

FECON CORPORATION (FCN) – UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND16,150	VND16,500	1.86%	Hold	CONSTRUCTION

04 August 2022

Outlook – Short term: **Positive**
Outlook – Long term: **Positive**
Valuation: **Neutral**

Consensus*: Add: 0 Hold: 0 Reduce: 0

Target price / Consensus: na

Key changes in the report

➤ Revise FY22-23F EPS down 47.2%-26.2%

Price performance



Source: VNDIRECT RESEARCH

Key statistics

52w high (VND)	36,000
52w low (VND)	10,800
3m Avg daily value (VNDmn)	45,858
Market cap (VND bn)	2,362
Free float (%)	45
TTM P/E (x)	83.1
Current P/B (x)	1.0

Ownership

Raito Kogyo Co., Ltd	25.5%
Red One Fund	10.2%
Others	64.3%

Source: VNDIRECT RESEARCH

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Gross margin pressure persists into 2H22F

- FCN announced robust 1H22 new contract value of VND1,981bn with the main contribution from industrial projects (higher gross margin than civil projects).
- We lowered FY22-23F net profit by 47.2%-26.2% due to the impact of high building material prices on the company's cost of goods sold.
- We lower our 1-year TP to VND16,500 following FY22-23F EPS downgrade.

1H22 results missed because of gross margin contraction

FCN reported 2Q22 revenue sharp 36.6% yoy to VND1,039bn while its net profit declined 53.1% yoy to VND15bn. Gross margin was contracted to 10.2% in 2Q22 from 17.5% in 1Q22 following building material prices hike. In addition, interest expense increased by 52.7% yoy in 2Q22 mainly because the debt of Quoc Vinh wind power project was no longer capitalized from 4Q21. For 1H22, revenue rose 14.9% yoy to VND1,541bn and net profit plummeted 84% yoy to VND8bn, fulfilling only 4.0% of our FY22F forecast.

Construction business likely to bottom out

The prolonged Covid-19 pandemic and high price of building materials have delayed construction progress in 2021-1H22. However, we expect the situation to improve in the coming months and FCN's construction activities to bounce back in 2H22-23F, driven by surging state investment and FDI inflow. FCN has several industrial construction projects in pipeline during 2022-23. Notable projects are Dung Quat Steel Complex 2, Vung Ang 2 & Nhon Trach 3&4 power plants,...

Gross margin pressure to weigh on earnings recovery in FY22F

Due to the increasingly fierce competition of the domestic construction industry and the high building material price environment, we forecast that FCN's construction gross margin will be only 12.5% in FY22F. Although most of the contracts signed by FCN have a price adjustment clause, we still think that the impact of input materials will significantly affect the company's gross margin over the rest of 2022.

We revise down FY22-23F net profit forecasts

We revised down our FY22-23F net profit by 47.2%/26.2% to reflect 3.3% pts/1.8% pts lower in gross margin. FCN's net profit to grow 59.8% CAGR over FY22-23F, driven by current backlog which secures 60% of our forecast. We expect revenue and net profit to grow 24.9%/55.7% yoy in FY22F, respectively. We do not take into account the possibility of FCN's divestment from its two renewable energy plants. If successful, the two divestment deals will bring about VND150bn to FCN's net profit over FY22-23F, based on our estimate.

Downgrade to Hold rating with SOTP-based TP of VND16,500

We lower SOTP-based TP of VND16,500 to reflect the FY22-23F EPS downgrade. Upside rating catalysts include (1) higher-than-expected divestment deal value and (2) new land fund from real estate projects. Downside risk is higher-than-expected building materials causing delayed construction progress.

Financial summary (VND)	12-20A	12-21A	12-22E	12-23E
Net revenue (bn)	3,154	3,484	4,351	4,589
Revenue growth	2.0%	10.5%	24.9%	5.5%
Gross margin	15.0%	13.5%	13.5%	15.0%
EBITDA margin	9.2%	8.6%	9.0%	10.3%
Net profit (bn)	119	68	106	175
Net profit growth	(40.8%)	(42.4%)	55.7%	64.0%
Recurring profit growth	(40.8%)	(42.4%)	55.7%	64.0%
Basic EPS	754	434	676	1,109
Adjusted EPS	708	382	636	1,033
BVPS	14,071	16,860	17,091	18,002
ROAE	5.4%	2.8%	4.0%	6.3%

Source: VNDIRECT RESEARCH

GROSS MARGIN PRESSURE PERSISTS INTO 2H22F
Gross margin contraction cause lower-than-expected 2Q22 results
Figure 1: 2Q22 business results (VND bn)

	2Q22	2Q21	% yoy	1H22	1H21	% yoy	vs full year forecast	Comment
Net revenue	1,039.1	760.5	36.6%	1,540.8	1,340.8	14.9%	34.4%	
Gross profit	106.1	134.5	-21.1%	194.0	239.2	-18.9%	25.9%	
Gross margin	10.2%	17.7%	-7.5 % pts	12.6%	17.8%	-5.2 % pts	-4.2 % pts	2Q22 gross margin decreased by 7.5% pts yoy due to (1) high raw material prices and (2) 2Q21 construction revenue mainly from wind power projects with high gross margin.
SG&A expense	52.2	58.1	-10.1%	103.7	111.1	-6.7%	33.6%	
SG&A as % of revenue	5.0%	7.6%	-2.6 % pts	6.7%	8.3%	-1.6 % pts	-0.2 % pts	
EBIT	53.9	76.4	-29.5%	90.3	128.1	-29.5%	20.4%	
Interest expense	52.8	34.6	52.7%	98.9	62.2	58.9%	54.5%	
Pretax profit	10.0	41.8	-76.0%	8.9	67.2	-86.8%	3.5%	
After tax profit	7.9	33.5	-76.4%	1.2	50.8	-97.6%	0.6%	
Minority interest	(7.3)	1.1	NA	(6.8)	0.5	NA	NA	According to FCN management, the company's actual ownership in the Quoc Vinh-Soc Trang wind power project was adjusted in 2Q22 to 51% (from 90% in the previous quarter - according to the initial cooperation contract). As a result, minority interests in 2Q22 lost VND7.3bn.
Net profit	15.2	32.4	-53.1%	8.0	50.3	-84.0%	4.0%	
Net margin	1.5%	4.3%	-2.8 % pts	0.5%	3.8%	-3.2 % pts	-4.0 % pts	

Source: VNDIRECT RESEARCH, COMPANY REPORTS

2H22-FY23F: solid backlog but weakening margin
Robust 1H22 new contract value, focusing on industrial projects

Except for the less exciting 2M22 due to coincident with the Lunar New Year holiday, FCN's bidding activities have accelerated since Mar 2022. Accumulated in 1H22, FCN's new contract value reached VND1,981bn (+11.3% yoy), equivalent to 44% of our full-year forecast.

In our previous report, we expect wind power plants construction will contribute about VND1,500bn per year to total new contract value in FY22-23F thanks to the arising opportunities from the ongoing country's heavy investment in wind power. However, the Government has not yet approved the Power Development Plan 8, which is slower than our previous expectation of 1H22. As a result, there are very few wind power projects under construction in 1H22, which means contractors will be short of work. In fact, FCN did not receive any more bids from any wind power projects and only built the rest from Hoa Dong wind power project in 1H22.

Besides, the high price of construction materials in 1H22 also slowed down the construction progress in many projects. As such, FCN's positive bid results in 1H22 are quite impressive and we increase our forecast of total new contract value to VND5,500bn in FY22F, from VND4,850bn previously. We also note that bidding activities are usually concentrated in the last quarter of the year.

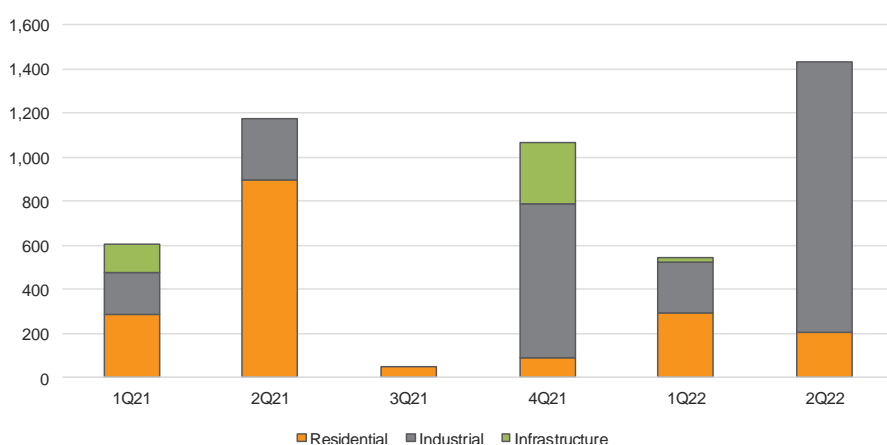
Figure 2: FCN's new signed contract in 1H22

Project	Contract value (VND bn)	Time of winning the bid
Total	1,981	
Residential	498	
An Hung urban area	40	Mar-22
Grand Mercure Hoi An resort	122	Mar-22
Paragon Dai Phuoc, Grand World Phu Quoc,...	130	Mar-22
Park Hyatt Phu Quoc Residences	17	Apr-22
HH1, D6 - Tay Ho District	51	Apr-22
Park City Hanoi	31	May-22
Swancity Dai Phuoc	84	May-22
Nam Dong Ha - Quang Tri urban area	23	Jun-22
Industrial	1,461	
Dung Quat Steel Complex 2	233	Mar-22
Dung Quat Steel Complex 2	268	Apr-22
ICD Vinh Phuc	118	Apr-22
Vung Ang 2 power plant	120	Apr-22
Vung Ang 2 power plant	239	May-22
Quang Trach 1 power plant	65	Jun-22
Nhon Trach 3&4 power plant	418	Jun-22
Infrastructure	22	
Long Thanh International Airport	22	Mar-22

Source: VNDIRECT RESEARCH, COMPANY REPORTS

We estimate that backlog value to be around VND3,000bn by the end of Jun 2022. If excluding the underground construction package at the Hanoi metro line 3 project (which is delayed due to ground clearance problems and the time of construction is uncertain), the current backlog value is VND2,400bn and will boost the company revenue in 2H22.

In FY23-26F, we expect FCN's construction segment to continue its growth momentum in terms of both revenue and new contract value thanks to (1) the company maintains its leading position in heavy construction with deep expertise in foundation in Vietnam; (2) FCN has demonstrated its ability to build wind power projects in 2021 and riding on the tide of renewable infrastructure development when Power Development Plan 8 is approved in 4Q22F, based on our expectations and (3) construction demand in Vietnam is still very large in both civil and industrial sectors. Thereby, we assume FCN's new contract value in FY23-26F at VND6,000bn per year.

Figure 3: FCN's new signed contract in 2021-1H22 by project segment (VNDbn)


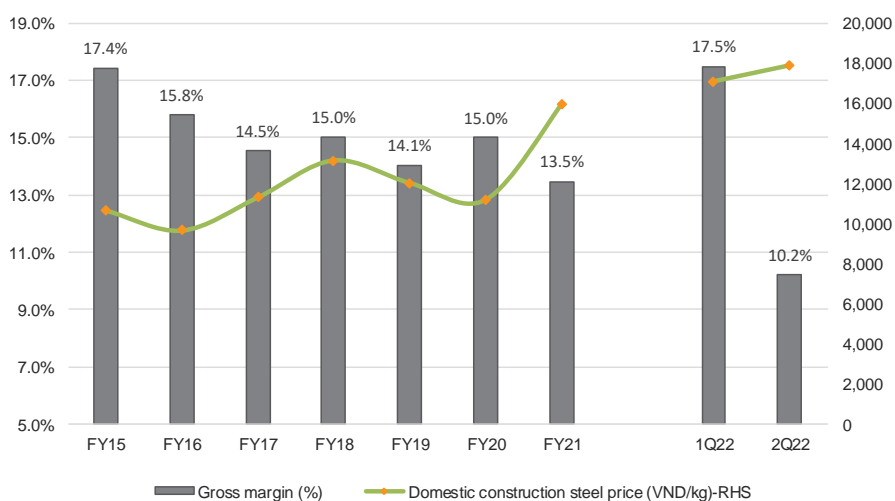
Source: VNDIRECT RESEARCH, COMPANY REPORTS

Gross margin pressure to weigh on earnings recovery in FY22F

Thanks to maintaining its leading position in the field of foundation construction and large backlogs from heavy industry & underground projects, FCN has maintained a stable gross margin during FY17-20 around 14-15%, significantly higher than other listed construction companies such as CTD & HBC (only 5%-10%).

However, FCN's gross margin is only 13.5% in FY21, the lowest since the listing. We believe that FY21 weak results was mainly due to (1) the high price of building materials in 2021, especially steel price increased by 43% yoy and (2) fierce and increasing competition in the industry as Covid-19 pandemic disrupted construction activities.

Figure 4: FCN's gross margin was under pressure in 2Q22



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Due to the increasingly fierce competition of the domestic construction industry and the high building material price environment, we forecast that FCN's construction gross margin will be only 12.5% in FY22F despite impressive gross margin of 17.5% in 1Q22. We also note that the company's FY21 gross margin after the audit decreased by 1.3% pts from 14.8% to 13.5% because the bid adjustment with the investor is uncertain. Although the upward momentum in building material prices has cooled down in the past two months and most of the contracts signed by FCN have a price adjustment clause, we still think that the impact of input materials will significantly affect the company's gross margin over the rest of 2022. In FY23-24F, gross margin is forecast to gradually increase to a higher level of 14%, based on our estimates.

Investment business: lack of information about some potential projects

FCN likely diversify from at least one among two existing renewable energy (RE) project in 2022

FCN currently holds 40% and 51% stake in two RE plants, Vinh Hao 6 solar power and Quoc Vinh - Soc Trang wind power. The Vinh Hao 6 solar power plant locates in Binh Thuan with initial investment of VND1,361bn. The plant started running commercial operation since June 2019 and enjoying attractive feed-in-tariff of 9.35UScent/kWh for 20 years. We expect the plant will contribute about VND5-7bn p.a. for FCN's pretax profit.

The company's first wind power project with an investment of VND1,400bn, named Quoc Vinh - Soc Trang. The project started commercial operation in Oct

2021 and also enjoying attractive feed-in-tariff of 8.5UScent/kWh for 20 years. Despite experiencing a propeller breakage problem in Nov 2021, the project was able to overcome the problem and achieve 70% operating efficiency in 1H22, according to the company's management. We estimate Quoc Vinh – Soc Trang wind power project will contribute about VND130bn in revenue in FY22F and VND160bn in revenue per year from FY23F.

FCN is expected to completely divest from at least one existing RE project in 2022. In case the company divests capital from the two RE project, FCN will book a one-off profit of VND150bn, based on our estimates. So far, no further information about the deals has been released so we do not take into account the one-off gain from these divestments into our FY22-23F earnings forecasts. We believe this could be a near-term upside potential for stock price.

Tap into property development

At Annual Shareholder Meeting in Apr 2022, FCN set targets to develop five property projects in the next two years, including four residential projects and 1 industrial project (refer Figure 5). In the near term, that is highly likely that FCN will be selected as developer for Nam Thai residential project. In our view, Nam Thai residential project is promising thanks to its prime location in Pho Yen City, a newly upgrade city of Thai Nguyen provinces, which has experienced strong housing demand from Samsung labour. With investment capital of US\$98m, we believe FCN will accelerate these forementioned divestments in order to finance for the projects.

For other property projects, we do not have update on the progress. Due to lacking of information, we do not reflect the property development business in our forecasting and valuation model.

Figure 5: FCN's investment project portfolio

Project	Location	Area (ha)	Total investment (m USD)	Notes
Renewable energy				
Vinh Hao 6 solar power plant	Tuy Phong, Binh Thuan		59	- Ownership: 40% - Capacity: 50 MWp - Annual output: 83m kWh - Commercial operation date: Jun 2019
Quoc Vinh - Soc Trang wind power plant	Vinh Chau, Soc Trang		61	- Ownership: 51% - Capacity: 30 MWp - Annual output: 98m kWh - Commercial operation date: Nov 2021
Ba Ria - Vung Tau wind power plant	Ba Ria - Vung Tau		NA	- Capacity: 500 MWp - Type: offshore wind power - Progress: FCN has signed a project development cooperation agreement with Corio Generation (Australia). Currently, the project is applying to be added to the Power Development Plan 8.
Property				
My Hao Garden City	My Hao, Hung Yen	325	590	Approved the 1/2000 plan of the project
Nam Thai urban area	Pho Yen, Thai Nguyen	25	98	The project has been approved for investment policy. In Jul 2022, Thai Nguyen Department of Planning and Investment has just announced Fecon Pho Yen JSC (Fecon Investment owns 55% stake) as the only investor registered to implement the project.
Viet Hung urban area	Que Vo, Bac Ninh	6	16	
Sa Dec trade, service center combined housing area	Sa Dec, Dong Thap	37	62	
Industrial property				
Yen Phong 2 Industrial Park	Yen Phong, Bac Ninh	655	272	

For all these projects, FCN is the planning sponsor and one of the units participating in the bidding to select investors.

Source: VNDIRECT RESEARCH, COMPANY REPORTS

We lower our FY22-23F earnings forecasts following recent margin contraction

We revise down our FY22-23F net profit by 47.2%/26.2% to reflect 3.3% pts/1.8% pts lower gross margin, offsetting (1) 1.6%/7.1% lower interest expense and (2) 0.4% pts lower SG&A as % of revenue.

Figure 6: Earnings revision for FY22-23F

VND bn	Old forecasts		New forecasts		The difference between new and old forecasts		Comments
	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	
Net revenue	4,474.2	4,887.7	4,350.7	4,588.6	-2.8%	-6.1%	
Construction	4,314.6	4,725.0	4,214.6	4,420.0	-2.3%	-6.5%	
Power	159.5	162.7	136.1	168.6	-14.7%	3.6%	We revised down our FY22F power revenue forecasts due to lower utilisation rate at Quoc Vinh-Soc Trang wind power of 70% from 80% previously. Meanwhile, we revised up our FY23F power revenue mainly due to a higher exchange rate
Gross profit	750.6	817.2	585.3	686.1	-22.0%	-16.0%	
Gross margin	16.8%	16.7%	13.5%	15.0%	-3.3 % pts	-1.8 % pts	
Construction	15.5%	15.5%	12.5%	13.5%	-3.0 % pts	-2.0 % pts	We revise down our FY22-23F gross margin due to (1) higher-than-expected building material prices and (2) the signing of new contracts from wind power projects (with high gross margin) was lower than our previous expectation.
Power	51.3%	52.1%	43.0%	53.0%	-8.3 % pts	0.9 % pts	
SG&A expense	308.7	337.3	281.4	296.8	-8.9%	-12.0%	
SG&A as % of revenue	6.9%	6.9%	6.5%	6.5%	-0.4 % pts	-0.4 % pts	We revised down our FY22-23F SG&A as % of revenue forecasts thanks to lower actual SA&A expenses in FY21 compared to our previous forecast.
EBIT	432.9	470.2	295.7	380.7	-31.7%	-19.0%	
Interest expense	181.4	175.3	178.5	162.9	-1.6%	-7.1%	We revised down our FY22-23F interest expense thanks to lower total debt as the company's equity was added VND416bn from the private placement in Dec 2021.
Pretax profit	257.1	301.4	143.0	234.9	-44.4%	-22.1%	
NPAT	204.3	239.2	109.1	177.5	-46.6%	-25.8%	
Net profit	201.8	236.5	106.5	174.6	-47.2%	-26.2%	
Net margin	4.5%	4.8%	2.4%	3.8%	-2.1 % pts	-1.0 % pts	

Source: VNDIRECT RESEARCH

In base case, we do not take into account the possibility of FCN's divestment from Quoc Vinh – Soc Trang wind power plant and Vinh Hao 6 solar power plant. Management board aims to offload its stake of Vinh Hao 6 and Quoc Vinh – Soc Trang in 2H22-23F. If successful, the two divestment deals will bring about VND150bn to FCN's net profit over FY22-23F, based on our estimate.

Valuation: Hold rating with a TP of VND16,500/share

Our valuation based on the sum-of-the-parts (SOTP) methodology for FCN's construction segment and two RE plants (Vinh Hao 6 and Quoc Vinh – Soc Trang). For construction segment, we apply a cash flow projection with a WACC of 9.4%. For the RE segment, we apply DCF valuation for the entire plant's life (20 years) with a WACC of 10.1%. For investment in affiliates and minority interest, we use the book value as of 30 Jun 2022. Thereby, our TP is VND16,500/share, which corresponds to downgrade our Hold rating for FCN.

We believe that the recent cooling down of construction material prices has helped construction companies' stock prices recover significantly. FCN's share price to rally 34% in the past one month, higher the peers average (+30%) and outperforming the VN-Index benchmark of +5.0%. Currently, FCN is trading at 83.1x of TTM P/E and 25.4x of FY22 P/E. We believe the share price is quite fair in the near-term investment horizon. For a longer run, we will wait for more information about company's property pipeline in 2023–24.

Noted that, we do not reflect the property development business and the possible one-off gains from divestments in our forecasting and valuation model.

Figure 7: SOTP-based valuation

SOTP valuation (VND bn)	Method	
Construction	DCF 5 years	4,008
Quoc Vinh - Soc Trang wind power plant	DCF 20 years	761
Vinh Hao 6 solar power plant	DCF 20 years	320
Investment in affiliates	Book value at the end of 2Q22	253
(+) Cash and cash equivalents		307
(-) Debt	Book value at the end of 2Q22, excluded debt at Quoc Vinh Soc Trang wind power project (according to ownership ratio)	2,243
(-) Minority interest	Book value at the end of 2Q22	802
Equity value		2,603
Number of outstanding share (million shares)		157.4
Equity value per share (VND)		16,534
Target price (rounded, VND)		16,500

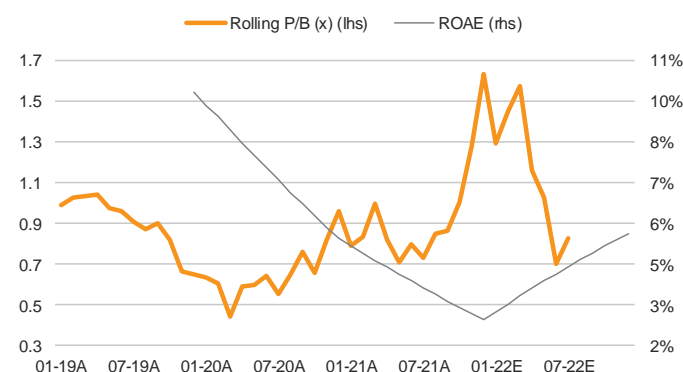
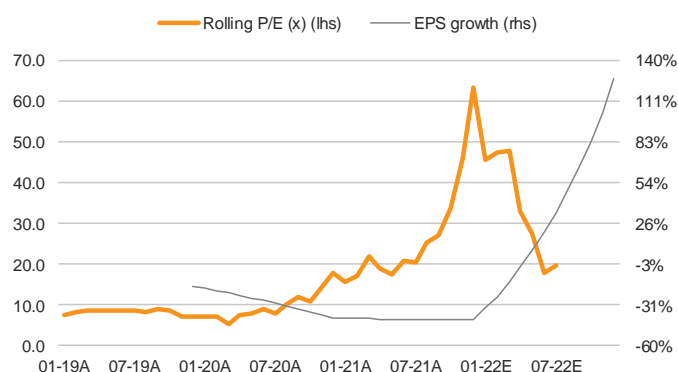
Source: VNDIRECT RESEARCH

Upside catalysts include (1) better-than-expected new contract value, (2) higher-than-expected divestment deal value and (3) new land fund from real estate projects. Downside risk is higher-than-expected building materials causing delayed construction progress.

Figure 8: Peer comparison (data as at 04 Aug 2022)

Company	Ticker	Price	Mkt cap	P/E (x)	P/BV (x)	ROE (%)	ROA (%)	D/E (%)
		LC\$	US\$ m	TTM	Current	TTM	Current	Current
Power Construction JSC No.1	PC1 VN	38,750	389.3	18.7	1.9	10.5	2.7	143.9
Hoa Binh Construction Group JSC	HBC VN	21,350	224.1	52.4	1.4	2.7	0.6	125.7
Coteccons Construction JSC	CTD VN	63,800	201.3	na	0.6	(0.8)	(0.5)	0.0
Transport & Industry Dev Investment JSC	TCD VN	12,950	135.2	4.5	0.9	22.0	6.4	70.3
Hung Thinh Incons JSC	HTN VN	35,350	134.6	12.6	2.0	16.6	3.3	129.0
Dat Phuong Group JSC	DPG VN	48,000	129.2	8.2	2.0	27.6	6.7	151.9
SCI JSC	S99 VN	10,500	25.4	9.4	0.6	8.9	1.8	129.2
Construction JSC No 5/Ho Chi Minh City	SC5 VN	19,100	12.2	8.7	0.9	9.4	1.4	138.8
Construction JSC 47	C47 VN	14,300	16.8	8.4	1.0	11.0	2.5	211.3
Average			140.9	15.4	1.2	12.0	2.8	122.2
Median			134.6	9.1	1.0	10.5	2.5	129.2
FECON Corp	FCN VN	16,150	109.0	83.1	1.0	1.8	1.4	84.4

Source: VNDIRECT RESEARCH, BLOOMBERG

Valuation

Income statement

(VNDbn)	12-21A	12-22E	12-23E
Net revenue	3,484	4,351	4,589
Cost of sales	(3,015)	(3,765)	(3,902)
Gen & admin expenses	(25)	(32)	(33)
Selling expenses	(200)	(250)	(264)
Operating profit	244	304	389
Operating EBITDA	290	374	462
Depreciation and amortisation	(45)	(70)	(73)
Operating EBIT	244	304	389
Interest income	19	27	19
Financial expense	(160)	(197)	(182)
Net other income	7	8	9
Income from associates & JVs	0	0	0
Pre-tax profit	110	143	235
Tax expense	(39)	(34)	(57)
Minority interest	(2)	(3)	(3)
Net profit	68	106	175
Adj. net profit to ordinary	68	106	175
Ordinary dividends	(41)	(79)	(79)
Retained earnings	28	28	96

Balance sheet

(VNDbn)	12-21A	12-22E	12-23E
Cash and equivalents	312	370	401
Short term investments	49	49	49
Accounts receivables	2,821	2,742	2,703
Inventories	1,662	1,702	1,711
Other current assets	218	252	266
Total current assets	5,063	5,115	5,130
Fixed assets	1,913	1,920	1,924
Total investments	292	252	252
Other long-term assets	228	261	275
Total assets	7,496	7,548	7,581
Short-term debt	1,332	1,198	1,025
Accounts payable	1,049	774	855
Other current liabilities	985	1,001	1,056
Total current liabilities	3,365	2,972	2,936
Total long-term debt	1,141	1,008	926
Other liabilities	60	75	80
Share capital	1,574	1,574	1,574
Retained earnings reserve	218	246	342
Shareholders' equity	2,654	2,691	2,834
Minority interest	275	802	805
Total liabilities & equity	7,496	7,548	7,581

Cash flow statement

(VNDbn)	12-21A	12-22E	12-23E
Pretax profit	110	143	235
Depreciation & amortisation	48	73	76
Tax paid	(39)	(34)	(57)
Other adjustments	(98)	(92)	(87)
Change in working capital	(179)	(312)	122
Cash flow from operations	(158)	(221)	288
Capex	(1,266)	(80)	(80)
Proceeds from assets sales	0	0	0
Others	(14)	0	0
Other non-current assets changes	13	40	0
Cash flow from investing activities	(1,267)	(40)	(80)
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	1,420	397	(99)
Other financing cash flow			
Dividends paid	(41)	(79)	(79)
Cash flow from financing activities	1,379	318	(177)
Cash and equivalents at beginning of period	358	312	370
Total cash generated	(46)	57	31
Cash and equivalents at the end of period	312	370	401

Key ratios

	12-21A	12-22E	12-23E
Dupont			
Net profit margin	2.0%	2.4%	3.8%
Asset turnover	0.49	0.58	0.61
ROAA	1.0%	1.4%	2.3%
Avg assets/avg equity	2.93	2.81	2.74
ROAE	2.8%	4.0%	6.3%
Efficiency			
Days account receivable	295.6	230.0	215.0
Days inventory	201.2	165.0	160.0
Days creditor	127.0	75.0	80.0
Fixed asset turnover	2.65	2.27	2.39
ROIC	1.3%	1.9%	3.1%
Liquidity			
Current ratio	1.5	1.7	1.7
Quick ratio	1.0	1.1	1.2
Cash ratio	0.1	0.1	0.2
Cash cycle	369.8	320.0	295.0
Growth rate (yoy)			
Revenue growth	10.5%	24.9%	5.5%
Operating profit growth	(5.7%)	24.4%	28.1%
Net profit growth	(42.4%)	55.7%	64.0%
EPS growth	(42.4%)	55.7%	64.0%

Source: VND RESEARCH

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RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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