

## TU LIEM URBAN DEVELOPMENT JSC (NTL-HNX)

Stalled collection, subdued sales

**Parent Company's Q3 revenue posted weak but profits replenished.** As in previous quarters, Q3 saw revenue come solely from the recognition of sold houses at the Urban Project North Highway 32 – Tram Troi. Because of slowed collection, Q3 sales dropped considerably from both the previous quarter and a year earlier. On the other hand, NPAT trailed that of Q2 but jumped on a year-on-year basis. In 2Q2012, the Company put VND15.1 billion on top of its provision for long-term financial investments, which resulted to negative profits. Last quarter, the provided amount was limited at VND3.5 billion, thus put much less stress on NPAT. For the 9-month period NTL completed just 41.9% its annual revenue goal and 52.6% the NPAT target.

**New projects not in sight.** Although NTL has more than just a few projects in its portfolio, the current market conditions are less than ideal new offerings. Dich Vong New Urban Project, another key project of Lideco, whose first two apartment blocks finished selling in 2011, still sees the new towers lying around the plans. Meanwhile, the Company is boosting construction of the second tower of the X2 low-income apartment (My Dinh). Despite promising sales prospect, this project offers only 60-70 apartment, ranging from 50-70m<sup>2</sup>, and its selling price must be approved by the city's authority, which put a lid on both revenue and profit expectations. Other projects, i.e. Vien Son, Son Tay Project and 202 Ho Tung Mau Project, are still in preparations.

**Tram Troi – stalled collection; subdued sales.** Tram Troi is currently NTL's largest project and also the only one still sellable. The high-end project opened in 2009 and had sold 600 terraced houses and villas by the end of 2012. Yet up to 400 final installments are still pending and the same number of houses remains unclaimed. As collection stalled, revenue recognition has become a real challenge. The remaining area available for sale is estimated around 5 hectares and instead of public offerings, the Company now sells only finished houses for interested individuals. Whereas secondary-market selling has now plummeted to VND20-25 million/m<sup>2</sup> from the peak of VND60-70 million/m<sup>2</sup> between 2009 and 2010, NTL maintains its offer at ~VND30 million/m<sup>2</sup>. Conservative pricing and short payment period have suppressed sales since 2012. At the end of Q3, inventories at this project were valued at VND791 billion, about VND114 billion less than the amount outstanding at the beginning of the year and still accounting for nearly 80% of total inventories. Given its standing in NTL's project portfolio, subdued sales at Tram Troi may hurt Lideco's growth in FY2014.

Particulars (VND bn)	3QFY13	2QFY13	% Chg. (qoq)	3QFY12	% Chg. (oy)
Net revenue	73.3	154.0	-52%	136.1	-46%
NPAT	12.0	19.3	-38%	-1.9	n/a
EBIT	18.2	29.2	-38%	2.2	712%
EBIT margin	24.8%	19.0%	584bps	1.6%	2318bps

Source: NTL Financial statement, RongViet Securities' compilation and estimates

## MONITOR

Market price **14,600**

Investment period

### Stock Info

Sector	Real-estate and Construction
Market Cap ( VND bn)	890.5
Current shares O/S	60,989,950
Beta	1.2
Free float (%)	82.7
52 weeks High	18,900
52 weeks Low	10,900
Avg. Daily Volume (in 20 sessions)	1,333,311



### Performance (%)

	3M	1Y	3Y
NTP	24.7	-1.3	-41.8
Construction	8.6	n/a	n/a
HN30 Index	-0.3	28.7	14.4
HNX Index	0.5	21.5	n/a

### Major shareholders (%)

Vu Gia Cuong	6.06
Nguyen Van Kha	5.95
KITMC Worldwide Vietnam RSP	5.31
Balanced Fund	
Foreign investor room (%)	70.6

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**Large but shrinking cash pile.** Stalled collection and hiking expense at Tram Troi has resulted in negative cash flows from operations for NTL for quite some time. At Q3 quarter-end, cash and cash equivalents were reported at VND161 billion, considerably lower than the amount posted at the beginning of the year but still much desirable for most real estate companies. With substantial cash in hand and good cost control, there is no urge for NTL to cut its selling price, which may have plunged the company's sales team to the slumber mode as far back as we can witness.

**Not-so-bright Q4 and FY2014 outlook.** Collection at Tram Troi Project in the last two months has decelerated considerably. Contribution of the construction segment may not be significant as well. Therefore, we do not hold high expectations for Q4 and 2013 whole-year profits. Q4 revenue is estimated at VND125 and NPAT at VND16 billion. For FY2013, revenue may end at VND435 billion, down 37.3% yoy; net profits may also drop by a third to VND50 billion or VND790 per share. At market price on 13/11/2013 of VND14,600/share, NTL is trading at a forward P/E multiple of 18.5x.

#### Outlook:

The troubled real estate market affected both of NTL main businesses: housing development and construction. The North Highway 32 Urban Project – Tram Troi, once the Company's cash cows, now sees sales hindered by slowed collection. Yet, until new projects like X2, X3 and Dich Vong light new hopes, the house developer still has its growth prospect tied to Tram Troi. The main advantage of NTL for the time being is healthy financials. A more-than-adequate cash pile frees the Company from the financial stress faced by most real-estate companies in the market. Now the main concern for NTL investors is whether the Company will be able to boost its sales and present new offerings in the coming period. At market price on 13/11/2013 of 14,600/share, NTL is trading at a forward P/E multiple of 18.5x, not a particularly attractive valuation but reasonable for the current real estate market.

#### Exhibit 01: Key financials

Y/E Dec (VND bn)	FY2011	FY2012	FY2013E	FY2014F
Net sales	573.5	695.2	435.7	513.4
% chg	-58.7%	21.2%	-37.3%	17.8%
Net profit	95.9	73.6	50.1	60.8
% chg	-80.0%	-23.2%	-32.0%	21.5%
Net margin (%)	16.7%	10.6%	11.5%	11.8%
ROA (%)	4.6%	3.9%	3.2%	6.5%
ROE (%)	573.5	695.2	435.7	513.4
EPS (VND)	1,537	1,162	790	960
Book value (VND)	13,130	14,558	14,308	6,754
Dividend (VND)	2,500	1,500	1,000	n/a
P/E (x)*	9.5	12.6	18.5	15.2
P/BV (x)*	1.1	1.0	1.0	2.2

Source: Source: NTL Financial statement, RongViet Securities' compilation and estimates, \*As of 13/11/2013

### BRIEF UPDATE

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 which 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 Return Potential	BUY	ACCUMULATE	NEUTRAL	REDUCE	SELL
Intermediate- term (up to 6 months)	>20%	10% to 20%	-5% to 10%	-15% to -5%	<-15%
Long-term (over 6 months)	>30%	15% to 30%	-10% to 15%	-15% to -10%	<-15%

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The **Analysis and Investment Advisory Department** of RongViet Securities provides research reports on the macro-economy, securities market and investment strategy along with industry and company reports and daily and weekly market reviews

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