

[Vietnam] Construction

December 15, 2021

Coteccons Construction JSC

(Bloomberg: CTD VN Equity)

Back to the race

Buy
(Update)

Target price:
VND108,100
Upside: (+22.4%)

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Recommendation & Risk

We upgrade our recommendation for Coteccons Construction JSC (CTD) to Buy (from Hold), and raise our target price to VND108,100 from the previous VND70,000 (see our report of March 6, 2021 – [Patience will be rewarded](#)). Based on promising signs in project bidding and the stable procedure of corporate re-structuring over this year, we increase the EV/EBITDA multiple to 4.1x and lower the risk premium.

9M21 earnings results

CTD recorded 9M21 revenue of VND6,189bn (-40% YoY) and EBT of VND87bn (-76% YoY). As of December, CTD has successfully tendered 40 contracts for VND25tr. This is a promising sign for the company, after suffering through a long period with a low volume of contract bidding.

Forecast

Due to the severe impact from social distancing measures in 3Q21, we adjust our forecast for 2021 as follows: We lower revenue to VND9,196 (-37% YoY) and gross margin to approximately 4.5% (-1.4% YoY), due to the spike in the commodities prices (especially steel) in 1H21. Moreover, CTD recorded an additional VND55bn in provisioning for AR in 9M21, mostly in 3Q21.

We believe that the worst is over for CTD, and for the construction sector as a whole, as they both bottomed out in 3Q21. Thanks to its robust balance sheet, CTD has the resources to be able to accelerate ahead its competitors.

In 2022, we expect CTD's revenue to grow at a positive rate (+15%), while other one-off items will decline substantially, following the struggles of the past two years.

Key data



Share price (Dec/15/2021, VND)	88,300	Market cap (VND bn)	6,522
NP (21E, VND bn)	124	Shares outstanding (mn)	74
Consensus NP (21E, VND bn)	n/a	Free float (%)	62.6
EPS growth (21E, %)	-56.6%	Foreign ownership (%)	45.9
P/E (21E, x)	48.8x	Beta (12M)	1.0
Market P/E (21E, x)	17.4	52-week low (VND)	52,000
VN-Index	1,476	52-week high (VND)	93,300

Share performance

(%)	1M	6M	12M
Absolute	19.8	41.3	25.6
Relative	19.6	32.7	-13.1

Earnings and valuation metrics

FY()	2018H	2019H	2020H	2021F	2022F	2023F
Revenue (VND bn)	28,561	23,733	14,558	9,172	10,547	12,129
Gross profit (VND bn)	1,833	1,048	856	413	580	667
Gross profit margin (VND bn)	6.4%	4.4%	5.9%	4.5%	5.5%	5.5%
NP (VND bn)	1,510	711	335	134	487	573
EPS (VND)	18,357	8,859	4,164	1,808	6,596	7,755
ROE (%)	19.8%	8.7%	4.0%	1.6%	5.8%	6.6%
P/E (x)	8.7x	5.8x	21.2x	48.8x	13.4x	11.4x
P/B (x)	1.5x	0.5x	0.8x	0.8x	0.8x	0.7x

Source: Company data, Mirae Asset Securities (Vietnam) LLC Research estimates

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9M21 earnings results

As of December, CTD has won 40 contracts, with an approximate value of VND25tr. Some of the more valuable projects include: Opal Skyline Binh Duong (Developer: DXG); Swan Lake Osen (EcoPark); Le Meriden Resort & Spa (IFF Holdings); Hyatt Regency Hồ Tràm (IFF); Urban Green (Kusto); and Dolce Penisola Quang Binh (Onsen Fuji).

No	Project	Developer
1	Dolce Penisola Quang Binh	Onsen Fuji
2	Le Meridien Da Nang	IFF Holding
3	Opal Skyline Binh Duong	Dat Xanh
4	Hyatt Ho Tram	IFF Holding
5	Swan Lake Onsen	Ecopark
6	Urban Green	Kusto
7	Lancaster Duong Lang	TTG Holding
8	BWID Hai Duong	BW Industrial
9	Imperium Nha Trang	Indochine
10	Lancaster Nguyen Trai	TTG Holding
11	Fusion Ho Tram	Lodgis
12	Crystal Place Dong Nai	CaoPhongJSC
13	Giày Apache	Giày Apache
14	International Ha Long Hotel & Resort	BIM
15	Thanh Long Bay Tourism Resort	Nam Group
16	Smart City Tay Mo	VinGroup
17	Other projects	
Value		~VND25tr

Source: Company data, Mirae Asset Vietnam Research

Coteccons Construction JSC

Income statement (Summarized)

(VNDbn)	2020H	2021F	2022F	2023F
Revenue	14,558	9,172	10,547	12,129
Cost of Sales	13,702	8,759	9,967	11,462
Gross Profit	856	413	580	667
Finance Income	228	213	293	291
Interest expense	-	-	-	-
SG&A	656	459	264	243
Operating Profit	401	167	609	716
Operating Profit (Adj)	-	-	-	-
Non-Operating Profit	-	-	-	-
Pretax Profit	428	167	609	716
Income Tax	93	33	122	143
Profit from Continuing Operations	-	-	-	-
Profit from Discontinued Operations	-	-	-	-
Net Profit	335	134	487	573
Controlling Interests	335	134	487	573
Non-Controlling Interests	-	-	-	-
EBITDA	509	255	704	815
FCF	(330)	1,501	233	87
EBITDA Margin (%)	3,5%	2,8%	6,7%	6,7%
Operating Profit Margin (%)	2,8%	1,8%	5,8%	5,9%
Net Profit Margin (%)	2,3%	1,5%	4,6%	4,7%

Balance Sheet (Summarized)

(VNDbn)	2020H	2021F	2022F	2023F
Current assets	12,868	10,392	11,015	11,567
Cash & Cash Equivalents	3,378	4,643	4,627	4,464
Accounts receivables	7,562	4,774	5,201	5,649
Other ST receivables	581	306	352	405
Provisions	(494)	(184)	(200)	(217)
Inventory	1,492	711	873	1,079
Other ST assets	350	141	162	186
Non-current assets	1,290	1,202	1,157	1,158
Fixed-assets	604	516	471	472
Long-term investment	365	365	365	365
Other long-term assets	321	321	321	321
Liabilities	5,759	3,292	3,632	3,862
Short-term payables	3,307	1,920	2,185	2,198
Short-term advances	510	330	380	437
Accrued expenses	1,563	825	819	942
Other liabilities	373	211	243	280
Equity	8,399	8,302	8,539	8,862
Share capital	793	793	793	793
Share premium	3,039	3,039	3,039	3,039
Treasury shares	(520)	(520)	(520)	(520)
I&D Fund	4,667	4,667	4,667	4,667
Retained earnings	365	269	506	829
Non-controlling interest	54	54	54	54
Total Liabilities & Equity	14,157	11,594	12,172	12,724

Cash Flows (Summarized)

(VNDbn)	2020H	2021F	2022F	2023F
Net Profit	335	134	487	573
Non-Cash Income and Expense				
Depreciation & Amortization	108	88	95	99
Provision	-	-	-	-
Others	-	-	-	-
Chg. in Working Capital	662	222	582	671
Chg. in AR & Other Receivables	1,008	2,960	(478)	(508)
Chg. in Inventories	104	781	(162)	(207)
Chg. in AP & Other Payables	(2,077)	(2,467)	341	230
Cash Flows from Op Activities	(567)	1,496	283	187
Chg. in PP&E	3	-	(50)	(100)
Chg. in intangible asset	-	-	-	-
Chg. in other long-term investment	-	-	-	-
Chg. in other long-term assets	-	-	-	-
Cash Flows from Inv Activities	1,654	-	(50)	(100)
Share issuance	-	-	-	-
Share buyback	-	-	-	-
Dividend paid	(229)	(230)	(250)	(250)
Net cash from borrowing/repay debts	-	-	-	-
Cash Flows from Fin Activities	(229)	(230)	(250)	(250)
Net cash change	596	1,266	(17)	(163)
Beginning Balance	801	1,397	2,662	2,646
Ending Balance	1,397	2,662	2,646	2,483

Source: Company data, Mirae Asset Vietnam Research forecasts

Forecasts/Valuations (Summarized)

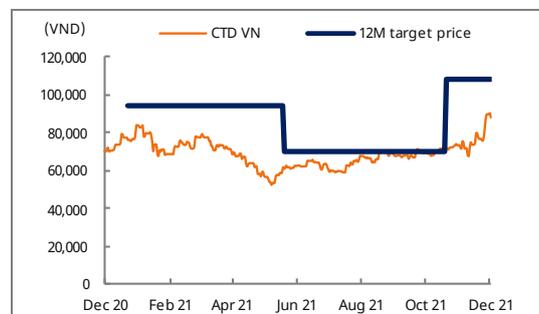
	2020H	2021F	2022F	2023F
P/E (x)	21,2x	48,8x	13,4x	11,4x
P/CF (x)	-	4,4x	23,0x	34,9x
P/B (x)	0,8x	0,8x	0,8x	0,7x
EPS (VND/share)	4,164	1,808	6,596	7,755
CFPS (VND/share)	113,711	112,406	115,617	119,987
BVPS (VND/share)	3,000	3,000	3,000	3,000
DPS (VND/share)				
Dividend yield (%)	30%	30%	30%	30%
Revenue Growth (%)	-38,7%	-37,0%	15,0%	15,0%
EBITDA Growth (%)	-47%	-49,9%	176,0%	15,7%
Gross Margin Growth (%)	-18%	-51,8%	40,6%	15,0%
EPS Growth (%)	-53%	-56,6%	264,8%	17,6%
DSO (days)	200	190	180	170
DPO(days)	18	12	12	12
DIO (days)	42	30	32	34
ROE (%)	4,0%	1,6%	5,8%	6,6%
ROA (%)	2,2%	1,0%	4,1%	4,6%
ROIC (%)	4,0%	1,6%	5,6%	6,3%
Debt/Total Assets (%)	-	-	-	-
Debt/Equity (%)	-	-	-	-
Interest coverage ratio (x)	-	-	-	-
Debt service coverage (x)	-	-	-	-

Appendix 1

Important disclosures and disclaimers

Two-year rating and TP history

Company (Code)	Date	Rating	Target Price
Coteccons Construction JSC (CTD VN Equity)	Dec. 15, 2021	Buy	108,100
Coteccons Construction JSC (CTD VN Equity)	Aug. 9, 2021	Hold	70,000
Coteccons Construction JSC (CTD VN Equity)	Mar. 15, 2021	Buy	94,700



Stock ratings

Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

Sector ratings

Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (—), TP (—), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

* Our investment rating is a guide to the expected return of the stock over the next 12 months.

* Outside of the official ratings of Mirae Asset Daewoo Co., Ltd., analysts may call trading opportunities should technical or short-term material developments arise.

* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.

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