

Company Note

**I** Vietnam

**ADD** (no change)

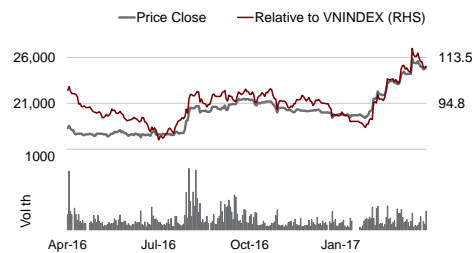
Consensus ratings\*: Buy 3 Hold 1 Sell 0

Current price:	VND24,900
Target price:	VND27,100
Previous target:	VND22,400
Up/downside:	8.8%
CIMB / Consensus:	5.3%
Reuters:	KDH.VN
Bloomberg:	KDH.VN
Market cap:	US\$257.1m
	VND5,826,598m
Average daily turnover:	US\$0.11m
	VND2,587m
Current shares o/s:	234.0m
Free float:	45.0%

\*Source: Bloomberg

**Key changes in this note**

➤ No changes



Source: Bloomberg

<b>Price performance</b>	<i>1M</i>	<i>3M</i>	<i>12M</i>
Absolute (%)	6.9	25.8	36
Relative (%)	4.2	19.4	9.7

<b>Major shareholders</b>	% held
A Au Investment JSC	11.6
Gama Investment JSC	11.3
Tien Loc Investment JSC	9.9

**Analyst(s)**



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# Khang Dien House Trading and Investment JSC

## Long-term growth driven by BCI acquisition

- KDH targets FY17F net profit growth of 35% but our forecast is 60%, based on the strong performance of landed property market in District 9.
- The acquisition of a 57% stake in BCI in 2015 tripled the size of KDH's effective landbank to ~400ha, which should sustain KDH's growth over the next 20 years.
- The increase in land price in District 9 prompts us to raise our RNAV-based target price (10% discount) by 20%; KDH is trading at an 18% discount to RNAV.

## KDH is the best gated community developer in HCMC

KDH's high-quality, reasonably priced housing developments established its 'Mega' brand among prospective buyers and allowed KDH to charge a 40% premium over its peers. As Mega houses have a standardised design, the company's turnaround time is about half that of Vietnam's other townhouse developers, giving KDH a 10% cost advantage over its peers.

## Thriving D9 market, mortgages and affordability support growth

KDH's earnings growth continues to be supported by its unique affordable townhouse products, which appeal to suburban buyers, and by a boom in the D9 property market. Growth is also supported by a dramatic improvement in the availability of mortgages (over half of the purchases of KDH's homes are financed this way) and by the fact that, despite rising D9 property prices, the company's products are still affordable to those who have a US\$2,000/month household income, i.e. 5-20% of HCMC's households.

## Infrastructure development ignited District 9 real estate prices

Real estate prices in HCMC's District 9 suburb rose 50% over 2015-2016, driven by infrastructure improvements, which is one reason KDH has been our top small-cap real estate pick for the past 2 years. A new highway cut the drive time from D9 to the CBD by 40% last year (to 20 minutes), the newly-developed Ring Road 2 will connect KDH's projects to HCMC's new MRT and the Rach Chiec 2 bridge, completed in January, connects KDH's two high-end projects with Samsung's new US\$1.4bn factory.

## BCI acquisition is a long-term growth driver

KDH acquired 57% of BCI in 2015 at a ~55% discount to RNAV. BCI has a large landbank in the suburbs at the western periphery of HCMC (KDH's landbank is in the east of HCMC) so the acquisition tripled KDH's landbank to 400ha. However, BCI only contributed 5% of KDH's net earnings in 2016. BCI is an SOE so it has been struggling to monetise its low-cost landbank for years; we think KDH can triple BCI's annual earnings but it will take another one year to restructure BCI.

## 18% discount to RNAV and 60% FY17F earnings growth

KDH is trading at an 18% discount to RNAV and we expect its FY17 earnings to grow 60%, with longer-term growth driven by the BCI acquisition. Our only concern is the company's recent foray into the high-end market, which is a downside risk because KDH previously stumbled in this segment. Nevertheless, KDH's two new high-end projects are ~2km from Samsung's new factory so buy-to-let purchases of units in those projects have surged.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues (VNDb)	1,050	3,932	3,711	4,331	4,156
Operating EBITDA (VNDb)	202.1	698.9	845.7	936.0	832.5
Net Profit (VNDb)	260.4	371.8	605.0	685.7	673.4
Core EPS (VND)	1,612	1,589	2,585	2,930	2,878
Core EPS Growth	26.1%	(1.4%)	62.7%	13.3%	(1.8%)
FD Core P/E (x)	12.10	13.25	9.63	8.50	8.65
DPS (VND)	0	1,000	1,000	1,500	2,000
Dividend Yield	0.00%	4.02%	4.02%	6.02%	8.03%
EV/EBITDA (x)	32.78	10.57	8.42	6.86	6.36
P/FCFE (x)	3.19	1.63	17.08	15.04	3.57
Net Gearing	45.2%	19.0%	12.2%	(1.9%)	(22.8%)
P/BV (x)	1.23	1.68	1.52	1.40	1.34
ROE	10.9%	11.0%	16.5%	17.2%	15.8%
% Change In Core EPS Estimates			0%	0%	
CIMB/consensus EPS (x)			1.12	1.16	

SOURCE: COMPANY DATA, CIMB FORECASTS

# Long-term growth driven by BCI acquisition

## Valuation metrics ▶

**Figure 1: KDH's RNAV**

Revalued projects	Revaluation method	Area	Revised value attributable to KDH
Lucasta	DCF	8.2	783
Melosa	DCF	17.3	749
Venica	DCF	3.1	283
Thap Muoi Phuoc Long B	DCF	3.1	219
Mega Village	DCF	5.7	85
Venica	DCF	3.1	283
Gia Phuoc	DCF	3.2	133
Villa Long Truong	DCF	3.4	121
KDC Khang Dien, Long Truong	DCF	20.1	376
KDC Phuoc Dien, Long Truong	DCF	5.4	218
KDC Tri Kiet, Long Truong	DCF	6	165
Villa Binh Trung	DCF	4.7	377
Nha Pho Phu Huu	DCF	4.5	160
Gia Phuoc Phu Huu	Book value	3.1	86
Minh A Tower	Book value	1.1	33
BCCI-Tan Tao Town	Book value	330	693
BCCI-Phong Phu 4	DC	32	508
BCCI- An Lac	DC	0.76	469
BCCI - 11A	DC	16.6	760
BCCI - Phong Phu 2	Book value	133	218
BCCI - An Duong Vuong	DC	1.8	394
Le Minh Xuan IP	Book value	109	246
510 Kinh Duong Vuong	DC	0.8	246
Other	Book value		876
<b>Total</b>		<b>723</b>	<b>8,481</b>
Cash			1,059
Fixed assets			32
Invesments			289
Short & long term debt		-	1,893
Minority interest		-	922
<b>Total RNAV</b>			<b>7,045</b>
No. of outstanding share			233,999,892
<b>RNAV per share (VND)</b>			<b>30,108</b>
<b>RNAV per share (USD)</b>			<b>1.48</b>
Target price (based on 10% discount to RNAV)			27,100

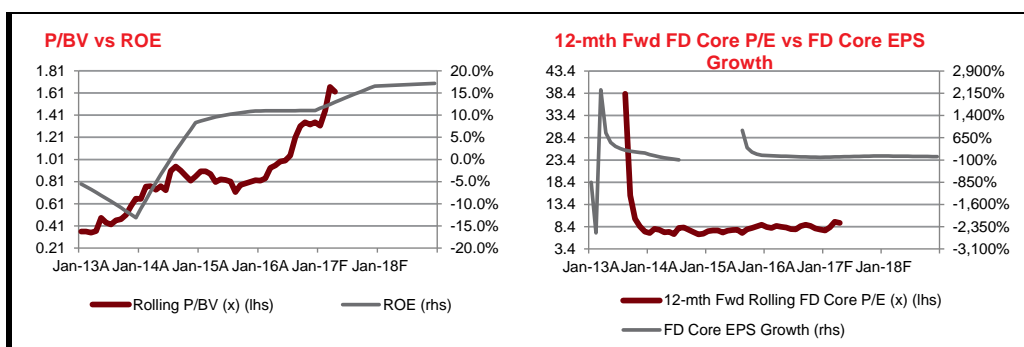
SOURCES: CIMB, COMPANY REPORTS

**Figure 2: Peer comparison**

Ticker	Short Name	Market cap (US\$ bn)	Trailing PE	P/B	Net D/E	Gross ROE margin	1Y return
VIC VN Equity	Vingroup JSC	4,966	42.4	3.9	0.65	9.8%	30%
NVL VN Equity	Nova Land JSC	1,844	20.8	4.6	0.92	23.1%	22%
DXG VN Equity	Dat Xanh Group JSC	249	8.8	1.7	-0.32	22.3%	42%
FLC VN Equity	FLC group JSC	224	4.6	0.6	0.35	13.5%	27%
NLG VN Equity	Nam Long Investment JSC	181	11.6	1.6	-0.08	14.3%	32%
PDR VN Equity	Phat Dat Real Estate JSC	224	22.1	2.1	1.29	9.8%	27%
HDG VN Equity	Ha Do JSC	101	11.1	2.1	1.07	19.7%	31%
BCI VN Equity	BCCI JSC	97	71.5	1.1	0.04	1.5%	11%
SCR VN Equity	Sacomreal	93	12.1	0.7	0.23	5.6%	37%
NBB VN Equity	NBB Investment JSC	61	27.0	1.0	0.69	3.7%	11%
QCG VN Equity	QCGL	72	23.3	0.4	0.41	1.8%	5%
HQC VN Equity	Hoang Quan JSC	45	9.1	0.2	0.15	2.7%	31%
TDH VN Equity	Thu Duc House JSC	45	9.6	0.6	0.19	6.9%	20%
ITC VN Equity	Intresco JSC	42	32.8	0.6	0.63	1.9%	20%
<b>Average</b>			<b>21.9</b>	<b>1.5</b>	<b>0.44</b>	<b>9.8%</b>	<b>28%</b>
<b>KDH VN Equity</b>	<b>Khang Dien House JSC</b>	<b>260</b>	<b>15.54</b>	<b>1.7</b>	<b>0.19</b>	<b>11.3%</b>	<b>25%</b>

SOURCES: CIMB, COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

(VNDb)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
<b>Total Net Revenues</b>	<b>1,050</b>	<b>3,932</b>	<b>3,711</b>	<b>4,331</b>	<b>4,156</b>
<b>Gross Profit</b>	<b>338</b>	<b>980</b>	<b>1,233</b>	<b>1,337</b>	<b>1,247</b>
<b>Operating EBITDA</b>	<b>202</b>	<b>699</b>	<b>846</b>	<b>936</b>	<b>832</b>
Depreciation And Amortisation	(3)	(10)	(18)	(22)	(25)
<b>Operating EBIT</b>	<b>199</b>	<b>689</b>	<b>827</b>	<b>914</b>	<b>807</b>
Financial Income/(Expense)	20	(94)	(31)	(25)	68
Pretax Income/(Loss) from Assoc.	15	11	11	11	11
Non-Operating Income/(Expense)	90	(23)	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>324</b>	<b>583</b>	<b>807</b>	<b>900</b>	<b>887</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>324</b>	<b>583</b>	<b>807</b>	<b>900</b>	<b>887</b>
<b>Taxation</b>	<b>(49)</b>	<b>(177)</b>	<b>(168)</b>	<b>(178)</b>	<b>(175)</b>
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>276</b>	<b>405</b>	<b>640</b>	<b>722</b>	<b>712</b>
Minority Interests	(15)	(34)	(35)	(37)	(39)
Pref. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>260</b>	<b>372</b>	<b>605</b>	<b>686</b>	<b>673</b>
Recurring Net Profit	260	372	605	686	673
<b>Fully Diluted Recurring Net Profit</b>	<b>260</b>	<b>372</b>	<b>605</b>	<b>686</b>	<b>673</b>

### Cash Flow

(VNDb)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
<b>EBITDA</b>	<b>202</b>	<b>699</b>	<b>846</b>	<b>936</b>	<b>832</b>
Cash Flow from Invnt. & Assoc.	0	0	0	0	0
Change In Working Capital	97	899	3	414	971
Straight Line Adjustment					
(Incr)/Decr in Total Provisions	2	2	0	0	0
Other Non-Cash (Income)/Expense	(60)	(125)	11	11	11
Other Operating Cashflow	(2)	(39)	(57)	3	9
Net Interest (Paid)/Received	(19)	(146)	(43)	(49)	0
Tax Paid	(35)	(92)	(168)	(178)	(175)
<b>Cashflow From Operations</b>	<b>185</b>	<b>1,197</b>	<b>592</b>	<b>1,138</b>	<b>1,650</b>
Capex	(5)	(4)	(62)	(72)	(83)
Disposals Of FAs/subsidiaries					
Disposals of Investment Properties	111	0	0	0	0
Acq. Of Subsidiaries/Investments	(2,112)	0	(21)	(23)	(25)
Other Investing Cashflow	12	91	13	23	68
<b>Cash Flow From Investing</b>	<b>(1,994)</b>	<b>86</b>	<b>(70)</b>	<b>(72)</b>	<b>(40)</b>
Debt Raised/(repaid)	2,798	1,738	(180)	(679)	24
Proceeds From Issue Of Shares	1,606	1	0	0	0
Shares Repurchased					
Dividends Paid	(101)	(126)	(234)	(351)	(468)
Preferred Dividends					
Other Financing Cashflow	(1,946)	(2,819)	(35)	(37)	(39)
<b>Cash Flow From Financing</b>	<b>2,357</b>	<b>(1,207)</b>	<b>(449)</b>	<b>(1,066)</b>	<b>(483)</b>

SOURCE: CIMB RESEARCH, COMPANY DATA

## BY THE NUMBERS... cont'd

### Balance Sheet

(VNDb)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	1,027	1,060	1,132	1,132	2,258
Properties Under Development	5,865	4,618	5,095	4,554	3,585
Total Debtors	654	1,485	999	1,166	1,119
Inventories					
Total Other Current Assets	90	78	242	282	272
<b>Total Current Assets</b>	<b>7,635</b>	<b>7,241</b>	<b>7,467</b>	<b>7,134</b>	<b>7,234</b>
Fixed Assets	472	300	340	387	443
<b>Total Investments</b>	<b>311</b>	<b>290</b>	<b>315</b>	<b>341</b>	<b>369</b>
Intangible Assets	0	11	11	11	11
Total Other Non-Current Assets	123	94	153	173	180
<b>Total Non-current Assets</b>	<b>906</b>	<b>696</b>	<b>819</b>	<b>912</b>	<b>1,003</b>
Short-term Debt	219	194	214	235	259
Current Portion of Long-Term Debt					
Total Creditors	0	0	0	0	0
Other Current Liabilities	805	1,078	1,125	1,201	1,178
<b>Total Current Liabilities</b>	<b>1,024</b>	<b>1,272</b>	<b>1,339</b>	<b>1,436</b>	<b>1,436</b>
Total Long-term Debt	2,699	1,700	1,500	800	800
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	551	486	505	515	523
<b>Total Non-current Liabilities</b>	<b>3,251</b>	<b>2,186</b>	<b>2,005</b>	<b>1,315</b>	<b>1,323</b>
Total Provisions	82	81	186	217	208
<b>Total Liabilities</b>	<b>4,356</b>	<b>3,539</b>	<b>3,530</b>	<b>2,968</b>	<b>2,967</b>
<b>Shareholders' Equity</b>	<b>3,264</b>	<b>3,477</b>	<b>3,836</b>	<b>4,157</b>	<b>4,349</b>
Minority Interests	921	921	921	921	921
<b>Total Equity</b>	<b>4,185</b>	<b>4,398</b>	<b>4,757</b>	<b>5,078</b>	<b>5,270</b>

### Key Ratios

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	72%	274%	(6%)	17%	(4%)
Operating EBITDA Growth	559%	246%	21%	11%	(11%)
Operating EBITDA Margin	19.3%	17.8%	22.8%	21.6%	20.0%
Net Cash Per Share (VND)	(11,705)	(3,565)	(2,487)	412	5,127
BVPS (VND)	20,199	14,858	16,392	17,764	18,584
Gross Interest Cover	23.41	79.68	19.22	18.85	N/A
Effective Tax Rate	15.1%	30.4%	20.8%	19.7%	19.7%
Net Dividend Payout Ratio	NA	62.9%	38.7%	51.2%	69.5%
Accounts Receivables Days	162.2	99.6	122.1	91.2	100.3
Inventory Days	-	-	-	-	-
Accounts Payables Days	-	-	-	-	-
ROIC (%)	9.2%	10.8%	15.0%	16.0%	15.0%
ROCE (%)	5.6%	10.4%	13.2%	14.8%	13.6%
Return On Average Assets	4.38%	6.06%	8.26%	9.16%	7.91%

### Key Drivers

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Unbooked Presales (m) (VND)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A	N/A
Gross Margins (%)	32.2%	24.9%	33.2%	30.9%	30.0%
Contracted Sales ASP (per Sm) (VND)	N/A	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	19.0%	17.5%	22.3%	21.1%	19.4%
Investment rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	100.0%	100.0%	100.0%	100.0%	100.0%
Inv. properties rental margin (%)	N/A	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	12.9%	7.1%	10.4%	9.3%	10.0%

SOURCE: CIMB RESEARCH, COMPANY DATA

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#01

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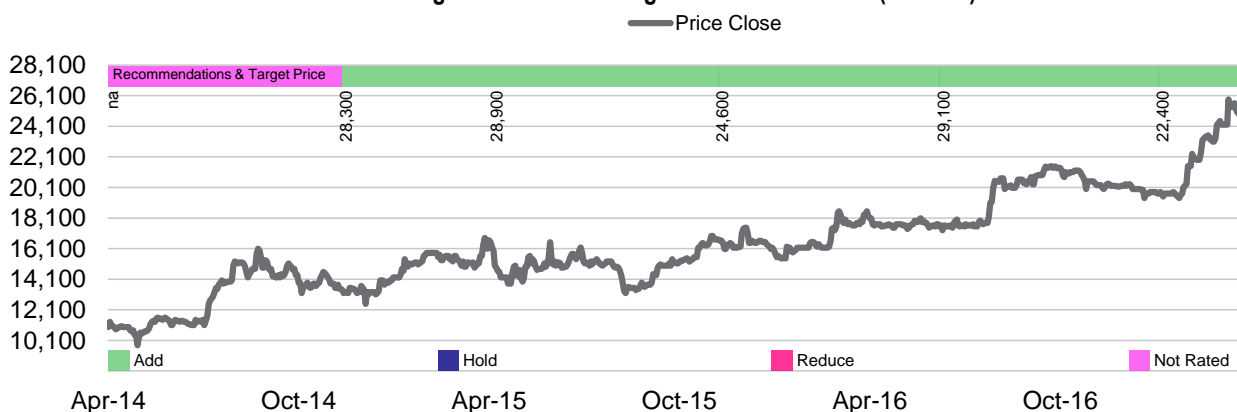
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1626 companies under coverage for quarter ended on 31 December 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.4%	5.4%
Hold	29.6%	1.4%
Reduce	11.6%	0.4%

**Spitzer Chart for stock being researched ( 2 year data )**

**Khang Dien House Trading and Investment JSC (KDH VN)**



**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2016, Anti-Corruption 2016.**

**AAV** – Very Good, n/a, **ADVANC** – Very Good, Certified, **AEONTS** – Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Very Good, Declared, **AOT** – Excellent, Declared, **AP** – Very Good, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – not available, Declared, **BCP** - Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, Declared, **BEC** - Good, n/a, **BH** - Good, Declared, **BIGC** - Excellent, Declared, **BJC** – Good, n/a, **BLA** – Very Good, Certified, **BPP** – not available, n/a, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – not available, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DTAC** – Excellent, Certified, **EA** – Very Good, Declared, **ECL** – Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Good, n/a, **GFPT** - Excellent, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Very Good, Declared,

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- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

#### Sector Ratings

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- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

#### Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.