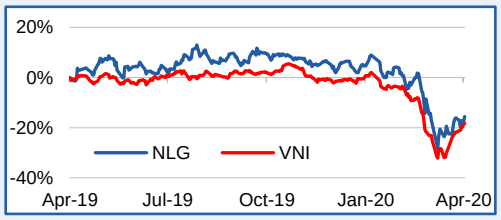
Nam Long Group (NLG)

Earnings Flash

Industry	**Real Estate**
Report Date	**April 20, 2020**
Current Price	VND21,800
Last Target Price	VND48,300
Upside to TP	+121.6%
Dividend Yield	4.4%
TSR	+126.0%
Last Rating	BUY

	2019A	Q1/2020	2020F
Rev y/y	-26.8%	25.3%	24.5%
EPS y/y	14.0%	-35.0%	17.5%
NPAT-MI y/y	25.8%	-24.0%	18.3%
GPM	41.9%	37.7%	34.9%
NPM	37.7%	26.5%	35.8%
P/B	1.0x		0.9x
P/E	5.8x		4.9x



Market Cap	USD227.6mn
Foreign Room	USD3.8mn
ADTV30D	USD843,000
State Ownership	0.0%
Outstanding Shares	240.2 mn
Fully Diluted O/S	240.2 mn

	NLG	Peers	VNI
P/E (ttm)	6.2x	9.4x	12.4x
P/B (curr)	1.0x	1.5x	1.8x
Net D/E	-9.3%	34.9%	NA
ROE	18.7%	20.3%	14.8%
ROA	9.2%	7.0%	2.5%

Company Overview

NLG is a property developer with 28 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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Mizuki Park and Flora Novia handovers drive Q1 results

NLG posted Q1 2020 NPAT-MI of VND110bn (USD4.8mn; -24% YoY), which was mostly driven by ongoing deliveries at the Mizuki Park first phase (unconsolidated project) and Flora Novia — as we expected. This result was equivalent to 10% of our 2020F NPAT-MI forecast of VND1.1tn (USD49.4mn; +18% YoY).

Per management, due to the COVID-19 pandemic, sales launches of the next batches of the Waterpoint first phase will be delayed to H2 2020 (vs its previous plan in early Q2 2020), resulting in its handover schedule extending into 2021. We anticipate downward risk to our 2020F earnings forecast, pending for a fuller review.

Delivery of remaining units at the Mizuki Park first phase and Flora Novia continued in Q1 2020. NLG's Q1 2020 revenue reached VND416bn (USD18.1mn; +25% YoY) — mainly driven by deliveries at the Flora Novia project (consolidated project) and construction and management activities at Mizuki Park and the Waterpoint first phase. If including handovers of the unconsolidated project — Mizuki Park — NLG's Q1 total revenue would be VND891bn (USD38.8mn; +168% YoY). We also note that Q1 2020 NPAT-MI dropped YoY mainly due to a high base of other income in Q1 2019 following the acquisition of the Paragon Dai Phuoc land bank (Dong Nai Province; 45 ha). *Please see details in the figure below*.

Modest pre-sales performance in Q1 2020 was due to an absence of new launches. In Q1 2020, NLG's pre-sales recorded VND524bn (USD22.8mn), per management. In our view, this modest performance is understandable given that (1) there was a minimal number of unsold launched units as NLG's key projects — including Akari City and the Waterpoint first phase (first batch of 700 units) — were successfully pre-sold with 85%-100% take-up rates as of end-2019; and (2) the first quarter of the year is typically a low season for property sales launches due to the Tet Holiday. In addition, the COVID-19 outbreak has prevented developers and sales agents to launch sales events for homebuyers in February-April. As Q1 performance was broadly in line with our expectation, we see insignificant change to our 2020F pre-sales value forecast of VND6.4tn (USD279.6mn; +5% YoY), which is mainly driven by the next batches of the Waterpoint first phase and Mizuki Park.

Figure 1: Q1 2020 results

VND bn	Q1 2019	Q1 2020	% YoY	2020F Last forecast	Q1 2020 as % of 2020F
Net revenue	**332**	**416**	**25%**	**3,170**	**13%**
− *Property sales*	286	144	-50%	1,193	12%
− *Land bank sales*	8	36	370%	1,230	3%
− *Services and leasing*	39	237	510%	748	32%
Gross profit	**96**	**157**	**64%**	**1,107**	**14%**
− *Property sales*	86	73	-15%	454	16%
− *Land bank sales*	4	18	393%	380	5%
− *Services and leasing*	5	66	NM	272	24%
Selling expenses	(22)	(7)	-68%	(133)	5%
G&A expenses	(65)	(69)	6%	(311)	22%
EBIT	**9**	**81**	**855%**	**662**	**12%**
Financial income	16	15	-1%	90	17%
Financial expenses	(14)	(3)	-77%	(73)	4%
Profit from associates	8	37	339%	774	5%
Other gain/(loss)	137	10	-93%	0	NM
PAT	151	117	-23%	1,163	10%
NPAT-MI	**145**	**110**	**-24%**	**1,136**	**10%**
Gross margin	***28.8%***	***37.7%***		***34.9%***	
− *Property sales*	*30.2%*	*50.8%*		*38.1%*	
− *Land bank sales*	*48.7%*	*51.1%*		*30.9%*	
− *Services and leasing*	*13.9%*	*27.7%*		*36.4%*	
SG&A as % of revenue	*26.2%*	*18.2%*		*14.0%*	
EBIT margin	*2.6%*	*19.5%*		*20.9%*	
NPAT-MI margin	***43.7%***	***26.5%***		***35.8%***	

Source: Company's Q1 2020 financial statements, VCSC forecast. Note: Mizuki Park / Waterpoint first phase are not consolidated.

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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
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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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