

Vietnam

HOLD (previously ADD)

Consensus ratings*: Buy 6 Hold 0 Sell 0

Current price:	VND26,300
Target price:	VND28,300
Previous target:	VND28,300
Up/downside:	7.6%
CGS-CIMB / Consensus:	-6.8%
Reuters:	KDH.HM
Bloomberg:	KDH VN
Market cap:	US\$617.9m
	VND14,318,486m
Average daily turnover:	US\$0.41m
	VND9,414m
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 (%)	1.2	3.5	11
Relative (%)	6.6	7.8	7.2

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

Potential growth has been largely priced in

- While 9M19 net profit made up just 55.4% of our FY19F number, we expect a huge delivery in 4Q19F to help the company meet our full-year forecast.
- FY19F presales are also expected to be on track, thanks to the launches of the Venita and Lovera Vista projects in 2H19F.
- We downgrade from Add to Hold as the positives appear to be priced in.

Huge revenue in 4Q19F expected

Khang Dien House Trading and Investment JSC (KDH) reported 9M19 net profit rising 26.4% yoy to VND510bn, below the 39.2% yoy growth in 9M19 revenue, due to the absence of a one-off financial gain recorded in 2Q18. The 9M19 net profit met 55.4% of our full-year forecast since it came from non-core land parcel and only one handover, namely the Jamila project. However, we expect KDH to lock in around VND1,000bn revenue from the Venita project after its Aug soft launch and delivery started in 4Q19.

Strong presales in 4Q19F anticipated

In 3Q19, KDH launched the Venita townhouse project (293 units) with 100 units sold, adding around VND930bn-1,116bn to presales value, in our view. We estimate KDH's 9M19 presales accounted for 52% of our FY19F forecast. We project that our FY19F presales forecast will be met, thanks mainly to the launch of Lovera Vista (1,500 units) in 4Q19.

FY19-20F EPS growth on higher ASP and new handover schedules

We project that KDH will post a VND921bn net profit in FY19F (+14.0% yoy), supported by higher selling prices for its Venita Park project. We maintain our FY20F net profit forecast at VND1,141bn, implying a core EPS growth of 23.2% yoy in FY20F, thanks to the delivery of the Venita and Safira projects. The Safira project's average selling price has increased 12% to VND28m per sq m since it was first launched in Oct 18 due to healthy demand for mid-range condos in Ho Chi Minh City.

Downgrade from Add to Hold; TP unchanged

KDH's stock price has rallied 10.1% since Aug 19 and is now trading close to our fair value. Given the limited upside of 7.8%, we downgrade our rating from Add to Hold. Our RNAV-based target price is unchanged at VND28,300. Upside risks in the short term could come from successful presales of new projects in 4Q19F; our mid- to long-term investment thesis is dependent on whether KDH can successfully unlock its mega-sized projects in FY20-21F. 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-19F	Dec-20F	Dec-21F
Total Net Revenues (VNDb)	3,055	2,917	2,793	2,940	3,228
Operating EBITDA (VNDb)	799	990	1,188	1,515	1,380
Net Profit (VNDb)	502	808	921	1,141	1,076
Core EPS (VND)	1,179	1,381	1,701	2,095	1,976
Core EPS Growth	10.4%	17.1%	23.2%	23.2%	(5.7%)
FD Core P/E (x)	22.31	19.05	15.46	12.55	13.31
DPS (VND)	1,000.0	500.0	500.0	500.0	500.0
Dividend Yield	3.80%	1.90%	1.90%	1.90%	1.90%
EV/EBITDA (x)	14.07	12.65	11.77	8.90	9.62
P/FCFE (x)	40.24	NA	NA	17.21	31.05
Net Gearing	(15.1%)	(12.6%)	(3.9%)	(10.5%)	(11.9%)
P/BV (x)	2.41	2.06	1.92	1.73	1.59
ROE	11.6%	11.6%	12.9%	14.5%	12.4%
% Change In Core EPS Estimates			0%	0%	0%
CGS-CIMB/Consensus EPS (x)			1.00	0.94	0.80

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 1: Equity valuation (VND bn)

Project Name	Fair value as at 30 Jun 19	Method	Discount to NPV Note
Tan Tao	4,488	DCF	85%
Safira	1,585	DCF	10% Increase the ASP to VND28m ps m
Corona	1,008	DCF	50%
Green Village	3,276	DCF	50%
Clarita	697	DCF	50% Increase the ASP to VND12.3bn/unit
Venita Park	1,506	DCF	20% Increase the ASP to VND9.7bn/unit
Lovera Vista	602	DCF	20%
Amena	411	BV	
Jamila	97	BV	Completed handover in 2H19
Other	720	BV	
Total inventory	14,389		
Add:			
Cash and cash equivalent	1,347		
Le Minh Xuan IP	544	BV	
Other assets	2,744		
Less:			
Net debt (exclude CB)	876		
Other liabilities	2,695		
Minority interest	39		
RNAV	15,415		
Shares outstanding	544,429,109		
Target price (VND/share)	28,300		

SOURCES: VND RESEARCH, COMPANY REPORTS

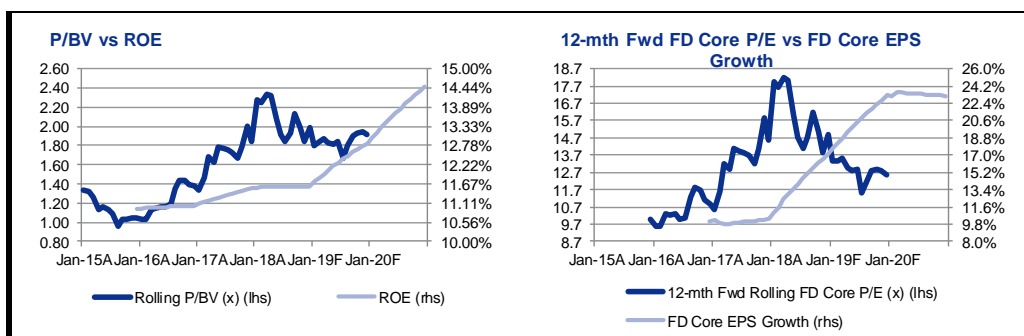
Figure 2: Peer comparisons

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	2019F	2020F	Curr.	2019F	2020F	TTM	2019F	2020F	2019F	2020F	
Vinhomes Jsc	VHM VN	83,900	104,300	24.3%	ADD	11,910	16.0	14.6	10.5	5.0	4.7	3.2	37.3	33.5	35.9	1.4	1.5	56.9
No Va Land Inves	NVL VN	55,700	NR	N/A	NR	2,281	17.0	18.2	17.2	3.0	2.3	N/A	15.5	14.6	12.1	N/A	N/A	75.7
Phat Dat Real Es	PDR VN	25,500	NR	N/A	NR	361	12.0	N/A	N/A	2.0	N/A	N/A	20.1	N/A	N/A	N/A	N/A	-5.4
Dat Xanh Group	DXG VN	13,950	NR	N/A	NR	313	4.0	5.1	4.9	1.0	0.9	0.9	25.9	18.6	18.2	3.6	3.6	21.4
Nam Long Investm	NLG VN	26,500	39,600	49.4%	ADD	286	13.0	9.4	5.0	1.4	1.3	1.1	11.7	9.7	22.3	1.7	1.7	-20.7
Van Phu - Invest	VPI VN	41,200	NR	N/A	NR	284	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	26,300	NR	N/A	NR	227	12.0	N/A	N/A	2.0	N/A	N/A	19.3	N/A	N/A	N/A	N/A	69.0
Average							12.9	11.8	9.4	2.5	2.3	1.7	21.5	19.1	22.1	2.2	2.3	40.4
Median							13.0	12.0	7.8	2.0	1.8	1.1	20.1	16.6	20.3	1.7	1.7	56.9
Khang Dien House	KDH VN	26,300	28,300	7.6%	HOLD	618	15.0	14.1	11.5	2.0	1.8	1.6	13.5	12.9	14.5	1.9	1.9	-12.6

Note: all prices are based on the closing prices on 19 Dec 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-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	3,055	2,917	2,793	2,940	3,228
Gross Profit	1,036	1,239	1,473	1,780	1,659
Operating EBITDA	799	990	1,188	1,515	1,380
Depreciation And Amortisation	(7)	(8)	(11)	(12)	(12)
Operating EBIT	792	982	1,176	1,503	1,367
Financial Income/(Expense)	(53)	111	1	(72)	(18)
Pretax Income/(Loss) from Assoc.	8	4	0	0	0
Non-Operating Income/(Expense)	(19)	(21)	(27)	(5)	(5)
Profit Before Tax (pre-EI)	729	1,076	1,151	1,426	1,345
Exceptional Items					
Pre-tax Profit	729	1,076	1,151	1,426	1,345
Taxation	(170)	(266)	(230)	(285)	(269)
Exceptional Income - post-tax					
Profit After Tax	559	810	921	1,141	1,076
Minority Interests	(57)	(2)	0	0	0
Prof. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	502	808	921	1,141	1,076
Recurring Net Profit	502	701	921	1,141	1,076
Fully Diluted Recurring Net Profit	502	701	921	1,141	1,076

Cash Flow

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	799	990	1,188	1,515	1,380
Cash Flow from Invnt. & Assoc.	(82)	(200)	(77)	(42)	(70)
Change In Working Capital	204	(1,236)	(1,134)	(191)	(496)
Straight Line Adjustment	(70)	86	(37)	(89)	(35)
(Incr)/Decr in Total Provisions	(0)	(8)	0	0	0
Other Non-Cash (Income)/Expense	7	8	11	12	12
Other Operating Cashflow	(61)	97	(45)	(83)	(57)
Net Interest (Paid)/Received	(156)	(114)	(38)	(63)	(32)
Tax Paid	(113)	(256)	(230)	(285)	(269)
Cashflow From Operations	597	(719)	(325)	863	468
Capex	(61)	(161)	(51)	(56)	(61)
Disposals Of FAs/subsidiaries	2	1	0	0	0
Disposals of Investment Properties					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(23)	680	77	42	70
Cash Flow From Investing	(82)	519	25	(14)	8
Debt Raised/(repaid)	(237)	(689)	(18)	(17)	(15)
Proceeds From Issue Of Shares	1,488	101	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(234)	(194)	(272)	(272)	(272)
Preferred Dividends					
Other Financing Cashflow	0	226	0	0	0
Cash Flow From Financing	1,017	(556)	(291)	(289)	(287)

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	2,592	1,836	1,246	1,805	1,994
Properties Under Development					
Total Debtors	1,548	1,760	1,576	1,551	1,803
Inventories	4,858	5,817	7,994	8,524	8,577
Total Other Current Assets	114	157	164	173	181
Total Current Assets	9,110	9,570	10,980	12,053	12,556
Fixed Assets	342	500	542	588	639
Total Investments	104	19	18	16	14
Intangible Assets	9	4	4	4	4
Total Other Non-Current Assets	152	134	137	138	137
Total Non-current Assets	606	658	701	746	794
Short-term Debt	186	632	663	697	731
Current Portion of Long-Term Debt					
Total Creditors	54	284	224	197	266
Other Current Liabilities	1,577	1,859	2,792	3,138	2,877
Total Current Liabilities	1,817	2,775	3,679	4,031	3,875
Total Long-term Debt	1,471	337	287	237	187
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	237	217	213	217	226
Total Non-current Liabilities	1,708	553	500	454	412
Total Provisions	0	0	0	0	0
Total Liabilities	3,526	3,328	4,179	4,485	4,287
Shareholders' Equity	5,214	6,864	7,467	8,278	9,028
Minority Interests	977	35	35	35	35
Total Equity	6,191	6,899	7,502	8,314	9,063

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	(22.3%)	(4.5%)	(4.2%)	5.3%	9.8%
Operating EBITDA Growth	14.3%	23.8%	20.0%	27.5%	(8.9%)
Operating EBITDA Margin	26.2%	33.9%	42.5%	51.5%	42.7%
Net Cash Per Share (VND)	1,958	1,612	544	1,602	1,977
BVPS (VND)	10,930	12,753	13,715	15,206	16,582
Gross Interest Cover	80.64	30.96	31.04	23.77	42.38
Effective Tax Rate	23.3%	24.7%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	66.9%	25.6%	29.6%	23.9%	25.3%
Accounts Receivables Days	66.8	76.4	105.9	101.3	99.0
Inventory Days	856	1,161	1,909	2,604	1,989
Accounts Payables Days	12.14	36.84	70.27	66.34	53.84
ROIC (%)	14.9%	18.6%	18.9%	20.3%	17.9%
ROCE (%)	12.2%	15.0%	15.4%	17.5%	14.9%
Return On Average Assets	6.93%	7.00%	8.40%	9.91%	8.36%

Key Drivers

	Dec-17A	Dec-18A	Dec-19F	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%	52.7%	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%	42.1%	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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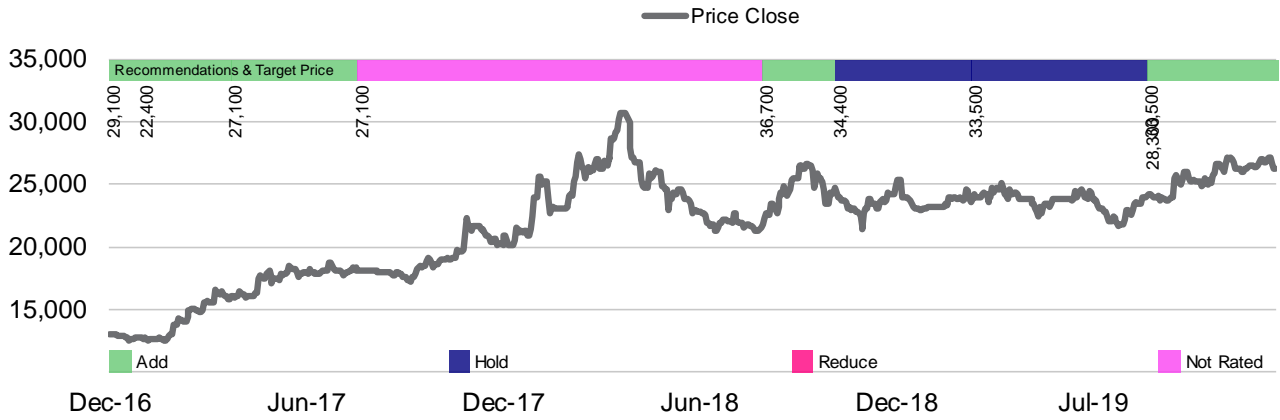
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777 companies under coverage for quarter ended on 30 September 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.8%	0.9%
Hold	26.3%	0.0%
Reduce	14.9%	0.1%

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 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, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, Declared, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – 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, **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, **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, **JWD** – Very Good, 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, **OSP** – not available, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PR9** – not available, n/a, **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, **S** – Very Good, 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, **THANI** – 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, **TPIPP** – 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, **WICE** – Very Good, Certified, **WORK** – Good, n/a.

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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.

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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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