



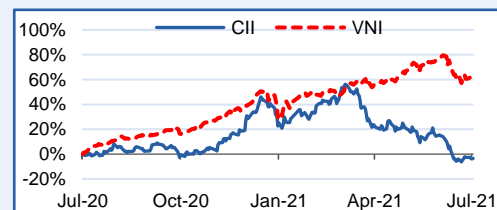
# HCMC Infrastructure Investment (CII)

# Earnings Flash

<b>Industry:</b>	<b>Infrastructure</b>		<b>2020</b>	<b>H1/2021</b>	<b>2021F</b>
<b>Report Date:</b>	<b>July 30, 2021</b>				
<b>Current Price:</b>	VND16,100	Rev y/y	196.4%	80.2%	20.5%
<b>Target Price*:</b>	VND25,500	EPS y/y **	44.1%	-93.2%	49.4%
<b>Upside:</b>	+58.4%	GPM	21.3%	34.3%	39.1%
<b>Dividend yield:</b>	7.5%	NPM	4.7%	0.9%	5.8%
<b>TSR:</b>	+65.8%	EV/EBITDA	21.8x	N/A	8.5x
<b>Rating*:</b>	BUY	P/B **	0.9x	N/A	0.7x
		P/E **	18.9x	N/A	12.7x

<b>Market Cap:</b>	USD167.5mn		<b>CII</b>	<b>Peers</b>	<b>VNI</b>
<b>Foreign Room:</b>	USD93.9mn	P/E (ttm) **	68.9x	14.5x	16.7x
<b>ADTV30D:</b>	USD1.7mn	P/B (curr) **	0.8x	1.8x	2.6x
<b>State Ownership:</b>	10.2%	Net D/E	2.2x	0.4x	N/A
<b>Outstanding Shares:</b>	238.8 mn	ROE	1.1%	14.8%	15.9%
<b>Fully Diluted Shares:</b>	283.2 mn	ROA	0.2%	7.3%	2.6%

\* TP and rating last updated May 28, 2021; \*\* fully diluted



## 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. CII is also developing real estate projects in the Thu Thiem New Urban Area, District 2, HCMC.

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## Weak H1 2021 results despite improved core businesses

- CII posted Q2 2021 results with net revenue up 63% YoY to VND1.1tn (USD46mn) and NPAT-MI of only VND13bn (USD560,000; +45% YoY). Despite high YoY revenue growth in Q2 2021, CII achieved marginal profit in the quarter mainly due to its high leverage ratio.
- In H1 2021, CII's net revenue was up 80% YoY to VND2tn (USD86mn), but its NPAT-MI plunged 93% YoY to VND17bn (USD730,000). H1 2020 was a high base as CII recognized financial gains from a stake transfer of VND481bn (USD21mn).
- CII's net revenue growth in H1 2021 was mainly driven by (1) the real estate segment surging 157% YoY to VND1.2tn (USD52mn) and (2) toll collection revenue increasing 55% YoY to VND524bn (USD23mn).
- We believe the Son Tinh landed property project in Quang Ngai Province and Lakeview 3 (D'verano) project in HCMC were the main contributors to CII's real estate revenue in H1 2021, while the strong growth in toll collection revenue was mainly driven by the Hanoi Highway Expansion BOT project that commenced toll collection at the beginning of Q2 2021.
- CII's H1 2021 revenue and NPAT-MI completed 31% and 4.6% of our full-year forecasts, respectively. We mainly attribute the low completion rate of our forecasts in H1 2021 to lower-than-expected revenue from the real estate segment in the period while interest expenses were in line with our expectation and significantly dragged CII's profits.
- Additionally, the recent resurgence of COVID-19 and subsequent social distancing measures in Vietnam are having a negative impact on CII's toll collection segment. We therefore see potential downside risks to our 2021F forecasts, pending a fuller review.

**CII's core businesses improved after major projects were launched.** In H1 2021, CII achieved 149% YoY growth in operating profit (EBIT) to VND424bn (USD18mn) as one of its major BOT projects — the Hanoi Highway Expansion — commenced toll collection on April 1, 2021. Additionally, we believe CII started to recognize real estate revenue from its low-rise Lakeview 3 (D'verano) residential real estate project in HCMC in Q2 2021.

**CII recognized financial gains from a stake sale in a real estate project in Q2 2021.** CII's 97%-owned real estate subsidiary 577 Investments Corporation (HOSE: NBB) posted one-off financial income of VND120bn (USD5.2mn) from a 25% stake transfer in the Son Tinh project in Q2 2021, which we have not factored into our current forecasts. CII's financial income in H1 2021 therefore completed 87% of our full-year forecast. Nevertheless, we note that CII will share profits from the deliveries of the Son Tinh project in the future to the 25% stake buyer; these shared profits will be recognized as CII's financial expenses.

**CII's Q2 and H1 2021 results**

VND bn	Q2 2020	Q2 2021	YoY Growth	H1 2020	H1 2021	YoY Growth	% H1 2021 vs VCSC's 2021F
<b>Net revenue</b>	<b>656</b>	<b>1,069</b>	<b>63.0%</b>	<b>1,128</b>	<b>2,032</b>	<b>80.2%</b>	<b>31.4%</b>
<i>B.T. project</i>	<i>0</i>	<i>0</i>	<i>N.M.</i>	<i>0</i>	<i>0</i>	<i>N.M.</i>	<i>0.0%</i>
<i>Toll collection</i>	<i>164</i>	<i>335</i>	<i>104.3%</i>	<i>338</i>	<i>524</i>	<i>55.2%</i>	<i>37.5%</i>
<i>Real estate</i>	<i>289</i>	<i>573</i>	<i>98.3%</i>	<i>449</i>	<i>1,154</i>	<i>156.8%</i>	<i>33.0%</i>
<i>Construction</i>	<i>106</i>	<i>76</i>	<i>-28.2%</i>	<i>196</i>	<i>180</i>	<i>-8.2%</i>	<i>25.6%</i>
<i>Others</i>	<i>97</i>	<i>85</i>	<i>-12.4%</i>	<i>145</i>	<i>174</i>	<i>20.6%</i>	<i>53.3%</i>
<b>Gross profit</b>	<b>262</b>	<b>382</b>	<b>45.7%</b>	<b>446</b>	<b>696</b>	<b>56.1%</b>	<b>27.5%</b>
SG&A expenses	-145	-142	-1.6%	-276	-273	-1.1%	31.6%
<b>Operating profit</b>	<b>118</b>	<b>240</b>	<b>103.6%</b>	<b>170</b>	<b>424</b>	<b>148.5%</b>	<b>25.4%</b>
Financial income	251	246	-1.9%	826	434	-47.4%	86.6%
Financial expenses	-322	-363	12.5%	-574	-649	13.1%	49.8%
<i>In which: Interest expense</i>	<i>-215</i>	<i>-269</i>	<i>25.2%</i>	<i>-443</i>	<i>-531</i>	<i>19.8%</i>	<i>58.0%</i>
Net other income/(expenses)	45	24	-47.3%	14	19	35.8%	56.1%
<b>PBT</b>	<b>91</b>	<b>135</b>	<b>47.5%</b>	<b>426</b>	<b>233</b>	<b>-45.2%</b>	<b>26.0%</b>
NPAT before MI	104	57	-45.5%	379	105	-72.3%	16.8%
<b>NPAT-MI</b>	<b>9</b>	<b>13</b>	<b>44.9%</b>	<b>255</b>	<b>17</b>	<b>-93.2%</b>	<b>4.6%</b>
<i>GPM</i>	<i>40.0%</i>	<i>35.8%</i>		<i>39.6%</i>	<i>34.3%</i>		
<i>OPM</i>	<i>18.0%</i>	<i>22.5%</i>		<i>15.1%</i>	<i>20.8%</i>		
<i>NPM</i>	<i>1.4%</i>	<i>1.2%</i>		<i>22.6%</i>	<i>0.9%</i>		

Source: CII, VCSC

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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%
SELL	If the projected TSR is -20% or lower
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