

Coteccons Construction JSC

(CTD VN)

Unrated
(Update)

Challenges awaiting ahead

Mirae Asset Securities (Vietnam) JSC

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FY24 earnings results

Coteccons Construction JSC (CTD) reported FY24 revenue of VND21,045bn, a hefty increase over FY23 (+30.8% YoY), as its workload grew and business continued to expand. Moreover, gross margin improved from 2.3% to 3.4%, as building materials have continued to cool over the year.

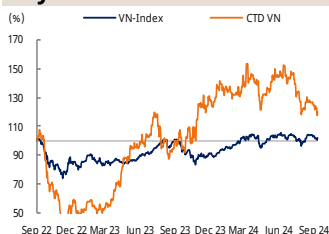
The combination of revenue growth and increasing gross margin resulted in a 97% YoY surge in gross profit to VND712bn. On the other hand, the company also reported provisioning of VND251bn (+20% YoY). We view the company's policy of increased provisioning in good times to avoid dramatic increases in bad times as prudent. In other words, returns are smoother and less volatile over the years. As a result, NPAT increased substantially to VND299bn (473% YoY).

FY25: Outlook, risk & valuation

Outlook: The company is being rewarded with encouraging results after years of restructuring, as revenue and profit have grown robustly, albeit with difficulties. However, challenges still loom for residential builders, as Vietnam's real estate market has yet to rebound. In our view, CTD sustaining its workload and earnings at this level, or enjoying modest growth, would be an encouraging outcome. As a result, we expect the company to see revenue growth from 0 to 10% and post moderate net earnings of 7.4% for FY25. We maintain our view that CTD's fundamentals remain robust and the outlook is relatively bright, although challenges await.

Risks: Provisioning for receivables: Provisioning grew at a faster pace than we had forecast. However, as long as receivables remain well managed by the BOD and the balance sheet continues to improve, we do not see this as a big risk, as provisioning is unavoidable in the construction industry. We are more concerned about the financial assets of VND292bn. Although the absolute value is minor relative to total assets, a market downturn could have a negative impact on reported earnings.

Key data



Share price (Sep/17/2024, VND)	60,300	Market cap (VND bn)	6,026
NP (25E, VND bn)	321	Shares outstanding (mn)	100
Consensus NP (25E, VND bn)	NA	Free float (%)	66.4
EPS growth (25E, %)	0	Foreign ownership (%)	48.5
P/E (25E, x)	17.2	Beta (12M)	1.5
Market P/E (24, x)	14.8	52-week low (VND)	45,000
VN-Index	1259	52-week high (VND)	78,100

Share performance

(%)	1M	6M	12M
Absolute	-5.0	-16.0	14.4
Relative	-5.6	-14.6	12.3

Earnings and valuation metrics

FY	2022H	2023H	2024H	2025F	2026F	2027F
Revenue (VND bn)	14,537	16,088	21,045	22,729	25,115	27,627
Gross profit (VND bn)	487	361	713	909	1,080	1,243
Gross profit margin	3.3%	2.3%	3.4%	4.0%	4.3%	4.5%
NP (VND bn)	21	67	299	321	448	562
EPS (VND)	280	914	3,216	3,217	4,487	5,623
ROE (%)	0.3%	0.6%	3.6%	3.7%	4.9%	5.8%
P/E (x)	227.5x	90.0x	19.8x	17.2x	12.3x	9.8x
P/B (x)	0.6x	0.6x	0.6x	0.6x	0.6x	0.6x

Source: Company data, Mirae Asset Vietnam Research

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FY24 earnings results

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The combination of revenue growth and increasing gross margin resulted in a 97% YoY surge in gross profit to VND712bn. On the other hand, the company also reported provisioning of VND251bn (+20% YoY). We view the company's policy of increased provisioning in good times to avoid dramatic increases in bad times as prudent. In other words, returns are smoother and less volatile over the years. Thus, we view receivables as well managed overall (e.g., the receivable of Hoi An South Development Ltd. has been declined from ~VND1,000bn to VND175bn over the last two years). As a result, NPAT increased substantially to VND299bn (473% YoY).

FY25: outlook, risk & valuation

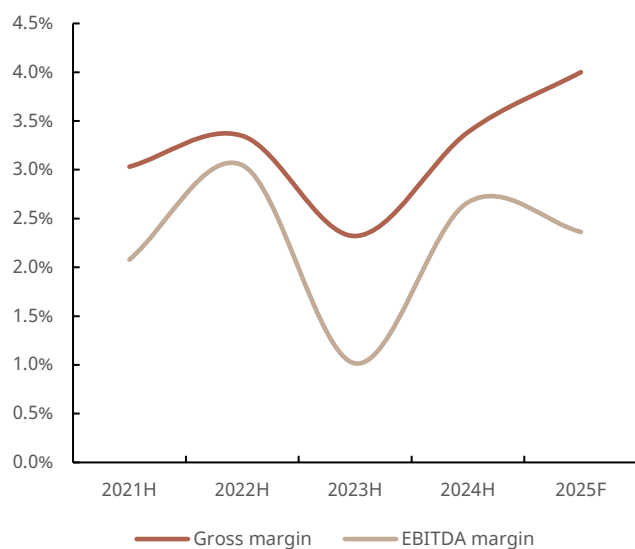
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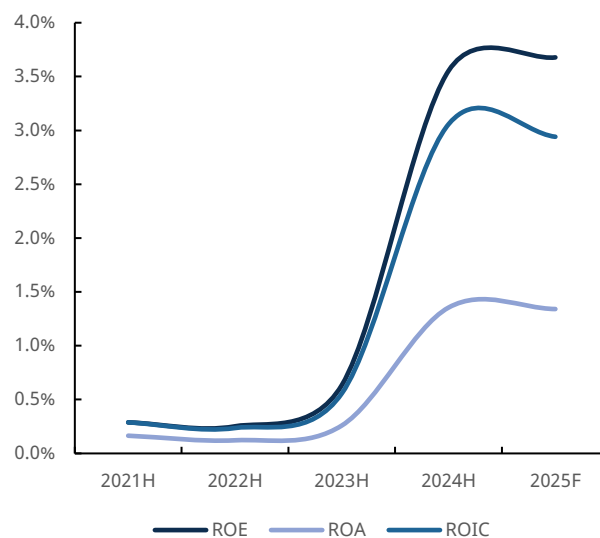
- For FY25, we forecast revenue and NPAT of the parent at VND22,729bn (8% YoY) and VND321bn (+7.4% YoY), respectively, with EPS at VND3,217 (0%).
- Gross margin is expected to return to normal levels (from 2.3% to 4%), thanks to higher gross profits from major clients, as well as the company's well-managed expenses.
- We maintain our view that CTD's fundamentals remain robust and the outlook is relatively bright, although challenges await.

Risk

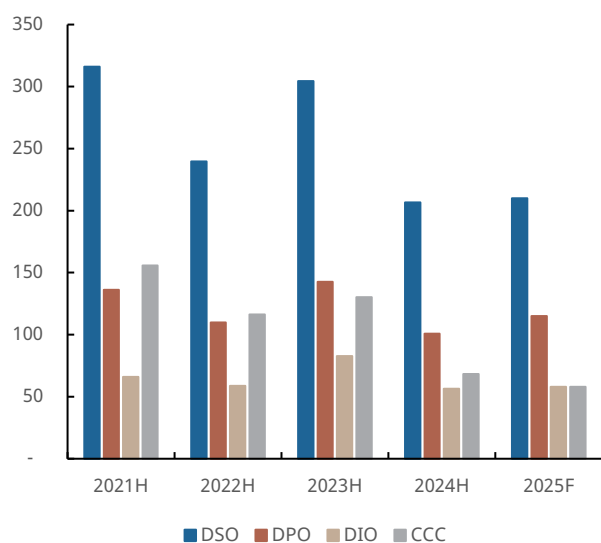
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- We are more concerned about the financial assets of VND292bn. Although the absolute value is minor relative to total assets, a market downturn could have a negative impact on reported earnings.

Figure 1: Operating margins

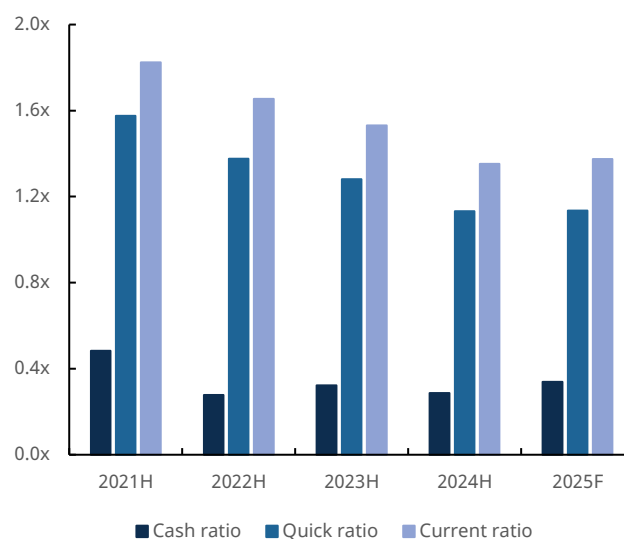
Source: Company data, Mirae Asset Vietnam Research

Figure 2: Profitability ratios

Source: Company data, Mirae Asset Vietnam Research

Figure 3: Management ratios

Source: Company data, Mirae Asset Vietnam Research

Figure 4: Liquidity ratios

Source: Company data, Mirae Asset Vietnam Research

Coteccons Construction JSC

Income statement (Summarized)

(VNDbn)	2024H	2025F	2026F	2027F
Revenue	21,045	22,729	25,115	27,627
Cost of Sales	20,333	21,820	24,035	26,384
Gross Profit	713	909	1,080	1,243
Finance Income	280	214	246	302
Interest expense	105	153	138	152
SG&A	580	568	628	691
Operating Profit	307	402	560	702
Other Profit	80	-	-	-
Pretax Profit	387	402	560	702
Income Tax	88	80	112	140
Net Profit	299	321	448	562
Controlling Interests	299	321	448	562
Non-Controlling Interests	-	-	-	-
EBITDA	561	537	655	763
FCFF	234	730	433	185
Gross margin (%)	3.4%	4.0%	4.3%	4.5%
Operating Profit Margin (%)	1.5%	1.8%	2.2%	2.5%
Net Profit Margin (%)	1.4%	1.4%	1.8%	2.0%

Balance Sheet (Summarized))

(VNDbn)	2024H	2025F	2026F	2027F
Current Assets	20,456	22,771	24,554	26,825
Cash & Equivalents	2,210	2,717	3,290	3,634
ST investment	1,868	2,204	2,204	2,204
Short term receivables	12,246	13,077	13,762	15,138
Other short-term receivables	1,210	1,868	2,064	2,271
Provision	(1,432)	(1,546)	(1,671)	(1,810)
Inventories	3,126	3,467	3,819	4,192
Other current assets	1,228	984	1,087	1,196
Non-current Assets	2,373	2,347	2,346	2,354
Long term receivables	699	699	699	699
Fixed assets	456	430	429	436
Other long-term assets	1,218	1,218	1,218	1,218
Liabilities	14,248	16,216	17,550	19,266
Short term payables to suppliers	6,125	6,875	7,244	7,951
Short-term advances from customers	2,387	3,736	4,129	4,541
Short term accrued expenses	3,159	2,391	2,634	2,891
Other short-term payables	1,032	1,492	1,644	1,804
Total debts	1,540	1,718	1,896	2,074
Equity	8,581	8,900	9,348	9,910
Charter capital	1,036	1,036	1,036	1,036
Share premium	2,880	2,880	2,880	2,880
Treasury shares	(445)	(445)	(445)	(445)
I&D Fund	4,419	4,419	4,419	4,419
Retained earnings	688	1,009	1,458	2,019
Total Assets	22,829	25,116	26,898	29,176

Cash Flows (Summarized)

(VNDbn)	2024H	2025F	2026F	2027F
EBT	387	402	560	702
Dep & Amor	43	82	77	72
Provision	306	114	126	138
Profit from investing activities	(239)	(214)	(246)	(302)
Interest expense	92	153	138	152
Changes in operating assets and liabilities	590	537	655	763
Changes in receivables	(1,774)	(1,245)	(984)	(1,691)
Changes in inventories	201	(341)	(352)	(373)
Changes in payables	1,181	1,790	1,155	1,538
Changes in Held for Trading securities	(6)	-	-	-
Interest paid	(87)	(153)	(138)	(152)
Corporate income tax paid	(80)	(80)	(112)	(140)
Changes in other operating items	(1)	-	-	-
Net cash generated by operating activities (CFO)	24	508	224	(56)
Net Capex	(527)	(57)	(76)	(79)
Net (payment)/collection from banks	651	(336)	-	-
Net investment in other entities	(199)	-	-	-
Interest and dividends received	314	214	246	302
Net cash generated by investing activities (CFI)	240	(179)	170	223
Issuance of share/Shares buyback	7	-	-	-
Net debt issuance/(repayment)	57	178	178	178
Dividend paid	-	-	-	-
Net cash generated by financing activities (CFF)	63	178	178	178
Changes in cash & equivalents	328	507	572	345
Beginning cash	1,883	2,210	2,717	3,290
Ending cash	2,210	2,717	3,290	3,634

Forecasts/Valuations (Summarized)

	2024H	2025F	2026F	2027F
P/E (x)	19.8x	17.2x	12.3x	9.8x
P/B (x)	0.6x	0.6x	0.6x	0.6x
EPS (VND/share)	3,216	3,217	4,487	5,623
BVPS (VND/share)	115,316	85,877	90,204	95,626
Revenue Growth (%)	30.8%	8.0%	10.5%	10.0%
EBITDA Growth (%)	719%	-4.3%	22.0%	16.4%
Gross profit growth (%)	97.2	27.6%	18.8%	15.1%
EPS Growth (%)	252%	0.0%	39.5%	25.3%
DSO (days)	207	210	200	200
DIO (days)	56	58	58	58
DPO (days)	101	115	110	110
ROE (%)	3.6%	3.7%	4.9%	5.8%
ROA (%)	1.4%	1.3%	1.7%	2.0%
ROIC (%)	3.1%	2.9%	3.9%	4.7%
Debt/Total Assets (%)	7%	7%	7%	7%
Debt/Equity (%)	18%	19%	20%	21%
Interest coverage ratio (x)	2.0x	2.2x	3.3x	3.6x
Debt service coverage (x)	0.3x	0.2x	0.3x	0.4x

Source: Company data, Mirae Asset Vietnam Research forecasts