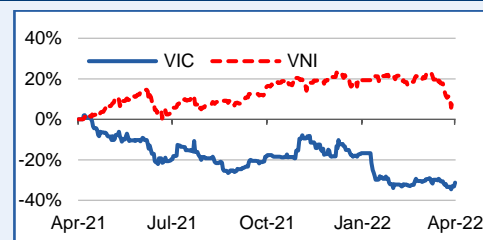


Vingroup (VIC)

Earnings Flash

| Industry Report Date | Diversified April 29, 2022 | | 2021A | Q1/2022 | 2022F |
|-----------------------|----------------------------|-------------|-------|---------|--------|
| Current Price | VND80,000 | Rev Growth | 13.8% | -21.7% | 23.9% |
| Target Price** | VND112,000 | EPS* y/y | N.M. | 17.2% | N.M. |
| Upside to TP | +40.0% | NPAT-MI y/y | N.M. | 17.2% | N.M. |
| Dividend Yield | 0.0% | GPM | 27.1% | 1.1% | 26.0% |
| TSR | +40.0% | NPM | -2.0% | 13.5% | 0.7% |
| Rating** | BUY | P/B* | 2.9x | 2.9x | 2.9x |
| | | P/E* | N.M. | N.M. | 262.6x |
| Market Cap* | USD12.9bn | | | VIC | VNI |
| Foreign Room | USD4.8bn | P/E (ttm) | | N.M. | 15.2x |
| ADTV30D | USD9.8mn | P/B (curr) | | 2.9x | 2.4x |
| State Ownership | 0% | Net D/E | | 96.7% | N/A |
| Outstanding Shares* | 3.7 bn | ROE | | -2.3% | 15.8% |
| Fully Diluted Shares* | 3.8 bn | ROA | | -1.8% | 2.6% |

* Excluding VIC shares owned by its subsidiaries
 ** TP and rating last updated March 9, 2022



Company Overview

VIC is a conglomerate with a wide range of operations, including residential real estate development, retail real estate leasing, hospitality development & operation, automobile & smart device manufacturing, and technology research.

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Hospitality improvement, divestment gains in Q1 2022

VIC announced Q1 2022 revenue of VND18.2tn (USD1.5bn; -22% YoY) and NPAT-MI of VND2.5tn (USD107mn; +17% YoY) that was supported by (1) the improved operational performance of the leasing and hospitality segments and (2) divestment of non-core businesses, including the partial sale of One Mount Group (OMG). We foresee upside risk to our 2022 earnings forecast as we have not factored in the stake sale of OMG; meanwhile, the Q1 2022 EBIT performances of all segments were mostly in line with our expectations. Details on our forecasts can be found in our latest [VIC Update Report](#), dated March 9, 2022.

Property sales segment (accounting for 37% of VIC's Q1 2022 revenue)

This segment's Q1 2022 results were mainly driven by scheduled handovers of ~2,200 retail units and the recognition of bulk sales transactions at Grand Park. Please find further details in our [VHM Earnings Flash](#), dated April 29, 2022.

Leasing segment (accounting for 8% of VIC's Q1 2022 revenue)

This segment's EBIT in Q1 2022 improved to VND597bn (USD26mn) from an EBIT loss of VND98bn (USD4mn) in Q4 2021 along with the recovery of businesses as the impact of COVID-19 faded. VRE supported tenants with a total package of VND464bn (USD20.2mn; -39% QoQ) mostly in the form of rent waivers and reductions in Q1 2022. Please find further details in our [VRE Earnings Flash](#), dated April 28, 2022.

Hospitality segment (accounting for 7% of VIC's Q1 2022 revenue)

This segment recovered 30% QoQ and 23% YoY in terms of the number of room nights sold thanks to increasing domestic tourist arrivals to Nha Trang and Phu Quoc post-COVID. This segment's reported Q1 2022 revenue increased 45% YoY to VND1.3tn (USD59mn) while its EBIT loss was VND1.7tn (USD76mn; vs Q1 2021 EBIT loss of VND2.3tn/USD99mn) — equivalent to 23% and 33% of our respective full-year forecasts. We anticipate insignificant changes to our forecasts for this segment as there has been a positive recovery in domestic tourism, reaffirming our view for a strong recovery of Vinpearl, pending for a fuller review.

Industrial segment (accounting for 18% of VIC's Q1 2022 revenue)

The sales and delivery of ICE & EV cars and e-scooters continued to accelerate in Q1 2022 after the relaxation of nationwide social distancing measures. The industrial segment's Q1 2022 revenue was VND3.3tn (USD143mn; -31% YoY) with an EBIT loss of VND6.1tn (USD263mn) vs Q1 2021's EBIT loss of VND4.8tn (USD209mn). We foresee insignificant change to our forecasts for the industrial segment as its revenue and EBIT loss tracked in line with our full-year forecasts.

In addition, VinFast announced that it will establish its first global manufacturing facility in North America while continuing to expand its charging port network across cities and provinces in Vietnam. VinFast plans to invest USD2bn in an 800-ha manufacturing facility in North Carolina with 150,000 units planned annual production capacity in Phase 1 and an additional USD2bn for the VinES factory that will manufacture batteries for EV models. The EV models have been well received in the both domestic and global market with 60,000 pre-orders for VF8 and VF9 as of end-Q1 2022.

Figure 1: VIC's industrial segment performance

| | Q1 2021 | Q2 2021 | Q3 2021 | Q4 2021 | 2021 | Q1 2022 | |
|---|----------|---------------------|----------|-------------------------|--|-------------------|--------------------|
| | Delivery | Delivery | Delivery | Delivery | Delivery | Booking | Delivery |
| E-scooters (all models) | 6,100 | 16,800 | 6,500 | 12,600 | 42,000 | 15,100 | |
| Cars (mainly ICE models before 2022) | ~6,300 | 9,900 | 9,300 | 10,200 | 35,700 | 60,000 (globally) | 6,700 (ICE and EV) |
| Segment revenue (VND tn) | 4.8 | 3.1 | 3.4 | 4.4 | 17.3 | 3.3 | |
| Segment EBIT (VND tn) | -4.8 | -8.5 ⁽¹⁾ | -3.6 | -8.9 ^{(1) (2)} | -23.9 ^{(1) (2)} Pro-forma: -18.2 | -6.1 | |

Source: VCSC compilation and estimates. Note: (1) including the clearance of VinSmart inventory after the shutdown the TV and smartphone businesses and a change in the accounting estimate for depreciation and amortization of the segment; (2) including expenses related to the cessation of ICE car production that are not factored into our forecast.

Figure 2: VIC's Q1 2022 results

| VND bn | Q1 2021 | Q1 2022 | % YoY Growth | 2022F | Q1 2022 as % of 2022F |
|-----------------------|---------------|---------------|--------------|----------------|-----------------------|
| Revenue | 23,294 | 18,229 | -22% | 155,198 | 12% |
| – Property sales | 10,656 | 6,685 | -37% | 101,745 | 7% |
| – Leasing | 1,886 | 1,471 | -22% | 8,293 | 18% |
| – Hospitality | 933 | 1,349 | 45% | 5,838 | 23% |
| – Industrials | 4,814 | 3,334 | -31% | 16,798 | 20% |
| – Others | 5,006 | 5,390 | 8% | 22,525 | 24% |
| EBIT | -1,544 | -6,119 | N.M. | 17,831 | N.M. |
| – Property sales | 5,108 | 1,839 | -64% | 45,475 | 4% |
| – Leasing* | 981 | 597 | -39% | 3,545 | 17% |
| – Hospitality | -2,282 | -1,747 | N.M. | -5,230 | 33% |
| – Industrials | -4,805 | -6,065 | N.M. | -20,364 | 30% |
| – Others | -546 | -744 | N.M. | -5,595 | 13% |
| Financial income | 7,129 | 10,738 | 51% | 5,222 | 206% |
| Financial expenses | -2,770 | -2,787 | 1% | -15,229 | 18% |
| PBT | 2,786 | 1,928 | -31% | 7,824 | 25% |
| Tax expenses | -1,918 | -1,416 | -26% | -7,944 | 18% |
| PAT | 868 | 512 | -41% | -121 | N.M. |
| Minority interest | 1,226 | 1,942 | 58% | 1,251 | 155% |
| NPAT-MI | 2,094 | 2,454 | 17% | 1,130 | 217% |
| EBIT margin | -6.6% | -33.6% | | 11.5% | |
| – Property sales | 48% | 28% | | 45% | |
| – Leasing* | 52% | 41% | | 43% | |
| – Hospitality | -245% | -129% | | -90% | |
| – Industrials | -100% | -182% | | -121% | |
| – Others | -11% | -14% | | -25% | |
| PBT margin | 12.0% | 10.6% | | 5.0% | |
| PAT margin | 3.7% | 2.8% | | -0.1% | |
| Effective tax rate | 68.9% | 73.4% | | 101.5% | |
| NPAT-MI margin | 9.0% | 13.5% | | 0.7% | |

Source: Company's consolidated financial statements, VCSC forecast (dated March 9, 2022).

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 (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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