

Company Visit Note

DIG- General Corporation Construction Investment Development

Ministry of Construction registered for a full divestiture - expected completion in 2017

Recommendations

Target price	N/A
Closed price	17,000
Upside	N/A

Market Statistic

Floating Shares (million shares)	238
Market Cap (VND Bil.)	3,883
52-week highest price	17,400
10-day average volume (shares)	2,721,265

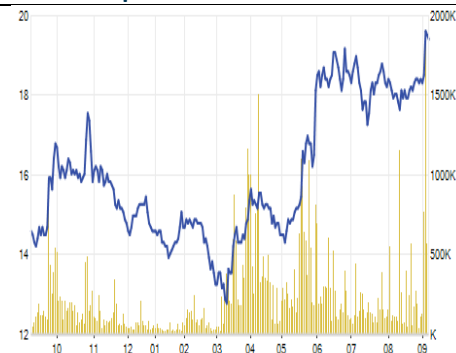
Shareholders (%)

Ministry of Construction	49.65%
DRAGON CAPITAL GROUP	7.92
PYN RAHASTOYHTIO	6.83
THIEN TUAN NGUYEN	4.07
NORGES BANK	2.21

Price movement

	1M	3M	1Y
DIG	0.6%	3.2%	98.3%
VN-Index	7.7%	15.8%	32.3%

Historical price



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Overview: DIG has the largest clean land bank among listed real estate firms in Vung Tau. In addition, the expectation of a successful divestment of the Ministry of Construction in 2017 will be a driving force which help DIG improving its business results in the coming years.

DIG has the largest clean land bank among listed real estate firms in Vung Tau. Currently, DIG is focusing on 8 major projects with the total area of nearly 1,000 hectares. In addition DIG has a number of other land funds, whichs estimated to be about 1,042 ha, are in the process of applying for an investment license . The total compensation area is estimated at 440 hectares (however, approximately 90% of the resources are concentrated in eight major projects). We think DIG's land fund is quite plentiful and potential but the prospect of business depends quite a lot on the ability to "unlock" the value of this land fund in the coming period.

The expectation of a successful divestment of the Ministry of Construction in 2017 will be a driving force which help DIG improving its business results in the coming years. Ministry of Construction (MOC) has registered to sell all 118.26 million shares, equivalent to ownership of 49.65% stake in DIG. The transaction was conducted from 17/11/2017 to 16/12/2017 by agreement / order matching method. Minimum divestment price of Ministry of Construction: 15,000 dong and completion date before 31/12/2017. We expect that the divestment of MOC will provide additional opportunities for other strategic investors to assist DIG in "unlocking" the potential of its low cost landed equity funds.

Transfer Dai Phuoc Lotus project: DIG owns 28% of the project and sells it to Chinese subsidiary of China Fortune Land Development (CFLD). In May 2017, DIG announced the transfer of 20% stake in Vina Dai Phuoc with total value of 390 billion dong, the remaining 8% we expect to be completed in 2017. According to calculations , total value of DIG will be about 575

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billion, profit was estimated approximately is 100 - 120 billion. Of which 20% was transferred, we estimate that DIG will be able to book another VND 75 billion profit.

2017 Business Plan: DIG set a consolidated sales target of VND 1,406 billion (+ 26% yoy), EAT is VND 128 billion (+94% yoy). Of which, parent company's revenue is expected to reach VND906 billion (+ 64% yoy) and VND120 billion profit after tax (+13.2% yoy). Dividend expected to reach 8-10%.

9M2010 business results update. In Q3/2017, consolidated revenue was VND307 billion (-12.5% yoy) and net profit was posted at VND 45.97 billion (-5.7% yoy). Accumulated 9 months 2017, consolidated net sales reached 871.5 billion, up slightly 7.11% YOY, gross profit was 150.9 billion (-13.2% yoy), gross profit margin decreased from 21.4% in 9M16 to 17.3% in 9M17. However, after-tax profit came to VND 43.1 billion (+ 11.9% yoy) mainly due to a sharp increase in net financial income of VND 61.6 billion compared to VND 4.7 billion of the same period. BSC noted that financial income increased sharply mainly due to the revaluation of the unfinished production and business expenses to contribute to Phu Quoc Urban Development JSC (An Thoi project). However, we note that in the financial contribution report of the Dai Phuoc project has not been fully recognized, so we have temporarily not estimated this surplus in 2017.

BSC estimates that in FY2017, DIG will record major revenue from new DIC Phoenix projects in Nam Vinh Yen, Hiep Phuoc. Specifically, BSC estimates that FY2017 sales will reach VND 1,595 billion (+38% yoy), driven mainly by real estate sales growth of 106% compare to VND 919.6 billion in FY2016. EAT is expected to reach VND 146.4 billion (excluding extraordinary profit from transfer of Dai Phuoc project), exceeding 22% of the target, equivalent to EPS of 2017 = VND 616/share, book value is estimated at VND 12,158/share

The positive outlook for 2018 is due to accounting for a number of key real estate projects such as DIC Phoenix, Vung Tau Gateway, The Landmark (block B), and the rest of Hiep Phuoc and Nam Vinh Yen residential areas. BSC forecasts that sales will increase sharply by VND 4,179 billion (+162% yoy), mainly driven by a sharp improvement in real estate sales to VND 3,418 billion. EAT is expected to gain VND 276 billion, equivalent to EPS of 2018 = VND 1,030 /share..

Updates current DIG projects as follows:

- **Nam Vinh Yen project :** Total area of the project is 446.92 hectares, divided into 3 phases. At present, DIG is trading the first phase with an area of 194.74 hectares, including 28 hectares of commercial land. The company has sold about 12ha at the price of 7 million/ m², margin ~ 30%. DIG expects to account about VND300 billion revenue from this project in 2017.

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- Phoenix Project:** This project includes 3 buildings A, B and C, which provide 1200 apartments. Currently, this project has sold 300 units of A and B and can be handed over in the second quarter of this year. Court C is completing the rough and may open for sale in the second quarter of 2017. DIG plans to sell 500 more apartments and earns about VND 410 billion in revenue in 2017, equivalent to 300 units.
- Hiep Phuoc Residential Project:** Total area of the project is 21ha, of which commercial land is 11.5 ha. Company compensated about 90% and completed the infrastructure. DIG is expected to book VND 166 billion in revenue this year from this project.
- Landmark Residence Project:** This project has a size of 4,082 m², offering 166 apartments with a selling price of about VND 45 million/m², opened from 2/2016. The gross margin of the project is about 16%. The company is expected to start accounting from 2018.
- Gateway Project:** This project has an area of about 2.3 hectares, with expected capital of VND 1700 billion. In 2017, the project will continue to complete the underground structure of two buildings, the body of two buildings will be 80% of workload, expected in 2018 will complete the handover. The company plans to start selling the project in Q4/2017. Gross margin is expected to be around 30%.

Major projects are underway	% Owned	Land area (m²)	Compensated area (m²)
Nam Vinh Yen new urban area	100%	4.469.200	1.800.000
Dai Phuoc	100%	940.000	940.000
Long Tan	100%	3.320.000	164.185
Hiep Phuoc Residential	100%	215.300	215.300
Chi Linh	100%	997.000	716.700
DIC Phoenix Apartment	100%	26.828	26.828
Vung Tau Apartment Gateway	100%	23.000	23.000
DIC Star Vinh Yen	100%	25.261	25.261
DIC The Lanmark (B Pullman Group)	100%	4.000	4.000
	Total	10.020.589	3.915.274

Estimated land fund	% Owned	Land area (m²)
Hau Giang Commercial Residential Area	100%	1.956.300
Ba Hang Lake ecotourism site	100%	3.070.000
An Hai - Con Dao Resort	100%	177.000
Lam Ha Center Point - Ha Nam	100%	100.000
Vung Tau urban center - Bau Trung	100%	1.220.000

New urban area of North Vung Tau

100% 905.000

An Thoi urban area

100% 3.000.000

Total 10.428.300

Investment highlights: DIG is an enterprise with many lands in the coastal provinces of Vung Tau, Dong Nai, so it will have a 1-1.5 year cycle more than Real estate in big cities like Hanoi and Ho Chi Minh City. In short-term, the profit from the divestment from Dai Phuoc Lotus project will help DIG to record extraordinary profit. In the long run, the Ministry of Construction's divestment will help accelerate the privatization of the business, improving the ability to implement the project.

On 22/11/2017, DIG closed at VND 17,000/share, EPS of 2017 ~ VND 341, PE fw = 49.85, P/B = 1.4. We think that DIG is still an attractive opportunity for medium-term investment with expectations of improving business performance after the Ministry of Construction successfully divested in 2017..

TECHNICAL ANALYSIS

Technical highlights:

- Current Trend: Maintain a short-term upward trend after rebound from the accumulating are
- Trend indicator: The MACD is above the 0 line and above the long signal, consolidating the uptrend, the RSI is heading to the overbought zone.
- Liquidity: The liquidity increased sharply in the recent sessions with the highest volume in history, the average volume reached 3,082,547 shares / session..

Outlook: DIG has just rebounded from the trend of accumulation, continue to set new peak in history. In the recent period, DIG's uptrend has been supported by the divestment information. We think that in the short term DIG will continue to maintain this momentum due to the impact of the divestment information mentioned above.

Recommend: Investors can take advantage of the correction at the short term support around 16.3 to gain weight. Target price 19.1, cut loss if penetrating the support threshold at 15.3



Khuyến cáo sử dụng

Bản báo cáo này của Công ty Cổ phần Chứng khoán Ngân hàng Đầu tư và phát triển Việt Nam (BSC), chỉ cung cấp những thông tin chung và phân tích về Ví mô, ngành và doanh nghiệp. Báo cáo này không được xây dựng để cung cấp theo yêu cầu của bất kỳ tổ chức hay cá nhân riêng lẻ nào hoặc các quyết định mua bán, nắm giữ chứng khoán. Nhà đầu tư chỉ nên sử dụng các thông tin, phân tích, bình luận của Bản báo cáo như là nguồn tham khảo trước khi đưa ra những quyết định đầu tư cho riêng mình. Mọi thông tin, nhận định và dự báo và quan điểm trong báo cáo này được dựa trên những nguồn dữ liệu đáng tin cậy. Tuy nhiên Công ty Cổ phần Chứng khoán Ngân hàng đầu tư và phát triển Việt Nam (BSC) không đảm bảo rằng các nguồn thông tin này là hoàn toàn chính xác và không chịu bất kỳ một trách nhiệm nào đối với tính chính xác của những thông tin được đề cập đến trong báo cáo này, cũng như không chịu trách nhiệm về những thiệt hại đối với việc sử dụng toàn bộ hay một phần nội dung của bản báo cáo này. Mọi quan điểm cũng như nhận định được đề cập trong báo cáo này dựa trên sự cân nhắc cẩn trọng, công minh và hợp lý nhất trong hiện tại. Tuy nhiên những quan điểm, nhận định này có thể thay đổi mà không cần báo trước. Bản báo cáo này có bản quyền và là tài sản của Công ty Cổ phần Chứng khoán Ngân hàng Đầu tư và Phát triển Việt Nam (BSC). Mọi hành vi sao chép, sửa đổi, in ấn mà không có sự đồng ý của BSC đều trái luật. Bất kỳ nội dung nào của tài liệu này cũng không được (i) sao chụp hay nhân bản ở bất kỳ hình thức hay phương thức nào hoặc (ii) được cung cấp nếu không được sự chấp thuận của Công ty Cổ phần Chứng khoán BIDV.

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