[FLASHNOTE]

Viettel Construction JSC.

02/22/2021

Shinhan Securities

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RATING	HOLD
Current price (VND)	91,000

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COMPANY INFORMATION

Industry	Telecom
Ticker	CTR
Stock Exchange	UPCOM

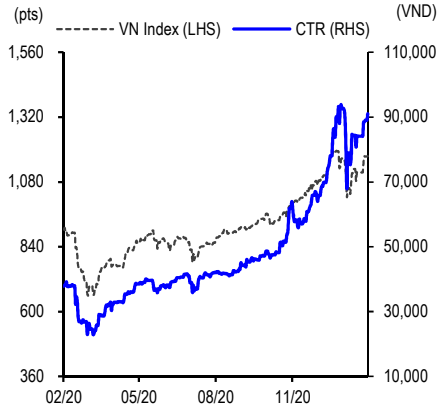
STOCK TRADING DATA

VN INDEX	1,175.0
Market Cap. (bn VND)	6,532.1
Outstanding Shares (1mn)	71.8
Free Floating Shares (1mn)	24.5
52-week High (VND)	100,000
52-week Low (VND)	22,414
Avg. Trading Volume (mn)	0.73
Avg. Reading T/O (bn VND)	56.7

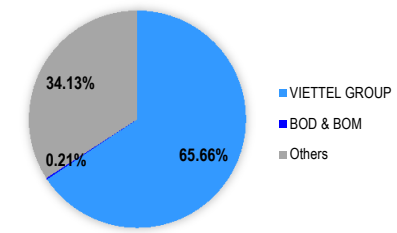
STOCK PERFORMANCE

(%)	3M	6M	12M
Absoulute	47.2	116.7	121.3
Percentage	28.6	79.2	95.4

STOCK PRICE PERFORMANCE



SHAREHOLDER STRUCTURE



INVESTMENT THESIS

1. Business Position

- **Core businesses:** 1) Telecom Operation; 2) Construction (telecom and residential); 3) Integrated Solutions, and 4) Telecom Infrastructure and Tower Leasing (Towerco).
- CTR is a subsidiary of Viettel, #1 in Vietnam telecom; aiming to be No.1 Operator and Towerco in 2021-25; **Customers:** Viettel, domestic and foreign telecom companies (telcos)/mobile network operators (MNOs), Vietnam Ministry of Public Security, CMC, FPT, Vingroup, etc.; **Competitors:** MobiFone, VNPT (Vinaphone), OCK (independent towerco), etc.

2. Investment Catalysts

- Towerco, the segment in which a company specializes in owning and operating telecom towers, fiber cables, and distributed antenna systems (DAS) to lease them back to other MNOs, will become the key profit driver for CTR in 2022-25. Currently, the tenancy rate of towerco in Vietnam (1.05x) is much lower than that in regional and developed countries (2.0x). This inevitable tendency will soon disseminate as MNOs are inclined to share their tower sites and related infrastructure (following the Decree 52/CT-BTTTT in 2019) to avoid huge capex, enhance efficiency, and focus more on improving users' experience.
- Furthermore, the commercialization of 5G network and devices in Vietnam from 2021 as well as the upcoming boom of the 5G era will be the strong foundation for CTR as required cell sites for 5G is estimated to be tenfold of the base transceiver stations (BTS) for 4G.
- CTR will take benefits of towerco thanks to its recurring revenue, advantages from economies of scale, high margin, low capex for maintenance, and modest risk for obsolete technology. As no telcos yet in Vietnam but Viettel founded their own towerco, CTR will become the leader in this area. Moreover, Viettel is planning to sell 10K among their 40K BTS to CTR, adding a significant number of BTS to the new sites that CTR will construct. With the dominant quantity of base stations/cell sites widespread the country until 2025, CTR will have major advantage in supplying towerco services to other MNOs.
- Besides expertise in telecom construction (120K BTS in 10 countries) and operation (>35K BTS) supporting towerco business, CTR can also keep their cost of construction lower than other MNOs thanks to their digitalization and great R&D. This will allow them to lend their sites with cheaper price, a remarkable competitive advantage in the towerco segment.
- New telecom construction and operation will continue to expand as mobile data (3G/4G) in Vietnam keeps exploding due to huge demand for social network, online games, streaming, and higher video quality. Moreover, Viettel will occupy more broadband subscriptions from 2G subscribers and other telcos, besides expanding their market share in Laos, Cambodia, and Myanmar. This will boost CTR's revenue from these businesses.

3. Risks

- Revenue of CTR mainly depends on Viettel's operation, causing potential fluctuation in case Viettel does not perform well or changes their business strategy, such as the transferring of 10K BTS from Viettel prolonging due to obstacles from policy and legal framework.
- There may be fiercer competition from new towercos launched by other MNOs while the tenancy rate could be ongoing low.
- With the price soaring in 2020, current P/E has reached 23.2x, partly reflecting the potential of towerco segment. Thus, there is a risk if this business does not run as expected (ie., the 5G commercialization might be slower).

FINANCIAL INFORMATION

	2016	2017	2018	2019	2020
Sales (tr VND)	**1,683**	**3,302**	**4,277**	**5,054**	**6,360**
OP (tr VND)	108	125	154	193	323
Pre-tax (tr VND)	133	155	190	230	345
NP(1mn VND)	**101**	**118**	**147**	**181**	**274**
EPS(VND)	1,784	1,959	2,443	2,569	3,813
BPS(VND)	11,820	11,633	12,898	12,523	14,772
PER(x)	-	10.5	7.2	13.4	23.2
EV/EBITDA(x)	-	9.1	4.0	6.9	14.2
PBR(x)	-	1.8	1.4	2.8	6.0
ROE(%)	-	17.5	19.9	21.8	28.2

(*) Database information provided by Bloomberg

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