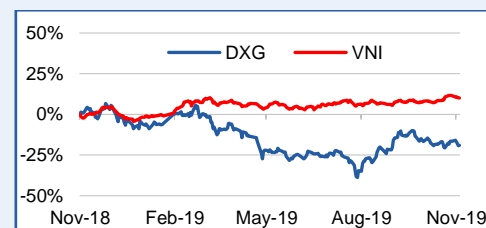




Dat Xanh Group (DXG) [BUY +65.8%]

Update Report

Industry	Real Estate		2018A	2019F	2020F	2021F
Report Date	November 18, 2019					
Current Price	VND15,500	Rev y/y	61.3%	11.1%	33.4%	45.5%
Current Target Price	VND25,700	EPS y/y	53.5%	4.7%	2.2%	43.1%
Last Target Price	VND25,300	NPAT-MI y/y	56.9%	15.2%	14.6%	44.7%
Upside to TP	+65.8%	GPM	56.3%	58.1%	52.5%	48.6%
Dividend Yield	0.0%	NPM	25.4%	26.3%	22.6%	22.5%
TSR	+65.8%	P/B	1.3x	1.1x	0.9x	0.7x
		P/E	5.9x	5.6x	5.5x	3.9x
Market Cap	USD350.3mn					
Foreign Room	USD10.5mn	P/E (ttm)		5.2x	13.6x	16.5x
ADTV30D	USD1.1mn	P/B (curr)		1.2x	2.0x	2.4x
State Ownership	0.0%	Net D/E		12.1%	-5.4%	NA
Outstanding Shares	519.8 mn	ROE		25.9%	13.5%	14.7%
Fully Diluted Shares	536.9 mn	ROA		13.1%	5.9%	2.5%
3-yr PEG	0.3					



Company Overview

DXG is a leading property brokerage company with around 30% market share nationwide. Leveraging off its brokerage knowledge, the company has expanded into residential property development with a focus on the mid-range segment in HCMC, Binh Duong and Dong Nai.

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Tier 2 projects support upbeat medium-term outlook

- We reiterate our BUY rating on DXG while increasing our target price by 2% to VND25,700/share as the addition of the newly acquired Long Thanh project (Dong Nai Province, 92 ha) outweighs our downward revision in the property development pre-sales forecast.
- We continue to expect an ongoing solid brokerage segment, non-core land bank divestments and stronger deliveries from 2021F will drive a 30% NPAT-MI CAGR over 2019-2022F.
- We revise down our total 2019-2022F pre-sales value forecast by 9% as the stagnant legal approval process in HCMC could challenge the launch plans of DXG's projects.
- DXG is trading at compelling valuation at a 2020F P/E and P/B of 5.5x and 0.9x, respectively, and a three-year PEG of 0.3, based on our forecasts.
- Upside catalyst: faster-than-expected launch progress of Long Thanh project in Dong Nai Province.
- Downside risks to our positive view: higher inventory for wholesale brokerage; further construction delays for Gem Riverside.

Central region continues to drive brokerage growth. We continue to forecast that the brokerage segment will deliver NPAT-MI CAGR of 14% in 2019-2022F and contribute ~35% to DXG's NPAT-MI forecast over the same period. Per our estimate, the central Vietnam market (including Da Nang, Quang Nam and Phu Yen) will continue to spearhead this segment with over 50% contribution due to underpenetrated urbanization and DXG's proven track record in this region.

Tier 2 projects should bolster property development growth in 2020F. We project this segment's earnings will grow by 50% vs 2019F and account for ~35% of DXG's 2020F NPAT-MI forecast. Key deliveries will be handovers of land plots at the Long Thanh project (1,000 land plot units; assumed ASP of USD70,000/unit) and ongoing deliveries at shophouse projects in Quang Ninh and Binh Duong (assumed ASP of USD200,000/unit). We note the Long Thanh project will likely to be launched in H1 2020F as DXG bought this project via a public auction with fast-tracked legal procedure.

Gains from associate and land bank sales further support 2020F earnings. We expect LDG Group's (DXG owns 36% vs 42% at end-2018) earnings to stay flat YoY in 2020F, largely supported by a potential land valuation of the Bai But project in Da Nang and continued deliveries at Viva Park (680 units; 70% pre-sold). We also expect DXG will keep selling non-core land banks in 2020F with an estimated pre-tax gain of VND330bn (USD14mn), flat vs 2019F.

Pre-sales outlook to rebound from 2020F. We project DXG's pre-sales value growth of 27% in 2020F (VND5.0tn/USD217mn) vs a 13% YoY decline in 2019F. Key launches in 2020F will consist of a relaunch at Gem Riverside and new launches at Long Thanh and Opal Skyview (190 units; assumed ASP of USD2,000/sqm), based on our assumptions.

Earnings set to accelerate from 2021F with ramp-up of residential handovers. We forecast DXG's NPAT-MI to soar by 45% and 32% YoY in 2021F and 2022F, respectively, premised on our estimated unbilled sales (backlog) of VND8.1tn (USD351mn) as of end-October 2019 thanks to solid take-up rates at Gem Riverside and Opal Boulevard. This will translate into locked-up NPAT-MI of VND2.0tn (USD87mn), equivalent to ~130% of our 2020F NPAT-MI for DXG.

9M 2019 recap: Brokerage propelled strong growth

Figure 1: 9M 2019 results

VND bn	9M 2018	9M 2019	% YoY	% of 2019F Old	VCSC comments
Revenue	3,237	3,798	17%	74%	
- Brokerage	1,510	2,134	41%	73%	
- Development	1,362	1,152	-15%	81%	* 9M 2019 results mainly come from deliveries at Opal Garden (Thu Duc District, 100% pre-sold). * The YoY decline was expected given that most units pre-sold in 2016-2017 were fully handed over in Q1 2019 while other pre-sold units at Gem Riverside (District 2) and Opal Boulevard (Binh Duong) are under construction.
- Construction	365	512	40%	66%	
Gross profit	1,595	2,132	34%	75%	
- Brokerage	1,050	1,742	66%	80%	
- Development	523	354	-32%	57%	
- Construction	22	37	71%	95%	
Selling expenses	-303	-354	17%	74%	
G&A expenses	-232	-347	50%	91%	
EBIT	1,060	1,431	35%	72%	
Financial income	179	246	37%	62%	* Mainly driven by DXG divesting all of its stake in Nha Trang Petroleum Investment JSC (DXG's 90%-owned subsidiary that possessed a hospitality project in Nha Trang Province).
Financial expenses	-128	-155	21%	61%	
Profit from associates	126	122	-3%	48%	
PBT	1,246	1,698	36%	72%	
NPAT-MI	750	907	21%	67%	
Gross margin	49.3%	56.1%			
- Brokerage	69.5%	81.6%			* Higher contribution of wholesale brokerage in the booking mix, particularly in Q3 2019
- Development	38.4%	30.7%			
% SG&A / revenue	16.5%	18.5%			
EBIT margin	32.8%	37.7%			
NPAT-MI margin	23.2%	23.9%			

Source: DXG's financial statements, VCSC

2019 outlook: On track for solid growth

Figure 2: 2019 forecast

VND bn	2018A	2019F Old	2019F New	% YoY	VCSC assumptions/forecasts for 2019F
Revenue	4,645	5,106	5,163	11%	
- Brokerage	2,421	2,909	3,030	25%	* We continue to expect solid YoY growth driven by strong contribution of tier 2 markets, especially in the central region.
- Development	1,578	1,422	1,422	-10%	* We maintain our forecast that Q4 2019F deliveries will mainly come from shophouses at Uong Bi New City (Quang Ninh Province).
- Construction	646	776	711	10%	
Gross Profit	2,615	2,840	3,002	15%	
- Brokerage	1,923	2,182	2,333	21%	* We revise up our revenue and gross margin forecast in accordance with stronger-than-expected 9M 2019 results.
- Development	661	619	619	-6%	
- Construction	31	40	50	61%	
Selling expenses	-434	-481	-565	30%	
G&A expenses	-346	-383	-450	30%	* Revised in accordance with 9M results as salary and outsourcing service expenses grew faster than our expectation.
EBIT	1,835	1,976	1,987	8%	
Financial income	207	397	437	111%	* One-off pre-tax gain of VND330bn (USD14mn) in 2019F from a stake divestment of a non-core land bank.
Financial expenses	-191	-252	-289	51%	* Higher projection for debt balance as this should fund for new land bank acquisitions.
Profit from associates	256	252	259	1%	* Earnings of LDG Group (DXG owns 36% stake) will accelerate in Q4 2019F, mainly driven by deliveries of locked-up pre-sales at Marina Tower (820 units; Binh Duong Province) and continuing deliveries at Viva Park (680 units; Dong Nai Province)
PBT	2,101	2,368	2,389	14%	
NPAT-MI	1,178	1,353	1,357	15%	
Gross margin	56.3%	55.6%	58.1%		
- Brokerage	79.4%	75.0%	77.0%		
- Development	41.9%	43.5%	43.5%		* Shophouse project (Uong Bi New City) to carry high margin (~50%).
% SG&A / revenue	16.8%	16.9%	19.7%		
EBIT margin	39.5%	38.7%	38.5%		
NPAT-MI margin	25.4%	26.5%	26.3%		

Source: DXG's financial statements, VCSC forecasts

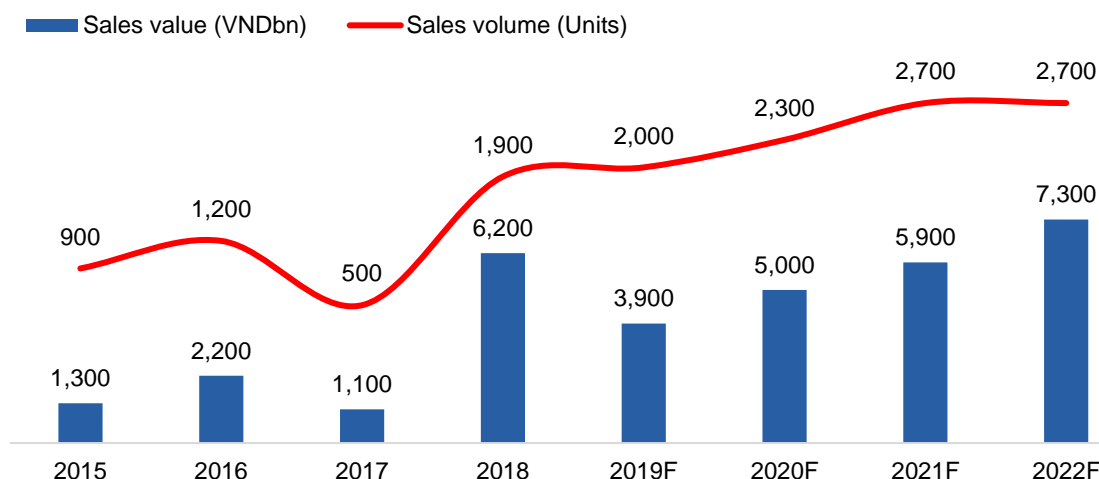
2020 outlook: Tier 2 projects to maintain growth momentum

Figure 2: 2020 forecast

VND bn	2019F	2020F	% YoY	VCSC assumptions/forecasts for 2020F
Revenue	5,163	6,888	33%	
- Brokerage	3,030	3,485	15%	* We expect Vietnam's central region to continue spearheading this segment's growth.
- Development	1,422	2,550	79%	* The contributors will be handovers at Long Thanh land plots (accounting 82% of segment revenue forecast) and continuing deliveries at shophouse projects in tier 2 regions.
- Construction	711	853	20%	
Gross Profit	3,002	3,614	20%	
- Brokerage	2,333	2,613	12%	
- Development	619	940	52%	
- Construction	50	60	20%	
Selling expenses	-565	-692	22%	
G&A expenses	-450	-552	22%	
EBIT	1,987	2,370	19%	
Financial income	437	447	2%	* Assuming VND330bn (USD14mn) pre-tax gain non-core land bank divestment, similar to 2019F.
Financial expenses	-289	-356	23%	* Higher debt-balance to purchase project Long Thanh with acquisition cost of VND3.1tn (USD133mn) via public auction.
Profit from associates	259	252	-3%	* We project LDG to record VND700bn NPAT-MI (USD30mn, flat vs 2019F), mainly driven by continuing deliveries at Marina Tower/Viva Park and a potential land revaluation at the Bai But project in Da Nang, following LDG's partnership with Red Brick Capital.
PBT	2,389	2,708	13%	
NPAT-MI	1,357	1,555	15%	
Gross margin	58.1%	52.5%		
- Brokerage	77.0%	75.0%		
- Development	43.5%	36.9%		* We assume land plot sales at Long Thanh to carry a lower margin of 34% vs 50% of shophouse projects in 2019F.
% SG&A / revenue	19.7%	18.1%		
EBIT margin	38.5%	34.4%		
NPAT-MI margin	26.3%	22.6%		

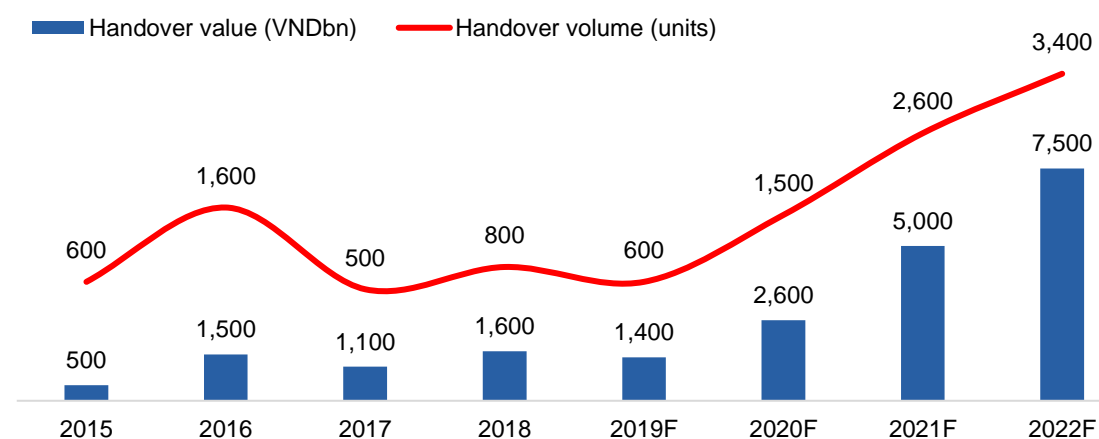
Source: DXG's financial statements, VCSC forecasts

Figure 3: DXG's residential pre-sales value and volume



Source: DXG, VCSC forecast

Figure 4: Schedule of DXG's handovers



Source: DXG, VCSC forecast

Figure 5: Locations of DXG's project pipeline



Source: DXG and VCSC. Note: All DXG's key projects are located in HCMC except for Opal Boulevard (Binh Duong Province), Uong Bi New City (Quang Ninh Province), shophouse projects (Can Tho/Binh Duong Province), and Long Thanh (Dong Nai Province)

Figure 6: Construction and delivery pipeline of DXG's major projects (as of October 2019)

Projects	Site area (ha)	Launch Time	District/ Province	Units	Pre-Sales	ASP (USD/ sqm)	2018	2019	2020	2021	2022	2023	2024
Opal Tower	0.5	n/a	Thu Duc	300	n/a	n/a							
Opal Skyview	0.2	n/a	Thu Duc	190	n/a	n/a							
Lux Riverview	0.9	n/a	7	770	n/a	n/a							
Gem Riverside	4.3	Q1 2018	2	3,200	60%*	1,700							
Zen Riverside	1.3	n/a	Thu Duc	660	n/a	n/a							
Vido City	1.2	n/a	7	560	n/a	n/a							
Opal City	6.7	n/a	9	2,100	n/a	n/a							
Palm City	7.4	n/a	9	260	n/a	n/a							
Gem Premium	6.7	n/a	Thu Duc	2,600	n/a	n/a							
Pho Mo	2.6	n/a	Thu Duc	800	n/a	n/a							
Opal Boulevard	1.5	Q1 2019	Binh Duong	1,500	100%	1,400							
Uong Bi New City	n/a	Q2 2019	Quang Ninh	125	35%	1,000							
Shophouse project	92	Q2 2020	Binh Duong	100	n/a	1,400							
Long Thanh	0.5	Q2 2020	Dong Nai	3,000	n/a	650							
Total	125			16,200									

Source: DXG, VCSC forecast. Note: (*) Reservation rate

Figure 9: Construction progress of launched projects (as of October 2019)


Source: VCSC compilation

Valuation

We continue to value DXG stock by using the RNAV valuation method, which is detailed in Figure 9. We have factored in all identified land bank for under-construction and under-development projects via the DCF of discounting estimated FCF to the end of 2019. As a result, we derive a 1Y target price for DXG at VND25,700/share based on our RNAV valuation.

Figure 7: Valuation summary

Project	Approach	Project NPV (VNDbn)	Effective ownership	Effective NPV (VND bn)
Opal Boulevard	DCF	764	100%	764
Opal Skyview (PPI)	DCF	194	100%	194
Long Thanh *	DCF	3,195	100%	3,195
Opal Tower (Opal Riverview)	DCF	240	100%	240
Gem Riverside (Venice City)	DCF	3,244	100%	3,244
Greeny Riverview (Tan Kieng)	DCF	413	100%	413
Zen Riverside (Tam Da)	DCF	226	100%	226
The Palm City (Green City)	DCF	110	100%	110
Vido City	DCF	371	100%	371
Opal City (Petroland)	DCF	987	100%	987
Gem Premium	DCF	1,525	75%	1,144
Pho Mo	DCF	646	100%	646
Others	DCF	622	100%	622
Total Project NAV		12,538		12,157
Brokerage Services	DCF	11,336	51%	5,781
(+) Investment in LDG	P/B		36%	1,092
(+) Cash and short-term investment				2,643
(-) Total debts**				(6,331)
Net Asset Value				15,342
Discount to NAV				10%
Discounted NAV				13,807
Fully Diluted Shares (mn)				537
Target Price (VND/share)				25,700
Current Price (VND/share)				15,500
Upside				65.8%

Source: VCSC. Note: (*) newly added into our valuation following the company's acquirement in Q3 2019. (**) excluding VND234bn (USD10mn) of convertible bonds issued to ASAM fund in Q1 2019.

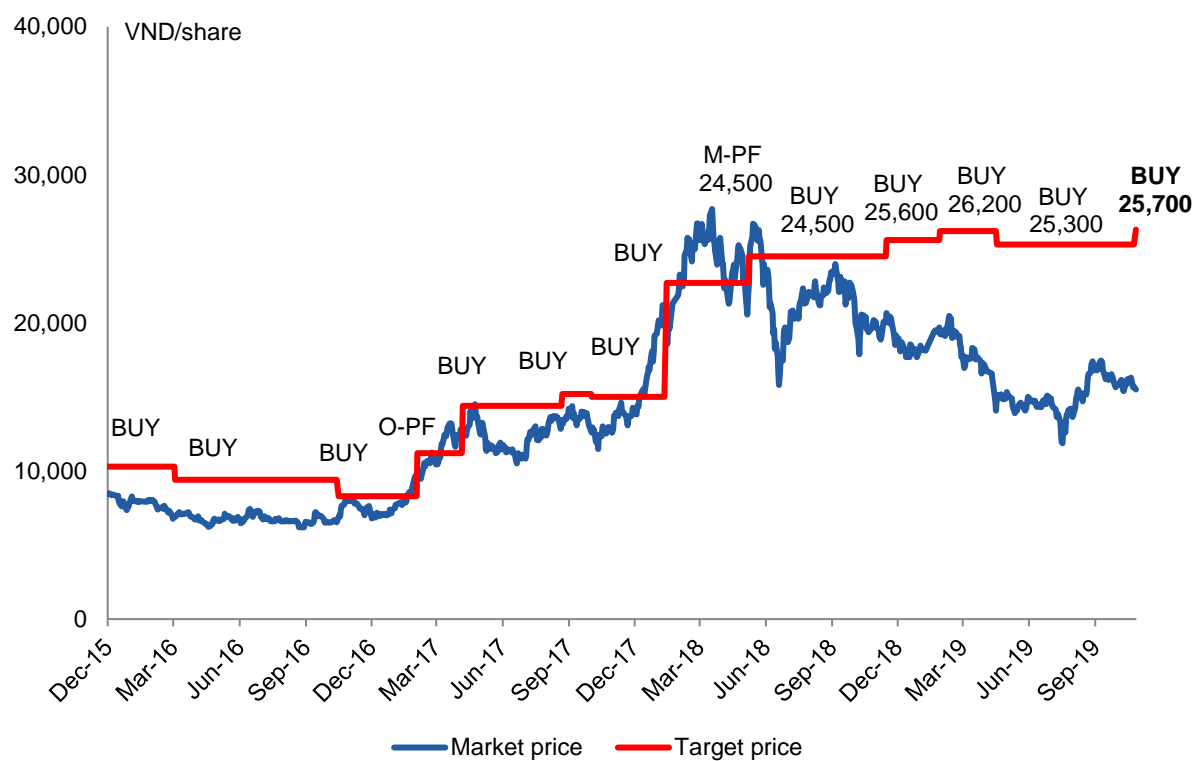
Figure 8: VCSC assumptions for WACC

Cost of Capital	Previous	Revised
Beta	1.0	1.0
Market Risk Premium %	8.4%	8.7%
Risk Free Rate %	4.8%	4.5%
Cost of Equity %	13.2%	13.2%
Cost of Debt %	11.0%	11.0%
Corporate Tax Rate %	20.0%	20.0%
Debt-to-capital ratio %	50.0%	50.0%
WACC %	11.0%	11.0%

Source: VCSC

Recommendation history

Figure 9: Historical VCSC target price vs share price (VND/share)



Source: Bloomberg, VCSC. Note: Historical target prices adjusted for changes in shares outstanding

Financial Statements

P&L (VND bn)	2018A	2019F	2020F	2021F
Revenue	4,645	5,163	6,888	10,022
COGS	-2,030	-2,161	-3,274	-5,156
Gross Profit	2,615	3,002	3,614	4,866
Sales & Marketing exp	-434	-565	-692	-873
General & Admin exp	-346	-450	-552	-697
Operating Profit	1,835	1,987	2,370	3,297
Financial income	207	437	447	467
Financial expenses	-191	-289	-356	-368
- o/w interest expense	-163	-289	-356	-368
Associates	256	259	252	288
Net other income/(loss)	-5	-5	-5	-5
Profit before Tax	2,102	2,389	2,708	3,678
Income Tax	379	431	488	663
NPAT before MI	1,723	1,958	2,220	3,015
Minority Interest	-544	-601	-665	-765
NPAT less MI, reported	1,178	1,357	1,555	2,250
NPAT less MI, adjusted	1,178	1,357	1,555	2,250
EBITDA	1,844	2,020	2,397	3,314
EPS reported, VND	2,623	2,747	2,807	4,016
EPS adjusted, VND	2,623	2,747	2,807	4,016
EPS fully diluted, VND	2,623	2,687	2,752	3,937
DPS, VND	0	0	0	0
DPS/EPS (%)	0%	0%	0%	0%
RATIOS	2018A	2019F	2020F	2021F
Growth				
Revenue growth	61.3%	11.1%	33.4%	45.5%
Op profit (EBIT) growth	54.7%	8.3%	19.3%	39.1%
PBT growth	57.4%	13.7%	13.4%	35.8%
EPS growth, adjusted	53.5%	4.7%	2.2%	43.1%
Profitability				
Gross Profit Margin	56.3%	58.1%	52.5%	48.6%
Op Profit, (EBIT) Margin	39.5%	38.5%	34.4%	32.9%
EBITDA Margin	39.7%	39.1%	34.8%	33.1%
NPAT-MI Margin, adj,	25.4%	26.3%	22.6%	22.5%
ROE	26.7%	22.2%	19.4%	22.7%
ROA	14.3%	11.0%	8.7%	9.4%
Efficiency				
Days Inventory On Hand	719.6	1,139.3	1,268.1	1,090.0
Days Accts, Receivable	354.3	453.5	441.2	365.3
Days Accts, Payable	367.5	493.0	424.8	418.4
Cash Conversion Days	706.5	1,099.7	1,284.5	1,036.9
Liquidity				
Current Ratio x	2.3	3.0	2.1	1.9
Quick Ratio x	1.4	1.5	0.9	0.9
Cash Ratio x	0.2	0.4	0.2	0.2
Debt / Assets	20.8%	30.1%	18.5%	11.9%
Debt / Capital	31.5%	42.0%	32.3%	22.4%
Net Debt / Equity	26.6%	43.3%	26.2%	4.4%
Interest Coverage x	11.3	6.9	6.7	9.0

B/S (VND bn)	2018A	2019F	2020F	2021F
Cash & equivalents	1,159	2,590	2,380	3,456
ST investment	52	52	52	52
Accounts receivables	5,577	7,251	9,399	10,663
Inventories	4,605	8,885	13,866	16,928
Other current assets	103	455	523	601
Total Current assets	11,497	19,233	26,220	31,700
Fix assets, gross	109	149	205	271
- Depreciation	-33	-66	-94	-111
Fix assets, net	76	82	111	160
LT investment	1,176	1,436	1,688	1,976
LT assets other	1,026	1,026	1,026	1,026
Total LT assets	2,278	2,544	2,824	3,162
Total Assets	13,775	21,776	29,044	34,862
Accounts payable	2,808	3,030	4,591	7,229
Short-term debt	471	471	471	471
Other ST liabilities	1,640	2,887	7,553	8,970
Total current liabilities	4,919	6,388	12,615	16,671
Long term debt	2,394	6,094	4,914	3,661
Other LT liabilities	229	229	229	229
Total Liabilities	7,542	12,711	17,759	20,562
Preferred Equity	0	0	0	0
Paid in capital	3,501	5,206	5,266	5,326
Share premium	10,868	10,868	10,868	10,868
Retained earnings	1,456	1,983	3,478	5,668
Other equity	33	33	33	33
Minority interest	1,233	1,834	2,498	3,263
Total equity	6,232	9,066	11,285	14,300
Liabilities & equity	13,775	21,776	29,044	34,862
Y/E shares out, mn	427	521	527	533
CASH FLOW (VND bn)	2018A	2019F	2020F	2021F
Beginning Cash Balance	1,687	1,159	2,590	2,380
Net Income	1,178	1,357	1,555	2,250
Dep, & amortization	24	33	27	17
Chge in Working Cap	-1,980	-4,836	-969	-349
Other adjustments	92	-259	-252	-288
Cash from Operations	-685	-3,704	361	1,630
Capital Expenditures, net	-152	-40	-56	-66
Investments, net	-137	0	0	0
Cash from Investments	-289	-40	-56	-66
Dividends Paid	-476	0	0	0
Δ in Share Capital	0	875	0	0
Δ in ST debt	-187	0	0	0
Δ in LT debt	523	3,700	-1,180	-1,253
Other financing C/F	585	601	665	765
Cash from Financing	445	5,176	-515	-488
Net Change in Cash	-529	1,431	-210	1,076
Ending Cash Balance	1,159	2,590	2,380	3,456

Source: Company's financial statements, VCSC forecasts

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
RATING SUSPENDED, COVERAGE TERMINATED	A rating may be suspended, or coverage terminated, if fundamental information is deemed insufficient to determine a target price or investment rating or due to a reallocation of research resources. Any previous investment rating and target price are no longer in effect.

Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

Risks: Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

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