

Vincom Retail JSC (VRE)

PROPERTY

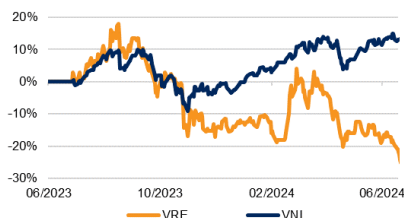
Current Price	VND20,050
52Wk High/ Low	VND31,500/VND19,750
Target Price	VND29,600
Last Updated	6/25/2023
Last Rating	Add
TP vs Consensus	-7.2%
Upside	47.6%
Dividend Yield	0.0%
TSR	47.6%

Market Cap	USD1,798mn
3MADTV	USD8mn
Avail Foreign Room	USD472mn
Outstanding Shares	2,272mn
Fully Diluted O/S	2,272mn

	VRE	VNI
P/E TTM	10.2x	14.9x
P/B Current	1.1x	1.8x
ROA	8.6%	1.3%
ROE	11.2%	4.8%

*as of 7/23/2024

Share Price Performance



Ownership

SADO Trading Commercial JSC	41.5%
Vingroup JSC	18.8%
Others	39.7%

Business Description

VRE is currently the leading company in leasing retail space in Vietnam, boasting a national presence with 86 retail malls and an aggregate retail space exceeding 1.81mn sqm GFA (by June 2024). VRE manages a diverse portfolio of shopping centers and malls tailored to meet the specific needs of varied consumer demographics, including Vincom Mega Malls, Vincom Centers, Vincom Plaza, and Vincom+.

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New malls opened, shophouse deliveries surged – [In-line]

- 2Q24 net profit rose 2.1% YoY, mainly thanks to the delivery of 104 shophouse units compared to 23 units delivered in 1Q23, fueling 3.9% YoY growth in 1H24 net profit.
- 1H24 results were in line with our forecast, as revenue and net profit completed 49.0%/51.8% of our full-year projections, respectively.
- We see minimal pressure on our target price of VND29,600, which we will update after further review.

Property deliveries saw strong growth while leasing activities slowly recovered

Vincom Retail's 2Q24 revenue was VND2.48tn (USD99mn), increasing 14.1% YoY and 9.9% QoQ, while 1H24 revenue reached VND4.73tn (USD189mn, +15% YoY):

- (1) Retail space leasing revenue in 2Q was VND1.94tn (USD78mn), up 0.6% QoQ but decreasing 0.2% YoY as newly leased areas signed at end-June had not contributed to leasing revenue for the period. The average occupancy rate in 2Q24 reached 83.9%, increasing 1.1% pts QoQ but declining 1.6% pts YoY. 1H24 leasing revenue reached VND3.87tn (USD155mn), +0.3% YoY.
- (2) Revenue from shophouse deliveries in 2Q was VND467bn (USD19mn), accelerating 137% YoY and 68.7% QoQ, following the deliveries of 104 units from Vincom Shophouse Royal Park. 1H24 property delivery revenue reached VND744bn (USD30mn), +272% YoY. VRE has remaining unbilled shophouses of VND230bn in value, which should be recognized in 2H24.

Net profit was up 2.1% YoY and down 5.6% QoQ to VND1.02tn (USD41mn) in 2Q24, contributing to VND2.1tn (USD84mn, +3.9% YoY) in 1H24.

GPM hurted by higher proportion of property sales and seasonal, one-off costs

2Q24 gross profit margin (GPM) was 48.8%, down 6.9% pts QoQ due to higher energy consumption during summer season and down 5.9% pts YoY due to: 1) higher electricity price; 2) higher land cost, due to the expiration of the Government's land waver policy (issued during the Covid-19 pandemic) for some shopping malls; 3) increasing provision expenses relating to a tenant in entertainment category; 4) higher contribution of shophouse deliveries activity which has lower GPM.

Two shopping malls to be launched in 2H24

VRE expects to launch Vincom Plaza (VCP) Bac Giang by July and VCP Dong Ha Quang Tri by September 2024. Vincom Mega Mall (VMM) Ocean City is rescheduled to open in April 2025.

In June 2024, VRE opened three new malls (VMM Grand Park, VCP Dien Bien Phu, VCP Ha Giang) and reopened VCP 3/2. The occupancy rate in VMM Grand Park is now at 94%, and 86%/95% in VCP Dien Bien Phu and VCP Ha Giang.

(VNDbn)	2Q24	% YoY change	1H24	% YoY change	1H23/FY23	1H24/FY24 forecast
Revenue	2,479	14.1%	4,733	15.0%	42.0%	49.0%
Leasing activities and related services	1,940	-0.2%	3,867	0.3%	49.5%	43.5%
Sale of inventory properties	467	136.8%	744	271.9%	11.3%	141.1%
Others	72	123.7%	122	105.6%	26.6%	48.0%
Gross profit	1,209	1.7%	2,465	3.7%	44.5%	45.6%
Gross profit margin (%)	48.8%	-5.9% pts	52.1%	-5.7% pts		
SG&A expense	(216)	82.9%	(423)	76.9%	28.9%	47.0%
% SG&A to sales	8.7%	3.3% pts	8.9%	3.5% pts		
Financial income	420	51.1%	855	70.4%	43.8%	73.7%
Interest income	420	51.0%	855	70.3%		
Financial expenses	(179)	123.5%	(319)	76.9%	54.6%	70.8%
Interest expenses	(102)	40.0%	(206)	25.9%		
Pre-tax profit	1,277	0.7%	2,644	5.0%	45.6%	52.0%
Net profit	1,021	2.1%	2,104	3.9%	45.9%	51.8%
Net profit margin (%)	41.2%	-4.8% pts	44.5%	-4.7% pts		

Source: VNDIRECT RESEARCH

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RECOMMENDATION FRAMEWORK

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.

Sector Ratings

Definition:

- Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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