

Dat Xanh Group (DXG)

Aggressively expanding landbank

September 15, 2022

Analyst Pham Hoang Bao Nga
ngaphb@kbsec.com.vn

Profits should grow further in 2022–2023

For the whole year of 2022, Dat Xanh Group (DXG) may achieve VND1,211 billion (+5%YoY) in NPAT of the parent company and VND8,981 billion (–11%YoY) in revenue. For 2023, those figures should be VND1,362 billion (+13%YoY) and VND9,791 billion (+9%YoY), respectively.

Pre-sale value should grow strongly from 2022

In the first six months of 2022, DXG delivered sales revenue of approximately USD100 million, primarily from the delivery of the Gem Sky World project. DXG will continue its sale at this project and release Gem Riverside in the fourth quarter of 2022. The total contracted sales for the whole year of 2022 should increase sharply to an estimated VND9,249 billion (+115%YoY).

DXG has been aggressively expanding its landbank

The landbank of DXG now reaches 4,200 ha after the company has been aggressively expanding its landbank, 30–40% of which is clean and clear landbank available for sale. The expansion plan would ensure DXG's growth potential in the medium and long term.

We recommend BUY for DXG stocks with a target price of VND39,800/share

Based on the business outlook and valuation results, we maintain our BUY recommendation for DXG stocks with a target price of VND39,800/share, 53% higher than the closing price on September 14, 2022.

Buy maintain

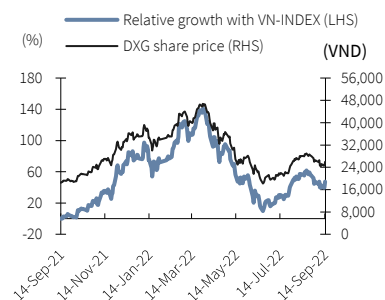
Target price	VND39,800
Upside/Downside	53%
Current price (Sep 14, 2022)	VND26,000
Consensus target price	VND37,800
Market cap (VNDbn/USDmn)	15.8/0.7

Trading data	
Free float	75.6%
3M avg trading value (VNDbn/USDmn)	225.5/9.6
Foreign ownership	
Major shareholder	Luong Tri Thin (18.04%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	–6	17	–36	40
Relative	–6	16	–21	48

Forecast earnings & valuation

FY-end	2020A	2021A	2022F	2023F
Net sales (VNDbn)	2,891	10,089	8,981	9,791
Operating income (VNDbn)	–4	2,522	2,779	3,209
NPAT of the parent company (VNDbn)	–496	1,157	1,211	1,362
EPS (VND)	–953	1,936	1,987	2,236
EPS growth (%)	–142		3	13
P/E (x)	–43.95	21.64	13.08	11.63
P/B (x)	3.54	2.86	1.06	0.93
ROE (%)	–5	10	12	12



Source: Bloomberg, KB Securities Vietnam

Business performance

In 2Q22, sales revenue experienced a sharp fall from the high base in 2Q21

DXG's 2Q22 revenue reached VND1,550 billion (-56%YoY):

- Inventory property sales went down 68% YoY to VND793 billion, coming from the handover of St Moritz and Gem Sky World. The dramatic decrease was due to the high base achieved in the second quarter of 2021 on the handover of a large number of apartments at Opal Boulevard and Gem Sky World.

- Real estate services contributed VND551 billion (-37%YoY) to total revenue. Gross profit margin reached 51%, down from 55% in 2Q21.

NPAT of the parent company touched VND133 billion, down 56% YoY.

In the first half of 2022, NPAT of the parent company and revenue of DXG reached VND403 billion (-51%YoY) and VND3,342 billion (-49%YoY), thus delivering 29% and 30% of the full-year target plan for earnings and revenue, respectively.

Regarding the financial position, the company has repaid VND1,700 billion out of VND2,300 billion of loans due within this year, with much of the loans payable repaid 1–3 months in advance. The liabilities to assets (L/A) ratio as of June 30 was 0.19x, still at a safe threshold.

Table 1. DXG – 1H22 business results

(VND bn)	2Q2022	2Q2021	% YoY	1H2022	1H2021	% YoY
Net revenue	1,550	3,563	-56%	3,342	6,517	-49%
– Inventory property sales	793	2,511	-68%	1,777	4,679	-62%
– Real estate services	551	868	-37%	1,261	1,601	-21%
Gross profit	792	1,956	-60%	1,829	3,692	-50%
Financial income	196	35	460%	218	46	374%
Financial expenses	116	145	-20%	225	263	-14%
Selling expenses	274	701	-61%	535	1,264	-58%
G&A expenses	272	189	44%	444	338	31%
Operating income	327	955	-66%	844	1,873	-55%
Profit before tax	316	979	-68%	852	1,904	-55%
Profit after tax	262	477	-45%	670	1,189	-44%
NPAT of the parent company	133	299	-56%	403	830	-51%

Source: Dat Xanh Group, KB Securities Vietnam

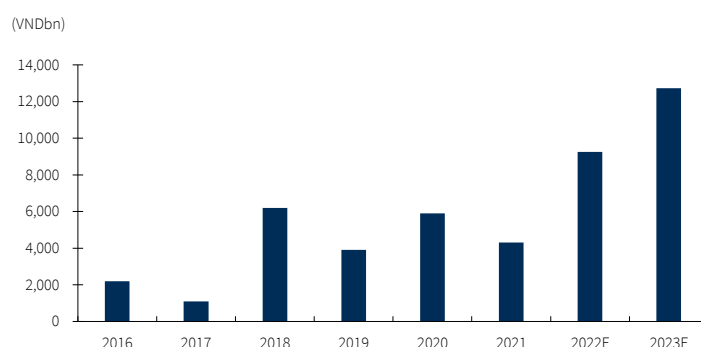
Sales revenue is expected to grow strongly from 2022

Sales revenue in the first six months of the year surpassed USD100 million, equal to 20% of the target set by the BOD, primarily from Gem Sky World. DXG will continue its sale at Gem Sky World and open for sale 2,200 units at Gem Riverside located in Thu Duc District spanning 6.7 ha with 12 blocks. The project will contribute significantly to pre-sale value in 2022–2023 and can be delivered for revenue recognition in 2024. The project can bring in about VND20 trillion in revenue, in our estimates.

The launch of two projects in Binh Duong, Opal Cityview (9,700 m² with nearly 1,500 products) and Dat Xanh Homes (DXH) Parkview (5 ha), will be rescheduled later in 2023 instead of 4Q22.

KBSV forecasts sales revenue to be VND9,249 billion (+115%YoY) (Figure 2). We revise the pre-sale value in 2022 lower than the previous projection since the launch of the projects in Binh Duong will be pushed back to 2023, and the real estate sector would face challenges related to legal problems and credit restrictions to curb property speculation.

Fig 2. DXG – Sales revenue (VNDbn)



Source: KB Securities Vietnam

Table 3. DXG – Updates on some projects

	Location	Area	Scale	Progress (as of June 30)
Gem Sky World	Dong Nai	92ha	4,000 landed units and low-rise products	Sale and delivery are underway 65% out of 4,000 products were sold as of 2Q22-end
Opal Skyline	Binh Duong	1.02ha		Introduced in 4Q2020 Topped out in June 2022 Sold out Expected to be handed over in 2022
Opal Cityview	Binh Duong	0.94ha	1,500 apartments	Introduced in August 2021 through Real Agent channel Expected to be launched in 2022
St Moritz	Binh Duong	0.24ha	170 apartments	Topped out The handover is underway
Gem Riverside	Thu Duc District, HCMC	6.7ha	3,100 apartments	Expected to be launched in 4Q2022
Gem Premium	Thu Duc District, HCMC	15ha		Expected to be launched in 4Q2023
DXH Parkview	Binh Duong	5.1ha		Expected to be launched in 1H2023
DXH Park City	Binh Duong	9.5ha		Expected to be launched in 1H2023

Source: Dat Xanh Group, KB Securities Vietnam

DXG will continue to expand its landbank

The issuance of USD300 million worth of convertible bonds is still on schedule and expected to be completed this year. The proceeds will be used to expand the landbank and develop megaprojects.

DXG is aiming high in its expansion plan when continuously acquiring new projects in Vinh Phuc, Thanh Hoa, Binh Phuoc, and Hau Giang provinces (Table 4). This will be the growth driver of DXG in the medium and long term.

Table 4. DXG – New projects

Projects	Location	Scale	Gross floor area (m ²)	
DXH Diamond City	Thanh Hoa	11 blocks with 4,500 apartments	431,000	DXG acquired the project from Vinhomes (VHM) and is about to release this project
DXH Lux City	Hau Giang	962,000 m ²	240,500	DXG got investment approval
DXH Green City	Hau Giang	434,700 m ²	108,675	Legal procedures are in progress
DXH New City	Vinh Phuc	378,700 m ²	113,610	DXG got Investment approval, and site clearance is underway

Source: Dat Xanh Group, KB Securities Vietnam

Forecast & Valuation

2022F business results

We revised down our forecast for DXG's 2022F business results due to lower-than-expected business performance in the first half of the year. Moreover, we take a conservative stance on the real estate sector given stricter measures to control credit loans to real estate companies. Our projection is as follows:

- Revenue is down 11% YoY to VND8,981 billion. In detail, inventory property sales should be VND5,726 billion (-21% YoY) mainly from the handover of Gem Skyworld, St. Moritz, and Opal Skyline, and real estate services brings in VND2,872 billion (+13%YoY).
- Gross profit hits VND5,389 billion (-4%YoY). Gross profit margin is 60%, up YoY on better gross profit margin of inventory property sales compared to 2021.
- NPAT of the parent company is VND1,211 billion, up 5% YoY.

2023F business results

Our forecast for DXG's 2023F business results is as follows:

- Revenue is up 9%YoY to VND9,791 billion, of which inventory property sales contribute VND6,168 billion (+8%YoY) thanks to the handover of Gem Sky World and Opal Skyline, and real estate services deliver VND3,241 billion (+13%YoY).
- Gross profit should be VND6,223 billion (+15%YoY). Accordingly, gross profit margin is 64%.
- NPAT of the parent company is VND1,362 billion (+13%YoY).

Table 5. DXG – 2022–23F business results

(VND bn)	2021A	2022F	+/-% YoY	2023F	+/-% YoY
Net revenue	10,089	8,981	-11%	9,791	9%
- Inventory property sales	7,206	5,726	-21%	6,168	8%
- Real estate services	2,541	2,872	13%	3,241	13%
Gross profit	5,598	5,389	-4%	6,223	15%
Profit before tax	2,516	2,830	12%	3,264	15%
NPAT of the parent company	1,157	1,211	5%	1,362	13%

Source: Dat Xanh Group, KB Securities Vietnam

We recommend BUY for DXG stocks with a target price of VND39,800/share

Although DXG's business results in the first six months fell short of our expectations, we remain upbeat about the growth potential of the group based on the following reasons: (1) The release of Gem Riverside in 4Q22 and Binh Duong-based projects in 2023 will significantly contribute to DXG's revenue and profit growth; (2) The projects with prime locations in the inner city of Ho Chi Minh City show strong potential for price appreciation; (3) The expansion plan ensures growth in the medium and long term; and (4) DXG upholds its leading position as a real estate brokerage.

DXG stock has dropped more than 45% from its peak in March 2022. Based on the RNAV (revalued net asset value) model (Table 6), we reiterate our BUY recommendation for DXG stocks with a new target price of VND39,800/share, 53% higher than the closing price on September 14, 2022. We lower our target price compared to the previous projection due to: (1) changes in cash and cash equivalents and net debts at the end of 1Q22; (2) changes in the release time and sales progression at Opal Cityview, DXH Parkview; and (3) lower valuation for the brokerage segment in the face of numerous challenges in the real estate market.

Table 6. DXG – Target price according to the DCF model (VND/share)

	Valuation method	Value
Inventory property sales	DCF	21,606,703
Real estate services	DCF	6,116,566
		27,723,269
+ Cash & cash equivalents		1,920,369
- Net debts		5,978,107
RNAV		24,230,002
Shares outstanding		609,276,876
Target price (VND)		39,800

Source: KB Securities Vietnam

DXG – 2020A-2023E financials

Income Statement					Balance Sheet				
(VND billion)	2020	2021	2022F	2023F	(VND billion)	2020	2021	2022F	2023F
Net sales	2,891	10,089	8,981	9,791	TOTAL ASSETS	23,311	28,254	32,305	35,040
Cost of sales	-1,016	-4,492	-3,592	-3,568	CURRENT ASSETS	19,723	25,255	28,806	31,197
Gross Profit	1,875	5,598	5,389	6,223	Cash and cash equivalents	1,780	2,738	6,079	5,883
Financial income	73	353	359	392	Short-term investments	206	286	286	286
Financial expenses	-858	-544	-380	-491	Accounts receivable	7,213	10,796	11,389	12,391
of which: interest expenses	-309	-468	-361	-417	Inventories	10,252	11,238	10,603	12,220
Gain/(loss) from joint ventures (from 2015)	-11	0	0	0	LONG-TERM ASSETS	3,588	2,999	3,499	3,844
Selling expenses	-489	-1,887	-1,599	-1,787	Long-term trade receivables	671	516	449	490
General and admin expenses	-594	-998	-991	-1,127	Fixed assets	355	427	563	758
Operating profit/(loss)	-4	2,522	2,779	3,209	Long-term incomplete assets	645	663	663	663
Other incomes	110	70	0	0	Long-term investments	107	353	638	638
Other expenses	-78	-76	0	0	Goodwill	0	0	0	0
Net other income/(expenses)	31	-6	51	55	LIABILITIES	14,227	14,873	17,310	18,007
Income from investments in other entities	0	0	0	0	Current liabilities	10,319	13,257	14,632	15,085
Net accounting profit/(loss) before tax	27	2,516	2,830	3,264	Trade accounts payable	604	849	718	1,029
Corporate income tax expenses	-201	-921	-991	-1,169	Advances from customers	2,923	2,187	4,207	4,584
Net profit/(loss) after tax	-174	1,595	1,840	2,096	Short-term borrowings	2,069	2,963	3,143	3,151
Minority interests	322	438	629	733	Long-term liabilities	3,909	1,616	2,678	2,922
Attributable to parent company	-496	1,157	1,211	1,362	Long-term trade payables	0	0	0	0
					Long-term advances from customers	0	0	0	0
					Unrealized revenue	0	0	1	0
					Long-term borrowings	3,876	1,517	2,694	2,937
					OWNER'S EQUITY	9,084	13,381	14,995	17,033
					Paid-in capital	5,200	5,978	6,093	6,093
					Share premium	11	11	11	11
					Undistributed earnings	841	2,669	3,880	5,242
					Other funds	0	0	0	0
					Minority interests	0	0	0	0
Margin ratio									
	2020	2021	2022F	2023F					
Gross profit margin	53.0%	64.9%	55.5%	60.0%					
EBITDA margin	36.8%	29.4%	27.6%	31.6%					
EBIT margin	36.1%	27.4%	26.9%	31.2%					
Pre-tax profit margin	41.1%	0.9%	24.9%	31.5%					
Operating profit margin	39.7%	-0.2%	25.0%	30.9%					
Net profit margin	32.5%	-6.0%	15.8%	20.5%					
Cash Flow Statement									
(VND billion)	2020	2021	2022F	2023F					
Net profit/(loss) before tax	27	2,516	2,830	3,264	Multiple				
Depreciation and amortisation	57	69	39	57	P/E	-44.0	21.6	13.1	11.6
Profit/loss from investing activities	467	-332	0	0	P/E diluted	-43.6	21.5	0.0	0.0
Interest expense	330	529	-361	-417	P/B	3.5	2.9	1.1	0.9
Operating profit/(loss) before changes in Working Capital	964	3,052	2,189	2,910	P/S	7.5	2.5	2.8	2.6
(Increase)/decrease in receivables	1,131	-3,426	-461	-172	P/Tangible Book	2.4	1.9	1.1	0.9
(Increase)/decrease in inventories	-3,223	511	635	-1,617	P/Cash Flow	-27.9	20.5	14.3	-79.6
Increase/(decrease) in payables	1,610	1,258	-131	310	EV/EBITDA	30.6	9.6	7.3	1.8
(Increase)/decrease in prepaid expenses	-484	800	225	-45	EV/EBIT	32.8	9.9	7.4	1.8
Net cash inflows/(outflows) from operating activities	-780	1,225	1,106	-199	Operating performance				

Source: Dat Xanh Group, KB Securities Vietnam

Nguyen Xuan Binh – Head of Research
binhnx@kbsec.com.vn

Research Division
research@kbsec.com.vn

Equity

Duong Duc Hieu – Head of Equity Research
hieudd@kbsec.com.vn

Macro/Strategy

Tran Duc Anh – Head of Macro & Strategy
anhtd@kbsec.com.vn

Banks, Insurance & Securities

Nguyen Anh Tung – Senior Analyst
tungna@kbsec.com.vn

Macroeconomics & Banks

Le Hanh Quyen – Analyst
quyenlh@kbsec.com.vn

Nguyen Duc Huy – Analyst
huynd1@kbsec.com.vn

Strategy, Chemicals

Thai Huu Cong – Analyst
conghth@kbsec.com.vn

Real Estate, Construction & Materials

Pham Hoang Bao Nga – Senior Analyst
ngaphb@kbsec.com.vn

Strategy, Fishery & Textiles

Tran Thi Phuong Anh – Analyst
anhhttp@kbsec.com.vn

Nguyen Dinh Thuan – Analyst
thuannd@kbsec.com.vn

Oil & Gas, Utilities

Tieu Phan Thanh Quang – Analyst
quangtpt@kbsec.com.vn

Industrial Real Estate, Logistics

Nguyen Thi Ngoc Anh – Analyst
anhntn@kbsec.com.vn

Support team

Nguyen Cam Tho – Assistant
thonc@kbsec.com.vn

Retails & Consumers

Pham Phuong Linh – Analyst
linhpp@kbsec.com.vn

Nguyen Thi Huong – Assistant
huongnt3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels G, M, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam

Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180–192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam

Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam

Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656

Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276

Email: ccc@kbsec.com.vn

Website: www.kbsec.com.vn

Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.