

VINHOMES JSC

[Vietnam / Real Estate]

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

BUY

Initiation Coverage

Target price (12 months) VND 77,000

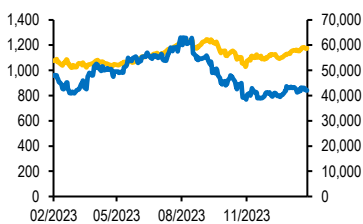
Current price (02/02/24) VND 41,200

 Upside/downside **86.9%**

VNINDEX	1,173
P/E market (24F, x)	10.1
Market Cap (bn VND)	179,400
Outstanding shares (mn)	4,354
Free-Floating (mn)	918
52-Wk High/Low (VND)	36,750/66,200
90-day avg. trading volume (mn)	6.2
90-day avg. turnover (bn VND)	279
Foreign ownership (%)	22.3

Major shareholders (%)	Vingroup	72.02
	GIC	4.99

Performance	3T	6T	12T
Absolute (%)	7.2	-34.4	-14.2
Relative to VN-Index (%)	-1.9	-30.5	-23.0



— VN Index — VHM VN EQUITY

Source: Bloomberg

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An inch of soil is an inch of gold

Initial valuation with BUY recommendation, target price of 77,000 VND/share

Vinhomes JSC (HOSE: VHM) is the leading real estate enterprise in Vietnam. We recommend BUY VHM shares with a target price of 77,000 VND/share, valued based on the RNAV method with the following theses: (1) Taking advantage of dominating internal advantages along with a favorable market recovery, Vinhomes will maintain profit growth in 2024, expected to reach 38,622 billion VND and (2) VHM's valuation is relatively cheaper than VHM stock itself in the past, the average of real estate stocks and the general market valuation - VNIndex, providing attractive yields.

The shortage of housing supply is forecast to triple in the period 2022-2025

The housing supply shortage is forecast to increase at a strong rate, tripling in the period 2022-2025, raising the number of housing shortages to 690,000 units because: (1) Housing demand continues to increase due to population growth, urbanization rate and the desire to improve living environment as income increases, however (2) Supply sources are limited because many projects are subject to legal congestion, real estate businesses' ability to access capital is more limited than before, and especially the affordable - mid-end segment faces scarcity because real estate businesses prioritize developing higher-end segments with better profit margins.

The real estate market is expected to recover from mid-late 2024

The real estate market will recover from mid-late 2024 thanks to: (1) Economic growth returns with 2024 GDP growth expected to reach 6.0%, creating a foundation for the real estate market, (2) Relaxed credit policies are gradually "seeping" into the economy in general and the real estate industry in particular and (3) The situation of overlapping, complicated, and unclear legal procedures has been improved thanks to the Draft Law on Real Estate Business and Housing Law, and Land Law have been passed.

Dominating advantages help Vinhomes have even more advantages

Vinhomes possesses many dominating advantages such as: (1) Large and quality land bank, (2) Outstanding capacity profile thanks to implementing many effective projects, (3) Prestigious brand - high quality in customer eyes and (4) Outstanding ability to mobilize capital sources.

Taking advantage of its dominating advantages, Vinhomes will be the enterprise that anticipates the recovery of the Vietnamese real estate market. From there, Vinhomes' profit in 2024 is expected to continue growing, reaching 38,622 billion VND (+16.6% YoY) mainly thanks to the continued handover of two major projects The Empire and The Crown

Risks: (1) Cyclical risks; (2) Policy risks.

Year to Dec.	2020	2021	2022	2023	2024F
Revenue (bn VND)	71,547	84,986	62,393	103,334	139,090
OP (bn VND)	21,062	42,402	25,621	27,933	52,031
NP (bn VND)	27,351	38,825	28,831	33,125	38,622
EPS (VND)	8,153	8,904	6,611	7,597	8,781
BPS (VND)	25,586	28,647	33,349	41,116	49,717
OPM	29.4	49.9	41.1	27.0	37.4
NPM	39.6	45.8	46.7	32.2	27.8
ROE	31.6%	29.6%	19.6%	18.3%	17.6%
PER (x)	5.1	4.6	6.2	5.4	4.7
PBR (x)	2.9	1.4	1.3	1.0	0.8

Source: Company data, Shinhan Securities Vietnam

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Company background

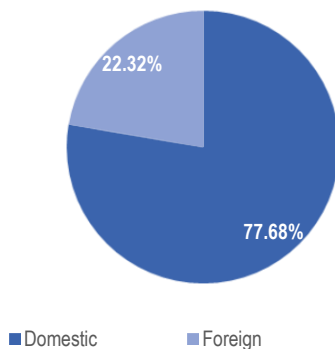
1. History of development

Vinhomes Joint Stock Company (HOSE: VHM) was formerly known as BIDV-PP Urban Joint Stock Company, established in 2008. Then in 2018, in order to implement the general restructuring goal of Vingroup, the company merged with 2 other companies under the group to focus on real estate investment and business activities. Also in this year, on May 17, 2018, shares of Vinhomes - VHM were officially listed and traded on HOSE; VHM closed the first trading session at the ceiling price of 110,500 VND/share, thereby making Vinhomes the 2nd largest capitalized enterprise on the Vietnamese stock market - only behind parent company Vingroup in Vietnam at that time.

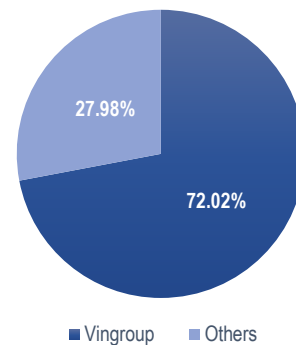
With the core business of developing and trading residential real estate, from 2010 to September 30, 2023, Vinhomes has cumulatively sold 216 thousand apartment/villa/townhouse products with Sales reached up to 27 billion USD, thereby putting into operation 29 urban areas, a place of residence for more than 464,000 Vinhomes residents..

2. Ownership structure

Structure of domestic and foreign shareholders (02/02/2024)



Big shareholders of VHM (02/02/2024)



Source: Finpro, Shinhan Securities Vietnam

Source: Finpro, Shinhan Securities Vietnam

Vinhomes' ownership structure is relatively concentrated, with the only major shareholder being the parent company - Vingroup, currently holding 72.02% of the shares. The concentrated shareholding structure, with one large shareholder holding a controlling stake - greater than 65%, can cause Vinhomes to be dominated and heavily dependent on Vingroup's strategy.

Besides being the enterprise with the third largest capitalization in the stock market - currently accounting for 3.8% of VNIIndex's capitalization, Vinhomes is also a leading enterprise in the Real Estate industry and has a lot of growth potential in the long term. Therefore, VHM stock is not only held by passive investment funds, the ETF funds, but is also a favorite stock - accounting for a high proportion in the portfolios of domestic and foreign active investment funds.

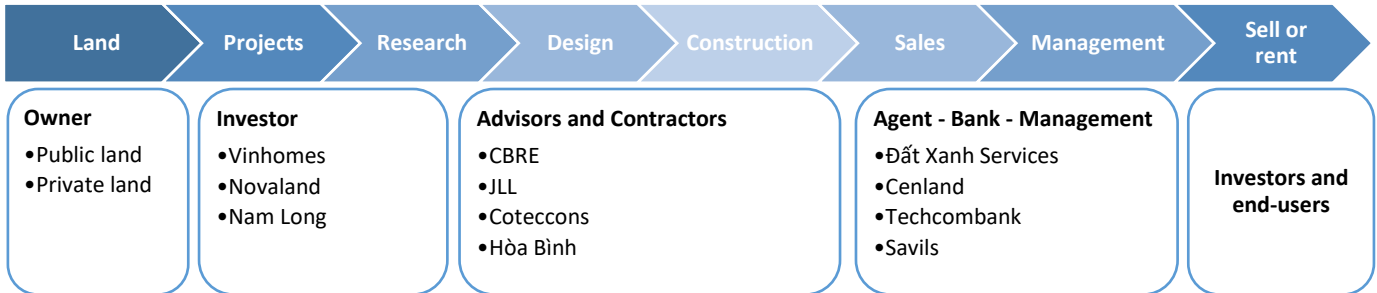
Big institutional investors of Vinhomes		
Investor	Number of shares (million shares)	Share ratio (%)
GIC	217.4	4.99
PYN Elite Fund	50.1	1.15
Fubon FTSE Vietnam ETF	38.4	0.88
Dragon Capital VEIL	37.8	0.87
VinaCapital VOF	22.4	0.51
VanEck Vietnam ETF	22.0	0.50
Xtrackers FTSE Vietnam Swap UCITS ETF	15.5	0.36
Robeco Capital Growth Funds	15.1	0.35
Norges Bank	14.5	0.33

Source: Markettimes 10/2023, Shinhan Securities Vietnam

3. Business activities

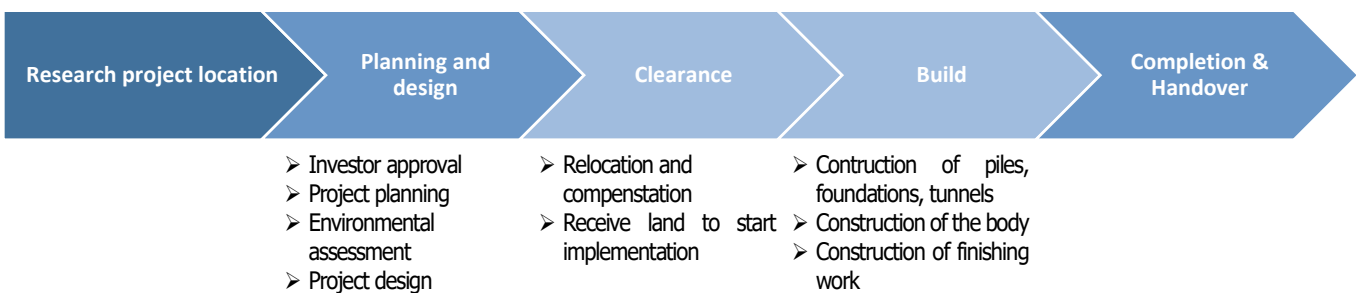
Vinhomes in the value chain of Vietnam's real estate industry

In the Real Estate industry, Vinhomes participates in the main role of investor - real estate development unit. Besides the investor, there are many other entities involved in the stages before the project is invested, implemented and even after the project is completed and handed over; thereby creating the value chain of Vietnam's real estate industry. Details of participants at each stage of the value chain are as follows:



Source: Shinhan Securities Vietnam

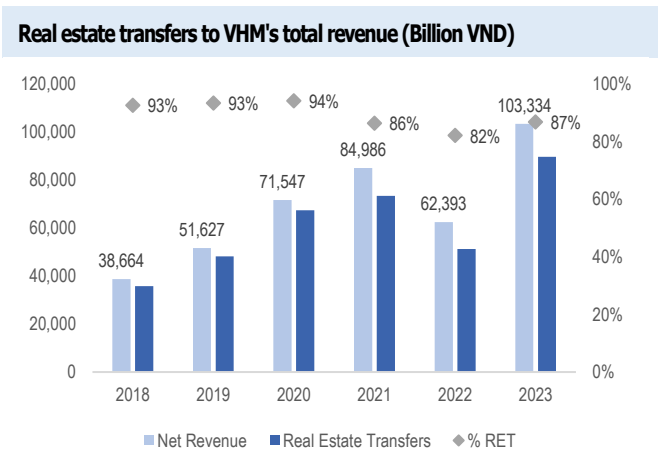
Regarding real estate development models, almost all investors and project developers are relatively similar, including Vinhomes. The difference mainly comes from the ability to effectively develop projects from researching - selecting potential projects, to good capacity profiles that help shorten the legal process...Details of real estate development model Vinhomes:



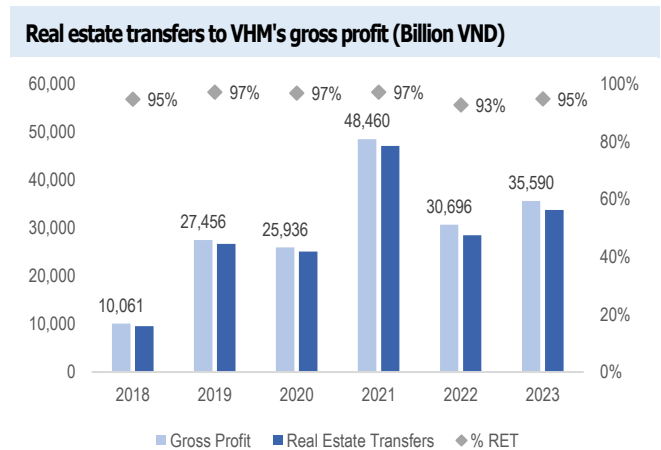
Source: VHM, Shinhan Securities Vietnam

Developing and trading residential real estate is the core business of Vinhomes

Throughout the process from its inception, through the restructuring period and up to the present time, Vinhomes has always focused on its core business of developing and trading residential real estate. Besides, the company also participates in related and supporting fields such as: General contractor services, design consulting; Real estate management services, real estate rental services... to support investment and project development activities.



Source: VHM, Shinhan Securities Vietnam



Source: VHM, Shinhan Securities Vietnam

It can be seen that real estate development and business always maintain a high proportion in Vinhomes' revenue and profit structure.

Products are diverse in types and complete segments

Vinhomes is one of the few real estate investors participating in providing a diverse range of products and full segments in the market. In terms of type, Vinhomes invests in condo and landed real estate: villas/shophouses; In which, for condo types, Vinhomes has 4 brand lines including: Happy Home, Sapphire, Ruby, Diamond corresponding to the segments: Affordable - social housing, Mid-end, High-end, Luxurious.

Vinhomes condo brands				
Characteristics	Happy Home	Sapphire	Ruby	Diamond
Price range (Million VND/m2)	<30	30-35	40-50	>60
Segment	Affordable - social housing	Mid-end	High-end	Luxurious
Proportion of demand for the segment	74.9%	19.4%	4.4%	1.3%
Apartment area (m2)	12-50	28-75	30-140	50-180
Ceiling height (m)	N/a	3.2	3.4	3.4
Corridor (m)	N/a	1.6	1.8	1.8

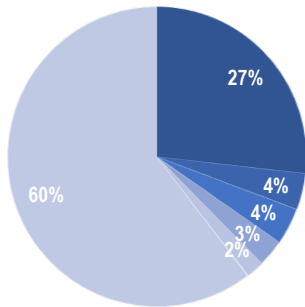
Source: VHM, CBRE, Shinhan Securities Vietnam

Leading in market share of the entire residential real estate market and all types of participation

In the period 2016-2023, Vinhomes accounted for 27% of the entire residential real estate market - the investor with the highest market share, far surpassing the second position of only 4% and equal to 3 times the total market share of 4 investors ranked next. Besides, thanks to understanding and meeting the needs of different customers, Vinhomes still maintains its leading position in market share in all segments and product types that Vinhomes participates in.

Market share of the entire residential real estate market

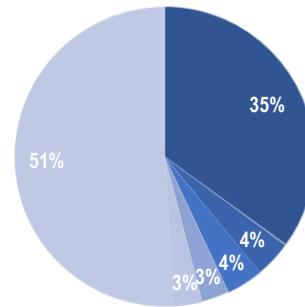
■ VHM ■ 2nd ■ 3rd ■ 4th ■ 5th ■ Others



Source: CBRE, Shinhan Securities Vietnam

Market share of the landed property market

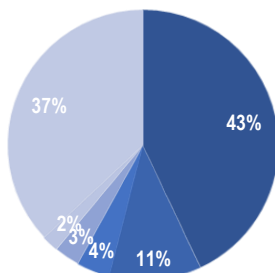
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Source: CBRE, Shinhan Securities Vietnam

Market share of the high-end condo market

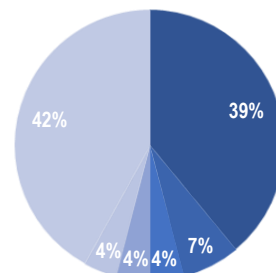
■ VHM ■ 2nd ■ 3rd ■ 4th ■ 5th ■ Others



Source: CBRE, Shinhan Securities Vietnam

Market share of the mid-end condo market

■ VHM ■ 2nd ■ 3rd ■ 4th ■ 5th ■ Others



Source: CBRE, Shinhan Securities Vietnam

The investor has the leading reputation in the market

Vinhomes' reputation as a real estate development enterprise has been widely recognized, especially by highly specialized and methodical rating and voting organizations. Vinhomes has won awards such as: Top 1 real estate investor in Vietnam 2019-2023, Gold medal - Best real estate company in Vietnam by Finance Asia Awards 2023, Top 10 real estate investors in Vietnam by BCI Asia Award 2022 and many other awards.

Vinhomes' brand value is valued at 1.74 billion USD by Brand Finance 2023, thereby helping Vinhomes be the first Vietnamese real estate enterprise to enter the TOP 20 most valuable real estate brands in the world.

Besides, real estate projects developed by Vinhomes also won many awards such as:

- Vinhomes Riverside: The best real estate in the world.
- Vinhomes Central Park: The best complex project in Asia - Pacific.
- Vinhomes Grand Park: The best high-rise housing project in Vietnam.
- Vinhomes Ocean Park: The best complex project in Vietnam.
- Vinhomes Smart City: The best urban developer.



Ocean City with a scale of up to 1,200 hectares is formed from 3 urban areas: Vinhomes Ocean Park, The Empire and The Crown



The tallest building in Vietnam: Landmark 81 in Vinhomes Central Park urban area is a symbol of Ho Chi Minh City

Investment thesis

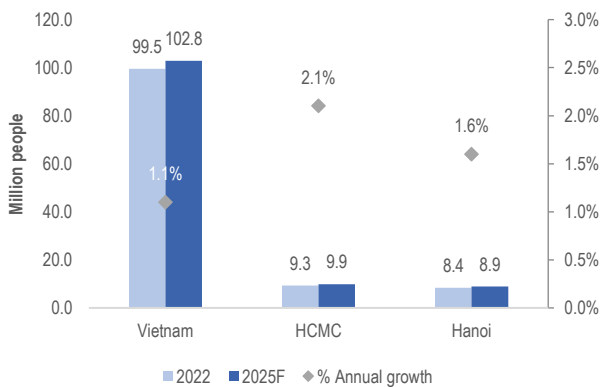
1. Housing supply shortage is forecast to increase 3 times in the period 2022-2025

The driving force for the increase in housing demand comes from: (1) Vietnam's population is expected to increase by 1.1%/year in the period 2022-2025, (2) The urbanization rate will increase from 37% in 2022, up to 41% in 2025 - corresponding to 42 million people living in urban areas, (3) The need to buy housing with better living conditions as income increases.

On the supply side, the decrease in new housing supply comes from: (1) Many projects are stuck in legal congestion, (2) Real estate businesses' ability to access capital has not improved significantly and (3) Particularly in the affordable - mid-end segment with a high proportion of real housing demand, there is a shortage of supply because investors prioritize the high-end segment with higher profit margins.

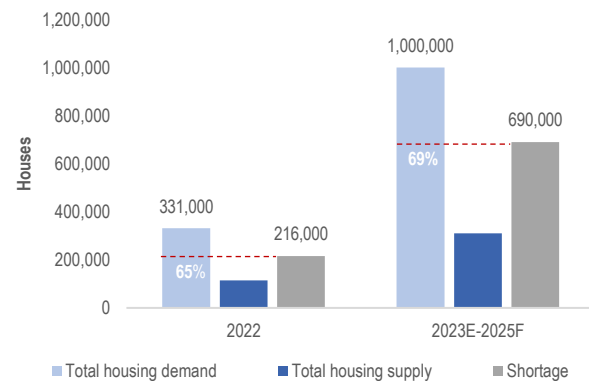
From there, the supply shortage is forecast to increase at a strong rate, tripling in the period 2022-2025, raising the number of housing shortages to 690,000 units.

Population growth of Vietnam, Hanoi and Ho Chi Minh City



Source: Savills, Shinhan Securities Vietnam

Most housing needs are not met



Source: VHM, Shinhan Securities Vietnam

2. The real estate market is expected to recover from mid-late 2024

Existing policies to support the real estate market are starting to show positive signs

Policies have been issued to support the real estate market from the beginning of 2023, including:

- ❖ 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 commercial 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)

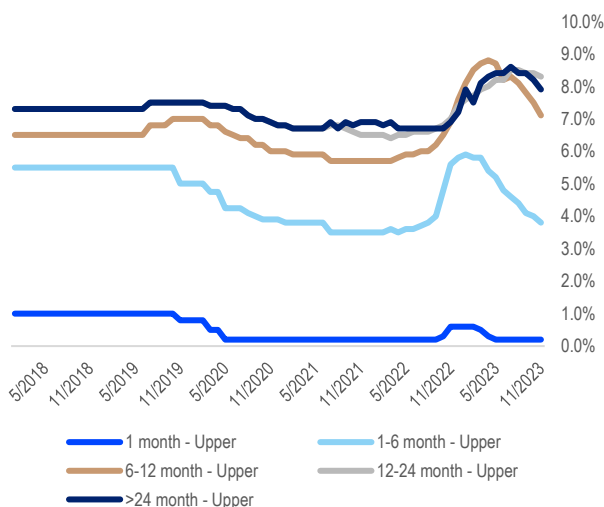
Information on interest rate adjustments of the State Bank in 2023

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

It can be seen that support policies are starting to show positive signs as deposit interest rates, loan interest rates and especially commercial housing loan interest rates are tending to gradually decrease.

Deposit interest rates are gradually decreasing at all terms



Lending interest rates also show signs of decreasing



Source: SBV, Shinhan Securities Vietnam

Source: SBV, Shinhan Securities Vietnam

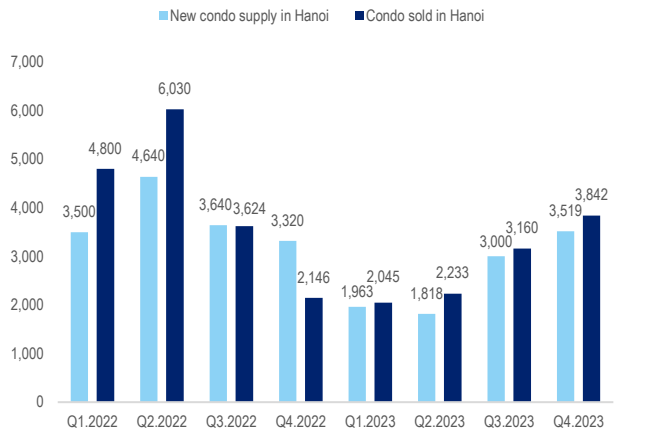
Changes in commercial home loan interest rates at some major banks

Bank	01/2023			01/2024		
	Preferential rate (%/year)	Maximum loan rate (%)	Maximum tenor (year)	Preferential rate (%/year)	Maximum loan rate (%)	Maximum tenor (year)
BIDV	7.7	100	20	6.5	100	30
Vietcombank	11.0-12.0	70	15	6.7	70	20
Techcombank	10.6	70	35	10.5	70	35
VPBank	10.0	75	25	5.9	75	25
Shinhan Bank	10.9	70	30	6.6	70	30

Source: Batdongsan.com.vn, Shinhan Securities Vietnam

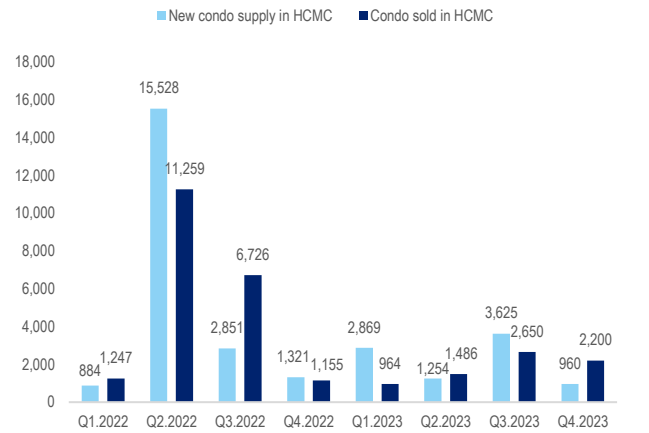
In addition, the draft Housing Law and Real Estate Business Law approved in November 2023 along with the Land Law approved at the January 2024 meeting, have contributed to resolving legal problems, creating favorable conditions for businesses to invest in projects and reducing worries and improving the psychology of home buyers. The above policies and efforts to resolve real estate problems have contributed to helping the real estate market become more vibrant with a sharp increase from both supply and absorption in the third quarter of 2023 after many quarters of dismal trading.

The number of condo sold in Hanoi has recovered strongly since Q3/2023



Source: CBRE, Shinhan Securities Vietnam

Condo sold in Ho Chi Minh City has a recovery trend from Q3/2023



Source: CBRE, Shinhan Securities Vietnam

We believe that the most difficult period of Real Estate has passed because:

- (1) Economic growth returns to create a foundation for the real estate market: GDP growth in 2024 is expected to reach 6.0% thanks to: interest rates maintained at a low level helping credit growth reach 13%-14 % and import-export turnover when demand in export markets recovers.
- (2) Relaxed credit policies are gradually "seeping" into the economy in general and the real estate industry in particular.
- (3) The situation of overlapping, complicated, and unclear legal procedures has been improved thanks to the Draft Law on Real Estate Business and Housing Law, and Land Law have been passed.

However, the recovery will have clear signals from mid-late 2024, the cause comes from: (1) policy lag, Law documents need time to complete the legal corridor (about 6 months) and (2) it takes time for projects to be implemented and start selling.

3. Dominating advantages help Vinhomes have even more advantages

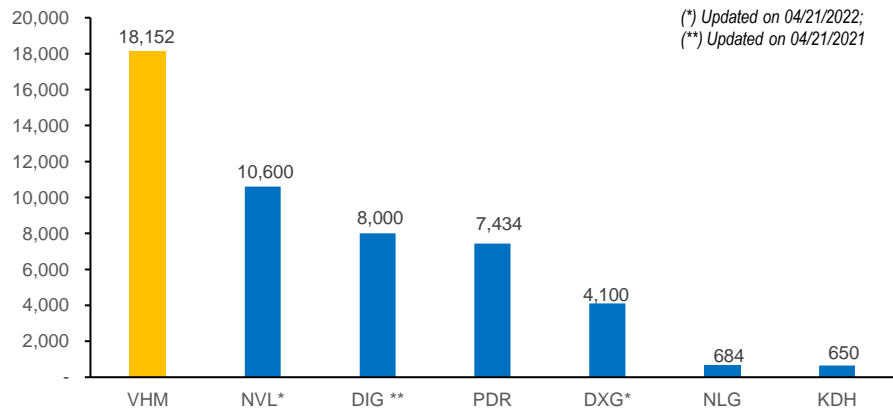
Dominating advantages

Large and quality land bank: Currently, Vinhomes owns a land bank of up to 18,152 hectares - much larger than other real estate businesses; From the beginning of 2023 until now, the enterprise has increased its land bank by more than 1,807 hectares thanks to investment approval in the following projects:

- Duong Kinh - Kien Thuy new urban area: 241 hectares.
- Hau Nghia urban area - Duc Hoa - Long An: 197 hectares.
- Urban area along Cam Ranh Bay - Khanh Hoa: 1,254 hectares.
- Cam Nghia social housing - Khanh Hoa: 88 hectares.
- Dinh Vu social housing - Cat Hai - Hai Phong: 27 hectares.

Besides, Vinhomes is still actively looking for more potential projects to ensure land bank for future development. With the current land bank of 18,152 hectares, Vinhomes has enough projects to deploy for more than 30 years.

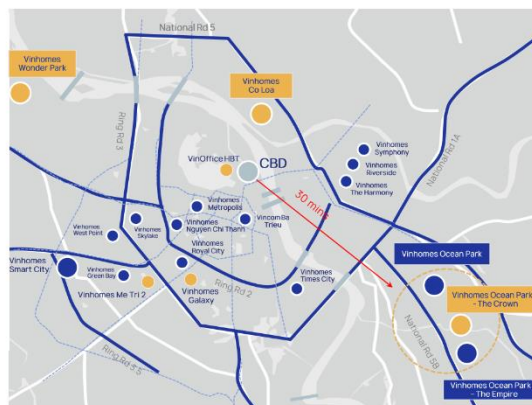
VHM's land bank is much larger than other real estate businesses (ha)



Source: Company data, Shinhan Securities Vietnam

Vinhomes' land bank is not only large, but also quality. If counted in Hanoi and Ho Chi Minh City alone, where population growth and urbanization rates are rapid while inner-city land banks are gradually scarce, Vinhomes has up to 5,489 hectares of land banks here. In Hanoi, typical projects that will be implemented by Vinhomes such as Vinhomes Co Loa and Vinhomes Wonder Park are all located relatively close, and are conveniently connected to the transportation system, so travel time to the central district only about 15 to 40 minutes. Similarly, in Ho Chi Minh City, Vinhomes' key project in the future is Vinhomes Long Beach Can Gio, this project can be considered to be ahead of the long-term trend of the real estate market when (1) many Infrastructure projects that will be invested in in the future are typically Can Gio Bridge with an investment capital of 10,000 billion VND to connect Can Gio district - which is planned to be the center of the southern gulf region.

Prime position of Vinhomes projects in Hanoi in the future



Source: VHM, Shinhan Securities Vietnam

Details of Vinhomes' land bank			
Project trade name	Location	Site area (ha)	Status
Vinhomes Ha Long Xanh	Quang Ninh	7,947	Will deploy
Vinhomes Long Beach	Ho Chi Minh City	2,866	Will deploy
Vinhomes Cam Ranh	Khanh Hoa	1,254	Will deploy
Vinhomes Lang Vn	Da Nang	1,045	Will deploy
Vinhomes Cu Chi	Ho Chi Minh City	924	Will deploy
Vinhomes Vu Yên	Hai Phong	865	Will deploy
Vinhomes The Empire	Hung Yen	458	Deploying
Vinhomes Ocean Park	Ha Noi	420	Deploying
Vinhomes Co Loa	Ha Noi	317	Will deploy
Vinhomes The Crown	Hung Yen	294	Deploying
Vinhomes Smart City	Ha Noi	280	Deploying
Vinhomes Grand Park	Ho Chi Minh City	271	Deploying
Vinhomes Duong Kinh - Kien Thuy	Hai Phong	241	Will deploy
Vinhomes Hau Nghia – Duc Hoa	Long An	197	Will deploy
Vinhomes Wonder Park	Ha Noi	133	Will deploy
Vinhomes Tay Thang Long	Ho Chi Minh City	129	Will deploy
Vinhomes Star City	Thanh Hoa	119	Deploying
Vinhomes Golden Avenue	Quang Ninh	116	Deploying
Vinhomes Me Tri	Ha Noi	74	Will deploy
Vinhomes Ha Tinh	Ha Tinh	64	Deploying
Vinhomes Galaxy	Ha Noi	11	Will deploy
Vinhomes Sky Park	Bac Giang	1	Deploying
Happy Home Cam Ranh	Khanh Hoa	88	Will deploy
Happy Home Nam Trang Cat	Hai Phong	27	Will deploy
Happy Home Star City	Thanh Hoa	9	Will deploy
Happy Home Dong Ha	Quang Tri	2	Will deploy
Total		18,152	

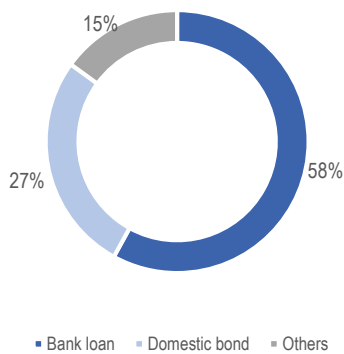
Source: VHM, Shinhan Securities Vietnam

In addition, Vinhomes converges many advantages that have been established, proven over a long period of time and continue to create advantages for Vinhomes such as:

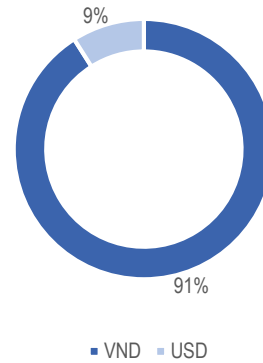
- Outstanding capacity profile thanks to the implementation of many effective projects: Projects invested in by Vinhomes have almost no legal violations, with the time of investment - construction - handover - issuance of books often being convenient compared to the plan, the projects have been handed over with a rate of more than 70% of residents moving in,...; helps increase the possibility of being approved as an investor of new projects.
- Being a reputable and quality brand in the eyes of customers thanks to:
 - o Project implementation progress is quick: from the legal process it only takes about 9 to 12 months, half the time compared to other investors; Also with the progress of construction - acceptance - handover and issuance of books, all took place quickly and on schedule for customers, helping to increase trust.
 - o Decent products - paying attention to customers' lives: with projects with a construction density of only about 40%, good construction quality - finishing, full infrastructure - utilities, partly thanks to Vingroup's ecosystem, and post-handover operation management also brings a good experience.
 - o Attractive Vinhomes real estate investment rate, minimum 9%/year - guaranteed by VMI Real Estate Investment and Management Company when investing through Fantasy Home.
 - o Vinhomes' brand value has been clearly demonstrated through:
 - Projects that are launched for sale are often absorbed in a short period of time, typically recently: Launching 1,000 low-rise apartments at The Crown - in 1 month there were up to 800 deposit orders; Vinhomes Sky Park with absorption rate of 300/400 apartments in the first month of opening for sale...
 - Common payment schedules for customers are usually up to 70% of the apartment value before handover.
 - Vinhomes projects that have been handed over have a rate of 70% of residents moving in.

- Outstanding access to capital: By taking advantage of customers' high prepayment (up to 70% of the apartment value before handover), Vinhomes can also mobilize capital from many other sources such as: (1) High credit limit at commercial banks up to 800 million USD, (2) issuance of domestic corporate bonds and especially (3) Vinhomes is one of the few real estate businesses in particular and Vietnamese businesses in general that can mobilize foreign currency bonds.

Balanced debt structure (12/31/23: 56.7 trillion VND)



Diversifying loans in foreign currencies (12/31/23: 56.7 trillion VND)



Source: VHM, Shinhan Securities Vietnam

Source: VHM, Shinhan Securities Vietnam

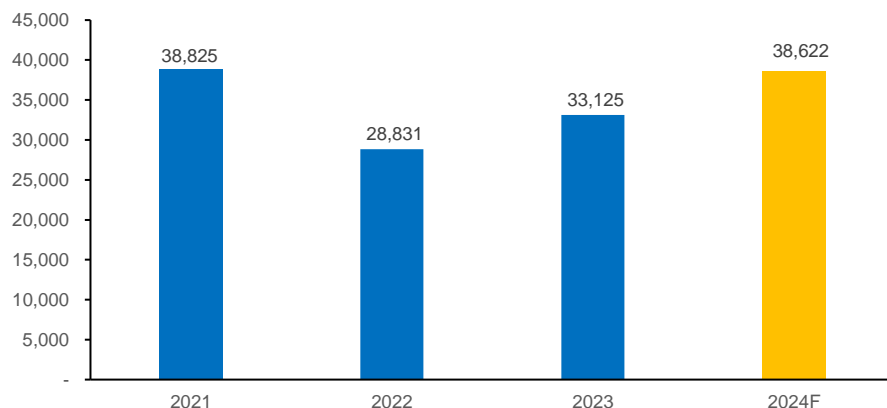
The existing advantages are still promoting each other and continue to bring more advantages to Vinhomes:

- Customers pay a large proportion of the apartment value, helping Vinhomes not be affected by loan sources like competitors, minimizing liquidity risks when the real estate market is difficult.
- Good capacity profile and high-class - sustainable financial capacity help Vinhomes have an advantage when registering as an investor.

Vinhomes profit in 2024 continues to grow, expected to reach 38,622 billion VND (+16.6% YoY)

Because we think that the real estate market will recover from mid-2024 and Vinhomes will be the leading enterprise thanks to its dominating advantages. We expect Vinhomes to open for sale and hand over the two projects Vinhomes Vu Yen - Hai Phong, Vinhomes Golden Avenue Mong Cai - Quang Ninh, and continue to sell and hand over the remainder of the two major projects The Empire and The Crown.

Vinhomes profits continue to grow in 2024 (billion VND)



Source: Shinhan Securities Vietnam

Earnings estimates

1. Contracted sales

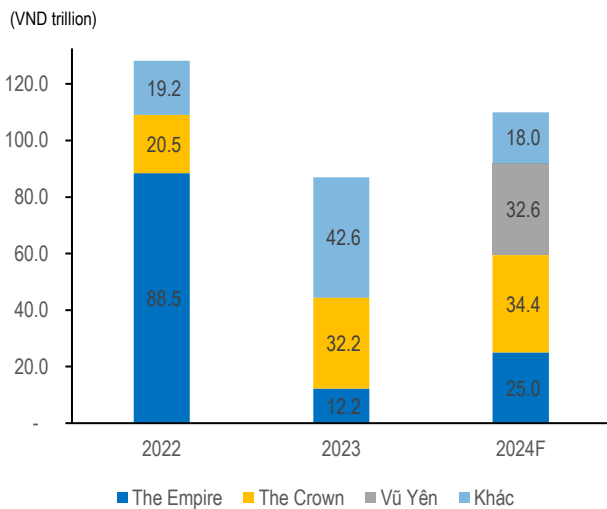
- With the expectation that the real estate market will recover from mid-2024, Vinhomes' contracted sales value will increase 26.6% YoY, reaching 110.1 trillion VND thanks to: (1) Vinhomes continues to smoothly open sales the remaining areas at Ocean Park 2 - The Empire and Ocean Park 3 - The Crown and (2) at the same time, the Vu Yen - Hai Phong project will start to be kicked off for sale for the first time.

2. Total converted revenue

- SSV forecasts that VHM's total converted revenue in 2024 will reach 139,090 billion VND (+14.6% YoY) because of continued product handover at two major projects The Empire and The Crown with unbilled bookings at the end of 2023 reaching up to 37.9 trillion VND, and at the same time open for sale and hand over a large amount of remaining products in these two major projects.

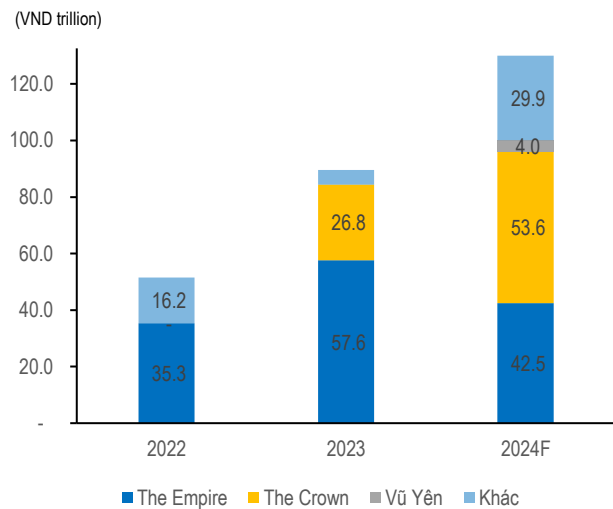
**Total converted revenue: Equal to net revenue plus: (1) revenue from business cooperation projects (BCC) and (2) corresponding revenue from large lot sales transactions in the form of stock transfer part.*

Contracted sales value by project



Source: VHM, Shinhan Securities Vietnam

Projected real estate transfer revenue by project



Source: VHM, Shinhan Securities Vietnam

Valuation and Recommendation

Recommended BUY with target price of 77,000 VND

We recommend BUY VHM shares with a target price of 77,000 VND, corresponding to an upside of 86.9% (compared to the reference price on February 2nd, 2024 of 41,200 VND) because of the following theses: (1) Taking advantage of dominating internal advantages along with a favorable market recovery context, Vinhomes will maintain profit growth momentum in 2024, expected to reach 38,622 billion VND and (2) Attractive valuation offers superior yields compared to many opportunity cost options.

Valuation method

We use the main method RNAV to value Vinhomes' real estate projects, then apply a 10% discount to reflect the risk of the real estate market recovering slower than expected when the macroeconomic situation becomes less positive. Details of the pricing model are presented in the following table:

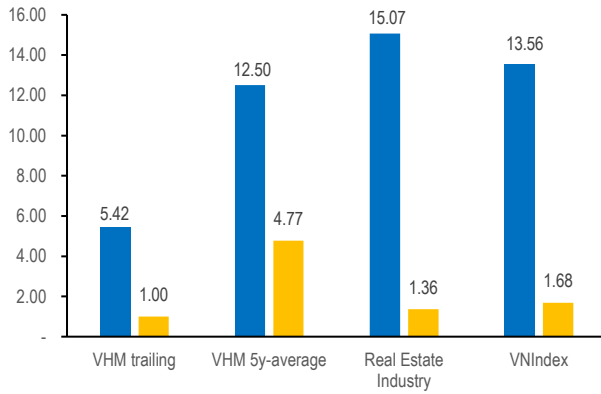
VHM stock valuation model		
	Value (Bn. VND)	Method
1. Ongoing projects	161,645	RNAV
Vinhomes Ocean Park 2 – The Empire	85,552	
Vinhomes Ocean Park 3- The Crown	37,967	
Vinhomes Vu Yen – Hai Phong	19,047	
Vinhomes Golden Avenue	9,286	
2. Identified pipeline projects	203,326	RNAV
3. Others	50,683	BV
Total value (1+2+3)	415,655	
Discount	(41,565)	10%
Total revaluation value	374,087	
(+) Cash and short-term investments	17,937	
(-) Debt + Potential debt	(56,684)	
Total equity value	335,343	
Number of outstanding shares (million shares)	4,354	
Target price (VND/share)	77,000	
Current price (VND/share)	41,200	
Upside	86.9%	
WACC and components.		
Risk-free rate	2.5%	
Beta	1.19	
Equity premium	9.0%	
Cost of debt	10.0%	
Cost of equity	13.2%	
WACC	12.3%	

Source: VHM, Shinhan Securities Vietnam

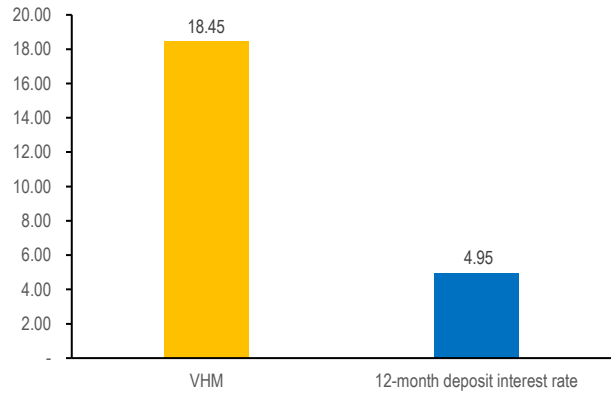
Attractive valuation offers superior yields compared to many opportunity cost options

VHM is currently trading at a trailing P/E and P/B of 5.42x and 1.0x respectively as of February 2nd, 2024 - the lowest base level since the stock was listed. At the current price, VHM is trading at a cheaper valuation than: (1) VHM stock itself in the past, (2) Real estate industry average and (3) General market valuation - VN-Index.

VHM stock valuation is at a relatively cheaper level



VHM stock yield compared to savings interest rate (%)

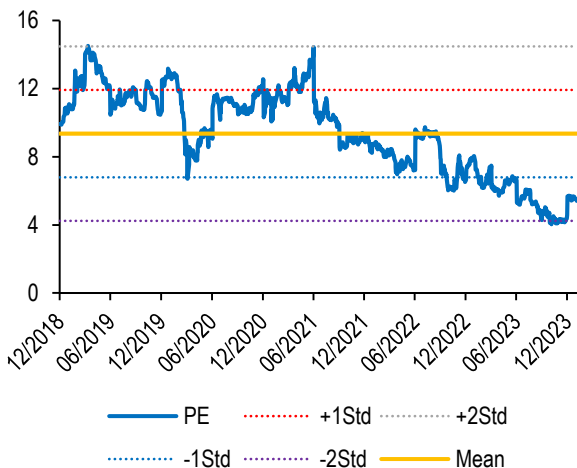


Source: FinPro, Shinhan Securities Vietnam

Source: FinPro, Shinhan Securities Vietnam

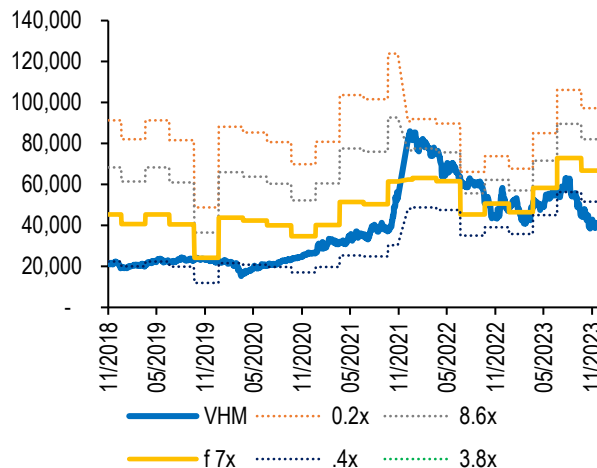
The current valuation level, in our opinion, completely does not reflect the true value of VHM - a business that is not only a leader in the real estate sector in particular, but also one of the leading, best-performing businesses in Vietnam.

VHM's PER



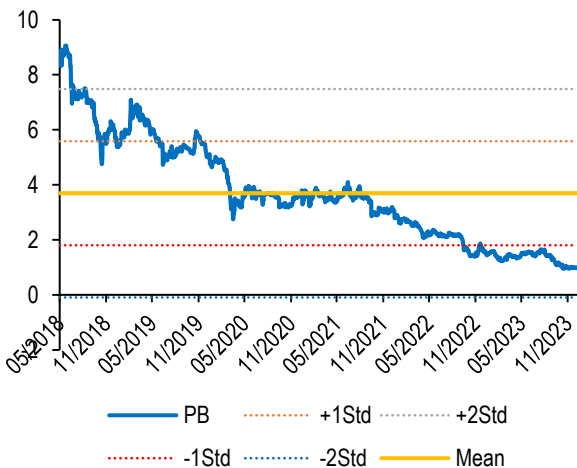
Source: Bloomberg, company data, Shinhan Securities Vietnam

VHM's PER band



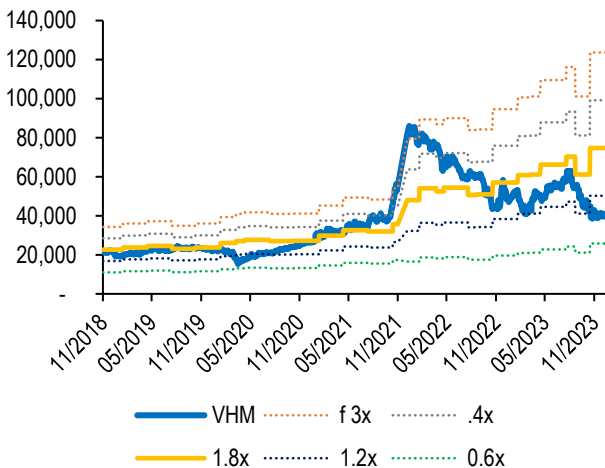
Source: Bloomberg, company data, Shinhan Securities Vietnam

VHM's PBR



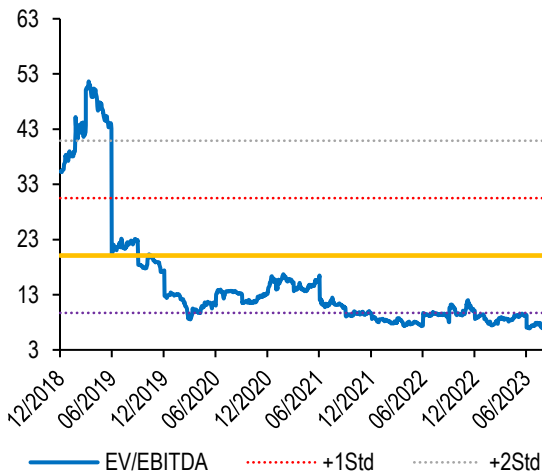
Source: Bloomberg, Company data, Shinhan Securities Vietnam

VHM's PBR band



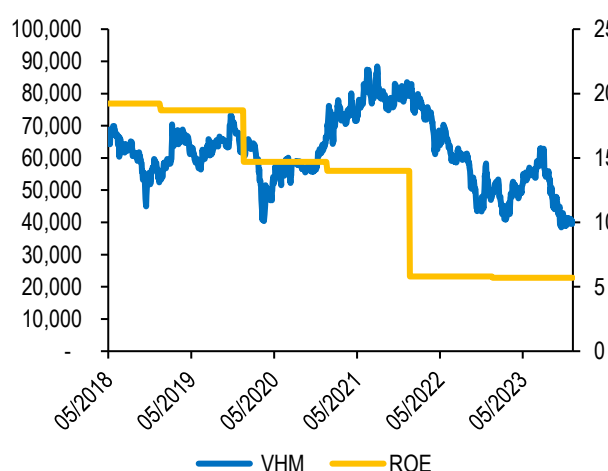
Source: Bloomberg, Company data, Shinhan Securities Vietnam

EV/EBITDA of VHM



Source: Bloomberg, Company data, Shinhan Securities Vietnam

VHM's price vs ROE



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Key events chart of VHM



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Risks

Cyclical risks

The real estate industry is a cyclical industry, greatly influenced by the macroeconomic context: investors need to borrow capital from the bond market and bank credit to invest in projects, consumers' need to buy real estate are greatly affected by income and ability to borrow - interest rates from banks... During periods of economic recession and stagnation, investors - real estate project developers like Vinhomes will have to face the risk of weak consumer demand leading to low absorption rates, while still having to bear financial burdens.

Policy risks

Because of its importance to the economy, the real estate industry is controlled by many legal documents such as: Real Estate Business Law, Housing Law, Land Law... At the same time, credit for the real estate sector are also given special attention by the Government when real estate is an industry that accounts for a large proportion of outstanding credit debt and corporate bond debt. Therefore, any inadequacies in the Government's management of the real estate industry such as (1) overlapping and unclear legal documents, (2) limited access to capital... all lead to risks put that pressure on costs for Vinhomes when project implementation has to be postponed, interest costs increase...

Appendix: Financial Statements

Income Statement

Year to Dec. (bn VND)	2020	2021	2022	2023	2024F
Revenue	71,547	84,986	62,393	103,334	139,090
COGS	(45,611)	(36,526)	(31,696)	(67,744)	(77,213)
Gross profit	25,936	48,460	30,696	35,590	61,877
Selling expense	(2,681)	(2,289)	(2,432)	(3,474)	(4,467)
Administrative expense	(2,193)	(3,769)	(2,644)	(4,183)	(5,379)
EBIT	21,062	42,402	25,621	27,933	52,031
Financial income	20,245	7,995	16,690	20,363	1,173
Other financial expense	(1,018)	(438)	(2,319)	(905)	-
Interest expense	(3,002)	(2,348)	(2,076)	(3,092)	(4,704)
Profit from affiliated company	19	54	56	11	-
Other profit/loss	(789)	518	670	(1,066)	(107)
Pre-tax profit	36,517	48,183	38,643	43,244	48,393
Income tax	(8,310)	(9,234)	(9,481)	(9,957)	(9,679)
Net profit	28,207	38,948	29,162	33,287	38,714
Controlling interest	855	124	331	161	92
NPATMI	27,351	38,825	28,831	33,125	38,622
EBITDA	21,604	43,490	26,837	30,084	52,802
EPS	8,153	8,904	6,611	7,597	8,781

Balance Sheet

Year to Dec. (bn VND)	2020	2021	2022	2023	2024F
Current assets	102,312	94,437	196,535	240,250	250,445
Cash & equivalents	13,714	4,626	10,817	14,104	13,035
Short-term financial asset	2,054	4,979	6,297	3,833	3,833
Accounts receivable	34,592	37,750	96,209	126,607	114,168
Inventories	42,984	28,579	64,362	52,343	76,046
Other short-term assets	8,968	18,503	18,851	43,363	43,363
Non-current assets	113,014	136,079	165,277	207,111	199,355
Net fixed assets	5,907	7,498	9,340	11,731	11,812
Long-term unfinished investment	32,361	45,033	50,683	63,970	63,970
Investment assets	8,700	12,079	15,524	17,932	17,932
Other long-term assets	66,047	71,470	89,731	113,478	105,641
Total assets	215,326	230,516	361,813	447,361	449,799
Current liabilities	103,385	75,401	187,762	214,020	186,635
Accounts payable	11,401	12,507	15,031	20,607	15,209
Short-term borrowings	10,998	251	15,330	18,290	19,143
Others	80,986	62,643	157,401	175,123	152,283
Non-current liabilities	22,811	23,708	25,528	50,971	43,253
Long-term borrowings	13,958	19,668	20,876	38,394	34,310
Long-term unearned revenue	3,326	1,251	917	771	-
Other financial liabilities	5,527	2,789	3,735	11,806	8,943
Total liabilities	126,196	99,109	213,291	264,991	229,888
Capital stock	33,495	43,544	43,544	43,544	43,544
Retained earnings	56,259	79,413	99,934	133,125	171,681
Other capital	(4,349)	524	476	1,106	-
Non-controlling interest equity	3,429	6,666	3,309	3,335	3,427
Total shareholder's equity	89,130	131,407	148,522	182,369	219,912
Total capital	215,326	230,516	361,813	447,361	449,799
Number of outstanding shares (mil)	3,350	4,354	4,354	4,354	4,354
Book value (VND/share)	25,586	28,647	33,349	41,116	49,717

Source: VHM, Shinhan Securities Vietnam

Cash Flow Statement

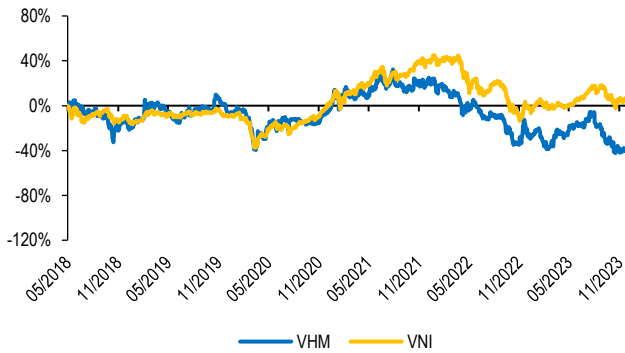
Year to Dec. (bn VND)	2020	2021	2022	2023	2024F
PBT	36,517	48,183	38,643	43,244	48,393
D&A expense	542	1,088	1,217	2,150	771
Change in working capital	12,776	(13,193)	9,598	(8,616)	(14,568)
Others	(24,952)	(19,004)	(18,454)	(21,476)	(9,961)
Cash flow from operations	24,882	17,074	31,004	15,302	24,635
Change in fixed assets	(3,500)	(17,898)	(18,299)	(13,703)	(15,024)
Change in investment assets	(18,920)	(4,098)	(8,530)	(19,567)	(9,022)
Cash flow from investments	(22,420)	(21,996)	(26,829)	(33,270)	(24,026)
Dividends	(218)	(5,199)	(9,384)	-	(192)
Net borrowing	(1,077)	(5,481)	11,400	21,238	(3,230)
Others	(786)	6,515	-	17	1,743
Cash flow from financing	(2,081)	(4,165)	2,016	21,255	(1,679)
Beginning cash	13,332	13,714	4,626	10,817	14,104
Changes	381	(9,088)	6,191	3,287	(1,070)
Ending cash	13,714	4,626	10,817	14,104	13,035

Key Ratios

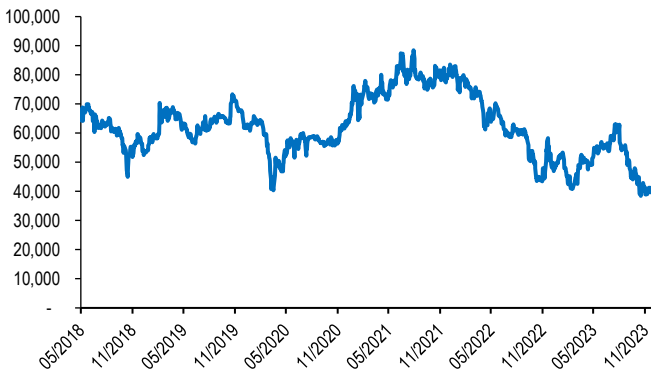
Year to Dec. (bn VND)	2020	2021	2022	2023	2024F
Liquidity					
Current ratio	1.0	1.3	1.0	1.1	1.3
Quick ratio	0.6	0.9	0.7	0.9	0.9
Solvency					
Debt to total assets	12%	9%	10%	13%	12%
Debt to total capital	29%	16%	25%	32%	25%
Activity					
Inventory turnover (days)	344	286	742	421	359
Receivable turnover (days)	176	162	563	241	300
Payable turnover (days)	364	444	766	189	359
CCC	157	5	539	473	300
Profitability					
GPM	36.5%	57.0%	49.2%	34.4%	44.5%
NPM	39.6%	45.8%	46.7%	32.2%	27.8%
ROE	31.6%	29.6%	19.6%	18.3%	17.6%
ROA	13.1%	16.9%	8.1%	7.4%	8.6%
Valuation					
PE	5.1	4.6	6.2	5.4	4.7
PB	2.9	1.4	1.3	1.0	0.8
Growth					
Revenue	39%	19%	-27%	66%	35%
EBIT	-9%	101%	-40%	9%	86%
PBT	16%	38%	-25%	15%	16%
EPS	26%	9%	-26%	15%	16%

VINHOMES JSC (VHM VN)

Stock price



Target price



Date	Rating	TP (VND)	TP gap (%)	
			Mean	Highest/Lowest
02/02/2024 (Initiation)	BUY	77,000	49.5	16.3/109.5

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

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Stock

- ◆ **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

Sector

- ◆ **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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