1st December, 2023

Shinhan Securities



NAM LONG INVESTMENT CORPORATION

[Vietnam /Real Estate]

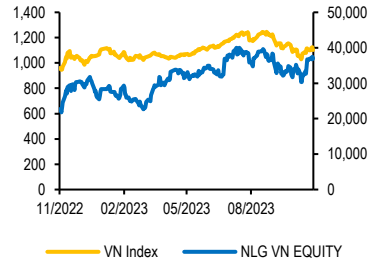
Bloomberg Ticker (NLG VN) | Reuters Ticker (NLG.HM)

BUY

Initiation Coverage

Target price (12 months)	**VND 44,200**
Current price (1/12/23)	VND 37,200
Upside/downside	18.8%

VNINDEX			1,102
P/E market (22F, x)			11.5
Market Cap (bn VND)			14,314
Outstanding shares (mn)			385
Free-Floating (mn)			218
52-Wk High/Low (VND)			40,750/21,700
90-day avg. trading volume (mn)			2.7
90-day avg. turnover (bn VND)			89
Foreign ownership (%)			43
Major shareholders (%)	BOD and Related parties		22.0
	Ibeworth Pte.Ltd		8.0
Performance	**3T**	**6T**	**12T**
Absolute (%)	-4.4	14.5	35.0
Relative to VN-Index (%)	5.6	12.3	28.7



Source: Bloomberg

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Please click or scan

Affordable segment leading recovery

Initiate coverage with BUY call and target price at VND 44,200

Nam Long Investment Corporation (HOSE: NLG) is one of the leading affordable property developer in Vietnam. Based on RNAV method, we recommend buy NLG with a target price at VND 44,200. The revenue and NPAT of NLG will increase in the future because: (1) NLG is a reputable property developer, owning a clean land bank of 684 hectares of potential for long-term development; (2) NLG can lead the recovery thanks to affordable segments, presales in 2024 are expected to reach VND 9,360 billion (+68.5% YoY); and (3) Strong financial potential, low financial leverage.

NLG is a reputable property developer, owning a clean land bank of 684 hectares of potential for long-term development

NLG is one of 10 most reputable property developers in Vietnam. Besides, NLG owns a clean land bank of 684 hectares and is also looking for new land bank. NLG's land bank is acquired many years before implementing, thereby giving NLG an advantage when sizeable clean land banks around HCMC are increasingly scarce and land prices are rising. According to the Board of Directors, NLG's land fund is enough to develop the project for the next 5 years.

NLG can lead the recovery thanks to affordable segment, presales in 2024 are expected to reach VND 9,360 billion (+68.5% YoY)

We believe that the most difficult period of real estate has passed when (1) credit policies are gradually being loosened, lending interest rates are decreasing, (2) many solutions and policies have been proposed to address the legal issues of the construction project, and (3) corporate bonds have their payment term extended. During the recovery phase, NLG can benefit first when as the supply for this segment is still limited (1/3 total supply) and real demand still exists (70-80% total demand). We forecast that presales in 2024 will reach VND 9,360 billion (+68.5% YoY) mainly from Akari, Mizuki, Izumi and Waterpoint project.

Strong financial potential, low financial leverage

NLG's net debt/equity reached 0.23x, only half of the average of large developers and equivalent to the leading property developer, VHM (0.22x). In addition to debt financing, NLG also transfers part of the capital to partners after constructing basic infrastructure, which helps to collect cash flow to implement the existing projects and reduce dependence on loans. Bonds maturing in 2024 are expected to reach VND 1,243 billion (equal to 1/3 of cash, cash equivalents and short-term financial investments).

Risks: (1) Legal issues and delays in administrative procedures; (2) Absorption rate is lower than expected

Year to Dec.	**2020**	**2021**	**2022**	**2023F**	**2024F**
Revenue (bn VND)	**2,217**	**5,206**	**4,339**	**3,846**	**7,987**
OP (bn VND)	236	782	829	331	1,397
NP (bn VND)	**850**	**1,479**	**866**	**813**	**2,341**
EPS (VND)	3,078	3,099	1,345	1,323	3,924
BPS (VND)	19,589	23,266	23,185	22,448	22,850
OPM	10.6	15.0	19.1	8.6	17.5
NPM	38.3	28.4	20.0	21.1	29.3
ROE	**12.6**	**10.9**	**6.5**	**5.7**	**14.4**
PER (x)	9.9	20.7	23.2	31.7	10.7
PBR (x)	1.4	2.8	1.3	1.9	1.8

Source: Company data, Shinhan Securities Company

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Company background

1. History of development

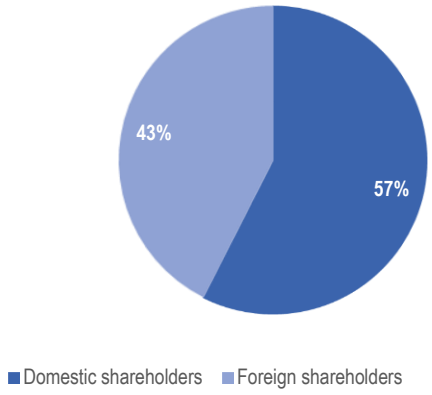
Nam Long Investment Corporation (HOSE: NLG) was established in 1992 and was one of the first non-state-owned enterprises in the construction field. In 1996, NLG officially became residential real estate developer. After 8 years after equitization, NLG was listed on the stock exchange in 2013.

With more than 30 years of experience developing real estate projects, NLG is continuously in the "Top 10 reputable real estate investors" and welcomes prominent strategic partners such as TBS Group, Keppel Land, Tan Hiep Investment. Besides, NLG cooperates with project implementation partners such as Hankyu Hanshin Properties Corp. and Nishi-Nippon Railroad Co., Ltd. (two partners with more than 100 years of experience in the field of transportation, real estate,... in Japan). In addition, NLG also works with two major partners in the real estate field as Indochina Land and Gamuda Land.

Strategic and reputable project partners have contributed to the success of NLG projects such as Flora Fuji Residence (2016), Valora Kikyo (2016),... with quite high absorption rates from these projects. According to our statistics, the absorption rate(1) for townhouses and villas (Valora) is about 60% and for condos (Flora) is from 75-100% in the first year of sale.

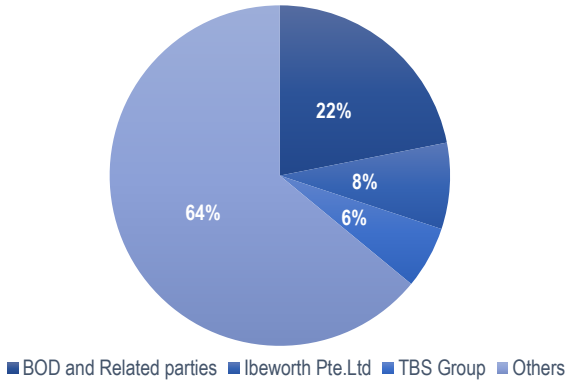
2. Ownership structure

Structure of domestic and foreign shareholders as of November 20, 2023



Source: Fiinpro, Shinhan Securities Vietnam

Ownership structure as of November 20, 2023



Source: Fiinpro, Shinhan Securities Vietnam

From the perspective of ownership organization, foreign shareholders at NLG accounts for 43%, showing the attractiveness and transparency of NLG to international investors. Currently, Mr. Nguyen Xuan Quang - Chairman of the Board of Directors and founding shareholder of the company is holding the highest proportion of shares (12%), followed by domestic and foreign companies and investment funds.

3. Segments and NLG's products

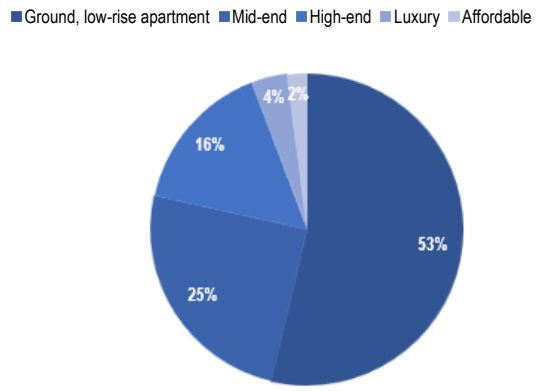
❖ *Summary of supply and demand of the mid-end and affordable condos in Vietnam*

According to the report of the Batdongsan.com, in the second quarter of 2023, the supply of affordable and mid-end condos only accounts for 26.76% of the total supply. However, according to the Ministry of Construction (2021), 70-80% people have the demand for affordable and low-priced housing. The imbalance between supply and demand leads to oversupply for the high-end segment but a shortage of supply for the affordable condos.

The imbalance causes the gap between the average home price and household income to widen. Vietnam's average home price/ median annual household income index (2) is among the top in the Asia-Pacific region. According to the Urban Land Institute (ULI) report, in May 2023, this index was 32.5 in Ho Chi Minh City and 18.3 in Hanoi. It reflects that – without spending - it takes a household 32.5 years to own a condo in Ho Chi Minh City and 18.3 years to own one in Hanoi.

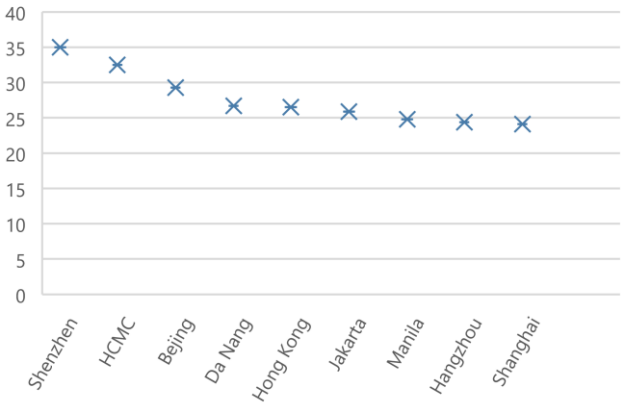
(1) Absorption rate for projects completed before 2020 (before being affected by the Covid epidemic and the real estate market freezing)
(2) The (Median) average house price/median household income index is calculated as the average house price (100m2)/average household income per year (excluding expenses). The index reflects the number of years it takes for a household to own a 100m2 apartment (calculated at current prices)

Structure of housing supply in Vietnam 6M2023



Source: Batdongsan.com, Shinhan Securities Vietnam

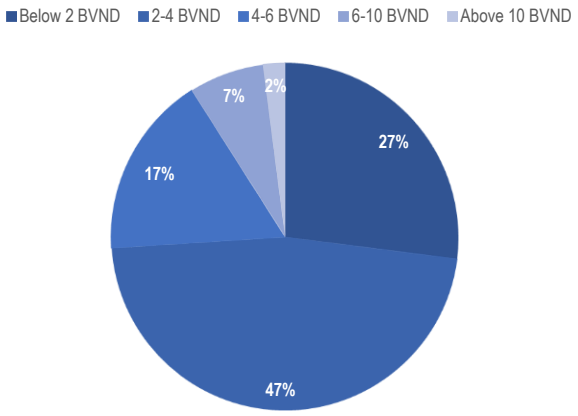
Average home price /median household income



Source: ULI, Shinhan Securities Vietnam

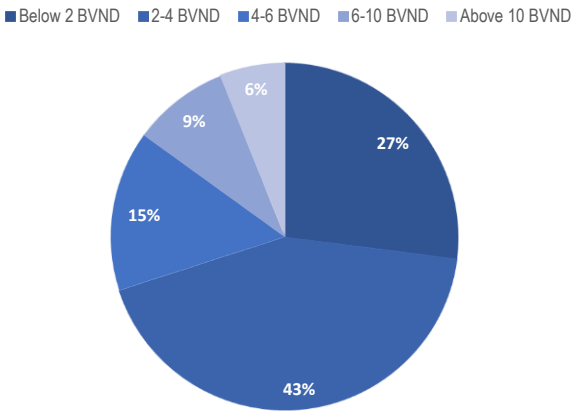
High home prices compared to median household income lead to a thirst for condos in the affordable price segment. According to Batdongsan.com statistics, the number of people looking for a condo below VND 4 billion is 74% in the Northern region and 70% in the Southern region.

Level of interest according to price in Sep 2023 - Northern Apartments



Source: Batdongsan.com, Shinhan Securities Vietnam

Level of interest according to price in Sep 2023 - Southern Apartments

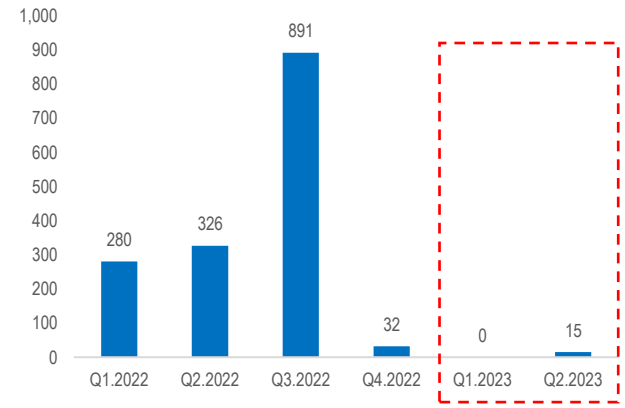


Source: Batdongsan.com, Shinhan Securities Vietnam

❖ *Summary of supply and demand of landed properties in Vietnam*

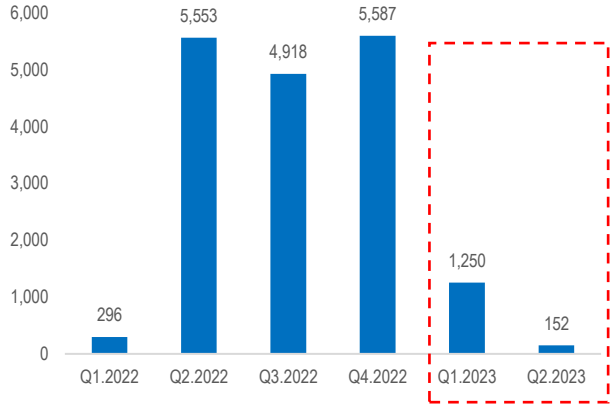
Landed properties are mainly for groups of customers who desire to have land with privacy or aim to own a second-home in suburban areas. In the first 6 months of 2023, the supply of townhouses will decrease sharply. In particular, supply in the Ho Chi Minh City area is much lower than in Hanoi.

Supply of landed properties in HCMC



Source: CBRE, Shinhan Securities Vietnam

Supply of landed properties in Hanoi



Source: CBRE, Shinhan Securities Vietnam

According to The Vietnam Institute of Real Estate Studies (VIRES, 2023), the low-rise housing market is unlikely to have a breakthrough in the short term. However, projects developed by large, reputable investors with good infrastructure, convenient locations and complete legal regulations are forecast to have positive transactions in the period 2024-2026. In addition, low-rise housing projects far from the large city offer more choices and more attractive prices for buyers.

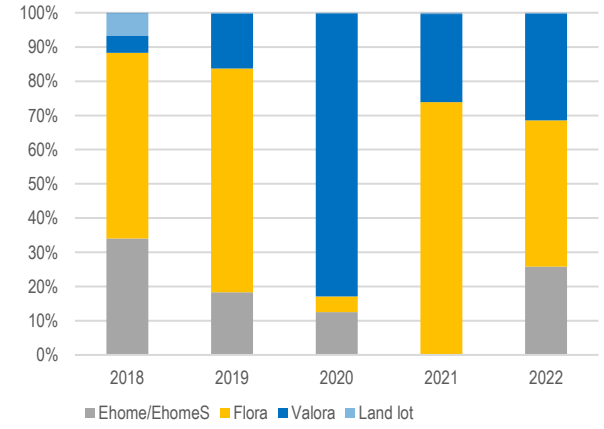
❖ *NLG's products focus on the affordable segment*

NLG focuses mainly on the affordable housing segment with 3 main product groups including **Valora** (townhouses, villas), **Flora** (condos) and **Ehome/EhomeS** (affordable apartments, social housing). With ongoing NLG projects, prices for Valora villas and townhouses range from about VND 6-30 billion, Flora condos from VND 2.2 - 4 billion, Ehome/EhomeS apartments from VND 1 billion.

Valora and Flora has contributed a high proportion to NLG's revenue from 2020. Valora's gross profit margin ranges from 30-50%, Flora's ranges from 15-25%. With high price and outstanding gross profit margin, Valora contributes to improving revenue and gross profit for NLG.

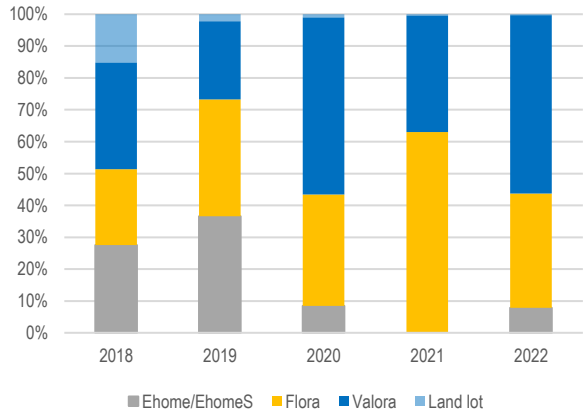
During the period when the market gradually warms up, we expect that Flora condos and Ehome will recover, maintaining cash flow for NLG. Meanwhile, Valora will contribute to improving gross margin and increase NLG's revenue thanks to scarce supply.

The structure of number of products (%)



Source: Company data, Shinhan Securities Vietnam

The structure of revenue



Source: Company data, Shinhan Securities Vietnam

4. The NLG's strategy of developing affordable housing

To maintain its leading position in the affordable segment, NLG implements projects in the short time and with the most optimal cost through:

- Acquiring land at cheap prices

- Fastest implementation: In particular, the time from implementation to handover is 2-3 years/project. NLG has 3 business units: (1) Focusing on finding land banks, doing legal procedures and infrastructure, (2) Focusing on housing development and integrated townships, and (3) Focusing on real estate development commerce. We expect the specialization of each unit to help speed up legal procedures and construction implementation.

- Minimum financial costs

- Optimal construction technology - design

Investment theses & Catalyts

1. NLG is a reputable property developer, owning a clean land bank of 684 hectares of potential for long-term development

NLG is among the Top 10 most reputable property developers in Vietnam. NLG almost implements projects on schedule (on average 2-3 years from implementation to handover for Flora and Valora projects). Constructing on time contributes to NLG's credibility with customers, as well as foreign partners.

Besides, NLG is among the top enterprises owning the largest clean land bank in Vietnam, up to 684 hectares. Clean land bank is one of the key factors determining future development potential. NLG's land bank is usually raw land, located in areas with transportation infrastructure and is often 10 - 15 years ahead of the market. NLG currently owns project land in areas developing transportation systems such as Ho Chi Minh City - Trung Luong Expressway, Ring Road 3, Nguyen Van Linh Avenue, Vo Van Kiet Avenue,...

NLG's project location is and will be implemented in Ho Chi Minh City and surrounding areas



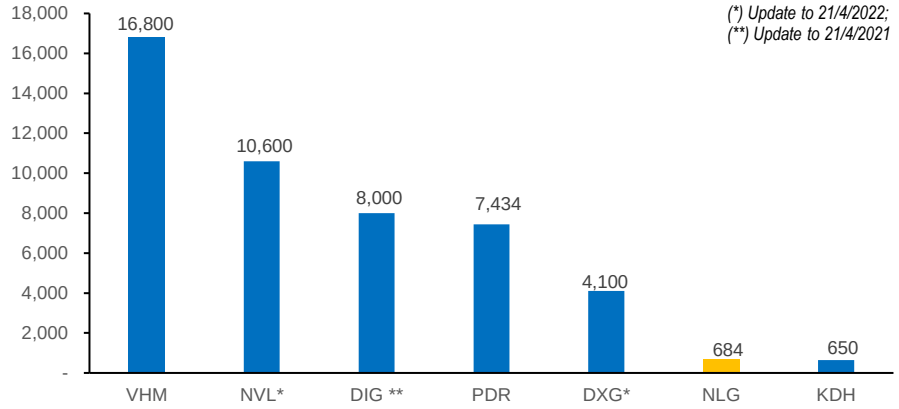
Source: Company data, Shinhan Securities Vietnam

Developing land bank early helps businesses optimize costs and pursue an affordable housing strategy. NLG receives project transfers and participates in auctions to having land. However, most of the enterprise's land was acquired many years ago. Specifically, the Southgate project (355ha for 2 phases, accounting for 52% of the total land fund area) was purchased about 15 years ago in Long An. In 2018, the book value of both phases was VND 1,480 billion (nearly VND 400,000 /m2). Currently, NLG is developing phase 1 and looking for cooperation partners for phase 2. Meanwhile, residential land prices in area [3] are currently at VND 3-7 million/m2.

Thus, preparing the land bank ahead of the market brings advantages for businesses in transferring part of the project's investment as well as implementing the project later, when sizeable clean land bank around Ho Chi Minh City is scarce and land prices have increased.

(3) Our survey on Batdongsan.com for residential land in the Ben Luc - Long An area

Announced land bank (ha) of leading property developers



Source: Annual report (2021, 2022, 2023), Shinhan Securities Vietnam

According to NLG, the current land bank is enough to develop the project in the next 5 years. In addition, NLG is also looking for new land bank to supplement the existing one.

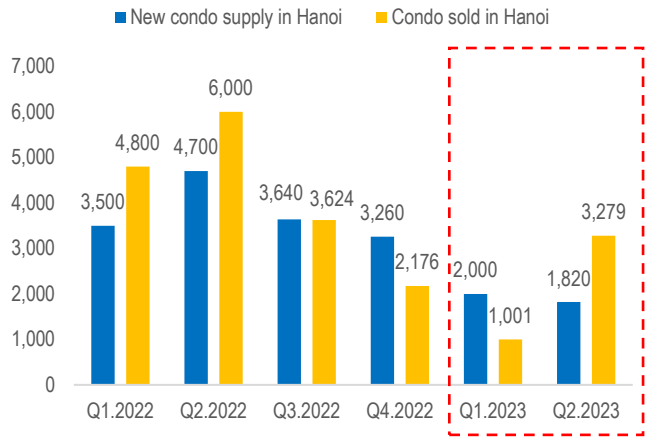
No.	Projects	Products	Location	Land (ha)	Owner-ship	Development plans (Forecast)					
						2020	2021	2022	2023	2024	Từ 2025
1	Akari	Flora	Binh Tan	8.5	50%						
2	Southgate	Township	Long An	165	60%						
3	Southgate phase 2	Township	Long An	190	100%						
4	Izumi	Township	Dong Nai	170	65%						
5	Mizuki	Flora Valora	Binh Chanh	26	50%						
6	Hai Phong	Valora Ehome	Hai Phong	22.5	50%						
7	Can Tho	Valora EhomeS	Can Tho	43	100%						
8	Paragon	Township	Dong Nai	45	75%						
9	Others			14							
Total				684							

Source: Company Data, Shinhan Securities Vietnam

2. NLG can lead the recovery thanks to affordable segments, presales in 2024 are expected to reach VND 9,360 billion (+68.5% YoY)

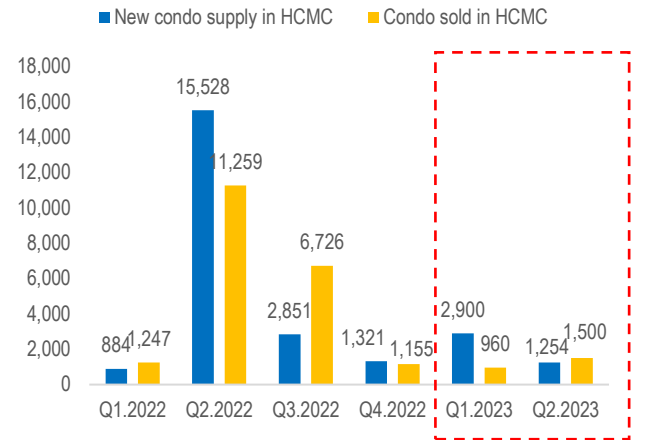
In the first 6 months of 2023, housing supply and demand decreased sharply compared to the same period last year. The sharp decrease in supply mainly comes from (1) legal problems and delays in administrative procedures and (2) difficulty in accessing financial sources. According to Batdongsan.com, in 9 months of 2023, the entire market has about 1,200 projects in trouble, with 800 projects waiting to be resolved. Lack of clean land bank, high approved land prices, difficulty in accessing loans and legal issues prevent supply from flourishing. On the demand side, transaction volume plummeted due to (1) financial troubles and (2) lack of affordable supply to meet real demand. The overall absorption rate of the market in 2022 reaches 40% (equal to ¼ compared to 2018) and that of the first 6 months of 2023 only reaches 30%.

Condos sold in Hanoi decreased sharply in 1H2023



Source: CBRE, Shinhan Securities Vietnam

Condos sold in Ho Chi Minh City decreased sharply in 1H2023



Source: CBRE, Shinhan Securities Vietnam

However, from the beginning of 2023, a series of policies have been proposed and implemented in an effort to recover the real estate sector. Specifically with some policies such as:

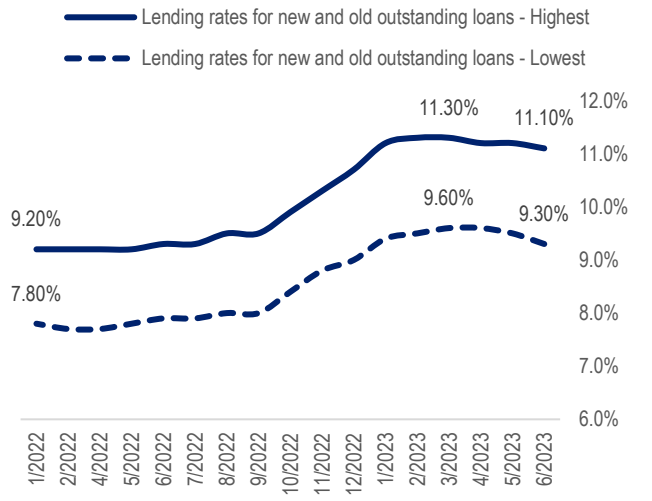
- The State Bank of Vietnam (SBV) has adjusted regulatory interest rates 4 times and reduced the deposit interest rate ceiling 3 times
- Allowing bond term to be extended to no more than 2 years; and bond principal and interest can be paid with other assets (Decree No.08/2023/ND-CP)
- Implementing a credit package of VND 120,000 billion to construct at least 1 million social housing (Resolution No.33/NQ-CP)
- Providing instructions for credit institutions and foreign branch banks on debt rescheduling and retention of debt category to assist borrowers in difficulties. (Circular No.02 & 03/TT-NHNN)
- The State Bank directs comercial banks to promote credit lending to the real estate sector, and have appropriate solutions to reduce costs to reduce interest rates (Official Telegram 993/CD-Tg)

Information on interest rate adjustments of the State Bank

Interest rate	Adjustment
Deposit interest rate ceiling (no term and less than 1 month)	1% -> 0.5%
Deposit interest rate ceiling (1 month to less than 6 months)	6% -> 4.75%
Refinancing rate	6% -> 4.5%
Discount rate	4.5% -> 3%
Inter-bank overnight interest rate	7% -> 5%

Source: SBV, Shinhan Securities Vietnam

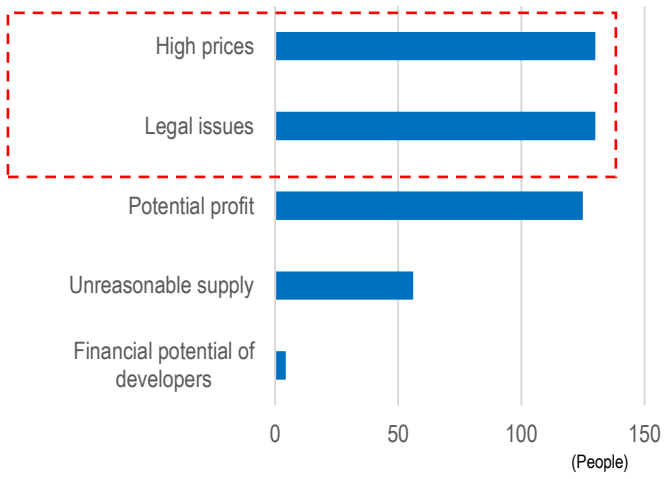
Average lending rate has gradually decreased



Source: SBV, Shinhan Securities Vietnam

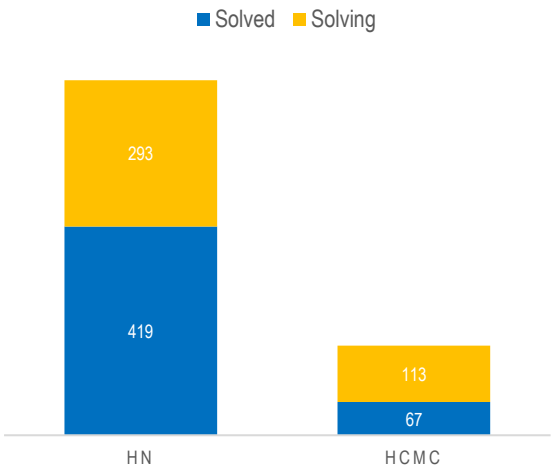
In addition, it is expected that the draft Law on housing and draft Law on real estate trading will be approved in November 2023; The Land Law was enacted at the most recent session. This contributes to completing the legal corridor, boosting the confidence of homebuyers and businesses in the real estate industry.

High prices and project legality are major concerns of condo buyers (Sep 2023)



Source: Batdongsan.com, Shinhan Securities Vietnam

Progress of removing obstacles for projects in Hanoi and HCMC 9M2023



Source: Batdongsan.com, Shinhan Securities Vietnam

The above policies and efforts to resolve real estate problems have contributed to restraining the decline in both supply and demand. Specifically, the third quarter of 2023 recorded nearly 6,000 transactions (1.5 times higher than compared to the second quarter and 2 times higher than the first quarter).

We believe that the most difficult period has passed when (1) credit policies are gradually being loosened, lending interest rates are decreasing, (2) many solutions and policies have been proposed to address the legal issues of the construction project, and (3) corporate bonds have their payment term extended. During the recovery phase, businesses in the affordable segment that have been implementing projects such as NLG can benefit first from the recovery of the real estate industry, as the supply for this segment is still limited and real demand still exists.

Based on the expectation that real estate will recover in mid-2024, we forecast that presales in 2024 will reach VND 9,360 billion (+68.5% YoY) with some large projects such as:

- Akari: We expect that the completion of legal procedures for Akari P3 will contribute to promoting the project to be implemented and start selling from 2024. Expected during the recovery period of the real estate market , the Flora segment of the Akari project continues to be well sold like previous phases. We cautiously forecast presales in 2024 to reach VND 2,726 billion.

- Mizuki: NLG plans to launch Mizuki CCTM 1,2 (465 units) in 2024-2025. We forecast Mizuki's presales in 2024 for the new lauches and the remaining condos to reach VND 1,423 billion.

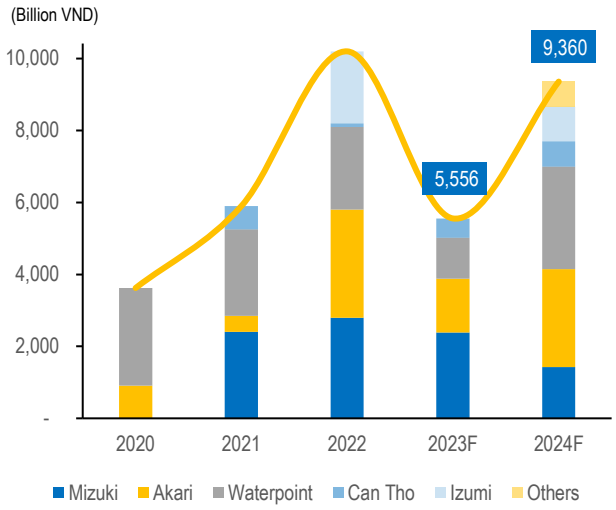
- Izumi: The backlog of the Izumi project is still quite large when it is expected to hand over first 275 Valora units (accounting for about 10% of the total Valora products) in the fourth quarter of 2023 (contributing nearly 2,000 billion to revenue). Currently, the project is performing a 1/500 update. We expect the project to continue to be implemented in 2024-2025. Expected presales in 2024 reaches VND 963 billion.

- Waterpoint (Southgate): We expect The Pearl (250 units) and Central Park (Park Village, 96 units) to continue to contribute to NLG's presales in 2024. Of which, Central Park is the project with European-

style mansion, priced from VND 16.8 billion to 28.6 billion/unit. In 1st phase, NLG plans to deploy 39 units. We expect that in 2024, the presale value of the Pearl and Park Village projects will be 2,844 billion VND.

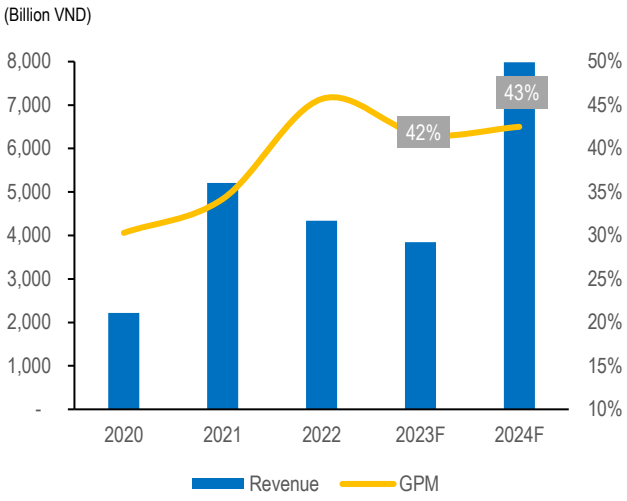
- Ehomes/Ehome: NLG is currently deploying Ehome and EhomeS in Can Tho and Southgate Long An with prices from 1 billion/unit. In addition, according to an update from NLG, the business is currently planning to add this product to the Izumi township. We expect presales for this product in 2024 to reach VND 822 billion.

Forecasted presales by projects



Source: Company data, Shinhan Securities Vietnam

Forecasted revenue and gross margin

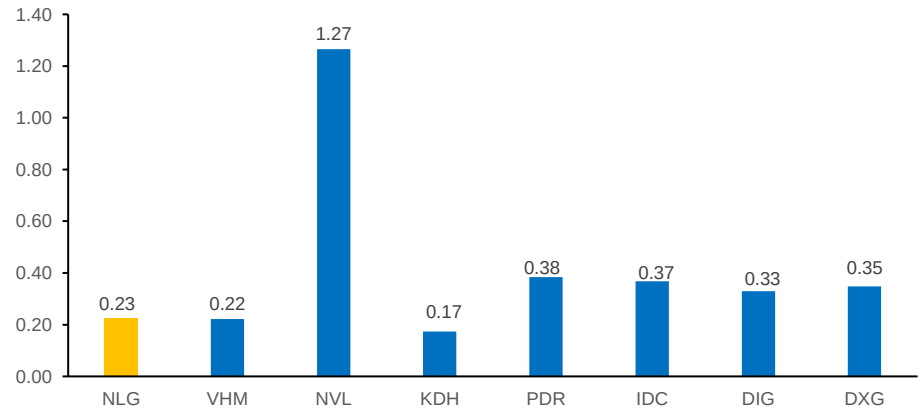


Source: Company data, Shinhan Securities Vietnam

3. Strong financial potential, low financial leverage

NLG is a property developer with a low net debt/equity structure. Specifically, in 9M2023, this ratio of NLG reached 0.23x, only half of the average of large developers and equivalent to the leading property developer, VHM (0.22x).

Net debt/equity 9M2023 of property developers

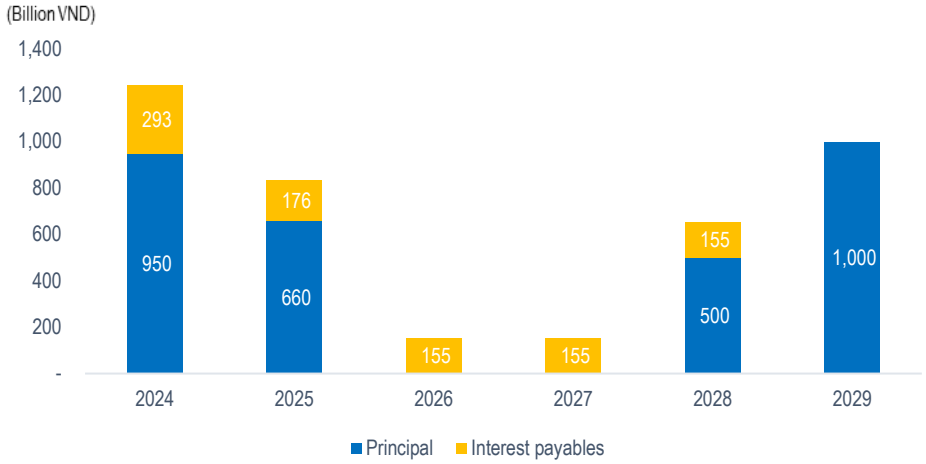


Source: Fiinpro, Shinhan Securities Vietnam

In addition to debt financing, NLG develops the project until the basic infrastructure is completed and then transfers part of the investment to partners. This helps NLG (1) receive cash flow to implement the other project, (2) receive profits from transferring investment at a higher value (when the project has completed basic infrastructure), and (3) reduce debt maturity pressure during tough times of real estate market. In 2023, NLG continues to transfer 50% of capital to partners in the Paragon Dai Phuoc project (25% of transfer

profit was recognized in 2022). Currently NLG is updating ERC to complete the transfer. We forecast project transfer profits will be recorded in 2024 to be about VND 250 billion.

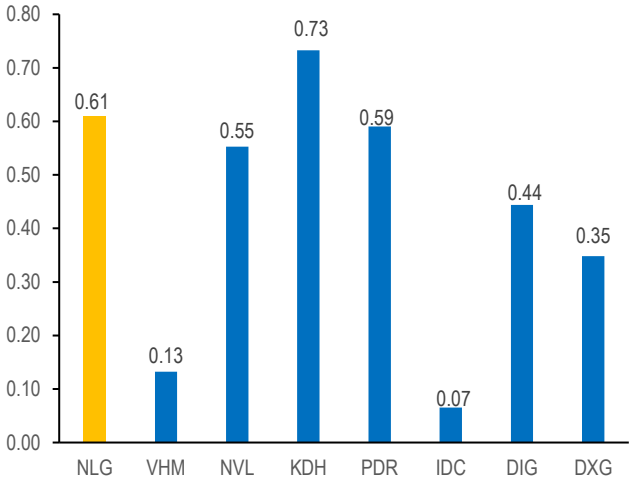
NLG's maturity bond value



Source: Fiinpro, Shinhan Securities Vietnam

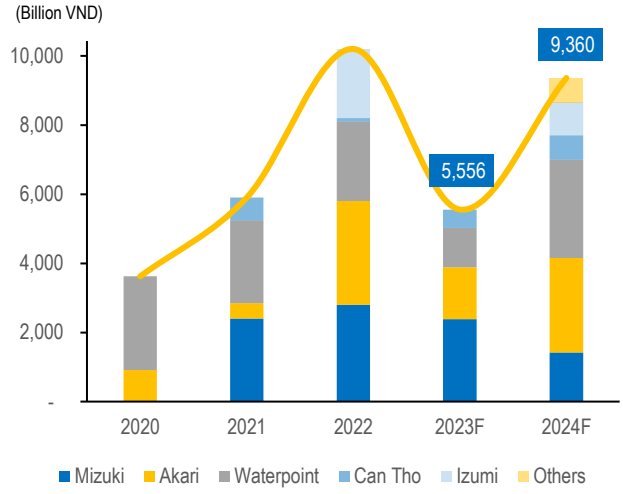
Bond payable in 2024 will be at VND 1,243 billion. We expect that with the presales of VND 9,360 billion, abundant cash, cash equivalents and short-term financial investments of up to VND 3,506 billion, NLG will be able to pay the principal and interest expenses in 2024 and the following years.

Inventory/Total assets in Sep 2023



Source: Fiinpro, Shinhan Securities Vietnam

Forecasted presales by projects



Source: Company data, Shinhan Securities Vietnam

Earning estimates

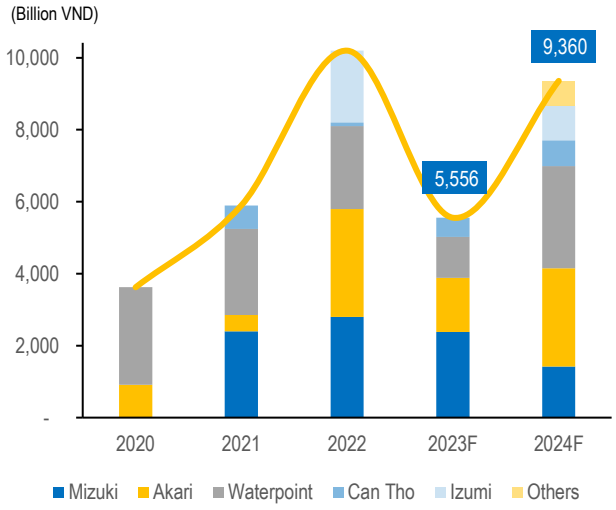
9M2023, NLG revenue reached VND 1,545 billion (-43% YoY), NPATAMI reached VND 194 billion (+63%). Specifically:

Items	9M2023	9M2022	Variance	% yoy	Note
Revenue	1,545	2,710	(1,165)	-43%	
Project handover revenue	*1,359*	*2,545*	*(1,186)*	*-47%*	Handover of 20 units of Flora Akari (VND 55 billion), 100 units of Valora Southgate (VND 1,051 billion), 196 units of Ehomes in Southgate (VND 231 billion), and 4 units of Flora in Novia project (VND 7 billion)
Revenue from providing service	*134*	*126*	*8*	*6%*	
Revenue from construction	*22*	*24*	*(2)*	*-8%*	
Others	*30*	*14*	*16*	*114%*	
Gross profit	**870**	**1,170**	**(300)**	**-26%**	
GPM	56%	43%			GPM increased due to handover of 100 units of Valora (higher gross profit margin)
SG&A	(626)	(768)	143	-19%	
Operating profit	**245**	**402**	**(158)**	**-39%**	
Net financial expenses	(99)	(52)	(47)	91%	
Other profit	7	13	(5)	-41%	
Gain from joint ventures	205	3	203	8100%	Gain from joint ventures of Mizuki project
EBT	**358**	**365**	**(8)**	**-2%**	
Corporate income tax	39	89	3	3%	
Net profit after tax	319	276	(13)	-5%	
NPATAMI	194	119	75	63%	

In 2023F, we expect presales to reach VND 5,556 billion (-45.5% YoY) and complete 59% of the plan, mainly due to (1) not yet launching next phase of Izumi, (2) the decrease in Akari's absorption rate. For the whole year, revenue is expected to reach VND 3,846 billion (-11.36% YoY) and complete 80% of the plan thanks to the handover of Valora at Izumi and Southgate projects. NPAT-PreMi reaches VND 813 billion (-6% YoY).

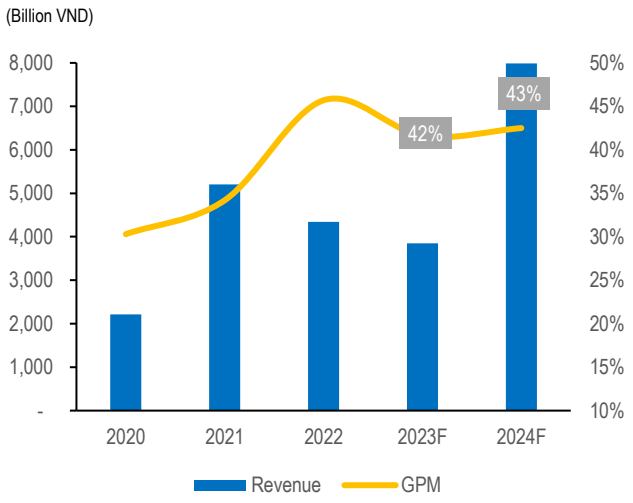
In 2024F, we expect the presales to reach VND 9,360 billion (+68.5% YoY) thanks to (1) low base in 2023, (2) implementation of the next phase of the Mizuki project, (3) continuing to lauch Southgate, Izumi and Akari. For the whole year, revenue is forcasted to reach VND 7,987 billion (+77% YoY). NPAT-PreMi reaches VND 2,341 billion (+188% YoY).

Forecasted presales by projects



Source: Company data, Shinhan Securities Vietnam

Forecasted revenue and gross margin



Source: Company data, Shinhan Securities Vietnam

Forecasted revenue and net profit of NLG (2020-2024F)

(Unit: VND billion)	2020A	2021F	2022F	2023F	2024F
Net Revenue	2,217	5,206	4,339	3,846	7,987
Gross profit	671	1,779	1,984	1,600	3,393
Operating profit	236	782	829	331	1,397
Net profit	850	1,479	866	813	2,341
Profit margin (%)					
Gross profit margin	30.3	34.2	45.7	41.6	42.5
Operating profit margin	10.6	15.0	19.1	8.6	17.5
Net profit margin	38.3	28.4	20.0	21.1	29.3
Growth (%YoY)					
Net Revenue	-12.9	134.8	-16.7	-11.4	107.7
Operating profit	-63.2	230.9	6.1	-60.1	322.1
Net profit	-15.6	73.9	-41.4	-6.1	187.9

Source: Company data, Shinhan Securities Company

Recommendation and Valuation

Recommended BUY with target price VND 44,200

We offer an initial valuation for Nam Long Investment Corporation with a buy recommendation and a target price of VND 44,200 equivalent to a 18.8% upside compared to the current market price. From a long-term view, NLG is an investment that can be considered for the following reasons:

1) NLG is a reputable property developer, owning a clean land bank of 684 hectares of potential for long-term development;
2) NLG is leading the recovery thanks to affordable segments, presales in 2024 are expected to reach VND 9,360 billion (+68.5% YoY);
3) Strong financial potential, low financial leverage.

Valuation method

We apply a RNAV valuation methods to value NLG. In which, for projects having development plans, we use the DCF method; for undeveloped projects that are legally completed, we use the market value method; for projects without having master plans, we use book value.

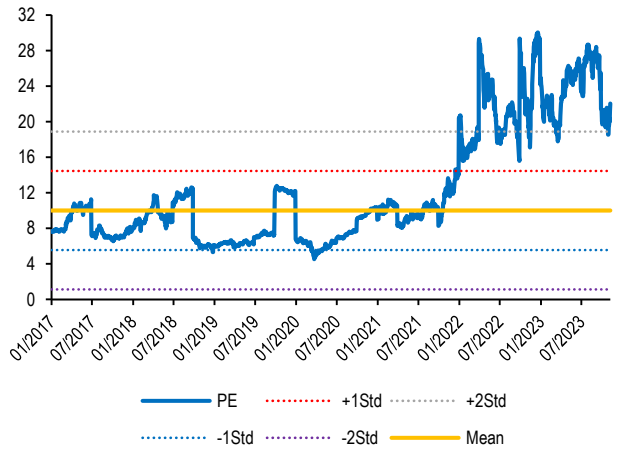
For the Weighted Average Cost of Capital (WACC), we use the 10-year Vietnamese government bond yield at 3.5% as the risk-free rate. Beta is calculated based on the last 5 years' historical data of NLG and VNINDEX. Based on those assumptions, NLG's RNAV target price is valued at VND 44,200.

RNAV valuation

Projects	**NPV (Billion VND)**	**Method**
Mizuki	1,742	DCF
Akari	1,977	DCF
Southgate	1,925	DCF
Southgate phase 2	3,818	MV
Can Tho	1,275	DCF
Hai Phong	415	BV
Izumi	7,332	DCF
Others	606	BV
Total	**21,180**	
Cash & equivalents	2,677	
Short-term financial asset	829	
Others	2,005	
Non-controlling interest equity	(4,047)	
Debts	(5,662)	
Net asset value	**16,982**	
Number of shares outstanding (billion units)	384	
Target price (VND)	**44,200**	

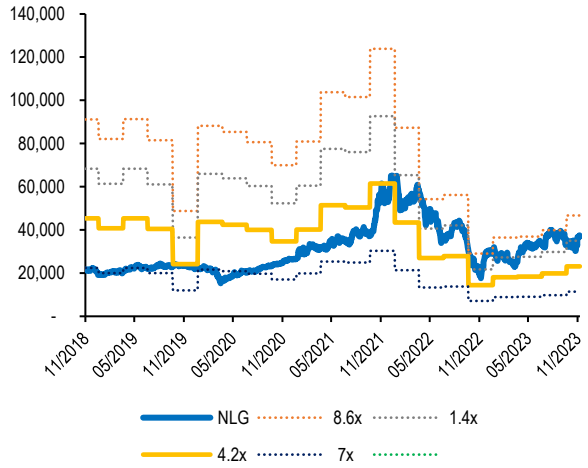
Source: Company data, Shinhan Securities Company

PER of NLG from 2017



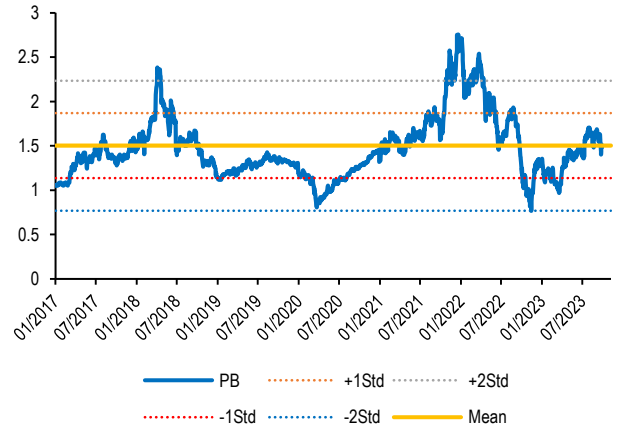
Source: Bloomberg, company data, Shinhan Securities Vietnam

NLG's PER band



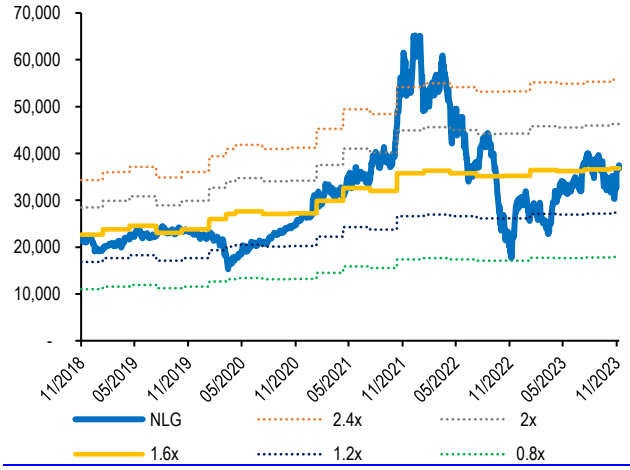
Source: Bloomberg, company data, Shinhan Securities Vietnam

PBR of NLG from 2017



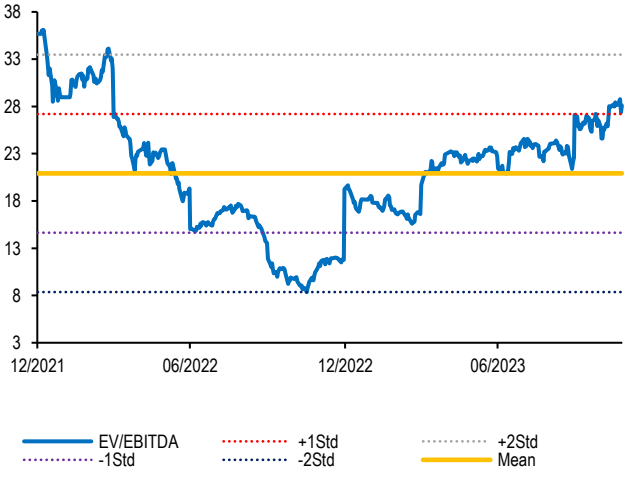
Source: Bloomberg, company data, Shinhan Securities Vietnam

PBR band of NLG



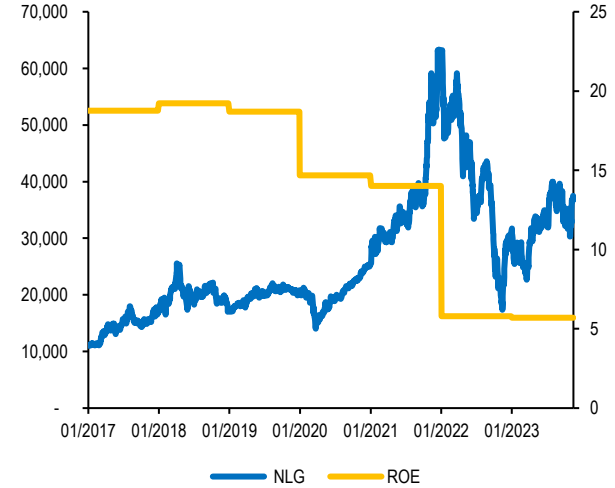
Source: Bloomberg, company data, Shinhan Securities Vietnam

EV/EBITDA of NLG from 2021



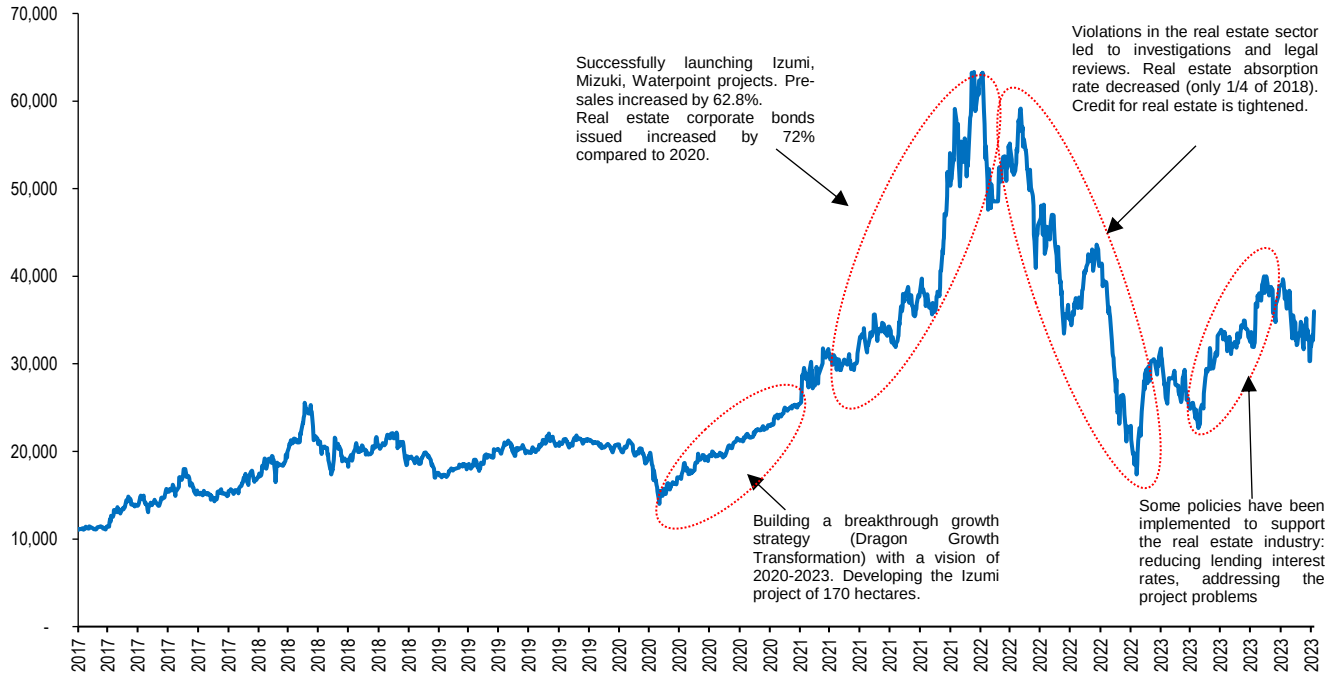
Source: Bloomberg, company data, Shinhan Securities Vietnam

PBR and forcasted ROE of NLG



Source: Bloomberg, company data, Shinhan Securities Vietnam

Key events chart of NLG



Source: Bloomberg, company data, Shinhan Securities Vietnam

Risks

Risk of legal issues and delays in administrative procedures

Legal issues and delays in administrative procedures prolong project implementation time and increase costs for businesses. Regarding legal issues, typical businesses in Ho Chi Minh City are facing obstacles with investment procedures (48 projects), problems due to inspection, investigation, and legal review (21 projects); problems with public land, equitized state-owned enterprises (15 projects) and problems with land use rights (30 projects); and departments have issued documents to resolve 44 projects. On the other hand, according to the Institute for Real Estate Research (VIRES), theoretical administrative procedures last from 1.5-2 years, however currently there are projects lasting up to 4-5 years or even 10 years.

Therefore, issues related to legality and procedures while waiting for the new Law to be enacted may cause project implementation by real estate businesses in general and NLG in particular to be delayed.

Absorption rate is lower than expected

Economic factors that impact homebuyers' income could affect absorption rates in coming years, especially for middle-income workers. In addition, incomplete legislation and still high home loan interest rates also impact the confidence of homebuyers and investors. From there, it can lead to a cautious mentality for real estate consumption in the following years.

Appendix: Financial Statements

Statement of financial position

Year to Dec. (bn VND)	2020	2021	2022	2023F	2024F
Total assets	**13,643**	**23,617**	**27,085**	**27,783**	**35,432**
Current assets	9,570	21,784	23,720	24,698	31,957
Cash & equivalents	1,073	3,112	3,773	2,956	2,407
Short-term financial asset	35	744	987	495	1,329
Accounts receivable	2,228	1,934	3,570	2,636	4,408
Inventories	6,069	15,490	14,830	18,226	22,946
Other short-term assets	165	504	560	385	867
Non-current assets	4,073	1,833	3,365	3,085	3,475
Net fixed assets	77	78	154	114	98
Investment assets	38	20	26	31	36
Other long-term assets	3,996	1,755	3,211	2,971	3,377
Total liabilities	**6,922**	**10,090**	**13,770**	**13,561**	**19,189**
Current liabilities	4,439	6,318	8,851	7,338	12,899
Accounts payable	390	585	981	660	1,358
Advances by customers	2,098	2,463	3,271	2,786	5,196
Short-term borrowings	932	1,293	1,804	1,976	2,577
Others	1,019	1,977	2,795	1,916	3,768
Non-current liabilities	2,483	3,772	4,919	6,223	6,290
Long-term borrowings	1,525	2,315	3,375	4,680	4,747
Other financial liabilities	958	1,457	1,544	1,543	1,543
Total shareholders' equity	**6,720**	**13,528**	**13,315**	**14,222**	**16,243**
Capital stock	2,853	3,829	3,841	4,256	4,724
Capital surplus	989	2,643	2,643	2,643	2,643
Other capital	746	4,612	4,338	4,595	5,383
Retained earnings	2,132	2,444	2,493	2,728	3,493
Non-controlling interest equity	1,117	4,598	4,325	4,582	5,370
*Total debt	2,457	3,608	5,179	6,656	7,324
*Net debt (cash)	1,349	(248)	419	3,205	3,588

Statement of cash flow

Year to Dec. (bn VND)	2020	2021	2022	2023F	2024F
Cash flow from operations	**(1,111)**	**1,295**	**(1,030)**	**(3,542)**	**(1,299)**
Net profit	1,015	1,640	1,070	957	2,743
D&A expense	23	30	36	40	41
(Gain) from investing activities	(868)	(958)	(410)	(585)	(1,167)
Change in working capital	(1,049)	686	(1,517)	(3,679)	(2,466)
Others	(232)	(103)	(209)	(275)	(450)
Cash flow from investments	**(1,042)**	**(2,006)**	**451**	**1,060**	**291**
Change in fixed assets	(44)	(19)	(73)	(17)	(42)
Change in investment assets	(40)	(755)	(277)	492	(834)
Others	(958)	(1,232)	801	585	1,167
Cash flow from financing	**1,326**	**2,748**	**1,240**	**1,670**	**459**
Change in equity	(6)	2,637	187	415	468
Net borrowing	1,589	444	1,574	1,477	668
Dividends	(257)	(333)	(521)	(222)	(677)
Change in total cash	**(827)**	**2,037**	**661**	**(812)**	**(549)**
Beginning cash	1,897	1,070	3,107	3,768	2,956
Change in FX rates	-	-	-	-	-
Ending cash	1,070	3,107	3,768	2,956	2,407

Source: Company data, Shinhan Securities Company

Statement of comprehensive income

Year to Dec. (bn VND)	2020	2021	2022	2023F	2024F
Revenue	**2,217**	**5,206**	**4,339**	**3,846**	**7,987**
Growth (%)	-12.9	134.8	-16.7	-11.4	107.7
COGS	**(1,546)**	**(3,427)**	**(2,355)**	**(2,246)**	**(4,594)**
Gross profit	**671**	**1,779**	**1,984**	**1,600**	**3,393**
GPM (%)	30.3	34.2	45.7	41.6	42.5
SG&A	**(435)**	**(997)**	**(1,155)**	**(1,269)**	**(1,996)**
Operating profit	**236**	**782**	**829**	**331**	**1,397**
Growth (%)	-63.2	230.9	6.1	-60.1	322.1
OPM (%)	10.6	15.0	19.1	8.6	17.5
Non-operating profit	**779**	**859**	**241**	**626**	**1,346**
Financial income	727	445	386	585	1,167
Financial expense	(103)	(112)	(199)	(235)	(262)
In which: interest expenses	(53)	(102)	(148)	(198)	(229)
Net other non-operating profit	155	526	54	276	441
Pre-tax profit	**1,015**	**1,641**	**1,070**	**957**	**2,743**
Income tax	(165)	(162)	(204)	(144)	(402)
Net profit	**850**	**1,479**	**866**	**813**	**2,341**
Growth (%)	(0.2)	0.7	(0.4)	(0.1)	1.9
NPM (%)	38.3	28.4	20.0	21.1	29.3
Controlling interest	835	1,071	556	556	1,553
Non-controlling interest	15	408	310	257	788
EBIT	**1,068**	**1,742**	**1,218**	**1,155**	**2,972**
Growth (%)	(14.3)	63.1	(30.1)	(5.2)	157.3
EBIT Margin (%)	48.2	33.5	28.1	30.0	37.2
EBITDA	**1,091**	**1,772**	**1,254**	**1,195**	**3,013**
Growth (%)	(13.9)	62.4	(29.2)	(4.7)	152.1
EBITDA margin (%)	49.2	34.0	28.9	31.1	37.7

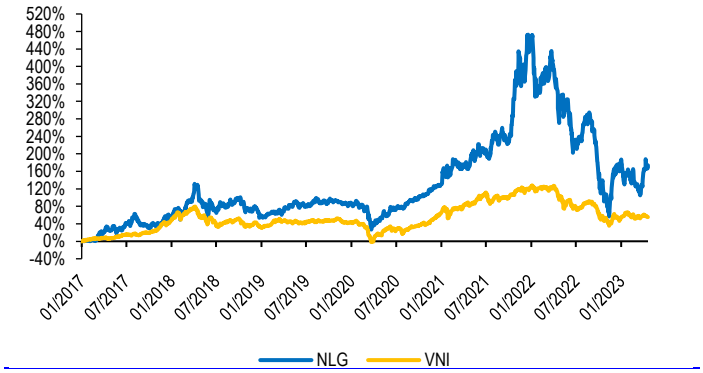
Key ratios

Year to Dec.	2020	2021	2022	2023F	2024F
EPS (VND)	3,078	3,099	1,345	1,323	3,924
BPS (VND)	19,589	23,266	23,185	22,448	22,850
PER (x)	9.9	20.7	23.2	31.7	10.7
PBR (x)	1.4	2.8	1.3	1.9	1.8
Dividend payout ratio (%)	28.9	31.6	59.2	39.9	43.6
Dividend yield (%)	0.7	0.9	1.4	0.6	1.8
Profitability					
EBITDA margin (%)	49.2	34.0	28.9	31.1	37.7
OPM (%)	10.6	15.0	19.1	8.6	17.5
NPM (%)	38.3	28.4	20.0	21.1	29.3
ROA (%)	6.2	6.3	3.2	2.9	6.6
ROE (%)	12.6	10.9	6.5	5.7	14.4
Stability					
Debt to equity ratio (%)	36.6	26.7	38.9	46.8	45.1
Net debt ratio (%)	123.6	(14.0)	33.4	268.2	119.1
Cash ratio (%)	25.0	61.0	53.8	47.0	29.0
Interest coverage ratio (x)	20.2	17.1	8.2	5.8	13.0
Activity (%)					
Payable turnover (days)	441	152	1,634	527	394
Inventory turnover (days)	1,224	1,152	2,361	2,695	1,641
Receivable turnover (days)	311	146	232	294	161

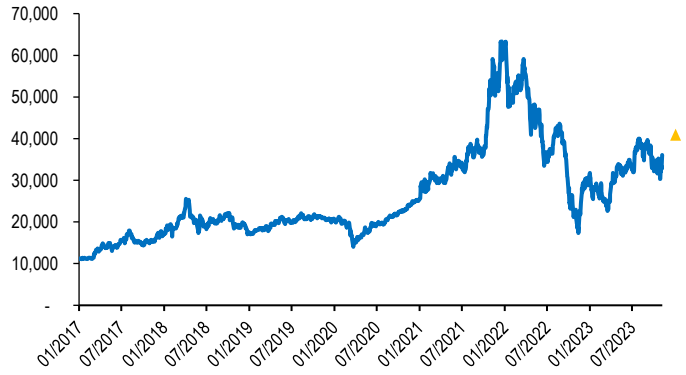
Source: Company data, Shinhan Securities Company

Nam Long Investment Corporation (NLG VN)

Stock price



Target price



Date	Rating	TP (VND)	TP gap (%)	
			TB	(VND)
1/12/2023 (Initiation)	BUY	44,200	27.1	48.7/9.5

Note: Calculation of target price gap based on past 12 months

Shinhan Securities Vietnam

Stock	Sector
◆ **BUY:** Expected 12-month gain of 15% or more ◆ **HOLD:** Expected 12-month loss of 15% to gain of 15% ◆ **SELL:** Expected 12-month loss of 15% or more	◆ **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL

Shinhan Securities Vietnam

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