

Solid inside, promising outside

- Vietnam property market is at the turnaround corner after three property and land laws are passed and industry frauds are resolved
- Net profit growth should return to a strong path in 2H25 onwards
- Maintain BUY and a TP of THB6.0; trading at only 5.0x 2025E P/E

Net profit growth remains solid and visible

SCGD's net profit growth remains on track, rising from THB810m in 2024 to THB1.1b in 2025 and THB1.3b in 2026 on its well-planned, effectively executed strategies to grow its net profit in Vietnam, HVA products, and lower cost structure that we think will be reliably predictable even under the depressed domestic demands for ceramics in Thailand and intensifying industry competition.

Vietnam's property market; on the brink of growth and recovery

Vietnam's property market is now poised to re-grow again after 2-year of stumbling demand thanks to the government's ongoing revamp efforts to crack down frauds and property developers' misconducts. The outlook is turning positive for Vietnam's real estate market. Hanoi is expected to continue growing strongly while HCMC is projected to recover in the coming years, buoyed by robust economic growth and an improved legal framework. As a result, we think net profit growth from Vietnam to SCGD will rise meaningfully in 2H25-2026.

New laws, new life to Vietnam's property market

Together with three important laws - the Land Law, the Housing Law, and the Real Estate Business Law - taking effect since August 2024, it will create a legal corridor and a favorable premise for the next market period. Therefore, 2025 is considered the first year of a new development cycle, according to CBRE Vietnam.

Lower energy cost's a boon to margin

Thanks to the abrupt ceasefire between Israel and Iran after only 12 days of war, global energy price, including oil and LNG, dropped sharply. This should be a boon to SCGD as its energy cost accounts for 40% of total cost. SCGD's relentless effort to reduce its energy cost structurally further ensures margin improvement, in our view.

Solid executions from inside, strategic growth from outside

We maintain BUY and a TP of THB6.0. We believe SCGD's strengths in strategic growth roadmap, solid industry demand outlook particularly in Vietnam, and its distressed valuation at only 5.5x 2025E P/E deserves investors' attention as one of the most attractive stocks in SET. Risks are its low liquidity and the investors' perceived inferior construction material sector, which we think both is misunderstood and highly undervalued.

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ESG Rating : A

CG Rating : ▲▲▲▲▲

BUY

Target Price 12M (THB)	6.00
VS. BB Consensus TP (%)	-8.7%
Share Price (THB)	3.54
Upside/Downside	+69.5%

Share Data

Market Cap (THB m)	5,841.00
Par (THB)	10.00
Free Float (%)	26.60
Issued shares (m shares)	1,650

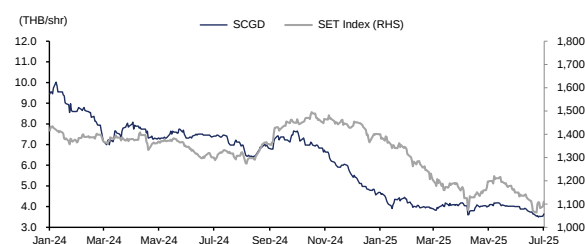
Financial forecast

YE Dec (THB m)	2024	2025E	2026E	2027E
Revenue	25,563	27,514	29,010	30,316
Net profit	810	1,095	1,290	1,475
Core net profit	810	1,095	1,290	1,475
vs Consensus (%)	-	6.5	10.8	11.4
Net profit growth (%)	147.1	35.2	17.8	14.3
Core net profit growth (%)	147.1	35.2	17.8	14.3
EPS (THB)	0.49	0.66	0.78	0.89
Core EPS (THB)	0.49	0.66	0.78	0.89
Chg from previous (%)		0.00	0.00	0.00
DPS (THB)	0.38	0.51	0.60	0.68
P/E (x)	9.78	5.33	4.53	3.96
P/BV (x)	0.41	0.30	0.29	0.28
ROE (%)	4.17	5.65	6.51	7.26
Dividend yield (%)	12.78	6.97	5.92	5.18

Source: Financial Statement and Globlex securities

Share Price Performance (%)

	1M	3M	6M	YTD
Stock	(11.50)	(14.49)	(26.25)	(26.25)
Market	(6.66)	(7.75)	(5.22)	(5.22)
12M High/Low (THB)				7.95 / 3.48



Major Shareholders (%) as of 1 Apr 2025

The Siam Fibre-Cement Company Limited	73.39
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Company Profile

Business of tiles for floors and walls both in Thailand and other countries, Business of bathroom products in Thailand, and Business of industrial estate services.

Source: SETSMART, SET

Solid inside, promising outside

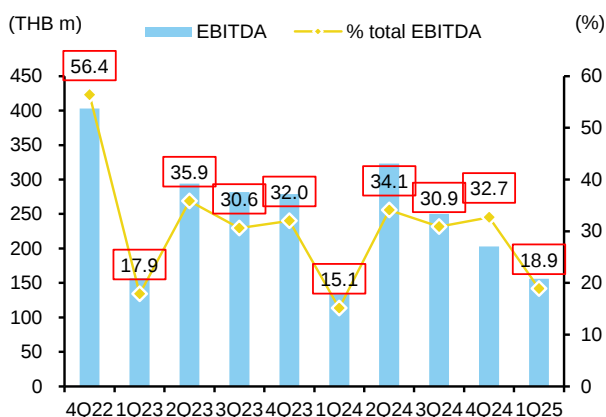
Net profit growth remains solid and visible

SCGD has been previously enjoyed strong net profit contributions from Vietnam market, which had accounted for 1/3 of SCGD's EBITDA in 2022-24 before Vietnam's property market stumbled as a result of the government's crackdown on industry misconducts and frauds.

Since peaking at 2Q24 with EBITDA at THB323m, Vietnam has seen a sharp drop in EBITDA contribution to SCGD to only 50% of its peak within only four quarters as Vietnam's government is in the process to "clean" the property sector, which we think is sooner rather than later to rebuild and grow its property sector in a much cleaner way.

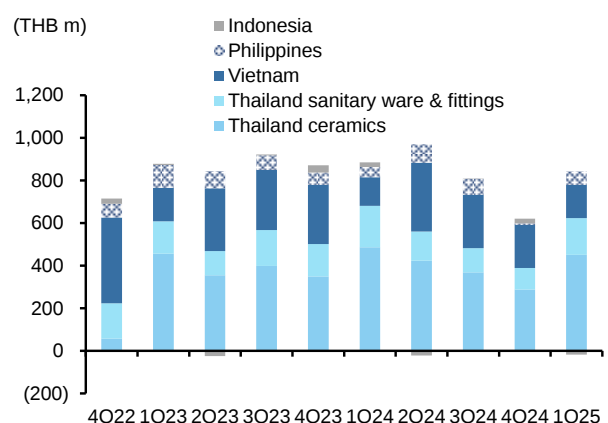
In 2H25 into 2026, we project EBITDA contribution to SCGD from Vietnam would grow meaningfully, rising from THB156m bottom in 1Q25 to THB0.3b by 4Q26. Key catalysts are 1) the rebound in property sector after the 2-year of supply halt, creating strong pent-up demands; 2) the benefits of SCGD's growth strategies that we think will begin to materialize in a more meaningful scale in 2H25 onwards.

Exhibit 1: Vietnam's EBITDA, % of total EBITDA



Sources: SCGD

Exhibit 2: EBITDA breakdown by business (%)



Sources: SCGD

Growth strategies materialize in 2H25 onwards

We emphasize that SCGD has been crystally evident in its growth strategies to enhance operational efficiency, capture industry and market growth opportunities in a timely manner, and monetize SCGD's existing asset portfolio to create better shareholders' value.

Strategy#1: Cost reduction. SCGD has been striving for continuously superior cost competitiveness to ensure that it will not only survive in the 'red ocean' ceramics industry but also search for value creations via branding and marketing strategies.

Since 2022, SCGD has succeeded in reducing its energy cost by raising the usages of the low-cost, greener solar farms and biomass as a fuel to replace coal and gas. As of 1Q25, SCGD achieved 36.3MW operating solar farms (10.7% of energy consumption) with a target at 15% by 2030. Biomass fuel also saw its role to contribute 19.3% of total energy consumption as of 1Q25 with a target at 46% by 2030.

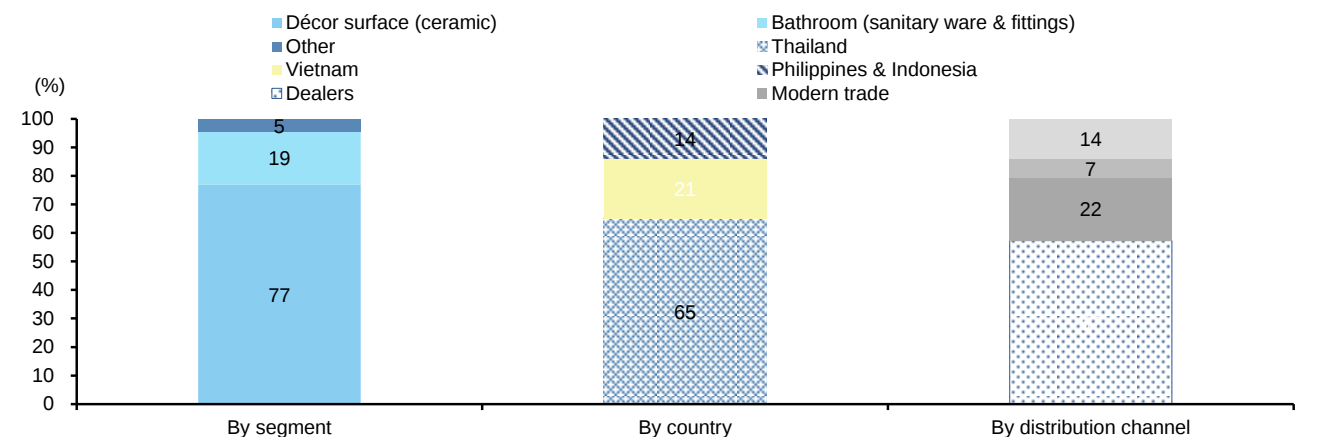
Strategy#2: Product enhancement. SCGD aims to improve its margins on the product upgrades into High Value-Added (HVA) segment, M&P, and production conversion into superior products.

Vietnam is the most conspicuous example in this strategy as SCGD continues to upgrade its commodity grade ceramic tile production capacity into the HVA glazed porcelain facility. By 3Q25, SCGD will increase its glazed porcelain production capacity in Vietnam from 15% to 24% of total capacity (53.6m sqm/year from 5 plants in Northern Vietnam and one 28m sqm/year capacity in central Vietnam). SCGD plans to increase further to 50% of total ceramic/porcelain capacity in Vietnam by 2030.

Given the 10%-15% points higher gross margin for glazed porcelain than existing commodity ceramic gross margin, we think SCGD will double down its growth in Vietnam from both margin improvement and sales volume growth from industry demand recovery.

Bathroom is SCGD's another growth driver with plans to 1) expand number of distributors in overseas markets – Vietnam to 40-45 in 2025E (+5), Indonesia to 50-55 (+5), and the Philippines to 120 (+10) – based on our estimates. Innovation should also play a key role in the growth strategy in overseas markets, particularly Vietnam, as SCGD has the strong capability of product design and innovations from its R&D centers.

Exhibit 3: Revenue breakdown (2024)



Sources: SCGD

Vietnam's property market is poised to rebound

Vietnam's residential property market has become two-tiered, with apartment prices in Hanoi experiencing significant increases, while prices in Ho Chi Minh City are now declining.

Hanoi property market continue to blossom. In Hanoi, the country's capital city, the average price of apartments rose by a whopping 22.3% y-y (19.1% inflation-adjusted) to USD2,547/sqm in 3Q24 vs +9.5% y-y in 3Q23. Hanoi apartment prices increased by 3.1% q-q in 3Q24 (2.3% inflation-adjusted) while demand is surging in the capital city.

In 3Q24, the total number of apartment sales reached 6,840 units, up by 35% y-y and 226% y-y. The recent strong growth in Hanoi's housing market can be largely credited to the new housing and land reform laws, which have boosted homebuyer interest in the capital city.

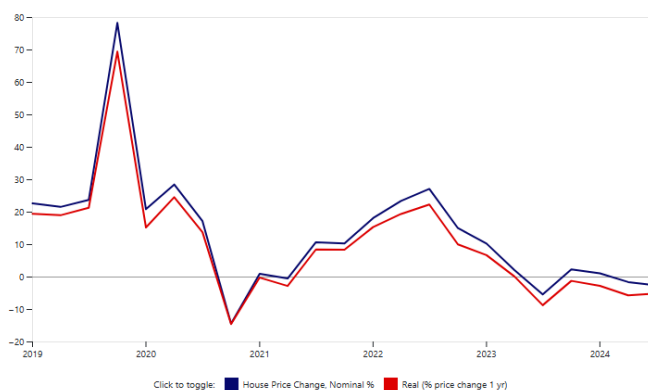
New property-related laws in effective as key catalysts. Throughout 2024, Hanoi housing market saw strong buyer interest, particularly in the for-sale apartment segment. The recovery momentum continued in 2H24 into 2025. Notably, this period also saw the early implementation of real estate-related laws, including the 2024 Land Law, the 2024 Housing Law, and the Law on Real Estate Business, further reinforcing investor confidence in the real estate sector.

Ho Chi Minh City (HCMC), in contrast, is currently experiencing a slowdown, with its apartment prices falling by 2.5% (-5% inflation-adjusted) in 1Q25 y-y, to an average of USD3,148 per sqm. This followed a 5.3% y-y decline in 3Q23. Quarterly, apartment prices in HCMC were down by 1.4% (-2.2% inflation-adjusted) in 1Q25. The decline in prices can be attributed to falling demand. In 3Q24, the number of apartments sold dropped 4% y-y to 1,915 units and sales were down 16% q-q.

However, the HCMC housing market is projected to improve in the coming months, as the new Land Price Framework takes effect. At the end of 2024, Ho Chi Minh City officially introduced a new land price framework, marking a significant milestone with increases ranging from 4 to 38 times. This adjustment aims to enhance transparency and align with market values.

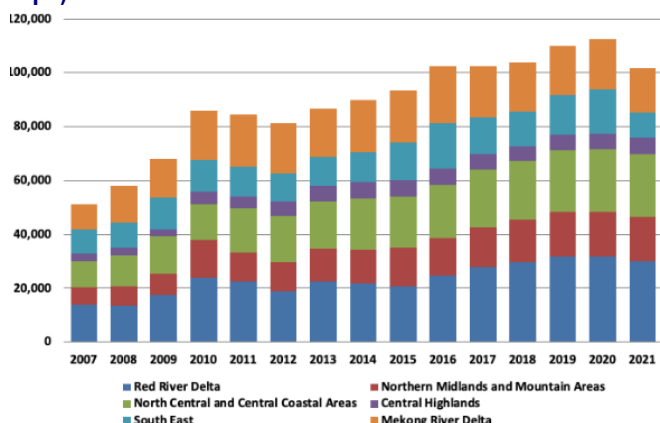
By adjusting land prices to reflect actual market values, the new framework builds greater trust among foreign investors. This is a necessary step to ensure the sustainable development of the market, according to Director of Advisory Services, at Savills Viet Nam.

Exhibit 4: Vietnam's house price annual change (%)



Sources: Global Property Guide

Exhibit 5: Residential construction by region (1,000 sqm)



Sources: Global Property Guide

New laws, new life to Vietnam's property market

Vietnam opened up to foreigners a decade ago. Foreign residents in Vietnam are now permitted to purchase dwelling houses and can own the house but not the land on which it is built. Despite this development, many potential foreign homebuyers are still discouraged from investing in Vietnam because of its inconsistent laws and complex regulatory framework, especially for foreigners looking to buy property in the country.

Vietnamese property tycoon frauds caused tsunami aftermath to property market

What degree that Vietnamese property tycoon Truong My Lan triggered to Vietnam's property industry could be summed up in the recent verdict by the High People's Court of Vietnam.

"The consequences Lan caused are unprecedented in the history of litigation and the amount of money embezzled is unprecedentedly large and unrecoverable," the prosecution said at the appeal hearing, according to state-run online newspaper VietnamNet.

"The defendant's actions have affected many aspects of society, the financial market, the economy."

Lan, the chairwoman of real estate developer Van Thinh Phat Holdings Group, was sentenced to death in April 2024 for her role in what was Vietnam's biggest financial fraud case on record. She is convicted of orchestrating financial fraud amounting to USD12b, equaling nearly 3% of the country's 2022 gross domestic product (GDP), and for illegally controlling the Saigon Commercial Bank (SCB). Her arrest in 2022 prompted a run on SCB, one of the country's largest private banks. About 36,000 people have been identified as victims of the fraud, which shocked the communist nation and prompted rare protests.

Exhibit 6: Vietnamese property tycoon Truong My Lan at court in Ho Chi Minh City on 11 April 2024



Sources: Fortune

Exhibit 7: Skyscrapers buildings in Ho Chi Minh City



Sources: AsiaRealEstateSummit.com

Vietnam's problems with the property market began before the pandemic when developers began expanding aggressively, using local banks and bond markets to drive growth. The sector began to draw concerns as developers with a stock market overlap created a risk of contagion. Questions were also being raised over whether lenders were overleveraged and at risk of going bust in the event of a downturn.

When Truong was arrested last year, the extent to which the property sector was fueling the economy was laid bare as a run was triggered on the Saigon Commercial Bank, prompting the central bank to step in. Investors couldn't sell their bonds fast enough and hundreds of small developers were imperiled along with thousands of projects. Buyer demand plummeted as people pondered whether the house they wanted would be built as promised.

Buyers, sellers, and developers are holding back, affecting property transactions and development projects. In August 2024, Vietinbank auctioned off more than 350 properties with a total value of USD337m as their borrowers could not pay for their debt. House prices dropped in all sectors of the property market, prompting many brokerages to close especially in Ho Chi Minh City—where apartments saw an average drop of USD38,100—and Hanoi.

More lights at the end of tunnel

The outlook is positive for Vietnam's real estate market. Hanoi is expected to continue growing strongly while HCMC is projected to recover in the coming years, buoyed by robust economic growth and an improved legal framework.

Together with three important laws - the Land Law, the Housing Law, and the Real Estate Business Law - taking effect since August 2024, it will create a legal corridor and a favorable premise for the next market period. Therefore, 2025 is considered the first year of a new development cycle," according to CBRE Vietnam.

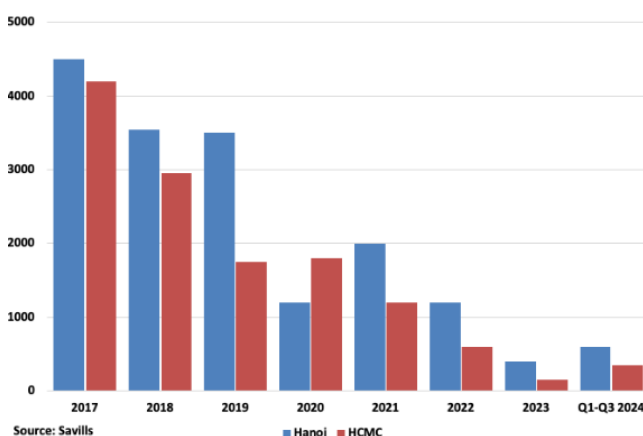
During 2024, Vietnam's economy grew robustly by 7.09%, mainly driven by strong exports and foreign investment inflows. It was an acceleration from the real GDP growth rate of 5.05% in 2023 and 8.02% in 2022.

The International Monetary Fund (IMF) expects the Vietnamese economy to grow by a robust 6.1% this year and by another 6% in 2026. The World Bank is even more optimistic, projecting a real GDP growth rate for Vietnam of 6.6% in 2025. Oxford Economics' economic forecast for Vietnam is also closely aligned, projecting a real GDP growth of 6.5% in 2025.

Demand for property sales to surge soon

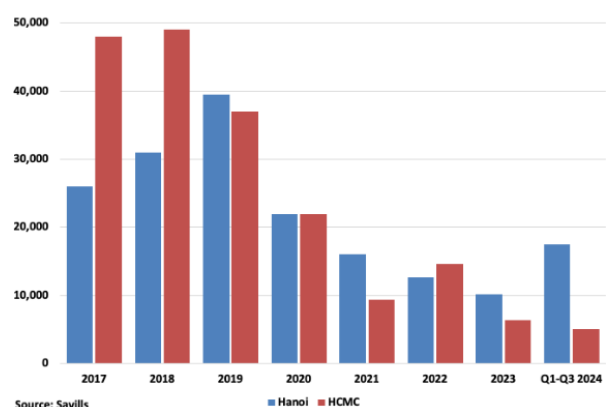
Residential property demand in Vietnam remains strong, amidst declining interest rates, strong foreign investments, and robust overall economic growth. Accordingly, the market saw more than 47,000 property transactions in 2024, achieving an absorption rate of 72%. Condominiums accounted for about three-fourths of total transactions. The total number of real estate businesses resuming operations exceeded 3,227 in 2024, a strong growth of 42.2% y-y.

Exhibit 8: Villas and Townhouses sales



Sources: Global Property Guide

Exhibit 9: Vietnam's apartment sales



Sources: Global Property Guide

Hanoi property market outlook – brighter ahead

For apartments, total sales soared by a whopping 226% y-y to 6,840 units in 4Q24, according to Savills. Apartment sales were up by 35% q-q. Grade B apartments accounted for 98% of sales. New inventory made up 65% of total sales and reached a market absorption rate of 85%.

For villas and townhouses, there were 326 units sold in 4Q24, up 194% q-q and by a whopping 223% y-y. The market absorption rate increased to 48%.

For foreign homebuyers, the three most popular projects were Hai Dang City (Mon City), Imperia Smart City Tay Mo, and Golden Palace A.

Conversely, property transactions in Ho Chi Minh City present a mixed trend, with apartment sales declining while villa and townhouse sales are on the rise.

HCMC property market outlook – still mixed but poised to be better

Apartment sales fell by 4% y-y to 1,915 units in 4Q24, according to Savills. Sales were down by 16% q-q. The market absorption rate stood at 39% - down by 2% points q-q but up by 13% y-y. Sales of villas and townhouses rose sharply by 140% q-q and by 170% y-y to 173 units in 4Q24. The absorption rate was 23%, up by 12% points q-q and by 14 % points y-y. Robust demand remains for affordable products; however sentiment towards higher-end properties remains cautious.

Property supply outlook

Apartment supply increasing in Hanoi but falling in HCMC

In Hanoi, there were 5,265 new supply of apartments in 3Q24, up by 95% q-q and by 178% y-y, based on Savills. Two key developers - Lumi Ha Noi and QMS Top Tower - contributed 3,488 units, equivalent to about two-thirds of the new supply. The primary stock of apartments in the capital city stood at 10,497 units in 3Q24, up by 2% q-q but still down by 47% y-y. An additional 9,700 units were estimated to have been delivered to the market in 4Q24.

From 2025 onwards, about 110,000 units from 106 projects will enter the market, with Grade B apartments contributing the largest share of 54% of future supply, according to Savills. Dong Anh, Hoai Duc, Gia Lam, and Hoang Mai developers will account for 62% of the share.

In HCMC, on the other hand, new apartment supply plunged by 30% q-q to 799 units in 3Q24. This was mainly due to delayed launches in some projects and the temporary halt of sales in other projects due to incomplete legal requirements or sale policy adjustments. HCMC had a total primary stock of 4,871 units in 3Q24, down by 13% q-q and by 36% y-y. The East (Thu Duc City) held 58% of the total stock while the West (District 6 and Binh Tan) accounted for 20%. About 6,700 additional units were estimated to have been delivered in 4Q24, particularly from projects such as Vinhomes Grand Park - The Opus One, and The Forest Gem.

Though, supply is expected to improve in the coming years. Revised laws, city planning updates, and key infrastructure completions will buoy the market. By 2027, more than 50,000 units from 76 projects will be launched. Thu Duc City will account for 49% of the supply, District 7 for 12%, and Binh Tan for 9%," according to Savills.

Supply of villas and townhouses growing but remains scarce

In Hanoi, 176 new villas and townhouses entered the market in 3Q24, up by 38% q-q. The new supply came from Thanh Lam Dai Thinh 2 in Me Linh, Solasta Mansion in Ha Dong, and Him Lam Thuong Tin in Thuong Tin. The total primary stock of villas and townhouses in the capital city stood at 673 units, up by 11% q-q but down by 7% y-y.

In 4Q24, 2,975 dwellings were estimated to have been delivered to the market, according to Savills. These additional units came from Vinhomes Global Gate, Him Lam Vinh Tuy, and Solasta Mansion. Dong Anh District will account for the largest share of future stock at 19%, followed by Me Linh with 16% and Ha Dong with 15%.

In HCMC, the new supply was limited to 145 units, but a huge improvement from just 10 units in the previous quarter and zero from a year earlier. The new supply came from The Meadow project in Binh Chanh and the next phase of The Sholi Binh Tan. The primary stock of villas and townhouses in HCMC reached 766 dwellings in 3Q24, up by 15% q-q but largely unchanged y-y. Thu Duc City accounted for about 67% share of the primary supply, followed by Binh Chanh with 19% share. In 4Q24, an additional 140 units of newly built villas and townhouses have entered the HCMC market, based on projections released by Savills.

By 2027, future supply is projected to reach 5,182 dwellings. Suburban areas (Binh Chanh, Nha Be, Cu Chi, Can Gio) will account for 59%, Thu Duc City 28%, Binh Tan 12%, and District 8 will hold the remainder, according to Savills.

Vietnam property market

The memory of a housing bust (2009-2013)

Vietnam witnessed a prolonged housing crisis after the 2008-9 global financial crisis. Property prices plunged by double-digit figures. The government was embarrassed, banks were bankrupted, and the economy slowed sharply. The banking system effectively collapsed. One out of every ten loans in the banking system stopped paying.

To bolster demand, the government provided the real estate market with a USD1.4b stimulus package in 2013, subjected developers to stricter financial requirements, and bought USD8b of non-performing loans. The central bank slashed the refinance rate and discount rate several times and gave about USD197m in credit to homebuyers through Vietinbank. These measures were, over time, successful.

Pre-pandemic real estate growth

Following several years of housing decline, the Vietnamese government's efforts helped the real estate market recover - in fact, apartment prices in HCMC surged 75% (63% inflation-adjusted) from 2017 to 2019.

Vietnam has begun to be seen as the next luxury property market hotspot, with a booming economy, coupled with laws that recently have made it easier for foreigners to buy. As a result, wealthy international investors have been drawn to the country.

Vietnam's improving infrastructure is also a plus factor. Vietnam focuses on investment in infrastructure including 2,000 km of new highways, subway systems in Hanoi and Ho Chi Minh City, and many airport expansion and construction projects, based on JLL.

Aside from increasing foreign interest, the property market was also buoyed by strong demand from wealthy locals. The homeownership rate in Vietnam exceeds 90% - one of the highest rates in the world.

Rental Market:

Apartment rental growth in Hanoi slowing; supply more or less steady

In Hanoi, the average asking rent for Grade A apartments was USD26.8 per sqm per month in 4Q24, down by 4.1% y-y, according to CBRE. Rents were up slightly by 0.2% q-q in 4Q24. On the other hand, Grade B apartments' average monthly rent rose by a meager 0.2% q-q to USD17.6 per sqm in 4Q24.

Overall, the market rent for serviced apartments stood at an average of USD24.8 per sqm in 4Q24. The average vacancy rate for both grade projects combined was registered at 20.7% in 4Q24.

Grade A apartments: vacancy rate of 18.7%, down by 2.9% points q-q and by 8.9% points y-y. Grade B apartments: vacancy rate of 28.6%, down by 2.7% points q-q but up by 3.3% points y-y. Expats working in industrial parks are a major source of demand for serviced apartments in Hanoi. The supply of serviced apartments in Hanoi was more or less steady at 5,222 units. In fact, no new projects entered the market in 4Q24.

Grade A serviced apartments dominated the market, representing about 80% of the total supply. Hanoi's serviced apartment market is expected to see an additional supply of over 2,881 new units in the next three years.

Low to moderate rental yields

The average gross rental yields in Vietnam - the return earned on the purchase price of a rental property, before taxation, vacancy costs, and other costs - stood at 3.83% in 1Q24, down from 4.02% in 3Q23, according to the Global Property Guide. Gross rental yields in Hanoi, Ho Chi Minh City, and Da Nang can be low to moderately good, depending on location.

In Hanoi, gross rental yields range from 1.52% to 5.07%, depending on the district but still, the overall average for the city is 3.7%.

In Ho Chi Minh City, yields are slightly higher, at between 2.7% and 5.39%, again depending on the district. The average for the city is 4%.

In Da Nang, the rental yields are between 3.17% and 4.25% with an average of 3.81%.

Mortgage Market:

Interest rates falling, but mortgage market still underdeveloped

As of December 2024, the State Bank of Vietnam (SBV), the country's central bank, held its benchmark refinancing rate unchanged at 4.50%. The discount rate was also kept at 3.00%. This move aims to boost lending growth and buoy economic activity. In early 2024, the central bank asked credit institutions to reduce loan interest rates and supply capital for prioritized sectors, including individual housing demand, social housing, houses for workers, and affordable commercial housing projects.

Then on November 27, 2024, the SBV released Document No. 9774/NHNN-CSTT, instructing credit institutions and the central bank's municipal and provincial branches to rigorously enforce measures to stabilize deposit interest rates and make greater efforts to lower lending interest rates.

Many banks in Vietnam have rolled out mortgage packages with interest rates fixed at 5% to 6%, the lowest level recorded in the past decade. At Shinhan Bank, fixed interest rates for mortgages are currently at 5.5% to 6% annually, nearly half the 9% to 10% rate prevalent in Q2 2023, said Nguyen Thanh Hai, the bank's regional head at its HCMC branch.

At state-owned banks Agribank, Vietcombank, VietinBank, and BIDV, the fixed interest rates on mortgage loans hover around 5% to 7%. At private lenders such as BVBank, SHB, and ACB, fixed mortgage interest rates range from 5% to 8%.

Accordingly, floating mortgage interest rates are also declining by two to three percentage points at some banks. State-owned banks offer 9% to 10% rates while private financial institutions charge rates above 12%.

However, the Vietnamese mortgage market is still underdeveloped. In 3Q24, the total value of outstanding mortgages stood at VND3,150tr (USD125.55b), up by 4.6% y-y, according to the SBV. This relatively low growth rate points to a weakened demand in the mortgage market. Most homebuyers pay cash. Developers are now starting to work with banks to offer mortgages to buyers, but strict loan procedures still hinder the local mortgage market. The loan-to-value (LTV) ratio rarely exceeds 50% of the appraised value of the property. The term period is usually 15 years.

Exhibit 10: Fixed interest rate for mortgages, 2024

Bank	Fixed interest rate (%)	Period
Shinhan Bank	5.5% - 6.0%	6-36 months
Woori Bank	5.1% - 5.7%	12-36 months
BIDV	5.0% - 5.5%	6-12 months
Vietcombank	6.3% - 7.5%	6-36 months
Agribank	6.5%	24 months
BVBank	5.0% - 7.5%	5-12 months
ACB	7.3% - 8.0%	3-12 months

Sources: VN Express International

Exhibit 11: Floating interest rate for mortgages, 2024

Bank	Floating interest rate (%)
Shinhan Bank	8.5%
Woori Bank	8.7%
Vietcombank	9.0%
BVBank	9.5%
VIB	9.0 - 10.0%
TPBank	11.6 - 12.1%
HDBank	12.0 - 12.5%

Sources: VN Express International

Amendments to Housing, Land, and Real Estate Laws

Vietnam opened up to foreigners nine years ago. Through the Housing Law (Law on Housing No. 65/2014/QH13) which became effective on 1 July, 2015, foreigners who have been granted a Vietnamese visa, plus foreign investment funds, banks, Vietnamese branches, and representative offices of overseas companies could now purchase residential property. Foreigners can now own all types of properties, including condominiums and landed property such as villas and townhouses. Properties owned by foreigners can be sub-leased, inherited, and collateralized.

Moreover, overseas Vietnamese who have maintained their Vietnamese citizenship are treated like locals and are permitted to own unlimited property in their own names. It is estimated that about 70% of the 4m overseas Vietnamese around the world still maintain their original citizenship.

For foreign individuals, the house ownership period is 30 years, but it can be extended. The new law also limits foreigners from owning more than 30% of a single apartment building, or more than 350 houses and apartments in a ward, a subdistrict-level administrative area.

Detailed guidelines on implementing the Housing Law (Decree 99) became effective on December 10, 2015. According to Decree 99, foreigners are allowed to own houses in Vietnam as long as they are able to meet these conditions:

The foreigner's valid passport should have an entry stamp affixed to it from Vietnam's immigration authority.

They should not be in the category of people entitled to preferential treatment or diplomatic immunity in accordance with the Ordinance on Preferential Treatment Rights and Immunities Applicable to Representative Diplomatic Offices, Foreign Consulates, and Representative Offices of International Organisations in Vietnam.

On August 15, 2016, the Ministry of Construction Circular 19/2016/TT-BXD (Circular 19) which contains guidelines on the Law on Housing, and on Decree No. 99/2015/ND-CP, became effective. As for individual houses under commercial housing projects (including villas and semi-detached housings), foreigners are allowed to own 10% of the total individual houses of a particular project.

Despite these developments, Vietnam's land, housing, and real estate laws are still publicly perceived as rather complex and confusing because of inconsistency in some provisions. To address this issue and to encourage foreign investment, the government recently amended its Land Law and the related Housing Law. The amended laws were approved in November 2023 and officially took effect on 1 January, 2025.

According to the Law on Housing 2014 and Law on Real Estate Business 2014, **foreigners are entitled to buy and own houses in Vietnam, including apartments and separate houses associated with land use rights.**

Meanwhile, according to the Land Law 2013, **foreigners are not eligible to own land use rights in Vietnam.**

Therefore, the proposed amendments in the Revised Law on Housing are considered essential to ensure a consistent and rigid regulatory framework for foreigners looking to buy property in Vietnam, according to CBRE Vietnam.

There are more than 100,000 foreigners currently living in Vietnam, up from about 83,500 three years ago. Most of the migrants come from China, Korea, Japan, Taiwan, and the United States. They are concentrated in big cities such as Hanoi, HCMC, Da Nang, and Nha Trang.

Since the 2014 Housing Law came into effect, a total of 3,035 foreign individuals have purchased homes in Vietnam, according to figures from the Ministry of Construction. Most of these purchases involve apartments in commercial residential projects.

Foreign organizations and individuals have primarily acquired properties in Hanoi (1,765), Ho Chi Minh City (850), Bac Ninh Province in the north (110), Binh Duong Province in the south (210), and Ba Ria-Vung Tau Province (50).

New free trade agreements attract more foreign investors

In recent years, Vietnam signed two landmark free trade agreements that are expected to boost foreign investments and accelerate institutional reform. The EU-Vietnam Free Trade Agreement (EVFTA), which came into force in August 2020, will provide opportunities to increase trade and support jobs, through the following:

- eliminating 99% of all tariffs;
- reducing regulatory barriers and overlapping red tape;
- ensuring the protection of geographical indications for over 200 products;
- liberalizing government procurement rules;
- obligations on antitrust and mergers; and,
- provisions on sustainable development, particularly on climate, labor, and human rights.

The EVFTA is considered the most comprehensive agreement so far between the EU and any ASEAN country.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) also came into force in January 2019 - a free trade agreement between Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore, and Vietnam. The agreement is expected to benefit the real estate market.

Foreign investments remain robust

During 2024, the value of disbursed foreign direct investment (FDI) capital in the country reached a record high of USD25.35b, up by 9.4% y-y, based on figures from the Ministry of Planning and Investment. In fact, it was the highest disbursement level ever recorded.

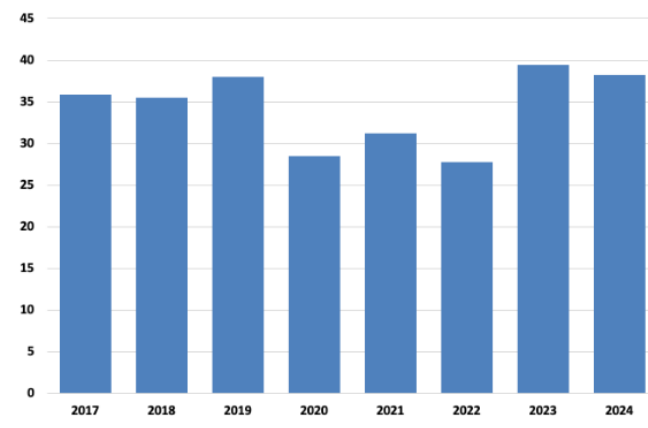
However, total FDI fell slightly by 2.9% to USD38.23b in 2024 from a record-high USD39.39b in 2023. Singapore accounted for the biggest share, at about 26.7% of the total FDI, followed by South Korea (with 18.5% share), China (12.4%), Hong Kong (11.4%), and Japan (9.2%).

As of 31 December, 2024, Vietnam has 42,002 active foreign investment projects, with a total registered capital of nearly USD502.8b. Of this, around USD322.5b has been disbursed, representing 64.1% of the total registered investment capital. Vietnam's ten leading FDI destinations included Bac Ninh, Hai Phong, Ho Chi Minh City (HCMC), Quang Ninh, Hanoi, Binh Duong, Dong Nai, Nghe An, Ba Ria-Vung Tau, and Hung Yen.

The real estate sector attracted over USD6.31b, accounting for a 16.5% share of the total foreign investments. It experienced a notable growth of 19% in 2024 compared to the previous year.

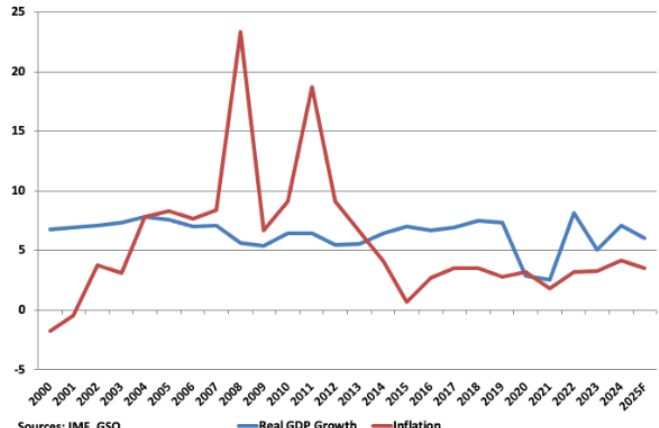
There are a number of segments that investors pay attention to. For example, the residential real estate segment continues to attract a lot of attention due to urbanization and rising housing demand in large cities. The supply of new projects is recorded at a low level due to legal restrictions, meaning this segment receives a lot of attention from foreign investors, according to head of the Investment Department of Savills Hanoi.

Exhibit 12: Vietnam's FDI (USD b)



Sources: Ministry of Planning and Investment

Exhibit 13: Vietnam's real GDP growth vs inflation (%)



Sources: IMF; GSO

Spectacular economic growth, strong tourism

During 2024, Vietnam's economy grew robustly by 7.09%, mainly driven by strong exports and foreign investment inflows, according to the figures released by the General Statistics Office (GSO). It was an acceleration from the real GDP growth rate of 5.05% in 2023 and 8.02% in 2022.

Vietnam is a service-oriented economy, with the services sector accounting for almost half of the country's total GDP. The services sector emerged as the primary growth driver during 2024, contributing about 42.36% share, slightly up from the previous year's 42.3% contribution.

The industrial and construction sector accounted for a 37.64% share of the country's GDP last year, slightly up from 37.58% in 2023.

The agroforestry-fishery sector had a share of 11.86% last year, nearly unchanged from the prior year.

The International Monetary Fund (IMF) expects the Vietnamese economy to grow by a robust 6.1% this year and by another 6% in 2026. The World Bank is even more optimistic, projecting a real GDP growth rate for Vietnam of 6.6% in 2025.

Oxford Economics' economic forecast for Vietnam is also closely aligned, projecting a real GDP growth of 6.5% this year.

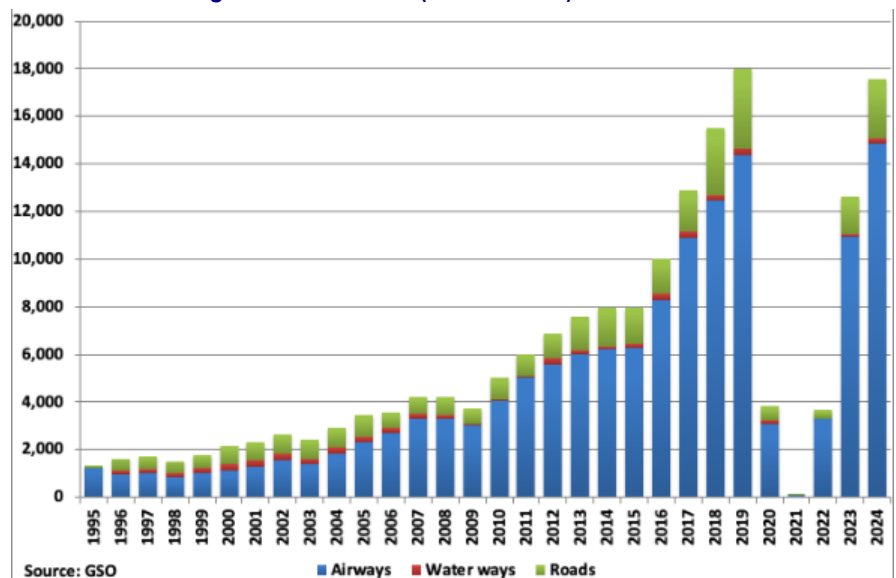
Despite the adverse impact of the Covid-19 pandemic, the Vietnamese economy managed to post decent growth of 2.87% in 2020 and another 2.56% in 2021, coming after almost four decades of uninterrupted growth:

- 1981-1990 - average real GDP growth of 5.9% per year
- 1991-2000 - average real GDP growth rate of 7.6% annually
- 2001-2010 - average real GDP growth rate of 6.8% annually
- 2011-2020 - average real GDP growth rate of 6.2% annually

Viet Nam's growth acceleration, one of the longest on record, started in 1991 and was upended only by the COVID-19 recession of 2020. Between 1991 and 2019, Vietnam's real annual GDP growth per capita averaged 5.6%, almost twice the rate in non-acceleration years. This sustained period of growth was accompanied by a substantial decline in inflation, low unemployment rates, modest fiscal and current account deficits, and relatively low debt levels," said the World Bank in its Global Economic Prospects published in January 2025.

Even during the global recession of 2009, the country maintained positive growth, reflecting the strength of its domestic market and the effectiveness of government policies," added the World Bank.

Exhibit 14: Foreign tourist arrivals ('000 visitors)



Sources: GSO

Vietnam's tourism remains strong

Tourism is steadily recovering and has almost reached pre-pandemic levels. During 2024, there were nearly 17.6 million foreign visitors in Vietnam, up by a spectacular 40% from a year earlier, according to the country's GSO. It is now the second biggest number of arrivals recorded in Vietnam, behind the 18 million visitors welcomed in 2019 prior to the Covid-19 pandemic.

Tourist arrivals grew by an annual average of 23% during 2016-19 before plunging by nearly 90% annually in 2020-2021. The sector has been continuously recovering since.

By means of transport:

- By airways: 14.85m foreign visitors, up by about 36% y-y
- By sea: 2.49m foreign visitors, up by 63% y-y
- By land: 248,100 foreign visitors, up 2x y-y

South Korea accounted for the biggest share of about 25.6% of total international visitors in Vietnam during 2024, followed by China (21.2% share), Taiwan (7.3%), the United States (4.4%), Japan (4.0%), India (2.8%), Malaysia (2.8%), Australia (2.8%), Cambodia (2.7%), and Thailand (2.4%).

Favorable visa policies, enhanced tourism promotion programs, and prestigious tourism awards presented by international organizations have attracted an increasing number of international visitors to Vietnam, according to the GSO. Vietnam aims to welcome a record high of 23m international tourists in 2025, a more than 30% jump from last year's arrivals, according to Tran Phong Binh, deputy director at the Vietnam National Authority of Tourism.

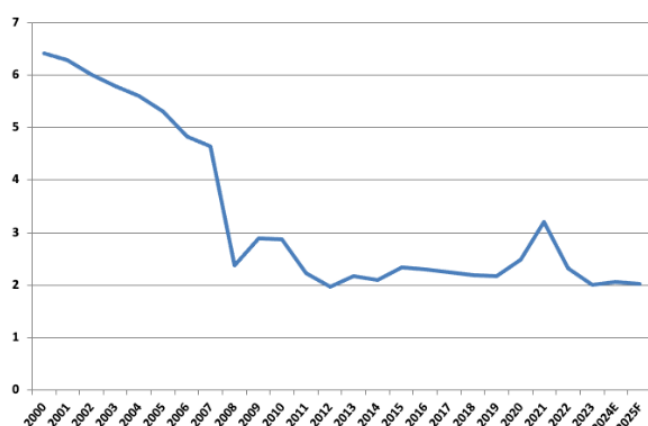
Annual inflation stood at 2.94% in December 2024, slightly up from 2.77% in November but still higher than the 3.58% in December 2023, according to GSO. Despite this, it remains within the central bank's inflation target of under 4.5%.

Inflation slowed to an annual average of just 3.2% from 2013 to 2023, from an average of 11% from 2004 to 2012.

The labor market remains tight. The country's unemployment rate was 2.24% in 2024, according to GSO.

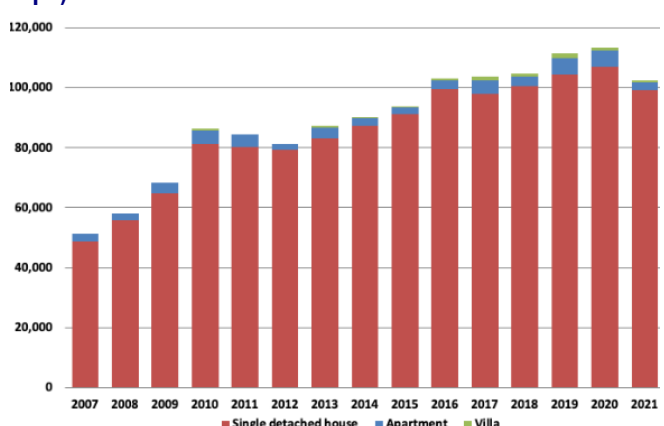
From 6.42% in 2000, Vietnam's unemployment rate has continuously declined to reach 2.17% in 2019, according to the IMF, but increased to 2.48% in 2020 and further to 3.2% in 2021 due to the pandemic. The labor market started to improve again in recent years, with the jobless rate falling to 2.32% in 2022 and 2.01% in 2023.

Exhibit 15: Unemployment rate (%)



Sources: IMF

Exhibit 16: Area of housing floors constructed (1,000 sqm)



Sources: General Statistics Office of Vietnam (GSO)

Balance sheet (THB m)					
Year ending Dec	2023	2024	2025E	2026E	2027E
Current assets					
Cash & ST investment	5,203	4,204	6,631	9,179	11,835
Account receivable	4,449	3,760	3,018	2,236	1,419
Inventories	7,542	7,091	7,696	8,101	8,438
Others	5,524	5,473	5,511	5,541	5,566
Non-current assets					
Net fixed assets	11,621	12,147	10,632	9,118	7,604
Others	7,313	7,149	7,149	7,149	7,149
Total Assets	41,651	39,823	40,638	41,324	42,011
Current liabilities					
Account payable	3,768	3,578	3,883	4,087	4,257
ST borrowing	14,395	13,292	13,292	13,292	13,292
Others	286	324	348	367	384
Long-term liabilities					
Long-term debts	609	578	578	578	578
Others	1,280	1,346	1,346	1,346	1,346
Total liabilities	20,339	19,117	19,447	19,670	19,857
Paid-up capital	16,500	16,500	16,500	16,500	16,500
Retained earnings	11,281	11,556	12,031	12,484	12,971
Others	(8,084)	(8,926)	(8,926)	(8,926)	(8,926)
Minority interest	1,615	1,576	1,585	1,596	1,608
Shareholders' equity	21,312	20,706	21,190	21,654	22,154

Key ratios					
Year ending Dec	2023	2024	2025E	2026E	2027E
Growth (%YoY)					
Sales	(19.6)	(9.7)	7.6	5.4	4.5
Operating profit	20.9	(3.1)	10.0	7.7	6.8
EBITDA	20.9	(3.1)	10.0	7.7	6.8
Net profit	177.8	147.1	35.2	17.8	14.3
Core net profit	177.8	147.1	35.2	17.8	14.3
EPS	137.3	147.1	35.2	17.8	14.3
Core EPS	137.3	147.1	35.2	17.8	14.3
Profitability (%)					
Gross margin	29.0	31.7	31.1	31.2	31.4
Operation margin	9.3	10.0	10.2	10.4	10.6
EBITDA margin	9.3	10.0	10.2	10.4	10.6
Net margin	1.2	3.2	4.0	4.4	4.9
ROE	1.8	4.2	5.7	6.5	7.3
ROA	0.8	2.0	2.7	3.1	3.5
Stability					
Interest bearing debt/equity (x)	0.7	0.7	0.7	0.6	0.6
Net debt/equity (x)	0.5	0.5	0.3	0.2	0.1
Interest coverage (x)	2.0	2.0	2.7	3.2	3.6
Interest & ST debt coverage (x)	0.1	0.1	0.1	0.1	0.1
Cash flow interest coverage (x)	0.1	0.1	0.1	0.1	0.1
Current ratio (x)	1.2	1.2	1.3	1.4	1.5
Quick ratio (x)	0.5	0.5	0.6	0.6	0.7
Net debt (THB m)	9,801.4	9,666.0	7,239.1	4,690.4	2,035.1
Activity					
Asset turnover (X)	0.7	0.6	0.7	0.7	1.4
Days receivables	57.3	53.7	40.0	28.1	0.0
Days inventory	137.0	148.2	148.2	148.2	0.0
Days payable	68.4	74.8	74.8	74.8	0.0
Cash cycle days	125.9	127.1	113.5	101.6	0.0

Profit & loss (THB m)					
Year ending Dec	2023	2024	2025E	2026E	2027E
Revenue					
Revenue	28,312	25,563	27,514	29,010	30,316
Cost of goods sold	(20,094)	(17,466)	(18,956)	(19,953)	(20,782)
Gross profit	8,219	8,097	8,558	9,057	9,534
Operating expenses	(5,584)	(5,544)	(5,750)	(6,034)	(6,306)
Operating profit	2,634	2,553	2,807	3,023	3,228
EBIT	1,095	979	1,293	1,509	1,714
Depreciation	(1,540)	(1,574)	(1,514)	(1,514)	(1,514)
EBITDA	2,634	2,553	2,807	3,023	3,228
Non-operating income					
Other incomes	380	578	550	580	606
Other non-op income	0	0	0	0	0
Non-operating expense					
Interest expense	(548)	(493)	(473)	(473)	(473)
Other non-op expense	0	0	0	0	0
Equity income/(loss)	1	4	4	4	4
Pre-tax Profit	928	1,068	1,374	1,619	1,850
Extraordinary items	(454)	(249)	(270)	(318)	(363)
Current taxation	(147)	(8)	(9)	(11)	(12)
Minorities	(147)	(8)	(9)	(11)	(12)
Net Profit	328	810	1,095	1,290	1,475
Core net profit	328	810	1,095	1,290	1,475
EPS (THB)	0.20	0.49	0.66	0.78	0.89
Core EPS (THB)	0.20	0.49	0.66	0.78	0.89

Cash flow (THB m)					
Year ending Dec	2023	2024	2025E	2026E	2027E
Operating cash flow					
Operating cash flow	1,883	2,620	2,309	2,550	2,714
Net profit	328	810	1,095	1,290	1,475
Depre. & amortization	1,540	1,574	1,514	1,514	1,514
Change in working capital	1,142	932	428	571	641
Others	(1,126)	(696)	(728)	(825)	(916)
Investment cash flow					
Investment cash flow	(3,485)	(560)	2,996	3,336	3,592
Net CAPEX	(1,726)	(2,099)	(50)	(50)	(50)
Change in LT investment	(1,760)	1,539	3,046	3,386	3,642
Change in other assets	0	0	0	0	0
Free cash flow					
Free cash flow	(1,602)	2,059	5,305	5,887	6,306
Financing cash flow					
Financing cash flow	4,989	(3,059)	(2,878)	(3,338)	(3,651)
Change in share capital	8,146	(13)	0	0	0
Net change in debt	(1,356)	(39)	9	11	12
Dividend paid	(247)	(986)	(620)	(838)	(987)
Others	(1,553)	(2,021)	(2,268)	(2,511)	(2,676)
Net cash flow	3,387	(1,000)	2,427	2,549	2,655

Per share (THB)					
EPS	0.20	0.49	0.66	0.78	0.89
Core EPS	0.20	0.49	0.66	0.78	0.89
CFPS	2.55	1.45	1.59	1.71	1.82
BVPS	24.90	11.59	11.88	12.16	12.45
Sales/share	35.80	15.49	16.68	17.58	18.37
EBITDA/share	3.33	1.55	1.70	1.83	1.96
DPS	0.15	0.38	0.51	0.60	0.68
Valuation					
P/E (x)	50.34	9.78	5.33	4.53	3.96
P/BV (x)	0.84	0.41	0.30	0.29	0.28
Dividend yield (%)	66.68	12.78	6.97	5.92	5.18
Dividend payout ratio (%)	75.50	76.50	76.50	76.50	76.50

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Analyst Certification

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RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

- BUY:** Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.