

# Residential real estate

Overweight

## A new cycle begins

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### Residential real estate overview in 2020

- **Shortage of supply in Hanoi and Ho Chi Minh City:** The progress of project development in Vietnam's two largest cities has been being sluggish, due to issues related to government legislation, with only a few projects approved in the past 1–2 years.
- **Companies have recorded adverse earnings results, due to the double impact of government legislation and Covid-19:** Companies such as NLG, DXG, and HPX have had a shortage of projects to contribute revenue & NPAT. Other companies, including VHM, NVL, PDR, KDH, DIG, VPI, and HDG, however, have enjoyed solid results, with sales, revenue, and NPAT all in line with their business plans.

### Residential real estate outlook in 2021: A new cycle begins

- **GDP growth accompanied by real estate expansion:** For a number of years, growth in Vietnam's economy has always been accompanied by the development of the real estate market.
- **Average floor area (m<sup>2</sup>) per person in Vietnam remains low:** The average floor area in Vietnam is approximately 72 m<sup>2</sup>, which is below the 76 m<sup>2</sup> average for ASEAN countries. Consequently, we believe that the supply for the apartment market in Vietnam is still low, compared with its regional peers, and has the potential for growth.
- **Interest rates to remain low in 2021:** We expect low interest rates to play a major role for both companies (cost reduction) and home buyers (interest reduction) in 2021, especially considering the disruptions in both supply and demand caused by the Covid-19 pandemic.
- **Legislation to ease bottlenecks:** The government has released Decree 25/2020 which elaborates on several Articles in Law on Bidding for investor selection, addressing issues partly. We expect this new legal document to contribute to the easing of the bottlenecks in the market that have arisen over the past few years.
- **The real estate market has set a new price level:** We believe that the real estate market in Vietnam has completed one cycle and begun a new one, setting a new, long-term price level that will support business operations and sales in the coming years.

### Stock picks for 2021

- **Overweight:** VHM, NLG, KDH, DIG
- **Neutral:** NVL

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# I. Residential real estate overview in 2020

## Shortage of supply in Hanoi and Ho Chi Minh City

In Hanoi, total units launched in 9M20 reached 36,971. Condominiums constitute the largest segment, with 7,705 units sold, for an absorption rate of 20.8%. For the condominium segment, new launches reached 7,989, with 1,945 units sold, for a 24.3% absorption rate.

Figure 1: Total units launched in Hanoi 9M20

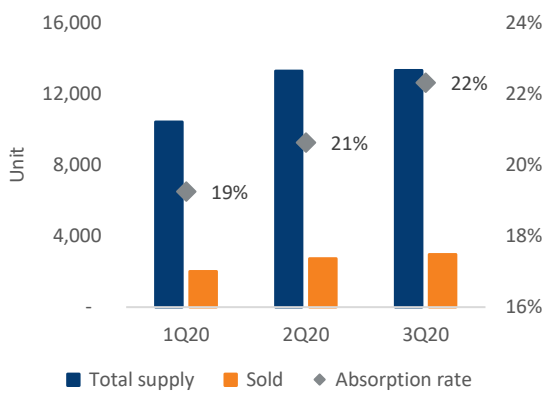
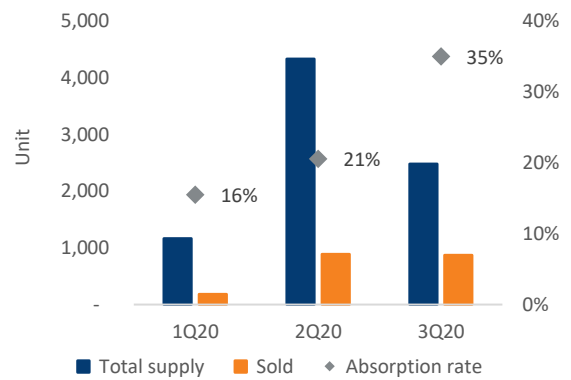


Figure 2: New condominium launches in Hanoi 9M20



Source: Realtorvietnam.org

Source: Realtorvietnam.org

In HCMC, total units launched in 9M20 reached 31,801. Condominiums constitute the largest segment, with 14,461 units were sold, for a 51.8% absorption rate. For the condominium segment, new launches reached 14,286, with 7,986 units sold, for a 55.9% absorption rate.

Figure 3: Total units launched in HCMC 9M20

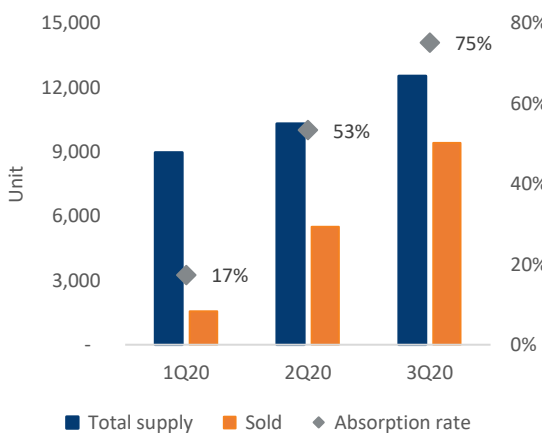
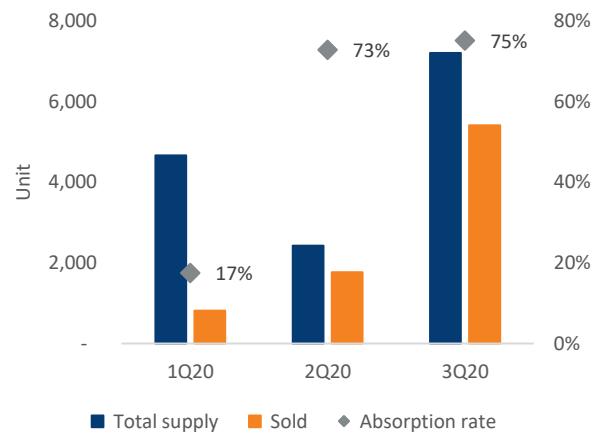


Figure 4: New condominium launches in HCMC 9M20



Source: Realtorvietnam.org

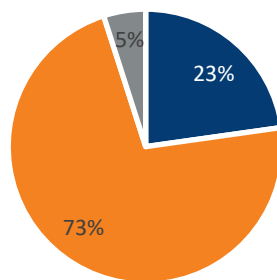
Source: Realtorvietnam.org

Progress in project development in Vietnam’s two largest cities has been being sluggish, due to issues related to government legislation, with only a few projects approved in the past 1–2 years.

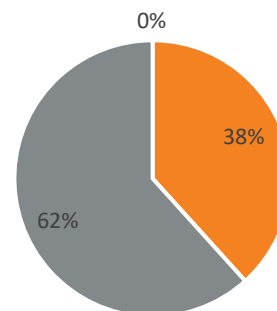
In 3Q20, Ho Chi Minh City showed positive results, with high demand in the condominium segment: total pre-sales reached 7,197 units (compared with 2,486 units in Hanoi), achieving a 75% absorption rate (versus 35% in Hanoi). In terms of transaction structure, Hanoi is dominated by the mid-end segment (74%), while the high-end segment accounts for the largest share (62%) in Ho Chi Minh City.

**Figure 5: Proportion of transactions in Hanoi 3Q20**

**Figure 6: Proportion of transactions in HCMC 3Q20**



■ Low-end ■ Mid-end ■ High-end



■ Low-end ■ Mid-end ■ High-end

Source: Realtorvietnam.org

Source: Realtorvietnam.org

**Companies have recorded adverse earnings results, due to the double impact of government legislation and Covid-19**

Over the past two years, real estate companies have suffered serious difficulties related to government policy and legislation. Moreover, the outbreak of Covid-19 impacted company incomes. Companies such as NLG, DXG, and HPX have had a shortage of projects to contribute revenue & NPAT. However, other companies, including VHM, NVL, PDR, KDH, DIG, VPI, and HDG, have enjoyed solid results, with sales, revenue, and NPAT all in line with their business plans.

**Table 1: Earnings results of leading companies**

No	Ticker	Revenue 9M19	Revenue 9M20	YoY	NPAT 9M19	NPAT 9M20	YoY	EPS	Pre-sales in 9M20
1	VHM	37,642	49,378	31.18%	15,323	16,337	6.61%	6.762	~ 25,000 units, VND46.6tr
2	NVL	9,551	3,803	-60.18%	1,107	3,344	202.11%	5.862	3,184 units, mainly from Aqua City
3	PDR	2,364	2,498	5.66%	401	718	79.13%	3.000	-
4	KDH	1,861	3,241	74.16%	510	770	50.81%	2.084	1,310 units from Lovera Vista, 115 units from Verosa Park
5	NLG	1,325	1,298	-2.00%	412	208	-49.53%	2.760	3,346 units from Flora Akari and Waterpoint
6	DIG	1,287	1,865	44.92%	93	125	34.33%	1.507	Vung Tau Gateway: 1529/1538 units, CSJ (Dicstar Vung Tau): 250 condotels, South Vinh Yen: 400 land lots
7	DXG	3,798	1,877	-50.58%	907	-388	-142.79%	-151	-
8	HPX	1,643	917	-44.17%	122	104	-14.86%	1.612	-
9	VPI	722	926	28.18%	46	92	100.70%	2.825	-
10	HDG	3,118	3,830	22.84%	645	764	18.53%	6.235	-
	<b>Total</b>	<b>63,311</b>	<b>69,634</b>	<b>9.99%</b>	<b>19,567</b>	<b>22,074</b>	<b>12.81%</b>		

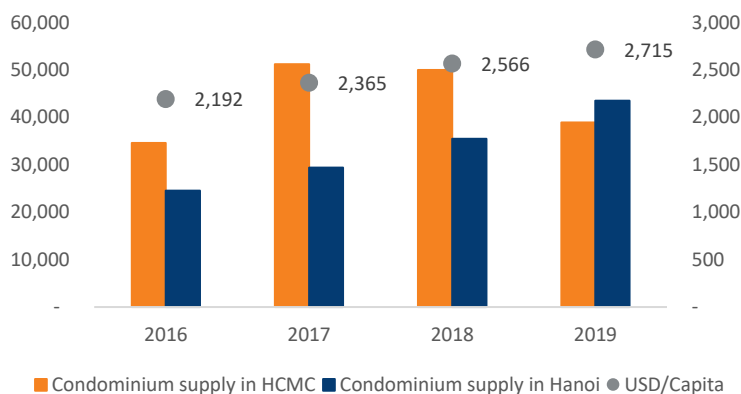
Source: FiinGroup, Mirae Asset Securities Research

## II. Residential real estate outlook in 2021: A new cycle begins

### GDP growth accompanied by real estate expansion

For a number of years, growth in Vietnam's economy has always been accompanied by the development of the real estate market. In 2016–2019, GDP per capita in Vietnam increased by 23.8%, from US\$2,192 to US\$2,715, while compounded average growth rate (CAGR) reached 7.4% per annum. Meanwhile, total market supply increased by 39.3%, with a CAGR of 11.7% (for Hanoi and Ho Chi Minh City). In terms of market size, Ho Chi Minh City is the bigger of the two, thanks to its larger population, while Hanoi enjoys a faster growth due to advantages of infrastructure.

**Figure 7: Real estate market supply & GDP per capita**



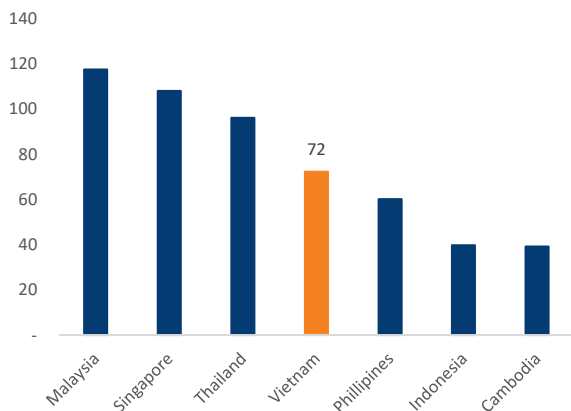
Source: Savills, World Bank, Mirae Asset Securities Research

**Average floor area (m<sup>2</sup>) per person in Vietnam remains low**

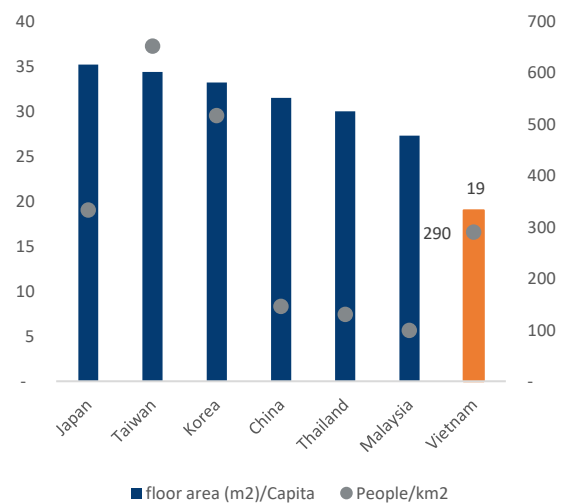
The average floor area per capita (m<sup>2</sup>) in Asia has grown at a steady rate over the last three decades. Vietnam, as an emerging market, has enjoyed a growth rate nearly double the Asian average, reaching 19 m<sup>2</sup> per capita at the end of 2019. In general, developed countries have higher per capita floor area ratios than those of developing countries.

Due to specific economic and geographical features, countries in Asia (except Singapore and Hong Kong) with high population densities, such as Japan, Taiwan, and Korea, have the highest m<sup>2</sup> per capita ratios. On the other hand, Thailand and Malaysia, with their lower population densities, have lower m<sup>2</sup> per capita ratios. Vietnam is ranked lowest (19 m<sup>2</sup> per capita) among Southeast Asian countries, but has a higher population density (294/km<sup>2</sup>) than Thailand (137/km<sup>2</sup>) and Malaysia (98/km<sup>2</sup>), thus there is still room for growth in floor area per capita ratio. Additionally, the average floor area in Vietnam, at approximately 72 m<sup>2</sup>, is below the 76 m<sup>2</sup> average for ASEAN countries. Consequently, we believe that the supply for the apartment market in Vietnam is still low, compared with its regional peers, and has the potential for growth.

**Figure 8: Average floor area in Asian countries**



**Figure 9: floor area per capita & population density**

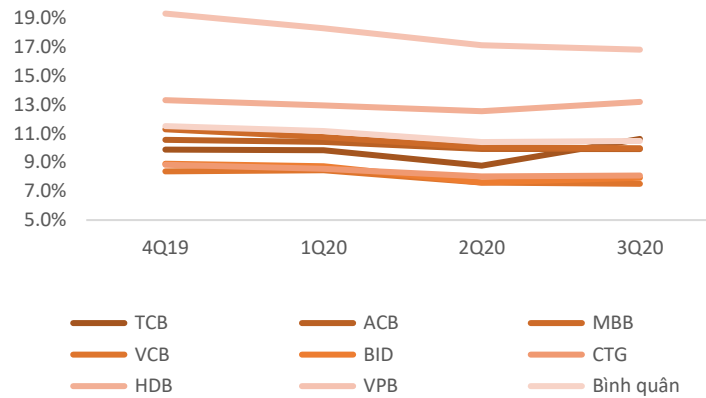


Source: UNCHS, World Bank, Mirae Asset Securities Research

**Interest rates to remain low in 2021**

For stimulus purposes, including boosting manufacturing, the State Bank of Vietnam cut its policy rate several times within the past year and a half, cutting the refinancing rate from 6.25% to 6% in September 2019, to 3% in March 2020, to 4.5% in May 2020, and to 4% in September 2020. Commercial banks lowered their deposit rates and lending rates as a result. In examining the financial statements of the top eight commercial banks, we calculated that lending interest rates have fallen by 1%, on average, since 2019.

**Figure 10: Average lending interest rates**



Source: Mirae Asset Securities Research

With respect to a high-intensive capital industries like real estate, we expect low interest rates to play a major role for both companies (cost reduction) and home buyers (interest reduction) in 2021, especially considering the disruptions in both supply and demand caused by the Covid-19 pandemic.

**Legislation to ease bottlenecks**

Over the past few years, stagnation in government legislation has caused serious difficulties for real estate companies. The processes related to project approval, auction of land-use rights, and bidding for real estate development projects has been confusing for both investors and regulators alike.

**Table 2: Laws related to project approval, auction of land-use rights, bidding project**

Law on Investment	Law on Land	Law on Bidding
Regulation on Provincial People’s Committee investment policies for projects that are approved through neither auction nor bidding	Regulation on auction and non-auction of land use rights (Article 118)	Regulation on bidding for investor selection

Source: Mirae Asset Securities Research

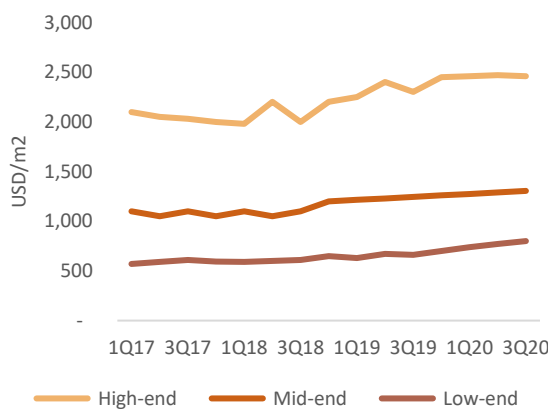
The government has pledged to ease the burden for real-estate companies, via Decree 25/2020/NĐ-CP, enacted on February 28, 2020. The new law partly addresses bidding and investor selection issues. Article 60 in Decree 25/2020/NĐ-CP guides investors, who wins the bid, through the process of handover of land use right, of land-leasing that has price determined, into the implementation following Decree 43/2014/NĐ-CP, which instructed Law on Land 2013. Under the new regulations, the date of handover begins right after compensation and resettlement of citizens are fulfilled. We expect this new legal document to contribute to the easing of the bottlenecks in the market that have arisen over the past few years.

**The real estate market has set a new price level**

In developed countries, people have a variety of asset classes in which to invest: fixed income, equities, mutual funds, pension funds, and real estate. Investors can purchase real estate assets via direct ownership or indirect ownership, through Real Estate Investment Trusts (REITs). In Vietnam, due to specific cultural features and the lack of professional real estate management companies, direct ownership of land is the top priority that investors always keep in mind .

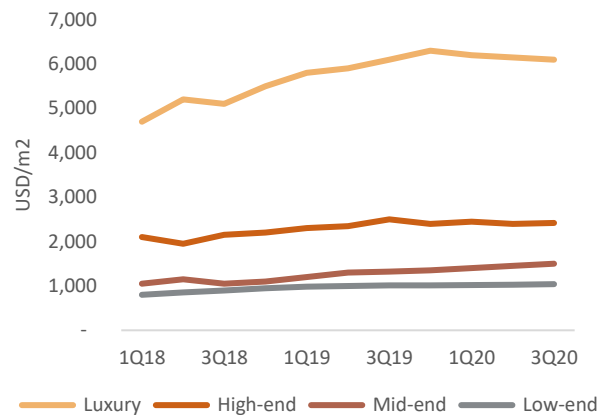
As the primary asset class, the impact of the real estate industry on Vietnam’s economy is significant. In fact, real estate growth cycles in Vietnam are often shorter than those in other nations, with the latest one occurring in 2014–2019. Notably, despite the significant impact from Covid-19, we note that selling prices in primary markets in Hanoi and Ho Chi Minh City have hardly been affected. **Therefore, we believe that the real estate market in Vietnam has completed one cycle and begun a new one, setting a new, long-term price level that will support business operations and sales in the coming years.**

**Figure 10: Primary market selling prices in Hanoi**



Source: CBRE Vietnam

**Figure 11: Primary market selling prices in HCMC**



Source: CBRE Vietnam

### III. Stock picks for 2021

**Overweight: VHM, NLG, KDH, DIG**

For investment opportunities in 2021, we focus on industry-leading companies with solid financial foundations, extensive land resources and strategic locations. VHM, NLG, KDH, and DIG are companies that meet the criteria we established.

**Neutral: NVL**

We maintain our neutral recommendation for NVL, due to some unresolved issues. We will wait for the Board of Directors to successfully resolve the problems before revising our recommendation.



# Vinhomes JSC

(HOSE: VHM)

## Market leading position

**BUY**  
(Update)

**Target price:**  
VND112,000  
Upside: 44.3%

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### Valuation and recommendation

We maintain our Buy rating and target price of VND112,000 (expected return: +44%) for Vinhomes JSC (VHM). With a target P/E of 13.3x in 2020 and 11.5x in 2021, we believe that VHM is trading below its fair value, based on the growth potential of the company, with its market leading position, high profit margin, and sustainable cash flow.

### Investment thesis

#### Optimistic outlook in 4Q20 and 2021

- By end-September 2020, the total value of unrecorded contracts reached VND81,300bn (relatively unchanged since 2019). Specifically, VHM's three major projects, with advance sales of 42,600 apartments, are expected to hand over 11,000 apartments in 4Q20 and the remainder in 2021. In addition, VHM announced wholesale revenue of VND15tr in 2Q20, but this has not yet been included in financial statements (we expect it to be recorded in 4Q20). Following the company's guidance, we forecast net profit of VND28,207bn (+16.5% YoY) in 2020 and VND32,634bn (+15.7% YoY) in 2021.

#### Room for future growth from large backlog

- VHM will start selling the Wonder Park project at the beginning of 2021, instead of end-2020, as previously planned. Two other projects in the plan, Ha Long Xanh (4,109 ha) and Long Beach Can Gio (2,870 ha), are in the process of finalizing the legal framework for sales in 2022.

### 3Q20 & 9M20 update

#### Positive earnings in 3Q20 and 9M20

- 3Q20, VHM recorded revenue of VND26,483bn (+143% YoY) and profit of VND6,058bn (+11% YoY). The revenue comes from the timely handover of 10,800 apartments, mainly from the three major projects—Ocean Park, Smart City, and Grand Park—and the transfer of the Metropolis office building in Hanoi, worth VND6,800bn. However, gross profit margin (GPM) decreased to 34% (3Q19: ~62%), due to a higher proportion of retail transactions (which have a lower GPM) and the transfer of the Metropolis office building, which recorded only about 30% in gross profit margin. Additionally, the contribution from business cooperation contracts (BCC) decreased 91% YoY, leading to a low rate of growth in profit margin, compared with revenue.
- In 9M20, VHM achieved more than VND49,378bn in revenue (+31% YoY) and VND16,337bn in profit (+7% YoY). Gross margin is 37% (9M19: ~46%). Income from transferring part ownership of Grand Park (recorded in 1Q20) has offset the decline in the BCC segment, as well as the increase in financial expenses and other expenses during the period.

### Key data



Current price (VND)	77,500	Market cap (VNDbn)	255,266
OP (20F, VNDbn)	30,405	Shares outstanding (mn)	3,290
Consensus OP(20F, VNDbn)	30,383	Free float (%)	23.4
EPS growth (20F, %)	8.0	Foreign ownership (%)	21.9
P/E (20F, x)	9.4	Beta (12M)	1.1
Market P/E (20F, x)	16.0	52-week low	52,000
VN-Index	952.2	52-week high	99,700

### Share performance

(%)	1M	6M	12M
Absolute	0.1	-2.3	-20.1
Relative	-3.2	-14.1	-14.5

### Earnings and valuation metrics

FY	2017	2018	2019	2020F	2021F	2022F
Revenue ( VNDbn )	15,297	38,664	51,627	67,373	80,848	92,975
OP ( VNDbn )	3,128	7,617	29,615	36,609	41,879	47,268
OP margin (%)	20.5	19.7	57.4	54.3%	51.8%	50.8%
NP( VNDbn )	1,410	14,284	24,206	28,207	32,634	37,291
EPS ( VND )	1,879	4,503	6,502	8,421	9,743	11,133
ROE (%)	31.0	57.0	43.8	32.8%	28.8%	25.9%
P/E (x)	-	16.3	13.0	13.3	11.5	10.1
P/B (x)	-	5.7	5.0	4.4	3.3	2.6

Source: Bloomberg, Mirae Asset VN Research

[Vietnam] Real Estate

November 09, 2020

# Nam Long Investment Corporation

(NLG VN)

## Time to break out

**Buy**  
(Initiation)

**Target price:**  
**VND33,900**  
(Upside: +24.7%)

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### Key catalysts

- We firmly believe that the “Affordable Housing” strategy carried out by Nam Long Investment Corporation (NLG) helped the company to survive the 2010–2012 real estate crisis. In our view, the experience of enduring that crisis will enable the company to not only survive, but thrive, in this challenging time.
- Expanding its product line within three categories—Affordable (Ehome project), Mid-end (Flora project), and High-end (Valora project)—helped NLG to diversify its products, meet demands from different segments, and improve NLG’s profit margin (mainly from its Affordable–Mid-end products).
- NLG’s joint venture strategy with Japanese partners (Hankyu Hanshin, Nishiteshu) provided it with project development experience (in typical urban projects) and made use of cheap funding costs from Japan.

### 9M20 earnings results, FY20 forecast

- 9M20 earnings results:** NLG recorded 9M20 revenue and after-tax profit (NPAT) of VND1,298bn (-2% YoY) and VND217bn (-52% YoY), respectively, with EPS of VND823/share (-52% YoY). NPAT fell sharply, due to the decline in gross profit margin in the housing (-14% YoY) and construction segments (-20% YoY).
- FY20 forecast:** We forecast full-year revenue of VND1,542bn (-39% YoY) and net income of VND895bn (-11% YoY). NLG’s net profit of approximately VND500bn in 2020 comes mainly from financial income, with divestment from the Waterfront and Paragon Dai Phuoc projects expected to be recorded within 2020. Beside income recognition from available inventories on the balance sheet, we expect NLG to also record revenue from the Mizuki and Waterpoint projects, which are owned by NLG’s associates.

### Valuation and recommendation

- We recommend Buy for NLG with a target price of VND33,900, based on the combination of the NAV and comparable valuation methods. We are confident in NLG’s mid- & long-term growth potential once the real estate market starts to recover, with its properties in Long An, Can Tho, Hai Phong, and Dong Nai provinces.

#### Key data



Share price (11/09/2020, VND)	27,200	Market cap (VND bn)	7,487
NP (20E, VND bn)	895	Shares outstanding (mn)	275
Consensus NP (20E, VND bn)	110	Free float (%)	61.0
EPS growth (20E, %)	6.7	Foreign ownership (%)	48.0
P/E (20E, x)	7.4	Beta (12M)	0.8
Market P/E (20E, x)	15.3	52-week low (VND)	27,500
VN-Index	938	52-week high (VND)	16,154

#### Share performance

(%)	1M	6M	12M
Absolute	2.6	26.3	4.8
Relative	0.5	13.0	13.0

#### Earnings and valuation metrics

FY()	FY15	FY16	FY17	FY18	FY19	FY20E
Revenue (VND bn)	1,259	2,534	3,161	3,480	2,546	1,542
Gross profit (VND bn)	418	823	1,295	1,503	1,066	648
Gross profit margin (VND bn)	33.2	32.5	41.0	43.2	41.9	42.0
NP (VND bn)	206	345	535	763	961	895
EPS (VND)	929	1,511	2,315	2,900	3,430	3,660
ROE (%)	9.6	13.9	22.0	21.3	18.7	13.2
P/E (x)	15.6	9.3	9.1	7.5	7.3	7.4x
P/B (x)	1.4	1.2	1.6	1.3	1.4	0.9x

Source: Company data, Mirae Asset Securities (Vietnam) LLC Research estimates

[Viet Nam] Real estate

18 December, 2020

# Khang Dien House Trading and Investment JSC

(KDH VN)

## Competitive advantage in Thu Duc City

**HOLD**  
(Update report)

**Target price:**  
VND24.800

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### Investment thesis

- **Transparency when launching projects:** The disclosure of legal documents and other relevant processes by Khang Dien House Trading and Investment JSC (KDH) for project launches has helped it gain the trust of its customers.
- **Focus on mid-end segment.** According to Coldwell Banker Richard Ellis (CBRE), the mid-end segment of condominiums continues to dominate market share in Ho Chi Minh City, at 55% of total pre-sales in 2Q20. Average selling prices in the mid-end of the primary market recorded an increase of 10% YoY, higher than the growth rate of other segments (4–6% YoY) in 2Q20. We believe that real demand in this segment will support the company's sales in its upcoming projects.
- **Long term growth potential with extensive landbank in the eastern and southern regions in HCMC.** In eastern Ho Chi Minh City, Khang Dien is one of the few real estate developers with an extensive, reasonably priced, landbank (mainly located in Districts 2 and 9). In the long term, we expect the establishment of Thu Duc City to speed up growth in selling prices in this area, as well as serving as a source of revenue and profit recognition for KDH going forward.

Additionally, after the acquisition of Binh Chanh Construction and Investment JSC, KDH currently possesses a landbank with more than 350 ha in the Binh Tan and Binh Chanh districts, which have high levels of population density. Although information about these projects is somewhat restricted, the expansion in infrastructure investment is expected to provide KDH with an advantage over competitors once the real estate market rebounds.

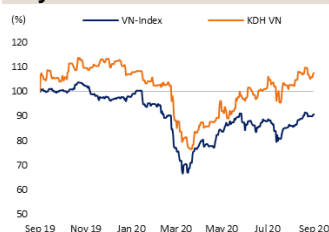
### Earnings and forecast

- **Earnings in 9M20:** Revenue and profit after tax (NPAT) recorded VND3,292bn (+77% YoY) and VND771bn (+50% YoY), with EPS of VND1,370 (+65% YoY). Income mostly came from Phase 1 of the handover at Verosa Park, with 150 villas, which is the company's highest gross margin product.

### Valuation and recommendation

- We maintain our Hold recommendation and target price of VND24,800 for KDH. The target price is calculated using a combination of both RNAV and company comparable methods. We are highly optimistic about KDH's growth potential in the medium and long-term, once the real estate market recovers, thanks to the advantage of its low-cost landbank.

### Key data



Current price (VND)	24.100	Market cap (VNDbn)	13.691
NPAT (2020E, VNDbn)	1,014	Shares outstanding (mn)	559
Consensus (2020E, bn)	1,499	Free float (%)	80,6
EPS growth(2020E, %)	7	Foreign ownership (%)	42,8
P/E (2020E, x)	13,4	Beta (12M)	0,8
Market P/E (2020F, x)	14,3	52-week low	16.667
Vn-Index	894,04	52-week high	26.095

### Share performance

(%)	1M	6M	12M
Absolute	3.1	26.5	-0.8
Relative	-2.5	0.6	9.4

### Earnings and valuation metrics

Fiscal year	2015H	2016H	2017H	2018H	2019H	2020F
Revenue (VNDbn)	1.050	3.932	3.055	2.917	2.813	4.626
Gross profit (VNDbn)	338	980	1.036	1.239	1.500	1.539
Gross margin (%)	32,2%	24,9%	33,9%	42,5%	53,3%	33,3%
NPAT (VNDbn)	260	372	502	808	915	1.014
EPS (VND)	2.080	1.590	2.000	2.020	1.690	1.815
ROE (%)	9,7%	9,4%	10,6%	12,4%	12,6%	13,0%
P/E (x)	11,6x	15,2x	12,1x	11,9x	14,3x	13,3x
P/B (x)	1,3x	1,6x	1,6x	1,5x	1,7x	1,7x

Source: Company data, Mirae Asset Vietnam Research

# Development Investment Construction JSC

(HOSE: DIG)

## Speeding to the finish line

**Trading buy**  
(Update)

**Target price:**  
**VND 24,500**  
(Upside +17.5%)

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### Valuation and recommendation

We upgrade our rating for Development Investment Construction JSC (DIG) to **Trading buy** from Hold and raise the target price to VND24,500, 17.5% higher than the closing price on November 17, 2020. The target price is adjusted based on the reassessment of the expected P/B and 20% increase in RNAV method.

### Earnings update and forecast

#### DIG continues exponential growth with positive earnings.

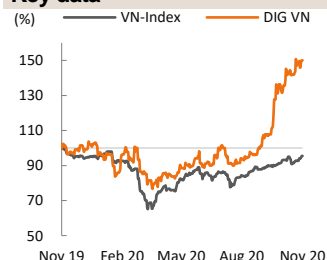
In 3Q20, net revenue increased by 62% over the same period in 2019, reaching VND966bn. After-tax profit (NPAT) accounted for VND75.9bn (+18.6% YoY), with net profit of the parent company reaching nearly VND69bn.

In 9M20, net revenue reached VND1,865bn (+44.9% YoY). Profit before tax (EBT) and NPAT reached VND172bn and VND131.2bn (+40.5% YoY) respectively. The company has completed 75% of the budgeted revenue and 26.4% of budgeted EBT of the 2020 plan.

#### Work-in-progress projects to achieve 2020 plan and maintain growth in 2021

- In 4Q20, DIG will recognize main revenue from the following three projects: 1) the Vung Tau Gateway high-end apartment project; 2) the Hiep Phuoc Residential Area Project (Dong Nai); and 3) the DIC Star Apart Hotel Vung Tau project (CSJ Project - Phase 1). We estimate the total revenue in 4Q20 of these three projects at VND900bn–1,000bn; thus, DIG is likely to exceed its revenue target of VND2,500bn in 2020. EBT is projected to reach VND652bn, fulfilling the proposed plan of VND650bn, corresponding to EBT of more than VND400bn in 4Q20.
- For 2021, DIG also has backlog projects to maintain its growth from 2020. Specifically, the Nam Vinh Yen project will play a crucial role in the business plan in 2021. In addition, Phase 2 of the CSJ project and Phase 1 of Vi Thanh (Hau Giang) are expected to contribute to DIG's 2022 revenue and profit.
- Progress in site clearance of the Long Tan (Dong Nai) and North Vung Tau projects will determine DIG's long-term prospects. These are the two most important projects for DIG in the post-2021 period. As planned, DIG will start sales of the two projects at the end of 2021; however, up to now, the site clearance rates of the aforementioned projects are quite low (Long Tan: 80/322 ha; Northern Vung Tau: 7.3/90.5 ha). Therefore, DIG intends to focus its resources on implementing site clearance in 2021.

### Key data



Metric	Value
Price on 11/13/20 (VND)	20,850
NPAT (20F, VNDbn)	522
EPS growth (20F, %)	31.6
Market EPS growth (20F, %)	n/a
P/E (20F, x)	12.2
Market P/E (20F, x)	15.1
VN-Index	966
Market cap (VNDbn)	6,210
Shares outstanding (mn)	307
Free float (%)	61.2
Foreign ownership (%)	23.7
Beta (12M)	0.8
52-week low	9,820
52-week high	20,850

### Share performance

(%)	1M	6M	12M
Absolute	9.9	38.5	-6.1
Relative	17.8	56.6	15.2

### Earnings and valuation metrics

FY (31 Dec)	2015	2016	2017	2018	2019	2020F
Revenue ( VNDbn )	655	1,152	1,594	2,345	2,115	2,500
OP ( VNDbn )	(5)	298	378	523	547	655
OP margin (%)	(0,8)	28	25	24	25,8	26
NP( VNDbn )	10	58	196	324	391	522
EPS (VND)	35	198	688	1,135	1,242	1,659
ROE (%)	0.4	2.0	6.8	10.5	10.8	9.54
P/E (x)	206.8	33.6	26.0	12.6	10.7	12.5
P/B (x)	0.7	0.7	1.7	1.2	1.1	1.4
Dividend yield (%)	N/A	N/A	2.2	2.7	0	0

Source: DIG, Bloomberg, Mirae Asset VN Research

# No Va Land Investment Group Corp

(HOSE: NVL)

## Opportunities await

**HOLD**  
(Updated report)

**Target price: VND64,800**  
Upside: 5.4%

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Tran Tuan Long, long.tt@miraeeasset.com.vn

### Investment thesis

#### Effective response to COVID-19 pandemic provides upward momentum for real estate market

- In general, the real estate market in Ho Chi Minh City has recovered, as transaction volume and offering volume in 3Q20 have more than doubled compared with 2Q20. House prices have increased slightly, especially in the mid-end segment (an increase of 6% since early 2020).
- The tourism real estate market is also expected to make a comeback, once flights to and from several countries resume (Japan, China, Korea, and Taiwan). Notably, the absorption rate of resort villas reached a high level in 3Q20 (91% in Phan Thiet, where NVL has many projects).

#### Solid performance

- No Va Land Investment Group Corp (NVL)'s revenue from real estate transfer accounted for the majority of its net revenue in 3Q20, at VND2,140bn (+42% YoY). Meanwhile, financial revenue recorded nearly VND2,400bn (6.6 times increase QoQ), comprised of proceeds from the divestiture of interest in subsidiaries and investment revaluation.
- Although NVL's revenue declined in 9M20 (-60% YoY), NVL recorded VND3,344bn in profit after tax (NPAT), double that of the previous period, due to financial profits from revaluation and divestment.
- As of end-3Q20, NVL has handed over 355 apartments from the Rivergate, Sun Avenue, Sunrise Riverside, Victoria Village, Lakeview City, and Newton Residence projects, with a total value of about VND2,800bn. In 4Q20, the company plans to hand over a number of apartments worth more than VND4,000bn, mainly from projects in Ho Chi Minh City, Aqua City, and Nova World Phan Thiet.

#### Opportunities await

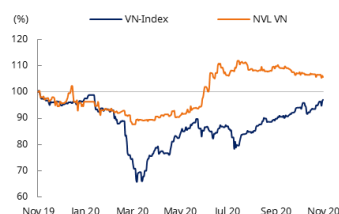
- The eastern area of HCMC, including District 2, District 9, and Thu Duc, is planned to become an independent metropolis. Land prices in District 2 and District 9 have increased by 2.2 and 5.3 times, respectively, since 2017. As NVL controls a significant landbank in this area, we expect the company to greatly benefit in the near future.

### Valuation and recommendation

#### Maintain Hold and TP of VND64,800

- Using the revalued net asset value (RNAV) method and comparable P/E method, we arrived at a target price of VND64,800 per share and recommend Hold for NVL.

### Key data



Current price (VND)	62,000	Market cap (VNDbn)	61,016
NPAT (21F, VNDbn)	4,331	Shares outstanding (mn)	986
Consensus NPAT (21F, VNDbn)	4,420	Free float (%)	28.8
EPS growth (21F, %)	9	Foreign ownership (%)	5.4
P/E (21F, x)	14.5	Beta (12M)	0.4
Market P/E (x)	16.0	52-week low	49,100
VN-Index	965.5	52-week high	65,700

### Share performance

(%)	1M	6M	12M
Absolute	-1.8	15.4	5.5
Relative	-4.9	1.2	8.9

### Earnings and valuation metrics

FY	2017	2018	2019	2020F	2021F	2022F
Revenue (VNDbn)	11,632	15,290	10,931	10,475	12,570	14,455
Gross profit (VNDbn)	2,322	3,990	1,660	3,233	3,795	4,364
Gross profit margin (%)	20.0	26.1	15.2	30.9	30.2	30.2
NP (VNDbn)	2,033	3,227	3,431	3,985	4,331	5,136
EPS (VND)	2,450	3,533	3,579	4,110	4,467	5,298
ROE (%)	18.7	20.1	16.4	14.7	13.9	14.3
P/E (x)	20.3	18.1	16.6	15.8	14.5	12.2
P/B (x)	3.2	3.2	2.6	2.3	2.0	1.7

Source: Bloomberg, Mirae Asset Vietnam Research

# APPENDIX 1

## Important disclosures and disclaimers

### Two-year rating and TP history

Company (Code)	Date	Rating	Target Price
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### Stock ratings

Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

### Sector ratings

Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (—), TP (←), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

\* Our investment rating is a guide to the expected return of the stock over the next 12 months.

\* Outside of the official ratings of Mirae Asset Daewoo Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.

\* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.

\* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

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