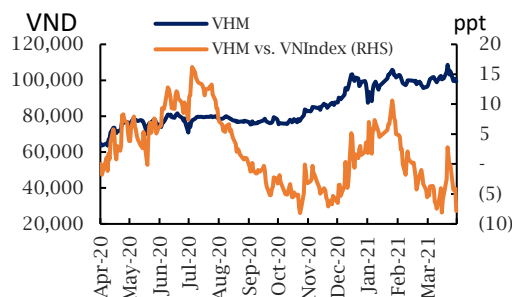


BUY

Close 29 April 2021

 Price VND 99,300
 12M Target Under review


Market cap	US\$ 14.17 bn
6M avg. daily turnover	US\$ 12.73 mn
Outstanding shares	3,289.51 mn
Free float	20.69%
FINI ownership	22.46%
Major shareholders	79.31%
FOL room	26.54%
1Q21 Net debt / equity	14.30%
2020E dividend yield	1.51%

Source: Bloomberg, Company data

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Analyst meeting takeaways

VHM held its 1Q20 results call yesterday afternoon.

Key takeaways

1Q21 results: Revenue doubled, but PAT declined from a high YoY base, which was due to a substantial bulk sale gain in 1Q20. VHM posted VND 13.0tn (+100% YoY) of 1Q21 revenue but PAT of VND 5.5tn (-28% YoY). VHM recognized 1Q21 revenue from c.2,900 retail unit deliveries, mostly from mega projects, and VND 2.9tn for bulk sales at Vinhomes Ocean Park. Notably, revenue from construction services significantly increased YoY, as the company signed a construction management contract for 2 bulk sales transactions at Vinhomes Grand Park. The company's gross margin in 1Q21 was c. 16%.

Low presales is normal seasonality. VHM sold 1,592 units in 1Q21, equivalent to VND 6tn of contracted value. The peak season is normally the third quarter, and management expects to launch three new projects (Vinhomes Co Loa, Vinhomes Dream City, and Vinhomes Wonder Park) in 2H21, which should lead to higher presales later this year. At 1Q21, unbilled booking value was VND 55.4tn (-30% YoY), of which a closed bulk sales transaction accounted for c.40% and the remainder was retail sales. In addition, management disclosed that four bulk sales transactions are under negotiation and are expected to be completed in the coming quarter. Therefore, VHM remains confident in its ability to achieve its 2021 target of +15% growth in PAT.

Management set out a presales target of VND 91tn for 2021, of which retail sales will contribute 60% and bulk sales 40%. This is equivalent to 37k units. Also, 60% of presales should come from existing projects (mostly from the mega projects).

No significant impact from increased construction materials costs. VHM has signed long-term contracts to secure its raw material prices, so it does not expect any impact on 2021 results from rising market prices. Steel accounts for 5% of total unit value, so the impact would be 1-2% of the company's profit margin if steel prices remain at current levels over the next two years.

Update on pipeline projects. For Green Ha Long and Vu Yen projects located in Hai Phong city, VHM expects to receive government approvals by the end of this year and intends to be ready to launch in 2022. Vinhomes Can Gio is still under the land reclamation process, and the company expects this to be completed in about two years. Additionally, the acquisition of Vinfast's industrial park may be completed at the end of 2Q21 or 3Q21.

Our view

15% growth in PAT is a reasonable target given the company's massive scale. Three of VHM's new projects are located in Hanoi's suburbs, where the wave of investors seeking attractive opportunities is on the rise. Given the combination of current unbilled bookings and the four potential bulk sales transactions, we believe VHM should easily be able to reach its 2021E earnings target.

Our NAV for VHM requires a review given that selling prices in both the urban periphery and central urban areas have risen more rapidly than we expected. As such, our target price for VHM is under review. Overall, we maintain a positive outlook and retain VHM as one of our top picks in the Vietnam market.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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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.

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