

## Vietnam

**ADD**

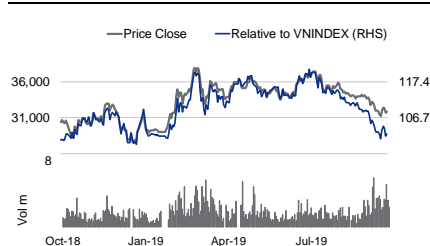
Consensus ratings\*: Buy 6 Hold 3 Sell 0

Current price:	VND31,850
Target price:	VND43,900
Previous target:	N/A
Up/downside:	37.8%
CGS-CIMB / Consensus:	12.7%
Reuters:	VRE.HM
Bloomberg:	VRE VN
Market cap:	US\$3,197m
	VND74,172,864m
Average daily turnover:	US\$2.89m
	VND67,011m
Current shares o/s:	2,329m
Free float:	45.0%

\*Source: Bloomberg

**Key changes in this note**

➤ N/A



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-6.2	-12.1	6
Relative (%)	-6.8	-14.2	1.6

Major shareholders	% held
Saidong Urban Dev. JSC	32.3
Vingroup JSC	18.4
Hanoi South City Dev LLC	8.3

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# Vincom Retail JSC

## The emporium with imperial brand

- Vincom Retail JSC (VRE) is Vietnam's largest retail property developer as at 30 Jun 2019 in terms of total retail floor area, per our estimates.
- VRE stands to benefit from the rise in modern retail channels, in our view.
- We expect VRE to deliver a 39% net profit CAGR, underpinned by 29% leasing revenue CAGR, over FY19-21F.
- Initiate coverage on VRE with an Add rating and DCF-based target price of VND43,900 thanks to the robust network expansion and attractive valuation.

### VRE following in the footsteps of regional retail real estate peers

Similar to SM Prime (the Philippines) and Central Pattana (Thailand), we believe Vincom Retail JSC (VRE) took advantage of Vietnam's underdeveloped retail industry to claim the top position via rapid expansion (31% retail GFA CAGR in FY14-18). As at end-1H19, VRE had 69 one-stop shopping destinations in 38 out of 63 provinces in Vietnam, with ~1.5m sq m in total gross floor area (GFA).

### VRE to capture opportunities during the retail boom

We believe VRE is well-equipped to ride the retail transition from traditional retail to modern retail with a sound business model, supported by: 1) a well-adapted shopping mall portfolio with sharp focus on middle and affluent consumers, 2) a strong tenant portfolio and advantageous rental structure, 3) project development know-how and funding capability, and 4) the ability to leverage the ecosystem of its parent company (Vingroup, VIC VN, Not Rated, CP: VND118,400).

### VRE to deliver 39% FY19-21F net profit CAGR

We expect VRE to record 39% FY19-21F net profit CAGR, underpinned by 29% FY19-21F leasing revenue CAGR on the back of 36 new malls (+748,000 sq m) to be launched in the next three years, with the annual occupancy rate maintained above 90%-level and average rental rate jumping ~8% per year. Notably, VRE is scheduled to launch three Vincom Mega Malls inside VIC's mega projects, adding c.170,000 sqm of GFA (equivalent to ~13% of its current total GFA) and initiate the conversion of Vincom Plazas to Vincom Centers by end-FY20F.

### Initiate coverage with an Add rating and VND43,900 target price

We initiate coverage with an Add rating on the back of: 1) VRE's leading position in Vietnam's retail property segment as at 30 June 2019; 2) the strong support from Vingroup and 3) our expectations of robust earnings growth, with the launch of major projects in FY20-21F. We apply a three-stage growth DCF valuation methodology to value VRE given its regular cashflow from leasing activities. Risks for VRE include increasing competition in key cities and the emergence of e-commerce.

**Financial Summary**

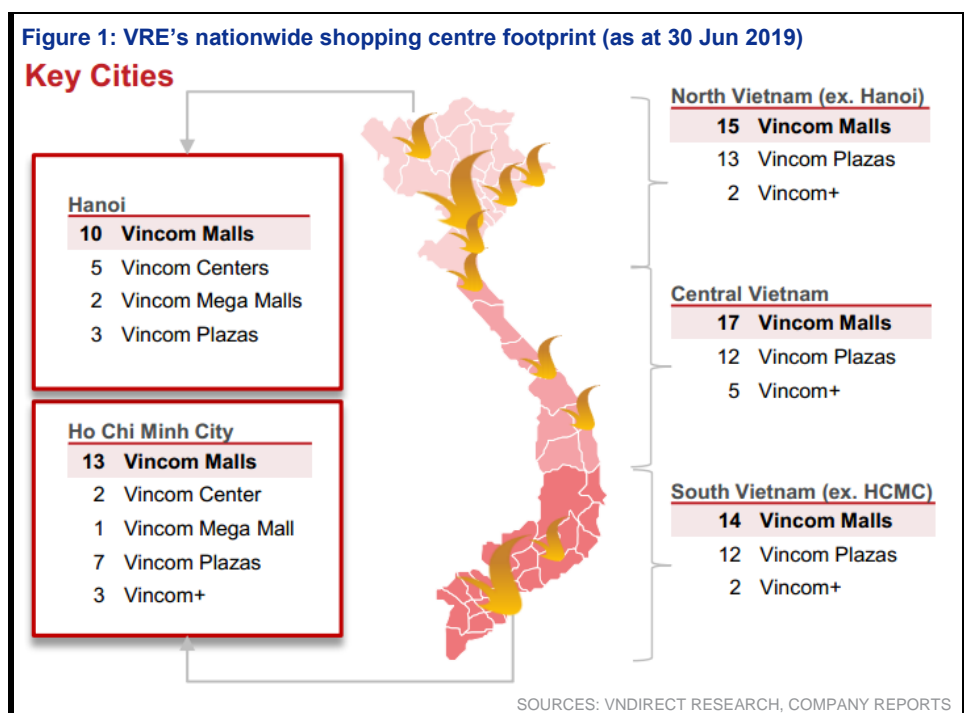
	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues (VNDb)	5,518	9,124	9,244	11,246	14,492
Operating EBITDA (VNDb)	3,167	4,048	4,907	6,268	8,482
Net Profit (VNDb)	1,287	2,404	2,784	3,714	5,355
Core EPS (VND)	942	1,445	1,482	1,920	2,679
Core EPS Growth	(29.0%)	53.4%	2.6%	29.6%	39.5%
FD Core P/E (x)	48.41	26.22	21.50	16.59	11.89
DPS (VND)	274	0	1,050	0	1,500
Dividend Yield	0.86%	0.00%	3.30%	0.00%	4.71%
EV/EBITDA (x)	17.93	13.61	13.43	10.55	8.28
P/FCFE (x)	92.7	79.3	95.6	369.4	35.6
Net Gearing	17.4%	1.2%	9.9%	7.7%	13.7%
P/BV (x)	1.99	2.19	2.57	2.28	2.15
ROE	8.4%	11.2%	12.0%	14.5%	18.6%
% Change In Core EPS Estimates					
CGS-CIMB/Consensus EPS (x)			0.95	1.04	1.19

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

## The emporium with imperial brand

### First-mover advantage ➤

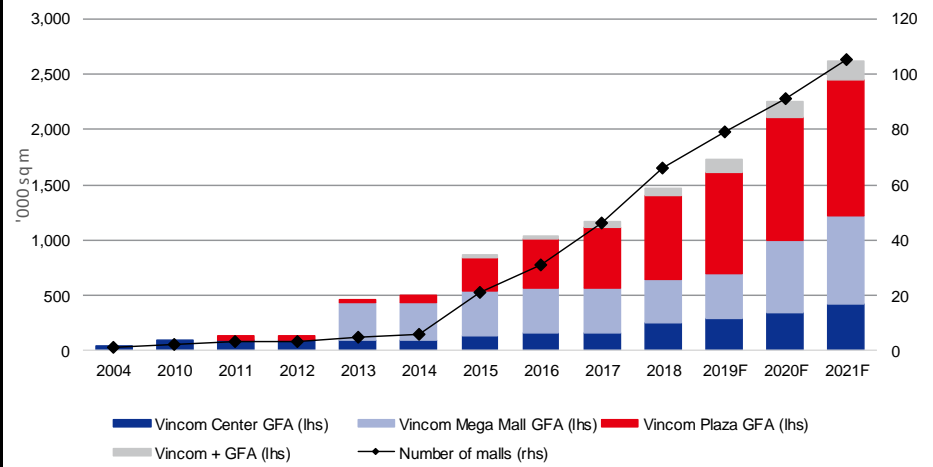
Vincom Retail JSC (VRE VN) was established in 2012 by the conglomerate, Vingroup JSC (VIC VN, Not Rated), and has rapidly grown to become the country's largest retail property developer in terms of shopping mall network with 69 shopping malls in 38 out of 63 provinces, per company's reports. The company's total gross floor area (GFA) was ~1.5m sq m as at 30 Jun 2019 and its malls are concentrated in Vietnam's southern and northern regions, especially in Hanoi (accounting for 53% of total retail floor area) and Ho Chi Minh City (30% of total retail floor area). We believe VRE has established a strategic mall portfolio to capture the rising urbanisation trend and growing consumption in both Tier 1 and Tier 2 cities, and was an early bird in securing prime locations for aggressive expansion while the modern retail platform was still underdeveloped in Vietnam.



**Well-adapted to consumers' needs with the sharp focus on mass affluent.** VRE offers four mall formats, namely Vincom Center, Vincom Mega Mall, Vincom Plaza and Vincom+.

- **Vincom Centers and Vincom Mega Malls** are all-in-one shopping destinations with extensive product offerings for middle- to upper-middle consumers in key cities. Vincom Centers offer leading domestic and international brands to cater to demand in the modern fashion-orientated consumer group. Vincom Mega Malls are large lifestyle malls with shopping, entertainment, games and F&B options catered to families, especially from nearby residential complexes.
- **Vincom Plaza and Vincom+** are community malls designed for consumers living in smaller cities and outside the centre of large cities like Hanoi and HCMC. The two formats offer a smaller range of products and services but are flexible to adapt to consumer demand. For example, VRE is now updating the design of Vincom+ from one floor and no basement to one basement and one leasing floor. We expect, the new design will offer more leasing options for tenants and will allow for a smooth upgrade to a higher-tier Vincom Plaza in the future without disrupting the existing businesses inside Vincom+ malls. The upgrade would help VRE meet the rising demand for higher-quality modern shopping malls in second-tier cities and provinces, in our view.

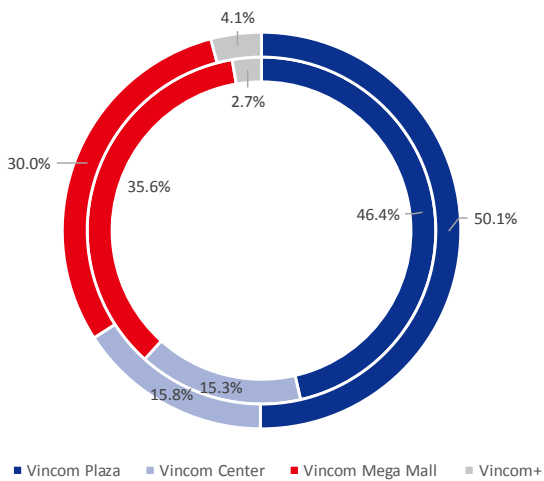
**Figure 2: VRE has expanded its footprint vigorously with a more diversified mall portfolio**



SOURCES: VNDIRECT RESEARCH ESTIMATES, COMPANY REPORTS

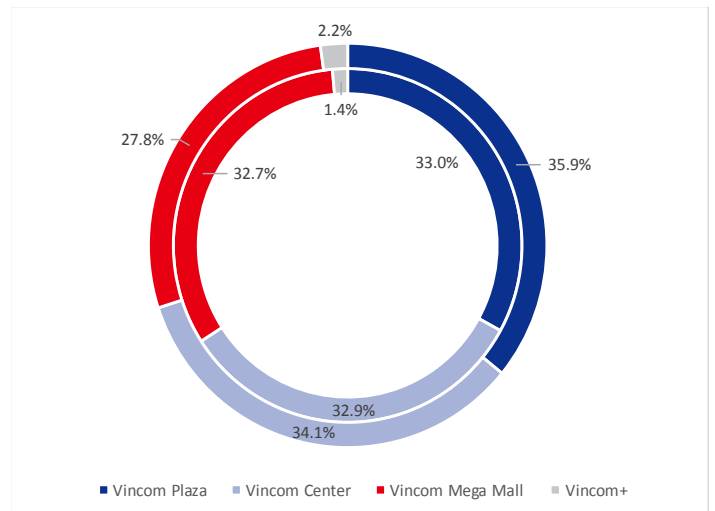
VRE's shopping malls are currently focused on 1) middle-income consumers in non-CBD locations and 2) families of all income levels in nearby residential complexes, with the major contributions from Vincom Plaza (making up 50% of VRE's FY18 GFA) and Vincom Mega Mall (30% of FY18 GFA). Correspondingly, per our estimates, the largest contributors in terms of leasing revenue were Vincom Plaza (36% of total leasing revenue as at end-2018) and Vincom Mega Mall (28% as at end-2018), thanks to the strong total floor area coverage, while the premium Vincom Center accounted for significant revenue share (34% as at end-2018) given its relatively high rental rate.

**Figure 3: Contribution of shopping mall formats under VRE to total net leasing area (NLA), per our estimates (FY17-18)**



Note: Inner circle refers to 2017 and outer circle refers to 2018  
 SOURCES: VNDIRECT RESEARCH

**Figure 4: The contribution of each format's total leasing revenue of VRE, per our estimates (FY17-18)**



Note: Inner circle refers to 2017 and outer circle refers to 2018  
 SOURCES: VNDIRECT RESEARCH

**GFA bolstered by continuous expansion.** We expect VRE to continue developing new projects both on secured sites within integrated projects of Vinhomes JSC (VHM VN, ADD, TP: VND104,300, CP: 86,400) and in provincial areas, driving an increase in total GFA by around 15% p.a. over the next three years. Specifically, 40% of GFA expansion will be from the expansion of Vincom Centers, 27% from Vincom Plaza, 23% from Vincom Malls and 10% from Vincom+, based on our estimates. VRE launched three new malls in 1H19 which added 63,000 sq m to total GFA (and reached 42% of our FY19 estimate), thanks to the launch of Vincom Plaza Skylake, Vincom Center Tran Duy Hung and Vincom Plaza Mong Cai.

**Figure 5: Vincom Plaza Skylake inside VIC's Skylake residential complex**



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 6: Vincom Center Tran Duy Hung – VRE's 10<sup>th</sup> shopping mall in Hanoi**



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 7: VRE's Vincom Plaza Mong Cai – the first shopping mall in Mong Cai**



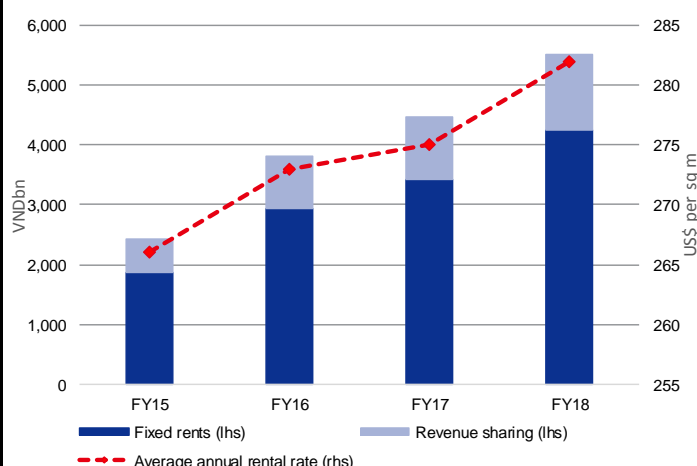
SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Rental structure grants stability and growth.** VRE's leasing revenue is recognised based on each lease contract with typical term of three years (for fixed rent contract), while longer terms range from five to 15 years (mostly for anchor tenants). VRE provides two types of rent:

- Fixed rent for the entire duration of the contract (c.75% of total revenue as at 30 Jun 2019): mostly paid monthly, and the average rental rate for this contract type is usually increased 10% p.a. Specifically, the rental rates under existing contract would increase 5% p.a while the rental rates under renewed contracts would increase by 15%-20% p.a. compared to the most recent rental rates under previous contracts.
- As a percentage of sales (c.25% of total revenue as at 30 Jun 2019): Rents are typically collected on a monthly basis and each contract lasts 5 to 15 years. The sharing revenue scheme is usually offered to anchor tenants (accounting for 50% total NLA). The rental percentage contract is based on revenue threshold (different rates applied for certain sales threshold in a given month) and subject to minimum guaranteed fixed-rate rents.
- Besides, tenants are also responsible for the incurred management fee which is charged at US\$5/sq m for Vincom Center and US\$3-4/sq m for other shopping mall formats.

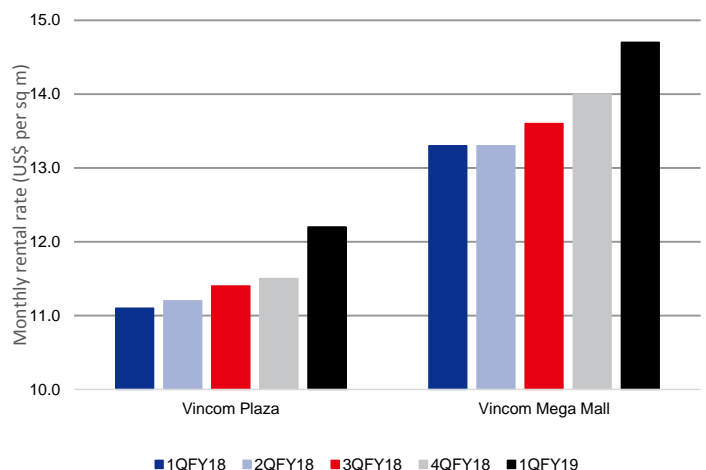
We believe the diversity in rental types will provide downside protection with a fixed base rate as well as potential upside from tenants' improving performance under turnover-based leases. Per our estimates, blended rental rates rose at FY15-18 CAGR of 3.8% with fixed rental rate contracts still accounting for a larger proportion of leasing revenue.

**Figure 8: Our estimates suggest rising rental rates enhanced VRE's leasing revenue**



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 9: The two largest shopping mall formats enjoyed gradual rental rate growth**

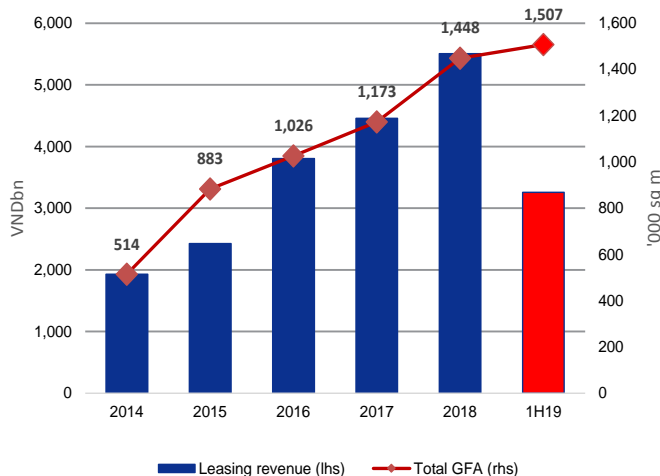


SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Leasing revenue gained strong momentum on the back of rapid expansion.**

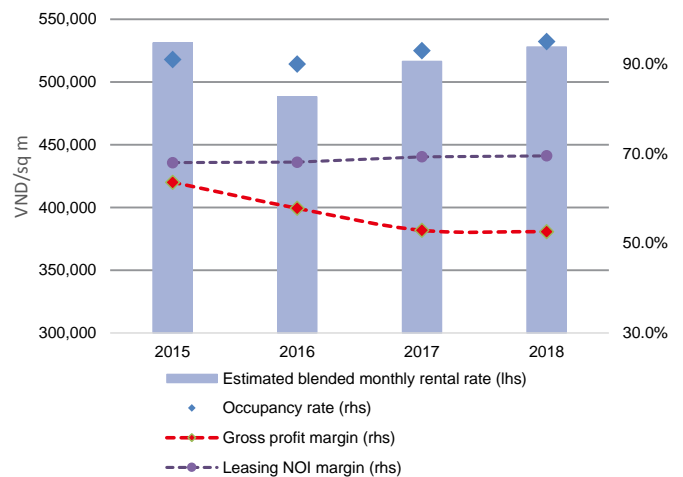
The company offers international-standard shopping mall infrastructure and operating-related services, including 1) property management services, 2) staff training program, and 3) marketing campaigns across all shopping centres. VRE registered an FY14-18 CAGR of 30% in leasing revenue as its retail GFA expanded at an FY14-18 CAGR of 31%. In 1H19, leasing revenue reached VND3,258bn (+24.5% yoy), driven by the full operation of 69 shopping centres and the contribution of three malls opened in the same period, with total GFA rising to ~1.5m sq m (+21.3% yoy). Given the jumpstart in expansion since 2015 and the diversification of shopping mall formats, leasing gross margin has shrunk in response to the non-optimal performance of newly-opened shopping malls and the launch of lower-end malls (VCP and VC+). However, as the malls reached an optimal occupancy level after three years (on average) and rental rates saw a gradual increase (10% p.a. on average), gross margin in the leasing segment has stabilised to ~50%-level. It should be noted that depreciation of malls was accounted for under Vietnam Accounting Standard (VAS), but not under IFRS. Leasing net operating income (NOI), which excludes depreciation, shows a stable trend across the years.

**Figure 10: VRE's soaring leasing revenue on the back of retail GFA expansion**



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 11: Steadily rising rental rates and stable occupancy rates have supported margins in the leasing segment**

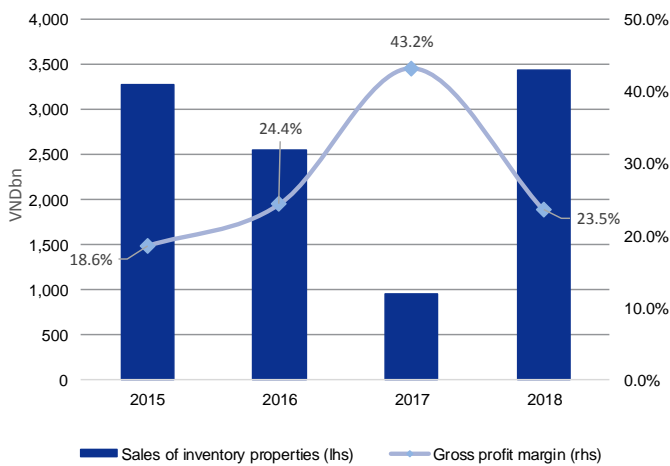


SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Sale of inventory property offers solid revenue inflow.**

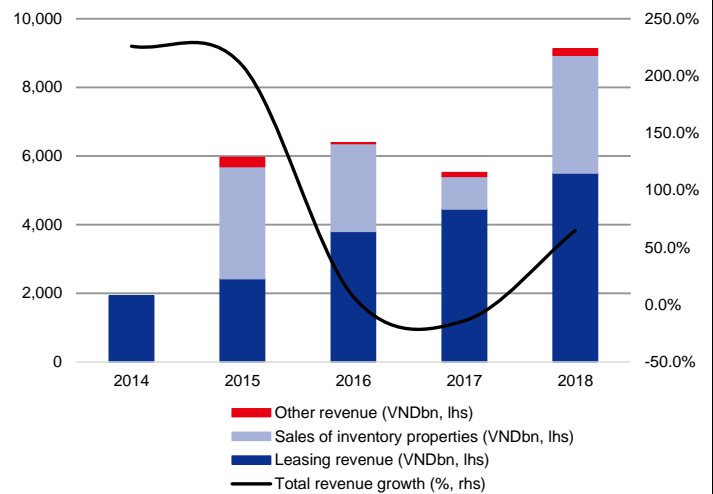
In 2015, VRE started selling shophouses, condotels, condominiums and offices. With the focus on shophouses located around Vincom Plaza and Vincom+ shopping centres (mostly in provincial areas), VRE has successfully developed over 17 complexes of 20-60 shophouses each with average floor area of 75-150 sq m per house. Revenue from selling the properties will be recognised after handovers are completed, while gross margin will be impacted by project types as low-rise properties yield lower gross profit margin than high-rise properties. In 2017, sale of property inventory plunged 63% yoy due to the lack of big projects but gross margin improved significantly, thanks to the handover of low-rise shophouses, comparing to the deliveries of such high-rise projects and shop-offices (in Vinhomes Times City and Vinhomes Royal City) in 2016.

**Figure 12: Revenue and margin of sales of inventory properties fluctuated based on the timing and types of the projects**



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 13: VRE's revenue was mainly driven by leasing activities while the transfer of inventory properties caused the swing in total revenue growth in FY16-17.**

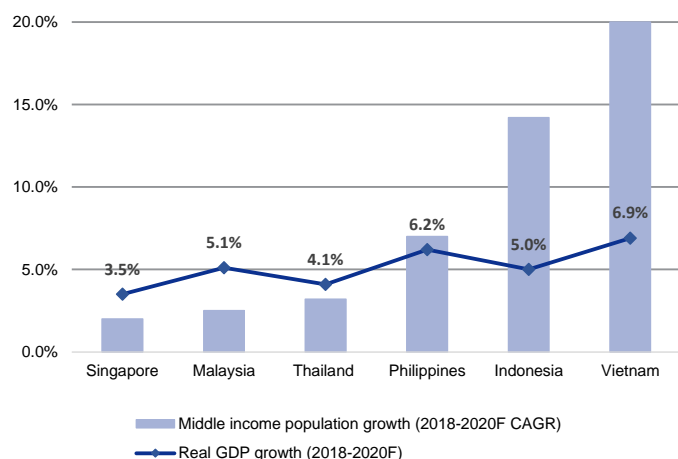


SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Clear beneficiary of the modern retail boom ➤**

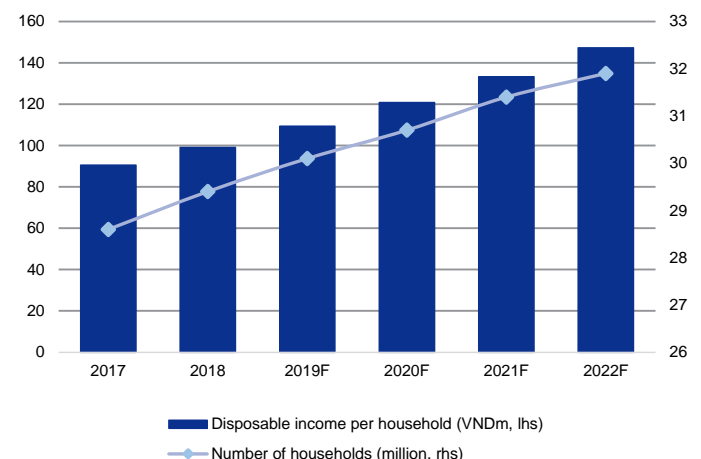
**Favourable economic growth stimulates consumption in Vietnam.** Among its peers in Southeast Asia, Vietnam is projected to enjoy the fastest real GDP growth of 6.9% over 2018-2020F, followed by the Philippines (6.2%) and Malaysia (5.1%), according to the Economist Intelligence Unit (EIU). Per Fitch Solutions and EIU, Vietnam's rapid economic growth should continue to bolster household disposable income (2018-20F CAGR of 10.4%) and facilitate the expansion of the middle-income population (2018-2020F CAGR of 20.0%).

**Figure 14: Vietnam is set to enjoy the strongest GDP growth and middle-income population growth in ASEAN, according to EIU estimates**



SOURCES: VNDS RESEARCH, EIU

**Figure 15: Household income in Vietnam (FY17-22F), according to Fitch Solutions**

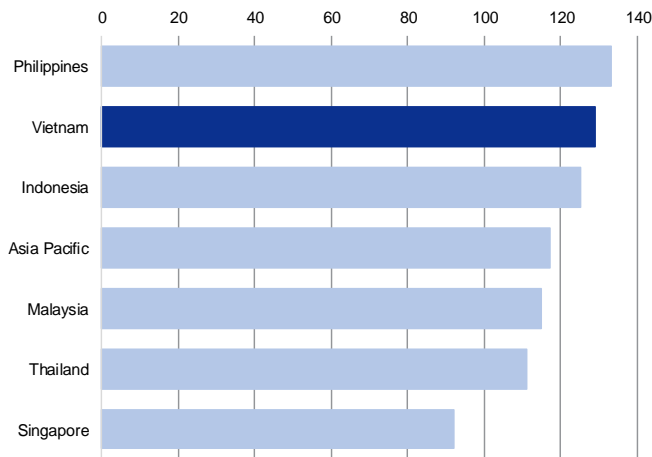


SOURCES: VNDS RESEARCH, FITCH SOLUTIONS

**Consumers to loosen their pockets.** In addition to the improvement in disposable income, we believe Vietnamese consumers may increase their spending due to better confidence in terms of job security, financial stability and willingness to spend (Nielsen 2019). Total household spending is projected to grow steadily at a CAGR of 11.7% in 2017-22F (Fitch Solutions 2019) while spare cash is shifting more towards discretionary categories. With the expansion of the middle and affluent class (MAC), the new members of the MAC bracket are

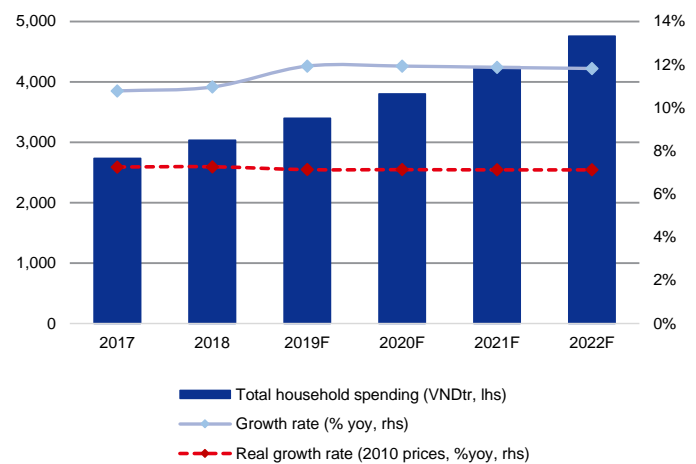
expected to trade up to premium products or services and increase their spending on luxury goods, in our view.

**Figure 16: Vietnamese consumers showed great confidence in spending in 1Q19 (consumer confidence index)**



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 17: Vietnam's consumer expenditure (FY17-22F)**



SOURCES: VNDIRECT RESEARCH, FITCH SOLUTIONS 2019

**Modern retail is heating up in Vietnam.** The country's retail industry is still unorganised and fragmented with traditional retail (i.e. wet markets, small mom-and-pop shops) accounting for 68% of total retail value in 2017 and modern retail (i.e. convenience stores, supermarkets and shopping malls) making up the rest (Vietnam Chamber of Commerce and Industry, 2018). However, Vietnamese consumers are rapidly switching their preference from traditional to modern retail channels and, hence, the modern retail penetration rate is expected to reach 45% by 2020F, according to the Ministry of Industry and Trade (MoIT). Many domestic and foreign players have either entered the market or expanded their network in Vietnam via both M&A activities and aggressive expansion, while incumbents are rapidly expanding their network in a bid to win market share.

**Figure 18: Notable M&A deals between retailers in 2017-1H2019**

Acquiring firm	Acquired firm	Holding %	Value (US\$m)	Acquisition date
Mobile World JSC	Tran Anh JSC	95%	35.4	Jan-18
BRG Group	Hapro	65%	774.2	Jun-18
VinCommerce	Fivimart	100%	N/A	Oct-18
VinPro	Vien Thong A	65%	N/A	Nov-18
VinCommerce	Shop & Go (Singapore)	N/A	-	Apr-19
Saigon Co.op	Auchan Vietnam	N/A	N/A	Jun-19

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Real estate retail developers to grab opportunities.** Per our observation, consumers prefer a one-stop destination for an enhanced shopping experience, entertainment and F&B services, which are more appealing than individual stores on streets that have a limited selection of goods and services. As a result, retailers set out to modernise the retail landscape by shifting to large shopping complexes such as shopping centres, department stores and retail podiums. Starting in key cities (Hanoi and Ho Chi Minh City), retail property developers especially foreign developers have been rapidly increasing their presence to cater to retailers' rising demand.

**VRE followed in the footsteps of regional retail real estate peers.** VRE began by thoroughly researching consumers' shopping habits and learning from leading retail real estate developers in the region. It managed to be an early bird in the shopping centre industry in Vietnam by offering the ultimate one-stop shopping experience with not only retail but also F&B and entertainment services. Similar to SM Prime (Philippines) and Central Pattana (Thailand), the region's leading shopping centre developers, VRE took advantage of the underdeveloped retail industry in Vietnam to claim the top position via rapid expansion.

**Figure 19: VRE followed in the footsteps of regional peers in the nascent stage of Vietnam’s modern retail era, in terms of per our estimates (as of 1Q19)**

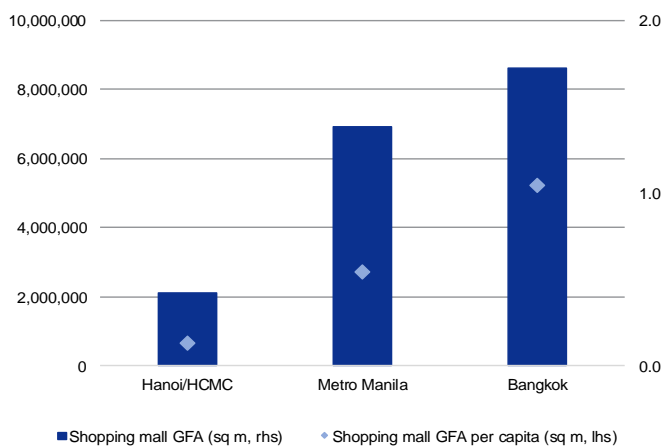


Company	Central Pattana Group (CPN)	SM Prime Holdings (SMPH)	Vincom Retail (VRE)
Country	Thailand	Philippines	Vietnam
Established	1980	1994	2012
Mall portfolio (as of end-FY18)	32	79	66
Tenant portfolio	Shops, dining, entertainment, services	Shops, dining, entertainment, services	Shops, dining, entertainment, services
Estimated market share	20% (Bangkok)	50% (Metro Manila)	~40% (Hanoi and HCMC)

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

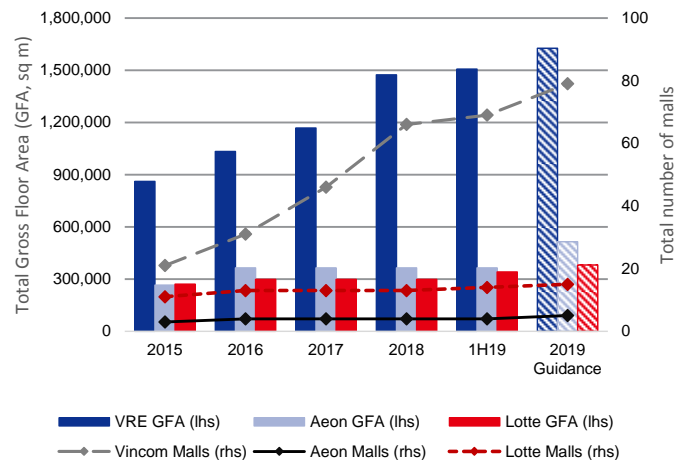
As at 30 June 2019, the retail real estate leasing market in Vietnam is relatively concentrated and shared between a few giants, led by VRE (accounting for 53% and 30% of total retail floor area in Hanoi and Ho Chi Minh City, respectively), Aeon Vietnam (Unlisted, ~10% and 20%) and Lotte Vietnam (Unlisted, ~5% and 10%). Given that shopping malls in Vietnam still have a long way to go before catching up with regional peers in the Philippines and Thailand, we believe that VRE is well-positioned to benefit from the dawn of Vietnam’s modern retail boom.

**Figure 20: Vietnam’s retail mall GFA per capita is significantly below its regional peers in the Philippines and Thailand (as at 30 March 2019)**



SOURCES: VNDIRECT RESEARCH, COLLIERS INTERNATIONAL

**Figure 21: VRE is significantly outperforming domestic competitors in terms of both shopping mall footprint and total retail floor area coverage**



SOURCES: VNDIRECT RESEARCH, COMPANY WEBSITES

**Change in consumer behaviors: E-commerce might be potential threat over the mid- to long term.** According to Mckinsey, Vietnam has one of the least developed e-commerce markets in the region (accounting for around 3% of total retail sales as of 2018) and but should have significant increase in penetration in the next five years. However, we do not consider this to be a major threat for VRE in the short-term as there are still challenges that online retailers need to overcome, including 1) the lack of consumer trust especially in the case of purchasing expensive items, 2) the safety and accuracy of online payment methods and 3) the logistics infrastructure in terms of cash on delivery and last-mile delivery.



### VRE upholds unparalleled competitive advantages ►

**VRE has exposure to a large market opportunity with the multi-format shopping mall portfolio.** VRE is the only retail property developer in Vietnam to have four distinct shopping mall formats which meet the demands of both affluent and emerging affluent class in Vietnam. Compared to Aeon and Lotte, which only had access to the well-established retail platforms of middle- to upper middle-income consumers, VRE also tapped into the lower-income class by bringing the modern retail experience to non-CBD and provincial areas.

**Figure 22: VRE's strategic shopping mall portfolio to meet the demand of all consumer classes (as at 30 June 2019)**

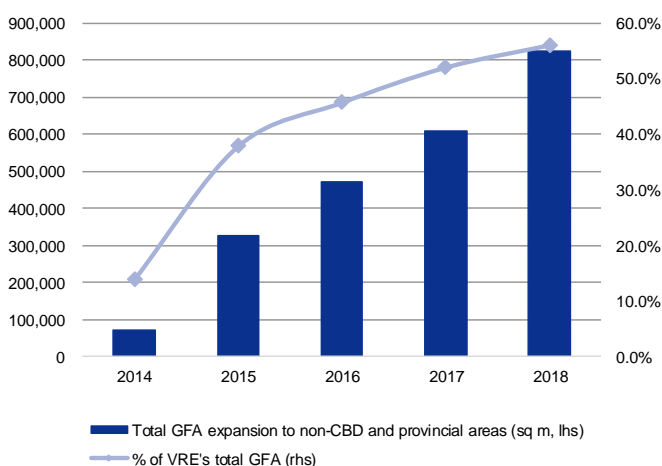


Brand	Vincom Center	Vincom Mega Mall	Vincom Plaza	Vincom +
Size (GFA, sqm)	40,000 - 60,000	60,000 - 150,000	10,000 - 40,000	3,000-5,000
Number of malls (as of 1H19)	7	3	47	12
Location	High-density locations in key cities of Hanoi & HCMC	Located in integrated/ mixed use development in key cities of Hanoi & HCMC	High-density non-CBD locations & other provinces	High-density non-CBD locations & other provinces
Target segment	Middle & upper middle income	All income segment	Middle income	Low to middle income
Brand portfolio	*International fashion *Food and beverage *Entertainment *Supermarkets *Others	*International and domestic fashion *Food and beverage *Entertainment *Supermarkets *Others	*Fashion *Food and beverage *Entertainment *Supermarkets *Others	*Fashion *Food and beverage *Entertainment *Supermarkets

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

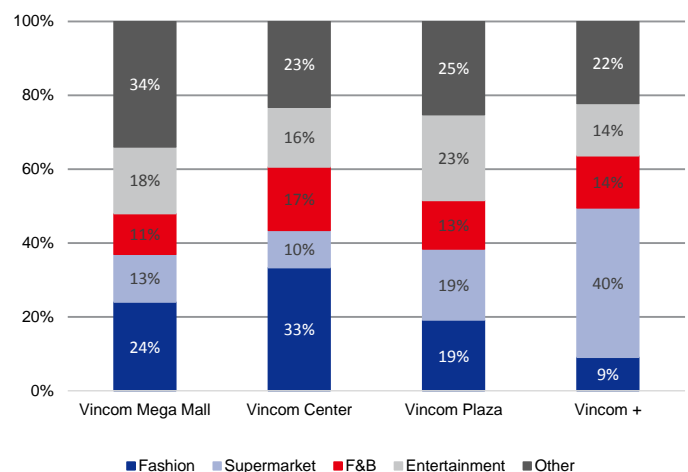
Initially, VRE focused solely on the premium mall formats, Vincom Center and Vincom Mega Mall, which were located in prime areas in key cities to meet the demand of the middle- to upper-income group. However, given the growing middle-affluent consumer class and rising awareness of modern shopping platforms across the country, VRE has ramped up its expansion in non-CBD areas in key cities and other provinces to gain exposure in larger markets via Vincom Plaza and Vincom+ malls. Aside from differences such as location, VRE also tailors the tenant mix in these malls to the demand of local consumers. The developer set out to slowly shape low-income consumers' shopping habits and benefitted as consumers became middle-income earners.

**Figure 23: VRE jump-started its expansion to non-CBD and provincial areas in 2015 which soon made up more than half of VRE's total GFA in 2018**



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 24: Mall formats are tailored to fit the demand of local consumers (as at 2Q19)**



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**VRE stands out to retailers that are seeking increased market penetration.** With an extensive shopping mall network reaching a large consumer base, VRE

has built strong brand recognition in Vietnam and thus, has been chosen by major foreign retailers for their first stores in Vietnam such as fashion brands Zara, H&M and Mango and chain tenants for rapid expansion such as CGV – the largest cinema chain in Vietnam with a presence in 32 of VRE’s shopping malls. The company has around 1,000 prominent tenants as at 30 June 2019, ranging from fashion and beauty to F&B and entertainment brands which many are chain tenants and VRE’s anchor tenants. In terms of tenant mix, fashion brands accounted for c.25% of VRE’s total NLA as at end-2Q19. Furthermore, VRE possesses a firm base of other anchor tenants (25% of total NLA) including Vingroup’s members (supermarkets VinMart and VinPro), cinema chains (CGV, BHD and Cineplex) and fitness centres (California Fitness and Elite Fitness). Based on the strong existing tenant portfolio and the entrance of new brand names, VRE has also attracted 153 million visits in 2018 (+33% yoy). As at end-1QFY19, VRE recorded double-digit annual growth in average footfall across all shopping malls of 36% yoy with each mall format experiencing increased footfall by 15-20% per year. VRE’s well-diversified tenant portfolio, filled with international brand names

Figure 25: VRE’s well-diversified tenant portfolio, filled with international brand names



**Ambitious goals supported by the company’s know-how and capability to scale up.** VRE managed to shorten the development stage given its aggressive expansion strategy. The company has built partnerships with experienced and well-known construction companies which enables it to stick to its timeline. The fast schedule enables VRE to reach the development stage as soon as possible to generate cashflow from leasing and sale of inventory property to help fund the next project.

Figure 26: VRE’s timeline for project development (as at 30 June 2019)

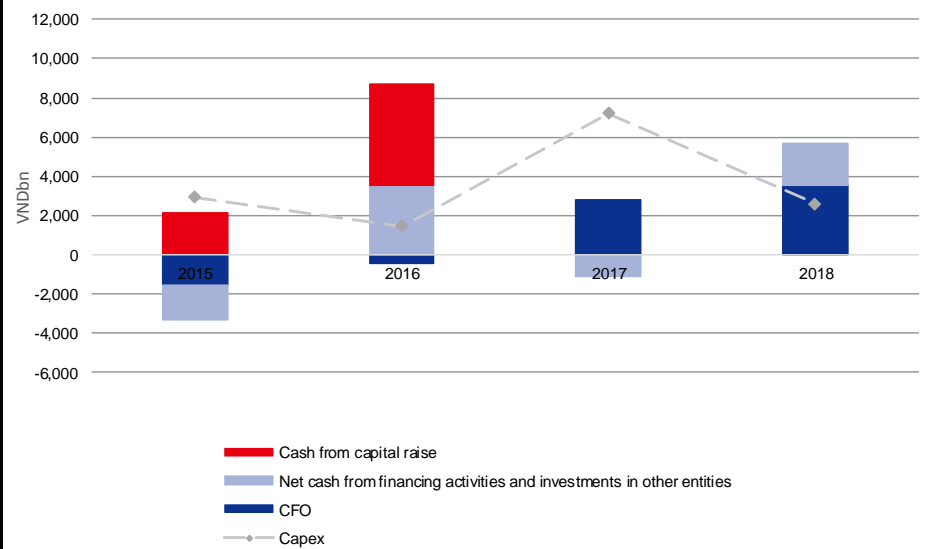
Mall format	Size (GFA, sq m)	Development period (months)
Vincom Center	40,000 - 60,000	18 - 24
Vincom Mega Mall	60,000 - 150,000	24+
Vincom Plaza	10,000 - 40,000	12+
Vincom +	3,000-5,000	6+

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

For FY15-16, VRE mainly drew funds from the share issuances to the strategic investor – Warburg Pincus (US\$100m) and injection from the parent company

(US\$390m). The funds were utilised to fund the vigorous expansion in FY17 (+13% yoy in total GFA, 15 new shopping malls) and in FY18 (+26.1% yoy in total GFA, 20 new shopping malls) while repaying the debts employed in previous years.

**Figure 27: Improved cash position indicates VRE has been effective in its utilisation of funds to support network expansion**



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Leverage from the ecosystem and reputation of its parent company – Vingroup (VIC VN) ➤**

**Figure 28: VIC’s full-breadth ecosystem (as at 30 June 2019)**



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**VRE has a long-term and substantial business partnership with its parent company, Vingroup**, which owns an ~c.56.9% stake (including indirect ownership) in VRE (as at 30 June 2019) and is the largest listed firm in Vietnam (with market capitalisation of US\$16.5bn as at 20 Aug 2019). VIC is also one of a few real estate giants in Vietnam to take on the complete real estate value chain from developing to transferring, investing, owning and operating via its subsidiaries.

**VRE to follow in residential development footprint of Vinhomes (VHM VN)** – the residential housing arm of VIC. As at end-2Q19, VIC's land bank totaled 16,100ha, with 1,200ha residential area under development and 14,900ha in the pipeline. Regarding the relationship between VRE and VIC, VRE has the right of first refusal (ROFR) for all standalone retail projects, retail components and selected mixed-use projects of the group. This would grant VRE the advantage in land sourcing, delaying early-stage development costs and the right to claim the land suitable for retail purpose at cost, in our view. Thus, VRE is well positioned to benefit from the extensive project reserves of the parent group, which could lead to robust GFA growth in retail real estate development of 10%/15%/17% in FY19F/20F/21F, in our view.

Over the next five years, VHM aims to expand its presence with a focus on the mid-end residential segment to capture the untapped opportunity given the expansion of the middle-income group. We expect VRE to follow in the footsteps of VHM's residential development and continue to launch shopping malls inside residential complexes with an emphasis on Vincom Mega Mall or Vincom Plaza to target middle-income consumers. Each residential complex is estimated to hold up to ~100,000 residents, per company's estimates, which will provide frequent footfall for shopping malls. Located in prime locations within large complexes with immediate catchments from surrounding apartment buildings and villas, as well as possible links to facilities such as Vinpearl Land (amusement park) and VinUni (university) in the case of Vinhomes Ocean Park, we expect these malls will serve as key project highlights, providing new experiences in modern and traditional shopping spaces along with cultural and entertainment areas.

**Immediate tenants from group members.** Generally, the members of Vingroup occupy 20-25% of VRE's shopping centre GFA. Particularly, its consumer retail arm, including VinMart (supermarket) and VinPro (consumer electronics retailers), made up around 20% of total NLA, while the showrooms for Vinfast (automobile producer arm) took up ~1% of total NLA.

## Financials and earnings outlook

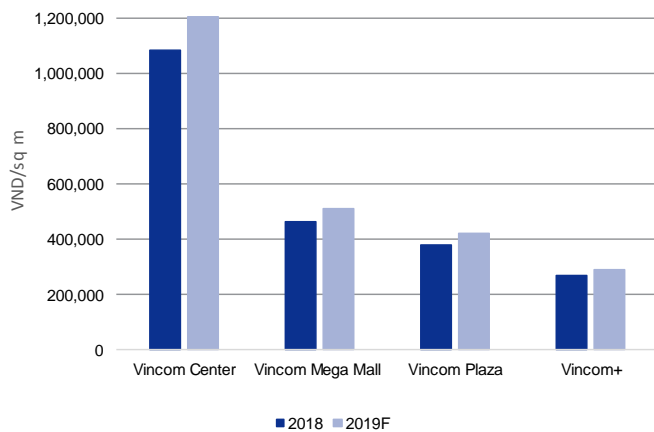
### We expect VRE to deliver 39% FY19-21F net profit CAGR ➤

We expect VRE to record a 39% FY19-21F net profit CAGR, underpinned by 1) an estimated 29% FY19-21F leasing revenue CAGR on the back of 36 malls to be launched in the next three years (+748,000 sq m), with the annual occupancy rate maintained above 90% and blended rental rate rising ~10% per year and 2) leasing gross margin expansion from 40% in FY18 to 50% in FY21F. We expect the opening of 36 malls by 2021F (or 12 malls a year) to be attainable, given the secured sites in VHM's upcoming integrated projects as well as room for expansion (25 untapped provinces). We believe that VRE's earnings growth momentum will be driven by a buoyant consumer retail market. Hence, we forecast VRE's net profit to jump to VND5,355bn in FY21F from our forecast of VND2,784bn in FY19.

**Leasing activities have headroom for revenue growth and gross margin expansion.** Per our estimates, blended rental rates are forecast to rise 7%/11%/14% in FY19F/20F/21F, driven by 1) the 8% annual increase in rental rates across all shopping formats, 2) increasing contributions from higher-end shopping mall formats, as we expect Vincom Mega Mall to strengthen its presence to 567,000 sq m by end- FY20F (29% of total GFA as at end-FY20F) from 395,000 sq m in FY19F, with three malls inside VHM's mega projects (Vinhomes Ocean Park, Vinhomes Smart City, Vinhomes Grand Park) and 3) the possible upgrade

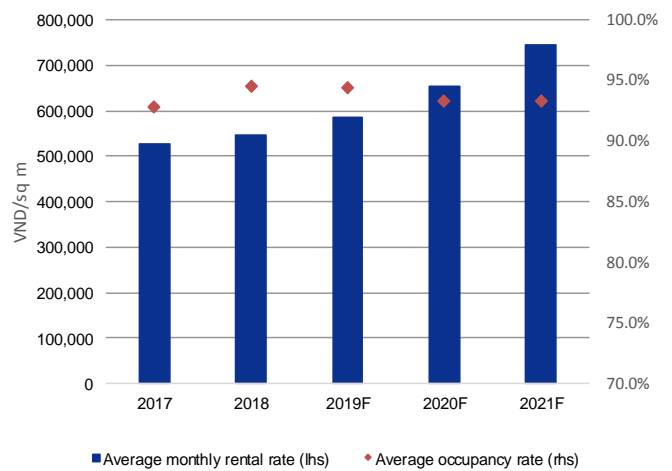
of two mid-end Vincom Plaza in large cities (Da Nang and Hai Phong) to the luxury-oriented Vincom Center as at end-FY20F (per management). At the same time, we assume VRE could maintain a stable average occupancy rate of above ~90%, with a large proportion coming from anchor tenants. Thus, we project leasing revenue to surge at an FY19-21F CAGR of 29% to reach VND12,030bn in FY21F. Simultaneously, in terms of gross profit margin of leasing activities, we expect VRE to maintain gross margin level at around 50% as the company aims to develop both Vincom Center and Vincom Mega Malls (in key cities) as well as Vincom Plaza and Vincom+ (in Tier-2 cities) to maintain its market leadership in key cities and pioneer position in other provinces.

**Figure 29: Monthly rates per shopping mall formats, led by Vincom Center and Vincom Mega Mall, per our estimates**



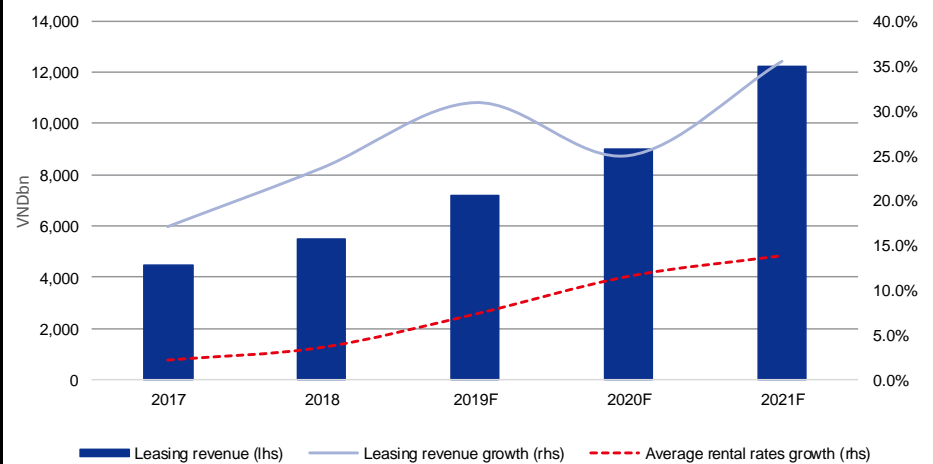
SOURCES: VNDIRECT RESEARCH

**Figure 30: Our estimates suggested that VRE could continue to boost average rental rate and maintain stable occupancy rate**



SOURCES: VNDIRECT RESEARCH

**Figure 31: Robust leasing revenue growth, driven by stable occupancy rate and rising rental rates**



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

**Sale of inventory properties started to stabilise in FY19F.** According to VRE's pipeline, the delivery of shophouses would stabilise to VND1,922bn in FY19F (-44% yoy), per our projections. However, we estimate that gross margin for this segment would gain 6.5% pts to 30%, thanks to the handover of the traditional low-rise shophouses which yielded higher margins than high-rise condo (Bac Ninh) and condotel (Da Nang) from two one-off projects sold in FY18. For FY20-21F, VRE continues to develop more shophouses following the expansion of Vincom Plaza and Vincom+ in provinces such as Bac Can, Thai Hoa, Phan Thiet and Ninh Hoa. Each project is expected to contain 40-150 shophouses, equivalent to 500-

600 shophouses delivered per year. We expect the segment's revenue to surge by 10% p.a. as shophouses would be developed along with other shopping malls and gross margin levels are likely to remain at 35-40%, assuming VRE concentrates on the low-rise shophouse format.

**Figure 32: Forecast summary**

VNDbn	2018A	2019F	2020F	2021F
<b>Total revenue</b>	9,124	9,244	11,246	14,492
<b>Leasing</b>	5,506	7,208	9,012	12,030
%yoy	23.6%	30.9%	25.0%	33.5%
<b>Sales of property</b>	3,433	1,922	2,114	2,325
%yoy	260.9%	-44.0%	10.0%	10.0%
<b>Other</b>	185	114	120	137
%yoy	65.8%	-38.5%	5.3%	14.2%
<b>Gross profit</b>	3,641	4,113	5,347	7,465
<b>Blended GPM</b>	39.9%	44.5%	47.5%	51.5%
<b>SG&amp;A</b>	751	771	886	1,046
as % of revenue	8.2%	8.3%	7.9%	7.2%
<b>Net profit</b>	2,404	2,784	3,714	5,355
%yoy	18.6%	15.8%	33.4%	44.2%
<b>Average GFA ('000 sq m)</b>	1,473	1,627	1,889	2,221
<b>Total shopping malls</b>	66	79	92	102

SOURCES: VNDIRECT RESEARCH ESTIMATES, COMPANY REPORTS

## Valuation and recommendation

**Initiate coverage with an Add rating and VND43,900 target price.**

We evaluate VRE using a DCF valuation as we believe this is the best method to assess a property retailer given its regular cashflow from leasing activities. We believe VRE could benefit from the modern retail boom in Vietnam and our three-stage projections include: 1) a high-growth period (FY19-21F) with 39% EBIT CAGR, 2) a transitional period (FY22-28F) underpinned by c.15% p.a EBIT expansion and 3) a stable-growth period from 2029F with EBIT improvement of 4% p.a. Thereafter, we derive VRE's intrinsic value of VND43,900/share under WACC of 12.3%.

**Figure 33: Discounted Cash Flows**

(VNDbn)	2019F	2020F	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F
<b>EBIT</b>	3,342	4,461	6,419	8,429	10,062	11,713	13,306	15,788	17,572	19,406	21,485
<b>Tax</b>	-743	-991	-1,429	-1,879	-2,265	-2,667	-3,061	-3,650	-4,091	-4,543	-5,056
<b>Depreciation</b>	1,485	1,724	1,979	2,202	2,381	2,606	2,828	3,109	3,393	3,688	4,023
<b>Capex</b>	-4,030	-4,236	-4,581	-3,750	-4,120	-4,572	-5,211	-5,256	-5,700	-6,120	-6,761
<b>Change in work capital</b>	40	403	584	646	761	569	848	840	1,284	1,285	1,740
<b>Free Cash Flows</b>	174	1,444	3,056	5,736	6,904	7,735	8,770	10,850	12,479	13,740	15,458

SOURCES: VNDIRECT RESEARCH ESTIMATES

**Figure 34: Assumptions**

<b>Cost of Capital</b>	
Beta	1.00
Market Risk Premium	10.0%
Cost of Equity	14.0%
Cost of Debt	7.0%
<b>WACC</b>	<b>12.3%</b>

SOURCES: VNDIRECT RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 35: DCF Valuation**

DCF Method	Amount	Unit
PV of Free Cash Flows	37,175	VNDbn
PV of Terminal Value (4.0% growth)	62,841	VNDbn
Enterprise value	100,016	VNDbn
Cash and cash equivalents	4,963	VNDbn
Total debts	(2,781)	VNDbn
Equity Value	102,198	VNDbn
Shares	2,329	million
<b>Price per share</b>	<b>43,900</b>	<b>VND/share</b>

SOURCES: VNDIRECT RESEARCH ESTIMATES

VRE currently trades at 20.0x FY20F P/E, above regional retail real estate peers' average of 19.7x. We believe that VRE deserves to trade at a premium over peers (our TP implies 27.5x FY20F P/E), thanks to its market leadership in Vietnam's fast-growing retail industry compared to the developed retail platforms in Singapore and Thailand. We believe VRE can maintain its leading position in the domestic market given its competitive advantage in terms of mall network and strong support from its parent firm and sustainable earnings growth profile. A potential re-rating catalyst is faster-than-expected opening of shopping malls. Risks include the declining consumer demand in discretionary products, and a shift in consumer preferences from shopping centre formats.

**Figure 36: Peer Comparison**

Company	Bloomberg Ticker	Recom.	Share Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	P/E (x)		3-year EPS CAGR (%)	P/B (x)		ROE (%)			ROA (%)		
						FY19F	FY20F		FY19F	FY20F	TTM	FY19F	FY20F	TTM	FY19F	FY20F
<b>Retail real estate companies</b>																
Vincom Retail JSC	VRE VN	ADD	31,850	43,900	3,398	26.6	20.0	29.4%	2.6	2.3	8.8%	12.0%	14.5%	6.3%	9.0%	10.7%
SM Prime Holdings Inc	SMPH PM	NR	38.85	NR	21,707	30.2	27.1	5.5%	3.7	3.3	12.8%	12.8%	13.1%	5.8%	6.0%	6.8%
Central Pattana PCL	CPN TB	ADD	63.25	86.00	9,334	22.9	20.3	12.4%	3.9	3.5	17.0%	17.9%	18.0%	7.4%	7.9%	8.2%
Pakuwon Jati	PWON IJ	NR	615.00	NR	3,084	11.3	10.6	26.8%	1.9	1.7	22.4%	18.2%	16.3%	11.1%	10.3%	9.7%
Robinson PCL	ROBINS TB	HOLD	65.25	57.25	2,383	24.3	21.2	8.2%	3.7	3.4	15.9%	16.0%	16.6%	10.2%	10.9%	11.5%
Platinum Group PCL	PLAT TB	REDUCE	5.75	5.50	488	20.6	19.4	6.7%	1.6	1.6	8.8%	7.9%	8.3%	7.0%	6.1%	6.2%
<b>Average - Retail real estate peers</b>					<b>7,399</b>	<b>21.9</b>	<b>19.7</b>	<b>11.9%</b>	<b>3.0</b>	<b>2.7</b>	<b>15.4%</b>	<b>14.6%</b>	<b>14.5%</b>	<b>8.3%</b>	<b>8.2%</b>	<b>8.5%</b>

SOURCES: VNDIRECT RESEARCH, BLOOMBERG, DATABASE

\*DATA AS AT 15 OCT 2019, ALL ESTIMATES FOR NON-RATED (NR) STOCKS ARE BASED ON BLOOMBERG CONSENSUS ESTIMATES

## Risks

### Increasing competition may shrink profit margins.

We believe the increasing popularity of the modern shopping platform has encouraged landowners to participate in the retail property development business, as can be observed in the robust growth of retail floor areas in key cities (Hanoi and Ho Chi Minh City) in recent years. According to Savills, in 1Q2019, the total supply of retail floor area in Hanoi and Ho Chi Minh City have reached 1.4 million sq m each, surging by 7% yoy and 14% yoy, respectively. Notably, there are big projects being developed from two of VRE's large competitors, including 1) Lotte Mart Hanoi with total investment of US\$600m and total area of 7.3ha and 2) Aeon Mall Ha Dong with total investment of US\$500m and total area of 9.5ha. We believe the intensifying competition caused by the competitor's upcoming mall openings might squeeze the profit margin of VRE due to 1) the lower occupancy and footfall level of VRE's shopping malls in the same area and 2) possible drop in VRE's rental rates in those shopping malls and investment costs incurred to maintain its market share.

### E-commerce could be a threat to physical malls

E-commerce is feared to adversely affect brick-and-mortar shopping malls given that online shopping channels could offer better prices, convenience and variety of choices. According to Deloitte's recent survey (2019), nearly 75% of respondents are familiar with online shopping. Vietnam's consumers are becoming more willing to purchase online especially with selected goods including fashion items and cosmetics products which are major product categories of shopping malls. However, we do not consider this to be a major threat for VRE in the short-term as there are still challenges that online retailers need to overcome to capture the market share of physical shopping malls, in our view.

## SWOT analysis

**Figure 37: SWOT analysis for VRE**

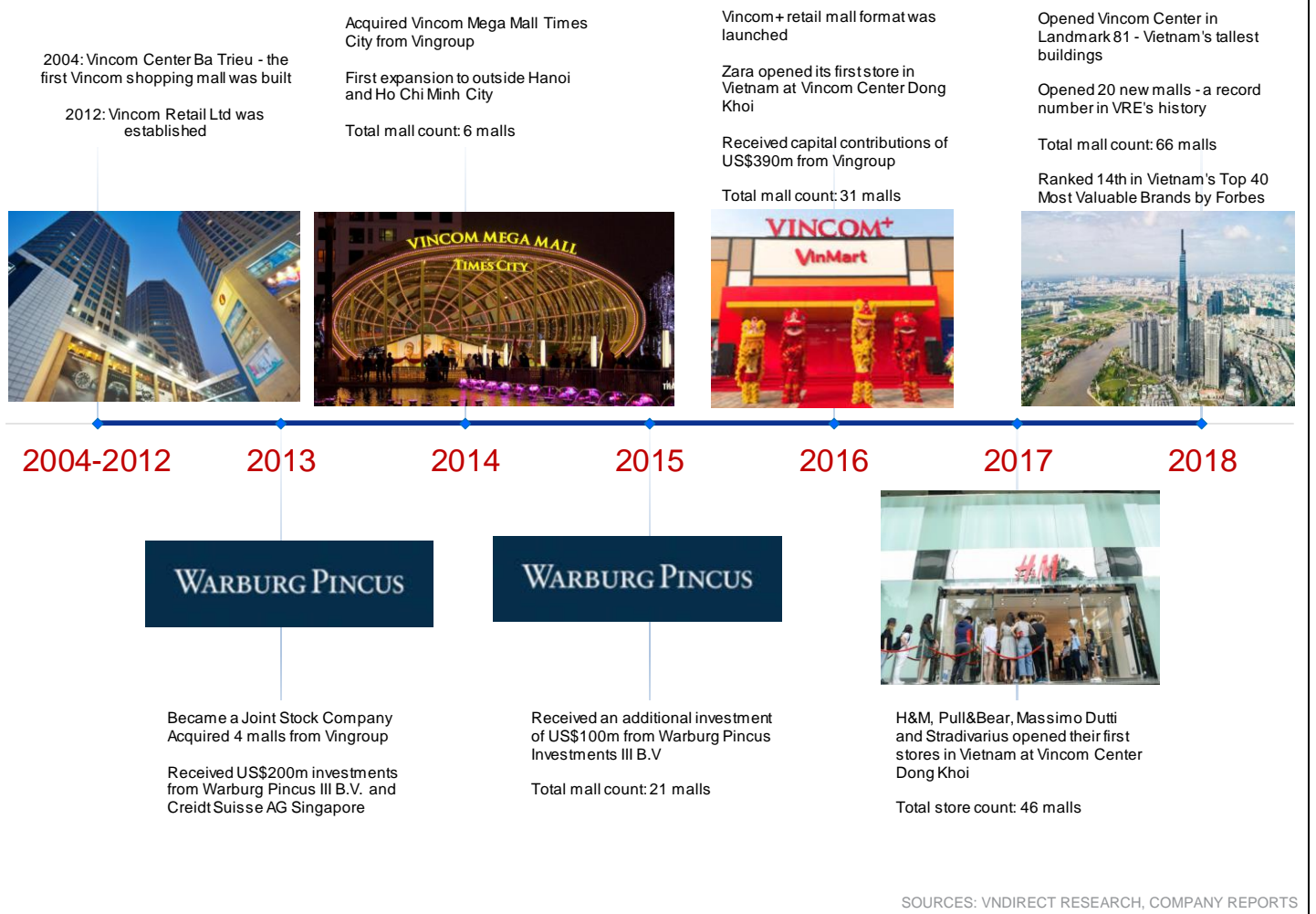
Strengths	Opportunities
<ul style="list-style-type: none"> <li>• Multi-format shopping mall portfolio which offers exposure to broad market opportunity</li> <li>• Large-scale network with major shopping malls in many cities to accommodate the expansion demand of large retailers</li> <li>• Know-how and financial capability to support aggressive expansion</li> <li>• Leverage VIC's ecosystem</li> </ul>	<ul style="list-style-type: none"> <li>• The expansion of the middle-affluent consumer class in Vietnam would generate more demand for retail expansion</li> <li>• Large foreign retailers seek market penetration in Vietnam via shopping mall platform</li> <li>• The upgrade of lower-tier cities facilitated the conversion of mid-range shopping malls to higher-end format</li> </ul>
Weaknesses	Threats
<ul style="list-style-type: none"> <li>• New shopping malls take time to reach optimal occupancy level which could temporarily affect gross profit margin of VRE</li> </ul>	<ul style="list-style-type: none"> <li>• Unfavourable economic conditions lead to lower consumption and willingness to spend</li> <li>• The change in customer shopping patterns towards online shopping or other high-tech retail platforms</li> </ul>

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS



**Appendix**  
**Corporate milestones** ➤

**Figure 38: VRE's memorable milestones**



## Management >

Figure 39: VRE possesses a strong management team with rich experiences in commercial retail in Vietnam (Structure as at 30 Sep 2019)

**Board of Directors**



**Ms. Thai Thi Thanh Hai**  
*Chairwoman*

- 25 years of experiences
- Cum CEO of Vincommerce General Commercial Services JSC



**Ms. Tran Mai Hoa**  
*Board member and CEO*

- > 15 years of experiences
- Previously CFO of Gami Commercial JSC



**Ms. Nguyen Thi Diu**  
*Board member*

- > 20 years of experiences
- Deputy CEO of Vingroup
- Previously Executive Director responsible for Vietnam at UBS

**Management Team**



**Ms. Le Mai Lan**  
*Board member*

- > 20 years of experiences
- Chairperson of Vinschool LLC
- Previously CEO of Bank Training and Consultancy JSC



**Mr. Brett Harold Krause**  
*Independent Board member*

- > 20 years of experiences
- Chief Strategy Officer at FunPlus
- Previously President of JP Morgan Chase Bank in China



**Mr. Timothy J. Daly**  
*Independent Board member*

- >30 years of experience in retail development and asset management
- Chairman and CEO of PT Nirvana Watsu Pratama (Indonesia)



**Ms. Tran Mai Hoa**  
*Board member and CEO*



**Ms. Tran Thu Hien**  
*Board member and CEO*

- 10 years of experiences
- Previously senior business development director at CB Richard Ellis (Vietnam)



**Mr. Nguyen Anh Dung**  
*Deputy CEO*

- >15 years in management positions for Vingroup
- In charge of Security, Safety and Fire Prevention



**Ms. Pham Ngoc Thoa**  
*CFO*

- >20 years of experiences
- Previously CFO of Big C Vietnam



**Ms. Nguyen Thi Xuan Nghia**  
*Chief Accountant*

- >10 years of experiences
- Previously Audit team leader at Deloitte Vietnam

SOURCES: COMPANY REPORTS

## Shopping mall network across Vietnam >

Figure 40: Vincom Center and Vincom Mega Mall

Shopping mall	City	Opening date	GFA (sq m)
<b>Vincom Center</b>			
Vincom Center Ba Trieu	Hanoi	Jan-04	42,489
Vincom Center Dong Khoi	HCMC	Apr-10	50,713
Vincom Center Nguyen Chi Thanh	Hanoi	Nov-15	46,554
Vincom Center Pham Ngoc Thach	Hanoi	Nov-16	26,120
Vincom Center LANDMARK 81	HCMC	Jul-18	50,000
Vincom Center Metropolis	Hanoi	Dec-18	38,000
Vincom Center Tran Duy Hung	Hanoi	Apr-19	45,000
<b>Vincom Mega Mall</b>			
Vincom Mega Mall Royal City	Hanoi	Jul-13	205,841
Vincom Mega Mall Times City	Hanoi	Dec-13	129,908
Vincom Mega Mall Thao Dien	HCMC	Dec-15	59,398

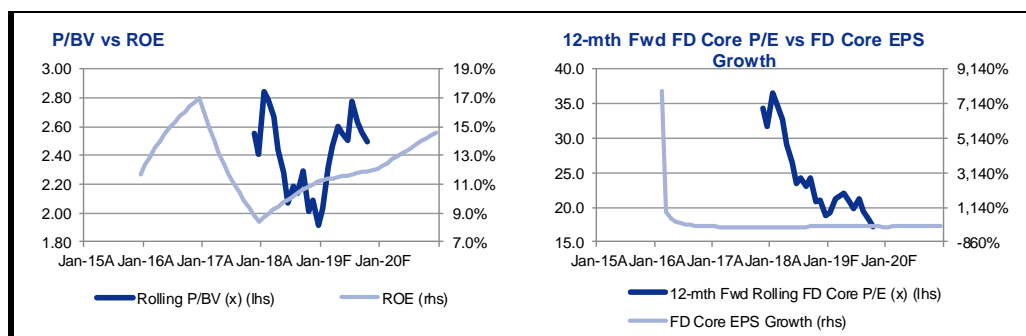
SOURCES: COMPANY REPORTS

**Figure 41: Vincom Plaza and Vincom+**

Shopping mall	City	Opening date	GFA (sq m)
<b>Vincom Plaza</b>			
Vincom Plaza Long Bien	Hanoi	Dec-11	38,060
Vincom Plaza Ha Long	Ha Long	Oct-14	31,613
Vincom Plaza Thu Duc	HCMC	Feb-15	28,887
Vincom Plaza Ngo Quyen	Da Nang	Jun-15	31,649
Vincom Plaza Hung Vuong	Can Tho	Jul-15	16,021
Vincom Plaza Bien Hoa	Dong Nai	Aug-15	25,785
Vincom Plaza Long Xuyen	An Giang	Aug-15	25,785
Vincom Plaza Quang Trung	HCMC	Sep-15	17,780
Vincom Plaza Le Thanh Tong	Hai Phong	Sep-15	16,151
Vincom Plaza 3/2	HCMC	Nov-15	22,589
Vincom Plaza Cong Hoa	HCMC	Nov-15	22,970
Vincom Plaza Thai Nguyen	Thai Nguyen	Nov-15	9,183
Vincom Plaza Viet Tri	Phu Tho	Dec-15	21,719
Vincom Plaza Go Vap	HCMC	Jan-16	23,014
Vincom Plaza Le Van Viet	HCMC	Mar-16	34,744
Vincom Plaza Buon Ma Thuot	Dak Lak	Mar-16	13,195
Vincom Plaza Ly Bon	Thai Binh	Jun-16	13,980
Vincom Plaza Xuan Khanh	Can Tho	Sep-16	23,779
Vincom Plaza Tran Phu	Thanh Hoa	Oct-16	6,413
Vincom Plaza Bac Tu Liem	Hanoi	Dec-16	21,259
Vincom Plaza Tra Vinh	Tra Vinh	Mar-17	11,426
Vincom Plaza Saigon Res	HCMC	Apr-17	6,987
Vincom Plaza Yen Bai	Yen Bai	Apr-17	12,120
Vincom Plaza Rach Gia	Kien Giang	Apr-17	15,146
Vincom Plaza Vinh Long	Vinh Long	Apr-17	11,470
Vincom Plaza Tuyen Quang	Tuyen Quang	May-17	11,141
Vincom Plaza Vi Thanh	Hau Giang	May-17	12,120
Vincom Plaza Ha Tinh	Ha Tinh	Jul-17	10,400
Vincom Plaza Tuy Hoa	Phu Yen	Nov-17	12,000
Vincom Plaza Le Thanh Ton	Nha Trang	Dec-17	12,346
Vincom Plaza Bao Loc	Lam Dong	Apr-18	13,380
Vincom Plaza Thanh Hoa	Thanh Hoa	Apr-18	22,400
Vincom Plaza Tan An	Long An	Apr-18	11,000
Vincom Plaza Hue	Hue	May-18	14,000
Vincom Plaza Dong Hoi	Quang binh	May-18	7,000
Vincom Plaza Son La	Son La	Jul-18	11,000
Vincom Plaza Tran Phu, Nha Trang	Nha Trang	Aug-18	12,400
Vincom Plaza Thai Nguyen	Thai Nguyen	Aug-18	13,500
Vincom Plaza Lang Son	Lang Son	Aug-18	7,000
Vincom Plaza Ly Thai To	Bac Ninh	Aug-18	18,600
Vincom Plaza Phu Ly	Ha Nam	Sep-18	9,600
Vincom Plaza Imperia	Hai Phong	Dec-18	17,300
Vincom Plaza Ca Mau	Ca Mau	Dec-18	11,000
Vincom Plaza Quang Ngai	Quang Ngai	Dec-18	11,000
Vincom Plaza Tay Ninh	Tay Ninh	Dec-18	7,000
Vincom Plaza Skylake	Ha Noi	Apr-19	12,200
Vincom Plaza Mong Cai	Mong Cai	Jun-19	11,000
Vincom Plaza Hoa Binh	Hoa Binh	Jul-19	11,000
<b>Vincom+</b>			
Vincom+ 16/4 Phan Rang	Ninh Thuan	Nov-15	10,526
Vincom+ Cam Ranh	Khanh Hoa	Nov-15	7,583
Vincom+ District 2	HCMC	Nov-16	5,520
Vincom+ Long Thanh	Dong Nai	Dec-16	4,050
Vincom+ Chi Linh	Hai Duong	Jan-17	4,049
Vincom+ Nam Long	HCMC	May-17	6,320
Vincom+ Ky Anh	Hanoi	Oct-17	4,000
Vincom+ Uong Bi	Quang Ninh	Nov-17	4,000
Vincom+ Tinh Gia	Thanh Hoa	Dec-17	4,000
Vincom+ Nam Dan	Nghe An	Jul-18	4,200
Vincom+ Sky Center	HCMC	Jul-18	4,092
Vincom+ Sa Dec	Dong Thap	Oct-18	4,000

SOURCES: COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<b>Total Net Revenues</b>	<b>5,518</b>	<b>9,124</b>	<b>9,244</b>	<b>11,246</b>	<b>14,492</b>
<b>Gross Profit</b>	<b>2,801</b>	<b>3,641</b>	<b>4,113</b>	<b>5,347</b>	<b>7,465</b>
<b>Operating EBITDA</b>	<b>3,167</b>	<b>4,048</b>	<b>4,907</b>	<b>6,268</b>	<b>8,482</b>
Depreciation And Amortisation	(936)	(1,157)	(1,565)	(1,807)	(2,063)
<b>Operating EBIT</b>	<b>2,231</b>	<b>2,891</b>	<b>3,342</b>	<b>4,461</b>	<b>6,419</b>
Financial Income/(Expense)	(579)	102	134	184	290
Pretax Income/(Loss) from Assoc.	540	0	0	0	0
Non-Operating Income/(Expense)	(24)	60	62	75	97
<b>Profit Before Tax (pre-EI)</b>	<b>2,811</b>	<b>3,876</b>	<b>4,382</b>	<b>5,679</b>	<b>7,925</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>2,169</b>	<b>3,053</b>	<b>3,538</b>	<b>4,720</b>	<b>6,806</b>
<b>Taxation</b>	<b>(141)</b>	<b>(640)</b>	<b>(743)</b>	<b>(991)</b>	<b>(1,429)</b>
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>2,028</b>	<b>2,413</b>	<b>2,795</b>	<b>3,729</b>	<b>5,377</b>
Minority Interests	(0)	(9)	(11)	(15)	(22)
Pref. & Special Div	(740)	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>1,287</b>	<b>2,404</b>	<b>2,784</b>	<b>3,714</b>	<b>5,355</b>
Recurring Net Profit	1,888	3,055	3,450	4,471	6,239
<b>Fully Diluted Recurring Net Profit</b>	<b>1,888</b>	<b>3,055</b>	<b>3,450</b>	<b>4,471</b>	<b>6,239</b>

### Cash Flow

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<b>EBITDA</b>	<b>3,167</b>	<b>4,048</b>	<b>4,907</b>	<b>6,268</b>	<b>8,482</b>
Cash Flow from Inv. & Assoc.	540	0	0	0	0
Change In Working Capital	331	294	40	403	584
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(24)	60	62	75	97
Other Operating Cashflow	203	151	(792)	(479)	(789)
Net Interest (Paid)/Received	(1,166)	(417)	(328)	(378)	(434)
Tax Paid	(253)	(561)	(743)	(991)	(1,429)
<b>Cashflow From Operations</b>	<b>2,799</b>	<b>3,574</b>	<b>3,146</b>	<b>4,898</b>	<b>6,511</b>
Capex	(7,224)	(2,578)	(4,030)	(4,236)	(4,581)
Disposals Of FAs/subsidiaries	4,039	585	42	44	47
Disposals of Investment Properties					
Acq. Of Subsidiaries/investments	0	(2)	0	0	0
Other Investing Cashflow	1,096	2,631	651	(512)	(959)
<b>Cash Flow From Investing</b>	<b>(2,089)</b>	<b>636</b>	<b>(3,337)</b>	<b>(4,704)</b>	<b>(5,493)</b>
Debt Raised/(repaid)	275	(3,200)	968	7	1,062
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	(0)	0	0	0	0
Dividends Paid	(1,262)	0	(2,364)	0	(3,493)
Preferred Dividends					
Other Financing Cashflow		0	28	177	259
<b>Cash Flow From Financing</b>	<b>(986)</b>	<b>(3,200)</b>	<b>(1,368)</b>	<b>184</b>	<b>(2,171)</b>

SOURCES: VNDIRECT 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	1,422	2,431	872	1,249	96
Properties Under Development					
Total Debtors	4,053	1,048	1,251	1,522	1,916
Inventories	1,817	902	481	529	581
Total Other Current Assets	6,066	2,742	3,235	4,498	5,797
<b>Total Current Assets</b>	<b>13,357</b>	<b>7,123</b>	<b>5,838</b>	<b>7,798</b>	<b>8,390</b>
Fixed Assets	137	282	279	274	266
<b>Total Investments</b>	<b>22,231</b>	<b>28,261</b>	<b>30,601</b>	<b>33,435</b>	<b>36,582</b>
Intangible Assets	586	505	427	366	292
Total Other Non-Current Assets	1,823	2,512	2,728	3,319	4,246
<b>Total Non-current Assets</b>	<b>24,777</b>	<b>31,561</b>	<b>34,035</b>	<b>37,394</b>	<b>41,386</b>
Short-term Debt	2,816	18	92	112	280
Current Portion of Long-Term Debt					
Total Creditors	5,310	6,218	5,981	7,384	8,758
Other Current Liabilities	12	24	24	27	32
<b>Total Current Liabilities</b>	<b>8,138</b>	<b>6,260</b>	<b>6,097</b>	<b>7,523</b>	<b>9,069</b>
Total Long-term Debt	3,158	2,762	3,656	3,642	4,538
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	743	1,152	1,180	1,357	1,616
<b>Total Non-current Liabilities</b>	<b>3,901</b>	<b>3,915</b>	<b>4,836</b>	<b>4,999</b>	<b>6,154</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>12,039</b>	<b>10,174</b>	<b>10,933</b>	<b>12,523</b>	<b>15,223</b>
<b>Shareholders' Equity</b>	<b>26,063</b>	<b>28,468</b>	<b>28,888</b>	<b>32,602</b>	<b>34,464</b>
Minority Interests	31	42	53	68	89
<b>Total Equity</b>	<b>26,094</b>	<b>28,509</b>	<b>28,940</b>	<b>32,670</b>	<b>34,553</b>

**Key Ratios**

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	(13.6%)	65.3%	1.3%	21.7%	28.9%
Operating EBITDA Growth	10.6%	28.4%	18.3%	26.0%	33.2%
Operating EBITDA Margin	67.7%	52.6%	61.4%	63.6%	65.7%
Net Cash Per Share (VND)	(2,798)	(178)	(1,235)	(1,076)	(2,027)
BVPS (VND)	16,017	14,535	12,404	13,999	14,799
Gross Interest Cover	2.47	8.90	12.76	14.33	17.35
Effective Tax Rate	N/A	N/A	N/A	N/A	N/A
Net Dividend Payout Ratio	65.4%	NA	65.2%	NA	54.0%
Accounts Receivables Days	46.20	20.25	19.73	20.01	19.45
Inventory Days	167.9	90.5	49.2	31.3	28.8
Accounts Payables Days	102.0	149.4	231.3	205.3	201.4
ROIC (%)	25%	32%	191%	181%	195%
ROCE (%)	11.0%	13.4%	14.5%	17.3%	21.8%
Return On Average Assets	8.7%	8.2%	9.0%	10.7%	13.2%

**Key Drivers**

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
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 (%)	50.8%	39.9%	44.5%	47.5%	51.5%
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 (%)	N/A	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Inv. properties rental margin (%)	N/A	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	N/A	N/A	N/A	N/A	N/A

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#### Corporate Governance Report:

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

<b>Score Range:</b>	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good	N/A	

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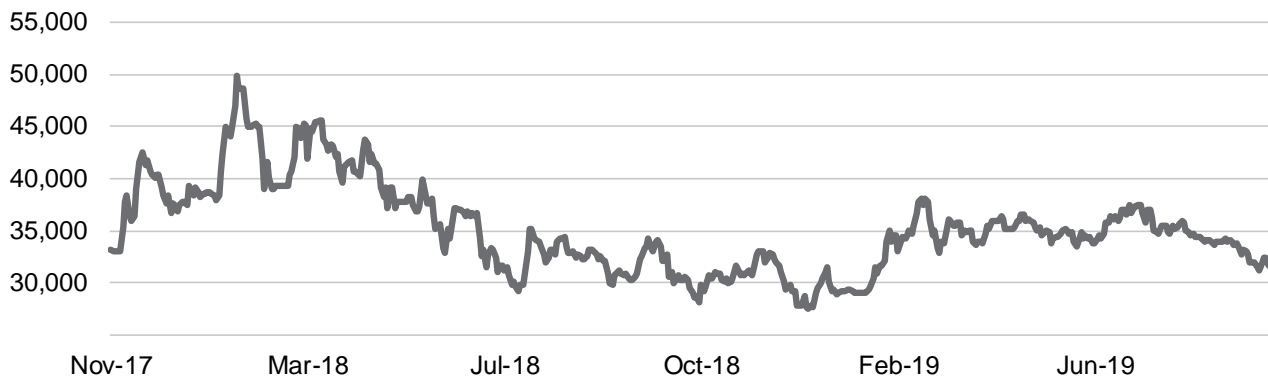
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2019		
777 companies under coverage for quarter ended on 30 September 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.8%	0.9%
Hold	26.3%	0.0%
Reduce	14.9%	0.1%

**Spitzer Chart for stock being researched ( 2 year data )**

**Vincom Retail JSC (VRE VN)**

— Price Close



## 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, **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, **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.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 31, 2018) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

\* The company, its director or management had been reportedly accused for breaching proper corporate governance such as violation of the SEC's regulations or charged with corruption.

### 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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