

Industry: | Information Technology RETAIL RESEARCH

Recommendations

BUY

Pioneer Technology Joint Stock Company (HSX: ITD)

MAJOR CHANGES IN THE GROUP OF SHAREHOLDERS

Current price:	20,800	Date of writing the report:	17/9/2021	SHAREHOLDER STRUCTURE	
Previous target price	-	Outstanding Shares (million)	19	Nguyen Duc Thang	12.0%
New target price:	28,100	Market Cap (billion)	348	Kieu Phong TMDV Co., Ltd	6.29%
Dividend yield	-	Avg. liquidity 10 days:	261,220	Doan Thi Bich Ngoc	5.50%
Upside	35%	%Foreign ownership	1.43%	Nguyen Vinh Thuan	5.49%

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Target price : 22,750 VND
Stop loss price: 17,000 VND

VALUATION

BSC makes a **BUY** recommendation for ITD stock with a target price for the 2021/2022 financial year of 28,100, equivalent to an upside of 35% compared to the closing price of September 16, 2021 based on two methods of PE/FCFF valuation at a rate of 50%/50%.

INVESTMENT PERSPECTIVE

Growth from the government's investment in Smart Transport: BSC expect ITD, the largest market share in niche market of smart transport, to grow strongly in the next two years thanks to the Government's focus on smart transport investment in road infrastructure.

Surge profit from Global Electrical Engineering Joint Stock Company (code:GLT). BSC estimate ITD will record a reported 32.9 billion spikes in profits from GLT's sale of BTS station (which has calculated a ownership rate of 50.42%), or 93.7% of the profit in 20/21. BSC expect the sudden profit to be recorded in the fourth quarter of 2021 (equivalent to Q3 of ITD's fiscal year 20/21).

TECHNICAL PERSPECTIVE

Investors should consider opening positions around the price of 19,400, taking profit as the stock approaches the threshold of 22,750. Stop loss if the support level is lost 17.00.

RISK

- Provisioning for projects
- Depending on investment policy, disbursement progress of government and business

BUSINESS RESULTS UPDATES

- Business results for the first quarter of 2021/22 recorded revenue of 70.8 billion (+8% YoY) and after-tax profit of 3.5 billion (+20.2% YoY). Smart transport continues to increase its contribution from 22% to 33%.
- BSC expect that the complicated epidemic situation in the first quarter of the fiscal year caused projects to record slower and partially affect business operations.

	2020	2021	Peer	VN-Index
PE (x)	8.8	9.5	20.3	18.3
PB (x)	0.6	0.9	1.4	2.5
PS (x)	0.4	0.6	0.9	2.0
ROE (%)	11%	11%	10%	13.7%
ROA (%)	5%	5%	4%	2.2%
EV/ EBITDA (x)	5.7	5.9	10.9	17.3

	19/20	20/21	21/22F	22/23F
Net revenue	390	595	835	1,087
Gross profit	102	157	217	288
After-tax profit	24	52	97	97
EPS	888	1,786	3,647	3,315
EPS growth	-50%	101%	104%	9%
Net debt/ Equity	37%	43%	45%	48%

BUSINESS OVERVIEW

Established in 1994, Pioneer Technology Joint Stock Company was formerly known as The Center for Application of Informatics and Control Technology. The company operates intensively in 4 segments (1) Electricity - Automation and Measurement; (2) Electricity – Industrial electricity, (3) Smart transport and (4) Telecommunications.

ITD Activity Area Table

Field	Business
Electricity – Automatic and Measurement	Providing technical solutions, services to measure and automatic electrical equipment and systems in factories
Electricity – Industry	Supply and installation of electrical technical infrastructure for production and business
Smart transportation	Providing and installing applied information technology systems for traffic monitoring, operation and management on highways, highways and urban areas
Telecommunications computer science	Provision of services and technologies applied in the management of enterprises and the state

Source: ITD

The company operates with the Group model: the parent company along with 9 subsidiary companies:

Company	Main activity	Field	Investment capital at 31/9/2020 (billion VND)	Ownership rate at 31/9/2020 (%)
Advanced Automated Technology JSC	Automation electronic solutions	Electricity – Automatic	18.8	90.13
SuperHusive Informatics JSC	Self-freezing identification solution (bar code, RFID)	Telecommunications studies	9.9 billion	98.8
Quartz Electromechanical Joint Stock Company	High-voltage medium voltage grid equipment	Electricity – Industry	70.4	69.1
Innovative Software Development Co., Ltd.	Informatics software	Telecommunications studies Smart transportation	9	100
Pioneer Technology Engineering Co., Ltd.	Build a software solution	Telecommunications studies	20	100
Global Electrical Engineering JSC (code: GLT)	Data Center Infrastructure, Lightning Protection, Services for BTS	Telecommunications studies Electricity – Industry Electricity – Self-freezing	92	48.0
Global Stem Co., Ltd	Data center infrastructure solutions	Telecommunications studies	15	31.6
In No Jsc	Software production	Telecommunications studies	15	47.9
Global Technical Infrastructure Co., Ltd.	Leasing of BTS machinery, equipment, stations	Electricity – Industry	30	48

Source: ITD

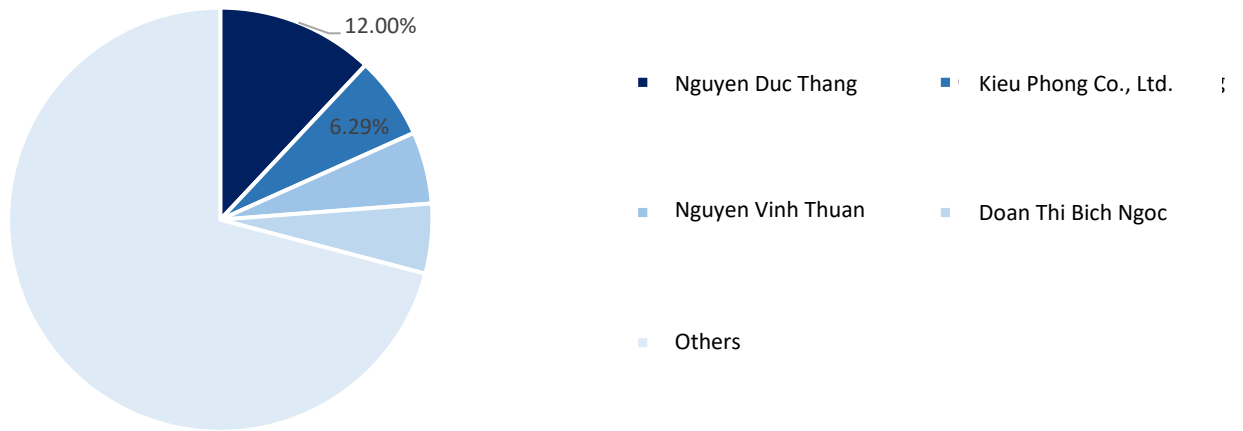
The company has strengths in the niche market of Smart Transport Installation (ITS) with the leading market share in the country along with positive business results in the public investment cycle 2015 - 2016. The company has extensive experience thanks to the implementation of large ITS projects in the past (for example: ITS Expressway Project Hanoi – Hai Phong, ITS Expressway Project Ho Chi Minh City – Trung Luong, ...).

Refer to BSC's ITD report: <https://www.bsc.com.vn/Report/ReportFile/2738324>

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

SHAREHOLDER STRUCTURE

SHAREHOLDER STRUCTURE OF ITD



Source: ITD

BSC consider that ITD's shareholder structure is quite concentrate (when 27 shareholders hold 71.05% of the total share). In the past period, ITD's shareholder structure has also changed significantly when: ITD's long-time individual shareholder Pham Uyen Uyen has constantly sold and the appearance of new individual shareholders: Mr. Nguyen Duc Thang – who holds 12.02% ownership of the company. **Nguyen Duc Thang has moved to increase his ownership in the past year and has been elected chairman of the Board of Directors of ITD in the term of 2021 - 2025, replacing Ms. Doan Thi Bich Ngoc.**

The membership structure of the Board of Directors also changed after the 2021 General Meeting of Shareholders:

	Previous period	2021 – 2025 period
Chairman of the Board of Directors	Doan Thi Bich Ngoc	Nguyen Duc Thang
Member of the Board of Directors	Lam Thieu Quan Nguyen Huu Dung Thomas Lau Hermansen Bui Hoang Anh Nguyen Vinh Thuan Pham Duc Long	Lam Thieu Quan Doan Thi Bich Ngoc Nguyen Vinh Thuan Nguyen Huu Dung Mo Quang Huy Luu Duc Khanh

Source: ITD

Notably, all three new members of ITD's Board of Directors have long experience in the field of investment finance.

BUSINESS UPDATE Q1 2020/21*

VND Billion	1Q20/21	1Q21/22	% YoY	21/22 KH	% YoY	Observe
Net revenue	65.5	70.8	8.0%	660	11%	<ul style="list-style-type: none"> - Net revenue in the first quarter of 2021/22 recorded slight growth (+8%YoY) – the main growth driver coming from electricity (+104% YoY) and Smart Transport (+59% YoY). Smart transport continues to increase its contribution from 22% to 33%. - BSC expect the complex epidemic situation in the first quarter of the fiscal year caused projects to record slower and partially affect operations. business - First quarter net profit margin improved slightly to 29.9%. - In the first quarter, ITD did not set up redundancy. - Q3 outlook: BSC expect third-quarter business continues to be affected by epidemic situation, Smart Transport projects could roll back schedules Bid to the end of 2021 or early 2022.
Gross profit	19.0	21.1	11%			
Gross profit margin	29.1%	29.9%				
Selling expenses	(9.4)	(10.4)	11.1%			
SG&A expenses	(5.9)	(5.8)	-2.2%			
SG&A / Revenue	23.5%	23.1%				
EBIT	4.3	5.7	32.5%			
Financial income	0.8	0.7	-12%			
Financial expense	(0.7)	(1.3)	85%			
Before-tax profit	3.6	4.4	22.2%			
After-tax profit	2.9	3.5	20.2%	38	-27%	
After-tax profit - Minority interest	1.4	1.6	15.4%	25	-28%	
After-tax profit margin	4.4%	4.9%		3.8%		
EPS	74	86		1,100	-38%	

Revenue and gross profit from core business (VND billion)

VND Billion	Turnover			Gross profit		
	1Q20/21	1Q21/22	% YoY	1Q20/21	1Q21/22	%YoY
Electricity – Automation and Measurement**	2.1	1.5	-28.5%	1.2	0.8	-33%
Electricity	15.8	32.3	104%	6.3	10.1	60%
Smart transportation***	14.9	23.7	59%	4.1	7.6	85%
Telecommunications studies	32.6	13.2	-59%	7.2	2.4	-66%

*ITD Fiscal Year: 1/4/2021 – 31/3/2022

Source: BSC Research

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

Smart transportation includes the installation and application of technology to operate and manage the transport system.

INVESTMENT THESIS

1. Growth from increased investment in Smart Transport

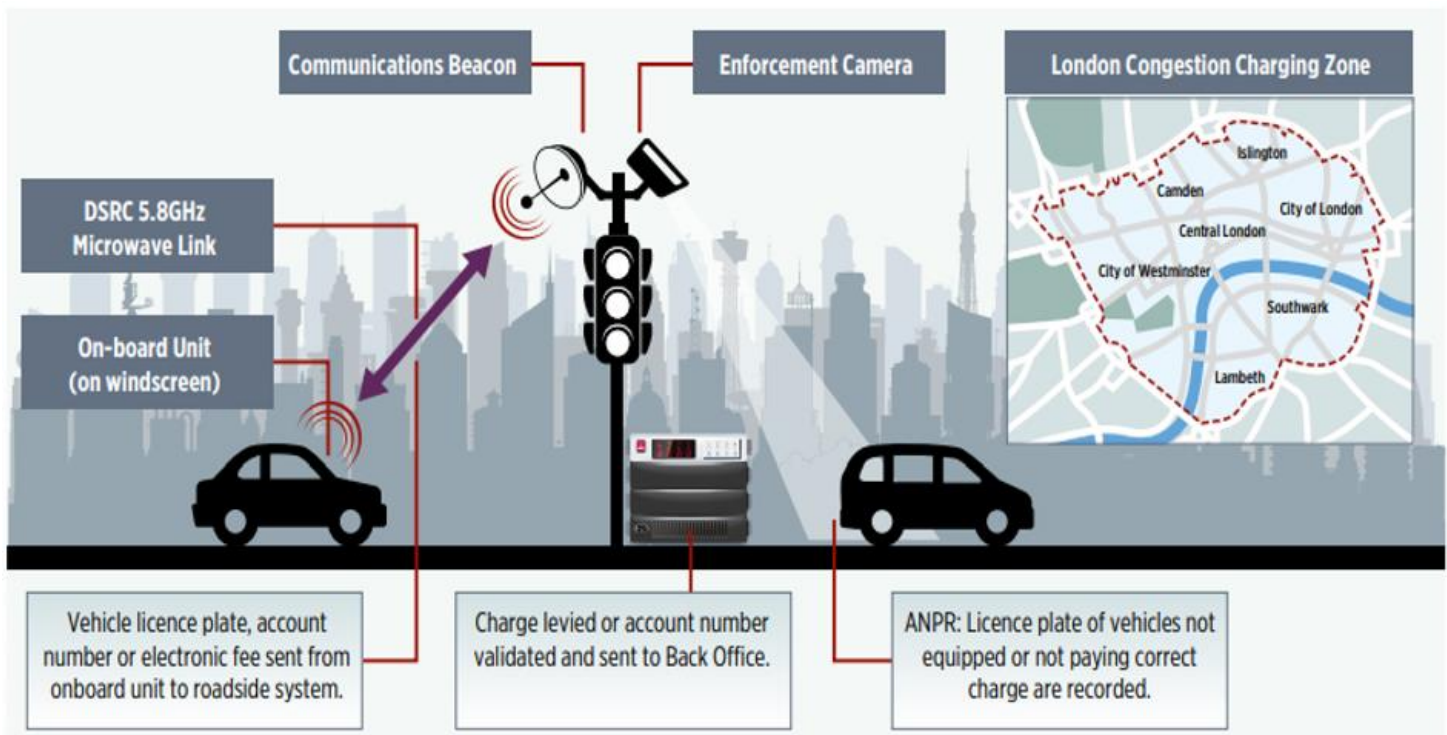
BSC expect ITD, the largest market share in the smart transport niche, to grow strongly in the next two years thanks to the Government's focus on investing in Smart Transport for road infrastructure.

Smart Transportation Overview

Intelligent Transport Systems (ITS) is a system of advanced scientific and technical applications aimed at providing useful solutions and services for people and vehicles participating in traffic, helping to organize traffic safely, more conveniently and limit accident and trouble when participating in traffic. Applications of Smart Traffic can be mentioned as: traffic monitoring (traffic situation monitoring, vehicle traffic inspection), sanctions supervision, security supervision (general supervision and crime monitoring), ...

The operating principle of Intelligent Traffic includes the following cycle: When a vehicle violates the law (i.e., crossing a red light, go over the speed limit), the sensor will quickly send a message to the camera. The camera will take pictures of the license plates and the person driving the vehicle and send it to the data storage center.

Simulation of smart transport system in the world



Source: Transport Operations Group at Newcastle University

In the world, Smart transportation is widely applied, not only on inner-city roads or highways but also installed in smart cities. In Vietnam, BSC expect that smart transport will be invested strongly in the coming time thanks to:



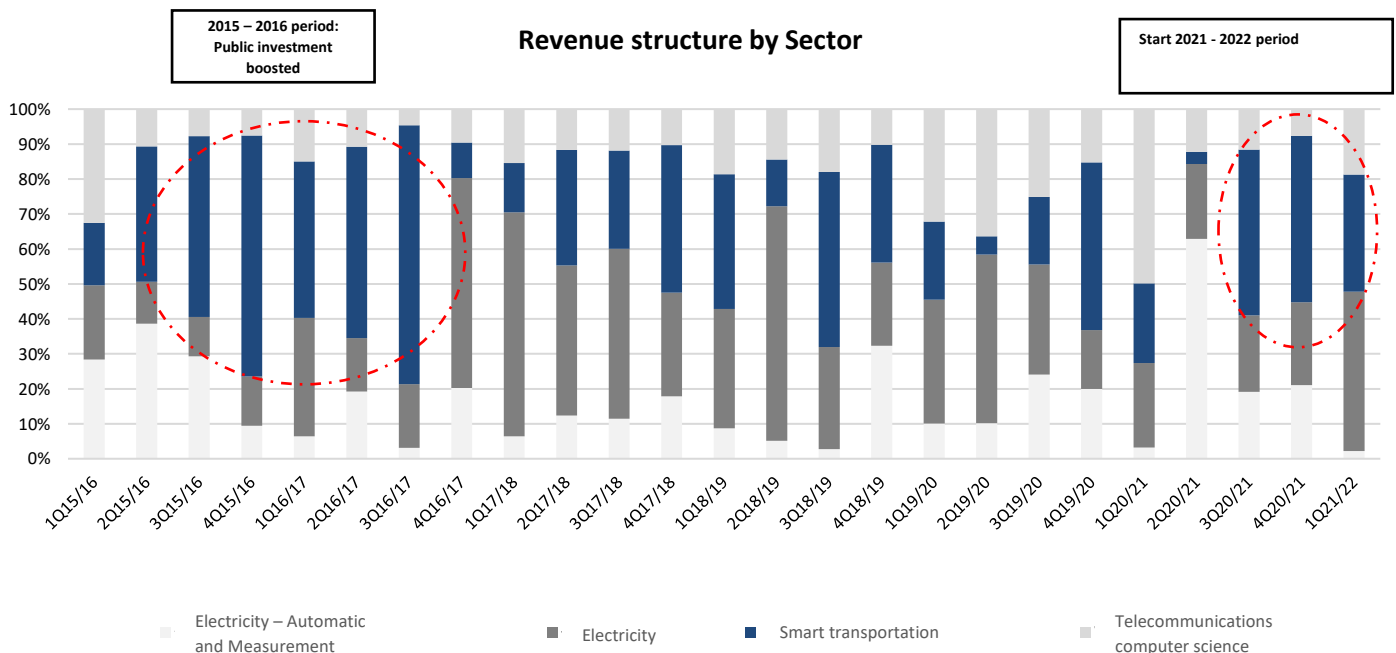
(i) The Prime Minister approves the investment in the installation of surveillance cameras, traffic management command for security and order and handling of administrative violations with a total budget of VND 2,150 billion. The project will prioritize the construction of monitoring systems in Hanoi and Ho Chi Minh City. Implementation period from 2021 to 2025 with 3 stages:

+ Stage 1: Investment in data center for the combination and sharing of camera data with a budget of VND 850 billion.

+ Stage 2 and 3: Upgrading the Command Information Center and installing surveillance camera systems for the Traffic Police Department, Hanoi and Ho Chi Minh City Police. The total cost for the two phases is VND1,300 billion.

(ii) The roads under the North-South expressway project will be invested in installing smart transport systems. The total value of technology bidding - focusing on services such as Smart Transport, Executive Supervision, Automatic Tolling - is worth up to VND 4,000 billion. The company expects the profit margin of the tenders to range from 10% to 15%. The bidding period for technology packages is expected to start in the third quarter of 2021.

BSC expect that with two factors (i) and (ii), businesses operating in the field of Smart Transport have many opportunities to participate in bidding and increase workload. ITD – with the position of a long-time enterprise and owning the largest market share in this field has a great advantage in participating in smart transport bidding packages in the coming time.



Source: ITD

2. Sudden profit from global electrical engineering joint stock company (code: GLT) (Link [GLT](#) report)

Currently, ITD holds a 50.42% ownership in Global Electrical Engineering JSC (Code: GLT). In particular, GLT is in the process of restructuring operations, selling its old business (BTS) and focusing on data center operations.

BSC estimate it will record a record of VND32.9 billion in profits from GLT's sale of BTS station (calculated ownership ratio), equivalent to 93.7% of profit in 20/21. BSC expect a surge in profit to be recorded in the fourth quarter of 2021 (equivalent to Q3 of ITD's fiscal year 2021/2022).

In addition, **BSC expect ITD to record VND24.7 billion profits from the Data Center project that GLT is working for VNG.**

1) Selling BTS stations that have run out of growth potential: GLT decided to sell the company's 238 BTS stations (revenue from BTS station leasing is about VND 30 billion/year) with a profit **of VND65.4 billion** (transfer value is VND82.7 billion). The company said BTS stations have been operating for 15 years, some of which have run out of depreciation. The continued operation of the stations would cost a large amount of maintenance costs, so GLT decided to sell to invest in Data Centers.

2) GLT redirects, focuses on developing sources for Data Center

In the fiscal year 2021/2022, GLT is expected to record revenue from the implementation of Data Center for VNG (the value of the first stage of the bidding package is VND632 billion). This is a large project compared to the size of the company, notably, the value of GLT winning the bid (VND632 billion) is the first stage of the project. In the coming time, the company will continue to bid for phase 2 with a value of VND948 billion.

BSC expect GLT revenue and profit recorded from the first phase to be VND440 billion and VND49 billion (assuming a net profit margin of 11%).

In addition, the company is competing to implement DC for Viettel (bidding value of about VND120 billion and other projects of Viettel), for FPT (at the end of 2021 starting the competition).

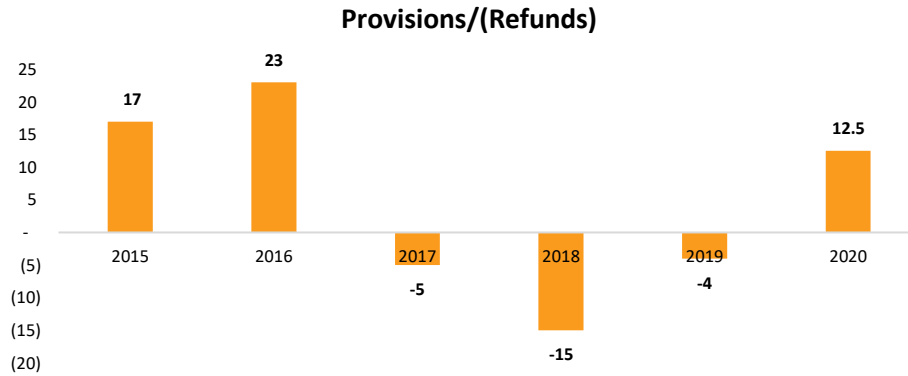
VNG's Data Center procurement information

Entry	Information
Total project value	1,580 billion
Value of glt phase 1 project won	632 billion
Implementation time	8 months
Joint venture	GLT, Sitem (Thailand) and Kinden Vietnam (GLT recorded 75% of the project value)

Source: GLT

RISK

1. Contingency set-up risks: BSC consider that due to industry characteristics (bidding projects), ITD is at risk when partners delay/fail to pay contracts leading to bad debts. In fiscal year 2020/21, the company set up a provision of 12.5 billion; during the same period the company completed 4 billion.



Source: ITD

2. Risks depending on the Government's investment budget: BSC believe that ITD's business activities are closely related to the Government's investment budget from time to time. Therefore, during the period when the Government does not promote public investment, ITD's business will be negatively affected.

FORECAST AND VALUATION

Fiscal year 2021/22: BSC expect revenue and after-tax profit of its parent company in fiscal year 2021/22 of ITD to reach 835 billion (+40.3% YoY) and 73 billion (+108% YoY) thanks to (i) Expectations of strong growth in smart transport and electricity (ii) The company recorded a spike from bts sales of GLT subsidiary (~32.9 billion)

ITD Business Results Forecast Table

Er: Billions	2020/21	2021/22F	2022/23F
Net revenue	595	835	1,0387
Electricity – Automatic	167	183	211
Telecommunications studies	87	92	96
Electricity	134	560	780
Smart transportation	206	270	950
Cost of goods sold	(438)	(618)	(799)
Gross profit	157	216	287
<i>Gross profit margin</i>	26.4%	25.9%	26.5%
Net financial income	0	-1	1
Selling expenses	(49)	(69)	(89)
<i>Margin of Selling expenses</i>	8.3%	8.3%	8.3%
SG&A expenses	(54)	(76)	(98)
<i>Margin of SG&A expenses</i>	9.1%	9.1%	9.1%
Unusual profits	32.9	0	
Pre-tax profit	62	116	116
After-tax profit	52	97	97
After-tax profit minus minority interest	35	73	65
EPS	1,786	3,647	3,315

PE Method: We use the target P/E level for ITD of 8.5, which is equivalent to the 2-year median PE of the stock.

PE Method	2020/21	2021/22F	2022/23F
EPS	1,786	3,647	3,315
PE		8.5	8.5
Reasonable value		31,000	28,200

Cash flow discount method:

Average capital expenditure	
Rf	4%
Beta	0.6
Quay	10.5%
Kd	9%
E/A	60%
Tax	20%
WACC	9.53%
g	5%

	2021F	2022F	2023F	Long-term
Free cash flow	14	9	50	380
Current value	444			
Total enterprise value	560			
Debt	79			
Equity	481			
Number of shares	19,064,798			
Value per share (VND)	25,200			

	Price	Weighting	Average price
FCFF	25,200	50%	12,600
P/E	31,000	50%	15,500
		Target price	28,100
		Current price	19,450
		Upside	44%

We recommend **BUYI** for ITD stock with a target price for the 2021/22 financial year of VND 28,100 per share based on the P/E and FCFF methods at a rate of 50%/50%.

TECHNICAL ANALYSIS

ITD – Pioneer Technology Joint Stock Company

Target price: 22.75

Price Stop loss price: 17.0

Technical highlights:

- Current trend: Increase.
- MACD indicator: MACD crosses the signal line.
- RSI indicator: neutral, uptrend.

Comment: ITD is lying on the form of a 2-bottom pattern at 16.55 and 17.0. Stock liquidity is an average of 20 sessions in agreement with the upward momentum. The MACD and RSI are both supporting the positive uptrend. At the same time, the stock price line has also surpassed 2 MA lines (20.50) signaling a positive uptrend.

Recommendation: Investors should consider opening positions around the price of 19.4, taking profits as the stock approaches 22.75. Cut loss if the support level is lost 17.0.



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