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### 1Q23 business results saw sharp declines

In 1Q23, Dat Xanh Group's (DXG) recorded revenue of VND378 billion (-79%YoY) and a loss of VND95 billion (vs VND270 billion in profit in 1Q22). DXG's business results dropped sharply amid general difficulties on the market.

### Sales are expected to recover from 2H23

The sales of real estate inventories faced many difficulties in 1Q as Gem Sky World project did not bring any profit. KBSV expects sales at this project to improve in 2H23 when technical infrastructure and utilities such as schools and shopping centers at the project are completed. KBSV estimates DXG's 2023 sales to reach about VND728 billion (-64%YoY).

### The deliveries of units at Opal Skyline project to support DXG's profits in 2023

KBSV forecasts revenue in 2023 to reach VND5,708 billion (+4%YoY), of which (1) real estate brokerage revenue is VND1,528 billion (-24%YoY) and (2) the sales of real estate inventories gained 20%YoY to VND3,342 billion (from the deliveries of Opal Skyline and Gem Skyworld projects). NPAT of the parent company should be VND199 billion (-7%YoY).

### HOLD recommendation – Target price VND15,800/share

Based on the DXG's business outlook and valuation, we recommend HOLD for DXG stock with a target price of VND15,800/share, 4% higher than the closing price on June 20, 2023.

## Hold change

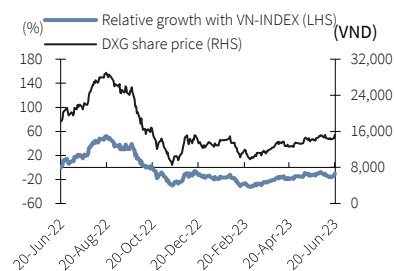
<b>Target price</b>	<b>VND15,800</b>
Upside (%)	4%
Current price (Jun 20, 2023)	VND15,200
Consensus target price	VND11,900
Market cap (VNDbn/USDmn)	9.3/0.4

<b>Trading data</b>	
Free float	76.6%
3M avg trading value (VNDbn/USDmn)	246.5/10.5
Foreign ownership	51.8%
Major shareholder	Mr Luong Tri Thin (20.74%)

<b>Share price performance</b>				
(%)	<b>1M</b>	<b>3M</b>	<b>6M</b>	<b>12M</b>
<b>Absolute</b>	8	33	6	-16
<b>Relative</b>	4	27	1	-10

### Forecast earnings & valuation

FY-end	2021A	2022A	2023F	2024F
Net revenue (VNDbn)	10,089	5,512	5,708	5,762
Operating profit (VNDbn)	2,522	775	414	637
Profit of the parent company (VNDbn)	1,157	215	199	299
EPS (VND)	1,878	341	325	489
EPS growth (%)	-297		-5	50
P/E (x)	7.72	42.56	46.72	31.08
P/B (x)	0.99	0.96	0.66	0.64
ROE (%)	10	2	2	3
Dividend yield (%)	0	0	0	0



Source: Bloomberg, KB Securities Vietnam

## 1Q23 performance updates

**Table 1. DXG – 1Q23 business results**

(VNDbn)	1Q22	1Q23	+/-%YoY	KBSV's notes
<b>Net revenue</b>	1,792	378	-79%	DXG completed 7% of the whole year revenue target for 2023.
<i>Real estate transfer</i>	984	268	-73%	The sales of real estate inventories fell 73%YoY due to the handover of a small number of products at Gem Sky World project.
<i>Brokerage</i>	710	83	-88%	Brokerage revenue dropped sharply due to a decrease in the number of transactions amid the general difficulties of the real estate market.
Gross profit	1,037	166	-84%	
<i>Gross profit margin</i>	58%	44%	-14pp	
Financial income	22	18	-15%	
Financial expenses	109	151	39%	
SG&A	433	171	-60%	SG&A expenses decreased by 60% YoY mainly due to a sharp drop in salary expenses to VND84 billion (-61%YoY) when DXG implemented layoffs from 3Q22. As of the end of 1Q23, the number of employees at DXG is 2,389 (-37%QoQ and 67%YoY).
<i>% SG&amp;A/Revenue</i>	24%	45%	21pp	
Operating profit	517	-139		
Other incomes	19	42	124%	
Profit before taxes	536	-96		
Profit after taxes	408	-117		
<b>NPAT of the parent company</b>	<b>270</b>	<b>-95</b>		The targeted NPAT of parent company in 2023 is VND158 billion.

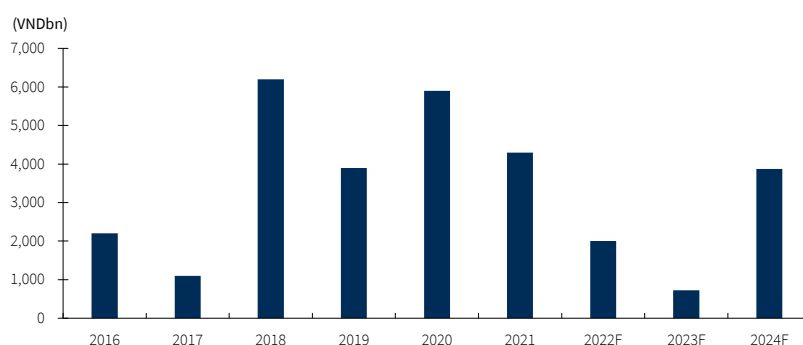
Source: Dat Xanh Group, KB Securities Vietnam

### Sales at Gem Sky World project should improve in 2H23

The general difficulties of the real estate market related to tight control of credit into real estate, rising interest rates affecting home buying demand, and slow progress of legal approval have significantly affected DXG's sales activities. In the first quarter of 2023, Gem Sky World project did not bring in profit for DXG. We expect sales at Gem Sky World project to improve in 2H23 when technical infrastructure and utilities such as schools and shopping centers at the project are completed. KBSV estimates DXG's 2023 sales to reach about VND728 billion (-64%YoY.)

Fig 2. DXG – 2016A–2024F sales (VNDbn)

KBSV estimates that DXG's sales in 2023 will be around VND728 billion (-64%YoY). We expect 2024 sales to grow strongly to VND3,870 billion (+431%YoY) when the Gem Riverside is launched



Source: KB Securities Vietnam

Fig 3. DXG – Gem Sky World progress



Source: KB Securities Vietnam

Fig 4. DXG – Gem Sky World progress



Source: KB Securities Vietnam

Table 5. DXG – Progress of some projects

	Location	Area	Scale	Progress (as of the end of 1Q23)
Gem Sky World	Dong Nai	92ha	4,000 land plots and low-rise products	Launched in 2020 for the price of VND16 million/m <sup>2</sup> Sold 65% and delivered 40% of 4,000 products by 1Q23 Ongoing sales and deliveries
Opal Skyline	Binh Duong	1.02ha		Launched from 4Q20 Topped out in June 2022 Sold 100% of the apartments Expected to handover in 2023
Opal Cityview	Binh Duong	0.94ha	1,500 apartments	Introduced in August 2021 via Real Agent online sales platform Expected to be open for sale in 2025
Gem Riverside	Thu Duc City	6.7ha	3,100 apartments	Expected to open for sale in 2024
Gem Premium	Thu Duc City	15ha		
DXH Parkview	Binh Duong	5.1ha		
DXH Park City	Binh Duong	9.5ha		

Source: Dat Xanh Group, KB Securities Vietnam

## Debt ratio is still safe

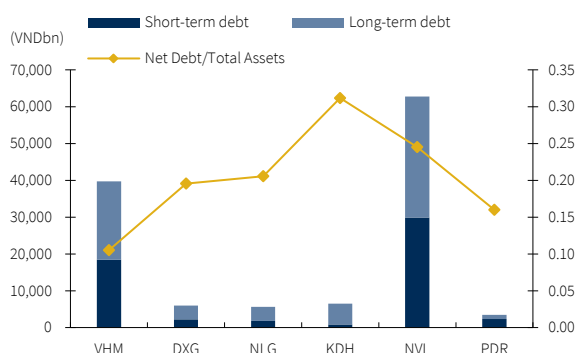
As of the end of 1Q23, DXG's debt is VND5,965 billion. The loan to total assets ratio is 0.2x, which is average compared to other real estate companies. However, the operating cash flow was minus VND204 billion in 1Q23, which is the fifth consecutive quarter of negative growth while DXG promoted landbank accumulation and project investment & development in 2021–2022.

## Investors should pay attention to liquidity risk amid the current context of the real estate market

We find that DXG is currently under no pressure related to payment of maturing bonds when the remaining maturity of DXG bonds in 2023 and 2024 is VND 50billion and VND523 billion, respectively. However, the liquidity risk of DXG still exists when (1) the general difficulties of the market greatly affect the implementation progress and liquidity of DXG's projects and (2) capital mobilization from domestic and international sources.

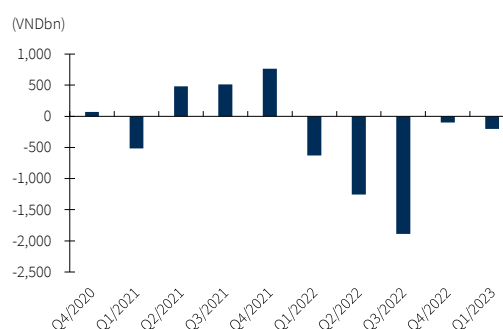
At the 2023 AGM, shareholders approved the suspension of the plan to sell convertible bonds to the international market for USD300 million as the financial market has been not favorable since 2H22.

Fig 6. Real estate companies – Loan status (VNDbn)



Source: KB Securities Vietnam

Fig 7. DXG – Operating cash flow (VNDbn)



Source: Dat Xanh Group, KB Securities Vietnam

## DXG plans to raise its charter capital

At the 2023 AGM, shareholders approved the plan to increase charter capital through the issuance of 167.7 million shares in 2023.

- **101.7 million shares would be offered to existing shareholders** with 6:1 ratio and the offering price of VND12,000/share. The total value of mobilized capital is expected to be VND1,220.1 billion. DXG should contribute VND1,118.5 billion to Ha An Real Estate Trading and Investment JSC at pay taxes (VND220 billion) and pay off debt (including principal and interest) to Hoi An Invest JSC (VND210.5 billion) and Ha Thuan Hung Trading and Service Co., Ltd (VND688 billion). The rest VND101.6 billion will be used to pay taxes and operating expenses at DXG.
- **57 million shares would be placed for professional securities investors** for the price of VND15,000/share, which should earn VND855 billion. DXG plans to use the capital to increase its ownership rate at Dat Xanh Real Estate Services (HSX: DXS) by buying shares from investors.
- 9 million ESOP shares, if successfully issued, will raise the charter capital of DXG from VND6,118 billion to nearly VND7,795 billion.

## Forecast & valuation

Table 8. DXG – 2023F business results

(VNDbn)	2022	2023F	+/-%YoY	KBSV's notes
<b>Net revenue</b>	<b>5,512</b>	<b>5,708</b>	<b>4%</b>	DXG should complete 7% of the whole year revenue target for 2023
<i>Real estate transfer</i>	2,793	3,342	20%	Real estate transfer revenue should increase by 20%YoY from the handover of Opal Skyline projects and Gem Sky World in 2H23.
<i>Brokerage</i>	2,018	1,528	-24%	Brokerage revenue would decrease 24%YoY due to the decrease in transaction volume amid subdued real estate market.
Gross profit	2,970	2,369	-20%	
<i>Gross profit margin</i>	54%	41%	-13pp	Gross profit margin may drop due to the higher contribution ratio of Opal Skyline apartment project. High-rise products in this project have lower gross profit margin than low-rise products handed over in 2022 at Gem Sky World project.
Financial income	464	114	-75%	
Financial expenses	521	487	-7%	
SG&A	2,140	1,582	-26%	SG&A expenses may go down 26% YoY mainly due to lower salary costs
<i>% SG&amp;A/Revenue</i>	39%	28%	-11pp	
Profit before taxes	775	414	-47%	
Profit after taxes	768	471	-39%	
NPAT of the parent company	534	313	-41%	
<b>Profit before taxes</b>	<b>215</b>	<b>199</b>	<b>-7%</b>	

Source: Dat Xanh Group, KB Securities Vietnam

### Valuation: HOLD recommendation – Target price VND15,800

The general difficulties of the real estate market related to tight control of credit into real estate, rising interest rates affecting home buying demand, and slow progress of legal approval have significantly affected DXG's sales activities. We expect sales at Gem Sky World project to recover in the second half of 2023, which, when combined with the launching of the key project Gem Riverside in 2024, would help DXG's sales to improve. However, the risks related to DXG's liquidity if projects continue to be delayed and the risk of dilution when raising capital should be noted.

Using RNAV valuation method (Table 6) to reassess DXG's land bank, we set a target price for DXG stock at VND15,800/share, 4% higher than the closing price on June 20, 2023.

DXG stock has gained more than 50% in the past three months. Based on business outlook and valuation results, we recommend HOLD for DXG stock.

Table 9. DXG – Final valuation

	Method	Value (VNDmn)
RE transfer	DCF	11,616,223
RE brokerage services	DCF	3,394,268
		15,010,490
+ Cash & Cash equivalents		615,228
- Net debt		5,965,345
<b>RNAV</b>		<b>9,660,373</b>
Outstanding shares		611,779,002
<b>Share price (VND)</b>		<b>15,800</b>

Source: Dat Xanh Group, KB Securities Vietnam



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## Investment ratings & definitions

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### 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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