NAM LONG GROUP (HSX: NLG)

The Akari project leads profit for 2021

VND Bn	Q2-FY21	Q1-FY21	*+/-qoq*	Q2-FY20	*+/-yoy*
Net revenue	400.8	235.7	70.0%	241.9	65.7%
PAT	48.1	366	-86.8%	67.9	-29.1%
EBIT	-3.4	-97.5	96.5%	40.4	-108.5%
EBIT margin	-0.9%	-41.1%	4,200 bps	17%	-1,824 bps

Source: NLG, Rong Viet Securities

Profit from revaluation of investment in Dong Nai Waterfront (Izumi) project leads business performance in 1H 2021

- In 1H 2021, NLG recorded revenue and NPAT of VND 637 bn (-3% YoY) and VND 412 bn (+131% YoY), mainly thanks to a profit of VND 427 bn from revaluation of the Dong Nai Waterfront project after buying an additional 30% stake and raising the ownership rate to 65%.
- Meanwhile, sales activity was a highlight as NLG recorded a sales value of VND 4,491 bn (+341% YoY) from 1,070 products (+209% YoY), mainly from the positive results of the project Mizuki Park - Phase 2 when NLG sold 646 products with a total value of VND 2,003 bn.

Project handover and equity sale will be carried out in Q4 2021.

- In 2H 2021, we estimate NLG's revenue to reach VND 3,860 bn (+148% YoY) and NPAT after VND 671 bn (+2.3% YoY) thanks to the handover of about 1200 apartments at the Akari project with estimated revenue of VND 2,884 bn. Previously, NLG sold out nearly 1,800 units at the Akari project and will hand them over to customers from October 2021 on. In addition, the 50% divestment in Paragon Dai Phuoc is expected to contribute to the financial profit after tax by about VND 300 bn.
- In addition, we estimate the company's sales value to reach VND 4,942 bn from 1,387 products. Specifically, the company can sell 3 products at Akari (HCMC), 275 products at Izumi (Waterfront, Dong Nai), 724 products at Southgate (Long An), 271 products at Can Tho project, and 114 products at Mizuki Park in 2H 2021.
- We forecast that NLG will achieve revenue of VND 4,496 bn (+103% YoY) and NPAT of VND 1,085 bn (+30% YoY) in 2021. EPS respectively reached VND 2,720.

Valuation and recommendation

We believe that the gradual improvement in sales performance from Q4 2021-2022 will help NLG maintain 27% NPAT growth in 2021-2023. Specifically, we estimate 2022 revenue to reach VND 5,506 bn (+22% YoY) and NPAT of VND 1,056 bn (-2.7%), mainly contributed by Izumi and Can Tho projects. The recognition of low-rise and land plot products in these two projects will help NLG improve its gross profit margin to 40%. In 2023, the recognition at the Izumi, Can Tho, Hai Phong projects and the profits from the joint venture companies of the Southgate and Mizuki projects helped the company reach revenue of VND 7,932 bn (+44% YoY) and NPAT of VND 1,750 bn (+66% YoY).

*Using the RNAV method, we set a target price for NLG of VND **46,500/share**. We recommend **ACCUMULATE** with a total return of **8%** (including a 3.4% dividend yield) at the closing price on October 13th, 2021.*

ACCUMULATE +8%

Target price (VND)	46,500
Current market price (VND)	44,500
Cash dividend (VND)*	1,500

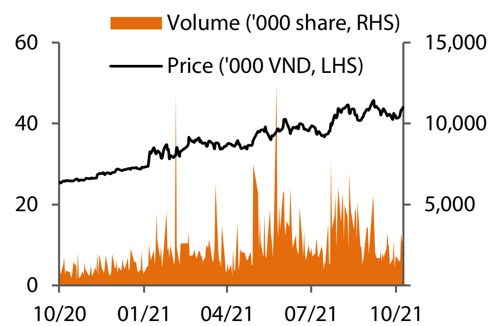
** Expected in the next 12 months*

Stock info

Sector	Real estate
Market Cap (VND Bn)	15,192
Current Share O/S	345,270,660
Avg. Daily Volume (in 20 sessions)	2,042,707
Free Float (%)	65
52 weeks High	45,700
52 weeks Low	25,800
Beta	0.97

	FY2020	Current
EPS	3,078	3,772
EPS Growth (%)	-13.6	-1.3
Diluted EPS	3,078	3,858
P/E	15.6	11.7
P/B	2.2	1.8
EV/EBITDA	53.0	489.1
Cash dividend yield (%)	2.1	3.4
ROE (%)	12.9	13.2

One-year price performance



Major Shareholders (%)

Nguyen Xuan Quang	12.55
Ibeworth Pte. Ltđ	9.95
Pyn Elite Fund	7.2
Thai Binh Investment JSC	6.22
Foreign ownership room (%)	*5.2*

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Table 1: 2Q FY2021 Results

VND Bn	Q2-FY21	Q1-FY21	+/-(qoq)	Q2-FY20	+/-(yoy)
Net revenue	400.8	235.7	70.0%	241.9	65.7%
Gross profit	116.3	40.1	189.9%	138.3	-15.9%
SG&A	-119.7	-137.6	-13.0%	-97.9	22.3%
Operating income	47.3	-78.9	160.0%	86.1	-45.0%
EBITDA	5.0	-90.9	105.5%	46.3	-89.2%
EBIT	-3.4	-97.5	96.5%	40.4	-108.5%
Financial expenses	-21.0	-21.1	-0.3%	-6.2	238.6%
- Interest Expenses	*-20.1*	*-20.6*	*-2.5%*	*-6.1*	*231.1%*
Dep. and amortization	8.4	6.6	27.2%	5.9	42.8%
Non-recurring items (*)					
Extraordinary items (*)					
PBT	47.9	348	-86.2%	80.3	-40.4%
PAT	48.1	366	-86.8%	67.9	-29.1%
Adjusted PAT (*)	48.1	366	-86.8%	67.9	-29.1%

Source: NLG, Rong Viet Securities

Table 2: 2Q FY2021 Performance Analysis

Particulars	Q2-FY21	Q1-FY21	+/-(qoq)	Q2-FY20	+/-(yoy)
Profitability Ratios (%)					
Gross Margin	29	17	1,200 bps	57	-2,800 bps
EBITDA Margin	1.2	-38.1	3,930 bps	19	-1,780 bps
EBIT Margin	-0.9	-41.1	4,200 bps	17	-1,824 bps
Net Margin	12	155	-14,300 bps	28	-1,600 bps
Adjusted Net Margin	12	155	-14,300 bps	28	-1,600 bps
Turnover * (x)					
-Inventories	0.03	0.03	0.00	0.02	0.01
-Receivables	0.21	0.12	0.09	0.15	0.06
-Payables	0.25	3.21	-2.96	0.39	-0.14
Leverage (%)					
Total Debt/ Equity	108.3	101.6	670 bps	90.9	1,740 bps

Source: Rong Viet Securities

Table 3: 2H FY2021 Performance Forecast

Particulars (VND Bn)	2H-FY21	+/-hoh	+/-yoy
Revenue	3,860	506%	148%
Gross profit	1,235	689%	229%
EBIT	838	N.M (*)	316%
NPAT	671	63%	2.3%

Source: Rong Viet Securities, (*) NLG recorded negative EBIT in 1H 2021.

- We reflect the handover of all 103 apartments in Flora Novia with a turnover of VND 158 bn and 1,200 units in Akari with a value of VND 2,884 bn. Apartments in these projects will be handed over in Q4 2021.

- The accounting for the Dai Phuoc project from the capital transfer will also be moved to Q4 2021, helping to record an after-tax profit of VND 300 bn.

- 2H 2021 NPAT only increased slightly compared to the same period last year when NLG recorded a sudden profit of VND 636 bn from the transfer of shares at Dong Nai Waterfront project (Izumi) in 2H 2020.

Update

The revaluation of the Dong Nai Waterfront project is the main contributor to profit in 1H 2021

In 1H 2021, NLG recorded revenue of VND 637 bn (-3% YoY) and the NPAT of the parent company reached VND 412 bn (131% YoY) (Table 4). Revenue slightly decreased as there was a shortage of delivered products (Table 5). Meanwhile, the item "other income" surged strongly (+8.460% YoY) thanks to the revaluation of the Dong Nai Waterfront project after acquiring an additional 30% stake (Figure 1). As a result, the parent company's NPAT has grown enormously by 131% over the same period.

Table 4: Results in 1H FY2021

Unit: VND Bn	1H2021	1H2020	YoY
Net revenue	**637**	**658**	**-3%**
• Product handover	69	175	-61%
• Construction and general services	478	426	12%
• Project transfer	80	50	60%
• Others	10	6	67%
Gross profit	**156**	**295**	**-47%**
Gross profit margin	***24%***	***45%***	
Financial income	17	62	-73%
Profit from JV & Associates (*)	95	43	121%
Other income	428	5	8,460%
PAT	414	185	124%
NPAT - MI	**412**	**179**	**131%**

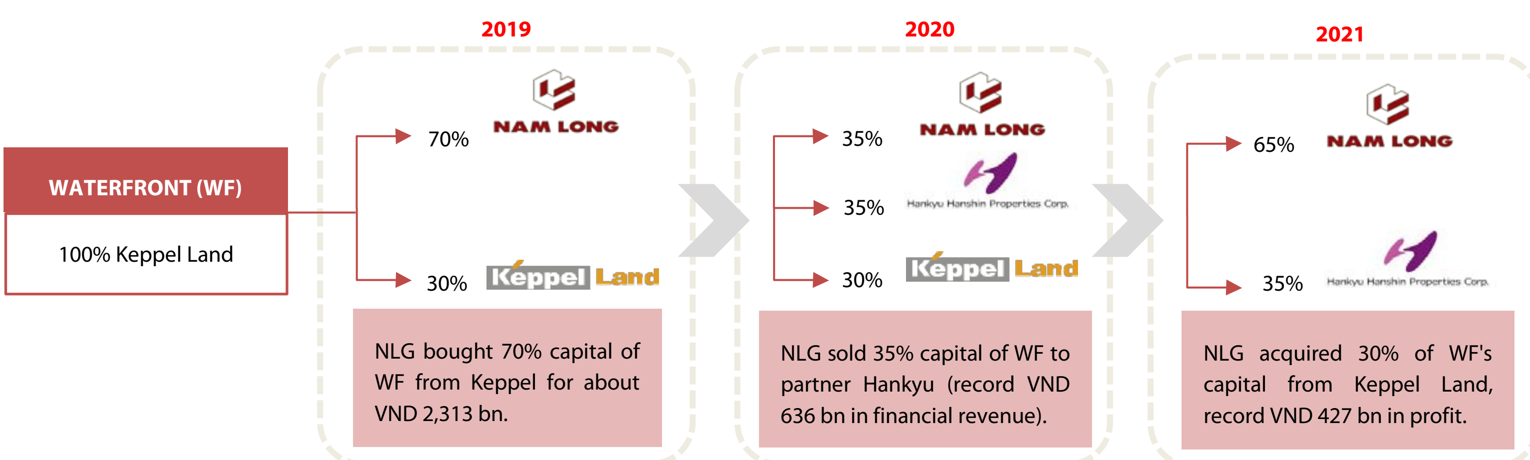
Source: NLG

Table 5: NLG's key handover reflected on revenue in 1H2021 and 1H2020

Projects	1H2021		1H2020	
	Unit	Value (VND Bn)	Unit	Value (VND Bn)
Flora Novia	8	14	37	63
Mizuki Park - Villa	13	34	17	43
Mizuki Park - EhomeS	3	5	-	-
Land lot	5	13	1	43
Others	-	-	11	26
Total	**29**	**66**	**66**	**175**

Source: NLG

Figure 1: Structure of capital sale transaction at Dong Nai Waterfront (new name is Izumi City)



Source: NLG, Rong Viet Securities

Positive sales results at Mizuki Park project contributed to the overall sales results

NLG recorded a pre-sale value of VND 4,491 Bn (+341% YoY) with 1,070 units (+209% YoY) in 6M 2021 (Table 6). This positive result was mainly attributed by the successful launch of Mizuki Park - Phase 2 as NLG sold out 646 units out of a total of 760 units from April 2021.

Table 6: Pre-sale value and units by projects in 1H 2021 versus 1H 2020

Projects	1H 2021		1H 2020	
	Unit	Value (VND Bn)	Unit	Value (VND Bn)
Southgate	334	2,021	186	631
Akari	90	467	134	340
Mizuki	646	2,003	-	-
Others	-	-	26	48
Total	**1,070**	**4,491**	**346**	**1,019**

Source: NLG

The handover of products at the Akari project and the divestment of a 50% stake in the Dai Phuoc project are the main highlights in Q4 helping NLG achieve a 30% growth in NPAT for 2021.

In 2H 2021, we estimate that NLG will hand over about 1,200 apartments at the Akari project with estimated revenue of VND 2,884 bn. The epidemic affected the handover progress in Q3 so that NLG will hand over flats in Q4. Previously, NLG has sold out nearly 1,800 units at the Akari project and is expected to hand over to customers from October 2021 on. In addition, the 50% divestment in the Paragon Dai Phuoc project is expected to contribute to financial profit after tax of about VND 300 bn. Currently, NLG is negotiating a contract with a partner and expects to complete this deal in Q4 2021. For 2H2021, total revenue and NPAT are forecasted to reach VND 3,860 bn and VND 671 bn, respectively. We believe that the majority of revenue and profit will be recorded in Q4 2021.

We estimate the sales value in 2H 2021 to reach VND 4,942 bn with 1,387 units sold (Table 7), lower than the initial plan of 3,459 units with a value of VND 13,519 bn when sales activities were strongly affected in Q3 2021 due to social distancing been extended. Although the Covid-19 epidemic lasted for the whole of Q3/2021, we found that businesses were also quite flexible when they switched to selling via online channels. The result is quite positive as the booking volume exceeded 200 compared to 178 products for sale in Block B2 (Southgate project).

For the full year 2021, we estimate that NLG's revenue will be VND 4,496 bn (+103% YoY) and NPAT-MI will be VND 1,085 bn (+30% YoY). In which business results are driven by:

(1) The handover of 1,200 products of the Akari project in Q4 2021.

(2) The amount of financial profit after tax of VND 300 bn will be realized in Q4 2021.

(3) The revaluation of the Dong Nai Waterfront project (trade name Izumi) recording income of VND 427 bn in 1H 2021.

Table 7: Number of units sold and value in 2021

Projects	1H 2021		2H 2021		Whole year	
	Unit	Value (VND Bn)	Unit	Value (VND Bn)	Unit	Value (VND Bn)
Southgate	334	2,021	724	1,158	1,058	3,179
Akari	90	467	3	16	93	483
Mizuki	646	2,003	114	1,569	760	3,572
Izumi	-	-	275	1,733	275	1,733
Can Tho	-	-	271	466	271	466
Total	**1,070**	**4,491**	**1,387**	**4,942**	**2,457**	**9,433**

Source: Rong Viet Securities

60 million shares were successfully privately issued and netted VND 1,996.5 bn in Q3 2021.

The money in this private placement will be the vital source of income to help NLG receive the transfer of the Hai Phong PG project (expected to be about 2-5 ha and build about 1,000 Ehome apartments), finance a part of the capital for the Akari project - Lot F and pay the transfer of the Waterfront project. The members of the Board of Directors and related persons bought more than 50% of the value of the offering. Domestic and foreign investment funds well absorbed the remaining 50% of the shares in the private placement. In our opinion, the successful placement and the leadership's participation are a clear testament to the company's commitment and bright prospects for NLG in the medium term as it continues to accelerate its land bank expansion.

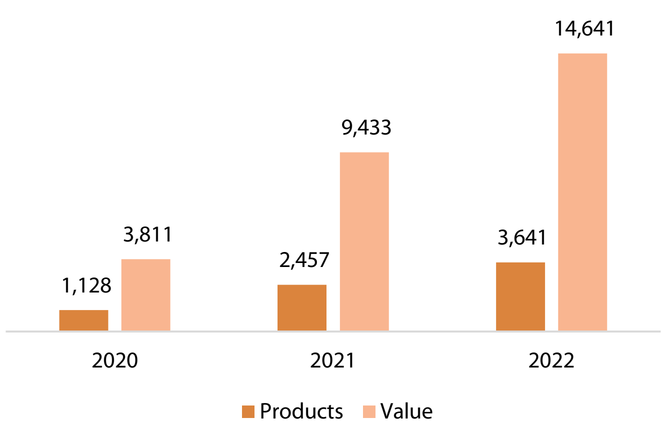
Outlook for 2022-2023: Improving gross profit margin when starting to record profits from Izumi and Can Tho projects.

We expect NLG to record revenue and NPAT-MI in 2022 at VND 5,506 bn (+22% YoY) and VND 1,056 bn (-2.7% YoY), Figure 2. The handover is about 275 low-rise products at the Izumi project, and 271 products in Can Tho (land plots and townhouses). These will be the main drivers with revenue contributing VND 1,733 bn and VND 466 bn, respectively. In addition, the handover of the rest of Akari also supports the above result with about 662 units handed over and recorded a revenue of VND 1,591 bn. The products handed over are mainly low-rise houses/villas and land plots, so we estimate NLG's gross profit margin will improve to 40% from 33% in 2021.

Previously, NLG expected to start selling the Izumi project in Q2 2021 and hand it over in Q3 2022. However, with the complicated development of the epidemic, they postponed the opening time to October 2021, and the handover to around Q4 2022. Currently, the project is in the stage of infrastructure construction. In our opinion, the ability to recognize revenue for Izumi is quite feasible when low-rise projects can be handed over within one year from the time of construction.

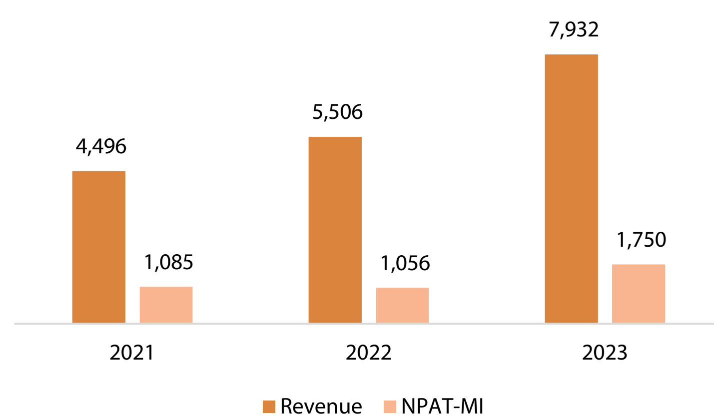
We estimate that the parent company's revenue and NPAT in 2023 will reach VND 7,932 bn (+44% YoY) and VND 1,750 bn (+66% YoY), respectively, mainly due to recognition from projects Izumi, Can Tho, Hai Phong, and profits from joint ventures and associates of Southgate and Mizuki projects (Figure 3). We expect the Izumi project to make the main contribution when the project continues to open for sale in 2022 (571 products with a value of VND 4,072 bn) and record revenue in 2023. Since then, NLG can record 27% growth in NPAT in 2021-2023.

Figure 2: Sale units and value (VND billion) 2020 – 2022F



Source: Rong Viet Securities

Figure 3: Net revenue and NPAT-MI 2021 - 2023 (VND billion)



Source: Rong Viet Securities

Valuation

We use RNAV valuation to determine the fair value of NLG. The projects with specific development plans are run under the DCF model, and the remaining projects do not have enough information, we use the book value method. Using the RNAV method, we assume a WACC of 9.5% for projects with a high probability of opening for sale in 2021-2022. From that, we calculate the fair value of NLG at **46,500 VND/share**. Together with an expected cash dividend of 15%/par value in the next 12 months, the total expected return on NLG stock is **8%** compared to the closing price on October 13th, 2021. Therefore, we recommend **ACCUMULATE** on NLG stock.

Projects	Method	NPV
Mizuki	DCF	1,402
Akari	DCF	2,229
Southgate	DCF	867
Can Tho	DCF	1,067
VSIP Hai Phong	DCF	479
Paragon Dai Phuoc	BV	1,709
Izumi	DCF	9,295
Waterpoint Phase 2	BV	1,174
Others	BV	530
Total		**18,753**
(+) Net cash		3,218
(+) Short-term investment		62
(-) Debts		2,795
(-) Minority interest		3,186
Net asset value		**16,051**
Total outstanding shares (Mn)		345
1Y Target price		**46,500**

Unit: VND bn

PROFIT & LOSS STATEMENT	2019	2020	2021E	2022F
Revenue	2,546	2,217	4,496	5,506
COGS	-1,480	-1,546	-3,104	-3,324
Gross profit	**1,066**	**671**	**1,393**	**2,182**
Selling expenses	-119	-68	-225	-200
G&A expenses	-306	-367	-429	-429
Financial income	97	727	424	65
Financial expense	-21	-103	-85	-100
Other income/loss	383	13	428	0
Gain/(loss) from joint ventures	126	142	139	170
Profit Before Tax	**1,226**	**1,015**	**1,645**	**1,688**
Tax expense	-219	-165	-281	-288
Minority interests	47	15	279	344
Profit After Tax	**961**	**835**	**1,085**	**1,056**
EBIT	642	236	192	739

FINANCIAL INDICATORS	2019	2020	2021E	2022F
Growth				%
Revenue	-26.8	-12.9	102.8	22.4
Operating income	-35.4	-60.9	197.4	105.7
EBIT	-58.7	-63.2	-18.6	284.5
PAT	25.8	-13.1	30.0	-2.7
Total assets	13.9	25.1	62.8	14.9
Total equity	9.9	10.9	62.1	3.3
Profitability				%
Gross margin	41.9	30.3	31.0	39.6
EBITDA margin	26.0	11.7	17.1	28.8
EBIT margin	25.2	10.7	4.3	13.4
Net margin	37.7	37.7	24.1	19.2
ROA	8.8	6.1	4.9	4.1
ROE	19.0	15.7	14.8	11.4
Efficiency				x
Receivables turnover	1.6	1.0	1.8	1.8
Inventories turnover	0.3	0.3	0.2	0.2
Payables turnover	0.9	1.2	1.0	1.0
Liquidity				x
Current	2.7	2.2	3.4	2.9
Quick	1.2	0.8	0.7	0.6
Finance Structure				%
Total debt/equity	17.2	43.8	31.6	36.3
ST debt/equity	1.3	16.6	11.8	13.0
LT debt/equity	15.9	27.2	19.7	23.2

Unit: VND bn

BALANCE SHEET	2019	2020	2021E	2022F
Cash and cash equivalents	1,901	1,073	1,326	1,676
Short-term investments	67	36	36	36
Accounts receivable	1,548	2,228	2,477	3,034
Inventories	4,298	6,069	15,509	17,949
Other current assets	109	164	164	164
Property, plant & equipment	438	356	325	298
Acquired intangible assets	26	25	21	17
Long term investments	1,809	3,262	1,925	1,925
Other long-term assets	709	430	430	430
TOTAL ASSETS	**10,904**	**13,643**	**22,214**	**25,529**
Short-term payables	1,580	1,325	2,986	3,198
Short-term borrowings	1,322	2,098	2,777	4,687
Long-term borrowings	63	932	1,077	1,224
Long-term payables	806	1,525	1,792	2,183
Bonus and Welfare fund	874	958	958	958
Technology-science development fund	60	84	127	138
TOTAL LIABILITIES	**4,704**	**6,922**	**9,717**	**12,387**
Common stock and APIC	3,586	3,842	6,216	6,216
Treasury stock (enter as -)	-383	-383	0	0
Retained earnings	1,839	2,132	2,858	3,159
Other comprehensive income	2	2	2	2
Investment and Development Fund	11	11	11	11
TOTAL EQUITY	**5,055**	**5,604**	**9,086**	**9,388**
Minority Interest	**1,145**	**1,117**	**3,411**	**3,754**

VALUATION RATIO	2019	2020	2021E	2022F
EPS (VND/share)	3,562	3,078	3,278	2,730
P/E (x)	12.53	15.6	13.4	16.9
BV (VND/share)	24,829	24,414	30,625	32,494
P/B (x)	2.26	2.2	1.44	1.35
DPS (VND/share)	770	932	1,500	1,500
Dividend yield (%)	2.80	3.16	3.4	3.28

VALUATION METHOD	*Price*	*Weight*	*Average*
RNAV	46,500	100%	46,500
1Y Target price			**46,500**

VALUATION HISTORY	*Target price*	*Recommendation*	*Period*
27/11/2020	33,300	ACCUMULATE	Long-term
22/07/2021	45,300	ACCUMULATE	Long-term
18/08/2021	49,900	BUY	Long-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

RongViet Securities Corporation (RongViet) was established in 2007, licensed to perform the complete range of securities services including brokerage, financial investment, underwriting, financial and investment advisory and securities depository. RongViet now has an operating network that spreads across the country. Our major shareholders, also our strategic partners, are reputable institutions, i.e Eximbank, Viet Dragon Fund Management, etc... Along with a team of the professional and dynamic staffs, RongViet has the manpower as well as the financial capacity to bring our clients the most suitable and efficient products and services. Especially, RongViet was one of the very first securities firms to pay the adequate attention to the development of a team of analysts and the provision of useful research report to investors.

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