

Construction Sector: FY 2024 Update

Stronger demand, lower input and financing costs drove higher profits and improved debt coverage

In 2024, the construction sector showed significant recovery in revenue, profitability, and debt coverage. Buoyed by strong public and foreign investments, construction activities have thrived throughout 2024 into 2025. Moreover, following increased housing project licensing since 2H2024, residential construction demand has recovered and is set to accelerate in 2025. Consequently, the profitability and debt serviceability of construction firms will further improve in 2025.

Construction activities accelerated in 2024 with substantial backlogs rolling into 2025

In 2024, the construction sector's GDP contribution grew by 7.9% year-over-year (YoY) to nearly USD 28 billion in 2024. Both public investment and FDI disbursements reached all-time highs of VND 660 trillion (4% YoY) and USD 25.35 billion (9.4% YoY), respectively, driving substantial construction activity in large infrastructure and industrial projects across the country. We expect growth in these segments will remain strong in 2025, signaled by a 28% YoY increase in planned public investment disbursement and FDI disbursements projected to surpass USD 30 billion this year. In the residential construction segment, increasing housing project licensing from 2H2024 will restart construction activities and drive new contracts.

Our covered top 25 listed construction firms by revenue reported strong backlogs at the end of 2024, including CTD (VND 30 trillion, 20% YoY), VCG (VND 19 trillion, 3% YoY), and LCG (VND 7 trillion, 22% YoY). In 2025, we view that substantial backlogs and new large contracts will strengthen the revenue and profitability of construction firms.

Revenue and profits of construction firms improved in 2024

Construction firms reported total revenue and net income growth of 15% and 44% YoY, respectively. This improvement was driven by the recovery of core construction business, especially in the industrial and infrastructure segments, reduced interest expenses, and contributions from non-core businesses such as real estate revenue recognition (VCG, L18) and asset liquidation (HBC). In 2024, the construction firms' average gross margin improves to 8.2% (2023: 7.4%), driven by strong construction demand and price declines for key inputs, including rebar steel (-10% YoY) and cement (-5% YoY). For 2025, we expect strong construction activity and stable input prices will drive further revenue and profitability improvements for the sector.

The sector's leverage and coverage strengthened, particularly among large firms

In 2024, the sector's debt repayment capacity improved, with the average Debt/EBITDA ratio decreasing from 6.0x to 5.3x, and the average interest coverage ratio rising from 1.5x to 2.7x. Total debt growth stabilized (3%YoY), and average annual financing costs declined from 7.9% to 5.7% over 2024.

Large construction firms with annual revenue exceeding VND 5 trillion showed significantly higher short-term debt coverage than mid-sized firms. They engaged primarily in large-scale projects funded by the central government, FDI, and prominent private developers. These projects in general were well-executed and allowed firms to receive payments on a timely basis and improve their short-term debt coverage in 2024. In contrast, mid-sized firms increased short-term debt by 10% YoY to fund working capital needs. Going forward, large firms with substantial established capabilities are poised to secure high-profit project bids, continuously improving their debt coverage compared to smaller firms.

Driven by property market recovery, operating cash flow will improve from 2024 volatilities

Despite stronger profits, construction firms' operating cash flow (CFO) remained volatile and declined by 80% in 2024. Several firms saw negative operating cash flow (CFO), driven by significant increases in account receivables (HTN, SJE, FCN), inventory (VCG, LCG), and receivables from business cooperation contracts (CC1). CFO volatilities, caused by delayed payments from real estate developers, have been a major credit concern for the construction sector during the property market downturn. Going forward, property market recovery and broadening funding access will enhance the liquidity of developers and quicken the repayment of payables to construction firms. Therefore, the construction sector's CFO will improve in 2025.

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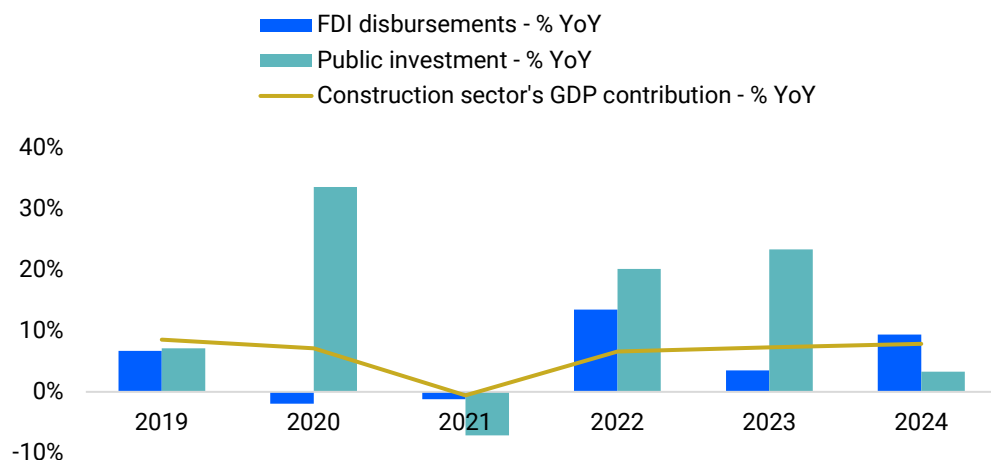
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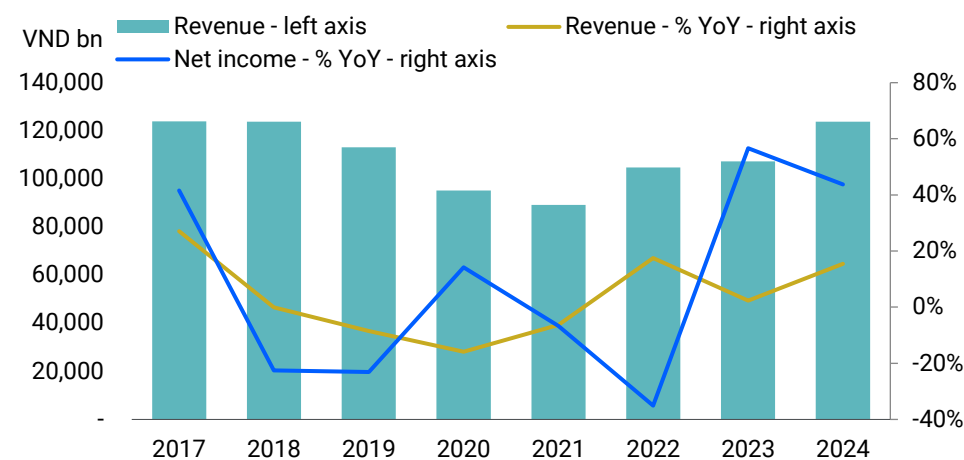
Stronger demand, lower input and financing costs drove higher profits and improved debt coverage

Exhibit 1: Construction activities accelerated in 2024 with substantial backlogs rolling into 2025



Source: General Statistics Office of Vietnam, VIS Rating

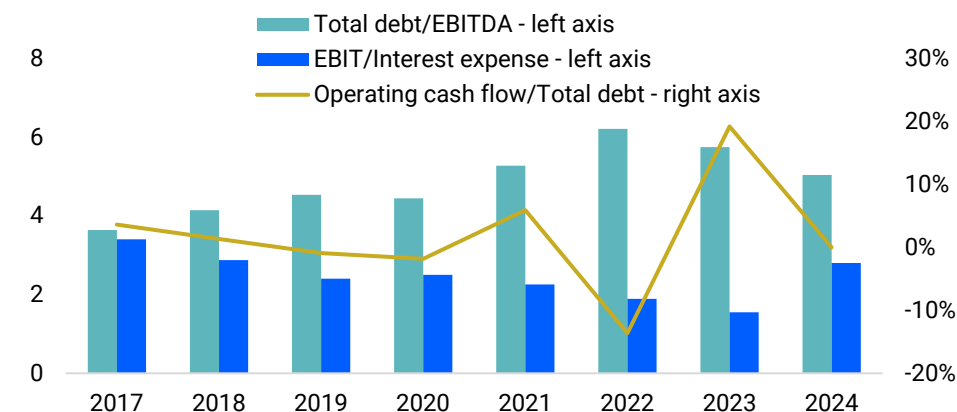
Exhibit 2: Revenue and profits of our covered construction firms improved in 2024



Source: Company data, VIS Rating

Note: Top 25 listed construction firms in terms of revenue

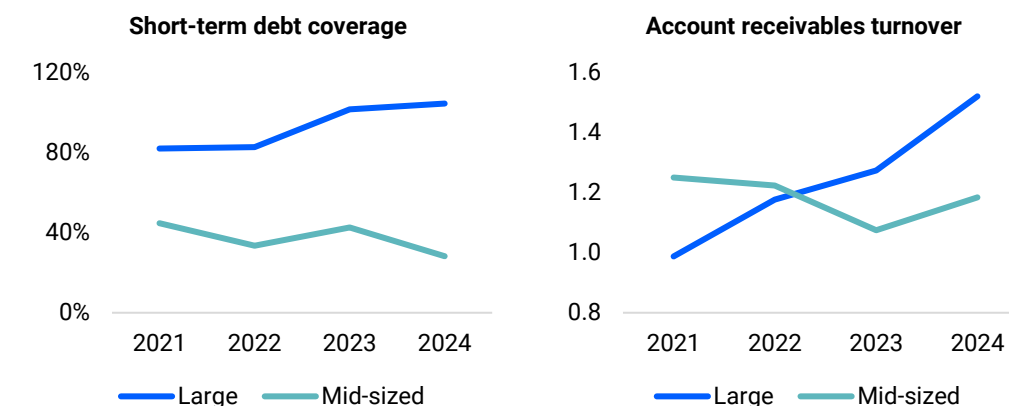
Exhibit 3: The sector's leverage and coverage strengthened while operating cash flow will improve from 2024 volatilities



Source: Company data, VIS Rating

Note: Top 25 listed construction firms in terms of revenue

Exhibit 4: Large construction firms showed significantly higher short-term debt coverage



Source: Company data, VIS Rating

Note: Top 25 listed construction firms in terms of revenue.

Large firms have annual revenue above VND 5 trillion; mid-sized firms have annual revenue ranging from VND 1-5 trillion.

Short-term debt coverage = Cash resources/Short-term debt

APPENDIX

The firms included in our analysis are as follows:

	Short name	Full name	Classification
1	AME	Alphanam E&C JSC	Mid-sized
2	AMS	AMECC Mechanical Construction JSC	Mid-sized
3	C4G	CIENCO4 Group JSC	Mid-sized
4	CC1	No. 1 Construction Corporation - JSC	Large
5	CTD	Cotecons Construction JSC	Large
6	CTR	Viettel Construction Corporation - JSC	Mid-sized
7	DCF	No. 1 Construction & Design JSC	Mid-sized
8	DPG	Dat Phuong Group JSC	Mid-sized
9	FCN	FECON JSC	Mid-sized
10	HAN	Hanoi Construction Corporation - JSC	Mid-sized
11	HBC	Hoa Binh Construction Group JSC	Large
12	HTN	Hung Thinh Incons JSC	Mid-sized
13	L18	No. 18 Construction and Investment JSC	Mid-sized
14	LCG	Lizen JSC	Mid-sized
15	LIC	LICOGI Corporation - JSC	Mid-sized
16	LIG	Licogi 13 JSC	Mid-sized
17	LLM	Vietnam Machinery Installation Corporation - JSC	Large
18	PHC	Phuc Hung Holdings Construction JSC	Mid-sized
19	SC5	No. 5 Construction JSC	Mid-sized
20	SD5	Song Da 5 JSC	Mid-sized
21	SJE	Song Da 11 JSC	Mid-sized
22	SJG	Song Da Corporation - JSC	Large
23	TA9	Thanh An 96 Construction JSC	Mid-sized
24	TCD	Industrial Development and Transport Investment JSC	Mid-sized
25	VCG	Vietnam Export-Import and Construction Corporation - JSC	Large

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