REAL ESTATE

SHORT-TERM DIFFICULTIES

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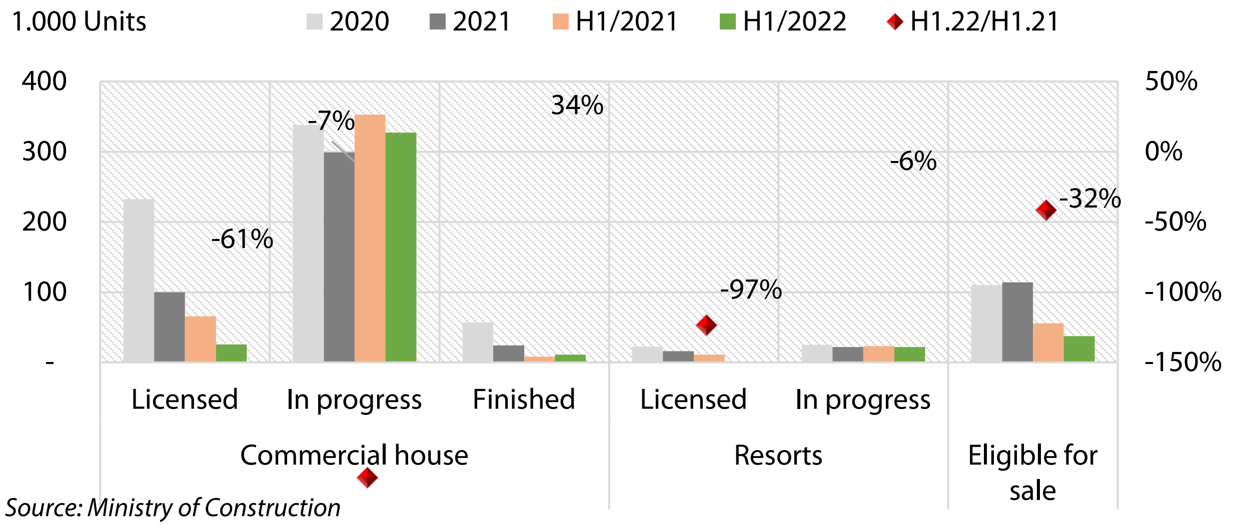
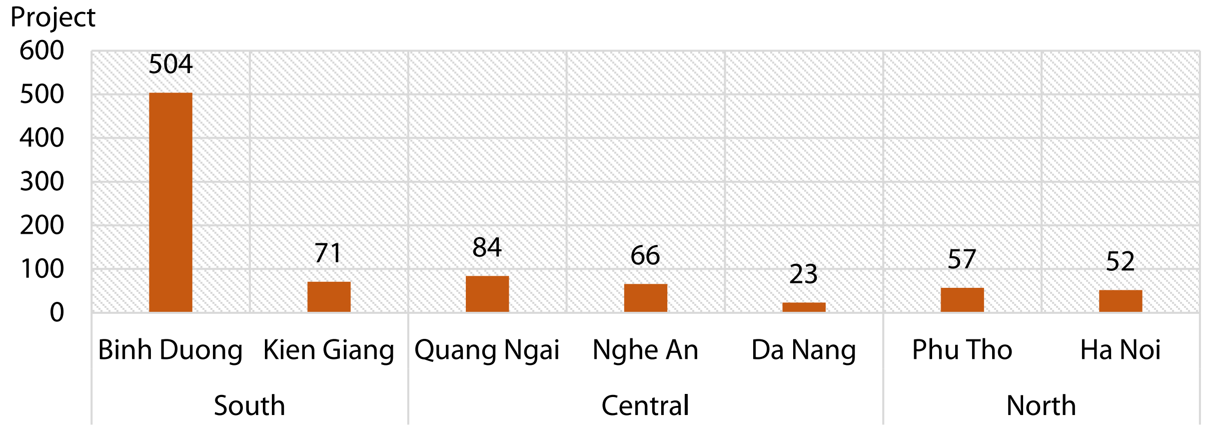
Figure 1: Statistics of real estate projects nationwide 1H2022



Source: Ministry of Construction

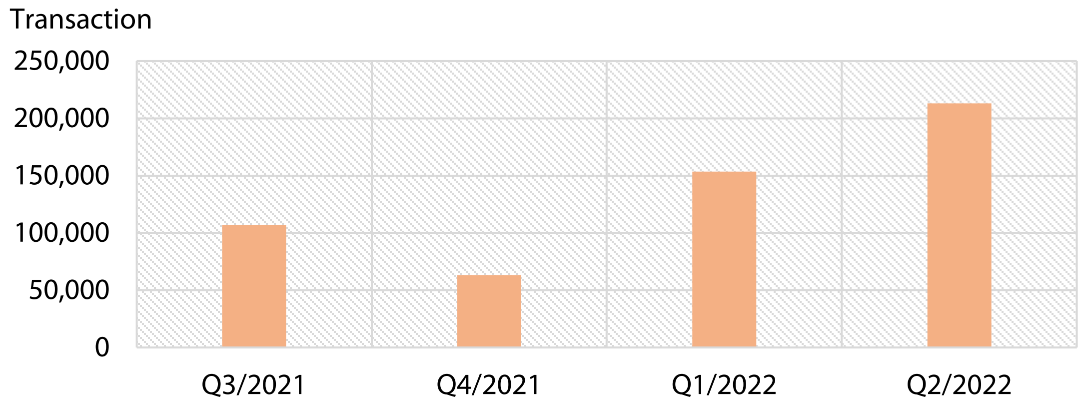
- In H1/2022, the development of residential and commercial real estate projects nationwide recorded slower movements than in 2021 (License -61% YoY, in progress -7% YoY, qualified to open for sale -32% YoY). In addition, Binh Duong, Kien Giang, Quang Ngai, Nghe An, Da Nang, Phu Tho, Hanoi are leading provinces in commercial housing development activities.
- Resort projects are also showing a slowdown trend when there are only 6 newly licensed projects in H1/2022, besides the number of ongoing projects also recorded a decrease of 6% over the same period.
- Meanwhile, land transactions across the country were still quite active with 366,555 transactions, accounting for more than 80% of housing-related products.

Figure 2: Number of commercial housing projects under development at the end of Q2/2022



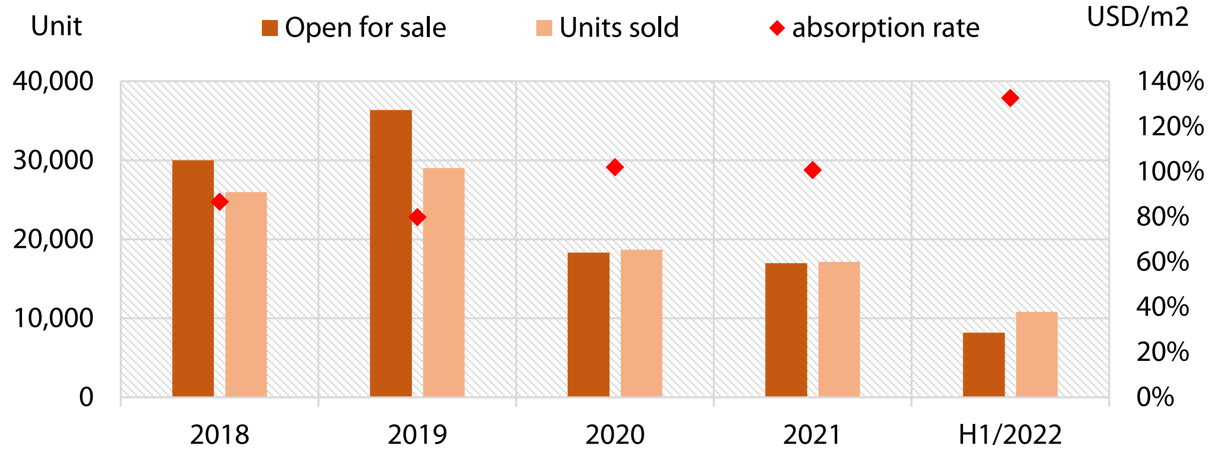
Source: Ministry of Construction

Figure 3: Number of land transactions nationwide



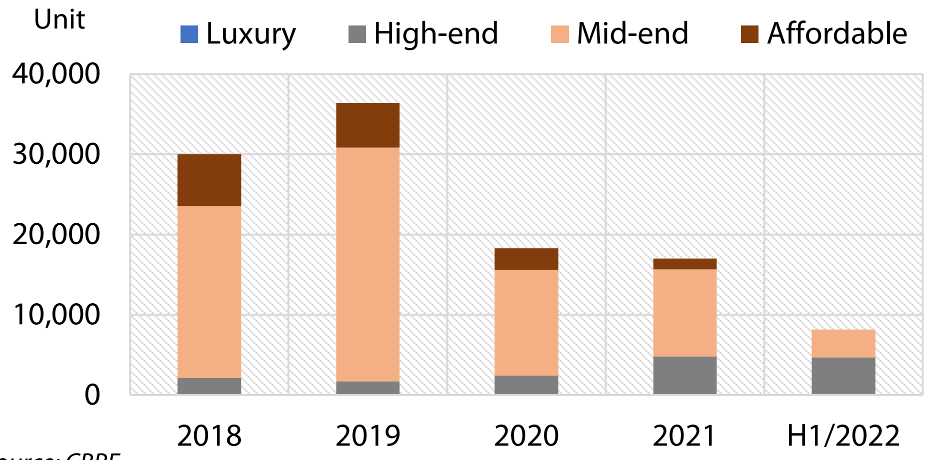
Source: Ministry of Construction

Figure 4: Condominium supply and demand in Ha Noi



Source: CBRE

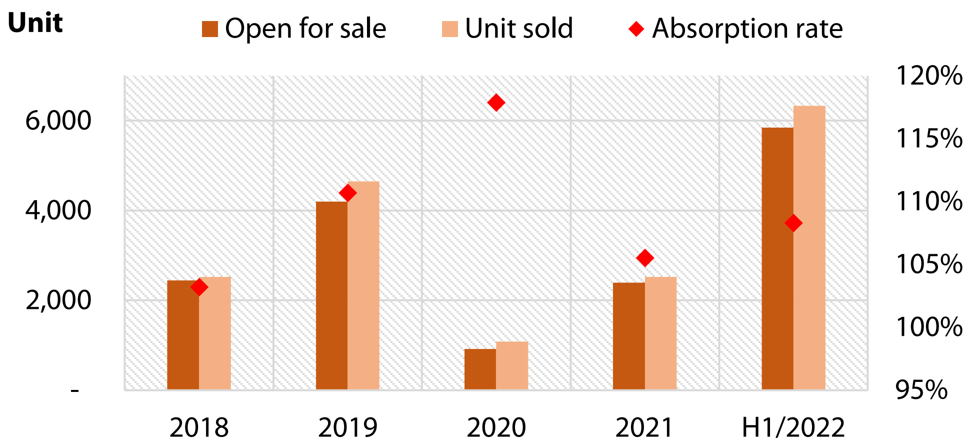
Figure 5: Components of supply



Source: CBRE

- In 2021, the supply and purchasing power of condominium real estate in Hanoi will remain stable compared to 2020.
- Through H1/2022, demand recorded a positive growth (+34% YoY), while the new supply increased only slightly over the same period (+3% YoY) boosted the selling price of apartment products and a benefit of +27% YoY.
- Unlike Ho Chi Minh, in Hanoi, the mid-end segment still accounts for a large proportion of the annual supply structure. However, the affordable segment has narrowed significantly.
- The townhouses & villas projects are performing quite positively in both supply (+330% YoY) and absorption rate (~97%).

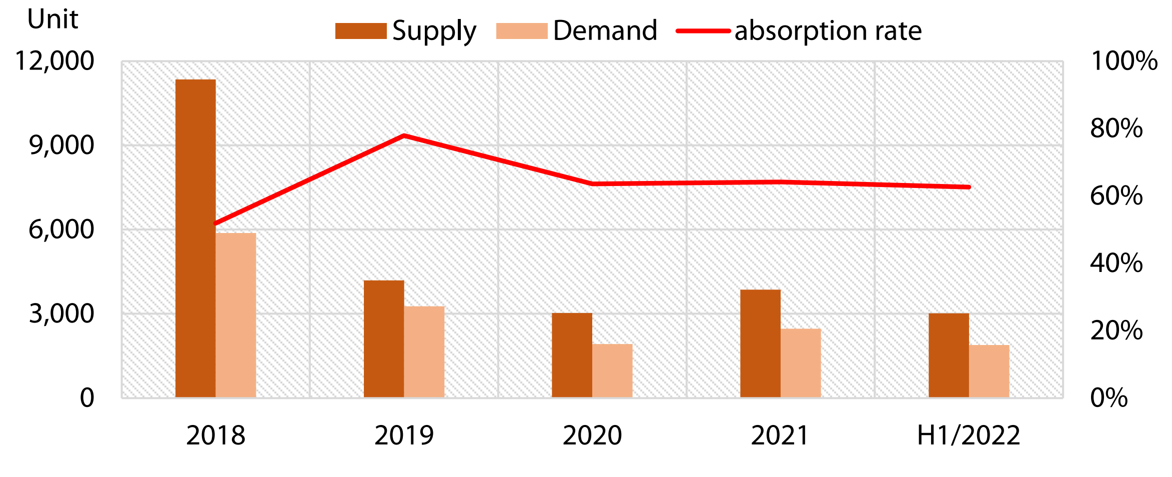
Figure 6: Supply of townhouse & villa



Source: CBRE

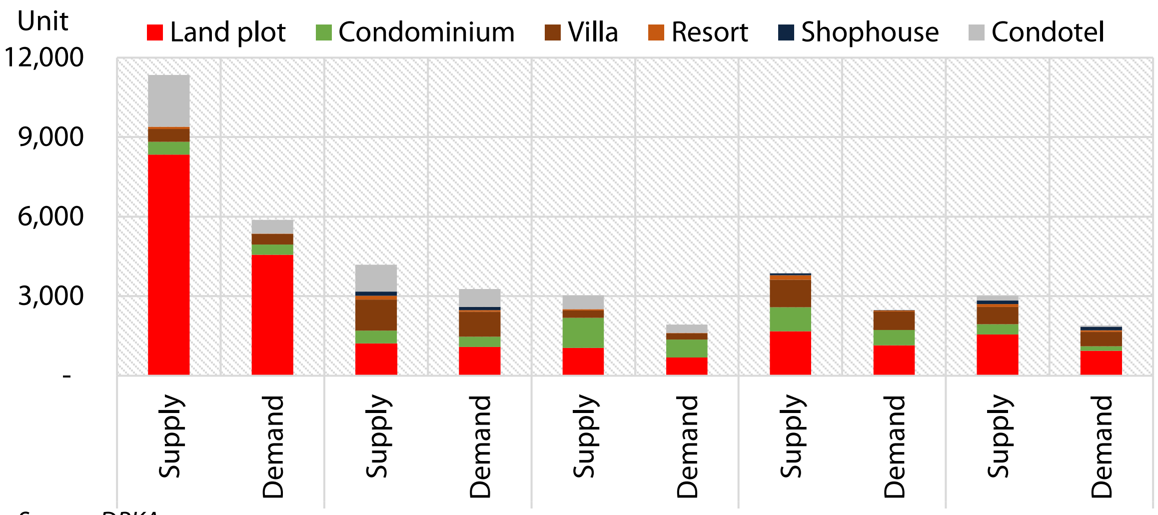
DA NANG – QUANG NAM – HUE: SUPPLY IMPROVES BUT DEMAND HAS NOT KEEP UP

Figure 7: Supply – demand – absorption rate of the whole market



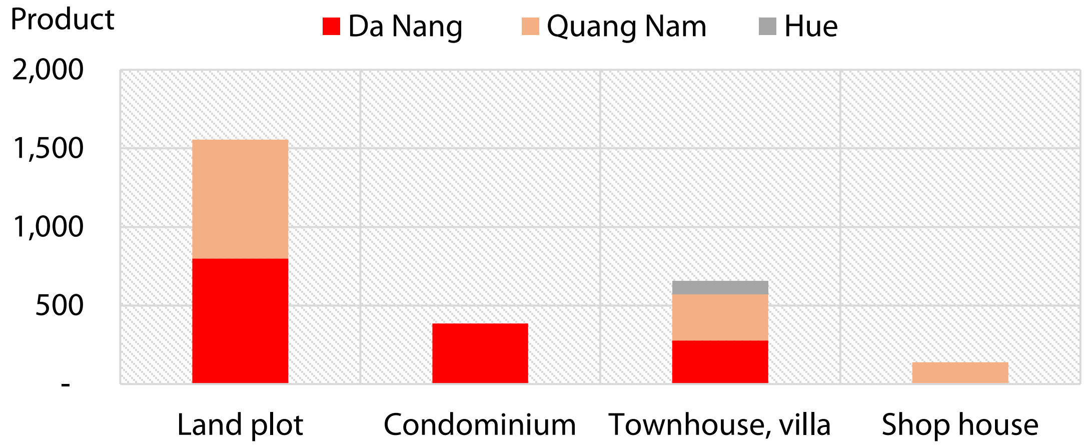
Source: DRKA

Figure 8: Supply – demand by product



Source: DRKA

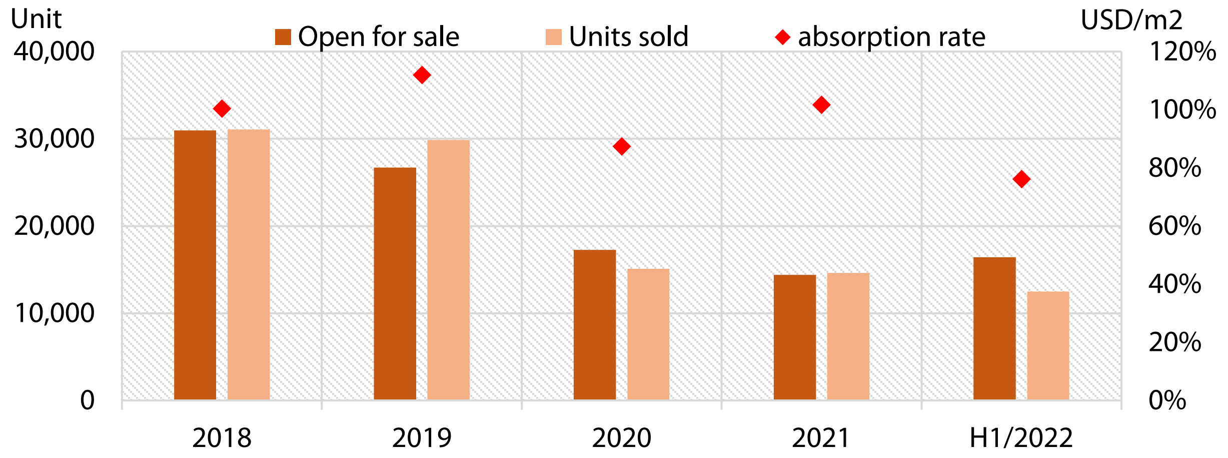
Figure 9: Supply by region



Source: DRKA

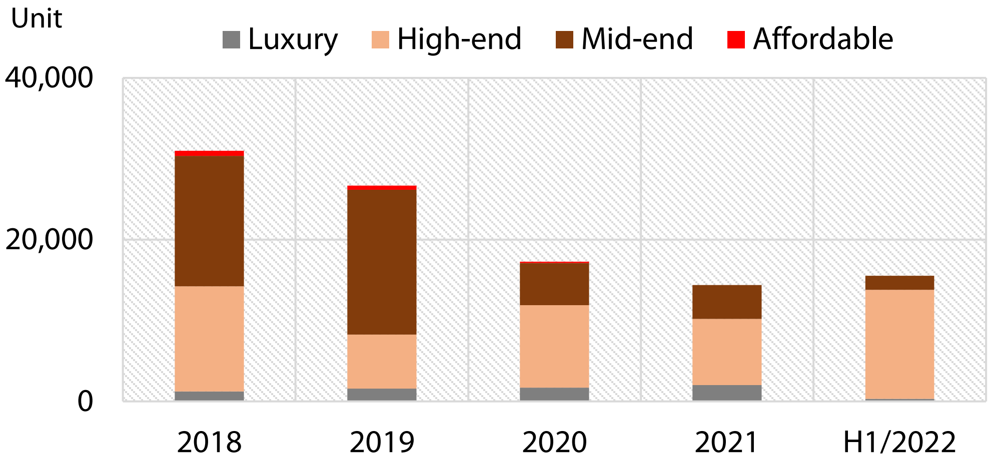
- In the period of 2019-2021, the supply of real estate in all segments in Quang Nam - Da Nang - Hue has rapidly cooled down after the hot growth in 2017-2018.
- In H1/2022, the supply of all kinds of projects recorded a rapid increase, approximately 78% of the figure for the whole year of 2021. However, the overall absorption rate of the whole market is still quite low, at only 63%.
- Land plot is currently the most searched segment in the area, accounting for 40-50% in the period 2021-2022. In H1/2022, the absorption rate of the land plot segment will reach 60%.
- In the year H1/2022, Da Nang is the province with the most exciting activities in the apartment and land plot segment. While Quang Nam continues to lead in the resort project development.

Figure 10: Condominium supply and demand in Ho Chi Minh



Source: CBRE

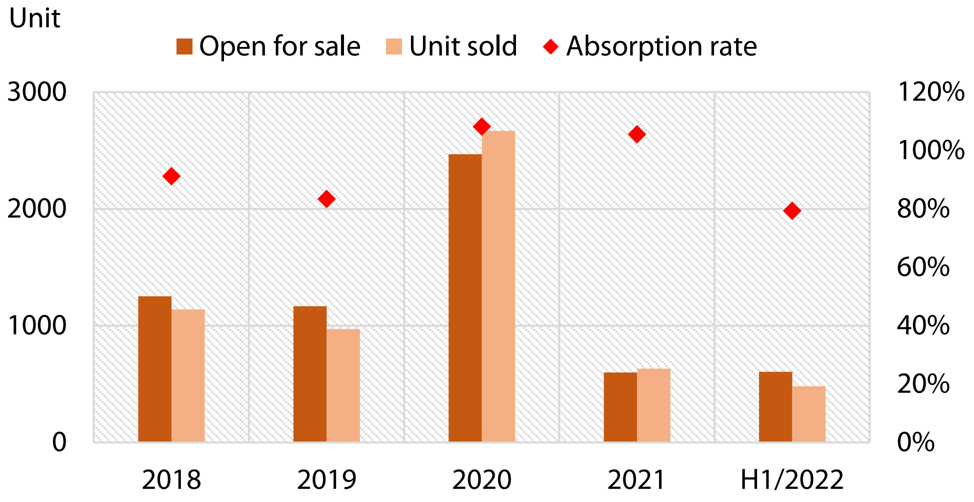
Figure 11: Supply by segment



Source: CBRE

- In 2021, the supply of new apartments in Ho Chi Minh City in 2021 continued to decrease and hit the bottom since 2015 with 14,339 units from 19 projects, down 22% compared to the same period last year due to the impact of the Covid epidemic and other problems. legal issues in the region.
- In the first 6 months of 2022, the supply of new apartment real estate tends to improve significantly. However, the absorption rate was only 76%, the lowest figure in the past 5 years.
- New supply tends to shift to high-end and luxury segments when land bank is increasingly scarce. Notably, the affordable segment has not had any projects for sale since Q1/2019.
- Newly opened projects are mainly concentrated in the East of Ho Chi Minh City (2021: 52%, first 6 months of 2022: 83%) due to having a land fund for development and benefiting from infrastructure.
- In H1/2022, the townhouse and villa segment recorded a positive recovery. New sales in H1/2022 reached 606 units, exceeding the total 600 units in 2021. However, the absorption rate is still lower than the whole year of 2021

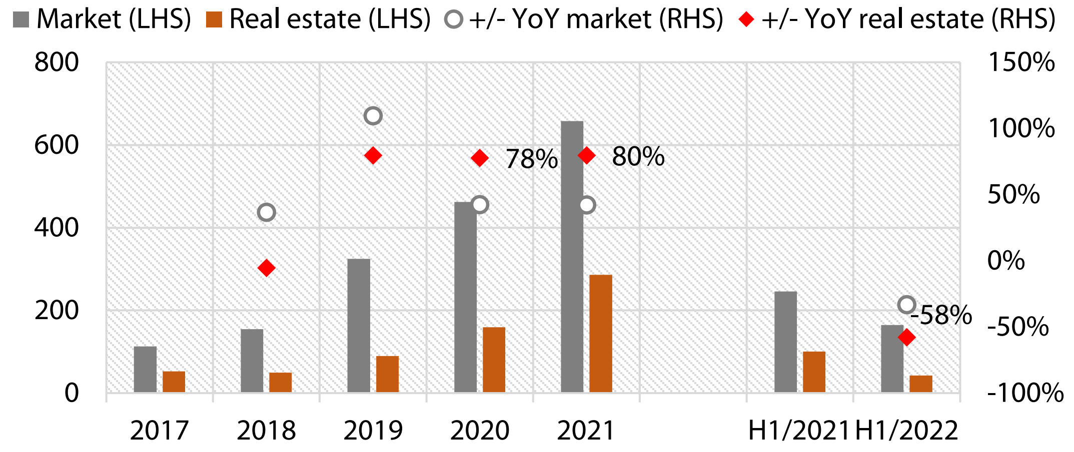
Figure 12: Supply of townhouse & villa



Source: CBRE

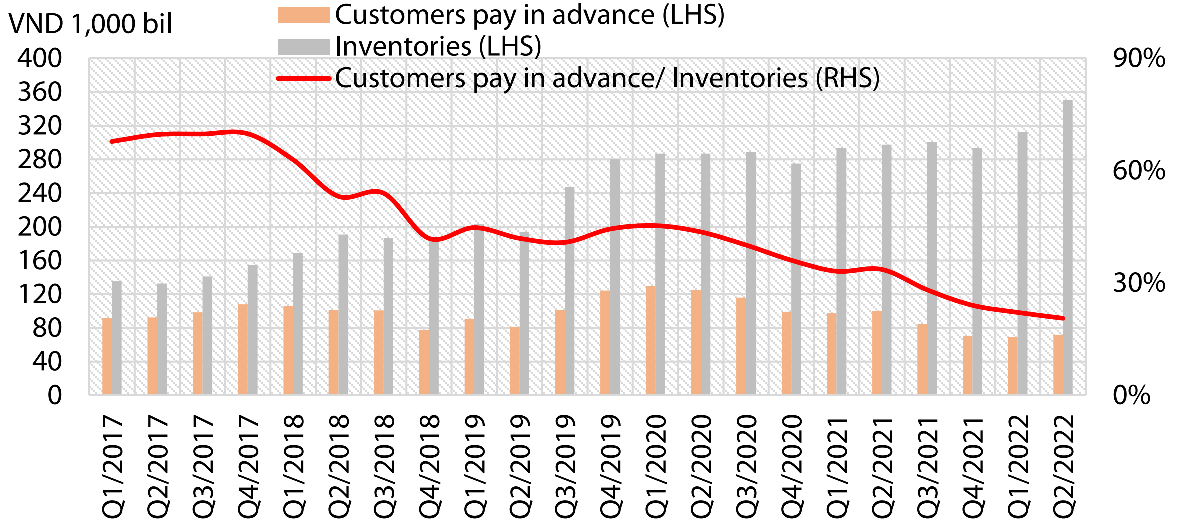
BORROWING ACTIVITIES IS TIGHTENED WHILE INVESTORY IS BEING LESS LIQUID

Figure 13: Corporate bond issuance value (VND trillion)



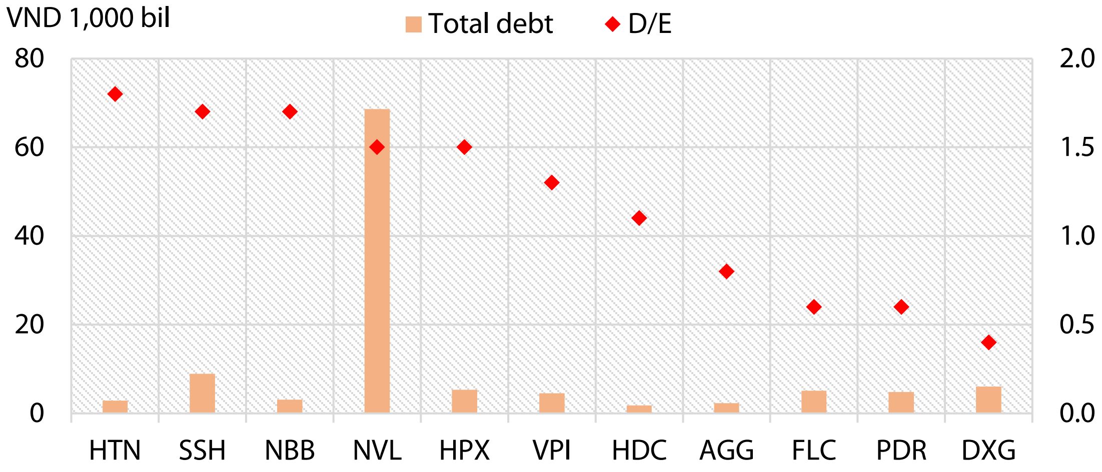
Source: VBMA

Figure 15: Inventories and customers pay in advance



Source: Fiinpro

Figure 14: Total debt of some listed companies

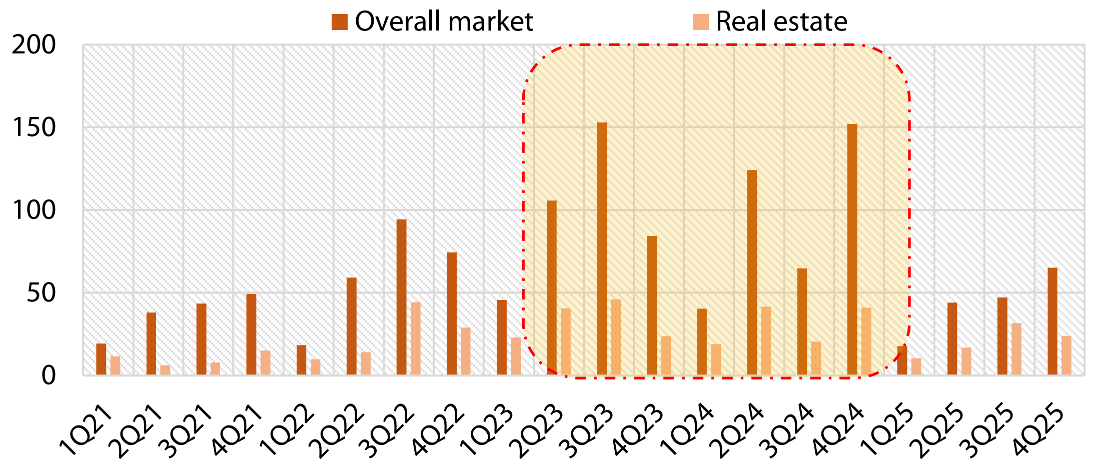


Source: Fiinpro

- In the period of 2019-2021, real estate businesses tend to increase their debt, especially through the issuance of corporate bonds.
- Summary of financial statements of listed companies shows that customer pay in advances tend to decrease from Q1/2020. However, the inventory value did not change significantly. This shows that the liquidity of real estate inventory tends to slow down.
- In early 2022, the State Bank of Vietnam had instructions on stricter control the issuance of corporate bonds, as well as credit line to the real estate sector. In H1/2022, the issuance value of real estate corporate bonds decreased by 58% over the same period.
- The tighten of lending activities (through bank lending or bond issuance) will raise capital cost of RE developers. Therefore, we expect those with high leverage will face more difficult in the coming period.

STRICTLY CONTROL ON LENDING AND BOND ISSUANCE ACTIVITIES PUSH PRESSURE ON PROJECTS' LIQUIDITY

Figure 16: Corporate bond maturity value (VND trillion)



Source: VBMA

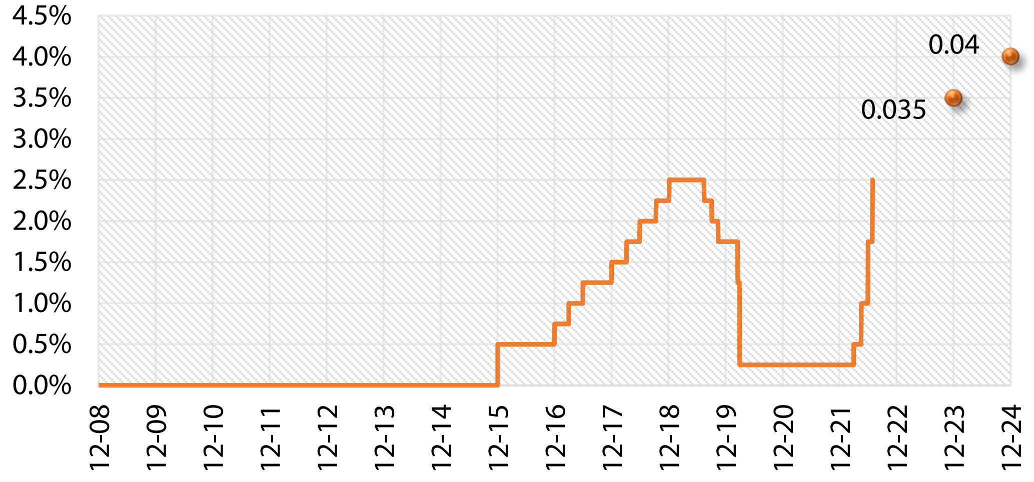
- Home loan interest rates have tended to increase in 1H2022 and cut incentives-support in the first year. In addition to restricting loans for land and second home products, banks cut their incentive-support credit budget to home-buyer.
- Interest rates on project finance loans are under the pressure of increasing in 2023.
- Corporate bonds in general, and real estate bonds in particular, will mature at high value from Q3 2022 to 2023. Given the credit tightening environment, large amount of corporate mature will negatively impact on developer's liquidity, as such push their borrowing cost.
- Risks from macro variables: Fed, ECB increase interest rates as schedule, inflation and domestic exchange rate are also putting pressure on borrowing rates of businesses.
- **The possibility of rising interest rates and strictly control on lending to real estate segment at the present will greatly affect the liquidity of projects, cash flow and profits in 2022-2023.**

Table 1: Home loan interest rates at banks in the first year

Bank	07/2022	12/2021	+/- %
VCB	9.0%	7.5%	+1.5%
BIDV	8.8%	7.2%	+1.6%
Vietinbank	10.0%	7.5%	+2.5%
Shinhan bank	8.2%	5.5%	+2.7%
VIB	7.9%	6.2%	+1.7%
Tpbank	10.1%	9.5%	+0.6%

Source: Rong Viet Securities

Figure 17: Fed rate



Source: Bloomberg

LEGAL HAS BEEN LEGAL BETTER BUT REAL ESTATE COMPANIES STILL FACE BARRICADES

PROCESS IN CONDUCTING REAL ESTATE PROCESS

PROVIDE PLANNING INFORMATION
(Investor – Department of Planning and Architechture)

ADJUSTMENT OF 1/2000 SECTION PLANNING PROJECT (IF YES)
(Investor – District people's committee – Department of Planning and Architechture – Province/City people's committee)

AGREEMENT FOR TRANSFER OF AGRICULTURAL LAND (IF YES)
(Investor– Department of Natural resources and Environment – Province/City people's committee)

APPROVING THE INVESTMENT POLICY AND APPROVING INVESTORS
(Investor – Department of Planning and Investment – City people's committee)

APPROVED DETAILED PLANNING PROJECT RATE 1/500
(Investor- Department of Planning and Architechture – City people's committee)

ENVIRONMENTAL IMPACT ASSESSMENT
(Investor – Department of Natural resources and Environment)

VERTICAL HEIGHT CLEARANCE
(Investor – Department of Operations)

APPROVAL OF FIRE PROTECTION
(Investor – Vietnam Fire and Rescue Police Department)

ECONOMIC INFRASTRUCTURE CONNECTION AGREEMENT
(Investor – Department of Transportation – State management agency in charge of electricity and water)

ASSESSMENT REPORT OF FEASIBILITY
(Investor – Department of Construction)

CONSTRUCTION PERMIT
(Investor– Department of Construction)

CONSTRUCTION DESIGN ASSESSMENT AFTER BASIC DESIGN
(Investor – Verification Unit)

PROJECT APPROVAL
(Investor)

PLAN FOR USING LAND REGISTRATION
(Investor– District/City People's Committee)

DEPOSIT
(Investor– Department of Planning and Investment – Bank)

LAND TRANSFER OR TRANSFER OF LAND USE
(Investor– Department of Natural resources and Environment – City people's committee)

DETERMINATION OF FINANCIAL OBLIGATION
(Investor– Department of Natural resources and Environment – Self Assessment Council – City people's committee)

ISSUANCE OF LAND USE TRANSFER CERTIFICATE
(Investor – Department of Natural resources and Environment)

PROJECT TRANSFER (If yes)
(Investor – Department of Construction)

GOVERNING LEGAL DOCUMENTS

1. Investment law
2. Bidding Law
3. Planning Law
4. Law of the land
5. Construction law
6. Housing law
7. Real estate business law
8. Environmental law, fire protection
9. Other relevant laws (electricity, water resources, public investment, PPP, management and use of public assets, enterprises, securities, civil, commercial, etc.)
10. Decrees, circulars, resolutions…

ISSUANCE OF DOCUMENTS FOR VALIDATION IN SIGNING CONTRACT FOR THE FUTURE FORMULATION OF REAL ESTATE
(Investor – Department of Construction)

ACCEPTANCE FOR FIRE PROTECTION
(Investor – Vietnam Fire and Rescue Police Department)

ISSUANCE IN COMPLETING ENVIRONMENTAL PROTECTION WORKS
(Investor – Department of Natural resources and Environment)

ISSUANCE OF DISCHARGE PERMIT
(Investor – Department of Natural resources and Environment)

ACCEPTANCE TESTING TO BRING THE WORK IN USE
(Investor - Department of State inspection on quality of construction works)

REFUND 50% OF REMAINING DEPOSIT
(Investor– Department of Planning and Investment – Bank)

LEGAL HAS BEEN LEGAL BETTER BUT REAL ESTATE COMPANIES STILL FACE BARRICADES

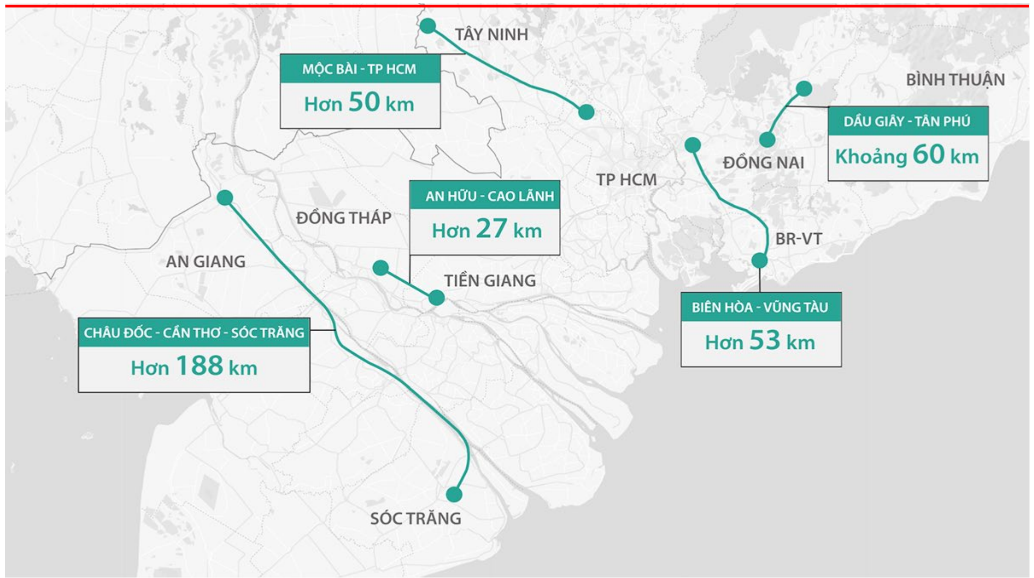
PROCESS	ISSUES	EFFECTS	CURRENT STATUS
ADJUSTMENT OF 1/2000 SECTION PLANNING PROJECT (IF YES) *(Investor – District people's committee – Department of Planning and Architechture – Province/City people's committee)*	**1/2000 local planning** • The general planning of the locality is usually adjusted every 7-10 years, which is slow compared to the speed of urbanization.	• Affects the time - investment capital for project development of enterprises	• There is no specific treatment in the draft of land law amendment.
APPROVING THE INVESTMENT POLICY AND APPROVING INVESTORS *(Investor – Department of Planning and Investment – City people's committee)*	**Residential land and other types of land** • Criteria for "meeting conditions for permitting change of land use purpose" has not been clarified. • Other types of land, without part of the area being residential land, are **NOT** allowed to develop commercial housing projects. **Projects related to public land and public property**	• Scarcity of supply in the market • Enterprises increase investment costs	• The Law No. 03/2022 dated January 3, 2022 has not been passed due to conflicting opinions of delegates • There is no specific treatment in the draft of land law amendment.
DETERMINATION OF FINANCIAL OBLIGATION *(Investor– Department of Natural resources and Environment – Self Assessment Council – City people's committee)*	**Method of calculating land price** to determine financial obligations related to land	• Passive in estimating total investment & assessing project feasibility	• The draft law is soliciting opinions on: Abolish the land price bracket. Localities have autonomy and decentralization in selling land at market-appropriate prices.
CONSTRUCTION PERMIT *(Investor– Department of Construction)*	**Construction planning** • Ensuring green buildings, fire protection **Social housing** • Decree 49/2021/ND-CP stipulates: for commercial housing projects with a scale of 2 hectares or more in special grade 1 urban centers, 5 hectares or more in grade 2 and 3 urban centers, 20% of the land fund must be allocated for social housing	• Reducing the coefficient of land use and the benefits of enterprises	• Just implemented, there will be no changes for the next few years.

Figure 18: North-South Highway project in the East, period 2021 - 2025

Source: CBRE

- In July 2022, the Ministry of Transport approved the investment project of 12 components of the East North-South Expressway in the 2021-2025 period. Total investment is 147 thousand billion VND for 724 km.
- In the South, key projects with great significance for infrastructure and economic connectivity have also been approved, including: Bien Hoa - Vung Tau, Moc Bai - HCM, An Huu - Cao Lanh, Chau Doc - Can Tho - Soc Trang, Dau Giay - Tan Phu.
- However, in 2022-H1/2023, most of the works are in the site clearance phase, preparing for construction. **Therefore, the forecast of real estate project development activities in these areas has not been promoted yet.**

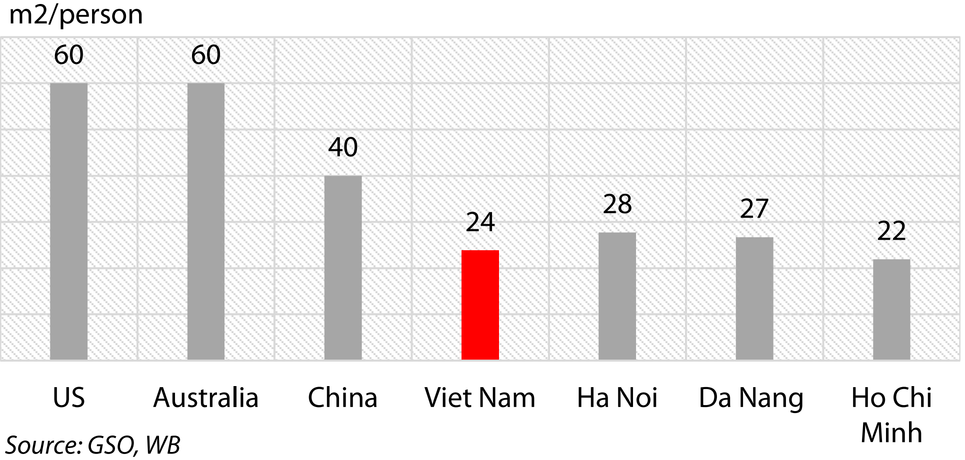
Figure 19: Other Highway projects in the South



REAL ESTATE INDUSTRY HAS LONG TERM POTENTIAL GROWTH, IN SHORT TERM STILL CONCENTRATE IN SOME BIG CITIES

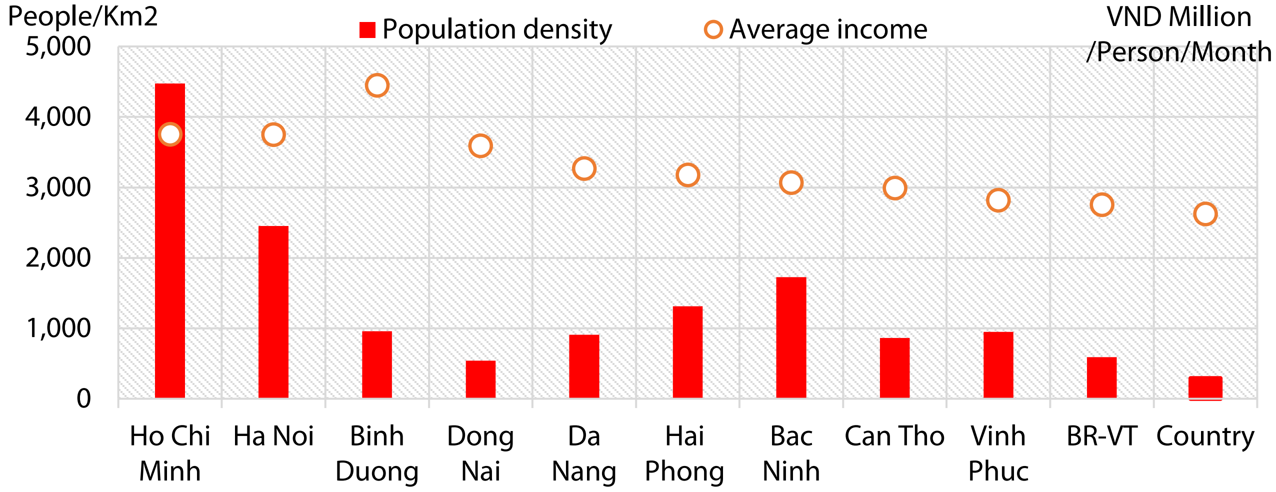
- In the long-term, the prospects of Vietnam's real estate industry are positive from: area per capita, urbanization rate is at a low level, while the outlook for average income is forecasted to improve significantly in the coming years.
- In the short and medium term, it is forecasted that provinces and cities that are leading in terms of population density and income compared to the national average include: Binh Duong, Dong Nai, BR-VT, Can Tho, Da Nang, Bac Ninh, Hai Phong, Vinh Phuc will be the areas with fast-growing real estate development compared to the overall growth of the industry. Besides, the real estate market in areas where infrastructure investment by the Government is also forecast to develop more excitingly in the medium term.

Figure 20: Average housing area of some countries



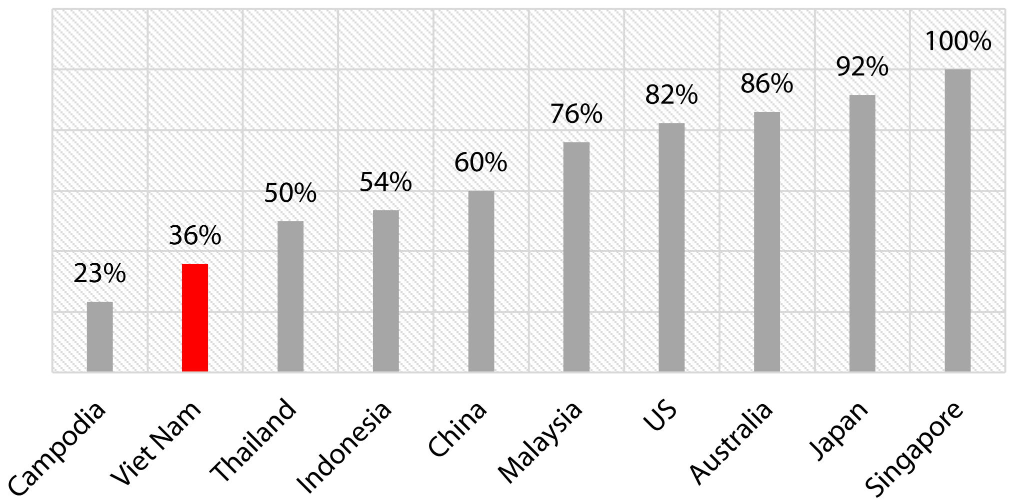
Source: GSO, WB

Figure 22: TOP 10 provinces with the highest average income and population density in the country



Source: GSO

Figure 21: Urbanization rate of some countries



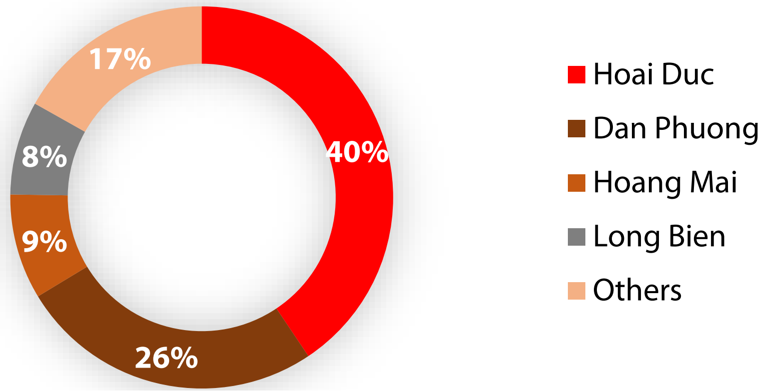
Source: WB

HA NOI WILL INCREASINGLY EXPAND TO SUBURBAN DISTRICTS

Trends in the short - medium - long term:

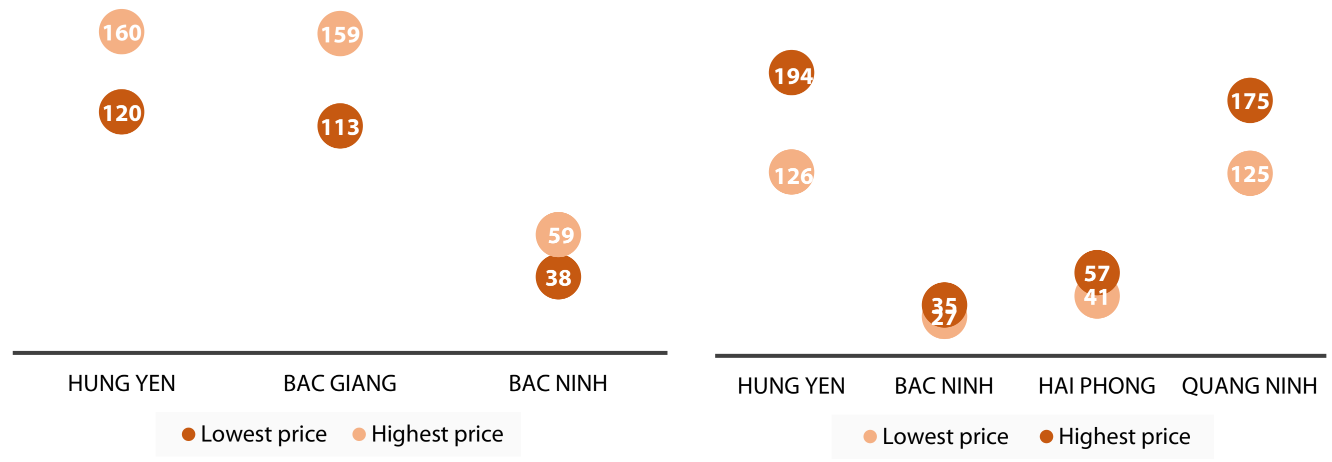
- The supply of land fund in the inner city is increasingly scarce, and trend projects will **increasingly expand to suburban districts** (Hoai Duc, Dan Phuong, Hoang Mai, Long Bien) **as well as to expand to neighbor provinces** (Hung Yen, Bac Ninh, Bac Giang).
- This expanding trend is expected to continue to boost the price of common premises in suburban areas and neighboring provinces to increase rapidly in the coming time.
- Some outstanding infrastructure works in the coming period: planning for urban zoning of Red River.

Figure 23: Proportion of new supply by region in 2022



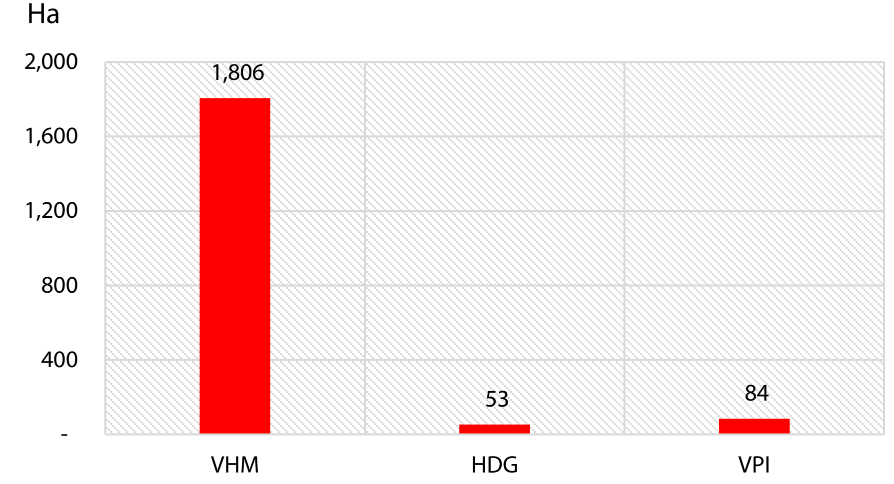
Source: DXS

Figure 24: Selling price of townhouses and villas in neighboring provinces of Hanoi



Source: DXS

Figure 25: Land fund of some listed companies in Hanoi (ha)



Source: Annual reports of enterprises

DA NANG: RECOVERY FROM TOURISM & PROVINCE'S LONG-TERM DEVELOPMENT ORIENTATION

From 2022 - 2023

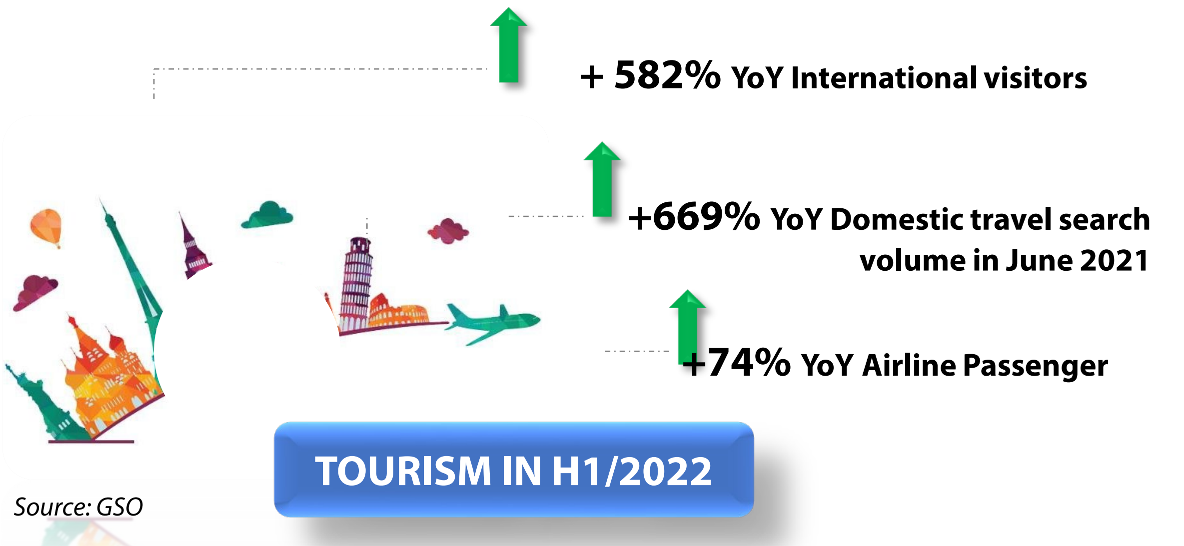
- It is expected that positive signs of tourism recovery in H1/2022 will stimulate the return of the real estate market in Da Nang.

In medium-long term:

- Orientation to develop tourism, logistics & high-tech industries according to the city planning from 2021 - 2030
- Besides developing large projects such as Lien Chieu port, metro project connecting central districts, electric train project connecting Hoi An, opening Co Co river...

⇨ **This creates advantages for resort products, high-rise apartments and increases the value of all types of real estate in general.**

Figure 26: Tourism recovery



Source: GSO

Figure 27: Da Nang City Planning from 2021-2030, vision 2050

Da Nang City Planning from 2021-2030, vision 2050

First pillar

Tourism and services associated with tourism are associated with tourism spearheads and high-quality resort services.

Second pillar

The center of transshipment and export of goods in the central key economic region focusing on two key areas of seaports and airports, associated with logistics and export processing services, and enhancing the added value of high technology agricultural products and fisheries.

Third pillar

Knowledge economy - the foundation for the development of two spearhead fields of high-tech industry associated with creative urban construction, start-ups and information technology, electronics and telecommunications industries associated with the digital economy , keep up with and take advantage of the opportunities of the Industrial Revolution 4.0.

Source: Danang.gov.vn

Trends in the short - medium - long term::

- Land fund tends to be increasingly scarce, new development projects will mostly still be located in the East area of District 9, Thu Duc.
- At the same time, the scarcity of land fund will cause new projects to focus mainly in the high-end segment.
- CBRE forecasts that the selling price of apartments in the primary market may increase at a CAGR of 4%/year
- Some notable infrastructure projects: Ring Road 3, Thu Thiem Bridge 2, Metro Line 1.

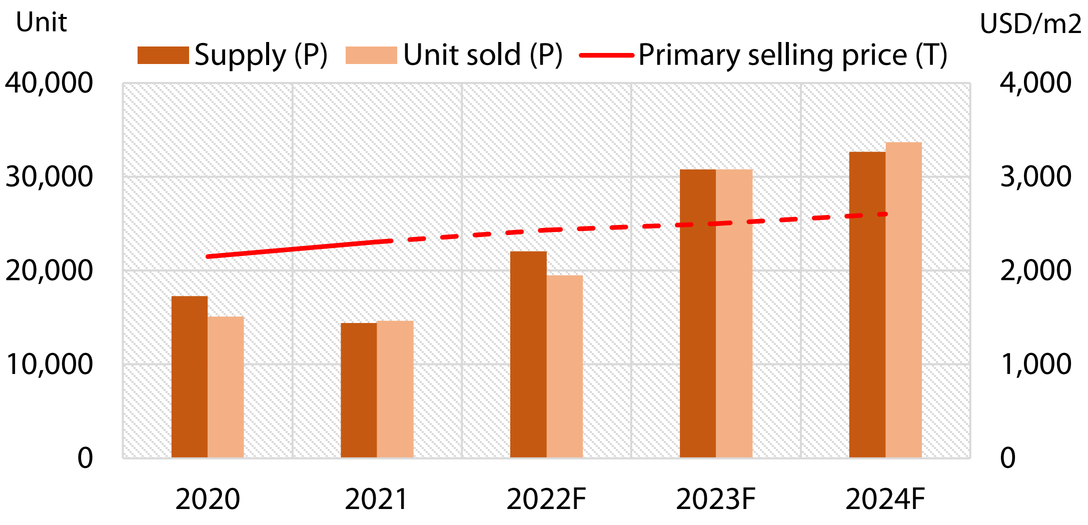
NOTABLE INFRASTRUCTURE

Ring Road 3

Thu Thiem Bridge 2

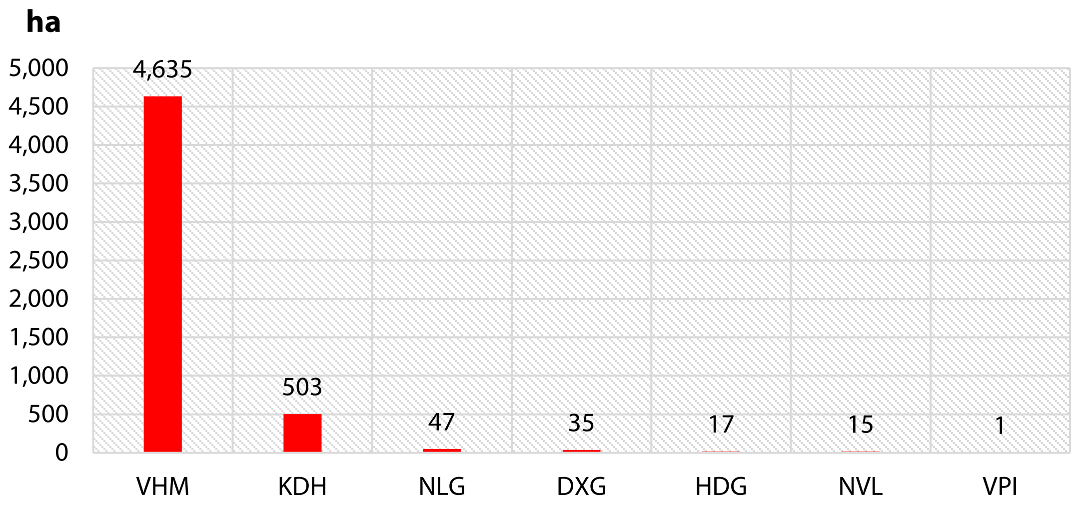
Metro 1

Figure 28: Land fund of listed companies in HCM (ha)



Source: CBRE

Figure 29: Land fund of listed companies in HCM (ha)



Source: Rong Viet Securities

Potential growth in short – medium – long term

- Benefiting from extended to the East of Ho Chi Minh City
- Benefit from the Government's policy of developing key infrastructure projects with regional influence: Long Thanh Airport, Bien Hoa - Vung Tau Expressway, Dau Giay - Tan Phu Expressway, Phuoc An Bridge.

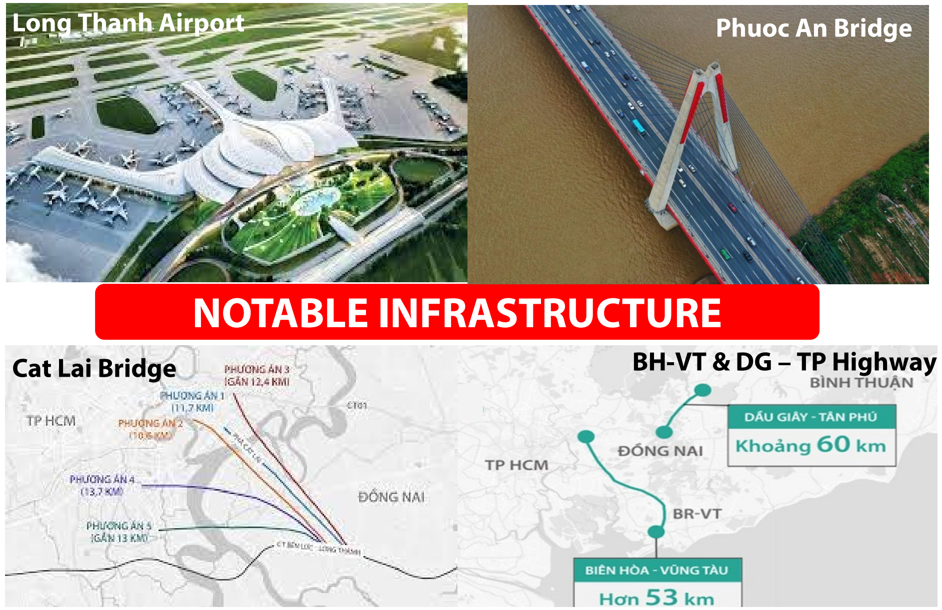


Figure 30: Projects in Dong Nai of some listed companies

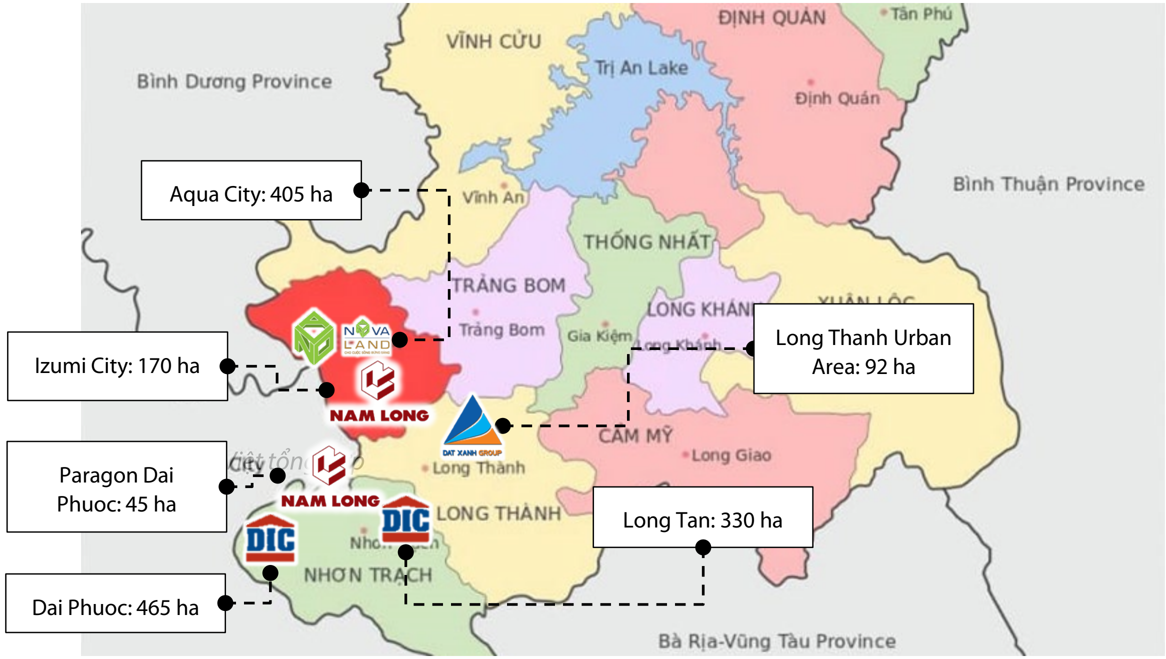
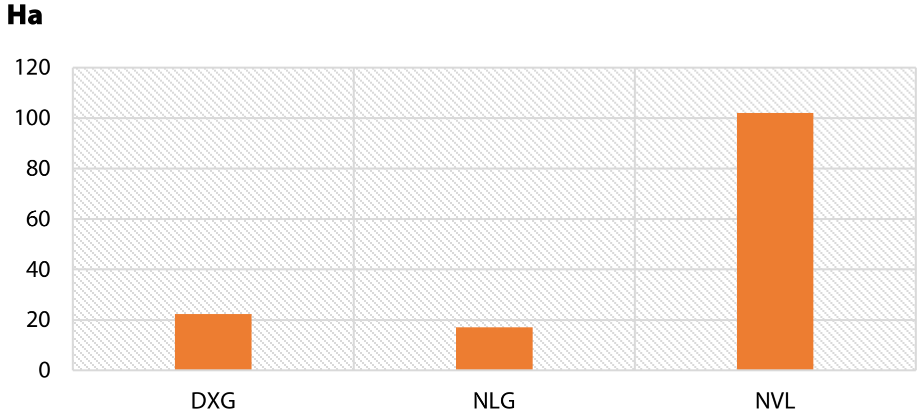


Figure 31: Land fund of some listed companies in Dong Nai

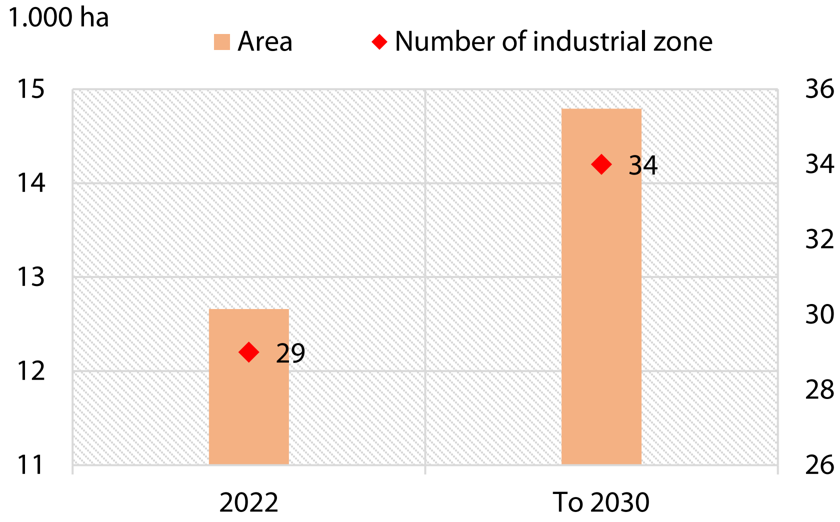


Source: Annual reports of enterprises

Potential growth in short – medium – long term

- The prospect of real estate development in Binh Duong province in the past was driven by industrial development and infrastructure promotion.
- In the coming years, it is forecasted that the province's real estate development potential is still very large on the basis of the potential for industrial park development. In addition to completing a number of key infrastructure projects in the 2022-2030 period: Ring Road 4, Ho Chi Minh City - Chon Thanh Expressway, it is expected to increase the value of these projects..

Figure 32: Industrial park land fund in Binh Duong



Source: MOC

NOTABLE INFRASTRUCTURE

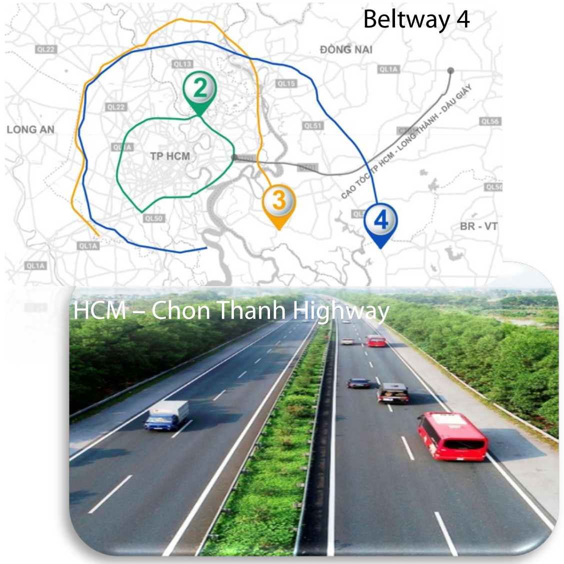
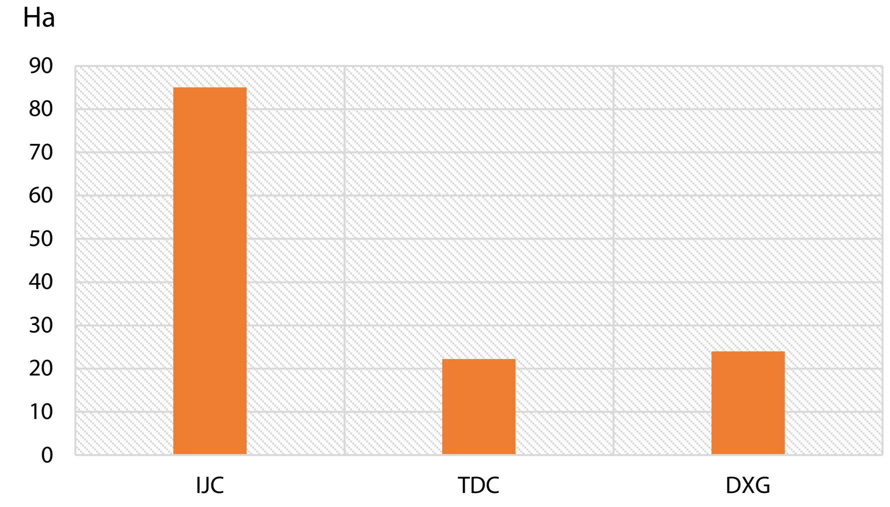


Figure 33: Land fund of some listed companies in Binh Duong



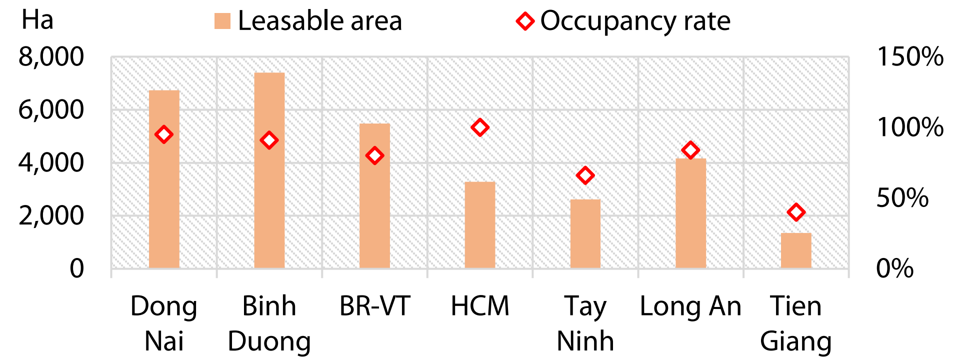
Source: Annual reports of enterprises

Potential growth in short – medium – long term

- Benefit from the government's infrastructure development policy: Can Tho - Hau Giang - Ca Mau Expressway, Cao Lanh - Phu Huu Expressway, Chau Doc - Can Tho - Soc Trang Expressway, Dinh An Port, Cho Gao canal expansion
- The trend of industrial park development is gradually shifting to the Mekong Delta region thanks to the advantage of connecting waterways and roads to Ho Chi Minh, land clearance activities are cheaper and more convenient than Binh Phuoc, Dong Nai, and BR - VT.

NOTABLE INFRASTRUCTURE

Figure 34: Industrial zone land fund in some southern provinces



Source: Savills

Figure 35: Potential for development of IP in Tien Giang

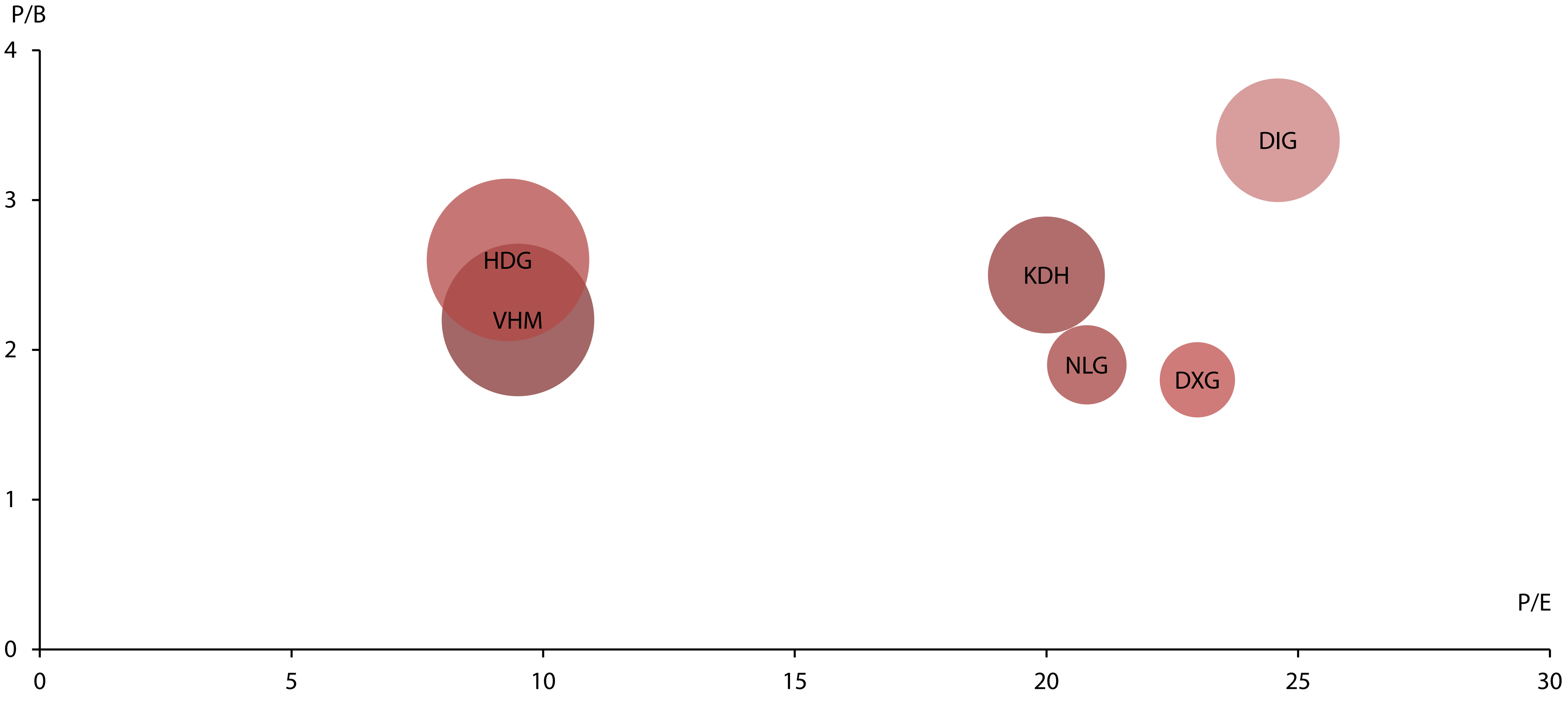
Source: Google map

INDUSTRY COMPARABLE (TTM)

Ticker	Market cap (VND bn)	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	11,456	-	-84	104	49	60	-95	50	11.4	21.8	0.0	9.5	2.2
KDH	1,192	43.660	-34	230	46	44	25	51	8.3	12.8	0.0	20.0	2.5
NLG	707	50.500	210	24,419	19	24	135	20	3.2	5.9	0.0	20.8	1.9
HDG	549	47.800	116	1,081	73	51	1,816	42	8.6	24.7	0.0	9.3	2.6
DXG	730	-	-57	44	23	22	-55	16	2.5	5.3	0.0	23.0	1.8
DIG	1,102	-	-7	457	27	19	57	39	6.4	14.3	0.0	24.6	3.4

Source: Fiin Group, Rong Viet Securities. Share price as of August 10, 2022

PE, PB & ROE (TTM)

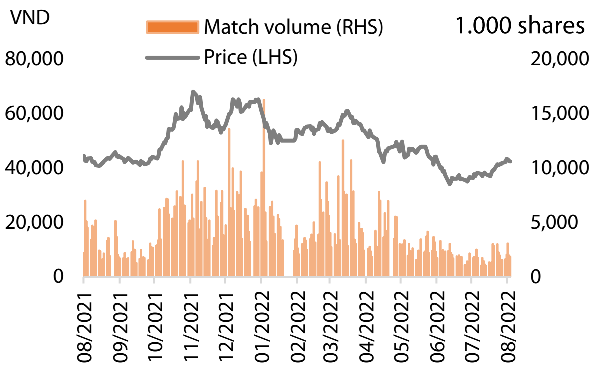


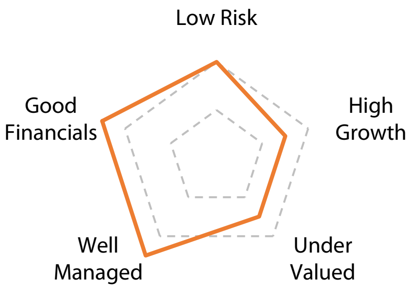
Source: FiinGroup, Rong Viet Securities. The bubble size is equal to the corresponding ROE. Share price as of 10/8/2022

GROWTH PROSPECTS IN H2/2022 and 2023

HSX: NLG

<ACCUMULATE: +19%> <TP: 50,500> <MP: 43,000>





STOCK INFO

Sector	Real estate
Market Cap ($ mn)	696
Current Shares O/S (mn shares)	382.9
3M Avg. Volume (K)	2,055
3M Avg. Trading Value ($ mn)	3.59
Remaining foreign room (%)	40.75%
52-week range ('000 VND)	33.15 – 64.40

FINANCIALS

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	5,206	4,909	11,295
NPATMI VND bn)	1,478	774	2,015
ROA (%)	7.9%	3.1%	6.6%
ROE (%)	14.6%	5.7%	13.8%
EPS (VND)	2,658	1,661	3,362
Book Value (VND)	35,326	36,143	40,355
Cash dividend (VND)	1,000		
P/E (x)	16.2	25.9	12.8
P/B (x)	1.22	1.19	1.07

INVESTMENT RATIONALE

- **Sales are expected to reach a record** of more than 17 trillion in 2022, nearly 3 times higher than in 2021, mainly from projects: Southgate Phase 1, Akari Phase 2, Mizuki Phase 3 and Can Tho land plot.
- **Profit is expected to be recorded in H2/2022 & lasts until 2023**: from (1) the successful transfer of Paragon Dai Phuoc project, (2) the opening and sale of land plots in Can Tho, which is attracting great attention, and (3)) mansions/villas in Aquaria 2, Rivena 2 and The Aqua 1 subdivisions are expected to be handed over in Q4/2022.

RISKS TO OUR CALL

- **The legal completion of Can Tho and Paragon Dai Phuoc projects** greatly affects revenue, profit & sales results in 2022.
- **Rising interest rates affect the liquidity of projects**

Table 1: H1/2022 business results (VND Bn)

(VND Bn)	H1/2022	+/- YoY
Revenue	**1,828**	187%
Gross profit	**811**	419%
Operating profit	**310**	
NPAT-MI	**111**	-73%

Source: NLG, Rong Viet Securities

Table 2: Sales activities in 6M 2022 (VND Bn)

Project	H1/2022 Quant	H1/2022 Value	H1/2021 Quant	H1/2021 Value	H1/2020 Quant	H1/2020 Value
Southgate	245	1,553	334	2,021	186	631
- Valora	*245*	*1,553*	*334*	*2,021*	*186*	*631*
- Ehome						
Akari	605	1,999	90	467	134	340
Mizuki	390	2,813	646	2,003		
Can Tho	27	116				
Izumi	270	1,929				
Dai Phuoc						
Others					26	48
Total	**1,537**	**8,410**	**1,070**	**4,491**	**346**	**1,019**

Source: NLG, Rong Viet Securities

H1 2022, revenue recorded growth thanks to improved project handover activities, however, the parent company's NPAT decreased over the same period due to no longer abnormal profits.

- In H1 2022, NLG recorded revenue of VND 1,828 billion (+187% YoY). In which, project handover activity recorded VND 1,689 billion, a sharp increase over the same period from the handover of Southgate valora products (203 units, VND 1,025 billion), Akari project apartment products phase1 (block 6, 189 apartments, 568 billion VND) and some other project products (95 billion VND).
- Parent company's NPAT recorded at VND111 billion, recording +135% YoY growth, but slightly lower than revenue growth. The main reason during the period was no other income generation, compared to H1/2021 NLG recorded VND429 billion from the re-evaluation of the Izumi project after NLG increased its ownership from 30% to 65.1%.

Active sales with many new subdivisions opened for sale in the first six months of 2022

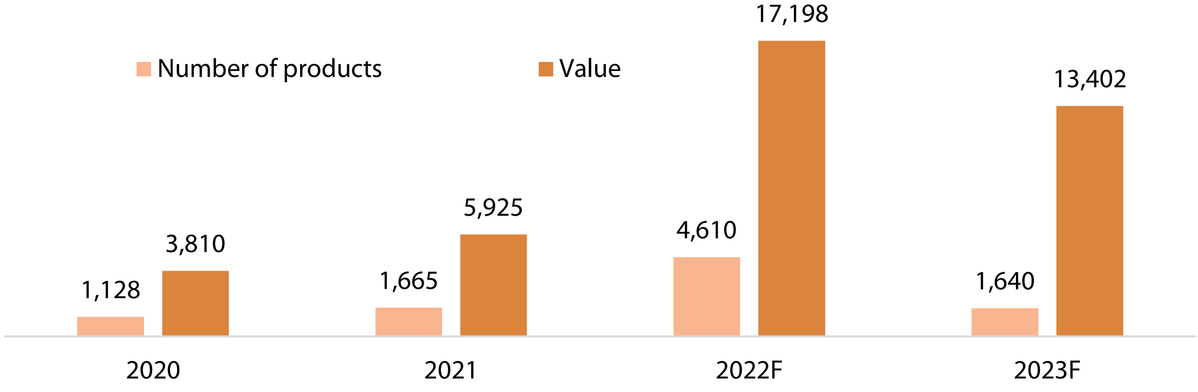
- In the first 6 months of the year, NLG's sales activities were quite positive, with four new subdivisions being sold to the market: The Aqua 1, Akari City - Phase2 (AK7 and AK8 buildings), Mizuki park – Phase 3 and Izumi - Phase 1A. The value in H1/2022 was VND 8,410 billion (+87% YoY) (Tables 5, 6).

Table 3: NLG sales plan in H2/2022

Projects	07/2022	08/2022	09/2022	10/2022	11/2022	12/2022
Akari	Block AK9-10: 806 units – 2,500 bn					
Mizuki			186 units - 863 bn			
Southgate	61 units - 845 bn	Ehome: 383 units - 400 bn			The Aqua 2: 101 units – 1,399 bn	
Izumi					GĐ 1B: 517 units – 3,514 bn	
Paragon Dai Phuoc						GĐ1: 210 units – 4,326 bn
Can Tho				1.076 units – 2,009 bn		

Source: NLG

Figure 1: Number of products and sales revenue (VND bn) 2019 – 2023F



Source: NLG, Rong Viet Securities

Sales activity is expected to still achieve positive growth in H2/2022

- In Ho Chi Minh City, the Akari-phase 2 high-rise apartment project will open for sale blocks AK9 and AK10 in July-August 2022. At the same time, this is also the only remaining fully legal project of NLG in Ho Chi Minh market from here to 2024, after completing the sale of The Mizuki - Phase 3. In Long An, the Southgate - Phase 2 social housing project is expected to be opened for sale in Q4/2022. These two projects focus on the affordable segment, customers have real needs and are currently in short supply in the area. Therefore, we expect these two projects to have great demand from the market like in the previous sales. Besides, the land plot products of Nam Long-Can Tho project (Phase 2), which are popular with investors, also plan to be distributed from the beginning of Q3/2022.
- About the Izumi - Phase 1B and Paragon Dai Phuoc projects, belonging to the second home segment with high value, are expected to be opened for sale in the last two months of the year. So, we claim that only a small part of supply will be absorbed in 2022.

In 2023, the expected pre-sale value is expected to slightly decrease compared to 2022

- We expect NLG's pre-sales value to be at VND 11,295 billion in 2023
- In which, sales activities are expected to focus on four projects (1) Izumi - Phase 2&3, (2) Paragon Dai Phuoc Phase 1&2, (3) Ehome SouthGate – Phase 3 of social housing project and (4) Can Tho land plot - Phase 2.
- Two projects Akari - Phase 3 and SouthGate - Phase 2 are expected to be open for sale in 2024. While Hai Phong (Thuy Nguyen) will be open for sale after completing the project development legislation.

Figure 2: Revenue forecast for 2021-2023F (VND bn)

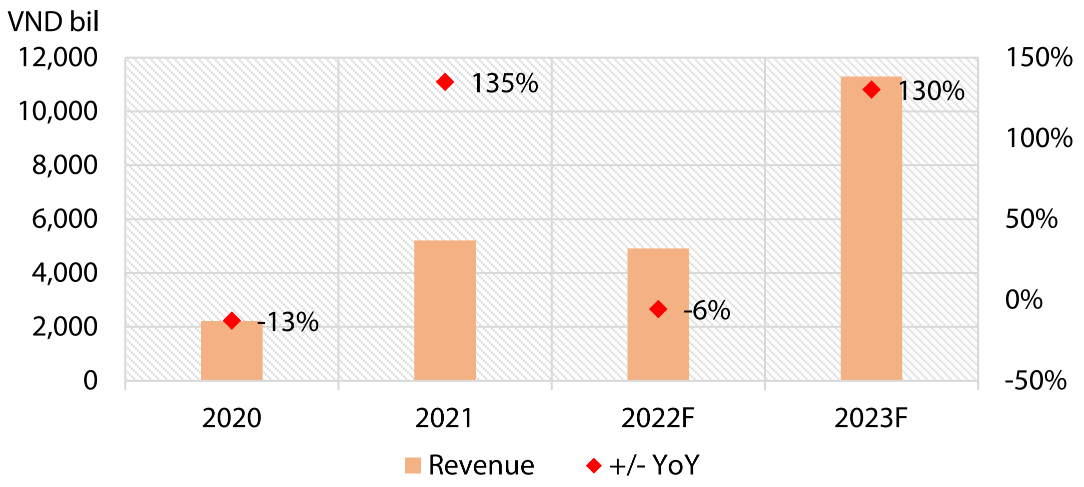
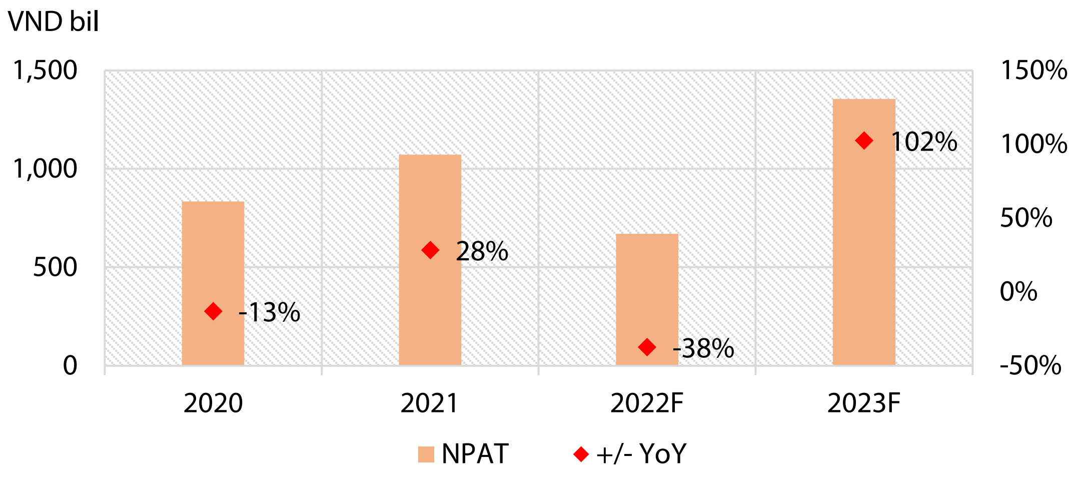


Figure 3: NPAT-MI forecast in 2021-2023F (VND bn)



Source: NLG, Rong Viet Securities

Business results forecast for 2022

Revenue reached 4909 billion VND (-6%)

- According to the progress of the projects, it is likely that NLG will hand over 1,065 products of the Southgate project - Phase 1 in H2/2022, Akari - Phase 1 and the open sale of land plots in Can Tho is estimated to record about VND 2,494 billion in revenue in only H2/2022 .
- Southgate - Phase 1, about 292 valora products in Rivena 2, Aquaria 2 and The Aqua 1 subdivisions and 366 Ehome products with an estimated revenue of VND 1,839 billion.
- Akari - Phase 1, block 6 has 89 remaining products that are likely to record revenue in Q3/2022.
- The land plot product of Can Tho project is planned to be opened for sale from September 2022 after some subdivisions complete the adjustment of construction plans, expected to be able to distribute 271 products in phase 1.

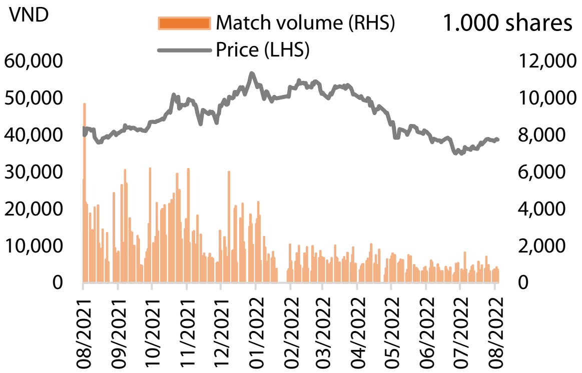
Moreover, we estimate NPAT after parent company shareholders at VND 655 billion (-39% YoY). In which, profit is mainly contributed from (1) 350 billion VND from divestment of Paragon Dai Phuoc project 350 billion VND and (2) project handover.

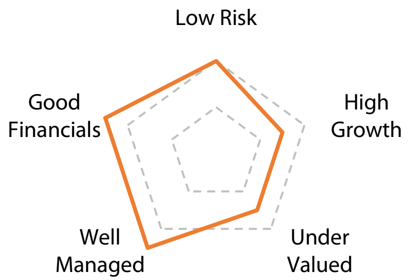
RONG VIET SECURITIES

HUGE LAND FUND IN HCMC IS THE MAIN DRIVE FOR MEDIUM – LONG TERM GROWTH

HSX: KDH

<ACCUMULATE: +13%> **<TP: 43,660>** **<MP: 38,750>**





STOCK INFO

Sector	Real estate
Market Cap ($ mn)	1,184
Current Shares O/S (mn shares)	709
3M Avg. Volume (K)	835
3M Avg. Trading Value ($ mn)	1.39
Remaining foreign room (%)	32.12%
52-week range ('000 VND)	34.50 – 51.60

FINANCIALS

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	3,738	3,367	3,376
NPAT VND bn)	1,205	1,487	1,412
ROA (%)	8.5%	8.7%	6.2%
ROE (%)	13.1%	13.9%	12.1%
EPS (VND)	1,788	2,006	1,905
Book Value (VND)	15,898	15,760	17,233
Cash dividend (VND)			
P/E (x)	21.7	19.3	20.3
P/B (x)	2.4	2.5	2.2

INVESTMENT RATIONALE

- **In Q3/2022, sales activity is forecasted to be dynamic** from the launch of Classia (August 2022), Privia (Q4/2022) and Clarita (H2/2022) projects that will drive revenue and profit growth in the period from 2023 - 2025.
- **Large land bank in Ho Chi Minh City is the main force for medium and long-term growth**

  In Ho Chi Minh City, KDH's land bank is about 610 ha (second player after Vinhomes). Given that the real estate market in Ho Chi Minh City is facing a shortage of project supply as well as shortage of new land banks, developer with large land bank like KDH is an advantage. We expect land bank in Tan Tao (330 ha) and Phong Phu 2 (132 ha) will be the main highlight to help KDH maintain growth rate in the next 5 to 10 years.
- **Attractive valuation is the potential to improve profitability in the period of 2021 - 2023.**

RISKS TO OUR CALL

- **The slower - than - expected legal completion of projects and the implementation of site clearance** for large projects such as Tan Tao, Phong Phu 2 and the expansion Le Minh Xuan Industrial Park may affect KDH's future cash flow.

BUSINESS ACTIVITY IS SLOW DOWN IN H1/2022

Table 1: Business results H1/2022 (VND bn)

(VND Bn)	6T 2022	+/- YoY
Revenue	**875**	-55%
Gross profit	**575**	-31%
Operating profit	**446**	-32%
Parent company's NPAT	**631**	+34%

Source: KDH, Rong Viet Securities

Table 2: Pipeline of KDH projects 2021-2025

Projects	Location	Owner	Square (ha)	2021	2022	2023	2024	2025	after 2025
The Classia	Q9, HCM	100%	4,3						
The Privia	Binh Tan, HCM	100%	1,8						
Clarita	Thu Duc, HCM	100%	5,7						
The Solina	Binh Chanh, HCM	100%	16,4						
KCN Lê Minh Xuân MR	Binh Chanh, HCM	100%	109,9						
Bình Trưng	Thu Duc, HCM	100%	11,0						
Phong Phú 2	Binh Chanh, HCM	100%	132,9						
KDC Tân Tạo	Binh Tan, HCM	100%	330,0						

Source: KDH, Rong Viet Securities

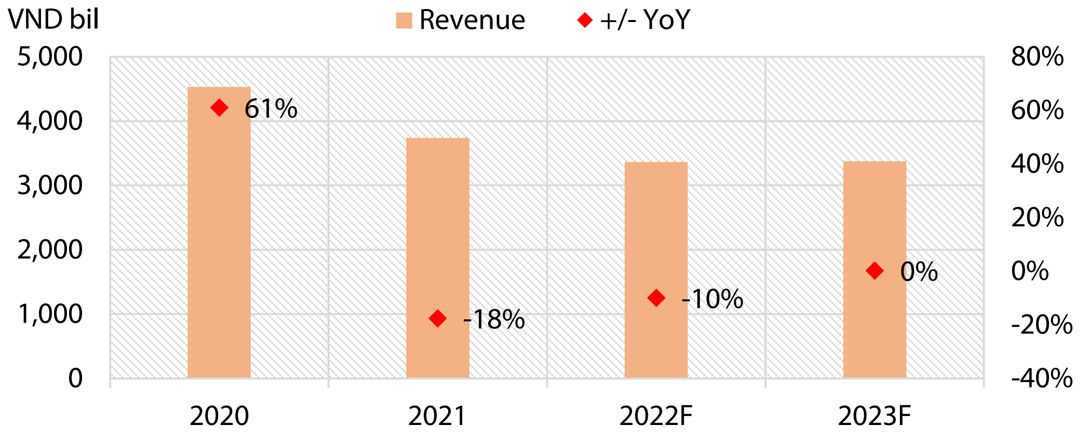
In H1 2022, handover and sale activities recorded a slowdown. However, parent company's NPAT increased over the same period thanks to extraordinary profits.

- KDH recorded a revenue of VND 875 billion (-55% YoY) which mainly due to a decrease in the number of handover products compared to the same period last year. Particularly, the company hand-overed 40 apartments in Clarita project, which mostly occur in Q2 2022.
- Parent company 's NPAT recorded a growth of 34% YoY to VND 631 billion, of which 50% is contributed from non-recurring income. Particularly, the company booked VND 308 billion income from re-evaluating the consolidation of Phuoc Nguyen Investment Real Estate JSC arising in Q1 2022. In addition, the profit margin in H1/2022 is generally improved from the Classia Villa project which has a better profit margin than the high-rise projects handed over in 2021 (Safira, Lovera Vista)

Sales activity slowed down in the first six months of 2022

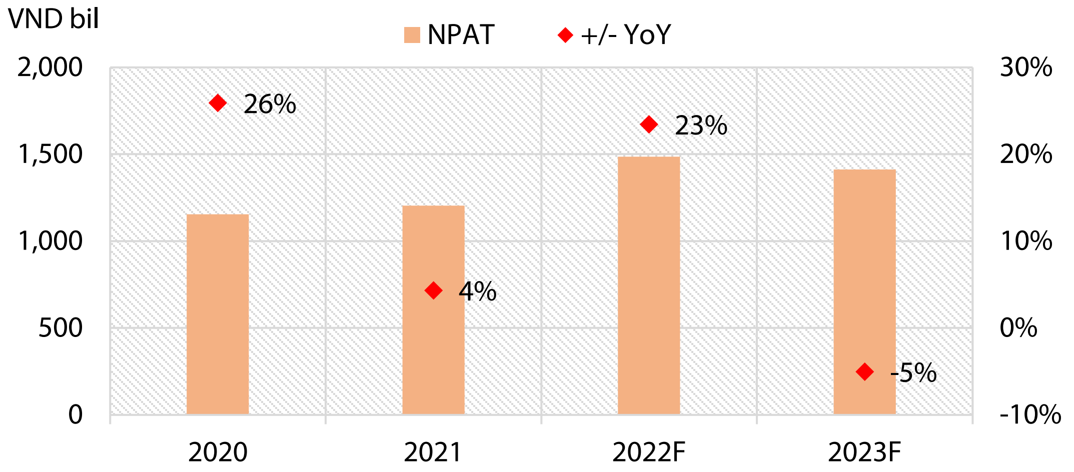
- By the end of Q2 2022, two completed projects, Verosa villas have sold out 100% of the projects and the Lovera Vista high-rise project has sold up to 88%.
- However, in the first 6 months of the year, KDH has not yet offered new projects to the market.

Figure 1: Revenue forecast for 2021-2023F (VND bn)



Source: KDH, Rong Viet Securities

Figure 2: NPAT-MI forecast in 2021-2023F (VND bn)



Source: KDH, Rong Viet Securities

Sales activity is expected to be dynamic from Q3 2022

- In the early days of August 2022, KDH signed a distribution agent for Classia project with Smart Landand and expects most of the projects to be recognized as revenue within the year.
- In addition, the Privia project, which started in Q2 2021, is expected to be eligible for sale in Q4 2022.
- The Clarita villa project can also be opened for sale in H2 2023, according to the company's plan.

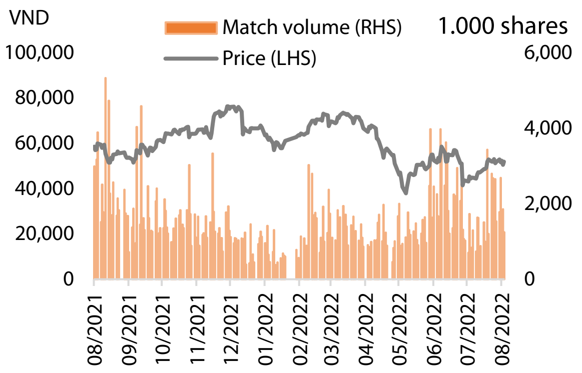
Business results 2022-2023 do not have many strong growth drivers compared to 2021

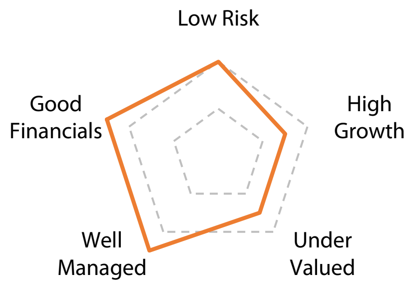
- In 2022, we estimate the parent company's revenue and NPAT at VND 3,367 billion and VND 1,487 billion, respectively, equivalent to growth of 5% yoy and 15% yoy respectively.
- In 2023, Clarita is expected to be the main source of revenue from the partial handover of the project by the end of Q4/2023.
- Meanwhile, the high-rise projects Privia is estimated to start falling in 2024.

2022 – THE POINT OF RECOVERY, PROFIT IS RECORDED

HSX: HDG

<NEUTRAL : -8%> <TP: 47,800> <MP: 52,300>





STOCK INFO

Sector	Real estate & energy
Market Cap ($ mn)	560
Current Shares O/S (mn shares)	244,61
3M Avg. Volume (K)	1.761
3M Avg. Trading Value ($ mn)	3.90
Remaining foreign room (%)	13,4%
52-week range ('000 VND)	31.60 – 61.20

FINANCIALS

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	3,777	3,815	3,388
NPAT VND bn)	1,344	1,622	1,394
ROA (%)	9.0%	9.9%	8.0%
ROE (%)	28.7%	26.7%	19.0%
EPS (VND)	5,455	5,286	4,544
Book Value (VND)	22,070	22,003	25,832
Cash dividend (VND)	1,000		
P/E (x)	9.6	9.9	10.5
P/B (x)	2.4	2.2	2.0

INVESTMENT RATIONALE

- **2022 - the point of recovery is mainly coming from revenue and profit** from the handover of Charm Villas project from Q2/2022 and the energy segment still maintains a positive growth momentum from a low base.
- **Real estate land fund still has room for medium-term development.** Currently, HDG's land bank is over 50 hectares, which is mainly concentrated in the big cities of Hanoi, Ho Chi Minh, and Nha Trang, which are currently of high value and the land supply is gradually scarce.
- **The energy segment brings stable annual cash flow for the business.**

RISKS TO OUR CALL

- **Slow implementation of real estate projects** will significantly affect revenue and profit in the following years.

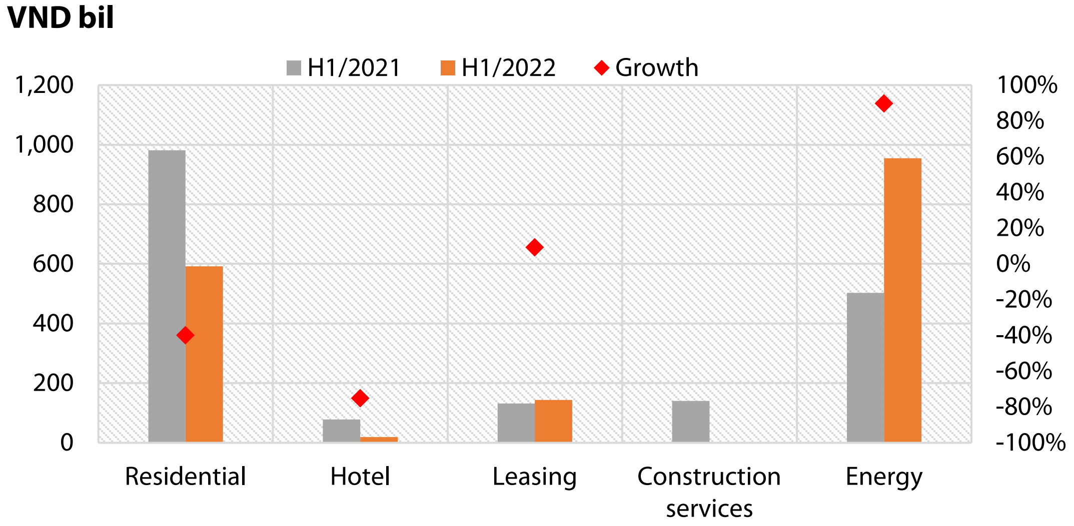
POSITIVE GROWTH OF BUSINESS ACTIVITIES IN H1/2022

Table 1: Business results H1/2022 (VND bn)

(VND Bn)	6T 2022	+/- YoY
Revenue	**1,692**	-7%
Gross profit	**1,129**	+23%
Operating profit	**1,044**	+41%
NPAT-MI	**606**	+78%

Source: HDG, Rong Viet Securities

Table 2: Sales activities in 6M 2022 (VND Bn)



Source: HDG, Rong Viet Securities

In H1/2022, HDG's NPAT-MI recorded a positive growth, with VND 606 bn (+78% YoY). Meanwhile, revenue was slightly reduced due to a decrease in the number of real estate handovers.

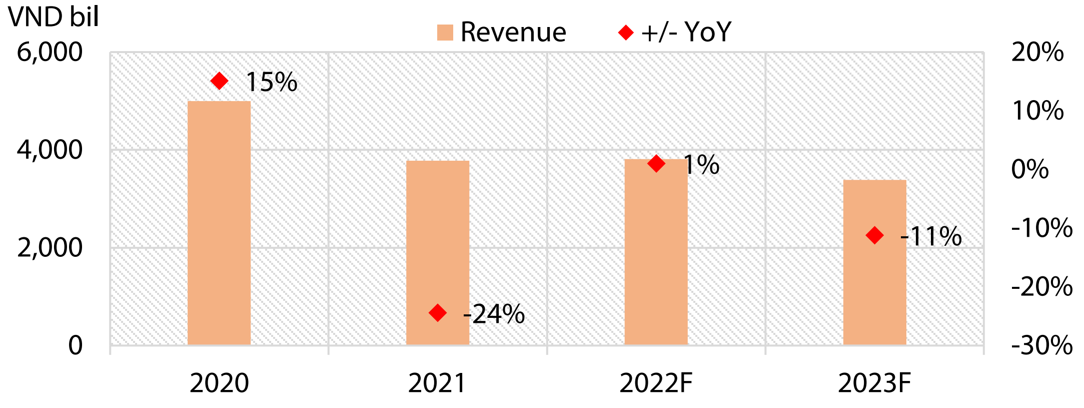
The real estate segment recorded a sharp revenue increase from Q2/2022 by the handover of the Charm villas project

- In Q2/2022, HDG marked the return of the real estate segment, with revenue recorded at VND 465 billion, an increase of nearly 10 times over the same period, from the handover of 45 Charm villas project. According to the schedule from here to the first half of 2023, HDG will hand over the remaining 127 units, estimated revenue of 1,311 billion VND.
- In addition, HDG is expected to open sale phase 3, 136 Charm villas in Q3/2022. However, according to our survey, the project has not yet had a specific sale opening date.

Energy segment maintains positive growth momentum

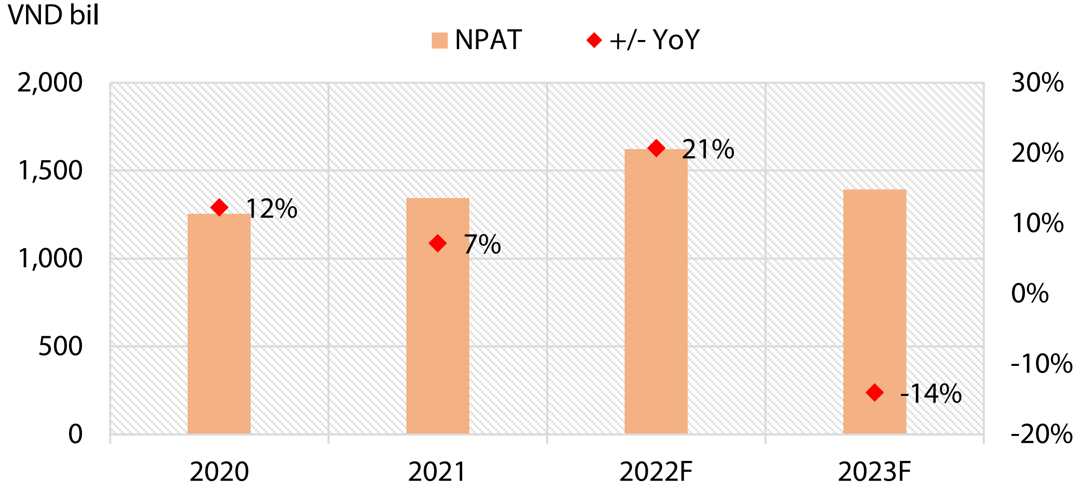
- In Q2/2022, the energy segment recorded a revenue of VND 476 billion, up 82% yoy on a low basis, after the two Dakmi 2 projects (operated from September 2021) and 7A (operated from August 2021 for unit 1-2 and unit 3 operating from February 2022) will come into stable operation in 2022. Besides, the favorable hydrological situation also actively supports hydropower activities in the first half of the year.

Figure 1: Revenue forecast for 2021-2023F (VND bn)



Source: HDG, Rong Viet Securities

Figure 2: NPAT-MI forecast in 2021-2023F (VND bn)



Source: HDG, Rong Viet Securities

In 2022, we forecast revenue and NPAT to be VND 3,815 billion (+1%) and VND 1,622 billion (+21% yoy) respectively.

- In the second half of 2022, according to the schedule, we expect HDG to hand over about 100/127 Charm villas project, with a recorded value of about VND 1,032 billion, the remaining products are expected to be handed over within the year.
- While in the energy segment, it is expected that revenue and profit will be at the same level as in the first half of 2022 when the plants have come into operation stably.
- The remaining business segments of investment real estate and hotels, which account for a small proportion of the revenue - profit structure, are forecasted to continue to improve in the next two quarters thanks to the control of the Covid-19 epidemic and the recovery of tourism.

In 2023, revenue and profit forecast may decrease slightly

- Energy segment: HDG's power plants have been in stable operation since Q1/2022. Therefore, in 2023, output is forecasted to grow only at 10%, no longer maintaining a high growth rate compared to low base in the years 2020-2021.
- Meanwhile, the real estate segment is expected to record a decrease in revenue in 2023 since Charm Villas - Phase 3 has not been opened for sale until now. Meanwhile the majority of Charm villas - Phase 2 products will be handed over in 2022 (~145 units), and only a part of the project will be handed over in 2023 (~27 units).

RONG VIET SECURITIES

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