

## DXG – 2Q2022 result was affected by challenges in the real estate sector

DXG announced a slide in 2Q2022 business result with net revenue of VND1,698bn (-52% YoY) and PAT of VND200bn (-58% YoY) which were 2% higher than our top line forecast but 36% lower than our bottom line forecast. The underperforming PAT was mainly due to lower contribution of the brokerage service segment, which usually has a high margin than the property development segment, which was mainly driven by deliveries of Gem Sky World and St Mortiz projects. For 1H2022, the company recorded net revenue of VND3,490bn (-46% YoY) and PATMI of VND401bn (-52% YoY), completing 32% and 29% of targets, respectively.

Presales in 1H2022 was ~USD100mn, mainly from Gem Sky World project which has been sold ~65% of total units. For the full year of 2022, DXG targets presales of USD500mn, of which Gem Riverside is expected to account for USD300mn. This project is still waiting for its construction permit and is expected to be launched at the end of 3Q2022 or the beginning of 4Q2022 at the same time DXG plans to launch its new brand name for the high-end product. The selling price of Gem Riverside is ~VND100mn/sqm with gross margin of ~50% compared with the previous selling price of VND35-40mn/sqm offered 4 years ago, according to the company. On the other hand, Opal Cityview and DXH Parkview projects in Binh Duong province will be rescheduled from 3Q2022 to 2023 and Lux Star in HCMC from 4Q2022 to 2023 given challenges in the real estate market such as stricter credit granting to both developers and home-buyers.

Regarding financial health, DXG has paid back VND1,700bn out of VND2,300bn of bonds due in 2022 and the remainder of VND450bn will be paid back in Oct. DXG and its partners are still in the final discussion of the USD300mn convertible bond and this deal is expected to be closed in Aug or Sep this year with conversion price has not been disclosed.

Regarding land bank expansion, DXG has acquired five new projects with details in the table below. Of which, DXH Diamond City was acquired from Vinhomes (HSX: VHM) in the Star City project in Thanh Hoa.

No.	Project	Location	Land area (ha)	GFA ('000 sqm)	Number of blocks	Number of units	Progress
1	DXH Diamond City	Thanh Hoa		431	11	4,500	To be launched in 2023
2	DXH Lux City	Hau Giang	96.2	241	n/a	n/a	Received certificate of decision on investment policy
	DXH Green City		43.5	109	n/a	n/a	
3	DXH New City	Vinh Phuc	37.9	114	n/a	n/a	Received the Investment Approval in 7/2022. Land clearance and acquisition progress in ongoing.
4	DXH Airport City	Dong Nai	152	n/a	n/a	n/a	n/a
5	DXH Opal Green City	Binh Phuoc	300	n/a	n/a	n/a	n/a

*Source: DXG, ACBS.*

**Comment:** We will adjust our 2022 forecast in the upcoming update report given low 1H2022 results and challenges in the real estate sector.

**Truc Pham**

trucptt@acbs.com.vn

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