

Vietnam

ADD (no change)

Consensus ratings*: Buy 8 Hold 1 Sell 0

Current price: VND29,050
 Target price: VND35,500
 Previous target: VND35,500
 Up/downside: 22.2%
 CGS-CIMB / Consensus: -4.9%

Reuters: NLG.HM
 Bloomberg: NLG.VN
 Market cap: US\$263.2m
 VND6,146,299m
 Average daily turnover: US\$0.71m
 VND16,470m
 Current shares o/s: 209.9m
 Free float: 46.3%
 *Source: Bloomberg

Key changes in this note

➤ N/A



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-8.7	-3.7	28.2
Relative (%)	1.3	-1.8	18.6

Major shareholders	% held
Nguyễn Xuân Quang	13.5
Ibeworthy Pte. Ltd.	10.0
PYN Elite Fund	5.9

Analyst(s)



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Nam Long Investment Corporation

Stellar results in 3Q18

- 9M18 net profit surged 80% yoy to VND635bn with an acceleration in project deliveries, in line with our expectations.
- VND338bn net profit booked in 3Q18 from land transfer at Waterpoint Phase 1.
- Maintain Add and RNAV-based TP VND35,500, with upside of 22.2%.

Higher deliveries and gain from stake transfer of Waterpoint

In 3Q18, NLG's revenue surged 255% yoy due to higher project handover value and land transfer revenue vs. 3Q17. 3Q18 core gross margin expanded 11% pts yoy with higher contribution from villas vs. 3Q17. 3Q18 net profit was 10x the 3Q17 figure mainly due to the booking of VND338bn net profit from land transfer at Waterpoint Phase 1 which was 51% higher than expected; this was likely due to an accelerated booking schedule. This project transfer accounted for 53% of total 9M18 net profit.

9M18 results surpassed full year target

9M18 project handover value rose 136% yoy. 9M18 gross profit rose 57% yoy, lower than 3Q18's yoy growth as 2Q18 was impacted by the high base from the Mizuki stake transfer in 2Q17. 9M18 gross margin fell 3.0% pts yoy despite 3.7% pts improvement in project delivery gross margin due to lower gross margin on project transfers (-6.3% pts yoy). 9M18 net profit surged 80% yoy and surpassed NLG's full-year target by 3%.

More one-time gains expected in 4Q18F and 2019F

As stated in our [initiation report](#), a 50% stake in another land parcel in Waterpoint will be transferred in 2019F and we estimate this will generate VND208bn in transfer revenue and VND107bn net profit. NLG could also book net profit from another stake transfer at project Akari (Hoang Nam) worth VND262bn at the end of this year, in our opinion.

Good demand outlook for Novia Flora launch

NLG officially launched its Novia Flora condo project in Aug and fully sold the first of two blocks (~250 units/block) within two hours of the launch date. The second block opened for sale in early-Oct. We estimate total project GDV to be at VND970bn. NLG is ready to launch another condo project, Akari Flora, with a GDV of VND8,580bn in Nov 2018. We believe the second block of Novia Flora as well as the Akari Flora project will see good sales due to a recent softening of mid-range condo supply while third quarter demand weakness was only transitory, as detailed in our [sector update](#).

Management aims to cancel planned public share auction

On 17 Oct, Ibeworthy Pte Ltd sold 51% of its VND500bn convertible bonds (CB, due in 2020) issued by NLG to domestic buyers. As such, management said it will at NLG's 2019 AGM seek shareholder approval to cancel its plan to auction off as many as 40m shares as the scheme was originally designed to free up some foreign ownership room for CB conversion (NLG's had reached its foreign shareholding limit of 49% then). Cancellation of the public share auction would reduce NLG's future EPS dilution risk but does not impact our target price and EPS forecasts as we had not factored in this planned issuance.

Maintain Add

We believe the newly-launched projects and profits from project transfers of Akari and Waterpoint in 2018-19F could catalyse a re-rating. The key risk to our call is rising mortgage rates amid a rising interest rate environment as this may dent NLG's high-rise presales.

Financial Summary

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Net Revenues (VNDb)	2,534	3,161	3,019	2,382	2,715
Operating EBITDA (VNDb)	493.6	894.9	772.5	429.8	581.6
Net Profit (VNDb)	332	512	584	737	1,069
Core EPS (VND)	1,917	817	1,001	2,363	4,909
Core EPS Growth	56%	(57%)	22%	136%	108%
FD Core P/E (x)	15.15	35.56	29.03	12.29	5.92
DPS (VND)	682.0	496.8	452.0	500.0	500.0
Dividend Yield	2.35%	1.71%	1.56%	1.72%	1.72%
EV/EBITDA (x)	11.03	4.16	3.17	6.89	1.37
P/FCFE (x)	22.98	4.37	3.02	60.93	2.41
Net Gearing	(7.3%)	(44.0%)	(60.8%)	(54.2%)	(77.1%)
P/BV (x)	2.03	1.91	1.42	1.25	1.05
ROE	14.1%	5.5%	5.6%	10.8%	19.2%
CIMB/consensus EPS (x)			0.84	1.02	0.70

SOURCES: VND, COMPANY REPORTS

Stellar results in 3Q18

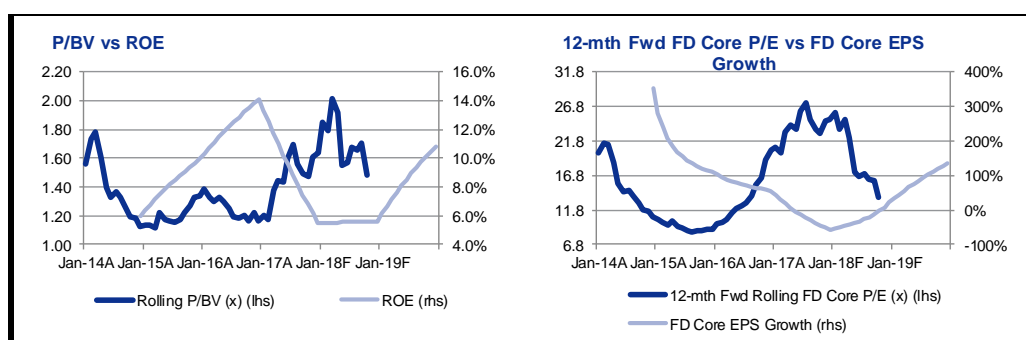
Figure 1: Key financial results

VNDbn	3Q2018	3Q2017	% Change	9M2018	9M2017	% Change	9M18 as % of FY18G	9M18 as % of FY18F
Net sales	1,330	375	255%	2,740	1,637	67%	71%	91%
<i>Property deliveries</i>	499	365	37%	1,786	758	136%	65%	75%
<i>Project transfer</i>	792	-		792	838	-6%	76%	144%
<i>Others</i>	40	10	290%	163	40	308%	223%	223%
Gross profit	638	140	357%	1,182	755	57%	87%	101%
Gross margin	48%	37%		43%	46%			
SG&A expenses	(101)	(72)	40%	(312)	(207)	51%		
Pre-tax profit	565	93	505%	950	592	61%		
Net profit*	420	42	902%	635	352	80%	103%	101%

(* This excludes post-tax spendings for bonus and welfare funds.

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Net Revenues	2,534	3,161	3,019	2,382	2,715
Gross Profit	837	1,309	1,168	842	1,032
Operating EBITDA	494	895	772	430	582
Depreciation And Amortisation	(14)	(14)	(15)	(16)	(16)
Operating EBIT	480	881	757	414	565
Financial Income/(Expense)	(3)	65	326	437	159
Pretax Income/(Loss) from Assoc.	1	(3)	10	120	1,148
Non-Operating Income/(Expense)	7	6	0	0	0
Profit Before Tax (pre-EI)	484	950	1,094	971	1,873
Exceptional Items					
Pre-tax Profit	484	950	1,094	971	1,873
Taxation	(97)	(194)	(219)	(194)	(375)
Exceptional Income - post-tax					
Profit After Tax	388	756	875	777	1,498
Minority Interests	(42)	(221)	(248)	1	(384)
Prof. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	(13)	(23)	(43)	(41)	(45)
Net Profit	332	512	584	737	1,069
Recurring Net Profit	332	149	205	515	1,069
Fully Diluted Recurring Net Profit	332	149	205	515	1,069

Cash Flow

(VNDb)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
EBITDA	493.6	894.9	772.5	429.8	581.6
Cash Flow from Inv. & Assoc.	0.0	0.0	0.0	0.0	0.0
Change In Working Capital	(608.6)	1,680.8	852.0	(779.5)	1,181.1
Straight Line Adjustment	0.0	0.0	0.0	0.0	0.0
(Incr)/Decr in Total Provisions	15.2	12.3	15.5	15.9	16.4
Other Non-Cash (Income)/Expense	(43.7)	(92.1)	(395.4)	(627.0)	(1,376.9)
Other Operating Cashflow	(16.3)	31.2	559.1	791.9	1,316.0
Net Interest (Paid)/Received	(20.6)	(27.8)	(58.9)	(69.6)	(69.6)
Tax Paid	(80.8)	(238.3)	(218.7)	(194.3)	(374.5)
Cashflow From Operations	(261.2)	2,261.0	1,526.1	(432.8)	1,274.0
Capex	0.0	0.0	0.0	0.0	0.0
Disposals Of FAs/subsidiaries	35.6	0.5	0.0	0.0	0.0
Disposals of Investment Properties	211.6	22.4	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	(246.4)	(750.8)	(550.0)	0.0	(0.0)
Other Investing Cashflow	(46.2)	(58.6)	391.2	622.6	1,385.7
Cash Flow From Investing	(45.5)	(786.5)	(158.8)	622.6	1,385.7
Debt Raised/(repaid)	525.6	(259.1)	605.1	(86.0)	(33.5)
Proceeds From Issue Of Shares	386.0	58.0	544.5	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(96.6)	(122.9)	(71.1)	(108.9)	(108.9)
Preferred Dividends					
Other Financing Cashflow	0.0	0.0	0.0	0.0	0.0
Cash Flow From Financing	815.0	(324.0)	1,078.5	(194.9)	(142.3)

SOURCES: VND, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Cash And Equivalents	932	2,082	4,528	4,523	7,040
Properties Under Development	3,686	3,873	5,288	5,862	5,633
Total Debtors	1,095	579	568	503	536
Inventories	13	11	6	7	8
Total Other Current Assets	103	234	292	285	285
Total Current Assets	5,828	6,779	10,683	11,179	13,501
Fixed Assets	42	44	39	34	29
Total Investments	70	788	1,333	1,329	1,324
Intangible Assets	27	22	20	18	16
Total Other Non-Current Assets	242	274	664	648	845
Total Non-current Assets	381	1,127	2,056	2,028	2,214
Short-term Debt	354	216	216	180	197
Current Portion of Long-Term Debt	0	0	0	0	0
Total Creditors	199	291	292	243	265
Other Current Liabilities	1,626	2,553	5,062	4,846	6,167
Total Current Liabilities	2,179	3,061	5,569	5,268	6,629
Total Long-term Debt	350	229	834	784	734
Hybrid Debt - Debt Component	0	0	0	0	0
Total Other Non-Current Liabilities	533	894	608	577	417
Total Non-current Liabilities	882	1,123	1,442	1,361	1,150
Total Provisions	0	0	0	0	0
Total Liabilities	3,062	4,183	7,011	6,629	7,779
Shareholders' Equity	2,484	2,920	4,449	5,077	6,051
Minority Interests	664	803	1,272	1,493	1,878
Total Equity	3,147	3,723	5,722	6,571	7,929

Key Ratios

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	101%	25%	(4%)	(21%)	14%
Operating EBITDA Growth	211%	81%	(14%)	(44%)	35%
Operating EBITDA Margin	19.5%	28.3%	25.6%	18.0%	21.4%
Net Cash Per Share (VND)	1,315	8,528	15,973	16,345	28,059
BVPS (VND)	14,311	15,208	20,431	23,315	27,787
Gross Interest Cover	23.35	31.67	12.85	5.95	8.12
Effective Tax Rate	20.0%	20.4%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	29.1%	13.8%	12.2%	14.8%	10.2%
Accounts Receivables Days	116.4	96.6	69.3	82.1	70.0
Inventory Days	1.35	2.32	1.72	1.61	1.63
Accounts Payables Days	42.89	48.36	57.47	63.35	55.29
ROIC (%)	14.6%	20.8%	27.6%	21.7%	19.9%
ROCE (%)	14.6%	24.3%	20.9%	12.9%	9.7%
Return On Average Assets	6.71%	9.65%	5.53%	2.97%	9.17%

Key Drivers

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Unbooked Presales (m) (VND)	1,509,425.1	3,952,504.1	6,537,293.0	11,720,335.7	11,355,408.6
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (units)	1,457.0	2,629.0	4,078.0	5,338.8	5,677.8
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A	N/A
Gross Margins (%)	33.0%	42.0%	39.2%	35.9%	38.7%
Contracted Sales ASP (per Sm) (VND)	N/A	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	18.9%	18.5%	22.7%	17.4%	20.8%
Investment rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	100.0%	70.9%	79.4%	96.6%	96.7%
Inv. properties rental margin (%)	N/A	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	5.0%	5.0%	5.0%	5.0%	5.0%

SOURCES: VND, COMPANY REPORTS

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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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