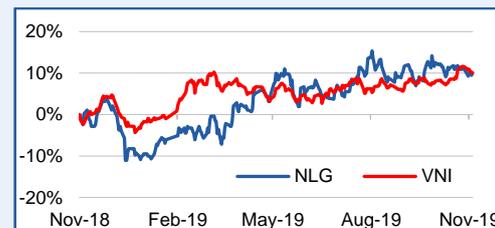


Industry	Real Estate		2018A	2019F	2020F	2021F
Report Date	November 18, 2019	Rev y/y	10.1%	-30.1%	19.3%	-34.0%
Current Price	VND28,250	EPS y/y	19.7%	13.1%	22.3%	24.8%
Current Target Price	VND48,300	NPAT-MI y/y	42.7%	24.8%	23.1%	25.7%
Last Target Price	VND51,700	GPM	43.2%	39.0%	35.5%	45.3%
Upside to TP	+71.0%	NPM	21.9%	39.1%	40.4%	76.9%
Dividend Yield	2.5%	P/B	1.5x	1.3x	1.1x	0.9x
TSR	+73.5%	P/E	8.6x	7.6x	6.2x	5.0x



			NLG	Peers	VNI
Market Cap	USD295.0mn				
Foreign Room	USD0	P/E (ttm)	14.6x	12.8x	16.5x
ADTV30D	USD0.6mn	P/B (curr)	1.5x	2.0x	2.4x
State Ownership	0.0%	Net D/E	-11.2%	21.4%	NA
Outstanding Shares	240.2 mn	ROE	13.2%	20.1%	14.7%
Fully Diluted Shares	240.2 mn	ROA	5.9%	8.1%	2.5%
3-yr PEG	0.7				

Company Overview

NLG is a property developer with 27 years of experience. After becoming a proven low-end housing developer, NLG has expanded into the mid-range and landed properties segments across its land bank in HCMC, Long An, Dong Nai and Hai Phong.

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Stable growth outlook despite legal procedure constraints

- We reiterate our BUY rating for NLG and cut our target price by 7% to VND48,300/share on a lower pre-sales forecast due to longer-than-expected legal procedures and the inclusion of 2019/20 ESOP.
- We maintain our 2019F NPAT-MI forecast at VND952bn (USD41mn, +25% YoY) as a potential gain from a project transfer could offset slower-than-expected deliveries at Waterpoint first phase and the delay of stake sales/service revenue from Akari City, all due to legal procedure constraints.
- We forecast 2020F NPAT-MI to grow 23% YoY to VND1.2tn (USD51mn), largely driven by strong residential deliveries at the Waterpoint first phase, Mizuki Park and Novia projects.
- We trim 2018-2021F pre-sales value CAGR forecast to 36% vs 38% previously as we believe the launch plan could be slightly rescheduled, which is in line with current legal condition challenges.
- Nevertheless, we believe that NLG deserves to be re-rated for a 2020F PER of 10.6x at our target price as it is stepping up to become one of a few players developing township models (~300 ha/project) and has good position to deliver solid earnings growth vs other mid-cap local peers.
- Downside risk to our positive view: further delay on sales launches for the next batches of Akari City/Mizuki Park and Waterpoint first phase.

Solid backlog indicates robust growth for 2020F property sales. We estimate NLG's property sales backlog at VND8.6tn (USD372mn) as of Q3 2019 (details in Figure 5). This estimated backlog is equivalent to 138% of the 2020F underlying property sales forecast (including property revenue at JV projects that are not consolidated), which will drive our segment NPAT-MI to grow 151% YoY in 2020F. Key deliveries in 2020F will be Mizuki Park first phase (launched in Q4 2017), Waterpoint first phase (launched in Q4 2019), and Novia (launched in Q1 2018). We note the property sales segment would contribute ~70% to our forecast for NLG's 2020F NPAT-MI.

Pre-sales performance outperforms market, but launch progress is slightly slower than our expectation. Highlights of NLG's launch effort in 2019 reflect on (1) the company being among a few large listed property developers that have been able to launch new projects in HCMC, thanks to Akari City in July 2019 and (2) the successful launch of the long-awaited Waterpoint first phase in end-October 2019. Although it has land banks with the most advanced legal status, NLG has also been impacted by the overall approval process remaining stagnant across the market. As a result, NLG postponed its launch plans for (1) Waterpoint several times before its October launch as well as (2) the second phase of Mizuki Park into 2020, which will be partly offset by the launch of additional 330 units at Akari City expected in December 2019. As such, we slightly cut our 2019F pre-sales forecast by 13% to VND5.8tn (USD253mn, +77% YoY). Despite these minor setbacks, we do not yet consider this as a massive issue for NLG's earnings growth outlook, especially following management's guidance for upcoming new launches, including the second batch of Waterpoint first phase (500-700 units) and Mizuki Park second phase in H1 2020F.

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Note: Mizuki Park/ Waterpoint first phase/ Akari City are not consolidated

9M 2019 recap: Lower property and land bank sales weigh on results

Figure 1: 9M 2019 results

VND bn	9M 2018	9M 2019	% YoY	% of Old 2019F	VCSC comments for 9M 2019
Net revenue	2,740	1,325	-52%	34%	
- <i>Property sale</i>	1,786	916	-49%	39%	* Declined YoY mainly due to lower residential deliveries * Key handovers in 9M 2019 included Ehomes Nguyen Son and Ehomes Phu Huu.
- <i>Land bank sale</i>	792	12	-99%	2%	* Trailed our expectation due to legal procedure constraints that prevent NLG from recognizing the stake sales of Akari City (partial gain recognition) this year
- <i>Services and leasing</i>	162	397	145%	45%	* Trailed our expectation due to a lack of contribution from Akari City project management fees amid the delay of this project's stake sales recognition.
Gross profit	1,182	585	-51%	39%	
- <i>Property sale</i>	773	416	-46%	47%	
- <i>Land bank sale</i>	370	5	-99%	3%	
- <i>Services and leasing</i>	39	163	317%	41%	
Selling expenses	(165)	(73)	-56%	28%	
G&A expenses	(147)	(212)	44%	74%	
EBIT	870	300	-66%	32%	
Financial income	86	98	14%	97%	
Financial expenses	(20)	(43)	114%	42%	
Profit from associates	6	12	93%	7%	
Other gain/(loss)	14	144	NM	104%	* Q1 2019 recorded negative goodwill on a bargain purchase following the acquisition of the Paragon Dai Phuoc land bank (Dong Nai Province, 45 ha).
PAT	748	447	-40%	46%	
NPAT-MI	635	412	-35%	43%	
Gross margin	43.1%	44.1%			
- <i>Property sale</i>	43.3%	45.4%			
- <i>Land bank sale</i>	46.7%	47.0%			
- <i>Services and leasing</i>	23.8%	40.9%			
SG&A as % of revenue	11.4%	21.5%			
EBIT margin	31.7%	22.6%			
NPAT-MI margin	23.2%	31.1%			

Source: NLG, VCSC

2019 outlook: Earnings to accelerate in Q4 on stronger deliveries and land bank transfer

Figure 2: 2019 forecast

VND bn	2018A	2019F* Old	2019F* New	% YoY	VCSC assumptions/forecasts for 2019F
Net revenue	3,554	3,911	2,433	-30%	
- <i>Property sale</i>	2,399	2,321	1,493	-38%	* We revise down due to slower-than-expected delivery progress at Novia (consolidated project). * This segment's revenue growth forecast would be flat YoY if including handovers at Mizuki Park (unconsolidated project).
- <i>Land bank sale**</i>	792	700	250	-68%	* We continue to expect the stake sale recognition of Waterpoint (the second tranche of the first phase) in Q4. * We revise down as we delay the stake sale recognition of Akari City into 2020F due to legal constraints.
- <i>Services and leasing</i>	363	890	690	90%	* We lower our previous projection as 2019F will not yet include contributions from Akari City due to the pending process of its stake sales recognition.
Gross profit	1,500	1,486	949	-37%	
- <i>Property sale</i>	956	886	569	-40%	
- <i>Land bank sale**</i>	380	200	100	-74%	
- <i>Services and leasing</i>	165	400	280	69%	
Selling expenses	(252)	(263)	(88)	-65%	
G&A expenses	(239)	(285)	(264)	10%	
EBIT	1,010	938	597	-41%	
Financial income	129	101	420	225%	* We revise up our projection as we forecast a VND300bn (USD17mn) post-tax gain from a potential land bank divestment in Q4 2019F.
Financial expenses	(37)	(103)	(51)	37%	* We revise down our forecast as we assume a new loan for acquiring Waterfront will be moved into 2020F.
Profit from associates	14	157	159	NM	* Higher YoY driven by increasing deliveries at Mizuki Park that are expected in Q4 2019F.
Other gain/(loss)	9	138	144	NM	* Q1 2019 recorded a gain from negative goodwill following the acquisition of the Paragon Dai Phuoc land bank.
PAT	885	972	1,003	13%	
NPAT-MI	761	951	952	25%	
Gross margin	42.2%	38.0%	39.0%		
- <i>Property sale</i>	39.8%	38.2%	38.1%		* Gross margin forecast would be 39.4% in 2019F if including handovers of Mizuki Park (unconsolidated project).
- <i>Land bank sale</i>	47.9%	28.6%	40.0%		
- <i>Services and leasing</i>	45.5%	44.9%	40.6%		
SG&A as % of revenue	13.8%	14.0%	14.5%		
EBIT margin	28.4%	24.0%	24.5%		
NPAT-MI margin	21.4%	24.2%	39.1%		

Source: NLG, VCSC forecast. Note: (*) Mizuki Park is not consolidated (**) As part of a plan to partly divest NLG's stakes in pipeline projects to partners, NLG would sell these land plots to newly set-up joint ventures in which NLG holds 50% ownership interest. This practice allows NLG to recognize both revenue and gains arising from the transactions.

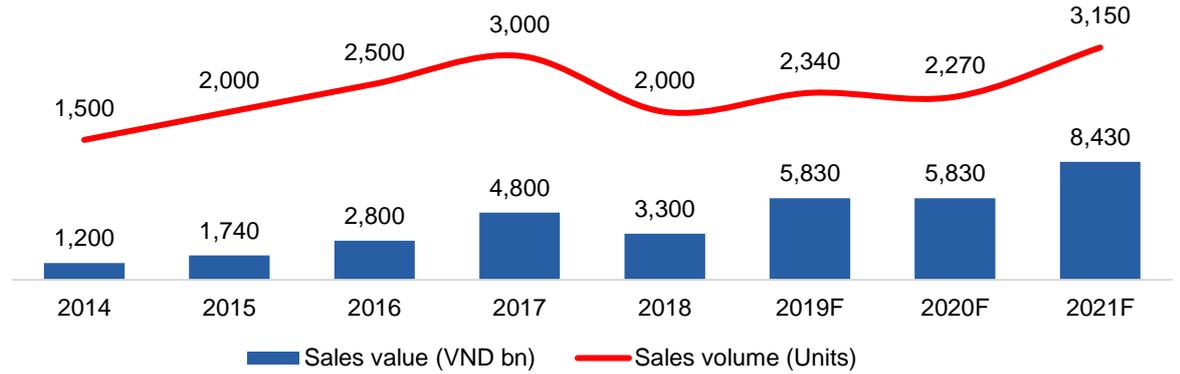
2020 outlook: Eyeing stable growth on stronger handovers

Figure 3: 2020 forecast

VND bn	2019F* New	2020F*	% YoY	VCSC assumptions/forecasts for 2020F
Net revenue	2,433	2,903	19%	
- <i>Property sale</i>	1,493	1,164	-22%	* Segment revenue growth forecast would be 151% YoY if including handovers at Mizuki Park/Waterpoint first phase (unconsolidated projects).
- <i>Land bank sale**</i>	250	980	292%	* Stake sales of Akari City (partial gain recognition) and Mizuki Park/Waterpoint (the later bookings upon handover).
- <i>Service and leasing</i>	690	759	10%	* We forecast that NLG will provide project management services for an associate that will likely start developing Akari City from 2020F.
Gross profit	949	1,031	9%	
- <i>Property sale</i>	569	443	-22%	
- <i>Land bank sale**</i>	100	280	180%	
- <i>Service and leasing</i>	280	308	10%	
Selling expenses	(88)	(134)	52%	
G&A expenses	(264)	(268)	2%	
EBIT	597	584	-2%	
Financial income	420	90	-78%	* We assume no business cooperation as in 2019F.
Financial expenses	(51)	(89)	76%	* Higher YoY debt balance to acquire new projects, including Waterfront in Dong Nai Province.
Profit from associates	159	912	NM	* Higher YoY, driven by increasing deliveries at Mizuki Park/Waterpoint first phase (unconsolidated projects).
Other gain/(loss)	144	0	NM	* We assume no abnormal gain as in 2019F.
PAT	1,003	1,198	19%	
NPAT-MI	952	1,173	23%	
Gross margin	39.0%	35.5%		
- <i>Property sale</i>	38.1%	38.0%		* Gross margin forecast would be 44.6% in 2020F if including handovers of Mizuki Park/Waterpoint first phase (unconsolidated projects).
- <i>Land bank sale</i>	40.0%	28.6%		* Lower margin at Akari City in 2019F vs other stake sales in previous years
- <i>Service and leasing</i>	40.6%	40.6%		
SG&A as % of revenue	14.5%	13.8%		
EBIT margin	24.5%	20.1%		
NPAT-MI margin	39.1%	40.4%		

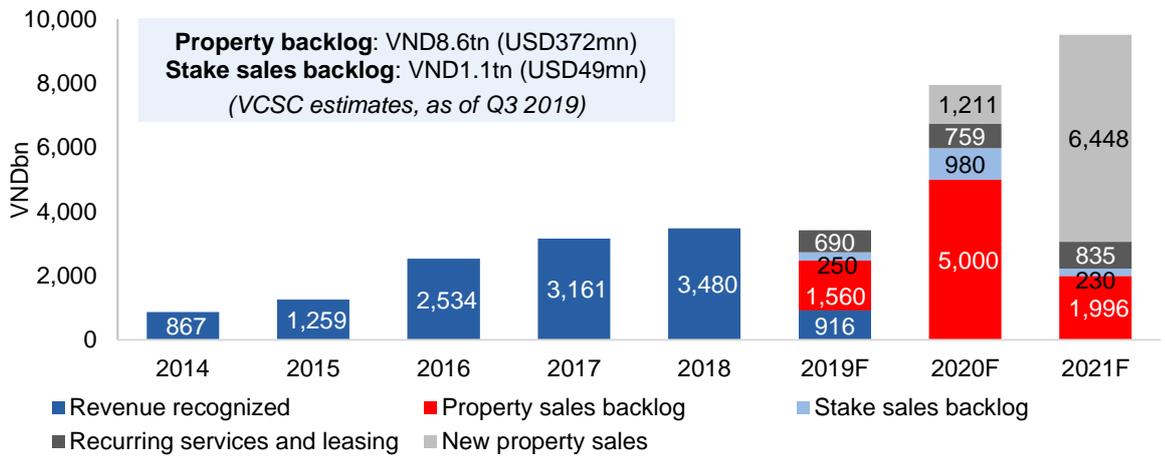
Source: NLG, VCSC forecast. Note: (*) Mizuki Park is not consolidated (**) As part of a plan to partly divest NLG's stakes in pipeline projects to partners, NLG would sell these land plots to newly set-up joint ventures in which NLG holds 50% ownership interest. This practice allows NLG to recognize both revenue and gains arising from the transactions.

Figure 4: NLG's residential pre-sales volume and value



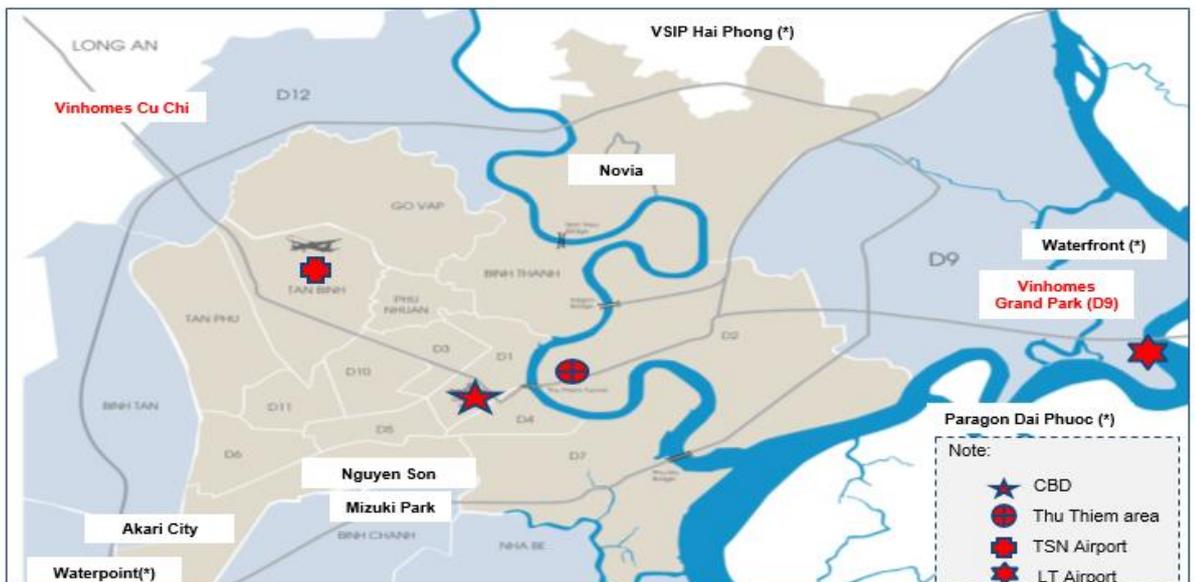
Source: NLG, VCSC forecast. Note: Including the unconsolidated projects including Mizuki Park, Waterpoint first phase and Akari City developments

Figure 5: NLG's revenue recognition and backlog status



Source: NLG, VCSC forecast. Note: Including the unconsolidated projects including Mizuki Park, Waterpoint first phase and Akari City developments

Figure 6: Locations of NLG's development pipeline



Source: VCSC compilation. Note: All developments and remaining land banks are located in HCMC except for Waterpoint (Long An Province), Waterfront & Paragon Dai Phuoc (Dong Nai Province) and VSIP Hai Phong (Hai Phong Province).

Figure 7: Construction and delivery pipeline of NLG's major developments and land banks

Project	Site area (ha)	Launch Time	Location	Units	Pre-Sales	Estimated ASP (USD/ sqm)	2017	2018	2019	2020	2021	2022	2023	2024
Mizuki Park	26.4	Q4 2017	Binh Chanh	4,850	29%*	1,200 – 1,700								
Nguyen Son	11.0	Q4 2017	Binh Chanh	1,770	100%	700 – 1,650								
Novia (Areco)	1.1	Q1 2018	Thu Duc	580	100%	1,100 – 1,200								
Akari City	8.8	Q2 2019	Binh Tan	4,600	22%*	1,300 – 1,500								
Waterpoint 1 st phase	165.0	Q4 2019	Long An	3,000	23%*	900 – 1,000								
Waterpoint 2 nd phase	190.0	TBD	Long An	13,000										
Paragon Dai Phuoc	45.0	TBD	Dong Nai	590										
VSIP Hai Phong**	21.4	TBD	Hai Phong	2,900										
Waterfront **	170.0	TBD	Dong Nai	6,350										
Total	640			37,640										

Source: NLG, VCSC forecast

Note: All projects except Nguyen Son, Novia, Mizuki Park are expected to continue beyond 2024.

(*) % pre-sales of total units. Mizuki Park: 1,400 launched units since Q4 2017 (99% take-up rate). Akari City: 1,100 launched units since Q2 2019 (100% take-up rate). Waterpoint first phase: 700 launched units since October 2019 (100% take-up rate).

(**) To be acquired, subject to paperwork completion.

Figure 8: Construction progress of NLG's key projects (as of October 2019)



Source: NLG, VCSC compilation

Valuation

We continue to value NLG stock by using the RNAV valuation method detailed in Figure 9. We have factored in all of the identified land bank for projects under construction and under development via the DCF method of discounting estimated FCF to the end of 2019.

We set a 1Y target price for NLG at VND48,300/share based on our RNAV valuation. This target price is 7% lower than our previous target price of VND51,700/share (adjusted for 8.23% stock dividend payment in September 2019), mainly due to (1) a downward revision on our pre-sales projection at Mizuki Park/Akari City given slight legal constraints and (2) the inclusion of 2019/2020 ESOP (1.7 million shares were issued in September 2019; we assume the same number of ESOP shares will be issued in 2020F).

Figure 9: Valuation summary

Project	Valuation approach	Development NPV (VND bn)	Effective ownership	Effective NPV (VND bn)
Mizuki Park	DCF	2,856	50%	1,428
Nguyen Son - Aquamarine	DCF	91	87%	79
Akari City	DCF	2,510	50%	1,255
Paragon Dai Phuoc	DCF	1,639	100%	1,639
Can Tho projects	BV	41	100%	41
Waterpoint first phase	DCF	3,640	50%	1,820
Waterpoint second phase	MV	2,280	100%	2,280
Waterfront	DCF	1,253	70%	877
VSIP Hai Phong	DCF	579	100%	579
Others	BV	292	100%	292
Total project NPV		15,180		10,290
(+) Cash and ST investment *				2,606
(-) Total debt				(1,308)
Net asset value				11,588
Current outstanding shares (mn)				240
Target price (VND/share)				48,300
Current price (VND/share)				28,250
Upside				71.0%
2019F PER @ Target Price				13.0x
2019F PBR @ Target Price				2.3x
2020F PER @ Target Price				10.6x
2020F PBR @ Target Price				1.9x

Source: NLG, VCSC. Note: (*) Including an assumed VND560bn (USD24mn) of net cash to be received on the imminent 50% divestment at Akari City.

Figure 10: VCSC assumptions for WACC

Cost of Capital	Previous	Revised
Beta	1.0	1.0
Market Risk Premium %	8.4%	8.7%
Risk Free Rate %	4.8%	4.5%
Cost of Equity %	13.2%	13.2%
Cost of Debt %	8.5%	8.5%
Corporate Tax Rate %	20%	20%
Debt-to-capital ratio %	50%	50%
WACC %	10.2%	10.2%

Source: VCSC

Recommendation history

Figure 11: Historical VCSC target price vs share price



Source: Bloomberg and VCSC. Note: Historical target prices adjusted for changes in shares outstanding

Financial Statements

P&L (VND bn)	2018A	2019F	2020F	2021F	B/S (VND bn)	2018A	2019F	2020F	2021F
Revenue	3,480	2,433	2,903	1,915	Cash & equivalents	2,084	2,030	996	1,395
COGS	-1,976	-1,484	-1,872	-1,048	ST investment	16	16	16	16
Gross Profit	1,503	949	1,031	867	Accounts receivables	1,833	1,333	1,333	1,333
Sales & Marketing exp	-252	-88	-134	-30	Inventories	3,261	4,345	6,534	6,693
General & Admin exp	-239	-264	-268	-268	Other current assets	126	62	74	49
Operating Profit	1,013	597	584	569	Total Current assets	7,320	7,785	8,952	9,485
Financial income	129	420	90	72	Fix assets, gross	103	111	120	130
Financial expenses	-37	-51	-89	-79	- Depreciation	-50	-58	-66	-73
- o/w interest expense	-36	-51	-89	-79	Fix assets, net	52	53	54	56
Associates	14	159	912	1,288	LT investment	1,684	1,844	2,344	2,344
Net other income/(loss)	9	144	0	0	LT assets other	75	75	75	75
Profit before Tax	1,128	1,270	1,497	1,850	Total LT assets	2,254	2,414	2,915	2,918
Income Tax	-241	-267	-299	-370	Total Assets	9,574	10,199	11,867	12,403
NPAT before MI	887	1,003	1,198	1,480	Accounts payable	270	235	296	166
Minority Interest	-124	-51	-25	-7	Short-term debt	201	201	201	201
NPAT less MI, reported	763	952	1,173	1,473	Other ST liabilities	2,222	1,907	962	732
NPAT less MI, adjusted	763	952	1,173	1,473	Total current liabilities	2,694	2,343	1,460	1,099
EBITDA	1,026	614	600	585	Long term debt	806	1,107	2,458	1,833
EPS reported, VND	3,297	3,728	4,558	5,687	Other LT liabilities	790	948	1,138	1,366
EPS adjusted, VND	3,297	3,728	4,558	5,687	Total Liabilities	4,290	4,398	5,056	4,298
EPS fully diluted, VND	3,297	3,728	4,558	5,687	Preferred Equity	0	0	0	0
DPS, VND	390	720	720	720	Paid in capital	2,391	2,408	2,426	2,443
DPS/EPS (%)	12%	19%	16%	13%	Share premium	989	989	989	989
RATIOS	2018A	2019F	2020F	2021F	Retained earnings	1,294	2,042	3,011	4,280
Growth					Other equity	-73	-373	-373	-373
Revenue growth	10.1%	-30.1%	19.3%	-34.0%	Minority interest	684	735	760	766
Op profit (EBIT) growth	14.9%	-41.0%	-2.2%	-2.6%	Total equity	5,285	5,801	6,811	8,104
PBT growth	18.7%	12.6%	17.9%	23.6%	Liabilities & equity	9,574	10,199	11,867	12,403
EPS growth, adjusted	19.7%	13.1%	22.3%	24.8%	Y/E shares out, mn	230	240	242	244
Profitability					CASH FLOW (VND bn)	2018A	2019F	2020F	2021F
Gross Profit Margin	43.2%	39.0%	35.5%	45.3%	Beginning Cash Balance	2,082	2,084	2,030	996
Op Profit, (EBIT) Margin	29.1%	24.5%	20.1%	29.7%	Net Income	763	952	1,173	1,473
EBITDA Margin	29.5%	25.2%	20.7%	30.6%	Dep, & amortization	13	16	16	16
NPAT-MI Margin, adj,	21.9%	39.1%	40.4%	76.9%	Chge in Working Cap	-936	630	-2,084	-494
ROE	20.3%	19.7%	21.1%	22.0%	Other adjustments	349	158	190	228
ROA	10.2%	10.1%	10.9%	12.2%	Cash from Operations	189	1,757	-705	1,223
Efficiency					Capital Expenditures, net	-15	-8	-9	-10
Days Inventory On Hand	659.9	935.3	1,060.2	2,302.6	Investments, net	-1,012	-1,668	-1,509	-9
Days Accts, Receivable	126.5	237.4	167.5	254.0	Cash from Investments	-1,027	-1,676	-1,518	-19
Days Accts, Payable	51.8	62.1	51.8	80.5	Dividends Paid	-207	-187	-187	-187
Cash Conversion Days	734.5	1,110.6	1,176.0	2,476.1	Δ in Share Capital	540	-300	0	0
Liquidity					Δ in ST debt	-15	0	0	0
Current Ratio x	2.7	3.3	6.1	8.6	Δ in LT debt	615	301	1,351	-625
Quick Ratio x	1.5	1.4	1.6	2.5	Other financing C/F	-93	51	25	7
Cash Ratio x	0.8	0.9	0.7	1.3	Cash from Financing	840	-135	1,189	-805
Debt / Assets	10.5%	12.8%	22.4%	16.4%	Net Change in Cash	2	-54	-1,034	399
Debt / Capital	16.0%	18.4%	28.1%	20.1%	Ending Cash Balance	2,084	2,030	996	1,395
Net Debt / Equity	-20.7%	-12.7%	24.2%	7.7%					
Interest Coverage x	27.8	11.8	6.6	7.2					

Source: Company's financial statements, VCSC forecasts

Note: Assume Mizuki Park, Waterpoint first phase and Akari City developments are not consolidated

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.

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