

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

Recommendation	Outperform	Nam Long Joint Stock Company (HSX: NLG) Profit dropping point in Q3/2021			
Current price:	43,800	Date	05/08/2021	Shareholder Structure	
Previous target price	44,600	Outstanding Shares (Million)	285.3	Nguyen Xuan Quang	13.4%
New target price:	46,400	Market Cap (VND billion)	12,495	IBEWORTH PTE LTD	9.9%
Dividend yield	4%	Avg. 6M Trading vol	4,449,040	Thai Binh Investment JSC	6.1%
Upside	5.9%	% Foreign float	47.95%	VIETFUND MANAGEMENT	4.7%

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Target price: 48,500 VND
Stop-loss price: 41,000 VND

Price comparison between NLG and VN index



P/E comparison between NLG and VN index



Valuation

Compared to the latest BUY report on May 21, 2021 ([Link](#)), Nam Long's stock price recorded an impressive increase and approached our target price.

We issue an **OUTPERFORM** recommendation for NLG and raise our target price to VND46,400/share (+5.9% compared to the closing price on July 4, 2021 and 4.0% above the old target price). based on the RNAV method.

Forecast of business results

- Based on a conservative view, BSC slightly revised down NLG's business result forecast in 2021 due to adjusting the accounting of part of Can Tho project's profit to 2022. Accordingly, revenue and profit recorded received a decrease of -16% and -9.7% respectively from the previous forecast
- BSC forecasts that NLG's 2021 revenue and profit are estimated at VND 5,409 billion (+139.3% YoY) and VND 1,088 billion (+30% YoY) in NPATMI, respectively. EPS FW 2021 = VND 3,623. PE FW 2021 = 12.1 times.

Investment Thesis

- Total selling value in the period 2021-2022 is expected to reach a record level of VND 22,150 billion, 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 6M2021, NLG's revenue and profit after tax are VND 636.5 billion (-3% YoY) and VND 412.3 billion (+131% YoY) respectively
- Total value of new sales (Pre-sales) in the first 6 months of 2021 was positive, reaching VND 4,491 billion with more than 1,070 products opened for sale.
- Plan for private offering will be completed soon in the second half of 2021

	2021F	2022F	Peer	VN-Index		2019	2020	2021F	2022F
PE (x)	12.1	9.1	13.7	17.3	Net Sales	2,546	2,217	5,306	6,255
PB (x)	1.9	1.6	1.7	2.4	Gross Profit	1,066	671	1,798	1,844
PS (x)	4.5	5.5	3.6	2.0	NPAT	960	835	1,088	1,453
ROE (%)	16.9%	18.4%	17.8%	13%	EPS	3,697	2,927	3,814	5,094
ROA (%)	7.4%	8.5%	5.5%	2.4%	EPS Growth	16%	-21%	30%	34%
					Net Debt/ Equity	17%	44%	40%	32%

COMPANY UPDATE REPORT

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

Re-evaluating the project to support the growth of profit after tax in Q1/2021. In the first 6 months, construction activities were the main contributors to NLG's revenue structure. In 6M2021, NLG's revenue and profit after tax reached 636.5 billion dong (-3% YoY) and 412.3 billion dong (+131%). As mentioned in the Q1/2021 business results update report, financial profit from the re-evaluation of the Izumi City project is the main driving force contributing to profit growth in 6M2021 compared to 1H2020.

Profit falling point in Q3/2021 thanks to the handover of two Akara City projects (Phase 1). In the second half of 2021, NLG is expected to complete the handover of the remaining products of Flora Novia and phase 1 of the Akara City project.

	6M2021	6M2020	% YoY	Notes
Revenue	637	658	-3%	In 6M/2021, NLG only recorded the handover of 28 products, mainly the remaining products of old projects.
Selling land, apartments, townhouses, villas	66	174	-62%	
Construction segment	478	426	12%	Construction revenue increased from the construction of Mizuki and Southgate projects.
Service Provider	13	7	70%	
Transfer projects	80	50	58%	
Gross profit	156	295	-47%	Profit from JV company recorded from the handover of 309 villas/townhouses of the Southgate project.
<u>GPM</u>	<u>25%</u>	<u>45%</u>		
SG&A	257	174	48%	
<u>SG&A/Net revenue</u>	<u>40%</u>	<u>26%</u>		
EBIT	-101	121	-183%	G&A expenses increased sharply due to the increase in the size of the personnel apparatus, ERP costs and other related consulting costs
Financial income	17	62	-73%	
Financial expenses	42	62	-32%	
Gain/loss from affiliates	95	43	122%	
Profit before tax	396	221	80%	
Corporate tax	(18)	15		
NPAT	414	185	124%	
Minority interest	2	6		
NPATMI	412	179	131%	
Basic EPS (VND/share)	1,445	627		
Gross profit margin	25%	45%		
Net profit margin	65%	27%		

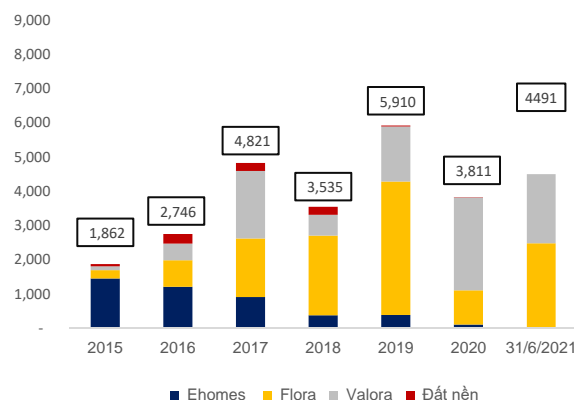
The first half of 2021 business results grew thanks to the re-evaluation of the project.

The total value of new sales (Pre-sales) in 6M2021 was positive, equivalent to 110% of the whole 2020. Accumulated to June 30, 2021, NLG recorded total new sales of 4,491 billion VND, equivalent to 110% of the total new sales in 2020, with more than 1,070 products on sale (646 Flora Mizuki products, 90 Flora Akari products and 334 Valora SouthGate products).

The fourth wave of the Covid-19 epidemic has affected the plan to open and sell projects. In the second half of 2021, NLG will continue to deploy sales at existing projects Mizuki Park, Akari City, Southgate and introduce three new projects including (i) Izumi City (Dong Nai), (ii) Can Tho and Ehome Southgate Long An. In July 2021, NLG launched the Ehome SouthGate project, which is an affordable housing project with an average price of about 1 billion VND/product. Nam Long is expected to open for sale about 350 apartments/1,400 apartments in 2021.

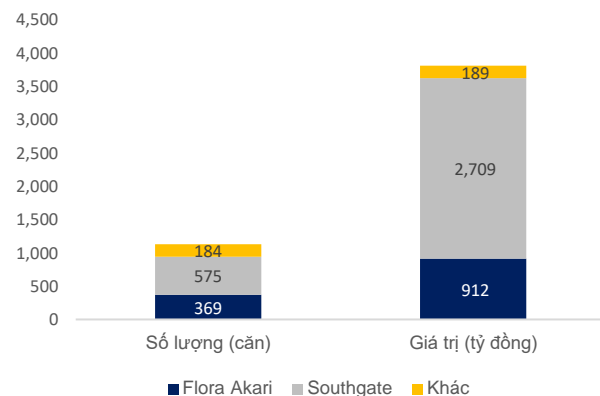
According to BSC's estimate, the total value and number of new products opened in 2021, adjusted down slightly, is estimated at VND 10,023 billion (+176% YoY) and 3,260 products (+245% YoY), respectively. BSC's new sales forecast value is 23.8% lower than NLG's new sales plan in 2021. However, we note that NLG's initial sales plan was set in the context of the pandemic. control and the total value of new sales in the period 2021-2022 remained high compared to history.

Accumulated total opening and selling value as of June 31, 2021, completing 34.2% of the total new sales plan



Source: NLG, BSC Research

The total value of new sales in the period 2021-2022 is equal to 1.13 times the total value of NLG opened for sale in the period 2015-2020.



Source: NLG, BSC Research

The private offering plan will be completed soon in the second half of 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. The issue price is not lower than VND 30,0000/share and the discount rate is 10-15%. The number of shares issued privately will be restricted from being transferred for 1 year from the date of issuance. The purpose of using capital is mainly for the purpose of increasing the land fund and supplementing working capital.

Update on project progress and sales plan in 2021

Project	Construction progress
Akara City 	<p>Started handing over from the end of Q2/2021, the construction progress of phase 1 of the project has basically been completed, so it will not be affected by the Covid-19 epidemic.</p>
SouthGate 	<ul style="list-style-type: none"> - Continue to hand over products in 2021 and open for sale in the next stages. - Deployment of Ehomes Southgate project (1,400 apartments) – Completed the foundation construction and completed the model house
Mizuki Park 	<p>Completed 646/1,100 units in 6M2021, expected to continue to open for sale the rest of 2021.</p>
Izumi City 	<p>NLG has just increased its ownership rate to 65% of the Waterfront project.</p> <p>Expected to open for sale in Q4/2021</p>
Nam Long Hải Phòng 	<p>Estimated scale: 730 townhouses and 2,300 apartments, expected to open for sale from 2022</p>

Source: BSC Research

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

2021 Profit forecast.

Based on a conservative view, BSC slightly revised down NLG's business result forecast in 2021 due to adjusting the accounting for a part of Can Tho project's profit to 2022. Accordingly, revenue and profit are recognized a decrease of -16% and -9.7% respectively compared to the previous forecast. BSC also noted that in case the 42ha Can Tho project sells well and records business results as previously planned, NLG will be able to record a higher profit.

The main source of profit in 2021 will come from (1) Waterpoint project – Phase1, (2) Akari City project and (3) Profit from the re-valuation of Izumi City project after raising the ownership rate. BSC forecasts that NLG's revenue and profit in 2021 are estimated at VND 5,409 billion (+139.3% YoY) and NPATMI at VND 1,088 billion (+30% YoY). EPS FW 2021 = VND 3,623. PE FW 2021 = 12.1 times.

Unit: Billion VND	2017A	2018A	2019E	2020E	2021F	2022F
Revenue	3,165	3,480	2,549	2,260	5,409	6,377
% YoY	0%	0%	0%	0%	0%	0%
COGS	1,866	1,976	1,480	1,546	3,508	4,410
Gross profit	1,295	1,503	1,066	671	1,798	1,844
Selling expenses	219	252	119	68	108	128
G&A expenses	195	239	306	367	371	438
EBIT	881.3	1,012.9	641.6	236.3	1,318.2	1,279.3
Financial income	94.8	129.0	120.1	726.7	176.6	170.1
Financial expenses	29.3	37.0	44.4	102.5	137.2	136.2
Gain/loss from affiliates	(3)	14	126	142	50	572
Profit before tax	950	1,128	1,226	1,015	1,853	1,907
Corporate tax	194	241	219	165	264	240
NPAT	756	887	1,007	850	1,589	1,667
Minority interest	221	124	47	15	501	214
NPATMI	535	763	960	835	1,088	1,453
% YoY	55%	43%	26%	-13%	30%	34%
Basic EPS (VND)	3,403	3,193	3,697	2,927	3,814	5,094
Gross profit margin	41%	43%	42%	30%	34%	29%
Net profit margin	17%	22%	38%	37%	20%	23%
ROE	19%	17%	19%	15%	17%	18%

Source: BSC Research

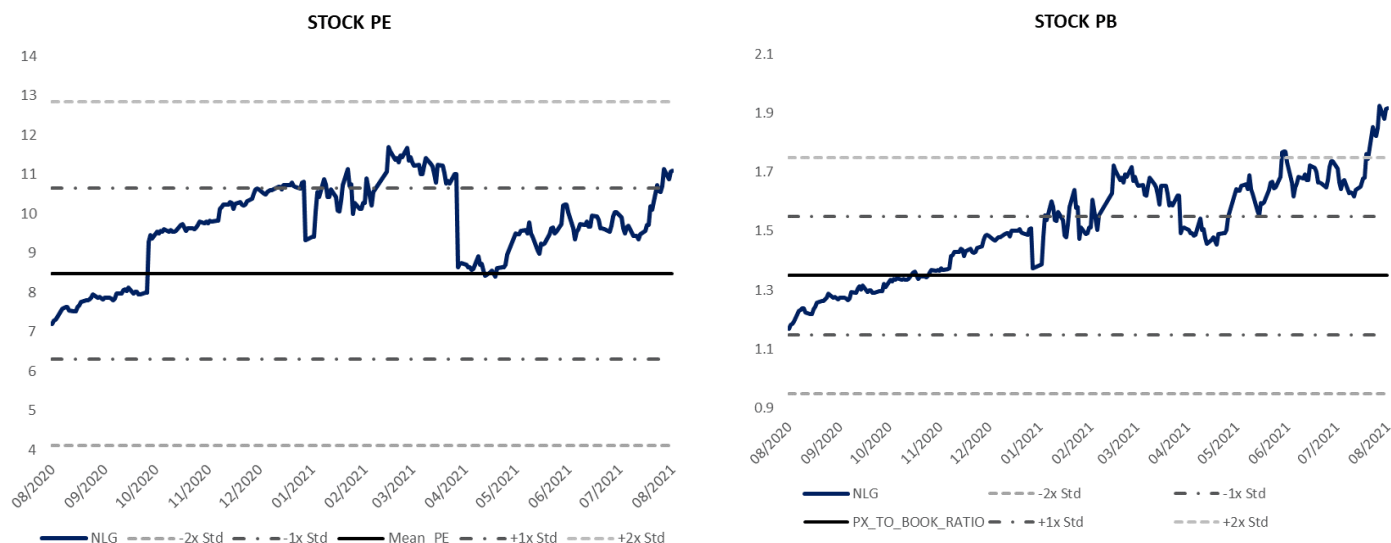
VALUATION

Compared to the latest BUY report on May 21, 2021 [\(Link\)](#), Nam Long's stock price recorded an impressive increase and approached our target price.

We issue an **OUTPERFORM** recommendation for NLG and raise our target price to VND46,400/share (+5.9% compared to the closing price on July 4, 2021 and 4.0% above the old target price). based on the RNAV method by changing some of following assumptions:

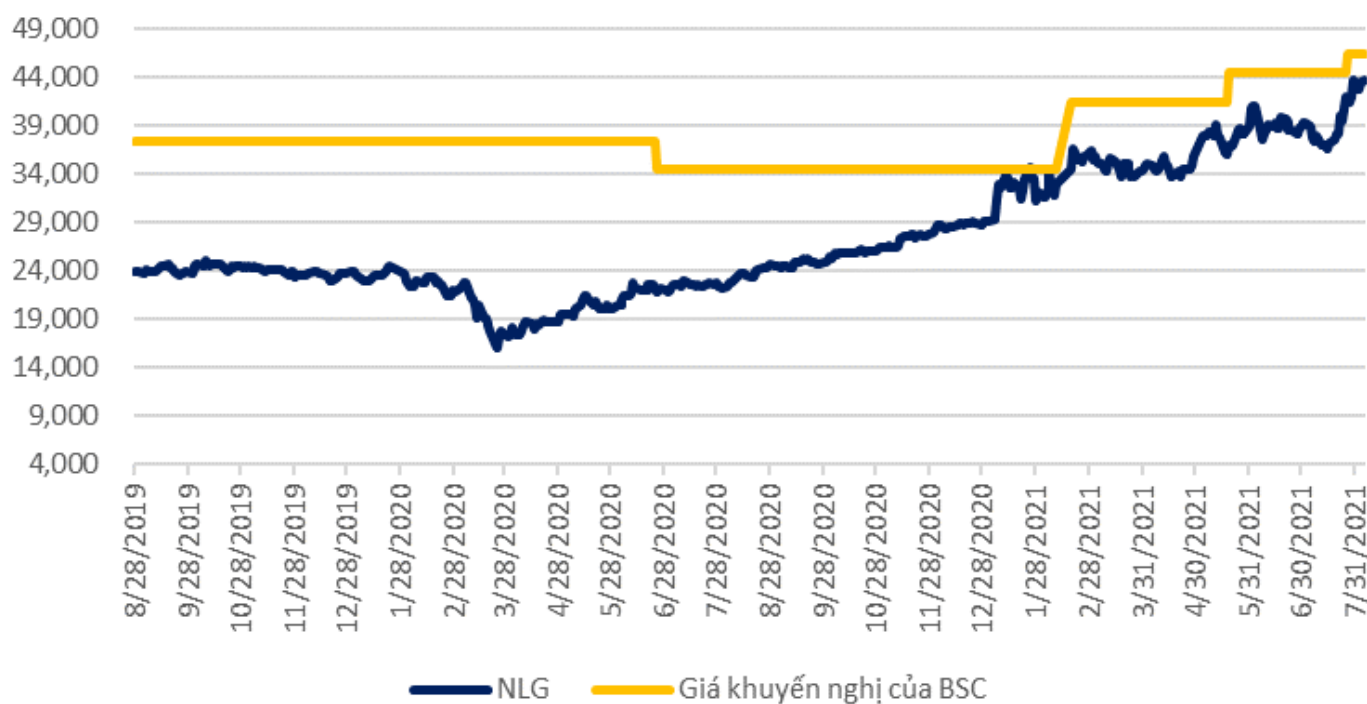
- Adjusting sales plans as well as selling prices of some projects.
- Reducing the project WACC discount rate from 11.5% to 11.0% due to interest rates will continue to remain low.

Valuation				
bVND	Method	Total value of NAV	Ownership rate	>NLG
Projects				14,424
Paragon Dai Phuoc	DCF	1,780	100%	1,780
Vssip Hai Phong	DCF	1,176	50%	588
Mizuki Park	DCF	3,719	50%	1,860
Waterpoint GD 1	DCF	3,836	50%	1,918
Waterpoint Phase 2	DCF	2,180	100%	2,180
Akari City	DCF	3,258	50%	1,629
Can Tho	DCF	1,483	100%	1,483
Izumi City	DCF	3,712	70%	2,598
Other projects	BV	388	100%	388
(+) Cash		1,354		1,354
(-) Debt		2,547		2,547
Total value of NAV				13,230
Risk discount rate				13,230
Number of shares outstanding				285,270,660
Fair value				46,400
Current price	8/5/2021	43,800		
Upside				5.89%



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	5,306	6,255
COGS	1,480	1,546	3,508	4,410
Gross profit	1,066	671	1,798	1,844
Selling expenses	(119)	(68)	(108)	(128)
G&A expenses	(306)	(367)	(371)	(438)
Operating income	642	236	1,318	1,279
Financial income	120	727	177	170
Financial expenses	(44)	(103)	(137)	(136)
Interest expenses	(40)	(55)	(67)	(66)
Gain/loss from affiliates	126	142	50	572
Other gain/loss	383	13	17	21
Profit before tax	1,226	1,015	1,853	1,907
Corporate tax payment	(219)	(165)	(264)	(240)
Profit after tax	1,007	850	1,589	1,667
Minority interest	47	15	501	214
NPATMI	960	835	1,088	1,453
EBITDA	657	259	1,352	1,304
EPS	3,697	2,927	3,814	5,094

BS (VND billion)	2019	2020	2021F	2022F
Cash & cash equivalent	1,894	1,096	907	1,172
Short term investment	46	46	46	46
Account receivables	1,500	1,969	2,223	2,621
Inventory	4,205	6,028	6,500	8,000
Other current assets	109	161	378	445
Total current assets	7,782	9,300	10,054	12,284
Tangible assets	71	77	147	245
Depreciation	16	23	34	25
Long term incomplete assets	287	47	47	47
Long term investment	191	198	198	198
Other non-current assets	288	320	765	902
Total non-current assets	3,006	4,160	4,676	4,910
Total Assets	10,788	13,460	14,730	17,194
Account payables	-	-	-	-
Short-term debt	63	932	1,126	1,116
Other short-term debt	2,661	3,121	3,508	4,410
Current liabilities	2,899	4,386	4,934	5,971
Long-term debt	806	1,525	1,421	1,395
Other long-term debt	883	829	829	829
Non-current liabilities	1,689	2,354	2,250	2,224
Total Liabilities	4,588	6,740	7,184	8,195
Paid-in capital	2,597	2,853	2,853	2,853
Capital surplus	989	989	989	989
Retained earnings	1,839	2,133	2,959	4,411
Other equity	(370)	(371)	(371)	(369)
Minority interest	1,145	1,117	1,117	1,117
Shareholder's equity	5,054	5,603	6,429	7,883
Total Resources	9,574	10,788	13,460	14,731
Number of shares outstanding (million)	260	285	285	285

CF (VND billion)	2019	2020	2021F	2022F
Profit after tax	960	835	1,088	1,453
Depreciation	16	23	34	25
Change in NWC	(175)	(1,811)	(1,035)	(1,054)
Other adjustments	(252)	(111)	-	-
CF from operating activities	547	(1,067)	87	424
Fixed assets investment	(302)	(43)	(104)	(123)
Other investment	(231)	(935)	-	-
CF from investing activities	(631)	(1,016)	(104)	(123)
Dividend paid	(244)	(262)	(262)	-
Cash from net borrowing	(138)	1,561	90	(36)
Other revenue	276	(21)	-	-
CF from financing activities	(106)	1,278	(171)	(36)
Beginning cash balance	2,084	1,900	1,096	907
Cash in year	(190)	(804)	(188)	265
Ending cash balance	1,900	1,096	907	1,172

Ratios (%)	2019	2020	2021F	2022F
Liquidity ratios				
Current ratio	0.4	0.4	0.4	0.4
Quick ratio	2.7	2.1	2.0	2.1
Solvency ratios				
Debt/ Total assets	8%	18%	17%	15%
Debt/ Equity	17%	44%	40%	32%
Efficiency ratios				
Days of inventories	239	286	144	141
Days of receivables	921	1208	652	600
Days of payables	35	28	29	23
CCC	1124	1465	767	718
Profitability ratios				
Gross profit margin	41.9%	30.3%	33.9%	29.5%
PBT margin	37.7%	36.9%	20.1%	22.8%
ROE	19.0%	14.9%	16.9%	18.4%
ROA	8.9%	6.2%	7.4%	8.5%
Valuation				
PE	11.8	15.0	12.1	9.1
PB	2.3	2.2	1.9	1.6
Growth				
Net revenue growth	-26.8%	-12.9%	139.3%	17.9%
EBIT growth	-36.7%	-63.2%	457.9%	-3.0%
PBT growth	8.7%	-17.2%	82.6%	2.9%
EPS growth	15.8%	-20.8%	30.3%	33.6%

Source: BSC Research.

Disclosure

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