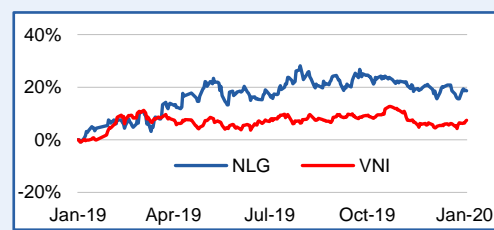




Nam Long Group (NLG)

Earnings Flash

Industry	Real Estate		2018	2019
Report Date	January 20, 2020			
Current Price	VND27,600	Rev y/y	10.1%	-26.8%
Last Target Price	VND48,300	EPS y/y	19.7%	14.0%
Upside to TP	+75.0%	NPAT-MI y/y	42.7%	25.8%
Dividend Yield	3.5%	GPM	43.2%	41.9%
TSR	+78.5%	NPM	21.9%	37.7%
Last Rating	BUY	P/B	1.4x	1.3x
		P/E	8.4x	7.3x



Market Cap	USD287.2mn		<u>NLG</u>	<u>Peers</u>	<u>VNI</u>
Foreign Room	USD0	P/E (ttm)	7.3x	12.0x	16.1x
ADTV30D	USD0.4mn	P/B (curr)	1.3x	1.9x	2.3x
State Ownership	0.0%	Net D/E	-17.7%	21.4%	NA
Outstanding Shares	239.4 mn	ROE	19.9%	20.1%	14.7%
Fully Diluted O/S	239.4 mn	ROA	9.9%	8.1%	2.4%

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 midrange and landed properties segments across its land bank in HCMC, Long An, Dong Nai and Hai Phong.

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2019 earnings performance in line with expectation

NLG posted 2019 results with net revenue of VND2.5tn (USD111mn, -27% YoY) and NPAT-MI of VND960bn (USD41.7mn, +26% YoY), which are equivalent to 105% and 101% of our forecasts, respectively. Meanwhile, in Q4 2019, NLG's pre-sales performance was positive with the launches of Akari City's second batch of its first phase in December 2019 (700 launched units with a 90% take-up rate) and Waterpoint first phase in October 2019 (700 launched units with a 100% take-up rate). As these results are broadly in line with our expectation, we foresee no significant change to our 2020F NPAT-MI forecast of VND1.17tn (USD51mn, +22% YoY).

Q4 recorded strong property delivery results. In Q4 2019, the higher-than-expected delivery progress at Novia (consolidated project) largely offset the delay of the stake sale recognition for Waterpoint (the second tranche of the first phase). As such, 2019 net revenue was slightly higher than our forecast by 5%.

Profit from co-development project started contributing to 2019 earnings. In Q4 2019, NLG reported VND114bn (USD5mn) of profit from associates and VND74bn (USD3.2mn) of gross profit from land bank sales, which were mainly driven by handovers of ~1,200 units at Mizuki Park (unconsolidated project). We continue to expect a stronger contribution of profit from associates in 2020F when NLG will deliver pre-sold units at the Waterpoint first phase.

Other gains from the acquisition of the Paragon Dai Phuoc land bank further boosted 2019 NPAT-MI growth. In 2019, NLG reported a total of VND381bn (USD16.6mn) negative goodwill on a bargain purchase following the acquisition of the Paragon Dai Phuoc land bank (Dong Nai Province, 45 ha), of which VND136.5bn (USD5.9mn) was recorded in Q1 2019.

Figure: NLG's 2019 results

VND bn	2018	2019	% YoY Growth	2019F	2019 as % of 2019F
Net revenue	3,480	2,546	-27%	2,433	105%
– Property sale	2,399	1,816	-24%	1,493	122%
– Land bank sale	792	155	-80%	250	62%
– Service and leasing	289	575	99%	690	83%
Gross profit	1,503	1,066	-29%	949	112%
– Property sale	955	808	-15%	569	142%
– Land bank sale	380	79	-79%	100	79%
– Service and leasing	168	179	6%	280	64%
Selling expenses	(252)	(119)	-53%	(88)	136%
G&A expenses	(239)	(306)	28%	(264)	116%
EBIT	1,013	642	-37%	597	107%
Financial income	129	120	-7%	420	29%
Financial expenses	(37)	(44)	20%	(51)	88%
Profit from associates	14	126	NM	159	79%
Other gain/(loss)	9	383	NM	144	265%
PAT	887	1,007	13%	1,003	100%
NPAT-MI	763	960	26%	952	101%
Gross margin	43.2%	41.9%		39.0%	
– Property sale	39.8%	44.5%		38.1%	
– Land bank sale	48.0%	51.1%		40.0%	
– Service and leasing	58.2%	31.1%		40.6%	
SG&A as % of revenue	14.1%	16.7%		14.5%	
EBIT margin	29.1%	25.2%		24.5%	
NPAT-MI margin	21.9%	37.7%		39.1%	

Source: NLG's financial statements and VCSC forecast. Note: Mizuki Park not to be consolidated

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as $(\text{target price} - \text{current price}) / \text{current price} + \text{dividend yield}$, and are not related to market performance.

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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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