

Sector: Real Estate (Latest Report: [Link](#))

Recommendation

BUY

Dat Xanh Group Joint Stock Company (HSX: DXG) Unlock key project Gem Riverside

Current price :	28,000	Date:	13/08/2022	Shareholder Structure	
Previous target price:	45,500	Outstanding Shares (Million):	607	Luong Tri Thin	14.1%
New target price:	38,300	Market Cap (billion VND):	16,281	Dragon Capital	21.1%
Dividend yield:	0%	Average liquidity in 10 days:	10,195,350	TOKIO MARINE HOLDING	2.1%
Upside:	36.7%	Foreign float:	29.5%	KIM Vietnam Growth Equity	5.6%

Industry analyst:

Phan Quoc Buu
(Real Estate, Retail)
buuqp@bsc.com.vn

Valuation

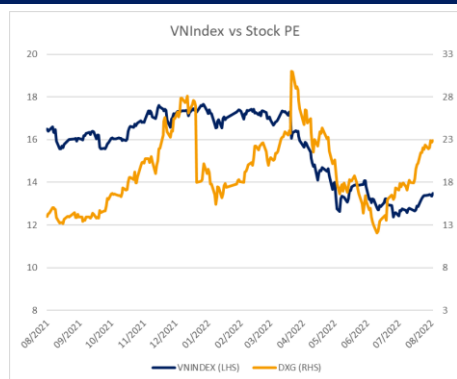
Compared to the latest **BUY** report on February 23, 2021, DXG price recorded a strong correction similar to the market after reaching our previous target (details on page 7).

BSC recommend a 1-year target price of 38,300 VND/share (+36.7% compared to the closing price on 12/8/2022) and maintains a BUY recommendation for DXG based on changing some assumptions: (1) Apply 20% discount due to industry and market risk factors on RNAV (2) increase WACC cost of capital to 13% from 11.5% due to interest rate increase, and (3) adjust selling prices of some projects at market prices (Gem Riverside, Gem Premium).

Technical Analyst:

Le Quoc Trung
Trunglq@bsc.com.vn
Target price : N/A
Stop-loss price: N/A

Price comparison between DXG and VN Index



Business Performance Forecast

- BSC revised down our forecast of DXG revenue and profit in 2022 to 10,691 billion VND (+6% YoY, -11% compared to the latest forecast) and parent company's profit after tax of 1,274 billion VND (+10%) YoY, -13% from last forecast). EPS FW 2021 = 2,115 VND. PE FW 2022 = 13.8 times, PB FW 2022 = 1.7 times. The adjustment mainly due to the influence of the brokerage segment in the context of the quiet real estate market from Q2/2022.

Catalyst

- Launching and selling Gem Riverside project in Q4/2022
- Successfully offered the convertible bond issuance plan in Q3/2022.

Risks

- The plan to open and sell projects has been delayed due to legal issues and the Covid-19
- General real estate industry risks (interest rates, industry cycle)

Business Updates

- Revenue and profit after tax of the parent company of DXG in the first 6 months of 2021 reached 3,342 billion VND (-49% YoY) and 402 billion VND (-51% YoY), completing 30% and 29% of the revenue target and profit set.
- Total opening value in the first half of 2022 is estimated at about 100 million USD, completing 25% of the set plan. The ability to complete the plan will depend on the sale of the Gem Riverside project.

	2020F	2021F	2022F	VN-Index		2019	2020	2021	2022F
PE (x)	N/A	13.9	13.8	13.3	Net Revenue	5,814	2,891	10,083	10,691
PB (x)	2.3	1.8	1.7	2.1	Gross Profit	3,084	1,875	5,591	5,114
ROE (%)	-7.0%	13.2%	12.7%	13%	NPAT	1,217	-432	1,157	1,274
ROA (%)	-1.9%	4.1%	4.1%	2%	EPS	2,222	-789	1,839	2,024
					EPS Growth	-31%	-136%	-333%	10%

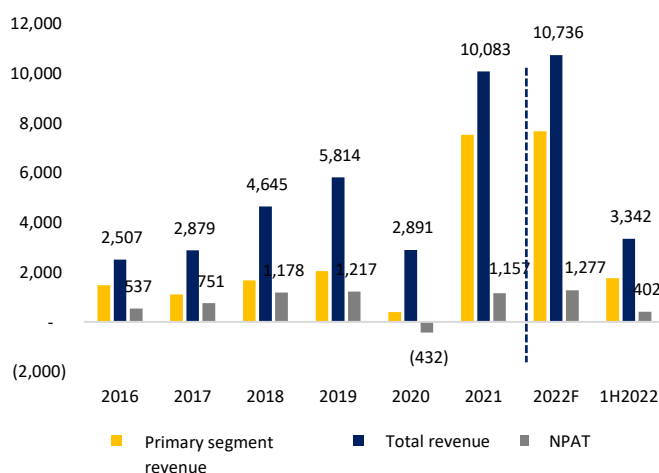
BUSINESS UPDATE REPORT

The first 6 months of 2022 business results decreased due to the impact of (1) Lack of handover projects, (2) Brokerage activities were affected due to the quiet real estate market in Q2/2022.

Revenue and profit after tax of the parent company of DXG in the first 6 months of 2021 recorded 3,342 billion VND (-49% YoY) and 402 billion VND (-51% YoY), completing 30% and 29% of the revenues and profits plan. The main reasons come from (1) The timing of handover of DXG's projects in 2022 mainly focuses on Q3 and Q4/2022, and (2) Brokerage activities decreased in Q2/2022 due to the real estate market. The property was quiet after the event of "Tan Hoang Minh bonds" and tightening the credit room in the real estate industry.

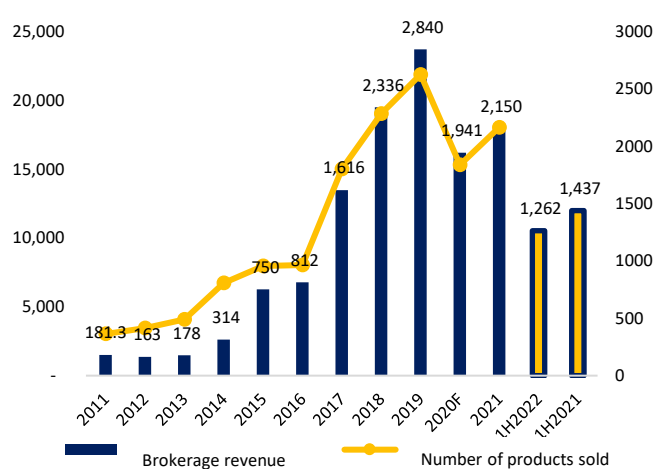
- Primary real estate segment:** Revenue recorded at 1,760 billion VND (-64% YoY) mainly from the handover of ST-Mortiz (Completed handover) and Gem Sky World projects.
- Service segment:** Revenue recorded 1,262 billion VND (-12% YoY) due to the impact of Covid-19 causing sales activities to slow down from Q2/2022. In which, brokerage revenue in Q2/2022 reached 557 billion VND (-21% YoY).

In 1H2021, DXG mainly hands over two projects ST-Mortiz & Gem Sky World



Sources: FiinPro, BSC Research

Doanh thu môi giới sụt giảm trong Q2/2022



Sources: FiinPro, BSC Research

	Q1/2021	Q1/2020	% YoY	1H2022	1H2021	%YoY
Revenue	1,550	3,563	-57%	3,342	6,517	95%
Secondary real estate segment	776	2,685	-71%	1,760	4,852	176%
Service brokerage segment	557	704	-21%	1,262	1,437	14%
Construction contract and other segment	129	136	-5%	204	185	-10%
Gross profit	757	1,608	-53%	1,513	2,825	87%
<i>Gross profit margin</i>	<i>49%</i>	<i>45%</i>		<i>45%</i>	<i>43%</i>	
<i>Secondary real estate segment</i>	<i>42%</i>	<i>51%</i>		<i>45%</i>	<i>53%</i>	
<i>Service brokerage segment</i>	<i>78%</i>	<i>80%</i>		<i>77%</i>	<i>78%</i>	
Selling and Administration expenses (SG&A)	547	890	-39%	980	1,602	63%
<i>%SG&A/Net Revenue</i>	<i>35.3%</i>	<i>25.0%</i>		<i>29.3%</i>	<i>24.6%</i>	
Net financial cost	80.4	(110.1)		(6.7)	(217.3)	
Profit after tax of parent company	133	299	-55%	402	830	468%
<i>Net profit margin</i>	<i>9%</i>	<i>8%</i>		<i>12%</i>	<i>13%</i>	

Focus on handing over Opal Skyline and Gem Sky World (GSW) will drive DXG profits in Q3-Q4/2022. However, the ability to complete the plan will depend on the brokerage segment.

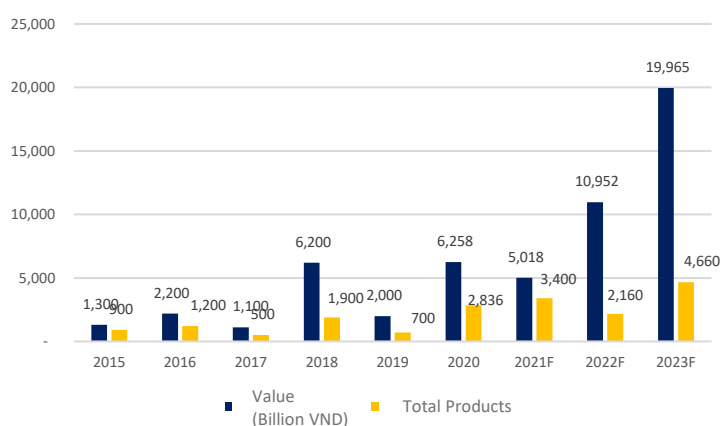
In the second half of 2022, DXG is expected to continue handing over the GSW project (sold 65% of the total volume of products) and the Opal Skyline project (1 block in Q4/2022 and 1 block in Q1/2023). Accordingly, BSC revised down our forecast revenue and profit of DXG in 2022, reaching 10,736 billion VND (+6% YoY, -11% compared to the latest forecast) and **the parent company's profit after tax reaching 1,274 billion VND (+10% YoY, -14% compared to the latest forecast), completing about 90% of the set plan (EAT = 1,400 billion VND).** Due to the quiet real estate market in Q2 and Q3/2022, the ability to complete the plan will depend on the performance of the brokerage segment at the end of the year.

Selling Gem Riverside will unlock DXG's valuation as well as boost sales in 2022.

The total annual sales value in the first half of 2022 is about 100 million USD, mainly coming from the Gem Sky World (GSW) project. DXG set a new opening plan in 2022 of 500 million USD, accumulated until 1H2021, DXG completed 25% of the plan. Management also shared that in the second half of 2022, DXG will continue to open and sell GSW, and launch the key project Gem Riverside (GRS) in Q4/2022. Accordingly, the sales of new GRS is expected to be about 300 million USD with an expected price of about 100 million VND/m², higher than the price of ~ 40 million VND in 2018. **BSC believes that unlocking the GRS project will help unlock valuation as well as ensure DXG profit growth prospects for the period 2024-2025.**

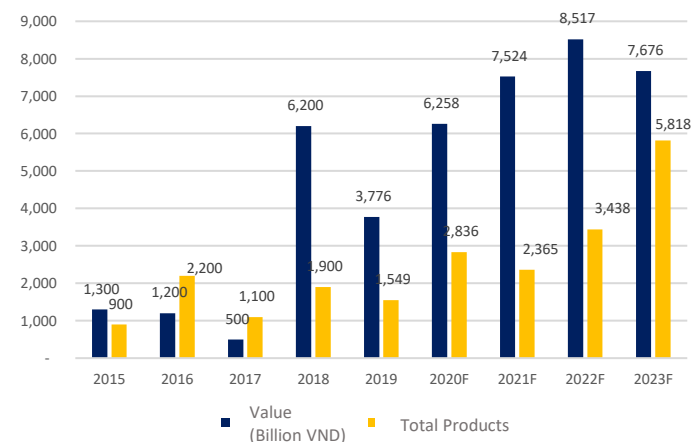
According to BSC's estimate, the total value of new opening sales will record a strong recovery, estimated at 13,298 billion VND (x6 times compared to 2021), equivalent to 3,800 products. The total new opening value in 2022F will mainly come from the GSW project and the Opal City View project. In 2023, we think DXG will continue to boost sales at projects such as Opal Park View, Opal Park City & Gem Riverside. BSC forecasts that the total opening value in 2023 is estimated at about 21,476 billion VND, equivalent to more than 9,100 products.

In 1H2021, DXG mainly hands over two projects ST-Mortiz & Gem Sky World



Source: BSC Research forecasts

Brokerage revenue declines in Q2/2022



Source: BSC Research forecasts

Accelerating the expansion of land bank portfolio and sales in 2023 to ensure profit growth in the period 2024-2025.

DXG is pushing to expand its project portfolio by launching 5 new projects. Specifically, DXG has announced 5 potential projects, including some projects that can be launched for sale right in 2023 such as DatxanhHomes Diamond City (4,500 apartments - Thanh Hoa). The remaining projects are located in tier 2-3 provinces such as Vinh Phuc (37.8 ha), Hau Giang (43.7 ha, 96.2 ha) and Ben Tre. It is expected that in 2023, DXG will launch and sell projects in Binh Duong area including Opal City View (0.97ha), Opal Central Park (1.2ha) and Lux Star project (1ha - HCM). The remaining large-scale projects Gem Premium, Gem City, DatsinhHomes Park City and DatxanhHomes Park View will be opened for sale in the period 2024-2025, respectively.

Setting up a number of high-end projects will help boost DXG's profit thanks to good cost prices. In the period of 2023-2025, in the context of supply shortage in Ho Chi Minh City causing the average selling price of projects to increase sharply, with the advantage of land banks in prime locations, DXG is expected to start developing launched a number of projects in the high-end segment such as Gem Riverside, Gem Premium, Gem City. We believe that when the above projects are unlocked, it will help DXG record significant profit growth thanks to good COGS.

Numerical order	Project	Estimated opening time	Area (ha)	Location	Number of products	Sales rate
Short-term portfolio						
1	Gem Sky World	2020-Q4/2023	95.0	Dong Nai	4,079	65%
2	Opal SkyLine	Q2/2020	1.0	Binh Duong	1,530	100%
3	Gem Riverside	Q4/2022	10.5	District 2	3,200	0%
4	Lux Star	2023	1.1	District 7	670	0%
5	Opal City View	2023	1.0	Binh Duong	1,500	0%
Medium-term portfolio						
6	Opal Central Park	2024	1.1	Binh Duong	1,500	0%
7	DatxanhHomes Park View	2024	5.1	Binh Duong	6,800	0%
8	DatxanhHomes Park City	2024	10.0	Binh Duong	7,400	0%
9	Gem Premium	2024	6.7	Thu Duc	2,761	0%
15	Gem City	2024	6.1	District 9	2,524	0%
11	Lux Riverview	n/a	0.9	Thu Duc	n/a	n/a
12	Gem Riverview	n/a	2.6	Thu Duc	n/a	n/a
13	Opal Tower	n/a	0.5	HCM	n/a	n/a
14	Opal Riverview	n/a	1.3	HCM	n/a	n/a
10	The Palm City	n/a	7.4	District 9	n/a	n/a
Total			43.8		23,155	

Source: DXG

Numerical order	Project	Estimated opening time	Area (ha)	Location	Number of products	Type of product	Note
Newly added list of land bank							
1	DatxanhHomes Diamond City	2023	431,000m2 GFA	Thanh Hoa	4,500	Apartment	Acquiring some subdivisions from Vinhomes' StarCity project, legal ready for sale.
2	DatxanhHomes Lux City	n/a	96.0	Hau Giang	n/a	Townhouse	In the process of completing legal, received investment approval.
3	DatxanhHomes Green City	n/a	43.4	Hau Giang	n/a	Townhouse	In the process of completing legal, received investment approval.
4	DatxanhHomes News City	n/a	37.8	Vinh Phuc	n/a	Townhouse	In the process of completing legal, received investment approval.

Source: DXG

(1) Expanding the project portfolio (2) the expected selling price of the projects' products increased sharply compared to our previous forecast (3) Unlocking the existing land bank in Ho Chi Minh City (Gem Riverside), and (4) the promulgation of the amended Decree 153 will be the main supporting factors for DXG stock price in the near future.

The pressure to mature bonds to maturity in the period 2023-2025 is not large and the issuance of international convertible bonds is the driving force for DXG's price increase in the short term.

According to the management, the total debt due in 2022 is estimated at about 2,300 billion VND, in the first half of 2022, DXG has repaid 1,700 billion VND. In which, many debts are paid 1-3 months ahead of time. The total value of bonds due in 2022 is about 1,975 billion VND. Based on the data from the financial statements, BSC believes that the pressure to mature bonds in the period of 2023-2026 is not great with an average maturity of about 400 billion VND/year, except 2025, which is about 1,000 billion VND based on Sales plan for large projects. The net debt/equity ratio at the end of Q2/2022 was 41.8% at a safe level lower than the industry average of 78.5% and there is still room to increase leverage.

In addition, DXG's management also confirmed that the progress of international bond mobilization is at the appraisal stage (DD), expected to be completed soon in Q3/2022, with the expected conversion price higher than the current market price. We believe that in the event of success, this will be a significant catalyst to support DXG's share price as well as demonstrate the company's financial strength and health in the context of a quiet bond real estate market in recent months. The new capital will help DXG have more capital to implement existing projects and develop the company's new land bank for long-term goals.

Profit forecast in 2022.

Gem Sky World and ST-Mortiz will be DXG's main profit growth drivers in 2022. BSC forecasts DXG's 2022 revenue and profit are estimated at 10,691 billion VND (+6% YoY) and profit after tax of the parent company reached 1,274 billion VND (+10% YoY). EPS FW 2021 = VND 2,115. PE FW 2022 = 13.8 times. PB FW 2022= 1.7 times, thanks to the handover of projects (1) Gem Sky World, (2) ST-Mortiz, and (3) Part of Opal Skyline project. The ability to complete the target of 1,400 billion VND NPAT of the parent company will depend heavily on the brokerage segment in the second half of 2022.

Unit: Billion VND	2018A	2019E	2020F	2021	2022F
Revenue	4,645	5,814	2,891	10,083	10,691
% YoY	61%	25%	-50%	249%	6%
COGS	2,031	2,730	1,016	4,492	5,578
Gross profit	2,615	3,084	1,875	5,591	5,114
Selling expenses	434	483	489	1,881	1,922
Selling and administrative expenses	346	501	546	998	859
EBIT	1,013	642	149	433	433
Financial revenue	206.7	270.5	72.6	352.7	323.3
Financial expenses	190.8	209.0	858.3	543.6	534.1
Profit/Loss from affiliates	256	149	(11)	0	0
Profit before tax	2,102	2,389	74	2,516	2,115
Corporate income tax	385	510	499	777	444
Profit after tax	1,723	1,886	(126)	1,595	1,671
Minority interests	544	670	305	438	397
Profit after tax of parent company	1,178	1,217	(432)	1,157	1,274
% YoY	57%	3%	-136%	-368%	10%
Basic EPS (VND)	3,198	2,222	-789	1,839	2,024

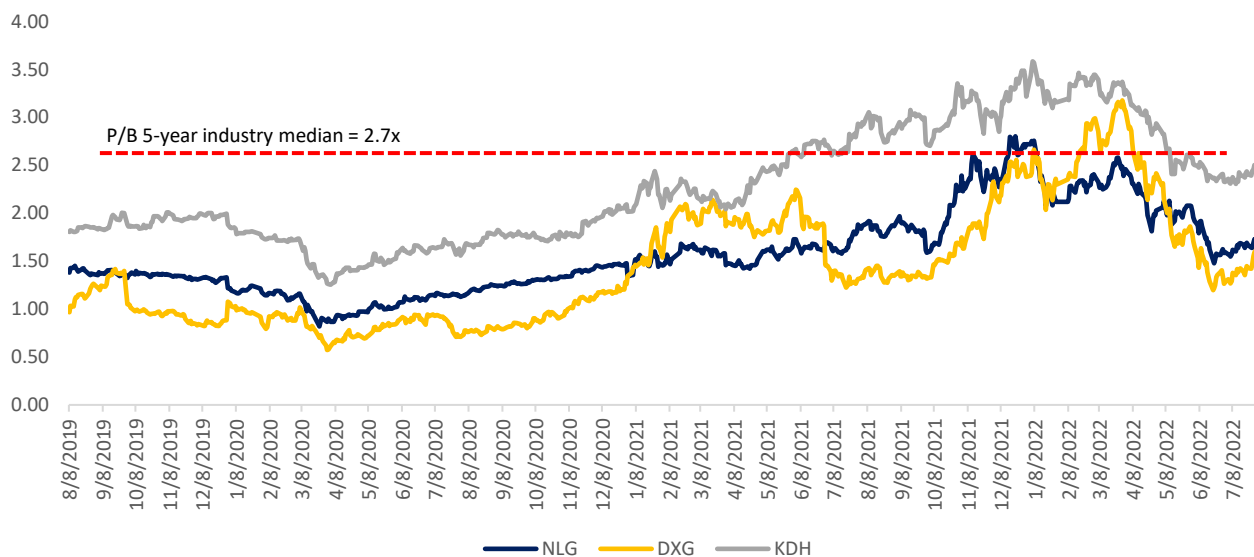
Gross profit margin	56%	53%	65%	55%	48%
Net profit margin	25%	21%	-15%	11%	12%
ROE	24%	17%	-7%	13%	13%

Source: BSC Research

VALUATION

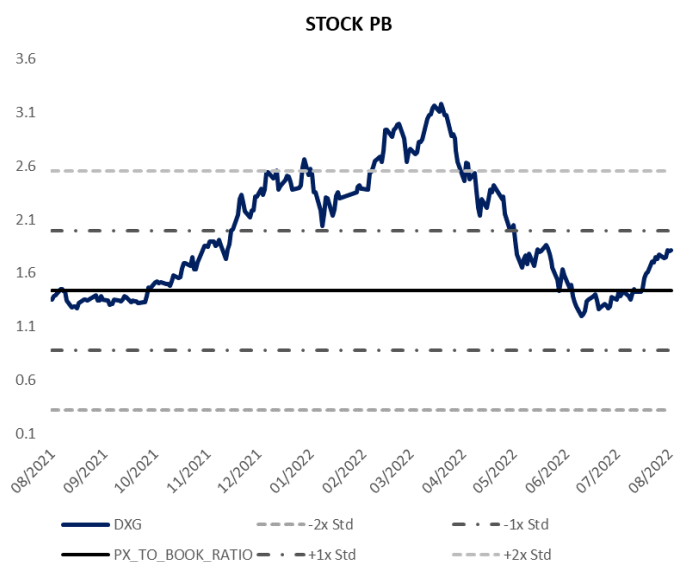
Valuations are below the 5-year median P/B of the real estate industry = 2.7 times.

The current P/B of DXG is lower than mid-cap real estate companies (NLG, KDH).



Source: Bloomberg

DXG's P/B Transaction History



DXG's P/E Transaction History



Compared to the latest **BUY** recommendation report dated February 23, 2021, DXG stock price recorded a strong correction similar to the market after reaching our previous target due to market-related factors, such as (1) Risk of recession and inflation increase, (2) The pressure to raise interest rates of the Fed and the intrinsic factors of the real estate industry related to the bond market issue, and (3) The real estate brokerage market slowed down due to the impact of credit tightening.

We revise down our target price based on (1) applying a 20% discount rate due to industry and market risk factors to RNAV as well as (2) increasing the WACC cost of capital to 13% from 11.5 % due to rising interest rates, and (3) adjusting selling prices of some projects according to market prices (Gem Riverside, Gem Premium). Accordingly, we set a 1-year target price of **38,300 VND/share** (+36.7% compared to the closing price on August 12, 2022) and maintain our **BUY** recommendation for DXG stock. This valuation does not include 5 new land banks of DXG just announced.

Valuation				
Billion VND	Method	Total Value	Ownership rate	>DXG
Real estate				25,388
Gem Sky World (Long Thanh)	DCF	4,885	100%	4,885
Opal CityView	DCF	1,335	100%	1,335
Opal Skyline	DCF	727	100%	727
DatxanhHomes Park View	DCF	3,176	100%	3,176
DatxanhHomes Park City	DCF	1,764	100%	1,764
Gem Riverside	DCF	7,224	100%	7,224
Lux Riverview	DCF	693	100%	693
Gem City	DCF	791	100%	791
The Palm City	DCF	535	100%	535
Gem Premium	DCF	4,160	75%	3,120
Lux Star	DCF	631	100%	631
Opal Tower	DCF	506	100%	506
Brokerage				6,314
Brokerage (DXS)	DCF	6,314	100%	6,314
(+) Asset		2,204		2,204
(-) Debt		4,807		4,807
				1.15
Total revaluation value				29,099
Total number of shares				607,529,390
Price on 08/08/2022				28,000
Discount rate				20%
Fair value				38,300
Upside				36.7%

STOCK PRICE VOLATILITY COMPARE TO RECOMMENDATION

STOCK PRICE VOLATILITY COMPARE TO BSC RECOMMENDATION



APPENDIX

Income Statement (Billion VND)	2019	2020	2021	2022F
Net revenue	5,814	2,891	10,083	10,691
COGS	2,730	1,016	4,492	5,578
Gross profit	3,084	1,875	5,591	5,114
Selling expenses	(483)	(489)	(1,881)	(1,922)
G&A expenses	(501)	(546)	(998)	(859)
Operating income	2,099	840	2,713	2,333
Financial income	270	73	353	323
Financial expenses	(209)	(858)	(544)	(534)
Interest expenses	(199)	(309)	(534)	(467)
Gain/loss from affiliates	149	(11)	0	0
Other gain/loss	79	31	(6)	(8)
Profit before tax	2,389	74	2,516	2,115
Corporate income tax payment	(502)	(201)	(921)	(444)
Profit after tax	1,886	(126)	1,595	1,671
Minority interest	670	305	438	397
Profit after tax - Minority interest	1,217	(432)	1,157	1,274
EBITDA	2,138	896	2,791	2,381
EPS	2,222	(789)	1,839	2,024

Balance Sheet (Billion VND)	2019	2020	2021	2022F
Cash & cash equivalent	793	1,780	2,738	2,601
Short term investment	306	206	286	286
Account receivables	9,023	7,213	10,182	8,824
Inventory	6,791	10,252	11,853	14,728
Other current assets	152	273	172	1,006
Total current assets	17,059	19,716	25,223	27,444
Tangible assets	362	355	427	709
Depreciation	39	57	79	48
Long term incomplete assets	75	645	665	665
Long term investment	1,185	107	353	353
Other non-current assets	928	1,683	948	1,074
Total non-current assets	2,814	3,588	3,024	3,432
Total Assets	19,874	23,304	28,247	30,877
Account payables	1,187	604	849	1,691
Short-term debt	1,063	2,069	2,963	2,798
Other short-term debt	5,027	7,646	9,445	9,482
Current liabilities	7,277	10,319	13,257	13,970
Long-term debt	3,337	3,876	1,517	2,152
Other long-term debt	40	33	98	98
Non-current liabilities	3,376	3,909	1,616	2,251
Total Liabilities	10,653	14,227	14,873	16,221
Paid-in capital	5,200	5,200	5,978	5,978
Capital surplus	11	11	11	11
Retained earnings	1,716	841	2,669	3,929
Other equity	-	-	-	-
Minority interest	2,239	2,930	4,612	4,612
Shareholder's equity	6,982	6,132	8,737	10,011
Total equity	19,874	23,290	28,222	30,845
Number of shares outstanding (million)	520	520	598	598

Cash Flow statement (Billion VND)	2019	2020	2021	2022F
Profit after tax	1,217	(432)	1,157	1,274
Depreciation	39	57	79	48
Change in NWC	(1,646)	(361)	1,244	(276)
Other adjustments	22	(7)	66	-
CF from operating activities	(1,646)	(361)	1,244	(276)
Fixed assets investment	(228)	(89)	(63)	(331)
Other investment	(942)	(785)	(2,038)	-
CF from investing activities	(1,413)	(753)	39	(331)
Dividend paid	(479)	(431)	(296)	-
Cash from net borrowing	1,537	1,523	(1,486)	470
Other revenue	1,636	1,018	1,457	-
CF from financing activities	2,693	2,101	(325)	470
Beginning cash balance	1,159	793	1,780	2,738
Cash in year	(365)	986	958	(137)
Ending cash balance	793	1,780	2,738	2,601

Ratios (%)	2019	2020	2021	2022F
Liquidity ratios				
Current ratio	2.3	1.9	1.9	2.0
Quick ratio	1.4	0.9	1.0	0.9
Solvency ratios				
Debt/ Total assets	22%	26%	16%	16%
Debt/ Equity	63%	97%	51%	49%
Efficiency ratios				
Days of inventories	720	762	3061	898
Days of receivables	458	1025	315	324
Days of payables	71	33	32	55
CCC	1107	1754	3344	1168
Profitability ratios				
Gross profit margin	53.0%	64.9%	55.5%	47.8%
Profit after tax	20.9%	-14.9%	11.4%	11.9%
ROE	17.4%	-7.0%	13.2%	12.7%
ROA	6.1%	-1.9%	4.1%	4.1%
Valuation				
PE	11.5	(32.5)	13.9	13.3
PB	2.0	2.3	1.8	1.6
Growth				
Net revenue growth	25.1%	-50.3%	248.8%	6.0%
EBIT growth	14.4%	-60.0%	223.1%	-14.0%
PBT growth	13.6%	-96.9%	3278.0%	-16.0%
EPS growth	-30.5%	-135.5%	-333.1%	10.1%

Source: BSC Research.

Disclosure

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BSC Headquarters

BIDV Tower, 10th & 11th Floor
35 Hang Voi, Hoan Kiem, Hanoi
Tel: +84439352722
Fax: +84422200669

Ho Chi Minh City Office

146 Nguyen Cong Tru St, 9th Floor
District 1, HCMC
Tel: +84838218885
Fax: +84838218510

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