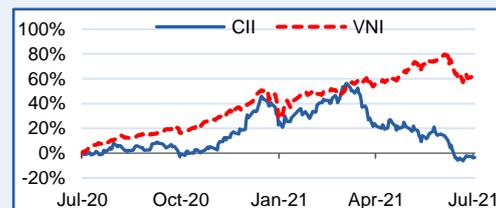


Industry:	Infrastructure		2020	H1/2021	2021F
Report Date:	July 30, 2021	Rev y/y	196.4%	80.2%	20.5%
Current Price:	VND16,100	EPS y/y **	44.1%	-93.2%	49.4%
Target Price*:	VND25,500	GPM	21.3%	34.3%	39.1%
Upside:	+58.4%	NPM	4.7%	0.9%	5.8%
Dividend yield:	7.5%	EV/EBITDA	21.8x	N/A	8.5x
TSR:	+65.8%	P/B **	0.9x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



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

\* 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'verno) 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'verno) 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>	0	0	N.M.	0	0	N.M.	0.0%
<i>Toll collection</i>	164	335	104.3%	338	524	55.2%	37.5%
<i>Real estate</i>	289	573	98.3%	449	1,154	156.8%	33.0%
<i>Construction</i>	106	76	-28.2%	196	180	-8.2%	25.6%
<i>Others</i>	97	85	-12.4%	145	174	20.6%	53.3%
<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>	-215	-269	25.2%	-443	-531	19.8%	58.0%
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>	40.0%	35.8%		39.6%	34.3%		
<i>OPM</i>	18.0%	22.5%		15.1%	20.8%		
<i>NPM</i>	1.4%	1.2%		22.6%	0.9%		

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.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
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
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
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Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

**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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