

Industry : Information technology | RETAIL RESEARCH

Recommendation: **NEUTRAL**

Innovative Technology Development Corporation (HSX: ITD)
EXPECT TO WITNESS A TURNAROUND

Current price (VND)	11,900	Date	02/03/2021	Shareholder structure	
Previous target price (VND)	-	Outstanding shares	18,992	Pham Uyen Nguyen	7.99%
Target price (VND)	-	Market capitalization (billion VND)	226	Kieu Phong TS Co., Ltd	6.29%
Dividend yield	10%	Avg. 10d trading vol (thousand shares)	61,050	Nguyen Vinh Thuan	5.49%
Upside	N/A%	% Foreign ownership	0.91%	Doan Thi Bich Ngoc	5.32%

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Target price (VND) 14,590
Stop-loss price (VND) 10,430

VALUATION THESIS

At the end of the trading session on March 1, 2021, ITD has its closing price at VND11,900; equivalent to a P/E of 7.5, equal to the valuation range in the last 3 years, 52% lower than the industry PE of 18.3.

INVESTMENT THESIS

ITD is one of the leading enterprises in the Smart Traffic niche market and has positive business results in the Public Investment cycle 2015-2016. BSC expects the company to benefit from the Public Investment cycle 2020 – 2021.

TECHNICAL VIEW

Investors can buy the stock with a target price located in the area around VND14,500, and consider cutting loss if the support level of 10,500 is penetrated.

INVESTMENT RISKS

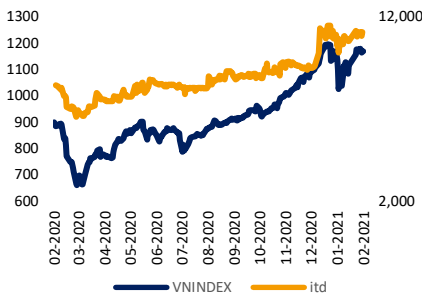
- Provision for projects
- Depending on investment policies and disbursement progress of the government & businesses

FINANCIAL RESULTS & BUSINESS UPDATE

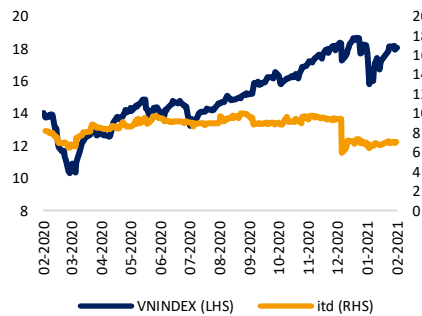
- **Net revenue and NPAT in 9 months of FY 2020/21** reached VND407 billion (+62% YoY) & VND33 billion (+136% YoY), respectively due to (i) strong growth in business segments: Electrical automation and Measured (+187% YoY revenue & +125% YoY gross profit), Smart transportation (+174% YoY in revenue & +187% YoY in gross profit); (ii) cutting SG&A expenses (decreased by 7.6ppt).
- **BSC believes that Electricity - Automation and Metering and Smart Transportation segments will be the main growth sources in the FY 2020/21 and 2021/22 due to the expectation that the Government will accelerate disbursement of Public Investment.** In the past, ITD's business results benefited a lot in the Public Investment cycle 2015 – 2016.
- BSC expects ITD to record the installation of Smart Traffic in the Phase 2 Non-Stop Toll Collection Project (BOO2) in the coming quarters. As of December 27, 2020, Viettel joint venture has completed the deployment and installation at 33 stations of BOO2.

Unit: billion VND

Share price & VN index movement



ITD's P/E & VN index movement



	2019	2020	Peer	VN-Index
PE (x)	5.9	8.8	18.3	16.9
PB (x)	0.6	0.6	1.3	2.2
PS (x)	0.4	0.4	0.7	1.7
ROE (%)	8%	11%	10%	13%
ROA (%)	5%	5%	4%	2%
EV/ EBITDA (x)	6.0	5.7	10.7	15.6

	2017	2018	9T.2019	9T.2020
Total revenue	404	445	251	407
Gross profit	145	133	67	101
NPAT	53	45	14	33
EPS	1,793	1,790	407	1,103
EPS growth	-47%	0%		171%
Debt/ Equity	44%	58%	65%	86%

COMPANY OVERVIEW

Founded in 1994, Innovative Technology Development Corporation was formerly the Center for Informatics and Control Technology Application. The company specializes in 4 fields (1) Electricity - Automation and measurement; (2) Electricity – Industrial electricity, (3) Intelligent transportation and (4) Telecommunications and information science.

Table: ITD's fields of activity

Field	Tasks
Electrical – Automation and Measurement	Provide technical solutions and services to measure and automate electrical equipment and systems in factories
Electricity – Industry	Supply and installation of electrical technical infrastructure for production and business
Smart traffic	Supply and installation of applied information technology systems to monitor, operate and manage traffic on national highways, highways and urban areas
Telecommunications & Informatics	Providing services & technology applied in the management of enterprises & the state.

Source: ITD

The company operates under the Group model: the parent company with 9 subsidiaries:

Company	Main activities	Field	Investment capital as of Sep 31, 2020 (VND billion)	Ownership rate as of Sep 31, 2020 (%)
Tan Tien Automation Technology Corporation	Electronic automation solutions	Electric – Automatic	18.8	90.13
Sieu Tinh Information Corporation	Auto ID solutions (barcode, RFID)	Telecommunications and Informatics	9.9	98.8
Quartz Mechanical & Electrical Corporation	Medium and high voltage grid equipment	Electricity – Industry	70.4	69.1
Innovative Software Development Co., Ltd	Software	Telecommunications and Informatics; Smart traffic	9	100
Advanced High Technology One Member LLC	Build software solutions	Telecommunications and Informatics	20	100
GLT Corporation	Solutions for data center Infrastructure, Lightning protection, Services for BTS	Telecommunications and Informatics Electricity – Industry Electric – Automatic	92	48.0
Global Sitem Co., Ltd	Data center infrastructure solutions	Telecommunications and Informatics	15	31.6
NNO Joint Stock Company	Software manufacturing	Telecommunications and Informatics	15	47.9
Global Technical Infrastructure One Member LLC	Renting machines, equipment, BTS stations	Electricity – Industry	30	48

Source: ITD

The company has a strong position in the niche market of intelligent transportation installations (ITS) with the leading market share in the country along with positive business results in the 2015-2016 public investment cycle. The company has a long history of business experience thanks to the implementation of large ITS projects in the past (eg: Hanoi - Hai Phong Expressway ITS Project, Ho Chi Minh City - Trung Luong Expressway ITS Project,...).

Refer to BSC's ITD report: <https://www.bsc.com.vn/Report/ReportFile/948000>

Refer to BSC's Public Investment report: <https://www.bsc.com.vn/Report/ReportFile/2631800>

FINANCIAL RESULTS & BUSINESS UPDATE

Business update for 9 months of fiscal year 2020/2021*

Unit: billion VND	Q3/20	Q3/19	% YoY	9T/2020	9T/2019	% YoY	Our assessment
Net revenue	205	136	51%	407	251	62%	<p>- Net revenue record an impressive growth (+136% YoY) in 9M/2021- mainly thanks to (i) strong growth in two business segments Auto Electric and Smart traffic (ii) low base compared to same period.</p> <p>- In Q3/2020, net revenue grew by 51% YoY along with a sharp increase in gross profit margin of 2.4 ppt, as the Smart traffic segment recorded a positive profit (24 billion) while the same period lost 3 billion. BSC believes that this segment has grown well thanks to Speeding up the disbursement of public investment in this period (+35.8% YoY).</p> <p>- 9M/2020 net profit margin improved by 2.5ppt over the same period, coming from the restructuring of selling and administrative expenses system.</p> <p>- In 9M/2020, ITD made provision of 12.5 billion VND while the same period reversed 10 billion VND.</p>
Gross profit	56	34	65%	101	67	51%	
GPM	27.2%	24.8%		24.8%	26.7%		
Selling expenses	(11)	(13)	-19%	(32)	(35)	-9%	
Administrative expenses	(17)	(8)	117%	(31)	(23)	35%	
SG&A/ Net revenue	13.6%	10.6%		15.5%	23.1%		
EBIT	29	13	123%	41	16	156%	
Financial income	1	1	0%	3	9	-67%	
Financial expenses	(1)	(1)	0%	(3)	(3)	0%	
NPBT	28	13	115%	38	18	111%	
NPAT	25	11	127%	33	14	136%	
NPM	12.1%	8.3%		8.1%	5.6%	NPM	
EPS	946	351		1,103	407	171%	

Unit: billion USD	Net revenue						Gross profit margin					
	Q3/20	Q3/19	% YoY	9T/2020	9T/2019	% YoY	Q3/20	Q3/19	%YoY	9T/2020	9T/2019	%YoY
Electrical – Automation and Measurement**	39	33	20%	127	44	187%	7	4	76%	16	7	125%
Electricity	45	43	4%	90	91	-1%	20	6	226%	39	34	15%
Smart traffic ***	97	26	272%	117	43	174%	24	(3)	N/A	30	11	184%
Telecommunications and Informatics	24	34	-31%	73	74	-1%	5	7	-30%	16	15	7%

* ITD's fiscal year: 1/4/2020 – 31/3/2021

Source: BSC Research

**Electrical – Automation and Measurement including the design, supply and installation of equipment for vehicle load control

***Intelligent traffic includes installation and application of technology to operate and manage the traffic system.

BUSINESS OUTLOOK

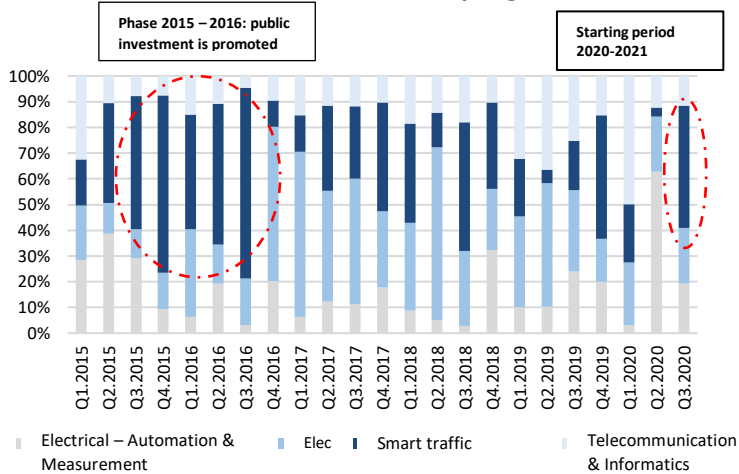
BSC expects that FY 2020-2021 and FY 2021-2022 will have an abundance of advantages for ITD's business activities:

(i) Smart traffic segment recovers thanks to Government's Technology Investment Packages

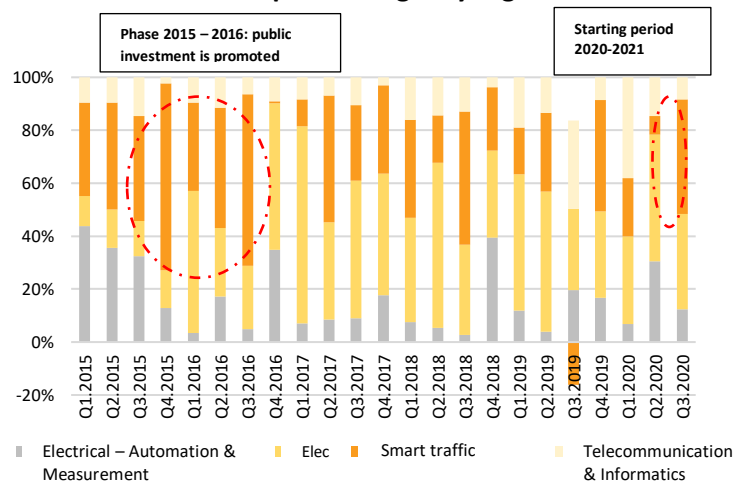
+ BSC expects ITD - the company with the largest market share in the Smart Traffic segment - to participate in bidding for technology investment packages for the North-South expressway project. BSC believes that in case of winning the bid, the company will partially benefit from the total technology bidding value of VND 4,000 billion for 11 routes - focusing on services such as Smart traffic, Operational Monitoring, Automatic Tolling System. **In the past, ITD's business performance was usually positive during the years when the government expanded disbursement of public investment.**

+ BSC expects ITD to record the installation of Smart traffic in the Phase 2 Non-Stop Toll Collection Project (BOO2) in the coming quarters. As of December 27, 2020, Viettel joint venture has completed the deployment and installation at 33 stations of BOO2.

Revenue structure by segment

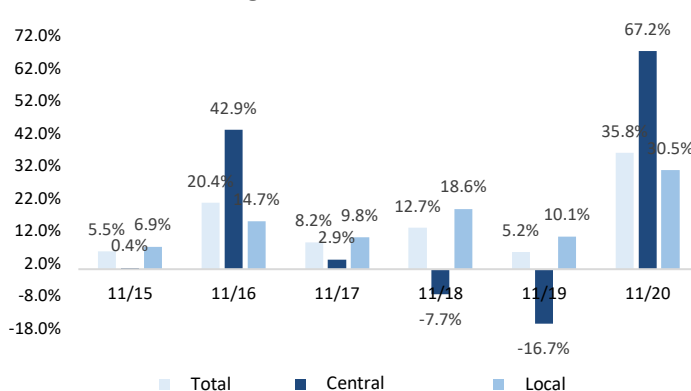


Gross profit margin by segment

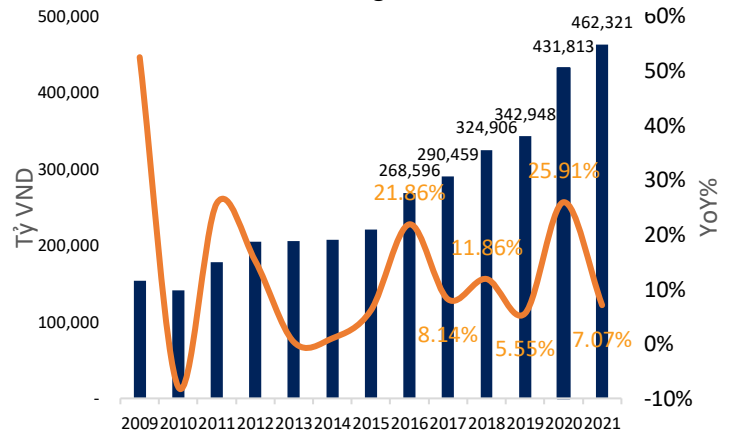


Source: ITD

State Budget Disbursement YTD YoY%



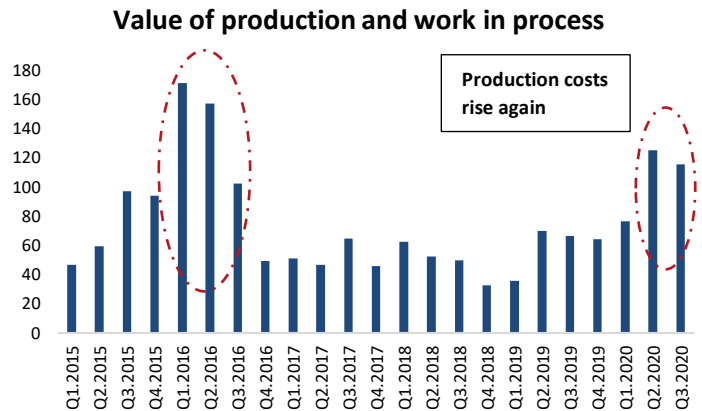
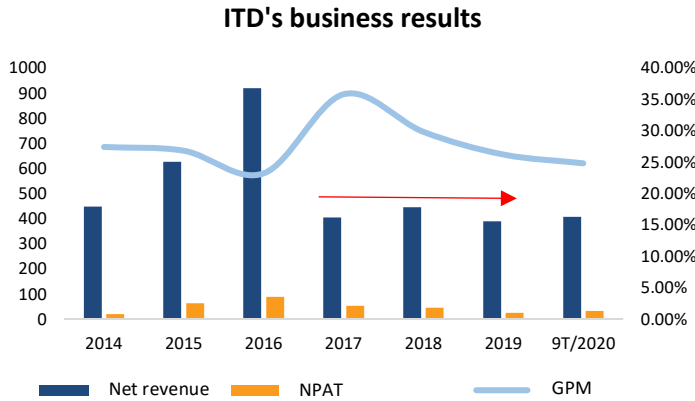
Estimated State Budget Disbursement



Source: BSC Research

(ii) Growth expectations from the low base in the past

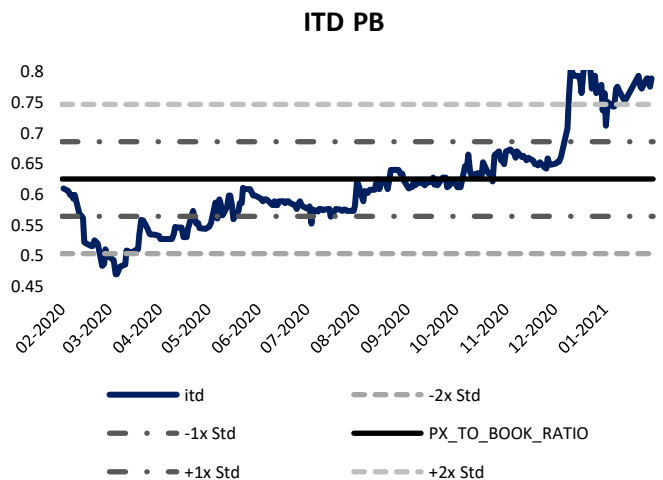
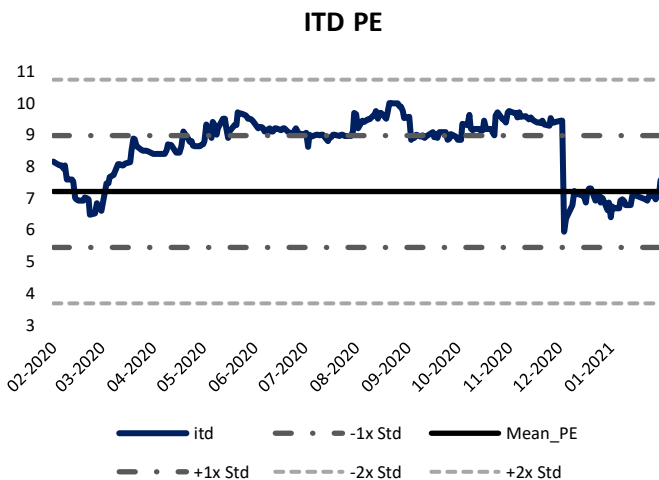
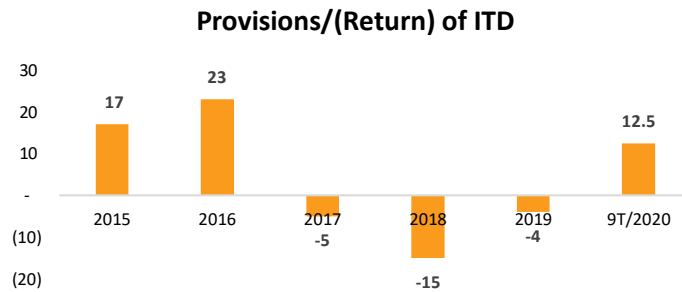
After peaking in revenue and profit in 2016, ITD experienced 3 consecutive years of decline when the value of deployment contracts fell sharply. With a very low business and the expectation of a satisfactory contract value from the Government's demand, BSC expects ITD to record a strong growth rate in the fiscal years 2020/2021 and 2021/2022 .



Source: ITD

INVESTMENT RISKS

Risks Provisioning: BSC notes that due to the specifics of the industry, ITD is exposed to the risk that the counterparty will delay/fail to pay the contract, leading to bad debt. In 9 months of 2020, the company made provision of 12.5 billion VND; while in the same period the company reversed only 4 billion VND.



TECHNICAL VIEW

ITD- Innovative Technology Development Corporation

Target price 14,590 VND

Stop loss price 10,430 VND

Technical highlights:

- Current Trend: Upward.
- MACD trend indicator: the MACD line is above the signal line.
- RSI indicator: In the overbought zone.
- MA: EMA12 is above EMA26.

Comment: ITD has been in a medium-term uptrend since the beginning of April last year and has now broken through the resistance area at the 2019 peak to confirm the formation of a double bottom reversal pattern. This indicates a positive trend in the long run. Stock liquidity has tended to gradually increase again in recent weeks. Although the RSI is in the overbought zone, the trend indicators are still supporting a positive state, so ITD's stock price will potentially continue to break out to the next high price areas. If looking at the Fibonacci analysis, ITD may continue towards the 161.8% Fib level in the near future.

Recommendation: Investors can buy the stock with the target price at around 14.5, consider cutting loss if the support level of 10.5 is penetrated.



Source: BSC, PTKT iTrade

Disclosure

The information, statements, forecasts and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable but their accuracy completeness or correctness are not guaranteed. Expressions of opinion herein were arrived at after due and careful consideration and they were based upon the best information then known to us, and in our opinion are fair and reasonable in the circumstances prevailing at the time. Expressions of opinion contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. BSC and other companies in the BSC and/or their officers, directors and employees may have positions and may affect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for these companies. This document is for private circulation only and is not for publication in the press or elsewhere. BSC accepts no liability whatsoever for any direct or consequential loss arising from any use of this or its content. The use of any information, statements forecasts and projections contained herein shall be at the sole discretion and risk of the user. No part of this material may be (i) copied, photocopied or duplicated in any form by any mean or (ii) redistributed without the prior written consent of BIDV Securities Company (BSC).

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