KHANG DIEN HOUSE (HSX: KDH)

Capturing the price surge in HCMC metro area

VND Bn	Q3-FY21	Q2-FY21	*+/-qoq*	Q3-FY20	*+/-yoy*
Net revenue	1,199	1,112	7.8%	1,755	-31.7%
PAT	317	267	18.8%	362	-12.5%
EBIT	432	366	18.1%	484	-10.7%
EBIT margin	36.0%	32.9%	310 bps	27.6%	840 bps

Source: KDH, Rong Viet Securities

Lovera Vista units delivery was main contributor as expected

- In 9M 2021, KDH recorded revenue and NPAT-MI of VND 3,148 bn (-3% YoY) and VND 788 bn (+2% YoY), respectively, owing to the handover of Safira (234 units), Lovera Vista (1,048 units) and Verosa Park (29 units).
- Meanwhile, sales activity was strongly hit in Q3 2021 given the Covid-19 stringent lockdowns in HCMC from July to end of September. As a result, KDH only sold two units at Verosa Park.

Continous delivery at Lovera Vista would lead Q4 2021 results

- At end of Q3 2021, KDH delivered most of the units and sale activities at the Lovera Vista project (1,048/1,146 units) and Verosa Park (290/293 units). We expect the company will deliver the remaining units in Q4 2021, reporting total revenue of VND 320 Bn (or USD 14 Mn) from these two projects. Therefore, Q4 2021 total revenue and NPAT-MI will be about VND 334 bn (or USD 15 Mn, -74% YoY) and VND 118 bn (or USD 5 Mn, -69% YoY), respectively.
- In addition, we estimate that the company will sell few units at Armena project (Thu Duc City) given the construction is resumed in October after lockdowns. Per our update, KDH has nearly finished foundation construction in this project.
- We forecast that KDH will achieve revenue of VND 3,481 bn (or USD 151 Mn, -23% YoY) and NPAT-MI of VND 924 bn (or USD 40 Mn, -20% YoY) in 2021.

Valuation and recommendation

We believe that the key advantage of KDH in having two low-rise projects being ready to launch in the East of HCMC, namely Armena and Clarita during Q4 2021 and 2022, posting ***30% CAGR growth on NPAT-MI in the 2020 – 2023 period****.*

Specifically, we estimate 2022 revenue to reach VND 3,913 bn (or USD 170 Mn, +12% YoY) and NPAT-MI of VND 1,576 bn (or USD 69 Mn, +71%), backed by the delivery of Armena and Clarita projects, along with revenue of Le Minh Xuan (expanded) project. These two projects will help KDH improve its gross profit margin. In 2023, the recognition at the Corona City project along with remaining units at three aforementioned projects will help the company reach revenue of VND 6,764 bn (or USD 294 Mn, +73% YoY) and NPAT-MI of VND 2,524 bn (or USD 110 Mn, +60% YoY).

Using the RNAV method, we set a target price for KDH of ***VND 56,000/share****. We recommend to* ***ACCUMULATE*** *with a total return of* ***16%*** *at the closing price on* ***16th Dec 2021.***

ACCUMULATE +16%

Target price (VND)	56,000
Current market price (VND)	48,400

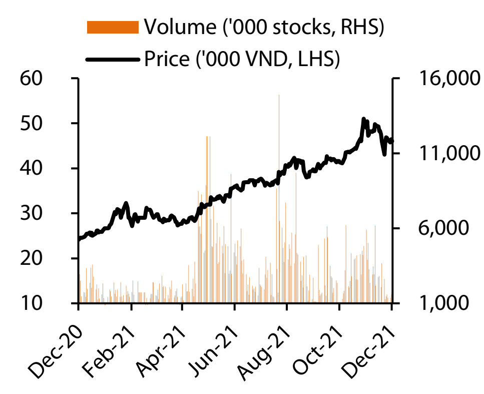
** Expected in the next 12 months*

Stock info

Sector	Real estate
Market Cap (VND Bn)	29,125
Current Share O/S	642,937,069
Avg. Daily Volume (in 20 sessions)	1,931,500
Free Float (%)	65%
52 weeks High	51,000
52 weeks Low	24,700
Beta	1.19

	FY2020	Current
EPS	2,063	1,891
EPS Growth (%)	23%	0%
Diluted EPS	2,063	1,891
P/E	12.9	24.0
P/B	1.8	3.0
EV/EBITDA	17.1	18.4
Cash dividend yield (%)	5%	0%
ROE (%)	14.6	13.4

One-year price performance



Major Shareholders (%)

VinaCapital	11.9%
Dragon Capital	8.6%
Tien Loc Investment Co. Ltd.	11.1%
Foreign ownership room (%)	*17.3%*

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Table 1: 3Q FY2021 Results

VND Bn	Q3-FY21	Q2-FY21	+/-(qoq)	Q3-FY20	+/-(yoy)
Net revenue	1,199	1,112	7.8%	1,755	-31.7%
Gross profit	477	472	1.1%	544	-12.3%
SG&A	-45	-107	-57.4%	-60	-24.8%
Operating income	406	349	16.6%	477	-14.8%
EBITDA	434	368	17.9%	485	-10.4%
EBIT	432	366	18.1%	484	-10.7%
Financial expenses	-27	-23	16.1%	-22	22.7%
- Interest Expenses	*-*	*-14*	*-100.0%*	*-*	*N.A*
Dep. and amortization	3	3	-5.3%	1	224.4%
Non-recurring items (*)					
Extraordinary items (*)					
PBT	401	338	18.4%	470	-14.7%
PAT	317	267	18.8%	362	-12.5%
Adjusted PAT (*)	317	267	18.8%	362	-12.5%

Source: KDH, Rong Viet Securities

Table 2: 3Q FY2021 Performance Analysis

Particulars	Q3-FY21	Q2-FY21	+/-(qoq)	Q3-FY20	+/-(yoy)
Profitability Ratios (%)					
Gross Margin	40%	42%	-267 bps	31%	879 bps
EBITDA Margin	36%	33%	310 bps	28%	861 bps
EBIT Margin	36%	33%	313 bps	28%	844 bps
Net Margin	26%	24%	244 bps	21%	577 bps
Adjusted Net Margin	26%	24%	244 bps	21%	577 bps
Turnover * (x)					
-Inventories	0.4	0.3	6%	0.7	-26%
-Receivables	1.3	1.2	7%	1.9	-60%
-Payables	1.3	1.0	32%	1.0	33%
Leverage (%)					
Total Debt/ Equity	48%	62%	-1348 bps	89%	-4,114 bps

Source: Rong Viet Securities

Table 3: Q4 FY2021 Performance Forecast

Particulars (VND Bn)	Q4-FY21	+/-qoq	+/-yoy
Revenue	334	-72%	-74%
Gross profit	138	-71%	-79%
EBIT	114	-74%	-76%
NPAT-MI	118	-63%	-69%

Source: Rong Viet Securities

- We reflect the handover of 98 units of Lovera Vista and 3 units of Verosa Park

- Q4 2021 NPAT decreased significantly on both quarterly and yearly basis when KDH had few units to deliver in Q4 2021 as they mostly handed over units of Lovera Vista in Q3 2021 (580 units) and Q2 2021 (468 units). The same story with Verosa Park and Safira projects (most units were delivered in 2019 and 2020).

Update

The delivery of Lovera Vista supported the business results

In 9M 2021, KDH recorded revenue of VND 3,148 bn (or USD 136 Mn, -3% YoY) and the NPAT of the parent company reached VND 788 bn (or USD 34 Mn, 2% YoY) (Table 4). This result was mainly attributed by the delivery of 1,311 units of three projects including Safira (234 units), Verosa Park (29 units), Lovera Vista (1,048 units). The gross profit margin slightly improved backed by (1) Fewer unis of Safira (low margin) were delivered (c. 234 units) compared to that in 2020 (1,348 units) and (2) Better gross margin of Lovera Vista was higher compared to Safira's, justifying the higher margin. Up to date, KDH finished the delivery of Safira units and has started to process in issuing red books to homebuyers in Lovera Vista project.

In Q3 2021, the sale activities were limited given the stringent lockdown measures in HCMC from July to end of September, explaining the modest sale result of KDH with only two units sold in Verosa Park project.

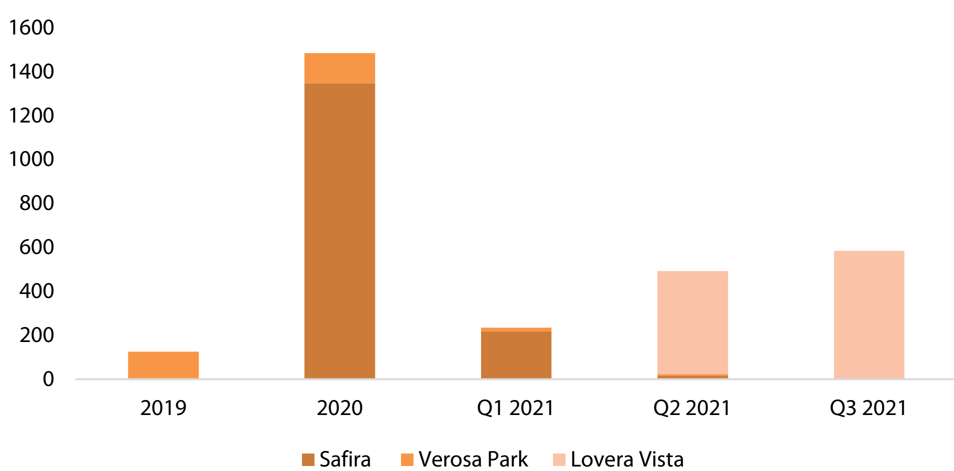
One notable event was the action of selling treasury shares of KDH. Specifically, the Company sold over 19.8 million treasury shares as registered with the average selling price of 40,866 VND/share and collected approx. VND 810 Bn (or USD 35 Mn). The proceeds would be necessary for KDH to accelerate land clearance procedures in large-scale projects such as Tan Tao (330 ha).

Table 4: Results in 9M FY2021

Unit: VND Bn	9M2021	9M2020	YoY
Net revenue	**3,148**	**3,241**	**-3%**
Gross profit	**1,308**	**1,296**	**1%**
Gross profit margin	*42%*	*40%*	**+2 bps**
SG&A	-223	-233	-4%
EBIT	1,084	1,062	2%
Other profit/loss	-23	-23	0%
PBT	1,007	998	1%
NPAT - MI	**788**	**770**	**2%**

Source: KDH

Figure 1: Handed-over units of KDH during 2019 – 9M 2021



Source: KDH

Q4 2021: The delivery of Lovera Vista and Verosa Park remaining units underpins the results

At the end of Q3 2021, KDH sold total of 1,146 units in Lovera Vista project and delivered 1,048 units in Q2 and Q3 2021 (Table 5). We expect the company will deliver nearly 100 units in Q4 2021 and record revenue around VND 245 Bn (or USD 11 Mn) (unit price is around VND 2.5 Bn). Along with that, the handover of three units of Verosa Park will also add in the overall result, resulting revenue of around VND 75 Bn (or USD 3 Mn). Consequently, we come up with the estimated revenue and NPAT in Q4 2021 of VND 334 Bn (or USD 15 Mn) and VND 118 Bn (or USD 5 Mn), respectively. For FY 2021, we come up with the total revenue and NPAT of VND 3,481 bn (or USD 151 Mn, -23% YoY) and VND 924 bn (or USD 40 Mn, -20% YoY), respectively.

Table 5: Expected project handover in Q4 2021

Project	Accumulated sold units as of Q3 2021	Accumulated delivered units as of Q3 2021	Delivered units expected in Q4 2021
Lovera Vista	1,146	1,048	98
Verosa Park	293	290	3

Source: KDH, Rong Viet Securities

2022-2023: Strong profit growth ahead highlighted by two projects at Thu Duc City

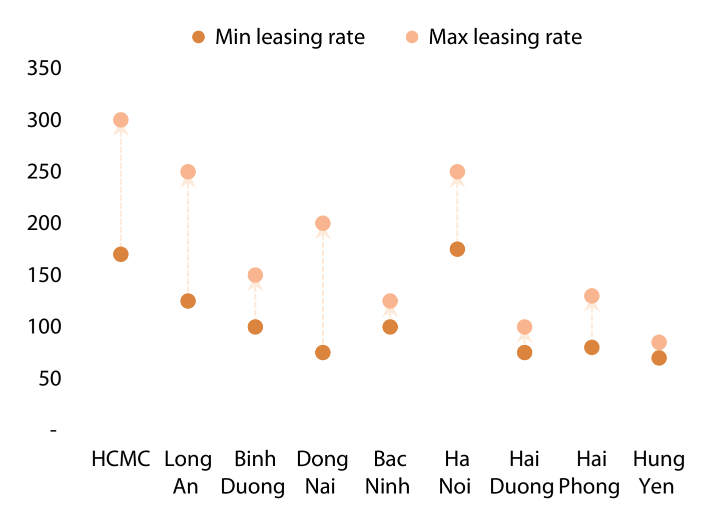
Gross profit margin to expand from 2022 due to the handover of two villa and townhouse projects - Armena and Clarita.

(1) In 2022, we expect that the handover of two villa and townhouse projects - Armena and Clarita will significantly improve KDH's profit margin to 61% compared to 42% in 2021. In 2022, the estimated revenue of Armena is going to be VND 1,633 Bn (or USD 71 Mn) (deliver 88/176 units) and Clarita (handover of 64/159 units) of VND 1,853 Bn (or USD 81 Mn) with a gross profit margin of 61% and 63%, respectively.

(2) The current traded price in Thu Duc City is quite high with around VND 150 Mn/m2 (+25% versus end of 2020 at VND 115 – 120 Mn from Colliers International data). Therefore, we expect the brighter outlook for KDH in 2022 from current price rally and come up with the estimated selling price of VND 160-170 Mn/m2 in Armena and Clarita, which is quite suitable to attract demand, especially in the current context of a supply shortage in Ho Chi Minh City (Figure 3).

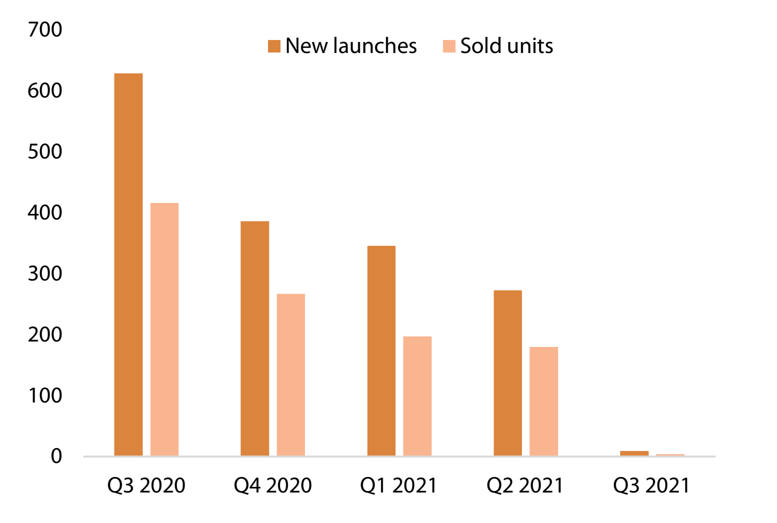
(3) For Le Minh Xuan Industrial Park (expanded), KDH obtained important permits such as the investment certificate of Ho Chi Minh City People's Committee (September 2020), 1/500. We revise our forecast as KDH would be able to open for leasing in Le Minh Xuan Industrial Park (expanded) from 2H 2022 (previously at 2023) when they finished land clearance in leasable land (~91 ha). The leasing rate is also be revised to USD 264/m^2 as we assume the growth rate of 10% for 2022 from the average level of around USD 240/m2 as of Q3 2021 (CBRE, Figure 2) given the limited landbanks for industrial parks in HCMC.

Figure 2: Leasing rate in Vietnam as of Q3 2021 (USD/m2)



Source: CBRE, Rong Viet Securities

Figure 3: New supply/sold units in low-rise/villas in HCMC as of Q3 2021

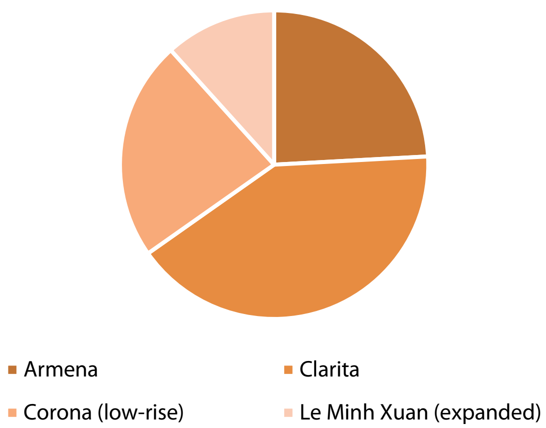


Source: DKRA, Rong Viet Securities

Robust revenue growth in 2023

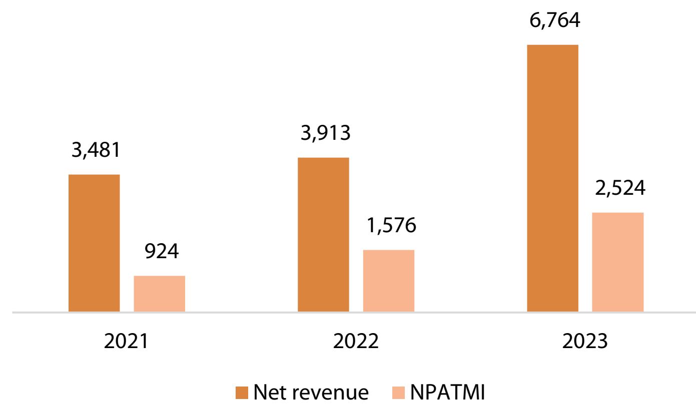
Revenue is estimated at VND 6,764 Bn (or USD 294 Mn, +73% YoY) and NPAT-MI to reach VND 2,524 Bn (or USD 110 Mn, +60% YoY). The key highlights would be from recognition of remaining units of Armena and Clarita projects (Figure 4) with estimated revenue of VND 1,633 Bn (or USD 71 Mn) and VND 2,780 Bn (or USD 121 Mn), respectively. In addition, the low-rise units of Corona City would be added up to 2023 results given its expected launch in early of 2023. We believe the project would be able to open for sale in 2023 as KDH finished the land clearance in low-rise areas per management update (Table 6).

Figure 4: Revenue breakdown by project in 2023 (VND Bn)



Source: Rong Viet Securities

Figure 5: Revenue and NPAT-MI forecast 2021 – 2023 (VND Bn)



Source: Rong Viet Securities

Table 6: Status of key projects

Project	Total area (ha)	Location	Status
11A (Corona City)	17.5	Binh Chanh	Ready to launch sales in 2023. Finished land clearance in low-rise areas.
Tan Tao	330	Binh Tan	Obtained 1/500 certificate. Company is still working on land clearance.
Le Minh Xuan IPs (expanded)	109.9	Binh Chanh	Obtained 1/500 certificate, expect to open for lease in Q3 2022.
Lovera Vista	1.8	Binh Chanh	Completed sale process and start to deliver units from May 2021. Expect to finish all the units delivery in 2021
Armena	4.3	Thu Duc City	Obtained LURs and 1/500 certificate. Nearly finished foundation construction and expect to launch sale in Q4 2021 (soft launch with few units)
Clarita	5.8	Thu Duc City	Obtained 1/500 certificate, working on foundation construction and will launch after the Armena project.
Binh Tan Apartment	1.8	Binh Tan	Working on legal procedures, ready to sell at 2022 with 1,000 units.

Source: KDH

Valuation

We revise up our RNAV for KDH stock by factoring the price surge in Ho Chi Minh given the supply shortage as mentioned earlier, especially in Thu Duc City and Binh Chanh (Table 7). We believe the accelerated of nearby infrastructure projects will drive Thu Duc City market momentum while the "turning pages" story heat up the Binh Chanh region as mentioned earlier in our Analyst Pinboard public in Nov 26th, 2021. For Binh Tan Apartment, the selling price is also 40-50% higher than our last update as we notice the high absorption rate of nearby project (Moonlight Centre Point – fully booked in the Livestream sale event in August 2021). The traded price of this project is from VND 58 – 65 Mn/m2 per our last site visit in November (Figure 6).

Table 7: Selling price assumption change

Project	Selling price (old)	Selling price (new)
Armena	VND 120 Mn/m2	VND 160 Mn/m2
Clarita	VND 120 Mn/m2	VND 170 Mn/m2
Le Minh Xuan (expanded)	USD 250/m2	USD 264/m2
Binh Tan Apartment	VND 40 – 45 Mn/m2	VND 60 Mn/m2

Source: KDH, Rong Viet Securities

Using RNAV, we use WACC of 9.5% for projects that are likely to be launched in 2021-2022 and increase WACC for Corona City project (c.11.5%) since this project does not have detailed information. Overall, we estimate KDH's fair value at **VND 56,000** per share, implying an upside of **+16%** compared to closed price as of **16th Dec 2021**. We recommend to **ACCUMULATE** the stock.

Table 8: Valuation summary

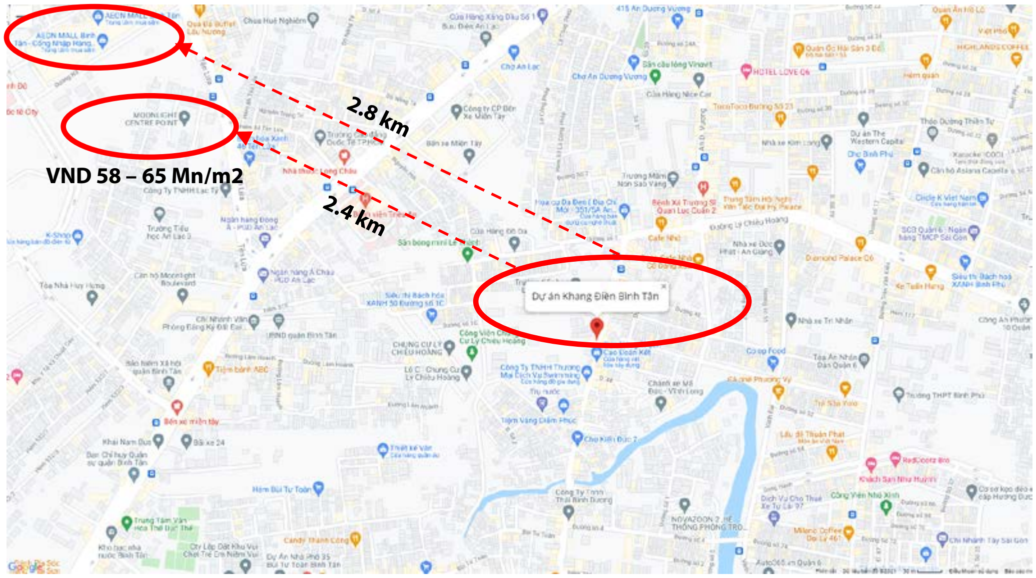
Projects	Method	NPV
Armena	DCF	1,267
Clarita	DCF	1,743
Binh Tan Apartment	DCF	1,864
Corona City (Project 11A)	DCF	4,305
Phong Phu 2	MV	3,793
Tan Tao	MV	19,355
Le Minh Xuan (expanded)	DCF	2,961
Others	Book value	698
Total		**35,985**
(+) Net cash		2,852
(-) Debts		2,804
Net asset value		**36,033**
Total outstanding shares (Mn)		642.9
1Y Target price		**56,000**

Source: Rong Viet Securities

Appendix

Binh Tan: Hung Thinh Land and Khang Dien are main players

Figure 6: Location of key projects and current traded price



Source: Rong Viet Securities, Hung Thinh Corp.

Unit: VND bn

PROFIT & LOSS STATEMENT	2019	2020	2021E	2022F
Revenue	**2,813**	**4,532**	**3,481**	**3,913**
COGS	-1,312	-2,568	-2,036	-1,510
Gross profit	**1,501**	**1,964**	**1,446**	**2,404**
Selling expenses	-115	-247	-98	-213
G&A expenses	-164	-169	-149	-187
Financial income	42	35	54	57
Financial expense	-42	-85	-72	-88
Other income/loss	-32	-39	-23	0
Gain/(loss) from joint ventures	0	0	0	0
Profit Before Tax	**1,191**	**1,458**	**1,157**	**1,973**
Tax expense	-274	-304	-231	-395
Minority interests	2	2	2	2
Profit After Tax	**915**	**1,153**	**924**	**1,576**
EBIT	1,223	1,547	1,199	2,003

FINANCIAL INDICATORS	2019	2020	2021E	2022F
Growth				%
Revenue	-3.5	61.1	-23.2	12.4
EBITDA	23.3	26.4	-22.3	66.4
EBIT	23.6	26.5	-22.5	67.1
PAT	13.1	25.9	-19.9	70.6
Total assets	28.5	5.9	7.0	17.6
Total equity	11.1	6.6	19.8	15.1
Profitability				%
Gross margin	53.4	43.3	41.5	61.4
EBITDA margin	43.8	34.4	34.8	51.5
EBIT margin	43.5	34.1	34.4	51.2
Net margin	32.5	25.4	26.5	40.3
ROA	7.8	8.5	6.4	9.7
ROE	12.6	14.6	10.3	15.1
Efficiency				
Receivables turnover	1.0	1.3	1.1	1.2
Inventories turnover	0.2	0.4	0.3	0.2
Payables turnover	1.8	2.4	2.6	5.2
Liquidity				
Current	2.8	3.1	5.2	4.5
Quick	1.1	1.3	2.1	1.6
Finance Structure				%
Total debt/equity	10.3	22.7	30.2	29.2
ST debt/equity	3.9	9.7	11.7	12.0
LT debt/equity	6.3	13.0	18.5	17.2

Unit: VND bn

BALANCE SHEET	2019	2020	2021E	2022F
Cash and cash equivalents	1,175	1,836	2,686	2,182
Short-term investments	32	0	0	0
Accounts receivable	3,694	3,529	3,074	3,456
Inventories	7,023	7,338	7,938	10,403
Other current assets	311	319	315	354
Property, plant & equipment	793	802	783	1,017
Acquired intangible assets	3	0	0	0
Long term investments	14	14	14	14
Other long-term assets	112	96	96	96
TOTAL ASSETS	**13,157**	**13,934**	**14,907**	**17,523**
Short-term payables	4,076	3,374	1,571	2,281
Short-term borrowings	299	787	1,141	1,341
Long-term borrowings	483	1,058	1,804	1,932
Long-term payables	599	510	510	510
Bonus and Welfare fund	35	47	112	222
Technology-science development fund	0	0	0	0
TOTAL LIABILITIES	**5,492**	**5,776**	**5,138**	**6,286**
Common stock and APIC	6,164	6,531	7,607	7,607
Treasury stock (enter as -)	0	-419	0	0
Retained earnings	1,327	1,836	1,904	3,291
Other comprehensive income	0	0	0	0
Investment and Development Fund	134	179	226	304
TOTAL EQUITY	**7,625**	**8,127**	**9,737**	**11,203**
Minority Interest	**39**	**31**	**32**	**34**

VALUATION RATIO	2019	2020	2021E	2022F
EPS (VND/share)	1,690	2,060	1,448	2,214
P/E (x)	13.6	12.9	29.9	19.6
BV (VND/share)	14,078	14,599	15,144	17,424
P/B (x)	1.6	1.8	3.7	3.2
DPS (VND/share)	207	262	0	0
Dividend yield (%)	2.20	1.9	0	0

VALUATION METHOD	*Price*	*Weight*	*Average*
RNAV	56,000	100%	56,000
1Y Target price			**56,000**

VALUATION HISTORY	*Target price*	*Recommendation*	*Period*
25/06/2021	43,400	BUY	LONG-TERM
18/08/2021	45,200	ACCUMULATE	LONG-TERM
08/10/2021	43,400	NEUTRAL	MID TERM

BUSINESS RESULTS UPDATE REPORT

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective that is to determine the reasonable value of the stock at the time such analyses are performed. Through this report, we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information, investors may contact the assigned analyst or our client support department.

RATING GUIDANCE

Ratings	BUY	ACCUMULATE	REDUCE	SELL
Total Return including Dividends in 12-month horizon	>20%	5% to 20%	-20% to -5%	<-20%

ABOUT US

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