



CTD **Flash note** - Not rated

May 20, 2024



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Flash note

Recommendation

Not rated

HSX: CTD

Construction

Target price (VND)

N/A

Market price (VND)

70,7000

Expected share price return

N/A

Expected dividend yield

0%

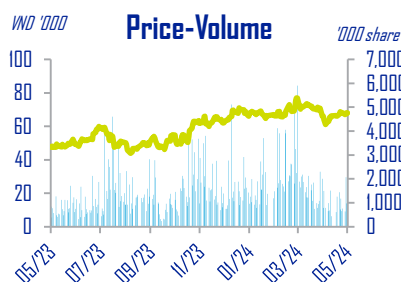
Expected total return

N/A

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-0.9	3.3	1.8	43.9
Relative	-13.4	0.1	-2.7	24.2

Source: Bloomberg



Ownership

Kustocem Pte. Ltd	17.9%
Thanh Cong Business and Investment Ltd.	14.4%
The8th Pte. Ltd.	10.6%

Stock Statistics

17-May-24

Bloomberg code

CTD VN

52-week range (VND)	41,625 - 78,100
Shares O/S (m)	100
Mkt cap (VND bn)	6,815
Mkt cap (USD m)	268
Est.Foreign room left (%)	4.1
Est. free float (%)	66.4
3m avg daily vol (m)	1,755,239
VND/USD	25,473
Index: VNIndex / HNX	1267.27/240.30

COTECCONS CONSTRUCTION JSC (CTD VN)

• In the third quarter of the fiscal year (January 1, 2024 - March 31, 2024), CTD achieved **positive business outcomes**. The company's revenue reached nearly VND4.7 trn (+49% YoY). The construction sector which accounted for 99% of the total revenue recorded revenue of over VND4.6 trn (+49% YoY) mainly from key projects such as LEGO toy factory, VinFast Palace vehicle manufacturing complexes in Hai Phong (phase 3), and Ecopark Sky Forest Residences. After cost deductions, CTD's gross profit was nearly VND221 bn, quadrupling the same period figure of VND56 bn VND. The gross profit margin rose by 3.0 % from 1.7% to 4.7% in the third quarter, largely thanks to the increased contribution of industrial construction projects (which have higher gross profit margins) to the revenue mix.

• **Significantly, CTD posted remarkable after-tax profits of VND105 bn, (+375% YoY).** This was primarily thanks to the non-core operating profit of VND58 bn, following CTD's acquisition of a company operating in the mechanical and electrical (M&E) segment and another specializing in the design and installation of aluminium and glass systems. **We believe these acquisitions will progressively enhance CTD's construction value chain, thereby steadily improving its profit margin.**

• In the first nine months of the fiscal year, CTD reported a net revenue of VND14,450 bn, marking a 16% YoY increase, and an after-tax profit of VND241 bn, a staggering 543% YoY increase, completing of 82% and 89% of the company's annual business plan for revenue and profit after tax, respectively. In April 2024, CTD revised its business targets for 2023/24, raising the projected revenue from the initial VND17,793 bn to a range of VND20,000 - 20,500 bn. The new NPAT plan is set to increase from VND274 bn to approximately VND288 - 296 bn. As per the board of directors, the backlog value was now exceeded VND20 trn, which is 1.40 times higher than the total construction revenue in 2022. **We believe this backlog will provide a solid foundation for CTD's revenue growth in the upcoming years.**

• **Quick comment:** We anticipate that the revival of the real estate sector, facilitated by the prompt enactment of key laws, will stimulate a comprehensive recovery in the construction industry. Furthermore, the steady influx of FDI into Vietnam is expected to boost construction demand of industrial projects from foreign-invested firms. With proven track record and reputation, CTD is poised to seize more opportunities, particularly as it is the sole contractor chosen by LEGO for the mega project valued at USD1.3 bn. Looking ahead, revenue streams from real estate and infrastructure construction projects are set to drive CTD's long-term growth.

	2021	2022	2023	Q1/2023	Q1/2024
Net Sales (VND bn)	9,078	14,539	16,530	3,130	4,666
Growth	-38%	60%	14%		49%
EBITDA (VND bn)	-137	-142	126	-139	122
Growth	N/A	-4%	N/A		N/A
NPATMI (VND bn)	24	21	188	22	105
Growth	-93%	-14%	804%		377%
EPS (bonus-adjusted, VND)	303	263	1,814	183	2,729
Growth	-93%	-13%	590%		1,387%
ROE	0.3%	0.3%	2.3%	0.2%	3.2%
ROIC	-1.2%	-1.3%	0.1%	-1.4%	0.3%
Net debt/EBITDA (times)	20.2	12.7	-31.9	22.0	-15.1
EV/EBITDA (times)	-14.2	-37.0	40.7	-33.5	48.5
PER (times)	115.1	252.3	36.8	410.1	24.9
PBR (times)	0.3	0.6	0.8	0.7	0.8
DPS (VND)	1,000	0	0		
Dividend yield	1%	0	0		

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Our Recommendation System

BUY: Expected prospective total return (including dividends) in VND will be 20% or more within 12 months

OUTPERFORM: Expected prospective total return (including dividends) in VND will be from 10% to 20% within 12 months

NEUTRAL: Expected prospective total return (including dividends) in VND will be from -10% to 10% within 12 months

UNDERPERFORM: Expected prospective total return (including dividends) in VND will be from -20% to -10% within 12 months

SELL: Expected prospective total return (including dividends) in VND will be less than -20% within 12 months

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