

4Q20 earnings review

Back to positive growth territory

- As at 2 Feb 2021, 750 listed companies on three bourses, representing 82% of market capitalisation, have released 4Q20 results.
- 4Q20 aggregate earnings turned positive with 15.6% yoy, much better than several declines of 26.2%/12.5%/2.3% yoy seen in 1Q/2Q/3Q20.

Positive earnings growth for the first time in 2020

Based on our estimates, aggregate earnings of listed companies on three bourses (HOSE, HNX, UPCOM) grew 15.6% yoy in 4Q20. Consequently, FY20 aggregate earnings/revenue softened 5.3%/5.4% yoy, which were in line with our expectation. Out of the 46 companies under our coverage that have reported their 4Q20 results, 52% were in line with our expectations while 24% beat our forecasts and 24% missed our estimates.

A stellar quarter for steel manufacturers

Steel manufacturers posted a 240% yoy surge in 4Q20 net profit on the back of higher steel export volumes (+28.1% yoy) and lower coke prices (-20% yoy). As disbursed state investment ramped up in 2H20, key construction & material companies showed mixed NP growth in 4Q20 (VCS +19% yoy; BMP + 17% yoy; HT1 -29% yoy; CTD -60% yoy), resulting in sector's 4Q20 net profit edging down 1%.

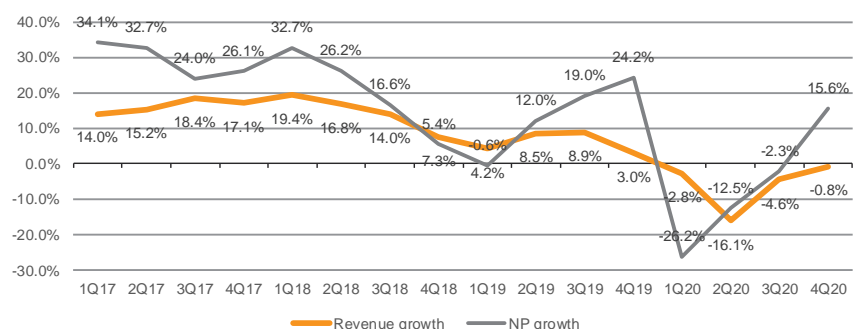
Financial sectors still shined

4Q20 net profit of financial services providers (mostly securities brokerages) grew 151% yoy, thanks to the market rally in both indexes and liquidity. The VN-Index accelerated 21.8% in 4Q20 while average liquidity increased 81.8% qoq and 131.6% yoy. Meanwhile, the slowdown in insurance premium revenue growth resulted in lower provisioning and operating costs, lifting 4Q20 net profit of the insurance sector by 106% yoy. After decelerating to 6.2% yoy in 3Q20, banks' net profit growth bounced back to 25% yoy and contributed 7.6% pts to the market's 15.6% NP growth.

Travel & leisure showed positive signs while retail recovered significantly

With the recovery of domestic air transportation and tourism, travel & leisure (including airlines) reduced the losses with NP only decreasing by 5% compared to the 274% yoy plunge in 3Q20 net profit. Among the sectors hit hard by the pandemic, retail bounced back strongly with 14% yoy growth in 4Q20 net profit, thanks to MWG (+21% yoy), PNJ (+31% yoy), and DGW (60% yoy), riding the recovery in domestic consumption in 4Q20.

Figure 1: Quarterly revenue and net profit growth on yoy basis (1Q17-4Q20)



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SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

KEY CHARTS

4Q20 earnings growth of small caps beat the whole market

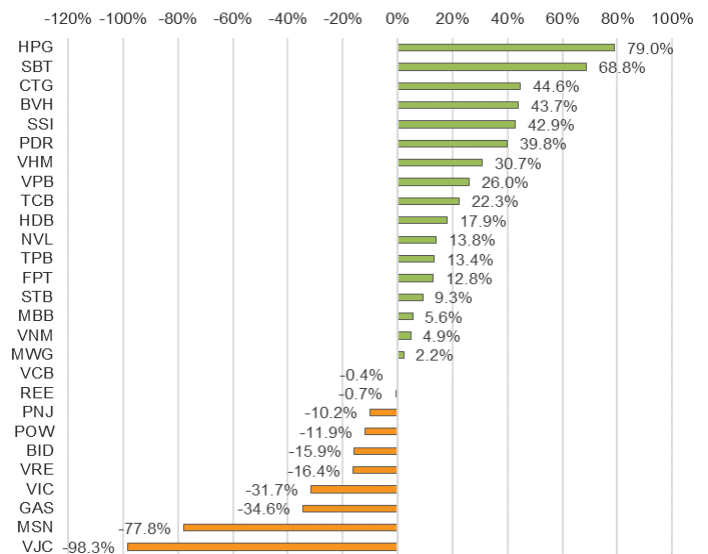
Based on our estimates, 4Q20 aggregate earnings of listed companies on three bourses (HOSE, HNX, UPCOM) increased 15.6% yoy. 4Q20 earnings of companies listed on the Ho Chi Minh Stock Exchange (HOSE) jumped with a higher rate of 19.1% yoy while that of VN30 grew 15.0% yoy. 4Q20 earnings of small-cap stocks surged 42.7% yoy, driven by construction & building material companies and small hydropower plants.

	4Q20 revenue growth	4Q19 revenue growth	4Q20 NP growth	4Q19 NP growth	FY20 revenue growth	FY20 NP growth
All markets	-0.8%	3.0%	15.6%	24.2%	-5.4%	-5.3%
HOSE	3.9%	3.2%	19.1%	21.6%	-1.8%	-0.3%
VN30	11.2%	4.7%	15.0%	33.2%	5.6%	5.2%
Large caps	0.9%	3.8%	15.3%	37.2%	-4.1%	-4.9%
Mid caps	-3.3%	3.4%	12.1%	3.0%	-7.2%	-6.7%
Small caps	-2.8%	0.0%	42.7%	-41.5%	-7.1%	-7.2%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

More positive than negative in FY20 NP growth of VN30 companies

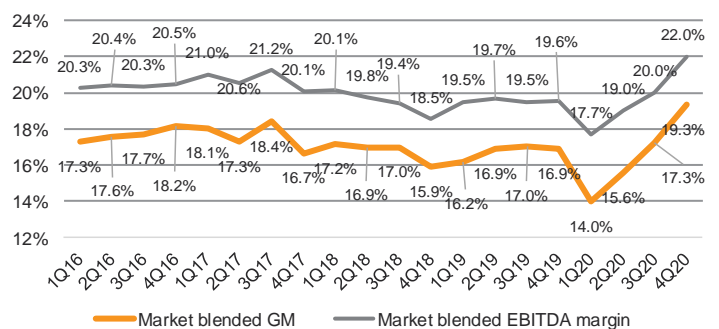
For FY20, 17 companies in VN30 Index recorded positive NP growth, leading by HPG (+79.0%) and SBT (+68.8% yoy). In the contrary, the laggards named MSN (-77.8% yoy) due to the consolidation with Vin Commerce and VJC (-98.3%), which was hit by the severe decline in the aviation market due to Covid-19.



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Market's blended gross margin surged to 5-year high

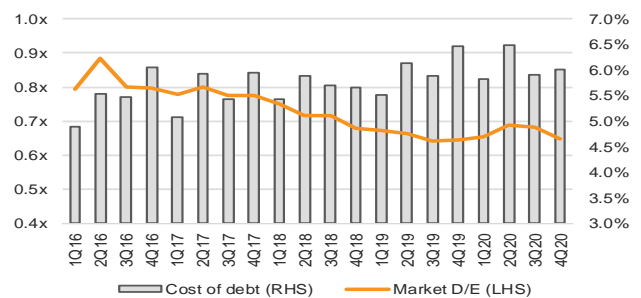
In our view, 4Q20 gross margin (excluding banks) improved significantly due to 1) better gross margin of thermal power generators thanks to lower coal price and lower D&A expense of some major generators, and 2) the recovery of airlines and transportation companies.



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Market's leveraging continues the downward trend

D/E ratio edged down in 4Q20 to 0.65x while cost of debt increased slightly to 6.0%, but still lower on a year-on-year basis.



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

4Q20 EARNINGS REVIEW: BACK TO POSITIVE GROWTH TERRITORY

Figure 2: 4Q20/FY20 earnings review by sector

		% released 4Q20 results to sector market cap	4Q20 net profit growth	3Q20 net profit growth	4Q19 net profit growth	Contribution to market's 4Q20 NP growth	FY20 revenue growth	FY20 net profit growth	Contribution to market's FY20 NP growth
Market	●	82.1%	15.6%	-12.5%	24.2%		-5.4%	-5.3%	
Industrial Metals	●	94.1%	240%	156.4%	41.9%	5.4%	12%	111%	3.1%
Financial Services	●	74.9%	151%	66.5%	9.1%	1.7%	40%	68%	0.8%
Personal & Household Goods	●	80.1%	119%	-23.0%	-36.1%	1.0%	-13%	24%	-0.3%
Insurance	●	93.1%	106%	24.0%	2.6%	0.6%	6%	26%	0.3%
Chemicals	○	30.0%	84%	3.8%	-28.0%	0.7%	-3%	46%	0.5%
Beverages	●	93.9%	46%	8.4%	25.4%	0.8%	-23%	-7%	-0.2%
Electricity	●	72.2%	36%	-25.2%	66.2%	1.5%	-12%	15%	-0.5%
Banks	●	99.1%	25%	6.2%	38.7%	7.6%	12%	14%	4.5%
Telecommunications	○	12.3%	24%	188.4%	119.5%	0.1%	17%	14%	0.1%
Technology	●	87.9%	19%	11.8%	-1.9%	0.2%	9%	11%	0.1%
Retail	●	89.9%	14%	-3.9%	9.3%	0.3%	1%	-7%	-0.2%
Health Care	●	85.8%	12%	-6.3%	5.9%	0.1%	-2%	3%	0.0%
Forestry & Paper	●	89.0%	10%	-0.9%	-8.2%	0.0%	26%	1%	0.0%
Construction & Materials	○	58.9%	-1%	-35.6%	19.5%	0.0%	-13%	0%	0.0%
Real Estate	●	86.5%	-3%	18.6%	54.3%	-0.7%	-3%	-1%	-0.2%
Travel & Leisure	●	95.5%	-5%	-273.5%	-75.0%	0.0%	-60%	-259%	-6.7%
Food Producers	●	93.0%	-5%	6.4%	2.9%	-0.4%	26%	-5%	-0.5%
Automobiles & Parts	●	97.1%	-16%	-6.2%	6.1%	-0.5%	-2%	19%	-0.5%
Mining	○	37.6%	-23%	32.1%	-39.6%	-0.1%	-1%	13%	0.0%
Oil & Gas	○	45.1%	-24%	-22.3%	440.7%	-0.6%	-33%	-148%	-2.3%
Utilities	●	96.1%	-25%	-21.7%	-8.9%	-1.3%	-10%	26%	-1.5%
Industrial Transportation	●	80.3%	-57%	-60.4%	34.9%	-2.4%	-32%	67%	-2.6%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 3: Quarterly GM across sectors (excluding banks)

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	
Market	16.2%	16.9%	17.0%	16.9%	14.0%	15.6%	17.3%	19.3%	
Personal & Household Goods	13.7%	13.6%	13.3%	13.0%	14.4%	14.7%	14.8%	17.1%	
Industrial	14.2%	14.1%	14.2%	12.6%	13.8%	13.9%	12.8%	12.0%	
Food Producers	25.3%	25.7%	24.2%	25.7%	25.4%	25.4%	25.5%	27.1%	
Construction & Materials	13.7%	13.2%	13.3%	13.1%	15.0%	15.4%	16.0%	15.3%	
Telecommunications	32.6%	33.6%	34.0%	27.5%	32.2%	33.0%	35.3%	44.9%	
Utilities	21.9%	21.6%	22.4%	21.6%	19.8%	19.1%	20.4%	19.0%	
Health Care	23.8%	26.6%	25.4%	25.3%	27.8%	28.3%	25.2%	22.8%	
Mining	12.5%	12.7%	9.7%	12.9%	11.5%	9.5%	9.7%	15.1%	
Industrial Transportation	20.5%	20.3%	21.1%	19.5%	19.0%	10.7%	12.8%	17.9%	
Chemicals	15.9%	15.1%	16.6%	18.5%	14.7%	17.3%	17.0%	18.4%	
Forestry & Paper	15.7%	12.8%	13.8%	17.2%	17.3%	12.2%	13.4%	18.3%	
Real Estate	23.4%	32.3%	35.4%	31.7%	20.5%	23.7%	25.1%	22.2%	
Retail	13.6%	13.2%	13.8%	14.0%	15.2%	15.3%	14.6%	16.8%	
Support Services	12.2%	8.1%	8.6%	10.6%	8.2%	7.5%	8.8%	6.1%	
Travel & Leisure	16.2%	10.4%	13.6%	7.7%	-4.5%	-44.1%	-31.0%	7.8%	
Electricity	15.7%	15.4%	15.8%	18.2%	12.5%	13.3%	14.1%	31.3%	
Beverages	21.8%	24.4%	24.2%	24.0%	23.3%	26.6%	27.4%	27.5%	
Technology	26.0%	25.9%	27.6%	23.8%	26.6%	27.5%	25.3%	27.8%	
Oil & Gas	6.5%	5.3%	5.1%	6.1%	-0.9%	3.5%	8.1%	5.9%	
Industrial Metals	8.1%	9.6%	8.0%	8.2%	11.6%	10.4%	13.3%	15.6%	
Automobiles & Parts	9.2%	10.1%	10.9%	8.0%	14.1%	14.0%	14.3%	9.4%	

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

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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.
<i>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.</i>	
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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