

Vinhomes JSC (VHM)

PROPERTY

Current Price	VND41,750
52Wk High/Low	VND52,100/34,500
Target Price	VND52,700
Previous Target Price	VND66,400
TP vs Consensus	-6.7%
Upside	26.2%
Dividend Yield	0 %
TSR	26.2%

Growth rating	Positive
Value rating	Positive
ST Technical Analysis	Positive

Market Cap	USD7.62bn
3MADTV	USD14.2mn
Avail Foreign Room	USD2.76mn
Outstanding Shares	4,354mn
Fully Diluted O/S*	3,984mn

	VHM	Peers	VNI
P/E TTM	8.0x	91.6x	13.7x
P/B Current	1.0x	1.5x	1.7x
ROA	5.3%	1.3%	2.1%
ROE	13.1%	3.6%	12.3%

as of September 13, 2024

Share Price Performance



Share price (%)	1M	3M	12M
Ordinary share	18.3	12.4	-17.5
Relative to index	1.7	-3.8	1.1

Ownership

Vingroup JSC.	69.3%
Others	30.7%

Business Description

VHM is the largest listed property developer in Vietnam, with a market share of 26% across all segments, with higher shares in mid-range (38%) and high-end (41%) condominiums and landed properties (36%). The company has a substantial land bank of nearly 20,000 hectares, strategically located in prime areas or areas with potential for tourism development.

Analyst(s):



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ADD (Maintained)

Short-term challenges, long-term promises

- We maintain our ADD rating with 26.2% upside. We revised down our TP by 20.6% while the share price declined 5.5% since our last report (at April 11).
- Our lower TP is impacted by lower RNAV valuation and lower target P/B multiple (from 1.4x to 1.0x).
- Due to cautious investor sentiment, VHM is being traded at a lower P/B ratio compared to the peer average, despite delivering a higher ROE than its peers.

Financial Highlights

- 1H24 revenue declined by 41% YoY to VND36.6tn (USD1.5bn) as sold units are waiting for construction completion. 1H24 net profit declined 46% YoY to VND11.8tn (USD471mn).
- Gross profit margin (GPM) of property sales substantially improved, by 7.8% pts YoY in 1H24, thanks to the lower proportion of BCC units. 1H24 blended GPM decreased 3.3% pts YoY, due to a number of BCC units delivered in 1Q24 and the growing impact of construction services.
- We forecast net profit to accelerate 2.4%/2.3% YoY, reaching VND34.2tn (USD1.4bn) in FY24 and VND35tn (USD1.4bn) in FY25.

Investment Thesis

Strong accumulated backlog secures earnings growth in FY24-25

Total unbilled bookings at end-June 2024 rose 33.2% YoY to VND118.7tn (USD4.7bn). Management expects around VND65tn (USD2.6bn) of the current unbilled bookings to be recognized in 2H24. If Vinhomes successfully arranges the bulk sales deals with a total value of VND40tn (USD1.6bn) in 2H24, it will achieve the presales target for the entire year (of VND90tn-VND110tn, USD3.6bn-USD4.4bn), laying the solid groundwork for property revenue growth in FY25.

Large-scale mixed-use projects will enhance FY24-26 presales

Vinhomes Global Gate was soft launched in September 09 and Vinhomes Wonder Park is on the pipeline to open for sale in 4Q24. These projects are located in the Northeast and Northwest of Hanoi. Given the strong recovery in Hanoi market and the strategic location of these projects, we anticipate a positive market response, attracting buyers for both living needs and investment opportunities.

Construction services is increasing prominence in the company's activities

In 1H24, construction revenue surged 404% YoY, making up 27% of total revenue, driven by Vincons, a wholly-owned subsidiary of Vinhomes, taking the lead as the general contractor for Vinhomes' major projects. Having a subsidiary construct its own projects can bring long-term benefits such as better control over project quality, implementation progress, and enhanced flexibility in managing construction material and labor costs.

Vinhomes plans to buy back 370 million shares

Vinhomes received approval from the general shareholders. The repurchase of 370 million shares (~8.5% of the current outstanding shares) will result in a corresponding decrease in Vinhomes' charter capital by VND3.7tn (USD148mn). However, EPS will increase as the number of outstanding share is reduced.

Financial summary (VNDbn)	12-23A	12-24E	12-25F	12-26F
New contracts value	87,000	102,203	121,636	136,999
Net revenue	103,557	114,643	125,992	137,920
Net revenue growth (% YoY)	66.0%	10.7%	9.9%	9.5%
Gross profit margin (%)	34.5%	33.3%	34.3%	34.3%
EPS growth (% YoY)	15.7%	11.9%	2.3%	23.3%
P/B (x)	1.0	1.0	1.2	1.3
Land bank (ha)	16.8	20.0	20.8	21.6
D/E (%)	31.0%	36.2%	30.6%	25.8%
Interest coverage (x)	15.2	8.0	9.6	11.2

Source: VHM, VNDIRECT RESEARCH

*Our TP assumes the share repurchase is completed as described above

Company Profile

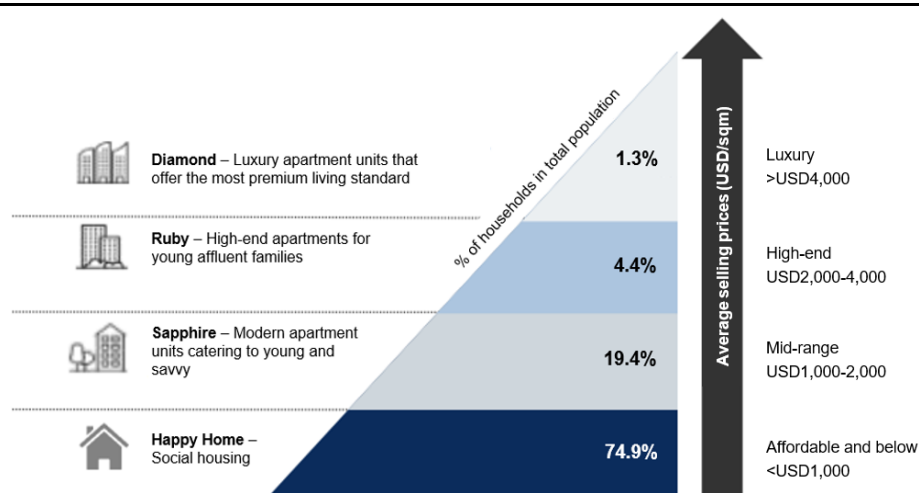
A leading developer in Vietnam's residential property market

Vinhomes was established in 2008 and listed on the Ho Chi Minh Stock Exchange (HOSE) in May 2018. VHM has become the largest listed property developer in Vietnam by market cap (at USD7.6bn as of September 13, 2024).

The company is recognized as a leading developer in the domestic residential property industry, with market share of 26% across all segments, including 38%/41% in mid-range and high-end condominiums, and 36% in landed properties (data as of end-2Q24).

By August 2024, VHM had a total land bank of nearly 20,000 ha, most of which is situated at prime locations in populous areas or has potential for tourism development.

Figure 1: Vinhomes offers products in all segments of the residential property market



Source: VHM, VNDIRECT RESEARCH

A key player in Vingroup's ecosystem

VHM is majority-owned by Vingroup (HOSE: VIC, the largest private conglomerate in Vietnam), which provides complementary offerings from its ecosystem such as hospitals, schools and retail facilities. Vinhomes plays a vital role in Vingroup's business, contributing about 65-70% to the group's total revenue over the last four years.

VIC currently holds a 69.3% stake in VHM. Following VHM's planned share repurchase, VIC's ownership is projected to increase to approximately 75.7% by the end of 2024.

Figure 2: Vinhomes forms part of the residential property services of Vingroup's ecosystem



Source: VIC, VNDIRECT RESEARCH

Results recap: 1H24 results were moderate, but new contract sales soared

Figure 3: 2Q24 results comparison

(VNDbn)	2Q24	% YoY change	% QoQ change	1H24	% YoY change	1H24/FY24 forecasted
New contract sales	35,500	42.6%	120.0%	51,700	27.3%	56.9%
Cumulative unbilled bookings at the end of the period	118,700	33.2%	6.2%	118,700	33.2%	
Revenue	28,375	-13.0%	245.6%	36,587	-40.9%	30.5%
Sale of inventory properties	17,784	-40.4%	335.4%	21,869	-61.5%	20.8%
Construction services	7,566	539.6%	215.0%	9,967	404.6%	102.5%
Gross profit	8,688	-33.7%	389.6%	10,463	-47.0%	24.8%
Gross profit margin (%)	30.6%	-9.6% pts	9.0% pts	28.6%	-3.3% pts	
Sale of inventory properties (%)	43.6%	1.4% pts	15.2% pts	40.8%	7.8% pts	
Construction services (%)	6.8%	-2.5% pts	-1.9% pts	7.2%	-4.3% pts	
SG&A expense	(1,751)	-6.9%	92.0%	(2,662)	-22.6%	11.0%
% SG&A to sales	6.2%	0.4% pts	-4.9% pts	7.3%	1.7% pts	
Financial income	8,082	233.9%	313.2%	10,039	-26.8%	34.0%
Income from BCC projects	6,294	4405.7%	2624.9%	6,525	561.1%	77.6%
Financial expenses	(2,553)	526.1%	86.5%	(3,922)	205.4%	97.7%
Interest and bond issuance expenses	(2,042)	200.7%	91.6%	(3,109)	128.2%	97.7%
Pre-tax profit	12,343	-2.4%	771.5%	13,759	-50.4%	30.8%
Net profit	10,891	12.4%	1131.0%	11,776	-45.5%	32.2%
Net profit margin (%)	38.4%	8.7% pts	27.6% pts	32.2%	-2.7% pts	

Source: VHM, VNDIRECT RESEARCH

Revenue improved sharply in 2Q24 from the previous quarter

2Q24 revenue surged 246% QoQ to VND28.4tn (USD1.1bn), although it was still down 13% YoY. 1H24 revenue declined by 41% YoY to VND36.6tn (USD1.5bn). Revenue from property transfer was VND21.9tn (USD875mn) in 1H24, accounting for 60% of total revenue, mainly from the delivery of the remaining units at Vinhomes Ocean Park 1, 2 and 3 and a portion from Vinhomes Golden Avenue. The yearly lower recognition was due to lower deliveries of units at Vinhomes Ocean Park 1 and 2, Vinhomes Smart City and Vinhomes Grand Park compared to 1H23, while waiting for the completion of other sold units to deliver in the next quarters.

In 1H24, construction revenue surged 405% YoY to nearly VND10tn (USD399mn), making up 27% of total revenue, driven by Vincons, a wholly-owned subsidiary of Vinhomes, taking the lead as the general contractor for Vinhomes' major projects. Having its subsidiary to construct its own projects can bring long-term benefits such as better control over project quality, implementation progress, and enhanced flexibility in managing construction material and labor costs.

Higher contributions from lower-margin segments hurt blended GPM

The GPM of the property delivery segment improved by 15.2% pts QoQ in 2Q24 and 7.8% pts YoY in 1H24, thanks to the lower proportion of BCC units (under which VHM has to share profit with partners) during the period.

2Q24 blended GPM was -10% pts YoY mainly due to a higher contribution from construction services, but +9% pts QoQ thanks to the lower number of BCC units delivered in the quarter. 1H24 blended GPM decreased 3% pts YoY due to the higher number of BCC units delivered in 1Q24 (vs 1Q23) and the growing impact of construction services in both quarters.

Vinhomes Royal Island bolstered financial income, net profit spiked in 2Q

VHM recognized VND6.5tn (USD255mn) of profit under BCC with Vingroup (including VND6.4tn (USD255mn) from Vinhomes Royal Island) in 1H24, mostly in 2Q24. As a result, 2Q24 financial income rose 313% QoQ and 234% YoY. 1H24 financial income was 27% lower than a year ago.

2Q24 net profit rose 12% YoY to VND10.9tn (USD436mn), which was 11x from 1Q24. 1H24 net profit declined 46% YoY to VND11.8tn (USD471mn).

Figure 4: Vinhomes Royal Island



- *Location: Thuy Nguyen, Hai Phong*
- *Total project area: 877ha (NSA: 258.9ha)*
- *Developer: Vingroup (VIC)*
- *Key components: Townhouse/Villa/Shophouse*
- *Current progress: Launched in March 2024. Infrastructure and facilities are under construction*
- *Number of units: 8,300 low-rise (% units sold = 75%)*
- *Expected handover timeline: 2025-2028*

Note: Expected timeline is based on our estimates and is subject to the company's plans and market conditions

Source: VHM, VNDIRECT RESEARCH

Balance sheet highlights: Strong investment on mega-scale projects

Figure 5: Balance sheet analysis

	2Q24	1Q24	4Q23	3Q23	2Q23
BS items (VNDbn)					
Cash, cash equivalents and short-term investments	20,854	13,154	17,936	7,549	9,438
Inventories	58,660	58,756	55,318	55,104	55,700
Receivables from customers	20,661	19,156	19,513	19,972	19,146
Construction in progress	73,554	67,386	60,790	62,856	54,892
Advances for land clearance	56,518	48,479	39,499	25,824	27,956
Deposits to VIC and related partners	77,627	94,671	100,613	85,476	70,610
Advances from customers	47,710	43,551	35,137	38,103	49,291
Deposits from customers	56,858	49,417	50,599	17,057	16,310
Interest bearing debts	70,501	63,897	56,684	43,126	43,369
Key ratios					
A/R Days	93	97	61	57	55
Inventories Days	268	266	214	159	186
Cash conversion cycle	231	233	180	145	160
Equity/Assets	41.9%	42.2%	41.1%	43.4%	43.5%
Net Debts/Equity	24.0%	25.9%	21.2%	19.7%	19.9%

Source: VHM, VNDIRECT RESEARCH

Construction in progress rose 38% YTD to VND73.6tn (USD2.9bn) and advances for land clearance increased 43% YTD to VND56.5tn (USD2.3bn) at end of 2Q24, respectively 34%/102% higher than the amounts recorded last year, as Vinhomes has advanced the implementation of mega projects¹. The majority came from projects in the South, including the Vinhomes International University Town (924ha) and Long Beach Can Gio (2,870ha), which we expect to be launched in 2H25-1H26.

¹: see VHM's project development strategy in our [VIC initiation report](#), page 27

Borrowings have been increasing in accordance with projects' development progress. Total debts increased 24% YTD to VND70.5tn (USD2.8bn) at the end of 2Q24. Long-term debt rose 16% YTD to VND44.6tn (USD1.8bn), including VND21.8tn (USD873mn) of corporate bonds (CB). From the beginning of 2024, VHM has issued six batches of CB mature in 2026 with interest rates of 12% pa at a total value of VND12.5tn (USD500mn).

Meanwhile, Vinhomes can leverage resilient cash flow from customers, as advances and deposits from customers totaled VND104.6tn (USD4.2bn) at the end of 2Q24, +22% YTD and +59% YoY.

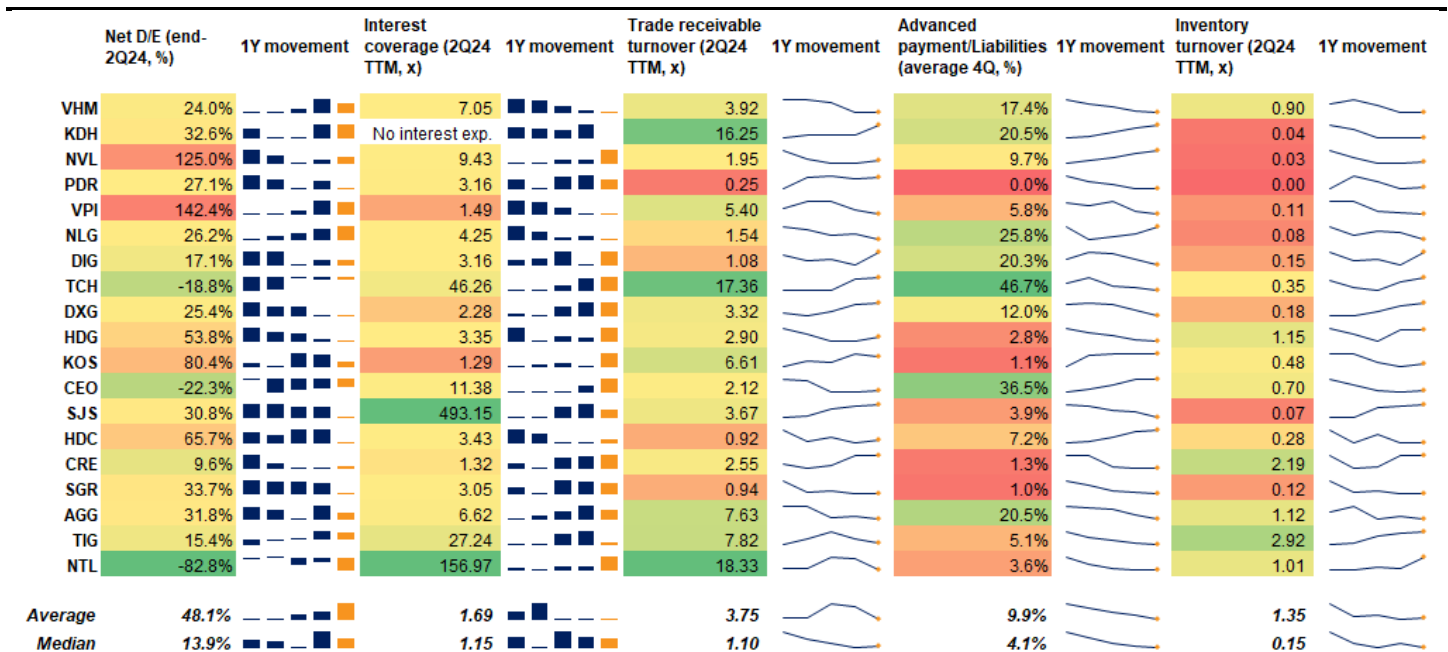
VHM's financial health is above the peer average

At end-2Q24, net debt-to-equity ratio reached 24%, lower than the sector's average of 48%. The ratio increased 2.8% YTD but improved 1.8% from 1Q, mainly thanks to a stronger cash balance in 2Q.

Interest coverage declined as borrowing expenses rose while revenue remained low in recent quarters. However, Vinhomes' TTM interest coverage at nearly 9x still assures the company's interest payment capability.

There was marginal improvement in trade receivable turnover and inventory turnover, rising 0.18x/0.04x QoQ at end-2Q24, respectively. In these categories, Vinhomes has lower figures than other developers as it focuses on large-scale projects, which typically have a longer cash conversion period.

Figure 6: Some financial indicators of the 20 largest listed property companies (by market capitalization as of September 10, 2024) and the average of 76 listed companies and public companies



Source: COMPANIES' REPORTS, VNDIRECT RESEARCH

Vinhomes plans to buy back 370 million shares at end-September

VHM was approved by shareholders to execute its share buyback plan and has submitted required documents to the State Securities Commission (SSC). The repurchase of 370 million shares (~8.5% of the current outstanding shares) will result in a corresponding decrease in Vinhomes' charter capital by VND3.7tn (USD148mn).

The plan has already created positive effect on VHM share price since it was announced (*at August 07*), along with the better market sentiment on property stocks in general recently. The stock price has increased 15.6% by September 13.

VHM expects to start repurchasing shares around the end of September 2024, so the plan will be completed in 4Q. We assume that the average purchase price will be equal to its average book value per share in 1H24 of VND44,733/share. Accordingly, VHM is expected to spend VND16.6tn (USD662mn) to repurchase shares.

We expect that the share repurchase will not have a significant impact on VHM's financial health. Although we forecast the debt to equity ratio to increase from 31.0% at YE23 to 36.2% at YE24, we expect it to decline in the following years to 30.6%/25.8% at YE25-26 due to: 1) reduced debt levels, as VHM can utilize increasing cash flow from customers as the property market recovers; and 2) a continued increase in equity driven by higher retained earnings.

Industrial property project received investment approval

In July 2024, Vinhomes received approval to invest in the Vinhomes Industrial Park project in the Vung Ang Economic Zone, Ha Tinh Province. The project covers an area of 964.84 ha, with a total investment value of VND13.2tn (USD1.8bn) and an owner's capital contribution of VND2tn (USD277mn). The project has an operational term of 70 years from the date of investment approval and investor approval.

FY24-25 outlook: Large-scale mixed-use projects enhance presales

FY24-25 forecast revision

Figure 7: FY24-25 forecast revision

(VNDbn)	FY23	Old		New				Comment
		FY24	FY25	FY24	% YoY	FY25	% YoY	
Revenue	103,557	120,042	136,006	114,643	10.7%	125,992	9.9%	We lower FY24 and FY25 revenue by 4.5%/7.4% vs our previous forecast, due to: (1) We decrease revenue from inventory properties sales by 12.7% as we postpone our estimation on the delivery of sold products in FY24. We decrease FY25 revenue by 15.4% as we expect lower recognition of retail units, based on slower-than-expected retail sales in presales in recent quarters. (2) We increase construction service revenue by 104.8%/95.5% in FY24-25, given the current expansion of this business segment.
Sale of inventory properties	89,669	105,189	120,227	91,842	2.4%	101,719	10.8%	
Construction service	6,707	7,378	8,116	15,108	125.3%	15,864	5.0%	
Gross profit	35,707	42,154	49,197	38,191	7.0%	43,257	13.3%	
Blended gross profit margin (%)	34.5%	35.1%	36.2%	33.3%	-1.2% pts	34.3%	1.0% pts	Gross profit margin (GPM) is revised down by 1.8% pts in FY24 and FY25, mainly due to the higher contribution of construction activity.
Sale of inventory properties gross profit margin (%)	37.7%	39.5%	41.6%	39.6%	1.9% pts	42.5%	2.9% pts	
SG&A expenses	(7,756)	(24,141)	(25,947)	(20,523)	-15.0%	(23,008)	12.1%	
Financial income	19,954	29,568	38,238	36,717	84.0%	36,093	-1.7%	We increase financial income by 24.2% in FY24, as we anticipate stronger recognition of bulk sales deals in FY24, mainly from the BCC projects including Vinhomes Royal Island, Vinhomes Global Gate and Vinhomes Wonder Park. We decrease FY25 forecast by 5.6% due to a lower cash balance following the share repurchase, which leads to decreased interest income.
Pre-tax profit	43,310	44,008	58,220	43,896	1.4%	45,713	4.1%	
Net profit	33,371	35,023	45,770	34,175	2.4%	34,973	2.3%	FY24 EPS increases 6.6% due to the lower number of share after Vinhomes completes the share buyback plan.
EPS	7,664	8,043	10,511	8,577	11.9%	8,778	2.3%	EPS is 16.5% lower in FY25 as our net profit forecast decreased.

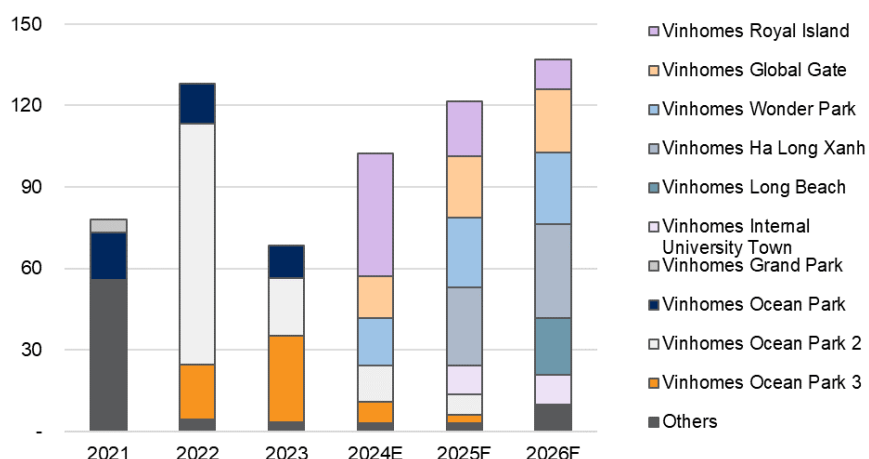
Source: VHM, VNDIRECT RESEARCH

We expect the value of VHM's new contracts to increase by 17.5% YoY to VND102tn (USD4.1bn) in FY24 due to:

- (1) three mega projects, including Vinhomes Royal Island (877ha, Hai Phong), Vinhomes Global Gate (385ha, Hanoi), and Vinhomes Wonder Park (133ha, Hanoi) which we expect to be launched in 4Q24;
- (2) the remaining 2,100 low-rise units in Vinhomes Ocean Park 2 (460ha, Hung Yen), 3,300 low-rise units in Vinhomes Ocean Park 3 (294ha, Hung Yen) and 1,700 units of Vinhomes Ocean Park (420ha, Hanoi), Vinhomes Smart City (280ha, Hanoi) and Vinhomes Grand Park (272ha, HCMC).

For FY25, the value of new contracts is estimated to grow 19.0% YoY to VND122tn (USD4.9bn), fueled by sales of Vinhomes Ha Long Xanh (5,545ha, Quang Ninh) and Vinhomes International University Town (924 ha, HCMC), as well as the remaining portions of Vinhomes Global Gate, Wonder Park and Royal Island.

Figure 8: Our estimate of VHM's new contracts value by project (Unit: VNDtn)



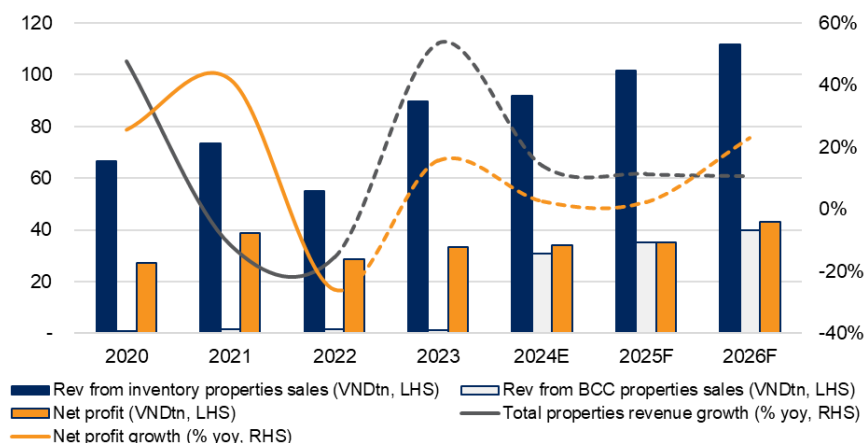
Source: VHM, VNDIRECT RESEARCH

In the coming years, as major projects under BCC with Vingroup are launched, revenue from inventory properties is expected to grow at slower pace, while financial income will expand its contribution to net profit.

We estimate VHM's revenue from inventory property sales will increase 2.4% YoY to VND91.8tn (USD3.7bn) in FY24 and 9.9% YoY to VND102tn (USD 4.1bn) in FY25. We forecast income from BCC projects will reach VND31tn (USD1.2bn) in FY24 and VND35tn (USD1.4bn) in FY25.

Accordingly, we forecast net profit to reach VND34.5tn (USD1.4bn) in FY24 and VND35tn (USD1.4bn) in FY25, accelerating 2.4%/2.3% YoY, respectively.

Figure 9: We forecast VHM's net profit to grow 2.4%/2.3% YoY in FY24-25



Source: VHM, VNDIRECT RESEARCH

Strong accumulated backlog secures earnings growth in FY24-25

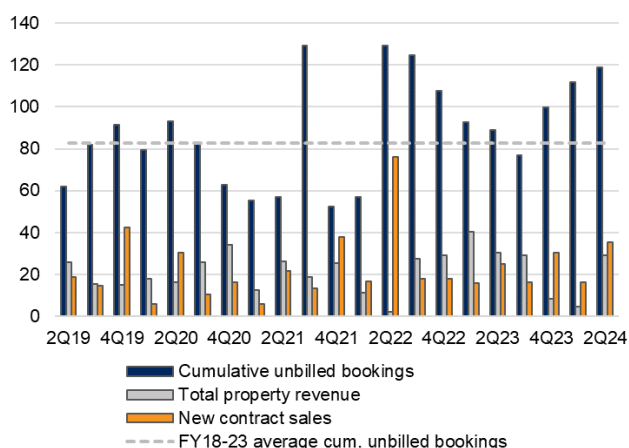
Vinhomes recognized VND51.7tn (USD2.1bn) of new contract sales in 1H24, 27.3% higher than last year. Vinhomes Royal Island accounted for 81% of 1H24 presales, reaching VND41.9tn (USD1.7bn).

Total unbilled bookings at end-June 2024 rose 33.2% YoY to VND118.7tn (USD4.7bn), with bulk sales comprising 58% and retail sales 42%. The value of unbilled bookings has recovered over recent quarters, while revenue has slowed as newly launched projects have yet been completed for delivery. This indicates

a potential uptick in total property revenue² in the latter half of FY24, given the progress of ongoing projects. Management expects around VND65tn (USD2.6bn) of the current unbilled bookings to be recognized in 2H24.

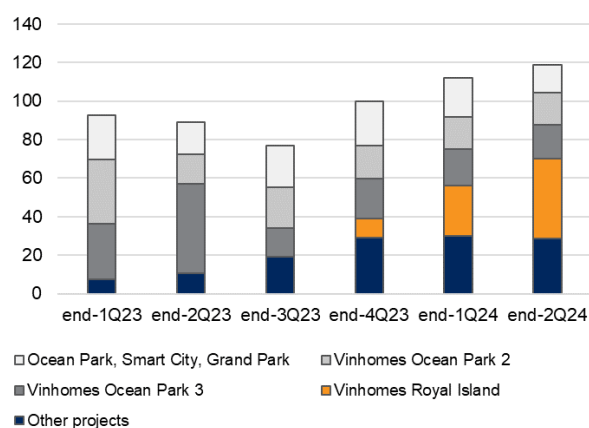
Vinhomes is negotiating two bulk sales deals with a total value of VND40tn (USD1.6bn), expected to be completed in 2H24. The company has not disclosed the project information for these two deals. If Vinhomes successfully arranges these deals in 2H24, it will achieve its presales target for the entire year (of VND90tn-VND110tn, USD3.6bn-USD4.4bn), laying the solid groundwork for property revenue growth in FY25.

Figure 10: Unbilled bookings as of end-2Q24 were the highest since 3Q22 (Unit: VNDtn)



Source: VHM, VNDIRECT RESEARCH

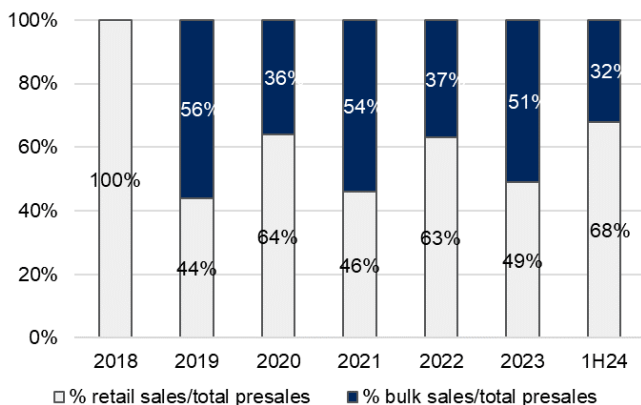
Figure 11: Vinhomes Royal Island became the largest component of unbilled bookings (Unit: VNDtn)



Source: VHM, VNDIRECT RESEARCH

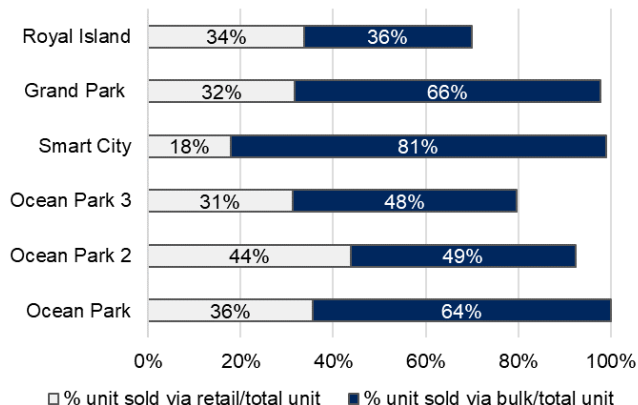
Bulk sales have demonstrated certain efficiencies by providing quick and direct cash flow from customers, which is especially beneficial during periods of weak market sentiment and retail demand. This is why they form a significant proportion of Vinhomes' property sales. Bulk sales may also represent a strategic cooperation with prominent foreign developers (such as Mitsubishi, CapitaLand), leveraging the reputation of these established firms to attract a broader customer base.

Figure 12: Bulk sales and retail sales proportion of total pre-sales during each period



Source: VHM, VNDIRECT RESEARCH

Figure 13: Bulk sales and retail sales proportion of recent major projects



Source: VHM, VNDIRECT RESEARCH

²: Total property revenue = revenue from inventory properties sales + BCC property sales and + property projects divestment

Large-scale mixed-use projects will enhance FY24-26 presales

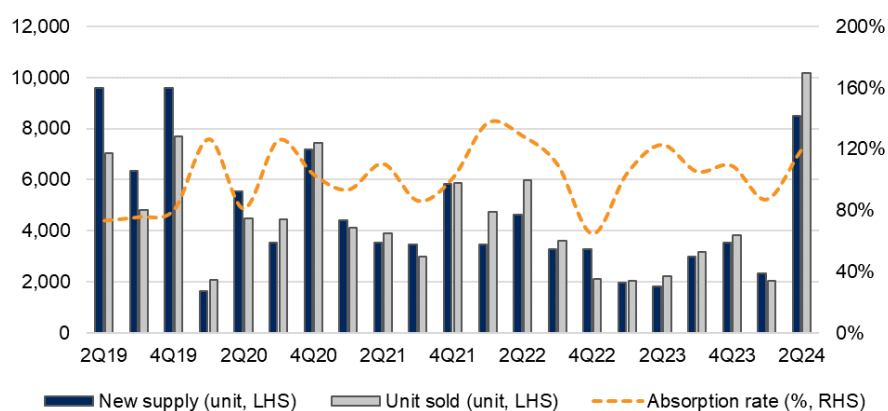
Positive outlook for two Hanoi-based projects to be launched in this year

The residential property market in Hanoi has enjoyed a strong recovery

After a slow start in 1Q24, new apartment supply in Hanoi reached its highest level in three years in 2Q24 (+263% QoQ, +367% YoY), totaling 10,841 units (+176% YoY) in 1H24. The absorption rate³ remained strong, reaching 119.7% in 2Q24 and 112.6% in 1H24, despite a rise in house prices, signifying strong demand. The average primary price of apartment in Hanoi jumped 25% YoY and rose 6.5% QoQ in 2Q24.

According to data from CBRE, new condo supply in 2024 is expected to reach over 12,000 units (+20% YoY) in Hanoi, with the absorption rate on this new supply expected to remain above 100%.

Figure 14: Hanoi market experienced strong demand and supply in 2Q24



Source: CBRE, VNDIRECT RESEARCH

The large-scale projects in Hanoi are on-scheduled to be launched this year

Vinhomes Global Gate was soft launched in September 09 and Vinhomes Wonder Park is on the pipeline to open for sale in 4Q24. These projects are located in the Northeast and Northwest of Hanoi, respectively. These projects integrate residential and commercial properties with on-site amenities, contributing to the local urbanization progress, while also gaining advantages from the advancements in transportation infrastructure. The development in the North of the city will create advantages for Dong Anh and Dan Phuong to bolster their residential property markets and attracting residents, given limited inner-city supply. Dong Anh and Dan Phuong have been given approval to establish urban districts and they aim to achieve this status by 2025. Therefore, we anticipate a positive market response to these two projects, attracting buyers for both living needs and investment opportunities.

Vinhomes Global Gate benefits from Dong Anh's increasingly developed regional transportation network, including the Thang Long – Noi Bai highway, Nhat Tan – Noi Bai highway, extended National highway 5, Truong Sa - Hoang Sa boulevard, National highway 3, Roads 23B and 23A, Thang Long bridge, Dong Tru bridge, and the soon-to-be-constructed Tu Lien bridge. These developments help reduce the distance to the city center, the West Lake area, and neighboring provinces.

³: Absorption rate = number of newly supplied units/number of units sold within the period

Vinhomes Wonder Park is surrounded on all four sides by major roads. Additionally, this project will benefit from the completion of the connecting segment from the project to the Tay Thang Long road, which is expected to directly connect the project to the West Lake area. Tay Thang Long road, 60.5 meters wide, starts from Pham Van Dong (Hanoi city center) and extends to Son Tay town, making it one of the city's major arterial roads.

Figure 15: Vinhomes Global Gate (Vinhomes Co Loa)



- Location: Dong Anh, Hanoi
- Total project area: 385ha (NSA: 139.9ha)
- Developers: Vingroup (VIC) and VEFAC (VEF), respectively owning 88%/12%
- Key components: Apartment/Villa/Shophouse/School/Shopping mall; a 90ha national exhibition center
- Number of units: 4,100 low-rise, 12,600 high-rise
- Current progress: Soft launched in September 2024. Infrastructure and facilities are under construction.

Figure 16: Vinhomes Wonder Park



- Location: Dan Phuong, Hanoi
- Total project area: 133ha (NSA: 36.4ha)
- Developer: Vingroup (VIC)
- Key components: Apartment/Townhouse/Villa/School/Shopping malls; a 16ha grand ecological park
- Number of units: 2,300 low-rise, 600 high-rise
- Current progress: Infrastructure and facilities are under construction. Expected to start launching in 4Q24

Note: Expected timeline is based on our estimates and is subject to the company's plans and market conditions

Source: VHM, VNDIRECT RESEARCH

Update on projects to be launched in FY25

Figure 17: Vinhomes Ha Long Xanh



- Location: Quang Yen, Quang Ninh
- Developer: Vingroup (VIC) and Vinhomes (VHM) consortium
- Total project area: 5,545ha
- Key components: Apartment/Townhouse/Villa/Shophouse
- Current progress: Infrastructure and facilities are under construction. Expected to start launching in 1H25

Figure 18: Vinhomes International University Town



- Location: Hoc Mon, HCMC
- Developer: Vinhomes (VHM)
- Total project area: 924ha
- Key components: Apartment/Townhouse/Villa/Shophouse
- Current progress: Infrastructure and facilities are under construction. Expected to start launching in 2025

Note: Expected timeline is based on our estimates and is subject to the company's plans and market conditions

Source: VHM, VNDIRECT RESEARCH

Expected benefits from amended property laws

Thanks to the Government's determination to remove bottlenecks in the market, three major property laws (Land Law 2024, Housing Law 2023, Law on Real Estate Business 2023) started to take effect from August 1, 2024, earlier than the previous expected effective date of January 1, 2025. The Government has also provided documents that clarify these regulations (such as Decree 71/2024 on land price evaluation; Decree 103/2024 on land use fees; and Circular 10/2024 of the Ministry of Natural Resources and Environment on land records, certificates of land use rights, and ownership of assets attached to land; ...), which should help smooth the project approval process henceforth.

In the short term, the amended property laws will have a mixed impact on the market. For example, developers will face increased financial pressure under the new local land price frameworks, which could lead to significantly higher land acquisition costs due to elevated land prices compared to current rates, and this would consequently impose additional challenges on the land compensation process. Clearer requirements to ensure sufficient owner's equity for the development of each project, under the new Law on Real Estate Business, favor developers with healthy finances. On the other hand, regulations favoring homebuyers, such as limiting deposits to no more than 5% (previously as there was no specific regulation on deposits, developers tended to collect 10% of the total contracted value) and expanding housing ownership rights for foreigners, will support buyer sentiment.

In the long term, we believe that the amended laws will guide the market to develop in a more transparent and sustainable direction by, resolving legal problems, imposing stricter requirements for developers and protecting the rights of home buyers.

As a leading developer with a strong financial position, implementation capability, and legal compliance, Vinhomes has a competitive advantage under these new laws.

Valuation

Reiterate ADD with a lower TP of VND52,700

Our valuation is based on an equal weighting combination of RNAV valuation and P/B multiple:

- RNAV: We apply a DCF method with an assumed WACC of 11.05% for each project's valuation given the detailed execution and pre-sales plans announced by VHM to revise its inventory and investment assets. To fairly compensate for risks on project execution and pre-sales performance, we applied discounts on each project's NPV, depending on the execution period and land acquisition, as well as market absorption. We use a risk-free rate of 2.79% (the Vietnamese Government's 10-year bond yield as of June 30, 2024) and an equity risk premium of 7.78% (according to adjustments from [NYU Stern](#)).

We apply a discount rate of 20% for our RNAV valuation, due to risks related to parent Vingroup.

Our target price is based on the assumption that VHM will finish their share repurchase plan as proposed.

- We apply a P/B multiple of 1.0x on our average FY24-25 estimated book value, to reflect the target price at the exact value of its net assets. The multiple is equivalent to the company's current P/B and lower than its historical figures of 3Y average (1.8x) and 5Y average (2.7x).

VHM had been trading at 0.9x since the beginning of 2024, prior to the company announcing its share repurchase plan.

Due to cautious investor sentiment, VHM is being traded at a lower P/B ratio compared to the peer average (Figure 24), despite delivering a higher ROE than its peers (Figure 26).

Figure 19: Valuation summary (Unit: VND)

Method	Implied value per share	Weight (%)	Weighted price
RNAV	52,768	50%	26,384
P/B	52,558	50%	26,279
Target price (rounded)			52,700

Source: VNDIRECT RESEARCH

Figure 20: Sensitivities to our TP by discount factors to RNAV assumptions

		WACC (%)					
		Base case					
		10.1%	10.6%	11.1%	11.6%	12.1%	
Discount rate to RNAV (%)	Base case	0%	68,763	67,300	65,960	64,727	63,587
		10%	61,887	60,570	59,364	58,255	57,228
		20%	55,010	53,840	52,768	51,782	50,870
		30%	48,134	47,110	46,172	45,309	44,511
		40%	41,258	40,380	39,576	38,836	38,152

Source: VNDIRECT RESEARCH

Figure 21: Sensitivities to our RNAV TP by discount rates to projects' NPV

Discount rates to projects' NPV (%)				
Downside cases		Base case	Upside cases	
- Discount to projects launched: Vinhomes Sky Park, Golden Avenue, Royal Island: 40% Others: 0%	- Discount to projects launched: Vinhomes Sky Park, Golden Avenue, Royal Island: 40% Others: 0%	- Discount to projects launched: Vinhomes Sky Park, Golden Avenue, Royal Island: 30% Others: 0%	- Discount to projects launched: 15% - Discount to projects to be launched in FY24: 50% - Discount to projects to be launched in FY25-26: 70%/80% - Discount to social housing projects: 10%	- Discount to projects launched: 0% - Discount to projects to be launched in FY24: 40% - Discount to projects to be launched in FY25-26: 70%/80% - Discount to social housing projects: 10%
- Discount to projects to be launched in FY24: 60%	- Discount to projects to be launched in FY24: 60%	- Discount to projects to be launched in FY24: 50%		
- Discount to projects to be launched in FY25-26: 80%/90%	- Discount to projects to be launched in FY25-26: 80%	- Discount to projects to be launched in FY25-26: 80%		
- Discount to social housing projects: 20%	- Discount to social housing projects: 20%	- Discount to social housing projects: 10%		
47,934	50,127	52,768	56,275	59,470

Source: BLOOMBERG, VNDIRECT RESEARCH

Figure 22: RNAV valuation (Unit: VNDbn)

Inventory and investment	Fair value	Method
Residential property	355.767	DCF
<i>Major contributors:</i>		
Vinhomes Ocean Park 2	18.503	
Vinhomes Ocean Park 3	10.693	
Vinhomes Co Loa	19.414	
Vinhomes Royal Island	37.346	
Vinhomes Green Ha Long	36.072	
Vinhomes Long Beach	24.823	
Vinhomes International University Town	12.527	
Office lease	32.105	
Industrial property	10.786	
Total property value	398.658	
Base case: VHM finishes the share repurchase plan within 2024		
Add:		
Cash and cash equivalent	1.724	Estimated book value at YE24
Short-term investments	4.026	
Less:		
Total debt (including CB)	74.098	
Minority interest	10.000	
Outstanding loans to Vingroup and related parties	57.500	
Discounted RNAV	262.811	
Shares outstanding (m)	3.984	
<i>Discount rate</i>	20%	
Implied value per share (VND)	52.768	
Assuming no share repurchase		
Add:		
Cash and cash equivalent	18.276	Estimated book value at YE24
Short-term investments	4.026	
Less:		
Total debt (including CB)	74.098	
Minority interest	10.000	
Outstanding loans to Vingroup and related parties	57.500	
Discounted RNAV	279.362	
Shares outstanding (m)	4.354	
<i>Discount rate</i>	20%	
Implied value per share (VND)	51.325	

Source: VHM, VNDIRECT RESEARCH

Figure 23: WACC assumptions

Assumptions	
Beta (x)	1.0
Market premium	7.8%
Risk-free rate	2.8%
Cost of equity	10.6%
Cost of debt	12.0%
Debt weight	33.7%
Equity weight	66.3%
WACC	11.1%

Source: VNDIRECT RESEARCH

Figure 24: P/B valuation

Average FY24-25 estimated book value per share (VND)				52,558
	Current P/B (x)	3Y average P/B (x)	5Y average P/B (x)	
VHM	1,0	1,8	2,7	
Sector average	1,3	2,0	2,2	
Target P/B (x)				1,0
Implied value per share (VND)				52,558

Source: BLOOMBERG, VNDIRECT RESEARCH

Figure 25: Sensitivities to our TP by P/B assumption

Target P/B (x)						
Our case						
0.8	0.9	1.0	1.1	1.2	1.3	1.4
42,046	47,302	52,558	57,814	63,070	68,326	73,581

Source: VNDIRECT RESEARCH

Figure 26: Peer comparison (data as of 09/13/2024)

Company	Ticker	Current price	Market cap	P/E (x)		P/B (x)		3-year EPS growth	ROE (%)		ROA (%)		D/E (x)
		LC\$	USDmn	TTM	FY24	Current	FY24	CAGR (%)	TTM	FY24	TTM	FY24	
Khang Dien House Trading and Investment JSC	KDH VN	37,250	1,378.0	52.4	37.8	2.2	1.9	(35.8)	4.4	6.5	2.4	3.7	0.4
Nam Long Investment Corp	NLG VN	42,750	654.0	40.1	28.7	1.7	1.7	(11.3)	4.4	6.0	1.5	2.9	0.5
No Va Land Investment Group Corp	NVL VN	11,550	916.0	11.3	N/A	0.6	N/A	(72.0)	5.3	N/A	0.8	N/A	1.3
Phat Dat Real Estate Development Corp	PDR VN	21,500	764.0	34.7	40.2	1.7	1.8	(38.6)	5.0	5.9	2.3	2.1	0.3
Dat Xanh Group JSC	DXG VN	15,300	449.0	59.9	55.5	1.0	1.0	(23.1)	1.7	2.3	0.6	1.7	0.4
Development Investment Construction JSC	DIG VN	22,000	546.0	352.0	N/A	1.8	N/A	(17.4)	0.5	N/A	0.2	N/A	0.4
Average				91.7	40.6	1.5	1.6	(33.0)	3.6	5.2	1.3	2.6	0.5
Median				46.2	39.0	1.7	1.8	(29.5)	4.4	6.0	1.2	2.5	0.5
Vinhomes JSC	VHM VN	43,000	7,617.0	8.0	8.3	1.0	1.2	15.8	13.1	15.8	5.3	6.5	0.3

Source: BLOOMBERG, VNDIRECT RESEARCH

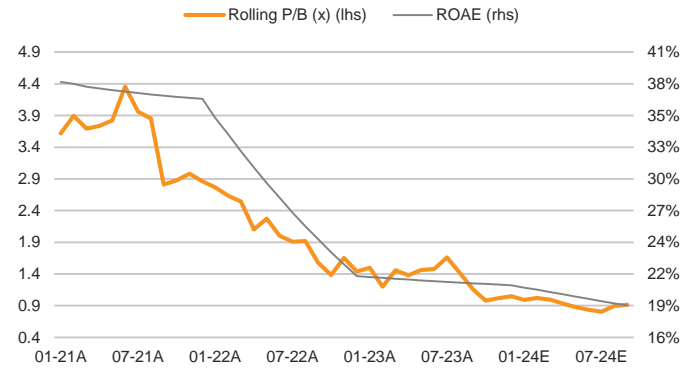
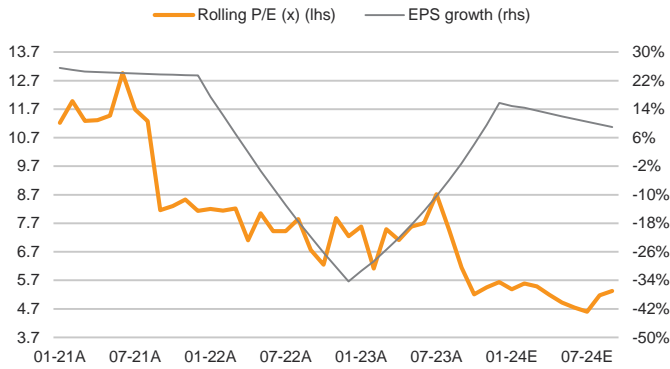
Key investment thesis sensitivities

Potential re-rating catalyst:

- Supporting policies take effect and lending rates continue to decline, helping the market warm up sooner-than-expected.

Downside risk:

- Slower-than-expected progress on legal bottlenecks, which would result in delays in obtaining permits for new launches.
- Longer-lasting-than-expected uncertainties in the economy and lending rates take longer to reach an attractive level, which would dent home affordability and lead to lower-than-expected pre-sales.

Valuation

Income statement

(VNDbn)	12-23A	12-24E	12-25E
Net revenue	103,557	114,643	125,992
Cost of sales	(67,850)	(76,452)	(82,735)
Gen & admin expenses	(4,093)	(5,074)	(3,019)
Selling expenses	(3,663)	(15,448)	(19,989)
Operating profit	27,951	17,669	20,249
Operating EBITDA	29,387	20,040	22,835
Depreciation and amortisation	(1,436)	(2,371)	(2,586)
Operating EBIT	27,951	17,669	20,249
Interest income	19,954	36,717	36,093
Financial expense	(3,870)	(9,567)	(9,475)
Net other income	(735)	(931)	(1,162)
Income from associates & JVs	11	10	9
Pre-tax profit	43,310	43,896	45,713
Tax expense	(9,777)	(9,657)	(10,057)
Minority interest	(161)	(64)	(683)
Net profit	33,371	34,175	34,973
Adj. net profit to ordinary	33,371	34,175	34,973
Ordinary dividends			
Retained earnings	33,371	34,175	34,973

Balance sheet

(VNDbn)	12-23A	12-24E	12-25E
Cash and equivalents	14,103	1,724	8,580
Short term investments	3,834	4,026	4,428
Accounts receivables	132,871	144,950	155,940
Inventories	55,318	60,332	65,541
Other current assets	36,215	31,159	33,201
Total current assets	242,341	242,191	267,691
Fixed assets	72,462	92,514	83,753
Total investments	7,760	8,750	8,077
Other long-term assets	122,068	146,531	123,496
Total assets	444,631	489,986	483,017
Short-term debt	18,290	27,338	24,640
Accounts payable	20,452	23,045	17,457
Other current liabilities	172,331	173,203	142,363
Total current liabilities	211,073	223,586	184,461
Total long-term debt	38,394	46,760	47,619
Other liabilities	12,527	14,917	14,917
Share capital	43,544	39,844	39,844
Retained earnings reserve	133,392	152,420	183,717
Shareholders' equity	179,302	194,723	226,020
Minority interest	3,335	10,000	10,000
Total liabilities & equity	444,631	489,986	483,017

Cash flow statement

(VNDbn)	12-23A	12-24E	12-25E
Pretax profit	43,310	43,896	45,713
Depreciation & amortisation	1,436	2,371	2,586
Tax paid	(5,812)	(9,657)	(10,057)
Other adjustments	(15,467)	(3,351)	(94)
Change in working capital	(21,951)	(27,638)	(30,201)
Cash flow from operations	1,517	5,621	7,948
Capex	(9,988)	(25,427)	4,745
Proceeds from assets sales	2,775	3,347	90
Others	(11,419)	(17,250)	(34,604)
Other non-current assets changes	0	0	0
Cash flow from investing activities	(18,632)	(39,330)	(29,769)
New share issuance	0	0	0
Shares buyback	0	(16,551)	0
Net borrowings	20,396	35,030	38,677
Other financing cash flow	6	1,127	(10,000)
Dividends paid	0	0	0
Cash flow from financing activities	20,401	21,330	28,677
Cash and equivalents at beginning of period	10,817	14,103	1,724
Total cash generated	3,286	(12,379)	6,856
Cash and equivalents at the end of period	14,103	1,724	8,580

Key ratios

	12-23A	12-24E	12-25E
Dupont			
Net profit margin	32.2%	29.8%	27.8%
Asset turnover	0.26	0.25	0.26
ROAA	8.3%	7.3%	7.2%
Avg assets/avg equity	2.49	2.50	2.31
ROAE	20.6%	18.3%	16.6%
Efficiency			
Days account receivable	68.8	65.6	57.0
Days inventory	297.6	288.8	289.1
Days creditor	110.0	110.3	77.0
Fixed asset turnover	1.56	1.39	1.43
ROIC	13.9%	12.3%	11.3%
Liquidity			
Current ratio	1.1	1.1	1.5
Quick ratio	0.9	0.8	1.1
Cash ratio	0.1	0.0	0.1
Cash cycle	256.3	244.1	269.1
Growth rate (yoy)			
Revenue growth	66.0%	10.7%	9.9%
Operating profit growth	9.1%	(36.8%)	14.6%
Net profit growth	15.7%	2.4%	2.3%
EPS growth	15.7%	7.0%	7.1%

Source: VNDIRECT 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.
<i>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.</i>	
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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