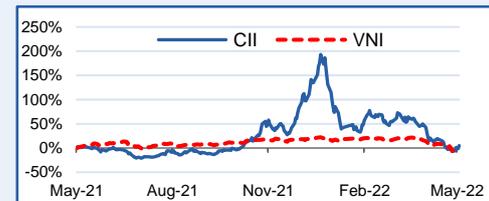




HCMC Infrastructure Investment (CII)

AGM Note

Industry	Infrastructure		2021A	2022F	2023F	2024F
Report Date	May 20, 2021	Rev y/y	-46.8%	138.6%	-25.7%	16.9%
Current Price	VND20,800	EPS y/y	-231.8%	N.M.	37.0%	71.6%
Target Price [^]	VND30,900	NPAT-MI **	-332	782	1,070	1,836
Upside to TP	+48.6%	GPM	28.8%	29.4%	40.8%	50.4%
Dividend Yield	5.8%	NPM	-11.6%	11.4%	21.1%	30.9%
TSR	+54.4%	P/B*	1.2x	0.9x	0.8x	0.7x
Rating [^]	MARKET PERFORM	P/E*	N.M.	7.9x	5.8x	3.4x



		CII	Peers	VNI	
Market Cap	USD228.1mn	P/E (ttm)*	17.3x	14.7x	13.5x
Foreign Room	USD97.1mn	P/B (curr)	0.9x	1.6x	2.1x
ADTV30D	USD6.1mn	Net D/E	1.7x	0.3x	N/A
State Ownership	10.2%	ROE	5.7%	12.6%	15.8%
Outstanding Shares	252.2 mn	ROA	1.0%	6.4%	2.6%
Fully Diluted Shares	283.3 mn				

* Based on fully diluted shares; ** unit VND bn; ^ Last updated March 4, 2022

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.

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

Hong Luu
Senior Manager
hong.luu@vcsc.com.vn
+8428 3914 3588 ext. 120

Solid 2022 profit guidance; major BOT project to come online

- We attended CII's AGM in HCMC on May 20. This is the second time this year that CII has held an AGM as its April 25 AGM was canceled due to insufficient voting rights from attending shareholders to achieve quorum. Attending shareholders at the May 20 AGM represented ~38% of CII's total outstanding shares, exceeding the required rate to proceed with the AGM.
- Shareholders approved a business plan with 2022G total income (including revenue, financial income and other income) of VND8tn (USD348mn; +102% YoY) and NPAT-MI of VND757bn (USD333mn) vs a 2021 net loss of VND332bn (USD14mn). The total income and NPAT-MI guidance represents 99% and 97% of our 2022F full-year forecasts, respectively.
- Shareholders approved a stock dividend plan of 14% to be paid before next year's AGM, in which 2% is for the remaining FY2019 dividend and 12% is for the FY2020 dividend.
- Shareholders approved no dividend payment for FY2021 (as the company incurred losses in 2021) and a FY2022 dividend plan of 12% on par value, of which the proportion between stock and cash payment will be determined later based on CII's business results in 2022.
- CII did not propose an ESOP plan; however, one was previously released in the company's AGM documents. The previous ESOP proposal had up to five million shares (equivalent to ~2% of outstanding shares) at an issuing price of VND10,000/share that would be issued to CII's CEO and three deputy CEOs. The condition for this ESOP issuance is for CII to achieve its 2022 guidance, and these ESOP shares would be locked up for five years from issuing date.
- Shareholders also appointed new board of directors (BOD) and board of supervisors (BOS) members for the 2022-2027 term, including seven BOD members and three BOS members. There are three new BOD members and no change in BOS members compared from end-2021.

The Trung Luong - My Thuan (TL-MT) Expressway BOT toll collection slightly trails our current expectation. Management shared that the TL-MT Expressway BOT project will commence toll collection on July 1, 2022, which is slightly behind our current expectation of May 1, 2022. The postponement is mainly due to slow progress on legal procedures and construction finalization; nevertheless, the TL-MT Expressway BOT project opened to traffic in late April 2022. We expect the TL-MT Expressway BOT project will strengthen CII's medium-term financial position as our forecast total annual cash inflow from the project is ~VND1.4tn (USD61mn) for 2022- 2025F.

The River condominium project to be delivered to buyers in 2022. Management shared that CII will recognize a part of revenue from The River in Thu Duc City, HCMC in Q2 2022 and the remainder in Q3 2022 as it has completed construction and ready to deliver to buyers, which is in line with our expectation. CII has not released revenue and profit guidance related this project.

Shareholders approved to apply International Financial Reporting Standards (IFRS) for CII's financial statements (FS). Before the Ministry of Finance (MoF) approves the conversion from Vietnamese Accounting Standards (VAS) to IFRS for CII's FS, shareholders approved CII to apply IFRS to its FS and disclose notes for VAS-prepared FS. Shareholders have approved CII to prepare FS based on IFRS following approval from the MoF.

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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Contacts

Corporate

www.vcsc.com.vn

Head Office

Bitexco Financial Tower, 15th Floor
2 Hai Trieu Street, District 1, HCMC
+84 28 3914 3588

Transaction Office Nguyen Hue

Vinatex Building, 1st & 3rd Floor
10 Nguyen Hue Street, District 1, HCMC
+84 28 3914 3588 (417)

Transaction Office Dong Da

9 Nguyen Ngoc Doan
Dong Da District, Hanoi
+84 24 6262 6999

Hanoi Branch

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

Transaction Office Nguyen Cong Tru

Floor 6B, 236-238 Nguyen Cong Tru Street
District 1, HCMC
+84 28 3914 3588 (400)

Transaction Office ABS

Sailing Tower, 8th Floor
111A Pasteur Street, District 1, HCMC
+84 28 3914 3588 (403)

Research

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

Alastair Macdonald, Head of Research, ext 105
alastair.macdonald@vcsc.com.vn

Banks, Securities and Insurance

Long Ngo, Associate Director, ext 123

- Truc Ngo, Analyst, ext 116
- Ngoc Huynh, Analyst, ext 138
- Nhan Nguyen, Analyst, ext 139

Macro

Luong Hoang, Manager, ext 364

- Nguyen Truong, Senior Analyst, ext 132

Consumer

Nam Hoang, Manager, ext 124

- Ha Dao, Senior Analyst, ext 194
- Ha Huynh, Analyst, ext 185
- Huy Phan, Analyst, ext 173

Oil & Gas and Power

Duong Dinh, Senior Manager, ext 140

- Tram Ngo, Manager, ext 135
- Duc Le, Analyst, ext 196
- Thang Hoang, Analyst, ext 196

Real Estate and Infrastructure

Hong Luu, Senior Manager, ext 120

- Dang Thai, Senior Analyst, ext 149
- Duc Pham, Analyst, ext 174
- Thuc Than, Analyst, ext 174

Materials and Industrials

Vy Nguyen, Manager, ext 147

- Vinh Bui, Analyst, ext 149

Retail Client Research

Duc Vu, Senior Manager, ext 363

- Trung Nguyen, Senior Analyst, ext 129
- Anh Tong, Analyst, ext 363
- Ha Bui, Analyst, ext 364

Brokerage and Institutional Sales & Trading

Tuan Nhan

Managing Director, Brokerage & Institutional Sales & Trading

+84 28 3914 3588, ext 107
tuan.nhan@vcsc.com.vn

Quynh Chau

Managing Director Brokerage

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

Dung Nguyen

Director Institutional Sales & Trading

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