

Company Note

I Vietnam

ADD (no change)

Consensus ratings*: Buy 4 Hold 3 Sell 0

Current price:	VND29,200
Target price:	VND33,200
Previous target:	VND30,700
Up/downside:	13.7%
CIMB / Consensus:	11.6%
Reuters:	NLG.VN
Bloomberg:	NLG VN
Market cap:	US\$182.6m VND4,149,744m
Average daily turnover:	US\$0.66m VND15,005m
Current shares o/s:	142.1m
Free float:	32.0%

*Source: Bloomberg

Key changes in this note

➤ No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.7	28.1	24.3
Relative (%)	1.5	25.2	4.6

Major shareholders	% held
Nguyen Xuan Quang	14.7
Nguyen Thi Bich Ngoc	6.3
IFC	6.2

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Nam Long Investment Corporation**Earnings driven by mid-range products**

- NLG's 1Q17 revenue fell 32% yoy while net profit slid 49% yoy due to decrease in unit sales recognised.
- 1Q17 net profit was in line at 5% of our FY17 forecast; we still expect FY17 revenue to rise 10% and net profit to increase 33% yoy.
- Strong performance of landed property segment supports expectations of robust sales for NLG's new Valora Kikyo project.
- Maintain Add. NLG is trading at a 20% discount to RNAV.

1Q17 earnings tempered by the mismatch of revenue and pre-sales

NLG sold 110 villas in the Valora Kikyo project for ~US\$350,000/unit within a month of its launch in Jan 2017. Under Vietnamese accounting regulations, revenues generated by the pre-sales are recorded after the units are handed over to the end-buyers by 3Q/4Q17. Most of its revenue from affordable apartments (EHome 3, 4 and 5) was booked in FY16. So, net profit fell 49% yoy in 1Q17 but we expect this to bounce back by end-FY17 due to delivery of its Valora villas and mid-range Flora Fuji apartments.

Moving up to the mid-tier segment

NLG is Vietnam's best affordable housing developer but the mid-tier segment has become much "hotter" than the affordable segment in the past two years, driven by the increasing wealth of the emerging middle class and growing availability of mortgages. NLG partnered with two Japanese firms (Hankyu Realty and Nishi Nippon Railroad) to develop three gated communities and two mid-range apartment projects in FY16 and will develop the 26ha mid-range Mizura project in FY17.

FY17 EPS growth driven by NLG's mid-range projects

We expect FY17 EPS to rise 36% yoy due to US\$9m revaluation gains from the 37ha Aquamarine project and strong sales of the 17ha Valora Kikyo/Valora Fuji project as property prices are booming in District 9. NLG sold 183 out of 194 villas in these two projects and 600 out of 789 units in its mid-tier Flora Fuji apartment project as at end-Mar 17. This will contribute c.40% of FY17 net profit.

NLG is developing its largest project in Ho Chi Minh City (HCMC)

NLG has started the construction of its 37ha Aquamarine project, which is 10km from HCMC's CBD. NLG partnered with two Japanese firms to build the 4,676-unit mid-range Flora apartments and 170 Valora villas at the 26ha Mizura project. This land was acquired eight years ago. So, NLG will revalue the project upon the start of its JV in FY17, triggered by the 60% rise in land price in south HCMC over the past five years. We expect the revaluation of this project to contribute c.40% of FY17 PBT.

Maintain Add; raise our target price by 8%

We raise our target price by 8% to VND33,200 in anticipation of strong sales for the Mizura project. Our target price is based on a 10% discount to RNAV. Our Add call is intact as the stock is the best play for HCMC's mid-range and affordable housing market, in our view. Re-rating catalysts include one-off gains from the revaluation of Aquamarine.

Risks to our call

Downside risks include 1) competition from well-established landed property developers (e.g. KDH) who have more experience, product understanding and favourable pricing, and 2) liquidity risks for the 300ha Waterpoint project, which is 30km outside HCMC (~50% of RNAV).

Financial Summary

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues (VNDb)	1,259	2,534	2,777	3,618	3,320
Operating EBITDA (VNDb)	158.9	493.6	474.2	843.5	707.1
Net Profit (VNDb)	206.2	345.2	468.9	491.7	447.5
Core EPS (VND)	1,497	2,434	3,300	3,460	3,149
Core EPS Growth	79.7%	62.6%	35.6%	4.9%	(9.0%)
FD Core P/E (x)	19.51	12.00	8.85	8.44	9.27
DPS (VND)	433.8	679.4	957.2	957.2	957.2
Dividend Yield	1.49%	2.33%	3.28%	3.28%	3.28%
EV/EBITDA (x)	27.71	10.08	11.90	5.84	6.18
P/FCFE (x)	NA	15.02	NA	3.93	5.10
Net Gearing	8.1%	6.2%	24.8%	3.7%	(10.4%)
P/BV (x)	1.86	1.67	1.49	1.34	1.23
ROE	9.9%	14.7%	17.8%	16.7%	13.8%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.16	1.00	0.89

SOURCE: COMPANY DATA, CIMB FORECASTS

Earnings driven by mid-range products

Valuation metrics ►

Figure 1: Peer Comparison

Ticker	Short Name	Market cap (US\$ bn)	Trailing PE	P/B	Net D/E	ROE	Gross margin	1Y return
VIC VN Equity	Vingroup JSC	4,721	32.2	3.7	0.65	9.8%	30%	6%
NVL VN Equity	Nova Land JSC	1,799	20.3	4.5	0.92	23.1%	22%	N/A
DXG VN Equity	Dat Xanh Group JSC	264	8.0	1.8	-0.32	22.3%	42%	117%
FLC VN Equity	FLC group JSC	207	4.0	0.6	-0.04	14.0%	27%	15%
KDH VN Equity	Khang Dien House JSC	285	16.6	1.9	0.19	11.0%	25%	62%
PDR VN Equity	Phat Dat Real Estate JSC	237	21.5	2.2	1.29	9.8%	27%	88%
HDG VN Equity	Ha Do JSC	99	8.1	1.9	1.05	25.8%	29%	27%
BCI VN Equity	BCCI JSC	95	54.0	1.1	0.04	4.5%	11%	8%
SCR VN Equity	Sacomreal	106	13.7	0.8	0.23	5.6%	37%	27%
NBB VN Equity	NBB Investment JSC	66	19.1	1.1	0.69	0.2%	11%	34%
QCG VN Equity	QCGL	152	49.2	0.9	0.41	1.8%	5%	171%
HQC VN Equity	Hoang Quan JSC	50	14.1	0.3	0.15	18.2%	31%	-50%
TDH VN Equity	Thu Duc House JSC	52	8.7	0.7	0.19	7.2%	20%	57%
ITC VN Equity	Intresco JSC	43	24.2	0.6	0.63	1.9%	20%	71%
Average			21.0	1.6	0.43	11.1%		49%
NLG VN Equity	Nam Long Investment JSC	184	12.6	1.6	-0.08	14.3%	32%	26%

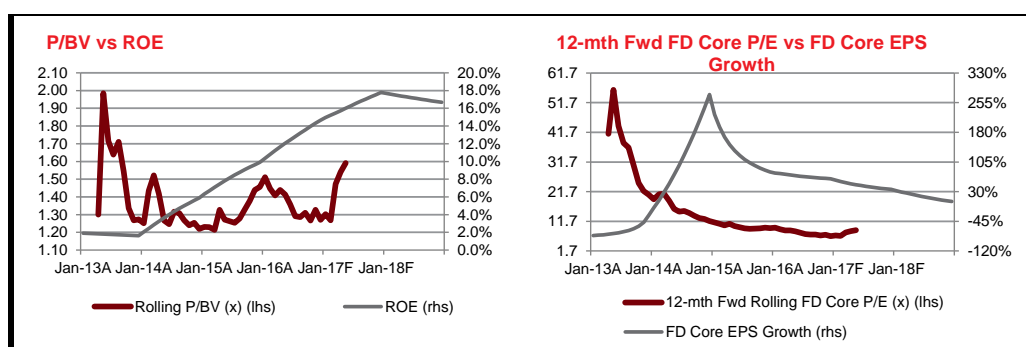
SOURCES: CIMB, COMPANY REPORTS

Figure 2: RNAV valuation of NLG

Projects	Location	Revaluation Method	Area (ha)	Revised value attributable to NLG (VND bn)
Ehome 4 - Vinh Phu Binh Duong	Binh Duong	DCF	12.68	17
Ehome 5 - Bridgeview	HCMC	DCF	2.02	7
Ehome 6 - Golfview	HCMC	DCF	1.17	26
Ehome 7 - Greenhill	HCMC	DCF	1.10	157
Aquamarine	HCMC	DCF	37.41	1,176
East Gate	HCMC	DCF	17.83	949
Waterpoint	Long An	Comparable	390.64	2,500
Camellia	HCMC	DCF	5.91	140
Can Tho 23+43	Can Tho	Book value/Comparable	67.27	111
Nam Long - Hong Phat (8C)	Can Tho	Comparable	15.42	106
Ho Tram	BR-Vung Tau	Book value	16.89	6
Capital Tower	HCMC	Book value	0.60	41
Valora Fuji	HCMC	DCF	5.60	92
Other				28
Total			580.44	5,356
Cash				970
FA				56
Other operating assets				20
Debt				1,166
Total RNAV				5,237
No of outstanding shares (mn)				142
RNAV/share (VND)				36,851
Target price (based on 10% discount to RNAV)				33,200

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	1,259	2,534	2,777	3,618	3,320
Gross Profit	432	837	930	1,426	1,245
Operating EBITDA	159	494	474	844	707
Depreciation And Amortisation	(14)	(14)	(12)	(7)	(7)
Operating EBIT	145	480	462	837	700
Financial Income/(Expense)	0	(3)	208	5	(1)
Pretax Income/(Loss) from Assoc.	0	1	75	0	54
Non-Operating Income/(Expense)	131	7	0	0	0
Profit Before Tax (pre-EI)	276	484	745	842	753
Exceptional Items					
Pre-tax Profit	276	484	745	842	753
Taxation	(67)	(97)	(149)	(168)	(151)
Exceptional Income - post-tax					
Profit After Tax	209	388	596	674	602
Minority Interests	(2)	(42)	(127)	(182)	(155)
Pref. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	206	345	469	492	447
Recurring Net Profit	206	345	469	492	447
Fully Diluted Recurring Net Profit	206	345	469	492	447

Cash Flow

(VNDb)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	158.9	493.6	474.2	843.5	707.1
Cash Flow from Invnt. & Assoc.					
Change In Working Capital	(112.2)	(608.6)	(872.5)	390.5	232.0
Straight Line Adjustment					
(Incr)/Decr in Total Provisions	(0.3)	1.4	0.0	0.0	0.0
Other Non-Cash (Income)/Expense	(50.6)	(43.7)	(230.8)	(28.3)	(33.9)
Other Operating Cashflow	125.3	11.1	198.1	(3.9)	98.9
Net Interest (Paid)/Received	(10.6)	(20.6)	(22.8)	(22.8)	(34.9)
Tax Paid	(54.2)	(80.8)	(148.9)	(168.4)	(150.6)
Cashflow From Operations	56.3	(247.5)	(602.8)	1,010.7	818.7
Capex	(1.0)	(7.9)	(24.0)	(4.1)	(4.2)
Disposals Of FAs/subsidiaries	81.2	211.6	0.0	0.0	0.0
Disposals of Investment Properties					
Acq. Of Subsidiaries/Investments	(248.1)	(246.4)	0.0	0.0	0.0
Other Investing Cashflow					
Cash Flow From Investing	(168.0)	(42.7)	(24.0)	(4.1)	(4.2)
Debt Raised/(repaid)	19.0	566.1	(214.6)	48.2	0.0
Proceeds From Issue Of Shares	195.6	345.5	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid	(61.4)	(96.5)	(136.0)	(136.0)	(136.0)
Preferred Dividends					
Other Financing Cashflow	0.0	0.0	(126.7)	(181.8)	(154.9)
Cash Flow From Financing	153.2	815.0	(477.3)	(269.6)	(291.0)

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	440	970	97	862	1,420
Properties Under Development					
Total Debtors	516	1,095	997	1,090	1,057
Inventories	3,673	3,698	4,284	3,984	3,684
Total Other Current Assets	70	64	178	216	203
Total Current Assets	4,699	5,828	5,557	6,152	6,364
Fixed Assets	39	42	42	42	43
Total Investments	168	187	235	258	246
Intangible Assets	31	27	25	25	24
Total Other Non-Current Assets	86	125	0	0	0
Total Non-current Assets	323	381	302	325	313
Short-term Debt	225	354	200	200	200
Current Portion of Long-Term Debt					
Total Creditors	198	199	357	428	411
Other Current Liabilities	1,679	1,626	1,034	1,207	1,145
Total Current Liabilities	2,102	2,179	1,591	1,834	1,756
Total Long-term Debt	413	813	752	800	800
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	20	14	14	18	17
Total Non-current Liabilities	433	827	766	818	817
Total Provisions	61	55	55	55	55
Total Liabilities	2,596	3,062	2,412	2,708	2,628
Shareholders' Equity	2,218	2,484	2,784	3,105	3,385
Minority Interests	209	664	664	664	664
Total Equity	2,426	3,147	3,447	3,769	4,049

Key Ratios

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	45%	101%	10%	30%	(8%)
Operating EBITDA Growth	35%	211%	(4%)	78%	(16%)
Operating EBITDA Margin	12.6%	19.5%	17.1%	23.3%	21.3%
Net Cash Per Share (VND)	(1,396)	(1,379)	(6,014)	(969)	2,953
BVPS (VND)	15,667	17,477	19,589	21,849	23,821
Gross Interest Cover	13.70	23.35	20.25	36.69	20.07
Effective Tax Rate	24.4%	20.0%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	29.8%	28.0%	29.0%	27.7%	30.4%
Accounts Receivables Days	127.4	116.4	137.5	105.3	118.0
Inventory Days	1,388	795	789	688	674
Accounts Payables Days	65.84	42.89	54.95	65.30	73.74
ROIC (%)	6.1%	15.1%	11.5%	16.2%	15.0%
ROCE (%)	5.6%	13.5%	15.7%	18.6%	14.8%
Return On Average Assets	4.7%	6.9%	7.1%	10.8%	9.2%

Key Drivers

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Unbooked Presales (m) (VND)	N/A	N/A	N/A	N/A	N/A
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 (%)	34.3%	33.0%	33.5%	39.4%	37.5%
Contracted Sales ASP (per Sm) (VND)	N/A	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	2.5%	1.3%	1.4%	1.1%	1.2%
Residential rev / total rev (%)	96.2%	97.9%	98.0%	98.4%	98.3%
Inv. properties rental margin (%)	40.0%	40.0%	40.0%	40.0%	40.0%
SG&A / Sales Ratio (%)	21.7%	13.5%	16.4%	16.1%	16.2%

SOURCE: CIMB RESEARCH, COMPANY DATA

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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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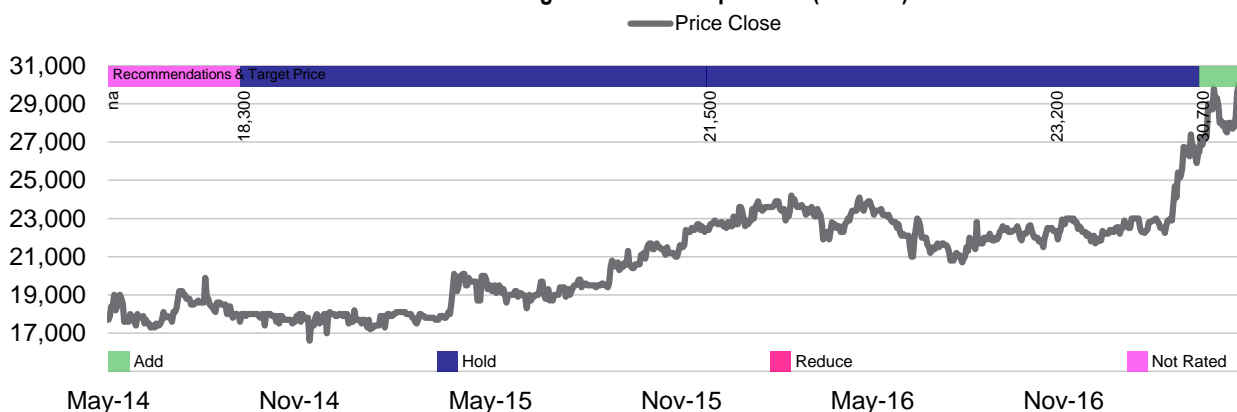
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1244 companies under coverage for quarter ended on 31 March 2017		
	Rating Distribution (%)	Investment Banking clients (%)
Add	55.9%	5.2%
Hold	30.0%	1.6%
Reduce	10.4%	0.3%

Spitzer Chart for stock being researched (2 year data)

Nam Long Investment Corporation (NLG VN)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2016, Anti-Corruption 2016.

AAV – Very Good, n/a, **ADVANC** – Very Good, Certified, **AEONTS** – Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Very Good, Declared, **AOT** – Excellent, Declared, **AP** – Very Good, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – not available, Declared, **BGP** - Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, Declared, **BEC** - Good, n/a, **BH** - Good, Declared, **BIGC** - Excellent, Declared, **BJC** – Good, n/a, **BLA** – Very Good, Certified, **BPP** – not available, n/a, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – not available, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DTAC** – Excellent, Certified, **EA** – Very Good, Declared, **ECL** – Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Good, n/a, **GFPT** - Excellent, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Very Good, Declared,

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- Companies certified by CAC

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- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
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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:

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- 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.

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Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
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