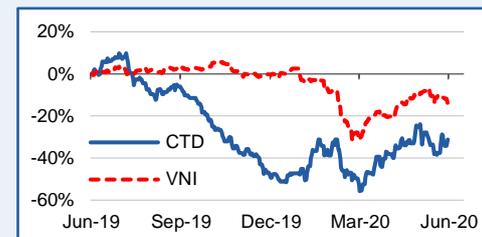


Industry	Construction		2019A	2020F	2021F	2022F
<b>Report Date</b>	<b>June 30, 2020</b>	Rev y/y	-16.9%	-18.7%	-3.8%	-10.6%
Current Price	VND69,600	EPS y/y	-53.4%	-18.9%	-6.0%	-7.9%
Last Target Price	VND52,100	NPAT-MI y/y	-52.9%	-18.9%	-6.0%	-7.9%
Upside to TP	-25.1%	GPM	4.4%	4.4%	4.4%	4.4%
Dividend Yield	4.3%	NPM	3.0%	3.0%	2.9%	3.0%
TSR	-20.8%	P/B	0.6x	0.6x	0.6x	0.6x
Last Rating	MARKET PERFORM	P/E	7.9x	9.7x	10.3x	11.2x



			CTD	Peers	VNI
Market Cap	USD230.9mn	P/E (ttm)	8.7x	8.5x	13.6x
Foreign Room	USD6.9mn	P/B (curr)	0.6x	0.7x	1.8x
ADTV30D	USD2.0mn	Net D/E	-0.4x	0.4x	NA
State Ownership	0.0%	ROE	7.8%	9.3%	13.5%
Outstanding Shares	76.3 mn	ROA	4.2%	2.8%	2.4%
Fully Diluted Shares	76.3 mn				

**Company Overview**

CTD is a well-known private construction contractor in Vietnam. The company has completed projects for both foreign and local developers, carrying out EPC and/or design and build.

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**Management conflicts show signs of de-escalation**

- We attended CTD's annual general meeting (AGM) on June 30, 2020, in HCMC. The attendance of nearly 500 shareholders represented more than 80% of the company's voting rights.
- Shareholders approved 2020 guidance for revenue of VND16tn (USD695.7mn; -33% YoY) and NPAT-MI of VND600bn (USD26.1mn; -16% YoY). This earnings guidance is in line with our expectation as it is equivalent to 104% of our forecast for 2020F NPAT-MI.
- Shareholders approved a FY2019 dividend of VND3,000/share (4.3% yield, based on the current price, which is similar to the previous year's level) and a FY2020 dividend of VND3,000/share.
- Shareholders voted for two new Board of Directors (BOD) members. In our opinion, these changes reflect Kustocem's increased influence on the BOD as well as CTD's business operation for the near future.
- Management shared prelim H1 2020 NPAT-MI of VND280bn (USD12.2mn; -10% YoY), which completed 49% of our 2020 NPAT-MI forecast at VND576bn (USD25.1mn; -19% YoY).

**Management conflicts seemed to de-escalate at the AGM.** Conflicts between CTD's management and Kustocem have been brewing over the last two years, noted by the cancellation of a long-awaited M&A plan for a share swap to own 100% of Ricons during 2019's heated AGM. The two sides continued to act aggressively prior to this year's AGM. Kustocem published a press release on June 2 about convening a CTD extraordinary general meeting (EGM) for the purpose of replacing the current BOD and undertaking a special audit of CTD's business activities related to the issues of conflicts of interest and related party transactions. This release was followed by CTD's press release on June 3 in which the company opposed Kustocem's claims and reiterated its management team's diligence in operating the company. In our point of view, such prolonged conflicts — together with limited disclosure of key information (i.e., for the updated backlog and construction progress of major projects) from CTD over the last six quarters — deepen our concern about CTD's corporate governance. We reflect this concern through a 15% transparency discount on CTD's valuation — the details of which can be found in our last update report, [CTD \[MARKET PERFORM -2.8%\] - COVID-19 expected to hit Q2 performance](#), dated April 22, 2020. We will continue to observe CTD's operation after the changes in the BOD (as stated below) and consider reassessing this transparency discount.

**Shareholders elected two new BOD members, reflecting Kustocem's higher influence on CTD.** Mr. Nguyen Sy Cong (BOD member and CEO) and Mr. Tran Quyet Thang (BOD member) both resigned from their positions in the BOD for the 2017-2022 term. Due to the above resignations, two new members were appointed as BOD members for the 2017-2022 term: Mr. Bolat Duisenov (CEO of Kusto Vietnam) and Mr. Herwig Guido H. Van Hove (CEO of The8th). Kustocem Pte. Ltd. and The8th Pte. Ltd. are major shareholders with respective stakes of 17.6% and 10.4% in CTD, according to CTD's annual report. Such changes in the BOD reflect Kustocem's higher influence on the BOD as well as CTD's business operation for the coming time.

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**Stock ratings** are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
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Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

**Target prices** are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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