REAL ESTATE

ACCUMULATION TO BREAK OUT

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REAL ESTATE – ACCUMULATION TO BREAK OUT

Investment Rating

Negative **Neutral** **Positive**

Support factors for the real estate market (decreasing interest rates, promotional programs from developers and infrastructure development) have started to show effectiveness from the last quarter of 2023 for projects launch sales event, especially in tier-I cities (Hanoi, Ho Chi Minh City) with high absorption rates. We think that these markets will continue to attract the attention of real estate investors in the coming time. Therefore, we like companies with land banks concentrated in tier-I cities, and have plans for sales/legal implementation in 2024. Looking longer-term, we think that the three amended laws those approved at the beginning of this year have provided a relatively complete legal framework, aiming to help the residential real estate sector to develop in a more sustainable manner, reducing speculation and encouraging the development of social housing projects to meet the needs of residents. Accordingly, we believe that developers with financial resources and projects with valid investment policies will soon promote the legal implementation and project development process. KDH remains our favorite stock, with a potential land bank in HCMC. In addition, TCH is also a notable stock with a relatively attractive valuation compared to the potential of exploiting its land fund.

Bright spots in the picture of business results and financial situation of listed companies

- Real estate companies recorded more positive business results in 2H23, with revenue (representing the ability to hand over projects) continues to record positive results from projects (launched in the period 2021-2022). In terms of customer's payment in advance, In 4Q23, some companies recorded a significant increase in customer cash flow for existing/newly launched projects.
- Developers continued to maintain the trend of reducing loan balances, showing difficulties in mobilizing capital through debt market and prioritizing the payment of due debts. We expect that with the legal issues of projects are gradually resolved in 2024, banks will be more confident in real estate projects in 2024.

Tier-1 market - demand recovers, supply improves

- In general, the market supply and absorption in 2024 are expected to improve compared to 2023, when: i/ developers and investors are more confident about the market recovery, ii/ interest rates remain low, and iii/ infrastructure projects are in the construction and completion phase. The condominium product segment is expected to continue showing recovery in sales in 2024, albeit with differentiation between segments: i/ For the mid-end segment, most projects are from reputable developers and located in suburban; ii/For the high-end segment, most projects are from foreign developers and located in Central Business District (CBD).
- For low-rise/urban projects, the ring road/highway connecting to the CBD is a factor that investors are interested in because: 1/ Land reserves for projects within the city have decreased significantly, 2/ Middle-income people tend to live in suburban areas, with ample living space and amenities, while still being able to work in the city center thanks to the ring road system.
- For tier-II market, we believe that the primary market and sales prospects in secondary cities will also recover more slowly compared to primary cities.

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Long-term prospects - demand for mid-end and social housing segments

- From the period 2021-2022, the mid-end segment (selling price below USD2,000 per sqm, corresponding to an average price of less than VND 2bn/apartment) has nearly no longer exist in HCMC. With the up-trend of primary and secondary prices will maintain in the long term (due to the demand for residence in tier-I cities), it is difficult for developers to decrease selling prices compared to market prices. Therefore, social housing projects will be necessary to meet the stable residence needs of labor in major cities, but support from policymakers is needed to have appropriate regulations for developers as well as home buyers.
- We expect that from 2025, when the revised Real Estate Business Law and Housing Law take effect, along with the decree on social housing development and management being issued, the bottlenecks related to social housing project will be resolved. Accordingly, we expect that tier-II cities, where large industrial clusters are concentrated, will show significant improvement in this segment.

The market started to pay a higher price for the recovery potential, but there are still opportunities for investment

- The lack of units launched for sale in the 2022-2023 period will make it difficult for companies to record strong growth, in terms of profits, in 2024. Thereby, real estate stocks are currently trading at P/B level of 1.5-2.0 is relatively reasonable in terms of their existing assets. However, we believe that a number of medium-sized real estate businesses with significant land banks in tier-II cities are trading at P/B of 0.9 - 1.2x, lower than the industry average (1. 5x), are also potential companiess that can be considered for the long term.
- For 2024, we prefer companies with projects concentrated in early recovery markets (tier-I markets), when sales execution ability helps them collect cash flow sooner, with the standing out in the market is KDH (BUY, TP: 40,300 VND).

Risks to our call

- Our assumptions are built with the expectation that the market's absorption rate will be more positive in the second half of 2024. If actual absorption rate is less positive than in 2023, there will be a downside risk, and vice versa
- In the base scenario, we believe that projects with legal problems, especially in tier-II provinces, will only really be resolved from 2025. However, there are cases where important projects are resolved earlier, which will be a factor in promoting the price movement of stocks those have projects in the above areas

POSITIVE SIGNAL FROM BUSINESS RESULT

Real estate companies recorded recovery (revenue and profit) in 2H23

- After the difficult period in late 2022 and 1H23, real estate companies recorded more positive business results in 2H23. In particular, revenue (representing the ability to hand over projects) continues to record positive results from projects (launched in the period 2021-2022), including: NLG with low-rise units at Izumi project (Dong Nai), DXG with Opal Skyline project (Binh Duong),...
- In terms of profit, some companies (NVL, PDR), not only recorded contribution from revenue, but also recognized financial income from selling shares of subsidiaries, thereby boosting the 4Q23 profit of the entire real estate sector significantly. We believe that financial income from project transfers will also make a significant contribution to real estate companies in the near future, amidst a shortage of handed-over units.

Figure 1: Revenue of RE companies for the period 2021-2023 (bn VND) (*)

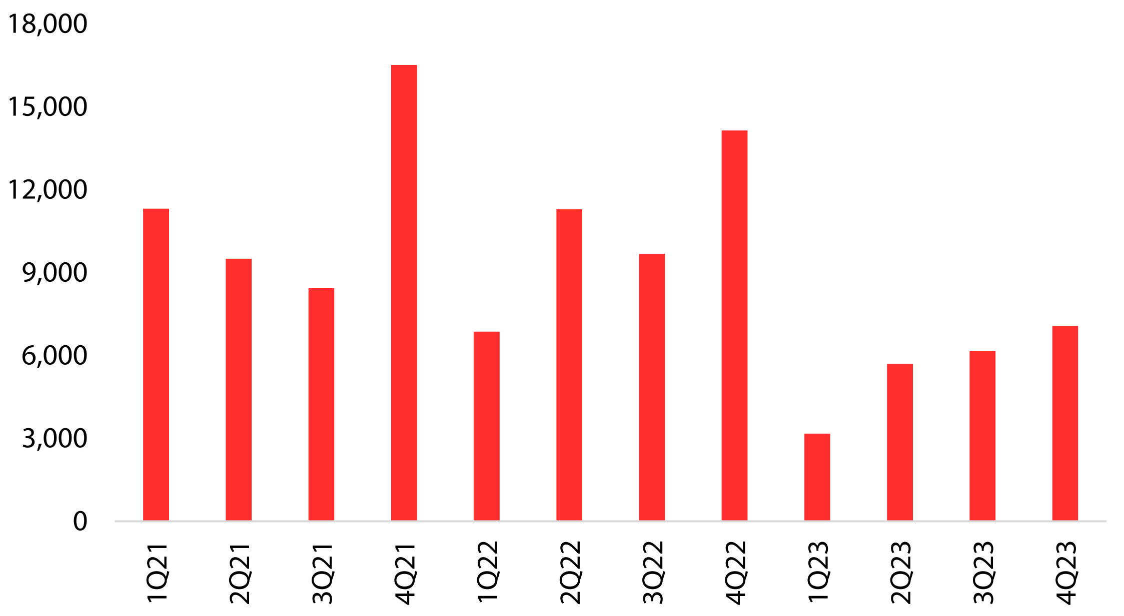
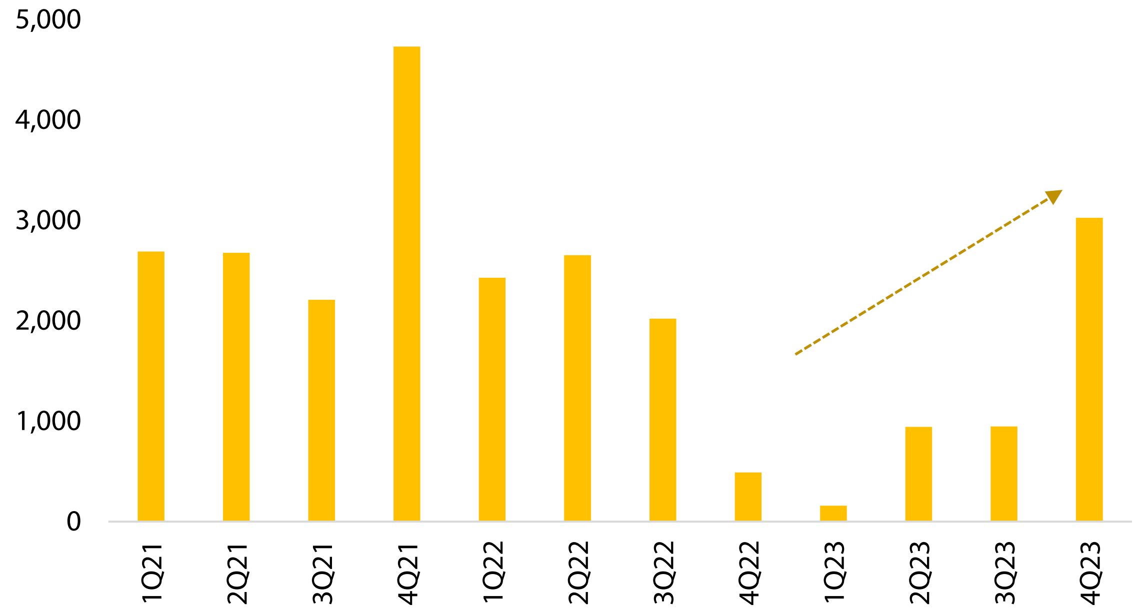


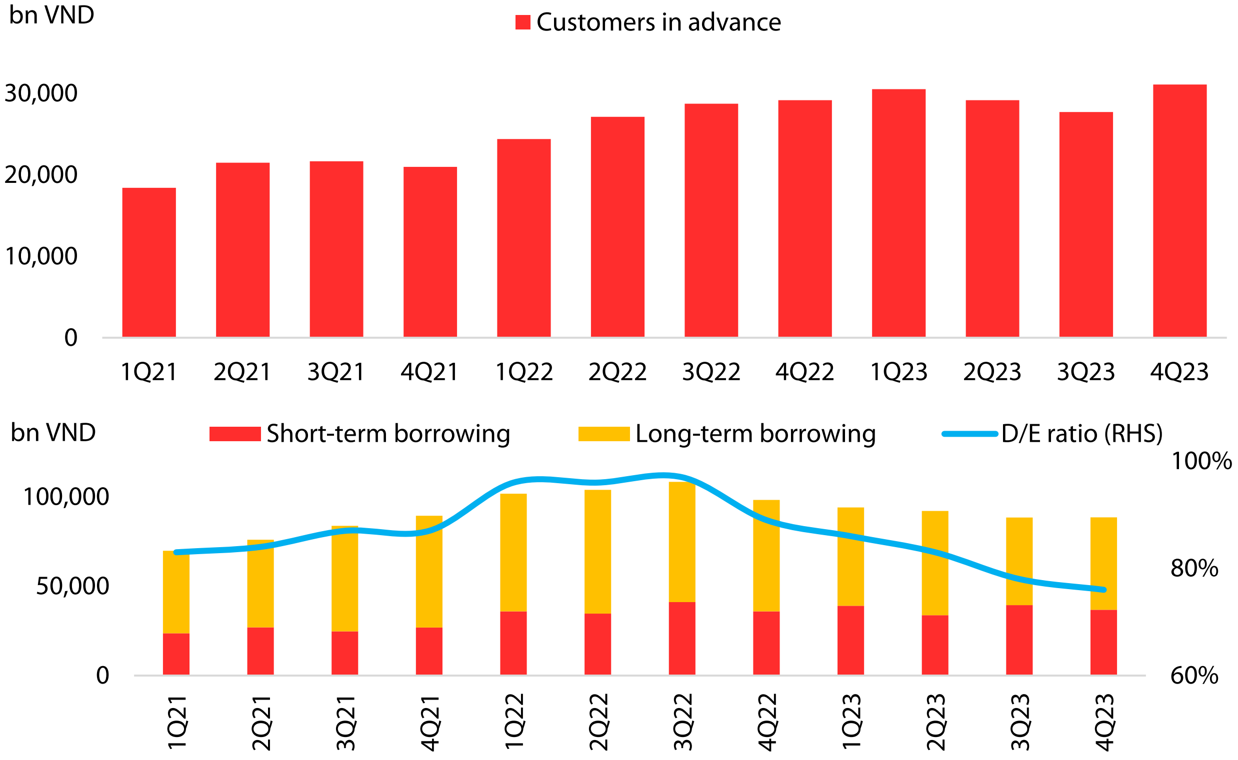
Figure 2: Net profit of RE companies for the period 2021-2023 (bn VND) (*)



Source: Finnpro, RongViet Securities compilation.
(*) Including data from KDH, NLG, HDG, NVL, PDR, AGG, DIG, DXG.
Excluding VHM as the outlier

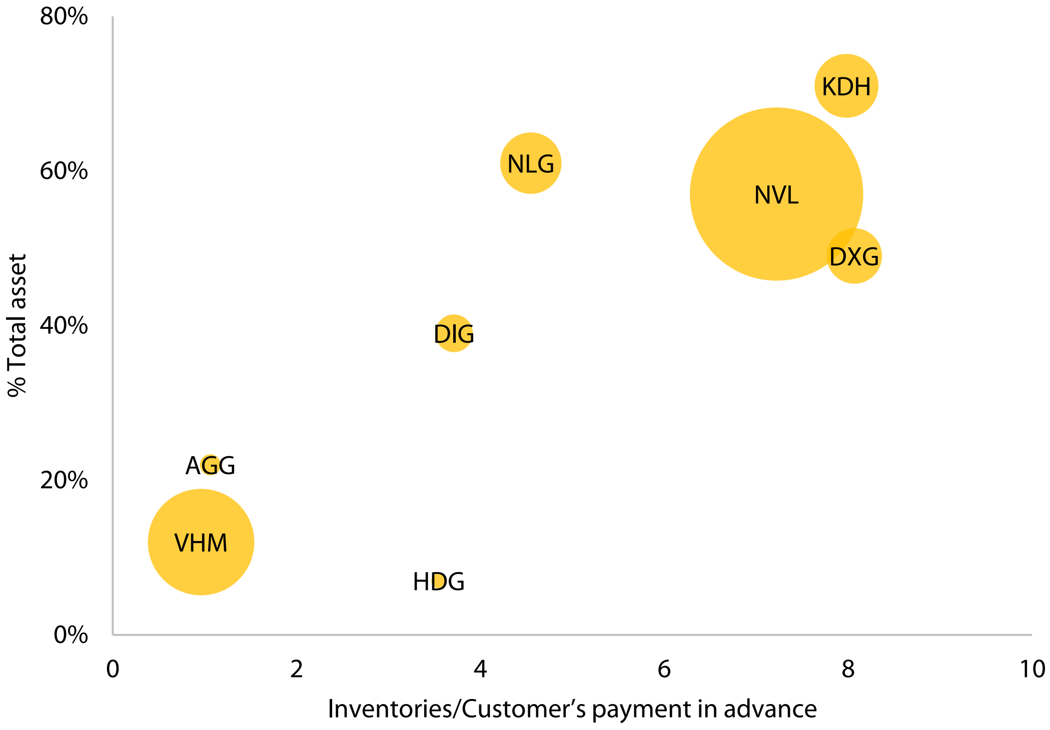
- In 4Q23, some companies recorded a significant increase in customer cash flow for existing/newly launched projects. Notable listed companies (KDH, NLG, AGG) received payments from customers for condominium projects in Ho Chi Minh City (Akari, Privia, Westgate) , which indicate that customers are still interested in the condominium segment in tier-I cities.
- Inventory scale remains high (compared to total assets and the balance of customer's payment in advance), indicating supply pressure in the market in the medium term.
- Developers continued to maintain the trend of reducing loan balances, showing difficulty in mobilizing capital through debt market and they are prioritizing the payment of due debts (with the D/E ratio decreased to 76% in 4Q23).

Figure 3: Liabilities structure of RE companies for the period 2021-2023 (*)



Source: Finnpro, RongViet Securities. (*) Including data from KDH, NLG, HDG, NVL, PDR, AGG, DIG, DXG | Excluding VHM as the outlier

Figure 4: Scales of RE companies's inventories in 2023



Source: Finnpro, RongViet Securities. Bubble size equal to inventories balance at 31/12/2023.

We expect that as the legal issues of projects are gradually resolved in 2024, banks will be more confident in real estate projects in 2024. In addition, raising funds through the capital market - in the form of issuing shares or transferring shares in project companies - is also in the business plans of RE companies in 2024. Meanwhile, the maturity pressure in the corporate bond market makes this capital mobilization channel still challenging to attract during the 2024-2025 period.

Figure 5: Outstanding loan balance in the real estate sector for the period 2019-2023 – Main source for RE companies

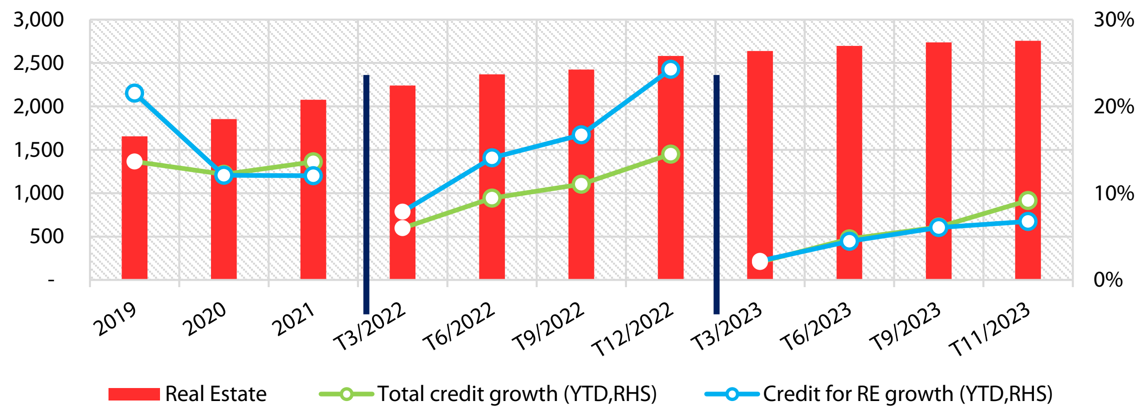
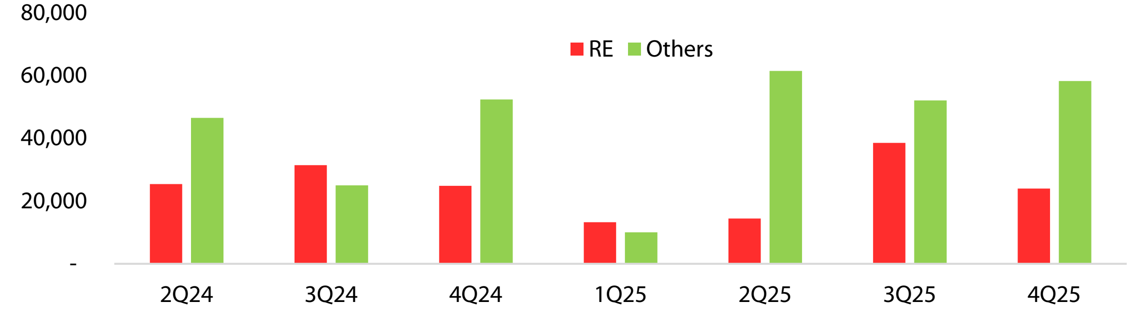


Figure 6: Value of corporate bonds to mature in 2024-2025



Sources: SBV, HNX, RongViet Securities. Unit: tn VND

Table 1: RE companies with plan to mobilize funds through the capital market in 2024

COMPANY	TIME	FORM
KDH	2024	• Issuing private shares to professional investors, expected amount to be collected of ~ VND 3tn. • Transferring (partial or full) of Le Minh Xuan expanded industrial park, in the process of finding partners.
NVL	1H2024	• Issuing shares to existing shareholders and professional investors, expected amount to be collected of ~ VND 13.7tn.
PDR	1H2024	• Issuing shares to existing shareholders, expected amount to be collected of ~ VND 1.3tn
DIG	2024	• Issuing shares to existing shareholders, expected amount to be collected of ~ VND 3tn

Sources: RongViet Securities.

TIER-I MARKET - DEMAND RECOVERS, SUPPLY IMPROVES

- **In the primary market**, after a challenging period in 2022 and 1H23, there has been a recovery in new supply in the condominium segment, driven by real housing demand, in tier-I cities (Hanoi, Ho Chi Minh City), reflected in the increase in successfully launched units.
- **In the secondary market**, secondary prices have stabilized and tend to increase (especially for high-rise products). We seen it as the supporting factor for sales activities in the primary market in the coming quarters.
- In general, the market supply and absorption in 2024 are expected to improve compared to 2023, when: i/ developers and investors are more confident about the market recovery, ii/ interest rates remain low, and iii/ infrastructure projects are in the construction and completion phase.

Figure 7: Units was successfully sold in tier-I cities (landed property)

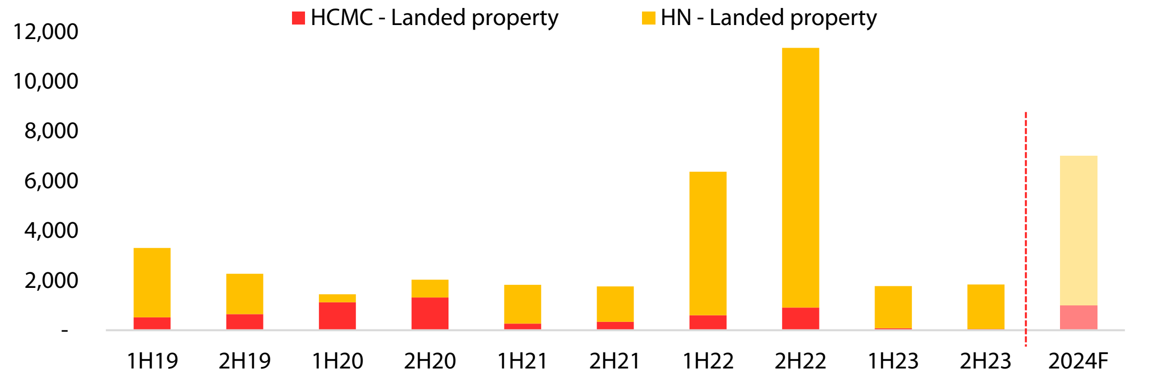
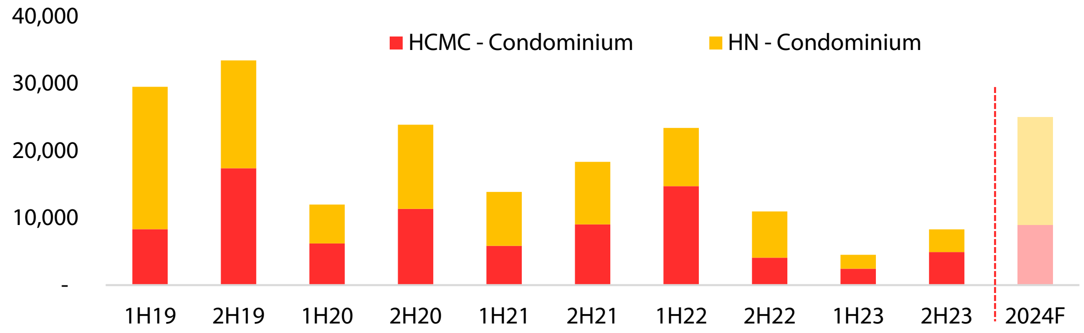
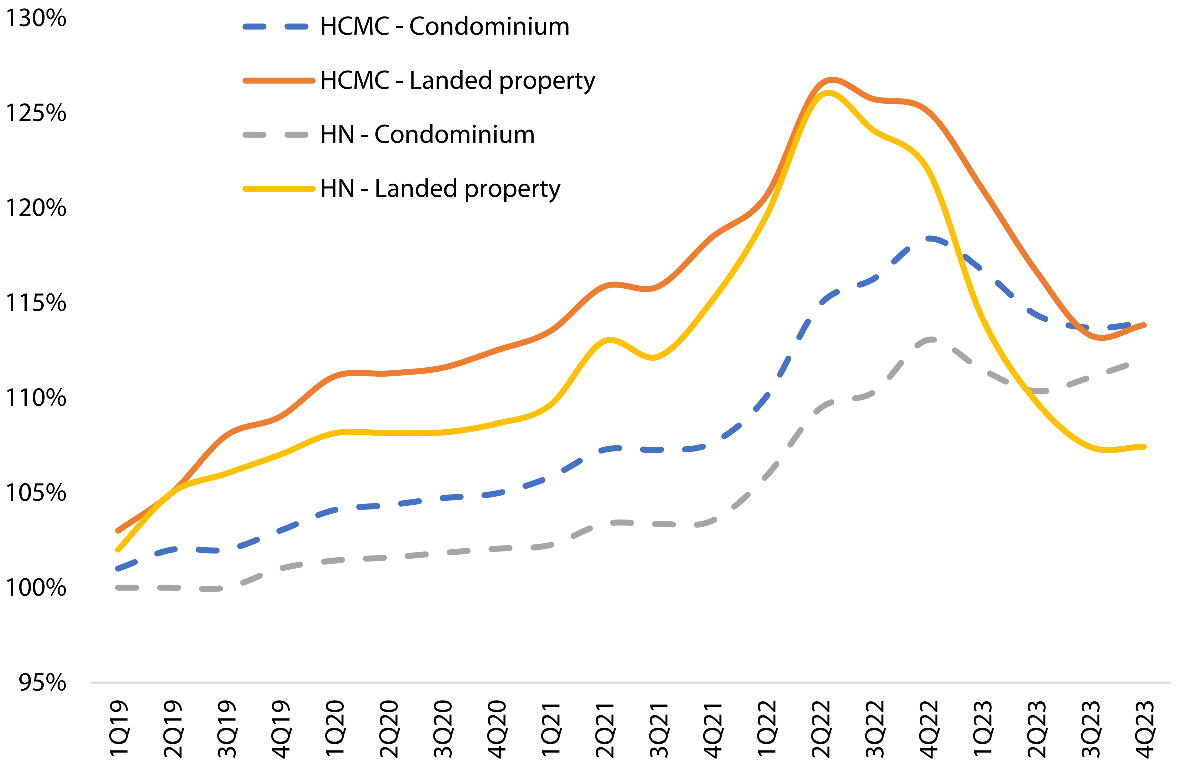


Figure 8: Units was successfully sold in tier-I cities (Condominium)



Sources: CBRE, RongViet Securities.

Figure 9: Change in secondary price in tier-I cities – recover since 2H23

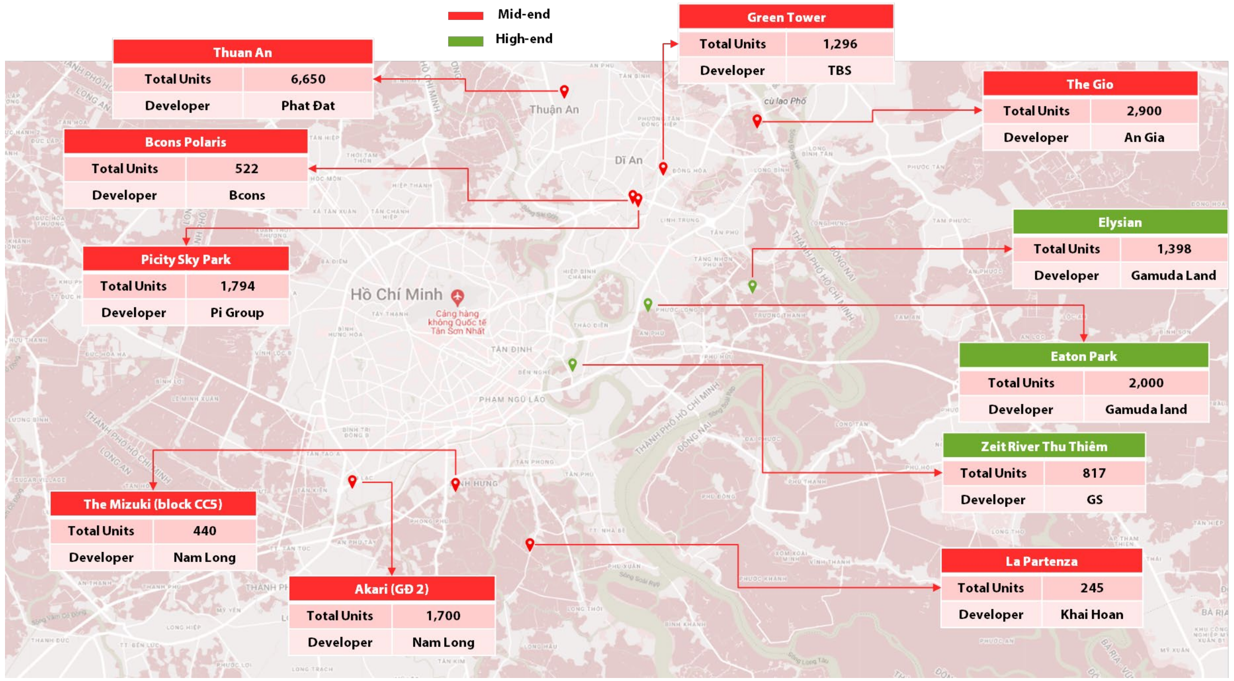


Sources: Institute of Construction Economics, RongViet Securities. 2019 is the base year

The condominium product segment is expected to continue showing recovery in sales in 2024, albeit with differentiation between segments:

- For the mid-end segment, most projects are from reputable developers (NLG, PDR, AGG, etc.) and located in suburban areas (western part of hcmc, Di An city, etc.).
- For the high-end segment, most projects are from foreign developers (Gamuda, GS, etc.) and located in Central Business District (CBD).
- Developers are expected to maintain supportive policies for buyers as implemented in 2023 (allowing payment of 30-40% of the apartment value until handover, providing partial interest rate support for loans, deferral of principal and interest payments for the first 2 years, etc.). Expectations of continued low-interest rates are an important supporting factor for sales activities during this period.

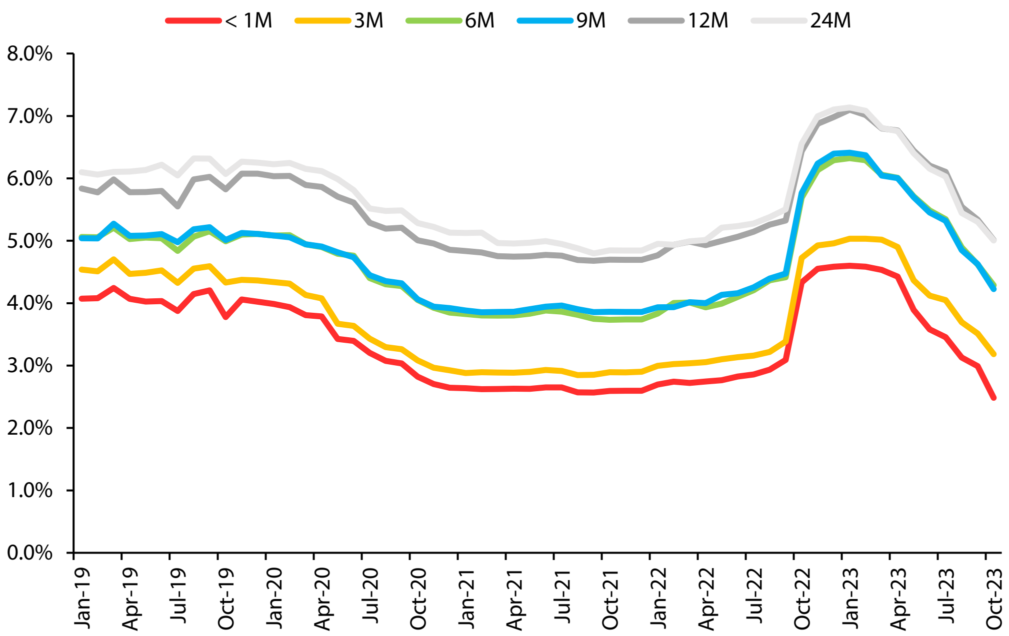
Figure 10: Notable high-rise projects in HCMC and surrounding areas, expected to open for sale in 2024 (*)



Sources: RongViet Securities..

(*) Mid-end segment: Unit price is lower than VND 50mn per sqm. High-end segment: higher than VND 50mn per sqm

Figure 11: Deposit rate for the period 2019-2023, with expectation for low rate in 2024

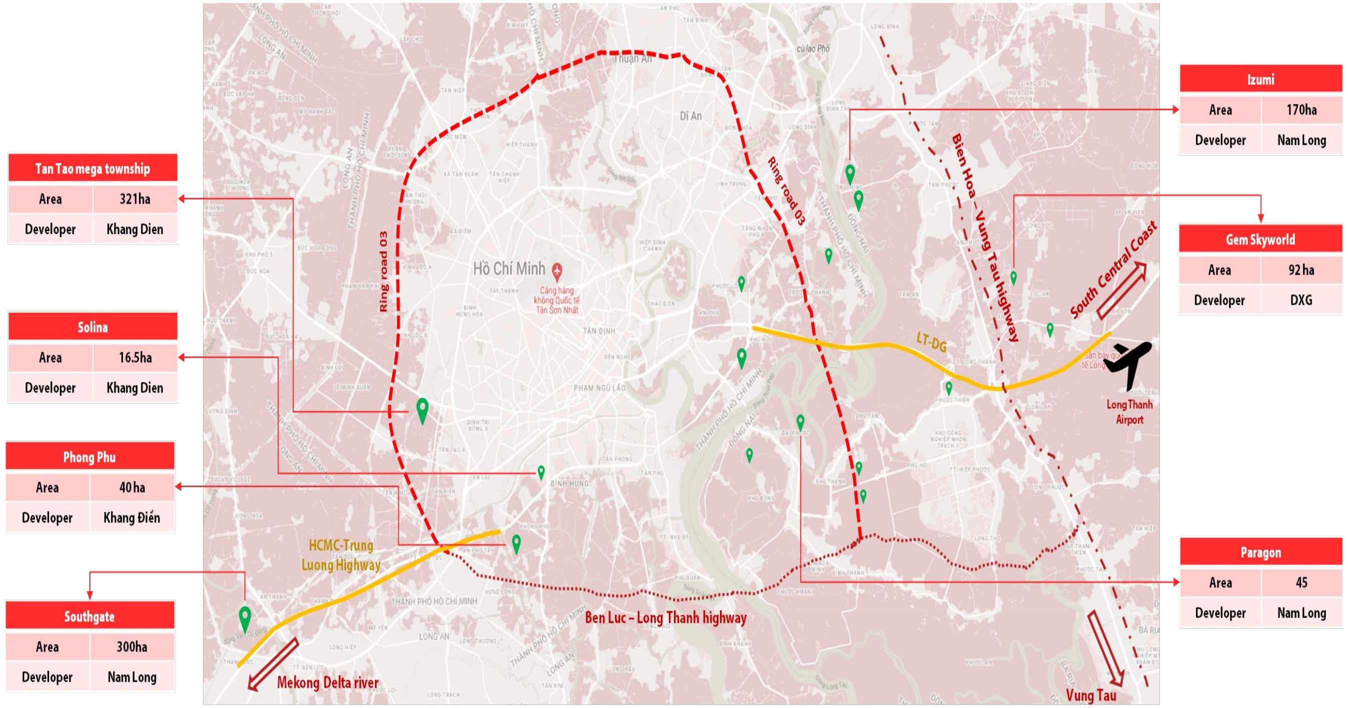


Sources: RongViet Securities.

The ring road and highway system are increasing interest in suburban urban areas.

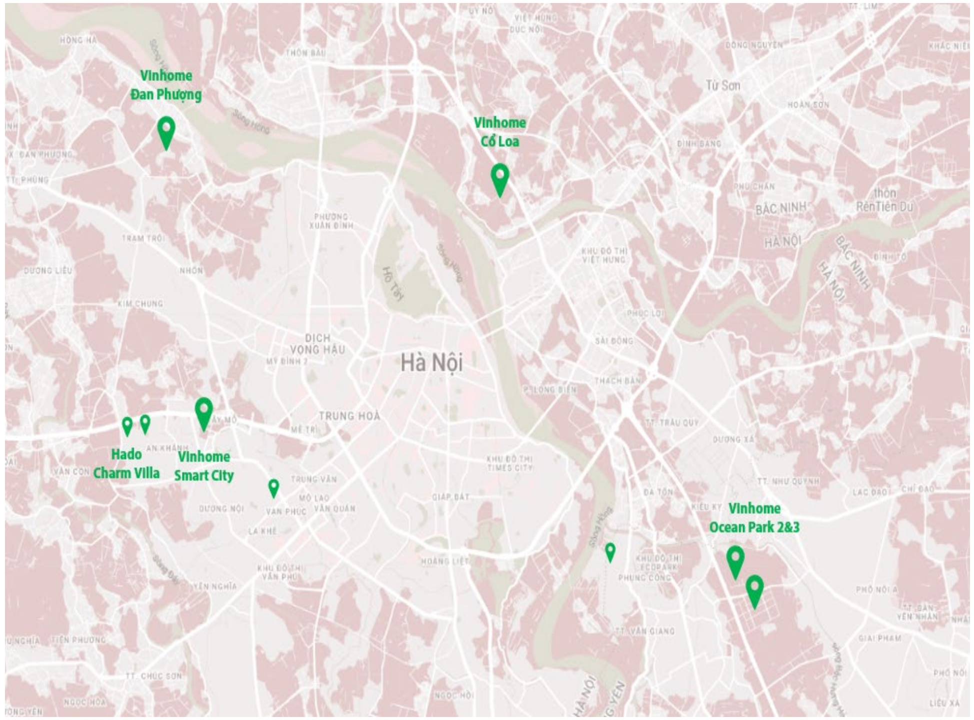
- For low-rise/urban projects, the ring road/highway connecting to the CBD is a factor that investors are interested in because: 1/ Land reserves for inner-city projects have been significantly decreased, 2/ Middle-income people tend to live in suburban areas, with ample living space and amenities, while still being able to work in the city center thanks to the ring road system.
- We expect that 2H24 will be the appropriate time for companies to ramp up sales activities, as i/ infrastructure systems (especially the ring road system) begin to enter peak construction phase, ii/ secondary prices show clearer signs of recovery.
- Notable companies with significant land banks include KDH (in the Ho Chi Minh City market) and VHM (in the Hanoi market).

Figure 12: HCMC for the period 2024-2025 – Infrastructure development can motivate low-rise/urban projects



Sources: RongViet Securities.

Figure 13: Hanoi city for the period 2024-2025 – Vinhome urban areas (VHM) are still a prominent name

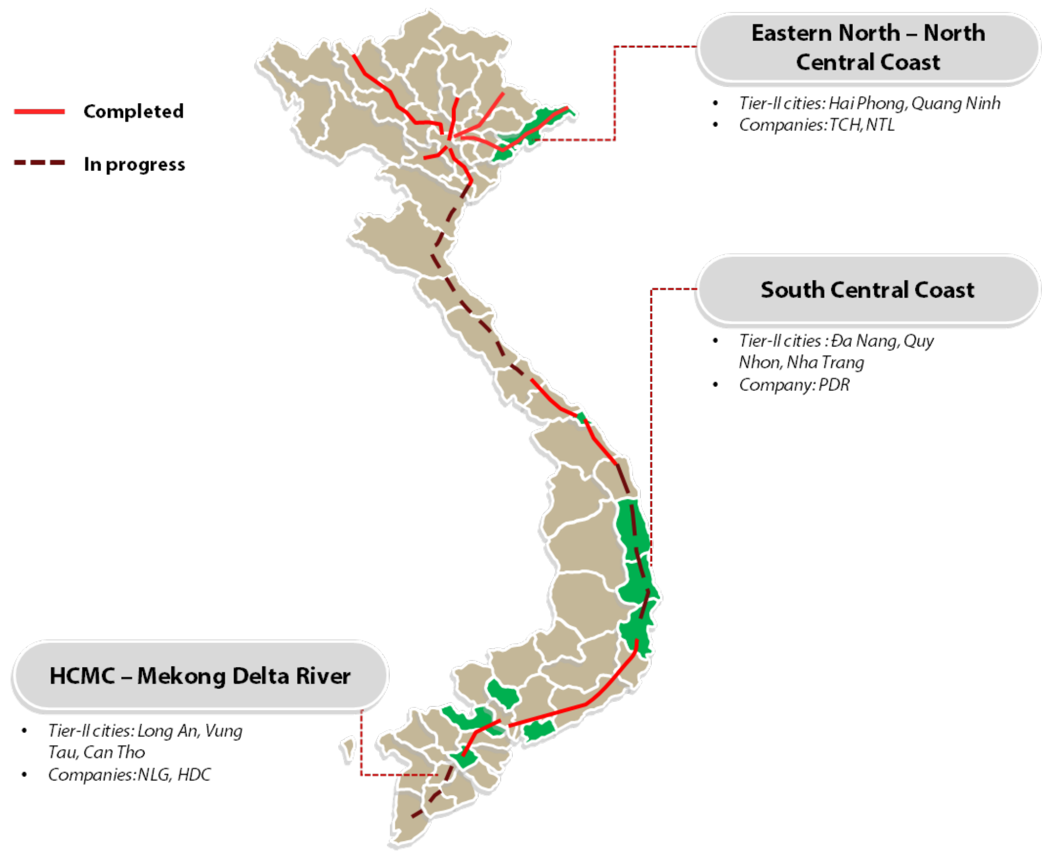


Sources: RongViet Securities.

TIER-II MARKET – NEEDS TIME TO RECOVERY

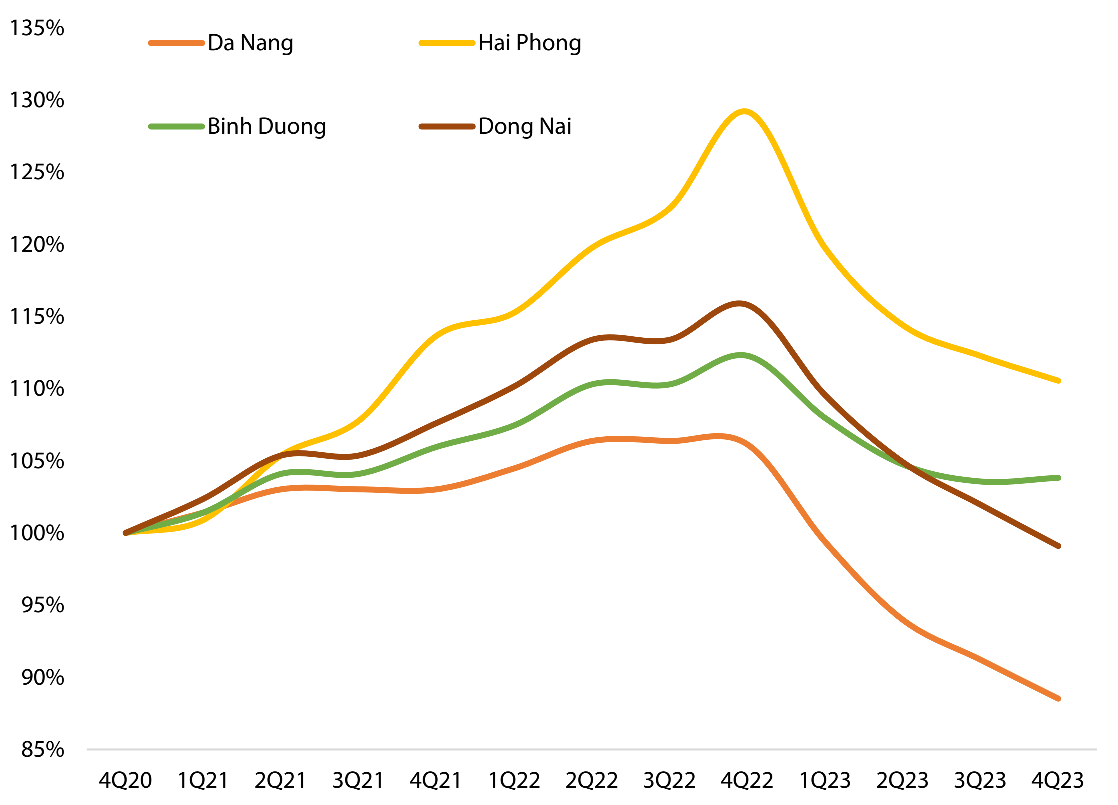
For tier-II cities (Hai Phong, Da Nang, Binh Duong, Dong Nai, etc.), based on data from the Institute of Construction Economics, the secondary prices of low-rise units - the main consumer products - are still is on a downward trend in most markets, after rising sharply and peaking in the period 2021-2022. In 2024, as the secondary market shows no signs of bottoming out and recovery, we believe that the primary market and sales prospects in secondary cities will also recover more slowly compared to primary cities. However, social housing projects (serving the residential needs of workers in industrial parks) are a potential segment in these markets.

Figure 14: Tier-II cities, and listed companies with notable land bank



Sources: RongViet Securities.

Figure 15: Change in secondary price in tier-II cities (landed property)



Sources: Institute of Construction Economics, RongViet Securities. 2020 is the base year

Overall, the three amended laws have provided a relatively complete legal framework, thereby clearly impacting companies in the industry, with: i/ The esidential sector developing more sustainably, reducing land speculation; ii/ Protecting the rights of home buyers; iii/ Encouraging the development of social housing projects for people with real housing needs.

Table 2: Key points of the Land Law (amended)

KEY POINTS
➢ Provide regulations to ensure consistency of the planning system. Land use plans are carried out at three levels: national, provincial and district levels. Thereby, we can avoid the situation where some residential real estate projects are included in the district planning, but are not consistent with the general planning of the province.
➢ Regarding cases of land recovery from the State for socio-economic development, areas that real estate investors are interested in developing land funds include: 1/ Social housing projects, 2/ Urban area projects with various service functions (projects with an area of over 20 hectares), 3/ Investment projects to renovate and rebuild apartment buildings, 4/ Sea reclamation projects for socio-economic development purposes.
➢ Detailed regulations on cases of land allocation through auction of land use rights/bidding for investor selection/agreement on receiving land use rights. In the long term, local authorities will focus on urban projects with mixed-use functions, with investors selected through auction of land use rights/bidding for investor selection, after having a clean land fund.
➢ According to Articles 127, to be able to propose a commercial housing investment project in accordance with land use planning, the investor needs to have the residential land use right/or residential land use right and other land use right, thereby avoiding the situation of speculating agricultural land and convert it into a commercial housing project.
➢ Important changes related to land valuation principles (Articles 158-162), including: 1/ Specific regulations on valuation methods to determine land prices and applicable conditions (Articles 158 with 04 methods), whereby land use fees will be calculated closer to market prices, increasing efficiency in state budget collection activities, but will also increase project's development costs in the future (Residential land prices maintain a long-term upward trend), 2/Land price lists of provinces will be adjusted annually to consist with market prices, 3/Specific regulations on the responsibilities of the Land Price Appraisal Council and land price determination consultancy organizations.
➢ Detailed regulations on national land database system to support the determination of land prices and land price lists.

Source: Compiled by RongViet Securities.

Overall, the three amended laws have provided a relatively complete legal framework, thereby clearly impacting companies in the industry, with: i/ The esidential sector developing more sustainably, reducing land speculation; ii/ Protecting the rights of home buyers; iii/ Encouraging the development of social housing projects for people with real housing needs.

Table 3: Key points of the Housing Law (Amended) and the Real Estate Business Law (Amended)

	KEY POINTS
Aiming to develop social housing projects	➢ Expanding the list of beneficiaries of social housing support policies (12 subjects, stipulated in Article 76), focusing on subjects with residence needs (low-income workers, workers in industrial parks, pupils/students); ➢ Provincial People's Committees can proactively allocate land funds for social housing development according to approved provincial housing development programs (Article 83). In addition, we appreciate the removal of the requirement for commercial housing investors to set aside 20% of the land fund for social houses, which can be replaced with other options (reserving part of the residential land area in the project for the construction of social houses; setting up a social housing land fund at another location outside the project scope; or paying money equivalent to the value of the land fund), thereby the progress of the social housing project will not depend on the progress of the commercial housing project; ➢ Allow the Vietnam General Confederation of Labor to participate in developing social housing projects for workers to rent using union financial resources, adding additional local resources for social housing projects; ➢ Adding incentives for social housing developers (Article 85), in which not having to carry out procedures - for determining land prices, calculating land use fees/land rent - will help speed up the legal progress of the project, as investors will receive cash flowsooner; ➢ Adding more regulations on planning, land fund arrangement, and requirements for investment projects to build accommodation for workers in industrial parks (Articles 94 and 95).
Develop a sustainable market, protect the rights of home buyers	➢ Only investors with sufficient financial capacity can develop housing projects; ➢ Officially there are no regulations on the duration of apartment ownership (helping apartment owners feel secure), and also providing preferential regulations/regulations on apartment renovation. ➢ In special urban/class I/class II and class III urban areas, investors of housing construction investment projects must build houses for sale, or lease, in order to avoid projects that only divide into land plots but do not build houses, minimizing speculation in urban areas. ➢ Detailed regulations related to the business of housing formed in the future, including regulations that real estate project investors are only allowed to collect a deposit of no more than 5% of the selling price, in order to protect the interests home buyers .

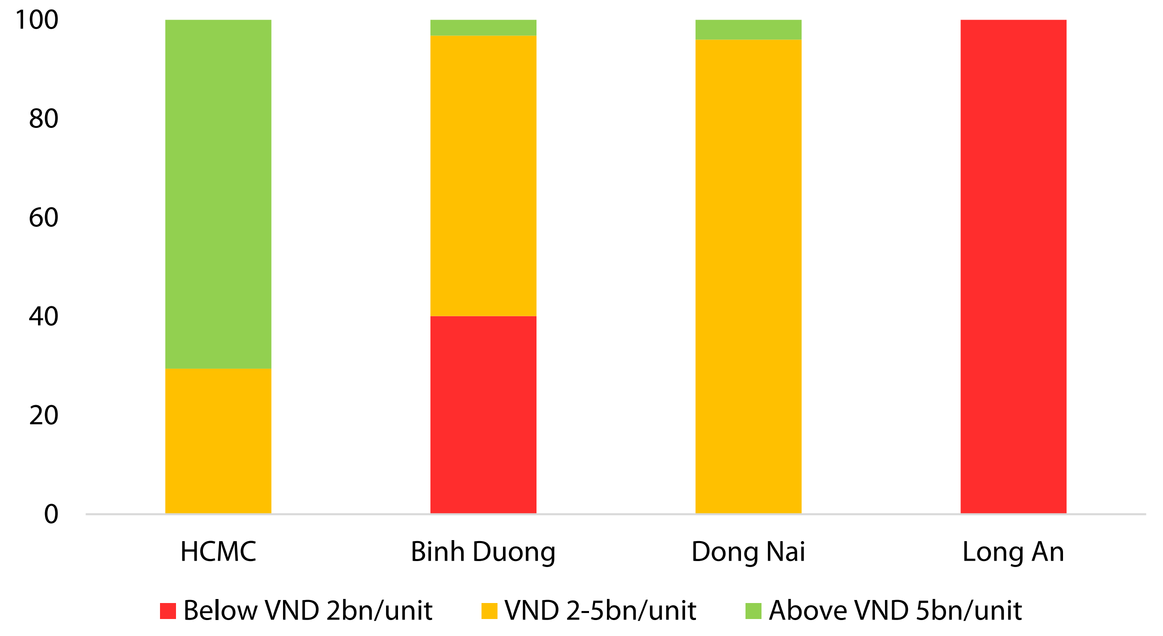
Source: Compiled by RongViet Securities.

- From the period 2021-2022, the mid-end segment (selling price below USD2,000 per sqm, corresponding to an average price of less than VND 2bn/apartment) has nearly no longer exist in HCMC. With the up-trend of primary and secondarcy prices will maintain in the long term (due to the demand for residence in tier-I cities), it is difficult for developers to decrease selling prices compared to market prices. Therefore, social housing projects will be necessary to meet the stable residence needs of labor in major cities, but support from policymakers is needed to have appropriate regulations for developers as well as home buyers.
- The surrounding area - where large industrial clusters and infrastructure are concentrated - although supply in the mid-range segment still exist, there is a sign of a shortage. We think that real estate developers will need to pay attention to this segment when they want to promote sales in markets surrounding tier-I cities in the medium term.

Figure 16: New supply of condominium in HCMC (Apartments) - almost no more mid-end and affordable segments after 2021 (*)

Source: CBRE Research, RongViet Securities(*) Luxury condominium: Projects with prices over US$4,000 per sqm
High-end condominium: Projects with prices from US$2,000 to US$ 4,000 per sqm
Mid-end & affordable condominium: Projects with prices under US$2,000 per sqm

Figure 17: Apartment supply in HCMC and surrounding areas in 2024 (% by price) - lack of mid-END segment



Source: Savills, RongViet Securities.

We appreciate the government's policy to promote the development of social housing projects in the medium-long term. However, there are still some factors to pay attention to to increase the effectiveness of the policy , with bottlenecks related to : i/ People with low income and residence needs have access to social housing projects in localities and ii/ Encourage investors to choose social housing projects as an option to develop land funds.

We expect that from 2025, when the revised Real Estate Business Law and Housing Law take effect, along with the decree on social housing development and management being issued, the bottlenecks related to social housing project will be resolved. Some listed companies (TCH, VHM, NLG) have plans to implement social housing projects in the period 2024-2025.

Table 4: Key points of the Decree on social housing development and management (draft)

	KEY POINTS
Policy for developers	➢ Provincial People's Committees can proactively allocate land funds for social housing development according to approved provincial housing development programs and plans. ➢ Regulations on commercial housing projects (land use scale of 2 hectares or more in special class and class I urban areas) must reserve 20% of land fund for social housing . In particular, investors have a number of options to choose from, including: i/Comply with regulations on reserving a portion of residential land area in the project to build social housing , ii/B arrange social housing land fund in another location outside the project scope; or iii/ Pay money equivalent to the value of the land fund . These regulations are consistent with the Housing Law (amended), through which the progress of social housing projects will not depend on the progress of commercial housing projects . ➢ Maintain the investor's standard profit for social housing projects at 10%; However, there are detailed regulations on the types of costs included in the total construction investment costs (compensation costs, construction costs, consulting and project management costs, etc.) to be consistent with reality. housing project development. ➢ Some other incentives for investors to build social housing include: i/ Maximum rate of 20% of total residential floor area of the project for service and commercial business , II/ Get preferential loans with interest rates not exceeding 50% of the average lending interest rate of banks .
Policy for buyers/renters	➢ Conditions for buyers to enjoy social housing support policies are expanded compared to the old regulations, including: i/C does not have a house of their own ; ii/ Have an average monthly income of the applicant and his / her spouse not exceeding 15 million VND/month . ➢ After 5 years, social housing buyers can only transfer housing to investors or beneficiaries of social housing support policies . ➢ Receive preferential loans with interest rates not exceeding 50% of the average lending interest rate of banks . ➢ Add more regulations on social housing for other special subjects (housing for workers, housing for the people's armed forces).

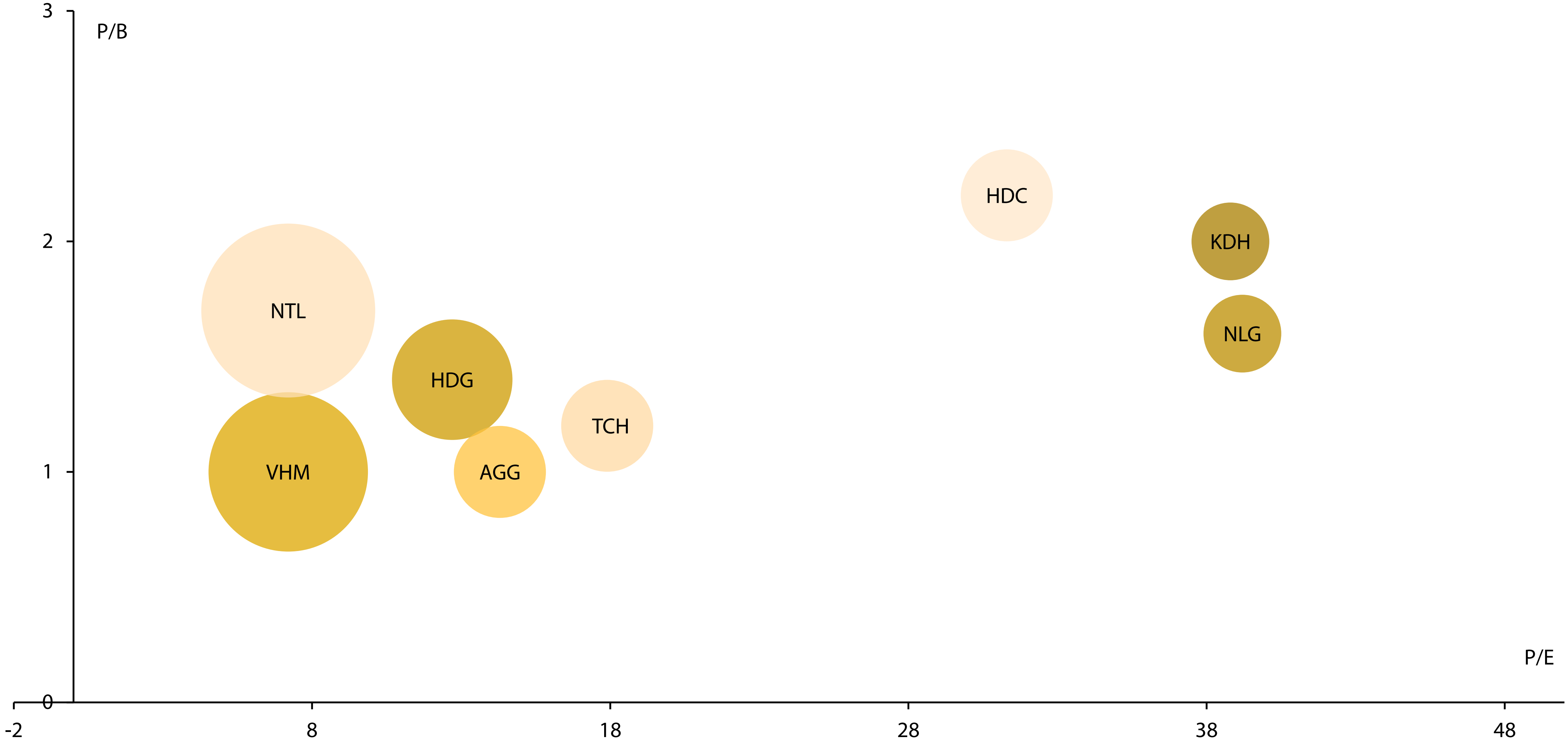
Source: Compiled by RongViet Securities.

INDUSTRY COMPARABLE

Ticker	Market Cap. (VND bn)	3M.daily turnover AVG. (VND mn)	Current P/E (x)	Current P/B (x)	Trailling 12 M ROE (%)	Target price	Market price as of 04/15/24	Expected return	2023A			2024F			Revenue Growth		NPAT Growth	
									Revenue	NPAT	EPS	Revenue	NPAT	EPS	2023	2024F	2023	2024F
KDH	27,097	118,761	38.76	2.01	5.3%	40,300	33,900	19%	2,088	716	840	4,704	981	1,137	-28.3%	125.3%	-35.1%	37.1%
NLG	15,314	158,774	39.20	1.63	5.0%	40,000	39,800	1%	3,181	484	1,187	7,716	559	1,410	-26.7%	142.5%	-13.0%	15.6%
HDG	8,164	79,954	12.67	1.38	11.9%	30,900	26,700	16%	2,889	665	2,175	2,815	786	2,479	-19.3%	-2.6%	-39.3%	18.2%
VHM	184,625	380,736	7.16	1.03	20.6%	N.R	42,400	n.a	103,557	33,371	7,664	n.a	n.a	n.a	66.0%	n.a	15.7%	n.a
NVL	32,177	523,372	183.71	0.85	1.6%	N.R	16,500	n.a	4,757	606	311	n.a	n.a	n.a	-57.3%	n.a	-72.0%	n.a
PDR	21,980	353,945	n.a	2.31	7.7%	N.R	29,750	n.a	618	684	1,003	n.a	n.a	n.a	-59.0%	n.a	-39.9%	n.a
DIG	19,058	648,831	167.03	2.49	1.6%	N.R	31,250	n.a	1,026	119	195	n.a	n.a	n.a	-45.9%	n.a	-17.6%	n.a
DXG	13,297	259,630	n.a	1.26	1.8%	N.R	18,450	n.a	3,725	172	259	n.a	n.a	n.a	-32.4%	n.a	-20.0%	n.a
TCH	10,625	150,500	17.92	1.24	7.2%	N.R	15,900	n.a	2,736	594	890	n.a	n.a	n.a	1.5%	n.a	232.6%	n.a
NTL	2,430	39,616	7.18	1.66	24.9%	N.R	39,850	n.a	914	364	5,553	n.a	n.a	n.a	133.6%	n.a	242.0%	n.a
HDC	4,121	99,690	31.33	2.18	7.1%	N.R	30,500	n.a	665	132	1,079	n.a	n.a	n.a	-48.7%	n.a	-68.6%	n.a
AGG	2,703	19,427	14.30	0.97	6.8%	N.R	21,600	n.a	3,891	175	1,402	n.a	n.a	n.a	-37.1%	n.a	824.6%	n.a

Source: Bloomberg, RongViet Securities. Data was updated as of April 15th, 2024.
**N.R: Non rate*
N.A: Not available
NPAT-MI: Net profit after tax and minority interest

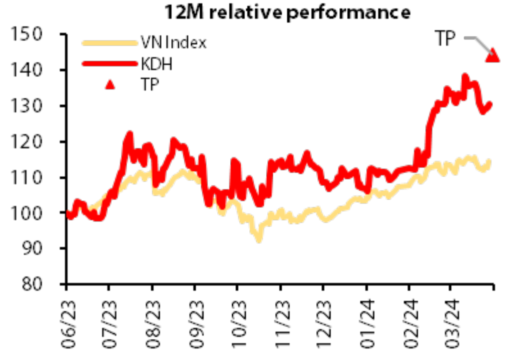
PE, PB AND ROE (TTM)

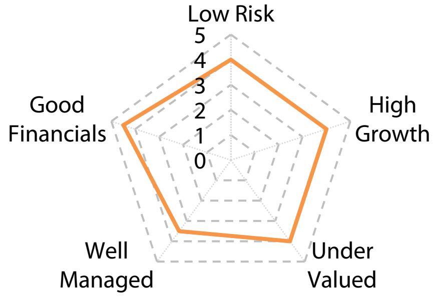


Source: Fiinpro, RongViet Securities. Bubble size equals respective ROE. Share price as of 15 April 2024. Excluding companies recorded TTM loss.

AVAILABLE LAND BANK FOR RECOVERY STAGE

BUY: 19% **MP: 33,900** **TP: 40,300**





STOCK INFO

Sector	Real Estate
Market Cap ($ mn)	1,078
Current Shares O/S (mn shares)	799
3M Avg. Volume (K)	3,445
3M Avg. Trading Value (VND Bn)	121
Remaining foreign room (%)	11.1
52-week range ('000 VND)	25.09 - 38.95

FINANCIALS

FINANCIALS	2023A	2024E	2025F
Revenue (VND bn)	2,093	4,704	6,823
NPATMI (VND bn)	717	981	1,239
ROA (%)	3,4	4.0	4,3
ROE (%)	6.2	6.8	8.1
EPS (VND)	831	1.137	1,435
Book Value (VND)	19,427	24,640	26,519
Cash dividend (VND)	0	0	0
P/E (x)	48.6	35.5	28.1
P/B (x)	2.1	1.6	1.5

INVESTMENT RATIONALES

Business Outlook - Focus on handing over the Privia project and launching new projects in the second half of 2024.

- In 2023, 80% of total units from the Privia project (an apartment project in Binh Tan district, HCMC) are expected to be handed over in the 2H2024, along with handing over low-rise units at the Classia project (which was completed and launched in 2022-2023) and the Clarita project (scheduled for launch in 2024).
- The revenue for 2024 is expected to reach VND 4.7tn (USD193mn, +125% YoY), with the net profit after tax of the parent company (NPATMI) can reach VND 981bn (USD40mn, +37% YoY, with a net profit margin at 23% mainly due to the handover of high-rise units).
- With the completion of sales at the Privia project in 1Q2024, the Foresta project (formed from the Clarita and Emeria projects in Thu Duc City) will be the company's key project in 2024. Currently, the project is at the infrastructure and product development phase, aiming to commence sales event in the 2H2024 (as the real estate market notably recovers), with presales value to reach VND 1.7tn, thereby contributing to the total presales value of KDH in 2024 at VND 2.6tn (USD107mn, -42% YoY)

Focus on expanding and completing legal procedures for existing land funds in Ho Chi Minh City - Prepared for market recovery.

- The company has acquired a 1.9-hectare high-rise project in Binh Trung Dong ward, increasing the total land area to 13.7 hectares.
- It is anticipated that the Solina urban area project (16.5 hectares) and the Phong Phu 02 residential area (~40 hectares) in Binh Chanh district can proceed with land use fee payments in 2024 to enable sales event in the 2025-2026 period, when the real estate market is expected to recover more clearly.

RISKS TO OUR CALL

- The delay in completing legal procedures for projects may have a negative impact on the company's future cash flow.

Figure 1: The Privia project has been roofed and can be handed over from 2H2024

Figure 2: The profit and profit margin of KDH during the period 2020 - 2024

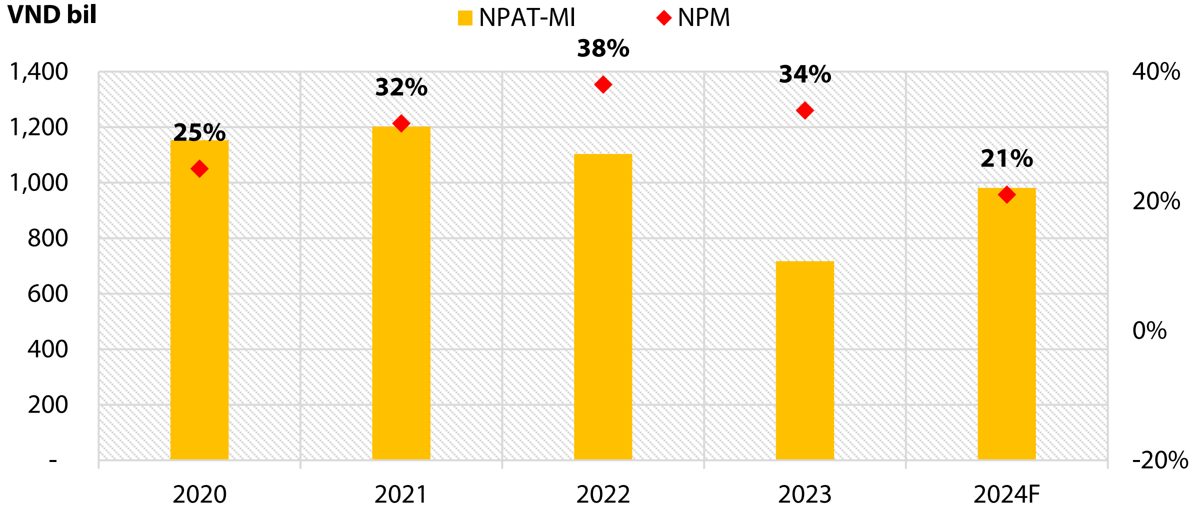
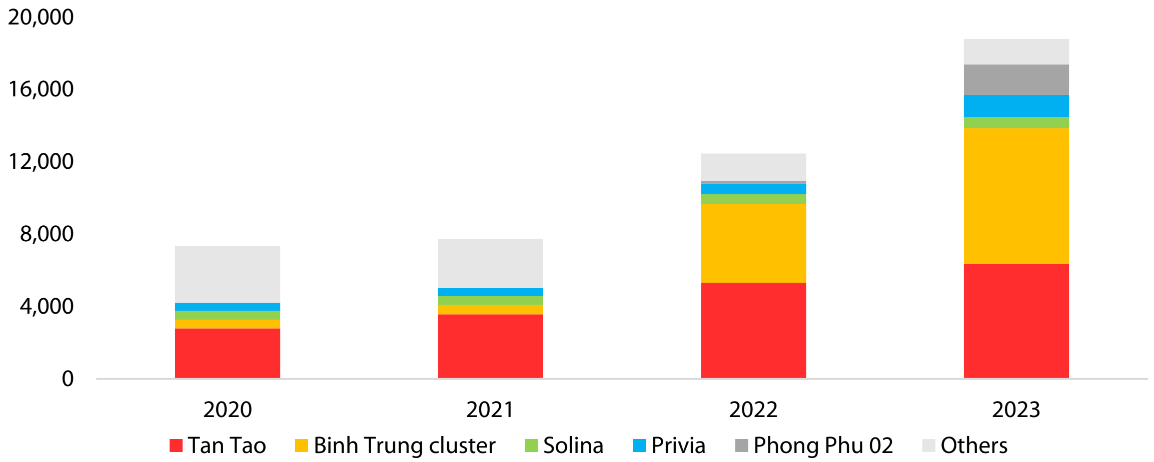


Figure 3: The Foresta project (formed from Clarita and Emeria) - under construction and scheduled to be launched in 2H2024

Figure 4: The inventory value of KDH during the period 2020 - 2023 (in billion VND) - the Binh Trung project cluster (Foresta) expanded



Sources : KDH, RongViet Securities.

Figure 5: Consolidated valuation of KDH

Project	%	Method	Valuation (bn VND)
Classia	100%	DCF	121
Privia	100%	DCF	1,569
Clarita	51%	DCF	1,687
Solina (low – rise)	100%	DCF	3,491
Solina (high - rise)	100%	DCF	896
Phong Phú 2 (40ha)	100%	DCF	9,598
Tan Tao urban area	100%	DCF	15,557
Le Minh Xuan Industrial Park (expansion)	100%	DCF	3,483
Emeria	51%	DCF	1,903
Total			**38,334**
(+) Cash & cash equivalents			3,730
(+) Short-term investment			0
(-) Non-Controlling Interest			(2,076)
(-) Liabilities			(3,346)
Net asset value			**36,642**
Outstanding shares			909
Target price (VND)			**40,300**

Figure 6: KDH's land fund is expected to develop during the period 2024-2025

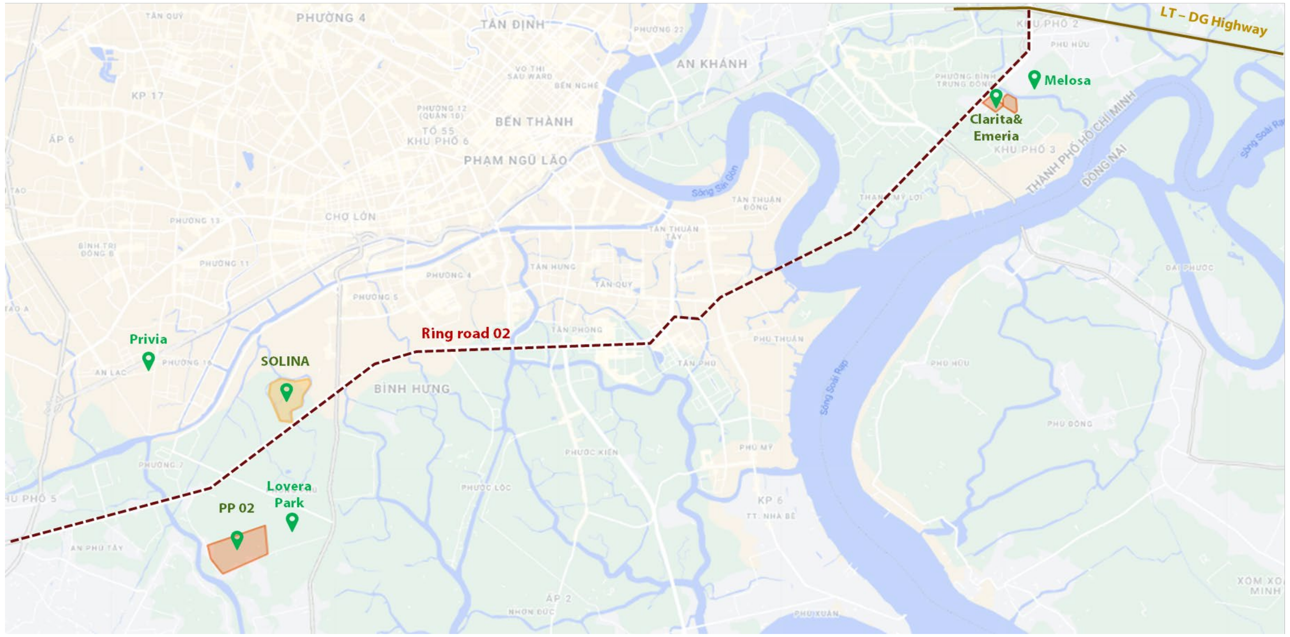
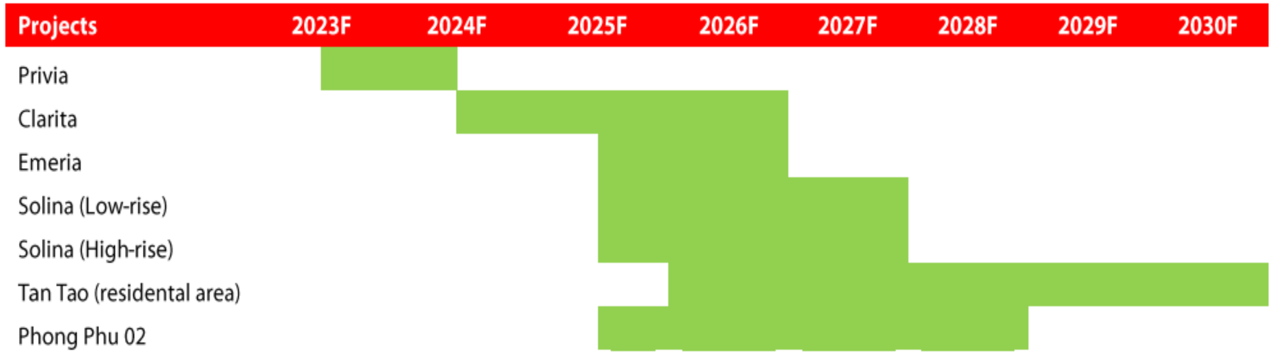


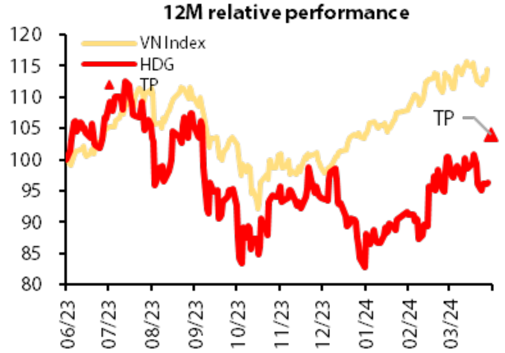
Figure 7: Sales plan of KDH - the focal point of implementation from 2025.

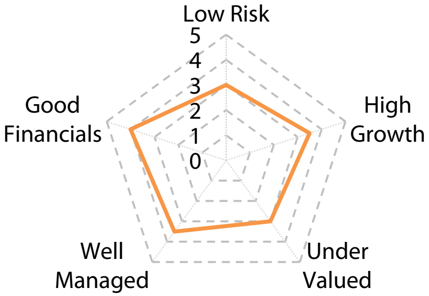


Sources: RongViet Securities

SIGNALS OF RECOVERY IN MAJOR BUSINESS SEGMENTS

ACUMULATE: +16% **MP: 26,700** **TP: 30,900**





STOCK INFO

Sector	Real estate
Market Cap ($ mn)	325
Current Shares O/S (mn shares)	306
3M Avg. Volume (K)	2,853
3M Avg. Trading Value (VND Bn)	80
Remaining foreign room (%)	32.5
52-week range ('000 VND)	24.4 - 33.85

FINANCIALS

FINANCIALS	2023A	2024E	2025F
Revenue (VND bn)	2,882	2,608	2,925
NPATMI (VND bn)	712	791	855
ROA (%)	7.0	6.3	6.6
ROE (%)	14.7	12.5	12,2
EPS (VND)	2,244	2,495	2,696
Book Value (VND)	19,635	21,129	23,375
Cash dividend (VND)	0	0	0
P/E (x)	13.7	12.3	11.4
P/B (x)	1.6	1.5	1.3

INVESTMENT RATIONALES

Business outlook in 2024 - mild recovery in key business areas.

- Energy: According to ENSO's forecast, from Q3/2024, the probability of El Nino will decrease and be replaced by a Neutral/La Nina phase. Therefore, we expect that the output of hydroelectric power plants will improve in 2024 (especially from the 2h2024 - the peak period of HDG's hydroelectric power plants). HDG's electricity output in 2024 could reach 1.51 billion Kwh (+4% YoY), of which hydroelectric power plants will reach 1.23 billion kWh (+5% YoY). Expected revenue and gross profit are projected to reach VND 1,983bn (USD81.6mn, +2.3% YoY) and VND 1,402bn (USD 57.7mn, +5.3% YoY), respectively.
- Residential real estate: Approximately 110 low-rise units from phase 03 of the Charm Villas project are scheduled to be launched in the 2H2024. Due to the relatively high selling price (over 90 million VND per sqm), we estimate that the market can absorb about 40% of the total products, with an expected presales value of 900 billion VND. Expected revenue and gross profit are estimated to reach VND 182bn (USD 7.5mn, -35% YoY) and VND127bn (USD 5.2mn, -20% YoY), respectively

Policy movements - a supporting factor for valuation.

- In the case of the implementation of commercial housing projects through non-residential land use rights is approved, we believe that the legal progress of real estate projects (Green Lane and Minh Long) will be promoted, thereby completing the necessary procedures for construction and sales events by early 2025
- Since there is no new pricing framework for transitional renewable energy projects (included in Power Development Plan VIII), we have not included renewable energy plants in the valuation model at the time of this report. In the event that the new pricing framework is approved, it will be a supporting factor for restarting projects and a basis for determining their value in the valuation model.

RISKS TO OUR CALL

- Delays in completing legal procedures for projects may have a negative impact on the company's future cash flow.
- Renewable energy plants (Hong Phong 04, SP Infra 1) have significantly reduced electricity selling prices due to not meeting the conditions for applying the FIT price.

Table 1: Progress of the company's real estate projects. The Charm Villa project - construction has been completed, with phase 03 scheduled for launch in 2024

Project	Area (ha)	Product	Location	Status
Charm Villas	30	Villa/Townhouse/ Shophouse	Hoai Duc, HN	Completion of handover for phase 2. Phase 3 is scheduled for launch in 2H2024
Green Lane	2.3	Apartment	District 8, TP.HCM	Currently undergoing construction permit procedures, scheduled to launch in late 2024
Bao Dai	8.9	Villa/Hotel	Nha Trang, Khanh Hoa	During the land use purpose conversion phase, investment deployment is expected in 2025
Minh Long	2.7	Townhouse/Apartment	Thu Duc, HCM City	Currently undergoing procedures to change land use purpose to residential

Figure 1: The company's gross profit structure from 2020 to 2024

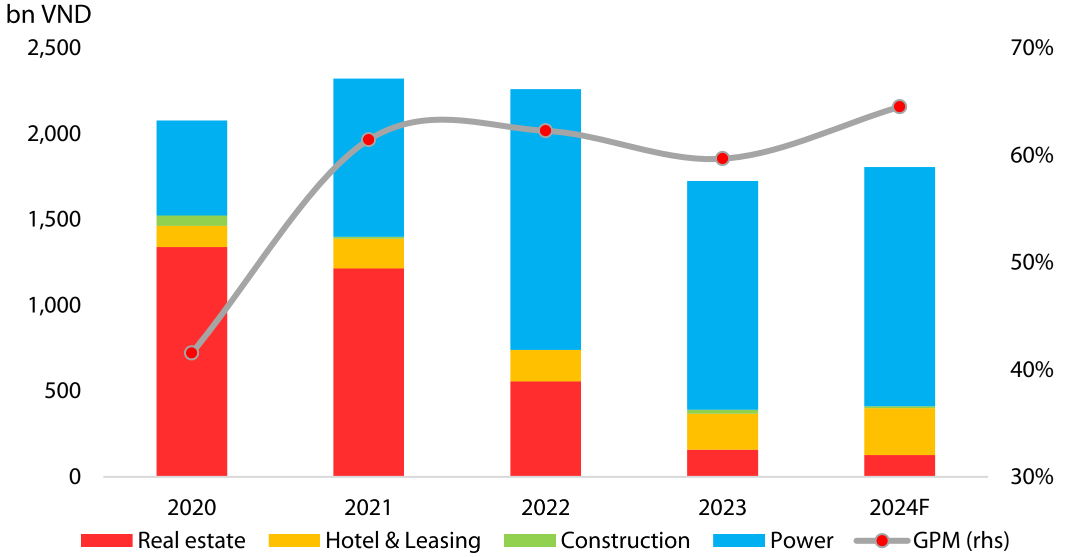
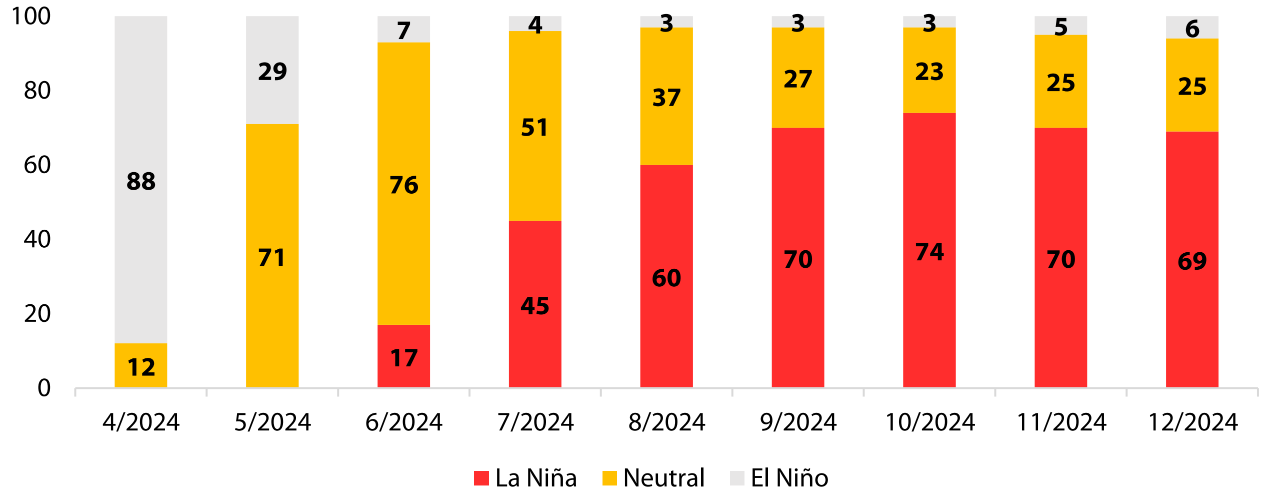


Figure 2: ENSO forecast (%) - The La Nina phase is expected to begin from 3Q2024



In 2024, the sales value is expected to reach 900 billion VND, coming from Charm Villas - phase 03

Business performance in 2024: Total revenue reaches 2,800 billion VND (+1%YoY) and gross profit reaches 1,806 billion VND (+5%YoY, recovery in the energy sector due to improved operational efficiency in the plants); Net profit of the parent company reaches 786 billion VND (+10%YoY).

Sources: ENSO, HDG, RongViet Securities

RENEWABLE ENERGY PROJECTS SUPPORT VALUATION

Table 2: HDG stock valuation result - Using the SOTP method

Project	Method	NPV
Charm Villa	DCF	1,248
Green Lane	DCF	994
Others	BV	982
Rental Buildings (IBIS, Airport,…)	DCF	2,015
Existing power plants	DCF	4,896
Total		**10,135**
(+) Cash & Cash equivalents		126
(+) Financial investment		387
(+) Others		0
(-) Liabilities		(1.255)
Net Asset		**9,393**
Shares outstanding (millions of shares)		306
Target price		**30,900**

Source: RongViet Securities

Table 3: Wind power projects are included in Power Development Plan VIII

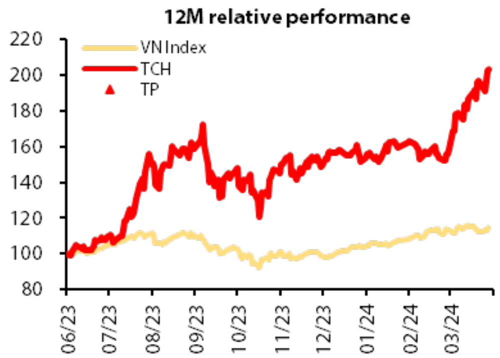
Project	Capacity (MW)
Ea H'leo 1+2 – Dak Lak	57
Huong Phung – Quang Tri	30
Phuoc Huu and 7A (phase 2) – Ninh Thuan	71
Soc Trang	40
An Phong – Ninh Thuan	300

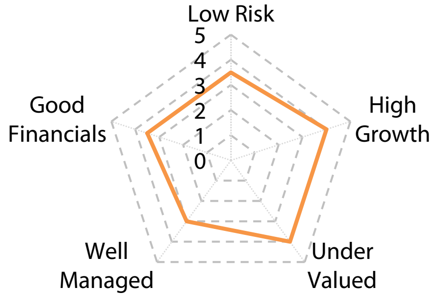
Source: HDG, RongViet Securities

- Currently, due to the absence of a new pricing framework for transitional renewable energy projects (included in Power Development Plan VIII), we have not included renewable energy plants in the valuation model. In the event that the new pricing framework is approved, it will be a supporting factor for restarting projects and a basis for determining their value in the valuation model

POTENTIAL LAND BANK IN HAI PHONG CITY

ACCUMULATE **MP: 15,900** **TP: N.R**





STOCK INFO

Sector	Real estate
Market Cap ($ mn)	8,887
Current Shares O/S (mn shares)	668
3M Avg. Volume (K)	8,947
3M Avg. Trading Value (VND Bn)	121
Remaining foreign room (%)	47.3
52-week range ('000 VND)	7.11 – 15.3

FINANCIALS

FINANCIALS	2023A	2024E	2025F
Revenue (VND bn)	2,756	2,093	2,600
NPATMI (VND bn)	609	480	927
ROA (%)	4.9	3.3	6.0
ROE (%)	5.8	4.0	7.8
EPS (VND)	722	368	939
Book Value (VND)	13,359	12,683	13,093
Cash dividend (VND)	550	300	300
P/E (x)	22.8	19.3	17.3
P/B (x)	1.2	0.6	1.2

INVESTMENT RATIONALES

Potential projects in Hai Phong City (Hoang Huy New City, Hoang Huy Green River, and Do Muoi)

- Projects are all located in areas expected to have high occupancy rates due to: 1/ The city's plan to relocate its administrative and political center to the Thuy Nguyen area, 2/ The gradual improvement of infrastructure to connect Thuy Nguyen new city with the central area of Hai Phong City and the VSIP-Hai Phong Industrial Park. Currently, these projects have nearly completed land clearance, with the HH New City project undergoing construction and expected to be launched in 2024

The financial situation is robust, with an attractive valuation compared to the current land bank

- Inventory is concentrated in the Hoang Huy Commerce, Hoang Huy Green River, Hoang Huy New City, and Do Muoi projects. The Hoang Huy Commerce project has been completed and handed over, expected to be the company's main revenue driver in the coming quarters. We estimated that in the FY2023, the company will record revenue of ~VND2,000 bn from the Hoang Huy Commerce apartment project from 3Q23.
- The company has a relatively healthy financial structure with: 1/ Cash and cash equivalents (~544 billion VND) and short-term financial investments, such as deposits with terms of 6 to 24 months (~2,550 billion VND), ready to be used for projects when construction begins; 2/ The company limits the use of debt to finance projects (Debt-to-Equity ratio is 0.17x).
- TCH shares are trading at a P/B ratio of 1.2x, lower than the industry average P/B ratio (1.5x), making it relatively attractively priced compared to the potential for land development in Hai Phong City (a hub for large industrial clusters in the Northern region).

RISKS TO OUR CALL

- The absorption rate of real estate products (especially low-rise products) is lower than expected.

Potential project in Hai Phong City

Figure 1: The location and progress of TCH's projects in Hai Phong City

Project	Scale (ha)	Total investment (bn VND)	Main Product	Project Progress
Hoang Huy Commerce	3.0	4,997	Apartment	Block H1 has been completed, starting handover from November 2023, with ~70% of total units expected to be handed over in FY2023. Block H2 has land use right and it is applying for investment approval.
Hoang Huy New City	8	1,500	Townhouse	Completed site clearance and land procedures. It is in the construction process and is expected to launch sales event in 2024.
Hoang Huy Green River	32	4,000	Townhouse, Social house	Completed detailed 1/500 planning, site clearance has nearly been completed.
Do Muoi	49	10,000	Townhouse, Apartment, Social house	Complete the auction process and land use fees payment.

Sources: TCH, RongViet Securities

Figure 2: TCH began recognizing real estate revenue in 3Q3 of the fiscal year 2023 (billion VND).

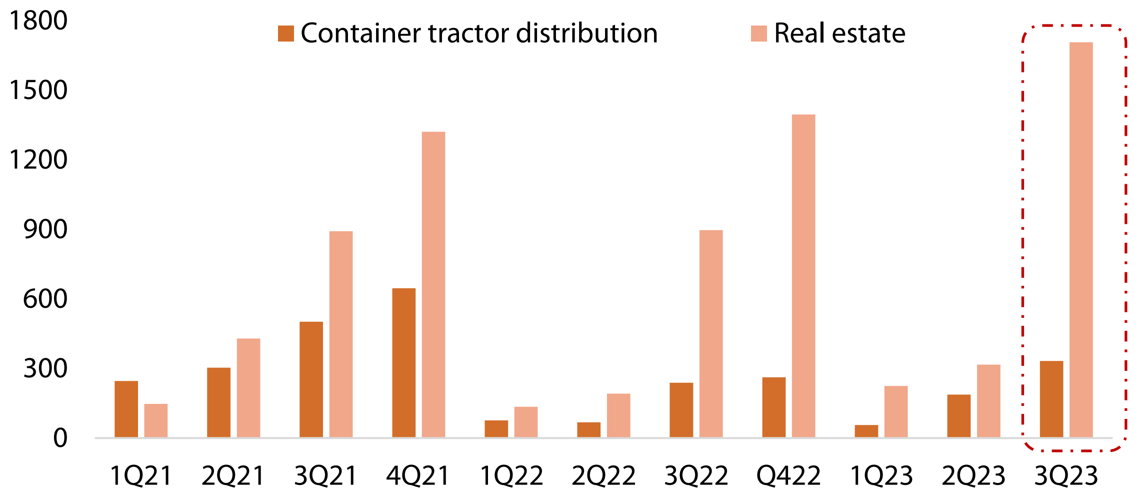


Figure 3: Asset - liability structure of TCH, with minimal use of financial leverage for project development (billion VND)

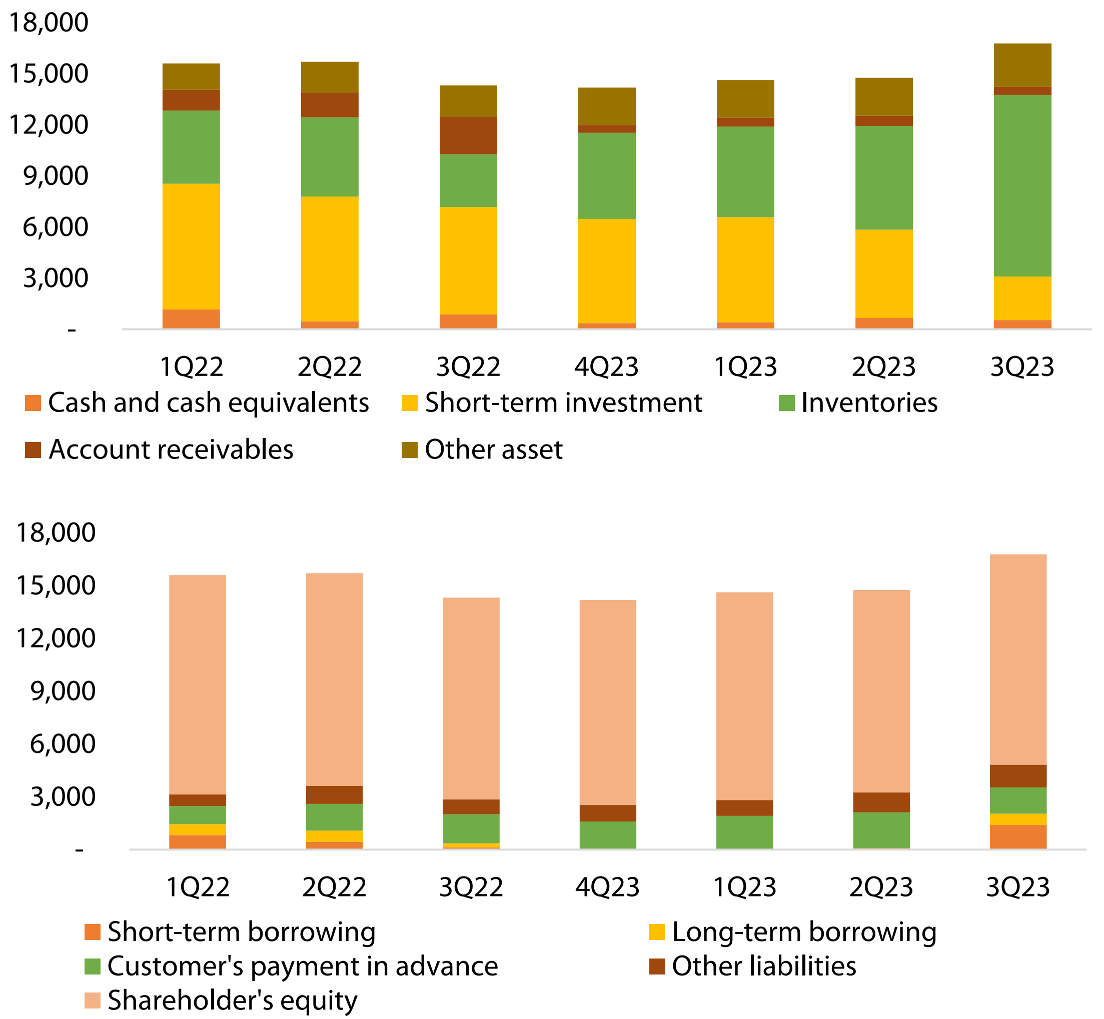
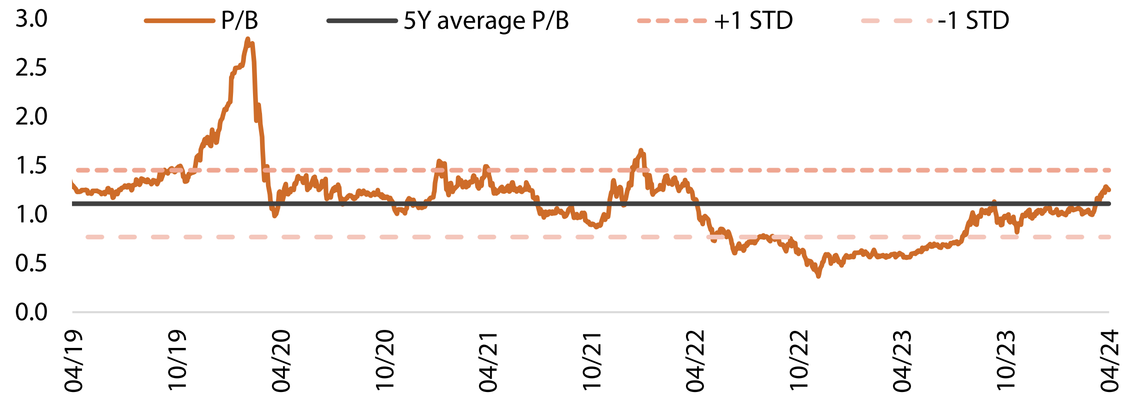


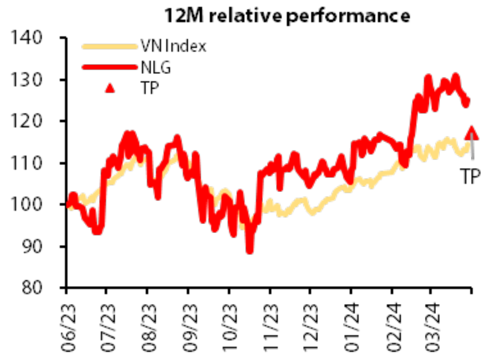
Figure 4: TCH's P/B valuation for the period 2019-2023

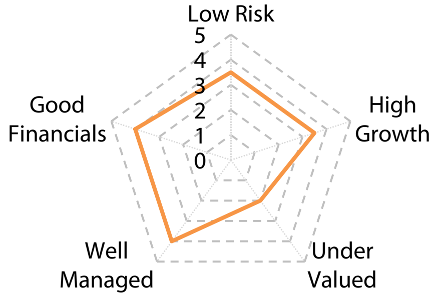


Sources: TCH, RongViet Securities

WAITING TO UNLOCK THE POTENTIAL LAND FUND IN TIER-II CITIES

NEUTRAL: +1% **MP: 39,800** **TP: 40,000**





STOCK INFO

Sector	Real Estate
Market Cap ($ mn)	609
Current Shares O/S (mn shares)	385
3M Avg. Volume (K)	3,875
3M Avg. Trading Value (VND Bn)	161
Remaining foreign room (%)	2.0
52-week range ('000 VND)	28.6 - 46.15

FINANCIALS	2023A	2024E	2025F
Revenue (VND bn)	3,181	7,716	7,608
NPATMI (VND bn)	484	559	545
ROA (%)	1.7	1.8	1.8
ROE (%)	5.2	6.0	5.9
EPS (VND)	1,263	1.446	1.410
Book Value (VND)	24,423	23,908	24,442
Cash dividend (VND)	500	500	500
P/E (x)	32.1	29.0	28.7
P/B (x)	1.7	1.7	1.7

INVESTMENT RATIONALES

Financial health and cautious business strategy have helped the company navigate through the industry's challenges.

- At the reasonable leverage ratio (debt-to-equity ratio at 70%, lower than the industry average), the company not only avoids financial pressures during market freezes but also proactively plans project developments, while offering suitable payment packages to buyers to enhance project liquidity. With a diverse project portfolio (including land lots, social housing, and affordable commercial houses), the company can strategically plan its business based on market recovery.

Sales volume has rebounded thanks to a product portfolio tailored to demand and favorable locations

- The total presales value in 2024 is estimated to increase by 50% YoY to VND 6,000bn (USD 247mn), attributed to (1) a diversified product portfolio focusing on tier-I and tier-II cities, with expectation to recover quickly with the completion of transportation infrastructure (such as the Ho Chi Minh City – Trung Luong – My Thuan – Can Tho expressway) and (2) sales policies tailored to buyers' payment capabilities. The estimated presales value in 2024 will come from (1) 250 villas in The Pearl subdivions (Waterpoint, Long An), (2) 436 apartments in block CC5 – Mizuki Park urban area, and (3) 617 land lots and 1,600 social housing units in the Nam Long Can Tho project

The business results in 2024 are expected to recover due to the handover of the Akari project and the transfer of Paragon Dai Phuoc

- Revenue is projected to reach VND 7,700bn (USD 317mn, +143% YoY), primarily from VND3,300bn from the Akari – phase 2 (completed for sale in 2022-2024) and VND 1,900bn from the handover of low-rise units at the Waterpoint urban area
- Together with approximately VND250bn in financial revenue from the transfer of 25% share in the Paragon Dai Phuoc project, the NPAT-MI could reach VND 559bn (USD 23mn,+16% YoY).

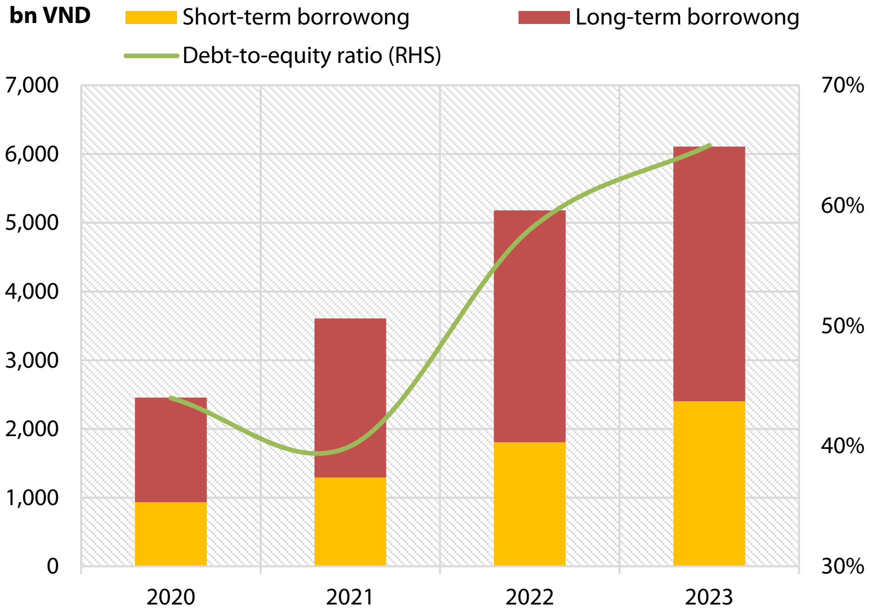
RISKS TO OUR CALL

- Delays in completing legal procedures for projects; absorption rates lower than expected (especially in high-value villa products)
- Investors may react too positively to information related to legal progress in second-tier cities or have overly high expectations for the implementation progress of social housing programs, causing stock prices to exceed reasonable values in our view

Figure 1: NLG's ready-to-launch projects, with a variety of products (Mizuki Park, Akari, Nam Long Can Tho, and the Waterpoint)

- A reasonable leverage ratio enables the company to proactively plan project development and offer payment packages tailored to buyers' capabilities to enhance project liquidity
- The company has a portfolio of projects with diverse products, allowing it to proactively devise business plans based on market recovery

Figure 2: The debt-to-equity ratio of NLG during the period 2020-2023



Source: NLG, RongViet Securities.

Figure 3: The business performance for 2024 is expected to see significant growth with the handover of Akari project and successful divestment from Paragon Dai Phuoc

The Akari: Handover of the blocks is scheduled for the second half of 2024

The Paragon Dai Phuoc: Expectations of being able to transfer 25% of shares if the legal issues in Dong Nai are expedited

Figure 4: NPATMI and profit margin of NLG during the period 2020 -2024

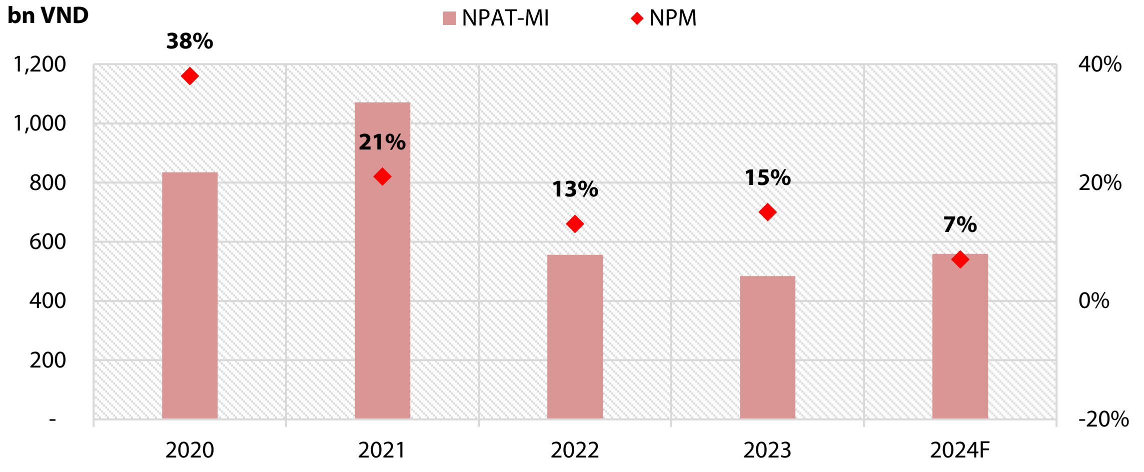
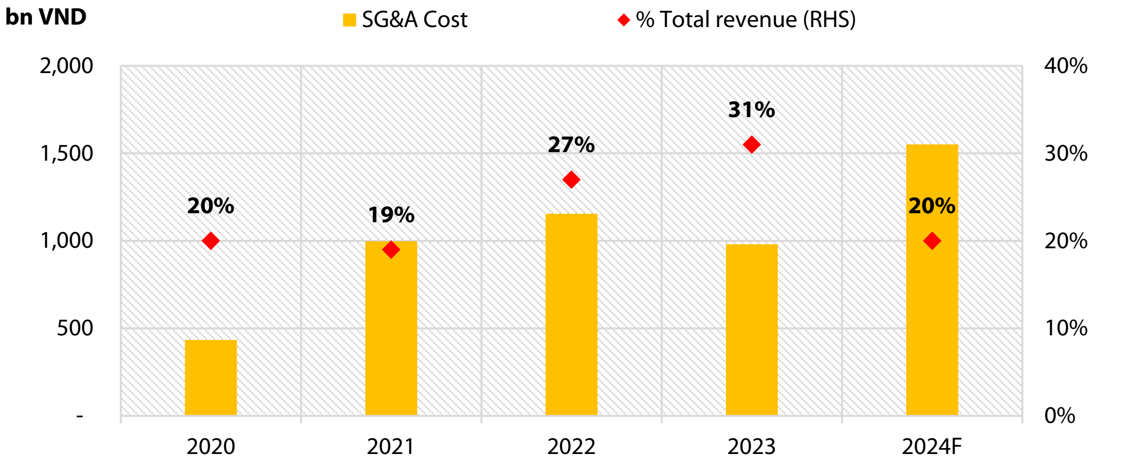


Figure 5: Selling and administrative expenses are expected to remain high, due to customer support policies

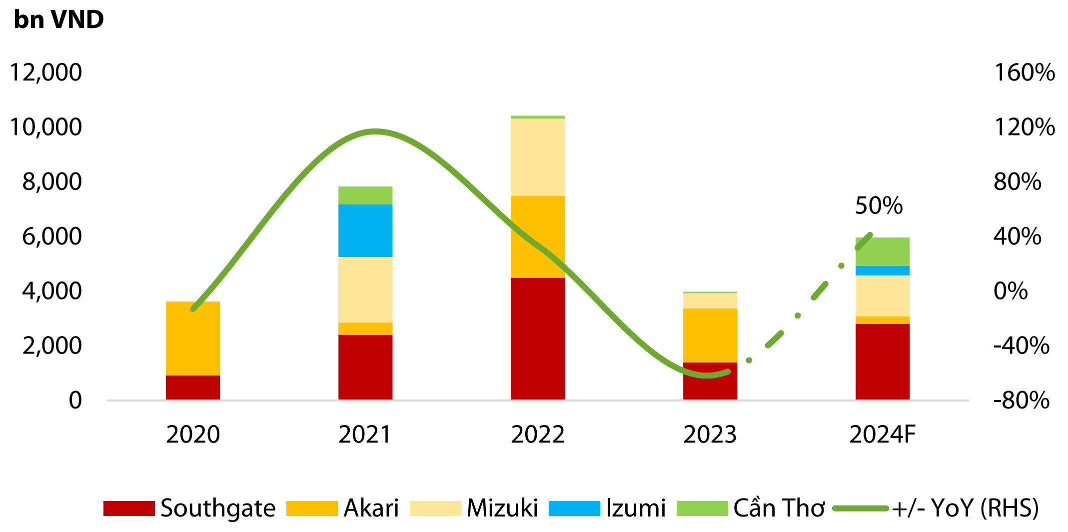


Source: NLG, RongViet Securities.

In 2024, NLG continues to focus on real estate segments with potential for high absorption rate:

- Ho Chi Minh City market and surrounding areas: It is expected to offer a variety of products, ranging from high-rise (block CC5 – Mizuki Park project) to low-rise (The Pearl, Waterpoint project)
- Second-Tier markets (Can Tho): It plans to boost the consumption of affordable products (land lots, EHomeS) at the Central Lake project in the second half of 2024.

Figure 6: NLG's sales from 2020 to 2024, along with key projects (Mizuki Park, Nam Long Can Tho, the Waterpoint).



Source: Forecast by Rong Viet Securities

Table 1: NLG's valuation summary

Project	Method	NPV
Mizuki	DCF	1,104
Akari	DCF	1,065
Southgate	DCF	3,295
Can Tho	DCF	2,131
VSIP Hai Phong	BV	34
Paragon Dai Phuoc	DCF	2,449
Izumi	DCF	5,511
Waterpoint phase 2	MV	3,642
Others	BV	622
Total		**19,853**
(+) Cash & Cash equivalents		2,540
(+) Financial investment		1,050
(+) Others		(4,145)
(-) Liabilities		(3,705)
Net asset		**15,593**
Shares outstanding (millions of shares)		385
Target price		**40,000**

Source: Forecast by Rong Viet Securities

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