

17 Aug 2020

Dat Xanh Real Estate Services and Construction (DXG)

1H20 accounting loss trivial

- 1H20 net profit was at VND488.1bn loss due to a provision expense.
- Presales in FY20F is expected to VND3,499, helping secure DXG's property revenue in FY21-22F.
- Maintain BUY based on positive FY20F presale growth

Facts: 1H20 earnings dragged by one-off provision

Dat Xanh reported 1H20 earnings at loss of VND488.1bn, due to a VND526bn provision for a 36% stake transfer in Long Dien Group. The 1H20 bottom line loss were also attributable to a combination of 1) a weak 1H20 revenue growth - 53.9% yoy to VND1,079bn 2) absence of a VND219.9bn financial gain recorded in 1H19 3) interest expense increase of 48.7% to VND140.5bn in 1H20.

Pros & cons: Promising presales in 2H20F expected

On 19 Jul, DXG held sales event for a 92ha Gem Sky World (GSW) townhouse project in Long Thanh district, Dong Nai province (total 4,000 units). In the event, about 700 land lot units has been booked with non-refundable deposit at the price of VND17m-19m/sq m, adding around VND1,190-1,330bn to potential presales value. The company is going to launch a 1,000-unit condo project Binh Duong province in 3Q20F, per management. We think total estimated presales in FY20F could reach VND3,499bn, helping secure DXG's property revenue in FY21-22F

We maintain our FY20F NPATMI forecast at VND834bn as we assume more sold units (1,400 units vs 700 units) and higher selling price in GSW project (VND18m/sq m vs VND15m/sq m). The more earnings contribution from GSW in 2H20 help to offset the negative provision of VND526bn booked in 1H20.

Action: Maintain Buy as accounting loss in 1H20 is trivial

We consider it positive toward action on selling 36% stake in Long Dien Group as its underlying cash supports DXG' need for working capital. 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 **+32.2%**

Stock data

VNIndex (17 Aug, pt)	851
Stock price (17 Aug, VND)	9,680
Market cap (USD mn)	217
Shares outstanding (mn)	519
52-Week high/low (VND)	17,450/7,750
6M avg. daily turnover (USD mn)	1.55
Free float / Foreign ownership (%)	83.4/38.
Major shareholders (%)	
Chairman	12.2
NAV Investment JSC	4.5
Dragons Funds	15.25
Vietnam Holdings	2.1

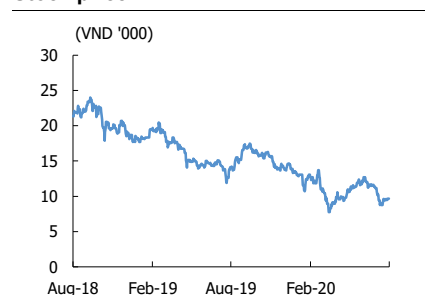
Valuation

	2019A	2020F	2021F
PE (x)	3.7	6.0	1.7
PB (x)	0.7	0.6	0.5
ROE (%)	20.3	11.2	31.4
DY (%)	0.0	0.0	0.0
EV/EBITDA (x)	4.3	4.4	2.4
EPS (VND)	2,645	1,603	5,672
BPS (VND)	13,439	15,241	20,893

Performance

	1M	6M	12M
Absolute (%)	(13.2)	(24.1)	(31.3)
Relative to VNIndex (%p)	(10.9)	(15.9)	(19.8)

Stock price



Source: Bloomberg

Nhan Lai

Nhan.lai@kisvn.vn

Table 1. 1Q20 earnings

(VND bn, %, %p)

	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY	Consensus
Sales	842	1,457	2,017	602	478	(20.5)	(43.2)	N.A
Gross profit	476	956	952	364	357	(1.9)	(25.0)	N.A
Gross margin	56.5	65.6	47.2	60.5	75	14.2	18.2	N.A
OP	247	707	669	158	169	6.6	(31.8)	N.A
OP margin	29.3	48.5	33.2	26.3	35	9.0	5.9	N.A
EBT	456	727	690	124	(421)	(440.9)	(192.4)	N.A
NP	249	351	310	68	(556)	(923.0)	(323.1)	N.A

Source: Company data, KIS

Table 2. Earnings and outlook

(VND bn, %, % p)

	2019				2020		2019	2020F	1Q20		Consensus (BB)
	1Q	2Q	3Q	4Q	1Q	2QP			QoQ	YoY	
Net sales	1,498	842	1,457	2,017	602	478	5,815	5,920	(21)	(43)	N.A
Property sales	817	198	137	926	23	152	2,040	2,593	571	(23)	
Brokerage	504	551	1,098	689	447	250	2,840	2,433	(44)	(55)	
Construction	177	93	222	402	132	68	894	894	(49)	(27)	
Other	0	0	0	0	0	8	39				
Gross profit	701	476	956	952	364	357	3,085	3,131	(1.9)	(25.0)	N.A
Gross margin	46.8	56.5	65.6	47.2	60.5	75	53.1	53	14.2	18.2	
SG&A	223	229	249	283	206	189	985	711	(8.4)	(17.6)	
Operating profit	477	247	707	669	158	169	2,100	2,420	6.6	(31.8)	
Associate's income	34	24	64	27	1	(11)	149	50			
Financial income	11	228	7	25	25	13	0	127	(46.6)	(94.1)	
Financial expense	50	50	56	54	52	(731)	199	799	(1,514.2)	(1,574.5)	
Net other income	43	6	5	24	-8	35	79	0	0.0	0.0	
EBT	516	456	727	690	124	(421)	2,389	1,798	(440.9)	(192.4)	
Net profit	419	370	565	532	94	(170)	1,886	1,438	(281.6)	(146.0)	
NP of controlling interest	307	249	351	310	68	(556)	1,217	834	(923.0)	(323.1)	N.A
EBITDA	485	257	717	674	170	181	2,133	2,473	6.1	(29.7)	
EBITDA margin	32.4	30.5	49.2	33.4	28.3	38	36.7	42	9.5	7.3	
OP margin	31.9	29.3	48.5	33.2	26.3	35	36.1	41	9.0	5.9	

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
Total project development	7,976		
Brokerage	2,396	DCF	30
Add			
Cash and cash equivalent	793		
Short-term investments	383		
Short-term A/R	5,732		
Other short-term assets	172		
Long-term assets	872		
Less			
Debt	4,400		
Other liabilities	1,187		
Minority interest	2,239		
RNAV	6,698		
Shares outstanding	525,078,921		
Discount to RNAV			
Target price (VND/share)	12,800		

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	16,981	25,876
Cash & cash equivalents	1,687	1,159	793	(177)	939
Accounts & other receivables	3,441	5,567	9,023	10,641	12,559
Inventory	3,401	4,605	6,791	6,059	12,016
Non-current assets	1,033	1,277	1,607	1,904	1,927
Fixed assets	42	54	330	309	287
Investment assets	991	1,223	1,277	1,595	1,640
Others	391	636	1,206	1,260	1,395
Total assets	10,264	13,729	19,879	20,146	29,197
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	1,212	1,869
Others	1,357	3,034	4,122	1,638	1,909
ST debt & bonds	658	471	1,063	846	930
LT debt & financial liabilities	1,871	2,394	3,337	3,296	4,382
Total liabilities	5,611	7,530	10,652	9,376	14,902
Controlling interest	3,814	5,000	6,989	7,926	10,865
Capital stock	3,032	3,501	5,200	5,200	5,200
Capital surplus	11	11	11	11	(0)
Other reserves	25	33	62	58	58
Retained earnings	746	1,456	1,716	2,657	5,606
Minority interest	840	1,199	2,239	2,843	3,430
Shareholders' equity	4,654	6,199	9,227	10,769	14,295

Cash flow

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
C/F from operations	(1,054)	(932)	(1,646)	(540)	(78)
Net profit	728	1,178	1,217	834	2,950
Dep'n & Amort'n	15	24	39	53	55
Net incr. in W/C	(1,943)	(1,938)	(3,811)	(1,962)	(3,559)
C/F from investing	(1,047)	(0)	(1,413)	(169)	36
Capex	0	0	0	0	0
Incr. in investment	(395)	113	(1,139)	158	91
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
Increase in cash	(131)	(529)	(365)	(970)	1,116

Income statement

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Sales	2,879	4,645	5,814	5,920	10,186
COGS	1,134	2,006	2,691	2,736	4,246
Gross profit	1,745	2,639	3,123	3,184	5,941
SG&A	544	780	985	711	1,222
Operating profit	1,186	1,835	2,099	2,420	4,663
Financial income	207	270	127	56	62
Interest income	66	207	270	127	56
Financial expenses	(191)	(209)	(799)	(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	50	55
Earnings before tax	1,335	2,102	2,389	1,798	4,421
Income taxes	250	379	502	360	884
Net profit	1,085	1,723	1,886	1,438	3,537
Net profit of controlling interest	728	1,178	1,217	834	2,950
EBITDA	1,202	1,859	2,138	2,473	4,718

Key financial data

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Per-share data (VND, adj.)					
EPS	2,127	3,427	2,645	1,603	5,672
BPS	19,397	14,282	13,439	15,241	20,893
DPS	497	0	0	0	0
Growth (%)					
Sales growth	14.9	61.3	25.1	1.8	72.0
OP growth	84.5	54.7	14.4	15.3	92.7
NP growth	38.9	61.8	3.2	(31.5)	253.8
EPS growth	(34.4)	61.1	(22.8)	(39.4)	253.8
EBITDA growth	84.5	54.7	15.0	15.7	90.8
Profitability (%)					
OP margin	41.2	39.5	36.1	40.9	45.8
NP margin	37.7	37.1	32.4	24.3	34.7
EBITDA margin	41.7	40.0	36.8	41.8	46.3
ROA	13.4	14.3	10.9	9.9	15.3
ROE	20.6	26.7	20.3	11.2	31.4
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	4,319.4	4,372.2
Net debt/equity (%)	18.1	27.5	39.1	40.1	30.6
Valuation (x)					
PE	4.6	2.8	3.7	6.0	1.7
PB	0.5	0.7	0.7	0.6	0.5
EV/EBITDA	3.4	2.8	4.3	4.4	2.4

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