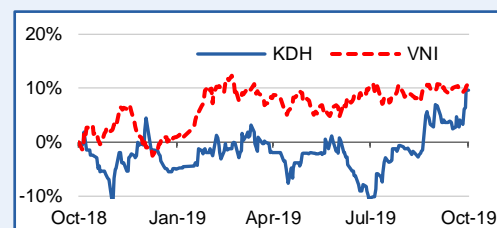




Khang Dien House (KDH)

Earnings Flash

Industry	Real Estate		2018A	9M/19	2019F
Report Date	October 30, 2019	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.

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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
Net revenue	408	611	50%	1,337	1,861	39%	2,806	66%
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%
NPAT-MI	168	296	76%	404	510	26%	941	54%
<i>Gross margin</i>	<i>58.6%</i>	<i>68.3%</i>		<i>42.1%</i>	<i>49.2%</i>		<i>55.2%</i>	
<i>SG&A as % of revenue</i>	<i>10.0%</i>	<i>7.4%</i>		<i>12.7%</i>	<i>11.0%</i>		<i>7.9%</i>	
<i>EBIT margin</i>	<i>48.7%</i>	<i>61.0%</i>		<i>29.4%</i>	<i>38.2%</i>		<i>47.3%</i>	
<i>NPAT-MI margin</i>	<i>41.2%</i>	<i>48.4%</i>		<i>30.2%</i>	<i>27.4%</i>		<i>33.5%</i>	

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

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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
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