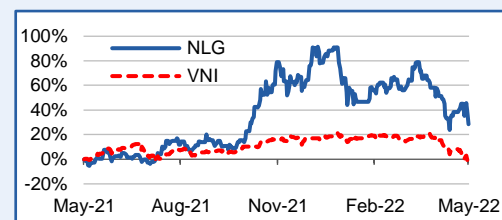




Nam Long Group (NLG) [BUY +29.5%]

Update Report

Industry	Real Estate		2021A	2022F	2023F	2024F
Report Date	May 16, 2022	Rev y/y	134.8%	1.5%	38.0%	53.6%
Current Price	VND44,700	EPS y/y	12.2%	0.8%	20.6%	13.2%
Current Target Price	VND57,000	NPAT-MI y/y	28.3%	15.7%	20.6%	13.2%
Last Target Price	VND60,000	GPM	34.2%	47.8%	43.1%	42.6%
Upside to TP	+27.5%	NPM	20.6%	23.4%	20.5%	15.1%
Dividend Yield	2.0%	P/B	1.9x	1.7x	1.6x	1.4x
TSR	+29.5%	P/E	14.8x	14.7x	12.2x	10.8x



			NLG	Peers	VNI
Market Cap	USD744.2mn				
Foreign Room	USD97.7mn	P/E (ttm)	25.5x	20.9x	12.8x
ADTV30D	USD8.1mn	P/B (curr)	1.9x	3.3x	2.0x
State Ownership	0.0%	Net D/E	1.4%	30.6%	N/A
Outstanding Shares	382.9 mn	ROE	9.2%	13.9%	15.8%
Fully Diluted Shares	382.9 mn	ROA	5.3%	7.1%	2.6%

Company Overview

NLG is a property developer with 30 years of experience. After becoming a proven low-end housing developer, NLG expanded into the mid-range and landed property segments across its land bank in HCMC, Long An, Dong Nai, Can Tho and Hai Phong.

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Solid financial position to support development pipeline

- We upgrade our rating for NLG to BUY from MARKET PERFORM as its share price has declined by 20% over the last three months. We trim our target price by 5% to VND57,000/share mainly due to factoring in the 50% stake sale of Paragon and a higher net-debt balance as of end-Q1 2022, which are partly offset by rolling over our target price horizon to mid-2023.
- We forecast 2022F NPAT-MI of VND1.24tn (USD53.9mn; +16% YoY), which is mainly driven by deliveries at Akari City Phase 1 (P1), Southgate P1 and Can Tho as well as the Paragon stake sale. Our 4% downward revision is due to higher assumed SG&A expenses in accordance with Q1 2022 results.
- We maintain our 2022F presales value forecast at VND9.7tn (USD422mn; +9% YoY) with strong contributions from Izumi City, Southgate, Mizuki Park Phase 2 (P2), Akari City P2 and Can Tho.
- We maintain our forecast for NLG's aggregate 2022-2024F presales value of VND35.5tn (USD1.5bn) — double vs aggregate 2019-2021 presales of VND18.2tn (USD790mn) — which is driven by ongoing strong presales of five keys projects: Izumi City, Southgate, Akari City, Mizuki Park and Can Tho.
- Upside catalyst: Additional land bank expansion to fuel further development pipeline.
- Downside risk: Slower-than-expected launch progress of key projects.

Q1 2022 presales performance reaffirms NLG's strong medium-term presales outlook. In Q1 2022, NLG recorded total presales of VND2.8tn (USD120mn) — fulfilled 29% of our full-year forecast — with contributions from the Southgate P1, Mizuki Park P2, Akari City P2 and Can Tho projects. Notably, the strong absorption of Akari City P2 with an ASP of VND44mn/sqm (30% higher vs P1's ASP of ~VND34mn/sqm presold in 2019) and Mizuki Park P2 with an ASP of VND50mn/sqm (~60% higher vs P1's ASP of ~VND30mn/sqm presold in 2018) was in line with our expectation. We maintain our view for strong 2022-2024F aggregate presales to double the previous three-year period.

NLG has prepared sufficient capital for the development of key projects in 2022. Thanks to active capital raising activity in 2021 and early 2022, NLG received total cash proceeds of VND4.6tn (USD200mn), including VND2.6tn (USD115mn) via private placement and treasury share sales, and VND2.0tn (USD85mn) from corporate bonds to finance Izumi City and Waterpoint P2. In addition, NLG recorded a strong unbilled backlog of VND13.7tn (USD596mn) as of end-Q1 2022 thanks to solid presales, which should further support the company's cashflow. We expect NLG to accelerate its land bank expansion plan, which could materially impact the company's long-term development pipeline. As we believe NLG's medium-term development pipeline is fueled with existing projects — Mizuki Park, Akari City, Southgate, Izumi City, Can Tho and VSIP Hai Phong — the upcoming target acquisition could include projects that take a longer time for preparation and require a timeline for landbank development and clearance.

Q1 2022 Recap: Low profit due to mix of timing recognition

Figure 1: Q1 2022 results

VND bn	Q1 2021	Q1 2022	Growth	2022F	Q1 as % of 2022F	VCSC comments on Q1 2022 results
Net revenue	236	587	149%	5,286	11%	
– Property sales	65	543	735%	4,704	12%	* The main contributors in Q1 2022 were handovers of ~100 units of Akari City P1 and ~65 units of Southgate, which accounted for 45.7% and 46.2% of NLG's Q1 2022 property sales, respectively.
– Services and leasing	171	45	-74%	557	8%	
Gross profit	40	250	523%	2,527	10%	
– Property sales	14	232	1538%	2,381	10%	
– Services and leasing	26	18	-31%	134	13%	
Selling expenses	(10)	(59)	469%	(118)	50%	* The strong YoY increase in selling expenses was mainly caused by the launch of Izumi City and other projects.
G&A expenses	(127)	(127)	0%	(353)	36%	
EBIT	(98)	64	-165%	2,056	3%	
Financial income	8	23	201%	445	5%	
Financial expenses	(21)	(39)	83%	(163)	24%	
Profit from associates	32	0	-100%	0	N.M.	* Q1 2021 was mainly driven by the delivery of 84 units of Southgate P1 for total revenue of VND300bn (USD13mn).
Other gain/(loss)	427	3	-99%	0	N.M.	* In Q1 2021, NLG recorded a non-cash revaluation gain upon consolidation of VND429bn (USD19mn) when it acquired 30% ownership of Waterfront from Keppel Land, thus increasing its effective ownership in the project from 35% at end-2020 to 65% at end-Q1 2021.
PAT	366	33	-91%	1,871	2%	
NPAT-MI	365	1	-100%	1,292	0%	* The weak Q1 2022 NPAT-MI result was mainly due to the mix of timing recognition in the quarter.
Gross margin	17.0%	42.6%		47.8%		
SG&A as % of revenue	58.4%	31.7%		8.9%		
NPAT-MI margin	154.9%	0.1%		24.4%		

Source: Company's financial statements, VCSC forecast

Figure 2: NLG's property presales volume and value results

	2020		2021		Q1 2022	
	Units	VND bn	Units	VND bn	Units	VND bn
Akari City P1	370	900	90	450	430	1,400
Southgate	575	2,700	620	2,400	60	500
Mizuki Park P2			790	2,400	60	750
Can Tho			180	650	30	100
Izumi City			270	2,000		
Others*	185	200	250	900		
Total	1,130	3,800	2,200	8,800	580	2,750

Source: NLG, VCSC compilation. Note: Presales value is rounded to nearest fifty; (*) convert from 2020 SPA booking into 2021 presales, per management.

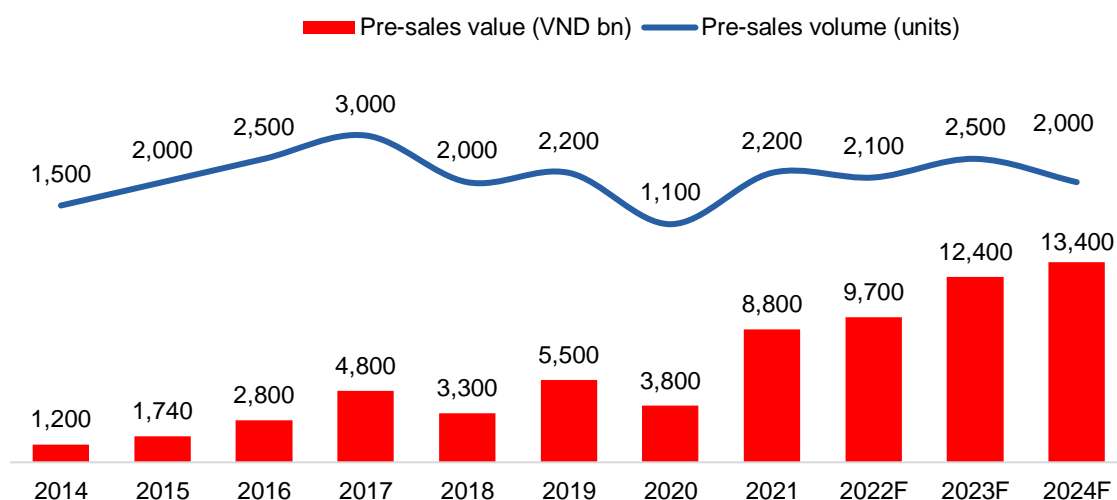
2022 Outlook: Handovers at Akari City P1 & Southgate P1, expected Paragon stake sale to drive earnings

Figure 3: 2022 forecast

VND bn	2021	2022F Old	2022F Revised	2022F Revised vs Old	2022F Revised vs 2021	VCSC assumptions/forecasts for 2022F
Net revenue	5,206	5,286	5,286	0%	2%	
– <i>Property development</i>	4,583	4,704	4,704	0%	3%	* Mainly driven by deliveries of ~300 presold units at Akari City P1, ~700 presold units at Southgate P1 and ~150 units at Can Tho.
– <i>Service and leasing</i>	622	557	557	0%	-11%	* Mainly driven by the construction workload at Mizuki Park P2.
Gross profit	1,778	2,527	2,527	0%	42%	
– <i>Property sales</i>	1,567	2,381	2,381	0%	52%	
– <i>Service and leasing</i>	212	134	134	0%	-37%	
Selling expenses	(416)	(118)	(161)	37%	-61%	* We revise up our SG&A forecast in accordance with Q1 2022 results.
G&A expenses	(581)	(353)	(376)	7%	-35%	
EBIT	781	2,056	1,990	-3%	155%	
Financial income	445	445	445	0%	0%	* We continue to expect NLG to sell 50% ownership of Paragon Dai Phuoc in 2022.
Financial expenses	(112)	(163)	(163)	0%	45%	
Profit from associates	91	0	0	0%	N.M.	* Mizuki Park is not consolidated.
Other gain/(loss)	435	0	0	0%	N.M.	
PAT	1,478	1,871	1,818	-3%	23%	
NPAT-MI	1,071	1,292	1,239	-4%	16%	* Mainly driven by deliveries of presold units at Akari City P1, Southgate P1 and Can Tho as well as the stake sale of Paragon.
Gross margin	34.2%	47.8%	47.8%			
– <i>Property development</i>	34.2%	50.6%	50.6%			
– <i>Service and leasing</i>	34.0%	24.0%	24.0%			
SG&A as % of revenue	19.2%	8.9%	10.2%			
EBIT margin	15.0%	38.9%	37.7%			
NPAT-MI margin	20.6%	24.4%	23.4%			

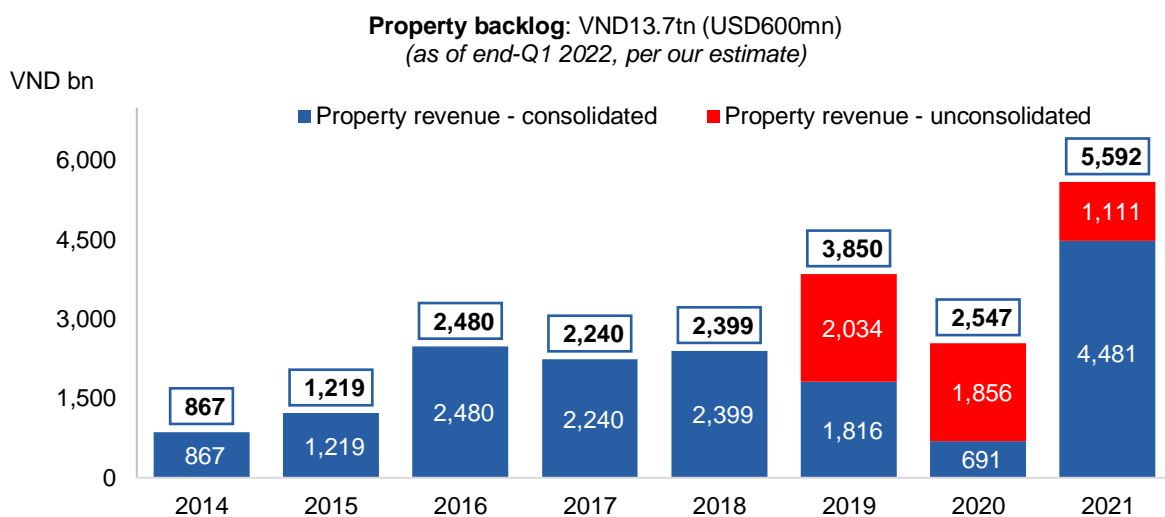
Source: VCSC forecast

Figure 4: NLG's total property presales volume and value



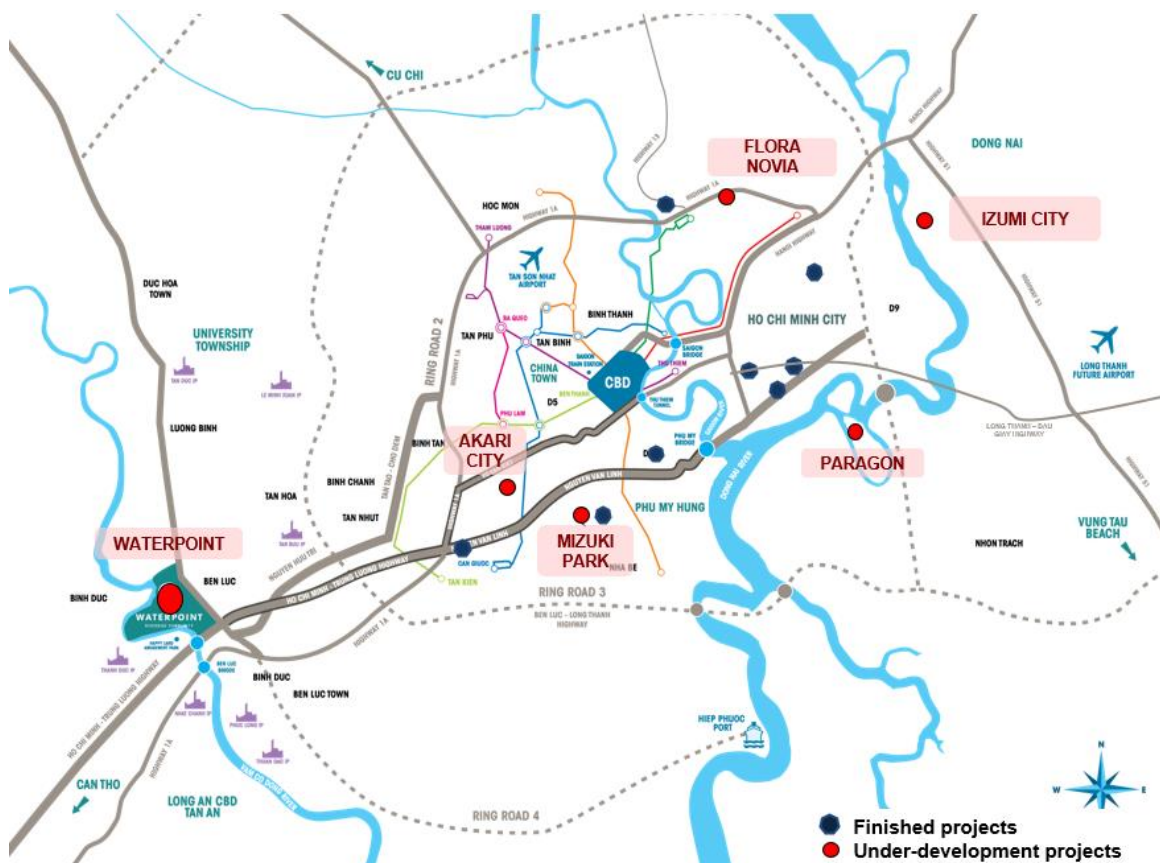
Source: NLG, VCSC forecasts for 2022-2024F (rounded to nearest hundred). Note: Including unconsolidated project Mizuki Park.

Figure 5: NLG's property sales recognition and backlog status



Source: NLG, VCSC forecast. Note: Including unconsolidated project Mizuki Park; total underlying property revenue includes (1) revenue recognized as property revenue (consolidated) and (2) revenue from JV projects (unconsolidated).

Figure 6: Locations of NLG's development projects



Source: VCSC compilation

Figure 7: Construction and delivery pipeline of NLG's major developments and land banks

Project	Site area (ha)	Launch Time	Location	Units	Pre-Sales	Estimated ASP (USD/sqm)	2017	2018	2019	2020	2021	2022	2023	2024
Mizuki Park P1	26.4	Q4 2017	Binh Chanh	1,500	100%	1,200 – 1,300								
Mizuki Park P2 & P3		Q2 2021	Binh Chanh	3,150	~35%	1,600 – 2,000								
Akari City P1	8.8	Q2 2019	Binh Tan	1,800	100%	1,300 – 1,500								
Akari City P2 & P3		2022	Binh Tan	3,400	~19%	1,700 – 2,200								
Southgate (Waterpoint 1 st phase)	165.0	Q4 2019	Long An	3,000	~44%	900 – 1,600								
Waterpoint 2 nd phase	190.0	TBD	Long An	13,000										
Paragon	45.0	TBD	Dong Nai	700										
VSIP Hai Phong	21.4	TBD	Hai Phong	2,900										
Izumi City	170.0	2021	Dong Nai	6,350	~4%	2,200 – 2,600								
Can Tho	43.0	2021	Can Tho	1,550	~15%	1,300 – 1,700								
Total	~670			~37,000										

Source: NLG, VCSC forecast. Note: All projects are expected to continue beyond 2024.

Figure 8: Development phases of key projects

SOUTHGATE

165 ha; Long An Province

NLG joint venture with Japanese partners (50% - 50% ownership)

~3,000 low-rise units (two phases)

[\(link to updated progress\)](#)

Phase 1 (~1,700 units)

- Sales launch started in Q4 2019
- Delivery* from Q4 2020 to 2021

Phase 2 (~1,300 units)

- Sales launch* starting in 2022
- Delivery* from 2022 to 2024



Construction of Ehome condo project in Southgate



Continued on next page

IZUMI CITY

170 ha; Dong Nai Province

NLG joint venture with Japanese partners (65% - 35% ownership)

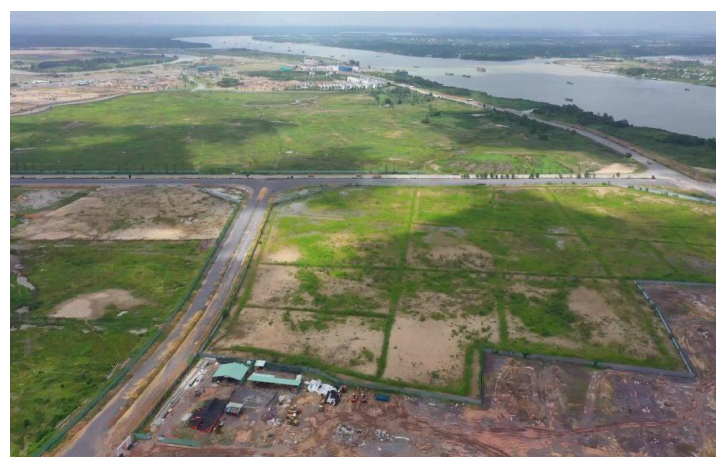
~3,200 low-rise units & ~3,200 condos

Phase 1 (~3,200 villa/townhouse units)

- First official launch of ~300 units in November 2021
- We forecast sales of Phase 1 in 2021 – 2025F

Phase 2 (~3,200 condo units)

- Details and plan for launches are not yet available
- We believe condo launches could start after 2025F



MIZUKI PARK

26.4 ha; Binh Chanh District, HCMC

NLG joint venture with Japanese partners (50% - 50% ownership)

~4,700 units (three phases)

[\(link to updated progress\)](#)

Phase 1 (~1,500 units)

- Sales launch started in 2017
- Presold units: 100%
- Delivery completed in H1 2020

Phase 2 (~2,500 units)

- Sales launch started in April 2021
- Delivery* from 2023 to 2024

Phase 3 (~700 units)

- Sales launch* starting in 2023
- Delivery* in 2025-2026



Groundbreaking ceremony for Phase 2 on March 22, 2022



AKARI CITY

8.8 ha; Binh Tan District, HCMC

NLG joint venture with Japanese partners (50% - 50% ownership)

~5,200 high-rise units (three phases)

[\(link to updated progress\)](#)

Phase 1 (5 blocks with ~1,800 units)

- Sales launch started in Q2 2019; 100% take-up rate
- Delivery starts in Q4 2021
- Property is being handed over; delivery in 2021-2022

Phase 2 (3 blocks with ~1,900 units)

- First sales launch started in March 2022
- Delivery* in 2023-2024

Phase 3 (3 blocks with ~1,500 units)

- Sales launch* starting in 2024
- Delivery* in 2026-2027



Groundbreaking ceremony for Phase 2 on February 28, 2022



Construction of Phase 2 is active



Source: VCSC compilation (mainly for illustration purposes). Note: (*) VCSC projection.

Valuation

We continue to use the RNAV valuation method and derive a one-year target price of **VND57,000/share**. We believe the RNAV valuation method is best suited to capture NLG's long-term growth potential. We value all identified land banks for projects that are under construction and under development via the DCF method, discounting estimated FCF to mid-2022.

We lower our target price by 5% vs our previous target price of VND60,000/share, which is mainly due to (1) factoring in the 50% stake sale of Paragon to a JV into the project valuation and (2) a higher net debt balance as of end-Q1 2022, which are partly offset by (3) rolling over our target price horizon to mid-2023.

Figure 9: Valuation summary

Project	Valuation approach	Development NPV (VND bn)	Effective ownership	Effective NPV (VND bn)
Mizuki Park	DCF	4,679	50%	2,339
Akari City	DCF	3,341	50%	1,671
Paragon	DCF	3,011	50%	1,862
Southgate (Waterpoint first phase)	DCF	5,172	50%	2,586
Waterpoint second phase	P/B	2,803	100%	2,803
Izumi City	DCF	12,083	65%	7,854
VSIP Hai Phong	DCF	1,235	100%	1,235
Can Tho	DCF	1,588	100%	1,588
Others	BV	159	100%	159
Total project NAV		34,070		22,097
(+) Cash and ST investment				3,041
(-) Total debt				-3,219
Net asset value				21,918
Outstanding shares (million)				383
Target price (VND/share)				57,000
Current price (VND/share)				44,700
Upside				+27.5%
2022F P/E @ Target price				18.7x
2022F P/B @ Target price				2.2x
2023F P/E @ Target price				15.5x
2023F P/B @ Target price				2.0x

Source: VCSC

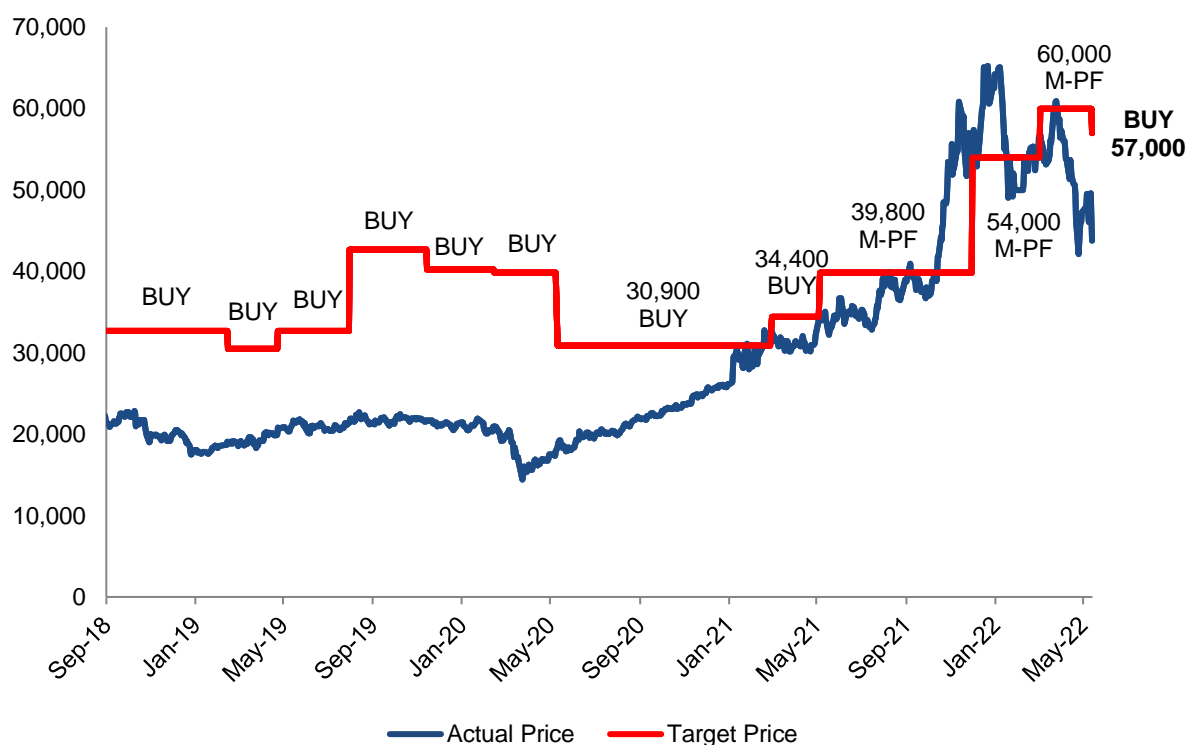
Figure 10: VCSC assumptions for WACC

Cost of Capital	Previous	Current
Beta	1.0	1.0
Market Risk Premium %	7.0%	7.0%
Risk Free Rate %	5.5%	5.5%
Cost of Equity %	12.5%	12.5%
Cost of Debt %	8.5%	8.5%
Corporate Tax Rate %	20.0%	20.0%
Debt-to-capital ratio %	50.0%	50.0%
WACC %	9.7%	9.7%

Source: VCSC

Recommendation History

Figure 11: Historical VCSC target price vs share price (VND/share)



Source: Bloomberg, VCSC. Note: Historical target prices adjusted for changes in shares outstanding.

Financial Statements

P&L (VND bn)	2021A	2022F	2023F	2024F
Revenue	5,206	5,286	7,296	11,204
COGS	-3,427	-2,758	-4,149	-6,430
Gross Profit	1,778	2,527	3,147	4,774
Sales & Marketing exp	-416	-161	-167	-266
General & Admin exp	-581	-376	-500	-799
Operating Profit	781	1,990	2,481	3,708
Financial income	445	445	100	0
Financial expenses	-112	-163	-198	-211
- o/w interest expense	-102	-163	-198	-211
Associates	91	0	247	0
Net other income/(loss)	435	0	0	0
Profit before Tax	1,640	2,273	2,630	3,497
Income Tax	-162	-455	-477	-699
NPAT before MI	1,478	1,818	2,153	2,798
Minority Interest	-407	-580	-659	-1,107
NPAT less MI, reported	1,071	1,239	1,494	1,691
NPAT less MI, adjusted	1,071	1,239	1,494	1,691

EBITDA	795	2,006	2,493	3,720
EPS reported, VND	3,018	3,041	3,668	4,151
EPS adjusted, VND	3,018	3,041	3,668	4,151
EPS fully diluted, VND	3,018	3,041	3,668	4,151
DPS, VND	869	869	869	869
DPS/EPS (%)	29%	29%	24%	21%

RATIOS	2021A	2022F	2023F	2024F
Growth				
Revenue growth	134.8%	1.5%	38.0%	53.6%
Op profit (EBIT) growth	230.7%	154.7%	24.6%	49.5%
PBT growth	61.6%	38.6%	15.7%	33.0%
EPS growth, adjusted	12.2%	0.8%	20.6%	13.2%

Profitability				
Gross Profit Margin	34.2%	47.8%	43.1%	42.6%
Op Profit, (EBIT) Margin	15.0%	37.7%	34.0%	33.1%
EBITDA Margin	15.3%	37.9%	34.2%	33.2%
NPAT-MI Margin, adj,	20.6%	23.4%	20.5%	15.1%
ROE	14.7%	13.2%	14.3%	14.5%
ROA	7.9%	7.2%	7.6%	8.9%

Efficiency				
Days Inventory On Hand	1,148	2,191	1,581	1,065
Days Accts, Receivable	146	196	223	208
Days Accts, Payable	52	85	78	77
Cash Conversion Days	1,242	2,301	1,726	1,196

Liquidity				
Current Ratio x	3.4	3.8	4.0	4.0
Quick Ratio x	0.9	1.0	1.3	1.4
Cash Ratio x	0.5	0.5	0.6	0.5
Debt / Assets	15.3%	18.4%	19.8%	17.0%
Debt / Capital	21.1%	24.7%	26.1%	22.3%
Net Debt / Equity	-1.8%	12.7%	10.5%	10.4%
Interest Coverage x	7.6	12.2	12.6	17.5

Source: Company's financial statements, VCSC forecasts

B/S (VND bn)	2021A	2022F	2023F	2024F
Cash & equivalents	3,112	3,020	4,172	3,549
ST investment	744	0	0	0
Accounts receivables	1,934	3,737	5,171	7,628
Inventories	15,490	17,622	18,313	19,203
Other current assets	505	505	505	505
Total Current assets	21,784	24,883	28,160	30,885
Fix assets, gross	166	185	206	223
- Depreciation	-88	-102	-114	-126
Fix assets, net	78	82	92	97
LT investment	873	873	873	873
LT assets other	883	883	883	0
Total LT assets	1,833	1,838	1,847	1,852
Total Assets	23,618	26,721	30,007	32,737

Accounts payable	585	706	1,062	1,646
Short-term debt	1,293	1,293	1,293	1,293
Other ST liabilities	4,440	4,620	4,715	0
Total current liabilities	6,318	6,619	7,070	7,720
Long term debt	2,315	3,631	4,646	4,261
Other LT liabilities	1,457	1,457	1,457	1,457
Total Liabilities	10,090	11,707	13,173	13,438

Preferred Equity	0	0	0	0
Paid in capital	3,829	3,829	3,829	3,829
Share premium	2,643	2,643	2,643	2,643
Retained earnings	2,444	3,350	4,512	5,870
Other equity	13	13	13	13
Minority interest	4,598	5,178	5,837	6,944
Total equity	13,528	15,013	16,834	19,299
Liabilities & equity	23,618	26,721	30,007	32,737

Y/E shares out, mn	383	383	383	383
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CASH FLOW (VND bn)	2021A	2022F	2023F	2024F
Beginning Cash Balance	1,073	3,112	3,020	4,172
Net Income	1,071	1,239	1,494	1,691
Dep, & amortization	13	15	12	0
Chge in Working Cap	-1,950	-2,890	-1,675	-2,698
Other adjustments	2,162	0	0	0
Cash from Operations	1,296	-1,635	-169	-995

Capital Expenditures, net	-13	-19	-21	0
Investments, net	-1,992	0	0	0
Cash from Investments	-2,006	-19	-21	-17

Dividends Paid	-333	-333	-333	-333
Δ in Share Capital	1,995	0	0	0
Δ in ST debt	361	0	0	0
Δ in LT debt	790	1,316	1,015	0
Other financing C/F	642	580	659	1,107
Cash from Financing	2,749	1,562	1,342	389

Net Change in Cash	2,038	-92	1,152	-623
Ending Cash Balance	3,112	3,020	4,172	3,549

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.

Risks: Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

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