

DAT XANH GROUP JSC (DXG: HSX)



UPDATED REPORT
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Revenue and profit of DXG showed positive growth in 2018

In the 4Q/2018, net revenue was VND1408.87 bn, increasing by 16.82% YoY. NPAT of shareholders in the parent company was VND428.1 bn, rising by 47% yoy.

All business fields had stronger growth than in 2017.

By the end of 2018, DXG recorded an accumulated net revenue of VND4,645.5 bn, up by 61.2% YoY, while NPAT of shareholder in the parent company was VND1,178.3 bn, up by 56.9% yoy.

Revenue from LDG projects gain dramatic revenue for DXG.

Real estate investment and trading gained VND1,578.3 bn of revenue, increasing 43% yoy, thanks to the revenue gained from 3 projects: Lux Officetel, Opal Riverside and Lux Garden. Brokerage and secondary investment grew significantly, reaching VND2,420.5 bn of revenue, up by 50% yoy.

Business determination in 2019

Revenue from affiliated companies was VND256.2 bn, up by 100% thanks to the investment into LDG. LDG revenue in 2018 was dramatic due to impressive revenue gained from Saigon Intela and Grandworld Phu Quoc projects.

Forecast business performance in 2019

In the next few years, DXG expect to expand its system to nearby and potential provinces such as Long An, Dong Nai, Quang Ninh, Can Tho, Phan Thiet. In particular, DXG suppose to implement M&A for 1 – 2 projects more with good location and legal background, and focus on shop house investment.

KBSV estimates DXG revenue in 2019 reach VND5069.7 bn (up by 10% yoy) and NPAT is VND1307 bn (up by 10.9% yoy).

Buy

Target price	33,500VND
Increase/Decrease	44.4%
Current price (29/01/2019)	23,200VND
Target price	33,500VND
Capitalization	8115.86 tỷ VNĐ (349.22 triệu USD)
Echange rate on January 29, 2019:	1USD= 23,240 VND

Forecast revenue and valuation

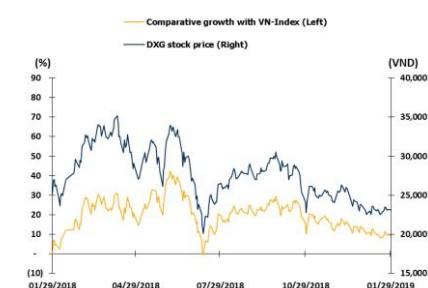
	2017A	2018A	2019F
Revenue (VND bn)	2879.2	4645.32	5070
Growth speed (%)	15%	61.3%	9%
Gross profit (VND bn)	1729.8	2615.1	2830
Gross profit margin (%)	60.1%	56.3%	56.1%
Net profit (VND bn)	750.89	1178.3	1307
Growth speed (%)	39.8%	58.9%	10.9%
EPS(VND thousand)	2478	3426	3736
EPS growth	-4%	38%	9%

Trading data

Volume of outstanding shares	349,821,356
KLGD TB (3M)	1,437,303
% foreign ownership	48.4%

Price fluctuation (%)

(%)	1M	3M	6M	12M
DXG	-0.3%	-3.7%	-12.8%	-8.4%
VN-INDEX	2.6%	3%	-3.6%	-17.5%



Source: Fiinpro, KBSV

DAT XANH GROUP JSC

Revenue and profit of DXG saw positive growth in the 4Q/2018

Revenue and profit of DXG in 2018 saw a strong growth.

Dramtic growth was recorded in brokerage activities while landing investment and trading saw a stagnance.

BUSINESS PERFORMANCE IN 2018**1. BUSINESS PERFORMANCE IN THE 4Q/2018**

Dat Xanh Group (DXG) announced its financial status in Q4/2018. To be more specific:

Net revenue was VND1,408.8 bn, 16.82% more than that in the same period last year. In particular, revenue from real estate brokerage reached 39.4% yoy, but real estate investment and trading decreased by 54.5% yoy.

In revenue structure, landing brokerage hit VND910.3 bn, accounting for the largest proportion of 65%, real estate investment and trading gained VND216.4 bn, equal to 15.4%.

Gross profit margin was 72.4%, up by 15.6% yoy. NPAT of the parent company gained 47% yoy to VND428.1 bn.

2. BUSINESS PERFORMANCE IN 2018

By the end of 2018, DXG recorded a net revenue of 4,645.5 tỷ VND, rising by 61.2% yoy and completing 93% of the year's plan.

NPAT of shareholders of the parent company was VND1,178.3, up by 56.9% yoy, exceeding 10% in comparison with the year plan. Gross profit margin in 2018 reached 56.3%, slightly slipping from 60% in 2017.

The brokerage and secondary investment sectors saw a good growth, hitting VND2,420.5 bn, up by 50% yoy and accounting for 52.1% of the revenue structure. However, secondary investment showed has gradually come to a standstill due to stagnance in sale offering caused by unfavorable legal issues such as high land use cost, prolonged administrative procedures in HCMC and Hanoi.

Landing investment and trading gained VND1,578.3 bn, up by 43% yoy, contributing 34% to the total revenue. DXG has recorded revenue from 3 landing projects: Lux Officetel, Opal Riverside, and Lux Garden. Opal Garden project has started the handing process since last 2018, but its revenue will be recorded in 2019.

Construction growth was VND628.4 bn, up by 296% yoy, contributing 13.5% to the total revenue thanks to signed contracts valued at VND4,000 bn.

Gross profit margin dipped since the portions of high profit margin segments such as brokerage and secondary investment went down, while the proportion of profit margin from landing investment surged.

The cost of sales and business management increased by 47% and 39% respectively compared to that in 2017, but SG&A/revenue ratio slightly reduced.

Revenue gained from financial activities was VND206.9 bn, rising 213% thanks to VND151 bn of financial interest gained from share sales at Sai Dong Land JSC in the 2Q/2018.

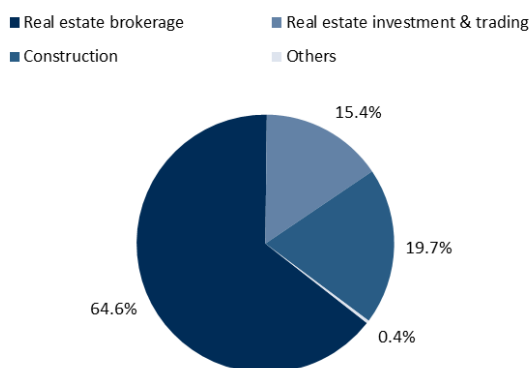
In the last six months of 2018, DXG issued bills for many times to finance for

project investment. Loan/total assets ratio in the 4Q/2018 was 20.8%, still at a safe level. Nevertheless, interest expense advanced to VND191 bn, which was VND129 more than the figure at the same period.

Revenue from LDG projects helped DXG to receive dramatic profit.

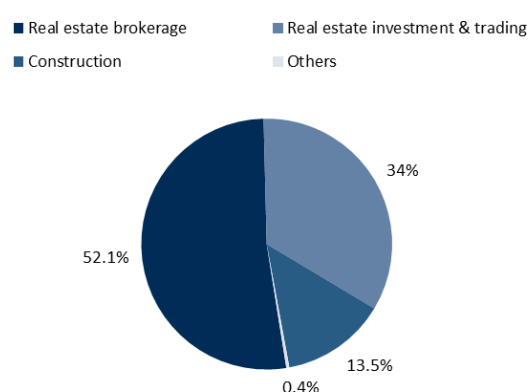
Revenue from affiliates was VND256.2 bn, up by 100% due to the investment in the affiliate LDG. In 2018, LGD had a revenue of VND1975.3 bn, which came from Saigon Intela project and ownership transfer of Grandworld Phu Quoc.

Figure 1: Revenue structure in the 4Q/2018



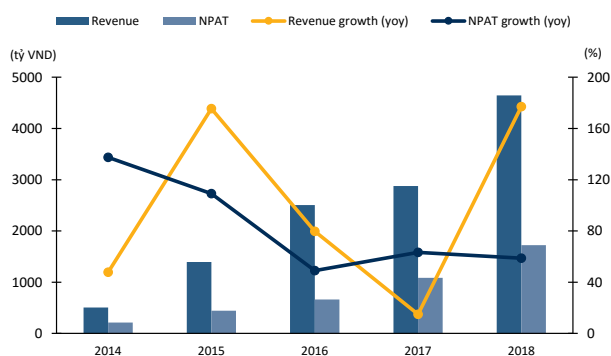
Source: DXG

Figure 2: Revenue structure in 2018



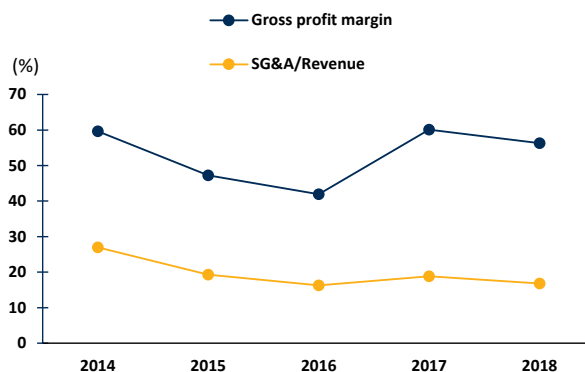
Source: DXG

Figure 3: Revenue and NPAT in 2014-2018



Source: DXG

Figure 4: Gross profit margin and SG&A/revenue in 2014-2018



Source: DXG

Figure 5: Business performance in the 4Q/2018 and in 2018

VND bil	Q4/2017	Q4/2018	% yoy	2017	2018	% yoy
Net revenue	1,202.97	1,408.69	17.1%	2,879.24	4,645.32	61.30%
COGS	519.12	389.12		1,149.44	2,030.25	
Gross revenue	683.85	1,019.57	49.1%	1,729.80	2,615.07	51.20%
Financial revenue	15.53	27.50	77.1%	66.07	206.89	213%
Financial cost	24.94	63.14	153.2%	62.66	190.93	204.7%
In which: Interest expense	23.85	52.55		60.95	162.69	
Gain/(loss) from affiliates	42.30	130.72	209.0%	128.01	256.25	100.2%
Cost of sales	102.44	130.59		294.97	433.97	
Business management cost	82.08	114.21		248.56	346.22	
EBT	541.14	855.61		1,335.32	2,101.81	
NPAT	416.92	703.33		1,085.42	1,722.77	
Revenue of parent shareholders	291.37	428.10	46.9%	750.89	1,178.28	56.9%
Net interest/stock (VND)	962.00	1,228.00		2,478.00	3,426.00	

Source: DXG

BUSINESS PROSPECT IN 2019

1. 2019 BUSINESS PLAN

DXG will gain revenue and profit from Opal Garden and shophouse projects in provinces.

In 2019, DXG expect to sell its products in some key projects such as: Opal Boulevard (Binh Duong), Lux Riverview and Lux Star (District 7) and the remaining apartments of Gemriverside project. Landing market in HCMC has showed signs of stagnance and supply constraints because the source of land in the center of HCMC has become smaller. In addition, land prices get more expensive, investment procedures become more difficult, which will prolong the project and make the cost of procedures completion higher. Therefore, in the near future, DXG plans to expand its projects to other potential surrounding provinces such as Long An, Dong Nai, Quang Ninh, Can Tho, and Phan Thiet. In particular, DXG determines to implement M&A for one or two more projects whose good location and legal fundamental; and to boost shop house invesment. In 2019, the company will gain revenue and profit from Opal Garden project, Uong Bi – Quang Ninh shophouse project and two other shophouse projects. However, details about these have not been published by DXG.

The company will implement IPO for landing services in 2019.

Regarding landing brokerage, in 2018, the company started to restructure real estate services by assignin this task to its subsidiary DXS. In 2019, the company expect to launch an online trading channel into the market, and implement IPOs for landing services.

2. 2019 FORECAST BUSINESS PERFORMANCE

KBSV forecast revenue in 2019 of DXG to reach VND5069.7 bn (up by 10% yoy) and NPAT to hit VND 1,307 bn (gaining 10.9% yoy).

- ❖ Revenue of DXG comes from:
 - Revenue from real estate services including secondary brokerage and investment will increase by 10% yoy to VND2662.5 bn.
 - Revenue from landing investment and trading will climb 5% compared to that in 2017 to VND1,657.2 bn, in which:
 - + Opal Garden: the project was sold out and handed over in Decemeber 2018, recoreded revenue in is 2019 VND825 bn.
 - Revenue from construction was VND750 bn, up by 19.3% yoy
 - Revenue from financial activities in affiliates mainly came from LDG hits VND 275 bn, gaining 7.4% yoy.
 - Cost of sales and management rose to VND 912.6 bn, up by 17% yoy.
 - Interest expense surged by VND150 bn to VND200 bn (up by 33% yoy).
- As a result, gross revenue profit slightly decreased from 56.3% to 56.1% in 2018.

(* Due to the lack of information on DXG shophouse projects, we cannot estimate the revenue of this segment)

Recommendation

RECOMMENDATION

We believe that DXG revenue will see a strong growth in 2019 because (1) Land market is supposed to grind to a standstill in 2019 with legal issues which need to be solved (2) The company does not have any project to gain revenue and profit in 2019. However, DXG business operations are supposed to stay healthy thanks to sustainable financial status with stable receivable source from effective brokerage and large land source. DXG revenue is forecast to have a good growth in 2020-2021 as the company started to hand over a series of important large projects.

KBSV continue to recommend to BUY DXG shares with the target price calculated by RNAV - VND 33,500/share, 44.4% more than the closing price on January 28, 2019.

Figure 6: RNAV model

Project	Valuation method	Ownership	RNAV(VND bil)
Real estate investment			6383.4
- Opal Garden	DCF	100%	315
- Gem Riverside	DCF	100%	2756.2
- Lux Garden	DCF	100%	194
- Lux Riverview	DCF	100%	427
- Lux Star	DCF	100%	183
-Opal Riverside	DCF	100%	26
- Opal Skyview	Book Value	100%	94.2
- Gem Premium	DCF	75%	1055
- Opal City	DCF	100%	1017
- Palm City	DCF	100%	316
Real estate services	DCF	51%	7200.3
+ Cash and cash equivalent			1158.59
+Investment in affilitates			1100
-Loan			2865.8
-Minority shareholder advantage			1232.63
RNAV			11743.8
Stock price (VND)			33,500

Source: KBSV

Income Statement (VND billion)	2015	2016	2017	9T/2018
Net sales	27,452.93	33,283.21	46,161.69	41,450.25
Cost of sales	-21,858.96	-24,532.65	-35,536.12	-32,340.25
Gross Profit	5,593.98	8,750.56	10,625.57	9,110.00
Financial income	248.61	197.18	186.22	222.72
Financial expenses	-566.23	-367.99	-555.76	-565.34
of which: interest expenses	-251.34	-279.95	-479.71	-394.93
Gain/(loss) from joint ventures (from 2015)	-0.19	-0.53	-0.16	0.00
Selling expenses	-424.15	-489.95	-594.71	-487.02
General and admin expenses	-760.82	-404.59	-409.04	-232.48
Operating profit/(loss)	4,091.19	7,684.68	9,252.12	8,047.88
Other incomes	314.55	434.47	432.79	345.19
Other expenses	-415.90	-417.32	-396.55	-359.32
Net other income/(expenses)	-101.36	17.15	36.25	-14.14
Income from investments in other entities	0.00	0.00	0.00	0.00
Net accounting profit/(loss) before tax	3,989.83	7,701.82	9,288.37	8,033.74
Corporate income tax expenses	-485.45	-1,095.62	-1,273.61	-1,200.19
Net profit/(loss) after tax	3,504.38	6,606.20	8,014.76	6,833.55
Minority interests	18.92	4.10	8.08	24.76
Attributable to parent company	3,485.46	6,602.10	8,006.67	6,808.79

Operating statistics & Ratios	2015	2016	2017 TTM Q3/2018	
Gross profit margin	17.34%	20.32%	20.38%	26.29%
EBITDA margin	17.61%	20.84%	20.73%	28.63%
EBIT margin	13.81%	16.51%	16.06%	23.60%
Pre-tax profit margin	12.65%	14.77%	14.53%	23.14%
Operating profit margin	12.47%	14.93%	14.90%	23.09%
Net profit margin	10.62%	12.73%	12.77%	19.85%

Cash Flow Statement (VND billion)	2015	2016	2017	9T/2018
Net profit/(loss) before tax	3,989.83	7,701.82	9,288.37	8,033.74
Depreciation and amortisation	1,281.59	1,674.33	2,004.66	1,706.23
Profit/loss from investing activities	-81.21	-142.79	-100.14	-86.42
Interest expense	251.34	279.95	479.71	394.93
Operating profit/(loss) before changes in Working Capital	5,811.01	9,421.55	11,657.00	10,020.17
(Increase)/decrease in receivables	-17.33	-486.37	-462.71	-416.57
(Increase)/decrease in inventories	390.08	-3,334.84	-2,201.68	-2,488.72
Increase/(decrease) in payables	-849.88	2,294.02	-427.14	724.89
(Increase)/decrease in prepaid expenses	66.69	121.80	-57.14	-502.02
Net cash inflows/(outflows) from operating activities	4,542.95	6,818.72	6,058.32	5,872.37
Purchases of fixed assets and other long term assets	-3,386.57	-3,416.97	-8,875.04	-19,840.31
Proceeds from disposal of fixed assets	32.36	27.79	6.99	63.25
Loans granted, purchases of debt instruments	-298.00	-10.56	-13,644.06	-9,833.96
Collection of loans, proceeds from sales of debts instrumen	119.07	271.60	4,461.99	13,849.69
Investments in other entities	-230.63	0.00	-40.83	-115.95
Proceeds from divestment in other entities	0.00	0.00	0.65	15.00
Dividends and interest received	0.00	0.00	164.53	822.83
Net cash inflows/(outflows) from investing activities	-3,763.77	-3,128.13	-17,925.77	-15,039.44
Proceeds from issue of shares	0.06	0.01	5,057.29	11.42
Payments for share returns and repurchases	0.00	0.00	0.00	0.00
Proceeds from borrowings	22,541.24	28,158.08	37,194.70	37,676.28
Repayment of borrowings	-22,433.39	-28,560.49	-30,674.53	-28,805.39
Finance lease principal payments	0.00	0.00	0.00	0.00
Dividends paid	-540.72	-1,102.41	-3.75	-4.35
Interests, dividends, profits received	0.00	0.00	0.00	0.00
Net cash inflows/(outflows) from financing activities	-432.81	-1,504.81	11,573.69	8,877.96
Net increase in cash and cash equivalents	346.37	2,185.78	-293.75	-289.12
Cash and cash equivalents at the beginning of period	2,026.28	2,372.76	4,558.66	4,264.64
Cash and cash equivalents at the end of period	2,372.76	4,558.66	4,264.64	3,976.15

Balance Sheet (VND billion)	2015	2016	2017	9T/2018
CURRENT ASSETS	11,915.18	18,182.79	33,068.06	31,834.30
Cash and cash equivalents	2,372.76	4,558.66	4,264.64	3,976.15
Short-term investments	758.09	693.50	9,936.71	5,900.90
Accounts receivable	1,608.22	2,394.83	6,555.42	5,640.20
Inventories	6,937.44	10,247.18	11,748.87	14,770.22
LONG-TERM ASSETS	13,591.59	15,043.77	19,954.12	38,268.47
Long-term trade receivables	16.49	18.17	21.81	22.31
Fixed assets	8,211.43	12,670.46	13,197.80	13,086.36
Investment properties	192.49	202.76	191.19	182.13
Long-term incomplete assets	4,342.16	1,154.98	5,468.75	23,340.74
Long-term investments	25,506.77	33,226.55	53,022.18	70,102.77
TOTAL ASSETS	11,040.06	13,376.29	20,624.60	31,069.07
LIABILITIES	9,992.83	11,985.02	18,519.72	21,460.46
Current liabilities	2,638.69	3,733.63	4,226.44	5,729.03
Trade accounts payable	50.11	1,036.12	824.28	405.08
Advances from customers	14.31	5.43	2.86	10.56
Short-term unrealized revenue	6,116.82	5,488.17	11,328.52	13,023.39
Short-term borrowings	1,047.23	1,391.27	2,104.88	9,608.62
Long-term liabilities	0.00	0.00	0.00	0.00
Long-term trade payables	0.00	0.00	0.00	0.00
Long-term advances from customers	0.00	0.00	0.00	0.00
Unrealized revenue	739.00	972.20	1,651.49	9,011.90
Long-term borrowings	14,466.71	19,850.26	32,397.58	39,033.70
OWNER'S EQUITY	7,329.51	8,428.75	15,170.79	21,239.07
Paid-in capital	674.15	674.15	3,202.20	3,211.56
Share premium	5,549.33	9,486.35	13,397.03	13,533.45
Undistributed earnings	22.92	105.69	110.61	130.55
Minority interests	25,506.77	33,226.55	53,022.18	70,102.77

Key ratios	2015	2016	2017	TTM Q3/2018
Multiple				
P/E	6.39	3.88	5.76	7.01
P/E diluted	6.39	3.88	5.76	7.01
P/B	1.54	1.30	1.43	1.66
P/S	0.81	0.77	1.00	1.19
P/Tangible Book	1.56	1.30	1.43	1.66
P/Cash Flow	4.90	3.76	7.61	9.05
EV/EBITDA	4.70	2.89	4.72	6.12
EV/EBIT	6.07	3.50	5.70	7.36
Operating performance				
ROE%	0.27	0.38	0.31	0.26
ROA%	0.15	0.22	0.19	0.15
ROIC%	0.21	0.30	0.21	0.04
Financial structure				
Cash Ratio	0.24	0.38	0.23	0.19
Quick Ratio	0.40	0.58	0.58	0.80
Current Ratio	1.19	1.52	1.79	1.48
LT Debt/Equity	0.05	0.05	0.05	0.23
LT Debt/Total Assets	0.03	0.03	0.03	0.13
Debt/Equity	0.47	0.33	0.40	0.56
Debt/Total Assets	0.27	0.19	0.24	0.31
ST Liabilities/Equity	0.69	0.60	0.57	0.55
ST Liabilities/Total Assets	0.39	0.36	0.35	0.31
Total Liabilities/Equity	0.76	0.67	0.64	0.80
Total Liabilities/Total Assets	0.43	0.40	0.39	0.44
Activity ratios				
Account Receivable Turnover	22.33	24.14	26.03	24.75
Inventory Turnover	2.95	2.79	3.19	3.27
Account Payable Turnover	9.57	7.70	8.93	9.45

Source: DXG, KBSV

Investment portfolio recommendations

Buy: +15% or more

Take profit: trong khoảng +15% và -15%

Sell: -15% or less

DISCLAIMER

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Income Statement

(VND billion)

Net sales

Cost of sales

Gross Profit

Financial income

Financial expenses

of which: interest expenses

Gain/(loss) from joint ventures (from 2015)

Selling expenses

General and admin expenses

Operating profit/(loss)

Other incomes

Other expenses

Net other income/(expenses)

Income from investments in other entities

Net accounting profit/(loss) before tax

Corporate income tax expenses

Net profit/(loss) after tax

Minority interests

Attributable to parent company

Operating statistics & Ratios

Gross profit margin

EBITDA margin

EBIT margin

Pre-tax profit margin

Operating profit margin

Net profit margin

Cash Flow Statement

(VND billion)

Net profit/(loss) before tax

Depreciation and amortisation

Profit/loss from investing activities

Interest expense

Operating profit/(loss) before changes in Working Capital

(Increase)/decrease in receivables

(Increase)/decrease in inventories

Increase/(decrease) in payables

(Increase)/decrease in prepaid expenses

Net cash inflows/(outflows) from operating activities

Purchases of fixed assets and other long term assets

