

# Vinhomes (VHM)

## Launched Vinhomes Vu Yen

June 18, 2024

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**1Q24 results are lower than 1Q23's mainly due to the handover time of projects**

1Q sales of Vinhomes (VHM) hit VND8.2 trillion (-72%YoY) and VND8.6 trillion (-80%YoY) if including BCC projects. Net profit after minority interests reached VND885 billion (-93%YoY).

**Sales in 1Q mainly came from the new project Vu Yen in Hai Phong**

In the quarter, VHM sold 2,700 products (+17%YoY), and the total value of contracts sold was VND16.2 trillion (+3%YoY). Sales in the quarter all came from retail transactions, of which 86% came from the Vu Yen project (Hai Phong). This project was introduced on March 15, 2024 with 1,800 deposits, equivalent to 82% of the number of units launched in the first phase.

**Sales in 2024 are forecast to reach VND72.5 trillion (-17%YoY)**

KBSV forecasts that the total value of sales contracts in 2024 will reach VND72.5 trillion (-17%YoY), coming from the developing projects Ocean Park, Smart City, Grand Park, Ocean Park 2, 3 and two new projects launched this year, Vu Yen (launched in 1Q) and Co Loa (expected to be introduced in 2H24).

**Valuation: BUY rating – Target price VND60,900**

The real estate developer maintains its leading position thanks to its large land bank and strong implementation ability. Its valuation is attractive with a 2024 forward P/B of 0.8x, lower than the -1STD line of the five-year average P/B. Based on business prospects and valuation, we continue to recommend BUY for Vinhomes shares with a price target of VND60,900/share, 59% higher than the closing price on June 18, 2024.

**Buy** maintain

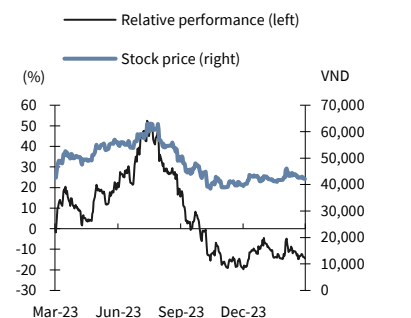
<b>Target price</b>	<b>VND60,900</b>
Upside	59%
Current price (Jun 18, 2024)	VND38,300
Consensus target price	VND47,500
Market cap (VNDtn/USDbn)	21.5/0.8

<b>Trading data</b>	
Free float	48.5%
3M avg trading value (VNDbn/USDmn)	302.5/12.0
Foreign ownership	20.8%
Major shareholder	Vingroup (66.66%)

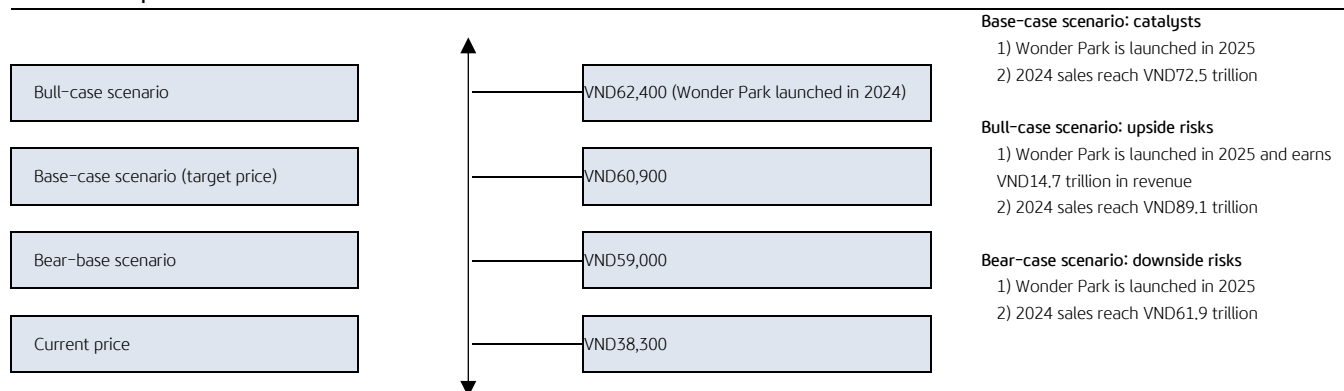
<b>Share price performance</b>				
(%)	<b>1M</b>	<b>3M</b>	<b>6M</b>	<b>12M</b>
<b>Absolute</b>	4.1	19.5	20.2	48.5
<b>Relative</b>	-0.5	16.6	2.9	32.1

### Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	62,393	103,557	118,259	122,059
Operating income/loss (VNDbn)	37,973	44,045	36,900	42,864
NPAT-MI (VNDbn)	28,831	33,371	29,172	32,244
EPS (VND)	6,621	7,664	6,700	7,405
EPS growth (%)	-26	16	-13	11
P/E (x)	6.34	4.99	5.72	5.17
P/B (x)	1.26	0.93	0.79	0.69
ROE (%)	19	18	14	13
Dividend yield (%)	0%	0%	0%	0%



## Investment opinion & risks



## Revised earnings estimates

(VNDbn, %)	Revised		Previous		Change	
	2024E	2025E	2024E	2025E	2024E	2025E
<b>Revenue</b>	126,429	122,150	118,259	122,059	(6)	(0)
<b>EBIT</b>	41,468	44,659	39,431	45,345	(5)	2
<b>NP after MI</b>	30,045	32,614	29,172	32,244	(3)	(1)

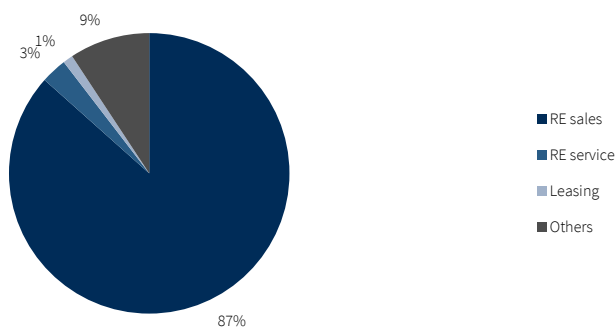
Source: KB Securities Vietnam

## KBSV estimate vs consensus

(VNDbn, %)	KBSV estimates		Consensus		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E
<b>Revenue</b>	118,259	122,059	106,178	112,658	11.4	8.3
<b>EBIT</b>	39,431	45,345	36,055	46,141	9.4	(1.7)
<b>NP after MI</b>	29,172	32,244	31,560	38,160	(7.6)	(15.5)

Source: Bloomberg, KB Securities Vietnam

## Revenue composition (2023)



Source: Vinhomes, KB Securities Vietnam

## Business operation

Vinhomes (VHM) is the largest residential real estate developer in Vietnam, focusing on developing and selling residential real estate products in the mid- and high-end segments under the Vinhomes brand. VHM owns the largest land bank among real estate investors with an area of up to 19,600 ha, which is the foundation for the company stable growth in the coming years.

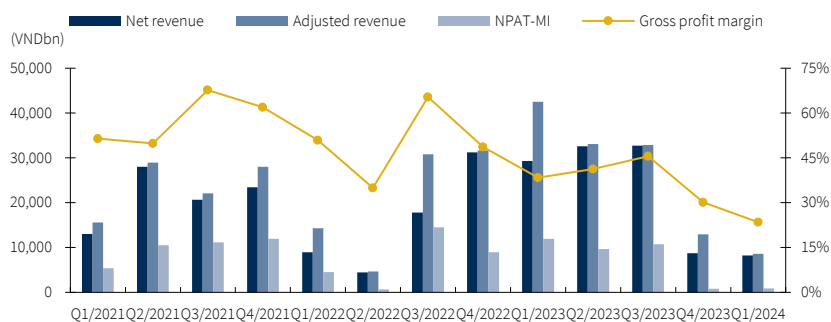
## 1Q24 performance updates

Table 1. VHM – 1Q24 business results

(VNDbn, %)	1Q23	1Q24	+/-%YoY	Notes
<b>Revenue</b>	<b>29,299</b>	<b>8,211</b>	<b>-72%</b>	1Q revenue (including BCC projects) of VHM reached VND8.6 trillion (~80%YoY).
Sales of property inventory	27,004	4,085	-85%	The sales of properties in 1Q mainly came from the handover of apartments at Ocean Park, Ocean Park 2-3 and Grand Park projects Revenue (including BCC projects) in the quarter was VND4.5 trillion, decreasing 89%YoY due to lower number of apartments handed over compared to the same period in 2023.
<b>Gross profit</b>	<b>6,643</b>	<b>1,774</b>	<b>-73%</b>	
<i>Gross profit margin</i>	23%	22%	-1pp	
Financial income	11,294	1,956	-83%	
Income from BCCs	847	231	-73%	The income was mostly from Star City project (Thanh Hoa).
Other incomes	10,447	1,725	-83%	Financial income mainly from interest on deposits, advances and loans, reaching VND1.6 trillion (+30%YoY). Financial income decreased as VHM had recorded VND8.5 trillion in PBT from 1Q23 from the bulk sales at Ocean Park 2 and 3 projects.
Financial expenses	877	1,369	56%	
SG&A	1,558	912	-41%	
<b>Operating profit/loss</b>	<b>15,503</b>	<b>1,451</b>	<b>-91%</b>	
<b>Profit before taxes (PBT)</b>	<b>15,074</b>	<b>1,416</b>	<b>-91%</b>	
<i>PBT margin</i>	11,923	904	-92%	
<b>Profit after taxes (NPAT)</b>	<b>11,917</b>	<b>885</b>	<b>-93%</b>	
<b>NP after MI</b>	<b>41%</b>	<b>11%</b>	<b>-30pp</b>	
<i>NPAT margin</i>	29,299	8,211	-72%	

Source: Vinhomes, KB Securities Vietnam

Fig 2. VHM – 2021A–2024F revenue, NPAT & GPM (VNDbn, %)

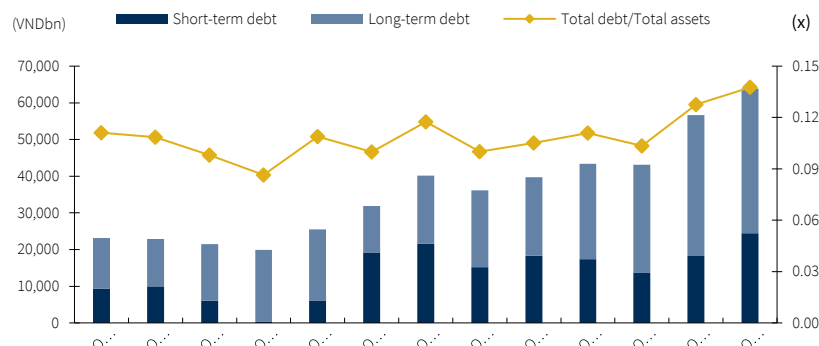


Source: Vinhomes, KB Securities Vietnam

Note: Adjusted revenue includes all bulk sales and BCCs.

- At the end of 1Q, VHM debt was VND63.9 trillion, up 13% compared to the beginning of the period. Short-term debt was VND24.4 trillion, accounting for 38% of total debt.
- Outstanding bonds were VND19.4 trillion, accounting for 27% of total debt. Of that, VND4,427 billion will mature in 2H24.
- Debt/total assets ratio was 0.14x, still at a safe level compared to the 0.2x average of businesses in the same industry.
- KBSV believes that the pressure from debt repayment in 2024 of VHM is insignificant thanks to (1) cash flow from project sales and (2) VHM's ability to mobilize new capital (in the first two quarters of the year, VHM successfully mobilized VND10 trillion from bond issuance).

Fig 3. VHM – Debts in 2021–2024 (VNDbn)



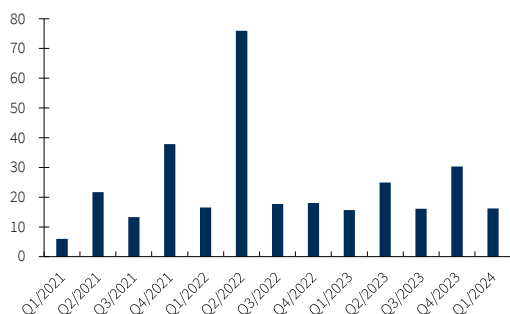
Source: Vinhomes, KB Securities Vietnam

**1Q sales mainly came from the new project Vu Yen in Hai Phong**

In 1Q24, VHM sold 2,700 products (+17%YoY), the total contract value sold in the quarter reached VND16.2 trillion (+3%YoY). Sales in the quarter all came from pre-sale transactions, of which Vu Yen project (Hai Phong) accounted for 86%. This project was introduced on March 15, 2024 with 1,800 reservations, equivalent to 82% of the number of units opened for sale in the first phase.

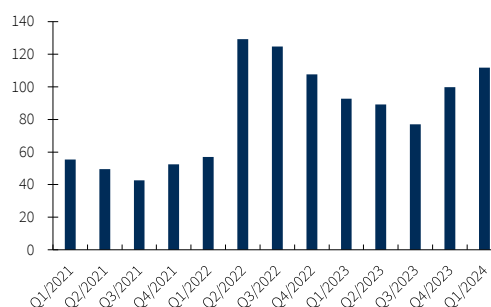
Unrecorded sales and revenue by the end of 1Q hit VND111.8 trillion (+21%YoY), of which 23% came from Vu Yen project, and 32% came from Ocean Park 2 and 3 projects. About 70% of the unrecorded sales should be recorded in the coming quarters.

Fig 4. VHM – Sales by quarter (VNDtn)



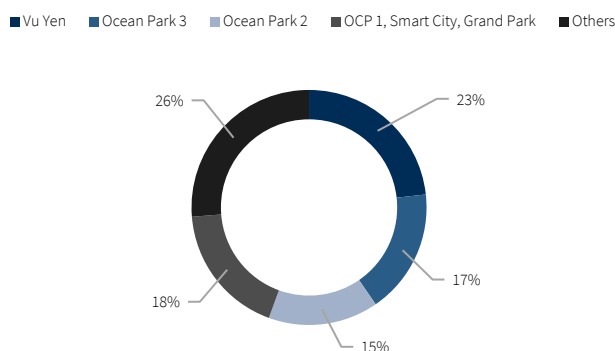
Source: Vinhomes, KB Securities Vietnam

Fig 5. VHM – Unrecorded sales by the end of 1Q24 (VNDtn)



Source: Vinhomes, KB Securities Vietnam

Fig 6. VHM – Unrecorded sales by project in 1Q24

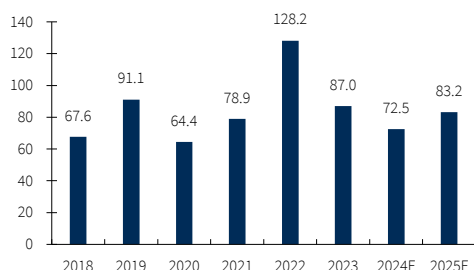


Source: Vinhomes, KB Securities Vietnam

**Total sales contract value in 2024 is forecast to reach VND72.5 trillion (-17%YoY)**

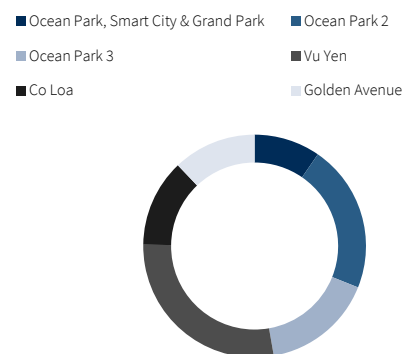
KBSV estimates total contract value of VHM in 2024 at VND72.5 trillion (-17%YoY), coming from the undergoing projects Ocean Park, Smart City, Grand Park, and Ocean Park 2,3 and two new projects in 2024, Vu Yen (launched in 1Q) and Co Loa (expected to be launched in 2H24). Our forecast is lower than VHM's plan of VND90-110 trillion due to the slow recovery in demand for low-rise products such as townhouses and villas.

Fig 7. VHM – 2018A-2025F sales (VNDtn)



Source: Vinhomes, KB Securities Vietnam

Fig 8. VHM – 2024F sales components (%)



Source: Vinhomes, KB Securities Vietnam

Table 9. VHM – Undergoing big projects

Project	Location	Area	Products	Progress
Ocean Park 2	Hung Yen	459ha	24 apartment buildings and 14,400 low-rise units	High-rise: Sold out Low-rise: Opened for sale in 2Q22 and started delivering from 3Q22
Ocean Park 3	Hung Yen	294ha	10 apartment buildings and 9,300 low-rise units	High-rise: Sold out Low-rise: Launched in 4Q22 and start handover from 3Q23
Vu Yen	Thuy Nguyen, Hai Phong	877ha	8,300 low-rise units	First introduced on March 15, 2024 with 1,800 reservations, equivalent to 82% of the number of units opened for sale in the first phase.
Co Loa	Dong Anh,	385ha		Expected to open for sale in 2024
Wonder Park	Hanoi	133ha		Expected to open for sale in 2024

Source: Vinhomes, KB Securities Vietnam

## Forecast &amp; valuation

Table 10. VHM – 1Q24 business results

(VNDbn, %)	2023	2024F	+/-%YoY	2025F	+/-%YoY	Notes
<b>Revenue</b>	<b>103,557</b>	<b>118,259</b>	<b>14%</b>	<b>122,059</b>	<b>3%</b>	
Sales of property inventory	89,669	104,340	16%	110,943	6%	Real estate transfer revenue in 2024 mainly comes from the handover of Ocean Park 2, Ocean Park 3 and Vu Yen projects.
<b>Gross profit</b>	<b>35,707</b>	<b>46,058</b>	<b>29%</b>	<b>53,387</b>	<b>16%</b>	
<i>Gross profit margin</i>	34%	39%	+5pp	44%	+5pp	
Financial income	19,954	3,548	-82%	3,662	3%	
Income from BCCs	1,673	1,004	-40%	-	-	The income mostly comes from Star City project (Thanh Hoa).
Other incomes	18,281	2,544	-86%	3,662	44%	Bulk sales transactions are assumed to be recorded in revenue.
Financial expenses	3,870	6,079	57%	6,143	1%	
SG&A	7,756	6,627	-15%	8,042	21%	
<b>Operating profit/loss</b>	<b>44,045</b>	<b>36,900</b>	<b>-16%</b>	<b>42,864</b>	<b>16%</b>	
<b>Profit before taxes (PBT)</b>	<b>43,310</b>	<b>38,006</b>	<b>-12%</b>	<b>41,868</b>	<b>10%</b>	
<b>Profit after taxes (NPAT)</b>	<b>33,533</b>	<b>29,578</b>	<b>-12%</b>	<b>32,549</b>	<b>10%</b>	
<b>NP after MI</b>	<b>33,371</b>	<b>29,172</b>	<b>-13%</b>	<b>32,244</b>	<b>11%</b>	NPAT forecast is equal to 83% of the company's plan.
<i>NPAT margin</i>	32%	25%	-7pp	26%	+1pp	

Source: Vinhomes, KB Securities Vietnam

**Valuation: BUY rating – Target price: VND60,900/share**

**Attractive valuation with 2024fw P/B of 0.8x**

We maintain a positive assessment of VHM's medium and long-term growth prospects as it is a leading real estate developer in Vietnam with a large land bank and strong project implementation capacity.

However, we note the risks that need further monitoring related to (1) progress of implementation and absorption of large projects and (2) internal transactions – at the end of 1Q24, the balance with related parties (including receivables, prepayments, and loans) was VND123 trillion, up 8% YTD.

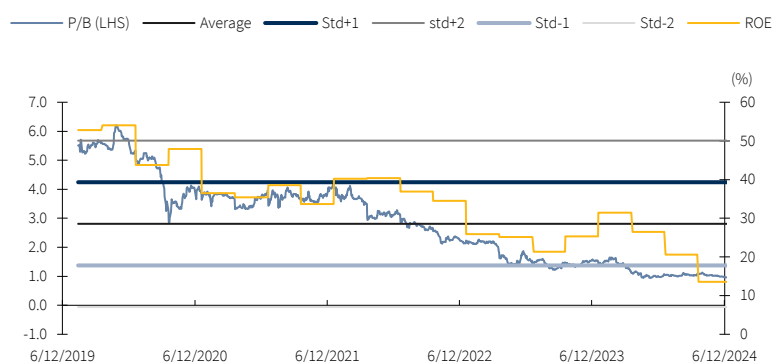
Using the RNAV, we estimated the new target price for VHM shares at VND60,900/share, 59% higher than the closing price on June 18, 2024. VHM shares are currently trading at a 2024 forward P/B of 0.8x, below the -1std line of its five-year P/B average. Based on the business outlook and valuation results, we maintain our BUY recommendation for VHM shares with a target price of VND60,900/share.

**Table 11. VHM – RNAV results**

Projects	Valuation method	Value (VNDmn)
Ongoing projects	DCF	133,213,166
Future projects	DCF	162,308,257
Others	DCF	24,366,303
		<b>319,887,727</b>
+ Cash		9,524,619
- Net debt		63,896,975
<b>RNAV</b>		<b>265,515,371</b>
Outstanding shares		4,354,367,488
<b>Value per share (VND)</b>		<b>60,900</b>

Source: KB Securities Vietnam

**Fig 12. VHM – P/B & ROE (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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