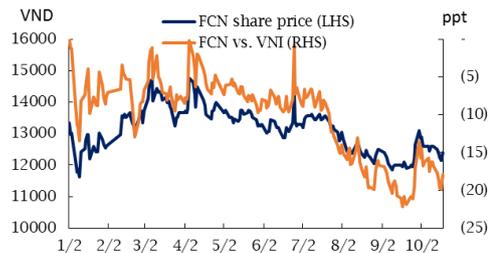


**FCN VN: Not Rated**
**TP upside (downside) N/A**
**Close 28 Oct 2019**

Price VND 12,450  
 12M Target N/A  
 Previous target N/A

**Share price performance relative to VNINDEX**


Source: Bloomberg

Market cap (USD mn)	64
6M ADT (USD k)	160
Outstanding shares (mn)	120
Free float (%)	67
FINI ownership (%)	49.3
Major shareholders (%)	33.5
Asset/equity (x)	2.4
BVPS (VND)	19.124
P/E (x)	4.87
P/B (x)	0.65
EV/EBITDA (x)	5.12
FOL Room (%)	25.7

Source: Bloomberg

**Financial outlook**

Year to Dec	2015	2016	2017	2018
Sales (VND bn)	1,661	2,108	2,320	2,846
EPS (VND)	3,036	3,132	3,019	2,957
ROE (%)	16.5	13.9	12.7	14.8
Div. yield (%)	8.2	8.2	4.1	4.1

Source: FCN, Fiipro

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Bloomberg code: YUTA

**FECON (FCN VN)**
**Investing in wind energy**
**Event**

We visited FCN in Hanoi on Oct 25<sup>th</sup> for an update of their business operations. FCN states that 9M19 revenue reached VND 1,843 bn, +7.6% YoY, while YTD PAT reached VND 151 bn, +20.6% YoY. FCN is investing in a 100MW wind power, to be launched by Nov 2021.

**Our view**

**9M19 preliminary PAT rose by 20.6% YoY to reach VND 151 bn.** This is underpinned by 7.6% YoY revenue growth to reach VND1,843bn. On our calculations, this translates to 3Q19 revenue of VND 771.8 (+7% YoY) and PAT of VND 37.9bn (-35% YoY).

**Potential to miss guidance by c.10%.** FCN set its 2019 guidance for revenue at VND 4,200bn (+43% YoY) and PAT at VND 356bn (+48% YoY). However, in the first three quarters, FCN only fulfilled 44% of its revenue target and 42% of its PAT guidance. FCN said that they may only meet ~90% of full-year guidance for revenues (i.e., VND 3,780 bn, +28.7% YoY) and PAT (i.e., VND 320 bn, +28.6% YoY).

**Backlog reached VND 3,500 bn, up from VND 2,500 bn in 2Q19.** FCN just added VND 137bn in orders to expand its backlog to VND670bn from the Long Son Refinery. Management believes that the backlog from Long Son Refinery may increase by VND 700 bn in 2020. Other recent projects include Celadon City (HCMC, VND 300 bn) and LNG storage facilities in Thi Vai and Mizuki Park.

**Investing in wind energy.** FCN is investing VND 3,510bn (USD 150mn) in a new 100MW wind power project (Vinh Hao 6, Phase 2). Management plans to sell a 60% stake in this project after setting it up. If the project is launched by November 1, 2021, FCN will be entitled to a purchase price of 1.928/kWh (UScents 8.5/kWh) as regulated by Decision 39/2018/QĐ-TTg. In 2Q19, FCN sold a 60% stake in its Vinh Hao 6 50MW solar power plant after its successful launch in 1H19; this sale added VND 45bn to 2Q19 profit.

**Potential risks:** receivables could be a risk among domestic and some FDI counterparties. An inadequate national transmission grid is another concern for the underlying business.

**Our view.** We don't cover FCN and have no investment view on the stock. However, it is trading at a TTM PE of 4.5x, which appears quite reasonable versus construction peers' median of 7.3x. The share price has corrected 18.6% from the recent peak, which could be due to disappointment over the failure to achieve guidance.

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