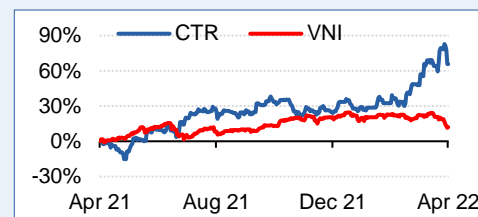


# Viettel Construction (CTR)

# AGM Note

**Industry: Telecom Infrastructure**
**Report Date: April 22, 2022**

Current Price:	VND108,700	Rev y/y	17.2%	2021	2022F	2023F	2024F
Target Price*:	VND115,300	EPS y/y	35.7%	18.3%	18.2%	16.8%	
Upside to TP:	+6.1%	EBITDA y/y	48.7%	42.0%	45.1%	33.2%	
Dividend Yield:	0.9%	NPM	5.0%	5.6%	5.6%	5.9%	
TSR:	+7.0%	EBITDA margin	8.3%	10.0%	12.3%	14.0%	
Rating*	BUY	EV/EBITDA	15.3x	10.8x	7.4x	5.6x	
		P/E	32.1x	24.5x	20.8x	16.9x	



Market Cap:	USD436mn	CTR	VNI
Foreign Room:	USD187mn	P/E (ttm)	30.7x 15.6x
ADTV30D:	USD3.8mn	EV/EBITDA (ttm)	N/A 13.3x
State Ownership:	65.7%	Net D/E	N/A N/A
Outstanding Shares:	93.0 mn	ROE	N/A 15.6%
Fully Diluted Shares:	93.0 mn	ROA	N/A 2.6%

**Company Overview**

Viettel Construction is a subsidiary of Viettel Group — the No. 1 telco in Vietnam. CTR provides construction, operation, system integration and infrastructure leasing services mainly for telecom carriers. CTR is the leading telecom infrastructure leasing company (towerco) in Vietnam.

\* TP & rating last updated March 3, 2022

## Management confident in 2022 outlook

- We attended CTR's AGM in Hanoi on April 22. Our takeaways from the meeting reinforce our optimistic view of CTR's growth outlook, which will be led by its towerco and construction segments. We see no risk to our current forecasts, pending a more extensive review.
- For 2022, CTR guides for PBT growth of 10% YoY vs our forecast of 31% YoY. We note that CTR has a track record of exceeding its profit guidance. In 2021, CTR's PBT surpassed its annual target by 36%. At an analyst meeting in February, CTR stated that its internal PBT growth target is 35% YoY for 2022 (more details can be found in our analyst meeting note, [CTR - Management's guidance beats our expectations](#), dated February 21, 2022).
- The AGM approved a FY2021 cash dividend (to be paid in 2022) of VND1,000/share (yield of 0.9%) and a 100:23.1 stock dividend (100 current shares get 23.1 additional shares), which are slated to be executed in 2022.

### 1. Towerco business

CTR plans to build 2,500 new telecom towers in 2022 vs a total of ~2,500 towers as of YE2021, which would maintain its top towerco position in Vietnam. Going forward, CTR expects to add 2,000-2,500 telecom towers per annum in 2023-2025. In addition to telecom towers, CTR is seeking to expand other telecom assets such as distributed antenna systems (DAS) and fibers.

Per CTR, Vietnam's 5G deployment could start in late 2022 and 2023 after the Government carries 5G spectrum auctions and telcos finalize their 5G commercialization plans. Management believes the 5G rollout will boost CTR's towerco business as 5G enables higher mobile data consumption growth and requires more telecom towers than the current 4G network. According to management, Vietnam's current mobile data consumption per capita is even lower than in less developed markets such as Cambodia and Myanmar, implying ample growth headroom for telecom tower demand and CTR.

Management said CTR could pass its costs on to its clients regarding the current inflation in input costs such as steel prices.

### 2. Construction business

In 2022-2025, CTR will continue to expand its business-to-consumer (B2C) (i.e., for households) and business-to-business (B2B) (e.g., for property developers) construction services. Per management, the total construction market revenue could amount to VND300tn (USD13bn) in

2022, representing huge growth opportunities for CTR. Management expects its residential construction revenue will reach at least VND10tn (USD434mn) by 2025 vs VND850bn (USD37mn) in 2021, per our estimate. CTR also expects the recent crackdowns in the real estate market will improve the transparency of Vietnam's property market, which is positive for the industry's long-term growth outlook and will not affect its construction segment.

In the B2B segment, CTR believes its construction capabilities are on par with leading contractors such as Coteccons (HSX: CTD) and Hoa Binh (HSX: HBC). In fact, management shared that CTR's net profit margins are higher than CTD and HBC.

Meanwhile, backed by its wide presence across Vietnam as well as its expertise in mechanical and electrical (M&E), telecom and digitalization, CTR believes it can tap into the extensive B2C segment in which professional contractors have yet to establish a strong presence. The Government's tighter regulations regarding construction permits will also bolster CTR as the company can provide end-to-end solutions for household clients. Notably, CTR receives upfront payments from B2C clients before carrying projects vs bearing receivables in B2B projects. Management targets CTR to have at least a project in each of 5,000 out of Vietnam's 10,000 communes in 2022.

Moreover, CTR views B2C construction as a first step and a sales channel to provide higher-value services and products such as smart home, furniture, appliance, telecom and maintenance services

Regarding the potential impact of rising construction material prices, CTR said it can mitigate this risk because the company's projects typically have a short development cycle of three months or less, which allows the company to match its contracted rates with its costs.

### 3. System integration business

According to management, the system integration segment's sluggish revenue in Q1 2022 (-47% YoY) was due to fewer solar energy projects. CTR expects the Government's upcoming new purchasing scheme for solar power in Q2 2022 will strengthen this sub-segment. Nevertheless, management expects ICT solutions and smart solutions will bolster its system integration revenue in 2022.

#### CTR's 2022-2023 guidance

VND bn	Official 2022 guidance	2022 internal target*	2023 internal target*
Revenue	8,586	10,000	12,198
PBT	518	635	753
Revenue growth	15%	34%	28%
PBT growth	10%	35%	26%
PBT guidance/VCSC's forecasts	84%	103%	104%

Source: CTR, VCSC compilation. \* Preliminary guidance and internal targets were announced in February 2022. Please find more details in our analyst meeting note, [CTR - Management's guidance beats our expectations](#), dated February 21, 2022.



## VCSC Rating System

**Stock ratings** are set based on projected total shareholder return (TSR), defined as  $(\text{target price} - \text{current price}) / \text{current price} + \text{dividend yield}$ , 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
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
RATING SUSPENDED, COVERAGE TERMINATED	A rating may be suspended, or coverage terminated, if fundamental information is deemed insufficient to determine a target price or investment rating or due to a reallocation of research resources. Any previous investment rating and target price are no longer in effect.

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.

**Risks:** Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.



## Disclaimer

### Analyst Certification of Independence

We, Ha Dao and Nam Hoang, hereby certify that the views expressed in this report accurately reflect our personal views about the subject securities or issuers. We also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

VCSC and its officers, directors and employees may have positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). VCSC may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

Copyright 2013 Viet Capital Securities Company "VCSC". All rights reserved. This report has been prepared on the basis of information believed to be reliable at the time of publication. VCSC makes no representation or warranty regarding the completeness and accuracy of such information. Opinions, estimates and projection expressed in this report represent the current views of the author at the date of publication only. They do not necessarily reflect the opinions of VCSC and are subject to change without notice. This report is provided, for information purposes only, to institutional investors and retail clients of VCSC in Vietnam and overseas in accordance to relevant laws and regulations explicit to the country where this report is distributed, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of VCSC. Please cite sources when quoting.

**UK and European Economic Area (EEA):** Unless specified to the contrary, issued and approved for distribution in the UK and the EEA by VCSC issued by VCSC has been prepared in accordance with VCSC's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the UK only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by VCSC in Australia to "wholesale clients" only. VCSC does not issue or distribute this material to "retail clients". The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of VCSC. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, VCSC will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between VCSC and the customer in advance. **Korea:** This report may have been edited or contributed to from time to time by affiliates of VCSC. **Singapore:** VCSC and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by VCSC in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. VCSC does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of VCSC. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **United States:** This research report prepared by VCSC is distributed in the United States to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Decker&Co, LLC, a broker-dealer registered in the US (registered under Section 15 of Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Decker&Co, LLC in the US shall be borne by Decker&Co, LLC. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if VCSC Broker or Decker&Co, LLC is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Decker&Co, LLC and VCSC is permitted to provide research material concerning investment to you under relevant legislation and regulations.



## Contacts

### Corporate

[www.vcsc.com.vn](http://www.vcsc.com.vn)

#### Head Office

Bitexco Financial Tower, 15th Floor  
2 Hai Trieu Street, District 1, HCMC  
+84 28 3914 3588

#### Transaction Office Nguyen Hue

Vinatex Building, 1st & 3rd Floor  
10 Nguyen Hue Street, District 1, HCMC  
+84 28 3914 3588 (417)

#### Transaction Office Dong Da

9 Nguyen Ngoc Doan,  
Dong Da District, Hanoi  
+84 24 6262 6999

#### Hanoi Branch

109 Tran Hung Dao  
Hoan Kiem District, Hanoi  
+84 24 6262 6999

#### Transaction Office Nguyen Cong Tru

Floor 6B, 236-238 Nguyen Cong Tru Street  
District 1, HCMC  
+84 28 3914 3588 (400)

#### Transaction Office ABS

Sailing Tower, 8th Floor,  
111A Pasteur Street, District 1, HCMC  
+84 28 3914 3588 (403)

### Research

**Research Team:** +84 28 3914 3588  
[research@vcsc.com.vn](mailto:research@vcsc.com.vn)

#### Banks, Securities and Insurance

##### Long Ngo, Associate Director, ext 123

- Truc Ngo, Analyst, ext 116
- Ngoc Huynh, Analyst, ext 138
- Nhan Nguyen, Analyst, ext 139

#### Consumer

##### Nam Hoang, Manager, ext 124

- Ha Dao, Senior Analyst, ext 194
- Ha Huynh, Analyst, ext 185
- Huy Phan, Analyst, ext 173

#### Real Estate and Infrastructure

##### Hong Luu, Senior Manager, ext 120

- Dang Thai, Senior Analyst, ext 149
- Duc Pham, Analyst, ext 174

#### Retail Client Research

##### Duc Vu, Senior Manager, ext 363

- Trung Nguyen, Senior Analyst, ext 129
- Anh Tong, Analyst, ext 363
- Ha Bui, Analyst, ext 364

#### Alastair Macdonald, Head of Research, ext 105

[alastair.macdonald@vcsc.com.vn](mailto:alastair.macdonald@vcsc.com.vn)

#### Macro

##### Luong Hoang, Manager, ext 364

- Nguyen Truong, Senior Analyst, ext 132

#### Oil & Gas and Power

##### Duong Dinh, Senior Manager, ext 140

- Tram Ngo, Manager, ext 135
- Duc Le, Analyst, ext 196

#### Materials and Industrials

##### Vy Nguyen, Manager, ext 147

- Vinh Bui, Analyst, ext 149

### Brokerage and Institutional Sales & Trading

#### Tuan Nhan

##### Managing Director, Brokerage & Institutional Sales & Trading

+84 28 3914 3588, ext 107  
[tuan.nhan@vcsc.com.vn](mailto:tuan.nhan@vcsc.com.vn)

#### Quynh Chau

##### Managing Director Brokerage

+84 28 3914 3588, ext 222  
[quynh.chau@vcsc.com.vn](mailto:quynh.chau@vcsc.com.vn)

#### Dung Nguyen

##### Director Institutional Sales & Trading

+84 28 3914 3588, ext 136  
[dung.nguyen@vcsc.com.vn](mailto:dung.nguyen@vcsc.com.vn)