

## STOCK PITCH REPORT

June 24, 2025

# Deo Ca Traffic (HHV)

## Benefiting from strong public investment

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### Buy

<b>Target price</b>	<b>VND14,500</b>
Support/Entry 1	11,800 – 12,100
Upside 1	20%+
Support/Entry 2	10,800 – 11,300
Upside 2	28%+

#### Note:

Investors need to combine the assessment of market trend, the attractiveness of investment catalysts and risk appetite to manage the stock exposure at each entry level accordingly.

Since the determination of each support/entry level is based on different time frames, we do not provide a fixed Stop Loss. In general, Stop Loss levels should be set tighter for near supports/entries (5–7%) and wider for far supports/entries (10–15%).

#### Business operation

Deo Ca Traffic Infrastructure Investment JSC (HHV) is a leading company in the field of construction and operation of transport infrastructure in Vietnam. It has invested and built more than 31km in tunnels, 472km expressways and national highways, and is currently managing and operating 18 toll stations nationwide.

#### Stock price relative comparison

HHV is currently valued at a P/B of its four-year average – 0.8Std. With stable growth potential from both BOT toll collection and construction, we expect HHV's 2025/2026 ROE to reach 4.8%/5.7%. The company's P/B should be revalued at around 0.55x, equivalent to a target price of VND14,500.

#### INVESTMENT CATALYSTS

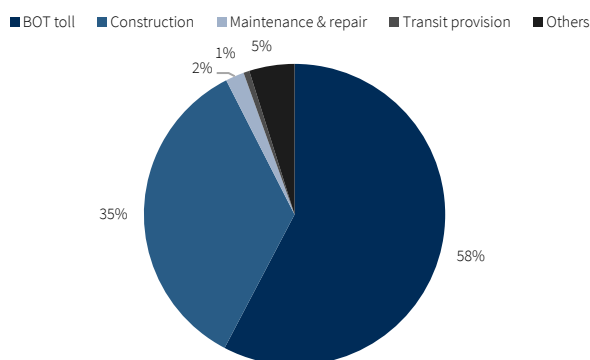
##### BOT projects have generated stable cash flow for Deo Ca Traffic

Infrastructure Investment JSC (HHV) with (1) high probability of winning new projects in the context of the government boosting public investment, (2) steady traffic growth of an average of 5–10%/year, and (3) toll collection expected to increase 10% every four years.

**Construction backlog by the end of 2024 touched VND3,996 billion (+9.5% YoY)**, ensuring workload for HHV in the next two–three years.

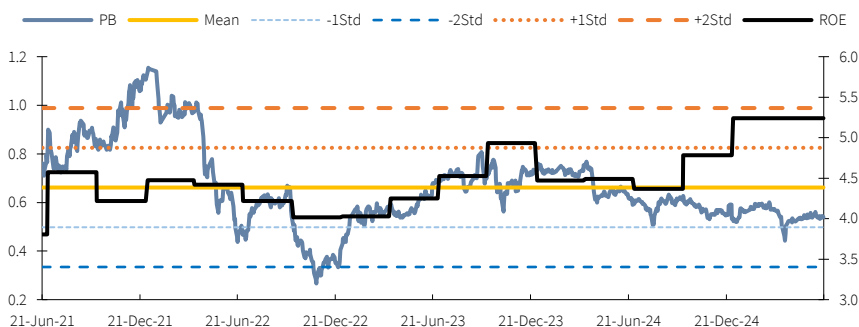
**Railway projects bring great opportunities.** The national planning of railway network until 2050 will bring great long-term job opportunities to HHV as it is one of the leading enterprises in transport infrastructure construction in Vietnam.

#### Revenue composition (2024)



Source: Deo Ca Traffic Infrastructure Investment, KB Securities Vietnam

#### P/B and ROE (x, %)



Source: Bloomberg, KB Securities Vietnam

## HHV directly benefits from the government's accelerated public investment

### 1. BOT projects have generated stable cash flow

In addition to the ongoing BOT projects (Table 1) ensuring long-term cash flow (contributing more than 70% to HHV's total revenue with a GPM of above 60%), HHV is highly likely win bids for new transport infrastructure projects in 2026–2030 based on its proven capacity and experience in implementing many challenging projects, contributing to expanding the scale of BOT assets and ensuring core cash flow.

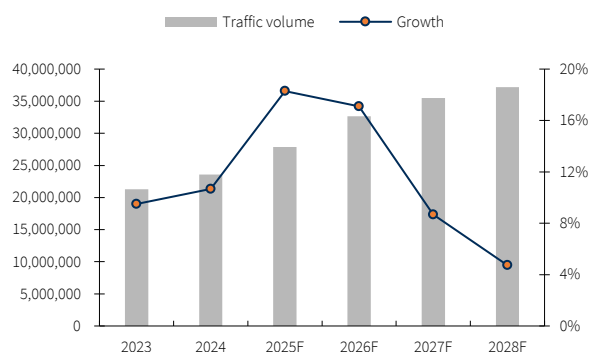
- HHV is doing research to prepare for construction of nearly 400km long new expressways with a total investment of over VND100,000 billion, including: Dong Dang – Tra Linh Expressway (Cao Bang), Huu Nghi – Chi Lang Expressway (Lang Son), Ho Chi Minh City – Thu Dau Mot – Chon Thanh Expressway, Ho Chi Minh City Ring Road 4 through Binh Duong, and Ho Chi Minh City – Trung Luong – My Thuan Expressway Phase 2.
- The Government aims to develop 3,000km in expressways by 2025 and 5,000km by 2030. To achieve this goal, many expressway projects will be accelerated in 2026–2030, giving opportunities to HHV.

Table 1. HHV – Ongoing key projects

Projects	Total investment	Toll collection period	Scale
Phuoc Tuong – Phu Gia Road Tunnel	1,559	19 years (2016–2035)	Phuoc Tuong Tunnel 357m, two-way access road & bridge on route 4.1km Phu Gia Tunnel 447m, two-way access road & bridge on route 2.6km
National Highway No.1 – Khanh Hoa Expansion	2,644	21 years 8 months (2016–2038)	37.7km
Road Tunnel through Deo Ca Pass	18,904	27 years 5 months (2018–2046)	Deo Ca Tunnel 4.1km Co Ma Tunnel 500m Cu Mong Tunnel 2.6km Hai Van Tunnel 6.29km
Bac Giang – Lang Son Expressway	12,188	28 years 7 months (2020–2049)	Bac Giang – Lang Son Expressway 63.86km long, National Highway No.1 110.2km
Dong Dang – Tra Linh Expressway	14,114	22 years 4 months (2026–2048)	93.35km
Cam Lam – Vinh Hao Expressway	8,925	17 years (2024–2041)	78.5km

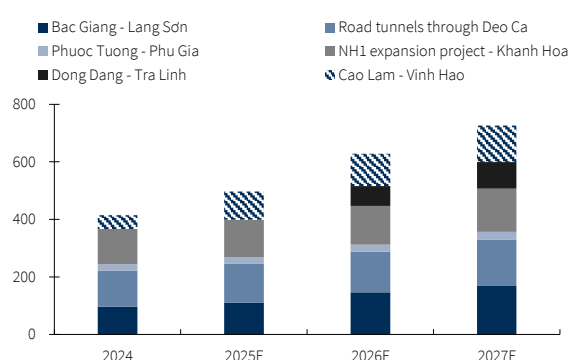
Source: Deo Ca Traffic Infrastructure Investment

Fig 2. HHV – Traffic through BOT toll stations (time)



Source: Deo Ca Traffic Infrastructure Investment, KB Securities Vietnam

Fig 3. HHV – Revenue from some major BOT projects (VNDbn)



Source: Deo Ca Traffic Infrastructure Investment, KB Securities Vietnam

**Traffic volume and toll collection  
ensure sustainable growth**

Traffic through toll stations in 2024 increased by 7-16% YoY, depending on the toll station, and is expected to steadily grow 5-10%/year depending on the project during the remaining toll collection period thanks to (1) the increase in the number of private cars, (2) higher demand for logistics and travel alongside economic growth, and (3) the gradually completed infrastructure network that strongly promotes traffic volume. The connecting route Dong Dang – Tra Linh and Huu Nghi – Chi Lang when completed will connect the Bac Giang – Lang Son expressway to the border gate, attracting a large number of vehicles through the route.

Regarding toll collection at stations, since the end of April, the fee through the Km93+160 toll station on National Highway No.1 (Bac Giang – Lang Son expressway project) has been raised by the highest rate of nearly 15%. The toll rate is slated to be increase by at least 10% every four years (according to BOT contract practice, the cumulative toll rate will rise 15% every three years), along with the expected increase in traffic volume through the station, creating room for sustainable revenue and profit growth for HHV.

## 2. Large backlog ensures construction work in 2025–2026

**Backlog at the end of 2024  
reached VND3,996 billion**

At the end of 2024, the remaining construction backlog of HHV is valued at VND3,996 billion, equivalent to 3.5 times the construction revenue recorded in 2024, ensuring a source of work for HHV in the next two–three years. The Quang Ngai – Hoai Nhon and Dong Dang – Tra Linh expressways should be the main revenue contributors in the next two years as they are due for completion in 2025 and 2026 (Table 4).

Currently, HHV is proposing to implement the North–South expressway expansion project, expanding 1,144km of expressway from four lanes to six lanes with a total investment of more than VND152 trillion. With the bidding mechanism that prioritizes contractors who have participated first (Cam Lam – Vinh Hao and Bac Giang – Lang Son are both part of the North – South Expressway), we assess there is a high chance that HHV will win the contract, which will strongly raise HHV's construction backlog for the 2026–2030 period, thereby bringing in a large cash flow.

**Table 4. HHV – Major projects to be implemented until 2027 (VNDbn)**

Projects	Total investment	HHV contract value	Backlog by the end of 2024	Completed construction value in 1Q25	Revenue in 1Q25	Expected revenue in 2025
Quang Ngai – Hoai Nhon Expressway	20,470	1,671	502	119	128	502
Binh Dinh Coastal Road	1,081	536	172	18	14	90
Lien Chieu Port						
Connection Road (Da Nang)	1,203	134	87	13	12	60
Dong Dang – Tra Linh Expressway	14,114	1,735	1,735	17	7	678
Ho Chi Minh – Thu Dau Mot – Chon Thanh Expressway	8,833	Contract value is expected to reach VND1,500 billion				

Source: Deo Ca Traffic Infrastructure Investment

### 3. Railway projects bring great opportunities

The planning of a new railway networks stretching for more than 3,200km will bring a large workload for construction enterprises

HHV should achieve big growth potential from railway projects (total investment expected to reach USD166 billion) such as the North-South high-speed railway, three routes connecting China including Lao Cai – Hanoi – Hai Phong (approved by the National Assembly in February 2025), Hanoi – Lang Son, Hai Phong – Ha Long – Mong Cai, and Hanoi and Ho Chi Minh City urban metro lines. With experience in constructing tunnels, bridges, and roadbeds, HHV can undertake EPC packages worth thousands of billion dong, boosting construction revenue in the 2026–2035 period and consolidating its position in the infrastructure sector nationwide.

Table 5. Vietnam – Railway planning

Project	Scale	Total investment	Progress
North-South Highspeed Railway	1,541 km, 23 passenger stations, five freight stations	USD68 billion	<ul style="list-style-type: none"> <li>- Feasibility study report in 2025</li> <li>- Should be basically completed by 2035</li> </ul>
Hanoi Metro Line	417.8 km, 10 routes	USD77.2 billion	<ul style="list-style-type: none"> <li>- Expected construction period: 2025–2050</li> <li>- Start construction of two routes in 2025</li> </ul>
HCMC Metro Line	510 km, 10 routes		<ul style="list-style-type: none"> <li>- Site clearance period: 2026–2028</li> <li>- Expected to complete seven routes (355km) by 2035 and the remaining three routes (115km) by 2045</li> </ul>

Source: Deo Ca Traffic Infrastructure Investment

## Risks

### **Changes in material costs**

Fluctuations in prices of input materials such as sand, stone, and cement will directly affect the construction profit margin of HHV.

### **Slow project implementation and disbursement**

Problems with site clearance or counterpart capital procedures may prolong construction progress, delay revenue recognition, and affect HHV's cash flow.

### **Pressure on investment cash flow**

Slow BOT toll collection cash flow, not meeting the initial financial plan will increase liquidity risk, especially when HHV needs a large amount of cash for continuous implementation of many BOT and EPC projects.

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**Investment ratings & definitions**

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**Investment Ratings for Stocks**

**(Based on the expectation of price gains over the next 6 months)**

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

**Investment Ratings for Sectors**

**(Based on the assessment of sector prospects over the next 6 months)**

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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