

27 Sep 2022

Dat Xanh (DXG)

Fasten the seat belt

Fundraising is concerned

The recently-issued Decree 65 regulating private bond offering will forbid the purpose of increasing working capital. The property issuers must specify in detail the project/investment program which could not be disclosed publicly in the acquisition plan. Furthermore, the dealer of bond issuance could hesitate to subscribe in the primary market since the retail clients buying in the secondary market must meet tighter requirements to be certified as “professional investors”. Overall, the ambitious land bank development plan of DXG could be slower than expected if the company could not switch to foreign bond market.

Presales is constrained amid the scarcity of credit quota

The national lockdown in 2020-21 cast a shadow on sales events and gallery visits which impeded the revenue booking in 2022F-23F. The fallout has yet ended nationwide but the developers face new challenges since most of the banks have limited credit quotas for mortgage segment. Lacking a mortgage, homebuyers are more reluctant to exercise their buying decision. Hence, the brokerage revenue and presale growth targets of DXG could be sluggish in 4Q22F.

2022F earnings growth is hindered

In the 1H22, DXG earned a VND3,342bn revenue, -48.7% yoy and a VND852bn profit before tax, -55.3% yoy, translating to fulfillment of 30.4/48.6% of revenue and PBT guidance. We note that DXG could seek profit before tax growth by transferring some inefficient property projects to record some financial gains according to the management. On the contrary, we could not find any concrete basis to convince us that DXG could achieve its revenue target in 2022F given the tepid brokerage segment.

Valuation is not cheap

DXG market price pulled back sharply in 1 month following the drop of real estate sector. DXG is currently trading at 18.9x TTM PE and 1.5x PB, mostly in line with the 1-year median 19.5x/1.9x. Amid the concerns of a possible mortgage rate hike and scarce credit availability to homebuyers, we are wary of DXG’s presale growth target and brokerage segment. However, setting a firm footprint with proven track could help DXG to weather the storm smoothly.

Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE EV/EBITDA	PB	ROE	DY	
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(YoY)	(VND bn)	(x)	(x)	(%)	(%)	
2017A	2,879	1,186	728	2,127	(34.4)	1,202	9.6	6.5	1.8	20.6	0.0
2018A	4,645	1,835	1,178	3,427	61.1	1,859	7.1	5.3	1.6	26.7	0.0
2019A	5,814	2,099	1,217	2,645	(22.8)	2,138	10.2	7.3	1.7	20.3	0.0
2020A	2,891	792	(496)	(953)	N.M	849	N.M	19.1	2.0	(5.4)	0.0
2021A	10,089	2,713	1,157	1,878	N.M	2,782	12.3	5.6	1.6	10.3	0.0

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

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12M rating **Non-rated**

12M TP

Up/Downside

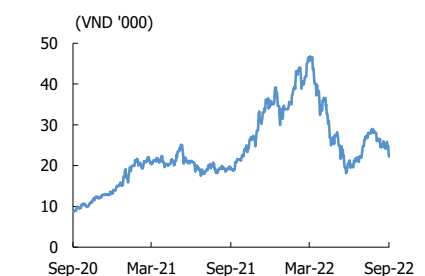
Stock Data

VNIndex (27 Sep, pt)	1,177
Stock price (27 Sep, VND)	22,200
Market cap (USD mn)	568
Shares outstanding (mn)	608
52-Week high/low (VND)	46,750/18,150
6M avg. daily turnover (USD mn)	12.01
Free float / Foreign ownership (%)	74.8/29.
Major shareholders (%)	
Luong Tri Thin (Chairman)	18.86
NAV	4.49
Dragon funds	19.31

Performance

	1M	6M	12M
Absolute (%)	(20.7)	(52.3)	17.1
Relative to VNIndex (%p)	(12.6)	(31.5)	27.0

Stock price trend



Source: Bloomberg

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Dat Xanh announced its extraordinary general annual meeting in Oct to address its strategy development plans and new trademarks. While the details of the meeting agenda are seeking, we are still staying skeptical about the DXG's growth prospects amid short-term constraints.

Tight fundraising hinders the land bank acquisition

The Decree 65 requires the real estate issuers could not offer bonds to increase working capital. Instead, carrying out investment programs and restructuring debt for a specific project in accordance with specialized laws are allowed. Since most developers are keeping secretly their acquisition plans for a specific project in the infant period due to the long-lasting due diligence, DXG and other housing companies could face constraints when their subsidiaries are acquiring land banks confidentially.

The Decree also hit the primary institutional buyers who often re-transfer to retail investors in the secondary market. As the retail subscribers must meet several strict requirements to be certified as professional investors, the secondary market will be less buoyant than before.

Table 1. Major changes in Decree 65/2022/ND-CP, dated September 16,2022.

Content	Regulated document	Current practice	Change in Decree 65/2022/ND-CP
Purpose of bond issuance	(1)	<ul style="list-style-type: none"> - Carry out investment programs, projects. - Increase working capital. - Restructure capital. - Issue bonds in accordance with specialized laws. 	<ul style="list-style-type: none"> - Carry out investment programs, projects. - Increase working capital. - Restructure debts. - Issue bonds in accordance with specialized laws.
Bond investors, individual professional securities investors	(2) & (3)	<p>An individual holding a list of listed or registered securities with a value of at least VND2bn as certified by a securities company at the time that individual is identified as a specialized securities investor;</p> <p>Within 01 year from the time of being identified as a professional securities investor by a securities company, the investor is not required to redefine the status of a professional securities investor when participating in the purchase of securities in private placement, member fund certificates.</p>	<p>Individuals holding a list of securities listed or registered for trading with a value of at least VND2bn, which is determined by the 180-day average market value of the securities portfolio before the date of determination of professional securities investor status, excluding the loan value for margin trading and the value of securities for repo transactions.</p> <p>The identification of professional securities investors is valid within 03 months from the date of confirmation.</p>

Source: Respective regulations, KISVN

Note: Changes, in our opinion, that are better will be shown in blue and more unfavorable will be shown in red.

The legal documents mentioned in the table above:

(1) Decree 153/2020/NĐ-CP, dated December 31, 2020.

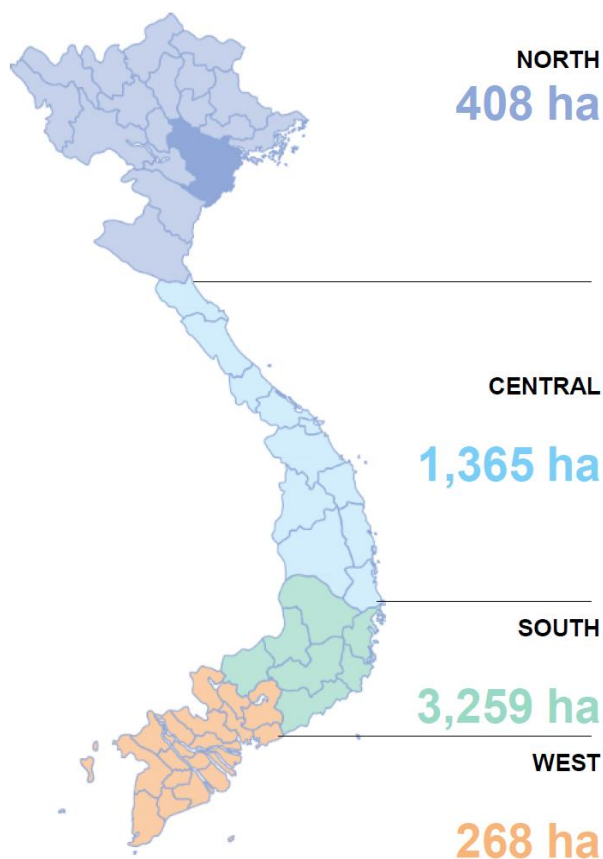
(2) Decree 155/2020/NĐ-CP, dated December 31, 2020.

(3) Securities Law 2019, dated November 26, 2019.

Overall, we think the development pipeline of land bank acquisition could be slower than DXG's estimates in the short term. DXG reduced sharply the bond balance from VND4.2tn as of end-21 to VND1.6tn as of end-1H22 by exercising the call option. To compensate for the shortage, DXG relies on foreign bond issuance with the projected total face value of USD300mn, pending the terms and conditions. We view positively as DXG is able to extend its reach to the international bond markets with diversified and prospered buyers. However, the amount is immaterial compared with their aggressive acquisition pipeline. Exchange risk is another headwind since USD/VND is sharply trending upward

lately, putting DXG under great pressure of exchange loss of VND100-200bn per year assuming VND lose 1.5-2% p.a.

Chart 1. DXG's map of land bank acquisition



Source: Company report

Table 2. Aggressive land bank expansion

Project	Location	Type	Size (sqm)	GFA (m ²)
Short-term			1,482,450	4,481,907
1 Opal Skyline	Binh Duong	High-rise	10,200	135,000
2 Gem Sky World	Dong Nai	Township	922,200	735,000
3 Lux Star	HCM	High-rise	10,900	81,000
4 Opal City View	Binh Duong	High-rise	9,700	146,000
5 Gem Riverside	HCM	High-rise	67,100	381,000
6 DXH Parkview	Binh Duong	High-rise	51,300	679,000
7 Opal Central Park	Binh Duong	High-rise	11,900	146,000
8 Gem Tower	Dong Nai	High-rise	48,250	525,000
9 DXH Park City	Binh Duong	High-rise	95,000	629,000
10 Thanh Hoa New City	Thanh Hoa	High-rise	105,900	499,907
11 Gem Premium	HCM	High-rise	150,000	525,000
Mid-term			3,790,700	2,370,041
12 DXH Green Village	Hau Giang	Township	434,700	108,675
13 Opal Tower	HCM	High-rise	4,900	43,540
14 Lux Riverview	HCM	High-rise	8,500	76,936
15 Gem City	HCM	High-rise	60,700	269,115
16 DXH New City	Vinh Phuc	Township	378,700	113,610
17 DXH Airport City	Dong Nai	Township	1,520,000	1,211,451
18 DXH Opal Village	Hau Giang	Township	472,000	118,000
19 DXH Gem City	Kien Giang	Township	807,000	201,750
20 Opal Centre Point	HCM	High-rise	17,600	70,400
21 Palm City	HCM	High-rise	74,100	106,564
22 Opal Riverview	HCM	High-rise	12,500	50,000
Long-term			47,722,000	16,278,250
23 DXH Lux City	Hau Giang	Township	962,000	240,500
24 Gem Green Bay	Khanh Hoa	Township	1,719,000	429,750
25 DXH Grand City	Long An	Township	14,210,000	4,263,000
26 Gem Central Bay	Binh Thuan	Township	890,000	222,500
27 DXH Mega City	Bac Giang	Township	3,600,000	1,080,000
28 DXH Opal Green City	Binh Phuoc	Township	3,000,000	750,000
29 Gem City Riverside	Quang Nam	Township	2,780,000	695,000
30 DXH Green City	HCM	Township	1,141,000	1,650,000
31 DXH Pearl City	HCM	Township	10,270,000	4,660,000
32 Gem Diamond Bay	Ninh Thuan	Township	9,150,000	2,287,500

Source: Company report

Table 3: Most of the short-term projects are under development procedure.

Project	Location	Type	Size (s qm)	GFA (s qm)	GDV (VND bn)	Profit (VND bn)	Launch	Legal conditions
Opal Skyline	Binh Duong	High-rise	10,200	135,000	2,500	645	4Q20	Finished
Gem Sky World	Dong Nai	Township	922,220	735,000	18,458	13,949	3Q20	Are launching
Lux Star	HCM	High-rise	10,900	81,000	3,888	1,517	2023F	Under legal procedures
Opal City View	Binh Duong	High-rise	9,700	146,000	4,672	945	2023F	Under legal procedures
Gem Riverside	HCM	High-rise	67,100	381,000	21,000	11,500	2022F	Under legal procedures
DXH Parkview	Binh Duong	High-rise	51,300	679,000	21,728	4,179	2023F	Under legal procedures
Opal Central Park	Binh Duong	High-rise	11,900	146,000	4,672	935	2023F	Under legal procedures
Gem Tower	Dong Nai	High-rise	48,250	525,000	12,600	1,770	2023F	Under legal procedures
DXH Park City	Binh Duong	High-rise	95,000	629,000	17,612	4,152	2023F	Under legal procedures
Thanh Hoa New City	Thanh Hoa	High-rise	105,900	499,907	11,537	2,905	2023F	Under legal procedures
Gem Premium	HCM	High-rise	150,000	525,000	63,000	30,472	2024F	Under legal procedures

Presale growth in 2022F faces a new challenge

Most of property buyers are counting on mortgage loans which facilitate up to 70% of total house value. The dry-up of credit quota in 1H22 forces many developers and bankers to be pickier in providing loans to homebuyers and that discourages sales activities. DXG aims for a booming presale value of around

VND11.7tn but earned VND2.3-2.4tn in 1H22F. Many projects in the pipeline are postponed to launch from 2022F to 2023F including Opal City View, per management. The bottleneck of mortgage loan availability also hit DXG's brokerage division, resulting to lower transactions and commission fees. DXG is double attacked by the sluggish presales growth of self-development projects and tepid brokerage services of brokerage division.

The company sold out the Topaz Town, Garnet Town and Pearl Town. We estimate accumulated presale units to be 2,500-2,600 and its delivered units to be 1,400-1,600 as of end-1H22. The unbilled booking revenue could amount to VND4.6-4.7tn as of end-2Q22.

Chart 2. Gem Sky World project snapshot



Source: Company report

Chart 3. Gem Riverside project snapshot



Source: Company report

The company sold 8 blocks out of 12 blocks in 2018 and will resume the sales activities in 4Q22F. DXG suffers the delay of authority when the company aims to amend investment certificates in 2018. Around 1,200 units sold in 2018 is still remained with average selling price of VND33-38mn/sqm and the remainders could be re-launched at ASP of VND80-100mn/s qm

2022 earnings could be lagging behind the guidance.

DXG introduce 2022F guidance with a VND11tn revenue and a VND1.7tn profit before tax, featuring 8.6% yoy and -30.4% yoy. In the 1H22, DXG earned a VND3,342bn revenue, -48.7% yoy and a VND852bn profit before tax, -55.3% yoy, translating to fulfillment of 30.4/48.6% of revenue and PBT guidance. We attribute the weak 1H22 performance to the slow-than-expected recovery of sales activities which resulted in sluggish brokerage revenue. The northern

region remained DXG's key revenue contributor with a 45% revenue share in 1H22 brokerage segment, per management. The property development sales derived mainly from the handover of Opal Boulevard condo and St. Moritz condo projects. DXG also recorded divestment income of VND172.4bn from selling a land lot.

The management expects the first batch of Opal Skyline (1,500 units) could be handed over in 4Q22F, which is the key catalyst growth of property segment in 2H22F beside booking unbilled revenue of Gem Sky World. However, the brokerage division is still relying on the launch of Gem Riverside project which could contribute up to VND6.9-7tn presale value to DXG in 4Q22F.

Taking into account the credit quota scarcity available to the mortgage loan segment, we are wary of the sales activities of Gem Riverside project in 4Q22F. Overall, we note that DXG could seek the profit before tax growth by transferring some inefficient property projects to record some financial gains. We have yet found any concrete basis to convince us that DXG could achieve its revenue target.

Table 4. Earnings summary

(VND bn, %, % p)

	2021				2022F				2020	2021	2Q22		Consensus (BB)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QF			QoQ	YoY	
Net sales	2,954	3,563	1,303	2,270	1,792	1,550			2,891	10,089	(13.5)	(56.5)	N.A
Property sales	2,146	2,515	1,068	1,435	984	775			393	7,206	(21.2)	(69.2)	
Brokerage	733	868	209	732	710	551			1,932	2,541	(22.4)	(36.5)	
Construction	49	133	3	90	75	129			530	276	71.1	(3.4)	
Other	26	47	23	13	23	95			36		310.7	N.M	
Gross profit	1,736	1,956	783	1,117	1,037	793			1,875	5,598	(23.5)	(59.5)	N.A
Gross margin	58.8	54.9	60.1	49.2	57.8	51.2			64.9	55.5	(6.7)	(3.7)	
SG&A	711	890	433	844	433	547			1,083	2,885	26.3	(38.6)	
Operating profit	1,025	1,065	350	273	604	246			792	2,713	(59.2)	(76.9)	
Associate's income	0	0	0	0	1	1			50	55			
Financial income	11	35	47	260	22	196			73	353	174.8	459.3	
Financial expense	118	145	146	135	109	116			858	544	7.3	(20.1)	
Net other income	7	24	1	(38)	19	(11)			0	0	(30.0)	(146.1)	
EBT	925	979	251	361	536	316			27	2,516	(219.8)	(67.7)	
Net profit	712	478	160	245	408	262			(174)	1,595	(146.3)	(45.1)	
NP of controlling interest	531	299	52	275	270	133			(496)	1,157	(137.1)	(55.5)	N.A
EBITDA	1,039	1,079	364	287	632	274			849	2,782	(357.4)	(74.6)	
EBITDA margin	35.2	30.3	27.9	12.6	35.3	17.7			29.4	27.6	(17.5)	(12.6)	
OP margin	34.7	29.9	26.8	12.0	33.7	15.9	48.5	39.5	27.4	26.9	(17.8)	(14.0)	

Source: Company data, KIS

Valuation is not cheap

DXG market price pulled back sharply in 1 month following the drop of real estate sector. DXG is currently trading at 18.9x TTM PE and 1.5x PB, mostly in line with the 1-year median 19.5x/1.9x. Amid the concerns of a possible mortgage rate hike and scarce credit availability to homebuyers, we are wary of DXG's presale growth target and brokerage segment. However, being the giant could help DXG to weather the storm smoothly.

Balance sheet

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Current assets	8,840	11,816	17,066	19,723	25,255
Cash & cash equivalents	1,687	1,159	793	1,780	2,738
Accounts & other receivables	3,441	5,567	9,023	7,213	10,796
Inventory	3,401	4,605	6,791	10,252	11,238
Non-current assets	1,033	1,277	1,607	559	826
Fixed assets	42	54	330	325	358
Investment assets	991	1,223	1,277	234	468
Others	391	636	1,206	3,029	2,173
Total assets	10,264	13,729	19,879	23,311	28,254
Advances from customers	1,396	1,029	908	2,923	2,187
Unearned revenue	12	19	36	46	56
Trade payables	316	581	1,187	604	849
Others	1,357	3,034	4,122	4,709	7,301
ST debt & due bonds	658	471	1,063	2,069	2,963
LT debt & bonds	1,871	2,394	3,337	3,876	1,517
Total liabilities	5,611	7,530	10,652	14,227	14,873
Controlling interest	3,814	5,000	6,989	6,154	8,769
Capital stock	3,032	3,501	5,200	5,200	5,978
Capital surplus	11	11	11	11	11
Other reserves	25	33	62	102	112
Retained earnings	746	1,456	1,716	841	2,669
Minority interest	840	1,199	2,239	2,930	4,612
Shareholders' equity	4,654	6,199	9,227	9,084	13,381

Cash flow

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
C/F from operations	(1,054)	(932)	(1,646)	(780)	1,225
Net profit	1,085	1,723	1,886	(174)	1,595
Dep'n & Amort'n	15	24	39	57	69
Net incr. in W/C	(1,943)	(1,938)	(3,811)	(967)	(856)
C/F from investing	(1,047)	(0)	(1,413)	(334)	10
Capex	0	0	0	0	0
Incr. in investment	(395)	113	(1,139)	265	(115)
C/F from financing	1,970	403	2,693	2,101	(277)
Incr. in equity	403	542	1,636	1,008	1,482
Incr. in debt	1,867	337	1,537	1,523	(1,460)
Dividends	(300)	(476)	(479)	(431)	(300)
C/F from others	0	0	0	0	0
Increase in cash	(131)	(529)	(365)	986	958

Income statement

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Sales	2,879	4,645	5,814	2,891	10,089
COGS	1,134	2,006	2,691	960	4,422
Gross profit	1,745	2,639	3,123	1,931	5,667
SG&A expenses	544	780	985	1,083	2,885
Operating profit	1,186	1,835	2,099	792	2,713
Financial income	207	270	73	353	136
Interest income	66	56	46	69	123
Financial expenses	(191)	(209)	(858)	(544)	(519)
Interest expenses	(163)	0	(309)	(468)	(519)
Other non-operating profit	18	(6)	79	31	(6)
Gains (Losses) in associates, subsidiaries and JV	128	256	149	(11)	0
Earnings before tax	1,335	2,102	2,389	27	2,516
Income taxes	250	379	502	201	921
Net profit	1,085	1,723	1,886	(174)	1,595
Net profit of controlling interest	728	1,178	1,217	(496)	1,157
EBITDA	1,202	1,859	2,138	849	2,782

Key financial data

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Per-share data (VND, adj.)					
EPS	2,127	3,427	2,645	(953)	1,878
BPS	19,397	14,282	13,439	11,834	14,670
DPS	497	0	0	0	0
Growth (%)					
Sales growth	15	61	25	(50)	249
OP growth	85	55	14	(62.3)	242.5
NP growth	39	62	3	N.M	(1,016.3)
EPS growth	(34)	61	(23)	N.M	(297.1)
EBITDA growth	85	55	15	(60.3)	227.9
Profitability (%)					
OP margin	41.2	39.5	36.1	27.4	26.9
NP margin	37.7	37.1	32.4	(6.0)	15.8
EBITDA margin	41.7	40.0	36.8	29.4	27.6
ROA	13.4	14.3	10.9	(2.3)	4.5
ROE	20.6	26.7	20.3	(5.4)	10.3
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	4,165.7	1,742.2
Net debt/equity (%)	18.1	27.5	39.1	45.9	13.0
Valuation (x)					
PE	9.6	7.1	10.2	N.M	12.3
PB	1.8	1.6	1.7	2.0	1.6
EV/EBITDA	6.5	5.3	7.3	19.1	5.6

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- Hold: Expected total return will be between -5% and 15%
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- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

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- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
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Prepared by: Nhan Lai

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