

Industry: Real Estate (Latest Report: [Link](#))

Recommendations **NEUTRAL**

Khang Dien House Investment and Business Jsc (HSX: KDH) Update your business outlook for the second half of 2021.

Current price:	39,750	Date of writing the report:	31/08/2021	Shareholder structure	
Previous Target price before	39,300	Outstanding Shares (million)	623	VIETNAM VENTURES LIM	5.1%
New target price:	N/A	Market Cap (billion)	24,643	VIETFUND MANAGEMENT	3.5%
Dividend yield	0%	Avg. liquidity 6M:	2,504,630	VEIL HOLDINGS LTD	3.0%
Upside	-1.1%	%Foreign ownership	30.3%	VENNER GROUP LTD	2.2%

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Target price: 42,600 VND
Stop-loss price: 36,500 VND

Valuation

Compared to the latest BUY recommendation report on 10/05/2021, Khang Dien's share price has recorded an impressive increase and is close to our target price

- We make a **Neutral** recommendation for KDH stock with a target price of VND 39,300 based on RNAV method (-1.1% compared to the price on 31/08/2021) due to (1) New update of project portfolio; (2) Adjustment of project sale price assumption for potential land fund in Binh Tan, Phong Phu 2 area and (3) WACC = 11%.

Forecasting business results

- BSC estimates that in 2021, KDH's revenue and profit after tax are estimated at VND4,631 billion (+0.3% YoY) and VND1,330 billion (+15.0% YoY), respectively. EPS FW 2020 = VND 2,163. PE FW 2021 = 15.8 times. The main source of revenue comes from the project (1) Safira, (2) Verosa Park, (3) Lovera Vista and (4) the Amerna Project.

Investment perspective

- Owning a large-scale land fund in the inner city waiting to be "unlocked".

Risk

- Plans to launch projects have been slowed due to legal issues and the Covid-19 outbreak.
- General risks of the real estate industry (lending interest rate, industry cycle)

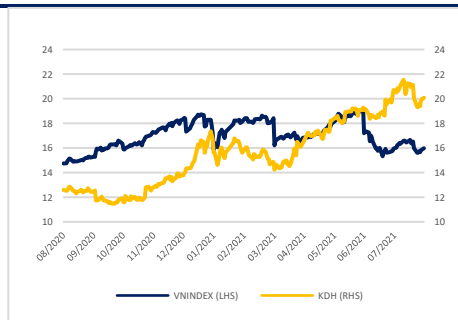
Business results update

- Business results in the first half of 2021 remains positive, close to our forecast.** KDH revenue increased by 28% over the same period, reaching VND 1,969 billion (+28% YoY), PROFITST reached VND 473 billion, up 16% over the same period.
- KDH completed 41% and 39.4% of the 2021 plan of revenue and after-tax profit, respectively.**
- The fourth wave of Covid-19 could pose a risk to plans to launch projects and project profit growth.** KDH is expected to open for sale and record part of Armena project - Thu Duc District (Expected Q4/2021) and Binh Tan project (Q2/2022). As mentioned in the most recent report, the exceeding profit plan will depend on the progress of the Amerna - Thu Duc project.

Comparison table of KDH and VN- Index



P/E and VN index comparison table



	2021F	2022F	Peer	VN-Index		2019	2020F	2021F	2022F
PE (x)	19.8	16.5	16.4	17.1	Turnover	2,845	4,617	4,631	4,529
PB (x)	2.5	2.2	2.0	2.5	Gross profit	1,500	1,964	2,132	2,398
PS (x)	-	-	-	2.1	Profit after tax	915	1,153	1,330	1,593
ROE (%)	13.5%	14.0%	15.0%	15.0%	EPS	1,597	1,893	2,054	2,460
ROA (%)	7.7%	8.7%	5.1%	2.4%	EPS growth	-14%	19%	9%	20%
EV/ EBITDA (x)	19.8	16.5	-	16.5	Net debt/ Equity	10%	23%	19%	17%

BUSINESS UPDATE REPORT

Business Results in the first half of 2021 remains positive.

Product handover activities of projects ensuring profit growth 6M2021. In the first 6 months of the year, real estate transfer activities are activities contributing the main proportion in the revenue structure of KDH. Accumulated 6M2021, KDH revenue increased by 28% over the same period, reaching VND 1,969 billion (+28%YoY). The main source of revenue comes from the handover of projects (1) Safira, (2) Verosa Park and (3) Lovera Vista. These are projects that have completed the sale and are handed over, of which Q3/2021 will be the focus of the handover of the Lovera Vista project.

Gross profit margin decreased from 49% 6M2020 to 42% 6M2021 mainly due to differences from the type of handover products, in 6M2021 KDH mainly handed over apartment products, which had a lower gross profit margin with Verosa Park Townhouse/villa products in the same period.

Accumulated 6M2021, KDH recorded profit after tax reached VND 473 billion, up 16% over the same period. Accordingly, KDH has completed 41% and 39.4% of the revenue and profit after tax plan in 2021, respectively.

	6M2021	6M2020	% YoY
Turnover	1,969	1,532	28%
Real estate transfer	1,936	1,499	29%
Service provider	30	17	79%
Operating leasing	1	1	63%
Gross profit	830	752	10%
<i>Gross margin</i>	<i>42%</i>	<i>49%</i>	
Cost of sale & QLDN	178	173	3%
<i>SG&A/Gross revenue</i>	<i>9%</i>	<i>11%</i>	
EBIT	652	579	13%
Financial revenue	11	10	9%
Financial expenses	40	45	-11%
Profit/Loss from an affiliate	-	-	
EBT	606	528	15%
Taxes	133	119	
NPAT	473	409	16%
Minority shareholder benefits	-	-	
Company's NPAT	473	409	16%
Basic EPS (VND)	767	664	
Gross profit margin	42%	49%	
Net profit margin	24%	27%	

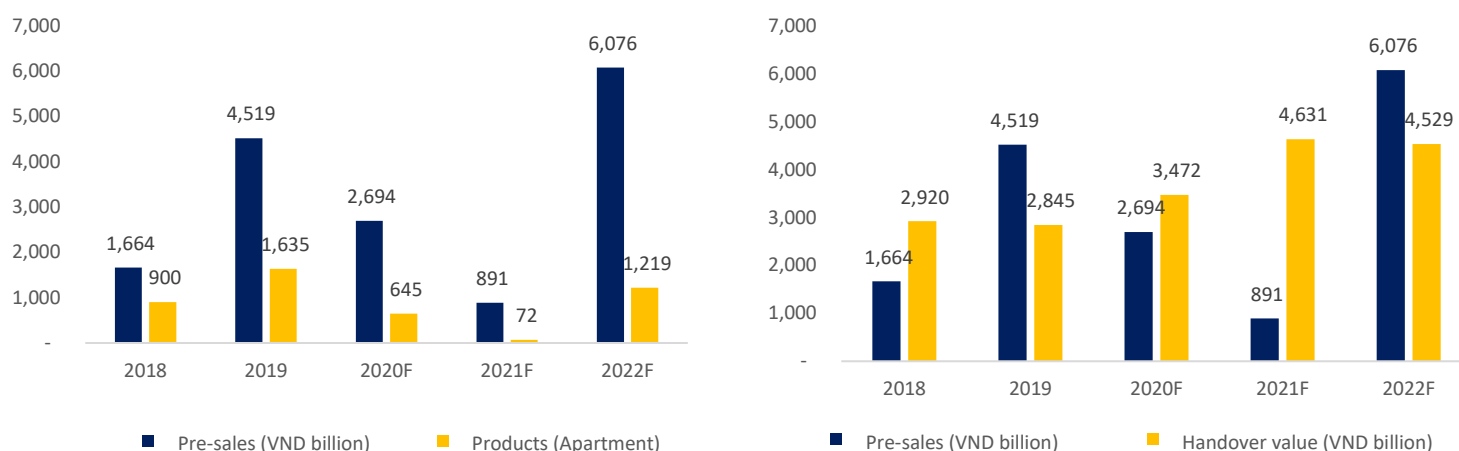
Source: KDH, BSC Research

The fourth wave of covid-19 could pose a risk to plans of launching projects and profit growth. In the second half of 2021 and 2022, KDH is expected to open for sale and record part of the Armena - Thu Duc District project (Expected Q4/2021) and Binh Tan project (Q2/2022). According to the management, the legal procedures at the two projects are almost complete and are expected to sell according to the above plan. As mentioned in the most recent report, the exceeding of the profit plan will depend on the progress of the Armena project. Assuming the epidemic is under control in Q3/2021, we believe KDH could still exceed its profit plan for 2021. In case of a more negative scenario, we will monitor, update and adjust the project in the next report.

New sales will increase sharply in 2022 thanks to the opening of 3 key projects. Due to the impact of covid-19 on the progress of legal processing in 2021, BSC revised down the forecast of the total pre-sales value of KDH to VND891 billion (-66.9%YoY and -58.6% compared to the previous forecast) because Binh Tan apartment project will be opened for sale in 2022.

In 2022, KDH will continue to open the next phases of three projects including (1) Armena (District 9), (2) Binh Tan and (3) Clarita (District 2), the total pre-sales of KDH in 2022 is estimated at VND 6,076 billion. The number of products for sale recorded a lower level than in the period of 2018-2020 due to changes in product structure focusing on land products.

BSC consider that with (1) The sale price of the project is expected to be high in the context of land fund with good COGS after turning to Thu Duc city and (2) The brand, prestige of KDH, as well as the good sales rate has been proven in the last few years will be the driving force for profit growth of KDH in the next 1-2 years.



Source: BSC Research estimates

Update table of project progress and opening plan 2021

Project	Product type	Location	Area (Ha)	Number of products	2020	2021	2022	2023	2024	2025
Safira	Apartment	Thu Duc	2	1,570						
Lovera Vista	Apartment	Binh Chanh	3	1,300						
Verosa Park	Townhouse, villa	Thu Duc	8	296						
Clarita	Townhouse, villa	Thu Duc	6	159						
Amerna	Townhouse, villa	Thu Duc	4	180						
Binh Tan Project	Apartment	Binh Tan District	2	1,000						
Phu Phu 2 Residential Area	N/A	Binh Chanh	133	N/A						
Tan Tao Urban Area	N/A	Binh Tan District	330	N/A						
Residential Area 11A	N/A	Binh Chanh	16	N/A						
Le Minh Xuan Industrial Park expanded	N/A	Binh Chanh	110	N/A						

Source: BSC Research, KDH

Forecast business results 2021

BSC estimates that in 2021, KDH's revenue and profit after tax are estimated at VND4,631 billion (0.3%YoY) and VND1.330 billion (+15.0% YoY). EPS FW 2020 = 2,163 VND. PE FW 2021 = 15.8. The main revenue comes from the project (1) Safira, (2) Verosa Park, (3) Lovera Vista and (4) the Amerina Project.

Unit: Billion VND	2017A	2018A	2019E	2020	2021F	2022F
Turnover	3,061	2,920	2,845	4,617	4,631	4,529
% YoY	-22.3%	-4.5%	-3.5%	61.1%	0.3%	-2.2%
Gross profit	1,036	1,239	1,500	1,964	2,132	2,398
% YoY	5.7%	19.6%	21.1%	30.9%	8.6%	12.5%
Gross margin	33.9%	42.5%	53.3%	43.3%	46.9%	53.9%
Selling expenses	109.7	99.3	115.4	247.0	185.2	181.2
SG&A expenses	133.9	158.1	162.3	169.4	208.4	203.8
% SG&A expenses /Gross revenue	8.0%	8.8%	9.8%	9.0%	8.5%	8.5%
Financial revenue	72.2	199.8	41.5	35.0	38.6	95.1
Financial expenses	125.0	88.7	41.6	84.7	114.1	117.7
Pre-tax profit	729	1,076	1,190	1,458	1,663	1,991
Taxes	216	269	295	338	333	398
Profit after tax	502	808	915	1,153	1,330	1,593
%	25%	48%	11%	23%	15%	20%
EPS	1,495	1,952	1,681	1,992	2,163	2,589
Net profit margin	16.4%	27.7%	32.2%	25.0%	28.7%	35.2%
ROE	9.6%	11.8%	12.0%	14.2%	13.5%	14.0%

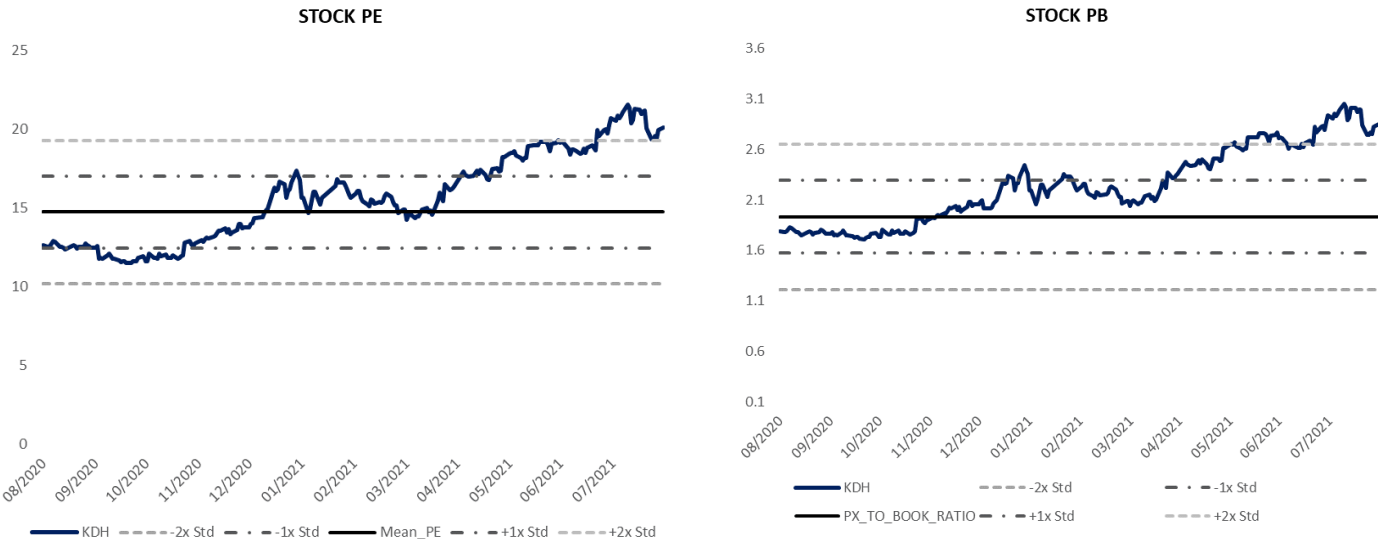
Source: BSC Research

VALUATION

Compared to the latest BUY recommendation report on May 10, 2021, Khang Dien's share price has recorded an impressive increase and is now close to our target price.

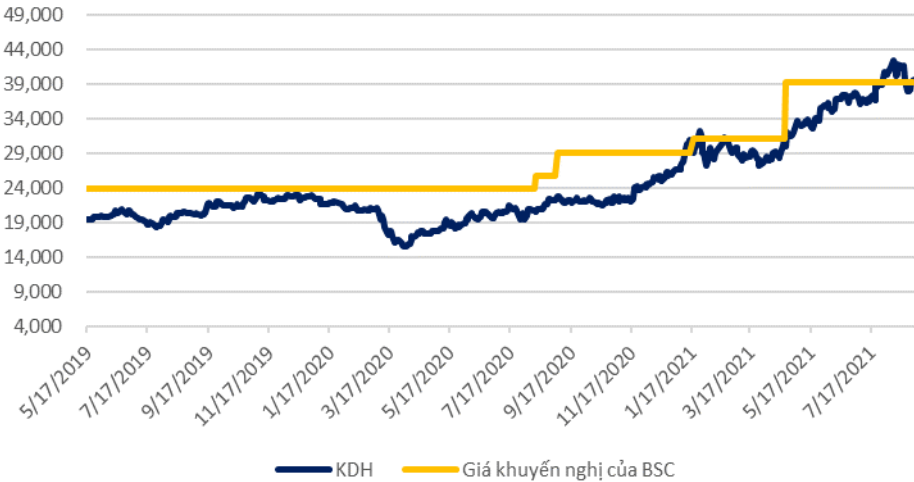
We make a Neutral recommendation for KDH stock with a target price of VND39,300 based on RNAV method (-1.1% compared to the price on August 31, 2021) due to (1) New update of the project portfolio, (2) Adjustment of the project sale price assumption for potential land fund in Binh Tan region, Phong Phu 2 and (3) WACC = 11%.

VALUATION				
Billion VND	Method	Total NAV value	Ownership rate	>KDH
Projects				
Lovera Vista	Cash flow discount	982	100%	982
Verosa Park	Cash flow discount	336	100%	252
Clarita	Cash flow discount	1,981	100%	2,014
Armena	Cash flow discount	1,364	100%	1,448
Binh Tan Project	Cash flow discount	1,321	100%	1,332
Phu Phu 2 Residential Area	Compare	3,536	100%	4,420
Tan Tao Urban Area	Compare	9,875	100%	9,875
Residential Area 11A	Compare	1,870	100%	1,870
Le Minh Xuan Industrial Park	Compare	1,566	100%	1,566
Different	Book value	348	100%	388
	Cash flow discount			
Net present value				24,146
(+) Cash				1,836
(-) Debt				1,845
Total NAV value				24,137
Risk discount rate				24,137
Number of shares outstanding				615,086,429
Reasonable value				39,300
Share price				39,750
Upside				-1.1%
WACC	11%			



STOCK PRICE FLUCTUATIONS AGAINST RECOMMENDATIONS

BIẾN ĐỘNG GIÁ CỔ PHIẾU SO VỚI KHUYẾN NGHỊ BSC



APPENDIX

IS (VND Billion)	2019	2020	2021F	2022F
Net revenue	2,813	4,532	4,546	4,446
COGS	1,313	2,568	2,414	2,048
Gross profit	1,500	1,964	2,132	2,398
Selling expenses	(115)	(247)	(185)	(181)
G&A	(162)	(169)	(208)	(204)
Operating income	1,223	1,547	1,738	2,013
Financial income	41	35	39	95
Financial expenses	(42)	(85)	(114)	(118)
Interest expenses	(2)	-	(74)	(78)
Gain/loss from affiliates	-	-	-	-
Other gain/loss	(33)	(39)	-	-
Profit before tax	1,190	1,458	1,663	1,991
Corporate tax payment	(273)	(304)	(333)	(398)
Profit after tax	917	1,154	1,330	1,593
Minority interest	2	2	-	-
Profit after tax - Minority interest	915	1,153	1,330	1,593
EBITDA	1,232	1,558	1,766	2,032
EPS	1,597	1,893	2,054	2,460

BS (VND Billion)	2019	2020	2021F	2022F
Cash & cash equivalent	1,175	1,836	4,544	5,053
Short term investment	32	-	-	-
Account receivables	3,778	3,529	3,665	3,584
Inventory	7,037	7,338	7,838	8,338
Other current assets	305	319	314	307
Total current assets	12,327	13,022	16,360	17,282
Tangible assets	48	47	67	96
Depreciation	9	11	28	19
Long term incomplete assets	629	695	695	695
Long term investment	100	60	60	60
Other non-current assets	23	17	17	16
Total non-current assets	910	913	933	961
Total Assets	13,237	13,934	17,293	18,243
Account payables	696	242	242	242
Short-term debt	377	787	766	803
Other short-term debt	3,499	3,179	4,828	4,096
Current liabilities	4,572	4,208	5,836	5,141
Long-term debt	405	1,058	1,094	1,147
Other long-term debt	596	510	510	510
Non-current liabilities	1,001	1,568	1,604	1,657
Total Liabilities	5,573	5,776	7,441	6,798
Paid-in capital	5,444	5,787	6,151	6,151
Capital surplus	720	744	744	744
Retained earnings	1,327	1,836	3,136	4,693
Other equity	-	-	-	-
Minority shareholders	39	31	31	31
Total Equity	13,237	13,934	17,293	18,243
Total capital	19,874	23,489	25,454	31,152
Number of shares outstanding	544	579	615	615

Cash flow (VND Billion)	2019	2020	2021F	2022F
(Loss)/NPAT	915	1,153	1,329	1,507
Depreciation	9	11	61	70
Change in NWC	(965)	(919)	(245)	(489)
Other adjustments	(123)	84	-	-
CF from operating activities	(164)	163	1,144	1,088
Fixed assets investment	(235)	(48)	(366)	(419)
Other investment	126	60	-	-
CF from investing activities	(201)	12	(366)	(419)
Dividend paid	-	-	-	-
Cash from net borrowing	(186)	1,063	(605)	133
Other gain/loss	(111)	(576)	-	-
CF from financing activities	(296)	486	(605)	133
Beginning cash balance	1,836	1,175	1,836	2,008
Cash in year	(661)	661	172	802
Ending cash balance	1,175	1,836	2,008	2,810

Ratio (%)	2019	2020	2021F	2022F
Liquidity ratios				
Current ratio	2.7	3.1	2.8	3.4
Quick ratio	1.2	1.4	1.5	1.7
Capital structure				
Debt/ Total assets	6%	13%	11%	11%
Debt/ Equity	10%	23%	19%	17%
Efficiency ratios				
Days of inventories	1787	1021	1147	1442
Days of receivables	359	294	289	298
Days of payables	73	22	30	35
CCC	2073	1294	1406	1704
Profit margin				
Gross profit	53.3%	43.3%	46.9%	53.9%
NPAT profit	32.2%	25.0%	28.7%	35.2%
ROE	12.0%	14.2%	13.5%	14.0%
ROA	6.9%	8.3%	7.7%	8.7%
Valuation				
PE	24.2	20.4	19.8	16.5
PB	2.9	2.9	2.5	2.2
Growth				
Gross revenue growth	-3.5%	61.1%	0.3%	-2.2%
EBIT growth	24.5%	26.5%	12.3%	15.8%
EBT growth	10.6%	22.6%	14.0%	19.7%
EPS growth	13.3%	26.0%	15.4%	19.7%

Source: BSC Research.

Disclaimer

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