

Vietnam

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HOLD (no change)

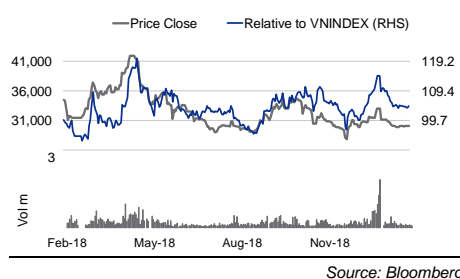
Consensus ratings*: Buy 3 Hold 0 Sell 0

Current price:	VND30,100
Target price:	VND34,400
Previous target:	VND34,400
Up/downside:	14.3%
CGS-CIMB / Consensus:	-1.9%
Reuters:	KDH.HM
Bloomberg:	KDH VN
Market cap:	US\$537.1m
	VND12,462,103m
Average daily turnover:	US\$0.33m
	VND7,704m
Current shares o/s	336.0m
Free float:	55.0%

*Source: Bloomberg

Key financial forecasts

	Dec-18F	Dec-19F	Dec-20F
Net Profit (VNDb)	802.5	825.6	969.5
Core EPS (VND)	1,700	1,994	2,342
Core EPS Growth	(8.3%)	17.3%	17.4%
FD Core P/E (x)	16.24	15.09	12.85
Recurring ROE	11.4%	11.4%	12.4%
P/BV (x)	1.79	1.66	1.52
DPS (VND)	500.0	500.0	500.0
Dividend Yield	1.66%	1.66%	1.66%



Price performance	1M	3M	12M
Absolute (%)	-8.8	-6.5	-12.8
Relative (%)	-10.8	-6	5.2

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

A tremendous year

- VND404.9bn net profit booked in 4Q18 was derived from the handover of 440 condo units of Jamila project and remaining landed properties in Phu Huu.
- FY18 net profit surged 61.4% yoy to VND808.9bn, in line with our forecasts.
- Actual presales in 2018 of VND1,498bn made up just 58% of guidance due to the delay of the Hermosa project till 2Q19 on construction licensing issues.
- Maintain Hold rating given neutral outlook on the real estate market in 2019.

Surge in property deliveries in 4Q18F, as expected

- As forecasted in our [Nov 2018 company note](#), in 4Q18 KDH recorded a revenue of VND1,579bn (+83.7% yoy) and net profit of VND404.9bn (+203.4% yoy) on the back of the handover 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. The low base of handovers (only from the Melosa project) in 4Q17 accentuated yoy growth.
- Gross margin expansion of 11.7% pts to touch 43.2% driven by a buoyant townhouse market in 4Q18 helped bolster earnings.

FY18 results in line with our forecast

- FY18 revenue reached VND2,916bn (-4.5%, yoy) and net profit jumped to VND808.9bn (+61.4% yoy, fulfilling 101% of the company's guidance and 100.8% our forecast for FY18).
- The stellar growth of FY18 net profit was driven by gross margin expansion and a surge in financial income. Financial income in FY18 rose by 201.9% yoy, thanks to one-off financial gains worth VND136bn, of which VND24bn was realised from the sale of a 14% stake in Big C supermarket (Unlisted) and VND112bn from the sale of a 50% stake in subsidiary Dat An, which owns 4.8ha of land.
- Gross margin improved 8.8% pts yoy to 42.7% in FY18, driven by strong demand in the land lot and landed properties markets which kept prices elevated; margins on land lot sales are estimated to have exceeded 50%, due to the low historical land cost.

Project delay leads us to cut our FY18F presales estimate

- The Safira project was the only new launch in 2018 and sold 800 units out of a total of 1,572 units, in line with management's plan.
- We estimate a 42% fall in FY18 presales value to VND1,498bn due to the unexpected delay of the Hermosa project. The project has been delayed to 2Q19 due to construction license not being approved in time (refer to details in our [Navigating 2019 report.](#))

Maintain Hold rating to reflect our neutral outlook on condo market

- We keep a Hold rating to reflect the impact of the unfavourable regulatory changes that may lead to surging land prices in HCMC in 2019F which will put pressure on new launch volumes, as well as margins, of KDH.
- Our RNAV-based target price is unchanged at VND34,400.
- A key downside risk to our call is higher mortgage rates in a rising interest rate environment as this may dent KDH's mid-range condo presales.
- Sooner-than-expected launch of the Tan Tao Townhouse project is a key upside risk.

Figure 1: Peers Comparison

Company Name	Ticker	Share price (VND)	TP (VND)	Recom.	Land bank (ha)	Market Cap (US\$ m)	P/E (x)			P/B (x)		ROE (%)		Dividend yield (%)		Net gearing (%)	
							TTM	2018F	2019F	Cur.	2018F	2019F	2018F	2019F	2018F		2019F
VINHOMES JSC	VHM VN	79,700	NR	NR	16,110	11,457	17.5	13.7	9.1	6.2	N/A	N/A	N/A	N/A	N/A	N/A	56.9
NO VA LAND INVES	NVL VN	56,200	NR	NR	623	2,244	16.3	15.0	N/A	2.9	2.6	2.6	18.2	18.2	N/A	N/A	81.4
KHANG DIEN HOUS	KDH VN	30,100	34,400	HOLD	499	535	15.0	15.4	12.9	1.8	1.8	1.8	12.2	12.2	2.5	2.5	(12.6)
DAT XANH GROUP	DXG VN	23,200	NR	NR	702	348	6.8	6.3	N/A	1.6	1.2	1.2	22.6	22.6	2.2	2.2	26.6
PHAT DAT REAL ES	PDR VN	25,700	NR	NR	216	294	10.9	N/A	N/A	2.0	N/A	N/A	N/A	N/A	N/A	N/A	(5.4)
VAN PHU - INVEST	VPI VN	41,650	NR	NR	237	286	9.7	N/A	N/A	3.6	N/A	N/A	N/A	N/A	N/A	N/A	13.0
NAM LONG INVESTI	NLG VN	26,400	37,700	ADD	400	271	7.0	7.7	3.3	1.3	1.3	1.3	18.4	18.4	1.9	1.9	(20.7)
HAI PHAT INVESTM	HPX VN	25,700	NR	NR	3,158	221	11.4	N/A	N/A	2.0	N/A	N/A	N/A	N/A	N/A	N/A	70.4
DEVELOPMENT INV	DIG VN	15,800	NR	NR	158	171	12.8	11.9	N/A	1.3	1.4	1.4	14.3	14.3	N/A	N/A	27.7
LDG INVESTMENT J	LDG VN	14,450	NR	NR	N/A	118	4.8	N/A	N/A	1.1	N/A	N/A	N/A	N/A	N/A	N/A	(16.7)
SAI GON THUONG	SCR VN	7,430	NR	NR	N/A	108	10.0	N/A	N/A	0.6	N/A	N/A	N/A	N/A	N/A	N/A	46.3
NBB INVESTMENT	NBB VN	20,450	NR	NR	N/A	86	14.2	N/A	N/A	1.1	N/A	N/A	N/A	N/A	N/A	N/A	26.3
QCGL	QCG VN	4,460	NR	NR	N/A	53	12.9	N/A	N/A	0.3	N/A	N/A	N/A	N/A	N/A	N/A	9.0
THU DUC HOUSING	TDH VN	10,000	NR	NR	N/A	35	4.7	N/A	N/A	0.5	N/A	N/A	N/A	N/A	N/A	N/A	26.7
FIRST REAL JSC	FIR VN	40,450	NR	NR	N/A	23	6.8	N/A	N/A	2.3	N/A	N/A	N/A	N/A	N/A	N/A	8.8
NETLAND REAL ES	NRC VN	35,600	NR	NR	N/A	18	6.1	N/A	N/A	2.1	N/A	N/A	N/A	N/A	N/A	N/A	17.7
Simple average							10.4	11.7	8.4	1.9	1.7	1.7	17.1	17.1	2.2	2.2	22.2
Simple average (excluding VHM)							10.0	11.3	8.1	1.6	1.7	1.7	17.1	17.1	2.2	2.2	19.9
Median							10.4	12.8	9.1	1.7	1.4	1.4	18.2	18.2	2.2	2.2	22.0

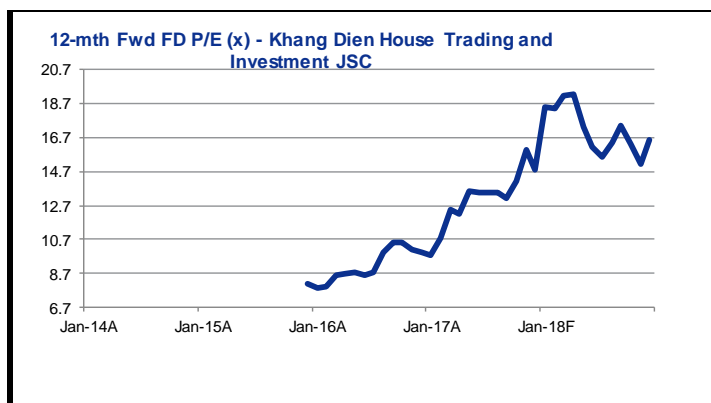
All prices are based on the closing prices on 31 Jan 2019. All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

SOURCES: VND RESEARCH, BLOOMBERG, COMPANY REPORT

BY THE NUMBERS

Profit & Loss				
(VNDb)	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Net Revenues	3,055	3,212	4,029	4,612
Gross Profit	1,036	1,105	1,390	1,607
Operating EBITDA	792	840	1,046	1,206
Depreciation And Amortisation	0	0	0	0
Operating EBIT	792	840	1,046	1,206
Financial Income/(Expense)	(53)	23	(20)	1
Pretax Income/(Loss) from Assoc.	8	9	10	10
Non-Operating Income/(Expense)	(19)	136	0	0
Profit Before Tax (pre-EI)	728	1,007	1,036	1,217
Exceptional Items				
Pre-tax Profit	728	1,007	1,036	1,217
Taxation	(170)	(201)	(207)	(243)
Exceptional Income - post-tax				
Profit After Tax	558	806	829	973
Minority Interests	(57)	(3)	(3)	(4)
Prof. & Special Div	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	501	802	826	970
Recurring Net Profit	501	695	826	970
Fully Diluted Recurring Net Profit	501	695	826	970

Cash Flow				
(VNDb)	Dec-17A	Dec-18F	Dec-19F	Dec-20F
EBITDA	792	840	1,046	1,206
Cash Flow from Invnt. & Assoc.				
Change In Working Capital	204	(484)	(234)	(310)
Straight Line Adjustment				
(Incr)/Decr in Total Provisions	7	7	8	8
Other Non-Cash (Income)/Expense	(29)	(31)	(33)	(34)
Other Operating Cashflow	(211)	151	65	(21)
Net Interest (Paid)/Received	(53)	23	(20)	1
Tax Paid	(113)	(201)	(207)	(243)
Cashflow From Operations	597	305	625	606
Capex	(61)	(2)	(2)	(2)
Disposals Of FAs/subsidiaries	2	326		
Disposals of Investment Properties				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(23)			
Cash Flow From Investing	(82)	324	(2)	(2)
Debt Raised/(repaid)	(237)	(572)	(472)	(472)
Proceeds From Issue Of Shares	1,488			
Shares Repurchased				
Dividends Paid	(234)	(126)	(207)	(207)
Preferred Dividends				
Other Financing Cashflow				
Cash Flow From Financing	1,017	(698)	(679)	(679)



Balance Sheet				
(VNDb)	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Cash And Equivalents	2,590	2,523	2,467	2,392
Properties Under Development				
Total Debtors	784	894	928	963
Inventories	4,858	5,504	6,373	6,525
Total Other Current Assets	877	999	1,250	1,297
Total Current Assets	9,109	9,920	11,017	11,177
Fixed Assets	30	26	26	26
Total Investments	5	6	6	7
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	570	619	668	722
Total Non-current Assets	606	651	701	755
Short-term Debt	184	624	624	152
Current Portion of Long-Term Debt				
Total Creditors	54	55	57	57
Other Current Liabilities	1,577	1,971	2,888	2,812
Total Current Liabilities	1,815	2,650	3,568	3,021
Total Long-term Debt	1,471	530	58	58
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	237	406	567	650
Total Non-current Liabilities	1,708	936	625	708
Total Provisions	0	0	0	0
Total Liabilities	3,524	3,586	4,193	3,729
Shareholders' Equity	5,214	6,966	7,501	8,177
Minority Interests	977	20	23	27
Total Equity	6,191	6,986	7,524	8,204

Key Ratios				
	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	(22%)	5%	25%	14%
Operating EBITDA Growth	15%	6%	25%	15%
Operating EBITDA Margin	25.9%	26.1%	26.0%	26.1%
Net Cash Per Share (VND)	2,781	3,305	4,312	5,271
BVPS (VND)	15,518	16,826	18,118	19,751
Gross Interest Cover	6.34	8.48	15.32	30.91
Effective Tax Rate	23.3%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	46.7%	24.2%	25.1%	21.4%
Accounts Receivables Days	66.81	47.83	41.40	37.63
Inventory Days	856.5	897.8	821.6	785.3
Accounts Payables Days	12.13	9.44	7.72	6.91
ROIC (%)	13.9%	15.3%	17.4%	19.1%
ROCE (%)	12.2%	13.7%	13.4%	15.0%
Return On Average Assets	6.92%	7.72%	7.62%	8.22%

Key Drivers				
	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Unbooked Presales (m) (VND)	1,596.0	2,962.0	4,752.0	2,595.0
Unbooked Presales (area: m sm)	62,573.0	123,178.5	204,747.0	112,857.0
Unbooked Presales (units)	867.0	1,819.0	3,070.0	1,678.0
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A
Gross Margins (%)	33.9%	34.4%	34.5%	34.8%
Contracted Sales ASP (per Sm) (VND)	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	25.9%	26.1%	26.0%	26.1%
Investment rev / total rev (%)	8.6%	9.3%	7.6%	7.0%
Residential rev / total rev (%)	91.4%	90.7%	92.4%	93.0%
Invnt. properties rental margin (%)	50.4%	50.4%	50.4%	50.4%
SG&A / Sales Ratio (%)	8.0%	8.3%	8.5%	8.7%

SOURCES: CGS-CIMB 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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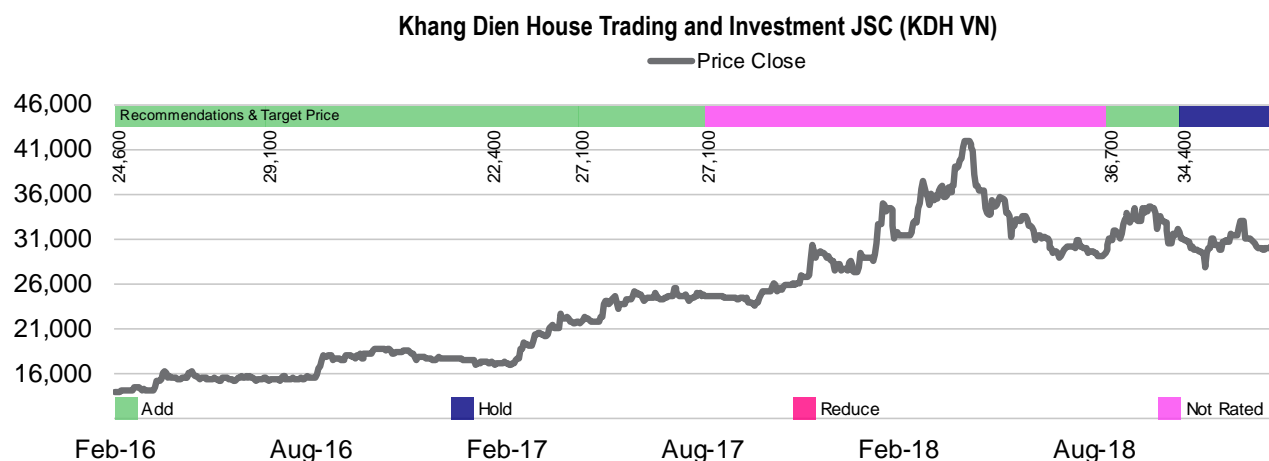
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2018		
758 companies under coverage for quarter ended on 31 December 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.2%	4.2%
Hold	25.1%	2.1%
Reduce	13.7%	0.4%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **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, Declared, **BJCHI** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – 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, **HREIT** - Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, 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** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WORK** – Good, n/a.

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- Companies certified by CAC

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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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