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Lizen (LCG)

Major projects set for handover in 2025

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Buy

Target price	VND13,900
Support/Entry 1	10,200 – 10,600
Upside 1	31%
Support/Entry 2	8,600 – 9,000
Upside 2	54%

Note:

Investors need to combine the assessment of market trend, the attractiveness of investment catalysts and their risk appetite to manage the stock exposure in each price zone accordingly. Since the determination of each support/entry level is based on different time frames, we do not provide a fixed stop loss. In general, stop loss levels should be set tighter for near supports/entries (5-7%) and wider for far supports/entries (10-15%).

Business operation

LCG operates primarily in two areas: (1) construction and electrical infrastructure and (2) real estate. The company has extensive experience in developing industrial zones, hydropower plants, solar power installations, and power transmission lines.

Stock price relative comparison

LCG's current P/B ratio stands at approximately 0.8x, below its 5-year average. We consider the present valuation relatively attractive, as the market has largely priced in the impact of project transfers (such as the Nhon Hai and Chu Ngoc solar power projects). We estimate the fair value of LCG at around 0.9x P/B.

INVESTMENT CATALYSTS

Many major public investment projects are set for handover in 2025-2026

We believe 2025 will be a pivotal year for completing the North-South Expressway, facilitating interprovincial infrastructure connectivity and economic growth. This should be a key driver for public investment disbursement in the coming period.

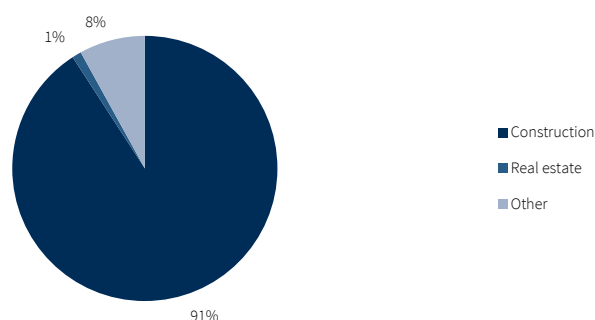
LCG's revenue is estimated to grow by 16%/25% in 2024F/2025F

By end-August 2024, the disbursement progress of public spending in two of LCG's major expressway projects, Vung Ang – Bung and Van Phong – Nha Trang, had reached 87% and 51%. We estimate LCG's backlog by 4Q 2024 to exceed VND4,300 billion, with projected revenues of VND2,322 billion/ VND2,984 billion for 2024F/2025F.

LCG may record an extraordinary financial gain in 2H 2024

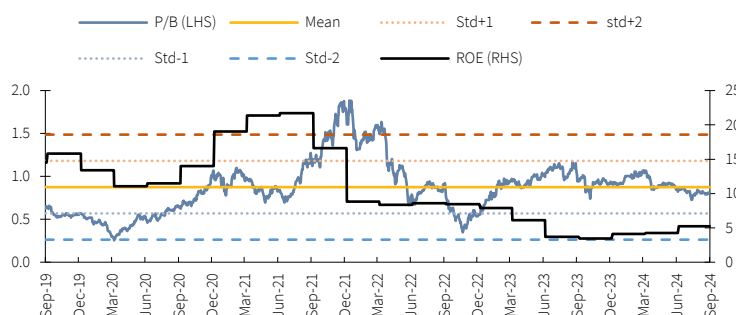
The transfer agreement of Licogi 16 Gia Lai, valued at VND279 billion, may yield VND108 billion in unexpected financial profit for LCG in 2H 2024.

Revenue composition in 2023



Source: Company reports, KB Securities Vietnam

LCG – P/B and ROE (x, %)



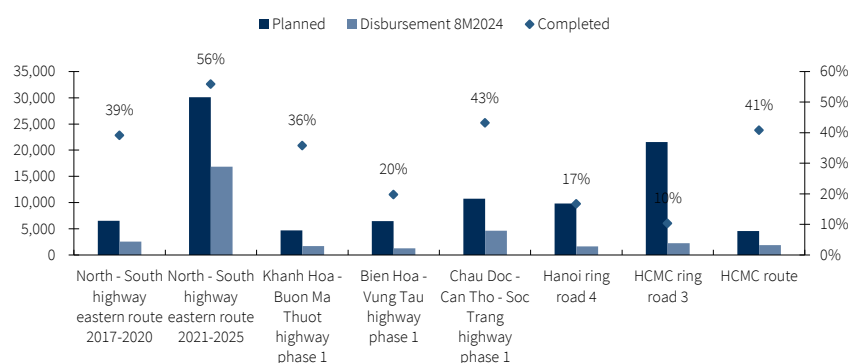
Source: Bloomberg, KB Securities Vietnam

1. Major public investment projects are due for completion and handover in 2025–2026

Many major public investment projects are scheduled for completion in 2025–2026

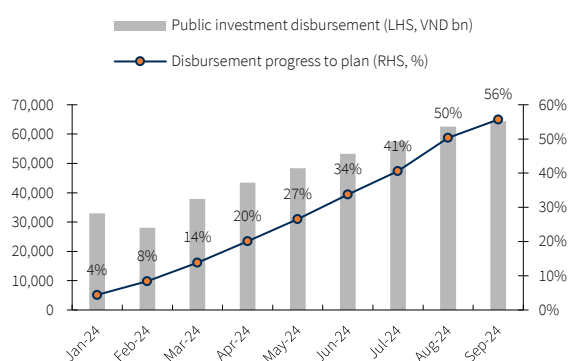
According to statistics from the Ministry of Finance, by the end of August 2024, the disbursement progress of key national public investment projects reached 34.6%, relatively slow due to challenges in the compensation process. However, this is expected to improve with amendments to the Public Investment Law and the Land Law, which will help determine land prices and address bottlenecks in site clearance. We expect a significant improvement in disbursement progress in 4Q 2024 as contractors intensify efforts to meet investor-set targets. For the 2025–2026 period, KBSV believes the public investment sector will be particularly significant, as several key projects are set for completion and handover. Per the Ministry of Planning and Investment, the minimum capital demand for development investment in 2025 is estimated at VND903 trillion (+25% YoY). KBSV expects public investment allocation to improve in 2025, especially for component projects of the North–South Expressway (Eastern section) for the 2021–2025 period.

Fig 1. Vietnam – Public investment disbursement progress for key projects in 2024



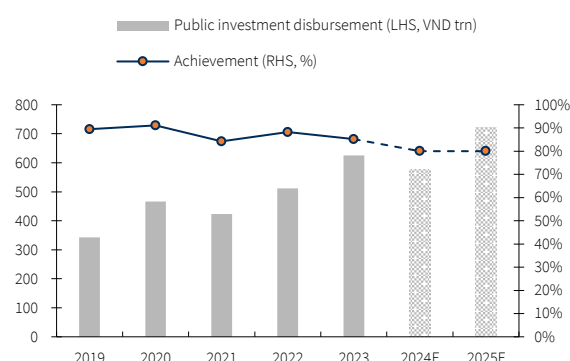
Source: Ministry of Finance, KB Securities Vietnam

Fig 2. Vietnam – Public investment disbursement progress in 2024



Source: GSO, KB Securities Vietnam

Fig 3. Vietnam – Public investment disbursement progress in 2019–2025



Source: GSO, Ministry of Planning & Investment, KB Securities Vietnam

2. LCG's 2025F revenue is expected to grow by 29% YoY thanks to the handover of major expressway projects

The backlog as of the end of 3Q 2024 is estimated to exceed VND4,300 billion

The main growth driver for LCG in the 2024–2026 period will be large public investment projects, particularly expressways, with an estimated backlog of over VND4,300 billion by the end of 3Q 2024. Among these, the two largest contracts are the Vung Ang – Bung Expressway and the Van Phong – Nha Trang Expressway, both showing strong progress, with disbursement rates of 87% and 51%, respectively, for the 2024 plan (as of August 2024, according to the Ministry of Finance). Both projects are expected to complete their main routes before April 30, 2025, with full completion and acceptance anticipated in 2Q 2024, in line with the implementation schedule. Successful execution and handover of these expressway projects will significantly enhance LCG's track record, providing a competitive advantage in bidding for major public investment projects in the 2026–2030 period. KBSV forecasts LCG's revenue for 2024/2025 at VND2,322 billion and VND2,984 billion (+16%/+29% YoY).

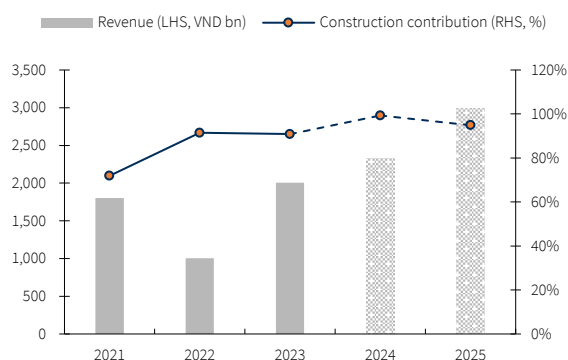
We have a positive outlook on LCG's ability to execute, implement, and hand over projects, bolstered by advances from investors, which have significantly improved the company's customer receivable turnover days in 2Q 2024 (reduced to 178 days from 357 days in 2Q 2023). The ability to utilize advance payments gives LCG increased flexibility in project execution, financing, and managing liabilities with subcontractors and banks.

Table 4. LCG – Backlog & estimated revenue (VNDbn)

(VNDbn, %)	Backlog		Status			
	Initial	4Q2024	2023	2024	2025	2026
Van Phong – Nha Trang	2,745		29%	61%	100%	100%
Vung Ang – Bung	1,275		21%	49%	100%	100%
Ring Road 4 – Hanoi, Hung Yen section	1,253		1%	26%	48%	100%
Tan Phuc – Vong Phan Road	845		0%	35%	100%	100%
Bien Hoa – Vung Tau	395		0%	20%	48%	100%
Highway 1 – Ca Na	239		0%	30%	100%	100%
Other	321		0%	100%	100%	100%
Backlog	7,072	4,346	23%	30%	36%	11%

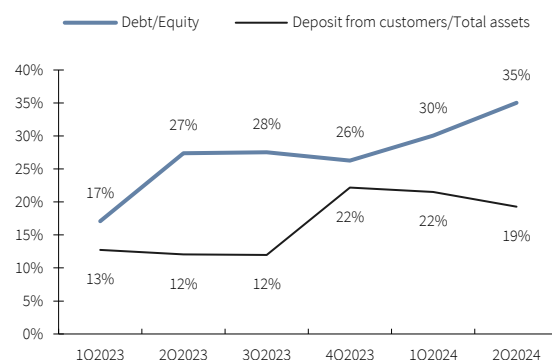
Source: Lizen, KB Securities Vietnam

Fig 5. LCG – Revenue, contribution of construction (VNDbn, %)



Source: Lizen, KB Securities Vietnam

Fig 6. LCG – Net debt/equity, total advances/total assets (%)



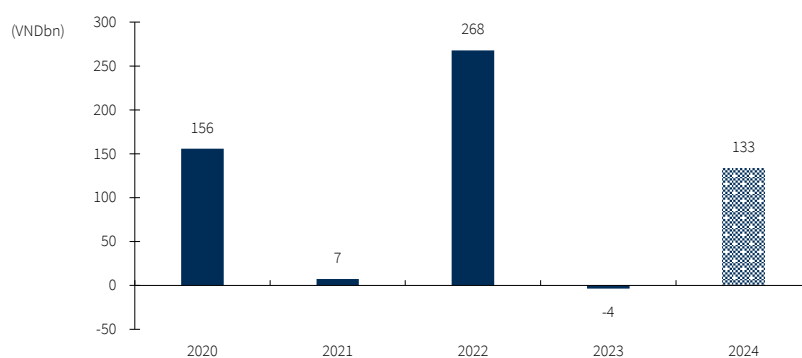
Source: Lizen, KB Securities Vietnam

3. LCG may record extraordinary financial income from the transfer of Licogi 16 Gia Lai Investment Renewable Energy JSC

LCG may record VND108 billion in extraordinary financial income in 2H 2024

The transfer contract, valued at VND298 billion (with a contract cancellation fee of VND73 billion), pertains to the Chu Ngoc Solar Power Project, which has a total capacity of 40 MW, with phase 1 contributing 15 MW. The contract's final execution date is set for September 30, 2024. KBSV estimates that upon the successful transfer of the project, LCG could record an extraordinary financial gain of VND108 billion in the second half of 2024.

Fig 7. LCG – Operating income/loss from project transfer & others (VNDbn)



Source: Lizen, KB Securities Vietnam

RISKS

Slow land clearance may delay revenue recognition

LCG's construction progress and revenue recognition may be impacted by external factors, particularly if site clearance delays occur. From our observations, land clearance for the Hanoi Ring Road 4 project (Hung Yen section) is 86% complete, while the Bien Hoa – Vung Tau Expressway has achieved 50% clearance.

Revenue concentration from expressway projects could reduce gross profit margin

Historically, LCG's revenue from construction has primarily been derived from two key sectors: (1) construction infrastructure, especially expressways and (2) electrical infrastructure. Given that the majority of LCG's revenue is concentrated in construction, with 96% of its backlog tied to public investment projects, we anticipate a decline in the company's gross profit margin in the near future. KBSV projects that LCG's gross profit margin for the construction sector will be 10.1%/9.0% for 2024F/2025F.

It is necessary to monitor accounts receivable

Based on the 2Q 2024 financial report, we estimate that receivables amount to VND364 billion, representing 6% of LCG's total assets.

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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

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