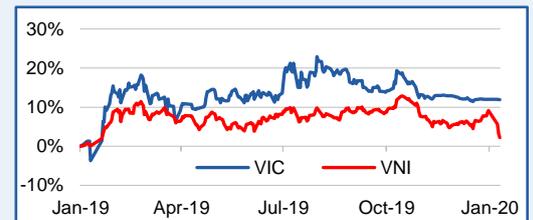


Industry	Diversified		2018	2019
Report Date	February 3, 2020	Rev Growth	36.4%	7.3%
Current Price	VND114,800	EPS* y/y	-15.4%	90.6%
Last Target Price	VND127,000	NPAT-MI y/y	-15.4%	98.7%
Upside	+10.6%	GPM	23.7%	28.8%
Dividend Yield	0.0%	NPM	3.1%	5.7%
TSR	+10.6%	P/B*	6.4x	4.8x
Last Rating	MARKET PERFORM	P/E*	90.4x	47.4x



		VIC	VNI
Market Cap*	USD16.0bn	47.4x	14.5x
Foreign Room	USD3.7bn	4.8x	2.2x
ADTV30D	USD2.1mn	89.9%	NA
State Ownership	0%	11.5%	15.3%
Outstanding Shares*	3.2 bn	2.2%	2.5%
Fully Diluted Shares*	3.3 bn		

### Company Overview

After establishing hospitality and real estate businesses, VIC became a conglomerate with a wide range of operations, including residential real estate development, retail real estate leasing, hospitality development and operation, consumer retail and automobile manufacturing. VIC groups its operations into three sectors: industrials, technology and services.

\* excluding VIC shares owned by its subsidiaries

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## Q4 records financial gain from merger transaction

VIC reported 2019 results in which EBIT slightly declined by 7% YoY to reach VND10.7tn (USD465mn) as continued solid performance from the property sales (i.e., strong bulk sales from mega Vinhomes developments) and leasing segment as well as improving margins partly offset EBIT losses incurred by other segments — including substantial initial operating losses of the industrials segment. However, VIC's 2019 NPAT-MI skyrocketed 99% YoY to reach VND7.5tn (USD326mn), primarily driven by a Q4 2019 non-cash financial gain of VND8.5tn (USD367mn) from the recent merger transaction between VinCommerce and Masan Consumer Holdings.

Overall, for full-year 2019, VIC's EBIT results trailed our forecast, mainly due to lower-than-expected performance from the industrials segment. Stronger-than-expected financial income (as our previous forecast did not include the merger transaction effect) and the lower-than-expected minority interest resulted in VIC's 2019 NPAT-MI exceeding our forecast by 83%. We anticipate material change to our forecast amid the deconsolidation of VinCommerce at end-2019, pending for a fuller review.

**Bulk sales at mega Vinhomes developments boosted 2019 performance.** 2019 recorded a contribution of bulk sales (in which the value per unit is lower than the value per unit for the sale of a fully constructed unit on completion to a retail buyer) at the three mega Vinhomes developments (Ocean Park, Smart City and Grand Park), which resulted in a 23% YoY decrease in property sales revenue (VND64.5tn/USD2.8bn) yet a 50% YoY surge in segment EBIT (VND28.4tn/USD1.2bn). VIC's 2019 total property pre-sales (including shophouses, beach villas and condotels) accelerated 34% YoY to VND91tn (USD4.0bn), mainly driven by the three mega Vinhomes developments. Please also find further details in our earnings flash note on [Vinhomes \(VHM\) - 2019 solid earnings in line with expectation](#), dated February 3, 2020.

**Leasing segment continued to grow steadily.** In 2019, the leasing segment recorded 25% and 27% YoY growth in revenue (VND7.0tn/USD303mn) and EBIT (VND3.0tn/USD131mn), respectively, mainly driven by the full contribution of 20 malls opened during 2018. We note that VIC added nine malls in Q4 2019, bringing its total number of malls to 79 as of end-2019 with a total gross floor area (GFA) of 1.6 million sqm (implying 10.3% growth vs 1.45 million sqm in 2018). Please also find further details in our earnings flash note on [Vincom Retail \(VRE\) - Stellar retail leasing segment continues to drive growth](#), dated January 31, 2020.

**Improvement of the hospitality segment trailed our expectation.** In 2019, Vinpearl opened three new hotels (Vinpearl Luxury Landmark 81 in Ho Chi Minh City and two hotels in Hai Phong), adding 800 rooms to its total capacity of 16,800 rooms in operation. Per management, the major regions of Nha Trang, Phu Quoc and Da Nang (which accounted for ~75% of total keys managed by Vinpearl) recorded a 51% YoY higher number of room nights sold in addition to 19% YoY growth

in the number of visitors to Vinpearl Land theme parks. In 2019, revenue from the hospitality segment grew 16% YoY (VND8.5tn/USD372mn) while this segment's EBIT margin improved to -29.2% vs -40.7% in 2018; however, this was lower than our 2019 forecast of -22.2%. We also note that the recent coronavirus outbreak could have a negative impact on the short-term performance of the hospitality segment as Chinese visitors account for ~25% of this segment's revenue.

**Industrials segment reported slower-than-expected sales of VinFast cars.** Per management, VinFast's 2019 booking number reached ~17,000 units for cars (45% for Fadil with the remainder coming equally from the Lux A2.0 and Lux SA2.0 models) and ~50,000 units for e-scooter models (Ludo, Impes and Klara). In 2019, the industrials segment recorded deliveries for 15,300 units of all VinFast car models and all of ~50,000 e-scooter units, trailing our forecast of 20,200 cars and 72,100 e-scooters, respectively. This segment's EBIT recorded a loss of VND9.7tn (USD421mn) in 2019 due to high start-up costs as VIC focuses on ramping up market share. For 2020, management guides to sell 30,000 cars and 250,000 e-scooters while introducing of two new car models and four new e-scooter models (alongside the upgrade of existing three models of Klara S, Ludo and Impes).

**Exiting the consumer retail segment in order to focus on industrials and technology.** In December 2019, VIC swapped its entire interest of 64% in VinCommerce for an option exchangeable into a non-controlling interest in a subsidiary of Masan Group (MSN) that will own VinCommerce and Masan Consumer Holdings. VIC recorded a non-cash financial gain of VND8.5tn (USD367mn) in Q4 2019 from divesting its entire stake in VinCommerce and a rights option of VND9.5tn (USD413mn) as the fair value of the swappable shares. The option, once executed, will result in a 30% ownership for VIC in the new entity. In addition, the recent shutdowns of the electronic retail chain VinPro, e-commerce platform Adayroi and proposed airline Vinpearl Air will allow VIC to focus its resources on its two prioritized fields: industrials (e.g., VinFast and VinSmart) and technology.

Figure: VIC's 2019 results

VND bn	2018	2019	% YoY Growth	2019F	2019 as % of 2019F
<b>Revenue</b>	<b>121,894</b>	<b>130,789</b>	<b>7%</b>	<b>160,183</b>	<b>82%</b>
Property sales	83,272	64,501	-23%	76,519	84%
Leasing	5,559	6,963	25%	7,145	97%
Hospitality	7,366	8,549	16%	10,221	84%
Consumer retail	19,326	29,626	53%	35,197	84%
Industrials	556	9,929	NM	23,755	42%
Others	5,815	11,221	93%	7,346	153%
<b>EBIT</b>	<b>11,442</b>	<b>10,684</b>	<b>-7%</b>	<b>12,909</b>	<b>83%</b>
Property sales	18,901	28,415	50%	27,657	103%
Leasing*	2,380	3,022	27%	2,949	102%
Hospitality	(2,998)	(2,496)	NM	(2,265)	NM
Consumer retail	(4,762)	(5,582)	NM	(5,160)	NM
Industrials	(1,017)	(9,743)	NM	(7,840)	NM
Others	(1,062)	(2,932)	NM	(2,432)	NM
Financial income	7,479	13,952	87%	6,883	203%
Financial expenses	(4,909)	(8,133)	66%	(8,082)	101%
<b>PBT</b>	<b>13,853</b>	<b>15,639</b>	<b>13%</b>	<b>11,710</b>	<b>134%</b>
Tax expenses	(7,663)	(7,937)	4%	(5,855)	136%
PAT	6,191	7,702	24%	5,855	132%
Minority interest	2,414	196	-92%	1,757	11%
<b>NPAT-MI</b>	<b>3,777</b>	<b>7,506</b>	<b>99%</b>	<b>4,099</b>	<b>183%</b>
<b>EBIT margin</b>	<b>9.4%</b>	<b>8.2%</b>		<b>8.1%</b>	
Property sales	22.7%	44.1%		36.1%	
Leasing*	42.8%	43.4%		41.3%	
Hospitality	-40.7%	-29.2%		-22.2%	
Consumer retail	-24.6%	-18.8%		-14.7%	
Industrials	-182.9%	-98.1%		-33.0%	
Others	-18.3%	-26.1%		-33.1%	
PBT margin	11.4%	12.0%		7.3%	
PAT margin	5.1%	5.9%		3.7%	
Effective tax rate	55.3%	50.8%		50.0%	
<b>NPAT-MI margin</b>	<b>3.1%</b>	<b>5.7%</b>		<b>2.6%</b>	

Source: Company's Q4 2019 consolidated financial statements, VCSC forecast. Note: (\*) Excludes VCSC's estimate of intra-segment income

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**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.

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
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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.

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