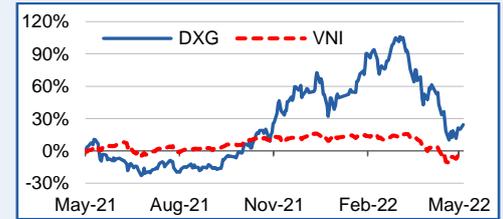


Industry	Real Estate		2021A	2022F	2023F	2024F
Report Date	May 30, 2022	Rev y/y	249.0%	-8.4%	14.0%	20.4%
Current Price	VND28,200	EPS y/y	N.M.	7.0%	13.0%	19.3%
Target Price	VND44,000	NPAT-MI y/y	N.M.	9.1%	13.0%	19.3%
Last Target Price	VND47,000	GPM	55.5%	51.0%	50.7%	51.1%
Upside to TP	+56.0%	NPM	11.5%	13.7%	13.5%	13.4%
Dividend Yield	0.0%	P/B	1.9x	1.7x	1.5x	1.3x
TSR	+56.0%	P/E	15.3x	14.3x	12.6x	10.6x



			DXG	Peers	VNI
Market Cap	USD744.9mn				
Foreign Room	USD143.3mn	P/E (ttm)	19.7x	22.6x	13.9x
ADTV30D	USD12.3mn	P/B (curr)	1.9x	2.5x	2.2x
State Ownership	0.0%	Net D/E	15.1%	53.0%	N/A
Outstanding Shares	607.5 mn	ROE	11.3%	13.9%	15.9%
Fully Diluted Shares	612.5 mn	ROA	4.7%	6.8%	2.6%

Company Overview

DXG is a mid-range residential developer with land bank focusing on HCMC, Binh Duong and Dong Nai. DXG's 60%-owned subsidiary Dat Xanh Services (HOSE: DXS) is a leading property brokerage company with around 30% market share nationwide.

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Gem Riverside to support 2022 growth outlook

- We upgrade our rating for DXG from MARKET PERFORM to BUY despite trimming our target price by 6% to VND44,000/share as the company's share price has fallen 35% over the last three months.
- This target price is 6% lower than our previous target price of VND47,000/share, which is mostly due to (1) a lower valuation for brokerage services due to a lower targeted P/E and higher assumed SG&A expenses (see details in our [DXS Update Report](#), dated May 27, 2022) and (2) higher net debt balance as of end-Q1 2022, which are partly offset by (3) the positive effect of rolling our target price forward to mid-2023.
- We forecast 2022F NPAT-MI to grow 9% YoY to VND1.3tn (USD55mn) thanks to deliveries at Gem Sky World (GSW), Opal Skyline and St. Moritz in addition to the recovery of the brokerage services segment. We decrease our 2022F NPAT-MI forecast by 6% mainly due to our downward revision for the brokerage services segment amid higher assumed SG&A expenses.
- We expect DXG to continue sales of GSW units and launch Opal Cityview (~1,500 mid-end condo units in Binh Duong Province) in 2022F, contributing ~25% and ~30% to our 2022F presales forecast, respectively. In addition, we expect relaunch of Gem Riverside in H2 2022 to contribute ~45% to our 2022F presales forecast of VND9.7tn (USD421mn; +123% YoY and 3% higher vs previous forecast).
- Downside risks to our positive view: Slower-than-expected launch progress of new projects; possible dilution risk from aggressive capital raising plans to fund land bank expansion.

Presales outlook in 2022-2023F is backed by strong pipeline. We forecast 2022-2023F aggregate presales of VND19.8tn (USD860mn) with GSW (Dong Nai Province) and Gem Riverside (Thu Duc City, HCMC) contributing ~75% and two projects in Binh Duong contributing the remaining. Notably, we continue to expect DXG will finalize presales at GSW through 2024 and relaunch Gem Riverside (total project includes 12 blocks/~3,200 condo units) in H2 2022 following positive developments for the project's paperwork approval, per management. Despite recent market turmoil due to tightened credit and mortgage policies, we believe new launches with transparent legal statuses will accelerate, in turn supporting a strong presales outlook for 2022. Meanwhile, DXG has a strong balance sheet as DXG's net debt/equity ratio of 15% was relatively low and its cash, cash equivalents and short-term deposits amounted to VND2.2tn (USD96mn) as of end-Q1 2022.

Land bank expansion to fuel the company's long-term growth outlook. DXG currently has a total land bank of ~135 ha, with major contributions from GSW (92 ha) and small-sized projects. The company is actively seeking additional capital raising to finance land bank acquisition. At DXG's AGM in May 2022, shareholders approved a plan to issue up to USD300mn of international convertible/non-convertible bonds with a term of up to five years for foreign strategic investors. The planned bond yield and conversion price were not disclosed. Management expects the bond issuance to be implemented in Q2 or Q3 2022. We note that we do not factor this issuance plan into our forecast and valuation. However, we believe DXG's ambitious land bank expansion plan could potentially fuel its long-term growth vision through a stronger development pipeline.

Q1 2022 Recap: Results supported by handovers mainly at St. Moritz

Figure 1: Q1 2022 results

VND bn	Q1 2021	Q1 2022	YoY%	2022F Old	Q1 as % of 2022F Old	VCSC comments for Q1 2022 results
Revenue	2,954	1,792	-39%	9,619	19%	
- Brokerage	733	710	-3%	3,908	18%	* Weak Q1 2022 results reflect lower property transactions partly due to the market being inactive over the Tet Holiday. * DXG handed over a total of ~300 units at St. Moritz, Gem Sky World and Opal Boulevard — with St. Moritz contributing ~65% of Q1 2022 net revenue at an average of ~VND4.0bn/unit.
- Development	2,145	984	-54%	5,127	19%	
- Construction	75	98	31%	584	17%	
Gross profit	1,736	1,037	-40%	4,788	22%	
- Brokerage	559	543	-3%	2,520	22%	
- Development	1,169	470	-60%	2,227	21%	
- Construction	9	23	166%	41	57%	
Selling expenses	(563)	(261)	-54%	(944)	28%	
G&A expenses	(149)	(172)	16%	(405)	42%	
EBIT	1,025	604	-41%	3,439	18%	
Financial income	11	22	101%	70	31%	* All financial income comes from interest income.
Financial expenses	(118)	(109)	-8%	(542)	20%	
PAT	712	408	-43%	1,881	22%	
NPAT-MI	531	270	-49%	1,359	20%	* Low result vs Q1 2021's high base.
Gross margin	58.8%	57.8%		49.8%		
- Brokerage	76.2%	76.5%		64.5%		
- Development	54.5%	47.8%		43.4%		
% SG&A / revenue	24.1%	24.2%		14.0%		
EBIT margin	34.7%	33.7%		35.8%		
NPAT-MI margin	18.0%	15.1%		14.1%		

Source: Company's Q1 2022 financial statements, VCSC forecasts

AGM Note

We attended DXG's annual general meeting (AGM) on May 28, 2022.

Shareholders approved management's 2022 guidance for revenue of VND11tn (USD478mn; +9% YoY and 19% higher than our forecast) and NPAT-MI of VND1.4tn (USD60mn; +21%YoY and 17% higher than our forecast). Per management, handovers at Gem Sky World, St. Moritz, Opal Skyline and Opal Boulevard will support its 2022 guidance.

Shareholders approved no dividend payment for FY2021 and a FY2022 dividend plan of 20% on par value — either in cash and/or in shares.

Shareholders approved a plan to issue a total of up to USD300mn of international convertible/non-convertible bonds with a term of up to five years for foreign strategic investors. Detailed plans such as the bond yield and conversion price were not disclosed. Management expects the bond issuance to be implemented in Q2 or Q3 2022. We note that we did not factor in this issuance plan into our forecast and valuation.

Shareholders approved to cancel the plans (proposed and approved at the June 2021 AGM) for (1) an international straight bond issuance of up to USD300mn and (2) a private placement of up to 200 million shares with an issue price not lower than VND20,000/share (the cancellation of the private placement plan was announced in November 2021 BOD Resolution).

Shareholders reappointed Mr. Luong Tri Thin as chairman of the BOD for the 2022-2027 term.

2022 Outlook: Handovers of GSW and Opal Skyline, recovery of key brokerage markets to drive earnings

Figure 2: 2022 forecast

VND bn	2021A	2022F Old	2022F Revised	2022F Revised vs Old	2022F Revised vs 2021A	VCSC assumptions/forecasts for 2022F
Revenue	10,089	9,619	9,246	-4%	-8%	
- Brokerage	2,541	3,908	3,830	-2%	51%	* We continue to expect the brokerage business to recover strongly in 2022F with expected normalization in the southern and central markets as well as stable growth in the northern market. The central market is a key market for hospitality that should recover with the resumption of tourism. * We also expect a higher mix of full-service brokerage and traditional brokerage at a respective ratio of ~70%-30%, which is in line with DXS's performance in 2019-2020.
- Development	7,164	5,127	5,127	0%	-28%	* Key scheduled deliveries in 2022F include shophouse units at GSW, Opal Skyline, Opal Boulevard and St. Moritz (190 condo units in Thu Duc City, HCMC — 100% take-up rate).
- Construction	384	584	290	-50%	-25%	
Gross profit	5,598	4,788	4,716	-1%	-16%	
- Brokerage	1,912	2,520	2,489	-1%	30%	
- Development	3,651	2,227	2,207	-1%	-40%	
- Construction	35	41	20	-51%	-42%	
Selling expenses	(1,887)	(944)	(1,028)	9%	-46%	
G&A expenses	(998)	(405)	(441)	9%	-56%	
EBIT	2,713	3,439	3,248	-6%	20%	
Financial income	353	70	70	0%	-80%	
Financial expenses	(544)	(542)	(542)	0%	0%	
PAT	1,595	1,881	1,760	-6%	10%	
NPAT-MI	1,157	1,359	1,262	-7%	9%	* We revise down our forecast mainly due to higher assumed SG&A expenses for the brokerage segment.
Gross margin	55.5%	49.8%	51.0%			
- Brokerage	75.2%	64.5%	65.0%			
- Development	51.0%	43.4%	43.0%			
% SG&A / revenue	28.6%	14.0%	15.9%			
EBIT margin	26.9%	35.8%	35.1%			
NPAT-MI margin	11.5%	14.1%	13.7%			

Source: Company's financial statements, VCSC forecasts

Gem Sky World (GSW) — a large-scale project demonstrating DXG’s execution capability

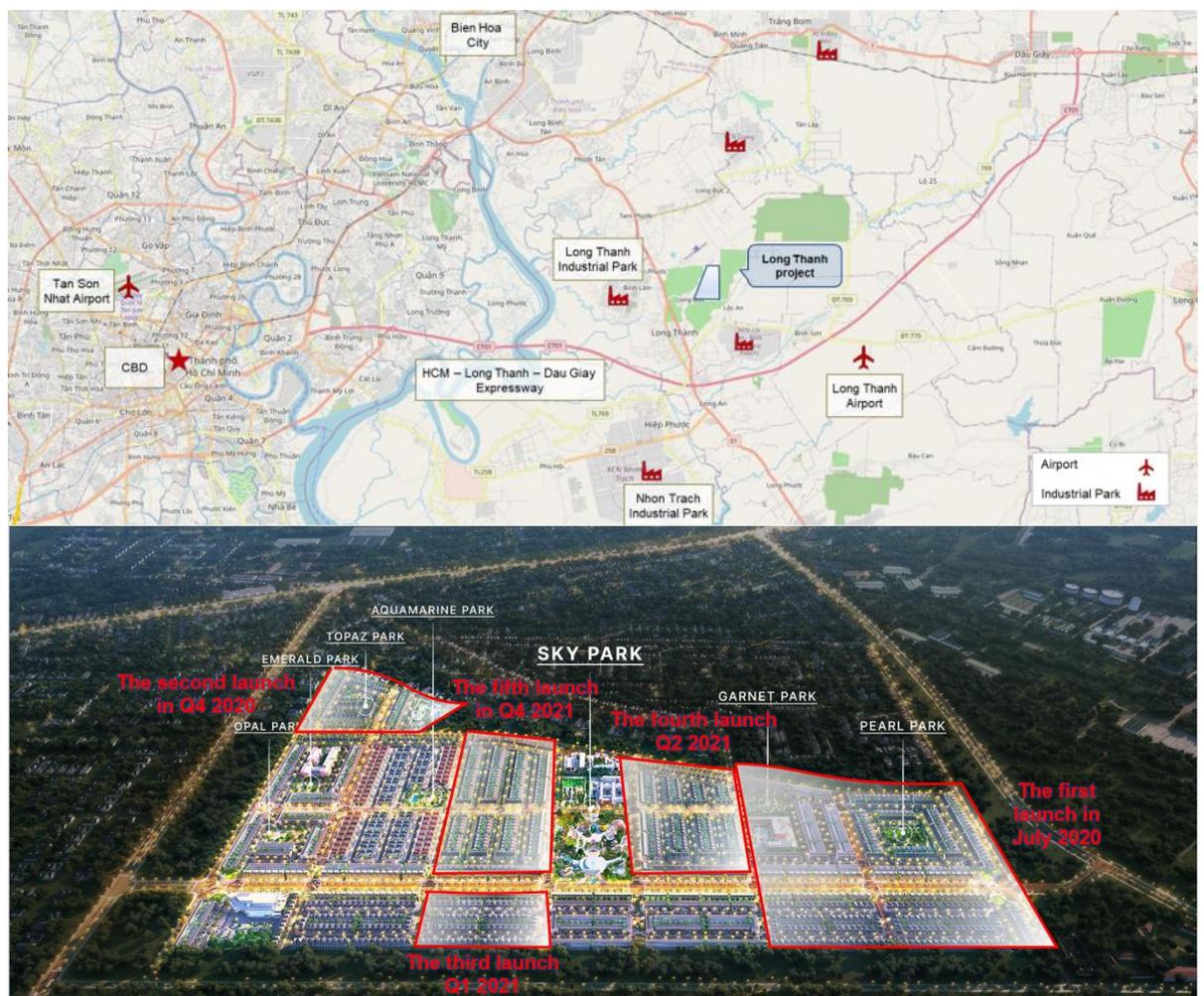
The GSW project (total of ~4,300 low-rise/land-plot units) is located ~10 km from the planned Long Thanh International Airport and surrounded by busy industrial parks (see **Figure 3**). The legal procedures for this project have been smooth as it was acquired in Q4 2019 via a public auction with fast-tracked legal procedures. In addition, we have observed an ongoing aggressive effort from DXG’s management to launch this project.

Regarding the planned Long Thanh International Airport, the Prime Minister’s office has increasingly pushed for State budget disbursement to accelerate the site clearance process. As of May 2022, land clearance was completed for ~88% of the airport Phase 1’s total area. We expect the improvement in infrastructure and potential of the future airport to continue being key selling points for GSW.

In July 2020, DXG officially launched the first sales with ~700 pre-sold units at a net ASP of around VND15mn-16mn/sqm for a land plot unit with an average size of 100 sqm per unit. VP Bank (HOSE: VPB) and DXG offer a mortgage plan for land plot products at this project, which is a rather new initiative as mortgage plans are not usually applied for land plot products.

As of end-2021, DXG’s accumulated presold units at GSW amounted to ~2,400 units, and its accumulated delivered units amounted to ~1,000 land plots, per our estimate. As such, the end-2021 backlog of GSW is estimated at ~1,400 units and valued at ~VND4.2tn (USD183mn). We continue to expect DXG to maintain a strong presales performance at GSW in 2022-2024F.

Figure 3: Location of Gem Sky World project



Source: VCSC compilation

Gem Riverside — the resumption of a prime-location project

The Gem Riverside project (total of 12 condo blocks/~3,200 condo units) is located in central Thu Duc City in the Nam Rach Chiec area. DXG acquired the project from Keppel Vietnam and launched presales in 2018 with eight blocks of condos/~2,100 units that were sold at an ASP of VND33-38mn/sqm. However, the approval of the project’s paperwork — including an amended investment certificate and construction permit — was delayed by local authorities, per management. As such, the project’s construction was delayed and a number of buyers have canceled their sales purchase agreements. Based on our estimate, there are ~1,500 units still under agreement with an existing ASP of VND33-38mn/sqm — equal to a backlog of ~VND4.5tn (USD196mn) to be handed over.

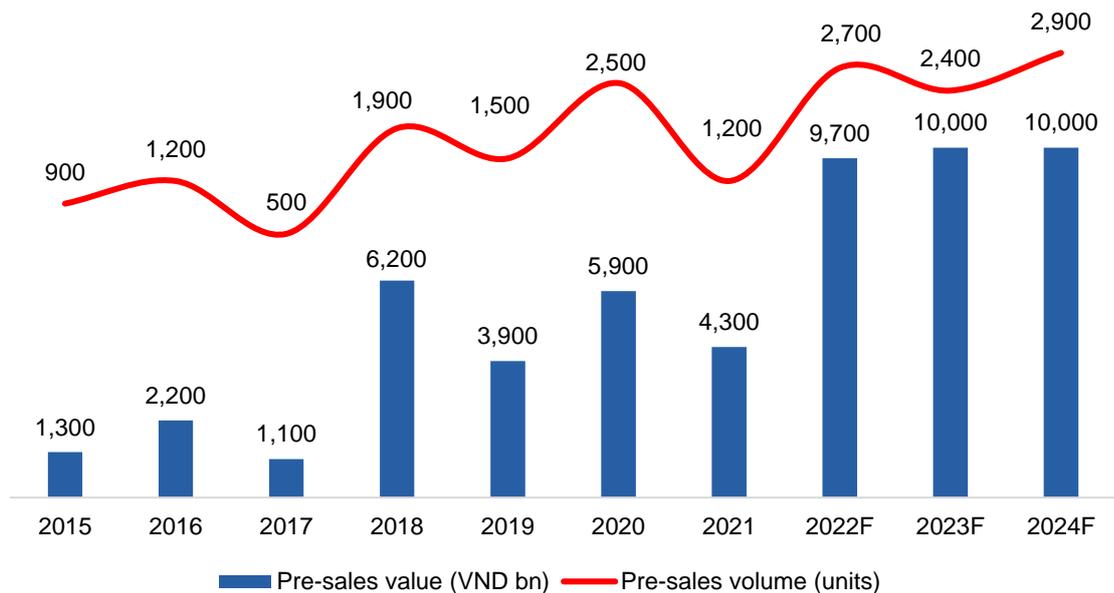
Management recently guided for Gem Riverside to resume construction and presales in H2 2022 following positive developments for the project’s paperwork approval. As market prices in Thu Duc City — particularly the Nam Rach Chiec area — have rallied throughout 2018-2022, we expect a net ASP of VND70mn/sqm for the remaining units. We forecast the ~1,700 condo units available for sale will contribute total presales of ~VND9.5tn (USD410mn) in 2022-2023F and expect delivery to occur in 2024-2026F.

Figure 4: Gem Riverside project



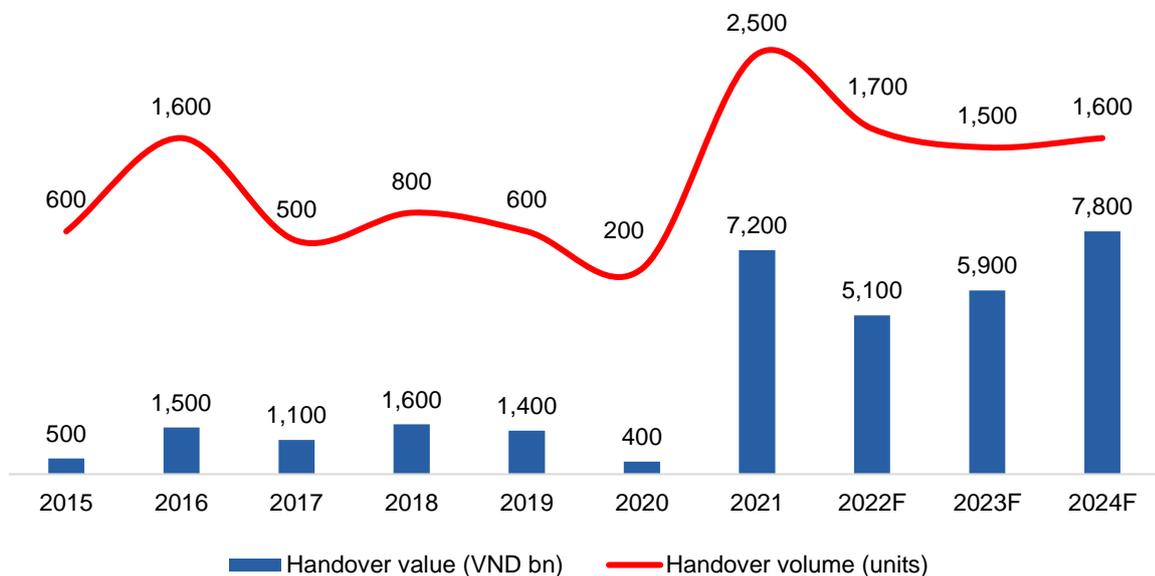
Source: VCSC compilation

Figure 5: DXG's residential presales



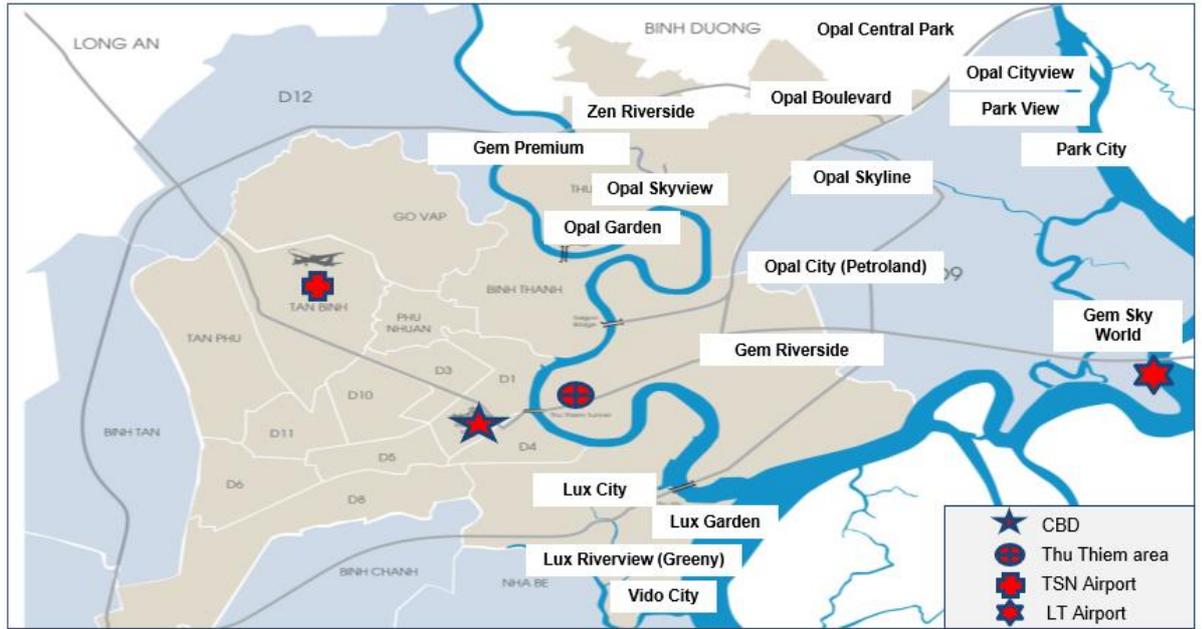
Source: DXG, VCSC forecast

Figure 6: DXG's residential handovers



Source: DXG, VCSC forecast

Figure 7: Locations of DXG’s key projects in Greater HCMC



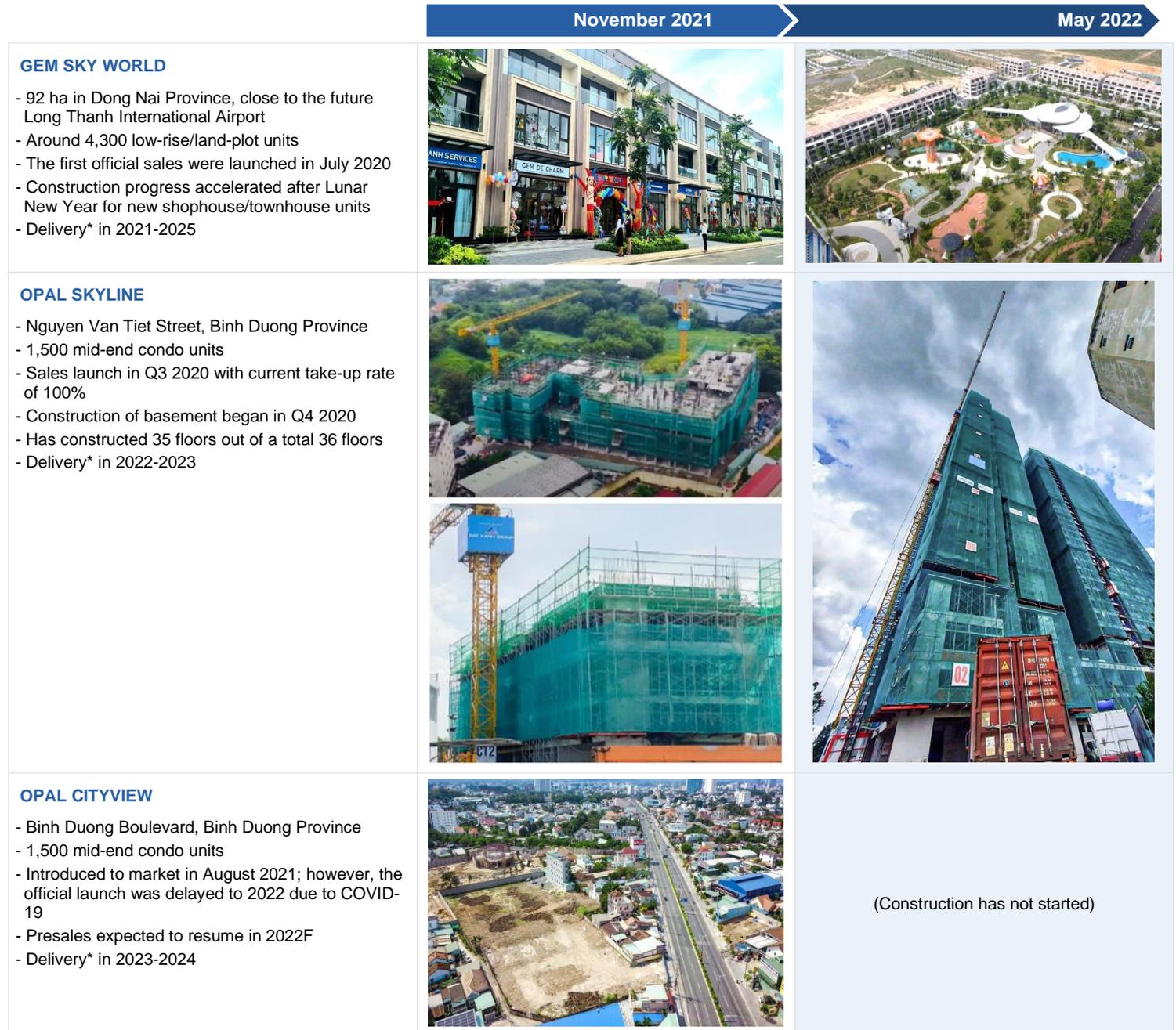
Source: DXG, VCSC

Figure 8: Construction and delivery pipeline for DXG’s major projects

Projects	Site area (ha)	Launch Time	District/ Province	Units	Pre-sales *	ASP (USD/ sqm)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
St. Moritz	0.2	Q2 2020	Thu Duc City	190	100%	2,000										
Lux Riverview	0.9	N/A	7	770	N/A	N/A										
Gem Riverside	4.3	Q1 2018	Thu Duc City	3,200	47%**	1,800										
Zen Riverside	1.3	N/A	Thu Duc City	660	N/A	N/A										
Lux Star	1.2	2022F	7	560	N/A	N/A										
Opal City	6.7	N/A	Thu Duc City	2,100	N/A	N/A										
Gem Premium	6.7	N/A	Thu Duc	2,600	N/A	N/A										
Pho Mo	2.6	N/A	Quang Ninh	800	N/A	N/A										
Opal Boulevard	1.5	Q1 2019	Binh Duong	1,500	100%	1,400										
Gem Sky World	92	Q2 2020	Dong Nai	4,300	55%	850-2,000										
Opal Skyline	1.6	Q3 2020	Binh Duong	1,500	100%	1,150										
Opal Central Park	1.0	2022F	Binh Duong	1,400	N/A	N/A										
Opal Cityview	1.6	2021F	Binh Duong	1,500	N/A	950										
Park View	5.0	2024F	Binh Duong	6,800	N/A	1,300										
Park City	10.0	2025F	Binh Duong	7,400	N/A	1,400										
Total	~135			~34,500												

Source: DXG, VCSC forecast. Note: (*) As % of total units at each project; (**) reservation rate.

Figure 9: Construction progress of DXG's key projects



Source: VCSC. Note: (*) VCSC projection.

Valuation

We derive a one-year target price for DXG at **VND44,000/share** by using the RNAV valuation method, which is best suited to capture the company's long-term growth potential, in our view. We have factored in all identified land bank for projects that are under construction and under development via the DCF of discounting estimated FCF to mid-2022.

This target price is 6% lower than our previous price VND47,000/share, which is mostly due to (1) a lower valuation for brokerage services due to a lower targeted P/E and higher assumed SG&A expenses (see details in our DXS Update Report, dated May 27, 2022) and (2) higher net debt balance as of end-Q1 2022, which are partly offset by (3) the positive effect of rolling our target price forward to mid-2023.

Figure 10: Valuation summary

Project	Approach	Project NPV (VND bn)	Effective ownership	Effective NPV (VND bn)
Gem Sky World (Long Thanh)	DCF	4,852	100%	4,852
Gem Riverside (Venice City)	DCF	5,655	100%	5,655
Gem Premium (Saigonres Riverside)	DCF	3,423	75%	2,567
Opal City (Petroland)	DCF	1,201	100%	1,201
Opal Skyline	DCF	758	100%	758
Opal Cityview	DCF	742	100%	742
Park City	DCF	1,714	100%	1,714
Park View	DCF	1,283	100%	1,283
Others (6 smaller projects)	DCF	2,464	100%	2,464
Total Project NAV		22,092		21,236
Brokerage Services	DCF & P/E	13,511	60%	8,151
(+) Cash and short-term deposits ⁽¹⁾				692
(-) Total debts ^{(1) (2)}				-3,041
Net Asset Value				27,039
Fully Diluted Shares (million) ⁽³⁾				612.5
Target Price (VND/share)				44,000
Current Price (VND/share)				28,200
Upside				+56.0%
2022F P/E @ target price				22.3x
2022F P/B @ target price				2.7x
2023F P/E @ target price				19.7x
2023F P/B @ target price				2.3x

Source: VCSC. Note: (1) Cash & ST deposits and proportioned debts at DXG; (2) excluding VND95bn (USD4.1mn) of remaining convertible bonds (five-year maturity) issued to ASAM Fund; (3) including 4.9 million shares from convertible bonds issued to ASAM Fund.

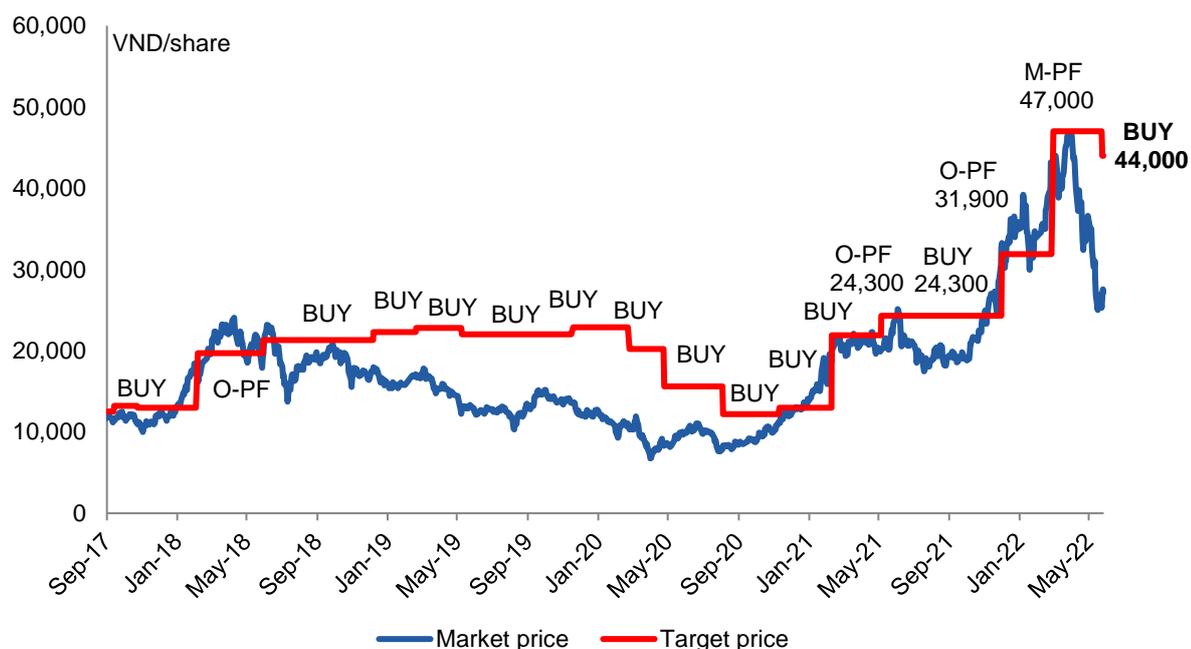
Figure 11: VCSC assumptions for WACC

Cost of Capital	Previous	Revised
Beta	1.0	1.0
Market Risk Premium %	7.0%	7.0%
Risk Free Rate %	5.5%	5.5%
Cost of Equity %	12.5%	12.5%
Cost of Debt %	11.0%	11.0%
Corporate Tax Rate %	20.0%	20.0%
Debt-to-capital ratio %	50.0%	50.0%
WACC %	10.7%	10.7%

Source: VCSC

Recommendation History

Figure 12: Historical VCSC target price vs share price



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

Financial Statements

P&L (VND bn)	2021A	2022F	2023F	2024F	B/S (VND bn)	2021A	2022F	2023F	2024F
Revenue	10,089	9,246	10,543	12,689	Cash & equivalents	2,738	2,225	2,818	3,768
COGS	-4,492	-4,530	-5,193	-6,209	ST investment	286	286	286	286
Gross Profit	5,598	4,716	5,350	6,481	Accounts receivables	10,796	10,295	13,512	14,187
Sales & Marketing exp	-1,887	-1,028	-756	-1,081	Inventories	11,238	13,591	14,353	16,571
General & Admin exp	-998	-441	-786	-1,125	Other current assets	197	574	645	684
Operating Profit	2,713	3,248	3,808	4,274	Total Current assets	25,255	26,971	31,614	35,495
Financial income	353	70	70	70	Fix assets, gross	685	898	1,118	1,342
Financial expenses	-544	-542	-605	-585	- Depreciation	-259	-338	-399	-466
- o/w interest expense	-468	-471	-550	-532	Fix assets, net	427	560	718	876
Associates	0	0	0	0	LT investment	353	353	353	353
Net other income/(loss)	-6	0	0	0	LT assets other	2,219	2,219	2,219	2,219
Profit before Tax	2,516	2,776	3,273	3,759	Total LT assets	2,999	3,133	3,291	3,448
Income Tax	921	1,016	1,198	1,376	Total Assets	28,254	30,104	34,904	38,943
NPAT before MI	1,595	1,760	2,075	2,383	Accounts payable	6,614	3,775	4,327	4,312
Minority Interest	-438	-498	-649	-681	Short-term debt	2,963	3,022	3,083	3,144
NPAT less MI, reported	1,157	1,262	1,426	1,702	Other ST liabilities	3,679	6,720	8,079	9,763
NPAT less MI, adjusted	1,157	1,262	1,426	1,702	Total current liabilities	13,257	13,517	15,489	17,219
EBITDA	2,878	3,327	3,870	4,341	Long term debt	1,517	1,595	2,673	2,940
EPS reported, VND	1,845	1,974	2,230	2,661	Other LT liabilities	99	99	99	99
EPS adjusted, VND	1,845	1,974	2,230	2,661	Total Liabilities	14,873	15,211	18,261	20,257
EPS fully diluted *, VND	1,816	1,958	2,212	2,661	Preferred Equity	0	0	0	0
DPS, VND	0	0	0	0	Paid in capital	5,978	6,048	6,048	6,048
DPS/EPS (%)	0%	0%	0%	0%	Share premium	11	11	11	11
RATIOS	2021A	2022F	2023F	2024F	Retained earnings	2,669	3,861	5,288	6,990
Growth					Other equity	112	112	112	112
Revenue growth	249.0%	-8.4%	14.0%	20.4%	Minority interest	4,612	4,861	5,185	5,526
Op profit (EBIT) growth	242.5%	19.7%	17.2%	12.2%	Total equity	13,381	14,893	16,643	18,686
PBT growth	92.6x	10.3%	17.9%	14.8%	Liabilities & equity	28,254	30,104	34,904	38,943
EPS growth, adjusted	N.M.	7.0%	13.0%	19.3%	Y/E shares out, mn*	596	608	608	608
Profitability					CASH FLOW (VND bn)	2021A	2022F	2023F	2024F
Gross Profit Margin	55.5%	51.0%	50.7%	51.1%	Beginning Cash Balance	1,780	2,738	2,225	2,818
Op Profit, (EBIT) Margin	26.9%	35.1%	36.1%	33.7%	Net Income	1,157	1,262	1,426	1,702
EBITDA Margin	28.5%	36.0%	36.7%	34.2%	Dep, & amortization	165	79	62	66
NPAT-MI Margin, adjusted	11.5%	13.7%	13.5%	13.4%	Chge in Working Cap	-2,449	-2,028	-2,138	-1,264
ROE	15.5%	13.4%	13.3%	13.8%	Other adjustments	2,352	0	0	0
ROA	6.2%	6.0%	6.4%	6.5%	Cash from Operations	1,225	-686	-650	505
Efficiency					Capital Expenditures, net	-249	-213	-220	-224
Days Inventory On Hand	873	1,000	982	909	Investments, net	259	0	0	0
Days Accts, Receivable	326	416	412	398	Cash from Investments	10	-213	-220	-224
Days Accts, Payable	444	419	285	254	Dividends Paid	-300	0	0	0
Cash Conversion Days	755	998	1,109	1,053	Δ in Share Capital	0	0	0	0
Liquidity					Δ in ST debt	894	59	60	62
Current Ratio x	1.9	2.0	2.0	2.1	Δ in LT debt	-2,359	78	1,078	267
Quick Ratio x	1.0	0.9	1.1	1.1	Other financing C/F	1,488	249	324	341
Cash Ratio x	0.2	0.2	0.2	0.2	Cash from Financing	-277	386	1,463	669
Debt / Assets	15.9%	15.3%	16.5%	15.6%	Net Change in Cash	958	-513	593	950
Debt / Capital	25.1%	23.7%	25.7%	24.6%	Ending Cash Balance	2,738	2,225	2,818	3,768
Net Debt / Equity	10.9%	14.1%	15.9%	10.9%					
Interest Coverage x	5.8	6.9	6.9	8.0					

Source: Company's financial statements, VCSC forecasts. Note:(*) Including 4.9 million shares from remaining convertible bonds issued to ASAM Fund.

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%
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