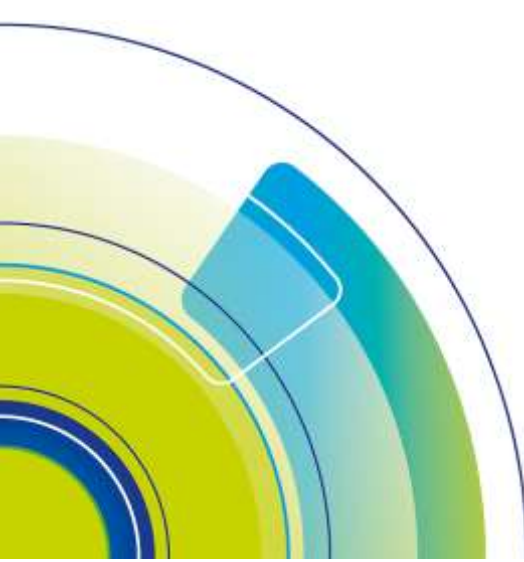




# **DXG Update - BUY**

**September 12, 2022**



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## Company Update

Recommendation

**BUY**

HOSE: DXG

Property

Current price (VND) 25,200

Target price (VND) 33,133

Expected share price return 31.5%

Expected dividend yield 0.0%

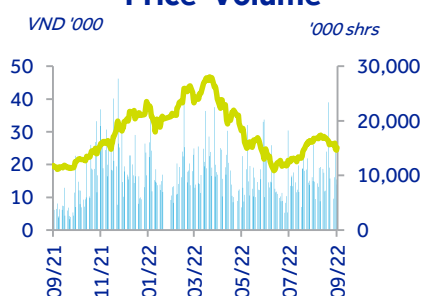
Expected total return 31.5%

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	-28.0	-6.7	1.8	27.9
Relative	-12.7	-5.9	5.8	33.6

Source: Bloomberg

## Price-Volume



## Ownership

Dragon Capital and affiliates 19.9%

Luong Tri Thin (Chairman) 18.0%

## Stock Statistics

9-Sep-22

Bloomberg code DXG VN

52-week range (VND) 17,200 - 47,450

Shares O/S (m) 608

Mkt cap (VND bn) 15,310

Mkt cap (USD m) 646

Foreign room left (%) 20.6

Est. free float (%) 75.6

3m avg daily vol (shrs) 9,318,846

VND/USD 23,690

Index: VNIndex / HNX 1256.35/284.17

## DAT XANH GROUP JSC (DXG VN)

Adjust our target price down to VND33,133 due to low 1H2022 results, delays in project launches and challenges in the real estate sector. Despite that, we reiterate our Buy rating as stock price has adjusted by 45% since our last update report in March and DXG remains a leading real estate broker and has secured a well-located land bank in HCMC and adjacent provinces.

## Business result

DXG announced a slide in 2Q2022 with net revenue of VND1,550bn (-57% YoY) and PATMI of VND262bn (-45% YoY), which were 6% and 16% lower than our forecast, respectively. The underperforming profit was mainly due to lower units delivered mainly at Gem Sky World and St Mortiz projects. Due to COVID and stricter credit granting to the real estate sector, the company recorded net revenue of VND3,342bn (-49% YoY) and PATMI of VND403bn (-51% YoY) in 1H2022, completing only ~1/3<sup>rd</sup> of its targets, respectively.

	2Q2021	2Q2022	YoY	1H2021	1H2022	YoY
Property development	2,511	793	-68%	4,679	1,777	-38%
Brokerage service	869	551	-37%	1,601	1,261	-21%
<b>Net revenue</b>	<b>3,563</b>	<b>1,550</b>	<b>-57%</b>	<b>6,517</b>	<b>3,342</b>	<b>-49%</b>
<b>NPATMI</b>	<b>299</b>	<b>262</b>	<b>-45%</b>	<b>830</b>	<b>403</b>	<b>-51%</b>

Source: DXG's audited 2Q2022 FS.

Presales in 1H2022 were ~USD100mn, mainly from the Gem Sky World project which has presold ~65% of over 4,000 units. For the full year of 2022, DXG targets presales of USD500mn, of which Gem Riverside accounted 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 high-end products. The selling price of Gem Riverside is expected to be much higher than the previous selling price of VND35-40mn/sqm offered 4 years ago, according to DXG.

On the other hand, the 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, specifically stricter credit granting to both developers and home-buyers which affects land bank expansion plan, sales performance, project development and delivery.

	2019	2020	2021	2022E	2023E
Net Sales (VNDbn)	5,814	2,891	10,089	8,010	10,661
Growth	25.1%	-50.3%	249.0%	-20.6%	33.1%
EBITDA (VNDbn)	2,138	849	2,782	2,289	2,744
Growth	15.0%	-60.3%	227.9%	-17.7%	19.9%
NPATMI (VNDbn)	1,217	-496	1,157	980	1,135
Growth	3.2%	-140.8%	-333.4%	-15.3%	15.8%
EPS (bonus-adjusted, VND)	2,323	-832	1,942	1,571	1,812
Growth	2.9%	n/a	n/a	-19.1%	15.3%
ROE	20.3%	-7.5%	15.5%	10.8%	12.0%
ROIC	8.0%	-1.4%	5.6%	4.2%	4.5%
Net debt/EBITDA (x)	1.5	4.7	0.5	1.5	2.7
EV/EBITDA (x)	8.7	22.0	6.7	8.1	6.8
PER (x)	10.8	n/a	13.0	16.0	13.9
PBR (x)	1.4	1.4	1.1	1.1	1.0
DPS (VND)	0	0	0	0	0
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%

According to DKRA's August report for HCMC and adjacent provinces, new supply in August continued to decrease to 1,205 condos, equivalent to 50% of July and 15% of May. The absorption rate dropped to 55% compared with 54% of July and 89% of May. However, from the beginning of September, some banks have been granted increased credit quotas by an average of 2% which is a key growth driver for the recovery of the real estate market in the upcoming months.

Regarding financial health, DXG has already paid back VND1,700bn out of VND2,300bn of bonds due in 2022, with an additional VND450bn to be paid back in Oct and the remainder in Nov/Dec. DXG will issue USD300mn 60-month unwarranted convertible bonds and use the proceeds to buy 800mn newly issued shares of Ha An – a subsidiary of DXG which develops most DXG's real estate projects at an expected price of VND10,000/share.

### 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. Simultaneously, 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 in HCMC. 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 province.

No.	Project	Location	Land area (ha)	GFA ('000 sqm)	Number of blocks	Number of units	Progress
1	DXH Diamond City	Thanh Hoa	n/a	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.

### Forecast and valuation

Given low 1H2022 result and challenges in the real estate sector, we adjust our expectations for net revenue down by 28% to over VND8,000bn (-21% YoY) and PATMI by 31% to VND980bn (-15% YoY), equivalent to 73% and 70% of the company's targets, respectively. **Using the sum-of-parts valuation method, we suggest a target price of VND33,133/share at YE2022, 41% lower than our previous target price** given delay of Opal Cityview, DXH Parkview and Lux Star and decreases in estimated absorption rates of upcoming projects by 10-25%. However, **we reiterate our Buy rating as stock price has adjusted by 45% since our last update report** and DXG has a leading market share in the real estate brokerage service market, active management team and well-located land bank in HCMC and adjacent provinces.

<b>DXG FINANCIALS MODEL</b>	<b>Price (VND):</b>	<b>25,200</b>	<b>Target (VND):</b>	<b>33,133</b>	<b>Mkt cap (VND bn):</b>	<b>15,310</b>
<b>(VND bn except where stated)</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>	
<b>Total Net Sales</b>	<b>5,814</b>	<b>2,891</b>	<b>10,089</b>	<b>8,010</b>	<b>10,661</b>	
<i>Sales growth</i>	<i>25.1%</i>	<i>-50.3%</i>	<i>249.0%</i>	<i>-20.6%</i>	<i>33.1%</i>	
CoGS ex-dep'n	2,691	960	4,422	3,505	4,968	
Gross profit	3,084	1,875	5,598	4,429	5,609	
<i>Gross margin</i>	<i>53.0%</i>	<i>64.9%</i>	<i>55.5%</i>	<i>55.3%</i>	<i>52.6%</i>	
SG&A	985	1,083	2,885	2,216	2,949	
<i>SG&amp;A as % of sales</i>	<i>16.9%</i>	<i>37.5%</i>	<i>28.6%</i>	<i>27.7%</i>	<i>27.7%</i>	
<b>EBITDA</b>	<b>2,138</b>	<b>849</b>	<b>2,782</b>	<b>2,289</b>	<b>2,744</b>	
<i>EBITDA margin</i>	<i>36.8%</i>	<i>29.4%</i>	<i>27.6%</i>	<i>28.6%</i>	<i>25.7%</i>	
Depreciation	39	57	69	76	84	
<b>Operating profit</b>	<b>2,099</b>	<b>792</b>	<b>2,713</b>	<b>2,213</b>	<b>2,660</b>	
<i>Operating profit margin</i>	<i>36.1%</i>	<i>27.4%</i>	<i>26.9%</i>	<i>27.6%</i>	<i>25.0%</i>	
Financial income (excl. saving interest)	224	3	229	-	-	
Financial expenses (excl. interest expense)	10	550	76	75	75	
Net interest expense	152	240	345	341	505	
Capitalized interest expense	144	359	229	256	337	
<i>as % of avg, net debt</i>	<i>12.8%</i>	<i>16.5%</i>	<i>21.2%</i>	<i>24.7%</i>	<i>15.6%</i>	
<b>Profit/loss from associates and JVs</b>	<b>149</b>	<b>-11</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Tax	502	201	921	358	415	
<i>Effective tax rate</i>	<i>21.0%</i>	<i>747.3%</i>	<i>36.6%</i>	<i>20.0%</i>	<i>20.0%</i>	
<b>EAT</b>	<b>1,886</b>	<b>-174</b>	<b>1,595</b>	<b>1,433</b>	<b>1,659</b>	
Minority interest	670	322	438	453	524	
<b>NPATMI</b>	<b>1,217</b>	<b>-496</b>	<b>1,157</b>	<b>980</b>	<b>1,135</b>	
<i>Net profit margin</i>	<i>20.9%</i>	<i>-17.1%</i>	<i>11.5%</i>	<i>12.2%</i>	<i>10.6%</i>	
Cash earnings	1,256	-439	1,227	1,056	1,219	
Number of shares (m)	520	518	596	608	608	
<b>EPS (VND)</b>	<b>2,672</b>	<b>-957</b>	<b>1,942</b>	<b>1,571</b>	<b>1,812</b>	
Bonus factor (x)	0.9	0.9	1.0	1.0	1.0	
<b>Adjusted EPS (VND)</b>	<b>2,323</b>	<b>-832</b>	<b>1,942</b>	<b>1,571</b>	<b>1,812</b>	
<i>EPS growth</i>	<i>2.9%</i>	<i>n/a</i>	<i>n/a</i>	<i>-19.1%</i>	<i>15.3%</i>	

KEY CASHFLOW AND BS ITEMS	2019	2020	2021	2022E	2023E
Increase in working capital	4,076	-386	2,525	2,648	4,876
Capex	228	87	35	35	35
Other cash flow items	-85	-1,096	2,654	-367	-367
<b>Free cash flow</b>	<b>-3,133</b>	<b>-1,237</b>	<b>1,321</b>	<b>-1,994</b>	<b>-4,061</b>
Share issues	1,636	1,008	1,482	-	-
Dividends paid	479	431	300	-	-
Increase in net debt	1,976	659	-2,504	1,994	4,061
<b>Net debt, end of year</b>	<b>3,301</b>	<b>3,960</b>	<b>1,456</b>	<b>3,451</b>	<b>7,512</b>
<b>Shareholders' equity</b>	<b>9,228</b>	<b>9,084</b>	<b>13,381</b>	<b>14,361</b>	<b>15,495</b>
BVPS (VND)	17,753	17,527	22,451	23,639	25,504
<i>Net debt / equity</i>	<i>35.8%</i>	<i>43.6%</i>	<i>10.9%</i>	<i>24.0%</i>	<i>48.5%</i>
<i>Net debt / EBITDA (x)</i>	<i>1.5</i>	<i>4.7</i>	<i>0.5</i>	<i>1.5</i>	<i>2.7</i>
<b>Total assets</b>	<b>19,881</b>	<b>23,311</b>	<b>28,254</b>	<b>31,228</b>	<b>36,423</b>

KEY RETURN AND VALUATION RATIOS	2019	2020	2021	2022E	2023E
<i>ROE</i>	<i>20.3%</i>	<i>-7.5%</i>	<i>15.5%</i>	<i>10.9%</i>	<i>12.0%</i>
<i>ROA</i>	<i>7.2%</i>	<i>-2.3%</i>	<i>4.5%</i>	<i>3.3%</i>	<i>3.3%</i>
<i>ROIC</i>	<i>8.0%</i>	<i>-1.4%</i>	<i>5.6%</i>	<i>4.2%</i>	<i>4.6%</i>
<i>WACC</i>	<i>11.6%</i>	<i>12.3%</i>	<i>12.9%</i>	<i>12.7%</i>	<i>12.6%</i>
<i>EVA</i>	<i>-3.7%</i>	<i>-13.7%</i>	<i>-7.3%</i>	<i>-8.5%</i>	<i>-8.1%</i>
<i>PER (x)</i>	<i>10.8</i>	<i>n/a</i>	<i>13.0</i>	<i>16.0</i>	<i>13.9</i>
<i>EV/EBITDA (x)</i>	<i>8.7</i>	<i>22.0</i>	<i>6.7</i>	<i>8.1</i>	<i>6.8</i>
<i>EV/FCF (x)</i>	<i>-6.0</i>	<i>-15.1</i>	<i>14.1</i>	<i>-9.4</i>	<i>-4.6</i>
<i>PBR (x)</i>	<i>1.4</i>	<i>1.4</i>	<i>1.1</i>	<i>1.1</i>	<i>1.0</i>
<i>PSR (x)</i>	<i>2.6</i>	<i>5.3</i>	<i>1.5</i>	<i>1.9</i>	<i>1.4</i>
<i>EV/sales (x)</i>	<i>3.2</i>	<i>6.5</i>	<i>1.8</i>	<i>2.3</i>	<i>1.7</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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### 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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