



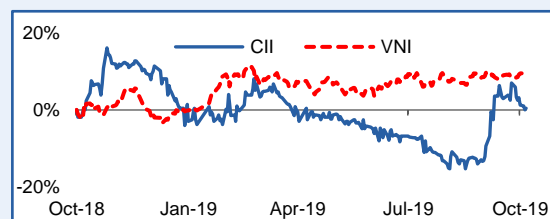
HCMC Infrastructure Investment (CII)

Earnings Flash

Industry	Infrastructure		2018	9M/19	2019F
Report Date	October 30, 2019				
Current Price	VND23,700	Rev y/y	31.6%	-33.4%	48.3%
Last Target Price	VND29,700	EPS y/y	-93.8%	545.5%	706.3%
Upside to TP	+25.3%	GPM	27.9%	30.5%	34.9%
Dividend yield	13.5%	NPM	3.5%	30.8%	19.4%
TSR	+38.8%	EV/EBITDA	23.2x	N.M.	13.1x
Rating	BUY	P/B*	1.4x	N.M.	1.4x
		P/E*	74.1x	N.M.	9.2x

			CII	Peers	VNI
Market Cap	USD253.1mn		13.6x	10.7x	16.6x
Foreign Room	USD53.2mn	P/E (ttm)	1.1x	1.6x	2.4x
ADTV30D	USD410,000	P/B (curr)	1.3x	0.2x	N.A.
State Ownership	9.8%	Net D/E	9.5%	17.4%	14.8%
Outstanding Shares	247.8 mn	ROE	1.9%	7.6%	2.5%
Fully Diluted O/S	283.8 mn	ROA			

* based on fully diluted shares



Company Overview

CII was established in 2001 and listed its shares on HOSE in 2006. The company is the largest private infrastructure development company in Vietnam. The company is also developing real estate projects in the Thu Thiem New Urban Area, District 2, HCMC.

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Earnings boosted by one-off financial gains

- CII reported its Q3 2019 results in which consolidated revenue was down 29% YoY to VND444bn (USD19mn) while consolidated NPAT-MI was up 12.8x YoY to VND410bn (USD18mn). The divergence between top and bottom-line growth in Q3 was mainly due to a 4.1x YoY surge in financial income to VND782bn (USD34mn).
- CII's 9M 2019 revenue was down 33% YoY to VND1.5tn (USD63mn), mainly driven by a 65% YoY drop in real estate revenue due to the timing of project deliveries. Construction and other segments also posted 24% and 22% drops in their in top-line contributions, respectively. These declines are partly offset by 26% YoY growth in toll collection following to the new Co Chien BOT that was consolidated in Q1 2019. We note the toll collection and real estate segments contributed 80% and 20% to total 9M 2019 gross profit, respectively.
- Consolidated NPAT-MI in 9M 2019 was up 5.5x to VND454bn (USD19mn), mainly driven by one-off gains from stake transfers in projects in which VND623bn (USD27mn) of financial gains were recognized in Q3 2019 and VND255bn (USD11mn) of other income was recognized in Q2 2019.
- As 9M NPAT-MI completed 59% of our full-year forecast, we see potential downside risks to our forecast, pending a fuller review. This gap is mainly due to lower-than-expected real estate revenue contributed by CII's subsidiary, 577 Investment Corporation (HSX: NBB).
- As Vietnam's largest private infrastructure developer, CII is a play on Vietnam's increasing urbanization and industrialization. We expect CII to benefit from stable cash flows from its BOT projects while generating earnings upside from its residential real estate developments.

One-off financial gains in Q3 boosted earnings. We estimate around VND500bn (USD21mn) of cash gains were from the finalization of negotiations between CII and its real estate partner at the Riverpark project that was announced in early July 2019. This amount is ~10% lower than our current assumption. Financial gains were further contributed by VND123bn (USD5.3mn) in gains from NBB's stake transfer in a project.

Newly acquired Co Chien BOT drove toll collection revenue. Toll collection revenue was up 26% YoY in 9M 2019, following the consolidation in Q1 2019 when CII's subsidiary increased its stake in this BOT project to 50.5% from 0%. We also believe this growth in toll collection revenue was partly driven by solid traffic growth on CII's existing toll roads.

Slower-than-expected deliveries and transfers of NBB's projects trail our forecasts as real estate revenue in 9M 2019 only completed 23% our full-year forecast. We assume NBB will achieve a top line of VND1.6tn (USD68mn), mainly attributed to the NBB Garden project (HCMC) transfer (51% of its total revenue), followed by the deliveries of the Son Tinh (Quang Ngai) and Doi Thuy San (Quang Ninh) projects that are expected to account for 37% and 12% of NBB's revenue, respectively.

CII's Q3 2019 and 9M 2019 results

VND bn	Q3 2018	Q3 2019	Q3 2019 vs Q3 2018	9M 2018	9M 2019	9M 2019 vs 9M 2018	9M 2019 % of VCSC's 2019F
Net revenue	622	444	-28.6%	2,210	1,472	-33.4%	36.9%
<i>B.T projects</i>	0	0	N.M.	121	111	-7.9%	15.4%
<i>Toll collection</i>	142	195	37.4%	427	539	26.2%	67.4%
<i>Real estate</i>	334	144	-56.8%	1,103	388	-64.8%	22.6%
<i>Construction</i>	45	5	-88.1%	193	147	-23.9%	51.4%
<i>Others</i>	101	100	-1.5%	367	287	-21.9%	62.1%
Gross profit	218	138	-36.7%	595	449	-24.5%	32.2%
<i>Toll collection</i>	102	139	35.5%	307	365	18.8%	68.8%
<i>Real estate</i>	103	25	-75.2%	219	90	-58.9%	13.0%
<i>Construction</i>	12	-22	N.M.	48	21	-56.6%	13.3%
<i>Others</i>	1	-5	N.M.	20	-27	N.M.	N.M.
SG&A expenses	-138	-134	-2.6%	-408	-368	-9.7%	59.0%
Operating profit	80	4	-95.5%	187	81	-56.8%	10.5%
Financial income	155	782	404.7%	448	1,016	126.8%	82.6%
Financial expenses	-186	-260	40.4%	-506	-738	46.0%	101.1%
<i>In which: interest expenses</i>	-183	-182	-0.5%	-495	-539	8.9%	73.8%
Net other income/(loss)	51	109	113.4%	151	455	201.8%	227.5%
PBT	101	634	531.0%	304	824	171.2%	56.1%
Corporate income tax	-43	-139	222.4%	-122	-61	-49.7%	29.9%
NPAT before MI	57	495	764.0%	182	762	319.6%	60.4%
NPAT-MI	30	410	1,279.9%	70	454	545.5%	58.8%
<i>GPM</i>	35.0%	31.0%		26.9%	30.5%		
<i>GPM (excl. B.T projects)</i>	35.0%	31.0%		28.5%	33.0%		
<i>OPM</i>	12.8%	0.8%		8.5%	5.5%		
<i>NPM</i>	4.8%	92.3%		3.2%	30.8%		

Source: CII, VCSC

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

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