RONG VIET SECURITIES

PRELIMINARY 2H2021 OUTLOOK

RESIDENTIAL REAL ESTATE

BRIGHTER OUTLOOK FROM Q4 2021

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1. Market overview 1H 2021

- The recovery of supply slowed down due to the Covid-19 pandemic, causing price to increase in all segments. In which, mid-end is main theme covering 79% of total new launches.
- Developers leverages technology to adapt to Covid-19.

2. Market outlook 2H 2021

- Infrastructure development is the key driver for growth.
- Improved legal framework is a mid to long-term solution for supply problems.
- Low-interest rates support home buying demand.
- Risks: Complicated situation of the Covid-19 would severely affect sales in Q3.

3. Appendix

- Supply recovered quickly in Q2 but slowed down when the Covid-19 broke out in June. In 1H2021, supply came from the West (31%) and the South (26%), East (22%). In which, Pi City (D.12), VHM Grand Park (D.9) and Grand Marina (D.1) were key contributors.

↑ 130% QoQ ↓ 9% YoY (6M2021)

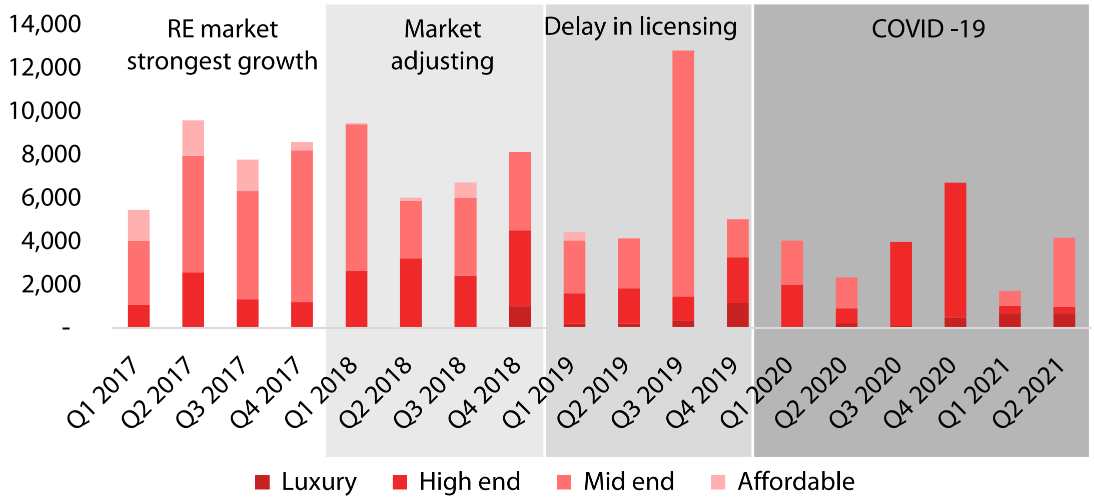
New supply

- In Q2/2021, the market recognized positive sales from the East (District 9), accounting for ~25% sold units per JLL, thanks to the Thu Duc City establishment and its good location with many nearby large-scale infrastructures: Metro No.1, Long Thanh Airport, Thu Thiem 2.

↑ 76% QoQ ↑ 28% YoY (6M2021)

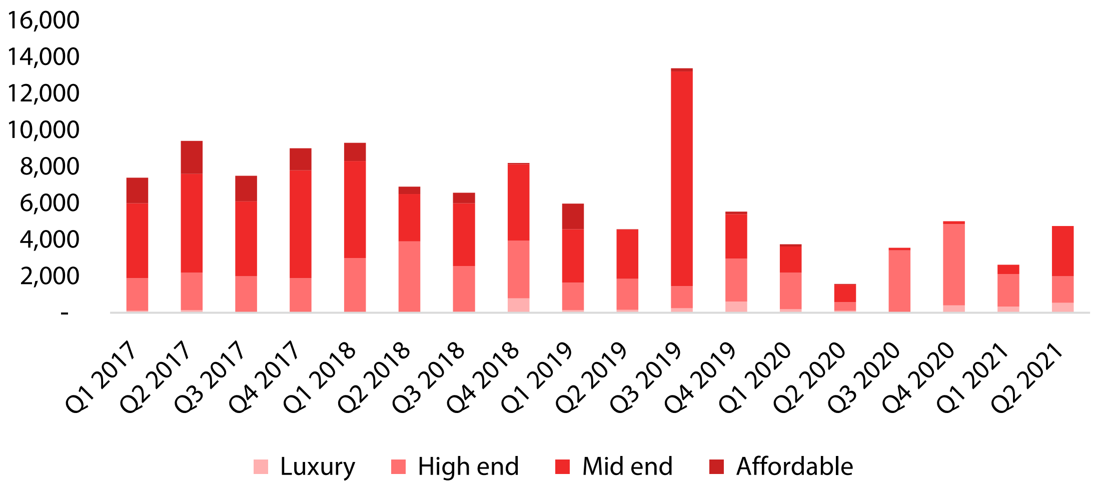
Units sold

Figure 1: New supply in HCMC (Units)



Source: CBRE

Figure 2: Units sold in HCMC (Units)



Source: CBRE

- Supply decreased QoQ due to the Covid-19 outbreak return in May. Supply mainly came from the West and East (~80%). In which, Panorama Hoang Van Thu, Vinhomes Ocean Park and Vinhomes Smart City project were the main contributors.

-20% QoQ | 10% YoY (6M2021)

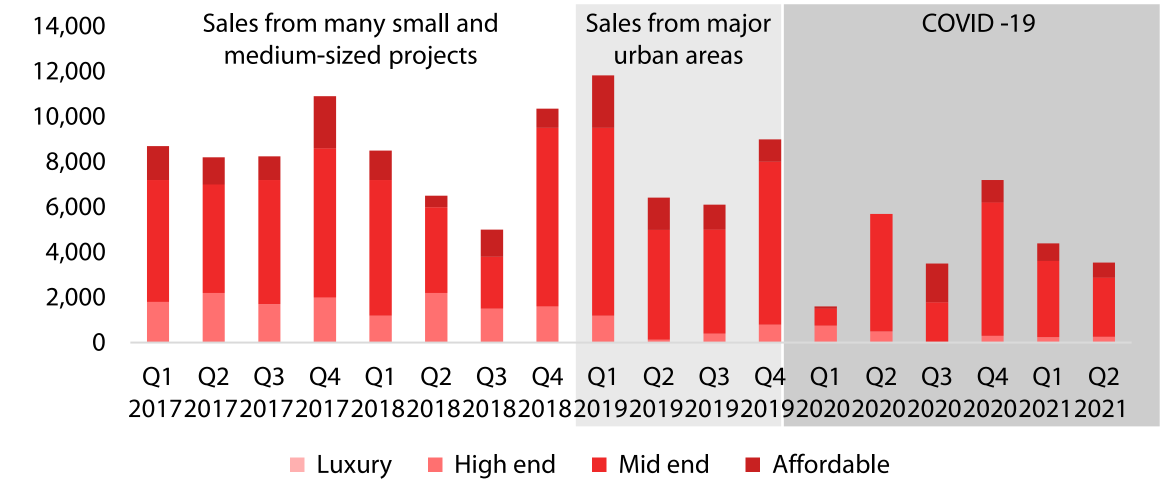
New supply

- Projects from township developments covered ~60% of sold units in 1H 2021. In which, Nam Tu Liem (44%), Gia Lam (18%), Cau Giay (12%) were key regions contributing to total units sold.

-6% QoQ | 20% YoY (6M2021)

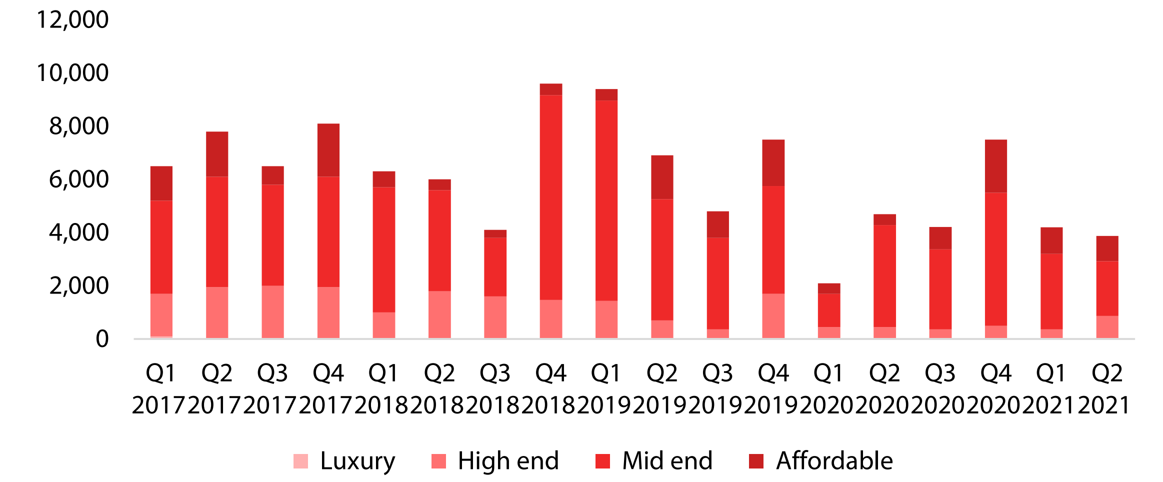
Units sold

Figure 3: New supply in Hanoi (units)



Source: CBRE

Figure 4: Units sold in Hanoi (units)



Source: CBRE

Price increased across all segments given the continuous supply limitation.

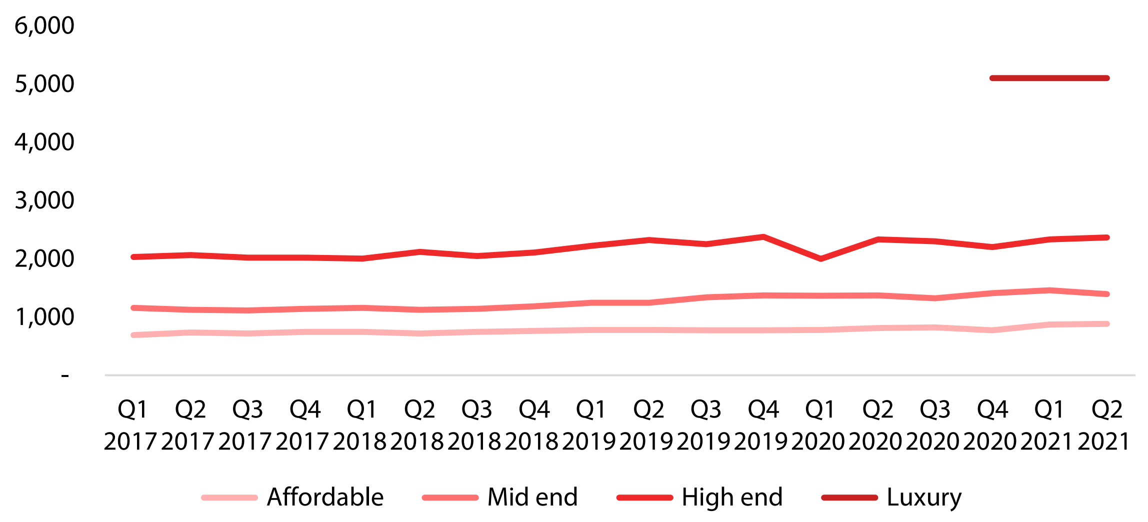
Hanoi

- Prices increased in all segments; the affordable segment increased sharply (+9.1% YoY) given the scarcity in supply of this segment vs other segments.

HCMC

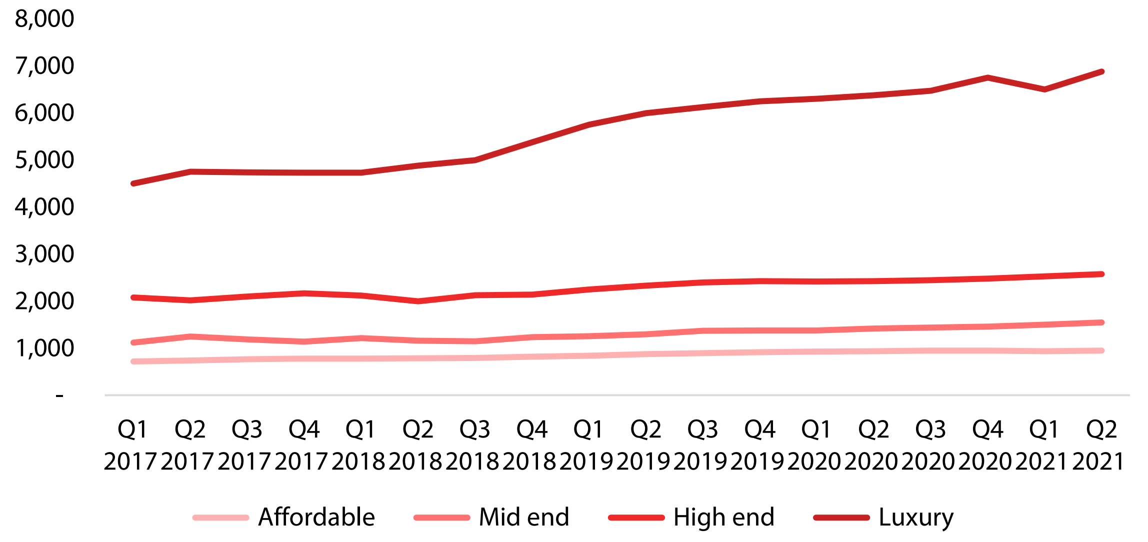
- The luxury segment price increase was the strongest in Q2 2021 (+9.2% YoY) due to supply shortage, entrance of ultra-luxury units (Grand Marina in District 1, launched in Q2 2021)

Figure 5: Condominium primary price in Hanoi (USD/sqm)



Source: CBRE

Figure 6: Condominium primary price in HCMC (USD/sqm)



Source: CBRE

Real estate developers pay more attention to technology applications

- In the context of faster digital transformation and complicated developments of the Covid-19 pandemic, developers leveraged online channels to adapt.
- In April 2021, Vinhomes launched an e-commerce platform to help customers buy, sell and rent houses. Moreover, Novaland also use KOLs and livestream methods for selling its products.

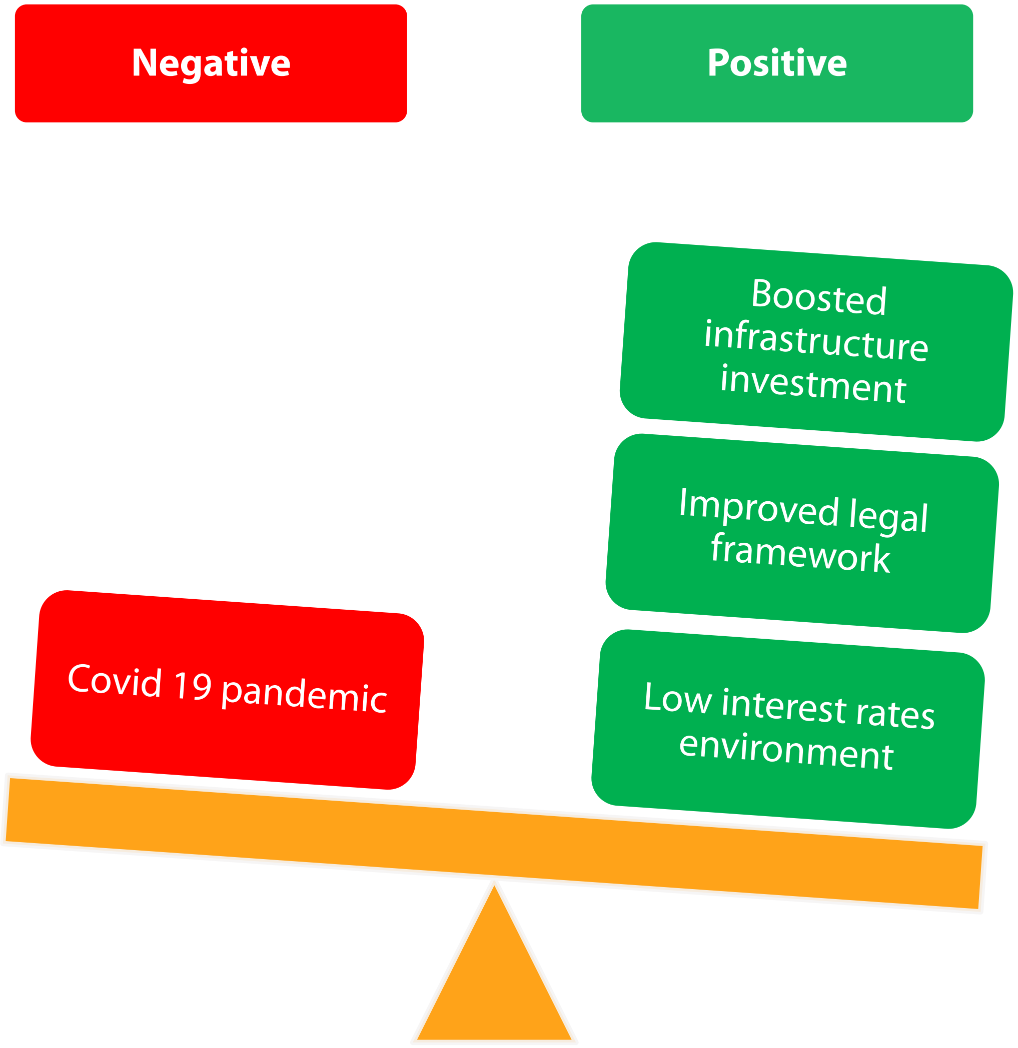
Figure 7: New management software for real estate businesses

Source: Rong Viet Securities

Figure 8: Vinhomes' e-commerce platform

Source: Vinhomes

In 2H2021, we believe that boosting public investment focusing on transport infrastructure will be the key driver of the real estate industry. Besides, legal conditions will be more favorable from positive changes in the Law on Amendments to Construction Law 2020 and the Investment Law 2020 (effective from January 1, 2021), Decree 148/2020/ NĐ-CP (effective from February 8, 2021) along with other laws. In addition, the low interest rate environment is likely to keep demand stable.However, the main concern is the return of Covid 19 given its severe effect on sale events and project construction.



2H 2021 POSITIVE FACTORS

BOOSTED INFRASTRUCTURE INVESTMENT

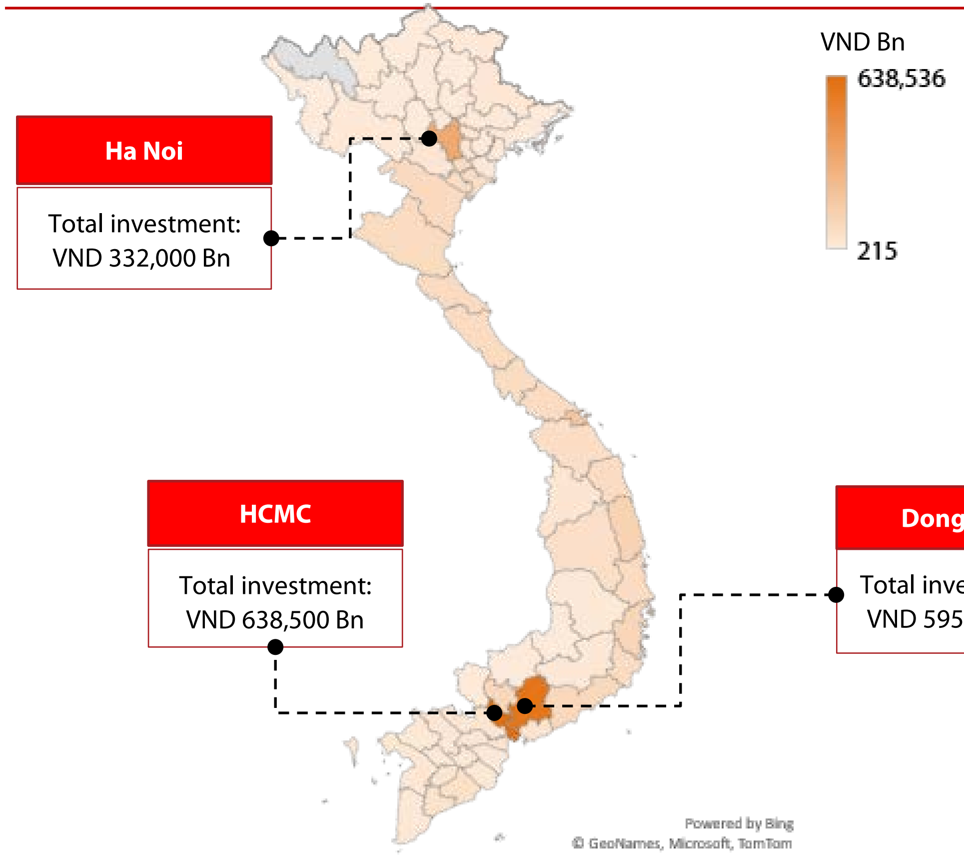
IMPROVED LEGAL FRAMEWORK

LOW INTEREST RATE ENVIRONMENT

Infrastructure is the main catalyst for the medium to long term

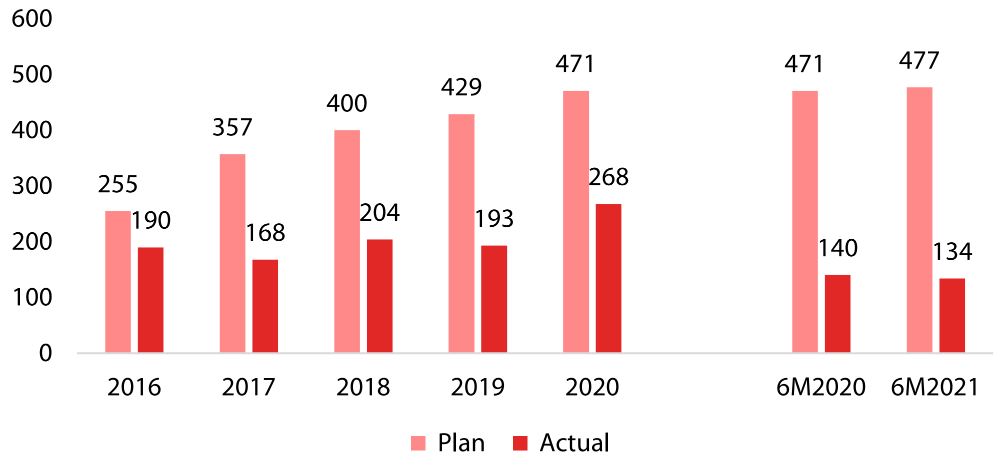
- The total estimated budget for the medium-term public investment plan for the 2021-2025 period is **VND 2,870 Trillion (or USD 120 Bn)**, an increase of **+43%** compared to the period 2016-2020 (VND 2,000 Trillion, or USD 87 Bn).
- Most of the public investment capital is for **transport infrastructure**.

Figure 9: Total planned infrastructure investment by provinces for 2021-2025



Source: Rong Viet Securities

Figure 10: Public investment disbursement plan and actual implementation 2016 - 6M2021 (VND trillion)



Source: GSO, Rong Viet Securities

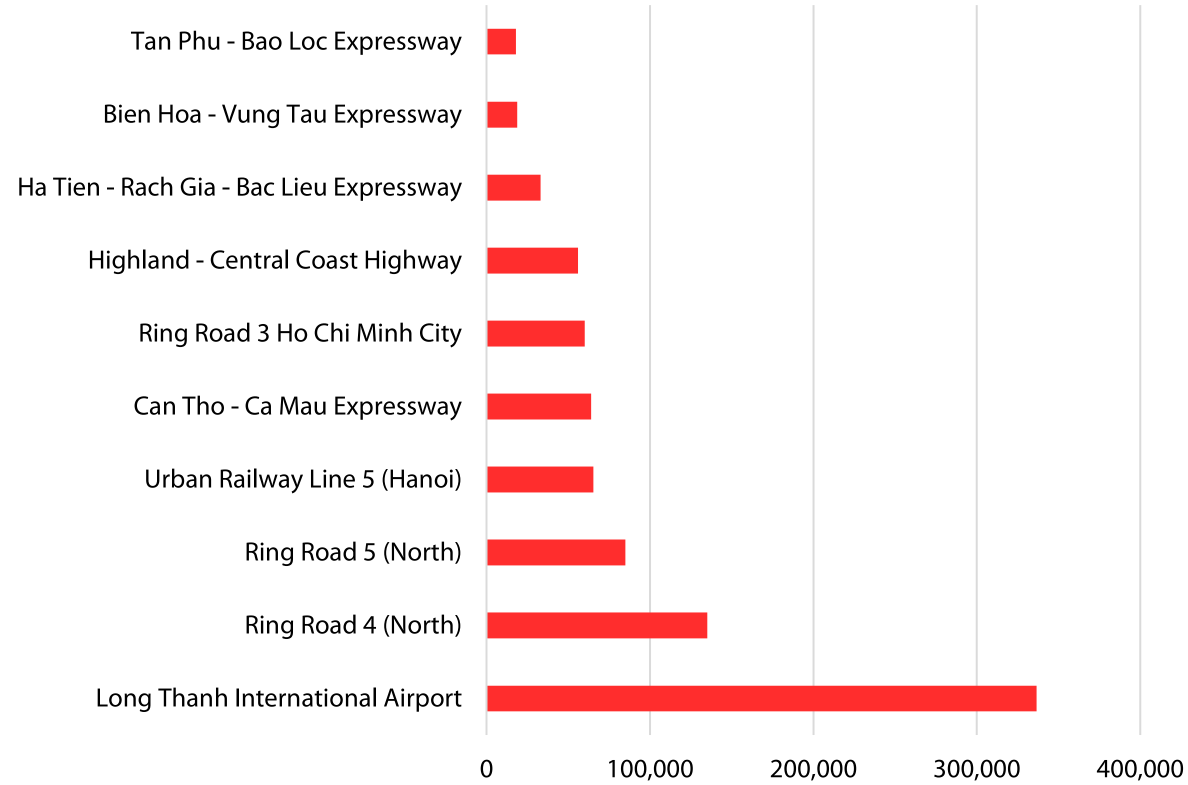
Improved public investment

- The Prime Minister has just issued **Directive No. 13/CT-TTg** dated May 23, 2021, on **accelerating** the progress of medium-term public investment in the 2021-2025 period.
- Therefore, we expect better public investment disbursement.

Infrastructure is the main catalyst for the medium to long term

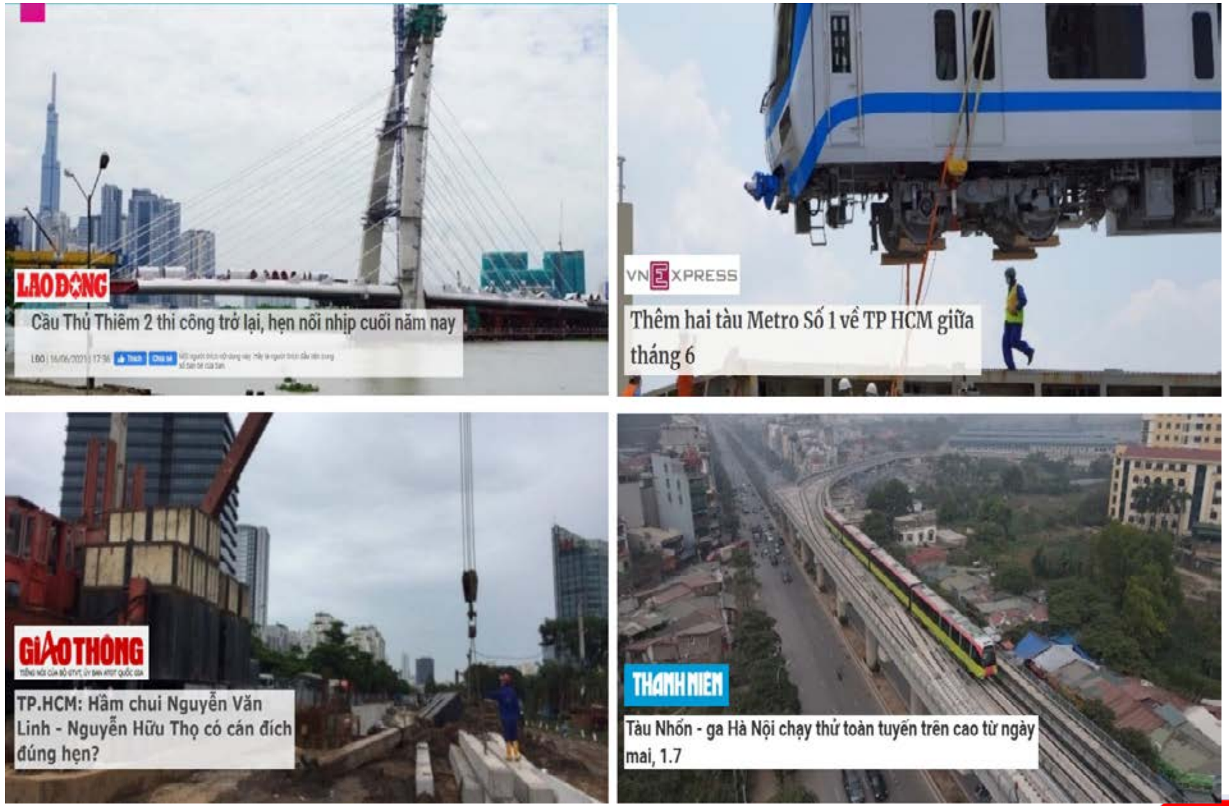
- **Thu Thiem 2, Metro 1 and Trung Luong – My Thuan** are notable large-scaled projects with expectation to be completed during 2021 – 2022

Figure 11: Some notable infrastructure projects 2021-2025 (VND Bn)



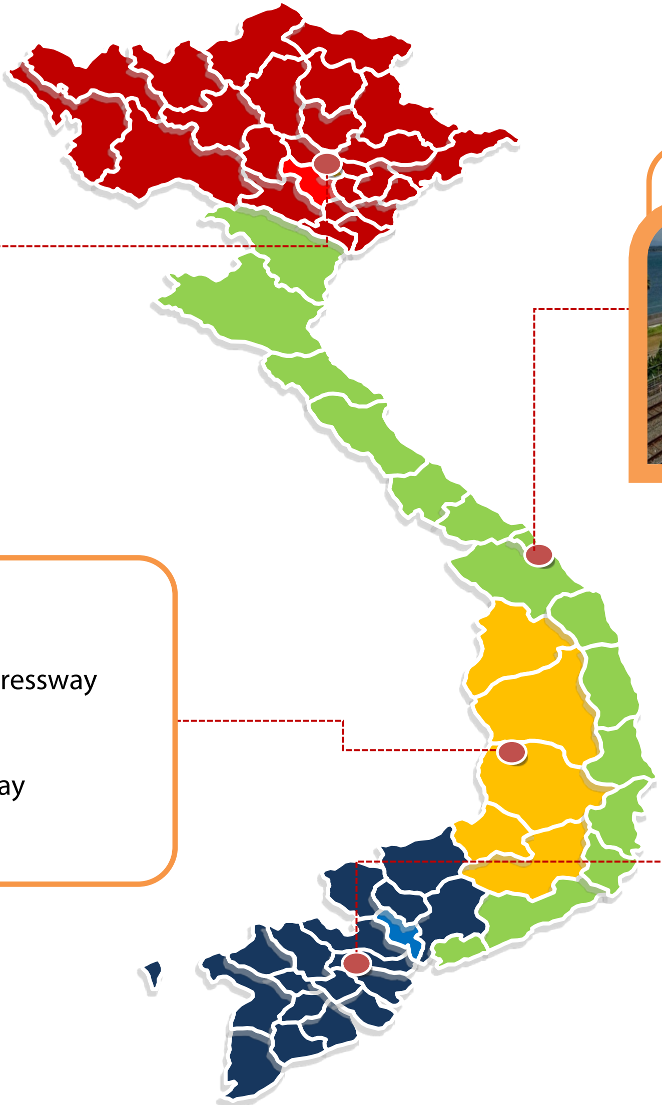
Source: Rong Viet Securities

Figure 12: Key projects promised to be completed during 2021 - 2022



Source: CBRE, Rong Viet Securities

Major infrastructure projects to be deployed in the period 2021-2035



The North

- Hoa Binh - Moc Chau Expressway
- Huu Nghi - Chi Lang Expressway
- Dong Dang - Tra Linh Expressway
- System of ring roads
- Hanoi urban railway system

Central Coast

- North-South Expressway
- North-South high-speed Railway

Central Highland

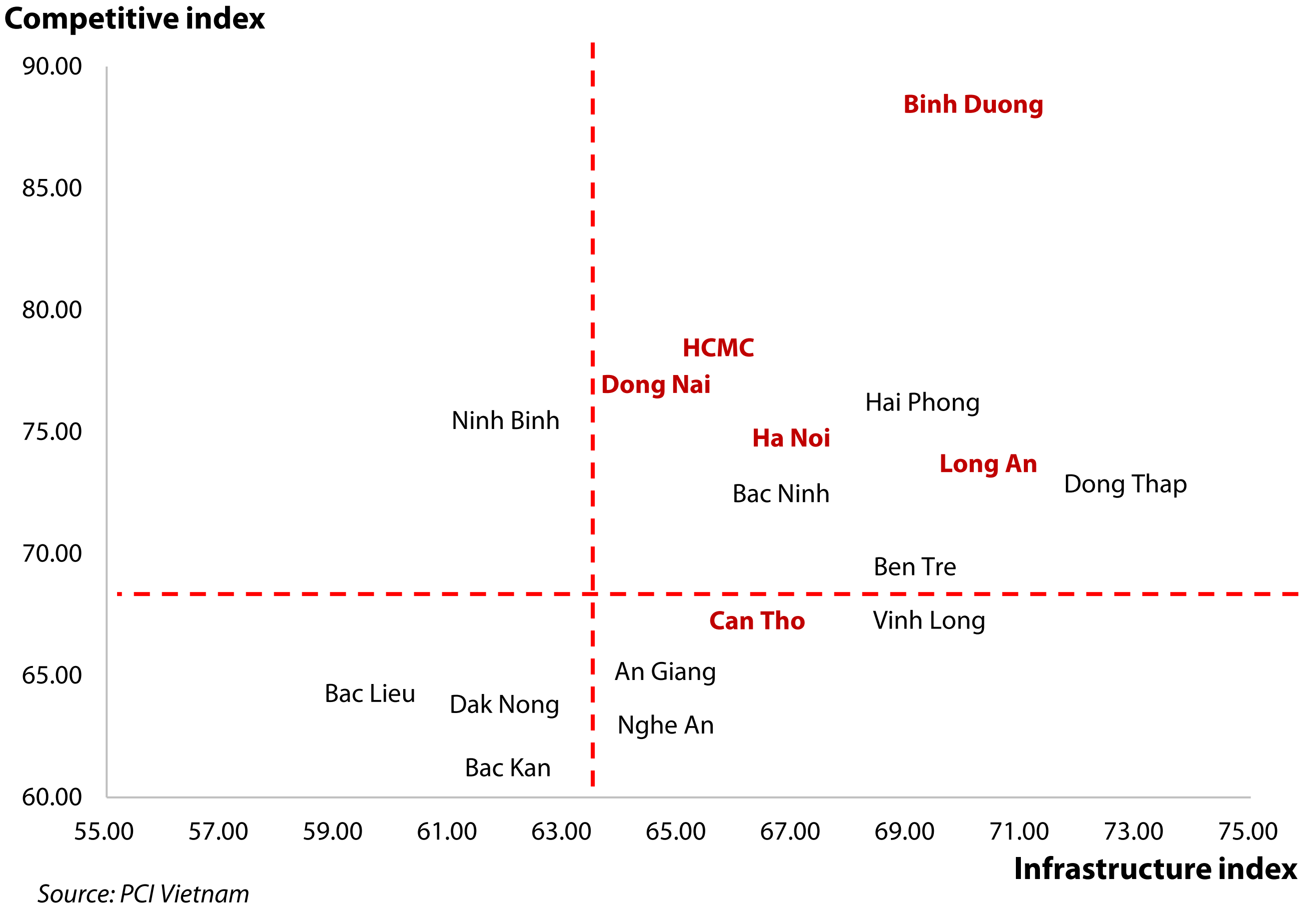
- Buon Ma Thuot - Nha Trang Expressway
- Tan Phu - Bao Loc Expressway
- Highland - Central Coast Highway

The South

- Phan Thiet - Dau Giay Expressway
- Bien Hoa - Vung Tau Expressway
- Can Tho - Ca Mau Expressway
- Ho Chi Minh City - Thu Dau Mot - Chon Thanh Expressway
- Ho Chi Minh City Metro lines
- Long Thanh International Airport

Source: Rong Viet Securities

Figure 13: Provincial Competitiveness and Infrastructure Indices (2020)



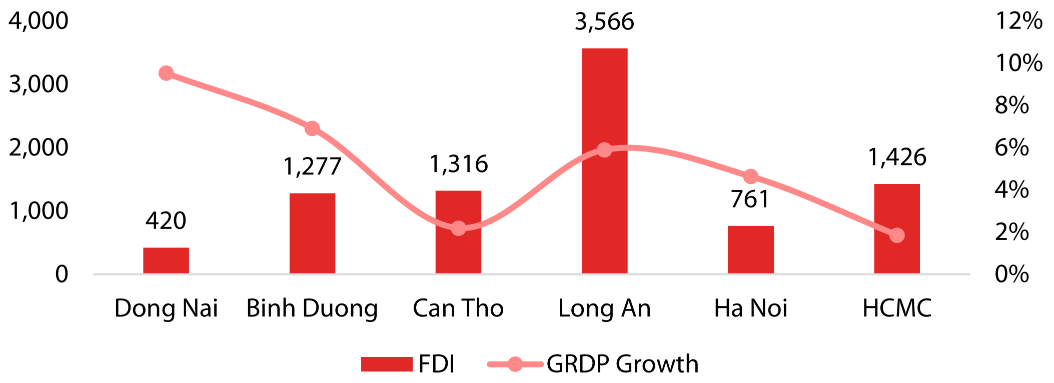
Source: PCI Vietnam

Note: The group of potential provinces is the group in the first quadrant, with the competitiveness index and infrastructure index greater than the national median.

NOTABLE PROVINCES

- Among the provinces, the most prominent provinces are **Ho Chi Minh City, Hanoi, Long An, Dong Nai, Binh Duong and Can Tho**
- These are localities that both have advantages in infrastructure development along with good competitiveness.
- The growth rate of GRDP along with foreign direct investment (FDI) is always among the top in the country.

Figure 14: FDI (June 2021, trillion) and GDP growth (2020)



Source: Rong Viet Securities

HCMC: K-coefficient and major infrastructure projects

- HCMC **leads the nation in budgeted infrastructure investment for 2021-2025 (~VND 638,500 billion or USD 28 Bn)**. Notable projects include Metro No.1, Ring road 3, Thu Thiem Bridge 2.
- The revised K-coefficient (land adjustment coefficient) **accelerates compensation procedure for at least six months by making the compensation price closer to the market price.**

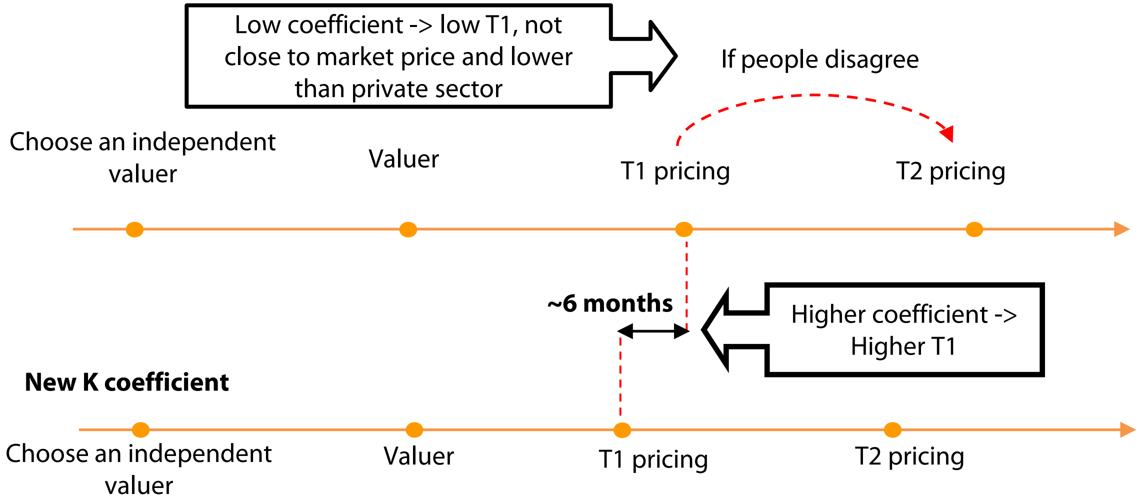
NOTABLE PROJECTS

Thu Thiem bridge 2

Metro No 1

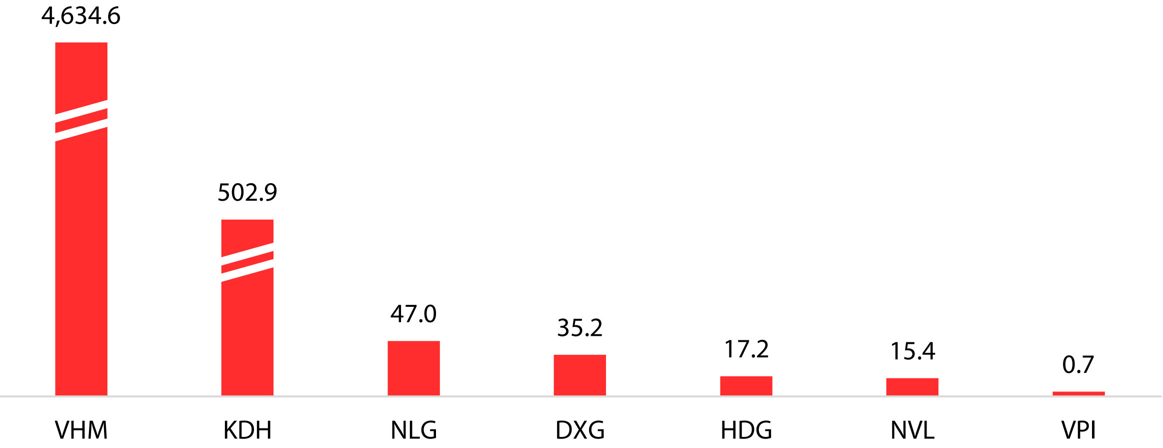
HCMC – Long Thanh – Dau Giay expressway

Figure 15: "Before and after" with the adjustment for K coefficient



Source: Rong Viet Securities

Figure 16: Land bank of listed companies in HCMC (ha)

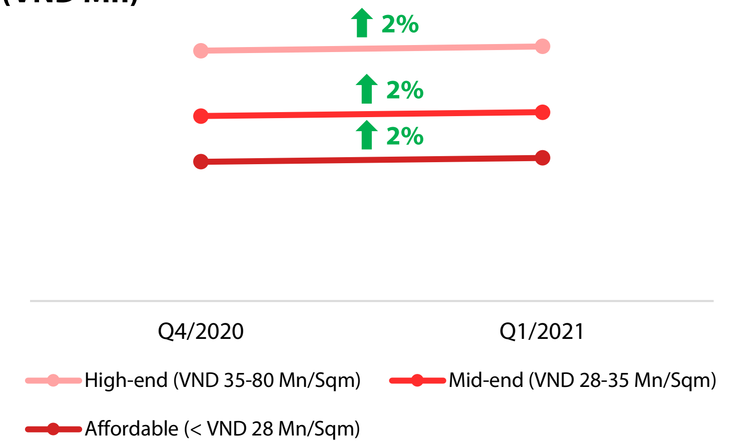


Source: Rong Viet Securities

Ha Noi

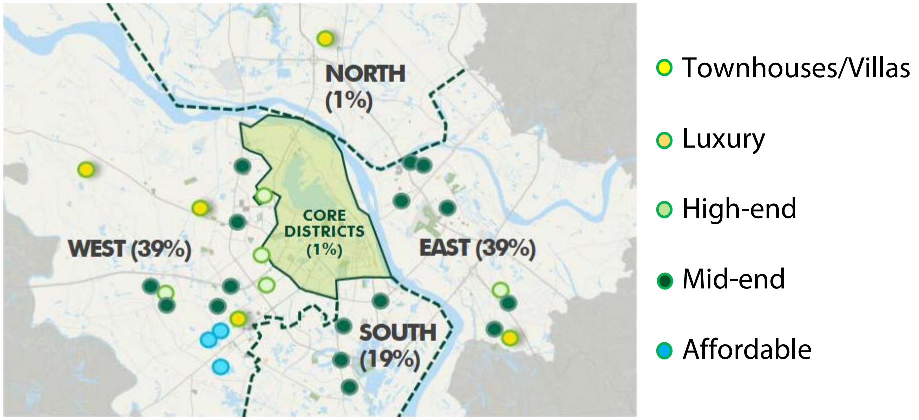
- The economic, political and social center of the country, security and safety.
- Currently, the trend of Hanoi real estate is shifting to **the East given the upgrade of eight wards to districts from 2026 - 2030**
- The apartment market is still favorable given customer interest of **+21%** (QoQ) and asking price **+2.6%** (QoQ) in Q2/2021 (according to statistics from Batdongsan.com).

Figure 17 : Average asking price volatility in Hanoi (VND Mn)



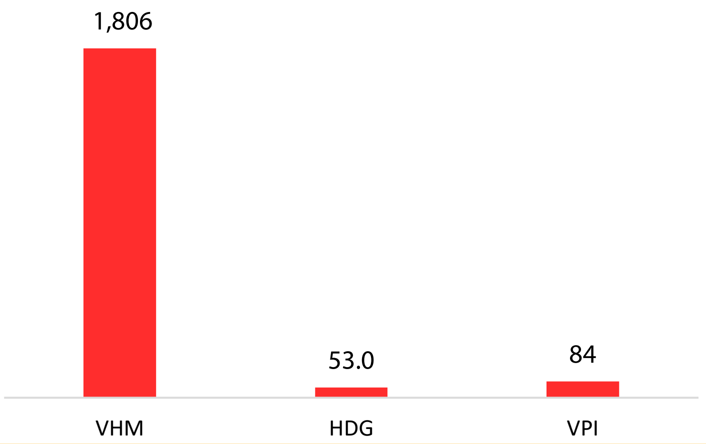
Source : Batdongsan.com

Figure 18: Supply map of apartments for sale in Hanoi 6M/2021



Source: CBRE

Figure 19: Land bank of some large real estate developers in Hanoi (ha)

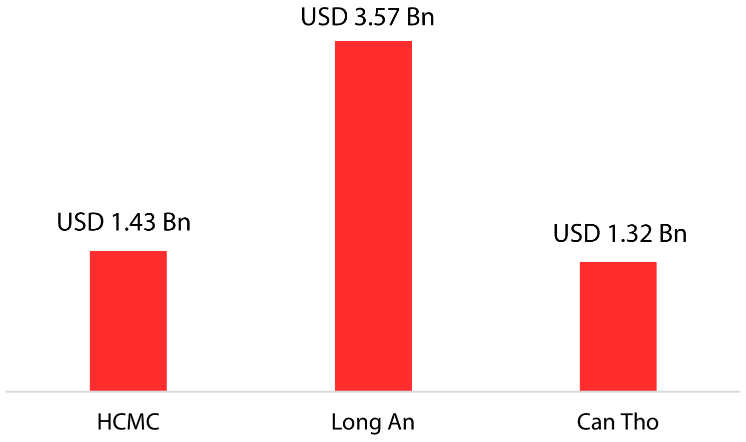


Source: Rong Viet Securities

Long An

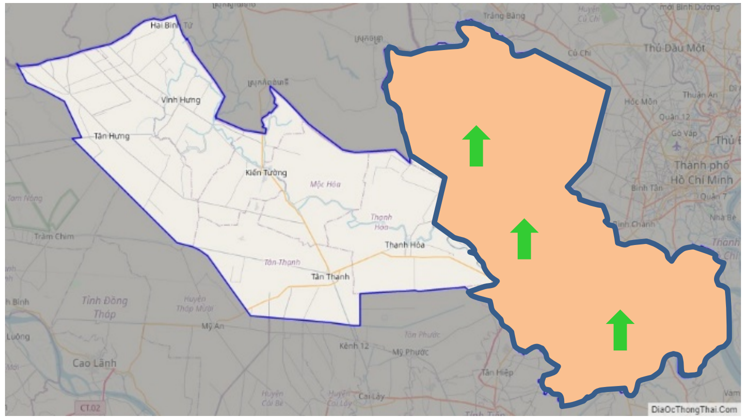
- **The hyphen** between the two key economic regions of the East and the Southwest, attracting the highest FDI in the country in H1 2021.
- Expanded area to relocate industrial plants most conveniently way from HCMC.
- Between 2021 and 2025, Ho Chi Minh City will upgrade 3 districts of Binh Chanh, Nha Be, and Hoc Mon into **urban governments** that actively support the price of Long An real estate in neighboring districts.
- Many infrastructure projects are being implemented: upgrading national highways 1A, 50, 62, N2. Expressways Ho Chi Minh City - Trung Luong, Ben Luc - Long Thanh. From 2021 to 2025, Long An is expected to spend about **VND 21,416 Bn** to invest in infrastructure upgrading and urban development.

TOP 1 FOR FDI ATTRACTION 6M/2021



Source: Foreign Investment Department

Figure 20: Potential areas to increase prices when 3 districts of HCMC level up



Source: Rong Viet Securities

infrastructure

Industrial Park

High connectivity between the region and industrial zones is the main driver of the price increase of Long An real estate

Source: Rong Viet Securities

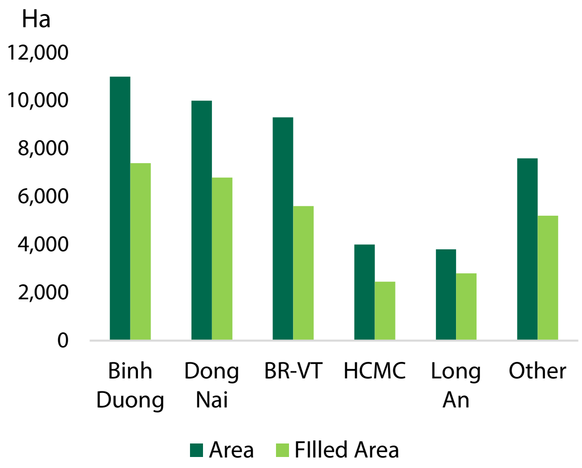
Nam Long is a notable player with 355 ha of land banks in Long An

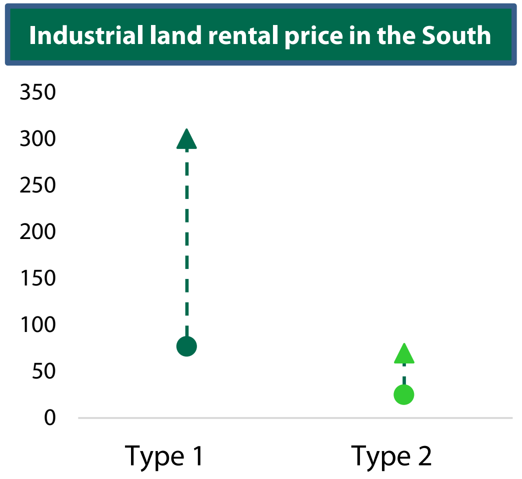
NAM LONG

Binh Duong: Leading region regarding the number of industrial parks and GDP per capita

- Total area of industrial parks ranks #1 in the country: **62 industrial parks** with nearly **11,000 ha.**
- GDP per capita is the highest in the country with about **VND 7.034 Mn/month,** which is a key catalyst for sustainable demand given the higher purchase area than other regions in general.
- Notable future infrastructure projects promoting Binh Duong real estate: My Phuoc Tan Van overpass, HCMC - Thu Dau Mot - Chon Thanh Expressway.

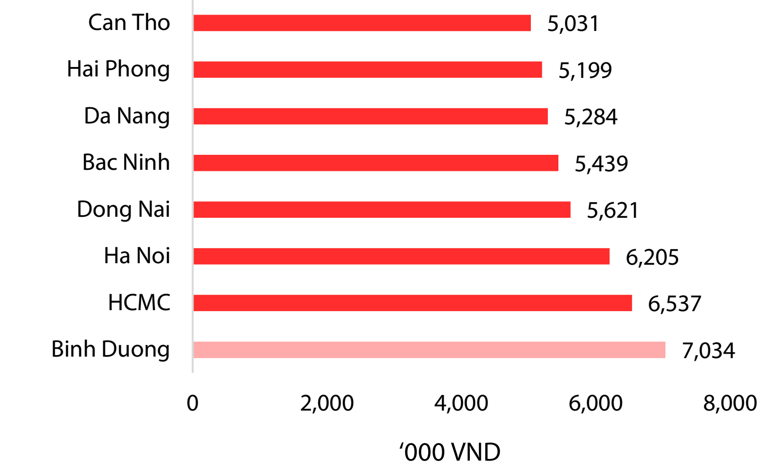
TOP TOTAL AREA OF INDUSTRIAL PARKS





Source: *CBRE, Rong Viet Securities*

TOP GDP PER CAPITA

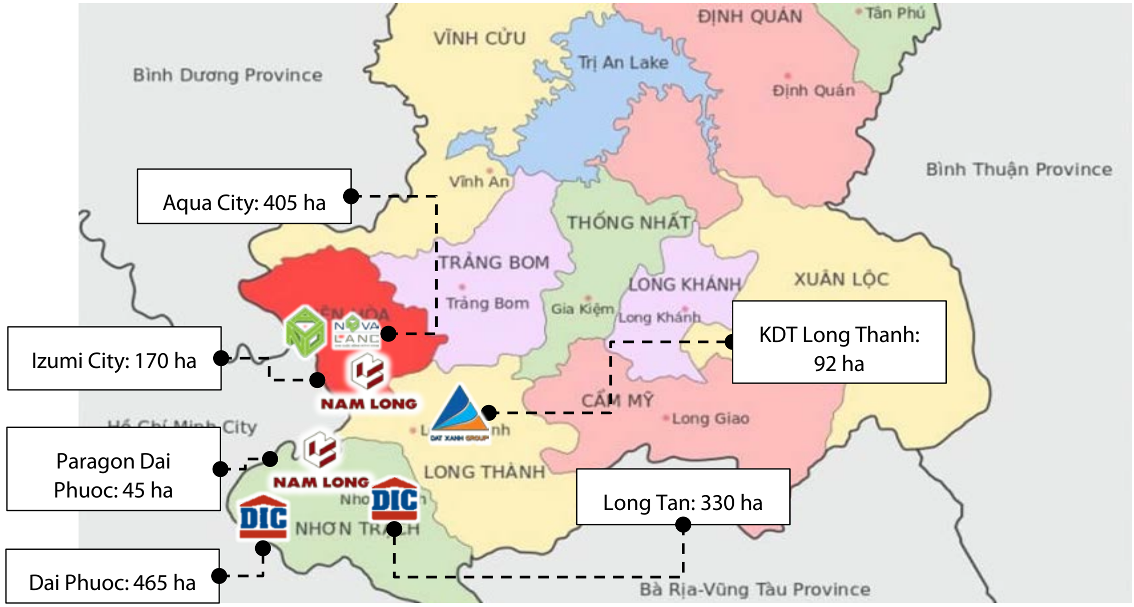


Source: Rong Viet Securities

Dong Nai: Adjacent to the East of Ho Chi Minh City with several infrastructure projects

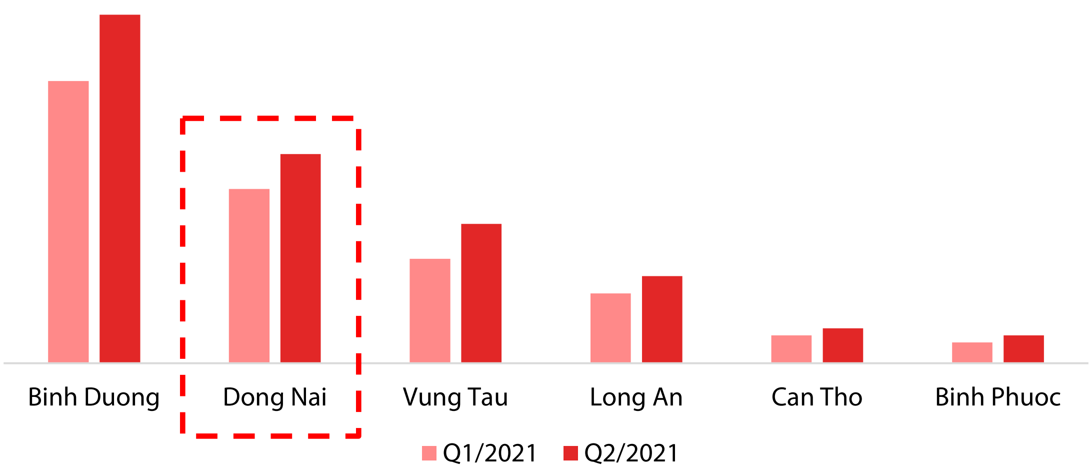
- Favorable geographical location, adjacent to Ho Chi Minh City and many key infrastructure projects connecting with neighboring areas: Ho Chi Minh City - Long Thanh - Dau Giay, Ring road 3 and Long Thanh International Airport...
- Dong Nai continues to receive a lot of attention from investors in 6M2021, ranking 2nd according to Batdongsan.com. Dong Nai will continue to be an attractive market due to: (1) the land bank is still abundant and cheaper than HCMC, (2) the connective infrastructure would shorten the travel time from Dong Nai to HCMC.

Figure 21: Residential projects of listed companies in Dong Nai



Source: Rong Viet Securities

Figure 22: The level of interest in the southern provinces (Index)

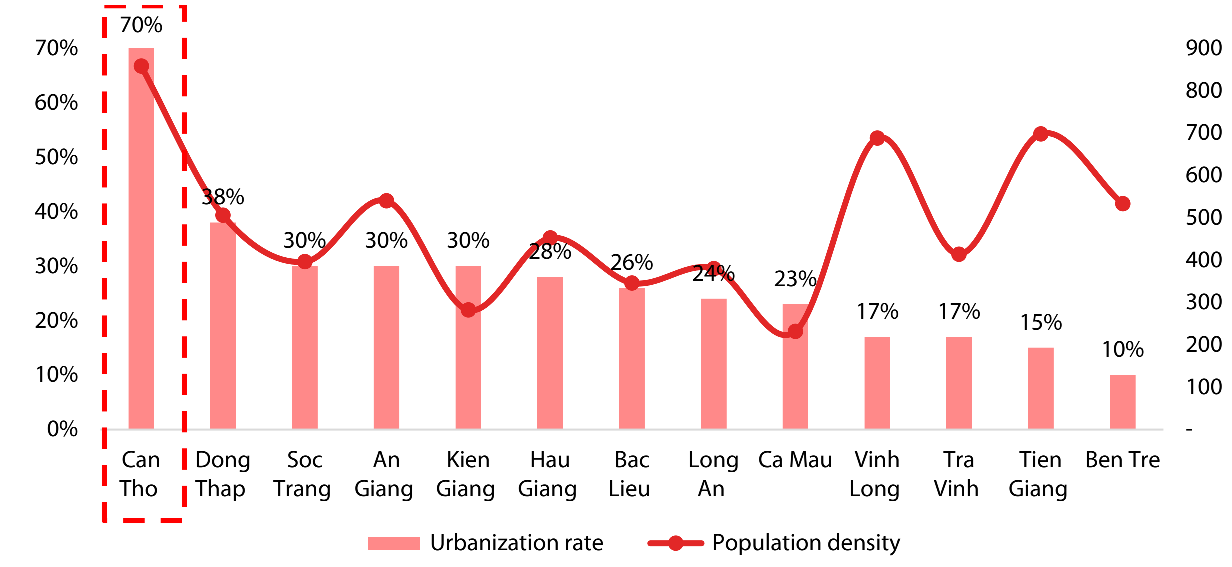


Source: Batdongsan.com

Can Tho: To be the most vibrant real estate market in the Mekong Delta

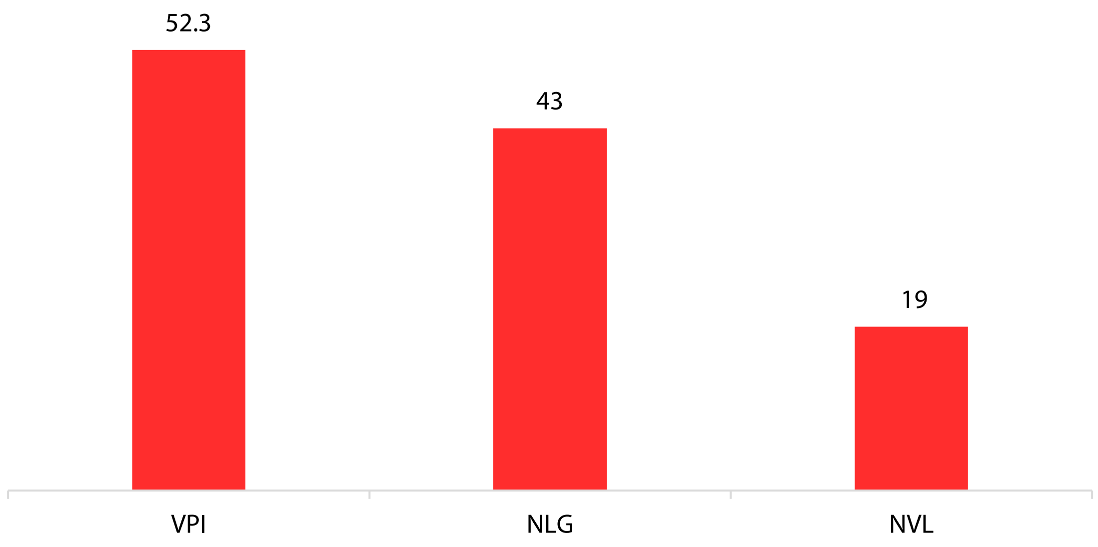
- Being the urban center of the Mekong Delta, Can Tho has high population density and high urbanization rate compared to neighboring provinces.
- Large land banks at low price.
- Transport infrastructure has seen investments. Particularly, there are several expressway projects connecting to HCMC such as Trung Luong - My Thuan and My Thuan - Can Tho highways (shortening the time to HCMC to only two hours), or with other areas in the region, such as Can Tho - Ca Mau highways, Chau Doc - Can Tho - Soc Trang highways, etc.

Figure 23: Urbanization rate (%, LHS), population density (people/km2, RHS)



Source: General Statistic Office, Rong Viet Securities

Figure 24: Land bank of listed companies (ha)

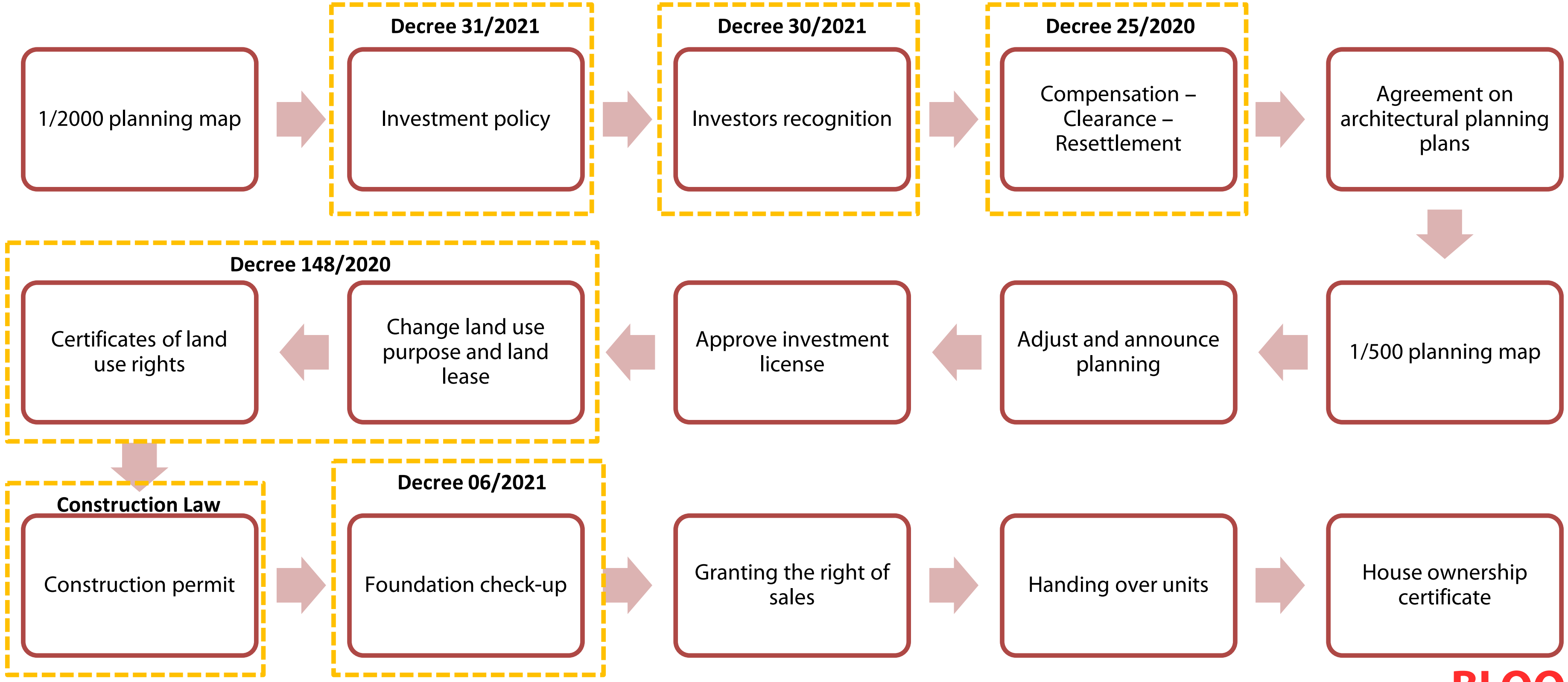


Source: Rong Viet Securities

New decrees and laws show consistency in the legal system and support the real estate investment processes.

- In early 2021, many new laws and decrees took effect, uniting the legal system of the real estate industry.
- There are issues that have not been completely resolved. For example, some projects whose type of land use is agricultural or non-agricultural land yet residential have been stuck in investor recognition step for many years. The new decrees/laws have not addressed that yet.

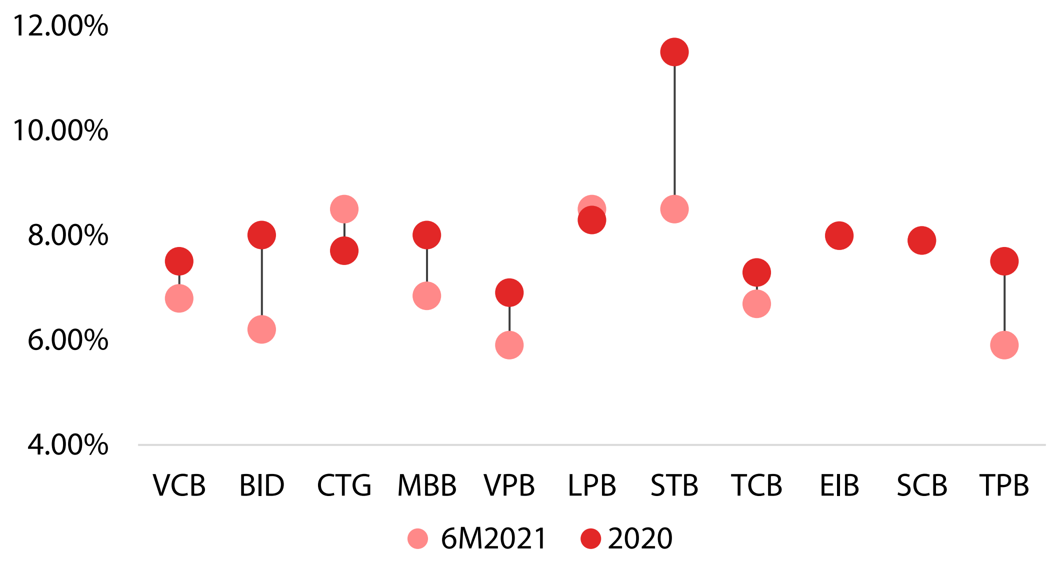
Figure 25: Typical legal process for a real estate project and positive impact of several Decrees and Laws



Source: Decree 59/2015/ND-CP, Investment Law 2014, Construction Law 2020, Rong Viet Securities

INTEREST RATES REMAINED LOW

Figure 26: Home loan preferential interest rates 2020 and 6M2021

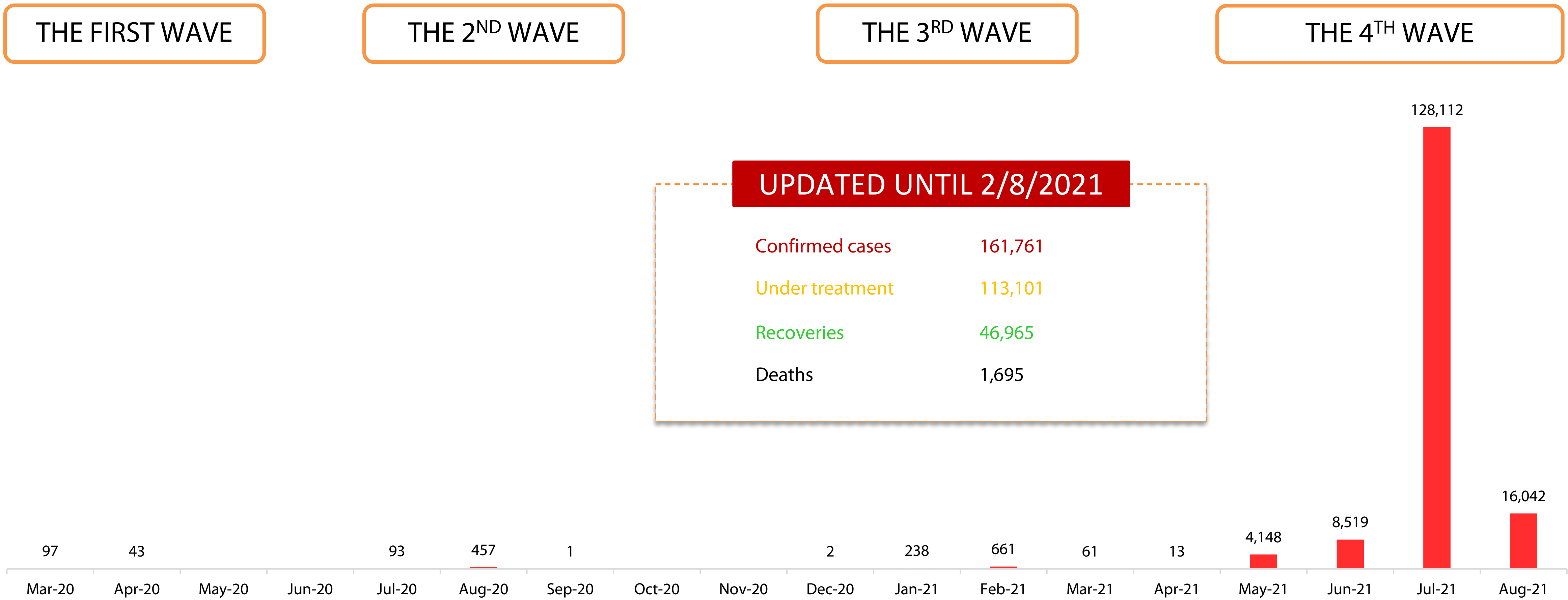


Source: Rong Viet Securities

- As of June 2021, domestic banks still maintained low home loan interest rates and even continued to decrease them rate slightly compared to that at the end of last year.
- Given the current complicated situation of the Covid-19 pandemic, we believe that the central bank will prolong its loose monetary policy to support economic growth. Therefore, the low-interest rate environment, at least until the end of this year, will be maintained.

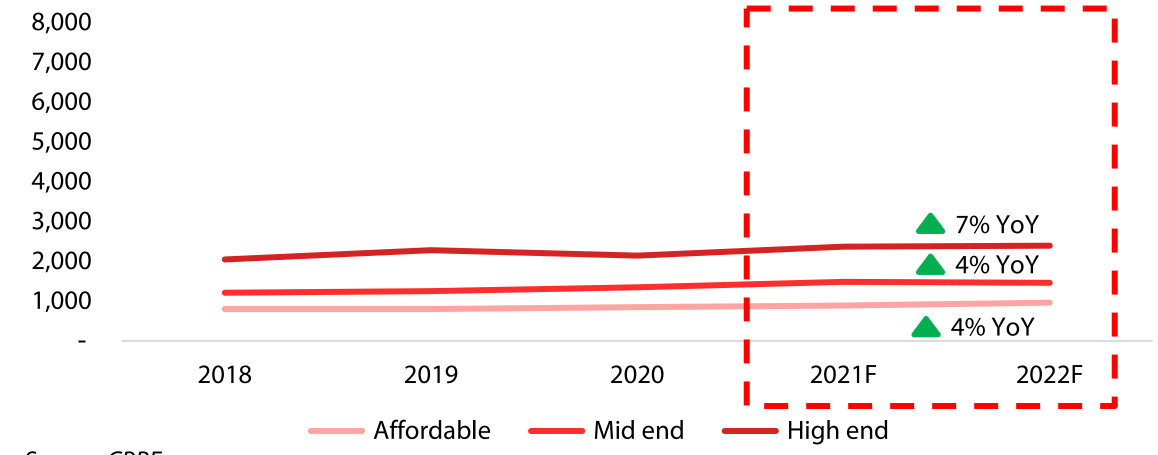
- Covid19 affects construction procedure in Q3 2021. We expect the resumption of activities including sale launches and construction to ramp up in Q4 2021 given the opening of the economy, per our macro view. However, it will strongly affect the market if the lockdown continues in Q4 2021

Figure 27: The fourth Covid-19 wave was severe



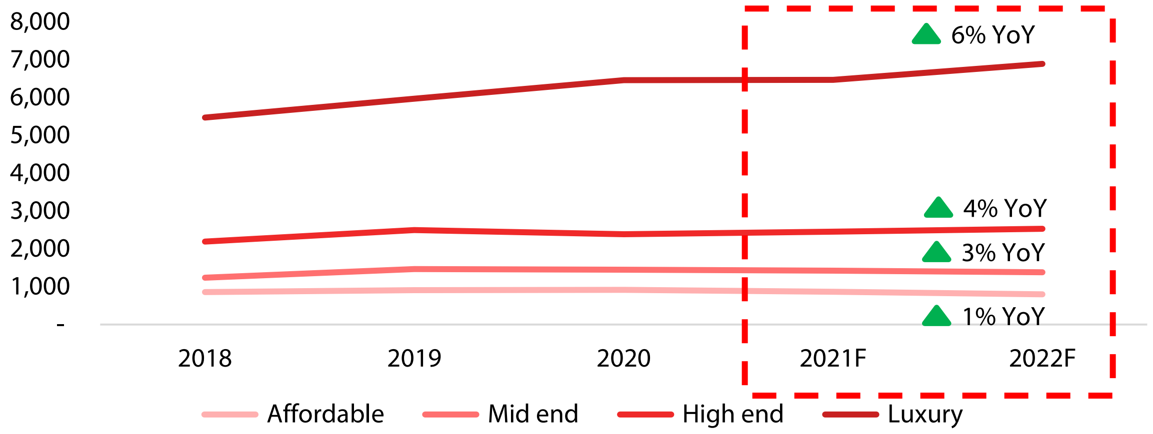
Source: MOH, Rong Viet Securities

Figure 28: Estimated primary selling price of Hanoi apartments (USD/m2)



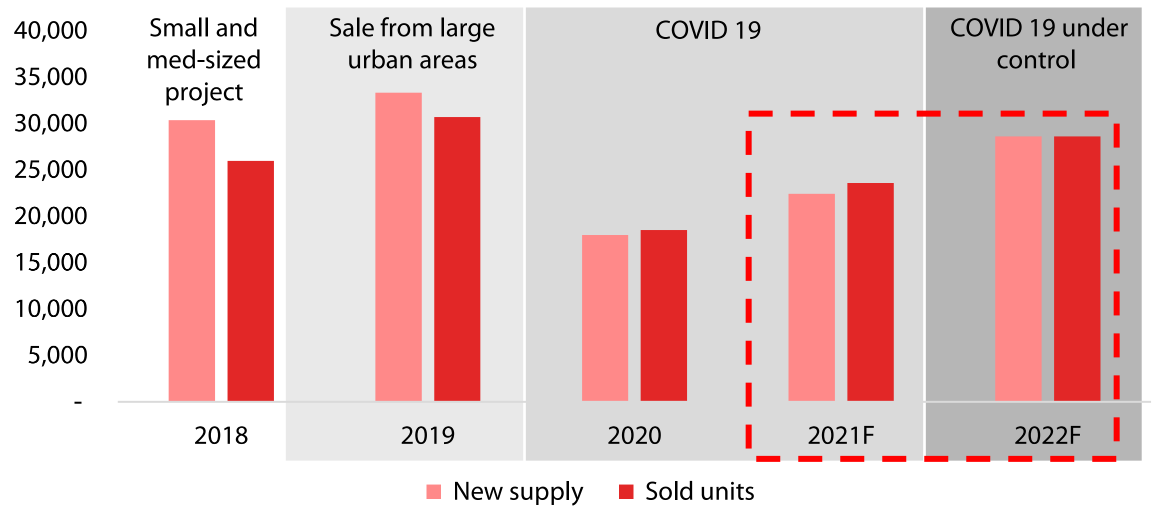
Source: CBRE

Figure 29: Estimated primary selling price of HCMC apartments (USD/m2)



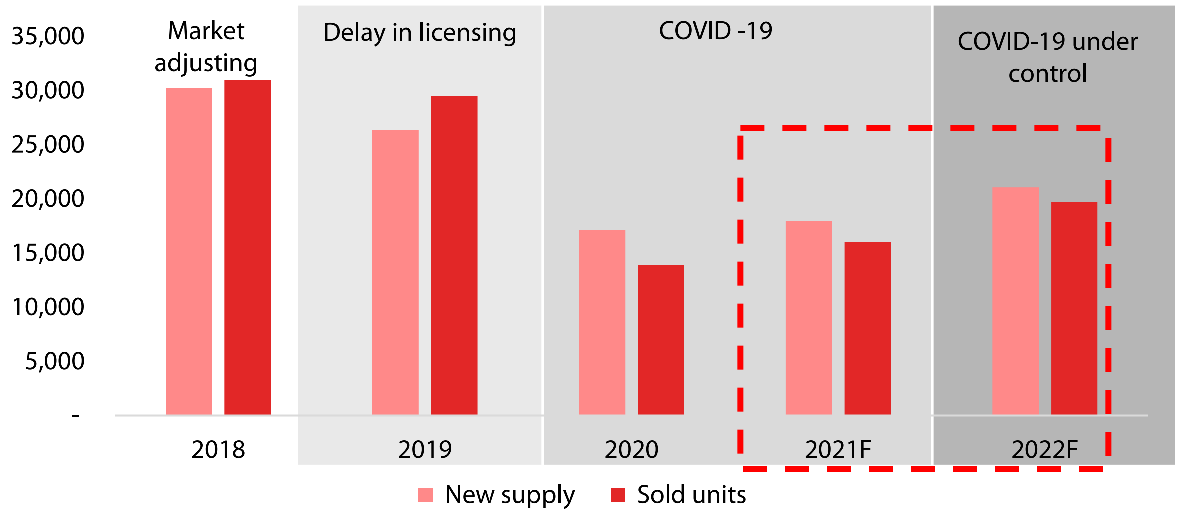
Source: CBRE

Figure 30: Forecast of supply and demand 2021F 2022F in Hanoi (units)



Source: CBRE

Figure 31: Forecast of supply and demand 2021F 2022F in HCMC (units)



Source: CBRE

Table 1: K coefficient by region

Region	K coefficient	
Residential land (for street frontage)		
District 1, 3, 5, 6, 7	4,5	
District 4, 8, Tan Binh, Phu Nhuan	5,5	
District 10	6	
District 11	5	
District 12	12	
Binh Thanh	4	
Tan Phu, Thu Duc City	7,5	
Go Vap	8,5	
Binh Tan, Binh Chanh	6,5	
Nha Be	8	
Can Gio	9	
Hoc Mon	11	
Cu Chi	13	
Agricultural land		
	Agricultural land in frontage/in residential area	**Pure agricultural land**
District 1,3,4,5,6,8,10,11, Tan Binh, Tan Phu, Phu Nhuan, Go Vap, Binh Thanh	35	30
District 7, 12, Binh Tan, Thu Duc City	25	20
Binh Chanh District, Cu Chi, Nha Be, Hoc Mon	20	15

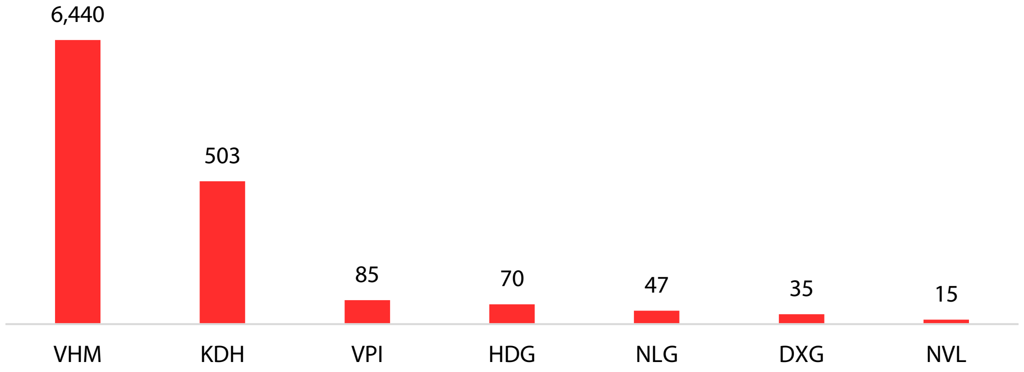
Source: Rong Viet Securities compiled

Table 2: Home loan interest rates 2020 and 6M2021

Bank	Preferential interest rates (June 2021)	Preferential interest rate (2020)	Difference
Vietcombank	6.79%	7.50%	-0.71%
BIDV	6.20%	8.00%	-1.80%
Vietinbank	8.50%	7.70%	0.80%
MB	6.84%	8.00%	-1.16%
VPBank	5.90%	6.90%	-1.00%
Lienvietpostbank	8.50%	8.29%	0.21%
Sacombank	8.50%	11.50%	-3.00%
Techcombank	6.69%	7.29%	-0.60%
Eximbank	7.99%	7.99%	-
SCB	7.90%	7.90%	-
TPBank	5.90%	7.50%	-1.60%

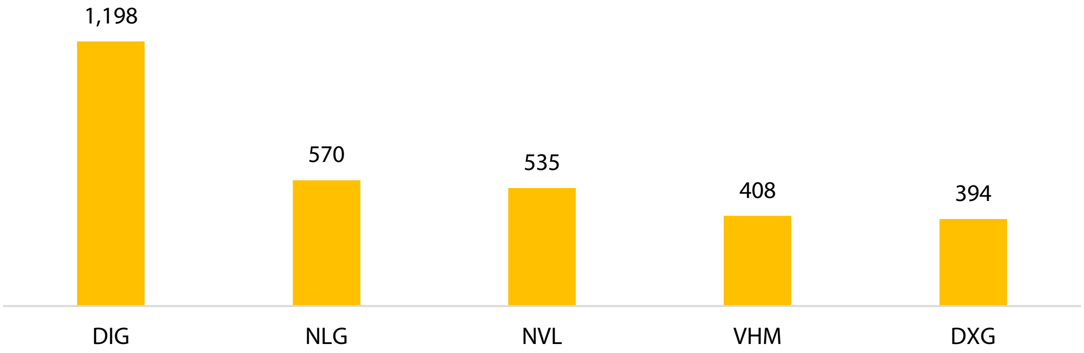
Source: Rong Viet Securities compiled

Figure 32: Land bank of listed companies in Ha Noi and HCMC (ha)



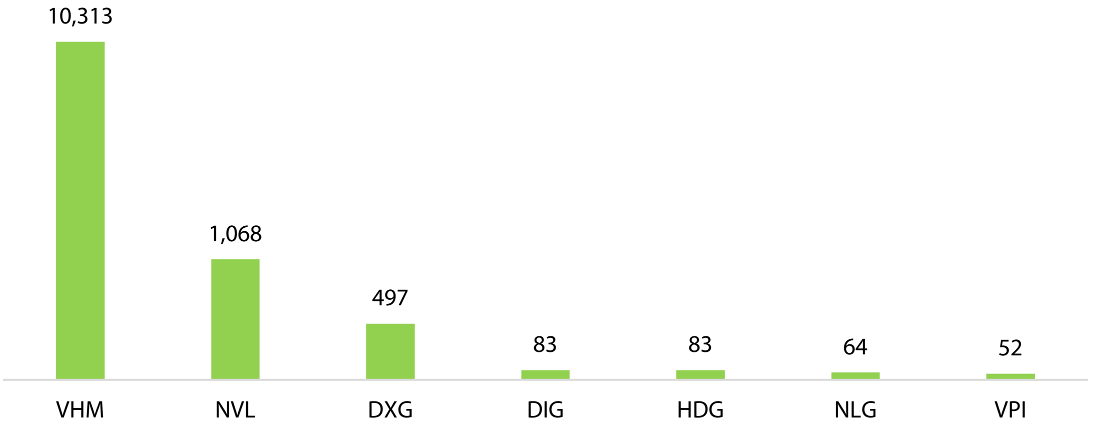
Source: Rong Viet Securities

Figure 33: Land bank of listed companies in neighboring provinces (ha)



Source: Rong Viet Securities
(*) Neighboring provinces of HCMC and Hanoi

Figure 34: Land bank of listed companies in other provinces (ha)



Source: Rong Viet Securities

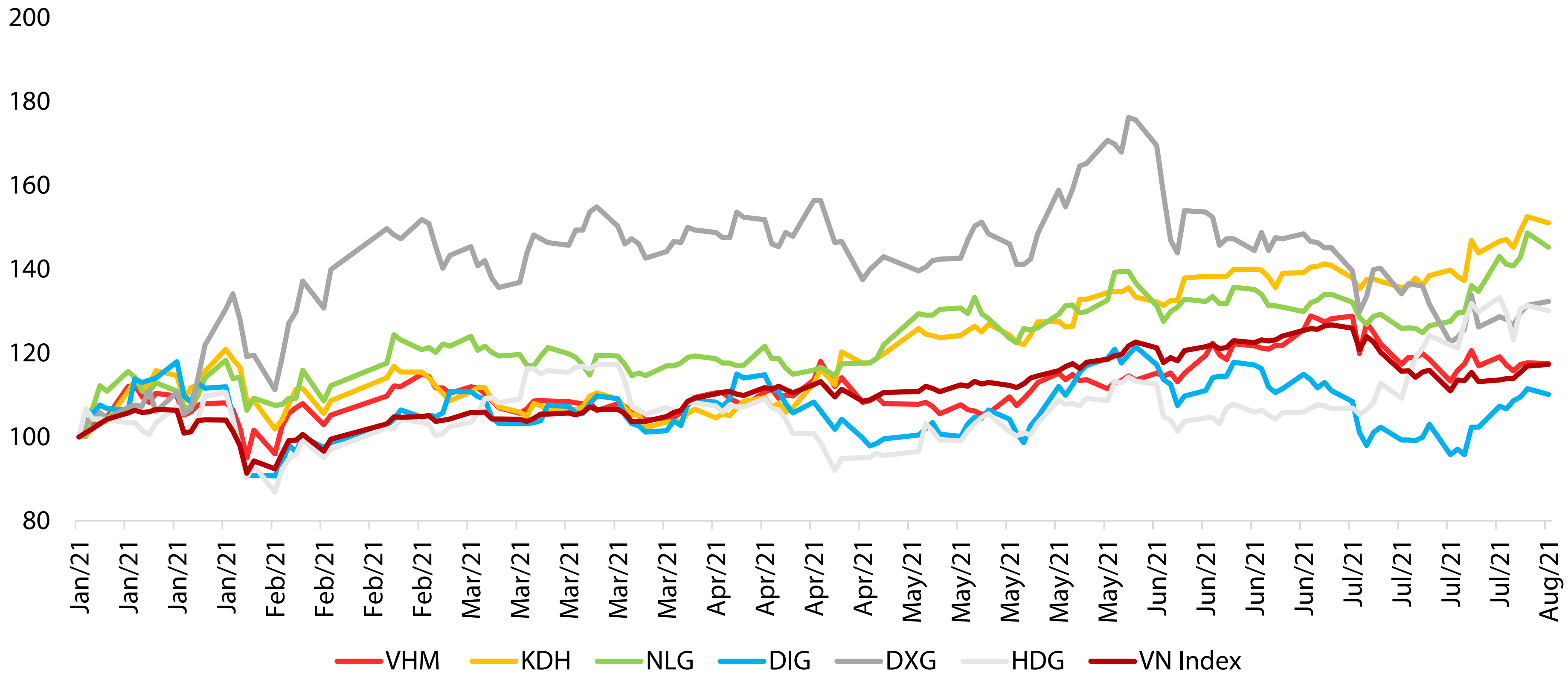
- **VHM, DIG, NLG, KDH, NVL** are notable players with large land banks.

Table 4: Some prominent legal documents related to the real estate market

Documents	Effective date	Some positive points to the market compared to the previous law
Land Law 2013	01/07/2014	More equality in land access between domestic and foreign investors Changing the land price mechanism, adding the role of a third party to participate in the land pricing steps Reduce procedure costs
Law on Real Estate Business 2014	01/07/2015	Licensed to do business in houses and construction works to be formed in the future Establishing a real estate business with a legal capital of not more than 20 billion VND (Law 2006 stipulates 6 billion VND) Real estate formed in the future, if you want to sell or lease or purchase a house, you must have a guarantee Abolish the requirement for real estate transactions to go through the trading floor
Law on Housing 2014	01/07/2015	Foreigners are allowed to buy and own houses in Vietnam The investor must issue a certificate to the home buyer within 30 days from the date of handover
Decree 25/2020/ND-CP	20/04/2020	Land allocation to the winning investor is implemented immediately after completing the compensation, supporting resettlement of the project site, helping to speed up the land allocation. Eliminating the prequalification step for land use projects also helps to reduce the time and order of procedures in the process of selecting investors for the project.
Construction Law 2020 (amendment)	01/01/2021	Add projects exempt from construction permits Licensing duration is shortened to 20 days (Former Law 30 days) Abolish the regulation on sufficient capital to start construction
Investment Law 2020	01/01/2021	Foreign ownership up to 50% (Former law: 51%) Eliminating legal capital requirements for real estate businesses If the transfer between foreign investors does not increase the total ownership ratio, there is no need to apply for M&A approval
Decree 06/2021/ND-CP	26/01/2021	Add more responsibility of the investor for quality management, construction and maintenance of construction works Additional construction inspection and safety requirements
Decree 148/2020/ND-CP	08/02/2021	Dealing with interspersed public land: clear guidelines, facilitate the promotion of projects stuck by interspersed land
Decree 30/2021/ND-CP	26/03/2021	Clarifying the concept of project owner and investor Expanding 1 more condition for project owner recognition Management fees are clearly and transparently regulated
Decree 31/2021 ND-CP	26/03/2021	Stipulating the order and procedures for accepting and adjusting the investment policy, investment certificate, ...

Source: Rong Viet Securities compiled

Figure 35: Price movements of some real estate stocks compared to VN Index



Source: Fiinpro, Rong Viet Securities

Table 5: HCMC - Notable Current Supply

No	Name of Project/Building	Developer	Location	Completion Year	Number of units	Asking Price (USD/sqm)
1	The Marq	Honkongland	District 1	2022	515	8,130
2	The metropole	Sonkimland	Thu Duc City	Q3/2021	646	7,909
3	The River	City Garden	Thu Duc City	Q3/2021	525	5,700
4	Sunshine City Saigon	Sunshine Group	District 7	Q3/2021	3,748	2,250
5	Q7 Saigon Riverside	Hung Thinh Corp.	District 7	Q1/2023	3,580	1,504
6	Saigon Sports City	Keppel Land	Thu Duc City	Q1/2022	4,300	3,653
7	Saigon Riverside City	Hiep Phuc Corp	Thu Duc City	Q2/2021	1,729	1,030
8	Lavita Charm	Hung Thinh Corp.	Thu Duc City	Q2/2021	939	1,146
9	Masteri Parkland	Thao Dien Investment	Thu Duc City	Q4/2022	800	2,379
10	Laimian City	HDTC	Thu Duc City	Q2/2021	13,092	2,812
11	Vinhomes Grand Park	Vingroup	Thu Duc City	Q2/2021	10,000 (Phase 1)	1,428
12	Green Towers Thao Dien	Oxley MK Holdings	Thu Duc City	Q4/2022	270	6,000
13	Cove Residence (Empire City)	Keppel Land	Thu Duc City	Q4/2022	136	3,500
14	West Gate	An Gia	Binh Chanh	Q4/2021	1,146	1,500

Source: Rong Viet Securities, Colliers Vietnam

Table 6: HCMC - Notable Future Supply

No	Name of Project/Building	Developer	Location	Completion Year	Number of units
1	Grand Manhattan	Novaland	District 1	Q4/2021	967
2	Akari City	Nam Long	Binh Chanh	2021	3,336
3	Mizuki Park	Nam Long	Binh Chanh	2021	3,273
4	Cape Pearl	SSG	Binh Chanh	2022	1.066
5	Lancaster Legacy	TTG	District 1	2021	419
6	Ventosa Luxury	Vietcomreal	District 5	2021	340
7	Cosmo City	Paujar Group	District 7	2021	228
8	Sunshine Diamond River	Sunshine	District 7	2021-2022	6,533
9	Ascent Garden Home	Tien Phat	District 7	2020-2021	478
10	Celesta Height	Keppel and Phu Long	Nha Be	2021	200
11	Empire City - Next phase	Keppel Land	Thu Duc City	2021	281
12	Masterise Center Point	Masterise Homes	Thu Duc City	2021-2022	5,049
13	Laimian City	HDTC	Thu Duc City	2021	12,871
14	King Crown Infinity	Gia Khang	Thu Duc City	2021	739

Source: Rong Viet Securities, Colliers Vietnam

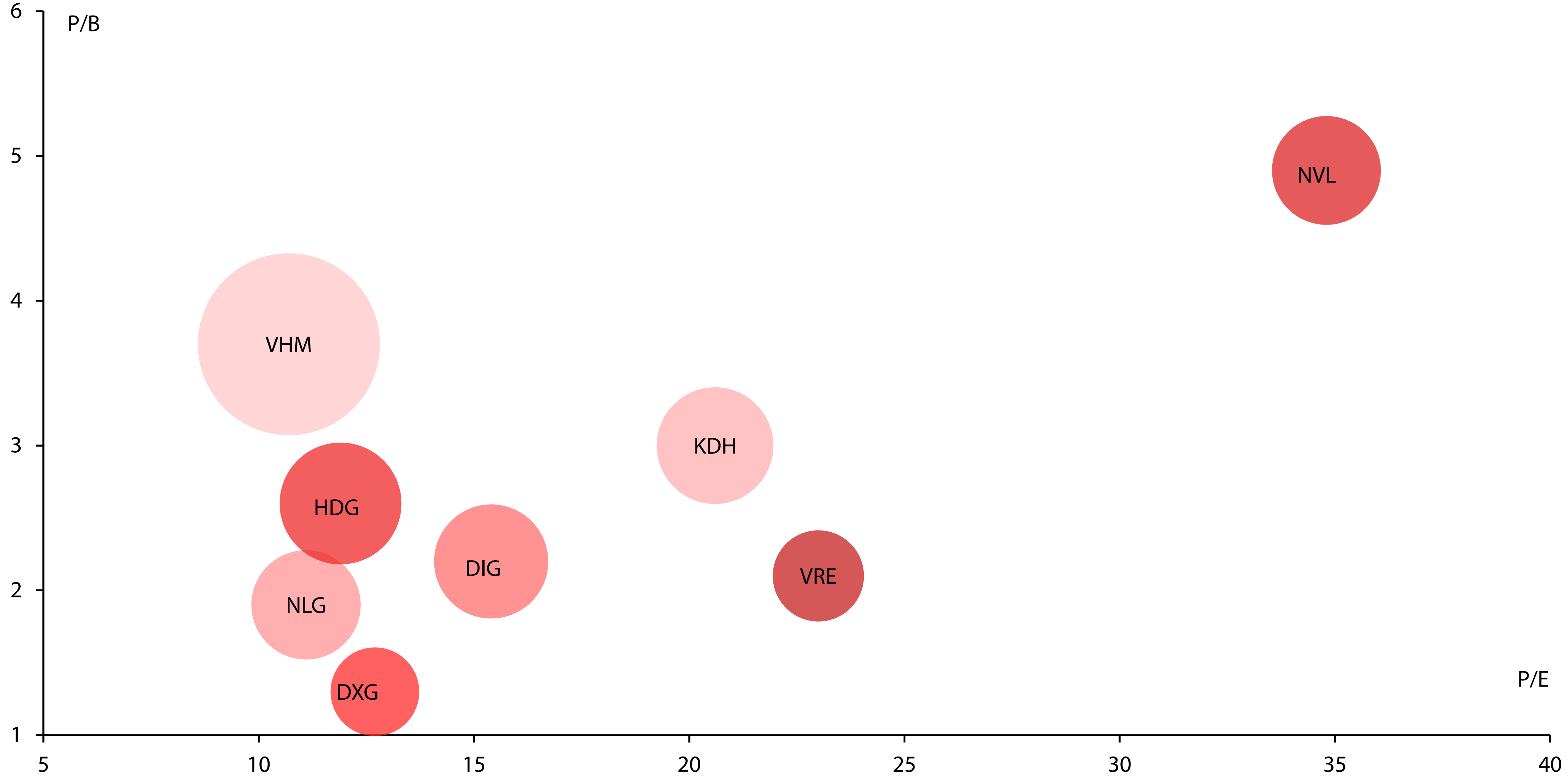
Table 7: Hanoi - Notable Future Supply

No	Name of Project/Building	Developer	Location	Completion Year	Number of units
1	Hanoi Golden City	Hoa Binh Group	Ba Dinh	2021	500
2	Panorama Hoang Mai	KLB	Hoang Mai	2021	1,650
3	The Manor Central Park	Bitexco	Hoang Mai	2021	763
4	Sunshine Green Iconic	Sunshine	Long Bien	2022	386
5	The Jade Orchid	Vimefulland	Long Bien	2021	2,176
6	BRG Park Residence	BRG Group	Thanh Xuan	2021	662
7	Masterise Smart City	Masterise Homes	Tu Liem	2021	3,600
8	Sunshine Empire	Sunshine	Tay Ho	2022	800
9	FLC Premier Park	FLC	Tu Liem	2022	870
10	BRG Smart City	Sumitomo	Tay Ho	2022	7,000
11	Vinhomes Co Loa	Vinhomes	Tay Ho	2022	3,000

Source: Rong Viet Securities, Colliers Vietnam

Ticker	Market cap (USD mn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
VHM	15,393	N/A	86.9%	49.2%	36.2%	35.2%	39.2%	37.3%	15.6%	36.6%	0.0%	10.7	3.7
KDH	1,087	45,200	63.8%	10.7%	32.7%	32.5%	9.6%	24.4%	8.6%	14.7%	0.0%	20.6	3.0
NLG	527	49,900	-3.3%	-93.5%	1.9%	0.6%	19.0%	49.2%	6.6%	13.2%	0.0%	11.1	1.9
HDG	374	63,400	-29.4%	-11.7%	47.7%	41.0%	-23.1%	25.7%	4.9%	16.4%	0.0%	11.9	2.6
DXG	487	27,500	82.9%	53.5%	32.1%	31.3%	99.0%	17.3%	3.5%	8.7%	0.0%	12.7	1.3
DIG	449	37,400	15.8%	2.6%	16.3%	16.3%	45.9%	25.2%	6.1%	14.4%	0.0%	15.4	2.2

Source: Bloomberg, Rong Viet Securities. Share price as of Aug 2nd, 2021.

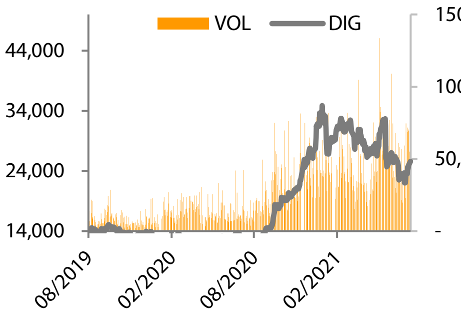


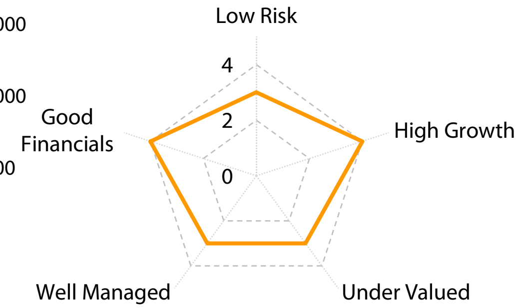
Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 02 Aug 2021.

Large land banks to sustain long-term outlook

HSX: DIG

<BUY: 48%> **<MP: 25,300>** **<TP: 37,400>**





STOCK INFO

Sector	Real estate
Market Cap ($ mn)	449
Current Shares O/S (mn shares)	410
3M Avg. Volume (K)	5,589
3M Avg. Trading Value (VND Bn)	150
Remaining foreign room (%)	46.6
52-week range ('000 VND)	12,150 – 34,850

FINANCIALS

FINANCIALS	2020A	2021F	2022F
Revenue (VND Bn)	**2,487**	**2,266**	**4,393**
NPATMI (VND Bn)	**711**	**1,301**	**1,033**
ROA (%)	6.3	8.6	4.9
ROE (%)	14.3	19.9	11.6
EPS (VND)	2,160	2,540	2,017
Book Value (VND)	14,818	17,546	19,780
Cash dividend (VND)	-	-	-
P/E (x) (*)	20.0	14.7	18.5
P/B (x) (*)	2.8	2.1	1.9

INVESTMENT RATIONALES

Large land bank is key driver to ensure long-term outlook.

- The large land bank of nearly 1,200 ha (200 ha in Vung Tau, 430 ha in Dong Nai and 530 ha in Ha Nam and Vinh Phuc) will ensure for long-term development.
- In the future, Long Tan (330 ha) will be the main driver thanks to its prime location - Dong Nai, surrounded by many infrastructure projects. Currently, Long Tan is on land clearance phase when 35% of the land is cleared and DIG expects to accelerate the progress financed by straight bond (VND 2,000 Bn or USD 87 Mn) and private placement (issue 75 Mn shares at VND 20,000/share), which is expected to execute in 2H 2021.

NPAT is expected to increase 83% YoY in 2021, mainly attributed by 31 ha land bank transfer from Dai Phuoc in 2H 2021.

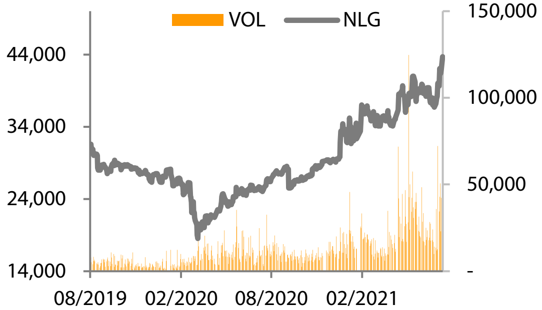
- The possible sale in two major projects including Dai Phuoc and Pullman Hotel will bring extraordinary profits for DIG. We expect DIG to record VND 1,100 Bn when they transfer 31 ha of land banks in Dai Phuoc to investors (expect to finish in 2H 2021). For Pullman, management expects to gain USD 90 Mn by selling stakes of Pullman Hotel but we think the deal would be surprising factor in later years.
- For 2021, we expect DIG revenue and NPAT to reach VND 2,266 Bn (-9% YoY) and VND 1,301 Bn (+83% YoY) thanks to the delivery of remaining units of Gateway (over 80% of the total units were delivered in 2020 and management expects to deliver the remaining units in 2021), land lots at Nam Vinh Yen Phase 2 (the Phase 2 was opened for sale in Q1 2020 with 198 land lots so it would be delivered in 2021) and Cap Saint Jacques (90% of total units were sold) and aforementioned other profit from Dai Phuoc land bank transfer.

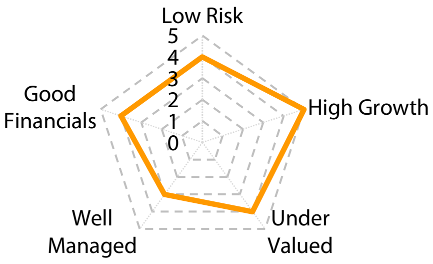
RISKS TO OUR CALL

- The slower than expected land clearance progress at large scale projects including Long Tan, Bac Vung Tau.

STRONG PRE-SALE IS KEY CATALYST

<BUY: 21%> **<MP: 42,500>** **<TP: 49,900>**





STOCK INFO

Sector	Real estate
Market Cap ($ mn)	527
Current Shares O/S (mn shares)	285.3
3M Avg. Volume (K)	3,261
3M Avg. Trading Value (VND Bn)	127
Remaining foreign room (%)	3.7
52-week range ('000 VND)	25,000 – 43,700

FINANCIALS	2020A	2021F	2022F
Revenue (VND Bn)	**2,217**	**4,435**	**5,716**
NPATMI (VND Bn)	**835**	**1,148**	**1,152**
ROA (%)	6%	7%	5%
ROE (%)	13%	12%	9%
EPS (VND)	3,214	3,190	3,303
Book Value (VND)	21,231	25,555	26,862
Cash dividend (VND)	932	1,500	1,500
P/E (x) (*)	13.9	13.7	13.2
P/B (x) (*)	2.0	1.7	1.6

INVESTMENT RATIONALES

Positive sale results from its main projects in 2021 will secure 22% NPAT growth during 2021 – 2023

- In 2021, the main highlight from NLG is its solid pre-sale performance. In 6M2021, pre-sales value is even larger than in 2020, reaching VND 4,491 Bn (or USD 194 Mn) from 1,070 units of three projects including Flora Akari, Flora Mizuki, Valora Southgate.
- We estimate the pre-sale of 2021 to reach VND 9,317 Bn (or USD 403 Mn) from selling 2,359 units. Specifically, the company will launch 114 units at Mizuki (HCMC), 300 units at Izumi (Waterfront, Dong Nai), 601 units at Southgate (Long An), 271 units at Can Tho project and 3 units at Akari in 2H 2021. These projects offer an affordable selling price, especially in the context of supply shortage in HCMC, Long An and Can Tho. Therefore, we are confident in the success of sales. The rise of pre-sale value in FY2021 will support earnings growth in 2021 – 2023.

The new land banks acquisition plan will likely sustain long term growth

- After the M&A deal to acquire Dong Nai Waterfont in Q1 2021, NLG is on due diligence phase to acquire another 30-40 ha in the East of HCMC (expected to finish this year). The establishment of Thu Duc City (official on Jan 1st, 2021) along with many surrounded infrastructure projects such as new Eastern bus station, bridges and roads will draw attention from investors and homebuyers. Moreover, the proceeds of the private placement (expected to finish on Q3 2021), estimated at nearly VND 2,000 Bn will be a good source for NLG to quickly execute its land banks acquisition plan.

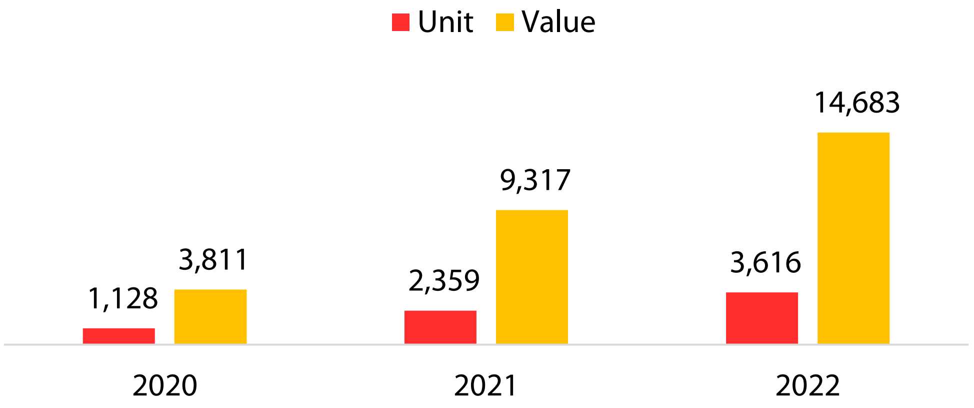
Attractive valuation

- The 2021 forward PER and PBR are 13.7x and 1.7x respectively, which is relatively attractive for a company that continuously increases its land bank. We estimate revenue and profit in 2021 to be VND 4,435 Bn (or USD 192 Mn, +100% YoY) and VND 1,148 Bn (or USD 50 Mn, +38% YoY), contributed by the handover of the Akari project and Waterfront revaluation.

RISKS TO OUR CALL

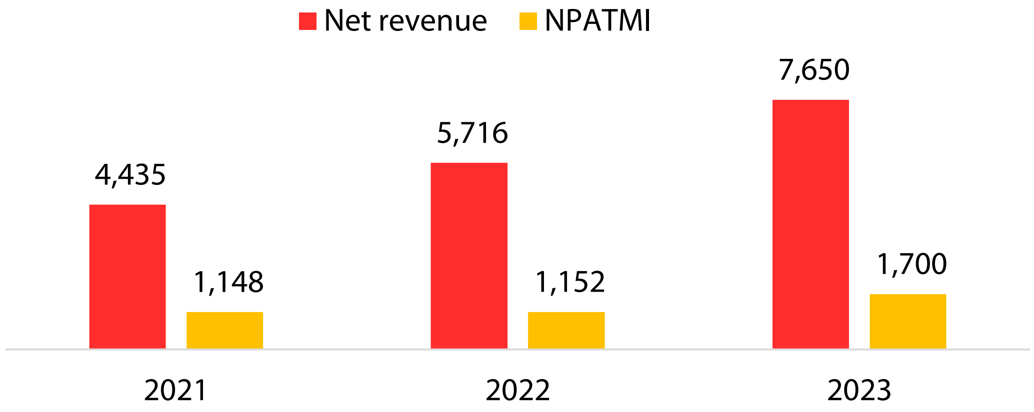
- Delay of sales from lengthened Covid-19 lockdown

Figure 1: Pre-sale units and value (VND Bn) 2020 – 2022F



Source: NLG, Rong Viet Securities

Figure 2: : Net revenue and NPATMI 2021 - 2023 (VND Bn)



Source: NLG, Rong Viet Securities

2H2021 pre-sale performance is expected to keep its momentum from 1H 2021

- 1H2021: In 6M2021, pre-sales value is even larger than for 2020, reaching VND 4,491 Bn (or USD 194 Mn, +209% YoY) thanks to Mizuki, Akari, Southgate projects with 1,070 sold units. In which, Mizuki project is an example of strong homebuyers' interest on NLG products when 646 units were sold within only five hours. For 2021, we estimate pre-sale to achieve VND 9,317 Bn (or USD 403 Mn) from 2,359 units, which is lower than management guideline of VND 13,519 Bn (or USD 585 Mn) from 3,459 units.
- Specifically, the company will launch 114 units at Mizuki (HCMC), 300 units at Izumi (Waterfront, Dong Nai), 601 units at Southgate (Long An), 271 units at Can Tho project and 3 units at Akari in 2H 2021. From 2022, we anticipate the ramp up of sale activities given the full control of Covid-19 from Q4 2021 per our assumption. These projects offer an affordable selling price, especially in the context of supply shortage in HCMC, Long An and Can Tho. Therefore, we are confident in the success of sales. The rise of pre-sale value in FY2021 will support earnings growth in 2021 – 2023.
- We estimate 2023 revenue and NPAT MI to reach VND 7,650 Bn (or USD 331 Mn,+34% YoY) and NPAT-MI of VND 1,700 Bn (or USD 74 Mn,+48% YoY), which is mainly attributed by the recognition of Izumi, Can Tho, Hai Phong projects and share of profits from associates of Southgate and Mizuki projects

Figure 3: Several infrastructure projects

Source: RongViet Securities

Figure 4: Ramped-up progress of nearby infrastructure

Source: Rong Viet Securities

The East is a favorable location, so it is a strong advantage for developers owning land banks in this area due to

- The establishment of Thu Duc City (Jan 1st, 2021)
- Ramped up progress of nearby large-scale infrastructure projects to be completed in next 1-2 years including Metro Line 1, Thu Thiem Bridge 2

… NLG prospects would be more important if it can execute the plan to acquire 30-40 ha in the East

- Enjoy higher selling price + good absorption rate of their future products in the upcoming time given the development in that region
- It is possible to complete the land acquisition plan as NLG has proven experience on previous deal – Izumi and its possibly added capital of nearly VND 2,000 Bn from the on-going private placement

Table 1: Valuation summary

Projects	Method	Discount rate	NPV
Mizuki Park	DCF	9.5%	1,512
Akari	DCF	9.5%	2,195
Southgate	DCF	9.5%	975
Can Tho	DCF	9.5%	1,097
VSIP Hai Phong	DCF	9.5%	543
Paragon Dai Phuoc	BV	N/A	1,709
Izumi	DCF	9.5%	9,190
Waterpoint Phase 2	BV	N/A	1,174
Others	BV	N/A	530
Total			**18,925**

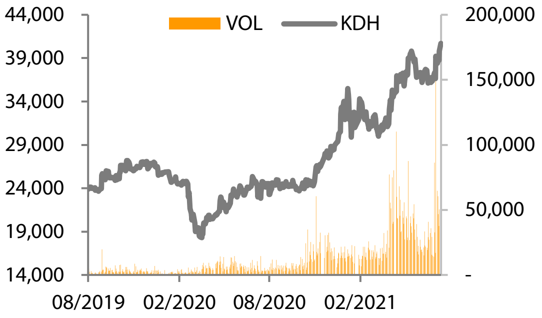
(+) Net cash	1,221
(+) Short-term investment	62
(+) Inventory	18,925
(-) Debts	2,795
(-) Minority interest	3,186
Net asset value	**14,226**
Total outstanding shares (Mn)	285
1Y Target price	**49,900**

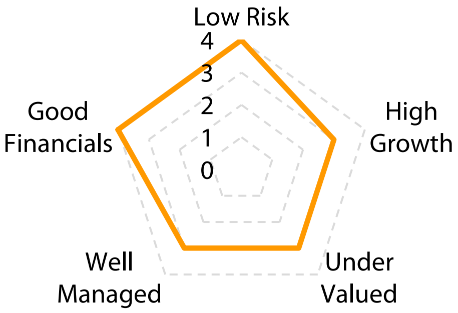
- Our assumed price Izumi is on average of VND 61 Mn/m², which is quite suitable when price of surrounding projects including Aqua City, Vinhomes Grand Park are much higher (from VND 70 Mn – VND 120 Mn/m²).
- Waterpoint phase 2 value is estimated based on BV of Waterpoint phase 1 (Southgate) as of Q2 2021 given its limited detailed on this project.
- We have not yet factored the possible cash gain from private placement as the deal has not been done.

Source: RongViet Securities

2022-2023 EARNINGS TO PICK UP

<ACCUMULATE: 12%> <MP: 40,400> <TP: 45,200>





STOCK INFO

Sector	Financials
Market Cap ($ mn)	1,087
Current Shares O/S (mn shares)	623.1
3M Avg. Volume (K)	4,062.6
3M Avg. Trading Value (VND Bn)	153.2
Remaining foreign room (%)	18.2
52-week range ('000 VND)	22,850 – 40,700

FINANCIALS

FINANCIALS	2020A	2021F	2022F
Revenue (VND Bn)	**4,523**	**3,422**	**3,916**
NPATMI (VND Bn)	**1,153**	**710**	**1,490**
ROA (%)	9%	5%	10%
ROE (%)	15%	8%	13%
EPS (VND)	2,060	1,097	2,302
Book Value (VND)	14,544	14,910	17,897
Cash dividend (VND)	500	-	-
P/E (x) (*)	19.7	37.1	17.7
P/B (x) (*)	2.8	2.7	2.3

INVESTMENT RATIONALES

Ramp-up sale activities from 2022 will secure 20% NPAT growth during 2020 – 2023

- The delivery of villas and townhouses in two projects, namely Armena (District 9) and Clarita (District 2), will significantly improve KDH's gross profit margin to 59% in 2022 compared to 43% in FY2020 given the price rally in Thu Duc City. On a smaller note, we delay the revenue recognition of Armena to 2022 given the severe impact of Covid-19 on construction and sale activities.
- The recognition of several projects including Corona City (low-rise), Le Minh Xuan (expanded), Armena and Clarita will be the highlights for strong revenue growth in 2023 (+28% YoY).

Reputable brand, large land bank in HCMC to boost the long-term outlook

- KDH's current land bank is about 610ha (second after Vinhomes), all of which is located in Ho Chi Minh City. The real estate market in the city is lacking supply due to prolonged licensing procedures and land bank shortage. Owning a large-scale land bank like KDH is a huge advantage. In the long term, the large land banks in Tan Tao (330 ha) and Phong Phu 2 (132 ha) will be the main highlights to help KDH maintain its growth in the next 5-10 years.

Valuation of KDH is still attractive given its profitability improvement during 2021 - 2023

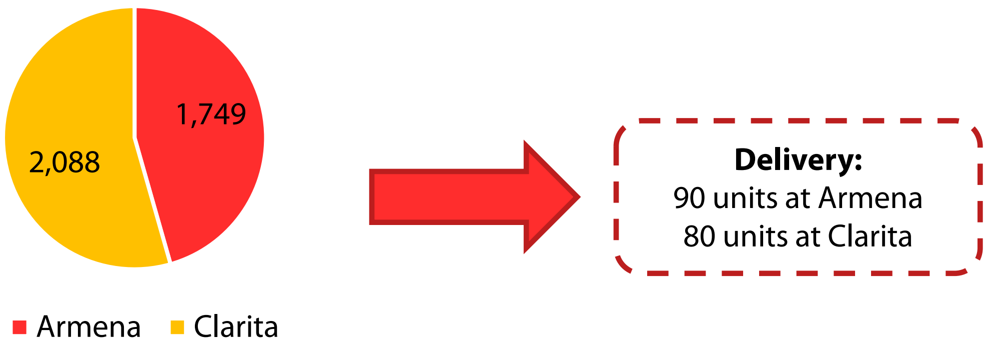
- We expect an improvement of ROE from 8% in 2021 to 17% in 2023. With the ROE improvement, KDH is trading at a relatively low P/B (2.6x) compared to listed real estate developers possessing large land banks (2.9x).

RISKS TO OUR CALL

- Longer than expected licensing and land clearance at key projects including Tan Tao, Phong Phu 2, and Le Minh Xuan Industrial Park may affect KDH's future cash flow. Moreover, the prolonged lock down period (expand to Q4 2021) would deeply impact sales progress of Armena and Binh Tan Apartment.

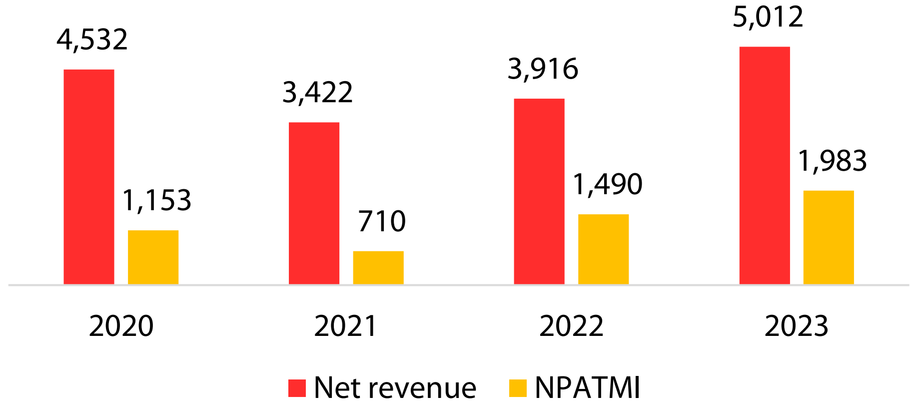
THU DUC CITY PROJECTS WILL UPLIFT EARNINGS IN 2022-2023

Figure 1: Revenue breakdown by projects in 2022 (VND Bn)



Source: KDH, Rong Viet Securities

Figure 2: : Net revenue and NPATMI 2021 - 2023 (VND Bn)



Source: KDH, Rong Viet Securities

2021: Lovera Vista to support the earning but Armena revenue may be booked next year

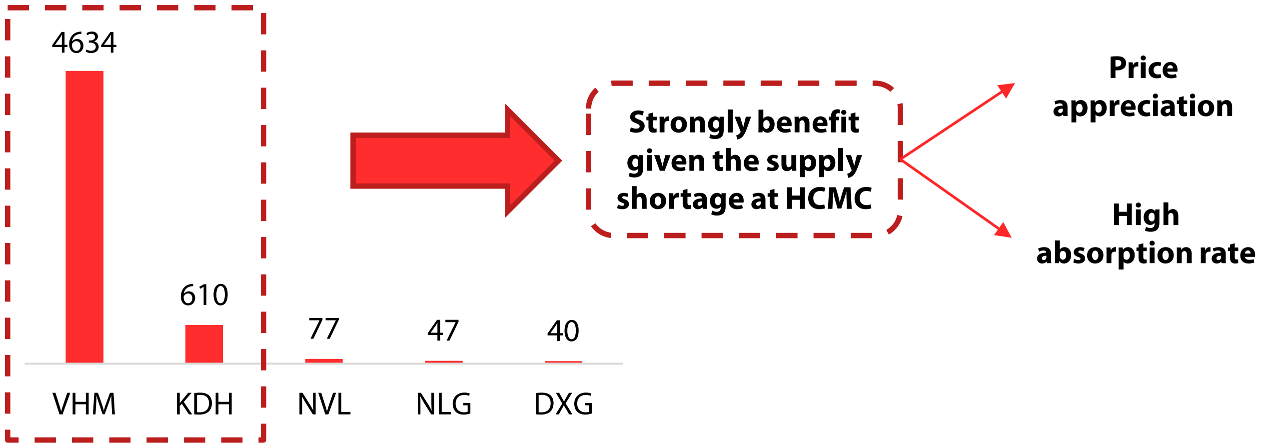
- 1H2021: KDH recorded revenue and NPAT of VND 1,948 Bn (or USD 84.3 Mn, +31% YoY) and VND 470 Bn (or USD 20.3 Mn, +15%), respectively. Gross margin was 40% (lower than 1H 2020 at 50%) when fewer units from Verosa Park were delivered YoY as nearly 90% of units were delivered in 2019 – 2020.
- In 2H 2021, we expect that total 1,310 units of Lovera Vista project will be handed over. Currently, 50% of the units were handed over in 1H 2021. The remaining units will be handed over after Covid-19 lockdown (assumed in September). Regarding to sale activity, Armena project will be launched in Q4 2021 per management guidance. In 2021, we forecast revenue and NPAT to reach VND 3,422 Bn (or USD 148 Mn, -24% YoY) and VND 710 Bn (or USD 31 Mn, -38% YoY) given the revenue booking delay in Armena project.

2022 – 2023: NPAT to surge thanks to the recognition of two projects at Thu Duc City.

- 2022: Gross margin to be improved estimated at 59% from 43% in 2021 from recognition of Armena and Clarita (price from VND 115 to VND 120 Mn).
- 2023: The recognition of several projects including Corona City (low-rise), Le Minh Xuan (expanded), Armena and Clarita will be highlight for strong revenue growth in 2023 (+28% YoY).

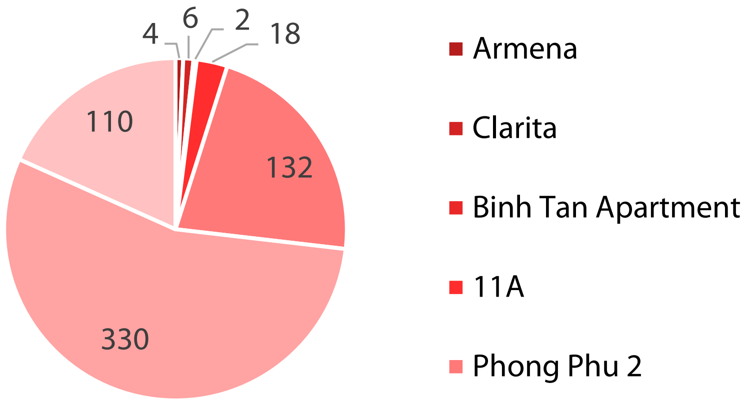
OWNING LARGE LAND BANKS IN HCMC IS A STRONG ADVANTAGE

Figure 3: Land bank (ha) in HCMC of listed developers (ha)



Source: RongViet Securities

Figure 4: Land bank breakdown by project for KDH (ha)



Source: KDH, Rong Viet Securities

Tan Tao: High-end urban area of 330 hectares with a strategic location in Binh Tan District

- Great potential thanks to a huge land area of nearly 330 hectares and an extremely convenient location adjacent to the existing residential area along with various utilities (e.g., Western Bus Station, Nguyen Van Linh Avenue, Aeon Mall Binh Tan, HCMC-Trung Luong Highway, etc.)
- KDH has completed land clearance on 70% of the entire land area and has obtained important documents such as investment certificate and land use right certificate in this project.

Phong Phu 2 – Green Villages : Urban area includes five subdivisions with a scale of 132 ha

- After acquiring Phong Phu 2, KDH owns a land bank of this project. Phong Phu 2 residential area is located in the Saigon South new urban area (2,975 ha). According to KDH, the project is built on a land of 132 hectares with about 3,383 townhouses, villas, and public facilities. The project is conveniently located as it is adjacent to the North by Phong Phu Industrial Park, to the West by Can Giuoc River, to the East by Viet Phu Garden Residential Area (Phong Phu 4 Residential Area).

Table 1: Valuation summary

Projects	NPV (VND Bn)
Lovera Vista	47
Armena	679
Clarita	2,021
Binh Tan Apartment	2,185
Corona City (11A)	1,927
Phong Phu 2 (Green Villages)	3,449
Tan Tao	14,850
Le Minh Xuan (expand)	2,156
Others (use Book value on FS)	1,220
Total	**28,514**

(+) Net cash (*)	1,849
(+) Short-term investment	-
(+) Inventory	28,514
(-) Debts (*)	(2,590)
Net asset value	**26,645**
Total outstanding shares (Mn)	615
1Y Target price (VND)	**45,200**

- Using RNAV, we use WACC of 9.5% for projects that are likely to be launched in 2021-2022 and increase WACC for 11A project (c.10.5%) since this project does not have detailed sale schedule. We also corporate the information of 2Q 2021 financial statement for Net cash, Debts (*)
- Use transaction price in the market to estimate value of Tan Tao and Phong Phu 2. In detail, for Tan Tao project, we expect KDH can accelerate land clearance procedure in next 12 months with assume value of 248 ha compensated area (in total of 330 ha) is traded at VND 6 Mn/m2 . As for Phong Phu 2, we assume the same transaction price for the collected land of 57.475 ha (in total of 132 ha).

Source: RongViet Securities

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