

Market Strategy

03 Feb, 2023

As at 03 Feb, 995 listed companies on three bourses, 92.1% of market capitalisation, have released 4Q22 results.

4Q22 Earnings review

Not a strong finale

- 4Q22 market aggregate earnings plummeted by 30.4% yoy, the biggest drop since the Covid-19.
- FY22 market earnings grew modestly 7.1% yoy, much lower than our forecast of 16.7% yoy for FY22.

4Q22 market earnings growth was surprisingly disappointed

Based on our estimates, 4Q22 aggregate earnings of listed companies on three bourses (HOSE, HNX, UPCOM) decreased by 30.4% yoy, the biggest drop since Covid-19 outbreak. The disappointed 4Q22 results have dragged FY22 market earnings growth down to only 7.1% yoy, much lower than our forecast of 16.7% yoy for FY22. Among 64 companies under our coverage that have reported their 2022 results, 36% were in line with our expectations while 12% beat our forecasts and 52% missed our estimates.

Steel makers, Food producers and Brokerage firms are not out of the woods

Listed steel makers' 4Q22 NP dropped further 155.6% yoy following (1) weakening sales volume and (2) shrinking gross margin by 1.8% pts vs 3Q22. Food producers extended the downward trajectory with 2Q22/3Q22/4Q22 NP dropped 7.7%/13.8%/80.7% yoy. The dropped in Food producers' 4Q22 NP were driven by MSN, which recorded a drop of 93.1% in 4Q22's NP as they posted a significant one-off gain (~VND5,700bn) in 4Q21. Brokerage firms experienced a sharp drop of 96.6% yoy in 4Q22's earning as market liquidity contracted by 58.4% yoy in 4Q22. Together, Steel makes, Food producers and Brokerage firms took away 24.8% of market's 4Q22 NP growth.

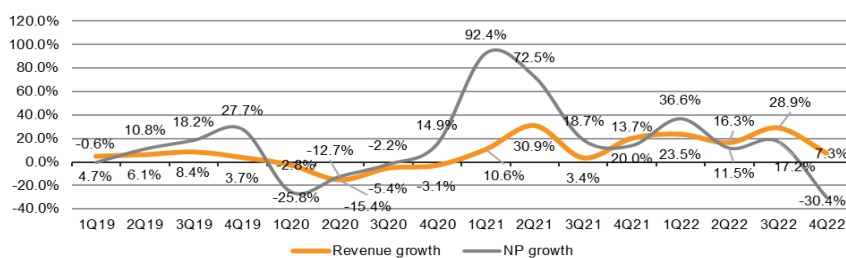
Banking and Utilities recorded positive performance

Listed banks posted healthy 23.2% yoy in 4Q22's NP growth, thanks to the contribution of VCB (+53.9% yoy), and BID (+88.8% yoy) as the results of easing provision expenses. Utilities recorded the highest earnings growth in 4Q22 (+30.4% yoy), the same growth rate as 3Q22 but sharply reduced from the peak of NP's growth in 2Q22 (+88.7% yoy). GAS was the key driver, contributing 34.2% to Utilities' 4Q22 NP growth. Together, Banks and Utilities contributed 7.6% to market's 4Q22 NP growth. Notably, despite the difficult time, Property developers still grew 0.9% yoy in 4Q22's earnings on the back of VIC (4Q22: VND1,559bn vs 4Q21: -VND5,964bn) and VRE (+549% yoy).

Gross margin to improve, leverage ratio to edge down

4Q22'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 Utilities (+3.6% pts), Property (+2.8% pts), and Oil & Gas (+2.5% pts). Market (excl. bank) 's leverage ratio extended the downturn since 1Q22 as the results of corporate bond buyback and weak funding demand as corporates tend to delay or postpone their business expansion. The high-interest rate also increased the market average cost of debt from 5.8% to 5.9% in 4Q22.

Figure 1: Quarterly revenue and net profit growth on yoy basis (1Q19-4Q22)



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

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KEY CHARTS

VN30 to stand firm against the turbulence

Aggregate 4Q22 earnings of VN30 eased 11.5% yoy, better than that of large caps (-18.4% yoy). The weaker performance of large caps compared with VN30 in 4Q22 was mainly due to BSR (-44.2% yoy), DPM (-30.2% yoy), and DGC (-20.8% yoy).

4Q22 earnings of mid-cap and small-cap dropped sharply 64.8% yoy and 83.3% yoy, following weak export demand, margin compression, and FX loss.

VN30's earnings rose 4.9% yoy in FY22

16 corporates out of VN30 delivered positive earnings growth in 2022, led by VRE (108% yoy), BID (72% yoy), and GAS (70% yoy). VRE enjoyed normal operation during 2022 versus the closure/social distancing in 2021 due to the outbreak of Covid-19. BID delivered robust 2022 earnings growth following easing provisioning expense while having solid net interest income growth. GAS experienced (1) an increase in dry gas sales volume (+7.8% yoy in 2022), thanks to the recovery in gas-fired electricity mobilisation after the pandemic, and (2) explosion of gas prices (the benchmark Singapore FO price: +30% yoy). Notably, VIC recorded positive FY22's NP of VND8,352bn vs. net loss of VND2,771bn in FY21.

On the other side, in 2022, HPG's NP dropped sharply 75% yoy mainly due to (1) input coal soaring nearly 140% yoy in 2022, and (2) sales volume dropped 6.5% yoy in the context of Property market faced many challenges. MSN (-58% yoy) recorded high base earnings in 2021 (VND8,563bn) as a result of a large one-off gain (~VND5,700bn). PLX (-48% yoy) must raise imported sources proportion to ensure petroleum for domestic market in 9M22 amidst the unfavorable global oil market condition and surging costs related to petroleum trading.

Notably, VJC realized a loss of VND2,172bn in FY22 (FY21: +VND95bn) due to (1) missing earnings from Sale and Leased back and other financial incomes like 2021 and (2) energy price soar.

Market's blended gross margin has ended the downturn

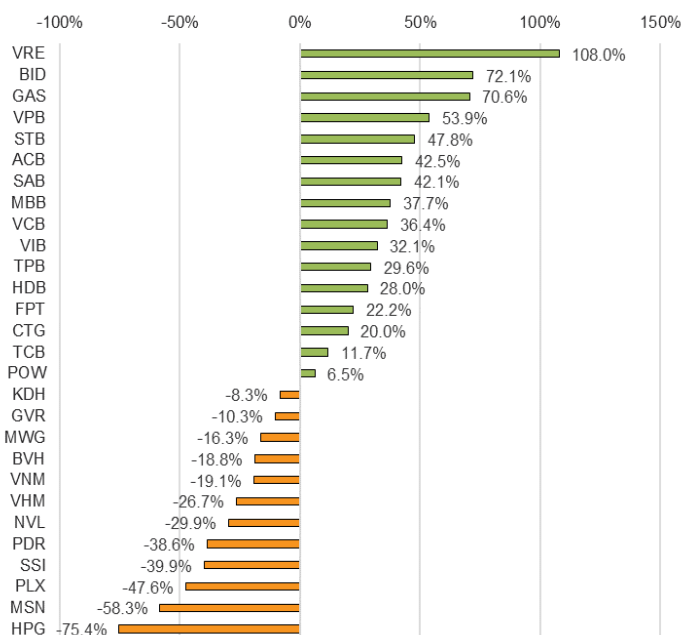
Based on our estimates, 4Q22 market gross margin (non-bank) expanded to 15.6% from 15.5% in 3Q22. Top sectors that witnessed the highest gross margin expansion compared to 3Q22 included: Utilities, Property, Retail, and Oil & Gas.

Cost of debt edged up while leverage slide down

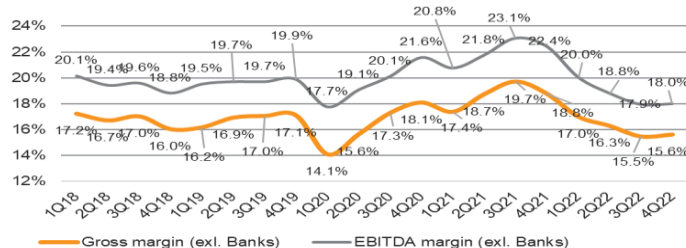
Market (excl. bank) 's leverage ratio extended the downturn since 1Q22 as the results of corporate bond buyback and weak funding demand as corporates tend to delay or postpone their business expansion. The high-interest rate also increased the market average cost of debt from 5.8% to 5.9% in 4Q22.

	4Q22 revenue growth	4Q21 revenue growth	4Q22 NP growth	4Q21 NP growth	FY22 NP growth	FY21 NP growth
All markets	7.3%	20.0%	-30.4%	13.7%	7.1%	41.0%
HOSE	6.1%	19.5%	-27.7%	6.8%	4.1%	37.0%
VN30	12.4%	18.7%	-11.5%	3.5%	4.9%	32.1%
Large caps	11.5%	24.2%	-18.4%	13.3%	15.4%	39.2%
Mid caps	0.7%	18.9%	-64.8%	9.9%	-16.4%	43.8%
Small caps	4.4%	9.9%	-83.3%	36.9%	-37.5%	61.4%

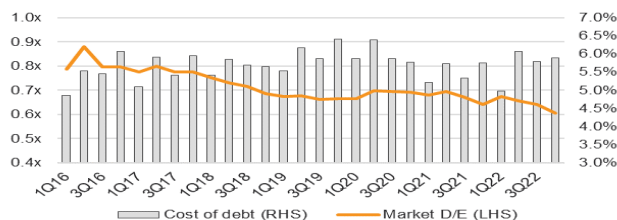
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NOT A STRONG FINALE

Figure 2: 4Q22 earnings review by sector

		% released 4Q22 results to sector market cap	4Q22 net profit growth	4Q21 net profit growth	Contribution to market's 4Q22 NP growth	FY22 NP growth	FY21 NP growth
Market	●	92.1%	-30.4%	13.7%		7.1%	41.0%
Utilities	●	99.1%	30.4%	21.9%	1.0%	51.4%	14.7%
Automobiles & Parts	●	99.9%	26.3%	4.6%	0.5%	29.8%	0.9%
Banks	●	100.0%	23.2%	7.7%	6.6%	37.4%	31.3%
Industrial Transportation	●	95.5%	17.9%	169.1%	0.5%	87.6%	71.8%
Health Care	●	84.5%	11.7%	16.7%	0.1%	20.2%	5.9%
Real Estate	●	88.3%	0.9%	-36.7%	0.1%	1.1%	10.9%
Electricity	●	96.8%	-0.9%	-35.8%	0.0%	23.4%	7.7%
Insurance	●	100.0%	-9.8%	-1.7%	-0.1%	-24.9%	20.6%
Oil & Gas	●	97.8%	-11.5%	44.8%	-0.4%	51.4%	(***)
Technology	●	99.2%	-15.4%	49.8%	-0.2%	19.1%	25.7%
Chemicals	●	97.2%	-22.5%	60.7%	-1.3%	68.5%	79.9%
Beverages	●	99.5%	-26.7%	-17.0%	-0.4%	33.3%	-24.6%
Retail	●	98.9%	-50.9%	78.0%	-1.4%	1.6%	29.8%
Construction & Materials	●	86.8%	-55.3%	14.7%	-2.2%	-1.4%	4.6%
Mining	●	96.0%	-70.6%	95.7%	-0.7%	-55.6%	98.1%
Industrial	●	89.8%	-72.7%	-7.2%	-0.6%	-27.7%	-2.8%
Forestry & Paper	○	27.9%	-78.8%	-21.1%	-0.1%	-6.8%	29.7%
Food Producers	●	95.0%	-80.7%	104.4%	-8.7%	-34.1%	37.5%
Personal & Household Goods	●	82.8%	-95.2%	127.2%	-1.1%	-17.5%	82.1%
Financial Services	●	90.5%	-96.6%	116.7%	-4.6%	-64.5%	176.0%
Support Services	●	80.7%	-151.8%	-22.1%	-0.3%	-18.0%	103.1%
Industrial Metals	●	99.1%	-155.6%	35.6%	-11.5%	-89.1%	168.1%
Telecommunications	●	99.6% (*)	(**)		-1.8%	166.5%	-69.5%
Travel & Leisure	●	98.0% (*)(**)		-330.5%	-3.1%	-11.1%	20.0%

(*) Recorded losses in 4Q21

(**) Recorded losses in 4Q20

(***) Recorded losses in FY20

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 3: Quarterly gross margin across sectors (excluding banks)

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	% pts GM change (4Q22 vs 3Q22)
Market	17.4%	18.7%	19.7%	18.8%	17.0%	16.3%	15.5%	15.6%	0.1%
Personal & Household Goods	14.9%	15.0%	13.0%	15.8%	14.8%	15.3%	14.3%	12.9%	-1.3%
Industrial	12.3%	13.0%	12.3%	13.9%	14.3%	15.2%	13.4%	12.7%	-0.7%
Food Producers	23.0%	22.8%	25.2%	24.2%	24.7%	24.0%	23.8%	22.2%	-1.6%
Construction & Materials	15.5%	14.2%	12.3%	13.8%	16.9%	15.7%	13.5%	12.9%	-0.5%
Telecommunications	35.8%	34.9%	37.0%	26.8%	39.9%	38.1%	43.2%	37.7%	-5.5%
Utilities	19.2%	18.5%	19.3%	19.1%	19.9%	22.0%	19.2%	22.8%	3.6%
Health Care	26.1%	24.1%	25.2%	25.7%	27.7%	26.6%	28.0%	28.7%	0.7%
Mining	11.9%	12.9%	11.3%	13.0%	11.1%	9.4%	5.5%	7.1%	1.7%
Industrial Transportation	15.1%	15.3%	11.8%	14.6%	17.1%	22.6%	23.2%	19.8%	-3.4%
Chemicals	18.0%	18.4%	22.5%	25.6%	28.1%	24.1%	22.5%	22.9%	0.4%
Forestry & Paper	18.1%	16.9%	14.9%	15.3%	18.1%	17.4%	14.9%	16.4%	1.5%
Property	29.3%	34.9%	44.4%	36.8%	23.4%	20.4%	31.4%	34.2%	2.8%
Retail	15.9%	15.7%	16.6%	14.5%	15.7%	15.4%	15.5%	17.4%	1.8%
Support Services	15.2%	14.3%	15.3%	15.6%	26.4%	11.5%	10.1%	7.1%	-3.0%
Travel & Leisure	-37.4%	-40.0%	-32.5%	-5.7%	-9.7%	5.1%	2.9%	-13.1%	-16.0%
Electricity	13.5%	14.3%	15.7%	18.0%	19.0%	18.0%	19.6%	15.6%	-4.0%
Beverages	24.5%	26.2%	22.4%	24.2%	25.9%	28.9%	25.9%	23.8%	-2.1%
Technology	24.7%	28.7%	26.3%	25.8%	28.6%	28.6%	27.3%	28.2%	0.9%
Oil & Gas	8.5%	7.7%	5.4%	6.9%	5.1%	8.2%	2.7%	5.2%	2.5%
Industrial Metals	16.8%	21.0%	19.0%	12.9%	13.6%	11.5%	0.2%	-1.5%	-1.8%
Automobiles & Parts	14.7%	14.2%	9.9%	14.5%	12.4%	14.1%	14.0%	11.6%	-2.4%

SOURCES: 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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