



Company Note

I Vietnam

REDUCE (previously ADD)

Consensus ratings*: Buy 5 Hold 0 Sell 0

Current price:	VND18,400
Target price:	VND17,200
Previous target:	VND15,800
Up/downside:	-6.5%
CIMB / Consensus:	-1.7%
Reuters:	DXG.VN
Bloomberg:	DXG VN
Market cap:	US\$204.3m
	VND4,655,036m
Average daily turnover:	US\$1.21m
	VND27,458m
Current shares o/s:	253.0m
Free float:	70.0%

*Source: Bloomberg

Key changes in this note

- FY17F EPS decreases by 3%.
- FY18F EPS decreases by 8%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	32.9	42.1	39.5
Relative (%)	30.7	34.1	14.3

Major shareholders	% held
Amersham Industries Ltd	6.5
BBC Investment	6.3
Vietnam Holding LTD	5.9

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Dat Xanh Real Estate Services & Construction

Rallied 33% the past month

- The inclusion of DXG in the FTSE Vietnam Index lifted its share price by 33% over the past month, shrinking its discount-to-NAV to 4%.
- DXG's revenue surged 80% yoy in FY16, driven by the completion of its flagship affordable apartment project Sunview and its first mid-end project Luxcity.
- New project launches caused SG&A to swell 77% yoy, but the revenues generated by those new projects will not be recognised until FY17-18F.
- Downgrade to Reduce; valuation now looks unattractive, in our view, following the 33% increase in DXG's share price in the past month.

Revenue growth driven by residential property development

The revenue and operating profit generated by DXG's residential real estate development business leapt 190% and 293% yoy in FY16, respectively, driven by the completion and handover of ~1,500 affordable/mid-end apartment units and ~200 land plots to their buyers. As a result, the contribution of residential development to DXG's total revenue surged from 35% in FY15 to 56% in FY16.

Brokerage service still the main income generator

Industry-wide real estate transactions fell ~4% in 2016, but DXG's real estate brokerage revenue rose ~12% yoy on the back of a growing wholesale brokerage business, where it earns a 10% commission rate for underwriting the sale of entire projects vs. the 3-5% commission rate of retail brokerage. As a result, DXG earns a wealthy gross margin of 70% for its brokerage service vs. its peers' average of 50%. DXG's brokerage service made up 32% of its revenue and 57% of its net profit in FY16.

Growing appetite for mid-range apartments good as well as bad

The 35% decline in transactions in the affordable segment in 2016 was caused by industry-wide factors that affected all segments, and by the shift in buyer preference from affordable housing to mid-range choices. We view this as both good and bad news for DXG as its real estate brokerage business focuses on the low-end market while its real estate development business started off with two affordable housing projects. DXG is moving up, with four of the total 10 projects in the pipeline in the mid-range segment.

DXG's transition story still interesting

DXG is transitioning from a real estate broker to an "opportunistic developer" that uses its deep market knowledge (garnered from its 3,500 real estate brokers) to acquire stalled projects that it knows will appeal to buyers. DXG started to shift towards the mid-priced segment before other developers, prompted by the keen insight of its brokers, in our view.

Downgrade to Reduce following its 33% increase

DXG has outperformed the VN-Index by ~34% YTD, driven by its inclusion into the FTSE Vietnam Index. Further outperformance will be increasingly difficult, in our view. Our target price, based on 10% discount to RNAV, rises by 9% to reflect stronger-than-expected brokerage service performance, but as the stock now trades at just 4% discount to its RNAV, we downgrade our rating from Add to Reduce.

Risks to our call

Upside risks include strong growth of affordable housing, from which DXG derives most of its brokerage revenue, and potential deployment of new apartment projects, which would boost DXG's NAV.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues (VNDb)	1,395	2,507	2,716	3,926	3,462
Operating EBITDA (VNDb)	393	645	740	1,008	861
Net Profit (VNDb)	336.6	537.9	565.1	806.9	655.0
Core EPS (VND)	2,229	3,043	2,241	3,201	2,598
Core EPS Growth	45.0%	36.5%	(26.3%)	42.8%	(18.8%)
FD Core P/E (x)	5.25	6.32	8.21	5.75	7.08
DPS (VND)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	5.34	4.47	6.00	3.61	2.22
P/FCFE (x)	17.34	NA	13.05	41.54	2.70
Net Gearing	(26.6%)	(7.2%)	0.2%	(22.2%)	(59.9%)
P/BV (x)	1.36	2.22	1.76	1.37	1.15
ROE	26.0%	29.3%	23.9%	26.8%	17.7%
% Change In Core EPS Estimates			(3.03%)	(7.58%)	
CIMB/consensus EPS (x)			0.94	0.99	

Rallied 33% the past month

Valuation metrics ▶

Figure 1: DXG's Earnings revision

Unit: VNDbn	FY17F			FY18F			Comments
	old	new	chg	old	new	chg	
Net revenue	2,953	2,716	-8%	4,038	3,926	-3%	
Property development	2,208	1,783	-19%	3,307	3,016	-9%	DXG booked a proportion of revenue from Luxcity in 2016 vs our expectation in 2017
Brokerage	583	771	32%	553	732	32%	Wholesale brokerage performs better than we expected
Other	162	162	0%	178	178	0%	
Net profit	583	565	-3%	873	807	-8%	
Net margin	20%	21%	-1%	22%	21%	1%	Change in product mix

SOURCES: CIMB, COMPANY REPORTS

Figure 2: DXG's RNAV

No. Projects	Size (ha)	Location	Revised value attributable to DXG (VND mn)
1 Sunview Town	3.6	Dist 9	34,033
2 Gold Hill	26.5	Dong Nai	28,552
3 Riverside Garden	2.0	Thu Duc	274,788
4 Green City	7.4	Dist 9	160,191
5 BIVI	0.8	Thu Duc	99,018
6 Luxcity	0.7	Dist 7	166,507
7 Tan Kieng	0.9	Dist 7	153,138
8 An Duong Vuong	0.3	Dist 8	95,103
9 Vo Van Kiet	0.8	Dist 8	140,207
10 Tam Da	1.3	Thu Duc	101,610
Total development RNAV			1,253,148
Brokerage services			894,372
Cash			1,818,216
Invesments			770,192
Other operating assets			784,160
Short & long term debt			(684,062)
Total RNAV			4,836,026
No of shares			253,049,068
RNAV per share (VND)			19,111
Target price			17,200
Implied discount to RNAV			10%

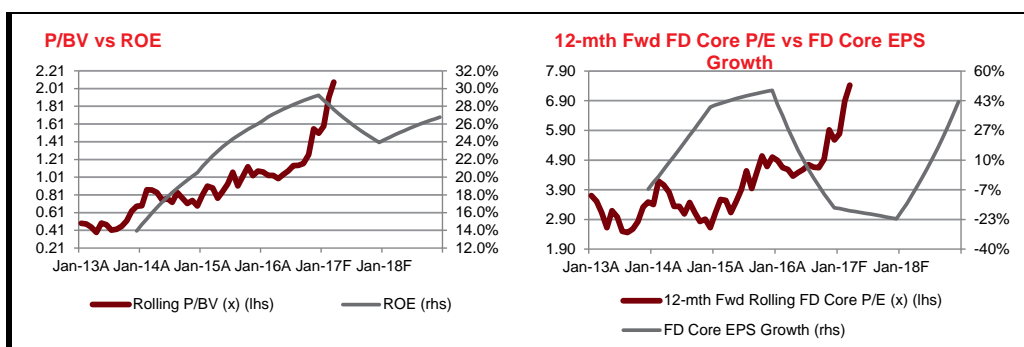
SOURCES: CIMB, COMPANY REPORTS

Figure 3: Peer Comparison

Ticker	Short Name	Market cap (US\$ bn)	Trailing PE	P/B	Net D/E	Gross ROE	margin	1Y return
VIC VN Equity	Vingroup JSC	5,141	68.0	4.4	0.65	6.3%	31%	29%
NVL VN Equity	Nova Land JSC	1,789	24%	4.1	0.54	10.9%	20%	N/A
KDH VN Equity	Khang Dien House JSC	241	14.4	1.6	0.19	11.3%	25%	44%
FLC VN Equity	FLC group JSC	219	4.4	0.6	0.35	13.5%	27%	16%
NLG VN Equity	Nam Long Investment JSC	153	10.1	1.3	-0.08	14.3%	33%	5%
PDR VN Equity	Phat Dat Real Estate JSC	126	12.0	1.2	1.29	10.2%	27%	2%
HDG VN Equity	Ha Do JSC	97	10.7	2.0	1.07	19.7%	31%	32%
BCI VN Equity	BCCI JSC	93	68.1	1.1	0.04	1.5%	11%	6%
SCR VN Equity	Sacomreal	82	10.7	0.6	0.23	5.6%	37%	-10%
NBB VN Equity	NBB Investment JSC	63	27.8	1.0	0.69	3.7%	11%	24%
QCG VN Equity	QCGL	56	18.1	0.3	0.49	1.0%	13%	0%
HQC VN Equity	Hoang Quan JSC	48	9.9	0.3	0.15	2.7%	31%	-55%
TDH VN Equity	Thu Duc House JSC	40	8.5	0.5	0.19	6.9%	20%	27%
ITC VN Equity	Intresco JSC	37	32.6	0.6	0.23	0.8%	20%	45%
Average			21.1	1.4	0.43	7.7%		13%
DXG	Dat Xanh Group JSC	208	7.34	1.5	-0.32	22.3%	42%	40%

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	1,395	2,507	2,716	3,926	3,462
Gross Profit	659	1,052	1,098	1,441	1,261
Operating EBITDA	393	645	740	1,008	861
Depreciation And Amortisation	(4)	(2)	(3)	(3)	(3)
Operating EBIT	390	643	738	1,005	858
Financial Income/(Expense)	28	73	20	45	(2)
Pretax Income/(Loss) from Assoc.	67	72	76	79	83
Non-Operating Income/(Expense)	56	34	0	0	0
Profit Before Tax (pre-EI)	540	822	833	1,130	940
Exceptional Items					
Pre-tax Profit	540	822	833	1,130	940
Taxation	(95)	(157)	(167)	(226)	(188)
Exceptional Income - post-tax					
Profit After Tax	446	665	667	904	752
Minority Interests	(109)	(127)	(102)	(97)	(97)
Pref. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	337	538	565	807	655
Recurring Net Profit	337	538	565	807	655
Fully Diluted Recurring Net Profit	337	538	565	807	655

Cash Flow

(VNDb)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	393.4	645.2	740.3	1,007.8	861.3
Cash Flow from Invnt. & Assoc.	0.0	(72.0)	(75.6)	(79.4)	(83.4)
Change In Working Capital	(150.9)	(667.8)	(735.2)	108.0	1,053.2
Straight Line Adjustment					
(Incr)/Decr in Total Provisions	5.9	43.3	(21.8)	14.2	(5.4)
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(19.6)	(6.0)	136.4	12.7	114.4
Net Interest (Paid)/Received	(29.8)	(32.0)	(11.0)	(10.7)	(1.9)
Tax Paid	(86.8)	(156.8)	(166.7)	(225.9)	(188.0)
Cashflow From Operations	112.1	(246.2)	(133.6)	826.6	1,750.3
Capex	(20.2)	(5.7)	(8.9)	(9.8)	(10.8)
Disposals Of FAs/subsidiaries	2.3	72.0	75.6	79.4	83.4
Disposals of Investment Properties					
Acq. Of Subsidiaries/investments	(343.3)	0.0	0.0	0.0	0.0
Other Investing Cashflow	32.6	0.0	0.0	0.0	0.0
Cash Flow From Investing	(328.6)	66.4	66.8	69.7	72.6
Debt Raised/(repaid)	318.5	34.8	422.3	(784.6)	(104.7)
Proceeds From Issue Of Shares	49.4	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(31.9)	0.0	0.0	0.0	0.0
Preferred Dividends					
Other Financing Cashflow	0.0	(127.2)	(101.7)	(96.8)	(97.0)
Cash Flow From Financing	336.1	(92.4)	320.6	(881.4)	(201.7)

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	910	637	891	906	2,527
Properties Under Development	1,122	1,379	2,815	1,891	455
Total Debtors	925	2,363	2,031	2,999	2,663
Inventories					
Total Other Current Assets	30	35	40	57	51
Total Current Assets	2,987	4,415	5,777	5,853	5,696
Fixed Assets	53	58	63	69	75
Total Investments	415	415	418	420	423
Intangible Assets	27	26	24	23	22
Total Other Non-Current Assets	91	278	250	379	345
Total Non-current Assets	587	776	755	891	865
Short-term Debt	156	172	189	0	0
Current Portion of Long-Term Debt					
Total Creditors	966	1,110	1,570	1,173	605
Other Current Liabilities	395	1,324	1,244	1,871	1,739
Total Current Liabilities	1,517	2,606	3,003	3,044	2,344
Total Long-term Debt	283	302	707	111	6
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	3	2	3	4	4
Total Non-current Liabilities	285	304	710	115	10
Total Provisions	0	0	0	0	0
Total Liabilities	1,802	2,910	3,713	3,159	2,354
Shareholders' Equity	1,584	2,094	2,631	3,398	4,020
Minority Interests	188	188	188	188	188
Total Equity	1,771	2,282	2,819	3,585	4,207

Key Ratios

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	175%	80%	8%	45%	(12%)
Operating EBITDA Growth	134%	64%	15%	36%	(15%)
Operating EBITDA Margin	28.2%	25.7%	27.3%	25.7%	24.9%
Net Cash Per Share (VND)	4,016	650	(18)	3,153	9,999
BVPS (VND)	13,507	8,307	10,436	13,477	15,945
Gross Interest Cover	79.4	20.1	67.3	93.6	456.1
Effective Tax Rate	17.5%	19.1%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	183.0	240.1	295.3	233.8	298.5
Inventory Days	-	-	-	-	-
Accounts Payables Days	46.88	43.80	52.65	43.99	54.22
ROIC (%)	285%	72%	43%	42%	36%
ROCE (%)	25.1%	30.1%	23.8%	28.6%	21.7%
Return On Average Assets	14.6%	13.5%	11.0%	12.9%	11.3%

Key Drivers

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Unbooked Presales (m) (VND)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A	N/A
Gross Margins (%)	47.3%	42.0%	40.4%	36.7%	36.4%
Contracted Sales ASP (per Sm) (VND)	N/A	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Inv. properties rental margin (%)	N/A	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	-10.4%	-9.4%	-13.3%	-11.1%	-11.6%

SOURCE: CIMB RESEARCH, COMPANY DATA

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1626 companies under coverage for quarter ended on 31 December 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.4%	5.4%
Hold	29.6%	1.4%
Reduce	11.6%	0.4%

Spitzer Chart for stock being researched (2 year data)

Dat Xanh Real Estate Services & Construction (DXG VN)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2016, Anti-Corruption 2016.

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- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

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