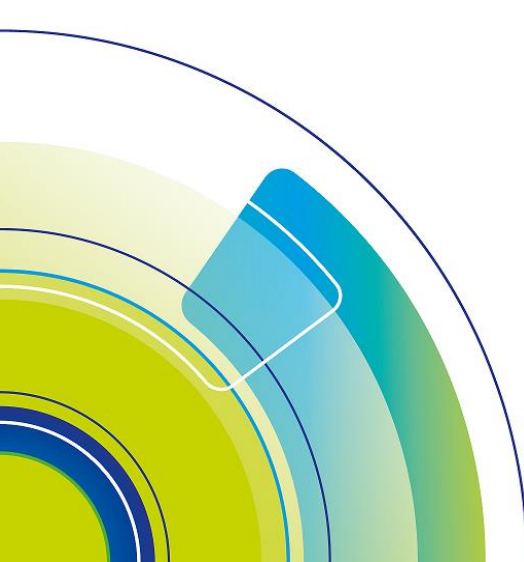




DXG Update - BUY

March 31, 2022



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Company Update

Recommendation

BUY
HOSE: DXG
Property
Current price (VND)
46,100
Target price (VND)
56,550
Expected share price return
20.3%
Expected dividend yield
0.0%
Expected total return
20.3%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	31.7	9.0	31.7	120.4
Relative	32.1	8.9	31.3	93.3

Source: Bloomberg



Ownership

Luong Tri Thin (Chairman)	17.5%
Dragon Capital and affiliates	20.8%

Stock Statistics

30-Mar-22

Bloomberg code

DXG VN

52-week range (VND)	16,522 - 47,450
Shares O/S (m)	608
Mkt cap (VND bn)	28,007
Mkt cap (USD m)	1,218
Foreign room left (%)	20.2
Est. free float (%)	76.8
3m avg daily vol (shrs)	10,971,900
VND/USD	23,000
Index: VNIndex / HNX	1490.51/451.19

DAT XANH GROUP JSC (DXG VN)

We issue a Buy rating on DXG with a target price of VND56,550 given market recovery, land bank expansion and upgrade in selling prices

2021 Overview

DXG posted a good result in 2021 with net revenue of over VND10trn (+249% YoY) and NPATMI of VND1,157bn compared with a loss of nearly VND500bn in 2020 thanks to:

1. Property sales jumped by 18.3x YoY, to over VND7,200bn given delivery of Gem Sky World (~1,200 units) and Opal Boulevard (over 1,400 units).
2. Revenue from brokerage services increased by 32% YoY, to VND2,541bn mainly thanks to market recovery in 1H2021.
3. VND220bn of financial profit from transferring 55% out of 100% of Xuan Dinh, a main developer of a project in Hiep Binh Phuoc, Thu Duc City.
4. A 37% YoY decrease in financial expenses given a loss of VND526bn from transferring Long Dien associate incurred in 2020.

	2020	2021	YoY
Property development	393	7,206	1731%
Brokerage service	1,932	2,541	32%
Others	574	384	-33%
Net revenue	2,891	10,089	249%
Financial income	73	353	386%
Financial expenses	858	544	-37%
NPATMI	-496	1,157	n/a

Source: DXG's audited 2021 FS.

Land bank expansion

DXG wants to expand its land bank to 4,148ha, up by 81% YoY by accumulating more large-scale urban area projects such as Gem Diamond Bay in Ninh Thuan (915ha), DXH Opal Green City in Binh Phuoc (300ha), Gem City Riverside in Quang Nam (278ha), etc. It will transfer small projects (1-2ha) in HCMC to focus on large-scale projects in provinces that have more affordable selling prices and lower land costs than HCMC.

	2018	2019	2020	2021	2022E
Net Sales (VNDbn)	4,645	5,814	2,891	10,089	11,101
Growth	61.3%	25.1%	-50.3%	249.0%	10.0%
EBITDA (VNDbn)	1,859	2,138	849	2,782	3,100
Growth	54.7%	15.0%	-60.3%	227.9%	11.4%
NPATMI (VNDbn)	1,178	1,217	-496	1,157	1,424
Growth	56.9%	3.2%	-140.8%	-333.4%	23.1%
EPS (bonus-adjusted, VND)	2,258	2,323	-832	1,942	2,284
Growth	56.3%	2.9%	n/a	n/a	17.6%
ROE	26.7%	20.3%	-7.5%	15.5%	15.5%
ROIC	10.6%	8.0%	-1.4%	5.6%	5.6%
Net debt/EBITDA (x)	0.7	1.5	4.7	0.5	1.3
EV/EBITDA (x)	16.1	14.0	35.4	10.8	9.7
PER (x)	20.8	20.2	n/a	24.2	20.6
PBR (x)	2.7	2.6	2.7	2.1	1.9
DPS (VND)	0	0	0	0	0
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%

For mid-scale projects that have superior locations in HCMC such as Gem Riverside and Gem Premium, the company will adjust their 1/500 planning and upgrade their products from mid-end to high-end segment to improve selling prices and margins. This strategy is in line with market trend and suitable for the long-term development of the company.

According to DXG, over 30% of the targeted land bank was clean. Capex for land bank is expected at VND8-10trn/year in 2022-2023, of which 60% is for clearance of existing projects and 40% for M&A.

Capital raising

As DXG is acquiring more large-scale projects, the need to use more long-term debts is rising. The company plans to issue maximum VND4trn of 3-year corporate bonds to the public with expected coupon rate of 10.5%/year and collateral of DXG's subsidiary stocks – DXS. It also wants to issue USD300mn of 5-year convertible bonds with conversion price of no less than VND62,000/share. Thus, we forecast Net debt/Equity ratio will increase to 28.0% at YE2022 compared with the 5-year lowest level of 10.9% at YE2021.

Projects update

Gem Sky World: This project has a total of over 4,000 units and is the key contributor in 2021-2022 business result. Its selling price rises along with the construction progress of Long Thanh international airport, doubling from VND18mn/sqm in the first sales event in 7/2020 to VND35mn/sqm at YE2021. Remaining 1,700 units are expected to be sold at VND37-38mn/sqm.

Gem Riverside: ~1,000 units received bookings with selling price of ~32mn/sqm in 2018. After 4 years of delay to complete legal paper, the company will restart this project in this year and expect to sell the remaining ~2,200 units at expected selling price of VND80mn/sqm which is 2.5 times higher than the previous price. Total GDV for this project is expected at VND21trn.

Gem Premium: This project will be expanded from 6.7ha to 15ha by adding Gem Riverview project (2.6ha) and surrounding land areas that DXG is acquiring. This high-end project has a GDV of VND63trn and is expected to be launched at the end of 2023. It includes 19 blocks, 7,500 condos, 1 hotel, 1 office building and 1 mall.

DXH Airport City: DXG is in negotiations to acquire a 152ha project in Dong Nai which has a better location than Gem Sky World project, expected total investment of VND12.5trn and GDV of nearly VND70trn.

DXH Park City and DXH Parkview: These two new projects in Binh Duong are waiting for investment policy and 1/500 Planning adjustment and are expected to be launched from 2023 with expected selling price of around VND35mn/sqm.

Project name	Location	Area (ha)	GFA ('000 sqm)	GDV (VNDbn)	Number of units	Progress
Gem Sky World	Dong Nai	92.2	735	18,458	4,024	Complete Topaz Town, Garnet Town and Pearl Town. Construct Sapphire Parkview and Diamond Eastview.
Opal Skyline	Binh Duong	1.0	135	3,780	1,630	To be delivered at the end of 2022 or early 2023
Gem Riverside	Thu Duc City	6.7	381	21,000	3,181	Expected to launch the remaining ~2,200 units with selling price of VND80mn/sqm in 2022
Lux Star	D7, HCMC	1.1	81	3,888	n/a	n/a
Opal City View	Binh Duong	1.0	146	4,672	1,498	Expected launch in 2022
DXH Parkview	Binh Duong	5.1	679	21,728	6,800	Apply for investment policy and adjust 1/500 Planning
DXH Park City	Binh Duong	9.5	629	17,612	6,500	Apply for investment policy and adjust 1/500 Planning
Gem Premium	Thu Duc City	15.0	525	63,000	7,500	Acquire surrounding land lots and adjust 1/500 Planning

Opal Tower	Thu Duc City	0.5	44	3,344	n/a	May develop into DXG office because the land cannot change its use right from commercial & service to residential.
Lux Riverview	D7, HCMC	0.9	77	2,954	n/a	MOU
Gem City	Thu Duc City	6.1	269	13,456	2,460	Adjust 1/500 Planning
Palm City	Thu Duc City	7.4	107	6,820	n/a	In clearance
Opal Riverview	Thu Duc City	1.3	50	2,400	n/a	Decrease ownership to 45% from 100%
Gem Green Bay	Khanh Hoa	171.9	430	19,253	n/a	Adjust 1/500 Planning
DXH Airport City	Dong Nai	152.0	1,211	69,780	n/a	To be acquired

Sources: DXG and ACBS.

Forecast and valuation

DXG is expected to have solid growth in 2022 with estimated net revenue of VND11,101bn (+10% YoY) and PATMI of VND1,424bn (+24% YoY) thanks to delivery of Gem Sky World and St Mortiz projects and continuous recovery of the brokerage service with expected more proportion of full brokerage service compared with traditional brokerage service than last year. 2022 pre-sales are forecast at nearly VND15trn (+3x YoY), equivalent to over 3,000 units (+109% YoY) at Gem Sky World, Gem Riverside and Opal Cityview.

Overall, DXG is a popular property developer with a leading market share in brokerage service, active management team and healthy financial status. Using the sum-of-parts valuation method, we suggest a target price of VND56,550/share at YE22 and give a Buy rating for this stock.

	Valuation (VNDbn)	Note
Gem Sky World	5,768	DCF
St. Mortiz	272	DCF
Opal Skyline	368	DCF
Gem Riverside	6,199	DCF
Lux Star	570	DCF
Opal Cityview	573	DCF
DXH Parkview	3,046	DCF
DXH Park City	2,392	DCF
Gem Premium (Phase 1)	2,818	DCF
Gem Riverview	446	DCF
Opal Central Park	382	DCF
Opal Tower	158	DCF
Lux Riverview	531	DCF
Gem City	1,965	DCF
Palm City	857	DCF
Opal Riverview	154	DCF
Gem Green Bay	566	BV
Total projects	27,065	
Brokerage service	8,393	DXG is holding 60.33% of DXS We value DXS at VND38,840/share, using 2022 forward P/E average of 11.1x and estimated 2022 EPS of 3,490
Long-term investment	353	BV
Net debt	1,456	BV
NAV	34,356	
Number of shares (m)	608	
NAV per share (VND)	56,550	

DXG FINANCIALS MODEL	Price (VND):	46,100	Target (VND):	56,550	Mkt cap (VND bn):	28,007
(VND bn except where stated)		2018	2019	2020	2021	2022E
Total Net Sales		4,645	5,814	2,891	10,089	11,101
<i>Sales growth</i>		61.3%	25.1%	-50.3%	249.0%	10.0%
CoGS ex-dep'n		2,006	2,691	960	4,422	4,930
Gross profit		2,615	3,084	1,875	5,598	6,094
<i>Gross margin</i>		56.3%	53.0%	64.9%	55.5%	54.9%
SG&A		780	985	1083	2885	3071
<i>SG&A as % of sales</i>		16.8%	16.9%	37.5%	28.6%	27.7%
EBITDA		1,859	2,138	849	2,782	3,100
<i>EBITDA margin</i>		40.0%	36.8%	29.4%	27.6%	27.9%
Depreciation		24	39	57	69	76
Operating profit		1,835	2,099	792	2,713	3,024
<i>Operating profit margin</i>		39.5%	36.1%	27.4%	26.9%	27.2%
Financial income (excl. saving interest)		151	224	3	229	-
Financial expenses (excl. interest expense)		13	10	550	76	75
Net interest expense		121	152	240	345	341
Capitalized interest expense		99	144	359	229	256
<i>as % of avg, net debt</i>		22.8%	12.8%	16.5%	21.2%	21.2%
Profit/loss from associates and JVs		256	149	-11	0	0
Tax		379	502	201	921	520
<i>Effective tax rate</i>		18.0%	21.0%	747.3%	36.6%	20.0%
EAT		1,723	1,886	-174	1,595	2,082
Minority interest		544	670	322	438	657
NPATMI		1,178	1,217	-496	1,157	1,424
<i>Net profit margin</i>		25.4%	20.9%	-17.1%	11.5%	12.8%
Cash earnings		1,203	1,256	-439	1,227	1,501
Number of shares (m)		350	520	518	596	608
EPS (VND)		3,427	2,672	-957	1,942	2,284
Bonus factor (x)		0.7	0.9	0.9	1.0	1.0
Adjusted EPS (VND)		2,258	2,323	-832	1,942	2,284
<i>EPS growth</i>		56.3%	2.9%	n/a	n/a	17.6%

KEY CASHFLOW AND BS ITEMS	2018	2019	2020	2021	2022E
Increase in working capital	1,753	4,076	-386	2,525	3,882
Capex	135	228	87	35	35
Other cash flow items	-90	-85	-1096	2654	-367
Free cash flow	-774	-3,133	-1,237	1,321	-2,783
Share issues	542	1,636	1,008	1,482	70
Dividends paid	476	479	431	300	-
Increase in net debt	709	1,976	659	-2,504	2,713
Net debt, end of year	1,325	3,301	3,960	1,456	4,169
Shareholders' equity	6,199	9,228	9,084	13,381	14,876
BVPS (VND)	17,721	17,753	17,527	22,451	24,486
<i>Net debt / equity</i>	<i>21.4%</i>	<i>35.8%</i>	<i>43.6%</i>	<i>10.9%</i>	<i>28.0%</i>
<i>Net debt / EBITDA (x)</i>	<i>0.7</i>	<i>1.5</i>	<i>4.7</i>	<i>0.5</i>	<i>1.3</i>
Total assets	13,729	19,881	23,311	28,254	32,462

KEY RETURN AND VALUATION RATIOS	2018	2019	2020	2021	2022E
<i>ROE</i>	<i>26.7%</i>	<i>20.3%</i>	<i>-7.5%</i>	<i>15.5%</i>	<i>15.5%</i>
<i>ROA</i>	<i>9.8%</i>	<i>7.2%</i>	<i>-2.3%</i>	<i>4.5%</i>	<i>4.7%</i>
<i>ROIC</i>	<i>10.6%</i>	<i>8.0%</i>	<i>-1.4%</i>	<i>5.6%</i>	<i>5.6%</i>
<i>WACC</i>	<i>15.0%</i>	<i>11.6%</i>	<i>12.3%</i>	<i>12.9%</i>	<i>12.7%</i>
<i>EVA</i>	<i>-4.4%</i>	<i>-3.7%</i>	<i>-13.7%</i>	<i>-7.3%</i>	<i>-7.1%</i>
<i>PER (x)</i>	<i>20.8</i>	<i>20.2</i>	<i>n/a</i>	<i>24.2</i>	<i>20.6</i>
<i>EV/EBITDA (x)</i>	<i>16.1</i>	<i>14.0</i>	<i>35.4</i>	<i>10.8</i>	<i>9.7</i>
<i>EV/FCF (x)</i>	<i>-38.8</i>	<i>-9.6</i>	<i>-24.3</i>	<i>22.7</i>	<i>-10.8</i>
<i>PBR (x)</i>	<i>2.7</i>	<i>2.6</i>	<i>2.7</i>	<i>2.1</i>	<i>1.9</i>
<i>PSR (x)</i>	<i>6.1</i>	<i>4.9</i>	<i>9.9</i>	<i>2.8</i>	<i>2.6</i>
<i>EV/sales (x)</i>	<i>6.5</i>	<i>5.2</i>	<i>10.4</i>	<i>3.0</i>	<i>2.7</i>
<i>Dividend yield</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>

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DISCLAIMER

Our Recommendation System

BUY: where we believe prospective 12 month VND total return (including dividends) will be 15% or more.

HOLD: where we believe it will be -15% to 15%.

SELL: where we believe it will be lower than -15%.

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