

Vietnam

HOLD (no change)

Consensus ratings*: Buy 5 Hold 1 Sell 0

Current price:	VND25,000
Target price:	VND28,300
Previous target:	VND28,300
Up/downside:	13.2%
CGS-CIMB / Consensus:	-6.8%
Reuters:	KDH.HM
Bloomberg:	KDH VN
Market cap:	US\$587.2m
	VND13,610,728m
Average daily turnover:	US\$0.31m
	VND7,140m
Current shares o/s:	544.4m
Free float:	55.0%
*Source: Bloomberg	

Key changes in this note

No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-7.1	-4.6	8
Relative (%)	-4.6	1.6	5.1

Major shareholders	% held
Tien Loc Investment Limited	11.7
Gam Ma Investment Company	9.6
A Au Investment Trading Company	8.6

Analyst(s)

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Khang Dien House Trading and Investment JSC

4Q19 results in line with expectations

- KDH's FY19 net profit reached VND915.3bn (+13.3% yoy) accounting for 99.4%/101.7% of our forecast/management's projection, respectively.
- We estimate that FY19 presales were on track, thanks to the launch of the Lovera Vista project in 4Q19.
- We maintain Hold as the positives appear to have been priced in.

Huge gross margin expansion in 4Q19 on supply shortage

Khang Dien House Trading and Investment JSC's (KDH) 4Q19 revenue reached VND952.4bn, driven by the delivery of around 290 units in the Verosa townhouse project, but it was down 39.7% yoy due to the sizable handover in 4Q18 of 440 condo units from the Jamila project and the remaining 92 units of landed houses from the Venica, Lucasta, Merita, Rosita and Melosa projects. Gross margin (GM) in 4Q19 advanced by 18.2% pts yoy to 61.4%, as the lack of supply of landed property in FY19 boosted selling prices. Overall, the 4Q19 net profit was nearly flat yoy at VND404.8bn as the weak revenue was offset by better GM expansion.

FY19 net profit in line with our estimate

FY19 net profit grew steadily to VND915.3bn, (+13.3% yoy), making up 99.4%/101.7% of our forecast/management's projection at VND921bn/VND900bn, respectively. The healthy profit growth was attributed to a 10.9% pts yoy gross margin expansion which compensated for 1) a drop in FY19 revenue (-3.5% yoy); and 2) the absence of a one-off financial gain of VND136.5bn recorded in FY18.

Strong presales in FY19 expected

In 4Q19, KDH launched the Lovera Vista project with 800 units sold of the total 1,500 units, adding around VND1,500bn to its presales value, in our view. KDH did not reveal its presales numbers but we estimate its FY19 presales accounted for 102% of our full-year forecast.

Maintain Hold with a TP of VND28,300

We maintain our Hold call as the stock is now trading close to our fair value, with limited upside of 13.2%. We believe KDH's positives have been priced in. Upside risks in the short term could come from successful presales of new projects in 2020F; our mid- to long-term investment thesis depends on whether KDH can successfully unlock its mega-sized projects in FY21-22F. Key downside risks to our call include: 1) slow process in obtaining building permits, delaying new launches; and 2) a higher-than-expected increase in mortgage rates.

Financial Summary	Dec-17A	Dec-18A	Dec-19A	Dec-20F	Dec-21F
Total Net Revenues (VNDb)	3,055	2,917	2,813	2,940	3,228
Operating EBITDA (VNDb)	799	990	1,232	1,515	1,380
Net Profit (VNDb)	502	808	915	1,141	1,076
Core EPS (VND)	1,179	1,381	1,691	2,095	1,976
Core EPS Growth	10.4%	17.1%	22.5%	23.9%	(5.7%)
FD Core P/E (x)	21.20	18.11	14.79	11.93	12.65
DPS (VND)	1,000.0	500.0	500.0	500.0	500.0
Dividend Yield	4.00%	2.00%	2.00%	2.00%	2.00%
EV/EBITDA (x)	13.38	11.98	10.67	8.43	9.11
P/FCFE (x)	38.25	NA	NA	16.36	29.51
Net Gearing	(15.1%)	(12.6%)	(5.5%)	(10.5%)	(11.9%)
P/BV (x)	2.29	1.96	1.78	1.64	1.51
ROE	11.6%	11.6%	12.6%	14.3%	12.4%
% Change In Core EPS Estimates				0%	0%
CGS-CIMB/Consensus EPS (x)				0.94	0.80

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 1: Results comparisons

VNDbn	4Q19	YoY%	FY19	YoY% vs FY19F	Comments	
Net revenue	952	-39.7%	2,813	-3.5% 100.7%		
Property sales	936	-40.4%	2,719	-5.1%	99.7%	FY19 property sales concluded by a land sale in Khang Phuc project, handover of Jamila condo project, Verosa townhouse project.
Others	16	104.0%	94	79.6%		
Gross profit	585	-14.3%	1,501	21.2%		FY19 gross profit growth outpaced that of revenue likely due to higher margin from landed properties
GPM	61.4%	18.2% pts	53.4%	10.9% pts		
SG&A expense	(73)	-14.7%	(278)	8.2%		
% SG&A to sales	8%	2.3% pts	10%	1.1% pts		
Operating profit	512	-14.2%	1,223	24.6%		
Financial income	7	16.8%	42	-79.6%		
Financial expense	(0)	-99.5%	(42)	-52.6%		
Net other income	5	-144.9%	(32)	48.5%		
EBT	523	-3.9%	1,191	10.7%		
Net profit	405	0.0%	915	13.3% 99.4%		

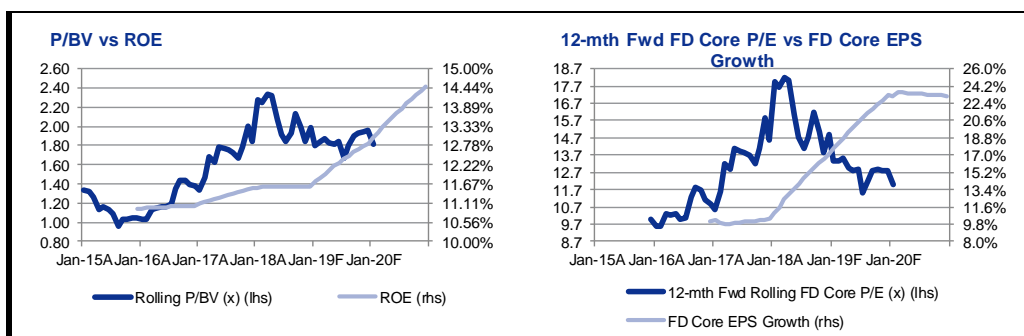
SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 2: Peer comparison

Company Name	Ticker	Share price (VND)	TP (VND)	Upside	Recom.	Market Cap (US\$m)	P/E (x)			P/B (x)			ROE (%)			Dividend yield (%)	Net gearing (%)	
							TTM	2020F	2021F	Curr.	2020F	2021F	TTM	2020F	2021F			2020F
Vinhomes Jsc	VHM VN	87,500	104,300	19.2%	ADD	12,396	15.6	11.8	8.1	5.0	3.6	2.6	37.3	38.0	35.5	1.2	1.2	56.9
No Va Land Inves	NVL VN	55,100	NR	N/A	NR	2,301	17.0	17.9	17.0	2.0	2.3	N/A	15.5	14.4	12.0	N/A	N/A	75.7
Phat Dat Real Es	PDR VN	26,050	NR	N/A	NR	368	10.0	N/A	N/A	2.0	N/A	N/A	22.5	N/A	N/A	N/A	N/A	35.0
Dat Xanh Group	DXG VN	11,550	NR	N/A	NR	258	4.0	4.0	2.9	1.0	0.7	N/A	20.3	18.0	22.7	4.3	N/A	35.8
Nam Long Investm	NLG VN	26,500	39,600	49.4%	ADD	285	7.0	9.4	5.0	1.0	1.3	1.1	18.7	22.3	22.7	1.7	1.7	-17.7
Van Phu - Invest	VPI VN	42,000	NR	N/A	NR	289	16.0	N/A	N/A	3.0	N/A	N/A	20.6	N/A	N/A	N/A	N/A	85.7
Hai Phat Investm	HPX VN	26,550	NR	N/A	NR	229	12.0	N/A	N/A	N/A	N/A	N/A	19.3	N/A	N/A	N/A	N/A	69.0
Average							11.7	10.8	8.2	2.3	2.0	1.8	22.0	23.2	23.2	2.4	1.5	48.6
Median							12.0	10.6	6.5	2.0	1.8	1.8	20.3	20.2	22.7	1.7	1.5	56.9
Khang Dien House	KDH VN	25,000	28,300	13.2%	HOLD	586	15.0	11.9	12.7	2.0	1.6	1.5	12.6	12.9	14.5	2.0	2.0	-5.5

Note: all prices are based on the closing prices on 31 Jan 2020. All estimates for non-rated (NR) stocks are based on Bloomberg consensus estimates.

SOURCES: VND RESEARCH, BLOOMBERG, COMPANY REPORT

BY THE NUMBERS

Profit & Loss

(VNDb)	Dec-17A	Dec-18A	Dec-19A	Dec-20F	Dec-21F
Total Net Revenues	3,055	2,917	2,813	2,940	3,228
Gross Profit	1,036	1,239	1,501	1,780	1,659
Operating EBITDA	799	990	1,232	1,515	1,380
Depreciation And Amortisation	(7)	(8)	(9)	(12)	(12)
Operating EBIT	792	982	1,223	1,503	1,367
Financial Income/(Expense)	(53)	111	(0)	(72)	(18)
Pretax Income/(Loss) from Assoc.	8	4	0	0	0
Non-Operating Income/(Expense)	(19)	(21)	(32)	(5)	(5)
Profit Before Tax (pre-EI)	729	1,076	1,191	1,426	1,345
Exceptional Items					
Pre-tax Profit	729	1,076	1,191	1,426	1,345
Taxation	(170)	(266)	(274)	(285)	(269)
Exceptional Income - post-tax					
Profit After Tax	559	810	917	1,141	1,076
Minority Interests	(57)	(2)	(2)	0	0
Pref. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	502	808	915	1,141	1,076
Recurring Net Profit	502	701	915	1,141	1,076
Fully Diluted Recurring Net Profit	502	701	915	1,141	1,076

Cash Flow

(VNDb)	Dec-17A	Dec-18A	Dec-19A	Dec-20F	Dec-21F
EBITDA	799	990	1,232	1,515	1,380
Cash Flow from Invnt. & Assoc.	(82)	(200)	(42)	(42)	(70)
Change In Working Capital	204	(1,236)	(893)	(191)	(496)
Straight Line Adjustment	(70)	86	(42)	(89)	(35)
(Incr)/Decr in Total Provisions	(0)	(8)	(28)	0	0
Other Non-Cash (Income)/Expense	7	8	9	12	12
Other Operating Cashflow	(61)	97	(184)	(83)	(57)
Net Interest (Paid)/Received	(156)	(114)	(2)	(63)	(32)
Tax Paid	(113)	(256)	(277)	(285)	(269)
Cashflow From Operations	597	(719)	(184)	863	468
Capex	(61)	(161)	(211)	(56)	(61)
Disposals Of FAs/subsidiaries	2	1	0	0	0
Disposals of Investment Properties					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(23)	680	34	42	70
Cash Flow From Investing	(82)	519	(177)	(14)	8
Debt Raised/(repaid)	(237)	(689)	(186)	(17)	(15)
Proceeds From Issue Of Shares	1,488	101	93	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(234)	(194)	(207)	(272)	(272)
Preferred Dividends					
Other Financing Cashflow	0	226	0	0	0
Cash Flow From Financing	1,017	(556)	(300)	(289)	(287)

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-17A	Dec-18A	Dec-19A	Dec-20F	Dec-21F
Total Cash And Equivalents	2,592	1,836	1,208	1,805	1,994
Properties Under Development					
Total Debtors	1,548	1,760	3,694	1,551	1,803
Inventories	4,858	5,817	7,023	8,524	8,577
Total Other Current Assets	114	157	311	173	181
Total Current Assets	9,110	9,570	12,235	12,053	12,556
Fixed Assets	342	500	677	588	639
Total Investments	104	19	130	16	14
Intangible Assets	9	4	3	4	4
Total Other Non-Current Assets	152	134	112	138	137
Total Non-current Assets	606	658	922	746	794
Short-term Debt	186	632	299	697	731
Current Portion of Long-Term Debt					
Total Creditors	54	284	696	197	266
Other Current Liabilities	1,577	1,859	3,415	3,138	2,877
Total Current Liabilities	1,817	2,775	4,410	4,031	3,875
Total Long-term Debt	1,471	337	483	237	187
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	237	217	599	217	226
Total Non-current Liabilities	1,708	553	1,082	454	412
Total Provisions	0	0	0	0	0
Total Liabilities	3,526	3,328	5,492	4,485	4,287
Shareholders' Equity	5,214	6,864	7,625	8,278	9,028
Minority Interests	977	35	39	35	35
Total Equity	6,191	6,899	7,664	8,314	9,063

Key Ratios

	Dec-17A	Dec-18A	Dec-19A	Dec-20F	Dec-21F
Revenue Growth	(22.3%)	(4.5%)	(3.5%)	4.5%	9.8%
Operating EBITDA Growth	14.3%	23.8%	24.5%	22.9%	(8.9%)
Operating EBITDA Margin	26.2%	33.9%	43.8%	51.5%	42.7%
Net Cash Per Share (VND)	1,958	1,612	781	1,602	1,977
BVPS (VND)	10,930	12,753	14,006	15,206	16,582
Gross Interest Cover	80.6	31.0	649.1	23.8	42.4
Effective Tax Rate	23.3%	24.7%	23.0%	20.0%	20.0%
Net Dividend Payout Ratio	66.9%	25.6%	29.7%	23.9%	25.3%
Accounts Receivables Days	66.8	76.4	152.7	146.9	99.0
Inventory Days	856	1,161	1,786	2,451	1,989
Accounts Payables Days	12.1	36.8	136.3	140.7	53.8
ROIC (%)	14.9%	18.6%	19.7%	19.5%	17.9%
ROCE (%)	12.2%	15.0%	15.5%	17.5%	14.9%
Return On Average Assets	6.93%	7.00%	7.85%	9.34%	8.36%

Key Drivers

	Dec-17A	Dec-18A	Dec-19A	Dec-20F	Dec-21F
Unbooked Presales (m) (VND)	N/A	2,636.4	5,082.5	5,841.5	4,947.8
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 (%)	33.9%	42.5%	53.4%	60.5%	51.4%
Contracted Sales ASP (per Sm) (VND)	N/A	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	25.9%	33.7%	43.5%	51.1%	42.4%
Investment rev / total rev (%)	8.6%	1.9%	2.4%	2.7%	3.0%
Residential rev / total rev (%)	91.4%	98.1%	97.6%	97.3%	97.0%
Inv. properties rental margin (%)	N/A	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	3.6%	3.4%	4.8%	3.7%	3.6%

SOURCES: VND RESEARCH, COMPANY REPORTS

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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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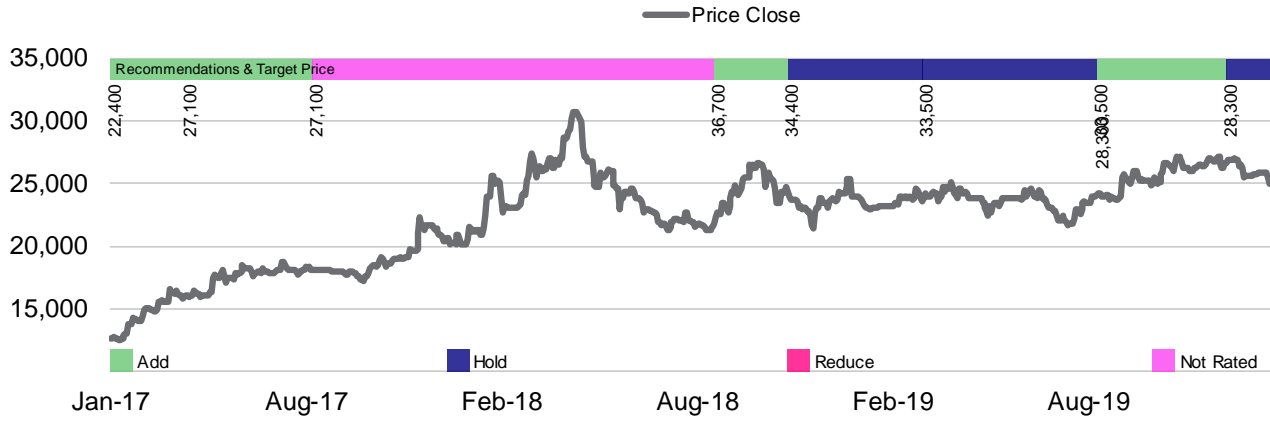
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2019		
798 companies under coverage for quarter ended on 31 December 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.4%	0.0%
Hold	25.2%	0.0%
Reduce	13.4%	0.0%

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 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BGP** – Excellent, Certified, **BPCG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, n/a, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** - Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TNR** – Very Good, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand: the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI) .

RECOMMENDATION FRAMEWORK

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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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