

HO CHI MINH INFRASTRUCTURE INVESTMENT JSC



Ticker	CII
Exchange	HOSE
Industry	Real estate

RECOMMENDATION: BUY
Target price: VND 65,000/share

FINANCIAL HIGHLIGHTS

Item	2008	2009F	2010F
Net revenue (VND bil)	179	204	272
Gross profit margin (%)	99.3	203	243
Net profit (VND bil)	133	303	413
Outstanding shares (mil)	38	50	75
EPS (VND)	3,470	6,068	8,254
BVPS (VND)	20,479	25,092	46,803
ROE (%)	17.6	36,6	29.8
P/E	7.78	9,56	7.03
P/B	1.3	2,31	1.24
Dividend ratio (year)	16%	16%	20%

(*) Price of 25/11/2009, EPS and BVPS 2010 are based on share number at the end of 2009

MARKET STATISTICS

Item	2009
52-week range (VND)	74,500 – 17,200
1 month average price (%)	1,292,208
3-month average price (%)	1,063,348
Current outstanding shares (mil. shares)	50.05
Market cap. (VND bil)	2,903

BACKGROUND INFORMATION

✓ Products and services:

- + Receipt of road and bridge toll collection rights transfer or BOT investment
- + Investment in infrastructure projects (road, clean water supply)
- + Real estate
- + Long term investment in stocks and corporate bonds

✓ Ownership:

- + Local investors: 71%
- + The State: 0%
- + Foreign investors: 29%

✓ Main market: Ho Chi Minh City and surrounding provinces.

✓ Business targets for 2009 (revised):

- + Toll collection revenue: VND 210 billion
- + Financial income : VND 295 billion
- + Net profit: VND 310 billion

(25/11/2009)

In Jan-Sep'09, CII has achieved nearly 71% of revised revenue target and over 68% of revised profit target for 2009. Relatively, stable toll revenue on Hanoi Highway & Kinh Duong Vuong and the new toll source from Binh Trieu 2 bridge will help the company met the revised target. Moreover, the revised profit expectation is quite feasible as CII has made profitable transactions on a number of its capital contributions and listed shares. Revenue and net profit will see strong growth in 2010 over 2009.

CII shares are currently traded at PE of 9.56x and PB of 2.31x, quite lower than those of the industry averages in Vietnam (PE of 20.33x and PB of 3.96x) and Asia-Pacific (PE of 19.65x and PB of 1.08x). With reservation that CII shares will be largely diluted after chartered capital rises in 2010-2011, we recommend BUY for CII-Hose share at VND 65,000/share as the company is involving in a number of crucial infrastructure works of HCM City, sources of good income in the future.

3Q09 operating revenue surged owing to the revenue from Binh Trieu bridge

Revenue from operating activities reached VND 59 billion in 3Q09, up by more than 30% over 2Q09 and 3Q08. With relatively stable revenue on Hanoi Highway & Kinh Duong Vuong, the surge in revenue came from CII's recently- received official rights to collect tolls at Binh Trieu 2 station as capital repayment for Binh Trieu 2 BOT contract (worth over 230 billion VND).

High selling expenses due to accounting practice

It should be noted that the ratio of Selling expenses/Net revenue is always high (of over 52% on average for 2006-3Q09) as the company accounted amortisation of toll collection right on Hanoi & Kinh Duong Vuong (intangible asset amortisation, cost value of VND 1,000 billion) in selling expenses at fixed amount of VND 19.6 billion per quarter as allowed by the People's Council of HCM City.

Financial income hiked in 3Q09

Financial income totalled to over VND 95 billion in the quarter, significantly higher (+85%) than the figures of 2Q09 and 3Q08 mainly owing to CII (and its subsidiary, Binh Trieu Road Investment – Construction JSC which CII holds 99% of stake) made profits from transactions on LGC-Hose and NBB-Hose shares and profitably sold capital shares in a number of projects (Hoang Thanh Residence owned by Nam Bay Bay JSC - NBB-Hose). The proceeds from these transactions reached over VND 79 billion. Moreover, CII received dividend and profit shares (of over 15 billion) from the companies that CII is holding stakes.

Benefit from CIT incentives in 2009

In 2009, the company is eligible to 50%-reduction on Corporate Income Tax (CIT) for toll collection activity and further 30% CIT reduction under the Government's stimulus package. Moreover, CII also receive 30%-CIT reduction for investing activities in the year. In the first 9 months of 2009, total CIT reduction amounted to nearly VND 13 billion. From 2010, these CIT incentives will expire.

Large constructions are in progress

The balance of "Constructions in progress" item increased by nearly VND 300 billion in 3Q09 over 2Q09 and showed the continuing progress for the company's large investments such as Hanoi Highway Expansion - phase 1 (disbursement of nearly VND 50 billion in the quarter), Dong Tam water plant (VND 130 billion) and Thu Duc water plant (VND 80 billion).

Increase of long-term loans to finance constructions

The company has completed converting 131,500 bonds into 9,994,000 common shares in Sep'09. The conversion reduced Loans by VND 131.5 billion and increased Equity. However, the ratio of Debts/Equity only inched down in 3Q09 against 2Q09 (from 2.88 to 2.31) as the company continues to receive disbursements on banks' long-term loans (nearly VND 270 billion) to fund its constructions.

Troubles for toll collections

In the last few months, CII faced with troubles in toll collection on Hanoi highway due to HCM City Transportation Association's claims on the current position of the toll collection station. In early Nov'09, CII announced that it would not have to refund the tolls collected since 2002 and would have necessary measures to exclude non-applicable vehicles from toll payments.

***Announcement of
chartered capital raises***

The company expected to disburse over VND 2,711 billion (in 2010) and nearly VND 2,815 billion (in 2011) on its constructions such as Hanoi Highway expansion, Rach Chiec capital advance payment, Inter-provincial 25B, etc). Therefore, it planned to raise chartered capital from VND 500 billion (2009) to over VND 736 billion (2010) and to nearly VND 1,128 billion (2011) through share issuance at preferential price (at the ratio of 2:1 in 2010) and bonus share issuance (2:1 in 2011).

***4Q09 and 2010 FORECAST
Possibility to meet revised
year targets for 2009***

With relative stable income from toll collection on Hanoi Highway & Kinh Duong Vuong and the additional source from Binh Trieu 2 bridge, CII has met over 80% of the initial year target. It is expected that the company will make around VND 60 billion in revenue from toll collection. CII has revised revenue target for toll collection to VND 210 billion for 2009.

***Profit after tax far
exceeded initial year target
with contribution from
financial investments***

Transactions on capital stakes and listed shares have boosted 9-month profit after tax to above VND 211 billion, up by 35% over the initial target. Therefore, CII has adjusted its NPAT target upward to VND 310 billion, nearly double the initial figure.

In early 4Q09, CII has sold 1,560,000 of LGC-Hose shares in total (average cost value of VND 21,768/share). Using trading price of LGC-Hose shares in the execution period (16/10-28/10), we estimated profit of around VND 27 billion. In the same period, Binh Trieu Road Investment – Construction also sold over 1 million of LGC-shares. However, due to lack of information on cost value, we do not estimate CII's profit share from this subsidiary's transaction. We believe that CII's revised target is quite feasible.

***Revenue in 2010 sees
remarkable growth with
the new toll source and
profit target is feasible***

In 2010, revenue from toll collection will enjoy a boost (of over 30%) as Binh Trieu 2 toll collection station will have a full year contribution.

The company targeted NPAT for 2010 of nearly 450 billion with significant contribution of financial investment (with total income of more than VND 440 billion). Earlier, the company has announced the intention to sell over 1.3 million of HCM-Hose shares since late 2009. With average cost value of VND 22,567/share and trading price of HCM-Hose shares on 25/11/09 of VND 76,000/share, we expect the proceeds of over VND 100 billion and profit of over VND 70 billion. In addition, the company planed to sell its stakes in Thu Duc water plant and BOT Phu My bridge. We expect favourable outcomes of these deals due to secured sales of Thu Duc's output and Phu My's good location for traffic.

***Recommendation and
reservation***

CII shares are currently traded at PE of 9.56x and PB of 2.31x, quite lower than those of the industry averages in Vietnam (PE of 20.33x and PB of 3.96x) and Asia-Pacific (PE of 19.65x and PB of 1.08x). Using valuation methods of RE, FCFE, PE and PB, we recommend BUY for CII-Hose shares at VND 65,000/share.

However, we would like to note that CII shares will be largely diluted after 2 chartered capital increases in 2010-2011.

FINANCIAL INFORMATION

Unit: VND mil

INCOME STATEMENT	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09
Net revenue	44,520	45,252	44,128	44,312	45,193	59,162
COGS	314	368	342	151	235	7,581
SG & A	26,721	24,016	25,126	26,255	27,161	29,225
Other operating profit	88	1,096	- 576	1,228	35	1,068
Operating profit	17,573	21,965	18,085	19,133	17,832	23,424
Financial income	11,594	51,697	33,928	36,493	51,342	95,215
Financial expenses	7,636	10,816	13,629	5,338	-4,930	13,454
Net financial income	3,958	40,881	20,299	31,155	56,272	81,761
Profit before tax	21,531	62,846	38,383	50,288	74,104	111,258
Corporate income tax	1,215	6,806	4,629	1,768	8,418	13,326
Profit after tax	20,316	56,040	33,754	48,520	65,686	97,932
Minority Interest	-	-	-	-	-	291
Net profit	20,316	56,040	33,754	48,520	65,686	97,641

BALANCE SHEET	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09
SHORT TERM ASSETS	192,062	221,478	144,221	163,767	557,278	623,296
Cash and equivalent	111,037	10,050	17,810	29,049	139,220	84,559
Short-term financial investment						53,784
Short-term receivables	49,486	165,469	123,844	132,728	404,749	461,605
Inventory	29,818	43,326	502	621	656	6,574
Other short-term assets	1,720	2,633	2,065	1,370	12,653	16,775
LONG TERM ASSETS	1,678,640	1,687,870	1,882,984	2,131,769	3,099,637	3,409,110
Long term receivables	127	127	1,194	1,254	13,254	1,254
Fixed assets	473,145	464,513	632,147	795,557	1,999,681	2,350,202
Long-term financial investments	1,155,024	1,160,478	1,168,049	1,240,799	978,933	942,776
Other long-term assets	50,343	62,752	81,594	94,159	107,769	114,878
TOTAL ASSETS	1,870,702	1,909,348	2,027,205	2,295,536	3,656,914	4,032,406
LIABILITIES	1,028,449	1,052,690	1,148,854	1,419,191	2,464,149	2,571,842
Short-term debts	281,837	235,165	231,838	242,035	468,767	371,458
Long-term debts	746,612	817,525	917,015	1,177,157	1,995,381	2,200,384
EQUITY	788,113	784,625	798,043	791,637	856,179	1,112,285
Equity	755,187	742,506	757,135	593,761	649,907	787,913
Chartered capital	400,200	400,200	400,200	400,600	400,600	500,540
Retained profit	105,680	123,694	156,934	145,574	211,242	274,353
Treasury stocks	-	- 30,695	- 49,306	- 56,146	-56,162	
Forex difference					-54	1,391
Other reserves	32,926	42,119	40,908	197,876	51,246	48,628
Minority Interest	54,140	72,032	80,307	84,707	336,586	348,279
TOTAL EQUITY AND LIABILITIES	1,870,702	1,909,348	2,027,205	2,295,536	3,656,914	4,032,406

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