

# Khang Dien House (KDH)

## Completing legal work for large projects

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**The Privia project recorded a good absorption rate and is expected to be handed over to customers from 4Q24**

By November 2023, Khang Dien House Trading and Investment JSC (KDH) officially launched Privia project, located on An Duong Vuong Street, Binh Tan, Ho Chi Minh City (HCMC). The project covers an area of 1.8ha with three blocks of 1,043 apartments. As of 1Q24, it topped out all three buildings and sold out all of the apartments. KDH should complete and handover apartments from 4Q24. KBSV estimated 2024F revenue and NPAT of KDH at VND3,227 billion (+54%YoY) and VND804 billion (+12%YoY), supported by the handover of the Privia project.

**Clarita and Emeria should be launched in 2024**

We expect KDH and Keppel to launch Clarita and Emeria this year. These two have a total area of 11.8ha on Vo Chi Cong Street, Binh Trung Dong Ward, Thu Duc. The construction started in 4Q23 and should be finished to contribute to KDH's sales from 2H24. KBSV estimates 2024F-2025F sales of KDH to reach VND2,468 billion (-46% YoY) and VND4,217 billion (+71%YoY).

**Large projects have progressed in legal procedures**

In 1Q24, major projects in KDH's medium and long-term plans also recorded big progress in the legal completion process. The developer has paid 50% of the land use fee for project 11A (The Solina). The compensation for new projects Phong Phu 2 and Binh Trung is almost done to wait for investment approval. Le Minh Xuan Industrial Park expects to get the infrastructure construction permit this year.

**Valuation: NEUTRAL – Target price: VND40,800/share**

Based on business prospects and valuation results, we gave a NEUTRAL rating to KDH with a price target of VND40,800, 7% higher than the closing price on June 3, 2024.

**Neutral** maintain

**Target price VND40,800**

Upside	7%
Current price (Jun 3, 2024)	VND38,000
Consensus target price	VND43,100
Market cap (VNDtn/USDbn)	30.1/1.2

#### Trading data

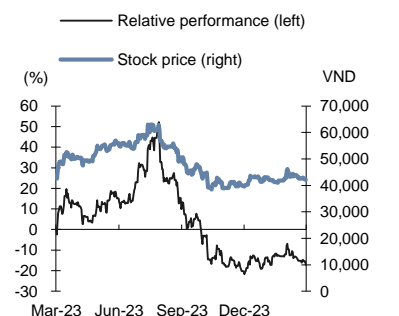
Free float	58.2%
3M avg trading value (VNDbn/USDmn)	132.7/5.3
Foreign ownership	39.6%
Major shareholder	Dragon Capital (7%)

#### Share price performance

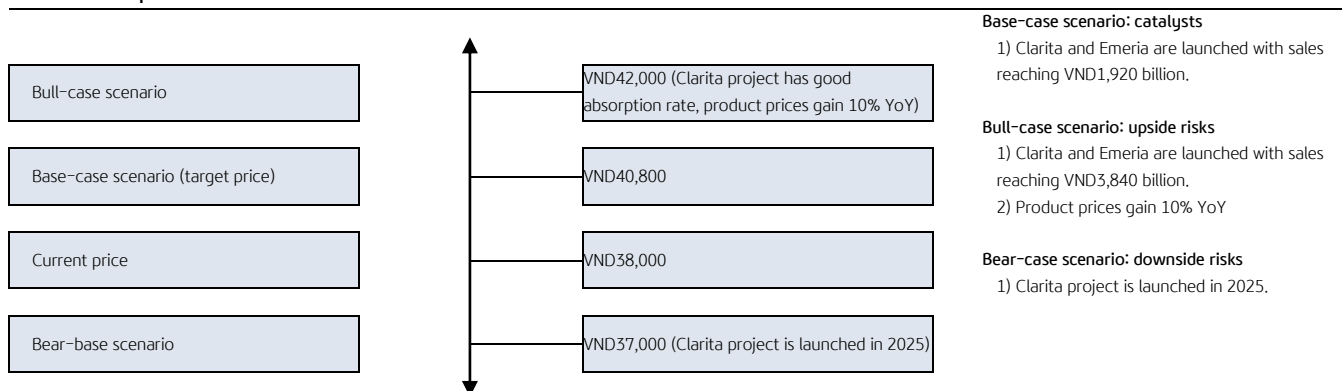
(%)	1M	3M	6M	12M
<b>Absolute</b>	5.8	5.7	16.6	42.2
<b>Relative</b>	1.0	4.2	2.3	24.8

#### Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	2,912	2,088	3,215	5,667
Operating income/loss (VNDbn)	992	1,122	1,056	2,218
NPAT-MI (VNDbn)	1,103	716	797	1,070
EPS (VND)	1,539	895	876	1,177
EPS growth (%)	-18	-42	-2	34
P/E (x)	20.24	38.63	43.38	32.29
P/B (x)	1.93	2.06	2.00	1.89
ROE (%)	9.4	4.6	4.1	5.1
Dividend yield (%)	0	0	0	0



## Investment opinion & risks



## Revised earnings estimates

(VNDbn, %)	Revised		Previous		Change	
	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	3,227	5,703	3,215	5,667	(0.4)	(0.6)
EBIT	1,125	2,370	1,117	2,348	(0.7)	(0.9)
NP after MI	804	1,088	797	1,070	(0.9)	(1.6)

Source: KB Securities Vietnam

## KBSV estimate vs consensus

(VNDbn, %)	KBSV estimates		Consensus		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	3,215	5,667	3,939	6,135	(18.4)	(7.6)
EBIT	1,117	2,348	1,302	2,141	(14.2)	9.6
NP after MI	797	1,070	858	1,001	(7.2)	6.9

Source: Bloomberg, KB Securities Vietnam

## Revenue composition (2023)



Source: Khang Dien House, KB Securities Vietnam

## Business operation

Khang Dien House Trading and Investment JSC (KDH) is one of the reputable investors with 20 years of experience in the field of investment and development of mid- and high-end real estate in HCMC. It owns a large land bank of more than 600 ha, all located in HCMC.

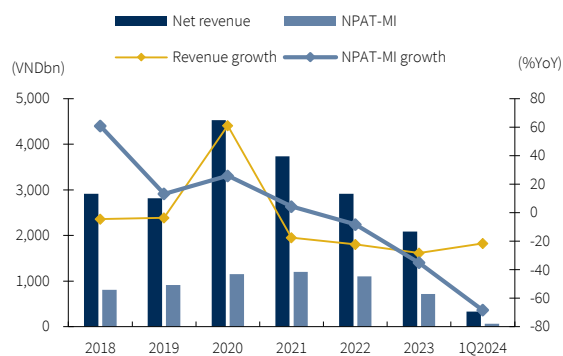
## 1Q24 performance updates

Table 1. KDH – 1Q24 business results

(VNDbn, %)	1Q23	1Q24	+/-%YoY	Notes
<b>Revenue</b>	<b>425</b>	<b>334</b>	<b>-21%</b>	KDH completed 9% of the full-year revenue target.
<i>Sales of real estate properties</i>	403	318	-21%	Real estate transfer revenue came from handing over the Classia project and transferring some land plots. At the end of 1Q24, the Classia project sold 95% and handed over 93% of the units.
<b>Gross profit</b>	<b>332</b>	<b>174</b>	<b>-48%</b>	
<i>Gross profit margin</i>	78%	52%	-26pp	Gross profit margin decreased due to low profit margin from selling land plots.
Financial income	13	12	-6%	
Financial expenses	-1	-21	1441%	Financial expenses mainly came from payment discounts (incentives for customers). Meanwhile, most interest expenses have been capitalized. Capitalized amount in 1Q24 is VND157 billion (-16%YoY).
SG&A	-69	-56	-18%	
<b>Operating income/loss</b>	<b>275</b>	<b>109</b>	<b>-60%</b>	
Other incomes	-7	-16	132%	
<b>PBT</b>	<b>287</b>	<b>102</b>	<b>-65%</b>	
NPAT	201	64	-68%	
<b>NPAT-MI</b>	<b>200</b>	<b>63</b>	<b>-68%</b>	
<i>NPAT margin</i>	47%	19%	-28pp	This is equal to 8% of the year plan.

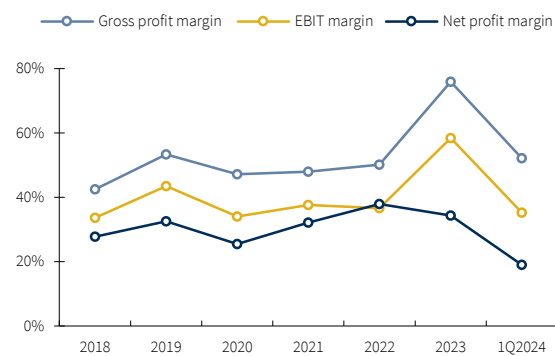
Source: Khang Dien House, KB Securities Vietnam

Fig 2. KDH – Revenue & NPAT in 2018–1Q24 (VNDbn)



Source: Khang Dien House, KB Securities Vietnam

Fig 3. KDH – Profit margin in 2018–1Q24 (%)

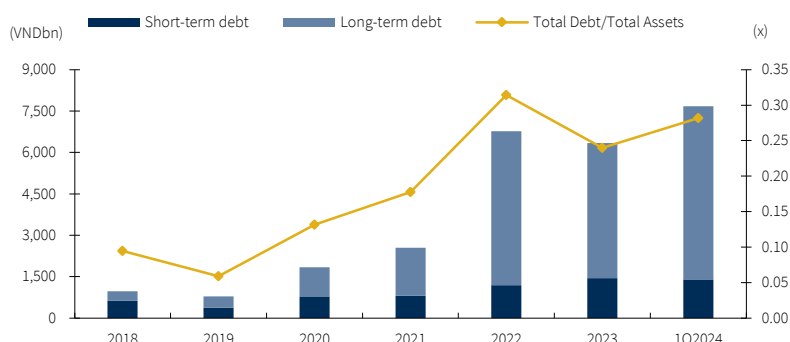


Source: Khang Dien House, KB Securities Vietnam

- At the end of 1Q, KDH's debt rose 21% QoQ to VND7,674 billion due to the increasing investment in projects. The debt/total assets ratio is at 0.28x, which is high compared to the industry average.

- Of that, the outstanding bond debt is VND1,100 billion, which will mature in 2025.  
 - KDH is completing procedures for issuing 110 million private shares to 20 investors, expected to earn VND3,000 billion. The proceeds will be used to finance projects and pay loans.

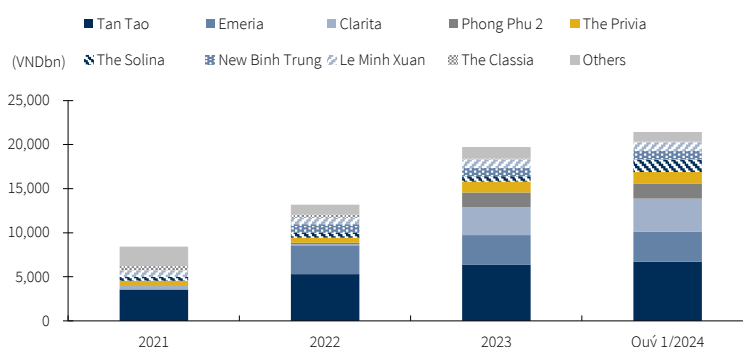
Fig 4. KDH – Debt structure in 2018-2023 (VNDbn)



Source: Khang Dien House, KB Securities Vietnam

- By the end of 1Q24, the value of KDH's inventory construction in progress was VND21,426 billion, up 9% YTD. The inventory value at The Solina project more than doubled from VND610 billion (at the end of 4Q23) to VND1,420 billion after the business paid 50% of the land use fee for this project.  
 - Inventory has increased sharply in recent years due to KDH promoting investment in Tan Tao, Emeria, Clarita, and Phong Phu 2 residential projects.

Fig 5. KDH – Value of inventory and construction in progress in 2021-1Q24 (VNDbn)



Source: Khang Dien House, KB Securities Vietnam

**KDH sold out the Privia project and planned handover from 4Q24**

In 4Q23, KDH officially started the sale of Privia project, located on An Duong Vuong Street, Binh Tan, Ho Chi Minh City (HCMC). The project covers an area of 1.8ha with three blocks of 1,043 apartments. By the end of 1Q24, the company topped out all three buildings and sold out all of the apartments of the project. The average price is about VND55 million/m<sup>2</sup>. The remaining work is being completed, and the handover is expected in 4Q24.

**Fig 6. KDH – Progress of the Privia project**

The project is located on An Duong Vuong Street, Binh Tan District, HCMC. It covers an area of 1.8 ha and has three blocks of 1,100 apartments.  
 The Privia project started construction in 2Q22 and has currently topped out all three buildings. The project should be completed and handed over by the end of 2024.  
 It was officially launched on November 25, 2023 and sold out by the end of 1Q24.



Source: Khang Dien House, KB Securities Vietnam

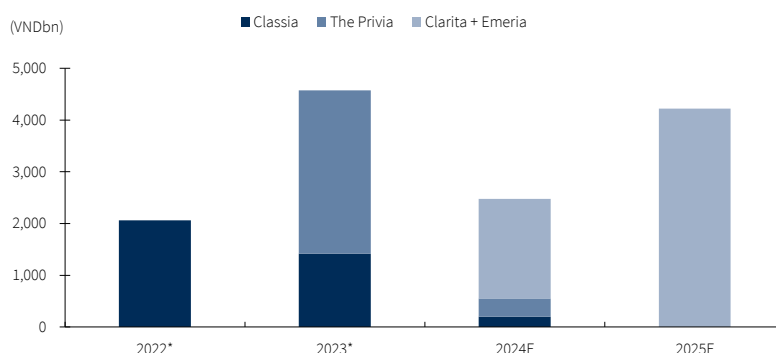
**Clarita and Emeria should be launched in 2024**

KDH is cooperating with Keppel to develop two projects Clarita and Emeria. These two have a total area of 11.8ha with 200 low-rise apartments, located on Vo Chi Cong Street, Binh Trung Dong Ward, Thu Duc. The construction started in 4Q23 and should be ready for sale from late 2024. KBSV estimates 2024F–2025F sales of KDH to reach VND2,468 billion (–46% YoY) and VND4,217 billion (+71%YoY).

**Large projects have progressed in legal procedures**

In 1Q24, major projects in KDH's medium and long-term plans also recorded big progress in the legal completion process. The developer has paid 50% of the land use fee for project 11A (The Solina). The compensation for new projects Phong Phu 2 and Binh Trung is almost done to wait for investment approval. Le Minh Xuan Industrial Park expects to get the infrastructure construction permit this year.

**Fig 7. KDH – 2022A–2025F sales (VNDbn)**



Source: KB Securities Vietnam

Table 8. KDH – List of projects (by the end of 1Q24)

Projects	Location	Area (ha)	Product	Progress
<b>Developing</b>		<b>34.4</b>		
The Classia	Thu Duc	4.3	176 townhouses	- Started construction in April 2021 and launched in 3Q22, average price at VND180–200 million/m <sup>2</sup> - Sold 95% and handed over 93% of the units - Stated construction from the end of 2Q22, topped out three buildings
The Privia	Binh Tan, HCMC	1.8	1,043 apartments	- Launched in 4Q23 and sold out by the end of 1Q24 - Expected to be handed over from 4Q24
Clarita	Thu Duc	5.8	160 low-rise apartments	- Transferred 49% to Kepple Land - Under construction, expected to be opened for sale in 2024
Emeria	Thu Duc	6.1	~60 low-rise apartments & 620 apartments	- Transferred 49% to Kepple Land - Under construction, and expected to be launched in 2024
<b>To be developed</b>		<b>570.0</b>		
The Solina	Binh Chanh, HCMC	16.4	Phase 1: 500 low-rise apartments	- Completed land clearance and got 1/500 scale planning for phase 1
Tan Tao Residential Area	Binh Tan, HCMC	330.0		- Completed land clearance and compensated 85%
Le Minh Xuan Industrial Park expansion	Binh Chanh, HCMC	110.0		- Expecting for construction permit this year
Phong Phu 2	Binh Chanh, HCMC	130.0		- Compensation done, completing the legal work
New Binh Trung		20		- Compensation done, completing the legal work

Source: Khang Dien House, KB Securities Vietnam

## Forecast & valuation

Table 9. KDH –

(VNDbn, %)	2023	2024F	+/-%YoY	2025F	+/-%YoY	Notes
<b>Revenue</b>	<b>2,088</b>	<b>3,215</b>	<b>54%</b>	<b>5,667</b>	<b>76%</b>	
<i>Sales of real estate properties</i>	2,032	3,173	56%	5,563	75%	Real estate transfer revenue mainly comes from handing over the Privia project and some remaining apartments at the Classia project.
<b>Gross profit</b>	<b>1,587</b>	<b>1,532</b>	<b>-3%</b>	<b>3,113</b>	<b>103%</b>	
<i>Gross profit margin</i>	76%	48%	-28pp	55%	+7pp	Gross profit margin in 2024 will decrease due to mainly handing over high-rise apartments at the Privia project, which have a lower gross profit margin than low-rise apartments at the Classia project handed over in 2023.
Financial income	50	37	-25%	62	67%	
Financial expenses	-148	-99	-33%	-192	95%	
SG&A	-367	-415	13%	-765	85%	
<b>Operating income/loss</b>	<b>1,122</b>	<b>1,056</b>	<b>-6%</b>	<b>2,218</b>	<b>110%</b>	
PBT	1,069	1,056	-1%	2,218	110%	
<b>NPAT</b>	<b>730</b>	<b>818</b>	<b>12%</b>	<b>1,677</b>	<b>105%</b>	
<b>NPAT-MI</b>	<b>716</b>	<b>797</b>	<b>11%</b>	<b>1,070</b>	<b>34%</b>	
<i>NPAT margin</i>	34%	25%	-9pp	19%	-6pp	

Source: Khang Dien House, KB Securities Vietnam

### Valuation: NEUTRAL – Target price: VND40,800/share

KBSV maintains a positive assessment for KDH shares thanks to (1) its reputable brand with good product quality, on-time delivery and transparent legal status; (2) expectations of the Emeria and Clarita projects being launched in 2024 with a good absorption rate; and (3) large projects recording positive progress in the legal completion process, ensuring the business growth in the medium and long term.

KBSV used RNAV method to value KDH shares. In addition, we used the DCF method for projects that are in the process of being implemented or have clear implementation plans. For the remaining land bank, we used the comparables approach to determine the value.

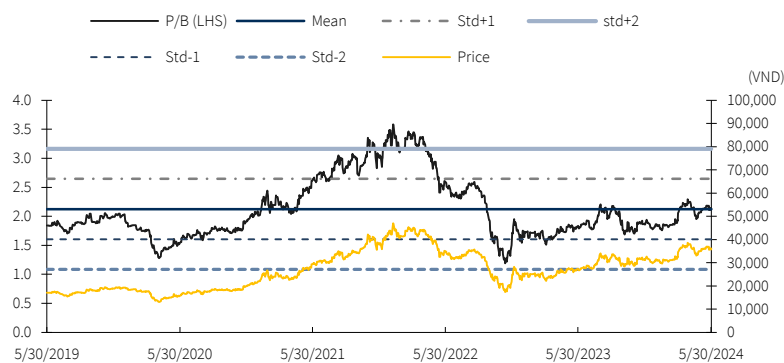
KDH stock is currently trading at a 2024fw P/B of 2.0x, equivalent to the five-year average. Therefore, based on business prospects and valuation results, we gave a NEUTRAL rating with a target price of VND40,800/share, 7% higher than the closing price on June 3, 2024.

**Table 10. KDH – Valuation**

Project	Valuation method	Value (VNDmn)
Classia	DCF	324,578
Privia	DCF	1,507,799
Clarita	DCF	1,547,923
Solina	DCF	2,848,976
Emeria Doan Nguyen	DCF	1,473,713
Le Minh Xuan	Comparables	3,900,000
Phong Phu 2	Comparables	4,950,000
Tan Tao	Comparables	17,490,000
Binh Trung Dong	Comparables	6,937,469
Others	BV	1,170,000
		<b>42,150,458</b>
+ Cash		2,534,613
- Debts		7,674,319
RNAV		37,010,752
Outstanding shares		909,311,971
Share price (VND)		<b>40,800</b>

Source: KB Securities Vietnam

**Fig 11. KDH – P/B and ROE in 2019–2024 (x, %)**



Source: KB Securities Vietnam





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### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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