

Vinhomes [VHM VN]

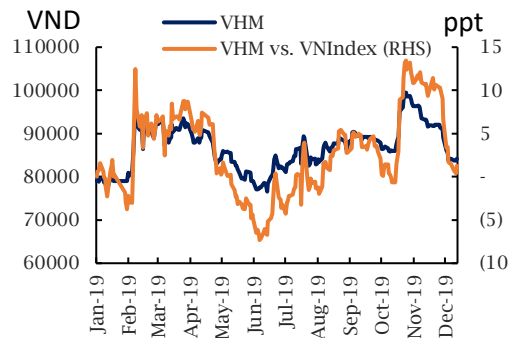
31 January 2020

BUY

TP upside/(downside) +8.4%

Close 31 Jan 2020

Price VND 87,500
12M Target VND 94,680



Market cap	US\$12.39 bn
6M avg. daily turnover	US\$3.66mn
Outstanding shares	3,920 mn
Free float	29%
FINI ownership	15%
Major shareholders	76.8%
FOL room	34%
2019 Net debt / equity	0.29x
2020E dividend yield	1.1%

Source: Bloomberg, Company data

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Bloomberg code: YUTA

4Q19 PBT +78% YoY; 2020 outlook looks solid

VHM held an Analyst Conference Call today to update the Street on its 4Q2019 results and strategy/outlook for 2020.

Key takeaways

Robust profitability growth in 4Q19 despite a YoY decline in revenue. Consolidated net revenue was VND 14.2tn, a decrease of -12.8% YoY. However, profit before tax was VND 8.645tn, a sharp increase of +78% YoY. This was attributable to the higher margins on revenues from projects in 2019 and successful bulk sale transactions.

Solid implantation of new launches in 4Q19. The 1st tranche take-up rate at Vinhomes Symphony was 83% of the nearly 800 units offered for sale. Additionally, the Sapphire and Ruby segments in the mega projects (Vinhomes Smart City and Vinhomes Ocean Park) have been launched. Vinhomes total unbilled bookings reached VND 91.4 trillion, an increase of 31% YoY.

Steady bulk sales momentum proving to be a strong driver. VHM completed transactions of c. 8,500 units at Ocean Park and Smart City in 4Q19. This brought the 2019 total for these projects to c. 38,800 units, accounting for 65% of 2019 presales. Nearly 11,000 units were sold via bulk sales in 4Q19 with an established Asian investor, with the transaction to complete in 1Q20.

3 mega cities remain the bulk of launches planned in 2020. Management guided for c. 46,300 units including c. 40,700 units in the 3 mega projects to be offered in 2020. It also plans 3 new project launches (i.e., Vinhomes Galaxy, Wonder Park, and Dream City), which should sustain presales.

Industrial parks as a potential new growth driver. Vinhomes considering industrial real estate as another potential source of profit and cashflow diversification and to bolster its recurring income portfolio.

Innovating the sales channel and enhancing value-added services. VHM plans to roll out direct and online sales in phases to augment the agency sales model, which should optimize revenue and cut costs.

Our view

Once again, we are impressed by VHM's successful block sales/land sales to third parties, which reduces our prior concerns related to the overall real estate market's recent difficulties. We believe that VHM's impressive scale and quality should allow it to successfully sell out the rest of these 3 mega projects. Also, we see two new potential catalysts: (1) industrial parks as a potential new growth driver and (2) sales channel innovation and enhancing value-added services, which should also enhance VHM's business outlook.

We maintain our BUY recommendation. VHM has been an outperformer in a decidedly weak market since Tet, but any possible subsequent weakness on coronavirus panic would be an excellent opportunity to load up on the stock.

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