

Vietnam: Property
20 May 2020
DXG VN
Not Rated
Close 19 May 2020

 Price VND 11,000
 12M Target N/A

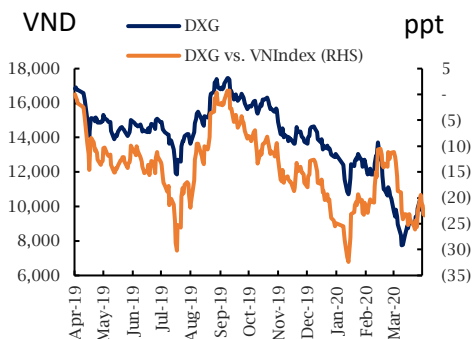
What's new?

- ▶ We attended DXG's May 15 kick-off event for Gem Sky World (92ha).
- ▶ DXG retains its ambitious 2020 launch plans of c.6,000 units from 5 projects, including 4,000 units from Gem Sky World.
- ▶ DXG guides for 2020 revenues of VND4.9trn (down 15.7% YoY).

Our view

- ▶ DXG's liquidity should be sufficient this year given their statement that they have a VND 1.3tn credit line set up.
- ▶ Gem Sky World is a key driver but executing on schedule is crucial.
- ▶ DXG could face challenges in maintaining its earnings momentum from real estate services in 2020, in our opinion.

Company profile: DXG's roots are in the real estate agency business where it operates a wide network of branches, subsidiaries, associated companies, and joint ventures nationwide. The company also engages in condominium development, civil works, and industrial property. DXG's three main revenue drivers are (i) sales of apartments, townhouses, and land lots, (ii) real estate services, and (iii) construction services.

Share price performance relative to VNI


Dat Xanh Group (DXG VN)

Big bet on Gem Sky World

DXG held its kick-off event for the Gem Sky World project on May 15, 2020. The project area is 92 ha. Located in Long Thanh district, the main selling point is Long Thanh Airport, where construction may commence from next year. DXG acquired the project for VND3.1 trillion and its construction cost projection is c. VND4.2 trillion. According to our discussions with real estate brokers, the selling price per square meter will exceed VND20mn. This unofficial price point could be an attempt to gauge the market's response before the official project launch.

DXG retains an ambitious launch plan. Management plans to launch more than 6,000 units at six projects in 2020 (i.e., 2,000 units at Gem Riverside, 4,000 units at Gem Sky World, 1,500 units at Opal Skyline, 500 units at Opal Cityview, and 170 unit at St.Moritz).

2020 revenue guidance: VND4.9 trillion (down 15.7% YoY). Management revised down their guidance for income from real estate services by 20% vs the original target, which was set prior to the pandemic outbreak.

Our view:

Liquidity should be sufficient given DXG's statement that they have a VND1.3 trillion credit line set up. Assuming that DXG officially launches Gem Sky World and sells 500 units while Gem Riverside, Opal Skyline, Opal Cityview, and St.Moritz are not officially launched in 2020, DXG should report VND5.4 trillion of cash inflows and VND4.5 trillion of cash outflows. On that basis, we calculate that the company's yearend cash position would be VND1.7 trillion

Gem Sky World is a key driver. As of 1Q20, c.70% of total investment for this project was funded by debt. Thus, DXG is under pressure to avoid delays to the project. Additionally, Gem Sky World is an urban residence project. As such, the first phase of its launch must be successful. If it is not successful, subsequent phases would face a host of difficulties to attract homebuyers.

Maintaining service earnings momentum is challenging. We believe that the COVID-driven headwinds for the real estate market, cyclical factors, and changes in selling methods (e.g., applying online trading platforms) are challenges to DXG's ability to maintain its earnings momentum from real estate services.

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Market cap	USD245mn
6M avg. daily turnover	USD1.12mn
Outstanding shares	519mn
Free float	60%
FINI ownership	40%
Major shareholders	44%
FOL Room	9%
P/B	0.83x
D/E	0.62x
Dividend yield	0%

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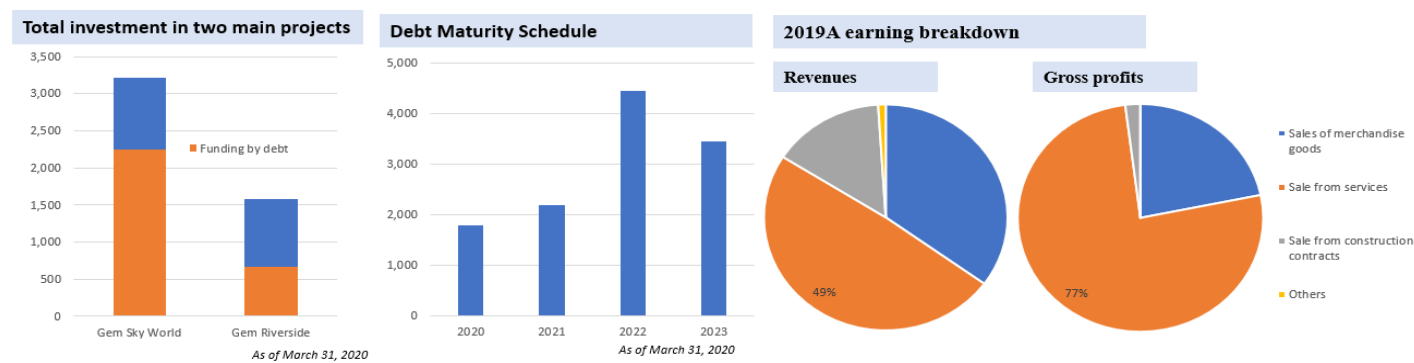
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Bloomberg code: YUTA

Cash flow analysis for 2020 suggests sufficient liquidity under moderate assumptions for new launches. Cash and equivalents were VND793bn at end-2019. Assuming that DXG launches Gem Sky World and sells 500 units while Gem Riverside, Opal Skyline, Opal Cityview, and St.Moritz are not officially launched this year, DXG would claim VND5,367bn of cash inflows (i.e., VND1,678bn from new 500 units sold at Gem Sky World and the payment schedule at Opal Boulevard, VND2,389bn from service and construction, and VND1,300 from its credit facility) and VND4,487bn of cash outflows (i.e., VND2,203bn for construction and other expenses, and VND2,284bn for financial expenses and principal repayment). On that basis, we calculate that the case yearend cash position would be VND1,673bn.

Fig 1: Key financial figures (data in VND billion)



Source: Company data, Yuanta Vietnam

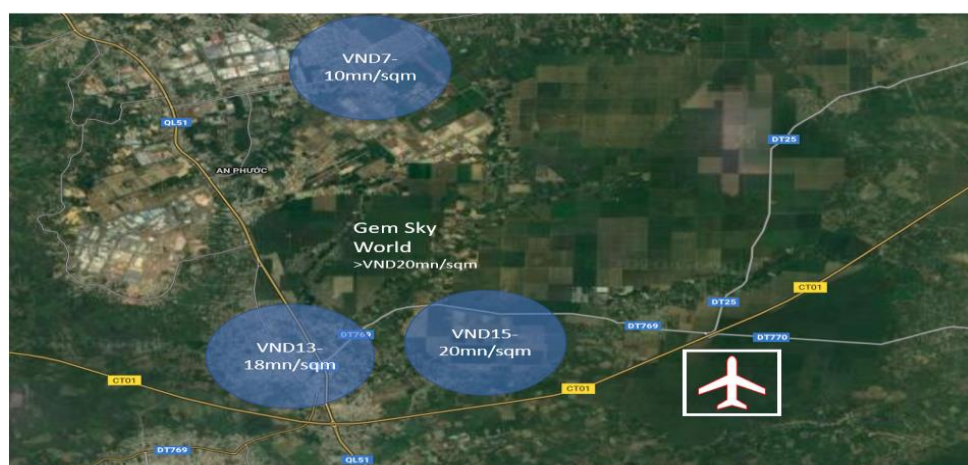
Gem Sky World project is a type of urban residence project. Thus, DXG must succeed in the first phase of its launch.

Overall, liquidity seems to be sufficient this year given DXG's statement that it has a VND1,300bn credit facility in place. However, as of 1Q20, DXG invested VND3,211bn to Gem Sky World of which VND2,448bn was borrowed from VP Bank (VPB, BUY) in 4Q19 with repayment terms of three years. Thus, DXG can not let Gem Sky World fall behind schedule. Additionally, Gem Sky World is a type of urban residence project, which in our view means that DXG thus must succeed in the first phase of its launch. If not, subsequent phases will likely face a host of difficulties to attract homebuyers.

We estimate that the company must repay VND2,200bn and VND4,400bn in borrowing in 2021 and 2022, respectively. Therefore, a successful launch of Gem Sky World and on-schedule launches of its pipeline projects (e.g., Gem Riverside, Opal Skyline, Opal Cityview, and St.Moritz) are necessary condition to secure DXG's liquidity.

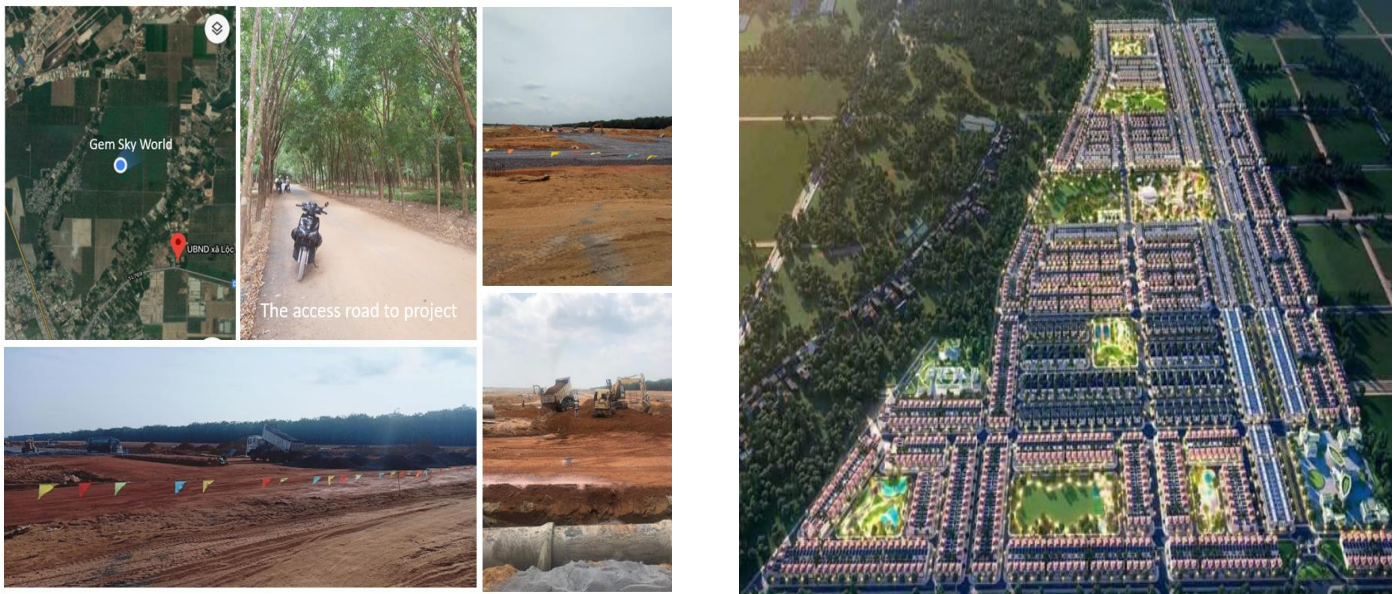
Additionally, although the company engages in real estate development, its earnings from services still represent the most substantial contribution (i.e., in 2019, revenue from services contributed 49% of total revenues and 77% of gross profit). We believe that the recent COVID-driven headwinds for the real estate market, cyclical factors, and changes in selling methods (e.g., applying online trading platforms) are challenges for DXG to maintain its services earnings momentum.

Fig 2: ASP of Gem Sky World could be over VND20mn/sqm



Source: Real estate agent, Yuanta Vietnam

Fig 3: Gem Sky World project



Source: Real estate agent, Yuanta Vietnam

Fig 4: DXG's launching plan in 2020



Source: Company data.

Appendix A: Important Disclosures

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