

Market Strategy

03 Aug, 2021

2Q21 Earnings review

Softer earnings growth

- As at 03 Aug 2021, 700 listed companies on three bourses, representing 85% of market capitalisation, have released 2Q21 results.
- 2Q21 market aggregate earnings surged 66% yoy, lower than that of 92% yoy in 1Q21.

Positive earnings momentum to continue in 2Q21

Based on our estimates, 2Q21 aggregate earnings of listed companies on three bourses (HOSE, HNX, UPCOM) surge 66.0% yoy from the low base 2Q20 (-16.0% yoy). 2Q21 earnings growth was weaker than that of 92.2% yoy of 1Q21 but still 51% higher than pre-pandemic level (2Q19). Out of the 48 companies under our coverage that have reported their 2Q21 results, 56% were in line with our expectations while 21% beat our forecasts and 23% missed our estimates.

Steel and Financial still shine

Steel manufacturers enjoyed higher average selling price (ASP) and strong sale volume, delivered a 326.4% yoy growth in 2Q21 NP. Among Financial sector, listed brokerage firms recorded 120.8% yoy in NP growth as 2Q21 appears to be another good quarter for both indexes and market liquidity. 2Q21 NP growth of listed banks decelerated to 34.1% yoy from 79.0% yoy of 1Q21 as large banks (VCB, CTG) surprisingly posted negative bottom-line growths due to heavy provisioning. Property 's aggregate earning grew 102.6% yoy, higher than that of 38.2% yoy of 1Q21, thanks to housing selling price hike and stronger sale volume.

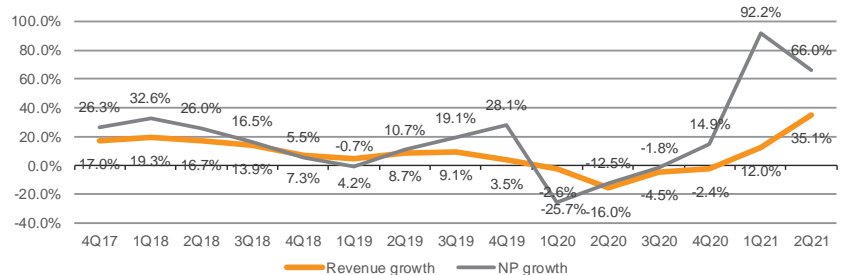
Global commodity prices hike created a mixed impact to listed companies

At end-2Q21, S&P GSCI rallied 30.9% ytd and 64.6% yoy, fueling for the earnings growth of some certain sectors, including: Chemical (+52.6% yoy), both Oil & Gas and Mining recorded positive net profit versus heavy loss in 2Q20. Food producers show mixed performance: rice exporters and sugar producers are riding on the rice and sugar prices spike, while dairy, animal feed, edible oil and meat producers' earnings growth is under pressure from higher material input costs. At all, we saw that food producers posted a soft recovery of 14.7% yoy 2Q21 earnings growth, slightly higher than that of 13.7% yoy of 1Q21.

Current wave of Covid-19 cast a shadow over 3Q21 earnings

Notwithstanding the resilience of listed corporate earnings in 2Q21, the country is currently facing its more serious wave and yet to be brought under control. This is likely to greatly impact 3Q21F earnings. Though, Transportation and Retail recorded positive results in 2Q21 (171%/61% yoy, respectively), nationwide lockdown protocols will hinder the recovery momentum in 3Q21. Additionally, Travel and leisure (including airlines) and Beverages will likely have another loss quarter.

Figure 1: Quarterly revenue and net profit growth on yoy basis (4Q17-2Q21)



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SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

KEY CHARTS

Positive 2Q21 earnings growth across the board

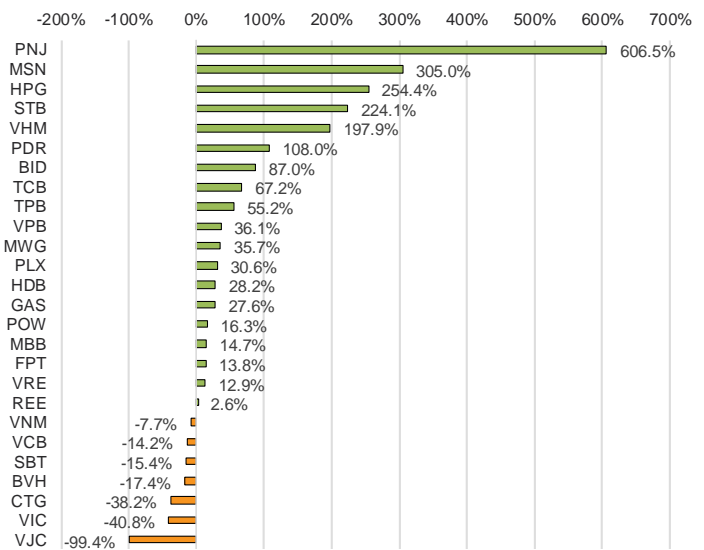
Based on our estimates, 2Q21 aggregate earnings of listed companies on three bourses (HOSE, HNX, UPCOM) grew 66.0% yoy. 2Q21 HOSE earnings have a better performance with 56.3% yoy, even more positive than that of 46.1% yoy of VN30

	2Q21 revenue growth	2Q20 revenue growth	2Q21 NP growth	2Q20 NP growth	6M21 NP growth
All markets	35.1%	-16.0%	66.0%	-12.5%	75.3%
HOSE	38.5%	-16.3%	56.3%	-6.7%	65.9%
VN30	41.5%	-13.7%	46.1%	4.3%	57.9%
Large caps	41.1%	-19.2%	66.6%	-14.2%	75.3%
Mid caps	28.4%	-10.7%	60.6%	8.0%	74.1%
Small caps	19.7%	-13.6%	88.3%	-59.7%	82.3%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

2Q21 VN30 earnings rose 46.1% yoy

19 corporates out of VN30 had shown resilience growth, led by PNJ (606% yoy), MSN (254% yoy) and HPG (254% yoy). Stellar growth of PNJ came from 62.3% yoy revenue growth (from bottom in 2Q20) and 1.5% pts margin expansion. MSN's strong recovery in 2Q21 was thanks to 1) higher EBITDA margin of Vincommerce retail chains, 2) favorable selling price of Masan Hitech Material and 3) strong earnings growth of its affiliate, Techcombank (TCB). Among banks, STB recorded the highest earnings growth from low base in 2Q20 (NP growth of just 10% yoy).

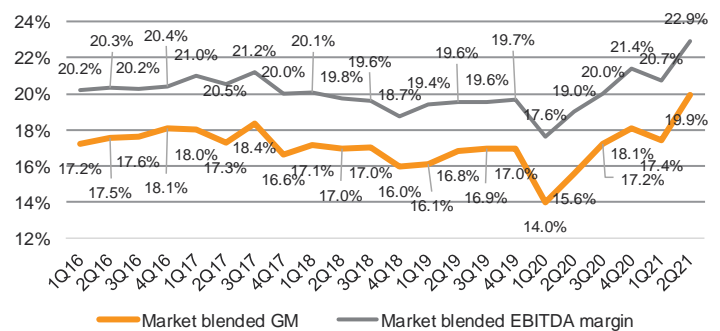


SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

On the other hand, the laggards named VJC (-99% yoy), VIC (-41% yoy) and CTG (-38% yoy). In 2Q21, VJC no longer recorded significant other income as in 2Q20 (VND1,773bn compared with VND1,014bn in pre-tax profit), while Vinfast's huge losses in 2Q21 damaged VIC's NP growth. Both large banks, CTG and VCB posted negative bottom-line growths on heavy provisioning.

Market's blended gross margin climbed 5-year high

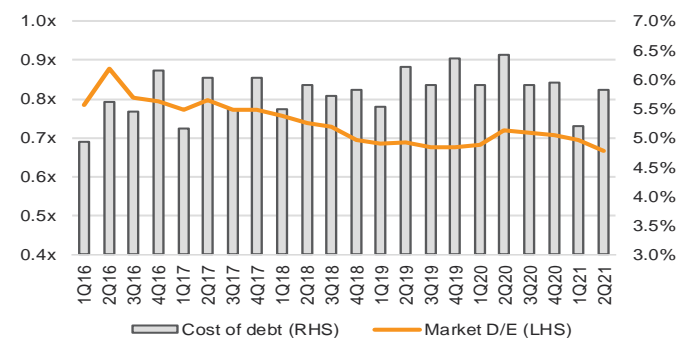
In our view, 2Q21 gross margin (excluding banks) widened significantly regarding to 1) better gross margin of property developers, chemical and steel manufacturers, and 2) the recovery of transportation companies.



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Market's leveraging extends the downward trend

The effort of State bank to reduce lending rate showed significant impacts, with cost of debt continued the downward trends, declined to 5.8% (compared with 6.4% in 2Q20). However, we observed that the listed corporates were not ready to borrow more as D/E ratio edged down to just 0.67x in 2Q21, a multi-year lowest level.



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

2Q21 EARNINGS REVIEW: SOFTER EARNINGS GROWTH

Figure 2: 2Q21 earnings review by sector

Market	% released 2Q21 results to sector market cap	2Q21 net profit growth	2Q20 net profit growth	1Q21 net profit growth	Contribution to market's 2Q21 NP growth	6M21 NP growth
Market	85.4%	66.0%	-12.5%	92.2%		75.3%
Industrial Metals	98.6%	326.4%	26.2%	286.3%	17.2%	302.8%
Telecommunications	99.7%	319.9%	-75.1%	-109.9%	1.4%	-38.9%
Industrial Transportation	86.4%	171.7%	-59.7%	22.9%	2.7%	53.9%
Financial Services	57.5%	120.8%	62.5%	0.0%	2.4%	263.2%
Real Estate	82.0%	102.6%	-30.8%	38.2%	12.3%	64.3%
Personal & Household Goods	89.6%	78.1%	-48.8%	96.9%	0.8%	76.0%
Retail	91.5%	61.3%	-40.9%	27.9%	1.0%	39.0%
Chemicals	92.0%	52.6%	-10.9%	92.9%	1.6%	65.5%
Banks	100.0%	34.1%	21.1%	79.0%	13.3%	55.0%
Utilities	97.2%	28.7%	-34.9%	2.1%	1.2%	14.8%
Construction & Materials	66.0%	23.9%	-2.3%	66.9%	0.8%	36.2%
Technology	93.1%	18.0%	7.4%	16.0%	0.3%	18.0%
Health Care	82.5%	16.4%	-2.7%	-6.9%	0.2%	7.7%
Food Producers	92.3%	14.7%	0.6%	13.7%	1.4%	14.5%
Industrial	38.4%	-1.0%	-0.1%	38.6%	0.0%	-1.1%
Automobiles & Parts	12.2%	-3.4%	-46.9%	9.8%	0.0%	2.8%
Electricity	92.9%	-4.3%	21.5%	93.1%	-0.2%	30.9%
Beverages	92.4%	-14.6%	-16.8%	48.4%	-0.4%	8.2%
Insurance	80.0%	-17.8%	72.0%	27.2%	-0.3%	23.0%
Travel & Leisure	65.5%	*	-481.0%	34.7%	-1.4%	-59.8%
Mining	91.8%	*	-104.5%	131.7%	1.1%	
Support Services	32.4%	*	-86.1%	82.6%	0.2%	100.4%
Forestry & Paper	18.4%	*	20.7%	52.1%	0.1%	
Oil & Gas	97.6%	*	-117.4%	-162.3%	6.1%	

(*) recorded losses in 2Q20

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 3: Quarterly GM across sectors (excluding banks)

Market	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Market	16.9%	17.0%	14.0%	15.6%	17.2%	18.1%	17.4%	19.9%
Personal & Household Goods	13.2%	12.8%	14.3%	14.4%	14.6%	15.8%	15.0%	15.6%
Industrial	14.1%	12.5%	13.7%	13.8%	12.7%	12.7%	12.3%	12.1%
Food Producers	24.2%	25.7%	25.3%	25.4%	25.5%	24.8%	23.7%	25.0%
Construction & Materials	13.3%	13.2%	15.0%	15.4%	15.7%	14.4%	15.6%	15.6%
Telecommunications	33.6%	26.8%	31.9%	32.9%	35.0%	29.5%	35.8%	36.6%
Utilities	22.4%	21.6%	19.8%	19.1%	20.4%	19.2%	19.2%	18.3%
Health Care	25.4%	25.3%	27.8%	28.3%	25.2%	24.6%	27.3%	31.3%
Mining	9.3%	12.1%	10.9%	9.1%	9.2%	10.8%	11.2%	14.5%
Industrial Transportation	20.7%	19.1%	18.6%	10.4%	12.4%	12.1%	14.6%	13.4%
Chemicals	16.6%	18.5%	14.7%	17.3%	16.9%	19.1%	18.0%	21.4%
Forestry & Paper	13.8%	17.2%	17.3%	12.2%	13.4%	17.0%	18.1%	16.5%
Real Estate	35.4%	31.7%	20.5%	23.7%	25.1%	23.3%	29.3%	34.6%
Retail	13.8%	14.0%	15.2%	15.3%	14.6%	14.9%	15.7%	16.8%
Support Services	9.2%	10.9%	8.6%	8.1%	8.9%	16.7%	15.4%	6.7%
Travel & Leisure	13.6%	7.8%	-4.4%	-44.0%	-30.8%	8.7%	-37.1%	-30.5%
Electricity	15.8%	18.2%	12.5%	13.3%	14.1%	26.6%	12.0%	13.8%
Beverages	24.2%	24.0%	23.1%	26.5%	27.4%	26.7%	24.6%	27.3%
Technology	27.6%	23.8%	26.6%	27.5%	25.3%	25.6%	24.9%	30.6%
Oil & Gas	5.1%	6.1%	-0.9%	3.5%	8.1%	8.7%	8.5%	7.8%
Industrial Metals	8.1%	8.2%	11.7%	10.5%	13.3%	14.5%	16.5%	20.8%
Automobiles & Parts	10.9%	8.0%	14.1%	14.0%	14.3%	10.6%	14.7%	14.8%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

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Stock Ratings

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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