------|
| Market premium | 11.0% | Residential property | 103,512 | 124,970 | 228,482 | DCF |
| Risk-free rate | 3.0% | Other | 7 | | 7 | Book value |
| Beta | 0.30 | Total property value | 103,519 | | 228,489 | |
| Cost of debt | 10.0% | Add: | | | | |
| Debt weight | 60.5% | Cash and cash equivalent | 12,132 | | 12,132 | |
| Equity weight | 39.5% | Short-term investments | 835 | | 835 | |
| Cost of equity | 6.3% | Account receivables | 19,089 | | 19,089 | |
| WACC | 7.3% | Other short-term assets | 1,306 | | 1,306 | |
| | | Long-term assets | 34,642 | | 34,642 | |
| | | Less: | | | | |
| | | Debt | 51,303 | | 51,303 | |
| | | Other liabilities | 80,304 | | 80,304 | |
| | | Minority interest | 6,246 | | 6,246 | |
| | | Discounted RNAV | | | 158,639 | |
| | | Shares outstanding (m) | | | 1,474 | |
| | | Target price (VND/share) | | | 107,700 | |

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

We apply a DCF method to calculate the value of projects under development with an assumed WACC-based discount rate of 7.3% and RNAV discount rate of 15% for its developing portfolio due to the highest leverage among sector peers and legal complication of NVL's projects.

In this update, we also re-evaluate the land bank portfolio for 12 projects that are planned to be deployed in the future by NVL in valuation (previously applying book value) with a discount rate of 30% from NAV due to the lack of legal information on these projects. This resulted in a 45% increase vs. previous target price (TP).

For other assets, debts and minority interest, we use book value as of 30 Jun 2021. Our RNAV-based TP is VND107,700, which leads us to reiterate coverage on NVL with a Hold rating. In our opinion, NVL stock has reached its fair value as the stock surged 123% ytd.

Potential re-rating catalysts include 1) a better-than-expected presale, 2) legal bottlenecks resolution, which will speed up project implementation in HCMC CBD earlier than expected. Downside risks to NVL stock are 1) long regulatory stumbling blocks that could delay the approval of its projects, 2) more complicated pandemic in provinces/cities where NVL's hospitality projects are located, and 3) dilution from convertible bonds.

Figure 2: Project valuation summary (as of Jun 2021)

| | NSA (sqm) | ASP (VND/sqm) | GDV (VNDbn) | NPV (VNDbn) |
|--|-----------|------------------|-------------|----------------|
| UNDER DEVELOPMENT PROJECTS | | | | |
| Sunrise Cityview | 86,167 | 38 | 3,307 | 816 |
| Victoria Village | 93,641 | 68 | 6,398 | 1,860 |
| Golf Park | 18,219 | 17 | 311 | 75 |
| Botanica Premier | 66,295 | 38 | 2,533 | 639 |
| The Botanica | 38,327 | 34 | 1,298 | 394 |
| Grand Manhattan | 100,306 | 151 | 15,128 | 3,218 |
| The Palace Residence | 168,292 | 61 | 10,217 | 2,998 |
| Aqua City | 533,006 | 48 | 25,518 | 7,125 |
| Aqua Riverside | 358,256 | 50 | 17,799 | 5,855 |
| Aqua City River Park | 385,843 | 59 | 22,699 | 5,145 |
| Aqua Phoenix | 1,361,803 | 61 | 82,763 | 20,680 |
| NovaHill Mui Ne | 162,423 | 36 | 5,889 | 1,500 |
| NovaBeach Cam Ranh | 125,054 | 50 | 6,233 | 1,915 |
| NovaWorld Phan Thiet | 3,278,072 | 47 | 155,286 | 42,396 |
| NovaWorld Ho Tram (The Tropicana) | 389,945 | 43 | 16,826 | 4,949 |
| NovaWorld Ho Tram (Wonderland) | 36,839 | 78 | 2,860 | 763 |
| NovaWorld Ho Tram (Habana Island) | 105,003 | 50 | 5,238 | 1,886 |
| Total RNAV | | | | 102,215 |
| RNAV after applying 15% discount | | | | 86,882 |
| OTHER FUTURE PROJECTS | | | | |
| Palm 5.2 | 29,719 | 68 | 2,025 | 466 |
| Palm A | 40,212 | 63 | 2,520 | 580 |
| Project C | 505,623 | 122 | 61,790 | 14,212 |
| Project D | 44,722 | 68 | 3,039 | 699 |
| Project F | 168,292 | 61 | 10,217 | 2,350 |
| Project I | 1,124,339 | 61 | 68,444 | 15,742 |
| Project K | 108,642 | 65 | 7,098 | 1,633 |
| Project P | 267,765 | 101 | 26,953 | 6,199 |
| Project S | 295,622 | 72 | 21,417 | 4,926 |
| Project T | 298,085 | 81 | 24,219 | 5,570 |
| Project V | 53,586 | 122 | 6,555 | 1,508 |
| Project X | 22,871 | 100 | 2,292 | 527 |
| Total RNAV | | | | 54,411 |
| RNAV after applying 30% discount | | | | 38,088 |
| Premium RNAV applying for valuation | | | | 124,970 |

Sources: VND RESEARCH, COMPANY REPORTS

Figure 3: Peer comparison

| Company Name | Ticker | Share price (local cur) | TP (local cur) | Recom. | Market Cap (US\$mn) | 3-year Fwd EPS CAGR (%) | P/E (x) | | P/B (x) | | ROE (%) | | Dividend yield (%) | | Net D/E (%) |
|-----------------------------|-----------|----------------------------|-------------------|--------|------------------------|-------------------------------|---------|-------|---------|-------|---------|-------|-----------------------|-------|----------------|
| | | | | | | | 2021F | 2022F | 2021F | 2022F | 2021F | 2022F | 2021F | 2022F | |
| Novaland | NVL VN | 103.200 | 107.700 | HOLD | 6.660 | 51,4 | 34,5 | 16,3 | 4,3 | 3,4 | 14,4 | 23,5 | - | - | 114,7 |
| Local peer average | | | | | | 30,3 | 14,5 | 9,5 | 2,3 | 1,9 | 19,0 | 23,2 | 1,7 | 1,5 | 32,6 |
| Local peer median | | | | | | 23,6 | 13,4 | 8,6 | 2,2 | 1,8 | 16,8 | 20,2 | 1,4 | 1,4 | 32,2 |
| Regional peer average | | | | | | 13,0 | 14,1 | 11,8 | 0,8 | 0,8 | 7,9 | 8,3 | 3,9 | 4,5 | 57,9 |
| Regional peer median | | | | | | 11,6 | 14,2 | 11,9 | 0,8 | 0,7 | 6,3 | 6,8 | 3,8 | 4,2 | 53,5 |
| Vietnam | | | | | | | | | | | | | | | |
| Vinhomes | VHM VN | 111.000 | 134.300 | ADD | 16.282 | 44,7 | 12,8 | 7,4 | 3,1 | 2,2 | 28,2 | 34,3 | - | - | 27,8 |
| Khang Dien | KDH VN | 41.200 | 45.500 | ADD | 1.124 | 23,6 | 20,6 | 13,2 | 2,6 | 2,4 | 14,5 | 21,1 | 1,4 | 1,4 | 22,6 |
| Dat Xanh | DXG VN | 23.800 | NR | NR | 540 | N/A | 14,0 | 8,4 | 1,6 | 1,4 | 14,0 | 18,2 | N/A | N/A | 43,6 |
| Nam Long | NLG VN | 42.250 | 46.700 | ADD | 528 | 22,6 | 10,5 | 8,8 | 1,7 | 1,5 | 19,1 | 19,3 | 3,6 | 3,2 | 36,6 |
| China & Hongkong | | | | | | | | | | | | | | | |
| China Vanke-A | 000002 CH | 32,8 | NR | NR | 40.394 | 6,4 | 6,1 | 5,6 | 1,0 | 0,9 | 16,8 | 15,8 | 5,5 | 5,9 | 28,5 |
| Sun Hung Kai | 16 HK | 139,6 | NR | NR | 40.993 | 14,7 | 10,5 | 9,7 | 0,5 | 0,5 | 5,2 | 5,4 | 4,5 | 4,7 | 13,6 |
| China Overseas Land | 688 HK | 30,5 | NR | NR | 26.470 | 4,2 | 4,2 | 3,9 | 0,5 | 0,5 | 12,3 | 12,5 | 7,3 | 8,0 | 32,3 |
| China Resources Land | 1109 HK | 34,9 | NR | NR | 26.958 | 5,9 | 6,5 | 5,6 | 0,8 | 0,7 | 13,0 | 13,4 | 5,6 | 6,3 | 29,7 |
| China Evergrande | 3333 HK | 26,3 | NR | NR | 8.997 | 7,2 | 2,5 | 2,6 | 0,3 | 0,3 | 9,4 | 9,4 | 9,0 | 10,6 | 159,8 |
| Country Garden | 2007 HK | 13,3 | NR | NR | 24.413 | 4,3 | 4,2 | 3,7 | 0,8 | 0,7 | 19,0 | 18,2 | 7,2 | 8,1 | 59,7 |
| Indonesia | | | | | | | | | | | | | | | |
| Pakuwon Jati | PWON IJ | 740 | NR | NR | N/A | N/A | 14,3 | 12,0 | 1,3 | 1,2 | 9,2 | 10,1 | 0,7 | 1,0 | 6,0 |
| Bumi Serpong Damai | BSDE IJ | 1.410 | NR | NR | N/A | N/A | 12,1 | 10,4 | 0,5 | 0,5 | 4,9 | 5,5 | 0,3 | 0,8 | 5,6 |
| Ciputra Development | CTRA IJ | 1.130 | NR | NR | N/A | N/A | 11,6 | 11,9 | 0,9 | 0,9 | 7,9 | 6,8 | 1,1 | 1,3 | 26,3 |
| Summarecon Agung | SMRA IJ | 1.134 | NR | NR | N/A | N/A | 31,2 | 23,3 | 1,4 | 1,4 | 4,7 | 5,5 | 0,3 | 0,4 | 85,9 |
| Malaysia | | | | | | | | | | | | | | | |
| KLCCP Stapled | KLCCSS MK | 7,7 | NR | NR | 2.832 | N/A | 18,8 | 17,3 | 0,9 | 0,9 | 5,1 | 5,4 | 4,9 | 5,4 | 9,8 |
| SP Setia | SPSB MK | 2,3 | NR | NR | 1.046 | N/A | 15,8 | 10,6 | 0,3 | 0,3 | 2,1 | 3,1 | 1,3 | 2,4 | 68,8 |
| Sime Darby Property | SDPR MK | 1,1 | NR | NR | 962 | N/A | 15,0 | 12,8 | 0,4 | 0,4 | 2,9 | 3,3 | 2,0 | 2,7 | 28,1 |
| Singapore | | | | | | | | | | | | | | | |
| CapitaLand | CAPL SP | 3,7 | NR | NR | 15.164 | N/A | 19,3 | 16,1 | 0,9 | 0,9 | 5,5 | 6,3 | 2,7 | 3,0 | 68,1 |
| Keppel Corp | KEP SP | 6,7 | NR | NR | 7.084 | 29,1 | 14,2 | 11,7 | 0,8 | 0,8 | 6,3 | 7,3 | 3,8 | 4,1 | 89,5 |
| City Developments | CIT SP | 9,4 | NR | NR | 4.645 | N/A | 25,0 | 14,2 | 0,7 | 0,7 | 2,8 | 5,2 | 1,9 | 2,4 | 93,7 |
| UOL Group | UOL SP | 7,3 | NR | NR | 4.393 | 32,0 | 18,8 | 15,3 | 0,6 | 0,6 | 2,9 | 3,6 | 2,4 | 2,5 | 29,5 |
| Frasers Property | FPL SP | 1,9 | NR | NR | 3.257 | 13,3 | 19,8 | 18,8 | 0,5 | 0,5 | 3,1 | 2,9 | 2,2 | 2,9 | 110,6 |
| Ascott Residence | ART SP | 1,2 | NR | NR | 2.319 | 14,4 | 27,3 | 24,6 | 0,9 | 0,9 | 3,2 | 3,2 | 4,3 | 5,5 | 48,9 |
| Thailand | | | | | | | | | | | | | | | |
| Land And Houses | LH TB | 10,7 | NR | NR | 2.855 | 11,7 | 13,3 | 12,2 | 1,8 | 1,8 | 14,2 | 15,0 | 6,5 | 7,1 | 110,6 |
| WHA Corporation | WHA TB | 4,2 | NR | NR | 1.384 | 20,2 | 15,9 | 13,0 | 1,5 | 1,4 | 9,7 | 11,4 | 3,5 | 4,2 | 117,6 |
| Pruksa Holding | PSH TB | 18,2 | NR | NR | 849 | 11,4 | 10,3 | 8,7 | 0,6 | 0,6 | 6,3 | 7,1 | 6,9 | 7,7 | 55,5 |
| Supalai | SPALI TB | 20,0 | NR | NR | 1.212 | 7,3 | 7,3 | 7,0 | 1,1 | 1,0 | 15,4 | 14,6 | 5,5 | 5,7 | 53,5 |

Note: all prices are based on the closing prices on Aug 17 2021. All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

Sources: VNDIRECT RESEARCH, BLOOMBERG, COMPANY REPORTS

1Q21 results: In line with our expectation

Figure 4: Results comparison

| | 2Q21 | 2Q20 | Change yoy (%) | 1H21 | 1H20 | Change yoy (%) | % FY21 forecast | Comments |
|-----------------------------------|--------------|------------|----------------|--------------|--------------|----------------|-----------------|--|
| Net revenue | 2,544 | 710 | 258.4% | 7,050 | 1,664 | 323.7% | 43.4% | |
| <i>Project delivery</i> | 2,173 | 358 | 506.9% | 6,297 | 794 | 693.6% | 43.0% | In 2Q21, hospitality projects (NovaWorld Ho Tram, NovaHill Mui Ne, NovaWorld Phan Thiet) contribute more than VND1,500bn, while nearly VND600bn comes from the HCMC's CBD projects (Saigon Royal, Victoria Village) and the rest delivered from very first units in Aqua City. |
| <i>Consulting</i> | 325 | 242 | 34.4% | 649 | 713 | -9.1% | | |
| <i>Leasing</i> | 24 | 35 | -30.7% | 48 | 65 | -25.2% | | |
| <i>Others</i> | 21 | 75 | -71.6% | 56 | 92 | -39.6% | | |
| Gross profit | 858 | 217 | 295.3% | 2,575 | 583 | 342.0% | 44.6% | |
| <i>Gross profit margin</i> | 33.7% | 30.6% | +3.1 pts | 36.5% | 35.0% | +1.5 pts | | |
| <i>Selling expense</i> | (183) | (16) | 1052.1% | (322) | (26) | 1152.3% | | |
| <i>G&A expense</i> | (292) | (350) | -16.6% | (611) | (614) | -0.5% | | |
| <i>% SG&A to sales</i> | 18.7% | 51.6% | -32.9 pts | 13.2% | 38.5% | -25.2 pts | | |
| <i>Financial income</i> | 1,334 | 1,807 | -26.2% | 1,906 | 2,665 | -28.5% | | |
| <i>Divestment of subsidiaries</i> | 753 | 1,706 | -55.8% | 753 | 2,501 | -69.9% | | |
| <i>BCC</i> | 396 | - | | 764 | - | | | |
| <i>Others</i> | 184 | 102 | 81.3% | 388 | 164 | 137.2% | | |
| <i>Financial expense</i> | (1,829) | (365) | 401.3% | (2,283) | (751) | 203.9% | | |
| <i>Borrowing expenses</i> | (118) | (169) | -30.1% | (149) | (302) | -50.9% | | |
| <i>Net other income</i> | 1,610 | (295) | -645.7% | 1,495 | (368) | -506.8% | | |
| <i>EBT</i> | 1,497 | 998 | 50.0% | 2,758 | 1,487 | 85.5% | 53.8% | |
| Profit after tax | 1,313 | 875 | 50.1% | 2,014 | 1,177 | 71.1% | 49.2% | In line with our expectation. |
| Net profit | 1,321 | 891 | 48.2% | 1,857 | 1,213 | 53.2% | 45.4% | In line with our expectation. |

Sources: VNDIRECT RESEARCH, COMPANY REPORT

Successful issuance of international convertible bonds to beef up capital

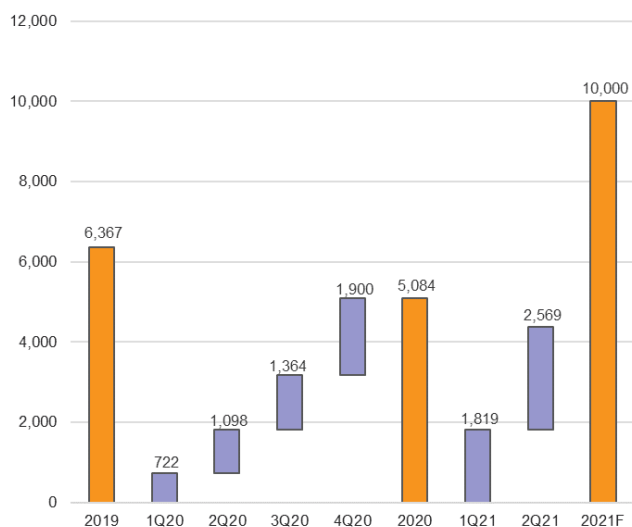
In July 2021, NVL successfully issued US\$300m (~VND6,900bn) of international convertible bonds listed on the Singapore Stock Exchange (SGX). Credit Suisse (Singapore) Limited is the Sole Global Coordinator and Sole Bookrunner. The issuance received great interest from international investors with the registration value more than 2.5 times higher than the initial issuance plan.

Accordingly, the bond has a term of 5 years from the date of issuance (maturity in 2026), with a fixed interest rate of 5.25%/year. In addition, these bonds are convertible into common shares of NVL with the conversion price is VND135,700/share, which is 15% higher than the closing price of NVL stock at the offering date – 07 Jul 2021.

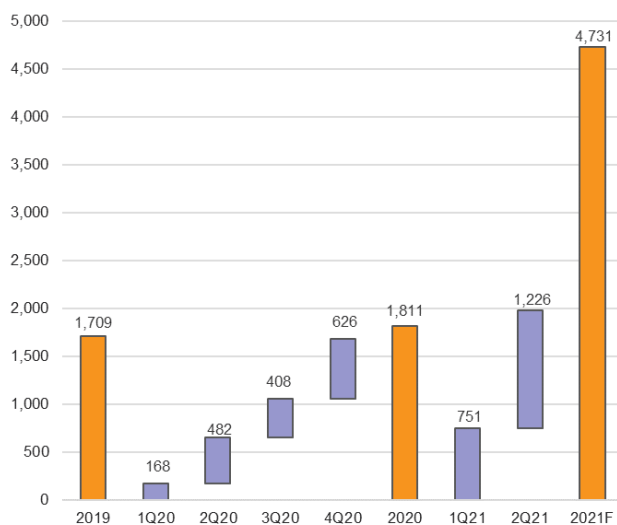
The capital raised from this issuance will be focused on developing key projects of NVL and accumulating the land bank in order to ensure its profit growth in the next three years. Besides, the success in raising capital will improve debt structure of the company due to a significant increase in medium and long-term debt.

Presales strongly bounced in 2Q21 despite the social distancing

In 2Q21, NVL sold 2,569 units (+134.0% yoy) from Aqua City, NovaWorld Phan Thiet and NovaWorld Ho Tram. Total 2Q21 presales value surged by 154.4% yoy, reaching US\$1,226m (~VND28,110bn). Cumulatively in 1H21, presales volume and value recorded 4,388 units (+141.1% yoy) and US\$1,977m (+204.2% yoy), respectively.

Figure 5: NVL's presales volume performance (units)


Sources: VNDIRECT RESEARCH, COMPANY REPORT

Figure 6: NVL's presales value performance (US\$m)


Sources: VNDIRECT RESEARCH, COMPANY REPORT

The above figures show that NVL's projects are still strongly attractive to buyers despite going through social distancing. According to the company, online events to introduce its projects are still held regularly and the offering product and financial incentive programs are suitable to the needs of investors in this period. We believe presales growth continues to do well in 2H21F and the FY21 presales target of 10,000 units is achievable. Per NVL, out of more than 5,600 presales units in 2H21, 50% of presale volume will come from satellite townships (Aqua City), 40% from hospitality properties (NovaWorld Phan Thiet and NovaWorld Ho Tram) and 10% from projects in HCMC's central business districts. Unbilled revenue increased by US\$0.1bn in 2Q21 to US\$5.4bn.

Figure 7: Key development pipeline

| Project | Location | Product | NVL's ownership | Land site (ha) | No. of units | GDV (VNDbn)* | Status | Expected handover timeframe | | | | | |
|-----------------------------------|-------------------|----------|-----------------|----------------|--------------|--------------|---|-----------------------------|------|------|------|------|-------------|
| | | | | | | | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 onward |
| Aqua City | Dong Nai | Low-rise | 69.9% | 111 | 2,118 | 25,518 | Completed: 58 sample model houses (5 interior-finished units), Clubhouse Forest, Park 1, parks in internal areas, protection embankment. | | | | | | |
| Aqua Riverside | Dong Nai | Low-rise | 79.9% | 77 | 1,754 | 17,799 | Completed: Clubhouse, outdoor sport area, marina. | | | | | | |
| Phoenix Island | Dong Nai | Low-rise | TBU | 286 | 7,556 | 82,763 | In land clearance. Expect to receive construction permits in 4Q21. | | | | | | |
| NovaHill Mui Ne | Phan Thiet | Low-rise | 100.0% | 399 | 620 | 5,889 | Finished, in the process of handing over. | | | | | | |
| NovaWorld Phan Thiet | Phan Thiet | Low-rise | 99.9% | 986 | 18,684 | 155,286 | Clubhouses: constructed 90%. Villas: 272 units finished, 259 units constructed 40%. Shop houses: 115 units finished. Ocean golf, sport fields (phase I) finished. | | | | | | |
| NovaWorld Ho Tram (The Tropicana) | Ba Ria - Vung Tau | Low-rise | 97.9% | 99 | 1,919 | 16,826 | Villas (50%), shop houses (seaside 100%, hillside 20%), Ocean Pool, lagoon, Koko coffee. | | | | | | |
| NovaWorld Ho Tram (Wonderland) | Ba Ria - Vung Tau | Low-rise | 100.0% | 9 | 271 | 2,860 | Sample model houses, amenities, sales gallery, landscape, embankment completed. | | | | | | |
| NovaWorld Ho Tram (Habana Island) | Ba Ria - Vung Tau | Low-rise | 100.0% | 20 | 721 | 5,238 | Expect to receive construction permits in 4Q21. | | | | | | |

(*) Figures are estimated by the company

Sources: VNDIRECT RESEARCH, COMPANY REPORT

FY21-FY23F earnings forecasts revision

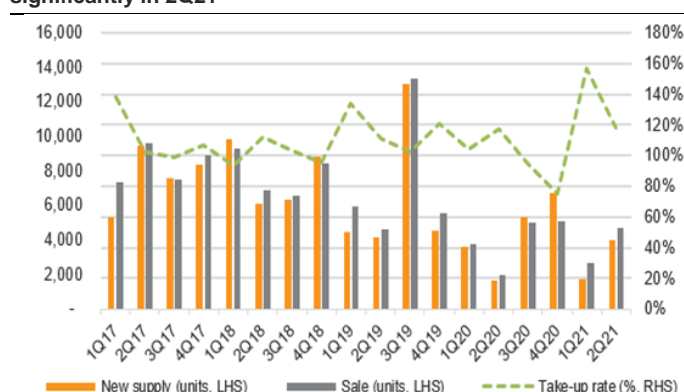
Figure 8: Forecast revisions

| | New | | | Old | | | Change | | | Comment |
|-------------------|---------|---------|---------|---------|---------|---------|-----------|-----------|-----------|--|
| | FY21F | FY22F | FY23F | FY21F | FY22F | FY23F | FY21F | FY22F | FY23F | |
| Net revenue | 17,500 | 35,953 | 55,766 | 16,263 | 26,425 | 49,132 | 7.6% | 36.1% | 13.5% | Adding VND860bn in handover revenue from Saigon Royal and Victoria Village in FY21 revenue. Postponing VND780bn handover of Grand Manhattan from FY21 to FY22. We raise Aqua City's ASP by 7% vs. previous forecast. |
| Gross profit | 6,344 | 14,056 | 22,912 | 5,772 | 10,127 | 19,980 | 9.9% | 38.8% | 14.7% | |
| Gross margin | 36.3% | 39.1% | 41.1% | 35.5% | 38.3% | 40.7% | +0.8% pts | +0.8% pts | +0.4% pts | |
| SG&A expenses | (1,565) | (3,214) | (4,986) | (1,454) | (2,363) | (4,393) | 7.6% | 36.1% | 13.5% | |
| Operating profit | 4,780 | 10,841 | 17,926 | 4,318 | 7,764 | 15,587 | 10.7% | 39.6% | 15.0% | |
| Financial income | 2,673 | 3,695 | 5,445 | 2,516 | 2,866 | 4,860 | 6.2% | 28.9% | 12.0% | |
| Financial expense | (2,531) | (3,974) | (5,720) | (2,270) | (3,120) | (4,972) | 11.5% | 27.4% | 15.1% | FY21F total debt increased by 14.4% compared to the previous projection due to the successful issuance of US\$300mn convertible bonds. |
| Net profit | 4,408 | 9,358 | 15,498 | 4,092 | 6,690 | 13,601 | 7.7% | 39.9% | 13.9% | 7.5% higher than NVL's FY21 guidance. |

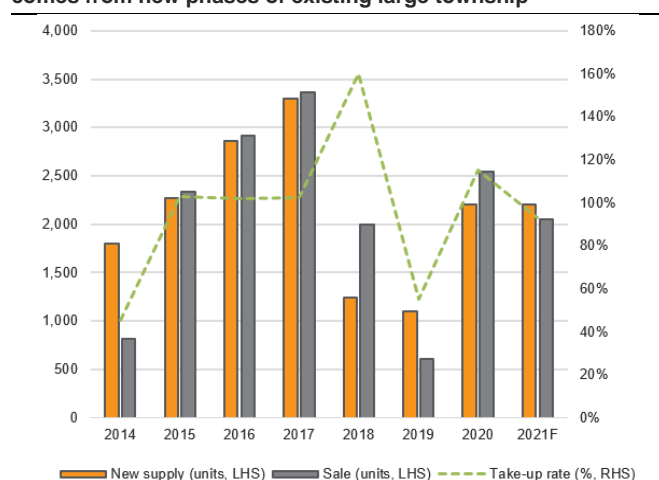
Source: VND RESEARCH

Southern Vietnam residential market: bright spot from the satellite urban area while hospitality property shows V-shaped recovery

Although current new supply is still limited, we see signs of warming up in condo supply since 2022 onwards in HCMC market

Figure 9: Sales volume (unit) of condo in HCMC recovered significantly in 2Q21


Sources: CBRE, SAVILLS, VNDIRECT RESEARCH

Figure 10: The HCMC new landed supply in 2H21F mostly comes from new phases of existing large township


Sources: CBRE, VNDIRECT RESEARCH

According to CBRE, the sales volume of HCMC condo market in 2Q21 strongly bounced +143.1% yoy to 4,700 units driven by ample new launches of 3,968 units (+141.4% yoy). Mid-end segment still dominated the market with new supply increase of 246.6% yoy to 3,116 units, accounting for 78.5% of total new supply, mostly from the West and the South. Take-up rate remained high at 118.4% (+0.7% pts yoy).

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.

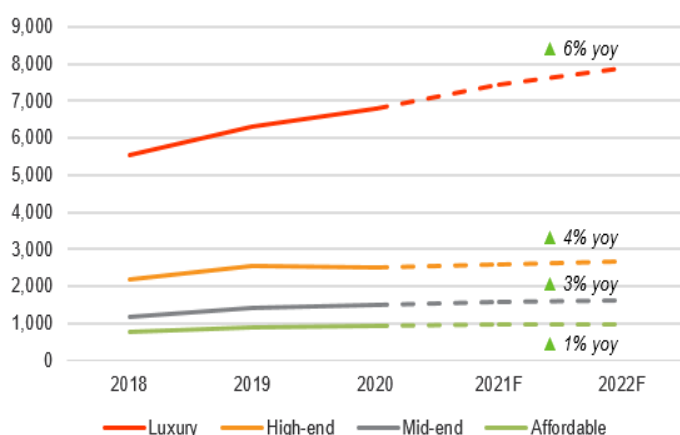
Housing prices of HCMC suburbs likely continue to increase in 2H21-22F

We believe there will be no announcements of discounts in HCMC housing primary prices in 2H21-22F due to the increase in development cost with higher compensation cost, financing cost in the past two years and higher material cost. We expect developers will offer better handover conditions, better facilities and supporting payment terms to stimulate demand rather than decrease their primary prices.

Condo primary prices in HCMC will continue to increase at a slower pace of 1-4% yoy in all segments except the luxury segment, in our view. The luxury segment likely continues to be more excited in 2H21-22F buoyed by the launches of projects having sought-after locations in District 1 and Thu Duc City, after a new pricing level of US\$16,500-18,000 psm set by a new branded residence project in District 1 in 1H21.

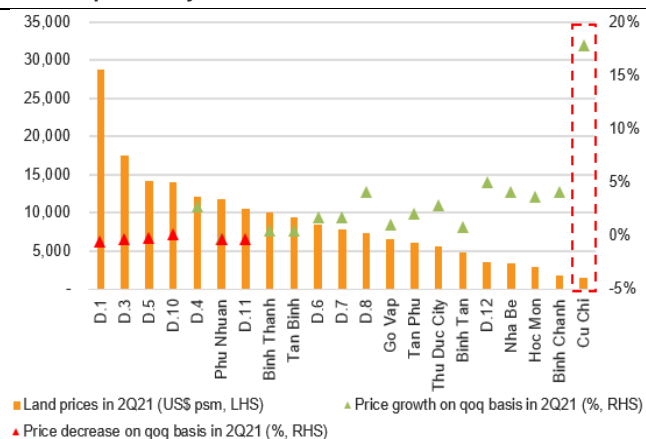
Besides, landed prices of suburb in HCMC likely continue to rise impressively in 2H21F on the expansion of expressway to the west and coastal areas in the south with imminent infrastructure projects such as Ben Luc – Long Thanh, Dau Giay – Phan Thiet, Long Thanh international airport phase 1. The proposal on establishment of Northwest City consisting of Cu Chi and Hoc Mon coupled with process planning for urbanizing Cu Chi, Hoc Mon, Binh Chanh, Nha Be, Can Gio into urban districts should boost land prices in these areas as well.

Figure 11: HCMC condo primary prices (US\$ psm) will continue to increase at a slower pace in 2H21-22F, in our view



Sources: VNDIRECT RESEARCH, CBRE

Figure 12: We expect landed prices of suburb in HCMC continue to rise impressively in 2H21F



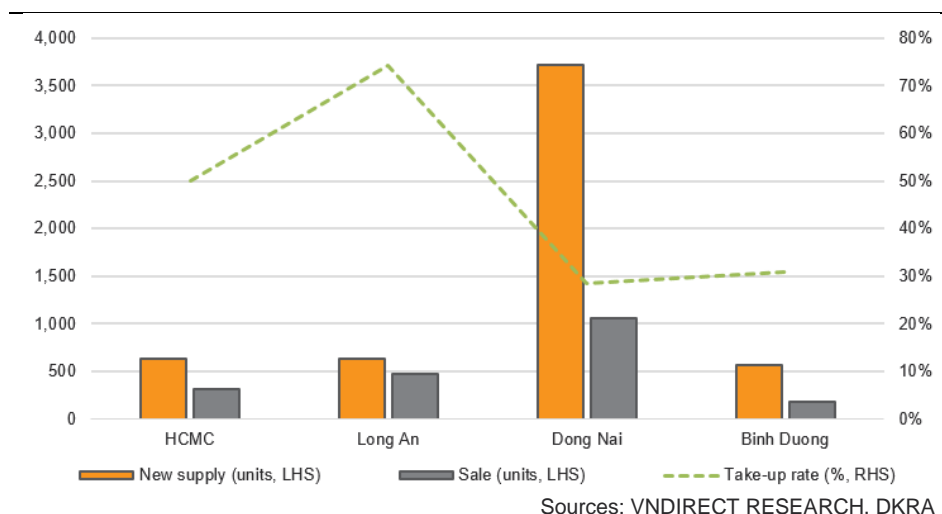
Sources: VNDIRECT RESEARCH

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

As a result of strong price escalation along with limited supply in HCMC housing market, 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 like NVL with mega township project Aqua City. We believe the launches of the project 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 13: New supply for ready-built houses in Dong Nai was 6 times higher than that of HCMC in 1H21



V-shaped recovery for Vietnam's hospitality property, with a recovery to 2019 level expected in 2023

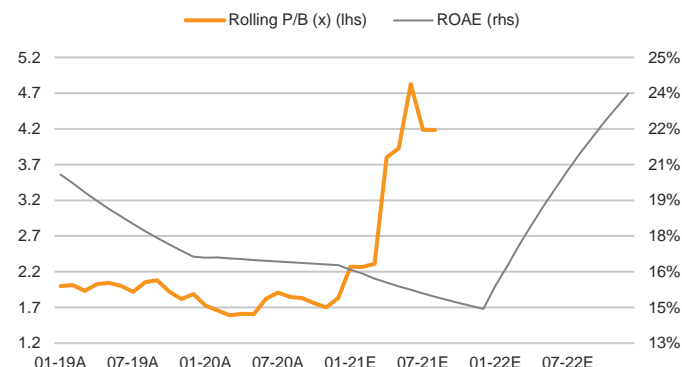
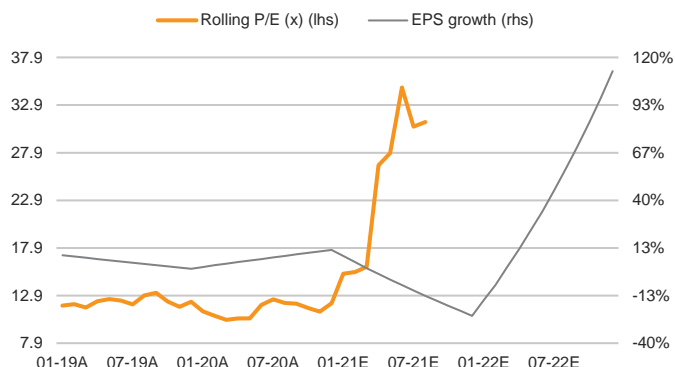
According to DKRA, new supply for beach villas gradually bounced with 1,019 units in 1H21, 88% higher than that in 2020, mostly from Ba Ria –Vung Tau, Phu Quoc, Binh Thuan. Demand is still dull with only c.300 units but higher than 270.3% yoy in sales volume, translating into a take-up rate of 29%.

We expect a recovery to 2019 level in 2023, driven by the bounces of international visitors. All countries around the world are stepping up their immunization efforts to combat the COVID-19 pandemic. Several countries stand out for rolling out vaccination, of which Canada has the highest percentage of the population (61.6%) vaccinated with at least one dose of the COVID-19 vaccine, following by the UK (59.4%), US (50.9%), Germany (45.1%), Italy (43.1%), France (41.2%) and China (estimated at 36.0%).

According to Vietnam National Administration of Tourism, the path to recovery for Vietnam's tourism will follow four stages: 1) recovery led by domestic tourism; 2) pilot reception of limited international tourist groups in certain tourist sites; 3) reception of visitors from countries with good progress in Covid-19 containment; 4) full recovery of international tourism. Currently, we see Vietnam entering the second stage with approval for Phu Quoc to welcome foreign tourists having vaccine passports in mid-Jun.

Figure 14: New supply for beach villas picked up in 1H21



Valuation

Income statement

| (VNDbn) | 12-21E | 12-22E | 12-23E |
|--------------------------------------|--------------|---------------|---------------|
| Net revenue | 17,500 | 35,953 | 55,766 |
| Cost of sales | (11,156) | (21,897) | (32,854) |
| Gen & admin expenses | (1,103) | (2,265) | (3,513) |
| Selling expenses | (462) | (949) | (1,473) |
| Operating profit | 4,780 | 10,841 | 17,926 |
| Operating EBITDA | 4,488 | 10,512 | 17,577 |
| Depreciation and amortisation | 291 | 330 | 349 |
| Operating EBIT | 4,780 | 10,841 | 17,926 |
| Interest income | 2,673 | 3,695 | 5,445 |
| Financial expense | (2,531) | (3,974) | (5,720) |
| Net other income | 526 | 1,081 | 1,677 |
| Income from associates & JVs | 68 | 68 | 68 |
| Pre-tax profit | 5,517 | 11,712 | 19,396 |
| Tax expense | (1,103) | (2,342) | (3,879) |
| Minority interest | (5) | (12) | (19) |
| Net profit | 4,408 | 9,358 | 15,498 |
| Adj. net profit to ordinary | 4,408 | 9,358 | 15,498 |
| Ordinary dividends | | | |
| Retained earnings | 4,408 | 9,358 | 15,498 |

Balance sheet

| (VNDbn) | 12-21E | 12-22E | 12-23E |
|---------------------------------------|----------------|----------------|----------------|
| Cash and equivalents | 16,104 | 42,066 | 73,164 |
| Short term investments | 758 | 796 | 836 |
| Accounts receivables | 18,346 | 37,480 | 57,901 |
| Inventories | 94,350 | 99,024 | 113,934 |
| Other current assets | 3,446 | 4,093 | 6,349 |
| Total current assets | 133,003 | 183,458 | 252,183 |
| Fixed assets | 1,514 | 1,491 | 1,455 |
| Total investments | 24,473 | 24,473 | 24,473 |
| Other long-term assets | 9,774 | 10,817 | 11,925 |
| Total assets | 168,764 | 220,238 | 290,036 |
| Short-term debt | 22,091 | 28,251 | 35,847 |
| Accounts payable | 3,664 | 7,193 | 10,792 |
| Other current liabilities | 13,921 | 38,128 | 65,015 |
| Total current liabilities | 39,676 | 73,571 | 111,654 |
| Total long-term debt | 41,025 | 49,196 | 65,341 |
| Other liabilities | 46,848 | 46,899 | 46,965 |
| Share capital | 14,736 | 14,736 | 14,736 |
| Retained earnings reserve | 16,460 | 25,818 | 41,321 |
| Shareholders' equity | 35,167 | 44,525 | 60,028 |
| Minority interest | 6,048 | 6,048 | 6,048 |
| Total liabilities & equity | 168,764 | 220,238 | 290,036 |

Cash flow statement

| (VNDbn) | 12-21E | 12-22E | 12-23E |
|---|----------------|----------------|----------------|
| Pretax profit | 5,517 | 11,712 | 19,396 |
| Depreciation & amortisation | 291 | 330 | 349 |
| Tax paid | (1,103) | (2,342) | (3,879) |
| Other adjustments | (6) | (8) | (12) |
| Change in working capital | (7,281) | 9,313 | (661) |
| Cash flow from operations | (2,583) | 19,004 | 15,193 |
| Capex | (381) | (380) | (380) |
| Proceeds from assets sales | (6,596) | (6,881) | (7,343) |
| Others | (36) | (38) | (40) |
| Other non-current assets changes | | | |
| Cash flow from investing activities | (7,013) | (7,299) | (7,763) |
| New share issuance | 0 | 0 | 0 |
| Shares buyback | 0 | 0 | 0 |
| Net borrowings | 14,215 | 14,331 | 23,741 |
| Other financing cash flow | | | |
| Dividends paid | (74) | (74) | (74) |
| Cash flow from financing activities | 14,141 | 14,257 | 23,667 |
| Cash and equivalents at beginning of period | 11,559 | 16,104 | 42,066 |
| Total cash generated | 4,545 | 25,962 | 31,098 |
| Cash and equivalents at the end of period | 16,104 | 42,066 | 73,164 |

Key ratios

| | 12-21E | 12-22E | 12-23E |
|--------------------------|----------|---------|---------|
| Dupont | | | |
| Net profit margin | 25.2% | 26.0% | 27.8% |
| Asset turnover | 0.11 | 0.18 | 0.22 |
| ROAA | 2.8% | 4.8% | 6.1% |
| Avg assets/avg equity | 5.13 | 4.88 | 4.88 |
| ROAE | 14.4% | 23.5% | 29.6% |
| Efficiency | | | |
| Days account receivable | 21.0 | 21.1 | 21.1 |
| Days inventory | 3,087.0 | 1,650.6 | 1,265.8 |
| Days creditor | 119.9 | 119.9 | 119.9 |
| Fixed asset turnover | 11.60 | 23.93 | 37.85 |
| ROIC | 4.2% | 7.3% | 9.3% |
| Liquidity | | | |
| Current ratio | 3.4 | 2.5 | 2.3 |
| Quick ratio | 1.0 | 1.1 | 1.2 |
| Cash ratio | 0.4 | 0.6 | 0.7 |
| Cash cycle | 2,988.1 | 1,551.8 | 1,167.0 |
| Growth rate (yoy) | | | |
| Revenue growth | 248.2% | 105.4% | 55.1% |
| Operating profit growth | 1,162.2% | 126.8% | 65.3% |
| Net profit growth | 12.5% | 112.3% | 65.6% |
| EPS growth | (24.7%) | 112.3% | 65.6% |

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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