

HOSE - Vietnam  
Real Estate

## Overweight

**Price(2012/03/23):VND 29,000**

**Target Price: VND 32,500**

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### Key Data

Chartered capital (VND bn)	751.4
Outstanding shares (mil shares)	75.1
52-week price range (VND)	15,500 ~36,100
Market cap (VND bn)	2,179
Total assets (Q4/11) (VND bn)	5,017
Net Value (Q4/11) (VND bn)	1,270
(QFII) Total Room (mil shares)	36.8
(QFII) Current Room (mil shares)	5.8
Foreign Holding (%)	41.3%
EPS 2012E (VND)	3,010
P/E	9.6
P/B	1.7
Cash dividend % (Face Value)	8%
Dividend yield (%) (Dividend/Market price)	3%
ROE 2012E(%)	16.7%
ROA 2012E(%)	4.5%

*\*The holding cap for foreign strategic investors is 49%. For banking sector the cap is 30%.*

## To Benefit from Lower Interest Rates

■ **Company profile:** CII majors in the building and operating of infrastructure projects, such as bridges and water treatment plant, etc. The company now has the rights to collect tolls on Dien Bien Phu, Hung Vuong Street and Binh Trieu II Bridge. Sales mainly come from toll collection.

■ **Industry overview:** Previously, the city infrastructure projects were normally implemented by the state budget. The capital requirements for these projects have been increasing so much that the state budget alone did not meet these requirements, leading to the participation of the private sector.

Vietnam is a developing country. The urbanization in 2007 was 27.4% and this figure rose to 30% in 2010 and is expected to reach 50% in 2020, which raises the need to invest a great deal in infrastructure.

■ **Earnings:** The company has 3 business divisions, including toll collection, real estate and financial investments. Though CII's sales mainly come from toll collection activities, incomes from other divisions have been larger than its core business. For the last 2 years, CII's sales almost went sideways as newly opened streets have diluted the vehicle circulation rate of streets under management of CII. Last year, CII posted 198.8 bil VND in sales, up 0.4% yoy and net profit was reported at 139.3 bil VND, down 63% yoy. The sharp decline in net profit was attributed to the increased financial costs, which mainly came from higher interest expense and provisions for financial investments.

■ **2012 outlook:** We do not expect CII to have big changes in sales this year. However, we expect that interest rates might cool down this year, paving the path for CII to lower their interest expense.

■ **Strengths:** CII is experienced and is the first company of this kind, whose business is based on the collection of toll.

■ **Weaknesses:** Other new infrastructure projects will be put into operation, which might dilute the circulation density of vehicles.

■ **Valuation:** CII's share price has rebounded by 34% year-to-date. We initiate an Overweight rating on CII with a target price of 32,500 VND, implying a P/E multiple of 11 (x) EPS 2012E.

### Financial Abstract:

(VND bn)

Year	Revenue	(%)	Net Profit	(%)	Outstanding Shares	EPS (VND)	P/E (x)	ROE	ROA
2009	202.6	-11.6%	316.2	138.2%	45,037,000	7,022	9.4	30.4%	14.4%
2010	198.0	-2.2%	377.4	19.3%	62,597,500	6,028	7.2	28.1%	12.8%
2011	198.8	0.4%	139.3	-63.1%	75,141,000	1,854	11.6	10.2%	3.3%
2012E	184.6	-7.2%	226.1	62.4%	75,141,000	3,010	9.6	16.7%	4.5%
2013E	198.4	7.5%	245.5	8.6%	75,141,000	3,267	8.9	16.1%	4.6%

**Financial Statement Projections (VND bn)**

Income statement	2009	2010	2011	2012e	2013e	Cash flow	2009	2010	2011	2012e	2013e
Net Sales	202.6	198.0	198.8	184.6	198.4	Total profit before tax	356.5	461.1	144.2	234.1	254.1
Cost of goods sold	14.8	24.0	31.0	24.8	27.5	Non-cash items	na	na	na	(86.5)	(111.6)
Gross profit	187.8	174.0	167.9	159.8	170.9	Changes in net working capital	na	na	na	(218.6)	(215.9)
Selling Expenses	101.5	103.5	101.1	94.4	101.6	Net operating cash flow	108.7	51.4	333.1	(71.0)	(73.5)
Managing Expenses	16.6	24.0	24.2	21.4	23.5	Net Investing cash flow	(336.8)	(627.8)	(818.3)	(221.3)	(42.6)
Operating profit	69.7	46.5	42.6	44.0	45.8	Net Financing cash flow	309.8	618.9	1,172.1	1.7	184.5
Non operating profit	319.9	523.0	264.3	369.1	396.7	Net Cash during the period	81.7	42.5	686.9	(290.5)	68.4
Interest expense	33.0	108.4	162.8	179.0	188.5	Cash at beginning of year	17.8	89.9	132.4	819.3	528.7
Total profit before tax	356.5	461.1	144.2	234.1	254.1	Cash at end of year	89.9	132.4	819.3	528.7	597.1
Corporate Income Tax	40.3	83.8	4.9	7.9	8.6	<b>Financial ratios</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012e</b>	<b>2013e</b>
Profit after Tax	316.2	377.4	139.3	226.1	245.5	<b>Capital Structure</b>					
<b>Balance sheet</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012e</b>	<b>2013e</b>	Current assets/Total assets	0.2	0.3	0.3	0.2	0.2
<b>Current Assets</b>	<b>414.3</b>	<b>889.3</b>	<b>1,656.3</b>	<b>1,246.6</b>	<b>1,378.3</b>	Non-Current assets/Total assets	0.8	0.7	0.7	0.8	0.8
Cash and Cash Equivalents	89.9	132.4	819.3	528.7	597.1	Liabilities/Total assets	0.5	0.6	0.7	0.7	0.7
Short term financial investment	148.6	220.7	219.7	220.0	218.5	Equity/Total assets	0.5	0.4	0.3	0.3	0.3
Short term Account Receivables	163.6	386.2	446.6	356.6	396.4	Interest coverage ratio	11.8	5.3	1.9	2.3	2.3
Inventory	2.1	130.5	139.8	101.8	119.7	<b>Liquidity</b>					
Other Current Assets	10.0	19.7	30.9	39.5	46.6	Current ratio	1.9	1.6	1.9	1.7	1.7
<b>Non-current Assets</b>	<b>1,956.7</b>	<b>2,649.1</b>	<b>3,360.5</b>	<b>3,847.4</b>	<b>4,191.7</b>	Quick ratio	1.9	1.4	1.8	1.6	1.6
Long term Account Receivables	2.0	2.1	2.0	2.0	2.0	Cash conversion cycle (Days)	(0.8)	2,290.7	1,748.2	1,637.9	1,737.2
Fixed assets	655.5	1,256.3	2,130.4	2,743.3	3,223.7	Operating CF/Sales	0.5	0.3	1.7	(0.4)	(0.4)
Real estate investments	-	-	-	-	-	Operating CF/Interest expense	3.3	0.5	2.0	(0.4)	(0.4)
Long term Financial Investments	1,154.7	1,368.1	1,182.5	1,072.1	935.9	Operating CF/Short term debt	0.5	0.1	0.4	(0.1)	(0.1)
Other long term assets	144.5	22.5	29.6	30.0	30.0	Free CF to firm (VND bn)	(198.8)	(487.6)	(327.9)	(119.3)	66.0
<b>Total Assets</b>	<b>2,371.0</b>	<b>3,538.5</b>	<b>5,016.8</b>	<b>5,094.0</b>	<b>5,569.9</b>	<b>Efficiency</b>					
<b>Liabilities</b>	<b>1,150.3</b>	<b>2,076.4</b>	<b>3,746.4</b>	<b>3,660.8</b>	<b>3,954.9</b>	Inventory Days	51.4	1,954.2	1,625.9	1,480.1	1,567.0
Short term Liabilities	217.6	545.9	856.1	715.1	790.1	Receivables Days	290.8	702.0	808.6	695.5	719.2
Long term Liabilities	932.7	1,530.5	2,890.4	2,945.7	3,164.7	Current assets turnover	0.5	0.2	0.1	0.1	0.1
<b>Owners equity</b>	<b>1,220.7</b>	<b>1,462.1</b>	<b>1,270.4</b>	<b>1,433.2</b>	<b>1,615.1</b>	Fixed assets turnover	0.3	0.2	0.1	0.1	0.1
Common stocks	500.5	751.4	751.4	751.4	751.4	Total assets turnover	0.1	0.1	0.0	0.0	0.0
Expenditures and Other Funds	720.2	710.7	519.0	681.8	863.7	<b>Profitability</b>					
<b>Total Equity</b>	<b>2,371.0</b>	<b>3,538.5</b>	<b>5,016.8</b>	<b>5,094.0</b>	<b>5,569.9</b>	Gross margin	92.7%	87.9%	84.4%	86.6%	86.1%
<b>DuPont Analysis (ROE Breakdown=1x2x3)</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012e</b>	<b>2013e</b>	Operating margin	34.4%	23.5%	21.4%	23.9%	23.1%
Net profit margin (1)	1.6	1.9	0.7	1.2	1.2	Net profit margin	156.1%	190.5%	70.0%	122.5%	123.7%
Total assets turnover (2)	0.1	0.1	0.0	0.0	0.0	Effective tax rate	11.3%	18.2%	3.4%	3.4%	3.4%
Leverage (3)	1.9	2.4	3.9	3.6	3.4	ROE	30.4%	28.1%	10.2%	16.7%	16.1%
<b>Investment Valuation ratios</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012e</b>	<b>2013e</b>	ROA	14.4%	12.8%	3.3%	4.5%	4.6%
P/S	6.4	9.2	11.0	11.8	11.0						
P/B	1.1	1.2	1.7	1.5	1.3						
P/CF (Operating)	12.0	35.3	6.5	(30.7)	(29.7)						
PEG 1 ratio (PE/Sales growth)	na	na	(2.5)	(3.2)	143.0						
PEG 2 ratio (PE/EPS growth)	na	na	(0.2)	(0.4)	(0.5)						

Source: CII and PHS's estimates

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