

# NAVIGATING VIETNAM 2022

RE-IGNITE THE GROWTH ENGINES

*Dec 2021*



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NAVIGATING VIETNAM

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**Strategy note**

09 Dec 2021

**NAVIGATING VIETNAM 2022**
**RE-IGNITE THE GROWTH ENGINES**

- After a pullback in 3Q21, we see the economy is entering a 'new normal', supported by high vaccination roll out and eventual reopening.
- We expect the VN-index to reach 1700-1750 pts in 2022; based on 16x-16.5x FY22F P/E and 23% yoy earnings growth.
- Our top stock picks are VNM, VHM, MWG, VCB, GAS, POW, ACV and DGC.

**Re-ignite all growth engines**

After a pullback in 3Q21, we see the economy is entering a 'new normal', supported by high vaccination roll out and eventual reopening. We expect 2022F GDP to grow 7.5% yoy, propelled by four growth engines: manufacturing and exports to resume expansion, resilient FDI amid global supply chain diversification; and domestic consumption to rebound following upcoming fiscal supports. We see picking up inflation, driven by both demand-pull and cost-push, pressure, is the major risk to economy. Other macro risks include the China slowdown might hinder the export growth and Covid-19 resurgence.

**FY22-23F earnings growth to bode well for the market expansion**

Aggregate earnings growth decelerated to 15.8% yoy in 3Q21 but was still robustly 53.4% yoy in 9M21. The results have surprised us as the economy was hit hard by stringent movement control in 3Q21. We estimate market EPS to surge 39% yoy in FY21F and sustain the strong average growth of 20% yoy over FY22-23F. Key drivers for market earnings growth will come from the solid performance of property developers, oil & gas and the bounceback of retailers and food producers.

**We identify four investment themes in 2022F**

First, we expect a divergence among commodity prices which oil & gas and chemical producers will still ride on the uptrend. Second, infrastructure development, empowered by accelerating public investment will buoy energy, property and industrial parks. Third, the rising of digital consumers in endemic will bode well for companies with large exposure to digital economy. Last, rebounding domestic consumption, will propel the retail, F&B and tourism to recover faster than others.

**New hope, new height**

We expect the VN-index to reach 1700-1750 pts in 2022; based on 16x-16.5x FY22F P/E and 23% yoy earnings growth. We believe the VN-index could extend the uptrend further which empowered by economy recovery and the growing interest of local individual investors. Downside risks to the market include the higher-than-expected inflation might trigger premature policy tightening. Upside catalyst includes the earlier-than-expected MSCI Emerging Market upgrade of Vietnam.

**The current VN-INDEX's P/E is about 9% discount from its peak in Jun (data as at 06/12/2021)**



Source: BLOOMBERG, VNDIRECT RESEARCH

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## WHAT SHOULD WE EXPECT FOR 2022?

### Re-ignite all growth engines

We expect 2022F GDP to grow 7.5% yoy, propelled by four growth engines: manufacturing and exports to resume expansion, resilient FDI amid global supply chain diversification; and domestic consumption to rebound following upcoming fiscal supports. Its macroeconomic fundamentals could be strengthened with higher trade surplus, as well as current account surplus and solid foreign reserves.

### Market to be fueled by the inflow of individual investors

Vietnam equity market witnessed the growing participant of individual investors who are looking for higher-yield investment instruments in the context of low deposit interest rates. Despite the challenging times, the number of new individual accounts to open record new high in a few last months of 2021, which catapulted stock trading value 2.5 times yoy surge. We believe thanks to the growing digital transformation of stock market, local inflow will extend further as the stock-invested penetration rate of Vietnam is only 3.5%, relatively low compared to other ASEAN markets.

### Earnings growth on the mend

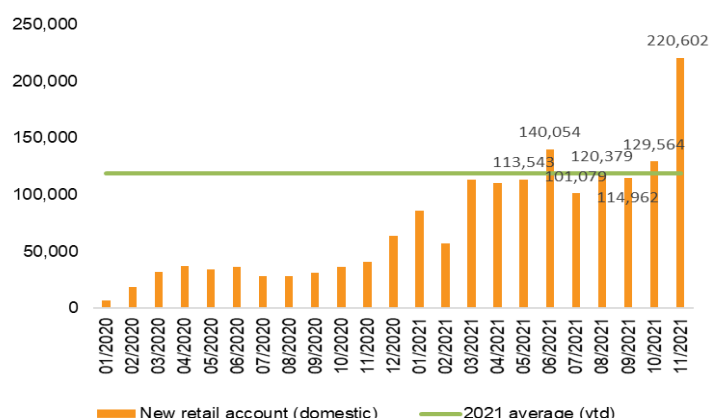
Aggregate earnings growth decelerated to 15.8% yoy in 3Q21 but was still robustly 53.4% yoy in 9M21. The results have surprised us as the economy was hit hard by stringent movement control in 3Q21. We estimate market EPS to surge 39% yoy in FY21F and sustain the strong average growth of 20% yoy over FY22-23F. Key drivers for market earnings growth will come from the solid performance of Property developers, Oil & Gas and the bounceback of retailers and food producers.

### Vietnam stands out as markets which are cheap compared to their earnings 2021-23F growth potential

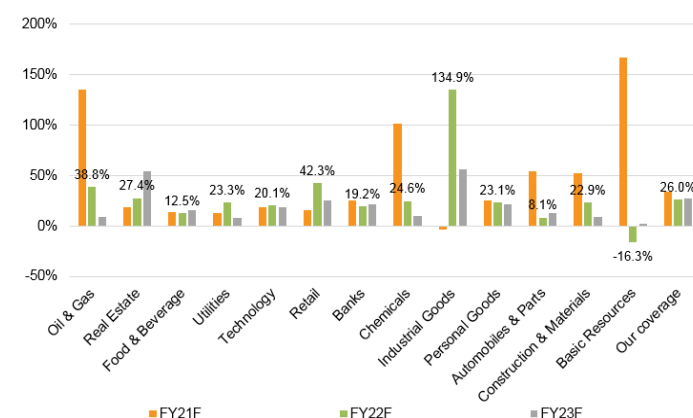
As at 06 Dec 2021, according to Bloomberg data, VN-Index was trading at 16.7x trailing 12-month P/E (TTM P/E), which is slightly lower than the P/E of 17.3x at the beginning of 2021. Compared to regional peers, Vietnam's forward P/E looks cheaper than neighbouring markets; however, Vietnam is still a frontier market while most of the regional markets are emerging markets.

Indicator	Unit	2018	2019	2020	2021F	2022F
Real GDP growth	% yoy	7.1	7.0	2.9	2.0	7.5
Export growth	% yoy	13.3	8.4	6.5	15.0	12.5
Trade balance	USD bn	6.9	10.9	18.9	0.3	5.6
Current account to GDP	% of GDP	1.9	3.8	3.7	-0.4	1.9
CPI (period average)	% yoy	3.5	2.8	3.2	2.1	3.5
Credit growth	% ytd	13.9	13.7	12.1	12.0	13.0-14.0
M2 growth	% ytd	12.4	14.8	14.7	11.0	13.0-14.0
12M deposit interest rate (year-end)	%	6.8	6.8	5.6	5.6	6.0
Exchange rate (USD/VND)	% yoy	1.8	1.4	0.7	-1.0	+/- 1.0

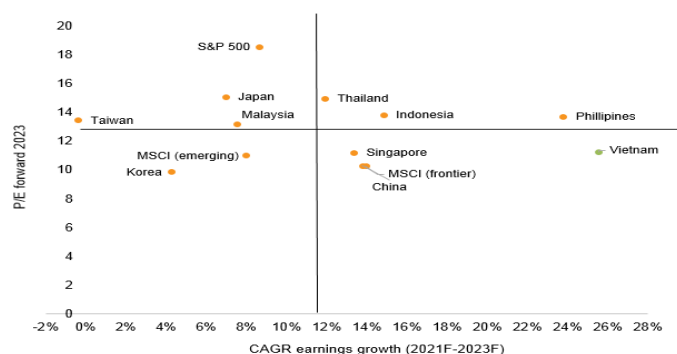
Sources: VNDIRECT RESEARCH



Sources: VSD, VNDIRECT RESEARCH



Sources: VNDIRECT RESEARCH



Sources: Bloomberg, VNDIRECT RESEARCH

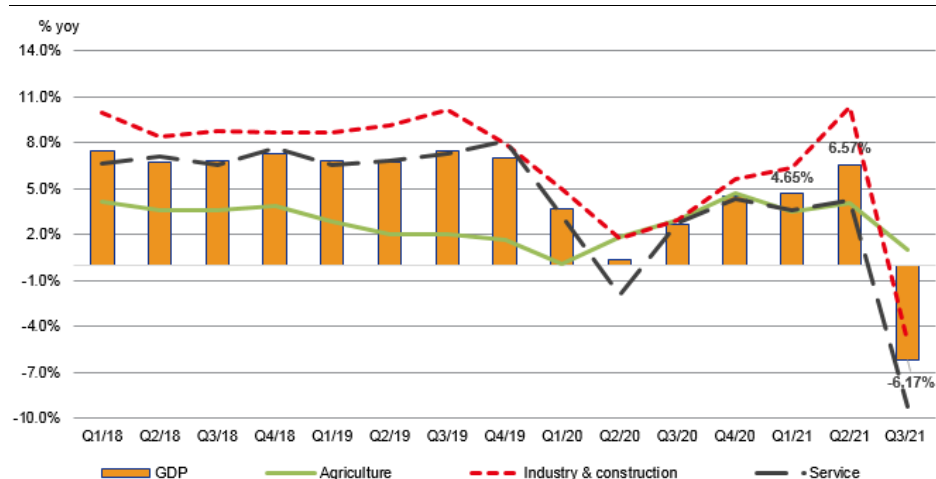
## 2021 MACRO RECAP: PASSING THROUGH THE TROUGH

### Vietnam's economy was hit hard by the fourth outbreak in Q3/21

Vietnam's economy started 2021 firmly on the back of strong demand from advanced economies and a recovery in domestic consumption and investment. The economy performed quite impressively in the first half of this year with 1H21 GDP growing 5.6% yoy.

Unfortunately, the arrival of the new coronavirus-variant (Delta variant) wiped out all previous gains. Since the outbreak on Apr 27, the fourth wave of COVID-19 infections has severely damaged all aspects of Vietnam's economy. In the third quarter of 2021, the high number of COVID-19 infections forced the government to re-apply social-distancing measures in many provinces and cities across the country, including the capital Hanoi and Hochiminh city – economic locomotive of the country. According to General Statistics Office (GSO), Vietnam's GDP fell 6.2% yoy in 3Q21, i.e. the slowest quarterly growth rate ever recorded by GSO. For 9M21, Vietnam's GDP grew only 1.4% yoy, which is lower than the growth rate of 2.2% yoy seen in 9M20.

Figure 1: Vietnam's GDP growth in 3Q21 (breakdown by sector)



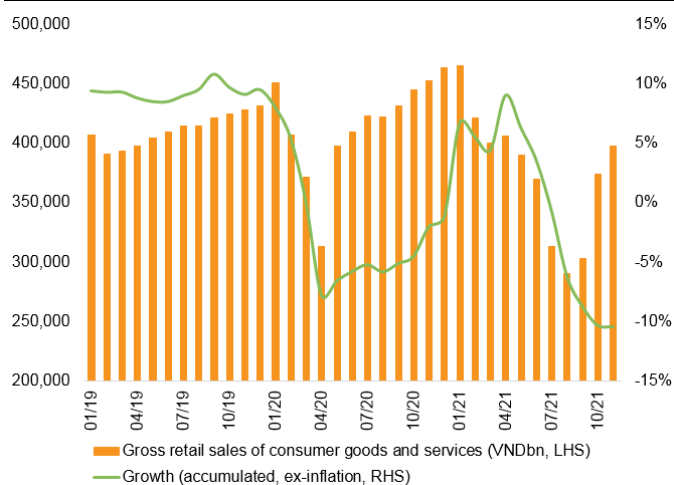
Source: GSO, VNDIRECT RESEARCH

The service sector was hit the hardest and decreased 9.3% yoy in 3Q21 (vs. 4.2% growth rate seen in 1H21) amid the temporary shutdown of nonessential services in many provinces. 3Q21 gross retail sales of consumer goods and services slumped 21.4% qoq to VND915,716bn (-28.3% yoy) as retail and recreation mobility at the national level fell by as much as 60% on average from the pre-pandemic levels. For 9M21, the service sector dropped 0.7% yoy in 9M21 (vs. 1.4% yoy increase in 9M20).

The industry and construction sector slid 5.0% yoy in 3Q21 (vs. a 10.4% yoy increase seen in 2Q21) due to labour shortage and disruption in supply chain amid tighter social-distancing protocols. Many industrial parks and factories in southern provinces have to be temporary suspended to prevent the spread of coronavirus, thus causing a reduction in industrial activities. For 9M21, the industry and construction sector rose 3.6% yoy in 9M21, improving from a 3.1% increase in 9M20.

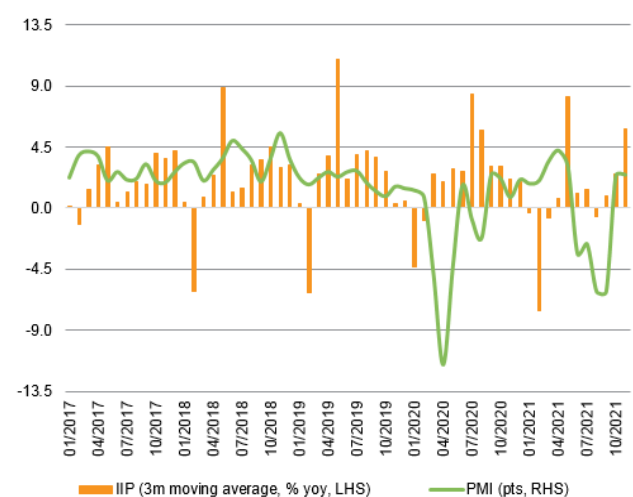
Last but not least, the agriculture, forestry and fishery sector edged up only 1.0% yoy in 3Q21, the lowest quarterly growth rate since 2Q20, due to lower domestic demand when many provinces applied strict social-distancing measures in 3Q21 to prevent the spread of coronavirus. For 9M21, this sector edged up 2.7% yoy (vs. 2.0% yoy increase seen in 9M20).

**Figure 2: Gross retail sales of consumer goods and services bottomed out in 3Q21**



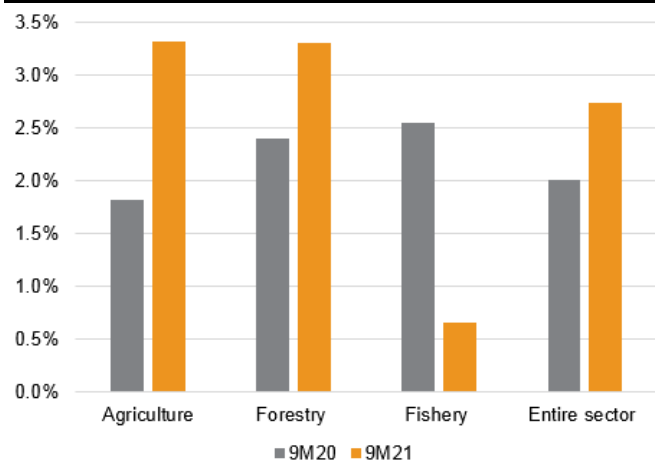
Source: GSO, VNDIRECT RESEARCH

**Figure 4: PMI dropped to below 50-pt level in Jun-Sep period**



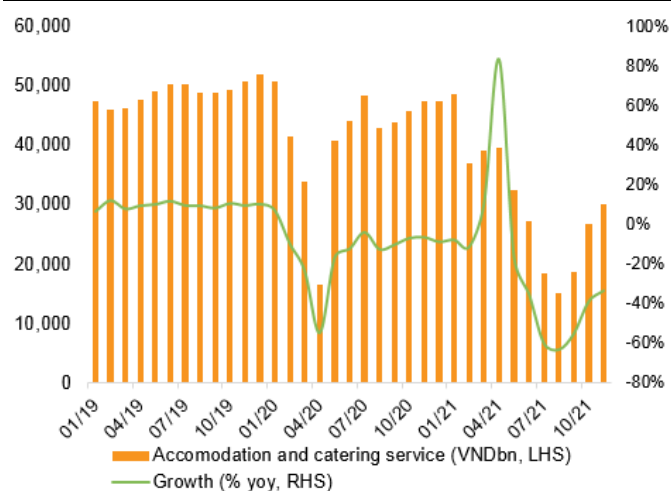
Source: GSO, VNDIRECT RESEARCH

**Figure 6: The agriculture, forestry and fishery sector still improved growth rate in 9M21**



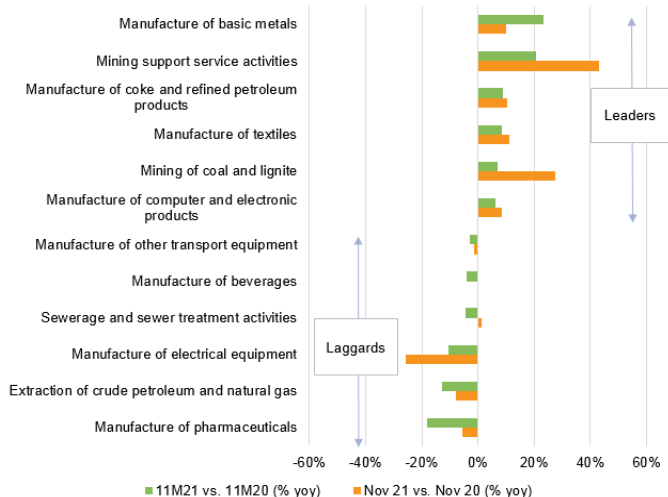
Source: GSO, VNDIRECT RESEARCH

**Figure 3: Revenue of accommodation and catering service (Jan-19 to Nov-21)**



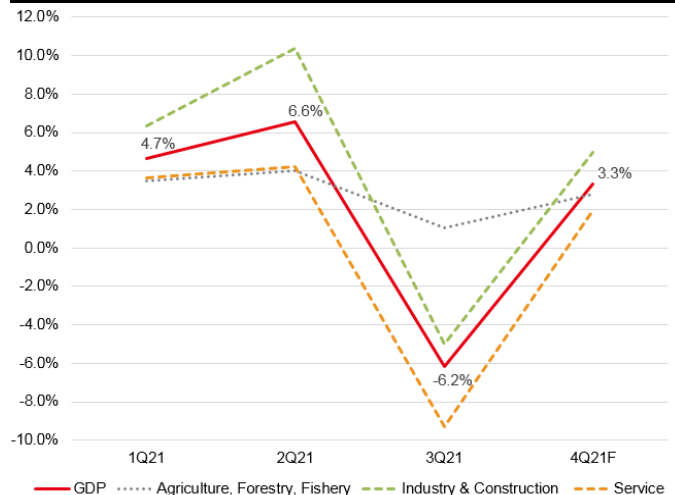
Source: GSO, VNDIRECT RESEARCH

**Figure 5: Industrial production index (IIP) by category**



Source: GSO, VNDIRECT RESEARCH

**Figure 7: Forecasted quarterly GDP growth by sector in baseline scenario (% yoy)**



Source: GSO, VNDIRECT RESEARCH

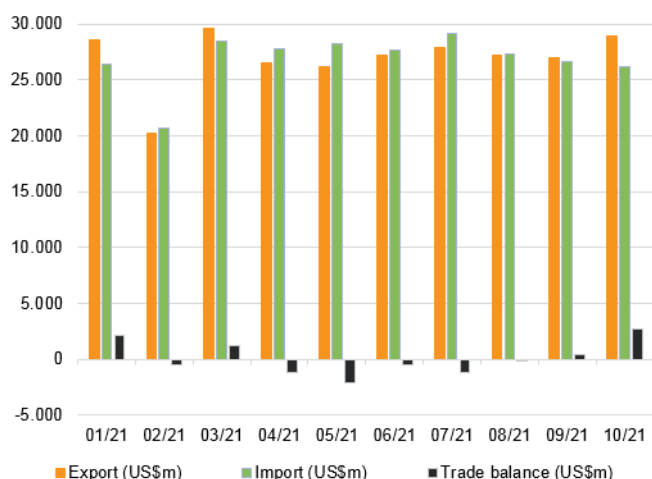
As the fourth wave of COVID-19 had been brought under control, on Oct 11, the government issued Resolution No. 128/NQ-CP adopting provisional guidelines on “Safe, flexible adaption to and effective control of COVID-19 pandemic”. The government said COVID-19 fight remains a key task in order to protect public's health and lives while trying to turn the country into “new normal” as soon as possible. Based on the guidelines, most localities across the country have relaxed social distancing measures and reopened the economy. Following this, we have seen steady recovery in domestic consumption, industrial production and exports since Oct 2021. **We expect the economy to accelerate its recovery toward the year-end and reiterate our 2021F GDP growth of 2.0%, in baseline scenario.**

### Exports remained resilient despite nationwide lockdown and supply disruption

Exports started the year of Ox with strong positive momentum on the back of high demand from advanced countries in the west, which had re-opened their economies since late-2020 thanks to high vaccination rate. Exports also gained benefit from a number of free trade agreements (FTAs) that Vietnam had signed in the past few years such as CPTPP and EVFTA. Despite growth rate slowing down since late-2Q21 due to negative impacts of Delta-variant and rising shipping costs, exports still recorded quite impressive performance in the first ten months of this year, with value increasing by 17.4% yoy to US\$269.8bn.

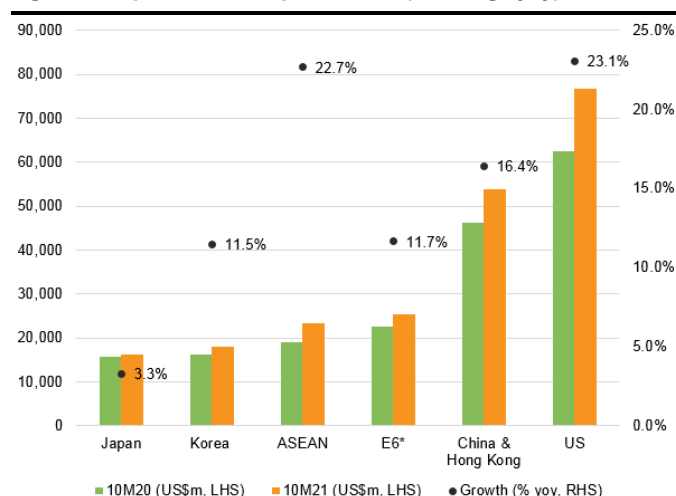
All Vietnam's main export markets recorded positive growth in the first 10 months of 2021, led by the U.S. market with an increase of 23.1% yoy, followed by ASEAN (+22.7% yoy) and China & Hong Kong (+16.4% yoy).

**Figure 8: Vietnam net exported US\$125m in 10M21**



Source: Vietnam Customs, VNDIRECT RESEARCH

**Figure 9: Top Vietnam's export market (% change yoy)**



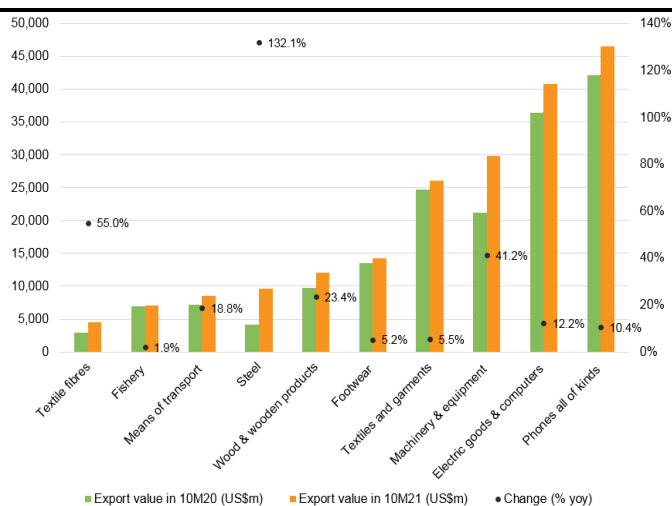
\*E6 includes Holland, Germany, England, Italia, Belgium and France  
Source: Vietnam Customs, VNDIRECT RESEARCH

Among Vietnam's export products, the items that recorded strong growth rate in 10M21 include steel (+132.1% yoy), coal (+125.1%), plastic materials (+71.2% yoy), camera & camcorders (+56.1% yoy), textile fibres (+55.0% yoy), rubber (+47.1% yoy) and petroleum (+46.4% yoy).

As for imports, Vietnam's import spending climbed to US\$269.6 billion (+28.3% yoy) in 10M21. Vietnam has seen a strong increase in imports this year due to (1) increasing demand for imported raw materials, machinery and input products, (2) rising commodity prices, especially crude oil, steel, rubber, and (3) a surging in freight rates. As a result, Vietnam's trade surplus narrowed to US\$125mn in 10M21 from surplus of US\$19.6bn seen in the same period last year.

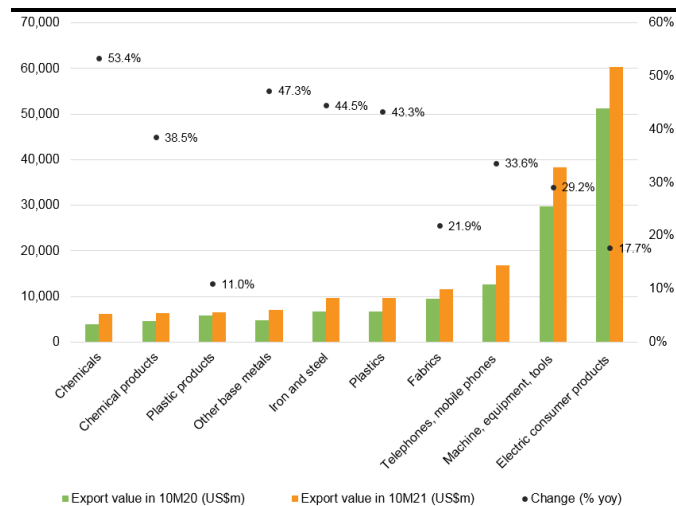
Among Vietnam's key import products, the items that witnessed the strong import growth rates in Aug 2021 include rubber (+137.6% yoy), fertilizer (+90.7% yoy), cotton (+64.4% yoy), chemical products (+62.2% yoy) and steel (+51.8% yoy).

**Figure 10: Top export products in term of value in 10M21 (% yoy)**



Source: Vietnam Customs, VNDIRECT RESEARCH

**Figure 11: Top import products in term of value in 10M21 (% yoy)**



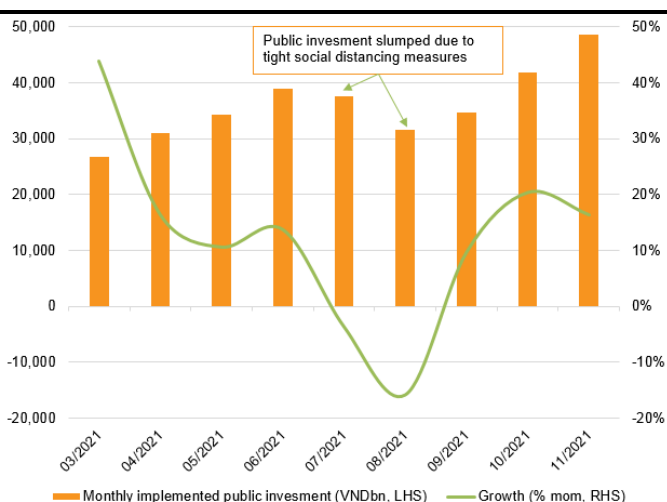
Source: Vietnam Customs, VNDIRECT RESEARCH

Basing on the actual performance of manufacturing sector and exports activities, we maintain our forecast for 2021F Vietnam's export value growth at 15% yoy. We expect 2021F Vietnam's import value growth of 23.2% yoy and Vietnam's trade surplus of US\$0.3bn in 2021F (vs. trade surplus of US\$19.9bn in 2020).

### State investment slew down while FDI saw positive signals

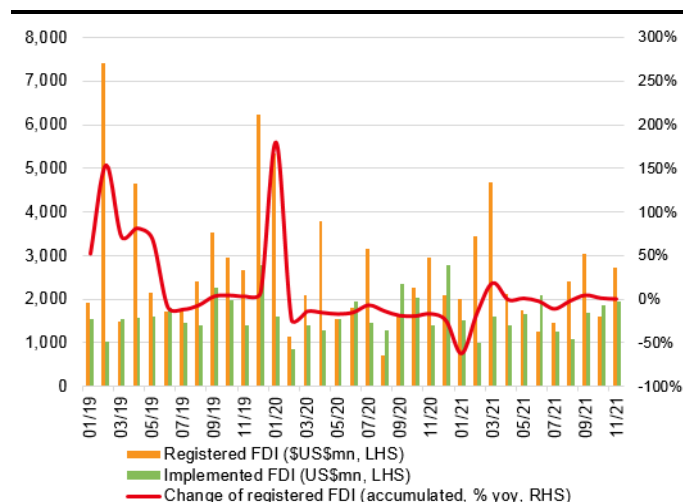
Stricter social-distancing measures and construction material prices hike caused several delays in the implementation of public investment in 3Q21. Per GSO data, the implemented state capital (public investment) in 11M21 dropped 8.7% yoy to VND367.7tr (vs. an increase of 34.0% yoy seen in the same period last year), equivalent to 73.8% of the full-year target.

**Figure 12: Public investment accelerated recovery in Oct**



Source: GSO, VNDIRECT RESEARCH

**Figure 13: Foreign direct investment (Jan 2019- Nov 2021)**



Source: GSO, VNDIRECT RESEARCH



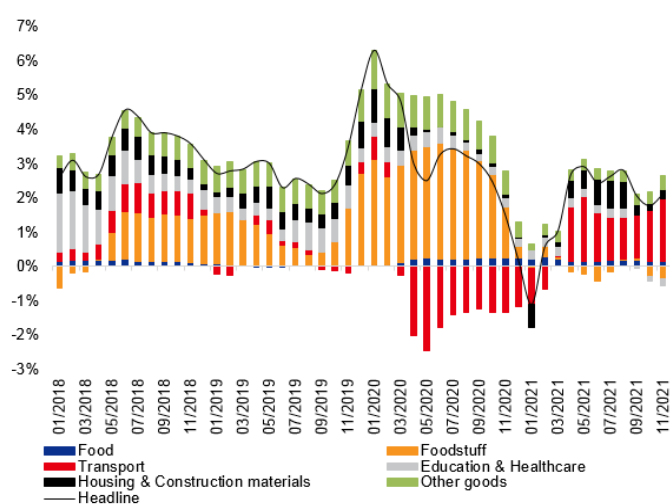
Foreign Direct Investment (FDI) overcame difficulties caused by the fourth wave of COVID-19 infections to achieved quite positive results in 3Q21. According to GSO, the registered capital of FDI projects in 3Q21 rose 24.3% yoy to US\$6.9bn (vs. a decline of 2.6% yoy seen in 1H21). For 11M21, the registered capital of FDI projects climbed to US\$26.5bn (+0.1% yoy). To be more specific, 1,577 newly licensed projects with a registered capital of US\$14.1bn, an increase of 3.7% in terms of registered capital compared to the same period in 2020; 877 projects licensed in the previous years approved to adjust investment capital (incremental FDI) with a total additional capital of US\$8.0bn (+26.7% yoy); 3,466 turns of capital contribution and share purchases of foreign investors with a total value of the capital contribution of US\$4.4bn, a drop of 33.0% over the same period in 2020.

Regarding disbursement capital, the implemented capital of FDI projects in 11M21 reached US\$17.1bn, declining 4.2% yoy (vs. a 1.3% increase in 11M20).

### Macroeconomic stability has been solidified despite challenge time

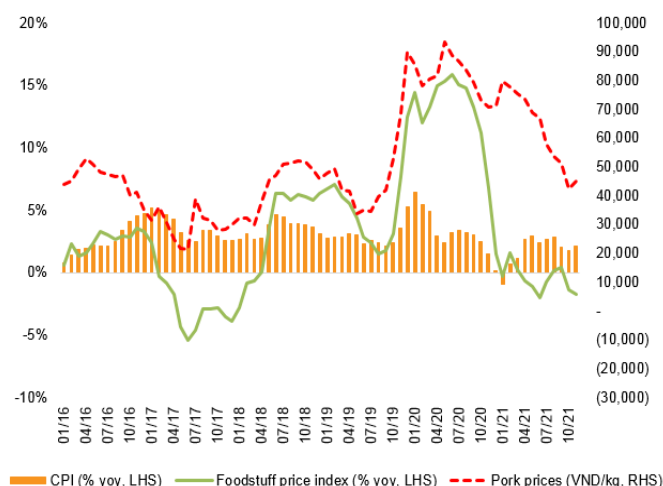
Inflation is well controlled under the government's target of 4%, despite higher energy price. Specifically, crude oil price average at US\$71/barrel in 11M21 (+66% yoy), pushing the transportation index to average at 10.1% yoy in 11M21 (vs. a decline of 11.2% yoy in 11M20). However, average CPI increased only 1.8% yoy in 11M21, the lowest level since 2016, thanks to (1) lower food and foodstuff index amid the strong decline in pork prices, (2) lower consumption demand after the 4<sup>th</sup> wave of COVID-19 broke out. In addition, the government's agreement to reduce prices and fees for essential services such as electricity, water supply and telecommunications for customers affected by the COVID-19 pandemic also help curb inflation in 2021. With muted demand-pull, we expect inflationary pressure to remain low toward the year-end and maintain our 2021F average inflation at 2.1% yoy (+/- 0.2 percentage points), far below the government's target of 4.0%.

Figure 14: Inflation well-managed



Source: GSO, VNDIRECT RESEARCH

Figure 15: Foodstuff price index slumped as live hog prices dig deeper



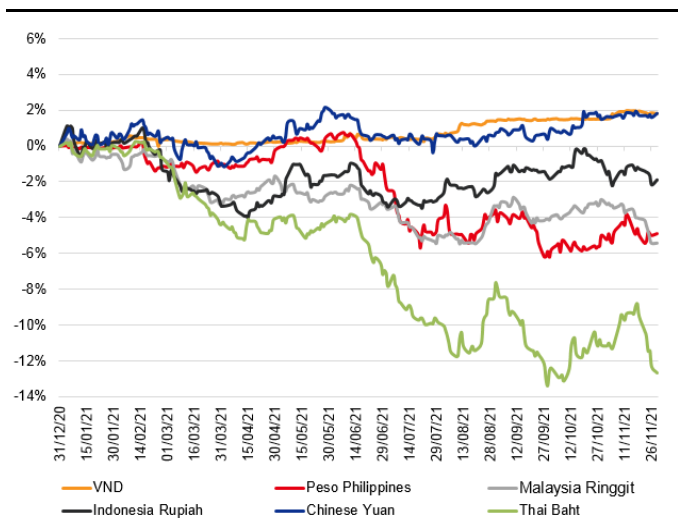
Source: GSO, VNDIRECT RESEARCH

The dong strengthened against the dollar in the first 10 months of 2021 as we previously predicted in the November 2020 Econ-Update report. As of 31 Oct 2021, the interbank exchange rate for US\$VND fell 1.5% ytd while the Vietnam Central bank-set exchange rate for the US\$VND remained flat at VND23,140/US\$. The exchange rate was buffered by strong demand for Vietnam dong due to (1) low inflationary pressure, (2) the large gap in deposit interest rates between the dong and the USD, (3) consistence foreign direct



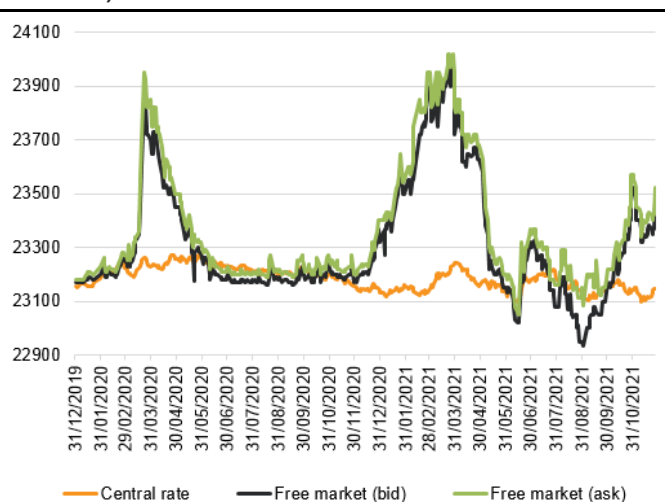
investment inflow, and (4) high foreign reserves. We expect the country's foreign reserves to reach about US\$107.5bn by end-FY21, from around US\$95bn at end-FY19.

**Figure 16: Regional currencies vs. the USD (% YTD)**



Source: BLOOMBERG, VNDIRECT RESEARCH

**Figure 17: The US\$/VND exchange rate movements (31/12/2019-26/11/2021)**



Source: SBV, VNDIRECT RESEARCH

## 2022 GLOBAL OUTLOOK

### Strong US and EU; slowing down China

While new COVID-19 variants pose high risk to the world economy, most leading research institutions still believe that the global economic recovery continues to progress through 2022, but momentum will slow down. Growth will be accelerated in several countries, including Japan, South Korea, Australia and Southeast Asian countries as strict social-distancing measures are gradually lifted thanks to vaccine availability. Meanwhile, the outlook for advanced economies, including the United States and European countries, is expected to remain resilient thanks to stronger public investment, a more efficient labour market, rebuilding of depleted inventories and improved consumer confidence. On the other hand, the recovery of China, the second largest economy, could be hampered by high prices of raw materials, power shortage and the rising bad debts of Chinese property developers.

Figure 18: Global economy outlook

	GDP growth			CPI		
	2020	2021F	2022F	2020	2021F	2022F
<b>World</b>	<b>-3.1</b>	<b>5.9</b>	<b>4.9</b>			
<b>Advanced Economies</b>	<b>-4.5</b>	<b>5.2</b>	<b>4.5</b>	<b>0.7</b>	<b>2.8</b>	<b>2.3</b>
US	-3.4	6.0	5.2	1.2	4.3	3.5
EU	-6.3	5.0	4.3	0.3	2.2	1.7
Japan	-4.6	2.4	3.2	0.0	-0.2	0.5
<b>Emerging market and developing economies</b>	<b>-2.1</b>	<b>6.4</b>	<b>5.1</b>	<b>3.1</b>	<b>2.3</b>	<b>2.7</b>
China	2.3	8.0	5.6	2.4	1.1	1.8
India	-7.3	9.5	8.5	6.2	5.6	4.9
Indonesia	-2.1	1.8	4.4	2.0	1.6	2.8
Malaysia	-5.6	3.5	6.0	-1.1	2.5	2.0
Philippines	-9.6	3.2	6.3	2.6	4.3	3.0
Thailand	-6.1	1.0	4.5	-0.8	0.9	1.3
<b>Vietnam</b>	<b>2.9</b>	<b>3.8</b>	<b>6.6</b>	<b>3.2</b>	<b>2.0</b>	<b>2.3</b>

Source: IMF

According to the International Monetary Fund (IMF), the world economy is projected to grow by 4.9% yoy in 2022F, from an unusual high level in 2021F (+5.9% yoy). The recovery is expected to slow down in the next year, however, this growth rate is still considered positive compared to average of 2.8%/year seen in the pre-pandemic period within 2016-2019. The US is the main pillar of the world economic recovery, with IMF forecasting an 5.2% yoy growth in 2022F, while the recovery of Chinese economy could slow down to 5.6% yoy in 2022F, from a high level in 2021F (+8.0% yoy). For Europe, the economy could expand 4.3% yoy in 2022F (vs. 5.0% in 2021F).

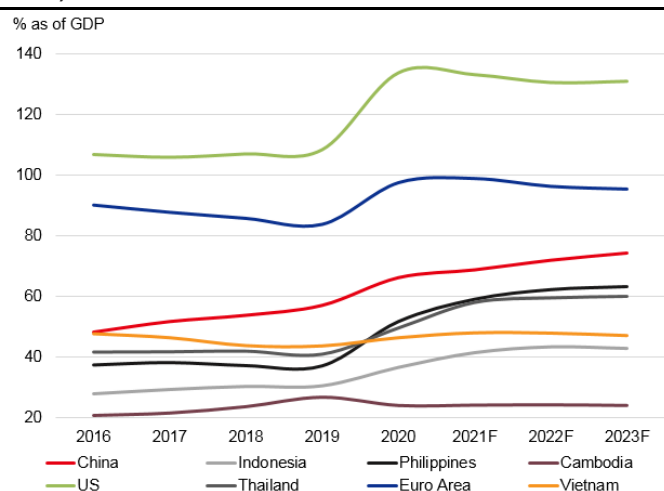
### Fiscal policies remain flexible and adaptive to the state of the economy

Given the uneven recovery across countries and regions around the world and the inherent risks from new COVID-19 variants, fiscal policy need to be flexible and adaptive to the economic situation. For economies with high vaccination rates and strong recovery in 2021, fiscal policies need to focus on mid- and long-term goals, rather than short-term ones. Accordingly, uncommon measures such as the direct distribution of funds to those affected by COVID-19 could be withdrawn and replaced by public investment programs in transport, education and health. The US Senate approved a US\$1tr infrastructure bill to rebuild the nation's deteriorating roads and bridges and fund new climate resilience and broadband initiatives. In addition, investment in Eastern Europe's infrastructure

is expected to increase significantly in the 2022-2023 period to underpin medium-term growth prospects. Accelerated public investment in developed countries will boost huge demand for construction materials such as iron and steel, cement and asphalt.

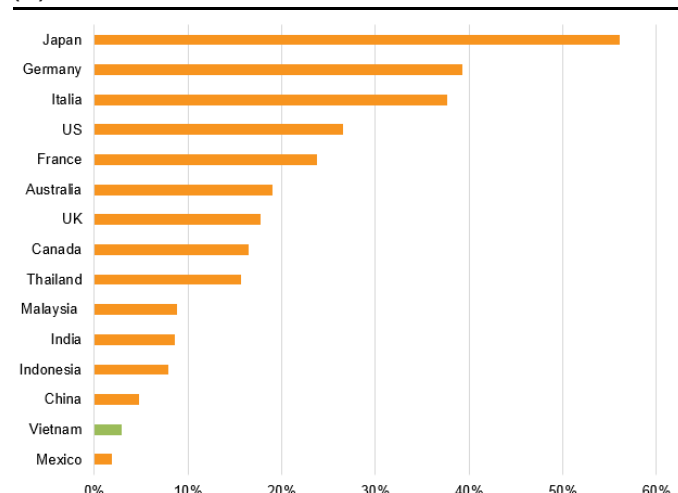
For economies hit hard by the Delta variant in 2021, maintaining accommodative fiscal policy is essential to preserve people's incomes and supporting the economic recovery. The fiscal action need to focus on limiting the negative impacts of the Covid-19 pandemic on people's living standards, employment and economic activities. Fiscal measures aimed at supporting the liquidity of households and firms by providing loans and guarantees, as well as pumping capital into the economy through the public sector. The other measures consists of additional spending and foregone revenue, including temporary tax cuts.

**Figure 19: General government gross debt by country (2016-2023F)**



Source: IMF

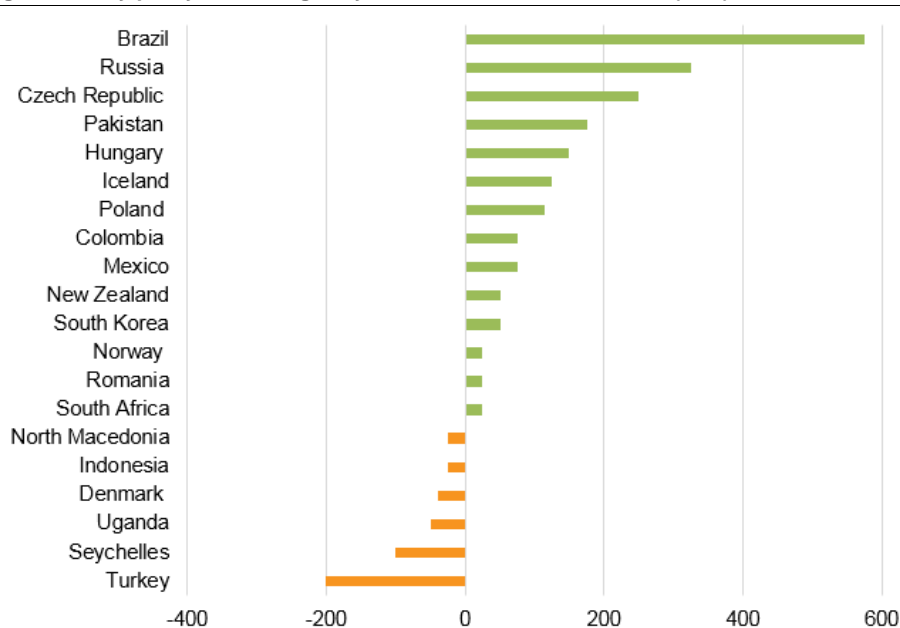
**Figure 20: Value of fiscal stimulus measures as a share of GDP (%)**



Source: IMF, MPI

### Cross-country differences monetary policy into FY22

**Figure 21: Key policy rate changes by some central banks in 11M21 (YTD)**



Source: CBSrates

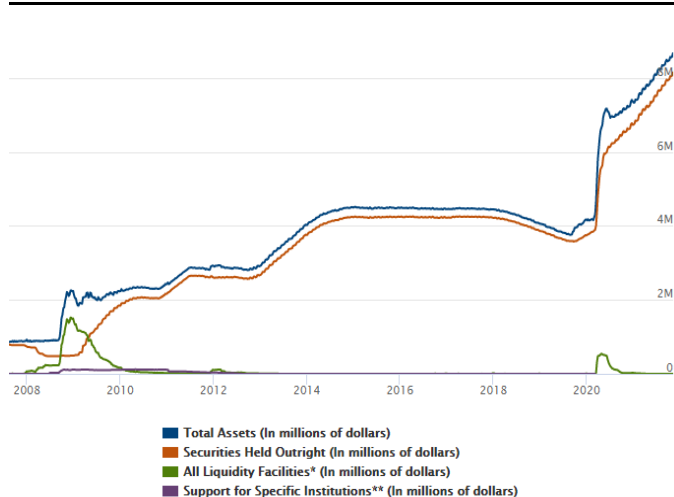
Monetary policies have turned more neutral in some developed markets. At the Federal Reserve's (FED) meeting held on 2 Nov and 3, US. Federal Reserve announced to start withdrawing the bond purchasing programme since Nov 2021. They intend to complete withdrawing QE programme by Jun 2022. Regarding to policy rate, FED announced to kept FED fund target to near zero. According to CME Group survey, market expects that FED can raise policy rate by 50-75bp in 2022, starting from Jul 2022.

Regarding to European Central Bank (ECB), the euro area's recovery should allow the ECB to end its EUR1.85tr (US\$2.2 trillion) pandemic bond-buying program in March 2022. However, we expect the ECB to keep their policy interest rates at historic low of 0% in 2022 to finance accommodative fiscal policy and support the economic recovery. Noted that, the ECB has kept key policy rate at 0% since Mar 2016 to support economic growth.

In Asia, major central banks such as People's Bank of China (PBOC) and Bank of Japan (BOJ) have yet to raise their key policy rates to support economic recovery. Moreover, the PBOC has further loosen monetary policy by lowering the required reserve ratio in Jul and Dec 2021. We expect that PBOC and BOJ to keep key policy rates at low level in 2022 to strengthened economic outlook.

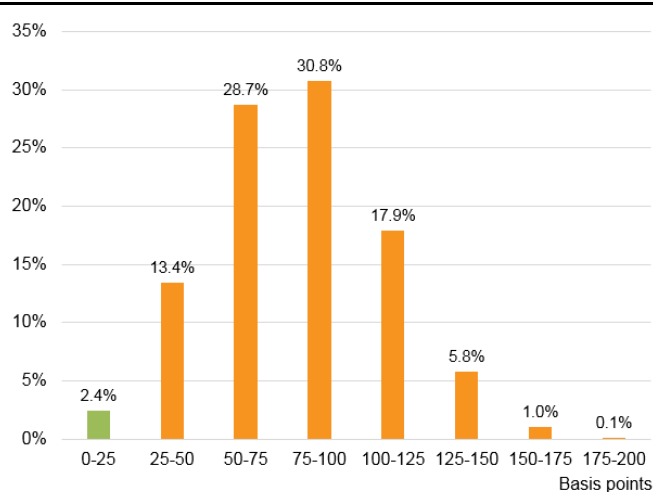
In conclusion, the normalization of monetary policy by several central banks such as FED and ECB should not be seen as a tightening of global monetary policy and we believe that conditions in global financial markets in 2022 will still be more favorable than in the pre-pandemic period. For economies hit hard by the Delta variant in 2021, accommodative monetary policy should be maintained to combine with loosening fiscal policy to support the economic recovery. Lower interest rate and a more open financial environment have made it easier for governments to mobilise capital to offset budget deficits.

**Figure 22: FED balance sheet (30 July, 2007- 9 Nov, 2021) (US\$m)**



Source: FED

**Figure 23: Target rate probabilities for 14 Dec 2022 FED meeting**



Source: CME Group

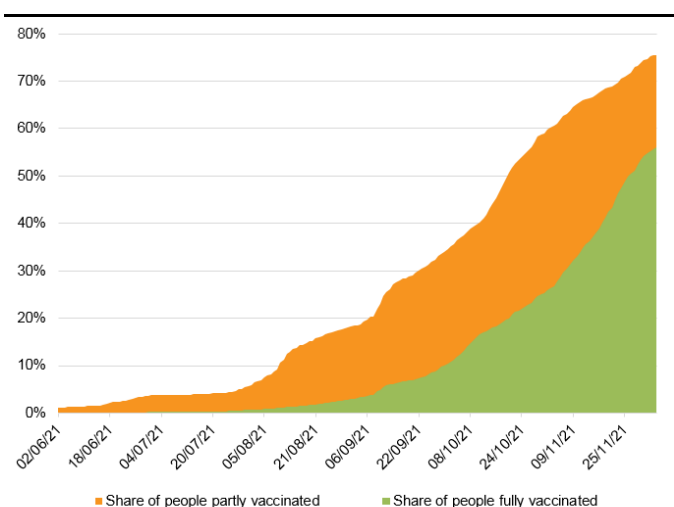
## 2022 VIETNAM MACRO OUTLOOK: REIGNITE THE GROWTH ENGINES

### Solid steps towards a “new normal”

Vietnam has fully vaccinated around 56.0% of its population, while around 19.5% has been partially vaccinated (data as of 05 Dec 2021). The Ministry of Health said that by the beginning of Dec 2021, Vietnam has received about 147.5mn doses of COVID-19 vaccine. Vietnam also successfully produced Sputnik-V vaccine domestically after receiving technology transfer from a Russian partner. Additionally, made-in-Vietnam vaccine, Nanocovax, is at last-mile phase 3 trial. Covivac has been in Phases 2 trial since 18 August 2021. Meanwhile, the ART-154 anti-coronavirus vaccine has been in trials since Aug 2021 could be authorized for emergency use in the fourth quarter of 2021. ART-154 is a two-dose self-amplifying STARR mRNA vaccine to be produced under the collaboration of VinBioCare (a member of Vingroup, VIC VN) and the US-based company Arcturus Therapeutics. Thanks to these advances in research and self-producing of vaccine, Vietnam could increase its vaccine autonomy since the first quarter of 2022. The government has set a target for over 70% of the population would be fully vaccinated in the first half of 2022. We believe that Vietnam will exceed the government's targets and complete vaccination of more than 70% of the population by the first quarter of 2022.

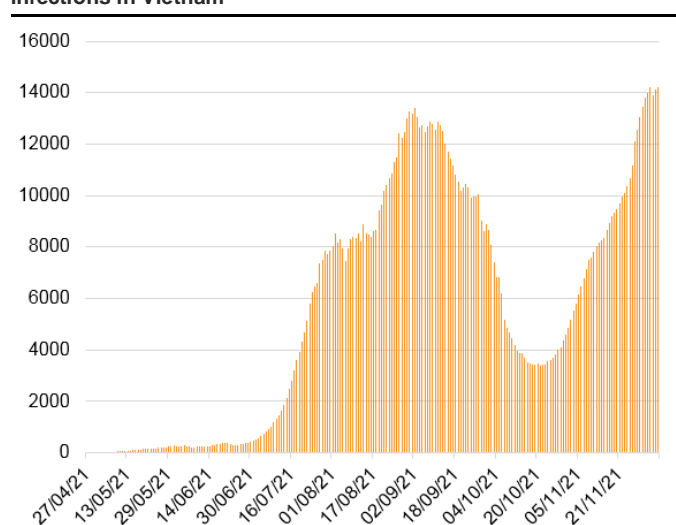
With the wide availability of vaccines, we believe that Vietnam's economy will adapt to the new normal and the reopening of Vietnam's economy would be accelerated since the first quarter of 2022.

**Figure 24: Vaccination rate continued to surge**



Source: WHO, VNDIRECT RESEARCH

**Figure 25: Daily new cases since the fourth outbreak of COVID-19 infections in Vietnam**

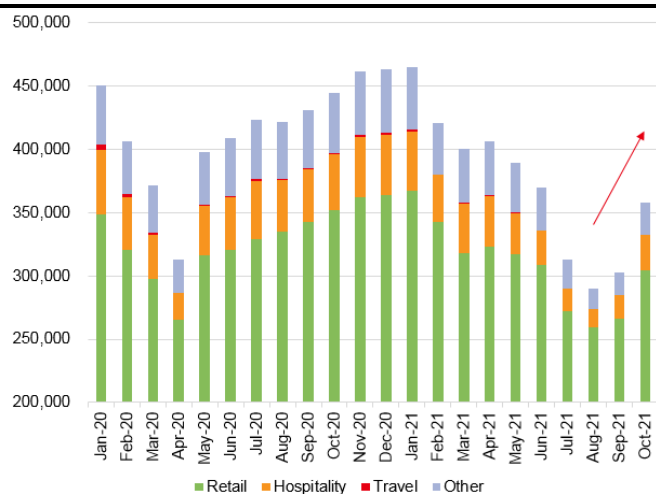


Source: WHO, VNDIRECT RESEARCH

### Growth engine #1: Domestic demand is a key fulcrum of Vietnam's economic recovery

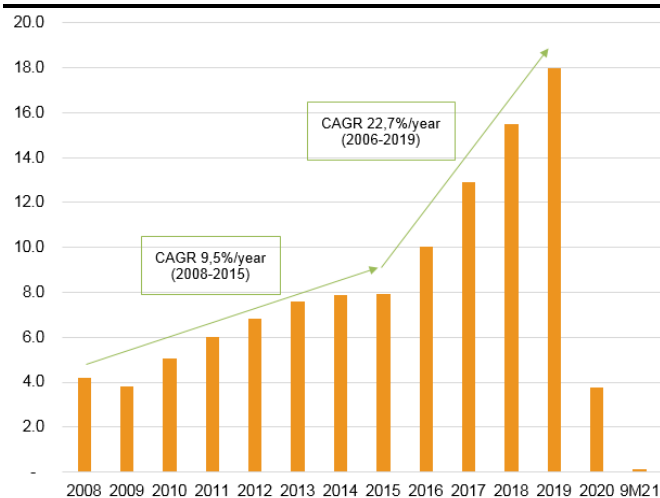
The service sector contributes the largest share to Vietnam's GDP, accounting for 41.6% of nominal GDP in 2019. Unfortunately, the outbreak of COVID-19 pandemic caused the slowdown of people's income and consumption demand in 2020-2021 period. Total gross retail sales of consumer goods and services dropped 8.7% yoy in 9M21 from a decline of 0.7% yoy seen in 9M20 (vs. a strong increase of 11.5% in 9M19). Due to lower of domestic consumption, the service sector fell 0.7% yoy in 9M21 (vs. +1.4% yoy in 9M20 and +6.9% in 9M19).

**Figure 26: Gross retail of consumer goods and services rebound since Sep 2021 after the government eased social restriction**



Source: Worldbank

**Figure 27: Foreign visitors to Vietnam (2008-9M2021)**



Source: Vietnam National Administration of Tourism, GSO

However, we believe that the service sector will recover and enjoy a higher growth rate from 2022 onwards, mostly driven by the reopen of non-essential services and the recovery of consumption. Specifically, we expect all service activities, including tourism, transportation and entertainment could be allowed to operate at full capacity since 2Q22 after Vietnam achieving a target of vaccinating for over 70% of population. We also expect consumption to bounce back strongly with gross retail sales of consumer goods and services expected to increase 10-12% yoy in 2022F thanks to strong catalysts, including:

- Real income growth as we expect Vietnam's GDP to grow by 7.5% yoy while inflation is expected to increase 3.45% yoy in 2022, well below the government's target of 4.0%.
- A revival of tourism after international flights have been licensed for commercial purposes from 4Q21F, leading to a strong rebound of travelling, entertainment, accommodation and catering service. Vietnam has piloted to welcome foreign tourists under package tour from mid-Nov 2021, through charter flights to several destinations such as Phu Quoc (Kien Giang), Khanh Hoa, Quang Nam, Da Nang, and Quang Ninh. This marks the beginning of Vietnam tourism after nearly 2 years of being closed to foreign visitors. To be noted that, the tourism contributed over 9.5% to Vietnam's GDP in 2019. However, due to the impact of the COVID-19 pandemic, the contribution of the tourism industry has decreased to 2.3% of GDP in 9M21.
- We believe that the government could release more fiscal stimulus packages to support economic recovery, focusing on: cash subsidies for people negative-affected by the COVID-19 pandemic, tax reduction (value added tax, corporate income tax) and increase value amount of public investment in transport infrastructure and social-housing projects development. These policies aims at recuperating domestic demand and consumption.
- The rising affluence and tech-savviness of the younger population. This statement is proof by the sales of technology and electronic products in Vietnam have increased significantly in recent years, notably smartphones, laptops, robot vacuums and smart TVs.
- Rising urbanisation which should continue to boost consumption demand in large urban centres. According to the Ministry of Construction, Vietnam's urbanization rate has increased rapidly from 30.5% in 2010 to 40.4% in mid-2021. Vietnam also aims to raise the urbanization rate to 45% by 2025 and about 50% by 2030. To be clearly that urbanization is an important driver of



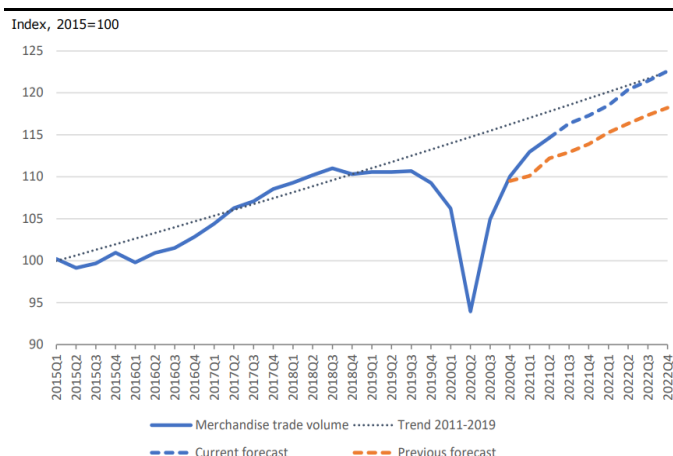
economic growth, raising people's incomes and a catalyst to shift consumption trends from traditional channels to modern retail channels.

### Growth engine #2: Exports to resume expansion thanks to increasing global demand

We are optimistic about Vietnam's export prospects in 2022F, thanks to the following reasons:

- Global trade is expected to remain resilient in 2022F. Based on the latest report of World Trade Organization (WTO), trade volume growth is expected to increase by 4.7% in 2022F, up from 4.0% in previous report, and it could approach its pre-pandemic long-run trend at the end of 2022.
- Increased shipping costs are expected to gradually normalize from late 2021 onwards as anti-coronavirus measures are mitigated thanks to high vaccination rates as well as increased container volumes following a sharp increase in container production orders since mid-2021. We have seen the decline of major freight index since Oct 2021, including Baltic Dry Index and Shanghai (Export) Containerized Freight Index. The cooling of transportation costs will create favorable conditions for Vietnamese enterprises to promote exports in 2022, especially to the US and European markets.

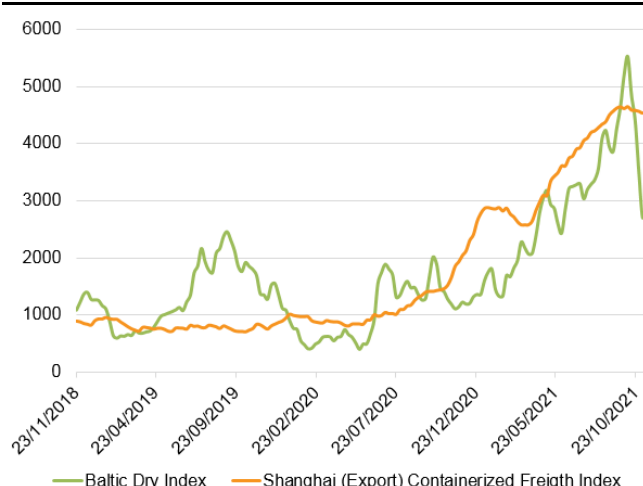
**Figure 28: World merchandise trade volume, 1Q15-4Q22F**



Sources: WTO and UNCTAD for trade volume data; WTO for forecasts.

Source: WTO, UNCTAD

**Figure 29: Baltic Dry Index and Shanghai (Export) Containerized Freight Index (Nov 2018- Nov 2021)**



\*E6 includes Holland, Germany, England, Italia, Belgium and France  
Source: GSO, VNDIRECT RESEARCH

- The Regional Comprehensive Economic Partnership (RCEP) that is expected to come into force from the beginning of 2022 will boost Vietnam's exports to partner countries in 2022. The agreement includes 10 ASEAN countries and five countries that have signed FTAs with ASEAN include: Japan, Korea, China, Australia and New Zealand. RCEP is considered a "super agreement", because when implemented, it will become one of the largest free trade areas in the world with a scale of 2.2bn consumers, accounting for about 30% of the world's population and about 30% of global GDP. Not having to wait until the agreement officially takes effect, Vietnam's exports to countries in Southeast Asia have increased sharply with export value increasing 24% yoy to US\$24bn in the first 10 months of 2021.
- The EU-Vietnam Free Trade Agreement (EVFTA) officially took effect from 1 Aug 2020. Since the agreement took effect, Vietnam's export prospects to the EU have improved significantly. With Vietnam's export tax continuing to be cut in 2022 according to the agreement's roadmap and the European

economic outlook remaining strong in 2022, we believe that Vietnam's exports to the EU would maintain strong momentum in 2022.

In conclusion, we expect Vietnam's exports to enjoy a strong growth rate of 12.5% yoy in 2022F (vs. our forecast of 15.0% yoy for 2021F). Exports will continue to be a key growth driver for Vietnam's economy in 2022F.

As for imports, we maintain our view that Vietnam's import spending will remain strong in 2022, backed by the following reasons: (1) recovery in domestic demand for imported consumer products, (2) high demand for raw materials and inputs amid resurgent manufacturing activity, (3) commodity prices may remain high in 2022. Some imported products will see strong demand in 2022, including machinery and equipment, auxiliary materials for textile and footwear, phones and components, automobiles, and steel. As a result, we expect Vietnam's import value to increase by 10.9% yoy in 2022F and expect Vietnam's trade surplus to widen to US\$5.6bn in 2022F from an expected trade surplus of US\$0.3bn in 2021F.

### Growth engine #3: Foreign direct investment (FDI) to recover in 2022

We believe that Vietnam's foreign direct investment (FDI) inflows will recover strongly in 2022 thanks to (1) Vietnam plans to resume regular international commercial flights from the beginning of 2022, which will create favorable conditions for investors and professionals to return to Vietnam and promote investment in 2022, (2) Vietnam remains an attractive location for companies' 'China+1' diversification strategy due to advantages such as competitive labour cost and large demography, and (3) last but not least, Vietnam has signed very progressive free trade agreements (FTAs) with major partners and regions in the world such as CPTPP, EVFTA, RCEP... Therefore, investors investing in Vietnam will enjoy great tax incentives when exporting products to countries that have FTAs with Vietnam.

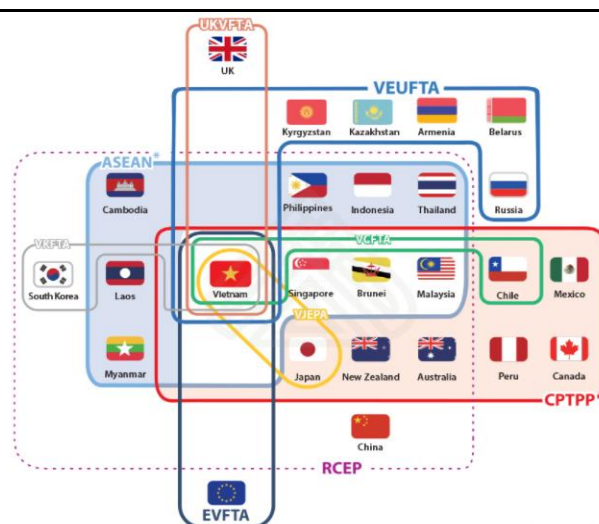
With those advantages, we expect registered FDI into Vietnam to grow by about 9-10% yoy and disbursed FDI to increase by 8-9% yoy in 2022.

Figure 30: List of major FDI projects in 11M21

FDI projects	Sectors	Registered capital (US\$bn)	Province/city
Long An I, II liquefied natural gas (LNG) power plant	Power	3.1	Long An
Expanding LG Display project in Hai Phong city	Manufacturing	2.2	Hai Phong
Omon II thermal power plant	Power	1.3	Can Tho
Polytex Far Eastern Vietnam	Manufacturing	0.6	Binh Duong
Jinko Solar PV Vietnam	Manufacturing	0.5	Quang Ninh
Radian tire manufacturing plant expansion project	Manufacturing	0.3	Tay Ninh
Foxconn projects	Manufacturing	0.3	Bac Giang
Fukang Technology	Manufacturing	0.3	Bac Giang
JA Solar PV Vietnam project	Manufacturing	0.2	Bac Giang

Source: Ministry of Plan and Investment

Figure 31: List of main FTAs that Vietnam participates in



\* Source: Graphics AsiaBriefingLtd

### Growth engine #4: Support policies as vital to drive 2022F forward

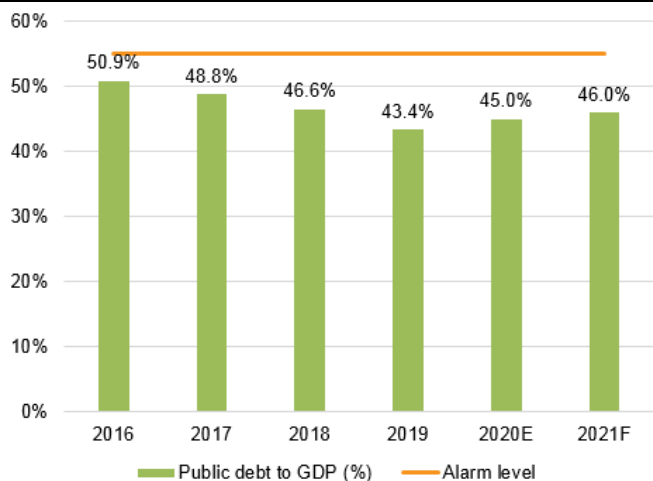
**There is still room for more fiscal policy support, in our view**

Recently, the scale of Vietnam's COVID-19 fiscal stimulus packages was only 2.85% of GDP (according to Ministry of Planning and Investment), which is much

lower than that of advanced economies, and Asian economies (refer Figure 20). In addition, we estimate that Vietnam's public debt-to-GDP ratio at year-end of 2020 was about 45% of GDP (re-calculated GDP), which is much lower than Vietnam's public debt ceiling of 60% of GDP. Given that Government bond interest rates are at historic lows and inflation is well-managed, we believe that the Government could release more fiscal stimulus packages to support economic recovery, focusing on: cash subsidies for people negative-affected by the COVID-19 pandemic, tax reduction (value added tax, corporate income tax) and increase value amount of public investment in transport infrastructure and social-housing projects development. We expect that the size of the new additional fiscal stimulus package could be at 3-4% of GDP (exclude additional medical expense to combat the pandemic) and it will strongly support Vietnam's economic recovery in 2022.

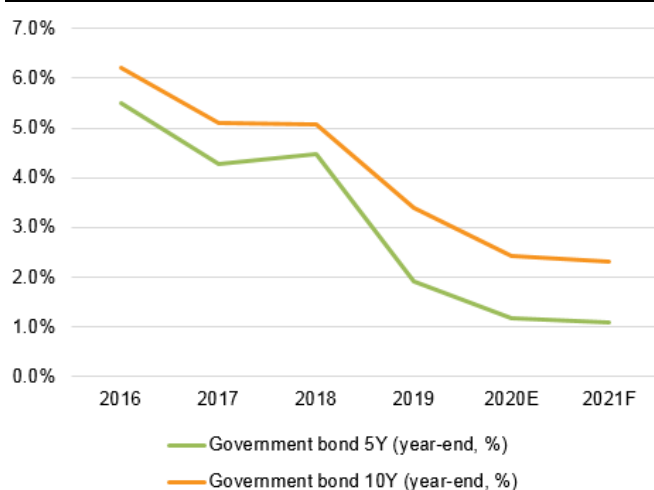
Along with upcoming fiscal support packages, the Government plan to step up public investment in 2022 to counter the slowdown in other growth engines. The Government plans to spend VND526tr on public investment in 2022F (+10% versus the public investment plan for 2021) to support growth. We believe that the disbursement of public investment in 2022 can increase by 15-25% compared to the actual disbursement in 2021 thanks to (1) the bottleneck of construction stone shortage has been solved as the government has licensed for new mines, (2) the prices of construction materials such as steel, cement, construction stone are expected to cool down next year, (3) the actual disbursement of public investment is expected to be low in 2021, equivalent to only 85-95% of the whole year plan. In addition, the Government is expected to focus on accelerating the progress of major public investment projects in 2022 such as the Long Thanh International Airport and the North-South Expressway, thereby accelerating the disbursement of public investment. It is known that the Government has submitted to the National Assembly a policy to convert all 12 sub-projects of the North-South Expressway into public investment to speed up the implementation progress.

**Figure 32: Public debt ratio is still far lower than the alarm level (55% of GDP)**



Source: GSO, VNDIRECT RESEARCH

**Figure 33: Low government bond yields help the government reduce funding costs for economic support packages**



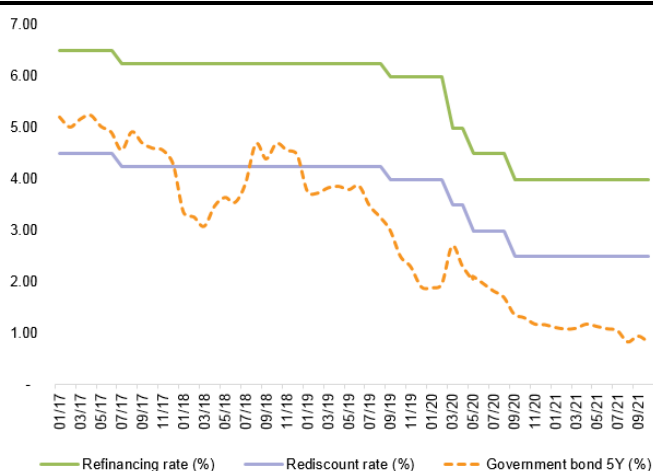
Source: GSO, VNDIRECT RESEARCH

### **SBV will continue to maintain an accommodative monetary policy to support the economic recovery until at least the end of 2Q22**

We saw a slight improvement in credit demand since mid-Sep after the economy being reopen, with credit growing 8.7% ytd on 29 Oct (accelerating from the 6.4% ytd rise seen in 30 Jun). We expect credit demand to maintain its recovery momentum in 4Q20F and forecast credit to increase about 12% yoy in 2021F. In Jul, SBV had required commercial banks to reduce lending interest rates to

support businesses recovery. Following this, commercial banks committed to cut off over VND20.6tr from profit to lower lending rates by 0.5-2.0% for outstanding loans of pandemic-hit clients. According to SBV, the total amount of interest exempted or reduced by credit institutions for customers from 15 Jul, 2021 to 30 Sep, 2021 was about VND12,236bn, equivalent to 59.4% of commitment.

Despite the rising inflationary pressure, we expect the SBV to maintain its accommodative monetary policy until at least the end-2Q22. Although we do not expect the central bank to cut its key policy rates further, we also think it would not lift them either in 1H22, in a bid to continue supporting the economy by maintaining a loose monetary policy. Nevertheless, we expect the SBV to channel its money market activities via the open market, such as buying foreign exchange or raising the credit growth ceilings. We forecast credit growth to increase by 13-14% yoy in 2022F.

**Figure 34: Policy rates and government bond 5Y (01/2017-10/2021)**


Source: BLOOMBERG, VNDIRECT RESEARCH

**Figure 35: Credit and deposit growth (01/2019-09/2021)**


Source: Commercial banks, VNDIRECT RESEARCH

## Implication for our 2022 forecasts

### The growth gather steam since 2022

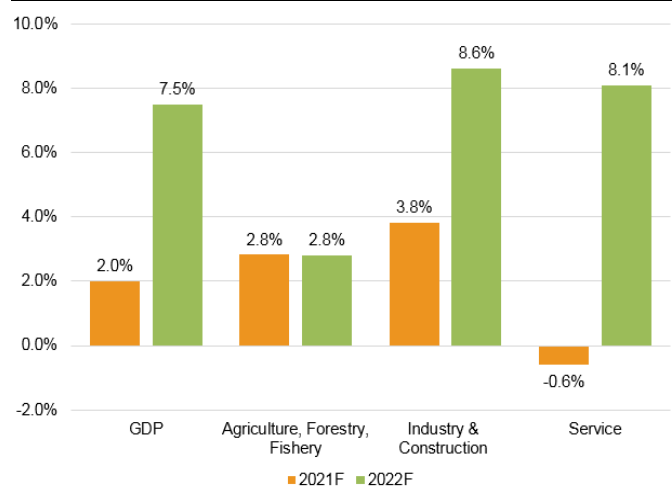
**Figure 36: Key macro forecasts in 2021**

Indicator	Unit	2018	2019	2020	2021F	2022F
Real GDP growth	% yoy	7.1	7.0	2.9	2.0	7.5
Export growth	% yoy	13.3	8.4	6.5	15.0	12.5
Import growth	% yoy	11.8	6.9	3.6	23.2	10.9
Trade balance	USD bn	6.9	10.9	18.9	0.3	5.6
Current account balance	USD bn	5.8	12.8	12.7	-1.3	7.5
Current account to GDP	% of GDP	1.9	3.8	3.7	-0.4	1.9
FX reserves	USD bn	55.1	79.0	95.0	107.5	122.2
FX to GDP	% of GDP	17.9	23.8	27.8	29.8	30.7
Import coverage	months	2.8	3.7	4.3	4.0	4.1
CPI (period average)	% yoy	3.5	2.8	3.2	2.1	3.5
Credit growth	% ytd	13.9	13.7	12.1	12.0	13.0-14.0
Credit to GDP	% of GDP	103.9	107.1	115.7	124.8	128.3
M2 growth	% ytd	12.4	14.8	14.7	11.0	13.0-14.0
Refinancing rate	%	6.3	6.0	4.0	4.0	4.0-4.5
12M deposit interest rate (year-end)	%	6.8	6.8	5.6	5.6	6.0
Government bond 10Y (year-end)	%	5.1	3.4	2.4	2.3	2.7
Exchange rate (USD/VND)	% yoy	1.8	1.4	0.7	-1.0	+/- 1.0
Fiscal balance	% of GDP	2.2	2.7	3.1	3.0	3.9
Public debt	% of GDP	46.6	43.4	45.0	45.0	46.4

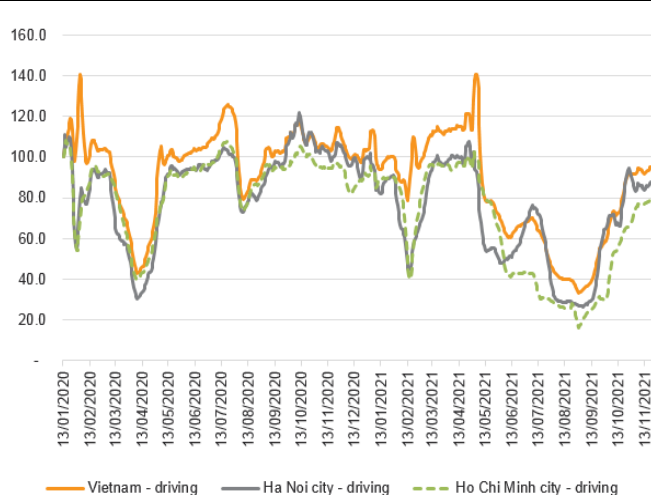
Source: VNDIRECT RESEARCH, GSO, SBV, MOF



We believe that Vietnam's economy will return to the "new normal" in 2022 and have brighter and more sustainable growth prospects thanks to high vaccination rates. Vietnam's GDP is expected to grow 7.5% yoy in 2022, with resilient growth in all aspects. Its macroeconomic fundamentals could be strengthened with higher trade surplus, as well as current account surplus and foreign reserves. These buffers could help Vietnam cope with internal and external risks, including higher-pressure inflation, stronger dollar index and less favourable global financial market condition.

**Figure 37: 2022F growth forecast by sectors**


Source: VNDIRECT RESEARCH

**Figure 38: Apple mobility for driving in Vietnam (vs. 13 Jan 2020)**


Source: APPLE, VNDIRECT RESEARCH

Our forecast is based on the following key assumptions:

- The global economy could remain strong growth momentum in 2022. The International Monetary Fund (IMF) forecast the global economy to expand by 4.9% yoy in 2022F (vs. an expected growth rate of 5.9% yoy in 2021F). Noted that, the global economic growth rate averaged around 2.8% per year in the period 2016-2019 (before the COVID-19 pandemic). Thanks to a sustainable global growth outlook, we expect strong external demand for Vietnam's exports in 2022.
- 70-75% of Vietnam's population would be fully vaccinated against COVID-19 in the first quarter of 2022. We expect that high vaccination rate will help Vietnam successfully contain the pandemic.
- International commercial flights could be resumed from 1Q22, that would support the recovery of the tourism industry in 2022, one of two main drivers for a rebound in Vietnam's services sector, along with the recovery in domestic demand. According to our estimation, the tourism contributed over 9.5% to Vietnam's GDP in 2019 and created 2.9m jobs, including 927 thousand direct jobs. However, the tourism industry has been hit hard by the COVID-19 pandemic in the 2020-2021 period. The number of international visitors in 2020 reached 3.7m arrivals (-80% yoy), while domestic visitors reached 56m arrivals (-34% yoy). Total revenue from visitors in 2020 reached VND312tr (-59% yoy). In the first 9 months of 2021, total revenue from tourists continued to decline by 42% yoy to about VND137tr. For 2022, we expect the tourism industry to recover strongly thanks to the resume of international commercial flights as well as further easing social-distancing measures. This will be the main growth driver for the recovery of Vietnam's economy from 2022 onwards.
- We expect the government to issue new economic support packages and maintain an accommodative monetary policy until at least late-2Q22 to boost economic growth. We also expect a large increase in the country's

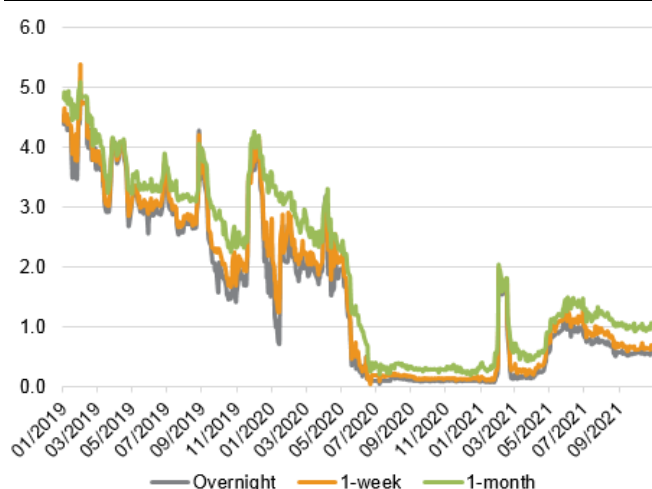
investment capital in 2022 as the government continues to accelerate the disbursements of public investment. The investment capital of the non-state sector, as well as the FDI sector, could also recover strongly, thanks to a more favourable business environment after the pandemic.

Regarding to sub-sector, we expect the agriculture, forestry and fishery to grow by 2.8% yoy, the industry and construction sector by 8.6% yoy, and the services sector by 8.1% yoy in 2022.

### **We expect lending rates to decrease further, but deposit rates to pick up tenderly**

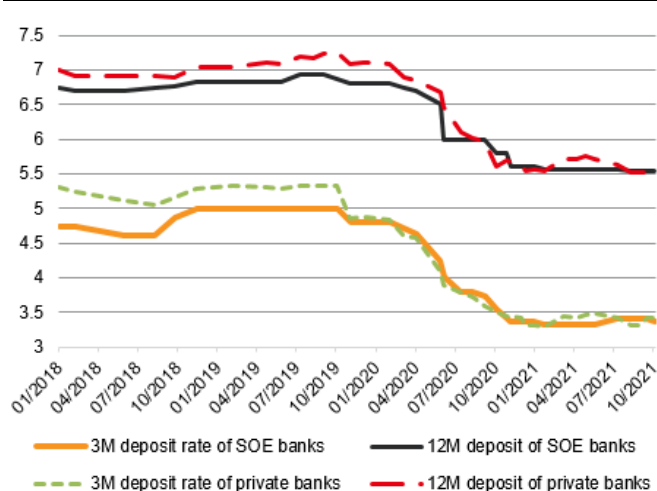
As of 1 Nov, 2021, the 3-month term deposit rates remained unchanged compared to the level at the end of 2020 while the 12 month term deposit rate average at 5.53%/year, falling about 10bp compared to the level at the end of 2020. Meanwhile, the interbank interest rates have rebound from historic lows in late-2020, but are still very low relative to pre-pandemic levels

**Figure 39: Interbank interest rates rebound from historic lows**



Source: BLOOMBERG, VNDIRECT RESEARCH

**Figure 40: The 12-month term deposit rate declined further**



Source: Commercial banks, VNDIRECT RESEARCH

Regarding to lending interest rates, the SBV is implementing an interest rate compensation package with a scale of VND3,000bn. It offers lending interest rates of only 3-4%/year for businesses strongly affected by the COVID-19 pandemic. Moreover, the Government plans to expand the scale of the package of interest rate compensation for businesses to VND10,000-20,000bn, focusing on a number of priority audiences, including (1) small and medium-sized enterprises, (2) businesses participating in a number of key national projects, and (3) business in certain industries (tourism, aviation, transportation,...). Thanks to these supportive policies, we expect lending rates to decrease by 10-30bp in 2022F, on average.

Regarding to deposit interest rates, the deposit rate is unlikely to remain at historic low in 2022F due to following reason (1) higher demand for fund raising as credit accelerates, (2) inflation pressure in Vietnam could pick up in 2022, (3) compete more fiercely with other investment channels such as real estate and securities to attract capital inflow. As a result, we expect that deposit rates to slightly increase 30-50 basis points in 2022F. We see the 12-month deposit rates of commercial bank could climb to 5.9-6.1%/year at the year-end of 2022, which are still lower compared to pre-pandemic level of 6.8-7.0%/year.



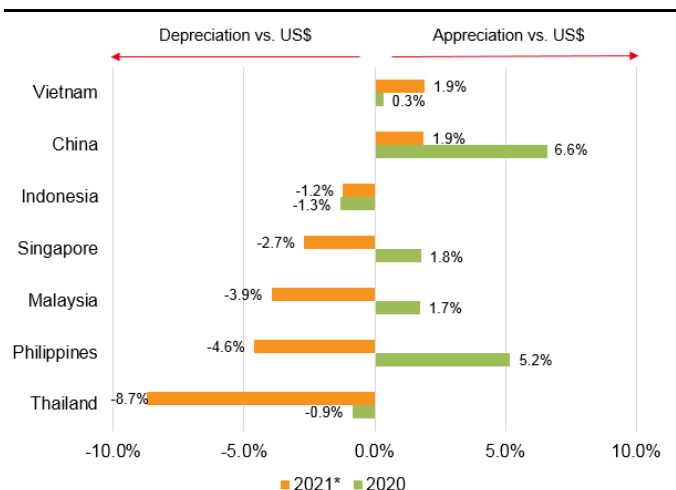
## Our optimistic view for VND has turned more neutral for 2022

Our optimistic view for VND has turned more neutral for next year due to the following reasons: (1) US\$ may regain the upper hand in the rest of 2021 as the Federal Reserve (FED) has begun to reduce the size of bond purchasing programme (QE tapering) since Nov 2021, (2) inflation pressure in Vietnam could pick up since late-2021.

Regarding to policy rate, FED announced to kept FED fund target to near zero. According to CME Group survey, market expects that FED can raise policy rate by 50-75bp in 2022, starting from Jun 2022. Meanwhile, ECB and BOJ are likely to keep their policy interest rates at low levels in 2022 to finance accommodative fiscal policy and support the economic recovery.

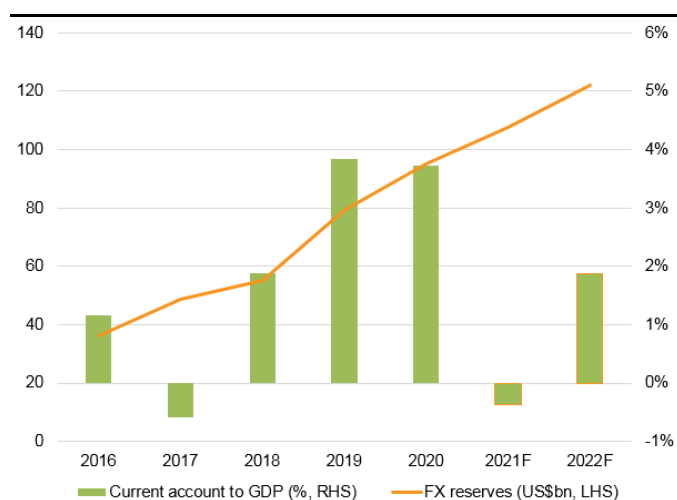
However, we see that the fundamental factors to keep Vietnam Dong stable in recent years still remain, including current account surplus and higher foreign exchange reserves (FX reserves). We expect current account surplus to widen to 1.9% GDP in 2022F from an expected deficit of 0.4% GDP in 2021F. We also expect Vietnam's FX reserves to reach US\$122.2bn at the end of 2022 (equivalent to 4.1 months of import) from a current level of US\$105bn. As a result, we see the US\$/VND stable at 22,600-23,100 in 2022F and the Vietnamese dong may move in a relatively narrow range vs. the US\$.

**Figure 41: Most of ASEAN currencies depreciated vs. the US\$ in 2021**



\*data as of 18 Nov 2021 Source: BLOOMBERG, VNDIRECT RESEARCH

**Figure 42: Vietnam's current account and FX reserves**



Source: SBV, VNDIRECT RESEARCH

## Key macro risks into 2022

### #1. Cautious but not overly concerned on the inflation risk

We see inflation to pick up in 2022, as following reasons:

- The recovery of domestic consumption and a tighter pork supply in the 2H22 could lead to stronger increase in the food & foodstuff price index.
- Energy prices are expected to maintain at a high level in 2022 with Brent crude oil price could average at US\$80/barrel in 2022F (+14.3% yoy). We also expect a strong recovery in mobility in 2022 as the government eases social distancing measures and resumes international flights from 1Q22. These are bullish catalyst for the transportation price index.
- It can be clearly seen that the prices of many inputs for the production of goods have increased sharply in 10M21, such as the prices of gasoline, chemicals, fertilizers, coal, iron and steel... These factors will be reflected in the prices of consumer goods in 2022 when consumer demand recovers.

- Inflationary pressure could increase due to expected high money supply and large-scale fiscal support packages in 2022.

However, we are not too concerned on the inflation risks next year as (1) consumer demand takes time to fully recover, (2) the government's good record of controlling inflation over the past few years, thus lowering inflation expectations. Notably, the government is able to control the rise of CPI through stabilizing the prices of essential goods and services such as petrol, retail electricity, fertilizers, pesticides, essential foods (rice, sugar, salt),... We forecast 2022F average headline CPI to increase 3.45% yoy (vs. our forecast of a 2021F average CPI of 2.1% yoy). It remains under control and meets the government's target of keeping the 2022F average CPI below 4.0% yoy.

## **#.2 The second risk factor is China**

The global economy and markets took notice of China's market selloff and economic slowdown in 2H21, but there was little spill-over. According to the International Monetary Fund (IMF), the recovery of Chinese economy could slow down to 5.6% yoy in 2022F, from a level of 8.0% yoy in 2021F. We concern that a further correction in China, coming from pandemic resurgence, regulatory crackdown, power shortage or the rising bad debts of Chinese property developers, could put a major dent in Vietnam export and investor sentiment. Noted that, China is currently Vietnam's largest trading partner, accounting for 17% of Vietnam's export value (second after the US) and 33% of Vietnam's import value (ranked first) in the first 10 months of 2021. In addition, China ranked fourth among foreign direct investors in Vietnam in 11M21.

## **#.3 Would Vietnam be able to handle the likely impact of taper tantrum?**

As we discussed above, the normalization of monetary policy by several central banks such as FED and ECB should not be seen as a tightening of global monetary policy, and we believe that conditions in global financial markets in 2022 will still be more favorable than in the pre-pandemic period. We believe that the QE tapering are unlikely to have much impact on Vietnam's monetary policy as well as its financial markets.

Regarding monetary policy, we believe that the SBV will maintain the loose monetary policy until at least the end of 2Q22 to support the economic recovery. Any monetary tightening will only take place in the second half of 2022, and major rate hikes will be limited, around 0.25-0.5%.

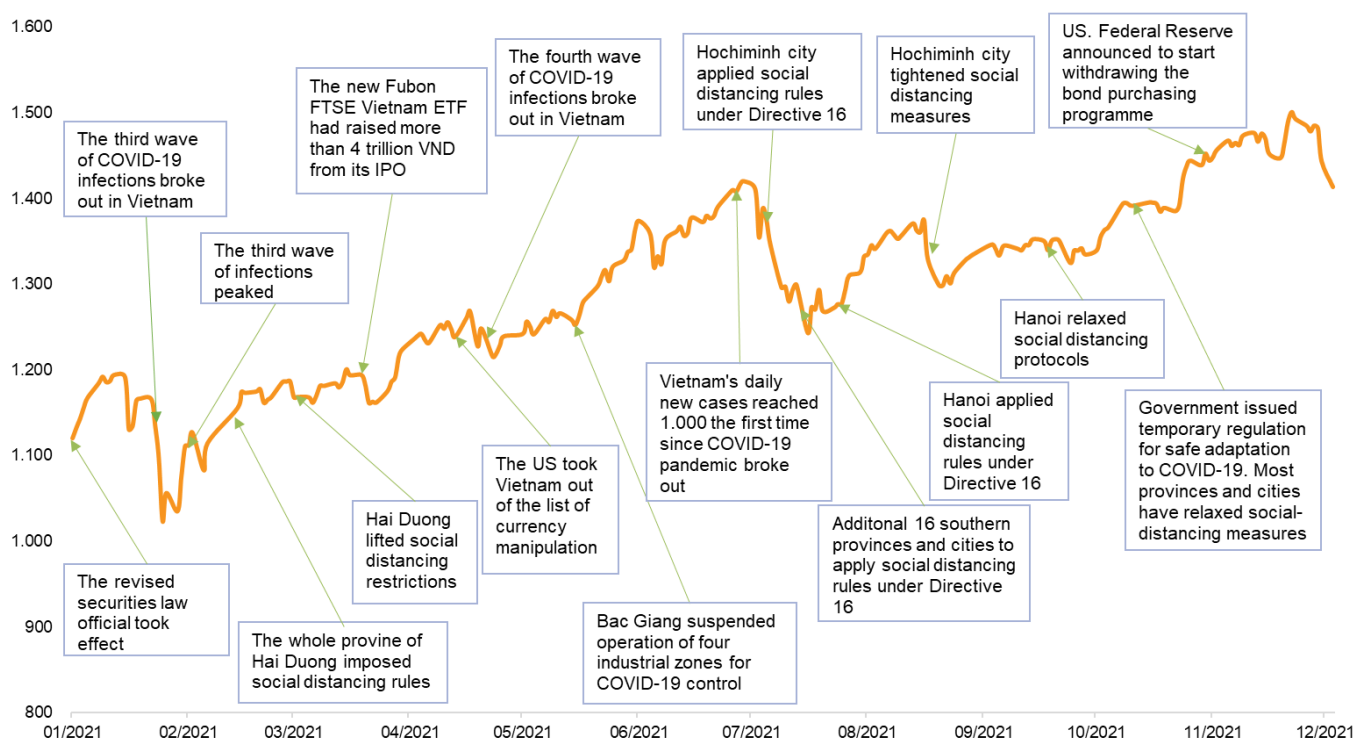
Regarding financial market, foreign indirect investment (FII) may continue to be net withdrawn in the first half of 2022 due to the impact of taper tantrum. However, foreign investors have been net sellers on Vietnam's stock market in the last 2 years, so the impact of foreign net selling will be moderate because the market has prepared in advance.

Regarding to VND exchange rate, the upcoming QE tapering could less impact to foreign investment flows into Vietnam in 2022. Besides, Vietnam dong is also strongly supported by higher trade surplus and foreign reserves in 2022. Therefore, we believe that the coming QE tapering have minimal impact on the VND exchange rate.

## 2021 STOCK MARKET RECAP: A YEAR OF RESILIENCE

**VN-Index to increase 28.1% year-to-date as at 06 Dec 2021**

Figure 43: VN-Index recorded impressive performance in 2021 (data on 06/12/2021)



Source: VNDIRECT RESEARCH

### Analyst(s):

Hinh Dinh

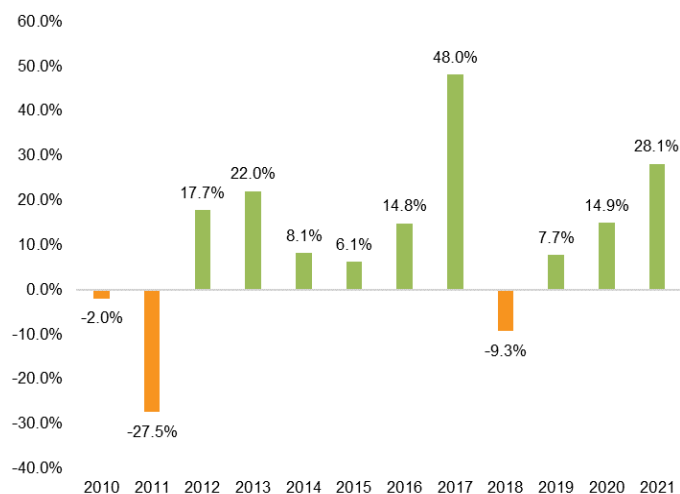
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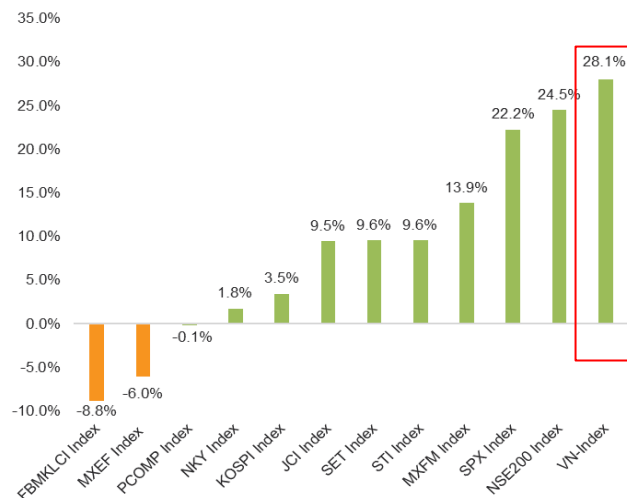
[hung.vumanh3@vndirect.com.vn](mailto:hung.vumanh3@vndirect.com.vn)

Vietnam stock market started 2021 strongly, with the VN-Index rising 8.2% in the first two weeks of the year. Unfortunately, the third wave of Covid-19 cast a shadow over Vietnam's stock market for a few weeks. The VN-index fell to its lowest level of the year, at 1,035.51pts, on 01 Feb 2021, equivalent to a decline of 13.3% from its peak on 15 Jan, 2021. Thanks to success in containing the Covid-19 outbreak locally, the Viet Nam stock market gradually recovered, successfully surpassed the old all-time high at 1,204pts, and reached a new high recorded at 1,420.3pts on 02 Jul 2021. Suffered from the fourth wave of Covid-19, the market corrected strongly 12.4% from 1,420.3pts down to 1,243.5pts on 19 Jul 2021. However, not only did the market fully recover, but the market also reached new historical peak at 1,500.8pts on 25 Nov 2021 before closing at 1,413.6pts on 06 Dec 2021. The buoyed market could be explained by (1) strong earnings growth of listed companies in 9M21 despite the pandemic; (2) low interest rate regime has led greater interest by retail investors in the stock market and; (3) rapid vaccination speed promotes economic recovery. The HNX-INDEX and UPCOM-INDEX each also grew by 114.6% ytd and 46.7% ytd in 2021.

VN-INDEX had the best performance in 2021, rose impressively 28.1% ytd, surpassing all Southeast Asia stock markets, including SET Index (+9.6% ytd), STI Index (+9.6% ytd), JCI Index (+9.5% ytd), PCOMP Index (-0.1% ytd) and FBMKLCL Index (-8.8% ytd).

**Figure 44: VN-INDEX recorded strongest performance in 4 years (data as at 06 Dec 2021)**


Source: BLOOMBERG, VNDIRECT RESEARCH

**Figure 45: VN-INDEX outperformed peers in Southeast Asia in 2021 (% ytd) (data as 06/12/2021)**


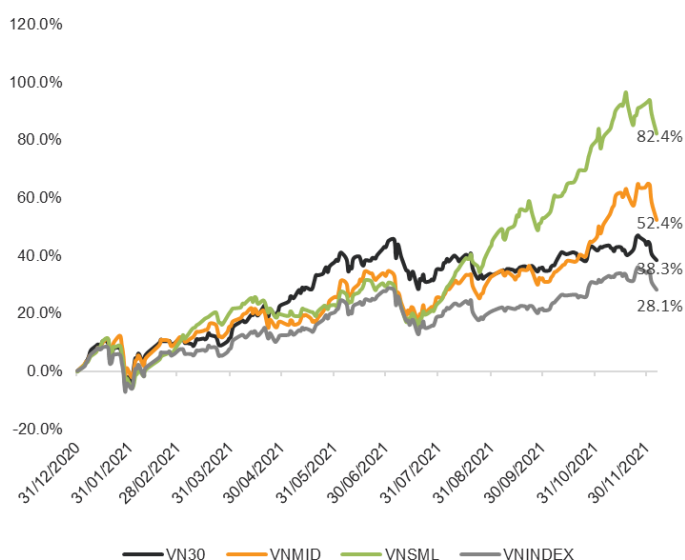
Source: BLOOMBERG, VNDIRECT RESEARCH

### Cashflow analysis

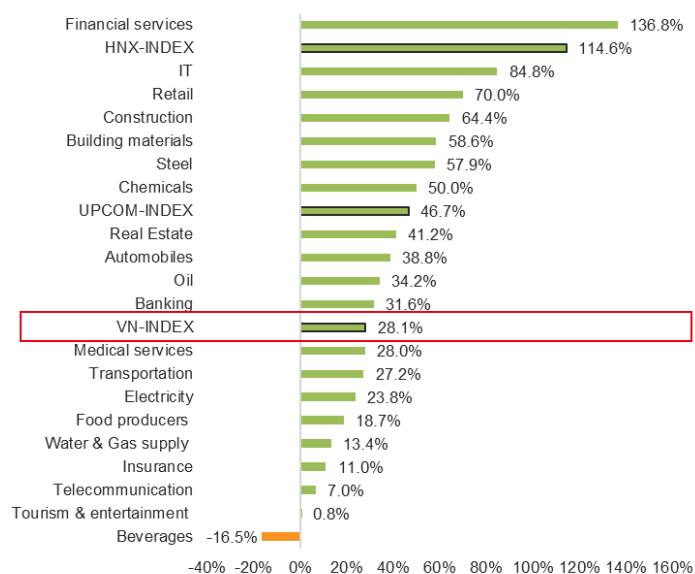
#### Small and mid-caps accelerated since 2Q21 and outperformed for 2021

In 2021, VN-INDEX underperformed VN30 Index, VN MID Index, VNSML Index. Money kept running into small-caps and mid-caps, which led VNSML Index and VN MID Index to become the best-performed indexes, surging 82.4% ytd and 52.4% ytd, respectively.

Almost all sectors recorded positive performance in 2021 except Beverages. Notably, Financial services became the best industry performer in 2021, recording an magnificent explode of 136.8% ytd, followed by IT (+84.4% ytd), Retail (+70.0% ytd), Construction (+64.4% ytd), and Building materials (+58.6%). On the contrary, Beverages is the only one negative performer, reduced 16.5% ytd.

**Figure 46: VNSmallcap outperform in 2021 (% ytd) (data on 06/12/2021)**


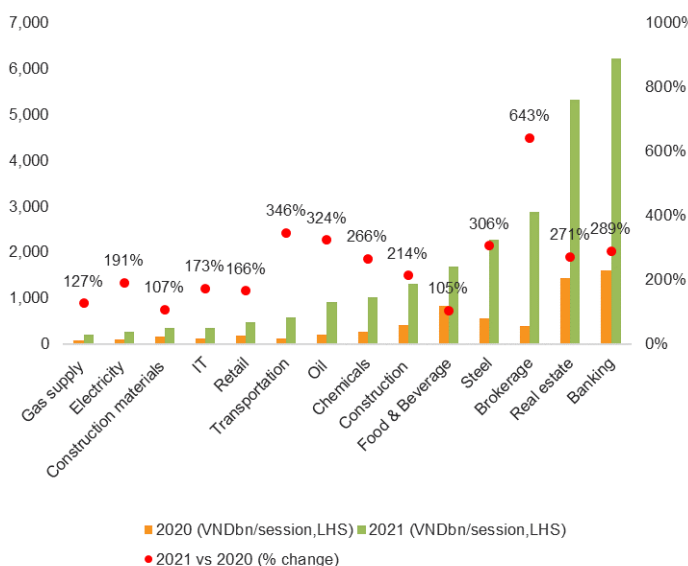
Source: FIIPRO, VNDIRECT RESEARCH

**Figure 47: Sectors performance in 2021 (% ytd) (data on 06/12/2021)**


Source: FIIPRO, VNDIRECT RESEARCH

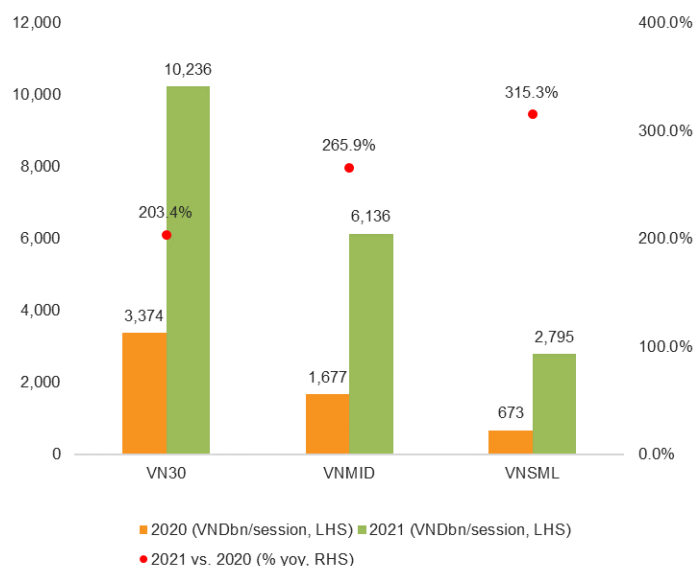
Money running into small-cap stocks the most in 2021. Daily trading value of VNSML (representing small-caps) rose 315.3% yoy. Daily trading value of VN30 (representing large-caps) and VNMID (representing mid-caps) surged 203.4%/265.9% yoy, respectively. Brokerage, Transportation, Oil and Steel enjoyed the strongest increase in liquidity in 2021.

**Figure 48: Money ran into Brokerage, Transportation, Oil and Steel (data on 06/12/2021)**



Source: FIINPRO, VNDIRECT RESEARCH

**Figure 49: Money running into small caps the most (data on 06/12/2021)**

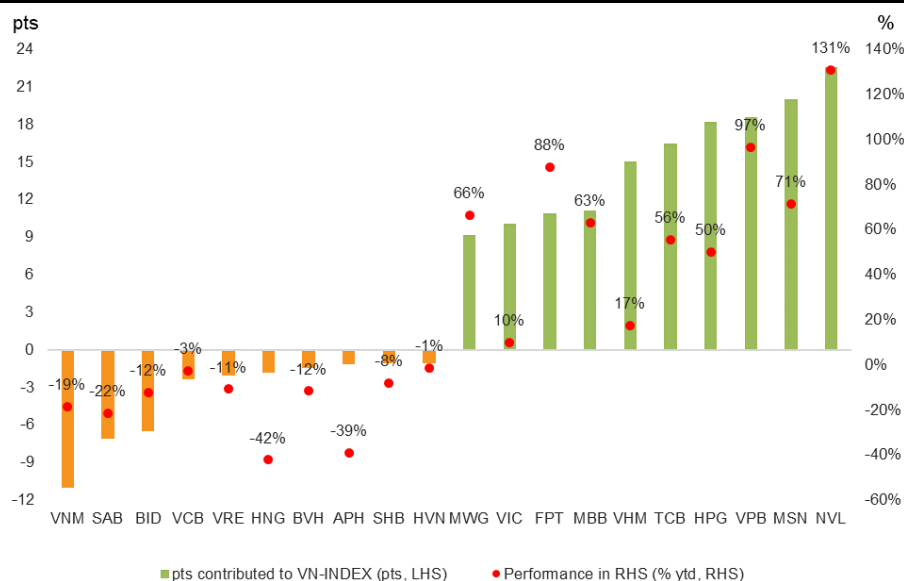


Source: FIINPRO, VNDIRECT RESEARCH

## 2021 Top movers and laggards

NVL (+130.8% ytd) lent the most support to the VN-INDEX in 2021, followed by MSN (+71.3% ytd), VPB (96.6% ytd), HPG (+50.1% ytd) and TCB (+55.6% ytd). Other top 10 index movers include VHM (+17.4%), MBB (62.9% ytd), FPT (+87.8%), VIC (+9.8% ytd), MWG (+62.3% ytd)

**Figure 50: VN-INDEX's top movers and top laggards in 2021 (data on 06/12/2021)**



Source: BLOOMBERG, VNDIRECT RESEARCH



On the contrary, VNM became the index's top laggard, recording a 18.5% decline since the beginning of the year. Other laggards included SAB (-21.6% ytd), BID (-12.4% ytd), VCB (-2.6% ytd), VRE (-10.8% ytd), HNG (-42.3% ytd), BVH (-11.6% ytd), APH (-39.2% ytd), SHB (-8.1% ytd), and HVN (-1.5% ytd).

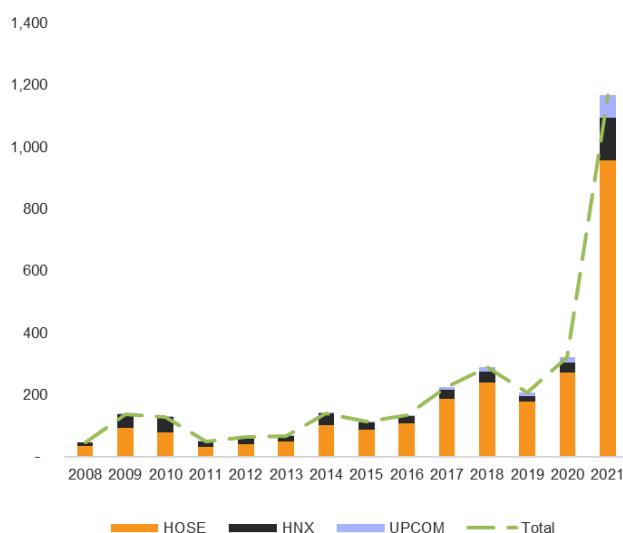
### Market liquidity surge on the “retail investors’ rally”

The sharp increase in liquidity is the highlight of Vietnam's stock market in 2021. Average daily trading value (ADTV) in 2021 surged 258.0% yoy to VND26,652bn as domestic cashflow into the stock market accelerated. The daily trading value on HOSE reached VND21,834bn/session (+245.2% yoy) while the daily trading value on HNX and UPCOM also rose to VND3,138bn/session (+343.2% yoy) and VND1,680bn/session (+307.2% yoy), respectively.

According to data from the Vietnam Securities Depository (VSD), domestic retail investors opened 1,306,497 new securities accounts in 11M21 (+297% yoy). The inpouring cashflow of domestic retail investors into the Vietnam stock market could be explained by the following reasons:

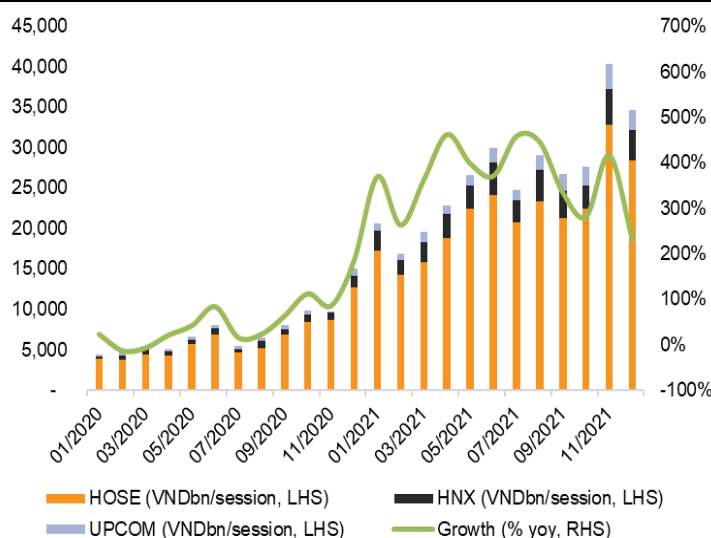
- The dynamics of FOMO (fear of missing out) and robust local individual inflow will support the equity market uptrend to sustain.
- Low deposit interest rate environment. Currently, the average 1-year term deposit interest rate of commercial banks stands at 5.5%/year, which is lower than the average 1-year term deposit interest rate in the 2017-2019 period (before the COVID-19 pandemic) at 6.8-7.0%/year. In the context of low deposit interest rates, individual continue search for higher-yield investment instruments; ie: equity and corporate bonds.
- HOSE's upgraded trading system, which solved the market transaction congestion, thus enhancing investors' confidence

**Figure 51: The daily average trading value rose 258.0% yoy in 2021 (US\$m, data on 06/12/2021)**



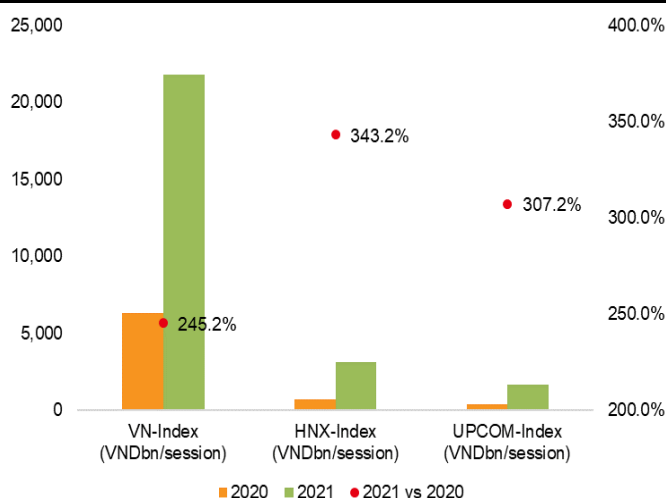
Source: VNDIRECT RESEARCH

**Figure 52: Average daily trading value (01/2020-12/2021) (data on 06/12/2021)**

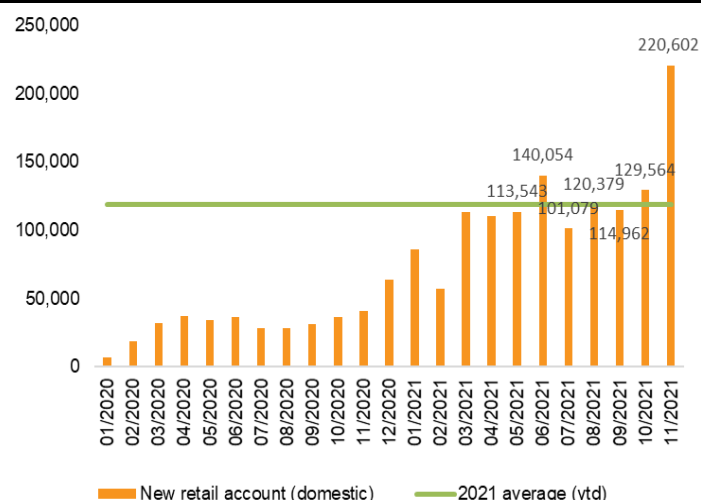


Source: VNDIRECT RESEARCH



**Figure 53: Liquidity increased on all three bourses (data on 06/12/2021)**


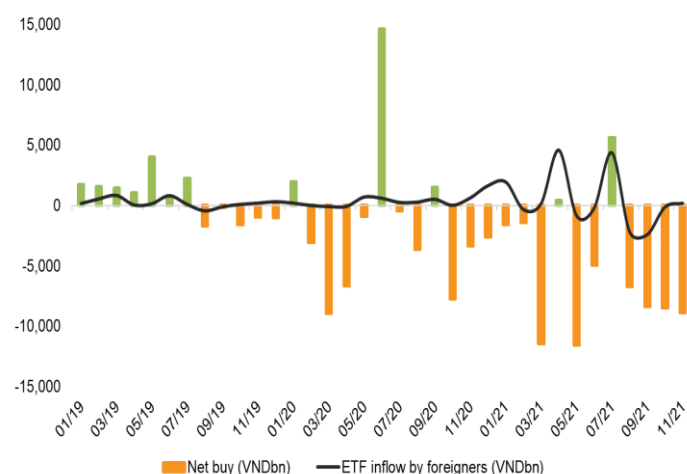
Source: VNDIRECT RESEARCH

**Figure 54: New opening accounts rose in 2021 (data on 06/12/2021)**


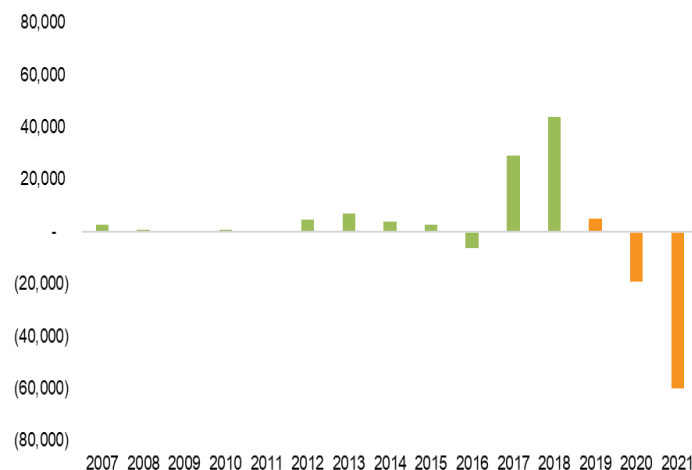
Source: VSD

### Foreign investors net sold equities in 2021

Foreign investor net sold about VND59,813bn across 3 bourses in 2021. The reason that foreign investors net sold aggressively in 2021 is directly related to the fact that they are concerned that frontier markets will react to the pandemic of Covid-19 worse than in developed countries such as the US and Europe. Therefore, when the risk increases, foreign investors tend to withdraw money and invest in developed markets, especially the US, in the context that interest rates are approaching 0. However, foreign investors' cash flow is expected to return with the rapid vaccination coverage, and Vietnam's market is expected to upgrade to emerging markets in the next 2-3 years

**Figure 55: Foreigners' monthly net transactions (unit: VNDbn) (data on 06/12/2021)**


Source: VNDIRECT RESEARCH

**Figure 56: Foreign Investors net sold VND59,813bn in 2021 (unit: VNDbn) (data on 06/12/2021)**


Source: VNDIRECT RESEARCH

STB was the top net-buying stock by foreigners in 2021. Foreigners also net bought other large caps, including VHM, MWG, TPB, PLX, PDR and several mid-caps, such as OCB, DHC and DGC. Meanwhile, foreign investors net sold notable stocks such as HPG, VPB, VNM, VIC and CTG.

**Figure 57: Foreign investors' strongest net buyers in 2021 (US\$m, data on 06/12/2021)**

Ticker	Net bought	Value bought	Value sold
STB	180	405	-225
VHM	158	1,206	-1,048
MWG	67	574	-507
THD	53	74	-21
PLX	47	219	-172
TPB	45	85	-40
PDR	36	121	-85
OCB	32	50	-18
DHC	30	58	-27
DGC	26	90	-64

Source: VNDIRECT RESEARCH

**Figure 58: Foreign investors' strongest net sellers in 2021 (US\$m, data on 06/12/2021)**

Ticker	Net sold	Value bought	Value sold
HPG	-770	1,114	-1,885
VPB	-350	273	-623
VIC	-303	768	-1,071
VNM	-299	963	-1,262
CTG	-253	370	-622
SSI	-173	401	-574
NLG	-123	94	-218
MML	-105	8	-114
PAN	-87	13	-100
MSN	-80	569	-649

Source: VNDIRECT RESEARCH

## 2022 STOCK MARKET OUTLOOK: NEW HOPE, NEW HEIGHT

### Market earnings FY22-23 growths to bode well for VN-index

Based on our estimates, aggregate earnings of listed companies on three bourses (HOSE, HNX, UPCOM) increased 15.8% yoy, lower than that of 1Q21 and 2Q21, 92.0% yoy and 72.3% yoy respectively. The results have surprised us as 3Q21 GDP slumped 6.2% yoy amid stricter nationwide social distancing. 9M21 aggregate earnings grew robustly 53.4% yoy. We expect earnings of several sectors, such as Retail, Food & Beverage and Banking, to bounce back strongly in 4Q21 while profits of Oil & Gas and Real Estate remain strong. Therefore, we lifted 2021F EPS growth of listed companies on HOSE to 39% yoy, from a previous forecast of 26% yoy.

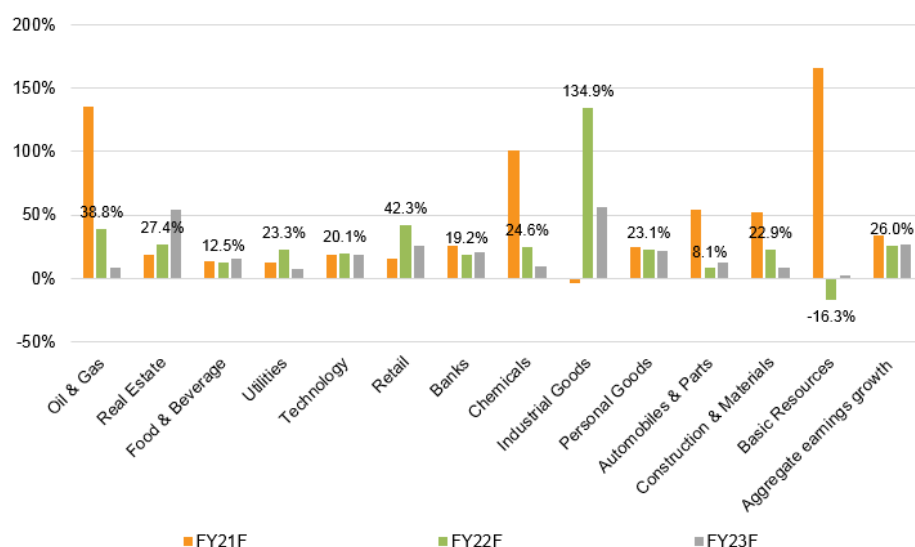
**Figure 59: Market's earnings snapshot in 3Q21**

	3Q21 revenue growth	3Q20 revenue growth	3Q21 NP growth	3Q20 NP growth	9M21 NP growth
All markets	4.7%	-4.5%	15.8%	-1.8%	53.4%
HOSE	4.4%	-0.4%	19.9%	-2.1%	49.6%
VN30	6.4%	4.7%	21.3%	2.8%	44.5%
Large caps	11.2%	-5.1%	18.9%	-3.1%	53.1%
Mid caps	-4.8%	-0.6%	8.7%	4.7%	59.8%
Small caps	-3.2%	-9.0%	-24.2%	-1.4%	28.3%

Source: VNDIRECT RESEARCH

For 2022F, we expect EPS growth of listed companies on HOSE to remain strong at 23% yoy. Some sectors could see strong improvement in earnings growth, including Industrial goods and Services, Retail and Real Estate while performance of Oil & Gas, Utilities and Technology remain relative strong.

For 2023F, we forecast EPS growth of listed companies on HOSE at 19% yoy, still higher than the average growth rate of 12%/year in the period 2017-2020.

**Figure 60: We see strong earnings growth outlook in FY2022F (Our coverage)**


Source: VNDIRECT RESEARCH

### We expect market liquidity to increase further in 2022F

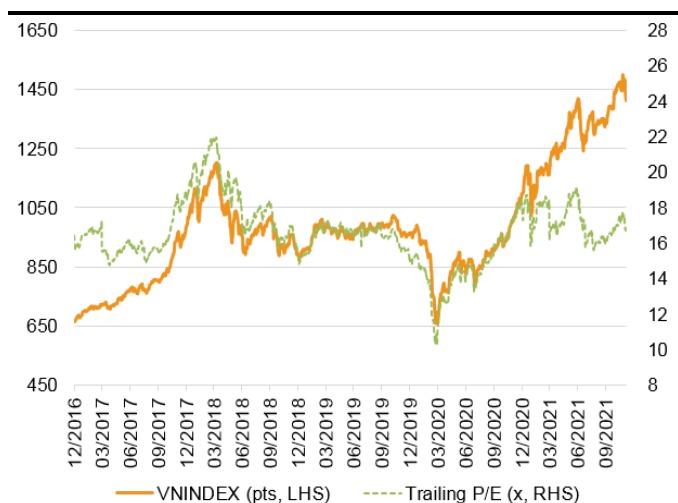
We believe average daily trading value (ADTV) could increase by 10-15% yoy in 2022F, spurred by the following catalysts:

- Strong inflow of domestic retail investors due to low interest rate environment. Currently, the average 1-year term deposit interest rate of commercial banks stands at 5.5%/year, which is lower than the average 1-year term deposit interest rate in the 2017-2019 period (before the COVID-19 pandemic) at 6.8-7.0%/year. We expect the deposit interest rate to edge up slightly by 30-50 basis points in 2022 and remain significantly lower than the deposit rate level before the pandemic. In the context of low deposit interest rates, individual continue search for higher-yield investment instruments; ie: equity.
- Several notable companies such as Bach Hoa Xanh Jsc, Bamboo Airways and Ton Dong A Corporation plan to list on the stock market, thus contributing to the expansion of the stock market's size.
- New products are expected to be launched if the new securities trading system (KRX) comes into operation officially in the first half of 2022 such as daily trading, selling pending stock. The new trading system also helps to solve pre-funding issues, which could further boost foreign inflows.
- Vietnam's stock market has a chance to be upgraded to FTSE Secondary Emerging Market Index in the Sep 2022 annual country-reclassification review if the new securities trading system (KRX) comes into operation officially in the first half of 2022.

### We expect VN-Index to reach 1,700-1,750 pts within 2022F

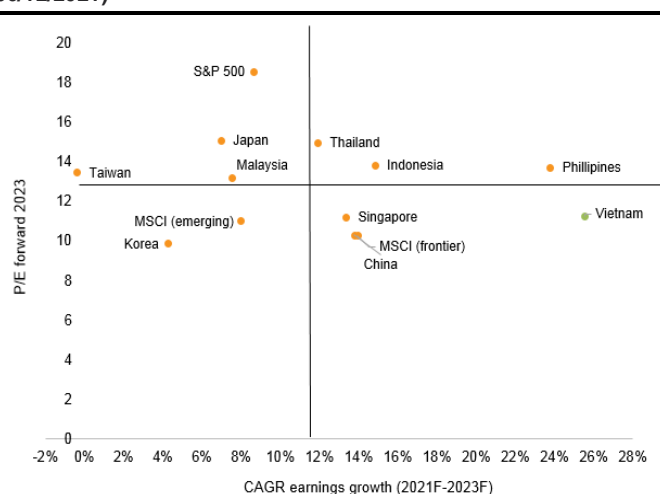
As at 06 Dec 2021, according to Bloomberg data, VN-Index was trading at 16.7x trailing 12-month P/E (TTM P/E), which is slightly lower than the P/E of 17.3x at the beginning of 2021. We maintain our FY22/23 earnings growth of 23%/19% driven by strong recovery of export-oriented sectors and the bounce back of oil & gas and property. Thus, market valuation is still attractive, in our view, with FY2022 and FY2023 forward P/E being estimated at 13.4x and 11.5x, respectively (lower than 3-year historical average P/E of 16.1x).

**Figure 61: The current VN-INDEX's P/E is about 9% discount from its peak in Jun (data as at 06/12/2021)**



Source: BLOOMBERG, VNDIRECT RESEARCH

**Figure 62: Vietnam stands out as markets which are cheap compared to their earnings FY21-23 growth potential (data as at 06/12/2021)**



Source: BLOOMBERG, VNDIRECT RESEARCH

Overall, we expect the VN-Index to reach 1,700-1,750pts within 2022F, based on following assumption: (1) we expect VN-Index's P/E to be around 16.0-16.5x at year-end of 2022, (2) we forecast corporate earnings across the VN-Index to grow by 23% yoy with 2022F VN-Index dividend yield at 1.4%.

Potential re-rating catalysts include: (1) sooner-than-expected reopening of aviation and tourism and (2) the inclusion of Vietnam's stock market into the FTSE Secondary Emerging Market in annual country-reclassification in Sep 2022. Downside risks include: (1) aggressive inflationary pressure may cause the Fed to raise interest rates earlier-than-expected, which could lead to further net capital outflows from emerging and frontier markets; (2) higher-than-expected inflation pressure in Vietnam may cause the SBV to reverse its monetary easing policy and (3) lower-than-expected earnings growth of listed companies.

### A few steps moving close to Emerging Markets upgrade

#### Vietnam tries to remove bottlenecks from Clearing and Settlement

Vietnam is in the preparation stage to officially put into operation the Vietnam Exchange (VNX) in 1H22. This is the focal point for general management of Vietnam's stock market, replacing the current model of two separate exchange with Ho Chi Minh City Stock Exchange (HOSE) and Hanoi Stock Exchange (HNX). In addition, Vietnam is cooperating with South Korean partners to upgrade the securities trading system, which is expected to be completed in 1H22. The government also plans to establish the central counterparty clearing house (CCP) (under VNX), which is expected to solve pre-funding issues that both FTSE and MSCI have considered a bottleneck in upgrading Vietnam's stock market to Emerging Markets status. The new trading system also helps Vietnam conduct daily trading and sell pending stocks, which could further boost foreign inflows.

#### We expect Vietnam's stock market to be announced to include in FTSE Secondary Emerging Market Index in Sep 2022

In our best case scenario, we expect that the announcement of the inclusion would come in the Sep 2022 annual country-reclassification. For base case scenario, we expect Vietnam's stock market to be announced to include in FTSE

Secondary Emerging Market Index in the Sep 2023 annual country-reclassification

**We expect Vietnam's stock market to be officially upgraded to MSCI Emerging Market (EM) Index in May 2024, in base case scenario**

In our base case scenario, if the new trading system could be launched in 1H21F, we expect that Vietnam's stock market could be added to the Watchlist for reclassification from Frontier Market status to Emerging Market status at MSCI's Annual Market Classification Review in May 2023. Then, the inclusion of Vietnam in the MSCI Emerging Markets Index in the May 2024 annual review could be announced for official implementation in Jun 2024.

**The Department of Corporate Finance plans to earn VND30,000bn from divestment of state capital in 2022F**

In 2022F, the Department of Corporate Finance is expecting VND10,000bn from the revenue of equitization and divestment in the previous period that has not yet been paid to the state budget or retained in the locality, and VND20,000bn for the central budget from the divestment of state capital in 6 enterprises, including FPT Corporation (FPT), Bao Minh Insurance Corporation (BMI), Tien Phong Plastic JSC (NTP), Vietnam Property and Infrastructure JSC, Bao Viet Holdings (BVH), and Hanoi Beer Alcohol and Beverage JSC (BHN).

**Figure 63: List of some SOEs which must be equitized in 2021 (none of them completed equitization in 2021F)**

No.	Name	State ownership after equitisation and divestment
1	Vietnam Bank for Agriculture and Rural Development (AGRIBANK)	65%
2	Vietnam National Coal and Mineral Industries Holding Corporation Limited - parent company (TKV)	65%
3	Vietnam Northern Food Corporation (Vinafood 1)	65%
4	Vietnam Mobile Telecom Services One Member Limited Liability Company (MOBIFONE)	>50% and <65%
5	Vietnam Posts and Telecommunications Group - parent company (VNPT)	>50% and <65%
6	Vietnam National Coffee Corporation (VINACAFE)	>50% and <65%
7	Vietnam National Chemical Group - parent company (VINACHEM)	>50% and <65%
8	Vietnam National Cement Corporation (VICEM)	>50% and <65%
9	Vietnam Paper Corporation (Vinapaco)	<=50%
10	Housing and Urban Development Corporation (HUD)	<=50%

Source: Decision No. 26/2019/QĐ-TTg

**Figure 64: IPO/listing in 2022F**

No.	Name	Planned time	Bourses	Charter capital
1	Bamboo Airways	Jan-22	UPCOM	18,500
2	Ton Dong A Corporation	1Q22	HOSE	1,000
3	Bach Hoa Xanh JSC	N/A	N/A	3,600
4	The Crown X	N/A	N/A	N/A
5	Vietnam Posts and Telecommunications Group - parent company (VNPT)	2022	N/A	67,054
6	Vietnam Bank for Agriculture and Rural Development (AGRIBANK)	2022	N/A	30,591
7	Vietnam Mobile Telecom Services One Member Limited Liability Company (MOBIFONE)	2022	N/A	15,000
8	Techcom Securities JSC	N/A	N/A	1,124
9	Saigon Commercial Joint Stock Bank	N/A	UPCOM	20,232
10	Vietnam National Coal and Mineral Industries Holding Corporation Limited - parent company (TKV)	2022	N/A	35,000

Source: Companies' plans



**VNDIRECT RESEARCH COVERAGE SUMMARY (Data as at 06/12/2021)**

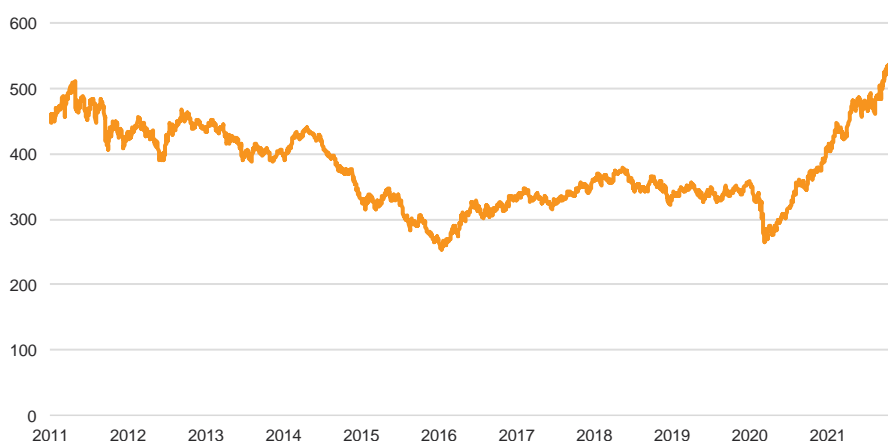
Ticker	Close price	Adjusted target price	Dividend yield	Upside	Recommendation
ACB	32,300	41,800	0.0%	29.4%	ADD
ACV	78,500	86,400	0.0%	10.1%	ADD
CRE	37,500	36,100	2.6%	-1.1%	ADD
CTG	32,100	41,700	0.0%	29.9%	ADD
DBC	73,900	64,000	2.0%	-11.4%	ADD
DPM	45,250	24,100	3.1%	-43.7%	ADD
DRC	33,200	25,500	3.0%	-20.2%	ADD
FPT	94,500	118,500	2.1%	27.5%	ADD
GAS	92,000	130,800	3.9%	46.1%	ADD
GMD	47,400	52,700	3.5%	14.7%	HOLD
HDG	74,000	50,300	1.6%	-30.5%	ADD
HPG	45,750	68,500	0.7%	50.5%	ADD
KBC	49,000	56,100	0.0%	14.5%	HOLD
KDC	56,300	69,800	2.9%	26.9%	ADD
KDH	43,300	54,800	1.2%	27.7%	ADD
LPB	20,300	25,700	0.0%	26.6%	HOLD
MBB	27,500	34,500	0.0%	25.5%	ADD
MML	85,500	81,400	0.0%	-4.8%	HOLD
MSH	94,000	61,000	3.7%	-31.4%	ADD
MWG	131,400	180,500	0.0%	37.4%	ADD
NLG	52,900	54,800	2.4%	6.0%	HOLD
NT2	21,600	29,200	9.2%	44.4%	ADD
NVL	111,000	107,700	0.0%	-3.0%	HOLD
PHP	26,500	29,200	2.1%	12.3%	ADD
PLC	39,500	30,900	5.1%	-16.7%	ADD
PNJ	91,200	128,200	2.0%	42.5%	ADD
POW	13,900	15,000	0.0%	7.9%	ADD
PPC	22,500	27,400	9.7%	31.5%	ADD
PVD	26,450	32,800	0.0%	24.0%	ADD
PVS	24,400	30,200	4.3%	28.1%	ADD
PVT	22,000	28,200	4.4%	32.6%	ADD
SCS	145,000	170,700	6.0%	23.8%	ADD
STK	65,100	72,500	1.9%	13.3%	ADD
TCB	49,000	64,100	0.0%	30.8%	ADD
TCM	69,600	N/A	1.4%	N/A	N/A
VCB	95,400	118,700	0.0%	24.4%	ADD
VHC	58,500	69,500	3.5%	22.3%	HOLD
VHM	79,700	115,000	1.9%	46.2%	ADD
VIB	40,600	46,400	0.0%	14.3%	ADD
VJC	120,500	138,900	0.0%	15.3%	ADD
VNM	85,300	116,000	4.7%	40.7%	ADD
VPB	35,500	41,000	0.0%	15.5%	ADD
VRE	28,000	36,600	0.0%	30.7%	ADD
VTP	73,400	95,300	2.1%	31.9%	ADD
BCG	23,200	24,000	3.4%	6.9%	ADD
SZC	56,000	58,800	1.9%	6.9%	ADD
PTB	93,500	129,700	3.4%	42.1%	ADD
PLX	51,700	64,900	5.7%	31.2%	ADD
MCH	116,900	146,800	3.8%	29.3%	ADD
FCN	22,950	18,400	2.2%	-17.7%	ADD
TPB	47,000	52,000	0.0%	10.6%	ADD
PHR	64,000	77,100	4.4%	24.9%	HOLD

## 2022 INVESTMENT THEMES

### #1. Commodity prices are expected to remain high next year

**Commodity prices skyrocket following the disequilibrium in supply and demand**

**Figure 65: Bloomberg Commodity Spot Price Index surpassed the highest in 10 years**



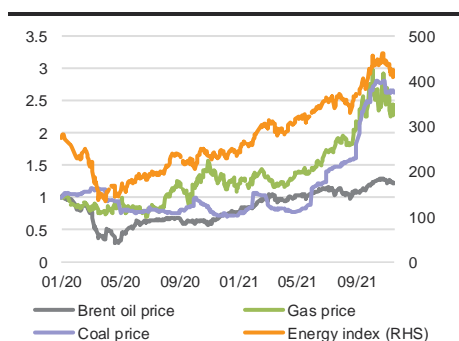
Source: BLOOMBERG, VNDIRECT RESEARCH

Currently, Bloomberg Commodity Spot Price Index has surpassed the highest in 10 years. We see the prices hike in almost commodities from energy, metals to agriculture, caused by a combination of demand and supply factors.

We see commodity prices have accelerated following the massive stimulus measures worldwide to support for the global economic recovery. Specially, China's success in controlling the pandemic allowed its economy to continue to grow, boosting demand in commodities, particularly industrial metals and agriculture. For 2022F, IMF projects the global economy to continue growing 4.9% after increasing 5.9% in 2021.

On the other hand, many commodity-producing and exporting economies were hit hard by the pandemic while the cost of shipping was greatly rising, causing the freeze in supply. This situation was exacerbated by a series of adverse weather threatening the crop in key growing nations like Brazil and France, China's emissions crackdown that's cutting metals output, or scant European gas reserves. Meanwhile, in oil market, OPEC+ has still kept its conservative in raising production, leading to higher energy prices which also impacted the production of other commodities.

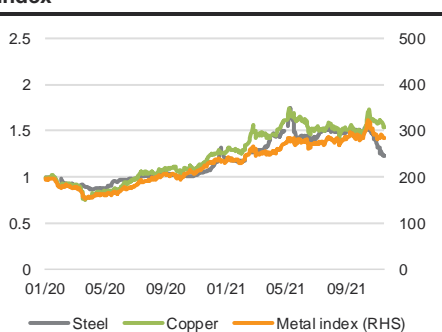
**Figure 66: Bloomberg Energy Spot Index**



Index: Jan 2020 = 1 (LHS)

Source: BLOOMBERG, VND RESEARCH

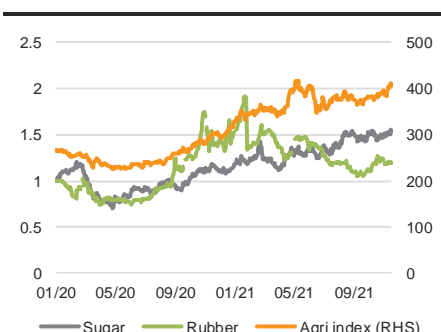
**Figure 67: Bloomberg Industrial Metals Spot Index**



Index: Jan 2020 = 1 (LHS)

Source: BLOOMBERG, VND RESEARCH

**Figure 68: Bloomberg Agriculture Spot Index**



Index: Jan 2020 = 1 (LHS)

Source: BLOOMBERG, VND RESEARCH

The prices of all commodities have skyrocketed this year, and in our view, different types of commodities will have different prospects in the coming periods as following:

- We consider the energy prices would remain high in the next couple of quarters as it needs times to solve problems involved to lack of new investments, putting an upside pressure on other commodity prices.
- For industrial metals, we expect metal prices (like steel) maintain its high level until 1Q22F as energy and shipping shortages take time to normalize, then gradually declining to long-term average through end-2022 when supply disruptions are addressed.
- For agriculture, prices are also expected to decline modestly in 2022 as supply conditions improve. However, we see upside risks to prices coming from high input prices (especially fertilizers) in 1H22F, potentially pushing food price inflation up.

**We believe companies with high exposure on commodity prices to gain benefits from this trend, such as oil & gas and commodity-exporters**

Table below shows our specified views on some commodities that we believe their prices to remain high next year. Under this theme, we like **QNS, PVD, GAS, STK, and DGC**

**Figure 69: Commodity prices outlook in FY22F and their impact on related industries/stocks**

Commodity	FY22F outlook	Impact on related industry/stocks	Stock picks
<b>Oil &amp; Gas</b>	On the demand side, global oil demand would be strengthening in 2022 due to robust gasoline consumption and increasing international travel as more countries re-open their borders beside the short-term catalyst coming from gas-to-oil switching in the power sector in parts of Asia and Europe. On the supply side, the price is supported by OPEC+ conservative in raising productions and the slow recovery of the US oil industry, which partially come from lack of new investments. Hence, we expect Brent oil price to remain its high level above US\$80/bbl in 1H22F, then rebalancing around a range of US\$70-75/bbl in the second half.	We believe midstream companies are able to gain benefits from higher oil prices like GAS as its product selling prices are benchmarked to global oil prices. Strong oil price could give more incentives for relevant units to restart E&P activities, firstly providing huge opportunities for upstream companies like PVD and PVS.	GAS, PVD
<b>Steel</b>	The export market's steel demand will remain high until 1Q22 thanks to (1) major economies promoting disbursement of public investment, especially the US (the US\$1.2tr infrastructure bill which will increase steel demand by ~5m tons p.a. in 2022-25F); (2) China reduces steel production and restricts exports to ensure its emission reduction target. Thus, we expect steel selling price to remain at a high level until 1Q22, then gradually decline to a range of US\$500-US\$600/ton. Meanwhile, we expect domestic steel demand to rebound strongly in 4Q21-22F thanks to (1) easing social distancing measures to help construction activities return to normal; (2) acceleration of infrastructure development in 2022F thanks to state investment expansion, and (3) a surge in new supply thanks to the loosening of regulatory bottlenecks. HCMC and Hanoi new condo supply to bottom out in 2021F and recovery by 70%-40% yoy in 2022F, respectively, based our forecasts.	A potential decrease in steel prices will put remarkable pressure on the gross profit margin (GPM) of steel companies in 4Q21-22F when low-cost inventory runs out, especially for trading steel companies and galvanized steel, in our view. Besides, HPG will be the only listed steel company with the prospect of maintaining high GPM in 4Q21-22F thanks to its economy of scale, outstanding cost management and highest integrated system value chain.	HPG
<b>Chemical (yellow phosphorus)</b>	From May to August 2021, the production volume of yellow phosphorus in Yunnan decreased significantly as China continued to implement measures to limit the production of products that cause environmental pollution. As a result, the price of yellow phosphorus in China has increased by 73% since July 2021. In 2022F, when Yunnan lifts production restrictions on yellow phosphorus, other major yellow phosphorus producing provinces such as Guizhou, Sichuan will enter the dry season after January 2022. Following that, we expect yellow phosphorus production and inventories in China to remain relatively low in 2022. That means yellow phosphorus price is likely to keep rising in 2022.	We expect DGC to take advantage from the increase of yellow phosphorus prices as DGC is currently the No.1 phosphorus producer in Vietnam. In addition, in Sep-21, DGC successfully tested the electronic phosphoric acid production line for export to electrical component manufacturers. We forecast DGC's yellow phosphorus and electric Acid Phosphorus revenue to soar 42,2% yoy and 93% yoy in FY22F.	DGC

Source: VNDIRECT RESEARCH

**Figure 70: Commodity prices outlook in FY22F and their impact on related industries/stocks (continued)**

Commodity	FY22F outlook	Impact on related industry/stocks	Stock picks
<b>Sugar</b>	<p>We believe global sugar price will keep increasing in 2022F as global demand recovers strongly after the pandemic, while the world sugar market in the 2021-2022 crop year is forecasted to be undersupplied with a shortage of 3-4m tons. In addition, compared to the domestic market sugar price in the region (including ASEAN countries and China), Vietnam's sugar price is still at a lower level. Thus, we expect domestic sugar price will increase following the global uptrend in 2022F.</p> <p>Besides, from Sep 2021, the Ministry of Industry and Trade officially investigated the sudden increase in sugar imports from ASEAN countries after Thai sugar was subject to an anti-dumping tax. In our view, anti-dumping tax and investigations of smuggled sugar will keep supporting domestic sugar prices in the coming year.</p>	<p>In our view, sugar producers like QNS can take advantage of the sugar price upward trend and expand GPM of its sugar business as QNS has the second largest scale in sugarcane materials for sugar production.</p> <p>Besides, QNS is also well-positioned to capture the increasing demand domestic sugar. In Jul 2021, QNS has put the refined extra sugar (RE sugar) production line into operation which has a higher selling price than Refined Sugar (RS). In addition, QNS also expects sugarcane input to reach 1.2m tons in 2022F (+40%, per our estimate) as the increase in sugar prices in 2021 will create an impetus for farmers to restore planting sugarcane area. Thus, we forecast sugar revenue to grow 35% yoy in 2022F, contributing 25.6% to QNS's total revenue.</p>	QNS
<b>Rubber</b>	<p>Rubber prices in Asia continued to rise sharply in 3Q21 owing to a supply deficit. We estimate a 329,000 tons global rubber shortfall in 2021. Rubber's ascent was further supported by the rapid rise in oil prices, as well as the expectation of economic recovery after the Covid-19 pandemic was under control. The average export price of natural rubber in 3Q21 increased by 23% yoy. Overall, the average export price of natural rubber in 9M21 increased by 29% yoy.</p> <p>When the energy crisis is under control in China and production activities are restored, we forecast that China will import 2-2.2 million tons of natural rubber to make up the gap between January and April 2022. This is also a factor that helps Vietnam's rubber export prices maintain a high level until the end of 1Q22. Besides, rubber prices will be boosted by oil prices which are forecasted to remain high in 2022.</p>	<p>Leading rubber companies will benefit, especially those with high rubber export sales like GVR, PHR.</p>	GVR, PHR
<b>Rice</b>	<p>From January- August, Chinese rice imports volume have doubled from 1.52m tons in 2020 to 3.2m tons in 2021. The reason is that Chinese importers want to make a profit on the basis that the price of China domestic rice is US\$585/tons, much higher than the price of high-quality rice is US\$445/tons and US\$465/tons in Vietnam and Thailand, respectively (data in August 2021).</p> <p>In 2022, USDA forecasts China's rice import volume will increase 12.5% yoy to 4.5m tons. Meanwhile, Vietnam is the second largest exported to the Chinese market, up to 22% of total China rice imports volume in 2021. We expect Vietnam's 5% broken rice export price in 2022 to decrease slightly but remain high compared to 2015-2019. As the result, Vietnamese rice exporting companies through the Chinese market will benefit in 2022.</p>	<p>Companies exporting rice to China will benefit after the pandemic with the expectation that supply chains will recover, freight rates will decrease and demand recovers.</p>	TAR
<b>Fishery</b>	<p>We expect average selling price (ASP) of fishery products will keep stepping up until 1Q22F thanks to both favourable external and internal environment. In external side, demand is expected to strengthen in 4Q21 and FY21F due to service channel (restaurant, hotel...) which accounts for a large proportion in seafood and fishery product distribution will keep recovering to pre-Covid level. On the other hand, supply is being tightened due to supply chain disruption following some negative impact in short-term such as shortage in raw material and under-full capacity production.</p>	<p>In 2022, when the Covid-19 situation will be under control, the recovery of export markets, the efforts of businesses and farmers should boost the export output and turnover of fishery sector. Moreover, transportation costs are on a downward trend after hiking in 9M21, leading to seafood exporters saving on SG&amp;A cost. These factors will help seafood exporters increase their revenue together with net profit margin, promising a bright time ahead for this sector, especially for the market leaders like VHC.</p>	VHC

Source: VNDIRECT RESEARCH

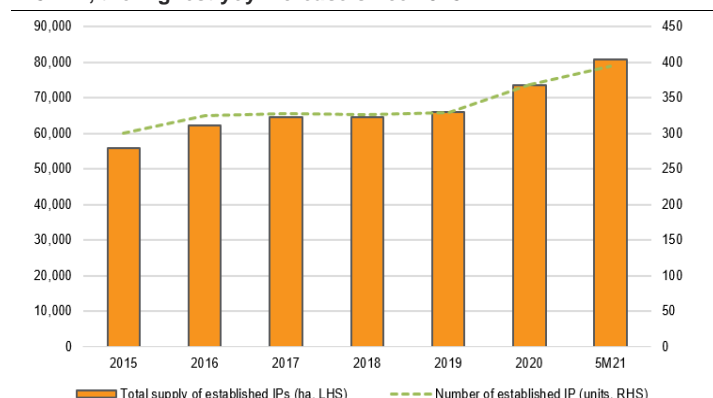
## #2. Infrastructure development will be back to center stage

### Industrial infrastructure to ride on the new investment wave

We see Vietnam speeds up increasing supply to fulfill the growing demand. In 5M21, Vietnam established 25 new industrial parks (IPs), added 7,300ha industrial land area, the highest increase in land area since 2015. As of May 2021, Vietnam has 394 IPs established, with a total industrial land area of 80,900ha (+9.9% vs. end-20). Of which, 286 IPs with 57,300ha industrial land area are in operation, 108 IPs with 23,600ha are under construction, ensuring future supply. We see both large domestic and international developers plan to enter the industrial park market such as Vingroup with two IPs in Hai Phong and

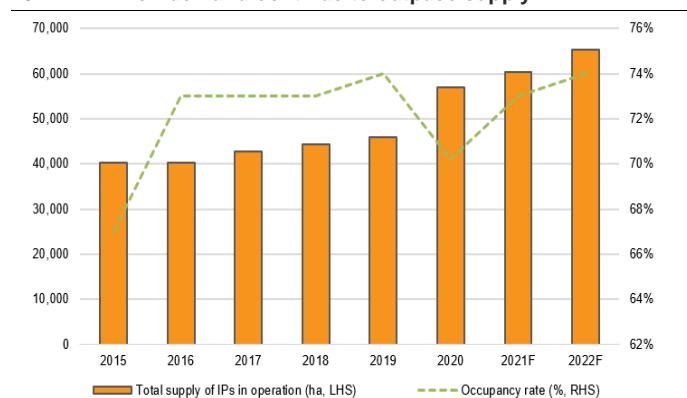
Thailand's WHA Industrial Development Group, Fraser, Capitaland, reaffirming the potential of this market.

**Figure 71: Vietnam established 25 IPs with 7,300ha industrial land area in 5M21, the highest yoy increase since 2015**



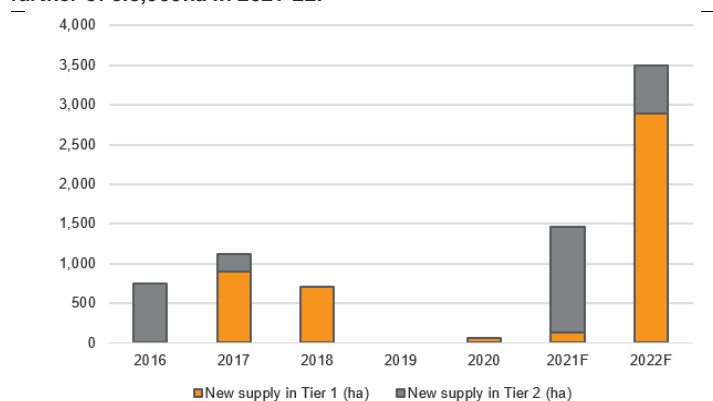
Sources: VNDIRECT RESEARCH, MPI, CBRE

**Figure 72: We believe occupancy rate remains high at 72-74% in 2021-22F when demand continue to outpace supply**



Sources: VNDIRECT RESEARCH, MPI, CBRE

**Figure 73: Industrial land supply in the South is expected to rise further of c.5,000ha in 2021-22F**

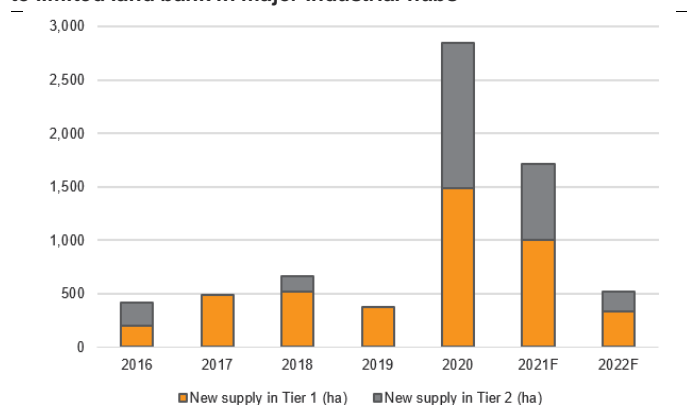


Southern Tier-1: HCMC, Dong Nai, Binh Duong, Long An

Southern Tier-2: Binh Thuan, BR-VT, Binh Phuoc, Tay Ninh, Tien Giang, Vinh Long

Sources: VNDIRECT RESEARCH, CBRE

**Figure 74: The new supply likely moves to Hung Yen, Hai Duong due to limited land bank in major industrial hubs**



Northern Tier-1: Hanoi, Bac Ninh, Hai Duong, Hung Yen, Hai Phong

Northern Tier-2: Bac Giang, Nam Dinh, Vinh Phuc, Quang Ninh

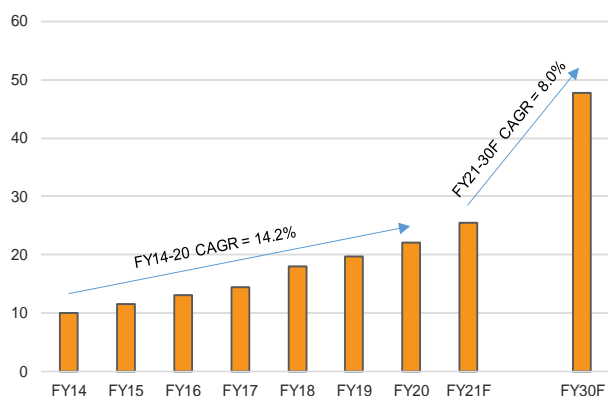
Sources: VNDIRECT RESEARCH, CBRE

## Seaport infrastructure investment to ramp up for trade growth

In 10M21, despite difficulties from two Covid-19 outbreaks, Vietnam's total container volume throughput still recorded impressive growth of 12.0% yoy. According to the approved master plan on Vietnam seaport system development until 2030F, Ministry of Transportation (MOT) expects total container volume throughput to reach 47m TEUs in FY30F, implying a CAGR of 8.0% in FY21-30F. In order to meet this demand growth rate, MOT estimates total investment for the seaport system in FY21-30F of VND312,440bn, in which the majority of investment capital (95%) is mobilized from corporate sector while the rest comes from state budget. Most prioritized projects in the master plan includes: construction of berths in Hai Phong International Gateway Port and Cai Mep – Thi Vai, launching Lien Chieu port (Da Nang), relocation and conversion of berths on Cam river in Hai Phong port cluster and Sai Gon river in Ho Chi Minh port cluster in order to satisfy the local development.

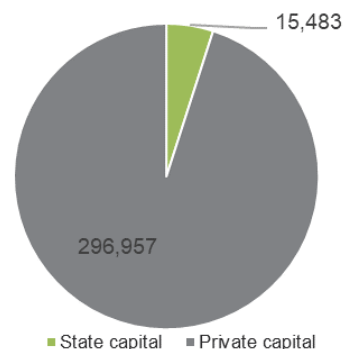


**Figure 75: Vietnam's container volume is expected to grow at 8.0% CAGR in FY21-30F (Unit: mTEUs)**



Sources: VNDIRECT RESEARCH, MOT

**Figure 76: Total investment for Vietnam's seaport system in FY21-30F is estimated at VND312,440bn**



Sources: VNDIRECT RESEARCH, MOT

### Energy infrastructure development to assure industrial production

The recent sharp rise in gas and coal-fired power appeared to be a global issue, causing input shortage in several countries especially China and European countries as supplies could not rise fast enough to keep pace with the expected demand recovery. The power crisis seems even worse in China when the government oriented to cut down coal-fired power for the sake of carbon reduction. Hence, it put an increasing pressure on businesses and currently, several Chinese companies are forced to stop operating in peak hours or suspend operation for 2-3 days/week. With the uncertainties related to energy in China, it has led many investors to look for alternatives and Vietnam is said to be a potential option. Hence, we believe the stability in Vietnam current power system might be the advantage, attracting FDI inflow to Vietnam, and furthermore, it could increase power consumption in the future. Besides, the reduction in capacity of several factories in China could bring out opportunity for Vietnam exported activities as several manufacturing sector in China recorded a decrease in output such as steel and yellow phosphorus. Hence, we expect it will benefit Vietnam businesses to increase exporting order and output and its indirectly increase power consumption when our factories operated in high capacity.

Under this theme, we believe companies with huge capacity expansion projects to capture demand growth in these areas will be the most beneficiaries. Our top picks under this theme are **KBC, PHR, SZC, GMD, POW, NT2**.

### #3. Increasing digitalisation in the 'new normal'

There are bright spots driven by the pandemic, despite the overall economic gloom. The pandemic has notably accelerated digitalization and increased technological adoption, and we think that this constructive trend is here to stay. Increased usage of digital solutions is also reflected in a high share of new digital service consumers in Vietnam, arising from COVID-19 restrictions that prevented visits to physical stores, according to the Google, Temasek and Bain, e-Conomy SEA 2020 report. More than 90% of the new digital consumers intend to continue using digital services in the future, reflecting the stickiness of such services.

Vietnam's digital economy has strong growth potential. It has room to expand by 29% on a CAGR basis per annum from 2020 to 2025 to record USD52 bn by 2025, based on the aforementioned report's estimates. In 2020, it saw the strongest growth among ASEAN-6, growing by 16% from 2019. The government is looking to increase the role of digitalisation (for instance in non-cash

payments, e-commerce, and Industry 4.0) in the economy over the next five years. It approved the National Digital Transformation strategy in June 2020, and is aiming to expand the digital economy to 25% of GDP by 2025 and 30% by 2030, from just 8.2% currently. In its national industrial policy, the authorities also have plans to increase high-technology production and embrace the adoption of smart technologies under Industry 4.0 over the coming years.

Under this theme, we believe companies that are well-equipped to capture the arising opportunities from digital economy or companies that have ability to change their business model to adapt with digital consumer will outperform rivals. Thus, we prefer **FPT, VTP, and MWG** for this long-term investment horizon.

#### #4. The retake of service sector underpinned by domestic consumption

Some service sectors, ie. Retail, Tourism,... have been hit hard in 2021 due to strict movement control. We expect these will recover and enjoy a higher growth rate from 2022 onwards, mostly driven by the reopen of non-essential services and the recovery of consumption. Specifically, we expect all service activities, including tourism, transportation and entertainment could be allowed to operate at full capacity since 2Q22 after Vietnam achieving a target of vaccinating for over 70% of population. We also expect consumption to bounce back strongly with gross retail sales of consumer goods and services expected to increase 10-12% yoy in 2022F thanks to strong catalysts, including:

- A revival of tourism after international flights have been licensed for commercial purposes from 4Q21F, leading to a strong rebound of travelling, entertainment, accommodation and catering service. Vietnam has piloted to welcome foreign tourists under package tour from mid-Nov 2021, through charter flights to several destinations such as Phu Quoc (Kien Giang), Khanh Hoa, Quang Nam, Da Nang and Quang Ninh. This marks the beginning of Vietnam tourism after nearly 2 years of being closed to foreign visitors. To be noted that, the tourism contributed over 9.5% to Vietnam's GDP in 2019. However, due to the impact of the COVID-19 pandemic, the contribution of the tourism industry has decreased to 2.3% of GDP in 9M21.
- We believe that the government could release more fiscal stimulus packages to support economic recovery, focusing on: cash subsidies for people negative-affected by the COVID-19 pandemic, tax reduction (value added tax, corporate income tax) and increase value amount of public investment in transport infrastructure and social-housing projects development. These policies aims at recuperating domestic demand and consumption.

We think the aviation, retailers, food producers and beverage companies will be the main beneficiaries from the recovery of consumption. We expect Vietnam's F&B sector to maintain resilient growth in 2021F thanks to higher people's income and rising urbanisation. We also believe in better growth outlook of retailers in 2022F thanks to strong recovery of domestic demand, young population era and a consumer's lifestyle change in favour of modern retail over traditional. Under this theme, we like **ACV, MWG, VRE, and VNM**.

## BANKING: REBALANCING GROWTH AND ASSET QUALITY

**We expect system credit to surge at least 13% in 2022F**

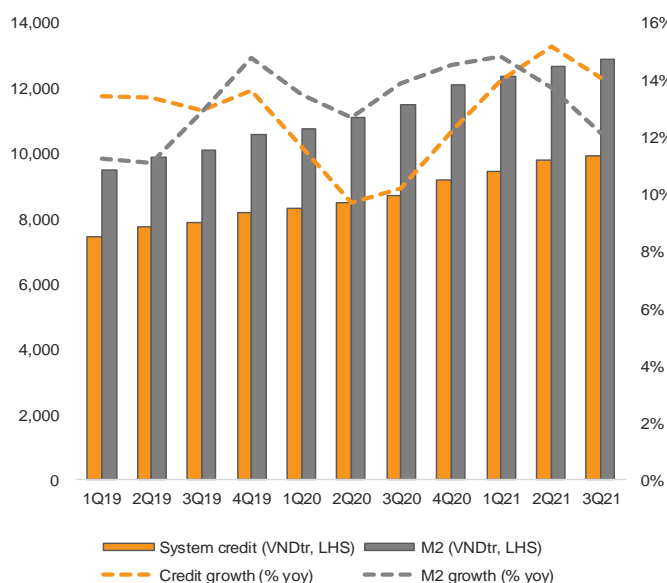
**Credit growth to accelerate in Oct after sluggish 3Q21 performance**

System credit was at 10.1% ytd at as of 25 Nov 2021, 2.2% pts increase just after nearly two months while in the whole 3Q21 system credit increased 1.5% pts only, and higher than the growth rate of 8.4% ytd in 11M20. Loosening movement control measurements allowed business to resume since 4Q21.

Recap in 9M21, system credit rose slightly to 7.9% ytd at end-3Q21 to VND9,917tr, driven by strong credit growth of industry and trade. Credit demand for both industry and trade have recovered to 12.2% ytd and 10.5% ytd, after the subdued performance in 2020. Meanwhile, construction loans were nearly flat (0.5% ytd) as lockdown, disruption in supply chain of materials and equipment, and increase in prices of materials restrained construction projects nationwide.

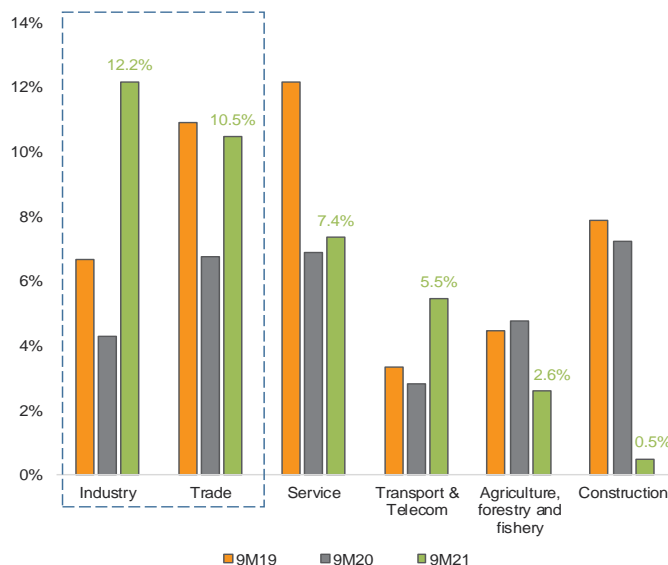
Three state owned listed commercial banks (SOCBs) (BID, VCB, CTG) which accounted for 33.8% country lending market share delivered 9.1% ytd of credit growth, higher than system level. Total loan book of 17 listed banks which made up 65.3% system credit rose to 9.5% ytd at end-9M21 from 8% at end-1H21, for the nationwide lockdown disrupted business operation, restraining credit activities in 3Q21. TCB, MBB, and VCB recorded highest loan book growth rate of 15.7% ytd, 12.8% ytd, and 11.5% ytd in 9M21, respectively.

**Figure 77: System credit growth decelerated in 3Q21**



Source: VNDIRECT RESEARCH, SBV

**Figure 78: Credit growth by industry (% ytd)**



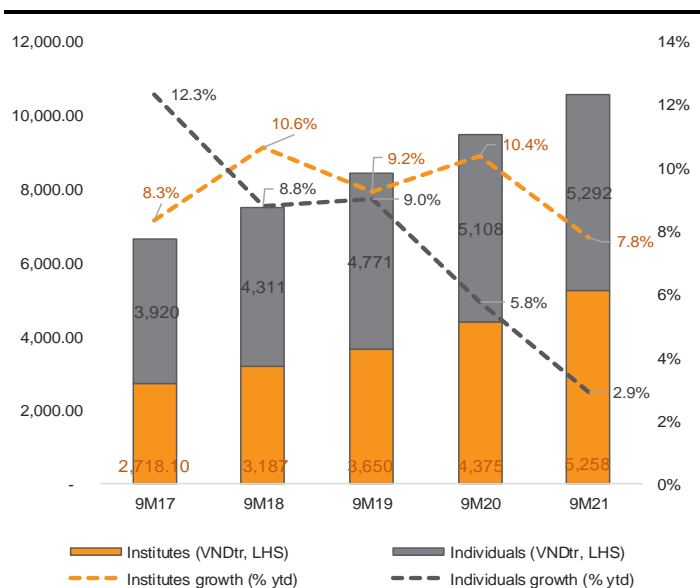
Source: VNDIRECT RESEARCH, SBV

On the deposit side in 9M21, M2 improved to 6.4% ytd at end-3Q21 from 4.4% ytd at end-2Q21, but lower than the growth rate 7.9% ytd of system credit. Total deposits of institutes and individuals which accounted for 82% M2 grew 5.3%ytd (11.3% yoy) to VND10,550tr at end-9M21 from 3.8% ytd at end-1H21, lower than that of 7.9% ytd (12.6% yoy) at end-9M20. Deposits of individual growth slowed down to only 2.9% ytd. We believe that individuals have been searching for higher yield investment instruments (corporate bonds, stock market, property market) amid declining deposit interest rates in 9M21.

Aggregate deposits of customers of 3 SOCBs which made up 27.1% M2 (or 33.1% deposits of institutes and individuals) increased 7.5% ytd, higher than system level. Total deposits of customers of 17 listed banks which accounted for 51.3% M2 (or 62.7% deposits of institutes and individuals), rose 7.1% ytd at end-9M21 from 4.8% at end-1H21. Top 3 banks posted highest deposits of customer growth rates in 9M21 were TPB (36.7%), TCB (14%), VIB (13.5%).

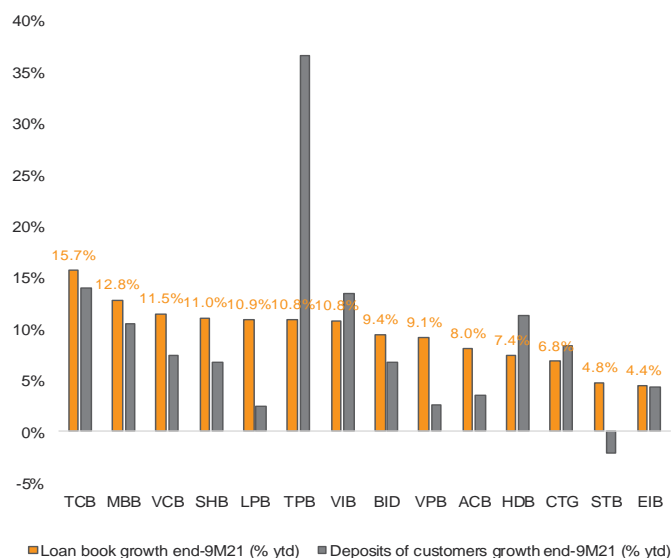
Only 4 banks had higher deposits of customer growth rate than loan book growth rate, including TPB, VIB, HDB, and CTG.

**Figure 79: Total industry mobilisation breakdown**



Source: VNDIRECT RESEARCH, SBV

**Figure 80: Loan book growth and deposits of customer growth of banks at end-9M21**



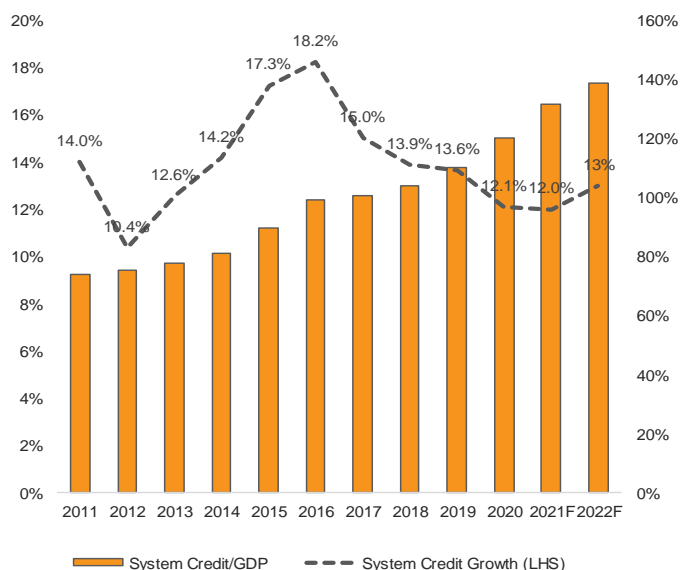
Source: VNDIRECT RESEARCH, COMPANY REPORTS

### We expect credit growth of 13-14% in 2022F from the level of 12% in 2021F

System credit growth is estimated to improve in 4Q21 and reach at least to the level of 12% in 2021F. We believe that system credit growth will improve in 4Q21 and reach 12% at the end of 2021 thanks to (1) Vietnam normalisation since October; (2) the Government's supporting packages and (3) low lending rates.

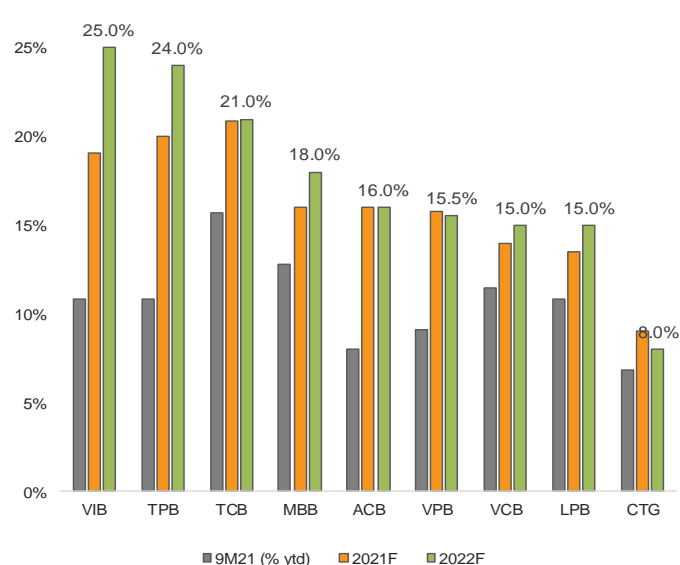
We forecast 2022F system credit to grow 13-14%, driven by (1) strong rebound in manufacturing and trading activities with the increase in external and domestic demand; (2) low lending rates to trigger borrowing demand for house buyers; and (3) higher public investment disbursement rate.

**Figure 81: We forecast system credit to grow 12% in 2021F, then rebound to 13-14% in 2022F**



Source: VNDIRECT RESEARCH, SBV

**Figure 82: Forecast 2022F loan book growth of banks under our coverage**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

### NIM likely to compress into FY22F

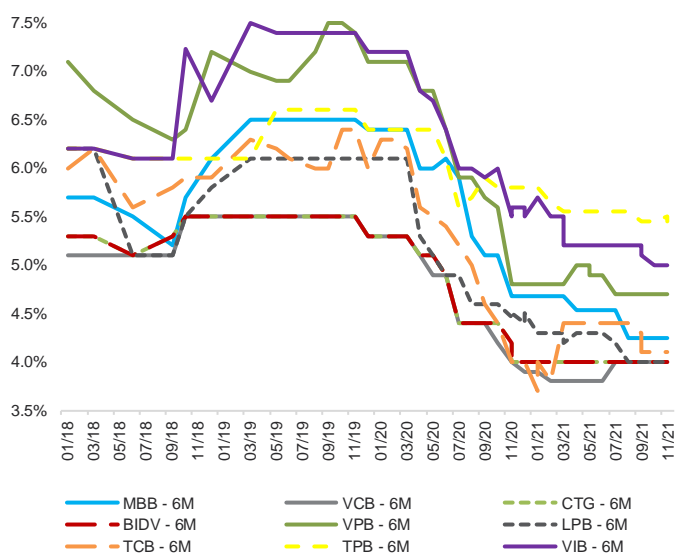
#### FY21F NIM improved across banks as declining funding cost largely offset asset yield contraction

Banks continued to report asset yield contractions to support Covid-19 afflicted clients, as banks did in 2020, due to interest payment reductions/exemptions and lending interest rates reductions. The listed state-owned enterprise (SOE) banks recorded an average yield decline of 55bp in 9M21 (-75bp yoy), while the listed private banks posted an average yield decline of 47bp in 9M21 (-72bp yoy).

Implementing Resolution 63/NQ-CP of the Government and the direction of the State Bank, banks have agreed to reduce the lending interest rate applied from 15 Jul 2021 to the end of 2021 with the total amount of interest reduced for customers is estimated at VND20,613bn. Until the end of October, 16 commercial banks have effectively reduced lending interest rates with total amount of accumulated interest has decreased for customers was VND15,559bn, accounting for 75.48% commitment. At end-9M21, restructured loans of ACB, TCB, VIB, TPB, VCB, VPB, BID, CTG, HDB and MBB totaled VND82,441bn (0.8% of total system credit at end-3Q21).

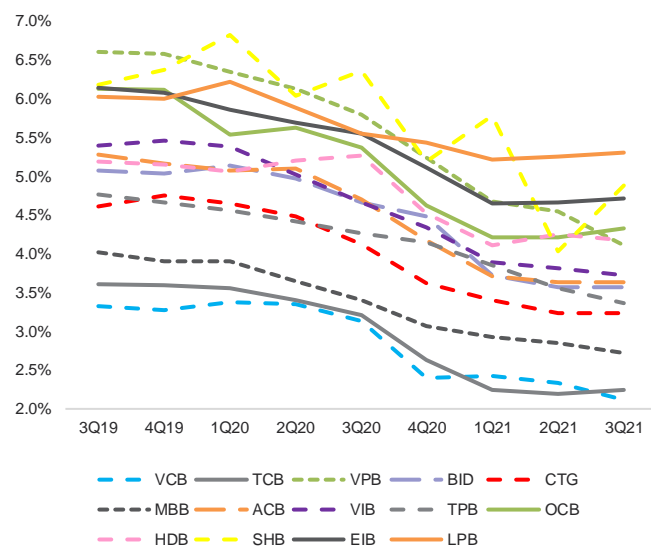
Therefore, the listed SOE banks' average annualised asset yield dropped to 5.8% in 9M21 (from 6.4% in 2020), while the listed private banks' average annualised asset yield fell to 8.3% in 9M21 (from 8.7% in 2020). All banks' asset yields dropped in 9M21.

**Figure 83: Deposit rates continued to drop in 11M21**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 84: Quarter COF to down on the decrease of deposit rate**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Average listed SOE banks' cost of fund (COF) fell by 56bp to 3.3% in 9M21 (-85bp yoy); while average listed private banks recorded a 76bp decrease in COF to 3.9% in 9M21 (-106bp yoy). The SBV's loosening monetary policy helped save banks' funding cost.

6M term deposit rate around 4-6% in 9M21, dropped 10% from 14-15% in 2010-2011 – the largest decline in Southeast Asia. The main reason was the inflation has been kept under control.

Between reduction of COF and asset yield, net interest margin (NIM) of listed SOE banks slightly downed 11bp to 3.0% in 9M21 (+32bp yoy). Average NIM of listed private banks recorded a 1bp increase to 4.6% in 9M21 (+28bp yoy), but the NIM of each listed private bank varied between compression and expansion.



We observed that banks, with the advantages of lower funding cost on high CASA ratio or higher credit growth, continued to maintain or expand their NIMs in 9M21 — SHB +105bp, TCB +75bp, BID +72bp, ACB +67bp.

Some listed private banks' NIMs performed positively yoy in 9M21. In addition, we forecast NIM in 4Q21 will be the same as 3Q21, so we believe that banks' NIM improve in 2021F thanks to higher NIM in 1H21.

**Figure 85: NIM expansion in 9M21**

	Asset yield (bp)	Cost of funds (bp)	NIM expansion (bp)
SHB	-49	-146	105
TCB	-20	-120	75
BID	-45	-128	72
ACB	-60	-128	67
CTG	-64	-104	32
LPB	-27	-61	32
TPB	-57	-84	28
VIB	-76	-117	28
MBB	-51	-81	26
EIB	-66	-80	5
VCB	-116	-22	(9)
VPB	-191	-171	(30)
HDB	-124	-76	(54)
<b>Average</b>	<b>(73)</b>	<b>(101)</b>	<b>29</b>

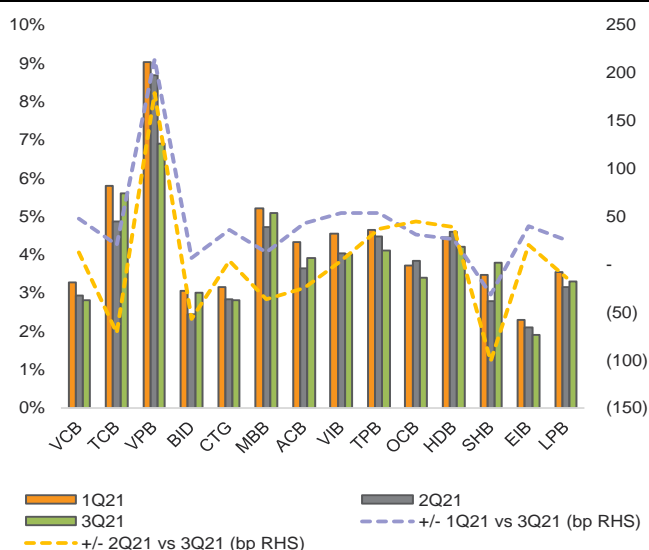
Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 86: NIM expansion across banks since 2018 (bp)**

NIM	2018	2019	2020	9M21
SHB	-3	49	31	105
TCB	36	22	55	75
BID	-3	-21	-19	72
ACB	11	0	11	67
CTG	-72	81	-1	32
LPB	-48	26	-20	32
TPB	75	43	36	28
VIB	67	16	11	28
MBB	39	36	-16	26
EIB	19	-14	1	5
VCB	29	34	-18	(9)
VPB	7	65	-64	(30)
HDB	-3	65	-1	(54)
<b>Average</b>	<b>12</b>	<b>31</b>	<b>0</b>	<b>29</b>

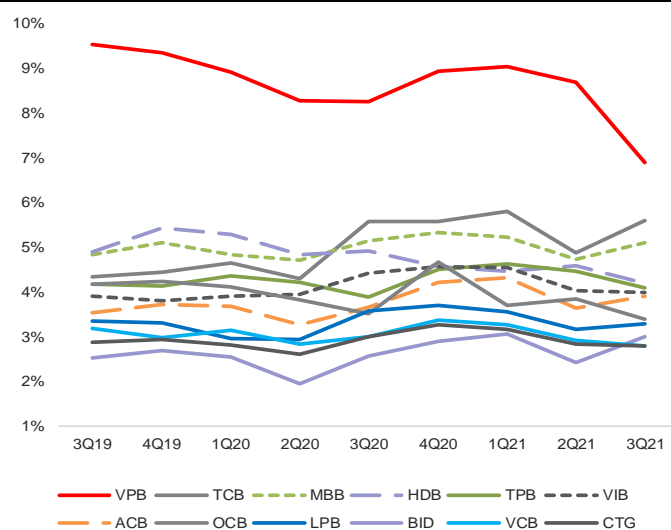
Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 87: 3Q21 NIM hit the lowest level in three quarters (excluding SHB)**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

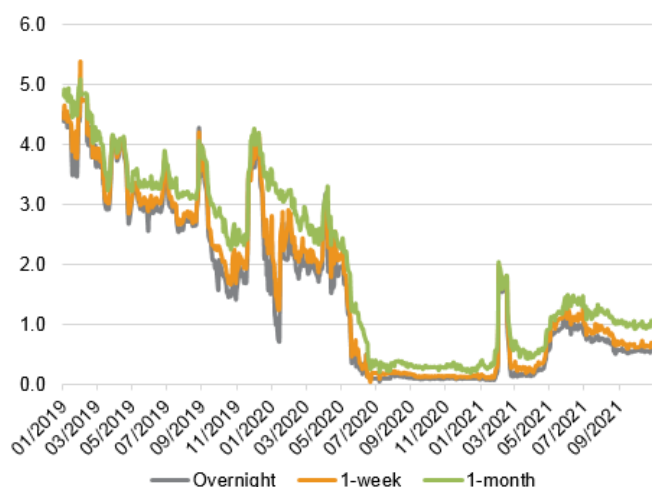
**Figure 88: Quarterly NIM of banks since 2019**



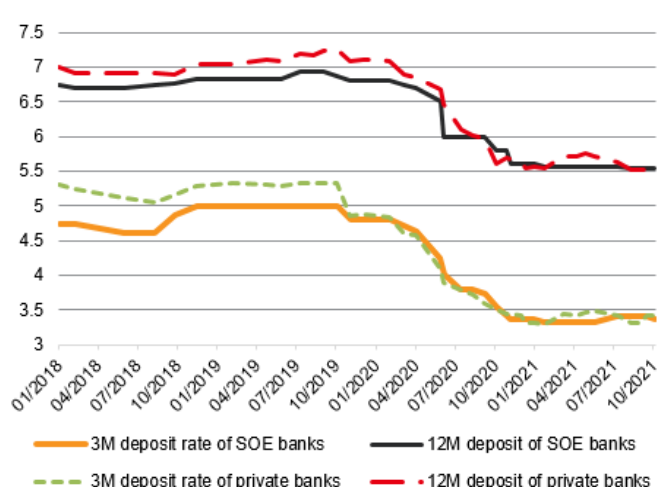
Source: VNDIRECT RESEARCH, COMPANY REPORTS

**We expect lending rates to decrease further, but deposit rates pick up tenderly**

As of 1 Nov 2021, the 3-month term deposit rates remained unchanged compared to the level at the end of 2020 while the 12-month term deposit rate average at 5.53%/year, falling about 10% pts compared to the level at the end of 2020. Meanwhile, the interbank interest rates have rebound from historic lows in late-2020, but are still very low relative to pre-pandemic levels.

**Figure 89: Interbank interest rates rebound from historic lows**


Source: BLOOMBERG, VNDIRECT RESEARCH

**Figure 90: The 12-month term deposit rate declined further**


Source: Commercial banks, VNDIRECT RESEARCH

Regarding to lending interest rates, the SBV is implementing an interest rate compensation package with a scale of VND3,000bn. It offers lending interest rates of only 3-4%/year for businesses strongly affected by the COVID-19 pandemic. Moreover, the government plans to expand the scale of the package of interest rate compensation for businesses to VND10,000-20,000bn, focusing on a number of priority audiences, including (1) small and medium-sized enterprises, (2) businesses participating in a number of key national projects, and, (3) businesses in certain industries (tourism, aviation, transportation...). Thanks to these supportive policies, we expect lending rates to decrease by 10-30 basis points in 2021F, on average.

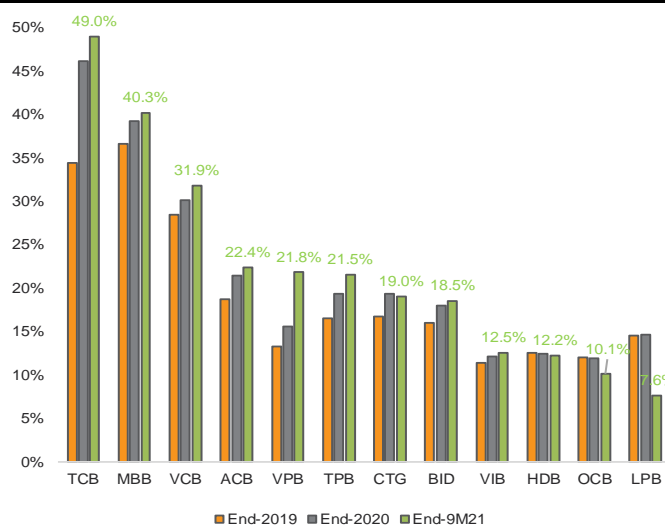
Regarding to deposit interest rates, the deposit rate is unlikely to remain at historic low in 2022F due to following reason (1) higher demand for fund raising as credit accelerates, (2) inflation pressure in Vietnam could pick up in 2022, (3) compete more fiercely with other investment channels such as real estate and securities to attract capital inflow. As a result, we expect that deposit rates to slightly increase 30-50 bp in 2022F. We see the 12-month deposit rates of commercial bank could climb to 5.9-6.1%/year at the year-end of 2022, which are still lower compared to pre-pandemic level of 6.8%/year.

In case Circular 08/2021/TT-NHNN is not extended for one more year as proposed at the present time, the bank shall maintain a maximum ratio of short-term capital for provision of medium-term and long-term loans from 37% to 34% beginning on 1/10/2022. Banks reduce the ratio by lowering short-term capital or increasing medium- and long-term loans.

Meantime, the NIM improvement trend will likely be rather uneven across individual banks, as their sensitivity to competition for deposits and need for funding mobilisation vary widely. Banks with the following advantages have more opportunities to improve their NIM:

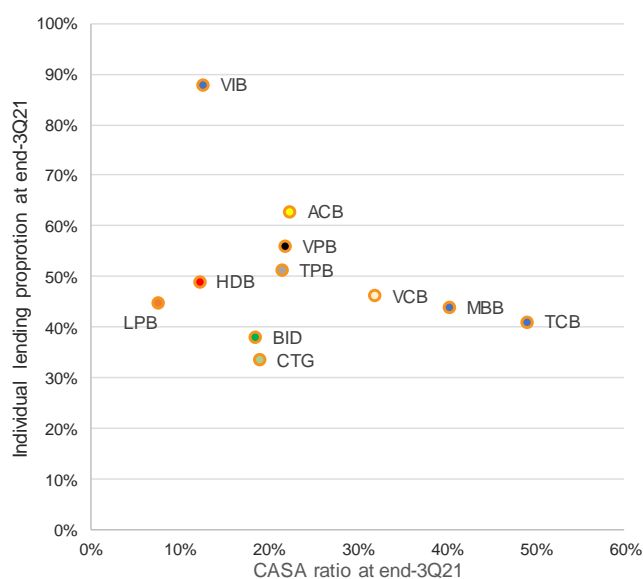
- High CASA ratio or lower loan-to-deposit ratio: can lead to lower funding costs, while facilitating lending rate reduction.
- Ability to borrow in foreign currency: can lead to lower funding costs in the stable exchange rate.
- Have opportunities to increase their exposures to individual lending which will enjoy better asset yield.

**Figure 91: TCB posted highest CASA ratio at end-9M21**



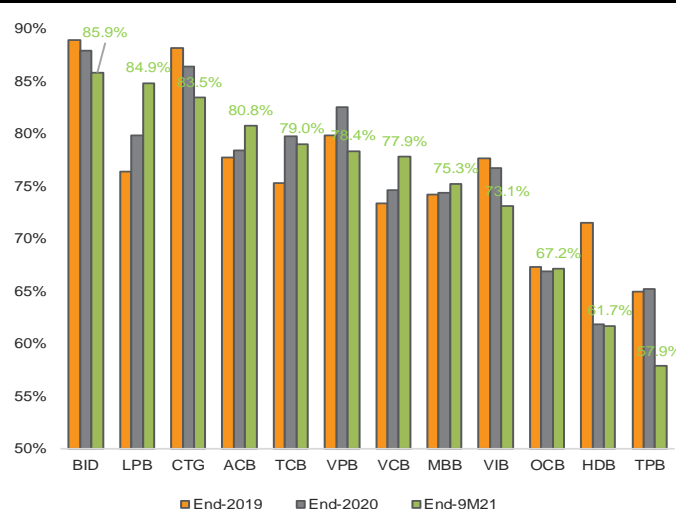
Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 93: The matrix of bank's CASA ratio and individuals lending weight at end-3Q21**



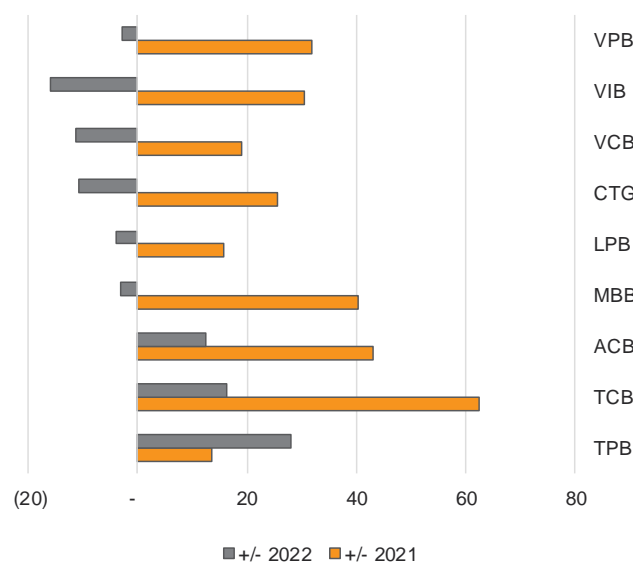
Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 92: Banks' LDR since 2019**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 94: NIM of banks under our coverage are expect to be diverse in 2022F (bp yoy)**



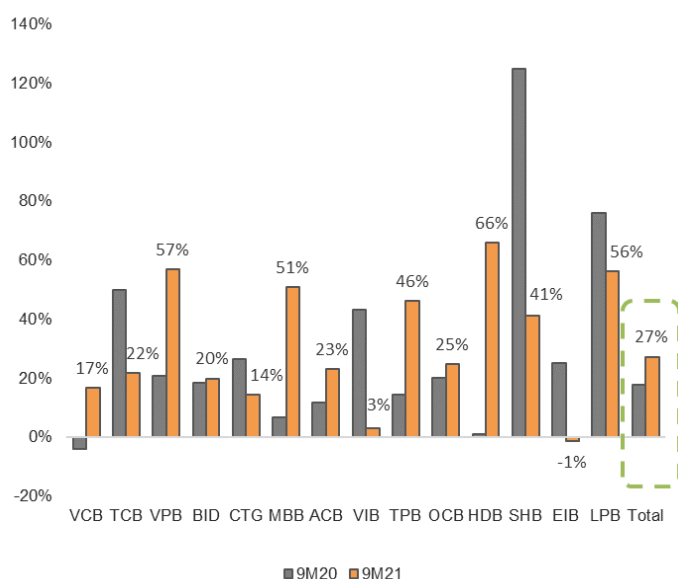
Source: VNDIRECT RESEARCH, COMPANY REPORTS

### Bancassurance segment to drive Non-interest income (non-II) growth

Banks' 9M21 non-II rose 27% yoy. Specifically, net fee income, which contributes 47% in total non-II, increased 30% yoy. 9M21 non-II among banks show some different results. While most of the banks recorded double digit growth; only VIB and EIB show sluggish performance with 3.2% yoy and -1.3% yoy, respectively.

**Figure 95: Most of banks showed robust yoy Non-II growth results, except VIB and EIB**

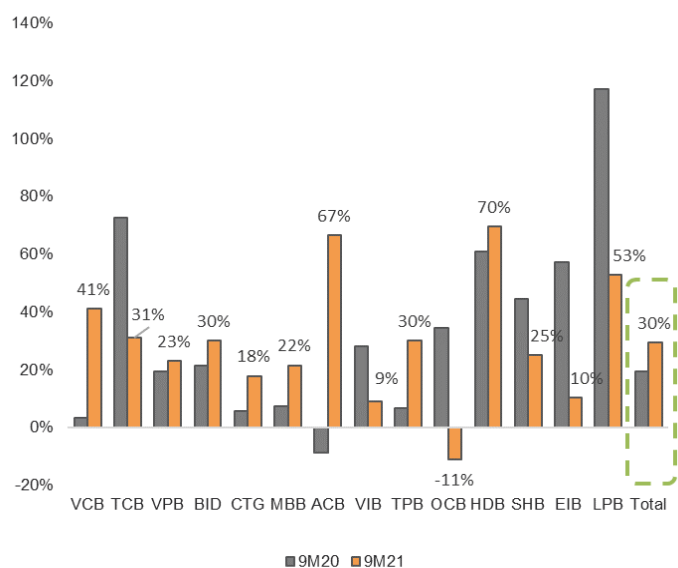
Numbers represent for 9M21 results



Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 96: NFI posted 30% yoy growth in 9M21, in general**

Numbers represent for 9M21 results

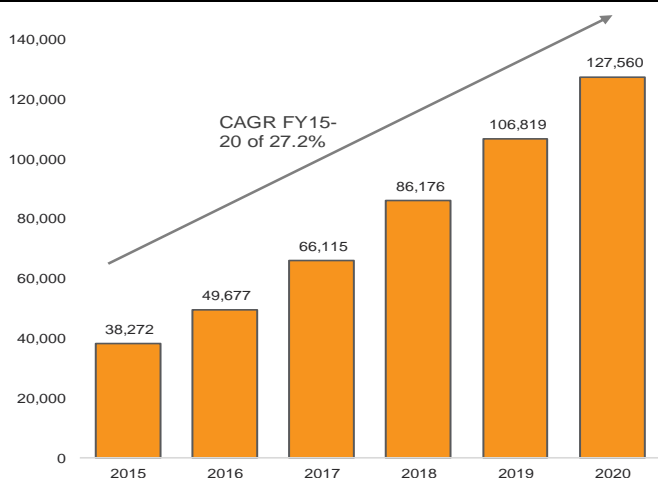


Source: VNDIRECT RESEARCH, COMPANY REPORTS

We expect that banks will maintain steady non-II growth in the next year on the back of robust fee income growth, which has made up 40-50% in total non-II; and bancassurance will continue to be the key driver of fee income growth, in our view. Most of banks have tried to ramp up their bancassurance business by joining in exclusive regional partnerships: Prudential, Dai-ichi Life, Manulife and FWD.

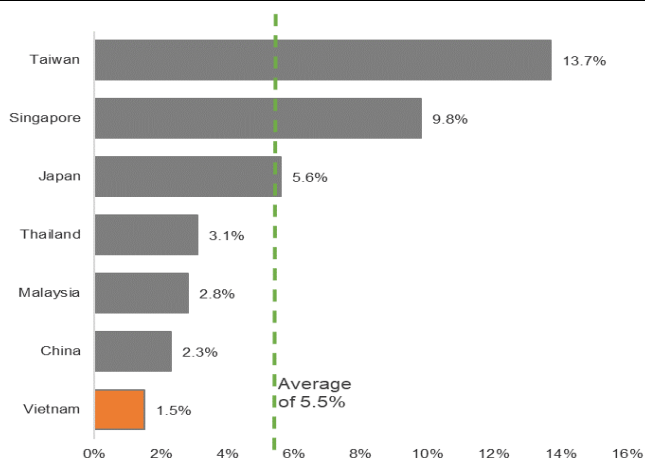
Vietnam's life insurance sector posted a c.27% CAGR in the past six years. We believe that with 1) a low penetration ratio compared to peers (1.5% vs. 5.5% on regional average), 2) a better understanding about life insurance products, 3) digital transformation capacity enhancement, 4) rising income per capita as well as economic recovery post Covid-19, Vietnam life insurance sector is expected to continue its solid growth in the future, in our view.

**Figure 97: Life insurance gross written premium (GWP) in Vietnam (VNDbn)**



Source: VNDIRECT RESEARCH, MINISTRY OF FINANCE

**Figure 98: Life insurance penetration rate by GWP as a percentage of GDP (%), 2020**

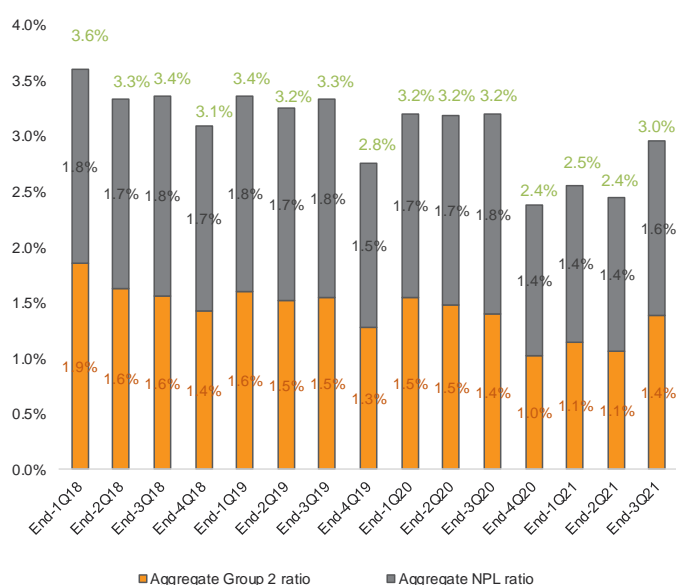


Source: VNDIRECT RESEARCH, FIINRESEARCH

### Watch out the rising of bad debts

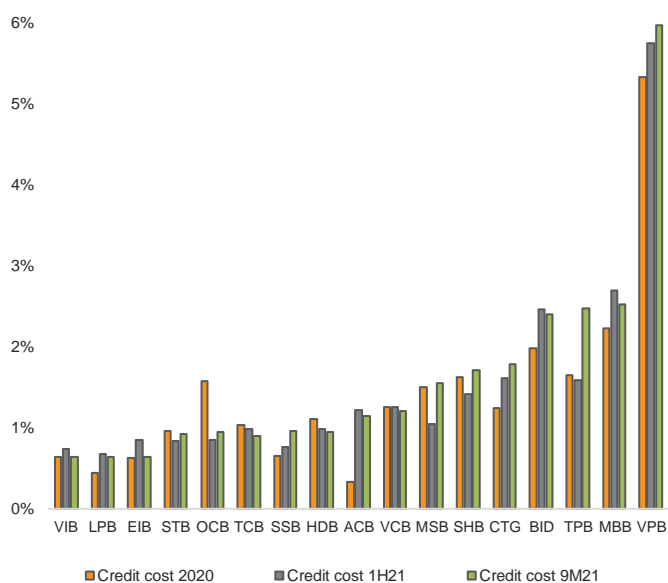
Average non-performing loan (NPL) ratio increased to 1.64% at end-3Q21 from the levels of 1.49% at end-2Q21 or of 1.54% at end-2020. Nationwide lockdown in 3Q21 not only restrained credit growth but also accelerated bad debt hike. Particularly, while total loan book of 17 listed banks grew 1.4% qoq, their total non-performing loans rose 15.8% qoq in 3Q21. However, the positive point was the ongoing improvement of group 5 bad debt ratio at end-3Q21. Group 5 bad debt ratio slightly fell to 0.75% at end-3Q21 from 0.78% at end-2Q21. Top 5 lowest NPL ratio banks remained unchanged at end-3Q21, including TCB (0.6%), ACB (0.8%), MBB (0.9%), TPB (1%), and VCB (1.2%).

**Figure 99: Watch out the rising of loans-at-risk**



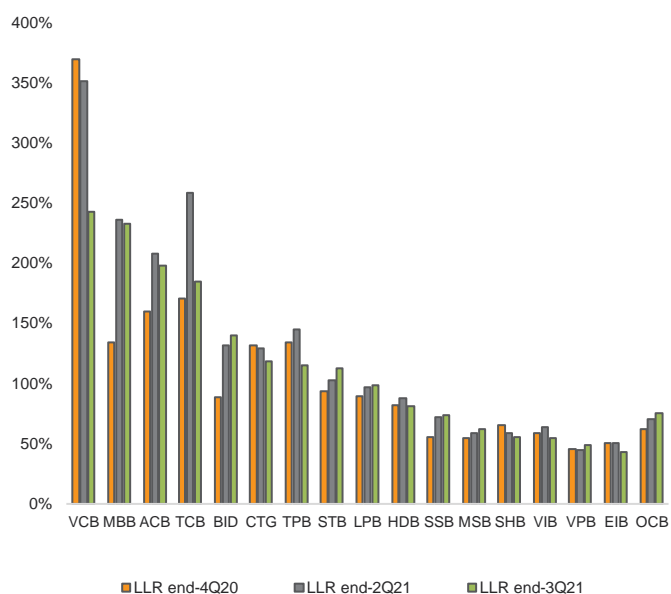
Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 101: Credit cost continued to increase through banks in 3Q21**



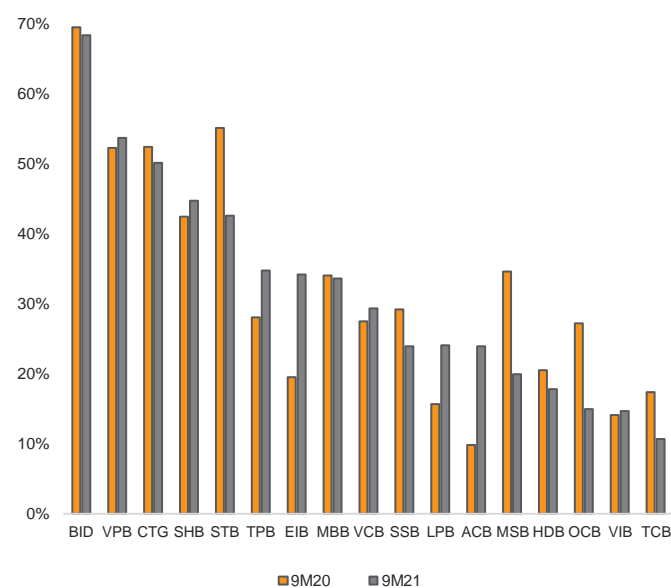
Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 100: LLR fell across banks at end-3Q21 in comparison with the levels at end-1H21**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 102: Provision expense/Pre-provision operating profit of banks in 9M21**



Source: VNDIRECT RESEARCH, COMPANY REPORTS



Restructured loan also rose across banks at the end of 9M21, increasing its proportion in the banks' loan book. At end-3Q21, the total restructured loan of 10 banks, including 3 SOCBs (VCB, CTG, BID) and top 7 private listed banks (TCB, ACB, MBB, VPB, VIB, TPB, HDB), increased to VND82,441bn, making up from 0.7% to 5% their loan books, from VND43,031bn at end-2Q21.

Credit cost continued to surge in 3Q21. Average annualized credit cost of 17 listed banks grew to 1.6% in 9M21 from the level of 1.5% in 1H21 or of 1.4% in 2020. However, their average provision expense/pre-provision operating profit slightly fell to 31.9% in 9M21 from 32.3% in 9M20, thanks to banks' stronger topline growth and lower CIR. Top banks that posted heavy provisioning include BID (68.4%), VPB (53.7%), CTG (50.2%). Meanwhile, average loan loss reserve (LLR) dropped to 113.8% at end-3Q21 from 127.3% at end-2Q21, but higher than that of 108.6% at end-2020. Top 5 highest LLR banks were VCB (242.9%), MBB (232.8%), ACB (197.7%), TCB (184.4%), and BID (140.2%).

We expect that under the economic recovery, businesses would resume operations and pay for their obligations, cushioning banks' bad debt increase. Meanwhile, we observed that banks proactively increased provisions for bad debt to maintain their asset quality under control which uplifted their credit cost in 9M21. Banks with low-risk appetite as well as less customer concentration or more diversified customer base are expected to face less asset risks. We prefer VCB, TCB, and ACB that continuously recorded lowest NPL ratio and colossal provision buffer.

## **Rebalancing earnings growth and asset quality into FY22F**

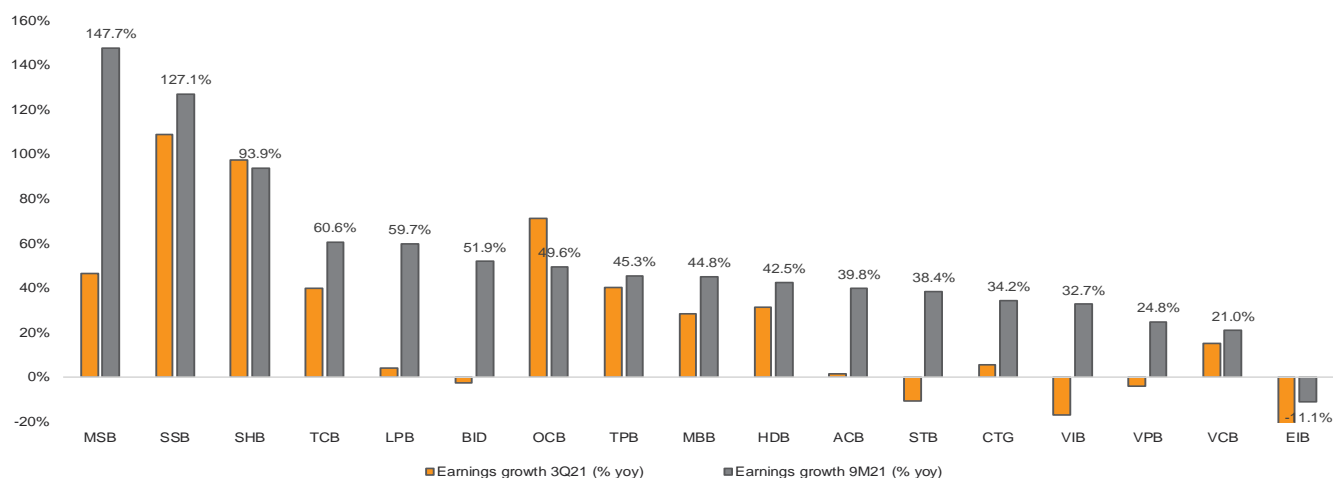
### **9M21 performance of listed banks**

3Q21 aggregate net interest income (NII) of 17 listed banks rose 20% yoy on a 17.6% yoy loan book growth and a flat yoy average net interest margin (NIM) of 3.8%. Total non-interest income (Non-II) grew only 7.2% yoy as total net fee income (NFI) fell 1% yoy. On the cost side, average cost income ratio (CIR) reduced to 36.1% in 3Q21 from 40.1% in 3Q20, while provision expense rose 30.9% yoy. Hence, net profit increased 17.9% yoy in 3Q21, lower than that of 36.2% yoy in 2Q21.

For 9M21, total earnings of 17 listed banks which total loan book made up 65.3% system credit at end-3Q21 jumped 42.6% yoy, higher than the growth rate of 11.9% yoy in 9M20. Better topline growth and lower CIR helped offset the increase in provision expense growth across banks. Earnings of 3 SOCBs which accounted for 33.5% aggregate earnings rose 31.5% yoy in 9M21, higher than the growth rate of 0.7% in 9M20.

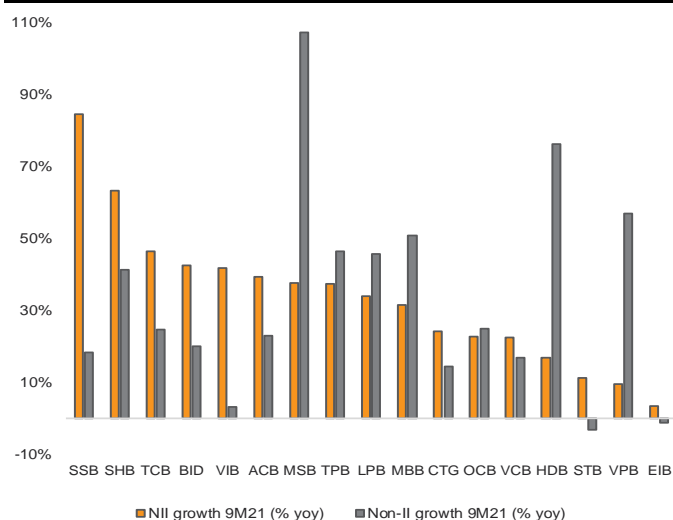
Due to the Covid-19 impact, most of VN banks focused on controlling their operating expenses, which helped lower their cost income ratio (CIR) and improve their pre-provision profits (PPOP) growth in 9M21. We expect 2021-22F banks CIR to maintain at 9M21 level.

**Figure 103: Nationwide lockdown suppressed some banks' earnings in 3Q21. However, banks recorded better earnings growth yoy in 9M21**

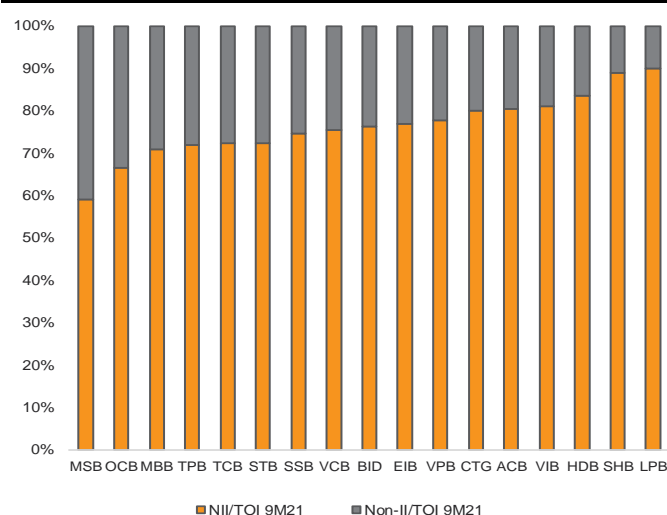


Source: VNDIRECT RESEARCH, COMPANY REPORTS

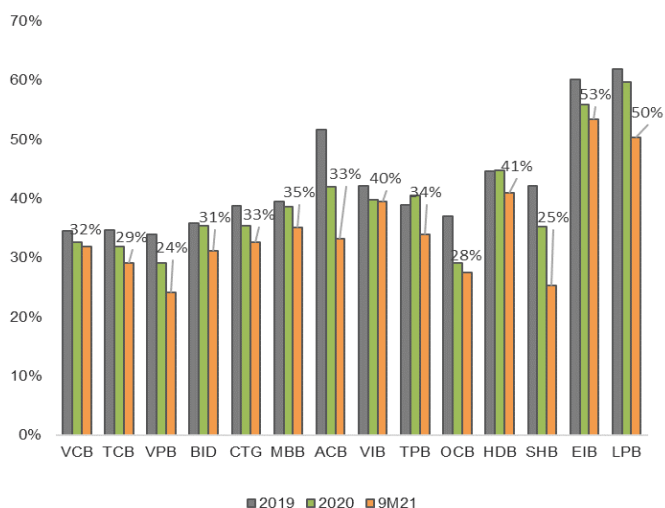
**Figure 104: Almost banks enjoyed better NII & Non-II growths in 9M21**



**Figure 105: Total operating income structure of banks in 9M21**

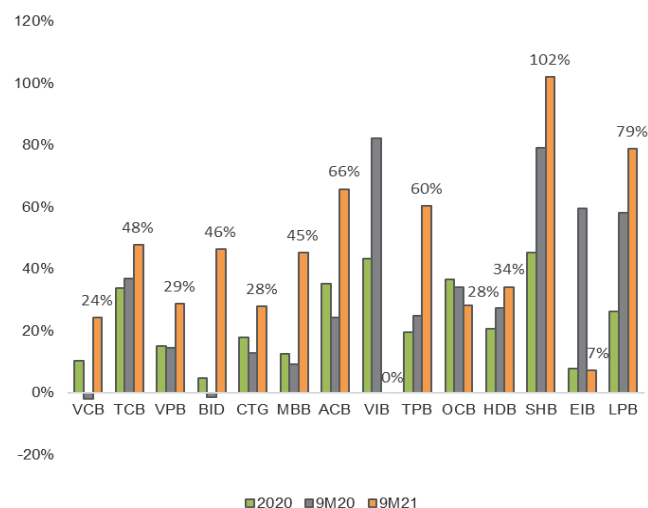


**Figure 106: Lower CIR across banks in 9M21 helped ...**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 107: ... improve banks' PPOP growth in 9M21 (yoy)**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

### We expect a slowdown in FY21F earnings growth of banks

We believe NIM improvement to slowdown in 2H21 and even to shrink into FY22F as commercial banks have been strictly required to lower their lending rates to support for clients. On the other hand, we saw asset quality to deteriorate slightly with average NPL increasing to 1.64% at end-3Q21 from the levels of 1.49% at end-2Q21. Additionally, system restructured loans widened to VND250tr (2.5% system credit) at end-Nov from VND227tr at end-Aug, according to SBV. Thus banks have to rebalance the dynamics between earnings growth and asset quality amid softer NIM and growing risk appetite. Overall, we expect banks under our coverage to deliver 25.2% yoy and 18.8% yoy earnings growths for FY21F and FY22F, respectively.

**Figure 108: Banks under our coverage performance forecast in FY21-22F**

Profit & Loss Statement (VNDbn)	VCB		CTG		TCB		VPB		MBB		ACB		VIB		TPB		LPB	
	2021F	2022F	2021F	2022F	2021F	2022F	2021F	2022F	2021F	2022F	2021F	2022F	2021F	2022F	2021F	2022F	2021F	2022F
Net interest income	10.8%	15.7%	12.3%	10.3%	31.3%	21.7%	17.8%	16.2%	26.8%	15.3%	29.4%	18.6%	35.5%	18.4%	24.7%	25.2%	21.7%	12.5%
Non-interest income	31.8%	27.5%	17.8%	18.1%	20.7%	19.5%	38.1%	12.2%	32.3%	18.9%	52.6%	12.4%	5.9%	28.0%	2.0%	35.8%	-10.2%	17.8%
Operating income	16.2%	19.2%	13.5%	12.1%	28.0%	21.1%	21.3%	15.4%	28.3%	16.3%	34.0%	17.2%	28.3%	20.3%	18.7%	27.6%	17.4%	13.1%
Operation expense	27.9%	19.2%	15.1%	14.4%	20.3%	25.1%	12.2%	24.0%	13.0%	19.7%	38.8%	17.2%	20.9%	21.9%	8.5%	34.5%	-4.9%	26.8%
Pre-provision profit (PPOP)	10.6%	19.2%	12.6%	10.8%	31.6%	19.3%	25.0%	12.2%	37.8%	14.5%	30.5%	17.2%	33.3%	19.3%	25.6%	23.6%	50.6%	0.2%
Provision expenses (%/PPOP)	27.1%	23.7%	48.1%	47.0%	11.1%	9.3%	51.1%	50.8%	32.5%	28.7%	6.6%	6.4%	14.0%	16.1%	25.5%	25.3%	24.4%	14.4%
Pre-tax profit	15.3%	24.8%	0.0%	13.0%	36.4%	21.7%	29.7%	12.9%	46.2%	21.0%	33.9%	17.5%	33.4%	16.4%	31.5%	24.0%	46.7%	13.4%
Net profit	15.3%	24.8%	-3.2%	11.0%	39.2%	21.7%	29.7%	13.0%	47.5%	21.0%	33.9%	17.5%	33.4%	16.4%	31.5%	24.0%	49.2%	13.4%
<b>Key Financial Ratios</b>																		
Loan growth	14.0%	15.0%	9.0%	8.0%	20.9%	21.0%	15.6%	17.1%	16.0%	18.0%	16.0%	16.0%	19.1%	25.0%	20.0%	24.0%	13.5%	15.0%
Deposit growth	12.0%	13.0%	9.5%	10.5%	17.0%	15.0%	15.8%	15.5%	15.0%	13.5%	13.5%	15.0%	22.0%	23.0%	16.0%	20.0%	15.0%	16.0%
Net interest margin (NIM)	3.1%	3.0%	3.1%	3.0%	5.5%	5.7%	9.0%	9.0%	5.1%	5.1%	4.1%	4.2%	4.4%	4.2%	4.6%	4.9%	3.3%	3.3%
Non-performing loan ratio	1.2%	1.2%	0.6%	0.3%	0.6%	0.7%	2.8%	2.7%	0.7%	1.2%	0.6%	0.5%	1.5%	1.6%	1.1%	1.1%	1.1%	1.3%
Loan-loss-reserves (LLR)	224.8%	229.0%	186.4%	311.8%	142.6%	139.5%	62.3%	69.5%	158.6%	103.6%	168.7%	174.7%	67.0%	71.3%	133.6%	109.8%	103.8%	97.2%
Credit Cost	1.1%	1.0%	1.5%	1.5%	0.9%	0.7%	5.6%	5.8%	2.3%	2.0%	0.3%	0.3%	0.7%	0.8%	1.5%	1.5%	0.6%	0.3%
Cost-to-income ratio (CIR)	36.0%	36.0%	36.0%	36.0%	30.0%	31.0%	27.0%	30.0%	34.0%	35.0%	43.5%	43.5%	37.5%	38.0%	37.0%	39.0%	48.4%	54.3%
Capital adequacy ratio (CAR)	9.9%	10.4%	8.1%	8.3%	15.4%	15.8%	16.8%	16.9%	10.3%	10.6%	12.5%	13.6%	10.6%	10.9%	13.9%	13.9%	8.2%	8.3%
ROA	1.5%	1.7%	0.9%	1.0%	3.6%	3.7%	3.0%	2.9%	2.3%	2.4%	2.2%	2.2%	2.3%	2.2%	2.1%	2.2%	1.1%	1.1%
ROE	19.7%	20.6%	14.8%	14.6%	20.7%	20.5%	19.3%	16.1%	23.1%	23.0%	25.3%	23.3%	29.4%	26.0%	21.7%	20.0%	17.8%	17.0%

Source: VNDIRECT RESEARCH, COMPANY REPORTS

### We prefer VCB, TCB, and ACB

We expect economy to gather pace in 2022 driven by robust export growth, demand recovery and fiscal policies support. And, banking would be the best proxy to Vietnam economic resurgence. Additionally, in term of money flow analysis, market liquidity has been increasing stably since the beginning of this year amid low deposit rate environment. We observed that this trend will extend further, even into 2022; following by the increasing numbers of new individual accounts were opened in the past 2 months. Accounting for a quarter of market capitalisation, obviously, banking sector is one of the biggest beneficiaries to ride on the retail investor rally.

Anticipating the slowdown in earnings growth across banking sector in the next couple of quarters, we prefer banks that with the following characteristics:

- Amid the weak credit growth recovery, we prefer banks that have strong ability to expanding lending activities, or well-equipped to enhance the weight of Non-interest incomes (through bancassurance, investment banking service, foreign exchange trading...).
- Amid the less intense deposit competition and ample liquidity, we prefer banks that have opportunities to increase their exposures to individual lending which will enjoy better asset yield.

- As we concern about the predictable surge in bad debts in a couple of quarters, we prefer banks which have solid asset quality and strong provisioning buffer.

### VCB, TCB and ACB are our top picks for the sector

**Investment risks** include another new variant arising might hinder the back-to-normal of economy; higher-than-expected inflation to hinder the lending expansion.

**Figure 109: Regional banking sector comparison (Price as of 26 Nov 2021)**

Banks	Bloomberg Code	Recommendation	Closing Price	Target Price	Market Cap	P/BV (x)		P/E (x)		3-yr Forward CAGR EPS	ROE (%)		ROA (%)	
			(local curr.)	(local curr.)	(US\$m)	FY21F	FY22F	FY21F	FY22F	%	FY21F	FY22F	FY21F	FY22F
Agricultural Bank of China	1288 HK	N/A	2.7	3.79	192,462	0.4	0.3	3.3	3.1	7.1%	10.9%	10.9%	0.8%	0.8%
Bank of China	3988 HK	N/A	2.8	3.80	159,952	0.3	0.3	3.4	3.1	7.4%	10.4%	10.4%	0.8%	0.8%
China Merchants Bank	3968 HK	N/A	62.9	72.50	246,301	1.8	1.6	11.5	9.8	16.4%	16.6%	17.4%	1.3%	1.4%
Bank of Communications	3328 HK	N/A	4.7	5.58	60,801	0.4	0.3	3.5	3.3	7.7%	10.4%	10.4%	0.8%	0.8%
<b>China Banks average</b>						<b>0.7</b>	<b>0.6</b>	<b>5.4</b>	<b>4.9</b>	<b>9.6%</b>	<b>12.1%</b>	<b>12.3%</b>	<b>0.9%</b>	<b>1.0%</b>
Bank Central Asia	BBCA IJ	N/A	7,450	7,908	63,944	4.5	4.1	30.2	25.9	14.7%	15.8%	16.6%	2.7%	2.9%
Bank Rakyat Indonesia	BBRI IJ	N/A	4,160	4,861	43,816	2.2	2.0	20.7	15.0	27.1%	11.8%	14.0%	1.8%	2.3%
Bank Mandiri	BMRI IJ	N/A	7,225	8,367	23,475	1.7	1.5	13.4	10.8	19.4%	12.9%	14.8%	1.7%	1.9%
Bank Negara Indonesia	BBNI IJ	N/A	6,775	8,411	8,797	1.0	0.9	12.8	8.4	37.2%	8.5%	11.9%	1.1%	1.6%
<b>Indonesia Banks average</b>						<b>2.3</b>	<b>2.1</b>	<b>19.3</b>	<b>15.0</b>	<b>24.6%</b>	<b>12.3%</b>	<b>14.3%</b>	<b>1.8%</b>	<b>2.2%</b>
Malayan Banking Bhd	MAY MK	N/A	7.9	9.27	22,146	1.0	1.0	11.5	11.0	9.4%	9.0%	9.2%	0.9%	0.9%
Public Bank Bhd	PBK MK	N/A	3.9	4.32	17,988	1.5	1.4	13.6	12.9	9.4%	11.6%	11.4%	1.2%	1.2%
Hong Leong Bank	HLBK MK	N/A	18.2	21.62	9,306	1.2	1.1	12.3	10.7	12.3%	9.9%	10.9%	1.2%	1.4%
BIMB Holdings	BIMB MK	N/A	2.9	3.35	1,423	0.9	0.8	10.0	9.8	11.3%	9.6%	9.3%	0.9%	0.8%
<b>Malaysia Banks average</b>						<b>1.2</b>	<b>1.1</b>	<b>11.9</b>	<b>11.1</b>	<b>10.6%</b>	<b>10.0%</b>	<b>10.2%</b>	<b>1.0%</b>	<b>1.1%</b>
Kasikornbank	KBANK TB	N/A	133.0	161.50	9,318	0.7	0.6	9.0	8.1	13.3%	7.7%	8.3%	0.9%	1.0%
Siam Commercial Bank	SCB TB	N/A	124.5	141.79	12,500	1.0	0.9	12.1	10.9	13.2%	8.2%	8.8%	1.1%	1.2%
Bangkok Bank	BBL TB	N/A	114.0	149.85	6,434	0.5	0.4	8.2	7.2	12.7%	5.8%	6.2%	0.7%	0.7%
Kiatnakin Phatra Bank	KKP TB	N/A	58.0	69.17	1,452	1.0	0.9	8.6	7.7	11.5%	11.8%	12.2%	1.5%	1.6%
<b>Thailand Banks average</b>						<b>0.8</b>	<b>0.7</b>	<b>9.5</b>	<b>8.5</b>	<b>12.7%</b>	<b>8.4%</b>	<b>8.9%</b>	<b>1.1%</b>	<b>1.1%</b>
Vietcombank	VCB VN	ADD	105,000	118,700	17,080	3.3	2.8	21.6	17.26	22.4%	19.7%	20.6%	1.51%	1.69%
Vietinbank	CTG VN	ADD	34,300	41,700	7,230	1.7	1.5	15.9	13.3	13.4%	14.8%	14.6%	0.9%	1.0%
Techcombank	TCB VN	ADD	54,000	64,100	8,315	2.1	1.7	11.1	9.1	21.1%	20.7%	20.5%	3.6%	3.7%
Vietnam Prosperity JSB	VPB VN	ADD	39,200	44,800	7,643	2.0	1.7	10.1	13.1	20.4%	19.3%	16.1%	3.0%	2.9%
Military Commercial JSB	MBB VN	ADD	30,300	34,500	5,021	2.0	1.6	10.0	8.3	19.3%	23.1%	23.0%	2.3%	2.4%
Asia Commercial JS Bank	ACB VN	ADD	34,600	41,800	4,100	2.0	1.6	9.2	7.8	18.8%	25.3%	23.3%	2.2%	2.2%
Tien Phong Commercial JS Bank	TPB VN	ADD	47,500	52,000	2,441	2.2	1.8	11.8	9.7	23.1%	21.7%	20.0%	2.1%	2.2%
Vietnam International Bank	VIB VN	ADD	45,000	46,400	3,065	2.9	2.2	11.4	9.8	16.6%	29.4%	26.0%	2.3%	2.2%
Lien Viet Post Bank	LPB VN	HOLD	23,900	25,700	1,262	1.7	1.4	9.8	9.1	18.6%	17.8%	17.0%	1.1%	1.1%
<b>Vietnam Banks average</b>						<b>2.2</b>	<b>1.8</b>	<b>12.3</b>	<b>10.8</b>	<b>19.3%</b>	<b>21.3%</b>	<b>20.1%</b>	<b>2.1%</b>	<b>2.2%</b>
<b>Regional Bank Average</b>						<b>1.4</b>	<b>1.3</b>	<b>11.7</b>	<b>10.0</b>	<b>15.4%</b>	<b>12.8%</b>	<b>13.2%</b>	<b>1.4%</b>	<b>1.5%</b>
Source: VNDIRECT RESEARCH, COMPANY REPORTS, BLOOMBERG														

Source: VNDIRECT RESEARCH, COMPANY REPORTS, BLOOMBERG

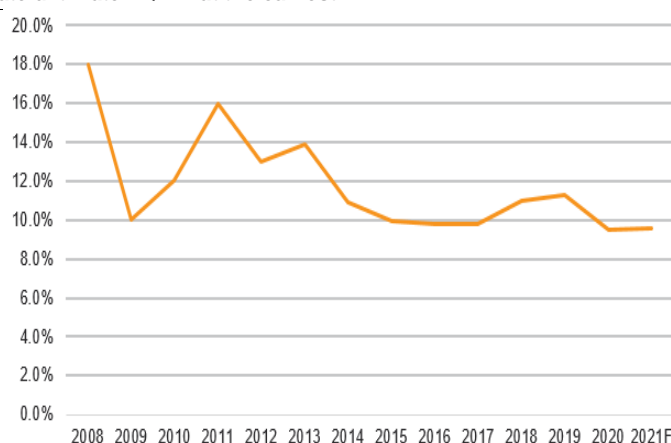
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**RESIDENTIAL MARKET: POISED FOR A STRONG RECOVERY AHEAD**
**We see three key factors to drive residential property demand in FY22F**
**A board-based recovery of macro fundamentals will propel property market in FY22F**

The global economy would remain strong growth momentum in 2022F. The International Monetary Fund (IMF) forecast the global economy to expand by 4.9% yoy in 2022. Noted that, the global economic growth rate averaged around 2.8% per year in the period 2016-2019 (before the COVID-19 pandemic). Being the largely net exporting economy, we believe Vietnam is well-placed to reap the benefits from global demand recovery. In addition, we expect a high vaccination rate for Vietnam in 1H22F. We project Vietnam's GDP rising by 7.5% in 2022, with resilient growth in all sectors.

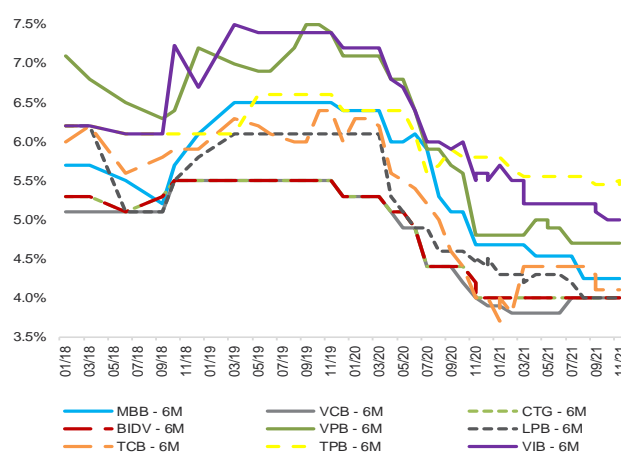
Meanwhile, we do not see the inflation risk in the next two quarters. Vietnam's headline inflation slowed to 2.1% yoy in Sep (vs. 2.8% yoy in the previous month). For 9M21, headline CPI averaged at 1.8%, which was far below the government's target of 4.0%. We expect inflation pressure to remain low in the next two quarters before rising since 2Q22 due to (1) the recovery of domestic demand and (2) no longer government price reduction for electricity, water and telecommunications as in the second half of 2021 and (3) high energy prices expected in 2022F.

**Housing demand fueled by low mortgage interest rates**

We see the average mortgage rate from local banks stayed relatively flat in 9M21, in a range of 9.2-9.5%, still a 10-year low. Given the benign inflationary pressure, we expect the SBV to maintain its accommodative monetary policy into 2022F. We maintain our view that the mortgage rates will still be remained at a low rate until late-2Q22 at the earliest to lower barriers to financing and owning a property.

**Figure 110: We believe mortgage rates will still be maintained at a low rate until late-2Q22F at the earliest**


Sources: VNDIRECT RESEARCH, DOMESTIC BANKS

**Figure 111: Banks' 6M/over-6M tenor deposit rates continued to drop in 9M21**


Sources: VNDIRECT RESEARCH, DOMESTIC BANKS

**Accelerating infrastructure development becomes property market's key growth engine going forward**

Stricter social-distancing measures and construction material prices hikes caused several delays in the implementation of public investment in 3Q21. However, public investment recovered steadily in Oct 2021 after the government eased social-distancing measures across the country since late-Sep. Per GSO data, the implemented state capital (public investment) jumped 20.4% mom to VND41.7tr (-13.9% yoy). For 10M21, implemented state capital dropped 8.3% yoy to VND318.6tr (vs. an increase of 31.6% yoy seen in the same period last



year), equivalent to 64.7% of the full-year target. The government has targeted to disburse 95% of the state capital disbursement plan for 2021 that could be achievable, in our view.

Given that government bond interest rates are at historic lows and inflation is well-managed, we believe that the government could release more fiscal stimulus packages to support economic recovery, focusing on increase value amount of public investment in transport infrastructure and social-housing projects development. In the long term, we believe public investments, especially in infrastructure development with a direct impact on the property market, will become its key growth engine going forward.

**Figure 112: Pipeline of mega projects in HCMC and Hanoi in 2021-26F**

Project	Location	Total investment (VNDbn)	Starting time	Completion
11 sub-projects of the eastern section of the North-South expressway	HCMC	118,716	2019	2021-25
Long Thanh International Airport	HCMC	109,112	2021	2025
Metro 2 (Ben Thanh - Tham Luong)	HCMC	47,800	2021	2026
Metro 1 (Ben Thanh - Suoi Tien)	HCMC	43,757	2012	2022
HCMC - Thu Dau Mot - Chon Thanh Highway	HCMC	24,150		2021-25
Belt Road 3	HCMC	19,871		2021-25
The water environment improvement project (phase 2)	HCMC	11,282	2015	2021
HCMC - Moc Bai Highway	HCMC	10,668	2021	2026
Soai Rap Dredging project ( Phase 3)	HCMC	8,977		2021-25
Belt Road 2	HCMC	6,500		2021-25
Parallel Road for 50 Route	HCMC	3,816		2021-25
Metro Line 5 (Van Cao - Ngoc Khanh - Lang - Hoa Lac)	Hanoi	65,400	2022	2026
Metro Line 2A (Cat Linh - Ha Dong)	Hanoi	18,000	2011	2021-22
Belt Road 2 (Vinh Tuy - Nga Tu Vong)	Hanoi	9,400	2018	2021
Belt Road 1 (Hoang Cau - Voi Phuc)	Hanoi	7,700	2021	2021-25
Metro Line 3 (Nhon - Hanoi Station)	Hanoi	6,500	2010	2021-22
Tuyen Quang - Phu Tho expressway	Hanoi	3,271	2021	N/A
Vinh Tuy 2 Bridge	Hanoi	2,540	2021	2021-25

Sources: VNDIRECT RESEARCH, MINISTRY OF TRANSPORT

Noticeable infrastructure projects include those starting construction in 2021 such as 1) Long Thanh international airport Phase 1 project (broken ground in early 2021), 2) Six of the 11 sub-projects in the eastern section of the North-South Expressway which have started construction while five others are expected to kick off in 2021F; and those expected to complete construction in 2H21-22F such as 1) Nhon – Hanoi Station; 2) Thu Thiem 2 bridge 2Q22 and 3) Metro Line 1 (Ben Thanh – Suoi Tien).

**Figure 113: Upcoming approvals for the following new zoning plans enhance infrastructure development and land prices**

Some expected new zoning plans	Key points
Hanoi announced planning scheme on historical inner zoning	The urban planning scheme covering 4 districts namely Hoan Kiem, Ba Dinh, Dong Da and Hai Ba Trung will lay out the legal framework for the city, embellish urban areas and promote socio-economic development.
Red River draft planning	The planning is implemented on a 40km long river section of Red River from Hong Ha Bridge to Me So Bridge, covering an area of c.11,000ha that includes 55 wards and communes of 13 districts. Ha Noi authorities are expected to approve and issue the Red River subdivision planning in Jun 2021.
Hanoi to urbanise 8 suburban district in the period of 2021-2030	Hanoi proposed to urbanise suburban districts to become inner districts namely Hoai Duc, Gia Lam, Dong Anh, Thanh Tri and Dan Phuong in the period of 2021-25F; Thanh Oai, Thuong Tin and Me Linh in 2026-30F.
HCMC to urbanise 5 suburban district in the period of 2021-2030	HCMC proposed to urbanise 5 suburban districts to become inner districts in the period of 2021-30F, including Can Gio, Cu Chi, Binh Chanh, Hoc Mon and Nha Be.
HCMC proposed to establish Northwest City	HCMC proposed to establish Northwest City including Cu Chi and Hoc Mon districts.

Source: VNDIRECT RESEARCH

In addition, we see there are some upcoming approval for new zoning plans that should enhance infrastructure development and land prices as well, in our view.

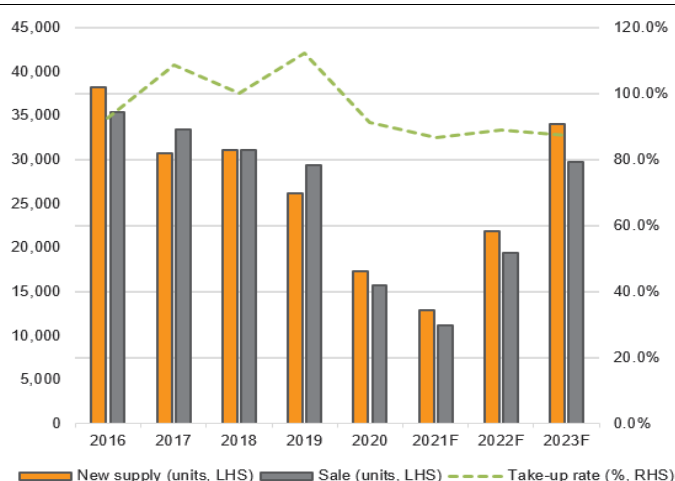
Of which, the proposal on establishment of Northwest City comprising Cu Chi and Hoc Mon, in tandem with planning for urbanising Hoc Mon, Binh Chanh, Nha Be, Cu Chi and Can Gio into urban districts lifted land prices rapidly in 1H21 in those area. **We believe the developers that own land bank in those areas such as VHM, NLG, KDH will enjoy the benefits of rising land prices.**

### Southern market: condo supply to bounce back since 2022

#### HCMC's condo supply likely to bottom out

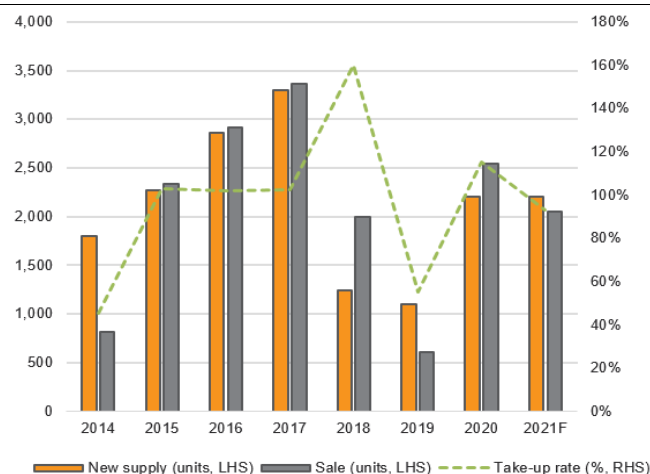
We expect HCMC new condo supply to bottom out in 2021F and recover strongly by 60-70% in 2022-23F, on the back of loosening regulatory measures such as Decree 148 and Amended Construction Law 2020. According to CBRE, the HCMC new condo supply will recover by 69.5% yoy in 2022F to c.22,000 units and +55.7% yoy to c.34,000 units in 2023F, of which mid-end segment bounces with a 30-50% contribution of total condo supply. We believe suburb housing market in HCMC namely Binh Chanh, Can Gio, Nha Be, Thu Duc will be in spotlight in 2022F, driven by the infrastructure development in these areas.

**Figure 114: The HCMC new condo supply is expected to recover from 2022F thanks to loosening regulatory bottleneck**



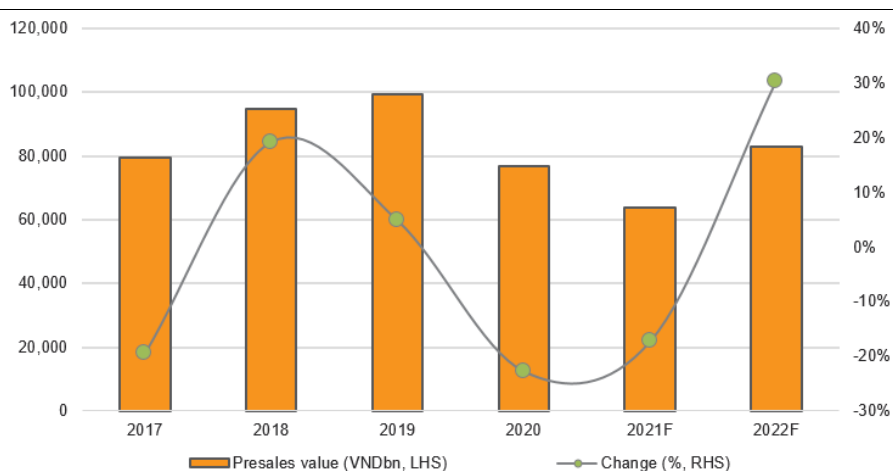
Sources: CBRE, SAVILLS, VNDIRECT RESEARCH

**Figure 115: The HCMC new landed supply in 2H21F mostly comes from new phases of existing large township**



Sources: CBRE, VNDIRECT RESEARCH

**Figure 116: Expect a 30.3% yoy recovery in HCMC condo presales value**



Sources: VNDIRECT RESEARCH, CBRE

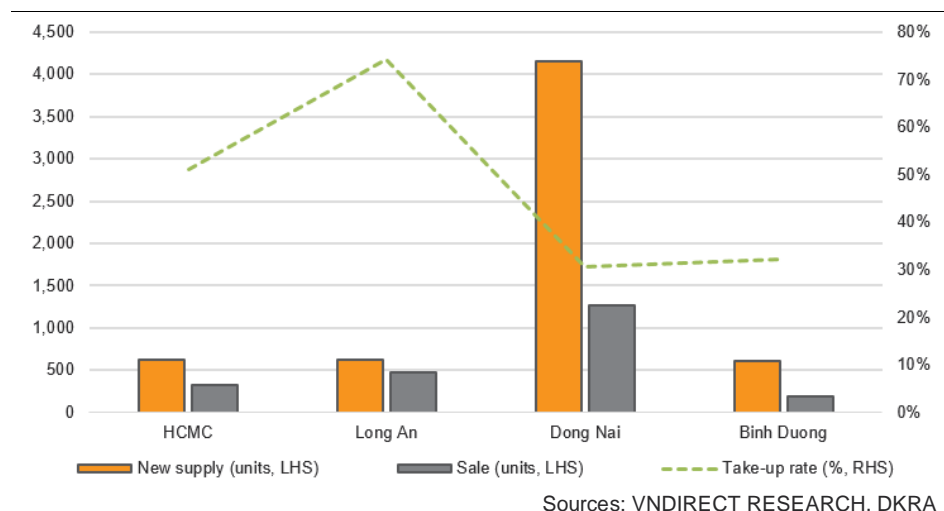
#### HCMC's neighbouring provinces will continue to do well in 2022F

We remain optimistic in 2022F outlook for housing market in HCMC's neighbouring provinces, which we expect to experience both demand volume

and price expansion. After the work-from-home experience during the pandemic, we believe homebuyers can prefer for larger-sized landed homes to meet 'work-live-play' ecosystem demand. In the context of strong price escalation along with limited supply in HCMC since 2018 and acceleration in infrastructure development shortening the time to HCMC, we see opportunities for HCMC's neighbouring provinces such as Long An and Dong Nai.

We believe developers that own massive landbank in those areas such as NLG, NVL with mega township projects namely Izumi City, Southgate, Aqua City will take advantage the most. We expect the launches of these projects in 4Q21-2022F will draw investors' attention and achieve high take-up rate thanks to their sought-after location, legal transparency and quality products.

**Figure 117: New supply for ready-built houses in Dong Nai was 6.6 times higher than that of HCMC in 9M21**



### Some noticeable projects in the South are expected to be launched in 2022F

**Figure 118: HCMC's neighbouring province and suburban areas are expected to continue to do well in 2022F**

Project name	Developer	Location	Type of products	Land size (ha)	Expected launch
<b>Listed companies</b>					
Phoenix Island	NVL	Dong Nai	Low-rise	286	2022
Aqua Riverside	NVL	Dong Nai	Low-rise	77	2022
The Grand Manhatta	NVL	District 1, HCMC	High-rise	14	4Q21-2022
Izumi City	NLG	Dong Nai	High-rise, low-rise	170	4Q21
Clarita	KDH	Thu Duc City	Low-rise	5.7	2022
Armena	KDH	Thu Duc City	Low-rise	4.3	4Q21
158 An Duong Vuong	KDH	Binh Tan	High-rise	1.8	2022
Gem Riverside	DXG	Thu Duc City	High-rise	6.7	2022
Park City	DXG	Binh Duong	High-rise	10	2022
<b>Unlisted companies</b>					
One Central Saigon (The Spirit of Saigon previously)	Masterise - The Ritz Carlton	District 1, HCMC	Branded residences	0.86	2022
Empire 88 Tower	Keppel Land	Thu Duc City	Vietnam's tallest building	N/A	2022

*\*Figures are based on our estimate/assumption*

Sources: VNDIRECT RESEARCH, COMPANY REPORT, COLLIERS

### Strong housing demand leading to robust prices growth

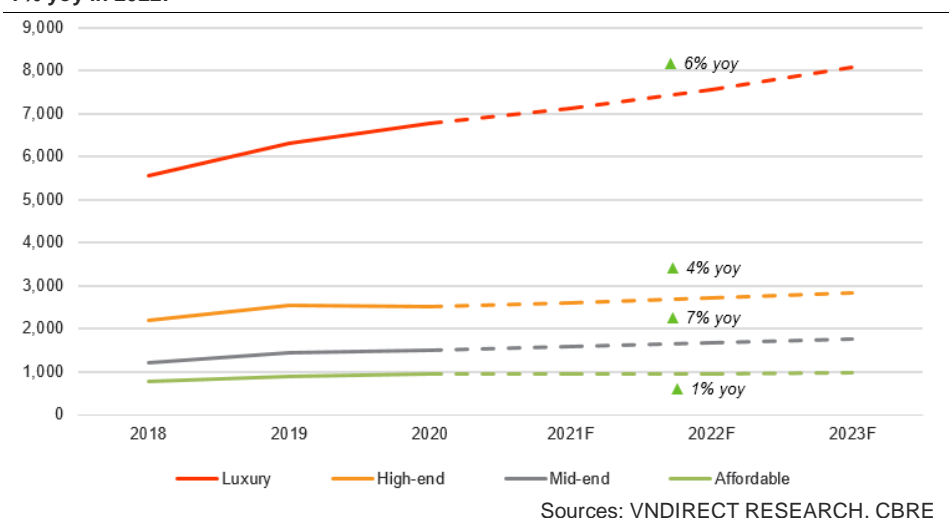
We believe there will be no announcements of discounts in HCMC housing primary prices in 2022F to factor in the increase in development cost with higher compensation cost and financing cost due to pending in the past three years and material expense escalation. We expect developers will offer better

handover conditions, better facilities and supporting payment terms to stimulate demand rather than decrease their primary prices.

Follow these points, we expect condo primary prices in HCMC will continue to increase in all segments at 1-7% yoy. We project mid-end segment will increase the most at 7% yoy fueled by its strong demand and limited supply. The luxury segment likely continues to be more excited in 2022F buoyed by the launches of projects having sought-after locations in District 1 and Thu Duc City, after a new pricing level of US\$16,500-18,000 psm set by a new branded residence project in District 1 in 2021.

Besides, landed prices of suburb in HCMC likely continue to rise impressively in 2022F on the expansion of expressway to the west and coastal areas in the south with imminent infrastructure projects such as Ben Luc – Long Thanh, Dau Giay – Phan Thiet, Long Thanh international airport phase 1. The proposal on establishment of Northwest City consisting of Cu Chi and Hoc Mon coupled with process planning for urbanizing Cu Chi, Hoc Mon, Binh Chanh, Nha Be, Can Gio into urban districts should boost land prices in these areas as well.

**Figure 119: HCMC condo primary prices will continue to increase across the board at 1%-7% yoy in 2022F**

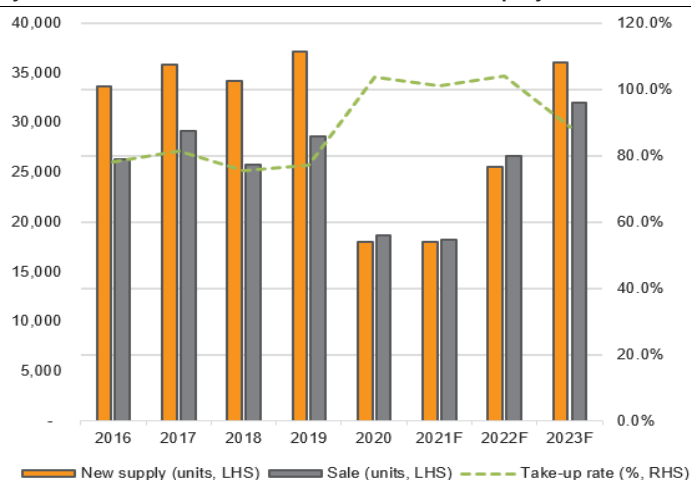


### Northern market: flourish supply in both condo and landed property

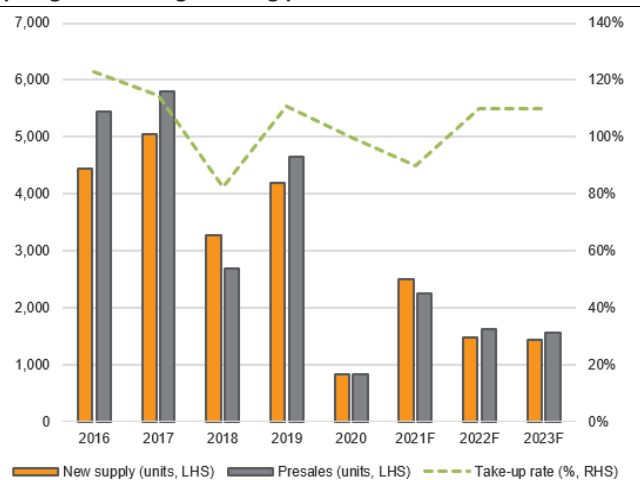
#### Ample supply from upcoming mega township projects in 2022F

We expect to see a c.40% yoy increase in Hanoi new condo supply in 2022F to c.25,600 units, then recovery to 2018-19 levels in 2023F with c.36,100 units (+41% yoy), dominated mostly by units in the west and the east of Hanoi. Take-up rate is likely to improve by 90%-110% in FY22-23F, higher than the rate of 75%-90% seen in FY18-19F, equivalent to 27,000-32,000 sold units per year.

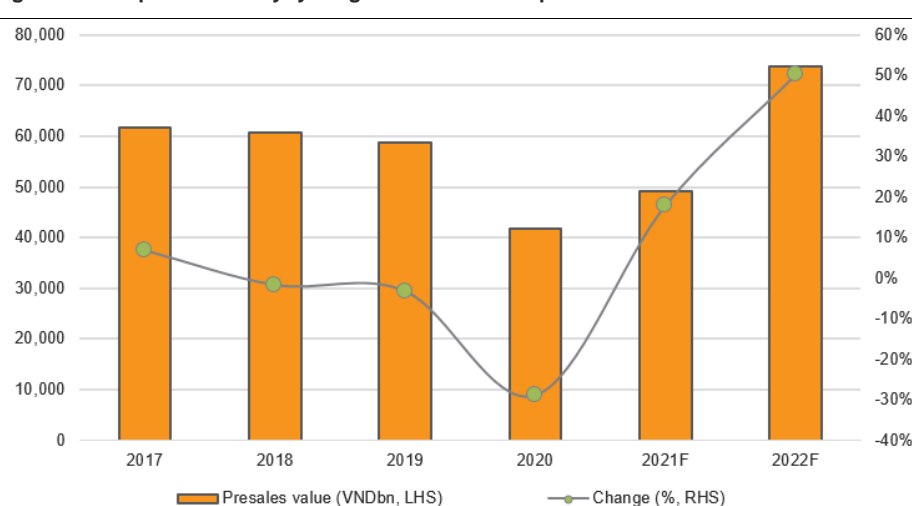
We see the new supply of landed property market will continue depend on launches of townships in 2022F. According to CBRE, new supply is likely to plunge c.40% yoy to 1,500 units in 2022F due to the lack of Vinhomes' massive project. The market is expected to welcome new products from new mega townships such as Vinhomes Wonder Park, Vinhomes Co Loa and launches of next phases from townships such as EcoPark, Gamuda City.

**Figure 120: Hanoi new condo supply recovery in 2021-22F, driven by a stable contribution from Vinhomes' massive projects**


Sources: CBRE, VNDIRECT RESEARCH

**Figure 121: Lacklustre new landed supply in Hanoi while spotlight in its neighbouring provinces**


Sources: CBRE, VNDIRECT RESEARCH

**Figure 122: Expect a 50.1% yoy surge in Hanoi condo presales value**


Sources: VNDIRECT RESEARCH, CBRE

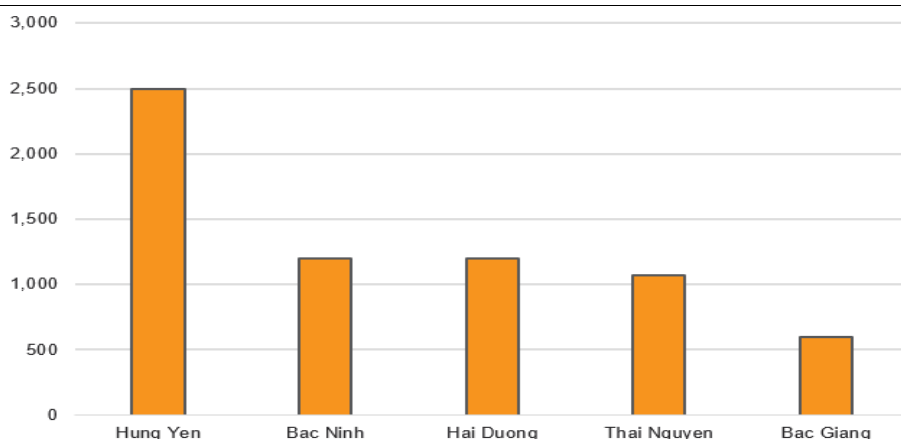
### Hung Yen is likely in the spotlight in 2022F

We see landed property markets at Hanoi's neighbouring provinces that enjoy convenient connection to Hanoi CBD, such as Hung Yen are likely in the spotlight in 2022F. Vinhomes also plans to launch a 460ha mega township in Hung Yen in 2022F. We consider Hung Yen as one of Northern emerging property markets, along with Bac Ninh and Quang Ninh. This province is situated at the heart of the Northern Delta, having favorable connection to Hanoi, Hai Phong and Nam Dinh. According to CBRE, in 2020, selling prices for landed property in Hung Yen rose 12% yoy, higher than the Hanoi average rate of 7.6%.

New landed supply in Hung Yen could reach 2,500 units in 2021F, 16.8% higher than that of Hanoi, mostly from mega township projects. We believe these projects will achieve a take-up rate of 70-80% in 2021F, driven by high demand from experts, engineers and workers in this area.



**Figure 123: Abundant new products (2,500 landed units) from mega projects should add more excitement for Hung Yen property market in 2021F**



Sources: VND RESEARCH, CBRE

**Figure 124: Some noticeable projects likely to be launched in the North in 2022**

Project name	Developer	Location	Type of products	Land size (ha)	Expected launch
<b>Listed companies</b>					
Vinhomes Dream City (Ocean Park 2)	VHM	Hung Yen	High-rise, low-rise	460	2022
Vinhomes Co Loa	VHM	Dong Anh, Hanoi	Low-rise	385	2022
Vinhomes Wonder Park	VHM	Dan Phuong, Hanoi	High-rise, low-rise	133	2022
An Bien resort villa project	VPI	Quang Ninh	Low-rise	145	2022
Sunshine Empire	SSH	Tay Ho, Hanoi	High-rise	5.2	2022
FLC Premier Park	FLC	Nam Tu Liem, Hanoi	High-rise, low-rise	6.4	2022
<b>Unlisted companies</b>					
BRG Smart City	Sumitomo	Dong Anh, Hanoi	High-rise	272	2022
Himlam Vinh Tuy	Him Lam	Long Bien, Hanoi	Low-rise	16	2022

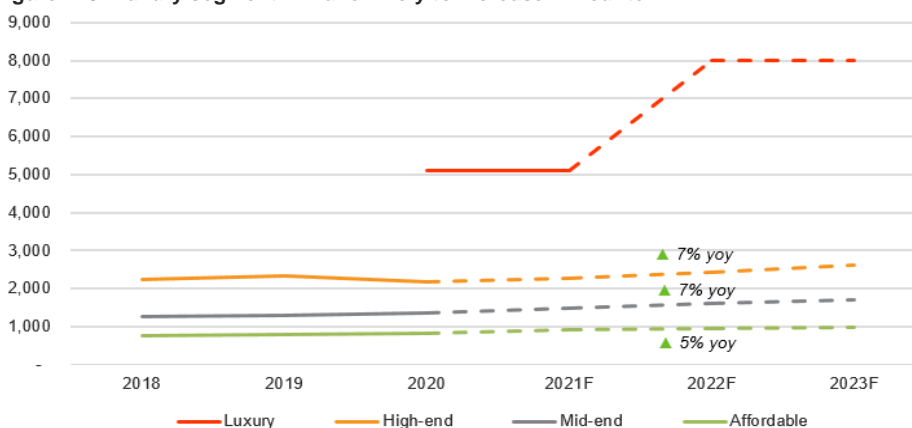
*\*Figures are based on our estimate/assumption*

Sources: VNDIRECT RESEARCH, COLLIERS, COMPANY REPORT, COLLIERS

### Uptrend in housing prices remains intact

We believe Hanoi condo primary prices will continue to enjoy healthy momentum +5%-7% yoy on average in 2022F. Meanwhile we expect to see new pricing levels in the luxury segment set by the Masterise project in Hang Bai with a price, based on industry estimates, of US\$8,000-10,000 psm. For landed market, we believe landed prices of suburb in Hanoi will continue to be in an upward trend in 2022F thanks to infrastructure development, especially the launch of Cat Linh-Ha Dong metro line in Nov 2021 should boost land prices in its surrounding areas such as Ha Dong, Dong Da.

**Figure 125: Luxury segment in Hanoi likely to increase in near term**

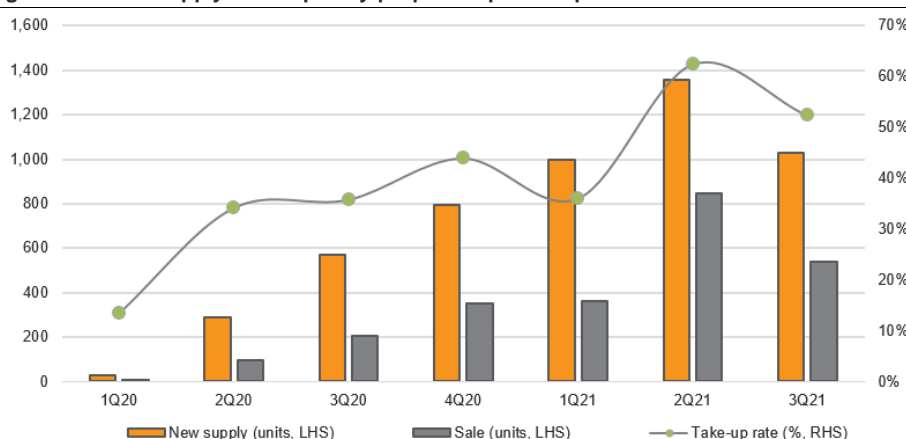


Sources: VNDIRECT RESEARCH, CBRE

### Hospitality property: the worst is already behind us

Despite stricter social distancing in 3Q21, according to DKRA, hospitality market still showed signs of warming up with sales volume up 163.7% yoy to 528 units, driven by ample new launches of 1,027 units (+80.2% yoy). Accumulated, new supply for hospitality properties in 9M21 gradually bounced with 3,382 units, up 281.3% yoy, mostly from Ba Ria–Vung Tau, Phu Quoc, Binh Thuan, Khanh Hoa; leading sales volume to recover by 469.9% yoy to 1,744 units. Take-up rate remained low at 51.6% (+17.1% pts yoy).

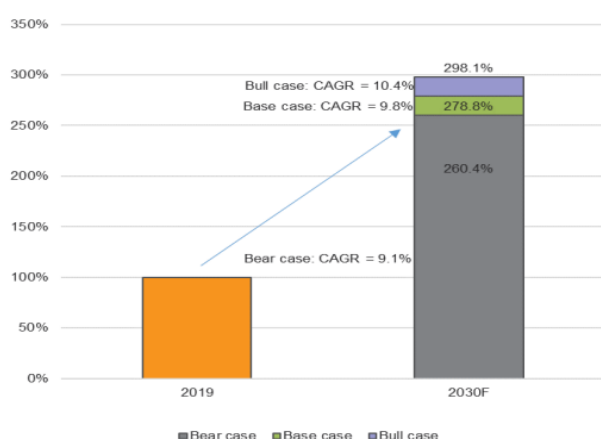
Figure 126: New supply for hospitality properties picked up in 9M21



Sources: VNDIRECT RESEARCH, DKRA

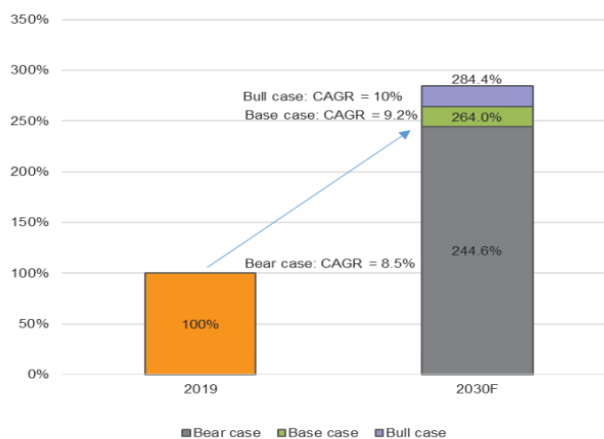
We believe that hospitality property will recover quickly since 2022F on the back of Covid-19 vaccines presence along with recovery of the Vietnam tourism. The headwinds from the pandemic may be over in the hospitality property market from end-2021. We believe landed hospitality property will be the first segment to benefit from the recovery as consumers sought locations offering seclusion and an outdoor environment. Following these points, we like **NVL, HDC, BCG and CEO** which are well position to meet these factors with their on-going hospitality resort projects in Ba Ria – Vung Tau, Phan Thiet.

Figure 127: Vietnam's domestic passenger volume forecast in FY19-30F



Sources: VNDIRECT RESEARCH, CAAV

Figure 128: Vietnam's international passenger volume forecast in FY19-30F



Sources: VNDIRECT RESEARCH, CAAV

According to Vietnam National Administration of Tourism, the path to recovery for Vietnam's tourism will follow four stages: 1) recovery led by domestic tourism; 2) pilot reception of limited international tourist groups in certain tourist sites; 3) reception of visitors from countries with good progress in Covid-19 containment;

4) full recovery of international tourism. Currently, we see Vietnam entering the second stage with approval for Phu Quoc to welcome foreign tourists having vaccine passports since Nov 2021.

- **Stage 1: Poise tourist areas with strong domestic market visitors to recover since 2021 on the back of pent-up demand**

We see hospitality property in tourist areas with a strong domestic market such as Vung Tau, Phan Thiet, Mui Ne, Ho Tram become the first to recover since 2021, on the back of the resumption of domestic business travel and the rise in staycation demand. Although the recovery weakened from 3Q21 due to the emergence of delta variant of COVID-19, there is already evidence of a recovery. The volume of domestic tourists reached 67% of pre-pandemic levels in 1H21.

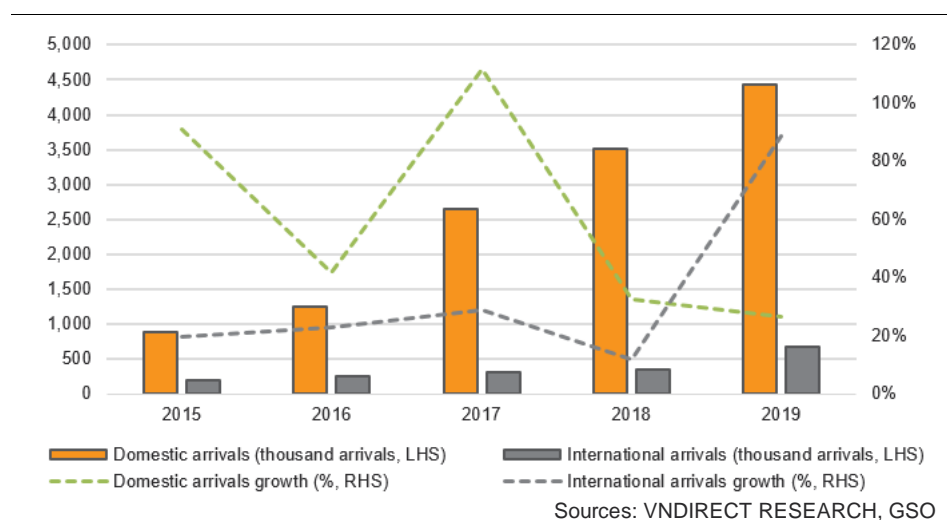
In addition, these areas also enjoy the advantage of infrastructure development such as Dau Giay – Phan Thiet expressway, Long Thanh international airport, providing a high potential for growth for investors. Of which, we see NVL's hospitality projects stand out with three project launches in these areas in 2021-22F. We believe NVL's hospitality projects will be one of the first developers to recover post pandemic.

- **Stage 2: Phu Quoc, Khanh Hoa will be the first tourism site to open for international visitors with vaccine passports, recovery since 2022F**

On 13 Jun 21, the Politburo has approved for Phu Quoc to welcome foreign tourists with vaccine passports. This will boost the recovery of hospitality performance in this island from 4Q21F. Especially, Phu Quoc has become Vietnam's first island city in early-2021, therefore, real estate in this island remains healthy with land prices continuing to rise despite COVID-19. With the recovery from tourism, we believe hospitality property in Phu Quoc has much room for growth post pandemic. Vingroup – one of the largest developers in Phu Quoc – will benefit the most to recover strongly with on-going Vinpearl projects and the upcoming launch at Grand World project.

Following the opening of Phu Quoc to fully vaccinated tourists in Nov 2021, the government plans to introduce similar schemes for other tourism sites such as Khanh Hoa.

**Figure 129: Lots of potential for Phu Quoc hospitality property on the number of domestic and international visitors to this island rising impressively before pandemic**

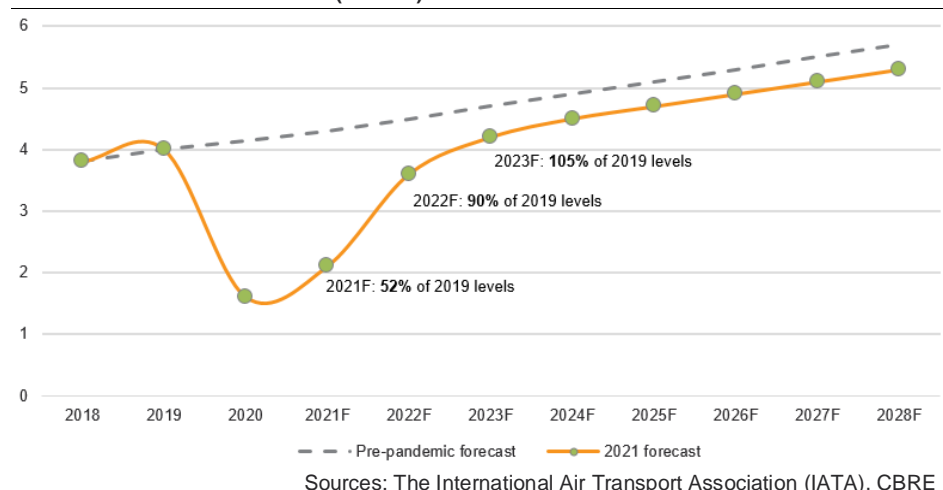


- **Stage 3&4: full recovery since 2023-24F with the bounces of international visitors**

We see all countries around the world are stepping up their immunization efforts to combat the COVID-19 pandemic. Several countries stand out for rolling out

vaccination, of which Canada has the highest percentage of the population (61.6%) vaccinated with at least one dose of the COVID-19 vaccine, following by the UK (59.4%), US (50.9%), Germany (45.1%), Italy (43.1%), France (41.2%) and China (estimated at 36.0%). The International Air Transport Association (IATA) is forecasting global air passenger volume recover to pre-pandemic numbers sometime in 2023-24F.

**Figure 130: IATA is forecasting global air passenger volume recover to pre-pandemic numbers sometime in 2023-24F (billions)**



According to CBRE, Asia Pacific recorded the largest decline in international visitor arrivals in 7M21, down 81.0% yoy due to the emergence of delta variant and slow vaccination rollout. We see signs of recovery for the regional tourism market since 4Q21F with many countries already commencing to re-open for fully-vaccinated international tourists.

### Stock picks: We prefer VHM, KDH, DXS and CRE

**We like developers that meet the following key criteria:** (1) About to launch projects for which they already have construction licenses or land use right (LUR) certificates, or have a high likelihood of securing the license/certificate in 2022F. (2) With material exposure to the mid-range and affordable condo segments as these segments are driven by real end-user demand. (3) Buffered by a healthy financial position (low leverage, strong liquidity) to counter the risk of tightening credit for the real estate market as discussed above.

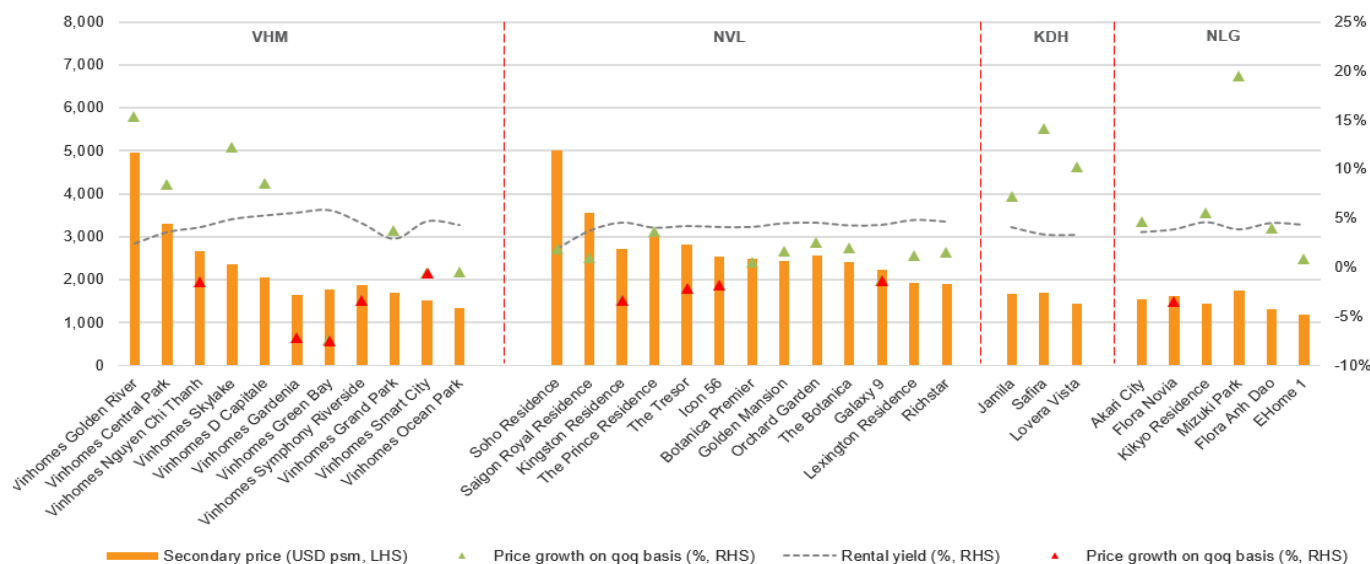
Based on the above criteria, Vinhomes (VHM), and Khang Dien (KDH), are our top picks.

**Vinhomes (VHM VN, Add, TP: 115,000).** Vinhomes' (VHM) total land bank, including land under acquisition, was 16,800ha as of Sep 2021, about 3 times higher than that of the second-ranked company – Novaland, which translates to 16,400ha of residential GFA. As of Sep 2021, 90% of its total land bank had not been deployed yet, showing the huge potential of the VHM in the future. We expect FY22F presales to return to its strong trajectory with 44,585 units of presales volume (+27.8% yoy) and VND124.7tr of value (+71.7% yoy) with the noticeable launches of three new projects including Vinhomes Co Loa, Vinhomes Dream City and Vinhomes Wonder Park.

**Khang Dien (KDH VN, Add, TP: 54,800).** We like KDH for its scale, financial capacity, huge land bank in HCMC's sought-after locations (578ha for residential and 110ha for industrial park as of end-3Q21) as well as legally transparent. We project KDH's presales value to strongly bounce back in FY22F with four new residential project and one industrial park (IP) project launches in HCMC, namely Clarita (5.7ha), Armenia (4.3ha) in Thu Duc City, 158 An Duong Vuong (1.8ha) and Corona (17.5ha) and Le Minh Xuan IP (110ha), which has a

potential GDV of VND30,853bn (based on our estimates. Our mid- to long-term investment thesis is dependent on whether KDH can clear legal hurdles to start its Tan Tao project.

**Figure 131: Condo prices at KDH's projects increased the most at 10.5% yoy on average in 3Q21 while rental yield at VHM's projects reached at 4.4%, higher than the yield of 3.6-4.1% seen in projects of NVL, KDH and NLG**



Source: VNDIRECT RESEARCH

In the context of both volume and price expansion for residential market along with hospitality property recovery in 2022F, we expect property agencies such as DXS, CRE, KHG, NRC to take advantage and post a strong set of 2022F results. We like agencies converting their traditional sales operation to digital to adapt the disrupted sales activities due to local lockdown and suspended travels. Such as **DXS**, **CRE** has their own application for home browsing and booking on virtual tours of the property and online chat with brokers to assist sale activities.

**Dat Xanh Services (DXS VN, Add, TP: 39,500).** We like DXS as (1) DXS is well-positioned to capture the property demand recovery since 2022F, thanks to its leading position in brokerage property with 28% market share, along with strong distribution network spread across all provinces in Vietnam; (2) its different business model focusing on full-service brokerage brings high efficiency compared to competitors; (3) with a superior customer database of 7.5 million customers, DXS is poised to be the champion of both primary and secondary brokerage market as well as auxiliary services and (4) technology platform DXRES O2O is expected to maximize its competitive advantage in a consolidating industry. We expect DXS's net profit to reach VND1,551bn (+85.7% yoy)/VND2,290bn (+47.6% yoy) in FY22-23F, driven by brokerage activities as well as property market recovery.

**Century Land (CRE VN, Add, TP: 36,100).** We like CRE as (1) its leading position in brokerage property with 14% market share will help CRE to ride on the resurgence of housing demand post-pandemic; (2) recent tie-up with Novaland (NVL VN, Hold) and Vinhomes (VHM VN, Add) to distribute their projects, will solidify its marketing position in Northern market; and (3) strong investment pipeline ensures a breakthrough for secondary investment segment in 2022F. We expect CRE's net profit to reach VND701bn (+59.0% yoy)/VND795bn (+13.4% yoy) in 2022F/23F, mostly from secondary property investment. Upside catalyst is a larger-than-expected scale of the company's secondary investment sales.



**Figure 132: Peer comparisons**

Company Name	Ticker	Share price	TP	Recom.	Market Cap (US\$mn)	3-year Fwd EPS CAGR (%)	P/E (x)		P/B (x)		ROE (%)		Dividend yield (%)	Net D/E (%)
		(local cur)	(local cur)					2021F	2022F	2021F	2022F	2021F	2022F	
Residential/hospitality developers														
Vinhomes	VHM VN	83,300	115,000	ADD	15,994	20.6	10.1	11.0	2.9	2.3	29.9	22.9	1.8	14.2
Novaland	NVL VN	110,700	107,700	HOLD	7,193	51.4	26.7	16.3	3.7	3.0	14.7	20.1	0	100.9
Phat Dat	PDR VN	95,800	NR	NR	2,082	29.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	23.9
Development Investment	DIG VN	69,900	NR	NR	1,541	39.8	31.2	36.0	N/A	N/A	15.4	13.0	N/A	18.4
Khang Dien	KDH VN	46,350	54,800	ADD	1,314	42.2	24.7	17.4	2.7	2.6	17.6	25.6	1.4	-0.5
Nam Long	NLG VN	55,400	54,800	HOLD	932	29.2	18.9	13.1	2.3	2.1	16.0	17.6	2.7	23.9
Dat Xanh	DXG VN	28,600	25,000	HOLD	752	46.3	11.8	8.0	2.0	1.6	18.2	21.7	0	18.5
Ha Do	HDG VN	73,000	50,300	HOLD	527	7.3	11.2	10.3	2.8	2.2	28.6	24.8	2.8	124.9
Ba Ria - Vung Tau	HDC VN	91,500	NR	NR	349	23.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	85.7
Bamboo Capital	BCG VN	21,910	27,800	ADD	356	82.2	12.2	4.6	1.9	1.4	23.9	35.2	3.7	192.3
C.E.O Group	CEO VN	42,500	NR	NR	482	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	59.1
Becamex Infrastructure	IJC VN	29,900	NR	NR	286	8.7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	30.7
An Gia	AGG VN	43,750	NR	NR	160	8.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	89.8
LDG	LDG VN	13,350	NR	NR	141	105.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	30.2
Cuu Long Petro	CCL VN	16,950	NR	NR	36	10.4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	46.7
Local peer average						36.0	18.3	14.6	2.6	2.2	20.5	22.6	1.8	57.2
Local peer median						29.4	15.6	12.1	2.7	2.2	17.9	22.3	1.8	30.7
Brokerage														
Dat Xanh Services	DXS VN	31,200	39,900	ADD	493	91.7	14.7	7.7	2.0	1.7	17.0	25.6	0	-5.2
Van Phu Invest	VPI VN	51,800	NR	NR	503	36.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	87.3
Century Land	CRE VN	29,800	36,100	ADD	259	35.8	15.1	9.4	1.7	1.4	15.6	17.5	3.4	89.8
Khai Hoan Land	KHG VN	19,300	NR	NR	149	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11.3
Danh Khoi	NRC VN	28,900	NR	NR	107	18.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8.4
Local peer average						45.6	14.9	8.6	1.8	1.5	16.3	21.6	1.7	38.3
Local peer median						36.0	14.9	8.6	1.8	1.5	16.3	21.6	1.7	11.3
China & Hongkong														
China Vanke-A	000002 CH	32.8	NR	NR	33,394	5.7	5.6	3.9	0.9	0.8	14.6	13.7	6.0	28.6
Sun Hung Kai	16 HK	139.6	NR	NR	35,931	10.5	8.7	8.4	0.5	0.4	5.3	5.4	5.2	15.6
China Overseas Land	688 HK	30.5	NR	NR	25,992	3.8	4.1	2.6	0.5	0.4	12.2	12.1	7.4	32.3
China Resources Land	1109 HK	34.9	NR	NR	31,455	6.4	7.3	6.4	0.9	0.8	13.0	13.3	5.0	29.7
China Evergrande	3333 HK	26.3	NR	NR	4,248	1.7	3.1	3.5	0.2	0.1	(1.2)	0.5	6.6	159.8
Country Garden	2007 HK	13.3	NR	NR	20,293	3.5	3.5	3.2	0.6	0.6	18.8	17.8	8.5	59.7
Indonesia														
Pakuwon Jati	PWON IJ	740	NR	NR	1,670	22.9	18.9	14.8	1.5	1.4	7.9	9.4	0.7	6.0
Bumi Serpong Damai	BSDE IJ	1,410	NR	NR	1,585	21.6	14.8	12.7	0.7	0.6	4.8	5.3	0.2	5.6
Ciputra Development	CTRA IJ	1,130	NR	NR	1,332	9.1	14.4	14.8	1.2	1.1	8.1	7.0	0.8	26.3
Summarecon Agung	SMRA IJ	1,134	NR	NR	976	45.8	44.6	28.0	1.7	1.6	4.0	6.1	0.2	85.9
Malaysia														
KLCCP Stapled	KLCCSS MK	7.7	NR	NR	2,824	N/A	19.7	17.4	0.9	0.9	4.4	5.0	4.7	9.8
SP Setia	SPSB MK	2.3	NR	NR	1,248	62.2	26.5	13.4	0.4	0.4	1.5	2.7	0.9	68.8
Sime Darby Property	SDPR MK	1.1	NR	NR	1,043	188.0	29.1	16.0	0.5	0.5	1.6	2.8	1.9	28.4
Singapore														
CapitaLand	CAPL SP	3.4	NR	NR	N/A	N/A	17.2	15.5	N/A	N/A	5.1	5.8	N/A	68.1
Keppel Corp	KEP SP	6.7	NR	NR	7,010	29.0	13.9	11.7	0.9	0.8	6.0	7.3	3.9	89.5
City Developments	CIT SP	9.4	NR	NR	4,671	N/A	30.7	14.4	0.7	0.7	2.2	5.0	1.8	93.7
UOL Group	UOL SP	7.3	NR	NR	4,275	31.4	19.3	15.5	0.6	0.6	2.9	3.5	2.5	29.5
Frasers Property	FPL SP	1.9	NR	NR	3,286	5.2	18.1	17.0	0.5	0.4	2.7	2.8	2.8	78.7
Ascott Residence	ART SP	1.2	NR	NR	2,438	14.5	28.9	28.1	0.9	0.9	3.4	2.7	4.1	48.9
Thailand														
Land And Houses	LH TB	10.7	NR	NR	3,028	13.9	14.9	13.1	2.0	1.9	13.5	15.4	5.8	110.6
WHA Corporation	WHA TB	4.2	NR	NR	1,524	25.6	18.1	14.8	1.7	1.6	9.6	11.8	3.0	117.6
Pruksa Holding	PSH TB	18.2	NR	NR	830	12.8	11.6	9.4	0.6	0.6	5.6	6.8	6.6	55.5
Supalai	SPALI TB	20.0	NR	NR	1,265	7.0	7.5	7.2	1.1	1.0	15.7	14.5	5.1	53.5

Note: all prices are based on the closing prices on Nov 26 2021. All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

Sources: VNDIRECT RESEARCH, BLOOMBERG

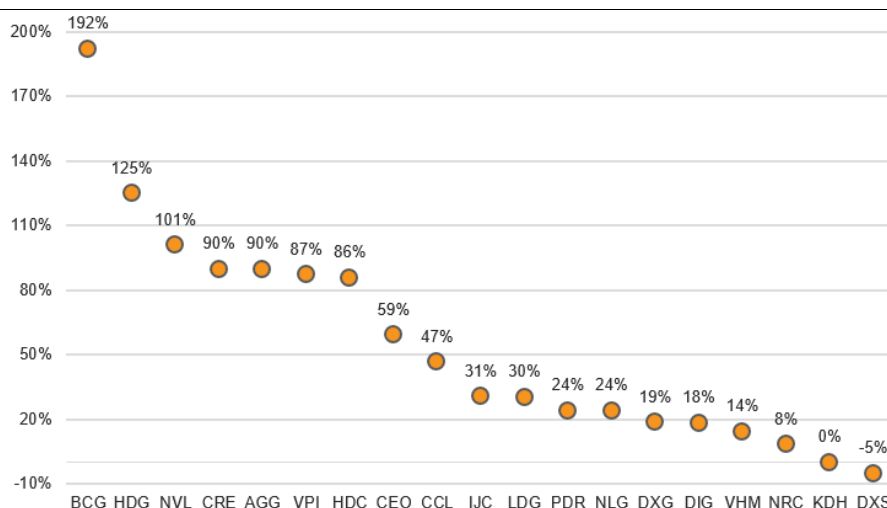
## Sector investment risks and catalysts

### We see no signs of debt crisis at Vietnamese listed property companies

The liquidity crisis of Evergrande commands global attention because the huge size of its debts at US\$300bn, amounts to c.2% of China's GDP, rising concerns about potential systematic risk for the financial market. We understand that the Chinese government has classified Evergrande's woes as a short-term liquidity issue and not an insolvency issue. According to CIMB's estimate, total potential monetised asset value at Rmb2.2tr; this should be sufficient to pay off its total liability of about Rmb1.8tr. We think China may suffer a nasty downturn in its property sector as very tight housing policy, coupled with the Evergrande issue, has made it extremely tough for China developers to refinance their US\$ bonds, but the chances of Evergrande becoming an enormous, systemic event are considerably smaller.

Evergrande contagion ripples fears through Asia's property market. However, we see Vietnam's monetary policy has been well controlled and the State Bank has also strengthened supervision of real estate loans in the past few years. In addition, we see most of Vietnamese developers is operating stably, without any challenges in debt collection and inventory stagnation, with net debt/equity much lower than at 153% of that at Evergrande in FY20.

**Figure 133: Net gearing ratio of listed Vietnamese property developers as at 3Q21**



Sources: VNDIRECT RESEARCH, COMPANY REPORTS

**Upside risks:** New regulatory measures such as Decree 148, Amended Construction Law 2020 issued in 2020 and the upcoming amended Land Law are expected to tackle the bottlenecks in the approval of residential projects and shorten the time in granting construction. The market will return to its excitement after a dull and sluggish period.

#### Downside risks:

- Prolong pandemic could restrict marketing and sales activities;
- Housing prices have increased rapidly, especially in decentralized and sub-urban areas, which are raising concern and pricing out of the market for home buyers;
- We see rising construction cost on material prices hike in FY21F, especially steels prices have increased more than c.40-45% yoy. Steel accounts for 12-15% of total construction cost (based on industry estimates), this could drive up housing prices if those remain at current high level in the next two years.

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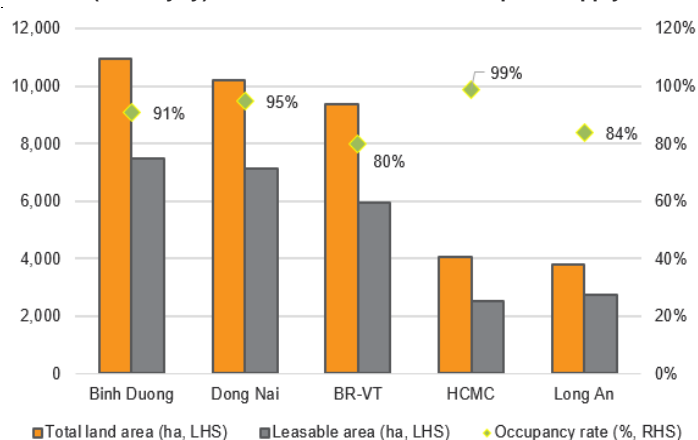
## INDUSTRIAL PROPERTY: TAILWIND IS STILL BLOWING

### 2021 market recap

#### Southern market: rental prices in satellite cities to increase robustly

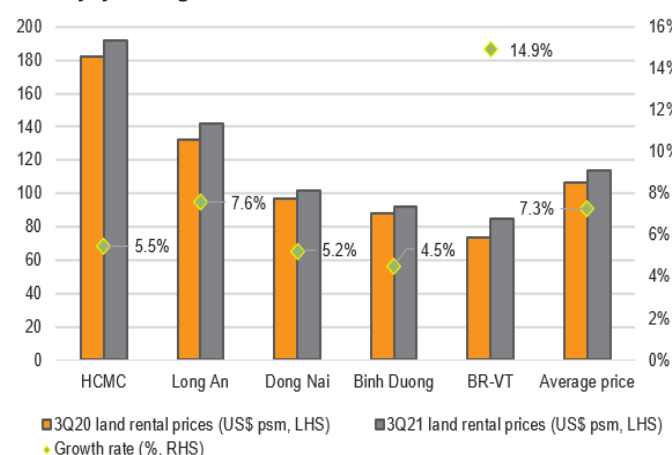
Total industrial land area put into operation in five key Southern industrial cities/provinces rose by 3.6% ytd to c.37,800ha in 9M21, leading to a 4.4% ytd increase in leasable area (c.26,000ha). The new supply was mostly from Ba Ria – Vung Tau (BR-VT), Dong Nai and Binh Duong. Demand continued to outpace supply with average occupancy rate growing 1.0% yoy to 89.8%. In the context of high demand and limited industrial land, average land rental prices continued to climb by 7.3% yoy to US\$114/sqm/lease term. Of which, we see BR-VT recorded an impressive increase of 14.9% yoy to US\$85/sqm/lease term, driven by its accelerating infrastructure development.

**Figure 134: 3Q21 average occupancy rate in the South remained high at 89.8% (+1.0% yoy) as demand continued to outpace supply**



Sources: VNDIRECT RESEARCH, SAVILLS, JLL

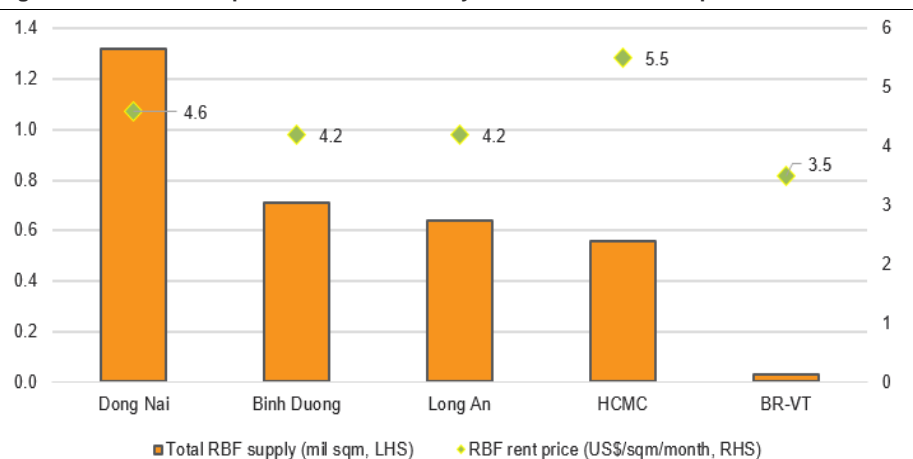
**Figure 135: Land rental prices in BR-VT increased the most at 14.9% yoy among Southern IPs in 3Q21**



Sources: VNDIRECT RESEARCH, CBRE

Meanwhile, we see warehouse (WH) and ready-built factory (RBF) market are emerging with new supply rising significantly by 10% yoy to 3.5 million sqm and 8% yoy to 3.2 million sqm in 1H21, respectively, according to CBRE. Average rental prices relatively stayed flat at US\$3.5-5.5/sqm/month. The WH and RBF also witnessed new M&A activity such as Boustead Projects' proposed acquisition of a 49% interest in KTG and Boustead Industrial Logistics JSC; ESR Cayman Limited and BW Industrial Development JSC (BWID) have entered a joint venture to develop 240,000 sqm in My Phuoc 4 IP.

**Figure 136: RBF rental prices in the South stayed flat at US\$3.5-5.5/sqm/month in 3Q21**



Sources: VNDIRECT RESEARCH, CBRE, JLL

**Figure 137: A racing to set foot in WH & RBF market in the South since 2020, especially in Dong Nai and Long An**

Developer	Nationality	Total area (ha)	Location
BW	US/Vietnam	518	HCMC, Binh Duong, Dong Nai, Bac Ninh, Hai Phong
KCN Vietnam	Vietnam	260	Bac Giang, Hai Phong, Hai Duong, Dong Nai, and Long An
KTG & Boustead	Vietnam / Singapore	84	Dong Nai, Hanoi, Bac Ninh
SLP logistics	Hong Kong	78	Bac Giang, Bac Ninh, Long An
Mapletree	Singapore	75	Dong Nai, Binh Duong, Bac Ninh
Kizuna	Vietnam	24	Long An
Daiwahouse	Japan	24	Dong Nai
Frasers	Singapore	7	Binh Duong

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 138: WH & RBF notable transactions in the South in 9M21**

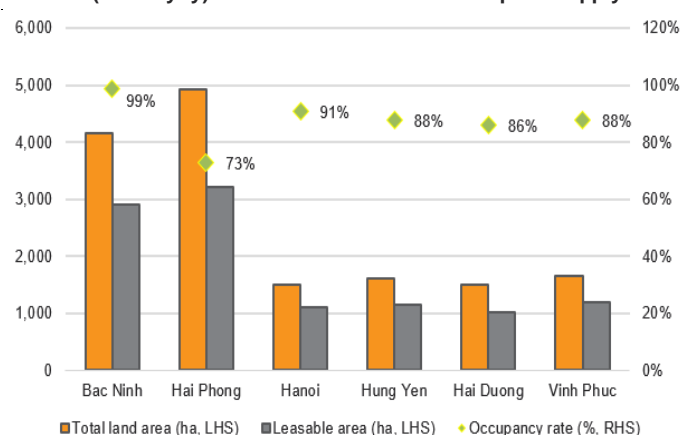
Transaction	Location	Total area (sqm)
Furniture (WH)	Binh Duong	40,000
Logistics (WH)	HCMC	25,000
Food processing (RBF)	Long An	20,000
3PL (WH)	Dong Nai	17,000
Retailer (WH)	HCMC	10,000
Electric components (RBF)	HCMC	5,000
Manufacturing (RBF)	Dong Nai	5,000
3PL (WH)	Dong Nai	5,000
Shoes (RBF)	Long An	2,700
Plastic (RBF)	Long An	2,700

Sources: VNDIRECT RESEARCH, CBRE

### Northern market: demand remained resilient

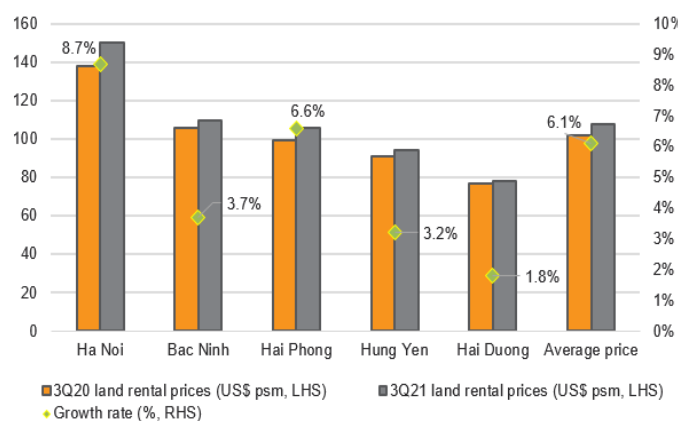
Total industrial land area put into operation in six key Northern industrial cities/provinces rose by 5.7% ytd to c.15,300ha in 9M21, leading to a 5.7% ytd increase in leasable area (c.10,600ha). The new supply was mostly from Bac Ninh and Hai Phong. Demand continued to outpace supply with average occupancy rate growing 2.2% yoy to 87.5%. In the context of high demand and limited industrial land, land rental prices remained strong in 3Q21, with an average increase of 6.1% yoy to US\$108/sqm/lease term. Of which, we see Hanoi and Hai Phong rose the most at 8.7% yoy to US\$150/sqm/lease term and 6.6% yoy to US\$106/sqm/lease term, driven by its accelerating infrastructure development.

**Figure 139: 3Q21 average occupancy rate in the North remained high at 87.5% (+2.2% yoy) as demand continued to outpace supply**



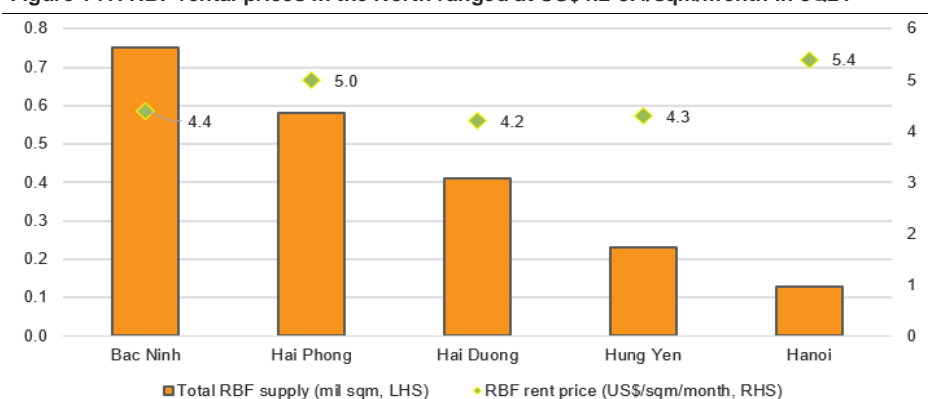
Sources: VNDIRECT RESEARCH, CBRE

**Figure 140: Land rental prices continued to increase across the North**



Sources: VNDIRECT RESEARCH, CBRE

For WH and RBF market, new supply rose 4.4% yoy to 1.1 million sqm and 1.9% yoy to 2.3 million sqm, respectively, in 1H21, according to CBRE. Average rental prices relatively stayed flat at US\$4.2-5.4/sqm/month. We see new projects from large international developers started construction in 11M21 such as Logos in VSIP Bac Ninh, the JV between SEA Logistic Partners (SLP) and GLP in Hai Phong. KCN Viet Nam Group JSC acquired 250ha of land bank to develop premium, sustainable factories and warehouses for rent with a national portfolio across Bac Giang, Hai Phong, Hai Duong, Dong Nai, and Long An.

**Figure 141: RBF rental prices in the North ranged at US\$4.2-5.4/sqm/month in 3Q21**


Sources: VNDIRECT RESEARCH, CBRE, JLL

**Figure 142: A racing to set foot in WH & RBF market in the North since 2020, especially in Bac Ninh province**

Developer	Nationality	Total area (ha)	Location
BW	US/Vietnam	518	HCMC, Binh Duong, Dong Nai, Bac Ninh, Hai Phong
KCN Vietnam	Vietnam	260	Bac Giang, Hai Phong, Hai Duong, Dong Nai, and Long An
KTG & Boustead	Vietnam / Singapore	84	Dong Nai, Hanoi, Bac Ninh
SLP logistics	Hong Kong	78	Bac Giang, Bac Ninh, Long An
Mapletree	Singapore	75	Dong Nai, Binh Duong, Bac Ninh
Gaw NP Industrial	Hong Kong	13	Thai Nguyen
Logos property	Australia	13	Bac Ninh

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 143: WH & RBF transactions for 3PL, logistics and e-commerce sectors stood out in the North in 9M21**

Transaction	Location	Total area (sqm)
3PL (WH)	Bac Ninh	46,000
Logistics (WH)	Bac Ninh	25,000
Retailer (WH)	Bac Ninh	20,000
E-commerce (WH)	Bac Ninh	14,000
Manufacturing (RBF)	Thai Nguyen	14,500
Logistics (WH)	Hai Phong	14,000

Sources: VNDIRECT RESEARCH, CBRE

### Most of listed IP companies recorded a double-digit growth in 9M21

We see the impressive revenue growth in most of listed IP companies with a double-digit growth in 9M21. KBC's revenue increased the most at 231% yoy to VND3,077bn from the low base in 9M20, followed by D2D (+62% yoy), SZC (+56% yoy) and LHG (+56% yoy) thanks to a significant increase in leased land. Meanwhile, BCM recorded the net loss of 26% yoy due to severe 4<sup>th</sup> COVID-19 outbreak in Binh Duong since May 2021. Besides, NTC posted a drop of 15% yoy in 9M21 revenue on lack of leasable industrial land area.

**Figure 144: Most of listed IP companies recorded a double-digit growth in 9M21**

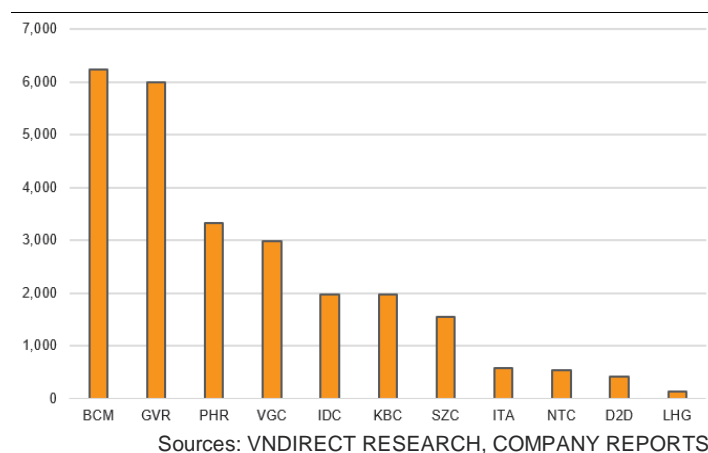
	9M21 revenue (VNDbn)	9M20 revenue (VNDbn)	Change (% yoy)
GVR	16,695	12,117	38%
VGC	7,508	7,088	6%
SIP	4,129	3,417	21%
BCM	3,853	5,210	-26%
SNZ	3,745	3,513	7%
IDC	3,210	3,356	-4%
KBC	3,077	930	231%
PHR	1,280	886	44%
LHG	718	460	56%
ITA	665	549	21%
SZC	566	362	56%
D2D	344	212	62%
TIP	185	145	28%
NTC	165	195	-15%

Sources: VNDIRECT RESEARCH, COMPANY REPORTS

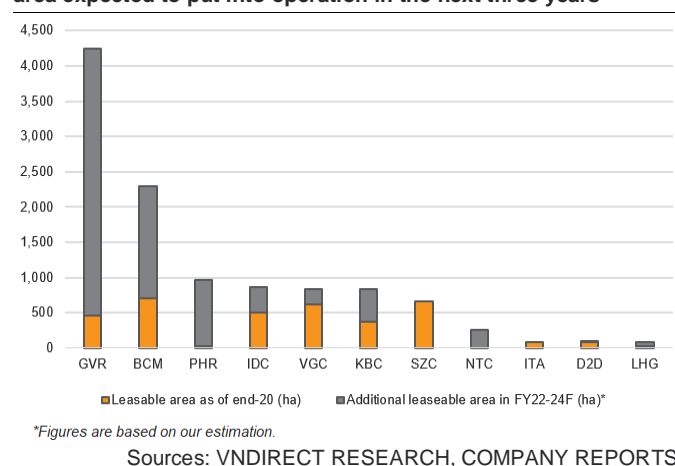


We believe that listed IP companies increase new supply to capture the growing demand for industrial property. As at end-2020, BCM with more than 6,000ha is the largest listed property company in terms of land bank in Southern Vietnam, 2.2 times higher than that of the biggest one in Northern Vietnam, namely VGC with c.2,800ha. However, in term of potential leasable area in the next three years, GVR is likely to take the leading position with c.4,000ha put into operation in 2022-24F thanks to converting rubber plant into industrial parks, followed by BCM with c.2,200ha and PHR with c.1,000ha.

**Figure 145: Land bank (ha) by companies as at end-2020**



**Figure 146: Huge potential for GVR, BCM and PHR with abundant area expected to put into operation in the next three years**



## 2022F outlook: Three trend to shape the market

### Manufacturing expansion driven by both FDI and local players

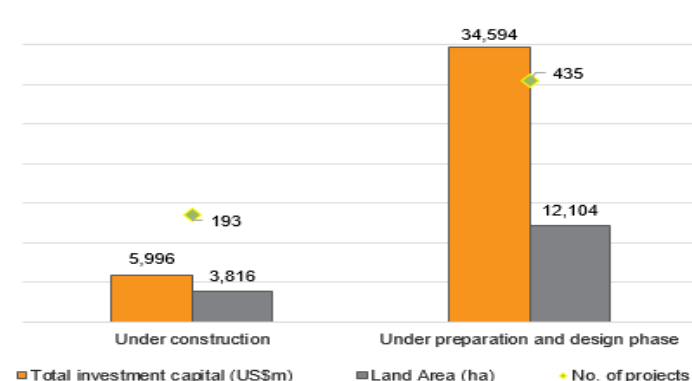
We believe Vietnam with the ingredients of a young and large labour force, together with low operating costs and tax incentives would continue to be an attractive destination for FDI in the longer run, especially in the context of “China plus one” strategy. Added to this are new FTAs namely RCEP and EVFTA, together with other FTAs, would help motivate manufacturing investment companies to come to Vietnam and maintain strong FDI inflows into Vietnam in the coming years, in our view.

**Figure 147: Vietnam is still a hotspot with low operation costs and tax incentives**

	Wage in manufacturing (US\$/month)	Electricity price for business (US\$/kWh)	Construction cost of WH/RBF (US\$/sqm)	Average land price (US\$/sqm/lease term)	CIT (%)	No. of IPs
Myanmar	162	0.110	na	80	25	63
Philippines	205	0.110	na	122	30	323
Vietnam	265	0.077	352	110	20	394
Indonesia	287	0.073	504	238	25	108
Thailand	440	0.121	na	183	20	86
Malaysia	844	0.099	533	225	24	340
China	1,042	0.104	356	na	25	na

Sources: VNDIRECT RESEARCH, SAVILLS, STATISTA, MPI

**Figure 148: Robust manufacturing expansion as of 8M21**



In addition, we observe that existing businesses from both FDI and local producers are significantly expanding their manufacturing capacity, driven by Vietnam’s strong industrial fundamentals such as LG Electronics, Intel, Mitsubishi Motors, O.N Vina. According to Houselink, there are 193 expansion projects (3,816ha of land area) are under construction in 8M21, with a total

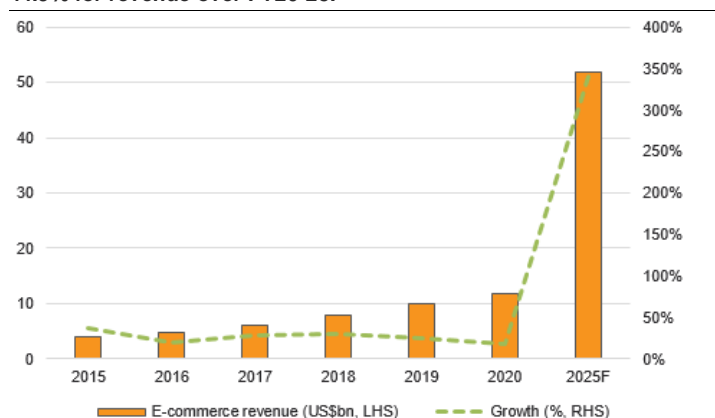
investment capital of c.US\$6bn. Besides, there are 435 expansion projects (12,104ha) are under preparation and design phase in 8M21, higher than that of 387 new projects (6,597ha), pointing the manufacturing expansion trend remaining strong in 2022F, in our view.

### E-commerce boom, increased inventory requirements and supply chain diversification boosting the demand for IP land for warehouse services

According to MoIT, Vietnam's e-commerce revenue is booming, with an estimated CARG of 44.9% to US\$52bn in FY20-25F. According to CBRE Asia, the growth in e-commerce will drive the requirement for an additional 350,000sqm of new warehouse space with an approximate e-commerce revenue of US\$25-27bn, translating into an additional more than 700,000sqm in FY25F for Vietnam.

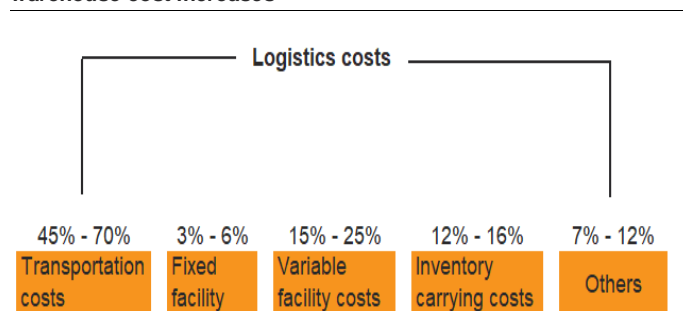
Besides, robust demand for goods and the ongoing supply chain disruption heighten the need for additional warehouse space to stockpile goods and mitigate future disruptions as well, according to CBRE Econometric Advisors. Given that rising transportation costs are much higher than warehouse cost, accounting for 45%-70% of total supply chain cost, while fixed facility costs (including real estate) account for only 3% to 6%, logistics space near major transportation hubs such as airports and ports with well-connected transport networks, will be keenly sought-after, in our view. We believe developers that own land bank in BR-VT, Hai Phong such as **SZC**, **IDC**, **KBC** will enjoy the most advantage.

**Figure 149: E-commerce boom in Vietnam with an estimated CARG of 44.9% for revenue over FY20-25F**



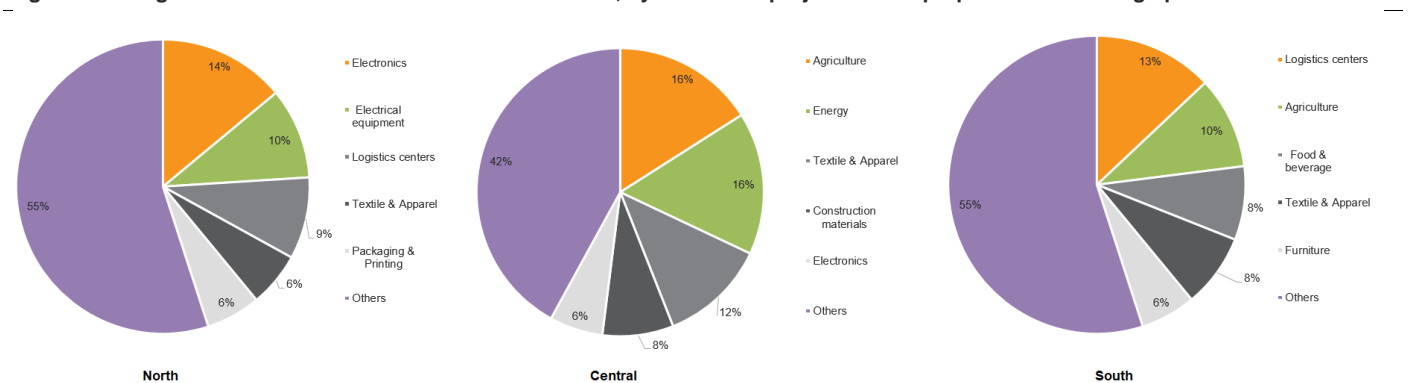
Sources: VNDIRECT RESEARCH, MoIT

**Figure 150: Transportation costs increases are much higher than warehouse cost increases**



Sources: VNDIRECT RESEARCH, CBRE APAC

**Figure 151: Logistics sector accounts the most in the South, by number of projects under preparation and design phase**



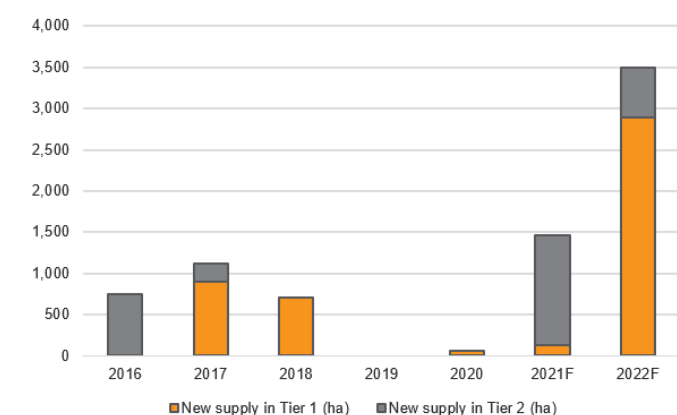
Sources: VNDIRECT RESEARCH, HOUSELINK

## Big emphasis on supply in Southern market in 2022F

Industrial land supply in the South is expected to rise further in 2022F with c.3,500ha in total to capture the growing demand in the region, mostly from Dong Nai, Binh Duong and Long An. Infrastructure development has been stepping up with imminent projects such as 11 sub-projects in the eastern section of the North-South Expressway, Trung Luong-My Thuan expressway and phase one of the Long Thanh international airport project.

We believe that ready-built factories and warehouses will continue to do well in 2022F with both domestic and global developers looking to enter the market. CBRE is forecasting a CAGR WH/RBF new supply of 22%/14% in the South and a CAGR WH/RBF new supply of 46%/10% in the North in 2021-23F.

**Figure 152: Industrial land supply in the South is expected to rise further in 2021-22F with c.5,000ha in total**

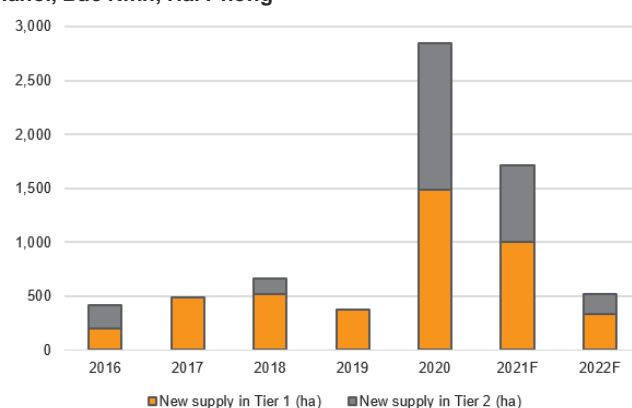


Southern Tier-1: HCMC, Dong Nai, Binh Duong, Long An

Southern Tier-2: Binh Thuan, BR-VT, Binh Phuoc, Tay Ninh, Tien Giang, Vinh Long

Sources: VNDIRECT RESEARCH, CBRE

**Figure 153: Industrial land supply likely moves to Hung Yen, Hai Duong due to limited land bank in major industrial hubs including Hanoi, Bac Ninh, Hai Phong**



Northern Tier-1: Hanoi, Bac Ninh, Hai Duong, Hung Yen, Hai Phong

Northern Tier-2: Bac Giang, Nam Dinh, Vinh Phuc, Quang Ninh

Sources: VNDIRECT RESEARCH, CBRE

## Stock picks

We believe that most of the listed IP names have closed to their fair value. However, we still like **KBC, PHR, SZC** for long-term investment as:

**Kinh Bac City (KBC, Hold, TP: VND56,100).** We believe KBC is well-positioned to capture the growing demand for IP as 1) KBC has a sizeable ready-to-lease industrial land bank with 807ha as of 3Q21; 2) KBC holds the leading position in attracting FDI with several tech giants in its tenant portfolio, including Samsung Electronics Vietnam in Que Vo IP, LG Electronics in Trang Due IPs, Foxconn in Quang Chau IP and the upcoming OPPO in NSHL IP recently. In addition, we believe KBC's residential property business' profit booking period could be since FY22F. KBC is now completing legal procedures at Trang Cat urban area project (581ha), which has a potential GDV of VND55,829bn (based on our estimate) and plans for its first bulk sales of 50ha in 2022F. KBC also plans to handover 6ha at Phuc Ninh urban area in 4Q21-FY22F, contributing VND1,300bn-1,400bn in revenue. We believe these projects should provide strong support for KBC's long-term earnings growth. These projects should provide strong support for KBC's long-term earnings growth, in our view. We expect KBC's net profit to reach VND1,723bn (+44.1% yoy) / VND3,612bn (+109.7% yoy) in FY22-23F.

Potential upside risks could come from faster IP or residential land sales and whether KBC can clear legal hurdles to start its new IPs. Key downside risks 1) worse-than-expected IP land sales, 2) regulatory delays in Trang Cat project and Trang Due 3 IP, and 3) delays in booking revenue from residential projects.

**Phuoc Hoa Rubber JSC (PHR, Hold, TP: VND77,100).** PHR aims to convert more than 5,600ha rubber land fund into IP in Binh Duong to capture the growing demand for Vietnam IP. We expect about 2,600ha of four IPs might be put into

operation in the next three years. We expect PHR could receive the VND898bn payment of compensation and resettlement support for 691ha of VSIP 3 IP in FY22F, leading to a 161.1% yoy surge in FY22F net profit. We forecast PHR to deliver a net profit CAGR of 48.1% over FY23-25F, driven by 1) an IP revenue CAGR of 85.7% and an associate income CAGR of 43.8% fuelled by the contribution of four new IPs and 2) a revenue CAGR of 9.6% in natural rubber revenue on strong demand from US and China automotive market.

Upside catalysts could come from whether PHR can clear legal hurdles to start its new IPs and receive the payment of land compensation sooner-than-expected. Downside risks are: 1) prolonged 4th COVID-19 outbreak which could restrict sales and investment activities, 2) regulatory delays in IPs project, leading to delays in operation and receiving payment of land compensation, 3) risk of falling rubber prices due to oversupply, global inventories, which has thin profit margins.

**Sonadezi Chau Duc JSC (SZC, Hold, TP: VND58,800).** SZC is well-positioned to capture the growing demand for industrial property in the South thanks to: 1) strong support from its parent company, Sonadezi Corporation; 2) sizeable land bank (660ha) and competitive rental prices among listed peers in Vietnam; and 3) attracting a diversified manufacturer profile on favorable location near ports, airport and other IPs in Ba Ria – Vung Tau (BR-VT). In addition, SZC's residential property business is ripe for the picking in FY22-23F with its first phase - Sonadezi Huu Phuoc (40.5ha) launches in 2H21. We believe FY22F is another stellar year for SZC with net profit up 66.6% yoy, driven by a rise in revenue from the industrial property and residential projects.

Upside catalysts are 1) a better-than-expected IP and residential land sales, 2) faster land clearance, which will speed up project implementation. Downside risks are 1) prolonged 4<sup>th</sup> COVID-19 outbreak which could restrict sales and investment activities, and 2) delays in residential and golf course launches.

#### Upside risks:

**1)** RCEP's effect from 1 Jan 2022 could give the industrial sector another shot in the arm and become a key milestone for ASEAN countries to advance as a global manufacturing hub, in our view. Not only does RCEP maintain trade openness, but it can also deepen ASEAN's connectivity with China, South Korea and Japan, which are global heavyweights for the electronics, cars, textiles and garment industries;

and **2)** the approval of a new decree regarding IPs and EZs management drafted on 07 June 21 is expected to create a legal framework for investment and development activities in IPs and EZs. This new decree will add regulation on the treatment for cases in which landlords increase their rental by more than 30% compared to the rental registered to the local management; support for small and medium-sized enterprises, the supporting industry and innovative enterprises; shorten the time in granting permits.

**Downside risks:** 1) another wave of Covid-19 variants globally could restrict sales activities with foreign enterprises; 2) continuously increasing land rental prices could dent Vietnam's advantage with low operation cost, in our view and 3) increasing competition from regional peers. Not only Vietnam but also neighboring countries have rapidly established new industrial parks. For instance, Indonesia established a 4,000ha IP in 2020, Myanmar cooperated with Korea, Thailand, Singapore to attract more overseas manufacturers with Myanmar Singapore Industrial Park (436ha), Yangon Amata Smart and Eco City (800ha).

**Figure 154: Peer comparisons**

Vietnam																		Dividend yield (%)
Company Name	Ticker	Share price (local cur)	TP (local cur)	Market Cap (US\$mn)	P/E (x)			P/B (x)			ROE (%)			ROA (%)			2021F	
					TTM	2021F	2022F	Current	2021F	2022F	TTM	2021F	2022F	TTM	2021F	2022F		
Vietnam																		
Vietnam Rubber Group	GVR VN	36,950	NA	6,517	29.7	31.7	28.8	3.0	N/A	N/A	10.6	9.4	9.9	6.3	5.6	5.8	1.7	
Investment & Industrial Deve	BCM VN	54,000	NA	2,465	31.2	N/A	N/A	3.7	N/A	N/A	11.8	N/A	N/A	3.8	N/A	N/A	N/A	
Kinh Bac City Development Sh	KBC VN	48,250	56,100	1,212	38.9	23.0	16.0	2.2	1.9	1.7	7.2	10.0	11.4	3.2	4.3	5.2	0	
Idico Corp Jsc	IDC VN	80,000	NA	1,058	44.1	23.7	17.9	5.9	4.7	4.7	13.0	16.0	31.8	3.6	5.1	8.9	5.2	
Viglacera Corp Jsc	VGC VN	47,000	NA	929	22.2	26.9	20.7	3.2	2.8	2.9	14.7	13.1	14.5	4.8	N/A	N/A	2.4	
Saigon Vrg Investment Corp	SIP VN	153,000	NA	627	13.6	N/A	N/A	6.0	N/A	N/A	51.7	N/A	N/A	6.8	N/A	N/A	N/A	
Sonadezi Corp	SNZ VN	36,000	NA	598	18.6	N/A	N/A	2.5	N/A	N/A	14.3	N/A	N/A	3.8	N/A	N/A	N/A	
Phuoc Hoa Rubber	PHR VN	70,700	77,100	422	13.9	24.8	9.5	3.0	3.1	2.7	21.8	12.7	31.5	11.3	6.3	15.7	4.8	
Sonadezi Chau Duc	SZC VN	54,900	58,800	242	21.4	21.1	13.3	3.9	4.0	3.2	20.5	20.6	29.6	5.3	5.4	7.0	2.0	
Nam Tan Uyen	NTC VN	191,500	NA	203	15.8	10.8	N/A	6.7	5.3	N/A	33.3	37.1	N/A	5.9	6.3	N/A	4.2	
Long Hau Corp	LHG VN	48,750	NA	108	7.3	8.3	9.1	1.7	1.9	1.8	25.2	22.0	N/A	12.7	11.3	N/A	4.0	
Viet Nam Rubber	VRG VN	25,000	NA	29	61.6	N/A	N/A	2.3	N/A	N/A	3.7	N/A	N/A	1.7	N/A	N/A	N/A	
Average					26.5	21.3	16.5	3.7	3.4	2.8	19.0	17.6	21.5	5.8	6.3	8.5	3.0	
Thailand																		
Wha Corp Pcl	WHA TB	3.3	NA	1,459	21.4	18.1	14.8	1.8	1.7	1.6	7.0	9.6	11.8	2.4	3.7	4.5	3.0	
Frasers Property Thailand Pc	FPT TB	11.8	NA	819	9.5	13.2	12.0	0.8	0.7	0.7	4.8	5.7	6.1	1.7	2.1	2.3	4.8	
Amata Corp Public Co Ltd	AMATA TB	18.4	NA	633	18.9	19.3	13.9	1.2	1.4	1.3	6.7	7.1	9.4	2.6	3.2	4.3	1.8	
Rojana Indus Park Pub Co Ltd	ROJNA TB	6.5	NA	303	9.4	10.1	21.5	0.9	0.9	0.9	14.8	6.6	5.6	4.5	2.0	1.8	3.6	
Thailand Average					14.8	15.2	15.5	1.2	1.2	1.1	8.3	7.2	8.2	2.8	2.7	3.2	3.3	
Indonesia																		
Bumi Serpong Damai Pt	BSDE IJ	1,080	NA	1,585	21.6	15.0	12.9	0.7	0.7	0.6	3.5	4.8	5.3	1.8	3.1	3.3	0.2	
Ciputra Development Tbk Pt	CTRA IJ	1,035	NA	1,332	9.1	14.3	14.7	1.2	1.2	1.1	13.6	8.1	7.0	5.3	3.4	3.2	0.8	
Lippo Karawaci Tbk Pt	LPKR IJ	144	NA	708	N/A	119.2	29.1	0.6	0.5	0.5	(32.5)	1.8	1.2	(11.6)	(0.7)	0.2	0	
Indonesia Average					15.4	49.5	18.9	0.8	0.8	0.8	(5.2)	4.9	4.5	(1.5)	1.9	2.2	0.4	

Note: all prices are based on the closing prices on Nov 26 2021. All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

Sources: VNDIRECT RESEARCH, BLOOMBERG, COMPANY REPORTS



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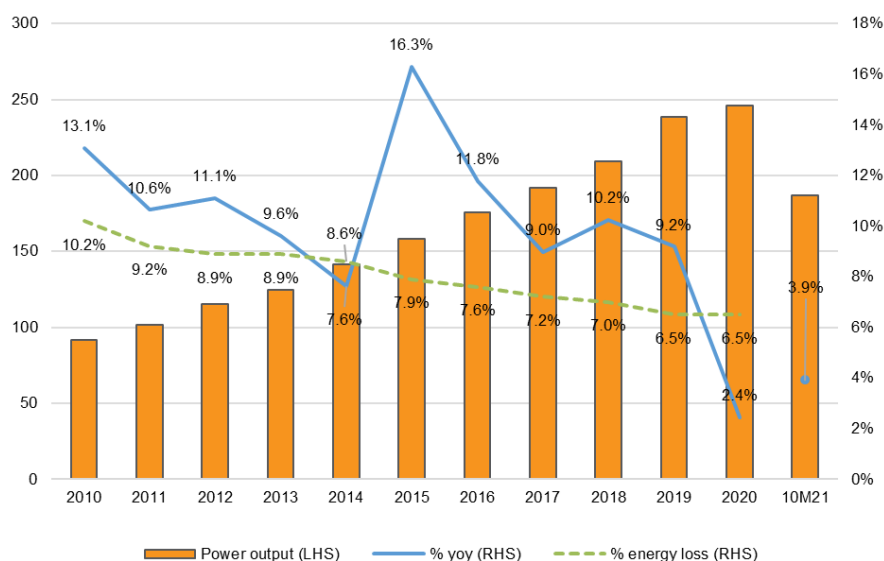
**Dung Nguyen Tien**

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**POWER: GEAR UP TO GREEN**

**We expect country electricity consumption to recover since 2022F**

**Figure 155: Power output growth from 2010 to Oct 21 (Unit: Billion kWh)**

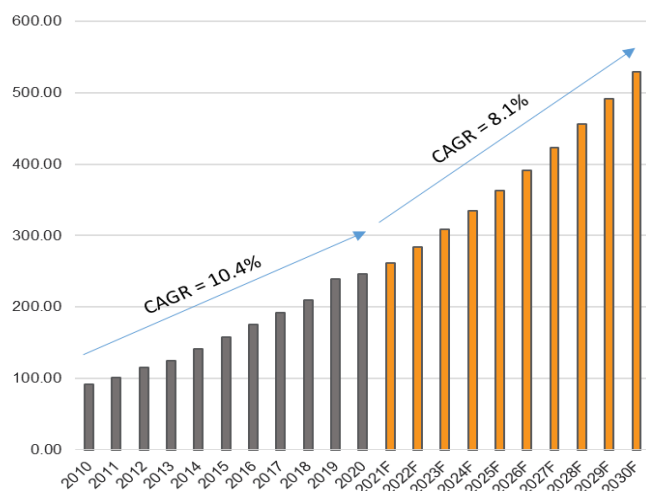


Source: EVN, PDP8, VNDIRECT RESEARCH

Vietnam's power output grew at average 10% per year from 2010 to 2019 but decelerating to only 2.4% yoy in 2020 due to Covid-19, causing a decline in power consumption. In 10M21, the power consumption growth rate has recovered modestly 3.9% yoy to 187bn kWh, but still lower than the expected 8.5% according to the Power Development Plan 8 draft (PDP8).

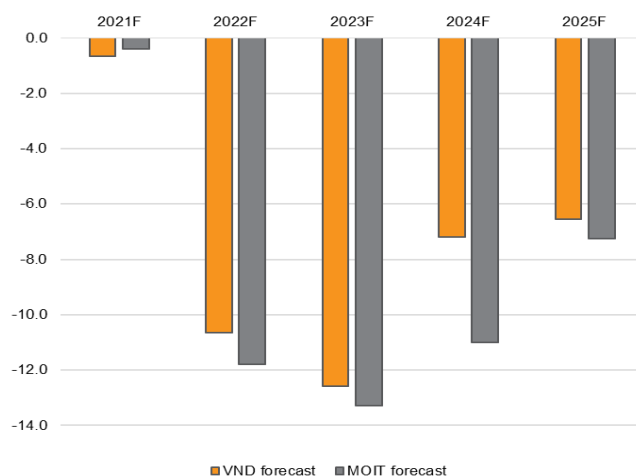
We expect power consumption will recover from 2022F when Covid-19 is under control. According to the Ministry of Industry and Trade Vietnam (MOIT), Vietnam's power consumption will grow at 8.1% CAGR in the 2021-30F period. Besides, we forecast that power shortage might occur in the 2022-25F period due to the delay of several traditional power plants (Hydro, gas-fired, and coal-fired power) in the 2016-20 period with an estimated capacity is up to more than 7,000MW.

**Figure 156: Power consumption is forecasted to grow at 8.1% CAGR over 2021-30F (Unit: billion kWh)**



Sources: MOIT, VNDIRECT RESEARCH

**Figure 157: Power shortage will occur in 2021-25F (Unit: billion kWh)**



Sources: MOIT, VNDIRECT RESEARCH

**What can we expect from the draft Power Development Plan 8?**

### Looking forward to a greener future

According to the draft, country installed capacity will probably reach about 261,951 MW by 2045F, meanwhile, total output from domestic and import might reach 528.8bn kWh by 2030F.

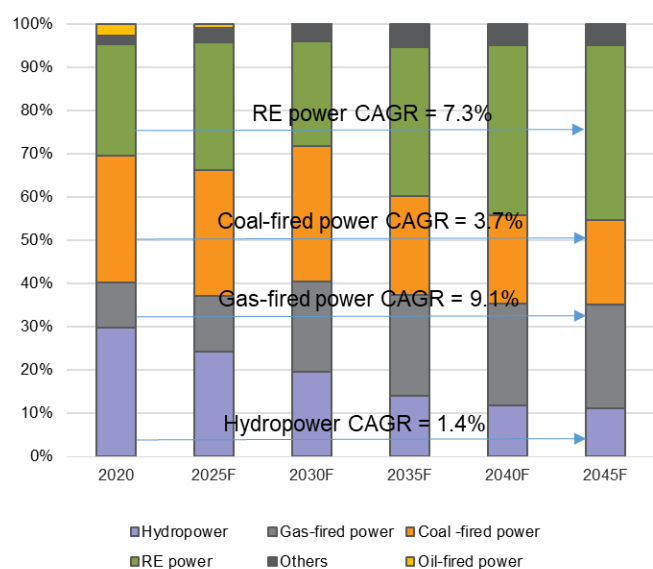
*What should be highlighted from the draft PDP 8?*

First, it reinforces the government's current view on prioritizing renewable energy sources to minimize negative impacts caused by electricity production on the environment. Renewable energy (RE) is targeted to grow 7.3% CAGR over 2020-45F, widening its weight to 41% of country capacity by 2045F from 25.8% in 2020. In which, wind power will rise 19% CAGR in 2020-45F period and take over 18.6% of total capacity in 2045F. On the other hand, solar power capacity will decelerate to 4.6% CAGR over 2020-45F and its proportion declines from 24% in 2020 to 19.9% of total capacity in 2045F.

Second, gas-fired power will be empowered with the highest growth rate of 9.1% CAGR over 2020-45F, accounting for 24% of country capacity by 2045F. According to the PDP8, the gas-fired power plant will shift from natural gas-to-power to LNG-to-power from 2025F as domestic natural gas resources are exhausting while new gas fields require complex exploiting conditions with higher gas prices. Hence, imported LNG is an inevitable and more stable substitution for domestic natural gas in long-term.

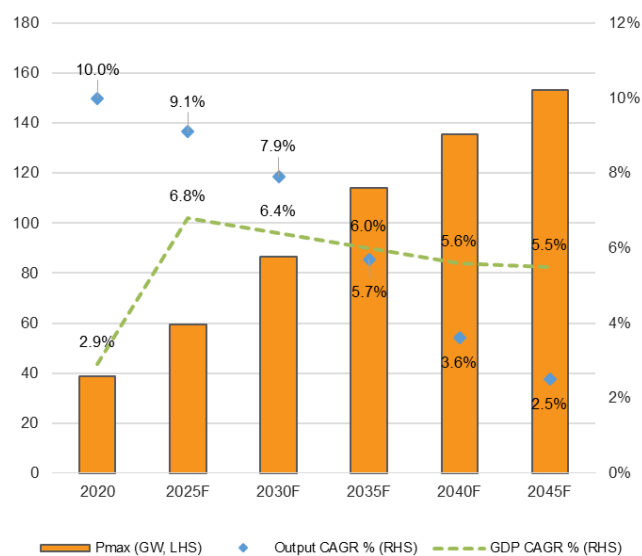
Third, hydropower remained no spaces to grow, only inches up 1.4% CAGR in 2020-45F, its capacity weight will narrow down from 29.9% in 2020 to 11% in 2045F. Coal-fired power will remain its essential role in 2021-30F, grabbing 31% of total capacity in 2030F. However, it will be gradually replaced due to environmental effects and Vietnam's net-zero commitment at the recent Climate Change Conference (COP26). Coal-fired power capacity will reduce 20% of total capacity in 2045F, with 3.7% CAGR in 2020-45F.

**Figure 158: Capacity structure will gradually shift to RE and Gas-fired power in the 2020-45F period (Unit: %)**



Sources: PDP8, VNDIRECT RESEARCH

**Figure 159: Electric load will rise to around 155GW in 2045F; Output CAGR will decelerate from 10% in 2020-25F to 2.5% in 2040-45F.**



Sources: PDP8, VNDIRECT RESEARCH

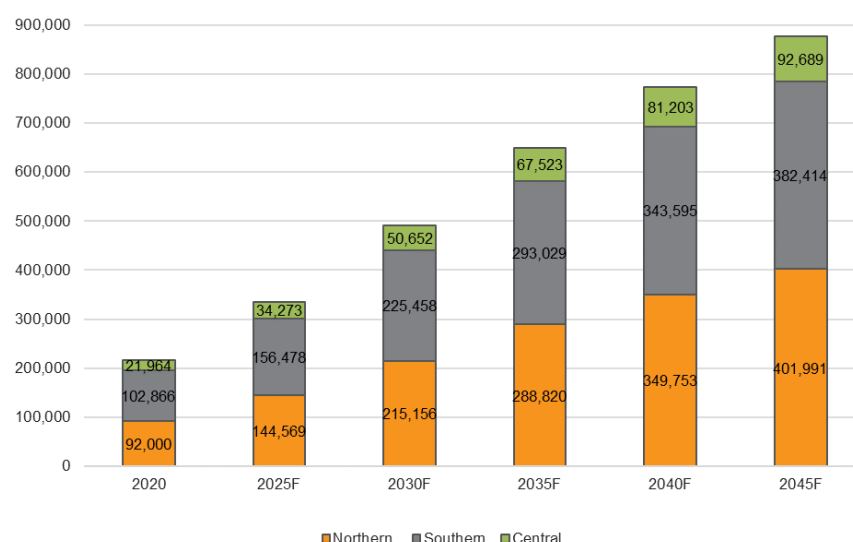
### Developing power transmission grid is another crucial mission

According to PDP8, commercial electricity in the North will gradually increase from 42.4% in 2020 to 45.8% of total national electricity in 2045F. In comparison, the South will reduce its proportion from 47.4% in 2020 to 43.6% in 2045F. Notably, in 2040 the commercial electricity of the North will begin to exceed the

South, and there will be a difference in transmission trends among regions in 2025F. Whereby, the northern provinces will receive about 10bn kWh, of which 4bn kWh come from the Central and Highland, and 6bn kWh from the South. Moreover, the explosion of RE power capacity in the South and Highland will gradually enhance the transmission direction from South to North due to overcapacity. Therefore, it is necessary to expand and upgrade the inter-regional transmission system of South Central – Middle Central – North Central – North to strengthen the power system.

According to EVNNPT's development plan for transmission grids, Vietnam will have about 617 transmission lines and substations energized in 2020-25F, including 116 500kV projects and 501 220kV projects. From 2035, MOIT plans to continually build 252 substations 500-200kV with total additional capacity of 164GVA. Besides, total length of transmission lines for new construction and renovation reach 11,200km/315 projects. The new transmission grids plays a vital role in providing sufficient electricity for the locality, especially the 220kV stations.

**Figure 160: Commercial power output in the North will exceed the South from 2040F**



Source: PDP8 draft, VNDIRECT RESEARCH

### Gas-fired power outlook

#### We believe gas-fired power output will recover from 2022F

Gas-fired power output recorded a decreasing trend from 2016 when domestic gas fuel exhausted while the new gas fields such as Blue Whale, Block B, and Sao Vang Dai Nguyet require a higher price due to complex exploiting conditions. Besides, the sharp rise in international oil price is the resonance reason, leading to the increase in gas prices. Hence, the high gas-fired power price reduces competitiveness, and the energy source has suffered lower quantity assigned by EVN over the years. In 10M21, gas-fired output continues to sink 25% yoy due to: higher oil price leading to higher sell prices. Thus, EVN prioritized to mobilize from cheaper power sources such as hydropower when ideal weather conditions have supported it since 4Q20.

We note down some promising factors that will support gas-fired power output to rebound in 2022F, including:

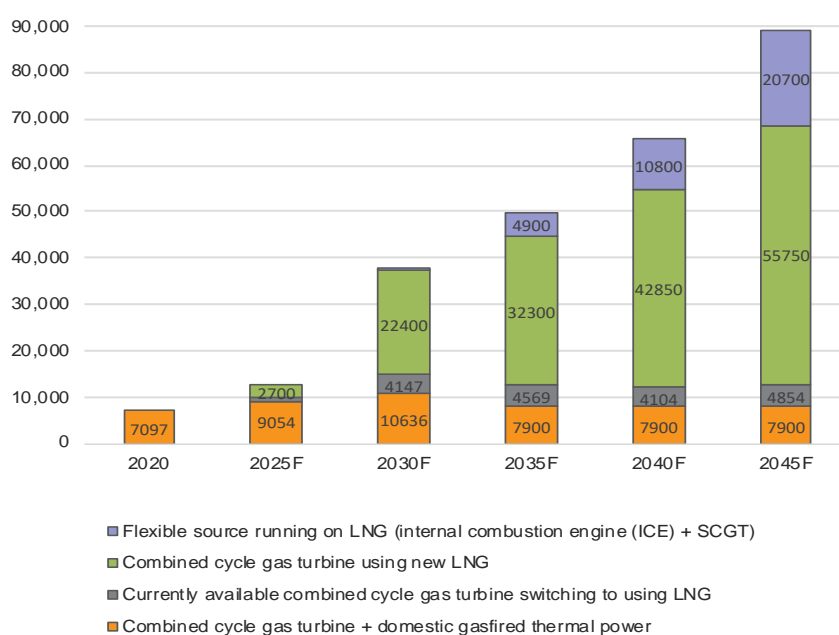
- Brent oil price is forecasted to stabilize and move around US\$75/bbl, reducing the stress for gas-fired price hike from 2022F.

- Hydropower will come out of its peak period from 2022F when the La Nina phase weakens.
- Power consumption will recover, and the growth rate will return to its planned level, especially in the South and industrial areas when Vietnam reaches a solid vaccination rate.

### LNG-to-power is the most vibrant segment

Along with RE power, the PDP8 also stressed the importance of gas-fired power for Vietnam's capacity development plan in the 2020-45F period. Domestic gas input is exhausting over the year, while international LNG prices might decrease due to lower demand in the following year. Therefore, it provides an excellent opportunity for Vietnam to develop gas-fired power using imported LNG - a more stable source. According to the PDP8 draft, the total capacity of domestic gas-fired thermal power will increase from 7GW to 9.1GW in the 20-25F period then start switching to LNG power plants from 2030F. The total installed capacity of gas-fired plants using LNG will increase sharply from around 2.7GW in 2025F to 22.4GW in 2030F and keep its increasing trend to reach 55GW in 2045F.

**Figure 161: Traditional domestic gas-fired power plants will be replaced by LNG gas-fired power plant from 2020 to 2045F (Unit: MW)**



Source: PDP8 draft, VNDIRECT RESEARCH

We believe that gas-fired power will develop quickly in the following years and plays a vital role in Vietnam electricity. Notably, gas-fired power using LNG will become the primary trend, and Nhon Trach 3&4 are the pioneers as the first plants using imported LNG in Vietnam. Regarding its stable nature, we believe the new gas-fired plants will be prioritized, boosting up its power output, and gas-fired power plant investors will be benefited.

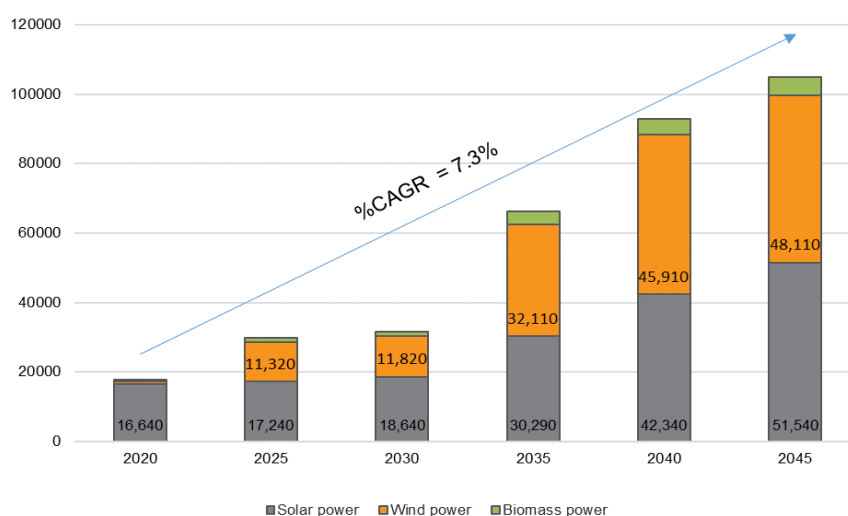
**Figure 162: Remarkable gas-fired power plants under the PDP8**

Project	Province	Capacity (MW)	Investment cost (US\$m)	Planned operation	Investor	Comment
Nhon Trach 3&4	Dong Nai	1,500	1,400	2023-24	PVPower	Using imported LNG from Thi Vai terminal
Son My 2 CCGT	Binh Thuan	2,200	4,000	2023-24	AES group	Ussing imported LNG from Son My port. BOT contract for 20 years
Son My 1 CCGT	Binh Thuan	2,000		2026-28	EDF, Sojitz, Kyushu, Pacific Group	Using imported LNG from Son My port
Bac Lieu CCGT	Bac Lieu	3,200	4,000	2025-27	Delta Offshore Energy	Independent Power Plant (IPP). Estimated ASP of 7UScent/kWh. First phase of 800MW expected to deploy in 2024
Long Son (Phase 1)	Ba Ria - Vung Tau	1,200	3,780	2025-26	Mitsubitshi Corp, General Electric, GTPP	Using imported LNG from Long Son port
Ca Na 1	Ninh Thuan	1,500	3,850	2025-26	Trung Nam group	Building FS
LNG Long An 1&2	Long An	3,000	3,130	LNG Long An 1: 2025-26 LNG Long An 2: 2035	Vinacapital GS Energy Pte.Ltd	Approved all 3,000MW
LNG Quang Ninh	Quang Ninh	1,500	1,998	2027	PVPower (VN), Colavi, Tokyo Gas, Marubeni.	Approved all 1,500MW in November 2021

Source: PDP8 draft, VNDIRECT RESEARCH

### Renewable energy outlook

#### The explosion of renewable energy (RE) power since 2020

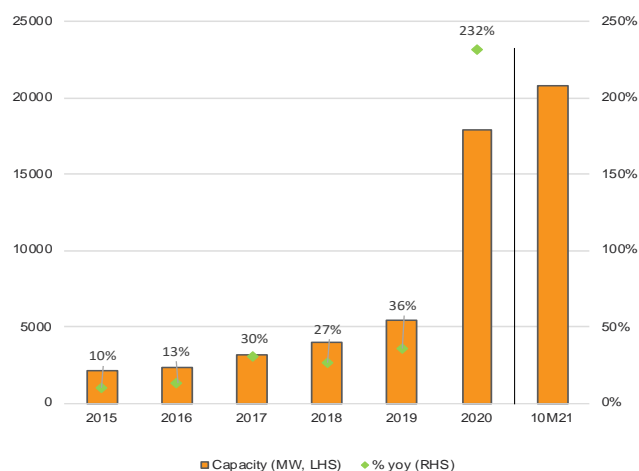
**Figure 163: RE power capacity (excluding hydropower) will increase sharply in 2020-45F (Unit: MW)**


Source: PDP8 draft, VNDIRECT RESEARCH

Country RE power capacity has accelerated from 5.5% of total capacity in 2015 to quadruple in 2020. In the following years, it is expected to grab the largest capacity contribution of 40.6% of the power system by 2045F according to the PDP8. Wind and solar power will be the main drivers, while biomass and small hydropower (<30MW) provide a smaller weight. RE power (excluding hydropower) experienced a flourishing year in 2020, rising by 232.0% yoy to 17,840MW. In which, solar contributes a major amount of 16,640MW (93.2% of total RE capacity), while wind and other renewable power contribute 6.8%.

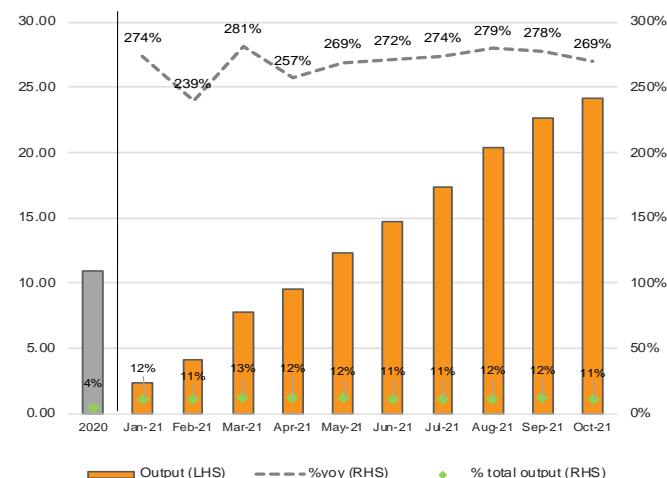


**Figure 164: RE power capacity surged 232% yoy in 2020 to 17,840MW (Unit: MW)**



Source: PDP8 draft, VNDIRECT RESEARCH

**Figure 165: RE power output increased sharply 169% yoy in 10M21, and accounted for 11% of total capacity (Unit: billion kWh)**

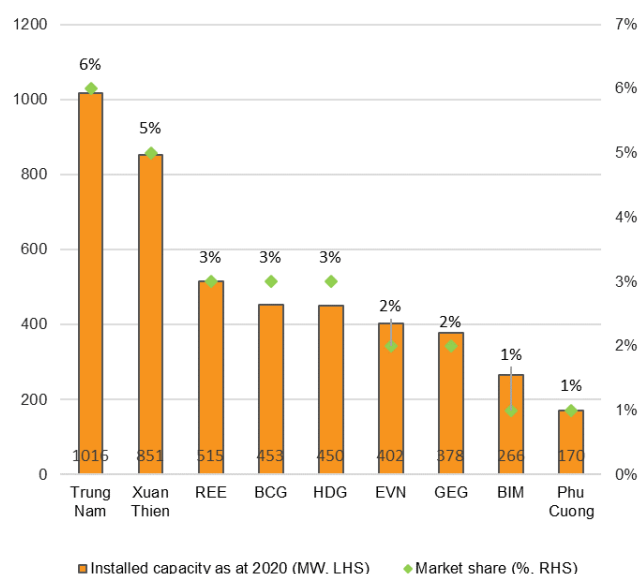


Source: EVN, VNDIRECT RESEARCH

Moreover, in 10M21, RE power companies also benefit from strong output growth, led by the prioritization from the government and attractive FIT price. Particularly, RE cumulative total output increased sharply 169% yoy to 24.1bn kWh in 10M21, accounting for around 11.3% of total power output (three times larger than the ratio of 4% in 2020).

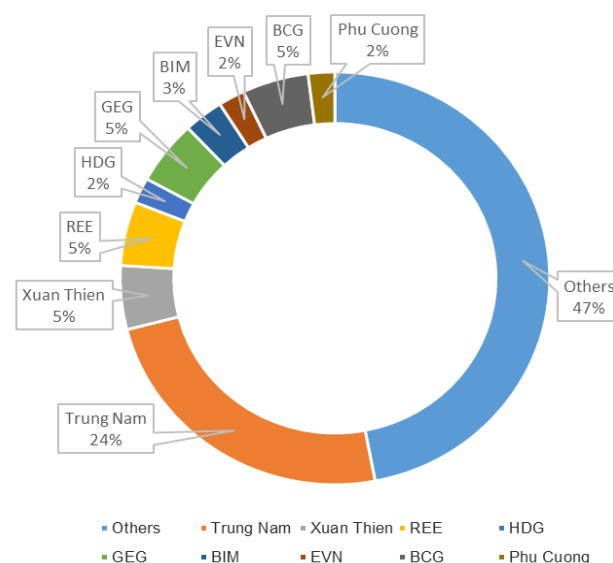
At the moment, some of the companies are currently the top players in the RE power market, led by Trung Nam, Xuan Thien, REE, BCG, GEG and HDG. Besides, foreign investors are also exposed in this power segment, especially from Thailand and China. Some of the outstanding investors we can name, including Sermang Power Corporation Public (Thailand), Super Wind Energy Group (Thailand), Envision Energy Group (China), and Wind Energy Development (China). We believe the appearance of various investor groups might boost the development of RE (exclude hydropower) capacity in the future.

**Figure 166: Top RE companies in term of market share at the end-2020 (Unit: MW)**



Source: Company reports, VNDIRECT RESEARCH

**Figure 167: Expected top players in 2030F, according to the company development plans**



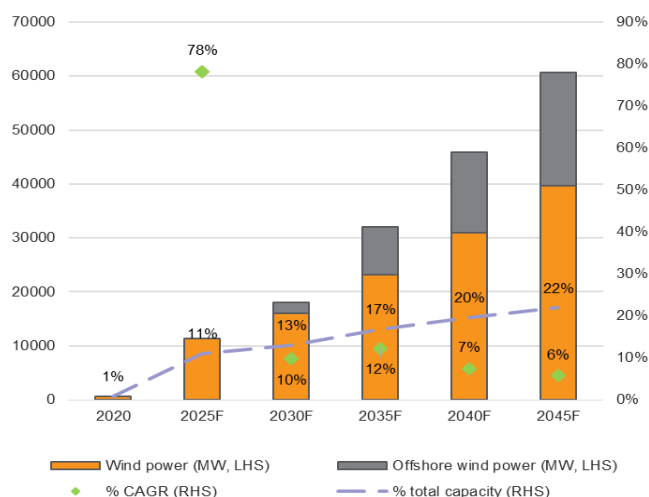
Source: Company reports, VNDIRECT RESEARCH

## Wind power: the playground is for big players

The PDP8 estimated that Vietnam has been suitable for developing wind power due to (1) Vietnam has a long coastline of over 3000km, and (2) high wind speed of average 7m/s with total technical capacity reach 217GW for on-shore wind power and 162GW for off-shore wind power. Hence, it had caught government attention and started to grow when the authorities promulgated a mechanism to encourage wind power development (Decision No.37/2011 and Decision No.39/2018). At the end of 2020, total wind power capacity reached 630MW, doubled from 370MW in 2019, and rose to 3980MW in 10M21, with 84 plants going into commercial operation.

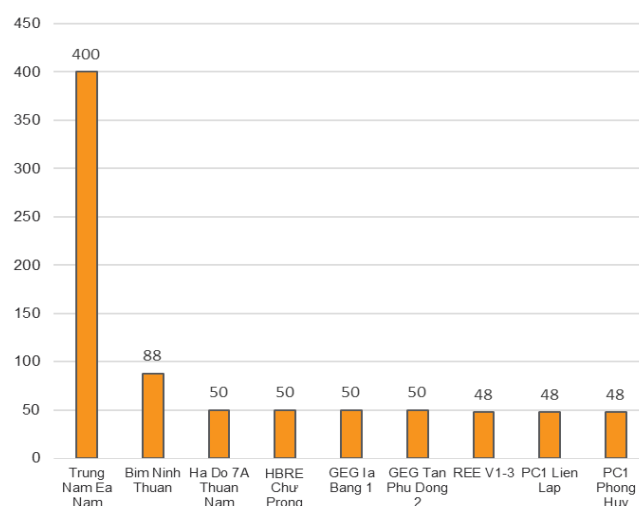
Following the orientation in PDP8, wind power will surge 78% CAGR in the 2020-25F period from 630MW to 11,320MW and reach 60,160MW in 2045F, accounting for the largest portion in total RE capacity and staying at the second-largest power source of Vietnam (22% energy mix). Regarding the price incentives and the government's support policies, we expect several wind power companies to have good opportunities to grow in the future, including Trung Nam, BIM, HDG, GEG, REE, PC1, BCG and others.

**Figure 168: Wind power capacity will surge in the 2020-45F period (Unit: MW)**



Source: PDP8 draft, VNDIRECT RESEARCH

**Figure 169: Some of the remarkable wind power plants by capacity (Unit: MW)**

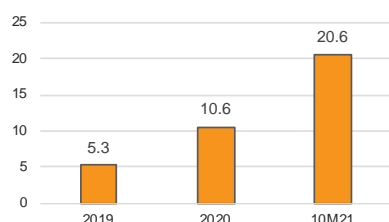


Source: Company reports, VNDIRECT RESEARCH

According to Decision No.39/2018, wind power projects that complete commercial power generation before October 31, 2021, can acquire FIT price for 20 years. At the end of October, EVN reported that among 106 wind power plants had submitted documents for registering COD before FIT deadline, with a total capacity of 5,655MW, there are 3980MW of 84 operated plants has finished COD on time. Hence, by finishing COD before November 01, wind power investors will acquire a support FIT price of 8.5 cents/kWh for onshore wind projects and 9.8 cents/kWh for offshore wind projects.

Some of the listed companies with wind power plants acquire FIT price, including PC1, GEG, HDG, TV2, VNE, GEX and REE. Besides, several contractors will also benefit from the exciting construction activities of wind power plants, including PC1, FCN, TTA, and TV2.

**Figure 170: Solar power output increased sharply from 2019 (Unit: billion kWh)**



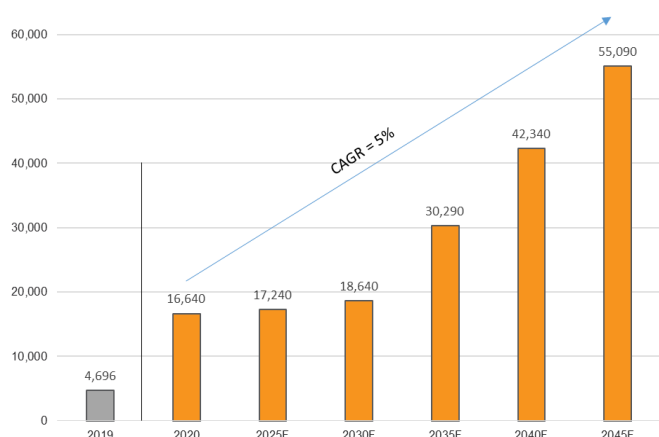
Source: EVN, VNDIRECT RESEARCH

### Solar power: Slowing down in medium-term

According to the PDP8, the potential capacity of Vietnam's solar power could reach 1,646GW (1,569GW ground-mounting and 77GW floating) due to (1) Vietnam's solar energy intensity is around 5kWh/m<sup>2</sup>, and (2) average sunshine at about 150kcal/m<sup>2</sup> and could last between 2,000-5,000 hours/year. However, considering construction abilities and economic aspects, the potential to build a large solar power project is 368GW and located ideally at the Southern, Southern Central, and Highlands provinces such as Ninh Thuan, Binh Thuan, and Dak Lak.

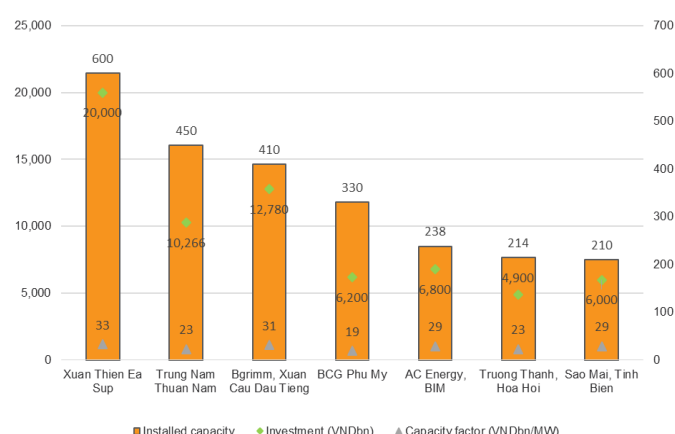
In 2020, the total solar power capacity (including rooftop solar power) increased sharply by 256% yoy from 4,696MW to 16,640MW. Moreover, its output also performed impressively by rising 98% to 10.6% of total output in 2020. Particularly, total solar output increased significantly to 20.6bn kWh in 10M21, 50% higher than the entire output level in 2020. Along with other renewable energy (exclude hydropower), the strong emergence of solar power is inevitable when traditional power sources are running out of their domestic fuel, and hydropower remains no space for growth. Moreover, the transformation in capacity structure is the preparation for a greener era in the following years following the spirit of COP26. Under the PDP8, solar power will increase at 5% CAGR from 16,640MW to 55,090MW in 2020-45F, accounting for 20% of total capacity in 2045F.

**Figure 171: Solar power capacity growth will slowdown in the 2020-30F period (Unit: MW)**



Source: EVN, PDP8 draft, VNDIRECT RESEARCH

**Figure 172: Remarkable solar power projects (Unit: MW)**



Source: Company reports, VNDIRECT RESEARCH

On behalf of the strong growing intensive in 2020, several RE power companies take the chance to widen their capacity quickly, and its output benefited from the government prioritization from the beginning of 2021, including Trung Nam, Xuan Thien, REE, HDG, GEG, BCG, BIM group, Phu Cuong. These companies are currently the top player in RE market and experienced solid growth from their power segment in 1H21.

However, we expect solar power development will slow down from 2022F due to the elimination of FIT price and investor are waiting for new pricing mechanism. In 2020, solar power prices were processed under the 13/2020/QD-TTq legal framework, in which, price is around 20-30% lower than the previous FIT price in the 02/2019/QD-TTg framework. However, FIT price has shown its weakness by encouraging excessive number of investors to join this segment. Hence, it led to massive growth in solar power capacity and putting heavy pressure on the transmission grid and dispatch activities. In the recent months, EVN forced to cut down capacity of several solar power plants. At the moment, the MOIT is developing a new bidding mechanism for RE power development. Accordingly, the FIT price for solar power will be removed, and the set price will

vary depending on particular projects. We believe that the transitional policies will continue to favor RE power growth following the spirit and Vietnam's net-zero commitment at the recent COP26.

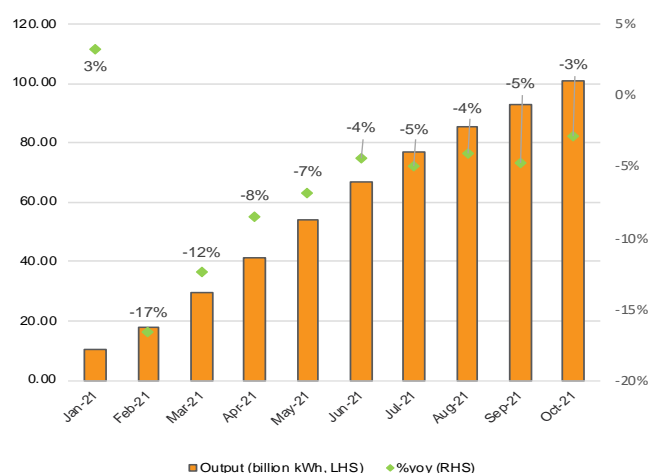
### Coal-fired power outlook

#### We expected coal-fired power output to remain stable in 2022F

Coal-fired power output decreased 3% yoy to 100.78bn kWh in 10M21 due to (1) EVN prioritized to mobilize from renewable energy sources, (2) low electric load as Vietnam applied strict social distancing during the fourth wave of Covid-19 and (3) several thermal plants using imported coal was affected negatively by the rise of international coal price, especially in Indonesia and Australia - the major suppliers of Vietnam. However, we see the potential for coal-fired power plants from 2022F:

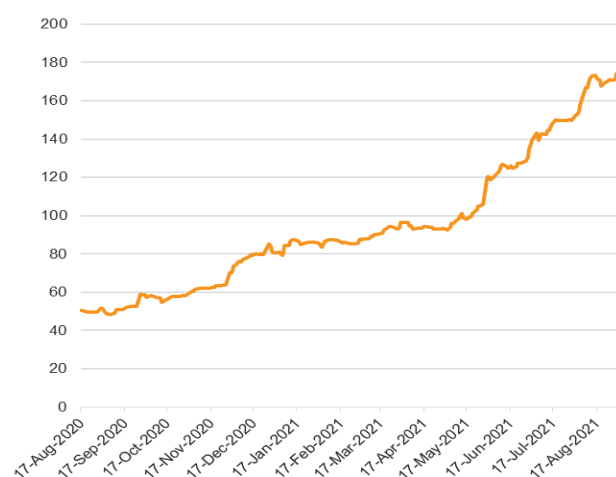
- Coal-fired power will be assigned a higher output target when electric load recovers from 2022F, leading to higher power consumption.
- Coal-fired power is the main pillar in Vietnam's power system, accounting for 50-55% of total output each year due to its stable nature and reasonable average selling price of around 1,400-1,500VND/kWh.

**Figure 173: Coal-fired output reduced sharply in the first quarter but gradually recovered in 10M21 (Unit: billion kWh)**



Sources: EVN, VNDIRECT RESEARCH

**Figure 174: Coal price has increased sharply since 4Q20 (Unit: USD/tonne)**



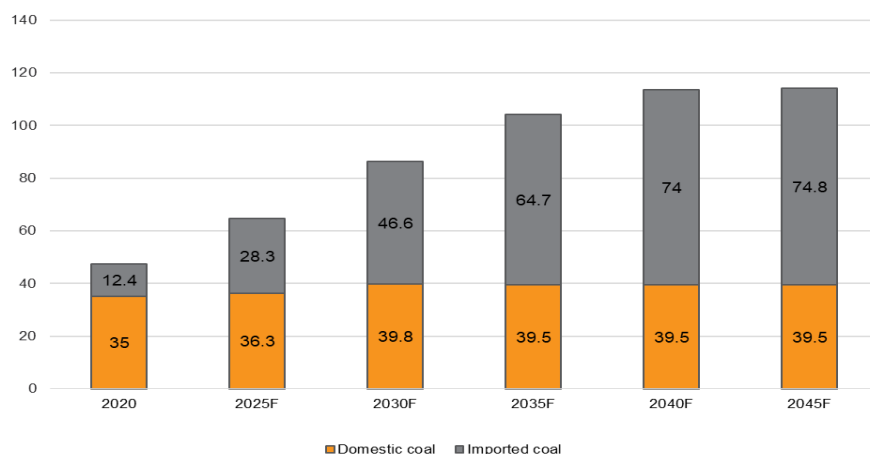
Sources: Bloomberg data at Sep 07 2021

### Scenario for coal-fired power in long-term prospect

Although coal-fired power is raising concern in terms of environmental impact, this energy source still plays an essential role in the national electricity development plan as power consumption is expected to rise rapidly in the following years. Hence, coal-fired power capacity will grow at 6.2% CAGR in 2021-30F and account for 27% of the total capacity in 2030F. However, to maintain both objectives – electricity growth and environmental protection, the proposal stressed the importance of developing new coal plants with modern technology to reduce emissions and increase production efficiency. Besides, Vietnam is importing bituminous coal and black lignite coal with low heating value; thus, the draft suggests substituting high-value coal in the future. At the moment, the proposed domestic coal of 35m tonnes/year can only provide for 14GW of coal-fired plants, while the total capacity reached 20GW in 2020. Hence, the new plants will operate using imported coal or mixed coal, with the expected importing amount will increase from 12.4m tonnes/year in 2020 to 74.8m tonnes/year in 2045F.

As several funds have retreated from financing for new coal-fired power such as Japan, Korea and recently China, new coal-fired power plant might struggle to find new financial sources as this energy no longer suitable for green growth orientation. Besides, 99% of the new plants will use imported coal, and the recent surge in coal price has raised concerns whether this energy sources can maintain a reasonable price in the future.

Figure 175: Vietnam will increase importing coal in the 2020-45F period (Unit: million tonnes)



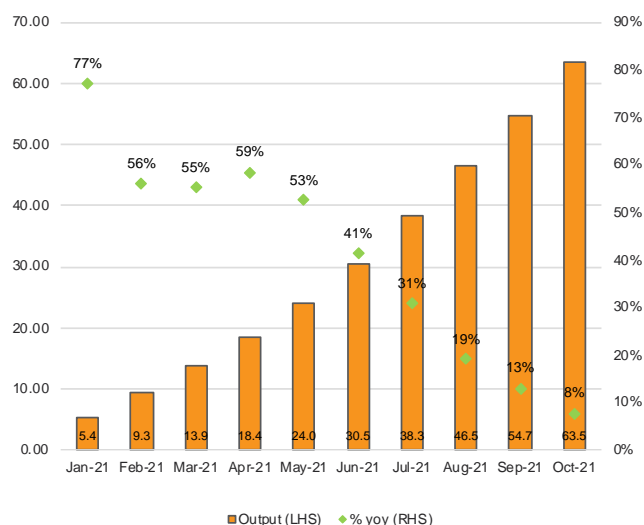
Source: PDP8 draft, VNDIRECT RESEARCH

## Hydropower outlook

### Maintain solid growth until 2022F

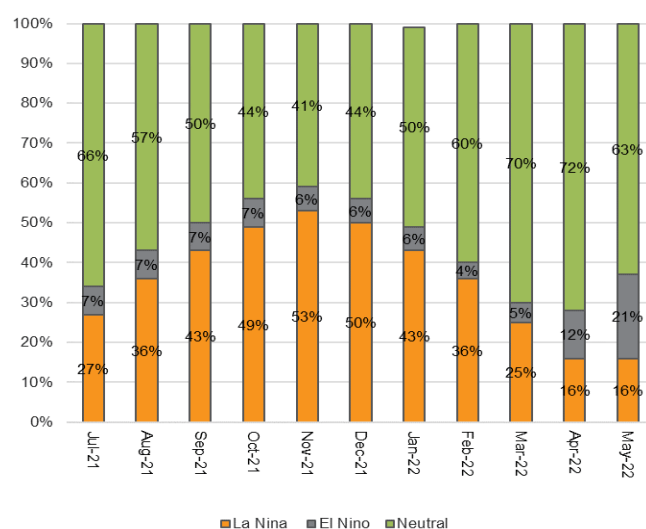
In 10M21, hydropower output increased by 8% yoy to 63.5bn kWh due to ideal weather conditions of the La Nina phenomenon. According to the National Oceanic and Atmospheric Administration (NOAA), its forecast shows a solid possibility of the La Nina phase will finish in 2022F. Besides, regarding the recently intense price increase in coal and gas, we believe hydropower will continue to be prioritized in terms of its cheaper price until gas-fired, and coal-fired power prices cool down in 2022F.

Figure 176: Hydropower output increase sharply in 10M21 (Unit: billion kWh)



Sources: EVN, VNDIRECT RESEARCH

Figure 177: La Nina phase is expected to end from 2022F (Unit: %)



Sources: NOAA, VNDIRECT RESEARCH

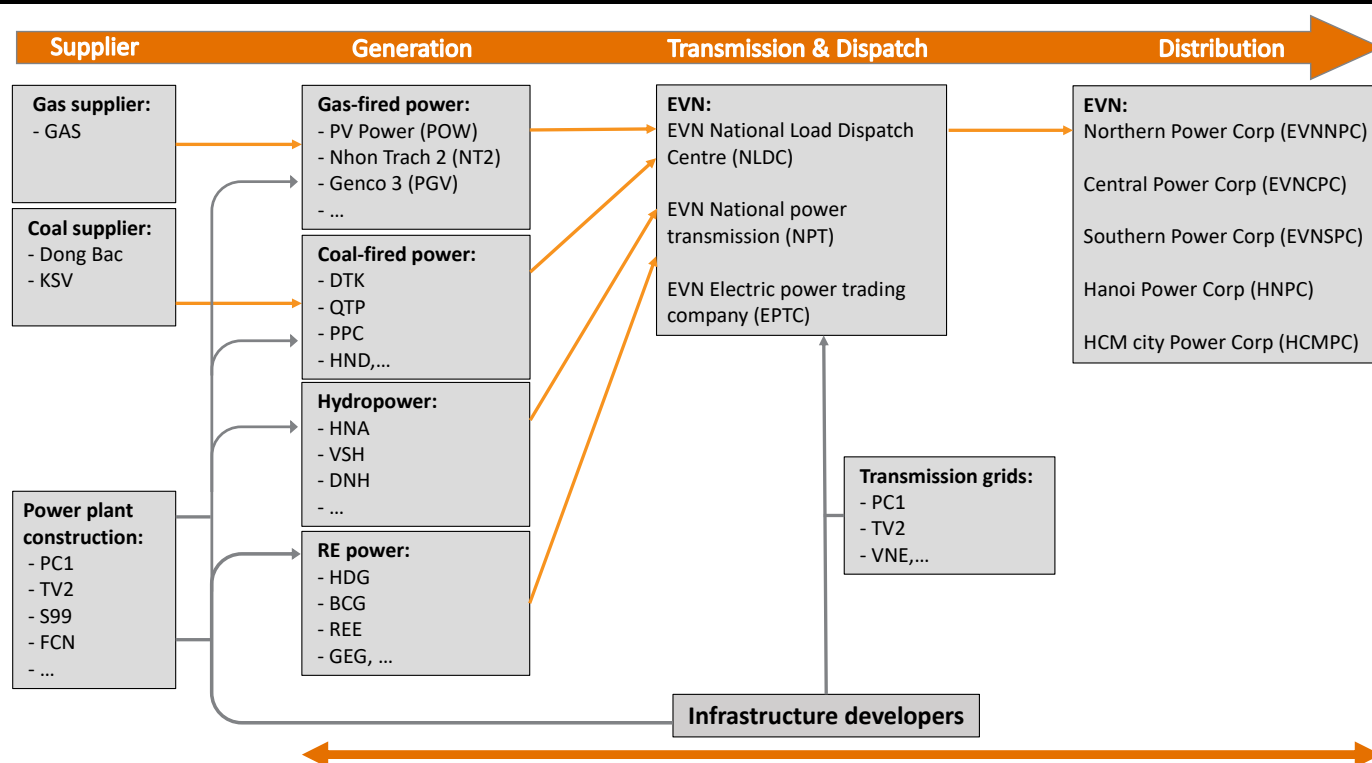


### Hydropower developing potential has been exhausted

According to the national hydropower statistics of the Department of Electricity and Renewable Energy, the economic potential and technical potential of medium and large hydropower are about 75-80bn kWh, equivalent to about 20,000MW of install capacity. However, Vietnam's total medium and large hydropower plants reached 18,200MW (91% of full potential capacity) in 2020. Besides, the total small hydropower capacity is currently about 3,200MW over 6,000MW potential capacity. So basically, hydropower has been exploited to its full potential. In the long-term prospect, we expected its modest capacity growth of 0.9% CAGR in 2020-45F will limit its long-term output growth. Besides, hydropower relies heavily on weather conditions, which could reduce the importance of this energy when Vietnam fully develops other energy sources with a more stable nature.

### Stock picks

Figure 178: Listed companies in the value chain of Vietnam's power sector



Source: VNDIRECT RESEARCH

Vietnam's power sector is going through a major transition as government priorities to maintain the balance between macro-economic growth and environmental sustainability. Given the size and the faster-than-expected progress of this energy transition, we believe power stocks that focused on cleaner alternatives could outperform for a few years to come. We also prefer energy infrastructure developers as we believe more investments in grid systems are needed to facilitate energy transition towards a lower-carbon nation. We observed that power stocks have recently charged up across global equity markets in response to ongoing E.U and China electricity outages. Thus, Vietnam power stocks will back to the center stage, in our view.

We expect gas-fired power output will bounce back since 2022F, trailing the recovery manufacturing activities. Additionally, due to the high possibility of El Nino phenomenon, we believe the hydropower output will be subdued next year,

which will trigger higher mobilization from gas-fired power. A series of megaprojects in the LNG-to-power value chain have been announced recently, making it the most promising segment in the next couple of years. Thus, we believe **POW**, **NT2**, and gas infrastructure developers like **GAS** will ride on this trend.

We find a substantial increase in ESG fund inflow in regional emerging markets. Even in Vietnam, we see ESG is expanding at the early stage of investment. We prefer companies with ongoing renewable energy (RE) projects that benefit from the attractive feeds-in-tariff and companies that enjoy RE infrastructure development. Some prominent names include **BCG** and **FCN**.

Figure 179: Peer comparison

Company name	Ticker	Mkt Cap US\$m	P/E(x) TTM	P/BV(x) TTM	EV/EBITDA	ROE (%)	ROA (%)	Gross	Dividend	D/E (%)
					(x) TTM	TTM	margin (%) TTM	yield (%) TTM		
Gas-fired power peer										
PetroVietnam Nhon Trach 2 Power JSC	NT2 VN Equity	293.5	11.3	1.6	4.9	14.5	9.1	14.7	8.5	18.0
Ba Ria Thermal Power JSC	BTP VN Equity	45.3	20.3	0.9	NA	4.3	3.0	12.5	6.4	32.0
Coal-fired power peer										
Hai Phong Thermal Power JSC	HND VN Equity	398.7	6.4	1.3	3.1	21.9	12.1	17.3	7.7	49.6
Vinacomin - Power Holding Corp	DTK VN Equity	444.4	14.6	1.4	5.6	9.5	3.6	13.7	4.3	124.7
Quang Ninh Thermal Power JSC	QTP VN Equity	321.6	9.6	1.3	4.2	14.7	7.3	14.7	6.1	67.6
Pha Lai Thermal Power JSC	PPC VN Equity	317.1	10.0	1.5	15.2	13.3	11.5	12.7	5.5	0.0
Hydropower peer										
DA Nhim-Ham Thuan-DA MI Hydro Power JSC	DNH VN Equity	773.0	26.9	3.1	16.7	11.1	7.5	50.1	0.5	39.8
Vinh Son - Song Hinh Hydropower JSC	VSH VN Equity	293.4	18.3	1.8	13.8	10.2	3.7	40.2	1.4	173.2
Central Hydropower JSC	CHP VN Equity	144.4	13.6	2.0	7.9	14.7	7.5	55.1	7.1	79.8
Thac Ba HydroPower JSC	TBC VN Equity	85.8	10.5	2.0	6.2	18.8	11.7	62.6	9.7	26.3
RE power peer										
Gia Lai Electricity JSC	GEG VN Equity	256.1	24.7	1.8	11.9	8.5	2.6	50.9	1.9	109.6
Bamboo Capital JSC	BCG VN Equity	356.0	9.0	2.7	33.3	27.2	2.6	22.7	2.5	222.7
Multi-segment peer										
Power Generation Corp 3 Co Ltd	PGV VN Equity	1703.6	21.9	2.7	9.5	13.0	2.4	11.8	1.4	339.4
PetroVietnam Power Corp	POW VN Equity	1581.7	12.5	1.2	6.0	10.0	5.2	15.4	1.3	39.7
Refrigeration Electrical Engineering Corp	REE VN Equity	900.9	12.1	1.7	15.0	14.7	6.8	28.5	NA	45.8
Ha Do Group JSC	HDG VN Equity	538.3	15.6	3.2	10.4	23.1	5.4	41.5	1.3	165.1
Power generator average		526.8	14.8	1.9	10.9	14.3	6.4	29.0	4.4	95.8
Infrastructure development peer										
PetroVietnam Gas JSC	GAS VN Equity	9262.9	27.0	4.5	15.2	16.2	11.1	17.8	2.7	6.0
Power Construction JSC No.1	PC1 VN Equity	330.6	11.4	1.7	13.8	17.5	5.6	17.4	NA	78.8
Power Engineering Consulting JSC No 2	TV2 VN Equity	111.8	9.5	2.1	7.1	24.3	9.5	12.8	1.4	6.2
FECON Corp	FCN VN Equity	80.2	13.0	0.8	11.4	6.3	2.0	15.0	3.0	63.7
Energy infrastructure developer average		1976.2	15.4	2.1	11.1	14.5	6.4	25.7	2.4	60.4

Source: VNDIRECT RESEARCH, Bloomberg - data at Nov 26 2021

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## AVIATION: FASTEN YOUR SEATBELT AND PREPARE FOR TAKEOFF

### Almost full preparation for skies reopening

#### A few pilot plans to reopen domestic and international flights in 4Q21F

With the improving vaccination coverage, in mid Sep-2021, Ministry of Transportation (MOT) has submitted the plan to resume domestic air traffic to the government with four specific stages. Currently, Vietnam aviation is in phase 3 of the plan in which the frequency on each route for each airline does not exceed 30% of the average of the first 10 days of Apr-2021 for that airline. Following the plan, Vietnam domestic air traffic may come back to normal operations in Dec-21.

For the international air traffic, most recently, CAAV has submitted the plan to resume international air traffic following four stages:

**Figure 180: Plan to resume international air traffic**

	Stage 1	Stage 2	Stage 3	Stage 4
Time frame	In 4Q21	01/01/2022 - 31/03/2022	01/04/2022 - 30/06/2022	From 01/07/2022
Details	<ul style="list-style-type: none"> <li>- To cities where pilot the international travel package program (Phu Quoc, Ha Long, Hoi An, Nha Trang, Da Lat).</li> <li>- One flight per route per day in Nov-21, two flights per route per day in Dec-21.</li> </ul>	<ul style="list-style-type: none"> <li>- Reopen regular routes to big cities such as Ha Noi, Ho Chi Minh city, Da Nang..</li> <li>- Four flights per route per week.</li> <li>- Passengers are required to be fully vaccinated after 14 days since the day of injection and has valid certificate of negative test results for Covid-19.</li> <li>- Post-entry quarantine required.</li> </ul>	<ul style="list-style-type: none"> <li>- Reopen regular routes.</li> <li>- Seven flights per route per week.</li> <li>- "Vaccine passport" required.</li> <li>- No post-entry quarantine required.</li> </ul>	<ul style="list-style-type: none"> <li>- Back to normal operations</li> </ul>

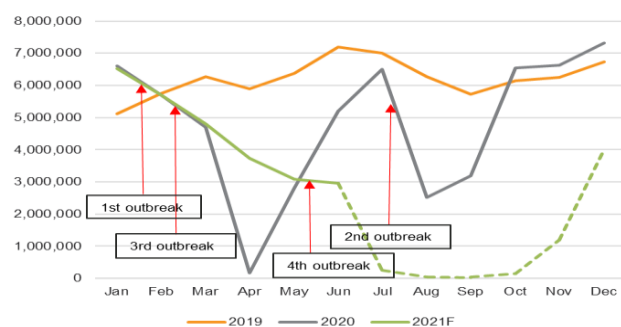
Source: CAAV, VNDIRECT RESEARCH

In order to restart the international air traffic, the government has agreed on a pilot plan to welcome foreign tourists with vaccine passports to Phu Quoc, Ha Long, Hoi An, Nha Trang... when these cities achieve sufficient vaccine coverage. Following the plan, Vietnam international air traffic may come back to normal operations since 3Q22.

### We expect Vietnam aviation to strongly recover from 2022F onwards

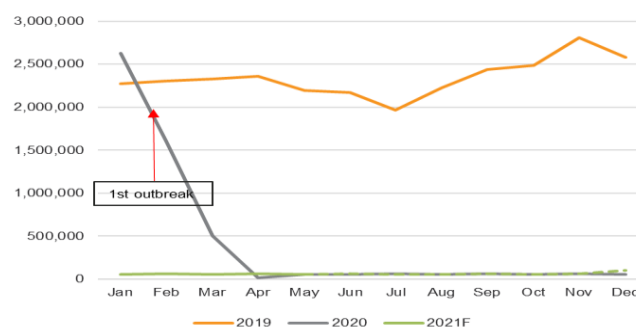
With particular plans in resuming the domestic and international air traffic, together with recent positive signs in controlling the pandemic and improving vaccination coverage nationwide, we expect Vietnam domestic and international air traffic may gradually recover from 4Q21/1Q22F, respectively. Due to the severe effects of the 4<sup>th</sup> pandemic outbreak, Vietnam total domestic pax may drop 43.9% yoy and total international pax may drop 85.7% yoy in FY21F.

**Figure 181: Vietnam domestic passenger traffic in FY19-21F**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 182: Vietnam international passenger traffic in FY19-21F**

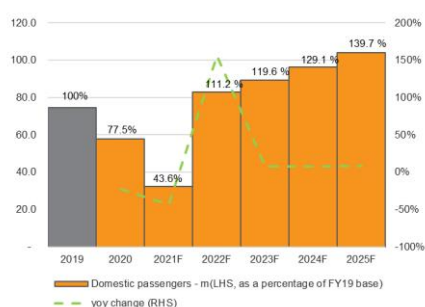


Source: VNDIRECT RESEARCH, COMPANY REPORTS

Following the momentum from 4Q21F, we expect Vietnam total pax to strongly recover in medium-term, in which:

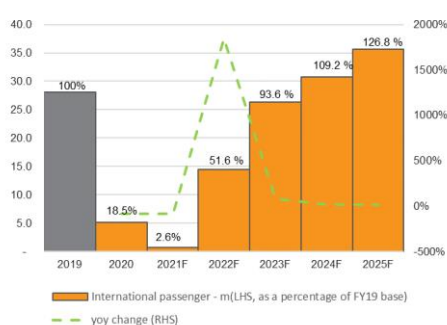
- We expect Vietnam domestic pax to fully recover to pre-pandemic levels in FY22F (111.2% of FY19 base) and may reach to 139.7% of FY19 base in FY25F.
- We expect Vietnam international pax to fully recover to pre-pandemic levels in FY24F (109.2% of FY19 base) and may reach to 126.8% of FY19 base in FY25F. The vaccine passport holds the key to the safe restart of international aviation and facilitate smooth travel for passengers in a verifiable manner while ensuring government entry requirements for Covid-19 testing or vaccination are met, along with high vaccination coverage in Vietnam's key international traffic markets.

**Figure 183: Vietnam medium-term domestic pax forecast**



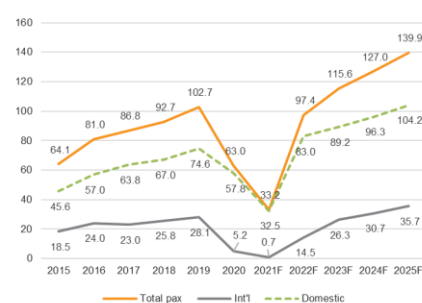
Source: VNDIRECT RESEARCH

**Figure 184: Vietnam medium-term international pax forecast**



Source: VNDIRECT RESEARCH

**Figure 185: Vietnam medium-term total pax throughput forecast**



Source: VNDIRECT RESEARCH

### Airport infrastructure investment to accelerate since 2022F

#### Infrastructure upgrade at key airports to resolve the capacity shortage

The airfield assets maintenance project in Tan Son Nhat International airport (TIA) and Noi Bai International airport (NIA) with total investment of VND4,000bn started in Jul-20 and has completed Phase 1 in Feb-21. Currently, Airport Corporation of Vietnam (ACV) has finished 75% workload in Phase 2 of the project and expected to finish the whole project in Jan-22. When completed, the project will help increase the exploitation capacity and prevent congestion when planes taking off/landing in TIA and NIA.

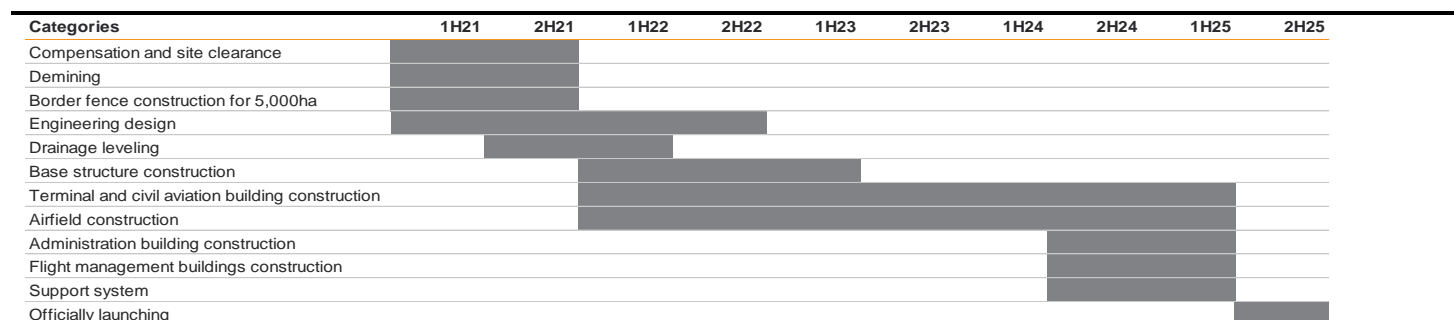
Beside the maintenance project in TIA and NIA, ACV is also preparing to start new projects in these key international airports to expand the capacity:

- In TIA, the Terminal 3 Tan Son Nhat is about to be started construction in Dec-21. T3 project is designed with a capacity of receiving 20 million passengers per year (+67% TIA's designed capacity to total 50 million passengers per year) and expected to help ease overload at terminal 1. ACV expects to finish T3 project within 24 months.
- ACV also finished the feasibility study report on the expansion of Noi Bai International Airport Terminal 2 from 10m p.a to 15m p.a (raising total designed capacity of NIA from 25m p.a to 30m p.a) with total investment of VND4,983bn. The project is expected to start construction in 4Q22 and finished in 3Q24.

#### Mega project Long Thanh International Airport construction is on track

The project includes 3 phase, in which phase 1 can serve 25m pax throughput with the investment cost US\$4.3bn (VND99,000bn). ACV has started the construction of phase 1 in Dec 2020 and expects to complete it in FY25F. The current progress construction of the project is as follows:

- The compensation and site clearance for LTIA construction has finished 50% workload (1,200ha/2,500ha). The compensation is behind schedule due to the 4<sup>th</sup> Covid-19 outbreak and there are about 1,100 cases where the compensation has not been approved yet. However, the government is supporting the People's Committee of Dong Nai province to quickly solve the problem and we believe this workload still may be on schedule.
- Demining and border fence construction has completed 65% workload so far and expected to be completed on time for the drainage leveling starting in Nov-21 and base structure construction starting in Feb-22.

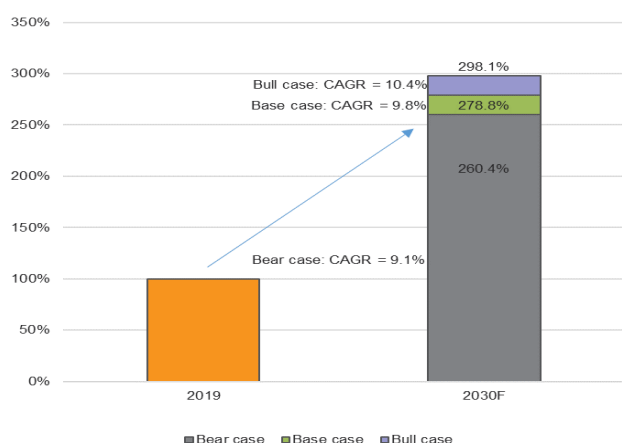
**Figure 186: LTIA construction plan**


Source: CAAV, VNDIRECT RESEARCH

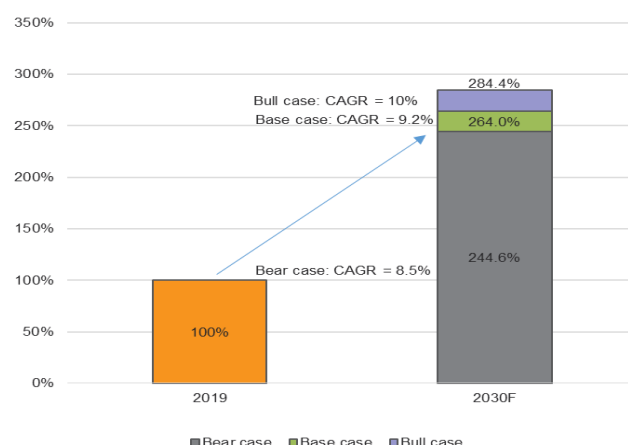
If Phase 1 launches on time in late-2025, LTIA will be the growth engine of Vietnam aviation since 2025F onwards. LTIA is positioned to become a new transit hub in Southeast Asia, competing with other regional hubs such as Changi Airport, Suvarnabhumi Airport and Hong Kong International Airport. After phase 3 of LTIA is completed, LTIA will handle 80% of international passenger throughput and 20% of passenger throughput from/to HCMC, as per Civil Aviation Authority of Vietnam's (CAAV) master plan vision until 2050.

### Aviation infrastructure development ensures a positive long-term outlook

Given the airport infrastructure upgraded to free the bottleneck of capacity shortage and new airports to be developed until 2030F, the government expects total passenger volume throughput to increase by 9.6% p.a. in FY19-30F, in which domestic passenger volume throughput would increase by 9.8% p.a., while international passenger volume would increase by 9.2% p.a., in a base-case scenario.

**Figure 187: Vietnam's domestic passenger volume forecast in FY19-30F**


Source: VNDIRECT RESEARCH, CAAV

**Figure 188: Vietnam's int'l passenger volume forecast in FY19-30F**


Source: VNDIRECT RESEARCH, CAAV

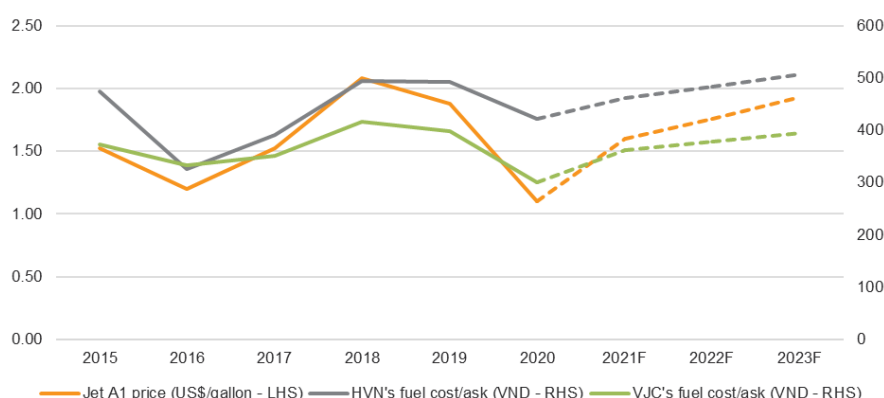


### Airlines: Who will be the winner in endemic?

#### Low-cost carriers are less affected than full-service carriers amid the fuel prices hike

Facing the rising jet fuel, we believe low-cost carriers would be less affected than full-services carriers. Short-haul aircrafts are usually narrow-body aircrafts with lighter weight, thus consuming less fuel for taking-off and altitude maintaining than long-haul aircrafts. VJC's fleet is all short-haul narrow-body aircrafts which will have lower average fuel consumption/ASK compared to HVN which has nearly 30% of the fleet are wide-body long-haul aircrafts. Giving the estimated 10.0% CAGR in jet fuel price rise in 2022-23F, we forecast HVN's fuel cost/ASK to increase at 5.0% CAGR while VJC's fuel cost/ASK only increase at 4.5% CAGR in 2022-23F.

Figure 189: Rising oil price has more negative impacts on FSCs rather than LCCs

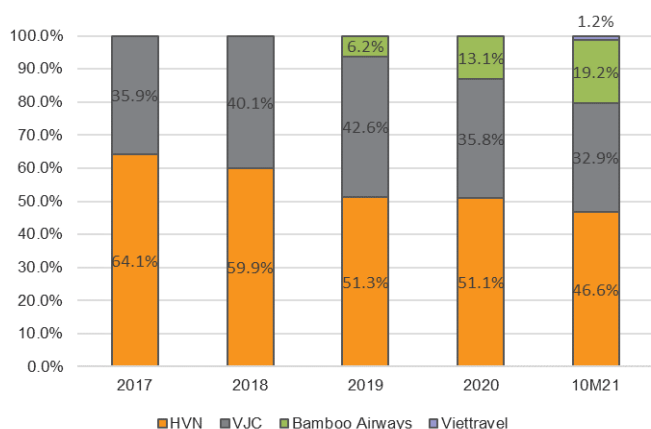


Source: VNDIRECT RESEARCH, COMPANY REPORTS

#### VJC and Bamboo Airways to recover stronger in the endemic

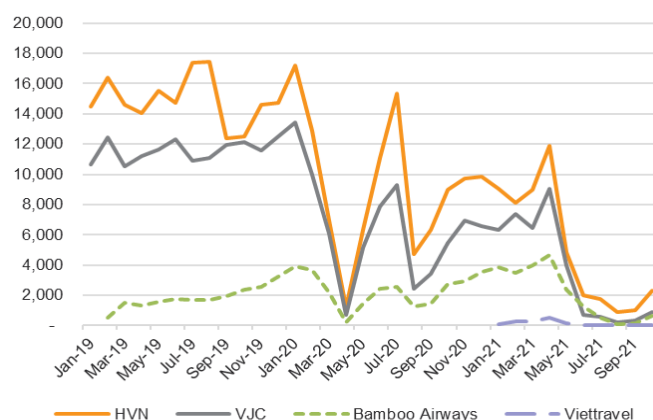
The market shares of the airlines have changed greatly from 2017. HVN has seen its market share decrease year by year, from 54.1% in 2017 to 46.6% in 10M21, while VJC and Bamboo Airways are gradually taking up the market share. HVN's total flights in 10M21 dropped 44.1% yoy while VJC's dropped 43.7% yoy and Bamboo's slightly decreased 4.3% yoy.

Figure 190: Market shares of the airlines in terms of total flights



Source: VNDIRECT RESEARCH, CAAV

Figure 191: Airlines' total flights per month

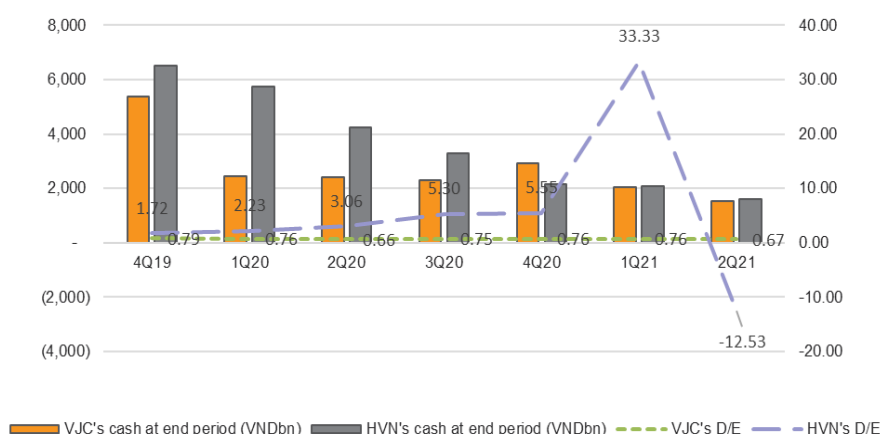


Source: VNDIRECT RESEARCH, CAAV

In our view, the airlines will face the rising jet fuel and financial difficulties in the endemic. The prospects for recovery and growth for each airline will depend on how they would resolve these problems as follows:

- VJC with low-cost carrier model which will help reduce ticket price and attract customers, especially in the endemic when most people are in financial difficulty and prefer cheaper flights. In addition, we believe VJC would be less affected from rising jet fuel than other airlines. Beside cost-cutting efforts, VJC has been proactive in assets liquidation and financial activities to help improve its cash flow to overcome the pandemic. VJC's cash is sufficient for its operation post pandemic while D/E ratio always remains at strong level of 0.66-0.76, which is ample to increase credit for financing the fleet expansion when the international border is re-opened. VJC plans to receive 8/11/25 aircrafts in 2021-23F, therefore, we believe VJC may capture the recovery of Vietnam aviation in the post-Covid era.
- Bamboo Airways follows the full-service model but focus on tourism destinations with attractive policies. Bamboo Airways continues to expand its fleet despite the recent complicated pandemic situation. Bamboo Airways targets a plan to increase the fleet size to at least 40 aircrafts in 2021 and 100 aircrafts in 2025F. Most recently, Bamboo Airways has introduced the nonstop route connecting VN – US, a potential route as there are more than two million Vietnamese people living in the US and the US is also a leading country in the top number of visitors to Southeast Asia for many years. The route is expected to start in the beginning of 2022 with the frequency of three flights per week. With the fleet expansion plan and many new routes launching, Bamboo Airways would also have a potential prospect of strong recovery and growth after the pandemic.
- For HVN, in Jul-21, the airline signed a credit deal of VND4,000bn with zero-interest to refinance its debt, along with the successful issuance in Aug-21 and raised VND7,961bn to supplement the working capital. However, these activities only help HVN improve its short-term solvency. In our estimates, even with the successful issuance, HVN's 3Q21F D/E still remains high level of above 100x, which will hinder the airline from financing the fleet expansion when the pandemic is contained. Not only that, in contrast to private airlines, HVN plans to sell 11 aircrafts due to financial difficulties. The decrease in the fleet size will reduce growth potential of HVN when Vietnam aviation enters the post-pandemic recovery phase.

**Figure 192: High debt ratio hinders airlines from financing the fleet expansion in the endemic**



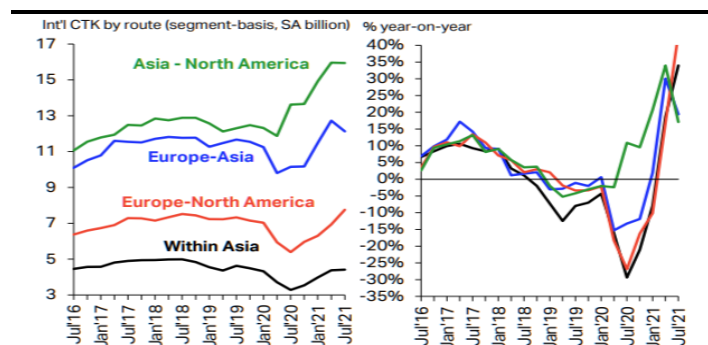
Source: VNDIRECT RESEARCH, CAAV, GSO

### Air cargo terminals: solid earnings growth despite the pandemic

Currently, air cargo load factor has increased 19% while air cargo yield has increased 77% compared to the pre-pandemic level as:

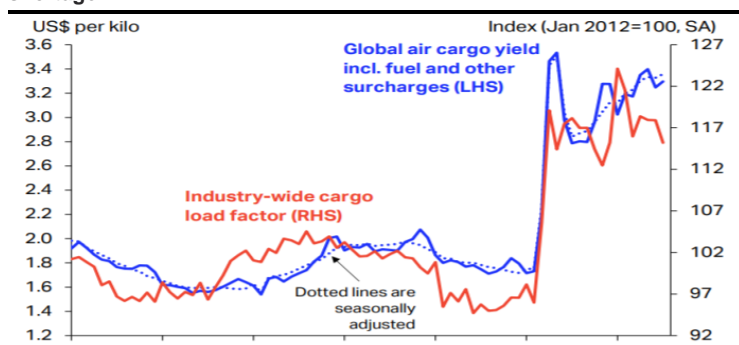
- On the supply side, as 50% of air cargo carrying in the holds of passenger aircrafts, the air cargo market faces serious lack of capacity.
- On the demand side, air freight demand strongly recovered from the pandemic as the global economy recovered. Strong recovery in the Asia – North America reflects the strong China and U.S economies.

Figure 193: Cargo volume performance and growth by trade routes



Source: IATA

Figure 194: Air cargo yields and load factors elevated due to capacity shortage

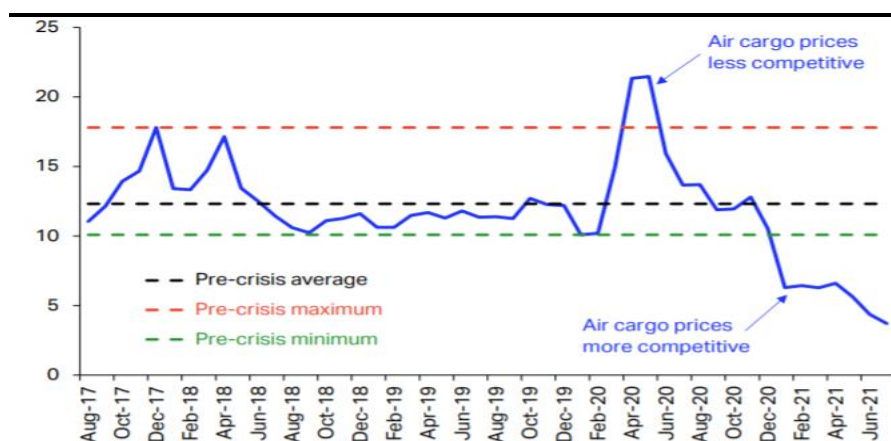


Source: IATA

In the post-pandemic era, we expect the air cargo market to maintain the strong performance as:

- At the current pace of vaccination, it would take one year to achieve the level of global immunity, resulting in strong global economy recovery, which will help increase global trade activities including air freight.
- When the global international skies are re-opened, air freight capacity will be increased. Many airlines will also expand to air cargo transportation as they saw great potential of the market during the pandemic. These factors will help airfreight rates become attractive, giving its fast and secure transportation, leading to the steady increase of global air cargo volume in the post-pandemic era.
- Sea freight rates have skyrocketed recently, making air freight rates become more competitive compared to sea freight rates.

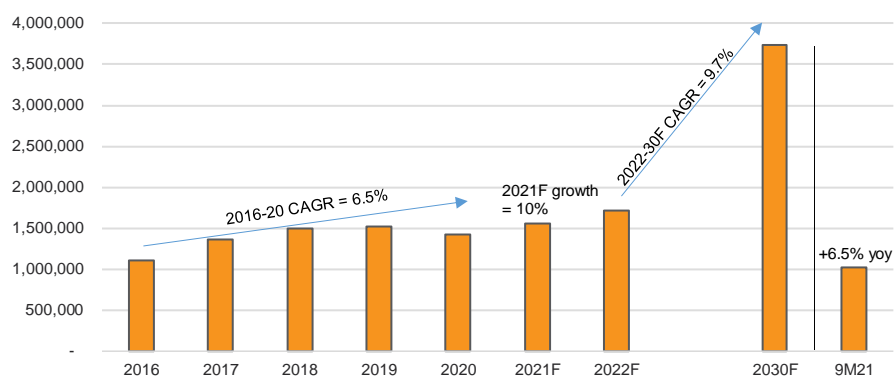
Figure 195: Ratio of chargeable weight rates per kg for air cargo and container



Source: IATA

Vietnam's air cargo volume increased 6.5% yoy in 9M21 despite the Covid-19 outbreak in 3Q21. We expect Vietnam's air cargo volume growth in 4Q21 to improve as (1) Vietnam is gradually controlling the pandemic, and (2) the import demand of U.S, Europe, China economies will strongly increase at the end of the year. Thus, we expect Vietnam's air cargo volume to grow 10% in FY21F. In FY22-30F, Vietnam's air cargo volume is expected to grow at 9.7% CAGR according to CAAV.

**Figure 196: Vietnam air cargo volume throughput is forecasted to grow 15% yoy in 2021F and may grow at 9.7% CAGR in 2022-30F (unit: tonnes)**

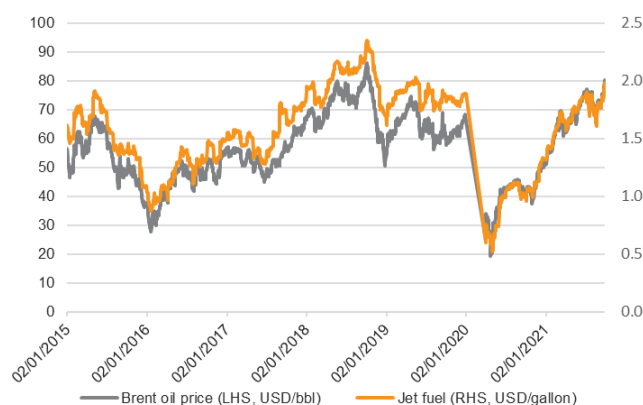


Source: VNDIRECT RESEARCH, CAAV, GSO

In 9M21, SCS' air cargo volume increased at a higher pace of 8.6% yoy. SCS is capturing Tan Son Nhat International Airport (TIA)'s air cargo volume growth by expanding its current terminal capacity from 200,000 tonnes p.a to 350,000 tonnes p.a while its sole competitor Tan Son Nhat Cargo service Company JSC (TCS) has no room to expand. We believe air cargo terminal companies that have the capable of expanding capacity like SCS will benefit from this steady growth.

### Three major risks may affect the aviation outlook

**Figure 197: Higher oil price will reduce air travel demand**



Source: VNDIRECT RESEARCH, BLOOMBERG

**Figure 198: Draft plan to impose floor price on domestic air tickets**

Route distance	Floor price (VND)
Under 500 km	340,000
500 - 850 km	440,000
850 - 1,000 km	560,000
1,000 - 1,280 km	640,000
Over 1,280 km	750,000

Source: CAAV

Although Vietnam aviation has great opportunities to recover in the post-pandemic period, we still see three major risks which may negatively affect the aviation outlook:

- The 4<sup>th</sup> Covid-19 outbreak has peaked and has been controlled gradually by the government. However, the potential risks of another

outbreak still exists, which may lead to lower-than-expected domestic passenger throughput and slower-than-expected in resuming international traffic, implying a short-term risk for the aviation industry.

- Currently, Brent oil price has increased 67% to around US\$83/bbl since the beginning of 2021 due to the strong recovery of the global economy. Higher-than-expected fuel price leading to higher operating cost of the airlines, which may lift up ticket price and reduce air travel demand.
- Recently, CAAV has submitted the draft plan to impose a domestic floor price on air tickets from Nov-21 to Oct-22. In our view, if the draft plan is approved, imposing floor price for domestic flight tickets will eliminate cheap airfares and reduce the competitiveness of low-cost carrier model including VJC. This may also hinder plans to stimulate air travel and tourism of the government in the coming periods.

### Stock picks: ACV, VJC and SCS

#### It's time to accumulate aviation stocks

Overcoming the unprecedented pandemic in the history, business results of companies in the aviation industry were severely affected, leading to the underperformed price movement of aviation stocks compared to the Vn-index. However, looking to the future when the world as well as Vietnam will successfully control the pandemic, the aviation industry is forecasted to have a strong leap, especially in 2022-23F, when aviation companies will strongly recover and return to growth. Thus, we believe it's a good time to start to accumulate aviation stocks for a medium-to-long-term investment prospect. We select the best representatives of each segment with strong growth and strong catalysts in 2022-23F, including ACV, SCS, VJC. We also like AST with an attractive discounted price and strong resilience when the air traffic recovers.

#### Airport Corporation of Vietnam (ACV VN, ADD, TP: VND98,000)

In our view, despite difficulties the company is facing in FY21F, ACV is still interesting for long-term investment horizon, based on:

- Solid recovery of business results in the coming years. For FY21F, due to the severe effects of two pandemic outbreaks, ACV's net profit in FY21F may drop 84.5% yoy to VND254bn. For FY22F, thanks to the expected strong recovery of domestic pax (+155.7% yoy) and international pax (+1,843.6% yoy), ACV's FY22F NP may surge 1,794% yoy to VND4,805bn.
- Possibility of listing on HSX in 2022F: management said they are working with the auditor to eliminate the qualified opinions in its audited financial reports, which helps ACV qualify for listing on HSX in 2022F.
- Potential share dividend plan: the government has approved for ACV to retain its profit for re-investment. At end-2020, ACV's undistributed earnings are VND9,705bn, equivalent to a potential share dividend plan of 44% in 2021. We believe this is a strong catalyst for ACV in the coming periods.
- Long Thanh International Airport growth potential.

#### Saigon Cargo Service Corporation (SCS, ADD, TP: VND161,400):

- We believe SCS' air cargo volume market share in TIA should grow to 55% over FY21-30F period, transforming it into Vietnam's leading air cargo services provider, premised on its state-of-the-art terminal and it being the only provider capable of expanding capacity at TIA. We expect



SCS's performance to remain robust given its efficient cost control, strong balance sheet with zero debt and a preferential 10% tax rate until FY23F.

- Following the recovery, we believe SCS's upcoming quarter results will grow strongly on the low bases of FY20's remaining quarters. We expect FY21F total cargo volume to increase 17.6% yoy with domestic cargo volume rising 19.7% yoy and international cargo volume rising 16.8% yoy in FY21F. We estimate SCS's FY21F revenue/net profit would grow 21.8% yoy/26.5% yoy.
- For FY22F, we expect total total cargo volume to increase 8.6% yoy with domestic cargo volume rising 6.9% yoy and international cargo volume rising 9.2% yoy, leading to the 16.7% yoy/15.5% yoy growth of FY22F revenue/net profit.

#### **Vietjet Air JSC (VJC, ADD, TP: VND158,000):**

- Its position as Vietnam leading low-cost carrier – accounting for the largest domestic market share of Vietnam with domestic market share of 40% in 2020. VJC also accounts for the second largest international market share of Vietnam aviation industry.
- Significant improvement in cashflow thanks to asset liquidation.
- We forecast FY21F domestic/international passenger to drop 41.2%/79.6% yoy but jump significantly in FY22F with volume growth of 160.5%/1,575.0% yoy. Along with the contribution of S&LB transactions and asset liquidation, we forecast VJC may record net profit of VND189bn/VND2,420bn in FY21/22F, equal to 30%/71% of the FY19 base level.

#### **Taseco Air Services JSC (AST, Not rated):**

- AST's brands are bound with a system of outlets such as: Lucky Café, Lucky Restaurants, Lucky Souvenir shops, Lucky Gift Shops, Lucky Fast Food which have become popular among air way passengers. AST's market share is estimated of 30% in NIA and Da Nang.
- AST opened 8 more outlets in 2021, including 3 duty-free shops in Phu Quoc and Tan Son Nhat, 1 Vip Lounge in Da Nang and 4 fast-food restaurants in Cam Ranh and Tan Son Nhat, increased its total number of outlets to 108 in 2021. AST also plans to buy some outlets from other businesses in this difficult time, which we believe AST may capture the strong recovery and growth of Vietnam aviation in the coming periods.
- AST's 4-star-hotel in Da Nang A La Carte also has opportunities to recover thanks to pilot programme to welcome foreign tourists from 2022F.
- AST has great financial strength with low debt, which is ample for expansion plans when Vietnam air traffic comes back to normal operations.
- AST price has discounted 40% since its peak set in Dec-2019, giving an attractive upside when AST's business results recovers.

**Figure 199: Peer comparison**

Company name	Ticker	TP (Local curr)	Recom.	Market Cap (US\$ m)	3-year EPS CAGR (%)	P/E		P/BV		ROE (%)		EV/EBITDA	
						2021F	2022F	2021F	2022F	2021F	2022F	2021F	2022F
Airports													
Airport Corp of Vietnam	ACV VN	98,000	ADD	7,996.2	70.0	115.6	24.6	4.6	4.0	4.1	17.4	91.7	15.8
Airport of Thailand	AOT TB	N/A	NR	26,168.2	-20.7	NA	NA	7.1	7.4	-11.3	-3.0	NA	192.4
Shanghai International Air-A	600009 CH	N/A	NR	13,175.6	NA	NA	60.9	3.0	2.9	-3.8	5.5	NA	37.5
Beijing Capital Intl Airpo-H	694 HK	N/A	NR	2,682.7	NA	NA	NA	0.8	0.8	-6.6	0.4	NA	16.0
Japan Airport Terminal Co	9706 JP	N/A	NR	4,403.2	NA	NA	90.7	3.1	3.0	-10.0	3.3	91.3	18.1
Shenzen Airport Co-A	000089 CH	N/A	NR	2,353.4	-35.1	65.7	38.2	1.3	1.2	1.7	2.7	28.9	17.6
Malaysia Airports Holdings	MAHB MK	N/A	NR	2,696.9	NA	NA	NA	1.7	1.7	-11.1	-2.1	101.8	11.3
Average						90.6	53.6	3.1	3.0	-5.3	3.5	78.4	44.1
Low cost carriers													
VIETJET AVIATION JSC	VJC VN	158,000	ADD	2,727.8	-40.6	58.7	17.9	3.8	3.1	7.0	19.0	38.4	14.3
AIRASIA GROUP BHD	AAGB MK	N/A	NR	830.0	NA	NA	NA	NA	NA	47.2	21.1	NA	12.6
CEBU AIR INC	CEB PM	N/A	NR	662.4	NA	NA	29.4	1.9	1.5	-45.5	24.4	57.0	4.4
AIRASIA X BHD	AAX MK	N/A	NR	79.8	NA	NA	NA	NA	NA	NA	NA	NA	NA
ASIA AVIATION PCL	AAV TB	N/A	NR	429.9	NA	NA	NA	1.2	1.3	-26.8	-0.3	NA	10.7
Average						52.7	22.8	2.2	1.9	-4.5	16.1	45.8	10.1
Air cargo terminal													
Atlas Air Worlwide Holdings	AAWW US	N/A	NR	2,018.7	NA	5.3	6.5	0.8	0.7	17.4	11.1	4.8	5.5
Xiamen Interna-A	600897 CH	N/A	NR	774.9	-13.8	13.9	11.4	1.3	1.2	9.3	10.7	5.6	5.3
Macroasia Corporation	MAC PM	N/A	NR	220.1	NA	NA	NA	NA	NA	NA	NA	NA	NA
Noibai Cargo Ternimal Ser JSC	NCT VN	N/A	NR	80.7	-8.2	9.2	8.3	NA	NA	50.7	51.3	5.7	4.7
Saigon Cargo Services Corp	SCS VN	161,400	ADD	313.1	19.7	11.7	10.1	5.3	4.1	50.7	45.7	9.9	8.4
Average						10.0	9.1	2.4	2.0	32.0	29.7	6.5	6.0

Source: VNDIRECT RESEARCH, BLOOMBER

Source: VNDIRECT RESEARCH, BLOOMBERG

**Analyst(s):**

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## FOOD & BEVERAGE: SWEET AFTER SOUR

### Global food prices are likely to stabilize in 2022F

#### Food price index reached its highest since July 2011

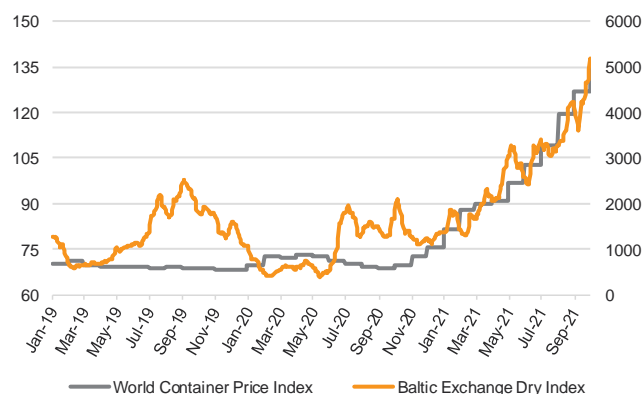
Global food prices had a strong recovery after the sharp fall in April 2020 due to the COVID-19 crisis. We observe that the Food and Agricultural Organization (FAO) global food price index surged 28.7% yoy in 10M21 to its highest value since July 2011 and increased continuously from June 2020. We believe the price gains have been driven by 1) supply shortfalls for food commodities, especially maize and soybeans, 2) the recovery in demand for food and drink in major countries where Covid-19 was well controlled, especially increasing demand in China for feed commodities and 3) supply chain disruptions amid the pandemic have caused logistics costs to escalate, leading to upward pressure on raw materials price. As most Vietnam producers have to import whole milk powder, cereal and oil for dairy, animal feed, and edible oil business, F&B companies faced pressure on raw material costs and narrow profit margins in 9M21. However, we believe the materials cost pressure will ease as global commodity prices are expected to stabilize in 2022F.

**Figure 200: Global food prices have hiked since June 2020 (unit: point)**



Source: VNDIRECT RESEARCH, FAO

**Figure 201: Logistic cost increased dramatically in 9M21 (unit: point)**



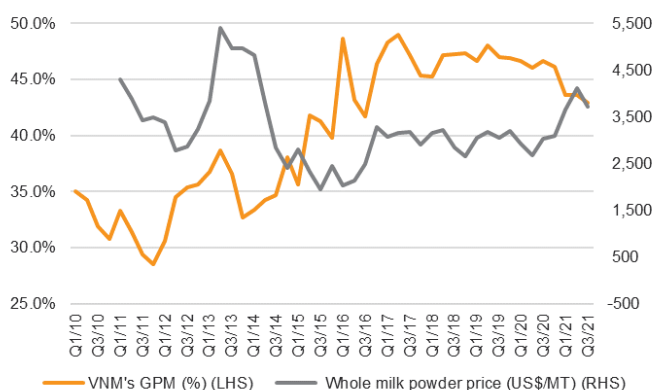
Source: VNDIRECT RESEARCH, BLOOMBERG

#### Stable milk powder prices will ease material cost pressure on dairy producers

We expect milk powder prices to cool down in 2022F thanks to a rebound in supply and a gradual decrease in demand for milk powder from China. According to Eurostat, milk production is projected to recovery on the back of higher yields in 2022F. In addition, RaboResearch expects China to slow purchases and draw down its whole milk powder (WMP) and skim milk powder (SMP) stocks in 2022F. As China is the biggest customer in global dairy markets, we believe this will gradually impact global milk powder prices to cool down in 2022F from the peak in 2Q21.

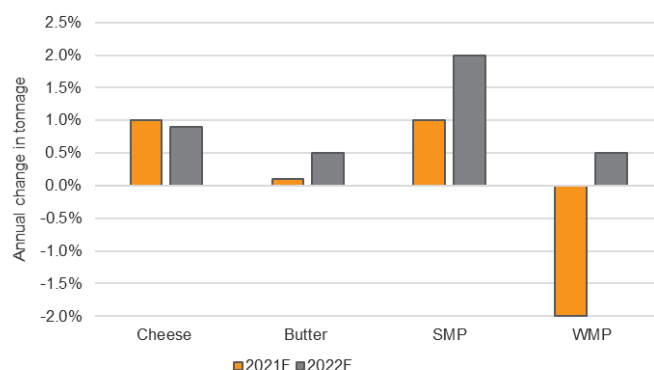
In our view, Vietnam Dairy Products JSC (VNM) will benefit from this trend as nearly 60% of VNM's raw milk material for powdered milk products (children and adults) and nutritional powder are imported from the US, Europe, and Oceania. In 9M21, the company recorded a 3.8% pts plunge in gross profit mainly due to a 33.5% yoy increase in whole milk powder price.

**Figure 202: Average whole milk powder price and VNM's gross margin from 1Q10 to 3Q21.**



Source: VNDIRECT RESEARCH, BLOOMBERG

**Figure 203: Milk production is expected to recover in 2022F**

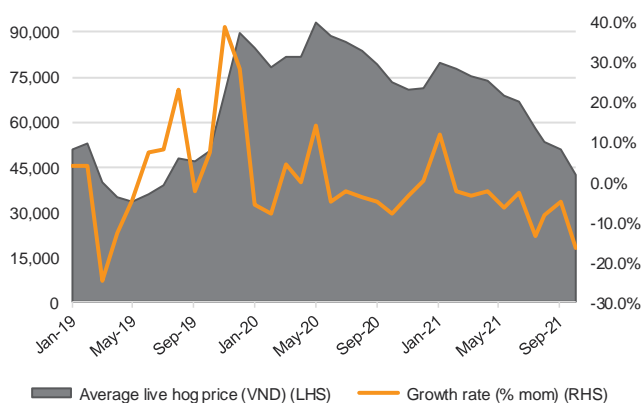


Source: VNDIRECT RESEARCH, EUROSTAT

### Better outlook for food producers on the back of stable agriculture product prices

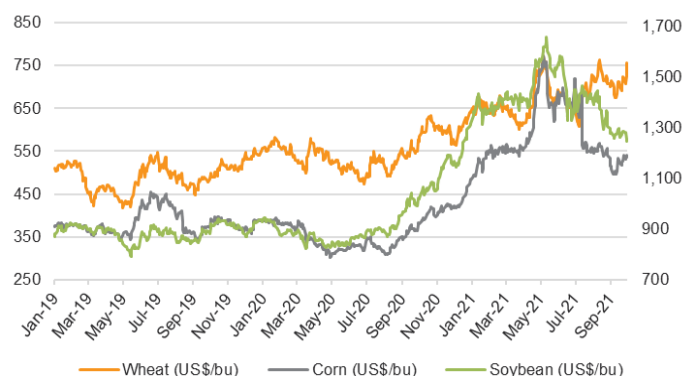
2021 is a challenging year with animal husbandry companies as hog prices fell 25.4% yoy in 9M21 after a sharp increase in 2020 due to 1) excess supply and 2) weak demand as the Covid-19 outbreak forced restaurants and hotels to close for a long time. Besides, agriculture product prices in 2021 also caused a headwind for food producers as these companies have to import input materials at higher prices. In 9M21, corn, soybean, and wheat prices recorded a significant rise of 69.8%/58.6%/27.0% yoy.

**Figure 204: Average live hog price decreased by 25.4% in 9M21**



Source: VNDIRECT RESEARCH, ANOVA FEED

**Figure 205: Agriculture product prices increased dramatically in 9M21**



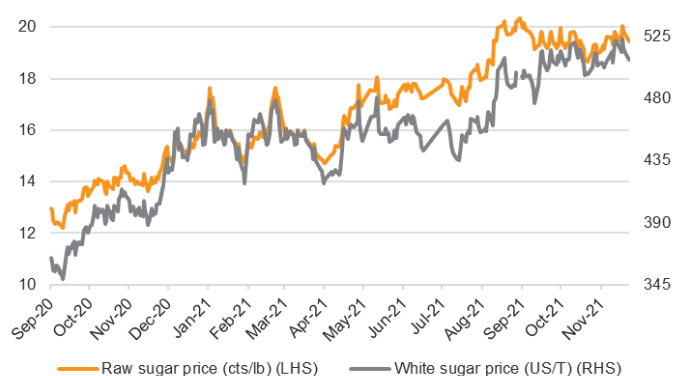
Source: VNDIRECT RESEARCH, BLOOMBERG

According to World Bank, global grain prices are expected to stabilize in 2022F but remain at a high level. In which corn is projected to rise 50% yoy in 2021F and decline 10% yoy in 2022F. Wheat is forecasted to be broadly stable in 2022F, following a 21% yoy increase in 2021F, while rice is projected to decline in 2022F. Thus, we believe animal husbandry companies like Dabaco Group (DBC) could benefit from this as 70-80% of raw materials for animal feed production are imported from overseas markets. Besides, food producers such as KIDO Group Corp (KDC), Masan Consumer Corporation (MCH) could also improve gross profit margin in 2022F on lower material prices.

### Sugar producers are likely key winners in food prices uptrend

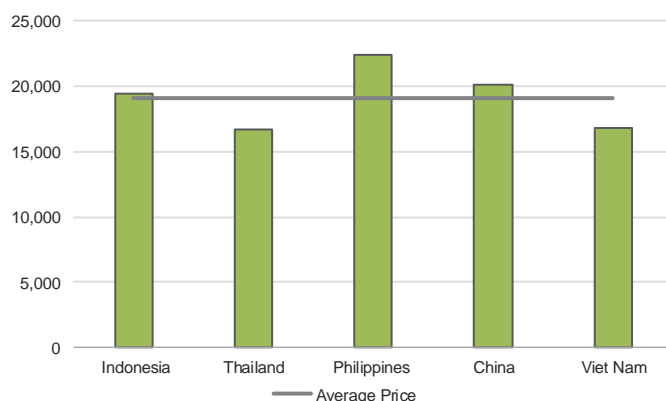
We believe global sugar prices will keep increasing in 2022F as global demand recovers strongly after the pandemic, while the world sugar market in the 2021-2022 crop year is forecasted to be undersupplied with a shortage of 3-4m tonnes. In addition, compared to the domestic market sugar price in the region (including ASEAN countries and China), Vietnam's sugar price is still at a lower level. Thus, we expect domestic sugar prices to increase following the global uptrend in 2022F. Besides, from Sep 2021, the Ministry of Industry and Trade officially investigated the sudden increase in sugar imports from ASEAN countries after Thai sugar was subject to an anti-dumping tax. In our view, anti-dumping tax and investigations of smuggled sugar will keep supporting domestic sugar prices in the coming year.

Figure 206: Global sugar prices skyrocket from the end of 2020



Source: VNDIRECT RESEARCH, ISO

Figure 207: Vietnam's sugar price is still at a lower level than the domestic market price in the ASEAN region (unit: VND)



Source: VNDIRECT RESEARCH, VSSA

We expect Quang Ngai Sugar JSC (QNS) can take advantage of the sugar price upward trend and expand the GPM of its sugar business as QNS has the second largest scale in sugarcane materials for sugar production. Besides, QNS is well-positioned to capture the increasing demand for domestic sugar. In Jul 2021, QNS has put the refined extra sugar production line into operation, which has a higher selling price than Refined Sugar.

### We expect F&B sector to rebound in 2022F thanks to customer behaviour's changing

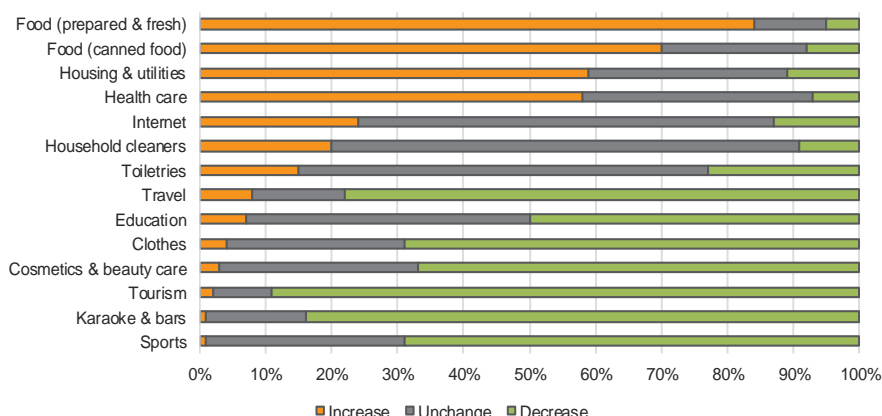
#### Shifting in consumer spending towards fresh and packaged goods

According to a survey conducted by Deloitte, when measuring consumer spending plans under the influence of the Covid-19 epidemic, 84% and 70% of consumers will increase their spending on fresh food and packaged food amid the Covid-19 outbreak due to the increase need to hoard goods.

According to Fitch Solution, Vietnam's spending on essential goods is estimated to grow 8.0% yoy and 10.0% yoy respectively in 2022-23F, driven by the adjustment of spending to the new normal situation, focusing on the essential categories (food and non-alcoholic beverages, housing & utilities). Vietnamese households mainly allocate budget for food and non-alcoholic beverages (23%). Thus, we believe that this new consumption trend will become a growth engine for F&B businesses in 2022F.



**Figure 208: Changes in household spending plans under impact of COVID-19 (unit: % consumers)**



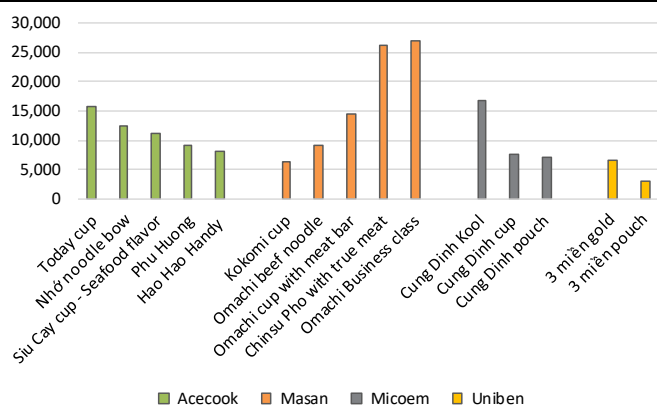
Source: VNDIRECT RESEARCH, DELOITTE

### Growing demand for premium products

Vietnam is the 17th largest country in term of population with 100 million and is delivering the highest GDP growth rate in ASEAN with 6.9% 2018-20 CAGR. According to Fitch Solutions, Vietnam disposable income per households will reach US\$6,848 in 2024F, with a CAGR of 8.0% in 2020-24F.

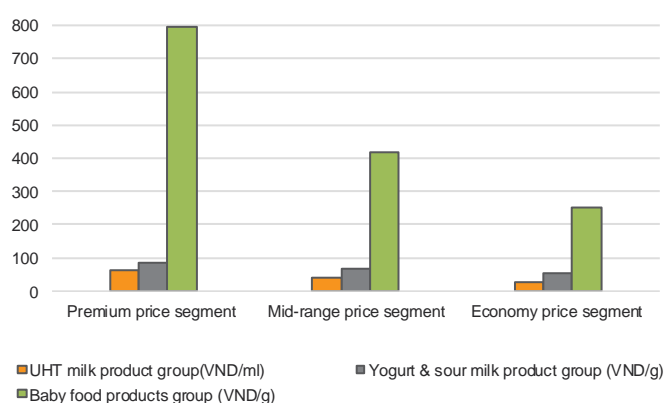
A rapidly growing middle class and rising disposable income will raise demand for healthier and more premium products. We believe that per capita income has grown stably while inflation and exchange rates are controlled in a timely manner, giving people access to premium products. They have become far more knowledgeable about what constitutes high service standards. In addition, the Covid-19 pandemic will also affect consumers' awareness of health issues, thereby increasing the demand for high-quality products that align with the health trends.

**Figure 209: Masan Consumer is a forerunner in premium convenience food products (unit: VND)**



Source: VNDIRECT RESEARCH, INTERNET

**Figure 210: VNM has a wide product universe with over 250 SKUs covering all price segments**



Source: VNDIRECT RESEARCH, INTERNET

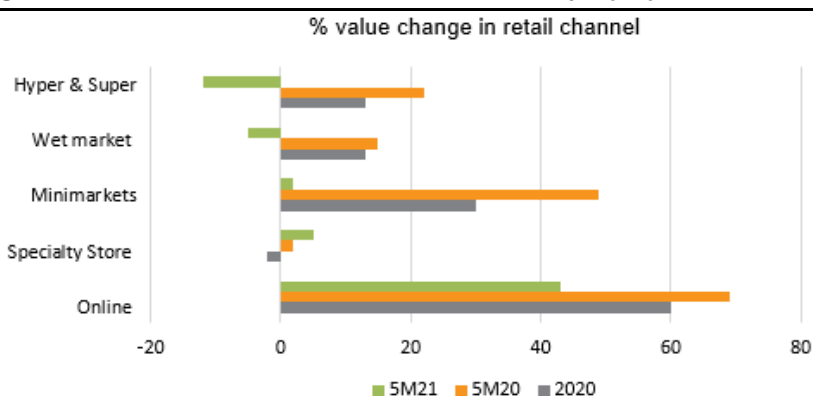
In our view, MCH already has a strong position in the premium line segment as a trendsetter in the industry over the last decade. The company is well known for high-end products in convenient food and seasonings such as Omachi Cup, Omachi Business Class, and Chinsu fish sauce with luxury packaging. Besides, we believe VNM, which owns the most diversified product universe in Vietnam (with over 250 stock keeping units covering almost all kinds of dairy demand for all ages and gender groups), will also enjoy this premium trend. VNM's products

cover all price segments, including economy price segment, mid-range price segment, and premium price segment.

### Modern trade is likely to be the new growth driver

The Covid-19 pandemic has changed consumption trends - an opportunity for modern distribution channels to develop quickly when people shop online at home and supermarkets with guaranteed products of quality and source. Since 2020, modern retail channels have grown impressively, covering all cities, and gradually spreading to rural areas while traditional retail channels are still maintained but no longer grow.

**Figure 211: Value share of online and minimarkets are likely kept up with that of wet market**



Source: VNDIRECT RESEARCH, KANTAR WORLD PANNEL

We believe F&B companies with a strong modern distribution system could benefit from this and achieve long-term growth. We believe they include Vinamilk (VNM) and Masan Consumer (MCH). In our view, VNM is well-positioned to capitalize on this trend thanks to its extensive product portfolio and huge distribution network. VNM has more than 500 standalone stores - "Giac mo sua Viet" and an available website and online shopping application that facilitates seamless customer experience across platforms. Meanwhile, MCH has the full advantage to benefit from this trend through the consolidation with Vincommerce (VCM) in 2020. VCM had two modern retail chains, including 1) over 100 supermarkets under the VinMart brand and 2) 2,231 convenience stores under the VinMart+ brand in 2021

### Sector potential risks

Besides the positive outlook, we also recognize potential risks that may affect the industry, such as: 1) another arising variant leading to disruptions in the supply chain, distribution and transportation of goods and 2) input material costs higher – than expected, putting pressure on F&B companies' gross profit margin.

The prolonged Covid-19 epidemic could bring new challenges to F&B companies, including 1) the ability to ensure health and safety at factories, 2) the ability to quickly adjust the cost structure to ensure positive earning, 3) the downsizing of staff/productivity, and 4) the ability to effectively manage work from home models. Thus, if the Covid-19 situation is not well controlled in 2022, these challenges will put pressure on F&B companies' operating costs and business results.

### Stock picks: We prefer VNM, MCH, and KDC

We prefer companies with leading positions in the industry, wide distribution systems, and diverse product portfolios, which can quickly catch up with consumer spending trends. VNM, MCH, and KDC are our stock picks based on the above criteria.

**Vietnam Dairy Products JSC (VNM VN, ADD, TP: VND116,000):** VNM is the leading dairy producer in all four main categories. In our view, its leading position in the dairy industry will help the company ride on the recovery of consumer demand after the pandemic. After dominating the domestic market, VNM is gradually moving into foreign markets through exporting and subsidiaries in the US, Cambodia, Philippines, etc. Thus, we believe that the overseas market will be the key driver for VNM's revenue growth in the coming years while the domestic market growth slows down.

**Masan Consumer Corporation (MCH VN, ADD, TP: VND146,800):** MCH set a leading position in the sauce market with 29.8% market share also ranked second in the instant noodle industry (20.0% market share) - only after Acecook Vietnam JSC (unlisted). We believe the consolidation with Vincommerce will give MCH advantages on the retail system compared to other competitors in the industry. In FY22-23F, the company enjoys a CAGR of 12.0% in net profit thanks to product portfolio upgrade and deeper penetration into the soft drink category.

**KIDO Group Corp (KDC VN, ADD, TP: VND69,800):** KDC is the leader in Vietnam's edible oil and ice cream industry. In 3Q21, the company decided to come back to the confectionery business by launching "KIDO's Bakery" brand, which provides bakery products in its network of 450,000 points. As the confectionery business has been KDC's traditional strength since its establishment, we expect KIDO's bakery will contribute 2.3%/2.6% to KDC's revenue and 4.0%/4.4% to KDC's gross profit in FY22-23F. Thus, KDC's earning is projected to thrive 168.0% yoy in FY21F and CAGR 17.5% over FY22-23F.

Figure 212: F&B peers' comparison (as at 26 Nov 2021)

	Bloomberg code	Target price (local)	Market cap (US\$m)	3-year EPS CAGR (%)	P/E (x) FY21F	P/E (x) FY22F	P/B (x) FY21F	P/B (x) FY22F	ROE (%) FY21F	ROE (%) FY22F	ROA (%) FY21F	ROA (%) FY22F
<b>Dairy Peers</b>												
China Mengniu Dairy Co	2319 HK	N/a	22,245	21.6	27.7	22.9	3.9	3.5	14.4	15.6	6.4	7.2
Bright dairy & food Co Ltd-A	600597 CH	N/a	2,639	2.9	26.2	23.0	2.6	2.4	10.0	10.7	3.6	3.9
Inner Mongolia Yili Indus-A	600887 CH	N/a	36,620	7.3	27.3	23.2	7.0	6.0	26.4	27.0	11.7	12.8
Meiji Holdings Co Ltd	2269 JP	N/a	9,045	2.7	15.9	13.8	1.7	1.5	11.4	10.9	6.5	6.5
Universal Robina Corp	URC PM	N/a	5,672	1.0	25.3	24.0	2.9	2.7	11.7	11.5	7.0	7.9
Vietnam Dairy Products	VNM VN	116,000	8,037	2.7	18.4	17.2	5.6	5.3	33.8	35.6	23.6	25.3
<b>Feed - Farm - Food Peers</b>												
Charoen Pokphand Foods	CPF TB	N/a	5,886	17.7	10.8	10.7	1.2	1.2	11.5	11.1	3.8	3.8
Wellhope Foods Co	603609 CH	N/a	1,329	44.2	7.2	6.5	1.4	1.2	19.5	18.6	11.3	10.9
Jiangxi Zhengbang	002157 CH	N/a	4,753	235.9	3.7	5.5	1.9	1.7	42.3	19.3	15.6	4.2
Wens Foodstuffs Group	300498 CH	N/a	16,710	45.3	6.8	6.3	1.9	1.6	24.9	20.1	13.4	11.1
Dabaco Group	DBC VN	64,000	397	142.6	6.7	8.0	1.4	1.2	21.4	14.6	9.6	7.1
Masan Meat Life JSC	MML VN	81,400	1,194	69.0	44.2	33.8	4.0	3.6	12.0	14.0	4.1	5.3
<b>Package food Peers</b>												
Indofood CBP Sukses Makmur Tbk PT	ICBP IJ	N/a	7,161	20.4	15.9	14.2	3.1	2.8	19.1	18.5	6.2	6.5
Nissin Foods Holdings Co Ltd	2897 JP	N/a	7,721	19.0	26.3	24.1	2.2	2.0	8.4	8.6	5.2	5.0
Want Want China Holdings Ltd	151 HK	N/a	10,201	10.8	15.3	14.3	4.0	3.8	27.1	27.1	13.1	14.0
Uni-President Enterprises Corp	1216 TT	N/a	13,874	(11.3)	18.9	17.5	3.2	3.4	17.1	20.1	4.6	5.2
Masan Consumer Corp	MCH VN	146,800	3,622	29.0	21.2	19.2	5.4	4.7	33.9	33.7	18.6	18.5
<b>F&amp;B Peers</b>												
Saigon Beer Alcohol Beverage Corp	SAB VN	N/a	4,486	1.9	26.4	21.7	4.9	4.4	20.3	22.5	13.9	15.1
Hanoi Beer Alcohol & Beverage JSC	BHN VN	N/a	623	2.5	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a
Quang Ngai Sugar JSC	QNS VN	N/a	843	1.4	14.2	11.7	2.4	2.2	17.7	21.8	12.3	16.7
Thanh Thanh Cong - Bien Hoa JSC	SBT VN	N/a	687	13.5	17.8	N/a	1.7	N/a	10.4	N/a	4.1	N/a
KIDO Group Corp	KDC VN	69,800	630	84.0	23.8	17.7	2.1	2.0	9.1	11.6	3.9	4.8

Source: VNDIRECT RESEARCH, BLOOMBERG

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**RETAIL: GATHER STEAM IN “NEW NORMAL”**
**2021 recap: a year of turbulence**
**3Q21's results of retailers were hit hard by Covid-19**

3Q21's revenue and net profit of listed retailers and distributors in our watchlist declined by 10.3% yoy and 52% yoy respectively, demonstrating the impact of social distancing in 3Q21 due to the 4<sup>th</sup> Covid -19 wave. However, thanks to the strong growth in 1H21, 9M21 revenue and net profit of these companies still maintained a positive growth by 11.2% yoy and 8.3% yoy, respectively.

In our watch list, non-essential products retailer and commercial real-estate retailer were heavily struck by social distancing period in 3Q21, represented by Phu Nhuan Jewelry JSC (PNJ VN, ADD, VND128,200) and Vincom retail JSC (VRE VN, ADD, VND36,600) when their revenue decreased by 77.6% yoy and 55.3% yoy in 3Q21, net profit decreased by 95.6% yoy and net loss of VND160bn, respectively.

In contrast, consumer electronics, essential goods distributors, and retailers were less impacted by social distancing in 3Q21 and remained well performance in 9M21 as demand of these products remained, with notable stocks:

- Digiworld Corp (DGW VN, Not rated) recorded 9M21 revenue and net profit growth of 53.2% yoy and 96.4% yoy thanks to the strong demand for laptops and high - end genuine phone products.
- FPT Digital Retail JSC (FRT VN, Not rated) which record net profit of VND108bn in 9M21 (compared to net loss of VND10bn in 9M20) thanks to the strong demand for laptops and high - end genuine phone products and well performance of Long Chau drug store chain during social distancing period.

**Figure 213: Listed retailers posted mixed results in 9M21**

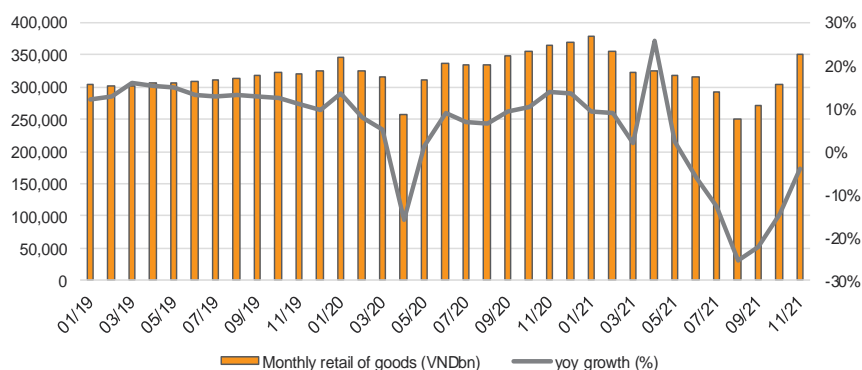
Stock	Marcap (VNDbn)	3Q20 Revenue (VNDbn)	3Q21 Revenue (VNDbn)	% yoy	9M20 Revenue (VNDbn)	9M21 Revenue (VNDbn)	% yoy	3Q20 Net profit (VNDbn)	3Q21 Net profit (VNDbn)	% yoy	9M20 Net profit (VNDbn)	9M21 Net profit (VNDbn)	% yoy
MWG	100,876	25,714	24,333	-5.37%	81,352	86,820	6.72%	951	785	-17.37%	2,976	3,336	12.11%
VRE	67,487	1,760	787	-55.27%	5,076	4,524	-10.88%	572	24	-95.76%	1,407	1,193	-15.26%
PNJ	23,078	3,922	877	-77.64%	11,668	12,514	7.25%	202	(160)	From net profit to net loss	642	576	-10.32%
DGW	11,890	3,624	3,825	5.54%	8,518	13,049	53.19%	75	107	42.81%	168	330	96.41%
FRT	4,597	3,432	4,993	45.48%	10,729	14,018	30.65%	(0)	47	From net loss to net profit	(10)	108	From net loss to net profit
PET	2,691	4,368	3,873	-11.33%	9,726	11,485	18.09%	49	55	12.13%	105	155	46.83%
PSD	931	2,906	2,338	-19.57%	6,353	5,985	-5.78%	22	38	71.78%	52	88	67.58%
<b>Total</b>		<b>45,726</b>	<b>41,026</b>	<b>-10.28%</b>	<b>133,423</b>	<b>148,395</b>	<b>11.22%</b>	<b>1,871</b>	<b>898</b>	<b>-52.01%</b>	<b>5,342</b>	<b>5,786</b>	<b>8.32%</b>

Source: VNDIRECT RESEARCH, Fiinpro

**We saw some retailers to gather growth since Oct 21**

Retail sales of goods in Vietnam have recovered rapidly since Oct 21, shortly after the “new normal” state was established and business activities in the southern region reopened since Mid Sep 21. Retail sales of goods increased by 12.5% mom in Oct 21 and 15.2% mom in Nov 21, respectively, reaching VND315,000bn in Nov 21. In 11M21, Vietnam retail sales of goods reached VND3,430,600bn (-5.5 % yoy).

**Figure 214: Vietnam monthly sale of good from 2019 – Nov 21**

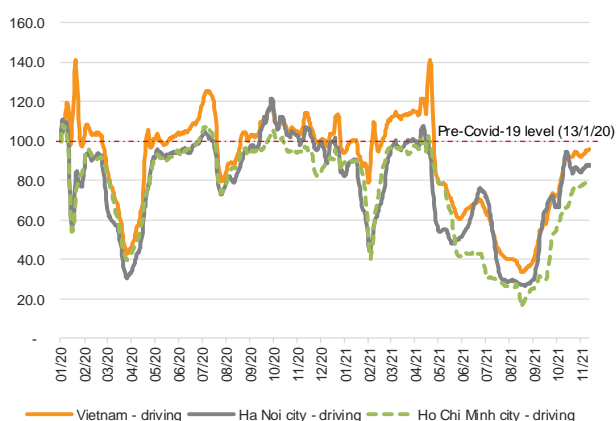


Source: VNDIRECT RESEARCH, GSO

According to Apple maps data, mobility trends in Vietnam are gradually recovering to pre-Covid-19 level (13 Jan 2020), from about -70% in Sep 21 to -12.1% in 24 Nov 2021. In which, mobility trends in Hanoi reached -4.1% and in HCMC reached -21.7% compared to pre-Covid-19 level. This trend indicates a good recovery of the Vietnamese economy to back to growth stage in FY22F.

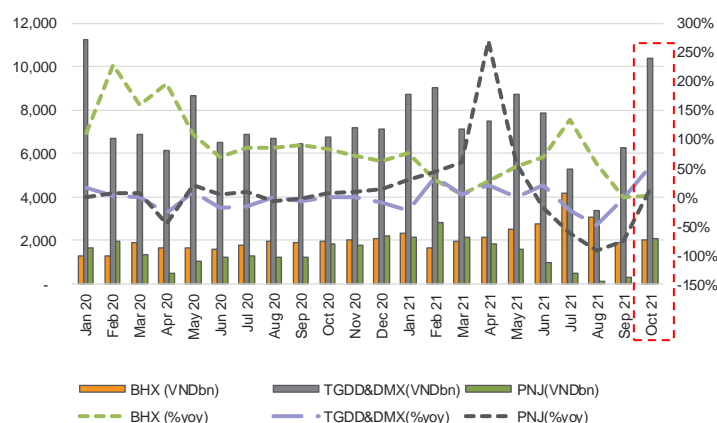
For listed companies, Oct 21 sales of retail chains posted a strong growth thanks to the pent-up demand effect during the social distancing period and the quick recovery of Vietnam economy. In which, revenue of MWG's TGDD&DMX (Mobile phone and consumer electronics chain) increased by 39% yoy and PNJ's revenue increased by 13.8% yoy in Oct 21, showing the positive results in the new normal. The revenue of the BHX (Bach Hoa Xanh - grocery chain), which benefited during the pandemic because of trading in essential goods, has returned to pre-epidemic levels.

**Figure 215: Mobility trends from 2020 – Nov 21**



Source: VNDIRECT Research, Apple maps

**Figure 216: Monthly revenue of Bach Hoa Xanh (BHX) chain, The Gioi Di Dong & Dien May Xanh (TGDD&DMX) chain and PNJ from 2020 – Oct 2021 (Unit: VNDbn)**



Source: VNDIRECT Research, Company reports

### 2022F Outlook: Gather steam in “new normal”

We believe listed retailers and distributors which be the large size companies and survived through Covid-19 will have a strong recovery rate and back to growth stage in 2022 thanks to 1) “New normal” state will prevent wide - range social distancing, which hurt retailers and distributors in 3Q21 and 2) large



companies will tap more share from other retailers and distributors that have left the market.

### We do not expect wide social distancing in 2022F

After gradually reopening the economy in southern provinces in early Oct 21, the government issued resolution No.128/NQ-CP stipulating "safe adaptation, flexibility, control effectiveness of the Covid-19 epidemic", in which there are 4 levels of pandemic to apply in each area with the smallest area being the "communal" unit.

With 1) the application of resolution No. 128/NQ-CP, 2) the high vaccinated rate and 3) the terrible impact of supply chain disruption in 3Q21, which is a great experience for anti-epidemic work, we believe that retailers and distributors will no longer bear wide-range social distancing in the coming period. However, if the new mutation virus makes another hard pandemic situation which lead to many areas fall to level 3-4 of pandemic, it will affect the operation of retail businesses to varying level as below.

**Figure 217: Retailer's immunity level to new waves of Covid-19**

	Immunity level to new waves of Covid-19	Comments
MWG	●	MWG's operation process will not be affected when all of MWG's stores are allowed to open throughout all levels of pandemic. BHX store chain can benefit when other sales channels such as traditional markets are limited open, to offset the reduction in sales of TGDD and DMX in case of lower demand for consumer electronic products.
FRT	●	FRT's operation process will not be affected when all of FRT's stores are allowed to open throughout all levels of pandemic. Long Chau store chain can benefit when people hoard medicine during epidemic period while FPT Shop may maintain its revenue level due to demand of smartphone and laptop still strong.
PNJ	◐	PNJ's operation process will not be affected when all of PNJ's stores will allowed to open throughout all levels of pandemic. However, new wave of pandemic will affects consumer demand for jewelry products and halt wedding ceremonies.
VRE	◑	VRE has been hardest hit among retail-related businesses, although VRE's malls are allowed to open at all 4 levels of the epidemic but mall's tenants operation may be restricted or limited if tenant's business belongs to a "high risk" group, such as a movie theater, which can cause VRE to offer more support packages for these customer groups.
DGW	●	Distributor's operation process will not be affected by all levels of pandemic.
PET / PSD	●	

Source: VNDIRECT RESEARCH

### Large companies will gain more share from other retailers and distributors that have left the market.

According to Ministry of Planning and Investment, the number of newly established companies in 10M2021 is 93,716, decreased 15.7% yoy and the number of companies returning to operation is 35,339, decreased 6.3% yoy. It shows that competition risks from new businesses are low in 4Q21 and helping the existing companies take advantages to grab more market share in their business.

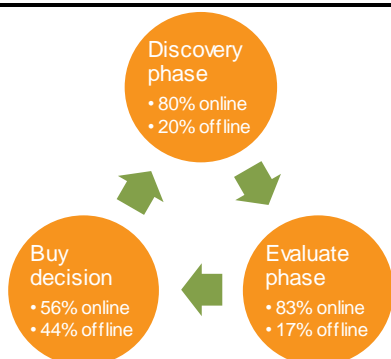
On the other hand, there were 97,089 companies left market in 10M21, increased 13.5% yoy. In which, more than 31% of the companies belong to the wholesale, retail and repair industries. We believe that the majority of these companies are small-scale companies, which be hurt by social distancing more than large-scale companies with strong brand and strong management system. Therefore, we expect large size retailers and distributors to have a quick recovery and strong growth in 2022F.

Among listed companies in our projection, we expect retailers to have a strong growth in net profit in 2022 with MWG's expected net profit to reach VND6,598bn

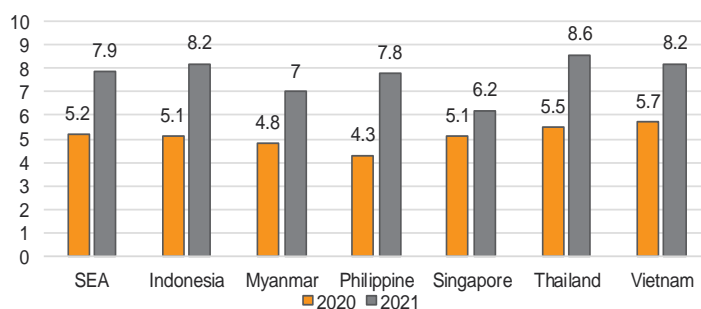
## We see three trends to accelerate growth for retail industry

Browsing and researching about products are now done mostly online instead of offline. At the same time, the share of spending that goes to offline channels is shrinking, according to research by Facebook and Bain&Company. In the first two stages of the consumer journey—the Discovery stage and Evaluate stage—at least 80% of channels used by consumers are online. Browsing products, comparing items, checking reviews and conducting research are now mostly done in channels like social media, ecommerce website, brand-owned websites and videos. But in the final stage of the consumer journey, the buy decision stage, online is only starting to capture an increasing share of sales.

**Figure 219: Digital consumer: Average number of websites used per respondent in Facebook and Bain&Company report (pages)**



Source: VNDIRECT Research, Facebook and Bain&Company



Source: VNDIRECT Research, Facebook and Bain&Company

For retailers, we believe that introducing an omnichannel strategy to complete the consumer journey is the right strategy to boost listed retailers and distributors' revenue. According to data from iPrice, Shopee and Lazada are the leading e-commerce sites in Vietnam with monthly visits in 3Q21 up to 77.8m and 21.4m. Therefore, putting stores on e-commerce sites will help retailers and distributors expand their customer base and increase sales in the near future.

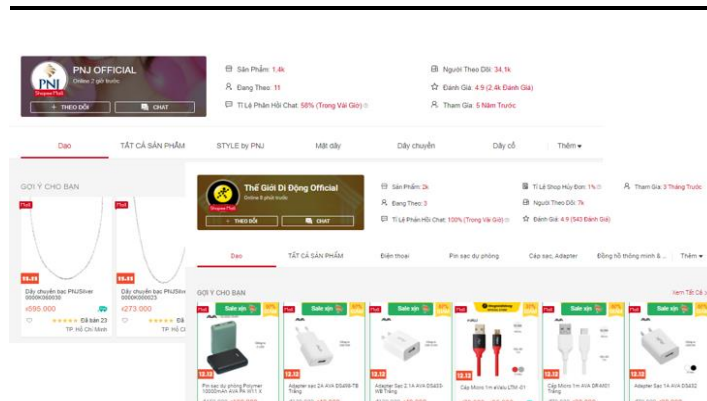
With this trend, we expect companies that have invested in and built a good online platform, built community pages and diversified selling channels on e-commerce sites to benefit from the omnichannel trend, in which MWG and PNJ are prominent retail companies.

**Figure 220: PNJ's promotion campaign on social media**



Source: VNDIRECT Research. Company social page

**Figure 221: Retailers join e-commerce website**



Source: VNDIRECT Research, Shopee

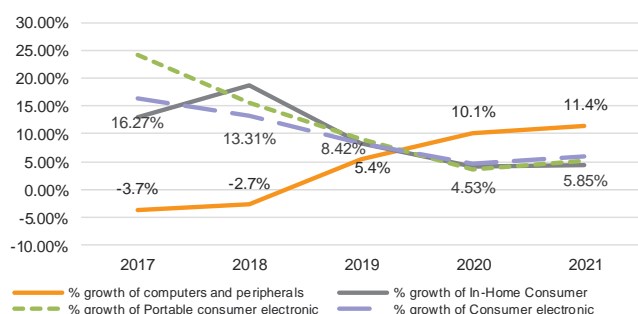
## #2. Growing demand for authorized distributed high-end smartphone and working-from-home products will continued post pandemic

**For high-end smartphone:** Although mobile phone market has been gradually saturated with growth in the period of 2019-2021 only around 5-7% p.a but for FY22F and beyond, we believe authorized mobile phone distributors will maintain a higher growth thanks to 1) demand for high-end products is less affected by the pandemic, 2) the tightening of Hand-carrying regulations help authorized retailers tap more share from individual retailers and 3) tightening warranties, which require authorized receipts for Apple products from authorized resellers will concentrated Apple products demand into authorized resellers.

**For working-from-home products:** According to the Vietnam population survey, only 30.7% of households have computers (including desktops and laptops), showing that the computer market still has great growth potential, especially in pandemic and post-pandemic period when the demand for computer products will strongly increase thanks to the need for work-from-home and entertainment.

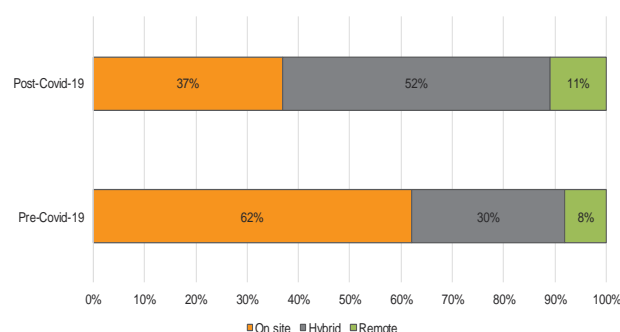
Given these trends, we expect MWG and FRT to benefit the most from the sharp increase in demand for genuine Apple products and laptops, while DGW and PSD will benefit from distribution phase to distribute these products to retailers.

Figure 222: Mobile phone and consumer electronic market growth in period of 2016-21F (% yoy)



Source: VNDIRECT Research, Euromonitor

Figure 223: Working models pre-Covid-19 and desired working models post-Covid-19 (% survey participants) firm growing demand for working-from-home products

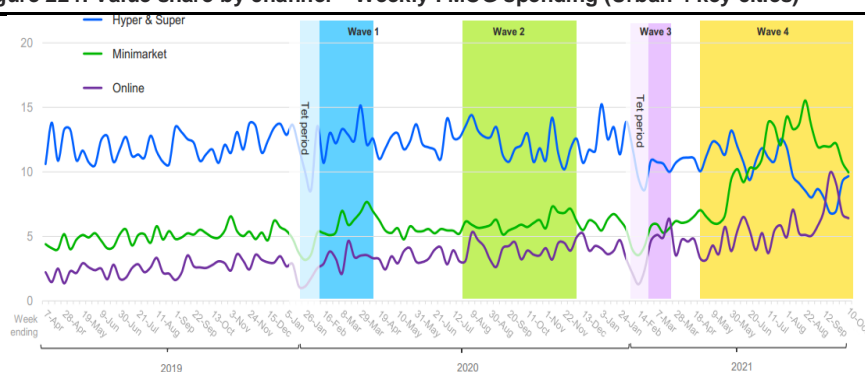


Source: VNDIRECT Research, McKinsey

## #3. Modern grocery chain benefits from the post-pandemic shift in consumption toward modern trade

According to Kantar Worldpanel, In Mid-Oct 21, the market shares of online channels and minimarkets fell back to around 10%/6% after peaking during period in Aug – Sep 21. However, the market shares still at a high level compared to pre-epidemic (about 3% for online channels and 5% for minimarket channels) showing the ability to maintain operations during social distancing period of these channels and a shift in consumer trends after the pandemic.

Figure 224: Value share by channel – Weekly FMCG spending (Urban 4 key cities)



Source: VNDIRECT RESEARCH, Kantar Worldpanel

According to the Ministry of Industry and Trade (MoIT) projections, by FY25F, the added value of the domestic trade sector will contribute about 13.5% of GDP, and the total retail sales of goods and services will rise about 9-9.5% p.a. print FY21-25F. The proportion of total retail sales of goods by modern trade will reach about 35-40% by 2025F. With MoIT's plan, the modern trade sale can maintain a growth momentum of over double digits throughout the period 2021-25F.

Therefore, enterprises with modern sales chains will maintain their growth momentum better than the general market. We believe MWG is a leading stock in this trend as they build modern grocery retail chains – Bach Hoa Xanh - with extensive coverage throughout the south of Vietnam.

### Stock picks: We prefer MWG, PNJ, and VRE

**MWG (MWG VN, ADD, VND180,500)** is the biggest retailer in the electronics sector market with two chains, The Gioi Di Dong (mobile phone chain) and Dien May Xanh (consumer electronics chain), as well as a growing modern retail chain in the grocery market, Bach Hoa Xanh. We expect MWG can post a robust growth in net profit of 40.3% yoy/26.2% yoy in FY22/23F thanks to revenue growth from genuine Apple products as well as increasing market share in the retail market after the pandemic.

**PNJ (PNJ VN, ADD, VND128,200)** is the largest jewelry retailer in Vietnam, with a jewelry market share of more than 30% in jewelry chains in Vietnam and continues to expand after the pandemic. PNJ reported that Oct 21 revenue posted a strong growth of 13.5% yoy, confirming PNJ's strong recovery after social distancing period. We expect PNJ can post a robust growth in net profit of 60.7% yoy/22.6% yoy in FY22/23F.

**VRE (VRE VN, ADD, VND36,600)** VRE is Vietnam's largest commercial real estate operator, with more than 1.7m sqm of retail space in 80 shopping malls nationwide and four formats to target many customer segments. We believe VRE will benefit the most from potential growth in modern trade in Vietnam's retail industry when risks from social distancing are reduced than FY20-21 period.

Figure 225: Retailers peers

Company	Bloomberg Ticker	Recom.	Share Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	P/E (x)		3-year EPS		P/BV (x)		ROE (%)		ROA (%)				
						TTM	FY22F	FY23F	CAGR (%)	TTM	FY22F	FY23F	TTM	FY22F	FY23F	TTM	FY22F	FY23F
CE&Grocery retailer																		
Mobile World Investment Corp	MWG VN	ADD	141,500	180,500	4,448	22.7	15.9	12.9	18.0%	5.3	4.0	3.2	25.2%	25.6%	29.3%	9.4%	8.7%	10.4%
Consumer electronics peers																		
Erajaya Swasembada Tbk PT	ERAA IJ	na	610.0	na	675	9.4	9.3	7.9	58.8%	1.7	1.5	1.3	18.9%	17.4%	18.1%	9.9%	9.1%	9.6%
FPT DIGITAL RETAIL JSC	FRT VN	na	58,200	na	203	42.5	30.9	22.8	-36.4%	3.7	3.8	3.4	9.0%	12.9%	16.2%	1.7%	na	na
Challenger Technologies Ltd	CHLG SP	na	0.56	na	164	8.4	na	na	14.7%	1.6	na	na	19.6%	na	na	13.7%	na	na
Sunfar Computer Co Ltd	6154 TT	na	17.80	na	51	11.6	na	na	-13.1%	1.1	na	na	10.0%	na	na	5.9%	na	na
Tsann Kuen Enterprise Co Ltd	2430 TT	na	39.15	na	234	12.0	na	na	7.4%	1.3	na	na	11.5%	na	na	3.8%	na	na
Average - Consumer electronics peers						16.8	20.1	15.3	6.3%	1.9	2.6	2.4	13.8%	15.2%	17.2%	7.0%	9.1%	9.6%
Grocery retailing peers																		
Taiwan FamilyMart Co Ltd/Taiwan	5903 TT	na	253.0	na	2,028	38.5	34.6	24.3	14.8%	9.6	9.0	7.5	24.4%	20.9%	31.8%	2.4%	3.0%	4.3%
Sumber Alfaria Trijaya Tbk PT	AMRT IJ	na	1,165	na	3,354	32.3	29.9	24.4	61.0%	6.1	5.8	5.1	20.5%	20.1%	21.4%	5.9%	6.0%	6.8%
Average - Grocery retailing peers						35.4	32.3	24.3	37.9%	7.8	7.4	6.3	22.5%	20.5%	26.6%	4.1%	4.5%	5.5%
Jewelry retailers																		
Phu Nhuan Jewelry JSC	PNJ VN	ADD	101,500	128,200	1,018	23.1	23.7	16.1	11.8%	4.0	3.9	3.3	18.3%	18.3%	23.3%	11.6%	11.8%	14.4%
Chow Tai Fook Jewellery Group Ltd	1929 HK	na	14.68	6.00	18,824	18.8	19.1	16.3	27.7%	4.3	4.1	3.8	24.5%	21.8%	23.4%	10.1%	10.6%	11.0%
Chow Sang Sang Holdings Ltd	116 HK	na	11.22	na	975	8.2	0.4	3.0	-12.1%	0.6	0.6	0.5	7.4%	8.1%	8.6%	5.4%	5.9%	6.2%
Average - Jewelry retailers						13.5	9.7	9.7	7.8%	2.4	2.3	2.1	16.0%	15.0%	16.0%	7.7%	8.2%	8.6%
Retail real estate companies																		
Vincom Retail JSC	VRE VN	ADD	30,400	36,600	3,046	31.1	35.8	20.5	25.2%	2.2	2.2	2.1	7.4%	6.2%	9.7%	5.6%	3.9%	6.8%
SM Prime Holdings Inc	SMPH PM	na	36.60	na	20,937	53.3	45.4	29.0	-5.9%	3.2	3.1	2.9	6.1%	7.0%	10.0%	2.6%	3.0%	4.5%
Central Pattana PCL	CPN TB	na	54.00	63.25	7,156	33.1	39.3	26.4	-10.4%	3.4	3.2	2.9	10.7%	9.7%	12.0%	3.1%	3.0%	4.0%
Pakuwon Jati Tbk PT	PWON IJ	na	500.0	700.0	1,670	21.6	17.6	13.7	-7.7%	1.5	1.4	1.3	7.1%	7.9%	9.5%	3.8%	4.4%	5.3%
Average - Retail real estate peers						36.0	34.1	23.0	-8.0%	2.7	2.6	2.4	8.0%	8.2%	10.5%	3.2%	3.4%	4.6%

Data as at 26 Nov 2021

Source: VNDIRECT RESEARCH, BLOOMBERG



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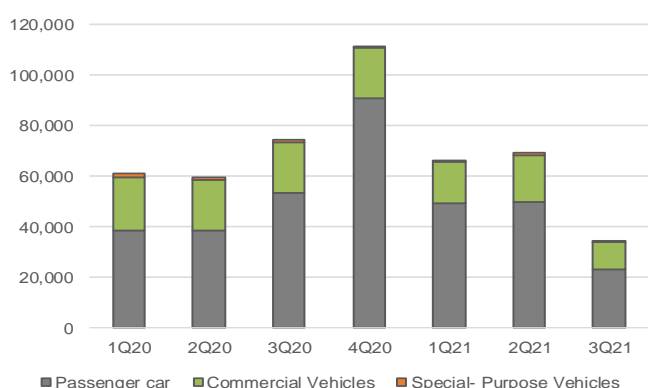
**AUTOMOBILE - RECOVERY TO GO INTO FULL GEAR**

**2021 recap: Slight rebound from low base in 2020**

**Among the sectors hardest hit by Covid-19 in 3Q21**

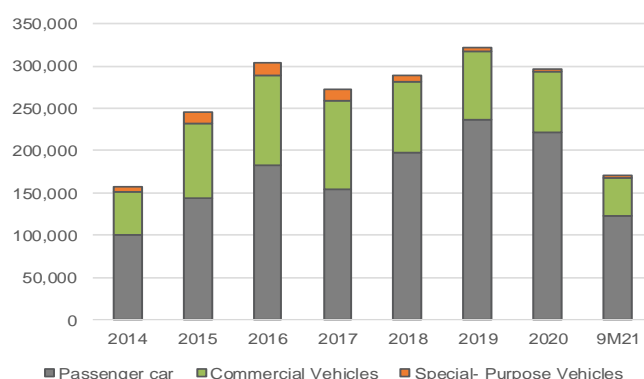
Automobile sales showed a positive signal in 1H21, reaching 135,606 units (+32.0% yoy) thanks to 1) the low base in 1H20, 2) a series of promotional programs and discounts launched by passenger car (PC) manufacturers to stimulate demand and 3) launching many new automobile models and facelift to attract consumers. However, Covid-19 cast a shadow on the Vietnam automobile industry in 3Q21. According to VAMA, automobile sales in 3Q21 posted 34,467 units (-50.7% yoy) as PC distributors and dealers had to close stores to implement social distancing. Especially, automobile sales in Aug-21 only reached 8,884 units – the lowest since 2015.

**Figure 226: Auto sales in 3Q21 were hit hard by Covid-19 (units)**



Source: VAMA, VNDIRECT RESEARCH

**Figure 227: Passenger car account for 72% sales in 9M21 (units)**



Source: VAMA, VNDIRECT RESEARCH

**Covid-19 cast shadow on listed automobile companies' 3Q21 performance**

Automobile listed companies showed robust growth in 1H21 thanks to PC manufacturers launching many new models or facelifts and implementing many promotional policies to attract more customers. However, PC listed companies' earnings in 3Q21 were hit hard by Covid-19. The outbreak of Covid-19 in 3Q21 caused many provinces and cities to implement social distancing. VAMA estimated that more than 200 automobile dealerships belonging to VAMA members have closed in Aug and Sep-21. However, except HAX, others automobile listed companies' earnings still posted positive growth yoy in 9M21 thanks to robust growth in 1H21.

**Figure 228: 9M21 earnings recap of Vietnam's listed automobile companies (VNDbn)**

	3Q20 Net profit	3Q21 Net profit	Change (% yoy)	9M20 Net profit	9M21 Net profit	Change (% yoy)
VEA	1,566	746	-52.4%	3,853	3,906	1.4%
HAX	51	-33	na	63	34	-45.4%
CTF	1	-7	na	3	8	209.9%
SVC	45	-29	na	67	68	2.4%

Source: VND RESEARCH COMPANY REPORTS

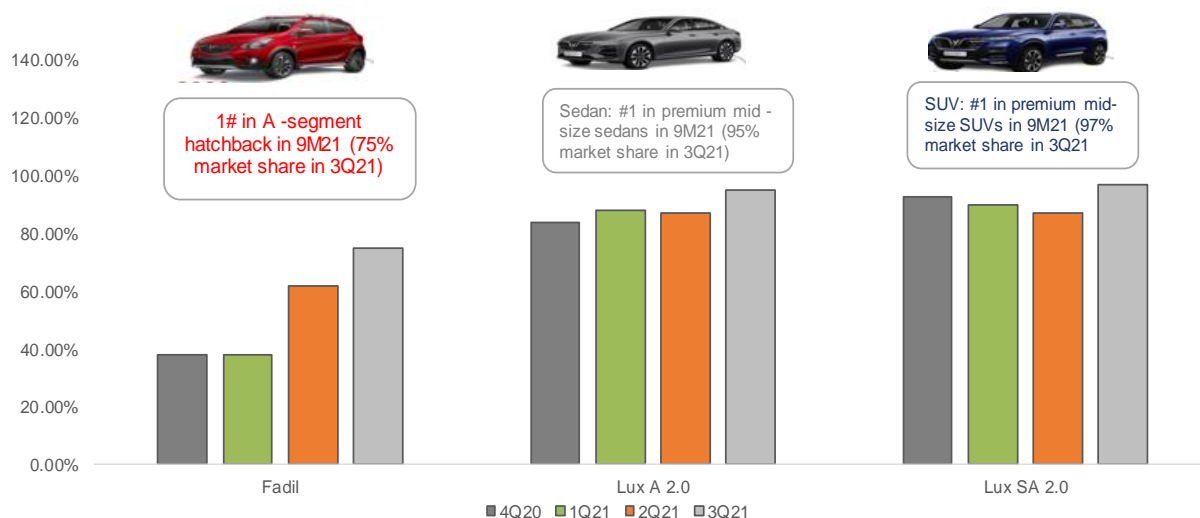
**VinFast – Raising Vietnam's brand**

Although Covid-19 heavily impacted Vietnam's automobile industry in 2020-21, VinFast achieved impressive success with recorded sales - nearly 30,000 units and 25,527 units in Vietnam in 2020-9M21. Especially, VinFast Fadil achieved leading status in terms of monthly sale volume, just after 1.5 years since launch. For 9M21, VinFast had a booming sale volume of the Fadil model with a total of 17,668 units, surpassing Korean best-selling Kia Morning and Hyundai Grand



i10 while Sedan LuxA 2.0 and SUV LuxSA 2.0 also ranked 1st in Sedan premium mid-size and SUV premium mid in the last 9M21, posted 4,771 units and 3,088 units, respectively. In total, VinFast claimed 12% of the total market share in 9M21, becoming the 4th most popular automobile brand.

**Figure 229: VinFast Fadil accounted for 38% market share in A-segment in 3Q21**



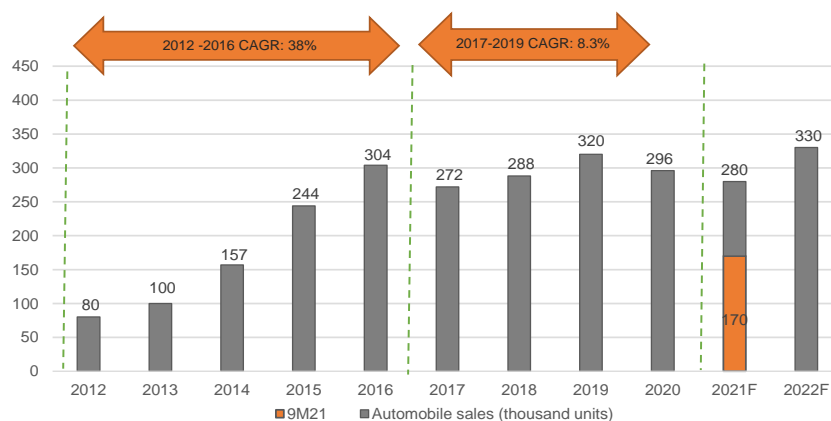
Source: VIC, VNDIRECT RESEARCH

### Vietnam automobile market likely to bottom out since early 2022

#### Preferential policy from the Government is the key driver for the recovery of automobile industry in 2022

On 15-Oct-21, the Ministry of Finance (MOF) consulted relevant ministries and agencies to reduce registration tax for domestically manufactured and assembled automobiles. According to this, the automobile registration tax will reduce by 50% from 01-Dec-2021 to the end of 31-May-22. As before in 2020, although registration fee revenue has decreased by VND 7,314bn, the 50% reduction of registration tax has increased state budget revenue to VND14,110bn. According to VAMA, in 1H20 (when the registration fee reduction has not been implemented yet), car sales were only about 107,183 units. However, after being applied to reduce the registration fee, the total car sales volume of the whole market reached 189,451 units, soaring 76% vs 1H20 and +33.1% yoy. We expect that preferential policy from the Government is the key driver for the recovery of the automobile industry in 2022.

**Figure 230: Automobile sales dropped 8% yoy, to 296,634 units in 2020**

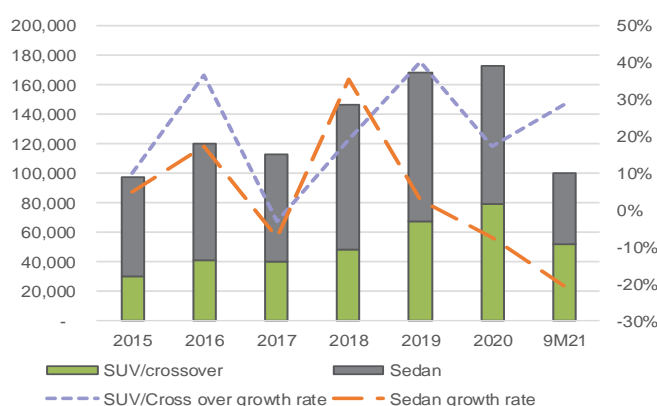


Source: VAMA, VND RESEARCH

## The age of Crossover and SUV

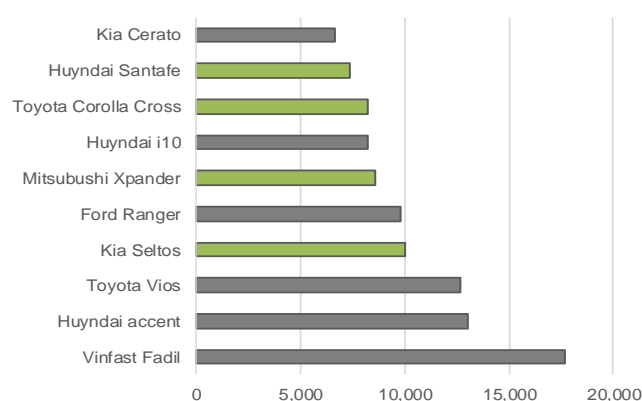
5-seater or 7-seater high-end PC (Crossover and SUV) are becoming a hot trend of customer choice to replace the sedan because of the dynamism, comfort, and versatility for urban or the suburbs. According to US automobile manufacturers, SUV/crossovers sales in Southeast Asia have increased by more than 7% per year, while PC sales have fallen by 4% since 2011. The data from the VAMA shows that, in 2017, SUV/crossover's sales were only 40,075 units, in 2018 and 2019 increased to 47,801 and 67,116 vehicles, respectively. Especially, while sedan sales in 2020 decreased 7.5% yoy due to the effect by Covid-19, CUV/SUV sales increased 17.3% yoy in the same period.

**Figure 231: SUV/CUV accounted 51.8% automobile sales in 9M21 (units)**



Source: VAMA, VNDIRECT RESEARCH

**Figure 232: 4/10 best-selling automobile in 9M21 were SUV/CUV models (units)**



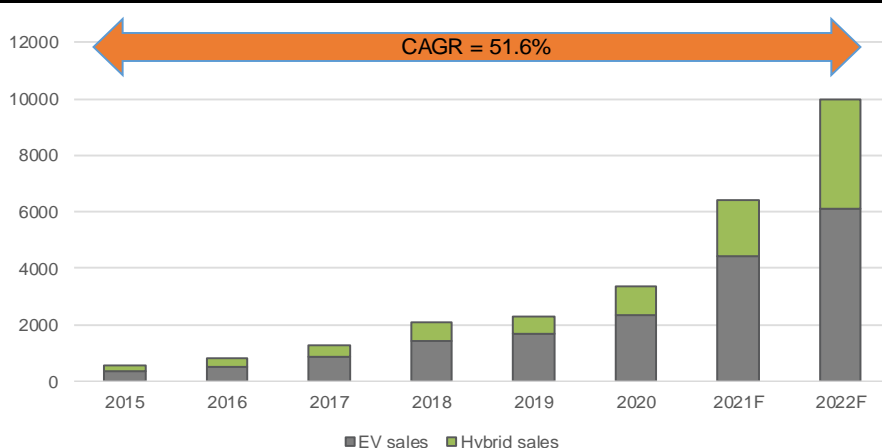
Source: VAMA, VNDIRECT RESEARCH

The growth of SUV/CUV PC is also evident in the top 10 selling PC ranking in 9M21 when SUV and crossover sales contributed 4/10 positions, with popular models in the market including Kia Seltos, Hyundai Santafe, Mitsubishi Xpander, and Honda CR-V. We think the rise of demand for CUV and SUV come from its versatility. SUV/ CUV has a truck-like design and body structure and high ground clearance, powerful engine for multi-terrain capability, spacious interior for 5-7 people including luggage.

We expect CUV and SUV sales to maintain positive growth in 2022F, especially in the B-class CUV segment, as major automakers are continuously releasing models. In Q3/20, Toyota and KIA have respectively launched two models, Kia Seltos and Toyota Corolla Cross, which achieved impressive results in 2021. Kia Seltos and Toyota Corolla Cross were two of ten best-selling PC in 9M21 with 10,008 units and 8,197 units, respectively. Furthermore, we expect the A-class CUV to thrive in 4Q21-22F as two new models (Kia Sonet and Toyota Raize) will be launched in Vietnam in 4Q21 and 2Q22F.

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

Global sales of EV soared 160% yoy to more than 2.6m units, despite overall automobile sales slumped by Covid-19 pandemic. Many countries have come up with a roadmap to end fossil fuel-powered automobiles over the period of 2021-30F. Specifically, the UK and Japan announced a plan to ban the sale of gasoline and diesel automobiles by 2030, five years earlier than the previous proposal. While Thailand also exempted some electric vehicle and battery manufacturers from taxes and set a target to become Southeast Asia's No.1 electric vehicle manufacturer by 2030. IHS Markit forecasts global EV sales to rise by 56.3% yoy in 2022, reaching CAGR 51.6% in 2015-22F.

**Figure 233: EV sales is expected to reach CAGR 51.6% (units)**


Source: EVvolumes.com, VNDIRECT RESEARCH

Moreover, in 24-Mar-21, VinFast has officially announced to accept the order of the first electric PC model named VF e34 with the price of VND690m. Regarding operating costs, VF e34 users pay monthly battery subscription fees with a fee of VND1.45m/month for a maximum distance of 1,400 km. VF e34's operating costs (including battery rental and charging) are equivalent to the consumption costs of gasoline automobiles in the same segment (7.8 liters / 100km), while prices and features are superior with gasoline automobile. We expect VinFast EV will create a new trend for Vietnam PC market in 2022-23F when some EV models are expected to launch in Vietnam market in 1H22 such as Kia EV6, Mercedes Benz EQB, EQE, EQS.

### Stock picks: We like HAX and VEA

We expect HAX to take benefits from preferential policy from the Government as most of HAX's car model is assembled in Vietnam. While, we expect Toyota Cross and Toyota Raize are the key driver of VEA's earnings growth in FY22F thanks to a rising consumer preference for CUV and Hybrid Electric Vehicle. Furthermore, HAX and VEA are trading at TTM P/E of 14.3x and 10.1x, respectively, which are attractive with lower than 12.5% and 39.5% the regional peer average. Investment risk is the worsening of the Covid-19 outbreak may hit automobile listed companies' s performance directly.

**Figure 234: Peer comparison**

Company	Ticker	Market cap US\$m	TTM	P/E 2021	3 years CAGR growth		P/BV (x)		EV/EBITDA		ROE (%)		ROA (%)	
					CAGR	TTM	2021	TTM	2021	TTM	2021	TTM	2021	TTM
China Meidong Auto Holdings Ltd	1268 HK	4,951	32.9	39.6	36.7	12.3	9.9	21.8	19.6	29.9	32.2	12.5	13.375	
Tunas Ridean Tbk PT	TURI IJ	730.0	12.3	26.4	-23.6	na	na	11.3	na	6.8	na	4.6	na	
Hubei Three Gorges Tourism Group Co Ltd	002627 CH	627.0	14.3	29.1	2.3	na	na	na	na	4	na	2.3	na	
Saigon General Service Corp	SVC VN	222.0	13.7	27.0	32.2	na	na	na	na	12.1	na	3.5	na	
Hang Xanh Motors Service JSC	HAX VN	76.8	15.1	15.8	47.1	2.1	2.0	12.2	na	15.7	19.9	6.2	11.5	
Competent Automobiles Co Ltd	CPA IN	21.8	6.6	na	-10.0	na	na	2.7	na	6.68	na	3.8	na	
Vietnam Engine & Agricultural Machinery Corp	VEA VN	117	10.9	12.2	6.3	2.4	2.4	na	273.0	21.4	20.6	18.3	19.1	
City Auto Corp	CTF VN	182.1	163.0	171.0	-0.8	na	na	37.8	na	5.81	na	2.1	na	
<b>Average</b>			<b>33.6</b>	<b>45.9</b>	<b>11.3</b>	<b>5.6</b>	<b>4.7</b>	<b>17.2</b>	<b>146.3</b>	<b>12.8</b>	<b>24.2</b>	<b>6.7</b>	<b>14.7</b>	
<b>Mean</b>			<b>14.0</b>	<b>27.0</b>	<b>4.3</b>	<b>2.4</b>	<b>2.4</b>	<b>12.2</b>	<b>146.3</b>	<b>9.5</b>	<b>20.6</b>	<b>4.2</b>	<b>13.4</b>	

Source: VNDIRECT RESEARCH, Company reports (Data as in 26 Nov 2021)

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**CONSTRUCTION & MATERIALS: GROWING DEMAND**
**Riding on the infrastructure development acceleration**

Along with upcoming fiscal support packages, the government plan to step up public investment in 2022 to counter the slowdown in other growth engines. It plans to spend VND526tr on public investment in 2022F (+10% versus the public investment plan for 2021) to support growth.

We believe that the disbursement of public investment in 2022 could increase by 15-25% compared to the actual disbursement in 2021 thanks to (1) the bottleneck of construction stone shortage has been solved as the government has licensed for new mines, (2) the prices of construction materials such as steel, cement, construction stone are expected to cool down next year, and (3) the actual disbursement of public investment is expected to be low in 2021, equivalent to only 85-95% of the whole year plan. In addition, the Government is expected to focus on accelerating the progress of major public investment projects in 2022 such as the Long Thanh International Airport and the North-South Expressway.

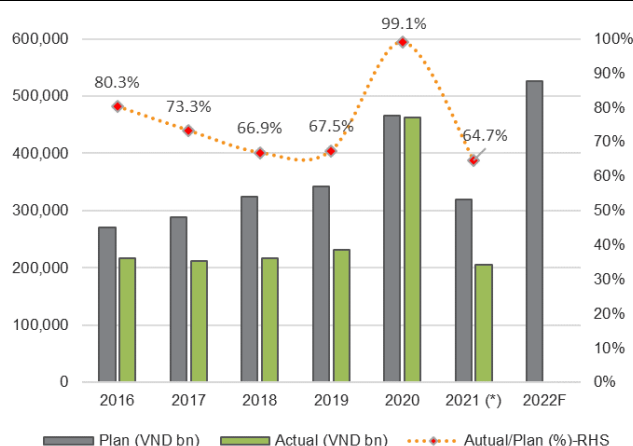
**Transport development to remain a priority in 2022 - 2025**

The Government has submitted to the National Assembly a policy to convert all 12 sub-projects of the North-South Expressway into public investment to speed up the implementation progress.

In the long term, the scale for public investment packages in Vietnam to meet demand is huge. According to various public sources (Ministry of Transport, People's Committee of Hanoi & Ho Chi Minh City), total investment of Vietnam transport pipeline is US\$23.5bn in 2021-27F.

We expect the disbursement process will accelerate toward end-2021 and throughout 2022 and become the key driver for infrastructure construction industry in 2022. Construction companies that have proven their ability and are executing a series of major projects such as Vietnam Construction and Import-Export JSC (VCG VN, HOSE), Deo Ca Traffic Infrastructure Investment JSC (HHV VN, UPCOM), CIENCO4 Group (C4G VN, UPCOM),...are facing a strong breakthrough opportunity in 2022. Besides, this group of businesses has surpassed the previous strict conditions for winning the bid, thereby enabling them to continue participating in the next major infrastructure projects such as 12 new sub-projects of North-South expressway in the 2021-25F period, in our view.

**Figure 235: Government plans to spend VND526tr on public investment in 2022F (+10% yoy)**



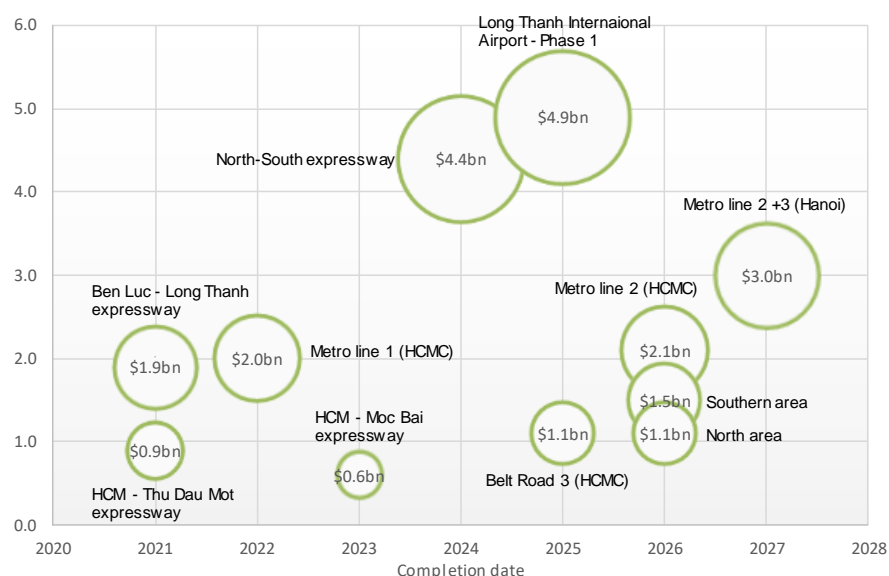
(\*) 2021 Actual data as of the end of Oct-2021

Source: VNDIRECT RESEARCH, GSO

**Figure 236: Government proposes use of State budget for 12 new sub-projects of Eastern North-South Expressway**

Expressway	Total investment (VND bn)	Length (km)
Bai Vot - Ham Nghi	7,403	36
Ham Nghi - Vung Ang	10,185	54
Vung Ang - Bung	11,785	58
Bung - Van Ninh	10,526	51
Van Ninh - Cam Lo	10,591	68
Quang Ngai - Hoai Nhon	20,898	88
Hoai Nhon - Quy Nhon	12,544	69
Quy Nhon - Chi Thanh	12,298	62
Chi Thanh - Van Phong	10,601	51
Van Phong - Nha Trang	12,906	83
Can Tho - Hau Giang	9,768	37
Hau Giang - Ca Mau	17,485	72
<b>Total</b>	<b>146,990</b>	<b>729</b>

Source: VNDIRECT RESEARCH, MINISTRY OF TRANSPORT

**Figure 237: Total investment of Vietnam transport pipeline is US\$23.5bn in 2021-27F (US\$ bn)**


Source: VNDIRECT RESEARCH, VARIOUS PUBLIC SOURCES

**Figure 238: Outstanding infrastructure projects under construction**

Project	Total investment (VND bn)	Timeline	Construction progress (as of the end of Oct 2021)	Participating listed companies
Cam Lo - La Son expressway	7,700	2019-22	61.0%	
Package XL-09	623			C4G
Mai Son - Highway 45 expressway	12,920	2020-22	26.1%	
Package XL-14	2,498			VCG
Vinh Tuy 2 bridge	2,500	2020-22	24.0%	
Package 01/VT2-XL	1,154			VCG
Package 04/VT2-XL	115			L18
Package 05/VT2-XL	101			VCG
Vinh Hao - Phan Thiet expressway	10,853	2020-23	14.3%	
Package XL-01	1,688			DPG
Package XL-04	3,225			VCG
Phan Thiet - Dau Giay expressway	14,360	2020-23	15.0%	
Package XL-03	2,299			VCG
Package XL-02	1,910			C4G
My Thuan - Can Tho expressway	4,827	2020-23	16.0%	
Package XL-02	705			C4G
Nghi Son - Dien Chau expressway	8,380	2021-23	0.4%	
Package XL-03	1,266			VCG
Package XL-04	1,139			C4G
Highway 45- Nghi Son expressway	6,330	2021-23	0.1%	
Package XL-03	1,100			VCG
Package XL-02	1,193			LCG
Dien Chau - Bai Vot expressway	13,340	2021-24	0.0%	C4G
Cam Lam - Vinh Hao expressway	13,690	2021-24	0.0%	
Package XL-1, XL-5, XL-8, XL-9	538			HHV
Huu Nghi - Chi Lang expressway	7,609	2022-24	0.0%	HHV

Source: VNDIRECT RESEARCH, MINISTRY OF TRANSPORT

### Energy infrastructure: time to take action

It reinforces the government's current view on prioritizing renewable energy sources to minimize negative impacts caused by electricity production on the environment. RE is targeted to grow 7.3% CAGR over 2020-45F, widening its



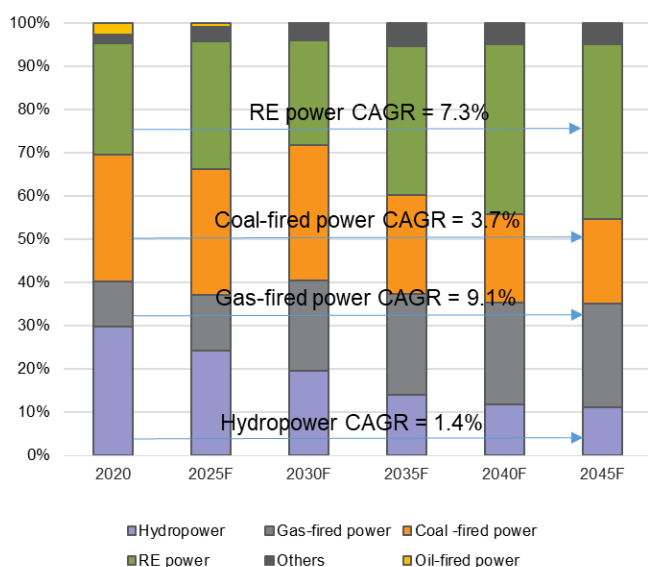
weight to 41% of country capacity by 2045F from 25.8% in 2020. In which, solar power capacity will decelerate to 4.6% CAGR over 2020-45F and its proportion declines from 24% in 2020 to 19.9% of total capacity in 2045F. On the other hand, wind power will rise at CAGR of 19% in 2020-45F period and take over 18.6% of total capacity in 2045F.

We believe that the Government's policy of encouraging wind power development will continue to attract private investment in this type of renewable energy project. Thus, wind power construction businesses will benefit from this theme.

To take advantage of the opportunities arising from the country's heavy investment in renewable energy (RE), many contractors actively participated in the construction of RE projects in 2018-21. Notably, in 2021, participating in the construction of wind power projects as the general contractor of BOP (Balance of Plants) and EPC (Engineering, Procurement and Construction) has contributed a large proportion in the construction revenue of enterprises such as FCN (with projects named B&T Quang Binh, Quoc Vinh - Soc Trang, Lac Hoa – Hoa Dong, V1.3 Tra Vinh), TV2 (Tan Thuan, Chinh Thang), PC1 (Ia Bang 1, Tan Phu Dong 2, Lien Lap – Phong Huy – Phong Nguyen).

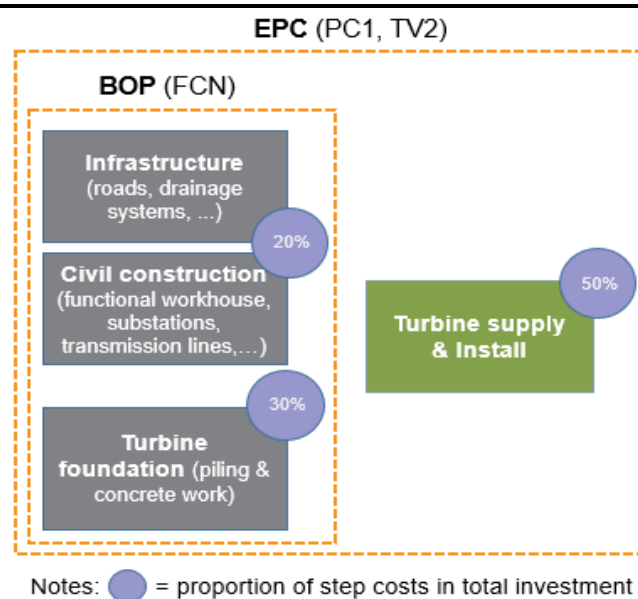
On Aug 30<sup>th</sup>, the Ministry of Industry and Trade (MOIT) has released the final draft of the national Power Development Plan 8 (PDP8). Meanwhile, country installed capacity will probably reach about 261,951 MW by 2045F, meanwhile, total output from domestic and import might reach 528.8bn kWh by 2030F.

**Figure 239: Capacity structure will gradually shift to RE and Gas-fired power in the 2020-45F period (Unit: %)**



Sources: PDP8, VNDIRECT RESEARCH

**Figure 240: Construction costs account for about 50% of the total investment of wind power projects**



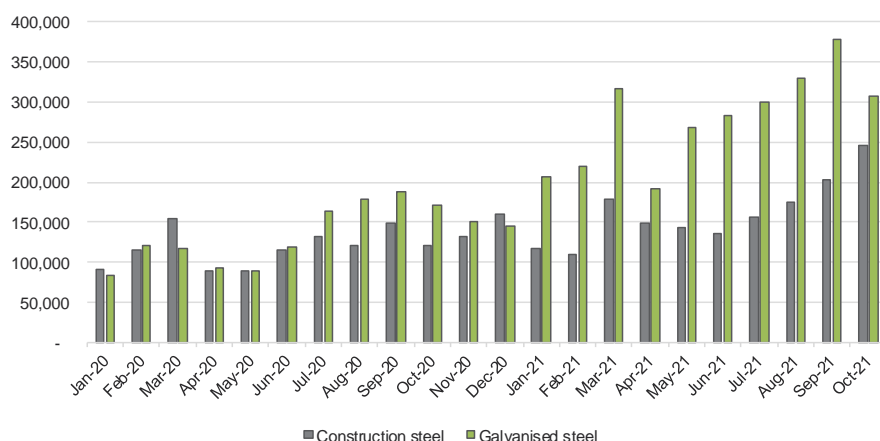
Source: VNDIRECT RESEARCH

## Construction materials: volume rides on high demand in FY22-23F

### Steel: Higher demand to offset the drop in output prices

According to Vietnam Steel Association (VSA) data, Vietnam's exports of construction steel and galvanised steel reached 1.6m-2.8m tonnes in 10M21, up 37% yoy-112% yoy, respectively. We believe a significant increase in steel demand from the global infrastructure sector, as many countries have been approving and accelerating construction of infrastructure projects since 1Q21. We expect this trend to continue at least until the end of 1H22F, boosting steel export of Vietnamese manufacturers.

**Figure 241: In 10M21, export of construction steel and galvanised steel increased by 37% yoy and 112% yoy, respectively (Unit: tonnes)**



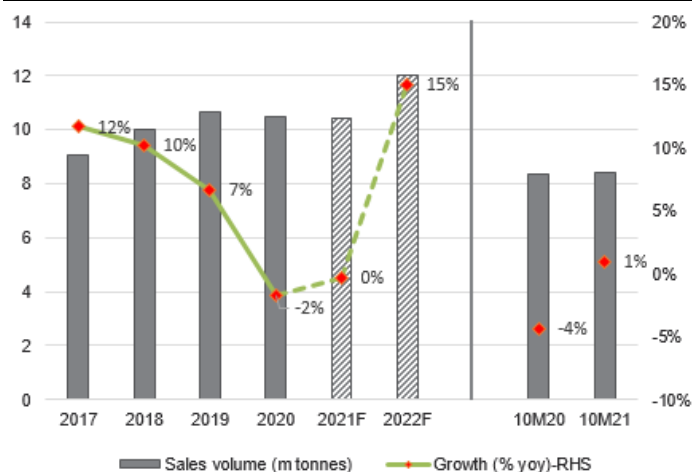
Source: VNDIRECT RESEARCH, VSA

Notably, the US\$1.2tr bipartisan package, signed into law by Biden at a White House ceremony Nov. 15, marks the largest investment in US infrastructure since the Federal Highway Act of 1956. Steel-intensive funding in the legislation includes US\$110bn for roads, bridges, and major projects, US\$66bn for passenger and freight rail, US\$39bn for public transit, and US\$7.5bn for electric vehicles. The American Iron and Steel Institute estimates that for every US\$100bn of new investment in infrastructure it could increase demand for domestic steel by as much as 5m tonnes.

The Indian Government also announced it would launch a US\$1.35tr infrastructure plan in early August. This package will aim to boost industrial production and economic growth, and includes a focus on expanding transport infrastructure and the use of cleaner fuels.

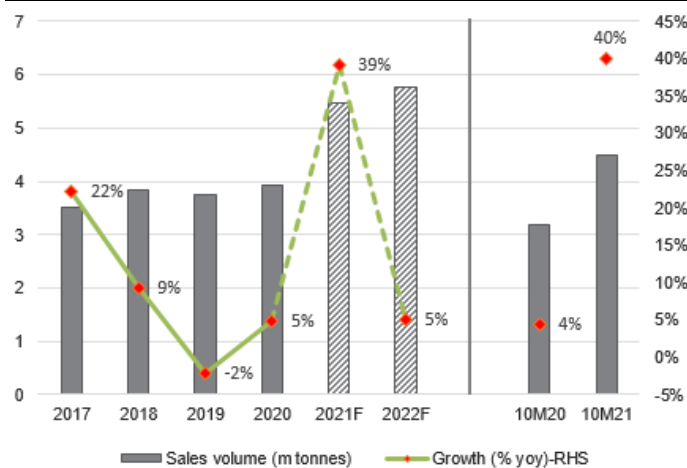
Furthermore, in our view, the acceleration of infrastructure development and a heat-up of the residential property market will help Vietnam's construction steel sales volume increase by 10-15% yoy in 2022F. Meanwhile, we expect Vietnam's galvanised steel sales volume to increase slightly by 5% yoy in 2022F from a high-base of 39% yoy in this year.

**Figure 242: Vietnam's construction steel sales volume growth should recover in 2022F (tonnes)**



Source: VNDIRECT RESEARCH, VSA

**Figure 243: Vietnam's galvanised steel sales volume growth will slow down in 2022F (tonnes)**



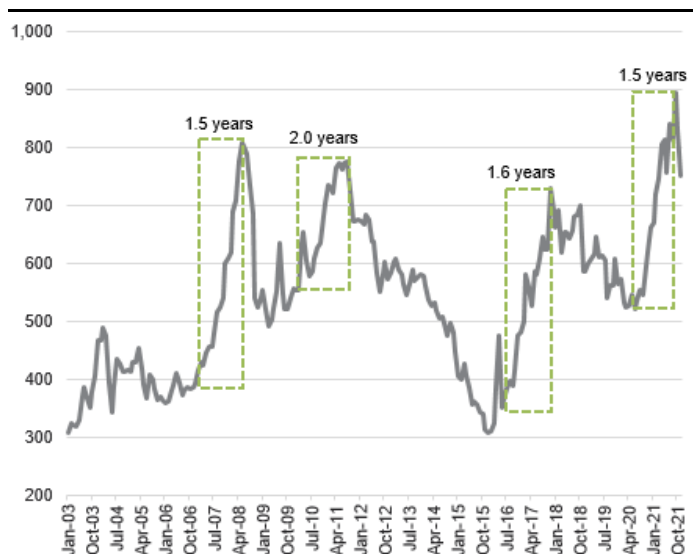
Source: VNDIRECT RESEARCH, VSA

Regarding to steel prices, Chinese rebar and HRC prices have recently dropped sharply by 25% and 28%, respectively, since peaks seen in May this year (and each down 11% month to date) on efforts by the Chinese government to control (1) steel prices domestically by removing export tax rebates on steel products and (2) issues related to the real estate industry. In the EU-US market, HRC prices dropped by 23.5%-7.0% to US\$1,116/tonne – US\$1,825/tonne since peaks seen in end-July.

During the period 2005-19, the world experienced three bull cycle in steel prices. With the characteristic of the steel industry that there is often excess capacity, the increase in steel prices will almost immediately prompt many manufacturers to increase output, resulting in a price increase cycle that usually does not last more than 2 years. During the last bull cycle, steel prices rose for about 1.5 years from Mar-2020 to Sep-2021. According to Fitch Solutions' Nov 2021 note, the global steel prices will ease from current levels to average US\$750/tonne in 2022 and US\$535/tonne over 2023-2025F due to Chinese steel demand from the construction industry will continue to weaken over 2022-2025F as project pipelines taper down and risks mount on the country's property sector, bringing down the global average.

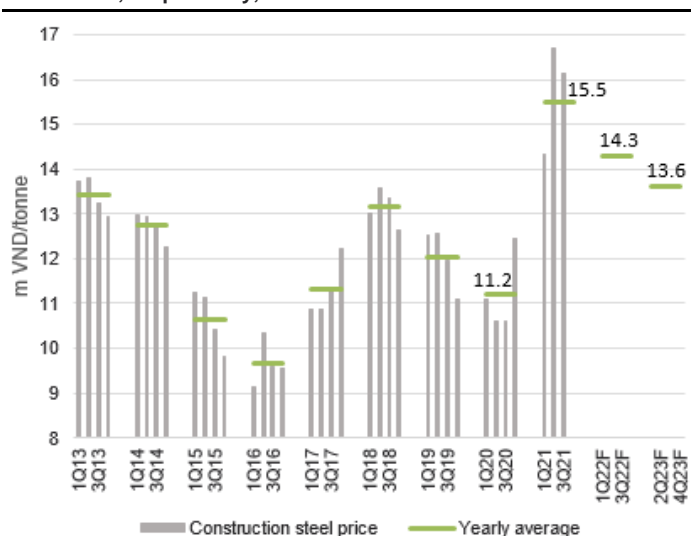
Following the global steel prices movement, we forecast that Vietnam's construction steel will reach VND15,500/kg in 2021F (+38% yoy), before decrease to VND14,300/kg-VND13,600/kg in 2022-23F, down 8%-5% yoy, respectively.

**Figure 244: China steel rebar prices (US\$/tonne)**



Source: VNDIRECT RESEARCH, VSA

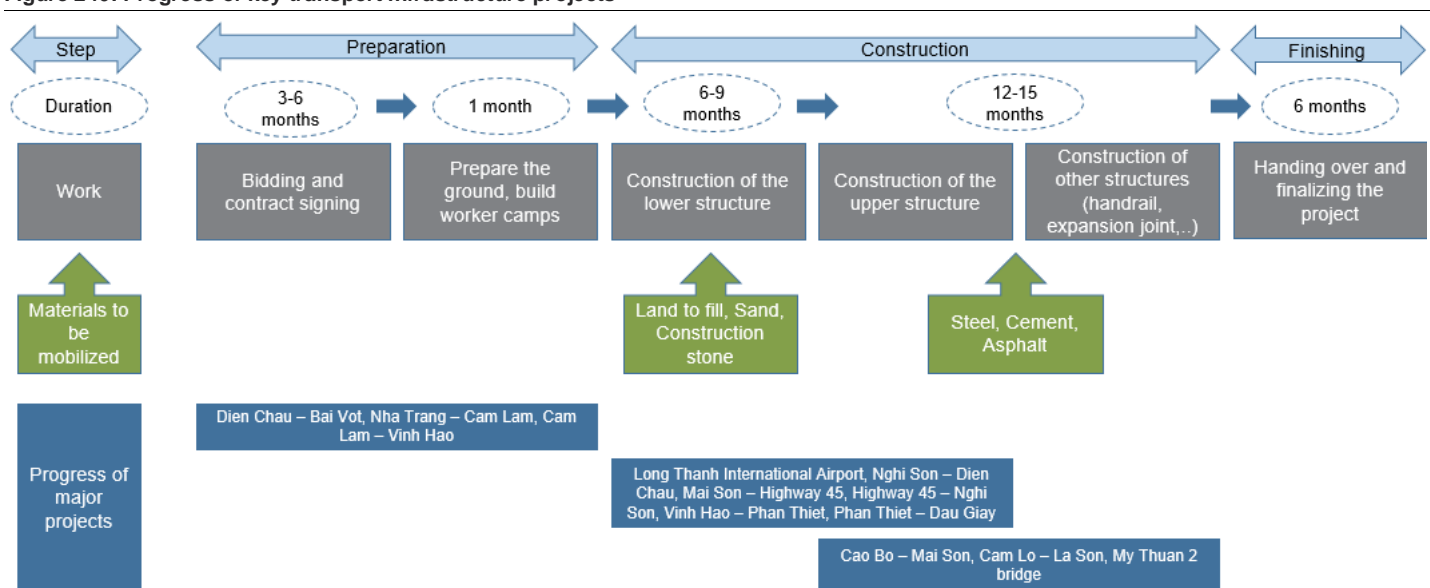
**Figure 245: Vietnam construction steel price will decrease 8%-5% yoy in 2022-23F, respectively, in our view**



Source: VNDIRECT RESEARCH, VSA

### Construction stone and asphalt: Set for upward trajectory from 2022F

Many major projects such as 11 sub-projects of North-South expressway, Long Thanh International Airport (LTIA),... have completed the preparation steps and are under construction. Thus, we believe that the period 2022-23F is the time to record profits for companies producing construction stone and asphalt.

**Figure 246: Progress of key transport infrastructure projects**


Source: VNDIRECT RESEARCH

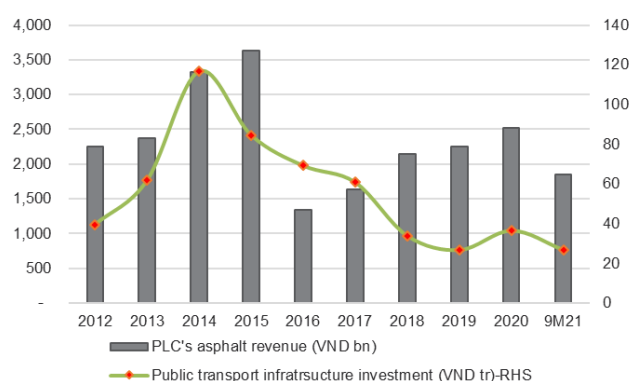
Due to the lack of statistics on Vietnam's asphalt industry, we compare industry sales volume growth based on Petrolimex Petrochemical Corporation – JSC (PLC VN, HNX), which maintained about 30% of domestic asphalt market share in FY15-20, according to PLC.

PLC's asphalt revenue jumped during FY2014-15, when the disbursement of public transportation investment rose strongly. Low infrastructure spending in FY16-19 was attributed to a strained government budget and cooling private investment in BOT projects, resulting in a ~50% decline in PLC's asphalt revenues vs. FY2014-15.

**Figure 247: Key asphalt manufactures in Vietnam**

Company	Capacity (tonnes)	Number of factory	Market share in 2020	Asphalt products offered			
				60/70	MC	Emulsions	Polymer
PLC	400,000	7	30%	x	x	x	x
ADCo	150,000	4	22%	x		x	x
ICT	120,000	3	15-20%	x		x	x
Transmeco	~ 100,000	2	N/A	x	x	x	x

Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 248: PLC's asphalt revenue vs. public transport infrastructure investment**


Source: VNDIRECT RESEARCH, COMPANY REPORTS

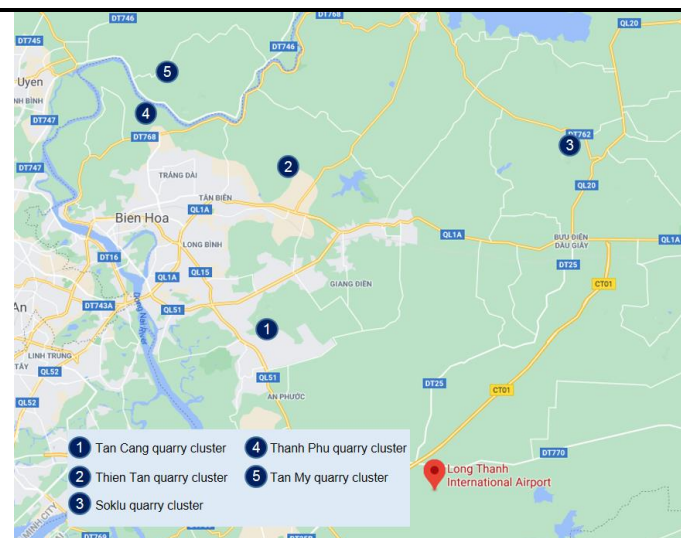
As asphalt paving usually takes place in the later stages of road-building projects, we expect asphalt companies to benefit more in FY22-23F. We believe PLC is well positioned to win contracts thanks to 1) its strong warehouse network and its market-leading capacity, and 2) PLC's long-standing relationships with SOEs and a good track record in contract execution.

For construction stone, 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.



We believe that the quarries of companies located near major projects will be prioritised for the supply given the advantages and product quality of these large companies. The large infrastructure projects in South (including My Thuan-Can Tho, Phan Thiet-Dau Giay and LTIA) will need 30m-32m m3 of construction stone in 2020- 25F, equivalent to 150-160% of the licensed mining capacity of listed companies, according to our estimates.

**Figure 249: Locations of construction stone quarries and LTIA**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 250: 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-29
	Phuoc Vinh	Phu Giao	Binh Duong	1,200,000	Jan-23
	Thien Tan 7	Vinh Cuu	Dong Nai	280,000	Jan-35
	Go Trung	Tinh Gia	Thanh Hoa	180,000	Jan-45
	Bai Giang	Nghi Loc	Nghe An	150,000	Aug-43
C32	Tan My (*)	Bac Tan Uyen	Binh Duong	1,000,000	Dec-25
DHA	Thach Phu 2	Vinh Cuu	Dong Nai	818,000	Sep-26
	Tan Cang 3	Bien Hoa	Dong Nai	490,000	Mar-37
	Nui Gio	Hon Quan	Binh Phuoc	300,000	Aug-38
NNC	Mui Tau	Tan Lap	Binh Phuoc	1,000,000	Jan-42
VLB	Thach Phu 1	Vinh Cuu	Dong Nai	1,800,000	Feb-23
	Thien Tan 2	Vinh Cuu	Dong Nai	1,800,000	N/A
	Solku 2	Thong Nhat	Dong Nai	400,000	N/A
	Tan Cang 1	Bien Hoa	Dong Nai	1,500,000	N/A
DND	Tan Cang 5	Bien Hoa	Dong Nai	1,000,000	Jan-23
	Thien Tan	Vinh Cuu	Dong Nai	354,000	Jan-26

(\*) Tan My mine is owned by Mien Dong (HOSE: MDG) – C32's associated company

Source: VNDIRECT RESEARCH, COMPANY REPORTS

We believe listed stone companies that own high quality quarries at favourable locations will supply stone to LTIA, especially the Tan Cang and Thien Tan quarry cluster (owned by KSB, DHA, VLB and DND). We believe this mega project will drive the earnings of construction stone companies in 2022-23F.

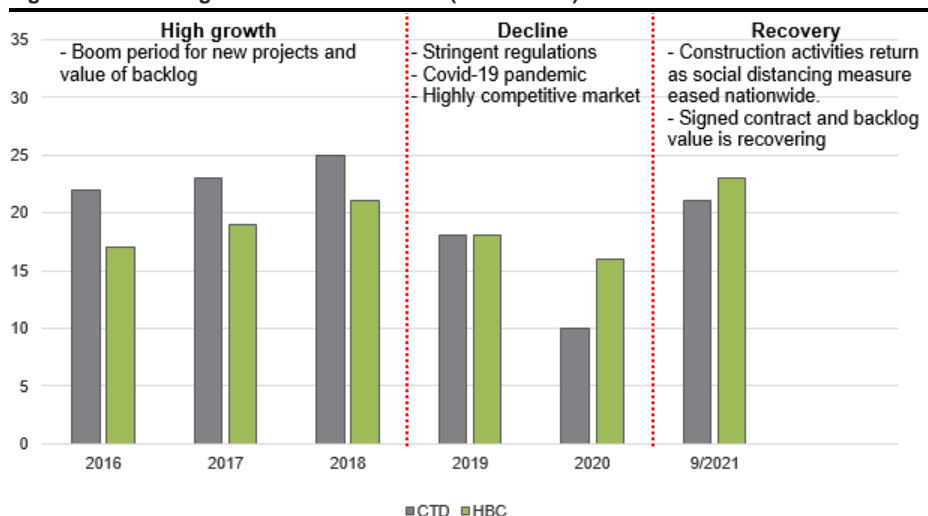
### Civil construction benefits from the recovery of the residential property

We expect the residential market to recover in 2022F, based on three factors: 1) a broad-based recovery of macro fundamentals propelling the property market in 2021F; 2) housing purchasing decisions underpinned by affordable mortgage interest rates; and 3) a surge in new supply thanks to the loosening of regulatory bottlenecks. HCMC and Hanoi new condo supply to bottom out in 2021F and recovery strongly by 70%-40% yoy in 2022F, respectively, based our forecasts. Thus, we expect the value of new contracts signed by civil construction businesses to grow strongly in 2022-23F.

### Current backlog will boost FY22F results of construction company

The civil construction companies' backlog to recover from a low base in 2020 and are expected to breakthrough in 2022F. According to Cotecons Construction (CTD VN, HOSE) and Hoa Binh Construction Group (HBC VN, HOSE), the value of new contracts signed reached VND17.4tr-VND14.0tr in 9M21, respectively. As of results, the backlog value of CTD-HBC is VND21tr-VND23tr at the end-3Q21, equivalent to 0.9x-1.3x FY19 revenue (before the Covid-19 pandemic). With construction activity guaranteed to be uninterrupted in the new normal, we expect construction companies revenue to grow strongly in 2022F and return to pre-pandemic levels.

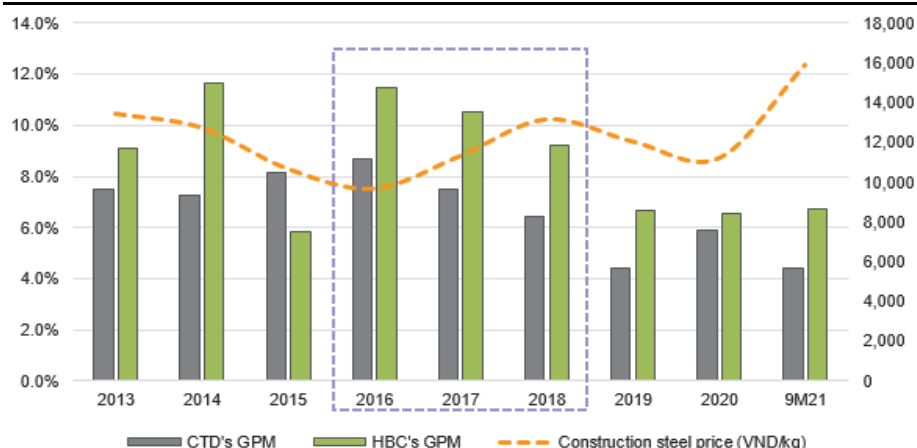


**Figure 251: Backlog value of CTD and HBC (trillion VND)**


Source: VNDIRECT RESEARCH, COMPANY REPORTS

### Steel price will decrease from 2Q22F to support gross margin of construction companies

Based on industry estimates, steel accounts for 12-15% of total construction cost, which means that this material greatly affects the gross profit margin (GPM) of construction companies. In 2016-18, construction steel average selling price (ASP) increased from VND9,700/kg to VND13,100/kg, causing CTD-HBC's GPM to decrease by 2.3% pts-2.2% pts, respectively, despite the construction industry being in a growth cycle. With the construction sector expected to recover in 2022-23F, we believe GPM of companies in the industry will increase by 0.5-1.0% pts thanks to lower steel prices.

**Figure 252: Correlation between construction steel price and GPM of construction companies**


Source: VNDIRECT RESEARCH, VSA, COMPANY REPORTS

### Stock picks: HPG and FCN

#### Hoa Phat Group JSC (HPG VN, ADD, TP: VND68,500)

The DQSC 2 (total capacity of 5.6m tonnes) will be built since early next year and inaugurated within 36 months. HPG aims to increase its crude steel production capacity by 66% from now to 14.6m tonnes per annum since 2024F onwards. We expect revenue and net profit to grow 12% and 9% CAGR, respectively, over FY22-25F, buoyed by increasing construction steel demand. In medium term, we see a few catalysts, including: (1) better than expected contribution of newly acquired iron ore mines; (2) better than expected

performance of new business (container manufacturing and home appliance); (3) plan to buy treasury shares.

### **Fecon Corporation (FCN VN, HOLD, TP: VND18,400)**

FCN is among few local contractors that have deep technical expertise in heavy construction and aggressively aiming to become a general contractor. We expect FCN's construction activities to bounce back in 2022-23F, driven by surging state investment and FDI inflow. FCN has several construction projects in pipeline during 2021-22; most of them are power plants and infrastructure development projects. As the results, we expect net profit to grow 25.8% CAGR over FY21-23F, driven by current backlog which secures 80% of our forecast.

#### **Investment risks:**

- Prolong pandemic could restrict construction activities;
- Materials: (1) the government uses import-export tax measures to cool down the price of domestic construction materials; and (2) input material prices are higher than expected, causing a decline in GPM of industry.
- Construction: (1) the new power price policy which is more unfavourable for developers & construction wind powers; and (2) Disbursement of public investment in transport infrastructure projects is slower than expected.

**Figure 253: Peer comparison**

Company	Ticker	Price	Mkt cap	P/E (x)		3-year EPS	P/BV (x)		EV/EBITDA (x)		ROE (%)		
		LC\$	US\$ m	CY21F	CY22F	CAGR (%)	CY21F	CY22F	CY21F	CY22F	CY21F	CY22F	
<b>Steel</b>													
Hoa Phat Group JSC	HPG VN	49,050	9,652.7	6.4	6.5	17.8	2.3	1.7	5.5	5.6	43.1	30.3	
Hoa Sen Group	HSG VN	39,750	863.0	6.0	6.5	204.1	1.4	1.2	4.5	5.0	25.8	19.2	
Nam Kim Steel JSC	NKG VN	43,400	417.0	4.3	6.8	144.1	1.7	1.4	3.9	5.5	53.5	23.8	
Average			3,644.3	5.6	6.6	122.0	1.8	1.4	4.6	5.4	40.8	24.4	
<b>Construction stone</b>													
Binh Duong Minerals & Construction JSC	KSB VN	40,400	130.3	na	na	6.4	na	na	na	na	na	na	
Nui Nho Stone JSC	NNC VN	27,800	26.8	na	na	(16.2)	na	na	na	na	na	na	
Hoa An JSC	DHA VN	54,300	35.2	na	na	21.1	na	na	na	na	na	na	
Average			64.1	na	na	3.7	na	na	na	na	na	na	
<b>Asphalt</b>													
Petrolimex Petrochemical JSC	PLC VN	42,600	151.4	14.9	12.1	(5.0)	2.6	2.4	8.2	7.0	17.9	20.4	
<b>Infrastructure construction</b>													
Vietnam Construction and Import-Export	VCG VN	46,600	899.3	na	na	42.9	na	na	na	na	na	na	
Dat Phuong JSC	DPG VN	89,000	246.7	na	na	10.0	na	na	na	na	na	na	
Deo Ca Traffic Infrastructure Investment	HHV VN	23,500	276.5	na	na	91.8	na	na	na	na	na	na	
CIENCO4 Group JSC	C4G VN	21,000	103.8	na	na	(20.4)	na	na	na	na	na	na	
FECON Corp	FCN VN	18,600	102.7	15.6	12.1	1.2	1.0	0.9	9.2	8.5	6.8	7.8	
Power Construction JSC No.1	PC1 VN	36,550	378.2	14.7	16.6	31.1	1.5	1.5	11.1	9.0	14.0	10.2	
Average			334.5	15.1	14.3	26.1	1.3	1.2	10.1	8.7	10.4	9.0	
<b>Civil construction</b>													
Coteccons Construction JSC	CTD VN	74,000	240.5	37.9	18.4	(38.3)	0.7	0.7	na	15.0	1.8	3.7	
Hoa Binh Construction Group JSC	HBC VN	25,150	268.2	na	na	(58.6)	na	na	na	na	na	na	
Average			254.4	37.9	18.4	(48.5)	0.7	0.7	na	15.0	1.8	3.7	

Sources: VNDIRECT RESEARCH, BLOOMBERG, DATA AS OF 26 Nov 2021

**Analyst(s):**

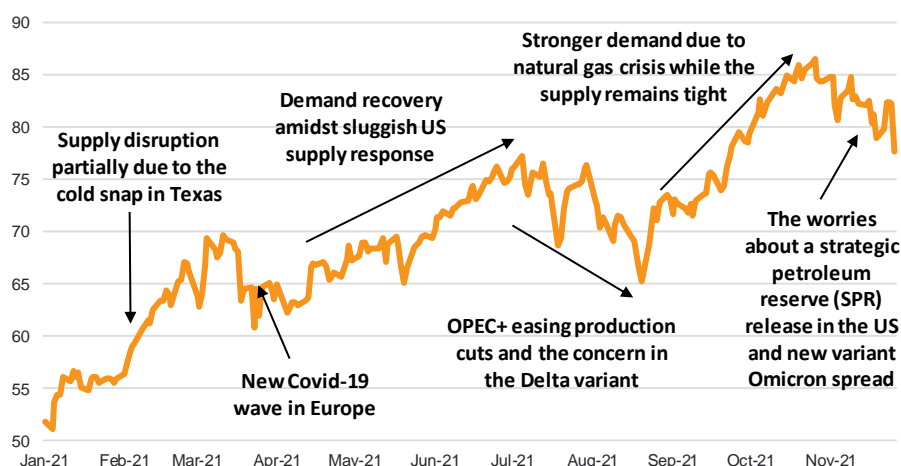
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## OIL & GAS: RISING TIDE LIFTS ALL BOATS

We expect average Brent oil price to stay around US\$75/bbl in 2022

Figure 254: Brent oil price movements in 2021 (up to 26 Nov) (US\$/bbl)



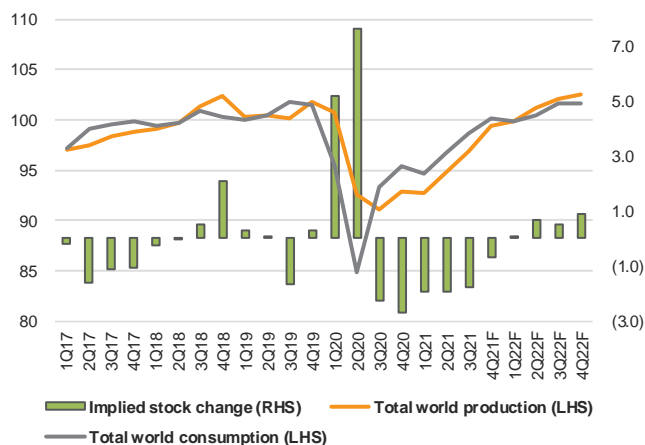
Source: BLOOMBERG, VNDIRECT RESEARCH

Brent oil price reached the peak of US\$86/bbl in October – the highest level since October 2018, averaging c.US\$71.5/bbl for all of 2021 (+65% yoy). The impressive price rally came from global oil demand recovery after the pandemic combined with the natural gas crisis amidst the sluggish supply response.

### While global demand is on track to the recovery....

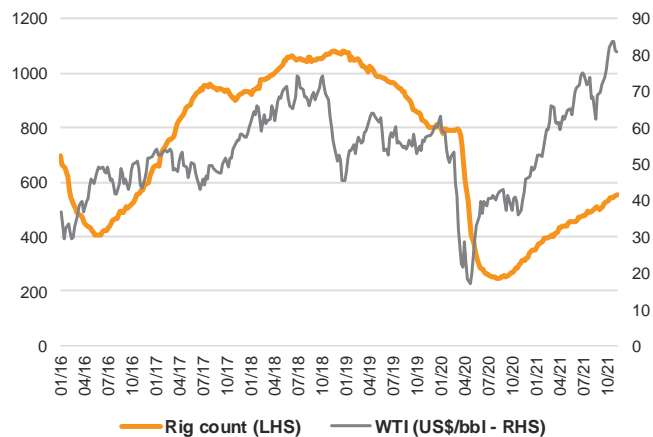
We expect global oil consumption to continue recovering after the pandemic in 2022. Global oil demand would be strengthening due to robust gasoline consumption and increasing international travel as more countries re-open their borders beside the short-term catalyst coming from gas-to-oil switching in the electric power sector in parts of Asia and Europe. The US Energy Information Administration (EIA) forecasts global demand to increase by 3.3 mbd to the average of 100.9 mbd for all of 2022, equivalent to the pre-Covid level.

Figure 255: Crude oil supply - demand balance (mbd)



Source: EIA, VNDIRECT RESEARCH

Figure 256: The US rig count is lacked direction in response to the strong oil price rally in 2021



Source: BAKER HUGHES, BLOOMBERG, VNDIRECT RESEARCH

**... The supply seems to be still tightened due to OPEC+ conservative in raising productions and the slow recovery of the US oil industry.**

On the supply side, the price is supported by OPEC+ conservative in raising productions and the slow recovery of the US oil industry. One of the main reasons come from lack of new investments during many years, causing to the difficulties in raising oil production. Actually, OPEC+ compliance with its pledged cuts increased to 116% in November from 113% a month earlier, indicating the group could not supply enough oil to the market as the agreement. In November, major oil consumers led by the US announced to release strategic oil reserve to curb the price rally, but we consider this is just a short-term factor and has limited impact on the global balance. Though a reprieve from the price rally could be on the horizon, we see it could not rise fast enough to keep pace with the demand recovery, supporting for oil price to remain high in the next couple of quarters.

### **Omicron variant currently put the uncertainties into global oil market**

Currently, the arising new variant Omicron has shadowed oil market as it could lead to the new travel restrictions, hampering the oil demand. Hence, due to the unclear effects of the Omicron, we consider three scenarios for our Brent oil price assumption, as follow:

**Figure 257: Brent oil price scenario**

Scenario	Assumption	Average Brent oil price
Best scenario	Omicron variant is not as dangerous as fears. Hence, the current vaccines will still work well against new Omicron and oil price could quickly rebound	Brent oil price to remain its high level above US\$80/bbl in 2022F
Base scenario	Thanks to vaccine production ability and high vaccination capacity, we believe it just take a few months to address Omicron variant. Global oil demand could be impacted in short-term, before continuing to recover thanks to the increasing international travel activities	We expect Brent oil price to average around US\$75/bbl in 2022F
Worst scenario	The more complication of Omicron variant leads to the stricter travel restrictions worldwide, putting an downward pressure on oil price as global oil demand slumps	The average Brent oil price is expect to be in the range of US\$60-65/bbl in 2022F

Source: VNDIRECT RESEARCH

Generally, we believe Omicron variant to be addressed in a few months ahead (our base scenario) and oil price will be only impacted in short-term before back to its trajectory. We forecast FY22F average Brent oil price to be around US\$75/bbl.

The main concern to our forecast comes from US – Iran nuclear talks as it could lead to the return of Iranian exporter with the additional capacity up to ~2.1 mbd.

**Figure 258: FY22F Brent crude oil price forecasts by some large institutions (US\$/bbl)**

No.	Agency	2022F	Time of report
1	Energy Information Administration (EIA)	72.0	Nov-21
2	International Energy Agency (IEA)	79.4	Nov-21
3	Barclays	80.0	Nov-21
4	Goldman Sachs	81.3	Oct-21
5	Bloomberg consensus	72.3	Nov-21

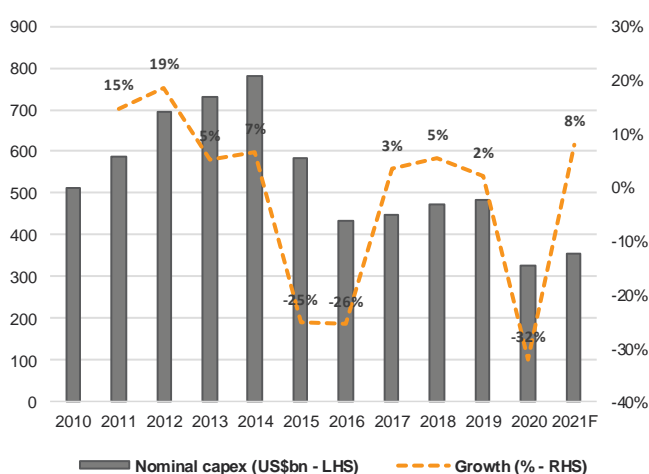
Source: VNDIRECT RESEARCH, BLOOMBERG

### Upstream: Strong oil price to positively affect upstream companies' fundamental in coming times

#### We expect global E&P activities to pick up in 2022 given the expected strong oil price

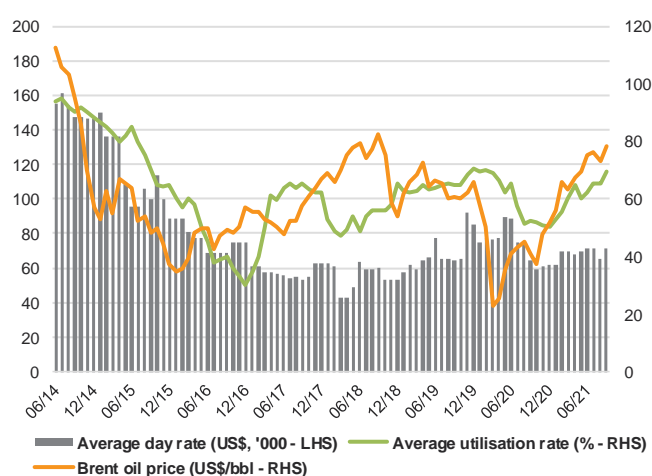
After a sharp decline in 2020, International Energy Agency (IEA) estimates an 8% increase in global upstream investments in 2021, but this remains well below 2019 levels. We expect global spending to continue recovering in the next two years, triggered by the current supply shortage and high-priced environment. Consequently, we believe E&P activities in Southeast Asia (SEA) to be also heated up given the expected strong oil price, leading to the drilling market bounce back in medium-term and benefiting for drilling service player like PVD.

**Figure 259: Global investments in oil & gas upstream**



Source: IEA

**Figure 260: JU average day rate and utilisation rate in SEA**



Source: IHS MARKIT, BLOOMBERG

### Vietnam's natural gas production to take a spotlight thanks to giant projects in coming periods

For 2022, investors should keep the eyes on the local giant project Block B – O Mon. There are signals that the Government still prioritize financing O Mon III power plant by ODA fund. Accordingly, we expect the Government to approve O Mon III project in 2Q22F after promulgating new Decree related to ODA loans, meaning that the related upstream and midstream projects could also have a final investment decision (FID), setting the stage for Block B – O Mon project to kick off in 2H22F. With a total capex of field development and pipeline projects of US\$6.7bn and US\$1.3bn, we believe this would be great growth motivation for companies in Vietnamese oil and gas value chain in long-term, strengthening industry's fundamental and firstly providing job opportunities for local upstream service providers and contractors like PVS and PVD.

Notably, in case of continued delaying in major projects, Vietnam will only produce 7bn cubic meter (cbm) of natural gas in 2025, rather than the expected 11.1bn cbm, creating shortage gap between domestic production and the 15.6bn cbm of expected demand.



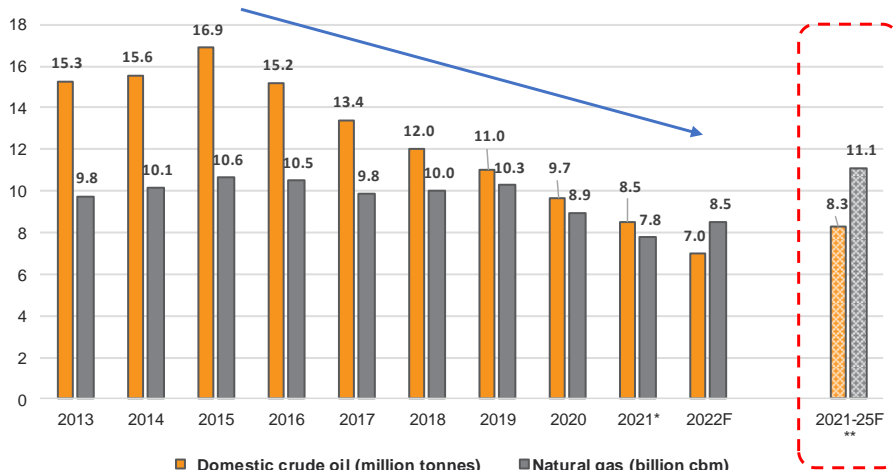
**Figure 261: Potential gas exploration projects in pipeline**

Project	Expected commission	PSC owners	Est. Capex (US\$m)	Estimated reserves	Status
Su Tu Trang Phase 2A/2B	2021-2023F	PVEP (50%), Perenco Cuu Long (23.25%), KNOC (14.25%), SK (9%), Geopetrol VN (3.5%)	2,000	2P reserves of 317 bcf and 435m bbl of condensate	First gas of phase 2A is in June 2021. Phase 2B involves the construction of a central gas facility (CGF) with 16 wells, connecting to ST-PIP platform, with expected capacity of 52bcf annually. In Aug 20, the gas sale and purchase agreement for Phase 2A has been signed among partners. First gas of Phase 2B are expected from 2024
Nam Du - U Minh	2022-2023F	Jadestone (100%)	NA	2C reserves: 171 bcf (+31 bcf)	In early-2021, Jadestone revealed that its approach is to agree on a gas production profile for the development as a precursor to a gas sales contract and ultimately attaining government sanction for the field development. Concurrently, Jadestone is preparing to re-issue the related FPSO contract tender. The expected first gas date for the project will be no earlier than 2023
Lac Da Vang	2023F	Murphy Oil (40%), PVEP (35%), SK Innovation (25%)	NA	100 mmbbl of recoverable reserves	ODP was approved in Sep 2019. Well campaigned is targeted for 2023F. Murphy is also carrying out exploration work at adjacent fields (Lac Da Trang, Lac Da Nau, etc) and Block 15-2/17
Block B - O Mon	2024-2025F	PVN (42.38%), MOECO (25.62%), PVEP (23.5%), PTTEP (8.5%)	6,700	2.7 tcf (trillion cubic feet) of gas	FEED contract completed. Tender packages would be opened in line with the progress of downstream gas-fired power plant projects. We expect the Government to solve the bottleneck in O Mon 3 project in 1H22F, setting the stage for Block B multi-projects to kick off in 2H22F. First gas is expected in late-2025F
Blue Whale	2024-2025F	Exxonmobil (64%)	10,000	5.3 tcf of gas	FEED contract was completed in Apr 2020. In Jul 2020, PVN and EVN said they were working with ExxonMobil to finalise gas sale and electricity agreements. First gas expected in 2025F. However, there is currently news that Exxon is keen to divest its 64% share of Blue Whale after failing to agree satisfactory commercial terms with the Vietnamese government following years of negotiations. This could lead to further delay in this giant project
Ken Bau	2027-2028F	ENI (50%), ESSAR (50%)	NA	7-9 tcf of raw gas and 400-500m bbl of condensate	This field is under exploration process. The first two exploration wells drilled in Jul 2019 and Jul 2020 confirmed a significant hydrocarbon accumulation on Ken Bau discovery, potentially ranging between 7 and 9 tcf of raw gas and 400-500m bbl of condensate

Source: VNDIRECT RESEARCH, COMPANY REPORTS

For 2021, total domestic oil and gas production is estimated to decrease by c.12.7% yoy to 18.4m tonnes of oil equivalent (mtoe). Looking further, domestic oil production has been continuously falling at CAGR of 10.8% since 2015. We see the main reason caused by no major oil and gas exploration during recent years. Meanwhile, most of the existing fields in Vietnam have been already in their final stages, with production outputs naturally declining by 15%-25% annually.

Currently, there is c.50% of oil and gas reserves which is unexploited in Vietnam, in which gas reserves account for 60-70% of total. According to Draft of National Energy Development Plan for 2021-30, natural gas production is planned to outweigh crude oil production in FY21-25F period with the averaging outputs of 11.1bn cbm p.a. Hence, we believe gas fields development to take a spotlight in coming period. In addition, due to the expectedly growing electricity demand in Vietnam with power consumption CAGR of 8.1% in FY21-30F period, we also highlight the intensive pressure in implementing major gas fields projects like Block B – O Mon, Nam Du – U Minh in 2022, particularly when the gas supply autonomy is extremely important after the recent global natural gas crisis.

**Figure 262: Domestic crude oil and natural gas production**


(\*) estimated

Source: PVN, MOIT, VNDIRECT RESEARCH

### Midstream: Gradual transition toward providing LNG from 2022

Along with the expectation in major gas fields development, we see LNG imported as the feasible measure to offset to the quick depletion of mature fields amid the growing electricity in Vietnam in coming years. Power generation currently consumes 80% of total domestic natural gas in Vietnam. According to Vietnam's National Energy Development Strategy, the Government highlights the priority in developing the LNG infrastructure for both imports and consumption, turning gas-fired plants into a key power source toward 2030 (making up 23% of total system capacity in 2030F from the current 12%). Overall, we see high potential in the LNG-related segment thanks to its stability in power generation and the ability to increase capacity through import.

**Figure 263: LNG terminal project pipeline**

Terminal name	Location	Capacity (mmtpa)	Op. Year	Investors	Power plant
<b>Relating power plants included in revised Power Development Plan 7 (PDP 7)</b>					
Hai Linh	Ba Ria - Vung Tau	2-3	2021	Hai Linh Ltd	Hiep Phuoc, EVN's plants
Thi Vai	Ba Ria - Vung Tau	1-3	2022-2024	PVGas	Nhon Trach 3 & 4
Son My Phase 1	Binh Thuan	3	2024-2025	PVGas, AES Group (US)	Son My 2
Bac Lieu	Bac Lieu	3	2024	Delta Offshore Energy (Singapore)	Bac Lieu
Long Son Phase 1	Ba Ria - Vung Tau	3.5	2025-2026	GTPP (group of VN investors). Mitsubishi Corp, General Electric	Long Son complex
Ca Na Phase 1	Ninh Thuan		2025-2026	Trung Nam Group (VN)	Ca Na complex
Long An	Long An	1-3	2025-2027		Long An 1, 2
LNG Quang Ninh	Quang Ninh	NA	2026-2027	Tokyo Gas, Marubeni, Colavi, PVPower	Quang Ninh
LNG Hai Lang	Quang Tri	1.5	2026-2027	T&T, Hanwa, KOSPO and KOGAS	Hai Lang
<b>Relating power plants are being proposed for inclusion in PDP 8</b>					
Cai Mep Ha	Ba Ria - Vung Tau	9	2023-2030	GenX Energy, T&T (US)	Cai Mep Ha
Chan May	Hue		2024-2027	Chan May LNG JSC	LNG Chan May
Vung Ang 3	Ha Tinh	1.5	2025-2028	Vingroup (VN)	LNG Vung Ang 3
Ke Ga	Binh Thuan	1.5	2025	ECV (US), KOGAS (Korea), Exceletrate Energy (US)	Ke Ga
My Giang	Khanh Hoa	3	2025	Petrolimex	My Giang
Tien Lang	Hai Phong	6	2026-2030	Exxon Mobil (US), JERA (Japan)	LNG Tien Lang
Cai Trap	Hai Phong	1-3	2025-2028	Vingroup (VN)	LNG Cai Trap
Long Son 2	Ba Ria - Vung Tau	NA	NA	Marubeni (Japan)	Long Son (inside Long Son Petroleum Industrial Zone)

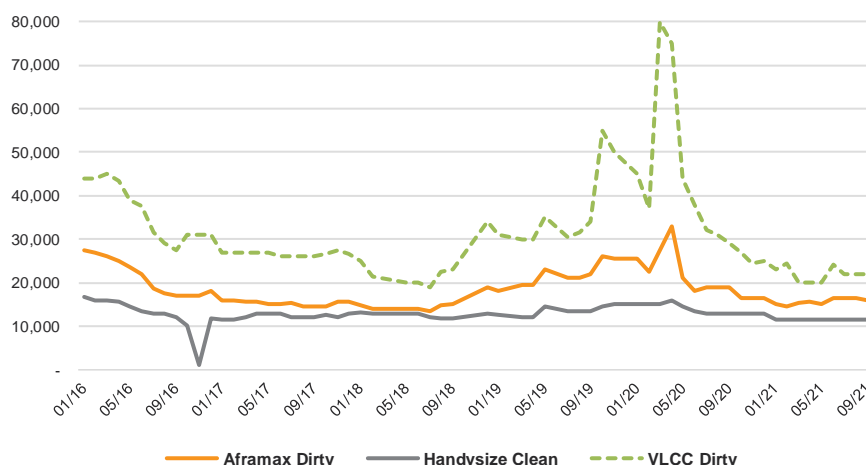
Source: VNDIRECT RESEARCH, COMPANY REPORTS

Among the mentioned projects above, LNG Thi Vai terminal would be completed in 2H22F, marking one of the first LNG-related projects coming online in Vietnam. This terminal would supplement gas supply for the users in Southeast region, before providing to two new gas-fired power plants in Nhon Trach in late-2023. Riding on this LNG story, we believe would be the biggest beneficiary as an infrastructure developer as well as LNG provider.

On the other hand, we also see some critical obstacles related to LNG projects development, as following:

- Risks of imported sources dependence as well as the uncertainty of LNG price. The global events like recent gas crisis could negatively affect the economic efficiency of LNG-related projects in Vietnam.
- The unclear regulations on the settlement of integrated LNG projects regarding gas sales and electricity selling prices, which could lead to the further delay in projects progress.

**Figure 264: Tanker shipping - Time charter rate remained low despite oil price hike in 2021 (US\$ per day)**



Source: BLOOMBERG, VNDIRECT RESEARCH

Moving to oil and gas transportation, we see the rise in crude tanker shipping demand is likely to be underwritten by the increase in demand for crude oil, which EIA forecasts to exceed pre-Covid-19 levels by 3Q22F. We expect global oil producers to respond by pumping more crude, and this should materialize into the crude tanker shipping markets in FY22F, potentially leading to higher freight rates. According to Clarksons' forecasts, the balance between supply and demand for crude tanker vessels may look better in 2022F versus the extremely poor 2021F. Moreover, for domestic shipping firms, we believe LNG investment trend to be likely open a new business path in long-term and PVT could dominate the market if entering this sub-segment due to its leading position.

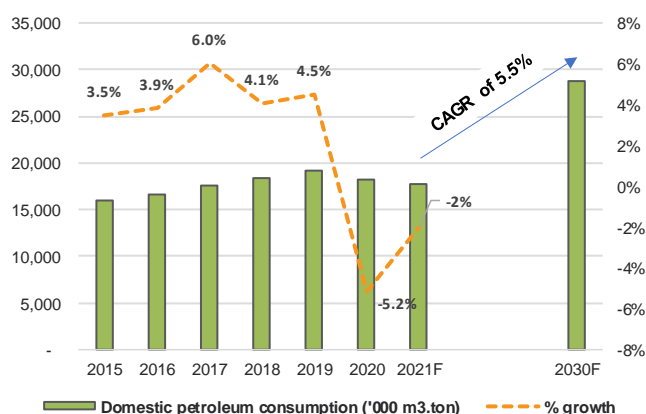
### **Downstream: Benefiting from demand recovery after the pandemic**

#### **Petroleum distribution: Riding on the domestic petroleum consumption bounce back in endemic**

In 2021, the recovery pace of petroleum trading companies has been slowed down in 2H21 due to the Delta variant outbreak. However, we believe Vietnamese petroleum trading market has lots of room for growth in FY22F, supported by (1) Vietnam's community mobility and manufacturing activities recovery from 4Q21F onwards as the Government eases social distancing, and

(2) low refined products consumption per capita compared to regional countries. Besides, as a developing country with high GDP growth of around 7% p.a. and the increasing middle-class population, we believe automobile demand to pick up once the pandemic is under control from 4Q21F, benefiting for the giant petroleum distributors like PLX and PV Oil (OIL, Not rated). According to Draft of National Energy Development Plan for 2021-30, the Government guides for Vietnamese petroleum demand to grow 5.5% p.a. in the same period, much higher than global annual growth rate of 1.3%. Notably, due to total inventories of petroleum to strongly increase due to weak domestic consumption in 3Q21, we believe this could help petroleum distributors improve its GPM in the next quarter amid the fuel retail prices upward trend.

Figure 265: Vietnamese petroleum consumption is projected to grow 5.5% annually in FY21-30F



Source: MOIT, VNDIRECT RESEARCH

Figure 266: Decree No. 95/2021/ND-CP amending and supplementing number of conditions on petroleum trading officially takes effect from 2 January 2022

	Decree 83	Decree 95	Comments
Base price	Based on international sources	Based on both domestic and international sources (quarterly basis)	Consistent to reality as domestic sources currently account for 70-75% of total domestic consumption (compared to under 30% before 2017)
Required inventory days (day)	30	20	Reduce inventory pressure, improve cash flow for companies
Price adjustment time (day)	15	10	Domestic price movements get closer to global oil fluctuations

Source: MOIT, VNDIRECT RESEARCH

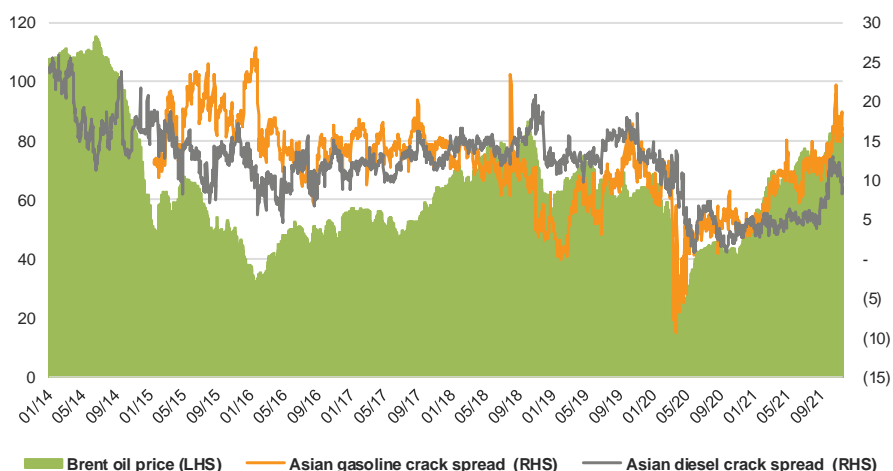
Moreover, the Government has recently issued Decree No. 95/2021/ND-CP amending and supplementing number of conditions on petroleum trading, replacing to Decree 83. Figure 266 shows some critical changes of new Decree on petroleum trading. We expect that these changes will be likely help petroleum distributors like PLX, OIL reduce the negative impact of inventories loss in case of global oil slump like 1H20.

### Refinery: Expecting in the crack spread improvement

We also believe the refineries, including Dung Quat refinery (BSR, Not Rated; the capacity of 6.5m tonnes) and Nghi Son refinery (the capacity of 10m tonnes), to gain benefits in 2022 following the crack spread improvement on the expected strong oil price and the recovery in transportation activities after the pandemic. Accordingly, we expect BSR could returns to operate at full capacity while Nghi Son refinery could ameliorate to a higher utilisation rate (~90%) in 2022.

Similar to petroleum distributors, BSR's inventories surged 56% qoq and 108% ytd in 3Q21. These low-priced materials could bring a potential profit for BSR in near-term given strong oil price, in our view.

Figure 267: Gasoline crack spread has been trailed with Brent oil price (US\$/bbl)

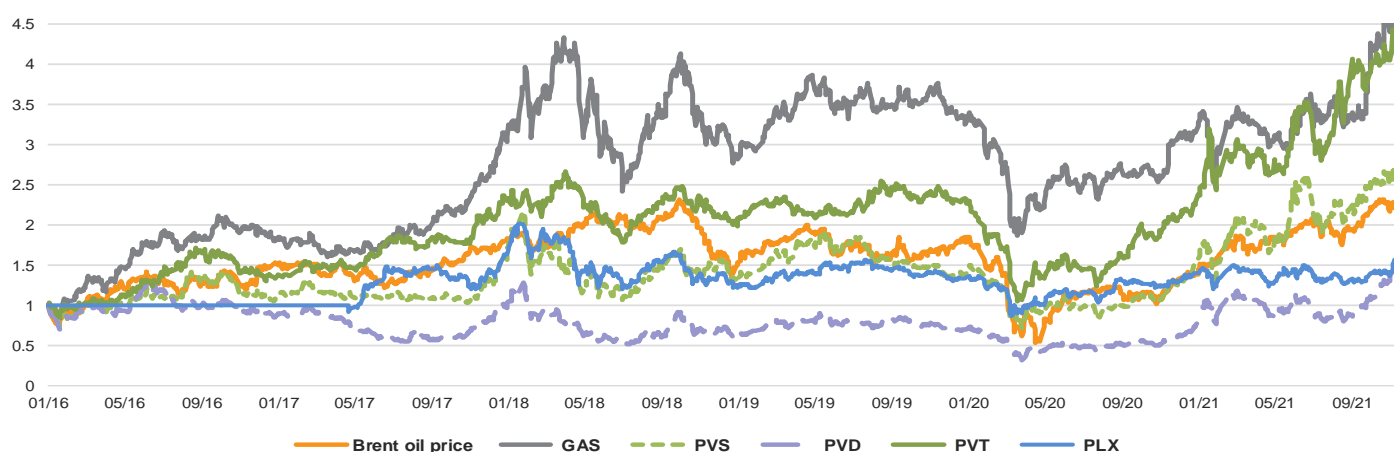


Source: BLOOMBERG, VNDIRECT RESEARCH

**Stock picks: We prefer the players who could ride both the energy infrastructure story in Vietnam and the expected strong oil price**

Due to the high correlation to Brent oil price, we consider oil price would still be one of key drivers for oil & gas stocks next year. The expected strong oil price will not only drive share prices sentiments in short-term, but also improve the industry's fundamental in coming years as it could give more incentives for relevant units to restart the major projects in Vietnam, firstly providing huge opportunities for upstream companies like PVD and PVS.

Figure 268: Share price vs. Brent oil price since 2016



(\*) Index at Jan-16 = 1: oil price was at the previous cycle's trough after falling from the level of US\$100/bbl in 2014

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

Generally, we prefer the players who could ride both the energy infrastructure story in Vietnam and the expected strong oil price like **GAS** and **PVD**. Besides, we also believe a downstream companies like **PLX** to gain benefits from the recovery in petroleum consumption in Vietnam after the pandemic.



**Figure 269: Target price sensitivity to average Brent oil price in long-term. Our target prices are based on the average Brent oil price to be resilient around US\$75/bbl in the next two year assuming that new variant Omicron is quickly controlled**

Average oil price (US\$/bbl)	60	65	70	75	80	85	Investment catalysts
<b>GAS</b>	107,800	116,600	123,200	130,800	139,100	144,800	Our stock pick is <b>PVGas (GAS VN, Add, TP: VND130,800)</b> as we believe GAS to benefit from all of two key industry's catalysts in 2022F. Currently, GAS is the key investors for major energy projects in Vietnam, including Su Tu Trang pipeline, Block B – O Mon pipeline and LNG terminals (Thi Vai, Son My). Hence, we are optimistic in GAS's outlook in coming years, driven by dry gas sales volume to strongly recover from 2022 onwards combined to the high energy prices environment. Notably, GAS is expected to start recognizing revenue from LNG Thi Vai terminal which comes online in 2H22F. Overall, we forecast GAS to post a revenue CAGR of 18.2% and a net profit CAGR of 18.9% in FY21-23F
<i>Potential upside</i>	6%	14%	21%	28%	36%	42%	
<b>PVD</b>	23,000	26,300	29,200	32,800	36,100	39,400	We like <b>PVDDrilling (PVD VN, Add, TP: VND32,800)</b> as we believe the company's fundamental to be strengthened due to high oil price environment. For FY22F, PVD's TAD rig officially start the drilling program for Shell Brunei with a long-term contract (6-year contract and 4-year optional extension) after over 4-year cold stacking, potentially opening a new chapter for the company. Generally, we expect PVD to pose the strong breakout in FY22-23F with a net profit growth of 487.4%/28.1% yoy, respectively, on the back of: (1) the recovery in both jack-up utilisation rate and day rate trailing the oil price rally, and (2) the TAD rig contribution
<i>Potential upside</i>	-13%	0%	11%	25%	37%	50%	
<b>PLX</b>	53,100	56,600	61,500	64,900	67,600	69,700	We also believe a downstream company like <b>Petrolimex (PLX VN, Add, TP: VND64,900)</b> to gain benefits from Vietnamese petroleum consumption recovery after the pandemic. We expect PLX's domestic petroleum sales volume will be back to grow 5% p.a. during FY22-23F given Vietnam's community mobility and manufacturing activities to be back to "new normal" situation from 4Q21 onwards. Moreover, we forecast FY22F JetA1 sales volume to greatly increase by 65% yoy following the aviation activities bounce back. These would drive PLX's net profit CAGR of 16.1% in FY22-23F. Notably, we see PLX's performance is dependent on sales volume rather than fuel prices
<i>Potential upside</i>	-7%	0%	8%	14%	19%	23%	
<b>PVS</b>	23,700	26,500	29,400	31,200	33,400	35,600	Given the strong oil price rally, we believe in PVS's positive outlook with a net profit CAGR forecast of 21.2% in FY21-23F, driven by: (1) the solid contribution of FSO/FPSO joint ventures due to the expected strong oil price which could trigger a day rate upward revision, and (2) the improved prospect of M&C business from 2022 following newly awarded contract in 2021 and potential backlog from major gas field projects like Block B - O Mon
<i>Potential upside</i>	-7%	4%	16%	23%	31%	40%	
<b>PVT</b>	23,200	25,100	26,800	28,200	29,400	30,800	The strong oil price rally and the expected global oil demand could give the confidence to OPEC+ to increase production, benefiting tanker freight rates. Besides, we expect the transportation demand to recover in coming times, particularly in domestic market when social mobility bounces back after the pandemic. Overall, we forecast PVT's NP to grow 14.2%/11.8% in FY22-23F, driven by the actively fleet rejuvenation and the recovery in O&G transportation demand
<i>Potential upside</i>	-3%	5%	12%	18%	23%	29%	

Source: VNDIRECT RESEARCH, (DATA AS AT 26 NOV)

### Investment risks

In our view, the main downside risks to Vietnam's oil and gas industry come from:

- Lower-than-expected oil price as the decline in oil price would hamper the industry's fundamental recovery.
- Further delays in major projects possibly caused by a lack of financial resources, as it could lead to gas supply shortage in coming years.
- The prolonged Covid-19 pandemic, which could hurt the demand for oil and gas related products.

**Figure 270: Sector comparison**

			Share Price	Target Price	Market Cap	P/E (x)		3-yr EPS CAGR	P/BV (x)		ROE (%)		ROA (%)	
Company	Bloomberg Ticker	Recom.	(local cur.)	(local cur.)	(US\$ m)	FY21F	FY22F	(%)	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F
Gas distribution companies														
PV GAS	GAS VN	ADD	102,000	130,800	8,608	20.5	16.4	18.9%	3.9	3.6	19.2%	22.6%	14.4%	16.4%
Indraprastha Gas	IGL IN	NR	486.4	NA	4,547	21.1	17.1		4.6	3.9	23.1%	24.0%	NA	NA
Toho Gas Ltd	9533 JP	NR	3,235	NA	2,997	33.2	22.3		0.9	0.9	3.3%	4.2%	2.0%	2.6%
Petronas Gas Bhd	PTG MK	NR	16.4	NA	7,637	15.8	16.3		2.5	2.5	15.6%	14.7%	11.2%	10.5%
China Gas Holdings	384 HK	NR	17.6	NA	12,465	8.0	7.1		1.4	1.2	19.4%	18.7%	8.2%	8.4%
PTT Plc	PTT TB	NR	37.0	NA	31,410	9.6	9.2		1.1	1.1	11.1%	11.0%	4.9%	4.7%
Average - Gas distribution peers (excluding GAS)						17.5	14.4		2.1	1.9	14.5%	14.5%	6.6%	6.6%
Oil services companies														
PTSC	PVS VN	ADD	25,400	31,200	535	16.8	12.1	21.2%	1.0	1.1	6.1%	8.6%	3.0%	4.3%
Malaysia Marine Eng	MMHE MK	NR	0.37	NA	140	NA	28.6		0.3	0.3	-9.2%	0.9%	-5.0%	0.4%
Yinson Holdings	YNS MK	NR	5.65	NA	1,420	13.9	14.0		2.0	1.8	15.8%	15.5%	5.2%	4.7%
Sembcorp Marine	SMM SP	NR	0.08	NA	1,925	NA	NA		0.6	0.7	-25.0%	-5.4%	-11.1%	-2.2%
Hyundai Engineering	000720 KS	NR	46,450	NA	4,330	12.8	10.3		0.7	0.7	6.0%	7.3%	3.1%	3.7%
Keppel Corp	KEP SP	NR	5.28	NA	7,013	14.0	11.8		0.9	0.8	6.0%	7.3%	2.1%	2.6%
Average - Oil services peers (excluding PVS)						13.6	16.2		0.9	0.9	-1.3%	5.1%	-1.2%	1.8%
Offshore drilling companies														
PV Drilling	PVD VN	ADD	26,300	32,800	488	130.2	22.2	50.8%	0.8	0.8	0.6%	3.6%	0.4%	2.4%
Borr Drilling Ltd	BORR NO	NR	8.85	NA	269	NA	NA		0.3	0.4	-22.4%	-20.3%	NA	NA
Velesto Energy Bhd	VEB MK	NR	0.13	NA	252	32.5	16.3		0.5	0.5	-5.4%	1.8%	-3.3%	1.2%
Sapura Energy Bhd	SAPE MK	NR	0.09	NA	339	NA	NA		0.2	0.2	-13.0%	-3.1%	-5.7%	-1.4%
Valaris Ltd	VAL US	NR	34.03	NA	2,552	NA	12.9		2.7	2.6	32.9%	0.7%	NA	NA
Transocean	RIG US	NR	3.22	NA	2,111	NA	NA		0.2	0.2	-3.3%	-4.1%	-2.0%	-1.7%
Average - Offshore drilling peers (excluding PVD)						32.5	14.6		0.8	0.8	-2.2%	-5.0%	-3.7%	-0.6%
Transportation companies														
PVTrans	PVT VN	ADD	23,850	28,200	340	10.5	9.2	11.9%	1.6	1.5	15.2%	17.2%	6.3%	6.6%
Vietnam Petroleum Trans	VIP VN	NR	11,200	NA	34	NA	NA		NA	NA	NA	NA	NA	NA
Vietnam Tanker JSC	VTO VN	NR	12,250	NA	43	NA	NA		NA	NA	NA	NA	NA	NA
Buana Lintas Lautan Tbk PT	BULL UJ	NR	248	NA	231	3.4	3.4		NA	NA	12.0%	12.5%	5.8%	6.8%
Thoresen Thai Agencies PCL	TTA TB	NR	10	NA	520	6.8	8.2		0.9	0.8	12.7%	9.8%	8.1%	6.6%
MISC Bhd	MISC MK	NR	7	NA	6,971	17.7	14.7		0.9	0.9	5.2%	6.1%	3.3%	3.8%
Average - Transportation peers (excluding PVT)						9.3	8.8		0.9	0.9	10.0%	9.5%	5.8%	5.8%
Petroleum distribution companies														
Petrolimex	PLX VN	ADD	56,800	64,900	3,182	21.5	16.8	67.1%	3.4	3.3	16.0%	19.9%	5.6%	7.0%
PVOil	OIL VN	NR	15,600.00	NA	711	27.6	33.6		1.5	1.5	5.6%	4.5%	NA	NA
PTT Oi I& Retail	OR TB	NR	25.50	NA	9,095	27.9	23.8		3.1	2.9	16.5%	12.5%	6.5%	6.2%
Petronas Dagangan Bhd	PETD MK	NR	19.90	NA	4,664	34.4	27.3		3.5	3.5	9.8%	12.4%	4.4%	6.6%
Thai Oil PCL	TOP TB	NR	50	NA	3,016	9.5	12.2		0.8	0.8	8.0%	6.8%	3.0%	2.9%
Hindustan Petroleum	HPCL IN	NR	302.20	NA	5,725	6.3	5.6		1.1	1.0	17.8%	18.2%	5.4%	6.0%
Average - Petroleum distribution peers (excluding PLX)						21.1	20.5		2.0	1.9	11.5%	10.9%	4.9%	5.4%

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

**Analyst(s):**

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**TEXTILE & GARMENT: PASSING THROUGH HEADWINDS**

**Vietnam textile & garment snapshot in 2021**

**Vietnam's textiles and garments export value**

In 3Q21, the garment and textile export turnover hit hard by Covid-19. As a result, fabrics and garments export value in 3Q21 decreased by 4.6% yoy to US\$8.3bn. In which fabric exports reached US\$618m, accounting for 7.4% of the total T&G export turnover (+30.3% yoy). Overall, the total export T&G value in 10M21 increased by 10.8% yoy to US\$32.0bn, fulfilling 84.2% of the Vietnam government's guidance for 2021F (US\$39bn).

**Vietnam's fiber and yarn export value**

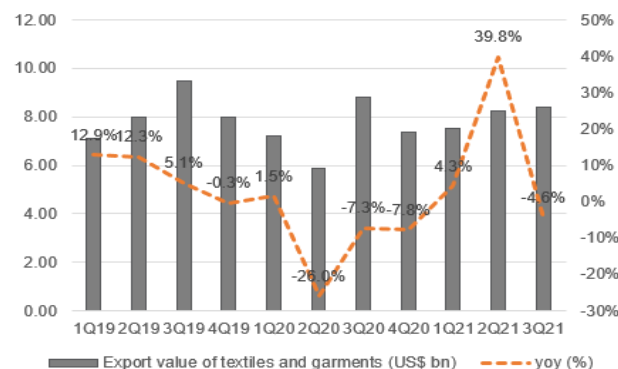
Yarn export value was not affected by Covid-19 as that does not require much labour. Furthermore, yarn prices in 3Q21 soared by 20.8% yoy thanks to the depletion of yarn inventories in China by the electric shortage in Aug-21 and Sep-21, causing increased demand for yarn outside China. As a result, yarn and fibres export turnover soared by 56.3% yoy to US\$1,46bn. Notably, Vietnam's polyester yarn export value in 9M21 recorded at US\$300m (+30.0% yoy).

**T&G export destination in 9M21**

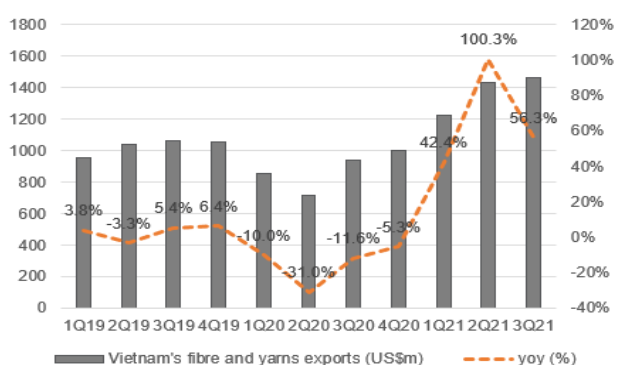
According to (GDVC), regarding the export mix by geographic regions in 9M21, the US remained the largest importer of Vietnam T&G products with an import value of US\$12.0bn (+13.2% yoy, accounting for 41.3% of Vietnam's textile and garment exporting value). 9M21 exporting to E.U. and China markets reached at US\$2.9bn (+3.5% yoy) and US\$3.4bn (+30.7% yoy), respectively. Whereas, exporting to Japan markets declined by 9.9% yoy to US\$2.5bn in 9M21.

**Vietnam's yarn, textile and garment import value**

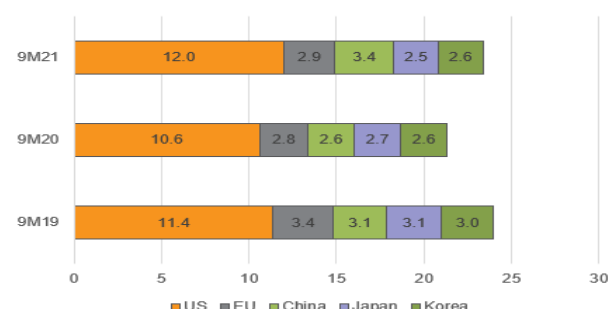
According to MOIT, the total import value of T&G in 3Q21 recorded at US\$3.8bn (+8.1% yoy) thanks to the low base in 3Q20 (most T&G companies affected by Covid-19 in 2020). China is still the main import market of Vietnam, accounting for 52.0% of T&G import value. We expect Vietnam's T&G import turnover to maintain the growth momentum in 4Q21-22F as traditional orders will rebound in 2022F thanks to the rapid vaccination rollout in Vietnam's main export markets.



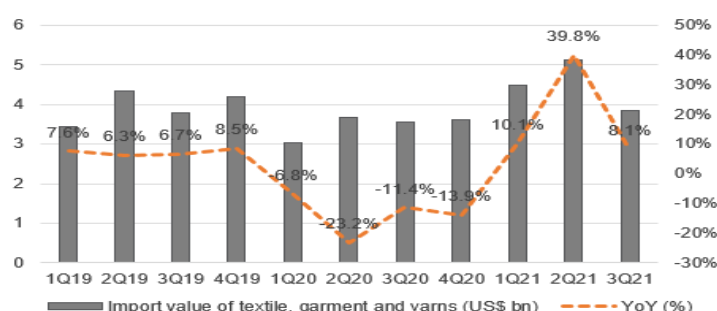
Sources: MOIT, VNDIRECT RESEARCH



Sources: MOIT, VNDIRECT RESEARCH



Sources: GDVC, VNDIRECT RESEARCH



Sources: MOIT, VNDIRECT RESEARCH

Based on our estimate, 3Q21 aggregated revenue of listed T&G companies decreased by 4.8% yoy under the impact of Covid-19 stricter lockdown during

July-Sep. Due to the implementation of directive 16 of the government, most of Southern garment companies ran at 50%-60% capacity in 3Q21. Thus, sector net profit grew 1.8% yoy in 3Q21, lower than that of 141.1% yoy in 2Q21.

For 9M21, aggregated revenue of listed T&G companies increased slightly 1.4% yoy. Yarn manufacturers such as STK, ADS posted strong revenue growth in 9M21 with 29.2% yoy and 17.4% yoy, respectively, thanks to the low base in 3Q20 and taking advantage of soaring in yarn price in 3Q21 (+20.8% yoy) by the depletion of yarn inventories in China. 9M21 net profit accelerated 63.2% yoy and even 12.1% higher than that of 9M19.

**Figure 271: 9M21 earnings recap of T&G companies (VNDbn)**

	3Q20 revenue	3Q21 revenue	Change (% yoy)	9M20 revenue	9M21 revenue	Change (% yoy)	NP in 3Q20	NP in 3Q21	Chg GPM (% pts)	NP in 9M20	NP in 9M21	Chg GPM (% pts)
VGT	3,307	4,076	23.3%	10,335	11,112	7.5%	68	187	4.3%	202	569	4.5%
TNG	1,690	1,710	1.2%	3,529	4,080	15.6%	65	85	1.0%	129	169	-1.3%
MSH	1,068	1,296	21.4%	2,970	3,448	16.1%	43	119	-3.9%	164	334	1.4%
VGG	1,934	834	-56.9%	5,170	4,390	-15.1%	40	-30	-1.8%	68	38	-0.2%
TCM	980	783	-20.1%	2,717	2,707	-0.4%	85	-3	-8.2%	200	118	-3.0%
MNB	1,363	766	-43.8%	3,126	2,109	-32.5%	39	3	-5.6%	28	-19	-3.0%
GIL	907	629	-30.7%	2,546	2,752	8.1%	87	18	-3.4%	189	204	1.8%
STK	328	469	43.0%	1,197	1,546	29.2%	20	62	6.6%	75	203	6.4%
PPH	490	350	-28.6%	1,570	1,172	-25.4%	79	15	3.5%	249	298	5.2%
ADS	192	333	73.4%	878	1,031	17.4%	15	21	-2.4%	2	64	6.7%

Source: Fiinpro, VNDIRECT RESEARCH

We see gross margin improvement across sector in 9M21. To be specified, STK's gross margin inched up 6.4% pts yoy to 19.4% in 9M21 thanks to 1) larger contribution with higher-margin recycled yarn (56% in 9M21 revenue vs 38% in 9M20). VGT's GPM in 9M21 widened by 4.5% pts yoy on the back of the larger contribution from yarn which delivered a higher margin. Whereas MSH's GPM in 9M21 increased by 1.4% pts yoy as FOB orders to be shifted from Myanmar and Southern companies.

On the other hand, the GPM of TCM and MNB softened 3.0% pts yoy in 9M21 due to 1) increasing "3-on-site" and Covid-19 test cost for labour and 2) lack of gauze mask and anti-virus fabric order.

### **We expect a full recovery since 2Q22F**

#### **4Q21-1Q22F earnings growth might be weakened due to labour shortage**

Vitas forecasts that the T&G industry will face a serious shortage of labour as workers tend to return to their hometowns to avoid the pandemic and have not returned to work immediately. Furthermore, according to the survey results in Sep-21 of Vitas and the Vietnam Leather, Footwear and Handbag Association, 70% of textile and footwear enterprises participating in the survey have been fined by their brands for late delivery in 2021. We think that labor shortage may affect to revenue growth in 4Q21-1Q22F of Southern companies such as TCM, GMC, and VGG.

#### **Riding on the demand surge in U.S and E.U. market**

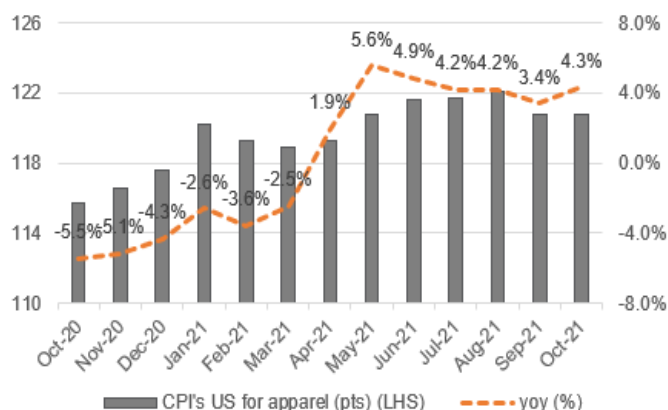
The U.S. and E.U. consumers have shown a strong pent-up demand after lockdown. According to the Bureau of Labor Statistics (BLS), CPI for apparel advanced by 3.4% yoy and 4.3% yoy in Sep-21 and Oct-21, respectively. Nearly half of the U.S. population has been vaccinated against COVID-19, allowing Americans to buy personal goods directly in the shop, travel and attend sporting events. As a result, the U.S.'s T&G import turnover in 9M21 increased by 26.9% yoy to US\$82.2bn, in which import turnover for apparel reached at US\$58.5bn (+24.5% yoy).

Whereas, E.U.'s CPI for clothing and accessories also rose 3.6% and 1.7% yoy in Aug-21 and Sep-21. We expect that the outlook of the Vietnam T&G industry



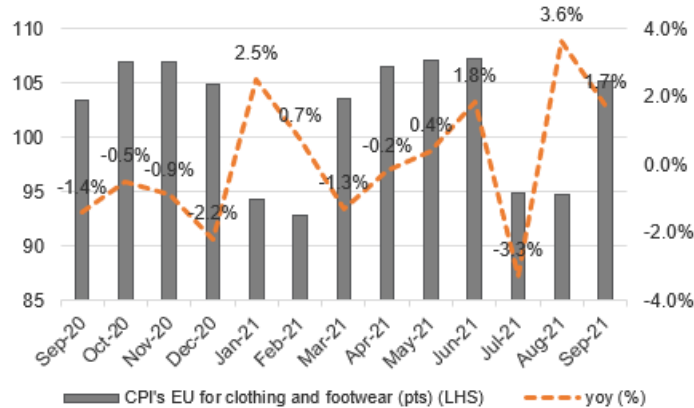
in 2022, followed by the recovery of the U.S. and E.U. T&G industry. The International Monetary Fund (IMF) and the World Bank (W.B.) forecast global GDP growth to achieve 4.9% in 2022F, and world textile demand in 2022F will return to 2019 levels, reaching about US\$740bn. Moreover, VITAS forecast Vietnam T&G export turnover to achieve US\$38bn (+8.5% yoy) and US\$43bn (+13.1% yoy).

**Figure 272: The U.S.'s CPI for apparel posted 120.7 pts in Oct-21 (+4.3% yoy)**



Sources: BLS, VNDIRECT RESEARCH

**Figure 273: The E.U.'s CPI for clothing and clothing accessories increased by 1.7% yoy to 105.2 pts in Sep-21**



Sources: BLS, VNDIRECT RESEARCH

### Local yarn manufacturers will benefit from the anti-dumping tax

In 3Q21, local yarn manufacturers cooperated with a consulting company and worked with the Vietnam Trade Remedies Administration about the anti-dumping case for polyester filament yarn products made from Vietnam, China, India, Indonesia and Malaysia. Initially, the Ministry of Industry and Trade of Vietnam (MOIT) has applied the preliminary anti-dumping tax that has been applied since Sep-21, then official tax rate was announced on 13 Oct 21. According to the decision of the MOIT, most Chinese manufacturers will face an anti-dumping duty of 17.45%. While India, Indonesia and Malaysia yarn manufacturers will be subjected to 54.9%, 21.9% and 21.3%, respectively.

We think that main target of the anti-dumping tax was China, Vietnam's main recycled yarn import country. In 1H21, the amount of polyester yarn imported from China reached at 156,500 tons, accounting for 60% of the total imported polyester yarn, of which 20,000 tons are recycled yarn.

**Figure 274: China will be subjected to 17.4% anti-dumping duty on polyester yarn (Unit: tons)**

	Anti-dumping tax	2020 sales volume	1H21 sales volume
China	3.36%-17.45%	237,939	156,600
India	54.90%	14,664	4,100
Indonesia	21.94%	10,649	9,300
Malaysia	21.23%	9,321	5,700
<b>Total</b>		<b>272,573</b>	<b>175,700</b>

Source: MOIT, VNDIRECT RESEARCH

Investors should keep eyes on yarn polyester manufacturers such as STK. According to STK's management, imported yarns ASP from China in 1H21 was 10-12% lower than ASP of STK, respectively. We expect anti-dumping tax support STK to increase market share in the domestic market and improve the GPM in FY22-23F.

### Investment risks



Variant Covid-19 (Omicron) has spread to 19 countries and territories around the world. According to World Health Organization (WHO), people who have been infected with COVID-19 are likely to be re-infected with the Omicron variant. The worsening of the new variant outbreak in Vietnam's main export markets may hit T&G companies' performance directly. We expect that countries need to accelerate vaccination programs for people to limit the spread of disease. Furthermore, the increase of yarn price in 4Q21-22F could affect to GPM of garment companies.

### Our top pick is STK while MSH is on the watchlist

**We like Century Synthetic Fiber Corp (STK VN, ADD, TP: VND72,500) for:**

- We expect that the recycle yarns segment in 4Q21-22F will particularly benefit from demand recovery of the domestic market and electric shortage situations in China.
- We expect Unitex factory phase 1 to operate commercially in 1Q23F. The total sale volume in FY23F is expected to reach 76,800 tons/year to capture the growing demand for recycled and virgin yarn.
- We expect STK to expand its market share in the domestic market thanks to the preliminary anti-dumping tax on imported yarns from China, India, Malaysia and Indonesia.
- STK's earnings are expected to grow robustly by 90.3% yoy in FY21F and 37.0% CAGR over FY21-23F.

**Song Hong Garment JSC (MSH VN, ADD, TP: VND100,100).** We expect MSH to remain the positive outlook in FY22-23F. MSH has sold receivables from New York & Company with the recovered value of VND80bn. Currently, MSH has full orders until Jun-22 due to the rebound of orders from U.S. customers. Moreover, we expect the SH10 factory to help FOB revenue grow 15%/20% yoy in FY22/23F.

**Figure 275: Peer comparisons**

Company	Ticker	Market Cap		P/E		3 year CAGR growth		P/BV (x)		EV/EBITDA		ROE (%)		ROA (%)	
		US\$m	TTM	2021	2021	CAGR	TTM	2021	TTM	2021	TTM	2021	TTM	2021	2021
Vietnam National Textile & Garment Group	VGT VN	827.1	44.9	na	na	-4.3	na	na	19.3	na	3.9	na	1.5	na	na
Thanh Cong Textile Garment Investment Trading	TCM VN	250	34.9	26.3	13.8	2.8	2.6	17.4	13.9	10.2	14.225	6.2	8.0	na	na
TNG Investment & Trading JSC	TNG VN	219.9	14.3	14.6	17.6	2.0	na	na	na	15.6	14.0	4.8	4.4	na	na
Song Hong Garment JSC	MSH VN	195.7	11.8	11.9	-13.8	3.0	2.5	9.4	6.3	24.4	32.4	11.5	15.8	na	na
Century Synthetic Fiber Corp	STK VN	182.1	15.9	18.6	21.1	3.6	2.8	10.0	8.8	24.8	21.9	14.9	14.3	na	na
NHA BE Garment Corp-JSC	MNB VN	72.3	12.3	na	5.1	na	na	8.2	na	11.5	na	1.5	na	na	na
Viet Tien Garment Corp	VGG VN	47.8	20.6	10.9	-18.7	1.1	na	5.2	na	5.4	9.8	2.9	3.8	na	na
Mirae JSC	KMR VN	30.4	55.9	na	-39.9	na	na	9.2	na	1.6	na	0.8	na	na	na
<b>Average</b>			<b>26.3</b>	<b>16.5</b>	<b>-2.4</b>	<b>2.5</b>	<b>2.6</b>	<b>11.2</b>	<b>9.7</b>	<b>12.2</b>	<b>18.5</b>	<b>5.5</b>	<b>9.3</b>		
<b>Median</b>			<b>18.3</b>	<b>14.6</b>	<b>0.4</b>	<b>2.8</b>	<b>2.6</b>	<b>9.4</b>	<b>8.8</b>	<b>10.8</b>	<b>14.2</b>	<b>3.9</b>	<b>8.0</b>		

Source: VNDIRECT RESEARCH, BLOOMBERG (Data as in 26 November 2021)

## ASIA COMMERCIAL JSB (ACB)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND34,600	VND41,800	0.00%	Add	FINANCIALS

26 November 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Positive**

Consensus\*: Add:11 Hold:2 Reduce:0

Target price / Consensus:

### Key changes in the report

➤ N/A

### Price performance



Source: VNDIRECT RESEARCH

### Key statistics

52w high (VND)	45,900
52w low (VND)	25,600
3m Avg daily value (VNDmn)	170,734
Market cap (VND bn)	94,973
Free float (%)	76
TTM P/E (x)	11.1
Current P/B (x)	2.51

### Ownership

Chairman and related parties	11.3%
Dragon Financial Holdings Limited	6.9%
Whistler Investments Limited	5.0%
Others	76.8%

Source: VND RESEARCH

### Analyst(s):



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## Strong in all facets

- Retail-oriented lending activities with large customer base allows ACB to seize the consumption rally trend and secure NIM intact in 2022.
- We forecast NP to grow at least 18% in 2022-23F, mainly driven by annual loan book growth of 16% and a higher NIM of at least 4.2%.
- We recommend Add with a TP of VND41,800.

### Strong in all facets

9M21 net interest income (NII) grew 39.2% yoy on 8% ytd loan book growth and 68bp net interest margin (NIM) expansion to 4.2%. Cost income ratio (CIR) fell to 33% in 9M21. However, provision expense rose 305% yoy to help maintain asset quality intact with low non-performing loan (NPL) ratio of 0.84% and ample loan loss reserve (LLR) of 197.7% at end-3Q21. Overall, net profit surged 39.8% yoy in 9M21, more than doubling the growth rate of 15.4% seen in 9M20.

### We forecast EPS CAGR of 18.8% in 2021-23F

We forecast loan book to grow 16% annually in 2021-23F. We expect NIM to increase 43bp yoy to 4.1% in 2021F but lower than the rate of 4.2% in 9M21 due to ongoing lower lending rates to support pandemic-hit customers, then expand 27bp over the period. Hence, NII CAGR is estimated at 18.8% in 2021-23F. Accompanied by a non-II CAGR of 8.3% mainly driven by a 20% net fee income CAGR, TOI is estimated to reach a CAGR of 16.6%. Together with CIR of 43% and credit cost of 0.2%-0.3%, net profit CAGR is at 18.5% over the period.

### Among top best-in-class asset quality

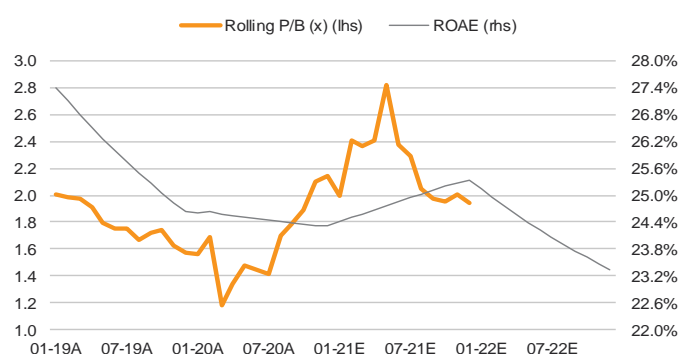
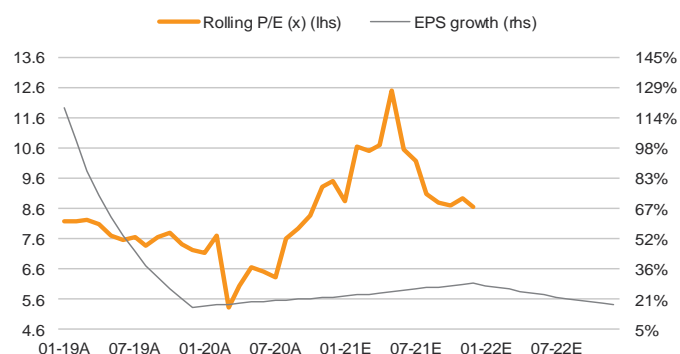
ACB has been acknowledged as the best asset quality bank recent years, given by its maintaining in top 3 lowest NPL ratio and highest LLR. Diverse customer base, rigorous credit approval policy, and aggressive provision have helped ACB sustain healthy balance sheet. Indeed, ACB also provisioned fully for its restructured loans instead of allocating in 3-year framework, which reduces pressure on heavy provisioning in 2022-23F amid bad debt rising trend prevailed across banks currently, thus securing bottomline pristine.

### ACB is our stock pick for the sector

We like ACB for (1) its strong ability to expand retail lending in order to keep NIM stable amid the downtrend of asset yield; (2) its strong asset quality to weather the predictable bad debts surge. Our TP is based on a residual income valuation (COE: 14%, LTG: 3%) and 2.2x FY21-22F P/B, weighted equally. Upside catalysts are higher-than-expected loan growth and NIM expansion. Downside risk is higher-than-expected bad debt.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net interest income (bn)	14,582	18,874	22,392	26,655
Net interest margin	3.7%	4.1%	4.2%	4.3%
Total operating income (bn)	18,161	24,334	28,531	33,063
Total provision charges (bn)	(941)	(901)	(1,025)	(793)
Net profit (bn)	7,683	10,287	12,085	14,454
Net profit growth	27.8%	33.9%	17.5%	19.6%
Adjusted EPS	2,903	3,752	4,417	5,294
BVPS	13,120	16,927	21,399	26,249
ROAE	24.3%	25.3%	23.3%	22.5%

Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
Net interest income	18,874	22,392	26,655
Non interest income	5,460	6,139	6,408
<b>Total operating income</b>	<b>24,334</b>	<b>28,531</b>	<b>33,063</b>
Total operating costs	(10,585)	(12,411)	(14,217)
<b>Pre-provision operating profit</b>	<b>13,749</b>	<b>16,120</b>	<b>18,846</b>
<b>Total provision charges</b>	<b>(901)</b>	<b>(1,025)</b>	<b>(793)</b>
Income from associates & JVs			
Net other income			
<b>Pre-tax profit</b>	<b>12,848</b>	<b>15,094</b>	<b>18,053</b>
Tax expense	(2,561)	(3,009)	(3,599)
<b>Profit after tax</b>	<b>10,287</b>	<b>12,085</b>	<b>14,454</b>
Minority interest	0	0	0
<b>Net profit</b>	<b>10,287</b>	<b>12,085</b>	<b>14,454</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Gross loans to customers	361,316	419,126	486,186
Loans to banks	36,422	41,885	48,168
<b>Total gross loans</b>	<b>397,738</b>	<b>461,011</b>	<b>534,354</b>
Securities - total	78,407	87,816	98,354
Other interest earning assets	18,672	20,912	23,422
<b>Total gross IEAs</b>	<b>494,817</b>	<b>569,740</b>	<b>656,130</b>
<b>Total provisions</b>	<b>(3,880)</b>	<b>(4,466)</b>	<b>(5,155)</b>
<b>Net loans to customers</b>	<b>357,928</b>	<b>415,212</b>	<b>481,649</b>
<b>Total net IEAs</b>	<b>490,937</b>	<b>565,274</b>	<b>650,975</b>
Cash and deposits	7,281	7,609	7,952
Total investments	468	490	512
Other assets	11,156	11,658	12,183
<b>Total non-IEAs</b>	<b>18,906</b>	<b>19,757</b>	<b>20,646</b>
<b>Total assets</b>	<b>509,843</b>	<b>585,031</b>	<b>671,621</b>
Customer deposits	400,877	461,009	530,160
Cds outstanding	22,491	22,941	23,399
Customer interest-bearing liabilities	423,368	483,949	553,560
Bank deposits	0	0	0
Broad deposits	423,368	483,949	553,560
Other interest-bearing liabilities	25,186	26,439	27,755
<b>Total IBLs</b>	<b>448,554</b>	<b>510,389</b>	<b>581,315</b>
Deferred tax liability			
Other non-interest bearing liabilities	15,555	16,823	19,383
<b>Total non-IBLs</b>	<b>15,555</b>	<b>16,823</b>	<b>19,383</b>
<b>Total liabilities</b>	<b>464,108</b>	<b>527,211</b>	<b>600,698</b>
Share capital	27,019	27,019	27,019
Additional paid-in capital	272	272	272
Treasury shares	0	0	0
Retained earnings reserve	12,702	24,787	37,890
Other reserves	5,742	5,742	5,742
<b>Shareholders' equity</b>	<b>45,735</b>	<b>57,820</b>	<b>70,923</b>
Minority interest	(0)	(0)	(0)
<b>Total equity</b>	<b>45,735</b>	<b>57,820</b>	<b>70,923</b>
<b>Total liabilities &amp; equity</b>	<b>509,843</b>	<b>585,031</b>	<b>671,621</b>

	12-21E	12-22E	12-23E
<b>Growth rate (yoy)</b>			
Cust deposit growth	13.5%	15.0%	15.0%
Gross cust loan growth	16.0%	16.0%	16.0%
Net interest income growth	29.4%	18.6%	19.0%
Pre provision operating profit growth	30.5%	17.2%	16.9%
Net profit growth	33.9%	17.5%	19.6%
Growth in IEAs	15.1%	15.1%	15.2%
<b>Share value</b>			
Basic EPS (VND)	3,807	4,473	5,350
BVPS (VND)	16,927	21,399	26,249
DPS (VND)	0	0	0
EPS growth	28.6%	17.5%	19.6%

**Key ratios**

	12-21E	12-22E	12-23E
Net interest margin	4.1%	4.2%	4.3%
Cost-income ratio	(43.5%)	(43.5%)	(43.0%)
Reported NPLs / gross cust loans	0.6%	0.5%	0.5%
Reported NPLs / net cust loans	0.6%	0.5%	0.5%
GP charge / average cust loans	0.3%	0.3%	0.2%
Total CAR	12.5%	13.6%	14.3%
Loan deposit ratio	85.3%	86.6%	87.8%
<b>Margins and spreads</b>			
Return on IEAs	7.6%	7.9%	8.0%
Cost of funds	3.9%	4.1%	4.1%
Interest return on average assets	4.0%	4.1%	4.2%
ROAE	25.3%	23.3%	22.5%

Source: VNDIRECT RESEARCH, COMPANY REPORTS

## AIRPORT CORPORATION OF VIETNAM (ACV)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND84,100	VND98,000	0.00%	Add	INDUSTRIALS

26 November 2021

Outlook – Short term: **Neutral**  
Outlook – Long term: **Positive**  
Valuation: **Positive**

Consensus\*: Add:6 Hold:2 Reduce:0

Target price / Consensus: 13.4%

### Key changes in the report

➤ N/A

### Price performance



### Key statistics

52w high (VND)	87,800
52w low (VND)	66,800
3m Avg daily value (VNDmn)	8,993
Market cap (VND bn)	184,098
Free float (%)	5
TTM P/E (x)	112
Current P/B (x)	4.88

### Ownership

Ministry of Transportation	95.4%
Other	4.6%

Source: VND RESEARCH

### Analyst(s):



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## Opportunities are about to come

- We expect ACV's results to strong recover from 2022F with government's air traffic resumption plans and improving vaccination coverage.
- The share dividend plan in 2021F, the HSX listing plan in 2022F are other near-term catalysts.
- ACV is our stock pick for aviation sector.

### Strong recovery ahead

At the average vaccination rate of 1,000,000 doses/day from now on as the vaccine supply is improving, we expect 58.5%/80.0% of Vietnam population will be fully vaccinated by 4Q21/1Q22, thereby, the goal of achieving herd immunity may be reached in 1Q22. With the improving vaccination coverage, the government targets a plan to gradually resume domestic air traffic in 4Q21 and come back to normal operations in 1Q22F while the international air traffic may come back to normal operations since 3Q22. ACV's total domestic/international pax may drop 43.9%/85.0% yoy in FY21F, but may strongly recover in medium-term, in which ACV FY22-23F domestic pax may increase 155.5%/7.5% yoy while FY22-23F international pax may increase 1,752.2%/101.2% yoy. As a result, ACV may still record positive NP of VND254bn in 2021F thanks to financial income and ACV's NP may rise 1,791.7%/79.5% yoy in FY22-23F.

### The share dividend plan and the HSX listing plan are near-term catalysts

ACV has started to consolidate the airfield assets' results since 2021 instead of recording them in account receivables and account payables as before. We believe ACV's qualified opinions to be eliminated in its audited financial reports from 2021 onwards which will help ACV qualify for listing on HSX in 2022F. Besides, the government has approved for ACV to retain its profit for re-investment. At end-2020, ACV's undistributed earnings are VND9,705bn, equivalent to a potential share dividend plan of 44% in 2021.

### Recommend Add with target price of VND98,000

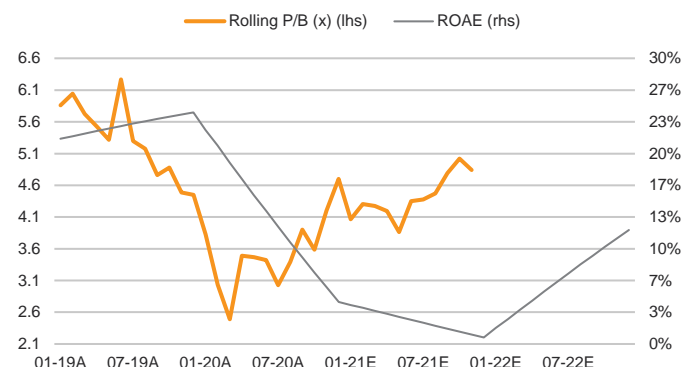
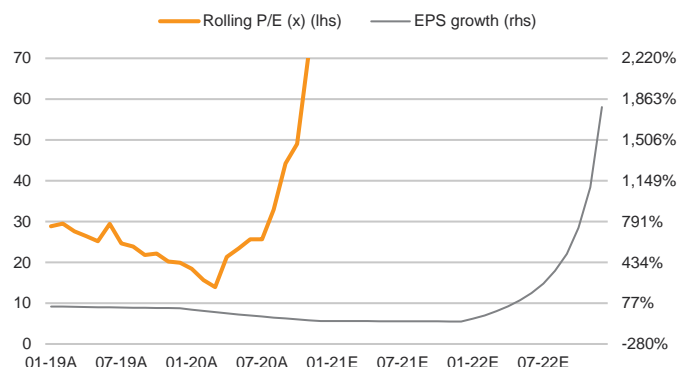
In our view, despite difficulties the company is facing in FY21F, ACV is still interesting for long-term investment horizon, based on: (1) solid recovery of business results in the coming years, (2) Tan Son Nhat and Noi Bai expansion projects which will resolve the immediate capacity shortage at these airports, (3) Long Thanh Int' Airport huge growth potential, (4) the share dividend plan, and (5) the HSX listing plan. Downside risks include (1) a longer-than-expected Covid-19 pandemic, (2) a stronger-than-expected JPY vs VND, and (3) slower-than-expected construction of LTIA.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	7,767	4,293	16,481	24,201
Revenue growth	(57.6%)	(44.7%)	283.9%	46.8%
Gross margin	17.9%	(52.8%)	47.8%	59.0%
EBITDA margin	65.5%	87.2%	68.3%	73.0%
Net profit (bn)	1,636	254	4,805	8,626
Net profit growth	(80.1%)	(84.5%)	1794.6%	79.5%
Recurring profit growth	(80.1%)	(84.5%)	1794.6%	79.5%
Basic EPS	751	116	2,207	3,962
Adjusted EPS	729	113	2,141	3,843
BVPS	17,235	17,378	19,475	23,239
ROAE	4.4%	0.7%	12.0%	18.6%

Source: VND RESEARCH



## Valuation



## Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	4,293	16,481	24,201
Cost of sales	(6,558)	(8,601)	(9,918)
Gen & admin expenses	(767)	(1,014)	(1,209)
Selling expenses	(77)	(329)	(439)
<b>Operating profit</b>	<b>(3,109)</b>	<b>6,537</b>	<b>12,636</b>
Operating EBITDA	(87)	9,830	16,202
<b>Depreciation and amortisation</b>	<b>(3,022)</b>	<b>(3,293)</b>	<b>(3,566)</b>
<b>Operating EBIT</b>	<b>(3,109)</b>	<b>6,537</b>	<b>12,636</b>
Interest income	3,757	1,901	1,332
Financial expense	(226)	(1,559)	(1,728)
Net other income	5	20	30
Income from associates & JVs	71	350	385
<b>Pre-tax profit</b>	<b>497</b>	<b>7,250</b>	<b>12,655</b>
Tax expense	(93)	(1,329)	(2,313)
Minority interest	(151)	(1,116)	(1,716)
<b>Net profit</b>	<b>254</b>	<b>4,805</b>	<b>8,626</b>
Adj. net profit to ordinary	254	4,805	8,626
Ordinary dividends	0	0	0
<b>Retained earnings</b>	<b>254</b>	<b>4,805</b>	<b>8,626</b>

## Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	5,004	4,193	6,986
Short term investments	33,185	24,185	15,185
Accounts receivables	1,403	4,827	6,995
Inventories	116	444	652
Other current assets	53	146	205
<b>Total current assets</b>	<b>39,760</b>	<b>33,795</b>	<b>30,023</b>
Fixed assets	24,174	56,981	91,479
Total investments	2,924	2,924	2,924
Other long-term assets	166	639	938
<b>Total assets</b>	<b>67,025</b>	<b>94,338</b>	<b>125,365</b>
Short-term debt	727	1,943	4,965
Accounts payable	836	1,181	1,340
Other current liabilities	2,792	4,217	5,217
<b>Total current liabilities</b>	<b>4,355</b>	<b>7,341</b>	<b>11,522</b>
Total long-term debt	22,352	42,711	62,858
Other liabilities	2,441	1,845	348
Share capital	21,772	21,772	21,772
Retained earnings reserve	9,919	12,803	18,303
<b>Shareholders' equity</b>	<b>37,835</b>	<b>42,400</b>	<b>50,595</b>
Minority interest	42	42	42
<b>Total liabilities &amp; equity</b>	<b>67,025</b>	<b>94,338</b>	<b>125,365</b>

## Cash flow statement

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>497</b>	<b>7,250</b>	<b>12,655</b>
Depreciation & amortisation	3,022	3,293	3,566
Tax paid	(93)	(1,329)	(2,313)
Other adjustments	(123)	(3,959)	(3,203)
<b>Change in working capital</b>	<b>2,702</b>	<b>(2,075)</b>	<b>(1,277)</b>
<b>Cash flow from operations</b>	<b>6,006</b>	<b>3,181</b>	<b>9,427</b>
Capex	(12,644)	(35,495)	(37,654)
Proceeds from assets sales	33	0	0
Others	3,757	1,901	1,332
Other non-current assets changes	0	9,000	9,000
<b>Cash flow from investing activities</b>	<b>(8,854)</b>	<b>(24,594)</b>	<b>(27,322)</b>
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	7,352	20,603	20,687
Other financing cash flow	0	0	0
Dividends paid	0	0	0
<b>Cash flow from financing activities</b>	<b>7,352</b>	<b>20,603</b>	<b>20,687</b>
Cash and equivalents at beginning of period	499	5,004	4,193
<b>Total cash generated</b>	<b>4,505</b>	<b>(810)</b>	<b>2,792</b>
Cash and equivalents at the end of period	5,004	4,193	6,986

## Key ratios

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	5.9%	29.2%	35.6%
Asset turnover	0.07	0.20	0.22
ROAA	0.4%	6.0%	7.9%
Avg assets/avg equity	1.64	2.01	2.36
ROAE	0.7%	12.0%	18.6%
<b>Efficiency</b>			
Days account receivable	51.0	51.0	51.0
Days inventory	6.4	18.8	24.0
Days creditor	46.5	50.1	49.3
Fixed asset turnover	0.22	0.41	0.33
ROIC	0.4%	5.5%	7.3%
<b>Liquidity</b>			
Current ratio	9.1	4.6	2.6
Quick ratio	9.1	4.5	2.5
Cash ratio	8.8	3.9	1.9
Cash cycle	10.9	19.7	25.7
<b>Growth rate (yoy)</b>			
Revenue growth	(44.7%)	283.9%	46.8%
Operating profit growth	(638.7%)		93.3%
Net profit growth	(84.5%)	1,794.6%	79.5%
EPS growth	(84.5%)	1,794.6%	79.5%

Source: VND RESEARCH



## BAMBOO CAPITAL JSC (BCG)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND21,910	VND27,800	3.36%	Add	Conglomerate

26 November 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Positive**

Consensus\*: Add: 1 Hold: Reduce:  
Target price / Consensus: N/A

### Key changes in the report

➤ N/A

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (₫)	26,000
52w low (₫)	5,510
3m Avg daily value (mn)	125,019tr
Market cap ( bn)	10,354
Free float (%)	73
TTM P/E (x)	14.3
Current P/B (x)	2.8

### Ownership

Nguyen Ho Nam	29.3%
Nguyen The Tai	3.2%
Nguyen Ngoc Doan Trang	2.2%
Others	65.3%

Source: VND RESEARCH

### Analyst(s):



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## Go green go Bamboo

- BCG is our top pick under the energy sustainability theme with ongoing renewable energy projects and a diversified portfolio of property projects.
- In FY21-23F, the key growth drivers are great handovers of overlapping real estate projects and cash flow from renewable energy projects.
- We recommend Add with a SOP-based TP of VND27,800/share.

### Property development remains the main pillar in FY22F

After the restructuring phase in FY15-19, BCG has acquired more than 10 property projects, focusing on two segments including hospitality real estate in Da Nang, Quy Nhon, Phan Thiet, and residential property in Thu Duc city, HCMC. We believe that BCG's strength lies in its ability to restructure projects, solving lingering legal issues thanks to M&A and project development experience. We expect property handover to bring in revenue of VND5,406bn (accounting for 62.8% of total revenue) in FY22F from Malibu Hoi An, Hoi An D'Or, Casa Premium, Casa Mui Ne, King Crown Infinity, and Amor Riverside.

### Renewable energy (RE) is the core strategy in the long term

Currently, BCG is completing 500MW of wind power projects and 164MWp of solar power. In FY21, BCG has completed the installation of 114MW of the remaining capacity of Phu My project and is preparing to test and exploit it in the near future. In FY22F, BCG will focus on building 550MW of wind power projects with the goal of energising 80MW of Dong Thanh wind power phase 1 and 100MW of Khai Long wind power phase 1. We forecast that BCG's power revenue will reach VND1,513bn (accounting for 17.6% of total revenue) in FY22F and VND3,721bn (accounting for 43.8%) in FY23F.

### We forecast a net profit CAGR of 82.2% in FY21-23F

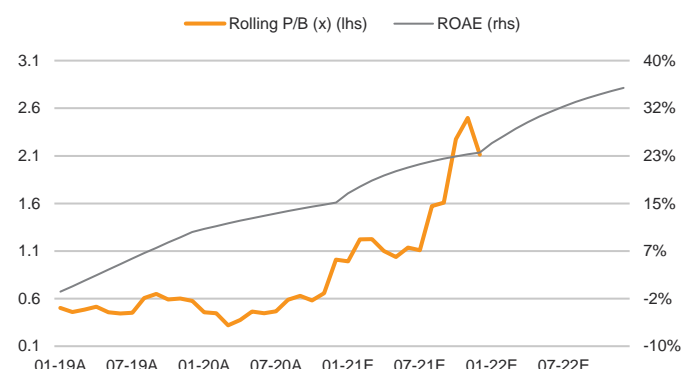
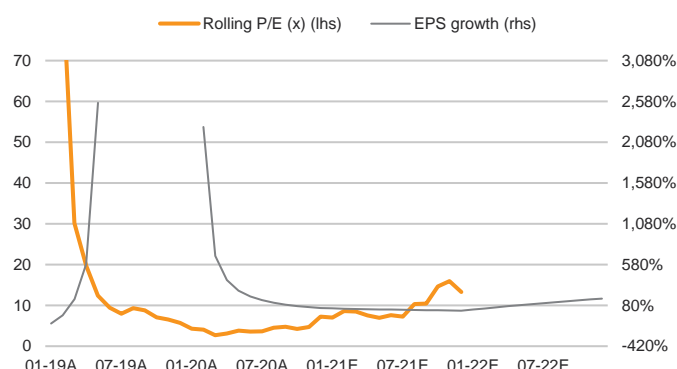
We expect net profit CAGR of 82.2% in FY21-23F, driven by deliveries of BCG's hospitality property projects. We believe that hospitality property will recover quickly in the future on the back of Covid-19 vaccines presence along with recovery of the Vietnam tourism. The headwinds from the pandemic may be over in the hospitality property market from end-2021.

### BCG is our top pick under the energy sustainability theme

We recommend Add with a SOTP-based TP of VND27,800. Re-rating catalysts are (1) better-than-expected presales in hospitality property projects, (2) more favorable new FIT prices than expected after national PDP8. Downside risks including (1) the slow growth of the hospitality real estate market due to the pandemic, (2) the failure to complete the schedule to enjoy incentives for renewable energy projects, and (3) the risk of dilution due to huge capital needs.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	1,855	3,060	8,606	8,494
Revenue growth	17.7%	65.0%	181.3%	(1.3%)
Gross margin	22.7%	32.5%	32.7%	28.8%
EBITDA margin	38.7%	79.3%	54.6%	76.1%
Net profit (bn)	211	801	2,116	2,136
Net profit growth	84.7%	279.1%	164.1%	1.0%
Recurring profit growth	84.7%	279.1%	164.1%	1.0%
Basic EPS	1,554	1,795	4,740	4,787
Adjusted EPS	1,554	1,795	4,740	4,787
BVPS	11,587	11,479	15,419	19,406
ROAE	15.1%	23.9%	35.2%	27.5%

Source: VND RESEARCH

**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	3,060	8,606	8,494
Cost of sales	(2,065)	(5,790)	(6,048)
Gen & admin expenses	(214)	(430)	(425)
Selling expenses	(61)	(172)	(170)
<b>Operating profit</b>	<b>720</b>	<b>2,214</b>	<b>1,851</b>
Operating EBITDA	1,032	3,554	4,768
<b>Depreciation and amortisation</b>	<b>(312)</b>	<b>(1,340)</b>	<b>(2,917)</b>
<b>Operating EBIT</b>	<b>720</b>	<b>2,214</b>	<b>1,851</b>
Interest income	376	372	939
Financial expense	(1,257)	(1,057)	(999)
Net other income	1,331	986	350
Income from associates & JVs	(60)	37	663
<b>Pre-tax profit</b>	<b>1,109</b>	<b>2,551</b>	<b>2,804</b>
Tax expense	(222)	(512)	(562)
Minority interest	(86)	76	(105)
<b>Net profit</b>	<b>801</b>	<b>2,116</b>	<b>2,136</b>
Adj. net profit to ordinary	801	2,116	2,136
Ordinary dividends	(357)	(357)	(357)
<b>Retained earnings</b>	<b>444</b>	<b>1,759</b>	<b>1,779</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	3,886	3,818	13,276
Short term investments	2,375	2,375	2,375
Accounts receivables	6,569	16,079	13,700
Inventories	2,262	4,759	4,971
Other current assets	481	481	481
<b>Total current assets</b>	<b>15,573</b>	<b>27,512</b>	<b>34,803</b>
Fixed assets	10,251	19,378	28,308
Total investments	1,189	1,189	1,189
Other long-term assets	13,455	14,379	14,361
<b>Total assets</b>	<b>40,467</b>	<b>62,458</b>	<b>78,659</b>
Short-term debt	2,145	3,374	4,570
Accounts payable	363	362	402
Other current liabilities	9,065	20,492	25,411
<b>Total current liabilities</b>	<b>11,573</b>	<b>24,228</b>	<b>30,384</b>
Total long-term debt	11,251	18,905	27,066
Other liabilities	11,047	11,047	11,047
Share capital	4,463	4,463	4,463
Retained earnings reserve	659	2,418	4,197
<b>Shareholders' equity</b>	<b>5,123</b>	<b>6,882</b>	<b>8,661</b>
Minority interest	1,473	1,397	1,502
<b>Total liabilities &amp; equity</b>	<b>40,467</b>	<b>62,458</b>	<b>78,659</b>

**Cash flow statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>1,109</b>	<b>2,551</b>	<b>2,804</b>
Depreciation & amortisation	312	1,340	2,917
Tax paid	(222)	(512)	(562)
Other adjustments	(5,815)	(16,667)	(2,469)
<b>Change in working capital</b>	<b>541</b>	<b>13,160</b>	<b>2,820</b>
<b>Cash flow from operations</b>	<b>(4,075)</b>	<b>(128)</b>	<b>5,510</b>
Capex	(4,304)	(7,541)	(5,071)
Proceeds from assets sales	0	0	0
Others	(201)	(925)	19
Other non-current assets changes	0	0	0
<b>Cash flow from investing activities</b>	<b>(4,505)</b>	<b>(8,466)</b>	<b>(5,052)</b>
New share issuance	3,103	0	0
Shares buyback	0	0	0
Net borrowings	8,816	8,883	9,357
Other financing cash flow	0	0	0
Dividends paid	(357)	(357)	(357)
<b>Cash flow from financing activities</b>	<b>11,562</b>	<b>8,526</b>	<b>9,000</b>
Cash and equivalents at beginning of period	903	3,886	3,818
<b>Total cash generated</b>	<b>2,982</b>	<b>(68)</b>	<b>9,458</b>
Cash and equivalents at the end of period	3,886	3,818	13,276

**Key ratios**

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	26.2%	24.6%	25.2%
Asset turnover	0.09	0.17	0.12
ROAA	2.5%	4.1%	3.0%
Avg assets/avg equity	9.64	8.57	9.08
ROAE	23.9%	35.2%	27.5%
<b>Efficiency</b>			
Days account receivable	133.6	131.9	138.7
Days inventory	400.0	300.0	300.0
Days creditor	64.3	22.8	24.3
Fixed asset turnover	0.42	0.58	0.36
ROIC	4.0%	6.9%	5.1%
<b>Liquidity</b>			
Current ratio	1.3	1.1	1.1
Quick ratio	1.2	0.9	1.0
Cash ratio	0.5	0.3	0.5
Cash cycle	469.3	409.1	414.5
<b>Growth rate (yoy)</b>			
Revenue growth	65.0%	181.3%	(1.3%)
Operating profit growth	724.1%	207.5%	(16.4%)
Net profit growth	279.1%	164.1%	1.0%
EPS growth	15.5%	164.1%	1.0%

Source: VND RESEARCH

## CENTURY LAND JSC (CRE)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND29,800	VND36,100	3.36%	Add	PROPERTY

26 November 2021

Outlook – Short term: **Positive**  
Outlook – Long term: **Positive**  
Valuation: **Positive**

Consensus\*: Add:2 Hold:0 Reduce:0

Target price / Consensus: 4.5%

### Key changes in the report

➤ N/A

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	34,050
52w low (VND)	13,016
3m Avg daily value (VNDmn)	45,875
Market cap (VND bn)	6,421
Free float (%)	69
TTM P/E (x)	13.8
Current P/B (x)	1.8

### Ownership

Cen Group	51.2%
Others	48.8%

Source: VND RESEARCH

### Analyst(s):



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## Better time ahead

- Owning 14% country market share of property brokerage will help CRE to ride on the surge of housing demand post-pandemic.
- The success of capital raising in Oct will fuel for large-scale project investment in FY22-23F
- We recommend Add with 1-year TP of VND36,100.

### Brokerage sales volumes improve as lockdowns ease

We expect to see accelerating recovery for the brokerage division from 4Q21F as lockdown measures have been easing significantly since the end of Sep-21. The real estate market in Vietnam will be more dynamic in 4Q21F and FY22F. Thus, we believe that CRE will take advantage of this opportunity to optimize the newly raised capital. Besides, CRE recently tie-up with Novaland (NVL VN, Hold) and Vinhomes (VHM VN, Add) to distribute their projects, will solidify its marketing position in Northern market. Thus, we expect FY21-22F brokerage revenue increase by 42% yoy-40% yoy to VND1,473bn/VND2,065bn, respectively.

### Successful capital raising to fuel for large-scale project investment

We believe that the excellent absorption rates of 70% after only ten months since launching and the potential for price appreciation in these two low-rise projects (including Louis City and Hinode Royal Park) demonstrate the experience of CRE management in selecting investment projects. With the capital injection of VND960bn in Oct-2021 from issuance to existing shareholders, CRE will have ample room to accelerate the secondary investment next year, in our view. We expect FY22F secondary investment revenue will grow 89.4% yoy to VND7,955bn thanks to (1) total backlog of VND3.7tr from existing projects; and (2) CRE will acquire and re-distribute potential projects in the brokerage portfolio of VND60,000bn.

### We forecast net profit will grow at an FY21-22F CAGR of 54.4%

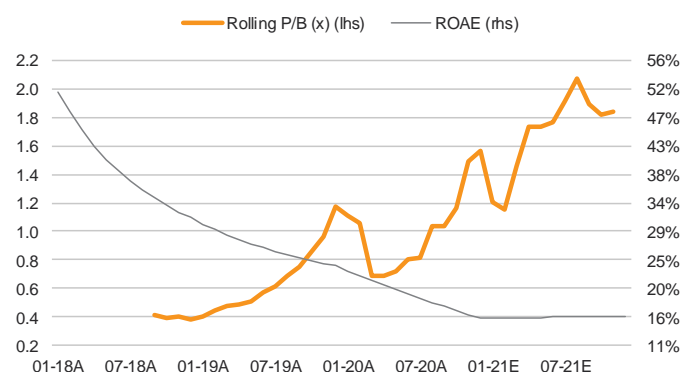
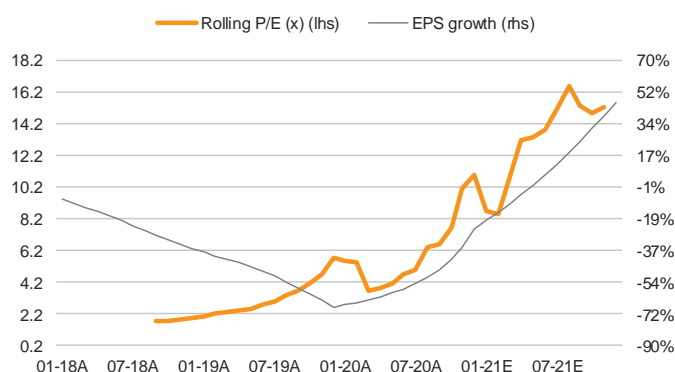
Thanks to the warming up of residential property market, we expect FY21F CRE's revenue and net profit to jump by 170.8% yoy-50.2% yoy to VND5,735bn-VND441bn, respectively. For FY22F, we forecast net profit will increase 58.9% yoy to VND701bn.

### Recommend ADD with TP of VND36,100

Our TP is based on an equal weighting of (1) a target P/E of 12.0x on FY22F EPS and (2) a target P/B of 1.9x on average FY22F BVPS. Our target P/B multiple of 1.9x for CRE is still a 10% discount from the average of local property brokers. Upside catalyst is a larger-than-expected scale of the company's secondary investment. Downside risks include a prolonged pandemic, which would impact brokerage activities and the launch of property projects.

Financial summary (VND)	12-19A	12-20A	12-21E	12-22E
Net revenue (bn)	2,312	2,117	5,735	10,088
Revenue growth	37.1%	(8.4%)	170.8%	75.9%
Gross margin	32.5%	28.3%	17.7%	15.3%
EBITDA margin	21.3%	16.4%	11.6%	10.0%
Net profit (bn)	389	294	441	701
Net profit growth	23.3%	(24.4%)	50.2%	58.9%
Recurring profit growth	22.7%	(23.6%)	49.2%	58.1%
Basic EPS	1,975	1,493	2,189	3,479
Adjusted EPS	1,806	1,303	1,967	3,163
BVPS	9,318	10,238	18,035	21,633
ROAE	23.6%	15.3%	15.6%	17.5%

Source: VND RESEARCH

**Valuation**

**Income statement**

(VNDbn)	12-20A	12-21E	12-22E
Net revenue	2,117	5,735	10,088
Cost of sales	(1,518)	(4,718)	(8,545)
Gen & admin expenses	(191)	(259)	(392)
Selling expenses	(43)	(103)	(144)
<b>Operating profit</b>	<b>364</b>	<b>656</b>	<b>1,007</b>
Operating EBITDA	330	620	966
<b>Depreciation and amortisation</b>	<b>35</b>	<b>36</b>	<b>41</b>
<b>Operating EBIT</b>	<b>364</b>	<b>656</b>	<b>1,007</b>
Interest income	24	46	46
Financial expense	(17)	(146)	(174)
Net other income	2	3	5
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>374</b>	<b>559</b>	<b>884</b>
Tax expense	(74)	(112)	(177)
Minority interest	(6)	(6)	(6)
<b>Net profit</b>	<b>294</b>	<b>441</b>	<b>701</b>
Adj. net profit to ordinary	294	441	701
Ordinary dividends	(80)	(202)	(202)
<b>Retained earnings</b>	<b>214</b>	<b>240</b>	<b>500</b>

**Balance sheet**

(VNDbn)	12-20A	12-21E	12-22E
Cash and equivalents	191	172	232
Short term investments	220	318	318
Accounts receivables	1,615	2,200	3,178
Inventories	32	1,551	2,575
Other current assets	19	17	20
<b>Total current assets</b>	<b>2,077</b>	<b>4,258</b>	<b>6,324</b>
Fixed assets	233	237	265
Total investments	0	0	0
Other long-term assets	1,502	1,663	1,816
<b>Total assets</b>	<b>3,811</b>	<b>6,158</b>	<b>8,405</b>
Short-term debt	371	682	1,569
Accounts payable	155	129	211
Other current liabilities	789	717	1,261
<b>Total current liabilities</b>	<b>1,315</b>	<b>1,529</b>	<b>3,041</b>
Total long-term debt	450	950	950
Other liabilities	2	8	11
Share capital	800	2,016	2,016
Retained earnings reserve	950	1,190	1,689
<b>Shareholders' equity</b>	<b>2,015</b>	<b>3,636</b>	<b>4,361</b>
Minority interest	30	36	42
<b>Total liabilities &amp; equity</b>	<b>3,811</b>	<b>6,158</b>	<b>8,405</b>

**Cash flow statement**

(VNDbn)	12-20A	12-21E	12-22E
<b>Pretax profit</b>	<b>374</b>	<b>559</b>	<b>884</b>
Depreciation & amortisation	35	36	41
Tax paid	(99)	(112)	(177)
Other adjustments	(47)	(3)	141
<b>Change in working capital</b>	<b>(724)</b>	<b>(2,181)</b>	<b>(1,440)</b>
<b>Cash flow from operations</b>	<b>(461)</b>	<b>(1,700)</b>	<b>(550)</b>
Capex	(16)	(50)	(80)
Proceeds from assets sales	0	3	5
Others	(133)	(98)	0
Other non-current assets changes	(28)	0	0
<b>Cash flow from investing activities</b>	<b>(177)</b>	<b>(145)</b>	<b>(75)</b>
New share issuance	4	1,216	0
Shares buyback	0	0	0
Net borrowings	738	811	886
Other financing cash flow			
Dividends paid	(80)	(202)	(202)
<b>Cash flow from financing activities</b>	<b>662</b>	<b>1,826</b>	<b>685</b>
Cash and equivalents at beginning of period	168	191	172
<b>Total cash generated</b>	<b>24</b>	<b>(19)</b>	<b>60</b>
Cash and equivalents at the end of period	191	172	232

**Key ratios**

	12-20A	12-21E	12-22E
<b>Dupont</b>			
Net profit margin	13.9%	7.7%	7.0%
Asset turnover	0.65	1.15	1.39
ROAA	9.0%	8.9%	9.6%
Avg assets/avg equity	1.69	1.76	1.82
ROAE	15.3%	15.6%	17.5%
<b>Efficiency</b>			
Days account receivable	279.1	140.0	115.0
Days inventory	7.7	120.0	110.0
Days creditor	37.5	10.0	9.0
Fixed asset turnover	9.15	24.45	40.19
ROIC	10.3%	8.3%	10.1%
<b>Liquidity</b>			
Current ratio	1.6	2.8	2.1
Quick ratio	1.6	1.8	1.2
Cash ratio	0.3	0.3	0.2
Cash cycle	249.4	250.0	216.0
<b>Growth rate (yoy)</b>			
Revenue growth	(8.4%)	170.8%	75.9%
Operating profit growth	(28.6%)	80.0%	53.5%
Net profit growth	(24.4%)	50.2%	58.9%
EPS growth	(24.4%)	46.6%	58.9%

Source: VND RESEARCH



## VIETINBANK (CTG)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND34,300	VND41,700	0.00%	Add	FINANCIALS

26 November 2021

**Outlook – Short term:** Positive  
**Outlook – Long term:** Positive  
**Valuation:** Positive

Consensus\*: Add:9 Hold:1 Reduce:1

Target price / Consensus: 2.2%

### Key changes in the report

➤ N/A

### Price performance



### Key statistics

52w high (VND)	42,148
52w low (VND)	23,515
3m Avg daily value (VNDmn)	339,487
Market cap (VND bn)	162,434
Free float (%)	15
TTM P/E (x)	11.6
Current P/B (x)	1.87

### Ownership

State Bank of Vietnam	64.5%
Bank of Tokyo-Mitsubishi UFJ	19.7%
Others	15.8%

Source: VND RESEARCH

### Analyst(s):



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## Ripe for the picking

- CTG's large corporate client base would support a gradual shift in loan mix to higher-yield segments such as retail lending, in our view.
- We forecast FY22-23F earnings to increase 11%/15.8% mainly thanks to non-interest income growth.
- We recommend Add rating with a 1-year target price of VND41,700.

### We like CTG for:

(1) Its well-positioned to tap into retail banking thanks to extensive client base and network branches. (2) We see opportunities for CTG to untangle the bottleneck for capital raising which has hindered the bank's growth for years. (3) The exclusive insurance partnership with Manulife will generate a new income stream to boost the bank's fee income growth in near future.

### Asset quality still need to improve

Non-performing loan (NPL) ratio was 1.67% at end-3Q21 from 1.34% at end-2Q21 and 0.94% at end-4Q20, slightly higher than average local peers of 1.64%. Loan loss reserves (LLR) dropped to 118.6%% at end-3Q21 from 129% at end-2Q21 and 132% at end-4Q20, still above than average local peer of 114%.

### Earnings grew 11.5%/15.8% in FY22-23F thanks to upfront fee

We project CTG will receive US\$250m for the exclusive upfront fee with Manulife Vietnam, allocating booking in 5 years since FY22F, help to non-interest income increase 18.1%/19.6% in FY22-23F. In other hand, we estimate FY22-23F loan growth to 8.0%/8.5% respectively to reflect higher credit demand when economy recover since FY22F while CTG's net interest margin (NIM) will stay around 2.9%-3.0% in FY22-23F due to downward pressure on lending rate to support clients and the rising deposits rates since 4Q21. As a result, we forecast earnings grew 11%/15.8% in FY22-23F. ROE will be sustainable at 14.6%/14.9% over FY22-23F.

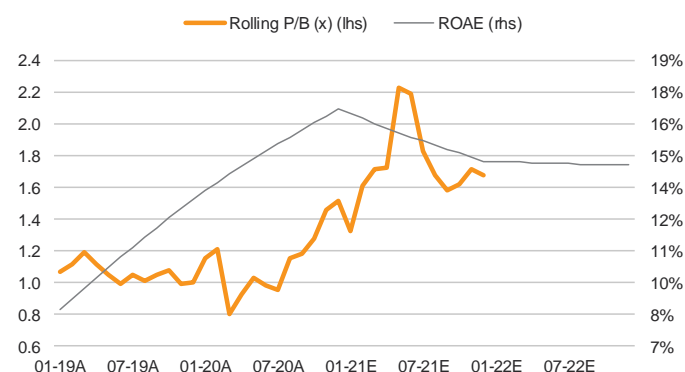
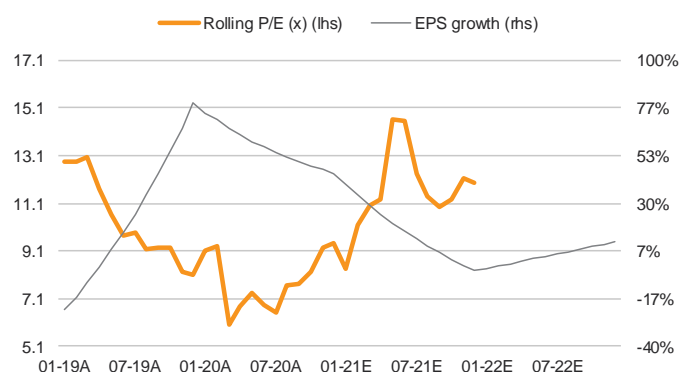
### Recommend ADD with a 1-year target price of VND41,700

Our 1-year target TP to VND41,700 based on the equal weight of residual income valuation (COE: 13%; LTG: 4.0%) and a target P/B of 1.6x for FY22F book value. We believe CTG deserves trade in line with P/B of 1.6x in FY22F book value to reflect the ROE below than regional peer average in FY21-22F. Upside catalysts are higher-than-expected NIM and credit growth. Downside risk is higher-than-expected bad debts.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net interest income (bn)	35,581	39,947	44,080	47,580
Net interest margin	2.8%	3.1%	3.0%	2.9%
Total operating income (bn)	45,317	51,418	57,626	63,787
Total provision charges (bn)	(12,147)	(15,824)	(17,137)	(18,084)
Net profit (bn)	13,694	13,257	14,717	17,042
Net profit growth	44.7%	(3.2%)	11.0%	15.8%
Adjusted EPS	2,107	2,152	2,334	2,711
BVPS	17,645	19,696	22,260	25,271
ROAE	16.9%	14.8%	14.6%	14.9%

Source: VND RESEARCH



**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Net interest income</b>	<b>39,947</b>	<b>44,080</b>	<b>47,580</b>
<b>Non interest income</b>	<b>11,471</b>	<b>13,546</b>	<b>16,206</b>
<b>Total operating income</b>	<b>51,418</b>	<b>57,626</b>	<b>63,787</b>
Total operating costs	(18,511)	(21,177)	(23,395)
<b>Pre-provision operating profit</b>	<b>32,908</b>	<b>36,449</b>	<b>40,391</b>
<b>Total provision charges</b>	<b>(15,824)</b>	<b>(17,137)</b>	<b>(18,084)</b>
Income from associates & JVs			
Net other income			
<b>Pre-tax profit</b>	<b>17,083</b>	<b>19,312</b>	<b>22,308</b>
Tax expense	(3,417)	(4,102)	(4,702)
<b>Profit after tax</b>	<b>13,667</b>	<b>15,209</b>	<b>17,606</b>
Minority interest	(410)	(492)	(564)
<b>Net profit</b>	<b>13,257</b>	<b>14,717</b>	<b>17,042</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Gross loans to customers	1,106,713	1,195,250	1,296,847
Loans to banks	107,660	125,962	144,856
<b>Total gross loans</b>	<b>1,214,373</b>	<b>1,321,212</b>	<b>1,441,703</b>
Securities - total	126,941	145,982	160,581
Other interest earning assets	63,529	74,329	85,478
<b>Total gross IEAs</b>	<b>1,404,843</b>	<b>1,541,524</b>	<b>1,687,762</b>
<b>Total provisions</b>	<b>(15,101)</b>	<b>(15,502)</b>	<b>(15,528)</b>
<b>Net loans to customers</b>	<b>1,094,034</b>	<b>1,182,533</b>	<b>1,284,382</b>
<b>Total net IEAs</b>	<b>1,389,742</b>	<b>1,526,022</b>	<b>1,672,234</b>
Cash and deposits	10,427	10,948	11,495
Total investments	3,487	3,661	3,845
Other assets	46,767	49,106	51,561
<b>Total non-IEAs</b>	<b>60,681</b>	<b>63,715</b>	<b>66,901</b>
<b>Total assets</b>	<b>1,450,424</b>	<b>1,589,737</b>	<b>1,739,135</b>
Customer deposits	1,084,413	1,198,276	1,318,104
Cds outstanding	62,869	69,156	71,231
Customer interest-bearing liabilities	1,147,282	1,267,433	1,389,335
Bank deposits	173,116	182,113	186,759
Broad deposits	1,320,399	1,449,545	1,576,093
Other interest-bearing liabilities	2,597	2,467	2,343
<b>Total IBLs</b>	<b>1,322,995</b>	<b>1,452,012</b>	<b>1,578,437</b>
Deferred tax liability			
Other non-interest bearing liabilities	31,764	29,248	37,186
<b>Total non-IBLs</b>	<b>31,764</b>	<b>29,248</b>	<b>37,186</b>
<b>Total liabilities</b>	<b>1,354,759</b>	<b>1,481,260</b>	<b>1,615,622</b>
Share capital	48,058	48,058	48,058
Additional paid-in capital	9,491	9,491	9,491
Treasury shares	0	0	0
Retained earnings reserve	23,098	33,111	44,936
Other reserves	14,009	16,317	18,962
<b>Shareholders' equity</b>	<b>94,656</b>	<b>106,976</b>	<b>121,447</b>
Minority interest	1,009	1,501	2,065
<b>Total equity</b>	<b>95,665</b>	<b>108,477</b>	<b>123,512</b>
<b>Total liabilities &amp; equity</b>	<b>1,450,424</b>	<b>1,589,737</b>	<b>1,739,135</b>

	12-21E	12-22E	12-23E
<b>Growth rate (yoy)</b>			
Cust deposit growth	9.5%	10.5%	10.0%
Gross cust loan growth	9.0%	8.0%	8.5%
Net interest income growth	12.3%	10.3%	7.9%
Pre provision operating profit growth	12.6%	10.8%	10.8%
Net profit growth	(3.2%)	11.0%	15.8%
Growth in IEAs	8.3%	9.8%	9.6%
<b>Share value</b>			
Basic EPS (VND)	2,758	3,062	3,546
BVPS (VND)	19,696	22,260	25,271
DPS (VND)	500	500	500
EPS growth	(3.2%)	11.0%	15.8%

**Key ratios**

	12-21E	12-22E	12-23E
Net interest margin	3.1%	3.0%	2.9%
Cost-income ratio	(36.0%)	(36.7%)	(36.7%)
Reported NPLs / gross cust loans	0.6%	0.3%	0.3%
Reported NPLs / net cust loans	0.6%	0.3%	0.3%
GP charge / average cust loans	1.5%	1.5%	1.5%
Total CAR	8.0%	8.0%	8.1%
Loan deposit ratio	96.5%	94.3%	93.3%
<b>Margins and spreads</b>			
Return on IEAs	7.3%	7.0%	7.1%
Cost of funds	4.2%	4.3%	4.4%
Interest return on average assets	2.9%	2.9%	2.9%
ROAE	14.8%	14.6%	14.9%

Source: VND RESEARCH

## DUCGIANG CHEMICALS & DETERGENT POWDER JSC (DGC)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND162,000	VND199,800	0.00%	Add	BASIC MATERIALS

26 November 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Positive**

Consensus\*: Add:4 Hold:1 Reduce:0

Target price / Consensus: 5.3%

### Key changes in the report

➤ N/a

### Price performance



### Key statistics

52w high (VND)	169,300
52w low (VND)	39,661
3m Avg daily value (VNDmn)	205,544
Market cap (VND bn)	28,622
Free float (%)	47
TTM P/E (x)	30.6
Current P/B (x)	7.08

### Ownership

Dao Huu Huyen	18.5%
Vietnam Chemical Corporation	8.9%
Ngo Thi Ngoc Lan	6.8%
Others	65.8%

Source: VND RESEARCH

### Analyst(s):



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## Maintain strong earnings growth

- DGC is the leader in terms of both size and technology in Vietnam's upstream phosphorus and phosphate industries.
- We forecast 31.4% FY21-23F net profit CAGR thanks to strong demand for semiconductor and take benefits from the Government's policies.
- DGC is our stock pick for chemical sector.

### Vietnam's leader in phosphorus chemicals

DGC is the leader in terms of both size and technology in Vietnam's upstream phosphorus and phosphate industries. DGC accounts for ~50% of Vietnam's yellow phosphorus capacity and currently is the only domestic producer of phosphate feed additives. The company is also Vietnam's largest producer and only exporter of wet phosphoric acid (WPA) and thermal phosphoric acid (TPA).

### CAV project is the key driver of DGC revenue growth in FY23-24F

DGC's AGM has approved the project "Chlor-alkali-vinyl" with investment cost of US\$521m, of which US\$434m for phase 1 and US\$87m for phase 2. We expect the phase 1 to operate 50%/75% capacity in FY23/24F, respectively, and the first production lines of this project could test run in 2H22F. We forecast DGC's phase 1 revenue to reach VND900bn/1,350bn in FY23/24F, equivalent to 12%/17% of total revenue, respectively.

### We forecast 31.4% FY21-23F net profit CAGR

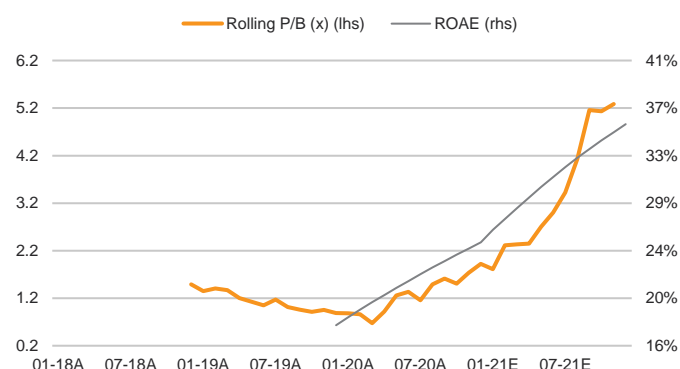
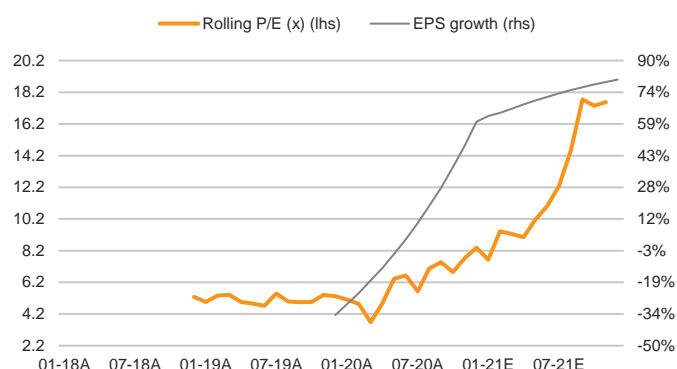
In 9M21, DGC's net revenue reached VND6094bn (+31% yoy), while net profit soared 62% yoy to VND1,180bn. We expect yellow phosphorus sales to decline 11.7%/13.3% yoy in FY22/23F as we believe that DGC will prioritize using phosphorus to produce other products with higher +GPM. While we forecast phosphoric acid (WPA and TPA) revenue to surge 80.1%/3.5% yoy in FY22/23F thanks to strong demand for semiconductor in FY22 and expanding TPA capacity from 30,000 tons/years to 100,000 tons/years in Sep-21. Furthermore, we expect the fertilizer and feed additives segment to grow 29%/14% yoy in FY22/23F as MAP and DAP fertilizer will continue to take benefits from the Government's protectionist policy. As a result, DGC's topline is expected to increase 30%/8% yoy in FY22/23F, bringing its bottom line growth 44%/19% yoy.

### Recommend Add with TP of VND199,800

Our 1-year TP is based on an equal weighting of the DCF model (with WACC 9.4%, COE 11.8%) and target P/E of 14x on FY22F EPS. Upside risks include higher-expected P4 price as China may further tighten restrictions on production of environmental pollution products. Downside risks include changes in either domestic or foreign export tariffs on phosphorus that would hurt DGC's GPM and competitiveness.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	6,236	9,157	12,060	12,978
Revenue growth	22.5%	46.8%	31.7%	7.6%
Gross margin	23.7%	25.9%	28.1%	30.1%
EBITDA margin	13.1%	17.9%	20.7%	22.6%
Net profit (bn)	907	1,638	2,396	2,828
Net profit growth	60.0%	80.7%	46.2%	18.0%
Recurring profit growth	65.9%	80.7%	46.2%	18.0%
Basic EPS	5,302	9,582	14,011	16,539
Adjusted EPS	4,847	8,981	13,132	15,501
BVPS	22,871	31,235	42,875	55,922
ROAE	25.1%	35.4%	37.8%	35.5%

Source: VND RESEARCH

**Valuation**

**Income statement**

(VNDbn)	12-20A	12-21E	12-22E
Net revenue	6,236	9,157	12,060
Cost of sales	(4,757)	(6,785)	(8,676)
Gen & admin expenses	(105)	(119)	(157)
Selling expenses	(388)	(504)	(663)
<b>Operating profit</b>	<b>987</b>	<b>1,749</b>	<b>2,565</b>
Operating EBITDA	785	1,536	2,363
<b>Depreciation and amortisation</b>	<b>201</b>	<b>213</b>	<b>202</b>
<b>Operating EBIT</b>	<b>987</b>	<b>1,749</b>	<b>2,565</b>
Interest income	122	147	176
Financial expense	(85)	(105)	(119)
Net other income	(22)	18	24
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>1,001</b>	<b>1,809</b>	<b>2,646</b>
Tax expense	(53)	(96)	(140)
Minority interest	(41)	(75)	(109)
<b>Net profit</b>	<b>907</b>	<b>1,638</b>	<b>2,396</b>
Adj. net profit to ordinary	907	1,638	2,396
Ordinary dividends	0	(256)	(302)
<b>Retained earnings</b>	<b>907</b>	<b>1,382</b>	<b>2,094</b>

**Balance sheet**

(VNDbn)	12-20A	12-21E	12-22E
Cash and equivalents	282	503	625
Short term investments	1,558	2,025	2,227
Accounts receivables	849	1,052	1,386
Inventories	697	929	1,394
Other current assets	48	785	1,162
<b>Total current assets</b>	<b>3,433</b>	<b>5,294</b>	<b>6,794</b>
Fixed assets	2,210	2,636	3,603
Total investments	0	0	0
Other long-term assets	233	690	875
<b>Total assets</b>	<b>5,876</b>	<b>8,620</b>	<b>11,271</b>
Short-term debt	1,149	1,319	1,737
Accounts payable	137	194	248
Other current liabilities	523	680	832
<b>Total current liabilities</b>	<b>1,809</b>	<b>2,192</b>	<b>2,816</b>
Total long-term debt	0	700	560
Other liabilities	0	219	324
Share capital	1,488	1,710	1,710
Retained earnings reserve	1,140	2,265	4,058
<b>Shareholders' equity</b>	<b>3,911</b>	<b>5,341</b>	<b>7,332</b>
Minority interest	156	168	240
<b>Total liabilities &amp; equity</b>	<b>5,876</b>	<b>8,620</b>	<b>11,271</b>

**Cash flow statement**

(VNDbn)	12-20A	12-21E	12-22E
<b>Pretax profit</b>	<b>1,001</b>	<b>1,809</b>	<b>2,646</b>
Depreciation & amortisation	213	202	248
Tax paid	(53)	(96)	(140)
Other adjustments	0	0	0
<b>Change in working capital</b>	<b>(153)</b>	<b>(459)</b>	<b>(852)</b>
<b>Cash flow from operations</b>	<b>1,008</b>	<b>1,456</b>	<b>1,901</b>
Capex	(243)	(644)	(1,278)
Proceeds from assets sales	2	2	2
Others	36	147	176
Other non-current assets changes	(896)	(866)	(953)
<b>Cash flow from investing activities</b>	<b>(1,101)</b>	<b>(1,361)</b>	<b>(2,052)</b>
New share issuance	0	30	0
Shares buyback			
Net borrowings	377	(52)	472
Other financing cash flow	(129)	401	101
Dividends paid	0	(256)	(302)
<b>Cash flow from financing activities</b>	<b>248</b>	<b>123</b>	<b>271</b>
Cash and equivalents at beginning of period	128	282	503
<b>Total cash generated</b>	<b>155</b>	<b>218</b>	<b>120</b>
Cash and equivalents at the end of period	282	500	623

**Key ratios**

	12-20A	12-21E	12-22E
<b>Dupont</b>			
Net profit margin	14.5%	17.9%	19.9%
Asset turnover	1.18	1.26	1.21
ROAA	17.1%	22.6%	24.1%
Avg assets/avg equity	1.46	1.57	1.57
ROAE	25.1%	35.4%	37.8%
<b>Efficiency</b>			
Days account receivable	44.0	37.8	37.8
Days inventory	53.6	50.0	58.7
Days creditor	10.5	10.4	10.4
Fixed asset turnover	2.73	3.78	3.87
ROIC	17.4%	21.8%	24.3%
<b>Liquidity</b>			
Current ratio	1.9	2.4	2.4
Quick ratio	1.5	2.0	1.9
Cash ratio	1.0	1.2	1.0
Cash cycle	87.1	77.4	86.1
<b>Growth rate (yoy)</b>			
Revenue growth	22.5%	46.8%	31.7%
Operating profit growth	66.7%	77.3%	46.6%
Net profit growth	60.0%	80.7%	46.2%
EPS growth	60.0%	80.7%	46.2%

Source: VND RESEARCH

## DAT XANH REAL ESTATE SERVICES JSC (DXS)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND30,650	VND39,900	8.8%	Add	PROPERTY

26 November 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Positive**

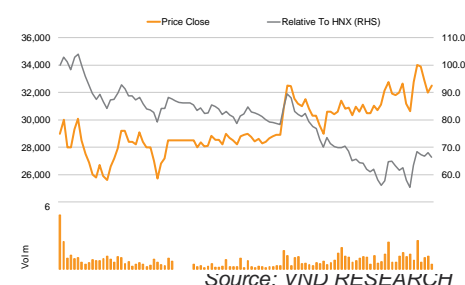
Consensus\*: Add:1 Hold:0 Reduce:0

Target price / Consensus:

### Key changes in the report

➤ N/A.

### Price performance



### Key statistics

52w high (VND)	32,750
52w low (VND)	25,600
3m Avg daily value (VNDmn)	24,640
Market cap (VND bn)	10,979
Free float (%)	30
TTM P/E (x)	N/A
Current P/B (x)	1.9

### Ownership

DXG	56.3%
Victory Holding Investment Limited	8.1%
Others	48.2%

Source: VND RESEARCH

### Analyst(s):



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## Passing through headwinds

- DXS is well-positioned to capture the property market recovery since 2022F, thanks to its leading position in brokerage market.
- We estimate FY22-23F earnings up 91.6% yoy/70.6% yoy on the back of brokerage activities as well as property market recovery.
- Recommend Add with TP of VND39,900.

### Leading position in brokerage market with strong distribution network

We like DXS as (1) DXS is well-positioned to capture the property demand recovery since 2022F, thanks to its leading position in brokerage property with 28% market share, along with strong distribution network spread across all provinces in Vietnam; (2) its different business model focusing on full-service brokerage brings high efficiency compared to competitors; 3) with a superior customer database of 7.5 million customers, DXS is poised to be the champion of both primary and secondary brokerage market as well as auxiliary services and 4) technology platform DXRES O2O is expected to maximize its competitive advantage in a consolidating industry.

### 2022F property market outlook: poised for a strong recovery ahead

We expect the residential market to recover in 2022F, based on three factors: 1) a broad-based recovery of macro fundamentals propelling the property market in 2021F; 2) housing purchasing decisions underpinned by affordable mortgage interest rates; and 3) a surge in new supply thanks to the loosening of regulatory bottlenecks. In addition, we believe that hospitality property will recover quickly in the future on the back of Covid-19 vaccines presence along with recovery of the Vietnam tourism. The headwinds from the pandemic may be over in the hospitality property market from end-2021.

### Solid FY22-23F earnings upon brokerage activities recovery

We expect DXS' net profit to reach VND1,579bn (+91.6% yoy) / VND2,695bn (+70.6% yoy) in FY22-23F, driven by 1) as of 3Q21, DXS signed distribution contracts for 212 real estate projects with c.100,000 units, valued at VND33,500bn, 2) strong parent support, DXG, providing full-service brokerage for large projects such as Gem Sky World and 3) brokerage activities as well as property market recovery as lockdowns ease.

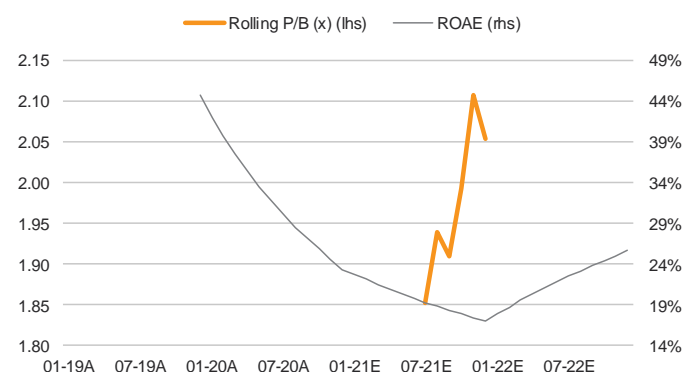
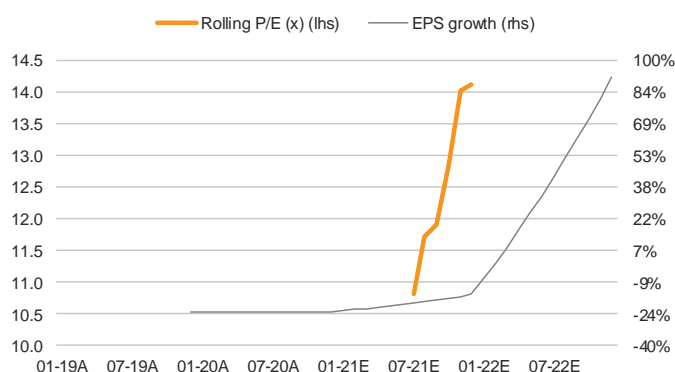
### We recommend Add with TP of VND39,900

Upside catalyst is a larger-than-expected scale of its distribution contracts. Downside risks include a prolonged pandemic, which would impact brokerage activities and the launch of real estate projects.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	3,249	4,304	7,665	12,862
Revenue growth	(20.6%)	32.5%	78.1%	67.8%
Gross margin	71.9%	60.5%	55.8%	51.1%
EBITDA margin	45.0%	38.8%	37.9%	37.7%
Net profit (bn)	873	824	1,579	2,695
Net profit growth	(17.7%)	(5.6%)	91.6%	70.6%
Recurring profit growth	(21.3%)	(1.9%)	91.6%	70.6%
Basic EPS	2,708	2,302	4,409	7,523
Adjusted EPS	2,398	2,118	4,056	6,921
BVPS	12,456	15,820	18,619	23,393
ROAE	23.4%	17.0%	25.6%	35.8%

Source: VND RESEARCH



**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	4,304	7,665	12,862
Cost of sales	(1,700)	(3,384)	(6,286)
Gen & admin expenses	(430)	(652)	(772)
Selling expenses	(559)	(767)	(1,029)
<b>Operating profit</b>	<b>1,614</b>	<b>2,863</b>	<b>4,775</b>
Operating EBITDA	1,597	2,845	4,756
<b>Depreciation and amortisation</b>	<b>17</b>	<b>18</b>	<b>18</b>
<b>Operating EBIT</b>	<b>1,614</b>	<b>2,863</b>	<b>4,775</b>
Interest income	60	60	60
Financial expense	(60)	(50)	(50)
Net other income	12	20	28
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>1,626</b>	<b>2,892</b>	<b>4,812</b>
Tax expense	(358)	(636)	(962)
Minority interest	(444)	(677)	(1,155)
<b>Net profit</b>	<b>824</b>	<b>1,579</b>	<b>2,695</b>
Adj. net profit to ordinary	824	1,579	2,695
Ordinary dividends	(254)	(451)	(770)
<b>Retained earnings</b>	<b>571</b>	<b>1,128</b>	<b>1,925</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	2,112	3,009	5,546
Short term investments	110	110	110
Accounts receivables	8,192	9,893	12,367
Inventories	1,999	2,299	2,599
Other current assets	148	155	163
<b>Total current assets</b>	<b>12,562</b>	<b>15,467</b>	<b>20,786</b>
Fixed assets	193	203	217
Total investments	30	30	30
Other long-term assets	1,369	2,400	3,455
<b>Total assets</b>	<b>14,154</b>	<b>18,100</b>	<b>24,489</b>
Short-term debt	180	80	80
Accounts payable	539	1,073	1,993
Other current liabilities	5,450	7,324	9,927
<b>Total current liabilities</b>	<b>6,169</b>	<b>8,477</b>	<b>12,000</b>
Total long-term debt	45	5	5
Other liabilities	6	6	6
Share capital	3,582	3,582	3,582
Retained earnings reserve	961	1,963	3,672
<b>Shareholders' equity</b>	<b>5,667</b>	<b>6,669</b>	<b>8,379</b>
Minority interest	2,266	2,943	4,098
<b>Total liabilities &amp; equity</b>	<b>14,154</b>	<b>18,100</b>	<b>24,489</b>

**Cash flow statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>1,626</b>	<b>2,892</b>	<b>4,812</b>
Depreciation & amortisation	17	18	18
Tax paid	(358)	(636)	(962)
Other adjustments	(126)	(186)	(276)
<b>Change in working capital</b>	<b>(575)</b>	<b>(634)</b>	<b>(316)</b>
<b>Cash flow from operations</b>	<b>585</b>	<b>1,453</b>	<b>3,277</b>
Capex	(21)	(25)	(30)
Proceeds from assets sales	0	0	0
Others	60	60	60
Other non-current assets changes	0	0	0
<b>Cash flow from investing activities</b>	<b>40</b>	<b>35</b>	<b>30</b>
New share issuance	1,145	0	0
Shares buyback	0	0	0
Net borrowings	0	0	0
Other financing cash flow	(550)	(140)	0
Dividends paid	(254)	(451)	(770)
<b>Cash flow from financing activities</b>	<b>341</b>	<b>(592)</b>	<b>(770)</b>
Cash and equivalents at beginning of period	1,146	2,112	3,009
<b>Total cash generated</b>	<b>966</b>	<b>897</b>	<b>2,536</b>
Cash and equivalents at the end of period	2,112	3,008	5,546

**Key ratios**

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	19.2%	20.6%	21.0%
Asset turnover	0.34	0.48	0.60
ROAA	6.5%	9.8%	12.7%
Avg assets/avg equity	2.61	2.61	2.83
ROAE	17.0%	25.6%	35.8%
<b>Efficiency</b>			
Days account receivable	91.3	91.3	91.3
Days inventory	429.2	248.0	150.9
Days creditor	115.7	115.7	115.7
Fixed asset turnover	22.61	38.69	61.23
ROIC	10.1%	16.3%	21.5%
<b>Liquidity</b>			
Current ratio	2.0	1.8	1.7
Quick ratio	1.7	1.6	1.5
Cash ratio	0.4	0.4	0.5
Cash cycle	404.7	223.5	126.4
<b>Growth rate (yoy)</b>			
Revenue growth	32.5%	78.1%	67.8%
Operating profit growth	14.1%	77.4%	66.8%
Net profit growth	(5.6%)	91.6%	70.6%
EPS growth	(15.0%)	91.6%	70.6%

Source: VND RESEARCH



## FECON CORPORATION (FCN)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND18,600	VND18,400	2.69%	Hold	CONSTRUCTION

26 November 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Neutral**

Consensus\*: Add:0 Hold:0 Reduce:0  
Target price / Consensus: N/A

### Key changes in the report

➤ N/A

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	21,250
52w low (VND)	10,150
3m Avg daily value (VNDmn)	81,247
Market cap (VND bn)	3,133
Free float (%)	43
TTM P/E (x)	21.1
Current P/B (x)	1.0

### Ownership

Raito Kogyo Co., Ltd	25.5%
Red One Fund	10.2%
Others	64.3%

Source: VND RESEARCH

### Analyst(s):



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## Solid foundation to grow from FY22

- FCN's growing exposure to renewable energy, especially wind power is a strong re-rating catalyst.
- Successful to raise capital in Nov 2021 which will ease the concern over high leverage and negative cash flow.
- Recommend Hold with SOTP-based TP of VND18,400.

### Construction business likely to bottom out

FCN is among few local contractors that have deep technical expertise in heavy construction and aggressively aiming to become a general contractor. We expect FCN's construction activities to bounce back in 2022-23F, driven by surging state investment and FDI inflow. FCN has several construction projects in pipeline during 2021-22F; most of them are power plants and infrastructure development projects. That set a solid foundation for construction revenue to grow at a 14.4% CAGR over FY21-23F.

### Riding on the wave of green energy investment in Vietnam

FCN has captured the arising opportunities from the ongoing country's heavy investment in wind power. Currently, the company has five large wind power plants in construction pipeline with a total contract value of about VND2,884bn. Additionally, FCN holds 40% and 51% stake in two renewable energy power plants with a total capacity of 80MW. The company aims to build an investment portfolio with 1,000MW of renewable energy (RE).

### Successful to raise capital in Nov 2021

FCN has successfully raised VND416bn through a private placement following the issuance of 32m shares (~25.5% stake) in this year. We estimate the capital injection will ease the concern over negative cash flow and lower the leverage ratio at the end-2021 from 0.91x to 0.66x post issuance.

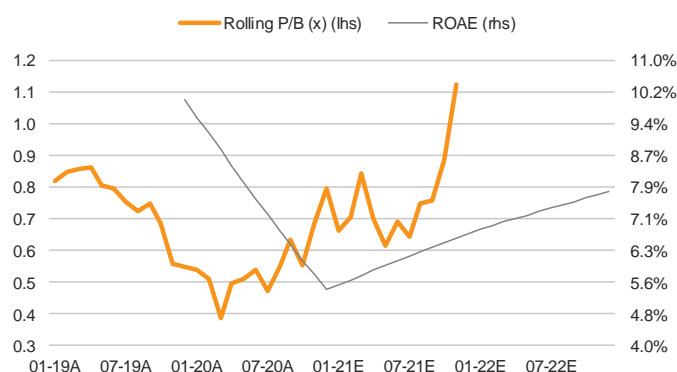
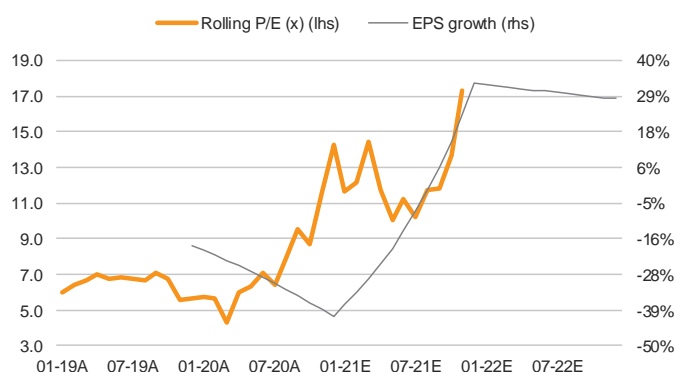
### We recommend Hold with SOTP-based TP of VND18,400

We expect net profit to grow 25.8% CAGR over FY21-23F, driven by current backlog which secures 80% of our forecast. We do not take into account the possibility of FCN's divestment from its two RE plants. If successful, the 2 divestment deals will bring about VND80bn to FCN's net profit over FY21-22F, based on our estimate. Our target price is VND18,400, based on SOTP valuation for construction segment and two RE plants.

**Re-rating catalyst** is better-than-expected new contract value and higher-than-expected divestment deal value. Downside risks including (1) the new power price policy which is more unfavourable for developers & construction wind powers; and (2) the risk of dilution due to large capital requirements

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	3,154	3,841	4,474	4,888
Revenue growth	2.0%	21.8%	16.5%	9.2%
Gross margin	15.0%	15.7%	16.8%	16.7%
EBITDA margin	9.2%	10.5%	11.4%	11.2%
Net profit (bn)	119	158	202	236
Net profit growth	(40.8%)	32.9%	27.9%	17.2%
Recurring profit growth	(40.8%)	32.9%	27.9%	17.2%
Basic EPS	946	1,258	1,609	1,885
Adjusted EPS	888	1,194	1,542	1,799
BVPS	17,661	19,569	21,853	24,004
ROAE	5.4%	6.8%	7.8%	8.2%

Source: VND RESEARCH

**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	3,841	4,474	4,888
Cost of sales	(3,238)	(3,724)	(4,070)
Gen & admin expenses	(35)	(40)	(44)
Selling expenses	(230)	(268)	(293)
<b>Operating profit</b>	<b>338</b>	<b>442</b>	<b>480</b>
Operating EBITDA	405	512	553
<b>Depreciation and amortisation</b>	<b>(67)</b>	<b>(70)</b>	<b>(73)</b>
<b>Operating EBIT</b>	<b>338</b>	<b>442</b>	<b>480</b>
Interest income	14	15	17
Financial expense	(154)	(202)	(198)
Net other income	1	2	2
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>200</b>	<b>257</b>	<b>301</b>
Tax expense	(40)	(53)	(62)
Minority interest	(2)	(2)	(3)
<b>Net profit</b>	<b>158</b>	<b>202</b>	<b>236</b>
Adj. net profit to ordinary	158	202	236
Ordinary dividends	(63)	(63)	(63)
<b>Retained earnings</b>	<b>95</b>	<b>139</b>	<b>174</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	307	433	432
Short term investments	36	36	36
Accounts receivables	3,157	3,432	3,749
Inventories	1,464	1,632	1,728
Other current assets	346	403	440
<b>Total current assets</b>	<b>5,310</b>	<b>5,937</b>	<b>6,386</b>
Fixed assets	2,046	2,051	2,053
Total investments	305	305	305
Other long-term assets	192	224	244
<b>Total assets</b>	<b>7,853</b>	<b>8,516</b>	<b>8,988</b>
Short-term debt	1,296	1,508	1,623
Accounts payable	1,464	1,632	1,784
Other current liabilities	1,152	1,343	1,467
<b>Total current liabilities</b>	<b>3,912</b>	<b>4,483</b>	<b>4,874</b>
Total long-term debt	1,189	991	799
Other liabilities	8	9	10
Share capital	1,254	1,254	1,254
Retained earnings reserve	307	446	620
<b>Shareholders' equity</b>	<b>2,455</b>	<b>2,741</b>	<b>3,011</b>
Minority interest	290	292	295
<b>Total liabilities &amp; equity</b>	<b>7,853</b>	<b>8,516</b>	<b>8,988</b>

**Cash flow statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>200</b>	<b>257</b>	<b>301</b>
Depreciation & amortisation	73	75	78
Tax paid	(40)	(53)	(62)
Other adjustments	(98)	(92)	(87)
<b>Change in working capital</b>	<b>189</b>	<b>(268)</b>	<b>(174)</b>
<b>Cash flow from operations</b>	<b>324</b>	<b>(80)</b>	<b>57</b>
Capex	(1,400)	(80)	(80)
Proceeds from assets sales	0	0	0
Others	(1)	0	0
Other non-current assets changes	0	0	0
<b>Cash flow from investing activities</b>	<b>(1,401)</b>	<b>(80)</b>	<b>(80)</b>
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	1,088	349	85
Other financing cash flow			
Dividends paid	(63)	(63)	(63)
<b>Cash flow from financing activities</b>	<b>1,026</b>	<b>286</b>	<b>22</b>
Cash and equivalents at beginning of period	358	307	433
<b>Total cash generated</b>	<b>(51)</b>	<b>126</b>	<b>(1)</b>
Cash and equivalents at the end of period	307	433	432

**Key ratios**

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	4.1%	4.5%	4.8%
Asset turnover	0.52	0.55	0.56
ROAA	2.2%	2.5%	2.7%
Avg assets/avg equity	3.13	3.15	3.04
ROAE	6.8%	7.8%	8.2%
<b>Efficiency</b>			
Days account receivable	300.0	280.0	280.0
Days inventory	165.0	160.0	155.0
Days creditor	165.0	160.0	160.0
Fixed asset turnover	2.78	2.18	2.38
ROIC	3.0%	3.6%	4.1%
<b>Liquidity</b>			
Current ratio	1.4	1.3	1.3
Quick ratio	1.0	1.0	1.0
Cash ratio	0.1	0.1	0.1
Cash cycle	300.0	280.0	275.0
<b>Growth rate (yoy)</b>			
Revenue growth	21.8%	16.5%	9.2%
Operating profit growth	30.3%	30.8%	8.6%
Net profit growth	32.9%	27.9%	17.2%
EPS growth	32.9%	27.9%	17.2%

Source: VND RESEARCH

## FPT CORP (FPT)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND98,900	VND118,500	2.02%	Add	TECHNOLOGY

26 November 2021

Outlook – Short term: **Positive**  
Outlook – Long term: **Positive**  
Valuation: **Positive**

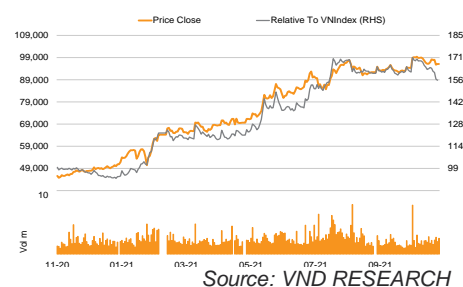
Consensus\*: Add:10 Hold:2 Reduce:0

Target price / Consensus: 3.9%

### Key changes in the report

➤ N/A.

### Price performance



### Key statistics

52w high (VND)	99,400
52w low (VND)	44,756
3m Avg daily value (VNDmn)	222,209
Market cap (VND bn)	87,208
Free float (%)	60
TTM P/E (x)	22.3
Current P/B (x)	5.3

### Ownership

Truong Gia Binh	7.1%
Vietnam SCIC	5.9%
Macquarie Bank Limited OBU	5.4%
Others	81.6%

Source: VND RESEARCH

### Analyst(s):



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## Sustaining growth momentum in FY22F

- We believe FPT is the biggest beneficiary from the country's increasing digital transformation (Dx) in the "new normal".
- We forecast an FY21-23F net profit CAGR of 14.0% on the back of an increasing Dx trend and higher proportion of patented software products.
- We recommend Add with a SOP-based TP of VND118,500/share.

### Global and domestic IT services demand tailwinds

According to Gartner, global IT services revenue will grow 9% in 2022 (vs. 14% in 2021 and 2% in 2020). Meanwhile, according to Fitch Solutions, IT spending in Vietnam will increase by 13.1% in 2022F to a total of VND197tr. Enterprise IT demand growth in Vietnam over 2022-23F will be driven by both the adoption of basic informatisation and more advanced solutions. We believe FPT is well-equipped to capture the opportunities with the advantages of labor costs, self-trained workforce availability and competitive IT services capacity.

### Robust new tech contract value to ensure earnings growth

In 9M21, FPT received multiple orders from global clients to implement digital transformation projects. There were totally 16 projects with the value larger than US\$5m in 9M21 (vs. 6 projects in 9M20). Unrealised revenue of newly global and domestic IT services contracts surged 31.0% yoy in 9M21 to VND17,445bn.

### Moving into FY22F with confidence

We forecast FPT's FY22F revenue and net profit to grow 19.3% yoy and 20.1% yoy, respectively. We believe FPT's GPM will further improve on the back of the higher proportion of the Dx business line in technology revenue. In particular, FPT's blended GPM to gain 0.7% pt to 39.9% in FY22F, in our view.

### FPT is our stock pick in digital transformation theme

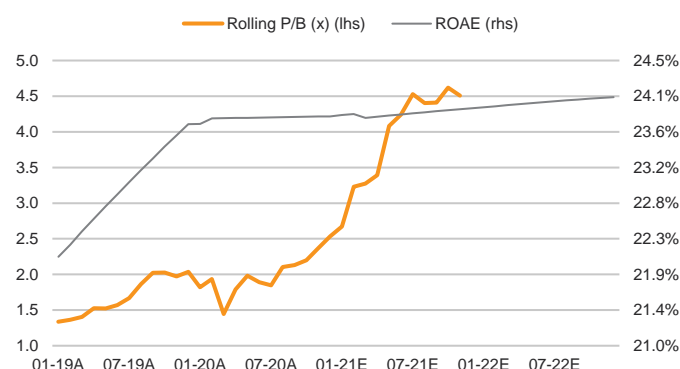
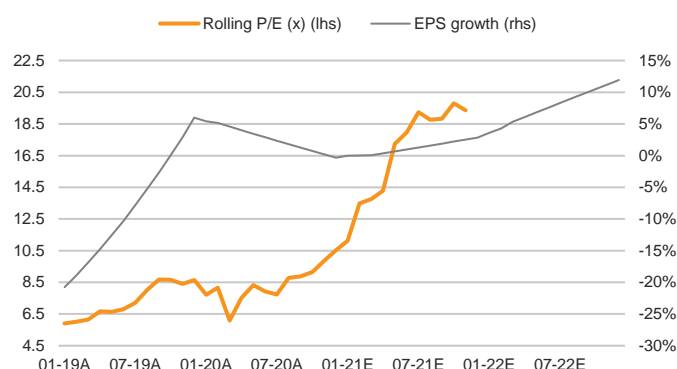
We recommend Add with a TP of VND118,500/share. Our valuation is based on the sum-of-parts methodology, with P/E-based multiple approach for its three main business segments. We apply multiples which are derived from the regional FY22F P/E median corresponding to each segment with a discount of 15% on technology and telecom peer's median P/E due to the distance in interest rates between Vietnam and other observed countries.

### Re-rating catalysts and downside risks

Potential re-rating catalysts are a successful M&A deal with an overseas tech company and higher-than-expected signed IT services revenue. Downside risks include shortage of high-quality IT personnel to achieve its long-term strategies and fewer tech contracts if COVID-19 prolongs and becomes more complicated.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	29,830	35,016	41,762	49,408
Revenue growth	7.6%	17.4%	19.3%	18.3%
Gross margin	39.6%	39.2%	39.9%	40.1%
EBITDA margin	14.0%	15.0%	15.3%	15.4%
Net profit (bn)	3,538	4,208	5,054	5,980
Net profit growth	12.8%	19.0%	20.1%	18.3%
Recurring profit growth				
Basic EPS	4,838	4,975	5,569	6,589
Adjusted EPS	4,727	5,089	5,453	6,462
BVPS	20,081	21,430	24,881	29,341
ROAE	23.8%	23.9%	24.1%	24.3%

Source: VND RESEARCH

**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	35,016	41,762	49,408
Cost of sales	(21,300)	(25,100)	(29,601)
Gen & admin expenses	(2,998)	(3,576)	(4,231)
Selling expenses	(5,329)	(6,355)	(7,519)
<b>Operating profit</b>	<b>5,389</b>	<b>6,731</b>	<b>8,058</b>
Operating EBITDA	3,687	4,824	5,934
<b>Depreciation and amortisation</b>	<b>1,702</b>	<b>1,907</b>	<b>2,124</b>
<b>Operating EBIT</b>	<b>5,389</b>	<b>6,731</b>	<b>8,058</b>
Interest income	1,387	1,525	1,679
Financial expense	(1,113)	(1,242)	(1,386)
Net other income	73	86	102
Income from associates & JVs	519	411	434
<b>Pre-tax profit</b>	<b>6,254</b>	<b>7,512</b>	<b>8,887</b>
Tax expense	(1,008)	(1,211)	(1,433)
Minority interest	(1,037)	(1,246)	(1,474)
<b>Net profit</b>	<b>4,208</b>	<b>5,054</b>	<b>5,980</b>
Adj. net profit to ordinary	4,208	5,054	5,980
Ordinary dividends	(1,815)	(1,815)	(1,815)
<b>Retained earnings</b>	<b>2,393</b>	<b>3,239</b>	<b>4,165</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	5,162	8,486	12,939
Short term investments	13,623	14,899	16,321
Accounts receivables	7,557	9,013	10,663
Inventories	1,630	1,921	2,266
Other current assets	1,695	2,021	2,391
<b>Total current assets</b>	<b>29,667</b>	<b>36,341</b>	<b>44,581</b>
Fixed assets	12,431	14,277	16,269
Total investments	3,052	3,418	3,804
Other long-term assets	3,059	3,648	4,316
<b>Total assets</b>	<b>48,208</b>	<b>57,684</b>	<b>68,970</b>
Short-term debt	13,329	14,725	16,275
Accounts payable	3,252	3,832	4,519
Other current liabilities	7,570	10,781	14,380
<b>Total current liabilities</b>	<b>24,150</b>	<b>29,338</b>	<b>35,175</b>
Total long-term debt	813	976	1,171
Other liabilities	178	210	248
Share capital	9,076	9,076	9,076
Retained earnings reserve	8,735	11,548	15,246
<b>Shareholders' equity</b>	<b>19,449</b>	<b>22,581</b>	<b>26,629</b>
Minority interest	3,618	4,579	5,747
<b>Total liabilities &amp; equity</b>	<b>48,208</b>	<b>57,684</b>	<b>68,970</b>

**Cash flow statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>6,254</b>	<b>7,512</b>	<b>8,887</b>
Depreciation & amortisation	1,702	1,907	2,124
Tax paid	(1,008)	(1,211)	(1,433)
Other adjustments	(81)	(90)	(100)
<b>Change in working capital</b>	<b>(1,743)</b>	<b>58</b>	<b>101</b>
<b>Cash flow from operations</b>	<b>5,123</b>	<b>8,176</b>	<b>9,579</b>
Capex	(2,592)	(2,865)	(3,180)
Proceeds from assets sales	0	0	0
Others	(1,187)	(1,276)	(1,422)
Other non-current assets changes	0	0	0
<b>Cash flow from investing activities</b>	<b>(3,779)</b>	<b>(4,141)</b>	<b>(4,603)</b>
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	1,402	1,559	1,746
Other financing cash flow	0	0	0
Dividends paid	(2,269)	(2,269)	(2,269)
<b>Cash flow from financing activities</b>	<b>(867)</b>	<b>(710)</b>	<b>(523)</b>
Cash and equivalents at beginning of period	4,685	5,162	8,486
<b>Total cash generated</b>	<b>477</b>	<b>3,325</b>	<b>4,453</b>
Cash and equivalents at the end of period	5,162	8,486	12,939

**Key ratios**

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	12.0%	12.1%	12.1%
Asset turnover	0.78	0.79	0.78
ROAA	9.4%	9.5%	9.4%
Avg assets/avg equity	2.56	2.52	2.57
ROAE	23.9%	24.1%	24.3%
<b>Efficiency</b>			
Days account receivable	68.2	68.2	68.2
Days inventory	27.9	27.9	27.9
Days creditor	55.7	55.7	55.7
Fixed asset turnover	3.03	3.13	3.23
ROIC	11.3%	11.8%	12.0%
<b>Liquidity</b>			
Current ratio	1.2	1.2	1.3
Quick ratio	1.2	1.2	1.2
Cash ratio	0.8	0.8	0.8
Cash cycle	40.4	40.4	40.4
<b>Growth rate (yoy)</b>			
Revenue growth	17.4%	19.3%	18.3%
Operating profit growth	17.1%	24.9%	19.7%
Net profit growth	19.0%	20.1%	18.3%
EPS growth	2.8%	11.9%	18.3%

Source: VND RESEARCH



## PETROVIETNAM GAS JSC (GAS)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND102,000	VND130,800	3.93%	Add	UTILITIES

26 November 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Positive**

Consensus\*: Add:10 Hold:1 Reduce:0

Target price / Consensus: 9.0%

### Key changes in the report

➤ NA

### Price performance



### Key statistics

52w high (VND)	125,000
52w low (VND)	73,500
3m Avg daily value (VNDmn)	168,313
Market cap (VND bn)	198,859
Free float (%)	4
TTM P/E (x)	24.9
Current P/B (x)	4.03

### Ownership

PetroVietnam Group	95.8%
Others	4.2%

Source: VND RESEARCH

### Analyst(s):



**Hai Nguyen Ngoc**

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## Riding on the energy sustainability

- Riding on energy infrastructure story, GAS would be a key beneficiary thanks to its position as a major gas infrastructure developer in Vietnam.
- We forecast FY21-23F net profit CAGR of 18.9%, regarding to the expected oil price to remain high and dry gas sales volume recovery from 2022.
- Recommend ADD with TP of VND130,800.

### A major energy infrastructure developer in Vietnam

According to Power Development Plan 8, gas-fired plants will be the key power source toward 2030, making up 23% of total system capacity in 2030F from the current 12%. Hence, we believe it is the most promising segment in the next couple of years. Meanwhile, GAS is currently the key investor for many energy infrastructure projects in Vietnam, from local gas fields development related projects (Su Tu Trang, Block B – O Mon pipelines) to LNG terminals (Thi Vai, Son My). This will set the stage for GAS to sustainably grow in the long-term.

### LNG Thi Vai terminal to come online in 2022

Currently, the progress of LNG Thi Vai terminal (the capacity of 1 mmtpa) has completed ~90% of total workload. This terminal is expected to operate from 2H22F, marking one of the first LNG-related projects coming online in Vietnam. LNG Thi Vai would supplement gas supply for the users in Southeast region, including two new gas-fired power plants in Nhon Trach (from 2023 as expected). As the LNG distributor, GAS should earn profit from regasification and transportation costs. We estimate LNG Thi Vai to significantly contribute to the company business from 2023F onwards, accounting for c.13.5% of total dry gas sales volume in 2023F.

### Positive growth prospects in the next two years

After hit hard by Delta outbreak in 2021, we expect dry gas sales volume to strongly increase by 18% yoy to 9.25 bcm in 2022, following the recovery in gas-generated electricity demand. Thus, we are optimistic in GAS's outlook in coming years, driven by dry gas sales volume rebound and the expected high energy prices environment. Generally, we forecast GAS's net profit to grow 25.1%/10.9% yoy in FY22-23F, respectively.

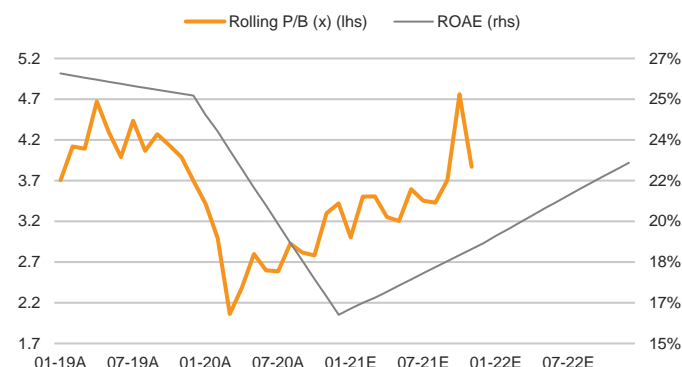
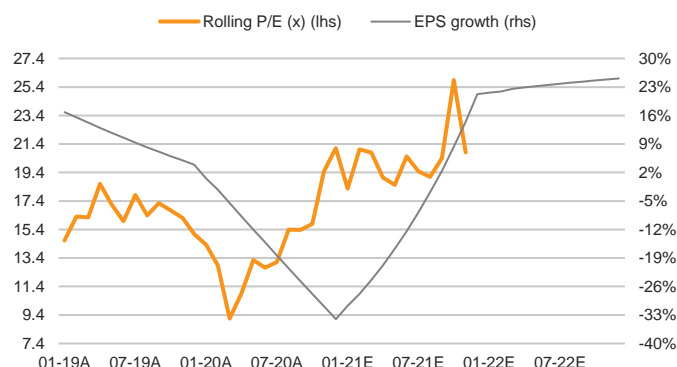
### GAS is our top pick for the sector

Our TP is based on DCF valuation and the target FY22F P/E of 21.4x, weighted equally. Re-rating catalyst is higher oil price. Downside risks come from lower-than-expected oil price and the delay in major energy infrastructure projects.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	64,135	79,745	95,564	105,830
Revenue growth	(14.5%)	24.3%	19.8%	10.7%
Gross margin	17.8%	18.4%	18.9%	18.9%
EBITDA margin	19.7%	20.4%	20.9%	21.4%
Net profit (bn)	7,855	9,524	11,915	13,212
Net profit growth	(34.0%)	21.2%	25.1%	10.9%
Recurring profit growth	(34.9%)	21.8%	25.6%	11.1%
Basic EPS	4,104	4,976	6,225	6,903
Adjusted EPS	4,000	4,871	6,121	6,799
BVPS	25,307	26,443	28,623	31,411
ROAE	16.2%	19.2%	22.6%	23.0%

Source: VND RESEARCH



**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	79,745	95,564	105,830
Cost of sales	(65,056)	(77,501)	(85,853)
Gen & admin expenses	(1,292)	(1,242)	(1,270)
Selling expenses	(2,153)	(2,580)	(2,752)
<b>Operating profit</b>	<b>11,244</b>	<b>14,241</b>	<b>15,955</b>
Operating EBITDA	15,156	18,744	21,284
<b>Depreciation and amortisation</b>	<b>(3,912)</b>	<b>(4,503)</b>	<b>(5,329)</b>
<b>Operating EBIT</b>	<b>11,244</b>	<b>14,241</b>	<b>15,955</b>
Interest income	1,247	1,414	1,552
Financial expense	(409)	(539)	(746)
Net other income	17	20	22
Income from associates & JVs	(1)	(1)	(1)
<b>Pre-tax profit</b>	<b>12,098</b>	<b>15,135</b>	<b>16,783</b>
Tax expense	(2,432)	(3,043)	(3,375)
Minority interest	(142)	(177)	(197)
<b>Net profit</b>	<b>9,524</b>	<b>11,915</b>	<b>13,212</b>
Adj. net profit to ordinary	9,524	11,915	13,212
Ordinary dividends	(7,656)	(7,656)	(7,656)
<b>Retained earnings</b>	<b>1,868</b>	<b>4,259</b>	<b>5,556</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	13,228	12,217	11,019
Short term investments	12,968	15,562	18,674
Accounts receivables	11,871	14,226	15,754
Inventories	1,985	2,365	2,619
Other current assets	726	731	737
<b>Total current assets</b>	<b>40,778</b>	<b>45,101</b>	<b>48,804</b>
Fixed assets	24,254	26,918	31,999
Total investments	517	495	474
Other long-term assets	3,421	3,421	3,421
<b>Total assets</b>	<b>68,970</b>	<b>75,935</b>	<b>84,698</b>
Short-term debt	1,602	1,757	1,911
Accounts payable	2,644	3,168	3,508
Other current liabilities	6,628	7,247	7,897
<b>Total current liabilities</b>	<b>10,874</b>	<b>12,172</b>	<b>13,316</b>
Total long-term debt	4,069	5,364	7,415
Other liabilities	2,495	2,869	3,300
Share capital	19,140	19,140	19,140
Retained earnings reserve	10,775	13,161	16,514
<b>Shareholders' equity</b>	<b>50,610</b>	<b>54,784</b>	<b>60,119</b>
Minority interest	922	745	549
<b>Total liabilities &amp; equity</b>	<b>68,970</b>	<b>75,935</b>	<b>84,698</b>

**Cash flow statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>12,098</b>	<b>15,135</b>	<b>16,783</b>
Depreciation & amortisation	3,912	4,503	5,329
Tax paid	(2,432)	(3,043)	(3,375)
Other adjustments	6,640	(4,758)	(5,395)
<b>Change in working capital</b>	<b>(835)</b>	<b>(1,442)</b>	<b>(645)</b>
<b>Cash flow from operations</b>	<b>19,382</b>	<b>10,395</b>	<b>12,698</b>
Capex	(8,392)	(7,166)	(10,410)
Proceeds from assets sales	16	16	15
Others	1,951	1,951	1,951
Other non-current assets changes			
<b>Cash flow from investing activities</b>	<b>(6,425)</b>	<b>(5,200)</b>	<b>(8,444)</b>
New share issuance			
Shares buyback			
Net borrowings	2,690	1,450	2,204
Other financing cash flow	0	0	0
Dividends paid	(7,656)	(7,656)	(7,656)
<b>Cash flow from financing activities</b>	<b>(4,966)</b>	<b>(6,206)</b>	<b>(5,452)</b>
Cash and equivalents at beginning of period	5,237	13,228	12,217
<b>Total cash generated</b>	<b>7,991</b>	<b>(1,011)</b>	<b>(1,198)</b>
Cash and equivalents at the end of period	13,228	12,217	11,019

**Key ratios**

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	11.9%	12.5%	12.5%
Asset turnover	1.21	1.32	1.32
ROAA	14.4%	16.4%	16.5%
Avg assets/avg equity	1.33	1.37	1.40
ROAE	19.2%	22.6%	23.0%
<b>Efficiency</b>			
Days account receivable	54.3	54.3	54.3
Days inventory	11.1	11.1	11.1
Days creditor	14.8	14.9	14.9
Fixed asset turnover	3.62	3.74	3.59
ROIC	16.6%	19.0%	18.9%
<b>Liquidity</b>			
Current ratio	3.8	3.7	3.7
Quick ratio	3.6	3.5	3.5
Cash ratio	2.4	2.3	2.2
Cash cycle	50.6	50.6	50.6
<b>Growth rate (yoy)</b>			
Revenue growth	24.3%	19.8%	10.7%
Operating profit growth	29.3%	26.7%	12.0%
Net profit growth	21.2%	25.1%	10.9%
EPS growth	21.2%	25.1%	10.9%

Source: VND RESEARCH

## GEMADEPT CORP (GMD)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND49,450	VND56,000	2.39%	Add	INDUSTRIALS

26 November 2021

Outlook – Short term: **Positive**  
Outlook – Long term: **Positive**  
Valuation: **Positive**

Consensus\*: Add:5 Hold:6 Reduce:0

Target price / Consensus: -0.3%

### Key changes in the report

➤ N/A

### Price performance



### Key statistics

52w high (VND)	55,100
52w low (VND)	27,700
3m Avg daily value (VNDmn)	180,907
Market cap (VND bn)	14,903
Free float (%)	85
TTM P/E (x)	40.5
Current P/B (x)	2.55

### Ownership

Vietnam Investment Fund II, Limited	14.4%
SSJ Consulting Co., LTD	10.0%
KIM Vietnam Growth Equity Fund	5.2%
Others	70.4%

Source: VND RESEARCH

### Analyst(s):



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## Ripe for the picking

- Vietnam's container volume is expected to rise at a CAGR of 8.0% in FY21-30F thanks to sustainable growth of trading activities and various FTAs.
- We expect GMD's revenue to increase 12.3%/5.5% yoy while net profit may surge 68.3%/24.3% yoy over FY22/23F.
- GMD is our stock pick for logistics sector.

### Vietnam seaports are riding on the surge of global trade

In 11M21, total container volume throughput via Vietnam's seaports increased 8.0% yoy thanks to Vietnam's strong import-export value growth (+22.3% yoy). Cai Mep – Thi Vai port cluster achieved the most impressive container volume growth of 15.0% yoy thanks to the attraction of cargo from Gemalink which came onstream since Jan-21. In the coming periods, we expect trade activities between Vietnam and countries around the world to continue improving, especially trade activities between Vietnam and Europe thanks to the EVFTA which took effect since Aug 2020. According to the master plan of Vietnam's seaport industry, the Ministry of Transportation (MOT) expected Vietnam's total container volume throughput to reach 47m TEUs in FY30F, implying a CAGR of 8.0% in FY21-30F.

### Robust earnings growth over FY22-23F thanks to Gemalink

Gemalink phase 1 is coming onstream in Jan-21 and might operate at 80-119% designed capacity in FY21-23F, which will be the main contributor to GMD's growth in the coming years. Along with high volume growth of GMD's ports in Hai Phong port cluster, we expect GMD's revenue to increase 16.6%/12.3%/5.5% while net profit may surge 61.3%/68.3%/24.3% yoy in FY21/22/23F.

### Capacity expansion plan for the longer run

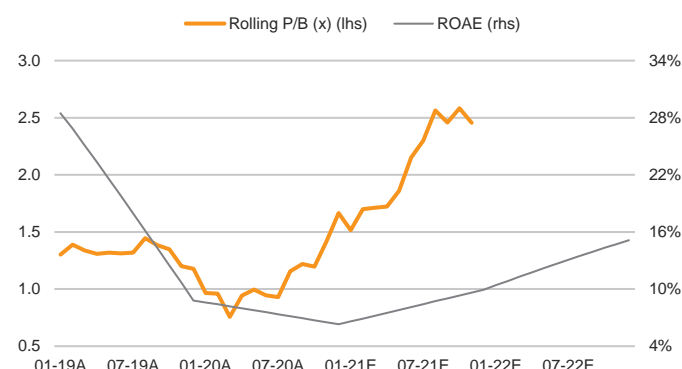
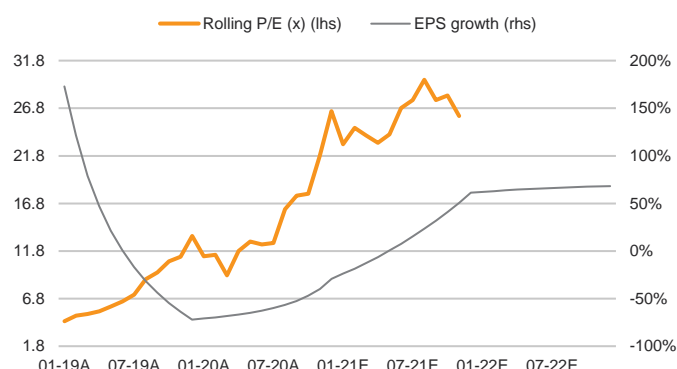
GMD's most notable project in the coming periods is Gemalink phase 2, which will start construction in 4Q21F and come onstream in 2023F, adding 900,000 TEUs to Gemalink's designed capacity (raising it to 2,400,000 TEUs/year). We expect Gemalink 1 & 2 to operate at maximum capacity of 110% in 2025F, contributing VND734bn NP in FY25F, accounting for 51.5% of GMD's FY25F NP. Besides, Nam Dinh Vu phase 2 would also launch in 2023F, which will enhance its capacity by 30.3% to 2,150,000 TEUs p.a in Hai Phong port cluster.

### Recommend Add with target price of VND56,000

We recommend Add on GMD with SOTP-based TP of VND56,000. Upside risks includes (1) higher-than-expected volume and fee, (2) assets divestments at higher-than-expected prices, and (3) seaport fee increase proposal is approved by the government. Downside risks are uncertainties from the pandemic or geopolitical concerns hindering the growth of global trade, including Vietnam.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	2,606	3,039	3,412	3,600
Revenue growth	(1.4%)	16.6%	12.3%	5.5%
Gross margin	36.4%	36.8%	36.2%	35.4%
EBITDA margin	41.4%	44.4%	53.8%	58.0%
Net profit (bn)	371	598	1,006	1,252
Net profit growth	(28.3%)	61.3%	68.3%	24.4%
Recurring profit growth	(28.3%)	61.3%	68.3%	24.4%
Basic EPS	1,231	1,985	3,340	4,153
Adjusted EPS	1,231	1,985	3,340	4,153
BVPS	19,582	20,384	23,724	27,877
ROAE	6.3%	9.9%	15.1%	16.1%

Source: VND RESEARCH

**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	3,039	3,412	3,600
Cost of sales	(1,921)	(2,177)	(2,326)
Gen & admin expenses	(334)	(369)	(386)
Selling expenses	(160)	(180)	(190)
<b>Operating profit</b>	<b>624</b>	<b>687</b>	<b>698</b>
Operating EBITDA	1,006	1,107	1,119
<b>Depreciation and amortisation</b>	<b>(382)</b>	<b>(421)</b>	<b>(421)</b>
<b>Operating EBIT</b>	<b>624</b>	<b>687</b>	<b>698</b>
Interest income	14	16	21
Financial expense	(156)	(177)	(180)
Net other income	16	16	16
Income from associates & JVs	299	681	918
<b>Pre-tax profit</b>	<b>797</b>	<b>1,222</b>	<b>1,473</b>
Tax expense	(101)	(110)	(113)
Minority interest	(97)	(106)	(109)
<b>Net profit</b>	<b>598</b>	<b>1,006</b>	<b>1,252</b>
Adj. net profit to ordinary	598	1,006	1,252
Ordinary dividends	(356)	0	0
<b>Retained earnings</b>	<b>242</b>	<b>1,006</b>	<b>1,252</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	273	517	556
Short term investments	23	23	23
Accounts receivables	905	1,016	1,072
Inventories	92	105	112
Other current assets	109	123	132
<b>Total current assets</b>	<b>1,403</b>	<b>1,784</b>	<b>1,895</b>
Fixed assets	3,145	3,826	3,505
Total investments	2,749	3,341	4,133
Other long-term assets	3,045	3,070	3,600
<b>Total assets</b>	<b>10,342</b>	<b>12,021</b>	<b>13,134</b>
Short-term debt	858	921	887
Accounts payable	415	470	503
Other current liabilities	724	821	877
<b>Total current liabilities</b>	<b>1,998</b>	<b>2,212</b>	<b>2,266</b>
Total long-term debt	1,053	1,406	1,103
Other liabilities	357	357	357
Share capital	3,014	3,014	3,014
Retained earnings reserve	629	1,555	2,707
<b>Shareholders' equity</b>	<b>6,143</b>	<b>7,150</b>	<b>8,402</b>
Minority interest	791	897	1,006
<b>Total liabilities &amp; equity</b>	<b>10,342</b>	<b>12,021</b>	<b>13,134</b>

**Cash flow statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>797</b>	<b>1,222</b>	<b>1,473</b>
Depreciation & amortisation	382	421	421
Tax paid	(101)	(110)	(113)
Other adjustments	(328)	(712)	(954)
<b>Change in working capital</b>	<b>(168)</b>	<b>(12)</b>	<b>(513)</b>
<b>Cash flow from operations</b>	<b>582</b>	<b>809</b>	<b>314</b>
Capex	(501)	(1,102)	(100)
Proceeds from assets sales	0	0	0
Others	110	121	162
Other non-current assets changes	0	0	0
<b>Cash flow from investing activities</b>	<b>(391)</b>	<b>(981)</b>	<b>62</b>
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	10	416	(336)
Other financing cash flow	0	0	0
Dividends paid	(356)	0	0
<b>Cash flow from financing activities</b>	<b>(346)</b>	<b>416</b>	<b>(336)</b>
Cash and equivalents at beginning of period	428	273	517
<b>Total cash generated</b>	<b>(155)</b>	<b>244</b>	<b>40</b>
Cash and equivalents at the end of period	273	517	556

**Key ratios**

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	19.7%	29.5%	34.8%
Asset turnover	0.30	0.31	0.29
ROAA	5.9%	9.0%	10.0%
Avg assets/avg equity	1.68	1.68	1.62
ROAE	9.9%	15.1%	16.1%
<b>Efficiency</b>			
Days account receivable	50.7	50.7	50.7
Days inventory	17.6	17.6	17.6
Days creditor	78.9	78.9	78.9
Fixed asset turnover	0.98	0.98	0.98
ROIC	6.8%	9.7%	11.0%
<b>Liquidity</b>			
Current ratio	0.7	0.8	0.8
Quick ratio	0.7	0.8	0.8
Cash ratio	0.1	0.2	0.3
Cash cycle	(10.7)	(10.7)	(10.7)
<b>Growth rate (yoy)</b>			
Revenue growth	16.6%	12.3%	5.5%
Operating profit growth	32.5%	10.1%	1.7%
Net profit growth	61.3%	68.3%	24.4%
EPS growth	61.3%	68.3%	24.4%

Source: VND RESEARCH

## HOA PHAT GROUP JSC (HPG)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND49,050	VND68,500	1.02%	Add	STEEL

26 November 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Positive**

Consensus\*: Add:13 Hold:2 Reduce:0

Target price / Consensus: 4.1%

### Key changes in the report

➤ N/A

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	58,000
52w low (VND)	25,953
3m Avg daily value (VNDmn)	1,427,625
Market cap (VND bn)	216,489
Free float (%)	29
TTM P/E (x)	6.9
Current P/B (x)	3.0

### Ownership

Tran Dinh Long	26.1%
Vu Thi Hien	7.3%
Others	66.6%

Source: VND RESEARCH

### Analyst(s):



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## Awaiting the Dung Quat Steel Complex 2

- We expect steel sales volume to grow at 2-digit number over 2022-23 following the accelerating infrastructure development.
- We are confident about HPG's long-term outlook thanks to the upcoming Dung Quat Steel complex 2.
- Recommend Add with TP of VND68,500.

### Well-positioned to benefit from increasing steel demand

In FY22-23F, we expect HPG construction steel sales volume to grow at a 12.4% CAGR on the back of: (1) acceleration of infrastructure development in FY22-23F, thanks to state investment expansion; (2) our view that the residential property market will heat up from FY22F due to low mortgage rates and higher new supply; and (3) as the largest steel producer in Vietnam, HPG should be well-positioned to meet the resulting demand for construction steel.

### We expect weaker steel prices for FY22F

According to Fitch Solutions, the global steel prices will ease from current levels to average US\$750/tonne in 2022 and US\$535/tonne over 2023-2025 due to Chinese domestic steel demand being expected to slow overall in the coming decade as the country shifts its economy away from heavy industry and towards the service sector resume. We expect FY22-23F domestic construction steel price will decrease to VND14,000 -VND13,300/kg, down 8%-5% yoy. Thus, we forecast HPG's gross margin will decline to 25.9%-26.2% in FY22-23F, respectively, from a high level of 28.2% in FY21F.

### We are confident about HPG's longer term outlook

FY22F earnings will likely dip 11.3% yoy in FY22F after a robust FY21F, and then pick up 2.0% yoy in FY23F. In addition, the Dung Quat Steel Complex 2 (DQSC 2, total capacity of 5.6m tonnes) will be built since early next year and inaugurated within 36 months. HPG aims to increase its crude steel production capacity by 66% from now to 14.6m tonnes per annum since 2024F onwards. Thus, we expect earnings will be back to 2-digit growth since FY24F driven by new contribution from DQSC 2 to the company's business results and increasing construction steel demand.

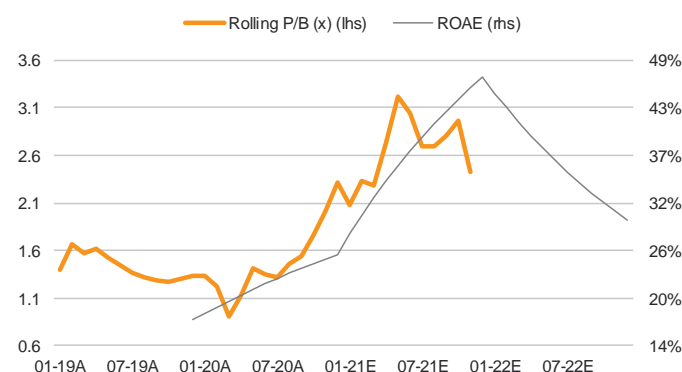
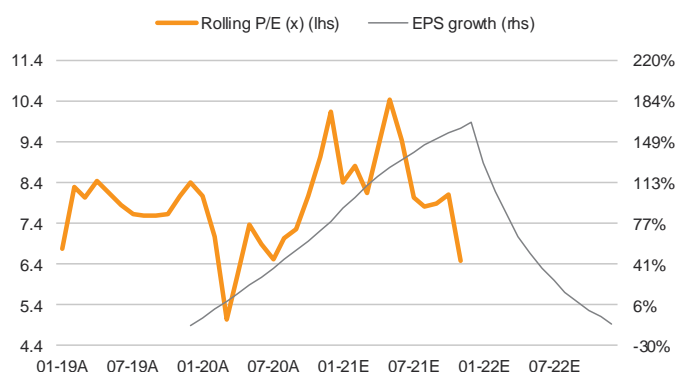
### We recommend ADD with TP of VND68,500

Our valuation is based on an equal weighting of 1) a target P/E of 10.0x on FY22F EPS, and 2) a DCF valuation over a 10-year projection period. HPG now trades at 6.9x P/E TTM vs. TOP20 global largest-market capitalisation steel companies' 7.9x average P/E TTM. We believe that HPG deserves to trade at higher level than its peers given its superior profitability. Downside risk includes slower-than-expected steel demand growth.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	90,119	152,028	150,450	149,841
Revenue growth	41.6%	68.7%	(1.0%)	(0.4%)
Gross margin	21.0%	28.2%	25.9%	26.3%
EBITDA margin	24.4%	31.3%	29.6%	31.5%
Net profit (bn)	13,450	35,674	31,639	32,260
Net profit growth	78.7%	165.2%	(11.3%)	2.0%
Recurring profit growth	78.7%	165.2%	(11.3%)	2.0%
Basic EPS	3,007	7,975	7,073	7,212
Adjusted EPS	2,754	7,416	6,577	6,706
BVPS	13,206	20,775	27,337	34,046
ROAE	25.2%	46.9%	29.4%	23.5%

Source: VND RESEARCH



**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	152,028	150,450	149,841
Cost of sales	(109,123)	(111,435)	(110,373)
Gen & admin expenses	(1,824)	(1,805)	(1,798)
Selling expenses	(1,216)	(1,204)	(1,199)
<b>Operating profit</b>	<b>39,864</b>	<b>36,006</b>	<b>36,471</b>
Operating EBITDA	46,015	43,337	46,163
<b>Depreciation and amortisation</b>	<b>(6,150)</b>	<b>(7,331)</b>	<b>(9,692)</b>
<b>Operating EBIT</b>	<b>39,864</b>	<b>36,006</b>	<b>36,471</b>
Interest income	2,377	2,123	2,136
Financial expense	(4,146)	(4,139)	(4,014)
Net other income	760	752	899
Income from associates & JVs	2	2	2
<b>Pre-tax profit</b>	<b>38,858</b>	<b>34,744</b>	<b>35,494</b>
Tax expense	(3,125)	(3,041)	(3,163)
Minority interest	(59)	(65)	(71)
<b>Net profit</b>	<b>35,674</b>	<b>31,639</b>	<b>32,260</b>
Adj. net profit to ordinary	35,674	31,639	32,260
Ordinary dividends	(2,236)	(2,236)	(2,236)
<b>Retained earnings</b>	<b>33,437</b>	<b>29,402</b>	<b>30,024</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	13,682	15,045	14,235
Short term investments	21,943	21,943	21,943
Accounts receivables	10,829	11,129	10,647
Inventories	46,340	46,711	44,626
Other current assets	3,801	3,761	3,746
<b>Total current assets</b>	<b>96,595</b>	<b>98,589</b>	<b>95,197</b>
Fixed assets	81,173	102,125	120,716
Total investments	171	171	171
Other long-term assets	3,745	3,706	3,691
<b>Total assets</b>	<b>181,684</b>	<b>204,592</b>	<b>219,775</b>
Short-term debt	42,325	30,743	13,286
Accounts payable	22,422	22,898	19,517
Other current liabilities	4,561	4,514	5,572
<b>Total current liabilities</b>	<b>69,308</b>	<b>58,154</b>	<b>38,375</b>
Total long-term debt	17,725	22,382	27,276
Other liabilities	1,520	1,504	1,498
Share capital	44,729	44,729	44,729
Retained earnings reserve	43,633	73,036	103,059
<b>Shareholders' equity</b>	<b>92,923</b>	<b>122,278</b>	<b>152,284</b>
Minority interest	207	272	343
<b>Total liabilities &amp; equity</b>	<b>181,684</b>	<b>204,592</b>	<b>219,775</b>

**Cash flow statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>38,858</b>	<b>34,744</b>	<b>35,494</b>
Depreciation & amortisation	6,169	7,350	9,711
Tax paid	(3,125)	(3,041)	(3,163)
Other adjustments	(463)	(503)	(524)
<b>Change in working capital</b>	<b>(14,226)</b>	<b>(1,566)</b>	<b>1,070</b>
<b>Cash flow from operations</b>	<b>27,214</b>	<b>36,983</b>	<b>42,589</b>
Capex	(15,000)	(28,333)	(28,333)
Proceeds from assets sales	0	0	0
Others	(13,816)	0	0
Other non-current assets changes	0	0	0
<b>Cash flow from investing activities</b>	<b>(28,816)</b>	<b>(28,333)</b>	<b>(28,333)</b>
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	3,825	(5,051)	(12,829)
Other financing cash flow			
Dividends paid	(2,236)	(2,236)	(2,236)
<b>Cash flow from financing activities</b>	<b>1,589</b>	<b>(7,288)</b>	<b>(15,066)</b>
Cash and equivalents at beginning of period	13,696	13,682	15,045
<b>Total cash generated</b>	<b>(14)</b>	<b>1,362</b>	<b>(810)</b>
Cash and equivalents at the end of period	13,682	15,045	14,235

**Key ratios**

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	23.5%	21.0%	21.5%
Asset turnover	0.97	0.78	0.71
ROAA	22.8%	16.4%	15.2%
Avg assets/avg equity	2.06	1.79	1.55
ROAE	46.9%	29.4%	23.5%
<b>Efficiency</b>			
Days account receivable	26.0	27.0	25.9
Days inventory	155.0	153.0	147.6
Days creditor	75.0	75.0	64.5
Fixed asset turnover	1.98	1.64	1.34
ROIC	23.3%	18.0%	16.7%
<b>Liquidity</b>			
Current ratio	1.4	1.7	2.5
Quick ratio	0.7	0.9	1.3
Cash ratio	0.5	0.6	0.9
Cash cycle	106.0	105.0	109.0
<b>Growth rate (yoy)</b>			
Revenue growth	68.7%	(1.0%)	(0.4%)
Operating profit growth	132.8%	(9.7%)	1.3%
Net profit growth	165.2%	(11.3%)	2.0%
EPS growth	165.2%	(11.3%)	2.0%

Source: VND RESEARCH



## KINHBAC CITY DEVELOPEMENT SHARE HOLDING CORP (KBC)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND48,250	VND56,100	0	Hold	PROPERTY

26 November 2021

Outlook – Short term: **Positive**  
Outlook – Long term: **Positive**  
Valuation: **Neutral**

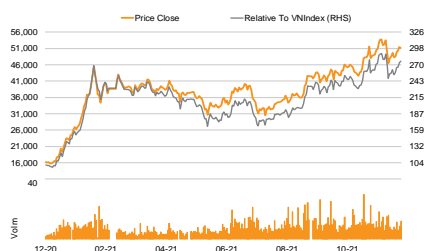
Consensus\*: Add:8 Hold:2 Reduce:1

Target price / Consensus: 1.4%

### Key changes in the report

➤ N/A

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	53,800
52w low (VND)	15,750
3m Avg daily value (VNDmn)	541,368
Market cap (VND bn)	29,286
Free float (%)	40
TTM P/E (x)	38.9
Current P/B (x)	2.2

### Ownership

Dang Thanh Tam	14.8%
Kinh Bac Consulting and	8.0%
Others	77.2%

Source: VND RESEARCH

### Analyst(s):



Tu Nguyen

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## Solid FY22-23F earnings outlook

- KBC hold leading position amongs Northern IP operator with sizeable ready-to-lease land bank of 807ha as of end-3Q21.
- We estimate FY22-23F earnings up 44.1% yoy/109.7% yoy driven by new IPs and accelerated handover at residential projects.
- Recommend Hold with an RNAV-based TP of VND56,100.

### Leading Northern IP operator with abundant land bank

We believe KBC is well positioned to capture the growing demand for industrial properties (IPs), triggered by a surge in FDI in Vietnam: 1) KBC has sizeable leaseable industrial land bank with 807ha as of 3Q21, of which Trang Due 3 IP (687ha) is expected to commence since FY23F, and 2) KBC holds the leading position in attracting FDI with several tech giants in its tenant portfolio, including Samsung Electronics Vietnam in Que Vo IP, LG Electronics in Trang Due IPs, Foxconn in Quang Chau IP and the upcoming OPPO in NSHL IP recently. In addition, LG Display Vietnam is coming into Hai Phong with potential c.100-150ha land lease area and total investment capital of US\$1.5bn. This could not only help attract many of their vendors/sub-contractors, but also increase and consolidate KBC's brand awareness worldwide.

### Residential property will be key driver for earnings growth since FY22F

We believe KBC's residential property business' profit booking period could be since FY22F. KBC is now completing legal procedures at Trang Cat urban area project (581ha) which has a potential GDV of VND55,829bn (based on our estimate) and plans for its first bulk sales of 50ha net saleable area in 2022F. Besides, KBC also plans to handover 6ha at Phuc Ninh urban area in 4Q21-FY22F, contributing VND1,300bn-1,400bn in revenue. We believe these projects should provide strong support for KBC's long-term earnings growth.

### Solid FY22-23F earnings backed by new IPs and accelerated handover at residential projects

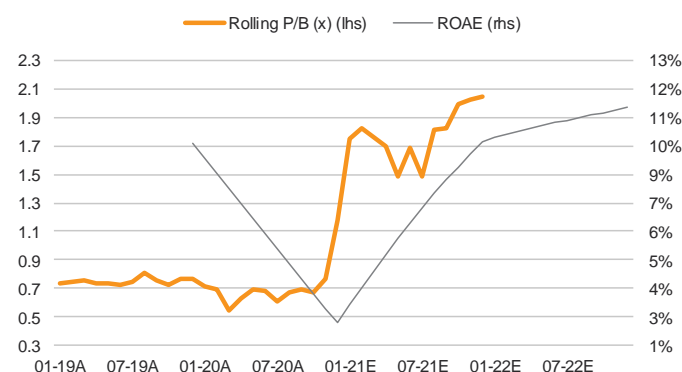
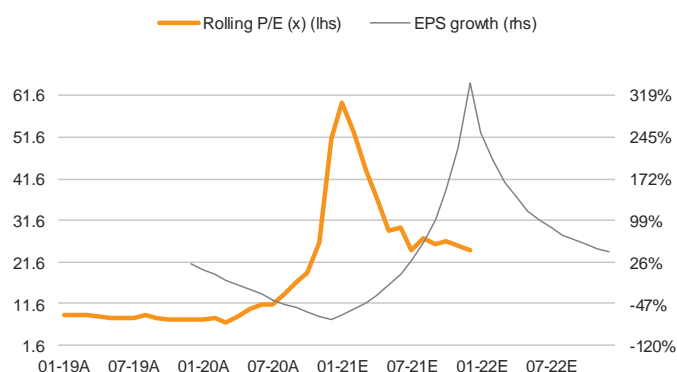
We estimate NP to grow 44.1% yoy to VND1,723bn in FY22F driven by the accelerated handovers at Phuc Ninh urban area and Nam Son Hap Linh IP projects. We forecast FY23F NP to surge 109.7% yoy to VND3,612bn backed by bulk sales at Trang Cat urban area and Trang Due 3 IP.

### Recommend Hold with an RNAV-based TP of VND56,100

Potential re-rating risks could come from faster IP or residential land sales and whether KBC can clear legal hurdles to start its new IPs. Key downside risks to our call: 1) worse-than-expected IP land sales, 2) regulatory delays in Trang Cat project and Trang Due 3 IP and 3) delays in booking revenue from residential projects.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	2,151	4,909	6,671	10,668
Revenue growth	(33.0%)	128.2%	35.9%	59.9%
Gross margin	32.0%	56.7%	53.9%	63.2%
EBITDA margin	26.0%	46.6%	35.9%	53.0%
Net profit (bn)	224	1,196	1,723	3,612
Net profit growth	(75.6%)	434.1%	44.1%	109.7%
Recurring profit growth	(75.6%)	434.1%	44.1%	109.7%
Basic EPS	477	2,098	3,024	6,340
Adjusted EPS	477	2,098	3,024	6,340
BVPS	20,650	25,003	28,027	34,367
ROAE	2.3%	10.0%	11.4%	20.3%

Source: VND RESEARCH

**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	4,909	6,671	10,668
Cost of sales	(2,128)	(3,078)	(3,930)
Gen & admin expenses	(319)	(293)	(302)
Selling expenses	(211)	(300)	(820)
<b>Operating profit</b>	<b>2,251</b>	<b>3,001</b>	<b>5,615</b>
Operating EBITDA	2,190	2,944	5,557
<b>Depreciation and amortisation</b>	<b>61</b>	<b>57</b>	<b>59</b>
<b>Operating EBIT</b>	<b>2,251</b>	<b>3,001</b>	<b>5,615</b>
Interest income	150	150	150
Financial expense	(574)	(711)	(793)
Net other income	(13)	(16)	(14)
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>1,814</b>	<b>2,423</b>	<b>4,958</b>
Tax expense	(435)	(582)	(1,190)
Minority interest	(183)	(119)	(156)
<b>Net profit</b>	<b>1,196</b>	<b>1,723</b>	<b>3,612</b>
Adj. net profit to ordinary	1,196	1,723	3,612
Ordinary dividends	0	0	0
<b>Retained earnings</b>	<b>1,196</b>	<b>1,723</b>	<b>3,612</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	4,348	2,712	4,771
Short term investments	1,939	1,939	1,939
Accounts receivables	10,001	11,337	12,695
Inventories	12,276	15,504	16,469
Other current assets	254	267	280
<b>Total current assets</b>	<b>28,817</b>	<b>31,759</b>	<b>36,154</b>
Fixed assets	1,129	1,161	1,195
Total investments	821	781	754
Other long-term assets	1,069	1,053	1,037
<b>Total assets</b>	<b>31,836</b>	<b>34,755</b>	<b>39,141</b>
Short-term debt	1,652	1,652	1,652
Accounts payable	226	327	418
Other current liabilities	5,416	6,413	8,153
<b>Total current liabilities</b>	<b>7,294</b>	<b>8,392</b>	<b>10,223</b>
Total long-term debt	6,057	6,006	4,805
Other liabilities	1,929	1,959	1,946
Share capital	5,698	5,698	5,698
Retained earnings reserve	5,512	7,235	10,847
<b>Shareholders' equity</b>	<b>14,246</b>	<b>15,969</b>	<b>19,581</b>
Minority interest	2,311	2,429	2,585
<b>Total liabilities &amp; equity</b>	<b>31,836</b>	<b>34,755</b>	<b>39,141</b>

**Cash flow statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>1,814</b>	<b>2,423</b>	<b>4,958</b>
Depreciation & amortisation	61	57	59
Tax paid	(458)	(552)	(1,202)
Other adjustments	(149)	(150)	(150)
<b>Change in working capital</b>	<b>(2,230)</b>	<b>(3,480)</b>	<b>(504)</b>
<b>Cash flow from operations</b>	<b>(961)</b>	<b>(1,702)</b>	<b>3,161</b>
Capex	91	(73)	(77)
Proceeds from assets sales	0	0	0
Others	(2,361)	190	177
Other non-current assets changes	0	0	0
<b>Cash flow from investing activities</b>	<b>(2,269)</b>	<b>117</b>	<b>99</b>
New share issuance	4,585	0	0
Shares buyback	0	0	0
Net borrowings	1,944	0	0
Other financing cash flow	0	(51)	(1,201)
Dividends paid	0	0	0
<b>Cash flow from financing activities</b>	<b>6,529</b>	<b>(51)</b>	<b>(1,201)</b>
Cash and equivalents at beginning of period	1,050	4,348	2,712
<b>Total cash generated</b>	<b>3,298</b>	<b>(1,636)</b>	<b>2,059</b>
Cash and equivalents at the end of period	4,348	2,712	4,771

**Key ratios**

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	24.4%	25.8%	33.9%
Asset turnover	0.18	0.20	0.29
ROAA	4.3%	5.2%	9.8%
Avg assets/avg equity	2.32	2.20	2.08
ROAE	10.0%	11.4%	20.3%
<b>Efficiency</b>			
Days account receivable	110.9	81.4	51.0
Days inventory	2,106.0	1,838.4	1,529.4
Days creditor	38.8	38.8	38.8
Fixed asset turnover	4.36	5.83	9.05
ROIC	4.9%	6.6%	12.6%
<b>Liquidity</b>			
Current ratio	4.0	3.8	3.5
Quick ratio	2.3	1.9	1.9
Cash ratio	0.9	0.6	0.7
Cash cycle	2,178.1	1,881.0	1,541.7
<b>Growth rate (yoy)</b>			
Revenue growth	128.2%	35.9%	59.9%
Operating profit growth	515.0%	33.3%	87.1%
Net profit growth	434.1%	44.1%	109.7%
EPS growth	340.4%	44.1%	109.7%

Source: VND RESEARCH

## KIDO GROUP CORP (KDC)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND62,000	VND69,800	2.62%	Add	CONSUMER GOODS

26 November 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Positive**

Consensus\*: Add:3 Hold:0 Reduce:1

Target price / Consensus: 7.4%

### Key changes in the report

➤ No change

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	61,780
52w low (VND)	33,120
3m Avg daily value (VNDmn)	113,503
Market cap (VNDbn)	13,222
Free float (%)	50
TTM P/E (x)	27.8
Current P/B (x)	2.3

### Ownership

Tran Le Nguyen	11.1%
PPK One Member Co.,Ltd	7.5%
KIDO Investment Co.,Ltd	8.2%
Others	73.2%

Source: VND RESEARCH

### Analyst(s):



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## Coming back to confectionary business

- KDC launched the new brand “KIDO’s Bakery” and a F&B chain stores - Chuk Chuk – in 3Q21, marking its official comeback in confectionery.
- Net profit is expected to enjoy a CAGR of 17.5% in FY22-23F.
- We recommend ADD with TP of VND69,800.

### Primed for a comeback in confectionary and F&B retail space

On 19 Oct, KDC officially launched “KIDO's Bakery” brand which provide bakery products in its network of 450,000 points of sale. Additionally, KDC set up its own coffee and milk tea brand Chuk Chuk chain stores with the goal of opening 200/1000 stores in FY23/25F. We believe Chuk Chuk will help KDC complete its distribution chain under the B2C model to find growth drivers for the group in the coming period. Meanwhile, KIDO's Bakery will be the new growth engine for KDC as this has been KDC's traditional strength since its establishment. In FY22-23F, we expect KIDO's bakery will contribute 2.3%/2.6% to KDC's revenue and 4.0%/4.4% to KDC's gross profit.

### Edible oil: input material price pressure likely to ease in 2022-23F

We believe raw material output will gradually recover since 2022F after being hurt by Covid-19 in 2021, thereby reducing reduce material price pressure and supporting KDC's GPM in FY22-23F. Moreover, the company also has solutions to limit the impact of rising raw material prices by 1) returning and increasing the proportion of confectionery products, with a higher GPM than edible oil, and 2) changing product structure to promote premium products with higher selling prices. Thus, we expect KDC's GPM will improve 1.0%/0.8% pts in FY22-23F.

### We expect a CAGR for net profit at 17.5% in FY22-23F

We project net revenue to climb 17.0%/12.1% yoy in FY22/23F, driven by 1) 26.0%/15.9% yoy increase in food products and 2) 15.0%/11.2% yoy rise in edible oil. In addition, we expect KDC's gross margin will improve by 1.0%/0.8% pts in FY22-23F after dropping 1.4% pts in FY21F. As a result, net profit is projected to surge 0.5%/34.5% yoy in FY22/23F.

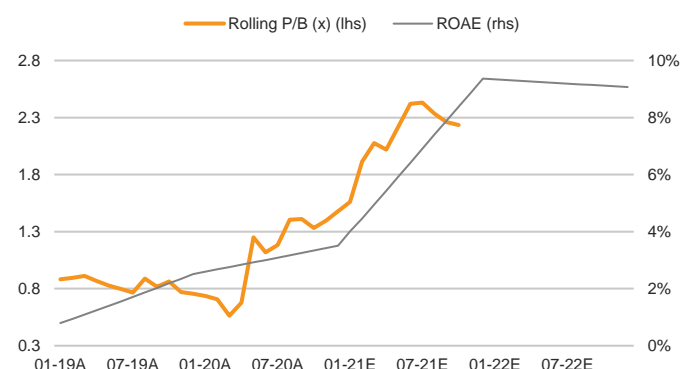
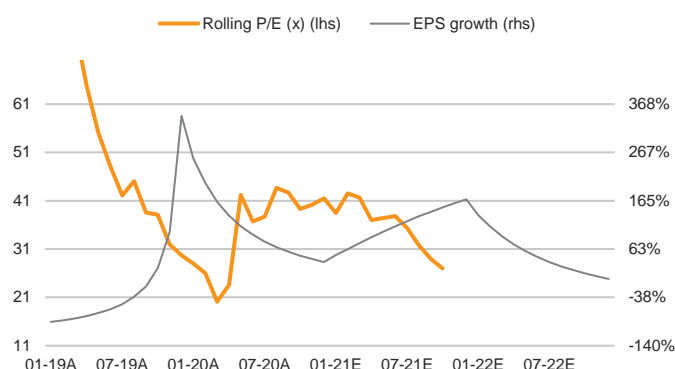
### KDC is our stock pick for F&B sector with TP of VND69,800

We like KDC for 1) its leading position in the edible oil and ice cream market, 2) the comeback to confectionary business will be the new growth engine for the company and 3) KDC's earning will enjoy a CAGR 17.5% over FY22-23F. Upside risks include 1) faster-than-expected M&As process, 2) successful joint venture with Vinamilk, KDC's bakery and Chuk Chuk chain store. Downside risks are 1) slower-than-expected M&A process, 2) lower-than-expected growth in KDC's business and 3) higher-than-expected COGS and SG&A expenses.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	8,322	9,751	11,405	12,786
Revenue growth	15.4%	17.2%	17.0%	12.1%
Gross margin	21.2%	19.8%	20.8%	21.6%
EBITDA margin	9.9%	10.7%	10.5%	11.5%
Net profit (bn)	204	547	550	740
Net profit growth	36.0%	168.1%	0.5%	34.5%
Recurring profit growth				
Basic EPS	892	2,391	2,404	3,235
Adjusted EPS	892	2,391	2,404	3,235
BVPS	25,027	26,033	26,968	28,778
ROAE	3.5%	9.4%	9.1%	11.6%

Source: VND RESEARCH;.....

## Valuation



### Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	9,751	11,405	12,786
Cost of sales	(7,821)	(9,034)	(10,026)
Gen & admin expenses	(1,157)	(1,283)	(1,372)
Selling expenses	(260)	(428)	(457)
<b>Operating profit</b>	<b>513</b>	<b>660</b>	<b>931</b>
Operating EBITDA	778	925	1,196
<b>Depreciation and amortisation</b>	<b>(265)</b>	<b>(265)</b>	<b>(265)</b>
<b>Operating EBIT</b>	<b>513</b>	<b>660</b>	<b>931</b>
Interest income	89	89	89
Financial expense	(118)	(204)	(225)
Net other income	7	7	7
Income from associates & JVs	172	172	172
<b>Pre-tax profit</b>	<b>663</b>	<b>724</b>	<b>974</b>
Tax expense	(68)	(145)	(195)
Minority interest	(48)	(29)	(39)
<b>Net profit</b>	<b>547</b>	<b>550</b>	<b>740</b>
Adj. net profit to ordinary	547	550	740
Ordinary dividends	(366)	(366)	(366)
<b>Retained earnings</b>	<b>181</b>	<b>184</b>	<b>374</b>

### Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	1,758	3,081	3,887
Short term investments	687	687	687
Accounts receivables	2,082	1,595	1,800
Inventories	1,447	1,671	1,855
Other current assets	215	251	281
<b>Total current assets</b>	<b>6,189</b>	<b>7,285</b>	<b>8,510</b>
Fixed assets	2,495	2,313	2,131
Total investments	4,727	4,727	4,727
Other long-term assets	394	407	417
<b>Total assets</b>	<b>13,805</b>	<b>14,732</b>	<b>15,785</b>
Short-term debt	2,487	2,908	3,261
Accounts payable	644	753	844
Other current liabilities	859	1,010	1,163
<b>Total current liabilities</b>	<b>3,990</b>	<b>4,671</b>	<b>5,268</b>
Total long-term debt	1,000	1,000	1,000
Other liabilities	837	840	843
Share capital	2,797	2,798	2,799
Retained earnings reserve	1,072	1,285	1,698
<b>Shareholders' equity</b>	<b>5,955</b>	<b>6,169</b>	<b>6,583</b>
Minority interest	2,023	2,052	2,091
<b>Total liabilities &amp; equity</b>	<b>13,805</b>	<b>14,732</b>	<b>15,785</b>

### Cash flow statement

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>663</b>	<b>724</b>	<b>974</b>
Depreciation & amortisation	265	265	265
Tax paid	(68)	(145)	(195)
Other adjustments	269	385	(314)
<b>Change in working capital</b>	<b>(231)</b>	<b>(124)</b>	<b>(74)</b>
<b>Cash flow from operations</b>	<b>898</b>	<b>1,105</b>	<b>656</b>
Capex	0	0	0
Proceeds from assets sales	1	2	3
Others	(973)	0	0
Other non-current assets changes	158	158	158
<b>Cash flow from investing activities</b>	<b>(814)</b>	<b>160</b>	<b>161</b>
New share issuance	0	0	0
Shares buyback	1	2	3
Net borrowings	938	422	352
Other financing cash flow	0	0	0
Dividends paid	(366)	(366)	(366)
<b>Cash flow from financing activities</b>	<b>573</b>	<b>58</b>	<b>(11)</b>
Cash and equivalents at beginning of period	1,101	1,758	3,081
<b>Total cash generated</b>	<b>657</b>	<b>1,323</b>	<b>806</b>
Cash and equivalents at the end of period	1,758	3,081	3,887

### Key ratios

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	5.6%	4.8%	5.8%
Asset turnover	0.74	0.80	0.84
ROAA	4.2%	3.9%	4.8%
Avg assets/avg equity	2.24	2.35	2.39
ROAE	9.4%	9.1%	11.6%
<b>Efficiency</b>			
Days account receivable	27.4	27.4	27.4
Days inventory	67.5	67.5	67.5
Days creditor	30.1	30.4	30.7
Fixed asset turnover	3.73	4.74	5.75
ROIC	4.8%	4.5%	5.7%
<b>Liquidity</b>			
Current ratio	1.6	1.6	1.6
Quick ratio	1.2	1.2	1.3
Cash ratio	0.6	0.8	0.9
Cash cycle	64.8	64.5	64.2
<b>Growth rate (yoy)</b>			
Revenue growth	17.2%	17.0%	12.1%
Operating profit growth	68.2%	28.7%	41.1%
Net profit growth	168.1%	0.5%	34.5%
EPS growth	168.1%	0.5%	34.5%

Source: VND RESEARCH



## KHANG DIEN HOUSE TRADING & INVESTMENT JSC (KDH)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND46,350	VND54,800	1.15%	Add	PROPERTY

26 November 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Positive**

Consensus\*: Add:7 Hold:3 Reduce:1

Target price / Consensus: 25.1%

### Key changes in the report

➤ N/A

### Price performance



### Key statistics

52w high (VND)	50,400
52w low (VND)	24,137
3m Avg daily value (VNDmn)	125,074
Market cap (VND bn)	29,800
Free float (%)	37
TTM P/E (x)	25.1
Current P/B (x)	3.0

### Ownership

Tien Loc Investment Limited	11.1%
Gam Ma Investment Company	9.1%
A Au Investment Trading Company	8.2%
Others	71.6%

Source: VND RESEARCH

### Analyst(s):



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## Stay tuned for a strong rebound in FY22F

- We estimate FY22-23F presales value up 188.2% yoy/31.5% yoy on the back of four new project launches in HCMC's sought-after locations.
- We estimate FY22-23F earnings up 45.6% yoy/38.9% yoy, mostly from new low-rise project launches.
- KDH is our stock pick for residential property sector.

### Riding on HCMC residential property market

We like KDH for its scale, financial capacity, huge land bank in HCMC's sought-after locations (578ha for residential and 110ha for industrial park as of end-3Q21) as well as legally transparent. These factors position KDH well to capture HCMC residential property market recovery since FY22F and stable earnings prospects, in our view.

### Presales value likely to bottom out since FY21F

We forecast FY21F presales value down 3.3% yoy to VND2,359bn due to strict movement control in the South during Jun-Sep and expect KDH to resume the sales and marketing activities since Oct. We project KDH's presales value to strongly bounce back in FY22-23F (+188.2% yoy/+31.5% yoy) with four new residential project and one industrial park (IP) project launches in HCMC, namely Clarita (5.7ha), Cassia (4.3ha) in Thu Duc City, 158 An Duong Vuong (1.8ha) and Corona (17.5ha) and Le Minh Xuan IP (110ha), which has a potential GDV of VND30,853bn (based on our estimates).

### Solid FY22-23F earnings backed by new low-rise project launches

We estimate NP to grow 45.6% yoy to VND1,707bn in FY22F and 38.9% yoy to VND2,372bn in FY23F, mostly from Cassia, Clarita and Le Minh Xuan IP projects. We project GPM to improve 15.3% pts yoy to 59.6% in FY22F and 63.7% in FY23F, thanks to the contribution of higher margin from low-rise units. In the period after 2023F, we believe that mega projects namely Tan Tao (330ha) in Binh Tan district and Green Village in Binh Chanh district (133ha) will be blockbusters and key growth drivers for KDH.

### We recommend Add with an RNAV-based TP of VND54,800

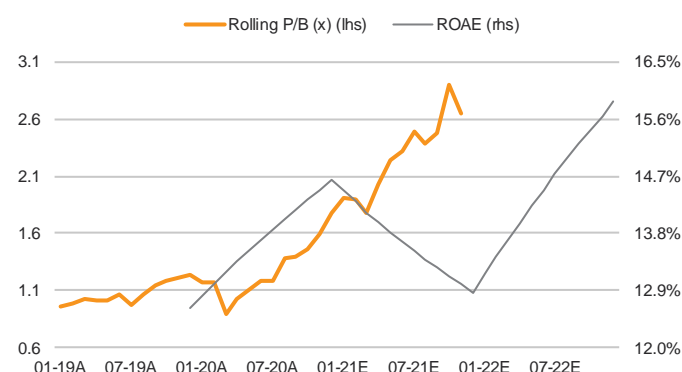
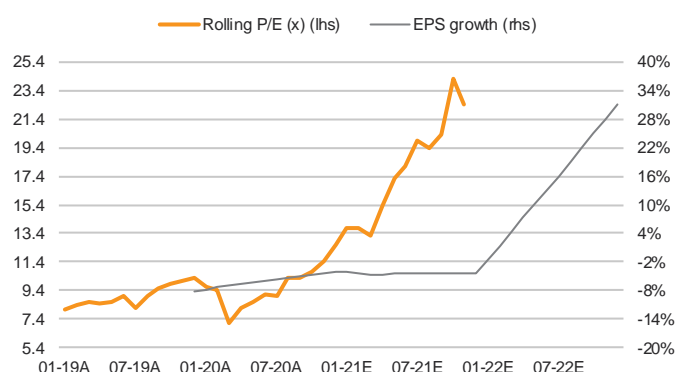
Potential upside catalysts in the short term could come from higher-than-expected average selling price for Cassia, Clarita, 11A, 158 An Duong Vuong projects; our mid- to long-term investment thesis is dependent on whether KDH can clear legal hurdles to start its Tan Tao project. Downside risks are 1) delays in obtaining permits for new launches and 2) upward trend in construction material prices.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	4,617	4,298	4,466	5,774
Revenue growth	99.7%	(6.9%)	3.9%	29.3%
Gross margin	43.3%	44.3%	59.6%	63.7%
EBITDA margin	33.9%	36.1%	49.3%	53.8%
Net profit (bn)	1,153	1,173	1,707	2,372
Net profit growth	26%	1.7%	45.6%	38.9%
Recurring profit growth	29%	6.2%	46.1%	33.3%
Basic EPS	2,117	2,027	2,656	3,689
Adjusted EPS	1,880	1,879	2,471	3,293
BVPS	14,928	17,468	17,744	20,749
ROAE	17.3%	17.6%	25.6%	35.6%

Source: VND RESEARCH



## Valuation



### Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	4,298	4,466	5,774
Cost of sales	(2,395)	(1,804)	(2,096)
Gen & admin expenses	(176)	(178)	(205)
Selling expenses	(157)	(263)	(346)
<b>Operating profit</b>	<b>1,570</b>	<b>2,221</b>	<b>3,126</b>
Operating EBITDA	1,589	2,241	3,146
<b>Depreciation and amortisation</b>	<b>19</b>	<b>19</b>	<b>20</b>
<b>Operating EBIT</b>	<b>1,570</b>	<b>2,221</b>	<b>3,126</b>
Interest income	25	57	49
Financial expense	(85)	(98)	(124)
Net other income	(42)	(44)	(46)
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>1,468</b>	<b>2,137</b>	<b>3,005</b>
Tax expense	(294)	(427)	(631)
Minority interest	(2)	(2)	(2)
<b>Net profit</b>	<b>1,173</b>	<b>1,707</b>	<b>2,372</b>
Adj. net profit to ordinary	1,088	1,589	2,117
Ordinary dividends	0	(321)	(321)
<b>Retained earnings</b>	<b>1,173</b>	<b>1,386</b>	<b>2,050</b>

### Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	3,011	2,710	3,038
Short term investments	0	0	0
Accounts receivables	596	619	800
Inventories	6,653	8,648	12,435
Other current assets	82	86	90
<b>Total current assets</b>	<b>13,508</b>	<b>15,555</b>	<b>20,314</b>
Fixed assets	805	875	952
Total investments	14	14	14
Other long-term assets	220	225	238
<b>Total assets</b>	<b>14,601</b>	<b>16,716</b>	<b>21,558</b>
Short-term debt	708	637	574
Accounts payable	226	170	198
Other current liabilities	1,388	2,569	5,326
<b>Total current liabilities</b>	<b>2,345</b>	<b>3,394</b>	<b>6,117</b>
Total long-term debt	1,989	1,750	1,914
Other liabilities	127	130	150
Share capital	6,429	6,429	6,429
Retained earnings reserve	2,322	3,622	5,554
<b>Shareholders' equity</b>	<b>10,108</b>	<b>11,408</b>	<b>13,340</b>
Minority interest	-	-	-
<b>Total liabilities &amp; equity</b>	<b>14,601</b>	<b>16,716</b>	<b>21,558</b>

### Cash flow statement

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>1,468</b>	<b>2,137</b>	<b>3,005</b>
Depreciation & amortisation	19	19	20
Tax paid	(294)	(427)	(631)
Other adjustments	(129)	(95)	(129)
<b>Change in working capital</b>	<b>(1,587)</b>	<b>(1,231)</b>	<b>(1,635)</b>
<b>Cash flow from operations</b>	<b>(563)</b>	<b>355</b>	<b>591</b>
Capex	(75)	(83)	(90)
Proceeds from assets sales	0	0	0
Others	25	57	49
Other non-current assets changes	0	0	0
<b>Cash flow from investing activities</b>	<b>(50)</b>	<b>(25)</b>	<b>(42)</b>
New share issuance	517	0	0
Shares buyback	419	0	0
Net borrowings	852	0	101
Other financing cash flow	0	(310)	0
Dividends paid	0	(321)	(321)
<b>Cash flow from financing activities</b>	<b>1,789</b>	<b>(631)</b>	<b>(221)</b>
Cash and equivalents at beginning of period	1,836	3,011	2,710
<b>Total cash generated</b>	<b>1,175</b>	<b>(301)</b>	<b>329</b>
Cash and equivalents at the end of period	3,011	2,710	3,038

### Key ratios

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	27.3%	38.3%	41.1%
Asset turnover	0.42	0.43	0.56
ROAA	11.4%	16.6%	23.0%
Avg assets/avg equity	1.55	1.55	1.55
ROAE	17.6%	25.6%	35.6%
<b>Efficiency</b>			
Days account receivable	50.6	50.6	50.6
Days inventory	1,014.0	1,749.6	2,165.3
Days creditor	34.4	34.4	34.4
Fixed asset turnover	5.51	5.72	7.40
ROIC	9.1%	12.3%	15.0%
<b>Liquidity</b>			
Current ratio	5.8	4.6	3.3
Quick ratio	2.9	2.0	1.3
Cash ratio	1.3	0.8	0.5
Cash cycle	1,030.2	1,765.8	2,181.5
<b>Growth rate (yoy)</b>			
Revenue growth	(6.9%)	3.9%	29.3%
Operating profit growth	-	-	-
Net profit growth	1.7%	45.6%	38.9%
EPS growth	1.7%	45.6%	38.9%

Source: VND RESEARCH

## LIENVIET POST BANK (LPB)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND23,900	VND25,700	0.00%	Hold	FINANCIALS

26 November 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Neutral**

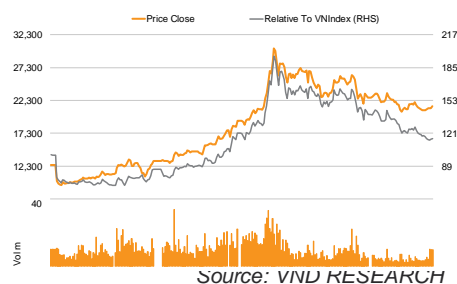
Consensus\*: Add:4 Hold:1 Reduce:1

Target price / Consensus: -5.9%

### Key changes in the report

➤ N/A

### Price performance



### Key statistics

52w high (VND)	30,223
52w low (VND)	9,415
3m Avg daily value (VNDmn)	155,027
Market cap (VND bn)	25,456
Free float (%)	20
TTM P/E (x)	11.8
Current P/B (x)	1.62

### Ownership

Vietnam Post	12.7%
H.T.H Ltd. Co.	5.0%
Mr.Nguyen Dinh Thang	3.6%
Others	78.7%

Source: VND RESEARCH

### Analyst(s):



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## Positive priced in

- LPB is the thirteenth largest bank in term of total assets and the second largest bank in term of network.
- We forecast FY22-23F earnings grow 13.4%/24% respectively, mainly thanks to increase in loan growth and non-interest income growth.
- Recommend Hold with a 1-year target price of VND25,700.

### A retail bank with an extensive network

LPB is the thirteenth largest bank in Vietnam in terms of total assets, with a modest 2.0% lending market share and 1.7% customer deposit market share as at end-3Q21. Despite the modest size, the bank has a competitive edge over peers thanks to its intensive network. By utilizing the existing network, LPB can reach rural areas, where bank presence is limited, at a cost lower than opening new transaction offices.

### Asset quality is improving

Non-performing loan (NPL) ratio dropped to 1.42% at end-3Q21 from 1.64% at end-3Q20 and 1.43% at end-4Q20 as the bank wrote off VND419bn bad debts, lower than average local peer of 1.64%. LPB also aggressively booked provisioning with 175.9% yoy in 3Q21, bringing loan loss reserve (LLR) up to 98.2% at end-3Q21 from 96.5% at end-2Q21 and 89.6% at end-4Q20, lower than average local peer of 114%.

### Net profit FY22-23F grow 13.4% yoy and 24% yoy respectively

We project net interest income increase 12.5%/13.3% mainly thanks to 15% loan growth in FY22-23F respectively as a higher demand when economy recover. However, we believe that NIM will be hard to improve in FY22F as lending rate will continue decrease to support the client was affected by the Covid-19 pandemic. We forecast non-interest income grow 17.8%/18.4% in FY22-23F mainly thanks to income from payment services and bancassurance income stream. We forecast earnings grow 13.4%/24% in FY22-23F respectively, with ROE reach 17.8%/17% - slightly lower than average local peer.

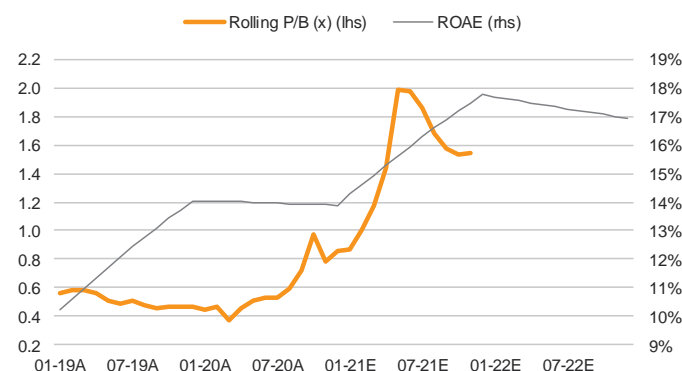
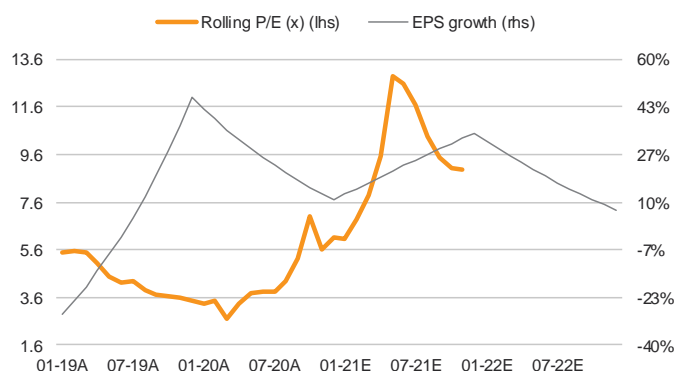
### We recommend Hold rating with a 1-year target price of VND25,700

Our target price based on the equal weight of residual income valuation (COE: 14.6%; LTG: 3.0%) and a target P/B of 1.6x for FY22F book value. We believe LPB deserves to trade at FY22F of 1.6x to reflect FY22-23F ROE below than regional peer average. Upside risks to our TP are the success of the private placement for foreign investors and an upfront payment fee for exclusive bancassurance contract with higher-than-expected valuation. Downside risk is higher-than-expected credit cost.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net interest income (bn)	6,720	8,182	9,206	10,434
Net interest margin	3.2%	3.3%	3.3%	3.2%
Total operating income (bn)	7,771	9,125	10,318	11,751
Total provision charges (bn)	(699)	(1,148)	(680)	(868)
Net profit (bn)	1,862	2,778	3,151	3,906
Net profit growth	16.3%	49.2%	13.4%	24.0%
Adjusted EPS	1,610	2,127	2,284	2,831
BVPS	13,243	14,132	16,750	19,995
ROAE	13.9%	17.8%	17.0%	17.7%

Source: VND RESEARCH

## Valuation



## Income statement

(VNDbn)	12-21E	12-22E	12-23E
<b>Net interest income</b>	<b>8,182</b>	<b>9,206</b>	<b>10,434</b>
<b>Non interest income</b>	<b>944</b>	<b>1,112</b>	<b>1,317</b>
<b>Total operating income</b>	<b>9,125</b>	<b>10,318</b>	<b>11,751</b>
Total operating costs	(4,417)	(5,599)	(5,875)
<b>Pre-provision operating profit</b>	<b>4,709</b>	<b>4,719</b>	<b>5,875</b>
<b>Total provision charges</b>	<b>(1,148)</b>	<b>(680)</b>	<b>(868)</b>
Income from associates & JVs			
Net other income			
<b>Pre-tax profit</b>	<b>3,561</b>	<b>4,039</b>	<b>5,007</b>
Tax expense	(783)	(889)	(1,102)
<b>Profit after tax</b>	<b>2,778</b>	<b>3,151</b>	<b>3,906</b>
Minority interest	0	0	0
<b>Net profit</b>	<b>2,778</b>	<b>3,151</b>	<b>3,906</b>

## Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Gross loans to customers	200,465	230,535	265,116
Loans to banks			
<b>Total gross loans</b>	<b>200,465</b>	<b>230,535</b>	<b>265,116</b>
Securities - total	38,701	44,507	51,183
Other interest earning assets	22,627	24,902	28,637
<b>Total gross IEAs</b>	<b>261,793</b>	<b>299,944</b>	<b>344,935</b>
<b>Total provisions</b>	<b>(2,562)</b>	<b>(3,090)</b>	<b>(3,656)</b>
<b>Net loans to customers</b>	<b>198,076</b>	<b>227,622</b>	<b>261,638</b>
<b>Total net IEAs</b>	<b>259,231</b>	<b>296,854</b>	<b>341,280</b>
Cash and deposits	3,709	4,006	4,407
Total investments	335	362	398
Other assets	10,172	10,985	12,084
<b>Total non-IEAs</b>	<b>14,216</b>	<b>15,353</b>	<b>16,888</b>
<b>Total assets</b>	<b>273,447</b>	<b>312,207</b>	<b>358,168</b>
Customer deposits	200,705	232,818	270,068
Cds outstanding	35,476	39,733	45,694
Customer interest-bearing liabilities	236,181	272,551	315,762
Bank deposits	235	247	260
Broad deposits	236,417	272,798	316,022
Other interest-bearing liabilities	16,220	19,139	22,010
<b>Total IBLs</b>	<b>252,636</b>	<b>291,937</b>	<b>338,032</b>
Deferred tax liability			
Other non-interest bearing liabilities	3,801	109	(3,929)
<b>Total non-IBLs</b>	<b>3,801</b>	<b>109</b>	<b>(3,929)</b>
<b>Total liabilities</b>	<b>256,438</b>	<b>292,047</b>	<b>334,103</b>
Share capital	12,036	12,036	12,036
Additional paid-in capital	0	0	0
Treasury shares			
Retained earnings reserve	3,221	6,371	10,277
Other reserves	1,753	1,753	1,753
<b>Shareholders' equity</b>	<b>17,009</b>	<b>20,160</b>	<b>24,066</b>
Minority interest	0	0	0
<b>Total equity</b>	<b>17,009</b>	<b>20,160</b>	<b>24,066</b>
<b>Total liabilities &amp; equity</b>	<b>273,447</b>	<b>312,207</b>	<b>358,168</b>

	12-21E	12-22E	12-23E
<b>Growth rate (yoy)</b>			
Cust deposit growth	15.0%	16.0%	16.0%
Gross cust loan growth	13.5%	15.0%	15.0%
Net interest income growth	21.7%	12.5%	13.3%
Pre provision operating profit growth	50.6%	0.2%	24.5%
Net profit growth	49.2%	13.4%	24.0%
Growth in IEAs	13.2%	14.5%	15.0%
<b>Share value</b>			
Basic EPS (VND)	2,438	2,618	3,245
BVPS (VND)	14,132	16,750	19,995
DPS (VND)	0	0	0
EPS growth	34.3%	7.4%	24.0%

## Key ratios

	12-21E	12-22E	12-23E
Net interest margin	3.3%	3.3%	3.2%
Cost-income ratio	(48.4%)	(54.3%)	(50.0%)
Reported NPLs / gross cust loans	1.1%	1.3%	1.4%
Reported NPLs / net cust loans	1.2%	1.3%	1.4%
GP charge / average cust loans	0.6%	0.3%	0.4%
Total CAR	8.2%	8.3%	8.5%
Loan deposit ratio	84.9%	84.6%	84.0%
<b>Margins and spreads</b>			
Return on IEAs	8.9%	9.1%	9.2%
Cost of funds	5.8%	6.0%	6.1%
Interest return on average assets	3.2%	3.1%	3.1%
ROAE	17.8%	17.0%	17.7%

Source: VND RESEARCH

## MILITARY COMMERCIAL JSB (MBB)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND30,300	VND34,500	0.00%	Add	FINANCIALS

26 November 2021

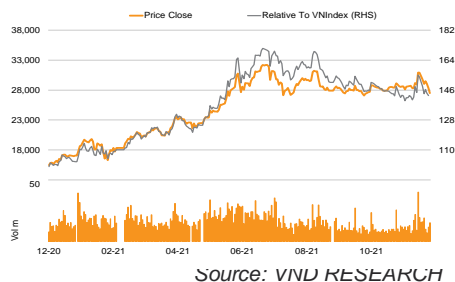
Outlook – Short term: **Positive**  
Outlook – Long term: **Positive**  
Valuation: **Positive**

Consensus\*: Add:14 Hold:0 Reduce:0

Target price / Consensus: -2.7%

### Key changes in the report

### Price performance



### Key statistics

52w high (VND)	32,185
52w low (VND)	15,481
3m Avg daily value (VNDmn)	360,609
Market cap (VND bn)	106,927
Free float (%)	20
TTM P/E (x)	12.6
Current P/B (x)	2.19

### Ownership

Viettel Group	14.6%
SCIC	9.8%
Vietnam Helicopter Corporation	7.8%
Others	67.8%

Source: VND RESEARCH

### Analyst(s):



**Tran Thi Thu Thao**

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## Stand one's ground

- Still our favorite thanks to its capacity of expand retail loan mix and life insurance, supported by a low cost of funds.
- We forecast FY22-23F earnings to increase 21%/18%, factoring the outstanding loan growth and sustainable NIM.
- We recommend Add with a 1-year TP of VND34,500.

### A complete banking model to underpin earnings growth and ROE

MBB has built a comprehensive banking platform to ride on all strong-growth financial segments i.e. consumer finance and life insurance. We believe MBB's retail loans, which recorded 5-year CAGR of 33% and made up 43% in total loan mix, will continue to grow in the next years. Insurance segment, which is still in a nascent stage in Vietnam market with a penetration rate of 1.5% - lower than regional peers of 5.5%, will be the key driver for MBB's fee income growth. Besides, MBB's lower-than-market average cost of funds is another competitive advantage to strengthen its margin, its earnings growth outlook and robust ROE.

### Solid asset quality compared to peers

MBB has accelerated provisioning in 9M21 (+43.5% yoy) to weather the rising of bad debts, loan-loss-reserve (LLR) climbed to 232.8% (236.5% at end-2Q21 and 134.1% at end-FY20). Its non-performing loans decreased slightly by 2% ytd to VND3.2tr, equivalent to NPL ratio of 0.95% at end-3Q21 from 0.76% at end-2Q21, but still below 1.09% at end-FY20. In general, MBB's asset quality has been strengthened compared to local peers (peers' NPL ratio: 1.64%; LLR: 114% at end-3Q21).

### Another rosy year ahead

We estimate FY22/23F loan growth to 18%/17% (FY19-21F CAGR of 17%), reflecting higher credit demand in the next 2 years. Despite the downward pressure on lending yield and the rising deposits rate in a couple of next quarters, MBB's NIM will stay flat at 5.1% over FY22-23F, or only 12bps lower than FY21F NIM, thanks to its industry-second-highest CASA ratio and its ability of retail loan expansion. We expect FY22/23F earnings to grow 21% yoy and 18% yoy, respectively. ROE will be sustainable at an average of 22.7% over FY22-23F.

### Add with a 1-year target price of VND34,500

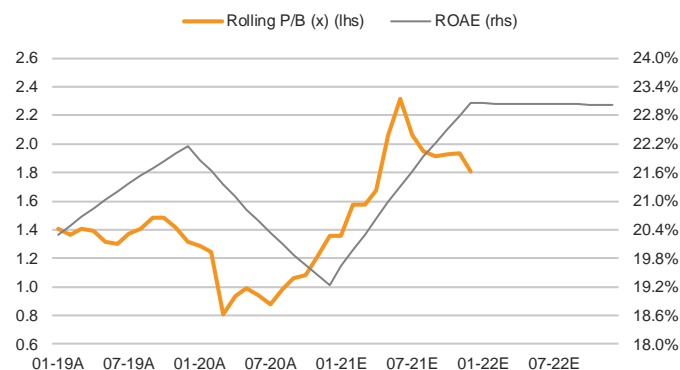
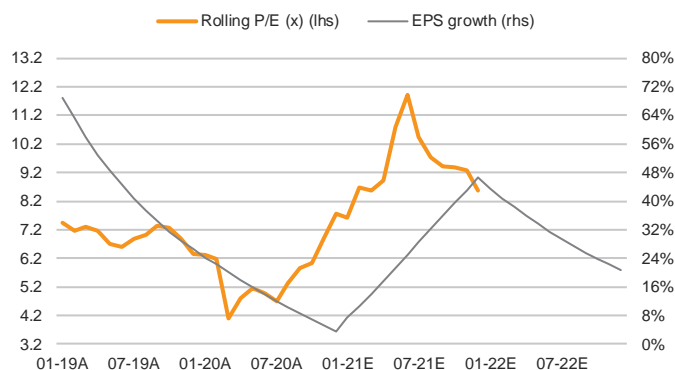
We prefer MBB thanks to its sustainable margin, robust earnings growth outlook and benign asset quality to minimize the risk of rising bad debt in 2022. Our 1-year TP of VND34,500 (+14% upside) is based on P/BV approach (FY22F P/BV of 2x) and residual income valuation (COE: 15.1%, LTG: 3%). Upside catalyst is higher-than-expected loan growth; Downside risk is lower-than-expected NIM and higher-than-expected bad debt.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net interest income (bn)	20,278	25,722	29,665	34,375
Net interest margin	4.7%	5.1%	5.1%	5.1%
Total operating income (bn)	27,362	35,097	40,809	47,661
Total provision charges (bn)	(6,118)	(7,538)	(7,621)	(8,678)
Net profit (bn)	8,263	12,188	14,746	17,395
Net profit growth	5.6%	47.5%	21.0%	18.0%
Adjusted EPS	2,059	3,018	3,644	4,299
BVPS	12,648	15,198	18,475	22,448
ROAE	19.2%	23.1%	23.0%	22.3%

Source: VNDIRECT RESEARCH



## Valuation



### Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net interest income	25,722	29,665	34,375
Non interest income	9,375	11,145	13,286
<b>Total operating income</b>	<b>35,097</b>	<b>40,809</b>	<b>47,661</b>
Total operating costs	(11,933)	(14,283)	(16,681)
<b>Pre-provision operating profit</b>	<b>23,164</b>	<b>26,526</b>	<b>30,980</b>
<b>Total provision charges</b>	<b>(7,538)</b>	<b>(7,621)</b>	<b>(8,678)</b>
Income from associates & JVs			
Net other income			
<b>Pre-tax profit</b>	<b>15,626</b>	<b>18,906</b>	<b>22,301</b>
Tax expense	(3,125)	(3,781)	(4,460)
<b>Profit after tax</b>	<b>12,500</b>	<b>15,124</b>	<b>17,841</b>
Minority interest	(313)	(378)	(446)
<b>Net profit</b>	<b>12,188</b>	<b>14,746</b>	<b>17,395</b>

### Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Gross loans to customers	346,025	408,309	477,722
Loans to banks	52,678	57,945	63,740
<b>Total gross loans</b>	<b>398,702</b>	<b>466,254</b>	<b>541,462</b>
Securities - total	120,569	138,484	152,333
Other interest earning assets	19,067	20,974	23,071
<b>Total gross IEAs</b>	<b>538,338</b>	<b>625,713</b>	<b>716,865</b>
<b>Total provisions</b>	<b>(4,432)</b>	<b>(10,659)</b>	<b>(7,648)</b>
<b>Net loans to customers</b>	<b>342,001</b>	<b>403,040</b>	<b>470,591</b>
<b>Total net IEAs</b>	<b>533,906</b>	<b>615,054</b>	<b>709,217</b>
Cash and deposits	3,327	3,560	3,809
Total investments	1,212	1,297	1,388
Other assets	30,790	32,945	35,252
<b>Total non-IEAs</b>	<b>35,329</b>	<b>37,802</b>	<b>40,448</b>
<b>Total assets</b>	<b>569,235</b>	<b>652,856</b>	<b>749,666</b>
Customer deposits	357,604	405,881	462,704
Cds outstanding	56,016	61,618	67,779
Customer interest-bearing liabilities	413,620	467,499	530,484
Bank deposits	55,981	61,579	64,658
Broad deposits	469,601	529,078	595,142
Other interest-bearing liabilities	207	207	207
<b>Total IBLs</b>	<b>469,809</b>	<b>529,285</b>	<b>595,349</b>
Deferred tax liability			
Other non-interest bearing liabilities	39,109	50,411	65,598
<b>Total non-IBLs</b>	<b>39,109</b>	<b>50,411</b>	<b>65,598</b>
<b>Total liabilities</b>	<b>508,918</b>	<b>579,696</b>	<b>660,947</b>
Share capital	38,039	38,039	38,039
Additional paid-in capital	1,303	1,303	1,303
Treasury shares	(564)	(564)	(564)
Retained earnings reserve	12,810	25,274	40,387
Other reserves	6,225	6,225	6,225
<b>Shareholders' equity</b>	<b>57,812</b>	<b>70,276</b>	<b>85,389</b>
Minority interest	2,506	2,884	3,330
<b>Total equity</b>	<b>60,318</b>	<b>73,160</b>	<b>88,719</b>
<b>Total liabilities &amp; equity</b>	<b>569,235</b>	<b>652,856</b>	<b>749,666</b>

	12-21E	12-22E	12-23E
<b>Growth rate (yoy)</b>			
Cust deposit growth	15.0%	13.5%	14.0%
Gross cust loan growth	16.0%	18.0%	17.0%
Net interest income growth	26.8%	15.3%	15.9%
Pre provision operating profit growth	37.8%	14.5%	16.8%
Net profit growth	47.5%	21.0%	18.0%
Growth in IEAs	15.6%	15.2%	15.3%
<b>Share value</b>			
Basic EPS (VND)	3,211	3,877	4,573
BVPS (VND)	15,198	18,475	22,448
DPS (VND)	600	600	600
EPS growth	46.6%	20.7%	18.0%

### Key ratios

	12-21E	12-22E	12-23E
Net interest margin	5.1%	5.1%	5.1%
Cost-income ratio	(34.0%)	(35.0%)	(35.0%)
Reported NPLs / gross cust loans	0.7%	1.2%	1.3%
Reported NPLs / net cust loans	0.7%	1.3%	1.3%
GP charge / average cust loans	2.3%	2.0%	2.0%
Total CAR	10.3%	10.6%	11.0%
Loan deposit ratio	83.7%	87.3%	90.1%
<b>Margins and spreads</b>			
Return on IEAs	7.6%	7.5%	7.6%
Cost of funds	2.8%	2.8%	2.9%
Interest return on average assets	4.8%	4.9%	4.9%
ROAE	23.1%	23.0%	22.3%

Source: VND RESEARCH



## MASAN CONSUMER CORPORATION (MCH)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND117,200	VND146,800	3.61%	Add	CONSUMER GOODS

26 November 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Positive**

Consensus\*: Add:0 Hold:0 Reduce:0

Target price / Consensus: N/A

### Key changes in the report

➤ N/A

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	130,000
52w low (VND)	72,200
3m Avg daily value (VNDmn)	1,807
Market cap (VNDbn)	86,575
Free float (%)	8
TTM P/E (x)	18.3
Current P/B (x)	6.0

### Ownership

Masan Consumer Holdings	92.4%
Others	7.60%

Source: VND RESEARCH

### Analyst(s):



**Hien Ha Thu**

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## Leading the pack

- MCH is one of the key consumer companies in Vietnam with wide-range product portfolio.
- We expect MCH's FY21F/22F earnings to grow 12.2% yoy/11.9% yoy thanks to products upgrade and soft drink category deeper penetration.
- We recommend ADD rating with TP of VND146,800.

### Leading Vietnam's consumer industry with a diverse product portfolio

Masan Consumer is a subsidiary of Masan Corp (MSN VN) and a dominant company in many food and beverage segments. MCH set footprint in almost all FMCG's segments: convenient foods (instant noodles, instant porridge), seasoning (soy sauce, fish sauce, chili sauce), processed meat (pasteurized sausage, pork balls), soft drink, coffee and grains, home and personal care with well-known brands. According to Kantar Worldpanel in 2020, 98% of Vietnamese households have used at least one Masan Consumer's product.

### Well-positioned to ride on the premiumization trend

Demand for premium products has been rising strongly in Vietnam thanks to a rapidly growing of middle class, higher income, and health awareness. MCH already has a strong position in the premium line with Omachi noodle cup and Omachi Business cup. Over its FY21-23F period, MCH plans to further develop the full-meal solution concept by increasing its focus on its premium cup packaging (vs. pouch), developing new product lines (such as clear noodle soup), and increasing the meat content in each product.

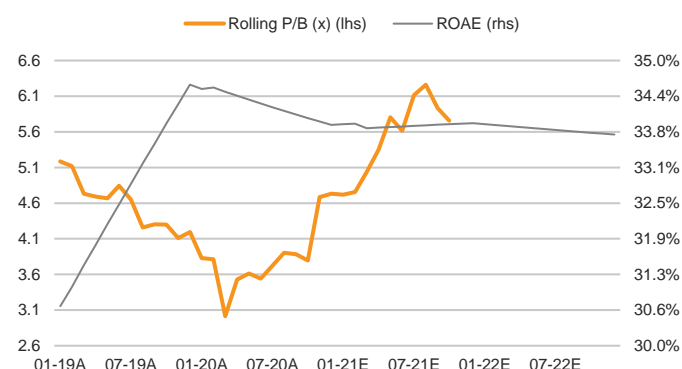
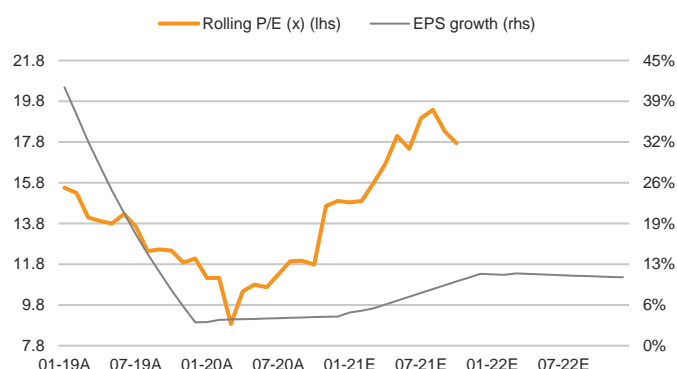
### Net profit achieves double-digit growth in FY21-23F

We expect MCH's revenue to grow 12.6%/9.7%/9.8% yoy in FY21-23F driven by 1) 17.2%/9.6%/10.8% yoy increase in convenience food's revenue, 2) 9.4%/7.9%/7.1% yoy increase in seasoning revenue and 3) 11.2%/11.3%/15.0% yoy increase in soft drink revenue. We project net profit to achieve double-digit growth by 12.2%/11.9%/12.2% yoy in FY21-23F thanks to 1) lower SG&A expenses as the merger with VCM will help MCH save on selling costs and 2) gross margin (GM) improve by 0.1%/0.3% pts in FY22/23F after narrowing 0.4% pts in FY21F due to the product mix change.

### MCH is our stock pick for F&B sector with TP of VND146,800

We like MCH for 1) its leading position in the table sauce market and second position in the instant noodle market, 2) leveraging on Masan Group's ecosystem with extensive retail system and 3) stable cash dividend of VND4,500/share. Potential re-rating catalysts 1) higher-than-expected demand for convenience food and 2) lower-than-expected material input price. Downside risks include another arising variant and higher-than-expected material input price.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	23,343	26,275	28,827	31,649
Revenue growth	26.3%	12.6%	9.7%	9.8%
Gross margin	42.5%	42.1%	42.2%	42.5%
EBITDA margin	27.7%	27.6%	28.5%	29.3%
Net profit (bn)	4,520	5,070	5,672	6,365
Net profit growth	12.3%	12.2%	11.9%	12.2%
Recurring profit growth				
Basic EPS	6,236	6,942	7,691	8,545
Adjusted EPS	6,236	6,942	7,691	8,545
BVPS	19,652	21,290	24,331	27,192
ROAE	33.9%	33.9%	33.7%	33.2%

**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	26,275	28,827	31,649
Cost of sales	(15,215)	(16,665)	(18,192)
Gen & admin expenses	(1,109)	(1,217)	(1,336)
Selling expenses	(4,410)	(4,757)	(5,222)
<b>Operating profit</b>	<b>5,541</b>	<b>6,189</b>	<b>6,898</b>
Operating EBITDA	6,526	7,385	8,305
<b>Depreciation and amortisation</b>	<b>(985)</b>	<b>(1,196)</b>	<b>(1,407)</b>
<b>Operating EBIT</b>	<b>5,541</b>	<b>6,189</b>	<b>6,898</b>
Interest income	745	855	980
Financial expense	(371)	(426)	(451)
Net other income	(20)	(22)	(25)
Income from associates & JVs	15	16	18
<b>Pre-tax profit</b>	<b>5,910</b>	<b>6,612</b>	<b>7,421</b>
Tax expense	(754)	(844)	(947)
Minority interest	(87)	(97)	(109)
<b>Net profit</b>	<b>5,070</b>	<b>5,672</b>	<b>6,365</b>
Adj. net profit to ordinary	5,070	5,672	6,365
Ordinary dividends	(3,302)	(3,335)	(4,117)
<b>Retained earnings</b>	<b>1,768</b>	<b>2,337</b>	<b>2,248</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	4,113	5,069	6,010
Short term investments	263	317	383
Accounts receivables	3,394	3,724	4,089
Inventories	2,293	2,511	2,741
Other current assets	89	97	107
<b>Total current assets</b>	<b>10,152</b>	<b>11,719</b>	<b>13,330</b>
Fixed assets	6,755	7,304	7,651
Total investments	249	249	249
Other long-term assets	11,716	13,318	15,150
<b>Total assets</b>	<b>28,872</b>	<b>32,590</b>	<b>36,381</b>
Short-term debt	7,519	8,250	9,057
Accounts payable	1,471	1,613	1,771
Other current liabilities	2,450	2,688	2,952
<b>Total current liabilities</b>	<b>11,440</b>	<b>12,552</b>	<b>13,780</b>
Total long-term debt	1,314	1,441	1,582
Other liabilities	495	565	664
Share capital	7,338	7,411	7,485
Retained earnings reserve	6,351	8,688	10,936
<b>Shareholders' equity</b>	<b>15,623</b>	<b>18,033</b>	<b>20,355</b>
Minority interest	0	0	0
<b>Total liabilities &amp; equity</b>	<b>28,872</b>	<b>32,590</b>	<b>36,381</b>

**Cash flow statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>5,910</b>	<b>6,612</b>	<b>7,421</b>
Depreciation & amortisation	985	1,196	1,407
Tax paid	(754)	(844)	(947)
Other adjustments	(394)	(406)	(417)
<b>Change in working capital</b>	<b>(229)</b>	<b>(24)</b>	<b>(14)</b>
<b>Cash flow from operations</b>	<b>5,519</b>	<b>6,535</b>	<b>7,450</b>
Capex	(1,801)	(1,809)	(1,809)
Proceeds from assets sales	0	0	0
Others	(1,797)	(1,745)	(1,987)
Other non-current assets changes	85	85	85
<b>Cash flow from investing activities</b>	<b>(3,514)</b>	<b>(3,469)</b>	<b>(3,711)</b>
New share issuance	350	367	371
Shares buyback	0	0	0
Net borrowings	1,385	858	949
Other financing cash flow	0	0	0
Dividends paid	(3,302)	(3,335)	(4,117)
<b>Cash flow from financing activities</b>	<b>(1,567)</b>	<b>(2,110)</b>	<b>(2,798)</b>
Cash and equivalents at beginning of period	3,818	4,113	5,069
<b>Total cash generated</b>	<b>438</b>	<b>956</b>	<b>941</b>
Cash and equivalents at the end of period	4,257	5,069	6,010

**Key ratios**

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	19.3%	19.7%	20.1%
Asset turnover	0.97	0.94	0.92
ROAA	18.6%	18.5%	18.5%
Avg assets/avg equity	1.82	1.83	1.80
ROAE	33.9%	33.7%	33.2%
<b>Efficiency</b>			
Days account receivable	6.6	6.6	6.6
Days inventory	55.0	55.0	55.0
Days creditor	35.3	35.3	35.5
Fixed asset turnover	4.21	4.10	4.23
ROIC	20.7%	20.5%	20.5%
<b>Liquidity</b>			
Current ratio	0.9	0.9	1.0
Quick ratio	0.7	0.7	0.8
Cash ratio	0.4	0.4	0.5
Cash cycle	26.3	26.2	26.0
<b>Growth rate (yoy)</b>			
Revenue growth	12.6%	9.7%	9.8%
Operating profit growth	11.8%	11.7%	11.5%
Net profit growth	12.2%	11.9%	12.2%
EPS growth	11.3%	10.8%	11.1%

Source: VND RESEARCH

## SONG HONG GARMENT JSC (MSH)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND94,900	VND100,100	4.10%	Hold	CONSUMER GOODS

26 November 2021

Outlook – Short term: **Positive**  
Outlook – Long term: **Positive**  
Valuation: **Neutral**

Consensus\*: Add:6 Hold:1 Reduce:0

Target price / Consensus: 10.8%

### Key changes in the report

➤ N/A

### Price performance



### Key statistics

52w high (VND)	94,900
52w low (VND)	37,200
3m Avg daily value (VNDmn)	13,052
Market cap (VND bn)	4,701
Free float (%)	39
TTM P/E (x)	11.8
Current P/B (x)	3.0

### Ownership

Bui Duc Thinh	21.6%
FPTS	13.6%
Bui Viet Quan	10.9%
Others	53.9%

Source: VND RESEARCH

### Analyst(s):



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## SH10 factory secures for FY22-23F earnings growth

- We expect MSH's order outlook to remain positive in FY22F-23F thanks to the demand recovery from the U.S. market.
- We forecast the SH10 factory to support for MSH's FOB revenue grow 15%/20% yoy in FY22/23F.
- Hold with TP of VND100,100.

### Strong recovery in 9M21

MSH's revenue in 9M21 reached at VND3,448bn (+16.3% yoy), while net profit increased significantly 103.1% yoy, to VND335bn driven by the strong growth of FOB orders from new customers in U.S (Haddad and Walmart) and orders to be shifted from Myanmar and Southern companies. In which, MSH's revenue from FOB segment achieved at VND2,857bn (+23.9% yoy), accounting for 82.8% of MSH revenue in 9M21.

### Bright prospects in FY22-23F thanks to cooperate with large customers

We expect MSH's order outlook to remain positive in FY22-23F thanks to the demand recovery from the U.S. market and its compact customer base, with the top brand in the U.S. retail market such as Columbia, G-III and especially Walmart (new customer in FY20). We forecast FOB orders from Walmart to contribute 23%/26% to MSH's revenue in FY22-23F.

### We expect Song Hong 10 factory to operate full capacity in FY22F

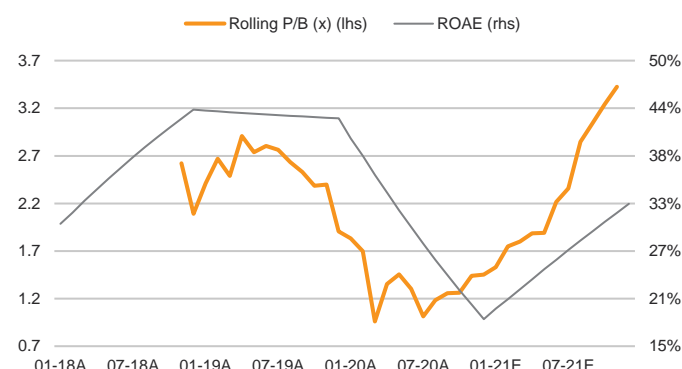
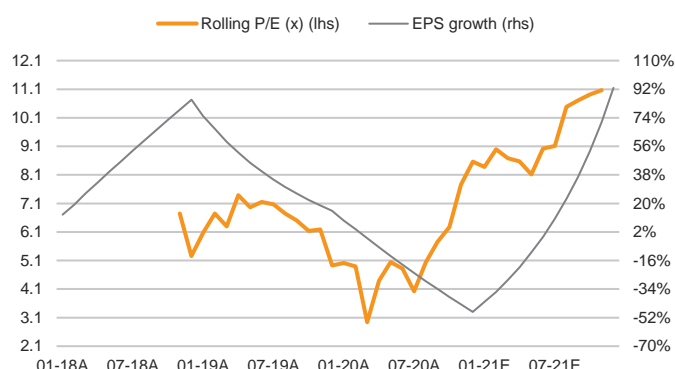
To catch the strong demand from US customer, MSH's management has approved the investment plan of Song Hong 10 (SH10) factory with an investment cost of VND600bn. SH10 has started construction in Mar-21 and is expected to complete in Nov-21. SH10 only produces FOB orders with the designed capacity of US\$70m FOB orders value per annum. We expect SH10 to reach a 50% utilization rate in the last two months of FY21 and achieve full capacity in FY22F-23F. We forecast the SH10 factory will help FOB revenue grow 15%/20% yoy in FY22/23F and bring FOB contribution of the total revenue to 88%/92%, respectively, from 73.5% in FY20.

### Hold with a TP of VND100,100

We recommend Hold with TP of VND100,100. Our 1-year-target is based on FY22F EPS of VND10,713/share and target FY22F P/E of 10.5x, which is equivalent to one-year historical P/E. Potential re-rating catalysts is the recovery in volume thanks to a rebound of market demand. The key downside risks are including 1) prolonged COVID-19 outbreaks that would hurt apparel demand and disrupt the apparel supply chain and 2) increases in input material price and logistic fee on GPM of MSH in FY22F.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	3,813	4,402	4,701	5,023
Revenue growth	(13.6%)	15.4%	6.8%	6.9%
Gross margin	19.7%	20.2%	22.1%	23.4%
EBITDA margin	11.3%	15.8%	17.1%	18.7%
Net profit (bn)	232	447	536	647
Net profit growth	(48.5%)	92.9%	19.8%	20.8%
Recurring profit growth	(49.8%)	101.2%	19.8%	20.8%
Basic EPS	4,635	8,939	10,713	12,934
Adjusted EPS	4,329	8,348	10,002	12,074
BVPS	27,366	27,732	32,711	39,552
ROAE	18.3%	32.4%	35.6%	36.2%

Source: VND RESEARCH

**Valuation**

**Income statement**

(VNDbn)	12-20A	12-21E	12-22E
Net revenue	3,813	4,402	4,701
Cost of sales	(3,062)	(3,514)	(3,661)
Gen & admin expenses	(376)	(220)	(235)
Selling expenses	(137)	(132)	(141)
<b>Operating profit</b>	<b>238</b>	<b>536</b>	<b>664</b>
Operating EBITDA	370	679	812
<b>Depreciation and amortisation</b>	<b>(132)</b>	<b>(143)</b>	<b>(148)</b>
<b>Operating EBIT</b>	<b>238</b>	<b>536</b>	<b>664</b>
Interest income	63	64	68
Financial expense	(18)	(30)	(45)
Net other income	1	(1)	(1)
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>283</b>	<b>569</b>	<b>685</b>
Tax expense	(51)	(121)	(146)
Minority interest	0	(1)	(3)
<b>Net profit</b>	<b>232</b>	<b>447</b>	<b>536</b>
Adj. net profit to ordinary	232	447	536
Ordinary dividends	(171)	(175)	(200)
<b>Retained earnings</b>	<b>61</b>	<b>272</b>	<b>336</b>

**Balance sheet**

(VNDbn)	12-20A	12-21E	12-22E
Cash and equivalents	136	179	209
Short term investments	754	792	832
Accounts receivables	396	481	513
Inventories	615	613	639
Other current assets	17	403	426
<b>Total current assets</b>	<b>1,918</b>	<b>2,467</b>	<b>2,619</b>
Fixed assets	569	529	440
Total investments	83	0	0
Other long-term assets	58	35	37
<b>Total assets</b>	<b>2,628</b>	<b>3,031</b>	<b>3,097</b>
Short-term debt	497	669	470
Accounts payable	144	141	145
Other current liabilities	544	623	673
<b>Total current liabilities</b>	<b>1,186</b>	<b>1,433</b>	<b>1,289</b>
Total long-term debt	0	137	95
Other liabilities	0	0	0
Share capital	500	500	500
Retained earnings reserve	683	701	950
<b>Shareholders' equity</b>	<b>1,369</b>	<b>1,387</b>	<b>1,636</b>
Minority interest	73	74	77
<b>Total liabilities &amp; equity</b>	<b>2,628</b>	<b>3,031</b>	<b>3,097</b>

**Cash flow statement**

(VNDbn)	12-20A	12-21E	12-22E
<b>Pretax profit</b>	<b>283</b>	<b>569</b>	<b>685</b>
Depreciation & amortisation	132	143	148
Tax paid	(62)	(121)	(146)
Other adjustments	357	259	(33)
<b>Change in working capital</b>	<b>(313)</b>	<b>(193)</b>	<b>(26)</b>
<b>Cash flow from operations</b>	<b>397</b>	<b>656</b>	<b>628</b>
Capex	(75)	(117)	(60)
Proceeds from assets sales	(127)	(38)	(40)
Others	48	0	0
Other non-current assets changes	1	(133)	(140)
<b>Cash flow from investing activities</b>	<b>(153)</b>	<b>(288)</b>	<b>(239)</b>
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	5	309	(241)
Other financing cash flow	(180)	(460)	82
Dividends paid	(171)	(175)	(200)
<b>Cash flow from financing activities</b>	<b>(346)</b>	<b>(326)</b>	<b>(359)</b>
Cash and equivalents at beginning of period	238	136	179
<b>Total cash generated</b>	<b>(102)</b>	<b>42</b>	<b>30</b>
Cash and equivalents at the end of period	136	179	209

**Key ratios**

	12-20A	12-21E	12-22E
<b>Dupont</b>			
Net profit margin	6.1%	10.2%	11.4%
Asset turnover	1.47	1.56	1.53
ROAA	8.9%	15.8%	17.5%
Avg assets/avg equity	2.05	2.05	2.03
ROAE	18.3%	32.4%	35.4%
<b>Efficiency</b>			
Days account receivable	52.6	36.5	36.5
Days inventory	73.5	63.7	63.7
Days creditor	17.2	14.6	14.5
Fixed asset turnover	6.59	8.02	9.70
ROIC	12.0%	19.7%	23.5%
<b>Liquidity</b>			
Current ratio	1.6	1.7	2.0
Quick ratio	1.1	1.3	1.5
Cash ratio	0.8	0.7	0.8
Cash cycle	108.8	85.6	85.7
<b>Growth rate (yoy)</b>			
Revenue growth	(13.6%)	15.4%	6.8%
Operating profit growth	(53.6%)	125.0%	23.9%
Net profit growth	(48.5%)	92.9%	19.8%
EPS growth	(48.5%)	92.9%	19.8%

Source: VND RESEARCH



## MOBILE WORLD INVESTMENT CORP (MWG)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND141,500	VND180,500	0.73%	Add	CONSUMER SERVICES

26 November 2021

Outlook – Short term: **Positive**  
Outlook – Long term: **Positive**  
Valuation: **Positive**

Consensus\*: Add:11 Hold:4 Reduce:0

Target price / Consensus: 10.8%

### Key changes in the report

➤ N/a

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	176,600
52w low (VND)	110,200
3m Avg daily value (VNDmn)	180,080
Market cap (VND bn)	98,015
Free float (%)	65
TTM P/E (x)	22.7
Current P/B (x)	5.3

### Ownership

Dragon capital and related group	12.1%
Mobile World Retail Advisory Co.	11.4%
Amersham Industries Limited	10.0%
Others	66.5%

Source: VND RESEARCH

### Analyst(s):



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## Back to growth trajectory

- In Oct 21, MWG recorded VND568bn (+86% yoy) in net profit (NP), marking its return to growth trajectory.
- We expect NP to grow strongly 33.3% CAGR during FY22-23F.
- Recommend ADD with target price of VND180,500.

### DMX&TGDD's revenue grew robustly after social distancing

In Oct 21, MWG's revenue reached VND12,186bn (+39% yoy) and NP reached VND568bn (+86% yoy) marks the return to growth trajectory after being hit by Covid-19 when 1)all TGDD (Mobile phone chain) & DMX (Consumer electronics chain) stores are back to operation; 2)dominant store system to meet the high pent-up demand effect; and 3)the launch of new 13 series altogether with the introduction of Topzone chain stores.

### First profitable time of Bach Hoa Xanh affirming BHX's growth potential

With average monthly revenue of VND1.59bn per store, BHX achieved its first profitable time in 3Q21, showing its ability to meet high demand with a strong logistics system and affirming BHX's potential. We expect BHX's revenue to grow 35% yoy/30% yoy, contributing 28%/30% to MWG's revenue in FY22/23F.

### Apple's products sale will lift up TGDD's revenue in FY22/23F

In Sep 21, MWG has launched Topzone store chain which is an Apple authorized store chain. As 1) market share of MWG's Apple products sale is only 23% which give room for MWG to expanse, 2) new regulations tighten hand-carrying products and 3) Apple's new warranty policy that only applies to genuine products in Vietnam will help MWG's Apple products sale became the growth engine of TGDD chain in FY22/23F which may contribute about VND2,700bn per year, or about 10% to TGDD's revenue in the next two years. We forecast MWG's revenue will reach VND149,513bn (+21.5% yoy) / VND177,458bn (+18.7% yoy) and net profit will reach VND6,598bn (+40.3% yoy) / VND8,329bn (+26.2% yoy) in FY22/23F.

### Recommend ADD rating with target price of VND180,500

We recommend ADD rating with target price of VND180,500 by using sum-of-parts methodology to value MWG's two core businesses: consumer electronics (TGDD and DMX) at VND89,000 per share and grocery retailing (BHX) at VND91,500 (WACC: 11.6%).

### Downside risks and re-rating catalysts

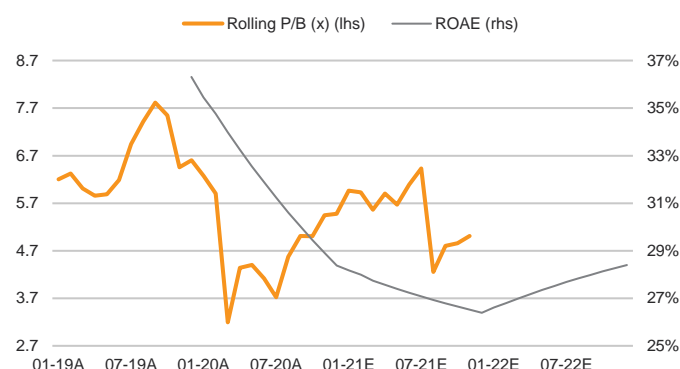
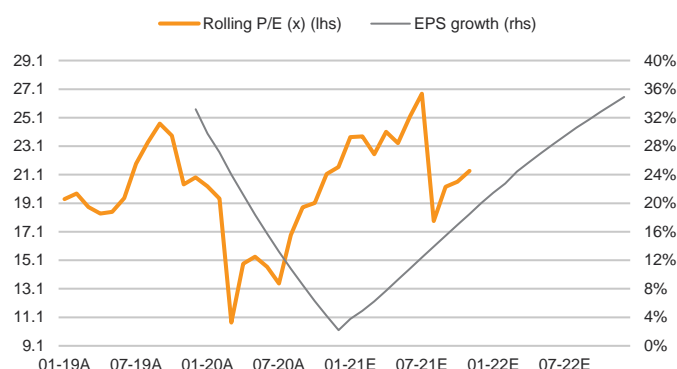
Key downside risks are: 1) a wide-range of social distancing that makes MWG closes their DMX and TGDD stores, 2) lower-than-expected gross margin or expansion. Re-rating catalysts are faster-than-expected expansion, higher-than-expected revenue per store or gross margin and success in their new chains such as BlueJi, BlueFashion, BlueKids or BlueSports

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	108,546	123,071	149,513	177,459
Revenue growth	6.2%	13.4%	21.5%	18.7%
Gross margin	22.1%	22.8%	22.9%	22.7%
EBITDA margin	7.6%	6.7%	7.4%	7.6%
Net profit (bn)	3,918	4,702	6,598	8,329
Net profit growth	2.2%	20.0%	40.3%	26.2%
Recurring profit growth				
Basic EPS	5,494	6,594	8,894	10,942
Adjusted EPS	5,494	6,594	8,894	10,942
BVPS	21,698	28,273	35,460	44,251
ROAE	28.4%	26.4%	28.4%	27.8%

Source: VND RESEARCH



## Valuation



## Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	123,071	149,513	177,459
Cost of sales	(95,034)	(115,291)	(137,229)
Gen & admin expenses	(4,554)	(5,233)	(6,211)
Selling expenses	(17,954)	(21,240)	(24,338)
<b>Operating profit</b>	<b>5,529</b>	<b>7,749</b>	<b>9,681</b>
Operating EBITDA	7,077	9,555	11,674
<b>Depreciation and amortisation</b>	<b>(1,548)</b>	<b>(1,806)</b>	<b>(1,993)</b>
<b>Operating EBIT</b>	<b>5,529</b>	<b>7,749</b>	<b>9,681</b>
Interest income	1,204	1,500	1,770
Financial expense	(699)	(889)	(1,029)
Net other income	(0)	0	0
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>6,034</b>	<b>8,360</b>	<b>10,422</b>
Tax expense	(1,327)	(1,756)	(2,084)
Minority interest	(5)	(7)	(8)
<b>Net profit</b>	<b>4,702</b>	<b>6,598</b>	<b>8,329</b>
Adj. net profit to ordinary	4,702	6,598	8,329
Ordinary dividends	(238)	(742)	(1,142)
<b>Retained earnings</b>	<b>4,464</b>	<b>5,856</b>	<b>7,187</b>

## Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	7,904	13,284	22,812
Short term investments	3,704	4,500	5,342
Accounts receivables	2,490	2,925	3,368
Inventories	25,477	27,846	30,571
Other current assets	1,142	1,515	1,702
<b>Total current assets</b>	<b>40,718</b>	<b>50,070</b>	<b>63,795</b>
Fixed assets	6,820	6,901	6,244
Total investments	5,069	5,067	5,060
Other long-term assets	990	1,381	1,686
<b>Total assets</b>	<b>53,597</b>	<b>63,418</b>	<b>76,784</b>
Short-term debt	15,527	15,630	17,949
Accounts payable	11,680	14,087	16,756
Other current liabilities	5,382	6,727	7,940
<b>Total current liabilities</b>	<b>32,589</b>	<b>36,444</b>	<b>42,646</b>
Total long-term debt	834	649	424
Other liabilities			
Share capital	7,131	7,418	7,612
Retained earnings reserve	12,477	18,333	25,521
<b>Shareholders' equity</b>	<b>20,160</b>	<b>26,304</b>	<b>33,686</b>
Minority interest	14	21	29
<b>Total liabilities &amp; equity</b>	<b>53,597</b>	<b>63,418</b>	<b>76,784</b>

## Cash flow statement

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>6,034</b>	<b>8,360</b>	<b>10,422</b>
Depreciation & amortisation	1,548	1,806	1,993
Tax paid	(1,327)	(1,756)	(2,084)
Other adjustments	(505)	(353)	(373)
<b>Change in working capital</b>	<b>(3,489)</b>	<b>928</b>	<b>901</b>
<b>Cash flow from operations</b>	<b>2,260</b>	<b>8,985</b>	<b>10,858</b>
Capex	(1,875)	(1,892)	(1,264)
Proceeds from assets sales	3	4	4
Others	(270)	(104)	(189)
Other non-current assets changes	(663)	(794)	(835)
<b>Cash flow from investing activities</b>	<b>(2,804)</b>	<b>(2,786)</b>	<b>(2,283)</b>
New share issuance	1	3	2
Shares buyback	0	0	0
Net borrowings	1,276	(81)	2,094
Other financing cash flow	0	0	0
Dividends paid	(238)	(742)	(1,142)
<b>Cash flow from financing activities</b>	<b>1,039</b>	<b>(820)</b>	<b>954</b>
Cash and equivalents at beginning of period	7,410	7,904	13,284
<b>Total cash generated</b>	<b>495</b>	<b>5,379</b>	<b>9,529</b>
Cash and equivalents at the end of period	7,904	13,284	22,812

## Key ratios

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	3.8%	4.4%	4.7%
Asset turnover	2.47	2.56	2.53
ROAA	9.4%	11.3%	11.9%
Avg assets/avg equity	2.80	2.52	2.34
ROAE	26.4%	28.4%	27.8%
<b>Efficiency</b>			
Days account receivable	1.9	1.6	1.4
Days inventory	97.9	88.2	81.3
Days creditor	44.9	44.6	44.6
Fixed asset turnover	17.28	21.79	27.00
ROIC	12.9%	15.5%	16.0%
<b>Liquidity</b>			
Current ratio	1.2	1.4	1.5
Quick ratio	0.5	0.6	0.8
Cash ratio	0.4	0.5	0.7
Cash cycle	54.9	45.2	38.2
<b>Growth rate (yoy)</b>			
Revenue growth	13.4%	21.5%	18.7%
Operating profit growth	6.0%	40.2%	24.9%
Net profit growth	20.0%	40.3%	26.2%
EPS growth	20.0%	34.9%	23.0%

Source: VND RESEARCH

## NAM LONG INVESTMENT CORP (NLG)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND55,400	VND54,800	2.4%	Hold	PROPERTY

26 November 2021

Outlook – Short term: **Positive**  
Outlook – Long term: **Positive**  
Valuation: **Neutral**

Consensus\*: Add:5 Hold:7 Reduce:1

Target price / Consensus: 27.5%

### Key changes in the report

➤ N/A

### Price performance



### Key statistics

52w high (VND)	60,866
52w low (VND)	24,949
3m Avg daily value (VNDmn)	197,665
Market cap (VND bn)	21,757
Free float (%)	42
TTM P/E (x)	15.6
Current P/B (x)	2.4

### Ownership

Nguyen Xuan Quang	12.5%
Ibeworthy Pte. Ltd.	8.2%
PYN Elite Fund	7.2%
Others	72.1%

Source: VND RESEARCH

### Analyst(s):



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## Solid outlook already priced in

- We estimate FY22-23F presales value up 70.2% yoy/17.7% yoy to VND16,332bn/VND19,230bn on the back of six project launches.
- We project FY22-23F earnings up 44.2% yoy/15.8% yoy driven by strong handovers of six projects and one-off income gains.
- We recommend Hold as we believe market price is close to fair value.

### Stand out with sizeable land bank at HCMC's neighbouring provinces

We like NLG for long-term investment as 1) NLG has sizeable land bank of 681ha as of end-3Q21. Most of them are located at HCMC's neighbouring provinces namely Dong Nai, Long An which are drawing investors' attention thanks to infrastructure development and 2) NLG's high exposure to the mid-range and affordable condo segments as these segments are driven by real end-user demand.

### Strong presales momentum likely to continue in 4Q21F and FY22-23F

In 9M21, NLG sold 1,355 units from five projects, valued at VND5,078bn, significantly higher than the VND3,811bn achieved in FY20. We believe strong presales momentum to continue in 4Q21F and FY22-23F, driven by the launches of two new projects namely Izumi City and Paragon Dai Phuoc, together with four on-going projects. We forecast NLG's FY21F/22F/23F presales to reach VND9,595bn (+151.8% yoy), VND16,332bn (+70.2% yoy) and VND19,230bn (+17.7% yoy), respectively.

### Solid FY22-23F earnings upon aggressive handover schedule

We expect NLG could book the VND600bn one-off income from a 50% stake transfer at Paragon Dai Phuoc in FY22F (NLG completed to transfer 25% stakes at this project in 3Q21). Together with the aggressive handovers from four projects namely Akari, Southgate, Can Tho and Izumi City, we forecast FY22F NP to rise 44.2% yoy to VND1,695bn. We project FY23F NP to grow 15.8% yoy to VND1,962bn backed by the new contribution of Paragon Dai Phuoc together with its four on-going projects. We believe NLG would focus on its on-going mega projects in the South in FY22F and go to the North with Hai Phong Nam Long project since FY23F.

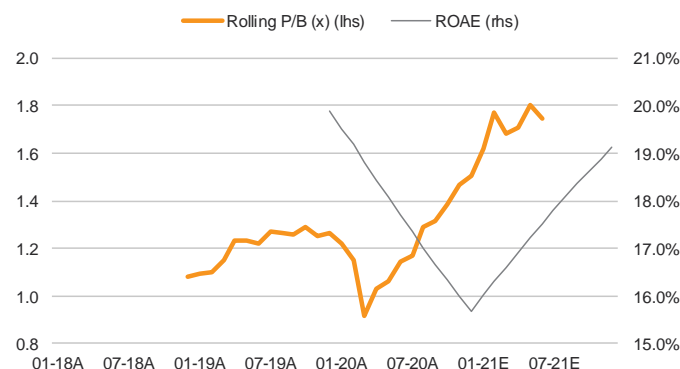
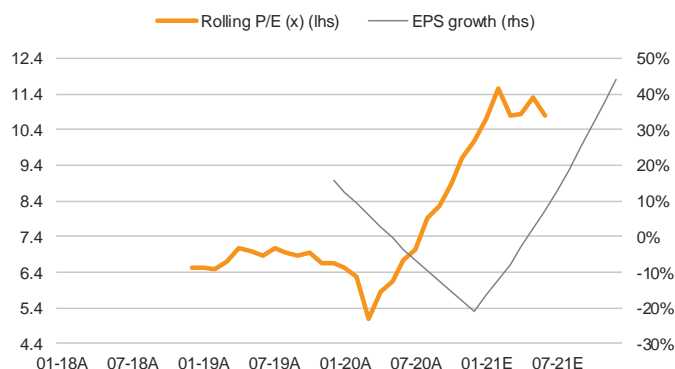
### Hold with an RNAV-based TP of VND54,800

Re-rating catalysts are higher-than-expected selling prices of the next sale phases of its on-going projects. Key downside risks 1) delays in obtaining permits for new launches, 2) the bounce back of mortgage rates as these may dent NLG's mid-range condo presales, and 3) further upward trend in construction material prices.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	2,217	4,587	7,265	11,089
Revenue growth	(12.9%)	106.9%	58.4%	52.6%
Gross margin	30.3%	33.5%	41.1%	44.9%
EBITDA margin	47.2%	33.3%	32.1%	34.7%
Net profit (bn)	835	1,175	1,695	1,962
Net profit growth	(13.1%)	40.8%	44.2%	15.8%
Recurring profit growth	(14.0%)	40.8%	44.2%	15.8%
Basic EPS	2,927	3,079	4,440	5,141
Adjusted EPS	2,780	2,925	4,218	4,884
BVPS	19,641	23,814	26,601	30,021
ROAE	15.7%	16.0%	17.6%	18.2%

Source: VND RESEARCH

## Valuation



### Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	4,587	7,265	11,089
Cost of sales	(3,048)	(4,276)	(6,115)
Gen & admin expenses	(633)	(757)	(865)
Selling expenses	(257)	(438)	(702)
<b>Operating profit</b>	<b>649</b>	<b>1,794</b>	<b>3,407</b>
Operating EBITDA	588	1,733	3,345
<b>Depreciation and amortisation</b>	<b>60</b>	<b>61</b>	<b>62</b>
<b>Operating EBIT</b>	<b>649</b>	<b>1,794</b>	<b>3,407</b>
Interest income	418	700	210
Financial expense	(110)	(139)	(144)
Net other income	429	16	10
Income from associates & JVs	94	(14)	284
<b>Pre-tax profit</b>	<b>1,480</b>	<b>2,358</b>	<b>3,767</b>
Tax expense	(148)	(291)	(641)
Minority interest	(157)	(372)	(1,163)
<b>Net profit</b>	<b>1,175</b>	<b>1,695</b>	<b>1,962</b>
Adj. net profit to ordinary	1,175	1,695	1,962
Ordinary dividends	(573)	(573)	(573)
<b>Retained earnings</b>	<b>603</b>	<b>1,122</b>	<b>1,390</b>

### Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	1,894	1,001	4,184
Short term investments	1,393	1,393	1,393
Accounts receivables	2,436	2,868	3,515
Inventories	16,660	21,622	24,630
Other current assets	330	345	397
<b>Total current assets</b>	<b>22,712</b>	<b>27,229</b>	<b>34,119</b>
Fixed assets	111	101	90
Total investments	867	854	854
Other long-term assets	1,071	1,178	1,408
<b>Total assets</b>	<b>24,762</b>	<b>29,362</b>	<b>36,471</b>
Short-term debt	1,212	1,200	1,715
Accounts payable	570	799	1,143
Other current liabilities	5,003	7,449	11,349
<b>Total current liabilities</b>	<b>6,784</b>	<b>9,448</b>	<b>14,207</b>
Total long-term debt	2,684	3,134	3,084
Other liabilities	1,804	1,854	1,785
Share capital	3,817	3,817	3,817
Retained earnings reserve	2,616	3,679	4,984
<b>Shareholders' equity</b>	<b>9,089</b>	<b>10,153</b>	<b>11,458</b>
Minority interest	4,401	4,773	5,937
<b>Total liabilities &amp; equity</b>	<b>24,762</b>	<b>29,362</b>	<b>36,471</b>

### Cash flow statement

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>1,480</b>	<b>2,358</b>	<b>3,767</b>
Depreciation & amortisation	60	61	62
Tax paid	(148)	(291)	(641)
Other adjustments	(942)	(706)	(561)
<b>Change in working capital</b>	<b>(1,774)</b>	<b>(2,889)</b>	<b>165</b>
<b>Cash flow from operations</b>	<b>(1,324)</b>	<b>(1,467)</b>	<b>2,792</b>
Capex	(162)	(7)	(7)
Proceeds from assets sales	0	0	0
Others	(1,252)	716	504
Other non-current assets changes			
<b>Cash flow from investing activities</b>	<b>(1,413)</b>	<b>709</b>	<b>497</b>
New share issuance	2,255	0	0
Shares buyback	383	0	0
Net borrowings	1,439	438	466
Other financing cash flow	0	0	0
Dividends paid	(573)	(573)	(573)
<b>Cash flow from financing activities</b>	<b>3,504</b>	<b>(134)</b>	<b>(107)</b>
Cash and equivalents at beginning of period	1,073	1,894	1,001
<b>Total cash generated</b>	<b>766</b>	<b>(892)</b>	<b>3,182</b>
Cash and equivalents at the end of period	1,839	1,001	4,184

### Key ratios

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	25.6%	23.3%	17.7%
Asset turnover	0.24	0.27	0.34
ROAA	6.1%	6.3%	6.0%
Avg assets/avg equity	2.61	2.81	3.05
ROAE	16.0%	17.6%	18.2%
<b>Efficiency</b>			
Days account receivable	43.1	33.7	28.4
Days inventory	1,994.9	1,845.6	1,470.2
Days creditor	68.2	68.2	68.2
Fixed asset turnover	40.46	68.56	116.28
ROIC	6.8%	8.8%	8.8%
<b>Liquidity</b>			
Current ratio	3.3	2.9	2.4
Quick ratio	0.9	0.6	0.7
Cash ratio	0.5	0.3	0.4
Cash cycle	1,969.8	1,811.1	1,430.5
<b>Growth rate (yoy)</b>			
Revenue growth	106.9%	58.4%	52.6%
Operating profit growth	174.5%	176.6%	89.9%
Net profit growth	40.8%	44.2%	15.8%
EPS growth	5.2%	44.2%	15.8%

Source: VND RESEARCH

## PETROVIETNAM POWER NHONTRACH 2 JSC (NT2)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND22,300	VND29,200	11.89%	Add	POWER

26 November 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Positive**

Consensus\*: Add:7 Hold:0 Reduce:1

Target price / Consensus: 15.2%

### Key changes in the report

➤ N/A

### Price performance



### Key statistics

52w high (VND)	26,000
52w low (VND)	18,350
3m Avg daily value (VNDmn)	25,772
Market cap (VND bn)	6,434
Free float (%)	9
TTM P/E (x)	10.3
Current P/B (x)	1.49

### Ownership

PetroVietnam Power	59.4%
CFTD Technologies	8.3%
Others	32.30%

Source: VND RESEARCH

### Analyst(s):

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## Top pick for dividend play

- We expect Vietnam gas-fired output to rebound in 2022F thanks to stable oil price, La Nina weakens, and recovery power consumption from 2022F.
- NT2's net profit may grow 3.9%/25.8% yoy in FY21-22F before decreasing 17.9% yoy in FY23F due to the maintenance plan.
- Recommend Add with target price of VND29,200.

### We believe Vietnam gas-fired power output will recover from 2022F

Vietnam gas-fired power output recorded a decreasing trend from 2016 when domestic gas fuel became rarer while the new gas fields such as Blue Whale, Block B, and Sao Vang Dai Nguyet require a higher price due to complex exploiting conditions. Besides, the sharp rise in international oil price is the resonance reason, leading to the increase in gas prices. However, we expect some promising factors that will support gas-fired output to rebound in 2022F, including (1) Brent oil price is forecasted to stabilize and move around 69- 71US\$/barrel, reducing the stress for gas-fired price hike from 2022F, (2) hydropower will come out of its peak period from 2022F when the La Nina phase weakens, and (3) Power consumption will recover, and the growth rate will return to the planned level, especially in the South and industrial areas when Vietnam reaches a solid vaccination rate.

### Embark on growth in 2022F

We expect NT2's output will drop 12.5% yoy in FY21F then bounce back 20% yoy in FY22F before retreating 3.8% yoy in FY23F (maintenance plan). ASP will record a leap of 12.5% yoy in FY21F and continue to remain high level of around VND1,723-1760/kWh in FY22-23F. We believe the debt repayment in 2Q21 will help reduce NT2's interest expense and exchange rate risk and improve its future financing cash flow. We forecast financial expense will decrease 73.1% yoy in FY21F then remain stable of VND49bn and VND35bn in FY22-23F, respectively. Consequently, NT2's net profit may grow 3.9%/25.8% yoy in FY21-22F before decreasing 17.9% yoy in FY23F due to the maintenance plan.

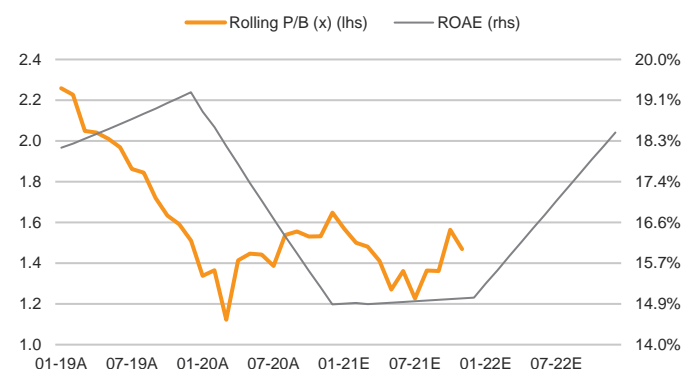
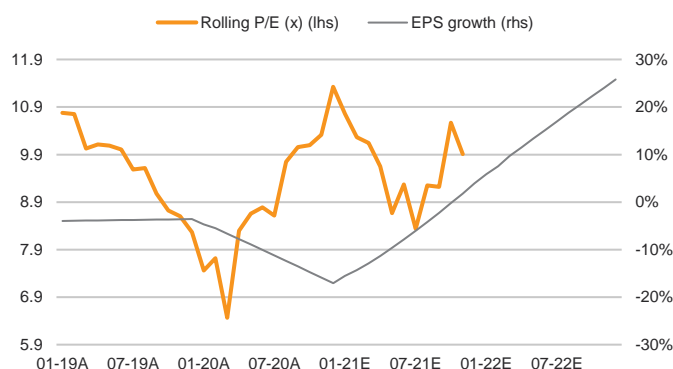
### Recommend Add with target price of VND29,200

We recommend Add on NT2 based on equal combination of DCF (WACC: 13.5%) and EV/EBITDA multiple (target multiple: 5.7x). We think it's time to accumulate a defensive stock with limited downside risks but attractive dividend policy like NT2. Upside risks are 1) higher-than-expected power output, 2) NT2's surprise earnings of VND400bn will be address in the future when finishing the temporary exchange rate negotiation with EVN in the power purchase agreement (PPA). Downside risks are 1) fuel price remain high, hampering the output mobilization, 2) lower-than-expected power consumption growth due to the risks from Covid-19.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	6,082	5,985	7,062	6,938
Revenue growth	(20.5%)	(1.6%)	18.0%	(1.8%)
Gross margin	14.7%	13.4%	14.1%	11.9%
EBITDA margin	22.3%	23.1%	22.1%	20.2%
Net profit (bn)	625	650	818	671
Net profit growth	(17.1%)	3.9%	25.8%	(17.9%)
Recurring profit growth				
Basic EPS	2,172	2,258	2,840	2,331
Adjusted EPS	2,172	2,258	2,840	2,331
BVPS	14,928	15,196	15,563	15,418
ROAE	14.8%	15.0%	18.5%	15.0%

Source: VND RESEARCH



**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	5,985	7,062	6,938
Cost of sales	(5,186)	(6,066)	(6,110)
Gen & admin expenses	(77)	(89)	(91)
Selling expenses	0	0	0
<b>Operating profit</b>	<b>723</b>	<b>907</b>	<b>737</b>
Operating EBITDA	1,417	1,600	1,427
<b>Depreciation and amortisation</b>	<b>(694)</b>	<b>(693)</b>	<b>(690)</b>
<b>Operating EBIT</b>	<b>723</b>	<b>907</b>	<b>737</b>
Interest income	14	14	14
Financial expense	(43)	(49)	(35)
Net other income	(4)	(4)	(4)
Income from associates & JVs			
<b>Pre-tax profit</b>	<b>690</b>	<b>868</b>	<b>712</b>
Tax expense	(40)	(50)	(41)
Minority interest	0	0	0
<b>Net profit</b>	<b>650</b>	<b>818</b>	<b>671</b>
Adj. net profit to ordinary	650	818	671
Ordinary dividends	(576)	(720)	(720)
<b>Retained earnings</b>	<b>74</b>	<b>98</b>	<b>(49)</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	481	1,228	1,883
Short term investments	0	0	0
Accounts receivables	1,563	1,813	1,796
Inventories	264	335	324
Other current assets	11	18	15
<b>Total current assets</b>	<b>2,320</b>	<b>3,394</b>	<b>4,019</b>
Fixed assets	3,501	2,814	2,131
Total investments	0	0	0
Other long-term assets	259	333	314
<b>Total assets</b>	<b>6,080</b>	<b>6,542</b>	<b>6,463</b>
Short-term debt	283	283	283
Accounts payable	419	647	573
Other current liabilities	999	1,117	1,151
<b>Total current liabilities</b>	<b>1,701</b>	<b>2,047</b>	<b>2,006</b>
Total long-term debt	0	0	0
Other liabilities	5	15	18
Share capital	2,879	2,879	2,879
Retained earnings reserve	1,356	1,454	1,405
<b>Shareholders' equity</b>	<b>4,375</b>	<b>4,480</b>	<b>4,438</b>
Minority interest	0	0	0
<b>Total liabilities &amp; equity</b>	<b>6,080</b>	<b>6,542</b>	<b>6,463</b>

**Cash flow statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>690</b>	<b>868</b>	<b>712</b>
Depreciation & amortisation	694	693	690
Tax paid	(40)	(50)	(41)
Other adjustments	(76)	(26)	(14)
<b>Change in working capital</b>	<b>212</b>	<b>(35)</b>	<b>12</b>
<b>Cash flow from operations</b>	<b>1,480</b>	<b>1,449</b>	<b>1,359</b>
Capex	(7)	(6)	(6)
Proceeds from assets sales	2	1	2
Others	(4)	(0)	0
Other non-current assets changes	14	14	14
<b>Cash flow from investing activities</b>	<b>5</b>	<b>9</b>	<b>9</b>
New share issuance	0	0	0
Shares buyback			
Net borrowings	(492)	0	0
Other financing cash flow	3	8	7
Dividends paid	(576)	(720)	(720)
<b>Cash flow from financing activities</b>	<b>(1,065)</b>	<b>(712)</b>	<b>(713)</b>
Cash and equivalents at beginning of period	62	481	1,228
<b>Total cash generated</b>	<b>420</b>	<b>746</b>	<b>655</b>
Cash and equivalents at the end of period	481	1,228	1,883

**Key ratios**

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	10.9%	11.6%	9.7%
Asset turnover	0.96	1.12	1.07
ROAA	10.4%	13.0%	10.3%
Avg assets/avg equity	1.44	1.43	1.46
ROAE	15.0%	18.5%	15.0%
<b>Efficiency</b>			
Days account receivable	91.7	90.1	90.9
Days inventory	18.5	20.1	19.3
Days creditor	29.5	38.9	34.2
Fixed asset turnover	1.56	2.24	2.81
ROIC	14.0%	17.2%	14.2%
<b>Liquidity</b>			
Current ratio	1.4	1.7	2.0
Quick ratio	1.2	1.5	1.8
Cash ratio	0.3	0.6	0.9
Cash cycle	80.7	71.3	76.0
<b>Growth rate (yoy)</b>			
Revenue growth	(1.6%)	18.0%	(1.8%)
Operating profit growth	(10.7%)	25.4%	(18.7%)
Net profit growth	3.9%	25.8%	(17.9%)
EPS growth	3.9%	25.8%	(17.9%)

Source: VND RESEARCH



## PORT OF HAI PHONG JSC (PHP)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND29,000	VND29,200	2.1%	Hold	INDUSTRIALS

26 November 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Neutral**

Consensus\*: Add:0 Hold:1 Reduce:0

Target price / Consensus: NA

### Key changes in the report

➤ N/A

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	25,500
52w low (VND)	9,500
3m Avg daily value (VNDmn)	1,904
Market cap (VND bn)	7,520
Free float (%)	7
TTM P/E (x)	19.8
Current P/B (x)	2.21

### Ownership

Vinalines	92.6%
Others	7.4%

Source: VND RESEARCH

### Analyst(s):



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## Reach the big sea

- Owning the largest market share in Hai Phong – Vietnam's second largest port cluster, PHP is well-positioned to ride on the buoyant ocean trade.
- The deep-water port development fuels long-term growth while the plan of Hoang Dieu port relocation is near-term catalyst.
- Recommend Hold with SOTP-based target price of VND29,200.

### Well-positioned to ride on the buoyant ocean trade

Haiphong International Gateway Port (HIGP) is located in Dinh Vu – Cat Hai economic zones, one of the five key coastal economic zone of Vietnam. In order to cement the leading position in Hai Phong port cluster, PHP is going to invest in two wharves in HIGP from 3Q21F. The construction is set to begin in 3Q21F and expected to be completed by 2025. We expect PHP's deep-water port to contribute 33.3% to PHP's total container volume since 2027F onward.

### Hoang Dieu port relocation is still near-term catalyst

In short-term, we believe two other catalysts that would positively affect PHP including: (1) Hoang Dieu port relocation plan might be approved within 2021 following the construction progress of Nguyen Trai bridge, which has completed the necessary procedures and about to start at end-2021, and (2) we expect the government to approve the seaport services fee increase in 2022F.

### The new deep-sea port is growth engine in longer run

Giving Hai Phong port cluster's prime location, we expect PHP's container volume to grow 19.7% yoy in FY21F. However, PHP's current ports are running close to their designed capacity (about 106% at end-FY21). Thus, we forecast PHP's container volume to slow down to 6.3%/4.1% yoy during FY22-23F. PHP is going to invest the new deep-sea port in Hai Phong Int'l Gateway Port (HIGP) which will enhance its capacity by 52.4% to 3,200,000 TEUs p.a. With the inauguration of Wharf No.3 in 3Q23F and Wharf No.4 in 3Q25F, we expect PHP's container volume to rise steadily at 9.5% CAGR over FY24-27F.

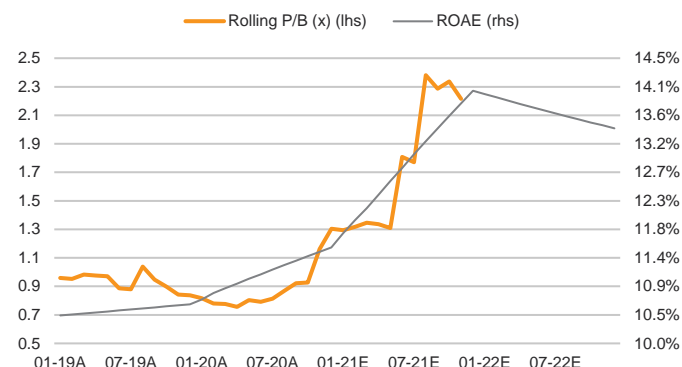
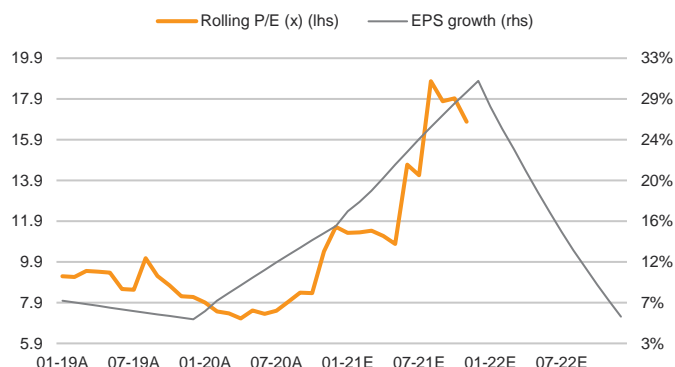
### Recommend Hold with SOTP-based TP of VND29,200

We recommend Hold on PHP with SOTP-based TP of VND29,200. Downside risks include (1) uncertainties arising from global pandemic or crisis that could disrupt global trade may directly affect PHP's financial results through lower-than-expected cargo volume throughput and lower-than-expected cargo services price, and (2) longer-than-expected deep-water port completion time. Re-rating catalysts include (1) higher-than-expected cargo volume and services price of PHP's ports, and (2) Hoang Dieu port relocation plan and seaport fee increase proposal is approved.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	2,031	2,394	2,671	2,854
Revenue growth	(4.1%)	17.9%	11.6%	6.8%
Gross margin	35.4%	38.2%	40.5%	41.4%
EBITDA margin	46.0%	47.2%	47.8%	47.4%
Net profit (bn)	447	584	618	640
Net profit growth	15.4%	30.6%	5.8%	3.5%
Recurring profit growth	15.7%	27.3%	5.6%	3.4%
Basic EPS	1,368	1,788	1,891	1,958
Adjusted EPS	1,368	1,788	1,891	1,958
BVPS	12,186	13,374	14,865	16,423
ROAE	11.5%	14.0%	13.4%	12.5%

Source: VND RESEARCH

## Valuation



### Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	2,394	2,671	2,854
Cost of sales	(1,480)	(1,589)	(1,673)
Gen & admin expenses	(211)	(235)	(250)
Selling expenses	0	0	0
<b>Operating profit</b>	<b>703</b>	<b>848</b>	<b>931</b>
Operating EBITDA	913	1,052	1,131
<b>Depreciation and amortisation</b>	<b>(210)</b>	<b>(205)</b>	<b>(200)</b>
<b>Operating EBIT</b>	<b>703</b>	<b>848</b>	<b>931</b>
Interest income	179	184	178
Financial expense	(36)	(144)	(193)
Net other income	22	24	26
Income from associates & JVs	36	40	43
<b>Pre-tax profit</b>	<b>905</b>	<b>952</b>	<b>984</b>
Tax expense	(174)	(183)	(189)
Minority interest	(146)	(150)	(155)
<b>Net profit</b>	<b>584</b>	<b>618</b>	<b>640</b>
Adj. net profit to ordinary	584	618	640
Ordinary dividends	(196)	(131)	(131)
<b>Retained earnings</b>	<b>388</b>	<b>488</b>	<b>509</b>

### Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	534	596	636
Short term investments	2,614	2,300	2,287
Accounts receivables	449	501	535
Inventories	71	76	80
Other current assets	21	23	24
<b>Total current assets</b>	<b>3,689</b>	<b>3,495</b>	<b>3,562</b>
Fixed assets	2,210	2,153	5,604
Total investments	270	270	270
Other long-term assets	582	2,591	598
<b>Total assets</b>	<b>6,751</b>	<b>8,509</b>	<b>10,033</b>
Short-term debt	43	48	51
Accounts payable	100	108	114
Other current liabilities	404	437	462
<b>Total current liabilities</b>	<b>548</b>	<b>593</b>	<b>627</b>
Total long-term debt	999	2,073	2,899
Other liabilities	9	10	10
Share capital	3,270	3,270	3,270
Retained earnings reserve	1,040	1,528	2,037
<b>Shareholders' equity</b>	<b>4,373</b>	<b>4,860</b>	<b>5,370</b>
Minority interest	822	973	1,127
<b>Total liabilities &amp; equity</b>	<b>6,751</b>	<b>8,509</b>	<b>10,033</b>

### Cash flow statement

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>905</b>	<b>952</b>	<b>984</b>
Depreciation & amortisation	210	205	200
Tax paid	(174)	(183)	(189)
Other adjustments	0	0	0
<b>Change in working capital</b>	<b>(15)</b>	<b>(18)</b>	<b>(9)</b>
<b>Cash flow from operations</b>	<b>926</b>	<b>955</b>	<b>986</b>
Capex	(650)	(2,149)	(1,652)
Proceeds from assets sales	0	0	0
Others	(341)	307	8
Other non-current assets changes			
<b>Cash flow from investing activities</b>	<b>(991)</b>	<b>(1,843)</b>	<b>(1,644)</b>
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	342	1,080	829
Other financing cash flow	0	0	0
Dividends paid	(196)	(131)	(131)
<b>Cash flow from financing activities</b>	<b>145</b>	<b>949</b>	<b>699</b>
Cash and equivalents at beginning of period	453	534	596
<b>Total cash generated</b>	<b>81</b>	<b>62</b>	<b>41</b>
Cash and equivalents at the end of period	534	596	636

### Key ratios

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	24.4%	23.2%	22.4%
Asset turnover	0.38	0.35	0.31
ROAA	9.3%	8.1%	6.9%
Avg assets/avg equity	1.50	1.65	1.81
ROAE	14.0%	13.4%	12.5%
<b>Efficiency</b>			
Days account receivable	55.5	55.5	55.5
Days inventory	17.6	17.6	17.6
Days creditor	24.8	24.8	24.8
Fixed asset turnover	1.07	1.22	0.74
ROIC	9.4%	7.8%	6.8%
<b>Liquidity</b>			
Current ratio	6.7	5.9	5.7
Quick ratio	6.6	5.8	5.6
Cash ratio	5.7	4.9	4.7
Cash cycle	48.3	48.3	48.3
<b>Growth rate (yoy)</b>			
Revenue growth	17.9%	11.6%	6.8%
Operating profit growth	30.2%	20.6%	9.8%
Net profit growth	30.6%	5.8%	3.5%
EPS growth	30.6%	5.8%	3.5%

Source: VND RESEARCH

## PHUOC HOA RUBBER JSC (PHR)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND70,700	VND77,100	4.83%	Hold	PROPERTY

26 November 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Neutral**

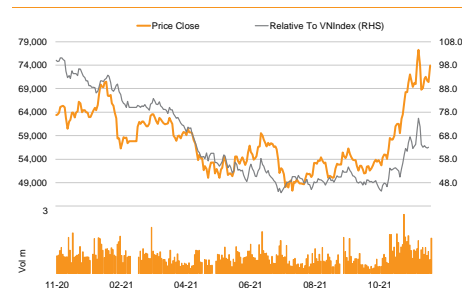
Consensus\*: Add:4 Hold:2 Reduce:0

Target price / Consensus: 12.0%

### Key changes in the report

➤ N/A

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	77,300
52w low (VND)	47,300
3m Avg daily value (VNDmn)	56,568
Market cap (VNDbn)	9,539
Free float (%)	18
TTM P/E (x)	13.9
Current P/B (x)	3.0

### Ownership

Vietnam Rubber Group	66.6%
Others	33.4%

Source: VND RESEARCH

### Analyst(s):



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## Dawn comes after the darkness

- PHR owns more than 22,500ha rubber plantations in Vietnam and Cambodia. 5,600ha out of that will be converted to industrial parks (IP).
- We expect a 48.5% net profit CAGR over FY21-25F, driven by a rise in rubber business and the contribution from IP revenue and compensation.
- Recommend Hold with SOTP-based TP of VND77,100.

### Among largest local natural rubber producer

PHR is the third-largest natural rubber producer with plantations of 14,500ha in Vietnam and c.8,000ha in Cambodia. PHR aims to convert more than 5,600ha rubber land fund into industrial park in Binh Duong to capture the growing demand for Vietnam industrial park. We expect about 2,600ha of four IPs might be put into operation in the next three years. Thus, revenue from IP is estimated to grow a CARG of 85.7% over FY23-25F.

### Brighter natural rubber business outlook thanks to young plantation

We see the positive outlook of PHR's rubber business, regarding to growing demand and increasing natural rubber prices, trailing the brent oil prices. We forecast that the price of natural rubber will stay at VND43.4-47.5m/ton for the next five years fueled by a strong demand from US and China automotive market. We forecast PHR's rubber revenue to reach a CAGR of 10.0% with a consumption CAGR of 8.7% over FY21-25F.

### Solid FY22-25F earnings outlook backed by IP contribution

We expect PHR could receive the VND898bn payment of compensation and resettlement support for 691ha of VSIP 3 IP in FY22F, leading to a 161.1% yoy surge in FY22F net profit. We forecast PHR to deliver a net profit CAGR of 48.1% over FY23-25F, driven by 1) an IP revenue CAGR of 85.7% and an associates income CAGR of 43.8% fueled by the contribution of four new IPs and 2) a revenue CAGR of 9.6% in natural rubber revenue on a strong demand from US and China automotive market.

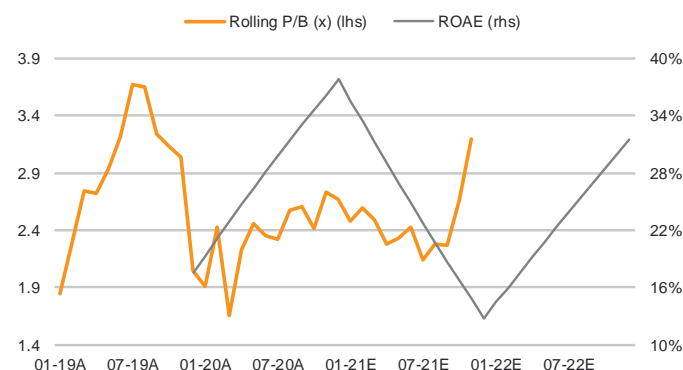
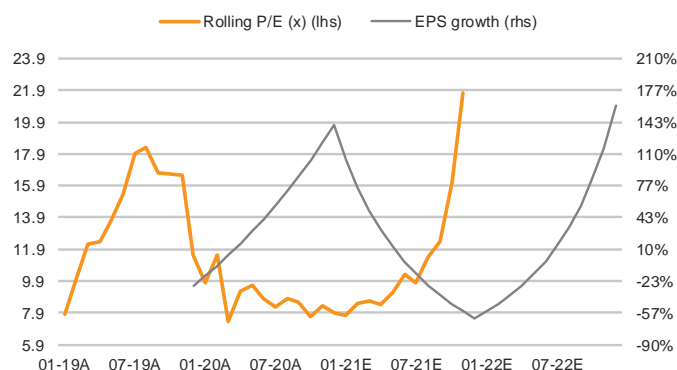
### We recommend Hold with SOTP-based TP of VND77,100

Upside catalysts could come from whether PHR can clear legal hurdles to start its new IPs and receive the payment of land compensation sooner-than-expected. Downside risks are: 1) prolong 4th COVID-19 outbreak which could restrict sales and investment activities, 2) regulatory delays in IPs project, leading to delays in operation and receiving payment of land compensation, 3) risk of falling rubber prices due to oversupply, global inventories, which has thin profit margins.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	1,635	2,074	2,083	2,761
Revenue growth	8.5%	26.9%	0.5%	32.5%
Gross margin	23.8%	21.5%	16.6%	25.2%
EBITDA margin	23.2%	19.9%	15.0%	23.9%
Net profit (bn)	1,082	403	1,052	893
Net profit growth	140.5%	(62.8%)	161.1%	(15.2%)
Recurring profit growth	162.9%	(66.3%)	182.4%	(17.8%)
Basic EPS	7,985	2,974	7,766	6,588
Adjusted EPS	7,655	2,851	7,445	6,316
BVPS	23,620	23,047	26,308	28,626
ROAE	37.8%	12.7%	31.5%	24.0%

Source: VND RESEARCH

## Valuation



### Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	2,074	2,083	2,761
Cost of sales	(1,628)	(1,738)	(2,066)
Gen & admin expenses	(92)	(96)	(100)
Selling expenses	(28)	(28)	(29)
<b>Operating profit</b>	<b>326</b>	<b>221</b>	<b>565</b>
Operating EBITDA	413	312	660
<b>Depreciation and amortisation</b>	<b>87</b>	<b>91</b>	<b>95</b>
<b>Operating EBIT</b>	<b>326</b>	<b>221</b>	<b>565</b>
Interest income	196	198	238
Financial expense	(39)	(60)	(72)
Net other income	50	932	231
Income from associates & JVs	22	75	208
<b>Pre-tax profit</b>	<b>554</b>	<b>1,366</b>	<b>1,171</b>
Tax expense	(111)	(273)	(234)
Minority interest	(40)	(40)	(44)
<b>Net profit</b>	<b>403</b>	<b>1,052</b>	<b>893</b>
Adj. net profit to ordinary	360	1,015	834
Ordinary dividends	(400)	(400)	(400)
<b>Retained earnings</b>	<b>3</b>	<b>652</b>	<b>493</b>

### Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	176	474	532
Short term investments	1,942	1,943	1,943
Accounts receivables	45	97	107
Inventories	390	429	472
Other current assets	106	114	123
<b>Total current assets</b>	<b>2,880</b>	<b>3,259</b>	<b>3,413</b>
Fixed assets	2,346	2,773	3,023
Total investments	404	478	687
Other long-term assets	452	453	452
<b>Total assets</b>	<b>6,251</b>	<b>7,122</b>	<b>7,722</b>
Short-term debt	94	214	214
Accounts payable	20	21	25
Other current liabilities	787	884	855
<b>Total current liabilities</b>	<b>1,159</b>	<b>1,397</b>	<b>1,417</b>
Total long-term debt	330	551	840
Other liabilities	1,488	1,418	1,351
Share capital	1,355	1,355	1,355
Retained earnings reserve	372	604	739
<b>Shareholders' equity</b>	<b>3,123</b>	<b>3,565</b>	<b>3,879</b>
Minority interest			
<b>Total liabilities &amp; equity</b>	<b>6,251</b>	<b>7,122</b>	<b>7,722</b>

### Cash flow statement

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>554</b>	<b>1,366</b>	<b>1,171</b>
Depreciation & amortisation	87	91	95
Tax paid	(111)	(273)	(234)
Other adjustments	(77)	(129)	(267)
<b>Change in working capital</b>	<b>(173)</b>	<b>(163)</b>	<b>(110)</b>
<b>Cash flow from operations</b>	<b>88</b>	<b>669</b>	<b>271</b>
Capex	(72)	(508)	(334)
Proceeds from assets sales	0	0	0
Others	353	198	238
Other non-current assets changes	0	0	0
<b>Cash flow from investing activities</b>	<b>281</b>	<b>(310)</b>	<b>(96)</b>
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	0	341	289
Other financing cash flow	(220)	0	0
Dividends paid	(400)	(400)	(400)
<b>Cash flow from financing activities</b>	<b>(620)</b>	<b>(59)</b>	<b>(111)</b>
Cash and equivalents at beginning of period	428	176	474
<b>Total cash generated</b>	<b>(252)</b>	<b>299</b>	<b>65</b>
Cash and equivalents at the end of period	176	475	539

### Key ratios

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	21.4%	52.4%	33.9%
Asset turnover	0.32	0.31	0.37
ROAA	6.3%	15.7%	12.0%
Avg assets/avg equity	2.02	2.00	1.99
ROAE	12.7%	31.5%	24.0%
<b>Efficiency</b>			
Days account receivable	7.9	17.0	14.2
Days inventory	87.4	90.1	83.4
Days creditor	4.5	4.5	4.5
Fixed asset turnover	1.05	1.06	1.40
ROIC	10.9%	23.3%	17.3%
<b>Liquidity</b>			
Current ratio	2.5	2.3	2.4
Quick ratio	2.1	2.0	2.1
Cash ratio	1.8	1.7	1.7
Cash cycle	90.9	102.7	93.1
<b>Growth rate (yoy)</b>			
Revenue growth	26.9%	0.5%	32.5%
Operating profit growth	12.6%	(14.0%)	116.8%
Net profit growth	(62.8%)	161.1%	(15.2%)
EPS growth	(62.8%)	161.1%	(15.2%)

Source: VND RESEARCH



## PETROLIMEX (PLX)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND56,800	VND64,900	5.14%	Add	OIL & GAS

26 November 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Positive**

Consensus\*: Add:5 Hold:0 Reduce:0

Target price / Consensus: -1.4%

### Key changes in the report

➤ N/A

### Price performance



### Key statistics

52w high (VND)	62,100
52w low (VND)	47,200
3m Avg daily value (VNDmn)	102,056
Market cap (VND bn)	73,694
Free float (%)	6
TTM P/E (x)	74.3
Current P/B (x)	3.47

### Ownership

Commission for the Management of State Capital	75.9%
Jx Nippon Oil & Energy Vietnam	8.0%
ENEOS Corporation	5.1%
Others	11.0%

Source: VND RESEARCH

### Analyst(s):



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## Tailwind already blowing

- Petrolimex (PLX) is the market leader in Vietnam's petroleum distribution, accounting for 50% of total market share.
- We expect FY22F net profit to grow 27.7% yoy following the domestic petroleum consumption rebound after the pandemic.
- Recommend ADD with a TP of VND64,900.

### The market leader in Vietnam's petroleum distribution sector

Owning 50% of total market share, PLX is the market leader in the Vietnamese petroleum distribution sector. Notably, PLX has owned many competitive advantages which help the company to dominate in the industry, including: (1) nationwide network of petroleum stations, and (2) the largest technical infrastructure amongst the key petroleum traders in Vietnam.

### FY21F results to strongly recover due to higher fuel prices

PLX's 9M21 revenue rose 29% yoy to VND119,741bn thanks to higher average selling prices (+c.24% yoy). Meanwhile, 9M21 GPM improved 1.2% pts as PLX did not book inventories provision like 9M20. As a result, 9M21 NP jumped 60 times yoy from 9M20 low base to VND2,235bn. For FY21F, we believe in 4Q21F stronger ahead as the Government has eased social distancing and PLX could gain benefits from increasing inventories at end-3Q21 amid the fuel prices upward trend. Hence, we estimate FY21F NP to grow 245.8% yoy.

### FY22F outlook: earnings to accelerate on sales volume recovery

After hit hard in 3Q21 due to Delta outbreak, we expect PLX's domestic petroleum sales volume to recover in FY22F and record a grow rate of 5% yoy, almost even with pre-Covid level, thanks to Vietnam's community mobility and manufacturing activities to be back to "new normal" situation. Besides, we forecast FY22F JetA1 sales volume to greatly increase by 65% yoy following the aviation activities bounce back after the pandemic. Generally, we expect PLX's NP to grow 27.7% yoy in FY22F on the back of: (1) strong sales volume recovery, and (2) average selling price to expectedly remain high next year. Notably, we consider divestment from PG Bank as a near-term catalyst for PLX as PLX could recognize non-recurring income up to over VND1,500bn.

### PLX is our top pick for the sector

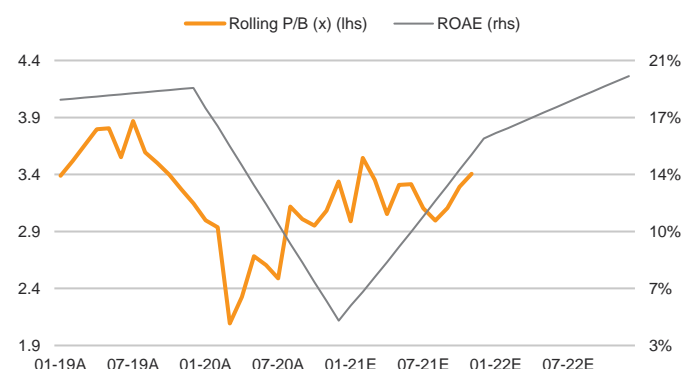
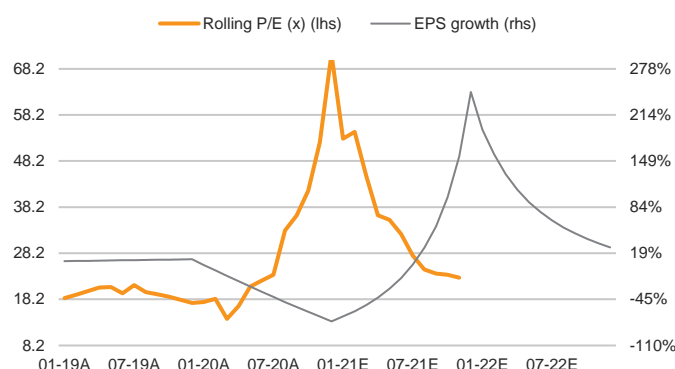
Our TP is VND64,900, based on DCF valuation. Re-rating catalysts include higher-than-expect petroleum sales volume and the divestment from PG Bank deal. Downside risk comes from the prolonged Covid-19 pandemic which could hurt the demand for petroleum products.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	123,919	165,068	182,257	196,642
Revenue growth	(34.6%)	33.2%	10.4%	7.9%
Gross margin	8.1%	7.8%	7.7%	7.5%
EBITDA margin	3.4%	4.5%	4.9%	4.7%
Net profit (bn)	988	3,418	4,367	4,609
Net profit growth	(76.2%)	245.8%	27.7%	5.5%
Recurring profit growth				
Basic EPS	764	2,642	3,375	3,562
Adjusted EPS	764	2,642	3,375	3,562
BVPS	16,356	16,708	17,171	17,975
ROAE	4.5%	16.0%	19.9%	20.3%

Source: VND RESEARCH



## Valuation



### Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	165,068	182,257	196,642
Cost of sales	(152,243)	(168,303)	(181,879)
Gen & admin expenses	(714)	(710)	(766)
Selling expenses	(8,397)	(8,338)	(8,827)
<b>Operating profit</b>	<b>3,715</b>	<b>4,906</b>	<b>5,170</b>
Operating EBITDA	5,913	7,200	7,547
<b>Depreciation and amortisation</b>	<b>(2,198)</b>	<b>(2,294)</b>	<b>(2,377)</b>
<b>Operating EBIT</b>	<b>3,715</b>	<b>4,906</b>	<b>5,170</b>
Interest income	997	1,062	1,110
Financial expense	(906)	(1,049)	(1,085)
Net other income	103	217	234
Income from associates & JVs	668	704	737
<b>Pre-tax profit</b>	<b>4,577</b>	<b>5,841</b>	<b>6,167</b>
Tax expense	(767)	(999)	(1,056)
Minority interest	(391)	(475)	(502)
<b>Net profit</b>	<b>3,418</b>	<b>4,367</b>	<b>4,609</b>
Adj. net profit to ordinary	3,418	4,367	4,609
Ordinary dividends	(3,882)	(3,882)	(3,882)
<b>Retained earnings</b>	<b>(463)</b>	<b>485</b>	<b>727</b>

### Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	9,316	10,943	11,062
Short term investments	8,987	8,538	8,111
Accounts receivables	6,921	7,642	8,245
Inventories	10,428	11,528	12,457
Other current assets	1,710	1,888	2,037
<b>Total current assets</b>	<b>37,362</b>	<b>40,538</b>	<b>41,912</b>
Fixed assets	15,575	15,706	15,945
Total investments	4,345	4,578	4,823
Other long-term assets	3,679	3,753	3,828
<b>Total assets</b>	<b>60,962</b>	<b>64,575</b>	<b>66,508</b>
Short-term debt	14,823	14,797	14,755
Accounts payable	12,663	14,481	15,085
Other current liabilities	7,200	8,242	8,369
<b>Total current liabilities</b>	<b>34,686</b>	<b>37,520</b>	<b>38,209</b>
Total long-term debt	1,308	1,382	1,476
Other liabilities	309	340	374
Share capital	12,939	12,939	12,939
Retained earnings reserve	2,516	2,854	3,619
<b>Shareholders' equity</b>	<b>21,618</b>	<b>22,218</b>	<b>23,258</b>
Minority interest	3,040	3,116	3,193
<b>Total liabilities &amp; equity</b>	<b>60,962</b>	<b>64,575</b>	<b>66,508</b>

### Cash flow statement

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>4,577</b>	<b>5,841</b>	<b>6,167</b>
Depreciation & amortisation	2,198	2,294	2,377
Tax paid	(767)	(999)	(1,056)
Other adjustments	(1,334)	(1,228)	(1,073)
<b>Change in working capital</b>	<b>(1,146)</b>	<b>834</b>	<b>(993)</b>
<b>Cash flow from operations</b>	<b>3,527</b>	<b>6,742</b>	<b>5,421</b>
Capex	(2,196)	(2,424)	(2,616)
Proceeds from assets sales	82	82	82
Others	1,062	1,062	1,062
Other non-current assets changes			
<b>Cash flow from investing activities</b>	<b>(1,052)</b>	<b>(1,281)</b>	<b>(1,472)</b>
New share issuance	0	0	0
Shares buyback			
Net borrowings	111	47	52
Other financing cash flow	0	0	0
Dividends paid	(3,882)	(3,882)	(3,882)
<b>Cash flow from financing activities</b>	<b>(3,771)</b>	<b>(3,835)</b>	<b>(3,830)</b>
Cash and equivalents at beginning of period	10,612	9,316	10,943
<b>Total cash generated</b>	<b>(1,295)</b>	<b>1,627</b>	<b>119</b>
Cash and equivalents at the end of period	9,316	10,943	11,062

### Key ratios

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	2.1%	2.4%	2.3%
Asset turnover	2.70	2.90	3.00
ROAA	5.6%	7.0%	7.0%
Avg assets/avg equity	2.85	2.86	2.88
ROAE	16.0%	19.9%	20.3%
<b>Efficiency</b>			
Days account receivable	15.3	15.3	15.3
Days inventory	25.0	25.0	25.0
Days creditor	30.4	31.4	30.3
Fixed asset turnover	10.60	11.65	12.43
ROIC	8.4%	10.5%	10.8%
<b>Liquidity</b>			
Current ratio	1.1	1.1	1.1
Quick ratio	0.8	0.8	0.8
Cash ratio	0.5	0.5	0.5
Cash cycle	9.9	8.9	10.0
<b>Growth rate (yoy)</b>			
Revenue growth	33.2%	10.4%	7.9%
Operating profit growth	490.3%	32.1%	5.4%
Net profit growth	245.8%	27.7%	5.5%
EPS growth	245.8%	27.7%	5.5%

Source: VND RESEARCH

## PHU NHUAN JEWELRY JSC (PNJ)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND101,500	VND128,200	1.96%	Add	CONSUMER GOODS

26 November 2021

**Outlook – Short term:** **Neutral**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Positive**

Consensus\*: Add:11 Hold:3 Reduce:0

Target price / Consensus: 15.2%

### Key changes in the report

➤ N/A

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	110,800
52w low (VND)	72,100
3m Avg daily value (VNDmn)	62,452
Market cap (VND bn)	24,988
Free float (%)	33
TTM P/E (x)	23.1
Current P/B (x)	4.0

### Ownership

Vietnam Enterprise Investments	10.3%
Cao Thị Ngọc Dung	9.0%
Vinacapital	8.1%
Others	72.6%

Source: VND RESEARCH

### Analyst(s):



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## Shining again

- PNJ is Vietnam's biggest jewellery retailer, with a market share of more than 30% of modern jewellery retail chains, based on our estimates.
- PNJ reported Oct 21 revenue posted a strong growth of 13.8% yoy, firming a strong recovery after social distancing period.
- Recommend ADD with target price of VND128,200.

### We see PNJ to shine again since Oct 21

In the first 2 weeks of Oct 21, 94% of PNJ stores reopened and PNJ has continuously promoted marketing activities such as new Style by PNJ models, advertising strategies on social channels such as Facebook. PNJ reported Oct 21 revenue has increased 13.8% yoy and revenue on 20 Oct 21 – women's international - continued to hit a record with a growth rate of about 10% yoy.

### We forecast net profit to grow at 41.7% CAGR over FY22-23F

PNJ has implemented strategies to boost retail sale, including: 1) release an attractive concept – Style by PNJ, 2) effective advertising campaign, and 3) co-operate with Pandora to become “Multi Branded Stores” and have achieved great initial success in 1H21 with net profit growth reaching 67.4% yoy. However, social distancing in 3Q21 has interrupted this growth as most of PNJ's store has to be closed. From 4Q21, we believe that PNJ stores will be allowed to operate continuously and PNJ's strategies will continue to prove its success. Therefore, we expect 41.7% FY22-23F net profit CAGR to reach net profit of VND1,616bn/VND1,982bn in FY22/23F, respectively.

### Minimal impact of rising gold prices on PNJ's business in 2022

With rising inflationary fears, the global gold price may see large volatility in an upward trend in 2022. However, we believe that the increase in gold price has little impact on PNJ's business due to 1) PNJ's main growth engine is retail jewelry and PNJ is tending to develop more stone jewelry products, reducing correlation to gold price, 2) gold bar sales have a very thin gross profit margin and do not contribute much to PNJ's total profit, and 3) PNJ applies good inventory management to control production costs.

### Recommend ADD with a target price of VND128,200

We recommend ADD recommendation with a DCF target price (TP) of VND128,200 per share on the assumptions of a risk-free rate at 3% and WACC at 10.8%. Potential re-rating catalysts include 1) a faster-than-expected store opening, 2) a better-than-expected recovery after the pandemic, and 3) new projects which are expected to boost sales. Downside risk to our call is a wide range social distancing lead to another wide range store closure.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	17,511	18,245	21,769	25,347
Revenue growth	3.0%	4.2%	19.3%	16.4%
Gross margin	19.6%	19.1%	20.0%	20.4%
EBITDA margin	8.9%	7.8%	10.2%	10.7%
Net profit (bn)	1,070	1,006	1,616	1,982
Net profit growth	(10.2%)	(5.9%)	60.7%	22.6%
Recurring profit growth	(9.9%)	(6.2%)	60.7%	22.7%
Basic EPS	4,747	4,465	7,174	8,797
Adjusted EPS	4,210	3,880	6,553	8,148
BVPS	23,267	25,423	30,796	37,793
ROAE	21.8%	18.3%	25.5%	25.7%

Source: VND RESEARCH

## PVPOWER CORP (POW)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND13,550	VND18,100	2.00%	Add	UTILITIES

26 December 2021

**Outlook – Short term:** Positive  
**Outlook – Long term:** Positive  
**Valuation:** Positive

Consensus\*: Add:7 Hold:0 Reduce:0

Target price / Consensus: 20.1%

### Key changes in the report

➤ N/A

### Price performance



### Key statistics

52w high (VND)	15,100
52w low (VND)	10,100
3m Avg daily value (VNDmn)	230,448
Market cap (VND bn)	34,777
Free float (%)	65
TTM P/E (x)	15.0
Current P/B (x)	1.24

### Ownership

PVN	79.9%
Others	20.1%

Source: VND RESEARCH

### Analyst(s):

**Ha Duc Tung Nguyen**

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## Save for a rainy day

- Vietnam will step into the power shortage phase from 2022F onwards giving a fast increase of 8.5% CAGR in electricity demand in 2020-26F.
- We expect POW's net profit to increase 11.0% yoy in 2021F and edge up 15.3%/17.5% yoy in 2022- 23F mostly thanks to thermal power plant.
- Recommend Add with target price of VND18,100.

### Power shortage to widen since 2022F onward

The Covid-19 outbreak will soon be controlled and boost the electric load, especially in the South and industrial parks from 2022F. According to the Ministry of Industry and Trade (MOT), Vietnam will step into the power shortage phase from 2021F onwards regarding higher electricity demand with a fast increase of 8.5% CAGR from 2020-26F.

### Gas-fired power leader of Vietnam

POW is one of the best power generators in the market, with a total power capacity of 4,200MW. Notably, POW is the current gas-fired power leader, owning three existing plants with a full capacity (38% total gasfired power market share), and two significant upcoming projects Nhon Trach 3&4 (750MW/plant).

### FY21-23F outlook: output will gradually recover

We expect POW's output to drop 5% yoy in 2021F then bounce back 16%/1% yoy in 2022-23F following higher power mobilization for thermal power plants. By types of energy, we expect coal-fired output to increase modestly, hydropower output to surge 44% yoy in 2021F but drop 18%/4% yoy in 2022-23F; and gas-fired output to grow 31%/3% yoy in 2022/2023F. Overall, POW's net profit is expected to increase 11.0% yoy in 2021F and continue to recover 15.3%/17.5% yoy in 2022- 23F.

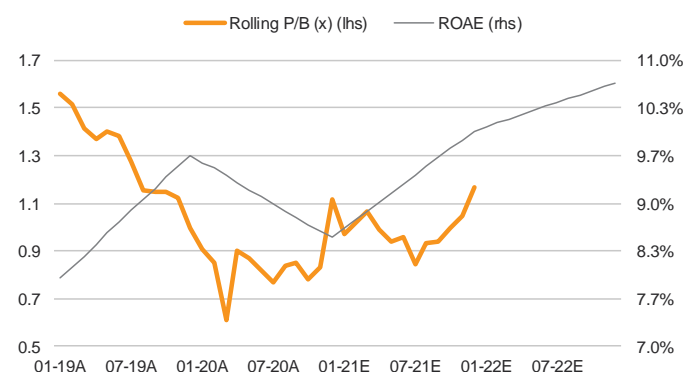
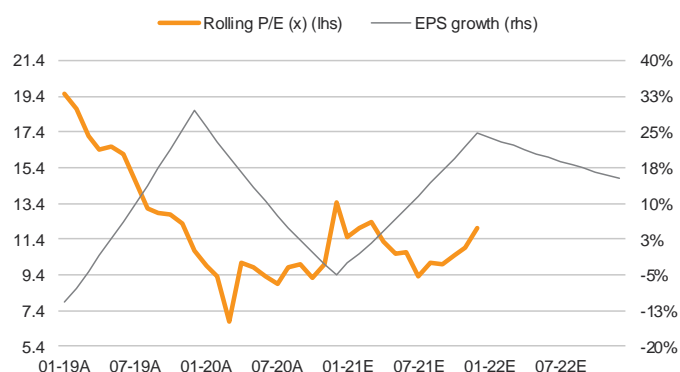
### Nhon Trach gas power plants 3 & 4 will be growth engines for longer run

By end-Aug, POW finalised the EPC contract for Nhon Trach 3&4, the country's first LNG power plant. These two power plants with total capacity of 1500MW, using imported LNG from Thi Vai Terminal, will likely start commercial production in 4Q23 and 2Q24, respectively. We expect these power plants will bring POW 's revenue to grow 24.2% yoy over 2024-25F.

### Recommend Add with target price of VND18,100

We recommend Add on POW based on equal combination of DCF (WACC: 12.4%) and EV/EBITDA multiple (target multiple: 7.3x). Downside risks are fuel shortage (coal, LNG) which might interrupt the operation and longer-than-expected Nhon Trach 3&4 completion time.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	29,732	29,533	32,747	36,662
Revenue growth	(16.1%)	(0.7%)	10.9%	12.0%
Gross margin	15.4%	16.2%	16.3%	16.4%
EBITDA margin	21.9%	24.5%	24.0%	23.4%
Net profit (bn)	2,365	2,948	3,401	3,999
Net profit growth	(5.0%)	24.7%	15.3%	17.6%
Recurring profit growth				
Basic EPS	1,010	1,259	1,452	1,708
Adjusted EPS	1,010	1,259	1,452	1,708
BVPS	12,186	12,973	14,212	15,709
ROAE	8.5%	10.0%	10.7%	11.4%

**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	29,533	32,747	36,662
Cost of sales	(24,742)	(27,396)	(30,641)
Gen & admin expenses	(806)	(811)	(899)
Selling expenses	(20)	(22)	(24)
<b>Operating profit</b>	<b>3,964</b>	<b>4,519</b>	<b>5,099</b>
Operating EBITDA	6,619	7,173	7,753
<b>Depreciation and amortisation</b>	<b>(2,654)</b>	<b>(2,654)</b>	<b>(2,654)</b>
<b>Operating EBIT</b>	<b>3,964</b>	<b>4,519</b>	<b>5,099</b>
Interest income	542	571	697
Financial expense	(782)	(752)	(710)
Net other income	12	18	25
Income from associates & JVs	60	60	60
<b>Pre-tax profit</b>	<b>3,796</b>	<b>4,415</b>	<b>5,170</b>
Tax expense	(558)	(681)	(779)
Minority interest	(290)	(334)	(393)
<b>Net profit</b>	<b>2,948</b>	<b>3,401</b>	<b>3,999</b>
Adj. net profit to ordinary	2,948	3,401	3,999
Ordinary dividends			
<b>Retained earnings</b>	<b>2,948</b>	<b>3,401</b>	<b>3,999</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	6,161	6,380	8,060
Short term investments	2,619	4,726	5,852
Accounts receivables	7,039	8,021	9,173
Inventories	3,156	3,409	3,719
Other current assets	140	152	161
<b>Total current assets</b>	<b>19,116</b>	<b>22,687</b>	<b>26,965</b>
Fixed assets	35,432	39,533	45,781
Total investments	1,088	1,148	1,208
Other long-term assets	1,307	1,415	1,582
<b>Total assets</b>	<b>56,943</b>	<b>64,783</b>	<b>75,536</b>
Short-term debt	8,790	9,857	11,047
Accounts payable	5,172	5,863	6,622
Other current liabilities	4,054	4,328	5,241
<b>Total current liabilities</b>	<b>18,016</b>	<b>20,047</b>	<b>22,909</b>
Total long-term debt	5,149	7,640	11,527
Other liabilities	378	459	565
Share capital	23,419	23,419	23,419
Retained earnings reserve	6,726	9,603	13,077
<b>Shareholders' equity</b>	<b>30,381</b>	<b>33,283</b>	<b>36,789</b>
Minority interest	3,019	3,353	3,746
<b>Total liabilities &amp; equity</b>	<b>56,943</b>	<b>64,783</b>	<b>75,536</b>

**Cash flow statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>3,796</b>	<b>4,415</b>	<b>5,170</b>
Depreciation & amortisation	2,654	2,654	2,654
Tax paid	(558)	(681)	(779)
Other adjustments	(1,186)	(682)	(858)
<b>Change in working capital</b>	<b>(1,532)</b>	<b>(282)</b>	<b>201</b>
<b>Cash flow from operations</b>	<b>3,175</b>	<b>5,425</b>	<b>6,388</b>
Capex	(3,221)	(6,755)	(8,902)
Proceeds from assets sales	0	0	0
Others	542	571	697
Other non-current assets changes	(1,831)	(2,107)	(1,126)
<b>Cash flow from investing activities</b>	<b>(4,510)</b>	<b>(8,291)</b>	<b>(9,332)</b>
New share issuance	0	0	0
Shares buyback			
Net borrowings	1,475	3,527	5,060
Other financing cash flow	(580)	26	31
Dividends paid	(468)	(468)	(468)
<b>Cash flow from financing activities</b>	<b>427</b>	<b>3,084</b>	<b>4,623</b>
Cash and equivalents at beginning of period	7,070	6,161	6,380
<b>Total cash generated</b>	<b>(908)</b>	<b>218</b>	<b>1,680</b>
Cash and equivalents at the end of period	6,161	6,380	8,060

**Key ratios**

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	10.0%	10.4%	10.9%
Asset turnover	0.53	0.54	0.52
ROAA	5.3%	5.6%	5.7%
Avg assets/avg equity	1.88	1.91	2.00
ROAE	10.0%	10.7%	11.4%
<b>Efficiency</b>			
Days account receivable	87.0	89.4	91.3
Days inventory	46.6	45.4	44.3
Days creditor	76.3	78.1	78.9
Fixed asset turnover	0.84	0.87	0.86
ROIC	6.2%	6.3%	6.3%
<b>Liquidity</b>			
Current ratio	1.1	1.1	1.2
Quick ratio	0.9	1.0	1.0
Cash ratio	0.5	0.6	0.6
Cash cycle	57.3	56.7	56.7
<b>Growth rate (yoy)</b>			
Revenue growth	(0.7%)	10.9%	12.0%
Operating profit growth	17.6%	14.0%	12.8%
Net profit growth	24.7%	15.3%	17.6%
EPS growth	24.7%	15.3%	17.6%

Source: VND RESEARCH



## PHU TAI JSC (PTB)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND101,700	VND129,700	2.73%	ADD	INDUSTRIALS

26 November 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Positive**

Consensus\*: Add:2 Hold:1 Reduce:0

Target price / Consensus: 9.3%

### Key changes in the report

➤ N/a

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	119,500
52w low (VND)	55,967
3m Avg daily value (VNDmn)	36,724
Market cap (VNDbn)	5,247
Free float (%)	59
TTM P/E (x)	14.5
Current P/B (x)	2.70

### Ownership

Le Vy	11.7%
Le Van Thao	7.4%
Le Van Loc	5.5%
Others	75.4%

Source: VND RESEARCH

### Analyst(s):



**Hao Nguyen Duc**

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## Strong in FY21, stable in FY22

- PTB becomes one of the ten largest wood exporters in Vietnam, accounting for nearly 1% of Vietnam's furniture exports in 2020.
- We expect FY22F NP to surge 19.9% yoy thanks to strong growth from wood segment and contribution from real estate revenue.
- PTB is our stock pick for Wood & Wood Products sector.

### Riding on the recovery of domestic and global housing market

We like PTB for its growth potential of two core businesses including wood and wood furniture (W&WF) and stone segments, which are both taking advantage from the export and domestic market given the recovery of the domestic and international housing market post-Covid-19. We believe that PTB is well-positioned to enjoy the growth prospects of the industries. In particular, PTB plans to raise its stone/wood capacity by 25%/60% by FY22/23F compared with FY21. Thus, we expect the company to achieve wood/stone revenue CAGR of 13.0%/14.5% in FY20-26F period.

### Condo project in Binh Dinh brings short-term catalyst in FY22F

PTB is developing a condo project - the Phu Tai Residence - in Quy Nhon, Binh Dinh Province. In Oct 2020, PTB held a topping out and sales event this project. Per company management, the project's construction progress is on track for handover in 2H21. Accordingly, we expect this project will record revenue of VND600bn and VND653bn in FY21F and FY22F, respectively.

### Earnings still grow stably in FY22F after a strong surge in FY21F

We expect PTB's FY21F revenue and NP to grow respectively by 26.1% and 51.9% yoy from FY20 low-base thanks to 29.4% growth in W&WF revenue and great contribution of VND600n from Phu Tai Resident project with high GPM. For longer term, we believe PTB to maintain its earning growth trajectory in two core businesses in FY22/23F (13.2%/19.8% yoy in W&WF NP and 30.8%/28.5% yoy in stone NP). Besides, handover from residential projects will contribute VND135bn to FY22F NP. As a result, we expect PTB's NP CAGR to reach 15.6% in FY22-23F.

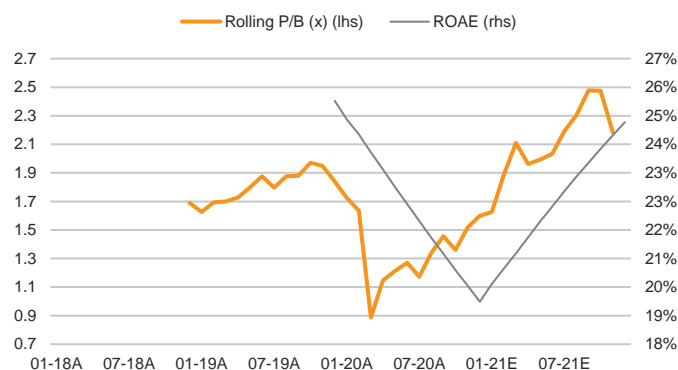
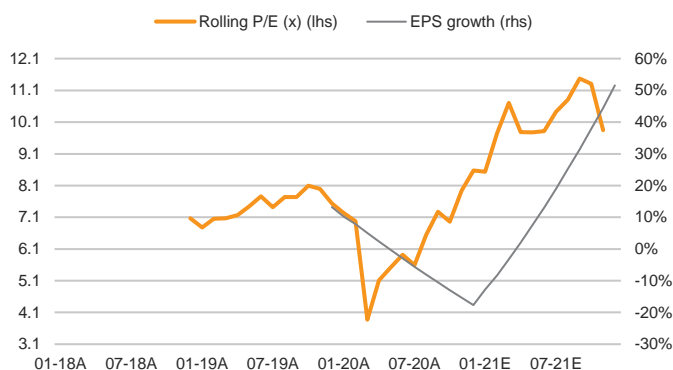
### Recommend Add rating and SOTP-based TP of VND129,700

We recommend Add rating and SOTP-based TP of VND129,700. Re-rating catalyst is the strong housing demand in the US that leads to higher-than-expected demand for PTB's wooden furniture. Downside risks including 1) another arising variant and 2) higher than expected logistic cost may affect the PTB's gross profit margin, especially in stone segment.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	5,601	7,064	8,419	9,375
Revenue growth	0.9%	26.1%	19.2%	11.4%
Gross margin	20.4%	22.7%	22.5%	22.5%
EBITDA margin	6.3%	8.6%	10.1%	9.5%
Net profit (bn)	359	544	651	728
Net profit growth	(17.7%)	51.6%	19.9%	11.9%
Recurring profit growth	(17.0%)	51.6%	19.9%	11.9%
Basic EPS	7,016	10,636	12,749	14,256
Adjusted EPS	6,267	9,961	11,940	13,351
BVPS	37,630	47,464	57,576	69,238
ROAE	19.3%	25.0%	24.3%	23.2%

Source: VND RESEARCH



**Valuation**

**Income statement**

(VNDbn)	12-20A	12-21E	12-22E
Net revenue	5,601	7,064	8,419
Cost of sales	(4,460)	(5,461)	(6,522)
Gen & admin expenses	(197)	(261)	(312)
Selling expenses	(422)	(494)	(589)
<b>Operating profit</b>	<b>522</b>	<b>847</b>	<b>996</b>
Operating EBITDA	321	634	867
<b>Depreciation and amortisation</b>	<b>201</b>	<b>213</b>	<b>130</b>
<b>Operating EBIT</b>	<b>522</b>	<b>847</b>	<b>996</b>
Interest income	24	16	18
Financial expense	(106)	(158)	(169)
Net other income	23	14	17
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>462</b>	<b>719</b>	<b>862</b>
Tax expense	(83)	(144)	(172)
Minority interest	(21)	(32)	(38)
<b>Net profit</b>	<b>359</b>	<b>544</b>	<b>651</b>
Adj. net profit to ordinary	359	544	651
Ordinary dividends	(151)	(153)	(153)
<b>Retained earnings</b>	<b>208</b>	<b>390</b>	<b>498</b>

**Balance sheet**

(VNDbn)	12-20A	12-21E	12-22E
Cash and equivalents	168	268	443
Short term investments	113	84	84
Accounts receivables	824	898	1,070
Inventories	1,440	1,560	1,794
Other current assets	159	377	616
<b>Total current assets</b>	<b>2,704</b>	<b>3,187</b>	<b>4,008</b>
Fixed assets	1,712	1,920	1,920
Total investments	10	10	10
Other long-term assets	279	232	277
<b>Total assets</b>	<b>4,706</b>	<b>5,350</b>	<b>6,216</b>
Short-term debt	1,397	1,625	1,936
Accounts payable	529	475	567
Other current liabilities	536	295	351
<b>Total current liabilities</b>	<b>2,462</b>	<b>2,395</b>	<b>2,854</b>
Total long-term debt	307	521	410
Other liabilities	13	9	9
Share capital	486	511	511
Retained earnings reserve	380	751	1,212
<b>Shareholders' equity</b>	<b>1,923</b>	<b>2,425</b>	<b>2,942</b>
Minority interest			
<b>Total liabilities &amp; equity</b>	<b>4,706</b>	<b>5,350</b>	<b>6,216</b>

**Cash flow statement**

(VNDbn)	12-20A	12-21E	12-22E
<b>Pretax profit</b>	<b>462</b>	<b>719</b>	<b>862</b>
Depreciation & amortisation	213	130	196
Tax paid	(83)	(144)	(172)
Other adjustments	0	0	0
<b>Change in working capital</b>	<b>114</b>	<b>108</b>	<b>(444)</b>
<b>Cash flow from operations</b>	<b>706</b>	<b>813</b>	<b>442</b>
Capex	(480)	(470)	(219)
Proceeds from assets sales	33	15	13
Others	5	16	18
Other non-current assets changes			
<b>Cash flow from investing activities</b>	<b>(442)</b>	<b>(438)</b>	<b>(189)</b>
New share issuance	0	30	0
Shares buyback			
Net borrowings	(85)	100	180
Other financing cash flow	12	(251)	(105)
Dividends paid	(151)	(153)	(153)
<b>Cash flow from financing activities</b>	<b>(223)</b>	<b>(274)</b>	<b>(78)</b>
Cash and equivalents at beginning of period	127	168	268
<b>Total cash generated</b>	<b>41</b>	<b>100</b>	<b>175</b>
Cash and equivalents at the end of period	168	268	443

**Key ratios**

	12-20A	12-21E	12-22E
<b>Dupont</b>			
Net profit margin	6.4%	7.7%	7.7%
Asset turnover	1.25	1.40	1.46
ROAA	8.0%	10.8%	11.3%
Avg assets/avg equity	2.42	2.31	2.15
ROAE	19.3%	25.0%	24.3%
<b>Efficiency</b>			
Days account receivable	40.7	42.3	42.3
Days inventory	118.2	104.3	100.4
Days creditor	43.4	31.7	31.7
Fixed asset turnover	3.34	3.89	4.38
ROIC	9.9%	11.9%	12.3%
<b>Liquidity</b>			
Current ratio	1.1	1.3	1.4
Quick ratio	0.5	0.7	0.8
Cash ratio	0.1	0.1	0.2
Cash cycle	115.6	114.8	111.0
<b>Growth rate (yoy)</b>			
Revenue growth	0.9%	26.1%	19.2%
Operating profit growth	(16.1%)	62.2%	17.7%
Net profit growth	(17.7%)	51.6%	19.9%
EPS growth	(17.7%)	51.6%	19.9%

Source: VND RESEARCH

## PETROVIETNAM DRILLING & WELL SERVICES JSC (PVD)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND26,300	VND32,800	0.0%	Add	OIL & GAS

26 November 2021

**Outlook – Short term:** Positive  
**Outlook – Long term:** Positive  
**Valuation:** Positive

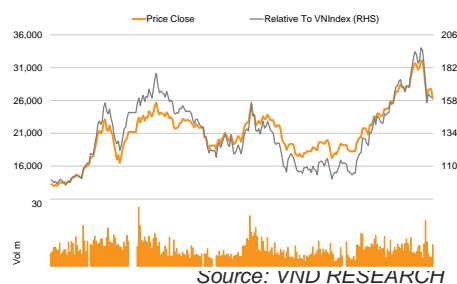
Consensus\*: Add:3 Hold:4 Reduce:1

Target price / Consensus: 32.2%

### Key changes in the report

➤ NA

### Price performance



### Key statistics

52w high (VND)	32,100
52w low (VND)	12,950
3m Avg daily value (VNDmn)	210,608
Market cap (VND bn)	11,686
Free float (%)	50
TTM P/E (x)	59.4
Current P/B (x)	0.80

### Ownership

PetroVietnam Group	50.5%
Others	49.5%

Source: VND RESEARCH

### Analyst(s):



**Hai Nguyen Ngoc**

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## A new chapter begins

- TAD rig starts the long-term drilling campaign in Brunei this November, opening a new chapter after over 4-year cold stacking.
- We expect in PVD's strong breakout in FY22F with a net profit growth of 487.4% yoy following the TAD rig resumption.
- Recommend ADD with a TP of VND32,800.

### Lackluster results in FY21F due to bleak drilling market in the first half

9M21 revenue dropped 39.6% yoy to VND2,661bn on the back of: (1) no revenue recognition from outsourced rigs like 9M20, and (2) the 16% yoy decline in jack-up (JU) day rate. Meanwhile, 9M21 G&A expenses grew 34% yoy to VND297.7bn due to lack of bad debt reversal like 9M20 (VND75bn). As a result, PVD posed a net loss of VND30.4bn in 9M21, mainly due to the difficult start in 1H21 with a loss of VND97.6bn. For FY21F, we believe in stronger 4Q21F ahead thanks to the ongoing recovery in drilling market and PVD would record a NP of VND85bn this year (-54.4% yoy).

### High oil price environment to trigger JU market rebound in SEA

After a sharp decline in 2020, International Energy Agency (IEA) estimates an 8% increase in global upstream investments in 2021, but this remains well below 2019 levels. We expect global spending to continue recovering in the next two years, triggered by the current supply shortage and high-priced environment. Consequently, we believe E&P activities in Southeast Asia (SEA) to be also heated up given the expected strong oil price, leading to the drilling market bounce back in medium term and benefiting for drilling service player like PVD.

### Ready for the recovery in 2022 on TAD rig reactivation

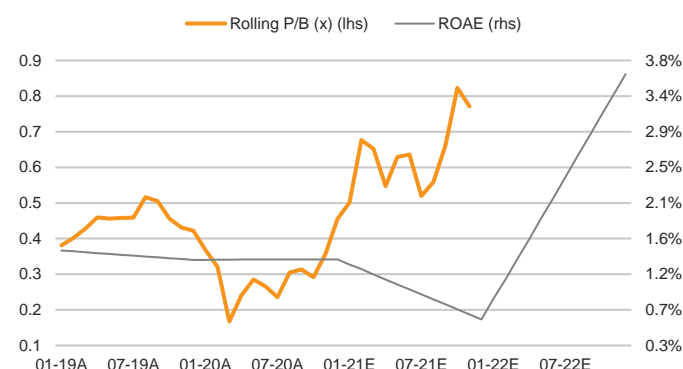
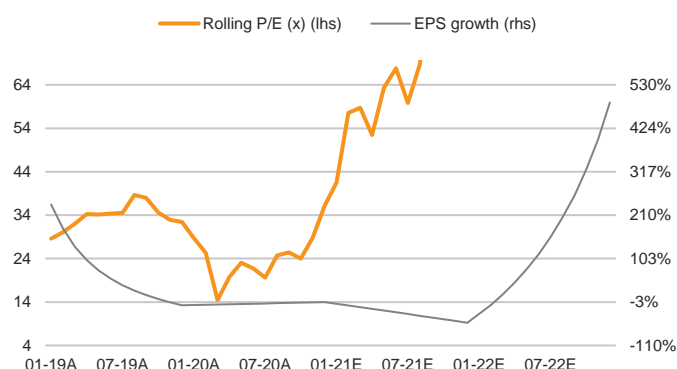
PVD 5 (TAD rig) officially starts the long-term drilling contract for Shell Brunei this November, opening a new chapter for PVD's most modern drilling rig after over 4-year cold stacking. We estimate TAD rig to contribute c.24% of PVD's drilling gross profit in FY22-23F. As the oil price rally to heat up the E&P activities in both domestic and regional markets, we also believe PVD could get more contracts in regional countries like Malaysia and Thailand, boosting FY22-23F JU utilisation rate to 90%. Hence, we forecast PVD's net profit to greatly recover from 2022 onward, recording the growth rate of 487.4%/28.1% yoy in FY22-23F.

### PVD is our stock pick for the sector

Our 1-year TP is based on the target FY22F P/BV of 1.0x. We like PVD for its bright outlook in 2022 thanks to the TAD rig resumption and the improving prospect of JU fleet trailing the expected strong oil price. Re-rating catalyst is higher oil price. Downside risks are lower-than-expected JU day rate and the decline in oil price that could hamper E&P activities.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	5,229	4,056	5,860	5,843
Revenue growth	19.7%	(22.4%)	44.5%	(0.3%)
Gross margin	6.3%	8.6%	15.0%	17.7%
EBITDA margin	15.5%	14.3%	21.0%	23.6%
Net profit (bn)	186	85	499	640
Net profit growth	1.1%	(54.4%)	487.4%	28.1%
Recurring profit growth	(51.5%)	(100.0%)		(100.0%)
Basic EPS	442	202	1,185	1,517
Adjusted EPS	282	129	755	967
BVPS	32,723	32,377	32,842	33,594
ROAE	1.4%	0.6%	3.6%	4.6%

Source: VND RESEARCH  
189

**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	4,056	5,860	5,843
Cost of sales	(3,705)	(4,981)	(4,807)
Gen & admin expenses	(388)	(439)	(467)
Selling expenses	(13)	(18)	(18)
<b>Operating profit</b>	<b>(50)</b>	<b>421</b>	<b>550</b>
Operating EBITDA	321	995	1,123
<b>Depreciation and amortisation</b>	<b>(370)</b>	<b>(573)</b>	<b>(573)</b>
<b>Operating EBIT</b>	<b>(50)</b>	<b>421</b>	<b>550</b>
Interest income	180	148	161
Financial expense	(175)	(175)	(169)
Net other income	24	33	33
Income from associates & JVs	114	117	123
<b>Pre-tax profit</b>	<b>93</b>	<b>545</b>	<b>698</b>
Tax expense	(9)	(53)	(68)
Minority interest	1	7	9
<b>Net profit</b>	<b>85</b>	<b>499</b>	<b>640</b>
Adj. net profit to ordinary	85	499	640
Ordinary dividends	(1)	(8)	(10)
<b>Retained earnings</b>	<b>84</b>	<b>492</b>	<b>630</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	1,071	1,139	1,521
Short term investments	1,136	1,136	1,079
Accounts receivables	1,771	2,185	2,241
Inventories	739	955	959
Other current assets	60	87	99
<b>Total current assets</b>	<b>4,777</b>	<b>5,503</b>	<b>5,899</b>
Fixed assets	13,451	13,171	12,890
Total investments	1,857	1,912	1,950
Other long-term assets	404	404	404
<b>Total assets</b>	<b>20,489</b>	<b>20,990</b>	<b>21,143</b>
Short-term debt	784	757	732
Accounts payable	659	885	855
Other current liabilities	1,268	1,490	1,486
<b>Total current liabilities</b>	<b>2,711</b>	<b>3,132</b>	<b>3,072</b>
Total long-term debt	3,135	3,026	2,928
Other liabilities	746	731	716
Share capital	4,215	4,215	4,215
Retained earnings reserve	1,792	1,988	2,305
<b>Shareholders' equity</b>	<b>13,648</b>	<b>13,844</b>	<b>14,161</b>
Minority interest	249	256	265
<b>Total liabilities &amp; equity</b>	<b>20,489</b>	<b>20,990</b>	<b>21,143</b>

**Cash flow statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>93</b>	<b>545</b>	<b>698</b>
Depreciation & amortisation	370	573	573
Tax paid	(9)	(53)	(68)
Other adjustments	(364)	(325)	(266)
<b>Change in working capital</b>	<b>329</b>	<b>(236)</b>	<b>(132)</b>
<b>Cash flow from operations</b>	<b>418</b>	<b>505</b>	<b>806</b>
Capex	(324)	(293)	(292)
Proceeds from assets sales	0	0	0
Others	0	0	0
Other non-current assets changes			
<b>Cash flow from investing activities</b>	<b>(324)</b>	<b>(293)</b>	<b>(292)</b>
New share issuance			
Shares buyback			
Net borrowings	53	(135)	(123)
Other financing cash flow			
Dividends paid	(1)	(8)	(10)
<b>Cash flow from financing activities</b>	<b>52</b>	<b>(143)</b>	<b>(132)</b>
Cash and equivalents at beginning of period	925	1,071	1,139
<b>Total cash generated</b>	<b>146</b>	<b>69</b>	<b>382</b>
Cash and equivalents at the end of period	1,071	1,139	1,521

**Key ratios**

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	2.1%	8.5%	10.9%
Asset turnover	0.20	0.28	0.28
ROAA	0.4%	2.4%	3.0%
Avg assets/avg equity	1.51	1.51	1.50
ROAE	0.6%	3.6%	4.6%
<b>Efficiency</b>			
Days account receivable	159.3	136.1	140.0
Days inventory	72.8	70.0	72.8
Days creditor	64.9	64.9	64.9
Fixed asset turnover	0.30	0.44	0.45
ROIC	0.5%	2.8%	3.5%
<b>Liquidity</b>			
Current ratio	1.8	1.8	1.9
Quick ratio	1.5	1.5	1.6
Cash ratio	0.8	0.7	0.8
Cash cycle	167.2	141.2	147.9
<b>Growth rate (yoy)</b>			
Revenue growth	(22.4%)	44.5%	(0.3%)
Operating profit growth	(4,436.8%)		30.6%
Net profit growth	(54.4%)	487.4%	28.1%
EPS growth	(54.4%)	487.4%	28.1%

Source: VND RESEARCH

## PETROVIETNAM TECHNICAL SERVICES CORP (PVS)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND25,400	VND31,200	3.94%	Add	OIL & GAS

26 November 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Positive**

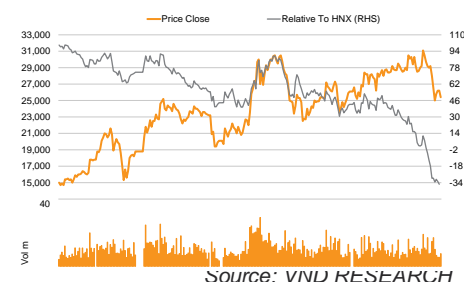
Consensus\*: Add:4 Hold:4 Reduce:1

Target price / Consensus: 6.6%

### Key changes in the report

➤ N/A

### Price performance



### Key statistics

52w high (VND)	31,100
52w low (VND)	14,700
3m Avg daily value (VNDmn)	285,208
Market cap (VND bn)	12,523
Free float (%)	49
TTM P/E (x)	19.5
Current P/B (x)	1.0

### Ownership

PetroVietnam Group	51.4%
Others	48.6%

Source: VND RESEARCH

### Analyst(s):



**Hai Nguyen Ngoc**

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## Stronger M&C business in FY22F

- Tapping into renewable projects should open many opportunities for mechanics and construction (M&C) business in coming years.
- We estimate FY22-23F NP CAGR of 23.9% due to the solid contribution of FSO/FPSO affiliates and the improved prospect of M&C segment.
- Recommend ADD with a TP of VND31,200.

### FY21F results supported by affiliates income

9M21 revenue dropped 34.5% yoy to VND9,651bn due to workload decreasing across all segments. Despite a 60% yoy increase in G&A expenses, PVS just posted a 10% yoy decline in 9M21 net profit to VND518bn thanks to a skyrocket in affiliates income (+306% yoy to VND506bn). For FY21F, we forecast a net profit to grow 16% yoy on the main contribution of FSO/FPSO joint ventures.

### M&C segment to strongly rebound in 2022F

After a lackluster performance in 2021 as major projects have passed their peak seasons, we see stronger M&C segment in FY22F thanks to: (1) the newly award contract in Gallaf Batch 3 project, and (2) tapping into renewable projects to diversify M&C activity with a signing for Preferred Supplier Agreement (PSA) for two offshore substations including jacket foundations of Hai Long wind farm in Taiwan. Besides, we expect Block B – O Mon giant project to have final investment decision (FID) in 1H22F, setting the stage for this project to kick off in 2H22F. With a total capex of field development and pipeline projects of US\$6.7bn and US\$1.3bn, this project implies huge potential backlog for the domestic upstream contractors like PTSC.

### FY22-23F net profit to achieve a CAGR of 23.9%

Given the strong oil price rally, we believe in PVS's positive outlook with a net profit CAGR forecast of 23.9% in FY22-23F, driven by: (1) the solid contribution of FSO/FPSO joint ventures due to the expected strong oil price which could trigger a day rate upward revision, and (2) the improved prospect of M&C business from 2022.

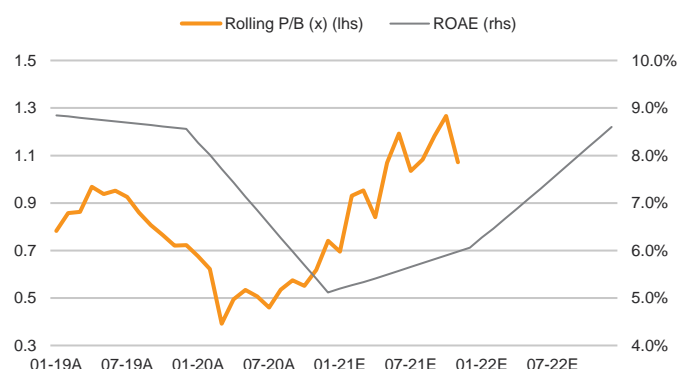
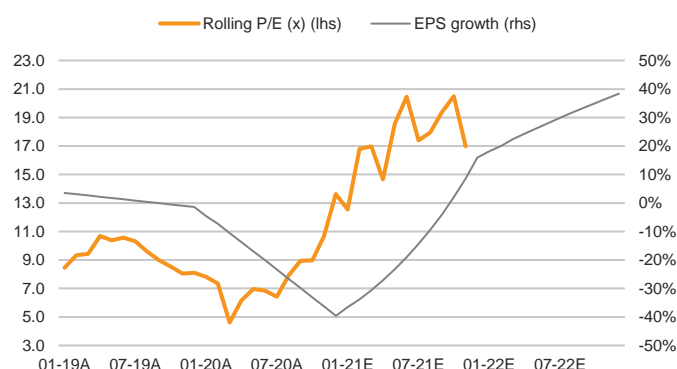
### Recommend ADD with a TP of VND31,200

Our TP is based on an equal weighting of DCF valuation and the target FY22F P/E of 15.4x. We recommend ADD for PVS as we emphasize the urgency in implementing major gas fields projects like Block B – O Mon, Nam Du – U Minh in 2022, implying huge potential backlog for the company M&C segment. Re-rating catalyst is higher oil price. Downside risks come from lower-than-expected oil price and further delays in projects award.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	20,180	14,023	21,132	24,375
Revenue growth	20.2%	(30.5%)	50.7%	15.3%
Gross margin	3.9%	6.3%	5.9%	6.1%
EBITDA margin	8.0%	11.8%	9.6%	9.0%
Net profit (bn)	624	724	1,001	1,110
Net profit growth	(39.6%)	16.0%	38.3%	10.9%
Recurring profit growth	(39.6%)	16.0%	38.3%	10.9%
Basic EPS	1,306	1,514	2,094	2,323
Adjusted EPS	1,149	1,332	1,843	2,044
BVPS	25,411	24,558	24,133	23,944
ROAE	5.1%	6.1%	8.6%	9.7%

Source: VND RESEARCH



**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	14,023	21,132	24,375
Cost of sales	(13,144)	(19,884)	(22,900)
Gen & admin expenses	(778)	(744)	(858)
Selling expenses	(87)	(116)	(134)
<b>Operating profit</b>	<b>14</b>	<b>387</b>	<b>483</b>
Operating EBITDA	552	893	993
<b>Depreciation and amortisation</b>	<b>(539)</b>	<b>(506)</b>	<b>(509)</b>
<b>Operating EBIT</b>	<b>14</b>	<b>387</b>	<b>483</b>
Interest income	363	352	330
Financial expense	(104)	(88)	(88)
Net other income	154	190	122
Income from associates & JVs	646	642	799
<b>Pre-tax profit</b>	<b>1,073</b>	<b>1,484</b>	<b>1,646</b>
Tax expense	(273)	(378)	(419)
Minority interest	(76)	(105)	(117)
<b>Net profit</b>	<b>724</b>	<b>1,001</b>	<b>1,110</b>
Adj. net profit to ordinary	724	1,001	1,110
Ordinary dividends	(478)	(478)	(478)
<b>Retained earnings</b>	<b>246</b>	<b>523</b>	<b>632</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	4,857	4,529	4,185
Short term investments	3,311	3,311	3,311
Accounts receivables	3,803	5,211	6,010
Inventories	1,179	1,580	1,819
Other current assets	213	321	370
<b>Total current assets</b>	<b>13,363</b>	<b>14,951</b>	<b>15,696</b>
Fixed assets	2,945	2,965	3,062
Total investments	5,003	5,024	5,034
Other long-term assets	1,374	1,323	1,275
<b>Total assets</b>	<b>22,685</b>	<b>24,264</b>	<b>25,066</b>
Short-term debt	493	418	416
Accounts payable	3,549	5,145	5,935
Other current liabilities	2,688	3,027	3,088
<b>Total current liabilities</b>	<b>6,730</b>	<b>8,590</b>	<b>9,440</b>
Total long-term debt	436	463	506
Other liabilities	3,119	3,119	3,119
Share capital	4,780	4,780	4,780
Retained earnings reserve	3,563	3,360	3,270
<b>Shareholders' equity</b>	<b>11,738</b>	<b>11,535</b>	<b>11,444</b>
Minority interest	663	558	558
<b>Total liabilities &amp; equity</b>	<b>22,685</b>	<b>24,264</b>	<b>25,066</b>

**Cash flow statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>1,073</b>	<b>1,484</b>	<b>1,646</b>
Depreciation & amortisation	539	506	509
Tax paid	(122)	(169)	(187)
Other adjustments	(1,005)	(990)	(1,124)
<b>Change in working capital</b>	<b>162</b>	<b>(211)</b>	<b>(250)</b>
<b>Cash flow from operations</b>	<b>646</b>	<b>621</b>	<b>595</b>
Capex	(349)	(526)	(606)
Proceeds from assets sales	8	8	8
Others	96	96	96
Other non-current assets changes			
<b>Cash flow from investing activities</b>	<b>(245)</b>	<b>(421)</b>	<b>(502)</b>
New share issuance	0	0	0
Shares buyback			
Net borrowings	(279)	(49)	41
Other financing cash flow			
Dividends paid	(478)	(478)	(478)
<b>Cash flow from financing activities</b>	<b>(757)</b>	<b>(527)</b>	<b>(437)</b>
Cash and equivalents at beginning of period	5,212	4,857	4,529
<b>Total cash generated</b>	<b>(355)</b>	<b>(327)</b>	<b>(344)</b>
Cash and equivalents at the end of period	4,857	4,529	4,185

**Key ratios**

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	5.2%	4.7%	4.6%
Asset turnover	0.57	0.90	0.99
ROAA	3.0%	4.3%	4.5%
Avg assets/avg equity	2.05	2.02	2.15
ROAE	6.1%	8.6%	9.7%
<b>Efficiency</b>			
Days account receivable	99.0	90.0	90.0
Days inventory	32.7	29.0	29.0
Days creditor	98.5	94.5	94.6
Fixed asset turnover	4.61	7.15	8.09
ROIC	5.4%	7.7%	8.6%
<b>Liquidity</b>			
Current ratio	2.0	1.7	1.7
Quick ratio	1.8	1.6	1.5
Cash ratio	1.2	0.9	0.8
Cash cycle	33.2	24.5	24.4
<b>Growth rate (yoy)</b>			
Revenue growth	(30.5%)	50.7%	15.3%
Operating profit growth		2,763.7%	24.7%
Net profit growth	16.0%	38.3%	10.9%
EPS growth	16.0%	38.3%	10.9%

Source: VND RESEARCH



## PETROVIETNAM TRANSPORTATION CORP (PVT)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND23,850	VND28,200	4.16%	Add	INDUSTRIALS

26 November 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Positive**

Consensus\*: Add:3 Hold:4 Reduce:0

Target price / Consensus: 6.0%

### Key changes in the report

➤ N/A

### Price performance



### Key statistics

52w high (VND)	26,200
52w low (VND)	12,550
3m Avg daily value (VNDmn)	136,294
Market cap (VND bn)	7,703
Free float (%)	28
TTM P/E (x)	10.8
Current P/B (x)	1.57

### Ownership

PetroVietnam Group	51.0%
PVCom Bank	5.1%
Yurie Vietnam Securities	4.1%
Others	39.8%

Source: VND RESEARCH

### Analyst(s):



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## Positive FY22-23F outlook

- We see the company positive prospect in the next two years following the actively fleet rejuvenation and the recovery in O&G transportation demand.
- PVT's NP is forecasted to grow 9.6%/14.2%/11.8% yoy in FY21-23F.
- Recommend ADD with a TP of VND28,200.

### Strong 9M21 earnings on domestic charter rate recovery

PVT reported a flat yoy revenue growth in 9M21 to VND5,288bn. However, 9M21 GPM ameliorated 3.4% pts to 17.4% thanks to the recovery in both charter rate for key domestic customers like Dung Quat refinery and day rate for Dai Hung FSO. Overall, 9M21 net profit grew 32.6% yoy to VND468.4bn on the back of: (1) blended GPM improvement, (2) earnings contribution from newly acquired tankers, and (3) other income from vessel liquidation in 1Q21. For FY21F, we forecast PVT's NP to increase by 9.6% yoy.

### Tanker freight rates are expected to improve in 2022

We see the rise in tanker shipping demand is likely to be underwritten by the increase in demand for crude oil, which EIA forecasts to exceed pre-Covid-19 levels by 3Q22F. We expect global oil producers to respond by pumping more crude, and this should materialize into the tanker shipping markets in FY22F, potentially leading to higher freight rates. According to Clarkson's forecasts, the balance between supply and demand for crude tanker vessels may look better in 2022 versus the extremely poor 2021.

### Positive prospect in FY22-23F following the fleet rejuvenation

On November, PVT continued to announce a new purchase of oil/chemical tanker – PVT Oriana (13,056 DWT). Overall, PVT has added 6 new tankers/vessels into its fleet, including 4 oil/chemical tankers, 1 LPG vessel (VLGC) and 1 bulk carrier vessel in 9M21. Following that, we believe the company operational efficiency to be improved thanks to the contributions of new and modern tankers. Moreover, we expect the transportation demand to recover in coming times, particularly in domestic market when social mobility bounces back after the pandemic, dragging to the increase in transportation demand of PVT's key customers like Dung Quat and Nghi Son refineries. Hence, we forecast PVT's NP to grow 14.2%/11.8% yoy in FY22-23F.

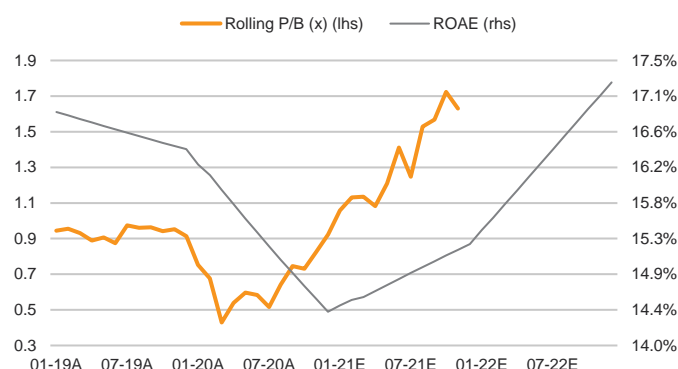
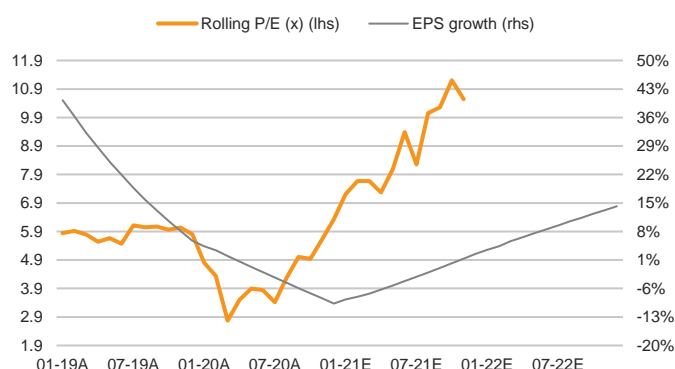
### Recommend ADD with a TP of VND28,200

Our TP is based on an equal weighting of DCF valuation and the target FY22-23F P/E of 10.4x. Potential re-rating catalysts are higher transportation volumes and non-recurring income from tanker liquidation. Downside risk comes from lower-than-expected oil price as it could hamper the transportation demand and charter rate recovery.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	7,383	7,858	8,991	9,638
Revenue growth	(4.8%)	6.4%	14.4%	7.2%
Gross margin	15.1%	16.7%	17.0%	17.5%
EBITDA margin	27.9%	28.3%	27.5%	27.7%
Net profit (bn)	669	734	838	937
Net profit growth	(2.9%)	9.6%	14.2%	11.8%
Recurring profit growth	(2.9%)	9.6%	14.2%	11.8%
Basic EPS	2,213	2,267	2,590	2,895
Adjusted EPS	2,213	2,267	2,590	2,895
BVPS	15,164	14,579	15,481	16,776
ROAE	14.4%	15.2%	17.2%	17.9%

Source: VND RESEARCH

## Valuation



### Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	7,858	8,991	9,638
Cost of sales	(6,543)	(7,460)	(7,954)
Gen & admin expenses	(283)	(311)	(333)
Selling expenses	(14)	(16)	(18)
<b>Operating profit</b>	<b>1,017</b>	<b>1,203</b>	<b>1,333</b>
Operating EBITDA	1,925	2,181	2,338
<b>Depreciation and amortisation</b>	<b>(908)</b>	<b>(978)</b>	<b>(1,006)</b>
<b>Operating EBIT</b>	<b>1,017</b>	<b>1,203</b>	<b>1,333</b>
Interest income	224	256	290
Financial expense	(205)	(244)	(261)
Net other income	76	32	34
Income from associates & JVs	32	36	39
<b>Pre-tax profit</b>	<b>1,144</b>	<b>1,284</b>	<b>1,435</b>
Tax expense	(229)	(257)	(287)
Minority interest	(181)	(189)	(211)
<b>Net profit</b>	<b>734</b>	<b>838</b>	<b>937</b>
Adj. net profit to ordinary	734	838	937
Ordinary dividends	(324)	(324)	(324)
<b>Retained earnings</b>	<b>410</b>	<b>515</b>	<b>613</b>

### Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	1,943	2,380	3,078
Short term investments	1,390	1,320	1,188
Accounts receivables	1,047	1,198	1,285
Inventories	125	142	152
Other current assets	126	144	154
<b>Total current assets</b>	<b>4,631</b>	<b>5,185</b>	<b>5,857</b>
Fixed assets	6,838	7,568	7,816
Total investments	229	234	238
Other long-term assets	388	427	470
<b>Total assets</b>	<b>12,086</b>	<b>13,414</b>	<b>14,381</b>
Short-term debt	808	962	1,031
Accounts payable	656	751	805
Other current liabilities	1,207	1,381	1,480
<b>Total current liabilities</b>	<b>2,671</b>	<b>3,094</b>	<b>3,316</b>
Total long-term debt	2,711	3,229	3,460
Other liabilities	477	477	477
Share capital	3,237	3,237	3,237
Retained earnings reserve	709	1,001	1,420
<b>Shareholders' equity</b>	<b>4,718</b>	<b>5,011</b>	<b>5,430</b>
Minority interest	1,509	1,603	1,698
<b>Total liabilities &amp; equity</b>	<b>12,086</b>	<b>13,414</b>	<b>14,381</b>

### Cash flow statement

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>1,144</b>	<b>1,284</b>	<b>1,435</b>
Depreciation & amortisation	908	978	1,006
Tax paid	(229)	(257)	(287)
Other adjustments	(339)	(345)	(347)
<b>Change in working capital</b>	<b>70</b>	<b>(74)</b>	<b>(42)</b>
<b>Cash flow from operations</b>	<b>1,553</b>	<b>1,586</b>	<b>1,765</b>
Capex	(1,886)	(1,708)	(1,253)
Proceeds from assets sales	30	30	30
Others	180	180	180
Other non-current assets changes			
<b>Cash flow from investing activities</b>	<b>(1,676)</b>	<b>(1,498)</b>	<b>(1,043)</b>
New share issuance	0	0	0
Shares buyback			
Net borrowings	0	0	0
Other financing cash flow			
Dividends paid	(324)	(324)	(324)
<b>Cash flow from financing activities</b>	<b>(324)</b>	<b>(324)</b>	<b>(324)</b>
Cash and equivalents at beginning of period	1,473	1,943	2,380
<b>Total cash generated</b>	<b>(447)</b>	<b>(236)</b>	<b>398</b>
Cash and equivalents at the end of period	1,026	1,707	2,778

### Key ratios

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	9.3%	9.3%	9.7%
Asset turnover	0.68	0.71	0.69
ROAA	6.3%	6.6%	6.7%
Avg assets/avg equity	2.41	2.62	2.66
ROAE	15.2%	17.2%	17.9%
<b>Efficiency</b>			
Days account receivable	48.7	48.7	48.7
Days inventory	7.0	7.0	7.0
Days creditor	36.6	36.7	36.9
Fixed asset turnover	1.24	1.25	1.25
ROIC	7.5%	7.8%	8.1%
<b>Liquidity</b>			
Current ratio	1.7	1.7	1.8
Quick ratio	1.7	1.6	1.7
Cash ratio	1.2	1.2	1.3
Cash cycle	19.0	18.9	18.7
<b>Growth rate (yoy)</b>			
Revenue growth	6.4%	14.4%	7.2%
Operating profit growth	19.2%	18.3%	10.8%
Net profit growth	9.6%	14.2%	11.8%
EPS growth	2.5%	14.2%	11.8%

Source: VND RESEARCH

## QUANG NGAI SUGAR JSC (QNS)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND55,400	VND62,000	4.79%	Add	CONSUMER GOODS

26 November 2021

**Outlook – Short term:** Positive  
**Outlook – Long term:** Positive  
**Valuation:** Positive

Consensus\*: Add:3 Hold:2 Reduce:1

Target price / Consensus: 8.9%

### Key changes in the report

➤ N/A

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	56,800
52w low (VND)	34,300
3m Avg daily value (VNDmn)	67,429
Market cap (VND bn)	19,324
Free float (%)	73
TTM P/E (x)	15.9
Current P/B (x)	2.5

### Ownership

Thanh Phat Trading One Member	15.6%
Vo Thanh Dang	6.6%
Foremost Worldwide Limited	5.1%
Others	72.7%

Source: VND RESEARCH

### Analyst(s):



**Hien Ha Thu**

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## Another sweet year ahead

- QNS is the 2nd largest sugar producer in Vietnam as well as the leader in soymilk market with an 87.3% market share (according to the company).
- We expect QNS's FY22F earning to grow 17.0% yoy on the back of higher sugar price and improvement in soymilk's gross profit margin.
- We recommend Add with a target price of VND62,000

### Sugar continues to be the spotlight in FY22F

We expect domestic sugar prices to increase 2% yoy in 2022F, supported by 1) a 10% increase in global sugar price, per our estimate and 2) anti-dumping and anti-subsidy duties. As the 2nd largest sugar producer in Viet Nam, we believe QNS well positioned to benefit from this opportunity. In Jul 2021, QNS has put the refined extra sugar (RE sugar) production line into operation which has a higher selling price than Refined Sugar (RS). In addition, QNS also expects sugarcane input to reach 1.2m tons in 2022F (+40%, per our estimate) as the increase in sugar prices in 2021 will create an impetus for farmers to restore planting sugarcane area. Thus, we expect sugar revenue to grow 35% yoy in 2022F, accounting for 25.6% to QNS's total revenue.

### Soymilk segment maintain steady single-digit growth

We expect Vietnam's dairy consumption to grow steadily by 7.0% in value in 2022-23F and QNS as the leader in soymilk market can enjoy a single-digit growth of 9.5% in FY22F revenue. Besides, global grain prices are expected to stabilize in 2022F, thus we believe input material cost pressure will ease from 2022F. In addition, new flavour products (coffee, cheese) - launching in 2H21 will help QNS improve the average selling price, partly offsetting higher raw material costs. Therefore, we expect soymilk's gross margin to improve 1.6% pts in FY22F.

### We expect a 11.8% FY21-24F net profit CAGR

We expect QNS's sugar revenue to maintain its growth momentum to rise 35%/11% yoy in 2022/23F thanks to an increase in both average selling and sales volume. Meanwhile, soymilk revenue is expected to rise 9.5%/9.0% yoy in 2022/23F on the back of consumers' demand recover and new product launches in 3Q-4Q/2021 which will help improve the average selling price in 2022F. As a result, QNS's topline is expected to increase 14.1%/8.5% yoy in 2022/23F, bringing its bottom-line growth to 17.0%/10.1% yoy, respectively.

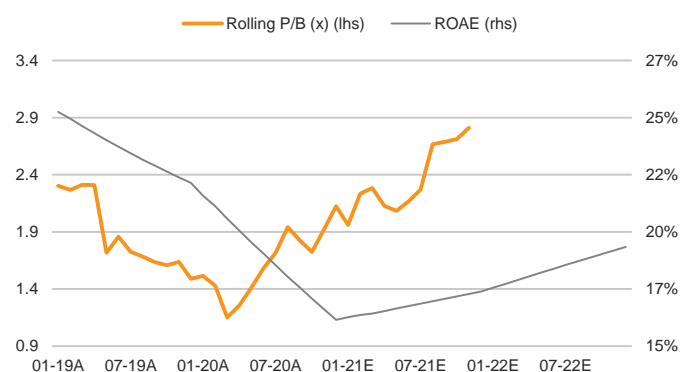
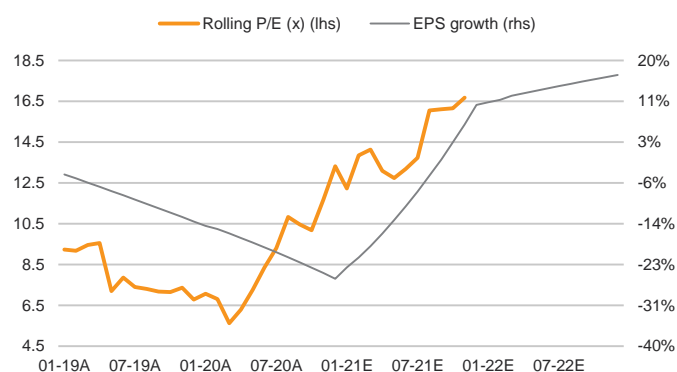
### QNS is our stock pick for F&B sector with target price of VND62,000

We like QNS for 1) its leader position in soymilk market as well as the 2nd position in top Vietnam sugar producers, 2) well positioned to benefit from sugar prices upward trend. Re-rating catalyst includes 1) higher – than – expected domestic sugar price and 2) lower – than – expected global soybean price. Downside risk includes 1) unfavorable weather conditions affect the yield and sugar content of raw cane and 2) higher – than – expected global soybean price.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	6,490	7,519	8,581	9,313
Revenue growth	(15.5%)	15.9%	14.1%	8.5%
Gross margin	31.6%	31.0%	31.4%	31.5%
EBITDA margin	13.3%	14.4%	15.2%	15.7%
Net profit (bn)	1,053	1,166	1,364	1,502
Net profit growth	(18.5%)	10.7%	17.0%	10.1%
Recurring profit growth				
Basic EPS	2,950	3,266	3,820	4,207
Adjusted EPS	2,843	3,201	3,571	4,035
BVPS	18,506	19,271	20,591	22,295
ROAE	16.1%	17.3%	19.2%	19.6%

Source: VND RESEARCH

## Valuation



### Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	7,519	8,581	9,313
Cost of sales	(5,190)	(5,889)	(6,384)
Gen & admin expenses	(271)	(309)	(335)
Selling expenses	(812)	(927)	(997)
<b>Operating profit</b>	<b>1,246</b>	<b>1,456</b>	<b>1,597</b>
Operating EBITDA	892	1,095	1,228
<b>Depreciation and amortisation</b>	<b>354</b>	<b>362</b>	<b>370</b>
<b>Operating EBIT</b>	<b>1,246</b>	<b>1,456</b>	<b>1,597</b>
Interest income	127	136	151
Financial expense	(95)	(95)	(99)
Net other income	69	79	86
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>1,348</b>	<b>1,576</b>	<b>1,736</b>
Tax expense	(182)	(213)	(234)
Minority interest	0	0	0
<b>Net profit</b>	<b>1,166</b>	<b>1,364</b>	<b>1,502</b>
Adj. net profit to ordinary	1,166	1,364	1,502
Ordinary dividends	(892)	(892)	(892)
<b>Retained earnings</b>	<b>273</b>	<b>471</b>	<b>609</b>

### Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	484	595	897
Short term investments	2,632	3,003	3,260
Accounts receivables	291	332	361
Inventories	964	1,037	1,121
Other current assets	475	965	1,197
<b>Total current assets</b>	<b>4,847</b>	<b>5,933</b>	<b>6,836</b>
Fixed assets	4,243	3,768	3,583
Total investments	0	0	0
Other long-term assets	226	257	279
<b>Total assets</b>	<b>9,315</b>	<b>9,959</b>	<b>10,698</b>
Short-term debt	1,654	1,716	1,770
Accounts payable	376	429	466
Other current liabilities	379	433	470
<b>Total current liabilities</b>	<b>2,410</b>	<b>2,578</b>	<b>2,705</b>
Total long-term debt	0	0	0
Other liabilities	27	31	33
Share capital	3,569	3,569	3,569
Retained earnings reserve	3,161	3,543	4,091
<b>Shareholders' equity</b>	<b>6,879</b>	<b>7,350</b>	<b>7,959</b>
Minority interest	0	0	0
<b>Total liabilities &amp; equity</b>	<b>9,315</b>	<b>9,959</b>	<b>10,698</b>

### Cash flow statement

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>1,348</b>	<b>1,576</b>	<b>1,736</b>
Depreciation & amortisation	354	362	370
Tax paid	(182)	(213)	(234)
Other adjustments	(102)	(120)	(139)
<b>Change in working capital</b>	<b>(186)</b>	<b>(8)</b>	<b>(38)</b>
<b>Cash flow from operations</b>	<b>1,232</b>	<b>1,598</b>	<b>1,695</b>
Capex	(226)	(257)	(279)
Proceeds from assets sales	8	4	4
Others	7	(372)	(256)
Other non-current assets changes	2	(32)	(22)
<b>Cash flow from investing activities</b>	<b>(208)</b>	<b>(657)</b>	<b>(553)</b>
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	(69)	62	53
Other financing cash flow	0	0	0
Dividends paid	(892)	(892)	(892)
<b>Cash flow from financing activities</b>	<b>(961)</b>	<b>(830)</b>	<b>(839)</b>
Cash and equivalents at beginning of period	422	484	595
<b>Total cash generated</b>	<b>62</b>	<b>111</b>	<b>302</b>
Cash and equivalents at the end of period	484	595	897

### Key ratios

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	15.5%	15.9%	16.1%
Asset turnover	0.81	0.89	0.90
ROAA	12.6%	14.1%	14.5%
Avg assets/avg equity	1.37	1.35	1.35
ROAE	17.3%	19.2%	19.6%
<b>Efficiency</b>			
Days account receivable	3.8	3.8	3.8
Days inventory	67.8	64.3	64.1
Days creditor	26.4	26.6	26.6
Fixed asset turnover	1.67	2.14	2.53
ROIC	13.7%	15.0%	15.4%
<b>Liquidity</b>			
Current ratio	2.0	2.3	2.5
Quick ratio	1.6	1.9	2.1
Cash ratio	1.3	1.4	1.5
Cash cycle	45.2	41.5	41.2
<b>Growth rate (yoy)</b>			
Revenue growth	15.9%	14.1%	8.5%
Operating profit growth	7.1%	16.9%	9.7%
Net profit growth	10.7%	17.0%	10.1%
EPS growth	10.7%	17.0%	10.1%

Source: VND RESEARCH



## SAIGON CARGO (SCS)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND147,900	VND170,700	6.27%	Add	INDUSTRIALS

26 November 2021

Outlook – Short term: **Positive**  
Outlook – Long term: **Positive**  
Valuation: **Positive**

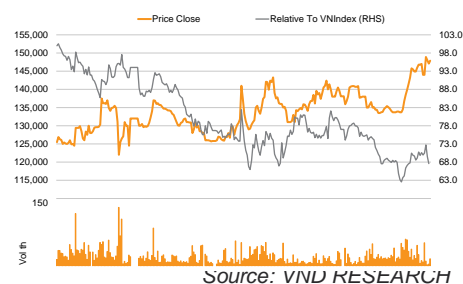
Consensus\*: Add:5 Hold:3 Reduce:0

Target price / Consensus: 9.2%

### Key changes in the report

➤ N/

### Price performance



### Key statistics

52w high (VND)	148,900
52w low (VND)	122,000
3m Avg daily value (VNDmn)	2,964
Market cap (VND bn)	7,465
Free float (%)	42
TTM P/E (x)	16.2
Current P/B (x)	7.39

### Ownership

Gemadept JSC	32.0%
Airport corporation of Vietnam	13.0%
41 Aircraft maintenance LTD	12.5%
Others	42.5%

Source: VND RESEARCH

### Analyst(s):



Dzung Nguyen

[dung.nguyentien5@vndirect.com.vn](mailto:dung.nguyentien5@vndirect.com.vn)

## Steady growth despite the outbreak

- In FY22-30F, Vietnam's air cargo volume may grow at 9.7% CAGR thanks to sustainable import-export and the relocation of supply chains to Vietnam.
- We expect SCS's net profit to grow 26.5%/15.5%/8.9% yoy in FY21-23F thanks to 12.5%/3.5% CAGR in total cargo volume and ASP.
- SCS is our stock pick for aviation sector.

### Vietnam air cargo market to steady grow over 2022-30F

When the global international skies are re-opened, air freight capacity will increase which will help the rates become more attractive, leading to the steady increase of global air cargo volume in endemic. Besides, sea freight rates have skyrocketed recently, making air freight rates become more competitive compared to sea freight rates. We expect Vietnam's air cargo volume to grow 10% in FY21F as Vietnam is gradually controlling the pandemic and the import demand of U.S, Europe, China economies will strongly increase at the end of the year. In FY22-30F, Vietnam's air cargo volume is expected to grow at 9.7% CAGR according to CAAV.

### Both volume and price will increase healthily over FY22-23F

We believe SCS' air cargo volume market share in TIA should grow to 55% over FY21-30F period, transforming it into Vietnam's leading air cargo services provider, premised on its state-of-the-art terminal and it being the only provider capable of expanding capacity at TIA. We expect SCS's performance to remain robust given its efficient cost control, strong balance sheet with zero debt and a preferential 10% tax rate until FY23F. Besides, SCS applied a new fee policy with decent rise in cargo handling charges since May-21, following that we expect SCS' ASP may increase at 3.5% CAGR in FY21-23F. Following the recovery, we expect FY21F total cargo volume to increase 17.6% yoy with domestic volume rising 19.7% yoy and international volume rising 16.8% yoy in FY21F. We estimate SCS's FY21F revenue/net profit would grow 21.8% yoy/26.5% yoy. For FY22-23F, we expect total cargo volume to increase 8.6%/12.0% yoy leading to the 15.5%/8.9 yoy growth of FY22-23F net profit.

### Recommend Add with target price of VND170,700

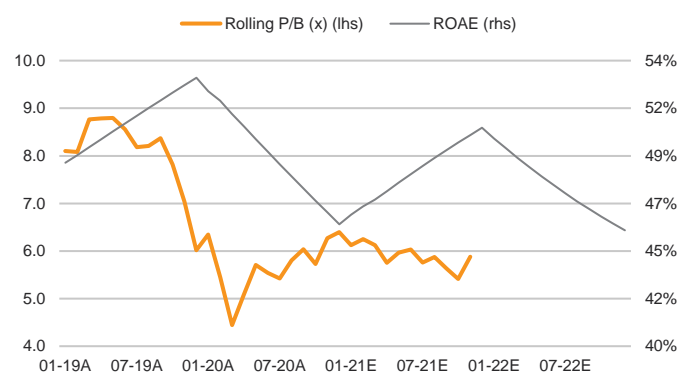
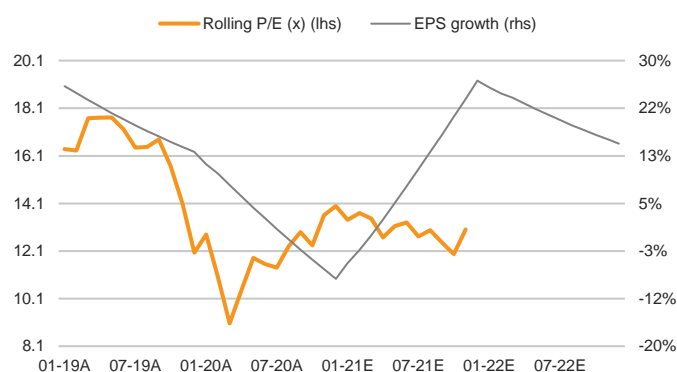
We recommend Add on SCS with DCF-based (WACC: 12,1%) TP of VND170,700. Potential re-rating catalysts include: (1) approval and announcements of M&A plans as SCS is planning to acquire an air cargo terminal operator at Noi Bai International Airport, and (2) approval and announcements of air cargo terminal investment at Long Thanh International Airport. Downside risk includes uncertainties arising from the pandemic to hinder air transport.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	693	844	985	1,142
Revenue growth	(7.4%)	21.8%	16.7%	15.9%
Gross margin	77.6%	79.6%	79.1%	78.1%
EBITDA margin	79.8%	81.0%	80.8%	82.1%
Net profit (bn)	464	587	678	738
Net profit growth	(7.5%)	26.5%	15.5%	8.8%
Recurring profit growth	(7.5%)	26.9%	15.5%	8.9%
Basic EPS	9,152	11,576	13,368	14,549
Adjusted EPS	9,152	11,576	13,368	14,549
BVPS	20,016	25,641	32,894	41,231
ROAE	46.0%	50.7%	45.7%	39.3%

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Source: VND RESEARCH



**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	844	985	1,142
Cost of sales	(172)	(206)	(249)
Gen & admin expenses	(74)	(86)	(98)
Selling expenses	0	0	0
<b>Operating profit</b>	<b>598</b>	<b>694</b>	<b>794</b>
Operating EBITDA	653	765	884
<b>Depreciation and amortisation</b>	<b>(56)</b>	<b>(71)</b>	<b>(89)</b>
<b>Operating EBIT</b>	<b>598</b>	<b>694</b>	<b>794</b>
Interest income	36	38	62
Financial expense	(1)	(1)	(1)
Net other income	(5)	(6)	(7)
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>628</b>	<b>725</b>	<b>848</b>
Tax expense	(41)	(47)	(110)
Minority interest	0	0	0
<b>Net profit</b>	<b>587</b>	<b>678</b>	<b>738</b>
Adj. net profit to ordinary	587	678	738
Ordinary dividends	(303)	(310)	(315)
<b>Retained earnings</b>	<b>285</b>	<b>368</b>	<b>423</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	126	176	331
Short term investments	211	296	571
Accounts receivables	155	181	210
Inventories	0	0	0
Other current assets	59	69	81
<b>Total current assets</b>	<b>551</b>	<b>721</b>	<b>1,192</b>
Fixed assets	437	661	639
Total investments	0	0	0
Other long-term assets	401	392	387
<b>Total assets</b>	<b>1,389</b>	<b>1,774</b>	<b>2,218</b>
Short-term debt	0	0	0
Accounts payable	5	6	7
Other current liabilities	78	92	111
<b>Total current liabilities</b>	<b>83</b>	<b>99</b>	<b>119</b>
Total long-term debt	0	0	0
Other liabilities	5	6	7
Share capital	579	579	579
Retained earnings reserve	670	1,038	1,461
<b>Shareholders' equity</b>	<b>1,301</b>	<b>1,669</b>	<b>2,092</b>
Minority interest	0	0	0
<b>Total liabilities &amp; equity</b>	<b>1,389</b>	<b>1,774</b>	<b>2,218</b>

**Cash flow statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>628</b>	<b>725</b>	<b>848</b>
Depreciation & amortisation	56	71	89
Tax paid	(41)	(47)	(110)
Other adjustments	(1)	0	0
<b>Change in working capital</b>	<b>40</b>	<b>(20)</b>	<b>(20)</b>
<b>Cash flow from operations</b>	<b>683</b>	<b>729</b>	<b>808</b>
Capex	(267)	(272)	(48)
Proceeds from assets sales	0	0	0
Others	(23)	(97)	(289)
Other non-current assets changes			
<b>Cash flow from investing activities</b>	<b>(290)</b>	<b>(369)</b>	<b>(337)</b>
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	0	0	0
Other financing cash flow	0	0	0
Dividends paid	(303)	(310)	(315)
<b>Cash flow from financing activities</b>	<b>(303)</b>	<b>(310)</b>	<b>(315)</b>
Cash and equivalents at beginning of period	36	126	176
<b>Total cash generated</b>	<b>90</b>	<b>49</b>	<b>155</b>
Cash and equivalents at the end of period	126	176	331

**Key ratios**

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	69.6%	68.9%	64.7%
Asset turnover	0.68	0.62	0.57
ROAA	47.3%	42.9%	37.0%
Avg assets/avg equity	1.07	1.06	1.06
ROAE	50.7%	45.7%	39.3%
<b>Efficiency</b>			
Days account receivable	34.9	34.9	34.9
Days inventory	0.0	0.0	0.0
Days creditor	10.7	10.7	10.7
Fixed asset turnover	1.90	1.79	1.76
ROIC	45.1%	40.6%	35.3%
<b>Liquidity</b>			
Current ratio	6.7	7.3	10.0
Quick ratio	6.7	7.3	10.0
Cash ratio	4.1	4.8	7.6
Cash cycle	24.2	24.2	24.2
<b>Growth rate (yoy)</b>			
Revenue growth	21.8%	16.7%	15.9%
Operating profit growth	26.2%	16.1%	14.4%
Net profit growth	26.5%	15.5%	8.8%
EPS growth	26.5%	15.5%	8.8%

Source: VND RESEARCH

## CENTURY SYNTHETIC FIBER CORP (STK)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND63,700	VND72,500	2.84%	Add	BASIC MATERIALS

26 November 2021

**Outlook – Short term:** Positive  
**Outlook – Long term:** Positive  
**Valuation:** Positive

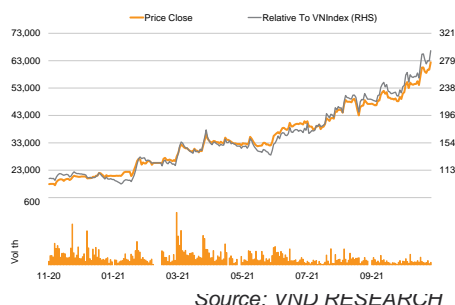
Consensus\*: Add:6 Hold:4 Reduce:0

Target price / Consensus: 33.3%

### Key changes in the report

➤ N/a

### Price performance



### Key statistics

52w high (VND)	63,700
52w low (VND)	17,500
3m Avg daily value (VNDmn)	2,007
Market cap (VND bn)	4,084
Free float (%)	50
TTM P/E (x)	15.9
Current P/B (x)	3.6

### Ownership

Huong Viet Investment JSC	20.0%
Dang My Linh	14.3%
Dang Treu Hoa	13.8%
Others	51.2%

Source: VND RESEARCH

### Analyst(s):



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## Recycled yarn to boost FY22F profits

- STK will become the second-largest yarn production manufacturers in Vietnam, with a total capacity of 123,000 tons/year in FY25F.
- We expect STK is a biggest beneficiary of the anti-dumping tax on China and other foreign yarn manufacturers effective since Oct-21.
- STK is our stock pick for textile & garment sector.

### 9M21 solid performance despite supply chain disruption

STK posted 9M21 revenue and NP achieved VND1,577bn (+29.3% yoy) and VND203bn (+171.2% yoy). The 9M21 performance partly came from 1) low base in 9M20, 2) STK prioritizing its capacity for orders of premium products (recycled yarn and high-quality virgin yarn), which bolstered its gross profit margin and 3) yarn average sell price (ASP) increased 20% yoy thanks to the depletion of yarn inventories in China.

### The recycled yarn's outlook remains bright in 2022-25F

Recycling the yarn is the best way to use waste fabrics generated from textile industries and does not have any bad impact on the environment. According to Textile Exchange, recycled polyester consumption will soar from 4.5m tons/year in 2020 to 17.1m tons/year in 2025F thanks to famous brand fashions such as H&M, Uniqlo, Adidas increase their commitment to raising their recycled material usage. We forecast recycled yarn's sale growth to achieve 93%/15%/30% yoy in FY21F/22F/23F, respectively as Uniqlo and Adidas are loyal customers of STK since 2017.

### We are confident about STK's FY21-23F outlook

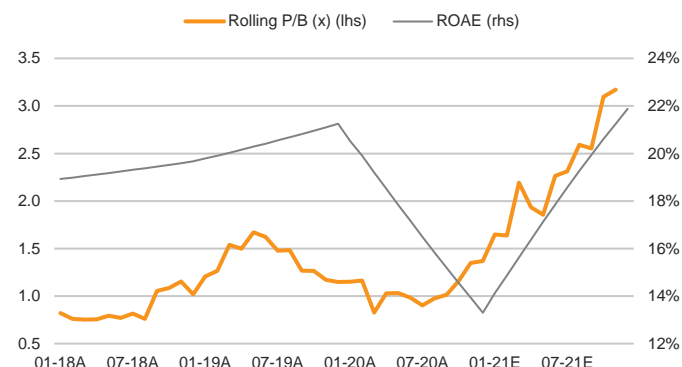
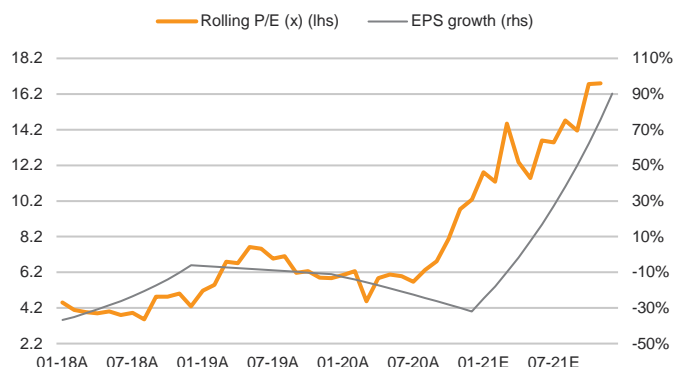
First, we expect STK's NP to grow 10.7% yoy in 4Q21 and 18.2% yoy in FY22F as the recycle yarns segment will particularly benefit from the demand recovery of the domestic market. Second, STK is one of the yarn manufacturers benefited from anti-dumping tax on yarns imported from China and India, which is imposing by the Ministry of Industry and Trade. Last, we expect phase 1 of the Unitex factory to commercial operate in 1Q23F and operate at 80% capacity in 2023F with 28.400 tons of production volume. We think that STK's FY22F P/E of 13.5x is still attractive with a company with NP CAGR of 37.0% in FY21-23F.

### Recommend ADD rating with TP of VND72,500

We recommend ADD with TP of VND72,500. Our 1-year-target is based on FY22F EPS of VND5,366/share and target FY22F P/E of 13.5x, which is equivalent to one-year historical P/E. Potential re-rating catalysts is the more robust growth in the volume of recycled yarn thanks to the rebound in market demand. The key downside risks are including 1) another arising variant and 2) the worsening of the Covid-19 outbreak in STK's domestic markets may hit STK's performance directly.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	1,766	2,353	2,879	3,839
Revenue growth	(20.8%)	33.3%	22.4%	33.4%
Gross margin	14.5%	19.5%	21.3%	21.7%
EBITDA margin	17.8%	23.1%	25.2%	25.2%
Net profit (bn)	144	274	379	549
Net profit growth	(32.0%)	90.3%	38.7%	44.8%
Recurring profit growth	(32.9%)	102.7%	37.2%	37.1%
Basic EPS	2,033	3,869	5,366	7,766
Adjusted EPS	2,033	3,869	5,366	7,766
BVPS	15,279	20,080	23,848	29,286
ROAE	13.3%	21.9%	24.4%	29.2%

## Valuation



### Income statement

(VNDbn)	12-20A	12-21E	12-22E
Net revenue	1,766	2,353	2,879
Cost of sales	(1,510)	(1,894)	(2,267)
Gen & admin expenses	(57)	(72)	(80)
Selling expenses	(24)	(33)	(36)
<b>Operating profit</b>	<b>175</b>	<b>355</b>	<b>496</b>
Operating EBITDA	308	555	732
<b>Depreciation and amortisation</b>	<b>(133)</b>	<b>(200)</b>	<b>(236)</b>
<b>Operating EBIT</b>	<b>175</b>	<b>355</b>	<b>496</b>
Interest income	12	10	11
Financial expense	(23)	(51)	(72)
Net other income	1	2	2
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>165</b>	<b>316</b>	<b>437</b>
Tax expense	(21)	(42)	(58)
Minority interest	0	0	0
<b>Net profit</b>	<b>144</b>	<b>274</b>	<b>379</b>
Adj. net profit to ordinary	144	274	379
Ordinary dividends	(98)	(108)	(135)
<b>Retained earnings</b>	<b>45</b>	<b>166</b>	<b>245</b>

### Balance sheet

(VNDbn)	12-20A	12-21E	12-22E
Cash and equivalents	95	90	240
Short term investments	26	47	58
Accounts receivables	98	73	94
Inventories	401	588	617
Other current assets	23	9	11
<b>Total current assets</b>	<b>642</b>	<b>808</b>	<b>1,021</b>
Fixed assets	914	1,165	1,380
Total investments	155	144	145
Other long-term assets	0	10	(0)
<b>Total assets</b>	<b>1,712</b>	<b>2,127</b>	<b>2,545</b>
Short-term debt	223	309	285
Accounts payable	262	88	115
Other current liabilities	85	110	135
<b>Total current liabilities</b>	<b>569</b>	<b>508</b>	<b>535</b>
Total long-term debt	52	188	230
Other liabilities	11	11	93
Share capital	707	813	813
Retained earnings reserve	381	566	833
<b>Shareholders' equity</b>	<b>1,081</b>	<b>1,420</b>	<b>1,687</b>
Minority interest			
<b>Total liabilities &amp; equity</b>	<b>1,712</b>	<b>2,127</b>	<b>2,545</b>

### Cash flow statement

(VNDbn)	12-20A	12-21E	12-22E
<b>Pretax profit</b>	<b>165</b>	<b>316</b>	<b>437</b>
Depreciation & amortisation	133	200	236
Tax paid	(18)	(42)	(58)
Other adjustments	1	(5)	(6)
<b>Change in working capital</b>	<b>178</b>	<b>(272)</b>	<b>(3)</b>
<b>Cash flow from operations</b>	<b>458</b>	<b>196</b>	<b>607</b>
Capex	0	(450)	(450)
Proceeds from assets sales	54	59	65
Others	(13)	0	0
Other non-current assets changes	0	0	0
<b>Cash flow from investing activities</b>	<b>41</b>	<b>(391)</b>	<b>(385)</b>
New share issuance	0	0	0
Shares buyback	(42)	0	0
Net borrowings	(398)	266	189
Other financing cash flow	(15)	32	(126)
Dividends paid	(98)	(108)	(135)
<b>Cash flow from financing activities</b>	<b>(554)</b>	<b>189</b>	<b>(72)</b>
Cash and equivalents at beginning of period	150	95	90
<b>Total cash generated</b>	<b>(55)</b>	<b>(5)</b>	<b>150</b>
Cash and equivalents at the end of period	95	90	240

### Key ratios

	12-20A	12-21E	12-22E
<b>Dupont</b>			
Net profit margin	8.1%	11.6%	13.2%
Asset turnover	0.93	1.23	1.23
ROAA	7.6%	14.3%	16.2%
Avg assets/avg equity	1.75	1.54	1.50
ROAE	13.3%	21.9%	24.4%
<b>Efficiency</b>			
Days account receivable	19.2	12.4	12.9
Days inventory	97.1	113.3	99.4
Days creditor	63.4	17.0	18.6
Fixed asset turnover	1.80	2.26	2.26
ROIC	10.6%	14.3%	17.2%
<b>Liquidity</b>			
Current ratio	1.1	1.6	1.9
Quick ratio	0.4	0.4	0.8
Cash ratio	0.2	0.3	0.6
Cash cycle	52.9	108.7	93.7
<b>Growth rate (yoy)</b>			
Revenue growth	(20.8%)	33.3%	22.4%
Operating profit growth	(35.1%)	102.9%	39.7%
Net profit growth	(32.0%)	90.3%	38.7%
EPS growth	(32.0%)	90.3%	38.7%

Source: VND RESEARCH

## SONADEZI CHAU DUC JSC (SZC)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND54,900	VND58,800	2.04%	hold	PROPERTY

26 November 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Neutral**

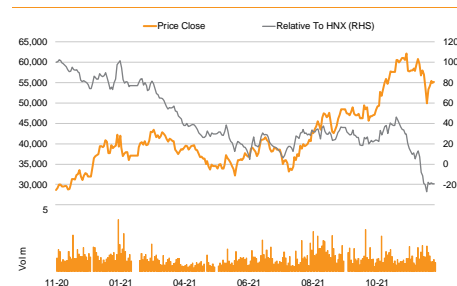
Consensus\*: Add:0 Hold:0 Reduce:0

Target price / Consensus: na

### Key changes in the report

➤ N/A

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	62,200
52w low (VND)	28,700
3m Avg daily value (VNDmn)	61,348
Market cap (VNDbn)	5,490
Free float (%)	40
TTM P/E (x)	21.4
Current P/B (x)	3.9

### Ownership

Sonadezi	46.8%
Sonadezi Long Thanh	10.1%
Others	43.1%

Source: VND RESEARCH

### Analyst(s):



**Tu Nguyen Cam**

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## Set for another good year

- Locating in industrial park (IP) hotspot, Ba Ria-Vung Tau, SZC stands out with large land bank of 2,287ha and competitive rental prices.
- We expect FY22F NP to grow 66.6% yoy, driven by a rise in revenue from the industrial property and residential projects.
- Recommend Hold with SOTP-based TP of VND58,800.

### Owning the 2nd-largest land bank among listed IP companies

SZC is well-positioned to capture the growing demand for industrial property in the South, triggered by the manufacturing inflow to Vietnam on the “China plus one” strategy thanks to: 1) strong support from its parent company, Sonadezi Corporation; 2) the second-largest available land bank (660ha) and competitive rental prices among listed peers in Vietnam; and 3) attracting a diversified manufacturer profile on favorable location near ports, airport and other IPs in Ba Ria – Vung Tau (BR-VT).

### Ba Ria – Vung Tau (BR-VT) is an industrial park hotspot

BR-VT emerges as one of the major industrial hubs in Southern Vietnam, thanks to its proximity to HCMC, competitive land prices and large leasable area. Together with Cai Mep -Thi Vai port cluster, upcoming Long Thanh International airport and key traffic infrastructure, BR-VT is an ideal destination for all manufacturing sectors ranging from heavy industries to chemicals and automobile to supporting industries. We believe the province is one of the biggest beneficiaries to ride on the strong capital inflow and increasing rental prices.

### We believe FY22F is another stellar year for SZC

We forecast average rental rates to grow at CAGR of 17.5% in FY21-22F to US\$65-80 psm per lease term, bringing industrial property revenue to surge 56.6%/29% yoy in FY21 and FY22F, respectively. Together with the contribution of Chau Duc urban and golf course projects from FY21F, would generate FY22F net profit up 66.6% yoy.

### Recommend Hold with SOTP-based TP of VND58,800

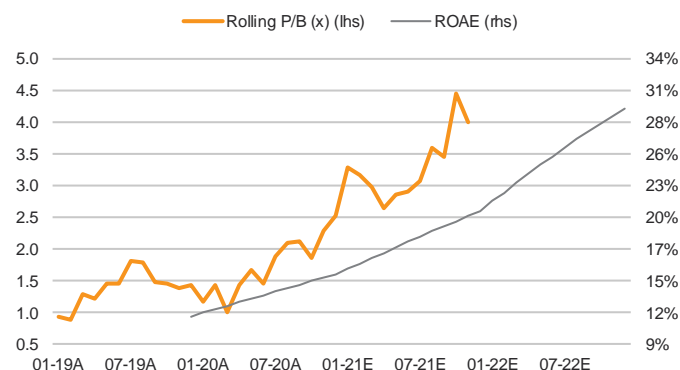
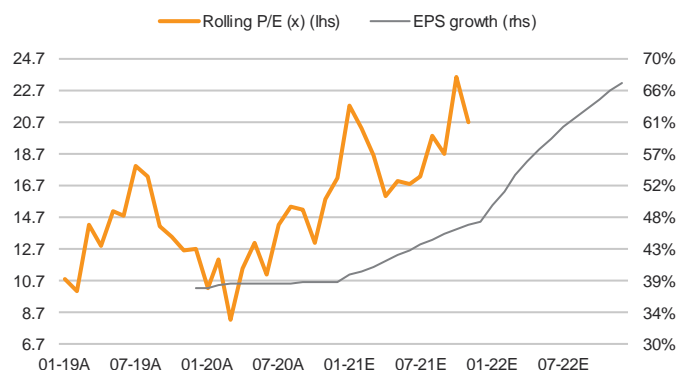
Upside catalysts are 1) a better-than-expected IP and residential land sales, 2) faster land clearance, which will speed up project implementation. Downside risks are 1) prolong 4<sup>th</sup> COVID-19 outbreak which could restrict sales and investment activities, and 2) delays in residential and golf course launches.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	433	631	1,026	1,459
Revenue growth	31.4%	45.8%	62.6%	42.2%
Gross margin	54.0%	58.6%	58.9%	57.2%
EBITDA margin	87.0%	88.0%	77.5%	75.7%
Net profit (bn)	186	274	456	614
Net profit growth	38.7%	47.2%	66.6%	34.6%
Recurring profit growth	37.4%	44.0%	72.7%	34.9%
Basic EPS	1,860	2,738	4,562	6,143
Adjusted EPS	1,681	2,475	4,123	5,551
BVPS	12,642	13,895	16,910	21,316
ROAE	15.1%	20.6%	29.6%	32.1%

Source: VND RESEARCH



## Valuation



### Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	631	1,026	1,459
Cost of sales	(261)	(422)	(624)
Gen & admin expenses	(40)	(46)	(49)
Selling expenses	(6)	(12)	(12)
<b>Operating profit</b>	<b>324</b>	<b>547</b>	<b>773</b>
Operating EBITDA	555	796	1,105
<b>Depreciation and amortisation</b>	<b>231</b>	<b>249</b>	<b>332</b>
<b>Operating EBIT</b>	<b>324</b>	<b>547</b>	<b>773</b>
Interest income	21	23	22
Financial expense	(16)	(32)	(31)
Net other income	5	3	4
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>334</b>	<b>537</b>	<b>768</b>
Tax expense	(60)	(81)	(154)
Minority interest			
<b>Net profit</b>	<b>274</b>	<b>456</b>	<b>614</b>
Adj. net profit to ordinary	230	397	536
Ordinary dividends	(100)	(100)	(100)
<b>Retained earnings</b>	<b>174</b>	<b>356</b>	<b>514</b>

### Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	89	170	653
Short term investments	120	120	120
Accounts receivables	14	22	36
Inventories	3	4	4
Other current assets	20	22	23
<b>Total current assets</b>	<b>302</b>	<b>426</b>	<b>966</b>
Fixed assets	5,381	6,817	7,527
Total investments	53	53	53
Other long-term assets	10	10	10
<b>Total assets</b>	<b>5,764</b>	<b>7,306</b>	<b>8,555</b>
Short-term debt	126	100	100
Accounts payable	270	436	644
Other current liabilities	705	1,102	1,608
<b>Total current liabilities</b>	<b>1,113</b>	<b>1,651</b>	<b>2,368</b>
Total long-term debt	2,365	2,651	2,235
Other liabilities	897	1,313	1,821
Share capital	1,000	1,000	1,000
Retained earnings reserve	340	641	1,082
<b>Shareholders' equity</b>	<b>1,390</b>	<b>1,691</b>	<b>2,132</b>
Minority interest			
<b>Total liabilities &amp; equity</b>	<b>5,764</b>	<b>7,306</b>	<b>8,555</b>

### Cash flow statement

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>334</b>	<b>537</b>	<b>768</b>
Depreciation & amortisation	231	249	332
Tax paid	(60)	(81)	(154)
Other adjustments	(42)	(80)	(90)
<b>Change in working capital</b>	<b>157</b>	<b>711</b>	<b>840</b>
<b>Cash flow from operations</b>	<b>615</b>	<b>1,349</b>	<b>1,705</b>
Capex	(1,329)	(1,440)	(714)
Proceeds from assets sales	0	0	0
Others	(19)	23	22
Other non-current assets changes	0	0	0
<b>Cash flow from investing activities</b>	<b>(1,349)</b>	<b>(1,417)</b>	<b>(692)</b>
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	1,383	680	0
Other financing cash flow	(547)	(420)	(415)
Dividends paid	(100)	(100)	(100)
<b>Cash flow from financing activities</b>	<b>736</b>	<b>160</b>	<b>(515)</b>
Cash and equivalents at beginning of period	89	89	170
<b>Total cash generated</b>	<b>2</b>	<b>92</b>	<b>497</b>
Cash and equivalents at the end of period	91	181	667

### Key ratios

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	43.4%	44.5%	42.1%
Asset turnover	0.12	0.16	0.18
ROAA	5.4%	7.0%	7.7%
Avg assets/avg equity	3.84	4.24	4.15
ROAE	20.6%	29.6%	32.1%
<b>Efficiency</b>			
Days account receivable	8.1	8.0	9.1
Days inventory	4.4	3.7	2.8
Days creditor	376.7	377.2	377.1
Fixed asset turnover	0.14	0.18	0.21
ROIC	7.1%	10.3%	13.8%
<b>Liquidity</b>			
Current ratio	0.3	0.3	0.4
Quick ratio	0.3	0.3	0.4
Cash ratio	0.2	0.2	0.3
Cash cycle	(364.2)	(365.4)	(365.2)
<b>Growth rate (yoy)</b>			
Revenue growth	45.8%	62.6%	42.2%
Operating profit growth	62.7%	68.7%	41.4%
Net profit growth	47.2%	66.6%	34.6%
EPS growth	47.2%	66.6%	34.6%

Source: VND RESEARCH



## TECHCOMBANK (TCB)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND54,000	VND64,100	0.00%	Add	FINANCIALS

26 November 2021

Outlook – Short term: **Positive**  
Outlook – Long term: **Positive**  
Valuation: **Positive**

Consensus\*: Add:14 Hold:2 Reduce:0

Target price / Consensus:

### Key changes in the report

➤ N/A

### Price performance



Source: VNDIRECT RESEARCH

### Key statistics

52w high (VND)	58,000
52w low (VND)	25,000
3m Avg daily value (VNDmn)	760,711
Market cap (VND bn)	192,749
Free float (%)	70
TTM P/E (x)	14.2
Current P/B (x)	2.36

### Ownership

Masan Group	15.0%
Ho Hung Anh	10.0%
Nguyen Canh Son	3.3%
Others	71.7%

Source: VND RESEARCH

### Analyst(s):



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## Leading the pack

- We forecast TCB to lead the sector in loan book growth with the annual growth rate of 21% and a high NIM of at least 5.5% in 2021-23F.
- We expect earnings to grow at c.21% yoy in 2022-23F.
- Recommend Add with TP of VND64,100.

### 9M21 best performer in the sector

9M21 Net interest income (NII) jumped 46.3% yoy, driven by a 17% ytd credit growth and 89bp yoy 9M21 annualized net interest margin (NIM) expansion to 5.7%. Meantime, non-interest income (non-II) rose 24.7% yoy on a 37.2% yoy net fee income (NFI) hike. Cost income ratio (CIR) fell to 28.9%, while a 9.2% yoy drop of provision expense still helped TCB maintain in top best asset quality banks with lowest-among-peers non-performing loan ratio of 0.57% and ample loan loss reserve of 184.4% at end-3Q21. Overall, net profit shot up 60.6% yoy.

### We like TCB for its robust organic growth prospect

Productive collaboration with large conglomerates, like Vingroup, Masan Group, Thao Dien Investment JSC as well as the recovery of real estate market on low lending rate would bolster TCB solid credit growth. In fact, TCB is one of few banks which are granted higher credit quota recently, augmenting to 22.1% for FY21F. Meantime, improved retail lending penetration, mortgage particularly, uplifts assets yield; while high CASA ratio helps TCB maintain lowest funding cost in the sector which increases its competitive advantage in approaching customers. Besides, low CIR on high operational efficiency and solid asset quality give TCB better position in securing bottom-line pristine.

### We forecast EPS CAGR of 21% in 2021-23F

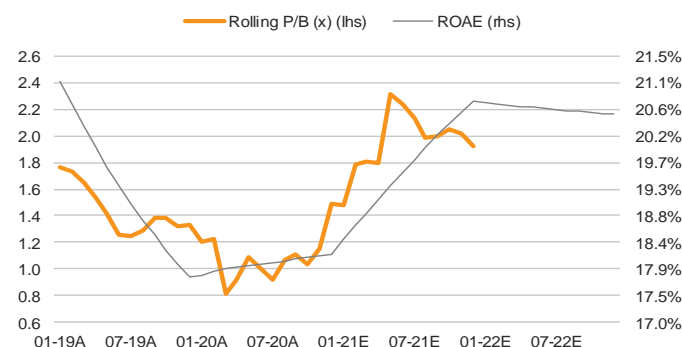
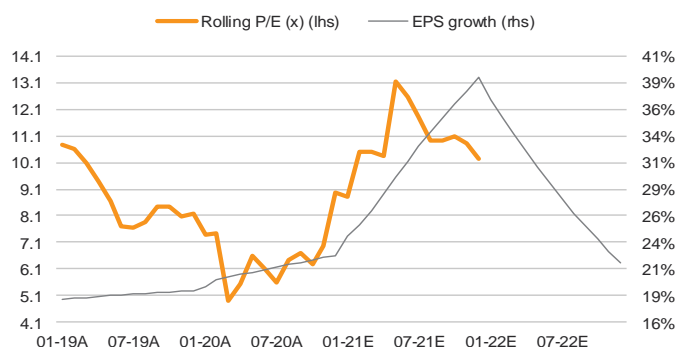
We forecast NIM to increase 63bp yoy to 5.5% in 2021 then improve 23bp in 2021-23F. Together with annual credit growths of 20%, NII is expected to get a CAGR of 21% over the period. Meantime, non-II CAGR is estimated at 20.6% driven by a 30% NFI CAGR. Accompanied by a CIR of c.31% and credit cost of 0.7-0.9%, we forecast net profit CAGR of 21.1% in 2021-23F.

### We recommend Add to TCB with 1-year TP of VND64,100

Our TP of VND64,100 is based on residual income valuation (COE: 12.7%, LTG: 4%), and 2.2x FY21-22F P/B, weighted equally. Upside catalysts are higher-than-expected loan growth and NIM expansion. Downside risk is higher-than-expected bad debt.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net interest income (bn)	18,751	24,616	29,959	35,952
Net interest margin	4.9%	5.5%	5.7%	5.7%
Total operating income (bn)	27,042	34,625	41,921	50,509
Total provision charges (bn)	(2,611)	(2,684)	(2,696)	(3,259)
Net profit (bn)	12,325	17,157	20,879	25,148
Net profit growth	22.3%	39.2%	21.7%	20.4%
Adjusted EPS	3,515	4,885	5,936	7,149
BVPS	21,179	26,018	31,965	39,128
ROAE	18.1%	20.7%	20.5%	20.2%

Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Net interest income</b>	<b>24,616</b>	<b>29,959</b>	<b>35,952</b>
<b>Non interest income</b>	<b>10,009</b>	<b>11,962</b>	<b>14,557</b>
<b>Total operating income</b>	<b>34,625</b>	<b>41,921</b>	<b>50,509</b>
Total operating costs	(10,387)	(12,996)	(15,658)
<b>Pre-provision operating profit</b>	<b>24,237</b>	<b>28,926</b>	<b>34,851</b>
<b>Total provision charges</b>	<b>(2,684)</b>	<b>(2,696)</b>	<b>(3,259)</b>
Income from associates & JVs			
Net other income			
<b>Pre-tax profit</b>	<b>21,554</b>	<b>26,230</b>	<b>31,592</b>
Tax expense	(4,311)	(5,246)	(6,318)
<b>Profit after tax</b>	<b>17,243</b>	<b>20,984</b>	<b>25,274</b>
Minority interest	(86)	(105)	(126)
<b>Net profit</b>	<b>17,157</b>	<b>20,879</b>	<b>25,148</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Gross loans to customers	335,458	405,870	490,926
Loans to banks	31,894	35,084	39,294
<b>Total gross loans</b>	<b>367,352</b>	<b>440,954</b>	<b>530,220</b>
Securities - total	105,717	119,968	136,364
Other interest earning assets	11,074	11,959	13,155
<b>Total gross IEAs</b>	<b>484,143</b>	<b>572,881</b>	<b>679,739</b>
<b>Total provisions</b>	<b>(3,476)</b>	<b>(4,166)</b>	<b>(5,003)</b>
<b>Net loans to customers</b>	<b>332,399</b>	<b>402,154</b>	<b>486,417</b>
<b>Total net IEAs</b>	<b>480,667</b>	<b>568,715</b>	<b>674,736</b>
Cash and deposits	3,954	4,267	4,604
Total investments	1,227	1,324	1,428
Other assets	29,622	31,742	34,013
<b>Total non-IEAs</b>	<b>34,803</b>	<b>37,332</b>	<b>40,046</b>
<b>Total assets</b>	<b>515,470</b>	<b>606,047</b>	<b>714,781</b>
Customer deposits	324,627	373,321	431,185
Cds outstanding	34,317	41,866	51,077
Customer interest-bearing liabilities	358,943	415,187	482,262
Bank deposits	56,982	69,518	87,592
Broad deposits	415,925	484,705	569,854
Other interest-bearing liabilities	267	267	267
<b>Total IBLs</b>	<b>416,192</b>	<b>484,972</b>	<b>570,121</b>
Deferred tax liability			
Other non-interest bearing liabilities	7,360	8,173	6,484
<b>Total non-IBLs</b>	<b>7,360</b>	<b>8,173</b>	<b>6,484</b>
<b>Total liabilities</b>	<b>423,552</b>	<b>493,145</b>	<b>576,605</b>
Share capital	35,109	35,109	35,109
Additional paid-in capital	477	477	477
Treasury shares	0	0	0
Retained earnings reserve	48,972	69,852	94,999
Other reserves	6,790	6,790	6,790
<b>Shareholders' equity</b>	<b>91,348</b>	<b>112,227</b>	<b>137,374</b>
Minority interest	570	675	801
<b>Total equity</b>	<b>91,918</b>	<b>112,902</b>	<b>138,176</b>
<b>Total liabilities &amp; equity</b>	<b>515,470</b>	<b>606,047</b>	<b>714,781</b>

	12-21E	12-22E	12-23E
<b>Growth rate (yoy)</b>			
Cust deposit growth	17.0%	15.0%	15.5%
Gross cust loan growth	20.9%	21.0%	21.0%
Net interest income growth	31.3%	21.7%	20.0%
Pre provision operating profit growth	31.6%	19.3%	20.5%
Net profit growth	39.2%	21.7%	20.4%
Growth in IEAs	18.0%	18.3%	18.6%
<b>Share value</b>			
Basic EPS (VND)	4,894	5,947	7,163
BVPS (VND)	26,018	31,965	39,128
DPS (VND)	0	0	0
EPS growth	39.0%	21.5%	20.4%

**Key ratios**

	12-21E	12-22E	12-23E
Net interest margin	5.5%	5.7%	5.7%
Cost-income ratio	(30.0%)	(31.0%)	(31.0%)
Reported NPLs / gross cust loans	0.6%	0.7%	0.7%
Reported NPLs / net cust loans	0.6%	0.7%	0.7%
GP charge / average cust loans	0.9%	0.7%	0.7%
Total CAR	15.4%	15.8%	16.3%
Loan deposit ratio	93.5%	97.8%	101.8%
<b>Margins and spreads</b>			
Return on IEAs	7.5%	7.7%	7.8%
Cost of funds	2.3%	2.3%	2.5%
Interest return on average assets	5.2%	5.3%	5.4%
ROAE	20.7%	20.5%	20.2%

Source: VNDIRECT RESEARCH, COMPANY REPORTS

## TPBANK (TPB)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND47,500	VND52,000	0.00%	Add	FINANCIALS

26 November 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Positive**

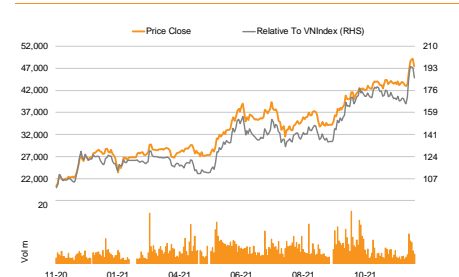
Consensus\*: Add:6 Hold:2 Reduce:0

Target price / Consensus:

### Key changes in the report

➤ N/A

### Price performance



Source: VNDIRECT RESEARCH

### Key statistics

52w high (VND)	49,200
52w low (VND)	22,050
3m Avg daily value (VNDmn)	232,753
Market cap (VND bn)	57,646
Free float (%)	60
TTM P/E (x)	15.3
Current P/B (x)	3.34

### Ownership

FPT Group	6.8%
Doji Gold & Gems Group	5.9%
Others	87.30%

Source: VND RESEARCH

### Analyst(s):



**Ngoc Nguyen Dang Bao**

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## Go “Tien Phong”, go ahead

- Leading position in banking digitalisation with Livebank allows TPB to tap into young client and enhances lending ability despite its small network.
- We forecast TPB to sustain high earnings growth of at least 24% yoy in 2022-23F driven by solid credit growth of 24% and high NIM of 4.9%.
- Recommend Add with TP of VND52,000.

### 9M21 recap: strong in all facets

Loan book rose 10.8% ytd at end-9M21 and 9M21 annualised net interest margin (NIM) expanded 28bp yoy to 4.5%, bringing net interest income (NII) to grow 37.2% yoy. Meantime, non-interest income (Non-II) rose 46.3% yoy on a 30% yoy rise in net fee income (NFI) and a 152.4% yoy increase in net gain from trading investment securities. Cost income ratio (CIR) fell to 31.9%. However, provision expense surged 98.8% yoy, which helped lower non-performing loan (NPL) ratio to 1% and maintain sufficient loan loss reserve (LLR) of 115.4% at end-3Q21. Overall, net profit jumped 45.3% yoy in 9M21.

### Livebank brings TPB to lead the wave of Fintech application

Vietnam is boosting the development of regulatory sandbox for Fintech, helping TPB accelerate customer base expansion and deposit mobilisation ability. For differing from other banks' networks, TPB's Livebank operates 24/7 while it has all functions of a physical network except lending characteristics, thus enabling to serve clients at any time, giving TPB advantage in capturing customers.

### We forecast TPB to sustain high net profit CAGR of 24.2% in 2021-23F

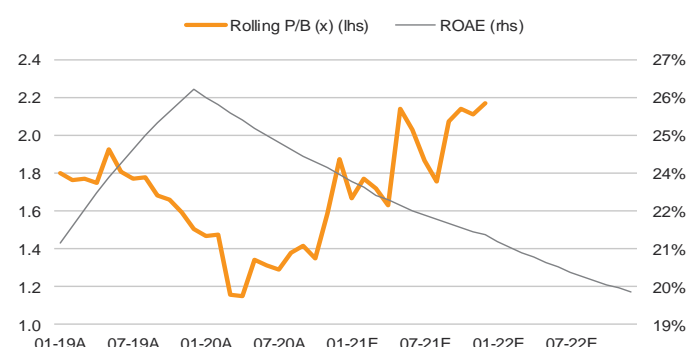
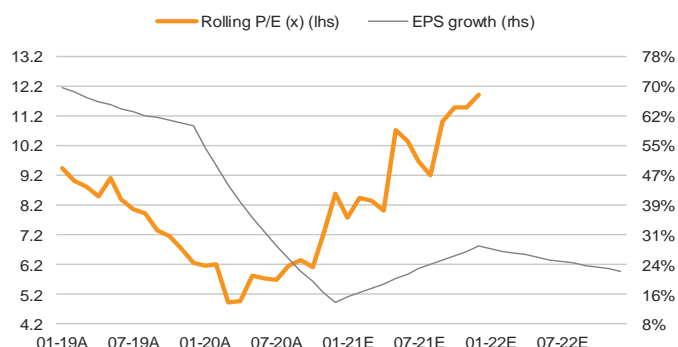
We expect loan book to grow 20% yoy in 2021, then rise to 24% yoy in 2022-23F supported by the loosening monetary policy and the economic recovery. We forecast net interest margin (NIM) to improve 32bp over the period, lifted by both asset yield expansion on increasing penetration in mortgage lending and cost of fund improvement on better CASA ratio. Overall, net interest income CAGR would reach 22.6% in 2021-23F. Together with a 36.5% Non-interest income CAGR on 50% net fee income CAGR, and cost income ratio (CIR) of c.39%, we estimate net profit CAGR to be at 24.2% in 2021-23F.

### Recommend Add with a TP of VND52,000

Our recommendation is premised on: (1) livebank brings TPB to lead the wave of fintech application; (2) strong lending capacity on mass access and simple loan process; and iii) controllable asset quality. Our TP is based on residual income valuation (COE: 14%, LTG: 3%) and 2x FY22F P/BV, weighting equally. Upside catalysts include NIM rising above our forecast and/or a higher-than-expected credit growth. Downside risk is higher-than-expected bad debts caused by the pandemic.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net interest income (bn)	7,619	9,499	11,892	14,276
Net interest margin	4.5%	4.6%	4.9%	4.9%
Total operating income (bn)	10,369	12,303	15,700	19,501
Total provision charges (bn)	(1,783)	(1,980)	(2,419)	(3,000)
Net profit (bn)	3,510	4,617	5,727	7,117
Net profit growth	13.5%	31.5%	24.0%	24.3%
Adjusted EPS	3,126	4,009	4,887	6,074
BVPS	14,291	22,017	26,904	32,978
ROAE	23.5%	21.7%	20.0%	20.3%

Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Net interest income</b>	<b>9,499</b>	<b>11,892</b>	<b>14,276</b>
<b>Non interest income</b>	<b>2,804</b>	<b>3,808</b>	<b>5,225</b>
<b>Total operating income</b>	<b>12,303</b>	<b>15,700</b>	<b>19,501</b>
Total operating costs	(4,552)	(6,123)	(7,605)
<b>Pre-provision operating profit</b>	<b>7,751</b>	<b>9,577</b>	<b>11,896</b>
<b>Total provision charges</b>	<b>(1,980)</b>	<b>(2,419)</b>	<b>(3,000)</b>
Income from associates & JVs			
Net other income			
<b>Pre-tax profit</b>	<b>5,771</b>	<b>7,158</b>	<b>8,896</b>
Tax expense	(1,154)	(1,432)	(1,779)
<b>Profit after tax</b>	<b>4,617</b>	<b>5,727</b>	<b>7,117</b>
Minority interest	0	0	0
<b>Net profit</b>	<b>4,617</b>	<b>5,727</b>	<b>7,117</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Gross loans to customers	143,989	178,547	221,398
Loans to banks	13,968	15,365	16,440
<b>Total gross loans</b>	<b>157,957</b>	<b>193,912</b>	<b>237,838</b>
Securities - total	54,031	59,434	65,378
Other interest earning assets	10,097	11,099	11,870
<b>Total gross IEAs</b>	<b>222,085</b>	<b>264,445</b>	<b>315,086</b>
<b>Total provisions</b>	<b>(2,441)</b>	<b>(2,548)</b>	<b>(3,078)</b>
<b>Net loans to customers</b>	<b>141,819</b>	<b>176,296</b>	<b>218,647</b>
<b>Total net IEAs</b>	<b>219,645</b>	<b>261,897</b>	<b>312,009</b>
Cash and deposits	2,369	2,535	2,713
Total investments	0	0	0
Other assets	17,159	18,360	19,645
<b>Total non-IEAs</b>	<b>19,528</b>	<b>20,895</b>	<b>22,358</b>
<b>Total assets</b>	<b>239,173</b>	<b>282,791</b>	<b>334,366</b>
Customer deposits	134,448	161,338	193,605
Cds outstanding	29,360	30,828	32,369
Customer interest-bearing liabilities	163,808	192,165	225,974
Bank deposits	698	698	698
Broad deposits	164,506	192,863	226,672
Other interest-bearing liabilities	44,839	53,669	64,265
<b>Total IBLs</b>	<b>209,344</b>	<b>246,532</b>	<b>290,937</b>
Deferred tax liability			
Other non-interest bearing liabilities	4,032	4,736	4,789
<b>Total non-IBLs</b>	<b>4,032</b>	<b>4,736</b>	<b>4,789</b>
<b>Total liabilities</b>	<b>213,376</b>	<b>251,269</b>	<b>295,726</b>
Share capital	11,717	11,717	11,717
Additional paid-in capital	2,577	2,577	2,577
Treasury shares	0	0	0
Retained earnings reserve	10,640	16,366	23,483
Other reserves	862	862	862
<b>Shareholders' equity</b>	<b>25,796</b>	<b>31,523</b>	<b>38,640</b>
Minority interest	0	0	0
<b>Total equity</b>	<b>25,796</b>	<b>31,523</b>	<b>38,640</b>
<b>Total liabilities &amp; equity</b>	<b>239,173</b>	<b>282,791</b>	<b>334,366</b>

	12-21E	12-22E	12-23E
<b>Growth rate (yoy)</b>			
Cust deposit growth	16.0%	20.0%	20.0%
Gross cust loan growth	20.0%	24.0%	24.0%
Net interest income growth	24.7%	25.2%	20.0%
Pre provision operating profit growth	25.6%	23.6%	24.2%
Net profit growth	31.5%	24.0%	24.3%
Growth in IEAs	16.8%	19.2%	19.1%
<b>Share value</b>			
Basic EPS (VND)	4,009	4,887	6,074
BVPS (VND)	22,017	26,904	32,978
DPS (VND)	0	0	0
EPS growth	28.3%	21.9%	24.3%

**Key ratios**

	12-21E	12-22E	12-23E
Net interest margin	4.6%	4.9%	4.9%
Cost-income ratio	(37.0%)	(39.0%)	(39.0%)
Reported NPLs / gross cust loans	1.1%	1.1%	1.2%
Reported NPLs / net cust loans	1.1%	1.2%	1.2%
GP charge / average cust loans	1.5%	1.5%	1.5%
Total CAR	13.9%	13.9%	13.9%
Loan deposit ratio	87.9%	92.9%	98.0%
<b>Margins and spreads</b>			
Return on IEAs	8.1%	8.5%	8.8%
Cost of funds	3.7%	3.8%	4.2%
Interest return on average assets	4.3%	4.6%	4.6%
ROAE	21.7%	20.0%	20.3%

Source: VNDIRECT RESEARCH, COMPANY REPORTS



## VIETCOMBANK (VCB)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND105,000	VND118,700	0.00%	Add	FINANCIALS

26 November 2021

Outlook – Short term: **Positive**  
Outlook – Long term: **Positive**  
Valuation: **Positive**

Consensus\*: Add:11 Hold:5 Reduce:0

Target price / Consensus: 3.2%

### Key changes in the report

➤ N/A

### Price performance



### Key statistics

52w high (VND)	116,400
52w low (VND)	90,600
3m Avg daily value (VNDmn)	92,803
Market cap (VND bn)	367,550
Free float (%)	8
TTM P/E (x)	19.7
Current P/B (x)	3.68

### Ownership

State Bank of Vietnam	74.8%
Mizuho Corporate Bank	15.0%
GIC Private Limited	2.6%
Others	7.60%

Source: VND RESEARCH

### Analyst(s):

### Viet Le

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## Maintain the 2-digit earnings growth over FY22-23F

- We forecast FY22-23F earnings to increase 24.8%/20.1% on the back of loan growth and Non-II still grow.
- VCB is our stock pick for banking sector with TP of VND118,700.

### VCB's NP was the highest among Vietnam's bank listed in 9M21

9M21 earnings reached VND15,457bn (+21% yoy) – the highest among Vietnam's banks listed. Besides that, VCB is the third largest bank in Vietnam in terms of total assets, with a modest with 11.5% lending market share and 9.4% customer deposit market share as at end-3Q21.

### Non-interest income (Non-II) still strong grow

We estimate FY22-23F non-interest income increase to 36.5% yoy and 19.8% yoy respectively mainly thanks to stable grow in bancassurance, dividend income and trading income. We believe the contract with FWD will continue to provide a stable income at least VND600bn each year. Beside that, dividend income and trading income still grow in FY22-23F thanks to economy recovery.

### Best-in-class asset quality

VCB's asset quality still maintained good than local peers. Non-performing loan (NPL) ratio of 1.16% at end-3Q21 from 0.74% at end-2Q21 and 0.62% at end-4Q20, but still lower local peer of 1.64%. Loan loss reserves (LLR) dropped to 242.9% at end-3Q21 from 351.8% at end-2Q21 and 370.4% at end-4Q20, still higher than local peer of 114% at end-3Q21.

### Maintain grow higher than 20% in FY22-23F

We estimate FY22-23F loan growth to 15%/11% to reflect higher credit demand in the next 2 years when the economic recovery. VCB's NIM will stay around at 3.0%-3.1% over FY22-23F, thanks to its industry-third-highest CASA ratio and its ability of retail loan expansion. We expect FY22-23F earnings to grow 24.8% yoy and 20.1% yoy, respectively. ROE will be sustainable at an average of 20.6% over FY22-23F.

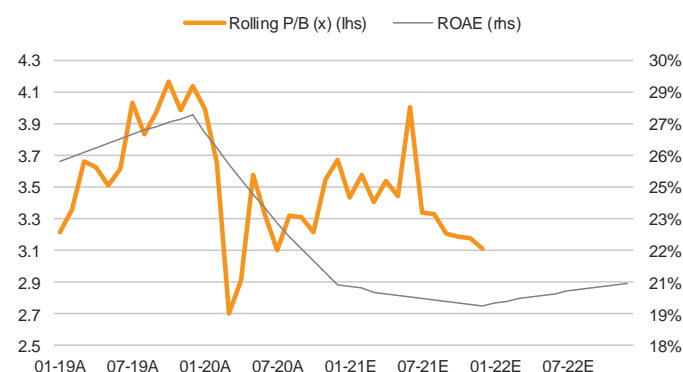
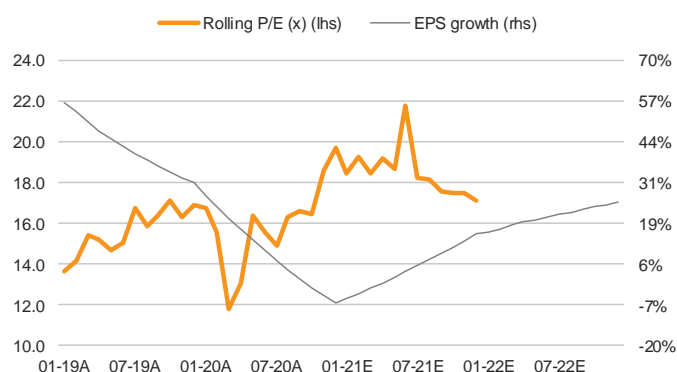
### We recommend ADD rating with a target price of VND118,700

We prefer VCB thanks to (1) its strong ability to expanding lending activities, (2) well-equipped to enhance the weight of non-interest incomes and (3) solid asset quality and strong provisioning buffer to weather the predictable bad debts surge. Our 1-year target price based on the equal weight of residual income valuation (COE: 14.6%; LTG: 3.0%) and a target P/B of 3.1x for FY22F book value. Potential re-rating catalysts are higher-than-expected net interest margin (NIM) and credit growth. Downside risk includes higher-than-expected funding cost.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net interest income (bn)	36,225	40,032	46,425	52,886
Net interest margin	2.9%	3.1%	3.0%	3.1%
Total operating income (bn)	48,998	56,866	67,897	77,344
Total provision charges (bn)	(9,917)	(9,884)	(10,292)	(10,454)
Net profit (bn)	18,446	21,220	26,545	31,875
Net profit growth	(6.8%)	15.0%	25.1%	20.1%
Adjusted EPS	4,974	5,722	7,157	8,594
BVPS	26,632	31,525	37,846	45,597
ROAE	20.5%	19.7%	20.6%	20.6%

Source: VND RESEARCH



**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Net interest income</b>	<b>40,032</b>	<b>46,425</b>	<b>52,886</b>
<b>Non interest income</b>	<b>16,834</b>	<b>21,472</b>	<b>24,458</b>
<b>Total operating income</b>	<b>56,866</b>	<b>67,897</b>	<b>77,344</b>
Total operating costs	(20,472)	(24,443)	(27,070)
<b>Pre-provision operating profit</b>	<b>36,394</b>	<b>43,454</b>	<b>50,273</b>
<b>Total provision charges</b>	<b>(9,884)</b>	<b>(10,292)</b>	<b>(10,454)</b>
Income from associates & JVs			
Net other income			
<b>Pre-tax profit</b>	<b>26,510</b>	<b>33,162</b>	<b>39,820</b>
Tax expense	(5,265)	(6,586)	(7,908)
<b>Profit after tax</b>	<b>21,245</b>	<b>26,576</b>	<b>31,911</b>
Minority interest	(24)	(31)	(37)
<b>Net profit</b>	<b>21,220</b>	<b>26,545</b>	<b>31,875</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Gross loans to customers	957,359	1,100,962	1,222,068
Loans to banks	283,841	300,871	318,924
<b>Total gross loans</b>	<b>1,241,199</b>	<b>1,401,834</b>	<b>1,540,992</b>
Securities - total	180,219	203,647	228,085
Other interest earning assets	37,447	42,316	47,394
<b>Total gross IEAs</b>	<b>1,458,866</b>	<b>1,647,796</b>	<b>1,816,470</b>
<b>Total provisions</b>	<b>(26,345)</b>	<b>(31,580)</b>	<b>(33,996)</b>
<b>Net loans to customers</b>	<b>931,701</b>	<b>1,070,159</b>	<b>1,188,941</b>
<b>Total net IEAs</b>	<b>1,432,521</b>	<b>1,616,217</b>	<b>1,782,474</b>
Cash and deposits	15,653	16,232	16,832
Total investments	2,318	2,404	2,493
Other assets	31,095	32,245	33,436
<b>Total non-IEAs</b>	<b>49,067</b>	<b>50,880</b>	<b>52,761</b>
<b>Total assets</b>	<b>1,481,587</b>	<b>1,667,097</b>	<b>1,835,235</b>
Customer deposits	1,155,967	1,306,243	1,436,867
Cds outstanding	22,302	23,640	25,059
Customer interest-bearing liabilities	1,178,269	1,329,883	1,461,926
Bank deposits	150,764	158,302	164,894
Broad deposits	1,329,033	1,488,185	1,626,820
Other interest-bearing liabilities	68	69	71
<b>Total IBLs</b>	<b>1,329,101</b>	<b>1,488,254</b>	<b>1,626,891</b>
Deferred tax liability			
Other non-interest bearing liabilities	35,480	38,390	39,144
<b>Total non-IBLs</b>	<b>35,480</b>	<b>38,390</b>	<b>39,144</b>
<b>Total liabilities</b>	<b>1,364,581</b>	<b>1,526,645</b>	<b>1,666,034</b>
Share capital	37,089	37,089	37,089
Additional paid-in capital	4,995	4,995	4,995
Treasury shares			
Retained earnings reserve	59,189	78,785	102,912
Other reserves	15,649	19,498	24,120
<b>Shareholders' equity</b>	<b>116,922</b>	<b>140,367</b>	<b>169,115</b>
Minority interest	85	85	85
<b>Total equity</b>	<b>117,007</b>	<b>140,452</b>	<b>169,201</b>
<b>Total liabilities &amp; equity</b>	<b>1,481,587</b>	<b>1,667,097</b>	<b>1,835,235</b>

	12-21E	12-22E	12-23E
<b>Growth rate (yoy)</b>			
Cust deposit growth	12.0%	13.0%	10.0%
Gross cust loan growth	14.0%	15.0%	11.0%
Net interest income growth	10.5%	16.0%	13.9%
Pre provision operating profit growth	10.4%	19.4%	15.7%
Net profit growth	15.0%	25.1%	20.1%
Growth in IEAs	11.9%	12.8%	10.3%
<b>Share value</b>			
Basic EPS (VND)	5,722	7,157	8,594
BVPS (VND)	31,525	37,846	45,597
DPS (VND)	0	0	0
EPS growth	15.0%	25.1%	20.1%

**Key ratios**

	12-21E	12-22E	12-23E
Net interest margin	3.1%	3.0%	3.1%
Cost-income ratio	(36.0%)	(36.0%)	(35.0%)
Reported NPLs / gross cust loans	1.2%	1.2%	1.2%
Reported NPLs / net cust loans	1.2%	1.3%	1.2%
GP charge / average cust loans	1.1%	1.0%	0.9%
Total CAR	0.0%	0.0%	0.0%
Loan deposit ratio	81.3%	82.8%	83.6%
<b>Margins and spreads</b>			
Return on IEAs	6.2%	5.9%	6.0%
Cost of funds	3.1%	3.2%	3.3%
Interest return on average assets	2.9%	2.9%	3.0%
ROAE	19.7%	20.6%	20.6%

Source: VND RESEARCH

## VINH HOAN CORP (VHC)

**Market Price**  
VND62,000

**Target Price**  
VND69,500

**Dividend Yield**  
3.3%

**Rating**  
Hold

**Sector**  
CONSUMER GOODS

26 November 2021

**Outlook – Short term:** Neutral  
**Outlook – Long term:** Positive  
**Valuation:** Neutral

Consensus\*: Add:9 Hold:1 Reduce:0

Target price / Consensus: 0.1%

### Key changes in the report

➤ N/A

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	67,400
52w low (VND)	35,300
3m Avg daily value (VNDmn)	101,400
Market cap (VNDbn)	11,754
Free float (%)	40
TTM P/E (x)	13.7
Current P/B (x)	2.0

### Ownership

Truong Thi Le Khanh	43.2%
Mitsubishi Corp	6.5%
Others	50.3%

Source: VND RESEARCH

### Analyst(s):



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## Stand strong against headwinds

- We expect pangasius export volume and average selling price (ASP) to accelerate into FY22F following increasing demand.
- Net profit is expected to grow 34.4%/40.4%/6.7% in FY21-23F.
- We recommend Hold with 1-year target price of VND69,500.

### Growth potential for pangasius exporters from 4Q21F onward

We expect increasing demand after restaurants and accommodation services at target markets back to pre-pandemic level, leading to an increase in pangasius ASP. The US and EU consumers have shown a strong pent-up demand after lockdown. In particular, the end of year usually is the peak season for the fishery industry because the target markets have great demand for year-end holidays. In FY22F, we expect trade barriers with China to be resolved after the pandemic. After vaccinations are widely distributed worldwide in 2022, we believe China's demand for fishery products, including pangasius, will recover in this year. This will be the key growth driver for pangasius exporters in near future.

### We expect net profit to grow robustly 40.4 % yoy in FY22F

We expect FY21F revenue/net profit to grow 27.4%/34.4% yoy, respectively. But the best is yet to come, FY22F will be even more stellar for VHC with NP is expected to surge 40.4% yoy as we believe 1) demand from main export markets (US, EU, China) will be fully recovered, 2) pangasius ASP will increase 9.0% yoy, in our estimate and 3) when the Mekong Delta is covered with vaccines which limiting the impact of supply chain disruption, VHC's capacity will get back to pre-lockdown level helping boost production volume.

### We still like VHC for longer-term investment

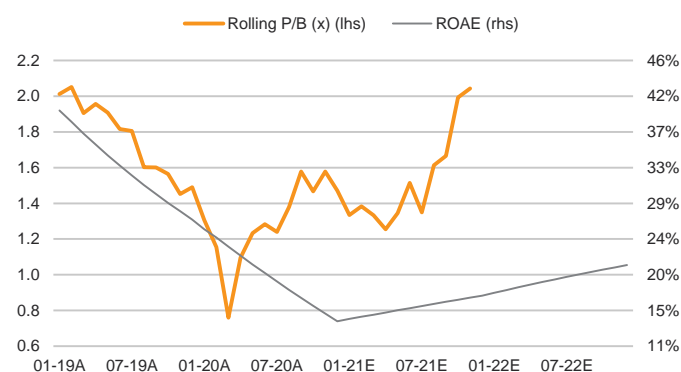
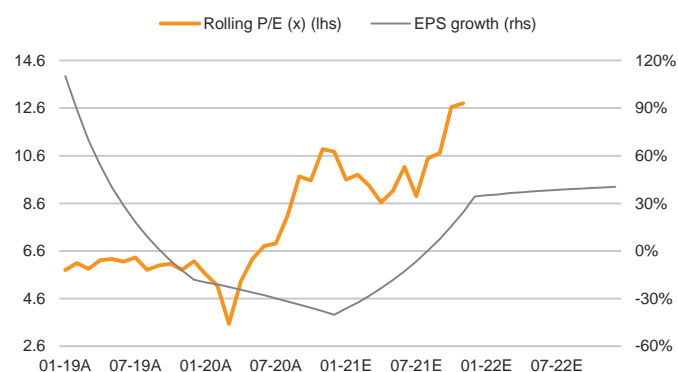
We like VHC for: 1) being the leader of pangasius exporters in Vietnam, 2) riding on the demand surge in main export markets will be the key engine for VHC's revenue growth in near future, and 3) VHC's collagen & gelatine (C&G) segment is expected to bounce back from 2021 trough. However, in 1-year investment horizon, we recommend Hold as the market price is close to fair value.

### Upside risks/downside risks

Upside catalyst include higher-than-expected ASP and stronger-than-expected pangasius demand. Downside risks include unfavorable changes in export market regulations and prolonged COVID-19 impacts.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	7,037	8,968	10,438	11,836
Revenue growth	(10.5%)	27.4%	16.4%	13.4%
Gross margin	14.2%	16.4%	18.3%	17.3%
EBITDA margin	14.6%	15.3%	17.0%	15.8%
Net profit (bn)	705	947	1,330	1,419
Net profit growth	(40.2%)	34.4%	40.4%	6.7%
Recurring profit growth	(38.6%)	35.7%	39.9%	6.8%
Basic EPS	3,844	5,166	7,254	7,738
Adjusted EPS	3,735	5,063	7,109	7,583
BVPS	28,146	31,995	37,294	43,029
ROAE	14.0%	17.2%	20.9%	19.3%

Source: VND RESEARCH

**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	8,968	10,438	11,836
Cost of sales	(7,494)	(8,529)	(9,788)
Gen & admin expenses	(188)	(214)	(238)
Selling expenses	(296)	(324)	(366)
<b>Operating profit</b>	<b>990</b>	<b>1,371</b>	<b>1,444</b>
Operating EBITDA	1,244	1,627	1,720
<b>Depreciation and amortisation</b>	<b>(254)</b>	<b>(256)</b>	<b>(276)</b>
<b>Operating EBIT</b>	<b>990</b>	<b>1,371</b>	<b>1,444</b>
Interest income	219	238	257
Financial expense	(127)	(99)	(93)
Net other income	(25)	(29)	(33)
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>1,058</b>	<b>1,481</b>	<b>1,576</b>
Tax expense	(110)	(151)	(157)
Minority interest	0	0	0
<b>Net profit</b>	<b>947</b>	<b>1,330</b>	<b>1,419</b>
Adj. net profit to ordinary	947	1,330	1,419
Ordinary dividends	(367)	(381)	(381)
<b>Retained earnings</b>	<b>581</b>	<b>949</b>	<b>1,038</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	67	156	162
Short term investments	1,308	1,674	1,872
Accounts receivables	1,926	1,996	2,294
Inventories	1,724	1,862	2,200
Other current assets	98	115	131
<b>Total current assets</b>	<b>5,123</b>	<b>5,803</b>	<b>6,659</b>
Fixed assets	2,033	2,199	2,316
Total investments	1	1	1
Other long-term assets	860	950	1,022
<b>Total assets</b>	<b>8,017</b>	<b>8,954</b>	<b>9,998</b>
Short-term debt	1,119	954	813
Accounts payable	377	421	489
Other current liabilities	579	676	752
<b>Total current liabilities</b>	<b>2,075</b>	<b>2,050</b>	<b>2,054</b>
Total long-term debt	55	42	28
Other liabilities	24	27	31
Share capital	1,905	1,905	1,905
Retained earnings reserve	3,768	4,710	5,740
<b>Shareholders' equity</b>	<b>5,863</b>	<b>6,835</b>	<b>7,886</b>
Minority interest	0	0	0
<b>Total liabilities &amp; equity</b>	<b>8,017</b>	<b>8,954</b>	<b>9,998</b>

**Cash flow statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>1,058</b>	<b>1,481</b>	<b>1,576</b>
Depreciation & amortisation	254	256	276
Tax paid	(110)	(151)	(157)
Other adjustments	(44)	(91)	(112)
<b>Change in working capital</b>	<b>(395)</b>	<b>(107)</b>	<b>(512)</b>
<b>Cash flow from operations</b>	<b>763</b>	<b>1,388</b>	<b>1,071</b>
Capex	(453)	(423)	(392)
Proceeds from assets sales	11	10	9
Others	(69)	(167)	(145)
Other non-current assets changes	0	0	0
<b>Cash flow from investing activities</b>	<b>(511)</b>	<b>(580)</b>	<b>(528)</b>
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	(14)	(180)	(155)
Other financing cash flow	0	0	0
Dividends paid	(367)	(381)	(381)
<b>Cash flow from financing activities</b>	<b>(381)</b>	<b>(561)</b>	<b>(536)</b>
Cash and equivalents at beginning of period	41	(88)	160
<b>Total cash generated</b>	<b>(129)</b>	<b>248</b>	<b>7</b>
Cash and equivalents at the end of period	(88)	160	167

**Key ratios**

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	10.6%	12.7%	12.0%
Asset turnover	1.18	1.23	1.25
ROAA	12.5%	15.7%	15.0%
Avg assets/avg equity	1.38	1.34	1.29
ROAE	17.2%	20.9%	19.3%
<b>Efficiency</b>			
Days account receivable	70.5	62.0	62.9
Days inventory	84.0	79.7	82.0
Days creditor	18.4	18.0	18.2
Fixed asset turnover	4.67	4.93	5.24
ROIC	13.5%	17.0%	16.3%
<b>Liquidity</b>			
Current ratio	2.5	2.8	3.2
Quick ratio	1.6	1.9	2.2
Cash ratio	0.7	0.9	1.0
Cash cycle	136.1	123.7	126.7
<b>Growth rate (yoy)</b>			
Revenue growth	27.4%	16.4%	13.4%
Operating profit growth	45.0%	38.5%	5.3%
Net profit growth	34.4%	40.4%	6.7%
EPS growth	34.4%	40.4%	6.7%

Source: VND RESEARCH

## VINHOMES JSC (VHM)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND83,300	VND115,000	1.80%	Add	PROPERTY

26 November 2021

Outlook – Short term: **Positive**  
Outlook – Long term: **Positive**  
Valuation: **Positive**

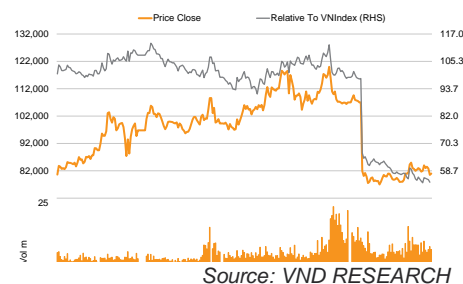
Consensus\*: Add:17 Hold:0 Reduce:0

Target price / Consensus: 13.6%

### Key changes in the report

➤ N/A

### Price performance



### Key statistics

52w high (VND)	92,500
52w low (VND)	62,000
3m Avg daily value (VNDmn)	834,831
Market cap (VND bn)	365,767
Free float (%)	24
TTM P/E (x)	9.3
Current P/B (x)	3.2

### Ownership

Vingroup JSC.	66.7%
Government of Singapore	5.8%
Viking Asia Holdings II Pte. Ltd.	5.5%
Others	22.0%

Source: VND RESEARCH

### Analyst(s):



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## Resilient performance deserves a rerating

- We expect FY22F presales value to grow 71.7% yoy, driven by three new mega projects including Dream City, Co Loa and Wonder Park.
- We forecast VHM's FY21F/22F/23F revenue and net profit to increase 22.6%/7.7%/33.5% and 16.3%/3.2%/59.2% yoy, respectively.
- VHM is our stock pick for residential property sector.

### Sizeable land fund ensures growth in the next 15 years

Vinhomes' (VHM VN) total land bank, including land under acquisition, is 16,800ha as of Sep 2021 - highest among listed property developers. This highlights its strong land acquisition and master planning capability, in our view. As of Sep 2021, 90% of its total land bank had not been deployed yet, showing the huge potential of the VHM in the future. Notably, VHM contributes a considerable amount to the total supply in Northern Vietnam in FY22F with new launches of Vinhomes Wonder Park in Dan Phuong, Vinhomes Co Loa in Dong Anh and Vinhomes Dream City in Hung Yen.

### Recovery of residential market bolster presales since 4Q21F onwards

We expect Vietnam's residential market to recover since 4Q21F, based on: (1) a recovery of macro fundamentals propelling the property market; (2) housing purchasing decisions underpinned by affordable mortgage interest rates, and (3) improvement in new supply thanks to the loosening of regulatory bottlenecks. We expect FY22F presales volume/value to increase 27.8%/71.7% yoy.

### We forecast a CAGR for net profit at 18.4% in FY21-23F

We forecast VHM's FY21F/22F/23F revenue and net profit to increase 22.6%/7.7%/33.5% and 16.3%/3.2%/59.2% yoy, respectively, underpinned by retail delivery at Ocean Park, Grand Park, Smart City and the launch of 3 new projects namely Dream City, Co Loa, and Wonder Park. We expect an EPS CAGR of 18.4% in FY21-23F, driven by deliveries of mega projects. In the period after 2022, we believe that Vinhomes Green Ha Long and Vinhomes Long Beach Can Gio will be blockbusters and key growth drivers for VHM.

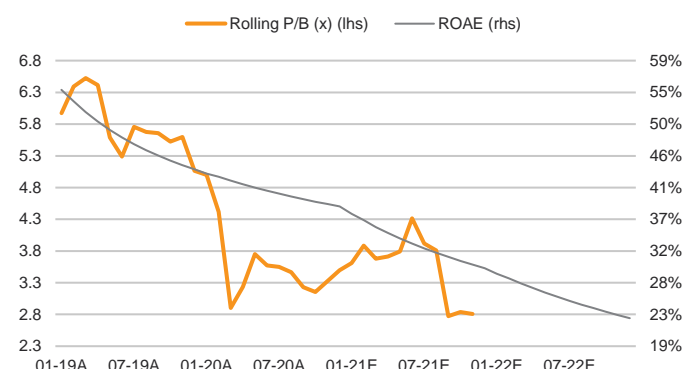
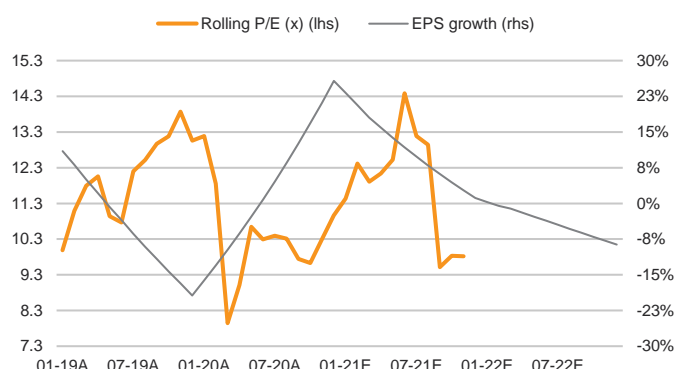
### We recommend Add with a RNAV-based TP of VND115,000

We like VHM in both short and long term thanks to its sizeable land bank, healthy balance sheets, resilient business results and great sale capacity amid Covid-19 pandemic. With profitability outperforming the industry (TTM ROE reached 38.3%), we believe that VHM deserves a higher valuation given its leading position. Therefore, this is a good time to accumulate VHM shares, in our opinion. Potential re-rating catalyst is faster-than-expected bulk sales. Downside risks are delays in obtaining permits for new launches and prolongation of the pandemic.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	71,547	87,716	94,461	126,133
Revenue growth	38.6%	22.6%	7.7%	33.5%
Gross margin	36.3%	49.1%	47.0%	59.9%
EBITDA margin	56.0%	53.6%	51.6%	60.0%
Net profit (bn)	27,351	31,812	32,846	52,301
Net profit growth	25.8%	16.3%	3.2%	59.2%
Recurring profit growth	28.8%	13.7%	3.2%	59.2%
Basic EPS	8,166	8,259	7,543	12,011
Adjusted EPS	8,166	8,259	7,543	12,011
BVPS	25,586	29,137	36,680	48,691
ROAE	38.6%	29.9%	22.9%	28.1%

Source: VND RESEARCH  
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**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	87,716	94,461	126,133
Cost of sales	(44,645)	(50,107)	(50,578)
Gen & admin expenses	(2,295)	(1,836)	(3,688)
Selling expenses	(2,077)	(2,208)	(2,767)
<b>Operating profit</b>	<b>38,699</b>	<b>40,310</b>	<b>69,099</b>
Operating EBITDA	39,812	41,454	70,276
<b>Depreciation and amortisation</b>	<b>(1,113)</b>	<b>(1,144)</b>	<b>(1,177)</b>
<b>Operating EBIT</b>	<b>38,699</b>	<b>40,310</b>	<b>69,099</b>
Interest income	7,202	7,294	5,431
Financial expense	(3,879)	(3,835)	(5,356)
Net other income	0	0	0
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>42,022</b>	<b>43,769</b>	<b>69,175</b>
Tax expense	(8,404)	(8,754)	(13,835)
Minority interest	(1,805)	(2,170)	(3,039)
<b>Net profit</b>	<b>31,812</b>	<b>32,846</b>	<b>52,301</b>
Adj. net profit to ordinary	31,812	32,846	52,301
Ordinary dividends			
<b>Retained earnings</b>	<b>31,812</b>	<b>32,846</b>	<b>52,301</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	12,584	13,335	26,912
Short term investments	7,098	4,540	5,902
Accounts receivables	44,629	52,583	67,554
Inventories	34,387	69,078	92,947
Other current assets	7,471	7,820	8,617
<b>Total current assets</b>	<b>106,169</b>	<b>147,355</b>	<b>201,933</b>
Fixed assets	44,391	51,787	60,719
Total investments	10,074	10,074	10,074
Other long-term assets	71,417	74,504	92,658
<b>Total assets</b>	<b>232,051</b>	<b>283,719</b>	<b>365,383</b>
Short-term debt	8,209	12,673	16,755
Accounts payable	11,160	12,526	12,643
Other current liabilities	56,035	64,956	84,991
<b>Total current liabilities</b>	<b>75,404</b>	<b>90,155</b>	<b>114,388</b>
Total long-term debt	15,354	16,889	18,578
Other liabilities	9,186	9,552	9,954
Share capital	43,544	43,544	43,544
Retained earnings reserve	81,540	114,386	166,687
<b>Shareholders' equity</b>	<b>126,873</b>	<b>159,719</b>	<b>212,020</b>
Minority interest	5,234	7,404	10,443
<b>Total liabilities &amp; equity</b>	<b>232,051</b>	<b>283,719</b>	<b>365,383</b>

**Cash flow statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>42,022</b>	<b>43,769</b>	<b>69,175</b>
Depreciation & amortisation	1,113	1,144	1,177
Tax paid	(8,404)	(8,754)	(13,835)
Other adjustments	6,958	7,325	5,452
<b>Change in working capital</b>	<b>(28,222)</b>	<b>(35,922)</b>	<b>(37,724)</b>
<b>Cash flow from operations</b>	<b>13,467</b>	<b>7,562</b>	<b>24,244</b>
Capex	(10,237)	(8,075)	(9,644)
Proceeds from assets sales	(7,202)	(7,294)	(5,431)
Others	3,709	2,558	(1,362)
Other non-current assets changes	0	0	0
<b>Cash flow from investing activities</b>	<b>(13,730)</b>	<b>(12,811)</b>	<b>(16,437)</b>
New share issuance	10,049	0	0
Shares buyback	5,550	0	0
Net borrowings	(1,393)	5,999	5,770
Other financing cash flow	0	0	0
Dividends paid	(15,073)	0	0
<b>Cash flow from financing activities</b>	<b>(867)</b>	<b>5,999</b>	<b>5,770</b>
Cash and equivalents at beginning of period	13,714	12,584	13,335
<b>Total cash generated</b>	<b>(1,129)</b>	<b>751</b>	<b>13,578</b>
Cash and equivalents at the end of period	12,584	13,335	26,912

**Key ratios**

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	36.3%	34.8%	41.5%
Asset turnover	0.39	0.37	0.39
ROAA	14.2%	12.7%	16.1%
Avg assets/avg equity	2.10	1.80	1.75
ROAE	29.9%	22.9%	28.1%
<b>Efficiency</b>			
Days account receivable	39.5	35.6	31.7
Days inventory	281.1	503.2	670.8
Days creditor	91.2	91.2	91.2
Fixed asset turnover	2.12	1.96	2.24
ROIC	20.4%	16.7%	20.3%
<b>Liquidity</b>			
Current ratio	1.4	1.6	1.8
Quick ratio	1.0	0.9	1.0
Cash ratio	0.3	0.2	0.3
Cash cycle	229.4	447.6	611.2
<b>Growth rate (yoy)</b>			
Revenue growth	22.6%	7.7%	33.5%
Operating profit growth	83.7%	4.2%	71.4%
Net profit growth	16.3%	3.2%	59.2%
EPS growth	1.1%	(8.7%)	59.2%

Source: VND RESEARCH



## VIB COMMERCIAL JSB (VIB)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND44,650	VND46,400	0.00%	Hold	FINANCIALS

26 November 2021

Outlook – Short term: **Positive**  
Outlook – Long term: **Positive**  
Valuation: **Neutral**

Consensus\*: Add:2 Hold:3 Reduce:1

Target price / Consensus: 7.6%

### Key changes in the report:

➤ N/A

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	52,858
52w low (VND)	22,179
3m Avg daily value (VNDmn)	73,832
Market cap (VND bn)	66,630
Free float (%)	20
TTM P/E (x)	13.0
Current P/B (x)	3.66

### Ownership

Chairman & related parties	14.9%
Commonwealth Bank of Australia	20.0%
BOD members and related parties	12.9%
Others	52.2%

Source: VND RESEARCH

### Analyst(s):



Tran Thi Thu Thao

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## Keep moving forward

- A retail-focused banking model with 85% of retail loan mix, especially mortgage and auto loans.
- We forecast FY22-23F earnings to grow 16%/17%, factoring strong loan growth but a NIM compression.
- We recommend Hold with a 1-year TP of VND46,400.

### A typical retail-banking model with strong loan growth in FY22-23F

VIB is one of the most profitable banks in the country with the industry-highest return on capital (ROE) of c.28% vs. peers of 21%. Based on its retail-focused lending products, especially mortgage and car loans (c.85% of total loan mix), the bank will be able to tap on the strong loan demand in the next 2 years. We estimate VIB's loan growth will increase 25% yoy in FY22F and 23% yoy in FY23F. Otherwise, bancassurance segment is the next growth leg for non-interest income (non-II) growth with 23% CAGR over FY21-23F.

### Pressure on FY22-23F NIM as rising deposits rate

We forecast FY22-23F NIM will edge down to 4.2% (FY20-21F 4.04/4.4%). While the lending rates will keep falling in a couple of next quarters to support business activities resume, we see deposits rate will increase due to (i) higher inflation and (ii) more stringent ratio of short-term funds using for medium-and-long term loans for commercial banks. Therefore, VIB will face NIM compression as the bank has a limit room to mitigate the aforementioned risk (its retail loan mix now stands at high level of 85% and its CASA mix is only 12.5%). We estimate VIB's will see a FY22/23F NP slowdown to 16%/17% yoy (FY19-21F CAGR of 37%).

### Asset quality still a concern

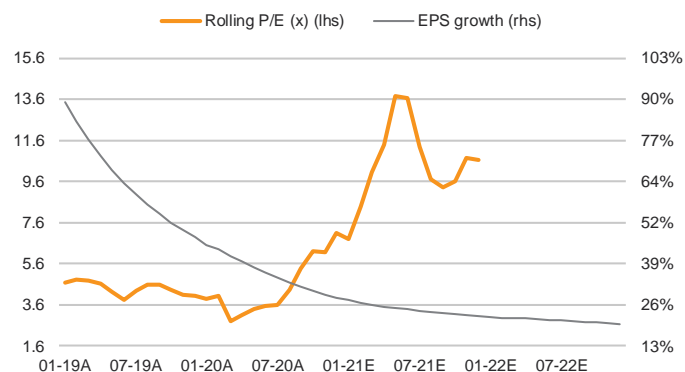
VIB's asset quality is still softer than peers, particularly in 3Q21. At the end of 3Q21, non-performing loan ratio (NPL) inched up to 2.1% at end-3Q21 from 1.7% at end 2Q21/4Q20, while the peers' average NPL ratio is equal to 1.6%. Loan loss reserve declined to 54.1% at end 3Q21, from 63.8% at end-2Q21 and 58.2% at end-FY20, much lower than average LLR 114% of local listed banks.

### We recommend Hold with a 1-year TP of VND46,400

Our 1-year target price for VIB is VND46,400, based on the residual income valuation (COE: 14.3%; LTG: 3.0%) and 2.5x FY22F P/BV, weighted equally. Upside catalysts are higher-than-expected NIM and lower CIR. Downside risk would be higher-than-expected bad debt.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net interest income (bn)	8,496	11,519	13,625	16,709
Net interest margin	4.0%	4.4%	4.2%	4.2%
Total operating income (bn)	11,216	14,400	17,313	21,101
Total provision charges (bn)	(950)	(1,264)	(1,726)	(2,558)
Net profit (bn)	4,641	6,189	7,206	8,420
Net profit growth	42.1%	33.4%	16.4%	16.8%
Adjusted EPS	3,266	3,947	4,596	5,371
BVPS	11,571	15,556	20,196	25,117
ROAE	29.6%	29.4%	26.0%	23.9%

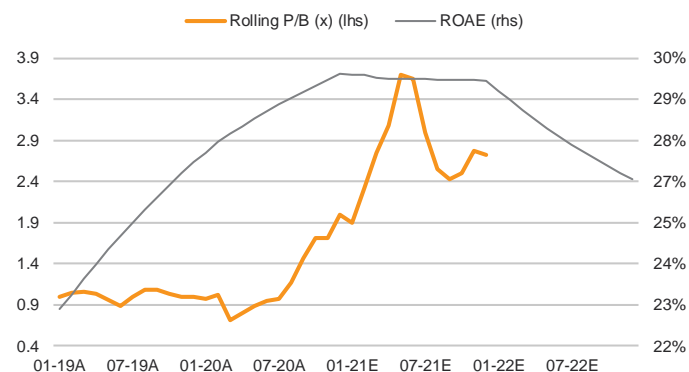
Source: VNDIRECT RESEARCH

**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Net interest income</b>	<b>11,550</b>	<b>14,287</b>	<b>17,619</b>
<b>Non interest income</b>	<b>2,881</b>	<b>3,688</b>	<b>4,392</b>
<b>Total operating income</b>	<b>14,431</b>	<b>17,975</b>	<b>22,011</b>
Total operating costs	(5,412)	(6,831)	(8,364)
<b>Pre-provision operating profit</b>	<b>9,019</b>	<b>11,145</b>	<b>13,647</b>
<b>Total provision charges</b>	<b>(1,282)</b>	<b>(1,863)</b>	<b>(2,706)</b>
Income from associates & JVs			
Net other income			
<b>Pre-tax profit</b>	<b>7,737</b>	<b>9,281</b>	<b>10,941</b>
Tax expense	(1,547)	(1,856)	(2,188)
<b>Profit after tax</b>	<b>6,189</b>	<b>7,425</b>	<b>8,753</b>
Minority interest	0	0	0
<b>Net profit</b>	<b>6,189</b>	<b>7,425</b>	<b>8,753</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Gross loans to customers	211,900	266,994	328,403
Loans to banks			
<b>Total gross loans</b>	<b>211,900</b>	<b>266,994</b>	<b>328,403</b>
Securities - total	49,753	58,702	69,263
Other interest earning assets	37,896	49,556	64,817
<b>Total gross IEAs</b>	<b>299,549</b>	<b>375,253</b>	<b>462,482</b>
<b>Total provisions</b>	<b>(2,453)</b>	<b>(3,403)</b>	<b>(4,673)</b>
<b>Net loans to customers</b>	<b>209,696</b>	<b>263,885</b>	<b>324,077</b>
<b>Total net IEAs</b>	<b>297,096</b>	<b>371,850</b>	<b>457,810</b>
Cash and deposits	1,507	1,598	1,694
Total investments	78	83	88
Other assets	5,355	5,677	6,017
<b>Total non-IEAs</b>	<b>6,941</b>	<b>7,357</b>	<b>7,799</b>
<b>Total assets</b>	<b>304,037</b>	<b>379,207</b>	<b>465,608</b>
Customer deposits	183,440	225,631	277,526
Cds outstanding	35,699	44,623	53,548
Customer interest-bearing liabilities	219,138	270,254	331,074
Bank deposits	0	0	0
Broad deposits	219,138	270,254	331,074
Other interest-bearing liabilities	53,105	66,379	79,653
<b>Total IBLs</b>	<b>272,244</b>	<b>336,633</b>	<b>410,727</b>
Deferred tax liability			
Other non-interest bearing liabilities	7,632	10,987	15,319
<b>Total non-IBLs</b>	<b>7,632</b>	<b>10,987</b>	<b>15,319</b>
<b>Total liabilities</b>	<b>279,875</b>	<b>347,620</b>	<b>426,046</b>
Share capital	15,531	15,531	15,531
Additional paid-in capital	0	0	0
Treasury shares			
Retained earnings reserve	7,376	14,801	22,777
Other reserves	1,254	1,254	1,254
<b>Shareholders' equity</b>	<b>24,162</b>	<b>31,587</b>	<b>39,563</b>
Minority interest	0	0	0
<b>Total equity</b>	<b>24,162</b>	<b>31,587</b>	<b>39,563</b>
<b>Total liabilities &amp; equity</b>	<b>304,037</b>	<b>379,207</b>	<b>465,608</b>



	12-21E	12-22E	12-23E
<b>Growth rate (yoy)</b>			
Cust deposit growth	22.0%	23.0%	23.0%
Gross cust loan growth	25.0%	26.0%	23.0%
Net interest income growth	35.9%	23.7%	23.3%
Pre provision operating profit growth	33.6%	23.6%	22.5%
Net profit growth	33.4%	20.0%	17.9%
Growth in IEAs	24.7%	25.2%	23.1%
<b>Share value</b>			
Basic EPS (VND)	3,985	4,781	5,635
BVPS (VND)	15,557	20,337	25,473
DPS (VND)	0	0	500
EPS growth	22.3%	20.0%	17.9%

Source: VND RESEARCH

## VIETJET AIR JSC (VJC)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND129,500	VND158,000	0.00%	Add	INDUSTRIALS

26 November 2021

**Outlook – Short term:** **Neutral**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Positive**

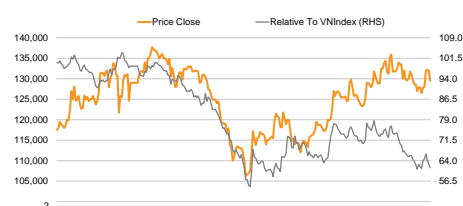
Consensus\*: Add:1 Hold:0 Reduce:1

Target price / Consensus: 53.7%

### Key changes in the report

➤ N/A

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	137,700
52w low (VND)	106,200
3m Avg daily value (VNDmn)	112,945
Market cap (VND bn)	71,493
Free float (%)	55
TTM P/E (x)	989
Current P/B (x)	4.53

### Ownership

Sunflower Sunny Investment Co.	28.6%
Nguyen Thi Phuong Thao	8.8%
Sovico JSC	7.6%
Others	55.00%

Source: VND RESEARCH

### Analyst(s):



**Dzung Nguyen**

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## Light at the end of tunnel

- We believe VJC will recover stronger than other airlines when facing the rising jet fuel and financial difficulties in the endemic.
- We expect VJC will record VND2,420bn and VND6,969bn for FY22 and FY23F net profit, from the low base of VND189bn in FY21F.
- VJC is our stock pick for aviation sector.

### Brighter outlook among airlines in the endemic

In our view, the airlines will face the rising jet fuel and financial difficulties in the endemic. VJC with low-cost carrier model which will help reduce ticket price and attract customers, especially in the endemic when most people are in financial difficulty and prefer cheaper flights. In addition, we believe VJC would be less affected from rising jet fuel than other airlines thanks to its narrow-body fleets with lower fuel consumption. Beside cost-cutting efforts, VJC has been proactive in assets liquidation and financial activities to help improve its cash flow to overcome the pandemic. VJC plans to receive 8/11/25 aircrafts in 2021-23F, therefore, we believe VJC may capture the recovery of Vietnam aviation in the post-covid era.

### Inevitable recovery ahead

The government targets a plan to gradually resume domestic air traffic in 4Q21 and come back to normal operations in 1Q22F while the international air traffic may come back to normal operations since 3Q22F. Following the plan, we forecast FY21F domestic/international passengers may drop 45.0%/86.0% yoy due to the two Covid-19 outbreaks at the high seasons, but then may strong recover in FY22-23F with domestic pax to grow 135.4%/12.0% yoy and international pax to grow 2,850.0%/123.0% yoy. As a result, VJC may still record positive FY21F net profit of 189bn thanks to S&LB transactions and financial income, and VJC's NP may rise 1,179.0%/187.9% yoy in FY22-23F.

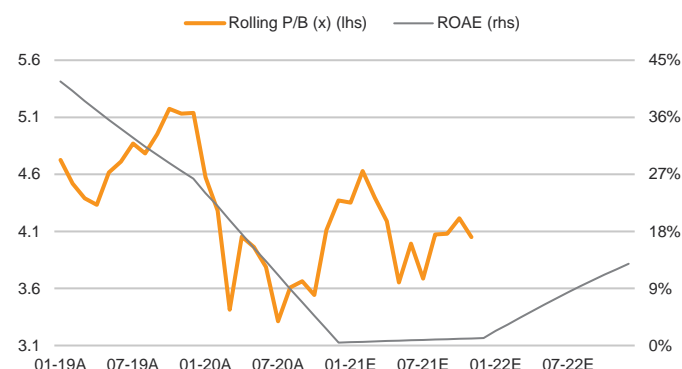
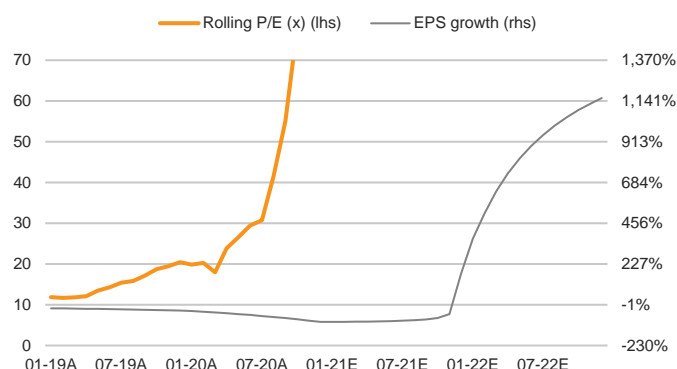
### Recommend Add with DCF-based target price of VND158,000

Even in the worst scenario when the new Covid-19 variant Omicron may evade the immune response from current vaccines, we believe the Covid-19 vaccine research and production capacity has been improved a lot, which may help the world to cope with the new variant very fast and efficiently. In the base scenario, we expect Vietnam international air traffic to come back to normal operations since 3Q22F, which will help VJC's business results recover strongly from FY22F onwards. Downside risk include: (1) a longer-than-expected Covid-19 pandemic, (2) slower-than-expected construction of aviation infrastructure, and (3) higher-than-expected fuel price leading to higher operating cost.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	18,220	22,721	50,762	86,380
Revenue growth	(64.0%)	24.7%	123.4%	70.2%
Gross margin	(7.7%)	(9.7%)	8.4%	11.3%
EBITDA margin	1.9%	2.8%	5.8%	9.1%
Net profit (bn)	69	189	2,420	6,969
Net profit growth	(98.2%)	175.9%	1179.0%	187.9%
Recurring profit growth	(151.2%)	(7.3%)		197.5%
Basic EPS	131	355	4,469	12,868
Adjusted EPS	111	302	3,798	10,938
BVPS	28,592	32,284	36,984	49,991
ROAE	0.5%	1.2%	12.9%	29.6%

Source: VND RESEARCH

## Valuation



### Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	22,721	50,762	86,380
Cost of sales	(24,933)	(46,481)	(76,624)
Gen & admin expenses	(123)	(466)	(672)
Selling expenses	(354)	(1,337)	(1,929)
<b>Operating profit</b>	<b>(2,690)</b>	<b>2,479</b>	<b>7,156</b>
Operating EBITDA	(2,562)	2,635	7,345
<b>Depreciation and amortisation</b>	<b>(127)</b>	<b>(156)</b>	<b>(189)</b>
<b>Operating EBIT</b>	<b>(2,690)</b>	<b>2,479</b>	<b>7,156</b>
Interest income	1,585	508	864
Financial expense	(483)	(756)	(1,371)
Net other income	1,777	193	328
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>189</b>	<b>2,423</b>	<b>6,977</b>
Tax expense	0	0	0
Minority interest	(0)	(3)	(8)
<b>Net profit</b>	<b>189</b>	<b>2,420</b>	<b>6,969</b>
Adj. net profit to ordinary	189	2,420	6,969
Ordinary dividends	0	0	0
<b>Retained earnings</b>	<b>189</b>	<b>2,420</b>	<b>6,969</b>

### Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	1,910	6,547	7,408
Short term investments	602	609	613
Accounts receivables	18,099	23,550	33,949
Inventories	306	670	934
Other current assets	212	504	707
<b>Total current assets</b>	<b>21,130</b>	<b>31,881</b>	<b>43,612</b>
Fixed assets	922	999	1,083
Total investments	198	198	198
Other long-term assets	10,498	25,047	35,397
<b>Total assets</b>	<b>32,748</b>	<b>58,125</b>	<b>80,290</b>
Short-term debt	3,166	11,950	17,234
Accounts payable	1,168	2,559	3,565
Other current liabilities	4,912	9,422	12,565
<b>Total current liabilities</b>	<b>9,246</b>	<b>23,931</b>	<b>33,364</b>
Total long-term debt	620	2,340	3,374
Other liabilities	5,395	11,820	16,466
Share capital	5,416	5,416	5,416
Retained earnings reserve	11,778	14,199	21,168
<b>Shareholders' equity</b>	<b>17,486</b>	<b>20,031</b>	<b>27,076</b>
Minority interest	1	3	11
<b>Total liabilities &amp; equity</b>	<b>32,748</b>	<b>58,125</b>	<b>80,290</b>

### Cash flow statement

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>189</b>	<b>2,423</b>	<b>6,977</b>
Depreciation & amortisation	127	156	189
Tax paid	0	0	0
Other adjustments	(27)	118	71
<b>Change in working capital</b>	<b>(424)</b>	<b>(207)</b>	<b>(6,716)</b>
<b>Cash flow from operations</b>	<b>(134)</b>	<b>2,490</b>	<b>521</b>
Capex	4,384	(8,540)	(6,110)
Proceeds from assets sales	0	0	0
Others	43	183	132
Other non-current assets changes	0	0	0
<b>Cash flow from investing activities</b>	<b>4,427</b>	<b>(8,357)</b>	<b>(5,978)</b>
New share issuance	0	0	0
Shares buyback	2,347	0	0
Net borrowings	(7,656)	10,504	6,318
Other financing cash flow	0	0	0
Dividends paid	0	0	0
<b>Cash flow from financing activities</b>	<b>(5,309)</b>	<b>10,504</b>	<b>6,318</b>
Cash and equivalents at beginning of period	2,926	1,910	6,547
<b>Total cash generated</b>	<b>(1,016)</b>	<b>4,636</b>	<b>862</b>
Cash and equivalents at the end of period	1,910	6,547	7,408

### Key ratios

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	0.8%	4.8%	8.1%
Asset turnover	0.58	1.12	1.25
ROAA	0.5%	5.3%	10.1%
Avg assets/avg equity	2.40	2.42	2.94
ROAE	1.2%	12.9%	29.6%
<b>Efficiency</b>			
Days account receivable	169.2	71.4	60.5
Days inventory	4.5	5.3	4.4
Days creditor	17.1	20.1	17.0
Fixed asset turnover	25.64	52.85	82.97
ROIC	0.9%	7.1%	14.6%
<b>Liquidity</b>			
Current ratio	2.3	1.3	1.3
Quick ratio	2.3	1.3	1.3
Cash ratio	0.3	0.3	0.2
Cash cycle	156.6	56.5	47.9
<b>Growth rate (yoy)</b>			
Revenue growth	24.7%	123.4%	70.2%
Operating profit growth	5.4%	-	188.7%
Net profit growth	175.9%	1,179.0%	187.9%
EPS growth	171.3%	1,158.0%	187.9%

Source: VND RESEARCH



## VIETNAM DAIRY PRODUCTS JSC (VNM)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND88,300	VND116,000	4.52%	Add	CONSUMER GOODS

26 November 2021

**Outlook – Short term:** Positive  
**Outlook – Long term:** Positive  
**Valuation:** Positive

Consensus\*: Add:14 Hold:2 Reduce:0

Target price / Consensus: 9.3%

### Key changes in the report

➤ N/A

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	116,300
52w low (VND)	84,300
3m Avg daily value (VNDmn)	298,223
Market cap (VND bn)	186,633
Free float (%)	33
TTM P/E (x)	18.3
Current P/B (x)	5.9

### Ownership

SCIC	36.0%
F&N Dairy Investment Pte, Ltd	20.0%
Platinum Victory Pte Ltd	10.6%
Others	33.4%

Source: VND RESEARCH

### Analyst(s):



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## Earnings growth rebound on the horizon

- The margin downward pressure will gradually ease from FY22F as whole milk powder prices are cooling down, in our view.
- Net profit is expected to grow 7.0%/11.1% yoy during FY22-23F.
- We recommend ADD with TP of VND116,000.

### Revenue growth potential from new projects in FY22F

Since Oct 2021, the Del Monte – Vinamilk joint venture has debuted the brand with the first four product lines. In addition, Vibev – the joint venture between Kido and Vinamilk has just rolled out fresh corn and green bean milk under Oh Fresh brand in Nov 2021. We expect the Del Monte to be the growth driver for VNM's oversea subsidiaries revenue while Vibev will be its first step into Vietnam's beverage market.

### The margin downward pressure will gradually ease from FY22F

We project GPM will narrow down 2.8% pts in FY21F due to higher whole milk powder prices (+21.5% ytd). However, it will be able to decrease slightly from FY22F but still stay at a high level, in our view. Thus, we believe GPM is likely to rebound by 1.7% pts in FY22F thanks to 1) 8.0% decrease in whole milk powder price 2) the level of autonomy in materials increase by 4% after two dairy farm projects in Quang Ngai and Laos are put into operation in Nov 2021 and 1Q22F and 3) the company still has the ability to increase selling price by 3-5%/year to compensate for high input material expense.

### Net profit is expected to grow 7.0%/11.1% yoy during FY22-23F

We project net revenue to climb 5.7%/6.5% yoy in FY22/23F, driven by 1) 4.9%/5.9% yoy increase in domestic revenue and 2) 12.9%/10.8% yoy rise in oversea subsidiaries. In addition, we expect VNM's gross margin will improve by 1.7%/1.1% pts in FY22-23F after dropping 2.8% pts in FY21F. As a result, net profit is projected to surge 7.0%/11.1% yoy in FY22/23F after staying nearly flat by 0.6% yoy in FY21F.

### VNM is our stock pick for F&B sector with TP of VND116,000

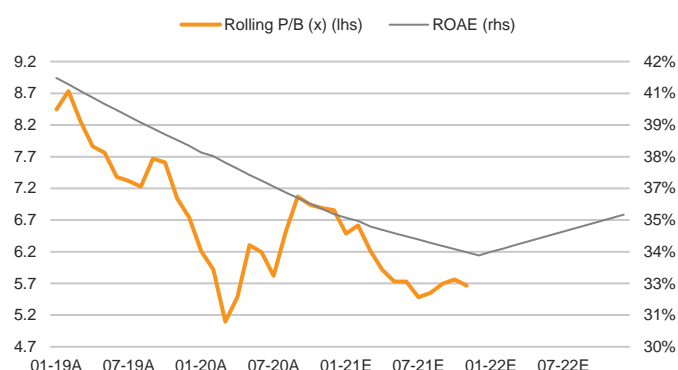
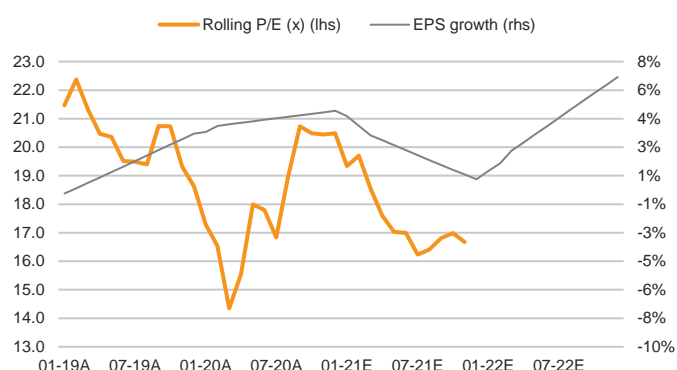
We like VNM for: 1) its leading position in the dairy industry, 2) overseas market will be the key driver for VNM's revenue growth in the coming years while the domestic market growth slows down, 3) gross margin is likely to recover in FY22-23F thanks to stable input material prices and 4) the recent price weakness is the opportunity to accumulate a high-quality stock like VNM. We remain Add call with VNM as we believe that the most difficult time was over, and its net profit will reach CAGR of 7.0% in FY22-24F after moving sideways in FY21F. Re-rating catalysts is stronger-than-expected growth of domestic dairy consumption. Downside risks include 1) another arising variant and 2) higher-than-expected whole milk powder prices.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	59,636	62,927	66,584	70,900
Revenue growth	5.9%	5.5%	5.8%	6.5%
Gross margin	46.4%	43.6%	45.3%	46.4%
EBITDA margin	26.6%	25.1%	25.3%	26.1%
Net profit (bn)	11,099	11,162	11,948	13,271
Net profit growth	4.9%	0.6%	7.0%	11.1%
Recurring profit growth				
Basic EPS	5,311	5,342	5,717	6,351
Adjusted EPS	4,770	4,818	5,146	5,716
BVPS	15,867	15,695	16,460	17,818
ROAE	35.6%	33.8%	35.6%	37.2%

Source: VND RESEARCH



## Valuation



## Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	62,927	66,584	70,900
Cost of sales	(35,509)	(36,393)	(38,015)
Gen & admin expenses	(1,726)	(2,081)	(2,217)
Selling expenses	(12,860)	(14,177)	(15,229)
<b>Operating profit</b>	<b>12,831</b>	<b>13,933</b>	<b>15,439</b>
Operating EBITDA	14,721	15,875	17,455
<b>Depreciation and amortisation</b>	<b>(1,890)</b>	<b>(1,942)</b>	<b>(2,016)</b>
<b>Operating EBIT</b>	<b>12,831</b>	<b>13,933</b>	<b>15,439</b>
Interest income	1,164	1,033	1,176
Financial expense	(268)	(152)	(159)
Net other income	(2)	(2)	(2)
Income from associates & JVs	10	10	10
<b>Pre-tax profit</b>	<b>13,736</b>	<b>14,823</b>	<b>16,465</b>
Tax expense	(2,404)	(2,594)	(2,881)
Minority interest	(170)	(281)	(312)
<b>Net profit</b>	<b>11,162</b>	<b>11,948</b>	<b>13,271</b>
Adj. net profit to ordinary	11,162	11,948	13,271
Ordinary dividends	(9,405)	(9,405)	(9,405)
<b>Retained earnings</b>	<b>1,757</b>	<b>2,543</b>	<b>3,866</b>

## Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	4,277	6,172	7,942
Short term investments	12,585	13,317	14,180
Accounts receivables	5,554	5,877	6,258
Inventories	6,757	7,150	7,613
Other current assets	237	251	267
<b>Total current assets</b>	<b>29,410</b>	<b>32,766</b>	<b>36,260</b>
Fixed assets	13,964	13,055	12,936
Total investments	779	780	781
Other long-term assets	2,063	1,573	1,665
<b>Total assets</b>	<b>46,216</b>	<b>48,174</b>	<b>51,643</b>
Short-term debt	1,321	1,332	1,418
Accounts payable	3,376	3,572	3,803
Other current liabilities	6,912	7,314	7,788
<b>Total current liabilities</b>	<b>11,609</b>	<b>12,217</b>	<b>13,009</b>
Total long-term debt	29	31	33
Other liabilities	1,291	1,038	876
Share capital	20,900	20,900	20,900
Retained earnings reserve	7,573	8,921	11,461
<b>Shareholders' equity</b>	<b>32,797</b>	<b>34,397</b>	<b>37,234</b>
Minority interest	490	490	490
<b>Total liabilities &amp; equity</b>	<b>46,216</b>	<b>48,174</b>	<b>51,643</b>

## Cash flow statement

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>13,736</b>	<b>14,823</b>	<b>16,465</b>
Depreciation & amortisation	2,879	2,479	1,981
Tax paid	(2,404)	(2,594)	(2,881)
Other adjustments	(1,124)	(1,166)	(1,302)
<b>Change in working capital</b>	<b>1,173</b>	<b>(118)</b>	<b>(139)</b>
<b>Cash flow from operations</b>	<b>14,260</b>	<b>13,425</b>	<b>14,124</b>
Capex	(1,290)	(1,365)	(2,127)
Proceeds from assets sales	16	14	16
Others	4,923	(732)	(864)
Other non-current assets changes	(204)	(54)	(63)
<b>Cash flow from investing activities</b>	<b>3,445</b>	<b>(2,137)</b>	<b>(3,038)</b>
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	(6,134)	13	88
Other financing cash flow	0	0	0
Dividends paid	(9,405)	(9,405)	(9,405)
<b>Cash flow from financing activities</b>	<b>(15,539)</b>	<b>(9,392)</b>	<b>(9,316)</b>
Cash and equivalents at beginning of period	2,111	4,277	6,172
<b>Total cash generated</b>	<b>2,166</b>	<b>1,895</b>	<b>1,770</b>
Cash and equivalents at the end of period	4,277	6,172	7,942

## Key ratios

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	17.7%	17.9%	18.7%
Asset turnover	1.33	1.41	1.42
ROAA	23.6%	25.3%	26.6%
Avg assets/avg equity	1.44	1.40	1.39
ROAE	33.8%	35.6%	37.1%
<b>Efficiency</b>			
Days account receivable	23.5	23.5	23.5
Days inventory	69.5	71.7	73.1
Days creditor	34.7	35.8	36.5
Fixed asset turnover	4.36	4.93	5.46
ROIC	32.2%	33.0%	33.9%
<b>Liquidity</b>			
Current ratio	2.5	2.7	2.8
Quick ratio	2.0	2.1	2.2
Cash ratio	1.5	1.6	1.7
Cash cycle	58.2	59.4	60.1
<b>Growth rate (yoy)</b>			
Revenue growth	5.5%	5.8%	6.5%
Operating profit growth	4.6%	8.6%	10.8%
Net profit growth	0.6%	7.0%	11.1%
EPS growth	0.6%	7.0%	11.1%

Source: VND RESEARCH

## VPBANK (VPB)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND39,200	VND44,800	0.00%	Add	FINANCIALS

26 November 2021

**Outlook – Short term:** Positive  
**Outlook – Long term:** Positive  
**Valuation:** Positive

Consensus\*: Add:8 Hold:8 Reduce:0

Target price / Consensus: 4.9%

### Key changes in the report

➤ N/A

### Price performance



### Key statistics

52w high (VND)	40,389
52w low (VND)	15,444
3m Avg daily value (VNDmn)	396,626
Market cap (VND bn)	164,483
Free float (%)	73
TTM P/E (x)	8.67
Current P/B (x)	1.71

### Ownership

Mr. Ngo Chi Dzong	4.5%
Mr. Bui Hai Quan	2.3%
Mr. Lo Bang Giang	0.1%
Others	93.1%

Source: VND RESEARCH

### Analyst(s):



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## Set for solid growth in FY22-23F

- We forecast EPS in FY22-23F grew 13%/28.4% in response to impressive credit and non-interest income growth.
- We recommend Add rating with a 1-year target price of VND44,800.

### Retail-banking typical has the highest NIM among local peers

VPB is one of the typical retail bank in Vietnam with individual lending proportion was around 56% at end-3Q21. VPB has net interest margin (NIM) reached 8.2% in 9M21 – the highest among Vietnam's listed bank mainly thanks to contribution from FE Credit.

### Assets quality showed signs of deterioration

Though the bank aggressively wrote off bad debt in 9M21 (5.3%; 57bps yoy); consolidated NPL ratio inched up to 4% at end-3Q21 from 3.5% at end-2Q21 and at 3.4% end-4Q20. Consolidated bad debt group 4 jumped 146.5% yoy while bad debt group 5 decreased 47.4% yoy at end-3Q21. Consolidated loan-loss reserve (LLR) ratio inched up to 48.9% at end-3Q21 from 44.7% at end-2Q21 and 45.3% at end-4Q20.

### Strong capital buffer to fuel growth for parent bank

As at 28 October 2021, VPB announced to complete FE Credit divestment with the total amount we estimated around VND20,837bn will book in 4Q21. In additional, VPB issued stocks to improved capital with rate 10:8 in Oct 2021, lift VPB's charter capital reached more around VND45,000bn. We estimate VPB's capital reaches around VND87,000bn at end-4Q21, lead to Capital Adequacy Ratio (CAR) according to Base II increase to 16.8%. This is one of the important condition help State Bank of Vietnam (SBV) expanded the VPB's credit threshold since FY22F.

### We forecast earnings grew 13%/28.4% yoy in FY22-23F

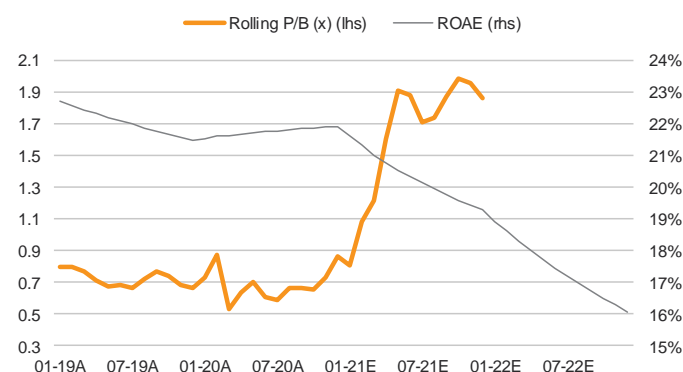
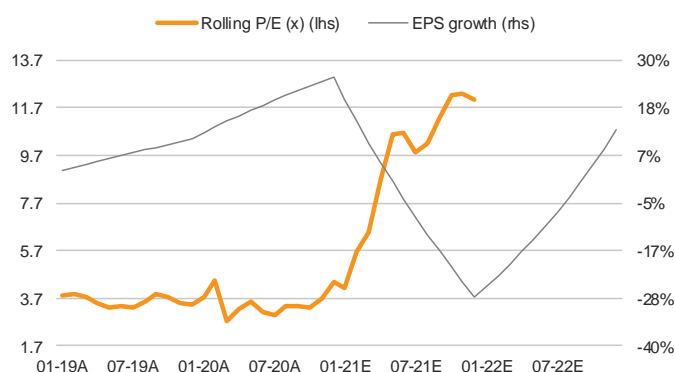
We estimate FY22-23F net interest income increase to 16.2% yoy and 24.6% yoy respectively, on the back of a 17.5%/17.4% loan growth and a 50bps NIM expansion in FY23F. We forecast non-interest income increase 12.2%/10.7% respectively over FY22-23F thanks to income from payment services and bancassurance income stream. We believe the bank will maintain CIR around 28% in FY22-23F on high level of digitalization. We forecast NP to grow 13%/28.4% yoy in FY22-23F respectively.

### Recommend Add with a 1-year target price VND44,800

We prefer VPB on lower CIR, NIM expansion after the Covid-19 pandemic ends and strong fee income growth on commission fee. Our TP based on a target P/B of 1.95x for FY22F book value. Downside risk includes higher-than-expected funding cost. An upside catalyst is the possibility of a private placement for strategic investors.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net interest income (bn)	32,346	38,097	44,263	55,146
Net interest margin	8.7%	9.0%	9.0%	9.6%
Total operating income (bn)	39,033	47,334	54,626	66,614
Total provision charges (bn)	(14,622)	(17,674)	(19,722)	(22,156)
Net profit (bn)	10,414	13,502	15,250	19,579
Net profit growth	26.1%	29.7%	13.0%	28.4%
Adjusted EPS	4,116	2,965	3,349	4,299
BVPS	20,867	19,158	22,507	26,807
ROAE	21.9%	19.3%	16.1%	17.4%

Source: VND RESEARCH

**Valuation**

**Income statement**

(VNDbn)	12-21E	12-22E	12-23E
<b>Net interest income</b>	<b>38,097</b>	<b>44,263</b>	<b>55,146</b>
<b>Non interest income</b>	<b>9,237</b>	<b>10,363</b>	<b>11,468</b>
<b>Total operating income</b>	<b>47,334</b>	<b>54,626</b>	<b>66,614</b>
Total operating costs	(12,780)	(15,842)	(19,984)
<b>Pre-provision operating profit</b>	<b>34,554</b>	<b>38,785</b>	<b>46,630</b>
<b>Total provision charges</b>	<b>(17,674)</b>	<b>(19,722)</b>	<b>(22,156)</b>
Income from associates & JVs			
Net other income			
<b>Pre-tax profit</b>	<b>16,880</b>	<b>19,063</b>	<b>24,474</b>
Tax expense	(3,378)	(3,813)	(4,895)
<b>Profit after tax</b>	<b>13,502</b>	<b>15,250</b>	<b>19,579</b>
Minority interest	0	0	0
<b>Net profit</b>	<b>13,502</b>	<b>15,250</b>	<b>19,579</b>

**Balance sheet**

(VNDbn)	12-21E	12-22E	12-23E
Gross loans to customers	336,761	395,813	464,663
Loans to banks	31,668	39,585	45,523
<b>Total gross loans</b>	<b>368,429</b>	<b>435,398</b>	<b>510,186</b>
Securities - total	84,265	97,748	107,522
Other interest earning assets	0	0	0
<b>Total gross IEAs</b>	<b>452,694</b>	<b>533,146</b>	<b>617,708</b>
<b>Total provisions</b>	<b>(6,169)</b>	<b>(6,286)</b>	<b>(7,307)</b>
<b>Net loans to customers</b>	<b>330,953</b>	<b>389,723</b>	<b>457,571</b>
<b>Total net IEAs</b>	<b>446,525</b>	<b>526,860</b>	<b>610,401</b>
Cash and deposits	3,611	4,044	4,529
Total investments	262	294	329
Other assets	29,276	32,789	36,724
<b>Total non-IEAs</b>	<b>33,149</b>	<b>37,127</b>	<b>41,583</b>
<b>Total assets</b>	<b>479,675</b>	<b>563,987</b>	<b>651,984</b>
Customer deposits	269,755	318,792	374,369
Cds outstanding	73,757	83,505	87,681
Customer interest-bearing liabilities	343,513	402,297	462,050
Bank deposits	65,016	69,650	69,253
Broad deposits	408,529	471,947	531,303
Other interest-bearing liabilities	327	327	327
<b>Total IBLs</b>	<b>408,856</b>	<b>472,274</b>	<b>531,630</b>
Deferred tax liability			
Other non-interest bearing liabilities	(16,426)	(10,782)	(1,721)
<b>Total non-IBLs</b>	<b>(16,426)</b>	<b>(10,782)</b>	<b>(1,721)</b>
<b>Total liabilities</b>	<b>392,430</b>	<b>461,492</b>	<b>529,909</b>
Share capital	25,300	25,300	25,300
Additional paid-in capital	21,316	21,316	21,316
Treasury shares	(2,199)	(2,199)	(2,199)
Retained earnings reserve	30,917	46,167	65,747
Other reserves	11,912	11,912	11,912
<b>Shareholders' equity</b>	<b>87,245</b>	<b>102,495</b>	<b>122,075</b>
Minority interest	0	0	0
<b>Total equity</b>	<b>87,245</b>	<b>102,495</b>	<b>122,075</b>
<b>Total liabilities &amp; equity</b>	<b>479,675</b>	<b>563,987</b>	<b>651,984</b>

	12-21E	12-22E	12-23E
<b>Growth rate (yoy)</b>			
Cust deposit growth	15.6%	18.2%	17.4%
Gross cust loan growth	15.8%	17.5%	17.4%
Net interest income growth	17.8%	16.2%	24.6%
Pre provision operating profit growth	25.0%	12.2%	20.2%
Net profit growth	29.7%	13.0%	28.4%
Growth in IEAs	14.8%	18.0%	15.9%
<b>Share value</b>			
Basic EPS (VND)	2,965	3,349	4,299
BVPS (VND)	19,158	22,507	26,807
DPS (VND)	0	0	0
EPS growth	(28.0%)	13.0%	28.4%

**Key ratios**

	12-21E	12-22E	12-23E
Net interest margin	9.0%	9.0%	9.6%
Cost-income ratio	(27.0%)	(29.0%)	(30.0%)
Reported NPLs / gross cust loans	2.8%	2.8%	2.6%
Reported NPLs / net cust loans	2.8%	2.9%	2.7%
GP charge / average cust loans	5.6%	5.4%	5.1%
Total CAR	0.0%	0.0%	0.0%
Loan deposit ratio	98.0%	98.4%	100.6%
<b>Margins and spreads</b>			
Return on IEAs	14.3%	14.3%	15.1%
Cost of funds	5.8%	6.0%	6.3%
Interest return on average assets	8.5%	8.5%	9.1%
ROAE	19.3%	16.1%	17.4%

Source: VND RESEARCH

## VINCOM RETAIL JSC (VRE)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND30,400	VND36,600	0.00%	Add	REAL ESTATE

26 November 2021

Outlook – Short term: **Neutral**  
Outlook – Long term: **Positive**  
Valuation: **Positive**

Consensus\*: Add:11 Hold:2 Reduce:0

Target price / Consensus: 5.8%

### Key changes in the report

➤ N/A

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	37,800
52w low (VND)	26,050
3m Avg daily value (VNDmn)	199,649
Market cap (VND bn)	70,101
Free float (%)	31
TTM P/E (x)	31.1
Current P/B (x)	2.2

### Ownership

SADO Trading Commercial JSC	40.5%
Vingroup JSC	18.3%
Others	41.2%

Source: VND RESEARCH

### Analyst(s):



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## A dawn after the darkest time

- VRE is Vietnam's largest retail property developer with 1.7m sq m gross floor area as at 30 Sep 2021, based on our estimates.
- We expect VRE's net profit to grow strongly in FY22F at 68.9% yoy from low base FY21F.
- Recommend Add with a TP of VND36,600.

### Vietnam's largest retail property developer

VRE is Vietnam's largest retail property developer with 1.7m sq m gross floor area of 80 nationwide malls at End-2Q21, will enjoy a strong growth with the country's surge in modern retail and people's income in the long-term. In 11M21, large international brands have opened their stores such as Uniqlo (Vincom Phan Van Tri), MUJI (Vincom Center Metropolis) showing that the Vietnamese market is still attractive to famous brands to expand their retail chain.

### Vietnam's mobility has gradually recovered in Nov 21

With the vaccine widely available, Vietnam economy will gradually reopen since 2022 in a condition of living with pandemic, leading us to anticipate that no wide range social distancing will be implemented in the future. According to Apple maps data, mobility trends in Vietnam are gradually recovering to pre-Covid-19 level (13 Jan 2020), from about -70% in Sep 21 to -12.1% in 24 Nov 2021. This trend indicates a good recovery sign for VRE in 4Q21 and FY22F.

### We expect NP to grow strongly 44.4% CAGR during FY22-23F

We expect VRE will maintain a stable rent in FY22/23F and the gross floor area will increase by 10.8% yoy with two prominent projects: Vincom Megamall Smart City (68,000 sqm) and Vincom Megamall Grand park (48,000 sqm). Thus, we project VRE's revenue to reach VND10,497bn/VND12,381bn and net profit to reach VND3,679bn(+68.9% yoy)/VND4,406bn(+19.8% yoy) in FY22/23F.

### VRE maintains a strong GFA expansion plan until FY26F

VRE has released and still focus in their plan to expand total GFA to 4.7m sqm in 2026F, anchored around mega mall projects. As VRE's pipeline, they will operate 49 new shopping malls, including 27 Vincom Mega malls, 19 Vincom Plaza, 2 Vincom Center and 1 Vincom+ to bring the total number of operating malls to 129 malls in 2026F, with the GFA is 2.8x compared with 3Q21 GFA.

### Recommend ADD with DCF-based TP of VND36,600

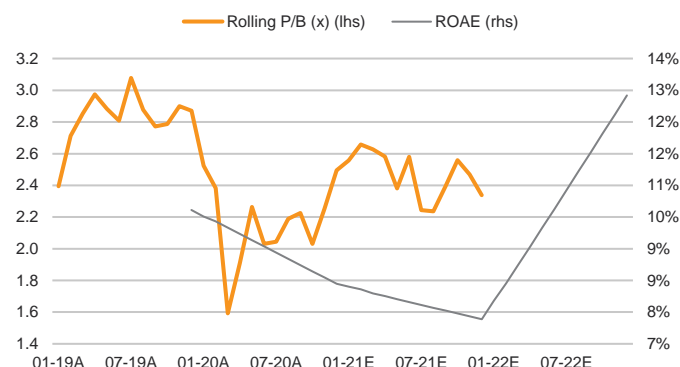
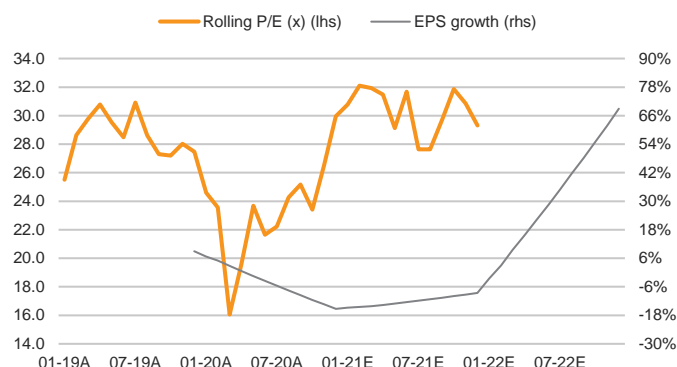
We recommend Add with a 10 years DCF target price (TP) of VND36,600 (WACC: 11.7%). Our TP is based on a forecast VRE's gross floor area reached 3.2m sqm until 2026F. Key downside risks are 1) slower-than-expected mall openings, 2) lower-than-expected occupancy ratio and rental rate and 3) a wide range of social distancing. Re-rating catalysts are 1) faster-than-expected mall openings or recovery in retail, leading to a strong growth in leasing business.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	8,329	7,687	10,497	12,381
Revenue growth	(10.0%)	(7.7%)	36.6%	17.9%
Gross margin	45.9%	44.8%	52.7%	52.9%
EBITDA margin	58.6%	64.7%	67.2%	66.2%
Net profit (bn)	2,382	2,178	3,679	4,406
Net profit growth	(16.4%)	(8.6%)	68.9%	19.8%
Recurring profit growth				
Basic EPS	1,048	958	1,619	1,939
Adjusted EPS	1,048	958	1,619	1,939
BVPS	12,582	12,021	12,101	12,493
ROAE	8.5%	7.6%	13.1%	15.4%

Source: VND RESEARCH



## Valuation



### Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	7,687	10,497	12,381
Cost of sales	(4,243)	(4,961)	(5,832)
Gen & admin expenses	(295)	(427)	(512)
Selling expenses	(277)	(398)	(471)
<b>Operating profit</b>	<b>2,872</b>	<b>4,711</b>	<b>5,566</b>
Operating EBITDA	4,731	6,719	7,807
<b>Depreciation and amortisation</b>	<b>(1,859)</b>	<b>(2,008)</b>	<b>(2,241)</b>
<b>Operating EBIT</b>	<b>2,872</b>	<b>4,711</b>	<b>5,566</b>
Interest income	220	300	354
Financial expense	(381)	(423)	(425)
Net other income	25	35	41
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>2,736</b>	<b>4,623</b>	<b>5,536</b>
Tax expense	(558)	(943)	(1,129)
Minority interest	0	(1)	(1)
<b>Net profit</b>	<b>2,178</b>	<b>3,679</b>	<b>4,406</b>
Adj. net profit to ordinary	2,178	3,679	4,406
Ordinary dividends	(3,493)	(3,493)	(3,493)
<b>Retained earnings</b>	<b>(1,315)</b>	<b>186</b>	<b>913</b>

### Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	4,571	2,868	654
Short term investments	74	101	119
Accounts receivables	423	563	665
Inventories	679	713	748
Other current assets	1,153	1,575	1,857
<b>Total current assets</b>	<b>6,900</b>	<b>5,820</b>	<b>4,043</b>
Fixed assets	1,214	1,378	1,673
Total investments	592	808	954
Other long-term assets	30,862	33,408	36,026
<b>Total assets</b>	<b>39,568</b>	<b>41,414</b>	<b>42,696</b>
Short-term debt	77	105	124
Accounts payable	696	814	956
Other current liabilities	5,299	5,915	6,555
<b>Total current liabilities</b>	<b>6,072</b>	<b>6,834</b>	<b>7,635</b>
Total long-term debt	4,295	4,995	4,322
Other liabilities	1,171	1,369	1,610
Share capital	23,288	23,288	23,288
Retained earnings reserve	6,655	6,870	7,796
<b>Shareholders' equity</b>	<b>27,995</b>	<b>28,181</b>	<b>29,093</b>
Minority interest	35	35	36
<b>Total liabilities &amp; equity</b>	<b>39,568</b>	<b>41,414</b>	<b>42,696</b>

### Cash flow statement

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>2,736</b>	<b>4,623</b>	<b>5,536</b>
Depreciation & amortisation	1,865	2,017	2,248
Tax paid			
Other adjustments	(2,855)	(723)	(860)
<b>Change in working capital</b>	<b>1,844</b>	<b>143</b>	<b>373</b>
<b>Cash flow from operations</b>	<b>3,590</b>	<b>6,060</b>	<b>7,297</b>
Capex	(2,340)	(4,159)	(4,574)
Proceeds from assets sales	14	15	17
Others	1,236	(241)	(161)
Other non-current assets changes	2,274	(287)	(251)
<b>Cash flow from investing activities</b>	<b>1,184</b>	<b>(4,672)</b>	<b>(4,969)</b>
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	218	728	(654)
Other financing cash flow	(66)	198	240
Dividends paid	(3,493)	(3,493)	(3,493)
<b>Cash flow from financing activities</b>	<b>(3,341)</b>	<b>(2,567)</b>	<b>(3,907)</b>
Cash and equivalents at beginning of period	3,051	4,571	2,868
<b>Total cash generated</b>	<b>1,433</b>	<b>(1,179)</b>	<b>(1,579)</b>
Cash and equivalents at the end of period	4,484	3,392	1,289

### Key ratios

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	28.3%	35.0%	35.6%
Asset turnover	0.19	0.26	0.29
ROAA	5.5%	9.1%	10.5%
Avg assets/avg equity	1.38	1.44	1.47
ROAE	7.6%	13.1%	15.4%
<b>Efficiency</b>			
Days account receivable	16.6	16.8	16.8
Days inventory	58.4	52.5	46.8
Days creditor	59.9	59.9	59.8
Fixed asset turnover	5.86	8.10	8.11
ROIC	6.7%	11.0%	13.1%
<b>Liquidity</b>			
Current ratio	1.1	0.9	0.5
Quick ratio	1.0	0.7	0.4
Cash ratio	0.8	0.4	0.1
Cash cycle	15.1	9.4	3.8
<b>Growth rate (yoy)</b>			
Revenue growth	(7.7%)	36.6%	17.9%
Operating profit growth	(7.1%)	64.0%	18.1%
Net profit growth	(8.6%)	68.9%	19.8%
EPS growth	(8.6%)	68.9%	19.8%

Source: VND RESEARCH



## VIETTEL POST JSC (VTP)

Market Price	Target Price	Dividend Yield	Rating	Sector
VND79,300	VND95,300	1.85%	Add	INDUSTRIALS

26 November 2021

Outlook – Short term: **Neutral**  
Outlook – Long term: **Positive**  
Valuation: **Positive**

Consensus\*: Add:6 Hold:1 Reduce:0

Target price / Consensus: -2.3%

### Key changes in the report

➤ N/A

### Price performance



### Key statistics

52w high (VND)	92,024
52w low (VND)	63,429
3m Avg daily value (VNDmn)	12,098
Market cap (VND bn)	8,225
Free float (%)	28
TTM P/E (x)	17.1
Current P/B (x)	5.41

### Ownership

Viettel Group	68.1%
Others	31.9%

Source: VND RESEARCH

### Analyst(s):



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## Embark on growth in 2022-23F

- Having the leading position in the inter-provincial delivery, VTP is capturing Vietnam e-commerce booming with estimated CAGR of 28% in 2022-25F.
- We forecast VTP's net profit to increase 1.9% yoy in 2021F and surge at 30.1% CAGR in 2022-23F, fuelled by strong growth of ecommerce.
- Recommend Add with DCF-based target price of VND95,300.

### Leading position in a double-digit growth market

We believe Vietnam e-commerce still has a lot of room for growth. According to Google, the scale of Vietnam's e-commerce market is estimated to grow at a CAGR of 28% to reach US\$52bn in 2025F. VTP with the leading position in the inter-provincial delivery is taking advantages of the e-commerce booming by deploying the digital post office model since Feb-2021 combining with the current nationwide post office infrastructure. VTP also plans to build 17 more logistics centers nationwide to improve profit margin and enhances its services provided to customers. VTP also promoted Voso.vn to capture the online-demand shopping during social distancing period.

### Overcoming challenges in short-term, heading to recovery and growth

Due to strict social distancing since 3Q21, many last-mile delivery companies have to scale down business, such as Giao Hang Tiet Kiem, Grab, Be or other techbike applications. In this difficult situation, VTP still met the operating conditions and expanded services provided to customers such as voso.vn, which improved market share for VTP through the social distancing period. In 2021F, due to the severe effect from the pandemic outbreak in 3<sup>rd</sup> quarter, we estimate VTP's revenue and net profit to slightly increase 5.2%/1.9% yoy. We expect the delivery market value to recover and rise at a CAGR of 19.4% over 2022-23F, fuelled by strong growth of ecommerce, leading to a 25.2% CAGR of VTP's delivery revenue in the period. Consequently, we forecast VTP's net profit to grow at 30.1% CAGR in 2022-23F period.

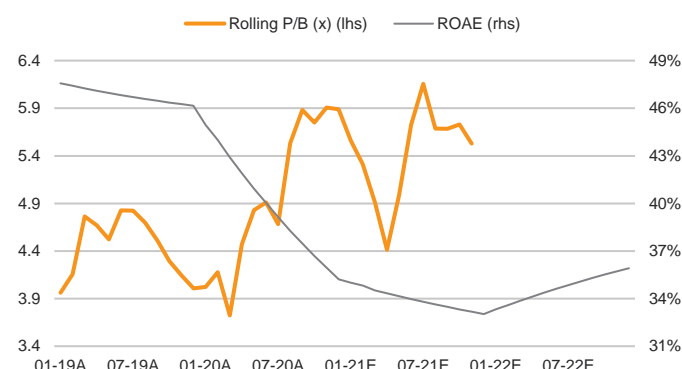
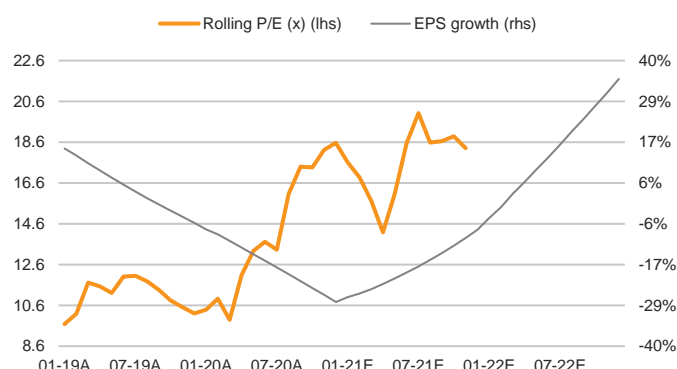
### Recommend Add with target price of VND95,300

We recommend an Add rating on VTP with a DCF-based (WACC: 9.66%) TP of VND95,300. VTP has seized the opportunity to expand its market share based on its comprehensive ecosystem from e-commerce platform to nationwide last-mile delivery infrastructure. Besides, the HSX listing plan is also another VTP's near-term catalyst in 2022. Potential re-rating catalysts include: (1) higher-than-expected delivery volume and prices, and (2) new progress on HSX listing plan. Downside risks include: (1) a prolonged global pandemic or external crisis leading to border closures in countries, which will reduce the volume of outbound parcels to be delivered, and (2) lower-than-expected ASP due to fierce competition.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	17,234	18,130	21,336	23,216
Revenue growth	120.6%	5.2%	17.7%	8.8%
Gross margin	4.1%	3.6%	4.4%	4.7%
EBITDA margin	3.5%	3.5%	4.0%	4.3%
Net profit (bn)	383	391	578	654
Net profit growth	0.8%	1.9%	47.9%	13.2%
Recurring profit growth	(3.9%)	1.8%	48.5%	13.3%
Basic EPS	4,615	3,771	5,578	6,315
Adjusted EPS	3,955	3,232	4,780	5,412
BVPS	14,553	13,717	17,263	21,287
ROAE	35.2%	29.7%	36.0%	32.8%

Source: VND RESEARCH

## Valuation



## Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	18,130	21,336	23,216
Cost of sales	(17,469)	(20,392)	(22,114)
Gen & admin expenses	(209)	(274)	(326)
Selling expenses	(21)	(28)	(33)
<b>Operating profit</b>	<b>430</b>	<b>642</b>	<b>742</b>
Operating EBITDA	493	689	817
<b>Depreciation and amortisation</b>	<b>(63)</b>	<b>(47)</b>	<b>(74)</b>
<b>Operating EBIT</b>	<b>430</b>	<b>642</b>	<b>742</b>
Interest income	126	151	168
Financial expense	(74)	(77)	(100)
Net other income	7	8	9
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>489</b>	<b>724</b>	<b>819</b>
Tax expense	(99)	(146)	(165)
Minority interest	0	0	0
<b>Net profit</b>	<b>391</b>	<b>578</b>	<b>654</b>
Adj. net profit to ordinary	391	578	654
Ordinary dividends	(155)	(155)	(155)
<b>Retained earnings</b>	<b>235</b>	<b>422</b>	<b>499</b>

## Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	281	369	440
Short term investments	2,070	2,269	2,583
Accounts receivables	1,088	1,431	1,704
Inventories	595	775	925
Other current assets	116	151	181
<b>Total current assets</b>	<b>4,149</b>	<b>4,995</b>	<b>5,832</b>
Fixed assets	297	451	537
Total investments	0	0	0
Other long-term assets	72	95	113
<b>Total assets</b>	<b>4,518</b>	<b>5,540</b>	<b>6,482</b>
Short-term debt	1,065	1,387	1,656
Accounts payable	330	441	523
Other current liabilities	1,702	1,924	2,099
<b>Total current liabilities</b>	<b>3,097</b>	<b>3,752</b>	<b>4,277</b>
Total long-term debt	0	0	0
Other liabilities	0	0	0
Share capital	1,036	1,036	1,036
Retained earnings reserve	356	724	1,140
<b>Shareholders' equity</b>	<b>1,421</b>	<b>1,788</b>	<b>2,204</b>
Minority interest	0	0	0
<b>Total liabilities &amp; equity</b>	<b>4,518</b>	<b>5,540</b>	<b>6,482</b>

## Cash flow statement

(VNDbn)	12-21E	12-22E	12-23E
<b>Pretax profit</b>	<b>489</b>	<b>724</b>	<b>819</b>
Depreciation & amortisation	63	47	74
Tax paid	(99)	(146)	(165)
Other adjustments	(180)	(205)	(250)
<b>Change in working capital</b>	<b>227</b>	<b>(225)</b>	<b>(196)</b>
<b>Cash flow from operations</b>	<b>500</b>	<b>195</b>	<b>282</b>
Capex	15	(182)	(145)
Proceeds from assets sales	0	0	0
Others	(371)	(49)	(146)
Other non-current assets changes	3	(42)	(33)
<b>Cash flow from investing activities</b>	<b>(352)</b>	<b>(272)</b>	<b>(324)</b>
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	(30)	322	269
Other financing cash flow			
Dividends paid	(125)	(155)	(155)
<b>Cash flow from financing activities</b>	<b>(155)</b>	<b>166</b>	<b>113</b>
Cash and equivalents at beginning of period	288	281	369
<b>Total cash generated</b>	<b>(7)</b>	<b>89</b>	<b>71</b>
Cash and equivalents at the end of period	281	370	440

## Key ratios

	12-21E	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	2.2%	2.7%	2.8%
Asset turnover	4.07	4.24	3.86
ROAA	8.8%	11.5%	10.9%
Avg assets/avg equity	3.39	3.14	3.01
ROAE	29.7%	36.0%	32.8%
<b>Efficiency</b>			
Days account receivable	15.8	17.7	19.4
Days inventory	12.4	13.9	15.3
Days creditor	6.9	7.9	8.6
Fixed asset turnover	53.83	57.05	47.01
ROIC	15.7%	18.2%	16.9%
<b>Liquidity</b>			
Current ratio	1.3	1.3	1.4
Quick ratio	1.1	1.1	1.1
Cash ratio	0.8	0.7	0.7
Cash cycle	21.4	23.7	26.0
<b>Growth rate (yoy)</b>			
Revenue growth	5.2%	17.7%	8.8%
Operating profit growth	0.3%	49.3%	15.6%
Net profit growth	1.9%	47.9%	13.2%
EPS growth	(18.3%)	47.9%	13.2%

Source: VND RESEARCH

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## 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.

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