

Vinhomes Corp (HSX: VHM)

- In 3Q24, presales increased 135% yoy but net profit (NP) decreased 26% yoy due to variance in handover timing of the newly launched project. In 9M24, presales increased 58% yoy, NP decreased 39% yoy;
- We forecast FY24-26F NP to grow 5%/11%/4% yoy thanks to the launch of new mega projects (Royal Island and Wonder Park);
- We recommend ADD for VHM with a target price of VND 54,700/share.

Robust presales growth was driven by the launch of Royal Island

In 3Q24, adjusted revenue reached VND 42.9 trillion (+30% yoy), NP reached VND 7.9 trillion (-26% yoy). VHM sold 4,200 units (+35% yoy), corresponding to presales of VND 37.9 trillion (+135% yoy). In 9M24, adjusted revenue reached VND 90.9 trillion (-16% yoy), NP reached VND 19.6 trillion (-39% yoy). Presales reached VND 89.6 trillion, of which Royal Island accounted for 67%. By the end of 3Q24, unbilled sales reached VND 123 trillion (+60% yoy), of which Royal Island accounted for 41%, OCP 2&3 accounted for 11% and 12%, respectively.

We forecast NP to increase 5%/11%/4% on a high base in FY24-26F

In 2024F, we forecast adjusted revenue of VND 128 trillion (+5% yoy), NP of VND 35 trillion (+5% yoy) and presales of VND 113 trillion (+30% yoy) thanks to the launch of Royal Island and the remainder of OCP 2&3. In FY25-26F, we forecast presales to decrease 12%/10% yoy because, in the near future, VHM is only to launch Wonder Park while VEF is likely to transfer Global Gate to another partner. Thereby, we forecast adjusted revenue growth of 1%/16% yoy, NP growth of 11%/4% yoy respectively.

Recommend ADD with a target price of VND 54,700/share

In the net selling trend of foreign investors on the Vietnamese stock market, VHM is one of the most affected stocks when foreign ownership has reduced from 22.5% in early 2024 to 13.0% at present. We expect that the net selling momentum will stop soon when FED has started to cut interest rates and Vietnam's economy is on the path to recovery, thereby reducing the selling pressure of foreign investors on VHM stock. For long-term investment perspective, we believe that VHM is suitable for accumulation thanks to its position as a leading real estate enterprise in Vietnam, large land bank and upside potential (35.6%). Investment thesis: (1) Presales are bolstered by the launch of new mega projects (2) New mega projects are gradually completed legal procedures to ensure long-term growth (3) Shareholder interests are increased (EPS increases by 9%) after the share buyback.

VNDbn	2023	2024F	2025F	2026F
Revenue	103,557	85,593	93,193	99,584
NP	33,371	35,008	39,023	40,775
Revenue growth	66.0%	-17.3%	8.9%	6.9%
NP growth	15.7%	4.9%	11.5%	4.5%
Gross margin	34.5%	40.6%	44.5%	39.0%
EBITDA margin	46.9%	59.4%	63.4%	59.8%
ROAE	20.6%	18.5%	17.9%	15.8%
ROAA	8.3%	7.4%	7.6%	7.5%
EPS (VND/share)	7,664	8,786	9,794	10,234
BVPS (VND/share)	41,177	49,867	59,621	69,838

(Source: VHM, MBS Research)

ADD

Target price

VND 54,700

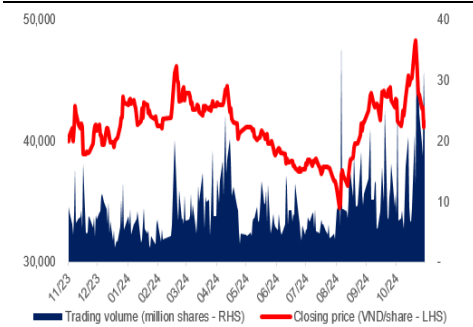
Upside

35.6%

Key changes in the report

- N/A

Information



Source: FiiPro, MBS Research

Current price (VND)	40,300
52W High (VND)	48,250
52W Low (VND)	34,500
Market Cap (VNDbn)	175,481
P/E (TTM)	8.6
P/B	0.9
Dividend yield (%)	0%
Foreign ownership (%)	13.0

Source: <https://s24.mbs.com.vn/>

Ownership

Vingroup	69.34%
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Source: <https://s24.mbs.com.vn/>



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Vinhomes Corp (HSX: VHM)

Investment thesis and Valuation

Investment thesis

- (1) Three important real estate laws (Housing, Land, Real Estate Business) have been passed along with circulars and decrees, contributing to removing obstacles for real estate market. In particular, the land fee calculation according to market price will increase the cost of land clearance as well as cause confusion in determining land-use fees. Therefore, we expect real estate enterprises that have paid out land fees and own large land bank such as VHM can benefit during this period when the shortage of new supply in Hanoi and Ho Chi Minh City has lasted since last year. VHM owns large land bank in large cities such as Wonder Park (133 hectares), Royal Island (877 hectares), making favorable conditions for the company's sustainable development. In addition, other mega projects such as IUT (880 hectares), Green Paradise (2,870 hectares) and Apollo City (5,489 hectares) will bring long-term development potential;
- (2) Robust unbilled sales make a solid foundation for growth in FY24-26F. We forecast, in FY24-26F, NP to grow 5%/11%/4% yoy, respectively;
- (3) Shareholder interests are increased (EPS increases by 9%) and financial health is ensured after the share buyback. We forecast D/E ratio to reach 36% by the end of 2024, lower than the industry average, and decline in FY25-26F thanks to retained earnings for real estate development;
- (4) After the completion of the share buyback, shareholder interests are increased through increased ownership and profit sharing.

Recommend ADD with a target price of VND 54,700/share

We recommend ADD with a target price of VND 54,700/share (upside 35.6%) using the RNAV method:

- ✓ For the ongoing project, we apply the DCF method with WACC of 11.1% (risk-free rate of 3.0% and equity-risk premium of 9.0%);
- ✓ For projects that are legally being completed, we apply book values (this is mainly land clearance cost);
- ✓ We calculate the target price with the assumption that VHM buys back 370 million registered shares.

Figure 1: RNAV valuation

Project	Valuation (VNDbn)	Method	Comments
Residential property	242,520	DCF	
OCP2	16,926	DCF	
OCP3	13,615	DCF	
Golden Avenue	1,343	DCF	
Royal Island	37,463	DCF	
Global Gate	2,364	DCF	According to VHM, VEF is seeking shareholder written approval for the entire transfer of the project. After the transfer, VHM's interest in Global Gate includes (1) profit sharing as outlined in the BCC agreement with VEF wherein VHM earns 5% of the total project interest (2) fee income from providing sales and project management services and (3) VHM is a VEF shareholder with a 4.66% stake. We value VHM's project interest with the assumption that VHM is not the new owner of the project.
Wonder Park	24,262	DCF	
Apollo City	98,127	DCF	Approved for the 1/500 planning, land clearance.
Green Paradise	13,682	BV	Approved for the assignment of making a 1/500 planning.
IUT	19,087	BV	Waiting for investment certificate
Others	15,651	BV	Two projects in Long An and Thu Duc city
Leasing	29,972	DCF	
Industrial park	4,679	DCF	
Total assets	277,172		
(+) Cash and cash-equivalents	15,081		We assume VHM buys back all registered shares at an average price of VND 42,000/share. If VHM does not receive VEF share transfer from Vingroup, the deposit for the share transfer will be refunded to VHM, approximately VND 10 trillion.
(+) Short-term and long - term investments	13,538		
(-) Debts	72,171		
(-) Minority interests	15,835		
Equity value	217,786		
Share outstanding	3,984,367,488		
Value per share (VND/share)	54,700		

(Source: MBS Research)

Figure 2: Cost of equity

Cost of equity	
Risk-free rate	3.0%
Beta	1.0
Equity-risk premium	9.0%
Cost of equity	12.0%

Figure 3: WACC

WACC	
Cost of equity	12.0%
Cost of debt	10.5%
Tax rate	20%
WACC	11.1%

(Source: MBS Research)

Figure 4: Peer comparison

Company	Ticker	Current price	Market Cap (VNDbn)	Target price	Recommendation	P/E		P/B		ROE (%)		ROA (%)	
						2024	2025	2024	2025	2024	2025	2024	2025
Phat Dat Real Estate Development Corp	PDR	20,700	18,074	N/A	N/A	26.5	25.5	1.6	1.5	7.1	6.1	3.5	2.9
Dat Xanh Group	DXG	16,050	11,595	N/A	N/A	49.5	46.3	1.1	1.1	4.0	4.8	1.4	1.7
Khang Dien House Trading and Investment Corp	KDH	33,450	33,823	40,200	Add	26.5	25.4	1.8	1.9	5.0	5.5	5.1	5.7
Nam Long Investment Corp	NLG	39,450	15,179	44,500	Hold	21.9	21.3	1.6	1.5	5.5	6.0	2.0	2.1
Vinhomes Corp	VHM	40,300	175,481	54,700	Add	4.6	4.1	0.8	0.7	18.5	17.9	7.4	7.6
Average						25.8	24.5	1.4	1.3	8.0	8.1	3.9	4.0

(Source: Bloomberg, MBS Research)

Downside risks

- (1) Foreign investors continuously sell net;
- (2) Real estate market continues to be sluggish;
- (3) Unfavorable macroeconomic factors reduce home demand;
- (4) Legal obstacles slowdown progress.

Introduction

Formerly BIDV Urban Joint Stock Company, established in 2008. After many name changes and capital increases, the company is currently called Vinhomes Joint Stock Company (HSX: VHM) with a charter capital of VND 43,543 billion. VHM's main activities are exploiting residential, industrial, commercial and service real estate, combined with resorts. VHM's products focus on the mid- and high-end segments. VHM's projects are all in prime locations in major cities such as Hanoi, Ho Chi Minh City, Hai Phong,.....VHM owns the largest land bank among Vietnam's real estate enterprises, with total area of up to 18,800 hectares as of the end of 3Q24. According to CBRE, VHM accounts for 26% of the condominium market share, of which the mid-end and high-end segments account for 38% and 41%, respectively. And in the landed property market, VHM accounts for 37% of the market share thanks to newly launched mega projects.

VHM is a member of the Vingroup ecosystem - the largest private corporation in Vietnam (HSX: VIC). Thanks to that, VHM inherits convenient services in the Vingroup ecosystem such as shopping malls, schools, hospitals, etc. Currently, VIC holds 69.3% of shares in VHM. If VHM buys back all registered shares, VIC's ownership will increase to 75.78%.

Figure 5: VHM's shareholder structure, in which VIC holds control

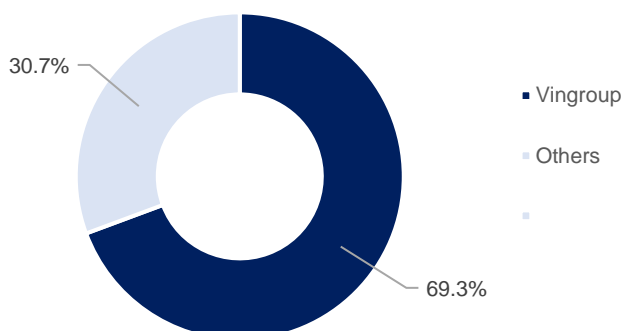


Figure 6: Land bank

Project	Location	Area (hectare)	Components
Projects in operation			
OCP 2	Hung Yen	458	High-rise and low-rise
OCP 3	Hung Yen	294	High-rise and low-rise
Grand Park	HCM City	271	High-rise and low-rise
Royal Island	Hai Phong	877	Low-rise
Golden Avenue	Quang Ninh	44	Low-rise
Projects will be launched			
Wonder Park	Ha Noi	133	High-rise and low-rise
IUT	HCM City	880	High-rise and low-rise
Green Paradise	HCM City	2,870	High-rise and low-rise
Apollo City	Quang Ninh	5,489	High-rise and low-rise

(Source: VHM, MBS Research)

Figure 7: Condominium market share

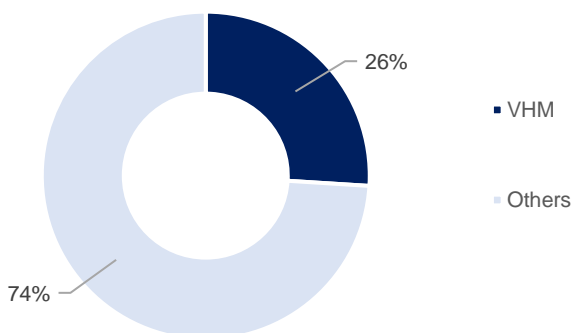
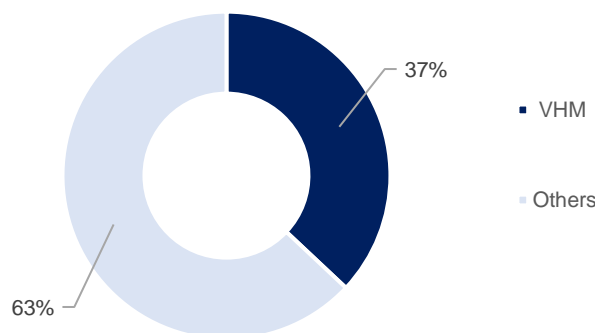


Figure 8: Landed property market share



(Source: CBRE, VHM)

Business results 3Q24 and 9M24

9M24 adjusted revenue and NP decreased 16% and 39% yoy respectively

Figure 9: Business results in 3Q24 and 9M24

VNDbn	3Q24	yoy (%)	9M24	yoy (%)	Comments
Sold units	4,200	35%	10,300	12%	
Contracted sales	37,900	135%	89,600	58%	In 3Q24, contracted sales grew strongly above the low base of the same period last year, mainly from Royal Island, accounting for 48%, equivalent to contracted sales of VND 18.4 trillion. In 9M24, contracted sales reached VND 89.6 trillion, of which contracted sales of Royal Island accounted for 67%, OCP 2&3 accounted for 9% and 10% respectively.
Unbilled sales	123,000	60%	123,000	60%	Unbilled sales increased 4% qoq and 60% yoy, of which unbilled sales of Royal Island accounted for 41%, followed by OCP 2&3 at 11% and 12% respectively.
Adjusted revenue (*)	42,861	30%	90,923	-16%	Adjusted real estate revenue accounted for 85% of adjusted revenue in 3Q24 and 77% in 9M24.
Adjusted real estate revenue (**)	36,446	24%	69,790	-30%	We estimate real estate revenue of OCP 2&3 to be VND 6 trillion and VND 12.2 trillion, respectively, and Royal Island to be VND 9.4 trillion in 3Q24. In 9M24, real estate revenue of Royal Island was the largest, reaching VND 21 trillion, followed by OCP3 (VND 17.8 trillion) and OCP 2 (VND 12.5 trillion).
Revenue	33,323	2%	69,910	-26%	
- Real estate	26,908	-7%	48,777	-43%	In 3Q24, real estate revenue was mainly of OCP 3 (VND 12.2 trillion), OCP2 (VND 6 trillion) and Golden Avenue (VND 1.2 trillion).
- Construction	3,572	106%	13,539	265%	Strong increase in revenue due to VHM promoting construction services.
Gross margin	29%	-17 pts	29%	-8 pts	Gross margin decreased due to low-margin construction segment increasing its proportion in revenue.
- Real estate	34%	-16 pts	37%	-2 pts	
- Construction	11%	+5 pts	8%	-1 pts	
SG&A	2,737	108%	5,400	13%	
% SG&A/ revenue	8%	+4 pts	8%	+3 pts	Maintain stability compared to the industry average
Interest income	5,498	198%	15,536	0%	
- Incomes from BCC	4,126	18,039%	10,651	955%	Strong increase thanks to sales of Royal Island under BCC contract.
Financial expenses	1,555	63%	5,477	145%	Debts in 3Q24 increased by 68% compared to 3Q23.
Pre-tax profit	10,837	-24%	24,596	-41%	
After-tax profit	8,980	-16%	20,600	-36%	In 9T24, VHM completed 76% of the revenue target and 59% of the NPAT target.
NP	7,866	-26%	19,642	-39%	

(Source: VHM, MBS Research)

(*) Adjusted revenue = Adjusted real estate revenue + Revenue from construction, management, leasing and other services

(**) Adjusted real estate revenue = Real estate revenue + Revenue from sales of real estate under BCC contracts and share transfer transactions

New mega projects driving growth in FY24-26F

Hanoi real estate market

Condominium

Continuing the upward momentum from 2Q24, Hanoi new supply increased sharply, reaching 8,227 units (+174% yoy) in 3Q24 and 19,068 units (+180% yoy) in 9M24. Condominium demand grew strongly, reaching 8,009 units (+120% yoy) in 3Q24 and 20,217 units (+155% yoy) in 9M24, despite the sharp increase in prices. In 3Q24, the average primary price increased by 9% qoq and 26% yoy. The absorption rate was high, reaching 97% in 3Q24 and 106% in 9M24. According to CBRE, in 2024, the new supply of condominiums in Hanoi is estimated to reach 29,300 units (+184% yoy), mainly in the high-end segment. The absorption rate is expected to remain high, around 100%.

Landed property

In 3Q24, Hanoi new supply reached 3,217 units (+353% yoy) and demand reached 2,510 units (+124% yoy) thanks to the launch of Global Gate in Dong Anh. The average primary price reached VND 235 million per square (up 16% qoq and 27% yoy). According to CBRE, in 2024, the new supply of landed property is estimated to reach 8,500 units, coming from large projects in the West and East of Hanoi.

Figure 10: Condominium

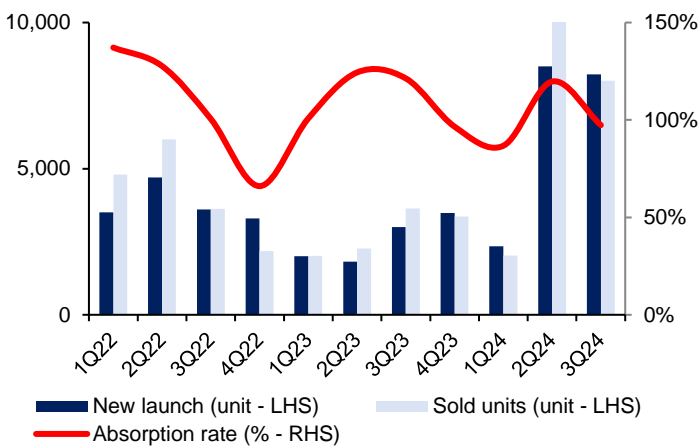
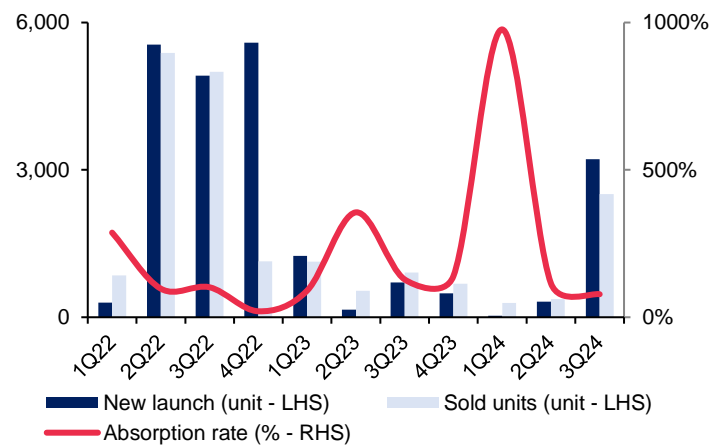


Figure 11: Landed property



(Source: CBRE, MBS Research)

New mega projects are launched on schedule

Royal Island



- Location: Vu Yen, Hai Phong
- Site area: 877.2 hectares
- Investment capital: VNDbn 55,870
- Key components: Villas /Shophouses /Townhouses
- No. of units: 8,324 low-rise units and 1,668 commercial shophouses
- Development status: Launched since Mar 2024, delivered since Sep 2024.

Wonder Park



- Location: Dan Phuong, Ha Noi
- Site area: 133.4 hectares
- Investment capital: Around VND 30 trillion
- Key components: Apartments /Villas /Shophouses
- No. of units: 600 high-rise units and 2,356 low-rise units
- Development status: Approved for the 1/500 planning, land clearance, land handover.

(Source: VHM, MBS Research)

Royal Island is located on Vu Yen island, Hai Phong, it takes about 10 minutes from the center of Hai Phong. The project is divided into 11 subdivisions with 8,324 low-rise units. Since the project was launched on Mar 2024, VHM has launched 7,512 units, sold 7,086 units, equivalent to 94.3% of the launched units, and handed over 2,897 units, equivalent to 40.9% of the sold units (including bulk sales). Contracted sales reached VND 71.1 trillion, of which unbilled sales reached VND 50.3 trillion (including bulk sales of VND 16 trillion and retail sales of VND 34.3 trillion).

Wonder Park is located in Dan Phuong, Hanoi. The project is located on the frontage of Tay Thang Long Avenue, it takes about 5 minutes from Ring Road No. 4, Ring Road No. 3.5 and Thuong Cat Bridge, so it is very convenient to travel to the city center and neighboring areas. Dan Phuong targets to become a district by 2025. Due to the shortage of new supply in Hanoi, we expect the project to be launched soon and attract buyers to live and invest.

New mega projects are gradually completed legal procedures

Apollo City



- Location: Ha Long, Quang Ninh
- Developer: VIC combined with VHM
- Site area: 5,489 hectares
- Investment capital: USD 10 billion
- Key components: N/A
- No. of units: N/A
- Development status: Approved for the 1/500 planning, land clearance.

Green Paradise



- Location: Can Gio, HCM City
- Developer: VHM
- Site area: 2,870 hectares
- Investment capital: VND 217 trillion
- Key components: Apartments /Villas /Shophouses
- No. of units: N/A
- Development status: Approved for the assignment of making the 1/500 planning on Sep 30, 2024.

International University Town (IUT)



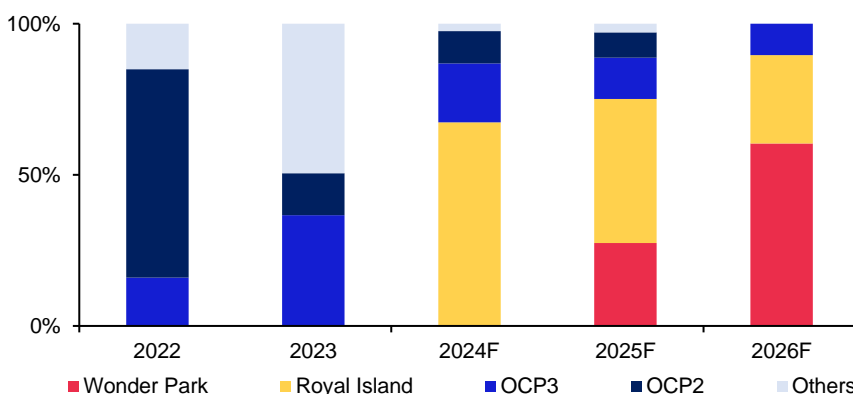
- Location: Hoc Mon, HCM City
- Developer: Berjaya Vietnam (VHM holds a 97.9% stake)
- Site area: 880 hectares
- Investment capital: USD 3.5 billion
- Key components: N/A
- No. of units: N/A
- Development status: Land clearance of above 100 hectares and waiting for investment certificate.

(Source: VHM, MBS Research)

Robust presales primarily driven by the launch of Royal Island

In 9M24, presales reached VND 89.6 trillion, up 58% yoy, of which Royal Island accounted for 67%, OCP 2&3 accounted for 9% and 10%, respectively. We expect FY24-26F presales to reach VND 113/99/89 trillion, up 30%/-12%/-10% yoy, respectively, thanks to (1) Royal Island (877 hectares), Wonder Park (133 hectares) being launched in FY24-25F; (2) the remainder of OCP 2&3.

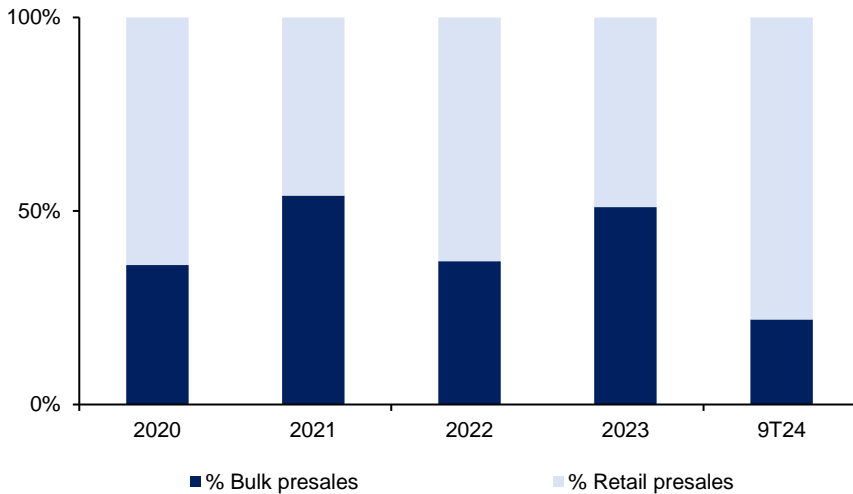
Figure 12: Contracted sales



(Source: VHM, MBS Research)

We find that there is a shift in presales towards retail sales. Retail sales in FY22-23 were 63% and 49% respectively, but this increased sharply to 78% in 9M24. We estimate the bulk-retail split for presales of Royal Island to be 54% and 46%. Regarding retail sales, VHM launched 4,262 units out of a total of 5,359 available-for-sale units, sold 3,836 units with the value of VND 44.1 trillion equivalent to 90% of the launched units, handed over 1,347 units in 9M24.

Figure 13: Bulk-retail presales

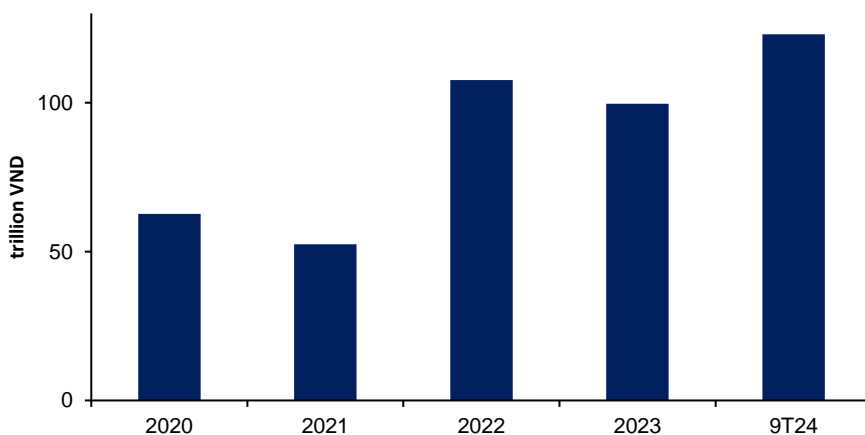


(Source: VHM)

Bolstered unbilled sales making a solid foundation for growth in FY24-26F

By the end of 3Q24, unbilled sales increased by 60% yoy to reach VND 123 trillion, including bulk sales of 53% and retail sales of 47%. Unbilled sales increased while revenue slowed down due to newly launched mega projects being constructed, not yet for handover. This is the foundation for real estate revenue growth in the coming time. Board of directors expects 27% of unbilled sales to be recorded in 4Q24 (around VND 33 trillion). We forecast adjusted revenue to reach VND 128 trillion in 2024.

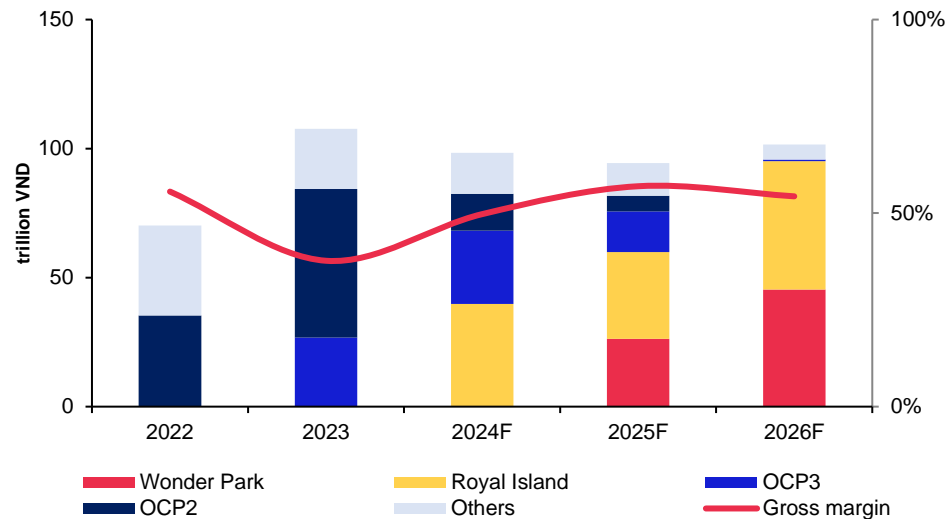
Figure 14: Unbilled sales



(Source: VHM)

We forecast adjusted real estate revenue in 2024 to reach VND 98 trillion (-9% yoy), mainly from Royal Island and the remainder of OCP 2&3, Golden Avenue and Grand Park. In FY25-26F, we forecast adjusted real estate revenue to decrease 4% and 8% yoy because, in the near future, VHM is only to launch Wonder Park while VEF is likely to transfer Global Gate to another partner. Gross margin of real estate in FY24-26F will increase back to the annual average of over 50%, thanks to the recovery of the real estate market supporting prices and positioning high-end products.

Figure 15: Adjusted real estate revenue



(Source: VHM, MBS Research)

New industrial park

Vung Ang industrial park Project (Ha Tinh) was approved for investment certificate on July 13, 2024. The project has total area of 964 hectares, industrial land area of 662 hectares, investment capital of VND 13,276 billion and operating period of 70 years. The project is located in the central industrial park of the Vung Ang Economic Zone. This is a key economic zone of Ha Tinh province with a total area of over 22,700 hectares, including many large projects such as Formosa's Steel Complex and Son Duong Port and Vung Ang I Thermal Power Plant. We forecast the project to generate cash flow in the next 2-3 years with an annual revenue of VND 3-4 trillion, and an average profit of VND 2 trillion.

Recently, VHM announced the separation of Vinhomes Industrial Park Investment JSC to establish two new subsidiaries, Hai Phong Industrial Park with a charter capital of VND 15.1 trillion and Ha Tinh Industrial Park with a charter capital of VND 3 trillion. The charter capital of the two new companies is quite large compared to listed industrial park enterprises (BCM: VND 10 trillion, KBC: VND 7.7 trillion, IDC: VND 3.3 trillion). This shows that VHM will expand and develop into the potential industrial parks in Hai Phong and Ha Tinh.

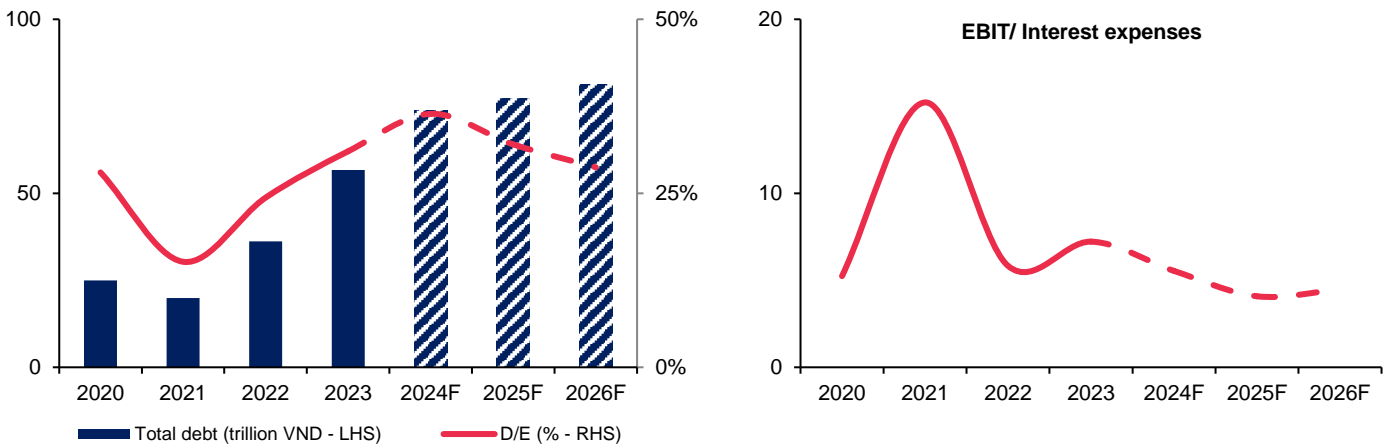
Financial health ensures share buyback

Due to the development of many mega projects at the same time, VHM has mobilized a large amount of capital. From 2021, total debts increased by 262% to more than VND 72 trillion (short-term debts of 34% and long-term debts of 66%). Although debts increased, D/E ratio was only around 15-35%. By the end of 3Q24, D/E ratio reached 33%, lower than the industry average.

In 9M24, VHM's debts were added VND 15.5 trillion, of which VHM issued an additional VND 14.3 trillion of bonds (VND 10.3 trillion of bonds with a fixed rate of 12%). Cost of debt increased slightly from 10.2% to 10.5%.

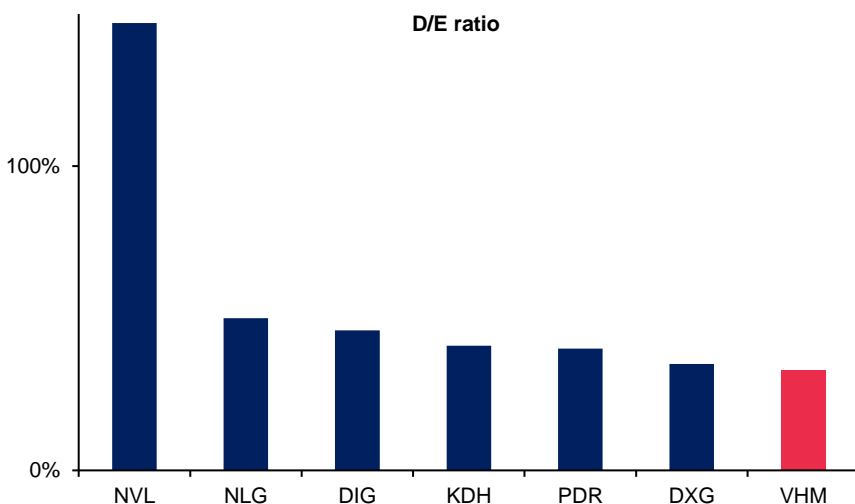
Interest coverage declined due to interest expenses rising and revenue slowing down. We forecast EBIT/interest expenses to be above 5x in FY24-25, ensuring interest coverage.

Figure 16: We forecast debts to increase but D/E ratio to decrease in FY25-26F Figure 17: Interest coverage



(Source: VHM, MBS Research)

Figure 18: VHM's D/E ratio lower than the industry average by the end of 3Q24



(Source: Fiinpro, MBS Research)

After being approved by the State Securities Commission, VHM is carrying out to buy back 370 million treasury shares (equivalent to a 8.5% stake), the transaction period is from Oct 23 to Nov 21, 2024. If VHM buys back all registered shares, the charter capital will reduce by VND 3,700 billion.

Since the start of the share buyback, VHM stock price has experienced a sharp decrease of 20%, from VND 48,250/share to VND 40,300/share. As of Nov 12, 2024, the company has bought back 126.6 million shares, equivalent to 34% of the registered share. Thus, to buy back 370 million treasury shares, VHM needs to buy back 34.8 million shares per trading session.

We assume that VHM buys back at the average price of VND 42,000/share, so VHM may spend about VND 15.5 trillion. By the end of 3Q24, cash on the balance sheet was about VND 20.6 trillion, enough for VHM's share buyback. We find that the share buyback will not have an effect on financial health. D/E ratio may increase to 36% by the end of 2024, but will decrease to 32% and 29% in FY25-26F respectively, thanks to (1) cash flow from sales of property when the real estate market is forecast to recover next year (2) retained earnings to increase equity. After the share buyback, shareholder interests are increased through increased ownership ratio and profit sharing.

Earnings forecast for FY24-26F

Figure 19: Business results in FY24-26F

VNDbn	2023	2024F	yoy (%)	2025F	yoy (%)	2026F	yoy (%)	Comments
Contracted sales	87,000	112,698	30%	99,215	-12%	89,314	-10%	In 2024, we expect presales to increase by 30% yoy, with presales of Royal Island accounting for 67%, the remainder of OCP 2&3, Golden Avenue and Grand Park.
Adjusted revenue	121,379	127,888	5%	128,830	1%	149,360	16%	We expect VHM to exceed its 2024 revenue target. Adjusted revenue would grow 1% and 16% yoy in FY25-26F respectively.
Adjusted real estate revenue	107,491	98,296	-9%	94,389	-4%	101,594	8%	We expect sales of property to reach the target, over VND 90 trillion.
BCC revenue	2,204	42,294	1819%	35,637	-16%	49,776	40%	
Revenue	103,557	85,593	-17%	93,193	9%	99,584	7%	
- Real estate	89,669	56,001	-38%	58,752	5%	51,819	-12%	Real estate revenue in 2024 mainly from OCP 1,2&3, Grand Park and Golden Avenue.
- Construction	6,707	10,647	59%	11,295	6%	19,100	69%	
- Management service	3,090	5,562	80%	6,674	20%	8,009	20%	
Gross profit	35,707	34,773	-3%	41,510	19%	38,885	-6%	
- Real estate	33,793	27,850	-18%	33,455	20%	28,153	-16%	
- Construction	602	1,134	88%	1,046	-8%	1,827	75%	
- Management service	485	799	65%	1,149	44%	1,556	35%	
Gross margin	34%	41%	+6 pts	45%	+4 pts	39%	-5 pts	
- Real estate	38%	50%	+12 pts	57%	+7 pts	54%	-3 pts	
- Construction	9%	11%	+2 pts	9%	-1 pts	10%	0%	
- Management service	16%	14%	-1 pts	17%	+3 pts	19%	+2 pts	
SG&A	7,756	5,532	-29%	7,079	28%	9,204	30%	
% SG&A/revenue	7%	6%	-1 pts	8%	+1 pts	9%	+2 pts	Stable at 6-9% of revenue
Interest income	19,954	19,617	-2%	23,193	18%	28,184	22%	
- Income from BCC	1,226	16,479	1245%	12,538	-24%	18,597	48%	Strong increase thanks to real estate sales at Royal Island under BCC contract.
Financial expenses	3,870	5,278	36%	8,438	60%	6,637	-21%	
Pre-tax profit	43,310	44,201	2%	49,272	11%	51,483	4%	
After-tax profit	33,533	35,361	5%	39,417	11%	41,187	4%	We expect VHM to achieve its 2024 NPAT target and continue to grow 11%/4% yoy in FY25-26F.
Net profit	33,371	35,008	5%	39,023	11%	40,775	4%	

(Source: VHM, MBS Research)

Financial Statements

Income statement	2023	2024F	2025F	2026F	Cash flow statement	2023	2024F	2025F	2026F
Revenue	103,557	85,593	93,193	99,584	Pre-tax profit	43,310	44,201	49,272	51,483
Cost of goods	(67,850)	(50,820)	(51,683)	(60,700)	Depreciation & amortization	1,436	1,400	1,400	1,400
Gross profit	34,773	41,510	38,885	19,518	Tax paid	(9,777)	(8,840)	(9,854)	(10,297)
Gen & admin expenses	(2,582)	(3,280)	(4,286)	(2,255)	Other adjustments	(13,643)	(3,333)	7,084	4,717
Selling expenses	(2,950)	(3,799)	(4,918)	(2,346)	Changes in working capital	(19,809)	(1,581)	(37,140)	(31,533)
Operating profit	27,951	29,241	34,431	29,681	CF from operations	1,517	31,847	10,761	15,770
Operating EBITDA	29,387	30,641	35,831	31,081	Capex	(9,988)	(33,555)	(10,615)	(12,311)
EBIT	27,951	29,241	34,431	29,681	Proceeds from assets sales	2,775	-	-	-
Interest income	19,954	19,617	23,193	28,184	CF from investing activities	(18,632)	(38,032)	(9,471)	(12,253)
Financial expense	(3,870)	(5,278)	(8,438)	(6,637)	New share issuance	6	-	-	-
Net other income	(735)	594	51	220	Net borrowings	20,396	17,005	3,684	3,869
Income from associates&JV	11	28	33	36	Other financial cash flow	-	(15,540)	-	-
Pre-tax profit	43,310	44,201	49,272	51,483	Dividend paid	-	-	-	-
Tax expense	(9,777)	(8,840)	(9,854)	(10,297)	CF from financing activities	20,401	1,465	3,684	3,869
NPAT	33,533	35,361	39,417	41,187	Beginning cash & equivalents	10,817	14,103	9,383	14,357
Minority interests	161	354	394	412	Total cash generated	3,286	(4,720)	4,974	7,386
NP	33,371	35,008	39,023	40,775	Ending cash and equivalents	14,103	9,383	14,357	21,743
Ordinary dividends	-	-	-	-	Key ratios	2023	2024F	2025F	2026F
Retained earnings	33,371	35,008	39,023	40,775	Revenue growth	66.0%	-17.3%	8.9%	6.9%
Balance sheet	2023	2024F	2025F	2026F	EBITDA growth	9.5%	4.3%	16.9%	-13.3%
Cash and equivalents	14,103	9,383	14,357	21,743	EBIT growth	9.1%	4.6%	17.7%	-13.8%
Short term investments	3,834	3,505	4,134	4,550	Pre-tax profit growth	12.1%	2.1%	11.5%	4.5%
Account receivables	132,871	193,118	189,081	202,107	NP growth	15.7%	4.9%	11.5%	4.5%
Inventories	55,318	60,378	60,399	64,579	EPS growth	15.7%	14.6%	11.5%	4.5%
Total current assets	242,341	286,516	288,509	315,832	Gross margin	34.5%	40.6%	44.5%	39.0%
Fixed assets	10,619	17,276	20,500	24,508	EBITDA margin	46.9%	59.4%	63.4%	59.8%
Construction in progress	-	-	-	-	NP margin	32.2%	40.9%	41.9%	40.9%
Investment property	17,037	18,319	21,861	26,230	ROAE	20.6%	18.5%	17.9%	15.8%
Investments in subsidiaries	-	-	-	-	ROAA	8.3%	7.4%	7.6%	7.5%
Investments in associates	187	189	189	189	ROIC	13.9%	12.7%	12.2%	11.2%
Other long-term investments	173,394	183,926	194,422	200,712	Asset turnover	0.26	0.18	0.18	0.18
Total non-current assets	202,290	220,662	237,819	252,391	Dividend payout ratio	0.0%	0.0%	0.0%	0.0%
Total assets	444,631	507,178	526,328	568,222	D/E	31.0%	36.4%	32.0%	28.7%
Short-term borrowings	18,290	23,777	24,965	26,214	Net debt to total equity	23.3%	31.8%	26.1%	21.0%
Accounts payable	20,452	13,094	21,746	16,566	Net debt to asset	9.6%	12.7%	12.0%	10.5%
Other short-term payables	172,331	205,386	171,713	175,877	Interest coverage ratio	7.2	5.5	4.1	4.5
Total current liabilities	211,073	242,256	218,424	218,656	Days account receivable	68.8	99.9	110.1	123.6
Long-term borrowings	38,394	49,912	52,408	55,028	Days inventory	298	434	427	388
Other long-term payables	12,527	12,633	13,862	11,783	Days account payable	110	94	154	100
Total long-term liabilities	50,921	62,545	66,269	66,811	Current ratio	1.1	1.2	1.3	1.4
Total liabilities	261,994	304,802	284,693	285,468	Quick ratio	0.9	0.9	1.0	1.1
Common share	43,544	39,844	39,844	39,844	Cash ratio	0.1	0.1	0.1	0.1
Share premium	1,260	1,260	1,260	1,260	Valuation				
Treasury shares	-	-	-	-	EPS (VND/share)	7,664	8,786	9,794	10,234
Undistributed earnings	133,392	156,559	195,583	236,357	BVPS (VND/share)	41,177	49,867	59,621	69,838
Investment and development funds	1,106	1,025	866	800	P/E	5.3	4.6	4.1	3.9
Shareholders' equity	179,302	198,688	237,553	278,261	P/B	1.0	0.8	0.7	0.6
Minority interests	3,335	3,688	4,082	4,494					
Total shareholders' equity	182,636	202,376	241,635	282,755					
Total liabilities & equity	444,631	507,178	526,328	568,222					

(Source: VHM's financial statements, MBS Research)

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MBS RECOMMENDATION FRAMEWORK

Stock Ratings

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.

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

Sector Ratings

POSITIVE	Stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
NEUTRAL	Stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
NEGATIVE	Stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

ABOUT MBS

Founded in May 2000 by the Military Commercial Joint Stock Bank (MB), MB Securities Joint Stock Company (MBS) is one of the first six securities companies in Vietnam. After years of development, MBS has grown into one of the premier brokerage houses in the country. In two consecutive years between 2009 and 2010, MBS leads the brokerage house in terms of market share on both Hanoi Stock Exchange (HNX) and HCMC Stock Exchange (HOSE) and continuously ranked among the Top 5 of market share at both stock exchanges.

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