

19 Sep 2023

HCMC Infrastructure Investment (CII)

EGM Briefing: All hands toward expansion

On Sep 19, we attended the Ho Chi Minh City Infrastructure Investment (CII) Extraordinary General Meeting. The company presented to the investors their plan to amend the company business line and to develop new infrastructure projects. The company failed to organize the meeting due to only ~200 investors attended, representing 31.2% of the voting shares.

Proposal of new BOT projects

- Resolution 98/2023/QH15 allowed Ho Chi Minh City to invest in existing roads using the Public-Private Partnership model. With this, CII proposes plans to develop a range of new BOT projects across the Ho Chi Minh City Metropolitan area (Table 1), with a total value of VND112.5tn.
- These projects will require 18 months to 3 years for the research and bidding process. We expect the projects to begin construction in 2025-2026 if approved.
- Regarding the company's existing BOT projects, the BOD expects negative revenue growth in 2023 due to the company inability to increase toll fees.

Expansion to new business lines

- CII announced a minor change in the company real-estate business line registration caused by the limitation of business with foreign investors.
- The company also said they intends to expand their services to the medical infrastructure sectors in cooperation with many of the city hospitals.
- Retirement Real Estate with elder care accommodations is another sector that the company is interested in. These projects are projected to be located on the outskirts of Ho Chi Minh City.
- According to the BOD, the feasibility of the new medical services and Retirement Real Estate depended on the development of the city traffic infrastructure.
- CII is currently holding 5% of Tasso (HUT) shares, to develop an automatic toll collection system. However, if the HUT share price continues to rise, CII will consider selling its shares.

	2018A	2019A	2020A	2021A	2022A
Sales (VND bn)	2,686	1,813	5,374	2,860	5,748
chg. (% YoY)	32	(33)	196	(47)	101
Operating profit (VND bn)	199	(12)	455	267	805
Net profit (VND bn)	95	196	254	(332)	695
EPS (VND)	325	637	872	(1,264)	2,550
chg. (% YoY)	(92.7)	96.1	36.8	(245)	(302)
EBITDA (VND bn)	1,804	1,895	1,661	1,154	1,043
PE (x)	66.8	34.1	24.9	(17.3)	8.5
EV/EBITDA (x)	1.6	2.6	2.6	2.6	2.6
PB (x)	0.8	0.7	0.8	0.7	0.7
ROE (%)	2.8	6.4	5.7	(3.0)	10.3
Dividend yield (%)	1.9	0.3	7.0	0.5	0.3

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

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12M rating **Non-rated**

12M TP **NA**

Up/Downside **NA**

Stock Data

VNIndex (19 Sep, pt)	1,212
Stock price (19 Sep, VND)	21,800
Market cap (USD mn)	254
Shares outstanding (mn)	284
52-Week high/low (VND)	24,000/10,750
6M avg. daily turnover (USD mn)	7.90
Free float / Foreign ownership (%)	90.5/8.3
Major shareholders (%)	
HFIC	9.53
PYN Elite Fund	6.58
KIM Vietnam Growth Equity Fund	3.67

Performance

	1M	6M	12M
Absolute (%)	6.3	54.6	5.6
Relative to VNIndex (%p)	3.2	37.4	3.3

Stock price trend



Source: Bloomberg

Research Dept

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Share dilution and dividend payment

- CII estimates the company will issue VND4.5tn of convertible bonds in 11M23. The company stated this will not immediately dilute stock value, since the conversion process will take place over 10 years.
- After the bond insurance, with a stable BOT cash flow, the company would pay a 4% dividend each quarter.

Table 1. New BOT projects under consideration

	VNDtn
Projects	Value
Elevated North-South Route	38
Ho Chi Minh City-Trung Luong-My Thuan Expressway – P2	22
Expansion of Cong Hoa-Truong Chinh-Highway 22 Route	19
Expansion of Highway 1	12
Pham Van Dong-Ung Van Kien Route	10.2
Expansion of Nguyen Huu Tho Street	6.6
Expansion of the connecting road for the Ho Chi Minh-Trung Luong Expressway	5
Total	112.8

Company Overview & Glossary

Ho Chi Minh City Infrastructure Investment (CII) is one of Vietnam's largest infrastructure contractors. The company specializes in building and operating BOT expressways, water processing plants, and commercial housing.

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Prepared by: Research Dept

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