

31 Oct 2023

## Coteccons (CTD)

### 1QFY24 Overall performance improved

- Overall performance improved
- Maintain BUY

#### Facts: Revenue Return

In 1QFY24, Coteccons revenue rallied by 32.5% yoy and 14.09% qoq to VND4.1tn. CTD more than doubled their NPAT to VND66.6bn (+121% qoq), a clear improvement over the 3Q22 loss of VND3.5bn. The company's gross margin stood at 2.4%, -0.4%p qoq, but + 1.4%p yoy.

#### Pros & Cons: Provision is no longer a big issue

Thanks to a lower receivable provision (-28% yoy, -45% qoq), the company could lessen the G&A expense down to VND83bn (-19.8 yoy, -31.1% qoq), which attributed to a positive operating margin of VND17.2bn, a first since 2021. This indicated that CTD finished to book their bad debt provision and the Operating Profit will no longer be squeezed by provision.

#### Receivable and inventory returned to a manageable level

This quarter, the company continued its effort to bring account receivable and inventory down from 2021-2022 height, boosting income recovery and operation efficiency. In 1QFY24, CTD booked VND10,688bn in AR from customer (+17.3% yoy, -7.7%qoq), which dip the receivable days down to 233 (-26 days yoy, -47 days qoq). The company Inventory also reduced to VND2,988bn (-7.1% yoy, -7% qoq).

#### Action: Maintain BUY

We maintain a BUY rating on CTD with a TP of 79,500, implying a +52.5% upside buy as the initial report (August 16, 2023). We believe that Coteccons process a solid potential thank to their large and wide-range backlog and will be the prime beneficiary for the revival of the real estate market.

12M rating **BUY**

12M TP **79,500** from 52,100  
Up/Downside +52.5%

#### Stock data

VNIndex (30 Oct, pt)	1,042
Stock price (30 Oct, VND)	52,100
Market cap (USD mn)	210
Shares outstanding (mn)	99
52-Week high/low (VND)	60,001/18,901
6M avg. daily turnover (USD mn)	2.45
Free float / Foreign ownership (%)	66.3/47.1
Major shareholders (%)	
Kustocem Pte. Ltd	18.7
Thanh Cong Investment & Commerce	15.0

#### Valuation

	2023A	FY24F	FY25F
PE (x)	76.2	20.6	11.5
PB (x)	0.6	0.6	0.6
ROE (%)	0.8	3.1	5.4
DY (%)	0	0	0
EV/EBITDA (x)	N.M	7.4	4.4
EPS (VND)	683.3	5,819	6,116
BPS (VND)	83,364	114,080	120,221

#### Performance

	1M	6M	12M
Absolute (%)	9.0	17.7	65.0
Relative to VNIndex (%p)	18.6	17.6	62.1

#### Stock price



Source: Bloomberg

#### Research Dept

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**Table 1. 1QFY24 earnings**

(VND bn, %, %p)

	3Q22	4Q22	1Q23	2Q23	1QFY24	QoQ	YoY
Sales	3,113.5	6,230.3	3,129.6	3,614.7	4,124.0	14.09	32.45
OP	(70.6)	(10.7)	(16.8)	(19.4)	17.2	NM	NM
OP margin	NM	NM	NM	NM	0.4	NM	NM
EBT	(3.0)	26.8	29.4	39.4	86.2	118.93	NM
NP	(3.5)	18.9	22.1	30.1	66.6	121.07	NM

Source: Company data, KIS

### ■ Company overview

Coteccons Construction (CTD) is Vietnam's largest contractor by revenue and is have business in civil, industrial, and infrastructure construction. In 2022 the company recorded a revenue of VND14.5tn and have a backlog of VND17tn in the beginning of 2023.

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