

Market Strategy

As at 11 May, 1,095 listed companies on three bourses, 94.3% of market capitalisation, have released 1Q23 results.

1Q23 Earnings review

A weak start for 2023

- 1Q23 market aggregate earnings slumped by 18.1% yoy, improved from that of -31.9% yoy growth in 4Q22.
- Among companies under our coverage that have reported 1Q23 results, we see more disappointments than positive surprises as 46% missed our estimates.

1Q23 market earnings growth was surprisingly disappointed

Based on our estimates, 1Q23 aggregate earnings of listed companies on three bourses (HOSE, HNX, UPCOM) decreased by 18.1% yoy, lower than that in 4Q22 (-31.9% yoy). Among 60 companies under our coverage that have reported their 1Q23 results, 44% were in line with our expectations while 10% beat our forecasts and 46% missed our estimates.

Another disappointed quarter for Steel makers, Chemicals and Brokerage

Listed steel makers' 1Q23 NP dropped 93.3% yoy, significantly improved from 2 previous negative earnings quarters thanks to (1) recovery of steel selling price and (2) reversal of provision for devaluation of inventory. Chemicals producers extended the downward trajectory with 4Q22/1Q23 NP fell 22.5/71.9% yoy due to the deep slump of phosphorus and fertilizers prices. Brokerage firms witnessed another sharp shrink in earnings of 67.0% yoy in 1Q23's earning as market liquidity contracted by 63.1% yoy in 1Q23. Together, Steel makes, Chemicals producers and Brokerage firms took away 13.5% of market's 1Q23 NP growth.

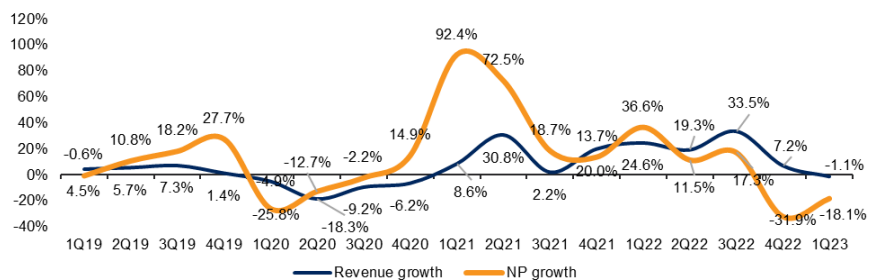
Travel & Leisure and Property companies were top growth drivers in 1Q23

During the tough time, Property developers still posted 28.3% yoy in 1Q23's NP growth, mostly thanks to the contribution of VHM (+162.5% yoy) as a result of recording large bulk sale transactions. However, if excluded VHM, Property developers' earnings declined 40.4% yoy in 1Q23. Notably, Travel & Leisure sector was back on track, recorded positive earnings of over VND200bn for the first time since the Covid-19. This result was largely contributed by the fact that HVN, which posted a loss of VND103.6bn in 1Q23 (vs a loss of VND2,613bn in 1Q22). Together, Real estate and Travel & Leisure sectors contributed 4.9% to market's 1Q23 NP growth.

Gross margin to improve, leverage ratio to edge up

1Q23's market gross margin (non-bank) slightly inched up 0.1% pts qoq for the first time since 3Q21 with the biggest improvement coming from Travel & Leisure (+21.9% pts), Industrial Metals (+7.0% pts), Construction & Materials (+4.6% pts). Market (excl. bank) 's leverage ratio inched up for the first time since 1Q22 due to aggregate short-term debt edged up by 2.3% while total equity slumped by 2.0%. The market average cost of debt decreased from 6.0% to 5.9% as a result of lowering lending rates during the 1Q23.

Figure 1: Quarterly revenue and net profit growth on yoy basis (1Q19-1Q23)



Source: VNDIRECT RESEARCH, COMPANY REPORTS

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KEY CHARTS

Mid and small-cap companies were hit harder in 1Q23

Aggregate 1Q23 earnings of VN30 eased 11.1% yoy, better than that of large caps (-12.4% yoy). The weaker performance of large caps compared with VN30 in 1Q23 was mainly due to DPM (-87.7% yoy), DCM (-84.9% yoy), and VGI (-68.8% yoy).

1Q23 earnings of mid-caps and small-caps dropped 39.8% yoy and 38.5% yoy, lower than that in 4Q22 thanks to a stable exchange rate and lower interest rates.

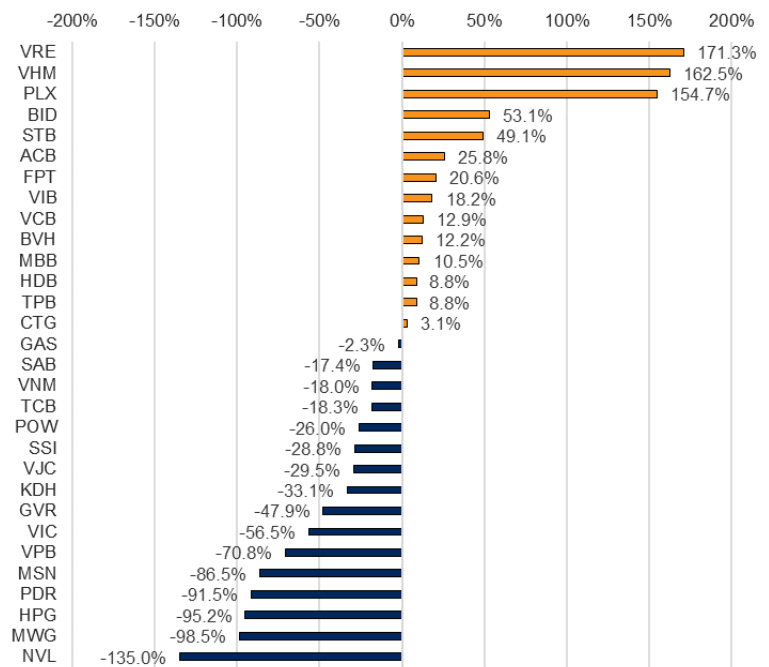
	1Q23 revenue growth	1Q22 revenue growth	1Q23 NP growth	1Q22 NP growth	FY22 NP growth	4Q22 NP growth
All markets	-1.1%	23.6%	-18.1%	36.6%	6.4%	-31.9%
HOSE	-1.3%	23.4%	-17.5%	34.5%	3.8%	-29.7%
VN30	5.0%	20.4%	-11.1%	23.3%	5.1%	-11.5%
Large caps	5.2%	25.3%	-12.4%	39.2%	15.1%	-19.5%
Mid caps	-12.0%	24.0%	-39.8%	28.7%	-18.7%	-67.6%
Small caps	-5.2%	17.8%	-38.5%	24.6%	-25.9%	-60.6%

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

VN30's earnings tumbled 11.1% yoy in 1Q23

14 corporates out of VN30 delivered positive earnings growth in 1Q23, led by VRE (171% yoy), VHM (162% yoy), and PLX (155% yoy). VRE benefited from lack of payment for a tenant support package as well as efficiency in cost optimization. VHM posted enormous growth in earnings thanks to (1) handing over Vinhomes Ocean Park 2 and (2) recording large bulk sale transactions at Vinhomes Ocean Park 2 & 3 with total pre-tax profit of VND8.5tr, accounting for 56% of VHM's pre-tax profit in 1Q23. PLX recovered from a low base in 1Q22 thanks to a stable supply of petroleum from domestic refineries (mainly Nghi Son). Conversely, in 1Q23, MWG's NP plummeted 98.5% yoy, reflecting the adverse effects of falling consumer demand amid high interest rates, and several consumer finance companies are under investigation. Despite the slump of 95.2% yoy in 1Q23's NP, HPG still showed a good signal as the earnings was positive following 2 previous negative quarter thanks to (1) steels prices recovering, and (2) reversal of provision for devaluation of inventory.

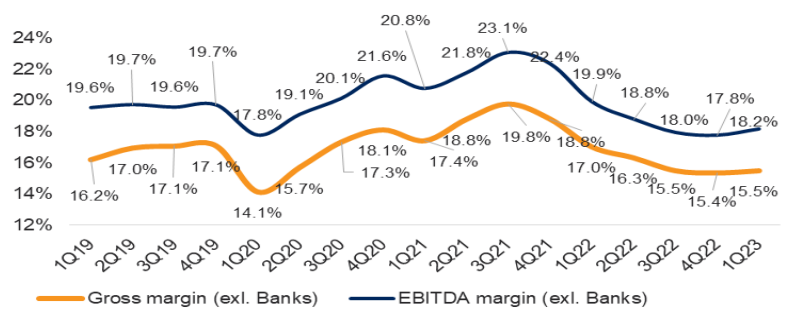
Notably, NVL realized a loss of VND337bn in 1Q23 (1Q22: +VND1,079bn) due to market factors making real estate handover's revenue weaken (-70.6% yoy).



Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Market's blended gross margin signaled an improvement

Based on our estimates, 1Q23 market gross margin (non-bank) expanded to 15.5% from 15.4% in 4Q22. Top sectors that witnessed the highest gross margin expansion compared to 4Q22 included: Travel & Leisure, Industrial Metals, Construction & Materials. Meanwhile, Real Estate, Chemicals, and Retail sectors suffered from gross margin compression.



Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Cost of debt eased while leverage edged up

Market (excl. bank) 's leverage ratio inched up for the first time since 1Q22 due to aggregate short-term debt edging up by 2.3% while total equity slumping by 2.0%. The market average cost of debt decreased from 6.0% to 5.9% as a result of (1) lowering 12-month deposit interest rates of commercial banks by 50 bps in Mar-23 compared to peak in Jan-23, and (2) SBV cut rediscount rate and refinancing rate both by 1% pts and 0.5% pts, respectively in Mar-23.



Sources: VNDIRECT RESEARCH, COMPANY REPORTS

A week start for 2023

Figure 2: 1Q23 earnings review by sector

Market	% released 1Q23 results to sector market cap	1Q23 net revenue growth	1Q23 net profit growth	Contribution to market's 1Q23 NP growth	1Q22 NP growth	4Q22 NP growth
Market	94.3%	-1.1%	-18.1%		36.6%	-31.9%
Health Care	96.6%	7.4%	34.9%	0.2%	23.9%	9.2%
Real Estate	98.2%	60.7%	28.3%	2.9%	-1.6%	-0.9%
Insurance	100.0%	6.9%	9.2%	0.1%	7.5%	-9.8%
Utilities	98.2%	-13.3%	2.6%	0.1%	51.7%	30.8%
Industrial Transportation	97.8%	0.3%	1.8%	0.0%	32.7%	-2.7%
Oil & Gas	99.9%	-0.2%	-0.6%	0.0%	7.5%	-9.3%
Technology	99.1%	2.0%	-2.1%	0.0%	59.4%	-15.6%
Banks	100.0%	4.4%	-2.6%	-1.0%	31.7%	23.2%
Automobiles & Parts	99.9%	-14.8%	-11.0%	-0.1%	4.1%	26.3%
Forestry & Paper	51.1%	-6.4%	-19.5%	0.0%	-11.7%	-24.4%
Beverages	98.7%	-8.9%	-19.9%	-0.2%	22.1%	-26.8%
Electricity	99.6%	3.9%	-21.1%	-0.8%	64.9%	7.9%
Food Producers	96.8%	0.0%	-32.8%	-1.9%	46.7%	-78.2%
Mining	96.9%	22.6%	-34.6%	-0.1%	204.4%	-70.9%
Telecommunications	99.7%	14.1%	-41.4%	-0.6%	(**)	94.0%
Industrial	94.0%	-18.7%	-48.7%	-0.3%	17.1%	-71.1%
Personal & Household Goods	87.5%	-15.0%	-60.2%	-0.6%	60.3%	-85.0%
Retail	98.9%	-16.2%	-63.6%	-1.4%	25.0%	-51.1%
Financial Services	92.1%	-31.3%	-67.0%	-2.3%	33.9%	-99.7%
Chemicals	98.6%	-24.2%	-71.9%	-4.5%	315.2%	-30.0%
Construction & Materials	94.0%	-12.5%	-74.1%	-2.3%	24.1%	-77.5%
Support Services	82.8%	142.1%	-80.0%	-0.2%	77.9%	-139.6%
Industrial Metals	98.9%	-36.7%	-93.3%	-6.7%	1.6%	-155.1%
Travel & Leisure	98.6%	117.8%	-109.0%	2.0%	(*) (**)	312.7%
Real estate excluded VHM		30.2%	-40.4%			

(*) Recorded losses in 1Q22
(**) Recorded losses in 1Q21

Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 2: Quarterly gross margin across sectors (excluding banks)

Market	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	% GM change (1Q23 vs 4Q22)
Market	18.8%	19.8%	18.8%	17.0%	16.3%	15.5%	15.4%	15.5%	0.1%
Personal & Household Goods	15.0%	13.0%	15.8%	14.8%	15.3%	14.3%	13.2%	12.8%	-0.4%
Industrial	13.0%	12.3%	13.9%	14.3%	15.2%	13.5%	12.7%	14.6%	1.9%
Food Producers	22.8%	25.2%	24.2%	24.7%	24.0%	23.8%	22.2%	23.3%	1.1%
Construction & Materials	14.2%	12.3%	13.8%	16.9%	15.7%	13.4%	11.4%	16.0%	4.6%
Telecommunications	34.9%	37.0%	26.8%	39.9%	38.1%	43.2%	36.9%	39.6%	2.7%
Utilities	18.5%	19.3%	19.1%	19.9%	22.0%	19.2%	22.6%	22.9%	0.3%
Health Care	24.1%	25.2%	25.7%	28.0%	26.6%	28.0%	25.9%	29.2%	3.3%
Mining	12.9%	11.3%	13.0%	11.1%	9.4%	5.4%	7.1%	8.1%	1.0%
Media	21.4%	16.8%	26.8%	25.3%	27.9%	22.4%	27.0%	23.8%	-3.2%
Chemicals	18.4%	22.5%	25.6%	28.1%	24.1%	22.5%	20.6%	16.2%	-4.4%
Forestry & Paper	16.9%	14.9%	15.3%	18.1%	17.4%	14.9%	14.5%	15.1%	0.6%
Real Estate	34.9%	44.4%	36.8%	23.4%	20.4%	31.4%	34.2%	21.5%	-12.7%
Retail	15.7%	16.6%	14.5%	15.7%	15.4%	15.5%	16.9%	14.9%	-1.9%
Support Services	14.9%	15.4%	16.1%	26.3%	10.4%	10.1%	7.3%	6.7%	-0.6%
Travel & Leisure	-40.0%	-32.5%	-5.7%	-9.7%	5.1%	2.9%	-12.9%	9.0%	21.9%
Electricity	14.3%	15.7%	18.0%	19.0%	18.0%	19.6%	16.2%	15.5%	-0.7%
Beverages	26.2%	22.4%	24.2%	25.9%	28.9%	25.9%	23.7%	24.9%	1.1%
Technology	28.8%	26.3%	25.8%	28.7%	28.6%	27.3%	28.1%	30.6%	2.5%
Oil & Gas	7.7%	5.4%	6.9%	5.1%	8.2%	2.7%	5.2%	5.5%	0.3%
Industrial Metals	21.0%	19.0%	12.9%	13.6%	11.5%	0.2%	-1.4%	5.6%	7.0%
Automobiles & Parts	14.2%	9.9%	14.5%	12.4%	14.1%	14.0%	11.6%	10.4%	-1.2%

Source: VNDIRECT RESEARCH, COMPANY REPORTS

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Definition:

- Add The stock's total return is expected to reach 15% or higher over the next 12 months.
- Hold The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
- Reduce The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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