

Infrastructure Investment

Good but not great

Construction/Construction Materials | Research Dept. researchdept@kisvn.vn

Infrastructure Investment

Good but not great

Government initiative aims to lessen COVID-19's impact

The Government approved a range of social programs and public investment to revitalize economic growth in 2022. This encompasses investing in large-scale infrastructure projects namely North-South Expressway East Phase 2, the Long Thanh International Airport, and Social Housing. The huge infrastructure investments result in the demand for ample and steady supply of construction material, which greatly benefits providers of sand, crushed stone, and filler earth. Civil constructors and housing developers are standing to gain from the Social Housing Investment.

Many challenges hampering infrastructure investment

The completion of public infrastructure investments could lag behind the schedule giving construction progress encounters several hurdles. First, lower-than-expected land clearance could stop the advancement of the process, despite support from the local government. Second, a shortage of materials could harm the project timeline. The unbalance supply-demand dynamic of material pushes price hikes for sand, gravel, and filler and that could soften the constructors' gross margins.

Our favourite stock picks

Aggregate materials providers and contractors are the two main beneficiaries, in our view. In light of the strong demand for construction materials in 2024F, we recommend BUY on crushed stone stocks, namely DHA, and VLB. Unfortunately, we did not see any stocks that will benefit from the huge demand for filling sand and place PLC on our watchlist as a bitumen provider. We rate BUY on HHV, CTD as direct and indirect beneficiaries from public spending theme. Due to the difference in project characteristics and responding risks, we suppose that companies will benefit more from Long Thanh packages more than Highway projects.

Note

Construction Construction Materials

16 Aug 2023

Company	Rating	TP (VND)
Coteccons Construction	BUY	79,500
Deo Ca Traffic Infrastructure Investment	BUY	19,500

Research Department

researchdept@kisvn.vn

Contents

I. Executive Summary	3
<hr/>	
II. Government determined to tackle pandemic woes	4
<hr/>	
1. Government efforts to revitalize the economy	
2. Beneficiaries of infrastructure projects	
<hr/>	
III. Infrastructure spending: challenging but expect to improve	13
<hr/>	
1. Land Clearance	
2. Insufficient supply of construction materials	
3. Not for all contractors	
<hr/>	
V. Conclusion	19
<hr/>	
Companies Analysis	20
<hr/>	

What is the report about?

- Overall about Vietnam government's determination in supporting the economy
- The beneficiaries of the infrastructure spending trend
- The challenges while promoting infrastructure spend

I. Executive summary

Government program aims to revitalize the economy

The Government approved Social–Economic Recovery programs, valued at VND350tn to revitalize the post-COVID economy in 2022. Of which, around VND113.5tn is invested in major infrastructure projects including the North-South Expressway East-Phase II and Long Thanh International Airport. Social Housing is also a key point in public investment. Besides Recovery programs, the local governments also invest in highway projects, for example, HCM Ring Road 3, Hanoi Ring Road 4, etc. Infrastructure projects across the country are expected to revive the economic growth engine post-COVID-19.

Various beneficiaries in the midterm will be contractors and building material providers

The infrastructure projects will benefit contractors and aggregate material providers during the construction phase and other industries (real estate and logistics) after completion. We expect the projects to demand a great volume of sand, crushed stone, and asphalt throughout the construction phase. We view positively for stocks of the crushed stone industry, namely DHA, and VLB, and place PLC on our watchlist as a bitumen provider. As for contractors, we rate Buy HHV and CTD thanks to being direct and indirect beneficiaries of public spending policies in medium- long-term horizon.

Land clearance, and material shortage are the biggest challenges facing project contractors

Nonetheless, the pace of the construction phase could be hindered by slower land clearance pace than expected and the shortage of aggregate material supply is worse. During NSWE1, several sub-projects could not trail the schedule given the land clearance process lagged behind. In NSWE2, sub-projects could face difficulties with land clearance despite efforts of the local government. Shortage of construction materials may be another issue when many projects kicked off in the same period. The tight supply of materials could suspend constructions process and spike construction prices up which thin the contractors' gross margins.

Weak balance sheet could expose the contractors to more vulnerable

Construction delays could exert the burden of interest payment to high-leverage contractors. Hence, in our opinion, should have strong cash reserves or the capability in raising low-cost capital. Besides, contractors should be selective, well-prepared, and conduct insightful research into projects' feasibility and urge the local authorities to improve material supply. Due to the difference in project characteristics, we believe that companies will benefit more from Long Thanh packages than from Highway projects.

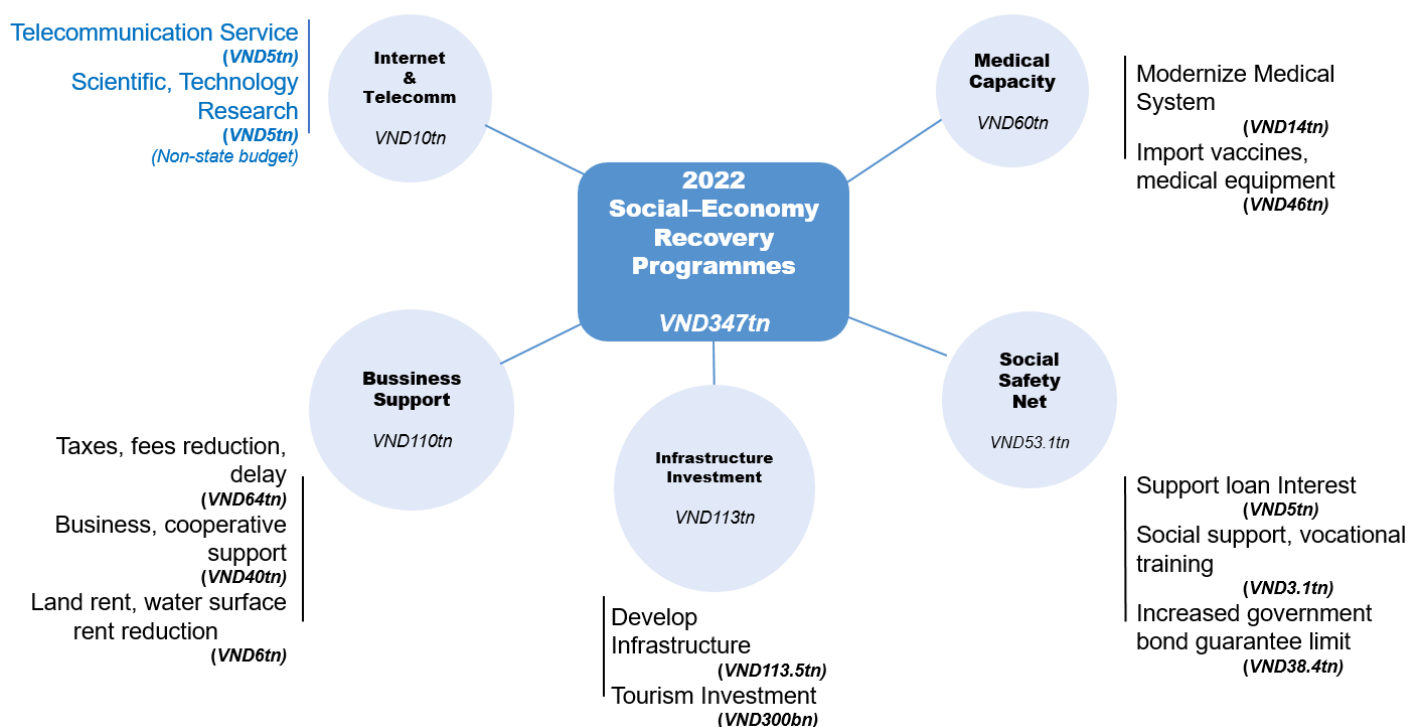
II. Government determine to tackle pandemic woes

1. Government efforts to revitalize the economy

Infrastructure spending is one of the government packages to revive the economy

COVID-19 Pandemic had a major impact on Vietnam's economy, society, and the country's economic growth target for the 2021-2025. In 2022, the 15th National Assembly passed the Socio-Economic Recovery programs valued over VND348tn to revitalize the cooling economy and avoid possible stagnancy. This package aims to enhance the country's medical capacity and social safety net, as well as to subsidize commercial business support and public infrastructure investment. Within this package, the government could inject VND113.5tn to develop new infrastructure projects including transportation projects, digital transformation, and disaster prevention. According to the Department of Planning and Investment, Ministry of Transportation, a majority of this fund could go to key infrastructure projects such as North-South Expressway East – Phase 2 and other highway projects.

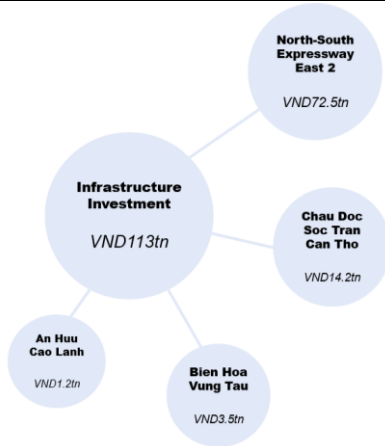
Figure 1. Recovery plan according to Resolution 43/2022/QH15



Source: KIS

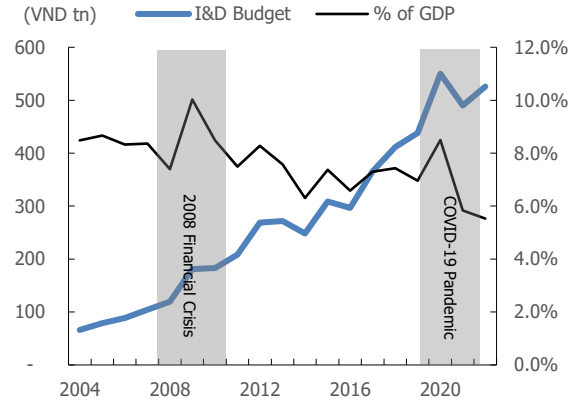
Statistically, heavy government investment disbursement in infrastructure development is the go-to method to mitigate the impact during periods of economic slowdown. For example, after the 2008 Financial Crisis, in 2009, we saw a 52% yoy increase (VND181tn), instead of the normal 15-20% yoy. After the Pandemic, a rise in investment budget come in at +38% yoy to VND726tn in 2023. We expect to see investment spending could remain at a high level in 2024F as we see the global economy stagnancy could last longer than expected.

Figure 2. Planned usage of Infrastructure investment fund



Source: KIS, MoC

Figure 3. Investment & Development Budget from 2004 – 2022



Source: KIS, State Authority Of Construction Economics

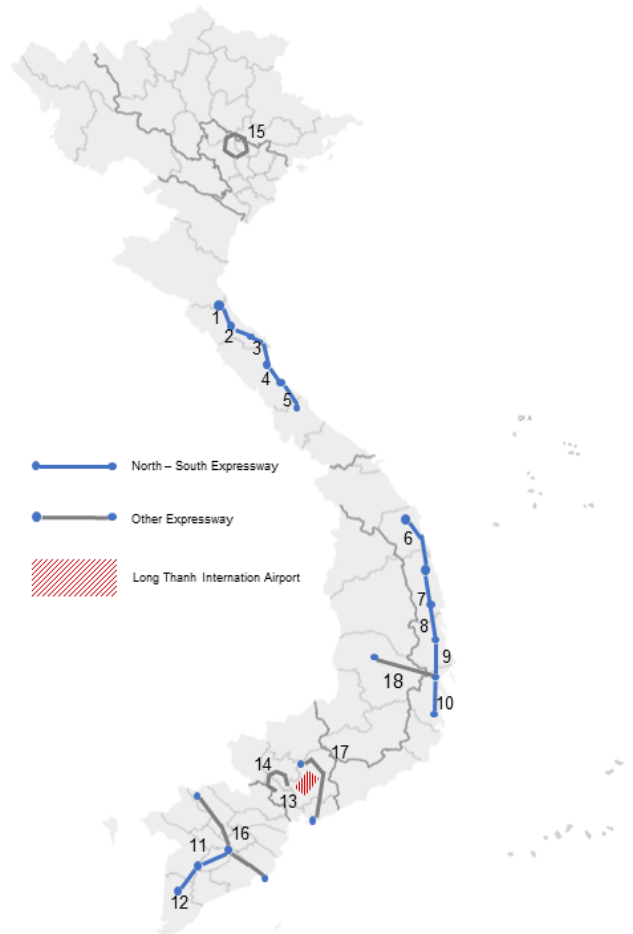
Highways, Long Thanh Airport and Social Housing are major key projects

2. Key Infrastructure projects

The North-South Expressway East Phase II 2023-2025 (NSWE2), a cornerstone of Vietnam's Infrastructure development is a 12-part mega project covering across 12 provinces in the Central and Southern region of the country. The plan aims to revive the construction industry and strengthen Vietnam's transportation and supply network, making the country a more attractive location for manufacturing and logistics investment. Concurrently with the NSWE2 project, the National Assembly passed many other major highway projects across South Eastern and Mekong Delta regions. The NSWE2 projects will receive an additional VND72.5tn fund from the Recovery Programmes. Other high-priority projects will also receive additional fund including Chau Doc – Soc Tran Expressway (VND14.2tn), Bien Hoa-Vung Tau Expressway (VND3.5tn) and An Huu – Cao Lanh Expressway (VND1.2tn).

Figure 4. Map of major Infrastructure project approved by the XV National Assembly

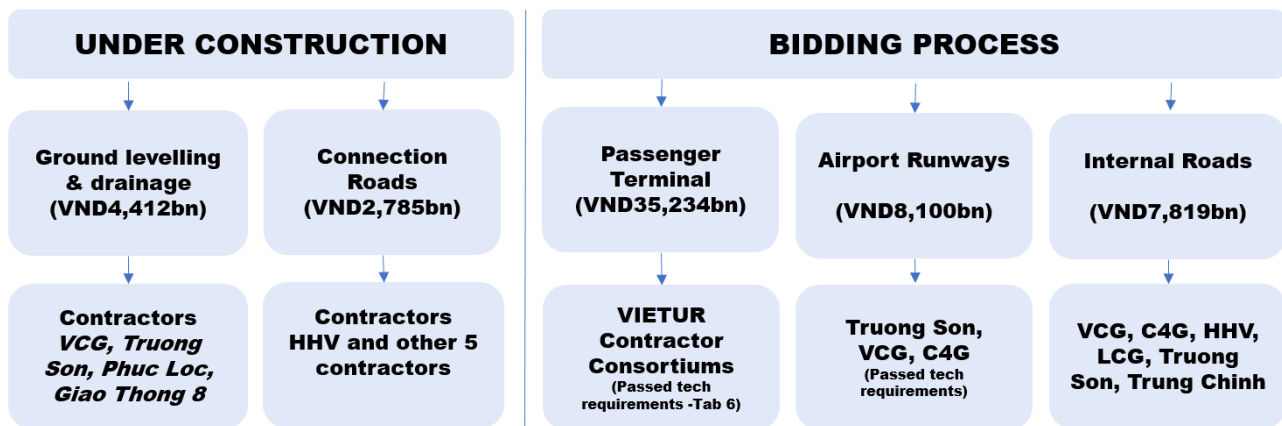
No	Project	Scale	Investment (VND Bn)	Possible Beneficiaries
North – South Expressway East Phase II (2023-2025)				
1	Bãi vọt - Hàm Nghi	36 km	7,403	VCG
2	Hàm Nghi - Vũng Áng	54 km	10,185	
3	Vũng Áng - Bùng	58 km	11,785	VCG, LCG
4	Bùng - Vạn Ninh	51 km	10,526	C4G
5	Vạn Ninh - Cam Lộ	68 km	10,591	
6	Quảng Ngãi - Hoài Nhơn	88 km	20,898	HHV
7	Hoài Nhơn - Quy Nhơn	69 km	12,544	
8	Quy Nhơn - Chí Thạch	62 km	12,298	CC1, SDT, VCG, TTL
9	Chí Thạch - Văn Phong	51 km	10,601	HHV, TTL, CC1
10	Văn Phong - Nha Trang	83 km	12,906	G36, CC1
11	Cần Thơ - Hậu Giang	37 km	9,768	G36, CC1
12	Hậu Giang - Cà Mau	72 km	17,485	C4G, CC1
OTHER PROJECTS				
13	Long Thanh International Airport – P1	1.810 ha	114,450	HHV, DHA, VLB, KSB
14	HCMC Ring Road 3	73 km	75,378	DHA, VLB, KSB
15	Hanoi Ring Road 4	113 km	85,813	VCG
16	Chau Doc Can Tho Soc Tran Expressway – P1	188 km	44,691	
17	Bien Hoa – Vung Tau Expressway – P1	77.6 km	17,837	
18	Khanh Hoa - Buon Me Thuot Expressway – P1	117.5 km	21,935	



Source: KIS

The construction of the Long Thanh International Airport is poised to have a positive impact on the Construction/Construction Material Industries. Upon completion, the airport will have the capacity to serve 100mn passengers and handle 1.5mn tons of cargo annually, making it the largest airport in the region. The project's initial phase, encompassing 373,000ha in Dong Nai Province, commenced in Jan 2021 and is expected to be finalized by 2026. However, 22mn m³ of crushed stone and 24m³ of sand is required for the airport's foundation, this may result in potential supply shortages for infrastructure projects in Southern Vietnam.

Figure 5. Long Thanh airport phase I



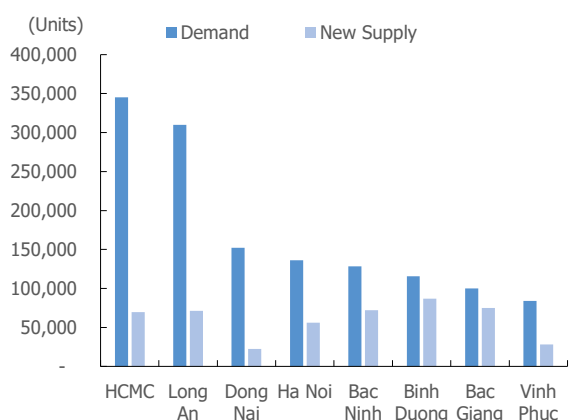
Source: KIS

3. The pressing need for Social Housing

The Vietnamese Government paved the path to build 1mn affordable housing unit by 2030, specifically targeting low-income households and factory workers. This initiative is funded with a VND120tn commercial loan package and is designed to provide financial incentives for developers, contractors, and materials suppliers. Authorities will reduce the financial burden on affordable housing contractors by lowering lending rates (1.5-2.0%), waiving land use fees and rent, and offering VAT and CIT reductions. Developers could retain on the 20% of the total land area for commercial housing. Contractors and materials suppliers will benefit from this program in 2024-30. Developers will also find value, especially in the rental market, which offers more short-term incentives than selling projects. In April, Hoa Binh Construction (HBC) was chosen to build 3,000 units in Hai Phong City with Thai Holding as the main investor. Other civil contractors and developers, including Hung Thinh Incons, are taking advantage of this initiative. In 1H23, 18,757 new units are being built across the country, although many other projects are stalled due to licensing process or land-clearing issues. Construction material producers (such as steel and cement) will benefit from these construction activities despite sluggish demand.

In the short-to-medium term, investing in public infrastructure and social programs is expected to create steady work for construction companies. Public investment will spark economic growth and lift up the building materials and real estate sectors.

Figure 6. Demand and planned supply of Social Housing from 2023 to 2030



Source: KIS, MoC

Table 1: New under-construction Social Housing Project in 1H23

Province	Type	Project	Units
Hai Phong	Social Housing	4	6,707
Hai Phong	Worker Housing	1	2,538
Bac Giang	Worker Housing	1	7,000
Binh Dinh	Worker Housing	1	1,500
Ha Noi	Social Housing	1	720
Lam Dong	Social Housing	1	320

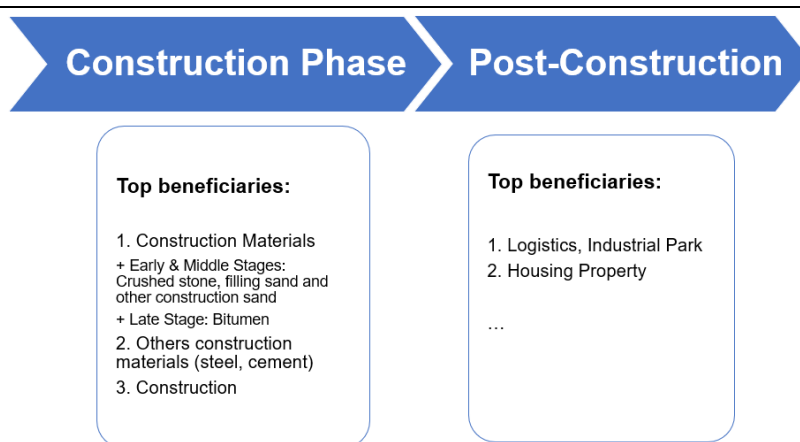
Source: KIS

Depending on projects/stages, there will be various beneficiaries

4. Beneficiaries of infrastructure projects

In our view, there will be various beneficiaries during project construction and after project completion. Many industries, varying from real estate, and logistics to even steel & cement, are believed to benefit from completed infrastructure utilization (expressways, airports).

Figure 7. Beneficiaries of infrastructure spending

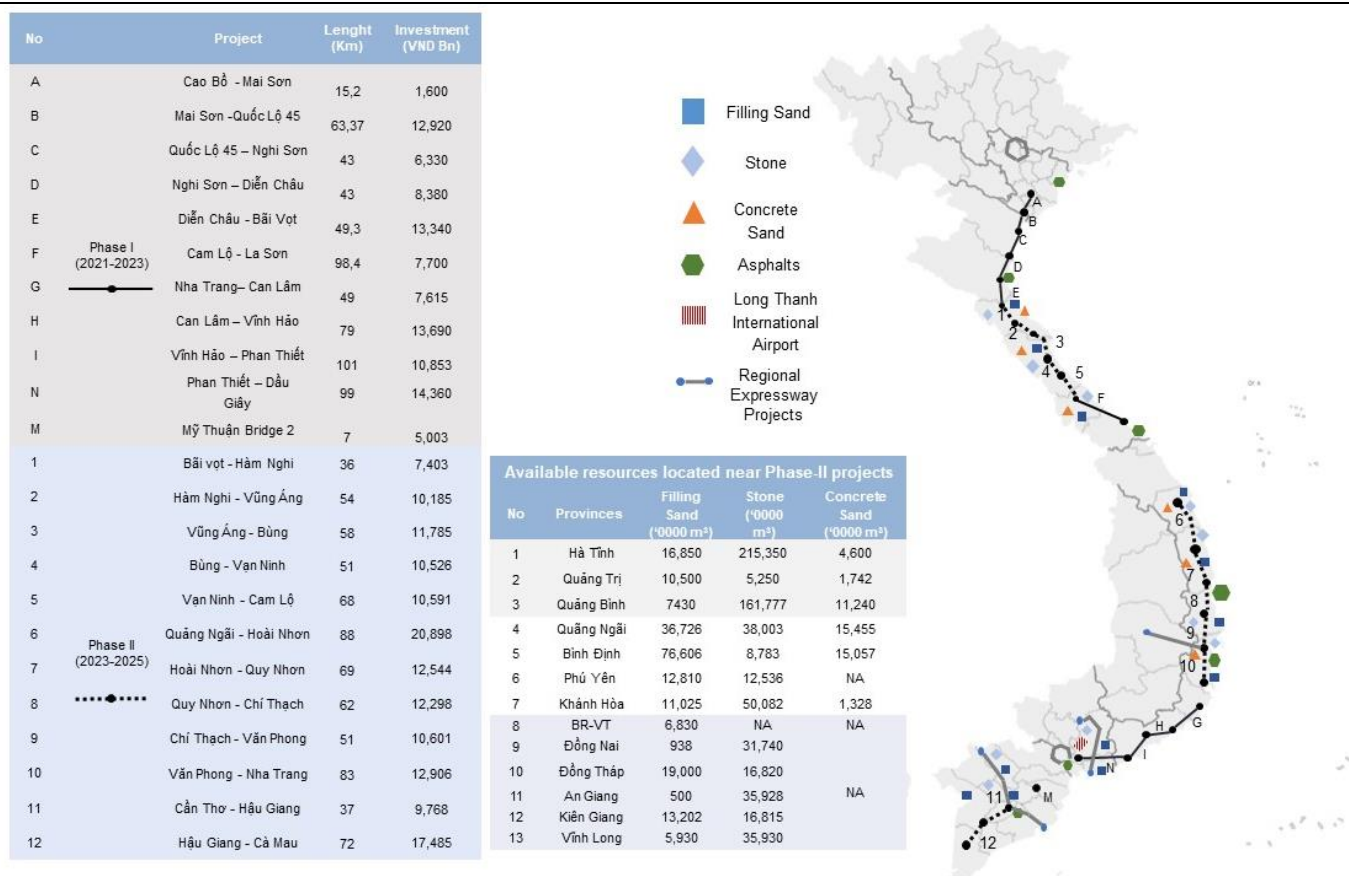


Source: KIS

During the construction phase, public projects are expected to buttress the demand for construction materials over the next 3 years (crushed stones, sands, steel, and cement). The phase-2 North-South expressway project remarkably shores up the demand for crushed stones, construction sand, and filling sand with 40mn m³, 3.2mn m³, and 14mn m³ respectively (see Table 6). Another major project - Long Thanh Airport also seeks for 22mn m³ of crushed stone during the construction phase from 4Q23F. While the construction material industry falters caused by economic slow-down and property stagnancy, aggressive infrastructure spending could proliferate the demand for construction services. However, various construction stages and the construction pace of each project could have varied peak seasons of construction material consumption. In addition, due to logistic costs, contractors could prioritize purchasing construction materials from adjacency resources,

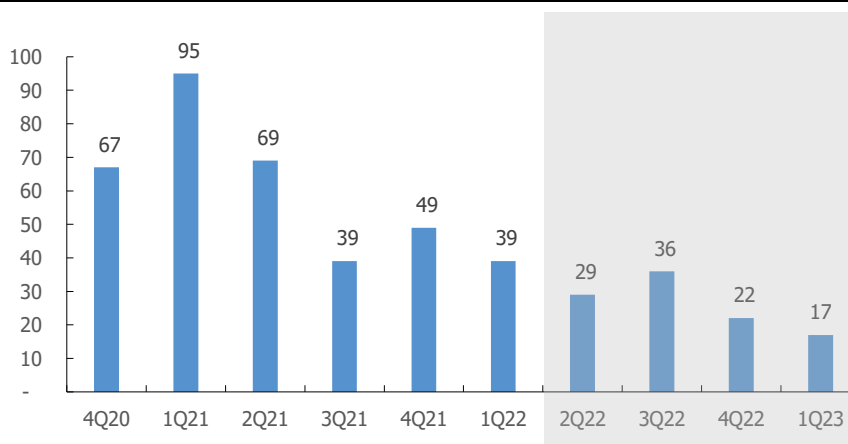
therefore, the nearby materials suppliers will benefit the most. We selectively fancy DHA and VLB (see our Crushed Stone Industry In-depth) and see no listed companies specializing in sand supply. Petrolimex (PLC VN Equity) could ride on tailwinds of rising demand for asphalt paving/bitumen. Unfortunately, we cannot quantify the amount of asphalt paving/bitumen needed for expressways due minimum database.

Figure 8. Available resources locate near projects reduce the risk of shortage of construction materials



Source: KIS

Figure 9. The number of RE projects are licensed in Vietnam



Source: KIS

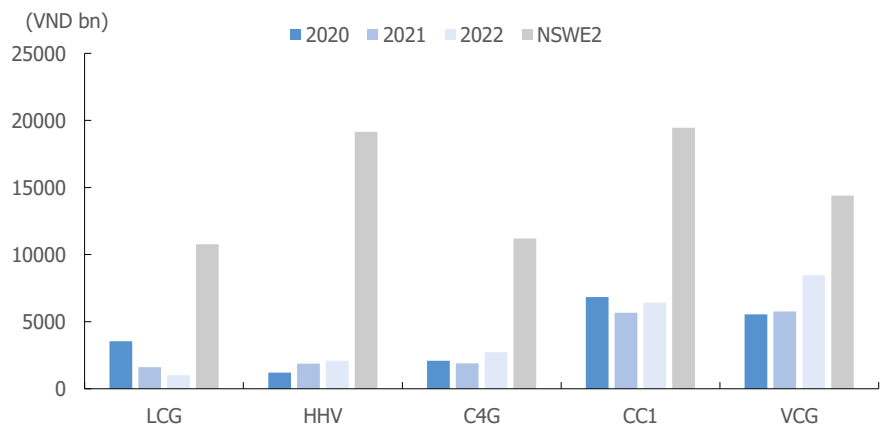
**Proven track record
capacity is a must
NSWE2 contractors**

**The projects will
secure revenues for
the chosen contractors**

Contractors are also direct beneficiaries of infrastructure spending. The industry was hit severely by COVID-19 issues in terms of revenue and cash flow. For instance, we take the number of commercial housing projects nationwide as an impact illustration. 126 projects were granted licenses for construction in 2022 (vs 252 in 2021) and only 17 projects in 1Q23 (see Figure 9). Although taking part in these projects is a crucial push for the industry, these contractors are believed to be quite “fragile” amid a high-borrowing-rate environment and challenges related to construction processing (lower-than-expected land clearance, shortage of materials, etc.). Therefore, we eye construction companies with a firm footprint, healthy balance sheet, and solid credit ratings to raise funds.

the State foregoes the bidding process and directly appoints the contractor's consortium instead when picking the contractors for the NSWE2 projects. To be chosen for the projects, the contractors must meet a series of criteria set by the project management unit (PMU), ranging from financial capacity, manpower resources, and experience requirements. On the other hand, the income from these projects obviously ensures those companies' top-line growth over the next few years (figure 10). As for contractors that take part in the Long Thanh airport project, we see fewer risks, which are mentioned above, for them to counter compared to other highway projects due to the project characteristics and top priority. Besides, the supply of construction materials (steel, cement etc) is abundant and stable. **We rate BUY on HHV over a 12-month horizon and C4G is placed on our watchlist among contractors.**

Figure 10. Appointed contractors' annual revenue versus NSWE2 project value



Source: KIS

We view residential property, logistics, and industrial parks are the first 3 indirect industries could ride on the tailwinds when the projects come into stream. We also pick CTD as a long-term indirect beneficiary and have a BUY rating despite that its consortium was unable to meet the technical round for Long Thanh package No. 5.10.

Table 2: VIETUR was the only Contractor Consortiums passed tech requirements for package No. 5.10 (2nd time)

CHEC-BCEG-Vietnam Contractors Consortium	VIETUR Consortium	Hoa Lu Consortium
China Harbour Engineering	IC ISTAS Construction	Coteccons Construction (CTD)
Beijing Construction Engineering Group	Ricons Construction Investment	Unicons Investment Construction
Thuan Viet Trading and Construction	Newtecons Construction Investment	Thanh An One Member Limited
Xuan Mai Investment and Construction	SOL E&C Investment Construction	Delta Group
CDC Construction	Construction Corporation No.1 (CC1)	Central Construction
789 Corp	ATAD Steel Structure Corp	An Phong Construction
PEB Steel Buildings	Vietnam Construction and Import-Export (VCG)	Hoa Binh Construction Group (HBC)
Number 52 Ha Noi Housing Investment and Development	Phuc Hung Holdings Construction (PHC)	Power Line Engineering
Samcons Viet Nam Construction and Investment	HAWEE Mechanical And Electrical	
Samcons Viet Nam Construction and Investment		

Source: KIS collection

Table 3. Lists of contractors that won Expressway projects

No	Project	Package	Value (VNDbn)	Length (km)
North-South Expressway East Phase 2				
1	Bãi Vọt Hàm Nghi	11-XL	5,232	Vietnam Investment & Import, Export- VCG 319 Corp
2	Hàm Nghi - Vũng Áng	11-XL	3,776	Xuân Trường Construction 471 JSC, Tự Lập Construction
		12-XL	3,304	Xuân Trường Construction, 368 JSC
3	Vũng Áng-Bùng	XL-1	5,300	Sơn Hải, VCG , 368 JSC, 484 JSC, 479 JSC
		XL-2	5,400	Phương Thành Investment and Construction LCG
4	Bùng -Vạn Ninh	XL-1	3,939	C4G 36 Corp Trường Sơn Investment & Construction 471 JSC
		XL-2	3,501	Trường Sơn Construction Trung Chính Commercial Construction Limited Trường Sơn Investment & Construction
5	Vạn Ninh - Cam Lộ	XL-1	3,361	Trường Thịnh Group Trường Sơn Construction 368 Construction
		XL-2	3,480	Trường Thịnh Group GTXD 1 Corp Railway Corp.
6	Quảng Ngãi -Hoài Nhơn	XL-1	3,862	Đèo Cả Group - HHV Dacinco Investment & Construction
		XL-2	4,500	Đèo Cả Group - HHV Dacinco Investment & Construction
		XL-3	6,400	Đèo Cả Group - HHV Đèo Cả Group Construction
7	Hoài Nhơn - Quy Nhơn	XL-11	3,028	Trường Sơn Construction
		XL-12	6,141	Sơn Hải Phúc Lộc, Cienco 8, Trường Thành, 471 JSC
8	Quy Nhơn-Chí Thạnh	XL-11	3,690	CC1, SDT Railroad Construction Corp, Tân Hoàng Long, Thuận An
		XL-12	3,055	VCG Trung Nam 18 E&C, Thuận An, 68 JSC, Hải Đăng JSC
		XL-13	6,241	TTL Trung Nam 18, E&C, 168 ,Construction Investment & Import Export Việt Nam Cường Thịnh Thi, Khang Nguyên
9	Chí Thạnh -Vân Phong	XL-1	4,393	Đèo Cả Group, HHV TTL ,Phúc Lộc ,Lũng Lô ,Commercial Construction 68
		XL-2	4,440	Trung Nam 18, E&C CC1 ,Tự Lập Construction Limited, Hải Đăng JSC
10	Vân Phong- Nha Trang	XL-1	7,966	Trường Sơn Construction Corp G36, CC1 , E&C Investment & Import, Export, Tân Nam Construction Corp
		XL-2	3,835	VN CN E&C Construction Investment 620 Investment & Infrastructure, Hải Đăng JSC, Thi Sơn Limited
11	Cần Thơ - Hậu Giang	XL-1	7,966	Trường Sơn Construction G36, CC1 ,VN CN E&C Construction , Tân Nam Construction
		XL-2	3,835	VN CN E&C Construction 620 Investment & Infrastructure , Hải Đăng JSC, Thi Sơn Limited
12	Hậu Giang - Cà Mau	XL-1	7,256	Trung Nam E&C Trung Nam 18 E&C, C4G , Hải Đăng JSC, Thi Sơn Limited
		XL-2	3,354	CC1 Hải Đăng, Vạn Cường, 492 Construction & Investment
Ha Noi Ring Road 4 – Phase 1				
1	Component 2.1	08/TP2 - XL	986	Trường Sơn Construction Corp, Thịnh Vương TVT JSC, Thái Yên Investment & Construction
		09/TP2 - XL	1,816	Vinaconex - VCG
HCMC Ring Road 3 – Phase 1				
1	Component 1	XL-03	2,071	Dinh An Corp, Bridge Construction 75 JSC, Thang Long Mechanical Construction Corp, Thái Yên Investment and Construction Corp, Phúc Thanh An JSC
		XL-09	2,268	VN CN E&C Construction , Hải Đăng JSC, Hong An Bridge Construction Service, 236 Traffic Construction JSC, 624 Material and Construction JSC
Bien Hoa – Vung Tau Expressway				
1	Component 1	XL-09	6,012	Trường Sơn Construction, Miền Trung Construction Group, Thái Nguyên Construction JSC
2	Component 2	XL-10	6,852	Vinaconex- VCG , Construction 1- CC1 , Danico Construction & Investment
3	Component 3	XL-10	4,964	Sơn Hải Corp, 703 Investment & Construction JSC, Hòa Bình 479 JSC - HBC

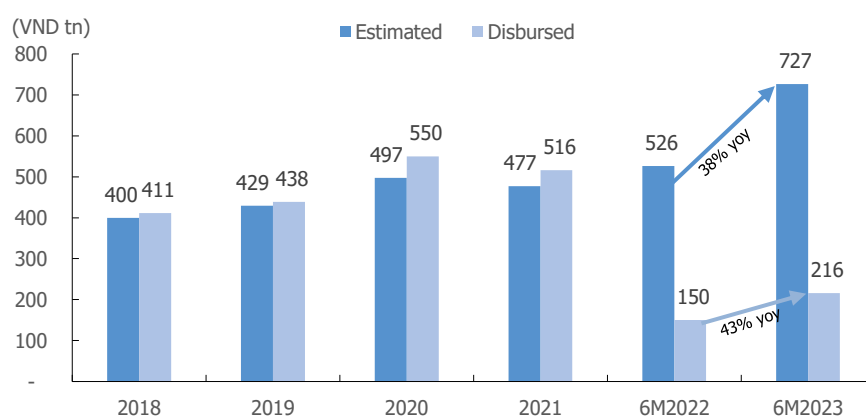
Source: KIS, Ministry of Construction

III. Infrastructure spending: challenging but expect to improve

2023 State Budget for Investment and Development increased by VND200tn

The pace of State Budget disbursement to contractors is a leading indicator of the progress of public investment. According the Ministry of Finance, the budget for Investment and Development in 2023 is VND727tn, +38% yoy. As of 6M23, VND216tn +43% yoy was disbursed, meeting 29.7% of the full-year guidance. Of this, VND25.5tn was for Transportation development. The lower fulfilment of annual target is not a troublesome in 6M23, in our view. Over the years, common pattern exists: a slower pace in the early months and then a ramp up by year-end. Therefore, we expect disbursement could accelerate in 2H23.

Figure 11. Disbursement rate of the State Budget for Investment and Development



Source: KIS

Besides, the slow disbursement can partially be blamed on the bureaucracy. Only after the Quality Control Board inspects a finished work item, could Project Management Unit (PMU) request for reimbursement. This lengthy process often slows down the pace of the project and affects the contractor's business performance. Beyond those difficulties, the biggest reasons for delays include the lower than expected pace of land clearance as well as the supply and price of building materials. Successfully managing these challenges is crucial for completing the project on time and within budget.

Land clearance pace behind schedule is common in the NSWE1 projects

1. Pending land clearance hinders the kick-off phase

The progress of several NSWE-Phase I sub-projects was impeded due to slower land clearance, currently, only 5 out of 11 are complete, while others trailed behind schedule. For instance, the Dien Chau-Bai Vot construction commenced in May 2021, and the removal of pre-existing structures such as power lines, houses, and underground structures is still pending. Similarly, dwellers pose obstacles to the completion of the Nghi Son-Dien Chau Expressway. During such delays, still need to pay for project overhead cost including machinery and labor during the delay. To ensure the timely completion of these projects, it is essential to establish effective coordination between the authorities and the contractor in operational planning.

Table 4. Completion status of North South Expressway – Phase I sub-project

No	Project	Length (Km)	Investment (VND bn)	Completion	Status	Note
1	Cao Bồ - Mai Sơn	15,2	1,600	100%	Finished	On Schedule
2	Mai Sơn - Quốc Lộ 45	63,37	12,920	80%	Partially opened	Behind Schedule, Operation difficulties
3	Quốc Lộ 45 – Nghi Sơn	43	6,330	79%	Unfinished	Behind Schedule, Financing, Manpower troubles
4	Nghi Sơn – Diễn Châu	50	8,380	72%	Unfinished	Behind Schedule
5	Diễn Châu - Bãi Vọt	49,3	13,340	46%	Unfinished	Behind Schedule Machinery, Manpower troubles
6	Cam Lộ - La Sơn	98,4	7,700	100%	Finished	On Schedule
7	Nha Trang– Cam Lâm	49	7,615	100%	Finished	On Schedule
8	Cam Lâm – Vĩnh Hảo	79	13,690	52%	Unfinished	Behind Schedule Land, Manpower troubles
9	Vĩnh Hảo – Phan Thiết	101	10,853	100%	Finished	Behind Schedule Lack of materials
10	Phan Thiết – Dầu Giây	99	14,360	100%	Finished	Behind Schedule Land clearance troubles
11	Mỹ Thuận 2 Bridge	7	5,003	87%	Est. Finish in 12/2023	On Schedule

Source: KIS, Ministry of Construction

Unresolved land clearance issues in Long Thanh Airport and NSSWE2 projects exert pressures on contractors

In particular, the progress of Long Thanh International Airport was also stalled by the difficulty in land clearance. Dong Nai province only finished the land clearance process for LTIA 2Q23, almost 2-years behind schedule. Regarding the land clearance process of the NSWE2 projects, 83% (600km) is cleared and handed over to project management. Notably, the Mekong Delta provinces including Hau Giang, Kien Giang, Bac Lieu, and Ca Mau achieve above 95% of clearance pace while the Central met 80%. However, the accessible land ratio for construction is tepid (see Table 3) due to minor land clearance-related issues. Despite the effort of the local governments, PMU is not relieved and seeking a feasible plan for the land clearance process because a single remaining structure can affect the progress of the entire project.

Table 5. North South Expressway – Phase II sub-project process

No	Project	Length (Km)	Handed over (Km)	%	Accessible for construction (Km)	%
1	Bãi Vọt -Hàm Nghi	36	36	100.0	28.8	87.5
2	Hàm Nghi - Vũng Áng	54	45	83.3	26.8	49.6
3	Vũng Áng - Bùng	58	44	75.9	31.5	54.3
4	Bùng - Vạn Ninh	51	38.6	75.7	30	58.8
5	Vạn Ninh - Cam Lộ	68	45	66.2	29	42.6
6	Quảng Ngãi - Hoài Nhơn	88	72	81.8	50	56.8
7	Hoài Nhơn - Quy Nhơn	69	58	84.1	45	65.2
8	Quy Nhơn - Chí Thạnh	62	50	80.6	35	56.5
9	Chí Thạnh - Vân Phong	51	43	84.3	26	51.0
10	Vân Phong - Nha Trang	83	60	72.3	53	63.9
11	Cần Thơ - Hậu Giang	37	36.1	97.6	NA	NA
12	Hậu Giang - Cà Mau	72	70.4	97.8	NA	NA

Source: KIS, Ministry of Construction

Land Clearance continues to be an issue in Long Thanh Airport and NSWE2 projects

Dispute between the government and property owners over land compensation is the biggest hurdle to meeting land clearance pace. Compensation is anchored on a local authority-determined price range, and conflicts arise when payment is not satisfying the landlords. We expect upcoming delays for NSWE2 and other expressway projects given the disparity is prolonged. The Draft for 2023 Land Law proposes abolishing the price range in favor of a dedicated council to determine property prices on a case-by-case basis. We believe the amendment could provide a framework for resolving future difficulties in land clearance efforts.

2. Insufficient supply of materials

Despite abundant reserve, supply capacity is limited

The NSWE1 project faced challenges with materials shortage, specifically crushed stone and filling sand. Despite the abundance of reserves, most of the mines are not yet licensed, leading to a limited supply. In 2021, when all sub-project of NSWE1 were under construction, 84 of the approximately 175 mines were yet to be licensed for extraction, leading to shortfalls in material supply. Recently, in Notice 79/TB-VPCP, the Deputy Prime Minister announced that in the Mekong Delta region, only 37mn m³ of sand is available for transportation projects in the region. The Notice also requests the local government to prepare a further 30mn m³ to support infrastructure construction in the region.

Table 6: Estimated demand and supply reserves for the sub-project of the NSWE2('000 m³)

No	Project	Filler Earth		Concrete Sand		Crushed Stone	
		Est. Demand	Reserves	Est. Demand	Reserves	Est. Demand	Reserves
1	Bãi Vọt -Hàm Nghi	2,234	6,037	31	1,280	692	21,550
2	Hàm Nghi - Vũng Áng	3,843	4,500	41	3,320	1,038	63,200
3	Vũng Áng - Bùng	2,628	2,970	134	2,410	1,115	193,450
4	Bùng - Vạn Ninh	2,409	2,977	89	7,630	981	55,327
5	Vạn Ninh - Cam Lộ	3,110	7,500	89	2,942	1,307	21,250
6	Quảng Ngãi - Hoài Nhơn	4,030	38,489	242	16,818	1,692	38,003
7	Hoài Nhơn - Quy Nhơn	3,416	27,240	205	10,159	1,327	7,853
8	Quy Nhơn - Chí Thạnh	4,380	14,749	237	3,629	1,192	6,836
9	Chí Thạnh - Vân Phong	1,917	5,332	98	6,083	981	41,540
10	Vân Phong - Nha Trang	3,120	7,930	159	1,731	1,596	34,425
11	Cần Thơ - Hậu Giang	3,064	6,335	644	2,533	711	41,130
12	Hậu Giang - Cà Mau	5,962	12,670	1,253	1,266	1,384	27,420
Total		40,113	136,729	3,222	59,801	14,016	551,984

Source: KIS, Ministry of Construction

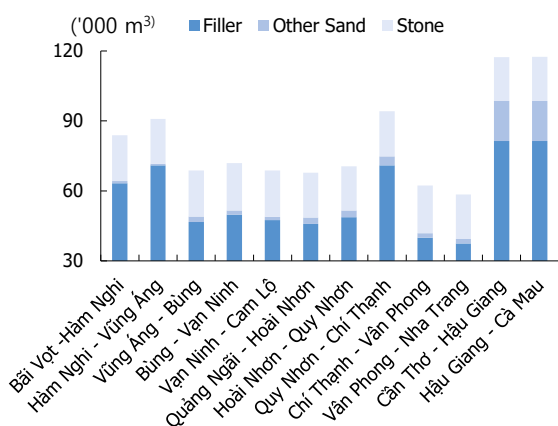
The delay in obtaining exploratory and extraction licenses causes a discrepancy between planned mines and licensed ones. These processes can take up to 7 months, with cases that lasted 2.5 years, even if the company won the bid for extraction rights. Addressing these challenges, many provincial authorities, most recently Lam Dong, Dak Lak, and Dien Bien issued Official Letters to hasten the approval process. For NSWE2, a total of 40mn m³ of filler, 3.2mn m³ of sand, and 14mn m³ of stone must be supplied. Although the total reserves exceed the demand, extraction capacity remains a big issue when the licensing and operating processes still take time.

Significant risk arises when contractors could not hedge the input price rally

In order to stabilize material prices, the government requires material providers to disclose monthly prices for construction materials. However, the supply-demand mismatch accommodates the prices to rally higher than listed, in our view. We believe the contractors frequently suffer from price spikes above their budget. For instance, in Thanh Hoa, where sand supply is particularly limited, the actual trading price for sand can be consistently 35-75% above the quoted prices. We also see suppliers issue invoices with prices lower than the actual transaction price to match the price listed by the local Department of Construction. State Investors must use the listed price as a benchmark when projecting the cost, leaving subcontractors unable to reconcile and hence raise additional working capital.

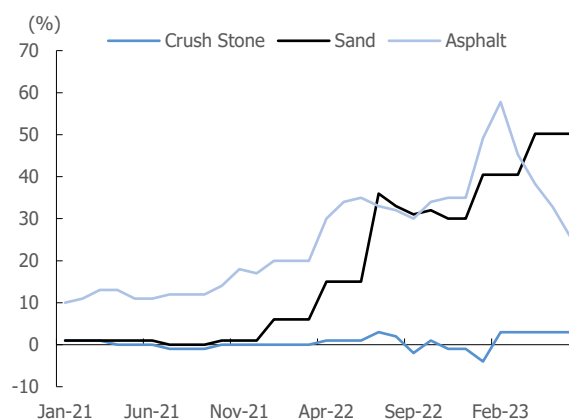
As mentioned above, the passenger terminal project of Long Thanh International Airport is in the process of contractor bidding. According to the plan, the construction could commence before year-end 2023 to finish in 39 months (2026). The first phase of the project includes filling intensive items such as the first runway and the first main terminal. Various highways and subordinate infrastructure must be built to support the main Airport. In our opinion, the demand for real estate will turnaround in 2024-2025. Hence, the demand for crushed stone and concrete sand will parallel.

Figure 12. Average materials demand per Km of each NSWE-II sub-project



Source: KIS, MoC

Figure 13. Material price growth since 2020 (2020 = 100%)



Source: KIS, State Authority Of Construction Economics

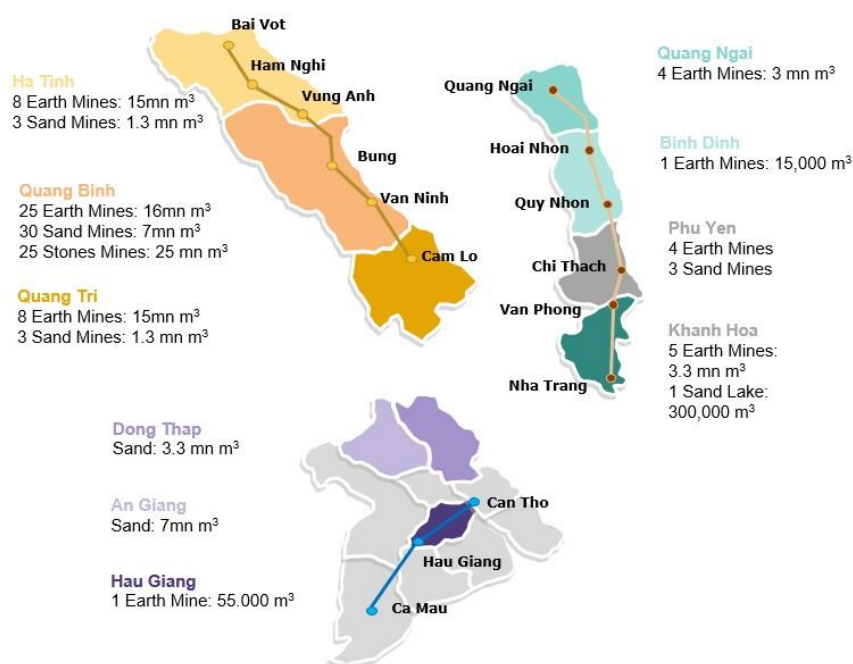
For their part, the Government and the Office of the Prime Minister are working on measures to expand the supply of material and improve the transparency of price, volumes, and accessibility of material:

- *Resolution 119/NQ-CP*: Clarify the application process for new mines and request provincial authorities to announce local prices and providers.
- *Resolution 60/NQ-CP*: Increase existing mine capacity by 50% compared to registered capacity.
- *Telegram 573/CD-CP*: Request provincial authorities to complete the registration process for planned new mines before 06/30/2023.

Many local authorities are currently in the process of exploring new resources, granting licenses to local contractors, and rezoning land to have access to new deposits (see Figure 14). However, despite the central government's urgings, many provincials have not to create a detailed plan to meet the upcoming material demand.

The overall worries about the availability and costs of construction materials when numerous infrastructure projects start at the same time, along with the recovery of the real estate market. According to our analysis, by 2024–2025, we expect a sharp rise in material demand, which will force contractors to compete for supplies, particularly in the HCMC–Dong Nai–Binh Duong metropolitan region, where numerous large-scale projects will be underway at the same time.

Figure 14. Newly licensed mine to support the NSWE2



Source: DoNS&E, KISVN collected

3. The reward is not even across the contractors.

Risks for contractors are different, depending on the projects

The slower pace of land clearance and the shortage of construction materials are challenges for contractors when they take part in projects under strict regulations. The government pays back contractors upon completion of each segment. The delays of payment require more working capital supported by borrowing or equity issuance. The longer the delay is, the thinner the project's gross margins, as they are required to pay overheads. Big contractors are hesitant to bid on infrastructure projects given outdated normative prices for construction materials, fuels, labor, and logistics. The Diem Chau – Bai Vot section of NSWE1 is a prime example, where inflexibility in the contract and heavier material costs led to a 15-20% increase, costing the contractor VND2bn for each delayed day.

In addition, some contractors were hit by the storms of real estate stagnancy and suffered settlement risk from the developers. Hoa Binh Group (HBC) is a typical victim when HBC cannot pay back subcontractors. With those mentioned challenges, it implied that contractors must have solid balance sheet and the ability to raise capital in such a large-scale project. From our view, we suppose the Long Thanh project absorb the State's attention than highway projects. As for highway projects, despite some challenges mentioned above, we believe most of the projects could end on time thanks to aggressive support and new policies from the government. Given the sluggish GDP performance in 1H23, we believe the government will accelerate the public spending disbursement in 2H23 by urging the local governments to soon solve the disbursement bottlenecks. However, some projects in the South of Vietnam may lag behind schedule due to the tight supply of filling sand.

V. Conclusion

Infrastructure projects are believed to revitalize the Vietnam economy; many key/provincial projects were kicked off across the nationwide post-COVID. We suppose that the aggregate materials industry (crushed stone, filling sand, concrete sand) is among the direct beneficiaries. We recommended the BUY rating on 2 crushed stone stocks: Hoa An Joint Stock Comp (DHA) and Bien Hoa Building Materials Production and Construction (VLB) over the next 12 months, thanks to the huge demand from Long Thanh Airport construction.

Infrastructure contractors are, in our opinion, the second main beneficiary of aggressive infrastructure spending trends. However, after a thorough investigation, we prefer the winner of the Long Thanh Airport project packages rather than highway contractors. We have a BUY rating on Deo Ca (HHV, BUY, 19,500) and Cotecons (CTD, BUY, 79,500) as the indirect beneficiary for a long investment horizon. We are quantifying the other demand for steel,

Companies Analysis

Coteccons Construction (CTD)

Deo Ca Traffic Infrastructure Investment (HHV)

Coteccons Construction (CTD)

BUY (Re-Initiate), TP VND79,500

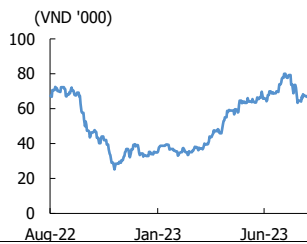
Stock price (16 Aug, VND)	67,000
Market cap (USD mn)	208
Shares outstanding (mn)	79
52W High/Low (VND)	80,000/25,200
6M avg. daily turnover (USD mn)	1.85
Free float (%)	66.3
Foreign ownership (%)	43.2
Major shareholders (%)	
Kustocem Pte.Ltd	18.5

Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
Dec	(VNDbn)	(VNDbn)	(VNDbn)	(VND)	(YoY)	(VNDbn)	(x)	(x)	(x)	(%)	(%)
2024F	17,699	98	262	3,251	273	207	20.6	7.4	0.6	3.1	0.0
2025F	18,583	327	468	5,819	79	440	11.5	4.4	0.6	5.4	0.0
2026F	18,955	333	492	6,116	5	450	10.9	4.0	0.6	5.3	0.0
2027F	19,334	316	499	6,193	1	437	10.8	0.8	0.5	5.1	0.0
2028F	19,721	711	447	5,551	(10)	370	12.1	0.3	0.5	4.4	0.0

Performance

	1M	6M	12M
Absolute (%)	(16.3)	92.8	(0.6)
Relative to VNI (%p)	(22.8)	74.4	0.4

Stock price trend



Source: Bloomberg

BUY and TP of VND79,500: We re-initiated the coverage of CTD with a BUY rating Cotecons (CTD) based on prospects in 2023-25F. The target price is based on DCF valuation (30%) and PB method (70%). In which we use the cost of equity at 16.9% and WACC of 16.0% with the assumption of: 1) a risk-free rate of 4.0%, 2) a beta of 1.61, and 3) an equity risk premium of 8.0% and terminal growth rate of 2%.

Benefit from a revival of the real estate market: Because of factors including urbanization pressure and rising residential prices, we expected to see a rising in demand for new housing projects. Growth will not only come from the high-end and mid-end market but also from affordable demand, with the Government's initiative to construct 1mn new social housing units. Additionally, the new Land Laws are expected to help simplify the land-clearing procedure and create a more straightforward property environment.

Completion of Risk restructuring: After the 2021 internal reorganization, CTD is led by a new Board of Director appointed by the largest shareholder, Kusto Group, the new BoD have begun the process to evaluate the company's ability to recover receivable from several high-risk customers, the company have identified VND1.3tn of Bad Debt. In 2022 the bad debt provision accounted for VND387bn, equivalent to 53% of SG&A cost. However, this cost reduced dropped significantly in 1H23 to VND43bn (-81% yoy), our opinion is this will be a new trend going forward, increasing the company's Net margin by reducing provisions pressure.

Indirect Benefits: With the new Recovery plan and other legislations offered by the government, we expected Cotecons will benefit from the improved economic situation. A side effect of the current drive for new sources of aggregate materials would be the overall reduction in construction cost, widening the residential contractor's gross margins. The lower interest rates will also provide Cotecons with cheaper financing, improving the company's overall bottom line.

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.

Table 1. DCF method

Cost of equity	Note	DCF calculation	Value	Note
Beta (x)	1.61	PV of Terminal Value	1,248	Long term growth rate at 2%
Risk-free rate (%)	4.0	Total PV of Operations	3,341	
Equity risk premium (%)	8.0	Plus: Cash	4,650	
Cost of equity (%)	16.9	Less: Debt	(793)	
WACC calculation		Less: Minority Interest	(1)	
Cost of debt (%)	7.3	Equity Value	7,197	
Target debt to capital (%)	8.0	Shares Outstanding, Million	79	
Tax rate (%)	20.0			
WACC (%)	15.0	DCF target price at end-FY24	91,100	

Table 2. Cash flow summary

(VNDbn)

	FY2024F	FY2025F	FY2026F	FY2027F	FY2027F
EBIT	98	327	333	316	245
less: tax	(66)	(117)	(123)	(125)	(112)
add: depreciation	109	113	117	121	125
less: capex	(120)	(100)	(100)	(100)	(101)
(increase) / decrease in NWC	6	(512)	175	1,439	(243)
Unlevered free cash flow	255	(12)	783	1,983	357
PV of FCF	255	(10)	579	1,269	171

Table 3. Valuation

Metrics	Implied price	Weight	Weight value
Price/Book, 1-yr forward at 0.7x	74,624	70%	52,237
DCF	91,101	30%	27,567
CTD's target share price (rounded)			79,500

Balance sheet

(VNDbn)

FY-ending Jun.	FY24F	FY25F	FY26F	FY27F	FY28F
Current assets	20,705	20,138	19,256	19,196	20,224
Cash & cash equivalents	4,650	4,145	3,760	5,113	5,786
Accounts & other receivables	12,574	12,845	12,583	11,510	11,795
Inventory	2,897	2,478	2,230	1,896	1,933
Non-current assets	1,277	1,278	1,310	1,350	1,318
Fixed assets	534	521	503	482	457
Investment assets	383	345	334	325	316
Others	784	889	924	943	1,003
Total assets	21,982	21,416	20,566	20,545	21,542
Advances from customers	3,186	2,788	2,275	1,740	1,775
Unearned revenue	6	6	6	6	6
Trade payables	5,132	4,810	4,547	4,644	4,756
Others	4,336	4,144	3,685	3,695	3,705
ST debt & due bonds	767	652	554	471	871
LT debt & bonds	26	26	26	26	27
Total liabilities	13,453	12,426	11,093	10,582	11,140
Controlling interest	8,528	8,987	9,469	9,957	10,396
Capital stock	788	788	788	788	788
Capital surplus	2,958	2,958	2,958	2,958	2,958
Other reserves	4,668	4,668	4,669	4,669	4,669
Retained earnings	645	1,103	1,585	2,073	2,510
Minority interest	1	3	4	6	7
Shareholders' equity	8,529	8,990	9,473	9,963	10,403

Cash flow

(VNDbn)

FY-ending Jun.	FY24F	FY25F	FY26F	FY27F	FY28F
C/F from operations	(485.6)	98.6	1,334.6	154.5	(485.6)
Net profit	470.0	494.0	500.0	448.0	470.0
Dep'n & Amort'n	113.4	117.4	121.4	125.4	113.4
Net incr. in W/C	(1,069.0)	(512.8)	713.2	(418.9)	(1,069.0)
C/F from investing	(144.2)	(178.8)	(188.8)	(201.3)	(144.2)
Capex	(80.1)	(105.6)	(106.0)	(107.7)	(80.1)
Incr. in investment	(64.1)	(73.2)	(82.8)	(93.6)	(64.1)
C/F from financing	(115.1)	(568.8)	(83.1)	400.4	(115.1)
Incr. in equity	0.0	0.0	0.0	0.0	0.0
Incr. in debt	(115.1)	(568.8)	(83.1)	400.4	(115.1)
Dividends	0.0	0.0	0.0	0.0	0.0
C/F from others	0.0	0.0	0.0	0.0	0.0
Increase in cash	(744.9)	(649.0)	1,062.7	353.6	(744.9)

Income statement

(VNDbn)

FY-ending Jun.	FY24F	FY25F	FY26F	FY27F	FY28F
Sales	17,699	18,583	18,955	19,334	19,721
COGS	17,107	17,813	18,189	18,576	19,025
Gross profit	592	770	766	758	696
SG&A expenses	494	443	433	442	451
Operating profit	98	327	333	316	245
Financial income	443	465	474	483	493
Interest income	144	158	174	192	211
Financial expenses	248	242	228	213	217
Interest expenses	58	50	42	36	66
Other non-operating profit	18	19	19	19	20
Gains (Losses) in associates, subsidiaries and JV	18	19	19	19	20
Earnings before tax	328	587	617	625	560
Income taxes	66	117	123	125	112
Net profit	263	470	494	500	448
Net profit of controlling interest	262	468	492	499	447
EBITDA	207	440	450	437	370

Key financial data

FY-ending Jun.	FY24F	FY25F	FY26F	FY27F	FY28F
Per-share data (VND, adj.)					
EPS	5,819	6,116	6,193	5,551	5,819
BPS	114,080	120,221	126,439	132,011	114,080
DPS	-	-	-	-	-
Growth (%)					
Sales growth	5.0	2.0	2.0	2.0	5.0
OP growth	233.7	1.7	(5.1)	(22.6)	233.7
NP growth	79.0	5.1	1.3	(10.4)	79.0
EPS growth	79.0	5.1	1.3	(10.4)	79.0
EBITDA growth	112.6	2.3	(2.9)	(15.1)	112.6
Profitability (%)					
OP margin	1.8	1.8	1.6	1.2	1.8
NP margin	2.5	2.5	2.5	2.2	2.5
EBITDA margin	2.4	2.4	2.3	1.9	2.4
ROA	2.2	2.4	2.4	2.1	2.2
ROE	5.4	5.3	5.1	4.4	5.4
Dividend yield	-	-	-	-	-
Dividend payout ratio	-	-	-	-	-
Stability					
Net debt (VNDbn)	(2,997)	(3,180)	(4,616)	(4,888)	(2,997)
Net debt/equity (%)	(30)	(30)	(50)	(50)	(30)
Valuation (x)					
PE	11.5	10.9	10.8	12.1	11.5
PB	0.60	0.60	0.50	0.50	0.60
EV/EBITDA	4.40	4.00	0.80	0.30	4.40

Deo Ca Traffic Infrastructure Investment (HHV)

BUY (Initiate), TP VND19,500

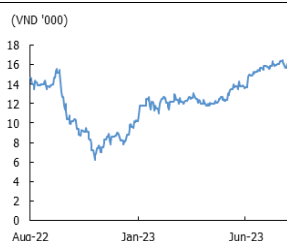
Stock price (16 Aug, VND)	15,900
Market cap (USD mn)	219
Shares outstanding (mn)	329
52W High/Low (VND)	16,450/6,262
6M avg. daily turnover (USD mn)	4.56
Free float (%)	68.2
Foreign ownership (%)	4.8
Major shareholders (%)	
Hai Thach BOT Corp	33.68

Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
Dec	(VNDbn)	(VNDbn)	(VNDbn)	(VND)	(YoY)	(VNDbn)	(x)	(x)	(x)	(%)	(%)
2021A	1,861	830	269	1,006	99.3	1,092	15.8	23.6	0.6	3.9	0.0
2022A	2,095	944	264	851	(15.4)	1,227	18.7	21.0	0.6	3.7	0.0
2023F	2,528	1,155	358	1,065	25.2	1,451	14.9	17.6	0.6	4.2	0.0
2024F	2,742	1,247	406	1,206	13.2	1,555	13.2	15.6	0.6	4.4	0.0
2025F	3,015	1,388	436	1,295	7.4	1,707	12.3	13.7	0.5	4.6	0.0

Performance

	1M	6M	12M
Absolute (%)	0.3	29.4	8.0
Relative to Vnindex (%p)	(6.3)	11.0	9.0

Stock price trend



Source: Bloomberg

Strong public spending spurs the growth

BUY and TP of VND19,500: We initiate the coverage of Deo Ca Traffic Infrastructure Investment (HHV) with BUY rating based on our outlook for the industry in FY23F-25F. We forecast EPS will post a three-year forward CAGR (2022-2025) of 15.0% thanks to the low base in 2022F. We use SoTP method to value the HHV stock with the TP of VND19,300. Of which, we apply DCF method for BOT segment and PE method for construction segment. We use a assumptions: 1) a risk-free rate of 4.0%, 2) a beta of 1.0 and 3) an equity risk premium of 8.0%.

HHV is one of biggest BOT developer in Vietnam. Despite the fact that some HHV's BOT projects are behind the financial plans due to some unexpected reasons that affected company's cashflow, we still believe that the toll collection revenue will gradually improve and this is a stable source of inflow in the long term as the growing traffic volume in Vietnam. Besides, in the near term, we also expect that the government will approve the support of VND3,4tn for Deo Ca road tunnel project, then, improving the HHV's financial health significantly.

Aggressive infra spending is the main growth driver for next years. Thanks to its stable financials and strong proven capability in infrastructure construction, HHV has won many public projects that bringing the construction backlog of around VND2,9tn at the end of 1Q23. In addition, HHV continues actively participating many other infrastructure project biddings and prepares for new type of infrastructure projects like railway in the near future that can ensure the growth in short term and longer term.

Company overview

Deo Ca Traffic Infrastructure Investment JSC (HHV), formerly known as Thong Nhat Workshop, was established in 1974 with its main business in road construction, and investment activities in transport infrastructure projects. Currently, HHV is one of the biggest BOT developers in Vietnam.

Table 4. SoTP valuation method

	Method	Projected NPV	Ownership	HHV's Valuation
BOT Đeo Ca	DCF	5,466	71.03%	3,882
BOT Bac Giang - Lang Son	DCF	2,276	68.34%	1,555
BOT Đeo Ca - Khanh Hoa	DCF	425	47.10%	200
BOT Phuoc Tuong - Phu Gia	DCF	500	99.47%	497
BOT Total				6,134
Construction & Others	PE at 8.0x		100%	362
Total PV of Operation				6,496
Plus: Cash				773
Less: Debt (not included BOT debt)				(340)
Less: Minority Interest				(1,199)
Equity Value				6,410
Shares Outstanding, Million				329
Target price at end-2023 (VND)				19,500

Table 5. Assumptions

Items	
Beta (x)	1.0
Risk-free rate (%)	4.0
Equity risk premium (%)	8.0

Balance sheet

(VNDbn)

FY-ending Dec	2021A	2022A	2023F	2024F	2025F
Current assets	1,389	1,184	2,227	2,652	2,934
Cash & cash equivalents	333	455	773	1,388	1,571
Accounts & other receivables	646	457	527	572	629
Inventory	38	161	224	207	225
Non-current assets	32,574	34,469	34,774	35,082	35,394
Fixed assets	28,704	28,562	28,566	28,558	28,539
Investment assets	491	545	571	599	629
Others	3,394	4,916	5,747	5,782	6,071
Total assets	33,964	35,653	37,001	37,734	38,328
Advances from customers	8	112	101	110	121
Unearned revenue	0	10	10	10	10
Trade payables	1,129	1,095	1,276	1,392	1,516
Others	4,042	5,408	6,218	7,027	7,758
ST debt & due bonds	236	873	973	873	673
LT debt & bonds	20,872	19,780	19,480	18,980	18,480
Total liabilities	26,287	27,278	28,058	28,392	28,558
Controlling interest	3,235	3,905	7,744	8,142	8,569
Capital stock	2,674	3,078	3,294	3,294	3,294
Capital surplus	0	(1)	(1)	(1)	(1)
Other reserves	5	7	8	8	8
Retained earnings	557	821	1,171	1,568	1,995
Minority interest	1,168	1,198	1,199	1,200	1,201
Shareholders' equity	7,676	8,376	8,943	9,342	9,770

Income statement

(VNDbn)

FY-ending Dec.	2021A	2022A	2023F	2024F	2025F
Sales	1,861	2,095	2,528	2,742	3,015
COGS	936	1,078	1,285	1,399	1,522
Gross profit	925	1,017	1,243	1,343	1,492
SG&A expenses	95	73	88	95	105
Operating profit	830	944	1,155	1,247	1,388
Financial income	22	5	5	6	6
Interest income	8	7	6	12	18
Financial expenses	551	648	784	823	904
Interest expenses	551	648	634	615	594
Other non-operating profit	21	0	(3)	(3)	(3)
Gains (Losses) in associates, subsidiaries and JV	11	53	57	60	37
Earnings before tax	333	354	431	487	523
Income taxes	43	57	71	80	86
Net profit	291	297	360	407	437
Net profit of controlling interest	269	262	351	397	426
EBITDA	269	264	358	406	436

Cash flow

(VNDbn)

FY-ending Dec.	2021A	2022A	2023F	2024F	2025F
C/F from operations	162	365	623	1,531	1,194
Net profit	291	297	360	407	437
Dep'n & Amort'n	262	284	296	308	320
Net incr. in W/C	(391)	(216)	(33)	816	437
C/F from investing	(199)	(194)	(394)	(462)	(457)
Capex	(239)	(197)	(300)	(300)	(300)
Incr. in investment	40	3	(94)	(162)	(157)
C/F from financing	22.1	(51.1)	15.5	(600.0)	(700.0)
Incr. in equity	0	404	216	0	0
Incr. in debt	22	(455)	(200)	(600)	(700)
Dividends	0	0	0	0	0
C/F from others	0	0	0	0	0
Increase in cash	(15)	120	245	469	37

Key financial data

FY-ending Dec.	2021A	2022A	2023F	2024F	2025F
Per-share data (VND, adj.)					
EPS	1,006	851	1,065	1,206	1,295
BPS	28,706	27,211	27,150	28,361	29,660
DPS	0	0	0	0	0
Growth (%)					
Sales growth	54.9	12.5	20.7	8.5	9.9
OP growth	38.3	13.7	22.4	8.0	11.2
NP growth	99.3	(2.6)	33.9	13.2	7.4
EPS growth	99.3	(15.4)	25.2	13.2	7.4
EBITDA growth	36.3	12.5	18.2	7.2	9.8
Profitability (%)					
OP margin	44.6	45.1	45.7	45.5	46.0
NP margin	14.4	12.5	13.9	14.5	14.1
EBITDA margin	58.7	58.6	57.4	56.7	56.6
ROA	0.9	0.9	1.0	1.1	1.1
ROE	3.9	3.7	4.2	4.4	4.6
Dividend yield	0.0	0.0	0.0	0.0	0.0
Dividend payout ratio	0.0	0.0	0.0	0.0	0.0
Stability					
Net debt (VNDbn)	20,775	20,198	19,680	18,465	17,582
Net debt/equity (%)	270.0	240.0	220.0	200.0	180.0
Valuation (x)					
PE	15.8	18.7	14.9	13.2	12.3
PB	0.6	0.6	0.6	0.6	0.5
EV/EBITDA	23.6	21.0	17.6	15.6	13.7

■ **Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**

- BUY: Expected total return will be 15%p or more
- Hold: Expected total return will be between -5%p and 15%p
- Sell: Expected total return will be -5%p or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

■ **Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

■ **Analyst Certification**

I/We, as the research analyst/analysts who prepared this report, do hereby certify that the views expressed in this research report accurately reflect my/our personal views about the subject securities and issuers discussed in this report. I/We do hereby also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

■ **Important compliance notice**

As of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), KIS Vietnam Securities Corp. or its affiliates does not own 1% or more of any class of common equity securities of the companies mentioned in this report.

There is no actual, material conflict of interest of the research analyst or KIS Vietnam Securities Corp. or its affiliates known at the time of publication of the research report or at the time of the public appearance.

KIS Vietnam Securities Corp. or its affiliates has not managed or co-managed a public offering of securities for the companies mentioned in this report in the past 12 months;

KIS Vietnam Securities Corp. or its affiliates has not received compensation for investment banking services from the companies mentioned in this report in the past 12 months; KIS Vietnam Securities Corp. or its affiliates does not expect to receive or intend to seek compensation for investment banking services from the companies mentioned in this report in the next 3 months.

KIS Vietnam Securities Corp. or its affiliates was not making a market in securities of the companies mentioned in this report at the time that the research report was published.

KIS Vietnam Securities Corp. does not own over 1% of shares of the companies mentioned in this report as of 16 Aug 2023.

KIS Vietnam Securities Corp. has not provided this report to various third parties.

Neither the analyst/analysts who prepared this report nor their associates own any shares of the company/companies mentioned in this report as of 16 Aug 2023.

KIS Vietnam Securities Corp. has issued CW with underlying stocks of Nam Kim, Hoa Sen and is the liquidity provider.

Prepared by: Research Department

Global Disclaimer

■ General

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KIS Vietnam Securities Corp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KIS Vietnam Securities Corp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KIS Vietnam Securities Corp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KIS Vietnam Securities Corp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or KIS Vietnam Securities Corp. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

■ Country-specific disclaimer

United States: This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

United Kingdom: This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

Hong Kong: This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

Singapore: This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

Copyright © 2023 KIS Vietnam Securities Corp. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp.

VIET NAM

JAE HEUNG LEE, Business Director (jhlee@kisvn.vn +8428 3914 8585 - 1466)
UYEN LAM, Head of Institutional Brokerage (uyen.lh@kisvn.vn +8428 3914 8585 - 1444)
KIS Vietnam Securities Corporation
3rd floor, 180-192 Nguyen Cong Tru, Nguyen Thai Binh Ward, District 1, Ho Chi Minh City.
Fax: 8428 3821-6898

SOUTH KOREA

YEONG KEUN JOO, Managing Director, Head of International Business Division (ykjoo@truefriend.com, +822 3276 5157)
PAUL CHUNG, Sales Trading (pchung@truefriend.com +822 3276 5843)
27-1 Yoido-dong, Youngdeungpo-ku, Seoul 150-745, Korea
Toll free: US 1 866 258 2552 HK 800 964 464 SG 800 8211 320
Fax: 822 3276 5681~3
Telex: K2296

NEW YORK

DONG KIM, Managing Director (dkim@kisamerica.com +1 212 314 0681)
HOON SULL, Head of Sales (hoonsull@kisamerica.com +1 212 314 0686)
Korea Investment & Securities America, Inc.
1350 Avenue of the Americas, Suite 1110
New York, NY 10019
Fax: 1 212 314 0699

HONG KONG

DAN SONG, Managing Director, Head of HK Sales (dan.song@kisasia.com +852 2530 8914)
GREGORY KIM, Sales (greg.kim@kisasia.com, +822 2530 8915)
Korea Investment & Securities Asia, Ltd.
Suite 2220, Jardine House
1 Connaught Place, Central, Hong Kong
Fax: 852-2530-1516

SINGAPORE

ALEX JUN, Managing Director, Head of Singapore Sales (alex@kisasia.com.sg +65 6501 5602)
CHARLES AN, Sales (alex.jun@kisasia.com.sg +65 6501 5601)
Korea Investment & Securities Singapore Pte Ltd
1 Raffles Place, #43-04, One Raffles Place
Singapore 048616
Fax: 65 6501 5617

LONDON

Min Suk Key, Managing Director (peterkey@kiseurope.com +44 207 065 2766)
Korea Investment & Securities Europe, Ltd.
2nd Floor, 35-39 Moorgate
London EC2R 6AR
Fax: 44-207-236-4811

This report has been prepared by KIS Vietnam Securities Corp. and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. This report is provided solely for the information of professional investors who are expected to make their own investment decisions without undue reliance on this report and the company accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report is not intended for the use of private investors.

Copyright © 2020 KIS Vietnam Securities Corp. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp.