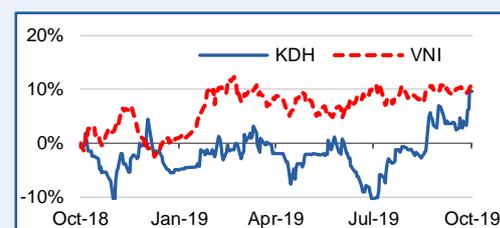


Industry	Real Estate		2018A	9M/19	2019F
<b>Report Date</b>	<b>October 30, 2019</b>	Rev y/y	-4.5%	39.2%	-3.8%
Current Price	VND26,350	EPS y/y	17.4%	22.3%	11.9%
Last Target Price	VND29,500	GPM	42.5%	49.2%	55.2%
Upside to TP	+12.0%	NPM	27.7%	27.4%	33.5%
Dividend Yield	1.9%	EV/EBITDA	14.2x		10.5x
TSR	+13.9%	P/B	2.1x		1.9x
Last Rating	BUY	P/E	17.8x		16.0x



			KDH	Peers	VNI
Market Cap	USD623.7mn	P/E (ttm)	16.1x	13.6x	16.6x
Foreign Room	USD18.5mn	P/B (curr)	2.0x	1.6x	2.4x
ADTV30D	USD426,000	Net D/E	-4.0%	21.4%	NA
State Ownership	0.0%	ROE	13.5%	20.1%	14.8%
Outstanding Shares	544.4 mn	ROA	8.8%	5.9%	2.5%
Fully Diluted O/S	544.4 mn				
3-year PEG	0.6				

**Company Overview**

KDH is a well-known landed property (townhouses and villas) developer in Ho Chi Minh City. Since 2017, the company has expanded into mid-range condo developments. Currently, KDH owns a residential land bank of ~500 ha located in District 9, District 2, Binh Chanh and Binh Tan.

**Hong Luu**

Senior Manager

[hong.luu@vcsc.com.vn](mailto:hong.luu@vcsc.com.vn)

+8428 3914 3588 ext.120

## Higher deliveries with margin expansion boost Q3 earnings

KDH released its Q3 2019 results with net revenue of VND611bn (USD26.6mn, +50% YoY) and NPAT-MI of VND296bn (USD12.9mn, +76% YoY), which were mainly due to a partial recognition of pre-sold units at Verosa Park (total of 300 low-rise units; District 9, HCMC), deliveries of remaining units at Jamila (100% pre-sold, total of 870 condo units; District 9, HCMC) and non-core land plot transfers.

For 9M 2019, KDH's NPAT-MI reached VND510bn (USD22mn, +26% YoY), equivalent to 54% of our full-year forecast. We maintain our projection that Q4 2019 earnings will come from Verosa Park handovers; hence we anticipate no significant change in our 2019F NPAT-MI forecast of VND941bn (USD41mn, +16% YoY).

**Higher deliveries with improving margin bolstered 9M 2019 growth.** Gross margin expanded to 49.2% in 9M 2019 vs 42.1% in 9M 2018, mostly thanks to higher-margin deliveries during 9M 2019, including Verosa Park and non-core land plot transfers, per our observation. We also note that lower financial gains resulted in 9M 2019 NPAT-MI growth (+26% YoY) trailing revenue growth (+39% YoY).

### Selling progress of Verosa Park and Lovera Vista projects is on track with our expectation.

After obtaining a selling permit for Verosa Park in September 2019, KDH pre-sold some units to the company's loyal homebuyers. Meanwhile, property sales agents are collecting bookings for the launch phase expected in November 2019 that includes ~100 units at an estimated starting price of VND9.5bn (USD415,000) per unit. In addition, the company pre-sold all 500 units of the first launch at Lovera Vista (total of 1,300 high-rise units; Binh Chanh District, HCMC) in mid-October 2019 with an ASP of VND29mn (USD1,260) per sqm. These performances reaffirm our 2019F forecasts for KDH's total pre-sales value of VND4.4tn (USD190mn vs 2018's low base of VND2tn/USD87mn) and NPAT-MI of VND941bn (USD41mn, +16% YoY) as stated in our last update report [KDH \[BUY +27.9%\] - Raising earnings forecasts on upbeat launch outlook](#), dated August 14, 2019.

**Figure: KDH's 9M 2019 results**

VND bn	Q3 2018	Q3 2019	% YoY Growth	9M 2018	9M 2019	% YoY Growth	2019F	9M as % of 2019F
<b>Net revenue</b>	<b>408</b>	<b>611</b>	<b>50%</b>	<b>1,337</b>	<b>1,861</b>	<b>39%</b>	<b>2,806</b>	<b>66%</b>
Gross profit	239	418	75%	563	916	63%	1,549	59%
SG&A expenses	(41)	(45)	11%	(170)	(205)	21%	(221)	93%
EBIT	199	373	88%	393	711	81%	1,327	54%
Financial income	43	14	-69%	212	35	-84%	51	68%
Financial expense	(11)	(8)	-28%	(61)	(42)	-32%	(99)	42%
PBT	225	371	65%	537	667	24%	1,255	53%
<b>NPAT-MI</b>	<b>168</b>	<b>296</b>	<b>76%</b>	<b>404</b>	<b>510</b>	<b>26%</b>	<b>941</b>	<b>54%</b>
Gross margin	58.6%	68.3%		42.1%	49.2%		55.2%	
SG&A as % of revenue	10.0%	7.4%		12.7%	11.0%		7.9%	
EBIT margin	48.7%	61.0%		29.4%	38.2%		47.3%	
NPAT-MI margin	41.2%	48.4%		30.2%	27.4%		33.5%	

Source: Company's Q3 2019 financial statements, VCSC forecast

## VCSC Rating System

**Stock ratings** are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
RATING SUSPENDED, COVERAGE TERMINATED	A rating may be suspended, or coverage terminated, if fundamental information is deemed insufficient to determine a target price or investment rating or due to a reallocation of research resources. Any previous investment rating and target price are no longer in effect.

Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

**Target prices** are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

**Risks:** Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

## Disclaimer

### Analyst Certification of Independence

I, Hong Luu, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

VCSC and its officers, directors and employees may have positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). VCSC may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

Copyright 2013 Viet Capital Securities Company "VCSC". All rights reserved. This report has been prepared on the basis of information believed to be reliable at the time of publication. VCSC makes no representation or warranty regarding the completeness and accuracy of such information. Opinions, estimates and projection expressed in this report represent the current views of the author at the date of publication only. They do not necessarily reflect the opinions of VCSC and are subject to change without notice. This report is provided, for information purposes only, to institutional investors and retail clients of VCSC in Vietnam and overseas in accordance to relevant laws and regulations explicit to the country where this report is distributed, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of VCSC. Please cite sources when quoting.

**U.K. and European Economic Area (EEA):** Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by VCSC issued by VCSC has been prepared in accordance with VCSC's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by VCSC in Australia to "wholesale clients" only. VCSC does not issue or distribute this material to "retail clients". The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of VCSC. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, VCSC will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between VCSC and the customer in advance. **Korea:** This report may have been edited or contributed to from time to time by affiliates of VCSC. **Singapore:** VCSC and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by VCSC in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. VCSC does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of VCSC. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **United States:** This research report prepared by VCSC is distributed in the United States to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Decker&Co, LLC, a broker-dealer registered in the US (registered under Section 15 of Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Decker&Co, LLC in the US shall be borne by Decker&Co, LLC. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if VCSC Broker or Decker&Co, LLC is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Decker&Co, LLC and VCSC is permitted to provide research material concerning investment to you under relevant legislation and regulations.

## Contacts

### Corporate

[www.vcsc.com.vn](http://www.vcsc.com.vn)

#### Head Office

Bitexco Financial Tower, 2 Hai Trieu Street  
District 1, HCMC  
+84 28 3914 3588

#### Transaction Office

10 Nguyen Hue Street  
District 1, HCMC  
+84 28 3914 3588

### Research

**Research Team:** +84 28 3914 3588

[research@vcsc.com.vn](mailto:research@vcsc.com.vn)

#### Banks and Securities

##### Long Ngo, Associate Director, ext 123

- Nghia Dien, Analyst, ext 138
- Anh Dinh, Analyst, ext 139
- Truc Ngo, Analyst, ext 116

#### Consumer and Pharma

##### Phap Dang, Associate Director, ext 143

- Dao Nguyen, Manager, ext 185
- Nghia Le, Analyst, ext 181

#### Real Estate, Construction and Materials

##### Hong Luu, Senior Manager, ext 120

- Anh Nguyen, Senior Analyst, ext 174
- Vy Nguyen, Senior Analyst, ext 147

#### Retail Client Research

##### Duc Vu, Senior Manager, ext 363

- Ha Dao, Analyst, ext 194
- Tra Vuong, Analyst, ext 365
- Trung Nguyen, Analyst, ext 129

### Institutional Sales and Brokerage

& Foreign Individuals

#### Dung Nguyen

+84 28 3914 3588 ext 136

[dung.nguyen@vcsc.com.vn](mailto:dung.nguyen@vcsc.com.vn)

### Retail & Corporate Brokerage

#### Ho Chi Minh City

Quynh Chau  
+84 28 3914 3588, ext 222  
[quynh.chau@vcsc.com.vn](mailto:quynh.chau@vcsc.com.vn)

#### Hanoi Branch

109 Tran Hung Dao  
Hoan Kiem District, Hanoi  
+84 24 6262 6999

#### Transaction Office

236-238 Nguyen Cong Tru Street  
District 1, HCMC  
+84 28 3914 3588

**Alastair Macdonald, Head of Research, ext 105**

[alastair.macdonald@vcsc.com.vn](mailto:alastair.macdonald@vcsc.com.vn)

#### Macro and Insurance

- Cameron Joyce, Manager, ext 163

#### Macro

- Luong Hoang, Senior Analyst, ext 364
- Nguyen Truong, Analyst, ext 132

#### Oil & Gas and Power

##### Duong Dinh, Senior Manager, ext 140

- Tram Ngo, Senior Analyst, ext 135
- Thanh Nguyen, Analyst, ext 173
- Duc Le, Analyst, ext 196

#### Industrials and Transportation

- Nam Hoang, Senior Analyst, ext 124
- Dang Thai, Analyst, ext 149

#### Hanoi

Quang Nguyen  
+84 24 6262 6999, ext 312  
[quang.nguyen@vcsc.com.vn](mailto:quang.nguyen@vcsc.com.vn)