

4 May 2020

## Dat Xanh Real Estate Services and Construction (DXG)

### Time to appear on investor's radar

- 1Q20 net profit dropped by 78.8% yoy amid a weak handover
- Brokerage revenue could cool down by 14.3% in FY20 due to regulatory roadblocks and COVID-19 negative impact.
- A 92ha Long Thanh project launched in 2H20 could drive FY20F earning growth, in our view.

### Facts: Net profit slips due to lackluster property handover

DXG reported a sharp 59.8% yoy decrease in 1Q20 revenue to VND602bn amid weaker handovers (-97.2% yoy) and moderated brokerage revenue (-11.3% yoy). Notably, associate income was not booked in 1Q20. Overall, net profit dropped 78% yoy to come it at VND68bn, the lowest quarterly result in FY13-19.

### Pros & cons: Headwinds in 2020F priced in

We believe the current bottlenecks in the approval of projects in HCMC owned by DXG and other developers would last until end-FY20F. Coupled with the serious damage of the COVID-19 outbreak, we project a 14.3% yoy decrease in FY20F DXG's brokerage revenue.

To strike back, in 2020, DXG would be launching projects in other provinces surrounding HCMC, including the Long Duc township project (92ha) in Long Thanh (Dong Nai province), and two condo projects (c.1,200 units total) in Thu Dau Mot city and Thu Duc Dist. We think total estimated GDV from three projects could reach VND3,499bn, helping secure DXG's property revenue in FY21-22F.

### Action: Time to appear on investor's radar

DXG's market price has plunged sharply in the FY18-19 as the investors are doubtful on the possibility of getting license to launch Gem Riverside project. The COVID-19 impact toward brokerage segment has dragged more the price down. We believe those concerns have priced in and we think market sentiment would improve given the successful launch of Long Duc township (land lots) in 2H20F. We maintain BUY rating and a RNAV-based target price of VND12,800 with 10-50% discounts applied to the fair value of each project based on the respective project's execution period and land acquisition.

12M rating **BUY**  
12M TP **12,800**  
Up/Downside **+36.9%**

#### Stock data

VNIndex (4 May, pt)	762
Stock price (4 May, VND)	9,350
Market cap (USD mn)	207
Shares outstanding (mn)	519
52-Week high/low (VND)	17,450/7,750
6M avg. daily turnover (USD mn)	1.13
Free float / Foreign ownership (%)	84.5/40.3
Major shareholders (%)	
Chairman	12.2
NAV Investment JSC	4.5
Dragons Funds	17
Vietnam Holdings	2.1

#### Valuation

	2019A	2020F	2021F
PE (x)	3.7	6.2	4.9
PB (x)	0.7	0.6	0.6
ROE (%)	20.3	11.2	12.5
DY (%)	0.0	0.0	0.0
EV/EBITDA (x)	4.4	5.7	5.4
EPS (VND)	2,645	1,604	2,031
BPS (VND)	13,439	15,242	17,252

#### Performance

	1M	6M	12M
Absolute (%)	12.5	(41.4)	(42.1)
Relative to VNIndex (%p)	3.8	(16.5)	(22.0)

#### Stock price



Source: Bloomberg

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**Table 1. 1Q20 earnings**

(VND bn, %, %p)

	1Q19	2Q19	3Q19	4Q19	1Q20	QoQ	YoY	Consensus
Sales	1,498	842	1,457	2,017	602	(70.2)	(59.8)	N.A
Gross profit	701	476	956	952	364	(61.8)	(48.1)	N.A
Gross margin	46.8	56.5	65.6	47.2	46.8	13.3	13.7	N.A
OP	477	247	707	669	158	(76.4)	(66.9)	N.A
OP margin	31.9	29.3	48.5	33.2	31.9	(6.9)	(5.6)	N.A
EBT	516	456	727	690	124	(82.1)	(76.0)	N.A
NP	307	249	351	310	68	(78.2)	(78.0)	N.A

Source: Company data, KIS

**Table 2. Earnings and outlook**

(VND bn, %, % p)

	2019				2020	2019	2020F	1Q20		
	1Q	2Q	3Q	4Q	1Q			QoQ	YoY	Consensus (BB)
<b>Net sales</b>	1,498	842	1,457	2,017	602	5,815	4,706	(70)	(60)	N.A
Property sales	817	198	137	926	23	2,040	1,379	(98)	(97)	
Brokerage	504	551	1,098	689	447	2,840	2,433	(35)	(11)	
Construction	177	93	222	402	132	894	894	(67)	(25)	
Other	0	0	0	0	0	39				
<b>Gross profit</b>	701	476	956	952	364	3,085	2,477	(62)	(48)	N.A
Gross margin	46.8	56.5	65.6	47.2	60.5	53.1	52.6	13	14	
SG&A	223	229	249	283	206	985	797	(27)	(8)	
<b>Operating profit</b>	477	247	707	669	158	2,100	1,680	(76)	(67)	
Associate's income	34	24	64	27	1	149	193	(98)	(99)	
Financial income	11	228	7	25	25	0	127	2	125	
Financial expense	50	50	56	54	52	199	-273	(4)	4	
Net other income	43	6	5	24	-8	79	0	(135)	(120)	
EBT	516	456	727	690	124	2,389	1,727	(82)	(76)	
Net profit	419	370	565	532	94	1,886	1,382	(82)	(78)	
<b>NP of controlling interest</b>	307	249	351	310	68	1,217	834	(78)	(78.0)	N.A
EBITDA	485	257	717	674	170	2,133	1,733	(75)	(65)	
EBITDA margin	32.4	30.5	49.2	33.4	28.3	36.7	36.8	(5)	(4)	
OP margin	31.9	29.3	48.5	33.2	26.3	36.1	35.7	(7)	(6)	

Source: Company data, KIS

**Table 3. Fair value calculation**

(VND bn, VND, %)

Project Name	NAV	Method	Discount to NAV
Gem Riverside	1,095	DCF	50
Gem Riverview	232	DCF	50
Gem Premium	571	DCF	50
Opal Tower	69	DCF	50
Opal Riverview	209	DCF	50
Opal Boulevard	416	DCF	10
Opal Skyview	57	DCF	50
Opal City	350	DCF	50
Lux Star	220	DCF	50
Lux Riverview	192	DCF	50
The Palm City	71	DCF	50
Long Duc	471	DCF	10
Opal Cityview	223	DCF	50
<b>Total project development</b>	<b>7,976</b>		
<b>Brokerage</b>	<b>2,396</b>	DCF	30
<b>Add</b>			
Cash and cash equivalent	793		
Short-term investments	383		
Short-term A/R	5,732		
Other short-term assets	172		
Long-term assets	872		
<b>Less</b>			
Debt	4,400		
Other liabilities	1,187		
Minority interest	2,239		
<b>RNAV</b>	<b>6,698</b>		
Shares outstanding	525,078,921		
Discount to RNAV			
<b>Target price (VND/share)</b>	<b>12,800</b>		

Source: Company data, KIS

### ■ Company overview

Established in 2003 in HCMC and specialising in brokerage of real estate projects, DXG quickly grew and dominated the brokerage market in the southeast region of Vietnam. In 2007, the company embarked on real estate investment to take advantage of its competitive edge from its brokerage services — the ability to sell products quickly thanks to a large branch system and strong sales team. DXG was listed on the Ho Chi Minh Exchange on 25 Feb 2011.

DXG's business model includes two main sectors, namely brokerage services and real estate development, which has become its core business for the coming years. The company currently has 36 subsidiaries and one associate company.

**Balance sheet**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Current assets	8,840	11,816	17,066	16,441	24,304
Cash & cash equivalents	1,687	1,159	793	724	218
Accounts & other receivables	3,441	5,567	9,023	9,200	11,709
Inventory	3,401	4,605	6,791	6,059	12,016
Non-current assets	1,033	1,277	1,607	2,047	2,227
Fixed assets	42	54	330	309	287
Investment assets	991	1,223	1,277	1,738	1,940
Others	391	636	1,206	1,260	1,395
<b>Total assets</b>	<b>10,264</b>	<b>13,729</b>	<b>19,879</b>	<b>19,748</b>	<b>27,926</b>
Advances from customers	1,396	1,029	908	2,347	5,776
Unearned revenue	12	19	36	36	36
Trade payables	316	581	1,187	969	2,355
Others	1,357	3,034	4,122	1,541	2,103
ST debt & bonds	658	471	1,063	846	930
LT debt & financial liabilities	1,871	2,394	3,337	3,296	4,382
<b>Total liabilities</b>	<b>5,611</b>	<b>7,530</b>	<b>10,652</b>	<b>9,036</b>	<b>15,581</b>
Controlling interest	3,814	5,000	6,989	7,926	8,972
Capital stock	3,032	3,501	5,200	5,200	5,200
Capital surplus	11	11	11	11	11
Other reserves	25	33	62	58	58
Retained earnings	746	1,456	1,716	2,657	3,713
Minority interest	840	1,199	2,239	2,786	3,373
<b>Shareholders' equity</b>	<b>4,654</b>	<b>6,199</b>	<b>9,227</b>	<b>10,713</b>	<b>12,345</b>

**Cash flow**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
C/F from operations	(1,054)	(932)	(1,646)	361	(1,701)
Net profit	728	1,178	1,217	834	1,056
Dep'n & Amort'n	15	24	39	53	55
Net incr. in W/C	(1,943)	(1,938)	(3,811)	(861)	(3,131)
C/F from investing	(1,047)	(0)	(1,413)	(169)	36
Capex	0	0	0	0	0
Incr. in investment	(395)	113	(1,139)	301	249
C/F from financing	1,970	403	2,693	(261)	1,158
Incr. in equity	403	542	1,636	(4)	(11)
Incr. in debt	1,867	337	1,537	(257)	1,169
Dividends	(300)	(476)	(479)	0	0
C/F from others	0	0	0	0	0
<b>Increase in cash</b>	<b>(131)</b>	<b>(529)</b>	<b>(365)</b>	<b>(69)</b>	<b>(507)</b>

**Income statement**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Sales	2,879	4,645	5,814	4,706	9,098
Operating profit	1,186	1,835	2,099	1,680	2,138
Financial income	207	270	127	56	62
Interest income	66	207	270	127	56
Financial expenses	191	209	273	353	347
Interest expenses	163	280	273	353	347
Other non-operating profit	18	(6)	79	0	0
Gains (Losses) in associates, subsidiaries and JV	128	256	149	193	212
<b>Earnings before tax</b>	<b>1,335</b>	<b>2,102</b>	<b>2,389</b>	<b>1,727</b>	<b>2,054</b>
Income taxes	250	379	502	345	411
<b>Net profit</b>	<b>1,085</b>	<b>1,723</b>	<b>1,886</b>	<b>1,382</b>	<b>1,643</b>
Net profit of controlling interest	728	1,178	1,217	834	1,056
<b>EBITDA</b>	<b>1,202</b>	<b>1,859</b>	<b>2,138</b>	<b>1,733</b>	<b>2,194</b>

**Key financial data**

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Per-share data (VND, adj.)					
EPS	2,127	3,427	2,645	1,604	2,031
BPS	19,397	14,282	13,439	15,242	17,252
DPS	497	0	0	0	0
Growth (%)					
Sales growth	14.9	61.3	25.1	(19.0)	93.3
OP growth	84.5	54.7	14.4	(20.0)	27.3
NP growth	38.9	61.8	3.2	(31.4)	26.6
EPS growth	(34.4)	61.1	(22.8)	(39.3)	26.6
EBITDA growth	84.5	54.7	15.0	(18.9)	26.6
Profitability (%)					
OP margin	41.2	39.5	36.1	35.7	23.5
NP margin	37.7	37.1	32.4	29.4	18.1
EBITDA margin	41.7	40.0	36.8	36.8	24.1
ROA	13.4	14.3	10.9	7.6	7.9
ROE	20.6	26.7	20.3	11.2	12.5
Dividend yield			0.0	0.0	0.0
Dividend payout ratio	23.4	0.0	0.0	0.0	0.0
Stability					
Net debt (VND bn)	842.0	1,707.2	3,606.4	3,418.1	5,093.9
Net debt/equity (%)	18.1	27.5	39.1	31.9	41.3
Valuation (x)					
PE	4.7	2.9	3.7	6.2	4.9
PB	0.5	0.7	0.7	0.6	0.6
EV/EBITDA	3.4	2.8	4.4	5.7	5.4

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