



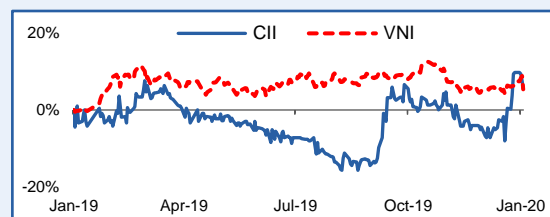
HCMC Infrastructure Investment (CII)

Earnings Flash

Industry	Infrastructure		2018	2019
Report Date	January 30, 2020			
Current Price	VND25,000	Rev y/y	31.6%	-32.3%
Last Target Price	VND26,800	EPS y/y	-93.8%	653.1%
Upside to TP	+7.2%	GPM	27.9%	31.6%
Dividend yield	12.8%	NPM	3.5%	39.6%
TSR	+20.0%	EV/EBITDA	23.2x	17.0x
Rating	BUY	P/B*	1.4x	1.1x
		P/E*	74.1x	9.5x

Market Cap	USD267.3mn		<u>CII</u>	<u>Peers</u>	<u>VNI</u>
Foreign Room	USD58.5mn	P/E* (ttm)	9.5x	8.5x	15.3x
ADTV30D	USD400,000	P/B* (curr)	1.1x	1.4x	2.2x
State Ownership	9.8%	Net D/E	1.4x	0.4x	N.A.
Outstanding Shares	247.8 mn	ROE	14.0%	16.7%	14.8%
Fully Diluted O/S	283.8 mn	ROA	2.7%	7.9%	2.5%

* based on fully diluted shares



Company Overview

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

Dang Thai
 Analyst
dang.thai@vcsc.com.vn
 +8428 3914 3588 ext. 149

Nam Hoang
 Senior Analyst
nam.hoang@vcsc.com.vn
 +8428 3914 3588 ext. 124

Strong earnings growth thanks to one-off financial gains

- CII's Q4 2019 results continued to be distorted by one-off financial income of ~VND585bn (USD25mn). Q4 revenue was down 27% YoY to VND348bn (USD15mn) while NPAT-MI was up 9.8x YoY to VND266bn (USD11mn).
- CII's 2019 revenue was down 32% YoY to VND1.8tn (USD78mn) while its NPAT-MI spiked 6.6x YoY to VND720bn (USD31mn). The divergence between top and bottom-line growth in 2019 was mainly due to a surge in non-recurring financial income and other gains from stake transfers in residential real estate projects to ~VND1.6tn (USD68mn).
- The drop in CII's 2019 revenue was mainly driven by a 66% YoY decline in real estate revenue that was due to the timing of project deliveries. This drop was partly offset by 23% YoY growth in toll collection revenue following consolidation of a new BOT project – Co Chien – in Q1 2019.
- NPAT-MI surpassed our full-year forecast by 34%, which was mainly due to higher-than-expected financial income from CII's stake sell downs in its projects. This was partly offset by lower-than-expected revenue from real estate project deliveries of CII's subsidiary – 577 Investment Corporation (HSX: NBB).
- The successful stake transfer in CII's major residential real estate projects in 2019 indicates positive progress in their development timeline. Additionally, as the delivery timeline for NBB's projects has been extended, we see potential upside risks to our forecasts, pending a fuller review.
- 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.

NBB's real estate projects trail our top-line forecasts as real estate revenue in 2019 only completed 30% our full-year forecast. We mainly attribute this gap to delays in recognition of the NBB Garden II project in HCMC (55% of our real estate revenue assumption for CII in 2019) and slower-than-expected deliveries of the Son Tinh project in Quang Ngai.

One-off financial income boosted earnings as CII recognized VND1.3tn (USD57mn) of financial gains from its stake transfers in projects/subsidiaries in 2019. In Q4 alone, CII recorded around VND585bn (USD25mn) of financial income, which we believe was derived from the completion of a high-value residential real estate deal announced in early December 2019 to develop the Riverpark project (Phase 1) in District 2, HCMC with City Garden Joint Stock Company (City Garden JSC).

Financial expenses spiked following the repurchase of bonds. In Q4 2019, CII recognized ~VND146bn (USD6.3mn) of financial expenses from bond repurchases (VND107mn/USD4.6mn) and their related FX revaluation (VND39mn/USD1.7mn). These expenses were VND242bn (USD11mn) in 2019, which partly drove up total financial expenses by 67% YoY while interest expenses (including bond guarantee and issuance fees) were up 18% YoY given a ~23% YoY higher gross debt balance as of the end 2019. We note that in Q4 2019, CII repurchased USD40mn of USD-denominated convertible bonds issued in January 2017 to Rhinos Convertible Bond Private Fund.

CII's unaudited Q4 2019 and 2019 results

VND bn	Q4 2018	Q4 2019	Q4 2019 vs Q4 2018	2018	2019	2019 vs 2018	2019 % of VCSC's 2019F
Net revenue	476	348	-26.9%	2,686	1,819	-32.3%	53.0%
<i>Toll collection</i>	144	180	25.4%	570	704	23.4%	95.5%
<i>Real estate</i>	204	55	-73.1%	1,306	443	-66.1%	30.0%
<i>B.T. projects</i>	0	0	N.M.	121	111	N.M.	23.5%
<i>Others</i>	129	113	-12.4%	689	562	-18.4%	75.2%
Gross profit	154	126	-18.4%	749	575	-23.2%	52.9%
SG&A expenses	-142	-164	15.5%	-550	-533	-3.1%	91.9%
Operating profit	12	-39	N.M.	199	42	N.M.	8.3%
Financial income	100	712	610.9%	548	1,728	215.4%	166.3%
Financial expenses	-144	-348	141.4%	-650	-1,086	67.2%	115.6%
<i>In which: interest expenses (*)</i>	<i>-143</i>	<i>-189</i>	<i>32.6%</i>	<i>-644</i>	<i>-758</i>	<i>17.8%</i>	<i>80.7%</i>
Net other income/(loss)	74	45	-39.2%	224	500	122.7%	109.8%
PBT	88	384	335.1%	392	1,208	208.1%	114.0%
Corporate income tax	-55	-74	35.5%	-177	-136	-23.3%	114.5%
NPAT before MI	33	310	827.5%	215	1,072	398.4%	113.9%
NPAT-MI	25	266	976.8%	95	720	657.8%	134.4%
<i>GPM</i>	32.4%	36.1%		27.9%	31.6%		
<i>GPM (excl. B.T. projects)</i>	32.4%	36.1%		29.2%	33.6%		
<i>OPM</i>	2.5%	N.M.		7.4%	2.3%		
<i>NPM</i>	5.2%	76.6%		3.5%	39.6%		
As of the end of the period							
Short-term debt				4,552	4,608		
Long-term debt				6,293	8,790		
Net debt/equity				1.5x	1.4x		

Source: CII, VCSC

Note: (*) including bond guarantee/issuance fees

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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OUTPERFORM	If the projected TSR is between 10% and 20%
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Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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Contacts

Corporate

www.vcsc.com.vn

Head Office

Bitexco Financial Tower, 2 Hai Trieu Street
District 1, HCMC
+84 28 3914 3588

Transaction Office

10 Nguyen Hue Street
District 1, HCMC
+84 28 3914 3588

Research

Research Team: +84 28 3914 3588
research@vcsc.com.vn

Banks, Securities and Insurance

Long Ngo, Associate Director, ext 123

- Nghia Dien, Senior Analyst, ext 138
- Anh Dinh, Analyst, ext 139
- Truc Ngo, Analyst, ext 116

Consumer and Pharma

Phap Dang, Associate Director, ext 143

- Dao Nguyen, Manager, ext 185
- Ha Dao, Analyst, ext 194
- Vinh Bui, Analyst, ext 191

Real Estate, Construction and Materials

Hong Luu, Senior Manager, ext 120

- Vy Nguyen, Senior Analyst, ext 147
- Duc Pham, Analyst, ext 174

Retail Client Research

Duc Vu, Senior Manager, ext 363

- Nghia Le, Analyst, ext 181
- Tra Vuong, Analyst, ext 365
- Trung Nguyen, Analyst, ext 129

Institutional Sales and Brokerage

& Foreign Individuals

Dung Nguyen

+84 28 3914 3588, ext 136
dung.nguyen@vcsc.com.vn

Retail & Corporate Brokerage

Ho Chi Minh City

Quynh Chau
+84 28 3914 3588, ext 222
quynh.chau@vcsc.com.vn

Hanoi Branch

109 Tran Hung Dao
Hoan Kiem District, Hanoi
+84 24 6262 6999

Transaction Office

236-238 Nguyen Cong Tru Street
District 1, HCMC
+84 28 3914 3588

Alastair Macdonald, Head of Research, ext 105

alastair.macdonald@vcsc.com.vn

Macro

- Luong Hoang, Senior Analyst, ext 364
- Nguyen Truong, Analyst, ext 132

Oil & Gas and Power

Duong Dinh, Senior Manager, ext 140

- Tram Ngo, Senior Analyst, ext 135
- Thanh Nguyen, Senior Analyst, ext 173
- Duc Le, Analyst, ext 196

Industrials and Transportation

- Nam Hoang, Senior Analyst, ext 124
- Dang Thai, Analyst, ext 149

Hanoi

Quang Nguyen
+84 24 6262 6999, ext 312
quang.nguyen@vcsc.com.vn