

BSC RESEARCH

Analyst

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On 28/08/2017, HUT shares were traded at VND 11,900 / share, equivalent to P / E = 5.2 and P / B = 0.9.

HUT is one of the leading companies in the field of traffic infrastructure construction in the North. Currently, HUT is active in the sectors of Real Estate, Transportation fees collection, Construction and Sales, of which real estate and fees collection are the two main activities contributing revenue and cash flow to HUT. HUT has transferred its construction activities to Thang Long Joint Stock Company – HUT holding 35.4% since the end of 2015. 6M2017, HUT recorded net revenue of VND 1,033.66 billion (-23% yoy).) and parent company's EAT of VND 179 billion (+ 14% yoy).

HUT's business results in 6M2017

	Revenue (billion VND)	% Total revenue	Gross profit (billion VND)	% Gross profit margin
Real estate	599	58%	200	58%
BOT fee collection	291	28%	134	39%
Construction	81	8%	15	4,3%
Sales & Services	71	6%	-2	-1,3%
Total	1.034	100%	347	100%

Source: BCTC HUT

Real Estate

Real estate revenue 6M2017 sharply decreased to VND 599 billion compared with VND 976 billion in the same period of 2016. The main reason is that real estate investment projects are in the process of completion and most of the Real Estate revenue will be recorded in the second half of 2017. The key driver for the sales growth of last 6M2017 comes from the two projects, Xuan Phuong Residence and South Building, with 100% of apartments sold and under construction at final stages, expected to be handed over to customers at the end of this year. In particular, by the end of 2017, in addition to the revenue of about VND 700 billion left from the project Foresa Villa, HUT plans to recognize the revenue of 3,300 billion from the two projects. The outlook for 2018-2019 comes from the My Dinh Foresa project, 48 Tran Duy Hung, Van

Canh-Hoai Duc with total revenue of VND 6,300 billion and gross profit of VND 1,790 billion.

Project	Sales revenue (billion VND)	Gross profit (billion VND)	Year recorded	The implementation
Foresa My Dinh	5.000	1.500	2018 , 2019	Clearance. Expected construction at Q3 / 2017
48 Tran Duy Hung	700	140	2019	Clearance. Expected construction at 2018
The staff of Foreign Affairs				Complete legal procedures. Expected to start 2018
Van Canh – Hoai Duc	600	150	2018	Sep / 2017 reconditioned 100 units have been completed rough construction. The remaining 100 units will be completed by 2018.
Nam Thai Office and Staff Office				Negotiating to sell the land to another company

Source: HUT

In addition, the company also plans to deploy low-rise and high-rise residential projects on 70 hectares Xuan Phuong site, and four hectares of Phu Do site thanks to the project of reciprocating capital for the project of road No. 70 connecting NH32 with Thang Long avenue.

Fee collection activity

Total Fee collection for 6M2017 reached VND 291 billion, increasing by 43% over the same period of 2016 because BOT 39 (Thai Binh) went into operation. Currently, the company has four BOT projects under operation including BOT 10, BOT 21, BOT NH1, and BOT 39B. At the beginning of Q4 / 2017, Hai Phong BOT NH10 project will come into operation with the expected revenue and profit of VND 90 billion and VND 15 billion, respectively, and VND 360 billion and 60 billion in 2018.

Project	Investment (billion VND)	IRR	Operating Period
BOT 10	1.028	14%	04/2009 – 01/2021
BOT 21	487	18%	08/2009 – 10/2026
BOT NH1	2.000	11,5%	07/2015 – 07/2032
BOT 39B	550	11,5%	01/2017 – 01/2035
BOT QL10	2.815	11,5%	16 years, expected to start operating from Q4/2017

Source: HUT

The BOT revenue is expected to be more than 600 billion VND (+57% yoy) in 2017. When all of 5 BOT projects operate stably, HUT will earn about 800 billion revenue every year.

Promoting non-stop toll collection (ETC), long-term growth potential of HUT. ETC is operated by VETC (HUT occupies 98.26%). VETC is the only unit that directly provides ETC services to the government with a total investment of over VND 1,500 billion. At present, there are about 80 BOT stations, VETC has signed contracts with 22 BOT investors and is expected to sign with 28 investors in 2017, already set up 12 ETC stations and will complete all 28 stations in 2017, 40 stations in 2018 and 80 stations in 2019. ETC technology is expected to completely replace the current toll collection (MTC) technology from 2020. In addition, the company has also signed a e-tag contract with the Registry Department Vietnam and 77 registration centers, holding e-tag event directly to the business and have pasted about 60,000 tags. HUT invested 500 billion for data processing center and 100 billion for e-tag. For the first 3 years from 2016, the fee will be the same as the toll fee charged by the BOT investor, from the 4th year to 8th year will be 8% of the station's total revenue, 9% from year 9th to year 13th, and 10% from year 14th onwards. In addition, HUT anticipates many other service activities on the data base from ETC. BSC believes that the ETC project has strong growth potential and will contribute much to the company's future development.

Sales and services

The "Eye Hospital II" project has been in operation since Q3 / 2017 and is expected to contribute VND100 billion in revenue each year from 2018.

HUT is expected to continue to grow well in 2018. It is estimated that the consolidated revenue in 2017 is about VND 4.6 billion, EAT is VND 550 billion, and EPS in 2017 is at VND 2,287 per share. In 2018, it is expected to merge VND 5,000 billion, EAT at VND 600 billion and EPS at 2,495 VND / share in 2018.

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