

Vinhomes (VHM VN)

Focusing on mid-end housing and accelerating capital returns

Upgrade to BUY

Current price: VND 82,000

Target price: 94,860 VND

Differential: 15.7%

VHM has shifted into mid-end housing, a segment that is backed up by real demand from Vietnam's expanding middle class. VHM is also taking advantage of its undeniably superior landbank by its strategy of block sales and selling buildable land – a scarce resource – to third party developers. This allows VHM to accelerate capital returns and to benefit from the high-end/luxury segments without incurring undue development risks of its own. Meanwhile, the progress of pipeline projects appears to be on schedule. VHM's three mega projects should provide a substantial boost to cashflows over the next several years. Despite the strong fundamental story, VHM's share price has declined 11% since [our March initiation](#). We think the stock offers value here, and **we upgrade our recommendation to BUY** with 17% expected 12-month total return. **VHM is now our top pick in the property sector.**

52-week Price Range	Market Capitalization	FY19E Dividend Yield	Remaining Foreign Room	Free-float	3month ADT
VND 60,00-96,700	USD 11,788mn	1.22%	33.91%	30.34%	USD 3.34mn



Key catalysts

- We are positive on the shift into mid-end housing.
- Block sales/land sales strategy also makes sense, in our opinion.
- The three mega projects appear to be on schedule.

Risks to our view

- Property market liquidity is tightening due to cyclical/regulatory factors.
- The timing of legal approvals for some projects is not assured.
- Increased controls over real estate might impact sentiment on the sector.

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Company profile: Vinhomes is Vietnam's premier residential property developer. As a 72%-owned subsidiary of Vingroup (VIC VN, Not rated), VHM is able to harness the Vingroup ecosystem in building communities that offer a complete living environment, including educational, medical, and retail facilities provided by other group members. This model is a structural advantage that is unique among Vietnamese real estate developers.

Mid-end housing: a proxy on middle class growth. VHM has only launched mid-end segment projects since 2H18. We like this strategy given our bullish outlook on the mid-end segment, which is a proxy on the growth of Vietnam's middle class, vs. our more cautious view on the high-end and luxury segments.

Blocks sales and land transfer strategy is also a positive. VHM's master planning and investment in facilities is attractive to sub-developers and block buyers. Block sales to real estate brokers and land sales to third-party developers allows VHM to monetize its undeniably superior landbank, accelerating capital returns without taking on undue development risk. VHM expects block sales and land transfers to contribute c. 50% of this year's contract sales and 20-30% over the long term.

Mega projects exhibit VHM's advantages. The three mega projects (i.e., Vinhomes Ocean Park, Smart City, and Grand Park) offer facilities from other Vingroup subsidiaries, increasing their attractiveness to homebuyers. As of May 31, the take-up rate at Ocean Park was 79.6%, with six blocks sold to a local developer. Separately, the take-up rate at Smart City was 72.6% for The Sapphire 1&2 and 100% for Green Villas, while the initial tranche at Grand Park was oversubscribed.

Key metrics	2018A	2019E	2020E
Revenue growth (%)	153%	57%	33%
NPAT growth (%)	844%	30%	27%
GPM (%)	26%	42%	47%
Debt/Equity (x)	0.66	0.75	0.69
ROA (x)	12%	12%	12%
ROE (x)	31%	30%	29%
EPS (VND/share)	4,551	5,479	6,965
PER (x)	16.2	17.3	13.6
NAV growth (%)	375%	33%	77%
PB (x)	5.12	4.97	3.74
Dividend yield (%)	0.00%	1.22%	1.22%

Source: VHM, Yuanta Research,

VHM: Sharing development risks and accelerating capital returns

VHM has focused on mid-end housing which is backed up by real demand.

VHM's redirected focus to the mid-end housing segment is a solid strategy for its core operations given that this segment (as opposed to high-end / luxury) is backed up by extremely strong real residential housing demand from Vietnam's burgeoning middle class.

The company states that the core reasons for this shift are the three mega projects' extremely large scale and outlying locations (i.e., relatively far from the CBDs of Ho Chi Minh City and Hanoi). VHM notes that the shift is not a reflection of any bearishness on their part toward the high-end segment, but is rather due to the practical realities of the mega projects. "Location, location, location" – plus the need to sell thousands of homes in these projects – mean that primarily targeting the high-end housing segment would be problematic for these projects.

We agree with the shift toward the mid-end as a practical sales strategy for the three mega projects. Moreover, we are also positive on the move given our bullish structural outlook on affordable and mid-end housing as a proxy on the multi-year expansion of Vietnam's middle class, as well as our expectation for a slowdown in the high-end and luxury housing segments.

Sharing development risks and accelerating capital returns by applying new strategy.

In our view, the potential of VHM's three mega projects strongly depends on the progress of surrounding infrastructure development, much of which is beyond VHM's control (e.g., the stalled HCMC metro line). However, the progress of the mega projects themselves appears to be on schedule. The mega projects should boost forward cashflows and also drives our expectations of increased margin. Meanwhile, VHM's block sales/land sales strategy – which involves selling blocks of homes to real estate brokers and transferring buildable land to third party developers – should allow it to monetize its undeniably superior landbank, thus accelerating capital returns without incurring undue development risks of its own.

Our fair value estimate is VND94,860.

Overall, VHM's fundamentals appear very solid, in our view. The shares have declined 11% since our March 21 initiation, and we think the stock offers value here. We thus upgrade our recommendation to **BUY** (from the previous Hold) and increase our target price to **VND 94,860**, which offers 16.9% 12-month TSR.

VALUATION

We have raised our target price by 4% after changing some of the assumptions in our valuation model for VHM. These changes are as follows.

- 1) **Cashflows from the three mega projects have occurred more quickly** than we had previously anticipated due to the block/land sales strategy.
- 2) **We are now applying a 50% gross margin assumption** for the Vinhomes Ocean Park project instead of the previous 43% gross margin. This change is based on our discussions with VHM.
- 3) **We have increased our average price estimate** of Vinhomes Grand Park apartments from VND 24.2mn to VND 30mn. This is at the low end of the "whisper number" range for the initial tranche (VND30-35mn).
- 4) **We have also increased our YoY ASP growth estimate for all other projects located in HCMC** (i.e., ex-Vinhomes Grand Park) from the previous 3% to 5%.

Valuation upgraded on faster cashflows, increased margins, and higher ASPs.

Although this is still conservative, we now believe that our previous ASP assumption was excessively low given A) the 3.1% QoQ increase in average primary condo selling prices in 1Q19 and B) CBRE's estimate that this number will increase 5.0% YoY in 2019E. Indeed, given the 1Q19 run rate and the supply shortage in HCMC, ASPs could easily exceed our upgraded assumption. Also, we recognize that investors may be more bullish than we are. So when we increase our ex-Grand Park HCMC ASP YoY growth rate to 10% YoY instead of 5%, the implied RNAV for VHM rises to VND96,600, 2% higher than our target price and implying 19% 12-month total shareholder return.

Table 1: Valuation summary

<i>Data in million VND, otherwise noted</i>	RNAV with effective ownership
Vinhomes Smart City	28,779,796
Vinhomes Ocean Park	45,650,213
Vinhomes Dan Phuong	6,416,486
Vinhomes Grand Park	13,793,809
Vinhomes Tay Tang Long	5,068,369
Vinhomes Cu Chi	20,374,962
Vinhomes Dream City	34,943,372
Vinhomes Can Gio	48,361,111
Vinhomes Green Ha Long	58,470,578
Other residential projects	77,781,983
Total development NPV	339,640,680
(+) Cash and cash equivalent + Short-term investments*	4,515,977
(+) Tangible fixed assets*	398,391
(+) Investment property*	5,094,210
(-) Total debt*	31,908,635
Net asset value	317,740,623
Number of shares (million)	3,350
Target price (VND/share)	94,860

Note: *Company data on Dec 31, 2019

Source: Yuanta Vietnam

Earnings upgraded 27%, but we are still 7% below guidance. We think the risks are to the upside.

Earnings upgraded by 27% for 2019E. In addition, we have raised our 2019E net income estimate by 27% as a reflection of the VND1.5 trillion in divestment gains from Me Linh project in 1Q19 as well as the block sale/land sale strategy. Our new forecast for this year is still 6% below VHM's guidance of VND 20.6 trn, which obviously implies upside to our earnings forecasts. Another change to our model is VHM's 23% dividend payout on earnings (DPS of VND 1,000 per share) as announced at the AGM, which we had previously assumed would be zero.

As indicated above, we do not believe that our 2019E earnings forecast is particularly aggressive – in fact, it may prove to be overly conservative.

However, our estimate is 11% higher than the consensus mean 2019E earnings forecast for VHM. This discrepancy may be attributable to the divestment gains and blocks sale/land sale income, which we don't believe has been reflected in Street models yet. These include VHM's 1Q19 sale of the Vinhomes Me Linh project, upon which it recognized a VND1.5tn gain. Additionally, VHM is likely to recognize

The divestment gain and blocks sales gain cause the difference between our 2019E NI estimate and the Street.

gains from the six blocks in Vinhomes Ocean Park that it has sold to a local developer; these gains may be recognized in VHM's 3Q19 results.

Our RNAV for VHM (i.e., VND 94,860/share) is 0.6% above the consensus mean target price, according to Bloomberg. We think this puts us relatively in line with the Street in terms of our assessment of the company's fundamental valuation.

Table 2: Yuanta vs consensus

Net income (VND bn)	2019E	2020E	2021E
Consensus mean	17,249	25,050	35,153
Yuanta forecast	19,170	24,423	32,573
<i>% ge difference</i>	<i>11.1%</i>	<i>-2.5%</i>	<i>-7.3%</i>
Consensus high	19,875	30,192	39,078
Consensus low	15,174	20,433	30,365
Target price (VND)	2019E	2020E	2021E
Consensus mean	94,293		
Yuanta forecast	94,862		
<i>% ge difference</i>	<i>0.6%</i>		
Consensus high	105,000		
Consensus low	86,000		

Source: Bloomberg, Yuanta Vietnam

MID-END FOCUS IS THE RIGHT STRATEGY

Focusing on mid-end housing.

Since 2H18, Vinhomes has only launched projects in the mid-end housing segment. The company has focused on its three mega projects (i.e., Vinhomes Ocean Park, Smart City, and Grand Park). These projects are located relatively far outside the respective city centers and will also developing and selling thousands of residences.

Management states that its shift into the mid-end residential segment is due to these practical realities; VHM cautions against attributing any particular concern on their part toward the high-end (or luxury) markets.

We concur with their rationale for the mid-end focus of the mega projects, as clearly it would be difficult to roll out such massive projects in far-from-city-center locations if they were only targeting the high-end and luxury segments.

But practical business considerations aside, we are also positive on the strategic shift toward the mid-end segment given our cautious view on the high-end and luxury segments. The real estate market has experienced several years of substantial growth in both quantity of sales and price, especially in the high-end/luxury segments, and we expect a cooling-off period for these segments.

Therefore, focusing its development efforts toward mid-end housing is a sound strategy, in our view. This is because this segment, unlike high-end/luxury, is backed up by vast real residential demand from Vietnam's burgeoning middle class. We see this powerful demographic shift as a multi-year growth driver for mid-end (and affordable) residential property. Thus, we strongly prefer mid-end property developers over high-end/luxury developers as a proxy on this trend.

Vinhomes has focused on its three mega projects. That is Ocean Park, Smart City, Grand Park.

Table 3: Rebranding the product line

OLD	Vincity		Vinhomes	
		Mid-end	High-end	Luxury
NEW	Happy Town	Vinhomes Sapphire	Vinhomes Ruby	Vinhomes Diamond
	Affordable	Mid-end	High-end	Luxury

Source: VHM, Yuanta Vietnam

Rebranding the product line and offering Vingroup's integrated ecosystems of amenities and facilities.

VHM's management expects block sales to contribute to c.50% of this year's contract sales and 20 - 30% on a long-term basis.

Applying new strategy allows VHM to reduce the mega project completion time from 4-6 to 3-4 years.

The focus on supplying mid-end housing to match real demand while monetizing its landbank through block sales are both good moves

Rebranding the product line. In March 2019, the mega project previously known as VinCity (which was only planned to include mid-end housing in its original form) was renamed Vinhomes and is providing a full product range (i.e., Vinhomes Sapphire (mid-end housing), Vinhomes Ruby (high end), and Vinhomes Diamond (luxury)). The project is designed as a mini-city and will include various internal living facilities from other Vingroup entities (e.g., Vinschool, Vinmec, Vinmart, Vincommerce and Vincom Retail (VRE VN, Not Rated)) as well as surrounding green spaces. Such facilities demonstrate VHM's superior product offering vs peers that cannot offer similar facilities due to their lack of a similar group structure. This should also increase the appeal of the project to prospective residential buyers, in our view.

Block sale strategy. In March 2019, VHM set up a division to handle bulk/block sales and project transfers with third-party developers as the buyers as it seeks to accelerate the progress of its mega projects. Management expects block sales/land sales to contribute to c. 50% of this year's contract sales and 20-30% on a long-term basis.

We think this strategy is also solid, as it allows the company to monetize landbank that is already approved for construction – a scarce resource currently – and thus to accelerate capital returns.

The strategy also allows VHM to benefit indirectly from the high-end/luxury segments (as land buyers tend to focus on these segments) while avoiding taking on undue operational risk of its own. We believe that the scarcity of approved construction-ready land and the fact that homebuyers of the third-party projects can also benefit from the Vingroup facilities (as discussed above) should ensure a strong bargaining position for VHM as it pursues this strategy.

We reckon it would take VHM 4-6 years to complete a mega project on its own. During development, VHM engages in master planning investment in facilities such as roads, malls, schools, parks, and hospitals. This helps to attract sub-developers and block investors as it develops its mega projects, and applying the block sale/land sale strategy should allow VHM to reduce the mega project completion time by as much as 2 years (i.e., total completion time should be 3-4 years).

We understand that VHM's rationale here is related to the practical realities of developing these massive projects which are located outside the city center areas. We are further impressed by the flexibility exhibited by this strategy given our view on a likely cooling down of the real estate market at the high-end and luxury segment levels. The mega projects' core focus on supplying mid-end housing to match real demand while monetizing its landbank through block sales/land sales is

the right strategy, in our view. This should allow VHM to limit its operational risks while accelerating capital returns.

UPDATE ON THE THREE MEGA PROJECTS

Figure 1: Three mega projects: Location, location, location



Notes: Vinhomes Grand Park (left panel) is c.20km from HCMC's CBD and the completion timing for the metro line (red line) is uncertain. Vinhomes Smart City (middle panel) is located c.5km from the new Hanoi CBD; and Vinhomes Ocean Park (right panel) is c.15 km from the Hanoi CBD.

Source: GG map; Yuanta Vietnam

The take-up rate at Smart City was 72.6% for The Sapphire 1&2 and 100% for Green Villas.

Vinhomes Smart City is designed as the first mini smart-city in Vietnam. The project should benefit from the municipal plan to expand Hanoi to the west. The distance from Vinhomes Smart City to the capital's new administrative area is approximately 5 km. Current public transport connections are good and the government plans to continue investing in transport infrastructure, including the planned expansion of Avenue 70, building Ring Roads 3 and 5, and completing Metro Lines 5, 6, and 7. We believe that buyers expect real estate in this area to increase in price, so Vinhomes Smart City should be very attractive to homebuyers.

Table 4: Updated status of Vinhomes Smart City

No	The Sapphire 1 subdivision	Units	Estimated handover date	Price level
1	Building S1.01	608	Q3/20	Mid-end
2	Building S1.02	623	Q3/20	Mid-end
3	Building S1.03	1,014	Q3/20	Mid-end
4	Building S1.05	608	Q3/20	Mid-end
5	Building S1.06	608	Q3/20	Mid-end
Total		7 Building	5,313	Take-up rate = 72.6%
No	The Sapphire 2 subdivision	Units	Estimated handover date	Price level
1	Building S1.01	838	Q3/20	Mid-end
2	Building S1.02	1,014	Q3/20	Mid-end
Total		98	Q2/20	Luxury
Total		98	Take-up rate = 100%	

Source: VHM, Yuanta Vietnam; Note: Data updated as of May 31, 2019.

The take-up rate at Ocean Park was 79.6% and six blocks sold to a local developer.

Vinhomes Ocean Park is planned as a satellite urban area east of Hanoi city that is intended to help reduce the population density of the inner city. A highlight of the project is the inclusion of c. 55ha of lake surface area (including salt and fresh water lakes). Various group-related internal living facilities are planned to be

Ocean Park should be attractive to investors, speculators, and residential buyers alike.

included in the project. VinUni campus (VinUni is VIC's university) is planned to be inaugurated there in 2020, which should further boost real demand in the project.

Although Ocean Park's location is not as convenient to reach Hanoi's CBD as that of Vinhomes Smart City, we believe the high-quality living environment of Vinhomes Ocean Park should attract substantial numbers of residential homebuyers (i.e., actual prospective residents) in the project's apartment product line, with investors likely to be the main buyers of townhouse/villa/shophouse products.

Table 5: Updated status of Vinhomes Ocean Park

No	The Sapphire 1 subdivision	Units	Estimated handover date	Price level
1	Building S2.01	494	Q2/20	Mid-end
2	Building S2.02	572	Q2/20	Mid-end
3	Building S2.03	750	Q2/20	Mid-end
4	Building S2.05	550	Q2/20	Mid-end
5	Building S2.06	750	Q2/20	Mid-end
6	Building S2.07	718	Q3/20	Mid-end
7	Building S2.08	736	Q3/20	Mid-end
8	Building S2.09	748	Q3/20	Mid-end
9	Building S2.10	523	Q2/20	Mid-end
10	Building S2.11	544	Q2/20	Mid-end
11	Building S2.12	543	Q2/20	Mid-end
12	Building S2.15	518	Q2/20	Mid-end
13	Building S2.16	750	Q2/20	Mid-end
14	Building S2.17	497	Q2/20	Mid-end
15	Building S2.18	544	Q2/20	Mid-end
16	Building S2.19	550	Q2/20	Mid-end
Total	16 Building	9,787	Take-up rate =	79.6% *
No	Low-rise area	Units	Estimated handover date	Price level
1	Low-rise area	2,300	Q2/20	Luxury
Total	Sold 2,200 units included deposit agreement and SPA			

Note: Data as of May 31, 2019.

* Not included block sales, six blocks were sold to a local developer.

Source: VHM, Yuanta Vietnam

Vinhomes Grand Park is to be launched soon, amid the supply shortage in HCMC

Vinhomes Grand Park is the second smart city developed by Vinhomes. We attended the kick-off event for the project that VHM organized for 12,000 sales agents in late June. We expect the Rainbow subdivision to be launched in July, and we think the timing is solid given the supply shortage in HCMC. According to CBRE, HCMC supply in 1Q19 reached only 4,423 condos (down 46% QoQ and 54% YoY). In addition, numerous projects have been delayed for inspections and forced to stop construction due to failure to complete legal procedures. Many projects have not yet paid the full LUR fee, in which case developers are unable to grant Pink Books (i.e., certificates of ownership) to homebuyers even if the homes are ready for delivery.

Pricing of the project is a worry for us, but successful block sales and land sales reduce our concerns.

Therefore, homebuyers in HCMC are extremely focused on projects' construction licensing and liquidity – and the Rainbow subdivision at Vinhomes Grand Park offers both. In addition, as mentioned previously, the internal facilities that VHM can offer also allow the project to stand out from those of the competition. For these reasons, Vinhomes Grand Park should be attractive to investors, speculators, and residential buyers alike.

However, we are somewhat concerned about the pricing of the project, which has not yet been unveiled as of press time. We would not be highly optimistic about Vinhomes Grand Park's prospects if the initial price of Rainbow subdivision apartments is over VND35 mn per square meter.

This is because, in our view, such a price would already incorporate a certain level of community infrastructure, including the convenience of Metro Line 1 (construction of which is stalled), and various internal facilities such as Vinschool, Vinmec, and Vincom Retail. Therefore, if the progress of construction on Metro Line 1 (which might be completed by 2022) and the internal facilities in the project fall behind schedule, the next tranche of the Rainbow subdivision launched (which we think will be priced at 4% higher than the first tranche) might be more difficult to sell, in our opinion.

Having said that, successful block sales/land sales to third parties by VHM would reduce our concerns here.

Table 6: Updated status of Vinhomes Grand Park

No	The Rainbow Subdivision	Units	Estimated handover date	Booking rate
1	S1 area	3,375	Q3/20	Oversubscription
2	S2 area	2,263	Q3/20	
3	S3 area	2,250	Q4/20	
4	S5 area	2,119	Q4/20	
Total	17 Building	10,007		

Note: Data as of May 31, 2019.

Source: VHM, Yuanta Vietnam

UPDATED STATUS OF PROJECTS IN THE PIPELINE
Table 7: Updated status of projects in pipeline

No	Project	Location	Status
1	Vinhomes Ocean Park *		Delivery is expected to start in 2019
2	Vinhomes Smart City *		Delivery of low-rise units is expected to start in 2019
3	Vinhomes Green Bay		Delivery of high-rise units is expected to complete in 2Q2019
4	Vinhomes Metropolis	Hanoi	Delivery is expected to complete in 2Q2019
5	Vinhomes Sky Lake		Delivery started in 2Q 2019
6	Vinhomes The Harmony		Delivery is expected to complete in 2Q2019
8	Vinhomes Me Linh		Sold 91.48% stake in Prime Lands JSC and recognized gain of VND1.5tn
9	Vinhomes West Point		Delivery is expected to start in 2Q2020
10	Vinhomes Central Park	HCMC	Delivery is expected to complete in 2Q2019
11	Vinhomes Grand Park *		Delivery is expected to complete in 2Q2020
12	Vinhomes Hai Phong Imperia		Delivery of Monaco section is expected to start in May 2019
13	Vinhomes Dragon Bay		Delivery of high-rise units is expected to complete in 2Q2019
14	Vinhomes New Center Ha Tinh	Others	Delivery is expected to start in 2Q2019
15	Vinhomes Star City Thanh Hoa		Delivery of low-rise units start in 1Q2019
16	Vinhomes Marina		Delivery is expected to start in 2Q2020

Note: * Bulk/block sales strategy has been applied, therefore revenues may be recognized in 2019

Source: VHM, Yuanta Vietnam

HCMC REAL ESTATE MARKET UPDATE

The HCMC real estate market has experienced difficulties since 2018, when inspections and investigations were launched into hundreds of property development projects. These events caused delays to the licensing process for property developments, leading to a sharp fall in new supply.

Since early 2019, signs have emerged that the licensing procedures are gradually easing. In May, the HCMC Real Estate Association (HoREA) announced that the city would allow 124 of 150 projects that had suspended pending investigations to resume development. The resumption of these projects should help moderate the rise of property prices.

However, HoREA's recent report still raised concerns about the decline in the size of the real estate market. In 1H19, only three new housing projects were proposed for the HCMC People's Committee to recognize as legitimate investors, a decreased of 16 projects on 1H18 (down 84.2% YoY). In the last three years, an average of 18-20 projects have been licensed to launch every quarter, but in 1H19 only 24 projects are eligible for official launch. This figure represents a decrease of 10 projects (down 29,4% yoy).

HoREA indicates that the decrease in supply may have affected the city's finances. HCMC reported 2018 revenue from land of about VND 22,600 bn, accounting for 9.32% of total budget revenue last year. By contrast, in the first 5 months of 2019, revenues from LUR fees decreased by c. 60% YoY. Consequently, HCMC's revenue

in 1H19 has not reached 50% of the city's budget. This situation could lead to an easing of the regulatory restrictions since 2018, in our view.

We also believe that the authorities will undertake measures to alleviate any unwanted impact on the property market. Based on our discussions with industry players, projects that do NOT involve land bank sourced from state-owned enterprises and BOT agreements (exchange infrastructure) seem to find it easier to obtain licenses. Therefore, we expect that HCMC's real estate market will stabilize soon, with more projects to launch officially going forward.

INCOME STATEMENT (VND'bn)	2018A	2019E	2020E
Net sales	38,664	60,870	81,253
Cost of sales	(28,603)	(35,459)	(43,265)
Gross Profit	10,061	25,412	37,988
Selling expenses	(1,381)	(2,440)	(3,582)
General and admin expenses	(1,063)	(2,049)	(3,008)
Operating profit/(loss)	7,617	20,923	31,397
Financial income	14,565	6,140	2,483
Financial expenses	(2,457)	(3,459)	(3,830)
Gain/(loss) from joint ventures	0	-	-
Net other income/(expenses)	(7)	359	479
Profit/(loss) before tax	19,719	23,963	30,529
Income tax expenses	(4,942)	(4,793)	(6,106)
Net profit/(loss) after tax	14,776	19,170	24,423
Minority interests	520	819	1,094
Attributable to parent company	14,256	18,351	23,330
EPS basis reported, VND	4,551	5,479	6,965
EPS fully diluted, VND	4,551	5,479	6,965

FINANCIAL RATIO	2018A	2019E	2020E
Growth (%)			
Revenue, growth	153%	57%	33%
Operating Income, growth	143%	175%	50%
PBT, growth	835%	22%	27%
EPS, growth			
Total Assets, growth	133%	39%	24%
Equity, growth	376%	33%	33%
Profitability (%)			
Gross Profit Margin	26%	42%	47%
Operating Profit Margin	20%	34%	39%
Net Margin	10%	38%	31%
ROE	31%	30%	29%
ROA	12%	12%	12%
Efficiency			
Receivable Turnover	1.14	1.20	1.34
Inventory Turnover	1.06	0.83	0.76
Payable Turnover	1.66	1.58	1.38
Liquidity			
Current ratio	2.13	2.13	2.13
Quick Ratio	1.27	1.26	1.11
Financial Structure (%)			
Debt/Equity	0.66	0.75	0.69
Total liabilities/Total Assets	0.60	0.61	0.59

Source: VHM, Yuanta Vietnam

BALANCE SHEET (VND'bn)	2018A	2019E	2020E
Total assets	119,689	165,781	205,591
Current Assets	91,203	120,392	136,926
Cash & cash equivalents	3,515	2,253	(2,269)
ST Investment	1,009	1,060	1,113
Accounts receivable	43,356	57,883	63,829
Inventories	36,858	49,022	65,199
Other current assets	6,463	10,175	9,055
Long-term Assets	28,486	45,388	68,665
Net fixed assets	128	119	110
LT Investment	478	574	689
LT incomplete assets	18,363	31,217	49,947
LT assets other	9,517	13,478	17,919
Total Resources	119,689	165,781	205,591
Total Liabilities	71,544	101,815	120,552
Accounts payable	2,504	3,104	3,788
ST debts	6,403	6,403	6,595
Other ST liabilities	33,965	47,137	53,949
Long term debt	25,506	41,628	51,984
Other LT debt	3,166	3,542	4,236
Shareholder's equity	48,145	63,966	85,040
Paid in capital	33,495	33,495	33,495
Share premium	295	295	295
Retained earnings	7,627	22,629	42,609
Other equity	6,728	7,547	8,641

CASH FLOW (VND'bn)	2018A	2019E	2020E
Begin cash of the year	1,562	3,515	2,253
Net profit before tax	19,719	23,963	30,529
Adjustments	(11,864)	3,594	3,952
Change in Working Capital	(9,318)	(25,006)	(23,543)
Cash from Operations	(1,463)	2,551	10,939
Capital Expenditures	34,435	(3,587)	(3,761)
Investments	(52,277)	(13,000)	(18,898)
Cash from investments	(17,842)	(16,587)	(22,659)
Divident Paid	(945)	(3,350)	(3,350)
Proceeds from issue of shares	12,241	-	-
Proceeds from borrowings	100,191	16,123	10,548
Repayments of borrowing	(90,228)	-	-
Cash from financing	21,259	12,773	7,198
Net change in Cash	1,954	(1,263)	(4,522)
Ending cash balance	3,515	2,253	(2,269)

APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLAIMERS AND DISCLOSURES

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Ratings	Expected return within the next 12 months
BUY	Above 10%
HOLD	Between -10% to +10%
SELL	Below -10%

BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

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SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

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