

NAM LONG INVESTMENT CORP (NLG)

Hold (Maintained)

PROPERTY

Current Price	VND37,700
52Wk High/Low	VND40,000/VND22,800
Target Price	VND43,900
Previous TP	VND40,400
TP vs Consensus	-2.1%
Upside	1.4%
Dividend Yield	2.0%
Total stock return	3.4%

Growth rating	Positive
Value rating	Positive
ST Technical Analysis	Positive

Market Cap	US\$598m
3m Avg daily value	US\$3.52m
Avail Foreign Room	US\$50m
Outstanding Shares	383m
Fully diluted O/S	383m

	NLG	Peers	VNI
P/E TTM	34.0x	41.7x	14.5x
P/B Current	1.2x	1.4x	1.8x
ROA	1.7%	2.3%	2.0%
ROE	5.3%	4.3%	12.1%

**as of 20/03/2024*

Share Price performance



Share price (%)	1M	3M	12M
Ordinary share	11.0	18.0	88.6
Relative to index	3.8	15.8	23.6

Ownership

Nguyen Xuan Quang	12.1%
Ibeworthy Pte. Ltd.	8.2%
Thai Binh Investment JSC	5.9%
Others	73.8%

Business Description

Nam Long Investment JSC (NLG), was established in 1992. The company operates with three main business segments: Land bank development, property development; venture capital. Currently, Nam Long has a clean land bank of 681ha. Its three main product segments are EHome, Flora, Valora.

Analyst(s):



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Thorough preparation for the new growth cycle

- We remain our rating to Hold with 1.4% upside and an 2.0% dividend yield. We increase our TP by 8.7% while price has increased 17.2% since our last report.
- The main driver of our change in TP is the WACC revision .
- Current P/B of 1.2x is equal to peers fully reflect the earnings forecast FY23-24 of 1.4x.

Financial Highlights

- 2023 revenue dropped by 26.7% yoy to VND3,181.4bn (US\$128.5m). However, it would have increased 69% yoy to VND7,343bn (US\$296.7m) if revenue from the Mizuki joint JV project was consolidated into its top line.
- The 17.0% increase of inventory to VND17,348bn (US\$700.9m) as end of 2023 compared to end of 2022 largely stems from increased development expense of Akari, Izumi, Southgate, Nam Long II (Can Tho) projects.
- We expect FY24 net profit growth of 19.4% to VND578,0bn (US\$23.4m) thanks to the of divestment earnings from a 25% stake in Paragon project and the handover of Akari, Can Tho, Southgate and Izumi projects.

Investment Thesis

We expect a recovery of the residential property market from 2H24

Multiple factors drive our sector outlook in 2024: 1) falling interest rates will stimulate demand from homebuyers and developers; 2) regulatory agencies are working to resolve projects that are stuck in legal procedures; and 3) businesses have reduced debt and are strengthening partnerships with large partners.

Supply crunch in affordable and mid-end housing is a key driver for NLG

Currently, there is an imbalance between supply and demand with an oversupply in the high-end segment. NLG focuses on the affordable and mid-end segments, which matches the market demand. In 2024-25, NLG presales mostly come from products in the mid-end segment of the Can Tho project (Ehome, Landed-plot subdivision) and Southgate project (Ehome phase 2 & 3).

Akari, Mizuki, Izumi, Can Tho II will drive 2024-25 presales turnaround

We expect FY24/F25 presales value to increase 73.4% yoy/ 23.5% yoy to VND6,800bn (US\$275m) / VND8,400bn (US\$340m) compared to low-base 2023. FY24-25's presales come from Southgate, Can Tho, Mizuki projects, surpassing the 2022 peak. We believe that take-up rate of NLG's projects remains impressive as products launched in 2024-25 focus on the mid-end segment.

Strong legal foundation helped to bolster NLG's financial capacity

According to Real Estate Business Law (Amended), developers are only allowed to collect a maximum of 5% of the value of future-developed housing products, compared to the current regulation of 30%. However, most of NLG's projects have obtained sale permits before launching, including two key projects of NLG are Can Tho and Waterpoint Southgate, which have both received sale permits. Therefore, NLG can still collect pre-fund sources of up to 30% of the value of future-developed housing products from customers.

Financial summary	12-22A	12-23A	12-24E	12-25E
Revenue growth	(16.6%)	(26.7%)	80.1%	18.9%
EPS growth	(48.1%)	(13.0%)	22.5%	15.5%
Gross margin	45.7%	49.1%	44.3%	42.5%
Net profit margin	12.8%	15.2%	10.4%	10.1%
P/E (x)	13.3	30.9	25.2	21.8
Rolling P/B (x)	1.3	1.3	1.2	
ROAE	2.1%	1.7%	4.4%	4.9%
Net debt to equity	4.2%	3.6%	3.8%	3.4%

Source: VNDIRECT RESEARCH

Results Recap: Handover progress accelerated in 4Q23

Figure 1: 2023 results comparison

(VNDbn)	4Q23	% yoy	2023	% yoy	2023A/2023F
Net sales	1,636	0.4%	3,181	-26.7%	66.4%
_ Handover revenue	1,546	0.5%	2,905	-28.9%	65.2%
_ Provide services	88	13.6%	222	8.7%	75.1%
_ Construction services	5	-42.7%	27	-14.9%	99.5%
_ Rental revenue	3	-50.1%	27	37.8%	110.9%
Gross profit	692	-15.1%	1,562	-21.3%	64.1%
SG&A	(354)	-8.1%	(980)	-15.1%	104.9%
Net financial income	41	-82.9%	(58)	N/A	32.2%
Gain in associates, joint venture	213	868.5%	418	1603.8%	111.2%
PBT	611	-13.4%	968	-9.5%	96.9%
NPTA-MI	290	-33.7%	484	-13.0%	93.3%
GPM	42.3%	-7.7% pts	49.1%	+4.4% pts	
NPM	17.7%	-9.1% pts	15.2%	+2.4% pts	

Source: VNDIRECT RESEARCH, COMPANY REPORT

4Q23 revenue grew strongly if revenue from JV projects was included

4Q23 revenue was flat yoy at VND1,636bn (US\$113.8m). However, it would have increased 71.8% yoy if revenue from the Mizuki joint venture (JV) project was consolidated into its top line. Instead, the joint venture net profit of VND213bn (US\$8.7m) from the Mizuki project was reported as a separate line item, accounting for 74% of 4Q23 earnings. Similarly, FY23 revenue fell -26.7% yoy to VND3,181bn (US\$129.3m), but would be adjusted to approximately VND4,100bn (US\$166.7m), resulting in a 129% increase in total NLG's FY23 revenue, if revenue from JV projects was included.

Acceleration of handover activities drove revenue growth

4Q23 revenue growth was primarily driven by handing overs of the Southgate project (Ehome and Valora segments) and Izumi project (Valora segment). FY23 revenue benefited from the Akari City project (Flora segment) and Izumi project (subdivision 1A1 - Valora segment) as well.

Gross profit margin declined due to deliveries of lower margin projects

In 4Q23, NLG only handed over a portion of Izumi project low-rise segment, which has a high gross profit margin. The remaining deliveries came from the Southgate project (Ehome & Valora segments), which have lower gross profit margins, leading to a 7.7% pts yoy decrease in GPM and a 15.1% yoy decline in gross profit.

Kikyo financial income was not enough to offset lack of gains Paragon

Net financial income fell 83% yoy. Sale of commercial assets in the Kikyo Residence project generated VND101.5bn (US\$4.1m) of 4Q23 financial income, but this was 58.4% lower than the divestment gain of VND244bn (US\$9.9m) in 4Q22 when NLG transferred 25% of its stake in the Paragon Dai Phuoc project. We expect NLG to recognize another VND220bn (US\$8.9m) in financial income in 2H24 when it transfers an additional 25% stake in the Paragon project. FY23 net financial income was also hurt by a 32.7% yoy increase in interest expense to VND262.2bn (US\$10.7m) due to higher interest rates.

SG&A reductions helped earnings be in line with our expectations

FY23 SG&A expenses fell 15.1% yoy to VND980bn (US\$39.8m). This cushioned the bottom line decline to just 13.0% yoy to VND483.7bn (US\$19.7m). This is a relatively low decrease compared to NLG's peers and was in line with our expectations given the sluggish year for the residential real estate market. In addition, NLG's financial health remained good.

Earnings outlook: Base in FY23 will drive a better FY24-25

FY24-25 earnings revision

Figure 2: FY24-25 forecast revisions – FY24-25's GPM will decline due to NLG's focus on developing affordable and mid-range housing.

	Actual	New		Old	Change	Comment
(VNDbn)	2023	2024	2025	2024	2024	
Net sales	3,181	5,728	6,811	6,177	-7.3%	
COGS	(1,619)	(3,191)	(3,916)	(3,252)	-1.9%	COGS is forecast to decrease slightly more than revenue because in 2024, NLG focuses on developing projects in the affordable & mid-end segment with lower gross profit margin.
Gross profit	1,562	2,537	2,895	2,925	-13.3%	
Gross profit margin (%)	49.1%	44.3%	42.5%	47.4%	-3.1% pts	NLG's 2024 GPM is forecast to decrease by 3.1% pts compared to the previous forecast and decrease by 3.8% pts compared to 2023. GPM in 2025 will decrease by 0.8% pts compared to 2024 GPM. GPM 2024-25 is mainly because 2024-25 revenue has a large contribution from the affordable house and mid-end segment from the Waterpoint Southgate project, Can Tho with lower profit margin.
SG&A expenses	(980)	(1,386)	(1,579)	(1,631)	-15.0%	
Net financial income	246	279	294	130	114.6%	The majority of 2024 net profit comes from the divest an additional 25% share of the Paragon Dai Phuoc project to Nishi Nippon Railroad.
Net financial expense	(305)	(250)	(190)	(243)	2.9%	
- Interest expense	(262)	(250)	(190)	(210)	19.0%	Interest expense remain high because of accelerate the progress of completing infrastructure projects to obtain a sales license before launching projects.
Profit from associates	418	120	95	192	-37.5%	Adjust profit forecast from associates in 2024 down because the Mizuki project is handed over earlier than expected in 2023.
EBT	968	1,300	1,515	1,373	-5.3%	
Income tax	(168)	(247)	(280)	(254)	-2.8%	
NPAT	800	1,053	1,235	1,119	-5.9%	
- MI	(317)	(475)	(550)	(311)	52.7%	Adjusted NPAT-MI because the Izumi project postponed the launch of the next phase later than planned.
NPAT-MI	484	578	685	722	-20.0%	NPAT-MI in 2024 are mainly contributed by the Waterpoint Southgate, Can Tho project and more than VND200bn in profits from divesting 25% share of Paragon Dai Phuoc project.

Source: VNDIRECT RESEARCH, COMPANY REPORT

Product-market fit drives presales growth

We see multiple supportive factors are expected to drive the sector outlook in 2024-25: (1) The reduction in interest rate base has stimulated demand from homebuyers and developers; (2) regulatory agencies are actively working to resolve projects that are stuck in legal procedures amid a significant decrease of new condo supply in HCMC (-54% yoy to about c.8,707 unit in 2023) due to legal procedures for approving new construction projects are being delayed, which made it difficult for property developers to access capital, and created imbalance between supply and demand for housing; (3) Businesses have actively restructured their capital structure by reducing debt and strengthening partnerships with large partners to avoid taking on too much risk by developing projects independently.

NLG's presales have created a low base in the long term

Although NLG's 2023 presales value decreased by 51.5% yoy, it is in-line with our forecast of a subdued year for the residential property market. The 2023 presales value reached only VND3,922bn (US\$158.5m), mainly coming from Akari project VND1,968bn (US\$79.5m), Waterpoint Southgate project VND1,394bn (US\$56.3m), and Mizuki Park project VND560bn (US\$22.6m). We

believe that the 2023 presales value is a low base in the long term compared to NLG's huge potential in the coming years.

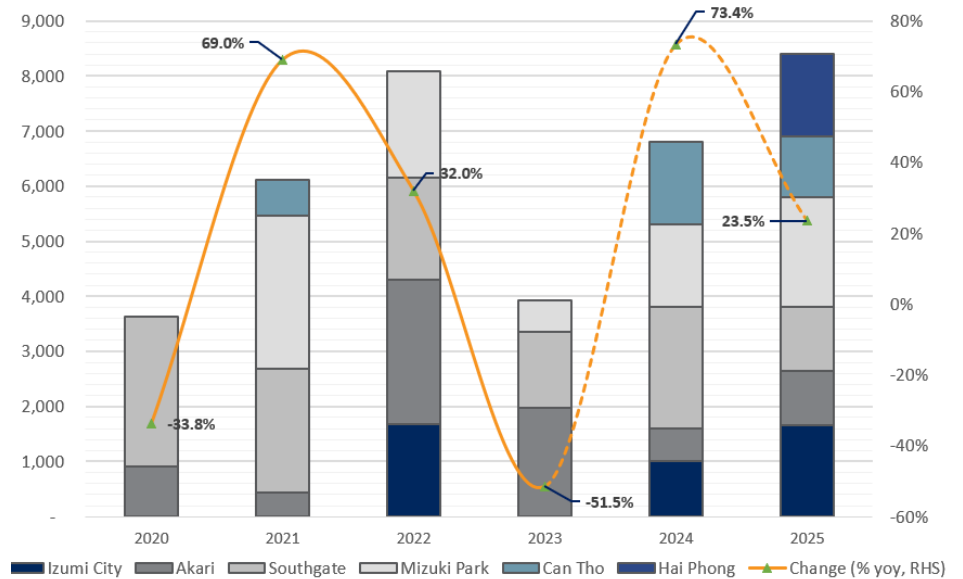
We expect that some projects with delayed launch schedules in 2024-25 will drive presale rebound. In 2024, we expect contracted sales value to recover well, reaching VND6,800bn (US\$274.7m) contributed by Waterpoint Southgate, Mizuki Park, and Can Tho projects (see [Appendix A](#) for NLG's key projects to be implemented in FY24-25). The improvement in presales value in 2024 will in-line with our expectation of a gradually recovery in the residential property market in 2H24, leading to stable growth in the following periods. Therefore, we expect presales value in 2025 to reach VND8,400bn (US\$339.4m), surpassing the peak in 2022. This growth in 2025 will drive from the launch of the next phases of projects launched in 2024 and the previous period, as well as the launch of new projects such as VSIP Hai Phong and Paragon Dai Phuoc.

Clear legal status of projects is a prerequisite for NLG for the pivotal phase

Interest rates are cooling down and legal bottlenecks are being systematically dismantled, with the passage of Amended Real Estate Laws (Housing Law – passed on November 28th 2023, Real Estate Business Law – passed on November 29th 2023, Land Law – passed on January 18th 2024), which is expected to lead the way for success of NLG's new launched projects.

We assess that the Amended Real Estate Law in this session will have an impact on developers who launch projects to be formed in the future such as NLG. However, for NLG, the impact will be relatively minor due to the following factors: 1) Strong financial health with cash flow generated from customer payments from previous launches; 2) Land fund with clear legal status, which helps NLG almost always have a sales permit before launches, so it can collect pre-funding from customers up to 30% of the property value instead of only up to 5% as other property developers. Therefore, we believe that the Amended Real Estate Business Law will not be a major challenge for NLG.

Figure 3: Presales value in FY24-25 (VNDbn)



Source: VNDIRECT RESEARCH

Figure 4: Key development pipeline

Project	Location	Product	NLG Ownership	Land site (ha)	Execution timeframe*									
					2018	2019	2020	2021	2022	2023	2024F	2025F	2026F onward	
Mizuki	Binh Chanh, HCMC	Flora Valora	50%	26.2										
Waterpoint Southgate	Ben Luc, Long An	Township	60%	165.0										
Akari	Binh Tan, HCMC	Flora	50%	8.8										
Can Tho	Cai Rang, Can Tho	Ehomes Land lot	100%	43.0										
Izumi City	Dong Nai	Valora	65%	170.0										
VSIP Hai Phong	Thuy Nguyen, Hai Phong	Ehomes Valora	50%	21.0										
Dai Phuoc	Dong Nai	Township	100%	45.0										
Waterpoint VCD	Ben Luc, Long An	Township	100%	190.0										

(* Each project execution timeframe (from first launch to completion) is in grey highlight. Otherwise, no detailed project timeframe has been announced by the company.

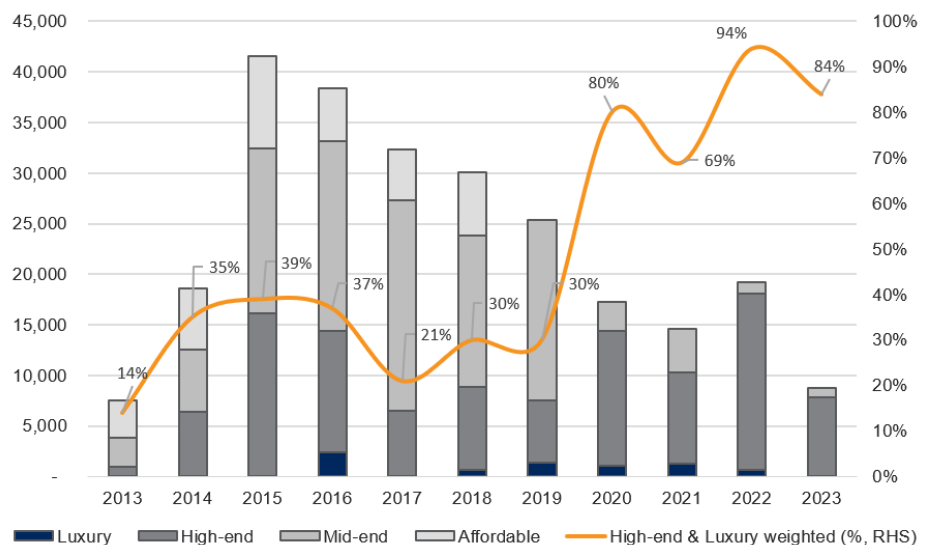
Source: VNDIRECT RESEARCH

Supply crunch, especially in affordable housing, to be key driver of NLG

The market is currently experiencing an imbalance between supply and demand with an oversupply in the high-end segment (especially in HCMC – with 84% of new apartment supply in 2023 coming from the high-end segment) and a shortage of affordable housing and mid-end products. In 2023, the new supply in HCMC reached only 8,707 units, a decrease of 54.0% compared to 2022. 2023’s take-up rate was only about 85%, due to the fact that the majority of the supply came from the high-end segment, which is not matched the actual demand of homebuyers. However, with mortgage rates trending down (deposit rates maintained lower than the bottom level of the COVID-19 period), we expect supply and absorption rates to improve in FY24-25.

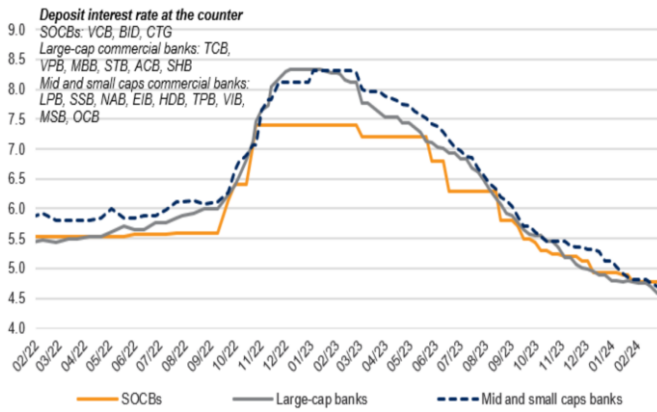
Therefore, residential property developers who have clean land banks, healthy financial structure, possess diversified products segment associated with actual needs, and have attractive customer support policies like NLG will be bright spots in the context of weakening demand and challenging market. For example, the take-up rate reached over 90% in the launch of large part of 2,700 products in second phase of the Akari project.

Figure 5: The supply of affordable and mid-range apartments is increasingly scarce in HCMC (units).



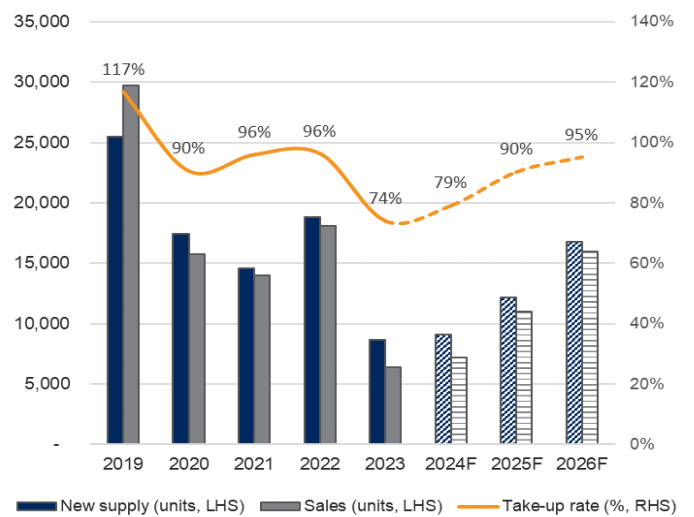
Source: VNDIRECT RESEARCH, CBRE

Figure 6: 12M deposit interest rates as the end of February (%)



Source: VNDIRECT RESEARCH

Figure 7: New condo supply and take-up rate in HCMC (units).



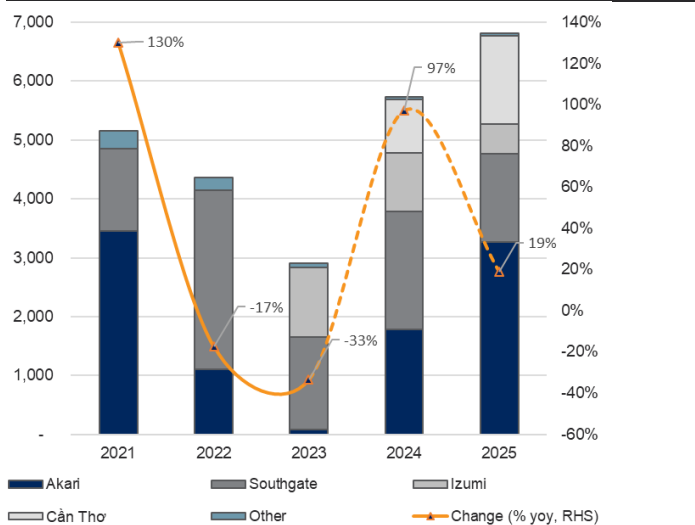
Source: VNDIRECT RESEARCH, CBRE

Multiple profit sources support business prospects in FY23-24

We estimate NLG's 2024 revenue to increase by 97% yoy to VND5,728bn (US\$231.4m) without consolidating revenue from associates (Mizuki project), with gross profit margin (GPM) decrease by 3.8% pts yoy to 44.3%. NLG's 2025 revenue will increase by 19% yoy to VND6,811bn (US\$275.2m) with GPM decrease by 1.8% pts yoy to 43.5%. Although revenue will increase, GPM for 2024-25 will decrease because the majority of handover revenue will be contributed by affordable housing and mid-end segment products from Waterpoint Southgate project and Nam Long II project (Can Tho) with lower GPMs.

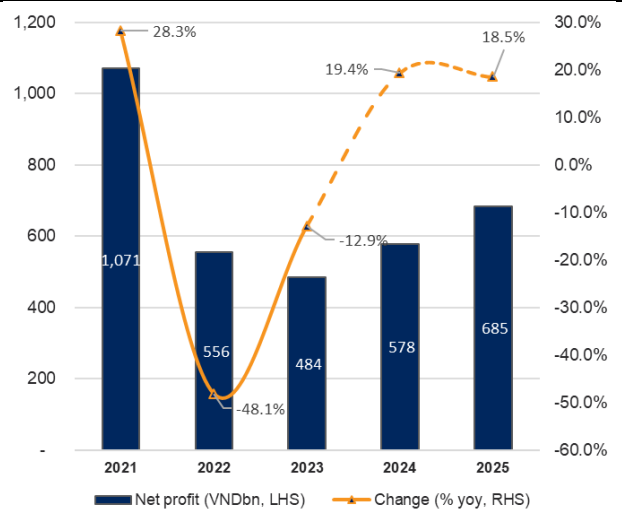
We forecast NLG's 2024 NP to increase by 19.4% yoy to VND578bn (US\$23.4m). In addition to project handovers, NP will be contributed by the divestment of an additional 25% stake in the Paragon Dai Phuoc project. NLG's 2025 NP is expected to increase by 18.5% yoy to VND685bn (US\$27.7m), mainly contributed by the Akari, Southgate and Can Tho projects.

Figure 8: FY24-25 property revenue (VNDbn)



Source: VNDIRECT RESEARCH

Figure 9: FY24-25 net profit (VNDbn)



Source: VNDIRECT RESEARCH

Valuation: Reiterate Hold with a higher TP of VND43,900

We revised up our TP to VND43,900 to reflect:

- 1) Legal progress of projects is faster than expected, including Waterpoint Southgate project, Nam Long II project (Can Tho) and Hai Phong project.
- 2) Presales of Southgate projects (Ehome Southgate block sales, villa segment), Akari Phase 2 (project absorption rate of over 90%) exceeded expectations.
- 3) We apply a lower WACC assumption of 12.1% (from 13.3% in the previous update report). We use a risk-free rate (Rf) of 2.24% (the Vietnamese Government 10-year bond yield) and a market risk premium (Rm) of 9.0% (according to adjustments from [NYU Stern](#)).

Figure 10: Equity valuation (VNDbn)

Project Name	Fair value 3Q23	Fair value 4Q23	Ownership	Method	Note
Southgate	2,188	2,841	50%	DCF	Positive legal developments have resulted in the Southgate project receiving construction permits and sales permits for the Aqua 1, Aqua 2, Central Park and The Pearl subdivisions. Waterpoint Southgate project is key presale for 2024.
Waterpoint VCD	3,112	3,156	100%	Comparable	
Mizuki Park	1,382	1,652	50%	DCF	
Can Tho	1,205	1,873	100%	DCF	Positive changes in legal procedures, received construction permit and sale permit for Ehomes subdivision. Can Tho project is key presale for 2024.
Akari	1,264	1,527	50%	DCF	
Hai Phong	594	894	100%	DCF	The project has received 1:500 master plan and is currently in the process of applying for a construction permit and is expected to be implemented in 2025.
Izumi City	8,796	8,246	65%	DCF	Downward adjustment due to the postponement of launch activity compared to our expectation that affects the valuation of the project.
Paragon Dai Phuoc	1,528	1,413	50%	DCF	Downward adjustment due to the postponement of launch activity compared to our expectation that affects the valuation of the project. The project is currently at the revised master plan stage. So it affects valuation.
Other	725	464	100%	BV	
Total	20,794	22,066			
Add:					
Cash and Cash equivalent	3,507	3,590			
Other assets	2,350	2,577			Include VND2,217 from Investment in associates and joint ventures.
Less:					
Gross debt	5,662	6,107			NLG increased debt to accelerate the progress of completing infrastructure projects to achieve key legal procedures.
Other debt	176	211			
Monitory interest	4,047	4,145			
RNAV	16,767	17,769			
Shares outstanding (mil)	383	385			
Discount to RNAV	10%	5%			We reduced discount rate from 10% to 5% even though some projects such as Izumi and Paragon Dai Phuoc had delayed launch time compared to the original plan. However, the legality of projects consistent with NLG's business strategy during a period of cautious market sentiment, including Waterpoint Southgate, Can Tho, and Hai Phong, has received positive legal moves.
Target price (VND/share)	40,400	43,900			
WACC assumption					
Market premium (Rm)	9.6%	9.0%			
Risk free (Rf)	2.7%	2.2%			
Beta	1.3	1.3			
CoE	15.2%	13.9%			
CoD	11.0%	10.0%			
Debt weight	30.1%	31.1%			
Equity weight	69.9%	68.9%			
WACC	13.3%	12.1%			

Source: VNDIRECT RESEARCH, COMPANY REPORT

Reiterate Add with a higher RNAV-based TP of VND43,900:

- 1) NLG's stock price has increased by 17.2% since the previous update report.
- 2) The decline in presales value will affect NLG's handover revenue from projects.
- 3) However, the legal procedures for some key mid-range projects, which are match with NLG's business strategy in the transition phase, have been accelerated, helping to maintain NLG's business performance prospects for stable growth in the upcoming years.

NLG is currently trading at a P/B ratio of 1.2x, which is lower than the industry average P/B ratio of 1.4x and lower than the 3-year average P/B ratio of 1.3x. We believe that this valuation is reasonable for a property developer with a healthy financial structure, focusing on developing products in the segment that match with actual needs of homebuyers, and with a clear legal land bank and comprehensive project development capability.

Potential re-rating catalyst is that the government stepped in more aggressively to tackling bottlenecks for a range of residential property projects and further decline in mortgage interest rate, thereby helping to improve market sentiment. Key downside risks include 1) Slower-than-expected progress in handover, construction permits, and new launches; 2) The absorption of NLG's new launches has not meet expectations.

Figure 11: Peer comparison

Company	Ticker	Price	Mkt cap	2023 net revenue		2023 net profit		ROE	TTM P/E	Current P/B	Net D/E at end of 2023
		LC	US\$m	US\$m	%	US\$m	%				
Residential/hospitality developers											
Vinhomes	VHM VN	43,650	7,697	4,252	65.6%	1,363	14.9%	20.4	5.7	1.1	21.2
Khang Dien	KDH VN	36,000	1,165	86	-28.1%	30	-35.0%	5.3	42.7	2.1	16.8
Nam Long	NLG VN	42,450	661	131	-26.7%	20	-13.0%	5.0	35.2	1.7	18.6
Dat Xanh	DXG VN	18,550	541	153	-32.8%	7	-17.9%	1.9	67.4	1.4	34.6
Vincom Retail	VRE VN	26,700	2,457	403	33.0%	181	58.8%	12.4	13.8	1.6	(3.3)
Phat Dat	PDR VN	29,000	868	25	-59.0%	28	-39.9%	7.7	29.1	2.3	27.0
Novaland	NVL VN	17,200	1,358	196	-57.3%	33	-62.8%	2.1	41.7	0.9	119.2
Development Investment Construction	DIG VN	27,850	688	42	-45.8%	7	19.8%	2.3	98.4	2.2	7.6
Average			1,929	661.1	(0.2)	208.7	(0.1)	7.2	41.7	1.7	30.2

Source: VNDIRECT RESEARCH, BLOOMBERG

Balance Sheet Analysis: Thorough preparation for the new growth cycle

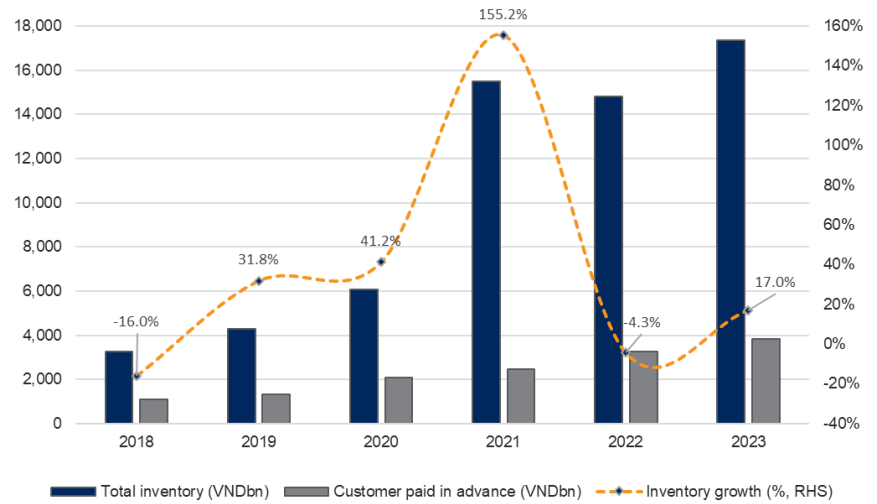
Despite positive factors support the market, NLG's prudent approach remains essential when uncertainty persists

NLG's increased investment in complete the infrastructure of projects that led to a decline in financial health indicators, with NLG's debt increasing by 17.9% ytd to VND6,107bn (US\$246.7m). However, NLG's growth prospects have improved significantly, as construction and infrastructure development costs are recorded in inventory, leading to a 17.0% increase in inventory value to VND17,378bn (US\$702m). Accelerating the completion of project infrastructure is crucial as it is a prerequisite for obtaining key project legal documents such as sale permit. Once a project receives a sale permit certificate, the developer can receipt up to 30% of value of the housing product that will formed in the future, compared to the maximum of 5% when the legal documents are not complete. Therefore, in the following years, when the projects are moving, the cash flow from handover will be regular, helping NLG's financial health become healthier.

NLG stands out for maintaining a healthy financial structure with negligible liquidity risk as net debt/equity ratio is only 18.6% compared to the industry average of 54-58%, NLG's cash and cash equivalents is VND3,590bn (US\$145.1m), accounting for 12.6% of total assets, compared to VND1,357bn (US\$54.8m) / VND1,878bn (US\$75.9m) of due loans (including bonds and bank loans) in 2024-25. NLG also demonstrates a safe capital structure with an impressive debt/total asset ratio of 45.1% compared to the industry average of 66-71%, thanks to the strategy of cooperating with prestigious international partners to implement large projects, thereby maintaining low financial leverage, while increasing revenue from project management. Therefore, NLG is more capable of offering attractive policies to support homebuyers (so NLG always achieves an impressive occupancy rate in new openings) and avoid short-term payment pressure. In addition, NLG also demonstrates its prestige through the ability to implement the project on schedule, thereby ensuring a stable source of money received from customer payments according to payment terms.

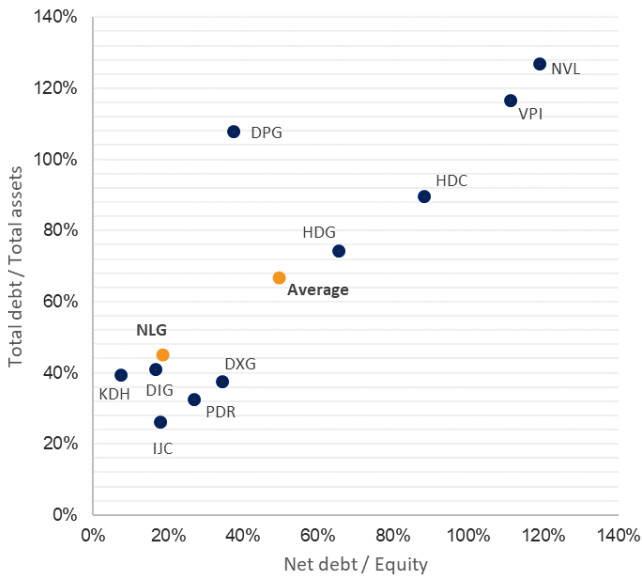
Although the value of inventory has increased sharply over the years, the presales value also has witnessed a consistent growth, which helps NLG avoid being under pressure of inventory clearance. We believe that despite many current challenges in the real estate market, NLG will steadily overcome this difficult time with its healthy financial structure and product-market fit projects before growing strongly when the market gradually becomes more favourable.

Figure 12: NLG is stepping up the completion of project infrastructure to achieve key legal procedures



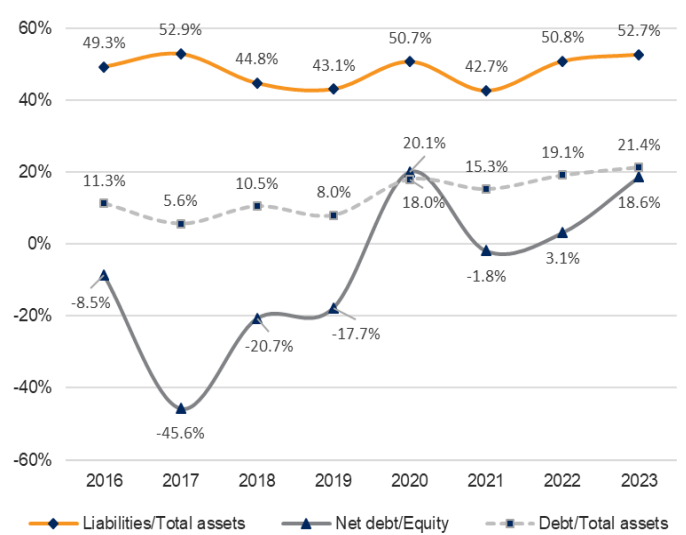
Source: VNDIRECT RESEARCH

Figure 13: NLG has good financial health compared to its peers (%)



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 14: NLG's leverage ratios are still at low level as of end-2023 (%)



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Appendix A: NLG's key projects to be implemented in FY23-25F

Figure 14: Waterpoint phase 1 (Southgate): Received almost all construction permit & sale permit for The Pearl division; Phase 1 and 2 of Ehome division has handed over, Phase 3 is under construction; **Waterpoint phase 2 (VCD):** Working on Revised Master Plan



- Location: Located right at the start of the Ben Luc – Long Thanh Highway, linking straight to Long Thanh international airport. Well-connected with upcoming Ring Road 3 linking Ho Chi Minh City, Long An, Dong Nai and Binh Duong.
- Developers & partners: Nam Long, NNR, TBS, Tan Hiep
- Total project area: 165ha
- Construction density: 23%
- Total units: 3,606 units
- Key Components: Shophouses / Townhouses / Villas / Ehomes
- Timeline: 2019 - 2025

Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 15: Mizuki project: Handed over MP6, MP10, the Mizuki, the Camellia subdivision. 5 remaining apartment complexes and villa subdivisions of the project received all legal procedures and will be launched in 2024-2025.



- Location: Located on Nguyen Van Linh Boulevard, Binh Chanh, HCMC, which is 120m wide comprising of 10 lanes connecting directly District 7, District 2
- Total project area: 26ha
- Construction density: 29%
- Total units:
 - Phase 1: 1,500 units
 - Phase 2: 1,601 units
 - Phase 3: 1,830 units
- Key Components: Apartments / Villas / Shophouses
- Handover timeline: Phase 1: 4Q19, Phase 2: end 4Q22, Phase 3: 2024-25

Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 16: Akari City project: The topping out of phase 2 has been completed and handover will begin in 2H24



- Location: Located on Vo Van Kiet Boulevard, Binh Tan, HCMC, a city's main arterial road linking Saigon East to West
- Developers & partners: Nam Long, NNR & Hankyu, Hanshin Corp
- Total project area: 8.5ha
- Construction density: 33%
- Total units: 6 blocks providing 5,005 units
 - Phase 1: 1,803 units
 - Phase 2: 1,690 units
 - Phase 3: 1,512 units
- Key Components: Apartments
- Handover timeline: Phase 1: 4Q21, Phase 2: 2H24, Phase 3: 2H25

Source: VNDIRECT RESEARCH, COMPANY REPORTS

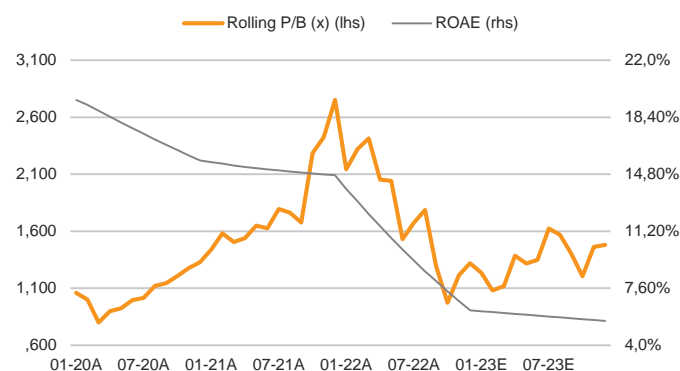
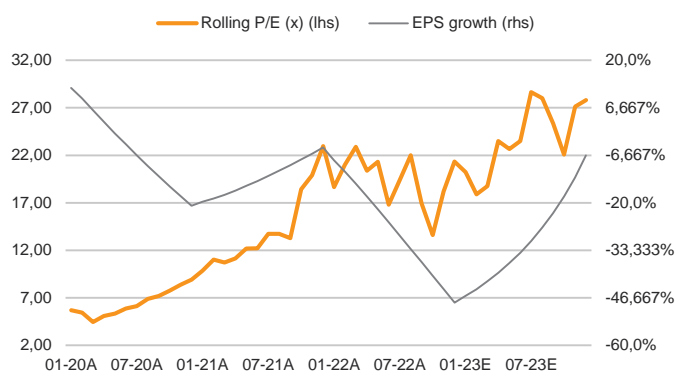
Figure 17: Izumi project: Construction of low-rise subdivision 1A1 has been completed and handed over a haft of this phase in 2023. The remaining part will handed over in 2024. The next phase is on hold pending the 1:500 master plan approval, expected to relaunch in 2025.



- **Location:** Located in Long Hung commune, Bien Hoa, Dong Nai.
The project will benefit from the development of infrastructure in the area, including a road extension connecting to the Long Thanh – HCMC highway, which is expected to be reduced from 1-1.5 hours to less than 45 minutes.
- **Developers & partners:** Nam Long & Hankyu Hanshin Corp
- **Total project area:** 170ha
- **Construction density:** 35.6%
- **Total units:** 6 phases including 2,922 units
- **Key Components:** Villas / Townhouses / Shophouses
- **Handover timeline:** 2023-28F

Source: VNDIRECT RESEARCH, COMPANY REPORTS

Valuation



Income statement

(VNDbn)	12-23A	12-24E	12-25E
Net revenue	3,181	5,728	6,811
Cost of sales	(1,619)	(3,191)	(3,916)
Gen & admin expenses	(562)	(795)	(905)
Selling expenses	(418)	(591)	(674)
Operating profit	582	1,151	1,316
Operating EBITDA	533	1,111	1,276
Depreciation and amortisation	49	40	40
Operating EBIT	582	1,151	1,316
Interest income	238	279	294
Financial expense	(296)	(250)	(190)
Net other income	27	10	10
Income from associates & JVs	418	110	85
Pre-tax profit	968	1,300	1,515
Tax expense	(168)	(247)	(280)
Minority interest	(317)	(475)	(550)
Net profit	484	578	685
Adj. net profit to ordinary	484	578	685
Ordinary dividends	(187)	(173)	(206)
Retained earnings	297	404	480

Balance sheet

(VNDbn)	12-23A	12-24E	12-25E
Cash and equivalents	2,540	1,974	2,316
Short term investments	1,050	1,050	1,050
Accounts receivables	3,637	4,151	4,412
Inventories	17,353	17,582	16,742
Other current assets	733	679	679
Total current assets	25,313	25,436	25,199
Fixed assets	185	204	229
Total investments	2,220	2,220	2,220
Other long-term assets	893	893	893
Total assets	28,611	28,753	28,541
Short-term debt	2,402	2,281	1,954
Accounts payable	1,175	1,304	1,263
Other current liabilities	6,309	5,614	5,281
Total current liabilities	9,886	9,199	8,498
Total long-term debt	3,705	3,815	3,514
Other liabilities	1,487	1,503	1,341
Share capital	3,848	3,848	3,848
Retained earnings reserve	2,879	3,284	3,763
Shareholders' equity	9,383	9,718	10,085
Minority interest	4,150	4,518	5,103
Total liabilities & equity	28,611	28,753	28,541

Cash flow statement

(VNDbn)	12-23A	12-24E	12-25E
Pretax profit	869	1,300	1,515
Depreciation & amortisation	49	40	40
Tax paid	(348)	(154)	(206)
Other adjustments	(889)	(451)	(499)
Change in working capital	(2,122)	(941)	(521)
Cash flow from operations	(242)	(179)	329
Capex	(23)	(10)	(10)
Proceeds from assets sales	0	0	0
Others	428	713	412
Other non-current assets changes			
Cash flow from investing activities	405	703	402
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	3,129	(814)	(216)
Other financing cash flow	(2,237)	(102)	32
Dividends paid	(187)	(173)	(206)
Cash flow from financing activities	705	(1,089)	(390)
Cash and equivalents at beginning of period	3,773	2,540	1,974
Total cash generated	(1,233)	(566)	342
Cash and equivalents at the end of period	2,540	1,974	2,316

Key ratios

	12-23A	12-24E	12-25E
Dupont			
Net profit margin	15.2%	10.1%	10.1%
Asset turnover	0.11	0.20	0.24
ROAA	1.7%	2.0%	2.4%
Avg assets/avg equity	3.05	2.96	2.83
ROAE	5.2%	5.9%	6.8%
Efficiency			
Days account receivable	417.3	264.5	236.4
Days inventory	3,911.0	2,011.0	1,560.0
Days creditor	264.9	149.2	117.7
Fixed asset turnover	17.21	28.08	29.74
ROIC	3.0%	2.8%	3.1%
Liquidity			
Current ratio	2.6	2.8	3.0
Quick ratio	0.7	0.8	0.9
Cash ratio	0.4	0.3	0.4
Cash cycle	4,063.6	2,126.5	1,679.2
Growth rate (yoy)			
Revenue growth	(26.7%)	80.0%	18.9%
Operating profit growth	(29.7%)	97.8%	14.4%
Net profit growth	(13.0%)	22.5%	15.5%
EPS growth	(13.0%)	22.5%	15.5%

Source: VND RESEARCH

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Stock Ratings Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Growth Ratings Definition:

Positive	We forecast the company to have stronger earnings growth than peers over the investment horizon.
Neutral	We forecast the company's earnings growth to be in line with peers over the investment horizon.
Negative	We forecast the company to have weaker earnings growth than peers over the investment horizon.

Value Ratings Definition:

Positive	The current share price is lower than peers on the basis of historical P/E, P/B or another ratio specified.
Neutral	The current share price is in-line with peers on the basis of historical P/E, P/B or another ratio specified.
Negative	The current share price is higher than peers on the basis of historical P/E, P/B or another ratio specified.

Sector Ratings Definition:

Overweight	Stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	Stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	Stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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