

Dat Xanh Group (DXG)

Resuming suspended projects

March 12, 2024

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4Q23 results recovered thanks to the handover of the Opal Skyline project

Dat Xanh Group (DXG) recorded 4Q23 results including VND1,400 billion (+42%YoY) in revenue and VND47 billion in NPAT compared to a loss of VND408 billion in 4Q22 thanks to the handover of the Opal Skyline project. Accumulated for the whole year 2023, revenue and NPAT hit VND3,706 billion (-33%YoY) and VND176 billion (-18%YoY) respectively.

DXG plans to resume major projects

DXG plans to launch two projects, Gem Sky World and Gem Riverside in 2Q and 3Q24. Resuming two projects in 2024 should help improve sales for DXG. KBSV estimates 2024 sales of DXG at VND3,205 billion (+14xYoY.)

The handover at Opal Skyline and Gem Skyworld projects will drive the 2024 profits

KBSV forecasts revenue of DXG in 2024 will reach VND5,306 billion (+43%YoY), of which, (1) real estate brokerage should be VND1,373 billion (up 128% compared to the low base in 2023) and (2) the sales of inventory properties are VND3,488 billion (+25%YoY) from the handover of Opal Skyline and Gem Skyworld projects. NPAT of the parent company is expected to hit VND257 billion (+46%YoY).

BUY recommendation – Target price VND20,700/share

DXG stock is currently trading at a 2024fw P/B of 1.1x, compared to the five-year average P/B of 1.3x. Based on business prospects and valuation, we give a BUY rating to DXG stock with a target price of VND20,700/share, 18% higher than the closing price on March 12, 2024.

Buy change

Target price	VND20,700
Upside (%)	18%
Current price (Mar 12, 2024)	VND17,500
Consensus target price	VND21,500
Market cap (VNDbn/USDbn)	12.6/0.5

Forecast earnings & valuation

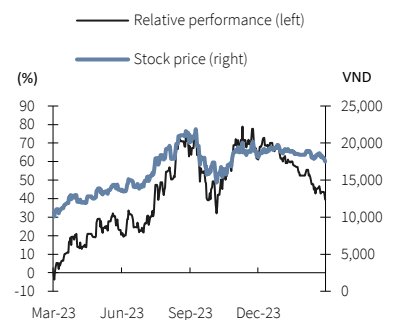
FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	5,512	3,706	5,306	4,516
Operating profit (VNDbn)	775	441	589	694
NPATMI (VNDbn)	215	176	257	373
EPS (VND)	351	288	360	523
EPS growth (%)	-82	-18	25	45
P/E (x)	53.39	62.97	48.63	33.48
P/B (x)	1.16	1.14	1.15	1.11
ROE (%)	1.5	1.2	1.6	2.3
Dividend yield (%)	0	0	0	0

Trading data

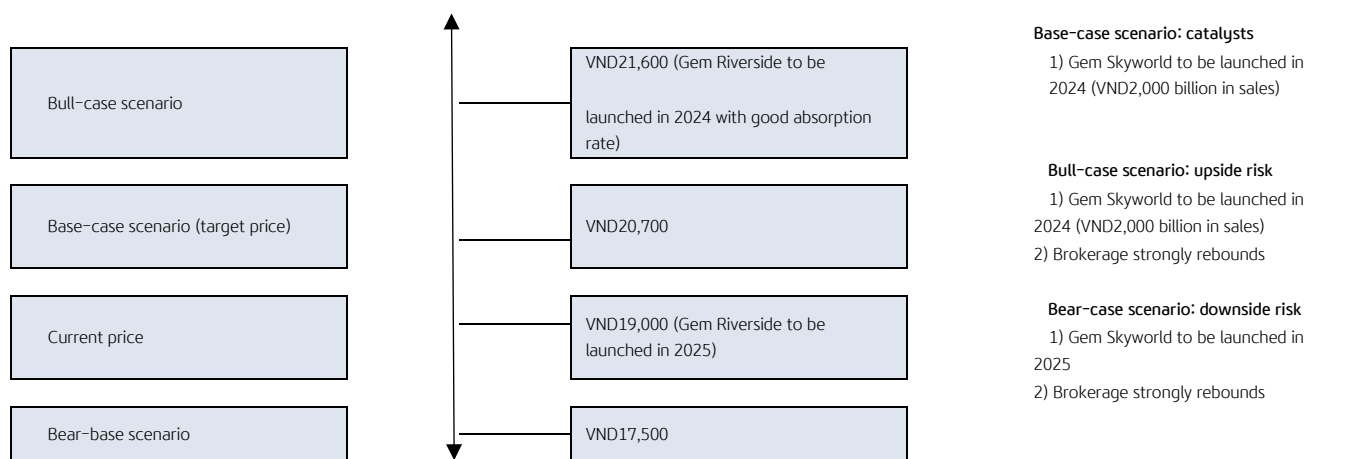
Free float	83.9%
3M avg trading value (VNDbn/USDmn)	205.8/8.4
Foreign ownership	30.4%
Major shareholder	Chairman Luong Tri Thin (17%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	-5	-5	-17	65
Relative	-8	-14	-17	40



Investment opinion & risks



Source: Bloomberg, KB Securities Vietnam

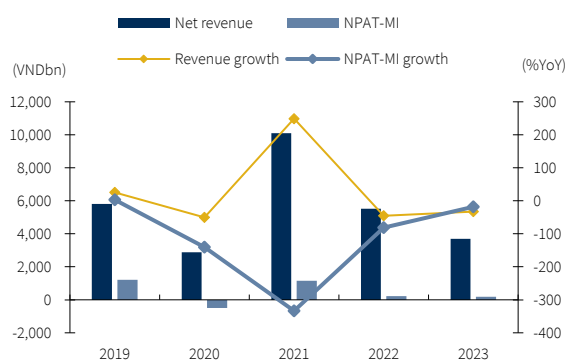
2023 performance updates

Table 1. DXG – 4Q23 & 2023 business results

	4Q22	4Q23	+/-%YoY	2022	2023	+/-%YoY	KBSV's notes
Net revenue (VNDbn)	984	1,400	42%	5,512	3,706	-33%	Revenue completed 67% of the 2023 plan.
<i>Real estate transfer</i>	<i>324</i>	<i>1,068</i>	<i>230%</i>	<i>2,793</i>	<i>2,801</i>	<i>0%</i>	Real estate transfer revenue came from DXS's real estate handover and the handover of the Opal Skyline project from the end of 3Q23.
<i>Brokerage</i>	<i>395</i>	<i>205</i>	<i>-48%</i>	<i>2,018</i>	<i>602</i>	<i>-70%</i>	Brokerage revenue sharply dropped due to a decrease in the number of transactions due to general difficulties on the real estate market.
Gross profit (VNDbn)	434	643	48%	2,970	1,693	-43%	
<i>Gross profit margin (%)</i>	<i>44%</i>	<i>46%</i>	<i>+2pp</i>	<i>54%</i>	<i>46%</i>	<i>-8pp</i>	GPM decreased due to (1) lower profit margin of the real estate transfer segment and (2) smaller proportion of the brokerage segment with high GPM.
<i>Real estate transfer (%)</i>	<i>59%</i>	<i>47%</i>	<i>-12pp</i>	<i>50%</i>	<i>44%</i>	<i>-6pp</i>	GPM fell because the delivered products were mainly mid-end apartments with lower profit margins.
<i>Brokerage (%)</i>	<i>66%</i>	<i>59%</i>	<i>-7pp</i>	<i>74%</i>	<i>68%</i>	<i>-6pp</i>	
Financial income (VNDbn)	34	41	19%	464	409	-12%	Financial income came from recording profits from partial sales at the Gem Premium project in 2Q23.
Financial expenses (VNDbn)	-167	-131	-22%	-521	-593	14%	
SG&A (VNDbn)	-698	-312	-55%	-2,140	-955	-55%	SG&A costs were declined as (1) salary costs decreased 64%YoY to VN 317 billion (-61%YoY) when DXG sharply cut staff from 3Q22, and (2) provision costs decreased.
<i>SG&A/Revenue ratio (%)</i>	<i>71%</i>	<i>22%</i>	<i>-49pp</i>	<i>39%</i>	<i>26%</i>	<i>-13pp</i>	
Operating profit (VNDbn)	-397	139	-	775	441	-43%	
Other incomes (VNDbn)	14	107	647%	72	108	50%	
Profit before taxes (VNDbn)	-424	122	-	768	458	-40%	
Profit after taxes (VNDbn)	-460	5	-	534	155	-71%	
NPATMI (VNDbn)	-408	47	-	215	176	-18%	NPATMI was equal to 112% of the 2023 target.

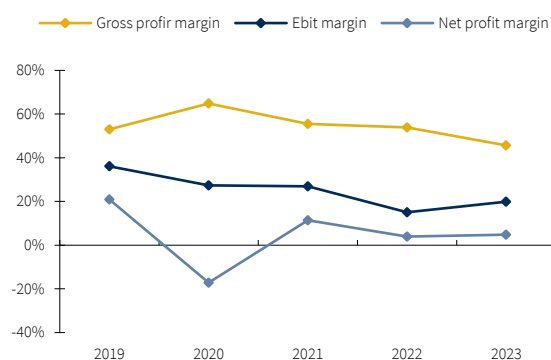
Source: Dat Xanh Group, KB Securities Vietnam

Fig 2. DXG – Revenue & NPAT in 2019–2023 (VNDbn, %)



Source: Dat Xanh Group, KB Securities Vietnam

Fig 3. DXG – GPM in 2019–2023 (%)



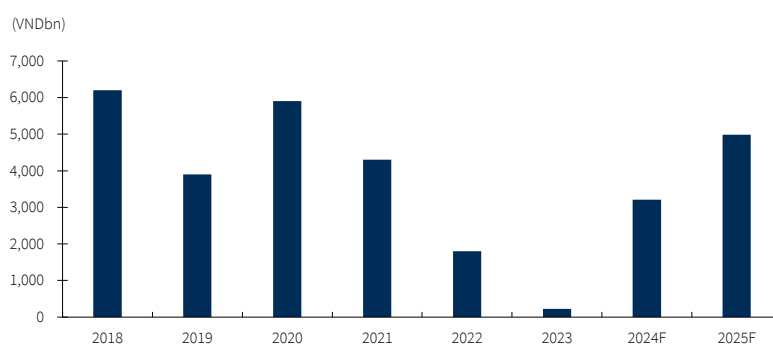
Source: Dat Xanh Group, KB Securities Vietnam

DXG resumed suspended projects

- Gem Sky World project: In October 2023, the Department of Natural Resources and Environment of Dong Nai province announced that 2,305 plots of land at the Gem Sky World project were eligible to transfer land use rights to customers. DXG plans to reopen the project for sale in the 2Q24, after completing amenities such as two preschools, medical station, and shopping center.
- Gem Riverside project: The project is located in Thu Duc and covers an area of 6.7ha, including 12 blocks of more than 3,100 apartments. The project was launched for the first time in 2018. However, due to some legal issues, it was suspended. Since the end of 2023, DXG has been completing procedures for granting construction permits for the project and expects to launch it in 2H24. KBSV estimates the new price is about VND70 million/m², much higher than the price formerly offered in 2018 (VND30–32 million/m²). The project is expected to contribute significantly to 2024–2026 sales value of DXG and begin handover from 2026.

We expect 2024 sales of DXG to recover significantly compared to 2023's comparative figures, reaching about VND3,200 billion (+14xYoY.)

Fig 4. DXG – 2016–2025F sales (VNDbn)



Source: KB Securities Vietnam

Table 5. DXG – Updates about the progress of some projects

	Location	Area	Scale	Progress (as of the end of 2023)
Gem Sky World	Dong Nai (~10km from Long Thanh International Airport)	92ha	4,000 plots of land and low-rise products	Launched land products for the first time in 2020 for an average price of about VND16 million/m ² By the end of 2023, sold 60% of the total 4,000 products and handed over 40% of the products Expected to be reopened for sale in 2Q24
Gem Riverside	Thu Duc	6.7ha	3,100 apartments	Expected to be launched in 2H24 Estimated price by KBSV: VND70 million/m ²
Opal Skyline	Binh Duong	1.02ha	1,500 apartments	Introduced in 4Q20 and sold out all apartments Topped off in June 2022 and started the handover at the end of 3Q23
Opal Cityview		0.94ha		
Gem Premium	Binh Duong	15ha		

Source: Dat Xanh Group, KB Securities Vietnam

Fig 6. DXG – Progress of Gem Sky World



Source: KB Securities Vietnam

Fig 7. DXG – Progress of Gem Sky World



Source: KB Securities Vietnam

Fig 8. DXG – Image of Gem Riverside

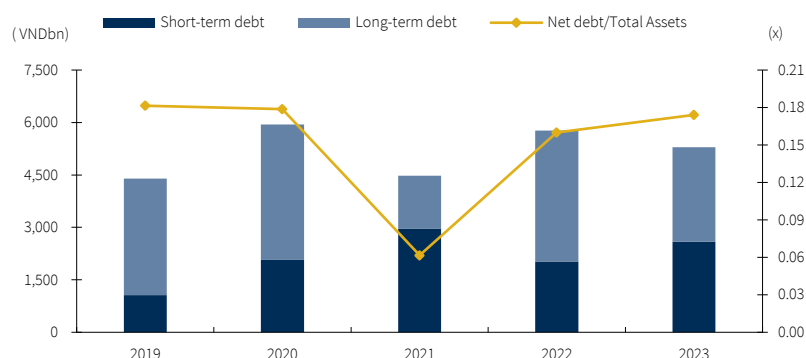


Source: KB Securities Vietnam

Debt of DXG at the end of 4Q23 was VND5,289 billion, of which short-term debt accounts for 49%. Debt decreased by 8% YTD, but the net debt to total assets ratio inched up to 0.17x due to a significant decrease in cash balance.

Outstanding bonds are worth VND1,450 billion, of which VND299 billion will mature in 2024.

Fig 9. DXG – Debt in 2019–2023 (VNDbn)

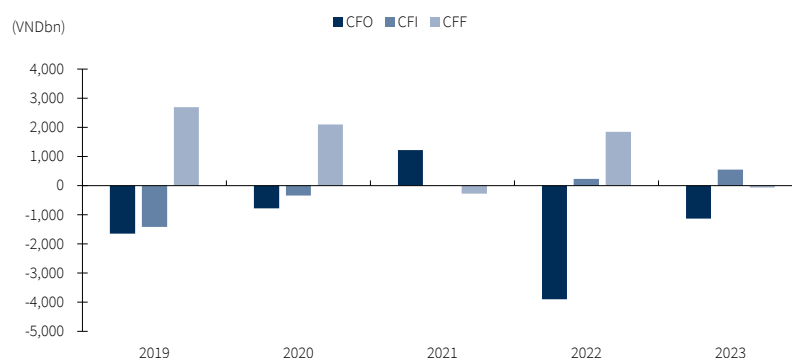


Source: Dat Xanh Group, KB Securities Vietnam

Operating cash flow in 2022 is negative (VND3,094 billion) due to the company's promoting debt to accumulate land and invest in developing projects.

Operating cash flow in 2023 continued to be negative (VND1,131 billion) since DXG did not launch new projects and brokerage activities were quiet.

Fig 10. DXG – Cash flow in 2019–2023 (VNDbn)



Source: Dat Xanh Group, KB Securities Vietnam

DXG's cash flow should be improved in 2024

At the 2023 AGM, shareholders approved the plan to increase charter capital through the issuance of 167.7 million shares in 2023, including: (1) 101.7 million shares for existing shareholders (the expected exercise ratio is 6:1 with offering price VND12,000 apiece); (2) VND57 million private shares for professional securities investors with an offering price of VND15,000/share; and (3) 9 million ESOP shares. In January 2024, DXG completed the offering of 101.7 million shares and earned VND1,220 billion.

KBSV expects that the proceeds from the offering to existing shareholders and the cash flow from the launch of the Gem Sky World and Gem Riverside projects will help DXG improve its cash flow and ensure the solvency and resources for project implementation.

Forecast & valuation

Table 11. DXG – 2023A–2024F business performance

	2023	2024F	+/-%YoY	KBSV's notes
Net revenue (VNDbn)	3,706	5,306	43%	
<i>Real estate transfer</i>	2,801	3,488	25%	Real estate transfer revenue mainly came from handing over the Opal Skyline and Gem Sky World projects.
<i>Brokerage</i>	602	1,373	128%	Brokerage revenue recovered compared to the low base of 2023.
Gross profit (VNDbn)	1,693	2,381	41%	
<i>Gross profit margin (%)</i>	46%	45%	-1pp	
Financial income (VNDbn)	409	57	-86%	
Financial expenses (VNDbn)	-593	-601	1%	
SG&A (VNDbn)	-955	-1,248	31%	SG&A costs increased from sales costs at two launched projects and salary costs when DXG started hiring again.
SG&A/Revenue ratio (%)	26%	24%	-2pp	
Operating income (VNDbn)	441	589	33%	
Profit after taxes (VNDbn)	458	589	29%	
Profit before taxes (VNDbn)	155	372	141%	
NPATMI (VNDbn)	176	257	46%	

Source: Dat Xanh Group, KB Securities Vietnam

Valuation: BUY recommendation – Target price VND20,700

The business performance of DXG was heavily affected by general difficulties of the real estate market related to strict control of credit into real estate, increased interest rates squeezing home buying demand, and slow legal approval progress. We expect the restart of key projects Gem Sky World and Gem Riverside in 2024 to help improve sales for DXG. However, we also want to remind that there are still risks related to DXG's liquidity if projects continue to be delayed and dilution risks when raising capital.

Using the RNAV method to reevaluate the land bank of the group, we set a target price for DXG stock at VND20,700/share. DXG stock is currently trading at a 2024fw P/B of 1.1x, compared to the five-year average P/B of 1.3x. Therefore, based on business prospects and valuation results, we give a BUY recommendation with a target price of VND20,700/share, 18% higher than the closing price on March 12, 2024.

Table 12. DXG – Final valuation

Project	Method	Value (VNDmn)
Development	RNAV	16,929,905
Gem Sky World		3,372,614
Gem Riverside	DCF	3,958,720
Gem Premium	DCF	3,647,751
Opal Cityview	DCF	811,662
Opal Skyline	DCF	167,398
Opal City	DCF	909,498
Parkview	DCF	1,668,502
Parkcity	DCF	1,974,752
Others	DCF	419,008
Brokerage Services	DCF	2,931,408
+ Cash		276,070
- Debt		5,289,300
RNAV		14,848,083
Outstanding shares		720,703,435
Share price (VND)		20,700

Source: KB Securities Vietnam

Fig 23. DXG – P/B in 2019–2023 (x)



Source: 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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