

22 Apr 2022

Devevt. Invevt. Com (DIG)

AGM Briefing: Worth watching

AGM Briefing

- On April 22, we attended DIG's AGM presentation briefing for the upcoming business expansion plan. Despite unexpectedly numerous individual shareholders who consumed a huge amount of time to arrange the seats, the management has successfully walked through the 2022F guidance.

2021 guidance was missed, 2022F is extravagant

- The NPATMI grew splendidly by 38.7% yoy even though revenue only inched up by 3.3% in 2021. However, the stellar results have yet to help the company achieve their annual guidance.
- A 22% stock dividend at 100:22 ratio could be paid in 2Q22 of which 10% is from the 2021 undistributed earnings and the remainders is derived from the capital surplus
- Despite missing the 2021 guidance at 91.7%/88.7% of revenue and NPATMI, DIG still set up prosperous targets with a VND5tn revenue, +48.2% yoy and a VND1.9tn profit before tax, +48.2% yoy.
- Around 20-22% dividend could be paid from 2022F undistributed earnings.
- While further information is seeking, the company stays confident on sales, and handover of Victory City (Vi Thanh commune, Hau Giang province), Cap Saint Jacques (Vung Tau province), Solar City (Vung Tau province), Emera (Chi Linh, Vung Tau province) which lead the growth engine of revenue in 2022F.

12M rating **Non-rated**

12M TP **N.A**

Up/Downside *N.A*

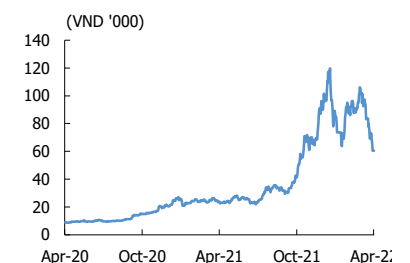
Stock Data

VNIndex (25 Apr, pt)	1,379
Stock price (25 Apr, VND)	60,500
Market cap (USD mn)	1,317
Shares outstanding (mn)	500
52-Week high/low (VND)	119,800/22,000
6M avg. daily turnover (USD mn)	23.55
Free float / Foreign ownership (%)	55.2/2.2
Major shareholders (%)	
Thien Tan Company	19.71
Chairman and Vice	20.37
Him Lam Real Estate	6.71

Performance

	1M	6M	12M
Absolute (%)	(40.7)	46.8	152.8
Relative to VNIndex (p)	(32.8)	46.9	141.0

Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	1,593.7	2,345.0	2,115.7	2,487.2	2,568.7
chg. (% YoY)	38.4	47.1	(9.8)	17.6	3.3
Operating profit (VND bn)	207.5	314.1	376.1	346.3	487.8
Net profit (VND bn)	196.2	324.0	391.0	711.2	986.2
EPS (VND)	797.0	1,233.0	1,286.0	2,157.0	2,281.0
chg. (% YoY)	237.7	54.7	4.3	67.7	5.7
EBITDA (VND bn)	226.7	336.9	413.6	391.2	539.0
PE (x)	78.5	50.4	52.1	29.0	32.8
EV/EBITDA (x)	74.8	51.1	50.9	55.5	67.3
PB (x)	5.5	5.2	5.2	4.4	4.3
ROE (%)	6.9	10.6	10.8	16.2	15.8
Dividend yield (%)	0.0	1.1	0.0	0.0	0.0

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

2021 fund demand was huge, 2022F even bigger

- In 2021, a VND3tn was disbursed to pay the land use right fee and clearance compensation, completing 32.1% their target. Despite the low payment, the company absorbed a huge fund flow from 1) a VND3.5tn corporate bond 2) a VND225bn ESOP and 3) a VND1,125bn private placement issuance.
- In 2022F, the company needs to mobilize at least VND11.7tn to invest in Bac Vung Tau project (VND1.7tn), Chi Linh project (VND800bn), Long Tan project (VND2tn), Nam Vinh Yen project (VND1.4tn), Vi Thanh project (VND800bn) DIC Star (VND1,4tn) and buy stake in A.T.A company who owns a 35ha land bank in Phu My commune with a VND1,070bn.
- While further information about capital structure is pending, DIG insists on raising a VND3tn equity by issuing 100mn shares to existing shareholders at 100:16.4 at a selling price of VND30,000 and a VND2.5 bond.
- We have yet to do the forecast on the timeline of launching and their feasibility of those projects to project the debt payment but we are cautious about the aggressive leverage. As of end-2021, the gearing was 1.19x, lower than 1.47x in 2020

Rich valuation as investors' optimism looks excessive

- Based on management's guidance of 2022F profit, 12MF PE is 21.2x times and 12MF PB is 3.6x times, remarkably lower than the 1-year median of 29.9x and 5x, respectively. Even though the share price has been pulled back steeply recently, we do not think the stock is worth of accumulation. We view that DIG's strong rally has been over manifested since the market sentiment of individual investors is betting on the prosperous outlook backed by rising infrastructure spending in Vung Tau- Dong Nai provinces where DIG's key land bank is located. Given the lengthy project development is still in pipeline, high leverage is escalating, concerning corporate governance is controlling the market price, DIG is not lucrative.

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