

Sector: Real Estate (Latest report: [Link](#))

Recommendation **Outperform** **Nam Long Joint Stock Company (HSX: NLG)**
The increase in selling price promotes the growth of valuation

Current price:	61,200	Date	11/11/2021	Shareholder Structure	
Previous target price	46,400	Outstanding Shares (Million)	345.3	Nguyen Xuan Quang	11.1%
New target price:	66,500	Market Cap (VND billion)	21,130	IBEWORTH PTE LTD	8.2%
Dividend yield	0%	Avg. 6M Trading vol:	6,625,990	Thai Binh Investment JSC	5.0 %
Upside	8.6%	% Foreign float	35.6%	Nguyen Thi Bich Ngoc	3.6%

Industry analyst:

Phan Quoc Buu
(Real Estate, Retail)
buupq@bsc.com.vn

Technical Analyst:

Phan Quoc Buu
Target price: 75,500 VND
Stop-loss price: 62,100 VND

Valuation

Compared to the latest Outperform report dated August 5, 2021 ([Link](#)) and the Buy recommendation in [Q4/2021 strategic report \(November 3, 2021\)](#), Nam Long's stock price continued to record an impressive growth thanks to a sharp increase in the selling price of future projects compared to our forecast.

We maintain our **OUTPERFORM** recommendation for NLG and believe that the sharp increase in the selling price of future projects has partly reflected in the stock price. Therefore, we have a target price of 66,500 VND/share (+8.8% compared to the closing price on 10/11/2021).

Forecast of business results

- BSC forecasts that NLG's 2021 revenue and profit are estimated at VND 2,675 billion (+18% YoY) and VND 1,027 billion (+23% YoY) in NPATMI, respectively. EPS FW 2021 = VND 2,975. PE FW 2021 = 21.7 times.
- BSC forecasts that NLG's 2022 revenue and profit is estimated at VND4,422 billion (+68.5% YoY) and VND1,227 billion (+20% YoY) in NPATMI, respectively. EPS FW 2021 = 3,553 VND. PE FW 2021 = 17.2 times.

Investment Thesis

- Total sales value in the period 2021-2022 is expected to record a record level of VND 26,155 billion with 6,050 products, which will be a leverage for NLG to make a breakthrough in the future.
- Owning a clean land bank with a large scale of 681 ha, ensuring a source of profit growth in the period of 2021-2025.

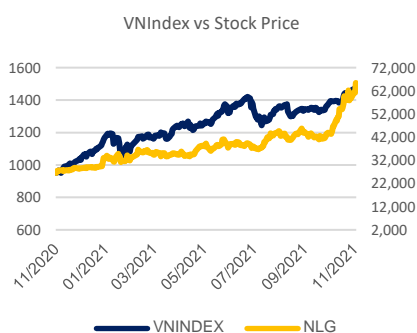
Risks

- The plan to open and sell projects has been delayed due to legal issues and the Covid-19 epidemic
- General risks in the real estate industry (loan interest rates, industry cycle)

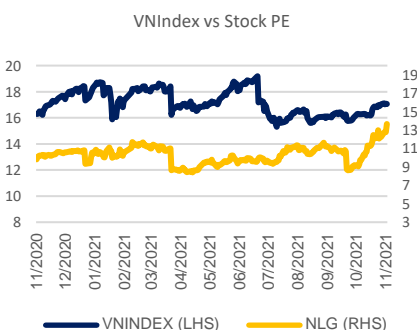
Company Update

- In 9M2021, NLG's revenue and profit after tax reached VND 787 billion (-41% YoY) and VND 709 billion (+182% YoY), respectively.
- Total value of new sales (Pre-sales) in 9M2021 was better than the same period last year, reaching VND 5,078 billion (+110% YoY), but slowed down in the second half of 2021 due to the impact of the Covid-19 epidemic.

Price comparison between NLG and VN index



P/E comparison between NLG and VN index



	2021F	2022F	Peer	VN-Index		2019	2020	2021F	2022F
PE (x)	21.7	17.2	15.2	21.9	Net Sales	2,546	2,217	2,624	4,422
PB (x)	2.5	2.1	2.2	1.3	Gross Profit	1,066	671	1,156	1,926
PS (x)	6.2	7.7	3.6	13.3	NPAT	960	835	1,027	1,227
ROE (%)	11.9%	12.5%	17.8%	3%	EPS	3,697	2,927	2,975	3,556
ROA (%)	4.6%	4.8%	5.5%	8%	EPS Growth	16%	-21%	2%	20%

COMPANY UPDATE REPORT

The first half of 2021 business results grew thanks to the re-evaluation of the project.

Re-evaluate the project and the investment that make the main contribution to NLG's 9M/2021 profit after tax structure. Revenue recorded a decrease of 41% over the same period due to (i) Impact of Covid-19 epidemic on construction and handover of Akari City and Southgate projects as expected, (3) Decline in sales project transfer record. Project gross profit margin decreased from 35% in 9M/2020 to 30% 9M/2021.

In 9M/2021, NLG made moves to transfer and consolidate more shares after increasing its ownership in two key projects namely (i) Izumi City Project, increasing its ownership by 30% in Q1/2021, (ii) SouthGate project, increased 15% ownership in Q3/2021. Accordingly, NLG also recognized a profit from the revaluation of the project value after the consolidation. Total financial revenue and other profit reached VND 817 billion.

In 9M2021, NLG's revenue and profit after tax reached VND 787 billion (-41% YoY) and VND 709 billion (+182% YoY), respectively. Accordingly, NLG has completed 61.5% of the parent company's profit after tax plan for 2021.

	6T2021	6T2020	% YoY	Notes
Revenue	787	1,342	-41%	In 9M/2021, NLG only recorded the handover of 29 products, mainly the remaining products of old projects.
Selling land, apartments, townhouses, villas	72	367	-80%	
Construction segment	272	463	-41%	
Service Provider	329	52	536%	
Transfer projects	102	403	-75%	
Gross profit	233	464	-50%	The decline in gross profit was mainly due to (1) lower construction volume due to the impact of the Covid-19 epidemic and (2) lower recognition of project transfers over the same period.
<u>GPM</u>	<u>30%</u>	<u>35%</u>		
SG&A	394	263	50%	Financial revenue increased strongly to VND 388 billion, thanks to profit from re-investment after the consolidation of Southgate JSC in Q3/2021.
<u>SG&A/Net revenue</u>	<u>50%</u>	<u>20%</u>		
EBIT	-161	200	-181%	Other profit was recorded at VND 423 billion from the revaluation of the project value after increasing 30% of ownership in the Izumi project in Q1/2021.
Financial income	388	78	398%	
Financial expenses	61	78	-22%	SG&A expenses increased by 50% over the same period.
Gain/loss from affiliates	95	44	116%	
Profit before tax	429	7	6089%	
Corporate tax	690	308	124%	
NPAT	(19)	27		
Minority interest	709	261	172%	
NPATMI	(0)	9		
Basic EPS (VND/share)	709	251	182%	
Gross profit margin	2,055	728		
Net profit margin	30%	35%		
Revenue	90%	19%		

The Covid-19 epidemic affects NLG's sales plan

The total value of new sales (Pre-sales) in 9M2021 was better than the same period in the same period but slowed down in the second half of 2021 due to the impact of the Covid-19 epidemic. Accumulated to 30/90/2021, NLG recorded total new sales of VND 5,078 billion, a slight increase of 13% compared to the end of Q2/2021 and equivalent to 130% of total new sales in 2020, with more than 1,355 products were offered for sale (637 Flora Mizuki products, 88 Flora Akari products, 338 Valora SouthGate products, 116 Can Tho land plots, and 174 Ehome Southgate units).

The fourth wave of the Covid-19 epidemic significantly affected NLG's plans to open and sell projects in Q3 and Q4/2021. Specifically, in Q3/2021, NLG only recorded 275 new products for sale through the new online sales tool. Although the scale and number of successful sales are still relatively low, this form of online sales will bring a lot of experience as well as a new approach to customer groups in the context of current events. Sales events are still subject to limited organization.

In Q4/2021, NLG will continue to launch sales at the existing projects Flora Mizuki Park (250 units), Can Tho project, Southgate project (110 products) and launch new project products Izumi City with 275 products.

However, the expected selling price of projects' products increased sharply compared to our previous forecast, leading to an upward adjustment in NLG's valuation.

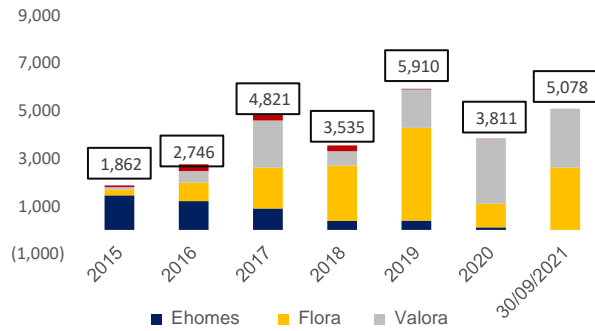
Expected selling prices of projects are likely to increase sharply compared to our previous forecast. With (i) the trend of satellite urban areas that have been formed along with (ii) the promotion of infrastructure investment to shorten the travel time between Ho Chi Minh City and neighboring provinces, (iii)) The cost of construction materials is increasing rapidly and (iii) the number of projects of real estate enterprises (VHM, NVL, NLG, DXG) is gradually moving to tier 1 and tier 2 provinces, creating a Therefore, it has a relatively large attraction to the province's real estate market, thereby helping to create a new selling price. BSC assesses businesses with large land bank, full legal conditions, with low investment rate will benefit significantly from the above wave. In Q4/2021, NLG will launch and sell several new projects with gradually increasing selling prices according to the common ground, such as (1) Mizuki project with the selling price of about 45 million VND/m², (2) Launching the first phase of the project for sale. Izumi City project with the price of about 50 million VND/m². The above selling price is about 10-15% higher than our previous forecast.

This leads to the new sales forecast remaining at the same level as the old forecast, but the number of products launched for sale is lower (-28% compared to the old forecast). According to BSC's estimates, the total value and number of new products opened in 2021, adjusted down slightly, is estimated at VND 10,057 billion (+164% YoY) with 2,350 products (+148% YoY), respectively. Accordingly, the total value of BSC's new sales forecast is 23.8% lower than NLG's new sales plan launched at the beginning of the year, but under the influence of the 4th wave of Covid-19 epidemic in Q3. In 2021, we believe that with the new opening value expected in 2021, it has helped NLG transform itself into a real estate business with greater scale and professionalism.

Tên dự án	Vị trí	Diện tích (ha)	Số lượng sản phẩm	Tỷ lệ bán hàng	2020	2021	2022	2023	2024	2025	2026
Mizuki Park	HCMC	26.4	4,044	35%							
Akari City	HCMC	8.8	5,128	37%							
SouthGate (165 ha)	Long An	165	2,962	45%							
Vssip Hải Phòng	Hải Phòng	170	3,096	N/A							
Cần Thơ	Cần Thơ	43	1,567	N/A							
Paragon Đại Phước	Đồng Nai	21.4	587	N/A							
Spring WaterFront	Đồng Nai	45	3,691	N/A							
WaterPoint P2	Long An	190	6,538	N/A							

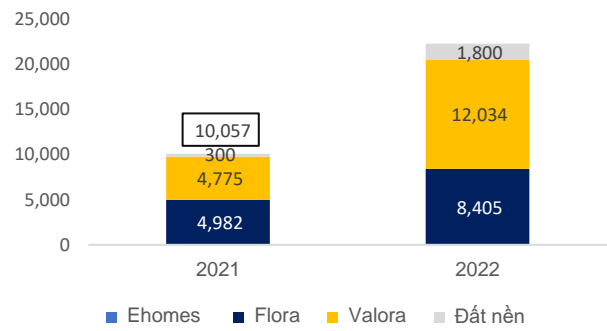
Source: BSC Research

Total value of new sales of NLG as of September 30, 2021



Source: NLG, BSC Research

Total estimated value of new sales of NLG 2021-2022



Source: NLG, BSC Research

NLG successfully mobilized VND 2,000 billion through private offering, expected to complete the private placement plan in Q4/2021.

In the annual general meeting (AGM) in 2021, the General Meeting of Shareholders approved the plan to increase capital through private placement. The maximum number of additional shares to be issued is expected to be 60 million shares. Issuing price is 33,500 VND. The total additional equity capital is expected to reach VND 2,000 billion. In addition, NLG also plans to increase debt by 950 billion VND through the issuance of unsecured, non-convertible bonds with an expected interest rate of 9.5% for the first 4 period with a total The loan period is not more than 36 months.

2021 Profit forecast.

The main source of profit in 2021 will come from (1) Waterpoint project – Phase1, (2) Profit from the re-valuation of Izumi City project and Southgate project after raising the ownership rate. BSC forecasts that NLG's revenue and profit in 2021 are estimated at VND 2,675 billion (+18% YoY) and NPATMI at VND 1,027 billion (+23% YoY). EPS FW 2021 = VND 2,975. PE FW 2021 = 21.7 times.

The outlook is more optimistic in the period of 2022-2023 thanks to the key handover of large projects such as SouthGate, Akari City, Izumi City and Can Tho project. BSC forecasts that NLG's 2022 revenue and profit are estimated at VND4,422 billion (+68.5% YoY) and VND1,227 billion (+20% YoY) in NPATMI, respectively. EPS FW 2021 = VND 3,553. PE FW 2021 = 17.2 times.

Unit: Billion VND	2017A	2018A	2019E	2020E	2021F	2022F
Revenue	3,165	3,480	2,549	2,260	2,675	4,508
% YoY		10%	-27%	-11%	18%	69%
COGS	1,866	1,976	1,480	1,546	1,468	2,496
Gross profit	1,295	1,503	1,066	671	1,156	1,926
Selling expenses	219	252	119	68	53	90
G&A expenses	195	239	306	367	385	404
EBIT	881	1,013	642	236	717	1,431
Financial income	94.8	129.0	120.1	726.7	431.5	50.0
Financial expenses	29.3	37.0	44.4	102.5	115.5	159.1
Gain/loss from affiliates	(3)	14	126	142	50	614
Profit before tax	950	1,128	1,226	1,015	1,512	1,936
Corporate tax	194	241	219	165	164	211
NPAT	756	887	1,007	850	1,347	1,725
Minority interest	221	124	47	15	320	498
NPATMI	535	763	960	835	1,027	1,227
% YoY	55%	43%	26%	-13%	23%	20%
Basic EPS (VND)	3,403	3,193	3,697	2,927	2,975	3,556
Gross profit margin	41%	43%	42%	30%	44%	44%
Net profit margin	17%	22%	38%	37%	38%	27%
ROE	19%	17%	19%	15%	12%	12%

Source: BSC Research

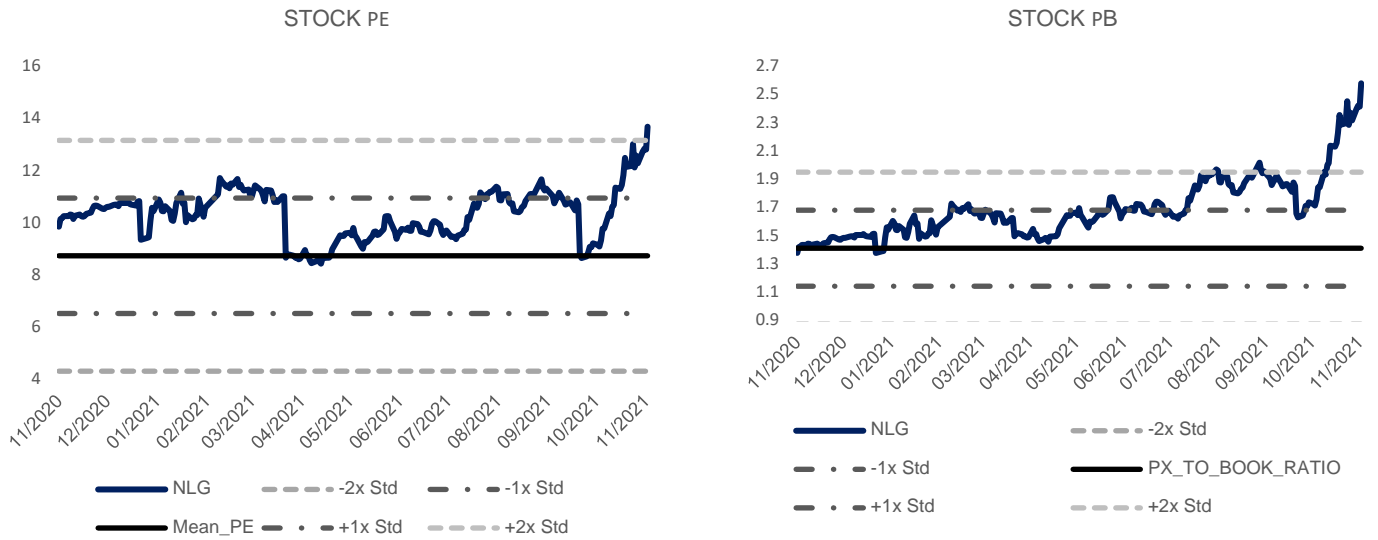
VALUATION

Compared to the latest Outperform report dated August 5, 2021 ([Link](#)) and the Buy recommendation in [Q4/2021 strategic report \(November 3, 2021\)](#), Nam Long's stock price continued to record an impressive growth thanks to a sharp increase in the selling price of future projects compared to our forecast.

We maintain our **OUTPERFORM** recommendation for NLG and believe that the sharp increase in the selling price of future projects has partly reflected in the stock price. Therefore, we set a target price of VND 66,500/share (+8.8% compared to the closing price on 11/10/2021) based on the RNAV method due to the following changes in assumptions:

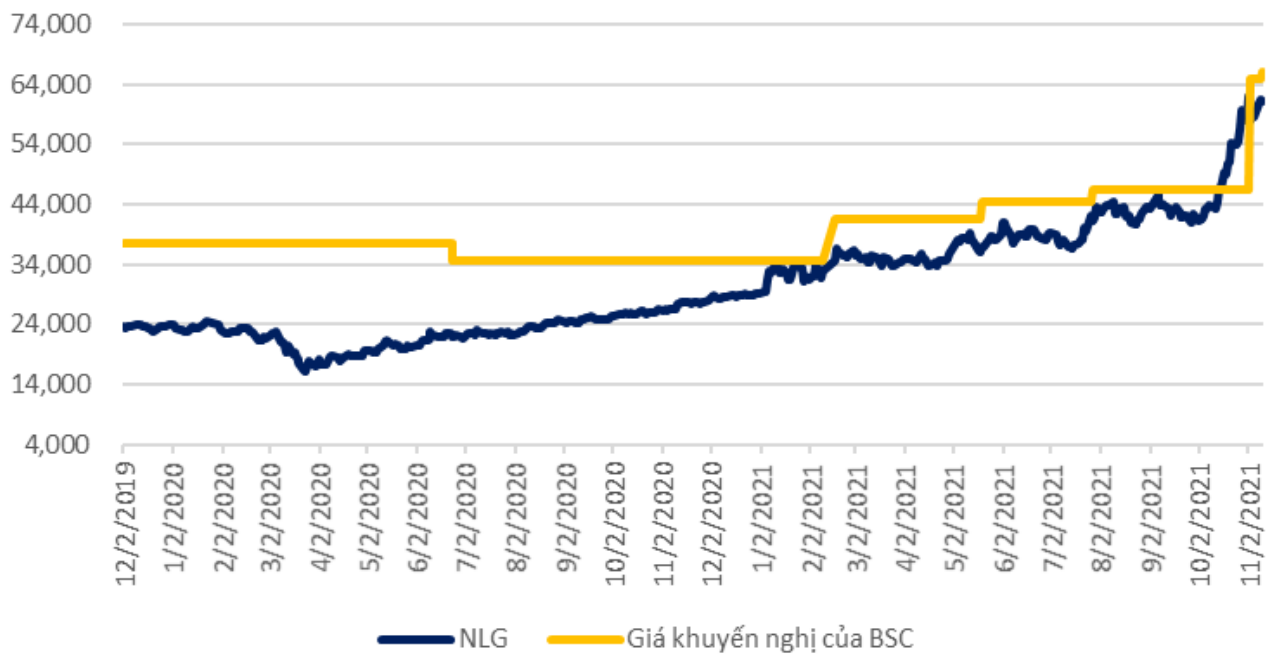
- Adjusting sales plans as well as selling prices of some projects.
- Reduced project WACC from 11% to 10.0% based on NLG changing project financial structure with the use of higher leverage.
- Using a 5% risk discount for the possibility that the project progress will be delayed compared to our estimate.

VALUATION				
bVND	Method	Total value of NAV	Ownership rate	>NLG
Projects				22,146
Paragon Dai Phuoc	DCF	1,744	100%	1,744
VSSIP Hai Phong	DCF	1,512	50%	756
Mizuki Park	DCF	4,347	50%	2,173
Waterpoint GĐ 1	DCF	3,914	65%	2,544
Waterpoint Phase 2	DCF	3,270	100%	3,270
Akari City	DCF	4,510	50%	2,255
Can Tho	DCF	3,060	100%	3,060
Izumi City	DCF	8,507	70%	5,955
Other projects	BV	388	100%	388
(+) Cash		1,560		2,254
(-) Debt		4,416		4,416
Total value of NAV				19,985
Risk discount rate				18,986
Number of shares outstanding				285,270,660
Fair value				66,553
Current price				61,200
Upside				8.75%



STOCK PRICE VOLATILITY TO RECOMMENDATION

BIẾN ĐỘNG GIÁ CỔ PHIẾU SO VỚI KHUYẾN NGHỊ BSC



APPENDIX

IS (VND billion)	2019	2020	2021F	2022F
Net revenue	2,546	2,217	2,624	4,422
COGS	1,480	1,546	1,468	2,496
Gross profit	1,066	671	1,156	1,926
Selling expenses	(119)	(68)	(53)	(90)
G&A expenses	(306)	(367)	(385)	(404)
Operating income	642	236	717	1,431
Financial income	120	727	432	50
Financial expenses	(44)	(103)	(116)	(159)
Interest expenses	(40)	(55)	(116)	(159)
Gain/loss from affiliates	126	142	50	614
Other gain/loss	383	13	-	-
Profit before tax	1,226	1,015	1,512	1,936
Corporate tax payment	(219)	(165)	(164)	(211)
Profit after tax	1,007	850	1,347	1,725
Minority interest	47	15	320	498
NPATMI	960	835	1,027	1,227
EBITDA	657	259	748	1,452
EPS	3,697	2,927	2,975	3,556

BS (VND billion)	2019	2020	2021F	2022F
Cash & cash equivalent	1,894	1,096	1,114	3,383
Short term investment	46	46	46	46
Account receivables	1,500	1,969	1,099	1,853
Inventory	4,205	6,028	17,654	17,654
Other current assets	109	161	187	315
Total current assets	7,782	9,300	20,100	23,251
Tangible assets	71	77	97	163
Depreciation	16	23	31	21
Long term incomplete assets	287	47	47	47
Long term investment	191	198	198	198
Other non-current assets	288	320	378	638
Total non-current assets	3,006	4,160	2,162	2,488
Total Assets	10,788	13,460	22,263	25,739
Account payables	-	-	-	-
Short-term debt	63	932	1,766	2,211
Other short-term debt	2,661	3,121	2,202	3,744
Current liabilities	2,899	4,386	5,152	6,181
Long-term debt	806	1,525	2,649	3,869
Other long-term debt	883	829	1,600	1,600
Non-current liabilities	1,689	2,354	4,249	5,469
Total Liabilities	4,588	6,740	9,402	11,650
Paid-in capital	2,597	2,853	3,452	3,452
Capital surplus	989	989	2,643	2,643
Retained earnings	1,839	2,133	2,898	4,124
Other equity	(370)	(371)	(371)	(369)
Minority interest	1,145	1,117	4,240	4,240
Shareholder's equity	5,054	5,603	8,622	9,849
Total Resources	9,574	10,788	13,460	22,263
Number of shares outstanding (million)	260	285	345	345

CF (VND billion)	2019	2020	2021F	2022F
Profit after tax	960	835	1,027	1,227
Depreciation	16	23	31	21
Change in NWC	(175)	(1,811)	(10,138)	(557)
Other adjustments	(252)	(111)	-	-
CF from operating activities	547	(1,067)	(9,080)	691
Fixed assets investment	(302)	(43)	(51)	(87)
Other investment	(231)	(935)	2,076	-
CF from investing activities	(631)	(1,016)	2,025	(87)
Dividend paid	(244)	(262)	(262)	-
Cash from net borrowing	(138)	1,561	1,959	1,665
Other revenue	276	(21)	5,376	-
CF from financing activities	(106)	1,278	7,073	1,665
Beginning cash balance	2,084	1,900	1,096	1,114
Cash in year	(190)	(804)	18	2,269
Ending cash balance	1,900	1,096	1,114	3,383

Ratios (%)	2019	2020	2021F	2022F
Liquidity ratios				
Current ratio	0.4	0.4	0.3	0.4
Quick ratio	2.7	2.1	3.9	3.8
Solvency ratios				
Debt/ Total assets	8%	18%	20%	24%
Debt/ Equity	17%	44%	51%	62%
Efficiency ratios				
Days of inventories	239	286	213	122
Days of receivables	921	1208	2944	2581
Days of payables	35	28	21	103
CCC	1124	1465	3136	2600
Profitability ratios				
Gross profit margin	41.9%	30.3%	44.0%	43.5%
PBT margin	37.7%	36.9%	38.4%	27.2%
ROE	19.0%	14.9%	11.9%	12.5%
ROA	8.9%	6.2%	4.6%	4.8%
Valuation				
PE	16.6	20.9	21.7	18.1
PB	3.1	3.1	2.5	2.1
Growth				
Net revenue growth	-26.8%	-12.9%	18.4%	68.5%
EBIT growth	-36.7%	-63.2%	203.4%	99.6%
PBT growth	8.7%	-17.2%	49.0%	28.0%
EPS growth	15.8%	-20.8%	1.7%	19.5%

Source: BSC Research.

Disclosure

The information, statements, forecasts and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable but their accuracy completeness or correctness are not guaranteed. Expressions of opinion herein were arrived at after due and careful consideration and they were based upon the best information then known to us, and in our opinion are fair and reasonable in the circumstances prevailing at the time. Expressions of opinion contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. BSC and other companies in the BSC and/or their officers, directors and employees may have positions and may affect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for these companies. This document is for private circulation only and is not for publication in the press or elsewhere. BSC accepts no liability whatsoever for any direct or consequential loss arising from any use of this or its content. The use of any information, statements forecasts and projections contained herein shall be at the sole discretion and risk of the user. No part of this material may be (i) copied, photocopied or duplicated in any form by any mean or (ii) redistributed without the prior written consent of BIDV Securities Company (BSC).

BSC Headquarters

BIDV Tower, 10th & 11th Floor
35 Hang Voi, Hoan Kiem, Hanoi
Tel: +84439352722
Fax: +84422200669

Ho Chi Minh City Office

146 Nguyen Cong Tru St, 9th Floor
District 1, HCMC
Tel: +84838218885
Fax: +84838218510

<https://www.bsc.com.vn>
<https://www.facebook.com/BIDVSecurities>

Bloomberg: RESP BSCV <GO>