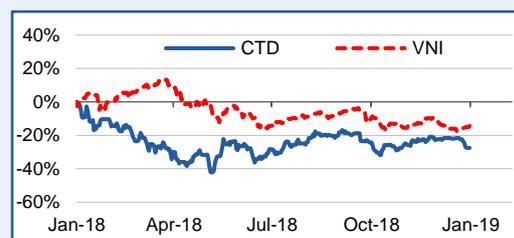


Industry	Construction		2017	2018
Report Date	Jan. 21, 2019	Rev y/y	30.7%	5.1%
Current Price	VND149,400	EPS y/y	6.1%	-10.2%
Last Target Price	VND160,000	GPM	7.4%	6.4%
Upside	+7.1%	NPM	6.1%	5.3%
Dividend yield	3.3%	EV/EBITDA	3.7x	4.1x
TSR	+10.4%	P/Op CF	9.8x	N/M
Rating	MARKET PERFORM	P/E	7.5x	8.1x



			CTD	Peers	VNI
Market Cap	\$489.3mn		8.1x	7.9x	15.9x
Foreign Room	\$7.7mn	P/E (ttm)	1.5x	1.1x	2.4x
ADTV30D	\$1.7mn	P/B (curr)	-0.6x	0.5x	N/A
State Ownership	0.0%	Net D/E	19.0%	15.0%	14.8%
Outstanding Shares	75.3 mn	ROE	9.0%	4.8%	2.4%
Fully Diluted Shares	76.4 mn	ROA			

Company Overview

CTD is the largest 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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Weak Q4 results on backlog slowdown and low margin

CTD announced Q4 2018 results which trailed our forecast. Net revenue fell by 13% YoY and gross margin contracted sharply to only 5.2%, the lowest quarterly level on record. We are seeking further details from the company's management regarding this weak Q4 performance.

For full-year 2018, net revenue rose 5% YoY to reach VND28.6tn (USD1.2bn) and NPAT-MI dropped by 9% to VND1.5tn (USD65.7mn). This result matched CTD management guidance for 2018, which set revenue at VND28tn (USD1.22bn, +3% vs 2017) and NPAT-MI at VND1.5tn (USD65.2mn, -9% vs 2017).

We attribute the fewer contracts signed during the period to slower new project launches in the housing market. CTD's backlog stood at VND22.1tn (USD959mn) as of the end of Q3 2018, down -14% YoY (further details on current backlog are not yet available).

Figure: CTD's 2018 results

VND bn	Q4 2017	Q4 2018	Growth	2017	2018*	Growth	2018F	% of 2018F
Revenue	8,992	7,824	-13.0%	27,177	28,561	5.1%	29,814	96%
Gross profit	593	409	-31.0%	2,040	1,833	-10.1%	1,989	92%
SG&A expenses	-123	-120	-2.3%	-395	-505	28.0%	-566	89%
EBIT	558	366	-34.3%	1,970	1,649	-16.3%	1,422	116%
Net financial income	88	78	-11.3%	325	321	-1.2%	348	92%
Net other income	-6	6	N/M	59	127	115.5%	128	99%
Shares of profit of associates	20	26	31.3%	32	98	208.2%	127	77%
PBT	571	398	-30.3%	2,061	1,873	-9.1%	2,025	92%
NPAT-MI	462	319	-31.0%	1,653	1,510	-8.6%	1,620	93%
<i>Gross margin</i>	6.6%	5.2%		7.5%	6.4%		6.7%	
<i>SG&A exp./Sales</i>	1.4%	1.5%		1.5%	1.8%		1.9%	
<i>EBIT margin</i>	6.2%	4.7%		7.2%	5.8%		4.8%	
<i>NPAT-MI margin</i>	5.1%	4.1%		6.1%	5.3%		5.4%	

(*) unaudited. Source: CTD financial statements, VCSC forecast

CTD also successfully bought 2.72 million treasury shares at an average purchase price of VND159,154 per share during December 12, 2018 to January 10, 2019, which increased total treasury shares to 2.88 million (equivalent to 3.7% of CTD's total current shares).

VCSC Rating and Valuation Methodology

Absolute, long term (fundamental) rating: The recommendation is based on implied total return for the stock defined as $(\text{target price} - \text{current price}) / \text{current price} + \text{dividend yield}$, and is not related to market performance.

RATING	DEFINITION
BUY	Total stock return including dividends over next 12 months expected to exceed 20%
OUTPERFORM (O-PF)	Total stock return including dividends over next 12 months expected to be positive 10%-20%
MARKET PERFORM (M-PF)	Total stock return including dividends over next 12 months expected to be between negative 10% and positive 10%
UNDERPERFORM (U-PF)	Total stock return including dividends over next 12 months expected to be negative 10%-20%
SELL	Total stock return including dividends over next 12 months expected to be below negative 20%
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