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9M21 results improved thanks to the handover of a large number of apartments from Gem Sky World and Opal Boulevard

3Q21 performance of DXG was lower than that of 2Q21 due to prolonged social distancing which badly affected real estate brokerage activities. However, DXG's 9M21 business results were positive with NPAT of parent company's shareholders at VND882 billion (up strongly from a loss of VND388 billion YoY) on revenue VND7,819 billion (+317% YoY) thanks to the delivery of a large number of apartments from Gem Sky World and Opal Boulevard projects.

Profit would recover positively from 2021 after many projects have been completed and delivered

DXG's profit would rebound from 2021 after delivering 3,000 units from Gem Sky World & Opal Boulevard, which might bring in VND7,616 billion in revenue. In total, we expect DXG's NPAT at VND1,244 billion on revenue of VND9,520 billion for 2021 and NPAT of VND1,697 billion on revenue of VND11,597 billion for 2022.

DXG will focus on opening for sale new projects in 2022

In 2022, DXG is going to focus on completing and launching new projects in Binh Duong namely Opal Cityview, Opal Parkview and Park City. Moreover, the Gem Riverside project is also expected to be reopened for sale. The total contract value of those projects in 2022 is estimated at VND9,175 billion (+32%YoY).

We recommend BUYING DXG shares with a target price of VND31,300 apiece

Based on the valuation results and business outlook, we maintain our BUY recommendation for DXG shares with a target price of 31,300/share, 20% higher than the closing price on November 23, 2021.

Buy maintain

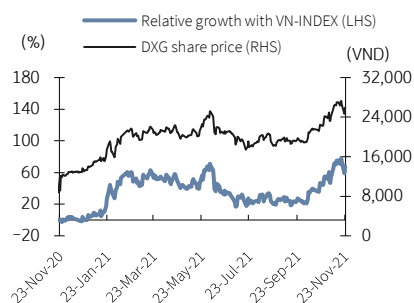
Target price	VND31,300
Upside/Downside	20%
Current price (Nov 23, 2021)	VND26,000
Consensus target price	VND29,300
Market cap (VNDtn/USDmn)	15.5/0.7

Trading data	
Free float	85%
3M avg trading value (VNDbn/USDmn)	188.2/8.3
Foreign ownership	19.8%
Major shareholder	Luong Tri Thin (14.1%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	16	36	18	115
Relative	10	26	6	68

Forecast earnings & valuation

FY-end	2019A	2020A	2021F	2022F
Net sales (VNDbn)	5,814	2,891	9,520	11,597
Earnings/Loss (VNDbn)	2,310	-4	2,171	2,872
Profit attributable to parent (VNDbn)	1,217	-496	1,244	1,697
EPS (VND)	2,269	-953	2,082	2,839
EPS growth (%)	-31	-142	-318	36
P/E (x)	9.67	-23.03	12.49	9.16
P/B (x)	1.63	1.85	1.43	1.25
ROE (%)	16	-5	17	19
Dividend yield (%)	2	0		



Source: Bloomberg, KB Securities Vietnam

9M21 business performance

3Q21 business activities were adversely affected by complicated developments of COVID-19

DXG posted 3Q21 NPAT of parent company's shareholders of only VND52 billion (-48% YoY) on net revenue of VND1,303 billion (+63% YoY). The sharp fall in profit was attributable to prolonged social distancing in the Southern provinces which strongly affected DXG's business activities, especially brokerage ones whose revenue mainly came from transactions in the North and Central regions, reaching VND209 billion (-76%QoQ, -65%YoY).

In the first nine months of 2021, DXG's revenue reached VND7,819 billion (+317%YoY), of which revenue from real estate transfer accounted for the largest proportion at VND5,921 billion (+1,824% YoY) thanks to the handover of more than 1,400 apartments at Opal Boulevard project and 772 apartments at Gem Sky World project. Real estate brokerage services brought in VND1,646 billion (+28% YoY).

Selling expenses surged 398% YoY to VND1,553 billion, mostly from two projects Opal Boulevard and Gem Sky World.

DXG's 9M21 NPAT of parent company's shareholders reached VND882 billion, up strongly from a loss of VND388 billion over the same period last year.

9M21 NPAT and revenue delivered 65% and 82% of our estimates for 2021 profit and revenue of DXG.

In relation to the full-year plan for profit and revenue of the business, 9M21 NPAT and revenue completed 65% and 67% respectively.

Table 1. DXG – 9M21 business performance

(VNDbn)	9M20	9M21	Change
Net sales	1,877	7,819	317%
Gross profit	1,357	4,474	230%
Financial income	49	93	90%
Financial expenses	773	409	-47%
Gain/(loss) from joint ventures, associates	(10)		
Selling expenses	312	1,553	398%
General and admin expenses	332	482	45%
Operating profit/(loss)	(22)	2,124	
Net other incomes	56	57	2%
PBT	8	2,155	
NPAT	(153)	1,350	
Profit attributable to parent company	(388)	882	

Source: Dat Xanh Group

9M21 net sales reached 2,424 products from Gem Sky World and Opal Skyline

In the first 9 months of the year, DXG sold 2,424 properties, most of which came from two projects Opal Skyline (1,529 apartments) and Gem Sky World. According to our estimates, the total contract value of DXG may reach VND5,926 billion (Table 2).

2021 sales were lower than forecast due to the launch of Opal Cityview and Opal delayed

In 4Q, DXG plans to continue selling properties at the Gem Sky World project. KBSV forecasts that DXG will sell about 300 products from this project for VND1,035 billion.

The pre-sale plan of Parkview project may be delayed until 2022

For the whole year, DXG is expected to sell 2,727 products for a total contract value of VND6,961 billion, down 14% and 16% respectively compared to our previous estimates. We revised down 2021 pre-sale results of DXG due to the impact of the COVID-19 in 3Q. This leads to (1) the sales result of Gem Sky World project to be lower than the previous forecast and (2) the launching of new projects - Opal Cityview and Opal Parkview to be delayed until 2022.

DXG would keep the 2021 guidance unchanged

In 4Q21, DXG should hand over 1,000 products in Gem Sky World project and the remaining 20 products in Opal Boulevard project. The company would likely maintain its 2021 guidance including VND1,350 billion in post-tax profit attributable to the parent company (vs the loss of VND496 billion in 2020) and VND9,000 billion in revenue (+211%YoY).

Sales are expected to increase sharply in the coming years

In 2022, DXG should continue to sell products in Gem Sky World project and launch new projects in Binh Duong, including Opal Cityview (1 ha), Parkview (5 ha) and Park City (10 ha). These projects are all in the process of legal procedure completion. Besides, we expect the Gem Riverside project to get full legal license and be reopened for sale by the end of 2022. Sales from these projects (3,393 products; +24%YoY) may reach VND9,175 billion (+32%YoY).

Table 2. DXG – Sold units and estimated contract value in 2021–2022 (VNDbn)

Projects	9M21		2021F		2021F	
	Sold units	Total contract value	Sold units	Total contract value	Sold units	Total contract value
Gem Skyworld	877	2,571	1,180	3,606	845	2,886
Opal Skyline	1,529	3,261	1,529	3,261		
St Moritz	18	94	18	94		
Opal Cityview					1,498	3,060
Parkview					400	1,231
Parkcity					400	1,038
Gem Riverside					250	960
Total	2,424	5,926	2,727	6,961	3,393	9,175

Source: Dat Xanh Group, KB Securities Vietnam

Table 3. DXG – Progress of some projects

Projects	Location	Total Area	Products	Status (as of 3Q2021)
Gem Sky World	Dong Nai	92ha	4,000 land lots and Low-rise products	Continue launching sale and handing over
				887 sold units in 9M21
Opal Boulevard	Binh Duong	1.48ha	1,450 apartments	Launched in 2019 with take-up rate of 100%
				Handover completed in 9M21
Opal Skyline	Binh Duong	1.02ha	1,500 apartments	*Introduced in 4Q20

Source: Dat Xanh Group, KB Securities Vietnam

2021–2022F business performance

KBSV changes some estimated results of DXG in 2021

We maintain our estimate of the number of apartments delivered in 2021 at 3,091 units from Gem Sky World and Opal Boulevard projects, recording VND7,616 billion in revenue (+1.837%YoY).

Revenue from real estate brokerage segment is projected at VND1,904 billion (-1%YoY), down from the previous forecast due to the severe impacts of the pandemic.

Accordingly:

- DXG's 2021 estimated revenue is VND9,520 billion (+229%YoY).
- Gross profit should be VND4,575 billion (+144%YoY). Gross profit margin may reach 48%, down from 2020's level due to the larger contribution of the real estate transfer segment in 2021 which had lower profit margin than brokerage activities.
- Estimated earnings attributable to the parent shareholder are VND1,244 billion, up from the loss of VND496 billion in 2020. The post-tax earnings estimate decreased against the previous report due to an increase in selling expenses.

KBSV reveals our forecasts for DXG's 2022 results

Our specific forecasts for DXG's 2022 performance are as follows:

- DXG's estimated revenue in 2022 is VND11,597 billion (+22%YoY), of which the sales from real estate properties (Gem Sky World, Opal Skyline and St. Moritz) are VND9,046 billion (+19%YoY).
- Gross profit may hit VND5,891 billion (+29%YoY), and gross profit margin should be 51%.
- Earnings attributable to the parent shareholder are expected to be VND1,697 billion (+36%YoY).

Table 4. DXG – 2021–2022F performance

(VNDbn)	2020A	2021F	+/- % YoY	2022F	+/- % YoY
Net sales	2,891	9,520	229%	11,597	22%
- Sales from real estate properties	393	7,616	1838%	9,046	19%
- Real estate services	1,932	1,904	-1%	2,551	34%
Gross profit	1,875	4,575	144%	5,891	29%
Pre-tax profit	27	2,247	8258%	2,962	32%
Profit attributable to the parent company	(496)	1,244		1,697	36%

Source: Dat Xanh Group, KB Securities Vietnam

Recommendation

KBSV recommends BUYING DXG shares with the target price of VND31,300 apiece

DXG's business results are expected to grow in the coming years thanks to (1) potential ongoing projects, (2) the focus on launching projects in Binh Duong from 2022, (3) the resuming of the delayed Gem Riverside project, and (4) the potential of the real estate brokerage, supported by the all-inclusive brokerage services with high profit margins and the brokerage online platform Real Agent. Given DXG's positive business results, we still maintain our positive assessment of DXG shares and keep our BUYING recommendation. Using the RNAV valuation method (Table 5), we set a new target price for a DXG share at VND31,300, 20% higher than the closing price on November 23, 2021. We raise our target price owing to an upward adjustment in the valuation of two new projects Parkview and Park City and the real estate brokerage segment. However, it should be noted that there is a dilution risk from the private placement plan of 200 million shares with the issuance price not lower than VND20,000 per share.

Table 5. DXG – Valuation

Projects	Valuation method	Value
Real estate development	DCF	15,728,637
Real estate services	DCF	3,508,197
		21,036,833
+ Cash		4,131,091
- Loan		6,553,042
RNAV		18,614,882
Outstanding shares		596,025,562
Share price (VND)		31,300

Source: KB Securities Vietnam

Table 4. DXG – 2019A–2022F financial data

Income Statement					Balance Sheet				
(VND billion)	2019	2020	2021F	2022F	(VND billion)	2019	2020	2021F	2022F
Net sales	5,814	2,891	9,520	11,597	TOTAL ASSETS	19,881	23,311	28,656	30,567
Cost of sales	-2,730	-1,016	-4,945	-5,706	CURRENT ASSETS	17,066	19,723	25,492	27,240
Gross Profit	3,084	1,875	4,575	5,891	Cash and cash equivalents	793	1,780	4,416	2,852
Financial income	270	73	381	464	Short-term investments	306	206	206	206
Financial expenses	-209	-858	-500	-552	Accounts receivable	9,023	7,213	9,405	12,254
of which: interest expenses	-199	-309	-475	-470	Inventories	6,791	10,252	10,990	11,412
Gain/(loss) from joint ventures (from 2015)	149	-11	0	0	LONG-TERM ASSETS	2,814	3,588	3,164	3,327
Selling expenses	-483	-489	-571	-696	Long-term trade receivables	172	671	476	580
General and admin expenses	-501	-594	-1,714	-2,235	Fixed assets	362	355	636	937
Operating profit/(loss)	2,310	-4	2,171	2,872	Long-term incomplete assets	75	645	645	645
Other incomes	126	110	0	0	Long-term investments	1,185	107	648	648
Other expenses	-47	-78	0	0	Goodwill	0	0	0	0
Net other income/(expenses)	79	31	76	90	LIABILITIES	10,653	14,227	17,784	18,094
Income from investments in other entities	0	0	0	0	Current liabilities	7,277	10,319	14,955	14,650
Net accounting profit/(loss) before tax	2,389	27	2,247	2,962	Trade accounts payable	1,187	604	989	1,956
Corporate income tax expenses	-502	-201	-432	-569	Advances from customers	908	2,923	2,467	3,479
Net profit/(loss) after tax	1,886	-174	1,815	2,393	Short-term borrowings	1,063	2,069	4,760	2,319
Minority interests	670	322	571	696	Long-term liabilities	3,376	3,909	2,830	3,444
Attributable to parent company	1,217	-496	1,244	1,697	Long-term trade payables	0	0	0	0
					Long-term advances from customers	0	0	0	0
					Unrealized revenue	0	0	2	1
					Long-term borrowings	3,337	3,876	2,856	3,479
					OWNER'S EQUITY	9,228	9,084	10,872	12,474
					Paid-in capital	5,200	5,200	5,977	5,977
					Share premium	11	11	11	11
					Undistributed earnings	1,716	841	2,086	3,782
					Other funds	0	0	0	0
					Minority interests	0	0	0	0
Margin ratio					Key ratios				
	2019	2020	2021F	2022F		2019	2020	2021F	2022F
Gross profit margin	56.3%	53.0%	64.9%	48.1%	Multiple				
EBITDA margin	40.0%	36.8%	29.4%	24.5%	P/E	9.7	-23.0	12.5	9.2
EBIT margin	39.5%	36.1%	27.4%	24.1%	P/E diluted	9.4	-23.0	0.0	0.0
Pre-tax profit margin	45.3%	41.1%	0.9%	23.6%	P/B	1.6	1.9	1.4	1.2
Operating profit margin	45.4%	39.7%	-0.2%	22.8%	P/S	2.0	4.0	2.0	1.7
Net profit margin	37.1%	32.5%	-6.0%	19.1%	P/Tangible Book	1.2	1.3	1.4	1.2
					P/Cash Flow	-6.9	-14.6	-34.9	25.3
					EV/EBITDA	7.0	18.4	9.3	1.9
					EV/EBIT	7.2	19.7	9.5	2.0
Cash Flow Statement					Operating performance				
(VND billion)	2019	2020	2021F	2022F		2019	2020	2021F	2022F
Net profit/(loss) before tax	2,389	27	2,247	2,962	ROE	15.77	(5.41)	16.70	19.18
Depreciation and amortisation	39	57	42	67	ROA	19.79	6.19	17.16	19.99
Profit/loss from investing activities	-197	467	0	0	ROIIC	7.24	(2.30)	6.34	7.83
Interest expense	209	330	-475	-470	Financial structure				
Operating profit/(loss) before changes in Working Capital	2,437	964	1,725	2,577	Cash Ratio	0.1	0.2	0.3	0.1
(Increase)/decrease in receivables	-2,355	1,131	-258	-1,156	Quick Ratio	1.4	0.9	0.4	0.4
(Increase)/decrease in inventories	-2,038	-3,223	-738	-422	Current Ratio	2.4	1.9	1.7	1.9
Increase/(decrease) in payables	1,266	1,610	385	967	LT Debt/Equity	0.4	0.4	0.2	0.1
(Increase)/decrease in prepaid expenses	-684	-484	-653	-312	LT Debt/Total Assets	0.2	0.2	0.1	0.1
Net cash inflows/(outflows) from operating activities	-1,646	-780	-445	615	Debt/Equity	0.8	1.1	0.4	0.2
Purchases of fixed assets and other long term assets	-228	-89	-305	-362	Debt/Total Assets	0.4	0.4	0.2	0.1
Proceeds from disposal of fixed assets	0	2	0	0	ST Liabilities/Equity	0.8	1.1	1.4	1.2
Loans granted, purchases of debt instruments	-942	-786	0	0	ST Liabilities/Total Assets	0.4	0.4	0.5	0.5
Collection of loans, proceeds from sales of debts instrument	0	1,058	0	0	Total Liabilities/Equity	1.2	1.6	1.6	1.5
Investments in other entities	-681	-1,581	0	0	Total Liabilities/Total Assets	0.5	0.6	0.6	0.6
Proceeds from divestment in other entities	407	980	0	0	Activity ratios				
Dividends and interest received	31	82	0	0	Account Receivable Turnover	3.6	1.8	6.5	5.4
Net cash inflows/(outflows) from investing activities	-1,413	-334	-305	-362	Inventory Turnover	0.5	0.1	0.5	0.5
Proceeds from issue of shares	1,636	1,013	0	0	Account Payable Turnover	3.1	1.1	6.2	3.9
Payments for share returns and repurchases	0	-4	0	0					
Proceeds from borrowings	3,876	4,921	0	0					
Repayment of borrowings	-2,340	-3,398	1,671	-1,817					
Finance lease principal payments	0	0	0	0					
Dividends paid	-479	-431	0	0					
Interests, dividends, profits received	0	0	0	0					
Net cash inflows/(outflows) from financing activities	2,693	2,101	1,671	-1,817					
Net increase in cash and cash equivalents	-365	986	921	-1,564					
Cash and cash equivalents at the beginning of period	1,159	793	1,780	4,416					
Cash and cash equivalents at the end of period	793	1,780	4,416	2,852					

Source: Dat Xanh Group, KB Securities Vietnam

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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

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