

## OVERWEIGHT

<b>Target Price</b>	15,408	VND
<b>Closing Price</b>	10,700	VND
26/12/2017		

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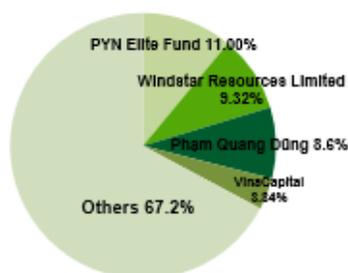
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### Thông tin cổ phiếu

Ticker	HUT
Chartered capital (billion dong)	2,510
Outstanding shares (million)	251
Market cap (billion dong)	2,761
22 week range (dong)	10,200~12,928
3 month average volume	1,372,496
Beta	1.5
Foreign own	32.11%
First listing date	11/04/2008

### Major shareholders

PYN Elite Fund	11.00%
Windstar Resources Limited	09.32%
Pham Quang Dung	08.64%
VinaCapital	03.84%



## Profit spots on in Q4 with positive growth in the next few years

### 9 months 2017 business results

Net revenue is 380 billion, down by 51% YoY, COGS also dropped strongly but gross profit still dropped by 53% to 105 billion. Contributing the most in revenue and profit is real estate with 211 billion dong of revenue from Foresa Villa Xuan Phuong and Xuan Phuong Residence; BOT saw 138 billion dong of revenue, the rest belongs to health and ETC collection. In the first 9 months, HUT saw 1,414 billion dong of revenue and 224 billion dong of EAT, down by 28% and 25% YoY.

In 2017, Tasco (HUT) sets targets with revenue of 3.3 trillion and EAT of 450 billion, up by 12.5% and 11.7% YoY. So, ending 9 months, HUT reached only 42.8% and 49.7% revenue and EAT targets. The reason for negative business results of HUT in the first 9 months is that profit point for real estate projects of the company this year are focusing in Q4.

Tasco (HUT) has approved a private issuance in the last few days of June. According to that, the enterprise has privately issued 50 million shares for 9 investors. For the total collection usage, about 100 billion dong is invested in the construction of Le Duc Thi to Xuan Phuong New city road, South Tu Liem District, Hanoi; about 300 billion dong is invested in Foresa My Dinh project; the remaining is added in flowing capital.

### Growing motivation

**Real estate will still be the main contribution for the revenue and profit of HUT in 2017 and the last 3 months.** Accordign to that, HUT might see 1,757 billion dong of revenue from real estate section in 2017. In Q4/2017, there will be 3 projects coming to recognize revenue. These projects use accumulated land fund from BT projects which have been sold and now awaiting for handling over.

Besides, in 2018, HUT will still deploy the consttuction and selling of 3 real estate projects with low price land fund. With low capital cost, low usage density, focusing on developing value added services like green parks, schools, hospitals, supermarkets, the value is highly increasing (ForesaMy Dinh). This guarantees to be a source for HUT's profit in the next 2 years.

## Selling projects in 2016-2017

Project	Scale	Business situation	2017 revenue (expected)
Foresa villa Xuan Phuong (South Tu Liem – HN)	38ha with 813 low-storey apartments	Total value recorded in 2016 is about 1850 billion dong and the company expects to sell and deliver all remaining apartments in 2017	1,240 billion dong
Xuan Phuong Residence (South Tu Liem – HN)	A complex with six 17 floor apartment buildings and 126 joint houses.	As of the end of 2016, the company has delivered 22/41 apartments of the Party Central Office for 62 billion dong of revenue and 58/85 units for 175 billion dong of revenue.	317 billion dong.
South Building Phap Van (Thanh Tri - HN)	2,173m <sup>2</sup> in area, total construction area is 20,108m <sup>2</sup> , 23 above ground floors and 2 basements.	Now, all 140 apartments have been sold and will be delivered in Q4/2017	200 billion dong.

Source: HUT and PHS estimation

## Deploying projects in 2017-2018

Project	Progress	Revenue (expected)
FORESA MY DINH	Handed over by Hanoi People's Committee to re-capitalize to project Le Duc Tho. Currently, it is being submitted to the Committee for approval and is expected to see ground clearing from Q2/2017, infrastructure construction in Q3/2017, and in early Q3/2018, it will be put to sell. The land price for this project is only about over 10 million/m <sup>2</sup> while the price for the area around it is about 90-100 million/m <sup>2</sup> so it can guarantee high profit for HUT.	5,300 billion
48 TRAN DUY HUNG	The building in 48 Tran Duy Hung is a high-end apartment plus office building in the center of Hanoi. With advantage on location and perfect infrastructure connection, the project is expected to be a new spotlight which might be the choice of many customers and enterprises. The company is classifying the project products from middle to high-end. The ground has been cleared, will start constructing in Q1/2018, and put to sell in 2018.	700 billion
HOUSES FOR FOREIGN AFFAIR STAFFS	Currently the company is finishing legal procedures with authorities and expects to start constructing in Q4/2017.	1,500 billion

Source: HUT and PHS estimation

**BOT section will be a base that solidly supports HUT profit in the future.**

From 2018, HUT will stop deploying new BOT projects, and only focus on current BOT projects, the revenue from fee collection in 2018 might be stably above 900 billion, and will grow accordingly with annual transporting density. Currently, HUT owns 5 investing and 1 cooperating projects of BOT. The characteristic of these projects is that most of them are upgraded and improved on existed roads. Therefore, the company can reduce the loss for re-capitalizing tolls comparing to the case of building dodging roads. Financially, the projects see stable profit over equity ratio of about 12%/year and collecting time lasts 10-17 years. The cash flow is in cash so the company can guarantee its liquidity and doesn't have to worry about competition as well as the economic periodical circles.

**HUT's road and bridge BOT projects**

Project	Investors' profit	Revenue/year (Billion dong)
BOT 21 project (Nam Dinh Dodging line)	18%/EQUITY/year	130 billion/year
Quang Binh BOT project (Upgrade and expand State road 1)	11.5%/EQUITY/Year	170 billion/year
BOT 39 project (Thanh Ne, Diem Dien, Thai Binh)	11.5%/EQUITY/Year	25-30billion/year
BOT 10 project (La Uyen and tan De bridges, Thai Binh)	14%/EQUITY/Year	220 billion/year
State road 10 BOT project (Quan Toan – Cau Nghin)	11.5%/EQUITY/Year	360 billion /year

Source: HUT and PHS summarization

**ETC non-stop fee collection will be a big potential in long-term.** Investing in ETC (Electronic Toll Collection) is a long-term preparation for HUT. With total of 86 tolls in Vietnam (72 belongs to Ministry of Transportation and 14 belongs to provincial People's Committee) and increasing number of vehicles, ETC service expanding and growing potential is very strong.

- Project progress: phase I, total investment is expected at 1.500 billion with 28 tolls in State road 1 and 14 to Tay Nguyen. Expectedly as of the end of 2017, HUT will set up and operate the ETC in all tolls of the project phase 1.
- Stable revenue potential: in 2016-2019, the company expects to apply 1-2 ETC lanes for a toll and going to use it in all lanes from 2019. Since the investment is high and current tolls are mainly in testing for most 2017 time. We don't expect high revenue from ETC in 2017 with about 32 billion. In 2018, when most tolls have passed testing period of 3-6 months, we expect the revenue will be about 103 billion.
- In phase 1, HUT is the only firm that participates, so the company will see some advantages in experience, human resource, and investment since the Government will deploy phase 2 in the remaining 57 tolls in the country.
- Being a pioneer enterprise and collecting a big customer profile, the enterprise will have long-term advantages (with existed customer profile) when the Government deploy electronic parking fee collection and inner-city fee collection. Besides, HUT might use the advance for each parking account. As of the end of 2017, HUT expects to deploy 550,000 cards over 2.7 million vehicles, average deposit for each account is 300,000 dong so total deposit is 165 billion. With the target of deploying 1 million

vehicles, HUT might utilize the deposit of about 300 billion dong to add in flowing capital, lowering financial expense.

### Risks

The recent problems in BOT in Vietnam are causing enterprises to worry when joining in this section. Recently, with the people's questions on the locations of the tolls and the "untransparency" of the BT and BOT investments in the project BOT 39 (Thanh Ne, Diem Dien, Thai Binh), HUT has decided to lower the fee by 100% for 12 seat cars and 50% for the vehicles in Thanh Ne district and Binh Minh commune (Kien Xuong). This will see some influence on BOT projects if investors have to adjust the terms in the contract. However, the fact that HUT stops investing in new BOT projects will release the pressure for raising capital in the next few years.

### Recommending Overweight

Tasco (HUT-HNX) is a big infrastructure enterprise in the North.

In short-term, credit loosening policy is creating advantages for fee collection and real estate activities of HUT. Real estate will still see highest revenue and profit weight of about 70% total revenue (in 2017), coming mainly from Foresa Villa and Xuan Phuong Residence and South Building Phap Van. Besides, with the strategy of mobilizing capital for big BOT projects like La Uyen-Tan De, State road 21, State road 1 Qang Binh and Cau Nghin section. When being fully operated, these projects will create stable cash flow throughout the years.

For long-term, ETC section will be in the spotlight for big growing potential in long-term. In 208, the company will convert 159.5 billion dong of bonds which will raise the number of outstanding share with EPS of 1,926.

In summarization, in 2017, HUT still has space to finish the targets since it has 3 real estate projects that have been sold and now wait for delivery. In 2018-2019, Foresa My Dinh is expected to see big contribution in real estate section since HUT has the advantage of low land price and good location, whiel Cau Nghin BOT will also remarkably add in revenue and profit.

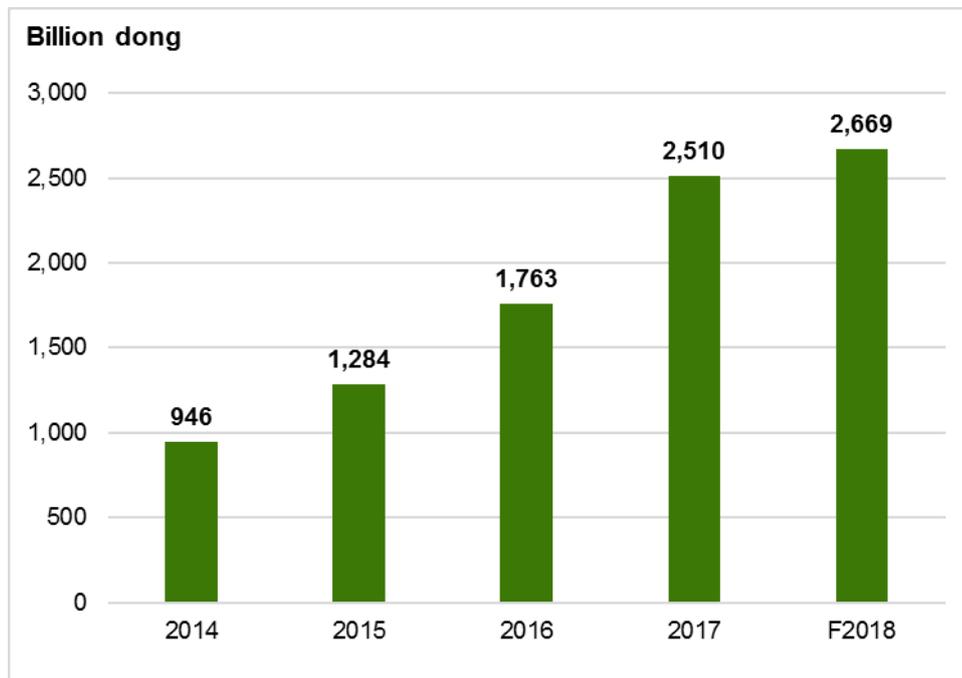
Expected EAT of parent company for 2017 and 2018 is 438 and 514 billion dong. Recommending OVERWEIGHT for HUT in middle and long-term. With target P/E of 8.0 for 15,408 dong/share.

## Company profile

Tasco was originally a State owned enterprise established in 1971 under the name of Nam Ha Bridge Crew and operated in transporting infrastructure construction, specializing in: civil construction, industry, transporting, hydropower, infrastructure, grounding, water and power setup, building materials trading, pre-molded concrete, and power projects.



## Capital raising progress (billion VND)



Source: PHS summarization

### Financial figures (billion VND)

Income statement	2015	2016	2017	2018E
Net revenue	2,245.5	2,786.1	2,958.4	3,037.7
COGS	1,922.0	1,998.9	2,122.5	2,179.4
<b>Gross profit</b>	<b>323.5</b>	<b>787.2</b>	<b>835.8</b>	<b>858.3</b>
Selling expense	14.0	51.6	54.8	-19.6
Management expense	37.9	107.3	113.9	117.0
Operational profit	174.3	450.3	667.1	760.9
<b>Finance profit</b>	<b>12.3</b>	<b>36.8</b>	<b>38.1</b>	<b>40.2</b>
Loan interest expense	105.6	185.8	180.5	185.3
Earning before tax	196.8	489.7	529.8	620.9
<b>Earning after tax</b>	<b>160.9</b>	<b>403.9</b>	<b>440.0</b>	<b>515.8</b>
Parent company EAT	160.2	403.2	438.6	514.1
Balance sheet	2015	2016	2017	2018E
<b>Current Assets</b>	<b>1,975.2</b>	<b>2,110.0</b>	<b>2,667.4</b>	<b>2,786.1</b>
Cash and Cash Equivalents	576.9	428.7	787.5	858.1
Short term Financial Investment	45.2	134.3	242.8	252.4
Short term Account Receivables	1,220.7	1,311.6	1,392.7	1,430.0
Inventory	56.4	41.5	46.1	45.3
Other Current Assets	76.0	193.9	198.4	200.4
<b>Non-current Assets</b>	<b>5,111.2</b>	<b>7,209.8</b>	<b>8,781.2</b>	<b>9,315.7</b>
Long term Account Receivables	250.6	339.8	347.9	349.8
Fixed assets	2,440.8	2,263.3	2,749.4	2,975.0
Real estate investments	0.0	0.0	0.0	0.0
Capital Construction in Process	2,038.6	4,145.8	5,216.4	5,521.9
Long term Financial Investments	321.8	325.4	325.4	325.4
Other long term assets	59.3	135.5	142.2	143.6
Good Will	0.0	0.0	0.0	0.0
<b>Total Assets</b>	<b>7,086.4</b>	<b>9,319.9</b>	<b>11,448.6</b>	<b>12,101.8</b>
<b>Liabilities</b>	<b>5,363.9</b>	<b>6,786.7</b>	<b>7,704.3</b>	<b>7,799.5</b>
Short term Liabilities	727.4	1,517.8	1,611.6	1,654.9
Long term Liabilities	4,636.6	5,268.9	6,092.7	6,144.6
Owners equity	1,722.4	2,533.2	3,744.3	4,302.4
Common stocks	0.0	0.0	0.0	0.0
<b>Total Resource</b>	<b>7,086.4</b>	<b>9,319.9</b>	<b>11,448.6</b>	<b>12,101.8</b>

Cash flow	2015	2016	2017	2018E
Net operating	424.4	648.5	1,237.5	808.8
Net Investing	-1,718.9	-2,090.9	-2,041.3	-2,096.0
Net Financing	1,511.3	1,294.2	1,162.6	1,357.8
Net during the period	216.8	-148.2	358.8	70.6
Cash at beginning	360.1	576.9	428.7	787.5
Cash at end of year	576.9	428.7	787.5	858.1
Valuation	2015	2016	2017	2018E
EPS (VND)	1,247	2,287	1,747	1,926
BVPS (VND)	13,412	14,363	14,912	16,117
P/E				8.00
P/B				0.96
Financial ratios	2015	2016	2017 E	2018E
<b>Capital Structure</b>				
Current assets/ Total assets	28%	23%	23%	23%
Non-Current assets/Total assets	72%	77%	77%	77%
Debt/Equity	311%	268%	206%	181%
Debt/Total assets	76%	73%	67%	64%
Interest coverage ratio	1.9	2.6	2.9	3.4
<b>Liquidity</b>				
Current ratio	2.7	1.4	1.7	1.7
Quick ratio	2.5	1.2	1.5	1.5
<b>Efficiency</b>				
Inventory Days	10.6	7.5	7.8	7.5
Receivables Days	195.7	169.5	169.5	169.5
Current assets turnover	1.1	1.4	1.2	2.2
Fixed assets turnover	0.7	1.2	1.2	2.0
Total assets turnover	0.3	0.3	0.3	0.5
<b>Profitability</b>				
Gross margin	14%	28%	28%	28%
Operating margin	8%	16%	23%	25%
Net profit margin	7%	14%	15%	17%
ROE	9%	16%	12%	12%
ROA	2%	4%	4%	4%

Source: HUT and PHS estimation

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**Overweight (OW)** = Expected to outperform the local market by >10%

**Neutral (N)** = Expected to in line with the local market by +10%~ -10%

**Underweight (UW)** = Expected to underperform the local market by >10%.

**Not Rated (NR)** = The stock is not rated in Phu Hung's coverage universe or not listed yet.

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