

## KHANG DIEN HOUSE (KDH VN)

### Solid foundation for the cyclical reset

## Not Rated

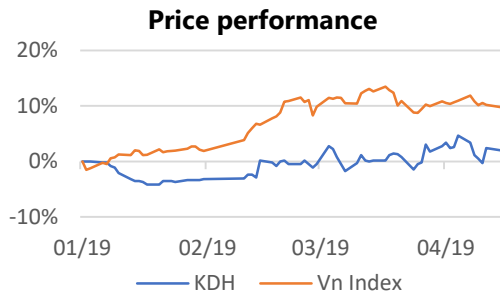
Current price (16/04/19): VND 31,500

**Target price: N/A**

**Upside: N/A**

We attended KDH's AGM on April 12. Reflecting the headwinds currently confronting the real estate industry, management set a low growth target for 2019. We believe that KDH's large land bank (about 500ha in HCMC) and healthy financial structure are attractive given our view on the current "re-set" stage of the real estate cycle.

52-week Price Range (VND)	Market Capitalization	FY18A Dividend Yield	Remaining Foreign Room	Free-float	ADTV-3month
<b>VND 26,600-40,285</b>	<b>USD 566 mn</b>	<b>1.6%</b>	<b>1.76%</b>	<b>73.28%</b>	<b>USD 283K</b>



### Key Takeaways

- Low 2.7% revenue growth target.
- Finalization of legal procedures for land bank in southwest HCMC is not yet complete.
- Solid financial structure.

### Risks

- Liquidity risks in the credit-driven real estate industry.
- Legal risks, as steady increases in real estate controls might impact sentiment, if not actual operations.

### Tam Nguyen

Property Analyst

+84 28 3622 6868 (ext: 3874)

[tam.nguyen@yuanta.com.vn](mailto:tam.nguyen@yuanta.com.vn)

**Company profile:** KDH is a HCMC-focused developer with projects in areas such as Districts 2 and 9, as well as Binh Tan and Binh Chanh Districts. The company's main product segment have historically comprised townhouses and villas. However, the firm launched its [Jamila](#) and [Safira](#) apartment projects in 2018.

### KDH's FY18 results and FY19 guidance

VND Bn	FY18A	FY19 guidance	YoY growth
<b>Total revenue</b>	<b>2,920</b>	<b>3,000</b>	<b>2.7%</b>
Sales of apartments, town house and villas	2,861	N/A	
Rendering of services	40	N/A	
Industrial park leasing	13	N/A	
Others	2	N/A	
<b>Profit after tax</b>	<b>810</b>	<b>900</b>	<b>11.4%</b>
ROA	8%		
ROE	12%		
EPS growth	15%		
P/E	15.7x		
P/B	1.9x		

Source: KDH, Yuanta Research

**Subdued revenue guidance.** KDH guided for FY19 top-line growth of 2.7% YoY to VND 3 trillion. This growth target is 11ppt lower than KDH's 2018 guidance delivered a year ago (+14% growth, which it missed by 17ppt). KDH expects the bulk of 2019 revenues to comprise sales of Jamila Blocks A and B, with other projects also contributing. Legal procedures for southwest HCMC land bank not yet complete. In 2018, the firm fully acquired real estate developer BCI and consolidated the acquired firm's c. 480 hectare land bank at a low cost. However, KDH must still complete the legal procedures related to compensation for land clearance, change of land use purpose, and investment procedures for this land bank before it is ready for development.

**Maintaining a healthy financial structure** with a large amount of cash and low debt/equity (D/E) ratio. KDH's D/E ratio is currently the lowest among its peers at just 14% in 4Q18. Looking at the past, KDH's D/E ratio reached 86% in 2014 and 70% in 2015 before gradually declining. In addition, for FY19, Shareholders' Meeting also approved the increase of charter capital by issuing stock dividends (5% of charter capital – 20.701.167 shares) and issuing new shares (25% of charter capital – 103.505.838 shares).

**Our view:** We don't cover KDH and have no investment view on the stock. Our assessment of the revenue potential for Jamila Blocks A and B in 2019 is less than KDH's guidance for total revenue. We are uncertain of the source of the discrepancy. However, we appreciate the business strategy (i.e., its product, finance, and land acquisition plans) at this stage of the real estate cycle. In particular, a judicious employment of debt in the current real estate market is wise, in our opinion. Real estate is a cyclical industry and all real estate developers must face cyclical risk. However, KDH's careful planning in terms of finance, land bank acquisition, and product strategy should position the company quite well to weather the cyclical reset that we believe is occurring now.

## APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLAIMERS AND DISCLOSURES

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

<b>Ratings</b>	<b>Expected return within the next 12 months</b>
<b>BUY</b>	Above 10%
<b>HOLD</b>	Between -10% to +10%
<b>SELL</b>	Below 10%

**BUY:** We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

**HOLD-Outperform:** In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

**HOLD-Underperform:** In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

**SELL:** We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

**Under Review:** We actively follow the company, although our estimates, rating and target price are under review.

**Restricted:** The rating and target price have been suspended temporarily to comply with applicable regulations and/or Yuanta policies.

*Note: Yuanta research coverage with a Target Price is based on an investment period of 12 months. Greater China Discovery Series coverage does not have a formal 12 month Target Price and the recommendation is based on an investment period specified by the analyst in the report.*

### Global Disclaimer

© 2018 Yuanta. All rights reserved. The information in this report has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy. It is not an offer to sell or solicitation of an offer to buy any securities. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.

This report provides general information only. Neither the information nor any opinion expressed herein constitutes an offer or invitation to make an offer to buy or sell securities or other investments. This material is prepared for general circulation to clients and is not intended to provide tailored investment advice and does not take into account the individual financial situation and objectives of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, investments or investment strategies discussed or recommended in this report. The information contained in this report has been compiled from sources believed to be reliable but no representation or warranty, express or implied, is made as to its accuracy, completeness or correctness. This report is not (and should not be construed as) a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on such business in that jurisdiction.

Yuanta research is distributed in the United States only to Major U.S. Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended and SEC staff interpretations thereof). All transactions by a US person in the securities mentioned in this report must be effected through a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934, as amended. Yuanta research is distributed in Taiwan by Yuanta Securities Investment Consulting. Yuanta research is distributed in Hong Kong by Yuanta Securities (Hong Kong) Co. Limited, which is licensed in Hong Kong by the Securities and Futures Commission for regulated activities, including Type 4 regulated activity (advising on securities). In Hong Kong, this research report may not be redistributed, retransmitted or disclosed, in whole or in part or and any form or manner, without the express written consent of Yuanta Securities (Hong Kong) Co. Limited.

## YUANTA SECURITIES NETWORK



## YUANTA SECURITIES VIETNAM OFFICE

**Head office:** 4<sup>th</sup> Floor, Saigon Centre, Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, HCMC, Vietnam

### Institutional Research

**Matthew Smith, CFA**

Head of Research  
 Tel: +84 28 3622 6868 (ext. 3815)  
[matthew.smith@yuanta.com.vn](mailto:matthew.smith@yuanta.com.vn)

**Tanh Tran**

Senior Analyst (Banks)  
 Tel: +84 28 3622 6868 (ext.3874)  
[tanh.tran@yuanta.com.vn](mailto:tanh.tran@yuanta.com.vn)

**Quang Vo**

Analyst (Consumer)  
 Tel: +84 28 3622 6868 (ext. 3872)  
[quang.vo@yuanta.com.vn](mailto:quang.vo@yuanta.com.vn)

**Tam Nguyen**

Analyst (Property)  
 Tel: +84 28 3622 6868 (ext.3874)  
[tam.nguyen@yuanta.com.vn](mailto:tam.nguyen@yuanta.com.vn)

### Institutional Sales

**Huy Nguyen**

Head of Institutional sales  
 Tel: +84 28 3622 6868 (ext.3808)  
[Huy.nguyen@yuanta.com.vn](mailto:Huy.nguyen@yuanta.com.vn)

**Duyen Nguyen**

Sales Trader  
 Tel: +84 28 3622 6868 (ext.3890)  
[Duyen.nguyen@yuanta.com.vn](mailto:Duyen.nguyen@yuanta.com.vn)