

COMPANY: NAMLONG INVESTMENT JSC (NLG)

<Big player in the mid-end segment>

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NAM LONG INVESTMENT JSC

Sector: Residential property – Real Estate

Report date: May 13 2021

Recommendation: **Neutral**

Curent price: VND 38,500

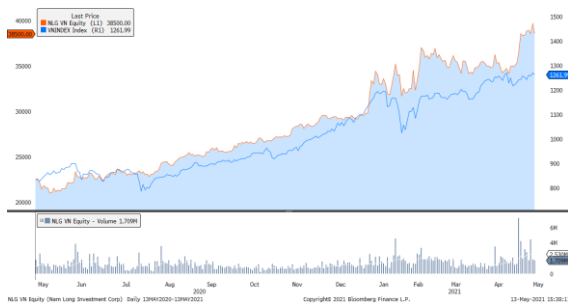
Company background

Founded in 1992, Nam Long operates in the real estate investment and development industry. The company offers apartment building, villas, resort, office buildings.

Key figures

Market cap (VND billion)	10,982
Outstanding shares (million)	285.3
Average 1M volume (shares)	1,940,733
Foreign ownership	44.54%
P/E trailing 4Q	9.6
Dividend yield	2.28%

Stock performance



Change in Share price:

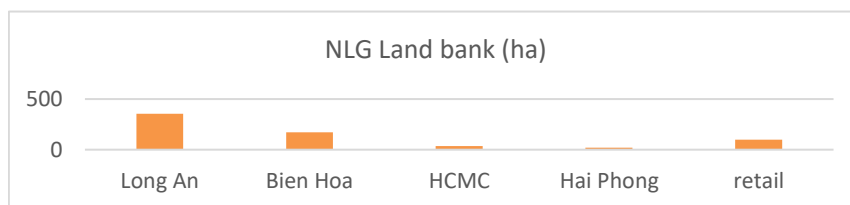
	3M	YTD	1Y
Absolute (%)	15.2%	30.5%	77.2%
Relative to benchmark (%)	1.84%	14.1%	13.12%
Average share price			

Financial summary	2018A	2019A	2020A
Net sales (VND bn)	3,480	2,546	2,260
Net sales growth	10%	-27%	-11%
Gross profit (VND bn)	1,517	1,066	670
Gross profit margin	43.5%	42%	29.6%
Net income (VND bn)	887	1,007	850
Net income growth	17.3%	13.5%	-15.6%
EPS (VND)	3,863	4,193	3,220
EPS growth	-23.3%	8.5%	-23.2%
ROE	17%	16.7%	15%
P/E (x)	9.2	7.8	10.9

Source: Company data

Business Overview

Nam Long owns about 680 ha of land bank in HCMC, Long An, Bien Hoa, Dong Nai provinves etc. They focus on mid-end segments with brand Ehomes, Flora and Valora.



Investment Thesis:

- Mizuki and Akari in HCMC and Water point in Long An are the key projects for next year since phase 1 were very successfully lauched with high absorbtion rate.
- The demand for Nam Long product has been high due to the reasonable selling price and trusted brand.
- HCMC market are hunger for the new supply. Market price is pushing up high compared to 2019.

Risk:

- Cyclicity and credit tightening are burden on growth.
- Economy not yet recovered due to the impact of Covid-19.

Recommendation:

- Base on the project launching plan, we estimate that value of NLG at **34,300 VND/share** using RNAV method, equal to price closed at 34,500 on April 19 2021. We recommend **Neutral** for NLG stock.

In 2020, NLG only delivered 1,005 units (-60% y-o-y) to the buyers, recorded revenue of 4,073 billion VND (-11% y-o-y) (including joint ventures which are not consolidated). NPAT reduced 16% y-o-y accordingly. Gross profit margin reduced to 30% from 42% due to proportion of the property sale was lower. Most of sale in 2020 came from the joint venture owned projects, which are Mizuki, Southgate and Akari projects.

Revenue	2019	2020	Growth
Property sale	1,968	880	-55%
Construction	428	702	64%
Service	132	658	398%
Lease	20	18	
Total	2,548	2,258	-11%

Source: NLG

Nam Long develops 3 product categories: Valora (villa, shophouse), Flora (apartment) and Ehome/Ehomes (affordable apartment). Share transferring accounted for the most of profit in 2020, came from the transfer of 34.9% Waterpoint project ownership.

Rev	2016	2017	2018	2019	2020
Valora	7%	22%	23%	17%	6%
Flora	20%	24%	16%	26%	3%
Ehome/Ehomes	55%	16%	19%	26%	4%
Land lots	7%	9%	10%	2%	1%
Project transfer	0%	27%	23%	6%	20%
Project development service	11%	3%	9%	23%	65%

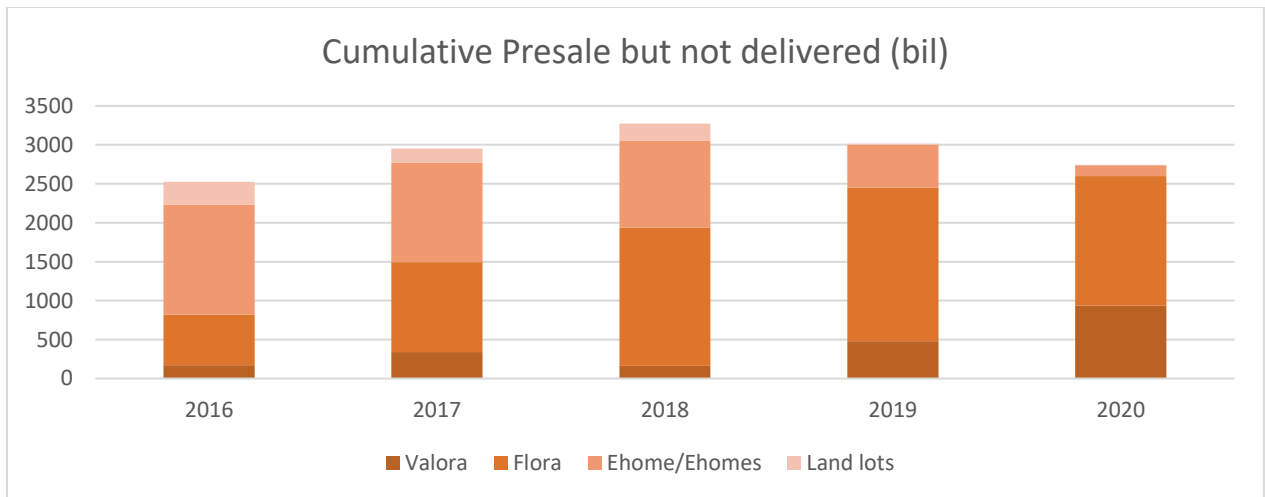
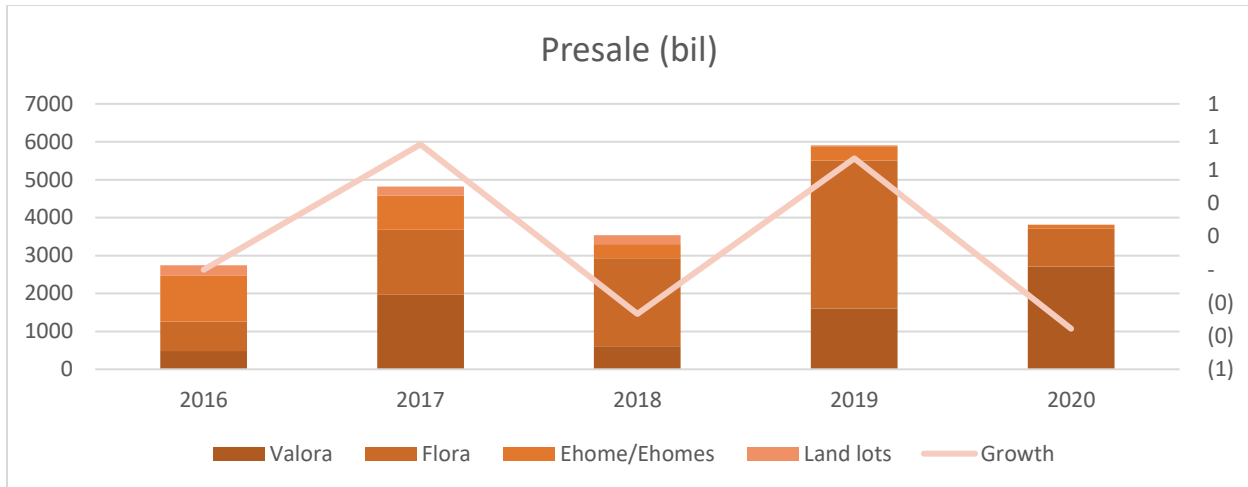
Source: NLG

NLG has changed the strategy from developing affordable house to developing township project, which is much larger in size. Currently, they focus on Southgate project (335 ha for 2 phases), Mizuki (26 ha), Nam Long – Can Tho (43 ha), Akari (8.8ha) for 2021-2022.

Project	Area (ha)	Location	Ownership (%)	Units	Absorption rate
Mizuki Park	26.2	HCMC	50%	4,231	35%
Ehomes Nguyen Son	11.2	HCMC	87%	1,778	100%
Valora island		HCMC			100%
Flora Novia	1.1	HCMC	100%	548	100%
Akari City	8.8	HCMC	50%	5,228	37%
South Gate Water point (phase 1)	165	Long An	50%	3,227	45%
South Gate Water point (phase 2)	190	Long An	100%	N/A	N/A
Nam Long 2	43	Can Tho	100%	1531 land lot	N/A
Paragon Dai Phuoc	45	Dong Nai	100%	587	N/A
Waterfront	170	Dong Nai	70%	6,906	N/A
VSIP	21	Hai Phong	50%	3,096	N/A

Source: NLG

In 2020, due to the impact of Covid 19 and slow granting license issue in HCMC, the presale reduced significantly. Total presale in 2020 reached 3,811 bil VND (-35% y-o-y) with 1,128 units, most came from Akari and Southgate. However, NLG only owns about 50% of share in these 3 projects.



Source: NLG

Launching plan explodes in 2021-2022

Good signal from presale result in 2019, 2020 for Akari, Southgate and Mizuki projects is the base for ambitious launching plan for next 2 years. We estimated that the presale for 2021 and 2022 is about 23,000-25,000 billion VND for about 9,000 unit, highest in the company history, more than double 2020 presale. The launching units come from Akari City, Mizuki Park, Southgate, Can Tho, VSIP Hai Phong, Waterfront City Dong Nai. Below is detail timeline of all NLG projects:

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Project	Phase	Segments	Unit	Price (bil)	2020 presale	2021 presale	2022 presale	2023 presale onward
Mizuki	P2-CC3	Flora	760	1.8				
	P2-CC5	Flora	796	4.7				
	P2-CC5	Valora	24	11.7				
	P3 CC 6789	Flora	436	2.8				
	P3 CC 6789	Valora	38	22.7				
	P3 CC 6789	Flora	627	3				
Akari	P1	Flora	1,862	2.2				
	P2	Flora	3,366	2.1				
Southgate	P1 ABC	Valora	1,700	3.7				
	P2 ABC	Valora	1,240	3.7				
	MRT1	Ehomes	1,432	0.8				
VSIP	P1	Valora	369	3.7				
	P2 A	Valora	370	3.7				
	P2 B	Ehomes	2,159	1.2				
Nam Long Can Tho	P1	Valora	449	2.5				
	P1	Land lot	N/A					
	P2	Valora	254	2.5				
	P2	Land lot	N/A					
	P3	Valora	483	2.5				
	P3	Ehomes	419	1				
Waterfront	P1A	Valora	447	4.2				
	P1B	Valora	797	4.3				
	P23-3b-4	Valora	2,447	6				
	P5	Flora	3,215	2.8				
Waterpoint 2	N/A	Flora	6,538					
	Flora	19,037	30,228		Deliver plan			
	Valora	8,743			2020	2021	2022	2023 onward
	Ehome/E homes	4,010			812	2,033	3,168	22,209
	Total	31,790						

NLG products are pricing at reasonable level, while housing market has been hot and leading to disappearance of affordable house, according to Real Estate Associates and Ministry of construction report. Price of affordable house in first quarter under 25 mil VND/sqm almost disappeared in Hanoi and HCMC, and there is no launching unit recently. This is an advantage compared to other rivals which we think NLG would successfully reach the presale target for this year. The focus for

next period is on Valora product. Demand in HCMC is higher than in the North due to shortage of supply.

NLG owns 681ha land bank, and they plan spend 500-1,000 billion VND to acquire more land bank. The current 681 ha of land bank would bring about 9,000 billion VND profit for shareholder if the development is favorable.

We estimate that NLG would deliver about 2,700 units in 2021, and equivalent to about 6,700 billion VND, mostly from Akari, Southgate and Can Tho projects.

Recommendation and Valuation

Our assumption is the presale plan is executable. In HCMC, according to CBRE, total of 1,709 units was launched, a decrease of 74% q-o-q and 53% y-o-y, one of the lowest number of supplies per quarter in last 3 years. Only 2,624 units were sold, a reduction of 48% q-o-q and 31% y-o-y. According to Savills, the supply for villas, shophouse and landed property were reduced by 50% q-o-q, 59% y-o-y, absorption rate at 43%, reduced 25 bsp q-o-q. However, we think that in this current market condition, when real estate is currently hot, especially in land lot subsector located at provinces near HCMC or Hanoi, this would impact on and attract speculating capital out from apartment/condominium sector. Risk is higher for real estate market and State Bank of Vietnam already gave announcement about tightening credit flow into this market.

Base on the project launching plan, we estimate that value of NLG at **34,300 VND/share** using RNAV method, equal to price closed at 34,500 on April 19 2021. We recommend **Neutral** for NLG stock.



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Balance sheet	2018	2019	2020
CURRENT ASSET	7,320	7,923	9,570
Cash and equivalent	2,084	1,901	1,073
Receivable	1,833	1,548	2,228
Inventory	3,261	4,298	6,069
LONG TERM ASSET	2,254	2,981	4,073
PP&E	53	77	77
Investment asset	38	185	260
Work in process	10	194	38
Longterm investment	1,684	1,809	3,262
TOTAL ASSET	9,574	10,904	13,643
LIABILITY	4,290	4,705	6,922
Account payable	270	175	390
Customer prepayment	1,080	1,322	2,098
Tax payable	185	252	119
Expense payable	506	488	494
Short term debt	201	63	932
Long term unearned revenue	718	695	757
Long term debt	806	806	1,525
OWNER EQUITY	5,285	6,200	6,720

Income statement	2018	2019	2020
Revenue	3,480	2,549	2,260
COGS	-1,976	-1,480	-1,546
Operating profit	1,504	1,067	671
Financial income	129	97	727
Financial expense	-37	-21	-103
Selling expense	-252	-119	-68
General & administration expenses	-239	-306	-367
Other income	19	406	30
Other expense	-10	-23	-18
NPBT	1,128	1,226	1,015
NAPT	887	1,007	850

Financial ratio	2018	2019	2020
ROE	19.2%	18.7%	14.7%
ROA	8.7%	9.4%	6.8%
ROIC	14.5%	7.9%	2.4%
Current ratio	2.72	2.6	2.1
EPS	2,900	3,429	2,972
Rev growth	10%	-26.8%	-12.9%
Income growth	42.5%	24.8%	-13.9%
P/E	10.8	8.5	7.04
P/B	1.9	1.46	1.26

COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% Or The Fundamental outlook of the sector is unfavorable

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