



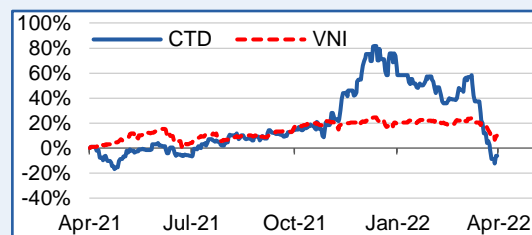
Coteccons (CTD)

Earnings Flash

Industry	Construction		2021	Q1/22	2022F
Report Date	April 29, 2022	Rev y/y	-37.6%	-25.5%	80.3%
Current Price	VND58,000	EPS y/y	-92.7%	-45.8%	12.6x
Target Price*	VND75,700	NPAT-MI y/y	-92.8%	-46.3%	12.6x
Upside	+30.5%	GPM	3.0%	3.5%	4.5%
Dividend yield	1.7%	NPM	0.3%	1.5%	2.0%
TSR	+32.2%	P/B	0.5x	N.M.	0.5x
Rating*	UNDERPERFORM	P/E	177.1x	N.M.	13.0x

Market Cap	USD186.3mn		CTD	Peers	VNI
Foreign Room	USD29.9mn	P/E (ttm)	146.5x	34.1x	15.1x
ADTV30D	USD3.8mn	P/B (curr)	0.5x	1.1x	2.3x
State Ownership	0.0%	Net D/E	-0.4x	0.7x	N/A
Outstanding Shares	73.9 mn	ROE	0.0%	2.8%	15.8%
Fully Diluted Shares	73.9 mn	ROA	0.0%	1.0%	2.6%

Note: * TP and rating last updated February 16, 2022.



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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CTD continues to incur losses at EBIT level

CTD reported weak Q1 2022 results with revenue of VND1.9tn (USD83.2mn; -26% YoY) and NPAT-MI of VND29bn (USD1.3mn; -46% YoY), which were mostly due to 1) slow building progress that have thus resulted in slow revenue recognition, and 1) the high construction cost environment.

Despite improving from Q4 2021, CTD's gross margin remained low at 3.5% in Q1 2022 as the company's profitability continued to be pressured by high construction material and labor costs. SG&A on sales normalized to 4.6% in Q1 2022 vs 6.3% in Q4 2021 as CTD did not record any provision for doubtful receivables in the quarter compared to a VND111.7bn (USD4.9mn) provision booked in Q4 2021. Nevertheless, CTD still incurred a VND22bn (USD1.0mn) loss at the EBIT level.

At the company's AGM in April 25, CTD announced robust Q1 2022 newly-signed contract value of VND10.0tn (USD434.8mn; +4x compared to Q1 2021) vs our full-year 2022 forecast of VND20tn (USD869.6m). However, CTD guides for 2022 NPAT-MI of only VND20bn (USD870,000; -17% YoY) on the back of high construction material prices and as the company will continue to record provision expenses for doubtful receivables. Per management, the expected provision expenses in 2022 are estimated at VND95bn (USD4.1mn). If adding back this amount, CTD's 2022 NPAT-MI guidance would be VND115bn (USD5.0mn).

As CTD's Q1 2022 earnings trail our forecast, we anticipate downside risk to our earnings forecast for CTD as noted in our latest [Update Report](#), dated February 16, 2022, pending a fuller review.

Figure: CTD's Q1 2022 results

VND bn	Q1 2021	Q4 2021	Q1 2022	YoY Growth	QoQ Growth	2022F	Q1 as % of 2021F	2022G
Revenue	2,569	2,898	1,913	-26%	-34%	16,382	12%	15,010
Gross profit	120	-3	67	-44%	N.M.	737	9%	
SG&A expenses	-120	-184	-89	-26%	-52%	-573	15%	
EBIT	0	-187	-22	N.M.	N.M.	164	N.M.	
Net financial income	67	75	64	-5%	-15%	224	28%	
Net other income	7	41	2	-68%	-94%	23	10%	
Shares of profit of associates	-5	-8	-5	8%	-37%	0	N.M.	
PBT	69	-79	39	-44%	N.M.	411	9%	
NPAT-MI	54	-63	29	-46%	N.M.	329	9%	20
Gross margin	4.7%	-0.1%	3.5%			4.5%		
SG&A exp./Sales	4.7%	6.3%	4.6%			3.5%		
EBIT margin	0.0%	-6.4%	-1.1%			1.0%		
NPAT-MI margin	2.1%	-2.2%	1.5%			2.0%		

Source: CTD's Q1 2022 financial statements, VCSC forecast (dated February 16, 2022)

VCSC Rating System

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.

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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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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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