

Coteccons (CTD)

Seize opportunities, rise to the top

Analyst Nguyen Duong Nguyen
nguyenn1@kbsec.com.vn
(+84) 24-7303-5333

December 13, 2024

In 1QFY25, CTD's NPAT reached VND93 billion (+39% YoY)

The key drivers for NPAT growth in 1QFY25 include: (i) a 189bps YoY increase in gross profit margin, driven by new projects with better margins post-restructuring, particularly foreign-backed industrial construction ones, and (ii) no provisions made during the period (compared to VND30 billion in 1QFY24).

Backlog is expected to continue expanding, supported by the recovery of the real estate market

Industrial construction, with its high gross profit margin and low risk of unpaid receivables from FDI-invested developers, will remain a major growth catalyst for CTD in the medium to long term. In 2025–2026, we expect a significant increase in the civil construction backlog as the real estate market gradually recovers. We believe CTD can capitalize on this opportunity to grow its backlog from real estate developers, especially as other contractors face financial difficulties. KBSV estimates CTD's revenue to grow by 20.6%/8.7% YoY in FY25/FY26.

EBIT of core business operations are projected to grow by 274%/27% in FY25/FY26

KBSV forecasts CTD's gross profit margin will reach 4.3%/4.5% in FY25/FY26, fueled by: (i) a higher revenue contribution from new projects and (ii) optimized construction costs following the merger with UG M&E and Sinh Nam Metal. Provisions are estimated at 0.3% of revenue (compared to 1.2% in FY24).

The Emerald 68 is scheduled to launch sales in 1Q2025

We anticipate that The Emerald 68 will contribute VND377 billion in profit to CTD during FY26–FY27.

We recommend BUY for CTD with a target price of VND85,500/share

We recommend BUY for CTD with a target price of VND85,500/share, offering an expected return of 29.3% from the closing price on December 13, 2024.

Buy maintain

Target price VND85,500

Upside	29.3%
Current price (Dec 13, 2024)	VND 66,100
Consensus target price	VND 86,600
Market cap (VNDtn/USDbn)	6.6/0.3

Trading data

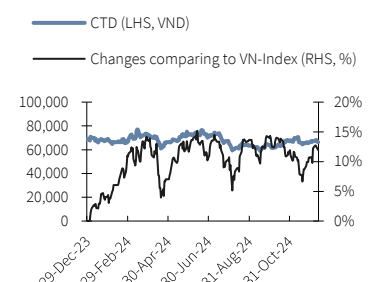
Free float	58.2%
3M avg trading value (VNDbn/USDmn)	50.1/2.0
Foreign ownership	49.0%
Major shareholder	Kustocem (17.9%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	-5.7	8.0	-9.4	6.6
Relative	-7.4	6.7	-6.8	-7.2

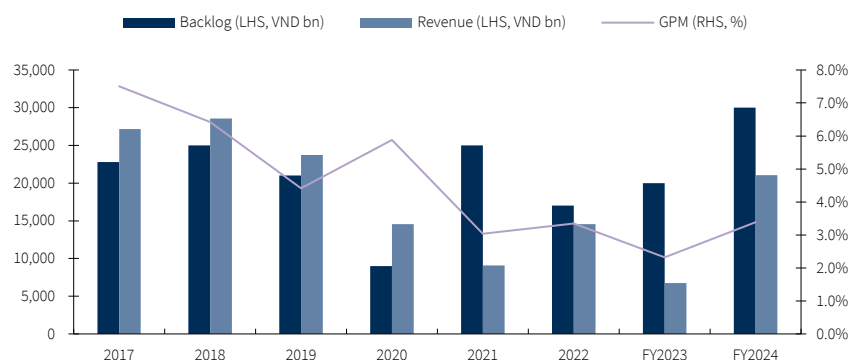
Forecast earnings & valuation

FY-end	FY2023	FY2024	FY2025	FY2026
Net revenue (VNDbn)	6,744	21,045	25,441	27,649
Operating income/loss (VNDbn)	69	306	590	830
NPAT-MI (VNDbn)	52	310	470	664
EPS (VND)	663	2,987	4,531	6,404
EPS growth (%)	152%	351%	52%	41%
P/E (x)	78.0	23.5	14.7	10.4
P/B (x)	0.5	0.9	0.8	0.7
ROE (%)	0.6%	3.7%	5.4%	7.1%
Dividend yield (%)	0.0%	0.0%	1.5%	0.0%



Source: Bloomberg, KB Securities Vietnam

CTD – Backlog, revenue, gross profit margin (VNDbn, %)



Source: Cotecons Construction, KB Securities Vietnam

Business operation

Cotecons Construction (CTD) is a leading player in Vietnam's construction sector, specializing in the execution of civil, industrial, and infrastructure projects. CTD's construction expertise is proven through its partnerships with prominent domestic and international investors, including Vinhomes, VinFast, Lego, and others.

Investment Catalysts

Revenue should expand by 20.6%/8.7% YoY in FY25/FY26. Growth drivers include: (i) an expected FY24 backlog of VND30,000 billion; (ii) a stable backlog from industrial construction; and (iii) increased civil construction activity driven by the recovery of the real estate sector.

EBIT are projected to grow by 274%/27% in FY25/FY26. Core business operations are forecast to maintain robust growth on: (i) gross profit margin of 4.3%/4.5% and (ii) provisions accounting for 0.3% of revenue in FY25/FY26.

The Emerald 68 is scheduled to launch sales in 1Q2025. KBSV estimates that The Emerald 68 will contribute VND377 billion in profit to CTD during FY26–FY27.

Notes

Please find more details below

Please find more details below

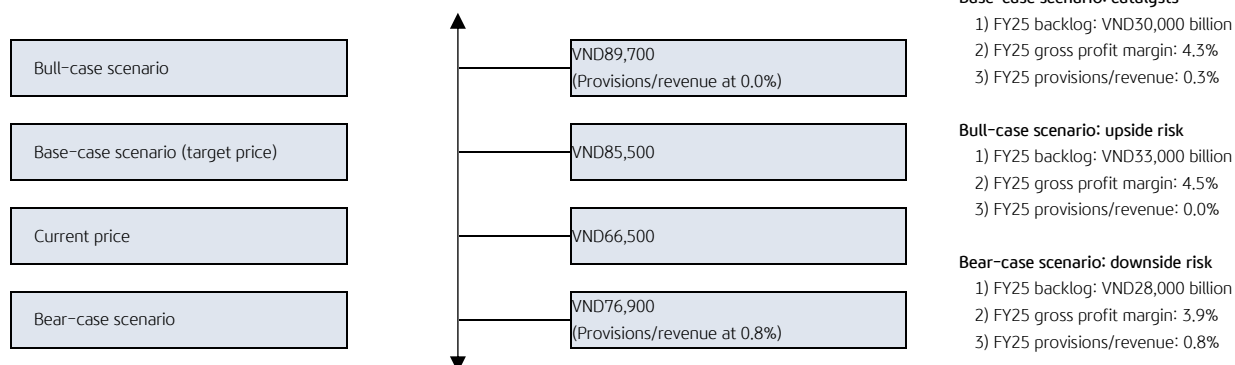
Please find more details below

Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	25,441	27,649	8.0%	–	25,113	26,763	1.3%	3.3%
EBIT	490	623	150.0%	–	482	627	1.6%	–0.6%
NP after MI	470	664	39.8%	–	507	607	–7.3%	9.4%

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



Business performance

Table 1. CTD – 1QFY25 business performance

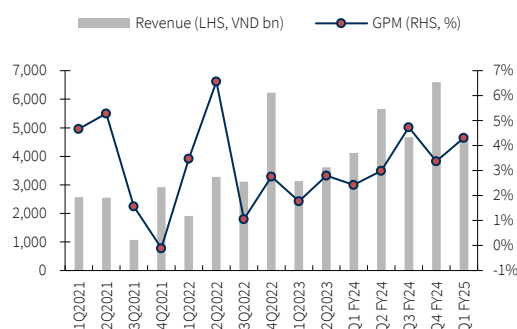
(VNDbn)	1QFY24	1QFY25	+/-%YoY	Notes
Revenue	4,124	4,759	15.4%	
Construction	4,117	4,665	13.3%	Construction revenue was up 13.3% thanks to a strong backlog from previous periods.
Material distribution	0	77		Driven by revenue from CTD Materials subsidiary
Equipment & office leasing	7	17	131.3%	
Gross profit	100	205	105.0%	
Gross profit margin	2.4%	4.3%	189 bps	Construction margin rose by 160bps YoY in 1QFY25 thanks to a higher revenue contribution from post-handover projects compared to previous projects.
Financial income	101	71	-30.1%	
Financial expenses	-32	-39	20.0%	Financial expenses increased by 20% due to a 182% rise in short-term debt at the end of 1Q FY25 compared to the same period last year (excluding long-term debt reclassified as short-term debt).
Profits from affiliates	0	0		
SG&A	-83	-118	42.5%	CTD reversed a VND2 billion provision for customer bad debts in the period. Meanwhile, personnel expenses tripled following the merger with UG M&E and Sinh Nam Metal.
Operating income/loss	86	119	38.1%	
Other income	0	-3		
Profit before tax (PBT)	86	117	35.2%	
Net profit after tax (NPAT)	67	93	39.5%	Fulfilled 22% of the full-year target
NP after MI (NPAT-MI)	67	93	39.5%	
NPAT-MI margin	1.6%	2.0%	34 bps	

Source: Cotecons Construction, KB Securities Vietnam

CTD's restructuring efforts proved successful, with a focus on industrial construction, especially FDI-backed projects

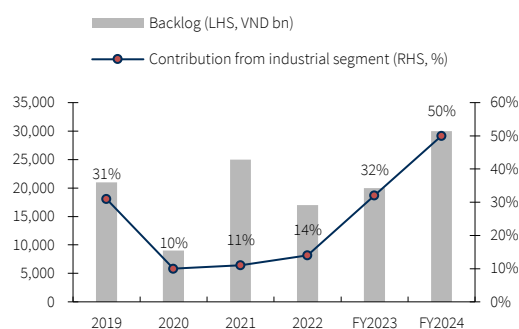
Based on our observations, two key factors have driven the success of CTD's restructuring plan: (i) a strategic focus on industrial construction, particularly FDI-backed projects, and (ii) a proactive approach to managing potential bad debts. Industrial projects typically offer higher gross profit margins than residential and resort real estate developments, resulting in improved and more stable profitability for CTD (Figure 2). Furthermore, working with financially stable foreign investors helps mitigate the risk of accumulating accounts receivable for CTD.

Fig 2. CTD – Revenue, gross profit margin (VNDbn, %)



Source: Cotecons Construction, KB Securities Vietnam

Fig 3. CTD – 2019A-FY24 backlog



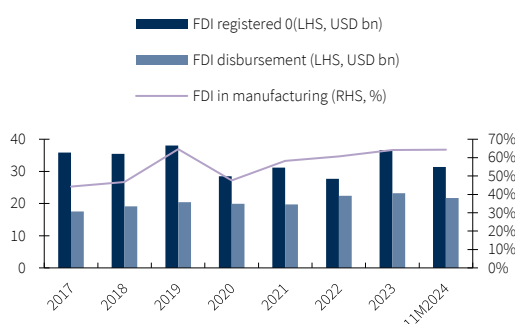
Source: Cotecons Construction, KB Securities Vietnam

Industrial construction is expected to remain the primary growth catalyst in the medium to long term

For 11M2024, registered FDI capital reached USD31.3 billion (+1% YoY), with the manufacturing and processing sector accounting for 64% of the total investment value. According to data from the General Statistics Office (GSO), the disbursement rate of FDI capital from 2017 to the present has only reached 56%. Assuming no adjustments to the undisbursed capital, this implies that approximately USD75 billion could be disbursed into the manufacturing and processing sector in the future (with an average of 64% of registered FDI capital allocated to this sector). Although FDI inflows may slow in the near term, we expect the demand for industrial construction to remain high in 2025–2026, ensuring a stable backlog for construction companies. Additionally, with trade policies targeting China, Vietnam is expected to benefit from the trend of foreign companies diversifying and relocating their manufacturing plants.

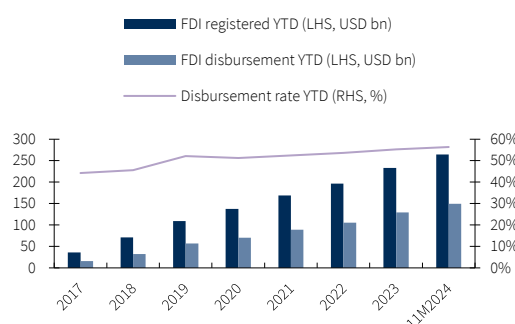
In the long term, we believe Vietnam will remain an attractive destination in the global supply chain due to its low labor costs, a young and well-trained workforce, numerous free trade agreements (FTAs), and rapidly improving infrastructure. KBSV expects the industrial construction sector to continue being a key growth driver for CTD in the long term, due to: (i) proven expertise through contracts with prominent investors such as Lego, Suntory Pepsico, and others, and (ii) the company's ability to meet ESG standards in its construction activities.

Fig 4. Vietnam – Registered & disbursed FDI (USDbn)



Source: General Statistics Office, KB Securities Vietnam
The industrial sector represents 64% of Vietnam's registered FDI capital.

Fig 5. Vietnam – Registered & disbursed FDI, disbursement rate (USDbn, %)

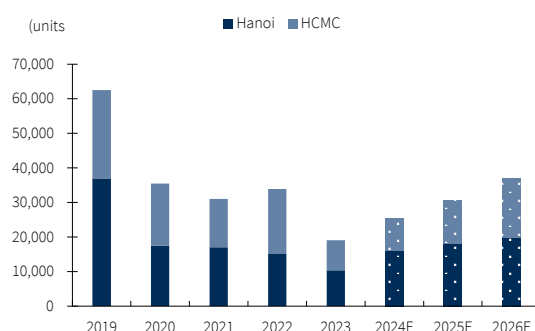


Source: General Statistics Office, KB Securities Vietnam
FDI disbursement from 2017 to date has reached USD149 billion, corresponding to a cumulative disbursement rate of 56%.

The recovery of the real estate market would drive an increase in CTD's civil construction backlog

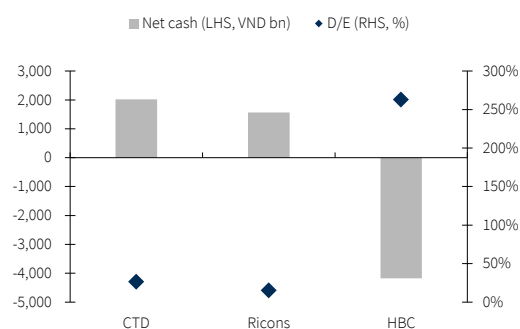
The residential real estate market has shown signs of recovery, with many projects surmounting obstacles and resolving longstanding issues since the start of the year. In 2025–2026, CBRE forecasts a 21% annual increase in apartment supply in Hanoi and Ho Chi Minh City (HCMC). In the medium to long term, we expect the amended Real Estate Law and Land Law will positively impact the market by accelerating land clearance and streamlining project legalities, fostering sustainable growth. As a result, civil construction is expected to recover strongly in the near term. KBSV believes that CTD will directly benefit from the real estate market's recovery, thanks to its leading industry position and strong financial health, which provides a competitive edge in bidding.

Fig 6. Vietnam – Apartment supply in Hanoi & HCMC (units)



Source: CBRE, KB Securities Vietnam

Fig 7. Vietnam – Net cash & D/E ratio of top 3 construction companies in 3Q2024

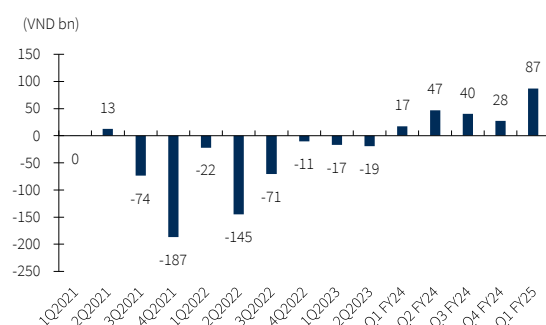


Source: FinProX, KB Securities Vietnam

CTD's core business operations continue to show positive results following its restructuring efforts

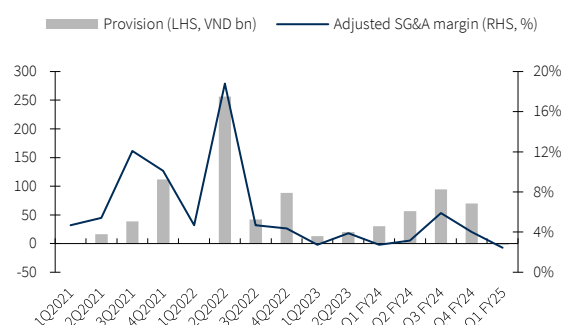
EBIT have improved significantly since 1QFY24, with the gross profit margin rising from 2.4% to 4.3%. This improvement is mainly driven by: (i) higher gross profit margins from post-restructuring projects; (ii) an increasing revenue contribution from industrial construction; and (iii) a gradual reduction in provisions after the 2021–2022 period. During the General Shareholders' Meeting, CTD's management indicated that no additional provisions are planned for FY2025. In the base case scenario, we assume that provisions will account for 0.3% of CTD's revenue in FY2025, down from 1.2% in FY24. KBSV expects CTD's gross profit margin to reach 4.3%/4.5% in FY25/FY26, with the industrial construction segment's gross profit margin estimated at 4.0%/4.2%. Additionally, CTD's gross profit will also benefit from its direct distribution of construction materials to on-site contractors, which is expected to generate average annual revenue of VND300 billion.

Fig 8. CTD – EBIT (VNDbn)



Source: Cotecons Construction, KB Securities Vietnam

Fig 9. CTD – Provisions, adjusted SG&A margin (VNDbn, %)



Source: Cotecons Construction, KB Securities Vietnam

The Emerald 68 is scheduled to launch sales in 1QFY25

CTD is set to receive 49% of the profits from its joint venture with Le Phong Group on The Emerald 68, which is scheduled to commence sales in 1Q2025. The project is currently under construction and is anticipated to begin delivery in 3Q2025. As of 1QFY25, CTD's long-term receivables from the project amount to VND459 billion. KBSV estimates that The Emerald 68 will contribute VND377 billion in profit to CTD during FY26–FY27.

Forecast

Table 10. CTD – FY24-FY25 business performance

(VNDbn)	FY2024	FY2025	+/-%YoY	FY2026	+/-%YoY	Notes
Revenue	21,045	25,441	20.9%	27,649	8.7%	Revenue is expected to grow by 20.9%/8.7% YoY in FY25/FY26, driven by: (i) a strong backlog; (ii) an increase in the civil construction backlog as the real estate market recovers; and (iii) a stable industrial construction backlog.
Gross profit	713	1,101	54.5%	1,251	13.7%	
Gross profit margin	3.4%	4.3%	94 bps	4.5%	20 bps	
Interest income	129	147	13.7%	158	7.4%	Gross profit margin is expected to improve due to: (i) a higher revenue contribution from new projects and (ii) optimized construction costs following the merger with UG M&E and Sinh Nam Metal.
Interest expenses	-92	-118	28.6%	-114	-2.9%	
Profit/loss from deferred payment contracts and joint ventures	137	68	-50.2%	163	138.4%	Interest expenses are projected to increase by 28.6% in FY25 due to higher short-term debt. CTD will begin recording profits from the handover of apartments at The Emerald 68.
Profits from affiliates	0	0		0		
SG&A	-581	-608	4.7%	-628	3.2%	Provisions are assumed to account for 0.3% of revenue in FY25/FY26.
Operating income/loss	306	590	92.5%	830	40.6%	
Other income	73	-3		0		
Profit before tax (PBT)	387	587	51.9%	830	41.3%	
Net profit after tax (NPAT)	310	470	51.7%	664	41.3%	
NP after MI	310	470	51.7%	664	41.3%	
NPAT margin	1.5%	1.8%	37 bps	2.4%	55 bps	

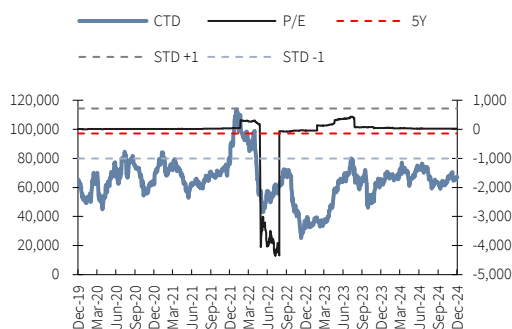
Source: Cotecons Construction, KB Securities Vietnam

Valuation

We recommend BUY for CTD with a target price of VND85,500/share

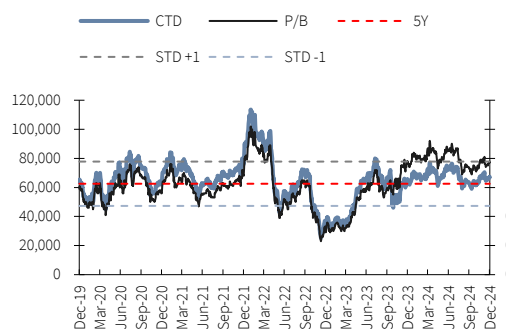
We determine the fair value for CTD at VND85,500 per share (+1% from the previous target price). The recent share price performance has reflected CTD's strong 1QFY25 results, particularly the absence of provisions during the period, aligning with management's plan. In the bullish scenario, if CTD concludes FY2025 without incurring provisions, we anticipate the company to enter a new growth phase. CTD remains one of KBSV's top picks given its core business operations ranking among the leaders in Vietnam's construction sector. With the real estate market showing signs of recovery and a stable industrial construction backlog in the medium and long term, we believe CTD is well-positioned to capitalize on opportunities to enhance profitability in the coming period.

Fig 12. CTD – PER in 2019–2024



Source: FiinProX, KB Securities Vietnam

Fig 13. CTD – PBR in 2019–2024



Source: FiinProX, KB Securities Vietnam

KB SECURITIES VIETNAM RESEARCH

Research Division

research@kbsec.com.vn

Nguyen Xuan Binh – Head of research

binhnx@kbsec.com.vn

Financials**Nguyen Anh Tung – Manager**

tungna@kbsec.com.vn

Pham Phuong Linh – Analyst

linhpp@kbsec.com.vn

Consumer**Nguyen Duc Quan – Analyst**

quannd@kbsec.com.vn

Nguyen Hoang Duy Anh – Analyst

anhnhd@kbsec.com.vn

Real Estate**Pham Hoang Bao Nga – Manager**

ngaphb@kbsec.com.vn

Nguyen Thi Trang – Analyst

trangnt6@kbsec.com.vn

Industrials & Materials**Nguyen Thi Ngoc Anh – Analyst**

anhntn@kbsec.com.vn

Nguyen Duong Nguyen – Analyst

nguyennd1@kbsec.com.vn

Macro & Strategy**Tran Duc Anh – Head of macro & strategy**

anhtd@kbsec.com.vn

Nghiem Sy Tien – Analyst

tienns@kbsec.com.vn

Nguyen Dinh Thuan – Analyst

thuannd@kbsec.com.vn

Energy, Utilities & IT**Pham Minh Hieu – Analyst**

hieupm@kbsec.com.vn

Nguyen Viet Anh – Analyst

anhnv3@kbsec.com.vn

Support Team**Nguyen Cam Tho – Assistant**

thonc@kbsec.com.vn

Nguyen Thi Huong – Assistant

huongnt3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels 16&17, Tower 2, Capital Place, 29 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180–192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam

Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam

Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656

Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276

Email: ccc@kbsec.com.vn

Website: www.kbsec.com.vn

Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only, not authorized to use for any other purposes.