

Real Estate

AGM Highlight

April 2014

Recommendation

NEUTRAL

Target price (VND)

Market price (06/5/2014) VND18,500

Expected return

SHARES INFORMATION

Trading exchange	HSX
52-week price range	16,500-26,600 VND
Market cap	2,239 Bil VND
Outstanding shares	121,013,523 shares
10-day average volume	25,700 shares
% foreign owned	44.69%
Foreign room	49%
Dividend per share	-
Dividend yield	-
Beta	0.95

PRICE MOVEMENTS



	YTD	1M	3M	6M
NLG	11.4%	-11.5%	3.9%	8.8%
VN-Index	14.2%	-5.8%	0.1%	11.7%

Analyst

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NAM LONG INVESTMENT CORPORATION

Sticker: NLG

Reuters: NLG.HM

Bloomberg: NLG VN

NLG - FY2014 net profit expected to grow 4.7-fold

FY2014 net profit is expected to increase 4.7-fold yoy. NLG targets to have net revenue of VND1,074 billion (up 178% yoy) and net profit of VND99 billion (up 471%). Three apartment projects namely Ehome 3,4 and 5 will contribute VND925 billion to revenue and the remainder will come from Can Tho project land and Ehome 4 (roadside houses). This plan is developed based on the number of apartments sold and on delivery. In 2014, NLG will continue developing and trading the three projects above. The remaining of 3,400 apartments will be recorded in 2015 & 2016.

A clear development orientation with experienced and modern administration apparatus. In our view, NLG is among few real estate companies which have a clear business plan and good preparation for the recovery of the property market. According to the Company's leaders, revenue will grow strongly in 2015 and 2016 and net profit is expected to reach VND239 billion and VND428 billion respectively, rising sharply against 2014. In the view of BVSC, this plan is quite optimistic. Although its land bank in Ho Chi Minh City remains large (69 hectares) and the ongoing projects target the affordable segment, the above plan is feasible only when the real estate market and the macroeconomy show signs of strong recovery during this period.

Risk of dilution due to the issuance of 15 million shares swapped for Nam Long ADC, Nam Long DC and Nam Khang. We have heard this information before but cannot give specific assessment because there is not final decision yet. With this conversion plan, the Company will no longer record profits for minority shareholders of Ehome 4 project. In addition, administrative expense will remain high as NLG plans to retain the existing management apparatus after the swap. Accordingly, its FY2014 net profit is estimated at VND114 billion, 3.6% higher than the previous forecast. However, the earnings per share after dilution is VND841. P/E and P/B ratios in 2014 are predicted at 23 and 1.46 respectively. In the shortterm, the swap plan makes NLG stock no longer attractive to investors.

Recommendation

BVSC maintains optimistic assessment on the prospects of NLG from 2015. This view is based on the progress of projects and cleared land bank that the Company is possessing, strong brand name and reasonable product structure, transparent management board and large shareholders with strong financial capacity. The disadvantage is the rapid increase of registered capital in the

period of 2011-2014 (from VND410 billion to VND1,360 billion) while the profit growth was not strong enough, making NLG valuation not attractive to individual investors. In 2014, profit will start to grow but dilution risk is still high due to the issuance of additional 40.5 million shares (25.5 million shares for offering and 15 million shares for swapping). For that reason, its P/E and P/B cannot improve much. In addition, low liquidity also makes NLG not attractive to individual investors. As a result, its share price has not yet reflected truly the prospects of the Company. Based on the above analysis, we maintain recommendation of **NEUTRAL** on NLG stock.

AGM Highlight 2014

OWNERSHIP INFORMATION

State owned	0%
Foreign owned	44.69%
Others	55.31%

MAJOR SHAREHOLDERS

ASPL V6 Limited	12.88%
Nguyen Xuan Quang	12.07%
Ngo Thi Ngoc Lieu	7.67%
Nguyen Thi Bich Ngoc	7.43%
International Finance Corporation	7.3%

FINANCIAL RATIOS

Profit and loss statement

Unit (VND billion)	2010	2011	2012	2013
Revenues	840	734	462	602
Cost of goods sold	490	459	260	370
Gross profit	349	275	202	231
Financial income	16	18	7	10
Financial expenses	25	29	76	40
Net income	187	107	25	21

Balance sheet

Unit (VND billion)	2010	2011	2012	2013
Cash and cash equivalents	206	142	114	167
Accounts receivable – short-term	289	179	265	276
Inventories	1,411	2,059	2,198	2,360
Tangible fixed assets	49	53	60	53
Long-term investments	335	270	265	260
Total assets	2,470	2,895	3,070	3,324
Short-term loans	196	295	518	511
Long-term debt	56	173	123	259
Owners' equity	1,190	1,230	1,273	1,290
Total resources	2,470	2,895	3,070	3,324

Financial ratios

Items	2010	2011	2012	2013
Growth				
Revenue growth (%)	33.2%	-12.6%	-37.1%	30.3%
Net profit growth (%)	17.7%	-42.6%	-77.0%	-14.1%
Yield				
Gross profit margin (%)	41.6%	37.4%	43.7%	38.5%
Net profit margin (%)	22.2%	14.6%	5.3%	3.5%
ROA (%)	7.8%	4.0%	0.8%	0.7%
ROE (%)	17.9%	8.9%	2.0%	1.7%
Capital structure				
Total liabilities to total asset (%)	0.45	0.48	0.49	0.52
Total liabilities to Owners' equity (%)	0.93	1.12	1.19	1.35
Per shares				
EPS (VND/share)	4,547	1,741	258	222
Book value (VND/share)	28,985	19,970	13,325	13,506

Report's notes

Target price is the price set by specialists based on analysis of company's operating activities, development potentials and potential risks. The methods used for identifying expected value are the generally accepted ones such as: discounted cash flow methods (FCFE, FCFF, DDM); net asset value method NAV; equal comparison method based on ratios (P/E, P/B, EV/EBIT, EV/EBITDA,...). The application of these methods is different in each sector, each enterprise and each share. Moreover, market sentiment can have influence on the specification of share's target price.

RECOMMENDER SYSTEM OF BVSC

The recommender system of BVSC, built based on the absolute increase/decrease of share price to reach the target price, has 5 level based on the difference ranked from the lowest to the highest. Investors should note that these investment recommendations can change every quarter-end after BVSC performs corporate revaluation.

Levels of recommendations	
Recommendation	Define
OUTPERFORM	Market price is lower than target price 15%
NEUTRAL	Market price is lower than target price 0% - 15%
UNDERPERFORM	Target price is lower than market price



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