

Apr 21, 2020

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

Dat Xanh Group JSC

COVID-19 brings near halt to business activities

1Q earnings down 78% YoY on near halt in property sales.

- 1Q earnings decreased significantly due to (1) near halt in property sales due to the COVID-19 pandemic; and (2) project delays in HCMC due to remaining legal issues. These difficulties strongly affected DXG's business operations by disrupting project construction and apartment deliveries.
- In particular, revenue from core property sales fell by a whopping 97% YoY and only reached VND 23 billion or 4% of total revenue.

Two items to track: inventories and rising debt levels

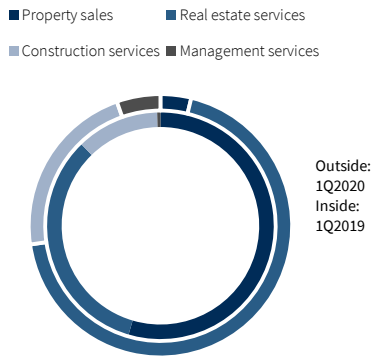
- Inventories rose by 26% for the quarter from the end of 2019 to VND 8,552bn for units under construction. In particular, the *Long Thanh* project represented the largest amount at VND 3,221bn or a near doubling from the beginning of the quarter.
- Rising inventories caused operating cash flow to turn negative, adding to the several years of negative cash flow. This may pressure capital levels to finance the company's projects.
- Debt also rose by 28% in the first three months of the year to VND5,610 billion, including VND1,169 billion from bank loans and VN4,441 billion in bonds issued to finance working capital needs. The debt-to-equity ratio is now at 0.6x and higher than the average ratio of listed real estate companies.

Still planning to launch pre-sale activities in 3Q & 4Q

- The *Long Thanh* project remains DXG's most attractive and should be able to quickly generate profits. The project covers an area of 92ha in *Long Duc*, *Long Thanh*, and *Dong Nai*. The project's detailed 1/500 scale plan has been approved and pre-sales should launch in June/July.
- In addition to the *Long Thanh* project, other projects include the *St. Moritz*, *Opal Skyline* and *Opal Cityview* sites that should also launch pre-sales in 2Q or 3Q.

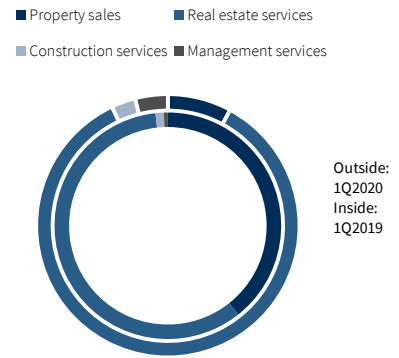


Fig 1. Revenue breakdown



Source: Company report

Fig 2. Gross profit breakdown



Source: Company report

KB SECURITIES VIETNAM RESEARCH

Head of Research – Nguyen Xuan Binh

binhnx@kbsec.com.vn

Macro/Strategy

Head of Macro & Strategy – Tran Duc Anh

anhtd@kbsec.com.vn

Macro Analyst – Thai Thi Viet Trinh

trinhtt@kbsec.com.vn

Market Strategist – Le Anh Tung

tungla@kbsec.com.vn

Equity (Hanoi)

Head of Equity Research (Hanoi) – Duong Duc Hieu

hieudd@kbsec.com.vn

Information Technology & Logistics Analyst – Nguyen Anh Tung

tungna@kbsec.com.vn

Property Analyst – Pham Hoang Bao Nga

ngaphb@kbsec.com.vn

Power & Construction Material Analyst – Le Thanh Cong

congl@kbsec.com.vn

Financials Analyst – Nguyen Thi Thu Huyen

huyennt@kbsec.com.vn

Equity (Ho Chi Minh)

Head of Equity Research (Ho Chi Minh) – Harrison Kim

harrison.kim@kbf.com

Consumer & Retailing Analyst – Dao Phuc Phuong Dung

dungdpp@kbsec.com.vn

Fisheries & Pharmaceuticals Analyst – Nguyen Thanh Danh

danhnt@kbsec.com.vn

Oil & Gas & Chemicals Analyst – Nguyen Vinh

vinhn@kbsec.com.vn

Research Marketing

Korea Marketing Analyst – Seon Yeong Shin

shin.sy@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels G, 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.