

22/05/2024

RECOMMENDATION	BUY
Fair price	87,500
Current price	71,800
Upside/downside	21.9%

STOCK INFORMATION

Outstanding shares (mil)	99.93
Free float (mil)	48.1%
Market cap. (billion VND)	7,285
3m avg. volume (shares)	1,776,807
Foreign ownership (%)	44.98%
First listing date	20/01/2010

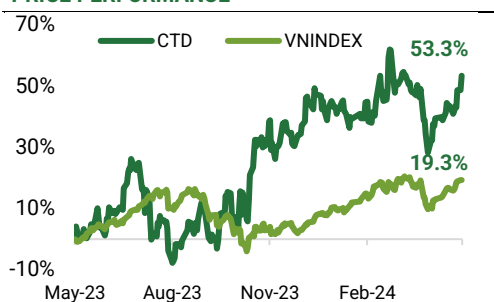
SHAREHOLDER STRUCTURE

Kustoshem Pte Ltd.	18.6%
Thanh Cong Ltd.	14.9%
The 8th Pte., Ltd.	11.0%
Vinacapital Vietnam Opportunity Fund Ltd.	5.2%
Others	50.27%

KEY ATTRIBUTES

TTM EPS (VND)	2,848
BVPS (VND)	85,252
Debt/Equity (%)	17.62%
ROA (%)	1.32%
ROE (%)	3.23%
P/E	32.85
P/B	0.86
Dividend yield (%)	-

PRICE PERFORMANCE



COMPANY PROFILE

Coteccons Construction Joint Stock Company (HSX: CTD) stands as one of Vietnam's premier construction contractors, excelling in a wide range of projects spanning residential, industrial, commercial, resort, and educational sectors.

RESEACH DIVISION

Nguyen Cuu Minh Danh – Equity analyst

danhnguyen@phs.vn

Nguyen Nam Son - Supervisor

sonnguyenam@phs.vn

THE PIVOT YEAR

- CTD is strategically focused on adopting new construction technologies and advanced building techniques, including the development of green infrastructure that meet LEED and LOTUS standards.
- The company is effectively capitalizing the wave of FDI in Vietnam by shifting towards industrial infrastructure construction amidst challenges in the residential construction sector.
- CTD's capability in constructing green buildings aligns with the current ESG investment trends, providing a significant competitive edge.
- GPM is expected to hit its lowest point and gradually improve.

Investment thesis:

- (1) Pioneering of construction green project in VietNam:** CTD is a front-runner in developing green buildings and industrial infrastructure that comply with LEED and LOTUS standards, with 46 projects certified, representing 23% of the national total projects (Data as of Sep 2023).
- (2) The most beneficiary of new FDI wave in the South of Vietnam:** CTD has effectively capitalized on the wave of FDI in Vietnam by timely shifting to industrial infrastructure construction. According to CTD, revenue from FDI clients grew by over 50% in 23A. The industrial infrastructure segment's contribution to total revenue surged to 35% in 2023, a significant increase from 14% in 2022.
- (3) Gross profit margin expected to bottom out:** With the increasing contribution from higher-margin industrial activities, we anticipate CTD's gross profit margin will improve from 3.39% in Q3 2024 to 3.47% in 2024, and gradually reach 3.77% by 2027F. Furthermore, the margin is likely to benefit from CTD's efforts to complete its construction ecosystem. In Q3 2024, company finalized the acquisition of two companies specializing in M&E and aluminum-glass system installations.

Valuation & Recommendation: Applying the DCF valuation method, we estimate CTD's fair value at **87,500 VND per share, representing a 21.9% upside potential.** Our valuation model excludes real estate operations due to their minor contribution to total revenue and uncertain project timelines and profitability.

Risks: (i) Slow recovery of the domestic real estate market; (2) A risk of global downturn could reduce FDI inflows into Vietnam; (3) A potential rise in difficult-to-collect receivable.

Financial Results	2021A	2022A	2023A	2024F	2025F
Net revenue (VND bn)	9,078	14,537	6,744	19,476	19,151
Net profit (VND bn)	24	21	52	283	316
Gross profit margin (%)	3.03%	3.35%	2.32%	3.47%	3.57%
Net profit margin (%)	0.27%	0.14%	0.77%	1.46%	1.65%
ROA (%)	0.17%	0.13%	0.93%	1.31%	1.44%
ROE (%)	0.29%	0.25%	2.26%	3.32%	3.53%
Cash dividend (%)	10%	-	-	-	-