

Novaland [NVL VN]

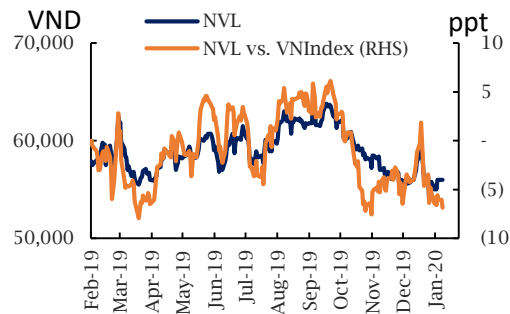
19 February 2020

HOLD-Outperform

TP upside/(downside) +20.4%

Close 18 Feb 2020

Price VND 54,000
12M Target VND 65,000



Market cap	US\$2.25 bn
6M avg. daily turnover	US\$1.01mn
Outstanding shares	970mn
Free float	24%
FINI ownership	6.71%
Major shareholders	72%
FOL room	31.87%
Net debt / equity	1.31
2020E dividend yield	NA

Source: Bloomberg, Company data

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Bloomberg code: YUTA

Calamity is man's true touchstone

NVL held an analyst conference call on Feb 18 to update the Street on its 2019 results and strategy/outlook for 2020.

Key takeaways

The 30ha Binh Khanh residential project in District 2 is *not* included in NVL's FY20 business plan, including its cash flow management plans for 2020. However, management discussed the recent headlines regarding this project, noting that the coverage has elicited attention from the relevant authorities. Moreover, NVL believes that positive reaction may result, as state agencies are seeking to determine a solution to the issue.

Cash flow management. NVL's provided guidance on its cash flow outlook, including c. VND9.0trn of cash inflow from projects that are under construction, are in the delivery stage, and are to be granted Pink Books; and another c. VND8.5trn from 8,500 new presales units in 2020. Also, cash and cash equivalents were c. VND6,500bn at the end of 2019.

FY2020 guidance. NVL guided for FY20 revenue of VND17,000bn and net income of VND3,600bn. Earnings should be recognized from its main projects including Sunrise Cityview, a low-rise subdivision of Victoria Village, and Aqua City. Crucially, NVL expects some projects that were suspended by the city authorities to be eligible for income recognition this year, as the administrative constraints at these projects appear to be easing and homebuyers may be able to obtain Pink Books in 2020.

Pipeline update. Management expects a subdivision of Aqua City project might be granted full administrative approval, which would allow for delivery to customers in 2020. Also, Grand Manhattan is now in the foundation construction stage. In addition, NVL may obtain the construction licence for Project F in 2H20, and it may sign S&P contracts and deliver housing units at its residential project and integrated resorts in 2021 (i.e., Novahills Mui Ne Resort & Villas, Novabeach Cam Ranh Resort & Villas, Novaworld Phan Thiết, and Novaworld Hồ Tràm). Other projects that were introduced previously, notably the high-rise subdivision of Victoria Village, WaterBay, and Palm Marina A, are not yet included in NVL's business plan in 2020.

Our view: We expect 2020 to be another tough year. NVL's plan focuses on satellite urban areas and coastal second home/tourism residences and integrated resorts, areas that have become less attractive to investors and speculators since early 2019. That said, we maintain HOLD-Outperform on the stock and see 20% 12-month TSR. Administrative headwinds may require investors in NVL's shares to tolerate a certain level of medium-term volatility, but such risk tolerance may lead to higher returns in the longer term. For details, please see our Nov 2018 initiation titled "[Southern Real Estate Proxy](#)".

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