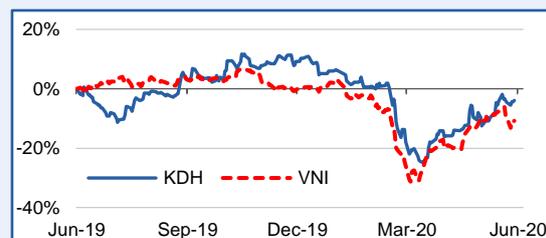




Khang Dien House (KDH)

AGM Note

Industry	Real Estate		2019A	2020F	2021F	2022F
Report Date	June 19, 2020	Rev y/y	-3.5%	41.6%	13.0%	-8.1%
Current Price	VND24,300	EPS y/y	9.7%	24.8%	25.6%	14.2%
Target Price	VND31,100	NPAT-MI y/y	13.3%	22.6%	23.9%	14.2%
Upside to TP	+28.0%	GPM	53.3%	49.0%	50.3%	60.4%
Dividend Yield	2.1%	NPM	32.5%	28.2%	30.9%	38.4%
TSR	+30.0%	P/B	1.7x	1.6x	1.4x	1.2x
Rating	BUY	P/E	15.1x	12.1x	9.6x	8.5x



			KDH	Peers	VNI
Market Cap	USD554.2mn		14.3x	9.5x	14.4x
Foreign Room	USD29.5mn	P/E (ttm)	1.7x	1.2x	1.9x
ADTV30D	USD730,000	P/B (curr)	-8.1%	34.9%	NA
State Ownership	0.0%	Net D/E	13.1%	17.5%	13.6%
Outstanding Shares	524.6 mn	ROE	8.4%	6.5%	2.4%
Fully Diluted O/S	524.6 mn	ROA			

Company Overview

KDH is a well-known landed property (townhouses and villas) developer in HCMC. 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 District and Binh Tan District of HCMC.

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Strong 2020 earnings guidance in line with expectations

- We attended KDH's annual general meeting (AGM) on June 19, 2020.
- Management is guiding for 2020 NPAT-MI of VND1.1tn (USD48mn; +20% YoY), which is mainly driven by scheduled handovers of Safira and ongoing sales at Verosa Park. Management shared positive sales progress with the latest numbers of accumulated sold/pre-sold units reaching 230 (vs 150 at end-2019) at Verosa Park and 1,050 at Lovera Vista (vs 801 at end-2019). The earnings guidance and sales numbers are in line with our expectation.
- Shareholders approved (1) a FY2019 dividend plan that includes a VND500/share (2.1% yield) and a 5% stock dividend in addition to (2) a 5% bonus share issuance plan (five new shares for every 100 existing shares). The approved dividend scheme for FY2019 is the same as the previous year.
- The FY2020 dividend plan was approved at 10% on par to be paid by either cash or shares.
- The 2020 ESOP plan was approved for eight million issued shares (1.5% of the current share count) and an issue price of VND13,000/share. The lock-up period is one year.
- Mr. Le Quang Minh, who joined KDH as Deputy CEO in April, was elected as the company's CEO and as a board member following the resignation of Ms. Ngo Thi Mai Chi.

Management set 20% 2020 earnings growth guidance. Shareholders approved management's guidance for 2020 revenue of VND3.5tn (USD152mn; +24% YoY) and NPAT-MI of VND1.1tn (USD48mn; +20% YoY). This earnings guidance is in line with our 2020 NPAT-MI forecast of VND1.12tn (USD48.8mn; +23% YoY) as stated in our latest update report, [KDH \[BUY +45.0%\] - Solid earnings growth ahead](#), dated May 18, 2020. In 2020, the company targets to (1) complete sales/pre-sales for all remaining units at Verosa Park (total of ~300 low-rise units; District 9) and Lovera Vista (total of ~1,300 high-rise mid-end units; Binh Chanh District) and (2) start developing two new low-rise projects: Armenia (~180 units; District 9) and Clarita (~160 units; District 2).

Shareholders approved the BOD and BOM's bonus in 2020 at 2% of NPAT-MI — if guidance is achieved. This ratio is lower than the 3% ratio approved for last year. In 2019, as the NPAT-MI result exceeded guidance, the BOD and BOM's bonus amount was VND27.5bn (USD1.2mn). The BOD and BOM have already contributed a total of VND26bn (USD1.1mn) from the 2019 bonus amount to support COVID-19 prevention and help people suffering from severe drought and saline intrusion in the Mekong Delta region.

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.

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