

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

Recommendations **NEUTRAL**

Khang Dien House Investment and Business Jsc (HSX: KDH) Update your business outlook for the second half of 2021.

| | | | | | |
|------------------------------|--------------|------------------------------|------------|------------------------------|------|
| Current price: | 39,750 | Date of writing the report: | 31/08/2021 | Shareholder structure | |
| Previous Target price before | 39,300 | Outstanding Shares (million) | 623 | VIETNAM VENTURES LIM | 5.1% |
| New target price: | N/A | Market Cap (billion) | 24,643 | VIETFUND MANAGEMENT | 3.5% |
| Dividend yield | 0% | Avg. liquidity 6M: | 2,504,630 | VEIL HOLDINGS LTD | 3.0% |
| Upside | -1.1% | %Foreign ownership | 30.3% | VENNER GROUP LTD | 2.2% |

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Target price: 42,600 VND
Stop-loss price: 36,500 VND

Valuation

Compared to the latest BUY recommendation report on 10/05/2021, Khang Dien's share price has recorded an impressive increase and is close to our target price

- We make a **Neutral** recommendation for KDH stock with a target price of VND 39,300 based on RNAV method (-1.1% compared to the price on 31/08/2021) due to (1) New update of project portfolio; (2) Adjustment of project sale price assumption for potential land fund in Binh Tan, Phong Phu 2 area and (3) WACC = 11%.

Forecasting business results

- BSC estimates that in 2021, KDH's revenue and profit after tax are estimated at VND4,631 billion (+0.3% YoY) and VND1,330 billion (+15.0% YoY), respectively. EPS FW 2020 = VND 2,163. PE FW 2021 = 15.8 times. The main source of revenue comes from the project (1) Safira, (2) Verosa Park, (3) Lovera Vista and (4) the Amerna Project.

Investment perspective

- Owning a large-scale land fund in the inner city waiting to be "unlocked".

Risk

- Plans to launch projects have been slowed due to legal issues and the Covid-19 outbreak.
- General risks of the real estate industry (lending interest rate, industry cycle)

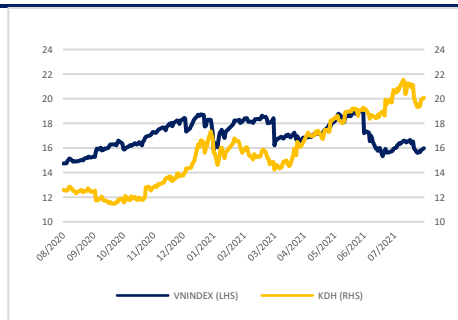
Business results update

- Business results in the first half of 2021 remains positive, close to our forecast.** KDH revenue increased by 28% over the same period, reaching VND 1,969 billion (+28% YoY), PROFITST reached VND 473 billion, up 16% over the same period.
- KDH completed 41% and 39.4% of the 2021 plan of revenue and after-tax profit, respectively.**
- The fourth wave of Covid-19 could pose a risk to plans to launch projects and project profit growth.** KDH is expected to open for sale and record part of Armena project - Thu Duc District (Expected Q4/2021) and Binh Tan project (Q2/2022). As mentioned in the most recent report, the exceeding profit plan will depend on the progress of the Armena - Thu Duc project.

Comparison table of KDH and VN- Index



P/E and VN index comparison table



| | 2021F | 2022F | Peer | VN-Index | | 2019 | 2020F | 2021F | 2022F |
|----------------|-------|-------|-------|----------|------------------|-------|-------|-------|-------|
| PE (x) | 19.8 | 16.5 | 16.4 | 17.1 | Turnover | 2,845 | 4,617 | 4,631 | 4,529 |
| PB (x) | 2.5 | 2.2 | 2.0 | 2.5 | Gross profit | 1,500 | 1,964 | 2,132 | 2,398 |
| PS (x) | - | - | - | 2.1 | Profit after tax | 915 | 1,153 | 1,330 | 1,593 |
| ROE (%) | 13.5% | 14.0% | 15.0% | 15.0% | EPS | 1,597 | 1,893 | 2,054 | 2,460 |
| ROA (%) | 7.7% | 8.7% | 5.1% | 2.4% | EPS growth | -14% | 19% | 9% | 20% |
| EV/ EBITDA (x) | 19.8 | 16.5 | - | 16.5 | Net debt/ Equity | 10% | 23% | 19% | 17% |

BUSINESS UPDATE REPORT

Business Results in the first half of 2021 remains positive.

Product handover activities of projects ensuring profit growth 6M2021. In the first 6 months of the year, real estate transfer activities are activities contributing the main proportion in the revenue structure of KDH. Accumulated 6M2021, KDH revenue increased by 28% over the same period, reaching VND 1,969 billion (+28%YoY). The main source of revenue comes from the handover of projects (1) Safira, (2) Verosa Park and (3) Lovera Vista. These are projects that have completed the sale and are handed over, of which Q3/2021 will be the focus of the handover of the Lovera Vista project.

Gross profit margin decreased from 49% 6M2020 to 42% 6M2021 mainly due to differences from the type of handover products, in 6M2021 KDH mainly handed over apartment products, which had a lower gross profit margin with Verosa Park Townhouse/villa products in the same period.

Accumulated 6M2021, KDH recorded profit after tax reached VND 473 billion, up 16% over the same period. Accordingly, KDH has completed 41% and 39.4% of the revenue and profit after tax plan in 2021, respectively.

| | 6M2021 | 6M2020 | % YoY |
|--------------------------------------|--------------|--------------|------------|
| Turnover | 1,969 | 1,532 | 28% |
| Real estate transfer | 1,936 | 1,499 | 29% |
| Service provider | 30 | 17 | 79% |
| Operating leasing | 1 | 1 | 63% |
| Gross profit | 830 | 752 | 10% |
| <i>Gross margin</i> | <i>42%</i> | <i>49%</i> | |
| Cost of sale & QLDN | 178 | 173 | 3% |
| <i>SG&A/Gross revenue</i> | <i>9%</i> | <i>11%</i> | |
| EBIT | 652 | 579 | 13% |
| Financial revenue | 11 | 10 | 9% |
| Financial expenses | 40 | 45 | -11% |
| Profit/Loss from an affiliate | - | - | |
| EBT | 606 | 528 | 15% |
| Taxes | 133 | 119 | |
| NPAT | 473 | 409 | 16% |
| Minority shareholder benefits | - | - | |
| Company's NPAT | 473 | 409 | 16% |
| Basic EPS (VND) | 767 | 664 | |
| Gross profit margin | 42% | 49% | |
| Net profit margin | 24% | 27% | |

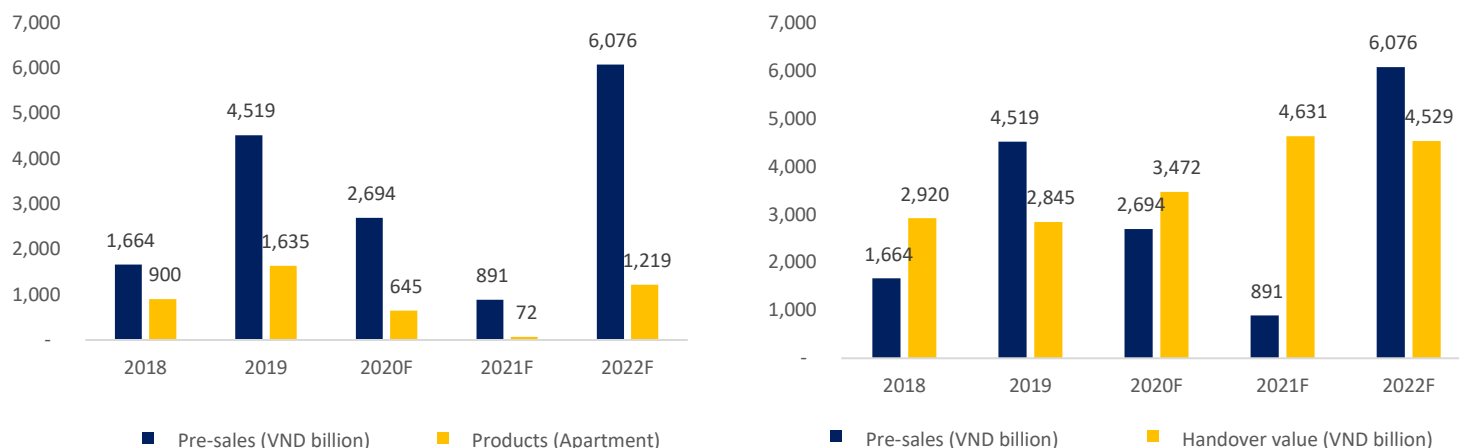
Source: KDH, BSC Research

The fourth wave of covid-19 could pose a risk to plans of launching projects and profit growth. In the second half of 2021 and 2022, KDH is expected to open for sale and record part of the Armena - Thu Duc District project (Expected Q4/2021) and Binh Tan project (Q2/2022). According to the management, the legal procedures at the two projects are almost complete and are expected to sell according to the above plan. As mentioned in the most recent report, the exceeding of the profit plan will depend on the progress of the Armena project. Assuming the epidemic is under control in Q3/2021, we believe KDH could still exceed its profit plan for 2021. In case of a more negative scenario, we will monitor, update and adjust the project in the next report.

New sales will increase sharply in 2022 thanks to the opening of 3 key projects. Due to the impact of covid-19 on the progress of legal processing in 2021, BSC revised down the forecast of the total pre-sales value of KDH to VND891 billion (-66.9%YoY and -58.6% compared to the previous forecast) because Binh Tan apartment project will be opened for sale in 2022.

In 2022, KDH will continue to open the next phases of three projects including (1) Armena (District 9), (2) Binh Tan and (3) Clarita (District 2), the total pre-sales of KDH in 2022 is estimated at VND 6,076 billion. The number of products for sale recorded a lower level than in the period of 2018-2020 due to changes in product structure focusing on land products.

BSC consider that with (1) The sale price of the project is expected to be high in the context of land fund with good COGS after turning to Thu Duc city and (2) The brand, prestige of KDH, as well as the good sales rate has been proven in the last few years will be the driving force for profit growth of KDH in the next 1-2 years.



Source: BSC Research estimates

Update table of project progress and opening plan 2021

| Project | Product type | Location | Area (Ha) | Number of products | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---------------------------------------|------------------|-------------------|-----------|--------------------|------|------|------|------|------|------|
| Safira | Apartment | Thu Duc | 2 | 1,570 | | | | | | |
| Lovera Vista | Apartment | Binh Chanh | 3 | 1,300 | | | | | | |
| Verosa Park | Townhouse, villa | Thu Duc | 8 | 296 | | | | | | |
| Clarita | Townhouse, villa | Thu Duc | 6 | 159 | | | | | | |
| Amerna | Townhouse, villa | Thu Duc | 4 | 180 | | | | | | |
| Binh Tan Project | Apartment | Binh Tan District | 2 | 1,000 | | | | | | |
| Phu Phu 2 Residential Area | N/A | Binh Chanh | 133 | N/A | | | | | | |
| Tan Tao Urban Area | N/A | Binh Tan District | 330 | N/A | | | | | | |
| Residential Area 11A | N/A | Binh Chanh | 16 | N/A | | | | | | |
| Le Minh Xuan Industrial Park expanded | N/A | Binh Chanh | 110 | N/A | | | | | | |

Source: BSC Research, KDH

Forecast business results 2021

BSC estimates that in 2021, KDH's revenue and profit after tax are estimated at VND4,631 billion (0.3%YoY) and VND1.330 billion (+15.0% YoY). EPS FW 2020 = 2,163 VND. PE FW 2021 = 15.8. The main revenue comes from the project (1) Safira, (2) Verosa Park, (3) Lovera Vista and (4) the Amerna Project.

| Unit: Billion VND | 2017A | 2018A | 2019E | 2020 | 2021F | 2022F |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Turnover | 3,061 | 2,920 | 2,845 | 4,617 | 4,631 | 4,529 |
| % YoY | -22.3% | -4.5% | -3.5% | 61.1% | 0.3% | -2.2% |
| Gross profit | 1,036 | 1,239 | 1,500 | 1,964 | 2,132 | 2,398 |
| % YoY | 5.7% | 19.6% | 21.1% | 30.9% | 8.6% | 12.5% |
| Gross margin | 33.9% | 42.5% | 53.3% | 43.3% | 46.9% | 53.9% |
| Selling expenses | 109.7 | 99.3 | 115.4 | 247.0 | 185.2 | 181.2 |
| SG&A expenses | 133.9 | 158.1 | 162.3 | 169.4 | 208.4 | 203.8 |
| % SG&A expenses /Gross revenue | 8.0% | 8.8% | 9.8% | 9.0% | 8.5% | 8.5% |
| Financial revenue | 72.2 | 199.8 | 41.5 | 35.0 | 38.6 | 95.1 |
| Financial expenses | 125.0 | 88.7 | 41.6 | 84.7 | 114.1 | 117.7 |
| Pre-tax profit | 729 | 1,076 | 1,190 | 1,458 | 1,663 | 1,991 |
| Taxes | 216 | 269 | 295 | 338 | 333 | 398 |
| Profit after tax | 502 | 808 | 915 | 1,153 | 1,330 | 1,593 |
| % | 25% | 48% | 11% | 23% | 15% | 20% |
| EPS | 1,495 | 1,952 | 1,681 | 1,992 | 2,163 | 2,589 |
| Net profit margin | 16.4% | 27.7% | 32.2% | 25.0% | 28.7% | 35.2% |
| ROE | 9.6% | 11.8% | 12.0% | 14.2% | 13.5% | 14.0% |

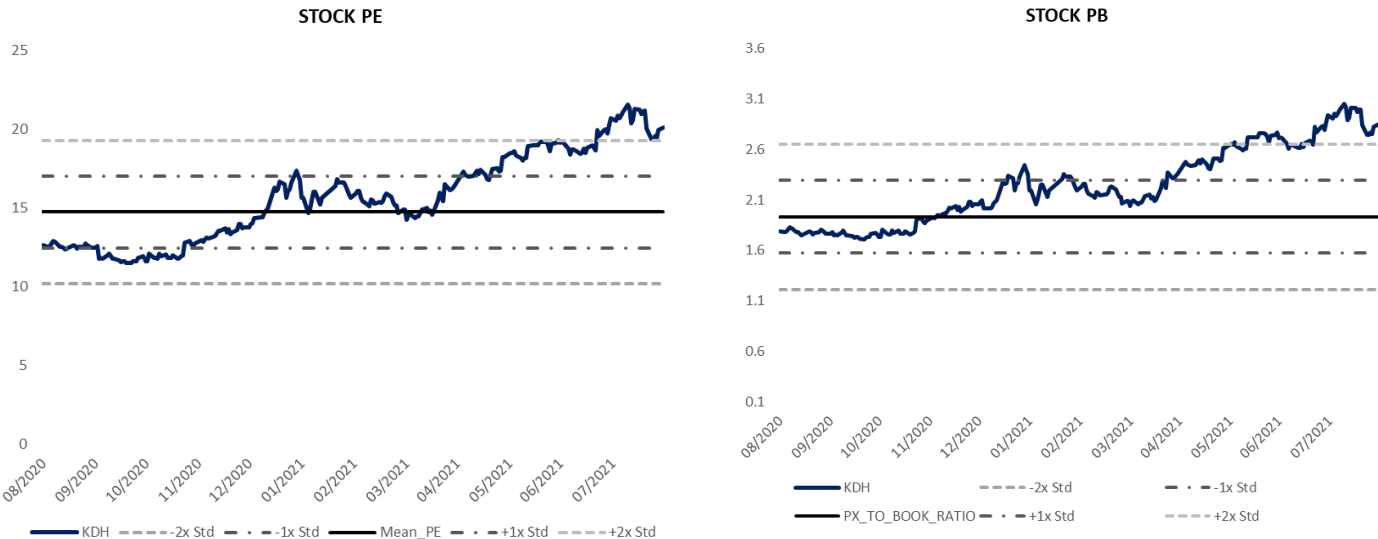
Source: BSC Research

VALUATION

Compared to the latest BUY recommendation report on May 10, 2021, Khang Dien's share price has recorded an impressive increase and is now close to our target price.

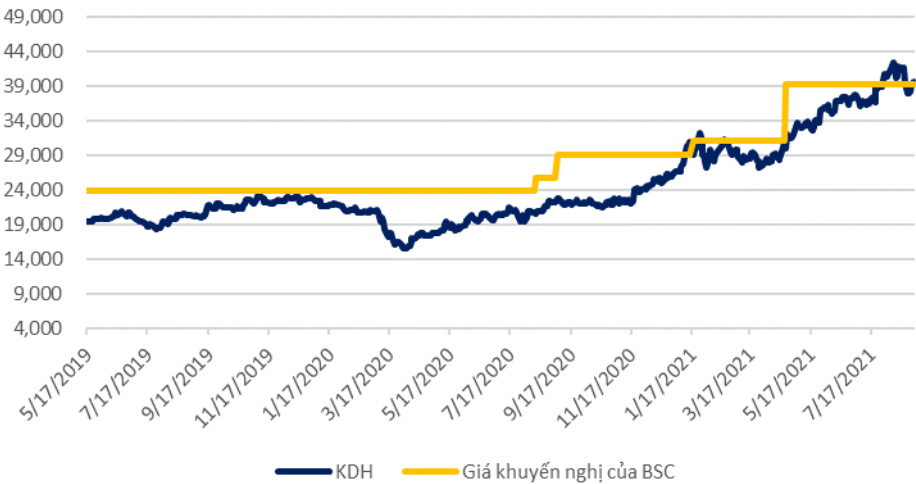
We make a Neutral recommendation for KDH stock with a target price of VND39,300 based on RNAV method (-1.1% compared to the price on August 31, 2021) due to (1) New update of the project portfolio, (2) Adjustment of the project sale price assumption for potential land fund in Binh Tan region, Phong Phu 2 and (3) WACC = 11%.

| VALUATION | | | | |
|------------------------------|--------------------|-----------------|----------------|---------------|
| Billion VND | Method | Total NAV value | Ownership rate | >KDH |
| Projects | | | | |
| Lovera Vista | Cash flow discount | 982 | 100% | 982 |
| Verosa Park | Cash flow discount | 336 | 100% | 252 |
| Clarita | Cash flow discount | 1,981 | 100% | 2,014 |
| Armena | Cash flow discount | 1,364 | 100% | 1,448 |
| Binh Tan Project | Cash flow discount | 1,321 | 100% | 1,332 |
| Phu Phu 2 Residential Area | Compare | 3,536 | 100% | 4,420 |
| Tan Tao Urban Area | Compare | 9,875 | 100% | 9,875 |
| Residential Area 11A | Compare | 1,870 | 100% | 1,870 |
| Le Minh Xuan Industrial Park | Compare | 1,566 | 100% | 1,566 |
| Different | Book value | 348 | 100% | 388 |
| | Cash flow discount | | | |
| Net present value | | | | 24,146 |
| (+) Cash | | | | 1,836 |
| (-) Debt | | | | 1,845 |
| Total NAV value | | | | 24,137 |
| Risk discount rate | | | | 24,137 |
| Number of shares outstanding | | | | 615,086,429 |
| Reasonable value | | | | 39,300 |
| Share price | | | | 39,750 |
| Upside | | | | -1.1% |
| WACC | 11% | | | |



STOCK PRICE FLUCTUATIONS AGAINST RECOMMENDATIONS

BIẾN ĐỘNG GIÁ CỔ PHIẾU SO VỚI KHUYẾN NGHỊ BSC



APPENDIX

| IS (VND Billion) | 2019 | 2020 | 2021F | 2022F |
|--------------------------------------|--------------|--------------|--------------|--------------|
| Net revenue | 2,813 | 4,532 | 4,546 | 4,446 |
| COGS | 1,313 | 2,568 | 2,414 | 2,048 |
| Gross profit | 1,500 | 1,964 | 2,132 | 2,398 |
| Selling expenses | (115) | (247) | (185) | (181) |
| G&A | (162) | (169) | (208) | (204) |
| Operating income | 1,223 | 1,547 | 1,738 | 2,013 |
| Financial income | 41 | 35 | 39 | 95 |
| Financial expenses | (42) | (85) | (114) | (118) |
| Interest expenses | (2) | - | (74) | (78) |
| Gain/loss from affiliates | - | - | - | - |
| Other gain/loss | (33) | (39) | - | - |
| Profit before tax | 1,190 | 1,458 | 1,663 | 1,991 |
| Corporate tax payment | (273) | (304) | (333) | (398) |
| Profit after tax | 917 | 1,154 | 1,330 | 1,593 |
| Minority interest | 2 | 2 | - | - |
| Profit after tax - Minority interest | 915 | 1,153 | 1,330 | 1,593 |
| EBITDA | 1,232 | 1,558 | 1,766 | 2,032 |
| EPS | 1,597 | 1,893 | 2,054 | 2,460 |

| BS (VND Billion) | 2019 | 2020 | 2021F | 2022F |
|-----------------------------------|---------------|---------------|---------------|---------------|
| Cash & cash equivalent | 1,175 | 1,836 | 4,544 | 5,053 |
| Short term investment | 32 | - | - | - |
| Account receivables | 3,778 | 3,529 | 3,665 | 3,584 |
| Inventory | 7,037 | 7,338 | 7,838 | 8,338 |
| Other current assets | 305 | 319 | 314 | 307 |
| Total current assets | 12,327 | 13,022 | 16,360 | 17,282 |
| Tangible assets | 48 | 47 | 67 | 96 |
| Depreciation | 9 | 11 | 28 | 19 |
| Long term incomplete assets | 629 | 695 | 695 | 695 |
| Long term investment | 100 | 60 | 60 | 60 |
| Other non-current assets | 23 | 17 | 17 | 16 |
| Total non-current assets | 910 | 913 | 933 | 961 |
| Total Assets | 13,237 | 13,934 | 17,293 | 18,243 |
| Account payables | 696 | 242 | 242 | 242 |
| Short-term debt | 377 | 787 | 766 | 803 |
| Other short-term debt | 3,499 | 3,179 | 4,828 | 4,096 |
| Current liabilities | 4,572 | 4,208 | 5,836 | 5,141 |
| Long-term debt | 405 | 1,058 | 1,094 | 1,147 |
| Other long-term debt | 596 | 510 | 510 | 510 |
| Non-current liabilities | 1,001 | 1,568 | 1,604 | 1,657 |
| Total Liabilities | 5,573 | 5,776 | 7,441 | 6,798 |
| Paid-in capital | 5,444 | 5,787 | 6,151 | 6,151 |
| Capital surplus | 720 | 744 | 744 | 744 |
| Retained earnings | 1,327 | 1,836 | 3,136 | 4,693 |
| Other equity | - | - | - | - |
| Minority shareholders | 39 | 31 | 31 | 31 |
| Total Equity | 13,237 | 13,934 | 17,293 | 18,243 |
| Total capital | 19,874 | 23,489 | 25,454 | 31,152 |
| Number of shares outstanding | 544 | 579 | 615 | 615 |

| Cash flow (VND Billion) | 2019 | 2020 | 2021F | 2022F |
|------------------------------|-------|-------|-------|-------|
| (Loss)/NPAT | 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 gain/loss | (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 |

| Ratio (%) | 2019 | 2020 | 2021F | 2022F |
|-------------------------|------|------|-------|-------|
| Liquidity ratios | | | | |
| Current ratio | 2.7 | 3.1 | 2.8 | 3.4 |
| Quick ratio | 1.2 | 1.4 | 1.5 | 1.7 |

| | | | | |
|--------------------------|-----|-----|-----|-----|
| Capital structure | | | | |
| Debt/ Total assets | 6% | 13% | 11% | 11% |
| Debt/ Equity | 10% | 23% | 19% | 17% |

| | | | | |
|--------------------------|------|------|------|------|
| Efficiency ratios | | | | |
| Days of inventories | 1787 | 1021 | 1147 | 1442 |
| Days of receivables | 359 | 294 | 289 | 298 |
| Days of payables | 73 | 22 | 30 | 35 |
| CCC | 2073 | 1294 | 1406 | 1704 |

| | | | | |
|----------------------|-------|-------|-------|-------|
| Profit margin | | | | |
| Gross profit | 53.3% | 43.3% | 46.9% | 53.9% |
| NPAT profit | 32.2% | 25.0% | 28.7% | 35.2% |
| ROE | 12.0% | 14.2% | 13.5% | 14.0% |
| ROA | 6.9% | 8.3% | 7.7% | 8.7% |

| | | | | |
|------------------|------|------|------|------|
| Valuation | | | | |
| PE | 24.2 | 20.4 | 19.8 | 16.5 |
| PB | 2.9 | 2.9 | 2.5 | 2.2 |

| | | | | |
|----------------------|-------|-------|-------|-------|
| Growth | | | | |
| Gross revenue growth | -3.5% | 61.1% | 0.3% | -2.2% |
| EBIT growth | 24.5% | 26.5% | 12.3% | 15.8% |
| EBT growth | 10.6% | 22.6% | 14.0% | 19.7% |
| EPS growth | 13.3% | 26.0% | 15.4% | 19.7% |

Source: BSC Research.

Disclaimer

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