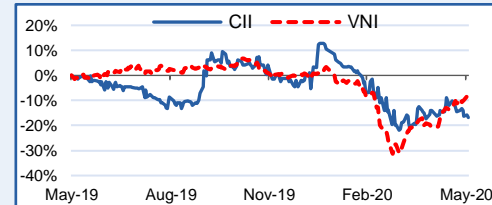




# HCMC Infrastructure Investment (CII)

# AGM Note

Industry	Infrastructure		2019	2020F	2021F	2022F
Report Date	June 2, 2020	Rev y/y	-32.5%	282.1%	6.5%	-27.6%
Current Price	VND19,150	EPS y/y	106.3%	168.2%	-18.1%	258.6%
Current Target Price	VND24,900	GPM	31.5%	33.4%	37.5%	43.4%
Upside to TP	+30.0%	NPM	10.8%	7.6%	5.9%	29.0%
Dividend Yield	8.4%	EV/EBITDA	27.0x	9.6x	8.0x	8.2x
TSR	+38.4%	P/B*	1.1x	0.8x	0.8x	0.7x
Rating	BUY	P/E*	29.0x	10.8x	13.2x	3.7x



			CII	Peers	VNI
Market Cap	USD196.7mn	P/E (ttm)*	11.2x	10.3x	14.5x
Foreign Room	USD61.4mn	P/B (curr)	0.8x	1.2x	2.0x
ADTV30D	USD950,000	Net D/E	1.5x	0.3x	N.A.
State Ownership	10.2%	ROE	8.2%	13.2%	13.6%
Outstanding Shares	238.8 mn	ROA	1.4%	5.4%	2.4%
Fully Diluted Shares	283.2 mn				

\* based on fully diluted shares

## Company Overview

CII was established in 2001 and listed shares on HOSE in 2006. CII 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.

## Positive growth guidance; additional debt issuance planned

- We attended CII's AGM on June 2, 2020, in Ho Chi Minh City. This AGM followed the abridged AGM held on March 27, 2020, that only approved two essential proposals: (1) ~125,000 new shares listed on HOSE following a bond conversion in 2019 and (2) a new share issuance plan related to newly issued straight bonds of VND2tn (USD86mn). More details can be found in our March 27, 2020 AGM Note, [Shortened AGM held to approve new share issuance plan](#).
- Shareholders approved a business plan with total income (including revenue, financial income and other gains) of VND5.8tn (USD250mn; +68% YoY) and NPAT-MI before goodwill amortization expenses of VND808bn (USD35mn; +86% YoY). This plan implies NPAT-MI of VND593bn (USD26mn) as we estimate goodwill amortization expenses of ~VND215bn (USD9.3mn) in 2020.
- The company's approved 2020G NPAT-MI is 12% higher than our forecasts, which we attribute to our more conservative assumption for the delivery timeline of CII's real estate projects. We therefore do not see any new material risks to our 2020F full-year forecasts.
- Per CII's AGM documents, in a more positive scenario, 2020 total income could reach VND6.6tn (USD285mn; +91% YoY) and NPAT-MI before goodwill amortization expenses could be VND1.6tn (USD69mn; +270% YoY).
- Shareholders approved the FY2019 cash dividend of 12% on par value, or VND1,200/share (equivalent to a 6.2% yield), which was below our forecast of VND1,600/share. Additionally, the AGM approved a FY2020 dividend of 16% on par value. Management shared that CII will pay all of the proposed 16% of par value for FY2020 in cash — equivalent to an 8.4% dividend yield and in line with our expectation.
- A new independent BOD member, Mrs. Nguyen Le Hoang Yen, was elected to replace Mr. Kang Sang In. Both are from Rhinos Asset Management — a convertible bond holder of CII.

**Shareholders approved bond issuances of up to VND1.6tn (USD69mn).** CII will issue VND1.19tn (USD51mn) of five-year convertible bonds to existing shareholders (for every 200 CII shares, a shareholder has the right to buy one bond at par value of VND1mn/USD43 per bond). If CII cannot successfully sell a minimum amount of VND800bn (USD19mn) of these bonds to existing shareholders, the company will then issue five-year bonds with attached warrants (one bond is attached with one warrant) worth VND1.6tn (USD69mn) to investors, which management shared would be banks. Each issued bond has a conversion ratio of 1:38.75 (the holder needs one bond to purchase 38.75 CII shares). The exercise price in the first six months from the issuing date is a 6% premium of 110% of the average closing price of ten trading days prior to the date of CII's BOD approving the bond issuance documents, but does not exceed ~VND27,560/share. The next exercise prices in each subsequent six months will be increased, compounded by 6%. Additionally, the exercise price determined for strategic investors (after the issuance for current shareholders fails) will be higher or equal to the price for existing shareholders.

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**Additional 160 million new share issuance plan approved to secure VND1.6tn (USD69mn) prepayment of bonds with warrants.** In the case of unexpected events affecting CII's financial position, in order to ensure prepayment capacity for bonds with warrants of VND1.6tn (USD69mn) issued to investors, shareholders approved CII's plan of an issuance of up to 160 million new shares to existing shareholders (rights issuance) at VND10,000/share, which would increase its charter capital by up to VND1.6tn (USD69mn). We note that a condition of this new share issuance is if CII is not able to repay these bonds due to unexpected events. Including the new share issuance plan approved at the shortened AGM, CII could issue up to 360 million new shares to existing shareholders in the case of unexpected events affecting CII's financial position.

**Treasury share buyback approval follows to bonds with warrants issuance.** Shareholders approved for CII to purchase an additional 53 million treasury shares — equivalent to 22% of current outstanding shares — in five years from issuing date of bonds with warrants. The transactions would be executed via an order matching method. Before this proposal, CII has held a total of 44.3 million treasury shares, which we estimate the average cost at around VND23,000/share.

**2020 earnings are expected to be mainly driven by the real estate segment, per management,** which is in line with our expectation. We expect a YoY surge in real estate revenue to VND3.9tn (USD169mn; +790% YoY) in 2020, which will mainly be driven by full deliveries of the 152 Dien Bien Phu and D'verano (Lakeview 3) low-rise projects as well as partial deliveries of the Diamond Riverside and Son Tinh projects.

**Trung Luong - My Thuan Expressway BOT (TL-MT) project looks on track** as bank loans were disbursed in March and Tien Giang Province finished 100% of land clearance. CII expects the project to be completed in late 2020 with toll collection commencing in Q2 2021, which is in line with our current expectation. The TL-MT BOT project will connect HCMC to the Mekong Delta region. The project has a total investment cost of VND12tn (USD515mn) and a total length of 51 km. As of the end of May, ~46% of its total construction has been completed, per CII. Management also shared that the TL-MT BOT project could generate an annual cash inflow of ~VND1.4tn (USD60mn) in its first year of commencement.

**Hanoi Highway Expansion BOT project to be slightly delayed vs previous expectation.** Management shared that this project could commence its toll collection on August 1, 2020, if the approval process of the Government was in line with the company's expectation. We currently expect the Hanoi Highway Expansion BOT project to start its toll collection in Q3 2020 and contribute ~20% to total toll collection revenue in 2020.

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OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
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