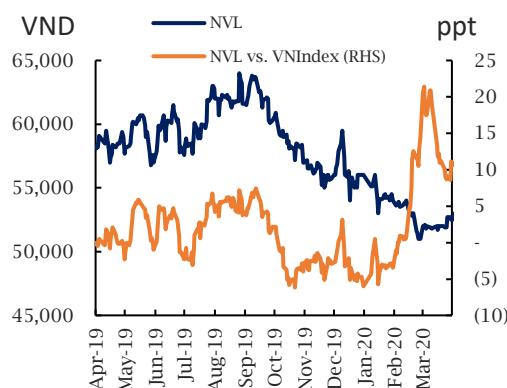


HOLD-Outperform
TP upside/(downside) +23.1%
Close 5 May 2020
Price VND 52,800
12M Target VND 65,000


Market cap	US\$2.18 bn
6M avg. daily turnover	US\$1.14mn
Outstanding shares	970 mn
Free float	23%
FINI ownership	5.99%
Major shareholders	72.00%
FOL room	32.59%
Net debt / equity	1.24x
2020E dividend yield	0.00%

Source: Bloomberg, Company data

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Positive signals emerge in 1Q results call

NVL held its 1Q20 results call yesterday afternoon.

Key takeaways

Financial income averted a net loss. Consolidated revenue only was VND1,068bn (down 78% YoY). But financial income reached VND858bn (up 6.4x YoY), most of which was from gains on subsidiary divestments. As a result, PATMI was positive at VND303bn (up 6% YoY).

Management guides for stable liquidity throughout 2020–21 based on its financial stress tests under the assumptions that Covid-19 is contained in June, September, and December 2020. NVL also immediately implemented its business contingency plan to maintain steady operations, including flexible payment programs for homebuyers and suitable work shifts to mitigate construction disruptions.

Cash flow analysis for 2020: Cash and equivalents were USD165mn at 1Q20. In the worst case, (i.e., zero new presales in 2Q20–4Q20), NVL would expect USD837mn of cash inflows (i.e., USD137mn from the 722 new units presold in 1Q20, USD300mn from sold units previously, and USD400mn from domestic borrowing) and USD900mn of cash outflows (i.e., USD200mn for construction and other expenses, USD400mn for financial expenses and principal repayment, and USD300mn for investment).

On that basis, we calculate that the worst case yearend cash position would be US\$102mn. However, this is based on zero sales for the remainder of the year. NVL reports that it presold another 300 units in April—despite the national social distancing guidelines. As such, the company's cash position is very likely to exceed our worst-case scenario in 2020E.

Maintain stable business operation, NVL sold 722 units in 1Q20, nearly equal to the result of 1Q19. NVL still targets 8,000 units in pre-sales for 2020 (no change from the pre-COVID guidance) and FY20 net income of VND3,650bn (+8% YoY).

Earnings outlook. We view the Aqua City project as the key driver of NVL's earnings this year. NVL is also offering smaller land area per unit than previously to attract more buyers while maintaining its average selling price. As a result, the company says that it sold 300 units at Aqua City in April. In addition, NVL plans opportunistic divestment of 1–2 projects depending on market conditions (this is not included in its cash flow projections described above).

Positive changes in administrative hurdles. NVL has already delivered Land Use Right Certificates (LURCs) to homebuyers at Orchard Garden and The Prince Residence. Also, it expects homebuyers at Kingston Residence to receive LURCs this year. Units at other projects (e.g., Rivergate Residence, Tropic Garden, Wilton Tower, and Lexington) are still in the process of obtaining LURCs. However, NVL states that the Natural Resource and Environment Department are promoting LURC issuance at the latter projects.

Our view: We see some new and encouraging signs for Novaland's business operations after attending the call. We believe that the company is well-positioned to ensure stable liquidity throughout 2020–21E. The profit potential of their huge and well-positioned landbank (both from development and potential divestment) could become a catalyst for the shares. However, a rerating may require further positive developments, which will take time. Thus we consider NVL appropriate for long-term investors and we reiterate our Hold-Outperform rating on the stock.

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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