February, 2018

DAT XANH GROUP (DXG - HSX)

Aggressive Movement after Accumulation Period

- **Moving upstream from brokerage to development – This trend could be stronger this year**
- **Brokerage and secondary investment accelerate**
- **Solid earnings growth in 2018**

Outlook and recommendation

Established as a brokerage firm, Dat Xanh Group (HSX:DXG) leveraged its business into real estate development, based on its knowledge and customer database in residential industry. Accumulated at low cost, its huge land bank could be gradually transformed into products, bringing cash flow and value to the company in the coming period.

We believe that 2018 could be the success year when DXG will launch its first premium product locating in District 2, HCMC. Moreover, its brokerage and secondary investment services continues to achieve doube-digit growth of profit in coming years, making its dominant position in the industry.

*In 2018, we estimated DXG's total revenue and NPAT at approximately VND 4,497 billion (+56% YoY) and VND 1,047 billion (+38% YoY), respectively. Forecasted EPS for 2018 is VND 3,412. Using the RNAV method, the fair value of DXG is around **VND 40,800, 26.3%** higher than current price (updated as of February 27, 2018). Therefore, we recommend **BUY** to DXG.*

Key financials

Y/E Dec(VND Bn)	FY2016	FY2017	FY2018F	FY2019F
Net revenue	2,507	2,879	4,497	4,544
%change	79.7	14.9	56.2	1.2
PAT	537	751	1,034	1,092
% change	59.6	39.8	37.6	5.6
Net margin (%)	26.5	26.1	23.4	24.4
ROA (%)	14.5%	11.6%	11.8%	7.1%
ROE (%)	25.0%	20.4%	22.4%	20.1%
EPS (VND)	1,773	2,453	3,412	3,603
Book value (VND)	10,619	12,994	16,151	20,223
Cash dividend (VND)	-	-	-	-
P/E (x)	5.8	8.8	9.3	9.0
P/BV (x)	1.0	1.7	2.0	1.6

*Source: DXG, RongViet Research estimation, * Based on the price on February 27, 2018.*

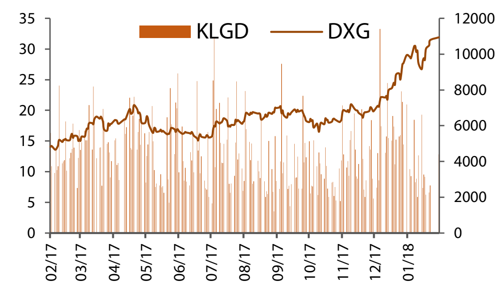
BUY

CMP (VND)	32,300
Target Price (VND)	40,800
Cash Dividend (VND)*	-

** Expected in the next 12 months*

Stock Info

Sector	Real Estate
Market Cap (VND billion)	10,133
Share O/S (million)	303
Beta	1.39
Free Float (%)	79.7
52 weeks high	33,450
52 weeks low	13,617
Average trading volume (20 sessions)	4,179,630



Performance (%)

	3M	1Y	3Y
DXG	84	138	211
VN Index	25	54	86

Major sharholders (%)

Mr. Luong Tri Thin	7.8
Dragon Capital	15.0
Vietnam Holding	4.9
Foreigner Investor Room (%)	38.4

Duong Lai

(084) 028- 6299 2006 – Ext 1522

duong.ld@vdsc.com.vn

Moving upstream from brokerage to development – This trend could become stronger this year

Raising capital for land banking to secure long-term growth

Over the years, DXG stock has faced risks of dilution, because the company continuously issued new shares. Historically, DXG used private placement (at discounted price) as a channel for raising fund, upsetting investors in the process, especially institutional investors. DXG issued a right to existing shareholders at the strike price of VND 10,000 per share. As such, this right issue is a good start towards regaining investors' trust.

In the past, DXG issued shares to fund project's development cost, as Opal Riverside, The Palm, Opal Premium and Gem Riverside. We expect that this situation may be changed from 2018 onwards when there is no need to raise equity, supported by cash flow from sales of new projects and healthy cash flow from broker services and secondary segment.

DXG's current pipeline totals 52ha in land area, producing circa 12,000 units (mostly apartments) at GDV of VND 20,000 billion. In term of project acquisition, DXG plans to secure more 2 million sqm of GFA and 2,000 ha of long-term land bank.

2018 will be a crucial time to prove its execution ability

DXG started developing projects in 2007 and 2014 is expected to be a turning year for DXG as it gears up in project development. During 2015-2017, DXG only launched 1-2 projects per year, with small scale ranging from 300-600 units per project.

We believe that 2018 could be the success year when the company may develop the biggest scale project ever, namely Gem Riverside locating in Dist.2. It will be more premium project than other previous projects of DXG, offering 3,000 apartment units to the market with estimated ASP of USD 1,500-1,600 per sqm. Moreover, this project was acquired at low cost, resulting in high profit margin and bringing around VND 2,100 billion to total profit.

In addition, DXG also plans to launch another large scale project this year, namely Opal City, locating in Dist.9 HCMC and offering 2,000 high-rise units to the market. The company will join hand with a Japanese partner to co-develop this project, which could be a catalyst for this stock in short term.

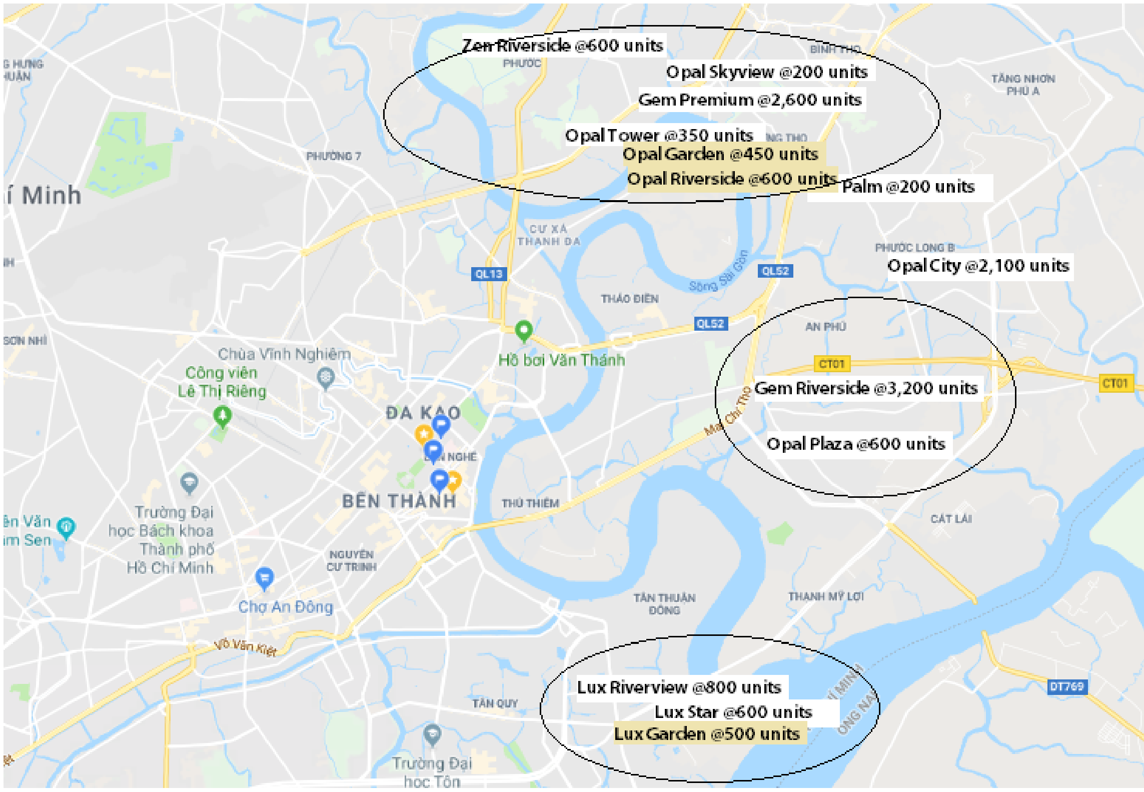
Table 1: DXG's project construction timeline

Projects	Location	Status	Scale	Pre-sales	2017	2018	2019	2020
Lux City	Dist. 7, HCMC	Completed	530 units	100%				
Lux Garden	Dist. 7, HCMC	Under construction	517 units	100%				
Lux Riverview	Dist. 7, HCMC	Under development	690 units	N/A				
Lux Star	Dist. 7, HCMC	Under development	670 units	N/A				
Opal Riverside	Thu Duc Dist., HCMC	Under construction	626 units	100%				
Opal Garden	Thu Duc Dist., HCMC	Under construction	470 units	100%				
Opal Tower	Thu Duc Dist., HCMC	Under development	329 units	N/A				
Opal Skyview	Thu Duc Dist., HCMC	Under development	206 units	N/A				
Opal City	Dist. 9, HCMC	Under development	2,150 units	N/A				
Gem Riverside	Dist. 2, HCMC	Under development	3,200 units	N/A				
Gem Premium	Thu Duc Dist., HCMC	Under development	2,630 units	N/A				
Palm City	Dist. 9, HCMC	Under development	227 units	N/A				
Zen Riverside	Thu Duc Dist., HCMC	Under development	660 units	N/A				
Opal Oceanview	Duy Xuyen, Quang Nam	Under development	185 ha	N/A				
Nam Hoi An	Hoi An, Quang Nam	Under development	132 ha	N/A				
Khanh Hoa	Cam Ranh, Khanh Hoa	Under development	172 ha	N/A				

Source: DXG, Rong Viet Securities

Besides, the company also have a series of Opal-product in Thu Duc District and another two Lux-product in District 7. In 2018, DXG will launch two more project locating at District 7, namely Lux Star and Lux Riverview.

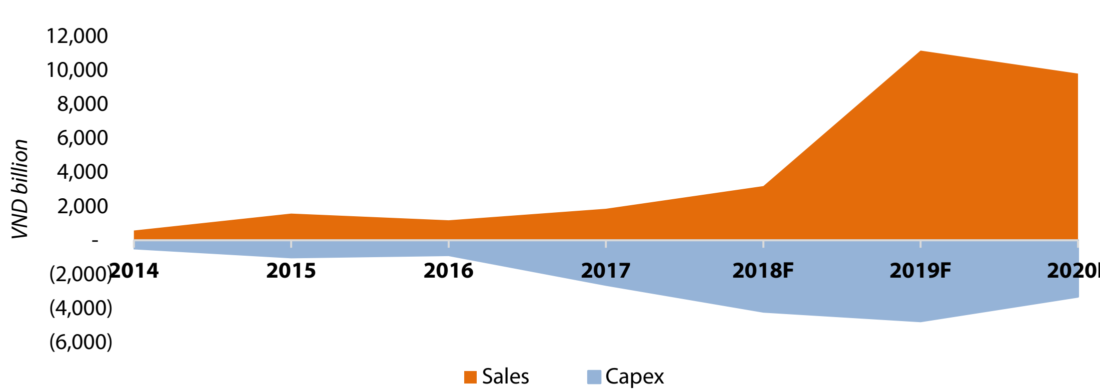
Figure 1: DXG project map



Source: Rong Viet Securities

With its sales launch plan, we estimate that net cash flow from the development business could be very strong, especially since 2019 onwards.

Figure 2: Forecasted Cash flow from development business



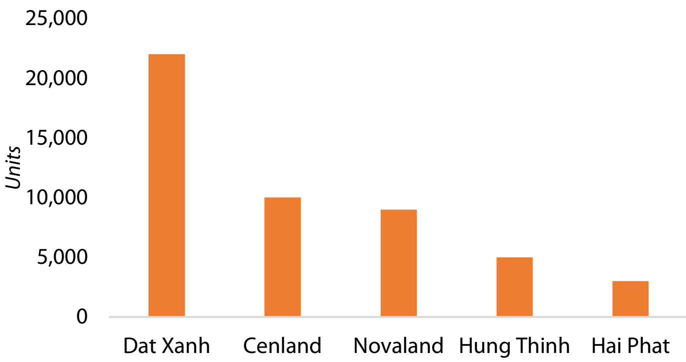
Source: Rong Viet Securities

Brokerage segment – Competitive advantage

The company has a strong sales team. Customer database helped DXG spot out segments with high-demand, or acquire lands and projects at low cost. Brokerage has the highest gross margin among DXG's revenue sources, ranging from 70% to 80%.

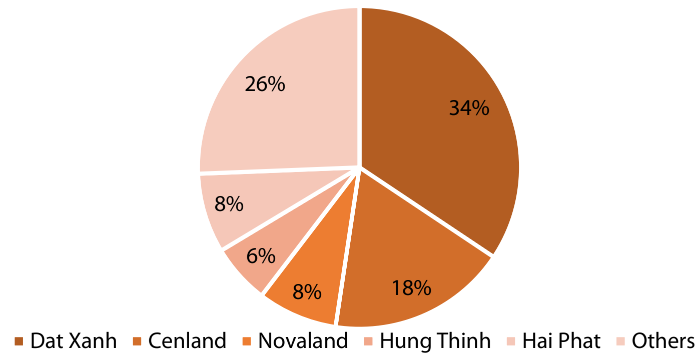
In term of market share, we estimate that DXG currently accounts for around 34%, followed by other brokers as Cenland, Novaland, Hung Thinh and Hai Phat. Total DXG's units sold in 2017 was 22,000 units, and expected to be 30% up in 2018, reaching 28,000 units.

Figure 3: No. of successful transactions in 2017



Source: Rong Viet Securities

Figure 4: Market share in 2017

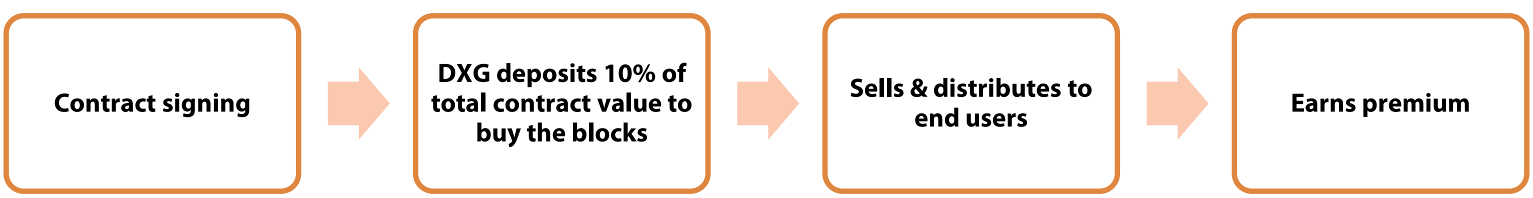


Source: Rong Viet Securities

Secondary Investments – Wise movement

DXG buys blocks of unfinished units (condos, land lots) at wholesale prices to resell to end buyers. In this arrangement, DXG typically pays 10% upfront upon signing of the purchase contract with the project owners. DXG is legally bound to make instalments for the remaining purchase amount to take ownership (keep in its inventory). For taking on this risk, DXG earns a premium of 10%-15% when it resells these individual units to end buyers who in turn make instalments to DXG.

Figure 5: Secondary investment process



Source: Rong Viet Securities

DXG seeks potential projects and becomes involved as a secondary developer. Their strategy is to find potential but financially distressed or lack of capital projects for cheap and then sell at a profitable level. Their current portfolio consists of ten projects in Hanoi, Da Nang and Ho Chi Minh.

Table 2: Secondary investment projects

Region	Project
Hanoi	Imperia Plaza, Hai Phat Plaza, Hateco 6
Da Nang	Phu My An, Bau Tram, Marina
HCMC	Saigon Gateway
Total	**3,000 - 4,000 units**

Source: DXG, Rong Viet Securities

Solid earnings growth in 2018

In 2018, DXG continues to book revenue from existing projects, namely Opal Riverside in Q1 2018, Opal Garden in Q2 2018 and Lux Garden in Q3 2018. We estimate that the total revenue from development business will be around VND 2,400 billion, 113% higher than that of last year. In addition, DXG could record earning from transferring a hospitality project in Phu Quoc, namely Grand World. In 2018, we estimated DXG's total revenue and NPAT at approximately VND 4,497 billion (+56% YoY) and VND 1,034 billion (+31% YoY), respectively. Moreover, launch of large scale projects this year will support earning since 2019 onwards.

Table 3: Revenue forecasted (VND billion)

Revenue	2018F
Development segment	**2,170**
Opal Riverside	623
Opal Garden	879
Lux Garden	668
Brokerage & secondary investment segment	**2,112**
Others	**215**
Total	**4,497**

Source: Rong Viet Securities

Valuation

We use the net asset valuation (NAV) method to determine the fair value of DXG. Value of ongoing projects have been revalued using NPV method. For DXG's stake in LDG, we use P/B to evaluate this investment. Regarding brokerage & secondary investment and construction services, we use DCF model to evaluate these businesses.

Table 4: Revaluated value of DXG's business (VND billion)

	Method	NPV	% Stake	Effective NPV
DEVELOPMENT		**7,055**		**7,055**
Opal Riverside	DCF	26	100%	26
Opal Garden	DCF	(7)	100%	(7)
Lux Garden	DCF	460	100%	460
Opal Tower	DCF	168	100%	168
Opal Skyview	DCF	115	100%	115
Lux Riverview	DCF	240	100%	240
Gem Riverside	DCF	3,598	100%	3,598
Zen Riverside	DCF	280	100%	280
Lux Star	DCF	405	100%	405
Opal City	DCF	1,425	100%	1,425
Palm City	DCF	316	100%	316
Opal Premium	DCF	1,502	75%	1,127
CONSTRUCTION	DCF	**56**	**51%**	**28**
SERVICES	DCF	**8,203**	**51%**	**4,183**
LDG	**P/B**		**45%**	**1,763**
Total				**13,001**
	(+) Net cash			1,913
	(-) Net debt			(2,529)
	Net asset value			**12,385**
	Total shares (million)			303
	Target price per share (VND)			**40,883**

Recommendation

In 2018, we estimated DXG's total revenue and NPAT at approximately VND 4,497 billion (+56% YoY) and VND 1,034 billion (+38% YoY), respectively. Forecasted EPS for 2018 is VND 3,420. Using the RNAV method, the fair value of DXG is around VND **40,800**, **26.3%** higher than current price (updated as of February 26, 2018). Therefore, we recommend **BUY** to DXG.

Unit: VND billion

INCOME STATEMENT	2016A	2017A	2018F	2019F
Revenue	2,507	2,879	4,497	4,544
COGS	-1,455	-1,149	-2,060	-1,949
Gross profit	1,052	1,730	2,437	2,494
Selling expense	-236	-295	-441	-436
G&A expense	-173	-249	-310	-306
Financial income	105	66	72	84
Financial expense	-33	-63	-162	-123
Other income/loss	34	18	18	18
Gain/(loss) from JV	72	128	137	112
PBT	821	1,335	1,751	1,843
Tax expense	-157	-250	-331	-353
Minority interests	127	335	368	405
PAT	537	751	1,034	1,092
EBIT	643	1,186	1,686	1,752
EBITDA	651	1,202	1,694	1,760

FINANCIAL RATIO	2016A	2017A	2018F	2019F
Growth (%)				
Revenue	79.7	14.9	56.2	1.2
EBITDA	125.1	84.5	41.0	8.8
EBIT	65.0	184.5	141.6	108.9
PAT	49.1	63.4	30.4	11.0
Total Asset	55.7	33.6	39.0	94.6
Total Equity	99.7	56.1	14.0	7.0
Profitability (%)				
Gross profit margin	42.0	60.1	52.2	56.6
EBITDA margin	26.0	41.7	35.7	40.1
EBIT margin	25.7	41.2	35.5	39.9
Net profit margin	26.5	26.1	22.1	25.7
ROA	14.5	11.6	11.9	8.8
ROIC or RONA	55.1	60.3	46.8	123.5
ROE	25.0	27.3	34.4	33.7
Efficiency (x)				
Receivables turnover	1.8	2.0	4.0	3.8
Inventories turnover	1.4	0.6	0.5	0.3
Payables turnover	1.1	1.7	2.6	0.7
Liquidity (x)				
Current	3.0	2.9	3.0	1.6
Quick	2.4	0.9	0.8	0.8
Financial Structure (x)				
Total debt/ Equity	0.2	0.6	0.4	0.3
ST debt / Equity	0.1	0.1	0.1	0.1
LT debt/ Equity	0.1	0.5	0.3	0.2

Unit: VND billion

BALANCE SHEET	2016A	2017A	2018F	2019F
Cash and cash equivalents	1,818	2,677	2,423	8,606
Short term investment	0	0	0	0
Accounts receivable	1,865	1,088	1,293	1,415
Inventories	916	2,943	5,819	9,421
Other current assets	28	22	27	26
Tangible Fixed Assets	211	160	177	59
Intangible Fixed Assets	47	13	13	13
Long term investment	580	435	469	495
Other non-current assets	98	116	139	136
Total Asset	**5,563**	**7,452**	**10,359**	**20,168**
Account Paybale	863	117	137	138
Advance from customers	436	1,281	2,303	11,574
Short term borrowings	190	343	346	345
Long term borrowings	494	2,149	1,711	1,335
Other non-current liabilities	4	273	243	286
Bounus and Welfare fund	27	27	27	27
Total Liabilities	2,014	4,189	4,768	13,705
Common stock and APIC	**2,541**	**2,541**	**2,541**	**2,541**
Treasury stock	-1	-1	-1	-1
Retained Earnings	677	1,397	2,338	3,321
Other comprehensive income / (loss)	0	0	0	0
Investment and Development Fund	0	15	36	58
Total Equity	**3,218**	**3,953**	**4,915**	**5,920**
Minority Interest	0	15	36	58

CASH FLOW STATEMENT	2016A	2017A	2018F	2019F
Profit before tax	821	1,335	1,751	1,843
Depreciation	3	8	8	8
Adjustment	-	-	-	-
Working capital	-775	219	-1,105	-5,151
Net Operating CFs	**-467**	**1.383**	**420**	**7,021**
Fixed Asset	-36	-88	-88	-88
Deposit, equity investment	-	-	-	-
Interest, dividend, cash profit received	72	-	-	-
Net Investing CFs	**-40**	**-253**	**-53**	**-62**
Capital	1,358	-	-	-
Debt	245	46	-104	-48
Dividend paid & other	-228	-355	-355	-355
Net Financing CFs	**1,416**	**-312**	**-667**	**-924**
Net Cash flow	**909**	**838**	**-300**	**6,035**
Beginning cash & equivalents	910	1,821	2,659	2,359
Effect of exchange rate	**423**	**932**	**500**	**883**
Ending cash & equivalents	1,821	2,659	2,359	8,394

COMPANY REPORT

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective that is to determine the reasonable value of the stock at the time such analyses are performed. Through this report, we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information, investors may contact the assigned analyst or our client support department.

RATING GUIDANCE

Ratings	BUY	NEUTRAL	SELL
Total Return including Dividends in 12-month horizon	>20%	-20% to 20%	<-20%

ABOUT US

RongViet Securities Corporation (RongViet) was established in 2007, licensed to perform the complete range of securities services including brokerage, financial investment, underwriting, financial and investment advisory and securities depository. RongViet now has an operating network that spreads across the country. Our major shareholders, also our strategic partners, are reputable institutions, i.e Eximbank, Viet Dragon Fund Management, etc... Along with a team of the professional and dynamic staffs, RongViet has the man power as well as the financial capacity to bring our clients the most suitable and efficient products and services. Especially, RongViet was one of the very first securities firms to pay the adequate attention to the development of a team of analysts and the provision of useful research report to investors.

The **Analysis and Investment Advisory Department** of RongViet Securities provides research reports on the macro-economy, securities market and investment strategy along with industry and company reports and daily and weekly market reviews

ANALYSIS & INVESTMENT ADVISORY DEPARTMENT

Bernard Lapointe
Head of Research
bernard.lapointe@vdsc.com.vn
+ 84 28 62992006 (1525)

Lam Nguyen
Senior Strategist
lam.ntp@vdsc.com.vn
+ 84 28 6299 2006 (1313)
- Banking
- Conglomerates

Thien Bui
Senior Analyst
thien.bv@vdsc.com.vn
+ 84 28 6299 2006 (1321)
- Market Strategy
- Financial Services
- Personal Goods

Hieu Nguyen
Senior Analyst
hieu.nd@vdsc.com.vn
+ 84 28 6299 2006 (1514)
- Market Strategy
- Pharmaceuticals
- Durable Goods

Duong Lai
Senior Analyst
duong.ld@vdsc.com.vn
+ 84 28 6299 2006 (1522)
- Real Estate
- Building Materials

Vu Tran
Senior Analyst
vu.thx@vdsc.com.vn
+ 84 28 6299 2006 (1518)
- Oil & Gas
- Food & Beverage

Trinh Nguyen
Analyst
trinh.nh@vdsc.com.vn
+ 84 28 6299 2006 (1331)
- Steel
- Construction
- Technology

Quang Vo
Analyst
quang.vv@vdsc.com.vn
+ 84 28 6299 2006 (1517)
- Market Strategy
- Basic Materials
- Personal Goods

Son Phan
Analyst
son.pnt@vdsc.com.vn
+ 84 28 6299 2006 (1519)
- Utilities
- Natural Rubber

Tu Vu
Analyst
tu.va@vdsc.com.vn
+ 84 28 6299 2006 (1511)
- Macroeconomics

Son Tran
Analyst
son.tt@vdsc.com.vn
+ 84 28 6299 2006 (1527)
- Market Strategy
- Retails
- Consumer chemicals

Thuy Nguyen
Analyst
thuy.nb@vdsc.com.vn
+ 84 28 6299 2006 (1528)
- Macroeconomics

Ha Tran
Assistant
ha.ttn@vdsc.com.vn
+ 84 28 6299 2006 (1526)

DISCLAIMERS

This report is prepared in order to provide information and analysis to clients of Rong Viet Securities only. It is and should not be construed as an offer to sell or a solicitation of an offer to purchase any securities. No consideration has been given to the investment objectives, financial situation or particular needs of any specific. The readers should be aware that Rong Viet Securities may have a conflict of interest that can compromise the objectivity this research. This research is to be viewed by investors only as a source of reference when making investments. Investors are to take full responsibility of their own decisions. VDSC shall not be liable for any loss, damages, cost or expense incurring or arising from the use or reliance, either full or partial, of the information in this publication.

The opinions expressed in this research report reflect only the analyst's personal views of the subject securities or matters; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or opinions expressed in the report.

The information herein is compiled by or arrived at Rong Viet Securities from sources believed to be reliable. We, however, do not guarantee its accuracy or completeness. Opinions, estimations and projections expressed in this report are deemed valid up to the date of publication of this report and can be subject to change without notice.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by Viet Dragon Securities Corp. ("VDSC"), a company authorized to engage in securities activities in Vietnam. VDSC is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Rosenblatt Securities Inc., 40 Wall Street 59th Floor, New York, NY 10005, a registered broker dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through VDSC. Rosenblatt Securities Inc. accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of Rosenblatt Securities Inc. and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Ownership and Material Conflicts of Interest

Rosenblatt Securities Inc. or its affiliates does not 'beneficially own,' as determined in accordance with Section 13(d) of the Exchange Act, 1% or more of any of the equity securities mentioned in the report. Rosenblatt Securities Inc, its affiliates and/or their respective officers, directors or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities referred to herein. Rosenblatt Securities Inc. is not aware of any material conflict of interest as of the date of this publication.

Compensation and Investment Banking Activities

Rosenblatt Securities Inc. or any affiliate has not managed or co-managed a public offering of securities for the subject company in the past 12 months, nor received compensation for investment banking services from the subject company in the past 12 months, neither does it or any affiliate expect to receive, or intends to seek compensation for investment banking services from the subject company in the next 3 months.

Additional Disclosures

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither VDSC nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report.

VDSC may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of VDSC.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by VDSC with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior.