

10 Nov 2020

Dat Xanh Real Estate Services and Construction (DXG)

Gem Sky World project lead 4Q20F net profit

- 3Q20 net profit was at VND100bn, -71.5% yoy due to sluggish brokerage performance
- Gem Sky World project could deliver a VND223bn net profit out of a total net profit VND578bn in 4Q20F, in our view
- Maintain BUY based on positive FY20F-21F presale growth

Facts: Weak 3Q20 earnings amid the tepid brokerage market

Dat Xanh reported moderate 3Q20 earnings at VND100bn, -71.5% in line with our preview report, amid the weak revenue of VND797bn, -45.3% yoy and higher interest expense of VND94bn, +68.1% yoy. The 3Q20 top line growth decrease was mainly attributable to a sluggish brokerage revenue growth of -46.2% yoy which saw a 30% drop in volume transaction nationwide in 1H20. Overall, 9M20 bottom line loss fell to -VND388bn

Pros & cons: Gem Sky World project shines 4Q20F

On 22 Nov, DXG is going to hold second sales event for another 700 land lot units in Gem Sky World (GSW) townhouse project in Long Thanh district, Dong Nai province (total 4,000 units), per management. A 1,630- condo unit project in Binh Duong City name Opal Cityview is expected to launch in late 4Q20F or 1Q21F, in our view. We estimate presales in FY20F could reach VND3,499bn, helping secure DXG's property revenue in FY21-22F

Despite solid presale value, we reduce our FY20F NPATMI to VND190bn from VND834bn. We factor in the outbreak weight on our forecast as following 1) the second launch of GSW project scheduled to late Nov could not translate to 4Q20F revenue 2) the brokerage revenue could decrease by 25% yoy in FY20F following a 40% contraction in 9M20. GSW project could deliver a VND223bn net profit out of a total net profit VND578bn in 4Q20F, in our view.

Action: Maintain BUY as presale growth on track

We maintain BUY rating at higher target price of VND14,600 as we reduce the execution risk on three on-going projects including Opal Skyline, Opal Cityview, GSW, St Moritz as we have more information about the sales plans and witness the real interest from homebuyers which guarantee us presale forecast.

12M rating **BUY**

12M TP **14,600**

Up/Downside **+15%**

Stock data

| | |
|------------------------------------|--------------|
| VNIndex (10 Nov, pt) | 952 |
| Stock price (10 Nov, VND) | 12,750 |
| Market cap (USD mn) | 285 |
| Shares outstanding (mn) | 518 |
| 52-Week high/low (VND) | 16,100/7,750 |
| 6M avg. daily turnover (USD mn) | 2.18 |
| Free float / Foreign ownership (%) | 82.7/36.1 |
| VNIndex (10 Nov, pt) | 952 |
| Stock price (10 Nov, VND) | 12,750 |
| Market cap (USD mn) | 285 |
| Shares outstanding (mn) | 518 |
| 52-Week high/low (VND) | 16,100/7,750 |

Valuation

| | 2019A | 2020F | 2021F |
|---------------|--------|--------|--------|
| PE (x) | 3.7 | 35.0 | 6.6 |
| PB (x) | 0.7 | 0.9 | 0.8 |
| ROE (%) | 20.3 | 2.7 | 12.9 |
| DY (%) | 0.0 | 0.0 | 0.0 |
| EV/EBITDA (x) | 4.3 | 8.0 | 5.6 |
| EPS (VND) | 2,645 | 365 | 1,927 |
| BPS (VND) | 13,439 | 14,002 | 15,908 |

Performance

| | 6M | 12 |
|--------------------------|------|--------|
| Absolute (%) | 30.4 | (21.1) |
| Relative to VNIndex (%p) | 12.1 | (16.1) |

Stock price



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Table 1. 3Q20 earnings

(VND bn, %, %p)

| | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | QoQ | YoY | Consensus |
|--------------|------|-------|-------|------|-------|-------|--------|-----------|
| Sales | 842 | 1,457 | 2,017 | 602 | 478 | 66.7 | (45.3) | N.A |
| Gross profit | 476 | 956 | 952 | 364 | 357 | 78.0 | (33.5) | N.A |
| Gross margin | 56.5 | 65.6 | 47.2 | 60.5 | 75 | 5.1 | 14.2 | N.A |
| OP | 247 | 707 | 669 | 158 | 169 | 129.1 | (45.4) | N.A |
| OP margin | 29.3 | 48.5 | 33.2 | 26.3 | 35 | 13.2 | (0.0) | N.A |
| EBT | 456 | 727 | 690 | 124 | (421) | 726.5 | (58.0) | N.A |
| NP | 249 | 351 | 310 | 68 | (556) | 655.7 | (71.5) | N.A |

Source: Company data, KIS

Table 2. Earnings and outlook

(VND

bn, %, % p)

| | 2019 | | | | 2020F | | | | 2019 | 2020F | 3Q20P | | |
|-----------------------------------|-------|------|-------|-------|-------|-------|------|-------|-------|-------|---------|---------|----------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QF | | | QoQ | YoY | Consensus (BB) |
| Net sales | 1,498 | 842 | 1,457 | 2,017 | 602 | 478 | 797 | 2,142 | 5,815 | 4,019 | 66.7 | (45.3) | N.A |
| Property sales | 817 | 198 | 137 | 926 | 23 | 152 | 133 | 1,165 | 2,079 | 1,473 | (12.8) | (3.0) | |
| Brokerage | 504 | 551 | 1,098 | 689 | 447 | 250 | 591 | 812 | 2,840 | 2,099 | 136.5 | (46.2) | |
| Construction | 177 | 93 | 222 | 363 | 132 | 68 | 68 | 180 | 855 | 447 | (0.3) | (69.6) | |
| Other | | | | 39 | 0 | 8 | 6 | (14) | 39 | | (27.2) | N.M | |
| Gross profit | 701 | 476 | 956 | 952 | 364 | 357 | 636 | 971 | 3,085 | 2,328 | 78.0 | (33.5) | N.A |
| Gross margin | 46.8 | 56.5 | 65.6 | 47.2 | 60.5 | 74.7 | 79.8 | 45.3 | 53.1 | 57.9 | 5.1 | 14.2 | |
| SG&A | 223 | 229 | 249 | 283 | 206 | 189 | 250 | 125 | 985 | 769 | 32.3 | 0.2 | |
| Operating profit | 477 | 247 | 707 | 669 | 158 | 169 | 386 | 846 | 2,100 | 1,559 | 129.1 | (45.4) | |
| Associate's income | 34 | 24 | 64 | 27 | 1 | (11) | | 61 | 149 | 50 | | (100.0) | |
| Financial income | 11 | 228 | 7 | 25 | 25 | 13 | 11 | 2 | 270 | 51 | (2.7) | 47.2 | |
| Financial expense | 50 | 50 | 56 | 54 | 52 | 627 | 94 | 58 | 209 | 831 | (532.8) | 68.1 | |
| Net other income | 43 | 6 | 5 | 24 | (8) | 35 | 3 | (30) | 79 | 0 | (32.3) | (44.1) | |
| EBT | 516 | 456 | 727 | 690 | 124 | (421) | 305 | 821 | 2,389 | 829 | 726.5 | (58.0) | |
| Net profit | 419 | 370 | 565 | 532 | 94 | (170) | 222 | 518 | 1,886 | 663 | 391.7 | (60.8) | |
| NP of controlling interest | 307 | 249 | 351 | 310 | 68 | (556) | 100 | 578 | 1,217 | 190 | 655.7 | (71.5) | N.A |
| EBITDA | 485 | 257 | 717 | 674 | 170 | 181 | 398 | 858 | 2,133 | 1,612 | 217.6 | (44.5) | |
| EBITDA margin | 32.4 | 30.5 | 49.2 | 33.4 | 28.3 | 37.8 | 50.0 | 40.1 | 36.7 | 40.1 | 12.2 | 0.8 | |
| OP margin | 31.9 | 29.3 | 48.5 | 33.2 | 26.3 | 35.3 | 48.5 | 39.5 | 36.1 | 38.8 | 13.2 | (0.0) | |

Source: Company data, KIS

Table 3. Forecast revision

(VND

bn, %, % p)

| | New | | Old | | Change | | Comments |
|-------------------------|--------------|--------------|--------------|---------------|---------------|---------------|---|
| | FY20F | FY21F | FY20F | FY21F | FY20F | FY21F | |
| Presale volume (units) | 2,992 | 4,147 | 2,825 | 5,429 | 5.9 | (23.6) | We assume GSW continue launching in FY21F-23F, rather sell out in FY20-21F |
| Presale value (VNDbn) | 5,141 | 9,701 | 5,973 | 13,863 | (13.9) | (30.0) | |
| Handover volume (units) | 945 | 2,229 | 1,615 | 3,651 | (41.5) | (39.0) | We forecast half of GSW presale volume could translate to FY20F revenue as the second COVID-19 wave weigh on sales plan schedule |
| Handover value (VNDbn) | 1,473 | 4,276 | 2,593 | 6,573 | (43.2) | (34.9) | |
| Net sales | 4,019 | 6,949 | 5,920 | 10,186 | (32.1) | (31.8) | |
| <i>Property sales</i> | 1,473 | 4,276 | 2,593 | 6,573 | (43.2) | (34.9) | |
| <i>Brokerage</i> | 2,099 | 1,779 | 2,433 | 2,630 | (13.7) | (32.4) | We assume the more brokerage revenue decrease in FY20F due to second COVID-19 wave and continue sliding in FY21F at a slower pace |
| <i>Construction</i> | 447 | 894 | 894 | 984 | (50.0) | (9.1) | |
| Gross profit | 2,328 | 2,990 | 3,131 | 5,885 | (25.6) | (49.2) | |
| <i>Gross margin</i> | 58 | 43 | 53 | 58 | 5.0 | (14.8) | |
| SG&A expenses | (769) | (834) | (711) | (1,222) | 8.3 | (31.8) | |
| Operating profit | 1,559 | 2,156 | 2,420 | 4,663 | (35.6) | (53.8) | |
| Financial income | 51 | 56 | 127 | 56 | (59.8) | 0.0 | |
| Financial expense | (831) | (508) | (799) | (353) | 4.0 | 43.7 | |
| EBT | 829 | 1,759 | 1,798 | 4,421 | (53.9) | (60.2) | |
| CIT | (166) | (352) | (360) | (884) | (53.9) | (60.2) | |
| EAT | 663 | 1,408 | 1,438 | 3,537 | (53.9) | (60.2) | |
| MI | 474 | 406 | 605 | 587 | (21.7) | (30.9) | |
| PATMI | 190 | 1,002 | 834 | 2,950 | (77.3) | (66.0) | The second presale units of GWS project could not bring into revenue in FY20F, reducing the PATMI |

Table 4. Fair value calculation

(VND bn, VND, %)

| Project Name | NAV | Method | Discount to NAV |
|----------------------------------|--------------|--------|-----------------|
| Gem Riverside | 2,004 | DCF | 80 |
| Opal Boulevard | 828 | DCF | 10 |
| Opal Skyview | 201 | DCF | 20 |
| Opal City | 599 | DCF | 50 |
| Lux Star | 303 | DCF | 50 |
| Lux Riverview | 221 | DCF | 50 |
| The Palm City | 82 | DCF | 50 |
| Long Duc | 3,778 | DCF | 50 |
| Opal Cityview | 580 | DCF | 20 |
| Total project development | 8,595 | | |
| Brokerage | 1,417 | DCF | 30 |
| Add | | | |
| Cash and cash equivalent | 1,631 | | |
| Short-term investments | 231 | | |
| Short-term A/R | 4,511 | | |
| Other short-term assets | 172 | | |
| Long-term assets | 768 | | |
| Less | | | |
| Debt | 5,966 | | |
| Other liabilities | 1,987 | | |
| Minority interest | 2,535 | | |
| RNAV | 7,658 | | |
| Shares outstanding (m) | 525 | | |

| | |
|---------------------------------|---------------|
| Target price (VND/share) | 14,600 |
|---------------------------------|---------------|

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 | 18,632 | 24,335 |
| Cash & cash equivalents | 1,687 | 1,159 | 793 | 1,357 | 2,279 |
| Accounts & other receivables | 3,441 | 5,567 | 9,023 | 8,145 | 9,865 |
| Inventory | 3,401 | 4,605 | 6,791 | 8,672 | 11,816 |
| 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 | 1,302 | 1,419 |
| Total assets | 10,264 | 13,729 | 19,879 | 21,838 | 27,681 |
| Advances from customers | 1,396 | 1,029 | 908 | 3,382 | 6,371 |
| Unearned revenue | 12 | 19 | 36 | 36 | 36 |
| Trade payables | 316 | 581 | 1,187 | 735 | 1,721 |
| Others | 1,357 | 3,034 | 4,122 | 1,448 | 1,850 |
| ST debt & bonds | 658 | 471 | 1,063 | 846 | 930 |
| LT debt & financial liabilities | 1,871 | 2,394 | 3,337 | 5,396 | 5,382 |
| Total liabilities | 5,611 | 7,530 | 10,652 | 11,844 | 16,290 |
| Controlling interest | 3,814 | 5,000 | 6,989 | 7,282 | 8,273 |
| 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 | 2,013 | 3,014 |
| Minority interest | 840 | 1,199 | 2,239 | 2,712 | 3,118 |
| Shareholders' equity | 4,654 | 6,199 | 9,227 | 9,994 | 11,391 |

Cash flow

(VND bn)

| FY-ending Dec. | 2017A | 2018A | 2019A | 2020F | 2021F |
|-------------------------|--------------|--------------|--------------|------------|------------|
| C/F from operations | (1,054) | (932) | (1,646) | (1,030) | 827 |
| Net profit | 728 | 1,178 | 1,217 | 190 | 1,002 |
| Dep'n & Amort'n | 15 | 24 | 39 | 53 | 55 |
| Net incr. in W/C | (1,943) | (1,938) | (3,811) | (1,753) | (525) |
| C/F from investing | (1,047) | (0) | (1,413) | (245) | 36 |
| Capex | 0 | 0 | 0 | 0 | 0 |
| Incr. in investment | (395) | 113 | (1,139) | 82 | 91 |
| C/F from financing | 1,970 | 403 | 2,693 | 1,839 | 58 |
| Incr. in equity | 403 | 542 | 1,636 | (4) | (11) |
| Incr. in debt | 1,867 | 337 | 1,537 | 1,843 | 69 |
| Dividends | (300) | (476) | (479) | 0 | 0 |
| C/F from others | 0 | 0 | 0 | 0 | 0 |
| Increase in cash | (131) | (529) | (365) | 564 | 922 |

Income statement

(VND bn)

| FY-ending Dec. | 2017A | 2018A | 2019A | 2020F | 2021F |
|---|-------|-------|-------|-------|-------|
| Sales | 2,879 | 4,645 | 5,814 | 4,019 | 6,949 |
| COGS | 1,134 | 2,006 | 2,691 | 1,638 | 3,904 |
| Gross profit | 1,745 | 2,639 | 3,123 | 2,382 | 3,045 |
| SG&A | 544 | 780 | 985 | 769 | 834 |
| Operating profit | 1,186 | 1,835 | 2,099 | 1,559 | 2,156 |
| Financial income | 207 | 270 | 127 | 56 | 62 |
| Interest income | 66 | 207 | 270 | 51 | 56 |
| Financial expenses | (191) | (209) | (799) | (508) | (274) |
| Interest expenses | (163) | (280) | (273) | (508) | (274) |
| 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 | 829 | 1,759 |
| Income taxes | 250 | 379 | 502 | 166 | 352 |
| Net profit | 1,085 | 1,723 | 1,886 | 663 | 1,408 |
| Net profit of controlling interest | 728 | 1,178 | 1,217 | 190 | 1,002 |
| EBITDA | 1,202 | 1,859 | 2,138 | 1,612 | 2,211 |

Key financial data

| FY-ending Dec. | 2017A | 2018A | 2019A | 2020F | 2021F |
|----------------------------|--------|---------|---------|---------|---------|
| Per-share data (VND, adj.) | | | | | |
| EPS | 2,127 | 3,427 | 2,645 | 365 | 1,927 |
| BPS | 19,397 | 14,282 | 13,439 | 14,002 | 15,908 |
| DPS | 497 | 0 | 0 | 0 | 0 |
| Growth (%) | | | | | |
| Sales growth | 14.9 | 61.3 | 25.1 | (30.9) | 72.9 |
| OP growth | 84.5 | 54.7 | 14.4 | (25.7) | 38.3 |
| NP growth | 38.9 | 61.8 | 3.2 | (84.4) | 428.3 |
| EPS growth | (34.4) | 61.1 | (22.8) | (86.2) | 428.3 |
| EBITDA growth | 84.5 | 54.7 | 15.0 | (24.6) | 37.1 |
| Profitability (%) | | | | | |
| OP margin | 41.2 | 39.5 | 36.1 | 38.8 | 31.0 |
| NP margin | 37.7 | 37.1 | 32.4 | 16.5 | 20.3 |
| EBITDA margin | 41.7 | 40.0 | 36.8 | 40.1 | 31.8 |
| ROA | 13.4 | 14.3 | 10.9 | 6.2 | 7.1 |
| ROE | 20.6 | 26.7 | 20.3 | 2.7 | 12.9 |
| 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 | 4,885.2 | 4,032.8 |
| Net debt/equity (%) | 18.1 | 27.5 | 39.1 | 48.9 | 35.4 |
| Valuation (x) | | | | | |
| PE | 4.6 | 2.8 | 3.7 | 35.0 | 6.6 |
| PB | 0.5 | 0.7 | 0.7 | 0.9 | 0.8 |
| EV/EBITDA | 3.4 | 2.8 | 4.3 | 8.0 | 5.6 |

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