

Industry:	Infrastructure		2021A	Q1/2022	2022F
Report Date:	April 21, 2022	Rev y/y	-46.8%	-26.1%	138.6%
Current Price:	VND22,650	EPS y/y **	-231.8%	1,381.3%	N.M.
Target Price*:	VND30,900	NPAT-MI ^	-332	647	782
Upside:	+36.4%	GPM	28.8%	36.4%	29.4%
Dividend Yield:	5.3%	NPM	N.M.	90.9%	11.4%
TSR:	+41.7%	P/B **	1.3x	1.0x	0.9x
Rating*:	MARKET PERFORM	P/E **	N.M.	N/A	8.6x



			CII	VNI
Market Cap:	USD248.1mn	P/E (ttm) **	18.9x	15.6x
Foreign Room:	USD101.5mn	P/B (curr) **	1.0x	2.4x
ADTV30D:	USD10.3mn	Net D/E	1.7x	N/A
State Ownership:	10.2%	ROE	5.7%	15.7%
Outstanding Shares:	251.5 mn	ROA	1.0%	2.6%
Fully Diluted Shares:	283.3 mn			

\* TP and rating last updated March 4, 2022; \*\* fully diluted; ^ VND bn

## Company Overview

CII was established in 2001 and listed shares on HOSE in 2006. CII is the largest listed private infrastructure development company in Vietnam. The company is also developing residential real estate projects in HCMC, Quang Ngai, Quang Ninh and Binh Thuan.

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## Strong profit from divestments in Q1 2022

- CII released Q1 2022 results with net revenue plunging 26% YoY to VND712bn (USD31mn) but NPAT-MI surging to VND647bn (USD28mn) vs only VND44bn (USD1.9mn) in Q1 2021. The strong profit in Q1 2022 was mainly thanks to CII recognizing a divestment gain from 577 Investment Corporation (HOSE: NBB) of VND776bn (USD34mn) in the quarter.
- The YoY plunge in CII's net revenue in Q1 2022 was mainly driven by a 51% YoY decline in real estate revenue and 53% YoY decrease in construction revenue that were partially offset by 67% YoY growth in toll collection revenue over the quarter.
- CII's Q1 2022 revenue completed 10% of our full-year forecast, which we mainly attribute to (1) the timing recognition of the River (previously known as Riverpark) project in HCMC — we expect this project to be delivered in H2 2022 — in addition to (2) lower-than-expected construction revenue.
- Meanwhile, CII's Q1 2022 NPAT-MI completed 83% of our full-year forecast as the company recognized a significant profit contribution from the NBB divestment gain in Q1 2022.
- As the financial gain from the NBB divestment was ahead of our forecast of VND738bn (USD32mn), and there were lower-than-expected corporate income tax (CIT) expenses, we see potential upside risk to our forecasts, pending a fuller review.

**Solid growth in toll collection was mainly thanks to the Hanoi Highway Expansion BOT project**, which commenced its toll collection on April 1, 2021. Toll collection revenue increased 67% YoY to VND316bn (USD14mn) in Q1 2022, representing 14% of our full-year forecast. The low completion rate of toll collection revenue in Q1 2022 was mainly because we assume the Trung Luong - My Thuan (TL-MT) Expressway BOT project will commence toll collection in May 2022. We currently forecast the Hanoi Highway Expansion and TL-MT BOT projects will contribute 31% and 28% to CII's 2022F toll collection revenue, respectively.

**Weak real estate revenue in Q1 2022 was due to recognition timing.** Real estate revenue dropped 51% YoY to VND285bn (USD12mn) in Q1 2022, which we believe was mainly due to lower deliveries YoY in the quarter. Real estate revenue in Q1 2022 was mainly derived from the Son Tinh landed property project in Quang Ngai Province, CII's projects in District 2, HCMC, and its office leasing project in Binh Thanh District, HCMC.

**Low CIT expense rate in Q1 2022 as the majority of CIT expense from divestment gain was recognized in 2021.** CII's standalone company reduced its stake in NBB from 94% to 65% in 2021, and the financial gains as well as CIT expenses from these stake sales were recognized in CII's 2021 standalone financial statements. As a result, CII only recorded CIT expenses related to divestment gains from its stake sale in NBB from 65% to 49% in Q1 2022; meanwhile, it recognized the total financial gains from the stake sale in NBB from 94% to 49% in Q1 2022, resulting in a low CIT expense rate for the quarter.

**CII's Q1 2022 results**

VND bn	Q1 2021	Q1 2022	YoY Growth	VCSC's 2022F	Q1 2022 vs VCSC's 2021F
<b>Net revenue</b>	<b>964</b>	<b>712</b>	<b>-26.1%</b>	<b>6,841</b>	<b>10.4%</b>
<i>Toll collection</i>	189	316	66.9%	2,288	13.8%
<i>Real estate</i>	581	285	-50.9%	3,808	7.5%
<i>Construction</i>	104	49	-53.3%	361	13.5%
<i>Others</i>	89	62	-30.5%	384	16.2%
<b>Gross profit</b>	<b>314</b>	<b>259</b>	<b>-17.6%</b>	<b>2,008</b>	<b>12.9%</b>
SG&A expenses	-131	-120	-8.3%	-785	15.3%
<b>Operating profit</b>	<b>183</b>	<b>139</b>	<b>-24.1%</b>	<b>1,224</b>	<b>11.4%</b>
Financial income	188	916	386.9%	1,202	76.2%
Financial expenses	-286	-362	26.4%	-1,112	32.5%
<i>In which: Interest expense</i>	-262	-290	10.8%	-947	30.6%
Net income from affiliates	18	20	12.8%	73	27.6%
Net other income/(expenses)	-5	-1	-73.4%	8	N.M.
<b>PBT</b>	<b>98</b>	<b>712</b>	<b>625.4%</b>	<b>1,395</b>	<b>51.0%</b>
CIT	-50	-27	-46.5%	-390	6.9%
NPAT before MI	48	685	1,325.2%	1,005	68.2%
<b>NPAT-MI</b>	<b>44</b>	<b>647</b>	<b>1,381.3%</b>	<b>782</b>	<b>82.7%</b>
GPM	32.6%	36.4%		29.4%	
OPM	19.0%	19.5%		17.9%	
NPM	4.5%	90.9%		11.4%	

Source: CII, VCSC forecasts (last updated March 4, 2022)

## 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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BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
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