November 14th , 2024

Shinhan Securities



KHANG DIEN HOUSE TRADING AND INVESTMENT JSC

[Vietnam /Real Estate]

Bloomberg Code (KDH VN) | Reuters Code (KDH.HM)

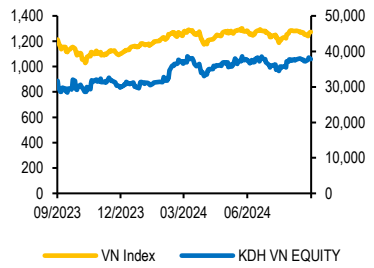
HOLD

Update Report

Target price (12 months)	**36,900 VND**
Current price (13/11/2024)	33,350 VND
Return (%)	10.6%

VNINDEX	1,232
Market P/E (x)	11.8
Market Cap (bn VND)	33,722
Outstanding shares (1mn)	1,011
Free float (1mn)	629
52-week high/low (VND)	36,364/26,545
90-day avg. trading volume (1mn)	2.92
90-day avg.turnover (bn VND)	100
Foreign ownership (%)	38
Major shareholders (%) Tien Loc Investment JSC	13.0
Major shareholders (%) Gam Ma Investment Consultancy JSC	8.8

Performance	3M	6M	12M
Absolute (%)	2.8	2.2	14.8
Relative to VN-Index (%)	2.6	3.1	3.8



Source: Bloomberg

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Privia contributes to achieving the profit plan

Update recommendation HOLD, target price at VND 36,900

Khang Dien House Trading and Investment JSC (HOSE: KDH) is one of the few developers that holds a substantial land bank within Ho Chi Minh City (HCMC – over 600 hectares). KDH is also a leading listed company in the development of mid- to high-end residential projects. Based on RNAV method, we recommend hold KDH with a target price at VND 36,900. The revenue and NPAT of KDH will increase in the future because: (1) KDH is among the top reputable developers and owns a substantial land bank in HCMC; (2) KDH can lead the recovery of the landed property market from 2025 to 2026 by launching Emeria and Clarita; and (3) having strong financial potential, with a high inventory-to-total assets ratio.

Update KDH's business results in 9M2024

In 9M2024, KDH's revenue reached VND 1,231 billion (-24.2% YoY), and NPAT was VND 410 billion (-38.5% YoY). Revenue from project handovers primarily came from (1) the continued handover of remaining units in the Classia project and (2) the restructuring of small land lot. Revenue and profit declined in 9M2024 as the main project handovers are scheduled for Q4.

As of the end of 9M2024, revenue and NPAT achieved 31.6% and 51.9% of the 2024 plan, respectively.

Outlook for 2024 and 2025

We project KDH's 2024 revenue to reach VND 3,953 billion (+89.3% YoY) and NPAT to be VND 953 billion (+33.1% YoY), primarily driven by the handover of the Privia project from Q4/2024, which is expected to account for 69% of total revenue. We have adjusted our revenue forecast up by 5% from previous estimates, reflecting additional revenue from unplanned land lot sales.

For 2025, we estimate revenue to reach VND 5,277 billion (+33.5% YoY) and NPAT to reach VND 1,709 billion (+79.3% YoY), mainly from the handover of the Binh Trung Dong project (Clarita and Emeria) in JV with Keppel. The project has largely completed the construction of landed houses and is in the process of obtaining sales permits. Given the cautious implementation of regulations in Ho Chi Minh City, we anticipate that KDH will obtain the sales permit in Q1/2025 instead of Q4/2024 and will launch from that point.

Valuation Adjustment: Adjusted based on (1) Q3/2024's FS, (2) a cautious shift of the sales timing for the Emeria and Clarita projects to 2025, and (3) KDH's issuance of a 2023 stock dividend at a 100:10 ratio on October 17, 2024. Accordingly, new target price for KDH shares is at 36,900 VND/share.

Risks: Increased compensation cost risk due to the application of the new land price framework from 2026, (2) risk of administrative delays and the implementation of new laws, (3) risk of a lower-than-expected absorption rate.

Year to Dec.	2021	2022	2023	2024F	2025F
Revenue (bn VND)	**3,738**	**2,912**	**2,088**	**3,953**	**5,277**
OP (bn VND)	1,406	1,066	1,220	1,362	2,313
NP (bn VND)	**1,204**	**1,084**	**729**	**953**	**1,709**
EPS (VND)	1,777	1,539	895	894	787
BPS (VND)	15,842	16,123	16,828	16,231	18,171
OPM (%)	37.6	36.6	58.4	34.5	43.8
NPM (%)	32.2	37.2	34.9	24.1	32.4
ROE (%)	11.8	9.8	5.3	5.6	8.7
PER (x)	14.8	20.2	36.8	41.5	47.1
PBR (x)	1.7	1.9	2.0	2.3	2.0

Source: Company data, Shinhan Securities Vietnam

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Earning updates and estimates

Items	9M2024 (Billion VND)	%YoY	2024F (Billion VND)	%YoY	Note
Revenue	**1,231**	**-24.2%**	**3,953**	**89.3%**	9M2024 revenue reached VND 1,231 billion (-24.2% YoY), driven by (1) the handover of the remaining units of the Classia project (launched in 2022) and (2) the restructuring of certain plots within the existing land bank. We project KDH's revenue in 2024 to reach VND 3,953 billion (+89.3% YoY), primarily due to (1) the continued handover of the Classia project, (2) restructuring of land plots, and (3) the beginning of handovers for the Privia project from mid-October 2024. As of November 5, 600 out of 1,043 units of the Privia project have been handed over. We estimate that by the end of 2024, KDH will have handed over 90% of the Privia project. We have adjusted the revenue forecast up by 5% compared to previous projections, reflecting additional revenue from the restructuring of unplanned land plots.
Project handover revenue	*1,189*	*-24.2%*			
Revenue from providing service	*36*	*-25.0%*			
Others	*6*	*-25.0%*			
Gross profit	**832**	**-35.1%**	**1,814**	**14.3%**	We project the gross profit margin for the entire year to reach only 45.9% (2023: 76.0%), mainly because **this year's focus is on delivering the condo project (Privia).** Therefore, **the annual gross profit margin is lower compared to when landed properties (Classia) were delivered in 2023.**
GPM	67.6%		45.9%		
SG&A	-201	-21.8%	-452	23.2%	
Operating profit	**631**	**-38.4%**	**1,362**	**11.6%**	
Financial income	30	-9.1%	43	-14.0%	
Other profit	-70	400.0%	-94	77.4%	
Financial expenses	-45	-48.3%	-87	-41.2%	
EBT	**546**	**-42.9%**	**1,224**	**14.5%**	
Net profit after tax	410	-38.5%	953	30.5%	
NPATAMI	**412**	**-37.1%**	**953**	**33.1%**	

Update on the expected project development plan

No	Project	Product	Location	Land bank (ha)	Owner -ship	The expected project development plan (1)					
						2023	2024	2025	2026	Từ 2027	Status
1	Classia	Low-rise	Thu Duc City	4.3	100%						Continue handing over the pink books to customers, with 100% sold and 95% handed over (as of Q3/2024).
2	Privia	High-rise	Binh Tan	1.9	100%						Lauching since November 2023, 100% of the units have been sold, and handover began in mid-October 2024. As of November 5, KDH has handed over 600 out of 1,043 units. KDH expects to complete the handover of the entire project within 2024.
4	Solina	Low-rise	Binh Chanh	16.7	100%						The investment pricipal has been granted, and the financial obligations for the land for Phase 1 of the project have been completed. Currently, the construction permit is being submitted, and the project is expected to begin construction in 2025.
3	Clarita	Low-rise	Thu Duc City	5.8	51%						In joint venture with Keppel, the low-rise units began construction in October 2023. KDH plans to start sales in Q4/2024 or early 2025, depending on market conditions and the issuance of sales permits. Given the cautious implementation of the new laws in Ho Chi Minh City, we expect KDH to receive the sales permit in Q1/2025 and begin sales at that time.
5	Emeria	Low-rise	Thu Duc City	6.1	51%						
		High-rise									The high-rise is expected to be developed after the low-rise units.
6	Le Minh Xuan IP (Expansion)	IP	Binh Chanh	110	100%						The detailed planing 1/500 has been completed, and the land clearance for Phase 1 (89ha) has been finished. The project is expected to complete the land rental payment and apply for a construction permit in Q4 2024. It will take 9 months to 1 year to complete the infrastructure, with plans to begin operation in 2025/2026. Phase 2 (20ha) is still undergoing land clearance.
8	Phong Phu 2	N/A	Binh Chanh	132	100%						The investment policy has been approved, and KDH are currently working with the local authorities to calculate the final LUF to be paid.
9	Tan Tao	N/A	Binh Tan	330	100%						The compensation and land clearance have been completed at 85%. Once the compensation exceeds 90%, it is expected that investment approval will be sought to begin implementation. Currently, KDH is coordinating with local authorities to calculate the LUF that needs to be paid.
Total				**607.8**							

Source: Company data, Shinhan Securities Vietnam

(1) The estimated time from construction to handover

Valuation and Recommendation

We apply a RNAV valuation methods to value KDH. 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.

RNAV valuation

Projects	Value (Billion VND)	Method
Emeria	3,370	DCF
Clarita	2,607	DCF
Solina	2,988	DCF
Phong Phu 2	7,752	DCF
Tan Tao	22,577	DCF
Others	5,456	BV & DCF
Total	**44,750**	
(+) Cash & equivalents	3,295	
(-) Debts	7,808	
Net asset value	**40,237**	
(-) Non-controlling interest	2,928	
RNAV of the parent company	**37,309**	
Number of shares outstanding (billion units)(*)	1.011	
Target price (VND)	**36,900**	

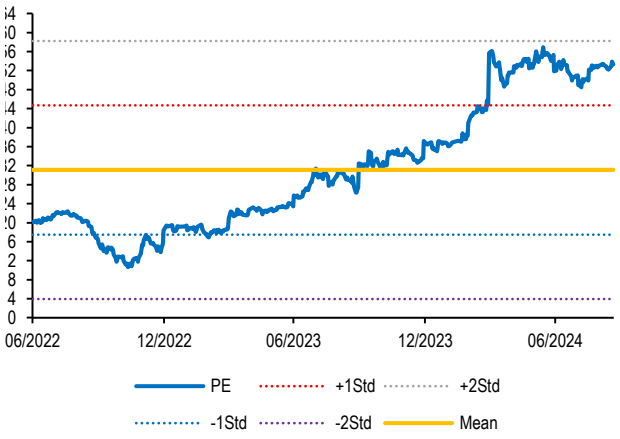
Source: Company data, Shinhan Securities Company

Weighted Average Cost of Capital (WACC)

WACC (%)	**11.6**
Risk-free rate (%)	2.5
Equity risk premium (%)	9.8
Beta	1.0
Cost of debt (%)	10.5
Cost of equity (%)	12.3
Debt-to-equity ratio	0.23
Total debt (bn VND)	7,673

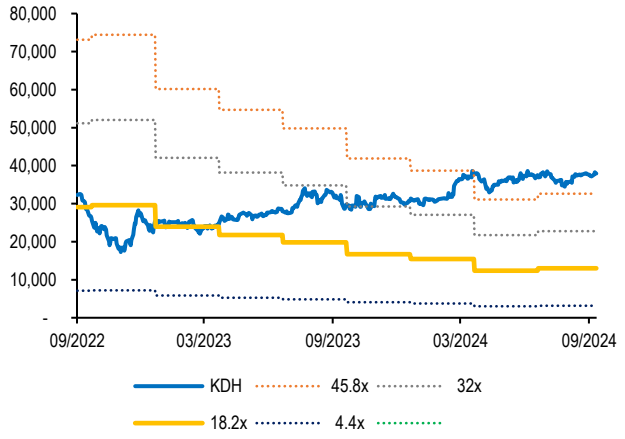
Source: Company data, Shinhan Securities Vietnam

PER of KDH



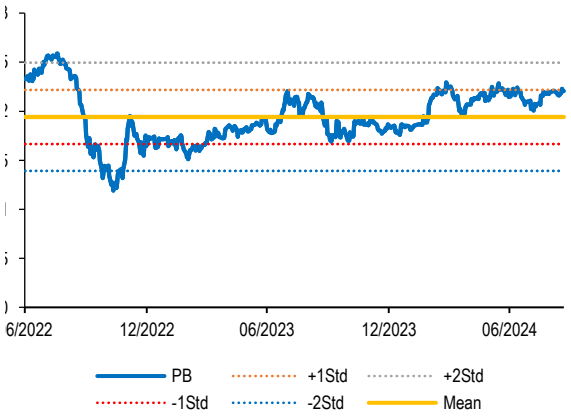
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

PER band chart of KDH



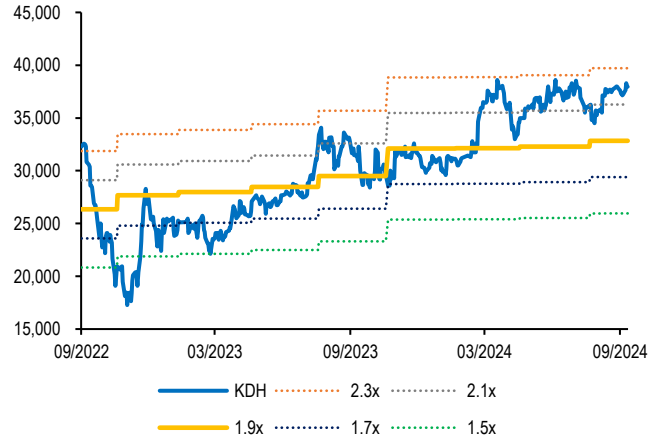
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

PBR of KDH



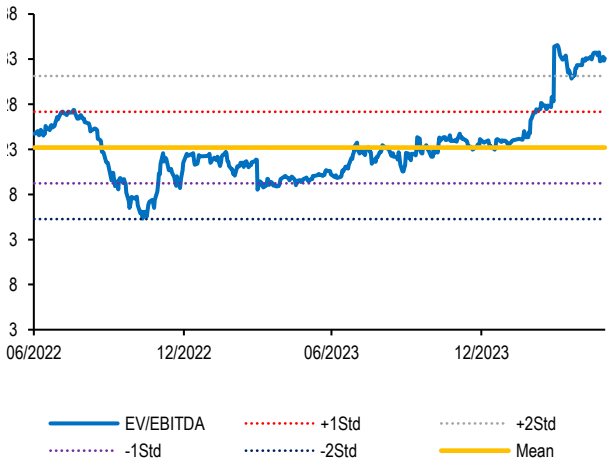
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

PBR band chart of KDH



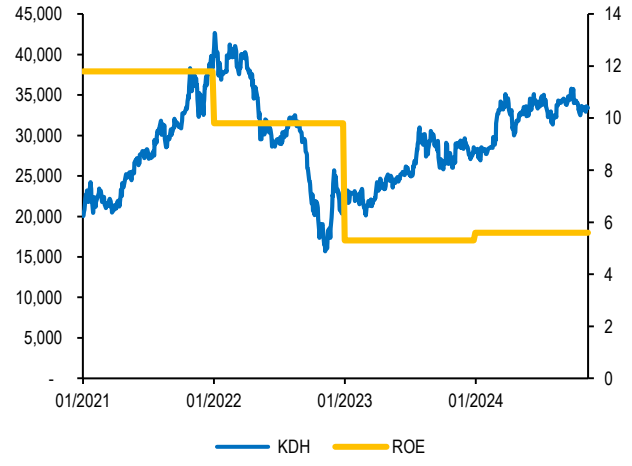
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

EV/EBITDA of KDH



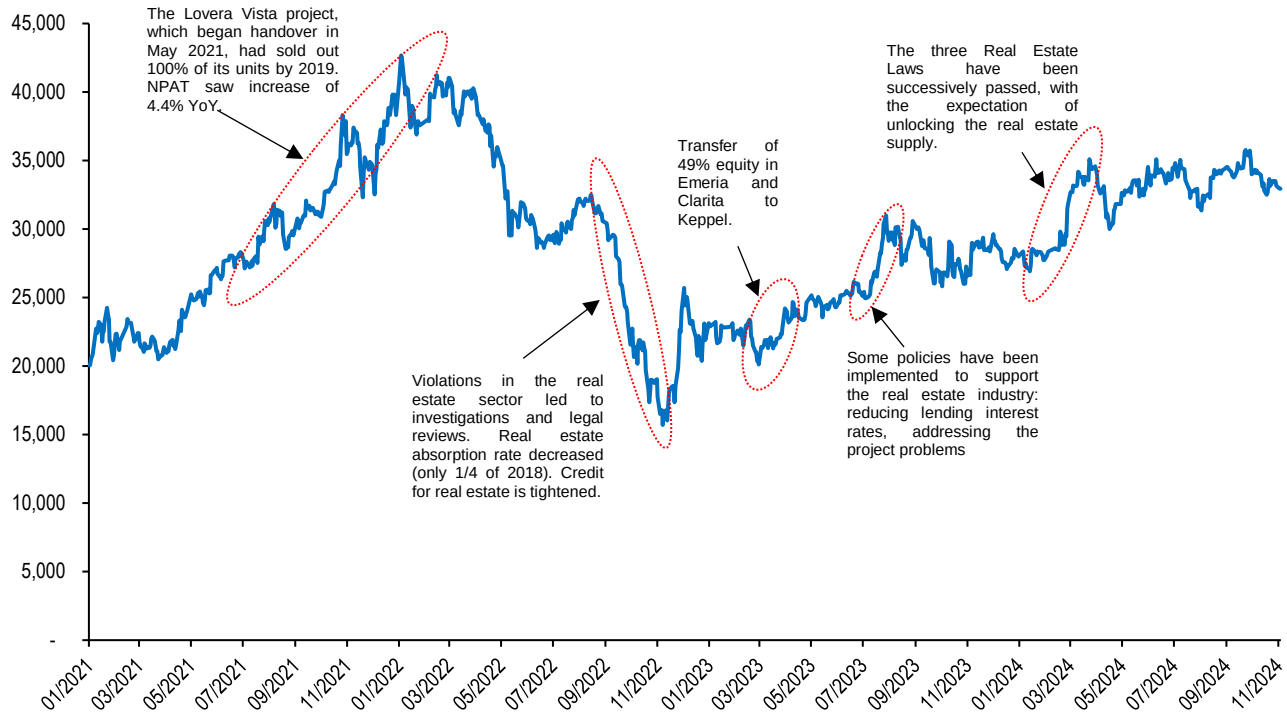
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

Correlation between KDH's price and ROE



Source: Bloomberg, Company Data, Shinhan Securities Vietnam

Key events chart of KDH



Source: Bloomberg, Company data, Shinhan Securities Vietnam

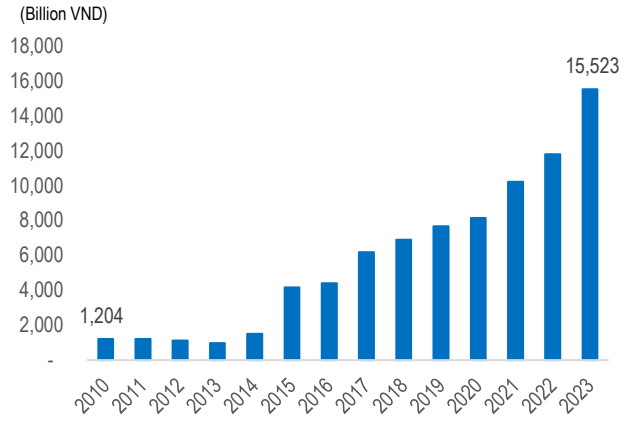
Company background

1. History of development

Khang Dien House Trading and Investment JSC Company (HOSE: KDH) was established in 2001 with a charter capital of VND 10 billion and was equitization in 2007. After three years post- equitization, KDH officially listed on the stock exchange. As of now, its equity has nearly increased thirteenfold since listing.

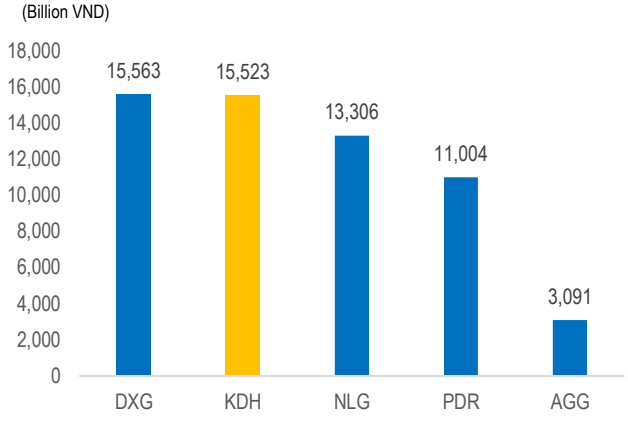
This robust equity enables KDH to undertake larger, more structured projects. Current regulations increasingly emphasize the financial capacity of investors, such as (1) the Law on Real Estate Trading in 2024, which mandates a minimum equity ratio of 20% for projects on land under 20 hectares and 15% for those over 20 hectares, and (2) Decree 96/2024/ND-CP, which tightens the debt-to-equity ratio at 4x and 5.67x for projects under 20 hectares and over 20 hectares, respectively.

Equity has expanded nearly 13 times compared to the initial listing date



Source: Company data, Shinhan Securities Vietnam

Equity scale of several listed enterprises involved in projects in HCMC

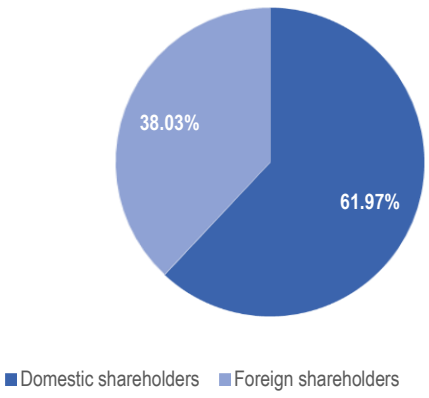


Source: Company data, Shinhan Securities Vietnam

2. Ownership structure

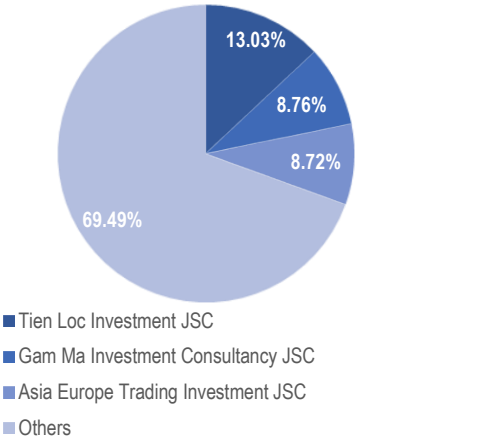
Foreign shareholders hold nearly 40% of KDH's equity, reflecting the transparency and attractiveness of the company to international investors. One of large foreign funds investing in KDH is Group of Dragon Capital (5.58%). Currently, Tien Loc Investment JSC, a management consulting firm based in Ho Chi Minh City, holds the highest equity stake at 13.03%, followed by various domestic and foreign investment funds.

Structure of domestic and foreign shareholders as of August 30, 2024



Source: Company data, Shinhan Securities Vietnam

Ownership structure as of August 30, 2024



Source: Company data, Shinhan Securities Vietnam

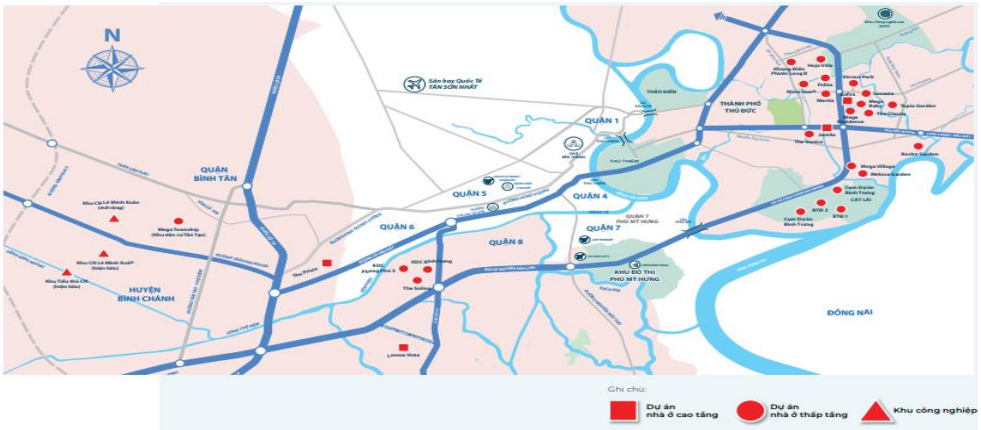
(1) The Law on Real Estate Trading in 2014 stipulated a minimum charter capital of VND 20 billion. Consequently, many companies adopted a high debt structure to undertake large-scale projects. In 2022, Decree 02/2022/ND-CP mandated that projects on land under 20 hectares must maintain a minimum equity ratio of 20% of the total investment; however, this requirement is only outlined at the decree level.

3. Segments and KDH's products

KDH initially operated in the eastern area of HCMC. In Q4/2015, KDH completed the acquisition of 57.31% of BCCI's equity, thereby expanding its operations to the western and southwestern areas of the city, including Binh Chanh and Binh Tan districts.

KDH's projects are all well-connected to infrastructure. For example, projects in the eastern region (Thu Duc City) are in proximity to key infrastructure developments such as Metro 1, the Ho Chi Minh City – Long Thanh – Dau Giay Expressway, Ring Road 2, and Ring Road 3. Meanwhile, the projects in Binh Tan and Binh Chanh are close to the western gateway and major thoroughfares such as Vo Van Kiet Street and Nguyen Van Linh Avenue. This connectivity (1) enhances the potential for price appreciation as infrastructure improvements are completed and (2) supports KDH's strategy for developing mid-end and high-end products.

KDH's land bank is primarily concentrated in the eastern, western, and southwestern areas of HCMC

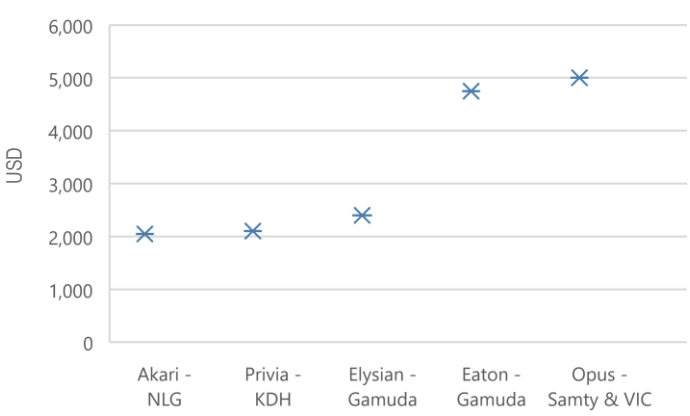


Source: KDH, Shinhan Securities Vietnam

KDH develops a diverse range of products, from commercial housing (apartments, villas, and townhouses) to industrial parks. In the commercial housing sector, **KDH has successfully launched mid-end and high-end residential products with high absorption rates.** We attribute KDH's success to:

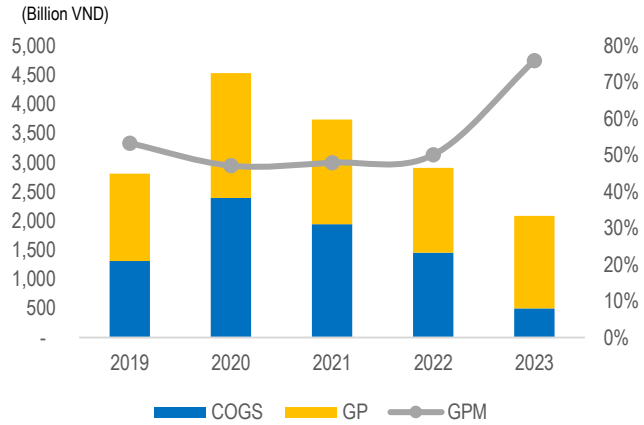
- Timely project implementation with clear legal frameworks, with many projects handed over 2-3 months ahead of schedule.
- High-quality products offered at competitive prices.
- Prime locations, with KDH's projects concentrated in the eastern, western, and southwestern areas of the city, benefiting from strong infrastructure connectivity.

KDH's average selling prices (2) are relatively moderate



Source: JLL, Shinhan Securities Vietnam

Gross margins have improved year over year



Source: Company data, Shinhan Securities Vietnam

(2) The selling prices (USD) of condos in recent projects

KDH's gross margin has improved over the years, with a median of 50.1% over the past five years. In 2023, KDH partnered with Keppel to launch the Emeria and Clarita projects, with sales expected to commence in late 2024. Keppel is known for successfully implementing high-end projects, so this collaboration is anticipated to enhance product quality, increase selling prices, and improve KDH's gross profit for the 2025-2026 period.

In addition to developing commercial housing, KDH also holds a land bank for industrial park development. KDH is currently seeking construction permits for the first phase of the Le Minh Xuan Industrial Park Expansion (total area of approximately 110 hectares) in the Binh Chanh districts. We expect KDH to obtain the construction permit in Q4 of this year and take approximately 1-1.5 years to complete construction. Once operational, the industrial park is projected to absorbed quickly and drive revenue for KDH starting in 2026, as (1) there have been no new industrial park projects in Ho Chi Minh City over the past decade (according to Avision reports) and the occupancy rate in existing industrial parks in the city is high (90%), and (2) the expected new supply in Ho Chi Minh City in the coming period is only 1,759 hectares.

Appendix : Financial statements

Statement of financial position

Year to Dec. (bn VND)	2021	2022	2023	2024F	2025F
Total assets	**14,373**	**21,539**	**26,481**	**30,106**	**35,640**
Current assets	13,421	20,506	24,737	28,743	34,123
Cash & equivalents	1,365	2,753	3,730	4,186	3,884
Short-term financial asset	69	43	9	49	55
Accounts receivable	4,206	5,208	1,831	3,081	4,431
Inventories	7,733	12,453	18,787	21,149	25,279
Other current assets	48	49	380	278	474
Non-current assets	952	1,033	1,744	1,363	1,517
Net fixed assets	40	81	81	76	70
Investment assets	751	750	933	1,053	1,205
Other long-term assets	912	952	1,663	234	242
Total liabilities	**4,151**	**9,745**	**10,958**	**11,787**	**14,516**
Current liabilities	2,254	3,503	5,346	4,170	6,593
Accounts payable	155	109	92	162	215
Advance from customers	179	892	2,388	510	1,766
Short-term borrowings	815	1,195	1,444	1,296	1,674
Others	1,105	1,307	1,422	2,202	2,938
Non-current liabilities	1,898	6,242	5,612	7,617	7,923
Long-term borrowings	1,738	5,576	4,902	6,906	7,212
Others	160	666	710	711	711
Total shareholders' equity	**10,221**	**11,795**	**15,523**	**18,319**	**21,124**
Capital stock	6,429	7,168	7,993	10,111	11,338
Capital surplus	1,177	1,312	1,339	1,339	1,339
Other capital	273	535	2,424	2,482	3,403
Retained earnings	2,342	2,780	3,767	4,387	5,044
Non-controlling interest equity	36	237	2,072	2,072	2,935
*Total debt	2,553	6,771	6,346	8,202	8,886
*Net debt (cash)	1,119	3,975	2,607	3,967	4,947

Statement of comprehensive income

Year to Dec. (bn VND)	2021	2022	2023	2024F	2025F
Revenue	**3,738**	**2,912**	**2,088**	**3,953**	**5,277**
Growth (%)	-17.5	-22.1	-28.3	89.3	33.5
COGS	**(1,945)**	**(1,452)**	**(501)**	**(2,139)**	**(2,310)**
Gross profit	**1,793**	**1,460**	**1,587**	**1,814**	**2,967**
GPM (%)	48.0	50.1	76.0	45.9	56.2
SG&A	**(387)**	**(394)**	**(367)**	**(452)**	**(654)**
Operating profit	**1,406**	**1,066**	**1,220**	**1,362**	**2,313**
Growth (%)	-8.7	-24.2	14.4	11.6	69.8
OPM (%)	37.6	36.6	58.4	34.5	43.8
Non-operating profit	**133**	**346**	**(151)**	**(138)**	**(118)**
Financial income	21	18	50	43	40
Financial expense	(73)	(91)	(148)	(87)	(85)
In which: interest expenses	(16)	(9)	0	(17)	(17)
Net other non-operating profit	185	419	(53)	(94)	(73)
Pre-tax profit	**1,539**	**1,412**	**1,069**	**1,224**	**2,195**
Income tax	(335)	(328)	(340)	(271)	(486)
Net profit	**1,204**	**1,084**	**729**	**953**	**1,709**
Growth (%)	4.4	(10.2)	(32.5)	30.5	79.3
NPM (%)	32.2	37.2	34.9	24.1	32.4
Controlling interest	1,202	1,103	716	953	846
Non-controlling interest	2	(19)	13	0	863
EBIT	**1,556**	**1,420**	**1,069**	**1,241**	**2,212**
Growth (%)	6.7	(8.7)	(24.7)	16.1	78.2
EBIT Margin (%)	41.6	48.8	51.2	31.4	41.9
EBITDA	**1,566**	**1,165**	**1,064**	**1,258**	**2,231**
Growth (%)	6.6	(25.6)	(8.7)	18.2	77.3
EBITDA margin (%)	41.9	40.0	51.0	31.8	42.3

Statement of cash flow

Year to Dec. (bn VND)	2021	2022	2023	2024F	2025F
Cash flow from operations	**(2,010)**	**(1,046)**	**(1,543)**	**(2,748)**	**(1,449)**
Net profit	1,540	1,411	1,069	1,224	2,195
Depreciation expense	10	(255)	(5)	17	19
(Gain) from investing activities	(21)	(18)	(50)	(43)	(39)
Change in working capital	(2,662)	(1,401)	(964)	(4,052)	(3,660)
Others	(877)	(783)	(1,593)	106	36
Cash flow from investments	**(107)**	**(796)**	**2,813**	**(122)**	**(125)**
Change in fixed assets	(58)	(61)	(216)	(125)	(158)
Change in investment assets	(69)	27	45	(40)	(6)
Others	20	(762)	2,984	43	39
Cash flow from financing	**1,646**	**3,232**	**(293)**	**3,326**	**1,272**
Change in equity	939	231	132	2,118	1,227
Net borrowing	707	3,001	(425)	1,856	684
Dividends	-	-	-	(648)	(639)
Change in total cash	**(471)**	**1,390**	**977**	**456**	**(302)**
Beginning cash	1,836	1,365	2,753	3,730	4,186
Change in FX rates	-	(2)	-	-	-
Ending cash	1,365	2,753	3,730	4,186	3,884

Source: Company data, Shinhan Securities Vietnam

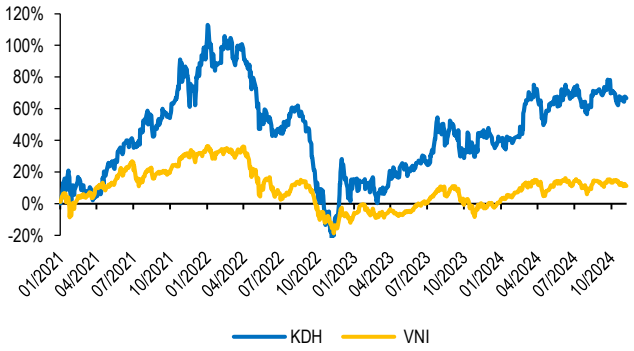
Key ratios

Năm	2021	2022	2023	2024F	2025F
EPS (VND)	1,777	1,539	895	894	787
BPS (VND)	15,842	16,123	16,828	16,231	18,171
PER (x)	14.8	20.2	36.8	41.5	47.1
PBR (x)	1.7	1.9	2.0	2.3	2.0
Dividend payout ratio (%)	45.7	58.3	100.1	68.0	75.5
Profitability					
EBITDA margin (%)	41.9	40.0	51.0	31.8	42.3
OPM (%)	37.6	36.6	58.4	34.5	43.8
NPM (%)	32.2	37.2	34.9	24.1	32.4
ROA (%)	8.4	6.0	3.0	3.4	5.2
ROE (%)	11.8	9.8	5.3	5.6	8.7
Stability					
Debt to equity ratio (%)	25.0	57.4	40.9	44.8	42.1
Net debt ratio (%)	71.5	341.2	245.0	315.3	221.7
Cash ratio (%)	63.6	79.8	69.9	101.6	59.7
Interest coverage ratio (x)	97.3	157.8	-	73.0	130.1
Activity (%)					
Working capital turnover (days)	514	170	236	386	305
Inventory turnover (days)	1,414	2,537	11,380	3,407	3,668
Receivable turnover (days)	382	590	615	227	260

Source: Company data, Shinhan Securities Vietnam

Khang Dien House Trading and Investment JSC (KDH VN)

Share performance



Target price



Date	Rating	Target price (VND)	Target price gap (%)	
			Average	Max/Min
01/10/2024 (Initiation)	HOLD	40,000	20.0	32.7/10.6
14/11/2024 (Update)	HOLD	36,900	13.2	27.1/3.1

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

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