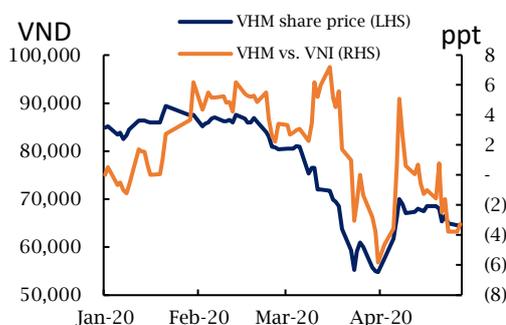


BUY
TP upside/(downside) +46.4%
Close 28 April 2020
Price VND 64,600
12M Target VND 94,680


Market cap	US\$9.04 bn
6M avg. daily turnover	US\$3.66mn
Outstanding shares	3,350 mn
Free float	29%
FINI ownership	15%
Major shareholders	76.8%
FOL room	34%
Net debt / equity	0.3x
2020E dividend yield	1.5%

Source: Bloomberg, Company data

Research Analyst:

Tam Nguyen

+84 28 3622 6868 ext 3874

tam.nguyen@yuanta.com.vn

Bloomberg code: YUTA

1Q20 results: Demonstration of strength

VHM held its 1Q20 results call yesterday afternoon.

Key takeaways

Maintaining growth momentum. Consolidated revenue increased by 11% YoY in 1Q20. In addition, financial income increased 192% YoY, most of which was from gains on the deal with Mitsubishi and Nomura, which involved the transfer of VHM subsidiary shares and thus was recognized in financial income. As a result, earnings were up 185% YoY to reach VND6,844bn

2020 earnings outlook is solid thanks to strong presales and bulk sales since 2018. VHM expects around 70% of 2020 property revenue to result from the delivery of retail units (largely in the three mega projects) that have been sold since 4Q18, with revenue from block sales accounting for the remainder. Revenue from two bulk sales transactions that were pre-sold in 2019 should account for 70% of VHM's bulk sales target for 2020. Thus, the company guides for total 2020E revenue to reach VND89tn, an increase of 73% YoY, with 2020E PATMI to reach VND28tn, an increase of 15% YoY.

VHM is exhibiting caution on new project launches amid the pandemic and has delayed two of its three planned project launches to 2021 (i.e., Vinhomes Galaxy and Dream City). However, management still expects to launch Wonder Park in 2H20. VHM revised down its 2020 presales target by about 10% to VND83.2tn. This target is mostly attributable to the three ongoing mega projects.

Expanding into industrial and commercial. VHM plans to gradually grow its office portfolio to c. 5m sqm NLA by 2035 and its industrial portfolio to c. 29m sqm for sale & lease. Currently, VHM has 10 tenants lined up as Vingroup (VIC VN, Not rated) works to increase the local content of Vinfast cars. VHM management expects industrial real estate to contribute to earnings starting in 2022 and believes it will account for 10% of VHM's total value over the next decade.

VHM discussed its initiatives to mitigate the COVID-19 impact, including its online sales platform (which had 150K visitors and more importantly more than 460 units transacted successfully). It also introduced its Vinhomes TV online channels with various promotions in conjunction with VinFast and VinSmart. Also, two-month ahead-of-schedule construction helped to offset the 3-week lockdown in April.

Our view

We maintain our **BUY** recommendation and reiterate **VHM as one of our top picks in Vietnam.** We believe that focusing on quality balance sheets, management execution capacity, and cash flow is key to outperformance in the very negative overall macro environment of 2020. VHM's balance sheet offers reasonable leverage (net debt/equity of 0.3x) and should be supported by large cash inflows from unbilled but presold units. The potential for block sales and land sales provides the potential for further financial flexibility and rapid capital returns. Furthermore, we like the nascent move toward industrial real estate, which we believe plays to VHM's (and the group's) core strengths in its ability to obtain landbank, master planning, and project management. We also think that the medium- to long-term outlook for Vietnam industrial property has been fortified by COVID-19, which will provide further impetus for supply chain diversification.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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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.

HOLD–Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

HOLD–Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

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.

Under Review: We actively follow the company, although our estimates, rating and target price are under review.

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Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities Investment Consulting
4F, 225,
Section 3 Nanking East Road, Taipei 104
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities (Hong Kong) Co. Ltd
23/F, Tower 1, Admiralty Centre
18 Harcourt Road,
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office
Yuanta Securities Building
Euljiro 76 Jung-gu
Seoul, Korea 100-845
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
PT YUANTA SECURITIES INDONESIA
(A member of the Yuanta Group)
Equity Tower, 10th Floor Unit EFGH
SCBD Lot 9
Jl. Jend. Sudirman Kav. 52-53
Tel: (6221) - 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Thailand)
127 Gaysorn Tower, 16th floor
Ratchadamri Road, Pathumwan
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Vietnam)
4th Floor, Saigon Centre
Tower 1, 65 Le Loi Boulevard,
Ben Nghe Ward, District 1,
HCMC, Vietnam
