NAVIGATING VIETNAM 2H23

ENOUGH SUNLIGHT, FLOWERS WILL BLOOM

June 2023

VNDIRECT

Executive summary

- **We believe that the main growth driver for Vietnam's economy in 2H23 will mainly come from the government's economic support policies.** Therefore, Vietnam's key investment topics in the second half of 2023 will be closely related to an easing monetary policy as well as an expansionary fiscal policy that the Vietnam’s government has implemented since the beginning of this year.
- **In 1H23, Vietnam’s government has issued a series of economic measures to “untie the knots” of the economy.** First, the government issued Decree 08, allowing businesses to negotiate with bondholders on extending bond terms and implementing other solutions to restore investors' confidence in the corporate bond market. Second, the State Bank of Vietnam (SBV) has cut its policy interest rates four times in a row and issued Circulars 02 and 03 to guide debt restructuring and free up credit for the economy. Third, the government has drastically implemented the expansionary fiscal policy, focusing on public investment, debt deferral, and tax reduction to support economic recovery. Finally, the government found a solution to remove the legal bottlenecks for real estate projects in the southern provinces and implemented Decision 338 to develop 1 million social housing lots.
- **We expect Vietnam’s economy to accelerate recovery in 2H23 with a year-on-year growth rate of 7.1% yoy in 2H23, thus lifting the 2023 full-year GDP growth to 5.5% yoy.** The recovery momentum in the second half of this year could be underpinned by the expansionary fiscal policy and the lower interest rate environment.
- **We expect deposit and lending rates to maintain a downward trend in 2H23**. In addition, **we also see a number of factors that could put more pressure on the VND exchange rate in 2H23,** including (1) The Fed funds rate is likely to remain at a peak until the end of 2023, while the SBV intends to lower interest rates to support growth, (2) Domestic inflation could pick up from late-3Q23.

VNDIRECT
WISDOM TO SUCCESS

Executive summary

- “**Enough sunlight, flowers will bloom**”. We believe that the stormy periods of the economy are gradually passing, and instead, there are rays of sunshine showing signs of recovery. Thereby, a series of supportive policies from both monetary and fiscal policies are putting the economy on the right track for a new cycle of growth. For the stock market, we see that cash inflows have improved, showing confidence in the market returning after a period of gloom. Hence, we believe this is the time for investors to evaluate and pick investment opportunities for the time to come. "Enough sunlight, the flowers will bloom" is the message we want to deliver through this report.
- With the expectation that deposit interest rates would continue to decrease in the coming months while earnings of listed companies could recover from 3Q23 onwards, **Vietnam's stock market deserves to be rerated with higher valuation ratios**. Although EPS of the listed company experienced the negative growth in 1H23, we still expect business results of those companies to recover in the period of 2023-2024 thanks to a series of supportive policies from the government. We forecast the net profit growth of companies listed on HOSE will grow by 10.4% and 19.3% for 2023 and 2024, respectively. In base case scenario, we expect the VN-Index to reach 1,300 points within 2H23, translating into 13.3x of FY23F P/E (-1 standard deviation of 10-year average P/E). Downside risks include: indirect investment withdrawal in the context of Fed maintaining high policy rates and (2) stronger-than-expected US and European economic recession.
- **We identify two key investment themes for 2H23**. First, **lower interest rates have a positive impact on a wide range of industries**. Lower lending interest rates will help businesses reduce capital costs, especially in industries with high net debt such as Construction & Materials and Property. The Banking sector also benefits as deposit rates often fall faster than lending rates. Besides, it is impossible not to mention the Securities sector when this is an industry that benefits from both input (reducing capital costs) and output thanks to improved market liquidity and increased demand for margin when the interest rate level fell. Second, **public investment as part of fiscal expansion remains a promising story in the second half of 2023 and beyond**.

Table of Contents

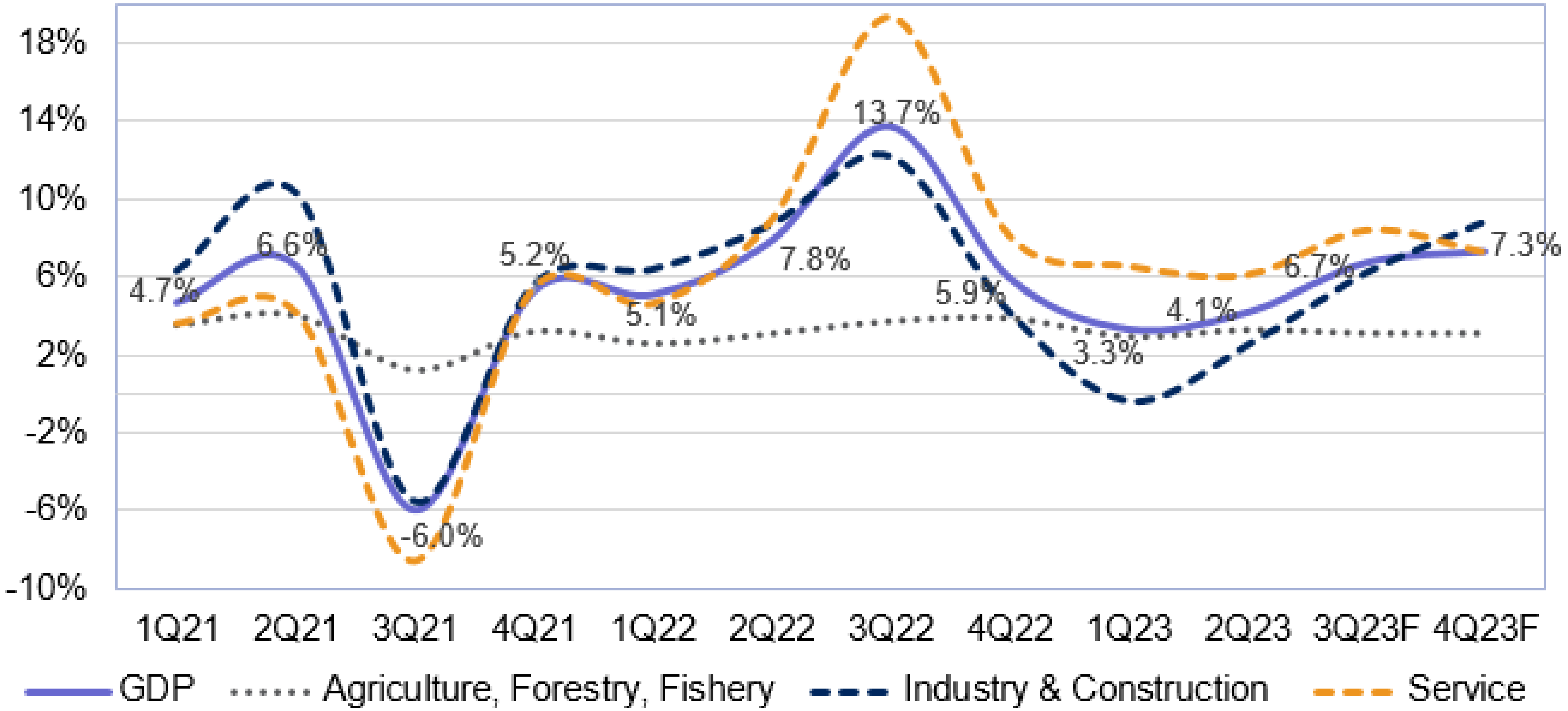
Macro Recap

Weather the storm

Vietnam's economic growth decelerated markedly in the first half of 2023

Vietnam's economy faces many challenges both externally and internally in the first half of 2023

Vietnam's GDP growth decelerated in 1H23

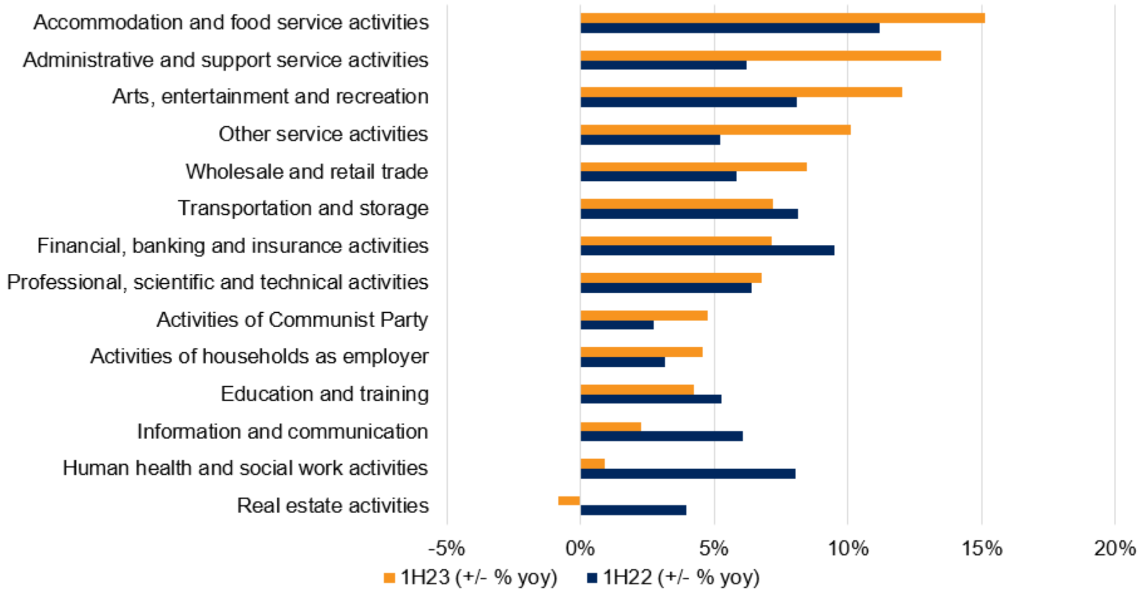


- Vietnam's economic growth decelerated markedly in 1H23 due to the impact of declining manufacturing and export orders, high lending rates, low investor confidence in the corporate bond market, and stagnant real estate market.
- According to GSO, Vietnam's GDP grew only by 4.1% yoy in 2Q23 (vs. +7.8% yoy in 2Q22). Regarding to three main pillars of the economy, industry and construction sector expanded by 2.5% yoy, while service and agriculture sector increase by 6.1% yoy and 3.2% yoy, respectively.
- For 1H23, Vietnam's economy grew by 3.7% yoy, the second lowest level in 2011-2023 period. Service sector increased by 6.3% yoy in 1H23, followed by agriculture, forestry and fishery sector (+3.1% yoy) and industry and construction sector (+1.1% yoy).

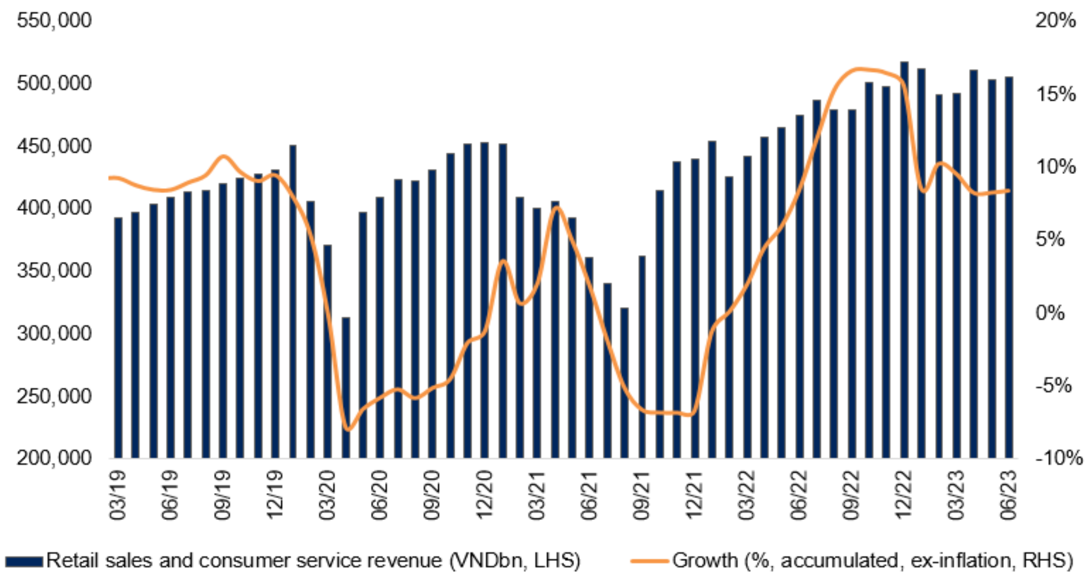
Source: GSO, VNDIRECT RESEARCH

The service sector was the main growth driver of the economy in 6M23

Growths of service sub-sectors (% yoy)



Gross retail sales of consumer goods and services grew steadily by 10.9% yoy in 1H23



- Acording to GSO, the service sector grew by 6.3% yoy in 1H23 (vs. +6.6% yoy in 1H22). Solid service sector growth in 1Q23 was contributed by (1) the strong recovery of international arrivals and (2) stable domestic demand. Per GSO data, gross retail sales of consumer goods and services rose 10.9% yoy in 1H23 (vs. +12.2% yoy in 1H22). If excluding the price factor, this indicator rose 8.4% yoy, equivalent to the level in the same period in 2022.
- Vietnam welcomed about 5.6m international visitors in 1H23, 9.3x over the same period last year but still less than 80% compared to the same period in 2019 (pre-pandemic level). The number of international visitors in 1H23 is 1.5 times higher than the total number of international visitors to Vietnam in the whole year of 2022 and exceeds two-third of the government's plan for 2023. Meanwhile, the total number of domestic tourists reached 64m in 1H23 (+5.8% yoy). Total revenue from tourism reached VND343.1tr in 1H23 (+29% yoy).

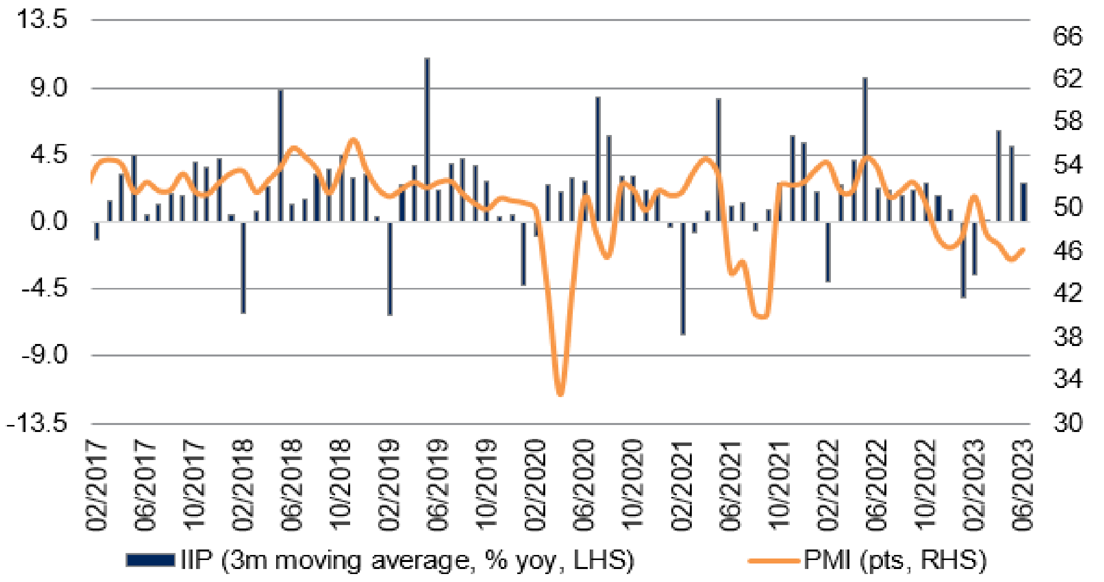
Source: GSO, VNDIRECT RESEARCH

Industry and construction sector was hit hard in 1H23 due to lower external demand

Industry and construction sector witnessed very low growth rate in 1H23

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
Industry & Construction	6.3%	10.4%	-5.5%	5.6%	6.4%	8.7%	12.2%	4.2%	-0.4%	2.5%
Industry	6.3%	11.2%	-4.4%	6.5%	7.0%	9.5%	11.1%	3.6%	-0.7%	1.6%
Mining	-8.5%	-4.7%	-9.1%	-2.7%	1.1%	4.5%	6.4%	7.9%	-4.1%	1.2%
Manufacturing	8.9%	13.4%	-4.1%	8.0%	7.7%	11.1%	11.6%	3.0%	-0.5%	1.2%
Electricity, gas, steam and air condition supply	4.3%	12.8%	-2.6%	5.5%	7.1%	4.5%	11.6%	4.5%	-0.2%	3.7%
Water supply, sewerage, waste management	5.4%	7.8%	-0.2%	3.6%	6.5%	6.3%	9.5%	8.2%	4.7%	6.1%
Construction	6.5%	6.5%	-10.1%	2.1%	3.3%	4.9%	17.5%	6.7%	1.9%	7.1%

PMI fell below 50-pt level in Mar-Jun period, indicating a contraction in manufacturing sector

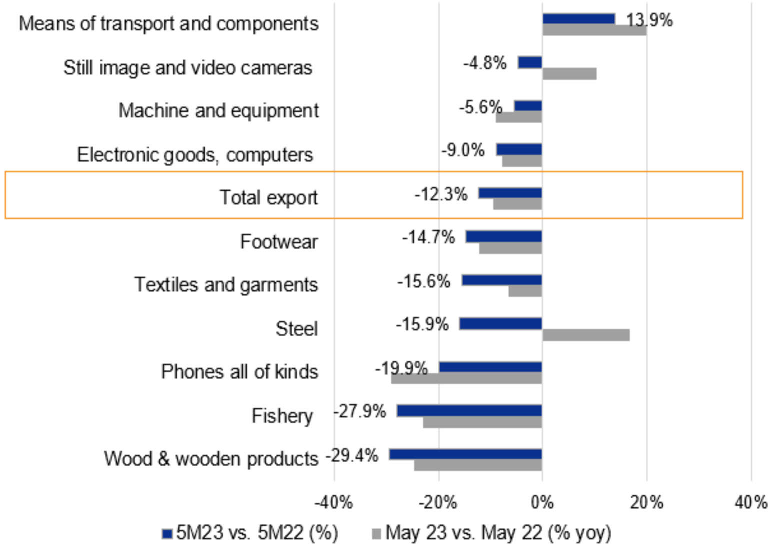


- Industry and construction sector edged up 2.5% yoy in 2Q23 after recording a negative growth rate in 1Q23. In 1H23, this sector grew only by 1.1% yoy, the lowest 1H growth rate in the 2011-2023 period. The decline in manufacturing and export orders amid a hard landing in the global economy was the main reason for the slowdown in industry and construction growth in 1H23.
- Most sub-sectors, including manufacturing, electricity supply and mining, experienced much lower growth rate in 1H23 while the construction sub-sector recorded a better performance during this period thanks to strong public investment.

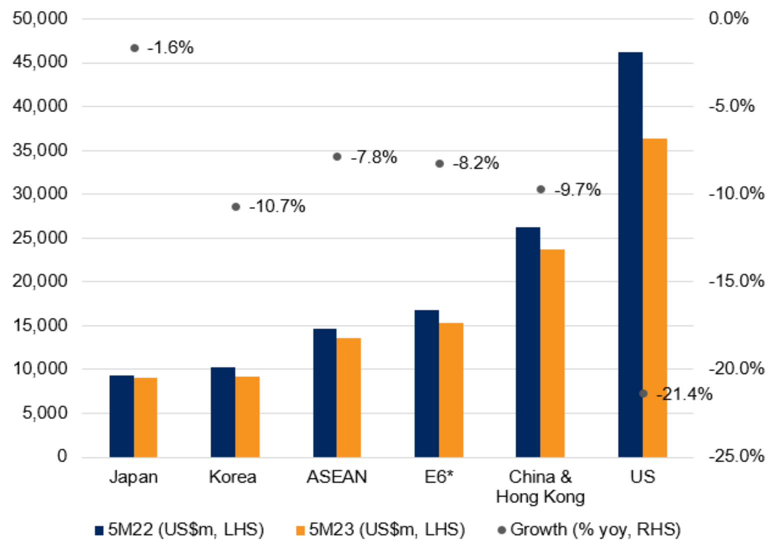
Source: GSO, VNDIRECT RESEARCH

Trade activities saw strong decline in 5M23

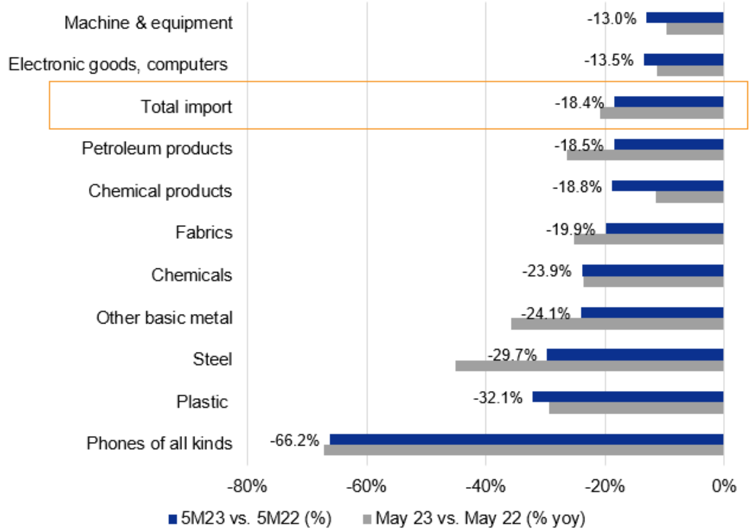
Vietnam’s export hit hard in 5M23



All major export markets of Vietnam fell in 5M23



Vietnam’s import spending dropped sharply in 5M23



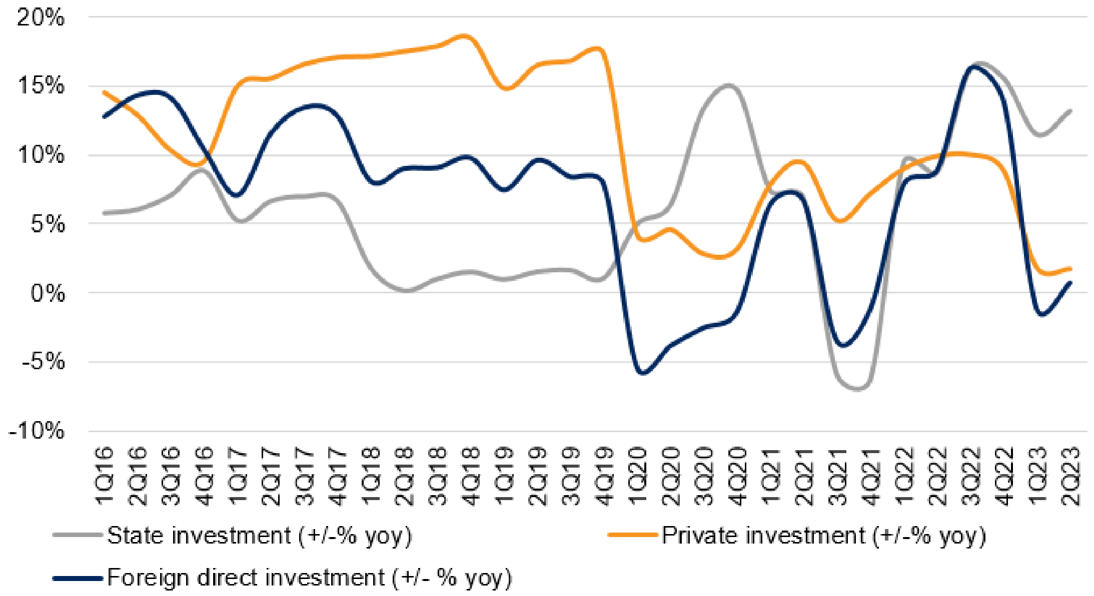
- The persistent decline in external orders for the manufacturing sector as well as falling commodity prices caused Vietnam's export value to decrease in 5M23. According to Vietnam Customs, Vietnam’s export turnover declined by 12.3% yoy to US$135.2bn in 5M23. The decline was seen in most of the key export items, including: phones all of kinds (-19.9% yoy), electric goods and computers (-9.0% yoy), machine and instrument (-5.6% yoy), textiles and garments (-15.6% yoy), and footwear (-14.7% yoy).
- As for imports, Vietnam’s import spending in 5M23 fell 18.4% yoy to about US$125.6bn, reflecting weak demand for imported raw materials, capital goods and intermediate products amid a decline in new orders for manufacturing. Regarding to trade balance, Vietnam net export US$9.7bn in 5M23, this figure was significantly improved compared to the trade surplus of US$0.3bn in the same period last year. The improved trade surplus contributed to the stability of the VND exchange rate in the first half of 2023.

Source: VIETNAM CUSTOMS, VNDIRECT RESEARCH

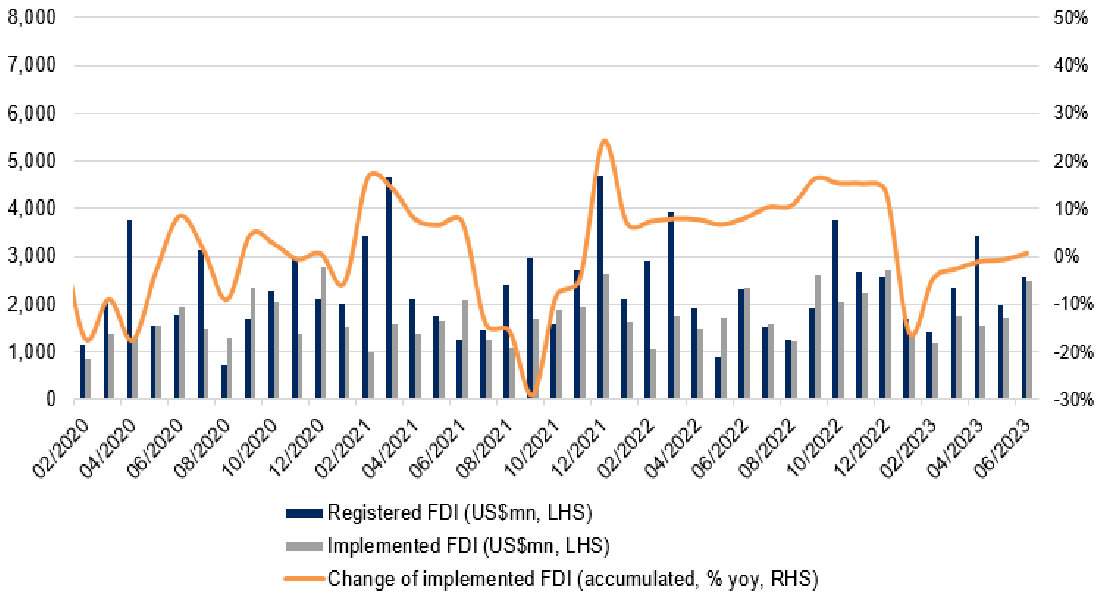
Soft private investment and foreign direct investment (FDI) in 1H23

Private investment and FDI faced difficulties in 1H23 due to increasingly uncertain global economic outlook, tight global financial condition and recession in domestic real estate market

Private investment and foreign direct investment weakened in 1H23



FDI inflows remained low in 1H23



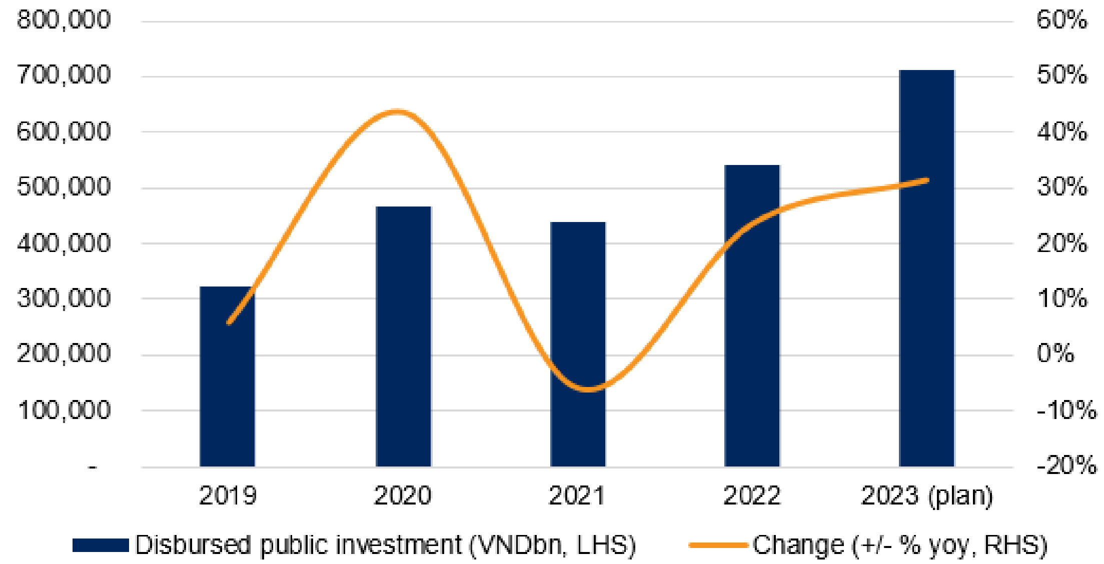
- According to the GSO, social realized investment capital at current prices increased slightly by 4.3% yoy in 1H23, led by public investment (+20.8% yoy in 1H23). In addition, private investment capital only rose by 1.7% yoy in 1H23, down sharply from the growth rate of 9.9% yoy in 1H22 while foreign direct investment (FDI) capital edged up by 0.8% yoy in 1H23, down sharply from the increase of 8.9% yoy in 1H22.
- There are 3 main reasons for the decline in private investment and FDI in 1Q23, including (1) Businesses delayed new investment projects and expansion plans due to gloomy global economic growth prospects and tightening consumer spending, (2) Tight global financial conditions make it difficult for businesses to access capital to invest, and rising interest rates increase financing costs, (3) Many businesses operating in the field of real estate, civil construction, etc. closed or narrowed their operations in 1Q23 due to recession in domestic real estate market.

Source: MPI, GSO, VNDIRECT RESEARCH

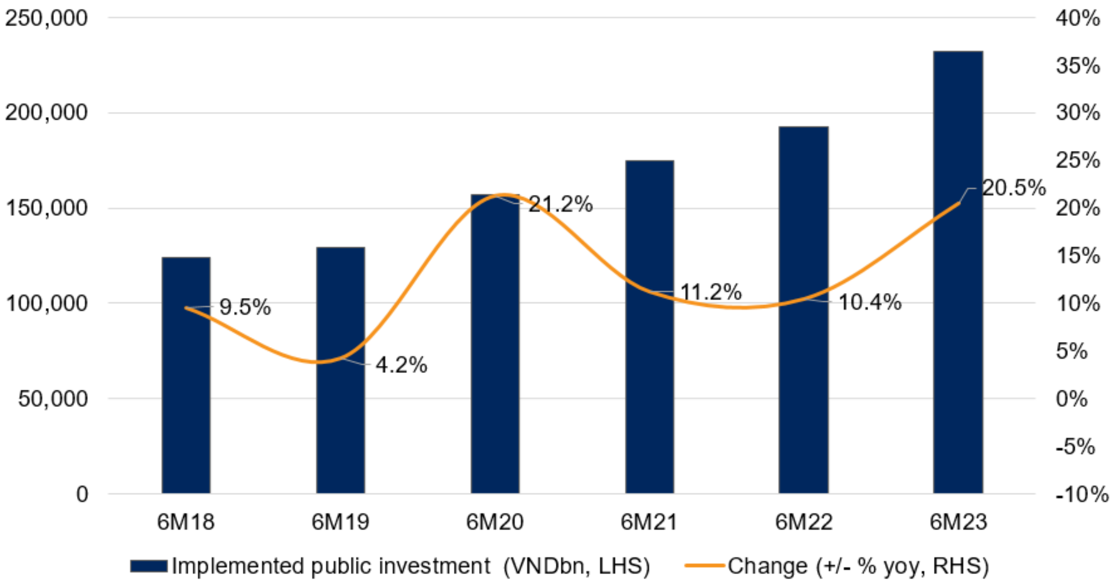
Public investment is vital to support economic growth in 2023

Since the beginning of 2023, Vietnam's government has stepped up public investment to support economic growth amid weak private investment and FDI inflows

Vietnam sets a very ambitious public investment plan by 2023



Public investment accelerated in 6M23



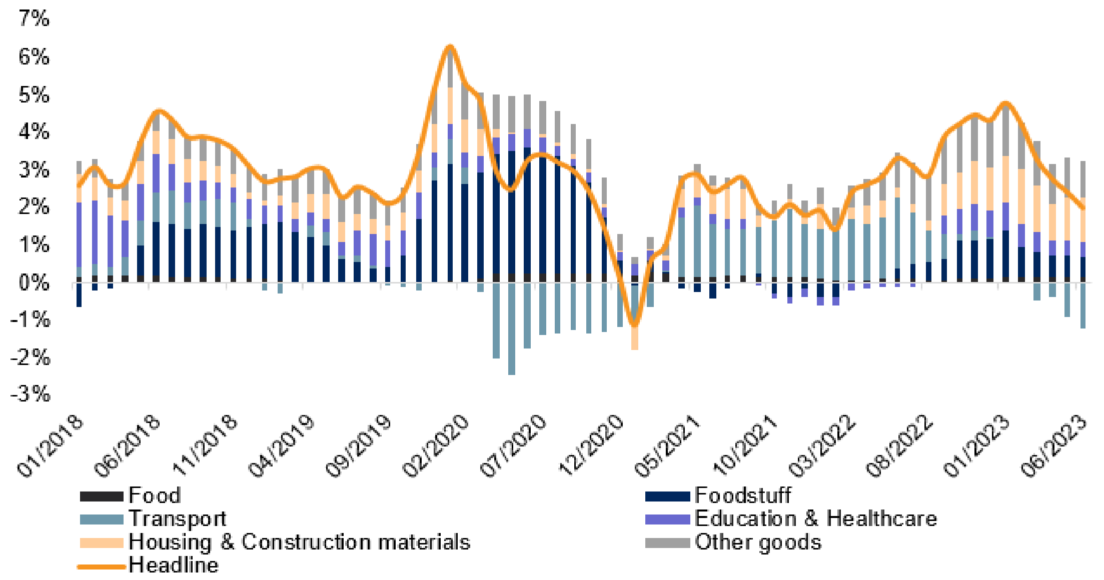
- According to GSO, the implemented state capital (public investment) in 2Q23 rose 21.8% yoy to VND140.4tr (vs. +18.5% yoy in 1Q23). For 1H23, the implemented state capital rose 20.5% yoy to VND232.2tr, which is higher than the growth rate of 10.1% yoy in 1H22.
- The government has accelerated the progress of major infrastructure projects to complete at least 95% of the plan to disburse public investment capital in 2023 (National Assembly's plan of VND711,684bn). The T3 terminal project at Tan Son Nhat airport was officially started on Dec 24, 2022. In addition, 25/25 sub-projects of the North-South Expressway phase 2 started construction in 5M23. The government also plans to start construction of other important infrastructure projects in Jun 2023 such as Hanoi's 4th Ring Road, 3rd Ring Road of Ho Chi Minh City, Bien Hoa - Vung Tau Expressway; Khanh Hoa - Buon Ma Thuot Expressway; Chau Doc - Can Tho - Soc Trang Expressway.

Source: GSO, VNDIRECT RESEARCH

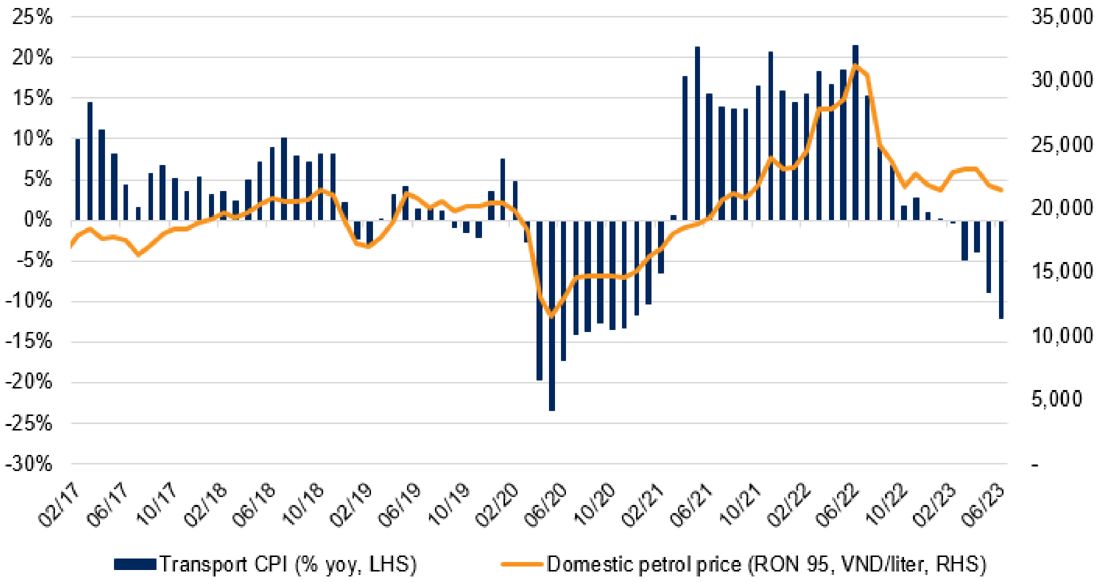
Vietnam's inflation cooled down since Feb 2023

After peaking in Jan 2023, Vietnam's CPI had 5 months of deceleration in a row

The CPI increased by 2.0% yoy in Jun 2023, recorded the 5th consecutive month of deceleration



The decrease in the transportation index supports the cool-down of inflation



- In Vietnam, inflation has cooled down significantly, increasing by 2.0% yoy in Jun 2023, recording the lowest increase in the past 16 months. In 6M23, Vietnam's CPI averaged at 3.3% yoy.
- The sharp drop in domestic gasoline prices is the main factor helping to reduce inflation pressure in 6M23.

Source: GSO, VNDIRECT RESEARCH

A series of new policies implemented to solve current bottlenecks of the economy

The Government promulgated policies to remove difficulties for people and businesses

Date (mm/dd/yyyy)	Supportive policies
03/05/2023	Decree 08/2023/ND-CP on corporate bonds
03/11/2023	Resolution 33/NQ-CP 2023 solutions to remove difficulties for development of real estate market
03/15/2023	SBV cut policy rate for the first time in 2023
04/03/2023	SBV cuts policy rate for the second time in 2023
04/03/2023	Decision 338/QD-TTg on social housing development policy
04/24/2023	Circular 02 on credit institutions and foreign bank branches carrying out debt reschedulling and maintaining classified loan groups in order to support clients in difficulties
04/24/2023	Circular 03 allows banks to immediately buy back corporate bonds they have sold before Dec 31, 2023
05/23/2023	SBV cut policy rate for the third time in a row in 2023
06/16/2023	SBV cut policy rate for the fourth time in a row in 2023

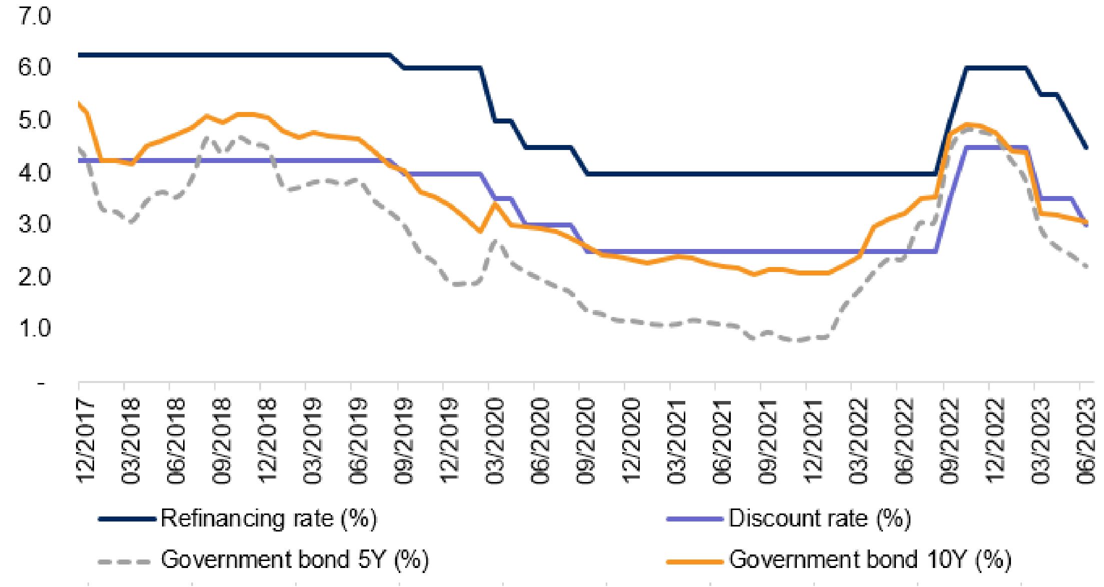
We believe that a series of policies issued recently will solve current bottlenecks of the economy. Specifically, Decree 08/2023/ND-CP on corporate bonds and the upcoming revised Circular 16 will solve the bottlenecks of corporate bonds and relieve the risk of increasing default debts. Circular 02/2023 has been issued by the SBV to help reduce the pressure of provisioning when restructuring debts are allocated in 2023 and 2024. Circular 03/2023, which allows banks to immediately buy back corporate bonds, will improve credit growth prospects in 2023 when credit output is facing many difficulties.

Source: VNDIRECT RESEARCH

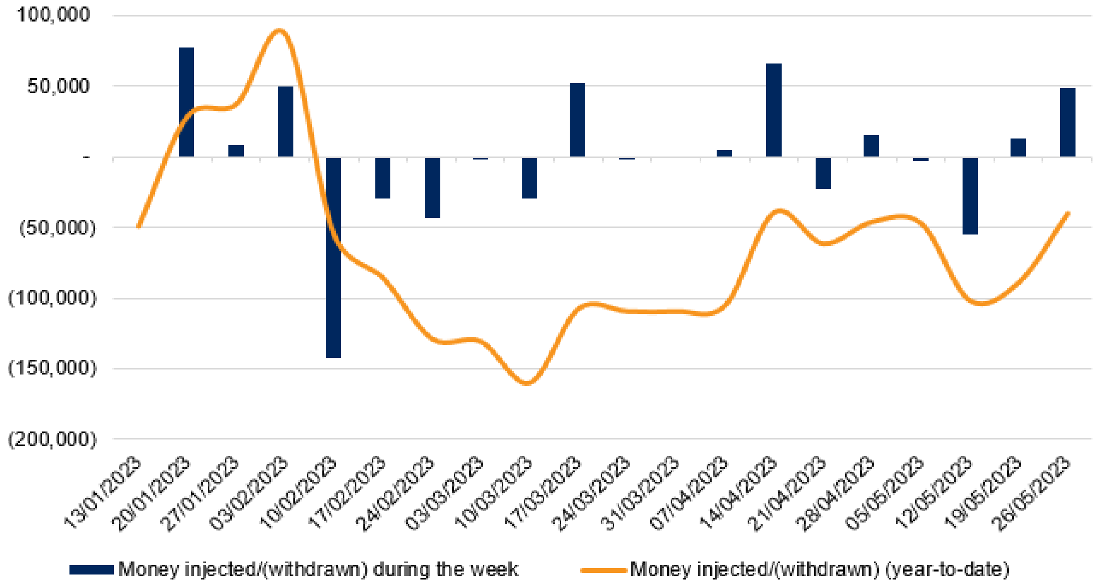
SBV reversed monetary policy to support economic growth

The SBV had four reductions in its policy interest rates in 1H23, which marks a reversal in the domestic monetary policy.

In mid-Jun, SBV cut the policy rates for the fourth time since the beginning of 2023



Money injected/withdrawn by SBV via OMO channel (VNDbn)

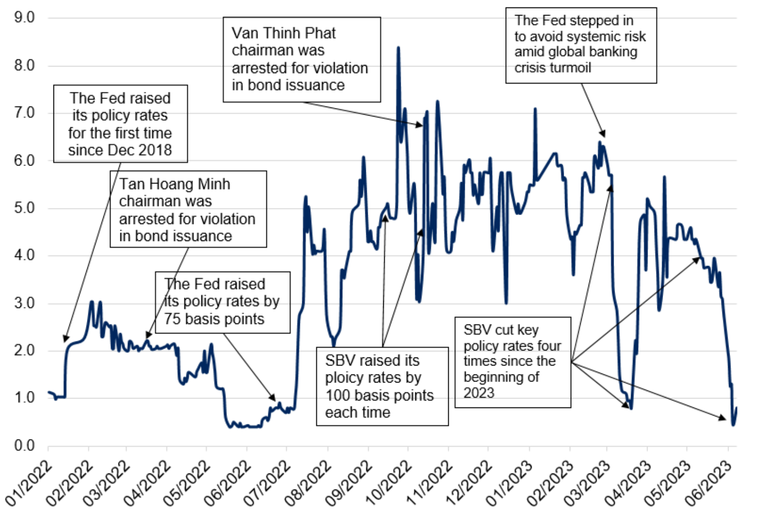


- Since the beginning of 2023, the SBV has had four reductions in its policy interest rates, according to which: the discount interest rate decreased by 1.5% pts to 3.0% p.a, the refinancing interest rate decreased by 1.5% pts to 4.5% p.a, the maximum short-term lending rate in VND of credit institutions for certain economic activities reduced by 1.5% pts to 4.0% p.a, the overnight lending rate by the SBV to credit institutions lowered by 2.0% pts to 5% p.a. The SBV also reduced the maximum interest rate for deposits with terms of less than 1 month and less than 6 months by 0.5% pts and 1.25% pts to 0.5% p.a and 4.75% p.a, respectively.

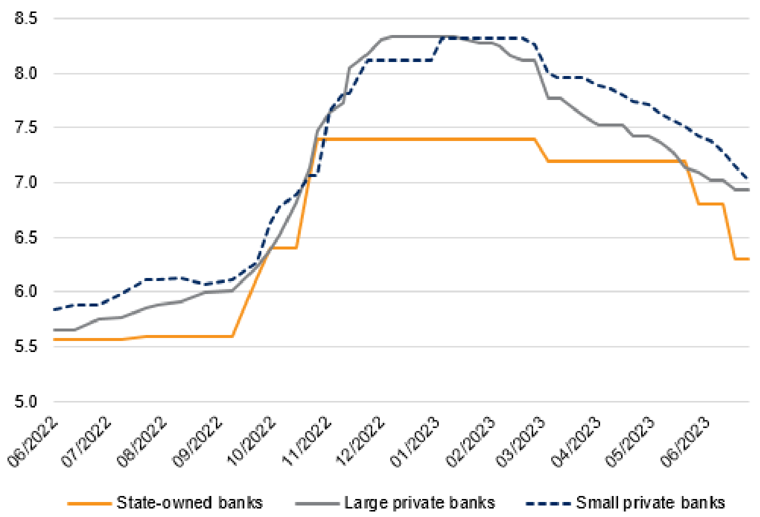
Source: SBV, BLOOMBERG, VNDIRECT RESEARCH

Deposit rates declined markedly in the first half of 2023

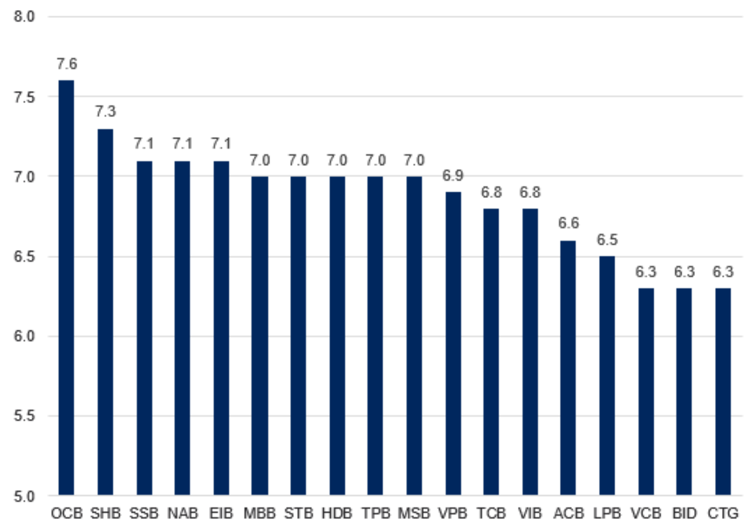
The interbank overnight interest rate cooled down in 1H23



Deposit rates declined markedly in the first half of 2023 (Unit:%)



12-month term deposit interest rates of some commercial banks (unit: %)

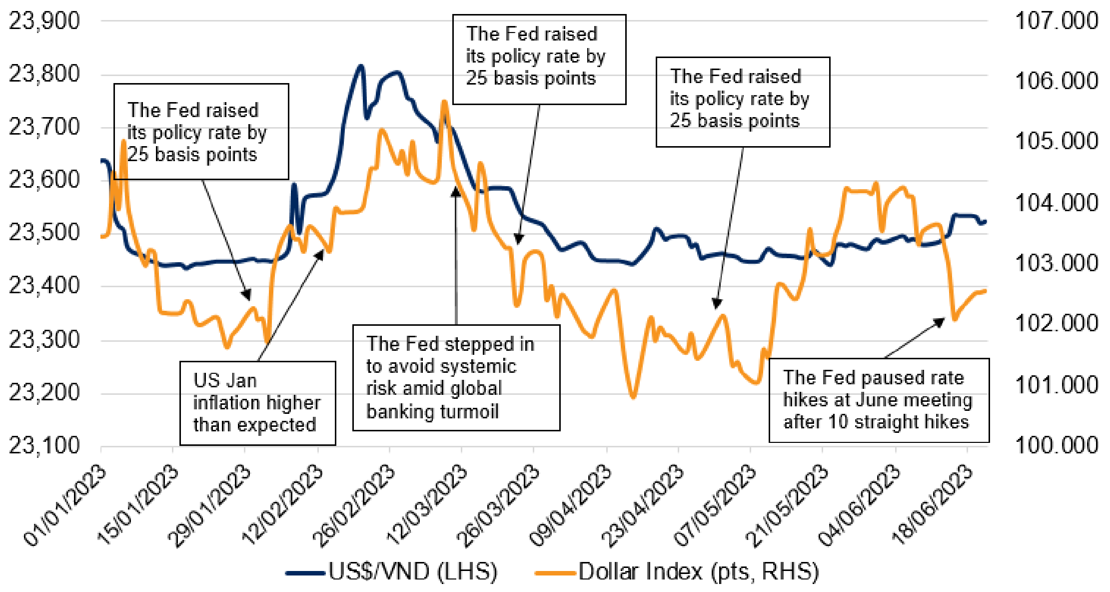


- Since the beginning of 2023, the average 3-month deposit interest rate of commercial banks has decreased by about 137 bps, while the average 12-month deposit rate has decreased by 124 bps, as data at Jun 29, 2023.
- Interbank interest rates cooled down in 1H23. On Jun 19, 2023, the overnight interbank interest rate fell below 1%, significantly lower than the 5% level at the beginning of 2023.

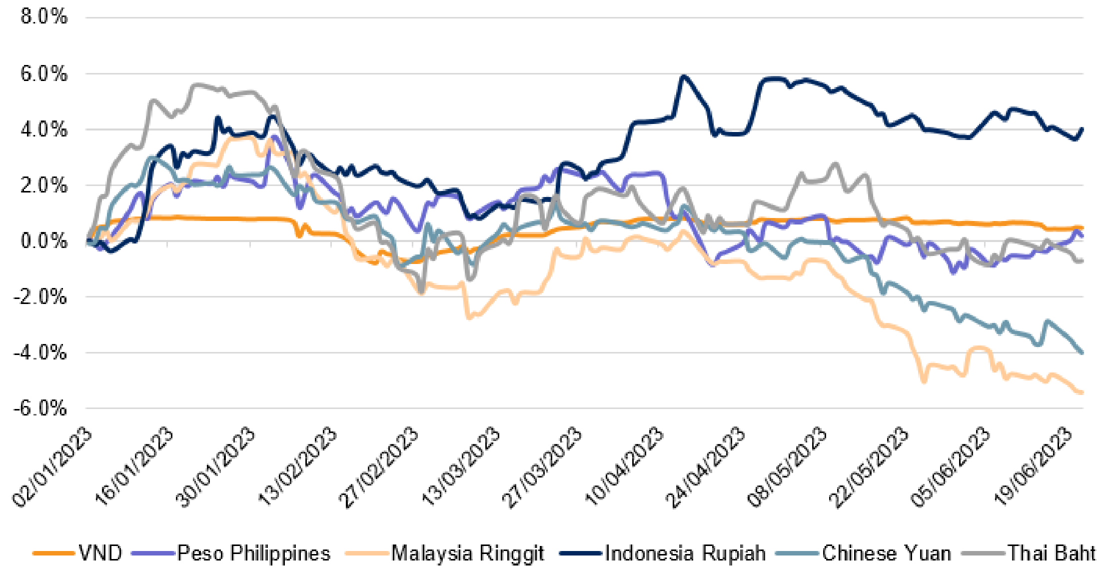
Source: COMMERCIAL BANKS, BLOOMBEG, VNDIRECT RESEARCH

Stable exchange rate in 1H23

The US$/VND edged down 0.5% ytd (data as at Jun 21, 2023)



Regional currencies vs. the US$ (+/- % ytd) (data as at Jun 21, 2023)



- As of Jun 21, 2023, DXY fell to 102.6pts (-0.9% ytd). The softer DXY has brought the US$/VND down 0.5% ytd to 23,524. Among regional currencies, the USD depreciated against Philippine Peso (-0.2% ytd) and Indonesian Rupiah (-4.0% ytd) while edged up against Thai Baht (+0.7% ytd), Chinese Yuan (+4.0% ytd) and Malaysia Ringgit (+5.4% ytd),
- Thanks to lower exchange rate pressure, the SBV has added about US$6bn in 1H23, lifting the foreign exchange reserves to about US$93bn. As a result, the SBV has pumped out about VND140,000bn into the economy to buy US$, thereby supporting liquidity of the banking system and lowering domestic interest rates.

Source: BLOOMBERG, SBV, VNDIRECT RESEARCH

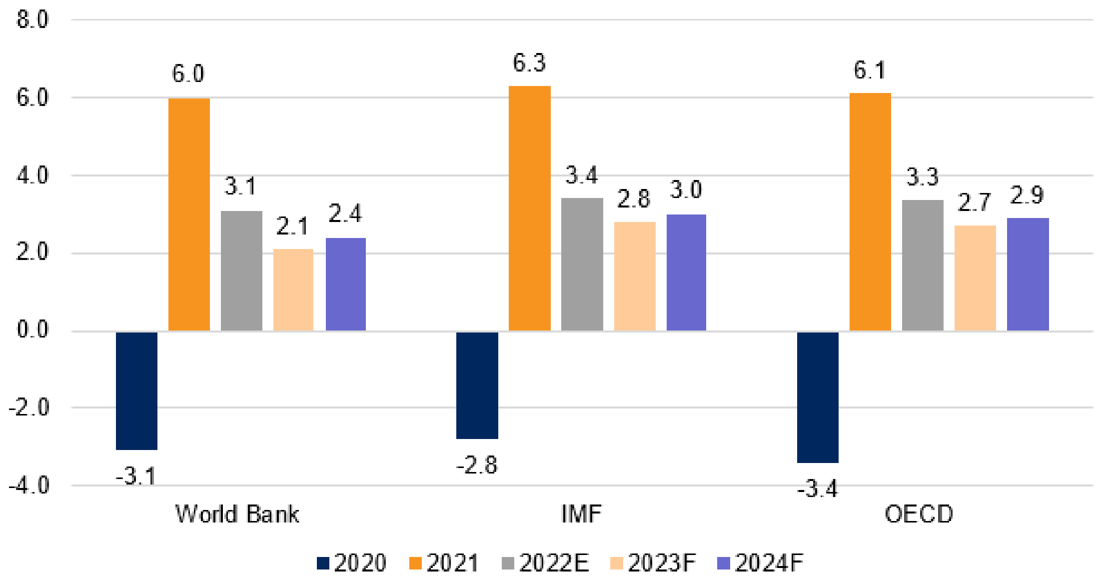
Macro Outlook 2H23

Turn the tables

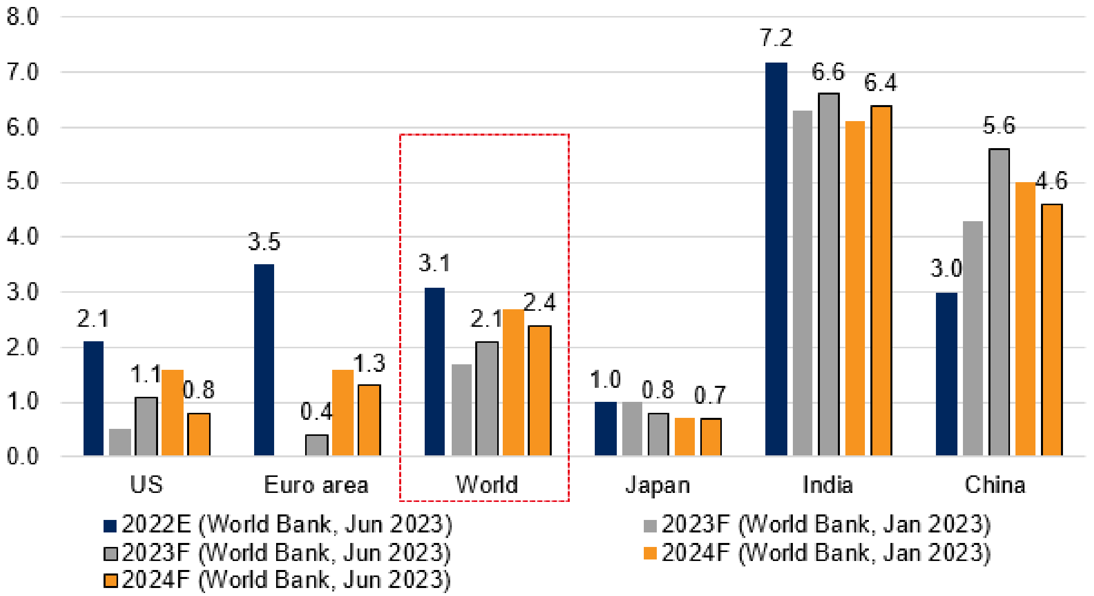
Sluggish global economic growth

Global growth will still face stiff challenges in 2H23, including: higher interest rate environment, financial sector instability leading to tighter credit conditions, and ongoing lagging impacts of the COVID-19 pandemic and the Russia-Ukraine conflict.

Global growth is forecasted to decelerate in 2023 before seeing a modest recovery in 2024 (Unit: %)



Growth to slow in most region in 2023 (Unit: %)



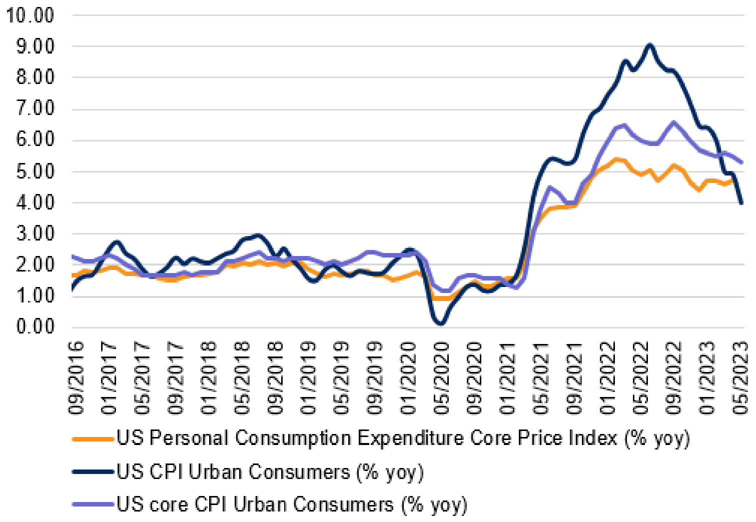
- Recently, several major institutions have raised their forecasts for global economic growth in 2023 as the US, China and other major economies have demonstrated better resilience than forecast. Specifically, the World Bank raised its global growth forecast for 2023 to 2.1% from the previous forecast of 1.7% while the OECD lifted its global growth forecast for 2023 to 2.7% (previous forecast was 2.6%). However, the growth projections for 2023 are still significantly below actual growth in 2022, especially in advanced economies (see details in the left chart).
- The global economy is likely to face major challenges in 2H23 and 2024, including: higher interest rate environment, financial sector instability leading to tightening credit conditions, and ongoing impacts of the COVID-19 pandemic and the Russia-Ukraine conflict. As a result, most research institutions only expect a modest recovery of the global economic growth in 2024 from the very low base of 2023.

Source: WORLD BANK, IMF, OECD

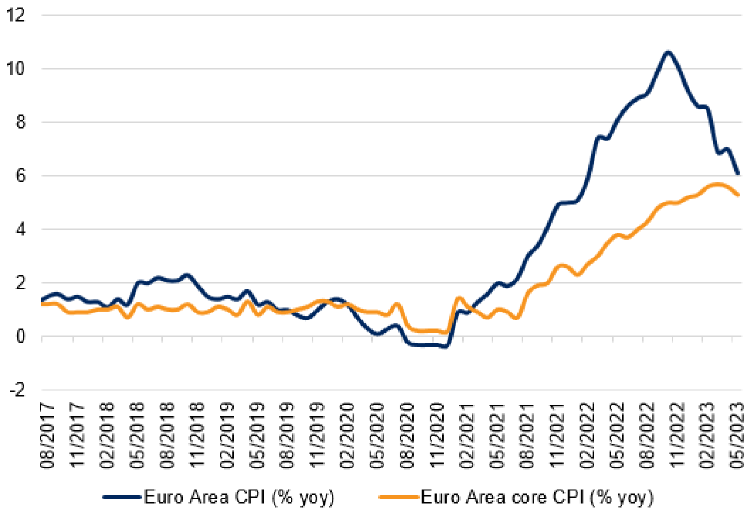
Inflation in developed countries is likely to decelerate further in 2H23

Inflation cooled down markedly in developed economies in 1H23

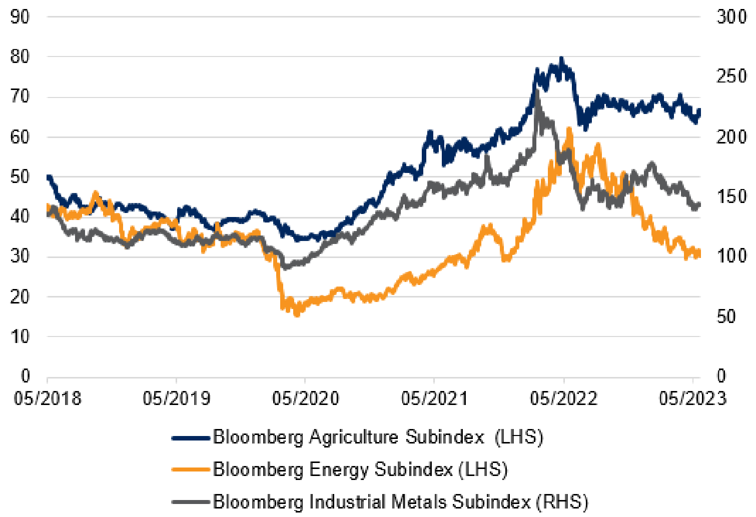
The U.S. CPI in May 2023 dropped to the lowest level in more than 2 years



The Euro Area CPI fell to a 15-month low in May 2023



Lower energy and raw material prices are important factors to help cool down inflation

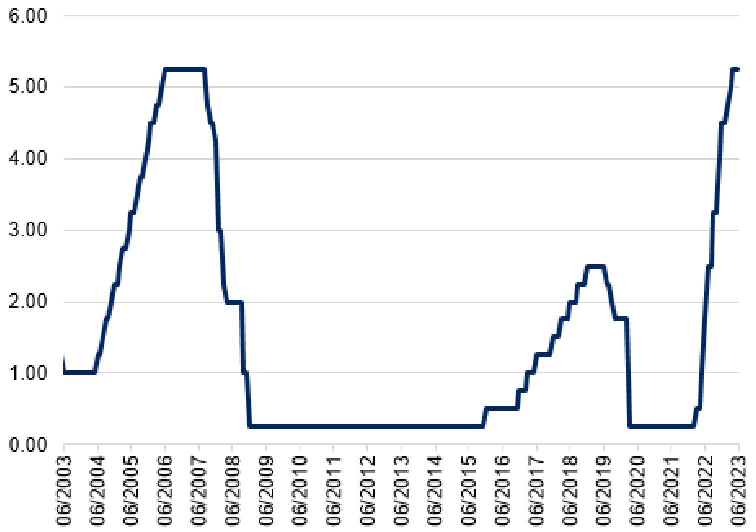


- Inflation cooled down markedly in developed economies in 1H23. Specifically, the U.S. CPI rose by 4.0% yoy in May 2023 (compared to 4.9% yoy in Apr 2023), the lowest level in more than 2 years. Meanwhile, the Euro Area CPI fell to a 15-month low of 6.1% yoy in May 2023.
- However, the core inflation indexes are still maintaining at a fairly high level and are unlikely to fall back to the target levels of the Fed and ECB soon.
- We expect inflation pressure in developed economies to cool down further in 2H23 thanks to (1) Fed & ECB aggressively raised policy rates to curb inflation, (2) Recent financial sector turmoil in the US and Europe prompts further tightening of credit conditions, which will weaken consumption and private investment. Upside risk is the escalation of the Russia-Ukraine conflict, which could disrupt supply chains and cause supply shortages for essential commodities such as food and energy.

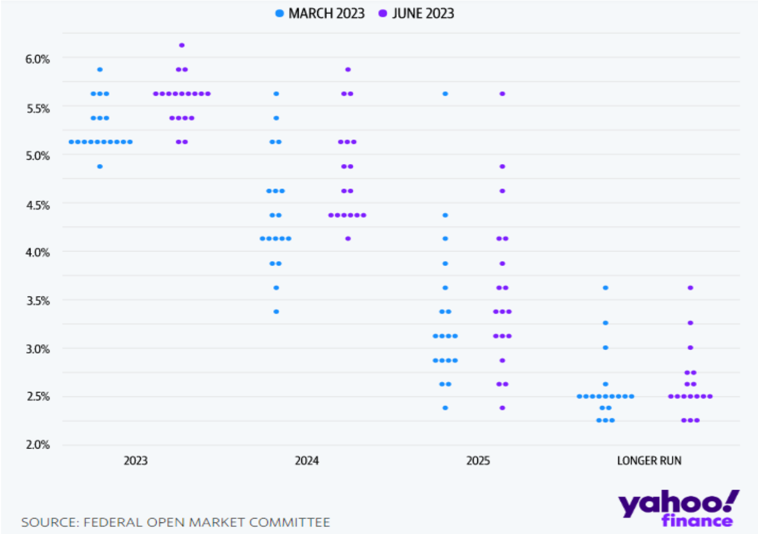
Source: BLOOMBERG

End may be in sight for global rate-hike cycle as FED nears peak

Fed paused rate hikes at its latest meeting



Fed's Dot Plot signals two more rate hikes towards the end of 2023



However, the market now expects only one more rate hike in the second half of 2023

MEETING PROBABILITIES

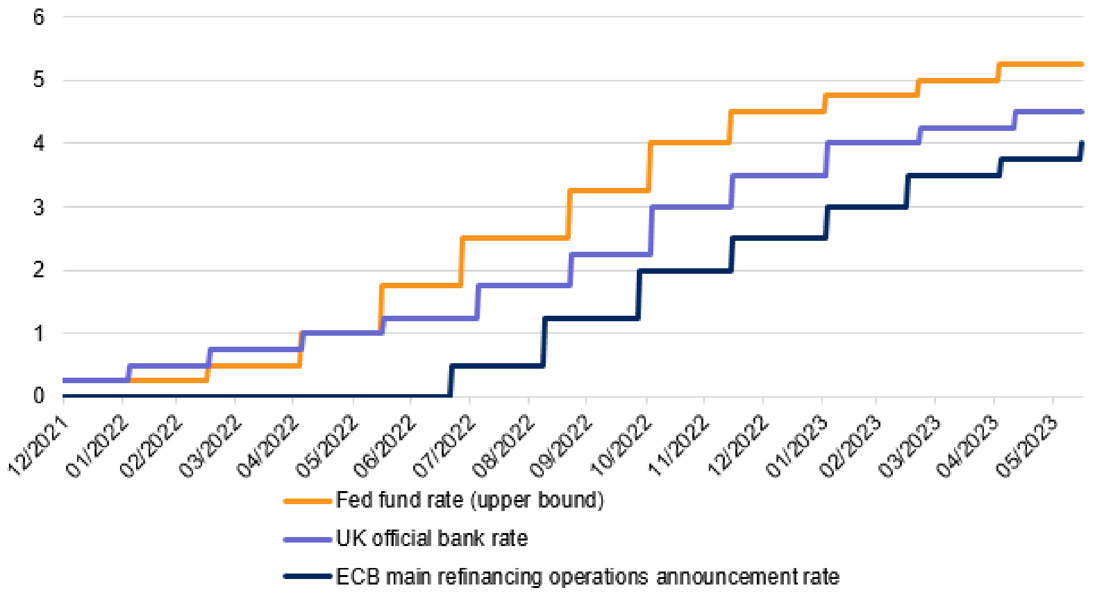
MEETING DATE	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550	550-575
7/26/2023					0.0%	0.0%	0.0%	0.0%	0.0%	28.1%	71.9%	0.0%
9/20/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	23.0%	64.0%	12.9%
11/1/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%	25.3%	61.2%	12.2%
12/13/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	6.6%	33.2%	50.4%	9.5%
1/31/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	3.1%	18.7%	41.0%	31.8%	5.2%
3/20/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	2.0%	12.9%	32.8%	35.2%	15.1%	1.9%
5/1/2024	0.0%	0.0%	0.0%	0.0%	0.1%	2.0%	12.6%	32.2%	35.2%	15.6%	2.3%	0.1%
6/19/2024	0.0%	0.0%	0.0%	0.0%	1.3%	8.6%	24.8%	34.0%	23.0%	7.3%	0.9%	0.0%
7/31/2024	0.0%	0.0%	0.0%	1.1%	7.5%	22.3%	32.6%	24.7%	9.7%	1.9%	0.2%	0.0%
9/25/2024	0.0%	0.0%	0.9%	6.2%	19.3%	30.6%	26.3%	12.7%	3.5%	0.5%	0.0%	0.0%
11/6/2024	0.0%	0.7%	5.3%	17.2%	28.7%	27.0%	15.0%	5.0%	1.0%	0.1%	0.0%	0.0%
12/18/2024	0.4%	3.3%	12.0%	23.7%	27.7%	20.2%	9.3%	2.7%	0.5%	0.1%	0.0%	0.0%

- The Fed paused rate hikes at June meeting after 10 straight hikes. This move left the federal funds rate steady at a range of 5% to 5.25%. However, the Fed signaled the possibility of two more rate hikes this year due to a stubborn inflation. However, rate hike is uncertain and will be decided at each meeting based on actual inflation and economic data. The Fed's Dot Plot shows the US central bank could start cutting rates in 2024.
- While there could be another 1-2 rate hikes by the Fed in 2H23, the federal funds rate could be nearing its peak, suggesting the rate hike cycle is coming to an end.

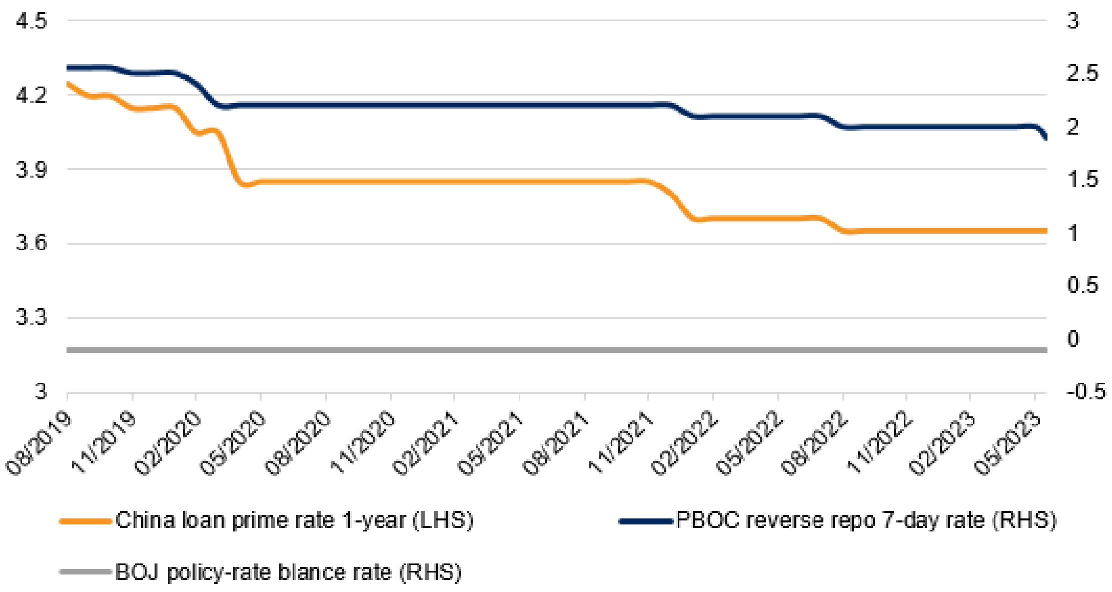
Source: FED, YAHOO FINANCE, CME GROUP

More divergence in monetary policy among major central banks

FED, ECB and BOE raised interest rates to curb inflation… (unit: %)



…while PBOC and BOJ loosened monetary policy to support economic growth (unit: %)



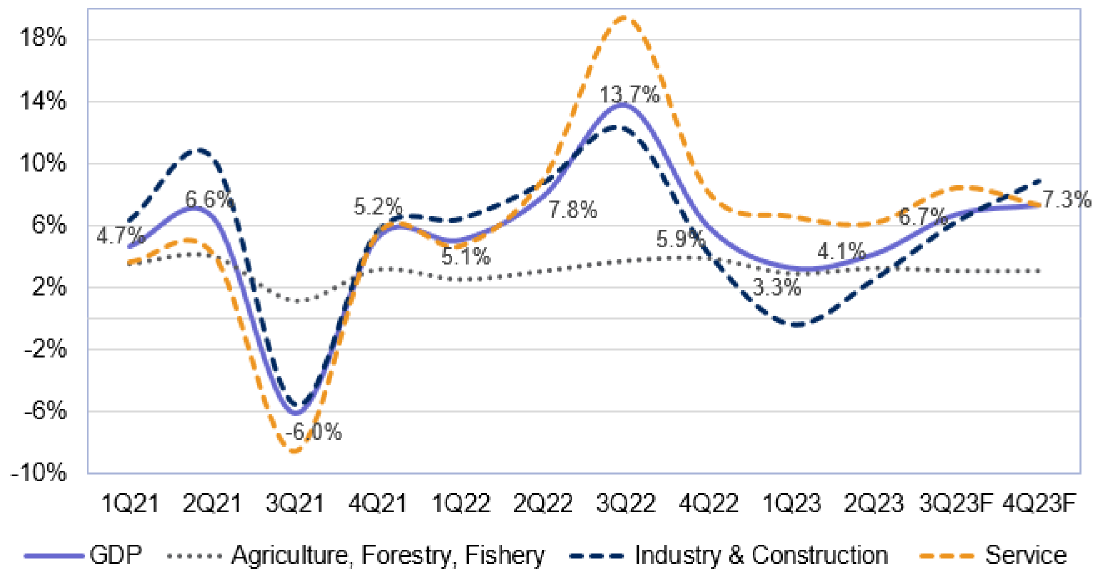
- We see a growing divergence in monetary policy among the major central banks. While the FED, ECB (European Central Bank) and BOE (Bank of England) sharply raised their policy interest rates to curb inflation, the PBOC (Bank of China) and BOJ (Bank of Japan) loosened monetary policy to support economic growth.
- Specifically, the BOJ has maintained its policy-rate balance rate at near zero to support the economy to overcome the impact of the COVID-19 pandemic. Even more, the PBOC has just decided to lower the 7-day reverse repo rate to support the economy due to lower-than-expect recovery in 5M23.

Source: BLOOMBERG, VNDIRECT RESEARCH

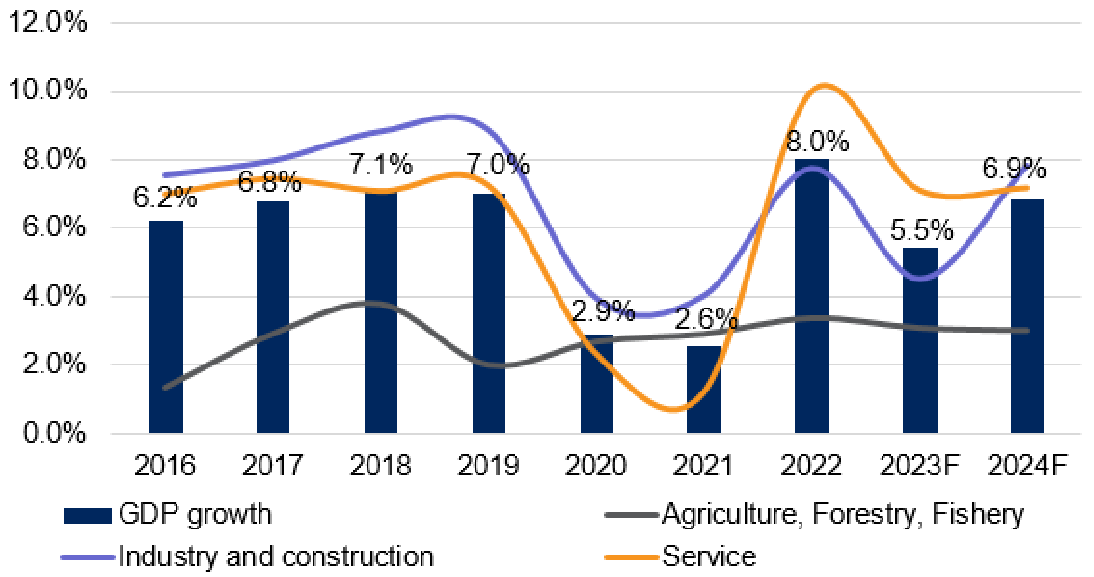
We expect Vietnam's economy to accelerate recovery in 2H23

Fiscal expansion policy and falling domestic interest rates are the two main factors driving Vietnam's economic recovery in the second half of 2023.

Vietnam's economy would bounce back in 2H23 (Unit: %)



…and further accelerate growth in 2024 (Unit: %)

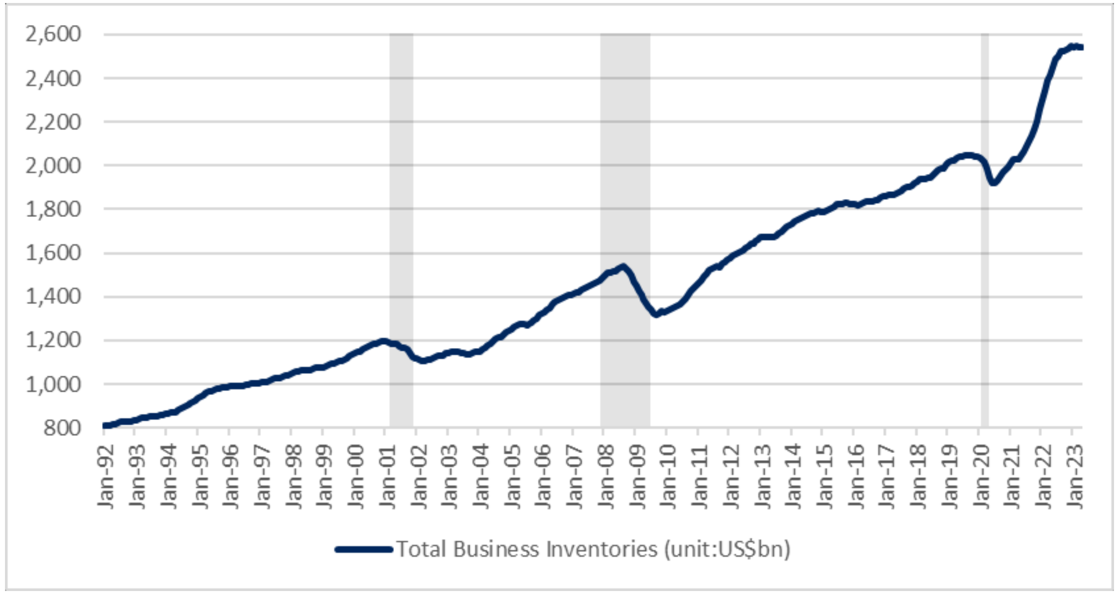


- We expect Vietnam's GDP to increase 7.1% yoy (+/-0.3% pts) in 2H23F (vs. +3.7% yoy in 1H23), thus lifting 2023 full-year growth rate to 5.5% yoy (+/-0.2% pts). We expect Vietnam's economy to maintain its recovery momentum next year and forecast GDP growth of 6.9% yoy (+/-0.3% pts) in 2024F.
- The main supports come from: (1) The government implements a strong expansionary fiscal policy to support growth, (2) Lower lending interest rates help stimulate consumption and private investment, (3) International tourist arrivals continue to recover, especially from China, and (4) Vietnam's agricultural and manufacturing export orders are likely to recover from 4Q23 amid declining inventories in developed markets.

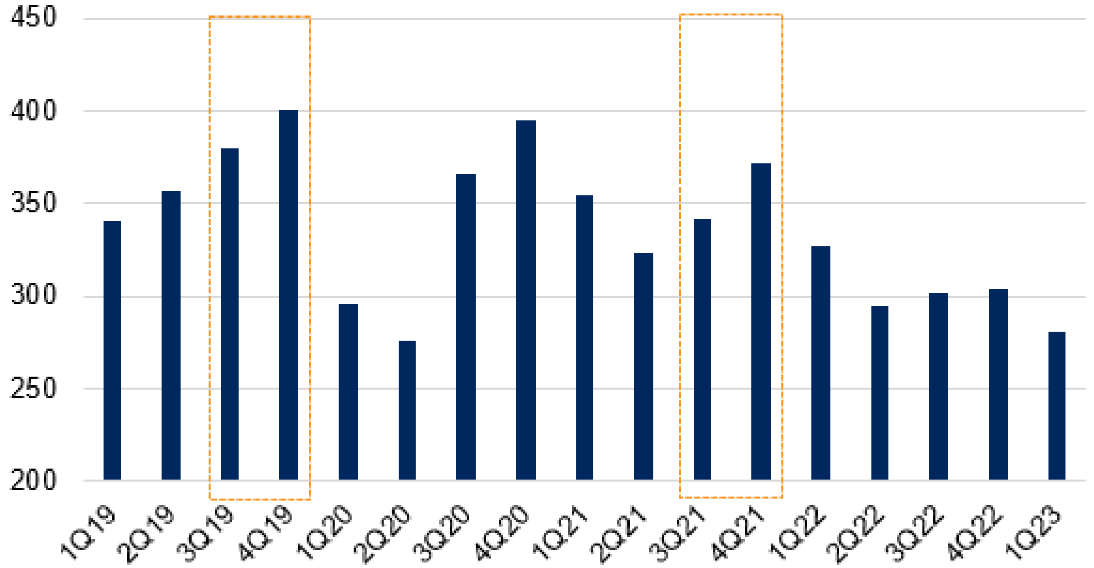
Source: GSO, VNDIRECT RESEARCH

We expect Vietnam's export to rebound in 4Q23

The U.S. total business inventories peaked in 1Q23



Global smartphone shipments (million products)

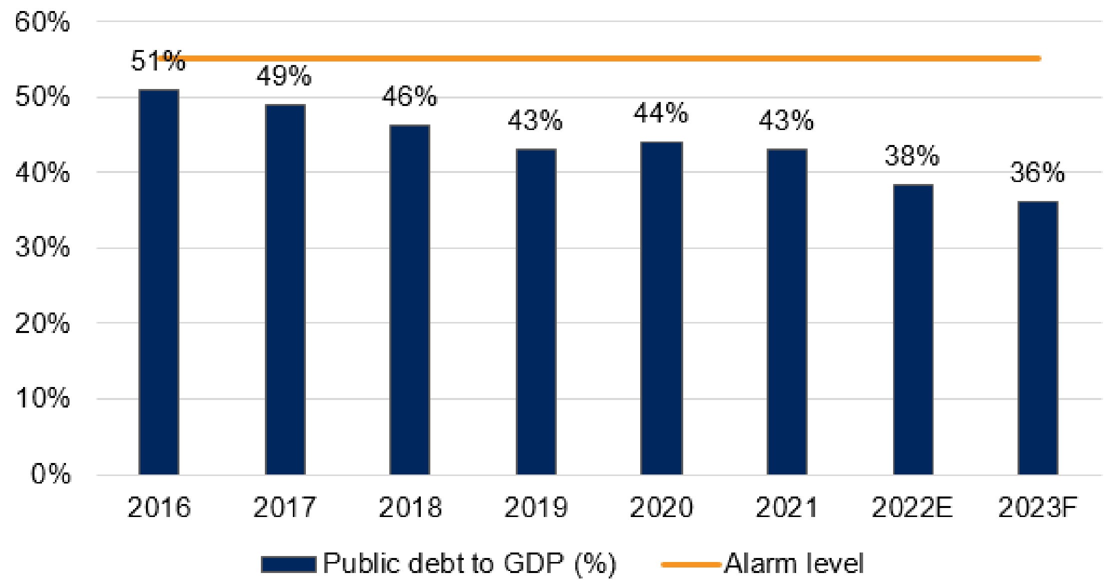


- The sharp increase in the U.S. total business inventory is one of the most important factors that caused the number of new orders for Vietnam's exports to drop sharply in the 4Q22 to 2Q23 period. However, inventories in the US peaked at the end of 1Q23 and are expected to decline towards the end of 2023. Therefore, we expect Vietnam's exports to rebound in 4Q23 due to (1) the decrease in inventories in the developed countries will stimulate demand for Vietnam's exports, (2) the cycle of replacing old smartphones with newer ones is 25.3 months, or about 2 years (according to a research of China Mobile Terminal Lab), which will boost demand for Vietnam's smartphone exports from 4Q23, (3) The full impact of demand recovery from China after the economy reopens.

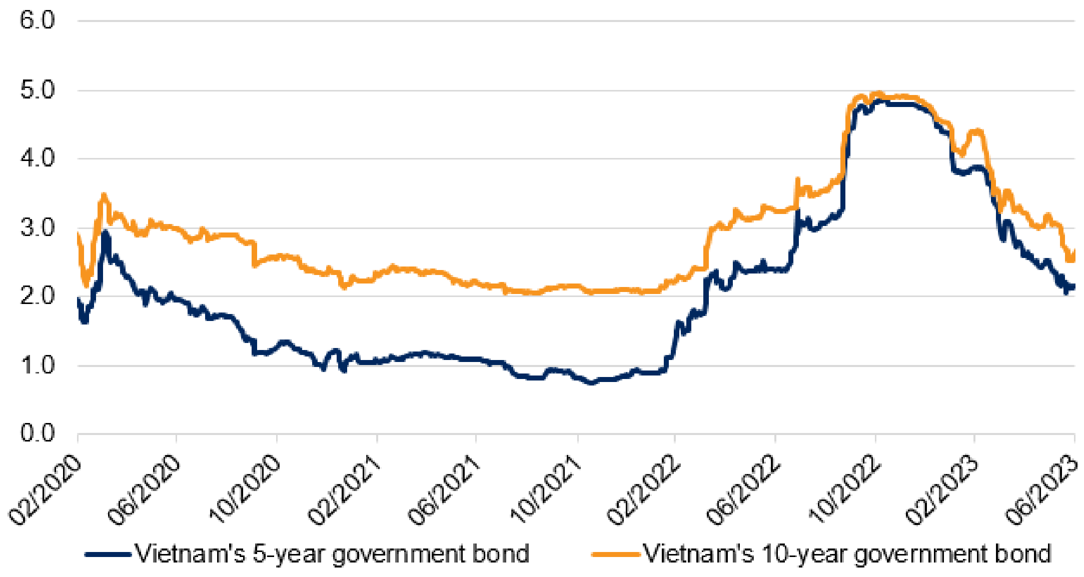
Source: MARKET MONITOR SERVICE, VNDIRECT RESEARCH

Vietnam has relatively favorable conditions to implement expansionary fiscal policy to promote economic growth

Vietnam's public debt-to-GDP ratio has fallen sharply in the past few years



Vietnam's government bond yield dropped significantly since the beginning of 2023 (Unit: %)



- We now see a number of supporting factors allowing the government to implement expansionary fiscal policy in 2H23, including: (1) Low public debt give space for loose fiscal policy to support economic recovery, (2) Yields of Vietnam's government bonds dropped sharply since the beginning of 2023 and (3) Domestic inflation cooled down significantly in the past few months.
- Expansionary fiscal policy includes: accelerating disbursement of public investment, reducing taxes and fees (lowering VAT by 2%, reducing registration tax by 50% for domestically produced cars), increasing basic salary for state officials and employees from Jul 1, In addition, state-owned enterprises (such as PVN) may also increase investment in the coming times to coordinate with the government's fiscal policy.

Source: MOF, BLOOMBERG, VNDIRECT RESEARCH

VNDIRECT
WISDOM TO SUCCESS

Supportive fiscal policies are being implemented

List of some fiscal support policies implemented in 2023

Legislative documents	Taxes	Terms & conditions
Decree No. 12/2023/ND-CP extending deadlines for tax payments and land rental fees in 2023	For value-added tax (VAT)	-The deadline for payment of VAT for the tax period of Mar 2023 is Oct 20,2023 - The deadline for payment for the tax period of the first quarter of 2023 is Oct 31,2023 - The deadline for payment for the tax period of Apr 2023 is Nov 20, 2023 - The deadline for payment for the tax period of May 2023, Jun 2023, Jul 2023 and Aug 2023 is Dec 20, 2023 - The deadline for payment for the tax period of the second quarter of 2023 is Dec 31, 2023
	For corporate income tax (CIT)	The deadline for payment of CIT for the tax period of the first and second quarters of 2023: The extended duration is 3 months from the deadline for CIT payment
	For value-added tax (VAT) and personal income tax (PIT) of business households and business individuals	The deadline for paying VAT and PIT of business households and business individuals for the tax period of 2023 is Dec, 30, 2023
	For land rental	To extend the deadlines for payments of 50% of the land rental amounts payable in 2023 and the extension duration is 6 months from May 31, 2023 to Nov 30, 2023
Draft decree on reducing registration tax for cars	Registration fees for domestically manufactured and assembled cars	Accordingly, the government plans to reduce 50% of registration fees for domestically manufactured and assembled cars. The application period is 6 months, from July 1 to the end of this year.
Draft resolution on value-added tax reduction	The government proposes to reduce the VAT rate by 2 percentage points for some goods and services taxable at 10%	- Enterprises are entitled to apply the VAT rate of 8% for goods and services currently applying the 10% tax rate (except in the fields of finance, banking, real estate, telecommunications, etc.) - Business establishments (including business households and business individuals) that calculate VAT according to the percentage method on turnover are entitled to a reduction of 20% of the percentage rate to calculate VAT when issuing invoices for goods and services elegible for VAT reduction (according to Clause 1, Article 1 of draft resolution)

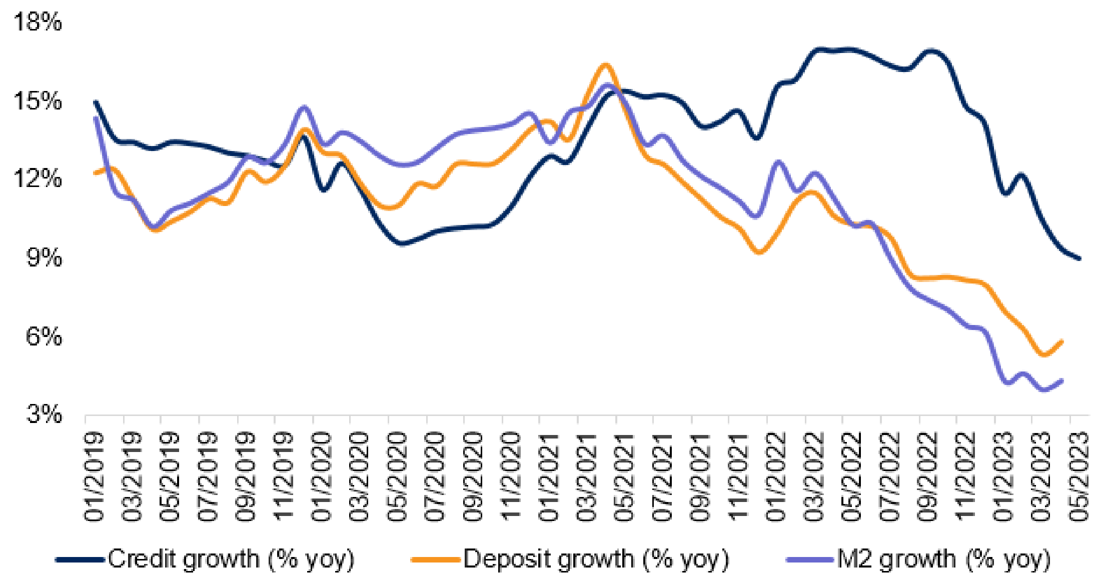
- The implementation of Decree 12/2023/ND-CP allows businesses to retain a portion of tax money for a time to funding short-term capital, thereby reducing financial cost and loan interest in the context of current mobilization channels, such as credit, corporate bonds and equity market, face difficulties.
- The government has submitted to the Congress for consideration and promulgation a Resolution on VAT reduction to support people and businesses. Accordingly, subjects entitled to a 2% VAT reduction (from 10% to 8%) will remain the same as Resolution No. 43/2022/QH15 on reducing VAT 2% in 2022, i.e., excluding sectors such as telecommunications, securities, real estate, and banking.
- The government is planning to reduce 50% of registration fees for domestically manufactured and assembled cars. The application period is 6 months, from July 1 to the end of this year.
- In addition, the government will increase the basic salary for state officials and employees from July 1, 2023

Source: VNDIRECT RESEARCH

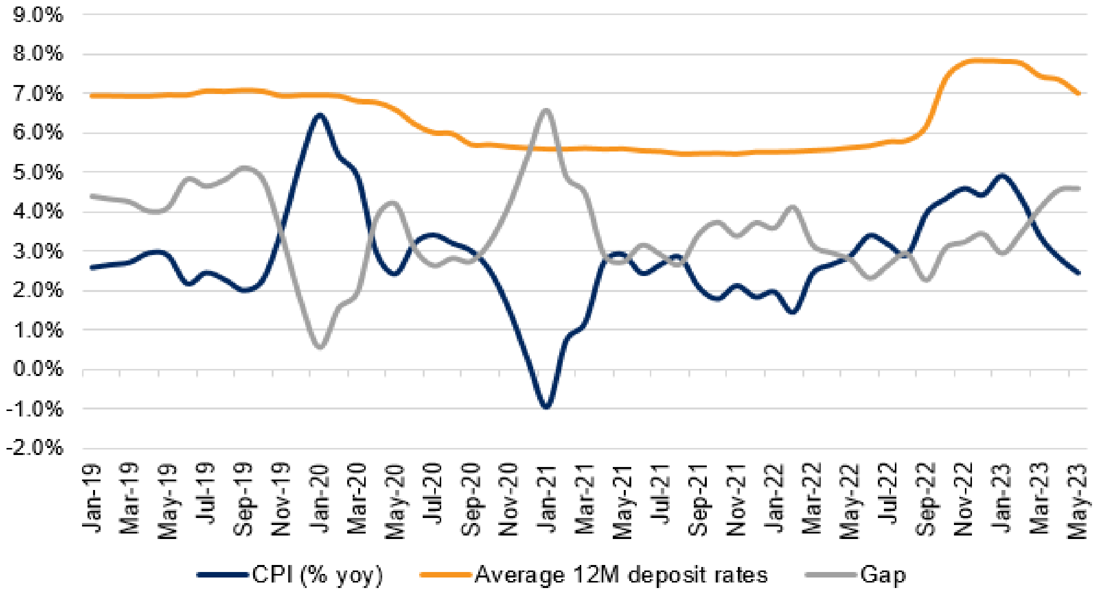
Interest rates likely to fall further in the second half of 2023

We expect deposit and lending rates to maintain a downward trend in the second half of 2023

Credit growth decelerated sharply in 5M23



Vietnam still has room to reduce interest rates further in the context of easing inflation pressure

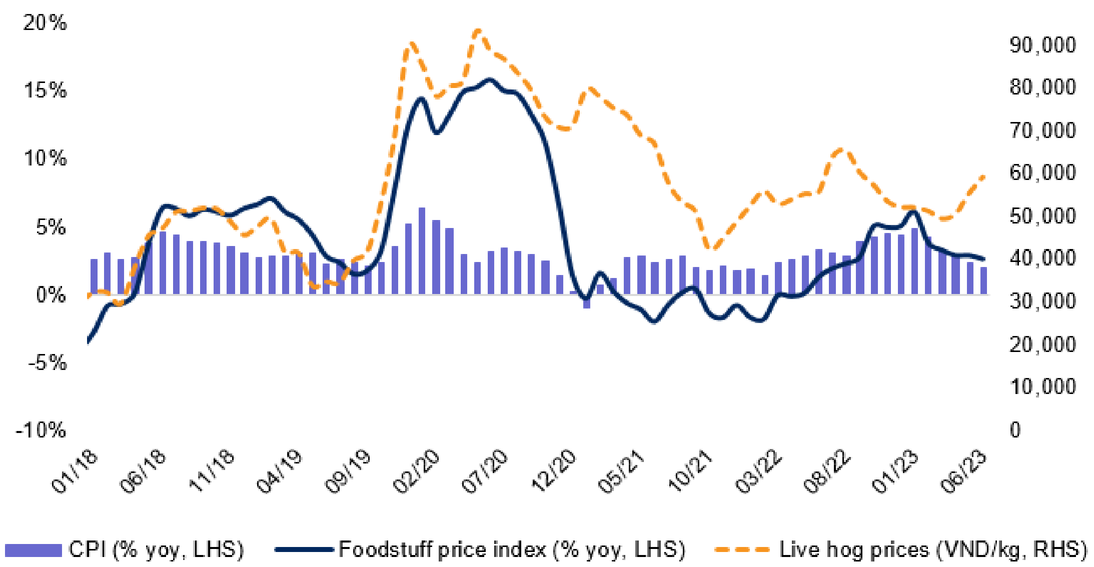


- We expect the average 12-month deposit interest rate drop to 6.0-6.5% p.a by the end of 2023, based on the following reasons: (1) the impacts of SBV's rate cuts, (2) weak credit demand due to economic slowdown and gloomy real estate market, (3) the government will further promote public investment, thereby injecting more money into the economy and (3) SBV still has room to decrease its policy rates.
- Lending interest rates would decrease significantly in 2H23 as the cost of capital of commercial banks is decreasing thanks to: (1) the impacts of SBV's rate cuts in 1H23 and (2) SBV issued Circular 02 allowing extension of provision for bad debts, etc.

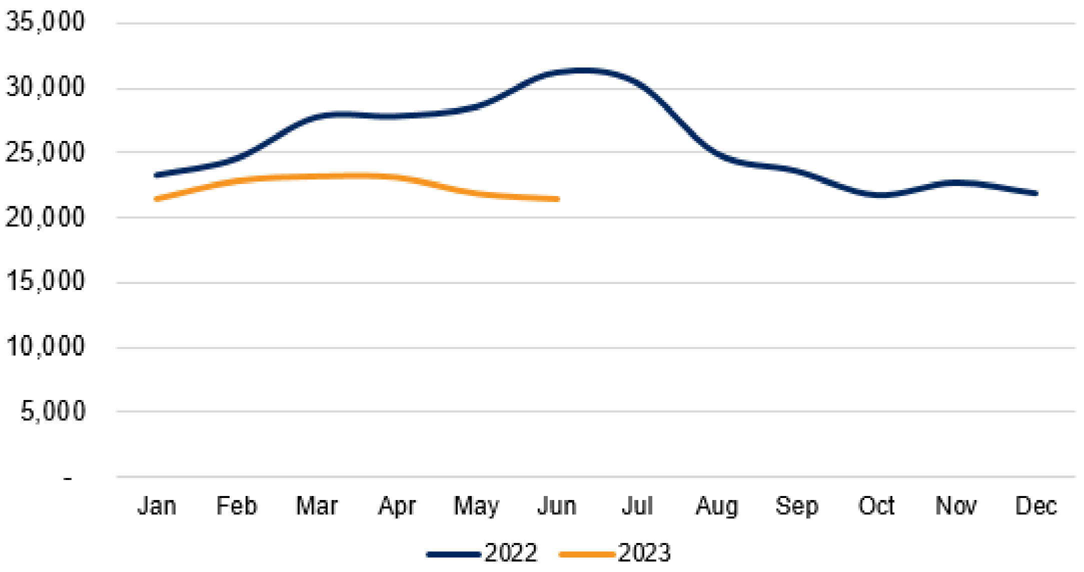
Source: SBV, GSO, VNDIRECT RESEARCH

Inflation would be under control in 2H23

Live hog price edged up since Apr 2023



RON 95 gasoline price (Unit: VND/liter)

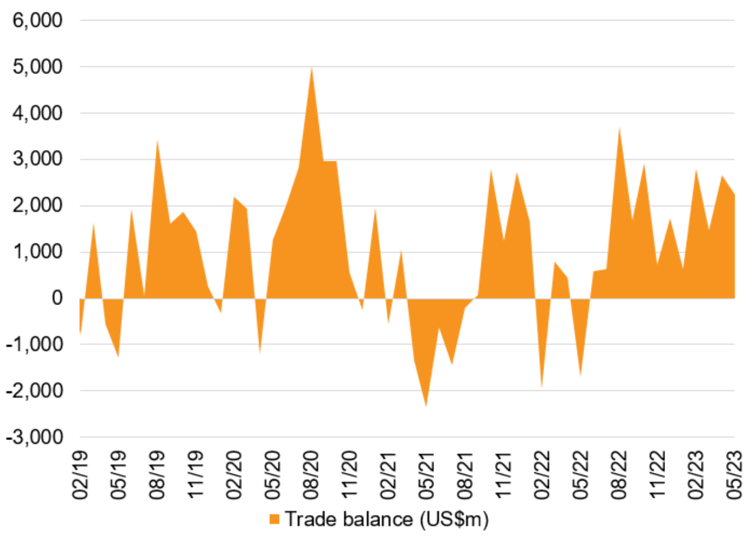


- We see a number of factors that could put more pressure on domestic inflation in 2H23: (1) Gasoline price difference between 2H23 and 2H22 will be much smaller than price difference between 1H23 and 1H22, (2) Government raising basic salary for state officials and employees from 1 July, 2023 could put pressure on inflation.
- However, we believe that inflationary pressure will be kept under control due to weak domestic aggregate demand in the context of low economic growth. Overall, we lower the average inflation forecast for Vietnam in 2023 to 3.3% (+/-0.2% pts), thereby meeting the Government's target of controlling inflation below 4.5%.

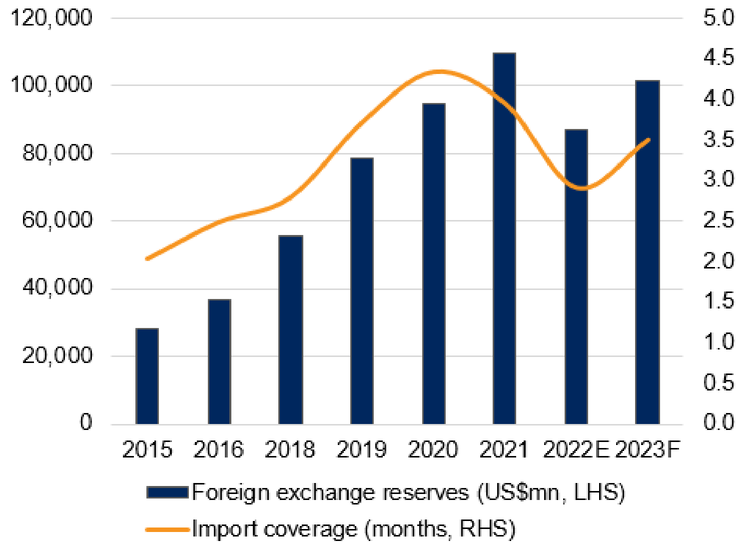
Source: GSO, VNDIRECT RESEARCH

The VND exchange rate would experience stronger volatility in 2H23

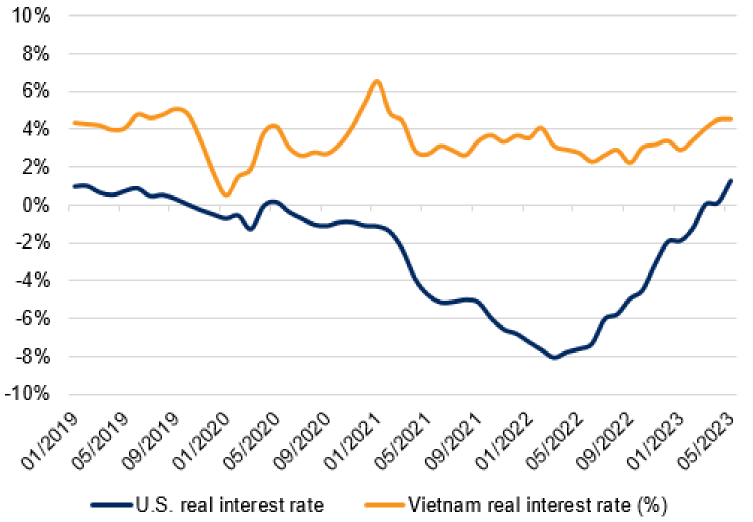
Trade surplus markedly improved in 1H23



Vietnam's foreign reserves to improve in 2023



Vietnam offers high real interest rates (unit: %)



- We see a number of factors that could put more pressure on the VND exchange rate in 2H23, including (1) The Fed funds rate is likely to remain at a peak until the end of 2023, while the SBV intends to lower interest rates to support growth, (2) Domestic inflation could pick up from late-3Q23. On the other hand, the VND exchange rate will be supported by: (1) Ongoing trade surplus, (2) Stable FDI and remittances, (3) More foreign currency supply from equity sales to foreign investors, (4) Vietnam maintains high real interest rates.
- In general, we think the exchange rate may fluctuate more strongly in the second half of 2023, however, the USD/VND exchange rate is forecast to fluctuate by no more than +/- 2.0% compared to the beginning of 2023.

Source: VIETNAM CUSTOMS, SBV, BLOOMBERG, VNDIRECT RESEARCH

Summary of Vietnam's macro forecasts for 2023

Key macro forecasts in 2023F

Indicator	Unit	2018	2019	2020	2021	2022	2023F
Real GDP growth	% yoy	7.5	7.4	2.9	2.6	8.0	5.5
Export growth	% yoy	13.3	8.4	6.9	18.9	10.5	-2.0
Import growth	% yoy	11.8	6.9	3.7	26.7	7.8	-3.0
Trade balance	USD bn	6.9	10.9	18.9	3.3	12.4	15.7
Current account balance	USD bn	5.8	12.8	12.7	-7.2	-1.1	6.2
Current account to GDP	% of GDP	1.9	3.8	3.7	-2.0	-0.3	1.4
FX reserves	USD bn	55.1	78.3	94.8	109.4	87.0	101.5
FX to GDP	% of GDP	17.8	23.4	27.4	29.9	21.6	23.2
Import coverage	months	2.8	3.7	4.3	3.9	2.9	3.5
CPI (period average)	% yoy	3.5	2.8	3.2	1.8	3.2	3.3
Credit growth	% ytd	13.9	13.7	12.1	13.6	14.0	10.0
Credit to GDP	% of GDP	102.9	106.3	114.3	123.2	125.3	130.4
M2 growth	% ytd	12.4	14.8	14.7	10.7	6.2	8.6
Refinancing rate	%	6.3	6.0	4.0	4.0	6.0	4.5
12M deposite interest rate (year-end)	%	6.9	7.0	5.6	5.6	7.8	6,0-6,5
Government bond 10Y (year-end)	%	5.1	3.4	2.4	2.1	4.8	2.7
Exchange rate (USD/VND)	% yoy	22,853	23,173	23,103	22,826	23,633	23,688
Fiscal balance	% of GDP	2.2	2.9	2.9	3.4	3.6	3.9
Public debt	% of GDP	46	43	44	43	38	36

- We forecast Vietnam's GDP to grow by 5.5% yoy (+/-0.2% pts) in 2022F.
- Inflation is expected to average at 3.3% yoy in 2023.
- We think the VND exchange rate would experience stronger volatility in 2H23, however, we expect the USD/VND exchange rate to fluctuate by no more than +/-2.0% compared to the beginning of 2023.
- We expect deposit and lending rates to maintain a downward trend in 2H23. We expect that the average 12-month deposit interest rate drop to 6.0-6.5% p.a by the end of 2023.
- Downside risks to our implication include: (1) Higher-than-expected global inflation, (2) Stronger-than-expected DXY could put more pressure on Vietnam's exchange rate, (3) Slower-than-expected economic growth of Vietnam's major trading partners hit Vietnam's exports harder.

Source: GSO, SBV, MOF, VNDIRECT RESEARCH

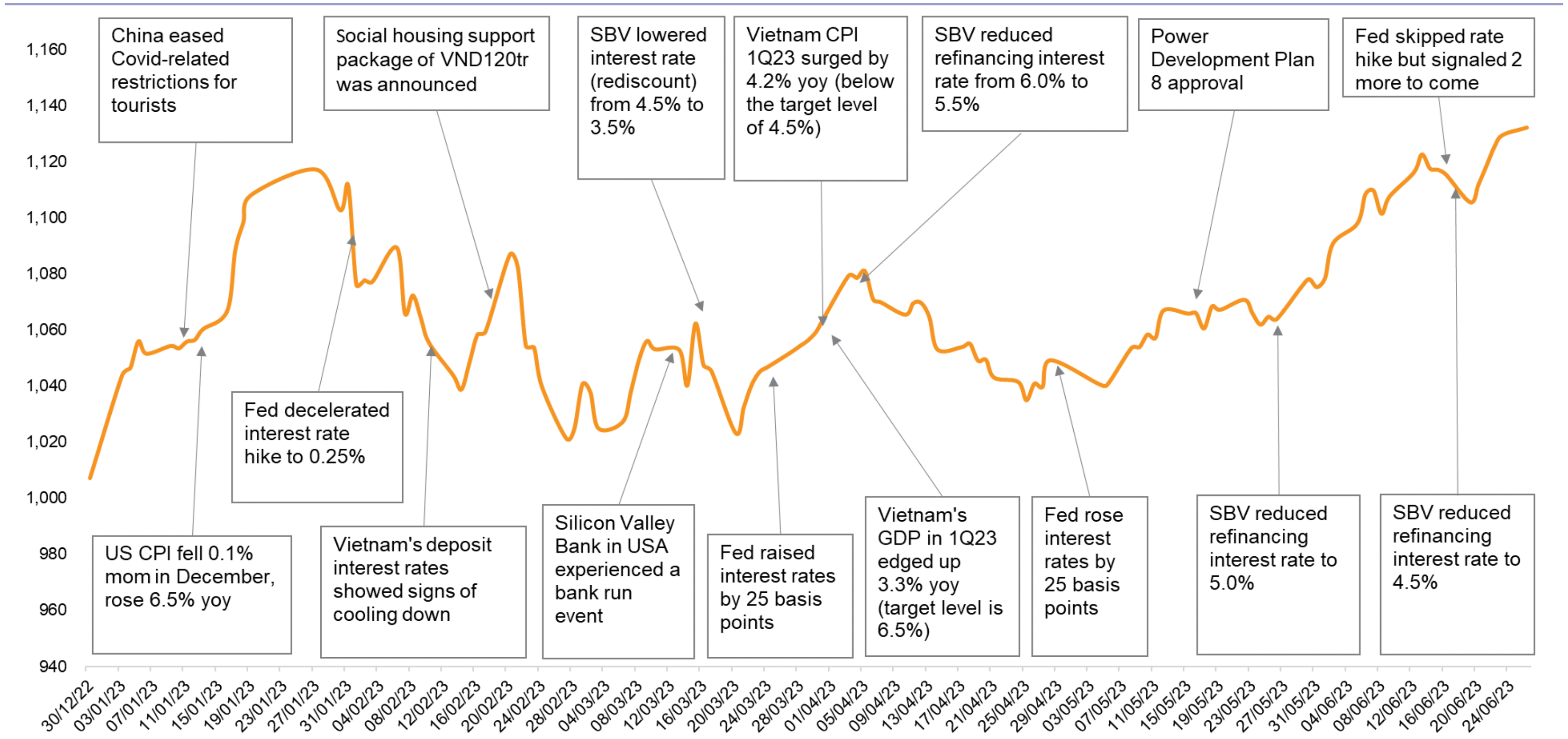
Market Overview

After winter comes spring

VNDIRECT

Vietnam stock market advanced in 1H23

VN-INDEX gained 12.4% ytd as of 26 Jun 2022



Following an impressive recovery in early 2023, VN-Index faced downward pressure due to internal and external risks. However, VN-Index bounced back significantly since Mar-23, reaching 1,132.0pts (+12.4% ytd) as of 26 Jun 2023. The market rally was supported by:

- SBV loosened monetary policy and drastically cut its policy interest rates.
- A series of regulations were released by the government in order to resolve the bottlenecks of the economy.
- The government expanded fiscal policy by promoting public investment and reducing or deferring taxes.

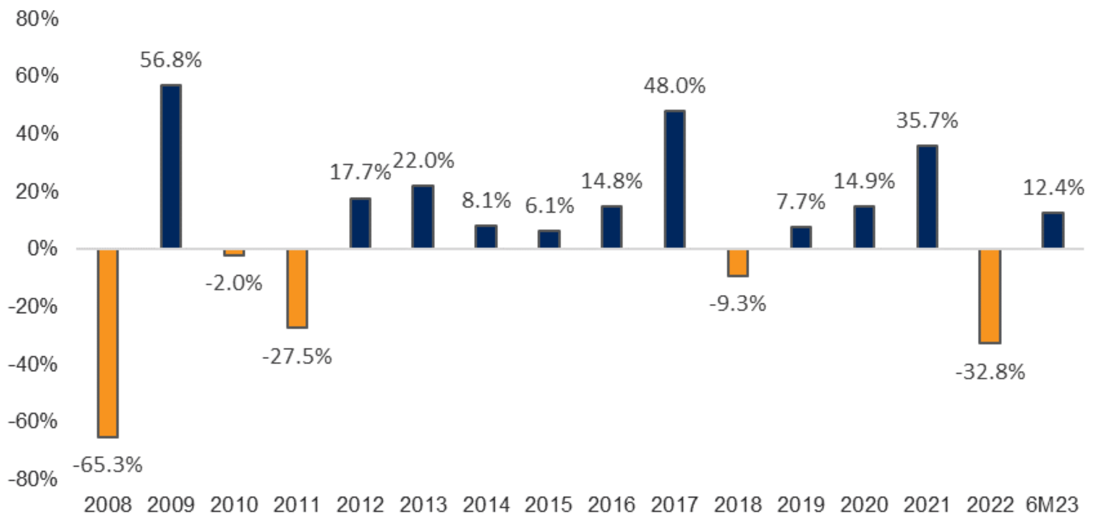
Correspondingly, since the beginning of 2023, the HNX-INDEX rose by 12.5% ytd and UPCOM-INDEX surged by 19.5% ytd.

Source: VNDIRECT RESEARCH, BLOOMBERG, data as of 26/06/2023

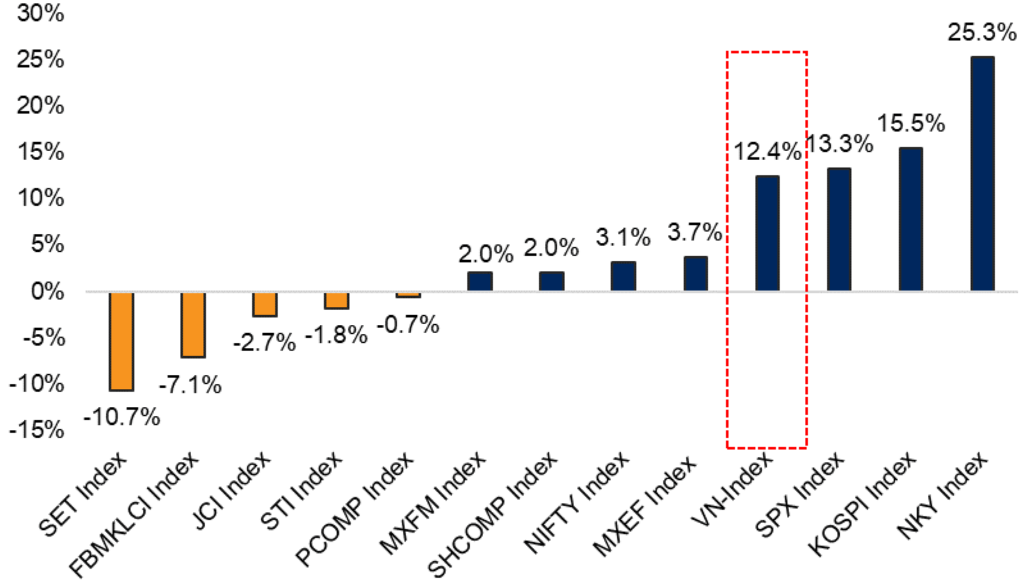
VN-INDEX outperformed regional peers in 1H23

VN-INDEX recorded the best performance in South East Asia

VN-INDEX posted a strong rebound in 1H23 *(data as of 26 Jun 2023)*



VN-INDEX outperformed peers in South East Asia in 1H23 *(data as of 26 Jun 2023)*



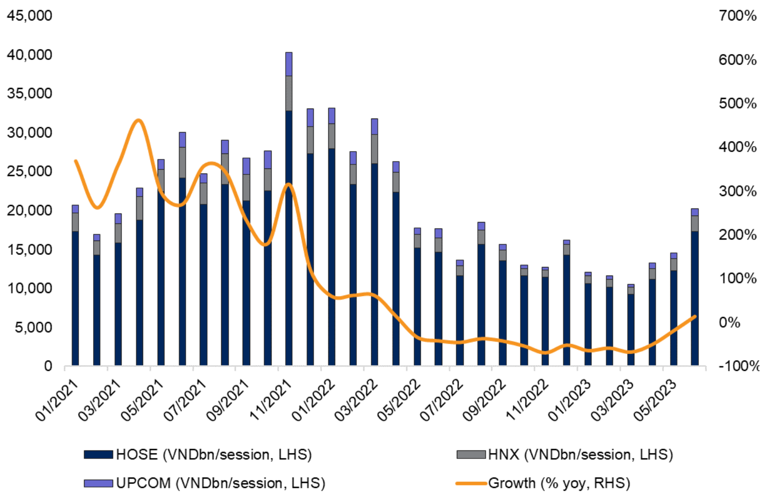
- Since the beginning of 2023, VN-INDEX increased 12.4% ytd, surpassing all regional peers in South East Asia, including Philippines (PCOMP index, -0.7% ytd), Singapore (STI index, -1.8% ytd), Indonesia (JCI Index, -2.7% ytd), Malaysia (FBMKLCI Index, -7.1% ytd) and Thailand (SET Index, -10.7% ytd). The turnaround of VN-INDEX was attributed mostly to (1) The SBV's rate cuts and (2) The government's policies to remove the current bottlenecks of Vietnam's economy.

Source: VNDIRECT RESEARCH, BLOOMBERG

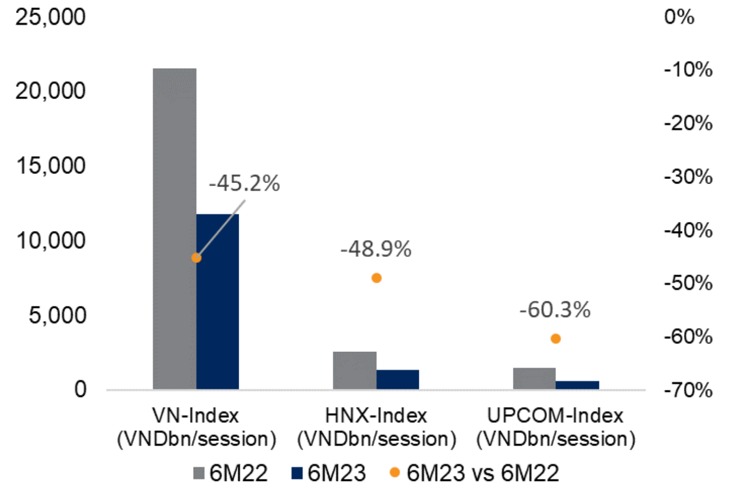
Stock market liquidity bounced back since Apr-23

Stock market liquidity has picked up again since Apr-23, fueled by a lower interest rate environment

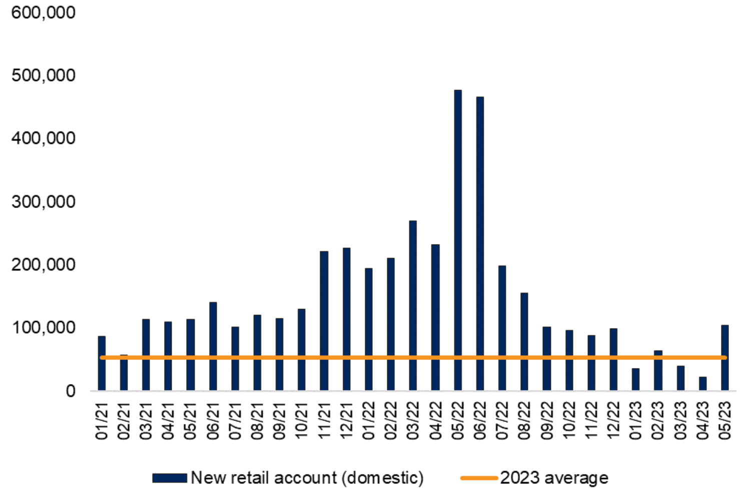
Average daily trading value has been recovering since Apr-23



1H23 liquidity slumped on 3 main bourses



New opening accounts on May-23 recorded the highest numbers in 2023



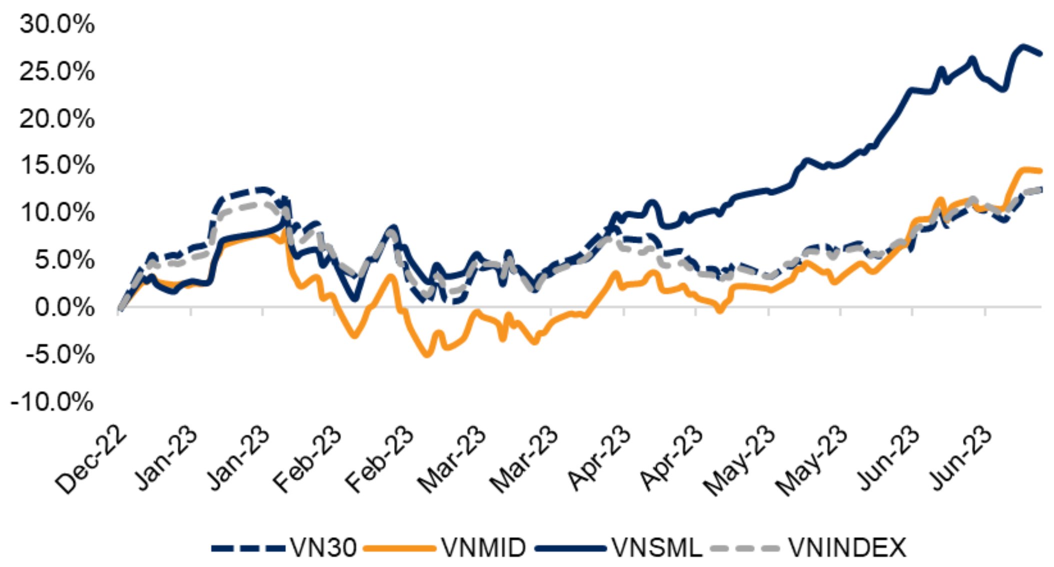
- The average trading value of the three exchanges slumped by 45.2% yoy to VND13,732bn/trading day in 6M23 (HOSE: VND11,812bn/trading day, -42.5% yoy; HNX: VND1,325bn/trading day, -48.9% yoy; UPCOM: VND596bn/trading day, -60.3% yoy). However, on month-to-month basis, market liquidity showed signs of recovering by surging 3 months in a row following the first policy rate cut of SBV in Mar-23.
- The number of new domestically opened accounts reduced significantly to 266,234 accounts in 5M23. However, aligned with the increase in liquidity, local investors opened 104.624 accounts in May-23, the highest number since Aug-22.

Source: VNDIRECT RESEARCH, VSD *(data as of 26 Jun 2023)*

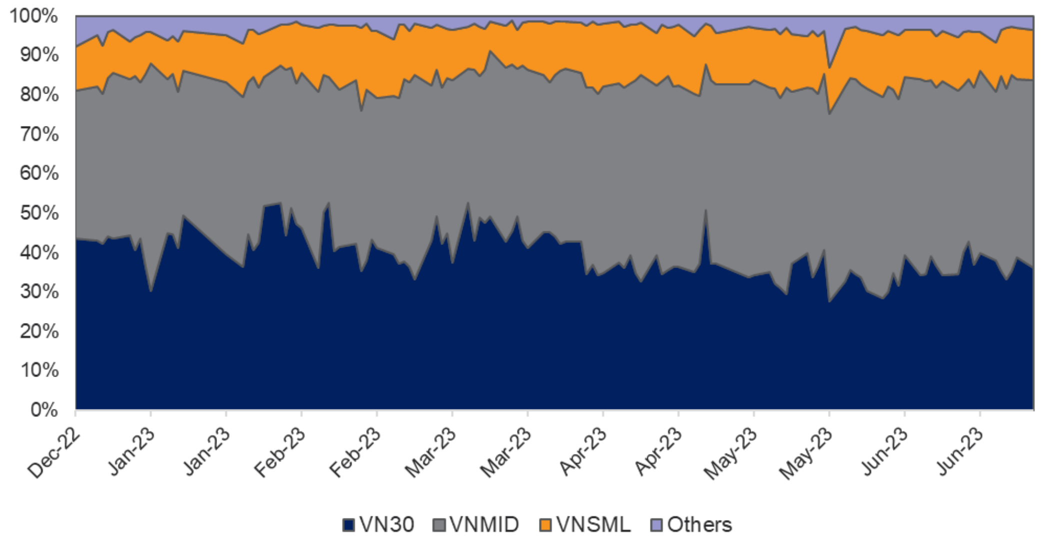
Key insight trading flow: Small-caps led the way

Cash flow favored small caps in the early stages of the recovery cycle

Small-caps rose robustly since Apr-23 *(data as of 26 Jun 2023)*



Trading flow breakdown by market cap weighted indexes *(data as of 26 Jun 2023)*

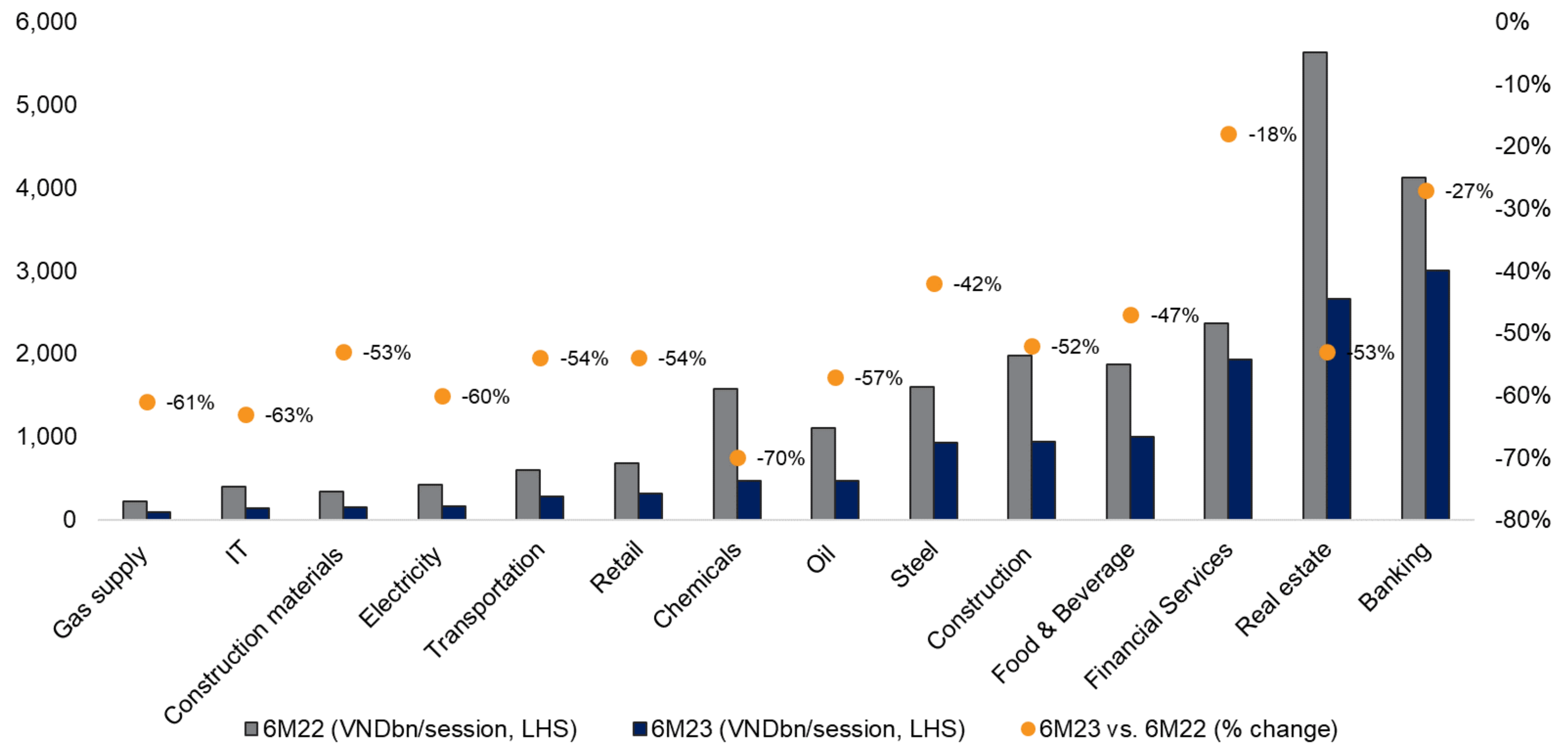


- VNSML's (small caps) investment result outperformed in 1H23 as investors favored small caps in the early stages of the recovery cycle. From the beginning of 2023, VNSML (small-caps) led the way with a soar of 26.9% ytd. Meanwhile, VNMID (mid-caps) surpassed VN-INDEX with a gain of 14.5% ytd while VN30 (+12.5% ytd) went in line with the VN-INDEX (+12.4 ytd).

Source: Fiinpro, VNDIRECT RESEARCH *(data as of 26 Jun 2023)*

Key insight trading flow: Financial Services sector witnessed the least money outflow

Money ran away from all sectors in 6M23

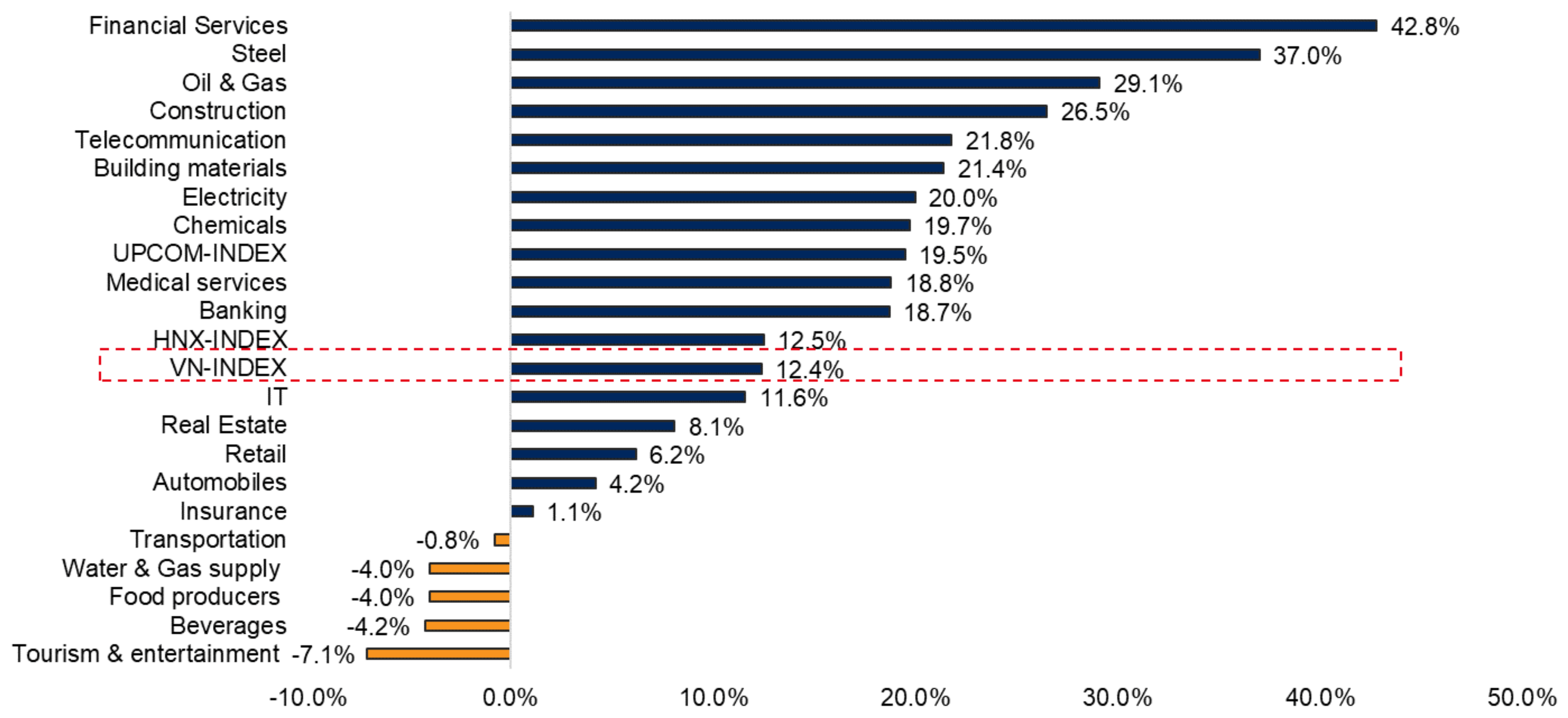


- In 1H23, liquidity declined significantly across all sectors, however Financial Services (-18% yoy) and Banking (-27% yoy) were far less severed than the overall average (-45% yoy). Money flows into Financial Services stocks improved since March as SBV rate cut signaled a turn in monetary policy, which is believed to bolster market trading activities and boost the sector's earnings outlook.
- On the other hand, all other sectors witnessed money outflow on 3 main bourses. Money ran away from Chemicals sector the most due to the deep shrinking of chemicals prices compared to high base of last year as a result of the geopolitical crisis in Ukraine.

Source: Fiinpro, VNDIRECT RESEARCH (data as of 26 Jun 2023)

Financial Services outperformed in 1H23

Followed by Steel and Oil & Gas

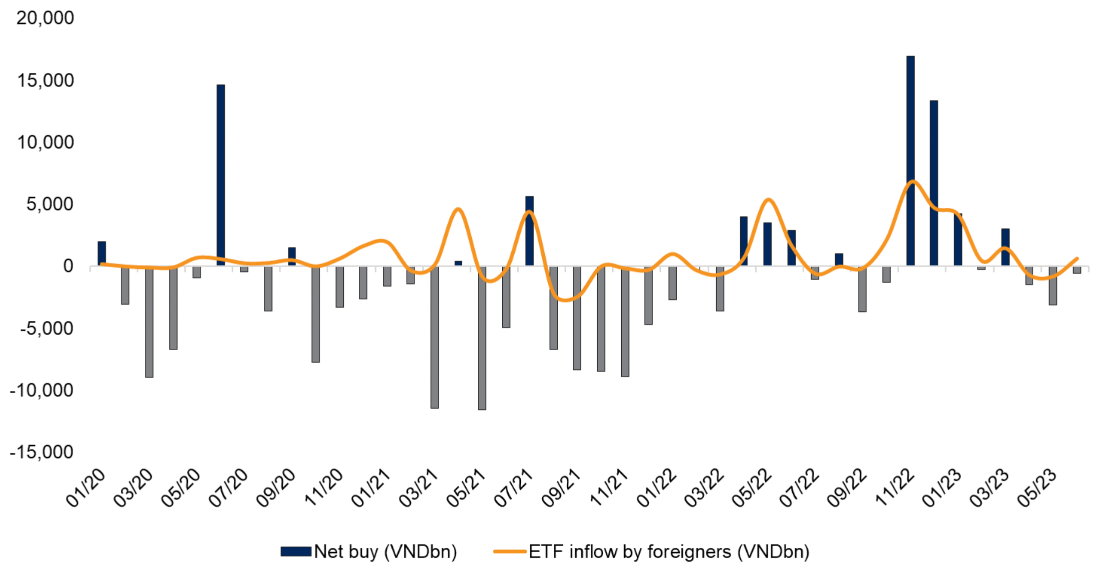


- From the beginning of 2023, Financial Services (+42.8% ytd), Steel (+37.0% ytd), Oil & Gas (+29.1% ytd), and Construction (+26.5% ytd) stood out as the best performers. Financial Services witnessed the biggest surge in prices as SBV's rate cut improved the sector's earnings by (1) lowering cost of fund and (2) bolstering trading activities on the market, which improved fee income. Oil & Gas rose by 29.1% ytd on the back of more vibrant upstream activity (E&P) expectations, rates for upstream services (such as drilling) edged up and Vietnam petroleum distribution sector recovery.
- On the other hand, Tourism & entertainment (-7.1% ytd), Beverages (-4.2% ytd) Food producers (-4.0% ytd), and Water & Gas supply (-4.0% ytd) sectors had the worst performance in 1H23.

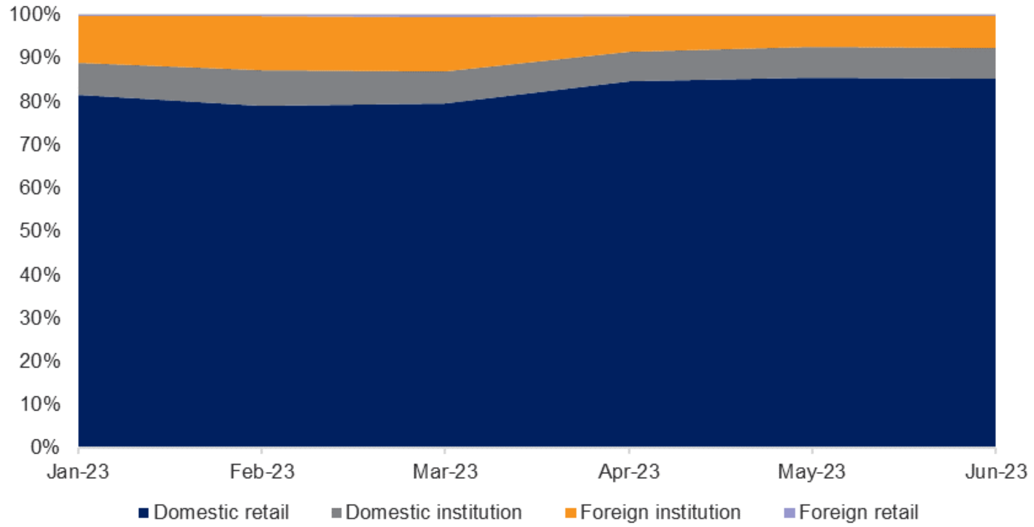
Source: Fiinpro, VNDIRECT RESEARCH (data as of 26 Jun 2023)

Key insight trading flow: Mild net selling by foreign investors since Apr-23

Foreign investors net bought VND1,775bn in 1H23 (unit: VNDbn)



In 1H23, the proportion of foreign investors' liquidity compressed gradually

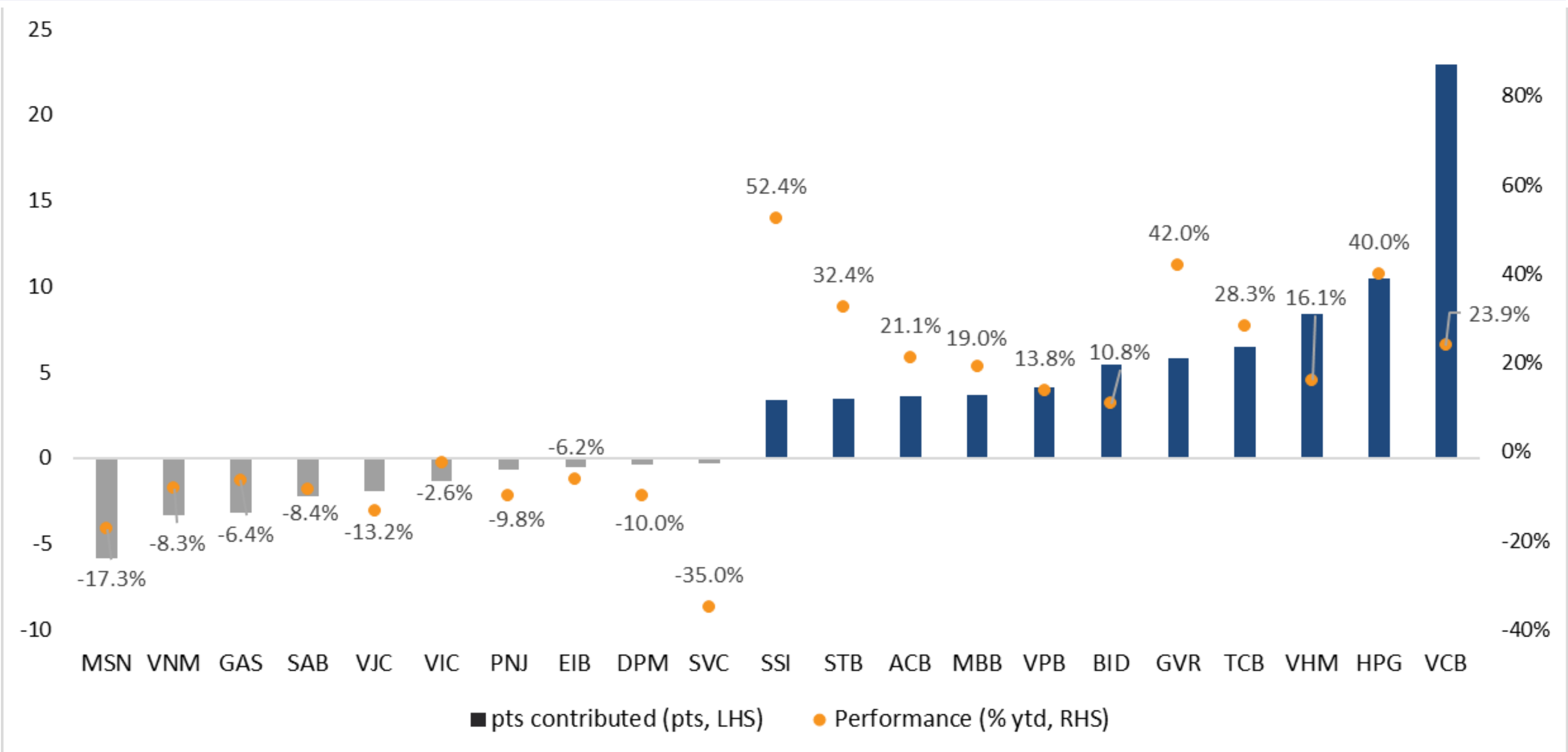


- Contrary to net bought of VND6,969bn in 1Q23, Foreign investors turned into net sold of VND5,193bn in 2Q23 due to short-term capital inflows tending to flow out of Vietnam market as interest rates in Vietnam turned down and became less attractive than interest rates in some regional and other developed markets.
- Notably, the proportion of foreign investors’ liquidity contracted from 11.1% in Jan-23 to 7.8% in Jun-23 due to the return of domestic cash flow since 2Q23.

Source: VNDIRECT RESEARCH, BLOOMBERG *(data as of 26 Jun 2023)*

VCB was VN-INDEX's top mover in 1H23

VN-INDEX's top movers and laggards in 1H23 (data as of 26/06/2023)



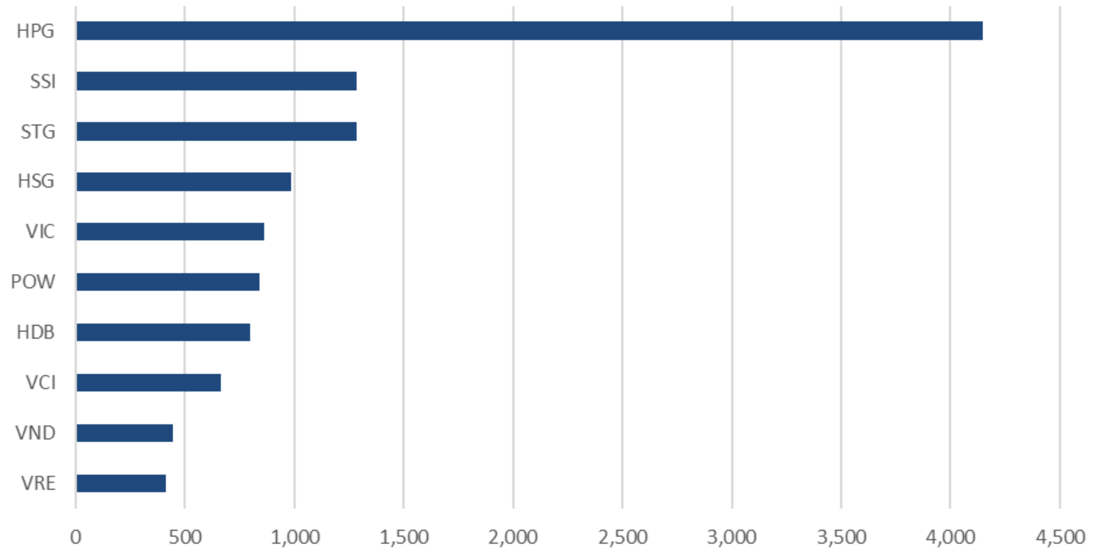
- VCB (+23.9% ytd) contributed the most to the VN-INDEX's rally in 1H23. Followed by HPG (+40.0% ytd), VHM (+16.1% ytd), TCB (+28.3% ytd) and GVR (+42.0% ytd). Other top movers were mostly banks.
- On the contrary, MSN became the VN-INDEX's top laggard, recording a 17.3% decline since the beginning of the year. Other laggards included VNM (-8.3% ytd), GAS (-6.4% ytd), SAB (-8.4% ytd) and VJC (-13.2% ytd).

Source: VNDIRECT RESEARCH, BLOOMBERG *(data as of 26 Jun 2023)*

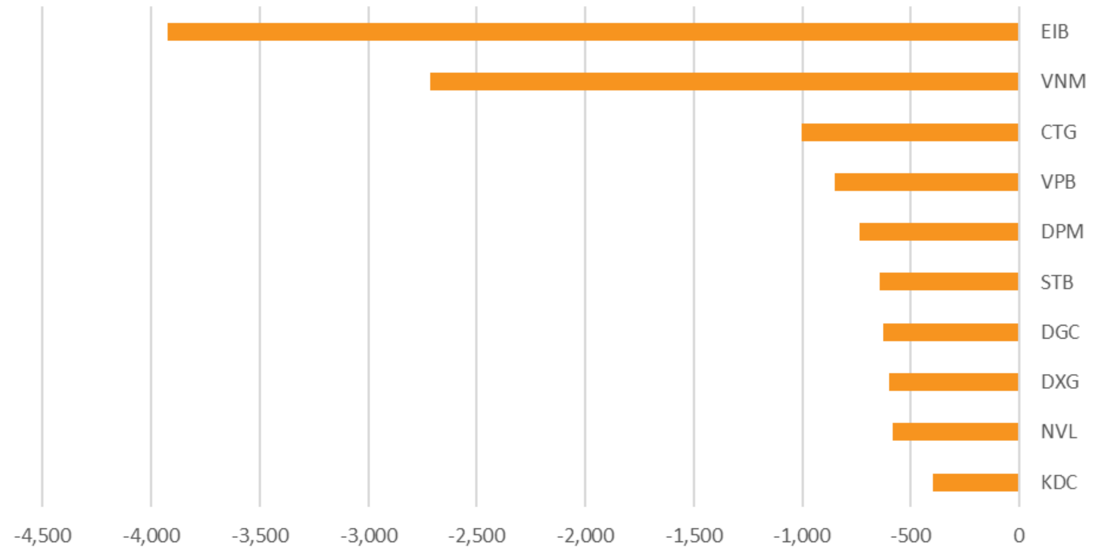
HPG, SSI and STG recorded strong net bought value by foreign investors in 1H23

While EIB and VNM were sold the most

Foreign investors' strongest net buyers in 1H23 (VNDbn, data as of 26/06/2023**)**



Foreign investors' strongest net sellers in 1H23 (VNDbn, data as of 26/06/2023**)**



Source: VNDIRECT RESEARCH, Fiinpro *(data as of 26 Jun 2023)*

Market Outlook 2H23

Strike while the iron is hot

VNDIRECT

The market catalysts and risks

Key supporting factors

- **Economic growth is expected to recover in 2H23F.** We maintain our forecast that Vietnam's GDP growth could reach 5.5% yoy in 2023 (GDP could expand by 7.1% yoy in 2H23).
- **The government will accelerate the implementation of economic support measures**, including fiscal expansion as well as monetary easing.
- **Business results of listed companies are likely to recover in 2H23F thanks to lower interest rates and growth-promoting policies of the government.** We forecast that EPS growth of listed companies on HOSE could reach 10.4% yoy in 2023F and 19.3% yoy in 2024F.
- **Quite attractive market valuation relative to historical levels and regional peers**. As at 23 Jun 2022, VN-Index was trading at 13.2x trailing 12-month P/E, which is more than 20% discount to the 5-year average P/E. The Vietnam's stock market is trading at a current P/B (Price-to-Book) of 1.74, which is 8.4% discount to Southeast Asia market average.

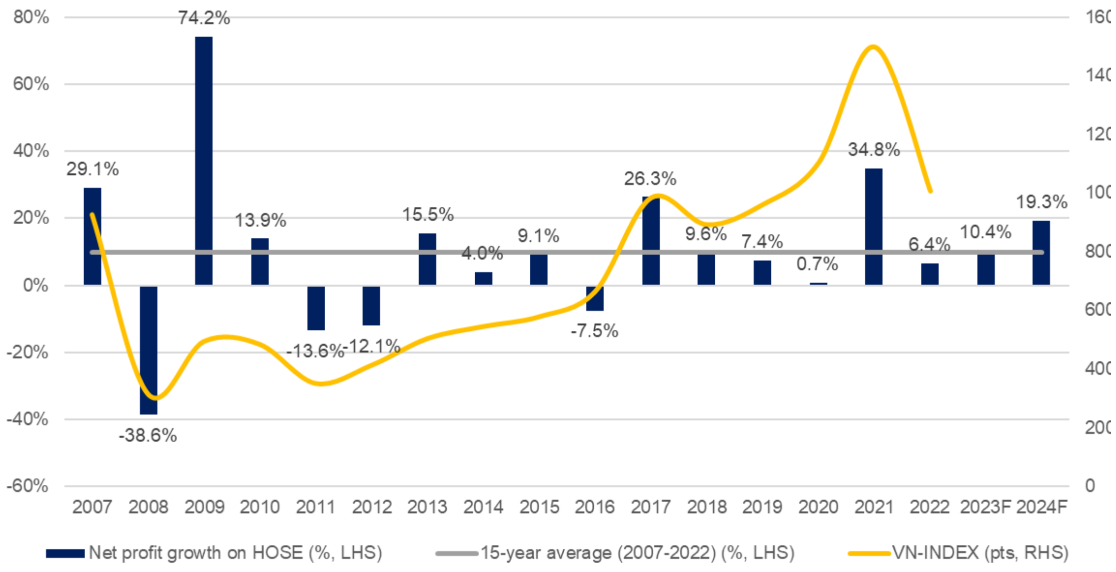
Market risks

- **Fed's more aggressive tightening than market expectation.** We believe market partially reflected the FED rate hike schedule, however, a more aggressive tightening might hurt market sentiment in both developed and emerging markets.
- **The negative swap rate between VND and USD may puts pressure on Vietnam's exchange rate,** leading to the risk of withdrawing indirect investment capital from Vietnam, and at the same time increasing pressure on public debt.
- **Stronger-than-expected recessions in the US and Europe** negatively affect Vietnam's economic growth and stock market earnings

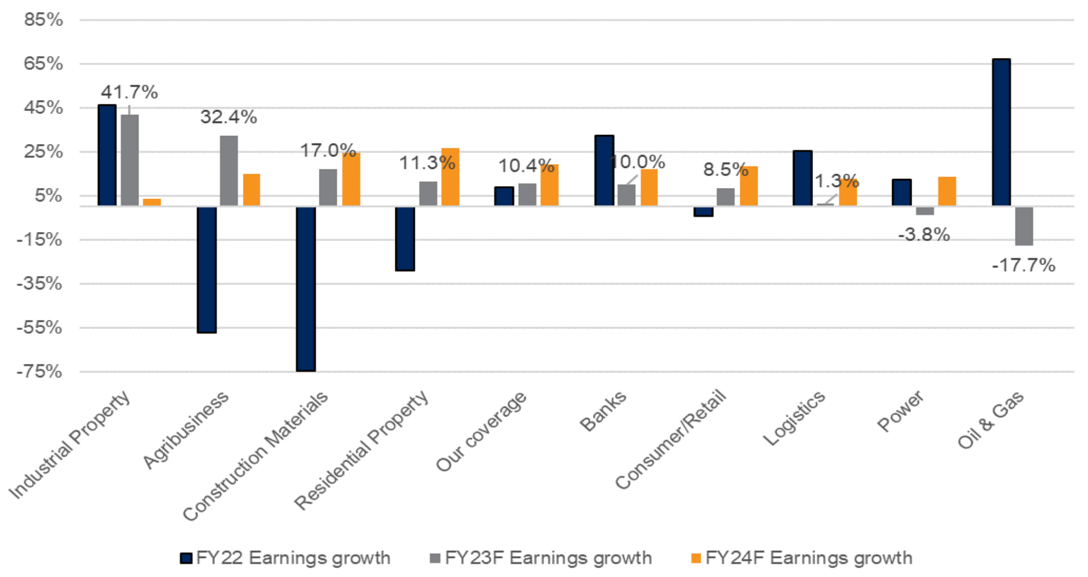
Business prospects of listed companies recover in the period of 2023-2024

Net profit growth of companies listed on HOSE will grow by 10.4% and 19.3% for 2023 and 2024, respectively.

We expect the profit growth of companies listed on HOSE will recover from 2023 after a severe sink in 2022



Earning growth forecast by sectors in the period of 2023-2024



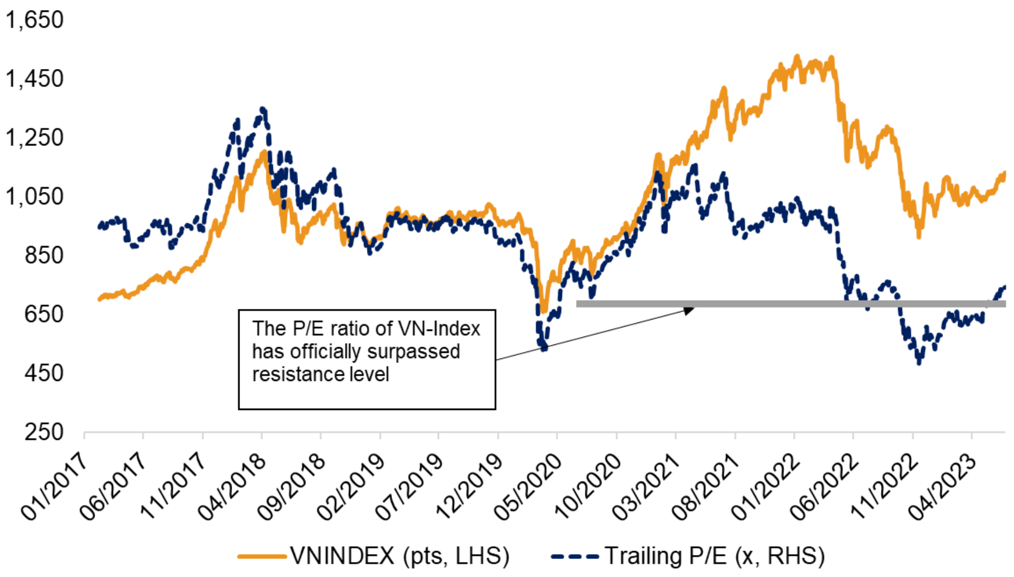
- Although EPS of the listed company experienced the negative growth in 1H2023, we still expect business results of those companies to recover in the period of 2023-2024 thanks to a series of supportive policies from the government. We forecast the net profit growth of companies listed on HOSE will grow by 10.4% and 19.3% for 2023 and 2024, respectively.
- The expectation of improving profits for listed companies from the third quarter of 2023 onwards can have a positive impact on the VN-Index. In the past, during the years 2015, 2017, and 2021, when the rate of profit growth improved compared to the previous year, the stock market generally experienced a recover.

Source: BLOOMBERG, VNDIRECT RESEARCH

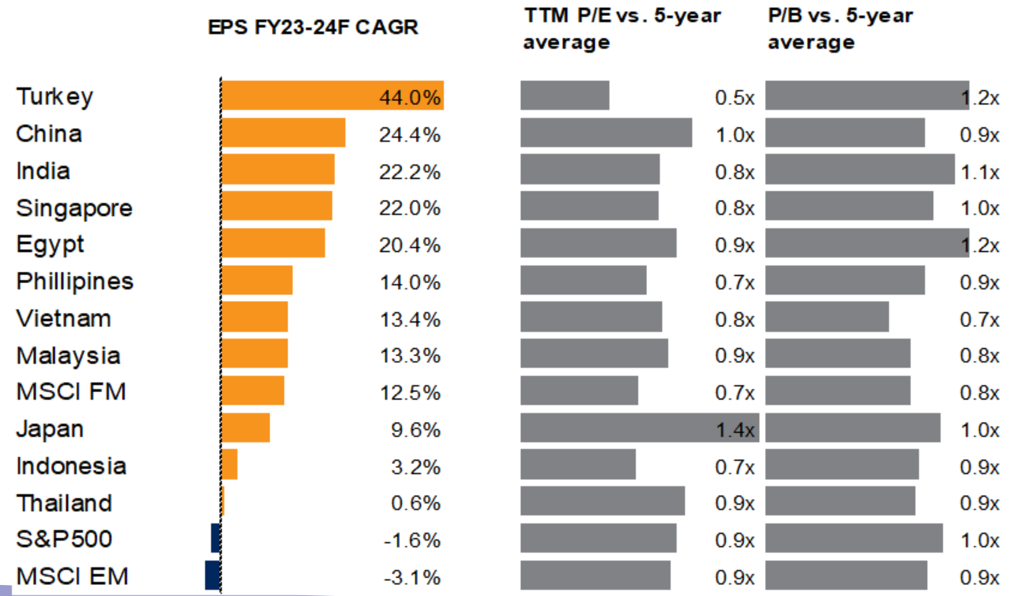
Is the valuation of the VN-Index attractive enough to be ready for an up-trend?

Forward P/E for 2023 is 11.5x due to improved EPS in 2H2023, while P/B is trading around 0.7x the 5-year historical average, the lowest among emerging markets.

Inspired by the P/E ratio's rebound, VN-Index's P/E ratio continues to stay relatively low in comparison to the past.



The P/B ratio of VN-Index is considered to be the cheapest among emerging market peers



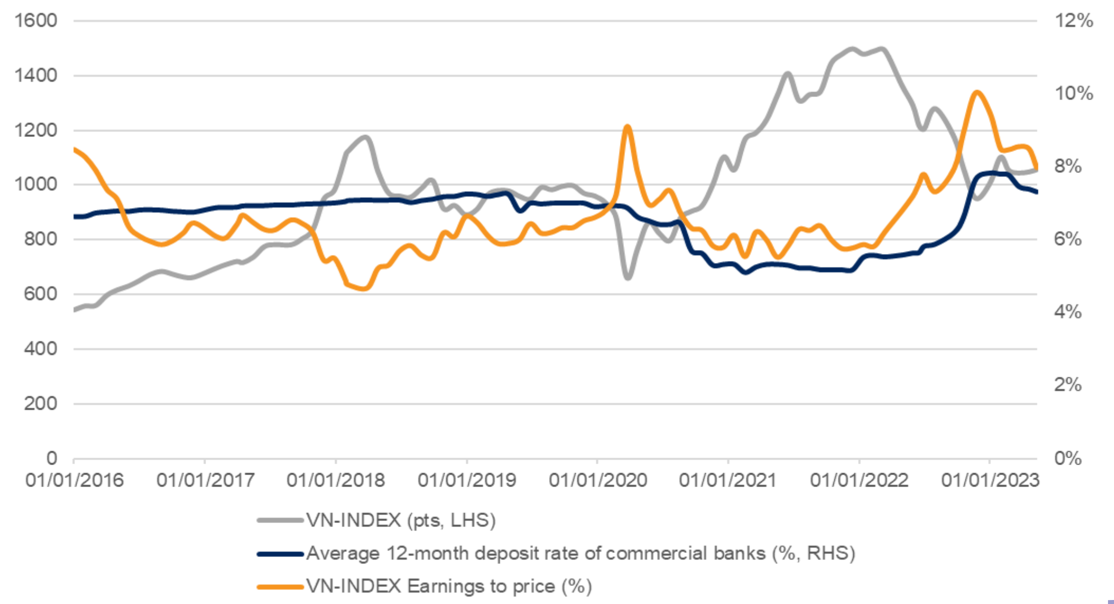
- The current P/E level is still reasonable for the following reasons: (1) It is trading at approximately 0.8 times the 5-year average of the index, indicating that it is relatively low compared to historical levels ; (2) EPS is expected to improve in the 2H23, which will help adjust the P/E ratio (P/E forward 2023 equal to 11.5x).
- The valuation of the VN-Index can be considered cheap when viewed from the P/B perspective. Currently, the index is still moving sideways, only around 20% higher from its bottom. It is also trading at around 0.7 times the 5-year historical average, which is consider the lowest among emerging markets.

Source: BLOOMBERG, FIINPRO, VNDIRECT RESEARCH

Reducing interest rates is supportive of the market's growth trend

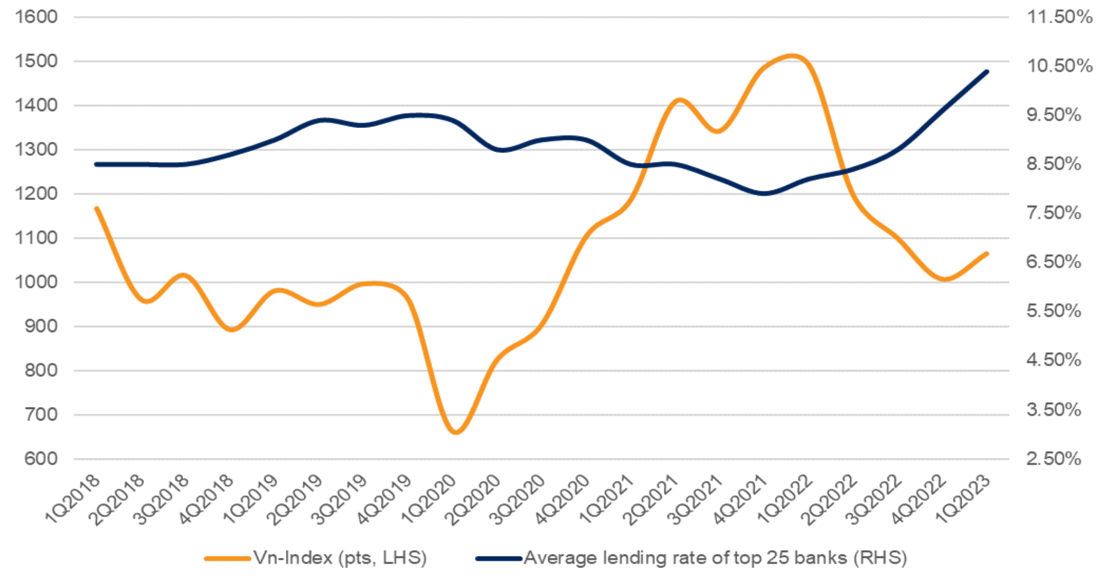
Net profit growth of companies listed on HOSE will grow by 10.4% and 19.3% for 2023 and 2024, respectively.

Lower interest rates will ease pressure on market valuations in 2H23F



- With the expectation that deposit interest rates would continue to decrease in the coming quarters while earnings of listed companies could recover from 3Q23 onwards, **Vietnam's stock market deserves to be rerated with higher valuation ratios.**

VN-Index has strong correlation with lending rate



- We also observe that the VN-Index has a correlation with lending interest rates. **Given the expectation of a potential decrease in lending rates in 2H23F, the VN-Index may experience a positive trend.**

Source: BLOOMBERG, FIINPRO, VNDIRECT RESEARCH

The market catalysts and risks

Baseline scenario (~70% possibilities)

- Fed raises policy rates as planned. The Fed's fund rate could climb to 5.25-5.5% at the end of 2023, meaning there is not declining interest rate in 2023.
- GDP growth gradually recover in 2H23 that helping EPS of the listed company improve at moderate pace.
- The exchange rate remain stable.
- **We expect the VN-Index to reach 1,300 points within 2H23, translating into 13.3x of FY23F P/E (-1 standard deviation of 10-year average P/E).**

Negative scenario (~ 30% possibilities)

- Fed fund rate may increase higher than expectation due to the core CPI remains higher than target 2%.
- The slower-than-expected GDP recovery has resulted in companies on the stock exchange maintaining low EPS levels.
- Stronger pressure on exchange rate narrows monetary policy space of SBV.
- **We expect the VN-INDEX to trade sideway with a support level at 1,100 points in 2H23, translating into 11.7x of FY23F P/E (-1.5 standard deviation of 10-year average P/E).**

Decree 08 provides the necessary legal framework to clear some of the current bottlenecks

On 05 Mar 2023 The government issued Decree 08 aimed at alleviating difficulties in the corporate bond market

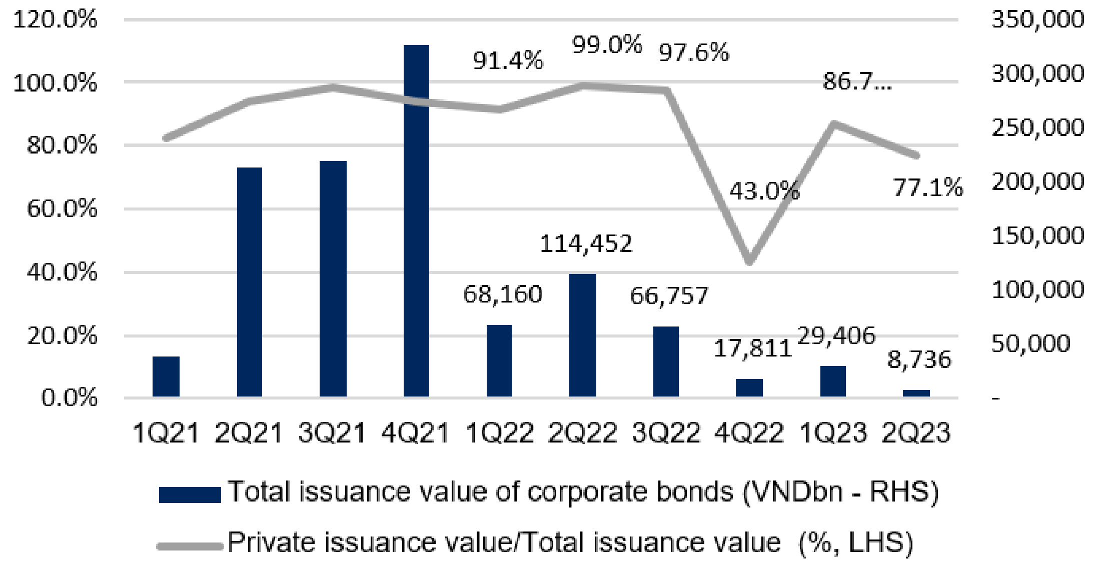
New terms in Decree 08	Effective time	Effects
Issuers can negotiate with their bondholders to extend the maturity of bonds for a maximum period of 2 years. To implement this term, Issuers needs the consent of bondholders who collectively own at least 65% of the total outstanding bonds.	Effects from 05/03/2023	In the context that many issuers are facing difficulties in liquidity and cash flow, especially real estate companies. Extending the maturity will help Issuers have sufficient time to recover, generate cash flow, and fulfill their bond obligations.
The issuer can negotiate with bondholders to pay their bond debts by using their other legitimate assets. To implement this term, Issuers need the consent of bondholders who collectively own at least 65% of the total outstanding bonds.	Effects from 05/03/2023	This term opens up a viable option for Issuers as many Issuers are experiencing difficult cash flow problems. However, whether the agreement is ultimately approved by the bondholders will depend on specific conditions, such as the legality and value of the assets the business proposes to pay the bondholders.
Regarding the conditions of issuance: Suspending the application of professional investor standards, suspending the application of mandatory credit rating and suspending the application of the reduction of bond distribution time from 90 days to 30 days.	Effects from 05/03/2023 to 31/12/2023	These terms will boost the success rate of corporate bond issuance during the current challenging market conditions.

- Since the issuance of Decree 08, the negotiation to change bond terms and conditions between issuers and their bondholders has been active. Many issuers accomplished in negotiating to extend the bond's maturity with its bondholders

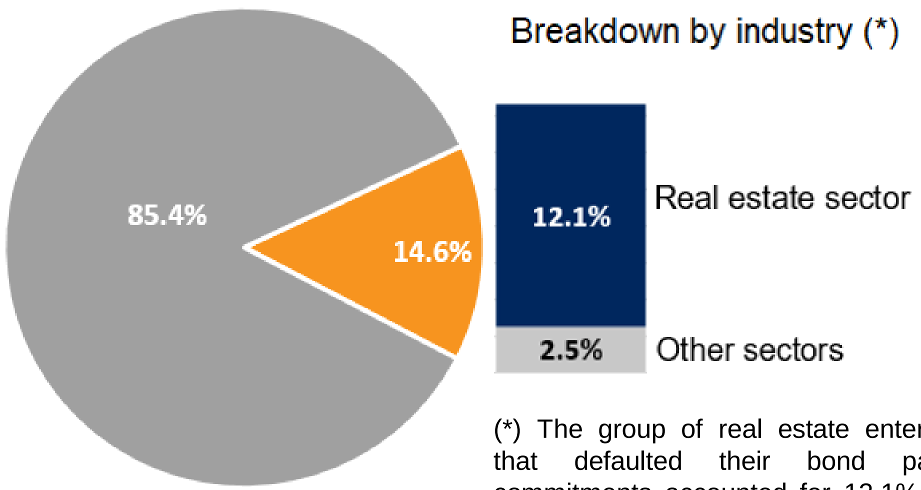
Source: HNX, VNDIRECT RESEARCH

The corporate bond market still faces many challenges despite some obstacles being removed

Total issuance value of corporate bonds in 1H23 decreased by 79.1% yoy - data as of 26/06/2023



59 issuers defaulted in their bond payment commitments, whose bond debt accounts for 14.6% of the total corporate bond outstanding value - data as of 26/06/2023



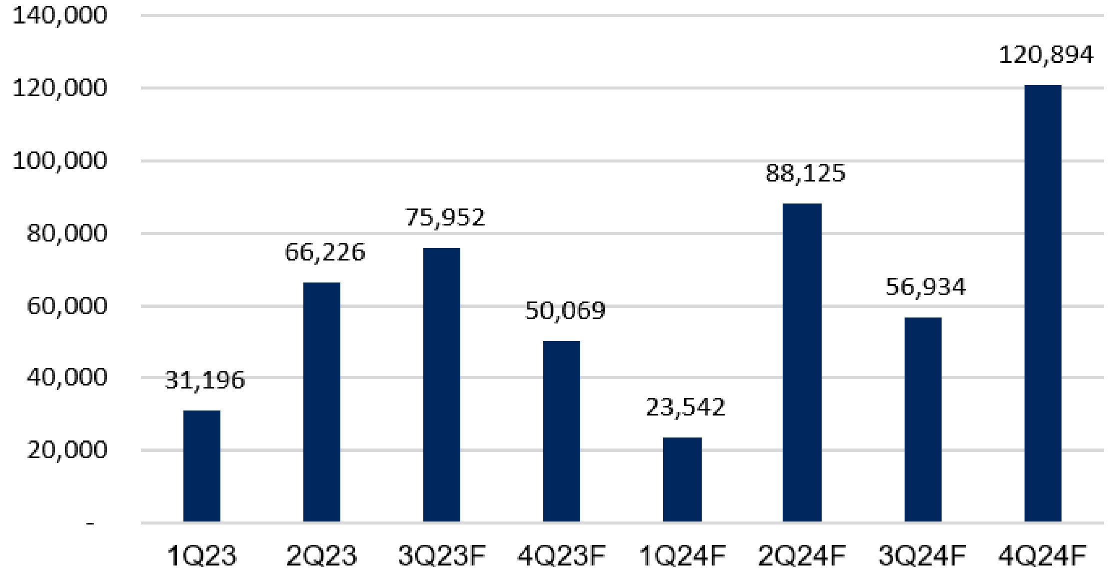
(*) The group of real estate enterprises, that defaulted their bond payment commitments accounted for 12.1% of the total corporate bond outstanding

- Although the issuance of Decree 08 has resolved some bottlenecks for the corporate bond market, issuance activities remained weak in 1H23 due to the lack of investor confidence. The total value of corporate bond issued during this period reached VND38.142bn, decrease 79.1% yoy. Among them, there were 24 private issuances with a total issuance value of approximately VND29,692bn, decrease 84.7% yoy. Meanwhile, according to our statistics from the HNX, as of 26 Jun 23, there are approximately 59 issuers, that have defaulted on their bond payment commitments. We estimate that their total outstanding bond debt amounts to be around VND159,583bn, accounting for approximately 14.6% of the total outstanding corporate bond debt in the market. Among them, the majority are real estate companies.

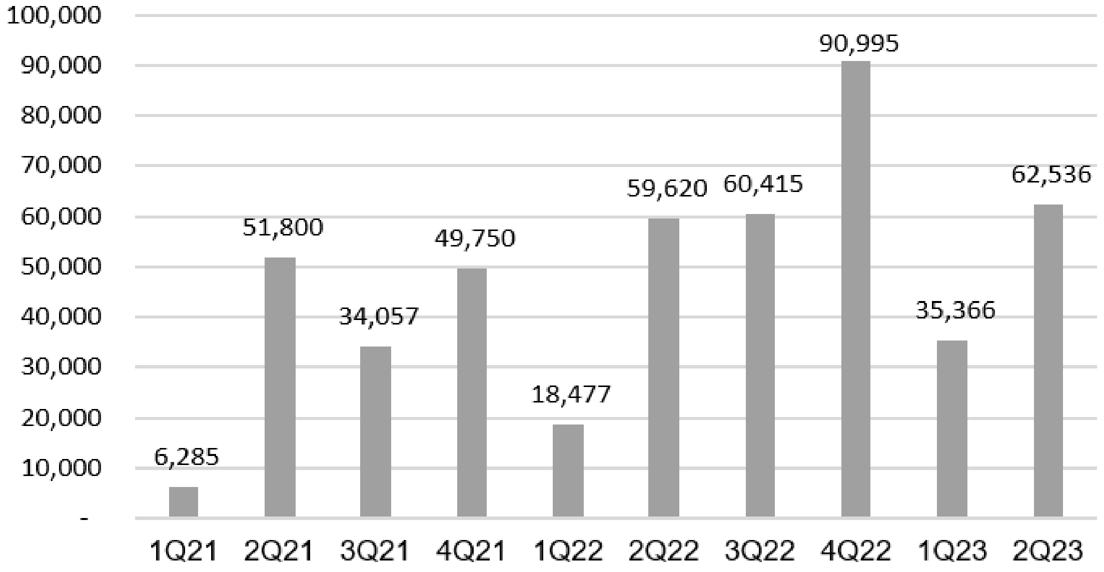
Source: HNX, VNDIRECT RESEARCH

Negotiations for extending bond maturities will continue to be active

Total value of maturing coporate bonds in 2H23F is 29.4% higher than in 1H23 (Unit: VNDbn **-** updated until 26 Jun 23)



Total value of corporate bonds redeemed before maturity decreased by 35.3% compared to 2H22 (Unit: VNDbn **-** updated until 26 Jun 23)



- The value of maturing bonds in 2H23F is estimated to be approximately VND126,021bn, 29.4% higher than 1H23. Meanwhile, the total value of corporate bonds bought back before maturity in 1H23 has declined compared to 2H22. The estimated value of buybacks before maturity in 1H23 is over VND97,902bn, 35.3% lower than that in 2H22.
- Since Decree 08 was issued, negotiations between issuers and bondholders to extend bond maturities have been active. According to our statistics, there are currently over 30 issuers that have reached agreements on bond maturity extensions and officially reported to the HNX. The total value of extended corporate bonds is approximately over VND42trn. While many issuers are facing business difficulties, the extensions of the upcoming bond maturities will give more time to recover their business and generate sufficient cash flow for debt payment.

Source: VNDIRECT RESEARCH

Investment themes

Enough sunlight, flowers will bloom

VNDIRECT

Investment themes

Themes	Sub themes	Sector picks	Stock picks
#1: Interest rates downturn	**Which industries will be the beneficiaries of interest rates downturn?**	In our view, Financial Services industry will have the strongest profit growth when interest rates declines. Besides, we believe Banking sector is the best proxy to Vietnam economic resurgence.	**TCB, MBB, VIB**
#2: Expansionary fiscal policy	**Which industries will be the beneficiaries of accelerating public investment?**	We expect public investment will accelerate in the coming months regarding the authorities' recent efforts. As a result, infrastructure construction companies which are appointed as the contractors for big projects and companies providing construction materials (stones and steels) will benefit the most.	**VLB, HHV, C4G**
	Which industries will be the beneficiaries of state-owned investment disbursement?	We believe the state-owned investment fund will be disbursed on energy sector. The E&P activities for Oil & gas industry are going to be boosted to enhance the energy supply source. In addition, Power sector also turns to a new chapter after the approval of PDP8.	**PC1, POW, GAS, PVD, PVS**

Source: VNDIRECT RESEARCH

Theme #1: Which industries will be the beneficiaries of interest rates downturn?

Lower interest rates have a positive impact on a wide range of industries

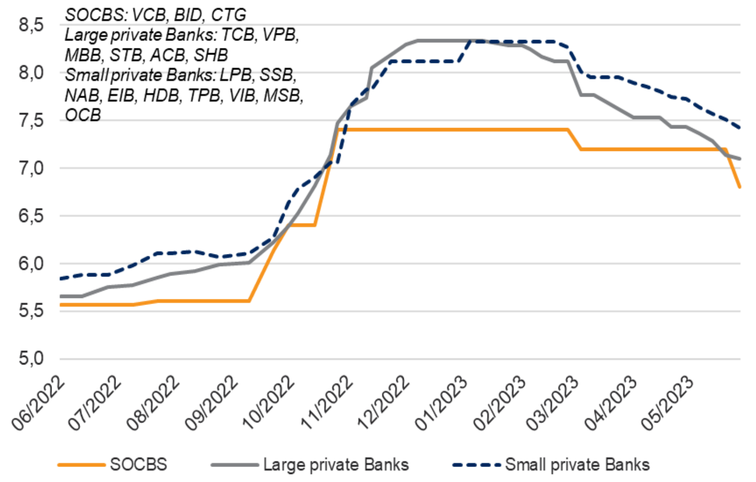
Many commercial banks pledge to reduce lending interest rates for businesses

- After the SBV lowered the regulatory interest rate in May-23, many commercial banks agreed to reduce lending rates by 0.3-0.5% for all existing customers. The group that plans to cut interest rates next time will focus on private banks that have not adjusted interest rates for old loans since the beginning of the year.
- Lower lending interest rates will help businesses reduce capital costs, especially in industries with high net debt. The banking sector also benefits as deposit rates often fall faster than lending rates. Besides, it is impossible not to mention the securities industry as this is an industry that benefits from both reducing capital costs (input) and improving market liquidity as well as increasing demand for margin when the interest rate level fell (output).

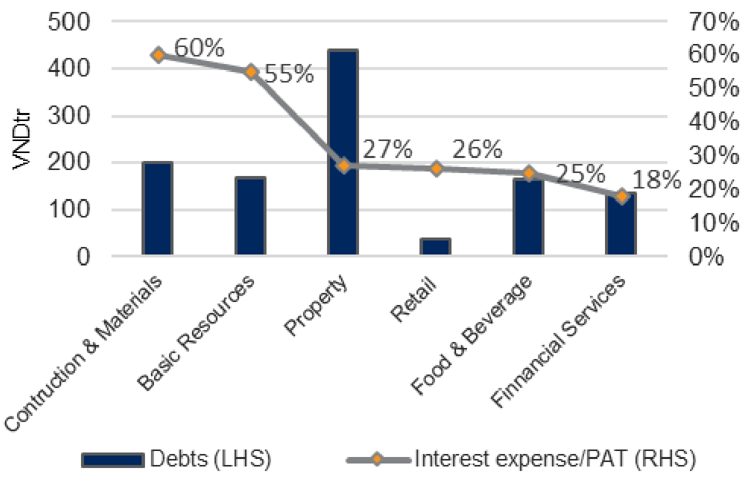
Source: VNDIRECT RESEARCH

Theme #1: Which industries will be the beneficiaries of interest rates downturn?

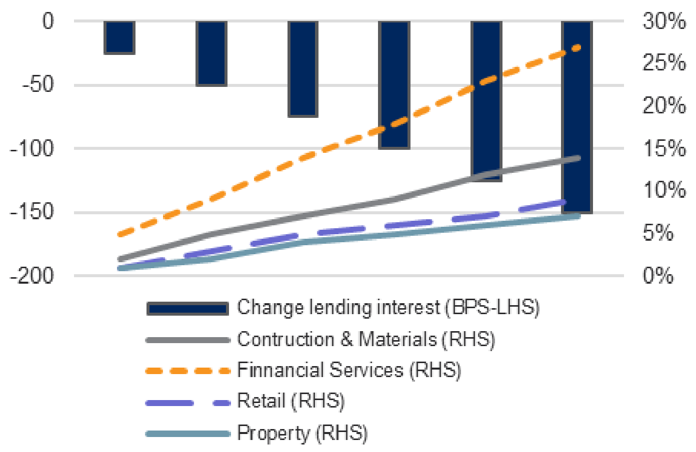
12M term deposit interest rate has decreased by 0.6 - 1.2% pts in 6M23



Top industries with high debt and interest expense/profit after tax ratio



Top industries with the strongest increase in profits when interest rates decrease (*estimated based on the financial statements of 2022*)



- At the end of May-23 after a meeting with the SBV, 26 commercial banks reached an agreement to implement a 0.5% reduction in lending interest rates for existing debts. With the deposit interest rate dropped quite sharply in 6M23 and the downward trend is still ongoing, we believe that the capacity for commercial banks to further reduce lending interest rates in the last 6 months of the year is still large.
- In our view, industries that are heavily indebted and have high interest expense/profit after tax ratio will be the biggest beneficiaries when lending interest rates decline. According to our estimates, the Financial Services industry and the Construction and Materials industry will have the strongest profit growth when interest rates decrease (estimated based on the financial statements of 2022).

Source: FIIN, VNDIRECT RESEARCH

Theme #2: Which industries will be the beneficiaries of accelerating public investment and state-owned investment disbursement?

Infrastructure development will be the focus of public investment disbursement

Many major transport infrastructure projects are expected to be completed in 2023-26F

Project		Total investment (VND bn)	Estimated construction progress								
			2019	2020	2021	2022	2023	2024	2025	2026	2027
Eleven sub-projects of East North-South expressway (Phase 1)	Cam Lo - La Son	7,700									
	Cao Bo - Mai Son	1,600									
	My Thuan 2 bridge	5,000									
	Mai Son - Highway 45	12,920									
	Vinh Hao - Phan Thiet	10,853									
	Phan Thiet - Dau Giay	14,360									
	Nha Trang - Cam Lam	7,615									
	Nghi Son - Dien Chau	8,380									
	Highway 45 - Nghi Son	6,330									
	Dien Chau - Bai Vot	13,340									
	Cam Lam - Vinh Hao	13,690									
Long Thanh International Airport (Phase 1)		109,112									
Twelve sub-projects of East North-South expressway (Phase 2)		146,990									
Ring Road 3 (HCMC)		75,378									
Ring Road 4 (Hanoi)		85,813									
Chau Doc - Can Tho - Soc Trang, Bien Hoa - Vung Tau, Khanh Hoa - Buon Ma Thuot expressways		78,227									
Total		**597,308**									

Notes: Completed Under construction

- In 2023F, we believe that the implemented state capital will increase by 25% compared to the actual implementation in 2022.
- After being appointed as the contractors for many component projects at the North-South Expressway phase 2 (early 2023), leading Infrastructure construction companies have significantly increased their backlog values, equivalent 3.7x-6.0x to the 2021-22 annual revenue. In 2Q23, these companies continued to win other large packages such as Ring Road 4 - Hanoi, Khanh Hoa - Buon Me Thuot Expressway,...
- For materials sector, we believe that construction stone will benefit from the accelerating construction progress of Long Thanh Airport and Southern Expressway projects.

Source: VNDIRECT RESEARCH, MINISTRY OF TRANSPORT (MOT)

Theme #2: Which industries will be the beneficiaries of accelerating public investment and state-owned investment disbursement?

Domestic E&P activities should be vibrant from 2024F onwards with the main driver from the members of PetroVietnam (PVN)

Some domestic O&G projects in sight

Project	Basin	Operator	Capex (US$m)	Timeline					
				2022	2023F	2024F	2025F	2026F	2027F
Bach Ho expansion	Cuu Long	Vietsovpetro	90						
Dai Hung Phase 3	Nam Con Son	PVEP POC	112						
Kinh Ngu Trang	Cuu Long	Vietsovpetro	650						
Lac Da Vang	Cuu Long	Murphy	693						
Su Tu Trang 2B	Cuu Long	Cuu Long JOC	1,100						
Nam Du - U Minh	PM3 - Ca Mau	Jadestone	N/A						
Block B - O Mon	PM3 - Ca Mau	Phu Quoc POC	6,700						

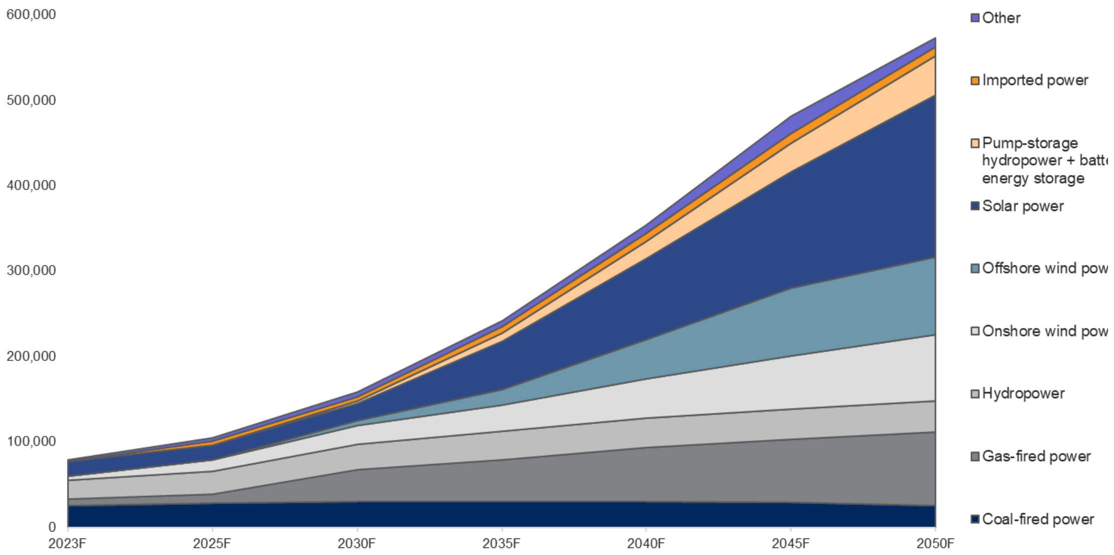
- We see many small and medium O&G development projects were given the green light and got significant movements in the past few months, such as Dai Hung Phase 3, Kinh Ngu Trang and Lac Da Vang. Thanks to the high oil price environment and existing offshore facilities, we believe these projects will not face any significant headwinds for implementation.
- Meanwhile, there are many signals that the multibillion-dollar gas field project Block B – O Mon could be kicked-off from late-2023F, becoming the key growth motivation for the industry.
- These will provide the huge potential backlog for local O&G service providers, firstly for EPC contractors (PVS) and drilling service providers (PVD).

Source: VNDIRECT RESEARCH, COMPANY REPORTS

Theme #2: Which industries will be the beneficiaries of accelerating public investment and stated-owned investment disbursement?

Power infrastructure including transmission grid and plants constructions are essential tasks which ensure Vietnam high economic growth. In the early phase, we see enterprises who participate in grid and plants contractor to benefit soonest, followed by power plants investors.

According to PDP8, power capacity development will reach high level in 2023-50F, in which state-owned enterprises will play a key role, especially in large scale thermal power projects



Strong demand for transmission grid development to underpin high backlog for power M&E activities in the future

Category	Unit	Estimated workload	
		2021-30F	2031-50F
HDVC*			
Substation	MW	-	40,000 - 60,000
Tranmission line	km	-	5,200 - 8,300
500kV Substation			
New build	MVA	45,750 - 52,050	90,900 - 105,400
Upgrade	MVA	36,000 - 38,700	117,482 - 120,150
500kV tranmission line			
New build	km	11,048 - 12,300	9,276 - 11,152
Upgrade	km	1,324	801
220kV Substation			
New build	MVA	71,525 - 82,775	124,875 - 134,125
Upgrade	MVA	34,247 - 37,247	104,625 - 106,750
220kV tranmission line			
New build	km	15,921 - 16,520	11,395 - 11,703
Upgrade	km	6,484	504 - 654

(*) HDVC: High Voltage Direct Current System

- The publishment of PDP8 has opened up a new chapter for Vietnam power sector, favoring toward cleaner energy such as gas-fired and RE power. We expect high workload for power infrastructure development needed in order to actualize the green ambition. In the early phase, we believe M&E and RE contractors to benefit soonest.
- Gas-fired power plant and wind power developers that own projects included in the PDP8 will also have brighter outlooks.

Source: VNDIRECT RESEARCH, PDP8

VNDIRECT
WISDOM TO SUCCESS

VNDS Research’s Recommendations (data as of 26/06/2023)

Ticker	Close price	Adjusted target price	Dividend yield	Upside	Recommendation
ACB	22,250	30,000	0.0%	34.8%	ADD
ACG	40,800	68,300	1.0%	68.4%	ADD
ACV	77,700	117,900	0.0%	51.7%	ADD
AST	59,400	85,700	0.0%	44.3%	ADD
BAF	23,000	27,200	0.0%	18.3%	HOLD
BCG	9,680	12,700	0.0%	31.2%	ADD
BSR	17,500	22,600	4.0%	33.1%	ADD
BVH	45,250	60,000	6.7%	39.3%	ADD
C4G	13,900	17,300	0.0%	24.5%	ADD
CTG	29,250	35,900	0.0%	22.7%	ADD
DBC	21,700	15,900	6.9%	-19.8%	HOLD
DGC	64,900	79,200	0.7%	22.7%	ADD
DGW	42,800	44,400	1.3%	5.0%	ADD
FCN	16,100	13,000	1.6%	-17.7%	HOLD

VNDS Research's Recommendations (data as of 26/06/2023)

Ticker	Close price	Adjusted target price	Dividend yield	Upside	Recommendation
FPT	85,800	116,800	2.3%	38.4%	ADD
GAS	96,000	119,900	3.8%	28.7%	ADD
GMD	52,500	62,300	2.6%	21.3%	ADD
HDB	18,800	25,000	0.0%	33.0%	ADD
HDG	39,300	40,200	0.0%	2.3%	HOLD
HHV	15,000	19,500	0.0%	30.0%	ADD
IDC	44,100	42,600	9.2%	5.8%	ADD
KBC	30,000	37,700	7.2%	32.9%	ADD
KDC	63,000	70,900	3.5%	16.0%	HOLD
KDH	31,450	30,000	0.0%	-4.6%	HOLD
LPB	15,300	17,400	0.0%	13.7%	ADD
MBB	20,200	29,300	0.0%	45.0%	ADD
MIG	18,500	20,500	0.0%	10.8%	ADD

VNDS Research's Recommendations (data as of 26/06/2023)

Ticker	Close price	Adjusted target price	Dividend yield	Upside	Recommendation
MWG	44,350	61,500	0.4%	39.1%	ADD
NLG	34,000	39,850	0.9%	18.1%	ADD
NT2	31,950	33,000	5.1%	8.4%	ADD
PC1	27,400	33,600	0.5%	23.1%	ADD
PHR	47,700	57,500	6.5%	27.0%	ADD
PLX	37,550	45,600	1.9%	23.3%	ADD
PNJ	76,400	105,500	0.9%	39.0%	ADD
POW	13,650	17,800	0.0%	30.4%	ADD
PTB	47,750	56,000	3.1%	20.4%	ADD
PVD	24,500	29,300	0.0%	19.6%	ADD
PVS	32,600	38,100	2.2%	19.1%	ADD
PVT	21,350	26,300	1.4%	24.6%	ADD
REE	62,500	77,000	2.3%	25.5%	HOLD
SCS	68,500	102,600	6.7%	56.5%	ADD

VNDS Research's Recommendations (data as of 26/06/2023)

Ticker	Close price	Adjusted target price	Dividend yield	Upside	Recommendation
STK	29,400	34,600	4.4%	22.1%	ADD
SZC	37,400	41,400	4.3%	10.7%	ADD
TCB	33,300	42,000	0.0%	26.1%	ADD
TPB	18,450	22,300	0.0%	20.9%	ADD
VCB	100,000	108,700	0.0%	8.7%	ADD
VHM	55,500	80,200	1.7%	46.2%	ADD
VIB	19,950	23,600	0.0%	18.3%	ADD
VLB	38,600	51,200	5.2%	37.8%	ADD
VNM	70,600	77,300	5.4%	14.9%	ADD
VPB	20,250	25,700	0.0%	26.9%	ADD
VRE	26,700	41,100	0.0%	53.9%	ADD

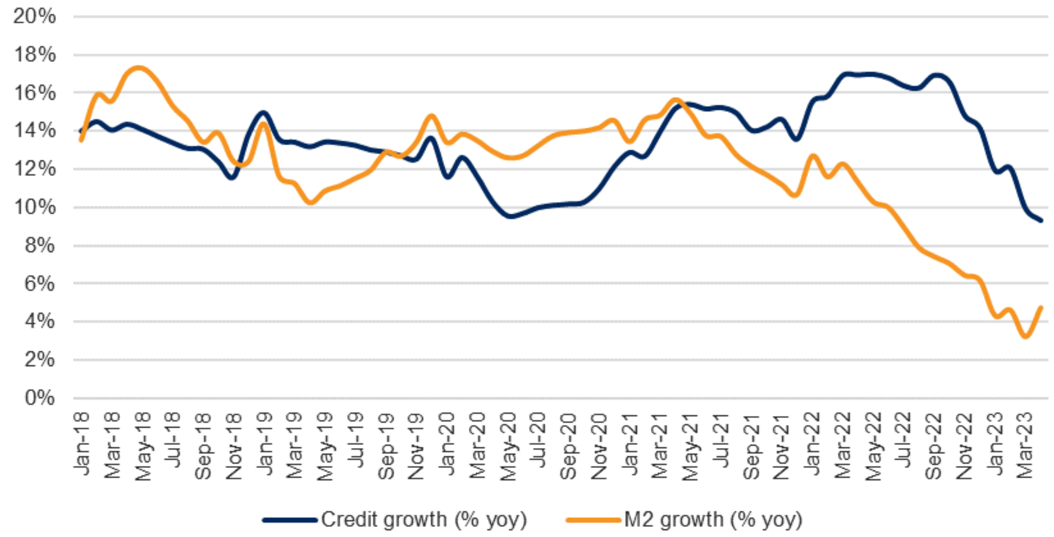
Banking

Against all odds

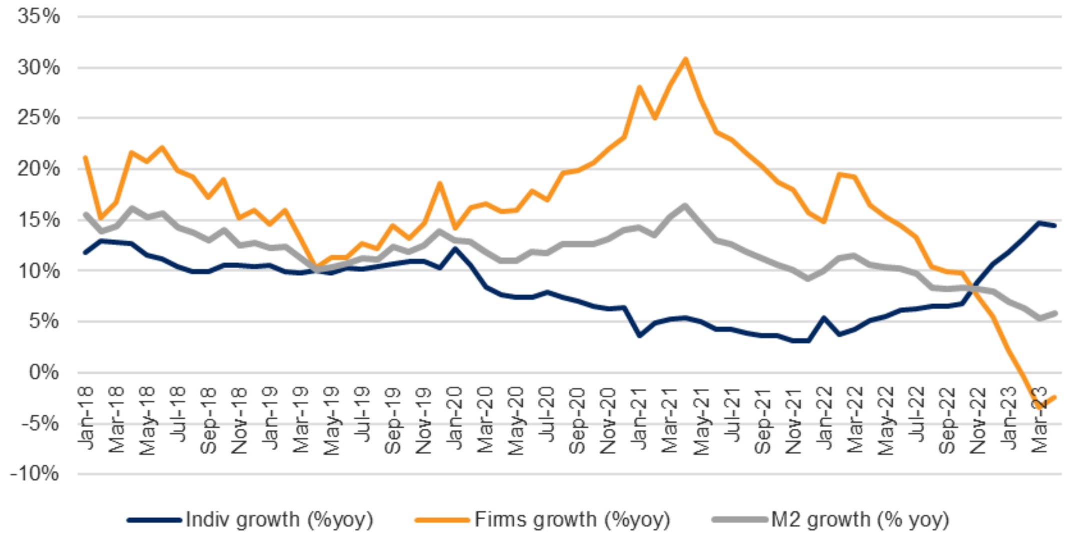
Mobilization: low M2 growth on constrained liquidity

We observe that the gap of credit-deposit growth is widening, which would weigh on banks that are carrying low liquidity.

The gap between credit and M2 deposits are maintaining at high level



We observe an opposite trend growth in individual and firms deposits



- M2 improved by 4.72% yoy at end-Apr 23, and much lower than the growth rate 9.35% yoy of system credit at end-Apr 23, signaling a bottleneck in system liquidity, which might result from stagnant property sector and low economic growth.
- Total deposit growth decelerated to 5.8% at end-Apr 23 from 10.6% at end-Apr 22, in which deposit of individuals played the main driver with its growth surged to 7.96% ytd whilst firm deposits witnessed a negative growth rate.

Source: SBV, VNDIRECT RESEARCH

Government efforts to revive the capital market

Recent issued policies to bolster the economy

The Government has continuously issued new policies/regulations in an effort to reopen capital market

Circular/Draft	Description
Circular 26	Adjusting LDR formula by including State Treasury's term deposits in total mobilization with a certain deduction rate.
Resolution 8/2023	- Issuer can pay bond principal and interest with other assets, and may extend bond's term up to a maximum of 2 years with bondholder's consent. - Postponing regulations on professional securities investors requirements, distribution time between each bond issuance, and credit rating requirements for bond issuers until December 31, 2023.
Resolution 33/2023	Direct SBV to: - Guide credit institutions applying appropriate handling measures for relating properties debts (extended principal/interest payments or maintain debt groups). - Encourage commercial banks lending to social housing projects through a credit support package of VND 120trn
Resolution 10/2023	- Publishing regulations on ownership certification of construction works for land used for tourist accommodation purposes (Condotel) - Complemeting the policy of land allocation in case investment is approved - Regulating the time for the Provincial People's Committee to issue specific land prices is no more than 90 days from land providing date.
Decisions No 313/314/574/1123/1124	Reducing all policy rates including: - refinancing interest rate: from 6.0% to 4.5% p.a. - discount rate: from 4.5% to 3.0% p.a. - ceiling interest rate for term deposits < 1 month: from 1% to 0.5% p.a. - ceiling interest rate for term deposits < 6 months: from 6% to 4.75% p.a. - maximum lending rate for ST loans in VND by credit institutions: from 5.5% to 4.0% p.a.

- Cir. 26/2022 helped support system liquidity when 50% of State Treasury deposits would be injected into the economy.
- Resolution 8 and 33/2023 cleared the path for rescheduling debt and bond payment obligations.
- Along with that, Decisions from the SBV aimed at to lowering policy rates which positively boost credit demand and reduce bad debt risks at commercial banks.

Source: SBV, VNDIRECT RESEARCH

VNDIRECT
WISDOM TO SUCCESS

Government efforts to revive the capital market

Recent issued policies to bolster the economy

Following up, the SBV has issued Circular 02-03/2023, which allow banks to maintain debt group/reschedule principal/interest payments and buy back corporate bond.

Circular/Draft	Description
Circular 02/2023 To guide credit institutions to review and reschedule principal/interest payments or maintaining debt group for customers who are (1) facing difficulties in running businesses and (2) losing demand for consumer loans	(1) The extension the restructuring program by additional 6 months (to 30 June 2024, instead of 31 Dec 2023 as presented in the draft). The structured amount should be no-more-than-10-days overdued (2) Rule for booking provisions - A: provisioning expenses as normal - B: provisioning expenses if maintaining debt group - C: Additional amount to book provision = A - B - Then C would be divided by… Until the end of 2023: at least 50% C Until the end of 2024: 100% C
Circular 03/2023 To postpone Article 11 Clause 4 Circular 16, which means banks are still be able to buy back the unlisted corporate bond sold/distributed by them with several conditions	- The Part 11 Clause 4 Circular 16/2021 will be delayed from Apr-24-2023 until the end of the year - Conditions: (1) The bonds buy back are the same bonds that banks sold before, or the same issued batch (2) Buyers of these bonds had paid in full for the bonds at the time the banks sold to them (3) Issuers of these bonds have highest credit rating (internal rating by the banks) at the time banks buy back
Draft to adjust Circular 41/2016 is about to change the risk factor of risk-weighted assets – focusing more on "social housing" programme	- Risk factor for property developers will be unchanged at 200%; however it will be decreased to 160% if it is used for industrial property loans - For social housing group, the risk factor will be recalculate based on their LTV and DSC ratio

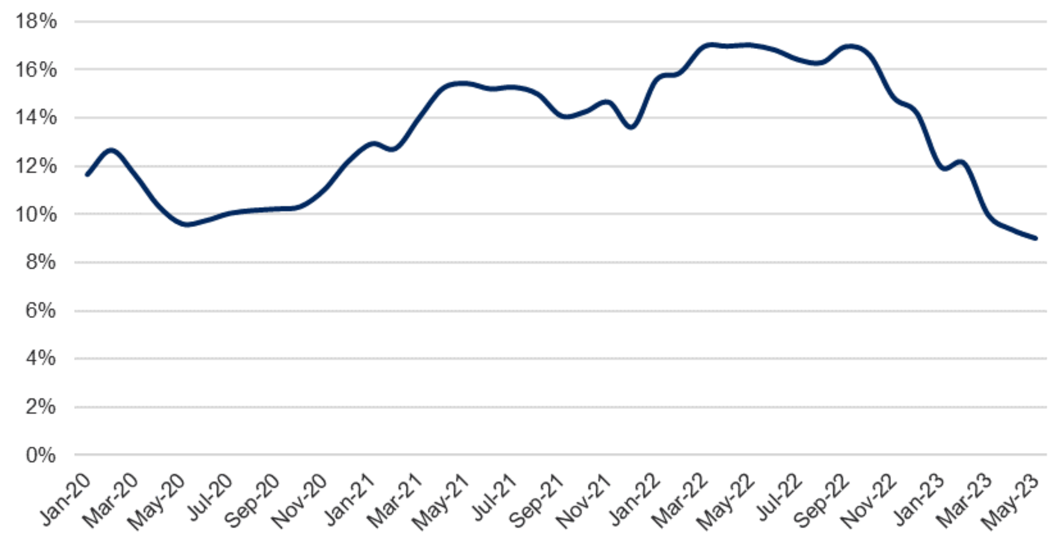
- With Cir 02/2023, the pressure to build up provisions for banks will be alleviated as banks can re-arrange their provisioning expenses within 2 years (2023-24). We think this would boost investor's sentiment to banks having high exposure to property/consumer finance loans in credit book like TCB, MBB, VPB, given an expected increase in credit cost.
- Corporate bond market might be warmed up in the rest of 2023 as Circular 03/2023 has postponed Article 11 Clause 4 Circular 16/2021, which means banks are still able to buy back unlisted c-bonds sold/distributed by them with several conditions.

Source: SBV, VNDIRECT RESEARCH

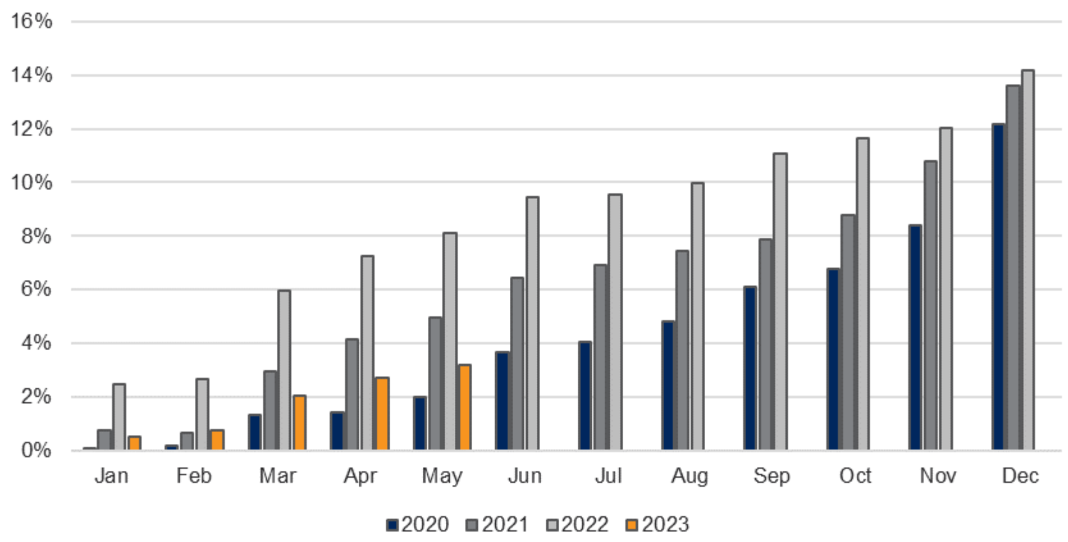
Sluggish credit growth in 1H23 but likely to ramp up in 2H23F

System credit growth was at 3.17% ytd and 9.0% yoy at the end of May 23, reaching its bottom in the recent two years, on the back of weak credit demand

System credit grew stagnant in 1H23 on weak demand…



…but still higher than that at the Covid period

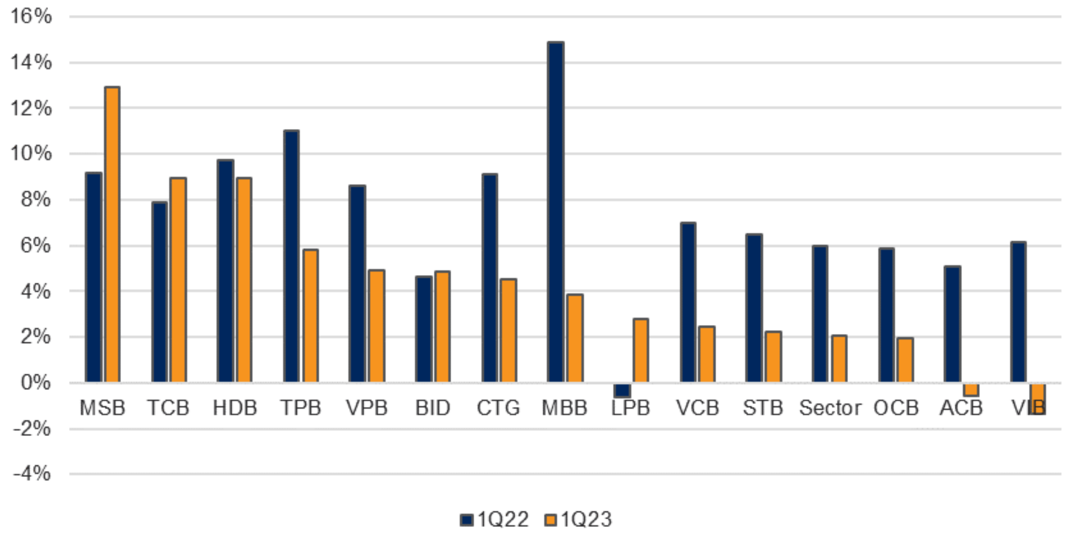


- Recap in 1Q23, system credit rose marginally by 2.1% ytd and 10% yoy at end-1Q23 to VND12,170tr (1Q22: 5.97% ytd) due to (i) lending rates still anchor at high level, demotivating corporates to apply for new loans, (ii) the murky residential property sector also weighed on credit growth and (iii) businesses face difficulties to meet bank's disbursement criteria as a consequence of deteriorating profit. Total credit balance of 25 listed banks, which made up 75% of system credit, rose 3.4% ytd at end-1Q23. Three state-owned listed commercial banks (SOCBs) i.e., BID, VCB, CTG, which accounted for 34% of system credit market share, delivered 4.05% ytd of credit growth in 1Q23, higher than system level.

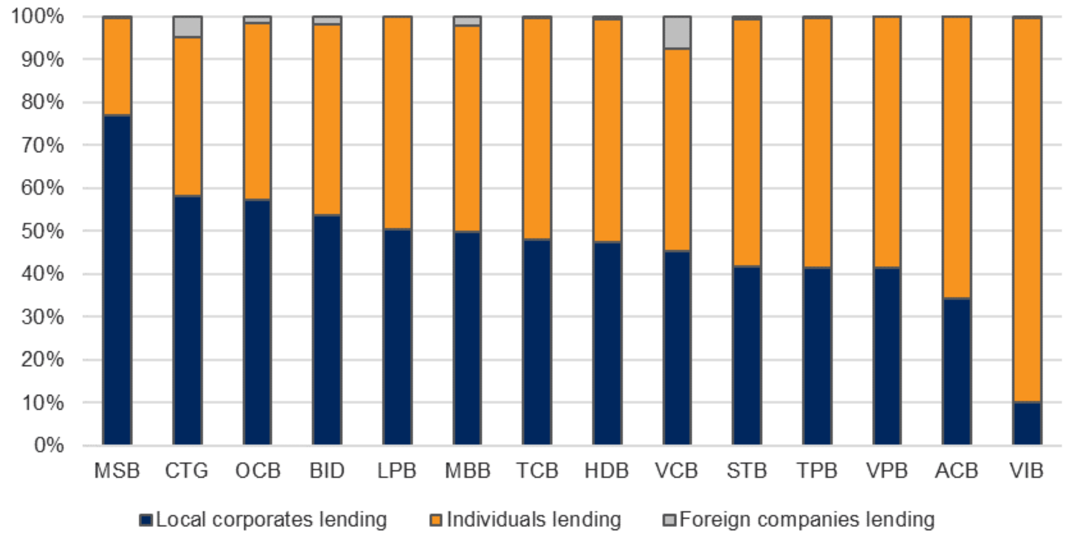
Source: SBV, VNDIRECT RESEARCH, COMMERICAL BANKS

Sluggish credit growth in 1H23 but likely to ramp up in 2H23F

Most banks reported slower credit growth yoy in 1H23



Banks with high proportion of corporate lending recorded much higher credit growth (end-FY22)



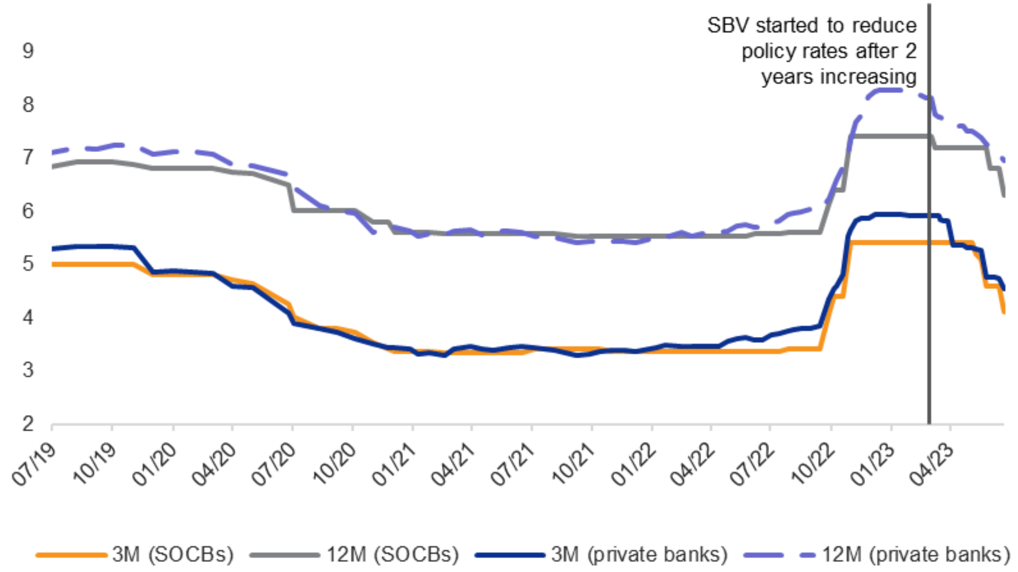
- We observed that banks that having high proportion of corporate lending recorded much higher credit growth in 1Q23 compared with those specialized in retail lending due to high demand on working capital funding and refinancing, whilst high lending rate and weaker economic growth discouraged new loans application.

Source: VNDIRECT RESEARCH, COMMERICAL BANKS

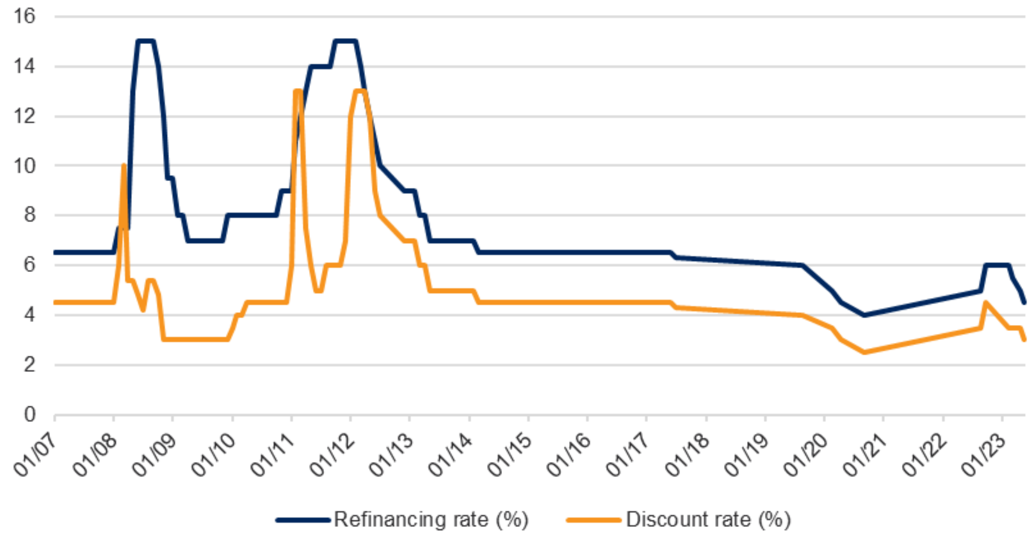
Sluggish credit growth in 1H23 but likely to ramp up in 2H23F

At mid-Jun 23, the 3-month and 12-month term deposit rates declined significantly compared to the level at end-FY22 but still anchored at a high level

We expect 12M deposit rates could reduce further to 6-6.5% range in 2H23F (%)...



… thanks to a fourth policy rate cut of 50bps at end-2Q23 (%)

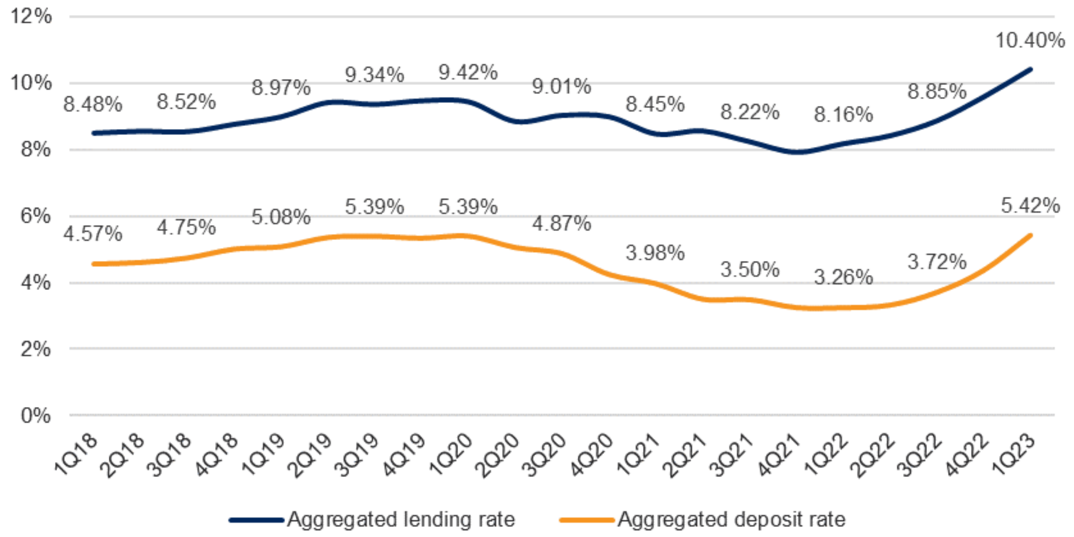


- At end-1Q23, the average 3-month and 12-month term deposit rates was approx. 5.6% and 7.4%, reduced by 5-40bps after reaching its peak at end-FY22. These rates have continued to slide significantly by 0.8-1.3% to 4.3% and 6.6%, respectively until mid-Jun 23, thanks to fourth times policy rates cuts by the SBV since Mar/23. At end-FY23, we expect 12M deposit rates could fall back to 6-6.5% corridor, which could stimulate a more favourable lending environment and in turn, credit growth.

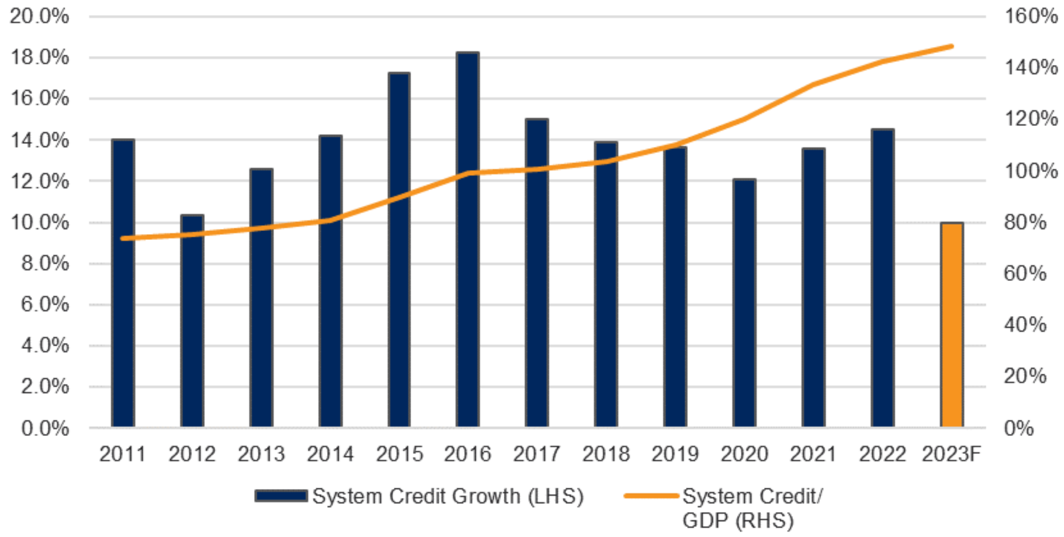
Source: SBV, VNDIRECT RESEARCH

Sluggish credit growth in 1H23 but likely to ramp up in 2H23F

At end-1Q23, aggregated sector lending rates still remained at a high level



We forecast system credit growth to accelerate in 2H23 and reach 10% at end-FY23F



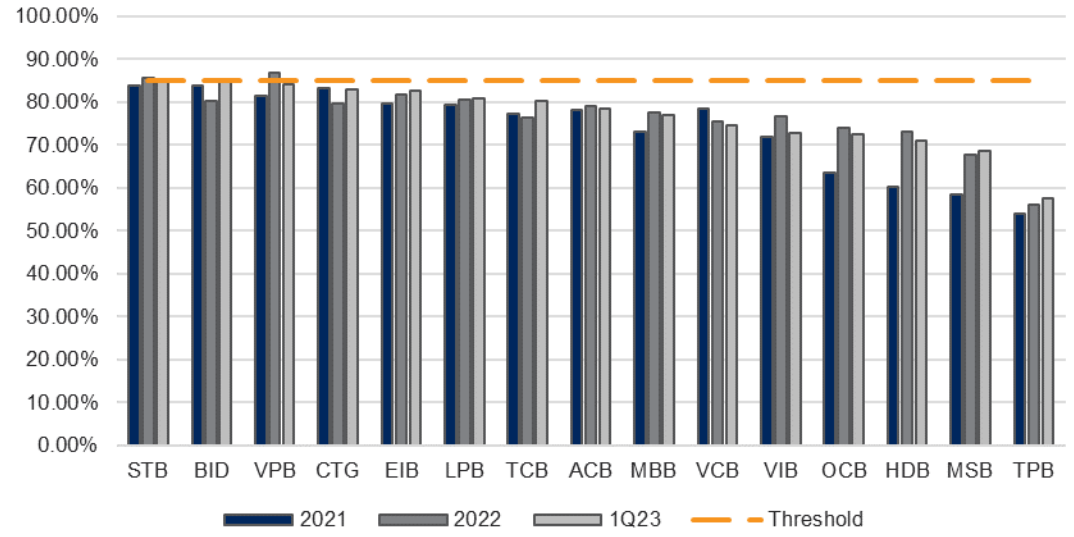
- Aggregated lending rate of top 25 listed banks rose sharply to 10.4% in 1Q23, after fluctuating between 8-9% range during 2018-22. We expect lending rates to decrease further ~1.5-2% from this level to fall back into the attractive rate territory in 2H23F thanks to lower funding cost.
- We expect system credit growth to accelerate in 2H23F and finally reach 10% yoy in FY23F on (i) lower lending rates, (ii) accelerating public investment disbursement, and (iii) 2% reduction in VAT to boost consumption demand in the remaining of 2023.

Source: VNDIRECT RESEARCH, SBV, COMMERICAL BANKS
sector: top 25 largest listed banks in terms of loan book

Sluggish credit growth in 1H23 but likely to ramp up in 2H23F

We believe a few banks will have better-than-peers credit growth in FY23F

LDR of banks at end-1Q23



Banks' 1st credit growth quota and bank's credit guidance for FY23F

	2023F credit growth (guidance)	1Q23 credit growth ytd
MSB	15%	12.9%
TCB	11%	9.0%
HDB	20%	9.0%
TPB	10%	5.8%
VPB	22%	4.9%
BID	10%	4.9%
CTG	12%	4.5%
MBB	18%	3.8%
LPB	13%	2.8%
VCB	12%	2.5%
ACB	13%	-0.6%
VIB	11%	-1.3%

- We believe SOCBs with its own competitive advantage as one of the Government's distribution channels would be the main beneficial to receive better-than-peers credit growth from accelerating public investment.
- Additionally, TCB, HDB, MBB, VPB may likely to achieve better credit growth in FY23F compared to its peers thanks to (i) abundant liquidity (i.e. TCB, MBB) (ii) strong base capital (i.e. VPB, TCB) and (iii) supporting plan to restructure weak credit institutions (i.e. VCB, HDB, MBB).

Source: VNDIRECT RESEARCH, COMMERICAL BANKS

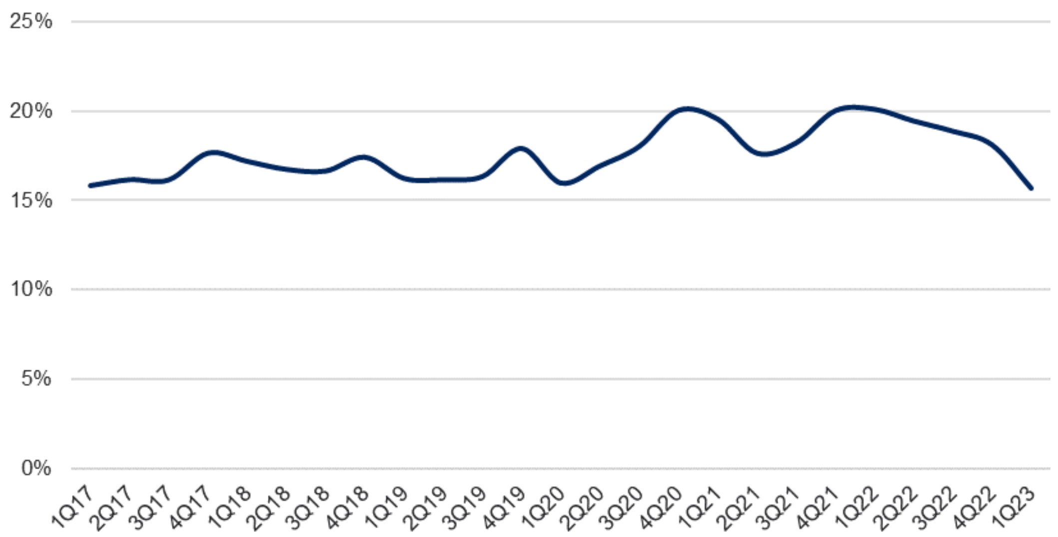
NIM: expecting to be resilient in FY24F

Aggregated assets yield of top 25 listed banks recorded an increase by 1.74% pts yoy to 8.5%. Meanwhile, banks' funding cost growth outpaced that of asset yields with a surge by 1.83% pts yoy to 4.9%, dampening aggregated NIM to decrease by 3.4bps to 3.6%

NIM expansion/contraction by banks in 1Q23 (% pts yoy)

+/-	AY	COF	NIM
STB	3.83	2.20	1.93
VIB	2.79	2.69	0.48
HDB	2.96	0.87	0.29
CTG	1.78	1.57	0.28
MBB	1.96	2.13	0.13
OCB	2.48	2.88	(0.01)
ACB	1.91	2.21	(0.02)
MSB	2.21	2.53	(0.09)
BID	1.20	1.49	(0.20)
VCB	0.71	1.10	(0.22)
EIB	1.71	2.26	(0.28)
TPB	1.37	2.07	(0.58)
LPB	1.05	2.03	(0.70)
VPB	0.81	2.53	(1.40)
TCB	0.89	2.89	(1.78)

CASA in the whole sector reduced as customers switched from current to term deposits



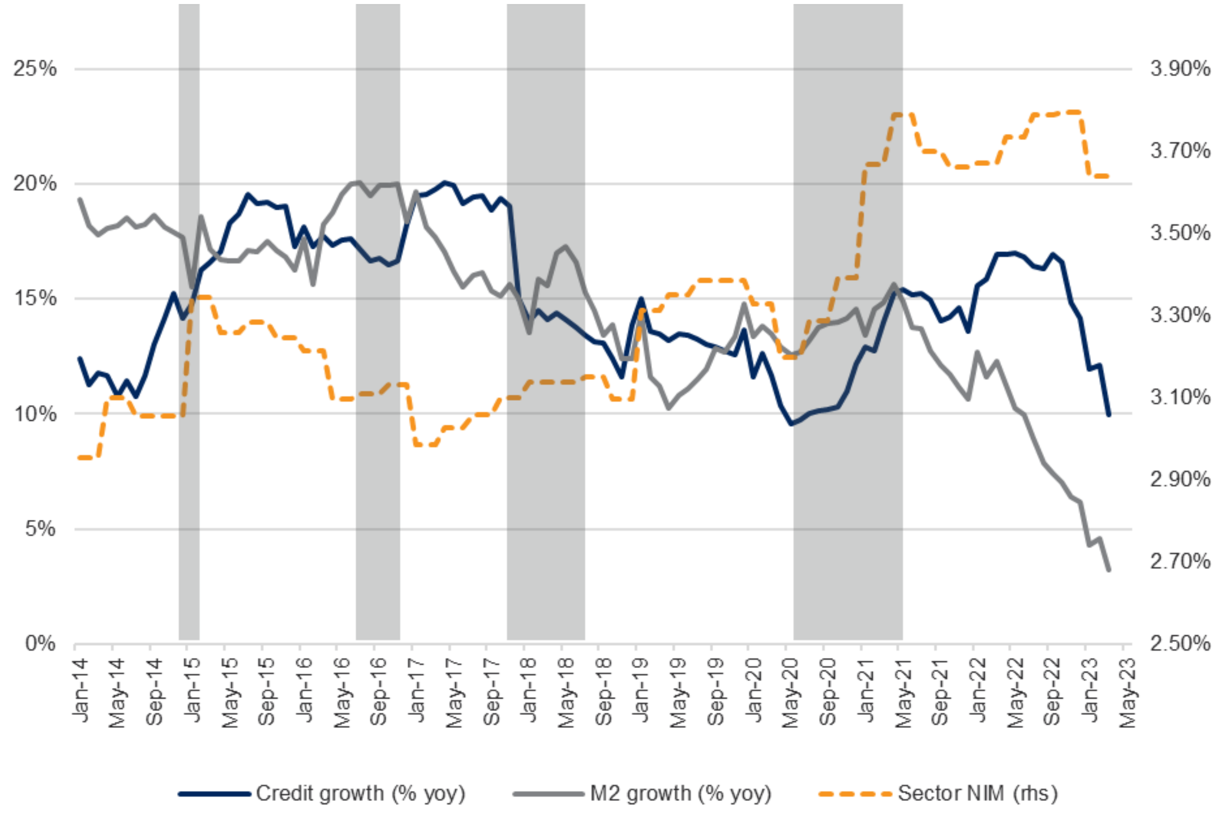
- We observed that most banks with high credit growth in 1Q23 recorded lower NIM yoy, implying banks have actively retained lending rates in a suitable band to support troubled customers. Meanwhile, banks with negative credit growth in 1Q23 e.g. VIB, ACB reported higher or better-than-peers NIM yoy.
- Moving forward to 2H23F, we expect funding cost to reduce further as the 3rd and 4th time policy rates cut in end-2Q23 would be effective in 2H23F onwards. However, we might not be able to see an improvement in NIM immediately, as reducing lending rates is still uppermost to fuel economic activities.

Source: VNDIRECT RESEARCH, COMMERICAL BANKS
sector: top 25 largest listed banks in terms of loan book

What should be a leading indicator for a NIM resilience?

To solve this question, we need to look back to the root of the problem

Looking back at the recent 10 years, we observe that when M2 growth is higher than credit growth, NIM is likely to increase

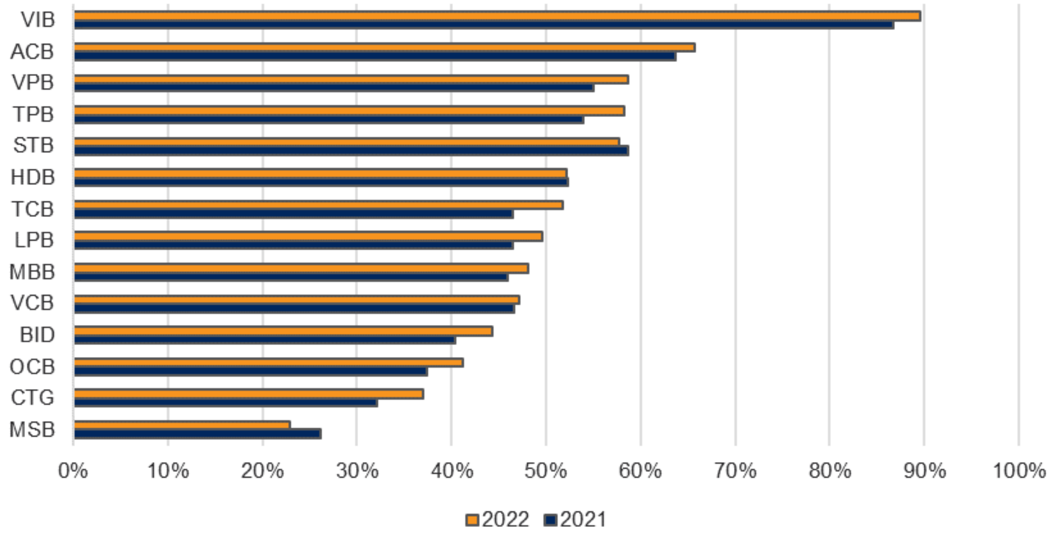


- The mismatch between the cost of supply and demand capital is likely the reason for the slow growth in credit and NIM. Given high cost for funding at the moment, businesses would be discourage to apply for new loans, which also decreases money turnover rate between economic entities, and in turn, credit and NIM growth
- We believe an improvement in M2 growth could indicate a higher money velocity, which also implies a higher money turnover rate in the economy. With abundant liquidity flow in the market, banks would have more room to improve its NIM by accelerating lending (increase LDR) or reducing COF further than asset yield.

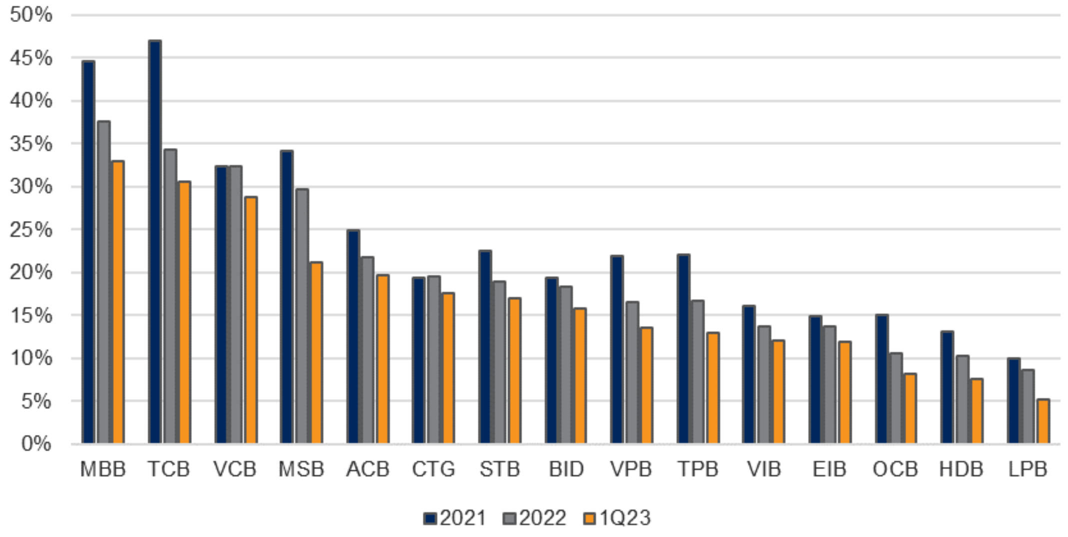
Source: VNDIRECT RESEARCH, COMMERICAL BANKS, SBV

We believe a few banks have the opportunities to improve NIM better-than-peers in FY23F

Individual lending per total loans by banks (%)



… and CASA ratio by banks at end 1Q23 (%)



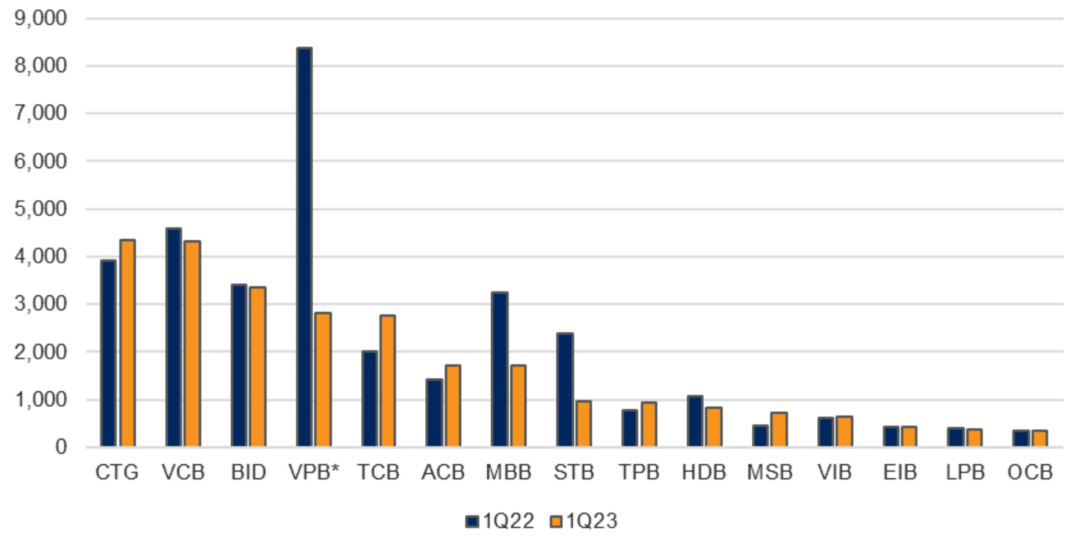
- In the meantime, NIM improvement trend is likely to remain uneven across individual banks, as their sensitivity to competition for deposits and need for funding mobilization vary widely. Banks with the following advantages have more opportunities to sustain/improve their NIMs:
  - High CASA ratio or lower loan-to-deposit ratio: can lead to lower funding costs, while facilitating lending rate reduction.
  - Having opportunities to increase their exposures to individual lending which will enjoy better assets yield.

Source: VNDIRECT RESEARCH, COMMERICAL BANKS

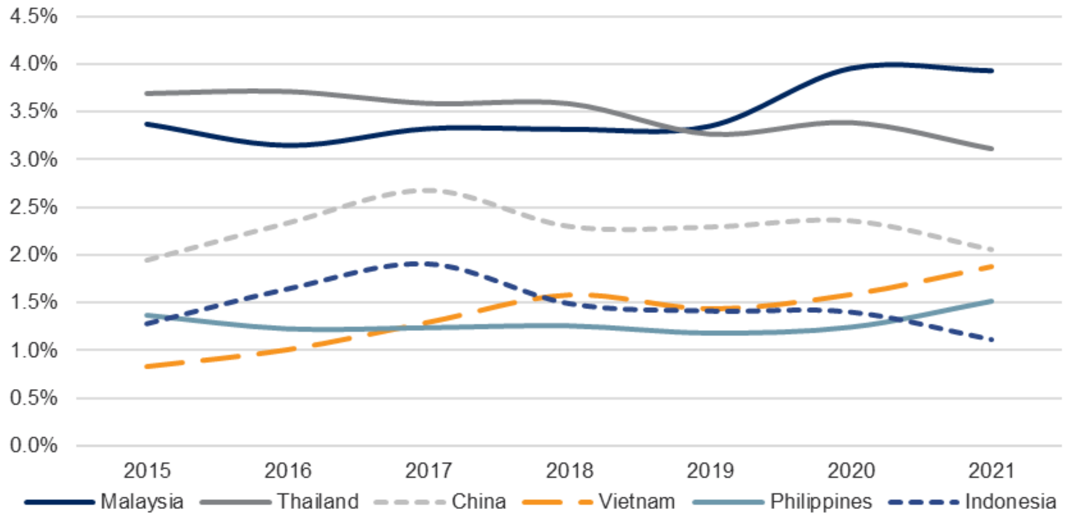
Non-II: current headwinds are only short-term

Net fee income and other activities continued to be the main driver, contributing 50% and 26% to 1Q23 sector's total non-II, respectively.

Banks' non-II posted 6.6% yoy decrease in 1Q23 (excluded VPB's one-off fee in 1Q22) on sluggish banca activities (VNDbn)



Regional life insurance penetration rate

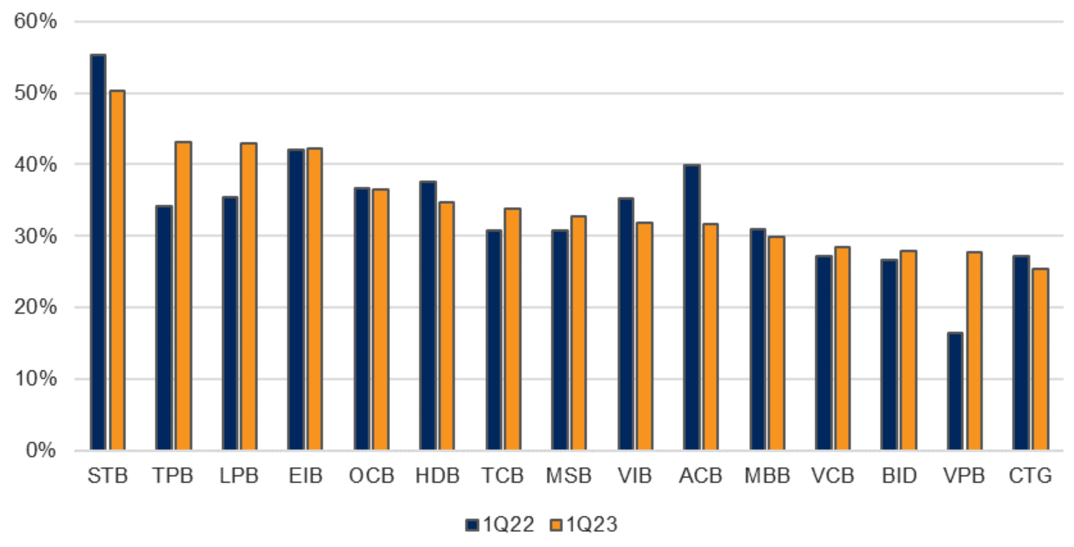


- Banks' 1Q23 non-II reached ~VND28tr in 1Q23 (-21.2% yoy and -6.6% yoy if excluding exclusive banca fee of VPB in 1Q22) on stagnant banca activities and bad debts collecting activities. Banks enjoyed significant growth in fee income from banca activities during FY20-22 as insurers pushed for growth through banks. However, banca incomes for banks have been slowed down in 2023 due to (i) weaker economy impacting consumers' income, and also demand for insurance products and (ii) heightened scrutiny from regulators around banca activities on allegations from borrowers/depositors to be forced into buying insurance products.
- In spite of the sectoral headwinds, HDB and VIB are expecting to ink new banca deals in FY23-24F, proving the long-term potential of Vietnam bancassurance market.

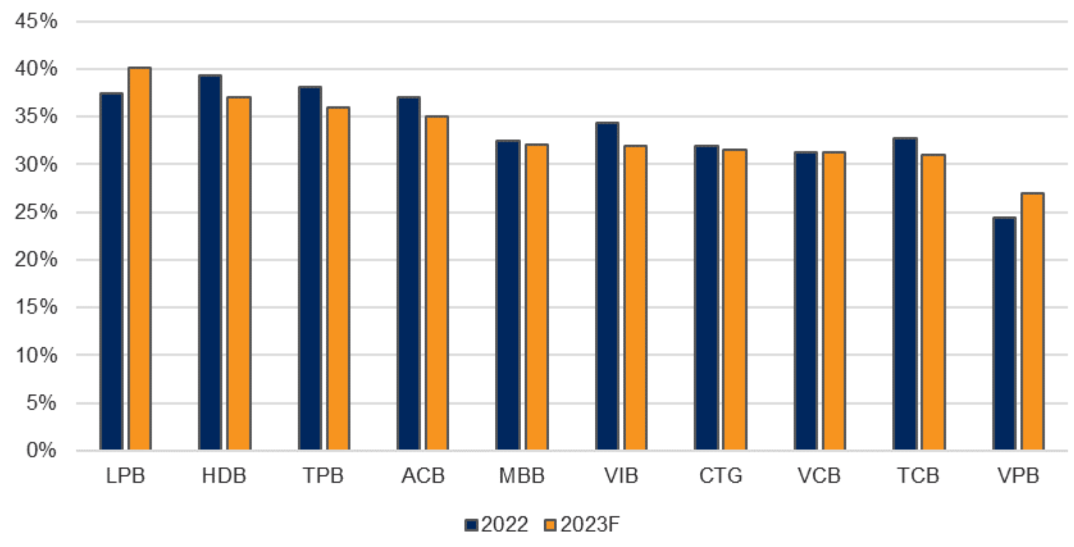
Source: VNDIRECT RESEARCH, COMMERICAL BANKS
sector: top 25 largest listed banks in terms of loan book

FY23F CIR would slightly reduce from this current level

Most banks recorded higher CIR in 1Q23 compared with 1Q22



We estimate the overall FY23F CIR to fluctuate at ~30-40% corridor



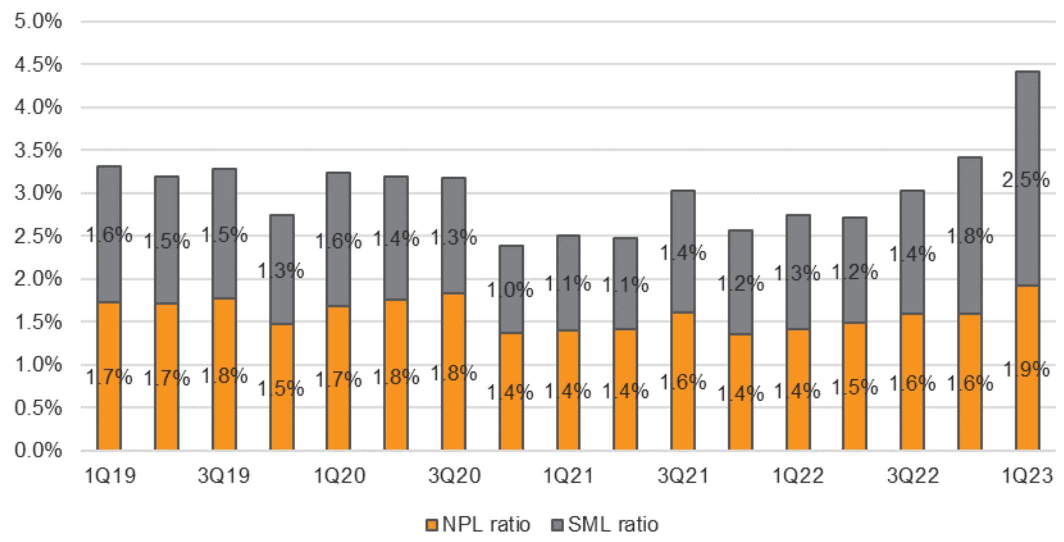
- Operating expenses of 25 listed banks lifted by 11.0% yoy in 1Q23, while TOI increased by 4.8% yoy in 1Q23, prompting average CIR to raise to 32% in 1Q23 from 30% in 1Q22, but rather stay in line with average CIR in 1Q22 of 31.4% if excluding one-off gain from VPB in 1Q22.
- We forecast that the overall CIR will reduce from 2Q23 onwards because banks will keep actively investing in technology to transform into digital banks. Investment cost for technology of some banks (CTG, VPB, TCB…) is around US$50-100m per year in 2022-2025F.

Source: VNDIRECT RESEARCH, COMMERICAL BANKS

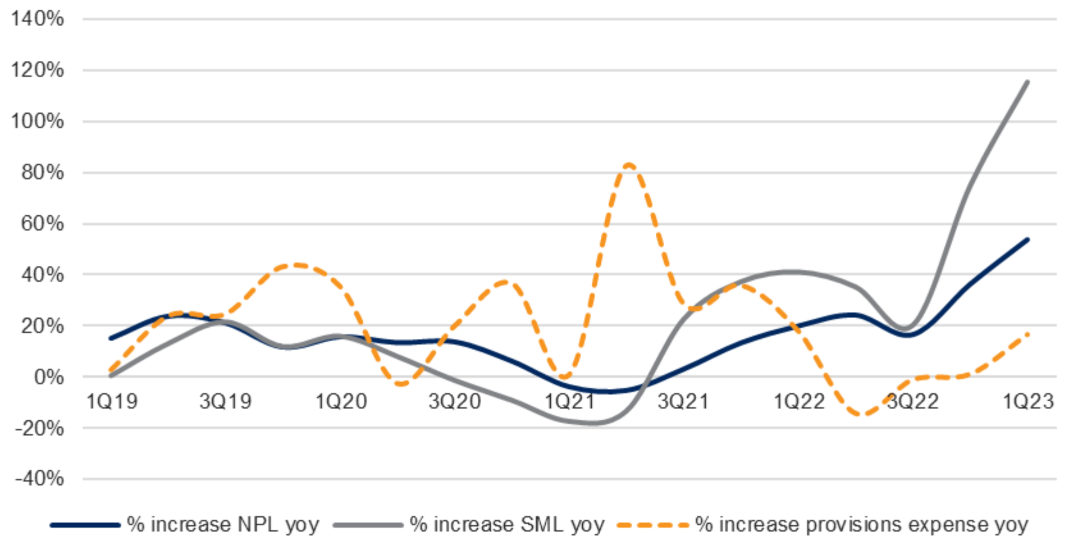
Asset quality: potential delinquencies cast a cloud

Banks' asset quality has been relatively affected as a consequence of the sluggish business activities

Watch out the rise of loans-at-risk (%)…



… as % increase of NPL and SML outpaced % increase in provision expenses yoy



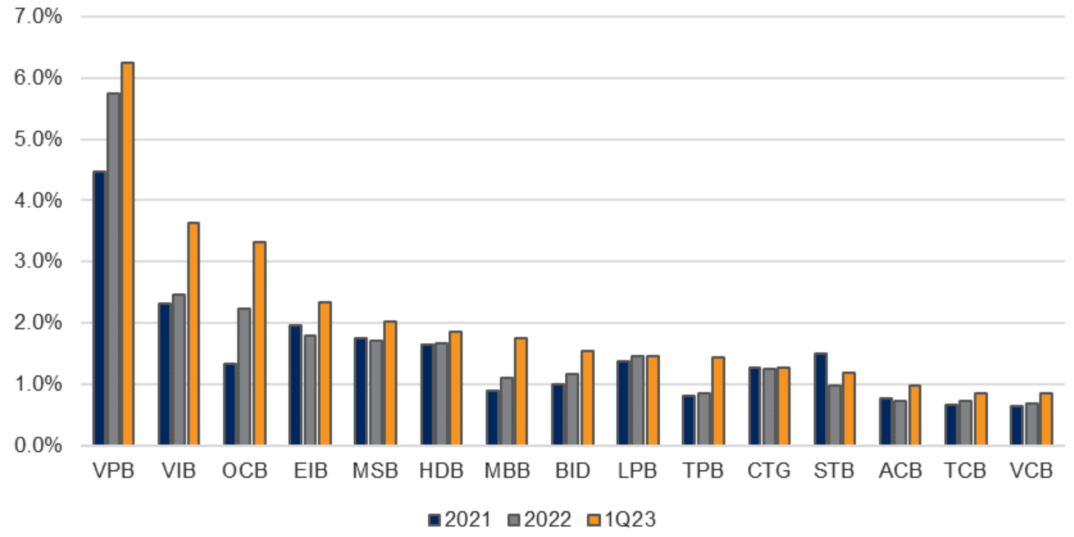
- The predictable surge in bad debts in the upcoming months is also noticeable when at end-1Q23, group-2 debts surged by 115% yoy, boosting its contribution in total loan book from 1.3% in 1Q22 to 2.5% in 1Q23. Also, sector NPL ratio had climbed up to 1.9% from 1.4% at end-1Q22 and 1.6% at end-FY22
- Given the foreseen provisions pressures, Circular 02/2023 is issued to maintain debt group and reschedule principal/interest payments for troubled customers. Consequently, the pressure to build up provisions will be eased as banks can re-arrange their provisions expenses within 2 years (FY23F & 24F)

Source: VNDIRECT RESEARCH, COMMERICAL BANKS
sector: top 25 largest listed banks in terms of loan book

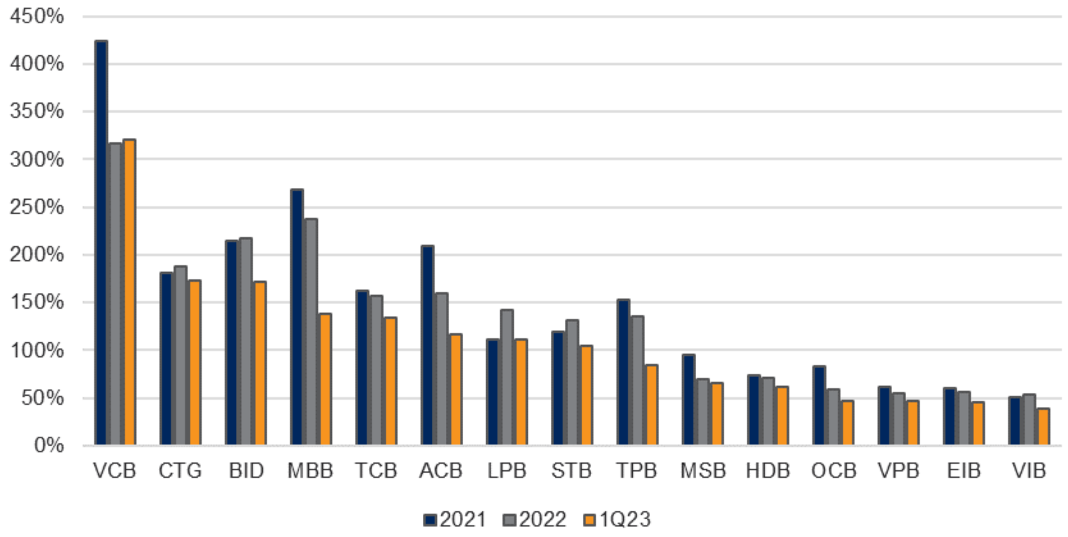
Asset quality: potential delinquencies cast a cloud

Banks' asset quality has been relatively affected as a consequence of sluggish business activities

NPL of listed bank increased in 1Q23



While LLR downed slightly from the top in 2022

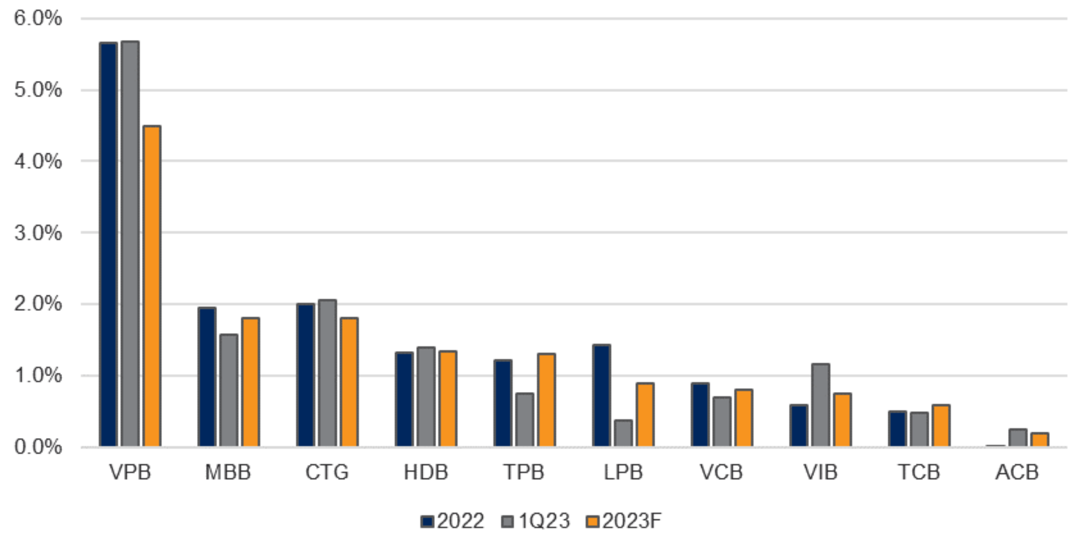


- Aggregated sector NPL ratio increased to 1.9% at end-1Q23 from the levels of 1.6% at end-2022. Total loan book of 25 listed banks grew by 4.2% ytd while their total non-performing loans rose by 25.2% ytd. Top 5 lowest NPL ratio banks include VCB (0.85%), TCB (0.85%), ACB (1.0%), CTG (1.3%) and TPB (1.4%).
- Aggregated loan loss reserve (LLR) dropped to 106% at end-1Q23 from 124% at end-2022, and 150% at end-1Q22. Top 5 highest LLR banks were VCB (321%), CTG (173%), BID (171%), MBB (138%) and TCB (134%).

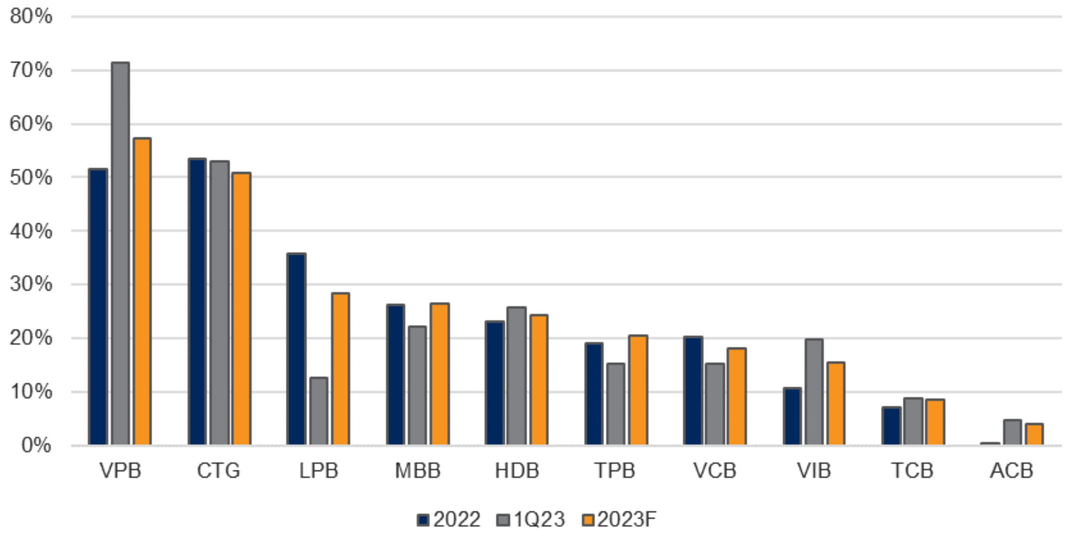
Source: VNDIRECT RESEARCH, COMMERICAL BANKS
sector: top 25 largest listed banks in terms of loan book

Asset quality: potential delinquencies cast a cloud

Banks' credit cost in 1Q23 and FY23F (%)



…and provision expense/Pre-provision operating profit (%)



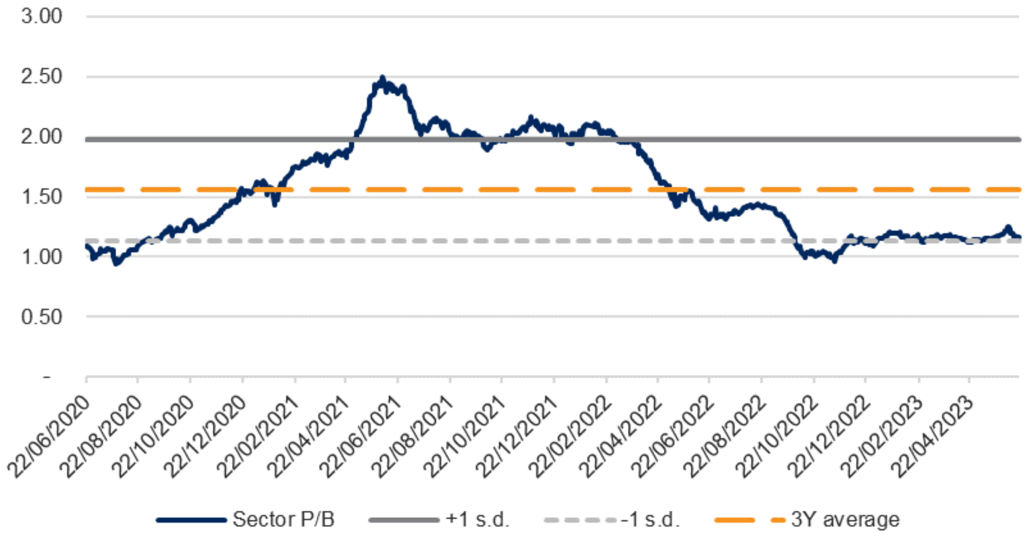
- Aggregated annualized credit cost of 25 listed banks goes up marginally to 1.4% in 1Q23 from 1.35% in 1Q22. Also, their average provision expense/pre-provision operating profit slightly increase to 31.1% in 1Q23 from 27.2% in 1Q22 in an uprising bad debts environment. We forecast credit cost of these banks will fluctuate in 2020-22 band thanks to the issuance of Circular 02 to maintain debt group/reschedule principal/interest payments, without an outlier.

Source: VNDIRECT RESEARCH, COMMERICAL BANKS
sector: top 25 largest listed banks in terms of loan book

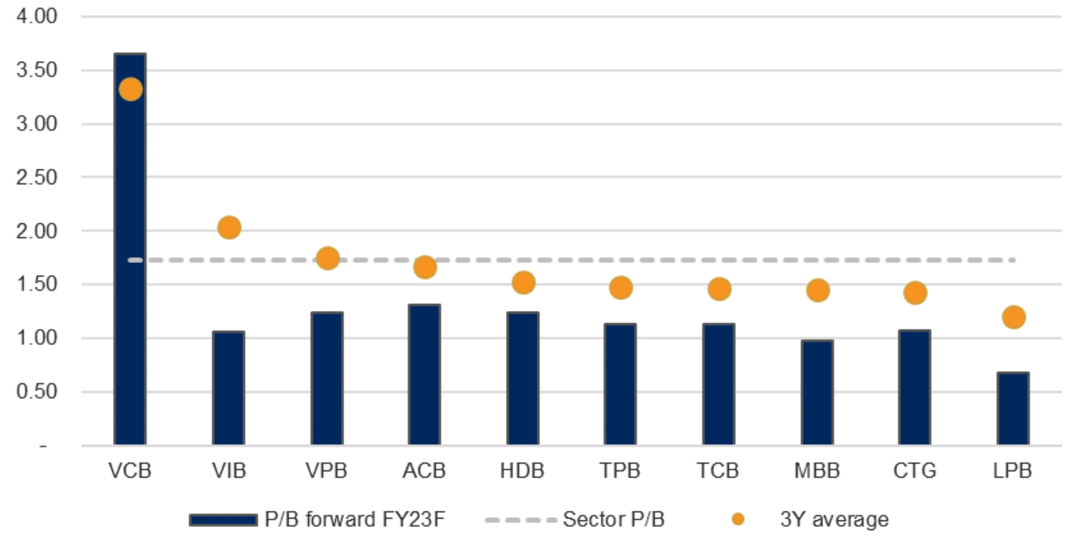
Banking sector 2H23F: Against all odds

We expect the economy to gather pace in 2H23F thanks to expansion monetary policy and fiscal policy support. Amid this scenario, banking sector would be the best proxy to Vietnam economic resurgence.

Banking sector's current P/B (coverage, excluding VCB) is falling below 3Y-average range, equivalent to minus 1SD level; and P/B forward is trading at only 1.0x



Except VCB, most banks are trading below the 3Y-average range



- Giving aforementioned reasons, we believe this is a good time to accumulate bank stocks. Our investment thesis includes:

1) Credit growth recovers thanks to further policy rate cuts and expansion fiscal policy
2) Reducing VAT to boost consumption demand, and in turn, credit demand
3) Circular 02 to release the provisions pressures weighed on commercial banks, especially for banks with increasing proportions of group-2 loans

Source: VNDIRECT RESEARCH, BLOOMBERG
data as of 26/06/2023

Forecast summary

	VCB		CTG		TCB		VPB		MBB		ACB		VIB		TPB		LPB		HDB	
P&L (% growth)	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Net interest income	10.6%	11.3%	8.1%	3.9%	7.4%	17.5%	-2.0%	21.9%	16.8%	18.1%	10.7%	16.6%	11.6%	16.6%	6.3%	13.0%	2.4%	11.0%	13.2%	18.6%
Non-interest income	28.4%	16.8%	-18.2%	-11.6%	10.5%	8.1%	-25.6%	26.2%	-7.1%	15.9%	-2.3%	17.7%	15.2%	14.6%	11.9%	13.8%	-11.3%	9.3%	25.5%	18.4%
Operating income	14.5%	12.6%	0.0%	0.0%	8.2%	15.0%	-8.9%	23.0%	11.8%	17.7%	8.3%	16.8%	12.2%	16.3%	7.8%	13.2%	0.2%	10.7%	15.4%	18.6%
Operating expenses	14.4%	11.6%	5.4%	-1.6%	2.4%	15.0%	-3.0%	23.0%	10.4%	16.8%	-6.0%	20.1%	4.7%	16.3%	1.9%	13.2%	7.4%	5.6%	8.7%	18.6%
Pre-provision profit (PPOP)	14.5%	13.1%	-2.3%	0.7%	11.0%	15.0%	-10.8%	23.0%	12.4%	18.1%	17.9%	15.0%	16.2%	16.3%	11.4%	13.2%	-4.1%	14.2%	19.7%	18.6%
Provision	1.6%	4.1%	-0.3%	-8.3%	36.0%	9.7%	-2.0%	5.6%	13.3%	21.9%	1053.2%	11.9%	44.8%	5.4%	20.3%	-3.9%	-24.0%	10.7%	26.6%	11.5%
Provision expenses (% PPOP)	20.2%	17.9%	49.7%	50.7%	7.0%	8.6%	51.4%	56.4%	26.1%	26.4%	0.4%	4.0%	10.8%	13.4%	19.1%	20.6%	35.8%	28.4%	23.0%	24.3%
Pre-tax profit	17.7%	15.1%	-4.3%	10.1%	9.1%	15.5%	-20.0%	45.5%	12.1%	16.8%	13.7%	15.1%	12.7%	18.0%	9.3%	17.7%	7.0%	15.5%	17.7%	20.8%
Net profit	16.1%	13.0%	10.8%	20.8%	9.1%	15.5%	-22.0%	42.1%	12.3%	16.8%	13.7%	15.1%	12.7%	18.0%	9.3%	17.7%	7.8%	15.7%	17.7%	20.8%
Key ratios																				
Loan growth	10%	12%	10%	10%	16%	17%	21%	25%	18%	18%	13%	17%	13%	18%	12%	15%	11%	11%	19%	19%
Deposit growth	13%	12%	10%	7%	13%	15%	22%	26%	10%	10%	15%	18%	12%	16%	8%	10%	15%	15%	20%	20%
NIM	3.2%	3.3%	2.9%	2.9%	4.9%	5.0%	6.2%	6.3%	5.5%	5.6%	4.1%	4.2%	4.7%	4.7%	3.8%	3.8%	3.6%	3.6%	5.0%	5.0%
CIR	31%	31%	32%	31%	31%	31%	26%	26%	32%	32%	35%	36%	32%	32%	36%	36%	40%	38%	37%	37%
Credit cost	0.8%	0.8%	1.8%	1.5%	0.6%	0.5%	4.5%	4.4%	1.8%	1.8%	0.2%	0.2%	0.8%	0.7%	1.3%	1.1%	0.9%	1.0%	1.3%	1.3%
NPL	0.6%	0.6%	1.6%	1.8%	1.1%	1.1%	5.2%	4.1%	1.5%	1.4%	1.0%	1.0%	2.7%	2.6%	1.0%	1.0%	1.5%	1.5%	1.8%	1.6%
LLR	369%	370%	215%	216%	107%	116%	50%	53%	141%	130%	120%	110%	58%	61%	209%	288%	96%	83%	74%	81%
CAR	8.6%	9.1%	9.2%	9.3%	15.1%	15.6%	17.8%	16.1%	11.0%	10.8%	14.8%	15.7%	13.7%	14.5%	14.8%	15.6%	10.9%	11.5%	14.9%	15.8%
ROA	1.8%	1.9%	1.0%	1.2%	3.0%	3.0%	1.8%	2.4%	2.5%	2.5%	2.4%	2.4%	2.6%	2.7%	2.0%	2.1%	1.4%	1.5%	2.1%	2.2%
ROE	23.1%	21.5%	16.2%	16.9%	17.9%	17.4%	12.0%	13.9%	23.2%	22.2%	24.1%	22.5%	26.6%	25.2%	19.2%	18.7%	18.4%	17.7%	23.4%	23.9%

Source: VNDIRECT RESEARCH

Our stock picks are TCB, MBB, VIB while VPB is in watchlist

No	Ticker	1-year TP (VND/share)	Rating	Investment thesis
1	TCB (STOCK PICK)	42,000	ADD	Despite near-term turbulence, we still favour TCB based on the following reasons: (i) Circular 02/2023 is expected to ease provisions pressure in the upcoming quarters, especially for banks having high exposure to property sectors in credit book (ii) we believe banks with high CASA base customer such as TCB will have more opportunities to improve their NIM, leading to lower funding costs while facilitating lending rate reduction, (iii) solid provision buffer to guard against bad debt risks (top 2 lowest NPL ratio, top 5 highest LLR among peers at end-1Q23). Recently, downward pressure from the market has caused the stock's valuation to drop to historic lows. Based on our estimates, TCB is currently trading at a P/B valuation of 0.9x for FY23F.
2	MBB (STOCK PICK)	29,300	ADD	We believe the long-term growth story of MBB remains very compelling given the bank's following attributes: (i) above-average credit growth backed by strong liquidity position, participation in handling of weak credit institutions, and strength in high-growth areas such as renewable energy and retail lending (ii) low COF advantage driven by market leading CASA ratio to help sustain top-tier NIM, and (iii) diversified ecosystem of financial services to empower long-term sustainable growth encompassing consumer finance, insurance (life and non-life), securities brokerage, and fund management.
3	VIB (STOCK PICK)	23,600	ADD	In the long run, we still like VIB for its well-positioned in Vietnam's ongoing retail banking race. VIB has fully taken advantage of the large unbanked population, low household debt to GDP and low penetration of retail banking products in Vietnam to maximize its lending capacity to mortgage and car loans. The extended exclusive Bancassurance partnership between Prudential Vietnam and VIB proves its strong competitive advantage in cross-sales financial products amid current turbulence. Additionally, we expect the policy of 50% reduction of car registration fees would stimulate car credit demand, especially for banks with a competitive advantage in retail lending such as VIB. Asset quality deteriorated during 1Q23 but the bank was still able to pay cash dividends to its shareholders, proving its healthy financial fundamentals.
4	VPB	25,700	ADD	We continue to like VPB as one of our picks for “growth-seeking” investors who are willing to look through the near-term macro uncertainties and want to embrace the long-term growth potential of Vietnam’s banking sector. Our preference for VPB is based on: (i) top-tier CAR ratio of ~18% post-SMBC deal by our estimate allowing for above-average credit growth (ii) multiple opportunities to grow outside of the traditional lending business via its subsidiaries in the consumer finance (FE Credit), brokerage (VPBank Securities), and non-life insurance (OPES) industries VPB is trading at 1.0x for FY23F P/B of, well-below its 3Y average of 1.8x, against 15%+ core EPS growth over the FY22-25F period.

Source: VNDIRECT RESEARCH

Vietnam banks comparison (data as of 26/06/2023)

Banks	Bloomberg Code	Recom.	Closing price	Target price	Market cap	P/B (x)		P/E (x)		3-yr Forward EPS CAGR	ROE (%)		ROA (%)	
			(local curr.)	(local curr.)	(US$bn)	FY23F	FY24F	FY23F	FY24F	%	FY23F	FY24F	FY23F	FY24F
Vietcombank	VCB VN	ADD	99,700	108,700	20.1	2.9	2.4	13.6	12.0	12.4%	23.1%	21.5%	1.8%	1.9%
VietinBank	CTG VN	ADD	29,350	36,200	6.0	1.1	1.0	10.1	8.3	14.7%	16.2%	16.9%	1.0%	1.2%
Techcombank	TCB VN	ADD	32,650	42,000	4.9	0.9	0.7	5.2	4.5	14.7%	17.9%	17.4%	3.0%	3.0%
Vietnam Prosperity JSC Bank	VPB VN	ADD	20,200	25,700	5.8	1.0	0.9	10.3	7.9	6.2%	12.0%	13.9%	1.8%	2.4%
Military Commercial Joint Stock Bank	MBB VN	ADD	20,100	29,300	3.9	1.0	0.8	5.0	4.2	14.2%	23.2%	22.2%	2.5%	2.5%
Tien Phong Commercial JSB	TPB VN	ADD	18,500	22,300	1.7	0.7	0.6	5.1	3.6	15.6%	19.2%	18.7%	2.0%	2.1%
Asia Commercial Joint Stock Bank	ACB VN	ADD	21,800	30,000	3.6	1.0	0.8	4.8	4.1	11.0%	24.1%	22.5%	2.4%	2.4%
HD Bank	HDB VN	ADD	18,650	25,000	2.0	1.2	0.9	5.6	4.6	14.6%	23.4%	23.9%	2.1%	2.2%
Vietnam International Bank	VIB VN	ADD	19,950	23,600	2.1	1.2	1.0	4.9	4.5	4.9%	26.6%	25.2%	2.6%	2.7%
LPBank	LPB VN	ADD	15,500	17,400	1.1	0.9	0.8	6.2	5.3	7.6%	18.4%	17.7%	1.4%	1.5%
Average						**1.2**	**1.0**	**7.1**	**5.9**	**12.4%**	**20.4%**	**20.0%**	**2.1%**	**2.2%**

Source: VNDIRECT RESEARCH, BLOOMBERG

Global banks comparison (data as of 26/06/2023)

Ticker	Comp name	Current price (LC)	Mkt cap (US$m)	P/B (x)	P/E (x)	NIM (%)	ROE (%)	ROA (%)	TA/TE (x)	5Y EPS Growth
China										
1288 HK	Agricultural Bank of China Ltd	3.1	168,945	0.4	3.9	1.9%	11.8%	0.8%	12.7	5.0%
3988 HK	Bank of China Ltd	3.1	147,346	0.4	4.0	1.9%	10.8%	0.8%	11.3	5.4%
1398 HK	Industrial & Commercial Bank of China Ltd	4.2	228,266	0.4	3.8	2.1%	11.9%	1.0%	11.3	4.2%
939 HK	China Construction Bank Corp	5.0	162,821	0.4	3.6	2.1%	12.0%	0.9%	12.0	5.9%
Avg.				***0.4***	***3.8***	***2.0%***	***11.6%***	***0.9%***	***11.8***	***5.1%***
Malaysia										
MAY MK	Malayan Banking Bhd	8.8	22,765	1.2	12.5	1.8%	10.0%	0.9%	10.7	-0.9%
PBK MK	Public Bank Bhd	3.9	16,450	1.5	11.9	2.1%	13.0%	1.3%	9.6	2.2%
CIMB MK	CIMB Group Holdings Bhd	5.3	12,136	0.9	9.9	2.0%	9.0%	0.9%	10.5	1.0%
HLBK MK	Hong Leong Bank Bhd	19.1	8,897	1.2	10.1	1.6%	12.2%	1.5%	8.2	8.9%
RHBBANK MK	RHB Bank Bhd	5.5	5,025	0.8	8.0	1.5%	10.0%	0.9%	10.8	5.9%
Avg.				***1.1***	***10.5***	***1.8%***	***10.8%***	***1.1%***	***9.9***	***3.4%***
Thailand										
KBANK TB	Kasikornbank PCL	129.5	8,801	0.6	8.7	3.5%	7.1%	0.8%	7.5	1.0%
SCB TB	SCB X PCL	107.5	10,382	0.8	9.4	3.1%	8.3%	1.1%	7.4	-2.6%
BBL TB	Bangkok Bank PCL	163.5	8,952	0.6	9.7	2.6%	6.4%	0.7%	8.7	-2.4%
KTB TB	Krung Thai Bank PCL	20	7,857	0.7	7.8	2.7%	9.3%	1.0%	9.2	8.4%
Avg.				***0.7***	***8.9***	***3.0%***	***7.8%***	***0.9%***	***8.2***	***1.1%***
Indonesia										
BBCA IJ	Bank Central Asia Tbk PT	9,125	75,440	5.3	25.4	4.8%	21.8%	3.4%	5.9	11.8%
BBRI IJ	Bank Rakyat Indonesia Persero Tbk PT	5,575	56,666	3.0	15.5	6.6%	19.8%	3.1%	6.1	7.9%
BMRI IJ	Bank Mandiri Persero Tbk PT	5,125	32,079	2.2	10.9	4.5%	21.2%	2.4%	7.9	14.8%
BBNI IJ	Bank Negara Indonesia Persero Tbk PT	9,175	11,475	1.2	8.7	4.2%	14.7%	2.0%	7.3	6.1%
Avg.				***2.9***	***15.1***	***5.0%***	***19.3%***	***2.7%***	***6.8***	***10.2%***
Vietnam										
VCB VN	Bank for Foreign Trade of Vietnam JSC	99,700	20,329	3.3	15.5	3.6%	23.6%	1.9%	13.4	30.1%
BID VN	Bank for Investment and Development of Vietnam JSC	44,100	9,434	2.1	11.1	3.0%	20.9%	1.0%	20.4	21.3%
VPB VN	Vietnam Prosperity JSC Bank	20,200	5,625	1.3	11.0	7.1%	12.9%	1.9%	6.1	20.5%
TCB VN	Vietnam Technological & Commercial Joint Stock Bank	32,650	4,914	1.0	6.0	4.4%	17.8%	2.9%	6.2	17.3%
CTG VN	Vietnam JSCB for Industry and Trade	29,350	5,999	1.3	8.3	3.0%	16.1%	1.0%	16.7	23.9%
MBB VN	Military Commercial Joint Stock Bank	20,100	3,876	1.1	5.1	5.7%	24.8%	2.5%	9.2	36.7%
ACB VN	Asia Commercial Bank JSC	21,800	3,593	1.4	5.8	4.5%	26.3%	2.6%	10.4	46.3%
VIB VN	Vietnam International Commercial JSB	19,950	2,124	1.5	5.7	4.9%	29.7%	2.5%	10.5	50.5%
TPB VN	Tien Phong Commercial Joint Stock Bank	18,500	1,737	1.2	6.4	3.9%	20.9%	2.0%	10.2	37.3%
HDB VN	Ho Chi Minh City Development JSB	18,650	1,995	1.2	5.9	5.0%	22.6%	1.9%	10.7	32.3%
LPB VN	Lien Viet Post Joint Stock Commercial Bank	15,500	1,125	1.0	5.6	3.5%	19.9%	1.4%	13.6	20.6%
STB VN	Saigon Thuong Tin Commercial JSB	30,150	2,389	1.4	9.9	3.9%	14.9%	1.0%	15.3	37.0%
Avg.				***1.5***	***8.0***	***4.4%***	***20.9%***	***1.9%***	***11.9***	***31.1%***

Source: VNDIRECT RESEARCH, BLOOMBERG

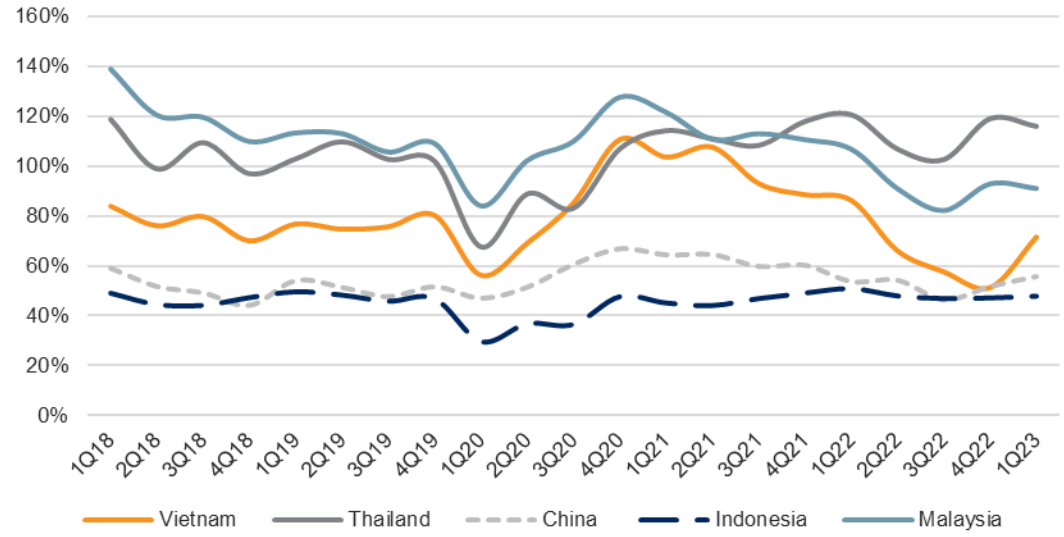
Financial services

The tide has turned

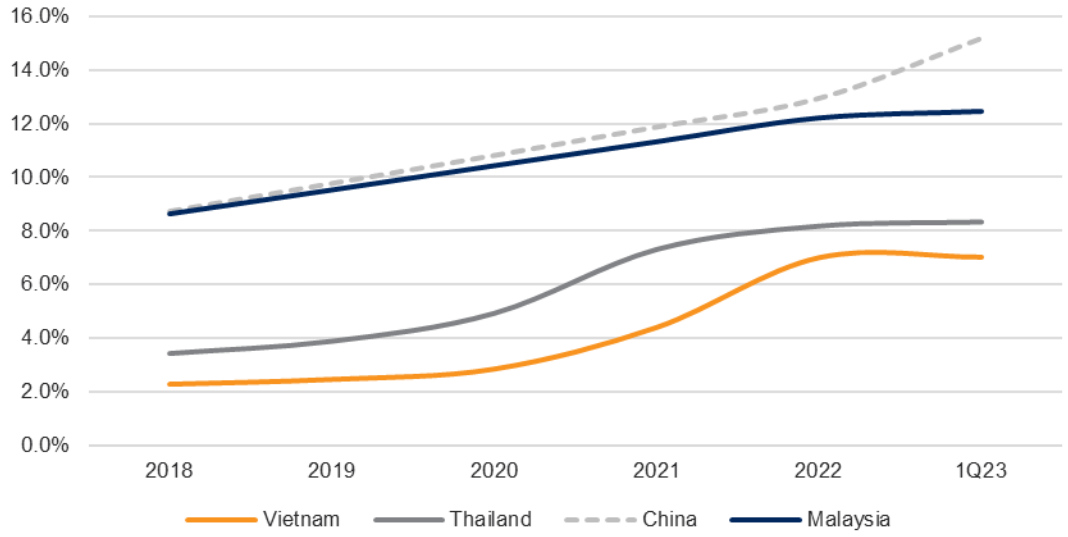
Financial services sector: promising capability

Vietnam is one of the most attractive investment points for financial services sector given its low market capitalization over GDP and stock investors over population

Regional market capitalisation/GDP



Regional comparison of brokerage accounts/population



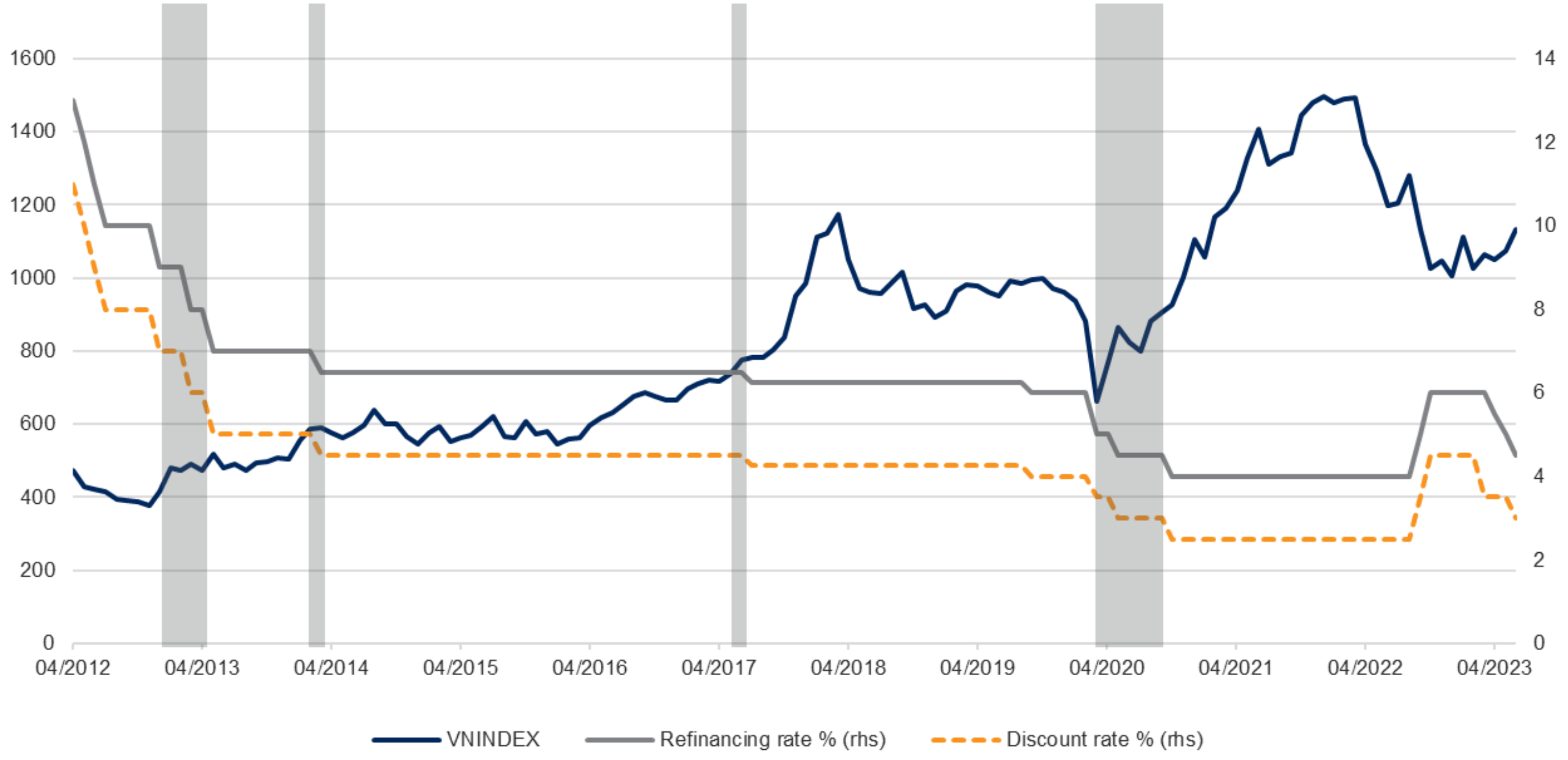
- At end-1Q23, total Vietnam market capitalisation/GDP is approx. 70%, falling far below both the Government's target of 120% at end-FY25F, and Thailand and Malaysia current ratios, which are 116% and 91%, respectively.
- Additionally, the proportion of number of investors/population in Vietnam is among the lowest in region, with only ~7.0% at end-1Q23 (comparing with 8.3% and 12.4% level in Thailand and Malaysia)

Source: VNDIRECT RESEARCH, BLOOMBERG

VN-INDEX performance versus changes in policy rates

The SBV has reduced policy rates for the fourth time since mid-Mar 23, in an effort to revive the capital market

Looking at the past 10 years, we saw a market rally when policy rates are reduced



- Financial brokerage is one of the most beneficial sectors when interest rates go down due to:

(i) Lower margin rates to fuel trading activity: coupling with lower interest rates or companies' funding cost, margin rates also decline, making it more affordable for clients to trade stocks and other assets, which in turn, would lead to more trading activity and revenue for brokerage firms

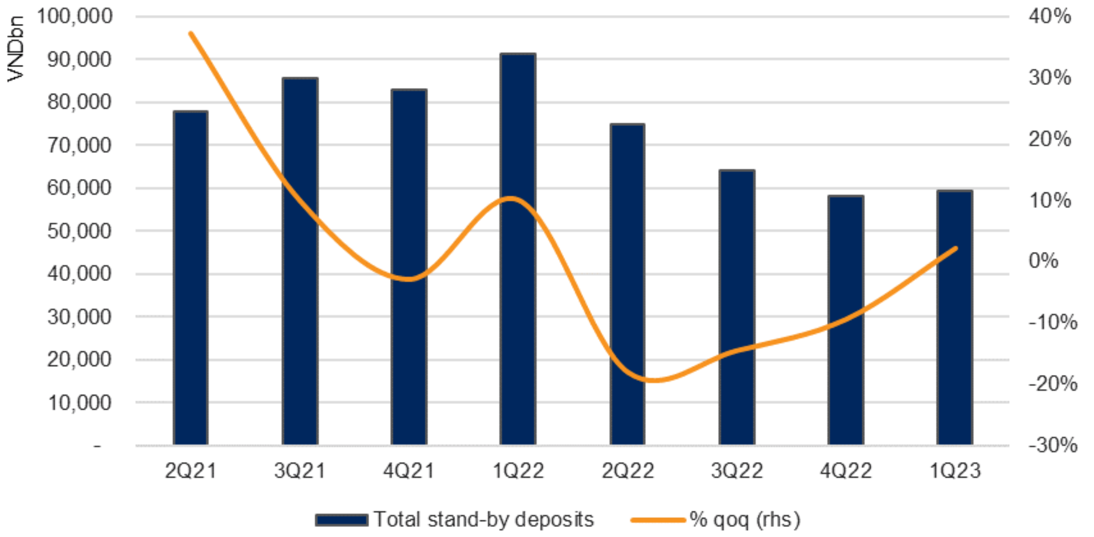
(ii) Cash flow would shift from bank savings to other asset channels, including stock market channel, impelling the expected transaction value, thereby increasing fee revenue for securities companies.

Source: VNDIRECT RESEARCH, BLOOMBERG

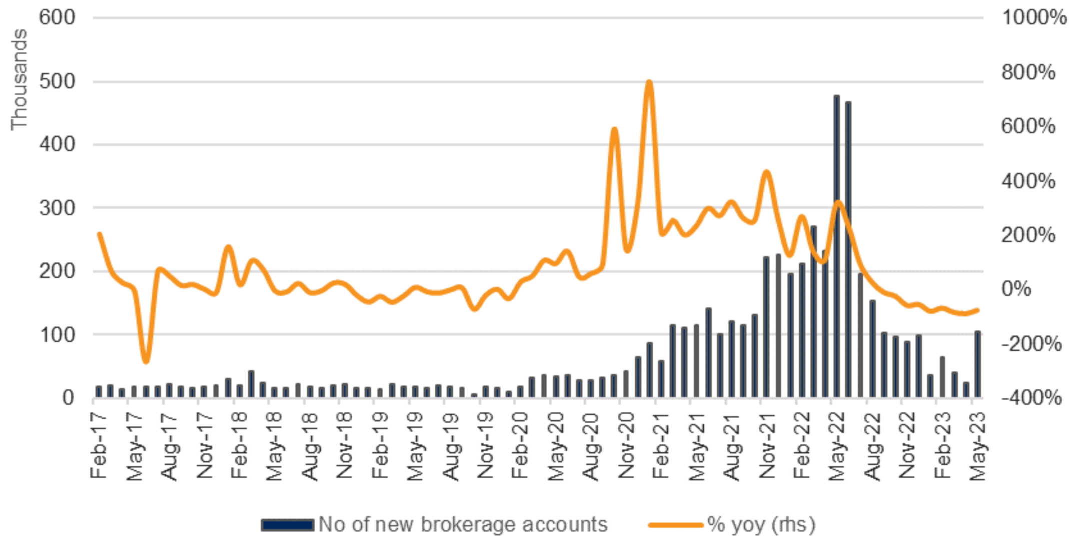
Signs of positive money flow into capital market

Total idle investors' cash and the growth of new brokerage accounts showed signs of an improvement

Total stand-by cash of investors in top 30 brokerage firms rose marginally qoq



The growth of new brokerage accounts might witness an inflection point



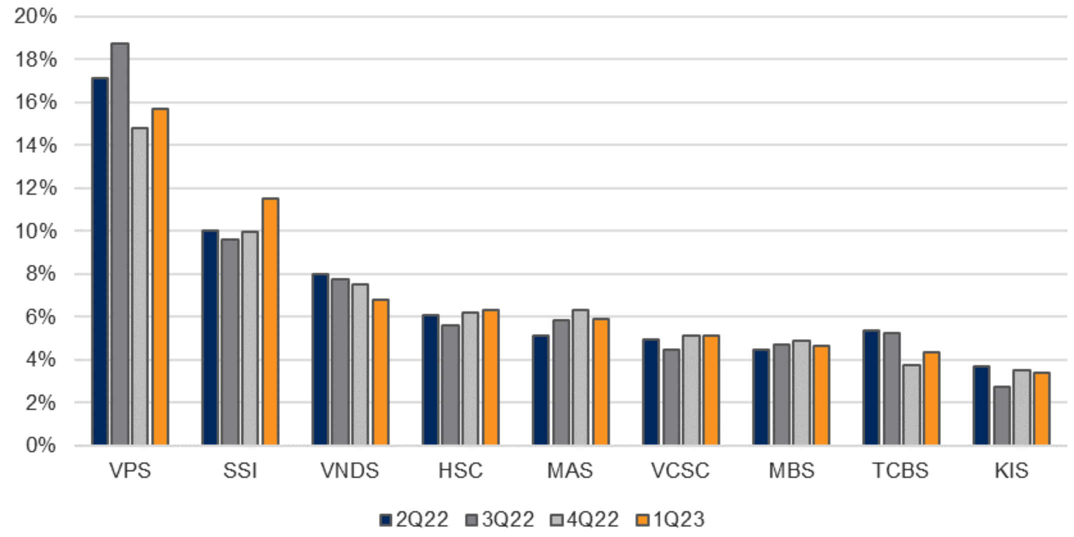
- At end-1Q23, total stand-by cash of investors reached approx. VND60tr, decreased by 36% from its peak at end-1Q22 but rose marginally by 3.2% qoq.
- After reaching its peak in May-22, number of new brokerage accounts had decreased significantly as customers switched to term deposits investment channel to enjoy high interest rates environment. However, the number of newly opened brokerage accounts surged to approx. 105,000 accounts during May-23 (still -78% yoy but +360% qoq) after commercial banks decreased their interest rates sharply across all maturity spectrum in Apr-23.

Source: VNDIRECT RESEARCH, VSD, COMPANY REPORTS
sector: top 30 brokerage companies in terms of total assets

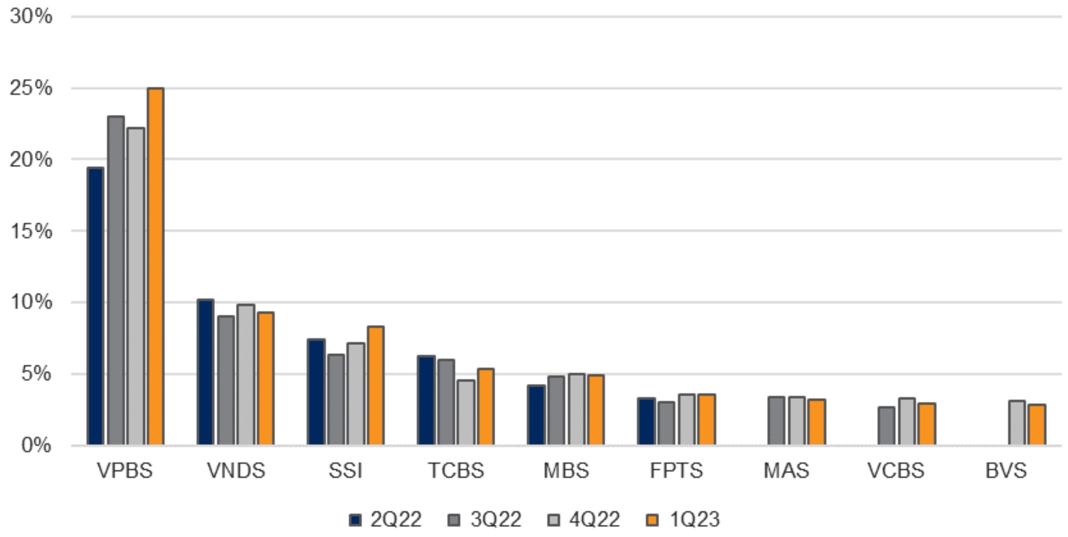
Brokerage sectors recap: intense competition among players to attract new customers

With nearly 90 brokerage firms in the market, the sector is highly fragmented. Top 5 brokerage firms in terms of market share in HOSE during 1Q23 include: VPS, SSI, VND, HSC, and MAS

HOSE trading market share in the last 4 quarters



HNX trading market share in the last 4 quarters



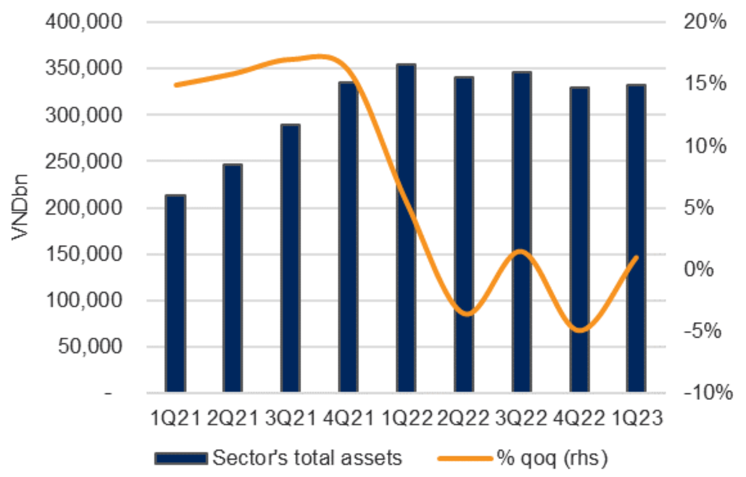
- VPS stands out among all brokerage firms thanks to its aggressive business strategies such as low trading fees and attractive commission for brokers.
- Faced with intensive competition, a few brokerage firms have also reduced their trading fees by implementing “Zero fee policies”, or cash gift for new opening accounts to attract new clients.

Source: VNDIRECT RESEARCH, HOSE, HNX

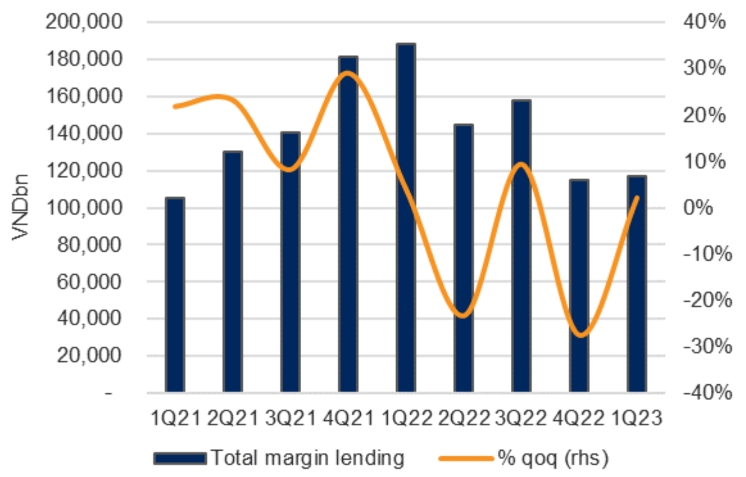
Asset allocation: increasing investment books to offset gloomy margin lending activities

Total sector's assets declined slightly by 2% yoy at end-FY22 on market headwinds but has improved marginally by 1% ytd at end-1Q23

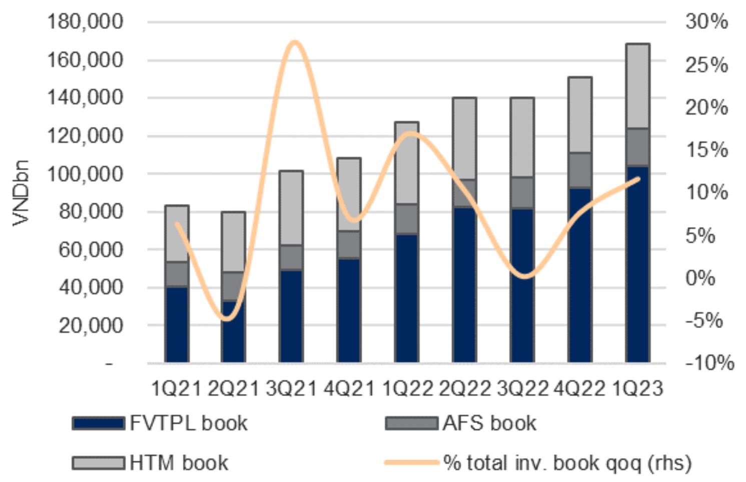
After years of tremendous growing, FY22 saw a decline in sector's total assets (-2% yoy)…



…mainly due to a decline in total margin lending (-40% yoy) at end-FY22



…whilst sector's total investment books saw a sharp rise (+40% yoy) at end-FY22



- Sector's total margin lending decreased sharply by 40% to approx. VND115tr at end-FY22 after reaching its peak at VND190tr at end-1Q22 following VNINDEX volatilities. Meanwhile, sector's total investment books increased significantly as firms increase their exposure to c-bonds on a growing market. At end FY-22, total investment book grew by 40% yoy, offsetting for the margin lending's decline in firm's total assets.
- At end-1Q23, total margin lending reached ~VND117tr (still -28% yoy but +2% qoq) on mild market recovery.

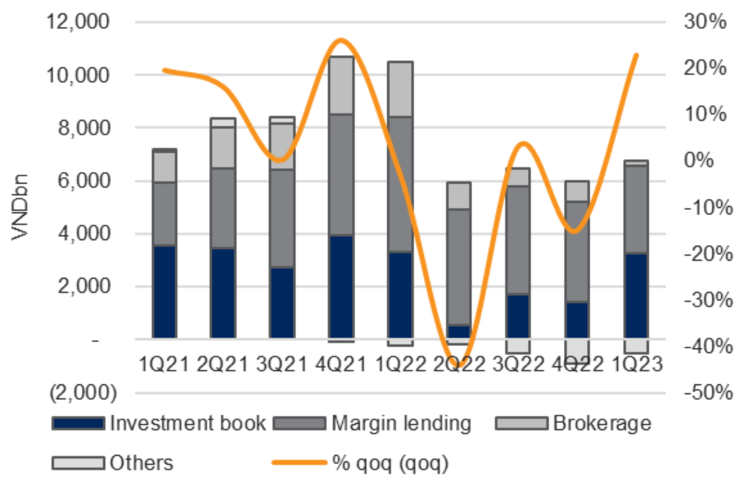
Source: VNDIRECT RESEARCH, COMPANY REPORTS

sector: top 30 brokerage companies in terms of total assets

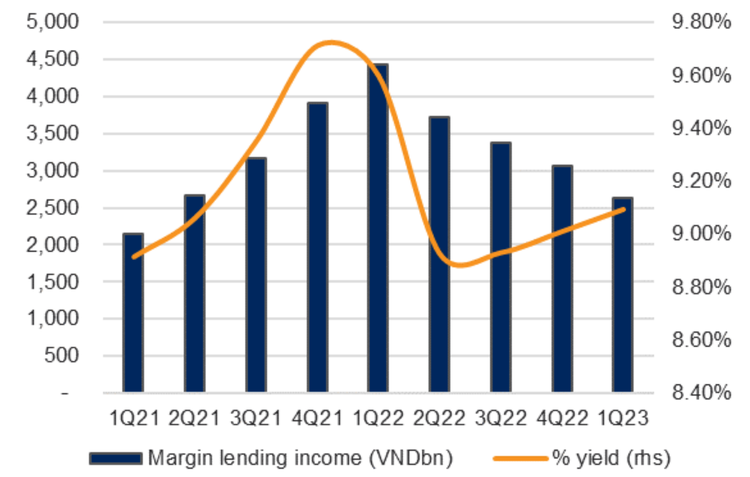
Margin lending and investment book performance would be the main profit drivers

At end-1Q23, top 30 brokerage companies' gross profit reached approx. VND6,350bn (+21% qoq) mainly thanks to a surge in investment book gain

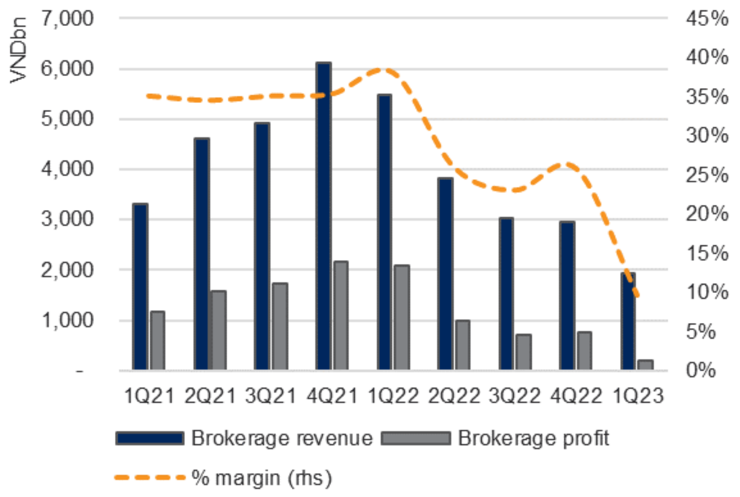
Sector's gross profit structure



Sector's margin lending yield picked up qoq



However, brokerage margin is squeezing on tight competition

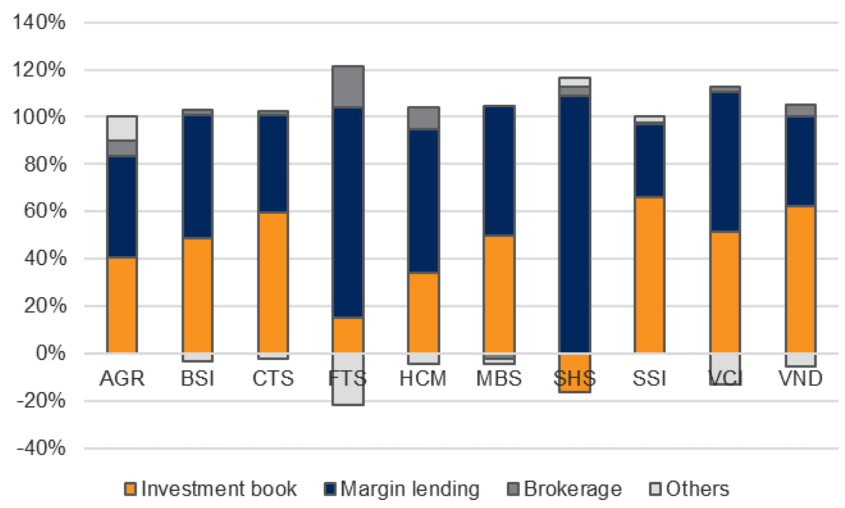


- While brokerage profit margin is getting on tight with high density competition, we believe brokerage companies' gain would depend mainly on margin lending and investment book performance. Thus, companies with high proportion of retail customers, low margin lending/Equity and healthy investment book would be able to grab the opportunities during market recovery and record a better-than-peers profit resilience.

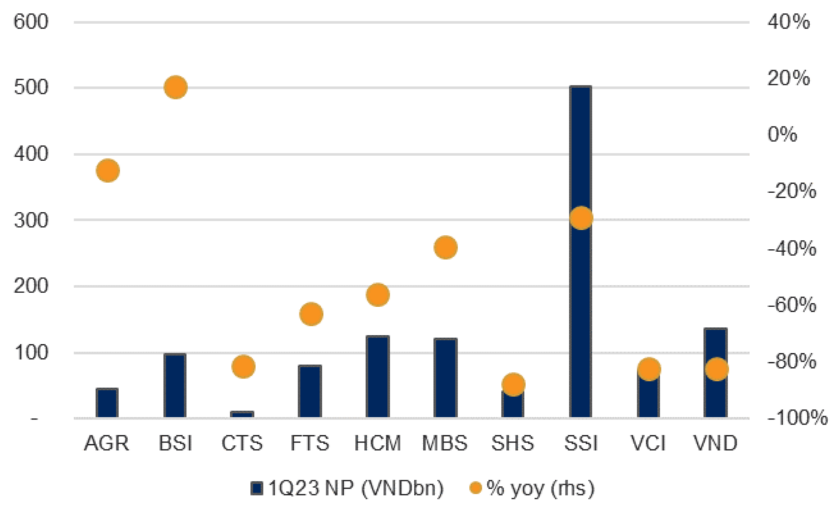
Source: VNDIRECT RESEARCH, COMPANY REPORTS
sector: top 30 brokerage companies in terms of total assets

Financial services companies performance chartbook

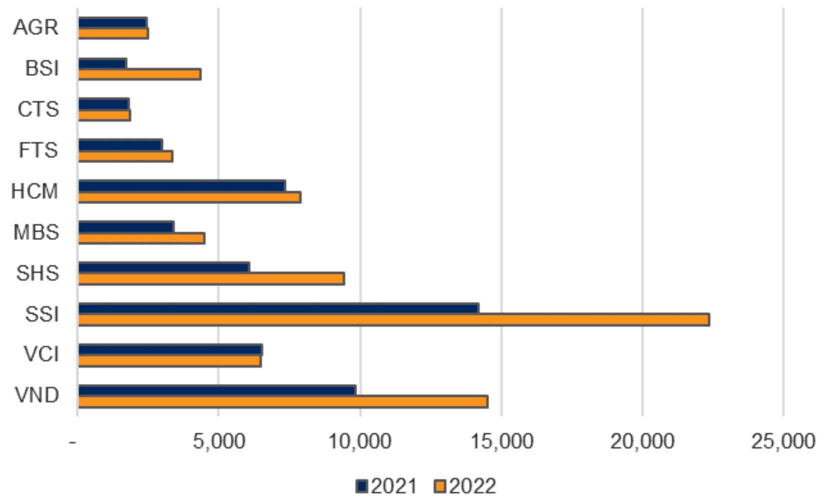
Gross profit structure in 1Q23



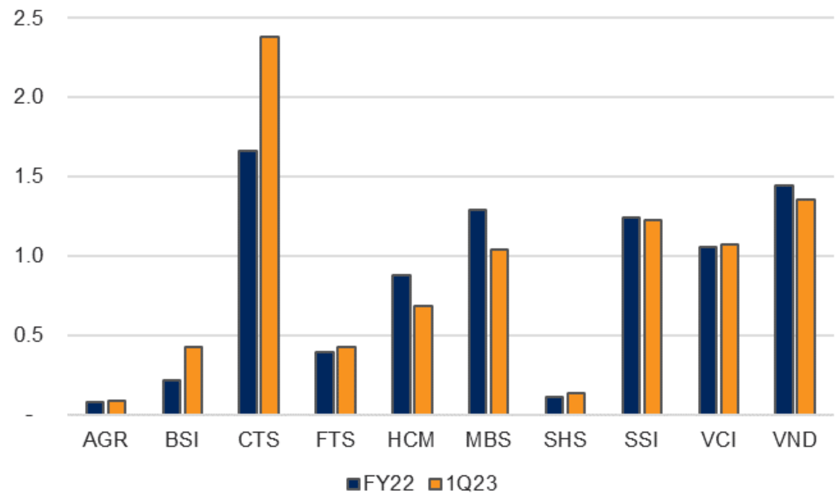
Net profit performance



Changes in shareholder's equity (VNDbn)



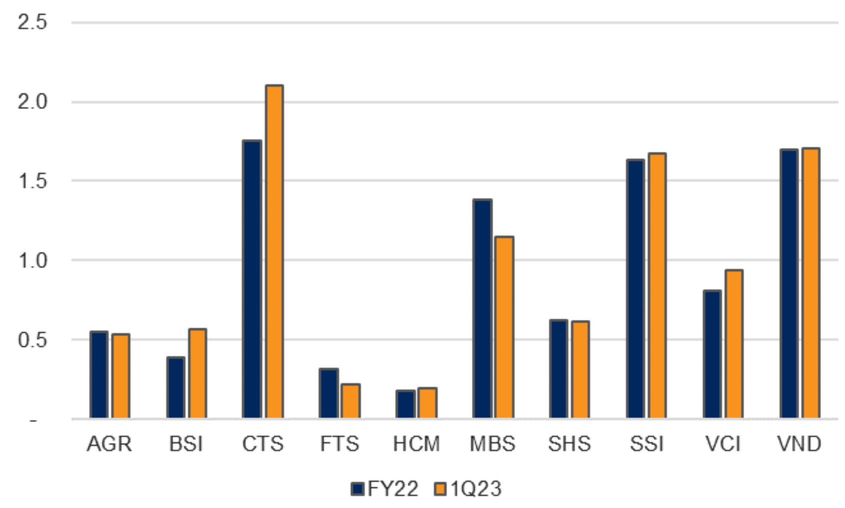
Debt /Equity



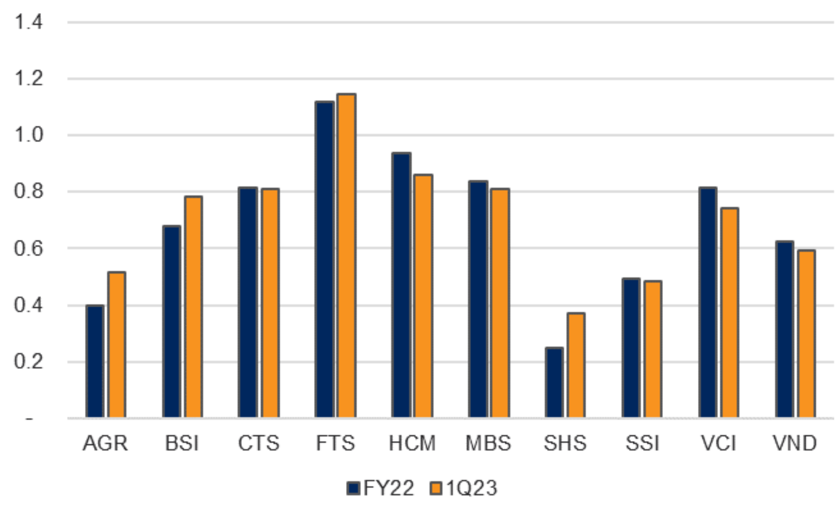
Source: VNDIRECT RESEARCH, COMPANY REPORTS

Financial services companies performance chartbook

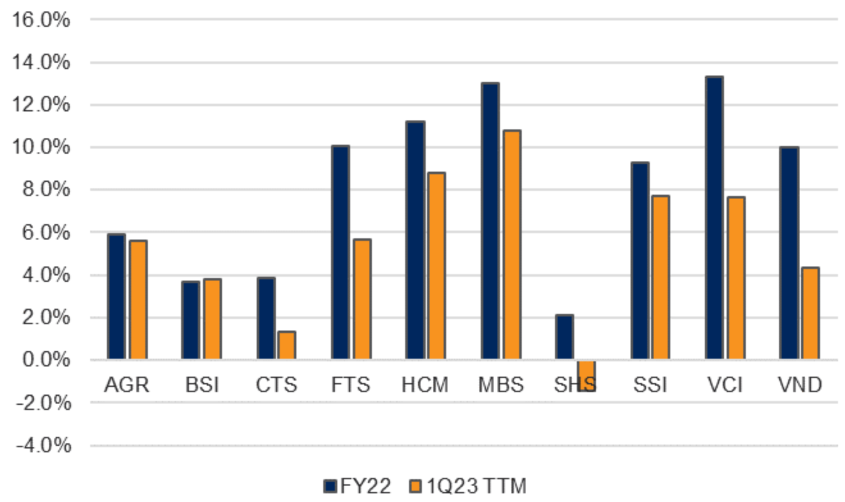
Investment book (FVTPL + AFS + HTM) /Equity



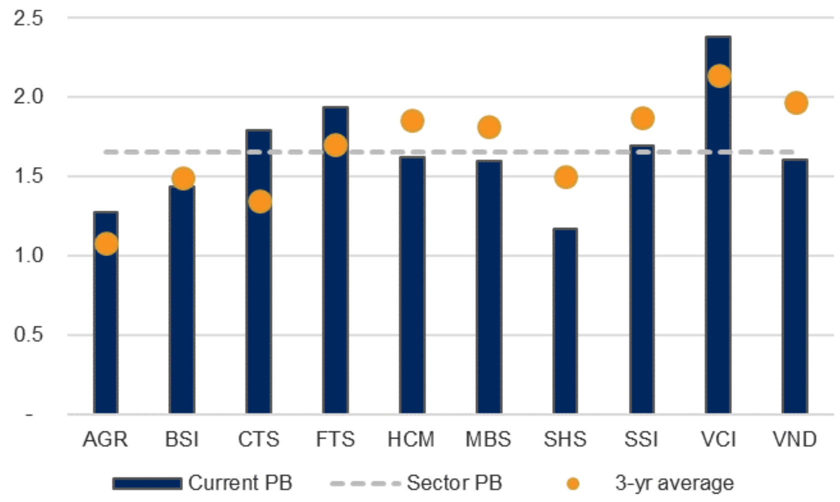
Margin lending /Equity



ROAE



Current P/B versus its 3-year average (as at 26/06/23)



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Global comparison

Ticker	Comp name	Current price (LCU)	Mkt cap (USDm)	Book value (USDm)	P/B (x)	P/E (x)	T12M net interest margin (%)	ROE (%)	ROA (%)
China									
1375 HK	Central China Securities Co Ltd	1.1	1,924	2,059	0.3	26.2	0.4%	1.2%	0.3%
6881 HK	China Galaxy Securities Co Ltd	4.1	12,184	14,876	0.4	5.0	1.1%	8.9%	1.4%
002736 CH	Guosen Securities Co Ltd	8.6	11,479	15,494	1.0	12.2	0.7%	9.0%	1.8%
600837 CH	Haitong Securities Co Ltd	9.2	14,446	25,748	0.7	15.9	1.3%	4.5%	1.0%
601555 CH	SooChow Securities Co Ltd	6.9	4,799	5,592	0.9	15.6	1.1%	5.8%	1.4%
000166 CH	Shenwan Hongyuan Group Co Ltd	4.5	14,454	16,914	1.1	30.1	0.0%	3.9%	0.6%
600909 CH	Huaan Securities Co Ltd	4.7	3,036	2,930	1.1	15.1	0.9%	7.3%	1.8%
601377 CH	Industrial Securities Co Ltd	6.0	7,198	8,239	1.0	14.1	1.5%	7.0%	1.4%
600030 CH	CITIC Securities Co Ltd	19.5	37,709	37,453	1.2	13.8	0.7%	8.8%	1.5%
Avg.					***0.8***	***22.0***	***1.3%***	***2.7%***	***0.4%***
Thailand									
KGI TB	KGI Securities Thailand PCL	4.4	250	216	1.2	10.1	1.2%	11.2%	4.6%
UOBKH TB	PCL	5	73	120	0.6	14.8	2.6%	4.2%	2.9%
Avg.					***0.9***	***12.5***	***1.9%***	***7.7%***	***3.7%***
Korea									
006800 KS	Mirae Asset Securities Co Ltd	7,330.0	3,412	8,835	0.4	6.6	0.9%	5.3%	0.6%
039490 KS	KIWOOM Securities Co Ltd	89,600.0	1,807	3,656	0.5	3.8	2.8%	13.0%	1.3%
005940 KS	NH Investment & Securities Co Ltd	9,570.0	2,441	5,754	0.4	8.5	1.6%	5.3%	0.6%
016360 KS	Samsung Securities Co Ltd	35,750.0	2,455	4,932	0.5	6.1	2.1%	8.6%	0.8%
Avg.					***0.5***	***6.3***	***1.8%***	***8.0%***	***0.8%***
Japan									
8604 JP	Nomura Holdings Inc	535.0	11,788	24,284	0.5	17.3	-0.1%	3.1%	0.2%
8601 JP	Daiwa Securities Group Inc	722.5	7,897	12,619	0.7	16.6	0.3%	4.6%	0.2%
8473 JP	SBI Holdings Inc/Japan	2,733.5	5,185	13,171	0.7	21.3	N/A	3.6%	0.2%
Avg.					***0.5***	***10.8***	***1.5%***	***7.2%***	***0.7%***
Vietnam									
VND VN	VNDirect Securities Corp	19,650.0	1,017	614	1.6	40.2	1.7%	4.8%	1.5%
HCM VN	Ho Chi Minh City Securities Corp	28,800.0	560	334	1.6	19.0	8.9%	8.9%	3.8%
SSI VN	SSI Securities Corp	26,600.0	1,694	947	1.7	23.8	1.8%	7.9%	2.9%
VCI VN	Viet Capital Securities JSC	37,550.0	698	275	2.4	31.1	3.3%	7.5%	3.3%
CTS VN	VietinBank Securities JSC	22,150	140	78	1.8	136.1	1.6%	1.3%	0.3%
MBS VN	MB Securities JSC	19,100	309	190	1.6	16.8	4.4%	10.6%	4.0%
TVS VN	Thien Viet Securities JSC	23,800.0	153	75	2.0	123.4	3.9%	1.6%	0.3%
BVS VN	Bao Viet Securities Co	24,900.0	76	92	0.8	17.4	6.2%	5.7%	2.5%
BSI VN	BIDV Securities JSC	33,900.0	270	185	1.4	47.5	2.6%	4.0%	2.0%
SHS VN	Sai Gon-Ha Noi Securities JSC	13,700.0	473	399	1.2	N/A	3.8%	-1.6%	-1.1%
Avg.					***1.6***	***50.6***	***3.8%***	***5.1%***	***1.9%***

Source: VNDIRECT RESEARCH, BLOOMBERG

Construction & Materials

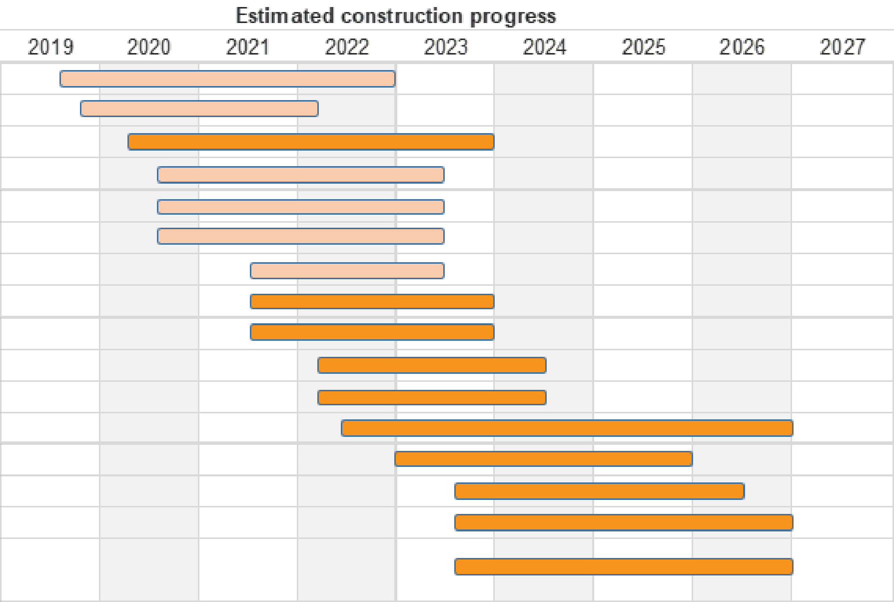
Like the clouds are clearing out

Riding on the infrastructure development acceleration

North-South Expressway phase 1 & 2 in focus

Many major transport infrastructure projects are expected to be completed in 2023-26

Project		Total investment (VND bn)
Eleven sub-projects of East North-South expressway (Phase 1)	Cam Lo - La Son	7,700
	Cao Bo - Mai Son	1,600
	My Thuan 2 bridge	5,000
	Mai Son - Highway 45	12,920
	Vinh Hao - Phan Thiet	10,853
	Phan Thiet - Dau Giay	14,360
	Nha Trang - Cam Lam	7,615
	Nghi Son - Dien Chau	8,380
	Highway 45 - Nghi Son	6,330
	Dien Chau - Bai Vot	13,340
	Cam Lam - Vinh Hao	13,690
Long Thanh International Airport (Phase 1)		109,112
Twelve sub-projects of East North-South expressway (Phase 2)		146,990
Ring Road 3 (HCMC)		75,378
Ring Road 4 (Hanoi)		85,813
Chau Doc - Can Tho - Soc Trang, Bien Hoa - Vung Tau, Khanh Hoa - Buon Ma Thuot expressways		78,227
Total		**597,308**



Notes: Completed Under construction

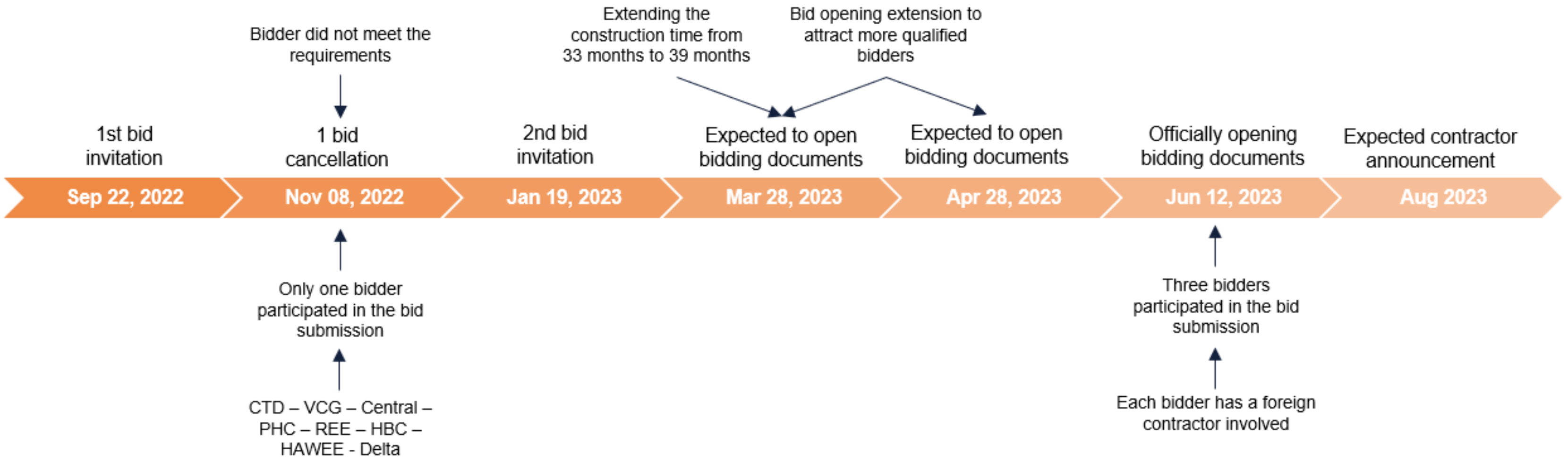
- In 2023, we believe that the implemented state capital to increase by 25% compared to the actual implementation in 2022.
- Many key infrastructure projects will be accelerated in 2023-26, including: North – South expressway phase 1 & 2, Long Thanh Int’l Airport,…
- The Government aims to complete 3,000 km of expressway by 2025, from 1,729 km at the end of Jun 2023.

Source: VNDIRECT RESEARCH, MINISTRY OF TRANSPORT (MOT)

Riding on the infrastructure development acceleration

Long Thanh International Airport (LTIA): accelerating construction from 2H23F

Package no. 5.10 “Construction and equipment installation for the passenger terminal building” is expected to start construction in Aug 2023



- After many cancellations & extensions of bid invitations, we believe that package 5.10 – the largest package (worth VND35,233bn) at LTIA will start in Aug 2023 because (1) three consortiums of contractors participating in the bidding (vs. only one consortium in the first bid invitation) and (2) each consortiums of contractors has foreign contractors participating, which helps to increase the score of bids.
- Package 5.10 will help to accelerate LTIA construction progress in the upcoming months and will become a boost for construction and materials companies.

Source: VNDIRECT RESEARCH, ACV

Riding on the infrastructure development acceleration

Long Thanh International Airport (LTIA): accelerating construction from 2H23F

Component project No.3 – Construction of essential airport facilities of LTIA phase 1

Investor: ACV AIRPORTS CORPORATION OF VIETNAM

Total investment: VND99,019bn

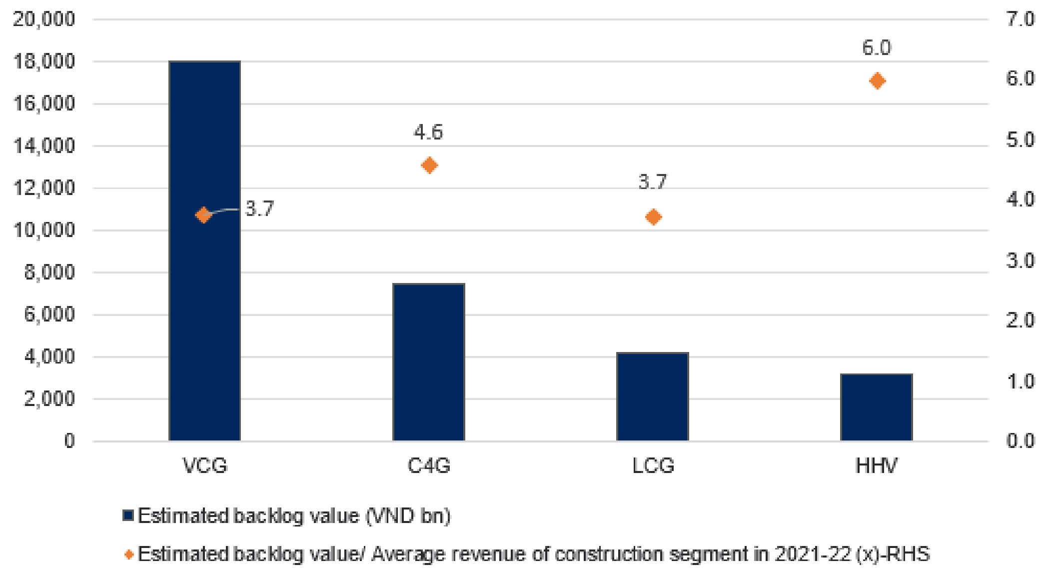
Current progress	Under construction	Bidding in progress		No bidding yet
Notable bidding packages	Ground leveling and drainage	Passenger terminal building	Traffic system connecting lines 1 and 2	Runway, taxiway
Package value	VND4,412bn	VND35,234bn	VND2,785bn	NA
Contractors are expected to benefit	**Construction**: **VCG**, ACC, Truong Son, Phuc Loc, CIENCO 8	**Construction**: **VCG, CTD, HBC, PHC**, Central, Delta, Ricons **Refrigeration mechanics**: **REE**, HAWEE **Foundation**: **FCN**, Phan Vu, Minh Duc	**Construction**: **VCG, C4G, HHV, LCG**, Phuong Thanh, Son Hai	**Construction**: ACC, Truong Son, **C4G**
Materials needed for construction	Embankment, Sand	Construction stone, Steel, Cement, Sand, Construction plastic		Construction stone, Asphalt
Material suppliers are expected to benefit		**Construction stone**: **VLB, DHA, KSB, DND, DGT,** Danacoop **Construction plastic**: **BMP, NTP**	**Steel**: **HPG, HSG, NKG, POM,** Vinakyoei, Ton Dong A **Cement**: **HT1,** INSEE, Fico-YTL Tay Ninh	**Construction stone**: **VLB, DHA, KSB, DND, DGT,** Danacoop **Asphalt**: **PLC,** ADCo, ICT, Transmeco

Notes: highly benefit least benefit

Infrastructure construction: Powered up by strong backlog

High backlog value ensures revenue growth of construction segment in FY23-25F

High backlog value of leading Infrastructure construction companies at the end of March 2023



Bidding packages at the North-South Expressway phase 2 account for a large proportion of the backlog value of Infrastructure construction companies

Company	Expressway projects	Contract value (VND bn)
VCG	**Total**	**5,509**
	Bai Vot - Ham Nghi	3,035
	Van Phong - Nha Trang	1,036
	Vung Ang - Bung	1,438
C4G	**Total**	**3,583**
	Bung - Van Ninh	1,805
	Hau Giang - Ca Mau	1,778
LCG	**Total**	**4,019**
	Vung Ang - Bung	1,274
	Nha Trang - Van Phong	2,745
HHV	Quang Ngai - Hoai Nhon	1,789

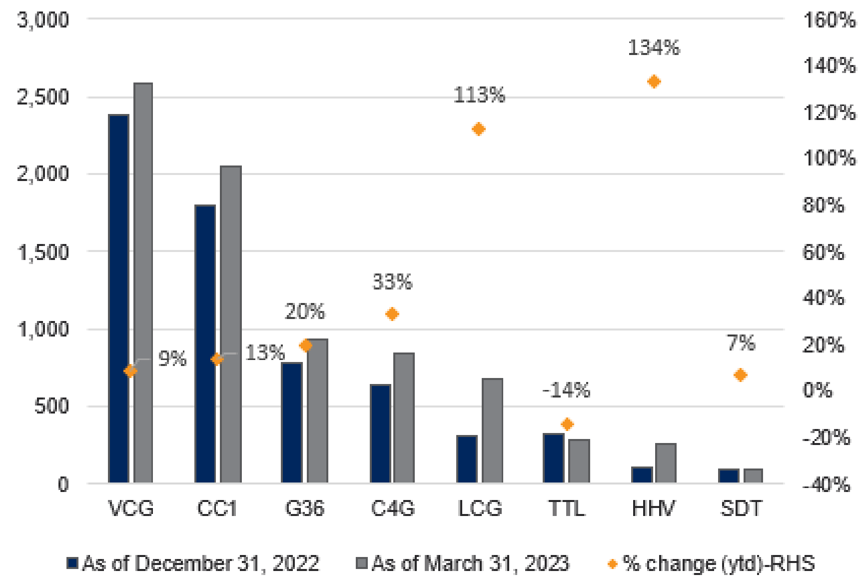
- After being appointed as the contractors for many component projects at the North-South Expressway phase 2 (early 2023), leading Infrastructure construction companies (including VCG, C4G, LCG, HHV,…) have significantly increased their backlog values. In 2Q23, these companies continued to win other large packages such as Ring Road 4 - Hanoi (VCG, C4G), Khanh Hoa - Buon Me Thuot Expressway (C4G, DPG),...
- With transport infrastructure projects usually being constructed in 2-2.5 years, in FY23-25 period, Infrastructure construction companies are facing the opportunity to double their revenue compared to the FY21-22 period.

Source: VNDIRECT RESEARCH, COMPANY REPORTS

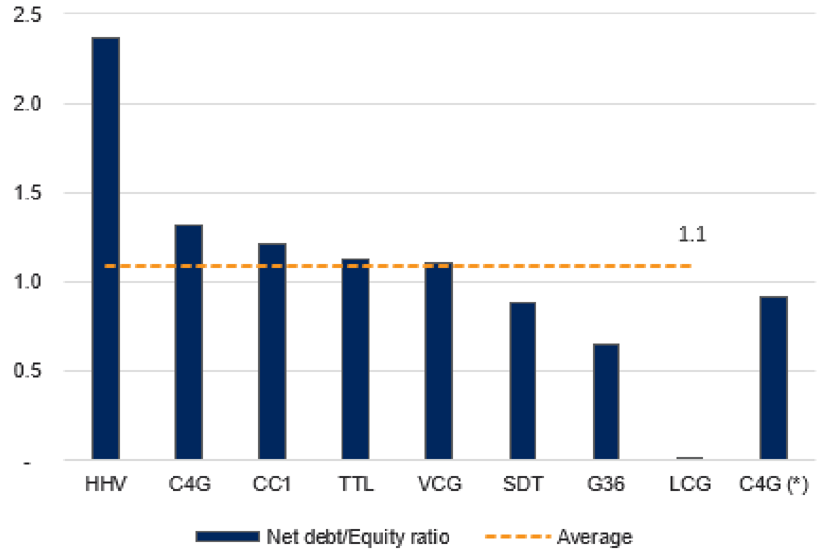
Infrastructure construction: Powered up by strong backlog

Financial health will determine the profitability of Infrastructure construction companies

As of March 31, 2023, prepayment by customers of Infrastructure construction companies increased ytd (VNDbn)



The net debt/equity ratio of Infrastructure construction companies as of March 31, 2023



(*) Estimated Net debt/Equity ratio of C4G after successful issuance to existing shareholders in Apr 2023

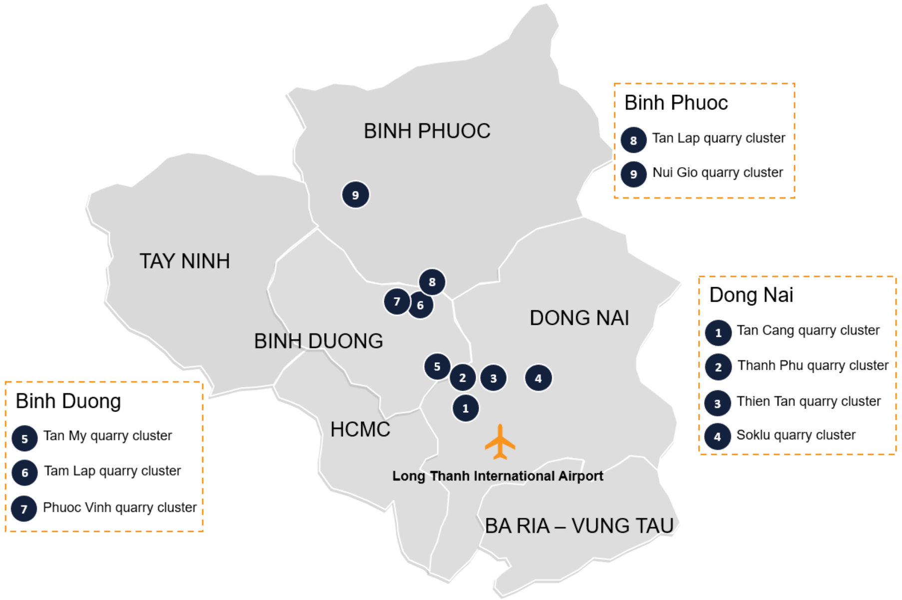
- 1Q23 revenue/average prepayment by customers ratio of Infrastructure construction companies decreased to 2.4x from 2.7x in 2022. This trend is mainly due to efforts in accelerating disbursement of public investment, investors have proactively advanced counterpart capital for project implementation to contractors.
- We believe that only construction companies with good construction capacity, reasonable machinery mobilisation and abundant working capital can ensure profitability at the North-South Expressway project due to (1) it requires a short construction period; (2) the Government assigns a fixed profit margin to the project based on the bid price.

Source: VNDIRECT RESEARCH, COMPANY REPORTS

Construction stone: Eyes on Long Thanh International Airport

Long Thanh International Airport (LTIA) and Southern expressways: accelerating construction from 2H23F

Location of notable construction quarries and LTIA



Southern expressway’s demand is very huge

- Due to the industry characteristics, transportation costs often account for a large proportion of construction stone costs. Depending on the distance and type of transportation, the price of stone delivered to a work site may be double the gate price at the mine.
- With Long Thanh Airport and Southern expressway projects speeding up construction, we believe that quarries will be benefited the most, including: (1) Tan Cang quarry cluster - the main supply source for LTIA and Ring road 3 - HCMC thanks to its closest location to the construction site; and (2) Thanh Phu & Thien Tan quarry cluster, supplying for projects in the Mekong Delta thanks to its location near the Dong Nai River, which is convenient for waterway transportation.

Source: VNDIRECT RESEARCH, COMPANY REPORTS, VNEXPRESS

Construction stone: Eyes on Long Thanh International Airport

Demand is forecasted to increase, but supply is limited

Quarries of listed construction stone companies

Company	Quarry	District	Province	Licensed mining capacity (m3/year)	Exploitation period
KSB	Tan My	Bac Tan Uyen	Binh Duong	1,500,000	Aug-2029
	Phuoc Vinh	Phu Giao	Binh Duong	1,200,000	Jan-2023
	Thien Tan 7	Vinh Cuu	Dong Nai	280,000	Jan-2035
MDG	Tan My	Bac Tan Uyen	Binh Duong	1,000,000	Dec-2025
DHA	Thanh Phu 2	Vinh Cuu	Dong Nai	818,000	Sep-2026
	Tan Cang 3	Bien Hoa	Dong Nai	490,000	Mar-2037
	Nui Gio	Hon Quan	Binh Phuoc	300,000	Aug-2038
NNC	Mui Tau	Tan Lap	Binh Phuoc	1,000,000	Jan-2042
VLB	Thanh Phu 1	Vinh Cuu	Dong Nai	1,800,000	Jul-2042
	Thien Tan 2	Vinh Cuu	Dong Nai	1,500,000	Jun-2038
	Soklu 2	Thong Nhat	Dong Nai	400,000	Jan-2026
	Soklu 5	Thong Nhat	Dong Nai	500,000	Jun-2025
	Tan Cang 1	Bien Hoa	Dong Nai	1,500,000	Jan-2039
DND	Tang Cang 5	Bien Hoa	Dong Nai	1,000,000	Jan-2023
	Thien Tan 5	Vinh Cuu	Dong Nai	354,000	Jan-2026
CTI	Xuan Hoa	Xuan Loc	Dong Nai	750,000	Jan-2030
TCD	Nui Dai	Tri Ton	An Giang	2,200,000	Dec-2024
BMJ	An Binh	Phu Giao	Binh Duong	800,000	Jun-2035
DGT	Tan Cang 4	Bien Hoa	Dong Nai	400,000	Jan-2031
CI5	Soklu 6	Thong Nhat	Dong Nai	397,000	Apr-2026

Source: VNDIRECT RESEARCH, COMPANY REPORTS

- We believe that the licensing of construction stone quarries are facing difficulties in both extending the mining time, increasing the mining capacity and especially in exploiting new quarries due to (1) the opposition of local people as the quarries are causing a lot of negative impacts on the environment and (2) most of the old quarries (with the expiry of the mining life) have not yet carried out the closing procedures mine as committed.
- Thus, listed construction stone companies (including VLB, KSB, DHA) that own many quarries with long exploitation periods, large mining capacity will have many advantages compared to their competitors and will benefit mainly from the Vietnam's huge demand for infrastructure construction in FY23-30F.

Steel: Light at the end of tunnel

The toughest time passed but the best yet to come

Business guidance in FY23F and actual business results in 1Q23 of listed steel companies

Company	Actual business results in 2022 (VND bn)		Business guidance in 2023F (VND bn)		% change (yoy)		Actual business results in 2H22 (VND bn)		Actual business results in 1Q23 (VND bn)	
	Revenue	NPAT	Revenue	NPAT	Revenue	NPAT	Revenue	NPAT	Revenue	NPAT
HPG	142,771	8,444	150,000	8,000	5.1%	-5.3%	60,653	(3,785)	26,865	383
HSG (*)	49,711	251	36,000	300	-27.6%	19.5%	16,094	(1,567)	6,981	251
SMC	23,182	(652)	20,350	150	-12.2%	NA	9,903	(778)	3,887	21
NKG	23,128	(125)	20,000	320	-13.5%	NA	8,758	(833)	4,380	(49)
TIS	16,832	4	15,826	39	-6.0%	964.4%	9,911	(29)	2,446	(19)
VGS	8,491	100	7,000	90	-17.6%	-10.0%	4,293	23	2,124	14
TLH	5,324	8	5,000	100	-6.1%	1150.0%	2,820	(107)	1,432	6

(*) HSG's 2023 business guidance is according to the financial year 2022-23 with the period from 4Q22-3Q23

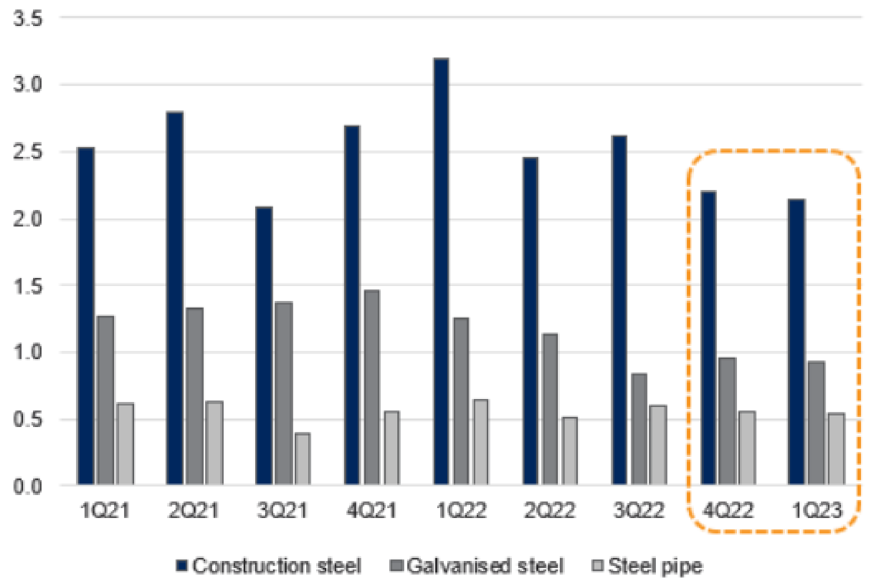
- We attended the 2023 Annual General Meeting (AGM) of listed steel companies, notably most of their managements have a more positive view of the industry outlook that 2H22 was the hardest time, but then outlook has gradually improved in 1Q23 and will turn better since 2Q23F.
- All companies have set FY23F business guidance with positive profit, much more positive than two consecutive quarters of losses in 2H22. However, steel demand will remains weak throughout 2023, making it very challenging for steel companies to complete their full-year business plan.

Source: VNDIRECT RESEARCH, COMPANY REPORTS

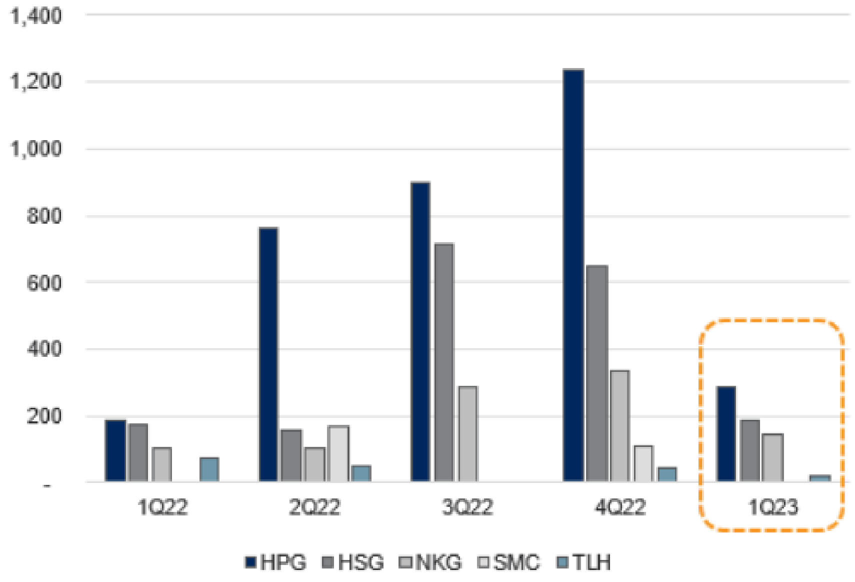
Steel: Light at the end of tunnel

Positive 1Q23 business results thanks to higher steel selling prices and inventory provision reversal

Vietnam's steel sales volume was still weak in 1Q23 (m tonnes)



Provision for inventories of listed steel companies in 1Q23 decreased significantly year to date (VND bn)



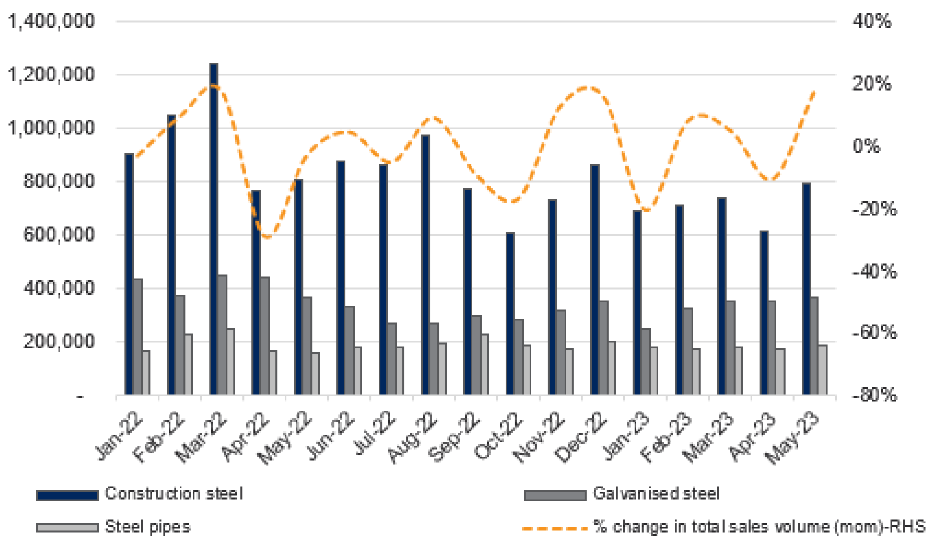
- In 1Q23, steel companies recorded a plunge in business results yoy, however, net profit improved significantly compared to the two previous quarters. We think this trend is mainly due to: (1) Vietnam's steel volume plunged by 29,2% yoy to 3.6m tonnes in 1Q23 from high base 1Q22, according to VSA; (2) 1Q23 steel prices plummeted yoy but were still higher than the average of 4Q22 and (3) The increase in the steel selling price in 1Q23 helped steel companies record an inventory provision reversal.
- We estimate the average selling price of Vietnam's construction steel and HRC in 2Q23 were VND15.9m/tonne (-7% yoy/+6% qoq) and US$660/tonne (-20% yoy/+18% qoq), respectively. Thus, steel companies will not have much room to reverse the inventory provision in 2Q23.

Source: VNDIRECT RESEARCH, COMPANY REPORTS, VIETNAM STEEL ASSOCIATION (VSA)

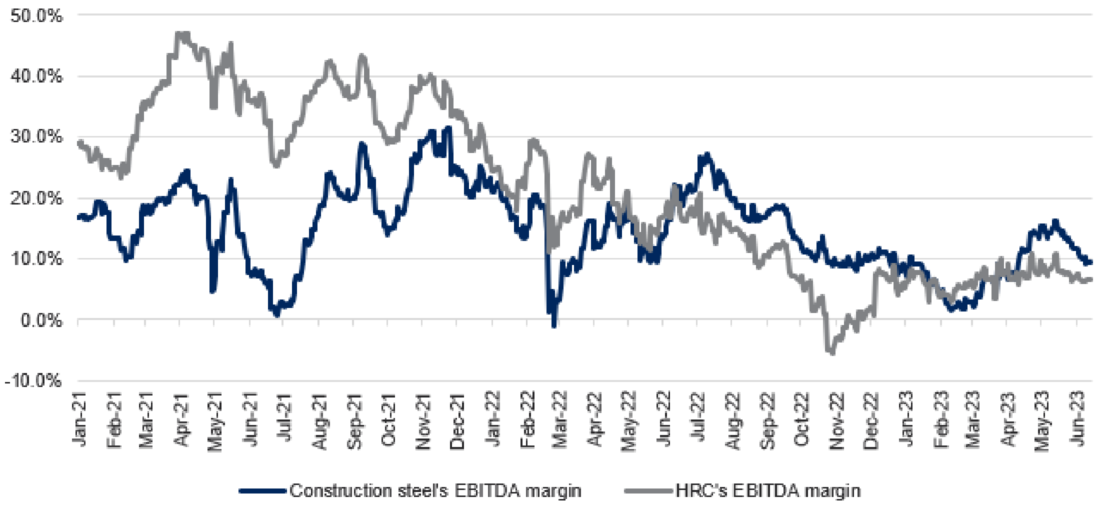
Steel: Light at the end of tunnel

Some positive signals have gradually appeared

Vietnam's steel sales volume recovered in May 2023 (tonnes)



HPG's steel EBITDA margin is still better than 4Q22 and 1Q23



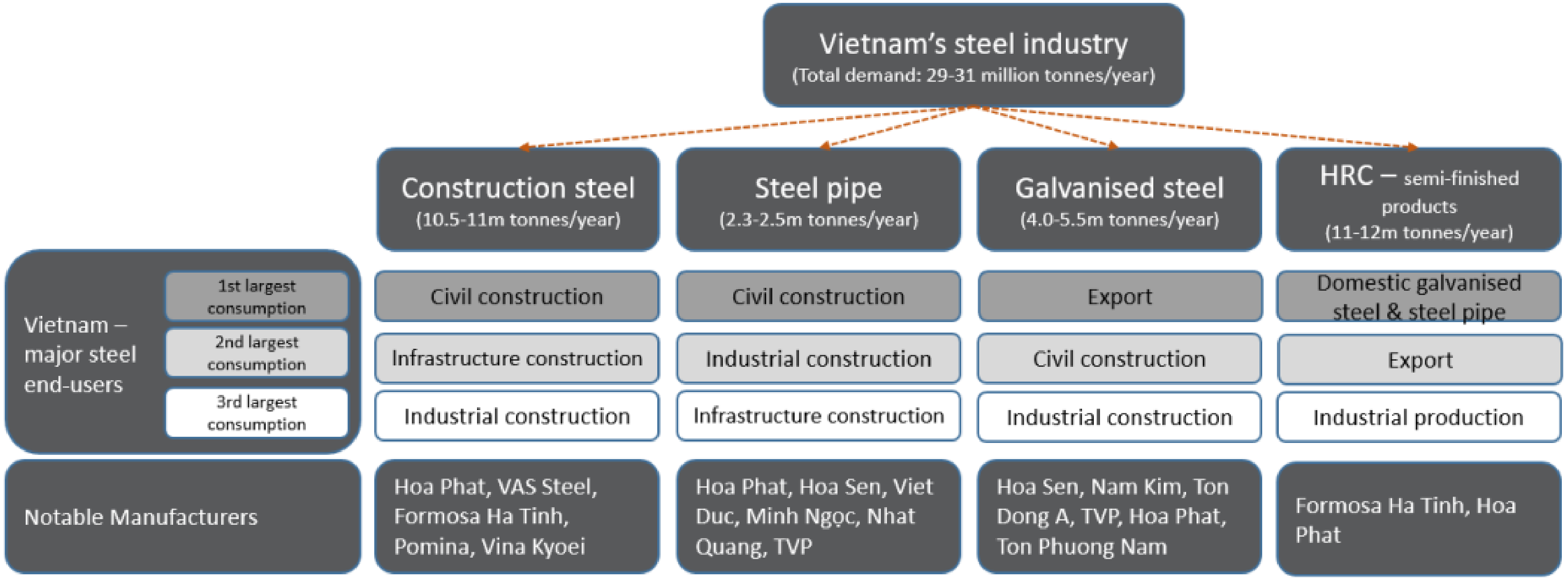
- According to VSA data, Vietnam's steel sales volume reached 1.3m tonnes in May 2023, up 18.1% mom and the highest month since Dec 2022. We believe that it is still too early to confirm that steel demand has recovered but some positive signals have appeared, including (1) some residential property projects (NovaWorld Ho Tram – Vung Tau; Bcons Polaris – Binh Duong, De La Sol – HCMC,…) have returned to construction and (2) the largest steel producer in Vietnam - HPG has continued to reopen 1 blast furnace on Jun 5th and is expected to resumption of all blast furnaces from Jul 1st, which means the company expects a recovery in demand.
- According to spot price (steel, iron ore, coking coal and steel scrap) movements, we estimate that the EBITDA margin of HPG steel segment in 2Q23F is 1.0% pts higher than previous quarter. We expect HPG's EBITDA margin to expand gradually towards the year end.

Source: VNDIRECT RESEARCH, VSA, BLOOMBERG

Steel: Light at the end of tunnel

Weak housing market still cast a shadow over the recovery prospect of steel makers in 2H23F

Vietnam's steel demand is highly dependent on the residential property industry, which accounts for around 60- 65% of the country’s total steel consumption



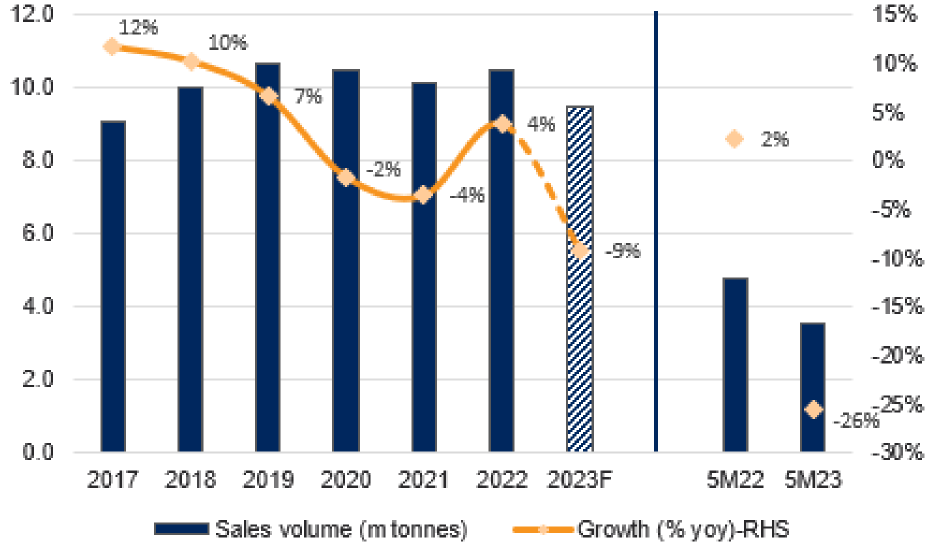
- Vietnam’s residential property market has cooled down since 2Q22.
- Some positive signals for the real estate industry have appeared recently. Many policies to remove difficulties in the real estate market have been issued since the beginning of 2023 such as Decree 08/2023 on corporate bonds, Resolution 33 on some solutions to remove the real estate market’s difficulties, Decision 388, and Decree 10.
- However, we believe that it is still too early to confirm that the property market will recover in the short term when the actual effectiveness of the implementation of policies is unclear, and many bottlenecks have not been completely resolved.
- Thus, we expect that the domestic property supply will only be able to recover from 2024F and Vietnam's steel demand won't fully rebound until the next year.

Source: VNDIRECT RESEARCH

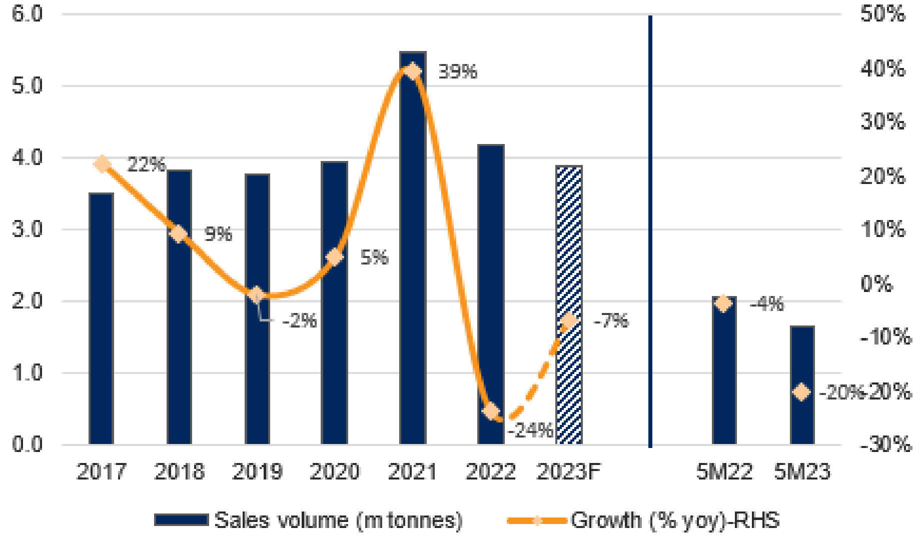
Steel: Light at the end of tunnel

Weak housing market still cast a shadow over the recovery prospect of steel makers in 2H23F

Vietnam's construction steel sales volume will decrease by 9% yoy in 2023



Vietnam's galvanised steel sales volume will decrease by 7% yoy in 2023



- The prolonged dismal demand of the domestic civil construction sector will have a significant impact on the demand for construction materials in 2023. Although public investment disbursement is expected to accelerate in the coming quarters, we forecast the total domestic steel demand to decline single digit in 2023F. In which, we remain the expectation that Vietnam's construction steel/galvanised steel sales volume to decrease by 9%-7% yoy in 2023F.

Source: VNDIRECT RESEARCH, VIETNAM STEEL ASSOCIATION (VSA)

Stock picks: HHV, VLB and C4G

No	Ticker	1-year TP (VND/share)	Rating	Investment thesis
1	HHV	19,500	ADD	HHV's construction capacity has been proven after completing many large-scale and highly technical projects such as tunnels through mountains, coastal roads, expressways,.... Recently, HHV is a few contractors appointed to participate in the North-South expressway phase 2 project with a total contract value of VND1,759bn. In 2H23F, we expect the company will continue to win high-value bidding packages in 3 PPP projects (Tan Phu-Bao Loc, Dong Dang-Tra Linh, Huu Nghi-Chi Lang) with a total investment of nearly VND41.000bn We estimate the company's backlog value at VND2,907bn at the end 1Q23, equivalent to 6 times the average revenue in FY20-22. This will be the premise to help HHV's construction revenue jump up 87%/21% respectively to VND991bn/1,200bn, in FY23-24F, based on our forecast. We estimate FY23-24F net profit will increase 15.3%/28.0% yoy to VND304bn/VND390bn, respectively, thanks to (1) high backlog value in construction segment; (2) lower raw material prices supported the construction segment's gross margin of 10% in FY23-24F, up 0.9% pts compared to FY22 and (3) better cash flow from BOT toll collection.
2	VLB	51,200	ADD	We believe that construction stone demand in the South will increase significantly from 4Q23F thanks to (1) accelerating the construction progress at the LTIA project and the Southern expressways (Bien Hoa-Vung Tau, Can Tho-Hau Giang, Hau Giang-Ca Mau, ring road 3-HCMC,...) and (2) residential real estate market is expected to warm up from 2024. VLB is one of the leading construction stone manufacturers in Vietnam’s Southern Key Economic Region. The company currently manages five stone quarries in Dong Nai province with an annual exploitation capacity of 5.7m m3. Notably, VLB owns Tan Cang 1 mine, which is expected to be mobilized mainly for the LTIA and ring road 3 – HCMC projects thanks to its closet location to the construction site and high-quality stone. Tan Cang 1 have largest licensed exploitation capacity of 1,500,000 m3/year, long exploitation period and remaining reserve is 25.7m m3 at the end of 2022. We forecast FY23-24F net profit will reach to VND197bn/VND244bn, respectively from FY22's loss of VND23bn thanks to (1) construction stone revenue up 0.6%-17.9% yoy thanks to both demand and selling prices increase; and (2) VLB had to pay an additional VND270bn for mineral rights in FY22. VLB regularly paid cash dividends with an average dividend yield of 6.4% in FY19-22. Upside risk is major shareholder DOFICO (owning 49%) conducts divestment at VLB in 2023-25.

Source: VNDIRECT RESEARCH

Stock picks: HHV, VLB and C4G

No	Ticker	1-year TP (VND/share)	Rating	Investment thesis
3	STOCK PICK C4G	17,300	ADD	In infrastructure construction industry, we see that C4G is a bright candidate thanks to: (1) it's leading position in transport infrastructure construction in Vietnam; C4G has gradually become "familiar" with large-scale and highly technical projects such as North-South expressway, airport runway, sea bridge... thereby which it has many advantages to continue participating in the next major infrastructure projects in the 2023-25F period; (2) After the issuance to existing shareholders in Apr 2023, C4G's equity at the end of 2Q23 increased by 46% compared to the beginning of the year, which will help C4G significantly improve its financial capacity; and (3) C4G owns many potential assets in real estate projects and is planning to develop such as Cau Cau tourist area, Nghi Hai ecological food court, building at 29 Quang Trung (Nghe An) and 136 Le Van Duyet (HCMC), ...

Downside risks:

- Construction sector: (1) disbursement of public investment is slower than expected; and (2) rising material prices affect the gross margin of construction companies.
- Materials sector: rising input material prices and environmental resource tax affect the net margin of construction companies.

Source: VNDIRECT RESEARCH

FY23-24F earnings forecast of stocks under coverage

	C4G		HHV		VLB	
	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Revenue (VNDbn)	3,684	4,324	2,786	3,145	1,217	1,405
% growth	*35.2%*	*17.4%*	*33.0%*	*12.9%*	*-4.5%*	*15.5%*
Gross margin (%)	*13.0%*	*12.8%*	*42.0%*	*40.0%*	*23.8%*	*25.0%*
EBITDA margin (%)	*13.9%*	*13.4%*	*55.0%*	*53.1%*	*19.4%*	*20.6%*
Net profit (VNDbn)	204	221	304	390	197	244
% growth	*34.1%*	*8.7%*	*15.3%*	*28.0%*	*na*	*23.9%*
EPS (VND/share)	912	990	924	1,183	4,028	4,991
BVPS (VND/share)	16,657	17,244	23,372	24,556	13,383	16,840
Net cash/share (VND/share)	-8,377	-8,950	-62,445	-61,766	495	641
D/E	0.9	0.9	2.4	2.2	0	0
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	5.3%	5.3%
ROAE (%)	6.5%	5.8%	4.1%	4.9%	34.0%	34.4%
ROAA (%)	2.1%	2.0%	0.8%	1.1%	25.9%	27.1%

Source: VNDIRECT RESEARCH

Peer comparison

Company	Ticker	Price	Market cap	P/E (x)		3-year EPS	P/B (x)		EV/EBITDA (x)		ROE (%)	
		LC$	US$ m	TTM	FY23F	CAGR (%)	TTM	FY23F	TTM	FY23F	TTM	FY23F
Steel												
Hoa Phat Group JSC	HPG VN	25,000	6,178.6	218.9	14.8	48.1	1.5	1.4	14.9	9.3	0.7	10.3
Hoa Sen Group	HSG VN	16,800	439.8	na	na	177.0	1.0	0.9	8.2	9.7	(9.7)	(0.7)
Nam Kim Steel JSC	NKG VN	17,800	199.2	na	16.7	na	0.9	0.8	18.1	9.1	(11.8)	5.4
Construction stone												
Binh Duong Minerals & Construction JSC	KSB VN	29,250	94.9	21.0	na	(17.1)	1.1	na	11.1	na	5.3	na
Bien Hoa Building Materials JSC	VLB VN	38,200	75.9	na	9.5	na	3.4	2.9	6.1	7.2	(3.9)	34.0
Hoa An JSC	DHA VN	41,250	25.8	12.6	na	(1.4)	1.5	na	4.1	na	11.1	na
Infrastructure construction												
Vietnam Construction and Import-Export JSC	VCG VN	21,450	487.3	26.6	na	56.9	1.7	na	28.8	na	(1.2)	na
CIENCO4 Group JSC	C4G VN	13,600	194.8	17.2	14.9	20.5	1.2	0.8	18.2	12.1	8.1	6.5
Deo Ca Trafic Infrastructure Investment JSC	HHV VN	14,650	205.1	16.2	16.6	(9.2)	0.7	0.6	20.9	15.9	3.9	4.1
Lizen JSC	LCG VN	13,450	108.4	17.2	na	3.5	1.0	na	19.8	na	(0.5)	na

Source: VNDIRECT RESEARCH, BLOOMBERG, DATA AS OF 26 JUN 2023

Power

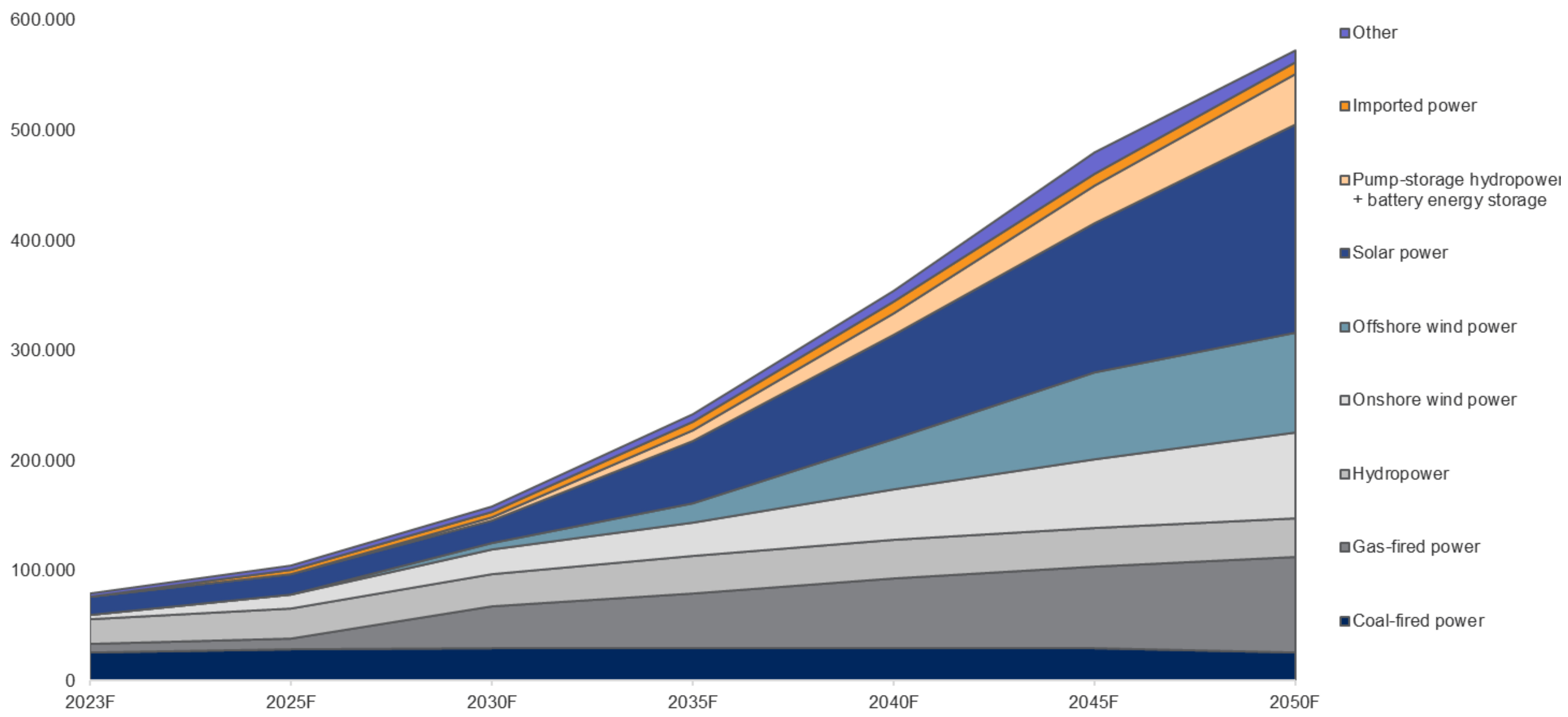
PDP8 - A turning point for the industry

VNDIRECT

Power Development Plan 8 opened up a new chapter for Vietnam power sector

On 15 May 2023, the Power Development Plan 8 (PDP8) was officially approved, opening up a new chapter for Vietnam power sector.

The new PDP8 favoring toward gas-fired and wind power over 2021-30 period, after focusing on RE power from FY30F onward (MW)



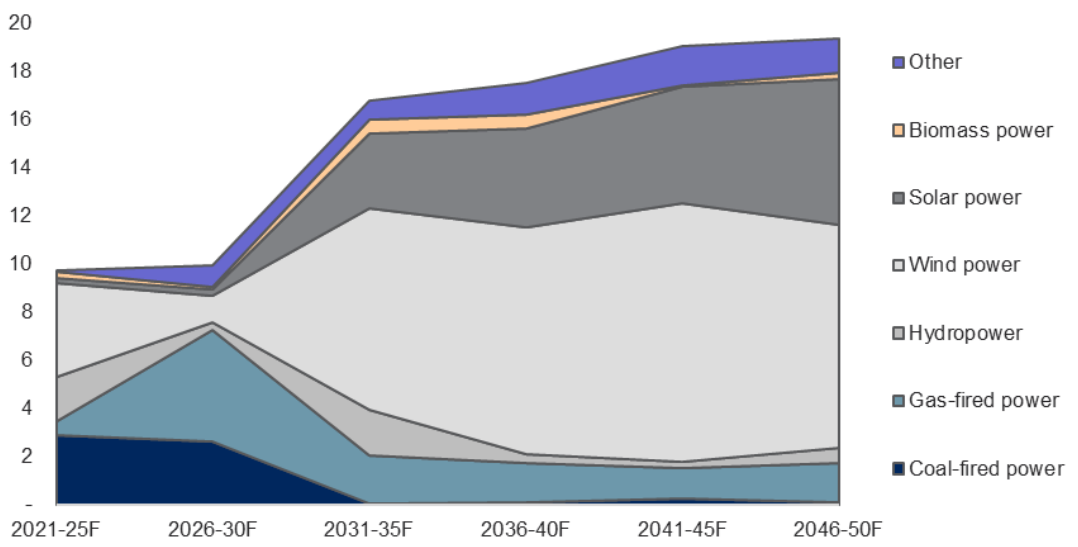
- **Coal-fired power:** The PDP8 finally removed total 13,220MW of coal-fired power plants, putting an end to the coal-fired era.
- **Gas-fired power:** Gas-fired power will become the major spearhead over 2021-30 period with CAGR of 26%.
- **Wind power:** Wind power will become the main target in both short and long term. Onshore wind power will grow at 25% CAGR over 2021-30F. Besides, there will be the first 6,000MW offshore wind power on board in 2030F, before surging 15% CAGR in 2030-50F.
- **Solar power:** Solar power will postpone under excessive growth over 2020-21 period. However, the PDP8 still encourages unlimited growth of solar power for self-use purposes.
- **Hydropower** capacity grow at 1% CAGR over 2021-50 period as the energy sources potential has reached its limit.

Source: VNDIRECT RESEARCH, PDP8

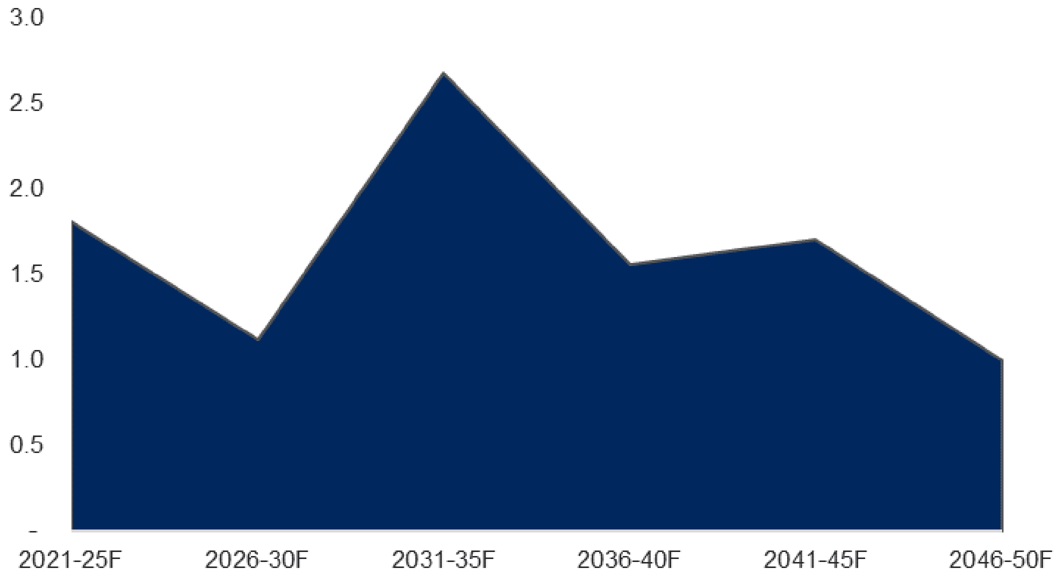
Higher capital requirement in order to actualize green ambition

The PDP8 has concluded a “sufficient and green” plan, but it may be more difficult to implement than the amended PDP7 with strong emergence of gas-fired and RE power.

Capital requirement reached higher level under the strong energy transition, allocating major on wind power (Unit: US$bn)



Capital needs for power grid development accounting for about 11% of the total Power sector investment in 2021-30F and 7% 2031-50F (Unit: US$bn)



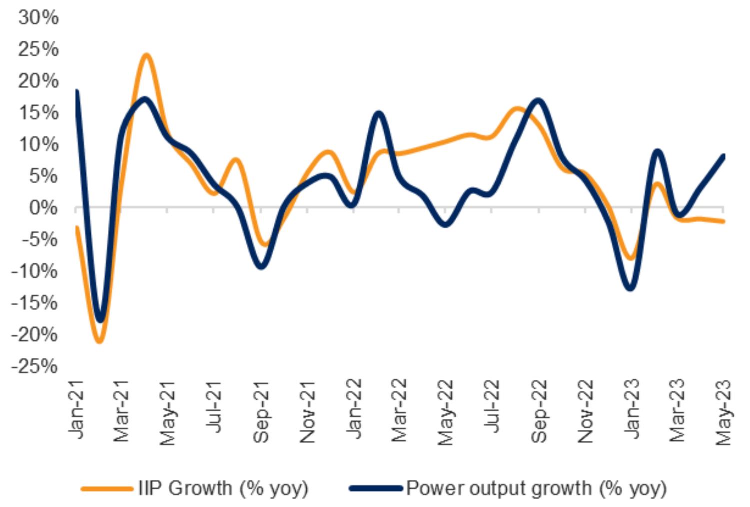
- In the base-case scenario, total investment demand for power capacity reach US$98bn in 2021-30F, equivalent to US$9.8bn/year, allocating majorly on gas-fired power (30%) and wind power (35%).
- In 2031-50F period, total capital for capacity development will reach US$363bn, equivalent to US$18.2bn, with wind power requiring the most of 63% total capital, follow by the comeback of solar power (18%).
- Capital needs for power grid development account for 11%-7% of total sector investment in 2021-30F and 2031-50F period, respectively.

Source: VNDIRECT RESEARCH, PDP8

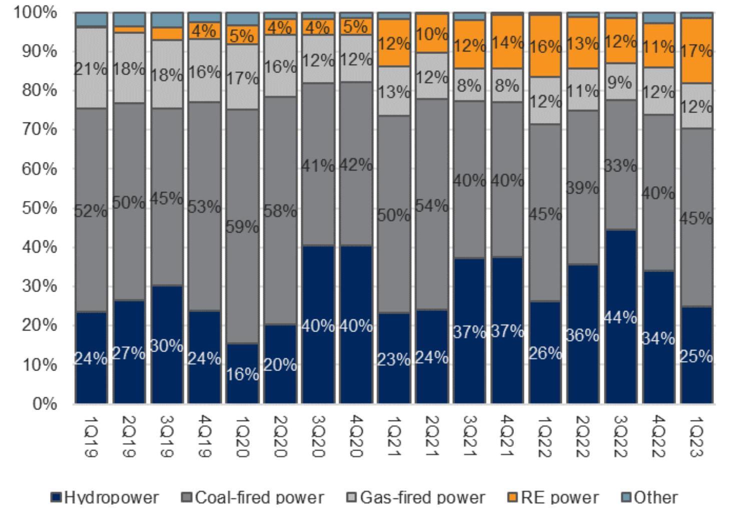
1H23 Power sector snapshot: Power consumption surged during hot weather, offsetting weak industrial demand

In the context of stagnant industrial activities, Vietnam power consumption recorded a humble growth rate. However, less rainfall as well as intense heat waves switch the sector outlook from May-23, favoring toward thermal power.

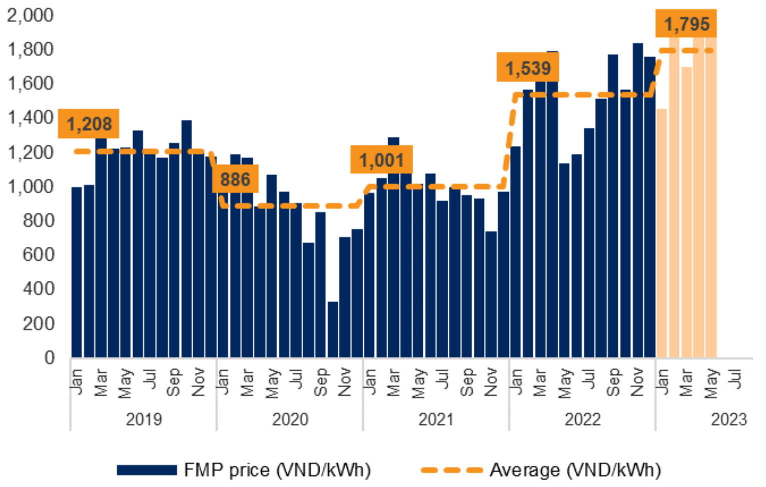
Power consumption grew at low rate in 5M23 under humble IIP growth, then reach higher in May amid more intense heat waves



Hydropower mobilized output retreat due to unfavorable hydrology, creating larger space for thermal and RE output to improve



5M23 Full market price (FMP) in the competitive generation market rose sharply due to higher thermal output mobilization

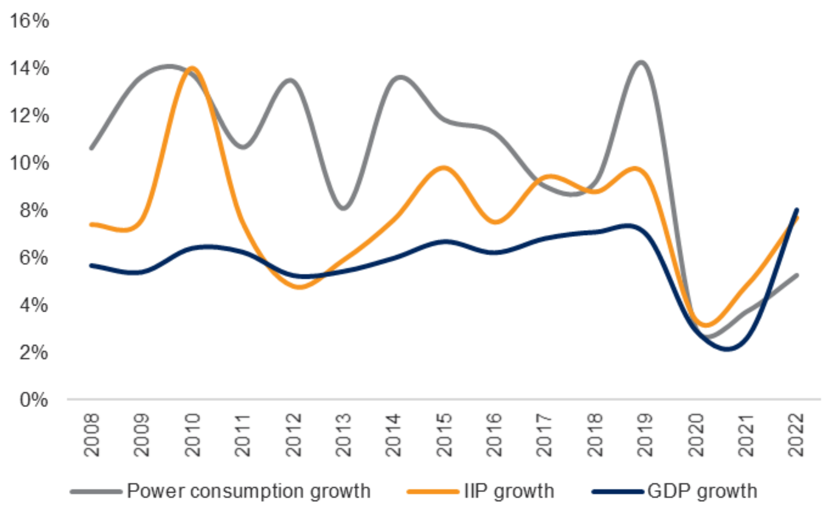


- 5M23 power consumption grew humbly 1.4% yoy, far lower than PDP8 forecasted level of 9% due to weak industrial power demand. However, in May-23, Power consumption growth accelerated to 8% yoy thanks to demand surge among Residential group under very intense heat waves.
- Hydropower mobilization retreat from 2H22 high level due to unfavorable hydrology, creating larger room for coal-fired power and gas-fired power output growth. RE power also grabbed a larger portion thanks to higher wind power output and lower capacity cut down among solar power plants.
- 5M23 FMP price in the CGM rose 20% yoy to VND1,795/kWh, following higher mobilization from thermal power – higher ASP power sources.

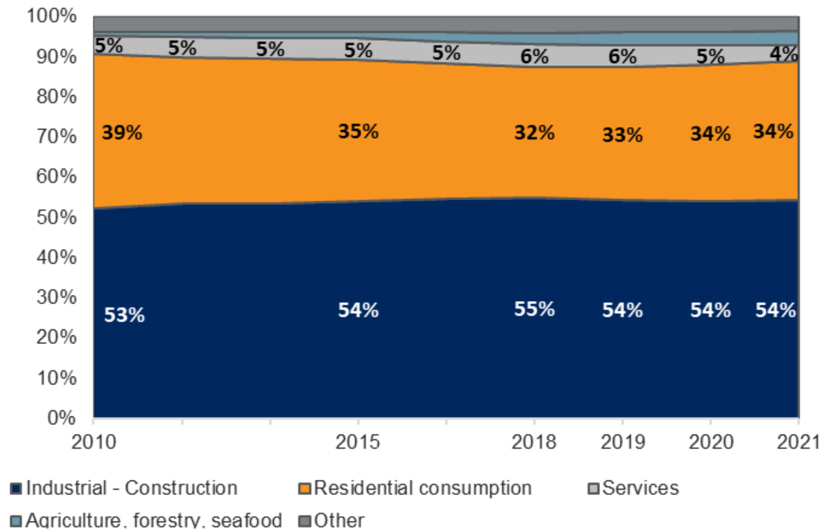
Sources: VNDIRECT RESEARCH, EVN, GENCO3

We see power consumption growth will stay below the PDP8 forecasted level in 2023F

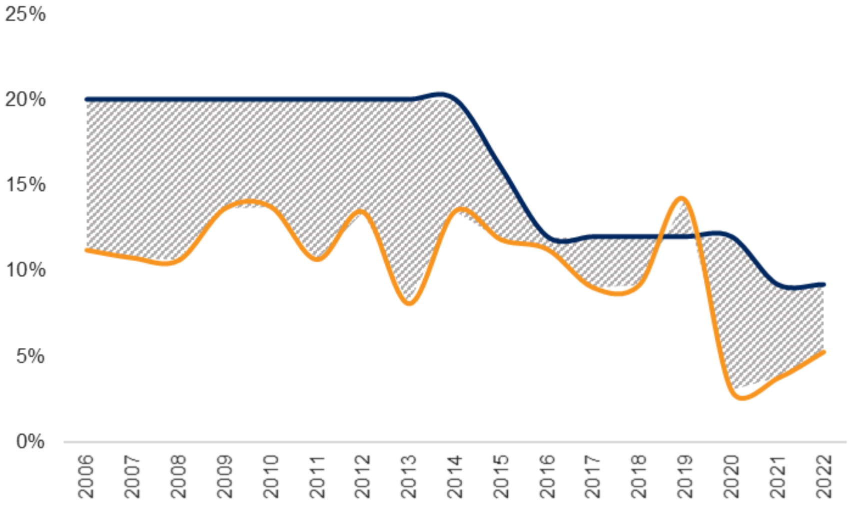
Power consumption growth went below GDP growth for the first time in 2022, due to low production among power-intensive segment (Unit: %)



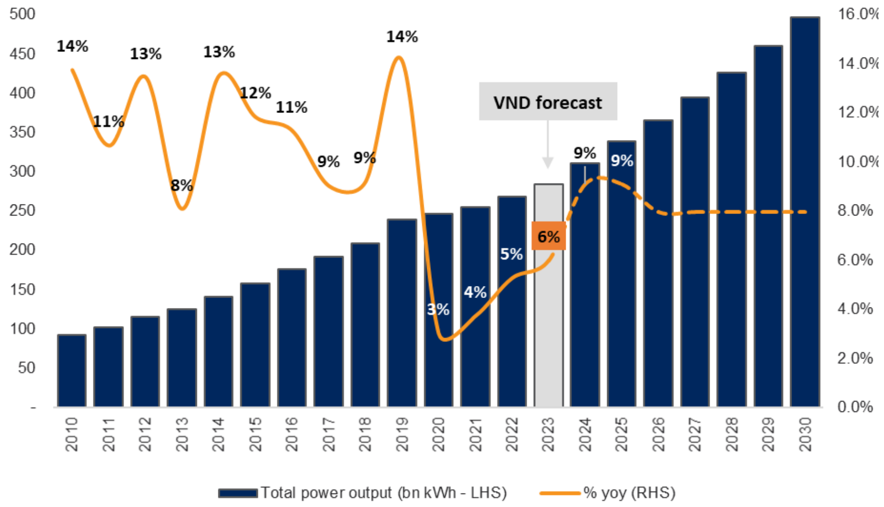
From 2010-21, Industrial – Construction groups accounted for 53-54% of total power consumption, followed by Residential of around 34% (Unit: %)



Previous PDP's power demand growth forecast stayed lower than the actual in 2006-14, after bringing out a more accurate number from 2015



We expect 2023F power output to grow at 6% yoy, lower than PDP8 level of 9.1% yoy. For 2024-30F period, power demand will grow in accordance with PDP8 base-scenario

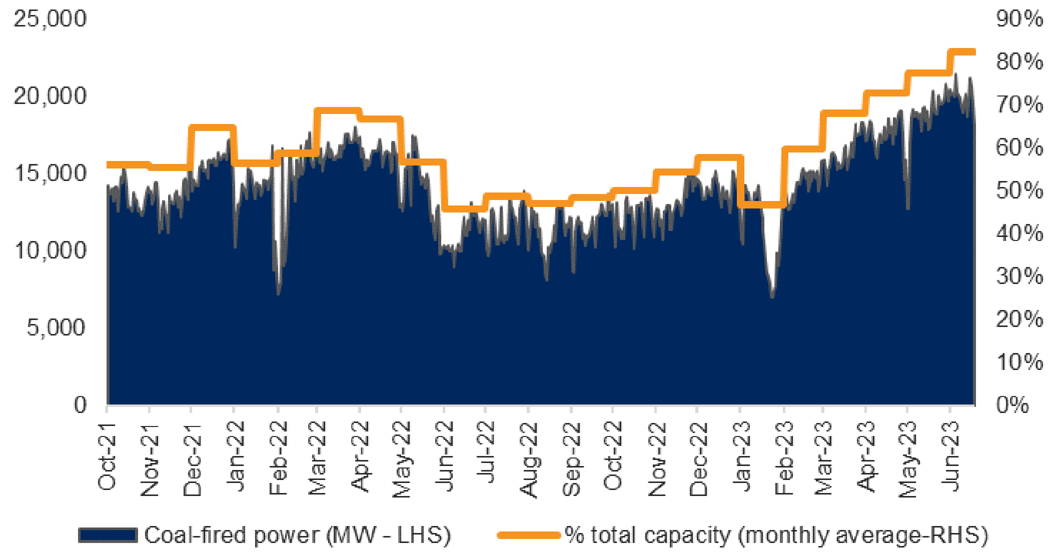


Sources: VNDIRECT RESEARCH, EVN, PDP8

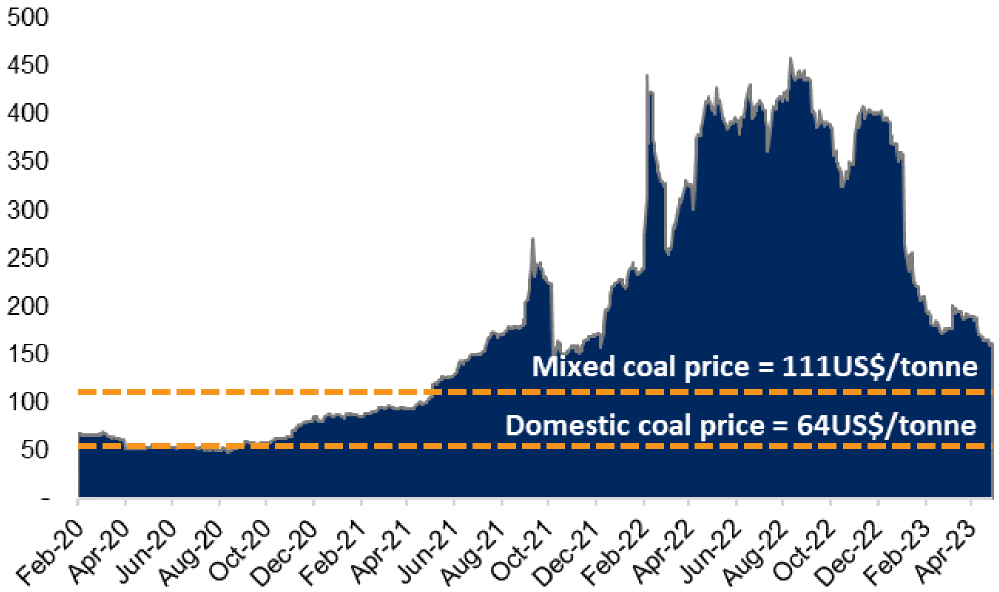
Coal-fired power: Vibrant mobilization to offset weak hydropower output

We see coal-fired power, especially in the North to be benefited the most in the upcoming hot weather amid the unfavorable hydrology of hydropower as well as the region's power shortage. We see QTP and HND are some of the heavy-weighted contestants to ride on this trend

Coal-fired power capacity mobilization reached a gradual high level from the start of 2023, underpinned by demand spike in the Norths, while hydropower recorded humble power generation



In 2023, most of Vietnam's coal power plants have to use mixed coal at higher prices, which not only affects higher ASP but also the plant’s efficiency



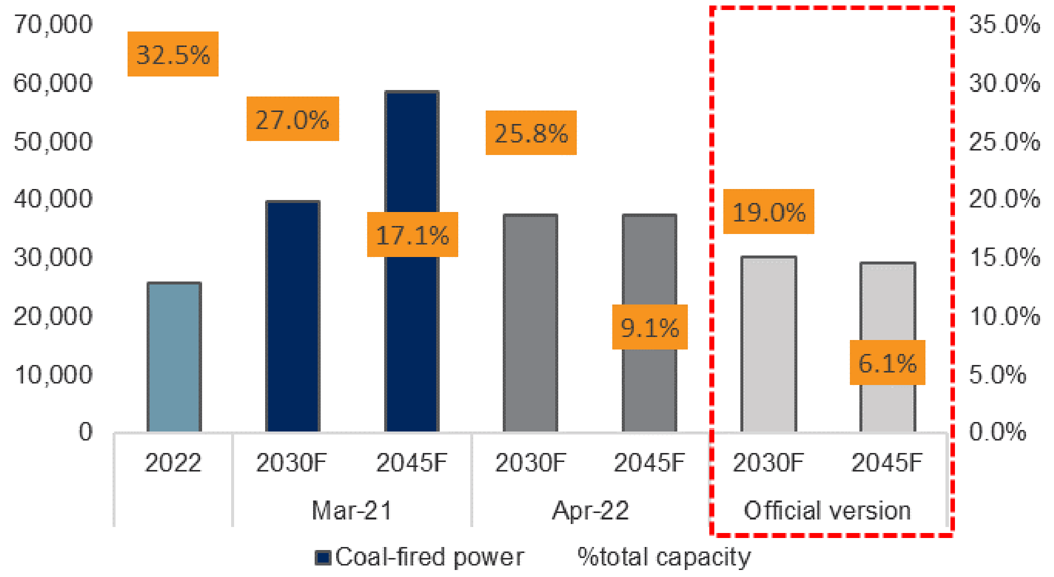
- In 1H23, coal-fired power capacity recorded an increasingly high portion, reaching 84% total capacity in June-23, backed by the demand surge from residential groups during hot weather, as well as the retreatment of hydropower output. Besides, thanks to sufficient coal supply in 1H23, several outstanding listed coal-fired power firms have recorded a solid output improvement, especially during 2Q23 such as QTP, HND and we expect the trend to linger for the rest of 2023.
- In 2023, most of Vietnam's coal-fired power plants must run with higher portion of mixed coal, thus, as international coal prices anchored at high level, mixed coal prices recorded a higher value than the domestic coal price. Although imported coal prices have declined from 2022 peak, we see coal prices maintain at this level for the rest of 2023 with additional demand from China during its recovery phase. However, in the context of serious power shortage in the North, we see ASP spike might not be significant problems.

Source: VNDIRECT RESEARCH, EVN, BLOOMBERG

Coal-fired power: Long-term outlook faded after drastic cut in the PDP8

40-years old power plants will be erased and the new plants must gradually convert a part of its input to biomass and ammoniac after 20 years of operation

The official PDP8 removed total 13,220MW, putting an end for the coal-fired era



We note down some of the outstanding projects to remain for 2021-30 period, some of the top developers still be benefited including GE2, TKV, PVN

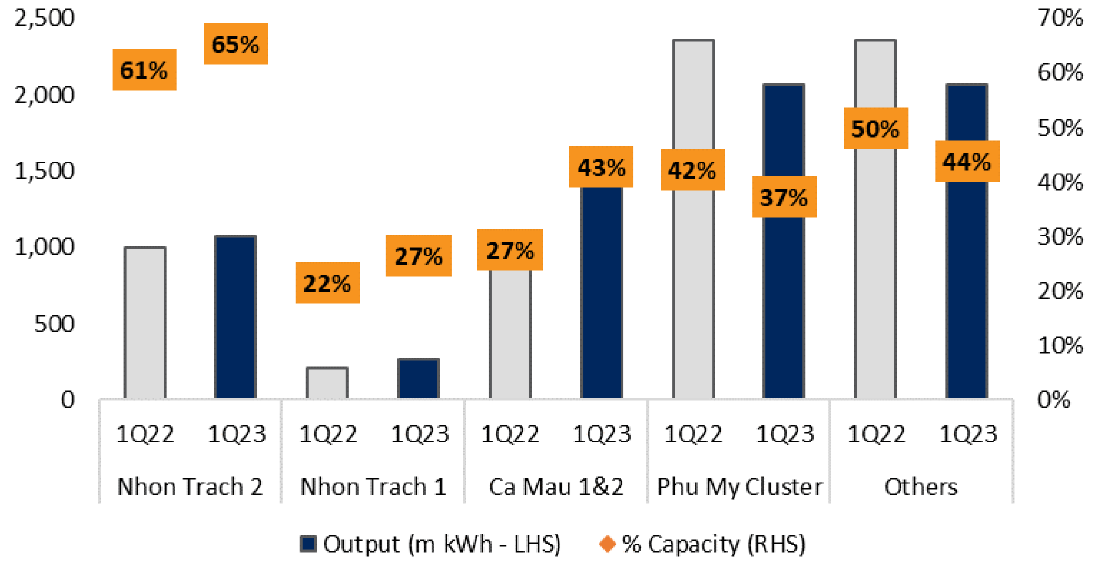
Power plant	Capacity (MW)	Progress	Investor
Na Duong II thermal	110	2021-25	TKV
An Khanh - Bac Giang	650	2021-25	NA
Vung Ang II thermal	665	2021-30	Kepco - Misubishi
Van Phong I thermal	1432	2021-25	Sumitomo Corp
Long Phu I thermal	1200	2021-25	PVN
Quang Trach I thermal	1200	2021-25	GENCO 2

- The official PDP8 finally removed total of 13,220MW, putting an end to the coal-fired era. Moreover, the new plan has also taken into account 6,800MW of coal-fired power that facing difficulties in capital arrangement by increasing reserves from higher portion of wind and gas-fired power.
- Under the official PDP8, coal-fired power will increase 2% CAGR over 2023-30F then decrease -1% CAGR over 2030-50F, accounting for 19% and 4% national capacity in 2030-50F, respectively.
- However, we see some of the key projects in the North are necessary for development in order to secure the region's system safety including Quang Trach I, Vung Ang II. Besides, Van Phong I (1400MW) will come online from 4Q23, strengthening national power systems.

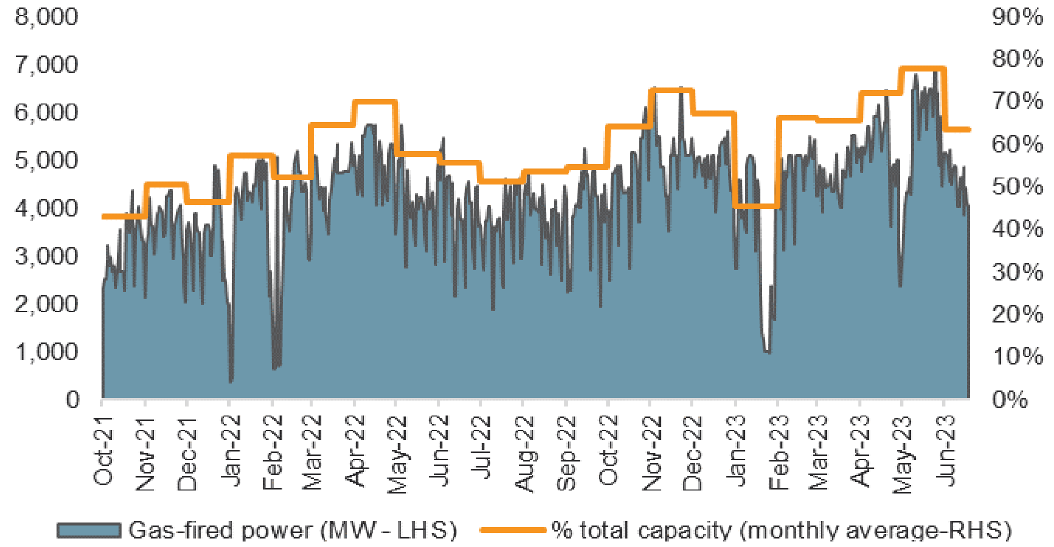
Source: VNDIRECT RESEARCH, EVN, BLOOMBERG

Gas-fired power: Power output to gradually improve over 2023-24F, underpin by increasing power demand to absorb the excessive capacity in the South

Some of the high efficiency gas-fired power plants still recorded a solid output mobilization amid overall sector decline in 1Q23 due to gas shortage



Gas-fired power mobilized capacity improved from 4Q22, thanks to lower ASP as well as the enhancement of South-to-North transmission trend

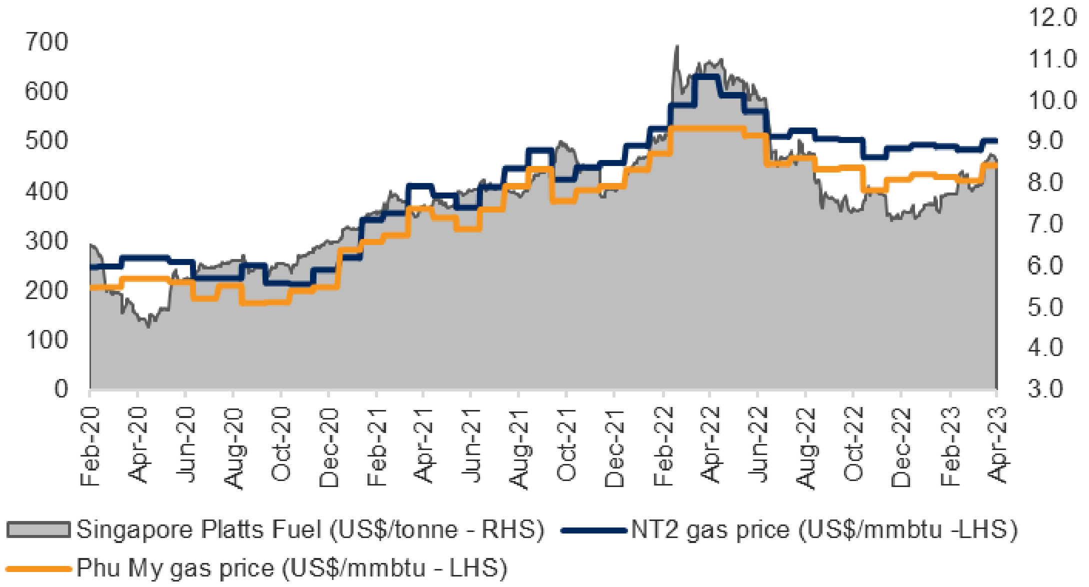


- In 1Q23, some of the gas-fired power plants recorded positive output mobilization including Nhon Trach 2, and Ca Mau 2 thanks to the plant's high efficiency, but overall, total gas-fired power output still suffered a modest reduction due to weaker power demand, particularly among industrial zone in the South. From 2Q23, we see the improvement of gas-fired power thanks to lower output generation from hydropower and the more intense South-to-North transmission trend to support the power shortage situation.
- For 2023-24F, we expect a positive gas-fired power output growth, underpin by 1) Vietnam power consumption to increase 9% CAGR in FY23-30F; 2) Unfavorable condition from hydropower group, creating larger space for thermal power mobilization; 3) The excessive RE capacity in the South to be gradually absorbed amid slow new capacity development; 4) The impact from Industrial and Construction power to be more severe when Vietnam industrial activities return to its growth stage.

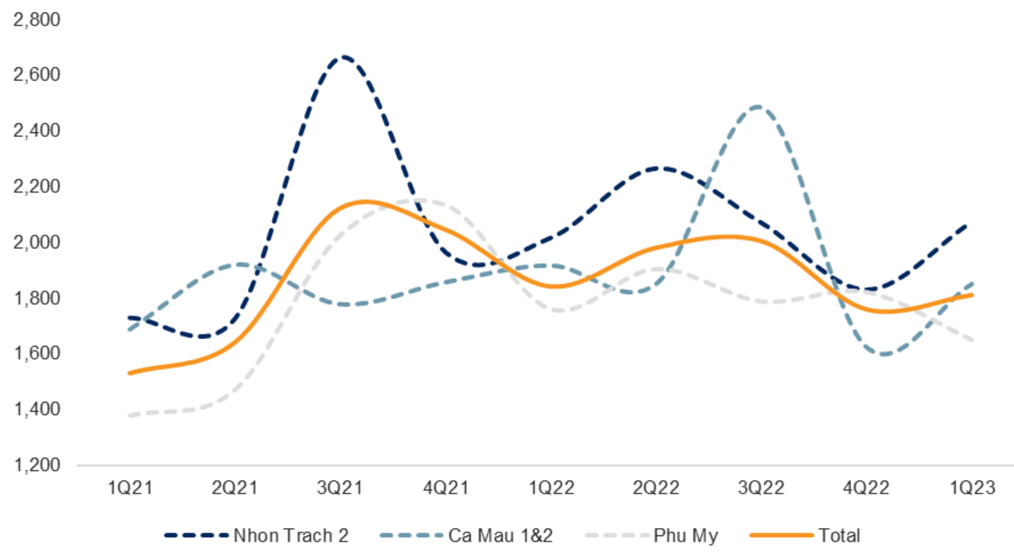
Source: VNDIRECT RESEARCH, EVN, BLOOMBERG

Gas-fired power: Power output to gradually improve in 2023-24F, underpin by increasing power demand to absorb the excessive capacity in the South

Gas price retreated from FY22 peak but the downtrend slowdown in 4M23 amid anchored high FO price while exploiting cost for domestic gas fields increased gradually. …



… Thus, gas-fired power ASP has also dropped from high level in 2022 to around VND1,800/kWh in 1Q23



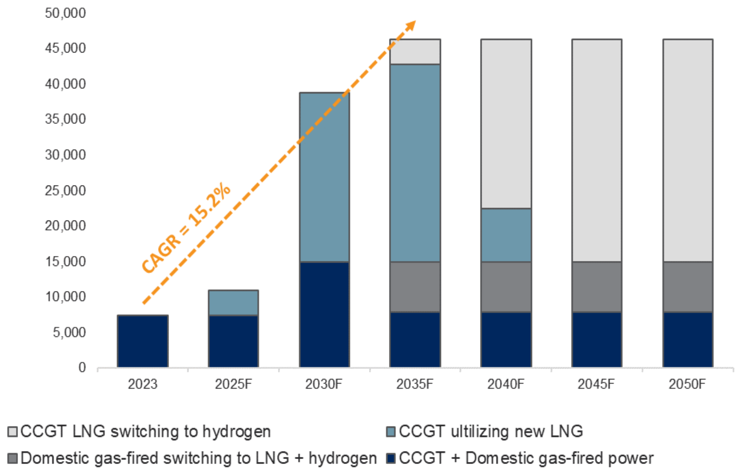
- Gas price recorded a solid decline, anchoring on the downtrend of the Singapore FO. Its price cut down from 2022 peak of at most US$700/tonne to below US$400/tonne level in May-23. Accordingly, although the price is still far beyond the 5-years average, we consider this as a sign of optimism, enhancing the competitiveness of the energy source.
- For 2023-24F, we see the Brent oil price to locate at a lower level of US$85-80/barrel, supporting lower gas price. Thus, we see gas-fired power ASP is getting more competitive and vastly cheaper than new imported coal-fired power plants. Furthermore, the price gap between gas-fired and coal-fired power has gradually shrunk due to the anchored high coal price. We see lower ASP to partly support on mobilization status of gas-fired power in the context of EVN prioritize to optimize electricity purchasing cost amid its tough financial condition.

Source: VNDIRECT RESEARCH, EVN, BLOOMBERG

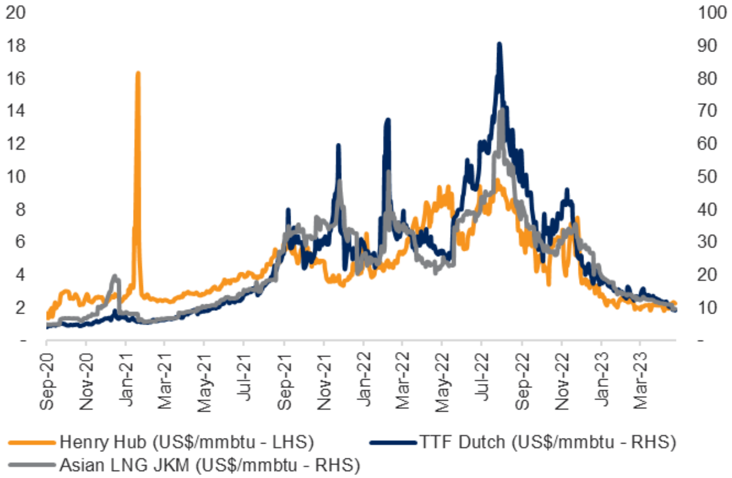
Gas-fired power: The long-term spearhead under clear orientation from the Government

In terms of capacity development, gas-fired power is the major spearhead under the government orientation. We see the increasingly essential role of gas-fired power development, in the backdrop of the government's effort to phase out coal-fired power

For gas-fired power, the energy sources will become the major spearhead over 2021-35 period with CAGR of 15.2%



Benchmark international LNG/gas prices significantly drop from Jan-23, supporting the negotiation process of upcoming LNG project's PPA and GSA contract



Outstanding gas-fired power projects that included in the PDP8 with high chance to build in 2021-35F period

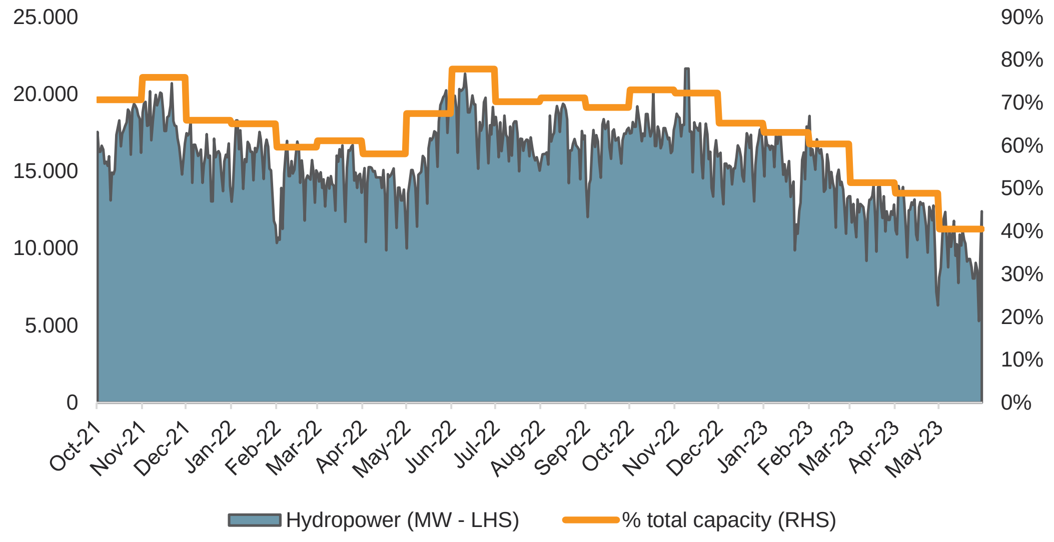
	Capacity (MW)	Progress	Investor
LNG power plant			
Nhon Trach 3&4	1600	2021-30	PVPower
LNG Hiep Phuoc I	1200	2021-30	Hai Linh Company Limited
LNG Bac Lieu	2400	2021-30	Delta Offshore Energy
LNG Quang Ninh I	1500	2021-30	PVPower - Colavi - Tokyo Gas - Marubeni
LNG Thai Binh	1500	2021-30	TTVN Group - Tokyo Gas - Kyuden
LNG Nghi Son	1500	2021-30	Milennium (USA)
LNG Quynh Lap	1500	2021-30	Bidding
LNG Quang Trach	1500	2021-30	EVN
LNG Hai Lang	1500	2021-30	T&T Group - Hanwha - Kospo - Kogas
LNG Ca Na	1500	2021-30	Bidding
LNG Son My II	2250	2021-30	AES Group
LNG Sơn Mỹ I	2250	2021-30	EDF - Sojitz - Kyushu - Pacific Group
LNG Long Son	1500	2031-35	PGV - TTC - TV2 - Mitsubitshi - GE - GTPP
LNG Long An I	1500	2021-30	VinaCapital - GE
LNG Long An II	1500	2031-35	VinaCapital - GE
Domestic gas-fired power plant			
O Mon III, IV (Lo B)	2100	2026-27	EVN (Genco 2)
O Mon II (Lo B)	1050	2027	Vietracimex - Marubeni
Dung Quat I, II, III (CVX)	2250	2028	NA
Mien Trung I, II (CVX)	1500	2028	PVN

- For gas-fired power, the energy sources will become the major spearhead over 2021-30 period with CAGR of 26%, the highest growth among peers and accounting for 27% total capacity. Similar to coal-fired power, in order to fasten clean transition, gas-fired power also has to convert a part of its input to hydrogen combustion after 20 years. From 2030-50F period, gas-fired power development will slow down at 4% CAGR and accounting for total 15% in 2050F.
- We see the gas-fired power in general and LNG-to-power specifically contains several promising name that own new development projects including Nhon Trach 3&4 (POW), LNG Long Son (PGV, TV2) and O Mon III, IV (PVN). Moreover, in earlier phase, we see enterprises participating in the infrastructure development for these projects will benefit the soonest such as TV2, GAS.

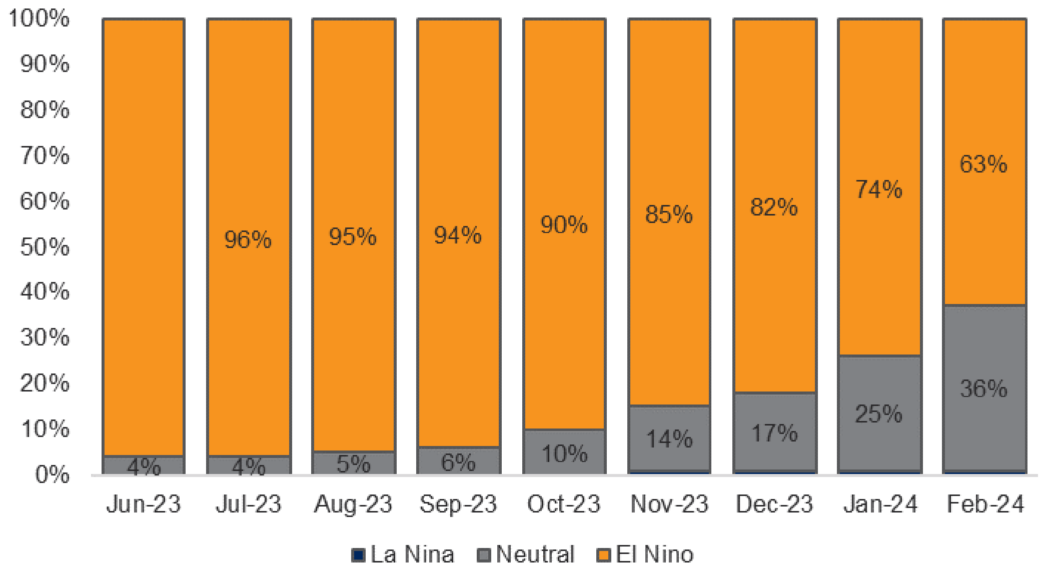
Source: VNDIRECT RESEARCH, PDP8, BLOOMBERG

Hydropower has officially exited its favorable weather phase from Mar-23, leaving room for other power sources

According to EVN, mobilized capacity from hydropower dropped sharply in 1H23 due to recorded low water level among several lakes and reservoirs



La Nina phase has ended from Feb-23, while El Nino phase officially occurred from May-23, bringing more intense heat waves and prolonged drought for Vietnam (Unit: %)



- According to EVN, the upstream water level of rivers and hydropower reservoirs nationwide is recording a sharp decrease over the same period, bring down lower capacity mobilization. We see hydropower has officially exited its favorable weather phase from Mar-23, leaving room for other power sources.
- According to the International Research Institute (IRI), the ENSO weather index officially switched to the El Nino phase from May-23. The El Nino phase will bring out hotter weather and more intense drought, thus, we expect hydropower output to normalize from high-base 2022, hindering business results of hydropower plants.
- In long-term, hydropower capacity will grow at 1% CAGR over 2021-50F period as the energy sources potentially has reach its limit.

Source: VNDIRECT RESEARCH, EVN, IRI

Hydropower has officially exited its favorable weather phase from Mar-23, leaving room for other power sources

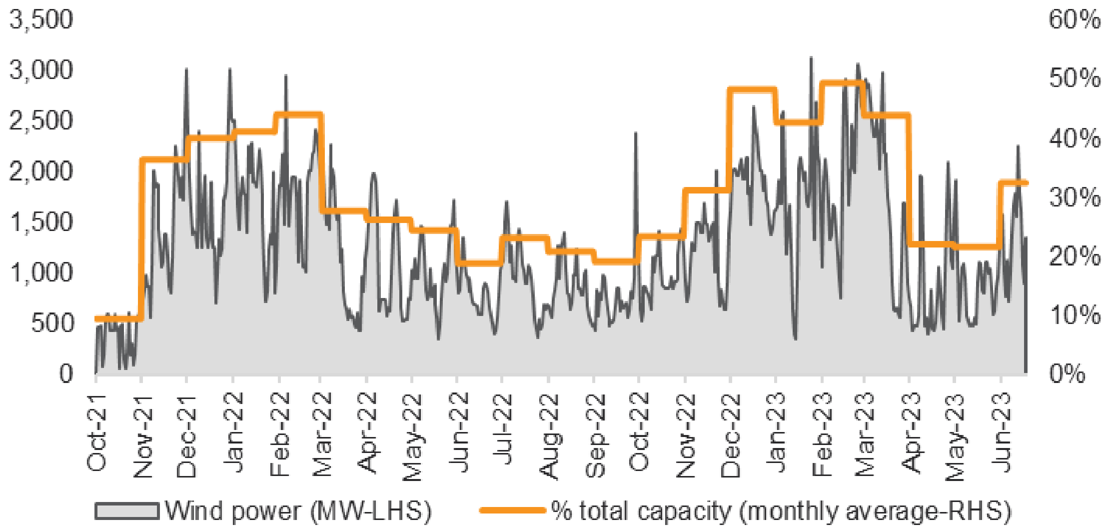
According to EVN, the upstream water level of rivers and hydropower reservoirs nationwide is recording a sharp decrease over the same period, especially in the Northwest and South Central and Highlands regions (Unit: % yoy)

	Northwest					North Central			South Central					Highlands									South East	
	Son La	Hoa Binh	Thac Ba	Ban Chat	Lai Chau	Ban Ve	Quang Tri	Trung Son	Vinh Son A	A Vuong	Song Tranh 2	Song Hinh	Song Bung 2	Buon Tua Srah	Srepok 3	An Khe	Pleik rong	Ialy	Don Duong	Dong Nai 3	Se San 4	Ham Thuan	Tri An	Thac Mo
Jan-23	-2.0%	5.0%	3.0%	-0.8%	-3.7%	-0.3%	-0.1%	-1.1%	0.0%	0.1%	0.2%	0.0%	-0.2%	0.0%	-0.2%	0.0%	-0.1%	-0.4%	0.1%	-0.2%	-0.3%	-0.8%	-4.5%	-0.4%
Feb-23	-2.6%	5.2%	0.7%	-1.4%	-4.7%	-1.9%	0.0%	-4.3%	-0.04%	0.1%	0.5%	0.01%	-0.3%	0.0%	-0.4%	-0.04%	-0.3%	-0.5%	0.2%	-0.3%	0.1%	-0.7%	-5.6%	-0.5%
Mar-23	-2.9%	1.6%	-1.5%	-2.6%	-2.8%	-3.7%	0.1%	-5.3%	-0.03%	-0.1%	0.6%	-0.04%	-0.1%	-0.1%	-0.5%	0.01%	-0.6%	-0.5%	0.2%	-0.3%	-0.5%	-0.6%	-7.2%	-0.6%
Apr-23	-6.3%	3.8%	-3.0%	-4.6%	-4.6%	-4.6%	-0.3%	-2.5%	-0.04%	-2.3%	-2.3%	-0.75%	-0.2%	-0.8%	-0.4%	-0.11%	-1.5%	-0.4%	0.0%	-0.7%	-1.0%	-0.8%	-11.5%	-1.0%
May-23	-12.8%	4.0%	-7.8%	-5.7%	-3.5%	-6.9%	-0.6%	-4.0%	-0.04%	-2.9%	-4.3%	-1.5%	-0.4%	-0.8%	-0.4%	0.0%	-1.4%	-1.2%	-0.2%	-1.3%	-0.6%	-0.9%	-9.0%	-2.6%
Jun-23	-11.9%	-2.5%	-11.5%	-6.9%	-5.4%	-9.8%	-0.9%	-2.9%	-33.4%	-2.2%	-5.2%	-2.0%	-1.4%	-0.4%	-0.6%	-33.3%	-0.4%	-0.4%	-0.5%	-1.1%	-33.4%	-0.9%	-0.6%	-2.9%

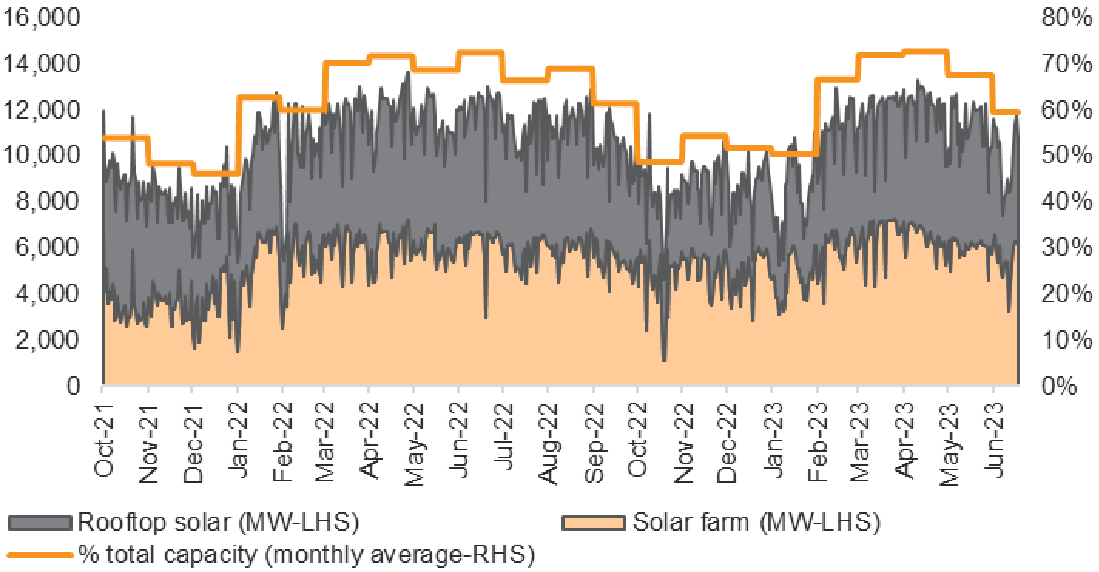
Source: VNDIRECT RESEARCH, EVN

Renewable energy: Unresolved policy bottleneck

Wind power enjoyed positive mobilization in 1Q23, supported by good monsoon season after dropped from Apr-23



Solar power mobilization has improved since the beginning of the year, reaching 60-70% total capacity



- According to the daily capacity mobilized data from the National Load Dispatch Centre (NLDC), we see RE power have an annual cycle, while wind power usually records solid output mobilization during 1Q and 4Q period, solar power recorded a stable output throughout the years and slightly drop in 4Q to leave room for wind power mobilization.
- For 2023-24F, we see the excessive capacity in the South to be gradually absorbed, underpin by higher power consumption growth when the electricity demand for Industrial group return to its growth state. Besides, we see the upgrade of transmission grid to help mitigate capacity cutdown situation among RE power plants. However, we do not see a strong improvement in RE power output, we see the main outlook for RE developers coming from the ability to expand its portfolio.

Source: VNDIRECT RESEARCH, EVN

Renewable energy: Transitional projects are quickly being put into operation

Price negotiation for transitional projects is actively underway. At the moment, EVN has put into operation 10/85 power plants that completed COD procedures with total capacity of 541.5MW

List of transitional projects that finished COD and officially generating power onto the grid, these plan selling at a temporary price of 50% transitional prices, amid the final prices is being negotiated with Ministry of Industry and Trade (MOIT)

Power plant	Power type	Capacity (MW)	Investors	Note
Finish COD				
Nhon Hoi Phase 2	Wind	30.0		
Tan Phu Dong 1	Wind	100.0	GEG	
Hiep Thanh	Wind	64.5		
Huong Linh 7	Wind	16.8	SCI	
Huong Hiep 1	Wind	25.5	Tan Hoan Cau Group	
Phu My 1	Solar	64.8	BCG	
Phu My 3	Solar	23.8	BCG	
Thien Tan 1.2	Solar	85.4	T&T Group	COD 37.8/85.4MW
Thien Tan 1.3	Solar	41.3	T&T Group	COD 6.3/41.3MW
Trung Nam Thuan Nam (172MW)	Solar	172.1	Trung Nam Group	Aprroval of acceptance and completion for 85.5/172.1MW

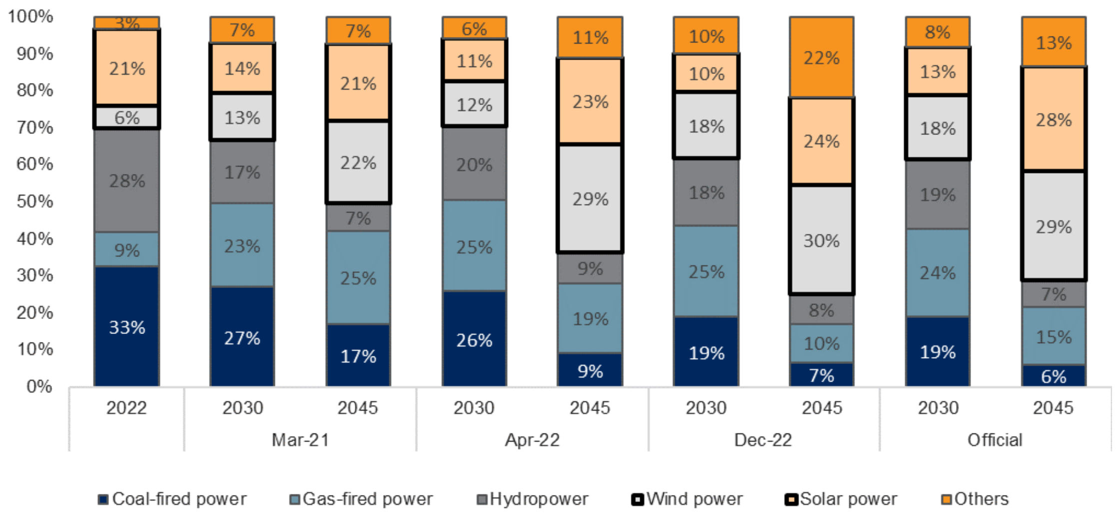
- Updated to June 16, 2023, 68/85 transitional renewable energy projects with a total capacity of 3791.86MW have submitted documents to the EVN for further negotiation of electricity prices.
- EVN and RE investors have completed the price negotiation and initialed the PPA contract with 55/59 projects; in which the MOIT has approved temporary prices for 51 projects.
- There are **11 transitional RE projects** that have submitted documents for recognition of commercial operation date (COD), of which 10 projects/parts of projects with a total capacity of 541.52MW have completed COD procedures and started selling on the grid with temporary price of 50% transitional price.

Source: VNDIRECT RESEARCH, EVN

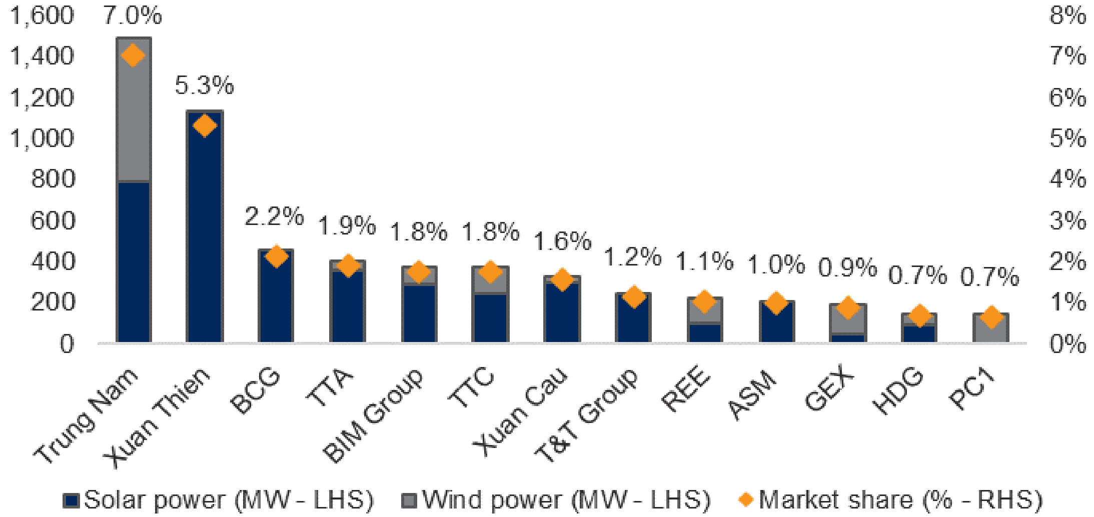
Renewable energy: Unresolved policy bottleneck

The new development phase of RE power is shaping up as authorities are simultaneously setting up a pilot mechanism for DPPA and the draft decree on power plants' investor selection. We see the new phase to enhance competitiveness in healthier manner

The official PDP 8 continued to enhance a larger portion of RE power in 2023-45F (Unit: MW)



Enterprises with advantages of scale, prices negotiation and capital raising ability will stay ahead in upcoming period



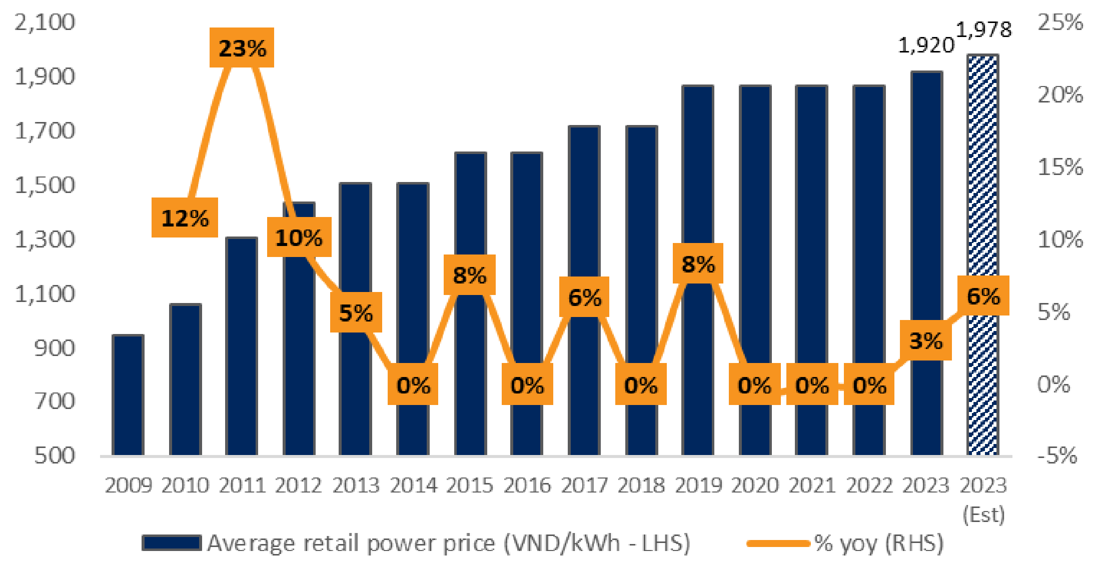
- RE power will become the main Vietnam power sources in long-term, with wind power and solar power accounting for the largest portion in 2050F. However, at the moment, the development process is still at a stalemate under no clear price mechanism. Vietnam is piloting a direct power purchase (DPPA) scheme and planning to encourage its application for initial 1,000MW RE capacity. Besides, the government also requested for a breakthrough solution to encourage rooftop solar development for self-consumption purposes, as well as refining the auction mechanism for RE power in the meantime. Although it is currently difficult for investors to judge whenever policies will be enacted, we see the government's vision being formed in a more clarity manner about the next development phase of renewable energy. We still expect an attractive yet competitive price mechanism to continue encouraging qualified investors to participate in this field.
- In the early phase, we see infrastructure enterprises including plant contractor and transmission grid contractor such as PC1, PVS, FCN to benefit the soonest thanks to high workload under PDP8. Besides, we see some of the top listed RE players, who contained strong price implication, financial background and operation experiences will stay a head in this phase including BCG, GEG, REE, PC1.

Source: VNDIRECT RESEARCH, PDP8

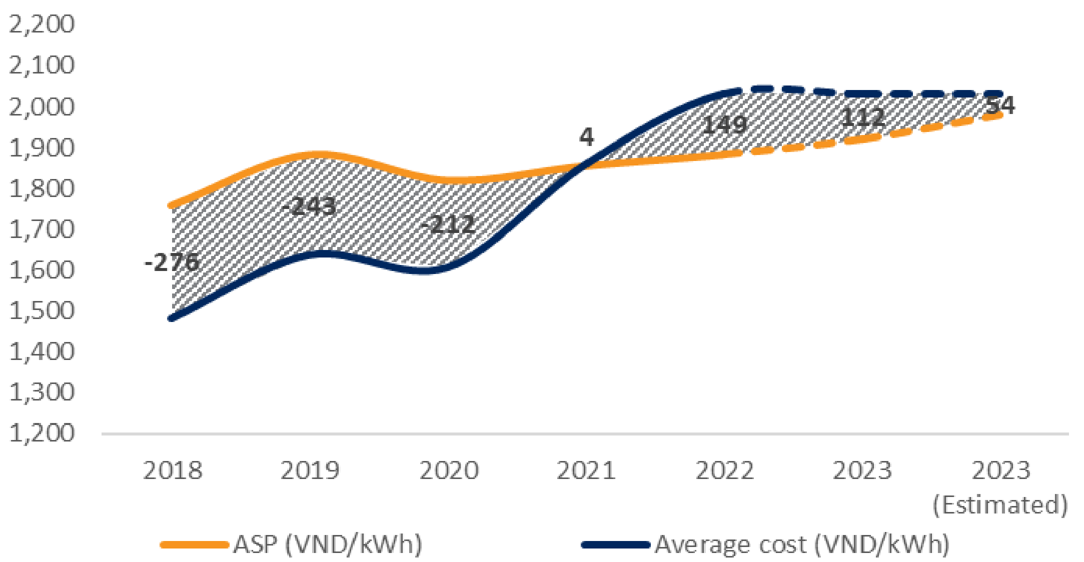
Retail prices have risen since May-23. However, a significant improvement may be premature

EVN has officially raised retail electricity prices by 3% to VND1,920/kWh, partly easing the institution financial distress. Moreover, EVN proposed for another price adjustment of 3% from 3Q23.

Vietnam average retail prices increased 3% to VND1,920/kWh. If the proposal of another 3% rise is approved, average prices will reach VND1,978/kWh, increasing 6%.



We see it might be early to expect a strong improvement as the 2022 cost gap is relatively large, especially when input prices (gas, coal) recorded no significant gap down.



- Despite several efforts to reduce costs, the solutions fell short of covering mobilization price under the sharp rise of input price such as imported coal, gas price and oil price. EVN recorded a net loss of VND26,235bn in FY22, and the situation is still under pressure in 1H23 amid the 3% rise in retail prices. At the moment, there is only hydropower price still stay below retail price level, despite the fact that this power sources accounts for only 33% of total system capacity. The remaining 67% come from high-priced power sources including thermal and RE power.
- We see the new retail price, if officially rises for another round, will greatly support EVN financial position in term of fullness cash flow to make payment for power plants as well as larger space to mobilize from higher price power sources. However, as hydropower – the cheapest sources among peers recorded a low output generation, while thermal power ASP showing minimal sign of slowing down, we see it might be too soon to expect a severe improvement in EVN financial situation.

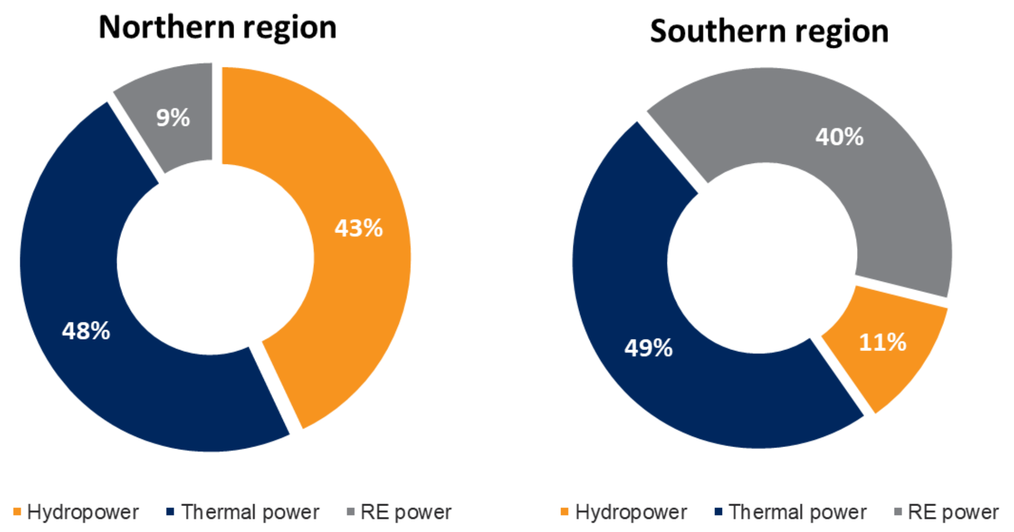
Sources: VNDIRECT RESEARCH, EVN, PDP8

VNDIRECT
WISDOM TO SUCCESS

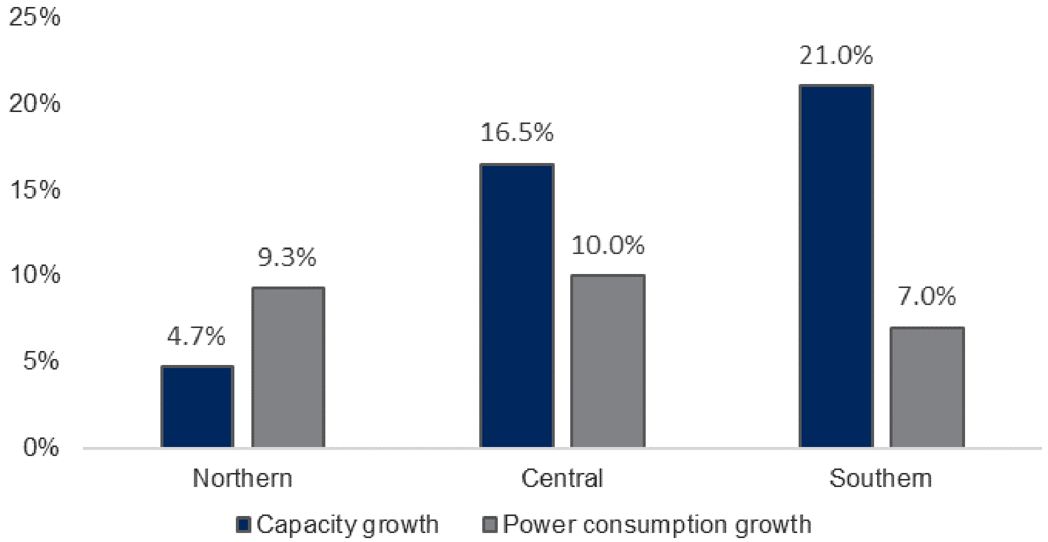
Power shortage – A prolonged risk need to be urgently addressed

Recent power shortage in the Norths raising concerns for both social security as well as economic development. We do not see a possible short-term solution. In long-term, replenishing new power plants in the North and transmission system is an urgent task.

Dominate portion of hydropower capacity (43%) in 2022 has caused a serious power shortage in the North, amid significant lower water level



In the 2016-20 period, power consumption in the North recorded the highest among regions, but capacity growth rate was significantly lower



- The Northern region is currently experiencing a "nightmare summer" with continuous power outages, caused by a rapid spike in residential demand due to more intense heatwave, especially in the context of the region's main power sources – hydropower has been suffering from low water levels among several lakes and reservoirs.
- In short-term, the government has used several temporary solutions that somewhat mitigate the extreme situation in the Norths including 1) Maximum South – North transmission; 2) Securing sufficient input sources including coal, gas and oil and optimize mobilizing from thermal power; 3) Urgently putting into operation transitional RE projects. However, we see this to be band-aid solutions that do not address the fundamental of the problems. In longer-term, we see that capacity development as well as transmission grids development to synchronize with the extremely rapid expansion of power sources in the South are necessity to thoroughly improve the problems.

Sources: VNDIRECT RESEARCH, EVN, PDP8

FY23-24F forecasted financial summary of stocks under our coverage

	POW		PC1		REE		NT2	
	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Revenue (VNDbn)	32,394	40,536	9,446	10,280	8,366	9,758	7,516	7,836
% growth	*14.8%*	*25.1%*	*13.4%*	*8.8%*	*-10.8%*	*16.6%*	*-14.5%*	*4.3%*
Gross margin (%)	*11.9%*	*12.8%*	*20.5%*	*20.8%*	*40.0%*	*39.2%*	*11.7%*	*13.9%*
EBITDA margin (%)	*17.9%*	*18.7%*	*22.6%*	*22.4%*	*43.6%*	*41.7%*	*19.8%*	*21.5%*
Net profit (VNDbn)	2,204	2,575	452	705	2,208	2,631	712	898
% growth	*7.0%*	*16.8%*	*0.6%*	*55.8%*	*-17.9%*	*19.1%*	*-2.3%*	*26.1%*
EPS (VND/share)	941	1,100	1,673	2,606	7,123	8,485	2,475	3,120
BVPS (VND/share)	28,147	35,592	24,370	27,642	65,199	74,032	16,406	18,119
Net cash/share (VND/share)	(1,188)	(2,755)	(29,788)	(25,722)	(19,897)	(12,917)	5,455	10,143
D/E	0.8	1.0	2.1	1.7	0.7	0.6	0.5	0.5
Dividend yield (%)	0.0%	0.0%	0.7%	0.7%	2.0%	2.2%	8.6%	8.5%
ROAE (%)	6.8%	7.3%	6.9%	9.4%	10.9%	11.5%	15.1%	17.2%
ROAA (%)	3.6%	3.5%	2.0%	3.0%	6.3%	7.1%	9.8%	11.9%

Source: VNDIRECT RESEARCH

Stock picks: POW and PC1 while NT2, QTP, BCG, GEG are in our watchlist

No	Ticker	1-year TP (VND/share)	Rating	Investment thesis
1	STOCK PICK POW	17,800	ADD	We believe that POW – a leading gas-fired power company will benefit from the strong gas-fired power development trend under the clear orientation in the PDP8. POW is currently the investor of one of the key gas-fired power projects, the first LNG-to-power plant in Vietnam – Nhon Trach 3&4 (1,600MW), as well as participating in a joint venture (30%) in another LNG-to-power project LNG Quang Ninh (1,500MW). While Nhon Trach 3&4 is expected to come into operation in 2024-25F, LNG Quang Ninh is planned to deploy in 2025-30F. For 2023-24F, we forecast a NP's CAGR growth of 15% thanks to 1) We see the electricity demand to spike among residential groups will support higher thermal power mobilization amid unfavorable hydrology; 2) The recent downtrend in Brent oil and FO price from high-base 2022 to drive lower power price, supporting the mobilization for high price power sources such as gas-fired power. Besides, the rapid slump in LNG price to boost faster PPA, GSA negotiation process for Nhon Trach 3&4; 3) We see some of the one-off profit to bring out more positive profit results including compensation for Vung Ang 1 unit 1 incident and the divestment of EVN Viet Laos JSC; 4) We see the return of unit 1 Vung Ang 1 (600MW) from 3Q23 will provide more positive results after a long period of repair.
2	STOCK PICK PC1	33,600	ADD	We anticipate that FY23–24F will be a profitable break period for PC1, following a series of new business expansions in multiple industries within the company's ecosystem, including, Nickel mineral mining, Residential property, and Industrial park. We expect a solid EPS growth of 35% CAGR over FY23-24F from the low-base FY22. We see the company major risks of interest rate hike and exchange rate loss will ease from 2H23F, supporting the bottom line. Moreover, we expect PC1 - leading EPC wind power contractor will be benefited soonest from the announcement of the PDP8 as well as the official RE price mechanism in near future. We believe high workload under the PDP8 plan, underpin by the strong intensive for transmission grid update after the serious power shortage in the North and capacity cutdown in the South will help PC1 signing a strong back-log in the future.
3	NT2	33,000	ADD	In FY23F, NT2 will go through a large overhaul schedule, usually around 45 days. We see output lost will result in lower revenue and gross profit of 16% yoy and 23% yoy, respectively, after recover 13% yoy and 28% yoy, respectively in FY24F. We see the main outlook for NT2 is not about growth ability but a healthy financial performance and strong dividend policy. NT2 has paid entirely its long-term debt from 2021, and at the moment, the company record a very strong cash flow and healthy financial situation. We are looking forward a more intense cash dividend payment from NT2 of at least 15%/year.
4	QTP	NA	Not-rated	We see QTP will set a same trend as NT2, including gradual drop in debt and healthy dividend flows. Besides, we expect a strong EPS growth in 2024F when Quang Ninh 2 no longer recorded depreciation cost. We expect thermal power plants in the North such as QTP will record vibrant mobilization in the FY23-24F, thanks to 1) Power shortage in the North will be unable to solve anytime soon in the following years, while additional power sources stay at low growth rate, 2) QTP is benefited from ideal location, near coal mine and records low transportation cost, besides, the plants has ensured a sufficient coal price contract from TKV – the company major shareholder.

Source: VNDIRECT RESEARCH

Stock picks: POW and PC1 while NT2, QTP, BCG, GEG are in watchlist

No	Ticker	1-year TP (VND/share)	Rating	Investment thesis
5	BCG	12,100	ADD	BCG's 1Q23 net revenue dropped sharply by 44% yoy to VND701.3bn due to lower construction revenue recognition from Tracodi, as well as the frozen real estate market. However, we still see promising growth potential for BCG both short and long-term thanks to (1) Lower interest rates reduce interest expense; (2) Large amount of property handover from launched projects. We expect BCG will hand over parts of Hoi An D'Or project and Malibu Hoi An in FY23F, bringing revenue of VND2,495bn (+130% yoy), while project deliveries can record revenue of VND2,012bn (-19% yoy) in FY24F; (3) Renewable energy is the foundation for long-term growth. We forecast that BCG's power revenue will reach VND1,186bn (+11% yoy) in FY23F and VND1,643bn (+38%yoy) in FY24F. BCG has a pipeline of about 670 MW waiting for the new pricing mechanism for RE projects to continue implementation.
6	GEG	NA	Not-rated	GEG is among top RE companies with total capacity of 456MW, including 81MW small hydropower, 245MW solar power and 130MW wind power. Besides, Tan Phu Dong 1 (100MW) officially came online on June with temporary price equal to 50% transitional prices for nearshore wind of VND908/kWh. At the moment, GEG with MOIT is negotiate for the final price and the company expects official price of VND1,815.9/kWh, the upper band of transitional prices. We see the operation of Tan Phu Dong 1 will bring a more sufficient cash flow to fulfill its high debt obligation. In 2024F, GEG plan to add in its portfolio 1 wind power project (VPL2 Ben Tre – 30MW) and Duc Hue 2 solar (49MW), cement its leading position among top RE player in the market. We see GEG could improve its financial position thanks to strong shareholders (TEPCO – Japan, and DEG - Germany) and can raise green bonds which is cheaper than domestic loans.

Source: VNDIRECT RESEARCH

Sector comparison and Investment risks

Company name	Ticker	Price	Target price	Recom.	Mkt Cap	P/E(x)		P/BV(x)		EV/EBITDA (x)		ROE (%)	
	Bloomberg	LC$	LC$		US$m	TTM	FY23F	Current	FY23F	TTM	FY23F	TTM	FY23F
Gas-fired power peer													
PVPower	POW VN Equity	13,650	17,800	ADD	1,356.4	19.1	11.2	0.9	0.9	4.9	2.4	7.3	8.5
GENCO 3	PGV VN Equity	18,600	NA	NR	1,182.2	12.1	12.3	1.6	1.5	6.8	6.3	12.8	14.3
PetroVietnam Nhon Trach 2 JSC	NT2 VN Equity	31,200	33,000	ADD	381.1	9.6	10.4	2.0	2.0	5.1	NA	20.9	19.8
Ba Ria Thermal Power JSC	BTP VN Equity	13,000	NA	NR	40.3	9.8	NA	0.8	NA	9.6	NA	7.7	NA
Average						*12.7*	*11.3*	*1.3*	*1.4*	*6.6*	*4.3*	*12.2*	*14.2*
Median						*10.9*	*11.2*	*1.3*	*1.5*	*5.9*	*4.3*	*10.3*	*14.3*
Coal-fired power peer													
Vinacomin - Power Holding Corp	DTK VN Equity	11,600	NA	NR	336.1	11.5	NA	0.9	NA	4.6	NA	8.3	NA
HAI Phong Thermal Power JSC	HND VN Equity	15,800	NA	NR	335.2	14.4	12.0	1.3	1.2	5.2	NA	8.7	14.6
Quang Ninh Thermal Power JSC	QTP VN Equity	17,000	NA	NR	324.6	10.0	7.9	1.2	1.2	4.1	NA	12.4	16.2
Pha Lai Thermal Power JSC	PPC VN Equity	16,200	NA	NR	220.4	11.4	6.1	1.0	NA	16.6	NA	9.0	15.7
Average						*11.8*	*8.7*	*1.1*	*NA*	*7.6*	*NA*	*9.6*	*15.5*
Median						*11.4*	*7.9*	*1.1*	*1.2*	*4.9*	*NA*	*8.9*	*15.7*
Hydropower peer													
Vinh Son - Song Hinh Hydropower	VSH VN Equity	44,000	NA	NR	441.0	7.8	NA	1.9	NA	5.5	NA	27.0	NA
Hua Na Hydropower JSC	HNA VN Equity	17,600	NA	NR	175.7	7.1	NA	1.2	NA	4.4	NA	19.0	NA
Thac Ba HydroPower JSC	TBC VN Equity	36,300	NA	NR	97.8	7.2	NA	2.2	NA	4.8	NA	32.0	NA
Average						*7.4*	*14.5*	*1.8*	*NA*	*NA*	*NA*	*26.0*	*NA*
Median						*7.2*	*NA*	*1.9*	*NA*	*NA*	*NA*	*27.0*	*NA*
RE power peer													
Gia Lai Electricity JSC	GEG VN Equity	16,200	NA	NR	221.3	16.9	17.8	1.7	NA	11.4	NA	5.7	6.4
Multi-segment peer													
REE Corp	REE VN Equity	64,300	77,000	HOLD	1,115.1	9.6	10.8	1.7	1.4	7.7	7.5	18.6	15.3
Ha Do Group JSC	HDG VN Equity	38,700	40,200	HOLD	401.7	8.2	10.0	1.7	1.6	6.0	NA	22.6	16.0
PC1 Group JSC	PC1 VN Equity	27,350	33,600	ADD	313.8	21.8	9.9	1.4	1.2	9.5	9.9	6.8	13.4
Bamboo Capital Group JSC	BCG VN Equity	9,220	NA	NR	208.7	41.8	NA	0.7	NA	30.3	NA	1.5	NA
Average						*20.3*	*10.2*	*1.4*	*1.4*	*13.4*	*8.7*	*12.4*	*14.9*
Median						*23.0*	*10.0*	*1.3*	*1.4*	*14.8*	*9.3*	*10.8*	*14.8*

Key **downside risks** for the sector include:

- EVN current financial distress does not improve anytime soon, threatening power plants cash flow as well as the development progress of new projects and transmission grids.
- Input prices (oil, gas, coal) lingered at high level and input supply shortage to disrupt mobilization status of thermal power.
- New price mechanism for RE power is issued later-than-expected, postpone a new phase for RE development.

Source: VNDIRECT RESEARCH, BLOOMBERG (Data as at June 26, 2023)

Oil & Gas

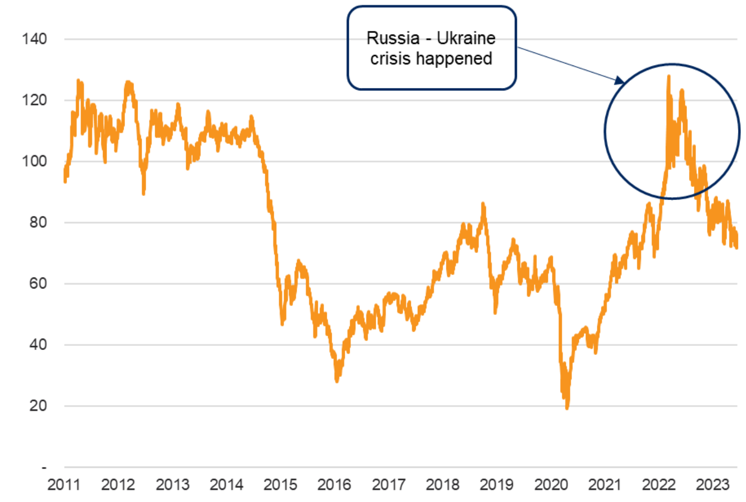
Breaking dawn

VNDIRECT

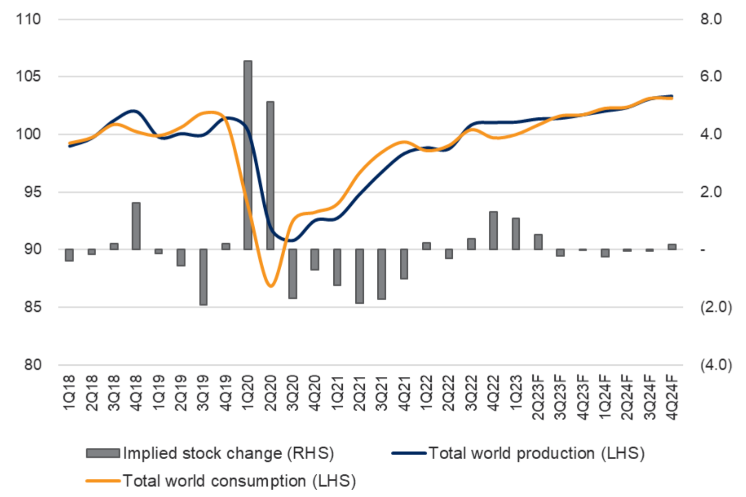
We expect Brent oil price to average around US$80-85 per barrel in FY23-24F

The OPEC+ production cuts extension may support oil prices in late-2023F and 2024F

Brent oil price retreated to the pre-crisis level, but remain above 2015-2021 period (Unit: US$/bbl)



EIA forecasts global oil consumption to likely exceed oil production in 2H23 (Unit: mbd)



Some key events which could drive oil price in coming times, in which OPEC+ intervention could lead to supply tightness

Side	Event	Impact on oil price
Demand	China's demand recovery after reopening	
	FED raising interest rate	
Supply	The revival of Iran nuclear deal / Easing sanctions against Venezuela	
	The increasing shale oil production in US	
	Lingering Russia - Ukraine crisis	
	OPEC+ intervention to address market developments	

NOTE: Positive; Negative

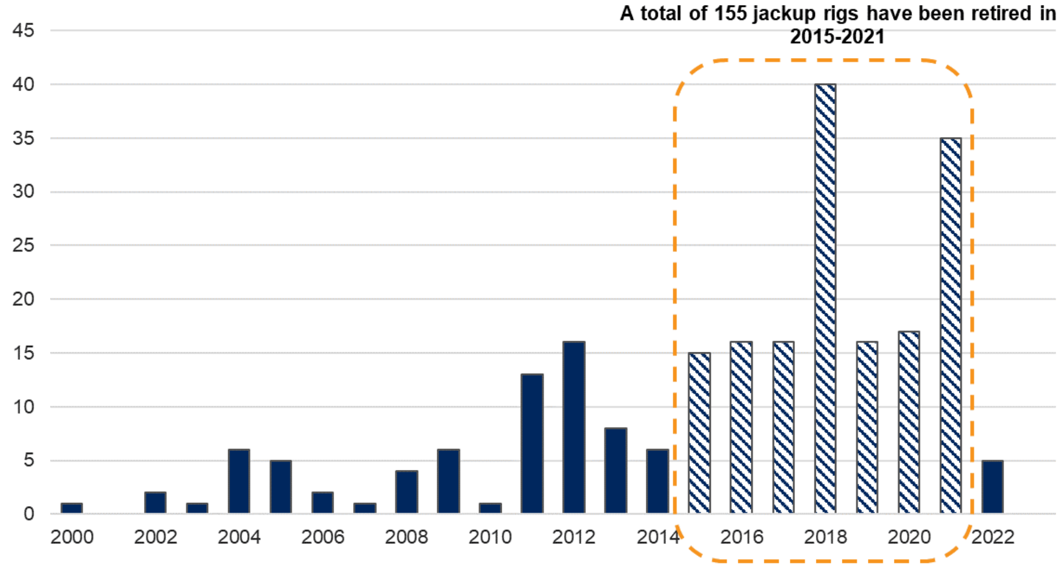
- US Energy Information Administration (EIA) forecasts global oil consumption will rise by 1.6 mbd in 2023 from an average of 99.4 mbd last year, then keeping growing by 1.7 mbd in 2024F. Most of this growth comes from non-OECD countries.
- On the other hand, the OPEC+ announcement on June 4 about extending crude oil production cuts through 2024 may cause the deficit in global oil market, as global oil consumption is projected to keep growing in 2023-24F, putting some upward pressure on crude oil prices.
- Fundamentally, we assume Brent oil price to gradually ramp up in 2H23F due to limited supply, averaging at US$80/85 per barrel in 2023-24F.

Source: VNDIRECT RESEARCH, BLOOMBERG, EIA

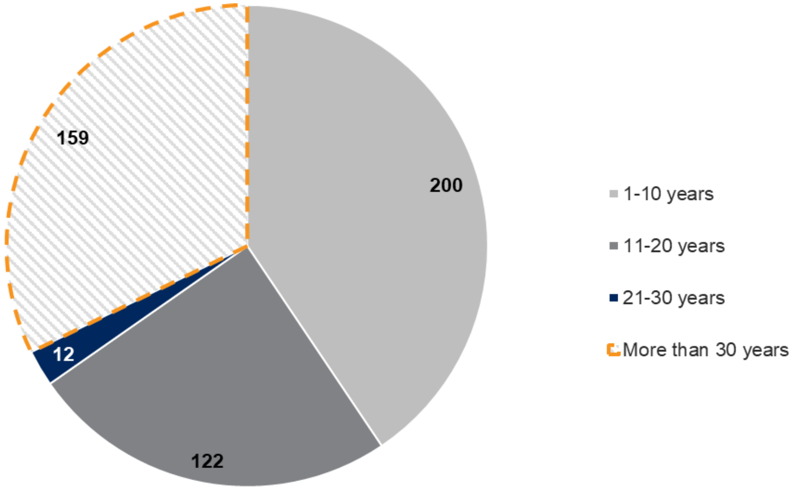
Upstream: Drilling market is picking up globally

Global jackup (JU) rig supply seems to get tighter…

A total of 155 JU rigs have been retired from the global feet in 2015-21 period (Unit: rig)



Currently, there are 159 rigs aging more than 30 years, including 60 rigs as non marketed supply (Unit: rig)



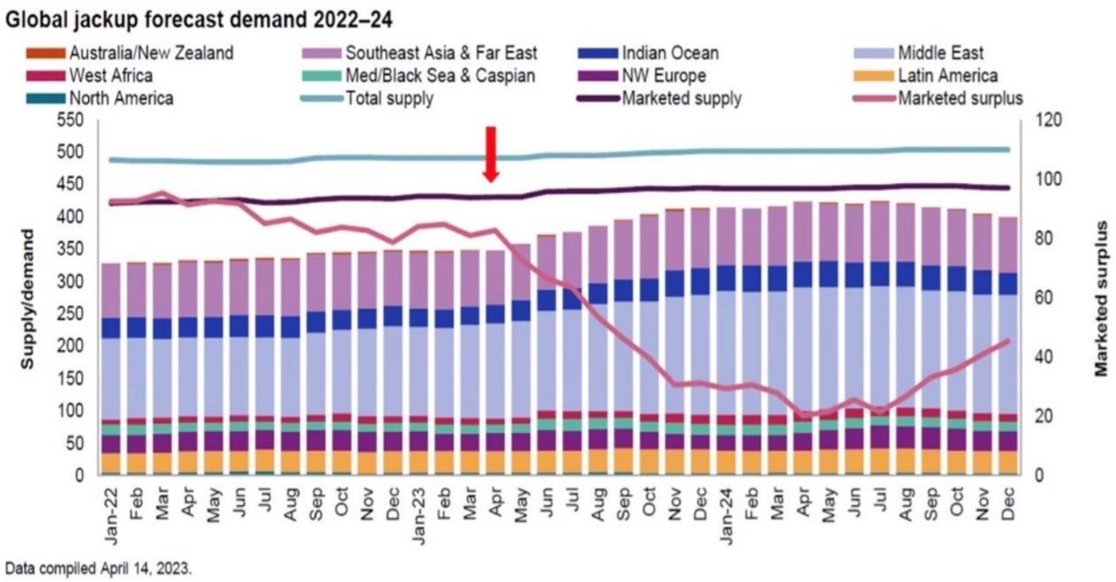
- A total of 155 JU rigs have been retired from the global feet in 2015-21 period, while there are only 20 new JUs left in various shipyards, which could be delivered to the operators over the next few years due to lower orderbook as drilling market was sluggish after the oil price crash in 2014. Furthermore, over 30% of total JU fleet was more than 30 years, which is difficult to meet the current higher requirements of many drilling campaigns nowadays.
- With the extremely slow marketed JU rig supply expansion (c.14 rigs added to marketed JU fleet within next 2 years) amid demand increasing, we expect JU market to get tighter in the couple of years.

Source: VNDIRECT RESEARCH, IHS MARKIT

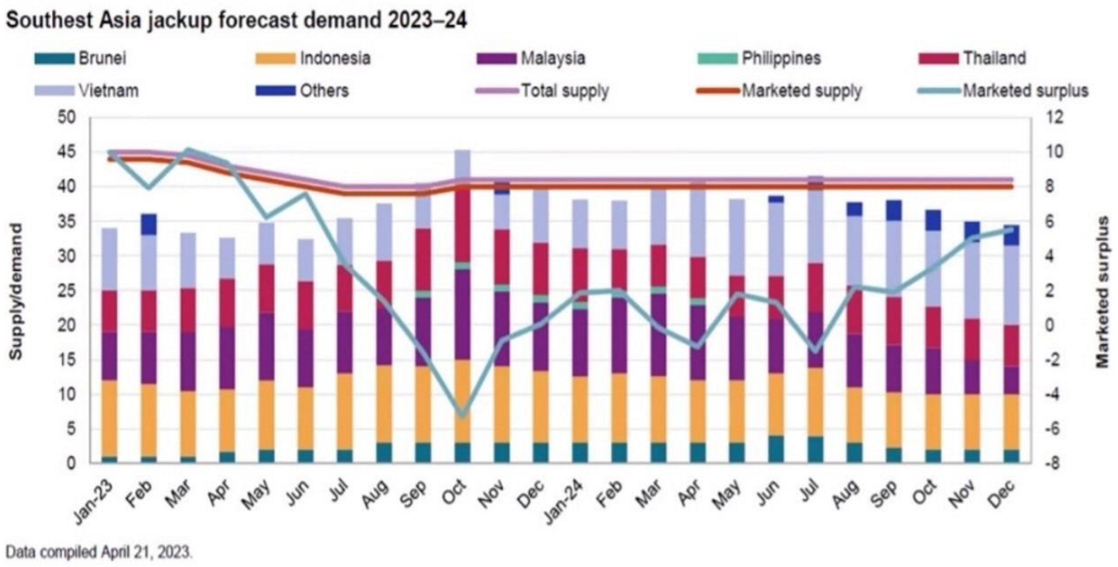
Upstream: Drilling market is picking up globally

…while drilling demand is accelerating globally

Global JU demand will accelerate in the next two years, driven by burgeoning demand from Middle East (ME)



IHS Markit forecasts Southeast Asia (SEA) JU market will remain tight in coming times



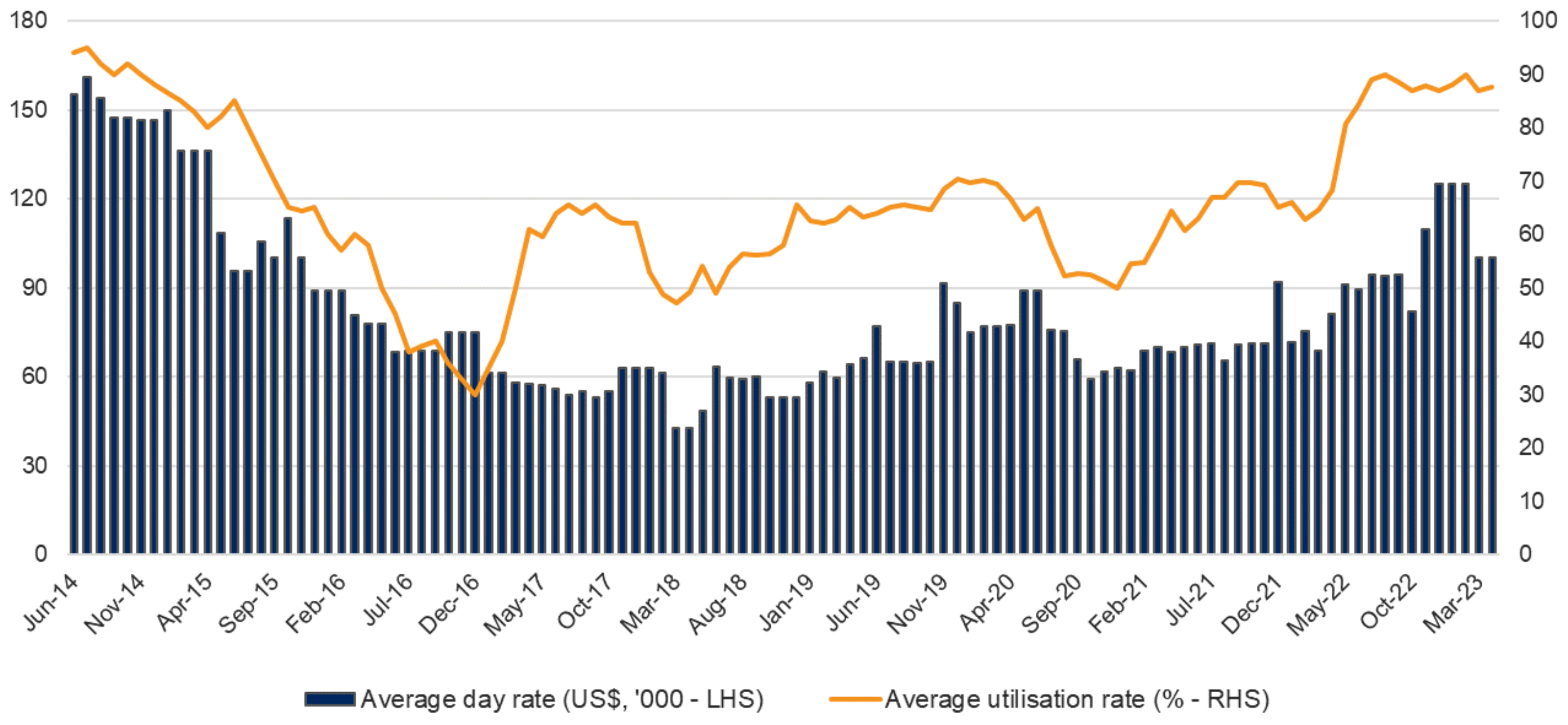
- According to IHS Markit, ME jackup demand is expected to increase from 125 units in 2022 to 158 units (+26.4% yoy) in 2023F and 187 units (+18.4% yoy) in 2024F, becoming the main driver for global drilling market. This has caused a mass movement of jackup rigs into this region during recent times. The main driver from ME will lift global average marketed JU utilisation rate from c.80% in 2022 to 86%/93% in 2023/24F.
- For SEA market, IHS forecasts average JU demand to also pick up from 32.4 units in 2022 to 36.8/38.2 units in 2023/24F with main drivers from Indonesia and Malaysia. In contrast, there are around 28 JU rigs moving out of the Asia Pacific to ME in 2022-23. This may lead the short of JU supply from 3Q23 when SEA countries ramp up E&P campaigns.

Source: IHS MARKIT

Upstream: Drilling market is picking up globally

SEA drilling market accelerate on the combination of improved demand and shrank JU fleet due to JU rigs moving out of SEA to ME

SEA jack up day rate has reached the level not seen since 2015, boding well for drilling service providers

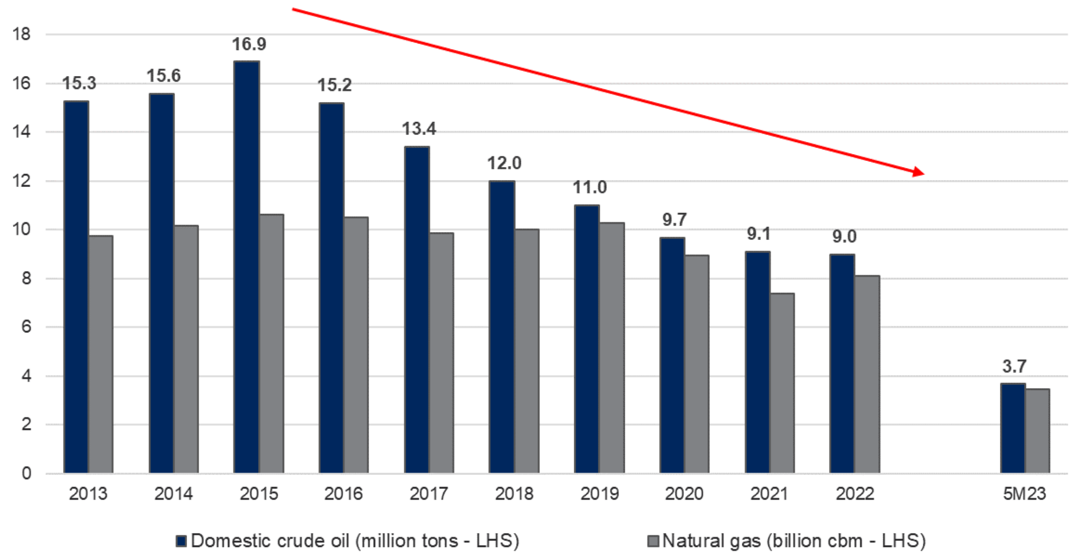


- Following the global drilling market tightness, SEA average JU utilisation has jumped to 90% from 2H22 due to regional JU fleet compress as many rig moved out to ME. This has lifted the benchmark range for the JU 301-400 category to the level not seen since 2015 from late-2022, ranging from US$95,000 to US$134,000. Overall, we think SEA JU day rate to inch up in coming times as demand keeps increasing amidst supply shrinking and newbuilds unlikely in near term.
- Notably, we expect the domestic drilling market to be more vibrant from 2024 onwards with many E&P projects insight (*as we mention more detail below*)
- Riding on this, we believe the drilling service provider like PVD will enjoy a favorable business condition in the next couple of years.

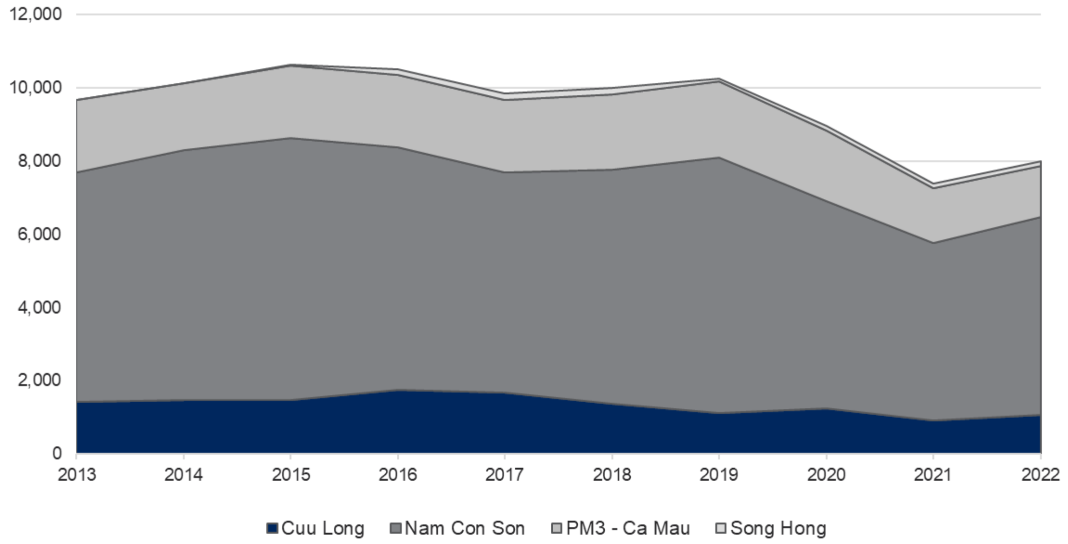
Source: VNDIRECT RESEARCH, IHS MARKIT

Upstream: Domestic E&P activities should be vibrant from 2024F onwards

Domestic oil and gas production has been continuously falling since 2015 due to lack of new major production projects



Gas supply by basin (Unit: '000 cbm). Gas production has dropped over the past 3 years due to production outputs naturally declining and low gas-fired power mobilisation



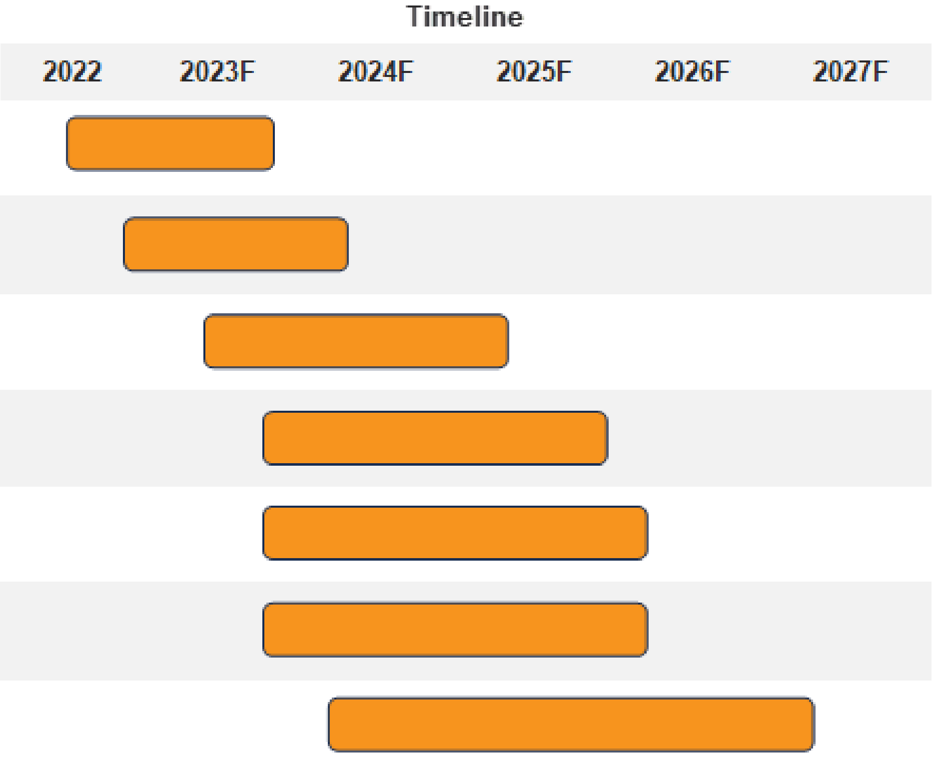
- We see oil and gas production has been continuously falling since 2015 due to lack of major E&P projects as oil price slumped in 2014 and maintained its low base in many years. In our view, the recent energy crisis due to geopolitical tension has highlighted the important of energy supply autonomy, particularly when most of the existing fields in Vietnam have been already in their final stages, with production outputs naturally declining by 15%-25% annually. This may provide motivation for the authority to boost E&P activities.
- Consequently, we believe domestic E&P activities to be more vibrant from 2024 onwards, driven by high oil price environment and the effective of new Petroleum Law (from July 2023).

Source: VNDIRECT RESEARCH, PVN, PVGAS

Upstream: Domestic E&P activities should be vibrant from 2024F onwards

Some domestic O&G projects in sight

Project	Basin	Operator	Capex (US$m)
Bach Ho expansion	Cuu Long	Vietsovpetro	90
Dai Hung Phase 3	Nam Con Son	PVEP POC	112
Kinh Ngu Trang	Cuu Long	Vietsovpetro	650
Lac Da Vang	Cuu Long	Murphy	693
Su Tu Trang 2B	Cuu Long	Cuu Long JOC	1,100
Nam Du - U Minh	PM3 - Ca Mau	Jadestone	N/A
Block B - O Mon	PM3 - Ca Mau	Phu Quoc POC	6,700



- We see many small and medium O&G development projects were given the green light and got significant movements in the past few months, such as Dai Hung Phase 3, Kinh Ngu Trang and Lac Da Vang.
- Thanks to the high oil price environment and existing offshore facilities, we believe these projects will not face any significant headwinds for implementation, potentially providing some buffer for local O&G service providers, firstly for EPC contractors and drilling service providers.

Source: VNDIRECT RESEARCH, COMPANY REPORTS

Upstream: Domestic E&P activities should be vibrant from 2024F onwards

We expect the kickoff of Block B – O Mon to be key driver for O&G value chain from late-2023F

With a project period of 20 years, we believe Block B – O Mon project to be great growth motivation for many listed companies in Vietnam's oil and gas value chain in coming times

	Est. Capex (US$m)	Investors	Workload scope	Activities	Potential beneficiaries	Potential impact
Upstream: Block B field development project	6,700	• PVN (42.9%) • PVEP (26.8%) • MOECO (22.6%) • PTTEP (7.7%)	This project will include one central processing platform, 46 wellhead platforms, one housing platform, one condensate vessel and drilling of 750 production wells	EPCI contract	• PVS • PVX, PXS	●
				FSO	PVS	●
				Drilling / Well services	PVD	◕
				Drilling fluids	PVC	◕
Midstream: Block B - O Mon pipeline	1,300	• PVGAS (51%) • PVN (28.7%) • MOECO & PTTEP (20.3%)	The pipelines have total length of 431km with design capacity of 20.3m cbm per day, including: • The offshore pipeline has the length of approximately 295km, diameter of 28 inches. • The onshore pipeline has the length of 102km, supplying gas to power plants at O Mon Power Center in Can Tho. • There will be landfall station and gas distribution centers (GDC) along the pipelines.	Gas distribution	GAS	◕
				Pipe coating	PVB	◕
				EPCI contract	• PVS, POS • PVX, PXT	●
Downstream: Gas-fired power plants	NA	• Marubeni • PVN	Three new thermal power plants in O Mon power center (O Mon II, III and IV)	EPC contract	-	
				Power generation	-	

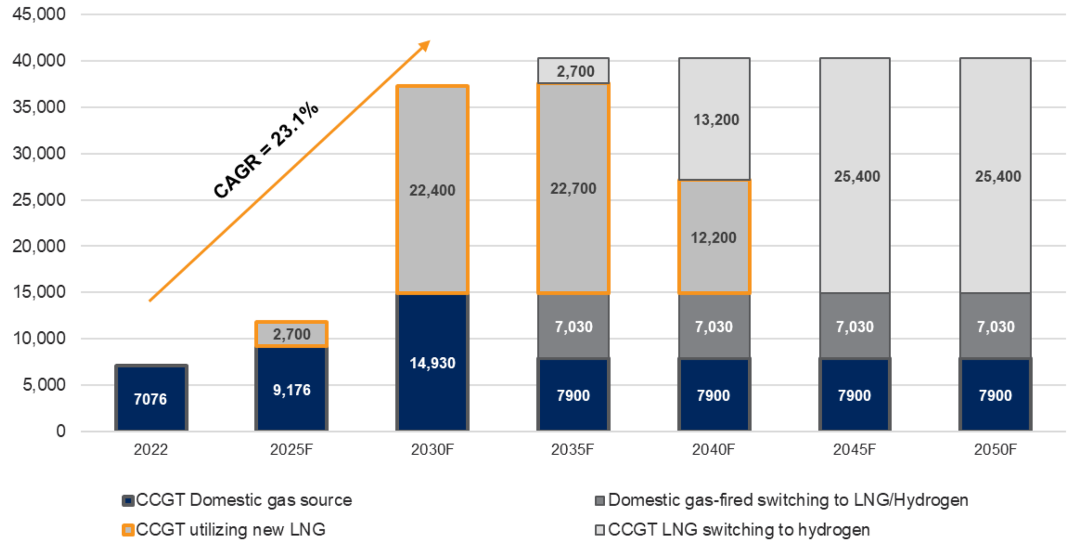
- As EVN is currently facing great difficulties in using ODA capital for O Mon 3 project as well as the ability to mobilise commercial loans for O Mon 4, the investor of these two projects will be transferred from EVN to PVN.
- This is a feasible solution to boost Block B – O Mon chain movement as PVN is currently the investor of upstream and midstream segment and hold a strong financial position. However, it will take times for transfer progress, that may affect the FID target in June 2023.
- As there are still key steps to be completed involving ODA financing for O Mon III power plant and commercial negotiation finalization (GSPA, GSA, and PPA), we think the FID milestone for this project will fall in late-2023F instead of mid-2023F as planned. Fundamentally, Block B – O Mon will be still a key growth engine for Vietnam's O&G industry in coming times.

Source: VNDIRECT RESEARCH, COMPANY REPORTS

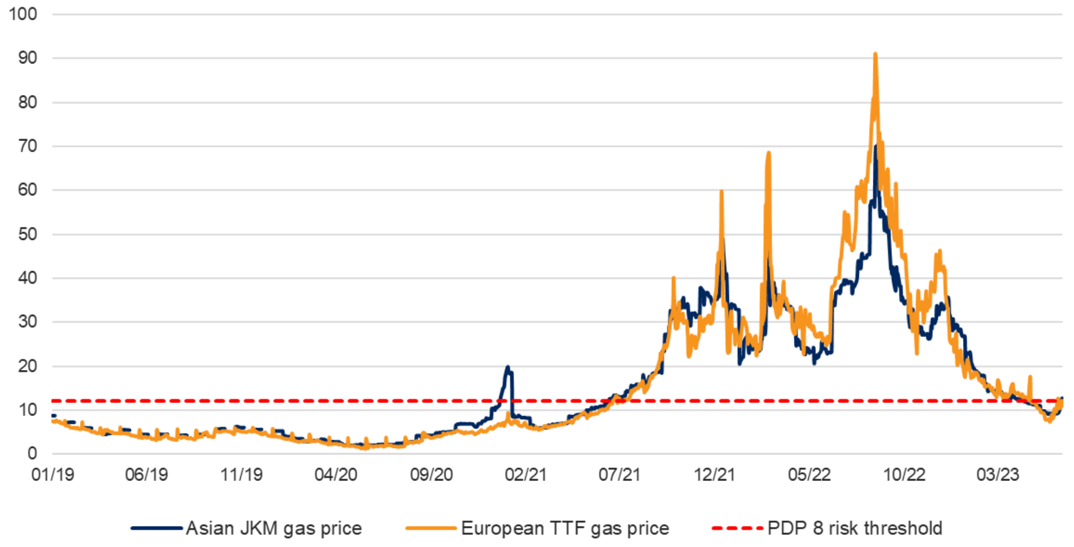
Midstream: PDP 8 highlights the priority in gas-fired power, including both domestic gas sources and LNG

In the progress of transition towards green energy, PDP 8 highlights the priority in gas-generated electricity development using both domestic sources and LNG as the base power source

According to PDP 8, gas-fired power (from both domestic sources and LNG) will be the major spearhead in 2022-30F (Unit: MW)



The benchmark Asian LNG price has retreated to the favorable territory, which could ensure the economic efficiency and boost the progress of LNG projects in Vietnam (Unit: US$/mmbtu)



- In progress of transition towards clean energy, gas-fired power will play a vital role in Vietnam's power as the base power source thanks to its stability in power generation and its fewer emissions compared to burning coal when producing an equal amount of energy.
- According to Power Development Plan 8, gas-fired power (from both domestic sources and LNG) will take a spotlight in 2022-30F with a capacity CAGR of 23.1%, accounting for 25% of total capacity in 2030F. This may be the motivation to boost long-stalled, multibillion-dollar gas field projects like Block B and Blue Whale in coming years. Besides, for LNG, the recent global LNG prices slump could facilitate the LNG development in Vietnam as the benchmark LNG price in Asia has retreated to the favorable territory.

Source: VNDIRECT RESEARCH, BLOOMBERG, PDP 8

Midstream: PDP 8 highlights the priority in gas-fired power, including both domestic gas sources and LNG

LNG-fired power plants cited from PDP 8. Amongst them, we see NT3&4 to feasibly become the first LNG-fired power plant in Vietnam

No.	Project	Location	Capacity (MW)	Timeline	Investor
1	LNG Quang Ninh	Quang Ninh	1500	2021-30F	PVPower - Colavi - Tokyo Gas - Marubeni
2	LNG Thai Binh	Thai Binh	1500	2021-30F	Truong Thanh VN - Tokyo Gas - Kyuden
3	LNG Nghi Son	Thanh Hoa	1500	2021-30F	Milennium
4	LNG Quang Trach II	Quang Binh	1500	2021-30F	EVN
5	LNG Quynh Lap	Nghe An	1500	2021-30F	-
6	LNG Hai Lang I	Quang Tri	1500	2021-30F	T&T Group - Hanwha - Kospo - Kogas
7	LNG Ca Na	Ninh Thuan	1500	2021-30F	-
8	Son My I (BOT)	Binh Thuan	2250	2021-30F	EDF - Sojitz - Kyushu - Pacific Group
9	Son My II	Binh Thuan	2250	2021-30F	AES Group
10	LNG Long Son	Ba Ria - Vung Tau	1500	2021-35F	PGV - TTC - TV2 - Mitsubishi - GE - GTPP
11	**Nhon Trach 3&4**	**Dong Nai**	**1624**	**2021-30F**	**PVPower**
12	LNG Hiep Phuoc I	HCMC	1200	2021-30F	Hai Linh Company Ltd
13	LNG Long An I	Long An	1500	2021-30F	VinaCapital - GE
14	LNG Long An II	Long An	1500	2031-35F	VinaCapital - GE
15	LNG Bac Lieu	Bac Lieu	3200	2021-30F	Delta Offshore Energy

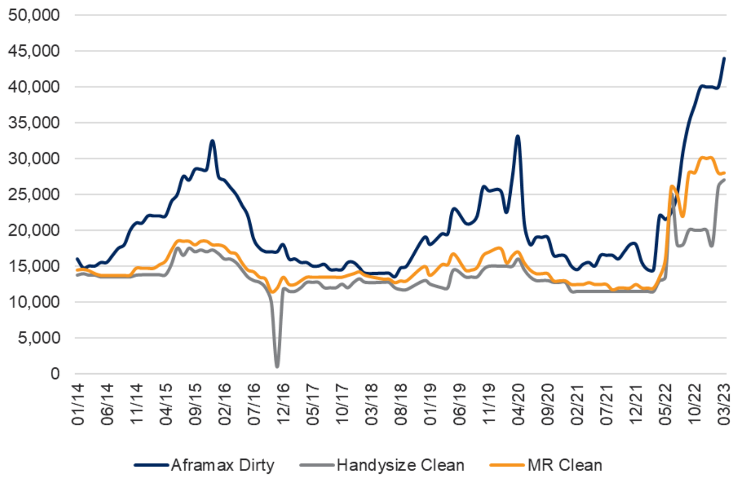
- Currently, GAS has completed the construction of LNG Thi Vai terminal and expect to provide Vietnam's first LNG in July, becoming the first LNG-related project coming online in Vietnam.
- Riding on PDP 8 priority, GAS will be the key beneficiary as an energy infrastructure developer with many major projects (like LNG terminals and Block B – O Mon pipeline) as well as LNG provider.

Source: VNDIRECT RESEARCH, PDP 8

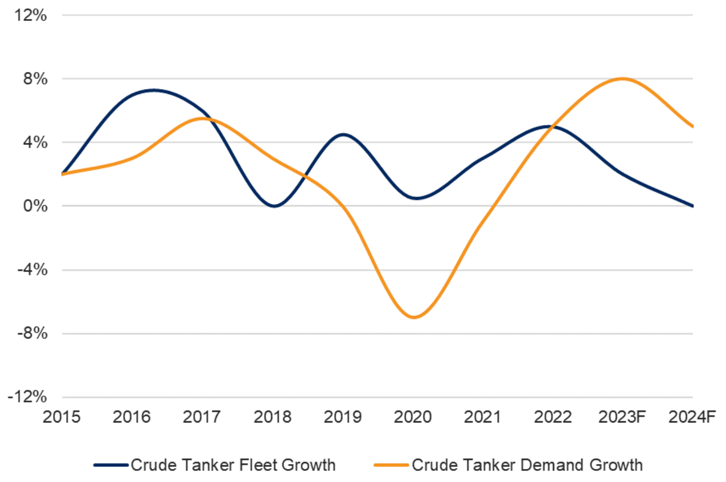
Midstream: O&G transporters will still enjoy high charter rate base in coming times

The irreversible shifts in global energy trade flow will keep tanker charter rates stay in the high base

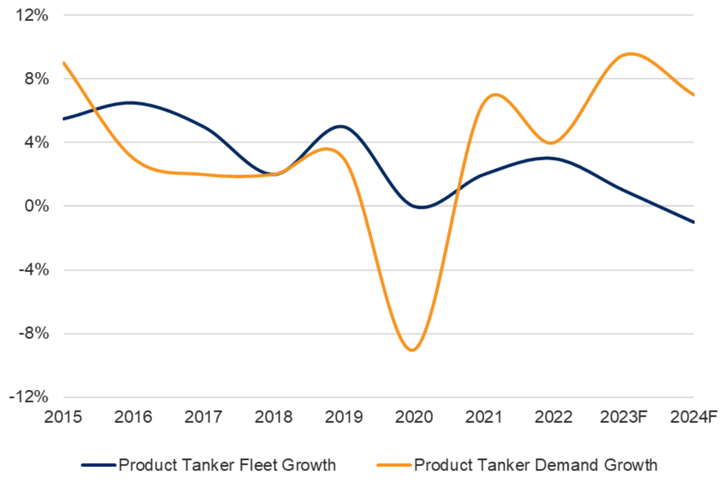
Time charter rates have picked up due to the recalibration of global energy trade flow (Unit: US$)



Supply-Demand balance of crude oil shipping market



Supply-Demand balance of refined product oil shipping market



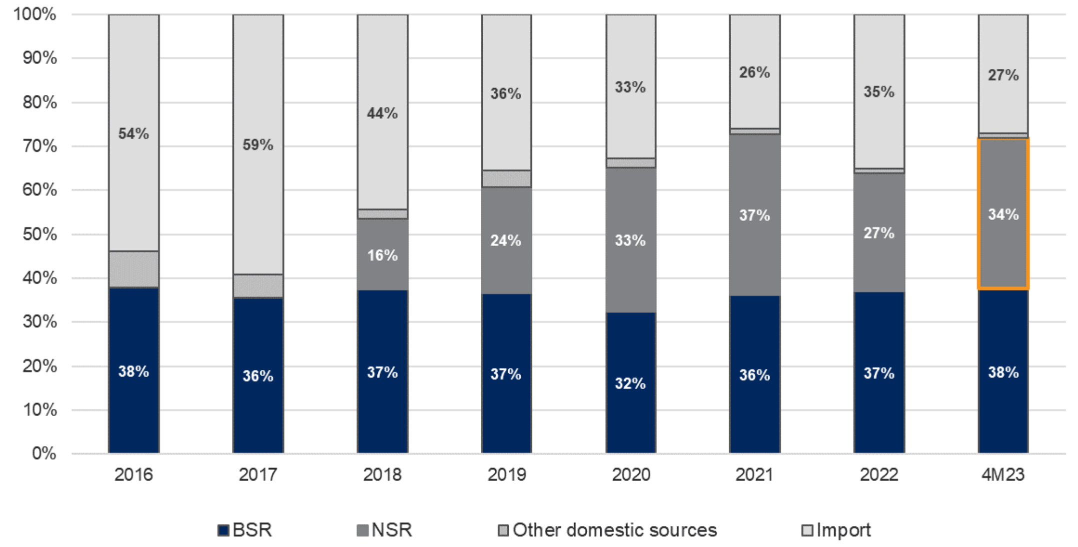
- For both dirty and clean shipping market, we see market condition remain firm with the outlook this year appearing positive thanks to: (1) shifts in trade flow towards longer-haul voyages following the EU ban on imports from Russia and improved Chinese demand after reopening, and (2) limited tanker fleet growth due to small orderbook in recent years.
- As tanker charter rates are expected to remain high, we believe the transportation company with high exposure to international market like PVT will be a key beneficiary.

Source: VNDIRECT RESEARCH, BLOOMBERG, CLARKSONS

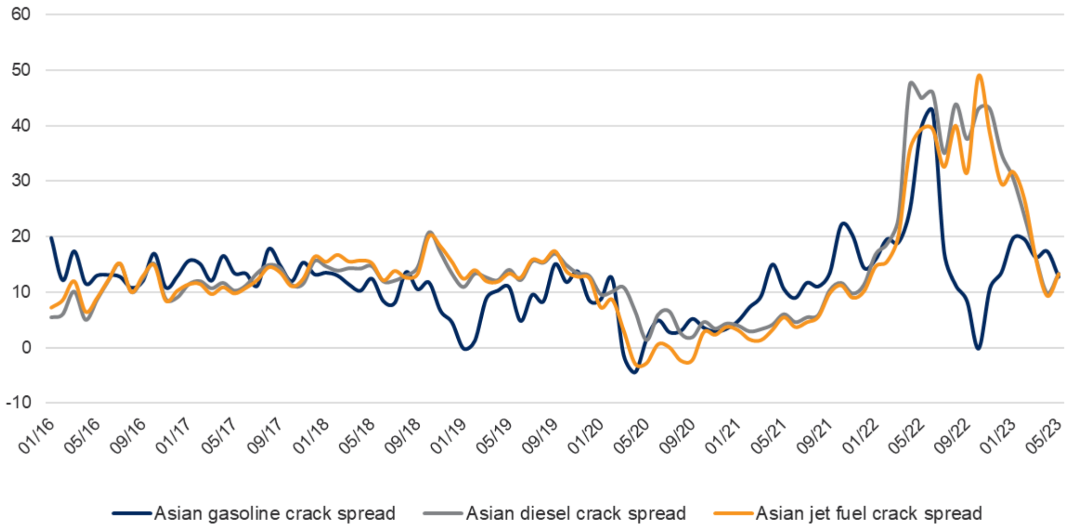
Downstream: A reversed picture for refineries and distributors in 2023

In contrast to 2022, petroleum distribution sector is expected to outperform this year as domestic market has re-stabilized

Proportion of Vietnam's petroleum supply: Nghi Son refinery full operation brought Vietnam's petroleum market to the normal situation from late-2022



Asian refined product crack spreads tumbled to the pre-crisis level (Unit: US$/bbl)

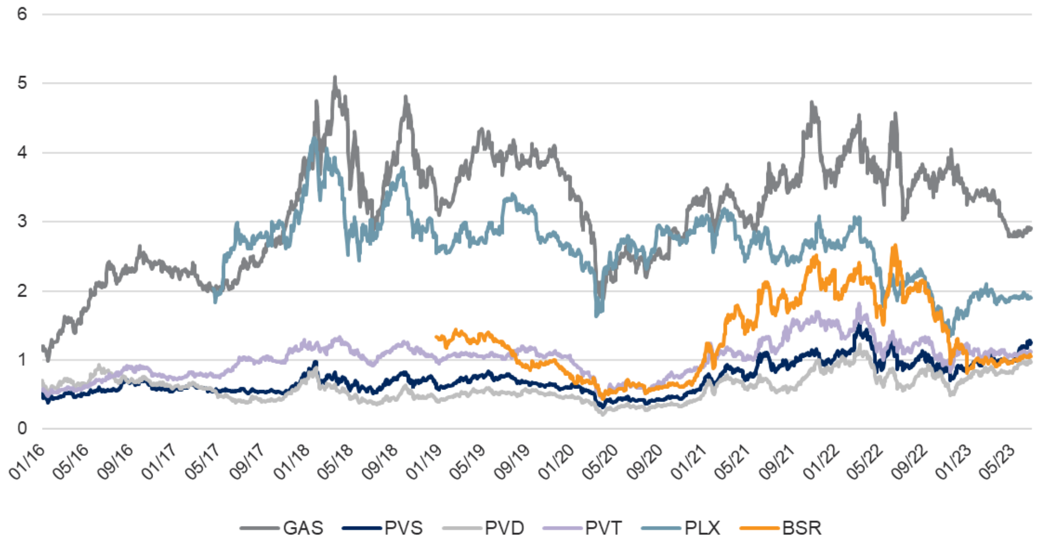


- For distributor sector, we see bright outlook for this sector on the back of: (1) domestic market to be re-stable in 2023 thanks to Nghi Son refinery fully operating, and (2) the authority's on-time and adequate petroleum trading surcharges adjustments, limiting unexpected petroleum trading costs like that incurred in 2022.
- In contrast, refineries will face the decrease in earnings this year due to refining margin easing to pre-crisis level as economic slowdown intensified, especially in Europe amidst ample supply, coming from: (1) the return of China refined product exports, (2) the successful re-routing of Russia's distillate exports to the Middle East, Africa and South America, and (3) new refinery capacities in the Middle East.

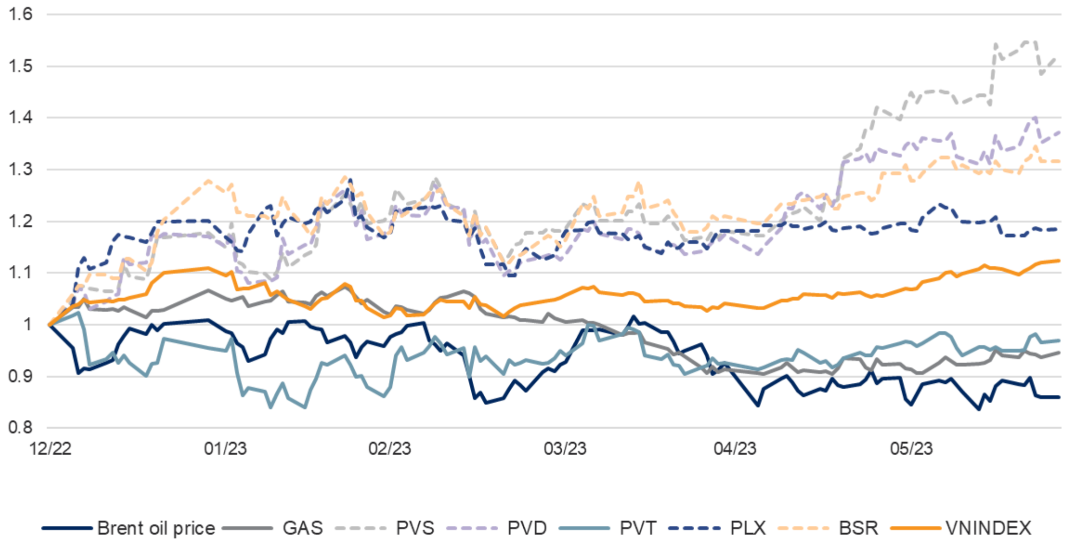
Source: VNDIRECT RESEARCH, BLOOMBERG, VIETNAM CUSTOMS

Valuation: Undemanding valuation

Historical P/B of O&G stocks since 2016



O&G stock prices movements. O&G stock prices have diverged since the beginning of 2023 due to the different prospects amidst oil price retreated



- From the beginning of 2023, O&G stock prices have diverged amid oil price retreated, in which we see the outperformance of upstream players (PVS, PVD) and distributors (PLX) thanks to: (1) sharper outlook of upstream segment thanks to E&P activities recovery, and (2) Vietnam's petroleum distribution sector recovery.
- We believe the sharp prospect of E&P activities in Vietnam from 2024F onwards to be a strong upside catalyst for upstream service companies as it will provide huge potential backlog, ensuring these companies' workload as well as improving these companies' business performance in many years ahead.

Source: BLOOMBERG, VNDIRECT RESEARCH

FY23-24F forecasted financial summary of stocks under our coverage

	GAS			BSR			PLX			PVS			PVT			PVD		
	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F
Revenue (VNDbn)	100,724	95,757	98,350	167,124	136,040	111,963	304,064	277,703	271,305	16,373	19,942	24,822	9,047	9,390	9,866	5,432	5,814	6,625
% growth	*27.5%*	*-4.9%*	*2.7%*	*65.3%*	*-18.6%*	*-17.7%*	*79.9%*	*-8.7%*	*-2.3%*	*14.8%*	*21.8%*	*24.5%*	*21.3%*	*3.8%*	*5.1%*	*35.9%*	*7.0%*	*14.0%*
Gross margin (%)	*21.2%*	*19.2%*	*19.1%*	*9.6%*	*6.8%*	*6.6%*	*4.1%*	*5.1%*	*5.6%*	*5.6%*	*5.7%*	*5.9%*	*18.3%*	*17.8%*	*17.6%*	*10.6%*	*19.4%*	*25.3%*
EBITDA margin (%)	*20.7%*	*19.6%*	*19.9%*	*10.1%*	*7.5%*	*7.6%*	*1.0%*	*2.0%*	*2.6%*	*2.9%*	*4.2%*	*4.8%*	*26.9%*	*25.8%*	*26.2%*	*15.6%*	*26.9%*	*31.4%*
Net profit (VNDbn)	14,798	12,773	13,169	14,726	7,901	6,411	1,450	3,783	4,195	884	1,059	1,318	857	870	957	(103)	471	992
% growth	*70.6%*	*-13.7%*	*3.1%*	*119.3%*	*-46.3%*	*-18.9%*	*-48.9%*	*161.0%*	*10.9%*	*31.0%*	*19.8%*	*24.5%*	*29.9%*	*0.9%*	*10.1%*	*N/A*	*N/A*	*110.3%*
EPS (VND/share)	7,732	6,674	6,880	4,750	2,548	2,068	1,120	2,924	3,242	1,849	2,216	2,758	2,649	2,686	2,957	(185)	846	1,780
BVPS (VND/share)	31,274	33,139	35,971	16,531	17,693	18,568	18,930	20,766	21,952	25,564	27,072	29,032	18,546	19,958	21,818	24,896	25,571	26,441
Net cash/share (VND/share)	14,730	18,477	21,551	5,183	7,441	8,073	1,781	2,785	3,314	18,162	18,552	19,345	2,501	5,128	8,214	(2,394)	(894)	1,023
D/E	0.10	0.10	0.09	0.17	0.14	0.15	0.52	0.49	0.49	0.11	0.10	0.10	0.46	0.44	0.41	0.27	0.25	0.23
Dividend yield (%)	*3.1%*	*3.8%*	*4.2%*	*1.7%*	*4.0%*	*4.0%*	*3.2%*	*1.9%*	*5.3%*	*2.5%*	*2.1%*	*3.1%*	*0.0%*	*1.4%*	*4.7%*	*0.0%*	*1.2%*	*2.0%*
ROAE (%)	*26.7%*	*20.7%*	*19.9%*	*33.2%*	*14.9%*	*11.4%*	*5.8%*	*14.7%*	*15.2%*	*7.3%*	*8.4%*	*9.8%*	*15.5%*	*14.0%*	*14.2%*	*-0.8%*	*3.4%*	*6.8%*
ROAA (%)	*18.3%*	*15.1%*	*14.7%*	*20.3%*	*10.2%*	*8.3%*	*2.1%*	*5.1%*	*5.7%*	*3.5%*	*4.0%*	*4.8%*	*6.4%*	*5.9%*	*6.2%*	*-0.5%*	*2.3%*	*4.7%*

Source: VNDIRECT RESARCH

Stock picks: We prefer PVD, PVS and GAS

No	Ticker	1-year TP (VND/share)	Rating	Investment thesis
1	PVD STOCK PICK	29,300	ADD	We prefer PVD for its sharp and solid prospect in coming years on the back of: 1) global drilling market to remain robust in the next couple of years triggered by the production activities ramps up amidst tight JU rigs supply, keeping JU day rate stay in high base and boding well for drilling service providers like PVD. (2) the expectation in vibrant domestic drilling market from 2024F onwards to provider many job opportunities for PVD in coming years. Consequently, we expect PVD's average JU utilisation rate to stay high at 96%/95%/92% in FY23-25F. Overall, we forecast PVD's earnings to strongly rebound from FY23F with a NP of VND470.7bn, then surging 110.8%/21.3% yoy in FY24-25F
2	PVS STOCK PICK	38,100	ADD	We like PVS for both short and long term with net profit CAGR of 18.4% in FY23-25F, regarding to: (1) its leading position in Vietnam's offshore facilities contractors to gain benefits from PDP 8 which highlights the priority in developing major domestic gas fields projects (like Block B – O Mon) and offshore windfarm in both short and long term. Currently, PVS has participated in many offshore windfarm contracts in M&C segment in the international market, such as: Hai Long and Changhua windfarm in Taiwan or Baltica windfarm in Poland. Besides, we also believe PVS will be a key beneficiary from the expectedly vibrant Vietnam's E&P activities from 2024F onwards. (2) strong financial position with a net cash balance of over VND8,800bn (equivalent to VND18,400 per share) and net gearing ratio of -67% at end 1Q23 to ride on the high interest rates environment.
3	GAS STOCK PICK	119,900	ADD	Though earnings are expected to ease in 2023F from 2022 record level (-13.7% yoy), we believe GAS is still a good investment selection for long-term horizon based on: (1) its major position in the LNG-to-power transition in long-term with many infrastructure energy projects in sight (LNG terminals: Thi Vai, Son My). (2) strong potential growth from Block B – O Mon project. (3) its strong financial position with a net cash balance of VND30,800bn and net gearing ratio of -47.7% at end-1Q23, which could help GAS earn benefits from high interest rate environment.

Source: VNDIRECT RESEARCH

Sector comparison and Investment risks

Company	Ticker	Price	Target Price	Recom.	Mkt Cap	P/E (x)		P/B (x)		3-yr EPS	ROE (%)		ROA (%)	
		LC$	LC$		US$ m	FY23F	FY24F	FY23F	FY24F	CAGR (%)	FY23F	FY24F	FY23F	FY24F
Gas distribution companies														
PV GAS	**GAS VN**	**96,000**	**119,900**	**ADD**	**7,810**	**14.4**	**14.0**	**2.9**	**2.7**	**-4.0%**	**20.7%**	**19.9%**	**18.3%**	**15.1%**
Indraprastha Gas	IGL IN	480.5	NA	NR	4,109	18.1	16.1	3.5	3.0		21.6%	20.6%	14.0%	13.7%
Toho Gas Ltd	9533 JP	2,535	NA	NR	1,864	13.7	14.1	0.6	0.6		5.1%	4.1%	3.0%	2.4%
Petronas Gas Bhd	PTG MK	16.9	NA	NR	7,151	18.0	17.7	2.5	2.4		13.9%	13.8%	10.6%	10.7%
China Gas Holdings	384 HK	8.9	NA	NR	6,158	7.8	6.7	0.7	0.7		9.5%	10.4%	3.9%	4.3%
Average						*14.4*	*13.7*	*2.0*	*1.9*		*14.2%*	*13.8%*	*9.9%*	*9.2%*
Median						*14.4*	*14.1*	*2.5*	*2.4*		*13.9%*	*13.8%*	*10.6%*	*10.7%*
Oil services companies														
PTSC	**PVS VN**	**32,600**	**38,100**	**ADD**	**662**	**14.7**	**11.8**	**1.2**	**1.1**	**18.4%**	**8.4%**	**9.8%**	**4.0%**	**4.7%**
Malaysia Marine Eng	MMHE MK	0.52	NA	NR	178	14.1	14.1	0.5	0.5		3.5%	3.2%	2.0%	1.7%
Yinson Holdings	YNS MK	2.53	NA	NR	1,579	10.5	9.6	1.3	1.2		14.2%	13.9%	6.0%	5.7%
Seatrium Ltd	STM SP	0.13	NA	NR	6,301	N/A	25.0	1.0	1.0		-1.8%	2.7%	-0.9%	1.1%
Hyundai Engineering	000720 KS	40,800	NA	NR	3,474	9.0	8.2	0.6	0.5		6.4%	6.6%	2.7%	2.9%
Average						*12.1*	*13.7*	*0.9*	*0.9*		*6.2%*	*7.2%*	*2.8%*	*3.2%*
Median						*12.3*	*11.8*	*1.0*	*1.0*		*6.4%*	*6.6%*	*2.7%*	*2.9%*
Offshore drilling companies														
PV Drilling	**PVD VN**	**24,500**	**29,300**	**ADD**	**579**	**29.0**	**13.7**	**1.0**	**0.9**	**N/A**	**3.4%**	**6.8%**	**2.3%**	**4.7%**
Borr Drilling Ltd	BORR NO	70.6	NA	NR	1,664	6.0	4.7	1.5	1.2		10.0%	22.2%	23.5%	42.7%
Velesto Energy Bhd	VEB MK	0.22	NA	NR	378	14.7	12.9	0.8	0.8		4.1%	4.8%	3.3%	3.8%
Valaris Ltd	VAL US	56.6	NA	NR	4,252	8.2	3.9	3.0	2.1		6.5%	33.0%	1.1%	9.0%
Transocean	RIG US	6.0	NA	NR	4,591	14.3	10.1	0.4	0.4		-5.1%	2.4%	-2.0%	0.6%
Average						*14.4*	*9.1*	*1.3*	*1.1*		*3.8%*	*13.9%*	*5.6%*	*12.2%*
Median						*14.3*	*10.1*	*1.0*	*0.9*		*4.1%*	*6.8%*	*2.3%*	*4.7%*
Transportation companies														
PVTrans	**PVT VN**	**21,350**	**26,300**	**ADD**	**294**	**7.9**	**7.2**	**1.1**	**1.0**	**5.8%**	**14.0%**	**14.2%**	**5.9%**	**6.2%**
Vietnam Tanker JSC	VTO VN	8,910	NA	NR	30	N/A	N/A	N/A	N/A		N/A	N/A	N/A	N/A
Great Eastern Shipping	GESCO IN	716	NA	NR	1,248	6.4	8.2	0.9	0.8		14.7%	10.3%	N/A	N/A
Thoresen Thai Agencies PCL	TTA TB	6.6	NA	NR	341	5.7	8.6	0.5	0.4		8.0%	4.9%	6.7%	6.6%
MISC Bhd	MISC MK	7.2	NA	NR	6,825	14.1	13.9	0.8	0.8		5.9%	5.6%	3.8%	3.6%
Average						*8.5*	*9.5*	*0.8*	*0.8*		*10.6%*	*8.7%*	*5.5%*	*5.5%*
Median						*7.2*	*8.4*	*0.9*	*0.8*		*11.0%*	*7.9%*	*5.9%*	*6.2%*
Oil refinery companies														
Binh Son Refining	**BSR VN**	**17,500**	**22,600**	**ADD**	**2,306**	**6.9**	**8.5**	**1.0**	**0.9**	**-20.9%**	**14.9%**	**11.4%**	**10.2%**	**8.3%**
IRPC	IRPC TB	2.3	NA	NR	1,323	16.4	10.2	0.6	0.5		3.6%	6.1%	1.7%	2.8%
Star Petroleum Refining	SPRC TB	8.3	NA	NR	1,016	6.6	6.2	0.9	0.8		13.4%	13.0%	7.8%	8.7%
PTT Global Chemical	PTTGC TB	37.0	NA	NR	4,704	14.8	8.6	0.6	0.5		3.8%	6.1%	1.8%	2.8%
Hindustan Petroleum	HPCL IN	270	NA	NR	4,670	5.7	5.1	1.2	1.0		18.4%	20.3%	4.2%	5.5%
Average						*10.1*	*7.7*	*0.8*	*0.8*		*10.8%*	*11.4%*	*5.1%*	*5.6%*
Median						*6.9*	*8.5*	*0.9*	*0.8*		*13.4%*	*11.4%*	*4.2%*	*5.5%*
Petroleum distribution companies														
Petrolimex	**PLX VN**	**37,550**	**45,600**	**ADD**	**2,028**	**12.8**	**11.6**	**1.8**	**1.7**	**47.2%**	**14.7%**	**15.2%**	**5.1%**	**5.7%**
PVOil	OIL VN	10,400	NA	NR	457	15.5	15.5	1.0	1.0		6.5%	6.7%	6.5%	NA
PTT Oil & Retail	OR TB	20.6	NA	NR	7,018	19.7	17.9	2.2	2.1		11.4%	11.5%	5.3%	5.9%
Petronas Dagangan Bhd	PETD MK	21.8	NA	NR	4,623	23.4	22.4	3.7	3.7		16.4%	16.8%	9.1%	9.4%
Thai Oil PCL	TOP TB	43.8	NA	NR	2,774	7.2	7.2	0.6	0.6		8.5%	8.1%	3.3%	3.4%
Average						*15.7*	*14.9*	*1.9*	*1.8*		*11.5%*	*11.6%*	*5.9%*	*6.1%*
Median						*15.5*	*15.5*	*1.8*	*1.7*		*11.4%*	*11.5%*	*5.3%*	*5.8%*

Source: BLOOMBERG, VNDIRECT RESEARCH (DATA AS AT 26 JUN)

Key **downside risks** for the sector include:

- Lower-than-expected oil price as the deep decline in oil prices could weaken the industry’s fundamental as well as market sentiment on O&G share prices.
- Further delay in implementing E&P projects, particularly some major projects like Block B – O Mon, as it should negatively affect potential workload for upstream services companies and domestic oil & gas supply in long-term.

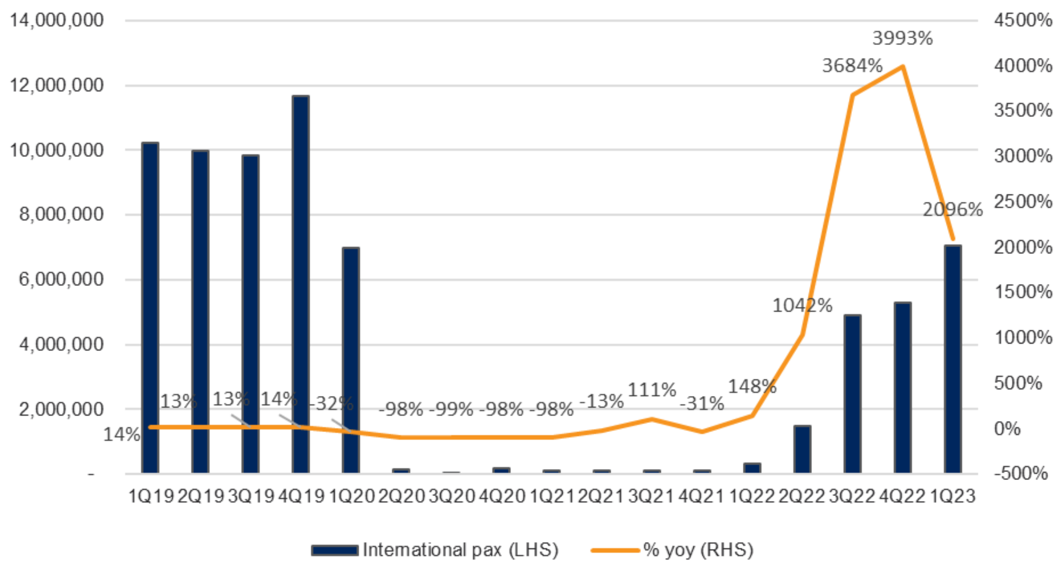
Aviation

Welcome arrivals

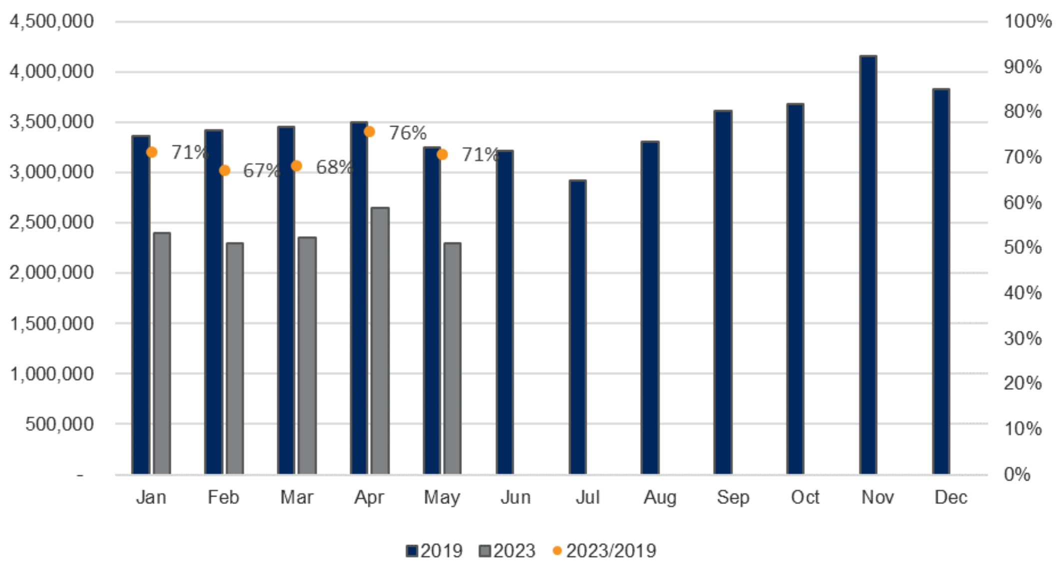
VNDIRECT

International pax recovers strongly

International pax throughput witnessed impressive results (Unit: pax)



International pax by month (pax)



- International pax has surged nearly 21 times yoy in 1Q23. In 5M23, international pax has increased 680% yoy to 12m pax, recovered to 71% of pre-Covid level.
- Although witnessing impressive recovery, the contribution of Chinese passengers is still modest. The number of Chinese passenger in May-23 has just recovered to 34% of pre-Covid level as China had just only resumed visa policy with Vietnam from Mar-23.

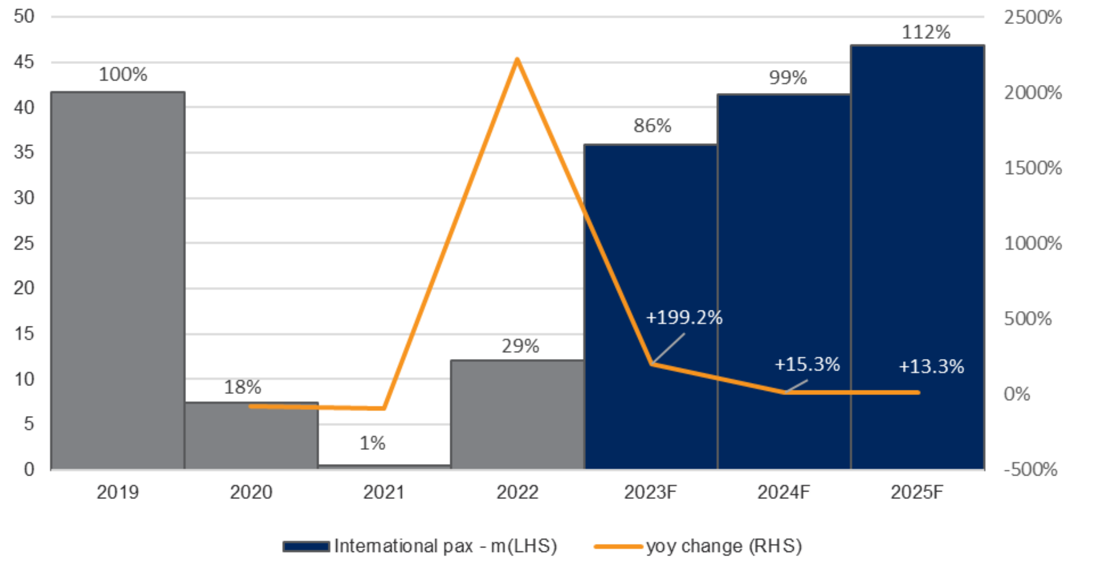
Source: VNDIRECT RESEARCH, CAAV

International market to be the growth engine

Recovery rate of international pax volume estimates, in our base case scenario

Country	2019 weight	1Q22	2Q22	3Q22	4Q22	1Q23F	2Q23F	3Q23F	4Q23F
China	34.5%	4%	5%	15%	20%	20%	30%	60%	90%
Korea	25.5%	5%	20%	40%	70%	90%	100%	100%	105%
SEA	12.5%	5%	50%	80%	90%	100%	100%	105%	110%
Europe	8.1%	5%	20%	40%	60%	90%	100%	100%	105%
Japan	5.6%	6%	20%	40%	60%	80%	100%	100%	105%
Taiwan	5.5%	4%	10%	20%	40%	60%	80%	100%	100%
U.S	4.5%	5%	20%	40%	60%	80%	100%	100%	105%
Russia	3.8%	5%	10%	20%	50%	80%	90%	100%	100%
India	0.0%	5%	20%	40%	60%	80%	100%	100%	100%
Total	**100.0%**	**5%**	**19%**	**37%**	**54%**	**68%**	**79%**	**92%**	**105%**
			28.5%				**86.1%**		

Vietnam medium-term international pax forecasts

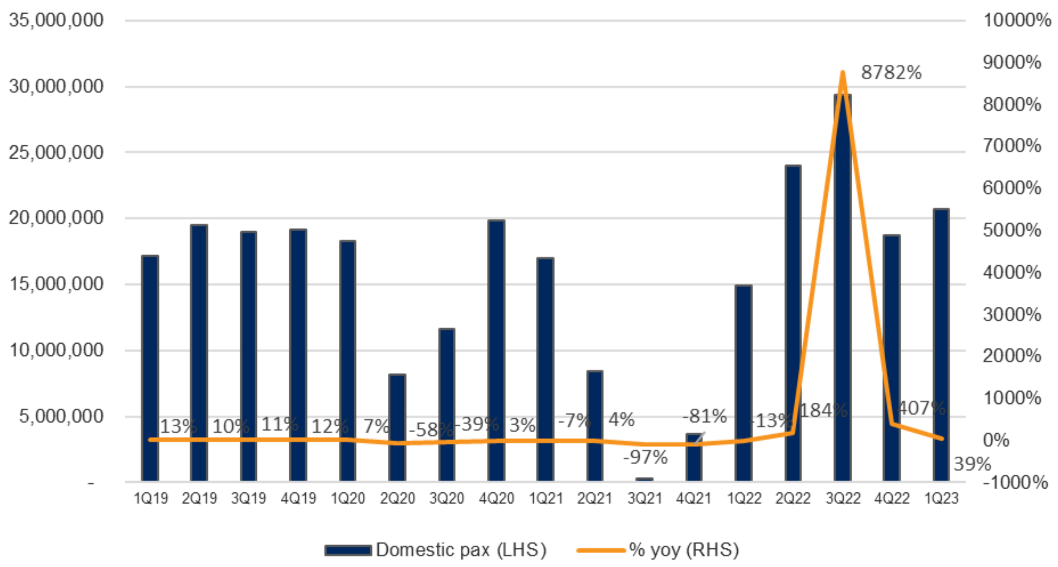


- We expect China to be the main driver of international pax recovery in 2023F. The number of China's passenger to Vietnam may recover sharply from 3Q22F and recover to 90% of pre-pandemic level by the end of FY23F.
- Along with air traffic to other countries will fully recover by the end of FY23F, we expect Vietnam's international pax to surge 199% yoy to 35.9m pax in FY23F (86% of pre-pandemic level), and may continue to increase by 15.3% yoy to 41.4m pax in FY24F (99% of pre-pandemic level).

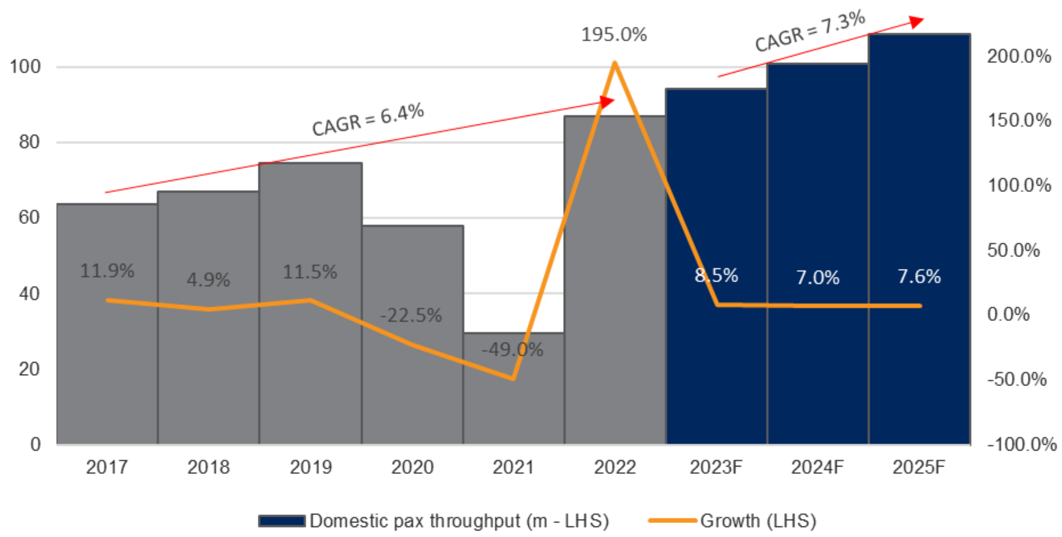
Source: VNDIRECT RESEARCH, CAAV

While domestic air traffic growth is slowing down

Domestic pax throughput growth is slowing down



Vietnam medium-term domestic pax forecasts

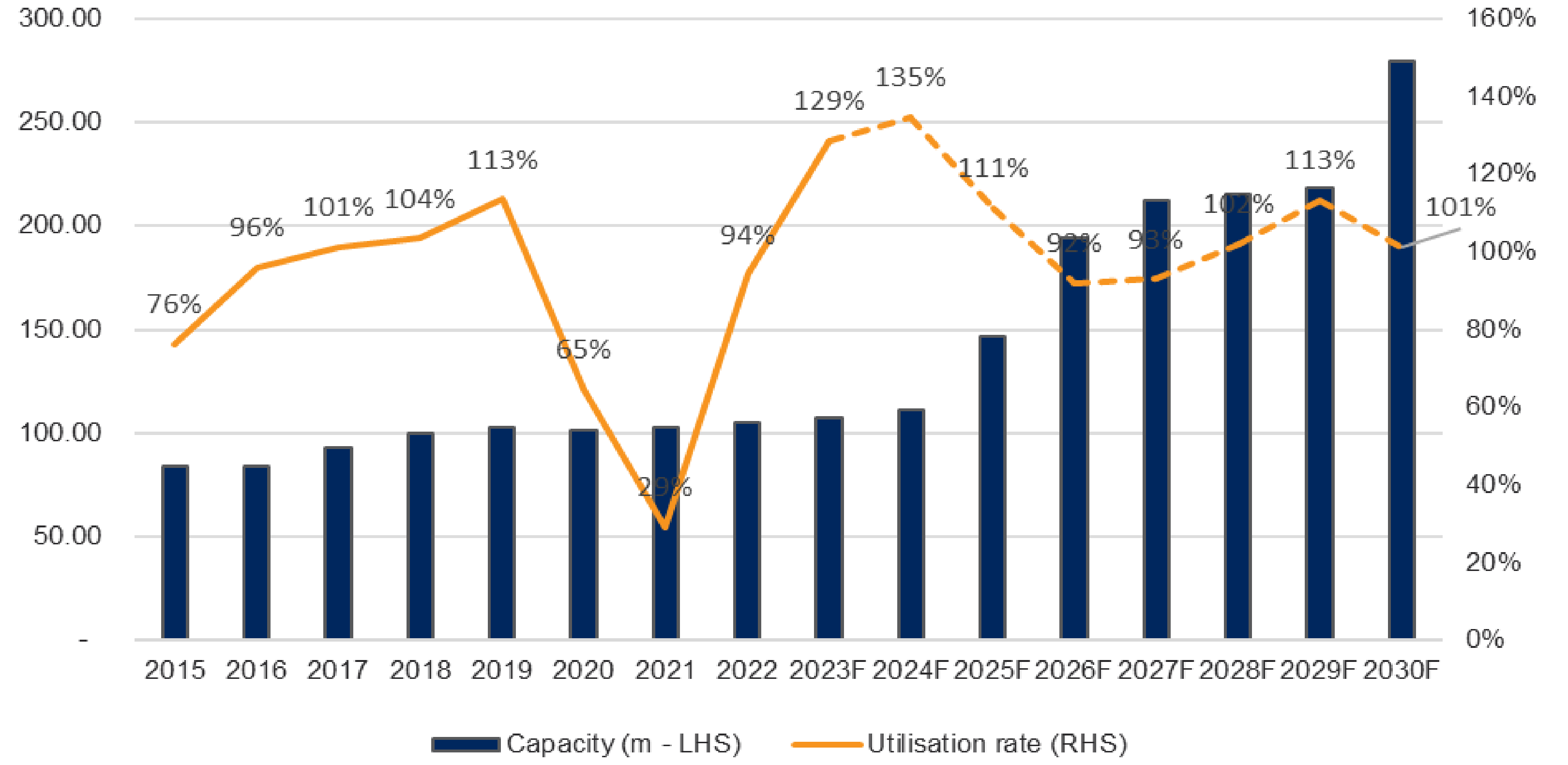


- In 1Q23, domestic pax has increased 39% yoy due to low base in 1Q22. However, in 5M23, domestic pax growth has decelerated to 5.7% yoy due to (1) high base in 2Q22, and (2) people have more options for international travel now.
- In 2017-2022, domestic pax grew at a CAGR of 6.4%, affected by many unexpected factors. Under normal conditions, we expect domestic pax may grow at CAGR of 7.3% in 2023-25F.

Source: VNDIRECT RESEARCH, ACV

Aviation infrastructure constraint may become more serious in 2023-24F before easing from 2025F

Utilisation rate forecast of Vietnam airports until 2030F

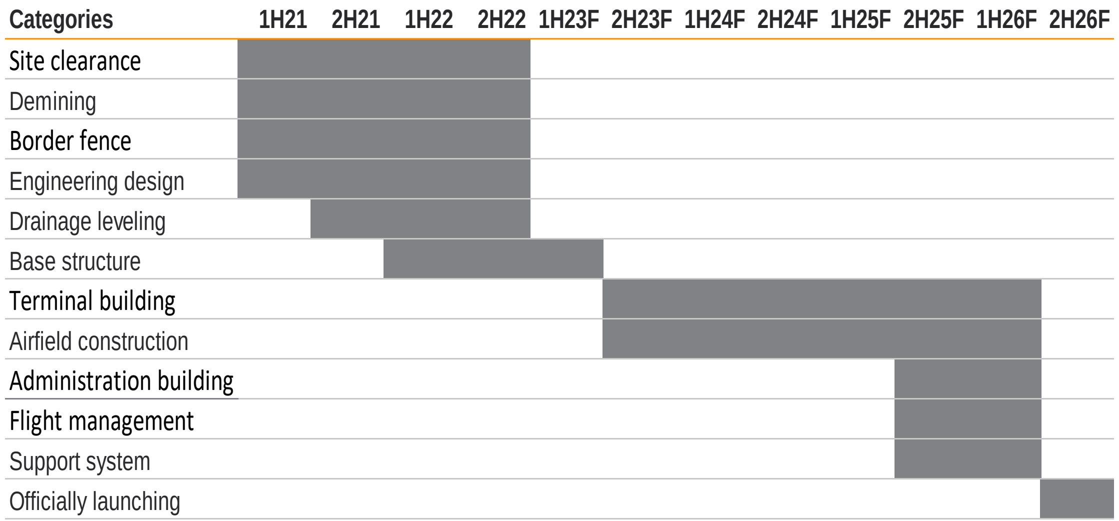


- Capacity shortage is an urgent problem that makes the aviation infrastructure cannot keep pace with the demand growth in near-term and Vietnam’s aviation infrastructure may become heavily overloaded.
- We estimate Vietnam aviation airports may operate at 129%/135% designed capacity in 2023-24F before offloading from 2025F when many key aviation infrastructure projects launch such as T3 terminal in Tan Son Nhat international airport (TIA) and T2 expansion in Noi Bai International airport (NIA). Notably, T3 project has started construction by the end of Dec-22 and may launch in 4Q24F.

Source: VNDIRECT RESEARCH, ACV

Aviation infrastructure construction to be accelerated

Long Thanh International airport project may behind schedule



Main aviation infrastructure projects in the coming years

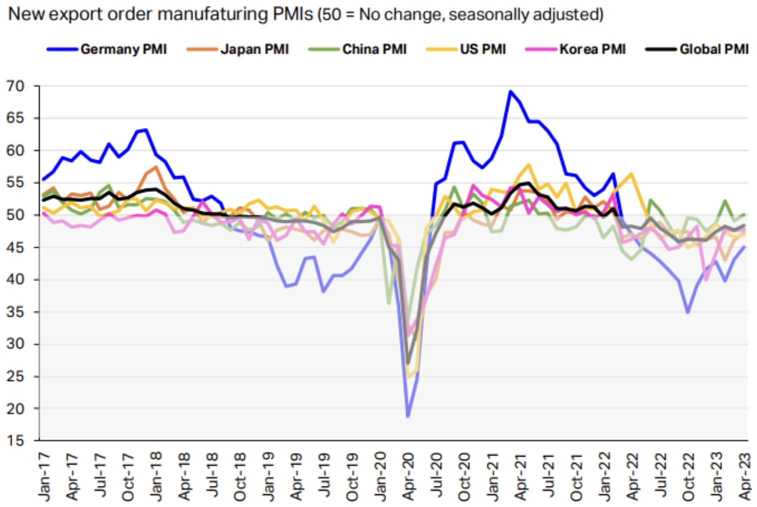
Project	CAPEX (VNDbn)	Pre-construction capacity (m pax)	Additional capacity (m pax)	Investor	Construction plan							
					2023F	2024F	2025F	2026F	2027F	2028F	2029F	20230F
LTIA phase 1	109000	0.0	25.0	ACV								
LTIA phase 2	76600	25.0	25.0	ACV								
T3 in TIA	10990	30.0	20.0	ACV								
T2 expansion in NIA	4983	25.0	5.0	ACV								
T2 in Cat Bi - Hai Phong	2405	2.0	5.0	ACV								
Phan Thiet domestic airport	13833	0.0	2.0	BOT								
Sapa domestic airport	3651	0.0	1.5	BOT								
Quang Tri domestic airport	2913	0.0	1.0	T&T								
Na San domestic airport	2500	0.0	1.0	BOT								
Lai Chau domestic airport	4350	0.0	0.5	BOT								
Dien Bien airport expansion	1467	0.3	0.5	ACV								

- Regarding to site clearance, currently only 0.33% of the area for phase 1 has not been handed over. Demining and border fence have been finished.
- The bid package for the construction of the station was officially opened for the second time on 12 June 2023. We believe this important package will find a contractor and officially start construction within Aug-23 (after 2 months of bidding), ensuring the official launching of the whole project by end 2026F.
- Many other important airport projects will also be started and launched by the end of 2025F such as T2 in Hai Phong, Phan Thiet, Sapa…

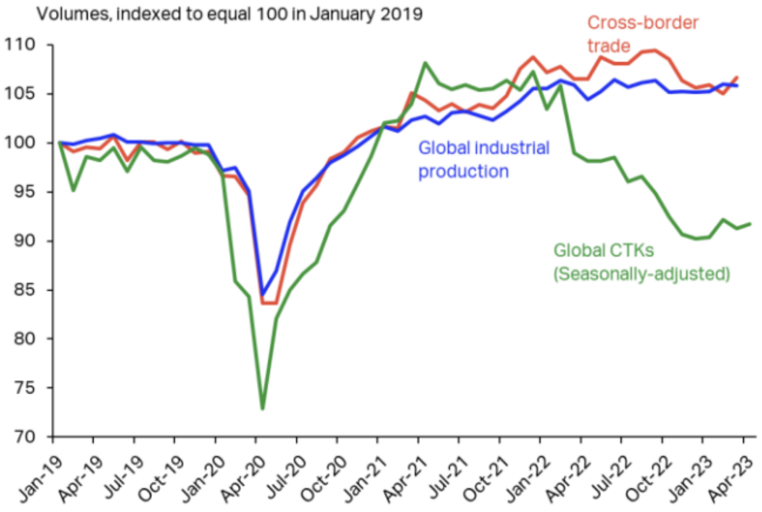
Source: VNDIRECT RESEARCH, CAAV

Air cargo terminals: recovering at a slow pace

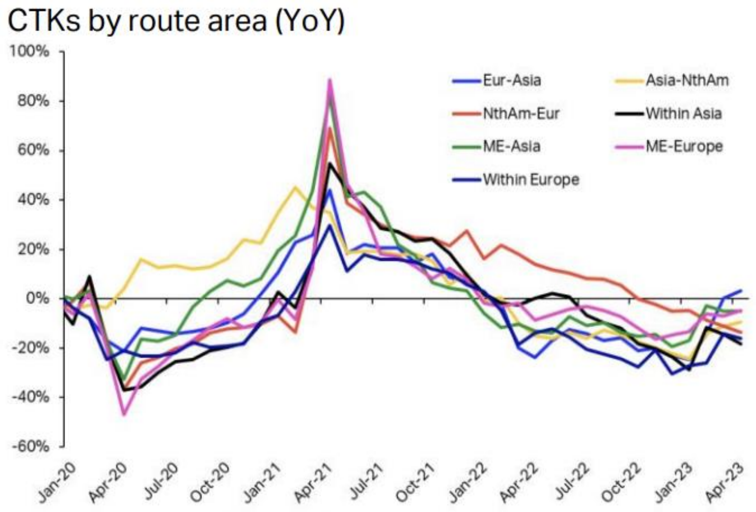
New export orders seems to be bottomed out in US and EU



Divergence trend between global CTKs (cargo tonne-kilometers) and global trade & industrial production



Mixed performance across regions

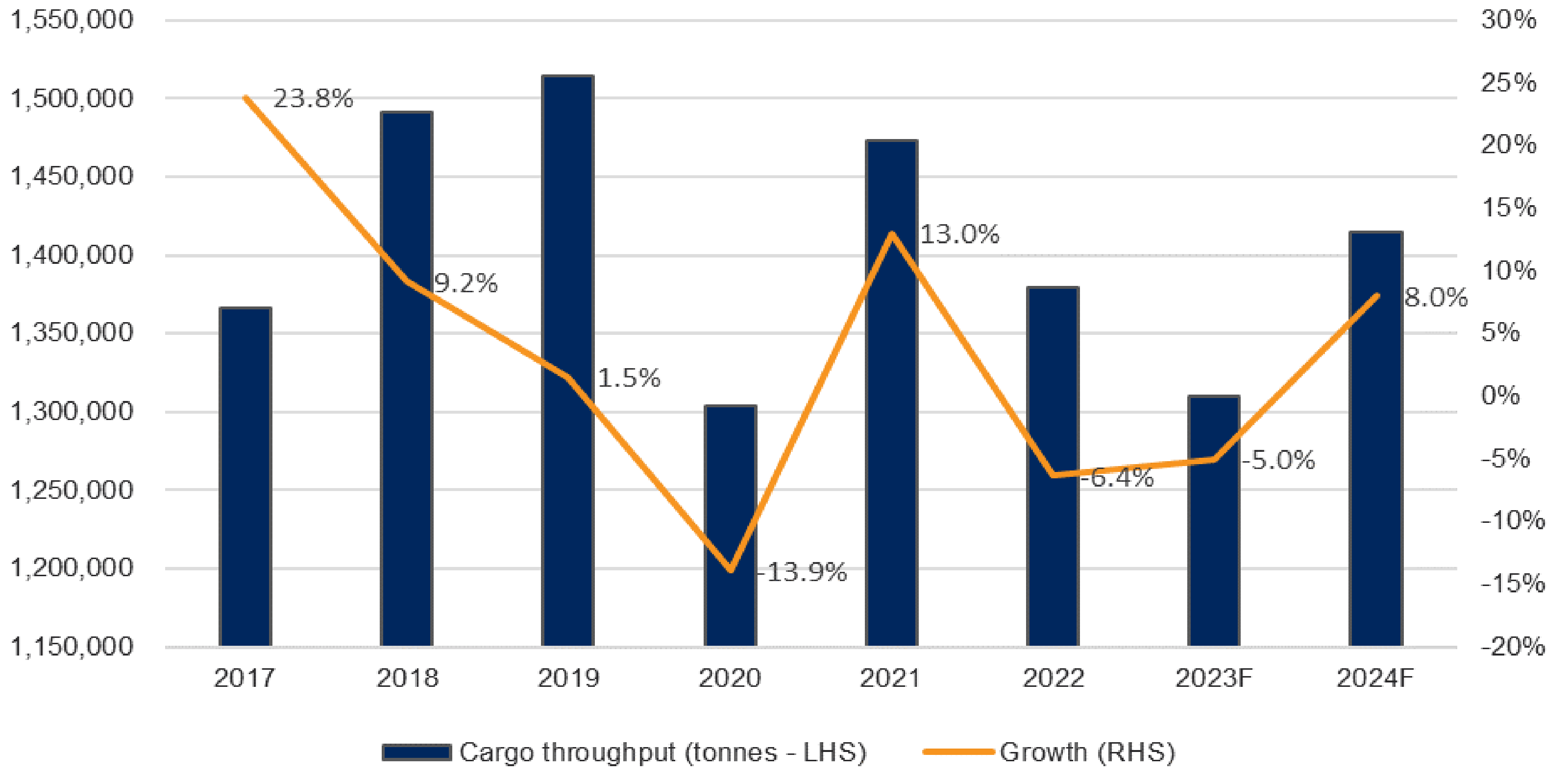


- There was an improvement observed in the PMI for new export orders at the global level, although it remained below the critical threshold. US and EU witnessed constant improvements in their PMIs, suggesting a slowdown in the rate of contraction in these economies.
- The divergent trend in global CTKs can be attributed to the slower decline in air cargo yields compared to the decrease in maritime cargo yields over the same period. In March 2023, air cargo yields remained 45% higher than yields in 2019, while container yields had declined to be within 8% of their 2019 levels.
- As a results, air cargo market between Asia and US & EU seems to be bottomed out but still recovers at a slow pace.

Source: IATA

Vietnam air cargo throughput may bottom out in 3Q23F

Vietnam air cargo throughput in 2023-24F



- In 4M23, Vietnam's air cargo volume throughput decreased by 24.3% yoy, mainly due to the decrease of 32.1% yoy by international air cargo.
- We expect air cargo volume to start recovering from 4Q23F thanks to (1) serving the restock demand for year-end purchases in US & EU, (2) electronics and mobile manufacturing recovers for a new product cycle, and (3) low base 4Q22.

Source: VNDIRECT RESEARCH, CAAV

Stock picks: ACV and AST; SCS in the watchlist

No	Ticker	1-year TP (VND/share)	Rating	Investment thesis
1	ACV (STOCK PICK)	117,900	ADD	(1) ACV is waiting for IPO finalization report approvement to be able to list on HSX. The report has been submitted to Super Committee. (2) Potential share dividend plan: the government has approved for ACV to retain its profit before 2021 for re-investment. We expect a potential share dividend plan of 44%. (3) Plan to merge airfield assets is expected to completed by 2025F. (4) We forecast ACV's NP to grow 27.0%/6.8% in FY23-24F
2	AST (STOCK PICK)	85,700	ADD	(1) During difficult times, AST has taken the chance to expand its retail chain, thereby its total number of retail stores has increased from 92 in the pre-pandemic period (2019) to 120 in 2022 (+30.4%). Combining with the same store sales recovery on Vietnam aviation recovery, especially the international air traffic, AST's FY23F net profit is likely to surpass its peak set in FY19. (2) Based on the recovery of the air traffic and AST's retail chain expansion, we expect AST's net profit to grow 732.6%/10.7% yoy in FY23-24F.
3	SCS	102,600	ADD	(1) SCS is the only terminal in TIA which has ability to expand its capacity further by 75%. (2) SCS's business results may recover from 4Q23F following the recover of Vietnam air cargo market. We forecast SCS's NP to decrease by 5.8% yoy in FY23F before recovering by 10.6% yoy in FY24F. (3) SCS is providing ACV with insights on the air cargo terminal layout based on SCS's experiences and we believe SCS has many advantages in bidding for the air cargo terminal in LTIA.

Source: VNDIRECT RESEARCH

FY23-24F forecasted financial summary of stocks under our coverage

	ACV			AST			VJC			SCS		
	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F
Revenue (VNDbn)	13,834	20,844	23,632	604	1,554	1,848	39,342	50,385	88,341	851	822	977
% growth	191.1%	*50.7%*	*13.4%*	*291.8%*	*157.4%*	*18.9%*	*211.80%*	*28.07%*	*75.33%*	*1.4%*	*-3.4%*	*18.8%*
Gross margin (%)	47.4%	*57.2%*	*57.4%*	*52.9%*	*51.8%*	*51.4%*	*-5.50%*	*4.60%*	*7.40%*	*82.0%*	*83.7%*	*85.3%*
EBITDA margin (%)	81.3%	*77.7%*	*75.9%*	*11.2%*	*17.8%*	*18.8%*	*-8.4%*	*2.7%*	*5.5%*	*87.0%*	*92.1%*	*91.6%*
Net profit (VNDbn)	6,236	7,923	8,465	23	193	213	(2,172.0)	1,317.0	3533	646	609	673
% growth	1199.9%	*27.0%*	*6.8%*	*N/A*	*732.6%*	*10.7%*	*-3133.5%*	*N/A*	*168.3%*	*14.6%*	*-5.8%*	*10.6%*
EPS (VND/share)	2,864	3,639	3,888	514	4,283	4,740	(4,148)	2,515	6,745	6,883	6,483	7,170
BVPS (VND/share)	20,099	23,655	27,349	8,769	13,070	20,846	27,932	34,046	40,432	15,271	16,894	18,664
Net cash/share (VND/share)	10,010	7,546	(5,200)	3,950	6,336	13,729	(30,121)	(27,129)	(31,668)	9,017	9,555	10,111
D/E	0.26	0.47	0.80	0.08	0.13	0.10	1.3	1.1	1.2	0	0	0
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	0.0%	0.0%	0.0%	6.8%	7.1%	7.8%
ROAE (%)	15.3%	16.6%	15.2%	6.0%	39.4%	35.2%	-13.50%	7.60%	18.10%	48.2%	40.3%	40.3%
ROAA (%)	10.8%	11.1%	8.6%	4.3%	24.4%	19.9%	-3.70%	2.30%	5.00%	43.5%	37.5%	37.8%

Source: VNDIRECT RESEARCH

Peer comparison

Company name	Ticker	Price	Target price	Recomm.	Mkt cap	P/E		3-year EPS	P/BV		ROE (%)		EV/EBITDA	
		LC$	LC$		US$m	2023F	2024F	CAGR (%)	2023F	2024F	2023F	2024F	2023F	2024F
Airports														
Airport Corp of Vietnam	ACV VN	75,000.0	117,900	ADD	7,209	20.6	19.3	119.0	3.2	2.7	16.6	15.2	12.0	10.9
Airport of Thailand	AOT TB	71.3	N/A	NR	28,575	91.0	36.6	NA	9.1	7.9	10.5	22.9	41.0	22.8
Shanghai International Air-A	600009 CH	45.4	N/A	NR	15,612	57.3	25.0	NA	2.7	2.4	4.9	10.5	26.5	17.5
Beijing Capital Intl Airpo-H	694 HK	5.0	N/A	NR	2,940	NA	16.0	NA	1.3	1.2	-2.3	8.3	21.5	8.2
Japan Airport Terminal Co	9706 JP	6,597.0	N/A	NR	4,256	81.9	39.9	NA	3.9	3.7	4.8	9.0	17.4	12.9
Shenzen Airport Co-A	000089 CH	6.9	N/A	NR	1,957	181.8	29.4	NA	1.3	1.3	0.2	4.0	19.1	12.6
Malaysia Airports Holdings	MAHB MK	NA	N/A	NR	NA	28.3	17.2	NA	1.6	1.5	5.9	9.1	7.8	6.6
Average						**76.8**	**26.2**		**3.3**	**3.0**	**5.8**	**11.3**	**20.8**	**13.1**
Airport retailing														
Southern Airport Services JSC	SAS VN	24,900.0	N/A	NR	141.0	NA	NA	1,938.8	NA	NA	NA	NA	NA	NA
Cam Ranh International Airport	CIA VN	11,700.0	N/A	NR	9.3	NA	NA	NA	NA	NA	NA	NA	NA	NA
Danang Airport Services JSC	MAS VN	34,200.0	N/A	NR	6.2	NA	NA	NA	NA	NA	NA	NA	NA	NA
Taseco Air Services JSC	AST VN	58,400.0	85,700	ADD	111.5	13.6	12.3	281.4	4.5	2.8	39.4	35.2	8.9	8.2
Average						**13.6**	**12.3**		**4.5**	**2.8**	**39.4**	**35.2**	**8.9**	**8.2**
Low cost carriers														
VIETJET AVIATION JSC	VJC VN	94,000.0	132,000	HOLD	2,160.3	37.4	13.9	-40.6	2.8	2.3	7.6	18.1	17.3	8.6
CEBU AIR INC	CEB PM	36.8	N/A	NR	412.0	10.4	4.0	NA	NA	6.1	112.3	-101.4	5.6	3.7
ASIA AVIATION PCL	AAV TB	2.7	N/A	NR	928.9	42.2	17.1	-299.2	3.7	3.1	10.1	18.7	9.3	8.6
Average						**52.7**	**22.8**		**2.2**	**1.9**	**-4.5**	**16.1**	**45.8**	**10.1**
Air cargo terminal														
Xiamen Interna-A	600897 CH	20.6	N/A	NR	846.2	13.6	11.9	-55.1	1.5	1.4	11.4	12.3	6.0	5.3
Saigon Cargo Services Corp	SCS VN	69,000.0	102,600	ADD	276.3	10.6	14.3	12.6	4.1	3.7	40.3	40.3	6.4	7.1
Average						**12.1**	**13.1**		**2.8**	**2.6**	**25.8**	**26.3**	**6.2**	**6.2**

All prices are based on the closing prices on 29 June 2023. All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

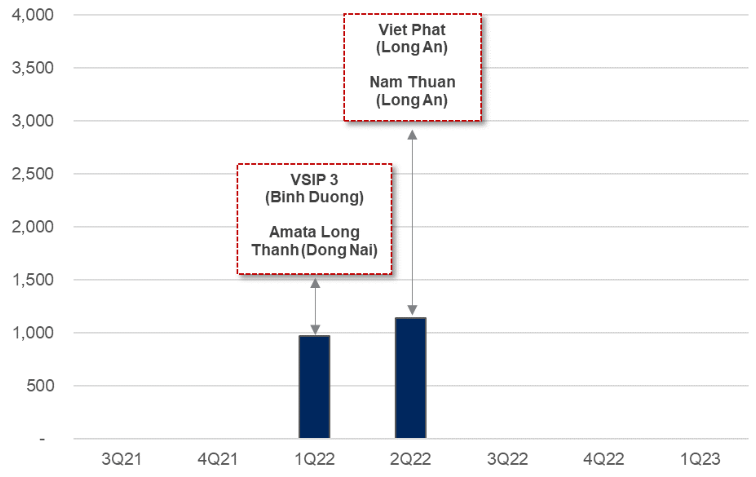
Source: BLOOMBERG

Industrial Property

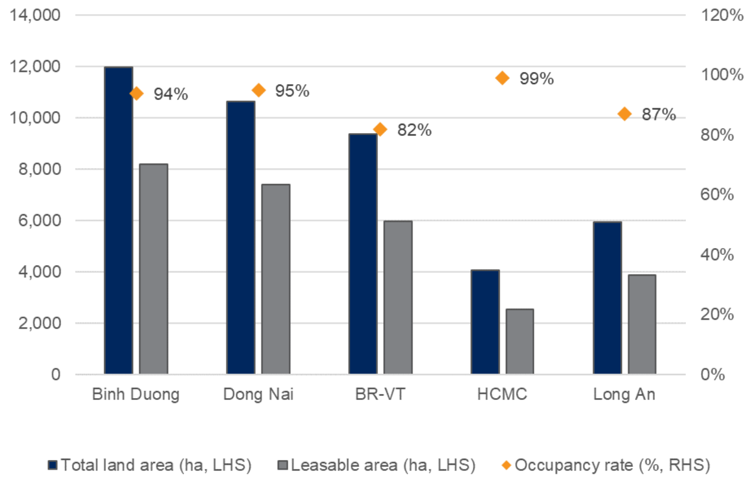
“The glass is half empty”

Southern market: Prolonged lack of new supply drove up rental price

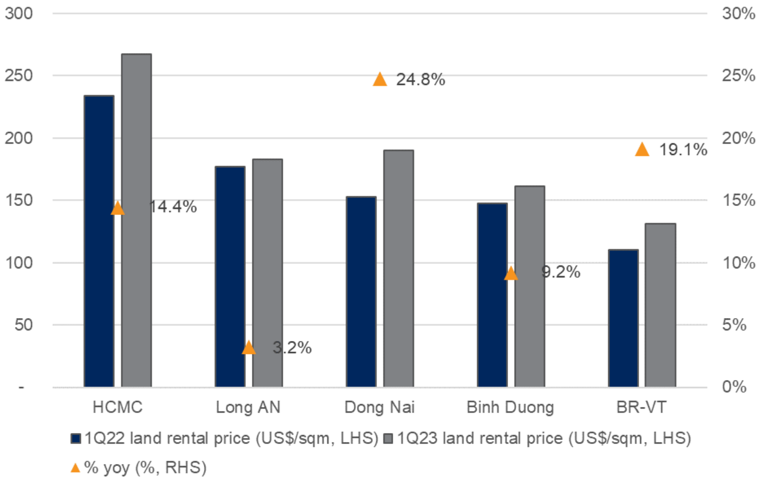
Another quarter without new supply in Southern market, … (leasable area, ha)



… leading occupancy rate improved in all regions



Land rental prices in Dong Nai increased the most at c.24.8% yoy among Southern IPs in 1Q23

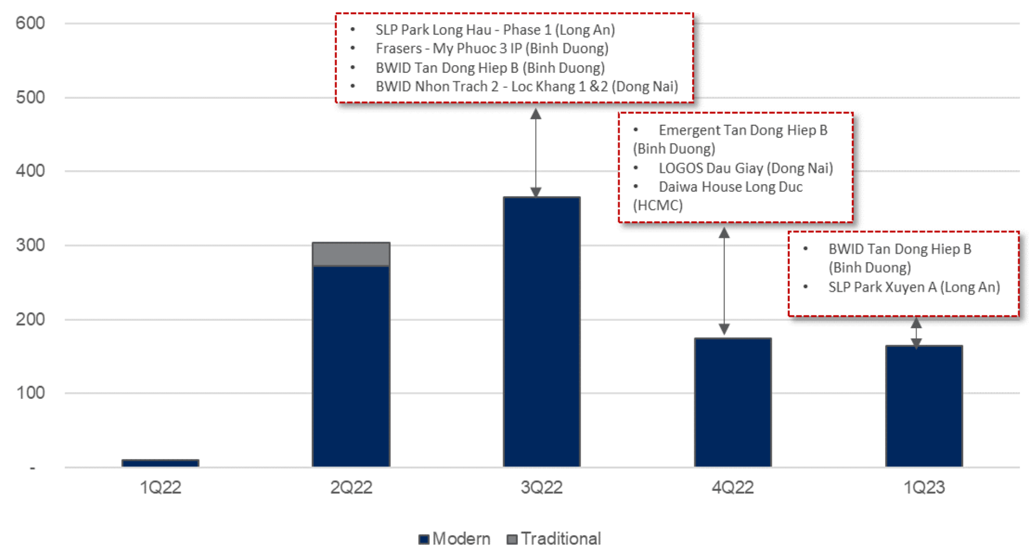


- Southern market continued to witness another scarcity quarter of new supply with no new project to be put into operation in 1Q23. Total industrial land area increased by 5.3% yoy and unchanged qoq at c.41,950ha, of which 66.6% is leasable, about c.27,950ha (+13.2% yoy).
- Come with high demand and lack of new supply, five key Southern industrial cities/provinces shared a same scenario: upward trend in both rental price and occupancy rate. Following that, average rental price occupancy rate inched up by 21.8% yoy to US$185/sqm/lease term and 0.5% pts yoy to 87%. Dong Nai continued maintain leading position in 1Q23 rental price growth among five key Southern industrial cities/provinces.

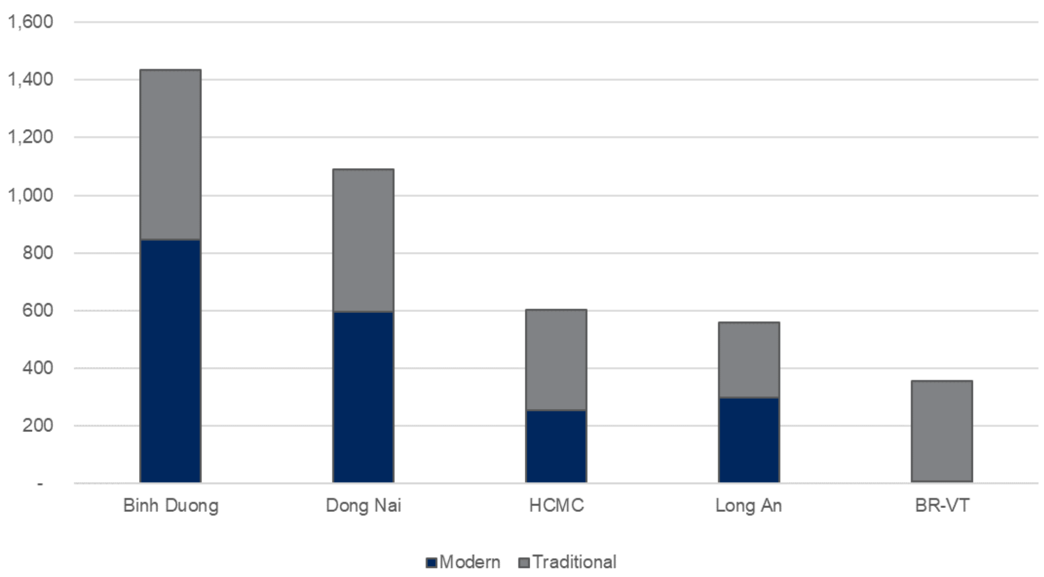
Sources: VNDIRECT RESEARCH, JLL, CushmanWakefield

Southern market: Shifting trend to modern Warehouse

More and more new modern supply replaces traditional supply (Unit: c.1,000 sqm)



Binh Duong maintained leading position, accounting for 37% total WH supply (Unit: c.1,000 sqm)

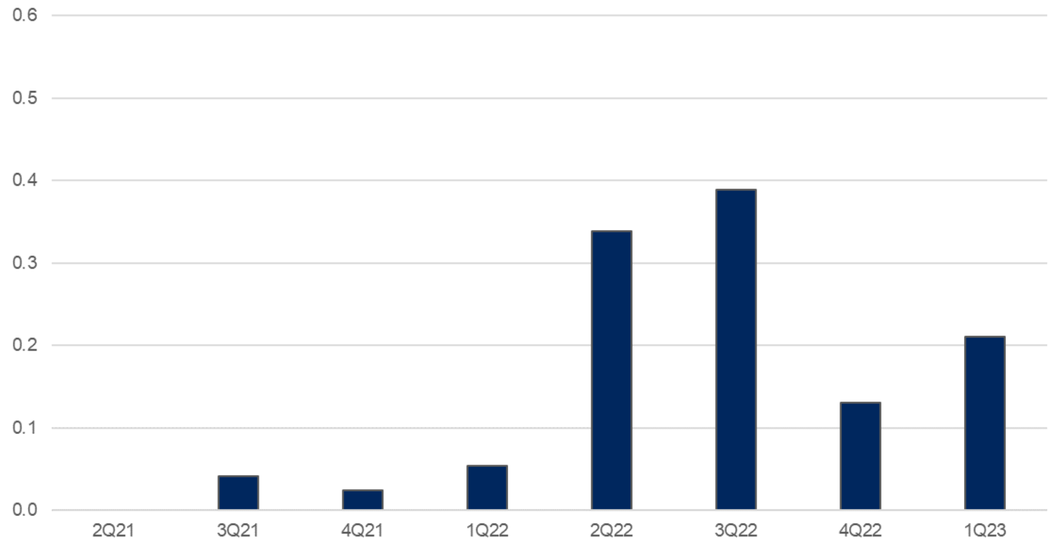


- Warehouse (WH) segment in Southern market welcomed abundant new modern supply in 1Q23, about 164m sqm come from the introduction of some projects like BWID Tan Dong Hiep B and SLP Park Long Xuyen. Total WH supply increased by 33.2% yoy to 4.04m sqm, in which 49.5% is modern supply.
- BW Industrial Development (BWID) and Mapletree continued to maintain their leading positions, accounting for 37% and 21% of total supply, respectively. Top 3 market share by provinces come from Binh Duong, Dong Nai and HCMC with a relatively equal proportion between Modern and Traditional supply.

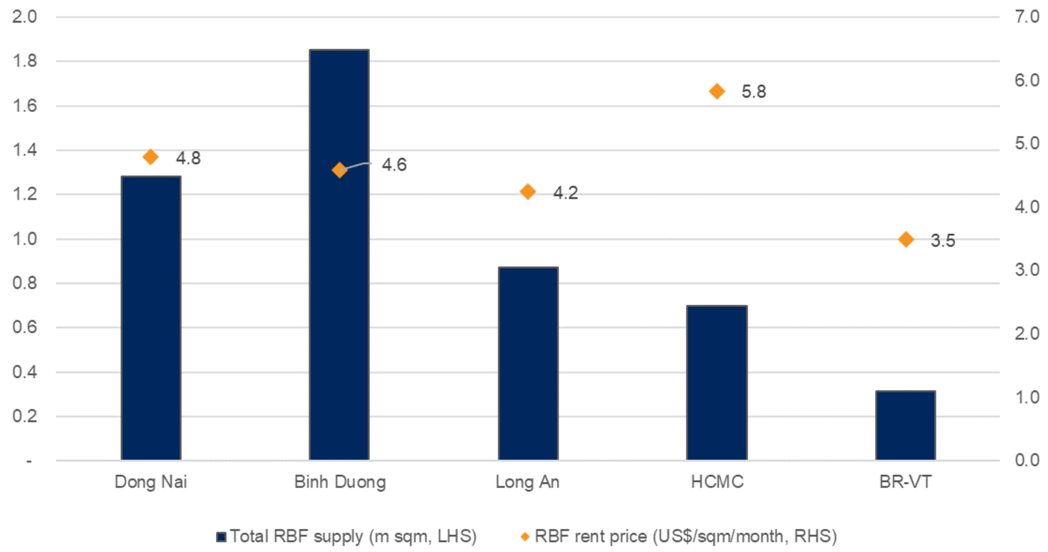
Sources: VNDIRECT RESEARCH, JLL, CushmanWakefield

Southern market: RBF continues to do well

Southern market welcomed large new supply in 1Q23, mostly come from Dong Nai and Binh Duong (Unit: m sqm)



Average RBF rental price increased by 8.1% yoy and unchanged qoq to US$4.75/sqm/month

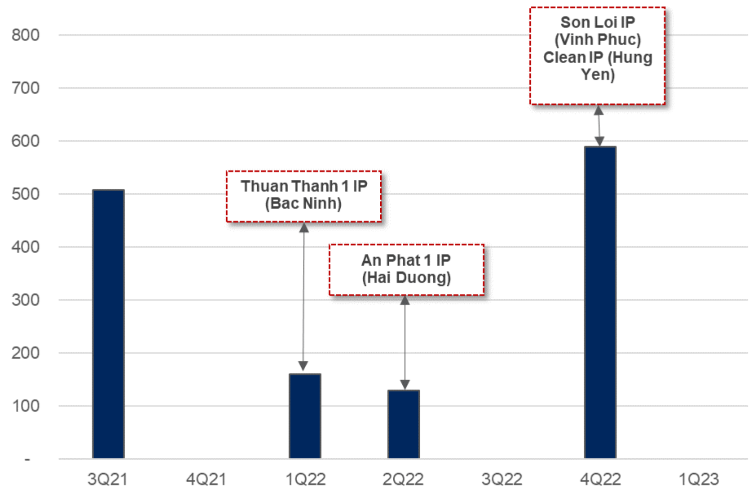


- Ready-built-factory (RBF) segment in Southern market witnessed a sharply increase with more than 0.21m sqm of new supply in 1Q23, dragging total supply to around 5.02m sqm. Dong Nai and Binh Duong contributed the most in 1Q23 new supply, accounting for 45% and 32%, respectively.
- Although large new supply to be put into operation in 1Q23, average RBF rental price unchanged qoq to US$4.75/sqm/month and occupancy rate dropped by 0.8% pts to 82.4%.

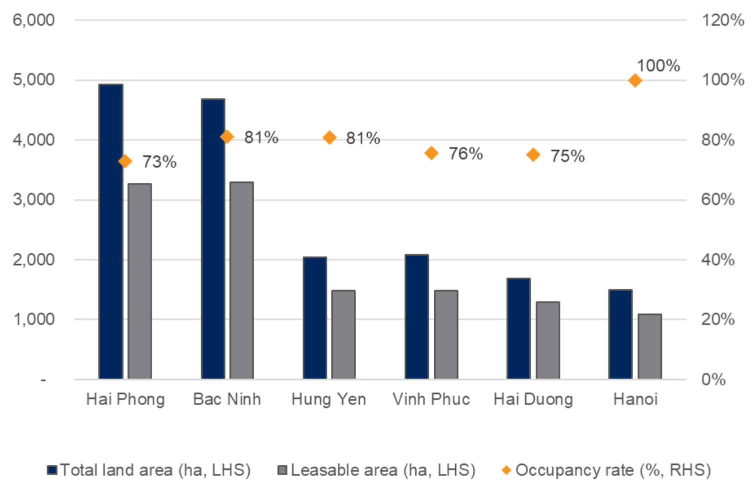
Sources: VNDIRECT RESEARCH, JLL, CushmanWakefield

Northern market: Continued to show great performance

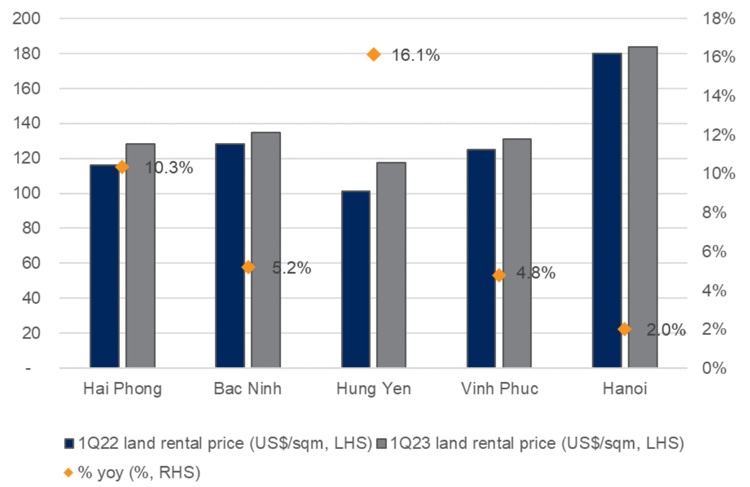
No new supply to be put into operation in 1Q23 (leasable area, ha)



Average occupancy rate inched up by 1% qoq and 0.3% yoy to 80% at the end of 1Q23



Hung Yen is the hotspot with highest increase in 1Q23 rental price

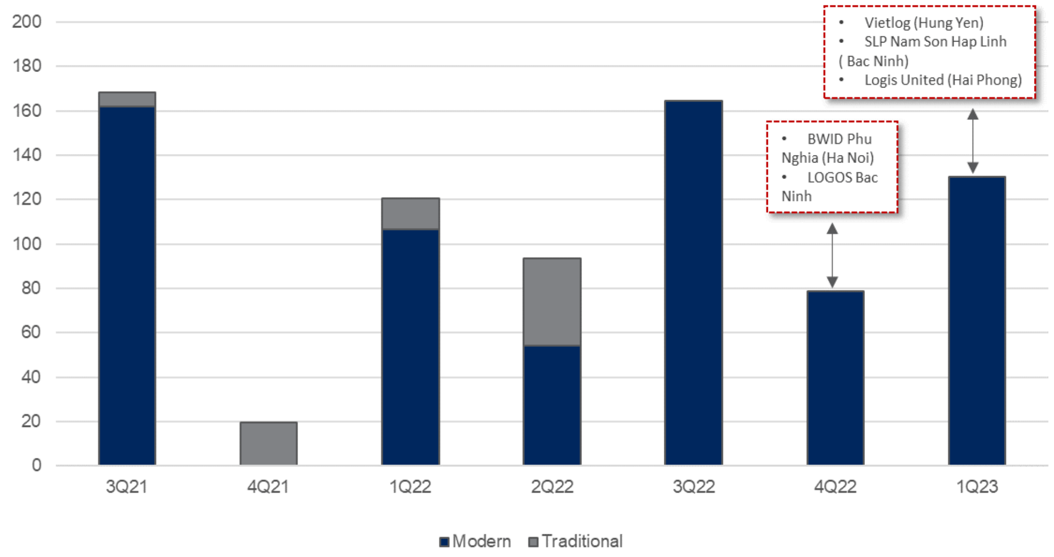


- After a remarkable increase in 4Q22, no new supply to be put into operation in 1Q23. Total land area rose by 6.5% yoy and unchanged qoq to 16,915ha. Following that, total leasable area remained stable at 11,923ha, accounting for 70.5% total land area. Hai Phong still maintained its leading position in Northern market, accounting for 29.1% total land area.
- Similar to the South, lack of new supply pushed up performance of all regions in the North. While average occupancy rate continued to improve with an 1% pts qoq and 0.3% pts yoy increase to 80%, average rental price climbed to new high at US$131/sqm/lease term (+10.6% yoy). We see Hung Yen is a bright spot with the highest increase of c.16% yoy to US$117/sqm/lease term in 1Q23 rental price among five key Northern industrial cities/provinces.

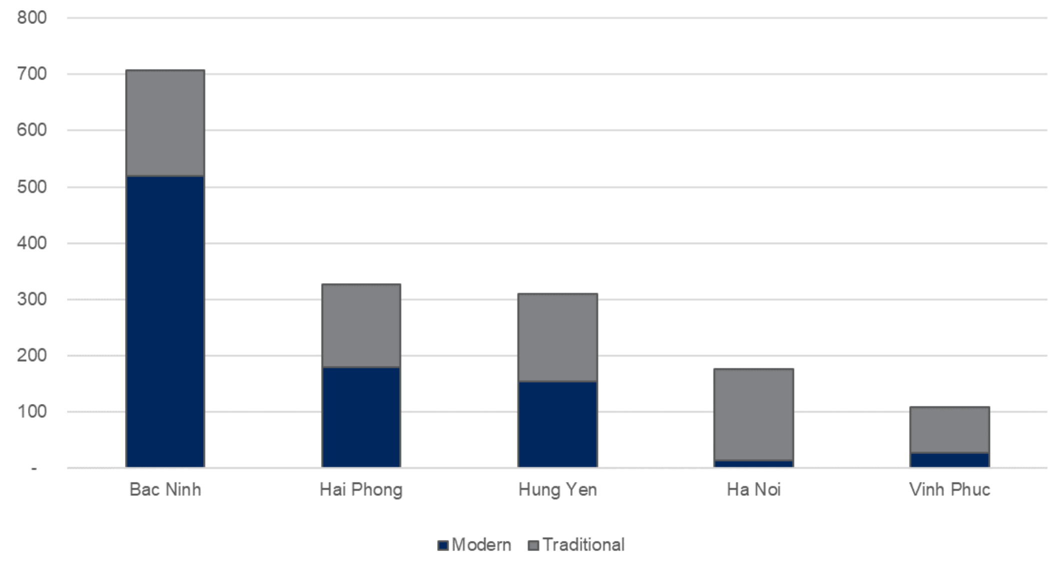
Sources: VNDIRECT RESEARCH, JLL, CushmanWakefield

Northern market: Bac Ninh took the lead WH market

WH developers in the North just focus on modern supply in 1Q23 (Unit: c.1,000sqm)



Bac Ninh continued to dominate Northern WH market, took up 43.5% total supply (Unit: c.1,000 sqm))

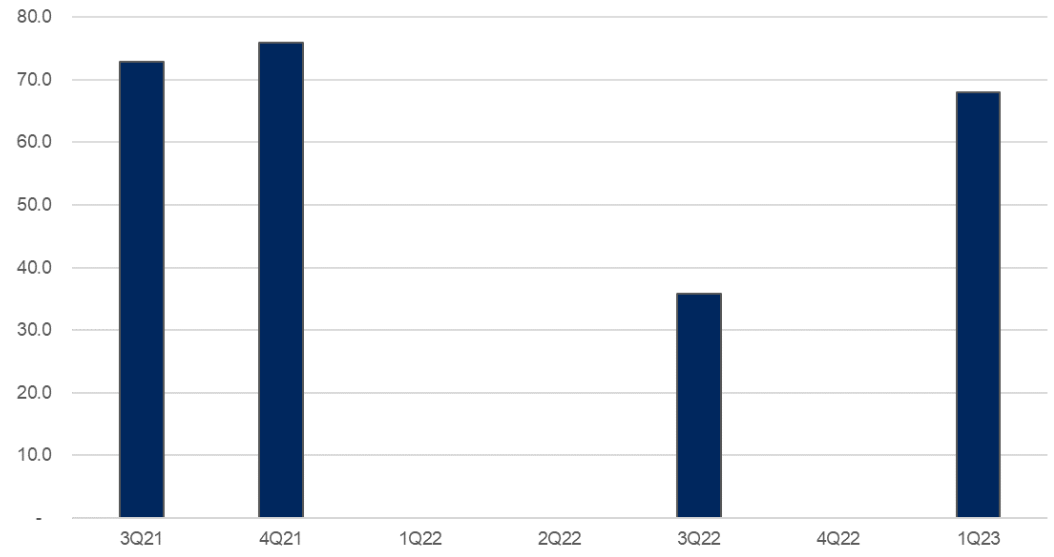


- We see all WH new supply in 1Q23 come from modern supply, about 131m sqm to be welcomed on Northern market with notable projects like Vietlog, Logis United and SLP Nam Son Hap Linh. That led to an 40.3% yoy increase in total WH supply (c.1.63m sqm) at the end of 1Q23. Developers are gradually showing their commitment to high technology and green environmental in new projects, helping to improve the quality of the modern supply in the North.
- As the leading logistics center in the North and prime location next to Ha Noi, Bac Ninh continued dominate the WH market, took up 43.5% total supply.

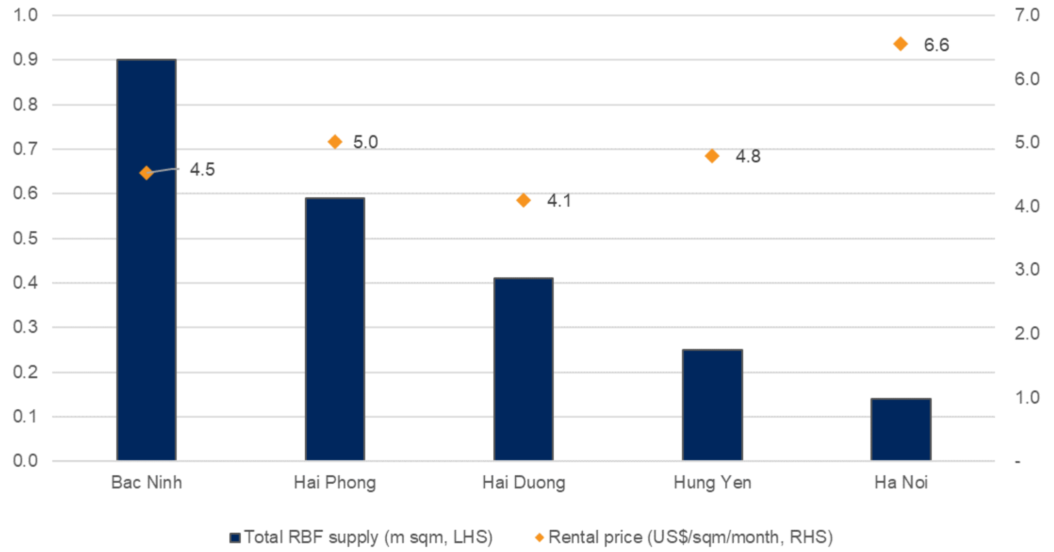
Sources: VNDIRECT RESEARCH, JLL, CushmanWakefield

Northern market: soothing demand with ample RBF new supply

1Q23 received new supply of 68.000sqm from project in Bac Ninh (Unit: 1,000sqm)



Bac Ninh maintained leading position in Northern market



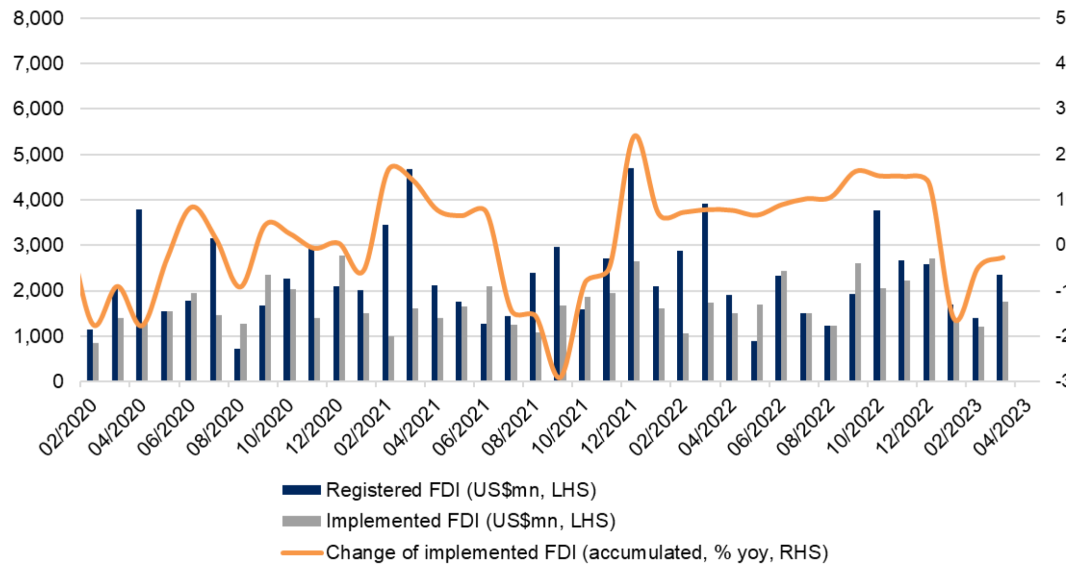
- For RBF segment, total supply increased by 4.6% yoy to 2.37m sqm thanks to SLP Park Yen Phong to be put into operation, with contribution about 0.068m sqm. Average rental price increased by 2.9% yoy to US$4.85/sqm/month.
- With just 1 project added in 1Q23, which is belong to Bac Ninh, helping to consolidate its leading position in Northern market, accounting for 38% total supply.

Sources: VNDIRECT RESEARCH, JLL, CushmanWakefield

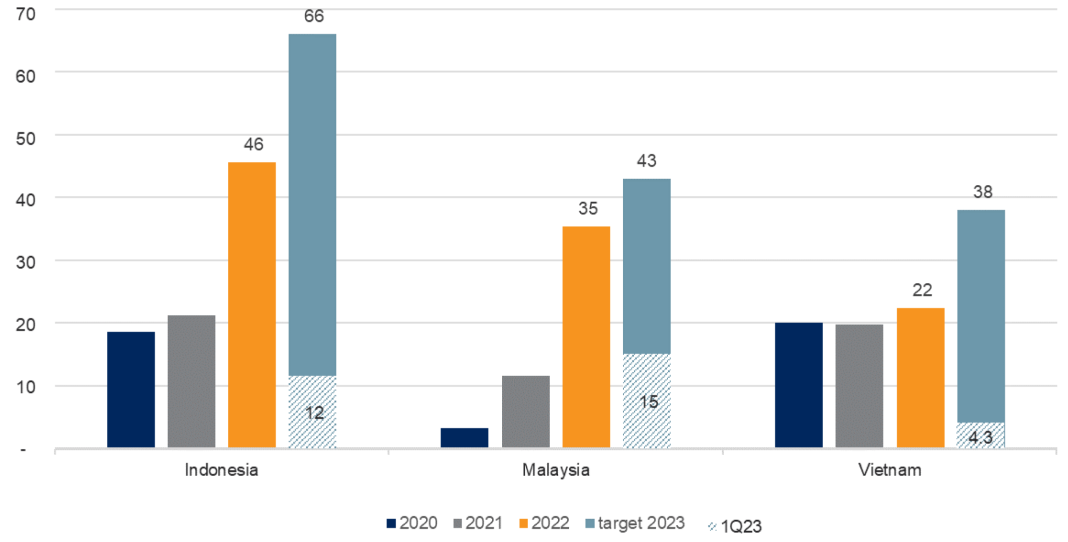
2023-24F outlook: Rising competition on FDI attraction from regional countries

While 1Q23 FDI inflows into Indonesia and Malaysia broke all-time record, FDI inflows into Vietnam weakened

FDI inflows into Vietnam remained low in Mar 2023



Indonesia and Malaysia showed strong FDI attraction in 1Q23 (Unit: US$bn)



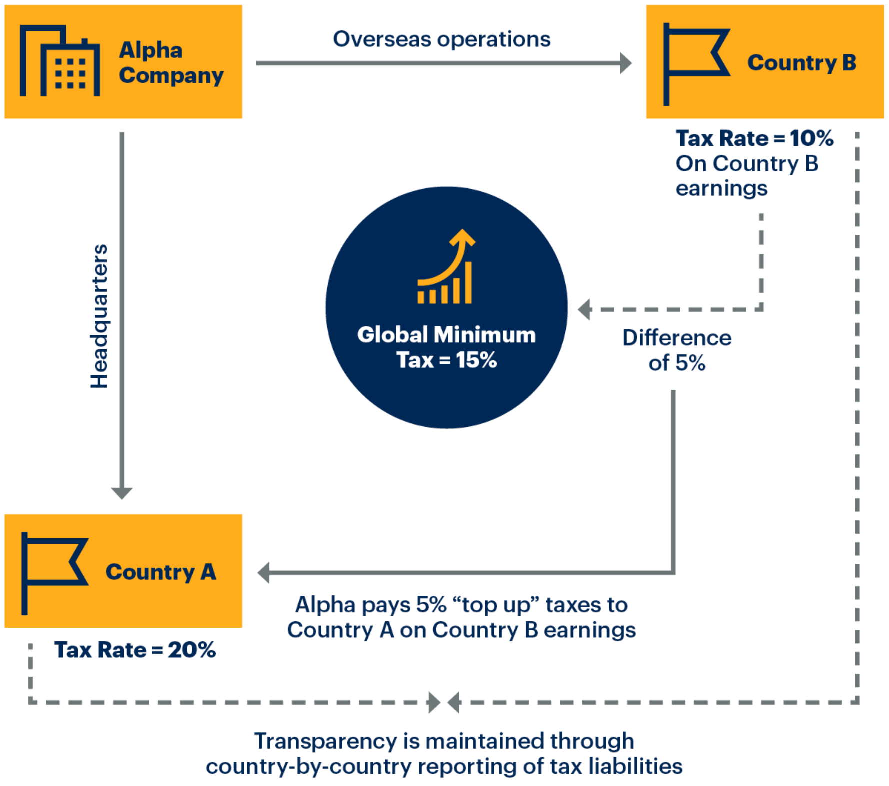
- FDI inflows into Vietnam weakened in 1Q23 as new investment plans and production expansion were halted amid global economic uncertainty, including (1) slowing global growth, (2) high inflation weighing on consumers' wallets, and (3) financial market liquidity tightens due to the FED's interest rate hike.
- While Vietnam is transforming itself into an electronics equipment manufacturing hub, Indonesia and Malaysia focusing on the electric vehicle supply chain with some key investor, such as: Tesla, BYD and Huyndai are investing in EV battery production in Indonesia and Samsung is investing in Malaysia.
- We see two industrial developments will shape the investment landscape in ASEAN, including EV industry and semiconductor industry. Regarding their potential to continue receiving a high level of FDI in the next few years, regional countries has actively promoted FDI in the production of EVs, including batteries, and at the same time encourage consumers to adopt EVs. However, Vietnam is lagging behind other rivals in this trend which might dim the attractiveness of Vietnam in luring FDI flow.

Source: VNDIRECT RESEARCH, GSO, MPI

The advantage of preferential tariff is disappearing, what next on Vietnamese policy?

Since 2024, OECD countries will apply a global minimum tax rate of 15% for large companies with a turnover above EUR750m.

Illustration about how Global Minimum Tax system work



Currently, Vietnam is using preferential tariff as a financial leverage tool to attract foreign investors. Vietnam is now offering preferential tariff at 10% - 17%. In some special cases, the preferential tariff may be only 5% - 9%.

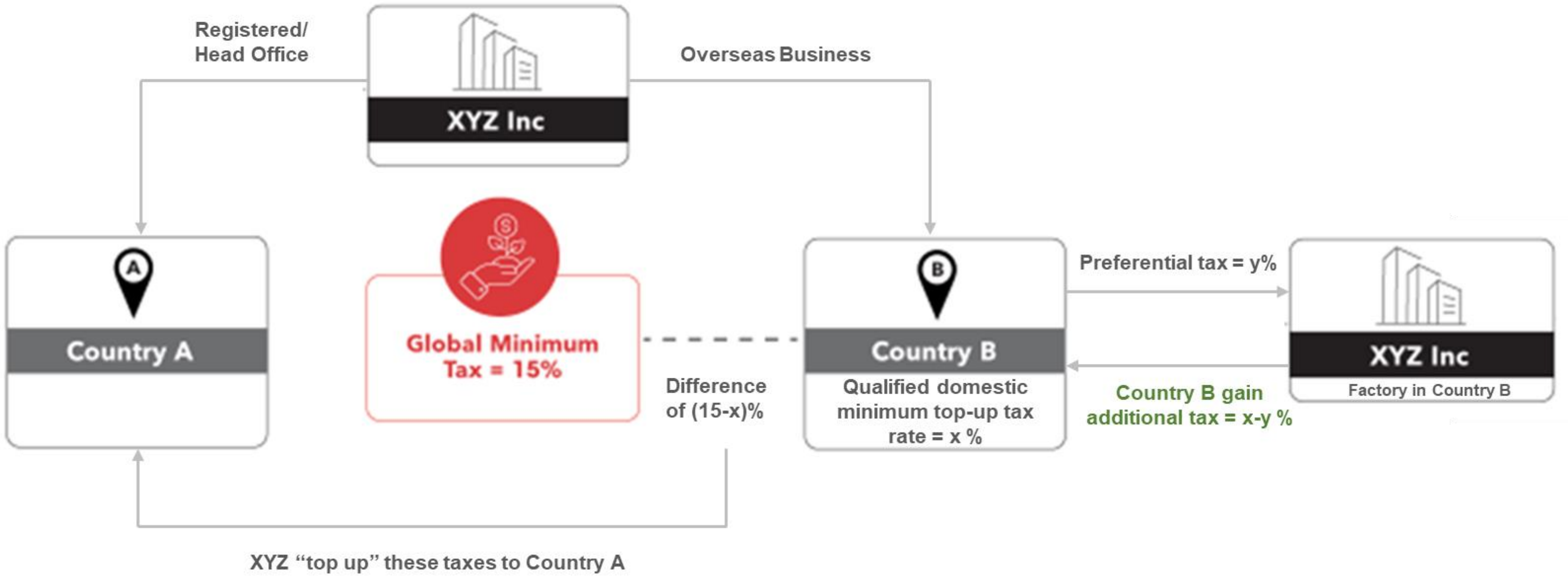
We believe the application of global minimum tax will create some challenge on FDI attraction:

- If Vietnam apply this policy too soon, Vietnam will lose the advantage of preferential tariff.
- If Vietnam apply this policy later than headquartered countries, it will suffer the following consequences: (1) Vietnam will not get tax difference. (2) the investment environment will be affected. Investors will redirect their investment to other countries with a benefit-sharing mechanism related to this new tax rule.

Source: VNDIRECT RESEARCH, Gartner

The advantage of preferential tariff is disappearing, what next on Vietnamese policy?

How Qualified domestic minimum top-up tax (QDMTT) against Global minimum tax



To adapt the new policy, some countries are researching the use of QDMTT. When applying the QDMTT, governments can defend their tax rights by levying an additional tax is the gap between the domestic minimum tax rate and the preferential tax rate for FDI enterprises before that tax be recalled to headquartered country.

Once again, Vietnam is lagging behind other rivals:

- Malaysia and Indonesia have issued QDMTT, which is operated in tandem with global minimum tax.
- Thailand is likewise giving priority to research and implement QDMTT in order to take the initiative.

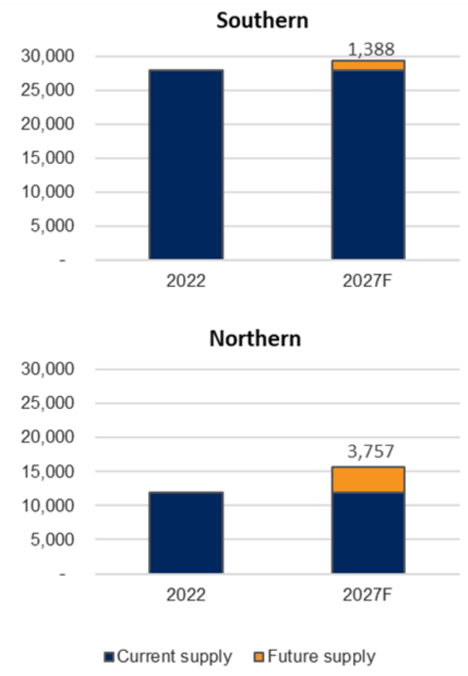
In the context the time to apply global minimum tax is getting closer and closer, we believe that IP projects own strategic location near major transport infrastructure, high quality infrastructure in a synchronous, modern direction and providing the most utilities for investors will be more and more attractive .

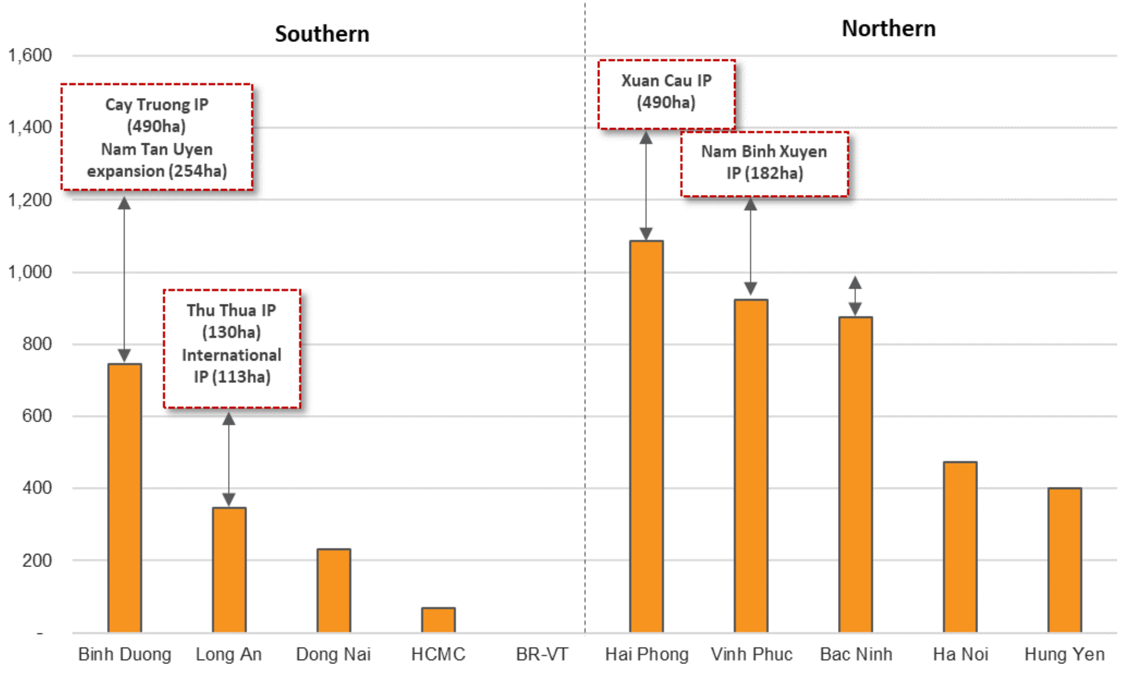
Source: VNDIRECT RESEARCH

New supply will shrink as approval process is delayed for legal procedure

We believe 2 big industrial hubs will witness a scarcity of new supply…

… but, turn out this is the chance for big developers own large ready-for-lease land bank (Unit: ha)





We believe that industrial property market will go through a harsh time to deploy new supply from now until the end of 2023F.

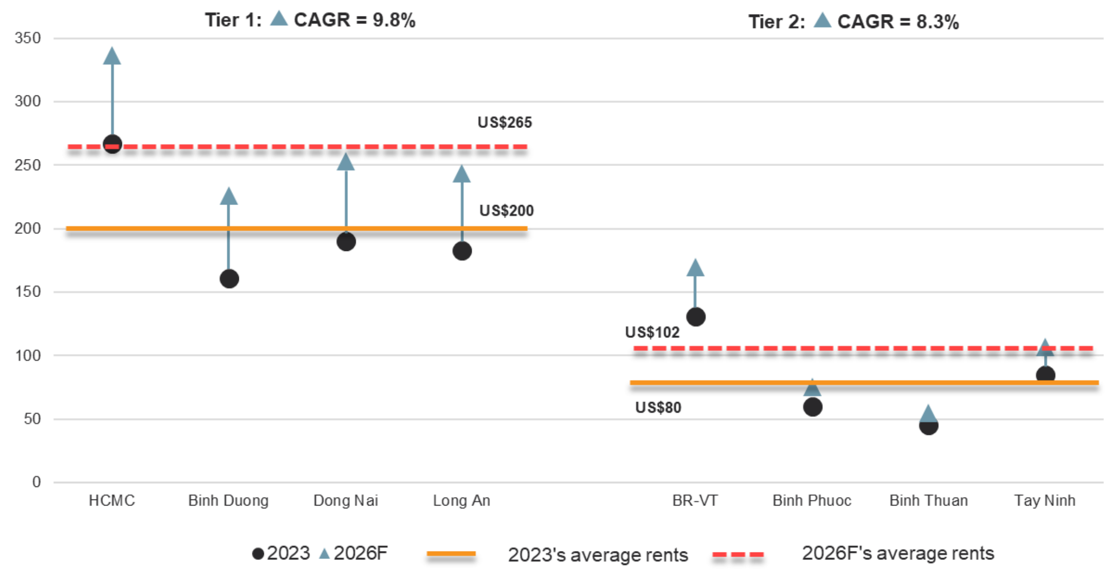
- For Southern market, after supply boom in 1H22, there no new supply to be put into operation. We believe limited new supply to be deployed in Southern market during 2023F. After that, just few new supply will be put into operation in 2024-27F, about 1,388ha. We believe some notable future projects mostly come from big IP developers such as Cay Truong IP (owned by BCM) and Nam Tan Uyen expansion (owned by NTC).
- For Northern market, although there is a high number of pending projects, we believe that the lack of new supply situation in Northern market will not end sooner 2023F, after that we expect c.3,757ha will be put into operation in 2024-27F, with the most contribution come from Hai Phong, Vinh Phuc and Bac Ninh.

Source: VNDIRECT RESEARCH, JLL, CBRE, CushmanWakefield

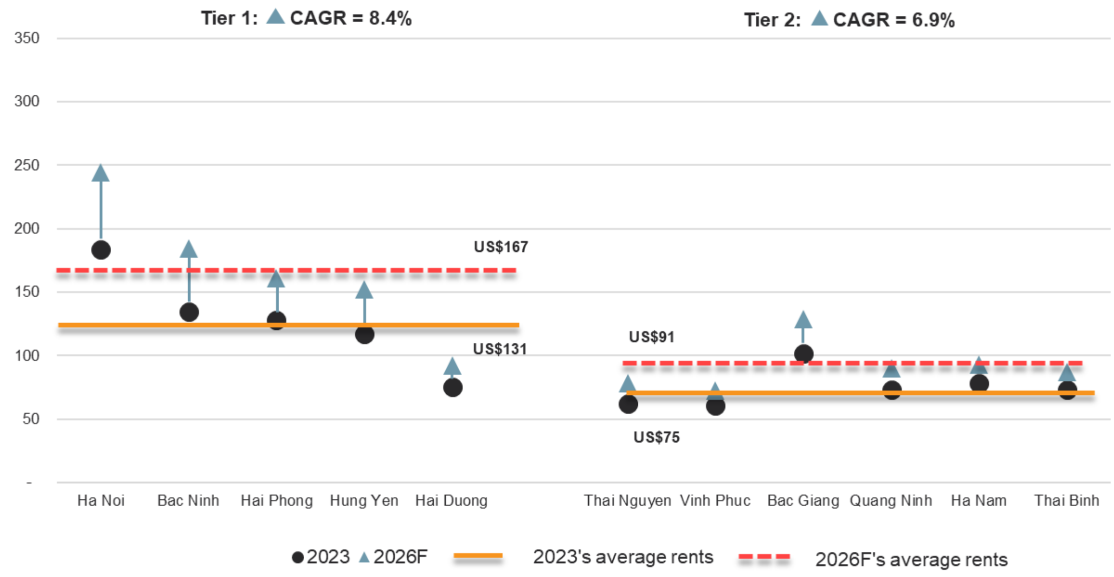
Limited new supply will shape two shifting trends in next coming years

Firstly, we observed that investors are looking toward into tier-2 market with advantages like: ***1) competitive costs***…

We believe tier-2 in both the South and the North offer …



… a competitive rental price as compared to tier-1 at least in next 3 years (Unit: US$/sqm/leasable term)

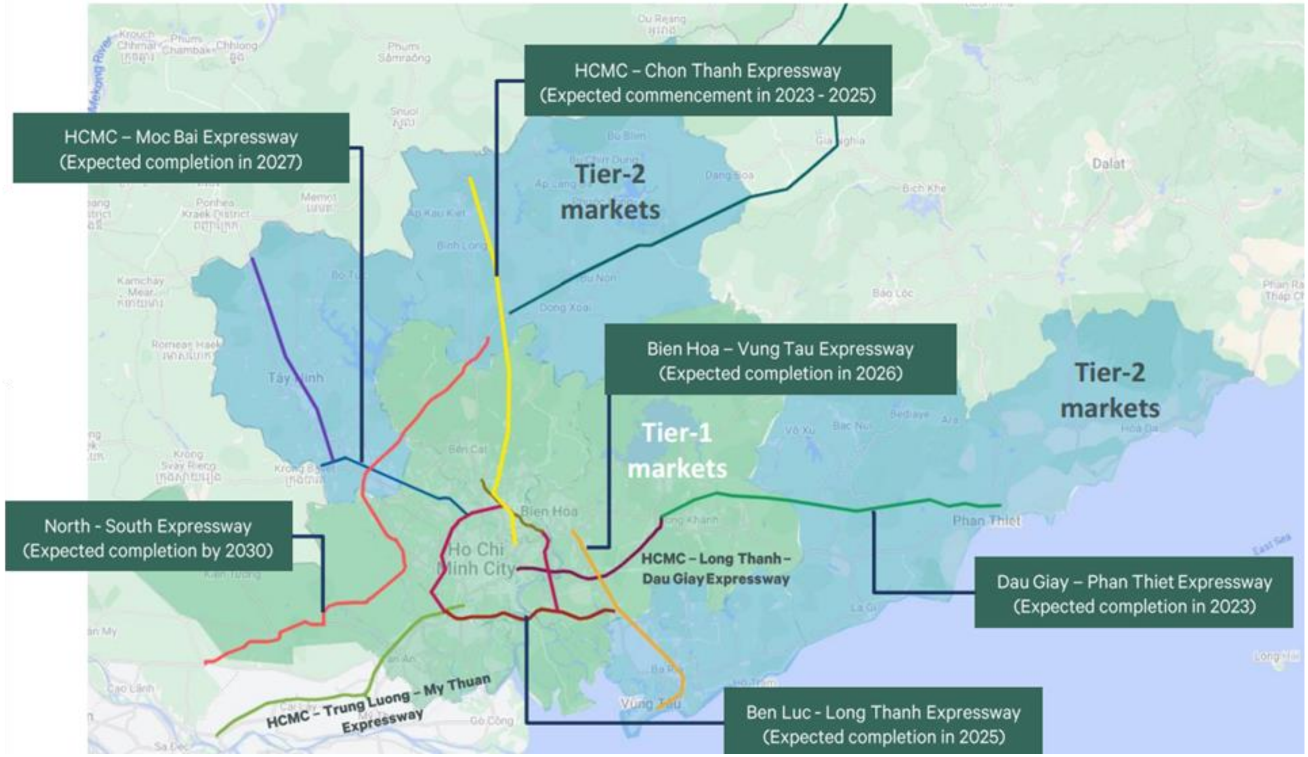


We believe tier-2 are offering at more competitive costs thanks to:

- The big gap of average rental price between tier-1 and tier-2 in both Southern (different US$120/sqm/leasable term) and Northern market (different US$56/sqm/leasable term) at the end of 1Q23.
- While limited available land in tier-1 market, the abundant available land in tier-2 market leads to a slower growth rate of tier-2 rental price vs tier-1 at least in next 3 years. Besides, tier-2 available land bank provides more options for tenants especially when the connectivity has been improving.
- Labor costs in tier-2 market are also at more competitive range than tier-1 market.

Source: VNDIRECT RESEARCH, CBRE, JLL, CushmanWakefield

2) better connectivity between tier-2 and tier-1 thanks to improvement infrastructure network …



Source: VNDIRECT RESEARCH, CBRE

3) more and more large investment towards tier-2 market…

We see that land lease transactions in tier-2 market are increased and tended to diversity of sector to invest

Southern's transacions in tier-2 markets

Province	Sector	Investor from…	Leasable area (ha)	Time
BR-VT	Shipbuilding/prefabricated house	USA	63	4Q22
Binh Phuoc	Automobile and Components	China	46	1Q23
BR-VT	Electronics	China	28	4Q22
BR-VT	Chemical	Japan	15	4Q22
Tay Ninh	Animal feed	Thailand	6	3Q22
BR-VT	Rubber mold	Singapore	5	4Q22
Binh Phuoc	Food processing	Vietnam	5	1Q23

Northern's transacions in tier-2 markets

Province	Sector	Investor from…	Leasable area (ha)	Time
Bac Giang	Electronics	Taiwan	50	4Q22
Thai Binh	Electronics	Taiwan	40	4Q22
Thai Binh	RBF Operator	Vietnam	40	1Q22
Quang Ninh	Automobile and Components	Taiwan	35	4Q22
Bac Giang	WH Operator	Singapore	30	1Q22
Vinh Phuc	Mechanical/Metal	Taiwan	25	4Q22
Bac Giang	Electrics bike	China	23	4Q22
Quang Ninh	LPG + Polypropylene	Vietnam	20	1Q22
Ha Nam	RBF Operator	Hongkong	16	4Q22
Quang Ninh	Automobile and Components	China	10	1Q23

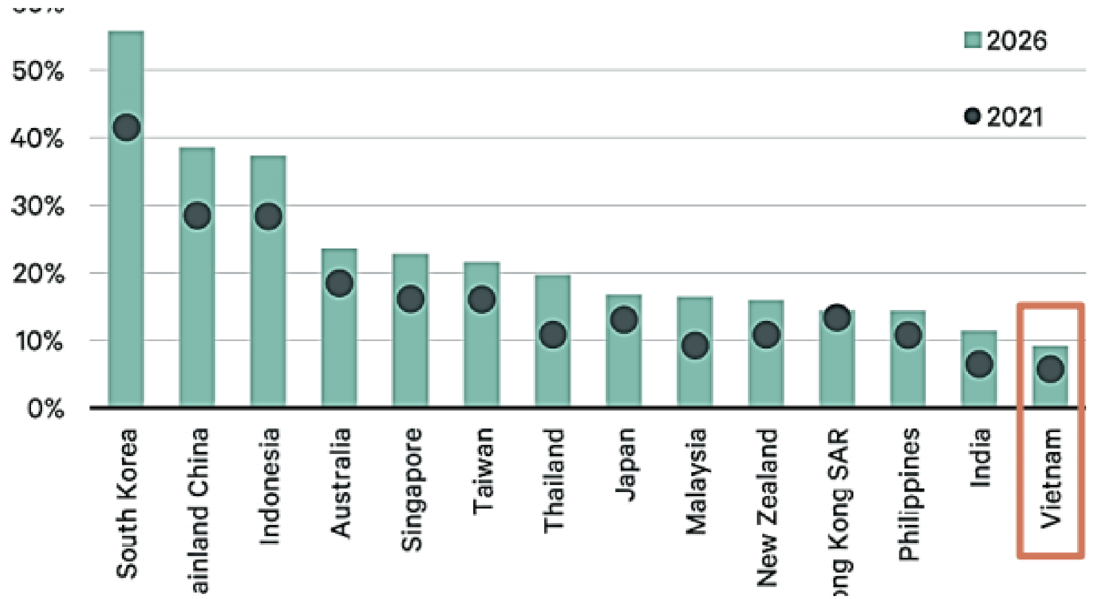
- According to CBRE, from 1Q22 to 1Q23 the total number of land lease transactions in tier-2 market in the South and the North reached 168ha and 289ha, respectively, breaking all-time records.
- We see BR-VT is the hotspot, accounting for 66% of total tier-2 land lease transactions in the South, while tier-2 land lease transactions in the North tended to spread out to all regions.

Source: VNDIRECT RESEARCH, CBRE

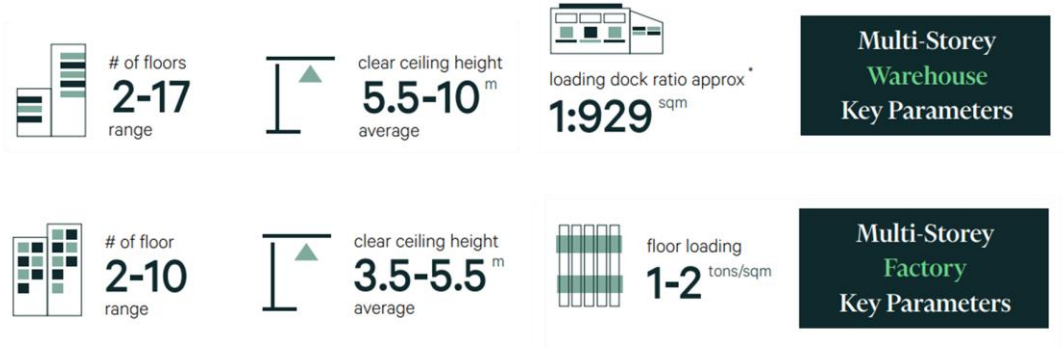
Limited new supply will shape shifting trend in next coming years

Secondly, the rising of multi-storey (modern) facilities will replace single-storey (traditional) facilities

E-commerce booming requires strong supply for high quality WH and RBF



What are multi-storey (modern) facilities?



(*) Loading dock ratio: the number of loading docks to the building's GFA. A lower ratio indicates a higher throughput logistics facility.

- Vietnam's e-commerce revenue is booming, with an estimated CAGR of 25% to US$39bn in 2021-26F. For US$1bn of additional e-commerce sales, it would require an additional of 92,903 sqm of logistic space. Following that, more than 2.2m sqm of additional e-commerce-dedicated logistic space is estimated to be required by 2026F.
- We see that traditional WH/RBF (single-storey facilities) is no longer suitable to meet the requirement for e-commerce booming. Multi-storey facilities is a better option for constrained area as their occupies less land space and more storage area. The growth of e-commerce and the desire for quick, efficient delivery of goods to consumers, resulting in greater use of multi-storey.

Source: VNDIRECT RESEARCH, CBRE

Some notable multi-storey facilities in up coming years

Project	Developer	Locate in IP…	…owned by
BW Xuyen A	BWID	Xuyen A IP, Long An	Hai Son Group
SLP Xuyen A	SLP	Xuyen A IP, Long An	Hai Son Group
BW Vinh Loc 2	BWID	Vinh Loc 2 IP, Long An	CLX
SLP Long Hau	SLP	Long Hau IP, Long An	LHG
BKIM Yen Phong 2C	BKIM	Yen Phong 2C IP, Bac Ninh	VGC
BW Yen Phong	BWID	Yen Phong expansion IP, Bac Ninh	VGC
BW VSIP Bac Ninh 2	BWID	VSIP 2 IP, Bac Ninh	VSIP
BW Nam Son Hap Linh	BWID	Nam Son Hap Linh IP, Bac Ninh	KBC

Overall, we see some positive factors for industrial property are fading due to arising challenges as: 1) industrial property market will witness a scarcity of new supply in 2023F as approval process is delayed for legal procedure, 2) the competitiveness of Vietnam on FDI attraction is weakening in the region

In that tough context, we believe industrial property market will be reshaped by new shifting trends, in which just some big developers can turn these difficulties into opportunities from owning as:

- Strategic position in tier-2 market, which offer: 1) competitive rental price, lower labor cost, 2) near major infrastructure projects, creating a convenient connection system to the center, airport and seaport...
- Large ready-for-lease land bank, developed towards integrated multi-storey facilities, ESG facilities.

Source: VNDIRECT RESEARCH, CBRE

Stock picks: SZC, KBC and VGC, NTC in watchlist

No	Ticker	1-year TP (VND/share)	Rating	Investment thesis
1	STOCK PICK SZC	41,400	ADD	SZC reported a fall in 1Q23 revenue by 77.2% yoy to VND63.2bn due to slower-than-expected handover in both industrial and residential business. Following that, 1Q23 net profit decreased by 84.4% yoy, just fulfilling 2.3% our full-year forecast. SZC is well-positioned to seize the opportunity to grow industrial property revenue scale given (1) SZC is the third largest listed IP developer in term of remaining landbank in the South with remaining area about 560ha, dominant Ba Ria – Vung Tau (BR-VT), (2) rental price of Chau Duc IP is significantly lower than BR-VT's average rental price. Chau Duc IP will take advantage to boost rental price in next few years thanks to its prime location near Bien Hoa – Vung Tau Expressway, which official started construction on 18 June 2023. Residential project has become another growth engine despite of slower-than-expected process. We expect SZC to hand over the rest of shophouse phase 1 of Sonadezi Huu Phuoc project in FY23F and start to hand over phase 2 in FY24F. Based on that, the contribution of residential revenue on total revenue will be larger and larger, reaching about 22.5%/30.3% of FY23/24F total revenue. Upside catalysts: Sooner-than-expected implement time for phase 1 of townhouse units in Sonadezi Huu Phuoc project. Downside risks are: 1) higher-than-expected the new price for land compensation, 2) delays in obtaining permits for residential projects.
2	STOCK PICK KBC	37,700	ADD	KBC's 1Q23 revenue surged by 39.5% yoy to VND2,223bn thanks to stronger-than-expected land sale around 63ha with contribution from Quang Chau IP and Nam Son Hap Linh IP about 53ha and 10ha, respectively. Following that, 1Q23 net profit increased by 95.7% yoy to VND941bn, fulfilling 63.8% our full-year forecast. We expect KBC could finalize the legal procedures to monetize Trang Due 3 IP (687ha) in 3Q23F, especially after the approval of Hai Phong City's master planning. We see more challenges for IP developers in the next 2 years due to the slow project approval process and limited funding sources. However, this likely turns out opportunities for developers that own ready-for-lease land bank, like KBC. We forecast a strong rebound in KBC's core operation with IP revenue surging 767.4% yoy/11.4% yoy to VND5,699bn/VND6,346bn in FY23-24F, leading FY23-24F net profit of 46.6% yoy/2.6% yoy, respectively. Attractive dividend yield of 7.2% in FY23F. Potential re-rating risks are 1) a reversal of monetary policy that supports property developers, 2) KBC could clear legal hurdles to expand its further land bank in Hung Yen, Long An, Hai Duong and Bac Giang, and 3) sooner-than expected bulk sales at Trang Cat urban area projects. Key downside risks 1) worse-than-expected land sales, 2) regulatory delays in new projects.

Source: VNDIRECT RESEARCH

Stock picks: SZC, KBC and VGC, NTC in watchlist

No	Ticker	1-year TP (VND/share)	Rating	Investment thesis
3	PHR	57,500	ADD	PHR's 1Q23 revenue declined 10.9% yoy to VND326bn, mostly dragged by a drop in rubber business as slower-than-expected recovery of rubber export to China. Despite of handover the rest of VSIP III, with 1Q23 one-off gain about VND200bn, which is much lower vs 1Q22, leading to an 30.8% yoy decrease. Consequently, 1Q23 net profit dopped by 22.7% yoy to VND228bn. Rubber business will take the lead in FY23/24F revenue with average contribution about 72% in the context lack of one-off gain from land compensation. We believe PHR can take benefit from: 1) better rubber prices and higher demand following China 's reopening; 2) some major rubber producer countries; ie: Thailand and Malaysia will limit rubber plantation area, resulting in a global shortage. Attractive dividend yield is a plus. PHR aims to pay FY22 cash dividend of VND3,000/share, equivalent 6.5% dividend yield. Re-catalyst includes the legal for land conversion of Tan Lap 1 IP/Tan Binh IP to be approved. Downside risks include 1) rubber prices slump deeper than expectation; 2) slower-than-expected land clearance process.
4	BCM	99,000	ADD	One of country leading industrial park developers with six operating IPs spanning over 4,000ha, the largest listed IP developer in terms of leasable land bank (~944ha). We see more challenges for IP developers in the next 2 years due to the slow project approval process and limited funding sources. However, this likely turns out opportunities for developers that own ready-for-lease land bank, like BCM. BCM posted 1Q23 revenue decreased by 44.8% yoy to VND791bn due to slower-than-expected land clearance causing IP land sale was recognized at low base. 1Q23 net profit dropped by 78.4% yoy to VND92bn. We expect revenue from residential property to skyrocket in FY23F thanks to the one-off gain about ~VND5,000bn from Binh Duong New City project land transfer CapitaLand. Revenue from IP business will grow steadily 44% yoy in FY23F thanks to the contribution of Cay Truong IP and Bau Bang expansion IP. Following that, we expect FY23F net profit will surge by 71.4% yoy and FY24F net profit will stay at high base, just slightly decline by 0.2% yoy. Upside catalysts: 1) faster IP or residential land sales, 2) sooner-than-expected new IPs launches. Downside risks: 1) lower-than-expected IP land sales, 2) delays in obtaining permits for new launches and 3) higher-than-expect leverage which could take a big chunk out of profits.
5	IDC	42,600	HOLD	One of country leading industrial park developers with ten operating IPs spanning over 3,400ha, the third-largest listed IP developer in terms of remaining leasable land bank (~751ha). We see more challenges for IP developers in the next two years due to the slow project approval process and limited funding sources. However, this likely turns out opportunities for developers that own ready-for-lease land bank, like IDC. Earnings to drop over FY23-24F but rebound strongly in FY25F. We forecast IDC's FY23-24F net profit to drop 11.1% yoy/17.9% yoy to VND1,571bn/VND1,290bn due to no expected retroactive revenue recognition when changing the accounting method from annual to one-off. For FY25F, we estimate IDC's net profit to strongly rebound 37.9% yoy to VND1,867bn, triggered by the new contribution of Tan Phuoc 1 IP. Attractive dividend yield. IDC aims to pay FY23F cash dividend of VND4,000/share, equivalent to 9.4% dividend yield

Source: VNDIRECT RESEARCH

Stock picks: SZC, KBC and VGC, NTC in watchlist

No	Ticker	1-year TP (VND/share)	Rating	Investment thesis
6	VGC	N/A	N/A	One of leading building material companies with strong production capacity in segments like: granite, ceramic tiles, building glass… In which, ceramic tiles are oriented as the development focus (revenue doubled in FY18-22) come from: 1) higher-than-expected export sales to EU, US 2) just export high-end product meet requirement of EU standard with competitive price. Owning large land bank of more than 4,000ha from 11 IPs in Vietnam and 1 IP in Cuba, VGC still maintained leading position listed IP developers in the North. VGC's IPs have strong advantages such as: 1) strategic location near major national roads, convenient access to airports and seaports, 2) IP's are synchronously invested in technical infrastructure, developed towards high quality, modern. Based on these advantages, VGC is the hotspot on FDI attraction, with more and US$15bn invested in 11 IPs with some notable investor like: Samsung Electronics, Samsung Display, Accor, Orion, Lock&Lock… We expect IP segment will continue to show great performance with an 8.5% yoy increase in FY23F IP revenue thanks to higher-than-expected IP land sale from Yen Phong 2C IP. According to VGC, at the end of May 2023 the MOU for land of this IP reached 100ha, beats full-year plan of company. We forecast FY23F revenue will increase by 8.5% yoy to VND15,832bn, however FY23F net profit dropped by 40% yoy to VND1,037bn due to tough context on building glass segment and high input material of this segment might dim NP margin.
7	NTC	N/A	N/A	According to NTC's management, legal procedures for its new IP namely Nam Tan Uyen IP phase 2 (NTC3) with a total area of 346ha had been tackled bottleneck. The company is likely to monetize this new IP in 2023F after receiving the decision for lease land from Binh Duong province in May 2023. Besides, we estimate NTC could book c. VND180-200bn in net financial income, equivalent to 18-20% of FY23F pre-tax profit. We forecast FY23F net profit to surge 242% yoy to VND857bn on new IP contribution.

Upside risks:

- Stronger-than-expected FDI inflows: Recently, a US delegation of 52 enterprises came to Vietnam to discuss about investment opportunities into Vietnam. Interestingly, we observe certain major firms interested in collaboration and investment potential in Vietnam, including SpaceX, Amazon, Meta, FedEx, Roblox, UPS, Citi, etc. This could be a positive signal for a new wave of FDI inflows from US into Vietnam in near future.

Downside risks:

- Increasing land compensation in many provinces could make slower-than-expected process, drive up investment cost and land rental price.
- Prolong the legal procedure.

Source: VNDIRECT RESEARCH

FY23-24F earnings forecast of stocks under coverage

	BCM		PHR		SZC		KBC		IDC	
	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Revenue (VNDbn)	10,096	8,467	1,833	2,211	1,332	1,816	6,754	7,575	7,245	7,085
% growth	55.2%	-16.1%	7.3%	20.7%	55.1%	36.3%	610.9%	12.2%	-3.2%	-2.2%
Gross profit (VNDbn)	4,227	3,974	420	639	624	899	3,805	4,069	2,460	2,114
Gross margin (%)	41.9%	46.9%	22.9%	28.9%	46.9%	49.5%	56.3%	53.7%	34.0%	29.8%
Net profit (VNDbn)	2,888	2,883	701	817	440	651	2,259	2,317	1,571	1,290
% growth	71.4%	-0.2%	-20.9%	16.5%	123.1%	47.8%	46.0%	2.6%	-11.1%	-17.9%
EPS (VND/share)	2,790	2,786	5,176	6,030	4,403	6,508	2,943	3,018	4,762	3,908
BVPS (VND/share)	18,269	20,255	24,244	25,747	18,439	23,166	21,899	24,917	15,595	15,457
Dividend yield (%)	N/A	N/A	6.5%	6.5%	2.8%	2.8%	7.2%	N/A	4.7%	4.7%
ROAE (%)	15.1%	13.1%	21.3%	24.1%	26.1%	31.3%	13.9%	13.3%	31.1%	25.2%
ROAA (%)	5.5%	5.3%	10.4%	11.0%	6.2%	8.1%	6.6%	6.5%	9.3%	7.6%

Source: VNDIRECT RESEARCH

Peer comparison

Company	Ticker	Price	Target price	Recom.	Mkt cap	P/E (x)		P/B (x)		3-year EPS	ROE (%)		ROA (%)	
		LC$	LC$		US$m	TTM	FY23F	Current	FY23F	CAGR (%)	FY23F	FY24F	FY23F	FY24F
Investment & Industrial Development	BCM VN	81,300	99,000	ADD	3,575	69.5	24.1	5.0	4.7	33.1	15.1	13.1	5.5	5.3
Vietnam Rubber Group	GVR VN	19,600	N/A	N/A	3,331	23.5	13.2	1.6	1.3	10.4	7.9	8.8	4.9	5.1
Kinh Bac City Development Holding	KBC VN	30,000	37,700	ADD	979	11.6	5.1	1.4	1.2	30.3	13.9	13.3	6.6	6.5
Viglacera Corp Jsc	VGC VN	43,000	N/A	N/A	819	15.8	8.2	2.5	2.0	3.6	23.5	18.6	7.7	14.7
Idico Corp Jsc	IDC VN	44,100	N/A	N/A	618	9.2	4.9	2.9	2.6	19.5	50.1	29.1	14.1	11.9
Saigon Vrg Investment Corp	SIP VN	110,000	N/A	N/A	425	10.4	N/A	3.1	1.6	N/A	31.4	N/A	5.3	N/A
Sonadezi Corp	SNZ VN	24,000	N/A	N/A	384	16.3	N/A	1.5	2.6	22.5	16.1	N/A	4.2	N/A
Phuoc Hoa Rubber	PHR VN	47,700	57,500	ADD	275	7.9	6.3	1.8	1.6	8.4	21.3	24.1	10.4	11.0
Sonadezi Chau Duc	SZC VN	37,400	41,400	ADD	159	28.3	7.9	2.4	2.2	64.8	26.1	31.3	5.8	7.2
Nam Tan Uyen Jsc	NTC VN	167,000	N/A	N/A	170	15.6	3.3	5.6	3.8	N/A	38.1	70.3	6.2	N/A
Long Hau Corp	LHG VN	27,100	N/A	N/A	58	6.6	3.3	0.9	0.8	23.7	13.6	21.0	7.0	10.9
Viet Nam Rubber Industrial Zone and Urban Development	VRG VN	21,100	N/A	N/A	23	11.1	N/A	1.7	N/A	N/A	1.2	N/A	0.7	N/A
Average						*18.8*	*8.5*	*2.5*	*2.2*	*24.0*	*21.5*	*25.5*	*6.5*	*9.1*
Median						*13.6*	*6.3*	*2.1*	*2.0*	*22.5*	*18.7*	*21.0*	*6.0*	*9.0*

Source: VNDIRECT RESEARCH, BLOOMBERG (data as at 26/06/2023)

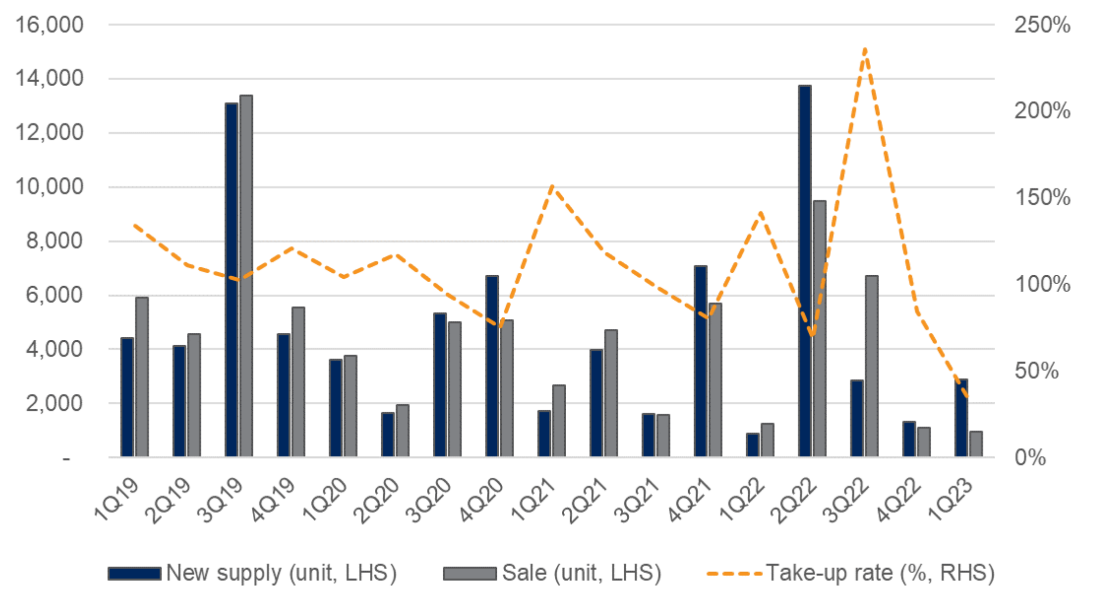
Residential Property

The worst is likely over, but headwinds remain

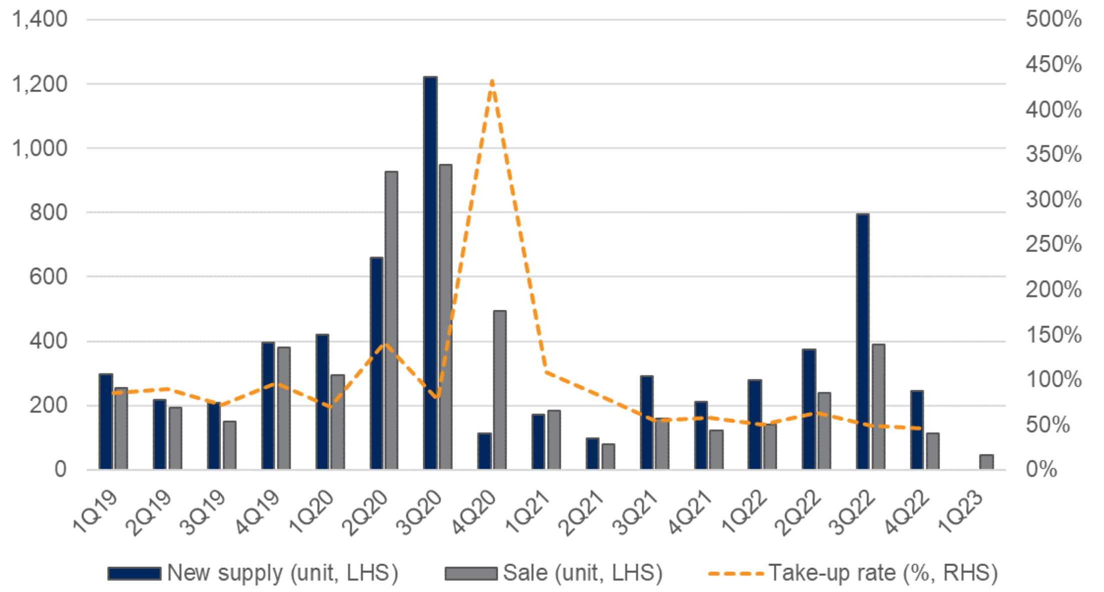
Residential property market is still in a harsh winter time in 1Q23

In the South, HCMC new supply remained low while absorption rate plummeted in 1Q23

HCMC condo supply improved while take-up rate dropped to only about 33% in 1Q23



HCMC's villa & townhouse market did not record any new supply for the first time in 10 years



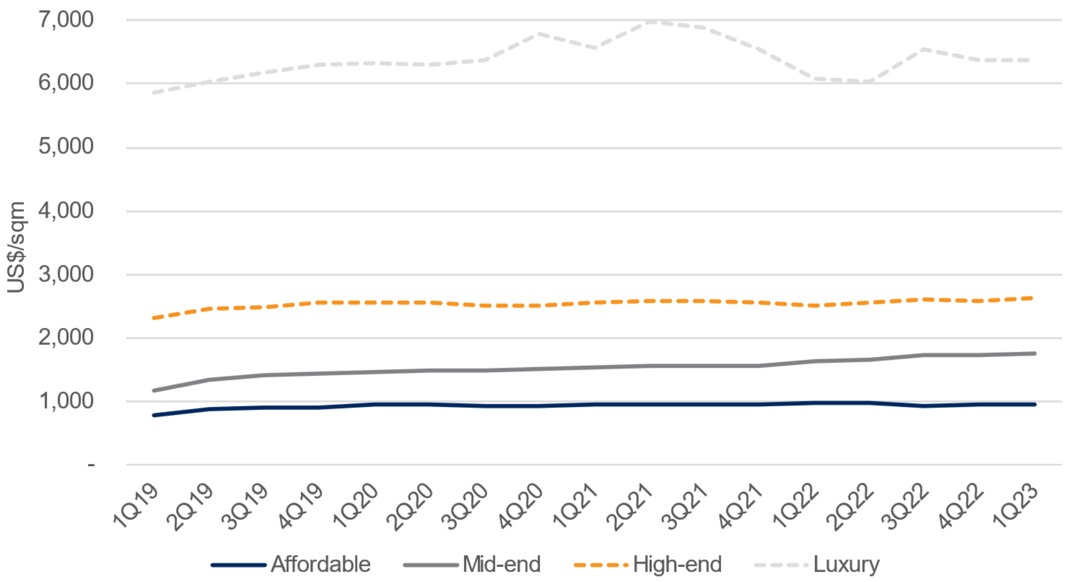
- According to CBRE, in 1Q23, the HCMC condo supply was improved with c.2,900 new units launched, double yoy and 1.2 times higher qoq. In which, Vinhomes Grand Park (District 9 – Thu Duc city) offered nearly 50% of new supply within the quarter. Most of the new supply came from the high-end segment. The total sold unit in 1Q23 was only 960, down 17% qoq.
- Meanwhile, HCMC landed property was extremely quite with no new supply in 1Q23. There were 45 units sold, mainly from The Classia (District 9 – Thu Duc city).

Source: CBRE, SAVILLS, VNDIRECT RESEARCH

Residential property market is still in a harsh winter time in 1Q23

Condo primary prices in HCMC were stable while secondary prices of landed property reduced in 1Q23

The average condo primary price in HCMC increased 2% qoq and 10% yoy, above VND60m/sqm in 1Q23



HCMC's secondary landed property price decreased by around 8% yoy in 1Q23

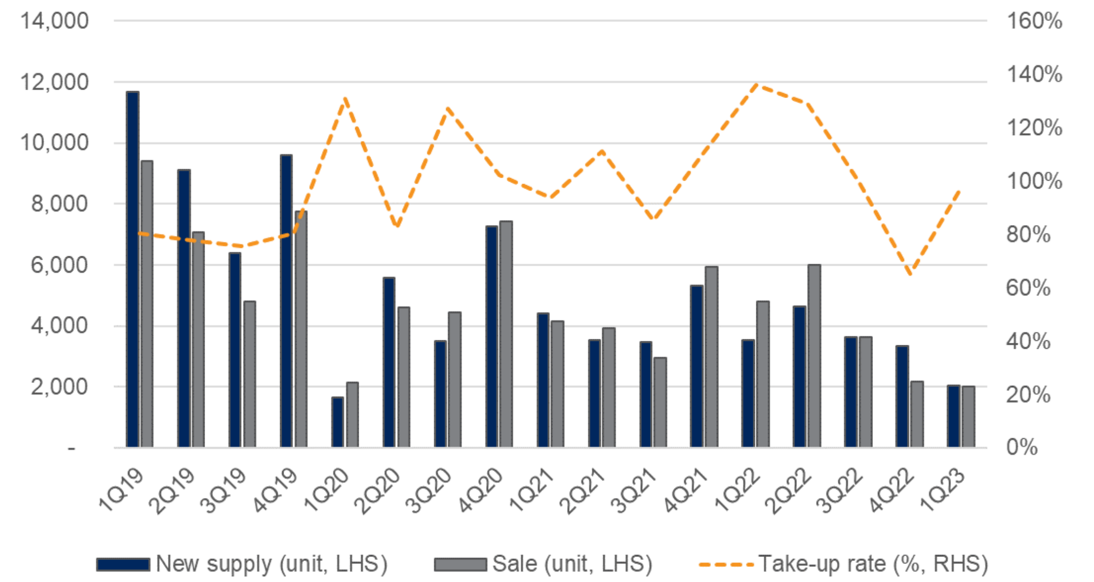
- The 1Q23 average primary condo price in HCMC edged up by 2% qoq and 10% yoy thanks to great contribution of Vinhomes Grand Park.
- According to DKRA, the transaction volume of the secondary market was still very low, the secondary price for landed property recorded an average decrease of 8% yoy.

Source: CBRE, SAVILLS, DKRA, VNDIRECT RESEARCH

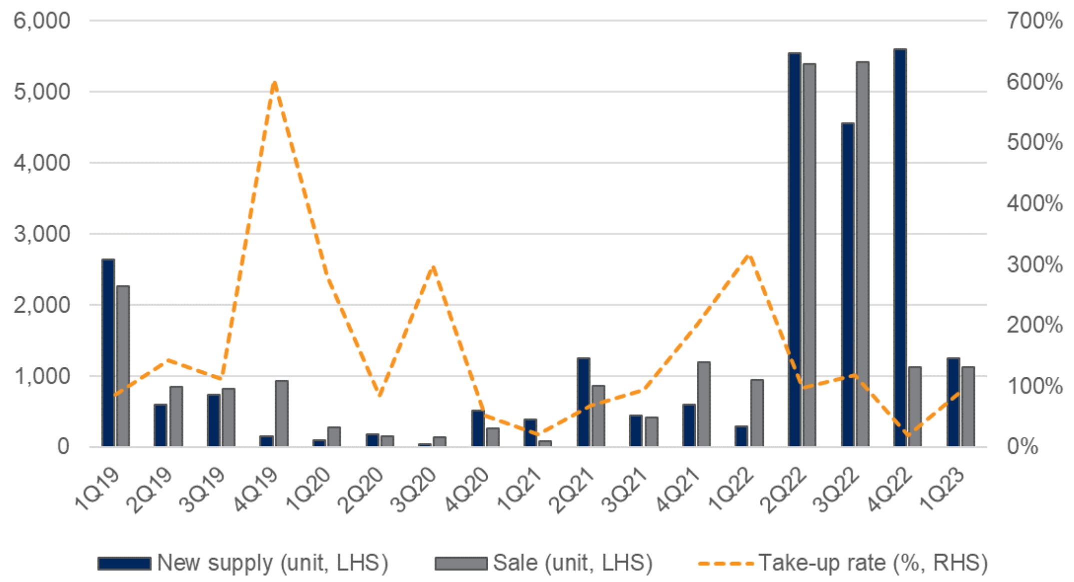
Residential property market is still in a harsh winter time in 1Q23

In the North, Hanoi property market witnessed a sharp qoq drop in new supply

Hanoi condo supply declined strongly by 43% qoq and 44% yoy



There were c.1,250 landed units launched in Hanoi, which was only one-fifth of the units launched in 4Q22



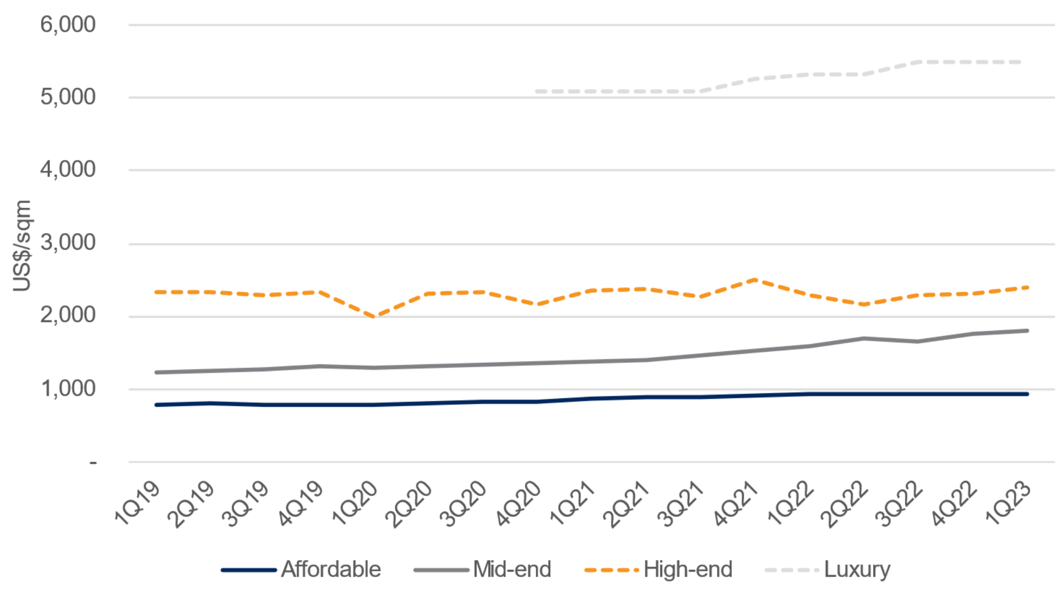
- According to CBRE, there were c.2,000 condo units launched in Hanoi, down 43% qoq and 44% yoy, which recorded the lowest quarterly new launch since 1Q20. In terms of segment, mid-end products accounted for 55% of the new launch, while high-end covered the remaining share. The number of sold units in 1Q23 in Hanoi stayed at a relatively similar to new launch during the quarter, down 58% yoy, showing the cautious sentiment of both developers and buyers.
- In 1Q23, there were c.1,250 landed units launched in Hanoi (-78% qoq) thanks to Vinhomes Ocean Park 2 – The Empire and Ocean Park 3 – The Crown. Total sold units of Hanoi landed property in 1Q23 was c.1,130 units, same as previous quarter.

Source: CBRE, SAVILLS, VNDIRECT RESEARCH

Residential property market is still in a harsh winter time in 1Q23

Price movements in Hanoi are similar to those in HCMC in 1Q23

The average condo primary price in Hanoi increased by 3% qoq and 20% yoy



Secondary price dropped for the second consecutive quarter in 1Q23 in Hanoi landed property market

- The primary prices of Hanoi condo averaged US$1,992/sqm by the end-1Q23, up by 3% qoq and 20% yoy, reflecting the concentration of high-end and mid-end products on the mix of the total new launch.
- Hanoi landed secondary price in 1Q23 went down further by 3% qoq and a significant 11% from its peak in 3Q22. This has been the second consecutive drop in secondary price after a string of increases since 2019.

Source: CBRE, SAVILLS, VNDIRECT RESEARCH

2H23-24F outlook: dealing with existing bottlenecks, might warming up from mid-2024F

We see three biggest bottlenecks that need to be resolved synchronously for the property market to recover

1, Funding channels: liquidity remains weak but the toughest time seems over.

2, Legal issue: waiting for more aggressive policies.

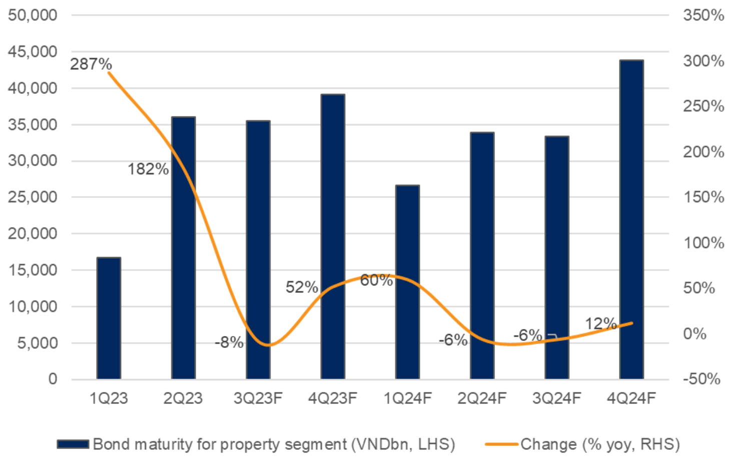
3, Rebalancing the market supply and demand: social housing drives the market.

- We believe that investors should keep a close eye on the status of refinancing channels, the legal process and the development of the social housing market to assess the recovery of the overall real estate market. These are the three most important bottlenecks for the market at the moment, in our opinion.
- We see that the worst is likely over while headwinds remain and the property market may recover gradually from mid-2024F.

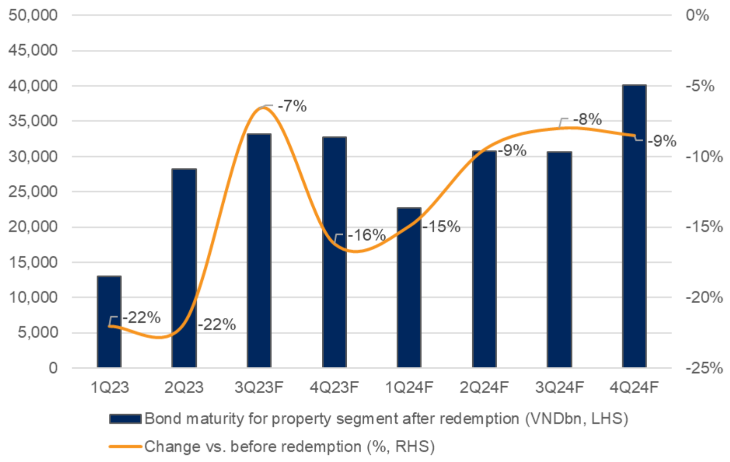
#1: Liquidity risks remain high, but the toughest time seems over

Property businesses actively buy back their corporate bonds

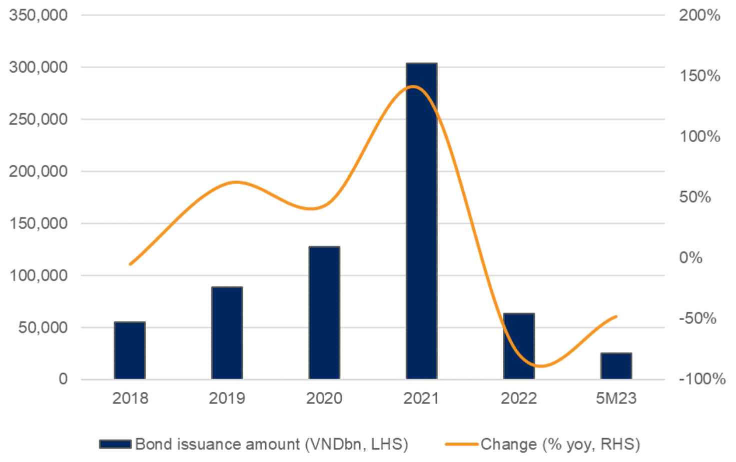
Property developers have bought back bonds valued VND12,561bn before maturity in 5M23, …



…, causing the amount of bonds maturing in 2H23F and 2024F to fall by 12% and 10% vs. before redemption, respectively



New bond issuance value of the real estate industry recorded a low level in 5M23 (VND24,911bn, -48% yoy)



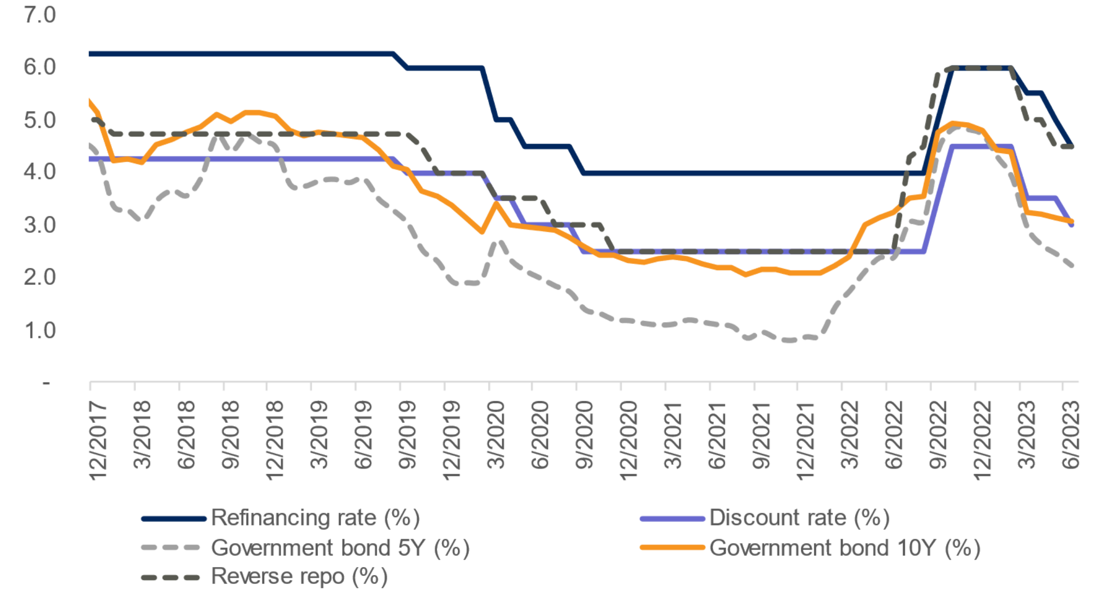
- In 1H23, we observe that the risk of default has somewhat eased as businesses extend the maturity of bonds as well as bank debt under Decree No.08/2023/ND-CP and Resolution No.33/2023/NQ-CP. However, the liquidity issue is still a concern when many businesses delay payment of interest and principal of bonds due to a combination of refinancing difficulties and sharp fall in presales. We believe that liquidity risks remain high with a large amount of bonds maturing from property developers, which is about VND65,906bn (+3% yoy) in 2H23F and VND124,200bn (+16% yoy) in FY24F.

Source: HNX, VNDIRECT RESEARCH

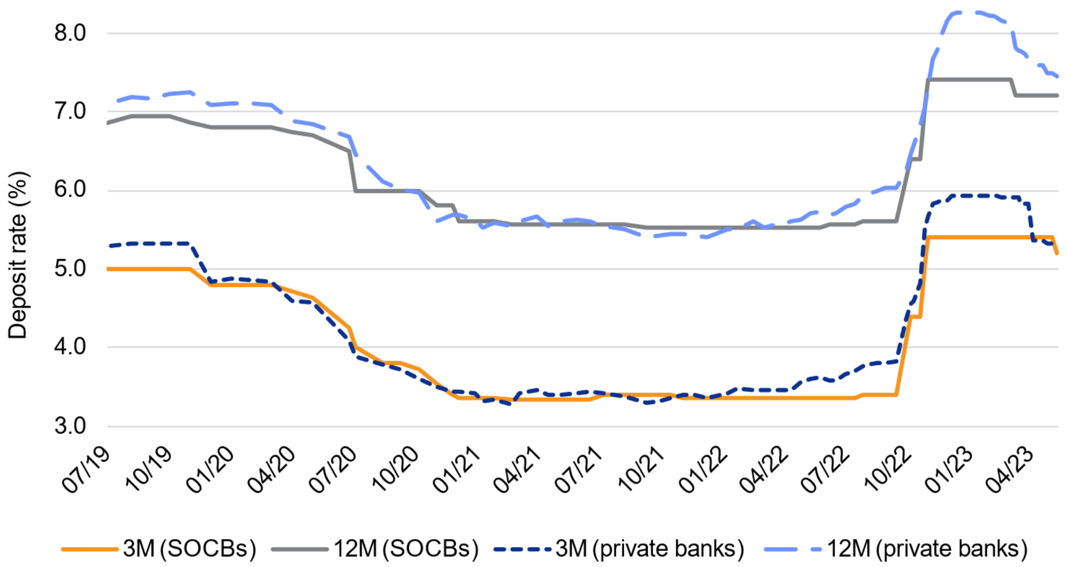
#1: Falling interest rates gradually defrost the market

Interest cost pressure on property businesses is somewhat eased when interest rates decrease

The SBV cuts its policy interest rates for the third time since the beginning of 2023



The deposit interest rates also decreased from end-1Q23



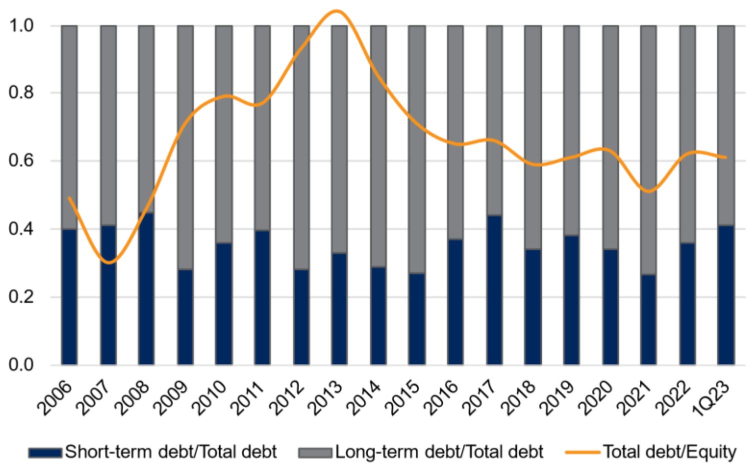
- The 12-month term deposit interest rate of commercial banks decreased by 30-40 bps in May 2023, ranging from 6.6% to 8.2% per annum, which could reduce interest pressure on floating loans of property enterprises.
- We observe that the actual average lending interest rate for property segment is still high at c.13-14%. We believe that the real estate market will warm up again when the mortgage rate edge down to around 10-11%.

Source: SBV, COMMERCIAL BANKS, VNDIRECT RESEARCH

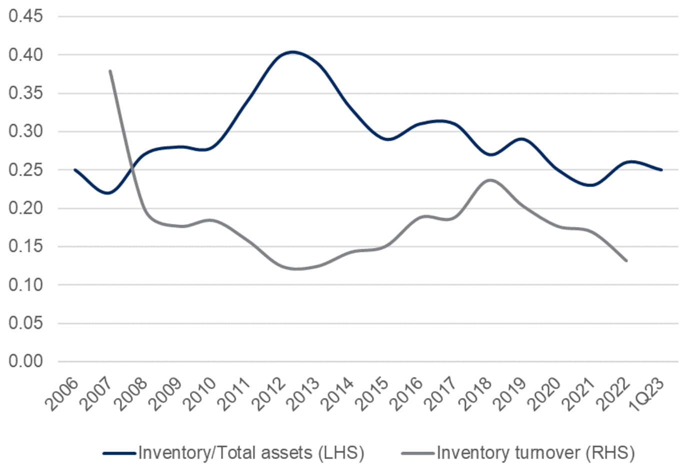
#1: Attempts to deleverage of property businesses in 1Q23

Property developers tend to shrink their balance sheets via debts

High interest rates environment caused businesses to shrink their long-term debts, reducing slightly total debt/equity ratio



Inventories/Total assets decreased slightly when total inventory value declined by 1.3% ytd



Prepaid from customers/Total assets decreased significantly as the value of prepaid decreased by 5% ytd

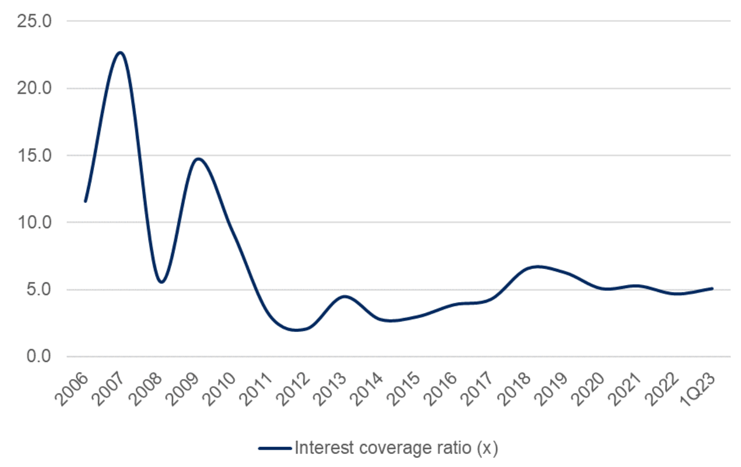
- Our estimates are based on financial statements of 210 property developers (including 118 listed and 92 unlisted companies) in the period of 2006-1Q23.
- We see that property businesses are tending to shrink their balance sheets through reducing long-term debt, mostly by buying back bonds before maturity or paying off bank loans in the high interest rate environment.
- Total value of inventory and prepaid from customers of the observed sample decreased by 1.3% and 5.0% ytd, respectively. This is understandable given the disruption of construction and sales activities.

Source: FIINPRO, VNDIRECT RESEARCH

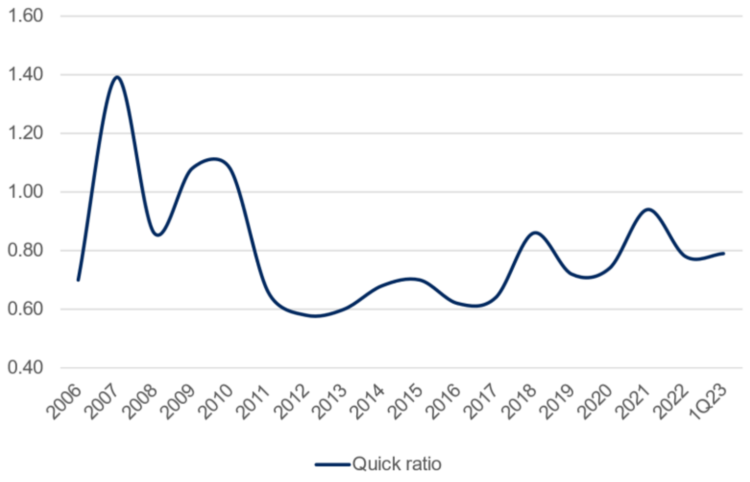
#1: Solvency and liquidity ratios are marginally improving in 1Q23

There were signs of liquidity improvement, albeit modestly

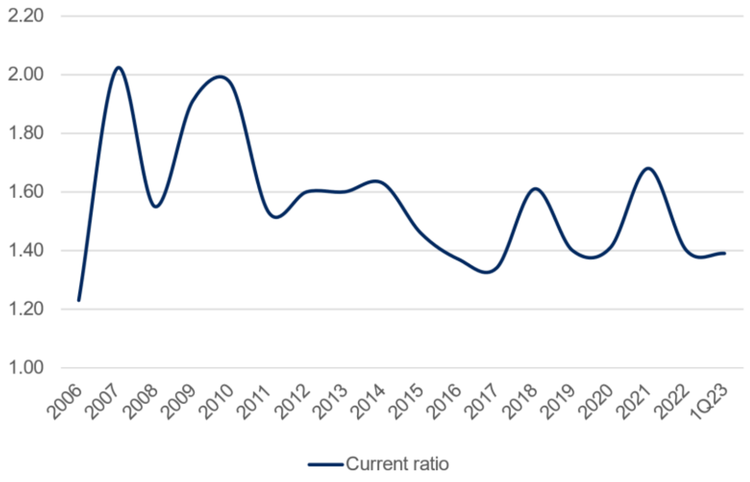
1Q23 interest coverage ratio had a little improvement



Quick ratio is still healthier than that of FY11-13



While current ratio has stayed flat at low level, which indicates the liquidity risks is still high



- In general, we observed that current property developers still have better financial health with lower leverage and healthier quick ratio and interest coverage ratio than that of 2011-13. However, current ratio fell sharply to the bottom 2011-13 period which indicates the possibility of default risks is as high as 2011. Notably, these solvency and liquidity ratios are slightly improving in 1Q23.

Source: FIINPRO, VNDIRECT RESEARCH

#2: There have been positive moves in solving legal problems…

Array of laws to be issued in favor of residential property market in 1H23

The Government continues improving legal framework in favor of housing and property business

Policy issued	Issue time	Effective	Key content	Impact assessment
Decree No.08/2023/ND-CP on Corporate bonds	05 Mar 2023	05 Mar 2023	- Create a legal basis for the issuer to reach an agreement on the extension of the maturity date. - Allow the issuer to pay debt obligations and bond interests with other legal assets. - Defer the implementation of some provisions such as professional investor regulations or increase distribution time. - Extending the mandatory credit rating until 01 Jan 2024.	- Allowing debt rescheduling and swapping bonds for other assets to ease liquidity pressure for investors in the short term. - The suspension of the mandatory credit rating regulation and the regulation of professional investors are factors that help improve new issuance activities.
Resolution No.33/NQ-CP on a number of solutions to remove and promote the property market	11 Mar 2023	11 Mar 2023	- Direct the SBV to guide credit institutions to consider and apply appropriate handling measures for debts in the property sector (extend principal/interest repayment or maintain debt groups). - Assign the SBV to implement a credit program of about VND120tr. - Assign the SBV to consider adjusting the risk coefficient, thereby reducing the lending limit for property enterprises. - Encourage commercial banks to lower interest rates for the real estate segment and extend short-term loans to investors with liquidity problems.	As a premise for many other supportive policies, together with Decree 08 allowing investors to extend their debt repayment obligations. This would significantly reduce liquidity pressure on business in the short term and give them more time to restructure its debts.
Document No.2308/NHNN-TD on implementing a credit program of about VND120tr.	01 Apr 2023	01 Apr 2023	- Loans to developers and home buyers for social housing projects with interest rates of 8.7% and 8.2% per annum, respectively (applicable until 30 Jun 2023, then announces the interest rate every 6 months).	Since the end of the VND30tr housing support credit package, the allocation of capital for social housing development has faced many limitations. A credit package of VND120tr is expected to create opportunities for homebuyers and social housing investors to access preferential capital.
Decision No.388/QD-TTg on approving the project of "developing at least one million social housing apartments for low-income people and industrial park workers in the 2021-30 period"	03 Apr 2023	03 Apr 2023	- Striving to completing c.1,062,200 apartments by 2030, of which c.428,000 apartments will be completed in the period of 2021-25; c.634,200 units in the period of 2025-30. - Amending and supplementing regulations on incentives for property developers that 20% of commercial land area in social housing projects is separately accounted. - Amending the regulation that "social housing projects must reserve at least 20% of the social housing area in the project for lease and the developers may only sell it after 5 years of being put into use" in the direction of not forcing developers to set aside housing funds for rent. - Add more social housing buyer qualifications.	- The support and incentive policies for investors participating in social housing development are more focused, expected to attract more investors to develop this type. - To accomplish the objectives in the project, it is necessary to add policies to remove obstacles in terms of supply and trading mechanism.
Decree No.10/2023/ND-CP on amending and supplementing a number of articles of decrees guiding the implementation of the Land Law	03 Apr 2023	03 Apr 2023	- Regulations on certification of ownership of construction works attached to land according to the purpose of commercial and service land use, for construction works used for tourist accommodation purposes (condotels). - Supplement the policy of land allocation in case the investor is approved. - Additional time for provincial People's Committees to issue specific land prices within 90 days from the date of land allocation.	- Provincial Department of Natural Resources and Environment has enough legal basis to issue certificate for condotels. - Create a land allocation mechanism in case only one investor meets the investor selection requirements and is approved by the State. - Solve the situation that local authorities are slow to approve land use fees, which prolongs the project implementation time. This is one of the problems causing bottlenecks for many projects, especially in HCMC.

- HCMC has set a target of removing legal issues for 50 property projects in 2023. The city has 156 property projects being built by 121 developers who are still waiting for problems to be resolved (about 70% are related to legal issues). With legal obstacles removed for these projects, HCMC will have c.4,000-5,000 apartments up for sale, easing supply pressure.
- Dong Nai, Binh Thuan, Binh Duong and other provinces also actively propose to remove difficulties for property projects.

Source: VNDIRECT RESEARCH

#2: …But more is needed

Expecting more aggressive policies soon to boost property sales

Summary key housing policies easing in FY23F

1Q23

Ease short-term liquidity pressure for property developers.

- Issued Decree No.08 to extend bond repayments and allow the issuers to pay debt obligations and interest with other legal assets (given the agreement of bondholders).
- Resolution No.33 to allow developers with liquidity issues to extend their short-term bank loans.

2Q-3Q23F

Unlocking funding channels for property enterprises.

- Banks are likely to lend more to property businesses.
- Lower mortgage rates.
- Submit to the National Assembly for consideration and promulgation "The National Assembly's Resolution piloted a number of policies to promote the development of social housing" in May 2023.
- Offer preferential credit packages.

After 4Q23F

Untying a series of legal knots.

- Submit to the National Assembly for consideration and promulgation the amended Land Law, Housing Law, Law on real estate business in Oct 2023.

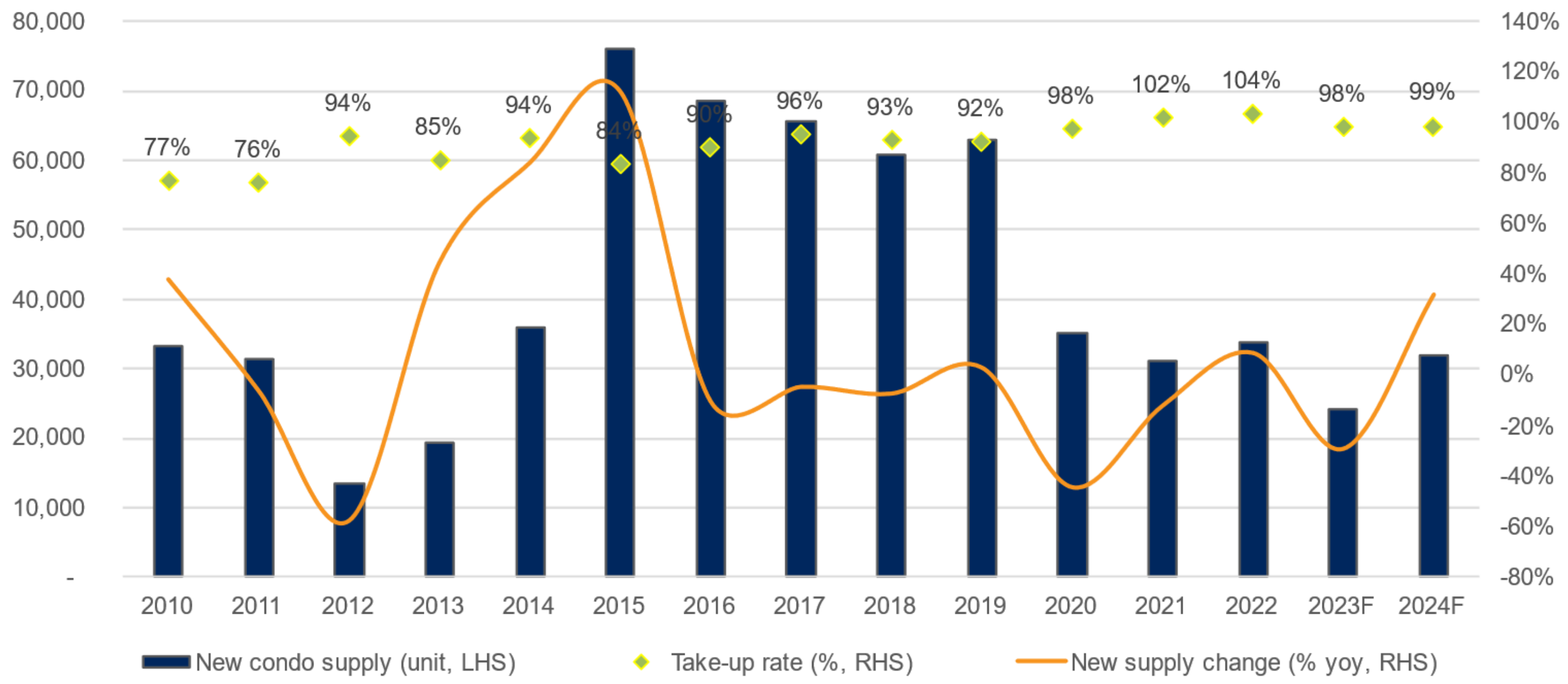
➢ We believe that the on-schedule Land law 2023 likely effective in 2H24F should mark a turning point for the property sector as they tackle the bottlenecks in the approval of new residential projects, leading housing supply to recover gradually in 2024-25F.

Source: VNDIRECT RESEARCH

#3: Regulators making efforts to rebalance supply and demand

The imbalance between supply and demand in the residential property market

HCMC and Hanoi new condo supply shortage since 2020, with a high take-up rate of around 100%, pointing housing demand still high

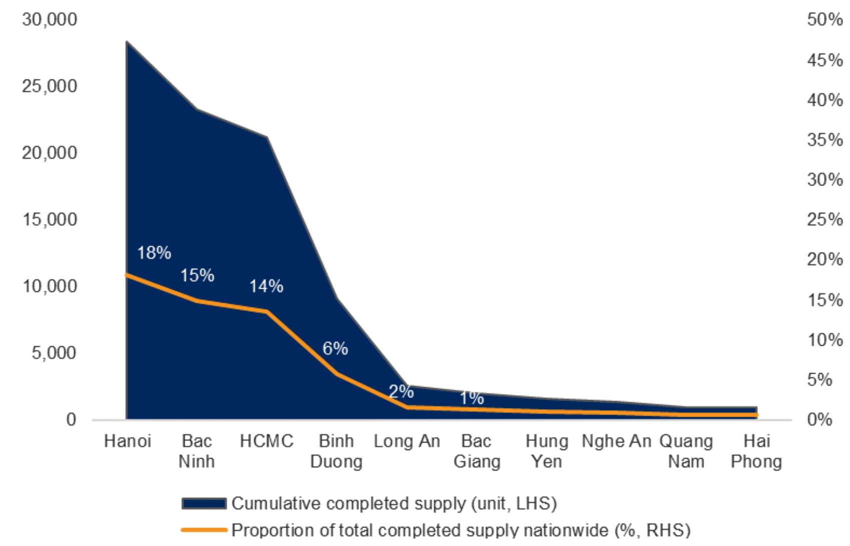


- The current market has suffered an imbalance between supply and demand with an oversupply in the high-end segment but a shortage of affordable housing products.
- We see the regulators making efforts to rebalance supply and demand, besides the stimulus credit package for social housing, the Government have committed to build more than at least 1 million social-housing units and homes for workers by 2030F to meet the demand for middle and low income households.

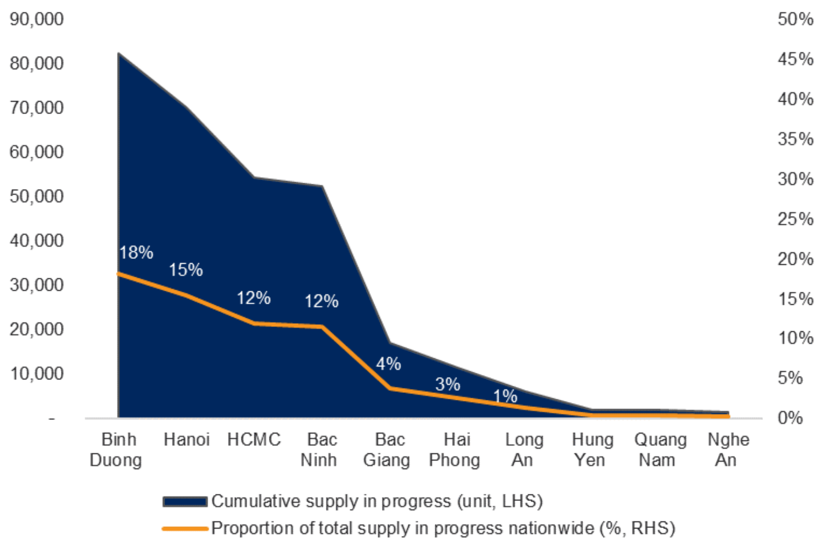
Source: CBRE, SAVILLS, JLL, VNDIRECT RESEARCH

#3: One million social housing apartments to meet the huge demand of this segment

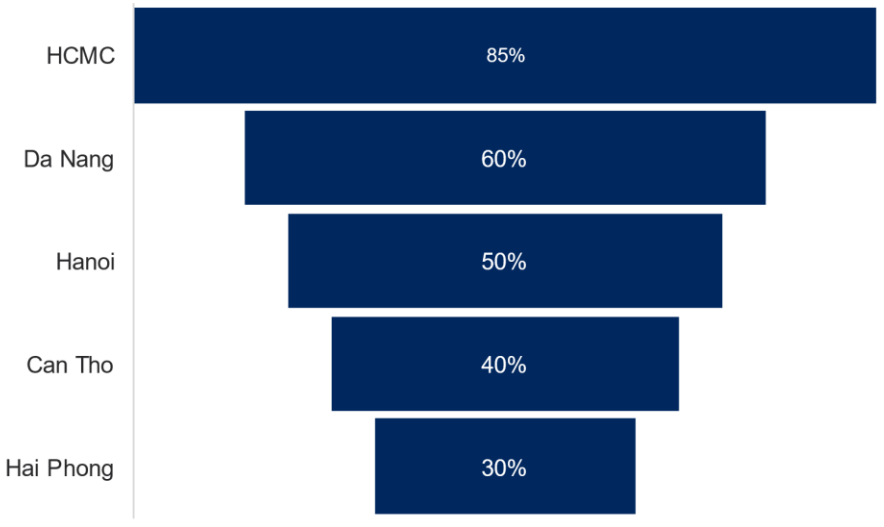
Hanoi ranks first with completed supply of social housing



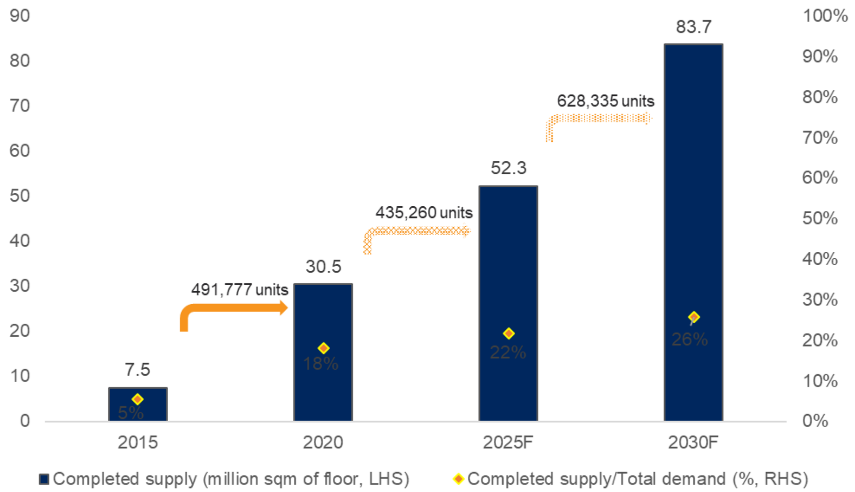
Binh Duong ranks first with the ongoing supply of social housing



Percentage of projects facing problems in big cities



Expected supply of social housing (million sqm of floor) according to the projection in Decision No.338

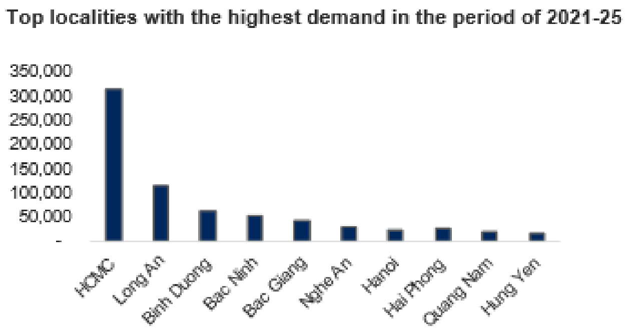


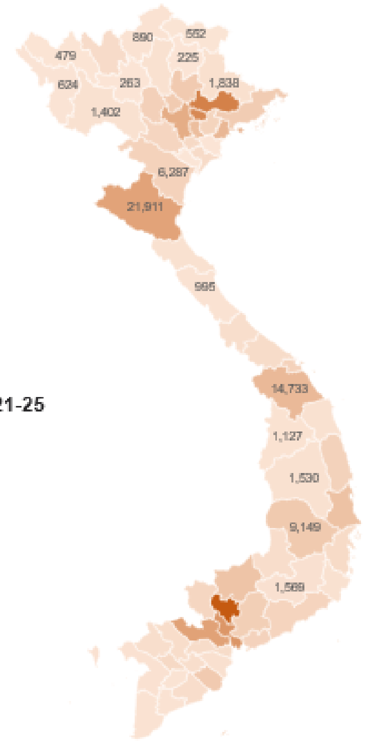
Source: PROJECTION IN DECISION NO.338/QD-TTG

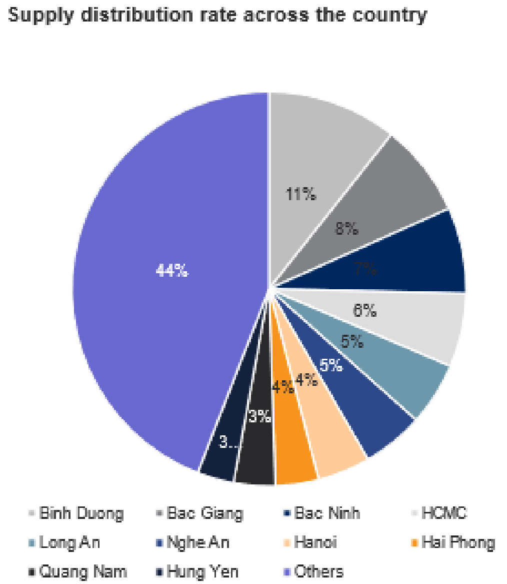
#3: Large enterprises participate in the construction of social housing across Vietnam

Social housing can become a cash-flow "lifesaver" for developers with low-interest credit lines

Expected supply allocation for the period of 2021-25F (units)





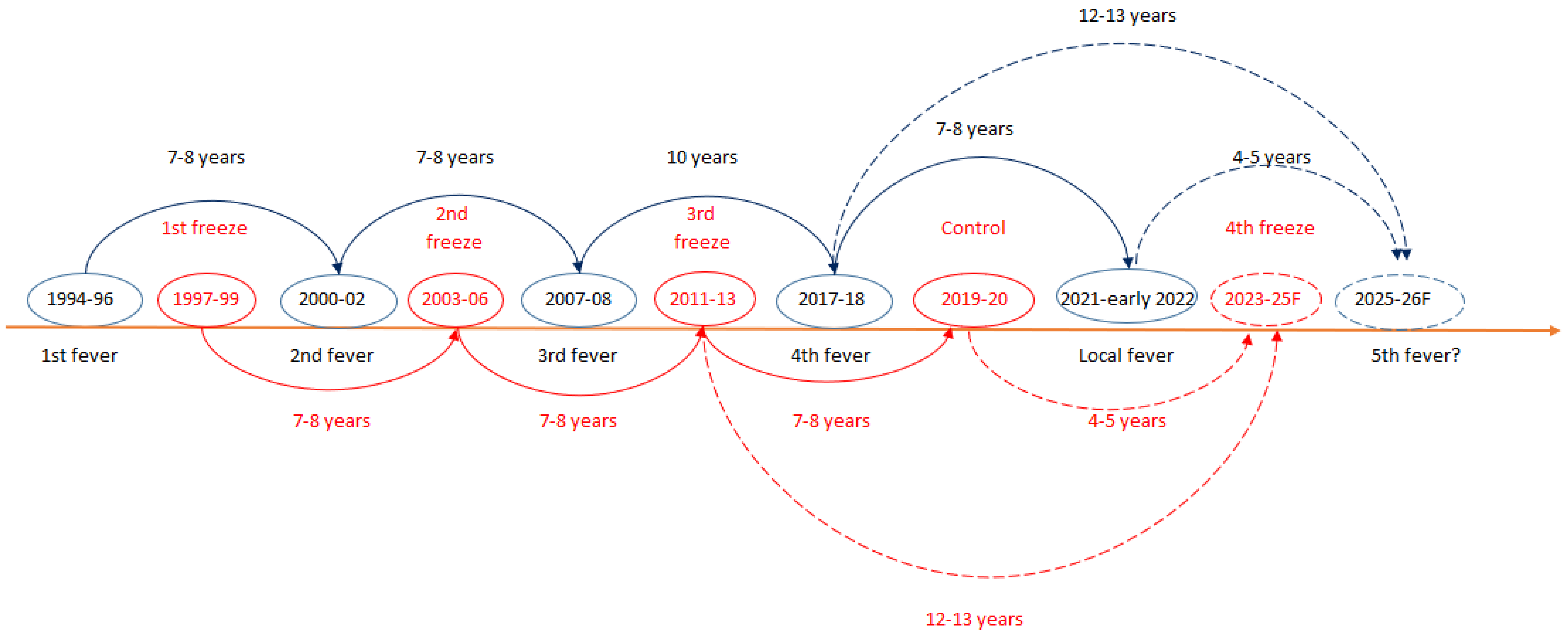


- Since the beginning of this year, many big players in the real estate industry such as Hung Thinh Corporation, Vinhomes, Novaland, Becamex IDC, Hoa Binh Group... have announced the construction of hundreds of thousands of social and affordable housing for workers.
- The credit package of VND120tr like “a shower in the middle of a drought" can relieve homebuyers. We believe that developers will take advantage of participating in this segment to seek cash flow.

Source: VNDIRECT RESEARCH

When will the Vietnamese residential property market recover?

The Vietnamese residential property market is unlikely to recover before late-2024F, in our view



- Regarding the outlook for the residential property market, we believe that the market will still be quiet in the next one year, the recovery will be clearer from 2H24F when the monetary policy is loosened further.
- We want to emphasize that there is a big difference between this time and the period 2011-2012. The market was oversupplied at that time and inflation is extremely high, while at the moment, the project supply is very limited, the demand is still high, so we think the market might recover faster.

Source: VNDIRECT RESEARCH

Stock picks: NLG, VHM and KDH, DXG in watchlist

No	Ticker	1-year TP (VND/share)	Rating	Investment thesis
1	STOCK PICK NLG	39,850	ADD	NLG has solid intrinsic strength from sound product segment and flexible strategy on the back of a healthy financial position and sizeable land bank of 681ha as of 1Q23, which is already completed legal procedures as well as infrastructure to be launched. (1) We believe NLG will continue to maintain annual presales in FY23-25 from over VND8,500bn, thanks to high exposure to the mid-range and affordable condo segments as these segments are driven by real end-user demand. (2) With a healthy financial structure and strong cash flow from previous presale by real end-user, we do not see any challenges in NLG's liquidity, with a low net debt/equity ratio of 10% (vs. its peer average of 57-61%), and a high proportion of cash and cash equivalents of VND4,281bn, accounting for 15.7% of its total assets as of end-1Q23. (3) We forecast a 31.4% CAGR of revenue and 27.0% CAGR of net profit in FY22-24F, mostly driven by strong property handovers from previous presales back up.
2	STOCK PICK VHM	82,000	ADD	(1) VHM is a leading property developer with a total land bank of about 16,800ha by the end of 2021; in which, 90% of its total land bank had not been deployed yet, showing the huge potential of the VHM in the future. Despite the prospect of this year's real estate market remaining quiet, VHM is still attractive for long term investment regarding its position, brand name and undemanding valuation. In the context of tightening bank loans into property sector and stricter supervision in corporate bond issuance, we still believe that liquidity is not a concern for VHM. VHM maintains low leverage with a net debt/equity ratio of 19.4% in end-1Q23 to minimise potential risks. (2) VHM is one of the few property companies that announced 1Q23 net profit at a strong growth, reaching VND11.9tr (+162.5% yoy), due to (i) handing over Vinhomes Ocean Park 2 – The Empire and (ii) recording wholesale transactions at Vinhomes Ocean Park 2 & 3 with a total pre-tax profit of VND8.5tr, accounting for 56% of VHM's 1Q23 EBT. At the end of 1Q23, VHM's unbilled revenue reached VND92.7tr (+63% yoy), showing great growth potential in the coming quarters. (3) Management plans to launch three Happy Home social housing projects in Hai Phong, Thanh Hoa and Quang Tri in 2H23F. Participating in this market helps VHM access cheap capital and affirms the coverage of VHM's products in the Vietnamese real estate market.

Source: VNDIRECT RESEARCH, COMPANY REPORT

Stock picks: NLG, VHM and KDH, DXG in watchlist

No	Ticker	1-year TP (VND/share)	Rating	Investment thesis
3	KDH	30,000	HOLD	(1) We like KDH for its scale, financial capacity, huge land bank in HCMC's sought-after locations (c.600ha for residential and 110ha for industrial park as of end-1Q23) as well as legally transparent. These factors position KDH well to capture demand those use property as inflation hedge, in our view. (2) We expect the company to launch The Privia (1.8ha) with a take-up rate of 60-70% in FY23F, and two low-rise projects (Classia – 4.3ha; Clarita – 5.7ha) in FY24F, implying a 35.0% yoy/41.3% yoy increase in FY23-24F presales value. (3) We estimate KDH's FY23F revenue to decrease 23.5% yoy to VND2,228bn, with gross margin expanding 13.7% pts yoy to 61.2% on low-rise Classia project handovers. We forecast FY23F net profit to decline by 22.4% yoy to VND856bn due to lack of one-off gains. We find more recovery from FY24F with FY24-25F NP up 32.5% yoy/19.7% yoy on FY23-24F presales backlog.
4	DXG	12,700	HOLD	DXG continued to show a disappointed earnings with a fall about 76.8% yoy in 1Q23 revenue come from the dropping in both property development and property brokerage. Despite continuously cutting staff to narrow the business scale, operating expenses remained high, which weighed on business efficiency, causing 1Q23 net profit continue to record a loss for the second quarter in a row (-VND95bn). In the harsh time to implement new projects in HCMC, we believe DXG will push the development of projects with clear and transparent legality in neighboring provinces. With only DXH Parkview opening for sale in 2023, presale value will decline before recovering about 83.9% yoy in 2024 thanks to the contribution from opening for sale of DXH Park City. With lower-than-expected presale and handover value, we cautiously forecast that FY23F core revenue from development property will decrease by 3.0% yoy and only bounce back with a 58.1% yoy increase in FY24F revenue thanks to handover Gem Skyworld and Opal Skyline. From the low base of FY22's result, we expect FY23-24F NP will surge by 285.6%/65.3% yoy as the reduction in labor costs and narrow down operation to appropriate property market.

Source: VNDIRECT RESEARCH, COMPANY REPORT

FY23-24F earnings forecast of stocks under coverage

	NLG		VHM		KDH		DXG	
	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Revenue (VNDbn)	4,857	7,493	83,124	93,066	2,228	4,275	5,406	7,259
% growth	*11.9%*	*54.3%*	*66.4%*	*12.0%*	*-23.5%*	*91.9%*	*-3.1%*	*34.3%*
Gross margin (%)	*38.5%*	*43.5%*	*51.3%*	*55.7%*	*61.2%*	*43.7%*	*53.6%*	*52.4%*
EBITDA margin (%)	*23.5%*	*23.9%*	*47.4%*	*52.0%*	*47.2%*	*32.9%*	*30.4%*	*29.0%*
Net profit (VNDbn)	607	896	32,087	38,394	856	1134	574	948
% growth	*9.2%*	*47.6%*	*3.3%*	*19.7%*	*-22.5%*	*32.5%*	*285.6%*	*65.3%*
Presale value (VNDbn)	8,971	9,910	85,877	92,613	3,538	5,000	2,235	4,111
% growth	*-11.8%*	*10.5%*	*-33.8%*	*7.8%*	*35.0%*	*41.3%*	*-33.5%*	*83.9%*
EPS (VND/share)	1,586	2,341	7369	8,817	1,194	1,582	938	1,550
BVPS (VND/share)	24,659	26,622	43,250	52,067	17,316	18,897	15,413	16,963
Net cash/share (VND/share)	1,054	2,804	-1,066	2,289	-2,893	-5,216	-3,634	-7,570
D/E	0.4	0.5	0.2	0.2	0.5	0.4	0.6	0.7
Dividend yield (%)	4.0%	4.0%	0.0%	0.0%	7.0%	8.6%	7.0%	8.6%
ROAE (%)	6.6%	9.1%	18.6%	18.5%	10.7%	14.2%	6.2%	9.6%
ROAA (%)	1.9%	2.6%	8.1%	8.3%	7.0%	11.1%	4.0%	6.2%

Source: VNDIRECT RESEARCH

Financial strength of listed developers on each criteria as of end-1Q23

		Total liabilities/Total assets	Net debt/Equity	Interest coverage	Cash and cash equivalent/Short-term debt	Quick ratio	Inventory/Total assets
1	VIC	77%	113%	2.3	27%	0.6	15%
2	VHM	58%	19%	23.1	10%	0.8	16%
3	NVL	83%	129%	0.5	18%	0.8	53%
4	DXG	54%	37%	0.3	28%	1.0	50%
5	PDR	62%	39%	1.4	9%	0.4	56%
6	NLG	52%	10%	1.4	188%	0.9	57%
7	KDH	43%	42%	418.2	173%	2.6	61%
8	SSH	64%	75%	2.6	31%	1.0	12%
9	HDG	53%	79%	4.1	66%	1.0	8%
10	DIG	43%	30%	6.1	26%	1.3	44%
11	TCH	18%	-54%	166.9	827%	3.0	36%
12	TID	73%	85%	2.4	30%	0.9	5%
13	KSF	46%	-4%	1.7	8%	2.9	2%
14	AGG	74%	20%	(0.3)	129%	0.8	38%
15	VPI	67%	92%	4.2	28%	1.0	17%
16	SCR	47%	35%	1.0	6%	1.0	30%
17	QCG	55%	13%	1.3	9%	0.1	73%
18	THD	25%	13%	6.0	3%	1.6	1%
19	HTN	84%	160%	0.7	3%	0.9	23%
20	CEO	43%	19%	2.6	17%	0.9	22%
21	HQC	40%	0%	4.2	252%	1.1	8%
22	KHG	24%	14%	3.4	9%	1.1	3%
23	CRE	24%	14%	0.2	11%	2.6	7%
24	VCR	73%	118%	-	13%	0.3	1%
25	SJS	62%	58%	-	4%	0.1	55%
26	IJC	38%	20%	8.8	22%	0.4	55%
27	NBB	73%	148%	1.0	1%	0.7	21%
28	IDJ	59%	-1%	20.9	786%	0.6	36%
29	HDC	58%	86%	3.3	2%	0.7	25%
30	TIG	40%	-7%	58.1	No short-term debt	1.1	14%
31	KOS	52%	83%	1.3	0%	0.8	49%
32	ITC	47%	27%	2.6	20%	0.3	41%
33	DRH	59%	39%	1.6	15%	0.6	27%
34	LSG	56%	99%	1.3	2%	1.3	47%
35	API	59%	48%	1.6	3%	0.8	44%
36	SID	5%	-16%	-	No short-term debt	17.9	0%
37	NRC	44%	45%	(21.1)	0%	1.2	3%

Lower pressure

Higher pressure

Peer comparison

Company	Ticker	Price	Target price	Recom.	Mkt cap	P/E (x)			P/B (x)			3-year EPS	ROE (%)		Net D/E as of
		LC$	LC$		US$m	TTM	FY23F	FY24F	Current	FY23F	FY24F	CAGR (%)	FY23F	FY24F	1Q23 (%)
Residential/hospitality developers															
Vinhomes	VHM VN	55,500	82,000	ADD	10,269	7	7.9	7.3	1.5	1.4	1.2	(0.4)	18.6	18.5	19.4
Novaland	NVL VN	15,000	NR	NR	1,243	41	N/A	N/A	0.8	0.8	0.8	11.2	(1.8)	(3.4)	128.9
Phat Dat	PDR VN	17,050	NR	NR	487	13	N/A	N/A	1.4	N/A	N/A	38.7	N/A	N/A	39.3
Khang Dien	KDH VN	31,300	30,000	HOLD	953	24	23.8	16.5	1.9	1.8	1.6	(6.9)	10.7	14.2	42.4
Nam Long	NLG VN	33,800	39,850	ADD	552	26	21.4	19.5	1.5	1.4	1.3	(16.1)	6.6	9.1	10.1
Dat Xanh	DXG VN	15,600	12,700	HOLD	404	N/A	38.0	28.7	1.0	N/A	N/A	53.1	6.2	9.6	37.2
Development Investment Construction	DIG VN	22,800	NR	NR	591	87	N/A	N/A	2.0	N/A	N/A	0.1	N/A	N/A	30.3
An Gia	AGG VN	28,850	NR	NR	153	150	N/A	N/A	1.5	N/A	N/A	N/A	N/A	N/A	19.7
Average						*49.7*	*22.8*	*18.0*	*1.5*	*1.4*	*1.2*	*11.4*	*8.1*	*9.6*	*40.9*
Median						*33.5*	*22.8*	*18.0*	*1.5*	*1.4*	*1.2*	*5.7*	*7.3*	*9.6*	*33.7*
Brokerage															
Dat Xanh Services	DXS VN	8,810	NR	NR	170	22	36.0	13.4	0.7	0.7	0.7	N/A	1.9	5.1	20.6
Century Land	CRE VN	8,910	NR	NR	176	55	33.9	17.0	0.7	0.7	0.7	0.2	2.2	4.3	13.8
Khai Hoan Land	KHG VN	6,140	NR	NR	117	6	N/A	N/A	0.5	N/A	N/A	N/A	N/A	N/A	14.0
Danh khoi	NRC VN	5,700	NR	NR	22	N/A	N/A	N/A	0.5	N/A	N/A	N/A	N/A	N/A	44.9
Average						*28*	*35.0*	*15.2*	*0.6*	*0.7*	*0.7*	*0.2*	*2.1*	*4.7*	*23.3*
Median						*22*	*35.0*	*15.2*	*0.6*	*0.7*	*0.7*	*0.2*	*2.1*	*4.7*	*17.3*

Note: all prices are based on the closing prices on 26 Jun 2023. All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

Source: VNDIRECT RESEARCH

Consumer

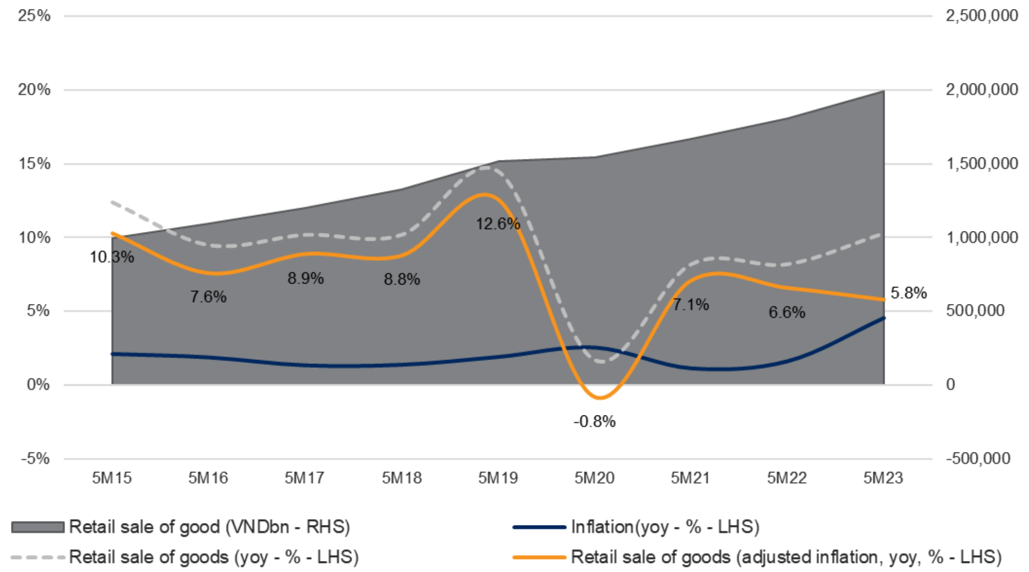
Get ready for new consumption cycle

VNDIRECT

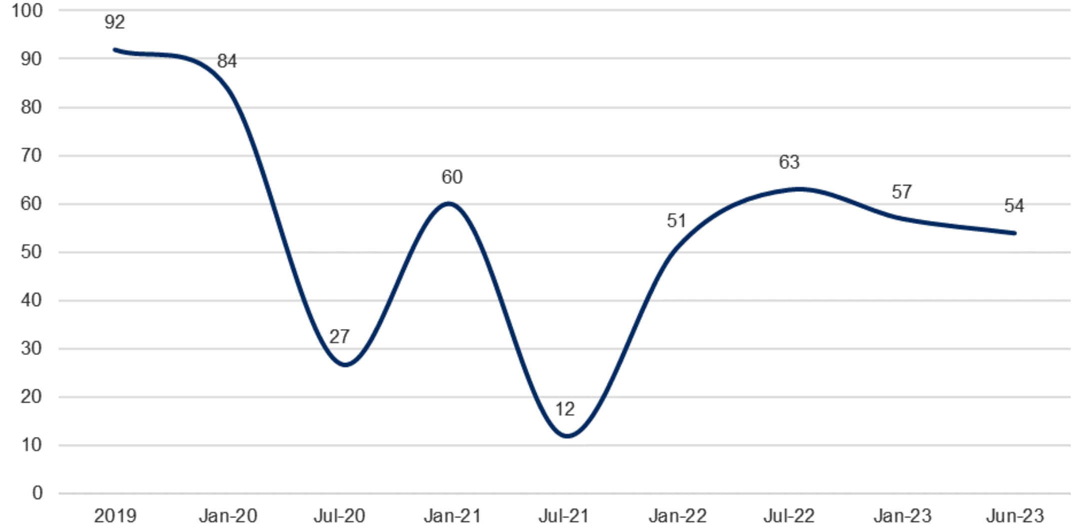
5M23: Weak consumption under negative macro impacts

According to General Statistics Office, total retail sales of goods in 5M23 only grew 5.8% yoy (inflation adjusted), the lowest in the period of 2015-2023 (except 2020 due to Covid-19)

Vietnam's retail sales of goods in 5M from 2015-2023



Consumer confident level from 2019 - Jun 2023 (point)



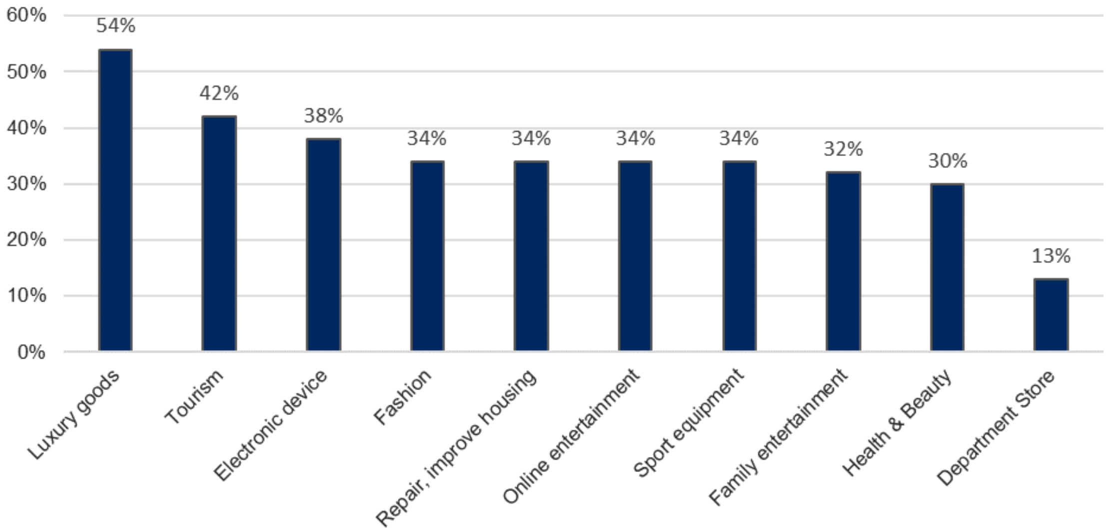
- In 5M23, total sales of goods and services grew 11.9% yoy to VND2,527tr, in which, total sales of goods grew 10.3% yoy. However, following the rising of inflation since 4Q22 (about 4.54% yoy), total retail sales of goods with inflation adjusted only grew 5.8% yoy, the lowest compared to the same period in 2015-2023 (except 2020 due to Covid-19), showing a decline in Vietnam's total consumption followed negative macro impacts to employments and high interest rate environment.
- According to Infocus survey, consumer confidence level has declined for 1 year in a row, falling from 63 points in Jul 2022 to just 54 points in Jun 2023. Major issues affecting consumer confidence mainly came from macro factors including inflation (57% survey), Vietnam economic slowdown (45% survey), unemployment (41% survey) and global economic downturn (39% survey).

Sources: GSO, Fiinpro, Infocus Mekong research

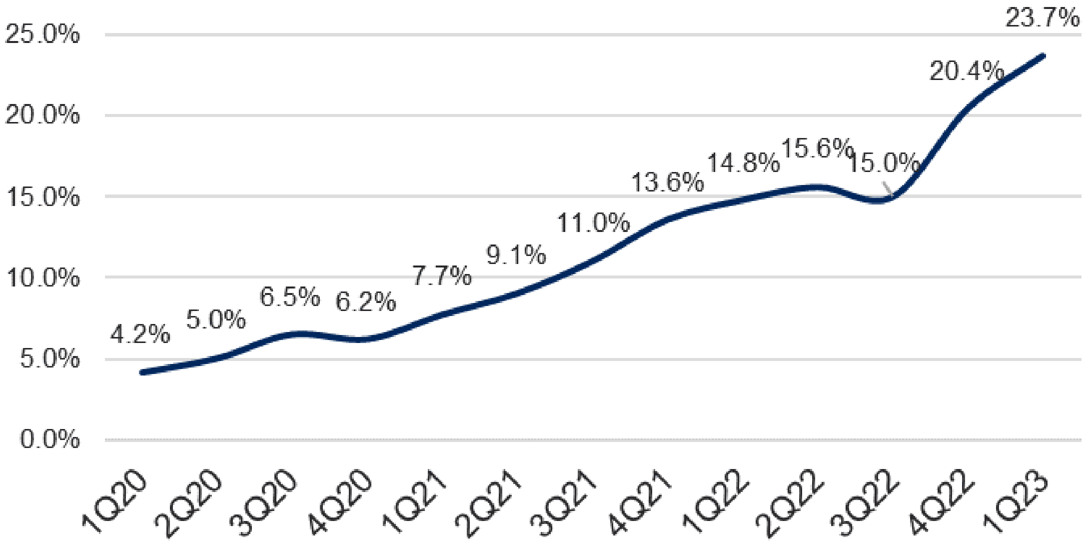
5M23: Weak consumption under negative macro impacts

With macro concerns, people tend to reduce spending on non-essential products, strongly affecting the business results of retailers in this segment in the market.

Items expected to be spent less in the next 6 months according to the survey in Vietnam (% - survey in 1Q23 by PwC)



Quarterly NPL ratio of FE Credit from 2020 – 1Q23



- According to a survey by PwC from 1Q23 in Vietnam, consumers will tighten their spending the most on non-essential items, including luxury goods (54% survey), electronic devices (38% survey), fashion (34%), home appliance (34%),… reflected in the negative results of retail and consumer companies in the market, from consumer electronic retailer (since 4Q22) to luxury products (since Apr 2023).
- In addition, one of the negative factors affecting consumption, especially the non-essential consumer, comes from tightening consumer finance after the investigate of some consumer finance company and high NPL ratio, represented by FE Credit (~45% of market share of consumer finance) has increased continuously to 23.7% at end-1Q23, which will drive lower cash flow from consumer credit to consumption (which can contribute up to 30% of revenue for retail companies)

Sources: PwC, Fiinpro

5M23: Weak consumption under negative macro impacts

Business results of most listed consumer companies were negatively affected in 1Q23

1Q23 revenue and net profit of big consumer companies

Stock	1Q23 Revenue (VNDbn)	yoy growth (%)	qoq growth (%)	2022-1Q23 revenue trend	1Q23 Net profit (VNDbn)	yoy growth (%)	qoq growth (%)	2022-1Q23 net profit trend
MWG	27,106	-25.7%	-11.4%		21	-98.5%	-96.6%	
DGW	3,960	-43.5%	-2.8%		79	-62.6%	-49.4%	
PET	4,246	-11.8%	-12.2%		33	-51.5%	3.2x times	
FRT	7,753	-0.4%	-8.3%		-5	-103.0%	-105.3%	
PNJ	9,796	-3.4%	18.0%		749	3.9%	60.7%	
VNM	13,918	0.3%	-7.6%		1,857	-18.0%	-0.6%	
MSN	18,706	2.8%	-9.4%		215	-86.5%	-51.9%	
VRE	1,943	41.8%	-6.8%		1,024	171.6%	29.5%	

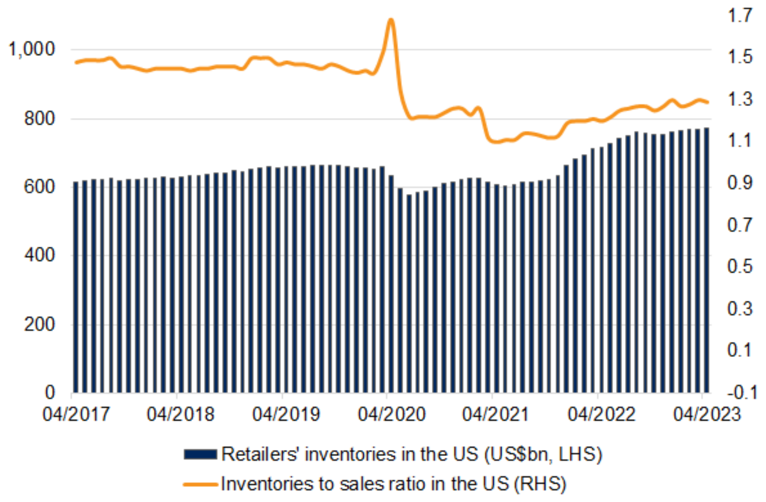
- Consumer electronic retailers and distributors reported severe decreases in both revenue and profit in 1Q23, as this is the product line most subject to cuts by customers due to income variations.
- For luxury business like PNJ, 1Q23 business results still maintained positive growth as high-income customers were slower to be affected by the decline in income. However, business results was weak in Apr – May 2023.
- Consumer staples companies like VNM saw lower declines in revenue and profit, while MSN was hit hard by high interest rate and one-off earnings in 1Q22.

Source: Fiinpro, VNDIRECT RESEARCH

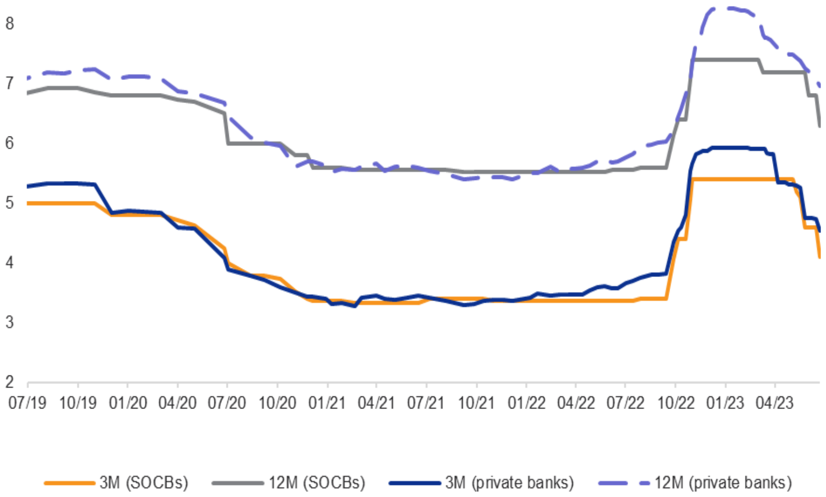
Time to get ready for new consumption cycle since 4Q23F

We believe the worst time for consumption has taken place during 1H23F towards the consumer recovery phase since 2H23F, with signs of a 'bottom out' of consumption in Vietnam.

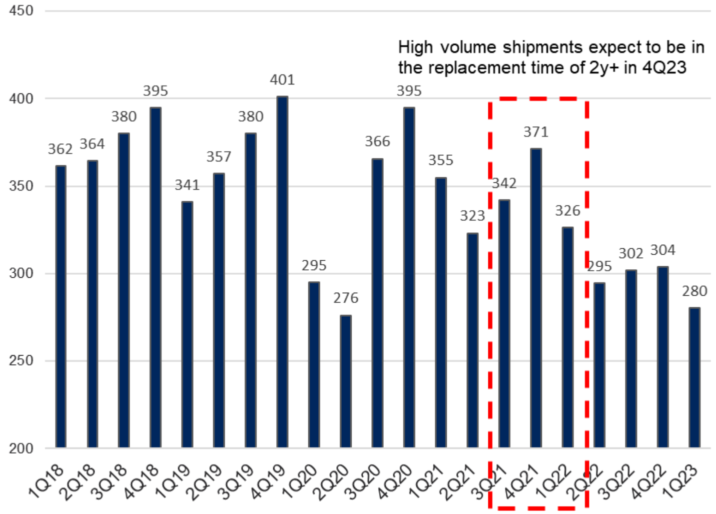
Retailer's inventories and inventory to sales ratio in the US from 2017 – Apr 2023



Deposit rates of banks from 2019 – Jun 2023 (%)



Global smartphone shipments (m units) from 2018 – 1Q23



- With positive changes in the U.S as CPI gradually cools down, burden on consumption will be released not only in the U.S market as the Fed's monetary policy is consider as a benchmark for central banks in a large part of the world. We expect new orders from key export markets to accelerate from 2H23F, thereby helping to reduce concerns about "inflation", "unemployment" and "Vietnam economy slowdown", gradually stabilizing income to help Vietnam enter new consumption cycle.
- Besides, we expect downtrend in lending rates will continue following SBV's operating interest rate cuts, helping to gradually return to consumer credit after NPL is under control.
- For ICT products, especially smartphones, with an estimated phone replacement cycle of 2-2.5 years, we expect 4Q23F to be a boom time when the consumer confidence increase and strong demand after 1 year of burden tightening.

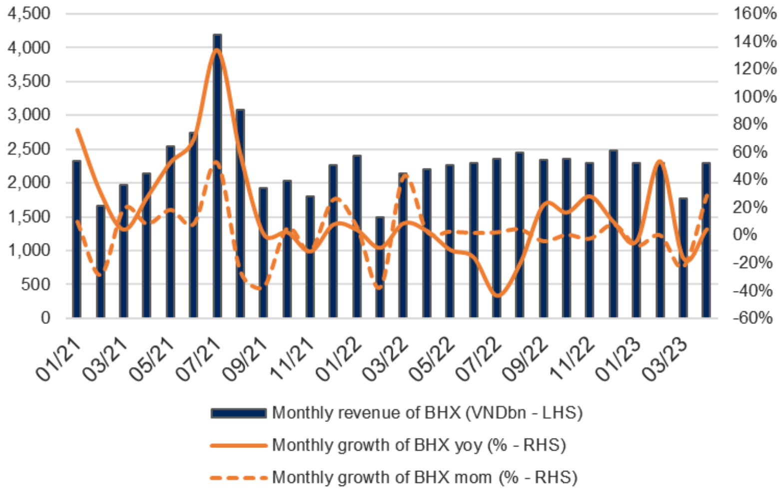
Source: U.S. CENSUS BUREAU, SBV, Banks, Counterpoint research, VNDIRECT RESEARCH

Time to get ready for new consumption cycle since 4Q23F

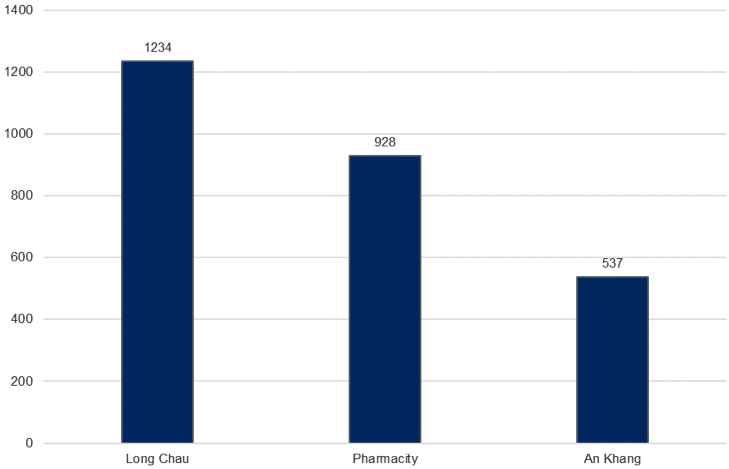
Businesses in the consumer electronics industry face a battle to maintain market share in 2023F, , while the essential segment (grocery and pharmacy) still maintains a positive revenue momentum.

After the "price war", survival will get stronger power to growth in consumer electronic segment

Modern grocery segment is still facing the down-trading effect, but will better when the ticket size rise again



It seems that Long Chau has won the race to build a retail pharmacy chain in Vietnam



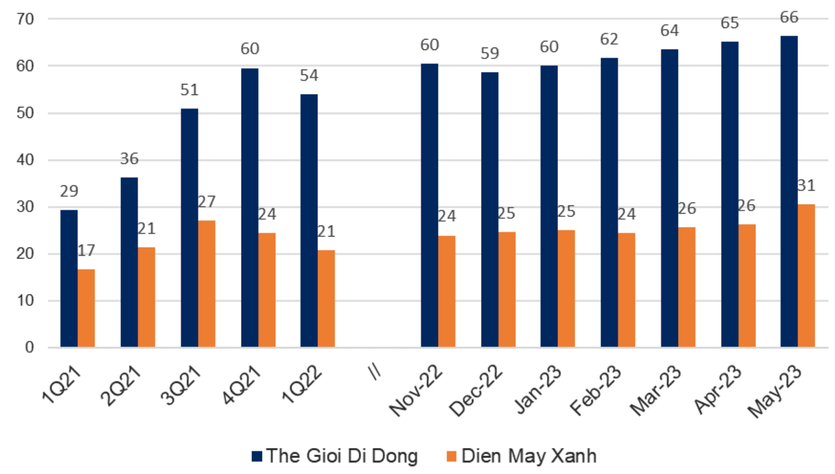
- Large retailers are conducting a "cheap price" war in the context of weak demand to reduce inventory while still maintaining or expanding market share thanks to their large scale and strong financial ability to prolong this competition. It can be seen that MWG and FRT, with a market share of more than 60% of the mobile phone market, will have the opportunity to maintain their business and expand their market share after entering the recovery cycle of consumption.
- Meanwhile, in modern grocery segment, represented by Bach Hoa Xanh and Winmart, still maintained stable revenue but facing down-trading effect. However, it will be better when the ticker size rise again while trafic to BHX and Winmart has already increased by 15% in 1Q23 (per our estimate).
- For the pharmaceutical segment, Long Chau became the largest retail pharmacy chain with 1,234 stores, with a positive profit (estimated at more than VND60bn in 1Q23) and continued its expansion pace, while An Khang recorded a loss of VND74bn in 1Q23 and stopped opening new stores.

Source: COMPANY REPORTS, VNDIRECT RESEARCH

Time to get ready for new consumption cycle since 4Q23F

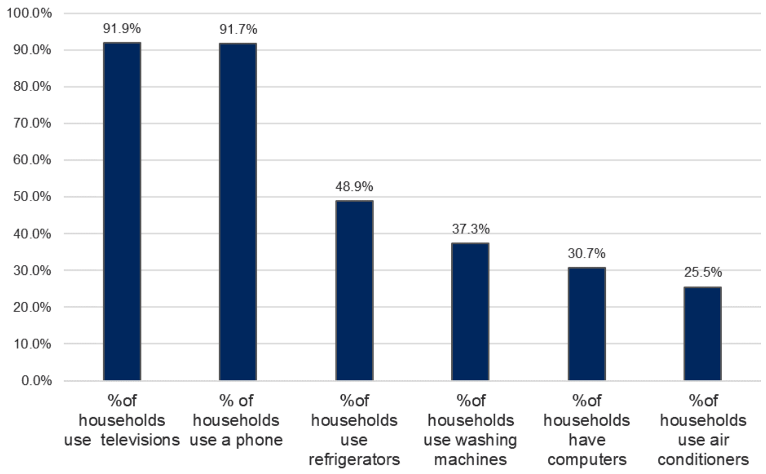
After bottom out from weak consumption period, we think distribution and retail consumer electronics companies will still see a strongest growth in net profit since 4Q23F and beyond.

Web traffic of Thegioididong.com and Dienmayxanh.com from 2021-May 2023 (m views)



5G map in ASEAN region

% of notable consumer electronics own by Vietnamese in 2019 Population and Housing Census survey by GSO



- With a population exceeding 100m and a youthful demographic where 70% is under 35 years of age, the nation's technologically adept populace coupled with the upswing of internet economy and expansion of the middle class, are the demand of wide range products from consumer electronic to home appliance to maintain a sustainable growth from 6%-10% p.a from 2023-26F based on Euromonitor report.
- According to 2019 Population and Housing Census by GSO, although the market has shown strong growth in consumer electronic product segments from 2020-2022, we believe that consumption of consumer electronic products, especially products home appliance products will achieve the strongest growth when consumer demand increases in the long-term development of Vietnam.

Source: Company website, Aokla, GSO, VNDIRECT RESEARCH

Stock picks: We like DGW and MWG for the new consumption cycle

We prefer stocks with large market share in the distribution - retail consumer electronics segment being able to grow well when the market demand returns, including MWG and DGW

No	Ticker	1-year TP (VND/share)	Rating	Investment thesis
1	MWG STOCK PICK	61,500	ADD	We like MWG for: (1) MWG can enjoy the strong growth of Vietnam retail consumption thanks to its dominating market share position, (2) MWG's BHX (grocery chain) is showing a steady path to reach the break-event point follow the successful in re-structure this chain since 2022, (3) despite being strongly impacted in 2023 by declining consumer demand, we believe MWG's "Cheap price" strategy to lift its bounce back growth thank to larger market share in the new consumption cycle and (4) as a recovery in Vietnam stock market, MWG's stock can enjoy a strong inflow from the raising NAV of VNDiamond ETF Fund.
2	DGW STOCK PICK	44,400	ADD	DGW has built a strong distribution network with a leading market share of ICT in terms of revenue. The company recorded outstanding growth in revenue and net profit in the past 5 years, reaching a CAGR of 38.6%/57.6%. In the last 2 years, DGW has contracted to distribute many potential brands products, such as Apple (since the end 2020), Whirlpool and Joyong in home appliance products, consumer goods with ABInBev and industrial equipment by M&A Achison. They will be the growth catalyst for DGW in the next phase of Vietnam consumption. We estimate DGW's top-line/bottom-line to maintain a strong growth in FY24-26F at 11.9%/23.3% p.a after a hard drawdown in FY23F.
3	PNJ	105,500	ADD	We like PNJ for: (1) PNJ is dominating jewelry market share with statistical jewelry market share of more than 50% with a strong mid- to high-end customer base that is less affected by inflation, (2) In 1Q23, PNJ keeps shining with a steady growth of 18% yoy to VND749bn amid the consumption downward pressure, (3) For long-term run, we expect PNJ's strategies to develop more attractive concepts, make more effective advertising campaign, co-operate with global brands to become “Multi Branded Stores” and increase digitization will support PNJ's net profit to maintain 2 digits growth and (4) As a recovery in Vietnam stock market, PNJ’s stock can enjoy a strong inflow from the raising NAV of VNDiamond ETF Fund.
4	VRE	41,100	ADD	We like VRE for: (1) Vincom Retail JSC (VRE) is Vietnam’s largest retail property developer with 1.75m sq m gross floor area at End-2022, will enjoy a strong growth with the country’s surge in modern retail and people’s income in the long-term, (2) With the recovery of retail consumption and Covid-19 becomes a common disease to fully reopen the economy to give VRE more potential in revenue and net profit growth by increasing GFA, occupancy ratio and rental price, (3) VRE's 1Q23 revenue reached VND1,943bn (+42% yoy) and net profit reached VND1,024bn (+171% yoy), VRE has set its guidance of 2023F with revenue of VND10,350bn (+41% yoy) and net profit of VND4,680bn (+33% yoy) and 4) VRE has a strong balance sheet with net cash of VND4,196bn in end of 1Q23.

Source: VNDIRECT RESEARCH

Stock picks: Financial information

	MWG		DGW		VRE		PNJ	
	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Revenue (VNDbn)	132,175	149,199	21,440	24,431	10,895	11,699	34,219	38,707
% growth	*-0.9%*	*12.9%*	*-2.8%*	*14.0%*	*48.0%*	*7.4%*	*17.4%*	*13.1%*
Gross margin (%)	*19.5%*	*21.3%*	*6.7%*	*7.1%*	*55.4%*	*57.5%*	*18.2%*	*18.7%*
EBITDA margin (%)	*1.6%*	*4.2%*	*2.9%*	*3.5%*	*56.0%*	*58.1%*	*8.7%*	*8.8%*
Net profit (VNDbn)	2,497	4,025	486	690	4,683	5,248	2,216	2,531
% growth	*-39.1%*	*51.9%*	*-28.9%*	*41.9%*	*68.6%*	*12.1%*	*19.5%*	*14.2%*
EPS (VND/share)	1,706	2,592	2,981	4,231	2,061	2,310	6,851	7,818
BVPS (VND/share)	17,002	18,190	17,668	21,904	15,850	16,603	33,956	41,774
Net cash/share (VND/share)	0	0	0	0	0	0	7,904	13,188
D/E	34.6%	21.7%	73.7%	56.9%	6.3%	5.9%	16.0%	14.0%
Dividend yield (%)	1.3%	1.3%	2.4%	2.4%	0.0%	0.0%	1.9%	1.9%
ROAE (%)	15.0%	15.5%	18.4%	21.4%	13.3%	13.9%	22.4%	20.6%
ROAA (%)	10.2%	15.1%	6.1%	7.9%	10.7%	11.4%	15.6%	14.5%

Source: VNDIRECT RESEARCH

Stock picks: Peer comparison

Company	Ticker	Price	Target price	Recom.	Mkt cap	P/E (x)		3-year EPS	P/B (x)		ROA (%)		ROE (%)	
		LC$	LC$		US$m	FY23F	FY24F	CAGR (%)	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Commercial real estate peers														
SM Prime Holdings Inc	SMPH EQUITY	34	N/A	N/A	17,566	24.7	22.1	2.1	2.4	2.2	4.9	5.2	10.2	10.5
Central Pattana PCL	CPN TB	63	N/A	N/A	7,962	22.8	20.2	2.3	3.1	2.9	4.6	5.0	14.5	14.8
Pakuwon Jati Tbk PT	PWON IJ	560	N/A	N/A	1,857	12.9	12.1	(1.9)	1.2	1.1	5.9	5.8	10.1	9.6
Vincom Retail JSC	**VRE VN**	**26,700**	**41,100**	**ADD**	**2,578**	**13.0**	**11.6**	**17.4**	**1.7**	**1.6**	**10.7**	**11.4**	**13.3**	**13.9**
Average						*20.1*	*18.1*	*0.8*	*2.3*	*2.1*	*5.1*	*5.3*	*11.6*	*11.7*
Median						*17.9*	*16.2*	*2.2*	*2.1*	*1.9*	*5.4*	*5.5*	*11.7*	*12.2*
Gold and jewelry peers														
Chow Tai Fook Jewellery Group Ltd	1929 HK	15	N/A	N/A	18,800	18.3	15.9	33.1	4.3	3.8	9.1	10.0	23.6	26.0
Kalyan Jewellers India Ltd	KALYANKJ	130	N/A	N/A	1,636	24.1	18.5	N/A	3.3	2.8	N/A	N/A	14.7	16.6
Chow Sang Sang Holdings International Ltd	116 HK	9	N/A	N/A	764	6.8	5.4	(9.0)	0.5	0.5	4.6	5.5	7.2	8.6
Phu Nhuan Jewelry JSC	**PNJ VN**	**76,400**	**105,500**	**ADD**	**1,065**	**11.2**	**9.8**	**15.9**	**2.3**	**1.8**	**15.6**	**14.5**	**22.4**	**20.6**
Average						*16.4*	*13.3*	*12.2*	*2.7*	*2.3*	*6.9*	*7.8*	*15.2*	*17.1*
Median						*18.3*	*15.9*	*12.1*	*3.3*	*2.8*	*6.9*	*7.8*	*14.7*	*16.6*
Consumer electronics peers														
Erajaya Swasembada Tbk PT	ERAA IJ	476	N/A	N/A	505	6.9	5.6	58.4	1.0	0.9	7.8	9.3	16.1	17.4
FPT DIGITAL RETAIL JSC	FRT VN	69,000	N/A	N/A	399	78.1	22.3	636.7	N/A	N/A	3.3	3.8	na	na
Digiworld Corp	**DGW VN**	**42,800**	**44,400**	**ADD**	**304**	**14.9**	**10.5**	**66.4**	**2.5**	**2.0**	**6.1**	**7.9**	**18.4**	**21.4**
Average						*42.5*	*14.0*	*159.5*	*1.0*	*0.9*	*5.6*	*6.5*	*16.1*	*17.4*
Median						*42.5*	*14.0*	*58.4*	*1.0*	*0.9*	*5.6*	*6.5*	*16.1*	*17.4*
Grocery retailing peers														
Taiwan FamilyMart Co Ltd Taiwan	5903 TT	212	N/A	N/A	1,521	23.1	19.9	5.5	6.0	5.5	3.0	3.5	26.5	28.2
Sumber Alfaria Trijaya Tbk PT	AMRT IJ	2,600	N/A	N/A	7,182	30.4	26.0	41.7	8.0	6.8	N/A	N/A	28.5	27.6
Average						*26.8*	*23.0*	*23.6*	*7.0*	*6.1*	*3.0*	*3.5*	*27.5*	*27.9*
Median						*26.8*	*23.0*	*23.6*	*7.0*	*6.1*	*3.0*	*3.5*	*27.5*	*27.9*
CE&Grocery retailer														
Mobile World Investment Corp	**MWG VN**	**44,350**	**61,500**	**ADD**	**2,757**	**26.0**	**17.1**	**0.2**	**2.6**	**2.4**	**10.2**	**15.1**	**15.0**	**15.5**

Source: VNDIRECT RESEARCH, BLOOMBERG, Data as at 26/06/2023

Automobile

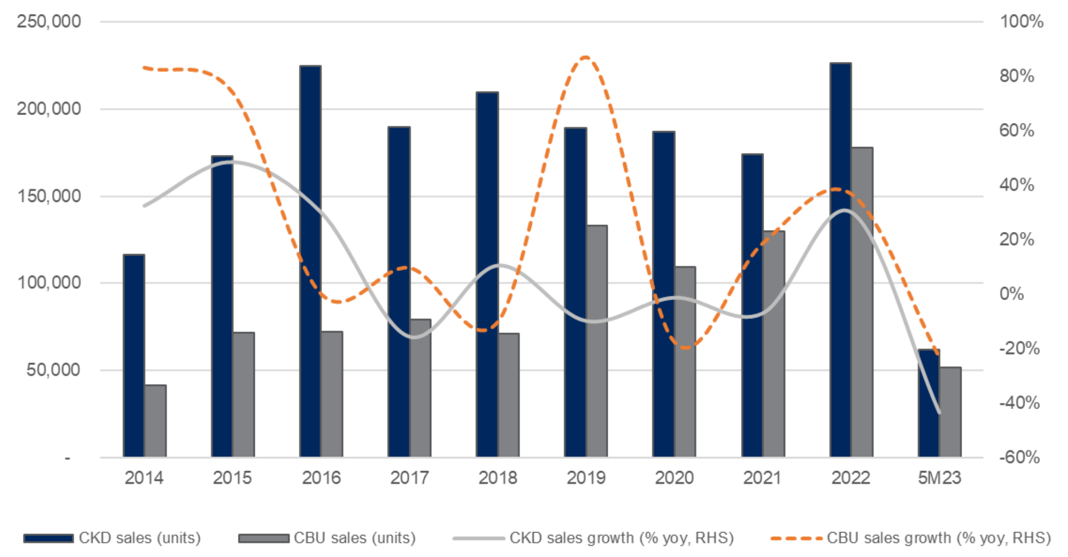
Policies to re-ignite demand for cars

VNDIRECT

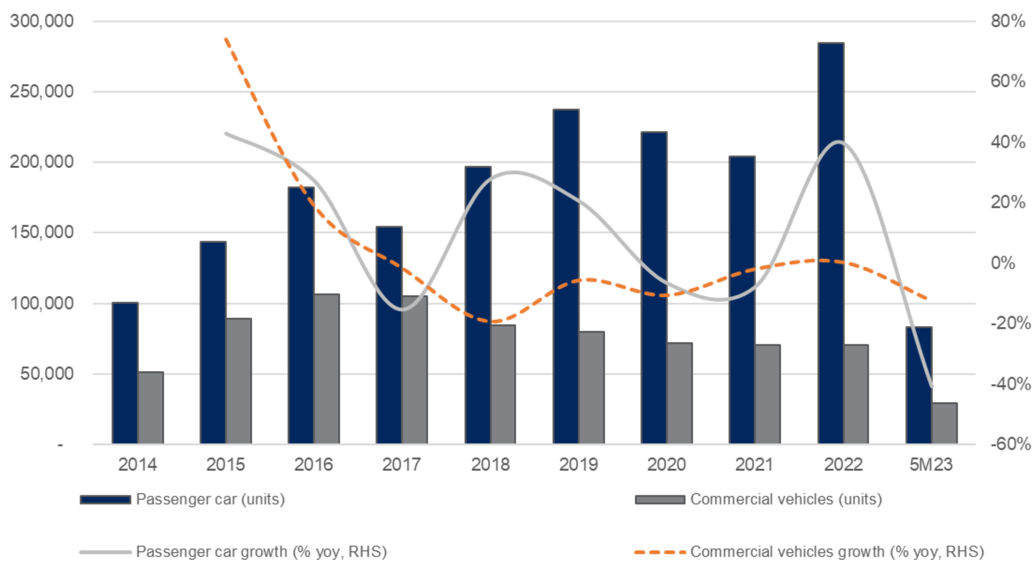
Headwinds were foreseen in 5M23

Automobile sales showed a strong plummet in 5M23

CKD sales decreased 43% yoy in 5M23



Passenger cars sales only reached 82,943 units (-40% yoy) in 5M23



- According to the Vietnam Automobile Manufacturers Association (VAMA), automobile sales in the whole market in 5M23 decreased by 36% yoy, reaching 113,527 units. In which, completely knocked down (CKD) car and passenger car sales plunged by 43%/40% yoy mainly driven by 1) end of registration tax reduction incentives; 2) weak demand due to high interest rates on car loans.
- A member other than VAMA, TC Group - the assembly and distribution unit of the Hyundai also recorded negative results in 5M23. Huyndai sales reached only 22,903 units (-28.6% yoy) in 5M23. Meanwhile, VinFast sold 8,483 units in 5M23 (-30.4% yoy) due end of gasoline engine vehicles.

Source: VAMA, VNDIRECT RESEARCH

Headwinds were foreseen in 5M23

Listed distribution car companies hit hard by weak demand in 1Q23

1Q23 earnings recap of Vietnam listed automobile companies

	1Q22 revenue (VNDbn)	1Q23 revenue (VNDbn)	Change yoy	1Q22 NP (VNDbn)	1Q23 NP (VNDbn)	Change yoy	Change GM yoy (% pts)
VEA	1,140	1,011	-11.3%	1,465	1,359	-7.2%	0.9
CTF	981	1,669	70.1%	14.0	11.0	-21.3%	-2.4
HAX	1,661	993	-40.2%	54.0	4.0	-93.6%	1.3
SVC	4,219	4,792	13.6%	55.0	3.0	-94.6%	-1.0
Vinfast (*)	3,001	1,761	-41.3%				

(*): Includes ICE and EV sales by Vinfast - a member of the conglomerate organisation Vingroup (VIC-HOSE)

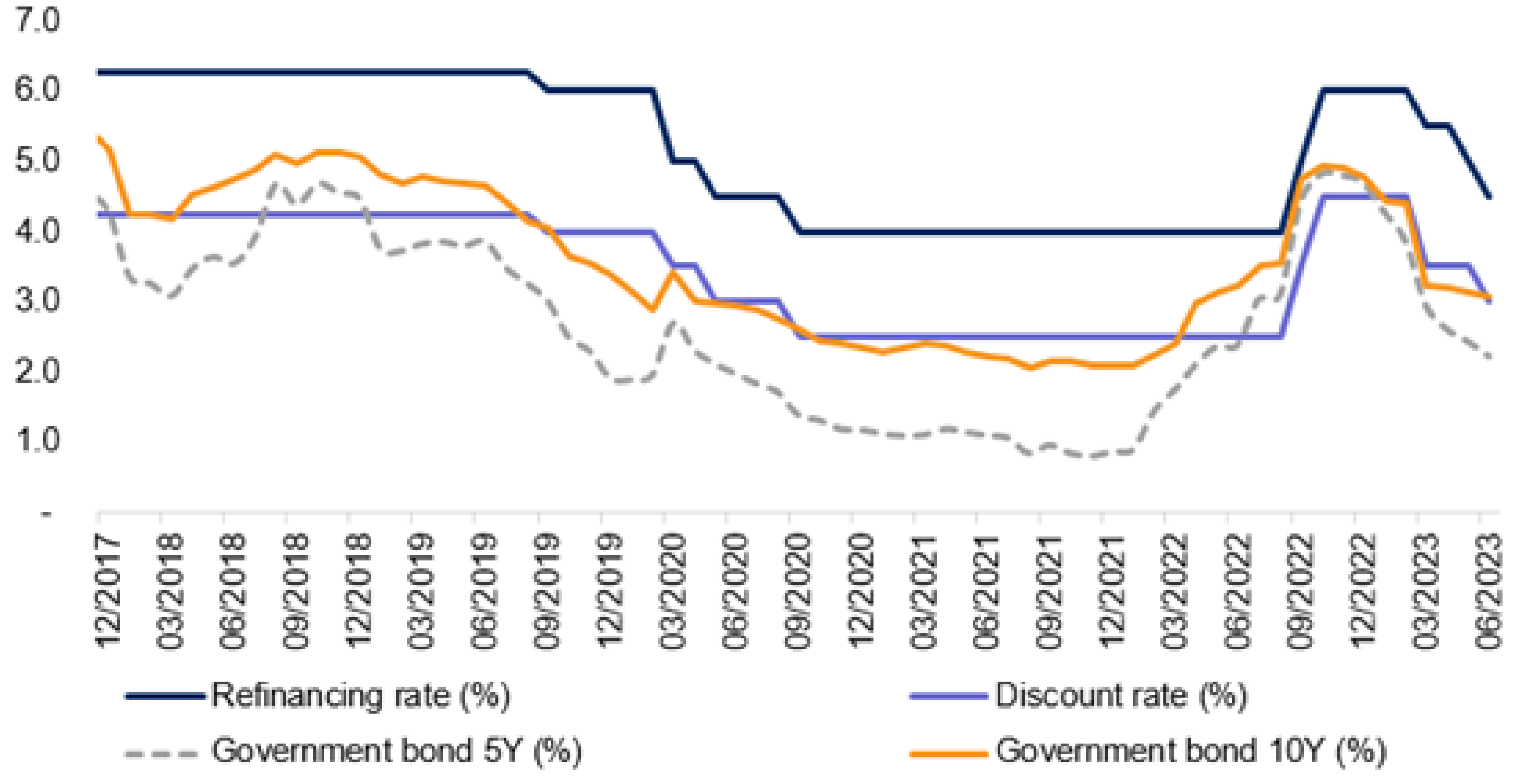
- In 1Q23, Savico (SVC) recorded VND4,792bn in revenue (+14% yoy) and only VND3.0bn in net profit (-95% yoy) due to 1) cutting agent commission to attract more customer and 2) high interest rate.
- HAX's net profit only reached VND3.5bn (-93% yoy) due to high interest rates on car loans leading to weak demand for luxury cars.
- VinFast's revenue plunged 41.3% yoy mainly driven by suspend ICE production.
- We believe that auto dealers' earnings are unlikely to recover in 2Q23 as demand remains low.

Source: Fiinpro,VIC, VNDIRECT RESEARCH

Vietnam automobile sales are likely to bottom out from 3Q23

Reducing interest rate will boost demand for luxury goods

SBV cuts the policy rates for the 3rd time since the beginning of 2023



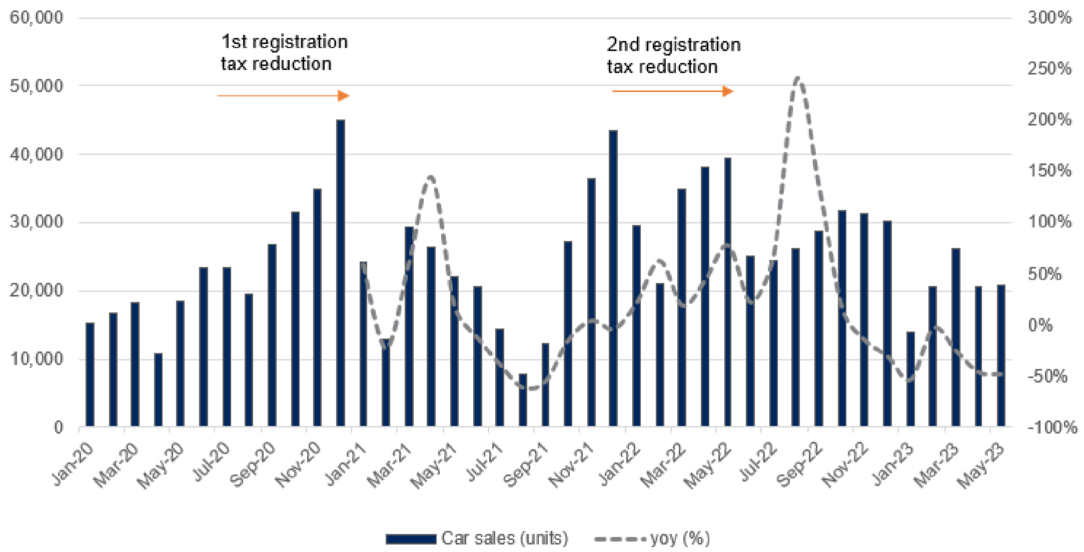
On 23 May 2023, the SBV decided to reduce some policy rates such as the refinancing rate (down 0.5% points), the ceiling deposit interest rate for 1-month to 6-month term (down by 0.5% points). In addition, commercial banks have also continued to reduce deposit interest rates for terms in May-23. Currently, the general level of 12-month deposit interest rates listed at commercial banks has fallen to less than 8%/year. We expect lending interest rate to dwindle in 2H23 which could boost demand for luxury goods such as automobiles.

Source: SBV, VNDIRECT RESEARCH

Vietnam automobile sales are likely to bottom out from 3Q23

Preferential policy from the Government is the key driver for the recovery of automobile industry in 2H23

The total car sales volume of the whole market showed a strong recovery post-preferential policy



Car models benefiting from registration tax reduction

Company	CKD cars
HAX	Mercedes-Benz E-Class (E180, E200, E300)
	Mercedes-Benz C- Class (C180,C200, C300)
	Mercedes-Benz GLC (GLC200, GLC300)
	Mercedes-Benz S-Class (S450)
SVC	Huyndai (Accents, Santafe,i10,..)
	Toyota (Vios, Innova, Veloz)
	Ford (Ranger)
CTF	Ford (Ranger)
VEA	Toyota (Vios, Innova, Veloz)
	Honda (City, CR-V)
	Ford (Ranger)
VIC	Vinfast

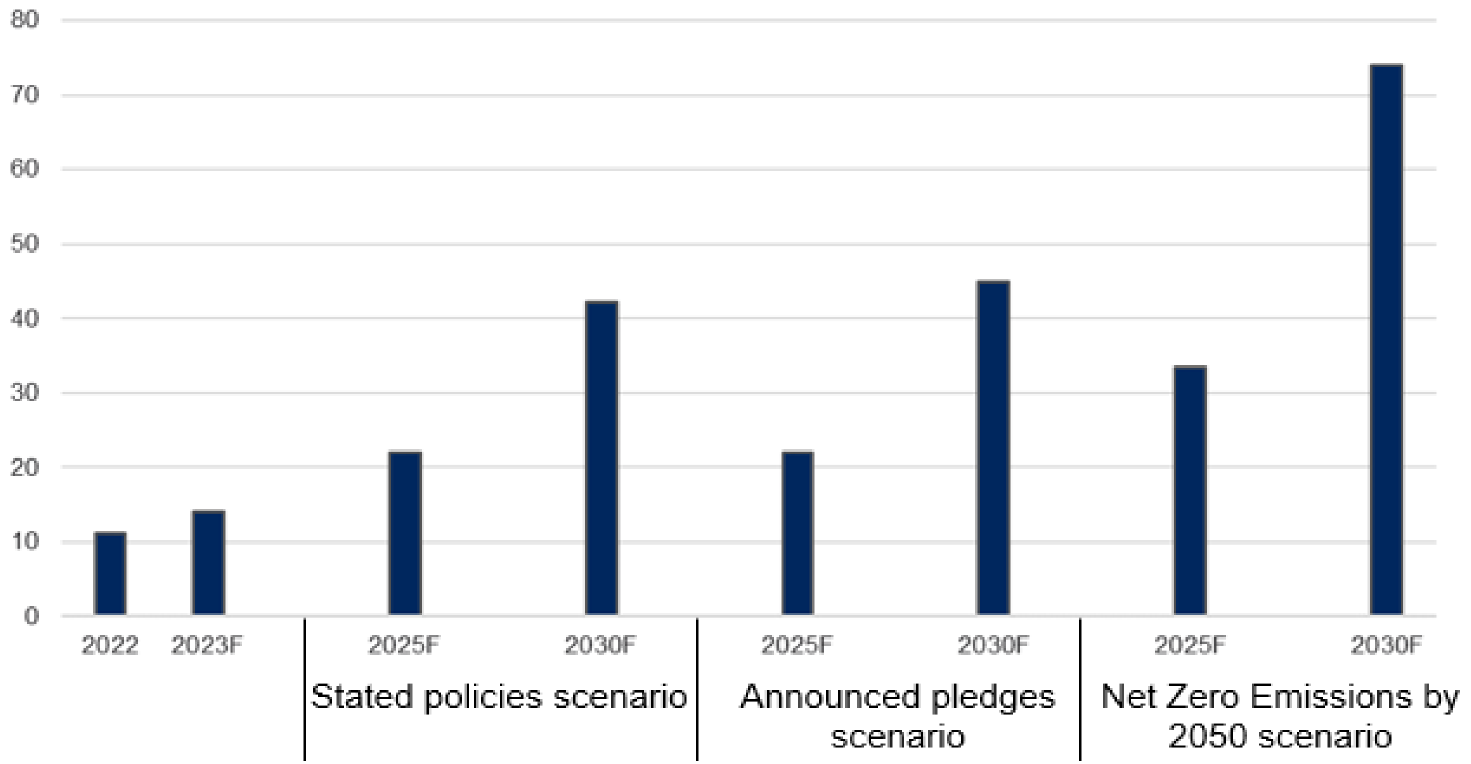
- The Government has approved a proposal to reduce the registration fee for domestically CKD automobiles by 50%, coming into effect from July 1 to the end of 2023.
- Back to the past, after being applied to reduce the registration fee in 2H20 and 1H22, the total car sales volume of the whole market showed a strong recovery. Specially, cars sale in 2H20 reached 189,451 units, soaring 76% vs. 1H20 and 33% yoy, while this figure in 1H22 achieved 252,932 units (+36% yoy). We expect that preferential policy from the Government is the key driver for the recovery of the automobile industry in 2H23.

Source: VAMA, VNDIRECT RESEARCH

Go green – Electric Vehicle (EV) is not the far future anymore

Global EV sales increase around fourfold from 2022 to 2030 under both stated policies and announced ambitions, according to IEA.

Electric vehicle sales for 3 scenarios in 2022-30F (Unit: million units)



- Global passenger electric vehicle (EV) sales in 1Q23 rose 32% yoy, according to the latest research from Counterpoint's Global Passenger Electric Vehicle Model Sales Tracker. One in every seven cars sold during 1Q23 was an EV. Battery EVs (BEVs) accounted for 73% of all EV sales during the quarter, while plug-in hybrid EVs (PHEVs) made up the rest.
- The International Energy Vehicle Agnecy (IEA) forecasts that global EV sales will accelerate to 14m units in 2023, rising 35% yoy and reaching a total market share of around 18% of sales. We expect large EV company such as VIC to take advantage from EV trend. Currently, Vinfast owns a range of popular car products from size A to E, including VF e34, VF3, VF 5, VF 6, VF 7, VF 8 and VF 9.

Source: VNDIRECT RESEARCH, IEA

Stock picks: Our stock picks are HAX and VEA, HUT in our watchlist

Investment ideas

No	Ticker	Rating	Investment thesis
1	STOCK PICK HAX	N/a	We like HAX regarding to: (1) HAX is the No. 1 Mercedes-Benz distributor in Vietnam with nearly 40% market share. (2 We expect HAX's NP to recover from 3Q23 thanks to benefiting greatly from the Government's preferential policy since most of HAX's models are assembled in Vietnam. (3) GLC300 model 2023 is expected to continue to dominate the luxury SUV market in 2H23-24 thanks to its superiority in design and price.
2	STOCK PICK VEA	N/a	We like VEA for: (1) VEA is currently a joint venture with 3 large enterprises, including 30% of Honda Vietnam, 20% of Toyota Vietnam and Ford Vietnam (2) We believe Toyota will continue to gain market share in 2H23-24 due to its attractive price/feature profiles such as Corolla Cross (CBU, compact SUV) and Veloz (CBU, MPV) and taking advantage from reduction registration tax
3	HUT	N/a	(1) HUT's General Meeting of Shareholders in 2023 approved the business plan for 2023 with revenue and profit after tax reaching VND22,500bn and VND600bn (+400% yoy) thanks to the merger of SVC Holding. SVC Holding is the parent company of Savico (SVC) - the distribution agent of many car manufacturers Toyota, Ford, Hyundai and Honda, Volvo with 62 showrooms in Vietnam. (2) HUT and VETC have completed and put into operation the ETC system of all 4 expressways managed by the Vietnam Expressway Development Corporation (VEC), and implemented automatic toll collection from Aug-22. In 2023, Tasco aims to make the VETC project profitable after nearly 7 years of operation.

- We expect HAX to take benefits from preferential policy from the Government as most of HAX's car model is assembled in Vietnam. While for VEA, we believe Toyota will continue to gain market share in 2H23-24 due to its attractive price/feature profiles such as Corolla Cross (CBU, compact SUV) and Veloz (CBU, MPV) and taking advantage from reduction registration tax.

Source: VNDIRECT RESEARCH

Peer comparison

Company	Ticker	Market cap	P/E(x)		3 year CAGR	P/BV (x)		EV/EBITDA		ROE (%)		ROA (%)	
		US$m	TTM	FY23F	%	Current	FY23F	TTM	FY23F	TTM	FY23F	TTM	FY23F
China Meidong Auto Holdings Ltd	1268 HK	4,951	19.3	9.8	36.7	2.2	1.9	7.7	19.6	12.1	32.2	4.1	na
Saigon General Service Corp	SVC VN	222.0	8.3	na	32.2	1.8	na	50.3	na	16.9	na	4.8	na
Hang Xanh Motor Service JSC	HAX VN	76.8	5.3	4.4	47.1	1.1	1.0	87.5	na	17.9	19.9	9.3	11.5
Competent Automobiles Co Ltd	CPA IN	21.8	7.6	na	-10.0	1.5	na	10.9	na	8.1	na	4.5	na
Vietnam Engune & Agricutural Machinery Corp	VEA VN	117.0	6.7	7.8	6.3	1.9	1.7	3.9	na	31.3	20.6	29.0	19.1
City Auto Corp	CTF VN	182.1	26.3	na	-0.8	3.2	na	37.8	na	12.7	na	5.1	na
Average			**12.3**	**7.3**	**18.6**	**2.0**	**1.5**	**33.0**	**19.6**	**16.5**	**24.2**	**9.5**	**15.3**
Median			**8.0**	**7.8**	**19.2**	**1.9**	**1.7**	**24.3**	**19.6**	**14.8**	**20.6**	**5.0**	**15.3**

Source: BLOOMBERG (data as at 26/06/2023), VNDIRECT RESEARCH

Export

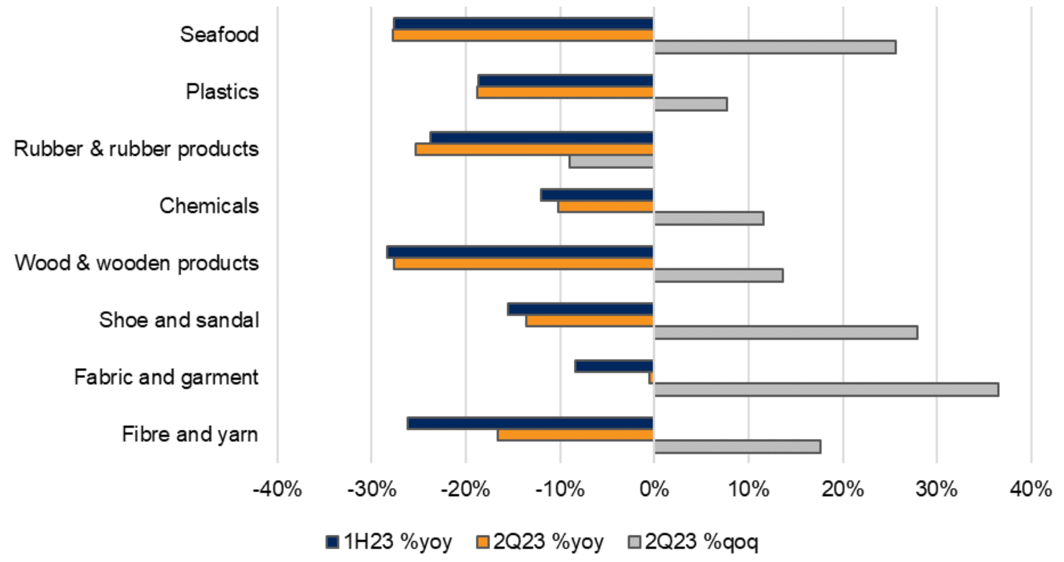
Dark clouds are fading away

VNDIRECT

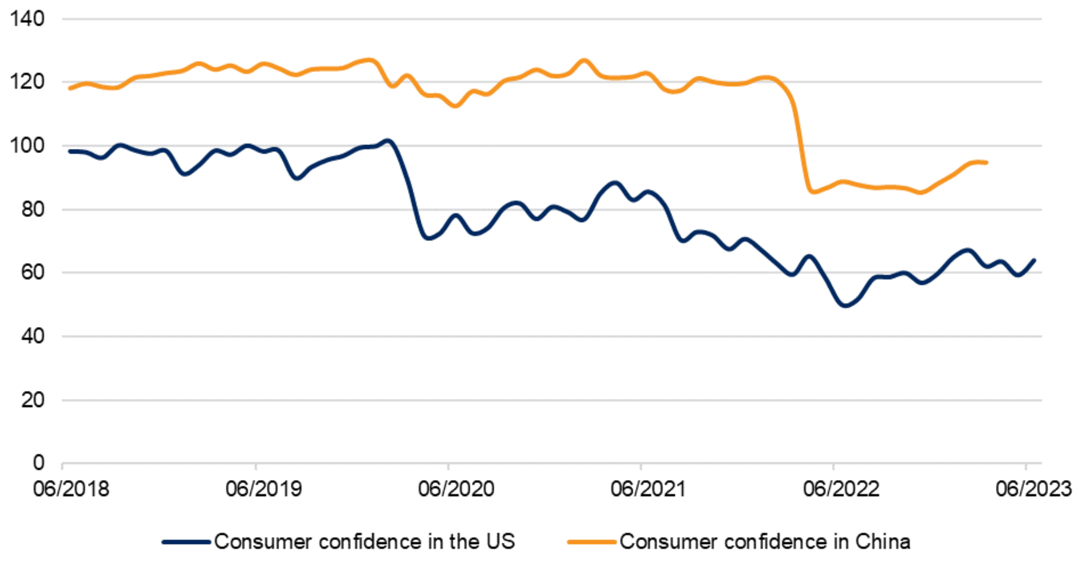
Vietnam's export industries snapshot in 1H23

Vietnam's export activities took a turn for the better in 2Q23

Most export industries in our coverage record positive value growth vs. the previous quarter in 2Q23



Consumer confidence in Vietnam's major export markets: The US market sentiment rose back in June 2023 to the highest level in 3 months



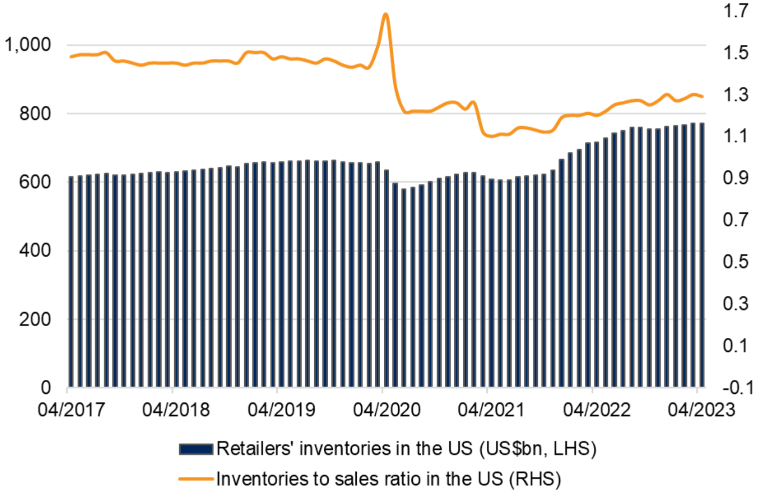
- According to the estimated data from GSO, Vietnam's total export value slid 11.6% yoy in 6M23 to US$164.5bn, as major export markets' demand stayed low amid high borrowing cost and sluggish economy (which led to slower growth of disposable income). Most of our covered industries still witnessed a falling yoy growth but a better performance vs. the previous quarter in 2Q23.
- Rubber and rubber products (R&RP) export value declined by 25.4%/23.8% yoy in 2Q23 and 6M23 respectively, as demand from China (destination for ~75% of Vietnam's R&RP export volume) remained dampened.
- Textile and garment (T&G) export value dropped by 10.7% yoy to US$19.4bn in 6M23, while Wood and wooden products (W&WP) and Seafood export value declined by 28.4% yoy to US$6.0bn and 27.6% yoy to US$4.1bn, respectively.

Source: GSO, BLOOMBERG, VNDIRECT RESEARCH

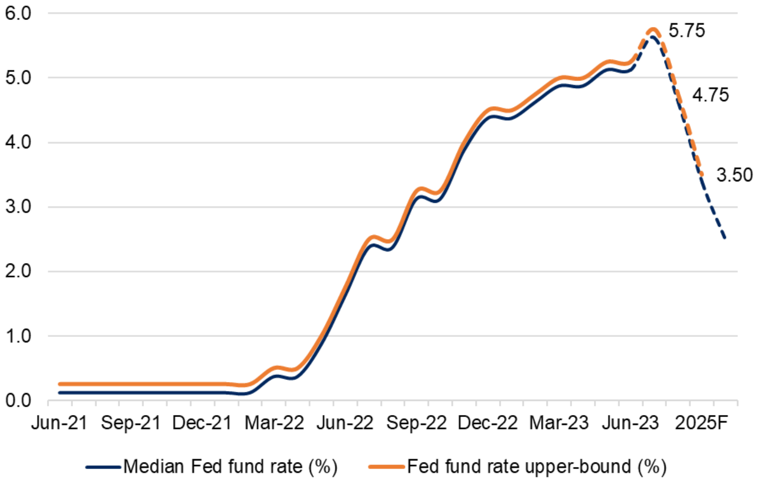
We expect export activities to revive from 2H23F

We expect demand from customers to rise at the final months of 2023F with short-term and medium-term catalysts

Higher demand in holiday season will help boosting sales and absorb the high-level inventory



Federal Fund Rate is forecasted to see peak in 2023F, data as of the 14/06/2023 meeting date



We believe that export markets will show turning points in 3Q23F

Export	The main export destinations	Expected time of recovery
Fibre and yarn	China, Korea	3Q23F
Fabric and garment	The US, EU	4Q23-1Q24F
Wood and wooden products	The US, EU	1Q24F
Pangasius	The US, China	3Q23F
Shrimp	The US, Japan	3Q23F

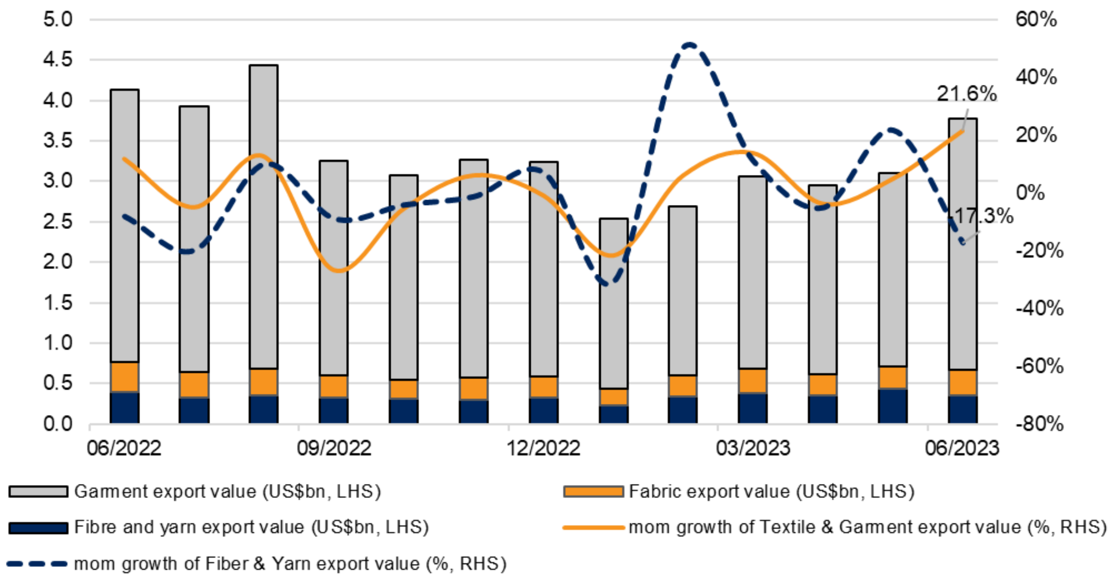
- FED has come to the decision of pausing rate-hike with the basic rate now standing at 5.00-5.25%, regarding the positive results of inflation cooling down and some insecurity of financial system showing after a hawkish tightening period. We expect the tightening cycle to be reversed after 2023F, which will help release burden on consumption not only in the US market as FED's monetary policy is considered a benchmark for central banks in a large part of the globe.
- The holiday season can be a short-term catalyst in 4Q23F for businesses in furniture, clothing and footwear, food… Thus, we expect new orders to accelerate from 2H23F, which lead to the recovery of revenue for export businesses in the upcoming quarters.

Source: U.S. CENSUS BUREAU, BLOOMBERG, VNDIRECT RESEARCH

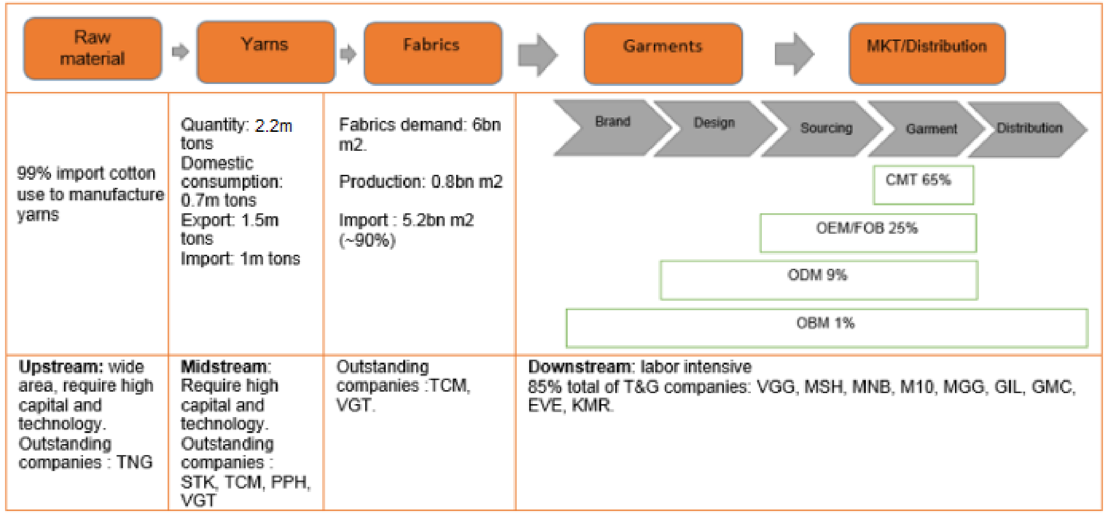
Textile & Garment: Light came out in the upstream sector

Export value has rebounded since May 2023, which we believe to be an early positive sign of consumption recovery

Textile & Garment export value is estimated to have risen 21.6% mom in June 2023 to US$3.8bn



Value chain of Textile & Garment industry



- In June 2023, garment export value surged 30.1% mom to US$3.1bn, while fibre and yarn export value declined by 17.3% mom to US$359m after jumping 21.6% mom in May. However, export volume of fibre and yarn increased by 4.1% mom in June, revealing a rise in demand.
- As manufacturers will have to refill inventories to prepare for customer's increasing demand when the holiday season is coming, we believe that upstream (fibre and yarn) producers will benefit earlier than midstream (fabric) and downstream (garment) companies. As a result, we expect that fibre and yarn companies such as STK, ADS, HTG, PPH will show signs of recovery in 2H23F.

Source: GSO, VNDIRECT RESEARCH

Textile & Garment: Company earnings recap in 1Q23

Lower consumption and higher interest expense left negative results on T&G companies' business in 1Q23

	1Q23 revenue (VNDbn)	1Q22 revenue (VNDbn)	Rev. ch. (%yoy)	1Q23 NP (VNDbn)	1Q22 NP (VNDbn)	NP ch. (%yoy)	1Q23 GM (%)	1Q22 GM (%)	GM ch. (% pts)
ADS	294.69	444.71	-33.7%	12.90	25.53	-49.5%	11.1%	10.6%	0.4%
BDG	352.60	498.25	-29.2%	18.04	63.73	-71.7%	15.5%	20.7%	-5.2%
GIL	156.90	1,416.86	-88.9%	(38.23)	107.26	-135.6%	-2.7%	17.3%	-20.0%
HSM	317.11	475.35	-33.3%	(32.51)	36.65	-188.7%	1.8%	17.4%	-15.7%
HTG	1,269.94	1,345.06	-5.6%	47.26	72.77	-35.1%	8.9%	11.6%	-2.7%
M10	881.18	856.18	2.9%	23.26	22.86	1.8%	12.3%	11.1%	1.2%
MNB	928.49	929.72	-0.1%	15.88	12.01	32.2%	16.3%	17.9%	-1.7%
MSH	637.38	1,291.49	-50.6%	34.62	90.61	-61.8%	11.8%	14.7%	-3.0%
NDT	329.06	354.67	-7.2%	(2.82)	32.37	-108.7%	6.6%	15.3%	-8.6%
PPH	404.80	444.71	-9.0%	124.17	160.73	-22.7%	21.0%	21.2%	-0.2%
SGI	225.25	327.82	-31.3%	(4.69)	24.83	-118.9%	12.5%	24.4%	-12.0%
STK	287.89	640.07	-55.0%	1.63	76.30	-97.9%	6.2%	17.5%	-11.3%
TCM	876.44	1,122.02	-21.9%	54.53	73.38	-25.7%	15.5%	15.1%	0.3%
TNG	1,334.73	1,259.85	5.9%	43.64	38.37	13.7%	14.4%	12.5%	1.9%
TVT	382.96	432.95	-11.5%	2.92	25.15	-88.4%	10.6%	12.9%	-2.4%
VGG	1,854.75	1,519.01	22.1%	19.08	25.66	-25.7%	9.3%	10.3%	-1.1%
VGT	4,209.19	4,899.56	-14.1%	56.15	199.51	-71.9%	7.8%	12.3%	-4.5%
X20	284.61	322.17	-11.7%	9.78	7.13	37.2%	19.8%	15.4%	4.4%

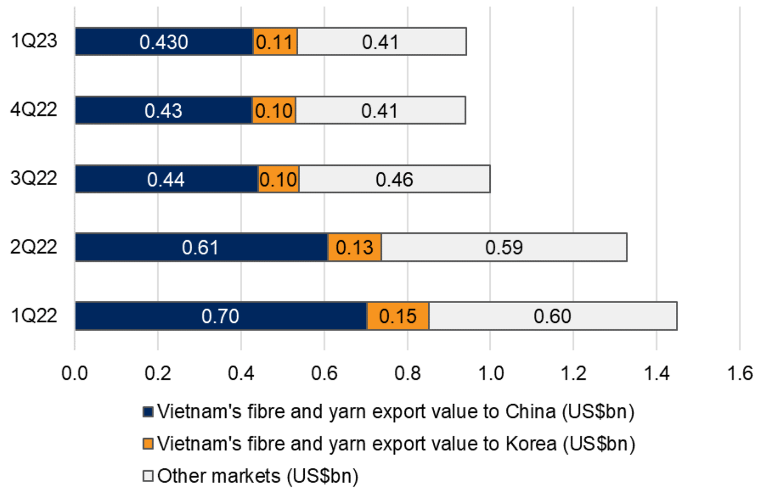
- T&G companies' revenue and net profit in 1Q23 slumped by 19.5%/69.0% yoy respectively, as (1) discretionary goods demand of consumers reduced and (2) lending interest rates was still high in comparison with the 2020-21 period's level and to access preferential capital was quite difficult.
- The sector's total gross profit margin dropped by 3.1% pts yoy.
- As for fibre and yarn companies, China's reopening in 1Q23 brought back demand but also put pressure on Vietnam's yarn with more competitive price.

Source: COMPANY REPORTS, VNDIRECT RESEARCH

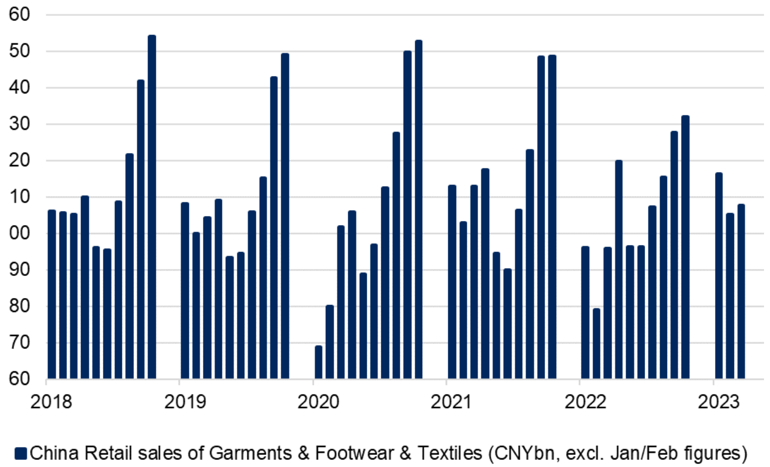
Textile & Garment: We expect demand for upstream products to recover in 2H23F

Key turning point lies at China's consumption recovery prospect

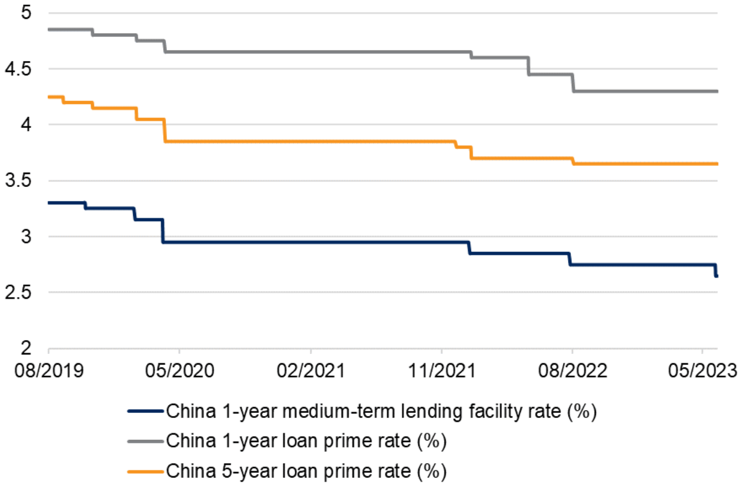
China is Vietnam's biggest market for Fibre and yarn export



Retail sales of T&G and footwear products in China improved by 2.3% mom and rose 12.3% yoy to CNY107.6bn in May 2023



We expect PBOC's continuous easing monetary policy will help consumption in this market gradually recover



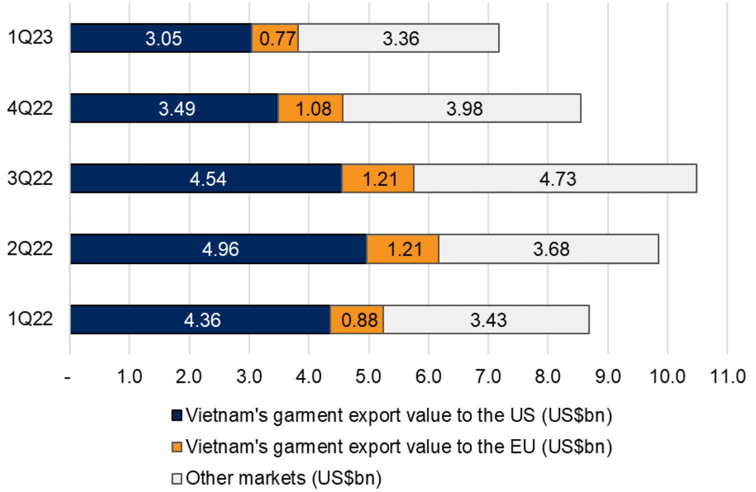
- As demand for textile and garment products tends to surge in the fourth quarter for the holiday season, we expect materials (fibre and yarn) export activities to get more buoyant in 2H23F. We believe that sale volume of fibre and yarn in the next quarters will be improved, regarding positive estimated results of some companies such as: STK expects pretax profit in 2Q23F to reach VND30bn (x10 vs. 1Q22's figure), ADS estimates their 2Q23F pretax profit to reach VND45bn (+216% qoq).
- Vietnam's fibre and yarn export value to China fell 38.9% yoy but rose slightly 0.7% qoq in 1Q23 to US$430m. PBOC has continued to trim lending rates to boost manufacturing and consumption activities, as well as cut deposit rates to push savings into consumption and investment. We expect China's market to show clearer signs of recovery in 4Q23-1Q24F.

Source: NBS, MOIT, VNDIRECT RESEARCH

Textile & Garment: The US market will drive downstream sector to swell from 4Q23F

We expect demand for garment products in the US to bounce back, while prospect of the EU retains gloomy

The US plays a major part in Vietnam's garment export markets



Retail inventories of clothing and clothing accessories in the US declined in April 23

Tariff barrier for garment products export to the EU is lower thanks to EVFTA but consumption is yet to recover

Products	Types	Base tax	2021	2022	2023F	Beneficiary company
Coats and blazers from polyester yarn	B5	9.6%	8.0%	6.0%	4.0%	**M10, MNB**
Dress from polyester yarn	B3	9.6%	6.0%	3.0%	0.0%	**MSH**
Men's and childen's shirts from cotton yarn	B7	9.6%	9.0%	7.5%	6.0%	**TNG, VGG**
Garments made of fabrics of heading 5602, 5603, 5903, 5906 or 5907	B5	9.6%	8.0%	6.0%	4.0%	**TCM, MSH**

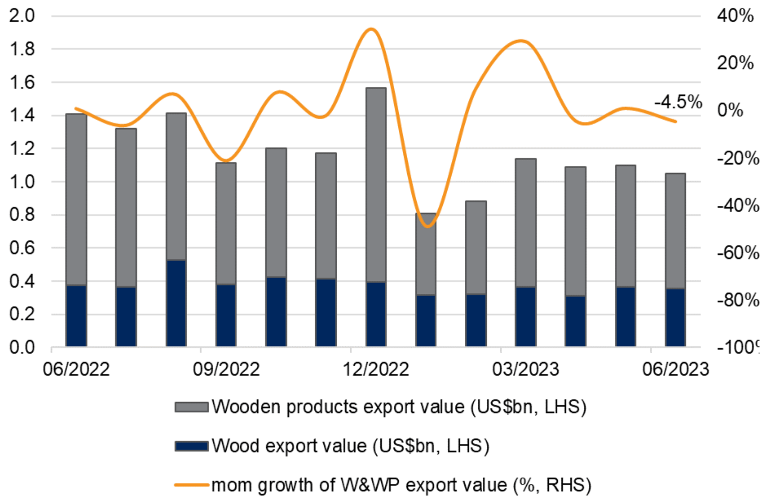
- Vietnam's garment export value to the US slumped by 30.1% yoy and 12.6% qoq in 1Q23 to US$3.1bn. However, we expect demand for garment products in the US to bounce back from the last quarter of 2023F thanks to better economic conditions.
- Though tariff barrier for products export to the EU is lower (regarding to EVFTA tariff schedule), garment export value to the EU reached US$767m in 1Q23 – lowest level since 2Q21, equivalent to a decline of 13.1% yoy and 28.9% qoq. Demand in the EU has been dragged down by consumers' cutback on non-essential spending as ECB continues their tightening policy to control inflation.

Source: U.S. CENSUS BUREAU, MOIT, WTO CENTER, VNDIRECT RESEARCH

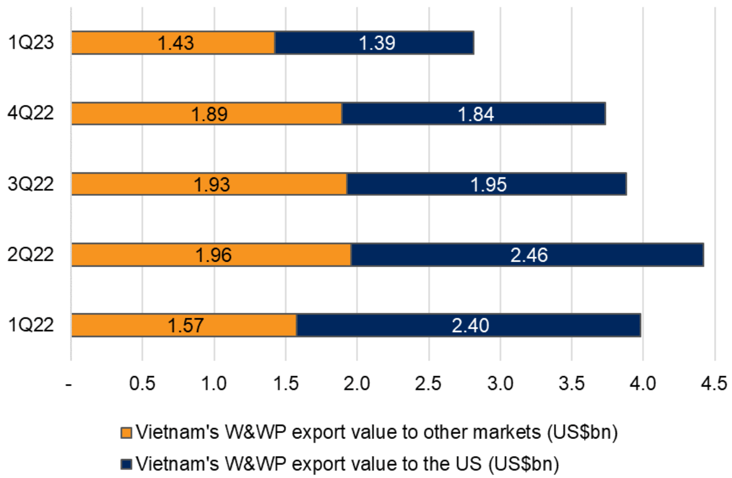
Wood & Wooden products: Getting through the darkest days

Headwinds still await but finally we see favorable signal from the US market

W&WP export value dropped 4.5% mom in June 2023 to US$1.05bn after inching up 1.1% mom in May



The US is the key export market for Vietnam's Wood and wooden products



There have been more houses being sold on new houses supply scale in the US since March 2023

- Vietnam's wood and wooden products export value to the US plunged by 42.3% yoy and 24.7% qoq in 1Q23 to US$1.4bn, as demand was constrained by difficulties in the US's housing market. The US has witnessed a slump in home sales since 2H22 as mortgage rates spiked and house price soared.
- However, absorption rate of new house supply continued to climb in May 2023 (+1.8% pts mom, comparing with the previous month's figure of +0.5% pts mom), which signals that the supply is getting more quickly absorbed and that the market sentiment is improving.

Source: GSO, U.S. CENSUS BUREAU, VNDIRECT RESEARCH

Wood & Wooden products: Companies earnings recap in 1Q23

W&WP companies have been facing weak demand in both domestic market and export market

	1Q23 revenue (VNDbn)	1Q22 revenue (VNDbn)	Rev. ch. (%yoy)	1Q23 NP (VNDbn)	1Q22 NP (VNDbn)	NP ch. (%yoy)	1Q23 GM (%)	1Q22 GM (%)	GM ch. (% pts)
ACG	679.95	856.00	-20.6%	36.32	119.91	-69.7%	28.1%	29.4%	-1.3%
DLG	222.72	347.94	-36.0%	4.59	5.03	-8.7%	35.7%	27.4%	8.3%
GTA	63.48	138.08	-54.0%	2.13	5.08	-58.1%	8.7%	9.2%	-0.5%
MDF	163.66	316.98	-48.4%	(20.66)	3.37	-712.5%	2.5%	11.3%	-8.8%
PIS	150.35	128.41	17.1%	5.98	2.58	131.4%	14.9%	13.6%	1.3%
PTB	1,409.45	1,718.98	-18.0%	62.64	140.57	-55.4%	20.2%	23.2%	-3.0%
TTF	331.22	536.29	-38.2%	2.52	15.24	-83.5%	21.7%	14.0%	7.7%
VIF	420.03	488.36	-14.0%	100.64	123.93	-18.8%	13.1%	16.9%	-3.9%
GDT	63.04	108.18	-41.7%	7.54	20.35	-63.0%	26.6%	32.4%	-5.8%
NHT	96.38	222.75	-56.7%	(0.56)	13.65	-104.1%	10.4%	14.1%	-3.7%

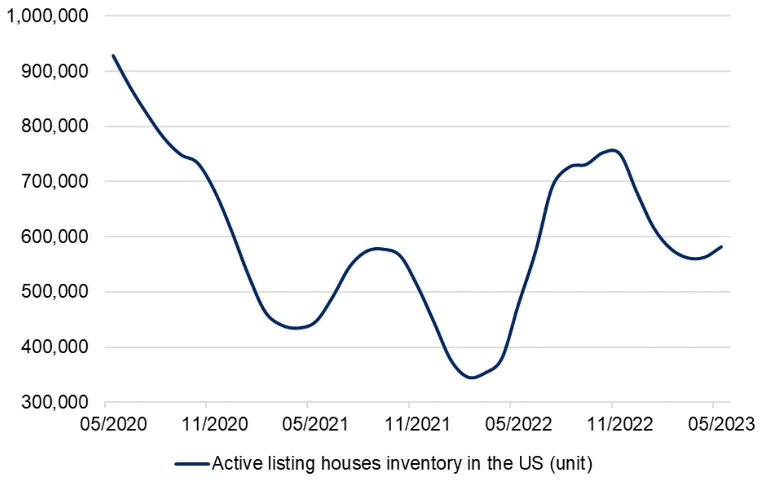
- Revenue and net profit of W&WP companies plunged 24.6%/53.3% yoy respectively in 1Q23 due to weak demand in both domestic and export markets.
- Many companies had to reduce products' selling price to boost consumption, which led W&WP sector's total gross profit margin to shrink 0.6 % pts yoy.
- PTB delays Phu Cat wood factory phase 3 to 2024F as shortage of orders causes projects of capacity broadening to hold up. The company has also reduced working hours.
- ACG recorded high SG&A expenses due to the expansion to provinces, which led to the company's sharpest yoy decline in NP of 69.7%.

Source: COMPANY REPORTS, VNDIRECT RESEARCH

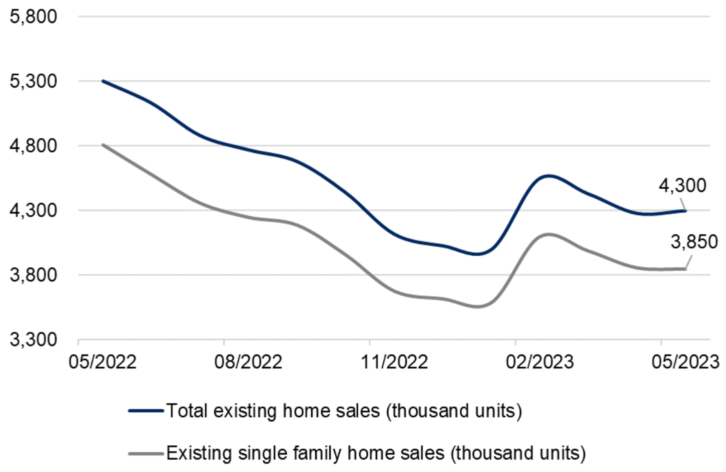
Wood & Wooden products: Better export outlook from FY24F

We expect W&WP export demand to recuperate as the US's property market recovers from FY24F

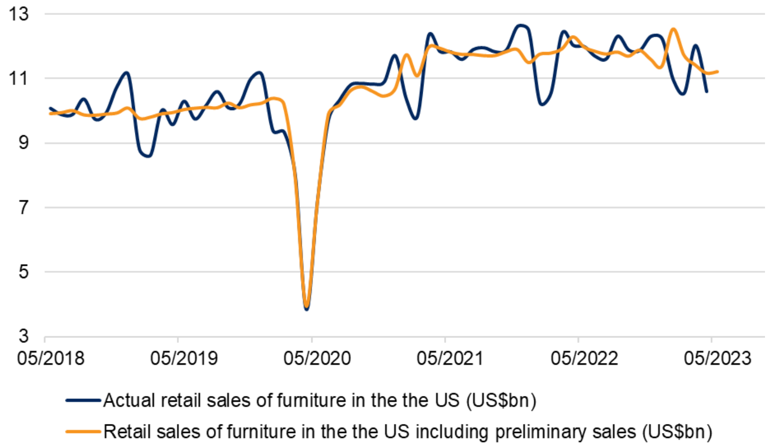
Active listing houses accelerated 3.4% mom in May 2023, showing rising confidence in the US's property developers



Existing home sales dropped nearly 19% yoy but inched up 0.5% mom in May 2023



Pre-sales figure rising will signal better results of actual retail sales of furniture in the US in the following months



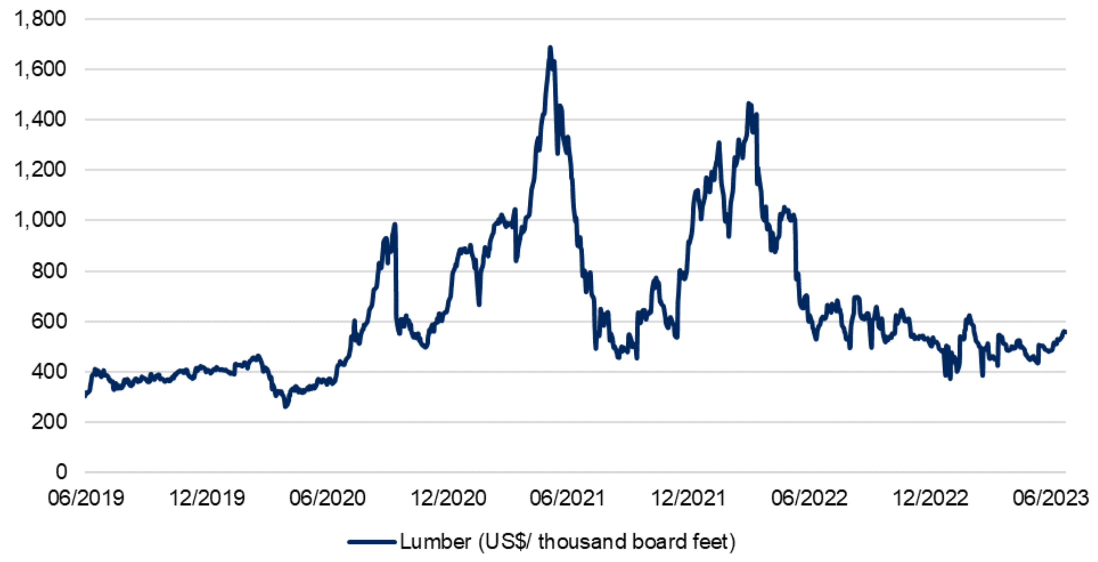
- Active listing houses accelerated 3.4% mom in May 2023 (from a slight increase of 0.2% mom in April), showing rising confidence in the US's property developers. Meanwhile, sales of previously owned homes finally inched up 0.5% mom in May 2023 after a fall in three consecutive months. A recovery in both price and supply indicates that the market may have bottomed out. We expect the tightening cycle to officially be halted by 4Q23F, thus we expect the US's property market to recover from FY24F, following by wooden furniture consumption.
- Besides, retail sales of furniture in the the US including preliminary sales increased to US$11.2bn in May 2023 from US$11.1bn of April, which would support actual retail sales of furniture in the US in the upcoming months

Source: U.S. CENSUS BUREAU, REALTOR, VNDIRECT RESEARCH

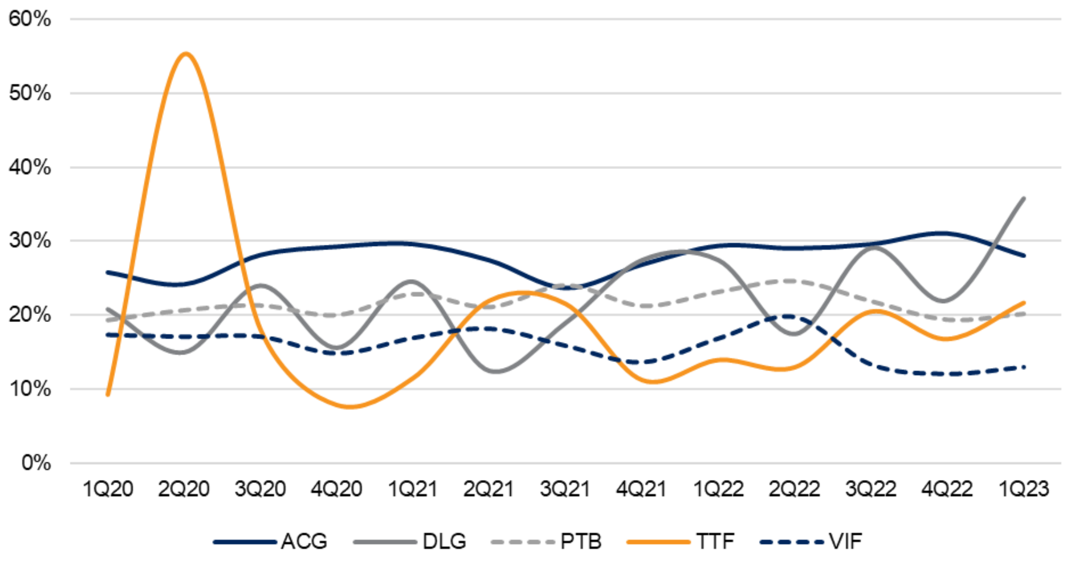
Wood & Wooden products: Lumber price stabilizing will assist companies in widening GM

Lumber price flunctuates at around 450-550 US$/thousand board feet after slumping 75% from peak in 2H22

Lumber price climbed 15% mom as of 26/06/2023. Still, the figure dropped by 9% yoy and was 29% below the average price in 2022



However not all W&WP companies maintained GM growth as they had to reduce products selling price to support consumption



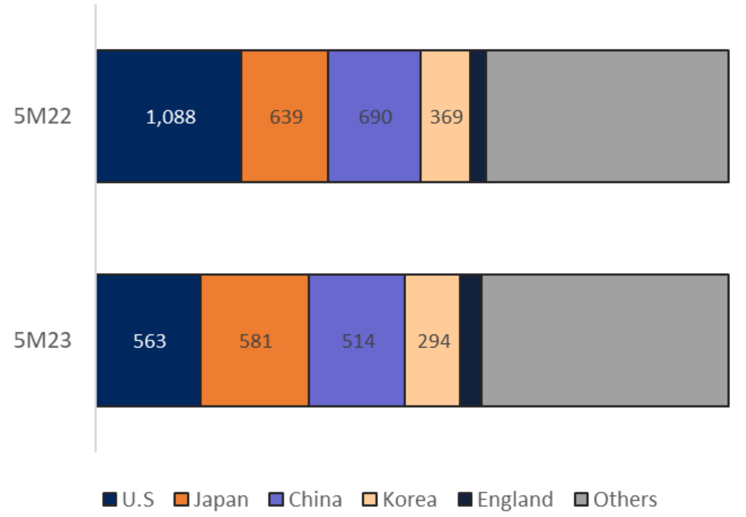
- We see that lumber has stabilized its price trend since the beginning of 2023 (at around 450-550 US$/thousand board feet) as the effects of supply chain disruption faded away. We estimate 2023F average lumber price to reached 575 US$/thousand board (-36.5% yoy).
- As we expect housing demand in the US to recover thanks to better economic conditions – followed by wood and wooden products consumption, we estimate W&WP companies' gross profit margin to improve by 1.5-2% pts yoy in 2024F.

Source: COMPANY REPORTS, BLOOMBERG, VNDIRECT RESEARCH

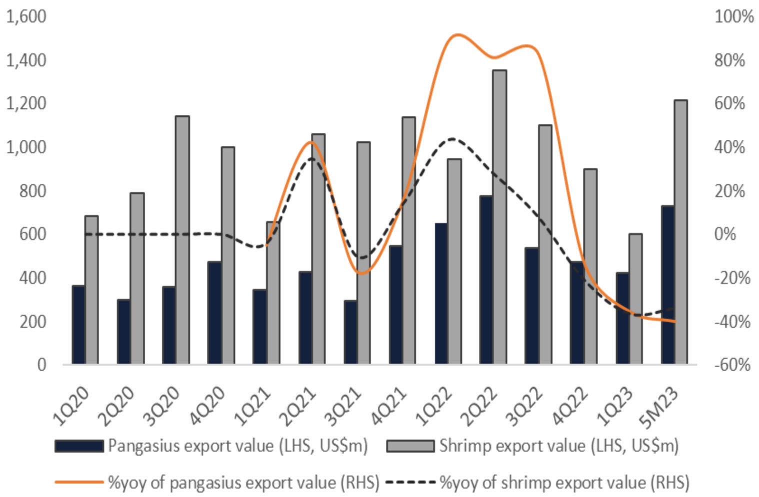
Seafood: Weak demand still weighs on shorterm outlook

Vietnam's seafood export value in 6M23 fell sharply 27% yoy due to weak demand and large inventories in key export markets.

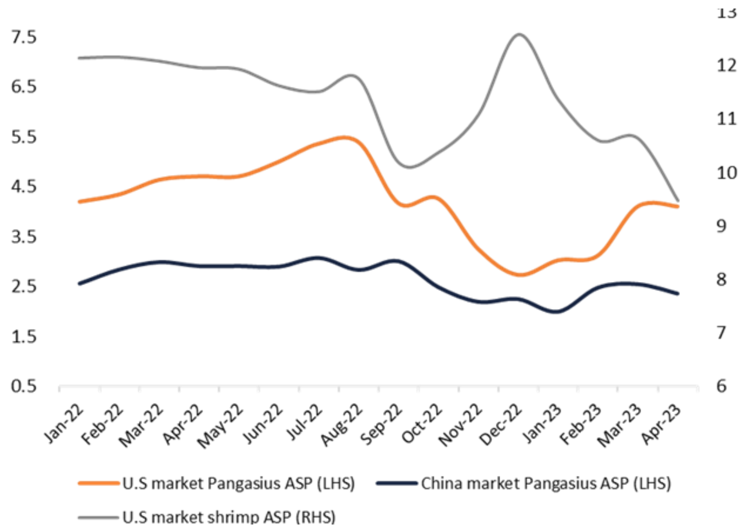
Seafood export destination in 5M23 (US$m)



Vietnam's pangasius and shrimp export value in 5M23



Vietnam's shrimp and pangasius export average selling price (Unit: US$/kg)



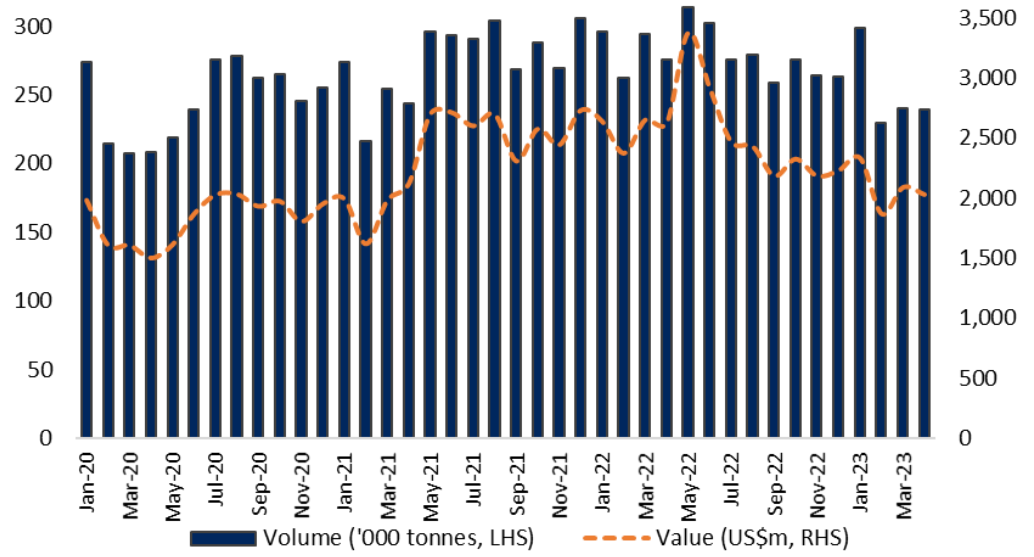
- In 5M23, the 4 largest export markets of Vietnamese seafood are the Japan, U.S, China, and Korea. Japan has surpassed the U.S to become the largest export market of Vietnamese seafood, although exports to this market decreased by 9% yoy to US$581m. Meanwhile, The U.S export turnover slumped 48% yoy to US$563m due high inventory level together with weak demand for seafood. Seafood exports to China in 5M23 also decreased by 26% yoy to US$514m due to slower-than-expected demand recovery after fully lifted Covid-19 restriction. Export turnover of two main products of Vietnam, shrimp and pangasius, fell sharply by 34% yoy and 40% yoy in 5M23 respectively due to sluggish demand and high base from 1Q22. According to our estimations, shrimp and pangasius export ASP fell 13%/17% yoy, respectively, as people tightened their spending in the global economic downturn.

Source: MOIT, AGROMONITOR, VNDIRECT RESEARCH

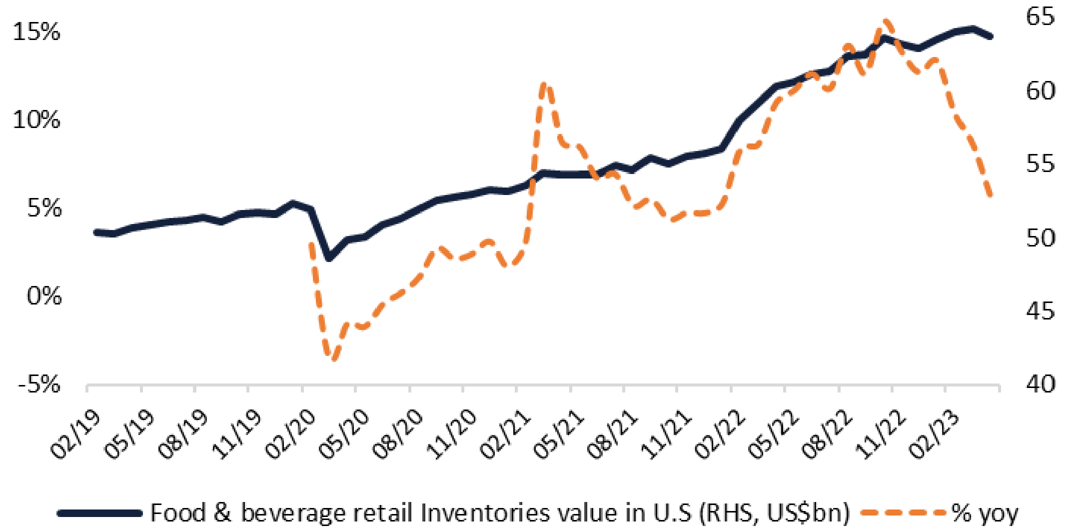
Seafood: The U.S market is waiting for a recovery in 2H23F

We anticipate that U.S seafood demand would likely recover from 2H23F

U.S seafood import volume and average price of U.S market have been on a downward trend since the beginning of 2H22



Food & beverage retail Inventories value in U.S increased by 9.5% yoy in 4M23



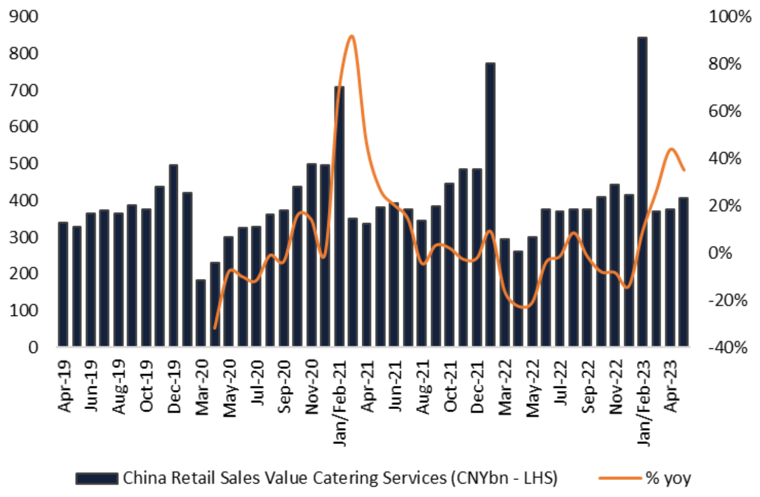
- According to NOAA, seafood imports of U.S market recorded a decrease of 11%/19% yoy in import volume/value, respectively, following 1) high and prolonged inflation in U.S has led to the tightened household spending, indirectly affecting demand for seafood product in both Horeca (Hotel-Restaurant-Cafe) and retail channel and 2) high inventory level from 2022.
- We anticipate that U.S seafood demand would likely recover from 2H23F due to 1) reduced inflation, 2) lower inventory levels, and 3) increased demand for year-end vacations, which will help Vietnam's seafood export turnover to the US climb 40-50% in 2H23F compared to 1H23, according to our estimates. We notice signs of recovery in this market in April 2023, when the average export price of pangasius is going up. U.S inflation also has shown signs of cooling, with CPI in May 2023 being 4.0%, the lowest increase in the previous two years.

Source: BLOOMBERG, NOAA, VNDIRECT RESEARCH

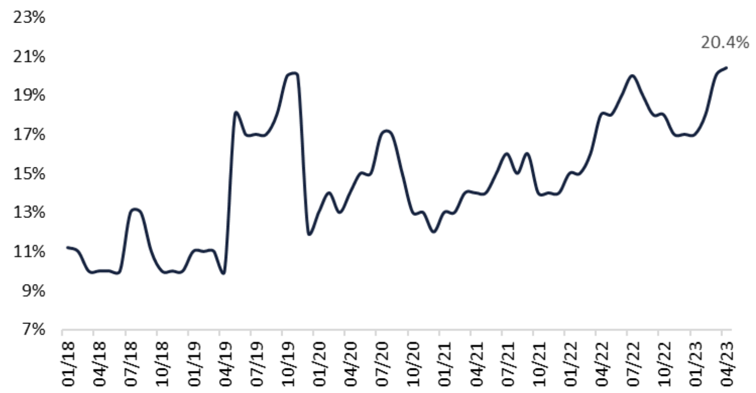
Seafood: The effect of reopening in China market is not strong as expected

Vietnam's seafood exports to the China market have not been as good as expected, as the seafood export turnover in 5M23 to the China market only reached US$514m, down 28% yoy.

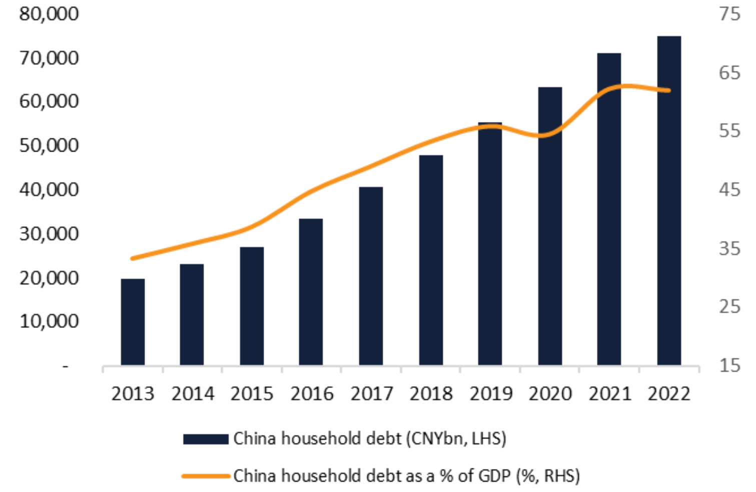
China retail sales value of catering services in 5M23



China's 16-24 year old unemployment rate in April 2023 has reached a record of 20.4%



China's debt level has risen substantially in the past 3 year



- After three years of following the "Zero Covid" approach, China has finally opened, resulting in a 13% yoy rise in seafood imports in 1Q23. However, Vietnam's key export products such as pangasius and shrimp to China market fell sharply by 37% and 27% yoy in 5M23, respectively due to 1) sharp adjustment in pork price and the strong supply of tilapia which lower demand for pangasius, in our view, 2) the shrimp export value to China of Vietnam decreased due to competition from countries with cheap shrimp sources such as India, Ecuador,...
- Given the unpredictability of the Chinese economy's macroeconomic fundamentals and the heavy competition from other countries, we anticipate that the outlook of the Chinese market is unpredictable. Therefore, we only cautiously anticipate a slight growth in Vietnam's export turnover to the Chinese market compared to 1H23.

Source: BLOOMBERG, VNDIRECT RESEARCH

Seafood: FY23F business outlook

The majority of businesses are projected to report negative net profit growth in FY23F when:

1) gross profit margin shrinks following the sharp drop of ASP and 2) high-base effect of FY22

1Q23 recap: Business results plummeted as expected after a breakthrough year

No	Ticker	1Q22 revenue (unit: VNDbn)	1Q23 revenue (unit: VNDbn)	% yoy	1Q22 NP (unit: VNDbn)	1Q23 NP (unit: VNDbn)	% yoy	1Q22 gross profit (unit: VNDbn)	1Q23 gross profit (unit: VNDbn)	1Q22 gross margin	1Q23 gross margin	% pts change yoy
1	ABT	133.4	123.9	-7%	7.7	9.2	19%	27.0	20.8	20.0%	16.8%	-3.2%
2	ACL	325.4	139.7	-57%	62.6	1.9	-97%	110.2	26.4	34.0%	18.9%	-15.1%
3	ANV	1219.2	1155.2	-5%	206.6	92.4	-55%	358.9	203.3	29.0%	17.6%	-11.4%
4	CMX	470.6	242.2	-49%	23.0	21.2	-8%	79.7	69.2	17.0%	28.6%	11.6%
5	FMC	1327.5	1008.4	-24%	40.7	43.7	7%	117.3	80.5	9.0%	8.0%	-1.0%
6	IDI	1871.8	1762.2	-6%	198.6	14.5	-93%	304.5	144.1	16.0%	8.2%	-7.8%
7	MPC	4239.0	2123.0	-50%	90.3	-97.0	-207%	491.8	122.8	12.0%	5.8%	-6.2%
8	VHC	3267.6	2221.6	-32%	547.8	219.0	-60%	778.5	384.5	24.0%	17.3%	-6.7%

The majority of listed companies expect a significant year-over-year decline in profits in FY23F

		FY23 business plan		% yoy		
Ticker	Product	Revenue	NPAT	Revenue	NPAT	Dividend plan
VHC	Pangasius	11,500	1,162	-13%	-50%	20% cash dividend and 20% stock dividend for FY22, 20% cash dividend for FY23F
IDI	Pangasius	8,133	186	2%	-70%	No plan to pay dividend to reinvestment
CMX	Shrimp	3,050	121	5%	14%	N/A
	Product	Revenue	Pre-tax profit	Revenue	Pre-tax profit	Dividend plan
ABT	Pangasius	600	60	-3%	-14%	25% cash dividend for FY22, 20%-30% cash dividend for FY23F
ANV	Pangasius	5,200	500	6%	-35%	10% cash dividend for FY22 and FY23F
ACL	Pangasius	1,300	80	12%	-41%	7% dividend for FY22 and FY23
MPC	Shrimp	12,789	639	-22%	-22%	N/A
FMC	Shrimp	5,900	400	3%	22%	20% cash dividend for FY22, at least 20% cash dividend for FY23F

- Business results of listed companies plummeted in 1Q23 with aggregated revenue of listed fishery exporters decreased by 32% yoy. The gross margin of most companies contracted, especially the pangasius exporters when the pangasius ASP dropped sharply 17% yoy. As a result, aggregated NP of listed fishery product exporters record a decrease of 74% yoy.
- Most companies set revenue plans that are close to and exceed the actual revenue of 2022. However, they are expecting the profit will slump significantly in 2023F. This shows the view of enterprises on the gross profit being considerably narrowed down.

Source: FIINPRO, COMPANY REPORTS, VNDIRECT RESEARCH

Stock picks: STK and PTB

No	Ticker	1-year TP (VND/share)	Rating	Investment thesis
1	STK	34,600	ADD	(1) We expect 2Q23 revenue to grow vs. 1Q23 thanks to improving orders. According to STK's management, sale volume in Apr-23 and May-23 has increased slightly vs. Mar-23, and STK resumed the operation of its Cu Chi factory (accounting for one-third of STK's production capacity) from end of 1Q23. In addition, STK imported Polyester Partially Oriented Yarn (POY) to produce special virgin yarn which has high value to improve gross margin in 2Q23. Thus, we forecast STK revenue in 2Q23 to climb 15% qoq. (2) We expect STK's NP to grow positively by 63% yoy in 2H23F thanks to 1) cooling inflation in the main export markets and 2) customers refilling inventories to produce for 1Q24F. STK management expects spring & summer 2024F orders will help 2H23F NP recover vs. 2H23F and that autumn & winter 2024F will be a larger driver for the resumption of orders. All in all, we forecast FY23F to edge down 19.2 yoy, 29.1% lower than our previous forecast after a weaker-than-expected 1Q23 performance. We expect STK's NP in FY2024F to strongly recover thanks to 1) pent-up demand in 2023F and 2) the contribution from Unitex factory (+60% capacity). We forecast STK's NP to soar 66% yoy in FY2024F, achieving VND323bn.
2	PTB	56,000	ADD	(1) We expect PTB's wood business will return to trajectory growth in FY24-25F as 1) demand be stirred up thanks to the recovery in the US markets and domestic housing markets and 2) Phu Cat factory phase 3 to expand refined wood capacity to 103 thousand m3/year (+22% vs. current capacity) in FY24F. PTB owns FSC-FM (Forest Management Certification) and FSC-CoC (Certificate of Chain of Custody), which guarantee the company's long term business expansion in developed market like the US and EU. We estimate revenue growth of PTB's wood segment at 22.7%/31.7% yoy in FY24-25F. (2) We estimate PTB's stone business revenue to reach a CAGR of 12.5% in FY23-25F, thanks to 1) the increasing contribution of quartz line as the company has expanded consumption market through trade fairs in the US in 2022 and 2) the warming up domestic residential property market fuels demand for stone products. PTB is amongst the largest stone reserve owners in Vietnam with total capacity of about 7.2 million m2/year with high quality and diversified products. (3) PTB has announced the plan to repurchase 6.5 million treasury shares (9.6% of outstanding shares), which (if effectuated) would enhance value for shareholders as it has positive effect on the EPS.

Source: VNDIRECT RESEARCH

We put VHC and ANV on the watch list

With the expected recovery demand from U.S market in 2H23F, we added VHC and ANV to the watch list for long-term investments because they have the leading positions in their respective industries and have the most exposure to this market.

No	Ticker	1-year TP (VND/share)	Rating	Investment thesis
1	VHC	N/A	Non rate	Main export market of VHC's pangasius products is the U.S. market with the revenue proportion of 44% in FY22 and 34% in 5M23. In FY23F, we expect that it will be difficult for the company to maintain the export value growth trajectory following the fall in both volume and ASP. VHC's revenue and NP in FY23F are likely to slump due to 1) demand in VHC's main markets such as the U.S and EU may heavily affect by the high inflation, 2) VHC's sales volume and ASP are no longer supported by the pent-up demand after the pandemic of the U.S. market in the 1H22 and 3) the demand for C&G segment will not be able to rebound strongly in the context of the gloomy world economy. However, as a company with the largest market share in the US market in Vietnam (46% in 2022), we believe that VHC will benefit the most from the recovery of U.S market and witness the improvement in business results from 4Q23F. VHC's revenue in the U.S market in May 23 improved markedly, with an increase of 21% mom- the highest month-on-month growth rate in all of VHC's export markets.
2	ANV	N/A	Non rate	Returning to the U.S market with a 0% anti-dumping tax rate will considerably an advantage of ANV when U.S market demand bottom-out. ANV’s collagen and gelatin Factory have come into operation and have the first orders. C&G products have a much higher gross margin than pangasius fillets, so we believe the future contribution of this business will help ANV's gross profit margin improve in the future.

Source: VNDIRECT RESEARCH

FY23-24F earnings forecast of stocks under coverage

	MSH		TCM		STK		PTB		ACG	
	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Revenue (VNDbn)	5,288	5,627	4,270	4,827	2,043	2,896	6,605	7,523	4,452	5,126
% growth	*-4.2%*	*6.4%*	*-1.5%*	*13.0%*	*-3.5%*	*41.7%*	*-4.1%*	*13.9%*	*-0.5%*	*15.1%*
Gross profit (VNDbn)	1,046	1,159	818	982	334	545	1,278	1,590	1,251	1,461
Gross margin (%)	*19.8%*	*20.6%*	*19.2%*	*20.3%*	*16.4%*	*18.8%*	*19.4%*	*21.1%*	*28.1%*	*28.5%*
EBITDA (VNDbn)	831	917	572	712	384	658	847	1,078	938	1,061
EBITDA margin (%)	*15.7%*	*16.3%*	*13.4%*	*14.8%*	*18.8%*	*22.7%*	*4.4%*	*6.4%*	*21.1%*	*20.7%*
Net profit (VNDbn)	504	579	380	461	194	322	365	546	605	705
% growth	*34.5%*	*14.9%*	*-9.4%*	*21.4%*	*-19.2%*	*66.1%*	*-25.2%*	*49.8%*	*-0.4%*	*16.6%*
EPS (VND/share)	10,085	11,586	4,640	5,632	2,372	3,933	5,358	8,027	4,453	5,193
BVPS (VND/share)	34,530	45,812	24,147	28,595	21,689	24,172	43,463	50,440	29,652	30,166
D/E (x)	0.2	0.2	0.8	0.7	0.2	0.3	0.6	0.5	0.2	0.2
ROAE (%)	24.0%	19.2%	19.1%	19.6%	11.7%	17.2%	12.5%	16.5%	15.2%	17.3%
ROAA (%)	13.1%	12.2%	10.6%	11.7%	8.6%	12.3%	6.8%	9.7%	11.0%	12.5%

Source: VNDIRECT RESEARCH

VNDIRECT
WISDOM TO SUCCESS

Peer comparison (Data as of 26/06/2023)

Company	Ticker	Current price	Market cap	P/E (x)		P/B (x)		3-year EPS growth	ROE (%)		ROA (%)	
		LC$	US$m	TTM	FY23F	Current	FY23F	CAGR (%)	TTM	FY23F	TTM	FY23F
Textile & garment												
Thanh Cong Textile Garment Investment Trading JSC	TCM VN	55.900	195	20,0	19,8	2,3	2,1	25,0	12,2	19,1	7,3	10,6
NHA BE Garment Corp-JSC	MNB VN	25.000	20	4,8	N/A	1,2	N/A	414,7	26,5	N/A	3,5	N/A
TNG Investment & Trading JSC	TNG VN	19.000	92	7,1	7,4	1,3	N/A	1,8	19,3	16,6	5,8	N/A
Mirae JSC	KMR VN	4.010	10	17,4	N/A	0,4	N/A	4.970,7	1,9	N/A	1,2	N/A
Song Hong Garment JSC	MSH VN	35.350	113	8,3	10,0	1,6	1,0	8,8	20,3	24,0	9,6	24,0
Vietnam National Textile & Garment Group	VGT VN	12.900	275	11,4	N/A	0,9	N/A	48,3	7,4	N/A	2,6	N/A
Viet Tien Garment Corp	VGG VN	31.500	59	10,2	N/A	0,7	N/A	10,8	7,5	N/A	3,4	N/A
Century Synthetic Fiber Corp	STK VN	29.400	102	14,6	13,3	1,5	1,5	15,8	11,6	11,7	7,9	8,6
Average				*11,7*	*12,6*	*1,2*	*1,5*	*687,0*	*13,3*	*17,9*	*5,2*	*14,4*
Median				*10,8*	*11,6*	*1,3*	*1,5*	*20,4*	*11,9*	*17,9*	*4,7*	*10,6*
Wood and wooden products												
Phu Tai Corp	PTB VN	47.750	138	7,9	8,3	1,0	6,0	5,4	14,4	16,0	7,1	7,0
An Cuong Wood Working JSC	ACG VN	40.800	236	10,4	12,0	1,4	4,1	11,1	13,6	15,2	10,2	12,0
Duc Thanh Wood Processing JSC	GDT VN	29.000	26	11,5	N/A	2,1	N/A	(2,0)	18,6	14,0	14,3	2,2
Truong Thanh Furniture Corp	TTF VN	5.230	88	N/A	N/A	5,9	N/A	N/A	(5,8)	N/A	(0,8)	N/A
Viet Nam Forestry Corp JSC	VIF VN	14.100	210	19,2	N/A	1,0	N/A	7,9	8,8	N/A	7,8	N/A
MDF VRG Quang Tri Wood JSC	MDF VN	9.500	22	18,6	N/A	0,8	N/A	46,0	0,5	N/A	0,3	N/A
Duc Long Gia Lai Group JSC	DLG VN	2.990	38	20,9	N/A	0,9	N/A	(838,3)	(76,8)	N/A	(19,3)	N/A
Thuan An Wood Processing JSC	GTA VN	16.900	7	18,4	N/A	1,1	N/A	(18,1)	4,0	N/A	1,4	N/A
Average				*15,3*	*10,1*	*1,8*	*5,0*	*(112,6)*	*(2,8)*	*15,1*	*2,6*	*7,1*
Median				*18,4*	*10,1*	*1,0*	*5,0*	*5,4*	*6,4*	*15,2*	*4,3*	*7,0*
Seafood												
Vinh Hoan Corp	VHC VN	64.900	506	7,2	9,3	1,4	1,5	18,1	23,5	15,9	15,0	11,1
Nam Viet Corp	ANV VN	34.600	196	7,9	N/A	1,5	N/A	104,0	20,0	N/A	10,3	N/A
Bentre Aquaproduct Import and Export JSC	ABT VN	31.950	16	5,6	N/A	0,8	N/A	56,7	14,9	N/A	10,9	N/A
Cuu Long Fish JSC	ACL VN	13.000	28	11,4	N/A	0,8	N/A	49,4	7,1	N/A	3,7	N/A
International Development & Investment Corp	IDI VN	13.150	127	8,2	N/A	0,9	N/A	88,3	11,0	N/A	4,4	N/A
Minh Phu Seafood Corp	MPC VN	18.300	311	9,4	N/A	1,2	N/A	17,1	14,3	N/A	8,2	N/A
Sao Ta Foods JSC	FMC VN	41.400	115	8,5	7,7	1,4	1,2	(3,3)	16,8	15,8	11,1	10,7
Camimex Group JSC	CMX VN	9.460	41	14,1	N/A	0,8	N/A	(13,3)	6,1	N/A	2,6	N/A
Average				*9,0*	*8,5*	*1,1*	*1,4*	*39,6*	*14,2*	*15,9*	*8,3*	*10,9*
Median				*8,4*	*8,5*	*1,1*	*1,4*	*33,8*	*14,6*	*15,9*	*9,3*	*10,9*

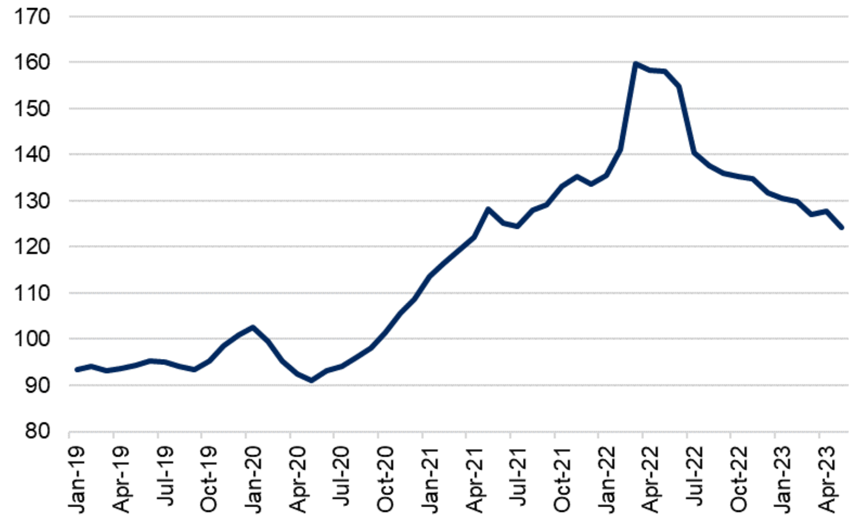
Source: BLOOMBERG, VNDIRECT RESEARCH

Agribusiness

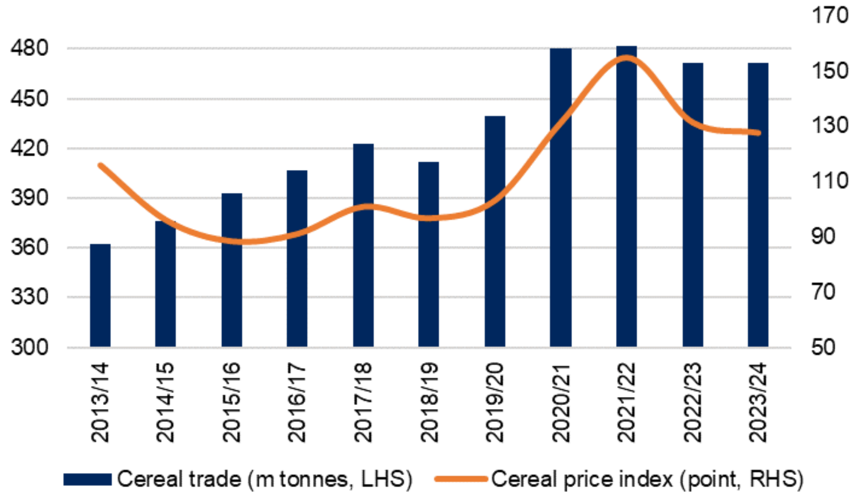
Waiting for a better year

We expect the food commodities price index keep declining in 2H23F

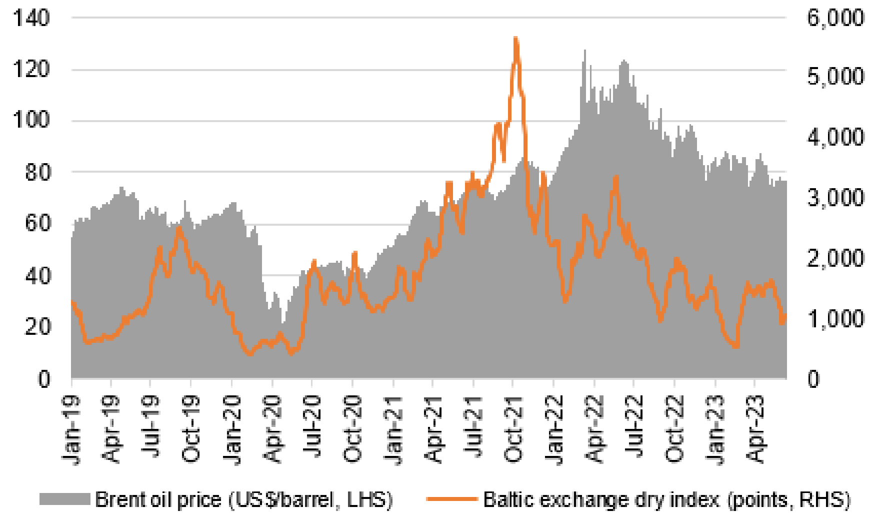
The FAO food price index (unit: point) backs to its down trend in May after inching up slightly last month



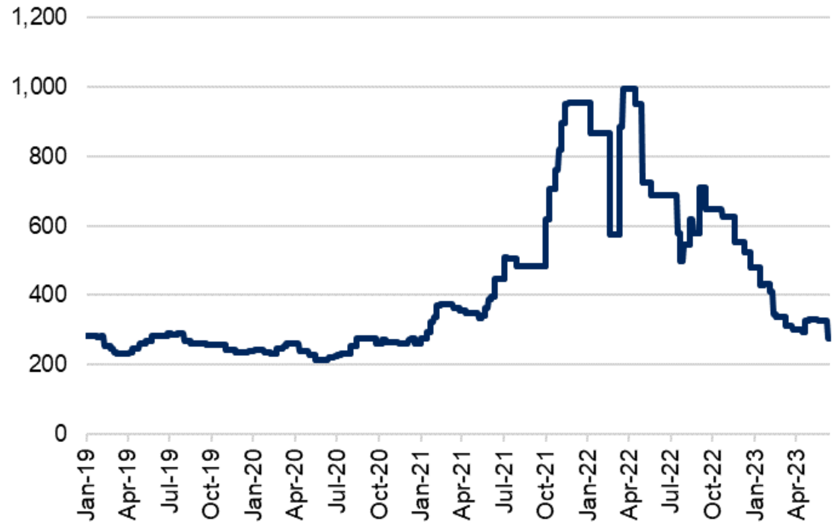
According to FAO, global import demand is expected to decrease 2.2% yoy in 2023F



Freight rates fluctuate at 81.3% lower than peak in Oct 2021



Urea price (US$/tonne) declined 72.1% from its peak in Apr 2022



Source: VNDIRECT RESEARCH, BLOOMBERG, FAO

We expect the food commodities price index keep declining in 2H23F

We expect the food commodities price index to remain downward trend, with most key products will see 15%-23% yoy decrease in 2023 average price except for sugar and rice price

	Global			Vietnam						
	2023F	2024F	2020-2024F	Last price	Ytd	2023F	1H23	2H23F	Related stocks	Impact
Key output price										
Live hog price (VND/kg)	-2.0%	N/a		59,400	14.3%	5.0%	-2.1%	9.5%	DBC, BAF, HAG	
Domestic sugar price (VND/kg)	9.8%	2.2%		19,500	4.0%	3.2%	4.5%	1.9%	SBT, QNS, LSS, SLS	
Export rice average price (US$/tonnes)	16.7%	-3.9%		529	3.8%	10.7%	8.3%	13.0%	LTG,PAN, TAR	
Key material import price										
Wheat (US$/tonnes)	-17.4%	-5.6%		352	-3.8%	↓	-2.1%	↓	DBC, BAF, HAG	
Corn (US$/tonnes)	-15.4%	-11.1%		329	-1.6%	↓	-1.9%	↓	DBC, BAF, HAG	
Soybean (US$/tonnes)	-12.6%	-8.5%		613	-8.7%	↓	-1.4%	↓	DBC, BAF, HAG	

Note: Highly benefical, least benefical

We expect **sugar and meat producers** to enjoy higher GM across the board thanks to increasing output price.

Meanwhile, we also see that whole milk powder price has declined 2.2% mom and 23.1% yoy which will have positive impact on **milk producers'** GM in 2H23F.

However, we monitor some factors could cause global commodity prices to reverse to the upside:

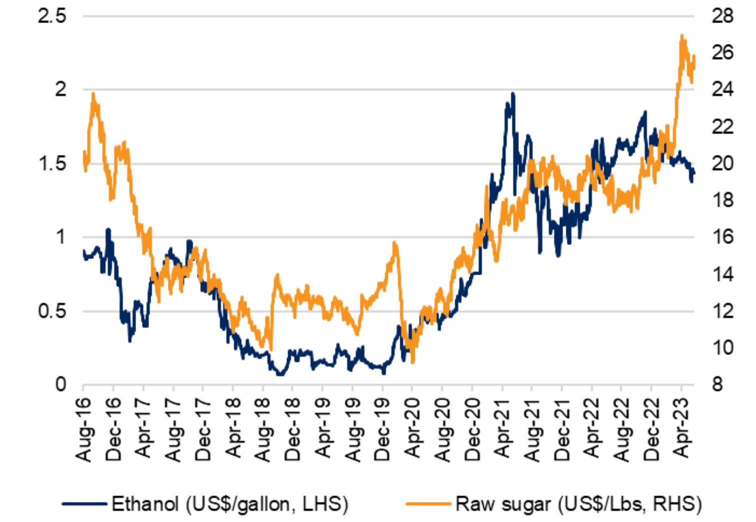
- Prolonged and deeper conflict in Ukraine, which could again cause some supply chain disruption.
- El Nino phenomenon will develop in 2Q23 which could affect crop yields cross global.

Source: VNDIRECT RESEARCH, WORLD BANK, GSO

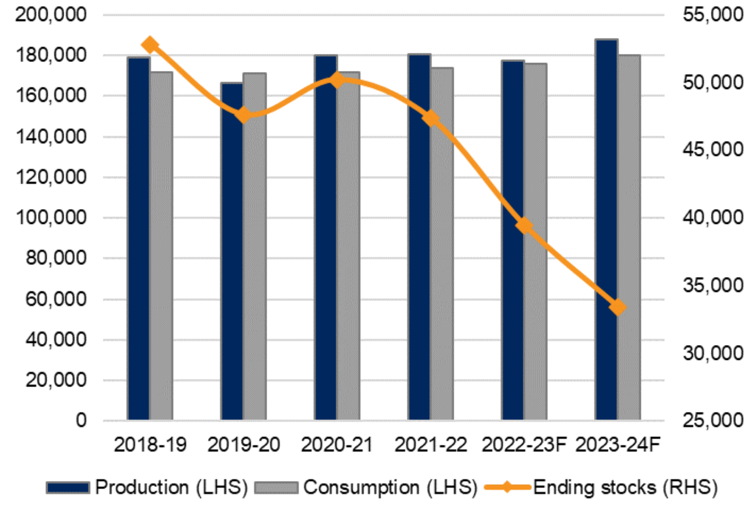
Sugar production: Prices to stay high

Global sugar price is forecast to stay at high level

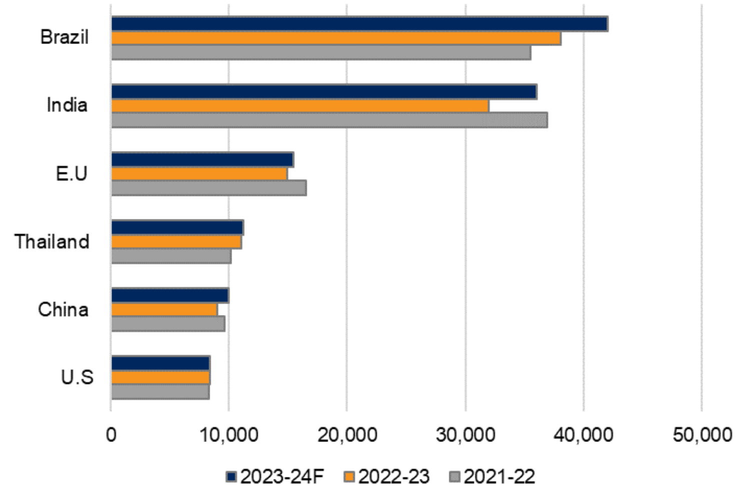
We see a correlation between ethanol price and global raw sugar price



Global sugar production and consumption (unit: thousand tonnes)



Sugar production in main producers (unit: thousand tonnes)



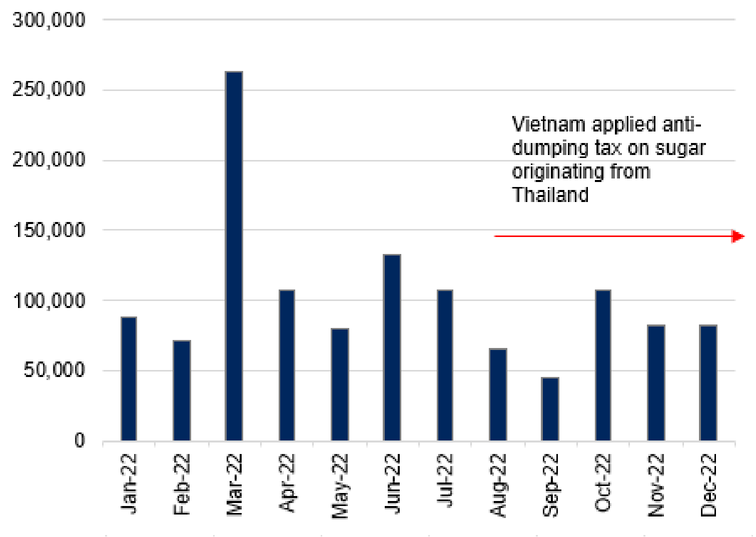
We expect global sugar price to cool down in 2H23F but still fluctuate at hight level compare to 2H22. For 2022-23F, global sugar price is forecast to increase 10% yoy and 2% yoy in 2023-24F (according to World bank) thanks to 1) consumption is forecast to rise 1.4%/2.3% yoy while ending stocks decline 16.7%/15.2% yoy in 2022-23F and 2023-24F, 2) freight delays in Brazil limit sugar exports as record corn and soybean crops have increase logistical pressure both internally and at the main port terminals, and 3) energy prices stay at high level globally would lead sugar production to be diverted to ethanol production in major sugar suppliers such as India and Brazil.

Source: VNDIRECT RESEARCH, USDA, BLOOMBERG, ICE, ABARES

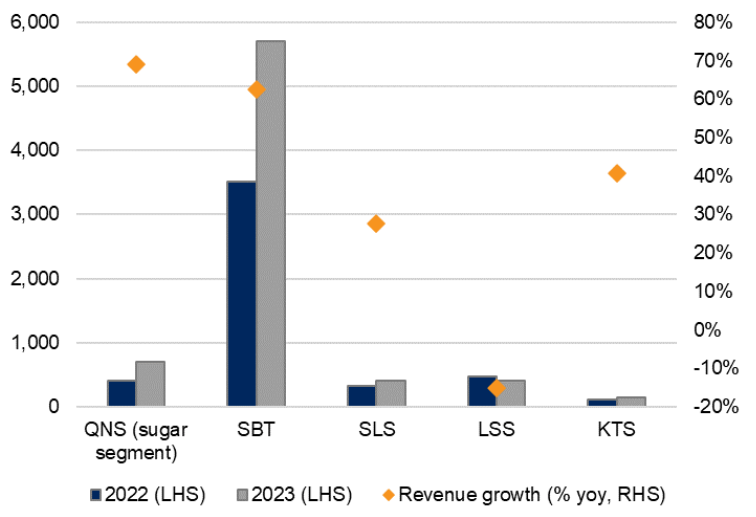
Sugar production: Prices to stay high

We believe that the price of Vietnamese sugar will follow the trend of global sugar prices

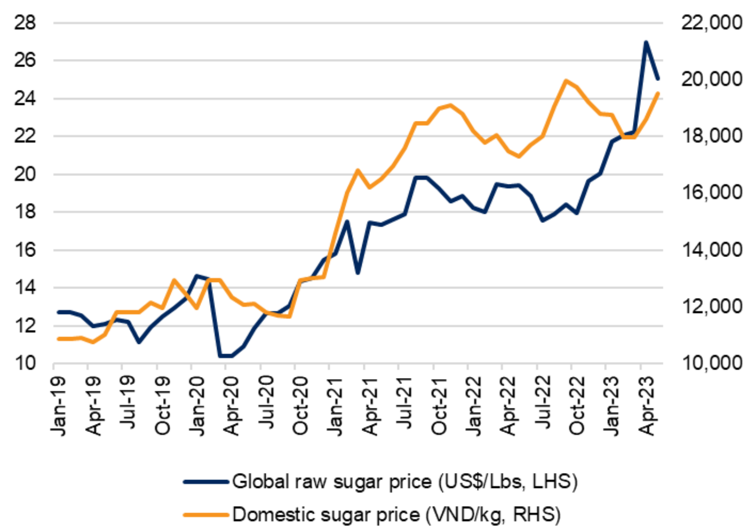
The imported sugar volume (unit: tonnes) decreased after the imposition of anti-dumping tax



Sugar producers' revenue recorded positive growth in 1Q23 (unit: VNDbn)



Global raw sugar price and Vietnam's sugar price from Jan 2019 to May 2023



We expect domestic sugar price to increase by 2.5% yoy in 2023F thanks to:

- The domestic sugar price tend to inline with the global sugar price movement
- Sugar consumption in Vietnam is forecast to increase by 7.5% yoy in 2022-23F.
- The anti-dumping tax will create competitive advantage for domestic sugar price in the long term. Based on our estimate, the smuggled sugar price after imposition of anti-dumping tax will be about 15% higher than the domestic sugar price.

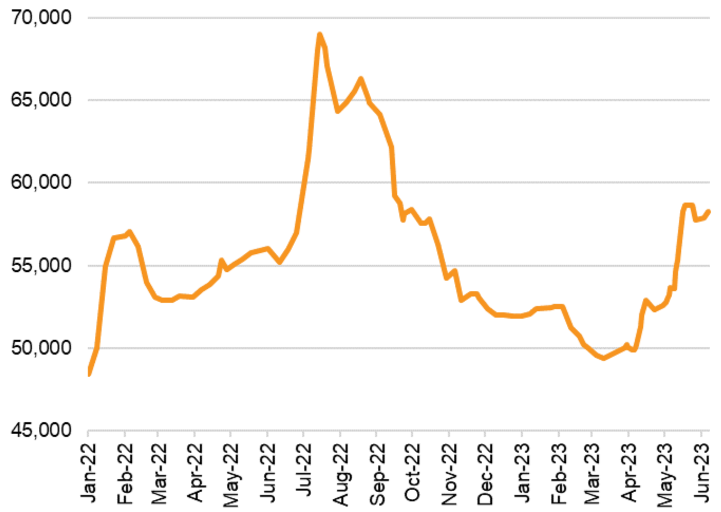
Source: VNDIRECT RESEARCH, VSSA, Bloomberg

VNDIRECT
WISDOM TO SUCCESS

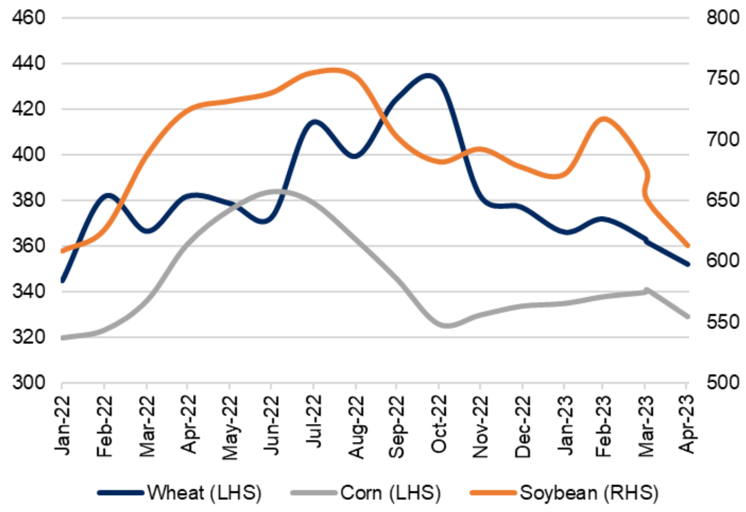
Meat production: Confident but cautious

We expect swine prices to rise 5% yoy to VND59,000/kg in 2023F, thanks to demand recovery while supply from smallholder farmers still be limited to 3Q23F.

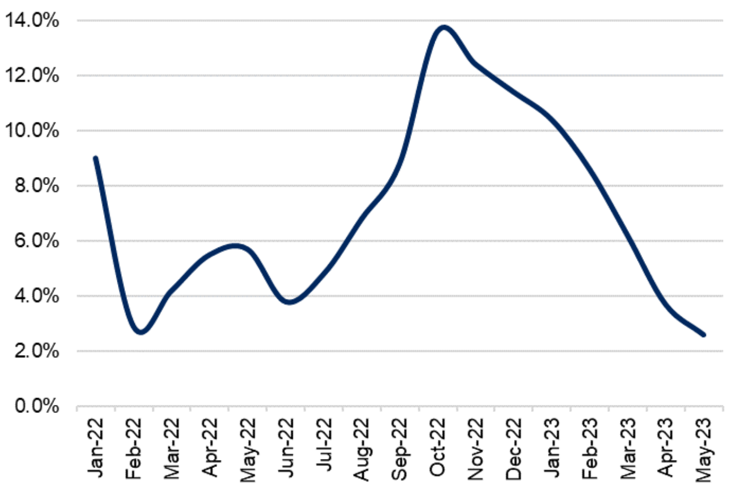
Domestic swine price (unit: VND/kg) increase significantly from May 2023



Key material import price (US$/tonne) of animal feed in Vietnam



We see that Vietnam's pig herd growth has slowed down in 2Q23 (unit: %)



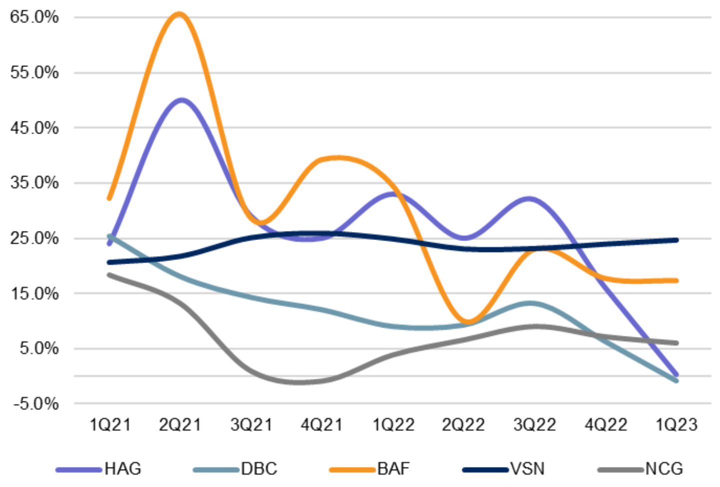
- In our view, we expect pork prices to improve in 2Q23F (+9.7% qoq) and increase more clearly in 3Q23F-4Q23F (+11.6%/4.0% qoq) to VND62,000/kg – VND65,000/kg
- We expect global agricultural products price to decline in 2023F average by 10-15% yoy which lead to the gradually decrease in domestic animal feed price by 5% yoy in 2023F. However, we still see the risk of global grain prices increasing again due to the escalation of Ukraine - Russia tensions and unfavourable weather in main export countries, leading to a high level of domestic animal feed prices in 2023F.

Source: VNDIRECT RESEARCH, Anova feed, Fiinpro, GSO

Meat production: Confident but cautious

We see that most meat producers set prudent profit after tax (NPAT) plans in FY23F such as VSN (-2.0% yoy), HAG (+0.4% yoy), and BAF (+5.0% yoy).

Meat producers recorded gross margin contraction by 4-12% pts yoy in 1Q23 (unit: %)



1Q23 earnings recap of meat production companies (unit: VNDbn)

Ticket	Meat producers	1Q23 revenue	Change (yoy)	1Q23 NP	Change (yoy)
DBC	Dabaco Group	2,314	-17.5%	-321	From net profit to net loss
HPG*	Hoa Phat Agricultural JSC (HPG's agricultural segment)	1,589	-2.4%	-116	Net loss
MML	Masan MeatLife Corporation	1,600	71.8%	-121	From net profit to net loss
HAG	Hoang Anh Gia Lai JSC	1,697	111.4%	291	16.4%
BAF	BAF Viet Nam Agriculture JSC	817	-46.9%	3	-96.4%
NCG	Nova Consumer Group	1,111	15.9%	-7	From net profit to net loss
VSN	Vissan JSC	895	-5.2%	35	-3.7%

Most meat producers set prudent business plan in FY23F (unit: VNDbn)

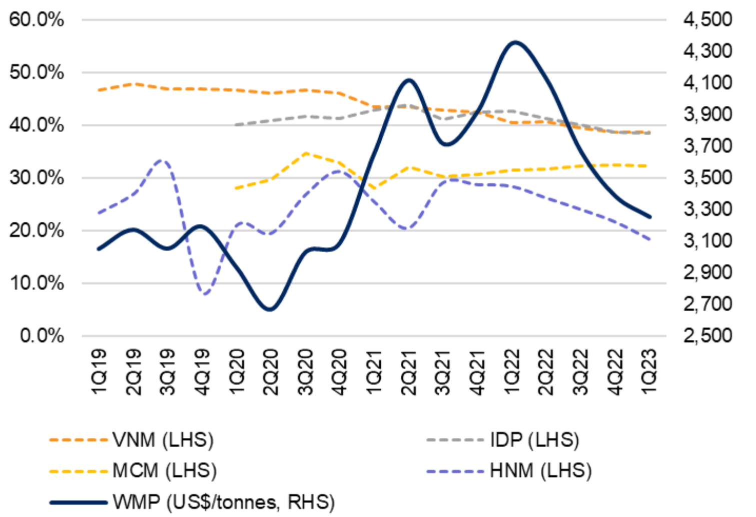
Ticket	Meat producers	FY23F net revenue plan (VNDbn)	% with FY22 net revenue	FY23F NPAT plan (VNDbn)	% with FY22 NPAT
DBC	Dabaco Group	24,562	11%	569	13 times
MML	Masan MeatLife Corporation	8,500-9,000	76.3%	(300)	N/a
HAG	Hoang Anh Gia Lai JSC	5,120	0.2%	1,130	0.4%
VSN	Vissan JSC	4,100	5.8%	170	-2.0%
BAF	BAF Viet Nam Agriculture JSC	7,525	6.2%	301	5.0%

- The 3F companies still faced double headwinds in 1Q23 from: 1) high animal feed price and 2) weak domestic demand which results in lower swine price of 5.2% yoy.
- We estimate the average live hog production cost of meat producers is about VND50,000/kg to VND52,000/kg. Therefore, with current swine price meat producers begin to make profit, based on our estimate. We expect meat producers' GM to improve from 2Q23F and expand average by 1.0-1.5% pts yoy in FY23F.

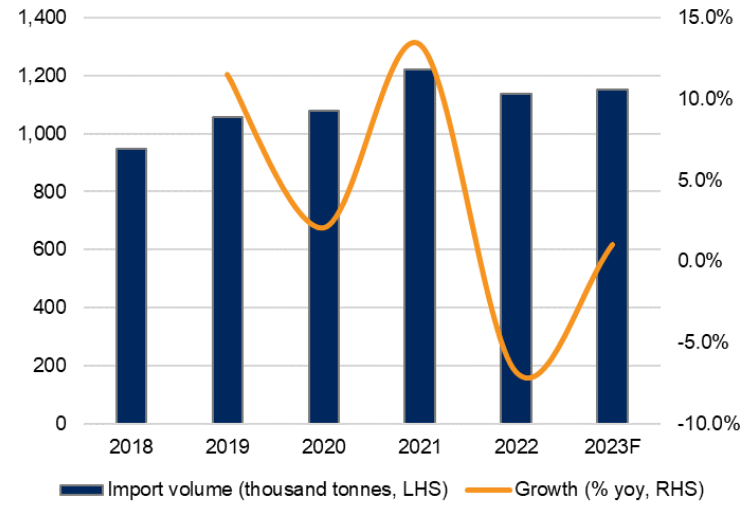
Source: VNDIRECT RESEARCH, COMPANY REPORTS

Milk production: Lower milk powder price to ease input cost pressure

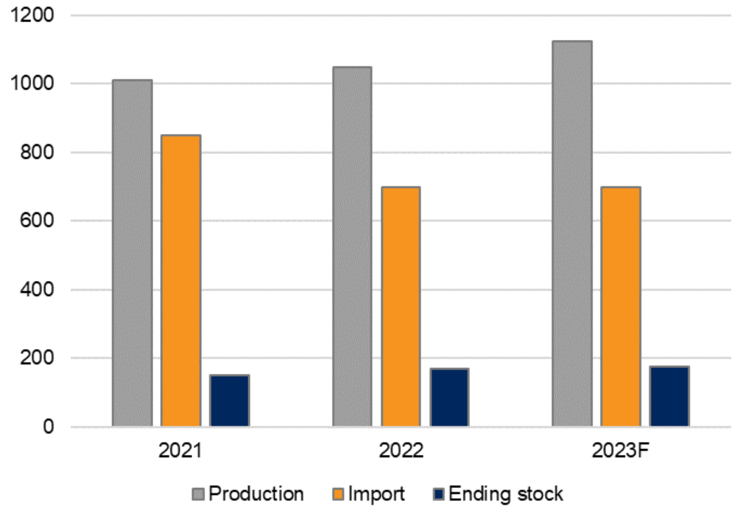
Average whole milk powder (WMP) price and listed dairy company's GPM (%) from 1Q19 to 1Q23



WMP import volume in top 5 importer is forecast to increase slightly by 1.1% yoy while export volume is forecast to rise 2.6% yoy



WMP production in China is forecast to increase 7% in 2023F due to higher milk supply (unit: thousand tonnes)



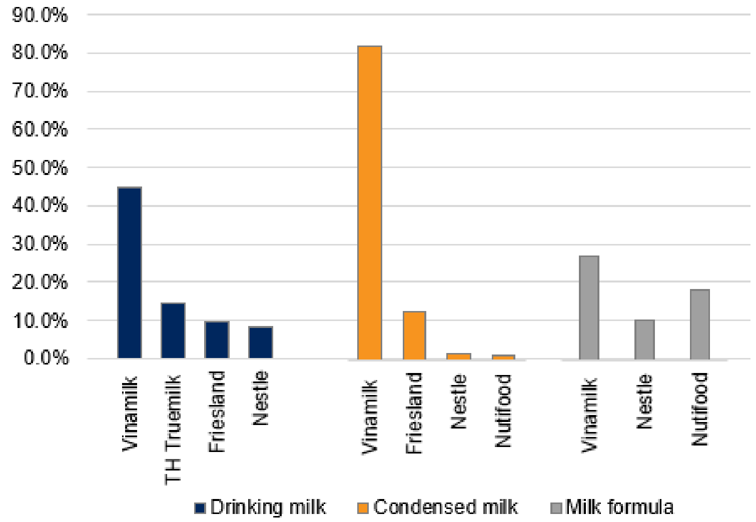
We expect whole milk powder price to cool down in 2023F thanks to:

- Lower import demand from China – the biggest whole milk powder importer due to buoyant local supply and ample inventories.
- Global dairy demand is likely to get weaker in the short term, with many economies experiencing broad-based food inflation. Meanwhile, whole milk production is projected to be higher in 2023F thanks to favorable weather conditions.

Source: VNDIRECT RESEARCH, COMPANY REPORTS, Global dairy trade, USDA

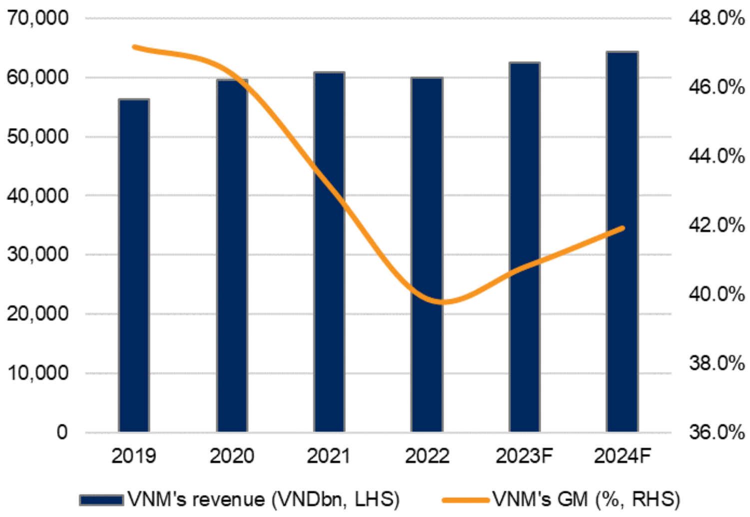
Milk production: Lower milk powder price to ease input cost pressure

Vinamilk is leading in almost milk product line in 2022



We see a fierce competition for market share in the dairy industry when dairy companies constantly launching new products along with promotion program

We expect VNM's revenue to increase 4.2% yoy while GM improve 0.9% pts yoy in FY23F



- According to VNM, dairy demand will record single-digit growth (under 5% yoy) in 2023F as mass consumers tighten their spending habits.
- We expect VNM's net revenue to increase by 4.2%/3.0% yoy in FY23/24F. Meanwhile, we forecast VNM's GM expand to 40.8% (+0.9% pts yoy) in FY23F and 41.9% (+1.1% pts yoy) in FY24F mainly thanks to 5%/1% yoy decrease in whole milk powder price.

Source: VNDIRECT RESEARCH, COMPANY REPORTS, Euromonitor

Investment thesis

No	Ticker	1-year TP (VND/share)	Rating	Investment thesis
1	STOCK PICK VNM	77,300	ADD	1) We expect dairy demand to record single-digit growth (under 5% yoy) in 2023F as consumers to tighten up their purse strings. Thus, we forecast VNM to record revenue growth of 4.2%/3.0% yoy in FY23-24F, still higher than the average of the past three years. 2) We expect whole milk powder price in 2023F to keep falling and trading at 5.0% lower than 2022. Thus, the company will enjoy a 0.9% pts yoy increase in gross margin. We expect the company to start using low-cost inventories from 3Q23F to make VNM's GM improve 3.1% pts yoy to 42.3% in 2H23F. 3) We expect VNM's net profit to recover 6.6% yoy in FY23F and 8.1% yoy in FY24F. In which, we expect VNM's net profit to increase 15.8% yoy in 2Q-4Q23F. 4) With a market share of 50% - dominant in Vietnam's dairy industry and core business in essential goods, VNM is an attractive defensive stock in case the strong market correction.
2	BAF	27,200	HOLD	1) BAF has long-term growth potential thanks to expanding the herd capacity with new farms and distribution system through Siba Food supermarkets and Meat shops. We expect GM to improve 1.5% pts yoy in FY23F as 3F business segment keep increasing its contribution to BAF's gross profit with GM much higher than agricultural trading segment. 2) We expect BAF's net revenue to increase slightly 2.1% yoy in FY23F while net profit improves 6.0% yoy to VND305bn, in line with the company's guidance.
3	DBC	15,900	HOLD	1) For FY23F, we estimate DBC's GM to expand by 0.5% pts yoy thanks to lower animal feed cost. Thus, DBC's net profit is forecasted to rise 23.4 times compared to FY22. DBC set its NPAT to reach VND569bn in FY23F, equivalent to 378% of our forecast. In our view, the company business plans is quite positive in the context of weak demand in 1H23 and swine price is unlikely to rise sharply in 2023F.

Source: VNDIRECT RESEARCH

Investment thesis

No	Ticker	1-year TP (VND/share)	Rating	Investment thesis
4	QNS	N/a	Non-rate	1) We see QNS can take advantage of the sugar price upward trend and expand the GM as the company has the second largest scale in sugarcane materials which is well positioned to capture the increasing demand for domestic sugar. According to the management, QNS's sugar volume is expected to increase 54% yoy in FY2023F thanks to the expansion of the material area (+45% yoy). 2) The management estimate soy milk sale volume will be flat in FY2023F due to weak demand. Meanwhile, in Mar-2023 QNS has raised average selling price of soy milk by 3% yoy which will offset the higher input cost (soy bean) in 2Q23. 3) In May 2023, QNS recorded a 38%/121% yoy increase in net revenue and pre-tax profit. In which, the sugar segment continued to be the key driver for total revenue growth with revenue increased by 182% yoy and pre-tax profit increased 12 times compare to May 2022.
5	SBT	N/a	Non-rate	1) We see SBT can take advantage of the sugar price upward trend and expand the GM as the company has the largest scale in sugarcane materials which is well positioned to capture the increasing demand for domestic sugar. In 2021-25F, the company plans to focus on expanding the raw materials area in Australia up to 20,000ha. In crop year 2022-23F, SBT expect to put 5,000ha into exploitation for sugarcane cultivation. 2) However, we also found that the company is highly leveraged with a D/E of 1.1x in the last three year. Besides, its ability to pay interest expenses is not really strong with a two-year interest coverage ratio only reached 1.2-1.4x. Therefore, we believe that SBT may continue to be under pressure in the high interest rate environment in FY23F.
6	SLS	N/a	Non-rate	1) According to the management, SLS's sugar production is estimate to increase by 6% yoy in FY2023F thanks to the expansion of the raw material area. SLS enjoy a special competitive advantage thanks to the raw material area with higher sugarcane yield (68 tonnes/ha, compared to 62 tonnes/ha on average) and higher CCS ratio (~13, compared to the average level of 10) thereby helping the company's GM to outperform with other competitors. In addition, the company is also entitled to corporate income tax at 0%. 2) SLS also maintains a stable cash dividend policy at a high level with an average dividend yield of 7%-9%.

Source: VNDIRECT RESEARCH

FY23-24F earnings forecast of stocks under coverage

	VNM			BAF			DBC		
VNDbn	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F
Revenue (VNDbn)	59,956	62,471	64,323	7,047	7,193	7,656	11,558	13,134	13,057
% growth	-1.6%	4.2%	3.0%	-32.5%	2.1%	6.4%	6.9%	13.6%	-0.6%
Gross margin (%)	39.9%	40.8%	41.9%	6.9%	8.4%	8.9%	8.3%	8.7%	8.9%
EBITDA margin (%)	19.0%	19.1%	20.1%	5.9%	8.7%	9.6%	6.2%	6.2%	6.8%
Net profit (VNDbn)	8,517	9,077	9,812	292	305	330	5	119	212
% growth	-19.1%	6.6%	8.1%	-9.2%	4.6%	8.2%	-99.4%	2235.2%	78.1%
EPS (VND/share)	3,634	3,872	4,186	2,035	2,128	2,302	20	462	824
BVPS (VND/share)	15,702	16,113	16,575	12,179	14,318	16,631	19,178	20,179	20,443
Net cash/share (VND/share)	7,072	6,985	7,401	(4,908)	(6,457)	(6,463)	(14,293)	(9,815)	(8,297)
D/E	0.15	0.15	0.15	0.55	0.55	0.55	0.99	0.64	0.49
Dividend yield (%)	5.6%	5.6%	5.6%	0.0%	0.0%	0.0%	0.9%	2.3%	2.3%
ROAE (%)	31.0%	34.5%	36.5%	21.8%	19.5%	18.0%	1.7%	2.8%	4.7%
ROAA (%)	20.6%	23.5%	25.4%	6.7%	7.2%	6.9%	0.7%	1.1%	2.1%

Source: VNDIRECT RESEARCH

Peer comparison

Company	Ticker	Price	Target price	Recom.	Mkt cap	P/E (x)		P/B (x)		3 years EPS	ROE (%)		ROA (%)	
		LC$	LC$		US$m	TTM	FY23F	TTM	FY23F	CAGR (%)	TTM	FY23F	TTM	FY23F
Vietnam listed meat producers														
BAF Viet Nam Agriculture JSC	BAF VN	23,000	27,200	HOLD	140	16.3	N/a	1.7	N/a	70.0	11.8	N/a	4.0	N/a
Masan MeatLife Corporation	MML VN	31,000	N/a	N/a	431	N/a	N/a	1.9	N/a	N/a	(2.7)	N/a	(1.2)	N/a
Dabaco Group	DBC VN	21,700	15,900	HOLD	223	N/a	16.4	1.2	1.1	71.8	(7.2)	6.7	(2.8)	2.5
Vietnam Livestock Corporation JSC	VLC VN	17,100	N/a	N/a	125	37.1	N/a	0.9	N/a	29.6	3.0	N/a	2.4	N/a
Hoang Anh Gia Lai JSC	HAG VN	7,950	N/a	N/a	313	6.3	N/a	1.4	N/a	N/a	24.0	N/a	5.9	N/a
Average						*16.3*	*16.4*	*1.6*	*1.1*	*70.9*	*0.6*	*6.7*	*0.0*	*2.5*
Vietnam listed sugar producers														
Quang Ngai Sugar JSC	QNS VN	48,500	N/a	N/a	736	11.5	10.3	2.0	1.9	0.6	17.5	19.0	12.8	13.3
Thanh Thanh Cong - Bien Hoa JSC	SBT VN	15,500	N/a	N/a	488	20.1	17.6	1.2	N/a	39.0	6.4	N/a	2.5	N/a
Lam Son Sugar JSC	LSS VN	12,450	N/a	N/a	39	23.4	N/a	0.6	N/a	84.4	2.5	N/a	1.4	N/a
Son La Sugar JSC	SLS VN	171,500	N/a	N/a	71	4.7	4.6	1.8	N/a	46.8	43.6	N/a	27.7	N/a
Kon Tum Sugar JSC	KTS VN	26,400	N/a	N/a	6	7.5	N/a	0.7	N/a	54.4	10.2	N/a	3.9	N/a
Average						*18.3*	*13.9*	*1.3*	*1.9*	*41.3*	*8.8*	*19.0*	*5.6*	*13.3*
Regional listed dairy producers														
Bright Dairy & Food Co Ltd	600597 CH	10	N/a	N/a	1,979	36.9	22.0	1.8	1.7	(9.3)	4.5	7.9	1.5	2.6
China Mengniu Dairy Co Ltd	2319 HK	30	N/a	N/a	15,092	20.6	17.5	2.7	2.4	11.0	13.8	14.0	4.9	5.2
Inner Mongolia Yili Industrial Group Co Ltd	600887 CH	29	N/a	N/a	25,294	19.2	16.6	3.4	3.2	9.2	18.2	20.1	7.1	8.8
MEIJI Holdings Co Ltd	2269 JP	3,254	N/a	N/a	6,673	13.1	17.4	1.3	1.2	4.4	10.0	7.3	6.2	4.4
A2 Milk Co Ltd	A2M AU	4.9	N/a	N/a	2,360	N/a	26.7	N/a	3.2	2.0	11.8	12.2	8.3	9.8
Vietnam Dairy Products JSC	VNM VN	70,600	77,300	ADD	6,272	20.4	16.6	4.7	4.5	(6.8)	22.7	29.0	15.9	18.9
Average						*22.5*	*18.4*	*2.3*	*2.1*	*3.8*	*11.6*	*12.3*	*4.9*	*5.3*

Source: VNDIRECT RESEARCH, BLOOMBERG

Others

VNDIRECT

Other recommendations

No	Ticker	1-year TP (VND/share)	Rating	Investment thesis
1	STOCK PICK FPT	119,900	ADD	We have a positive view on FPT's both short-term and long-term outlook as: (1) FPT is the largest listed technology enterprise in terms of revenue in Vietnam which provides digital transformation solutions, IT services, telecommunications and IT human resources education. FPT is fully equipped to capture global IT trends and maintains solid business results in the context of sluggish world economy. Newly signed revenue of the Global IT Services segment reached VND13,729bn in 5M23 (+35.1% yoy), showing great growth potential in the coming quarters. We expect FPT's technology revenue to be a key growth driver, reaching VND29,699bn/VND37,037bn (+16.4%/24.8%yoy) in FY23/24F. The FPT's telecommunications sector is supported by data centre demand while education is a complete piece for its ecosystem in order to provide high-quality employees for long-term growth strategy. We forecast FPT's NP to increase by 19.8%/20.6% yoy in FY23/24F. (2) FPT owns a healthy balance sheet with abundant cash and low debt ratio (net cash/share was VND4,388 at end-1Q23), making the company not exposed to the risks from high interest rates and FPT would have many M&A opportunities in the coming period.
2	DGC	72,200	ADD	We like DGC for: (1) DGC is the Asia's largest exporter of yellow phosphorus – an essential material for semiconductor manufacturing, and food & beverage industry. (2) We expect DGC's NP to rebound in FY24F (+13.7% yoy) thanks to demand recovery for electronic items and the contribution from chlor-alkali-vinyl segment. (3) The Chlor-alkali-vinyl (CAV) project's phase 1 completion in 3Q24F will contribute 25% to annual revenue and make DGC's sodium hydroxide factory the number 1 in term of commercial capacity in Vietnam.

Source: VNDIRECT RESEARCH

Other recommendations

No	Ticker	1-year TP (VND/share)	Rating	Investment thesis
3	CTR	Non-rate	N/A	(1) CTR is the number 1 telecommunications infrastructure construction and installation company in Vietnam in terms of scale. CTR has been building telecommunications infrastructure for Viettel since the late 1990s and inherited Viettel's telecommunications operations in 2017. Building 120,000 telecommunications stations in 10 different countries and operating more than 40,000 telecommunication stations is a scale that only a few global towerco companies can achieve. (2) The trend of sharing telecommunications infrastructure is increasingly popular in the world. We forecast CTR's tower count (excluding 5G cells) will achieve 6,786/9,086 by 2023/24F from 4,286 towers as of 2022, contributing 18.3%/22.2% to CTR's gross profit in FY23/24F. (3) We have a positive view for the construction business despite the current unfavorable economic conditions in 2023. We believe that with its strong financial position, CTR will continue to grow at a double-digit rate in 2023-24F. With high residential backlog of VND3,200bn in 2022, we forecast residential construction revenue to reach VND2,000bn (+62,5 yoy). (4) We forecast CTR's NP in FY23/24F to grow 14.2%/18.7% yoy.

FY23-24F earnings forecast of stocks under coverage

	FPT		DGC		CTR	
	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Revenue (VNDbn)	50,745	60,815	10,925	11,465	10,626	11,545
% growth	*15.3%*	*19.8%*	*-24.4%*	*4.9%*	*13.4%*	*8.6%*
Gross margin (%)	*40.1%*	*40.4%*	*39.8%*	*45.0%*	*8.5%*	*9.1%*
EBITDA margin (%)	*14.3%*	*14.6%*	*36.1%*	*37.8%*	*6.4%*	*7.0%*
Net profit (VNDbn)	6,341	7,646	3,610	4,105	506	600
% growth	*19.8%*	*20.6%*	*-35.1%*	*13.7%*	*14.2%*	*18.7%*
EPS (VND/share)	5,780	6,970	9725	11,059	4,422	5,248
BVPS (VND/share)	22,793	27,534	12,659	14,711	15,051	16,617
Net cash/share (VND/share)	12,221	18,972	23,617	27,180	2,377	1,748
D/E	0.54	0.50	0.04	0.04	0.89	0.86
Dividend yield (%)	2.4%	2.4%	2.1%	2.1%	1.16%	1.16%
ROAE (%)	27.5%	27.7%	30.5%	28.2%	12.5%	16.6%
ROAA (%)	11.2%	11.1%	25.3%	24.8%	8.2%	11.1%

Source: VNDIRECT RESEARCH

VNDIRECT RESEARCH TEAM

Macro & Market Strategy

Hinh Dinh – Head of Strategic
hinh.dinh@vndirect.com.vn

Khuong Nguyen Ba - Analyst
khuong.nguyenba@vndirect.com.vn

Tu Nguyen - Associate
tu.nguyenminh2@vndirect.com.vn

Property – Manufacturing

Toan Chu Duc – Manager
toan.chuduc@vndirect.com.vn

Son Le Anh – Analyst
son.leanh@vndirect.com.vn

Hao Nguyen Duc – Analyst
hao.nguyenduc@vndirect.com.vn

Huyen Phan Thanh – Analyst
huyen.phanthanh@vndirect.com.vn

Kien Tran Trung – Analyst
kien.trantrung@vndirect.com.vn

Aviation – Logistic – Energy – Utilities

Hai Nguyen Ngoc – Senior Analyst
hai.nguyenngoc2@vndirect.com.vn

Tung Nguyen Duc – Analyst
tung.nguyenduc@vndirect.com.vn

Quyen Nguyen Thi - Analyst
quyen.nguyen2@vndirect.com.vn

Hue Duong Thu – Analyst
hue.duongthu@vndirect.com.vn

Hoang Dang Huy – Associate
hoang.danghuy2@vndirect.com.vn

Dstock Compass

Duy Pham Viet – Team lead
duy.phamviet@vndirect.com.vn

Hieu Nguyen Ngoc - Analyst
hieu.nguyenngoc@vndirect.com.vn

Banking – Financial services

Dzung Nguyen Tien – Manager
dung.nguyentien5@vndirect.com.vn

Thanh Nguyen – Senior Analyst
thanh.nguyenphuong@vndirect.com.vn

Hung Vu Manh – Analyst
hung.vumanh3@vndirect.com.vn

Phuong Tran Kim – Associate
phuong.trankim@vndirect.com.vn

Construction – Materials

Trung Tran Ba – Senior Analyst
trung.tranba@vndirect.com.vn

Manh Nguyen Duc – Analyst
manh.nguyenduc@vndirect.com.vn

Retail – Consumer

Bach Phan Nhu – Senior Analyst
bach.phannhu@vndirect.com.vn

Hien Ha Thu – Analyst
hien.hathu@vndirect.com.vn

Hang Nguyen Thi Thanh – Analyst
hang.nguyenthanh3@vndirect.com.vn

RECOMMENDATION FRAMEWORK

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.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

Disclaimer

This report has been written and distributed by Research Department, VNDIRECT Securities Corporation. The information contained in this report is prepared from data believed to be correct and reliable at the time of issuance of this report. Unless otherwise stated, this report is based upon sources that VNDIRECT considers to be reliable. These sources may include but are not limited to data from the stock exchange or market where the subject security is listed, or, where appropriate, any other market. Information on the company(ies) are based on published statements, information disclosure and announcements of the company(ies), and information resulting from our research. VNDIRECT has no responsibility for the accuracy, adequacy or completeness of such information.

All estimates, projections, forecasts and expression of opinions contained in this report reflect the personal views and opinions of the analyst(s) responsible for the production of this report. These opinions may not represent the views and position of VNDIRECT and may change without notice.

This report has been prepared for information purposes only. The information and opinions in this report should not be considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments. VNDIRECT takes no responsibility for any consequences arising from using the content of this report in any form.

VNDIRECT RESEARCH

VNDIRECT Securities Corporation

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi

Tel: +84 2439724568

Email: research@vndirect.com.vn

Website: https://vndirect.com.vn