

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

Recommendation

BUY

Khang Dien House Trading and Investment JSC (HSX: KDH) New project implementation ensures growth potential

Current price:	42,100	Date	10/05/2021	Shareholder Structure	
Previous target price	31,300	Outstanding Shares (Million)	550	VIETNAM VENTURES LIM	5.1%
New target price:	N/A	Market Cap (VND billion)	20,285	VIETFUND MANAGEMENT	3.5%
Dividend yield	0%	Avg. 6M Trading vol	6,128,170	VEIL HOLDINGS LTD	3.0%
Upside	16.0%	% Foreign float	31.9%	VENNER GROUP LTD	2.2%

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Target price: 38,500 VND
Stop-loss price: 30,200 VND

Valuation

- We maintain our BUY recommendation for KDH stock and raise our target price to VND42,100 based on RNAV method (+16.1% compared to the price on May 7, 2021) due to (1) New update of the portfolio. project, (2) Adjustment of the assumption of project selling price for potential land funds in Binh Tan, Phong Phu 2 and (3) Adjustment of discount rate WACC = 11% for projects due by reduced interest rates.

Forecast of business results

- BSC estimates that in 2021, KDH's revenue and profit after tax are estimated at VND 4,438 billion (-3.9% YoY) and VND 1,329 billion (+15.0% YoY). 2021 FW EPS = 2,296 VND/share. 2021 FW PE = 15.8 times. The main revenue sources come from the project (1) Safira, (2) Verosa Park, (3) Lovera Vista and (4) Amerna Project.

Price comparison between KDH and VN index



Investment Thesis

- Owning a large-scale land bank in the inner city waiting to be “unlocked”.

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 cycles).

Company Update

- Business results in 2020 are in line with our forecast**, recording a growth of 26% YoY, respectively 125% and 97% of BSC's forecast of revenue and NPAT.
- KDH sets a conservative 2021 business plan at 4% growth in NPAT of the parent company**, announcing the addition of 3 new projects to its portfolio.
- Q1 business results completed 17.4% and 17% of the revenue and profit target of 2021**, the point of profit in Q2/2021.
- New sales in the 2021-2022 period will be guaranteed thanks to new projects.** BSC estimates that the total pre-sales value of KDH in 2021 and 2022 is estimated at VND 2,153 billion (-20% YoY) and VND 4,906 billion (+27.8% YoY), respectively).

P/E comparison between KDH and VN index

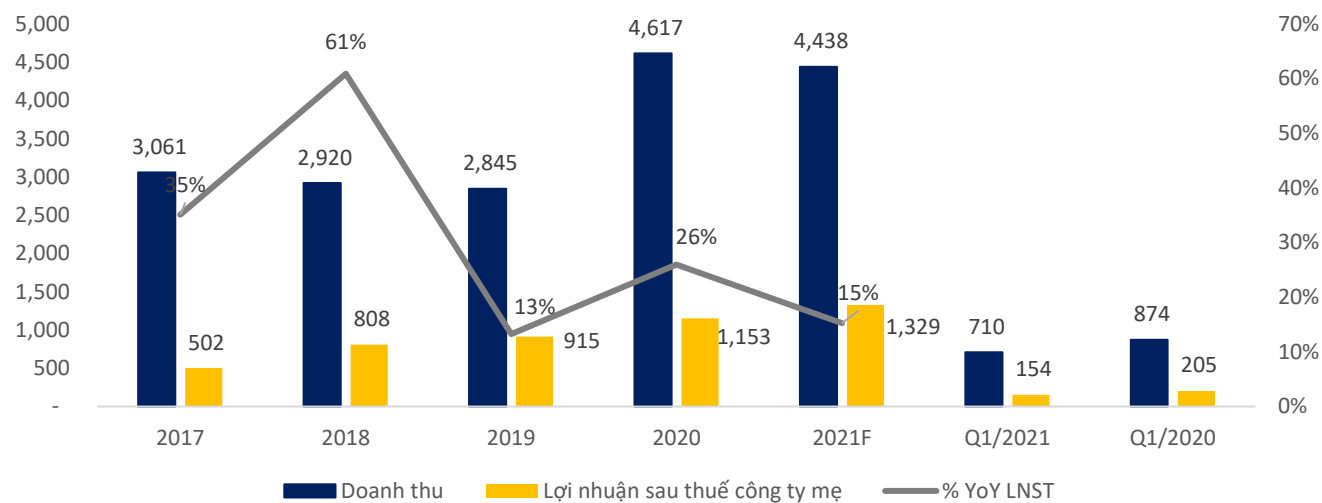


	2020	2021F	Peer	VN-Index		2018	2019	2020F	2021F
PE (x)	18.2	16.6	16.4	17.1	Net Sales	2,845	4,617	4,438	5,074
PB (x)	2.6	2.2	2.0	2.5	Gross Profit	1,500	1,964	2,161	2,434
PS (x)	-	-	-	2.1	NPAT	915	1,153	1,329	1,507
ROE (%)	14.2%	14.0%	15.0%	15.0%	EPS	1,597	1,893	2,181	2,474
ROA (%)	8.3%	8.4%	5.1%	2.4%	EPS Growth	-14%	19%	15%	13%
EV/ EBITDA (x)	-	-	-	16.5	Net Debt/ Equity	10%	23%	13%	13%

COMPANY UPDATE

Business results for 2020 are in line with our forecast, recording 26% YoY growth. KDH's revenue and profit after tax in 2020 reached VND 4,617 billion (+61.1% YoY) and VND 1,153 billion (+26% YoY) respectively thanks to the handover of key projects Verosa Park and Jamila project. KDH's business results in 2021 are 125% and 97% respectively of BSC's forecast of revenue and profit after tax.

The profit margin in 2021 recorded a decrease from 53.3% to 43.3% mainly thanks to the change in the structure of delivered products, mainly high-rise apartment products with a smaller gross profit margin compared to products. low-rise products in 2019.



Source: KDH, BSC Research

KDH sets a cautious 2021 business plan at 4% growth in NPAT of the parent company. The General Meeting of Shareholders approved the 2021 plan with revenue and profit after tax estimated at VND 4,800 billion (+6% YoY) and VND 1,200 billion (+4% YoY), respectively. Profit source is mainly contributed from the handover and transfer of (1) Saphira project, (2) Verosa Park project in Q1/2021, (3) Lovera Vista project in Q2 and Q3/2021 and (4) part of the Armena project in District 9 (4.3ha – 180 townhouses, villas). We think that the above plan is quite conservative, the completion of the plan will depend on the progress of the Armena project - District 9.

Q1 business results, respectively, completed 17.4% and 17% of the revenue and profit target of 2021, the point of profit in Q2/2021.

VND Billion	Q1/2020	Q1/2021	% YoY	Notes
Net Sales	701	836	19%	• In Q1/2021, real estate revenue recorded a growth of +19% YoY thanks to the completion of the handover of the remaining two projects (1) Saphira and (2) Verosa Park project..
Gross Profit	335	358	7%	
<u>Gross profit margin</u>	47.8%	42.8%		• The decrease in selling expenses mainly came from the reduction in brokerage commissions and advertising expenses because the sales of previous projects were completed.
<u>Selling expenses</u>	49.4	20.5	-59%	
<u>G&A expenses</u>	48.3	50.9	5%	
<u>% SG&A/Net sales</u>	13.9%	8.5%		• Financial expenses also dropped sharply over the same period thanks to a reduction in payment discounts.
Net financial cost	(22)	(12)		
<u>Financial revenue</u>	4.8	5.2	8%	
<u>Financial expenses</u>	26.5	16.8	-37%	
Profit before tax	205	268	31%	
<u>Corporate tax</u>	50	63		
NPAT of parent company	154	205	33%	

Net profit margin

22.0% 24.5%

Source: KDH, BSC Research

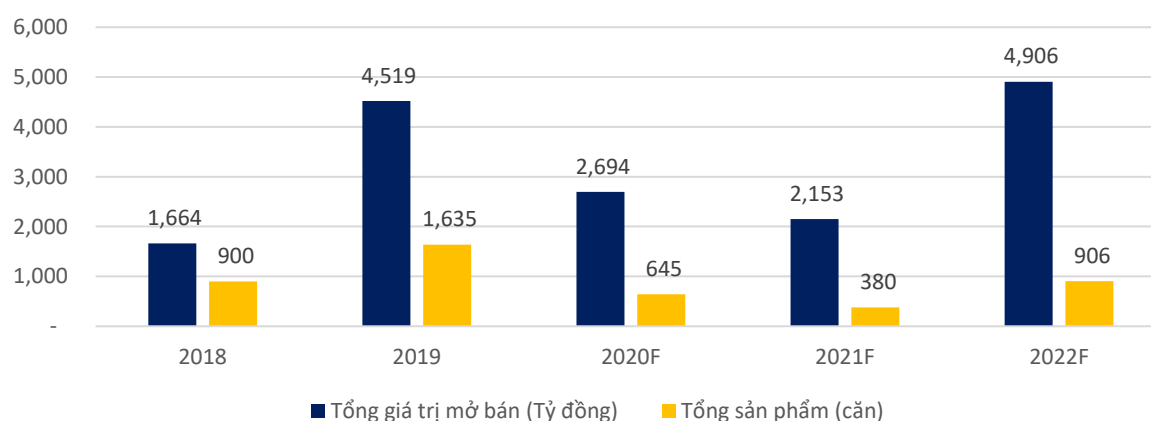
KDH announced adding 3 new projects to the project portfolio. As mentioned in the previous report of BSC, in addition to 2 land funds in Thu Duc City (Amera project – District 9 and Clarita project – District 2), KDH has added an apartment project with a scale of 1.8ha in An Giang province. Duong Vuong, An Lac ward, Binh Tan district, corresponding to 1,000 products.

New sales in the 2021-2022 period will be guaranteed thanks to new projects. Specifically, in 2021, BSC estimates that the total value of KDH's pre-sales will reach about VND 2,153 billion (-20.0 % YoY), mainly contributed by the Armenia project and the Binh Tan apartment project (An Duong Vuong).

In 2022, KDH will continue to open for sale the next phases of three projects including (1) Armenia (Q9), (2) Binh Tan and (3) Clarita (Q2), the total opening value of KDH in 2022 is estimated at about 4,906 billion VND (+27.8% YoY). The number of products opened for sale recorded a lower level than in the 2018-2020 period due to the change in product structure, focusing on land plots.

BSC believes that with (1) the selling price of the project is expected to be high in the context of the land bank with good cost value after moving to Thu Duc city and (2) the brand, reputation of KDH, as well as the speed Proven good sales in the last few years will be the driving force behind KDH's profit growth in the next 1-2 years.

Opening value in 2021F-2022F remains positive, supporting profit growth prospect





Source: BSC Research estimate

KKDH is a few businesses that currently own a large-scale land bank in the inner city waiting to be "unlocked". According to the leadership in the long-term orientation, KDH is also actively promoting compensation for land funds belonging to:

- Binh Tan area (Tan Tao urban area has a scale of 329 ha). This is a project that has been approved for investment policy, approved 1/500 and is in the process of compensation. Accumulated by the end of 2020, KDH has compensated 190ha. However, the compensation still faces many problems due to the compensation land still has a lot of "leopard skin". In addition, the recent increase in land prices has also resulted in a sharp increase in compensation costs compared to before.
- Binh Chanh (Phong Phu 2 – Le Minh Xuan Industrial Park with a scale of 109ha). Similar to Tan Tao urban area project, KDH is also in the process of clearing and compensation.
- BSC realizes that KDH is also trying to speed up compensation through the increase of item (1) Prepayment to purchase land use rights to VND 2,014 billion in Q1/2021 from VND 1,244 billion at the beginning of the year. 2020. In addition, KDH's leadership is also looking for partners to jointly develop the project to speed up the implementation. These are land funds that have been deployed by KDH

for a long time with relatively good cost, we see that the trend of rapid increase in land price in the Southwest region will continue to be maintained thanks to (1) the traffic axis connecting the In the western provinces, belt 3 is focused on speeding up the implementation and (2) shifting the land fund to suburban areas due to the scarcity of urban land.

Update table of project progress and sales plan in 2021

Project	Construction progress	Sale plan
<p data-bbox="402 401 521 426">Safira – Q9</p> 	<p data-bbox="764 562 1073 625">The project has been handed over since July 2020.</p>	<p data-bbox="1105 594 1406 625">Completed the sale in 2019.</p>
<p data-bbox="394 793 529 819">Lovera Vista</p> 	<p data-bbox="764 972 1024 1035">Start handing over from Q2/2021.</p>	<p data-bbox="1105 972 1406 1035">Completed opening for sale in 2020.</p>
<p data-bbox="394 1211 529 1236">Verosa Park</p> 	<p data-bbox="764 1392 1073 1486">Completion of handover and revenue recognition in Q1/2021.</p>	<p data-bbox="1105 1350 1422 1476">Successfully opened and sold 270/296 products, accumulated until the end of 2020.</p> <p data-bbox="1105 1507 1357 1539">Completed in Q1/2021.</p>

Source: BSC Research

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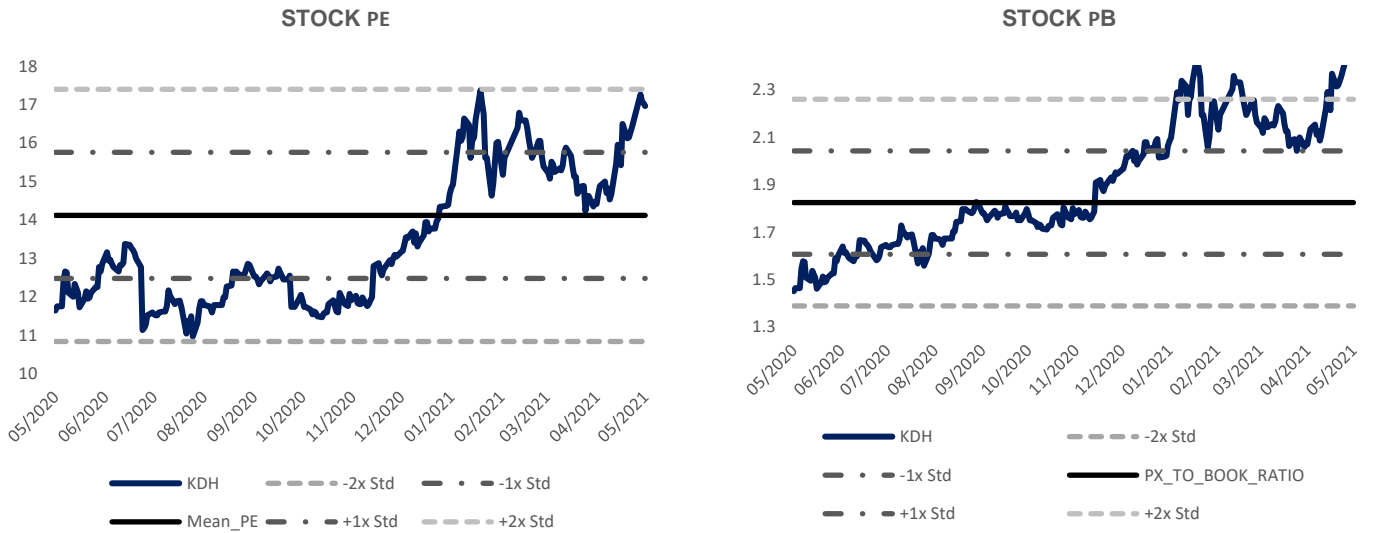
Unit: VND Billion	2017A	2018A	2019E	2020	2021F	2022F
Net Sales	3,061	2,920	2,845	4,617	4,438	5,074
% YoY	-22.3%	-4.5%	-3.5%	61.1%	-3.9%	14.3%
Gross Profit	1,036	1,239	1,500	1,964	2,161	2,434
% YoY	5.7%	19.6%	21.1%	30.9%	10.0%	12.6%
GPM	33.9%	42.5%	53.3%	43.3%	49.6%	48.9%
Selling expenses	109.7	99.3	115.4	247.0	177.5	202.9
G&A expenses	133.9	158.1	162.3	169.4	199.7	228.3
% SG&A/Net Sales	8.0%	8.8%	9.8%	9.0%	8.5%	8.5%
Financial revenue	72.2	199.8	41.5	35.0	38.6	42.2
Financial expenses	125.0	88.7	41.6	84.7	89.3	94.6
Profit before tax	729	1,076	1,190	1,458	1,682	1,884
Corporate tax	216	269	295	338	353	377
Profit after tax	502	808	915	1,153	1,329	1,507
%	25%	48%	11%	23%	15%	12%
EPS	1,495	1,952	1,681	1,992	2,296	2,604
Net profit margin	16.4%	27.7%	32.2%	25.0%	29.9%	29.7%
ROE	9.6%	11.8%	12.0%	14.2%	14.0%	13.7%

Source: BSC Research

VALUATION

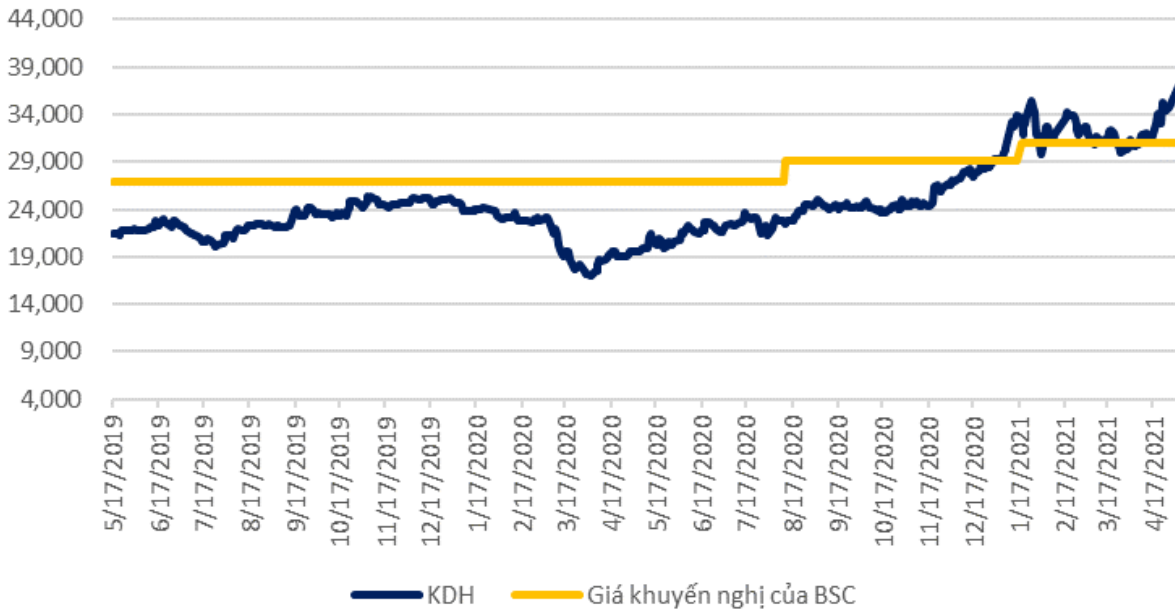
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VALUATION				
VND Billion	Method	Total value of NAV	Ownership rate	Value to KDH
Projects				
Lovera Vista	DCF	982	100%	982
Verosa Park	DCF	336	100%	336
Clarita	DCF	1,981	100%	1,981
Armena	DCF	1,364	100%	1,364
Binh Tan Project	DCF	1,321	100%	1,321
Phong Phu 2 residential area	Comparable	3,536	100%	3,536
Tan Tao residential area	Comparable	9,875	100%	9,875
11A residential area	Comparable	1,870	100%	1,870
Le Minh Xuan Industrial Park	Comparable	1,566	100%	1,566
Other	Book Value	348	100%	348
Net Present Value				23,218
(+) Cash				1,836
(-) Debts				1,845
Total Value of NAV				23,208
Risk discount rate				23,208
Number of shares outstanding				550,806,579
Fair Value				42,136
Share price				36,300
Upside				16.08%
WACC	11%			



STOCK PRICE VOLATILITY COMPARE TO RECOMMENDATION

BIẾN ĐỘNG GIÁ CỔ PHIẾU SO VỚI KHUYẾN NGHỊ BSC



APPENDIX

IS (VND billion)	2019	2020	2021F	2022F
Net revenue	2,813	4,532	4,357	4,980
COGS	1,313	2,568	2,196	2,547
Gross profit	1,500	1,964	2,161	2,434
Selling expenses	(115)	(247)	(178)	(203)
G&A	(162)	(169)	(200)	(228)
Operating income	1,223	1,547	1,783	2,002
Financial income	41	35	39	42
Financial expenses	(42)	(85)	(89)	(95)
Interest expenses	(2)	-	(50)	(55)
Gain/loss from affiliates	-	-	-	-
Other gain/loss	(33)	(39)	(51)	(66)
Profit before tax	1,190	1,458	1,682	1,884
Corporate tax payment	(273)	(304)	(353)	(377)
Profit after tax	917	1,154	1,329	1,507
Minority interest	2	2	-	-
NPATMI	915	1,153	1,329	1,507
EBITDA	1,232	1,558	1,844	2,072
EPS	1,597	1,893	2,181	2,474

BS (VND billion)	2019	2020	2021F	2022F
Cash & cash equivalent	1,175	1,836	2,008	2,810
Short term investment	32	-	-	-
Account receivables	3,778	3,529	4,320	4,938
Inventory	7,037	7,338	7,838	8,338
Other current assets	305	319	466	533
Total current assets	12,327	13,022	14,633	16,620
Tangible assets	48	47	353	702
Depreciation	9	11	61	70
Long term incomplete assets	629	695	695	695
Long term investment	100	60	60	60
Other non-current assets	23	17	36	42
Total non-current assets	910	913	1,238	1,592
Total Assets	13,237	13,934	15,871	18,212
Account payables	696	242	242	242
Short-term debt	377	787	338	374
Other short-term debt	3,499	3,179	4,392	5,093
Current liabilities	4,572	4,208	4,972	5,710
Long-term debt	405	1,058	902	998
Other long-term debt	596	510	510	510
Non-current liabilities	1,001	1,568	1,412	1,508
Total Liabilities	5,573	5,776	6,384	7,218
Paid-in capital	5,444	5,787	5,787	5,787
Capital surplus	720	744	744	744
Retained earnings	1,327	1,836	3,135	4,606
Other equity	-	-	-	-
Minority interest	39	31	31	31
Shareholder's equity	13,237	13,934	15,871	18,212
Total Resources	19,874	23,489	25,454	31,152
Number of shares outstanding (million)	544	579	579	579

CF (VND billion)	2019	2020	2021F	2022F
Profit after tax	915	1,153	1,329	1,507
Depreciation	9	11	61	70
Change in NWC	(965)	(919)	(245)	(489)
Other adjustments	(123)	84	-	-
CF from operating activities	(164)	163	1,144	1,088
Fixed assets investment	(235)	(48)	(366)	(419)
Other investment	126	60	-	-
CF from investing activities	(201)	12	(366)	(419)
Dividend paid	-	-	-	-
Cash from net borrowing	(186)	1,063	(605)	133
Other revenue	(111)	(576)	-	-
CF from financing activities	(296)	486	(605)	133
Beginning cash balance	1,836	1,175	1,836	2,008
Cash in year	(661)	661	172	802
Ending cash balance	1,175	1,836	2,008	2,810

Ratios (%)	2019	2020	2021F	2022F
Liquidity ratios				
Current ratio	2.7	3.1	2.9	2.9
Quick ratio	1.2	1.4	1.4	1.5
Solvency ratios				
Debt/ Total assets	6%	13%	8%	8%
Debt/ Equity	10%	23%	13%	13%
Efficiency ratios				
Days of inventories	1787	1021	1261	1159
Days of receivables	359	294	329	339
Days of payables	73	22	33	29
CCC	2073	1294	1557	1469
Profitability ratios				
Gross profit margin	53.3%	43.3%	49.6%	48.9%
PBT margin	32.2%	25.0%	29.9%	29.7%
ROE	12.0%	14.2%	14.0%	13.7%
ROA	6.9%	8.3%	8.4%	8.3%
Valuation				
PE	21.6	18.2	16.6	14.7
PB	2.6	2.6	2.2	1.9
Growth				
Net revenue growth	-3.5%	61.1%	-3.9%	14.3%
EBIT growth	24.5%	26.5%	15.3%	12.3%
PBT growth	10.6%	22.6%	15.3%	12.0%
EPS growth	13.3%	26.0%	15.3%	13.4%

Source: BSC Research.

Disclosure

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