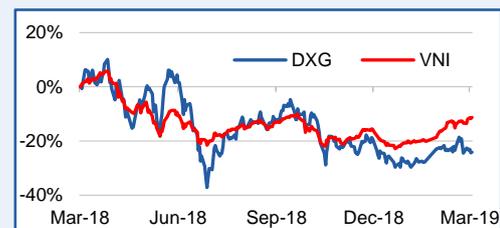


Industry	Real Estate		2018	2019F	2020F	2020F
Report Date	Mar. 18, 2019	Rev y/y	61.3%	10.7%	24.0%	56.9%
Current Price	VND24,300	EPS y/y	53.5%	16.0%	14.5%	67.5%
Target Price	VND36,000	GPM	56.3%	55.6%	51.9%	51.0%
Upside to TP	+48.1%	NPM	25.4%	26.8%	25.0%	26.9%
Dividend Yield	0.0%	EV/EBITDA	5.5x	5.1x	4.4x	2.7x
TSR	+48.1%	P/B	1.7x	1.3x	1.1x	0.8x
Rating	BUY	P/E	7.6x	6.5x	5.7x	3.4x
Market Cap	\$369.6mn			<u>DXG</u>	<u>Peers</u>	<u>VNI</u>
Foreign Room	\$0.0mn	P/E (ttm)		7.6x	13.6x	17.0x
ADTV30D	\$1.6mn	P/B (curr)		1.7x	2.2x	2.6x
State Ownership	0.0%	Net D/E		29.4%	27.7%	NA
Outstanding Shares	349.8 mn	ROE		25.9%	20.1%	15.5%
Fully Diluted Shares	349.8 mn	ROA		12.5%	7.4%	2.5%
3-yr PEG	0.2					



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.

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Cautious target; rights issue passed; CB timeline extended

- We attended DXG's annual general meeting (AGM) on Saturday, March 16, 2019.
- Shareholders approved 2019 guidance with net revenue of VND5tn (USD217mn, +8% YoY) and NPAT-MI of VND1.2tn (USD52mn, relatively flat YoY).
- Shareholders approved a rights issue plan with a 4:1 ratio (four existing shares have a right to buy one new share) at VND10,000/share. No detailed timeline was provided. Proceeds are estimated at up to VND875bn (USD38mn) and will be mainly used to fund the Gem Riverside development.
- In 2019, shareholders should expect a 6.0 million share ESOP issuance (equivalent to 1.7% of current outstanding shares) and a 22% FY2018 stock dividend (higher than the 20% ratio approved at the 2018 AGM). The latter should be carried out at the same time with the rights issuance.
- Shareholders also approved a timeline extension into 2019 for a VND1.4tn (USD61mn) convertible bond issuance plan which was previously announced by BOD in November 2018.
- Shareholders approved the reappointment of Mr. Luong Tri Thin as CEO cum Chairman.

2019 guidance is in line with our revenue forecast but trails our NPAT-MI. Management guidance for revenue is broadly in line with our forecast of VND5.1tn (USD223mn, +11% YoY), while NPAT-MI guidance trails our forecast of VND1.4tn (USD60mn, +17% YoY). Management explained at the AGM that 2019 guidance was set at an achievable level as 2019 could be a pivotal year for a new phase of growth over 2019-2023. We maintain our view that 2019 growth will be driven by handovers at Opal Garden (100% pre-sold), sales of shophouse projects at Quang Ninh/Can Tho and a stake divestment of non-core land bank.

Management reconfirmed that DXG should be unaffected by LuxGarden's legal review. Per management, DXG has 100% pre-sold condos delivered and has applied to obtain ownership certificates (pink book) for homebuyers. Management also claimed that DXG has closely followed all laws and regulations before acquiring this land bank, such as obtaining land title, investment and transfer approvals from local authorities. Furthermore, in its latest announcement, the Ministry of Industrial Trade (MOIT) concluded DXG was not involved in deficiencies that happened at Kim Khi JSC (HSX: HMC), which transferred the LuxGarden land bank to DXG in early 2016.

Management sounds ambitious sharing DXG's business plans and targets. For the foreseeable future, the company will focus on five key businesses, including (1) Brokerage, (2) Development, (3) Construction, (4) Materials and (5) Industrial Properties (the latest one has been established and targeted to have a 1,000-2,000-ha land bank developed, per management). In addition, DXG expects to optimize operation of each standalone business, then ultimately list all of them on the stock exchange in the future. At the AGM, management hinted that an IPO of DXG's brokerage services segment could take place by end-2019 or Q1 2020 at the latest.

Management indicates no cash dividend planned in the near future. The main reason is that the company remains in rapidly developing stage and requires intensive capital.

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as $(\text{target price} - \text{current price}) / \text{current price} + \text{dividend yield}$, 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
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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.

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