

KHANG DIEN HOUSE TRADING & INVESTMENT JSC (KDH) – AGM NOTE

Market Price VND33,950	Target Price Not rated	Dividend Yield 1.4%	Rating Not rated	Sector REAL ESTATE
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Outlook – Short term



Outlook – Long term



Valuation



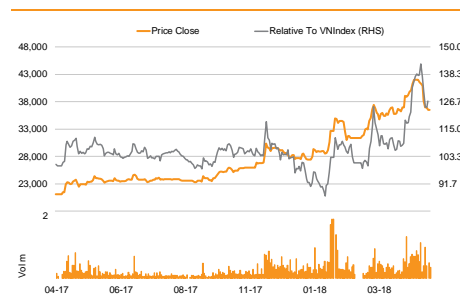
3 May 2018

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We attended an AGM held by Khang Dien House Trading and Investment JSC (KDH), a major real estate developer that focuses on landed properties. KDH's land bank has been augmented at low cost through its acquisition of BCI and now sits at a substantial 500ha most of which is around HCMC urban area. KDH is continuing to diversify its residential product offerings with a focus on the mid-end segment and will launch two new condos this year to cater to real demand from home buyers.

Price performance



Source: VNDIRECT

Key statistics

52w high (VND)	42,000
52w low (VND)	21,069
3m Avg daily volume (shares)	469,519
3m Avg daily value (VNDmn)	14,429
Market cap (VNDbn)	13,884
Outstanding shares (m)	387
Free float (%)	55
TTM P/E (x)	17.1
Current P/B (x)	2.1

Ownership

Tien Loc Investment Limited	11.7%
Gam Ma Investment Company	9.6%
A Au Investment Trading Company	8.6%
Vietnam Enterprise Limited	7.6%
Other	62.5%

Source: VNDIRECT

2018 guidance is achievable. KDH plans to achieve VND3,500bn (+14.6% yoy) in revenue and VND800bn (+59.4% yoy) in EAT, as it completes the handover of Jamila condo units (440 units), sells the remaining 92 villa and townhouses for its Venica, Rosita, Lucasta, Merita and Melosa projects, and also supported by the transfer of BCI's land to another parties. The strong growth in earnings will also be supported by significant margin expansion as a result of the transfer of land from BCI at a very low cost of VND600k/sqm, while the market price is VND28-30mn/sqm. KDH also announced a cash dividend of VND500/share and bonus shares at a ratio of 20:1.

KDH will diversify its product mix to include mid-end condos in addition to its core landed product offerings. KDH plans to launch two new high rise condos (Sapphira in District 9 with 1,600 units in May 2018 and Hermosa in Binh Tan Dist with 1,500 units in Oct 2018), which will expand its offering for middle class home buyers.

KDH is the fourth largest listed residential RE developer in terms of land bank, with 501ha of land in prime locations following its acquisition of BCI. In Feb 2018, KDH issued 51.8mn shares to swap-in the 42.7% remaining stake in BCI at a ratio of 1.4:1, which helped it to expand its land bank of 12ha in the East by 489 ha in the western part of HCMC. This allowed KDH to become the 4th largest (after Vinhomes with 16,110 ha, DXG with 702 ha and NVL with 623 ha) listed residential real estate developer nationwide, and the 3rd largest in HCMC (Vinhomes with 1,330 ha, NVL with 623 ha) (Figure 1). All of KDH's land bank is located within the HCMC urban area.

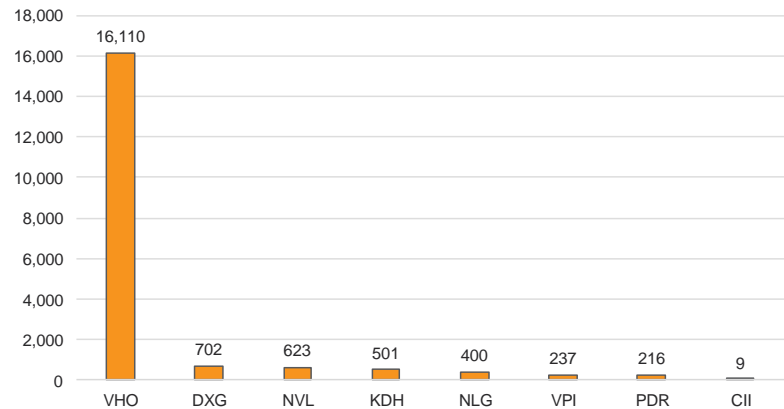
KDH will complete the compensation for the remaining land bank in 2018, which will be used for its 2019-2021 project pipeline: KDH has already compensated for 70% of 489ha in the west (Binh Chanh, Binh Tan District), at a cheap cost of VND600k/sqm. Management will complete this process in 2018, which should help support the project pipeline beyond 2018.

Financial summary (VND)	12-14A	12-15A	12-16A	12-17A
Net revenue (bn)	621	1,050	3,932	3,055
Revenue growth		69.1%	274.5%	(22.3%)
Gross margin	14.7%	32.2%	24.9%	33.9%
EBITDA margin	22.6%	31.8%	15.0%	24.2%
Net profit (bn)	102	261	372	501
Net profit growth		155.9%	42.5%	34.7%
Recurring profit growth		155.9%	42.5%	34.7%
Basic EPS	1,360	1,450	1,590	1,995
Adjusted EPS	1,360	1,450	1,590	1,995
BVPS	19,987	18,111	14,842	15,518
ROAE		11.0%	11.0%	11.5%

Source: VNDIRECT

The decrease in 2017 consolidated revenues was due to 50% drop of BCI'S 2017 revenues and without the transfer of Long Truong Khang Dien land to another parties that existed in 2016.

Figure 1: Total land bank area (ha) of major developers in Vietnam



Source: VNDIRECT, Companies

Figure 2: Delivery schedule of in progress projects

Project	Location	Description	Delivery schedule
Venica	Phu Huu Ward, District 9	12 villas	2018
Lucasta	Phu Huu Ward, District 9	9 villas	2018
Merita	Phu Huu Ward, District 9	14 townhouses	2018
Rosita	Phu Huu Ward, District 9	51 townhouses	2018
Melosa	Phu Huu Ward, District 9	6 townhouses, villas	2018
Jamila	Phu Huu Ward, District 9	867 condo units	2018-2019

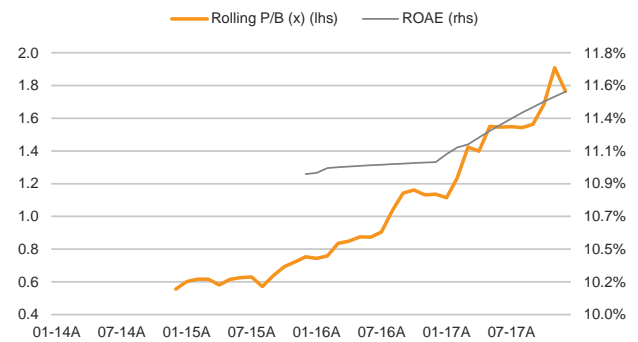
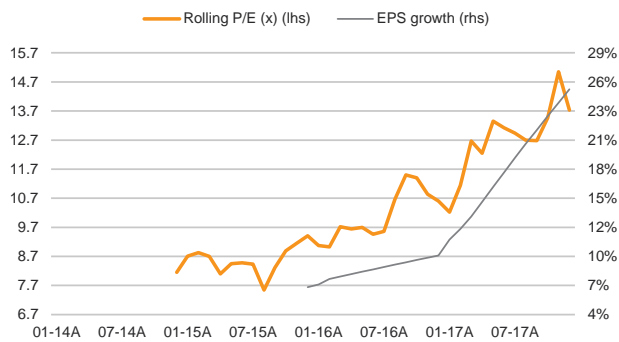
Source: VNDIRECT, KDH

Figure 3: 2018-2021 Project pipeline of KDH

Project	Location	Description	Land area (ha)	Legal status	Investment cost (VNDbn)	Timeline
Sapphira	Phu Huu Ward, District 9	1,600 condo units	2.4	Land Use Right Certification	1,800	2018-2019
Hermosa	Binh Chanh District	1,500 condo units	1.8	Land Use Right Certification	2,054	2018-2019
Kim Phat	Phu Huu Ward, District 9	146 gardened townhouses	3.6	Land Use Right Certification	550	2019
Thanh Phuc	Phu Huu Ward, District 9	150 gardened townhouses	0.4	Land Use Right Certification	420	2019
Binh Trung	Binh Trung Dong Ward, District 2	159 gardened townhouses	5.7	Land Use Right Certification	610	2019
Tan Tao Townhouse	Tan Tao A Ward, Binh Tan Dist	Residential Complex	330.0	Compensated 70%, has not acquired LUR	7,708	2019-2021
Corona	Binh Chanh Dist	Gardened townhouses	17.5	Land Use Right Certification	1,033	2019-2020
Phong Phu 2	Phong Phu Ward, Binh Chanh Dist	Residential Complex	139.9	Compensated 60%, has not acquired LUR	3,364	2019-2021

Source: VNDIRECT, KDH

Valuation



Income statement

(VNDbn)	12-15A	12-16A	12-17A
Net revenue	1,050	3,932	3,055
Cost of sales	(712)	(2,952)	(2,019)
Gen & admin expenses	(76)	(118)	(134)
Selling expenses	(62)	(173)	(110)
Operating profit	200	689	792
Operating EBITDA	200	689	792
Depreciation and amortisation			
Operating EBIT	200	689	792
Interest income	79	17	72
Financial expense	(59)	(111)	(125)
Net other income	90	(23)	(19)
Income from associates & JVs	15	11	8
Pre-tax profit	325	583	728
Taxation	(49)	(177)	(170)
Minority interests	(15)	(34)	(57)
Net profit	261	372	501
Adj. net profit to ordinary	261	372	501
Ordinary dividends			
Retained earnings	261	372	501

Balance sheet

(VNDbn)	12-15A	12-16A	12-17A
Cash and equivalents	983	1,059	2,592
Short term investments	44	1	0
Accounts receivables	654	1,485	1,547
Inventories	5,865	4,618	4,858
Other current assets	90	78	114
Total current assets	7,636	7,241	9,111
Fixed assets	32	27	30
Total investments	227	209	98
Other long-term assets	648	460	477
Total assets	8,543	7,937	9,716
Short-term debt	219	194	186
Accounts payable	49	80	54
Other current liabilities	762	1,002	1,576
Total current liabilities	1,030	1,276	1,817
Total long-term debt	2,699	1,700	1,471
Other liabilities	633	567	237
Share capital	1,800	2,340	3,360
Retained earnings reserve	269	469	698
Shareholders' equity	3,260	3,473	5,214
Minority interests	921	921	977
Total liabilities & equity	8,543	7,937	9,716

Cash flow statement

(VNDbn)	12-15A	12-16A	12-17A
Pretax profit	325	583	728
Depreciation & amortisation	3	10	7
Tax paid	(35)	(92)	(113)
Other adjustments	3,643	(214)	(336)
Change in working capital	(3,751)	911	312
Cash flow from operations	185	1,197	597
Capex	(8)	(4)	(61)
Proceeds from assets sales	3	0	2
Others			
Other non-current assets changes	(1,989)	89	(23)
Cash flow from investing activities	(1,994)	85	(82)
New share issuance	1,606	1	1,488
Shares buyback	0	0	0
Net borrowings	852	(1,081)	(237)
Other financing cash flow			
Dividends paid	(101)	(126)	(234)
Cash flow from financing activities	2,357	(1,206)	1,017
Cash and equivalents at beginning of period	435	983	1,059
Total cash generated	548	76	1,532
Cash and equivalents at the end of period	983	1,059	2,592

Key ratios

	12-15A	12-16A	12-17A
Dupont			
Net profit margin	24.9%	9.5%	16.4%
Asset turnover	0.18	0.48	0.35
ROAA	4.5%	4.5%	5.7%
Avg assets/avg equity	2.45	2.45	2.03
ROAE	11.0%	11.0%	11.5%
Efficiency			
Days account receivable	48.9	67.5	47.0
Days inventory	3,006	573	878
Days creditor	25.1	9.9	9.8
Fixed asset turnover	58	131	105
ROIC	3.7%	5.9%	6.4%
Liquidity			
Current ratio	7.40	5.70	5.00
Quick ratio	1.70	2.10	2.30
Cash ratio	1.00	0.80	1.40
Cash cycle	3,029	630	915
Growth rate (yoy)			
Revenue growth	69.1%	274.5%	(22.3%)
Operating profit growth	614.3%	244.5%	14.9%
Net profit growth	155.9%	42.5%	34.7%
EPS growth	6.6%	9.6%	25.5%
Share value			
Basic EPS (VND)	1,450	1,590	1,995
BVPS (VND)	18,111	14,842	15,518

Source: VNDIRECT

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

- Add The stock's total return is expected to reach 15% or higher over the next 12 months.
- Hold The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
- Reduce The stock's total return is expected to fall below negative 10% 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

Definition:

- 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.

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