

BSC RESEARCH

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On Nov 2nd, 2016, a HUT share was traded at VND 12,400, equivalent to P/E forward 2016 = 5.4x.

HUT is one of leading firms in construction sector, but its business model has transformed into infrastructure & real estate – focused recently with the revenue proportion of 15% and 73% in 3Q2016 respectively.

Business results update: The consolidated 3Q2016 revenue surged to VND 788bn (+4.4x YoY) and the PAT of parent company reached VND 138.6 bn (+9.83x YoY). The company recorded good growth in both real estate (VND 581 bn compared with 0.2bn last year) and toll collection (VND 116.7bn, +77.3% YoY). The accumulated 9M2016 revenue rose to VND 2,146 bn (+3.3x YoY) and the accumulated 9M2016 PAT of parent company reached VND 297.8bn (+7.7x YoY).

Sudden growth in real estate segment to VND 1557bn compared with 5bn of the last year. The main driver is Foresa Villas Xuan Phuong Project, the rate of sold units is about 96%. By the end of 2016, about VND 2,000 billion of revenue from this project will be recognized, the remaining of over 700 billion will be recorded in 2017. The surge in the number of properties sold stems from operation of Xuan Phuong bridge, which connects Tran Huu Duc street and the project.

The road toll revenue grew rapidly to VND 100 bn per quarter, +53% YoY (GPM = 40-50%) due to the operation of Quang Binh BOT station on National Road 1. In 2017, HUT expects to put 2 new BOT stations in operation, raising the total number of BOT stations up to 5. In which, the Thai Binh BOT station on National Road 10 is expected to operate in Jan 2017 with the revenue of around VND 15-18 bn per quarter; the Quan Toan BOT station in Hai Phong is expected to operate in Sep 2017 with revenue of VND 100 bn/ quarter.

Construction segment is gradually transferred to Thang Long Corporation, the associated company of HUT, under the guidelines of corporate leaders to focus on two segments: road toll and real estate. The revenue contribution of joint venture companies was VND 18bn for 9M2016.

BSC expect a bright prospect of HUT in 2017 thanks to the strong growth of Xuan Phuong Residence project. In which, two buildings has been in completion stage and nearly sold out; the 4 remaining buildings are in ground floor construction. The revenue from this project is expected to be recorded from 2Q2017 with the estimated total value (including land sale) of around VND 1,500 bn. In addition, HUT is projected to recognize VND 700bn sale from Foresa Villas Xuan Phuong and about VND 230 bn from the 16 floors building in Phap Van Urban Area, which is also expected to be completed and

records revenue in the next year.

Notably, HUT has currently upgraded 7 among 28 BOT stations on 1A Highway and 14 Highway in the electronic toll collection BOO project (ETC). The project is expected to be completed by the end of 2017. After that, HUT will receive 8% of the revenue from each ETC station, and this raises the total revenue from road toll by about VND 300 bn per year, equivalent to 75% of current revenue.

HUT expects to keep growing strongly in 2017. HUT expects to achieve consolidated 2016 revenue of about VND 3,000 bn and 2016 PAT for parent company of over VND 400 bn, EPS 2016 would be approximately 2,300 VND. In 2017, the target revenue and PAT of HUT are VND 3,300bn (+10% YoY) and 450bn (+10% YoY) respectively.

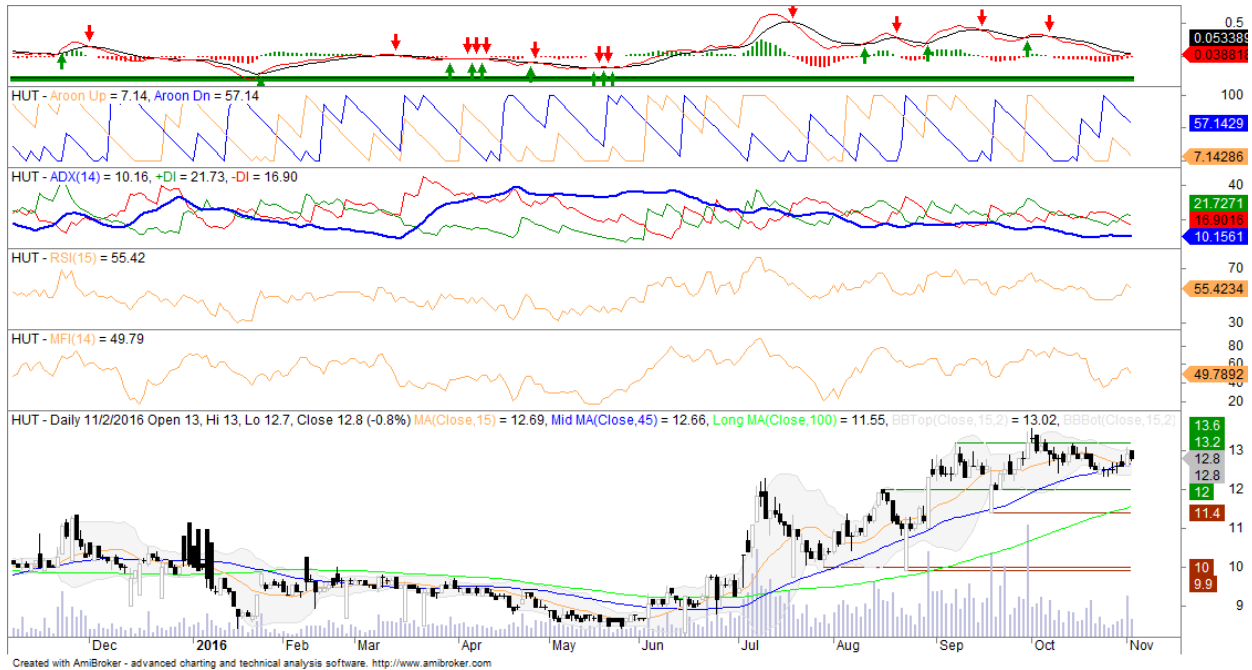
We also notice that recently, the VND 79 bn of convertible bond has been converted and the other VND 50.9 bn of convertible bond has been bought back by the firm, leading to the total outstanding CB of VND 265.6 bn. 40% of those could be converted in 2017 and the remaining will be eligible to be converted in 2018.

Technical view

- Current trend: short-term sideways through the price zone of 12-13.2, increasing in midterm.
- Technical indicators: ADX supports sideways trend, MACD is going to have positive divergence MFI, RSI shows a balance trend, Aroon does not show clear trend.
- Liquidity: under the average price of 10 sessions.

Conclusion: The strongly supporting and resisting level of HUT are at 11.4 and 13.2. HUT is in a sideways trend in shortterm and does not show the sign of breaking out the 12-13.2 level. Recommend to accrue more if HUT decreases to 12, or buy more if HUT overcome 13.2 with increasing liquidity.

HUT Technical chart



Disclosure

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