

Vietnam

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Overweight (no change)

Highlighted Companies

Khang Dien House Trading and Investment JSC
ADD, TP VND34,300, VND30,500 close
 KDH is an iconic brand name for landed property in HCMC, with a sizeable 499 ha land bank in HCMC (as of 2017). We expect the newly-acquired 482ha land plot to be a big catalyst for KDH's earnings growth in the coming years.

Nam Long Investment Corporation
ADD, TP VND35,500, VND29,800 close
 NLG is a leading mid-range residential developer with well-structured, quality products supported by its Japanese partners. Its long-held biggest land site is now re-opened for township development, and we expect it to generate VND1.5tr in net profit over FY19-24F.

Summary Valuation Metrics

| P/E (x) | Dec-18F | Dec-19F | Dec-20F |
|---|---------|---------|---------|
| Khang Dien House Trading and Investment JSC | 14.74 | 14.33 | 12.20 |
| Nam Long Investment Corporation | 10.45 | 8.81 | 6.07 |
| P/BV (x) | Dec-18F | Dec-19F | Dec-20F |
| Khang Dien House Trading and Investment JSC | 1.71 | 1.59 | 1.45 |
| Nam Long Investment Corporation | 1.46 | 1.28 | 1.07 |
| Dividend Yield | Dec-18F | Dec-19F | Dec-20F |
| Khang Dien House Trading and Investment JSC | 1.64% | 1.64% | 1.64% |
| Nam Long Investment Corporation | 1.52% | 1.68% | 1.68% |

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Property Devt & Invt

3Q18: Sales weakness is temporary

- We attended the 3Q18 Savills update on the HCMC property market. The condo segment saw healthy sales volume and absorption rates in 9M2018.
- Although we expect mortgage rates to increase 50-100bp in 2019F, we project a stable residential market given the affordable mortgage payment-to-income ratio.
- We stay positive on KDH and NLG, with unchanged earnings forecasts for FY18-20F.
- This is premised on their solid reputations, focus on real demand for grade C properties, and attractive mortgage rates.

Slower condo supply, higher sales volume upped absorption rates

Ho Chi Minh City's (HCMC's) condo supply volume was 18,800 units (-26% qoq and -46% yoy) in 3Q18 and 46,900 units (-15% yoy) in 9M18. Sales volume in 3Q18 reached 10,000 units (-30% qoq and -13% yoy) and 37,900 units for 9M18 (+18.9% yoy), partially due to a Hungry Ghost Festival taboo against house purchases which impacted quarterly growth, stricter construction regulations and rising buyer caution after an Apr 2018 condo fire disaster in HCMC. However, 9M18 sales volume still grew yoy, while the 9M18 absorption rate was up 24% pts yoy to touch 81%.

Stable performance expected during 2019-20F

Savills estimates a supply of 57,000/53,500 condo units in HCMC in 2019F/20F, a slight decrease compared to the 2017/18F supply of 63,900/58,200 units. Nevertheless, this is still in line with our forecasted homebuyers' demand of 55,000 units/year till 2020. We think the current land scarcity and stricter building regulations might dampen supply. Although this is unlikely to lift prices, it should support absorption rates, especially given that near-term supply is expected to be concentrated in grade C buildings that see real demand from owner-occupiers. We project mortgage rates to rise 50-100bp in late-4Q18 or early-2019 but think buyers will still consider that affordable. NLG and KDH also offer better mortgage rates versus the market due to their cooperation with state-owned banks.

Strong sales of land plots but landed product volumes plunged

3Q18 land plot sales volume surged with 100% yoy growth and total supply rose by 39% yoy. The absorption rate increased 20% pts yoy. However, sales volume of townhouses/villas plunged 66% qoq and 67% yoy, mainly due to the shortage of affordably-priced products (less than VND7bn-8bn/unit). We believe that sales of affordable landed properties (land plots, townhouse/villa less than VND7bn-8bn) will recover because of traditional preference for such housing. This will propel KDH's and NLG's growth in the short- and medium-term.

Maintain Overweight on sector

We maintain our sector Overweight given long-term housing demand from a growing middle class and the supply-side focus on sustainable demand. We still like NLG and KDH as they can meet demand with affordable properties. We maintain our projections for both companies for 2018-20F given the stable outlook. A key sector risk is a rise in mortgage rates beyond the expected range of 50-100bp latest by early-2019.

Figure 1: Quarterly presales of HCMC condo unit

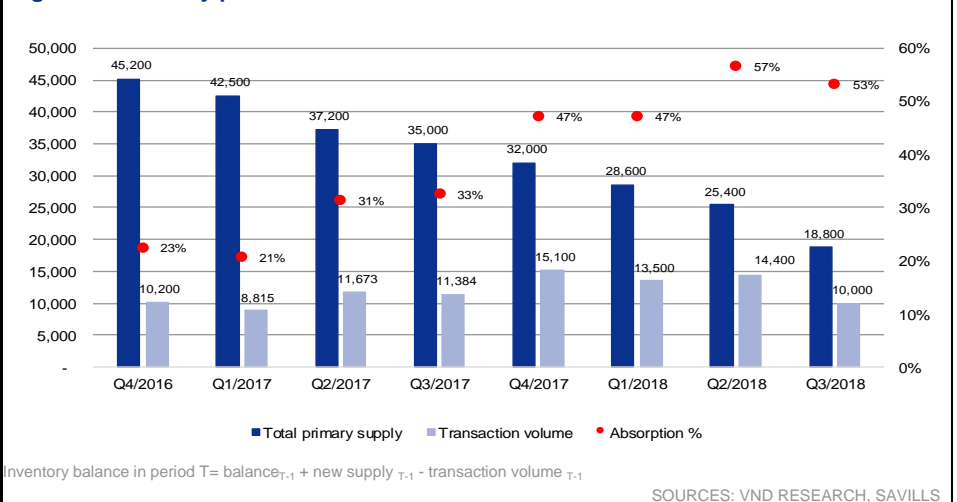
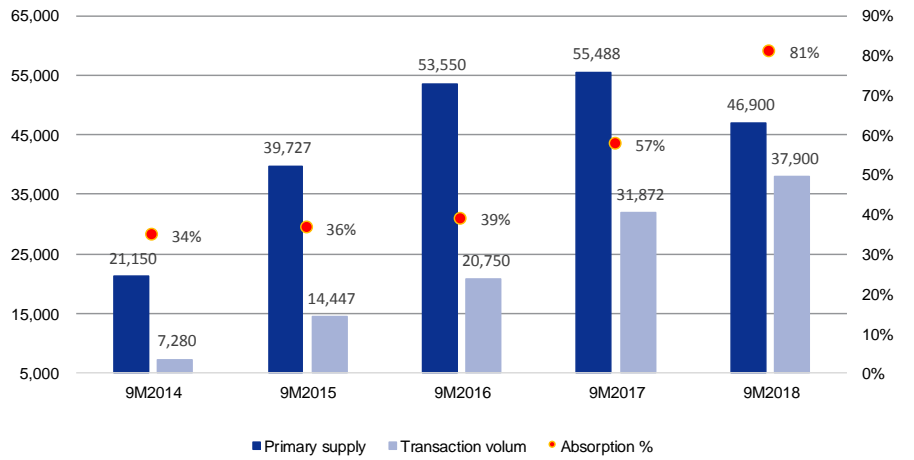
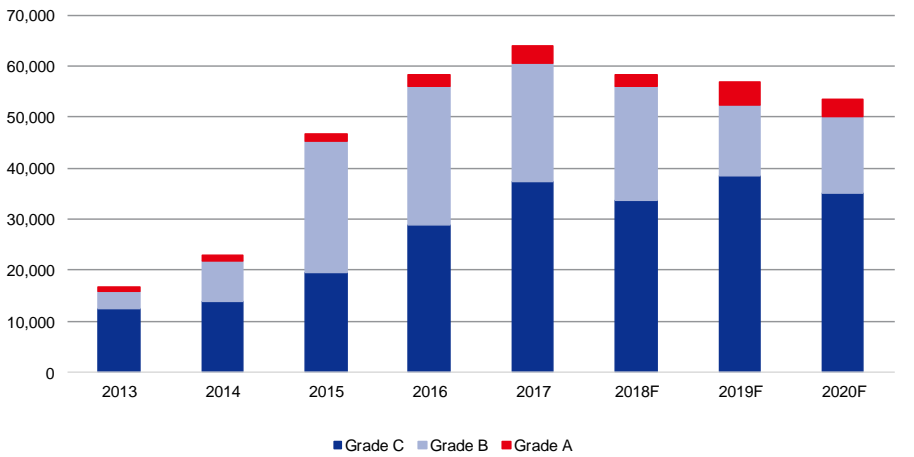


Figure 2: 9M presales of HCMC condo units



SOURCES: VND RESEARCH, SAVILLS

Figure 3: A future decreasing supply of apartments



SOURCES: VND RESEARCH, SAVILLS

Figure 4: Peer 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 | TTM | 2018F | 2019F | 2018F | 2019F | |
| VINHOMES | VHM VN | 72,500 | NR | NR | 16,110 | 10,422 | 39.7 | 15.0 | 11.1 | 2.7 | N/A | N/A | N/A | 58.1 | 47.1 | N/A | N/A | 136.0 |
| NO VA LAND | NVL VN | 72,900 | NR | NR | 623 | 2,839 | 28.7 | 23.3 | 19.2 | 4.7 | 3.7 | 4 | 18.7 | 18.5 | 14.9 | N/A | N/A | 81.4 |
| KHANG DIEN | KDH VN | 30,500 | 34,300 | ADD | 499 | 542 | 22.4 | 14.7 | 14.3 | 2.1 | 1.7 | 1.6 | 10.0 | 11.5 | 11.5 | 1.6 | 1.6 | -15.1 |
| DAT XANH GROUP | DXG VN | 26,550 | NR | NR | 702 | 399 | 10.0 | 8.8 | 7.9 | 2.3 | 2.0 | 2.0 | 26.2 | 23.8 | 29.8 | 1.7 | 1.7 | 13.2 |
| PHAT DAT | PDR VN | 26,300 | NR | NR | 216 | 301 | 13.4 | N/A | N/A | 2.3 | N/A | N/A | 19.4 | N/A | N/A | N/A | N/A | -3.4 |
| VAN PHU | VPI VN | 42,250 | NR | NR | 237 | 290 | 9.9 | N/A | N/A | 3.7 | N/A | N/A | 38.8 | N/A | N/A | N/A | N/A | 13.0 |
| NAM LONG | NLG VN | 29,800 | 35,500 | ADD | 400 | 271 | 13.4 | 10.4 | 8.8 | 1.7 | 1.5 | 1.3 | 19.1 | 5.6 | 10.8 | 1.5 | 1.6 | -33.0 |
| DEV INVE GROUP | DIG VN | 14,350 | NR | NR | 3,158 | 156 | 15.8 | 15.4 | 12.3 | 1.4 | 1.5 | 1.5 | 9.6 | N/A | N/A | N/A | N/A | 52.4 |
| SAI GON | SCR VN | 7,850 | NR | NR | 158 | 114 | 7.0 | N/A | N/A | 0.7 | N/A | N/A | 7.2 | N/A | N/A | N/A | N/A | 47.6 |
| LDG INVESTMENT | LDG VN | 16,600 | NR | NR | N/A | 136 | 19.0 | N/A | N/A | 1.7 | N/A | N/A | 14.0 | N/A | N/A | N/A | N/A | 0.6 |
| QCGL | QCG VN | 7,750 | NR | NR | N/A | 92 | 11.2 | N/A | N/A | 0.6 | N/A | N/A | 11.0 | N/A | N/A | N/A | N/A | 9.0 |
| NBB | NBB VN | 19,000 | NR | NR | N/A | 79 | 27.0 | N/A | N/A | 1.0 | N/A | N/A | 4.1 | N/A | N/A | N/A | N/A | 26.3 |
| THU DUC HOUSING | TDH VN | 10,800 | NR | NR | N/A | 38 | 8.0 | N/A | N/A | 0.6 | N/A | N/A | 7.0 | N/A | N/A | N/A | N/A | 26.7 |
| Simple average | | | | | | | 17.4 | 14.6 | 12.3 | 2.0 | 2.1 | 2.0 | 15.4 | 23.5 | 22.8 | 1.6 | 1.7 | 27.3 |
| Simple average (excluding VHM) | | | | | | | 15.5 | 14.5 | 12.5 | 1.9 | 2.1 | 2.0 | 15.4 | 14.8 | 16.8 | 1.6 | 1.7 | 18.2 |
| Median | | | | | | | 13.4 | 14.8 | 11.7 | 1.7 | 1.7 | 1.6 | 12.5 | 18.5 | 14.9 | 1.6 | 1.6 | 13.2 |

All prices are based on the closing prices on 24 Oct 2018. All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

SOURCES: VND RESEARCH, BLOOMBERG, COMPANY REPORT

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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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RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

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|--------|---|
| 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:

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|-------------|--|
| 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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