



# NAVIGATING VIETNAM 2H24

## MANUFACTURING PROPELS GROWTH

July 2024

*The slogan "Make in Vietnam" was created by the Ministry of Information and Communications to emphasize the initiative in the creation and design of high-tech products by Vietnamese.*

VNDIRECT



**“MAKE IN VIETNAM”**



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## Executive summary

### Macro: Trade is leading the way

Vietnam recorded impressive economic performance in 1H24. Outstanding trade results fueled strong growth in manufacturing and continued strength in FDI. The benefits of this growth have not yet fully impacted consumers as inflation and currency concerns weigh on their minds. But we believe these concerns will be alleviated by the end of the year.

- **Trade - Strong exports due to continuing US strength:** Vietnam's 1H24 exports increased 14.9% YoY, driven by USD55bn of exports to the US (+24% YoY) as US consumption remained stronger than expected. We expect US exports, 29% of Vietnam's total exports, to continue to grow because: 1) the Fed seems to be engineering a soft-landing; 2) The US is imposing tariffs on Chinese goods; and 3) the US is expect to upgrade Vietnam to Market Economy Status.
- **Manufacturing - May trade deficit was actually a positive indicator:** Vietnam recorded a USD407mn trade deficit in May. However, this happened because imports grew 19% YoY in April and 26% YoY in May, largely due imports of raw materials and components. Manufacturers seemed to know that growth was coming. This was reflected in June's impressive PMI of 54.7 as new orders accelerated.
- **FDI – Record high investment supports long-term manufacturing outlook:** 8.2% 1H24 growth of implemented FDI will support manufacturing in the coming time. 13.1% registered FDI growth indicates a strong longer-term outlook. Furthermore, much of the FDI is going into higher-tech industries like solar panels and circuit boards as the Vietnam government focuses on attracting high-quality FDI.
- **GDP - Manufacturing strength drove higher than expected growth:** Vietnam recorded 6.9% 2Q24 GDP growth (6.4% for 1H24) causing us to increase our FY24 forecast to 6.5%. Industry & construction regained its traditional leading role 8.3% growth that surpassed 7.1% growth from the service sector.
- **Consumption – Retail is still in recovery mode:** Gross retail sales of consumer goods and services grew a mere 8.6% YoY in 1H24 (5.7% adjusted for inflation), well below pre-pandemic levels, even though tourism has completely recovered.
- **Inflation – Higher than desired levels should ease:** June's 4.3% YoY inflation is already within the SBV's target range of 4.0 – 4.5%. However, we expect inflation to moderate in 2H24 because much of the current inflation comes from high MoM CPI increases in August and September 2023, implying that 2024 results will start to look better once we get past Q3.
- **FX – Strong US dollar weighs on many currencies:** As the Fed implemented its higher-for-longer polices, the DXY hovered around 105 for much of 2Q24. The VND depreciated ~5% in 1Q24 but held stable during Q2 as the SBV sold off USD6bn of foreign reserves and implement monetary polices to support the currency. The dollar should weaken once the Fed begins to cut, which we believe will happen in September, which would avoid the need for further SBV support.

### Key Forecasts

We compare our current forecasts against those we made in our January 2024 Navigator report.

2024 Forecasts	Made in Jan-24	Revised July-24
GDP Growth	6.3%	6.5%
Export Growth	7.0%	11.0%
Trade Balance (USDbn)	22.5	23.1
Implemented FDI (USDbn)	24.5	24.6
FX Reserves (USDbn)	106.0	92.0
CPI YoY (year-end)	3.1%	3.6%
Credit Growth	15.0%	14.0%
VND/USD (Interbank)	23,850	24,950

## Executive summary

### Equity Market: Ready to build on a strong first half

- **Vietnam far outperformed regional peers:** The VN-Index increased a respectable 10.2% (in local currency) during 1H24. It considerably outperformed the Bangkok SET (-8%), Jakarta JCI (-3%) and Philippine PCOMP (-1%) indices.
- **Gains were widespread:** 90 of the nearly 400 stocks in the VN-Index rose more than 20% during the half. The simple average of the gains was 9.1% and the median gain was 6.0%.
- **FX concerns dragged on the market:** Foreign investors net sold USD2bn during 1H24 due largely to FX concerns. They net-sold every month as they watched the VND devalue ~5% vs the USD during Q1. Their strongest net selling came in June (USD600mn), after the currency had already stabilized. The Index had peaked at +13.6% YTD during Q1 before the SBV sold USD6bn of foreign reserves, which supported the currency but reduced liquidity in the economy.
- **Nearly every sector gained:** 20 of the 22 sectors gained. Travel & Leisure (+93%), was the strongest performer as tourism recovered. Vietnam Airlines (HVN) recorded the largest gain of any stock, rising 171% after nearly being delisted last year. Technology (+53%) was the second strongest performer amid multiple news headlines about FDI into Vietnam's tech sector. Banks, which make up 38% of the VN-Index, rose a more modest 11%.
- **We target 1,330 – 1,350:** Our base case forecast is for the VN-Index to close 2024 with a ~19% gain at 1,330 – 1,350 at a 14.2x P/E ratio. This forecast is based on the parameters that the US Fed cuts one time during 2H24 which pushes the DXY index below 102. Domestically, our market forecast is based on exports growing 10-12% and credit growing 14%, which would support EPS to grow 18% for the year. Furthermore, we expect continuing Fed cuts and recovering global economic growth to push the VN-Index to 1,580 – 1,600 by the end of 2025.
- **Bottom-up sector picks: Residential real estate** has the highest simple-average upside to target price (+38.7%) of any sector in our coverage list after underperforming in 1H24. We believe the new Land Laws coming into effect in August will be a major catalyst. This will also boost **steel** stocks (+35.1% upside to TP) which are already benefitting from strong exports. Strong property development and strong FDI will also support **banks** (+19.5% average upside to TP) to reach their credit growth targets. Furthermore the bank sector average P/B of 1.7x does not seem to have fully priced in the resulting returns on equity.

### Market Forecast

Base case forecast	
VN-Index @ YE2024	1,330 - 1,350
VN-Index YoY 2024	+19%
VNI P/E @ YE2024	14.2
VNI EPS growth YoY	18%
VN-Index @ YE2025	1,580 - 1,600

### Stock Picks

Sector Picks	
Sector	Picks
Banks	MBB, VPB, VCB
Real Estate	KDH
Steel	HPG
Consumer	PNJ, BAF
Aviation	ACV
Tech	FPT
Ports & Shipping	HAH
IP	KBC, BCM
Power	HDG
O&G	PVD

## Executive summary

### Report card: Our January forecasts were mostly on target

- **We are tracking our January VN-Index forecast fairly well:** In our January Navigator report, we forecasted two scenarios. Our positive scenario was for the VN-Index to reach 1,430 this year based on the parameters of: 1) three Fed cuts, the first one in March; and 2) export growth exceeding 8%. Our negative scenario forecasted 1,280 based on: 1) No Fed cuts in 1H24 (less than three this year); and 2) export growth below 6%. So we are tracking our negative case on Fed cuts but our positive case on exports. Our current forecast of 1,330 – 1,350 is therefore still very much in-line.
- **Our stock picks outperformed the Index:** The top stock picks that our sector analysts made back in January gained a simple average 16.7% during 1H24, outperforming the VN-Index by 6.1 percentage points. We are still confident that several of these tickers will outperform in 2H24 once we see the US dollar weaken and consumer confidence return.
- **Status of our macro themes:** In January, we made five top-down theme recommendations. Here is the status of each:

Theme	Status
Recovery in trade	Trade has recovered even more strongly than we expected. Ports, which we recommended have done very well, as has steel.
Improving consumer demand	Consumer demand has improved more slowly than expected, in large part, due to higher than expected inflation and a weaker currency. However, these obstacles should fade in 2H24.
Gradually improving real estate market	We said in January that real estate’s recovery would be slow in 1H24 but would pick up with the new Land Laws in August. This seems to be playing out.
Recovery in private investment	While banks clearly have benefited from lower interest rates, there seems to be more room for improvement as real estate recovers.
National initiatives to build semiconductor industry	Vietnam continues to attract strong investment for semiconductors and other high-tech manufacturing. We still view this as a strong long-term opportunity.

### Previous Stock Picks

January Sector Picks' Performance		
Sector	Ticker	1H24 Price Change
Aviation	ACV	90.8%
Banks	MBB	19.0%
Banks	HDB	13.3%
Banks	VIB	7.1%
Consumer	QNS	16.8%
Consumer	PNJ	11.0%
Consumer	VNM	-3.1%
Exports	VHC	13.1%
IP	PHR	21.9%
IP	KBC	-8.7%
O&G	PVT	27.5%
O&G	PVS	19.2%
O&G	PVD	1.8%
Ports & Shipping	HAH	38.4%
Ports & Shipping	GMD	17.7%
Power	POW	32.4%
Power	PC1	-0.2%
Real Estate	KDH	17.5%
Real Estate	VHM	-12.8%
Steel	HPG	11.4%

## VNDS Research Recommendations (data as of July 12, 2024)

Ticker	Market Cap (USDmn)	3M ADTV (USDmn)	Foreign Room (USDmn)	Target Price (VND)	Upside to TP (%)	Dividend Yield (%)	TTM P/E	Current P/B	ROE (%)	1Q24 NPAT-MI % YoY	Vs. estimates	2024F NPAT-MI % YoY	Recommendation
<b>AVIATION</b>													
ACV	10,295	2.3	4,865	136,200	13.3%	0.0%	36.2	5.2	18%	99.2%	Beat	46.4%	ADD
VJC	2,174	4.4	295	120,100	17.7%	0.0%	93.0	3.4	4%	211.4%	In-line	74.8%	HOLD
<b>Avg.</b>	<b>6,235</b>	<b>3.4</b>	<b>2,580</b>		<b>15.5%</b>	<b>0.0%</b>	<b>64.6</b>	<b>4.3</b>	<b>11%</b>	<b>155.3%</b>		<b>60.6%</b>	
<b>CONSTRUCTIONS</b>													
CTD	289	3.7	6	80,200	9.0%	0.0%	25.8	0.9	3%	374.8%	In-line	360.0%	HOLD
HHV	203	2.7	83	17,000	35.5%	0.0%	13.2	0.6	4%	32.0%	In-line	20.0%	ADD
<b>Avg.</b>	<b>246</b>	<b>3.2</b>	<b>45</b>		<b>22.3%</b>	<b>0.0%</b>	<b>19.5</b>	<b>0.8</b>	<b>4%</b>	<b>203.4%</b>		<b>190.0%</b>	
<b>CONSUMER</b>													
BAF	188	4.3	89	26,800	32.3%	0.0%	30.4	2.1	7%	3,648%	Beat	647.2%	ADD
DGW	427	4.6	106	68,000	5.6%	0.8%	29.1	4.0	14%	16.5%	Missed	49.3%	HOLD
MWG	3,727	12.8	112	72,100	12.1%	0.8%	90.5	3.7	4%	4,142.8%	Beat	1,662%	ADD
PNJ	1,286	6.0	0	114,400	18.9%	1.8%	16.8	3.1	20%	-1.4%	In-line	-3.0%	ADD
QNS	695	1.7	236	62,400	32.0%	5.9%	6.9	1.7	27%	68.0%	In-line	-3.3%	ADD
VHC	661	3.3	456	68,000	-6.6%	2.5%	18.3	1.7	11%	-23.0%	Missed	24.0%	ADD
VNM	5,452	10.0	2,774	81,000	28.0%	5.8%	16.8	4.3	26%	16.2%	In-line	6.2%	ADD
<b>Avg.</b>	<b>1,777</b>	<b>6.1</b>	<b>539</b>		<b>17.5%</b>	<b>2.5%</b>	<b>29.8</b>	<b>2.9</b>	<b>16%</b>	<b>1,123.9%</b>		<b>340.3%</b>	

## VNDS Research Recommendations (data as of July 09, 2024)

Ticker	Market Cap (USDmn)	3M ADTV (USDmn)	Foreign Room (USDmn)	Target Price (VND)	Upside to TP (%)	Dividend Yield (%)	TTM P/E	Current P/B	ROE (%)	1Q24 NPAT-MI % YoY	Vs. estimates	2024F NPAT-MI % YoY	Recommendation
<b>FINANCIALS</b>													
ACB	4,218	14.6	0	30,300	29.8%	3.6%	6.8	1.4	23%	-5.6%	In-line	4.9%	<a href="#">ADD</a>
BID	10,452	3.8	1,352	51,600	10.7%	0.0%	12.2	2.1	19%	6.3%	N/A	12.8%	<a href="#">ADD</a>
CTG	6,761	11.8	267	39,500	23.4%	0.0%	8.6	1.3	17%	3.2%	Missed	38.2%	<a href="#">ADD</a>
HDB	2,767	10.7	70	29,000	20.1%	0.0%	6.3	1.5	26%	48.9%	In-line	22.5%	<a href="#">ADD</a>
LPB	3,145	24.1	140	23,700	-24.2%	0.0%	11.6	2.2	21%	84.9%	Beat	38.5%	<a href="#">ADD</a>
MBB	4,802	17.5	0	31,700	39.7%	1.9%	5.9	1.2	23%	-9.8%	Missed	12.3%	<a href="#">ADD</a>
SSI	2,046	20.2	1,174	36,500	8.6%	2.7%	20.2	2.2	11%	44.7%	In-line	21.2%	<a href="#">HOLD</a>
TCB	6,320	22.7	44	26,900	18.0%	0.0%	8.1	1.2	16%	38.3%	In-line	25.6%	<a href="#">ADD</a>
TPB	1,555	5.8	25	23,600	31.5%	0.0%	8.8	1.2	13%	3.5%	Missed	33.9%	<a href="#">ADD</a>
VCB	19,264	6.0	1,296	111,800	27.6%	0.0%	15.0	2.8	21%	-4.5%	In-line	7.2%	<a href="#">ADD</a>
VIB	2,126	8.6	-330	29,600	44.9%	5.9%	6.4	1.4	24%	-7.1%	In-line	12.6%	<a href="#">ADD</a>
VPB	5,931	20.7	198	23,700	24.7%	0.0%	12.5	1.1	9%	40.6%	Missed	52.9%	<a href="#">ADD</a>
<b>Avg.</b>	<b>5,782</b>	<b>13.9</b>	<b>353</b>		<b>21.2%</b>	<b>1.2%</b>	<b>10.2</b>	<b>1.6</b>	<b>19%</b>	<b>20.3%</b>		<b>23.6%</b>	
<b>GARMENT &amp; TEXTILE</b>													
TCM	212	0.3	55	42,300	-20.0%	0.0%	43.4	2.6	6%	-12.7%	N/A	41.2%	<a href="#">HOLD</a>

## VNDS Research Recommendations (data as of July 12, 2024)

Ticker	Market Cap (USDmn)	3M ADTV (USDmn)	Foreign Room (USDmn)	Target Price (VND)	Upside to TP (%)	Dividend Yield (%)	TTM P/E	Current P/B	ROE (%)	1Q24 NPAT-MI % YoY	Vs. estimates	2024F NPAT-MI % YoY	Recommendation
<b>INDUSTRIALS</b>													
BMP	374	1.1	57	126,00	19.8%	10.4%	11.1	3.3	34%	-32.4%	N/A	10.0%	<a href="#">ADD</a>
GMD	1,026	6.1	11	90,200	10.8%	3.4%	10.1	2.8	31%	196.4%	<a href="#">Beat</a>	-45.7%	<a href="#">HOLD</a>
HAH	214	8.0	44	48,000	9.2%	2.2%	18.6	2.0	11%	-50.2%	<a href="#">Missed</a>	-7.6%	<a href="#">HOLD</a>
IDC	795	5.0	198	63,900	8.5%	4.1%	10.4	3.9	38%	370.4%	<a href="#">Beat</a>	53.2%	<a href="#">ADD</a>
KBC	864	6.6	246	37,900	32.5%	0.0%	21.9	1.2	6%	N/A	<a href="#">Missed</a>	5.1%	<a href="#">ADD</a>
PHR	327	1.0	102	53,700	-7.5%	4.9%	17.9	2.2	13%	-67.9%	<a href="#">Missed</a>	2.6%	<a href="#">HOLD</a>
PTB	186	1.0	0	62,900	-9.4%	1.4%	14.9	1.7	12%	44.2%	<a href="#">Missed</a>	30.1%	<a href="#">HOLD</a>
SCS	329	0.8	17	95,100	13.5%	5.7%	15.7	5.9	37%	30.1%	<a href="#">In-line</a>	14.7%	<a href="#">HOLD</a>
SZC	284	2.9	49	42,700	10.6%	4.0%	23.6	2.4	12%	453.7%	<a href="#">Missed</a>	3.9%	<a href="#">HOLD</a>
VTP	421	5.1	173	93,300	7.9%	1.8%	34.8	6.6	20%	-23.0%	<a href="#">Beat</a>	6.7%	<a href="#">HOLD</a>
<b>Avg.</b>	<b>482</b>	<b>3.8</b>	<b>90</b>		<b>9.6%</b>	<b>3.8%</b>	<b>17.9</b>	<b>3.2</b>	<b>21%</b>	<b>102.4%</b>		<b>7.3%</b>	
<b>MATERIALS</b>													
DGC	1,875	15.8	575	143,600	18.1%	3.6%	17.0	3.9	25%	-14.4%	<a href="#">Missed</a>	3.6%	<a href="#">HOLD</a>
HPG	7,172	26.9	1,780	44,000	54.4%	0.0%	NA	1.7	9%	622.0%	<a href="#">Beat</a>	181.0%	<a href="#">ADD</a>
HSG	603	10.7	174	34,000	36.5%	0.0%	NA	1.4	8%	27.0%	<a href="#">Beat</a>	100.0%	<a href="#">ADD</a>
NKG	266	6.9	91	35,000	36.2%	0.0%	NA	1.2	6%	N/A	<a href="#">Beat</a>	627.0%	<a href="#">ADD</a>
<b>Avg.</b>	<b>2,479</b>	<b>15.1</b>	<b>655</b>		<b>36.3%</b>	<b>0.9%</b>	<b>17.0</b>	<b>2.1</b>	<b>12%</b>	<b>211.5%</b>		<b>227.9%</b>	

## VNDS Research Recommendations (data as of July 12, 2024)

Ticker	Market Cap (USDmn)	3M ADTV (USDmn)	Foreign Room (USDmn)	Target Price (VND)	Upside to TP (%)	Dividend Yield (%)	TTM P/E	Current P/B	ROE (%)	1Q24 NPAT-MI % YoY	Vs. estimates	2024F NPAT-MI % YoY	Recommendation
<b>OIL &amp; GAS</b>													
BSR	2,903	7.8	1,356	24,700	6.9%	3.1%	8.5	1.3	16%	-29.8%	Missed	-29.4%	HOLD
GAS	7,049	3.8	3,350	84,100	11.7%	3.9%	16.1	2.7	17%	-25.0%	In-line	-1.9%	HOLD
PLX	2,315	3.1	53	47,100	5.0%	3.3%	18.0	2.2	13%	73.2%	Beat	27.0%	ADD
PVD	653	6.0	217	36,800	23.3%	0.0%	28.5	1.1	5%	139.9%	Missed	71.7%	HOLD
PVS	803	10	222	46,500	11.3%	2.4%	18.3	1.5	9%	40.0%	Beat	15.0%	HOLD
PVT	417	5.3	150	32,400	12.0%	3.3%	10.8	1.5	15%	27.0%	In-line	11.8%	HOLD
<b>Avg.</b>	<b>2,357</b>	<b>6.0</b>	<b>891</b>		<b>11.7%</b>	<b>2.7%</b>	<b>16.7</b>	<b>1.7</b>	<b>13%</b>	<b>37.6%</b>		<b>15.7%</b>	
<b>PETROCHEMICALS</b>													
DPM	577	4.9	244	38,600	8.4%	5.3%	28.2	1.3	4%	46.4%	In-line	33.2%	HOLD
<b>POWER</b>													
NT2	249	0.7	89	27,100	30.3%	6.8%	102.8	1.6	1%	-167.6%	Missed	-75.5%	HOLD
POW	1,401	7.2	623	14,800	-2.6%	0.0%	45.5	1.1	3%	-61.0%	Missed	2.8%	ADD
<b>Avg.</b>	<b>825</b>	<b>4.0</b>	<b>356</b>		<b>13.9%</b>	<b>3.4%</b>	<b>74.2</b>	<b>1.4</b>	<b>2%</b>	<b>-114.3%</b>		<b>-36.4%</b>	
<b>POWER &amp; PROPERTY</b>													
HDG	416	6.5	139	35,700	15.3%	1.6%	18.1	1.7	10%	-26.9%	In-line	67.8%	HOLD
PC1	377	4.9	142	34,700	12.7%	0.0%	51.7	1.8	4%	449.4%	Missed	285.8%	ADD
REE	1,315	3.1	0	67,000	-4.4%	1.4%	17.4	1.9	12%	-36.0%	In-line	13.4%	ADD
<b>Avg.</b>	<b>703</b>	<b>4.8</b>	<b>94</b>		<b>7.9%</b>	<b>1.0%</b>	<b>29.1</b>	<b>1.8</b>	<b>9%</b>	<b>128.8%</b>		<b>122.0%</b>	

## VNDS Research Recommendations (data as of July 12, 2024)

Ticker	Market Cap (USDmn)	3M ADTV (USDmn)	Foreign Room (USDmn)	Target Price (VND)	Upside to TP (%)	Dividend Yield (%)	TTM P/E	Current P/B	ROE (%)	1Q24 NPAT-MI % YoY	Vs. estimates	2024F NPAT-MI % YoY	Recommendation
<b>PROPERTY</b>													
DXG	413	6.0	127	22,100	51.9%	0.0%	32.2	1.0	3%	N/A	In-line	70.6%	<a href="#">HOLD</a>
KDH	1,195	4.6	122	43,800	15.3%	0.0%	56.0	2.2	4%	-68.4%	In-line	28.4%	<a href="#">ADD</a>
NLG	651	4.9	2	43,900	3.8%	1.8%	43.4	1.8	4%	N/A	Missed	39.1%	<a href="#">HOLD</a>
VHM	6,596	15.8	2,223	66,400	74.9%	2.4%	7.5	1.0	14%	-92.6%	Missed	4.9%	<a href="#">ADD</a>
VRE	1,855	7.9	459	29,600	42.7%	0.0%	10.6	1.2	12%	5.7%	In-line	-7.9%	<a href="#">ADD</a>
<b>Avg.</b>	<b>2,142</b>	<b>7.8</b>	<b>587</b>		<b>37.7%</b>	<b>0.8%</b>	<b>29.9</b>	<b>1.4</b>	<b>7%</b>	<b>-51.8%</b>		<b>27.0%</b>	
<b>TECHNOLOGY</b>													
FPT	7,688	31.4	251	136,800	3.8%	1.6%	28.8	7.3	27%	19.4%	In-line	14.8%	<a href="#">ADD</a>
<b>COVERAGE UNIVERSE'S SIMPLE AND MARKET CAP WEIGHTED AVERAGE</b>													
Simple		8.1	475		17.8%	2.0%	24.2	2.3	14%	208.7%		86.3%	
Weighted		11.5	1,179		22.3%	1.3%	18.7	2.6	17%	157.9%		70.7%	

# Vietnam 1H24 Macro Recap

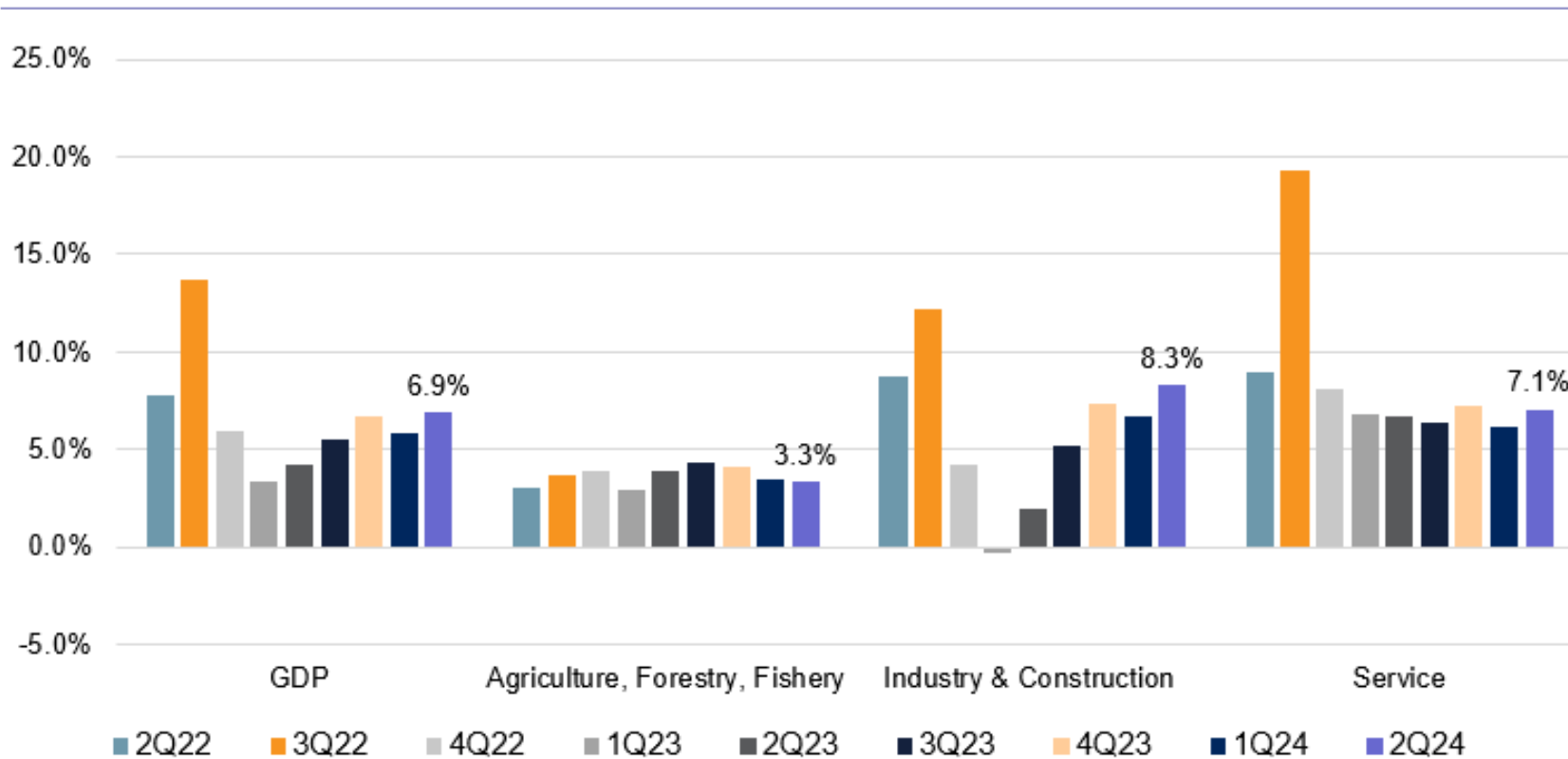
**Strong economic recovery was partly  
overshadowed by rising FX pressures**



## 1H24 growth beat expectations

Vietnam's GDP advanced 6.9% YoY in 2Q24 and to 6.4% YoY in 1H24, the second highest growth rate in the first six months of 2020-2024.

### Vietnam's economy accelerated more than expected in the second quarter

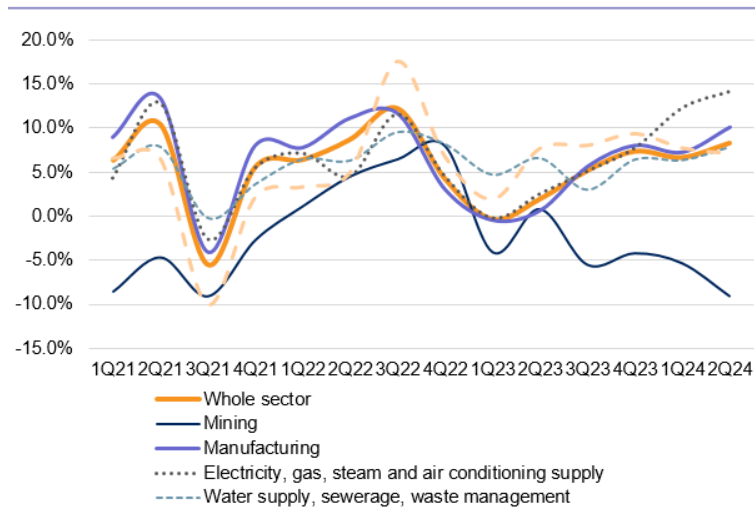


- Growth momentum improved significantly in 1H24 thanks to a strong recovery in new orders that helped boost exports (+14.5% YoY in 1H24) and manufacturing activities.
- GDP grew 6.9% YoY in 2Q24, accelerating from an upwardly revised 5.9% rise in 1Q24.
- The industrial & construction sector expanded 8.3% YoY (vs 6.7% in 1Q24); service sector increased 7.1% YoY (vs 6.2% in 1Q24); agriculture, forestry and fishery sector grew 3.3% YoY (vs 3.4% in 1Q24).
- For 1H24, Vietnam's economy grew 6.4% YoY, the second highest 1H growth rate during 2020-2024. Industrial & construction expanded 7.5% YoY in 1H24, followed by service (+6.6% YoY); agriculture, forestry and fishery sector (+3.4% YoY).

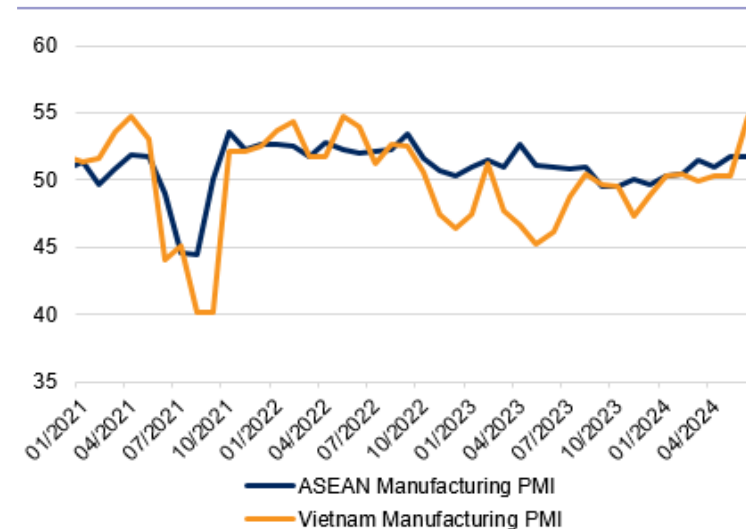
## The industrial and construction sector accelerated thanks to improved new orders

The industrial and construction resumed its position as the fastest growing sector in the first half of 2024.

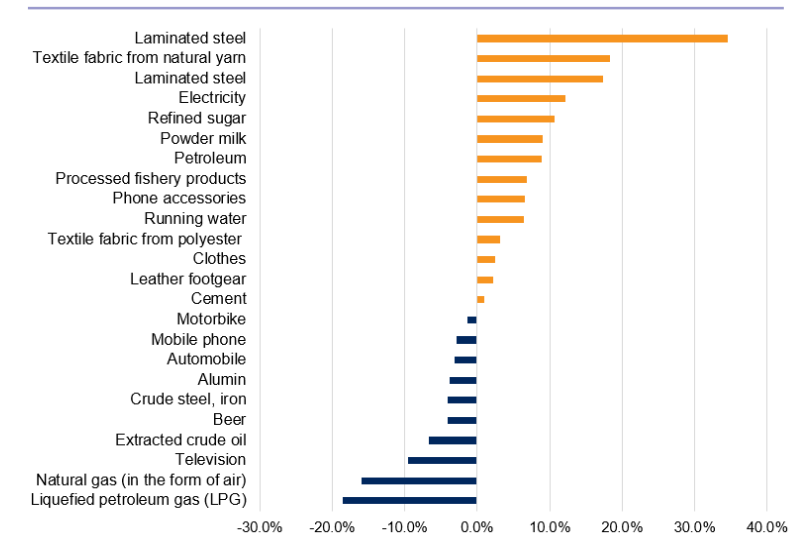
**This sector's growth improved strongly in 2Q24, driven by the manufacturing sub-sector**



**The S&P Global Vietnam Manufacturing PMI rose sharply to 54.7 in June 2024**



**Steel and T&G products were among the growth leaders in 1H24**

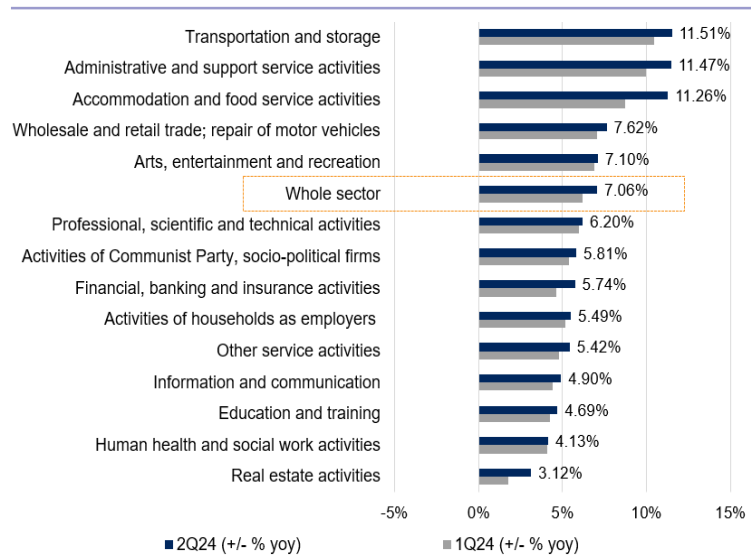


- The industrial and construction sector enjoyed strong growth rate of 8.3% YoY in 2Q24, up from 6.7% YoY in the previous quarter. For 1H24, it grew 7.5% YoY, marking its second highest 1H growth rate in the 2020-2024 period (only lower than the 7.7% growth rate of the first half of 2022).
- The electricity, gas, steam and air conditioning sub-sector (+14.1% YoY) had impressive growth thanks to a sharp increase in electricity consumption due to more robust production activities. The manufacturing sub-sector also expanded strongly with 10% YoY growth in 2Q24, driven by increased new orders.
- On the negative side, the mining sub-sector fell 9.1% YoY in 2Q24, the sharpest decline since 4Q21, due to a strong decrease in oil and gas exploitation output. The construction sub-sector grew 7.3% YoY in 2Q24, decelerating from 7.7% YoY growth in 1Q24 as public investment growth slowed.

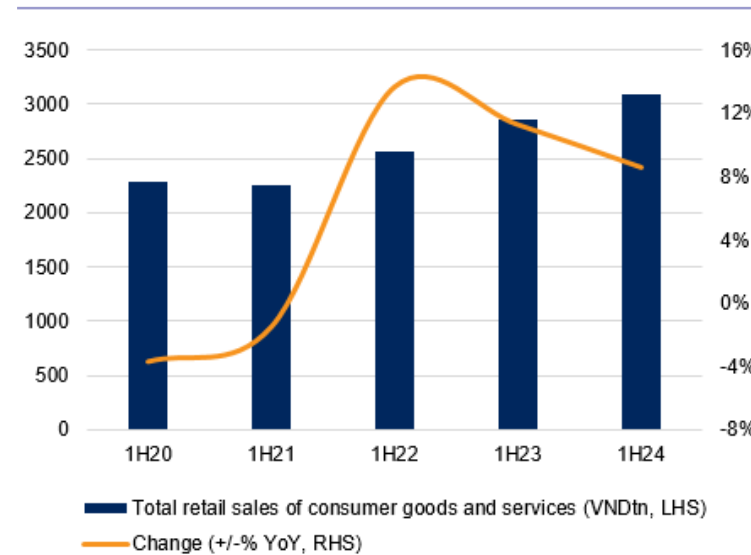
## Emerging positive signals for the service sector

The service sector increased steadily thanks to a strong increase in international visitors and supportive fiscal policies.

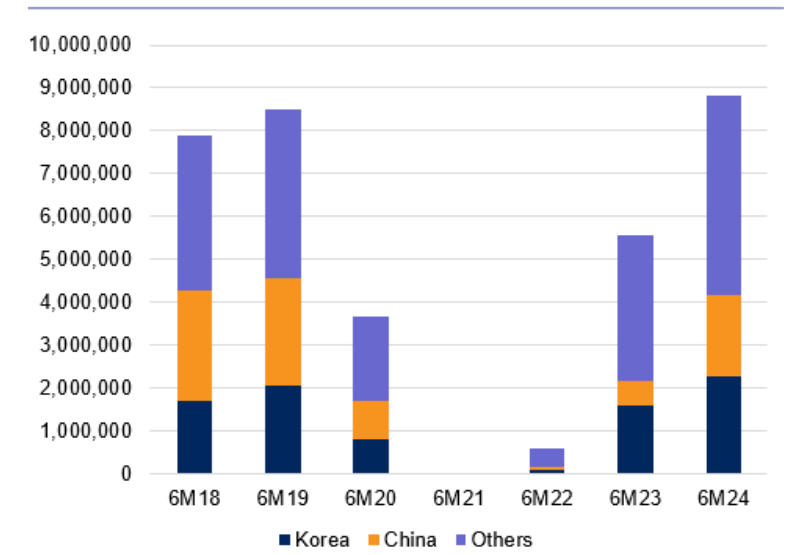
### Growth of most service sub-sectors improved in the second quarter of 2024



### Total retail sales of consumer goods and services grew steadily in 1H24



### International tourist arrivals have surpassed pre-pandemic levels

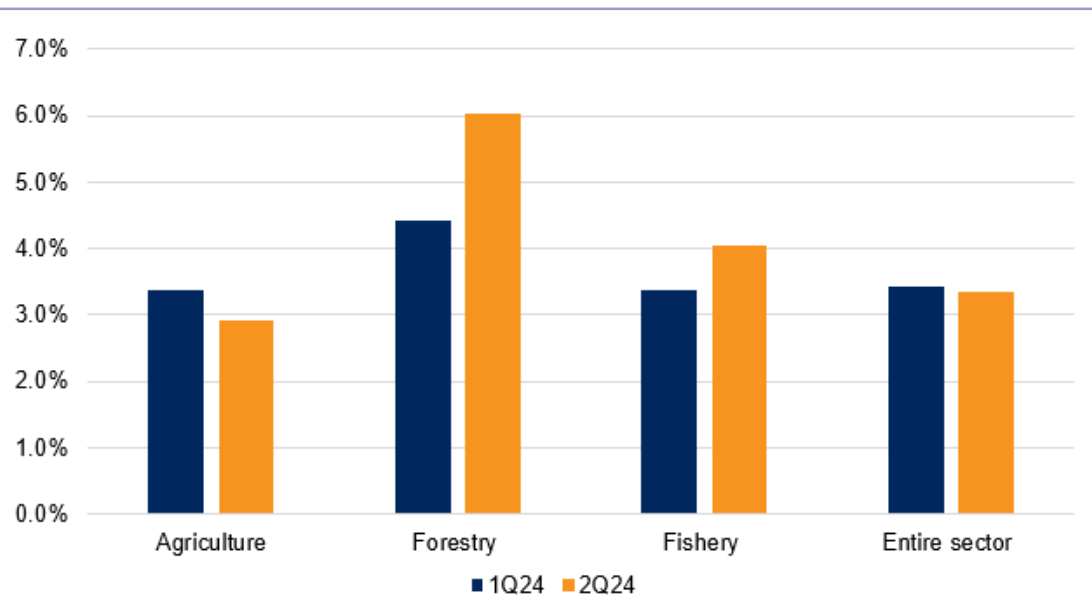


- After slowing in 1Q24, services sector growth accelerated to 7.1% YoY in 2Q24. Trade activities and tourism flourished, leading to strong growth in service sub-sectors such as transport and storage (+11.5% YoY); accommodation and food services (+11.3% YoY). In addition, wholesale and retail activities recorded decent growth of 7.6% YoY in 2Q24 (vs 7.0% in 1Q24) thanks to the improved labor market and the Government's fiscal stimulus policies such as a 2% VAT reduction. The real estate sub-sector recorded a notable improvement, increasing to 3.1% YoY growth in 2Q24 from a low of 1.8% YoY in the first quarter of this year.
- Although service sector growth improved, it was still lower than market expectations as domestic consumption recovered more slowly than expected. Gross retail sales of consumer goods and services at current prices rose by 8.6% YoY in 1H24. Excluding inflation, it only increased 5.7% YoY (vs +8.8% YoY in 1H23), significantly lower than the annual rates of 8-9% YoY before the pandemic.

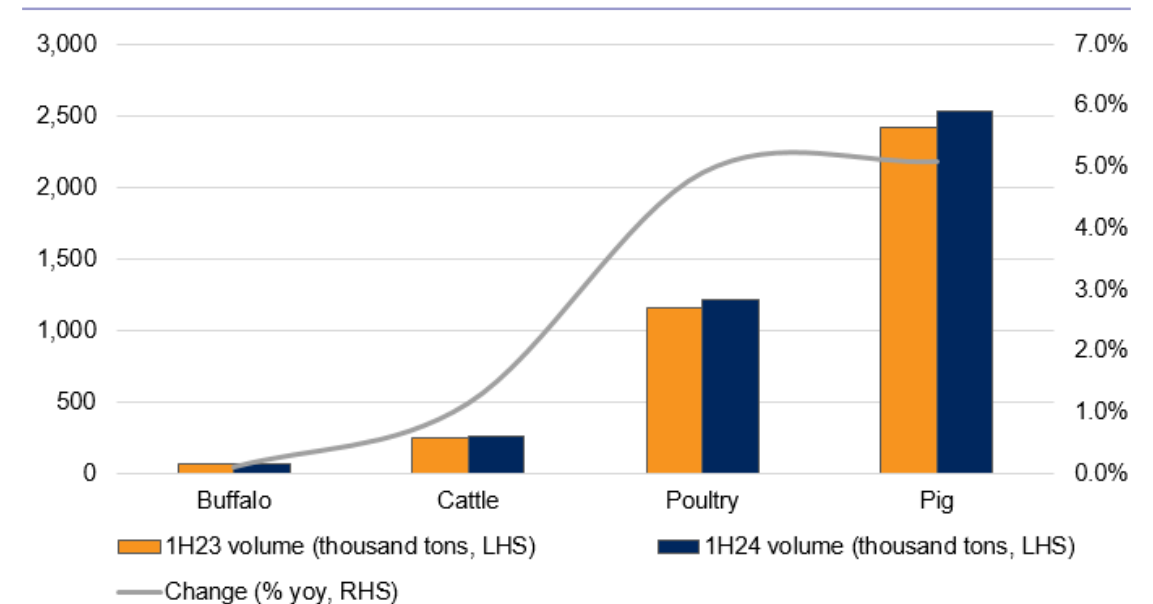
## The Agriculture, Forestry and Fishery grew steadily

The Agriculture, Forestry and Fishery sector increased 3.4% YoY in 1H24, consistent with the long-term growth trend of 3-4% per annum.

### The Agriculture, Forestry and Fishery sector maintained stable growth in 1H24



### Main products of livestock

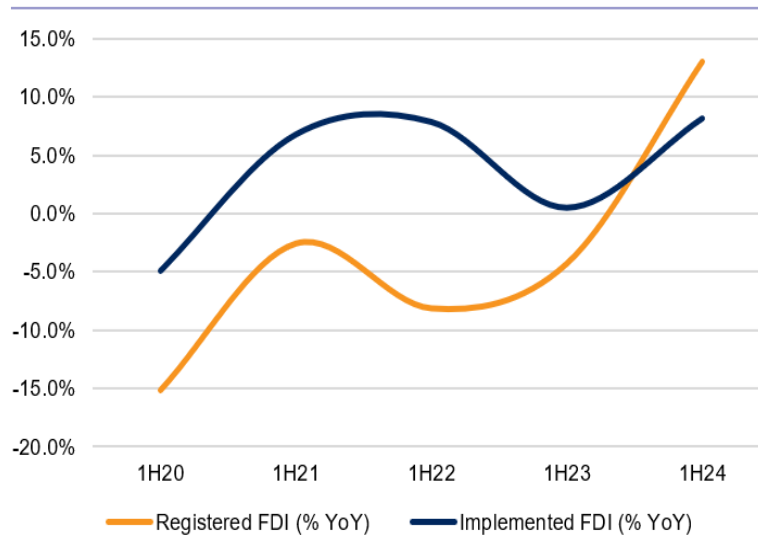


- The Agriculture, Forestry and Fishery sector grew steadily at 3.3% YoY in 2Q24 (vs 3.4% yoy in 1Q24). The Forestry sub-sector increased its growth rate to 6.0% YoY in 2Q24 from 4.4% YoY in 1Q24 thanks to increased logging output in the context of a sharp increase in wood exports. The Fishery sub-sector rose 4.1% YoY in 2Q24, a slight improvement from a 3.4% YoY expansion seen in 1Q24, thanks to improved aquaculture output and productivity. On the flip side, the Agriculture sub-sector decelerated to 2.9% YoY in 2Q24 from 3.4% YoY in 1Q24. In 1H24, the Agriculture, Forestry and Fisheries industry grew by 3.4% YoY, equivalent to the growth rate of the first half of 2023.
- According to main livestock products, the pig herd size expanded 2.9% YoY in 1H24 due to the trend of shifting livestock farming from family to semi-industrial and the sharp rise in pork prices, while poultry herd size increased 2.3% YoY. On the flip side, the size of the buffalo and cow herds decreased slightly.

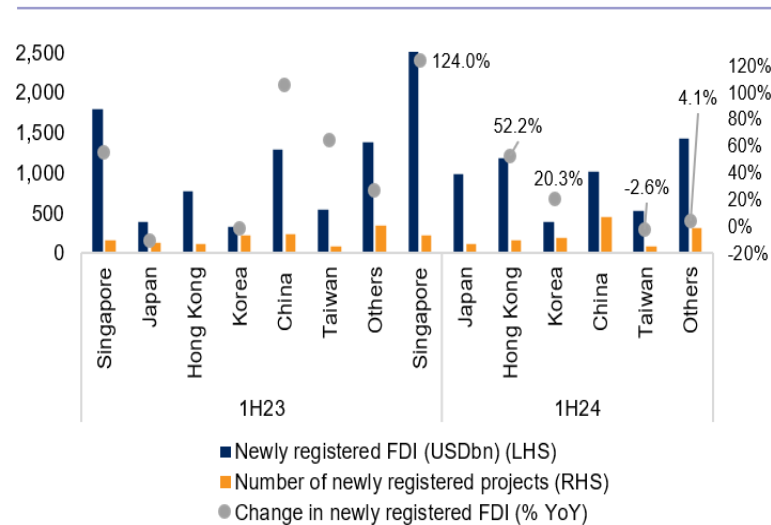
## Foreign direct investment: A crucial engine for growth

Vietnam recorded impressive growth in foreign direct investment in 1H24.

**Registered FDI rose 13.1% in 1H24 after several years of declines, while implemented FDI gained 8.2% in 1H24**



**Singapore came first regarding newly registered FDI while China leads newly project count in Vietnam**



**List of key FDI projects in 1H24**

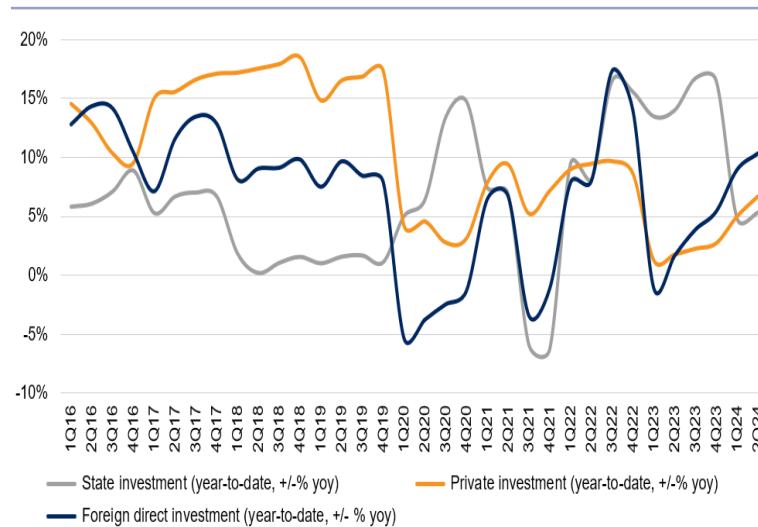
FDI projects	Sector	Registered capital (USDbn)	Province
Hyosung implemented the BDO biofiber factory project (full name: Butanediol) in Phu My 2 Industrial Park.	Manufacturing	0.7	Ba Ria- Vung Tau
Singapore's CapitaLand invested in a high-end apartment project called Lumi Hanoi	Real estate	0.7	Hanoi
Trina Solar invested in the 3 <sup>rd</sup> project to produce monocrystalline silicon panels and solar batteries in Yen Binh Industrial Park	Manufacturing	0.5	Thai Nguyen
Foxconn Singapore PTE LTD invested in the FCPV project in Bac Ninh, specializing in manufacturing, assembling and processing printed circuit boards	Manufacturing	0.4	Bac Ninh
Gokin Solar Co. (Hong Kong) invested in solar panel project at Texhong Hai Ha Industrial Park	Manufacturing	0.3	Quang Ninh
Pandora to construct its third jewelry crafting factory worldwide in Southern Vietnam	Manufacturing	0.2	Binh Duong
Radiant Opto-Electronics Corporation invested in building Radiant Opto-Electronics Vietnam Factory in VSIP Nghe An	Manufacturing	0.1	Nghe An

- Registered FDI rose 13.1% YoY to USD15.2bn while implemented FDI increased 8.2% YoY to USD10.8bn in 1H24. We welcomed global manufacturing giants such as Foxconn, Hyosung or Pandora to invest in Vietnam. Newly licensed projects increased 18.9% YoY to reach 1,538 projects with registered capital of USD9.5bn (+46.9% YoY); 592 previously licensed projects were approved to receive more investment capital (-6.3% YoY) with incremental FDI totaling USD3.9bn (+35.0% YoY); and 1,420 (-10.9% YoY) capital contributions and share purchases of foreign investors were recorded, valued at USD1.7bn (-57.7% YoY).
- Singapore led Vietnam's newly registered FDI in 1H24 (USD4.0bn, +124% YoY). Newly registered FDI capital from Korea also increased significantly by 20.3% YoY to USD0.4bn yet projects the number of projects declined to 189 projects (-15.2% YoY). On the flip side, newly registered FDI capital from China declined 21.1% YoY to USD1.0bn despite the number of projects increasing sharply by 91.8% YoY to 447 projects. However, FDI from Hong Kong increased 52% YoY to USD1.2bn in 1H24
- While foreign indirect investment (FII) declined remarkably in 1H24 due to foreign exchange volatility, strong FDI during the first half of 2024 indicates Vietnam's attractiveness to long-term investors. This surge in FDI is poised to be a key driver of economic growth throughout the year.

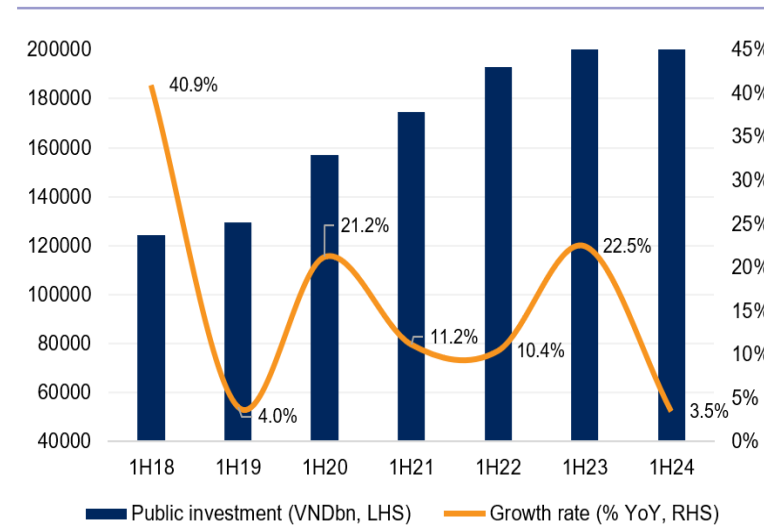
## Public and Private investment: Driven by external forces

Public investment matched our expectation to slow from a high base in 2023, while private investment showed signs of recovery in 1H24.

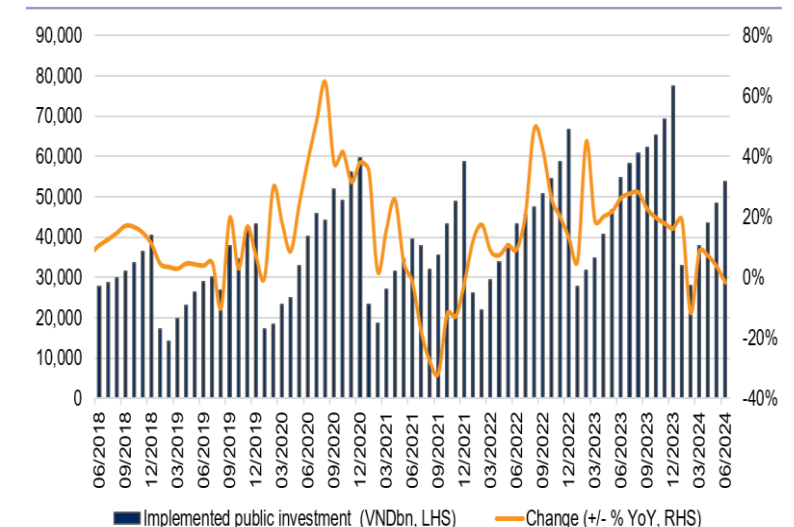
**FDI became a driving force for growth, while Private investment began to recover**



**Implemented state capital decelerated growth in 1H24 due to high base....**



**...yet it is still crucial in unlocking economic infrastructure development**

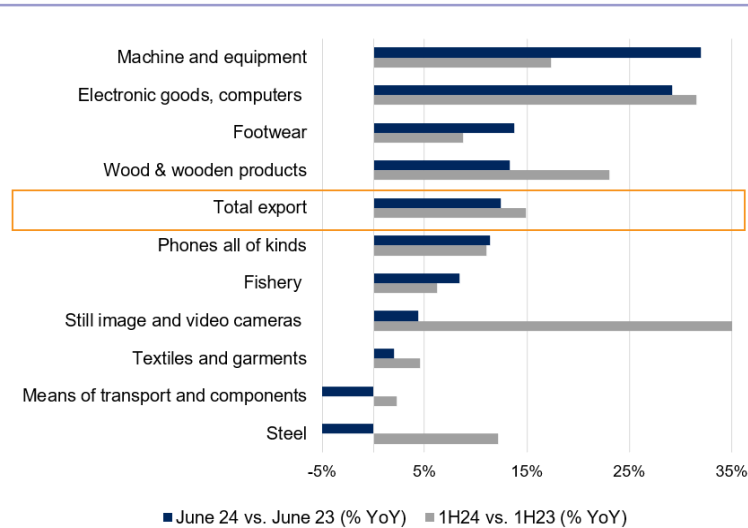


- Private investment capital edged up slightly by 7.9% YoY ending 2Q, a marginal increase compared to the 5.0% in 1Q. 1H24 private investment capital rose 6.7% YoY. While this is higher than the 1.8% growth in 1H23, it remained remarkably lower than the pre-pandemic levels of about 15-16% per annum.
- For 1H24, implemented state capital ticked up by 3.5% to VND244.4tn (USD9.5bn), much lower than the high base of 22.4% in 1H23, equal to 33.8% of the year's plan. We anticipate a moderation in public investment growth in 2024 compared to high levels seen in 2023. However, public investment remains a crucial catalyst for mobilizing other social resources and fostering the development of the country's economic infrastructure.

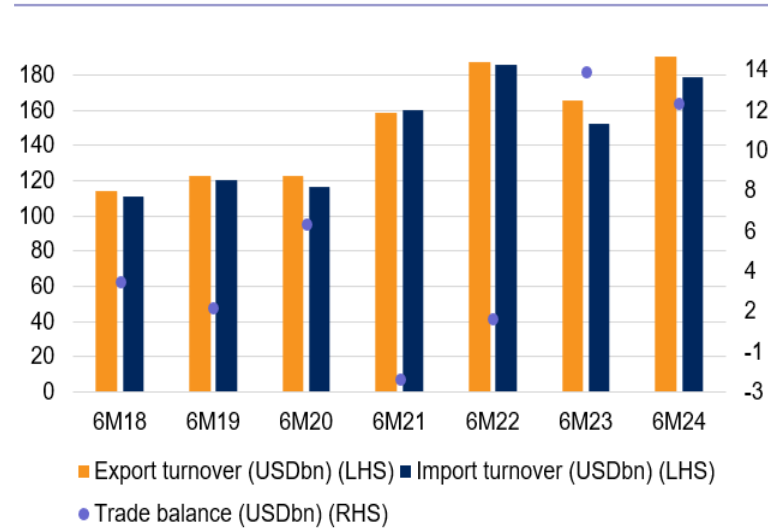
## Trade: Gathering growth momentum

Vietnam's import and export activities increased significantly in 1H24 thanks to the recovery of global trade.

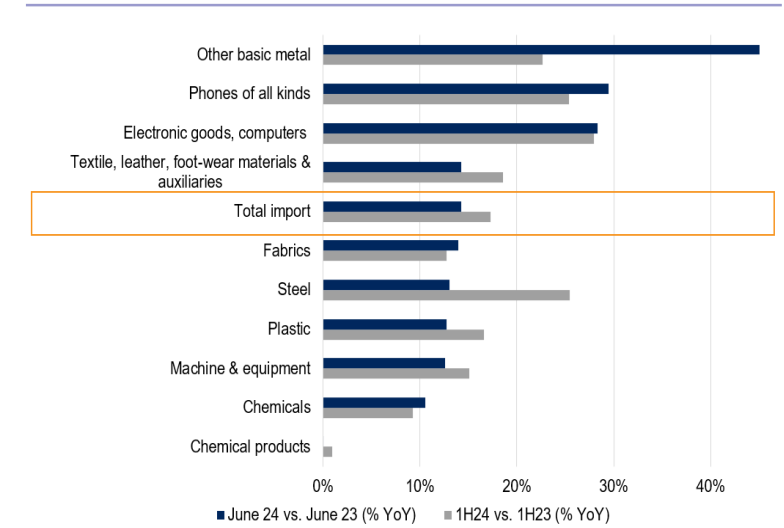
**Vietnam's export turnover rose 14.9% YoY to USD190.7bn in 1H24**



**Vietnam had a trade surplus of USD11.8tn in 1H24**



**1H24 import turnover extended growth to reach USD178.9bn in 1H24 (+17.3% YoY)**



- Vietnam export turnover rose 12.4% YoY in June to USD33.7bn (vs 13.9% in May) rose 14.9% YoY in 1H24 to USD190.7bn. Product groups with billion-dollar export turnover in 1H24 included Computers, electrical products, spare-parts and components (USD33.7bn, +31.2% YoY); telephones, mobile phones and parts (USD27.1bn, +11.0% YoY); and machine, equipment, tools (USD23.2bn, +17.3% YoY). On the flip side, import turnover increased 14.3% YoY to USD30.5bn in June (vs 25.7% in May) and USD178.9bn in 1H24 (+17.3% YoY), mostly driven by a recovery of import demand for intermediate products, capital goods and raw materials to meet rising new orders. As such, Vietnam recorded a USD11.8bn trade surplus in 1H24.
- We have increased our forecast for export growth to 10-12% YoY in 2024, driven by US tariffs imposed on China, which are expected to divert trade towards Southeast Asian nations, including Vietnam, and due to the outlook for global trade and growth, which has turned more positive than our view at the beginning of the year.

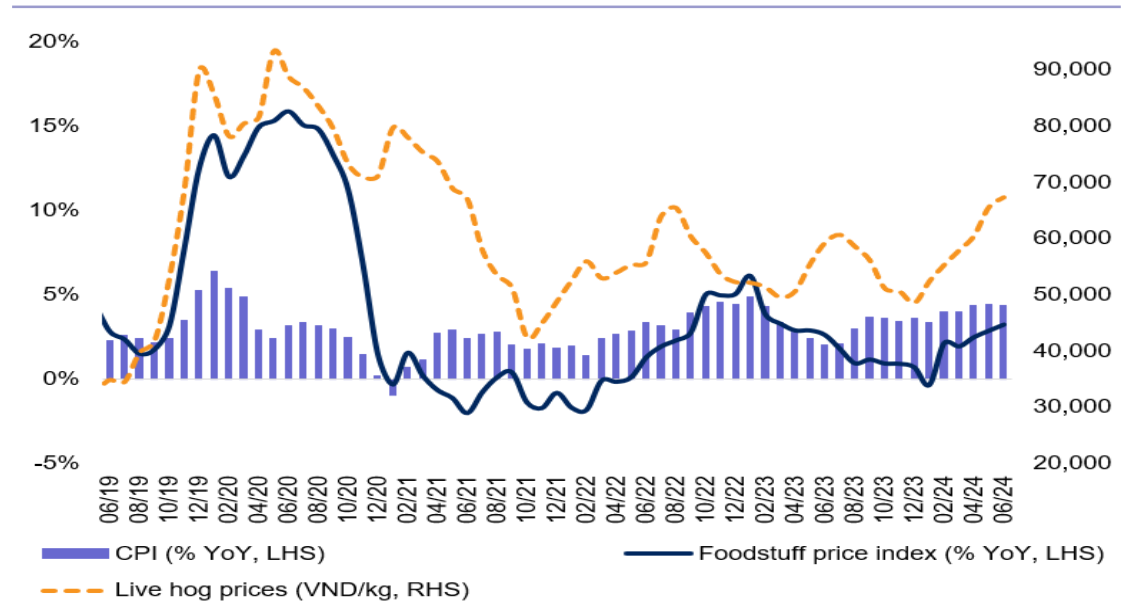
## Inflation: Emerging inflation pressures

Inflation remained stubbornly elevated in 1H24.

**In June, headline CPI increased 4.34% YoY, core CPI rose 2.61% YoY**

	Weight (%)	MoM	YTD	YoY
<b>Headline CPI</b>	<b>100%</b>	<b>0.17%</b>	<b>1.40%</b>	<b>4.34%</b>
Food & Foodstuff	33.56%	0.75%	2.18%	4.66%
Food	3.67%	0.05%	2.22%	14.78%
Foodstuff	21.28%	1.07%	2.18%	3.23%
Eating outside	8.61%	0.26%	2.16%	4.09%
Beverage & Tobacco	2.73%	0.17%	1.52%	2.63%
Garment. hats. footwear	5.70%	-0.11%	0.34%	1.48%
Accommodation & construction materials	18.82%	0.35%	2.25%	5.60%
Household appliances	6.74%	0.09%	0.72%	1.23%
Healthcare. pharmaceutical items	5.39%	0.60%	2.62%	8.04%
Transport	9.67%	-2.27%	1.32%	3.03%
Postal services and Telecommunication	3.14%	0.02%	-0.47%	-1.18%
Educational items	6.17%	-0.01%	-3.99%	8.01%
Cultural and Recreation items	4.55%	0.68%	1.80%	2.35%
Other goods & services	3.53%	0.05%	1.77%	5.97%
<b>Core CPI</b>	<b>100%</b>	<b>0.18%</b>	<b>-</b>	<b>2.61%</b>

**Lean hog prices soared 28.5% YTD further fueled inflationary pressures**

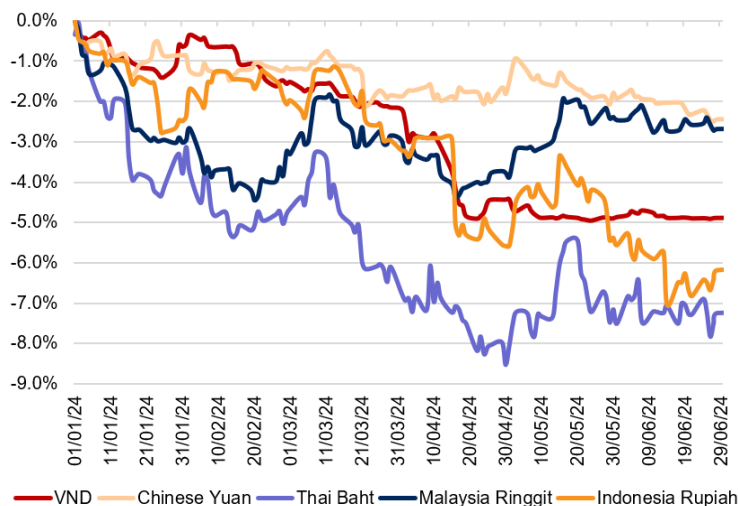


- CPI increased 0.17% MoM in June (vs +0.05% in May), driven mainly by lean hog prices and medical service fees in some provinces. On the positive side, the transport sub-index (-2.27%) helped ease headline inflation by 0.22% pts, thanks to the 5.86% MoM decrease in gasoline prices.
- On a yearly basis, CPI climbed 4.34% in June (vs +4.44% YoY in May). Overall, although the increase in MoM CPI in recent months has been moderate, the low base of circa -0.02% from April-June 2023 has magnified the YoY increase, resulting in 1H24 average CPI of 4.08%, being on the cusp of the government's 4.5% target.

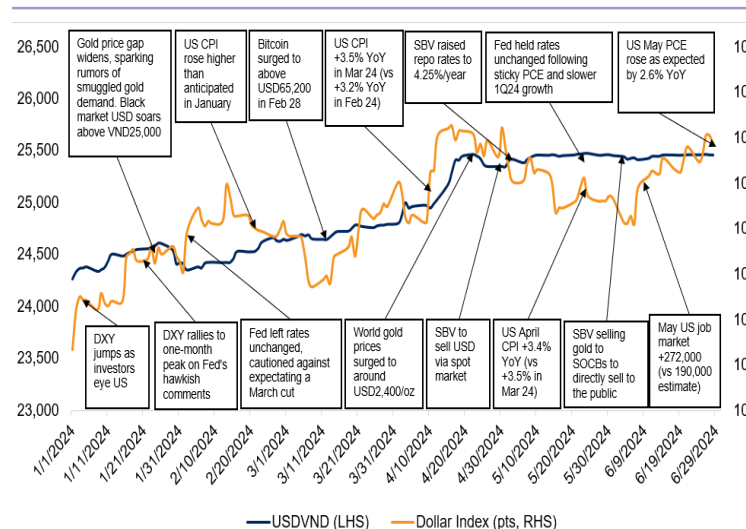
## High exchange rate pressure was notable in 1H24

The VND has languished alongside continued strength in USD in 1H24 but stabilized in May and June.

The USD appreciated against regional currencies since the beginning of the year (data as of June 28, 2024)



USD/VND rate increased 4.9% YTD (data as of June 28, 2024)



SJC gold bid price, SJC gold ask price

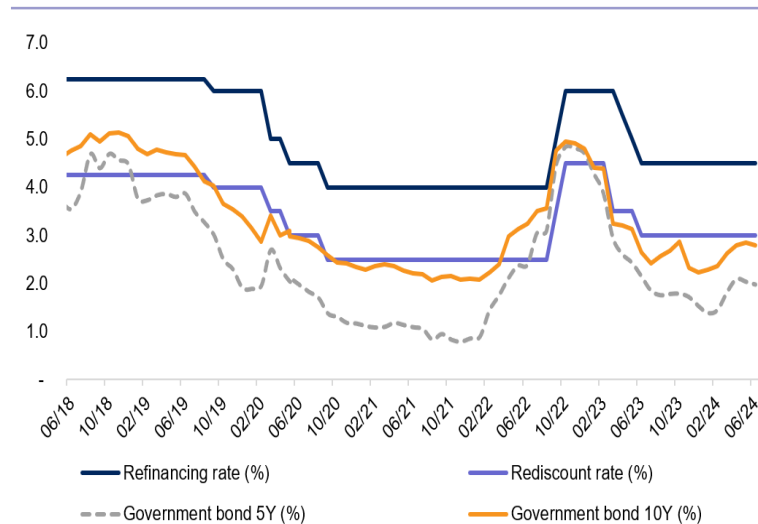


- The US dollar DXY vaulted 4.5% in 1H24, buoyed by robust US job market and inflation readings indicating that US interest rates are likely to remain higher for longer. A strong USD has stimulated capital outflows from emerging and frontier markets, putting more pressure on the exchange rates of Vietnam's regional peers, including Chinese Yuan (-2.4% YTD), Indonesian Rupiah (-6.2% YTD), Malaysian Ringgit (-2.7% YTD) and Thai Baht (-7.3% YTD).
- Concerns over currency weakness led to surging gold prices to VND92mn/tael, with the gap to international gold prices at times exceeding VND20mn/tael and causing increasing USD demand for smuggled gold transactions. This led the SBV to first organize gold bar auctions and then supply gold to state-owned commercial banks to sell directly to the public. Following this, the SJC gold price dropped sharply, and the gold price gap narrowed to less than VND5.0mn/tael at end-1H24.
- Although the SBV has sold ~USD6.0bn to support exchange rate stability, it put direct pressure on Vietnam's foreign exchange reserves, which are currently near the IMF's recommended minimum threshold of three months of import cover.

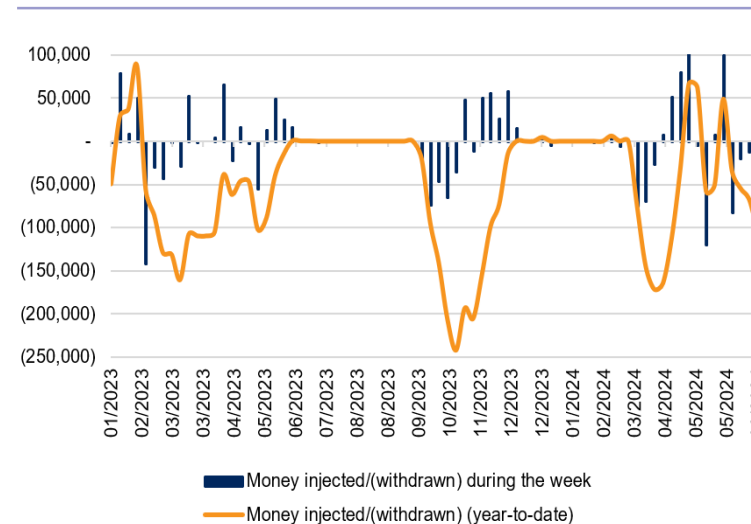
## Monetary policy on hold: Steady policy rates to bolster growth....

The SBV overcame challenges to both support the economic recovery and maintain macroeconomic stability.

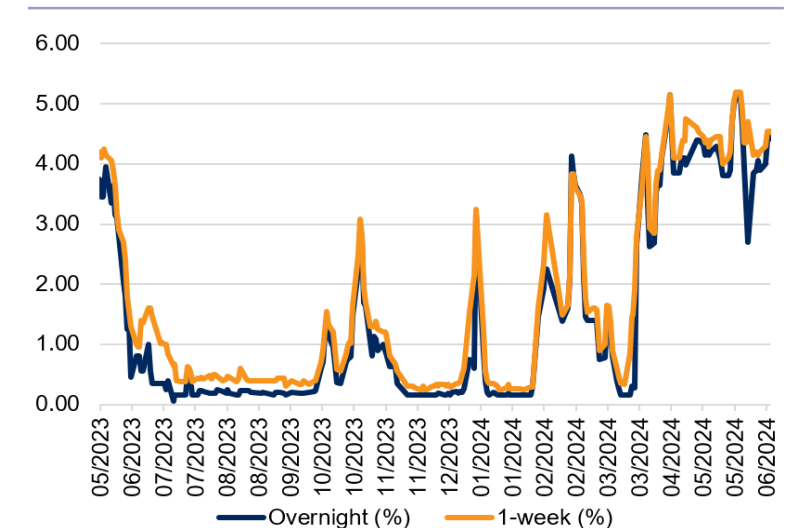
### Most policy interest rates were held unchanged in 1H24



### As of 1H24, the SBV has withdrawn VND101.4tn via OMO activities



### Interbank interest rates (ON-1W) plateaued at a high level in 1H24 compared to 1H23



- Since lowering key policy rates four times in 1H23, the SBV has kept the refinancing and discount interest rates steady at 4.5% and 3.0% p.a, respectively, as of 1H24 with the aim of encouraging business activities via easing credit conditions.
- However, exchange rate pressure emerged, especially in the second quarter, causing significant challenges for the SBV in both stabilizing the exchange rate and maintaining accommodative monetary policy to support the economy. As of June 28, the SBV has raised OMO rate (OMO) to 4.5% from 4.0% at the beginning of 2024, winning T-bill rate to 4.5%/year from 3.9% earlier, coupled with withdrawing VND101.4tn as of 1H24 to keep interbank interest rates at a reasonable enough level to both shore up the VND by narrowing the interest rate gap between USD and VND and support economic recovery without having to increase key policy rates such as refinancing rates or rediscount rates.

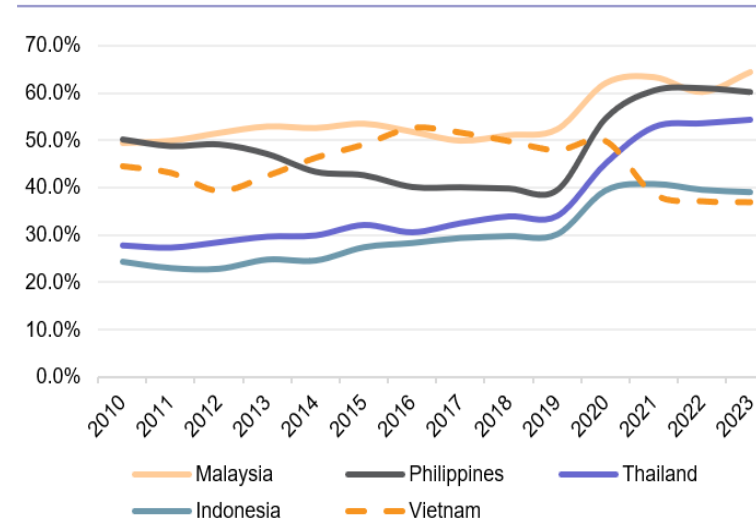
## Vietnam fiscal position continued to consolidate in 1H24

Vietnam has room to further expand fiscal policy to support economic growth. Nearing investment grade status.

### Breakdown of 1H24 state budget (Current expenditures exclude salary reform expenditures)

Unit: VNDtn	1H24	% of annual plan	% YoY
<b>Budget revenue</b>	<b>1020.6</b>	<b>60.0%</b>	<b>15.7%</b>
Domestic revenue	857	59.3%	18.1%
Revenue from crude oil	29.7	64.5%	-4.8%
Revenue from export-import	133.9	65.6%	6.9%
<b>Budget expenditures</b>	<b>803.6</b>	<b>37.9%</b>	<b>-0.1%</b>
Current expenditures	551	43.7%	2.5%
Investment & Development	196.7	29.0%	-8.8%
Debt & Interest repayments	55.5	49.7%	8.4%
<b>Budget balance</b>	<b>217</b>		

### Vietnam government debt/GDP was on a downward trend compared to peers



### Vietnam credit ratings by agency

Agency	Long-Term Foreign-Currency Issuer Default Rating (IDR)	Prior ratings	Change	Outlook
S&P Global Ratings	BB+	BB	▲	Stable
Fitch group	BB+	BB+	▬	Stable
Moody's	Ba2	Ba3	▲	Stable

- Vietnam's fiscal position continued to strengthen in 1H24. Buoyed by economic recovery, state budget revenue rose 15.7% YoY to VND1,021tn (USD40.1bn), reaching 60% of the annual target. Budget expenditure decreased marginally by 0.1% YoY due to slower public investment disbursement. This resulted in a robust budget surplus of VND216.4tn (USD8.5bn), tripling YoY, thus creating ample fiscal space to further support economic growth initiatives.
- In addition, Vietnam boasts a healthy macro profile with public debt burdens below emerging market averages. While Vietnam's government debt/GDP ratio was trending downward and sat at 37% in 2023, those of Malaysia, Philippines, Thailand, Indonesia were 64.3%; 60.1%; 54.3% and 39%, respectively. This fiscal prudence has garnered Fitch's affirmation of Vietnam's 'BB+' Long-Term Foreign-Currency IDR – one notch below investment grade - with a Stable Outlook.

# 2H24 Macro Outlook

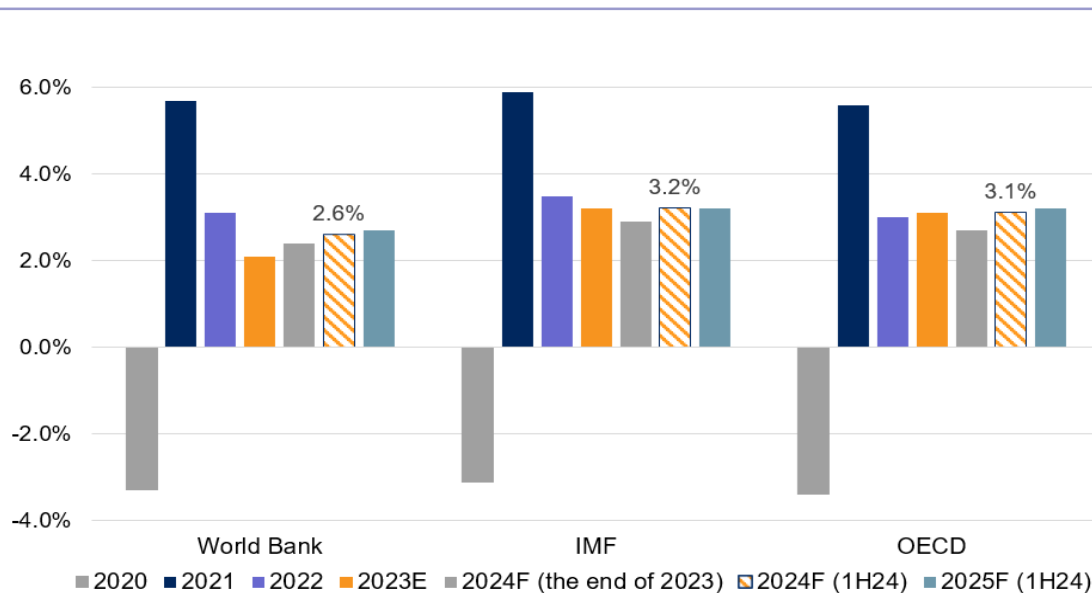
**Balance between growth and  
macroeconomic stability**



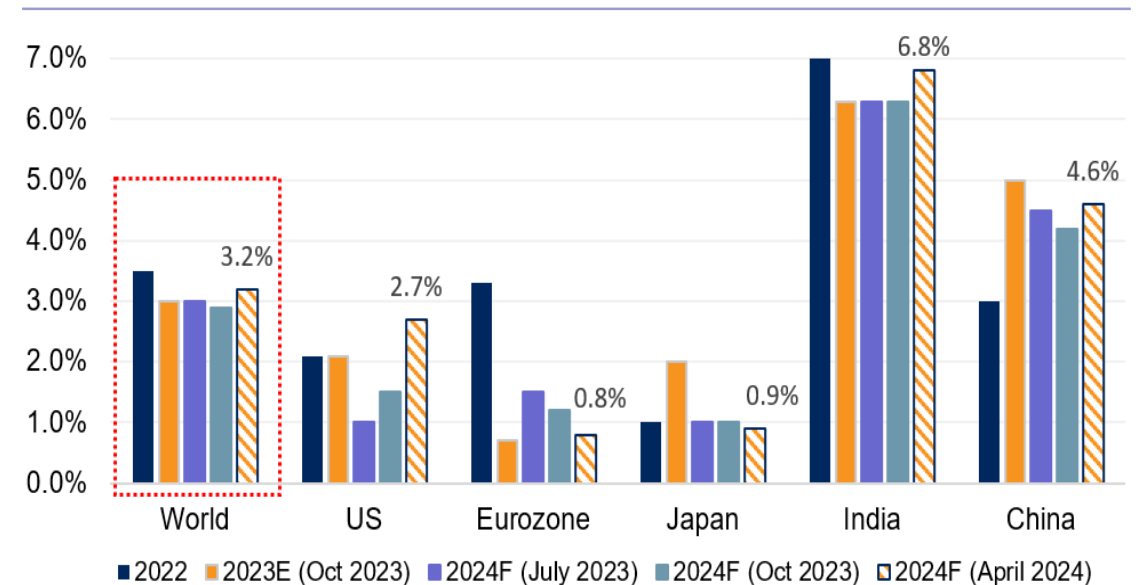
## 2H24 Global economic growth: A brighter future lies ahead

Against the odds, the global economy is de facto expanding. Hence, the WB, IMF, and OECD all presented a shared outlook, projecting global economic expansion in 2024, yet the forecasts underpin a trend of divergence across regions.

### Global economy is forecasted to grow at a faster momentum in the 2H24 (Unit: %)



### YoY growth is projected to accelerate in most regions in 2024 (Unit: %)

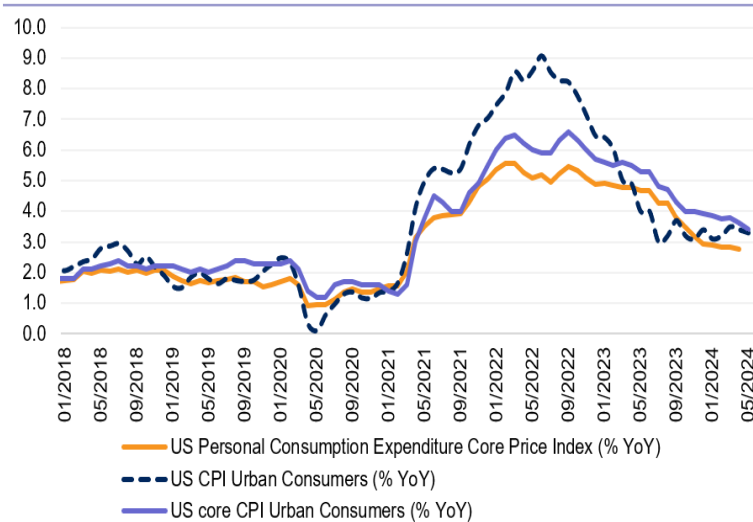


- Global activity has demonstrated surprising resilience in 1H24 amidst tightening credit conditions and geo-economic fragmentation. As such, major institutions converged on a more optimistic forecast via upwardly revising their outlook, with WB: 2.6% YoY (+0.2% pts vs earlier forecast); IMF: +3.2% YoY (+0.3% pts); and OECD: +3.1% (+0.4% pts). This newfound optimism is driven by two main catalysts: 1) Easing credit condition thanks to receding inflation to stimulate domestic demand; and 2) Continued US solid growth to act as a rising tide that lifts all boats. Downside risks from elevated geopolitical tensions, which disrupt trade, elevate inflation, and the longer-term effects of higher interest rates remain notable risks.
- By regions, US, India, and China's prospects were revised upward thanks to 1) US's recent resilient labor market and inflation data; 2) India's growing working-age population; and 3) China's robust 7.6% YoY export growth in May. On the flipside, Eurozone and Japan faced downward adjustments due to 1) Eurozone's high exposure to the Ukraine war and subdued trade activity; and 2) Japan's weak domestic demand, slowing exports and BOJ's cautious monetary stance in the face of rapidly depreciating JPY.

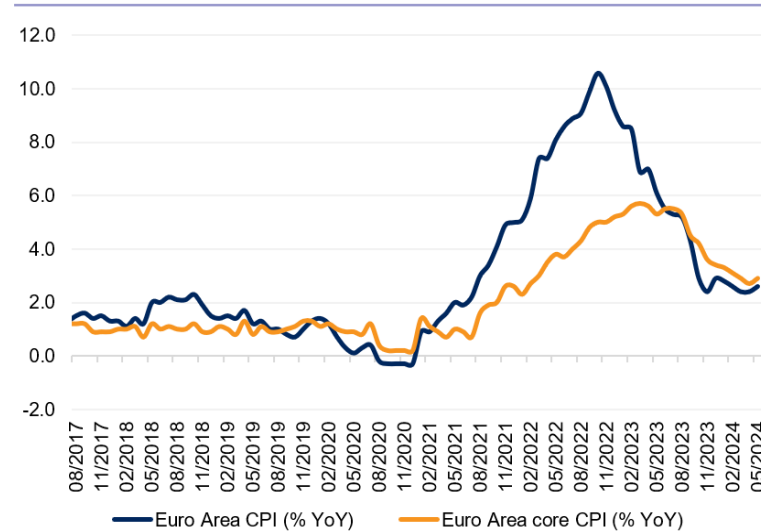
## US and Eurozone recorded different paces of declining inflation

Aggressive monetary tightening in 2023 by major central banks helped curb inflationary pressures. However, disinflationary trajectory is becoming uneven, with the Eurozone exhibiting a more profound inflation wane than the US.

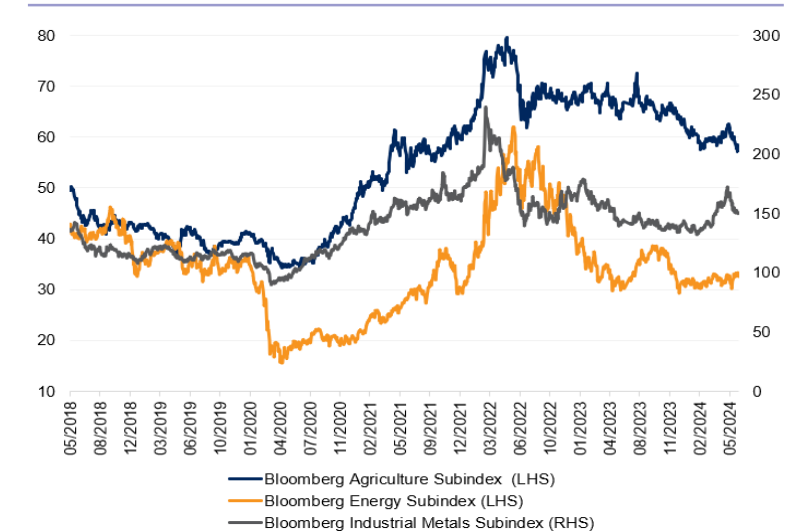
**While US CPI witnessed a more bumpy disinflationary path...**



**...Eurozone CPI continued to edge lower to reach the 2% target**



**Plateauing energy and raw material prices help prevent inflation spikes**

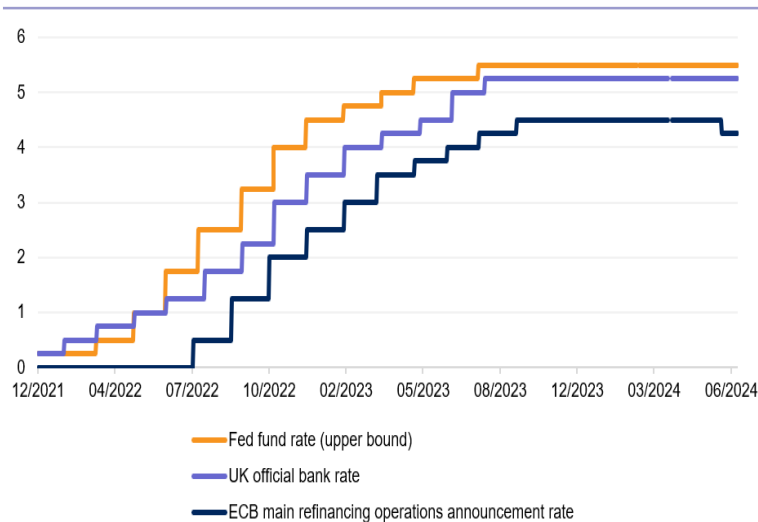


- While inflation is declining in both the US and Eurozone, the pace of decrease is slower in the US. US headline CPI remained unchanged from April (vs 0.1% forecast) and rising 3.3% YoY (vs 3.4% forecast). May core CPI +0.2% (vs 0.3% forecast) and +3.4% YoY (vs 3.5% forecast), and May PCE came in as expected at 2.6% YoY. On the other hand, the stall in Euro area inflation was more remarkable, with inflation reaching 2.6% YoY in May, mainly buoyed by the 1.8% pts contribution of services prices. Accordingly, officials forecasted Eurozone inflation to fall to 2% in mid-2025, while the Fed as of June viewed that there has been modest further progress towards the 2% target the past few months.
- Initially, falling energy prices and easing supply chain pressures drove disinflation. However, the stickiness in services prices, coupled with slower decline in core inflation suggest a slower decreasing pace. Overall, we expect inflation in developed economies to continue declining, thanks to the continuing effects of a still-high interest rate environment and slowing wage increases, though the decelerating pace may be slow.

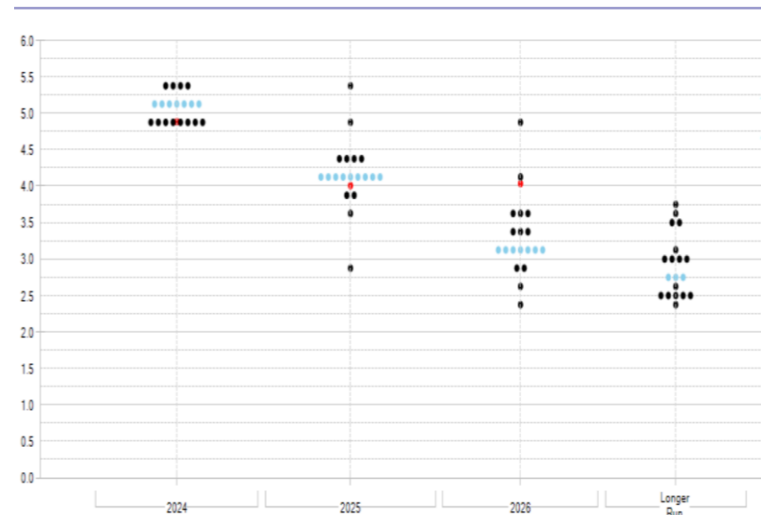
## All eyes on the Fed as the high tide for global interest rates has passed in other major central banks

June marked a turning point for global monetary policy, with the BoC and ECB taking a dovish turn, each lowering key interest rates by 25bps. This move revealed a start of central bank divergences.

**While FED and BOE kept rates unchanged, ECB kickstarted the first 25bps rate cut in June (unit: %)**



**Fed's latest dot plot in the June meeting indicated that 15/19 officials still see a rate cut in 2024**



**September cut bet currently sit at 73% (CME FedWatch tool) (data as of July 4)**

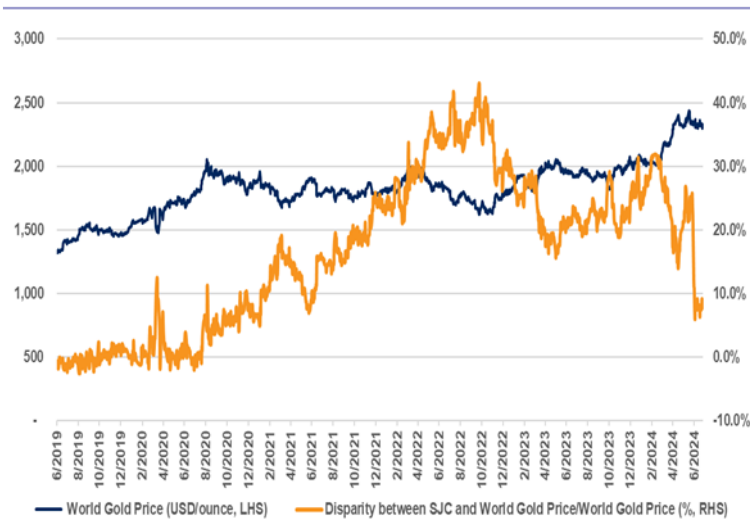
CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES									
MEETING DATE	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
7/31/2024				0.0%	0.0%	0.0%	0.0%	8.8%	91.2%
9/18/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.1%	66.5%	27.4%
11/7/2024	0.0%	0.0%	0.0%	0.0%	0.0%	2.3%	28.7%	51.9%	17.1%
12/18/2024	0.0%	0.0%	0.0%	0.0%	1.7%	21.4%	45.4%	26.8%	4.8%
1/29/2025	0.0%	0.0%	0.0%	0.9%	12.6%	34.7%	35.1%	14.6%	2.1%
3/19/2025	0.0%	0.0%	0.6%	8.3%	26.7%	35.0%	22.0%	6.7%	0.8%
4/30/2025	0.0%	0.2%	3.8%	15.9%	30.1%	29.6%	15.7%	4.2%	0.5%
6/18/2025	0.1%	2.4%	11.1%	24.5%	29.8%	21.2%	8.7%	1.9%	0.2%
7/30/2025	1.0%	5.6%	16.0%	26.4%	26.7%	16.6%	6.3%	1.3%	0.1%

- Globally, we believe the aggressive tightening cycle appears to be nearing its conclusion, evidenced by the 80 rate cuts seen in global central banks, including ECB, SNB, and BOC (compared to 16 rate hikes YTD). To recall, 2023 witnessed a relentless tightening of the monetary pure strings with a staggering 161 rate hikes compared to only 84 cuts. This trend towards a more accommodative policy is expected to become more prominent starting in 2H24, thus easing credit conditions and fostering global investment activity.
- Compared to other major central banks, the Fed has been more circumspect so as not to grapple with the repercussions of a potential bottoming out seen in inflation. As of its June meeting, while keeping rates unchanged at the 23-year high of 5.25-5.50%, the Fed officials scaled back to just one rate cut this year and four cuts in 2025 (compared to three cuts expectations in both 2024 and 2025 during the March meeting). This hawkish stance for 2024 seems to be temporary as the Fed's median projection suggests a policy rate of 4.1% by the end of next year, implying four additional 25bps cuts in 2025, suggesting a more aggressive easing path in the coming year.

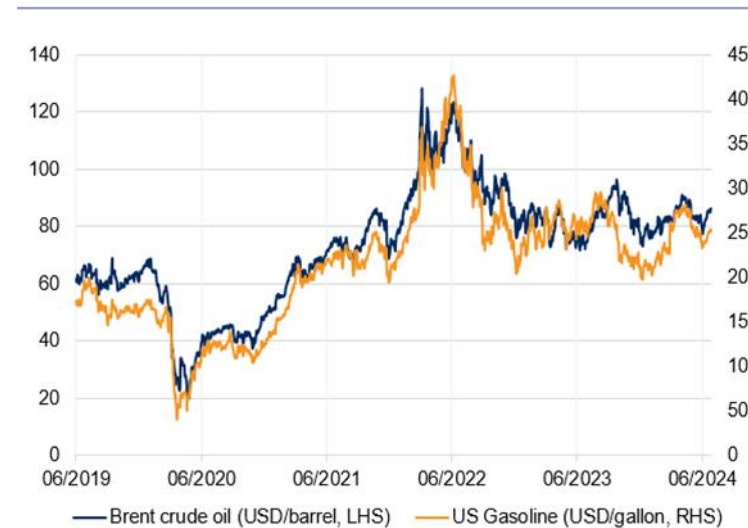
## Commodity markets to rise with caution in 2H24

Upheavals, both in economic and social terms, could make commodity prices more difficult to predict in 2H24.

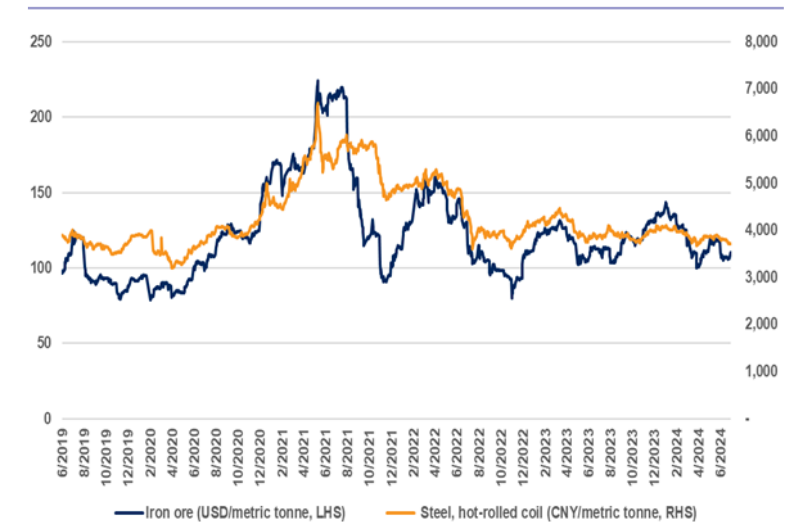
**The global gold price has remained elevated above US\$2,300/oz since its increase in early March 2024**



**The oil price is on the way to return to its April peak**



**Iron ore, after a sharp decline from January, traded below US\$110/metric tonne for most of June**

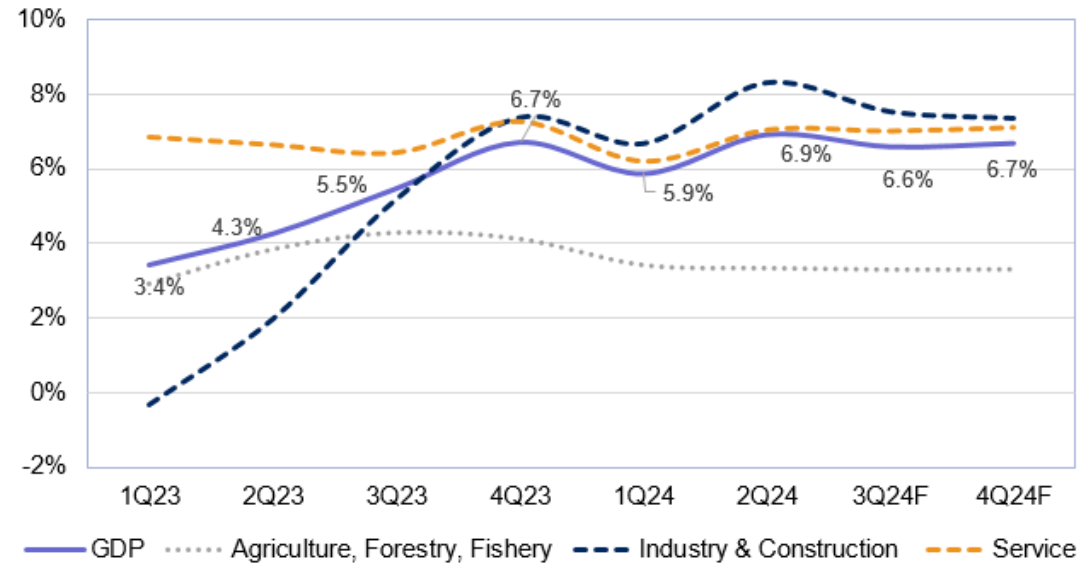


- The possibility of geopolitical tensions continuing to escalate, rising mining costs, and Fed lowering interest rates this year will be factors that maintain high gold price. According to Wells Fargo, by the end of this year, gold price is expected to trade in the range of US\$2,300 to US\$2,400/oz.
- Based on EIA's prediction, Brent crude oil price will average \$86.64/barrel in 4Q24. This price, although lower than the peak in April, is still significantly higher than at the start of the year. Momentum for oil price comes from OPEC+ continuing voluntary production cuts through 3Q24 and possibly extending into next year. Downside risks, however, are weak U.S fuel demand and the uncertainty of China's economic outlook.
- Main drivers for iron ore price for the rest of the year are the export volume from Australia—the biggest exporter, as well as the housing market situation in China- the world's leading importer. According to ING, the iron ore price could reach US\$110/metric tonne again in 4Q24.

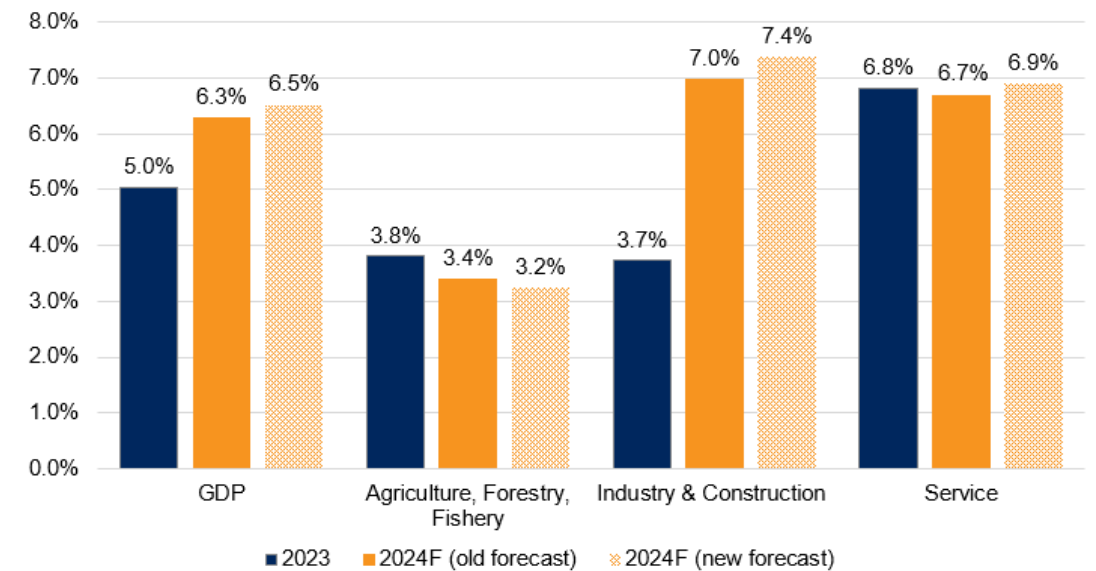
## Vietnam's economy on track for robust recovery

We raise Vietnam's GDP growth forecast for 2024 to 6.5% YoY, up from the forecast of 6.3% at the beginning of 2024.

Vietnam will maintain positive growth momentum in 2H24...



...thanks to strong manufacturing activities and continued improvement in domestic demand

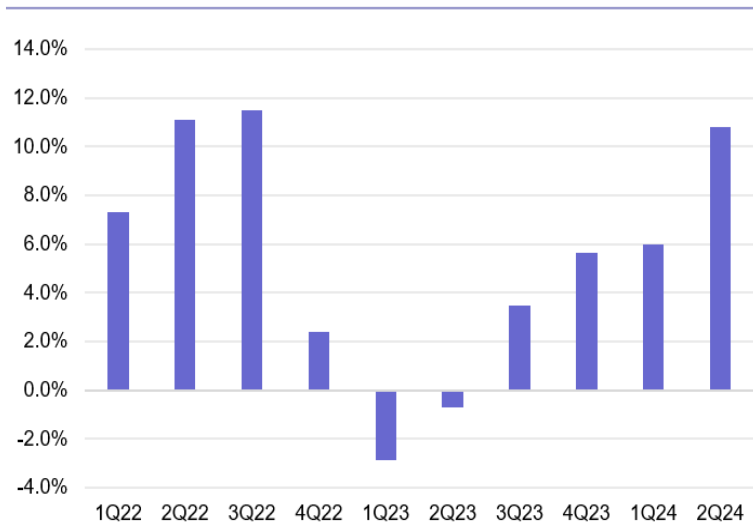


- **We forecast Vietnam's GDP to grow 6.6-6.7% YoY in 2H24** (vs 6.4% in 1H24), **thus lifting the 2024 full-year growth to 6.5%** (vs our previous forecast of 6.3%). Economic growth momentum in the second half of 2024 will be supported by the following factors: 1) major central banks have begun a cycle of interest rate cuts that will help ease the global credit environment and boost international investments; 2) manufacturing and export activities will maintain healthy growth thanks to high number of new orders and strong FDI inflows; 3) domestic consumer demand continues to improve thanks to the implementation of the Government's wage reform policy from July 1 and other fiscal measures; and 4) the Government plans to accelerate the process of bringing the amended Land Law into effect, thereby speeding up the recovery process of the real estate and related sectors.

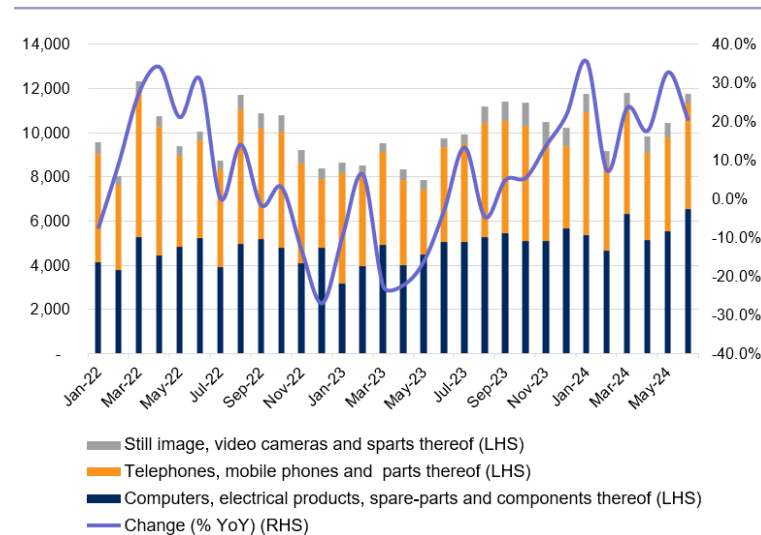
## Bright exports and manufacturing prospects should fuel Vietnam's economic engine 2H24

After a rough first half of 2023 due to geopolitical tensions between Russia and Ukraine and China's sluggish property market, manufacturing and trade started to rebound in 2H23. This momentum carried over into 2024, leading to even faster export growth 14.5% YoY as of 1H24.

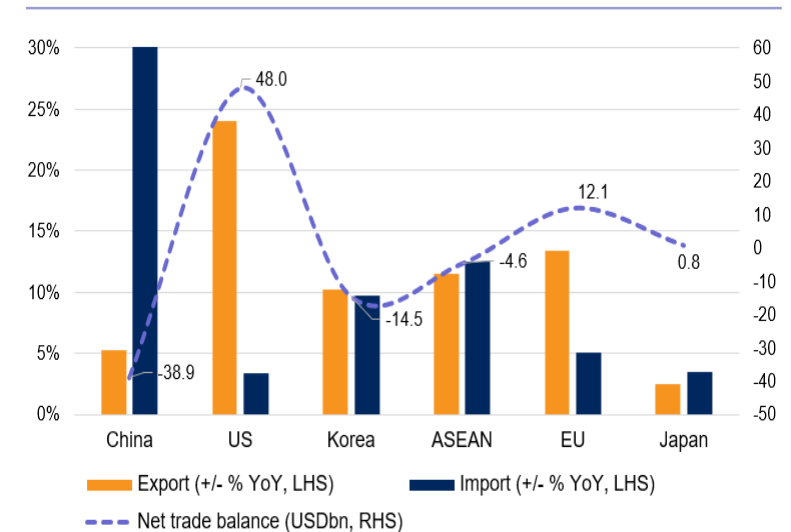
**Vietnam accumulated manufacturing IIP (quarterly) in 1H24 rose remarkably from the low base (unit: %)**



**Export values of electrical products accelerated from the low benchmark**



**1H24 import and export activities by key trading partner**

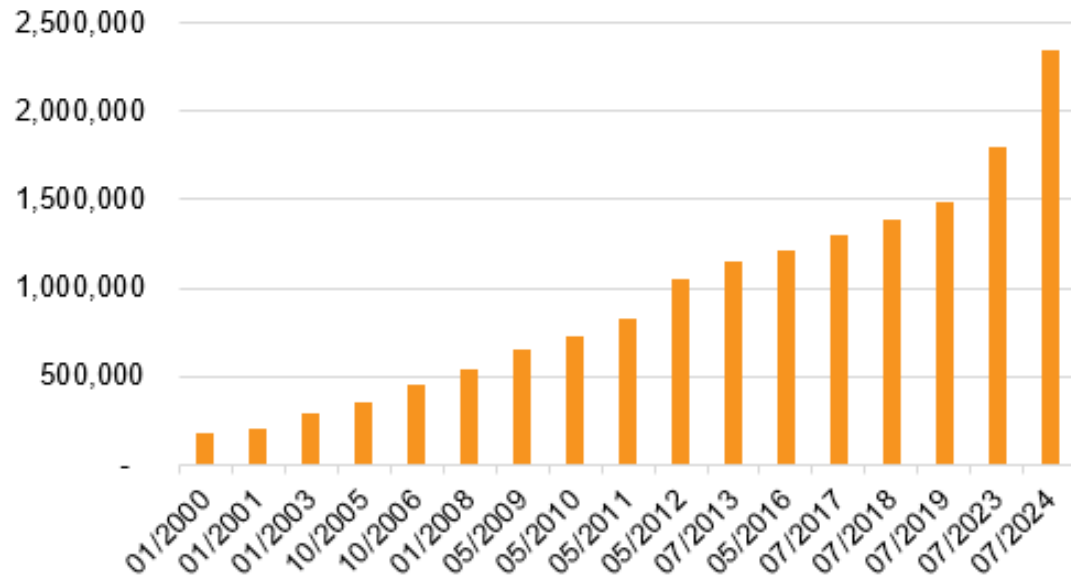


➤ **We believe robust manufacturing and escalating export turnover will play pivotal roles in driving Vietnam economic growth in 2H24.** US tariff hikes on China divert trade towards ASEAN nations, including Vietnam, which boasted the 4<sup>th</sup>-largest trade surplus with the US, behind China, Mexico and the EU. In 1H24, the US is Vietnam's largest export market with a turnover of USD55.1bn (+24% YoY), accounting for 28.9% of Vietnam's 1H24 export turnover. Furthermore, a potential domestic consumption boost in the Eurozone thanks to easing credit environment (as seen in the ECB cutting key interest rates by 25 bps in June) can further drive trade activity with the EU. In addition, Vietnam's robust registered FDI inflows of 13.1% YoY and implemented FDI of 8.2% YoY in 1H24 bode well for the export potential in the mid-term. Last but not least, a decision by the US Department of Commerce to grant Vietnam "market economy" status by July can reduce trade barriers, opening doors for more Vietnamese goods to be exported to the US. Given these positive catalysts, we expect Vietnamese exports to grow 10-12% YoY in 2024.

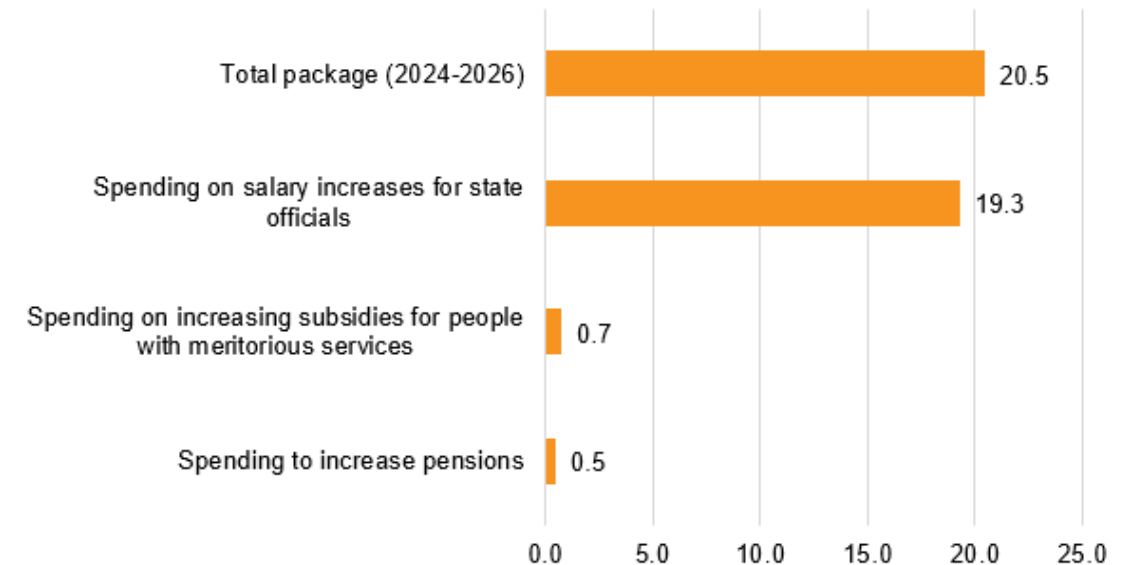
## Vietnam relies more on fiscal policy to support economic growth

In the context of shrinking monetary policy space, fiscal policy needs to be promoted to support economic growth.

**Changes in the base salary of public employees over the years (VND/month)**



**The total additional budget funding for the period 2024 - 2026 to implement salary reform (USDbn)**

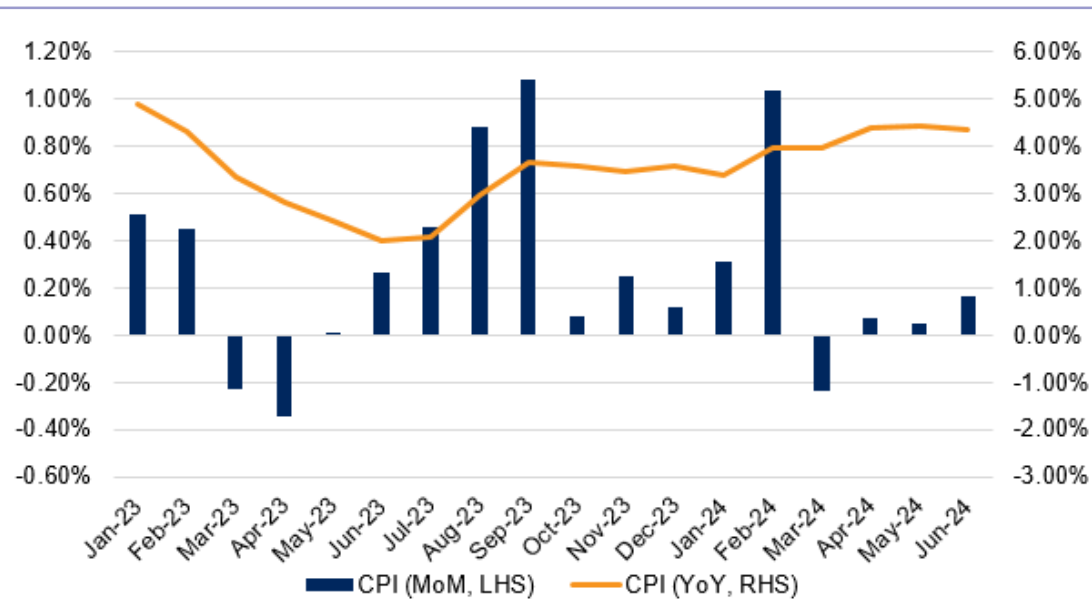


- In 2H24, Vietnam's Government will accelerate fiscal policy to support the economy. Specifically, from July 1, 2024, Vietnam will begin implementing the 5th salary reform in history for public sector employees. Accordingly, the base salary will increase by 30% and the pension will also increase by 15%. According to estimates by the Ministry of Labor, Invalids and Social Affairs, the average salary of people working in public sector will increase by 30% after implementing salary reform. In addition, from 2025, public sector salaries will be adjusted to increase by an average of 7%/year. The total additional budget funding for the period 2024 - 2026 to implement salary reform is more than VND499tn (USD20.5bn; ~4.8% GDP).
- Other notable fiscal support policies include: (1) extending the 2% VAT reduction policy until the end of 2024 (previous deadline was June 30, 2024); (2) extending the deadline for paying VAT, personal income tax, corporate income tax and land rent; (3) promoting disbursement of public investment, focusing on key infrastructure projects such as North-South expressway, Long Thanh airport,...

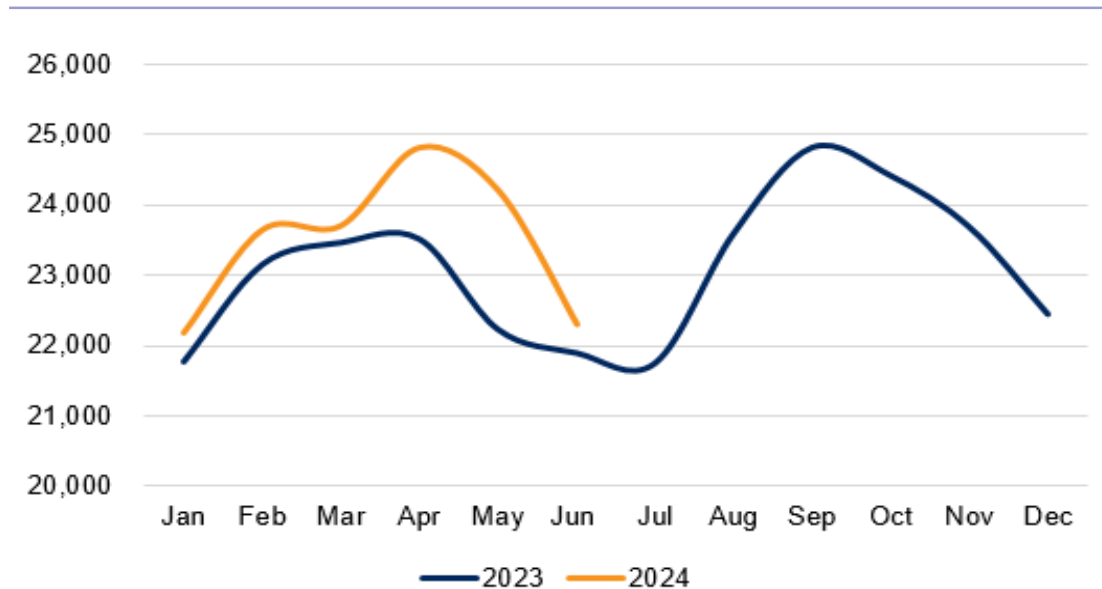
## Inflation pressures should cool from 3Q24 onwards but there are still risks to monitor

Inflation will cool down from August due to very high CPI base in August-September 2023.

### Vietnam recorded low CPI (MoM) in 2Q23 and very high CPI (MoM) in 3Q23



### RON95 gasoline price (VND/liter) from a low in 1H23 to a high in 2H23, relieving pressure on transport CPI in 2H24

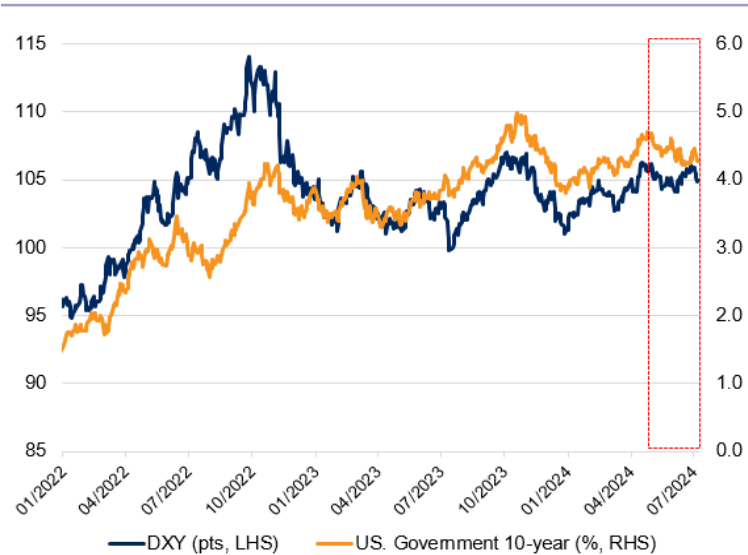


- We forecast inflation will peak in 2Q24 before easing in the remaining two quarters. Since the April-June 2023 period saw low MoM inflation of around -0.02%, this acted as a low benchmark for comparison. In contrast, in July-September 2023, MoM CPI was much higher at around 0.81%, making it harder for inflation this year to reach similar highs. As such, we forecast that annual CPI may gradually cool down to 3.5-3.7% YoY by the end of 2024, from 4.4% in Q2.
- However, we remain cognizant of upside risks, including: surging lean hog prices; upwardly revised base salaries; rising exchange rates putting pressure on import prices; and the possibility of increasing electricity prices. Therefore, we raise Vietnam's average inflation forecast for 2024 to 3.8% (+/- 0.1% pts), from 3.6% previously.

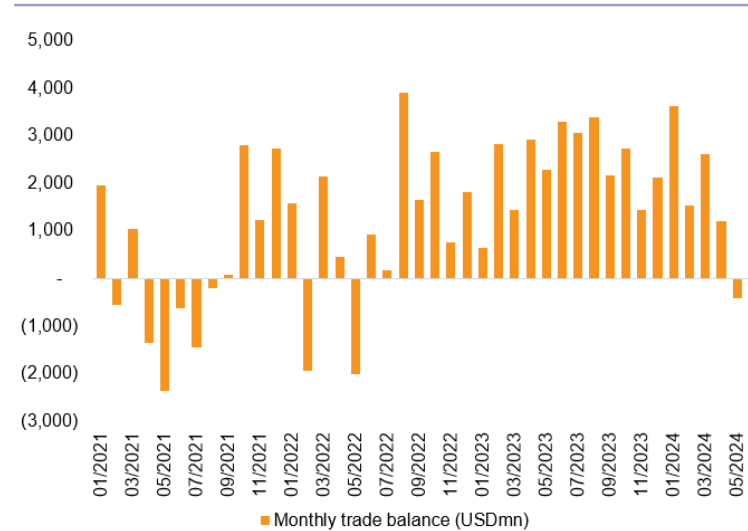
## Exchange rate pressure may cool down from late-3Q24

The dollar should weaken once it becomes clear that the Fed will cut rates. Trade and FDI support the VND.

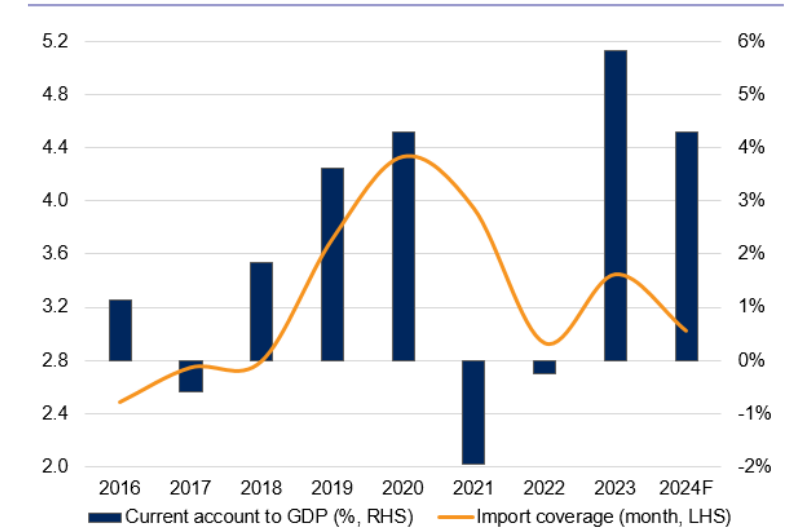
**US government bond yields fell amid the increasing possibility of Fed cutting interest rates**



**Vietnam remained high trade surplus in 1H24**



**Vietnam's current account balance and import coverage (2016-2024F)**



- Lower inflation data and a cooling US labor market in recent months are bolstering the case that the Fed will its lower policy rates in the second half of 2024, expected for the first time at its September meeting. According to a survey by CME Group, market currently expects Fed to reduce its policy rates twice in 2H24. The Fed's move to cut policy rates in the second half of this year will weaken DXY and narrow the interest rate difference between USD and VND, thereby easing pressure on Vietnam's FX market.
- Other factors supporting the VND exchange rate in 2H24 include: 1) Vietnam continues to record a high trade surplus in 2024 (though expected to be lower than 2023's record), 2) Vietnam will attract healthy FDI inflows in 2H24 and beyond thanks to improving global economic prospects, 3) Strong remittance flows, especially in the fourth quarter.
- Upside risks remains due to: (1) the Fed delaying interest rate cuts longer than expected and (2) FII capital flows continue to withdraw.

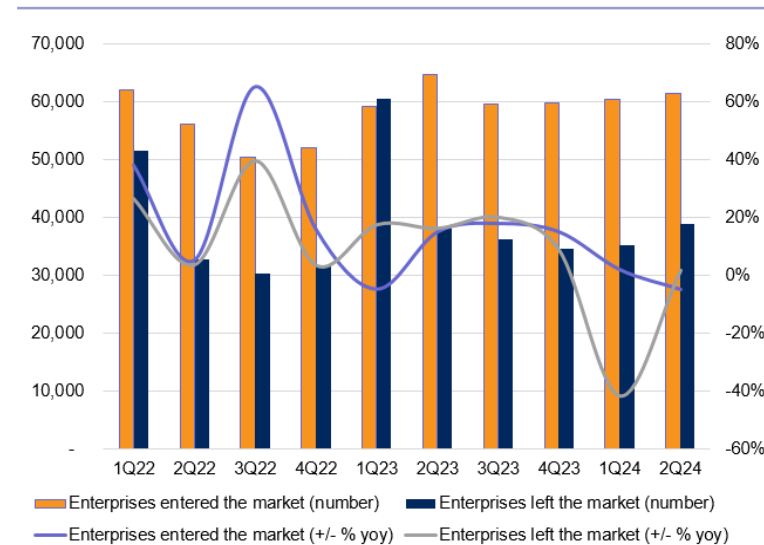
## SBV balances goals of economic growth and stabilizing exchange rates

Although there is not much room left for monetary policy, we still believe that the SBV will not easily give up its goal of supporting economic growth because the domestic economic growth drivers have just begun to recover.

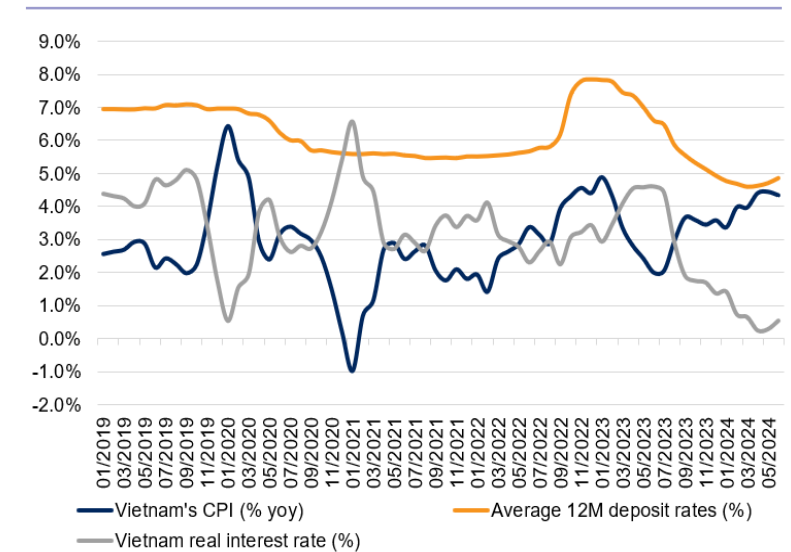
### Credit demand began to recover in 2Q24 after recording low credit growth in 1Q24



### The number of enterprises that left the market bounced back in 1H24



### The gap between 12-month term deposit rates and CPI may widen from 3Q24 onwards as CPI is expected to cool while deposit rates increase



- 1H24 economic growth was driven mainly by external factors including the recovery of export orders and foreign direct investment flows. Domestic growth drivers, such as consumption and private investment, were still weak and have just begun to recover. This is clearly shown by lower-than-expected data on retail sales, slow credit growth in 1Q24 and a high number of enterprises that left the market in the first half of 2024. Raising policy interest rates could significantly hinder the recovery of the economy, especially the private sector, which has suffered many difficulties in the past two years. Therefore, we believe the SBV will still prioritize current solutions such as: 1) managing money supply through open market operations to gradually narrow the interest rate difference between VND and USD; 2) widen the exchange rate band; 3) intervene to sell foreign currency. However, in worst-case scenario, if FII capital flows continue to withdraw strongly and the Fed delays interest rate cuts longer-than-expected (to Nov/Dec meeting), an increase in policy interest rates still needs to be considered.

## Summary of Vietnam's macro forecasts for 2024

### Key macro forecasts in 2024F

Indicator	Unit	2018	2019	2020	2021	2022	2023	2024F
Nominal GDP	USD bn	312	337	350	370	410	430	466
Real GDP growth	% YoY	7.5	7.4	2.9	2.6	8.1	5.0	6.5
GDP per capita	USD	3,267	3,491	3,586	3,757	4,125	4,285	4,604
Export growth	% YoY	13.3	8.4	6.9	18.9	10.6	-4.6	11.0
Import growth	% YoY	11.8	6.9	3.7	26.7	8.0	-9.2	13.6
Trade balance	USD bn	6.9	10.9	18.9	3.3	12.3	28.4	23.1
FDI (implemented)	USD bn	19.1	20.4	20.0	19.7	22.4	23.2	24.6
Current account balance	USD bn	5.8	12.2	15.1	(7.2)	(1.1)	25.1	20.1
Current account to GDP	% of GDP	1.9	3.6	4.3	-1.9	-0.3	5.8	4.3
FX reserves	USD bn	55	78	95	109	88	94	92
FX to GDP	% of GDP	17.7	23.3	27.1	29.5	21.4	21.8	19.7
Import coverage	months	2.8	3.7	4.3	3.9	2.9	3.4	3.0
CPI (YoY; year-end)	% YoY	3.1	5.2	0.2	1.8	4.4	3.6	3.6
CPI (period average)	% YoY	3.5	2.8	3.2	1.8	3.2	3.3	3.8
Credit growth	% YoY	13.9	13.6	12.2	13.6	14.2	13.8	14.0
Credit to GDP	% of GDP	102.9	106.3	114.3	123.2	124.9	132.7	136.8
M2 growth	% YoY	12.4	14.8	14.7	10.7	6.2	12.5	13.5
Refinancing rate	%	6.3	6.0	4.0	4.0	6.0	4.5	4.5
12M deposit interest rate (year-end)	%	6.9	7.0	5.6	5.6	7.8	4.9	5.4
Government bond 10Y (year-end)	%	5.1	3.4	2.4	2.1	4.8	2.2	2.8
Exchange rate (interbank, year-end)	USD/VND	23,175	23,173	23,098	22,826	23,633	24,267	24,950
Exchange rate (interbank, average)	USD/VND	23,031	23,231	23,223	22,934	23,430	23,839	25,050
Fiscal balance	% of GDP	2.2	2.9	2.9	3.4	3.6	3.9	3.6
Public debt	% of GDP	46	43	44	43	37	37	37

Source: GSO, SBV, MOF, VNDIRECT RESEARCH

- We forecast Vietnam's GDP to grow by 6.5% YoY (+/-0.2% pts) in 2024.
- We forecast export growth at 10-12% YoY and implemented FDI growth at 6-8% YoY in 2024.
- We forecast inflation to average around 3.4-3.7% YoY in 2H24 (vs 4.1% YoY in 1H24). For 2024, we expect Vietnam's inflation to average at 3.8% (+/- 0.1% pts).
- We expect FX pressure to cool down from 3Q24 onwards and expect the USD/VND exchange rate to fall back to 24,900-25,000 by the end of 2024.
- Overall, we believe that the increase in deposit interest rates will be moderate and expect the average 12-month term deposit interest rate to reach 5.3-5.5% by the end of 2024.
- Downside risks to our implication include:
  - 1) Potential commodity price shocks due to geopolitical tensions,
  - 2) Stubborn inflation in the US could cause Fed to delay interest rate cuts,
  - 3) A downturn in China's real estate sector could worsen the growth prospects of the world's second largest economy, and
  - 4) The decoupling of the global supply chain could negatively impact Vietnam's manufacturing and export sectors.

# Through thick and thin

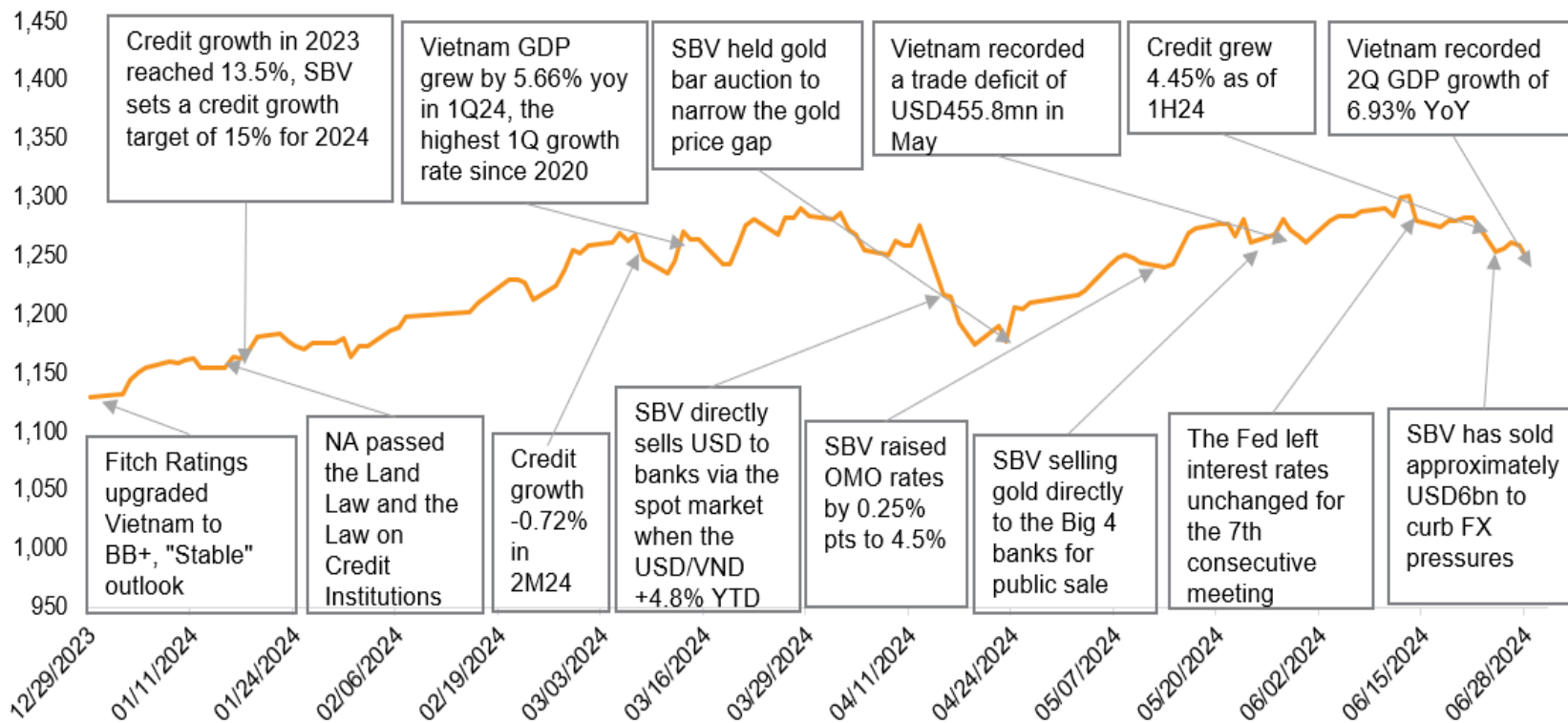
## 1H24 Market Recap



## Market Recap in 1H24

VN-Index increased 10.2% in 1H24 to reach 1,245.32 on the final trading day of June. This marks a resilient performance despite facing a series of domestic and international headwinds.

### VN-Index in 1H24: Started strong but soon encountered resistance at 1,300-pt level

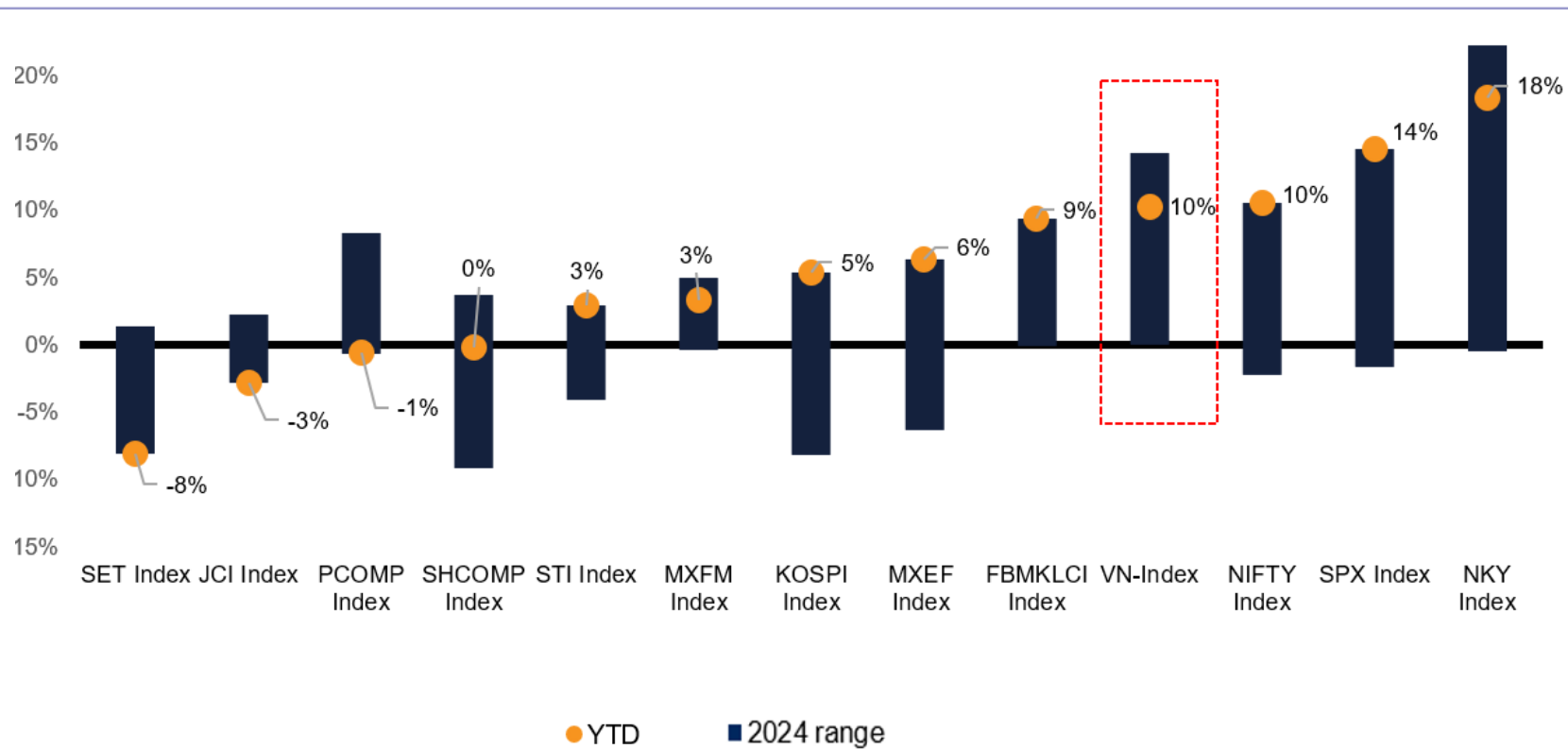


- The VN-Index started 2024 on strong footing, rallying 13.6% in Q1. Encouraging economic data such as the NA passing the Land and Credit Institution Laws and positive Q1 listed companies' earnings of 11.3% YoY, all fueled the index's ascent, bringing it within striking distance of the 1,300-point threshold.
- However, the VN-Index's momentum stalled in its pursuit of the 1,300-point mark, with a 5.6% correction in April, coinciding with a 4.8% YTD FX depreciation. This prompted the SBV to intervene via direct USD sales to banks and gold bar auctions to curb the widening gold price spread, resulting in negative sentiments that eroded the market's strong 1Q24 performance.
- From May onwards, the VN-Index gradually recovered, finally breaching the psychologically important 1,300-point level on June 12. However, this milestone proved short-lived, with the index relinquishing the level within two days with weak liquidity as investors awaited key Q2 macroeconomic data and earnings releases.
- Overall, the VN-Index grew 10.2% in 1H24, HNX-Index +2.8% and UPCOM-Index +12.1%, against a backdrop of foreign exchange upheaval, persistent inflation and disparate growth signals.

## Market Recap in 1H24

1H24 witnessed uneven performances in global equity markets, reflecting the idiosyncratic headwinds faced by individual economies.

### Vietnam stock market performance since the beginning of the year trails only Japan, US, and India stock markets



- Most global stock markets reported positive YTD performance in 1H24, except for Thailand, Indonesia and Philippines with the lackluster stock market due to: 1) Thailand witnessed heightening political uncertainties, causing capital flight; 2) Indonesia Rupiah depreciated 6.2% against the USD YTD, resulting in investor confidence wane; and 3) Philippines' weaker-than-expected 1Q growth of 5.7% YoY.
- On the other hand, the Nikkei Index and S&P500 posted robust performances of 18% and 14% in 1H24, respectively thanks to 1) Japanese investors betting on a lasting shift in Japanese corporate transformation that can potentially boosts profits; and 2) US investors betting on the AI trend and the strengthening of the US dollar.
- For 1H24, Vietnam recorded a positive performance of 10.2% YTD. This increase is driven by 1) Encouraging 1Q earnings of 11.3% YoY of listed companies across three bourses; 2) Strong recovery momentum of export and manufacturing activities; 3) NA passing Land Law and Law of Credit Institutions to tackle bottlenecks for the real estate and bank industries.

## Market recap in 1H24: Travel & Leisure and Technology emerged as the clear outperformers

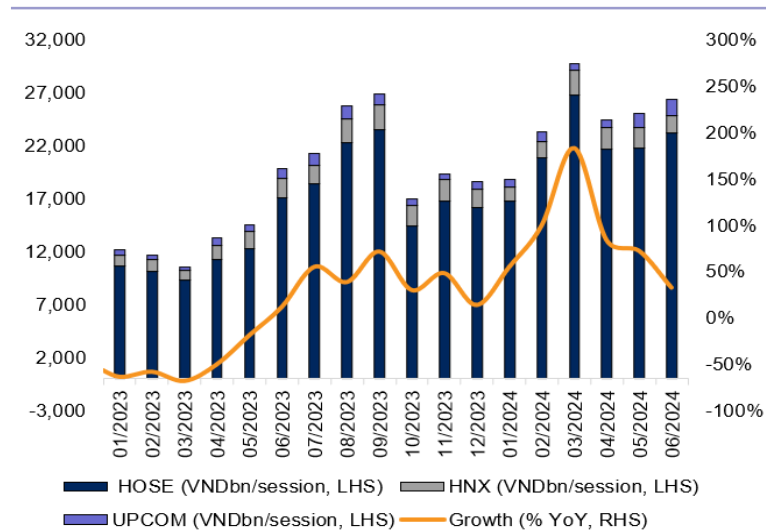
Name	1M (%)	3M (%)	YTD (%)	Weight	EPS YoY 1Q24	P/E	P/E 5Y Avg	P/B	P/B 5Y Avg	ROE	Beta
Automobiles and Parts	-0.05%	3.28%	21.94%	0.13%	89.0%	19.68	16.66	1.88	1.48	11.11%	0.77
Banks	-5.07%	-5.98%	11.06%	37.60%	5.1%	10.42	10.19	1.73	1.78	18.34%	0.93
Basic Resources	4.07%	-1.24%	8.17%	0.68%	152.4%	20.78	25.35	1.17	1.04	3.29%	1.24
Chemicals	-1.08%	3.31%	25.80%	1.84%	-4.8%	20.21	13.06	2.75	2.07	17.05%	1.19
Construction and Materials	0.03%	-1.52%	10.67%	3.17%	2.1%	25.54	31.69	2.58	2.13	10.92%	1.12
Consumer Products and Services	-0.35%	1.09%	15.07%	1.11%	6.3%	26.84	18.58	2.62	2.38	13.52%	0.78
Energy	1.76%	-2.47%	4.89%	4.84%	-16.4%	16.65	15.58	2.37	2.55	14.84%	0.91
Financial Services	-8.41%	-12.84%	6.53%	3.73%	96.4%	19.41	24.20	1.95	1.76	11.23%	1.51
Food, Beverage and Tobacco	-0.33%	0.88%	16.00%	11.61%	16.5%	89.82	51.23	3.13	3.07	11.64%	1.05
Health Care	1.75%	0.70%	8.11%	0.77%	-11.3%	17.68	14.98	2.29	2.32	13.89%	0.57
Industrial Goods and Services	-0.32%	2.69%	14.28%	7.15%	84.1%	23.30	45.56	2.05	1.79	12.63%	1.03
Insurance	13.17%	10.09%	17.70%	0.94%	13.4%	16.44	16.56	1.53	1.45	10.27%	0.82
Media	-2.69%	-12.33%	-23.41%	0.03%	43.4%	21.62	28.13	0.93	1.01	4.03%	0.68
Personal Care, Drug and Grocery Stores	-0.26%	3.93%	35.53%	0.05%	-4.8%	13.97	9.82	2.43	1.82	19.75%	0.47
Real Estate	-5.22%	-9.83%	-1.73%	13.18%	-28.3%	39.87	42.38	1.63	1.79	8.99%	1.13
Retail	1.31%	8.89%	32.22%	3.43%	267.7%	60.87	82.64	4.43	3.15	3.82%	1.1
Technology	9.95%	27.75%	53.13%	4.22%	18.9%	29.04	18.74	6.74	4.43	25.77%	0.99
Telecommunications	9.09%	17.25%	27.35%	0.05%	-162.3%	48.08	0.00	1.19	1.03	2.96%	0.85
Travel and Leisure	24.87%	72.11%	92.88%	2.60%	1155.2%	90.16	21.45	3.32	3.48	4.20%	0.87
Utilities	13.39%	13.72%	17.64%	2.88%	-90.7%	32.63	17.26	1.86	1.57	6.67%	0.68

- Travel & Leisure skyrocketed 92.9% YTD, fueled by HVN's (+171.0% YTD) explosive rebound. HVN's 1Q EPS surged 1,155% YoY from a very low base, reflecting resurgent tourism activity as Vietnam welcomed 8.8 million foreign visitors in 1H24 (+58.4% YoY).
- Technology sector also delivered stellar gains of 53.1% YTD, led by FPT (+55.2% YTD) and CMG (+38.3% YTD). FPT's recent AI factory partnership with NVIDIA and the buoyant semiconductor outlook propelled its stock price, while CMG's surge reflects the growing anticipations of AI for future business success. While its P/E ratio sits above its 5-year average, robust ROE coupled with AI implementation anticipation fueled the sector's performances.
- Banks, despite making up nearly 40% of the market cap, had a moderate performance of 11.1% in 1H24 due to weak performance of -6.0% the last three months. However, the sector trades at a compelling valuation with a P/B ratio below its 5-year average and maintains attractive ROE.

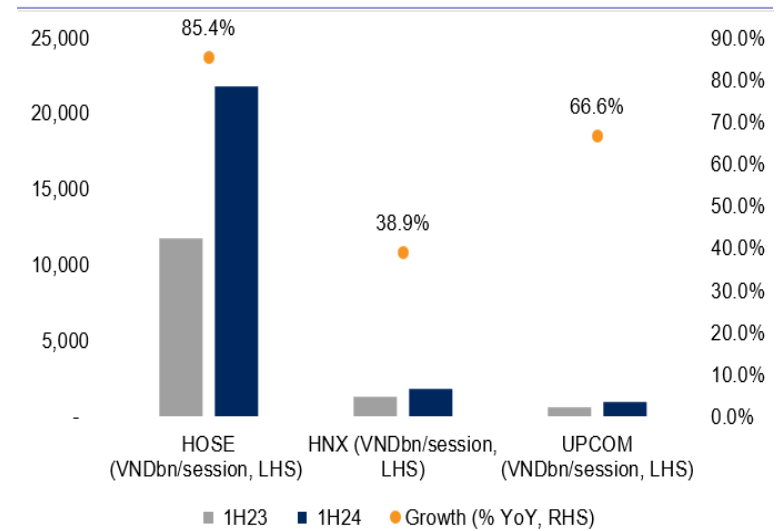
## Market recap in 1H24

Trading flow: Market liquidity experienced a striking increase in 1H24 from the low YoY base

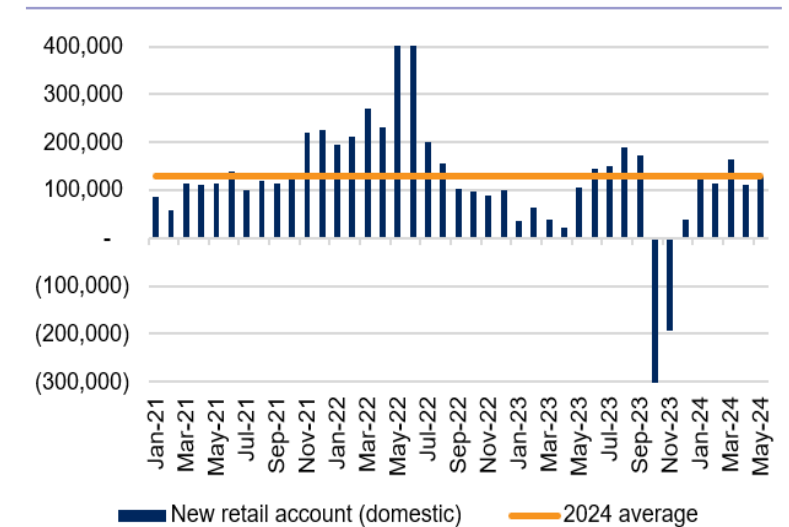
### Average trading value rose 80.1% YoY in 1H24



### Buoyant investor sentiment drove liquidity in all 3 bourses....



### .... leading to a 56.0% YoY surge in new domestic security account openings

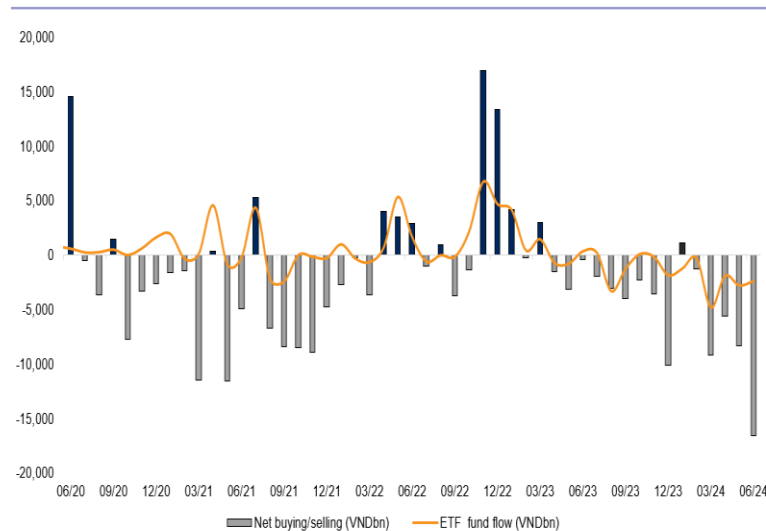


- A year ago liquidity had slumped due to real estate turmoil, corporate bond difficulties, along with Van Thinh Phat and SCB's case. But in 1H24, the influx of liquidity, coinciding with the positive 10.2% performance of the VN-Index in 1H24 suggested that investor sentiment turned bullish on the back of the growth recovery of Vietnam's economy, accommodative fiscal and monetary policies, and improving earnings. The average trading value of three bourses surged 80.1% YoY from a low 1H23 base to VND24.6tn/trading day in 1H24 (HOSE: VND21.8bn/trading day, +85.4% YoY; HNX: VND1.8bn/trading day, +38.9% YoY; UPCOM: VND982bn/trading day, +66.6% YoY).
- Newly opened domestic security accounts surged 56% YoY to 644,130 accounts in 1H24, aligning with the overall increase in market liquidity.

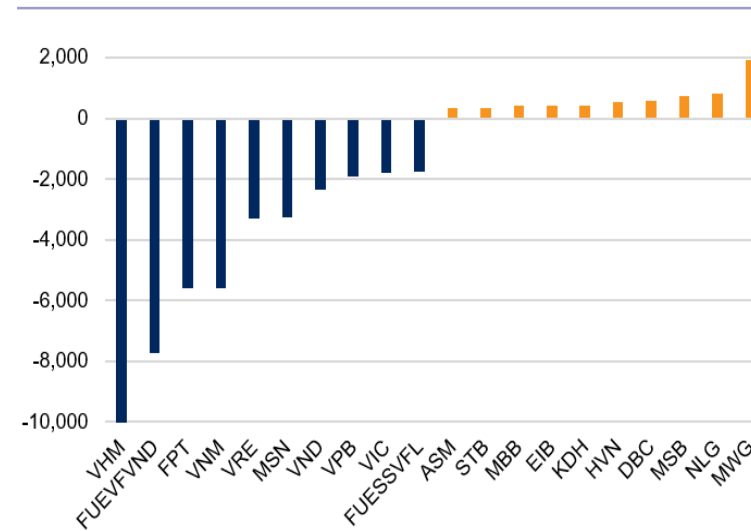
## Market recap in 1H24

Trading flow: Foreign investors selling activity saw a blistering strength in 1H24

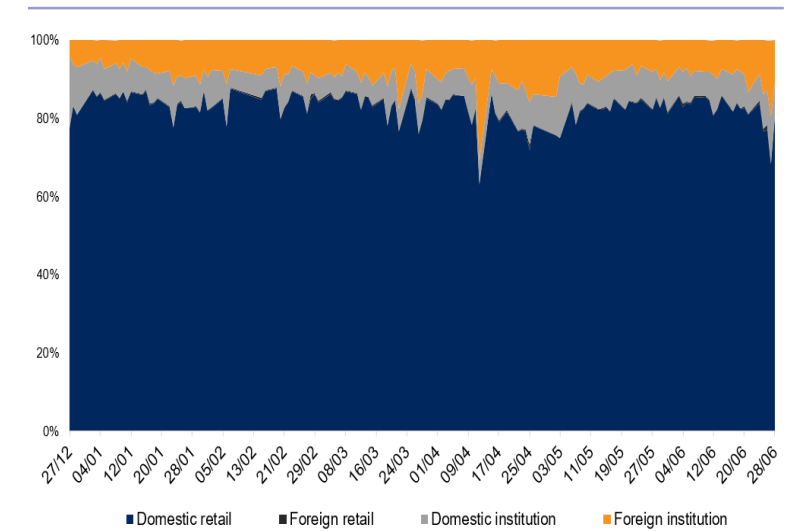
Foreign investors net sold VND52.0tn (USD2bn) in 1H24 compared to only VND1.8tn in 1H23



VHM saw the largest net selling, while MWG attracted the most net buying from foreign investors



The proportions of foreign transactions rose to 9.7% in 1H24 from 7.5% in 1H23



- 1H24 saw a remarkable VND52.0tn (USD2bn) of foreign capital outflows, far higher than the VND1.8tn of 1H23. This is close to the record high of VND56.2tn set in 2021. ETFs accounted for 27% of net foreign outflows.
- Several factors drove the sell-offs including; 1) Currency woes: Fed keeping interest rates high triggered a global capital flight to safety, with foreign investors prioritizing capital preservation by pulling out of markets experiencing currency devaluation; 2) ETF ineffectiveness: Certain Vietnam-focused ETFs that underperformed expectations have been dissolved, leading to substantial net selling pressure; 3) KRX upgrade hurdle: The much-anticipated upgrade to the KRX system has not materialized as anticipated; and 4) Profit taking: foreign investors net sold stocks that have gained remarkably YTD, such as FPT (+55.2% YTD).

# Market Outlook 2024

Time to double down on quality



## 2024 forecast: We deliver three scenarios for Vietnam's stock market in 2H24

### Base Case Scenario

US Fed fund rate	One rate cut in 2H24
US Dollar	DXY drops to 102 following the cut
Vietnam Exports	Exports increase 10-12% YoY in 2024
Vietnam credit growth	Credit growth hits 14% in 2024, slightly lower than the SBV's target
<b>Forecast</b>	<b>VN-Index closes 2024 at 1,330-1,350 points, (+19% YoY), (14.2x P/E with 18% EPS growth)</b>



### Negative Scenario

### Stretch Scenario

US Fed fund rate	No Fed rate cuts in 2H24	First rate cut in September. Two cuts in 2H24
US Dollar	DXY remains above the 105-pt threshold	DXY falls below 100-pt threshold
Vietnam Exports	Vietnam's export growth is far below our expectations	Export growth exceeds our 2024 export growth forecast (>12%)
Vietnam credit growth	Credit growth is at a low level of 11-13% in 2024	Credit growth exceeds the 2024 plan of 15%
<b>Forecast</b>	<b>VN-Index closes 2024 at 1,250 (+11%YoY) (13.7x P/E with 14% EPS growth)</b>	<b>VN-Index closes 2024 at 1,400 (+24% YoY) (14.8x P/E with 18% EPS growth)</b>

## 2025 forecast: Strengthening growth momentum

### Base Case Scenario (assuming 2024 base case scenario occurs)

US Fed	Three rate cuts in 2025
US Dollar	DXY weakens as Fed gradually reduce its policy rate
Vietnam economic growth	Economic growth continues to accelerate. We expect Vietnam's GDP to expand 6.5-7.0% YoY in 2025, driven by recovery in domestic consumption and private investment
Market earnings growth	We forecast that profit growth of businesses listed on HOSE will increase significantly at about 15-17% YoY in 2025 thanks to the strong growth momentum of the economy
<b>Forecast</b>	<b>VN-Index closes 2025 at 1,580-1,600 points, (at target P/E of 14.8x; ~5-year average P/E), (market upside 17-18.5%)</b>

## Positive earnings growth support market valuations...

Trailing P/E was 14.3x which is a 2.8% discount to the 5-year average P/E. We forecast VN-Index's forward P/E in 2024 to be around 13.2x based on our 2024 EPS growth forecast of 18% (positive scenario) for companies listed on HOSE

### Valuation of VN-Index in 5 year 2018 - 2023



### The valuation of VN-Index is considered to be quite fair among emerging market peers

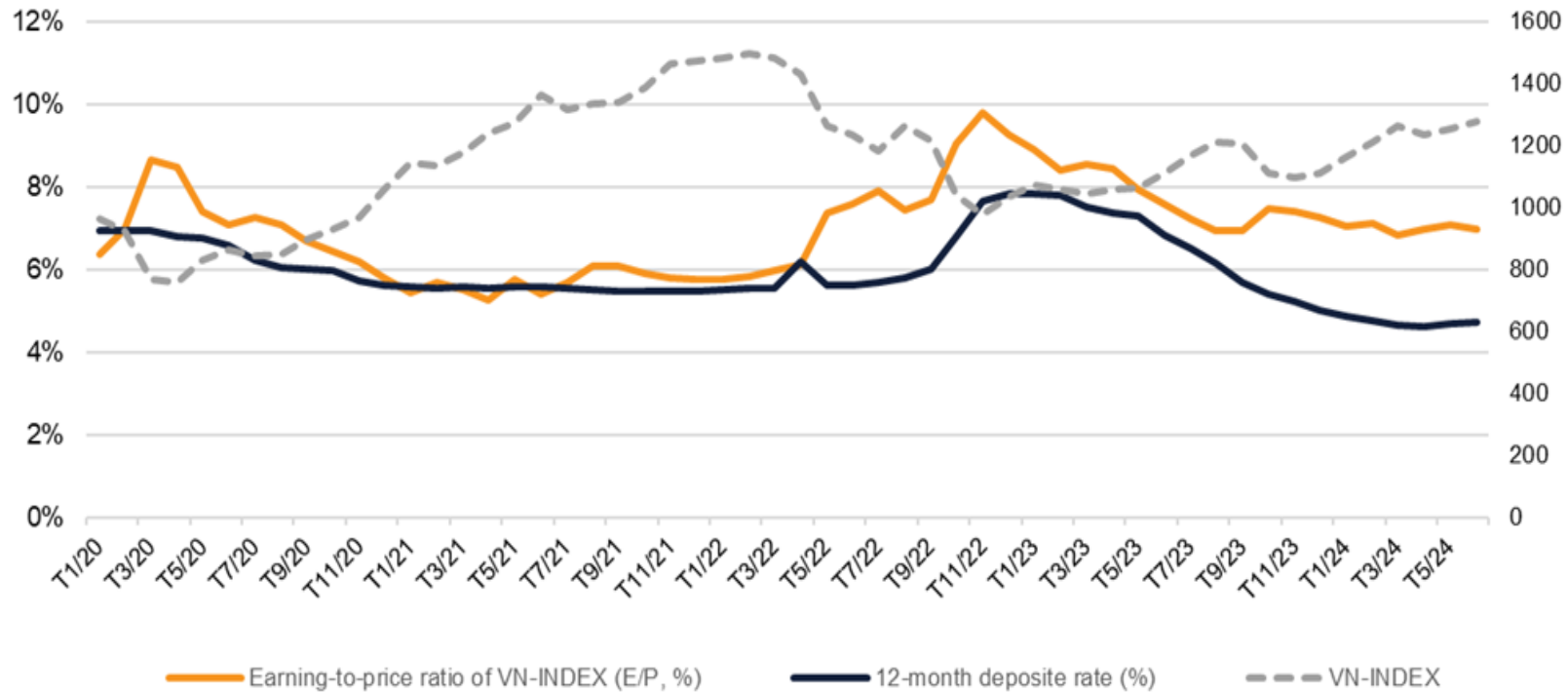
	EPS FY23-24F CAGR	ROE	TTM P/E vs. 5-year average	P/B vs. 5-year average
Turkey	44.0%	19.8%		1.1x
China	24.4%	8.6%		0.8x
India	22.2%	15.5%		1.3x
Singapore	22.0%	9.5%		1.0x
Egypt	20.4%	31.3%		1.3x
Philippines	14.0%	12.2%		0.9x
<b>Vietnam</b>	<b>13.4%</b>			<b>0.8x</b>
Malaysia	13.3%	9.1%		0.9x
MSCI FM	12.5%	14.2%		0.9x
Japan	9.6%	8.3%		1.1x
Indonesia	3.2%	7.9%		1.0x
Thailand	0.6%	7.4%		0.8x
S&P500	-1.6%	17.9%		1.2x
MSCI EM	-3.1%	10.7%		1.0x

- Currently, The P/E valuation of the VN-Index is still reasonable because it is trading at 2.8% discount to the 5-year average P/E and we expect EPS growth to improve in 2024. (We forecast VN-Index's forward P/E in 2024 to be around 13.2x). Furthermore, interest rates – which are negatively correlated with equity valuations - have fallen significantly during the year and are likely to decline further once US rates drop.
- Meanwhile, the VN-INDEX looks cheap in term of P/B valuation with current P/B of 1.7x (18.6% discount to the 5-year average P/B).
- The valuation of VN-Index is also considered to be quite fair among emerging market peers. P/E of VN-Index is trading at 1.1% premium to emerging market peers (MSCI EM), while P/B is trading at 1.7x, equal to EM peers (MSCI EM). However, the ROE of the VN-Index has consistently been higher than MSCI EM over the past 5 years.

## ...and even better considering the current low interest rate environment

The current gap between E/P and deposit interest rates is still wide compared to historical level.

### The current gap between E/P and Interest Rate is wide compared to historical level

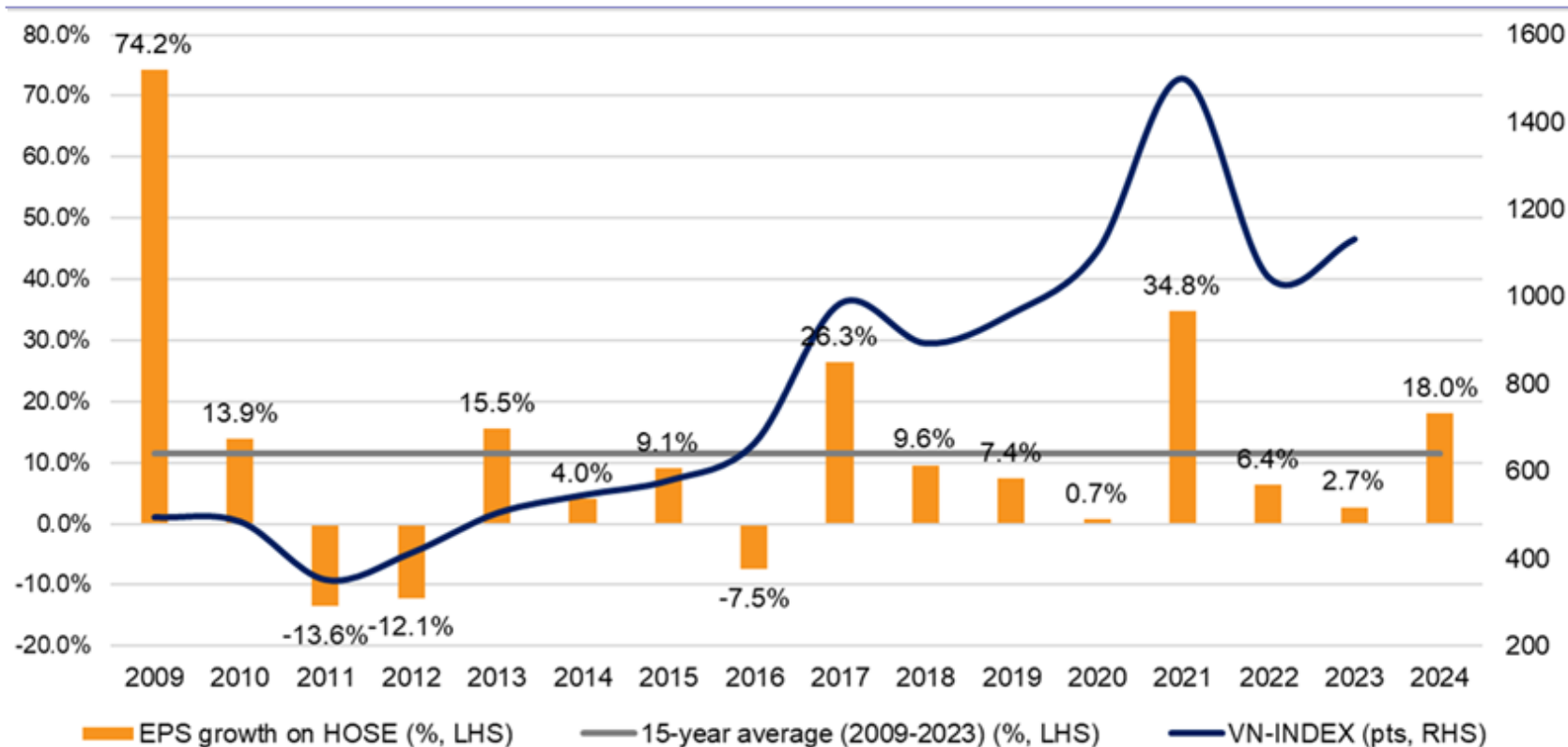


- The current gap between E/P and 12-month deposit rates is wide compared to historical levels, showing that stock market is still more attractive than savings. The E/P of VN-Index is 7.0% (June 28, 2024) while 12-month deposit rate is nearly 4.9%/year.
- Although the deposit rate has gradually increased, the profit growth of listed companies in the coming quarters will help the gap between VN-Index's E/P and deposit interest rates remain high. This helps the stock market maintain its attractiveness compared to the savings in the second half of 2024.
- We maintain the forecast that profits of companies listed on HOSE will grow 18% YoY in 2024.

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

Net profit growth of companies listed on HOSE could grow by 18% (positive scenario) for 2024 in our forecast.

**We expect the profit growth to recover in the 2024 thanks to credit growth and manufacturing.**

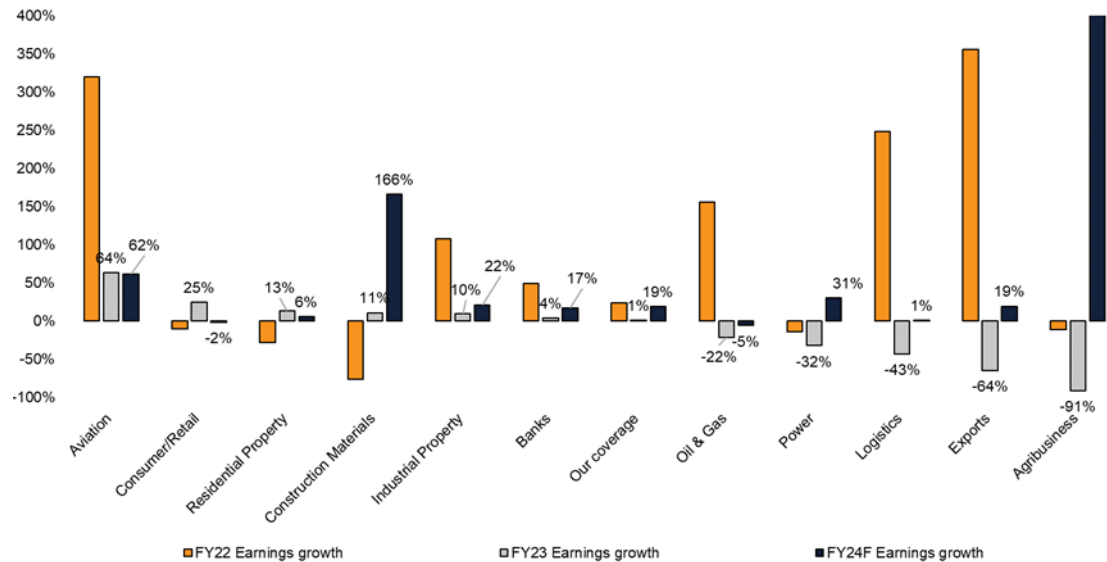


- We forecast earnings of companies listed on HOSE to grow 18% in 2024 (base-case scenario). Although EPS growth was low in 2023, we expect those companies to recover through 2024 thanks to: 1) stronger manufacturing and trade activity (PMI in June reached 54.7 which was higher than expected); 2) Property market recovery expected in late 2024; and 3) higher credit growth targets in 2024 supporting business results of the banking sector.
- Better market earnings prospects can positively impact the VN-Index. In 2015, 2017, and 2021, as earnings growth recovered from its troughs, the stock market generally had a strong recovery.

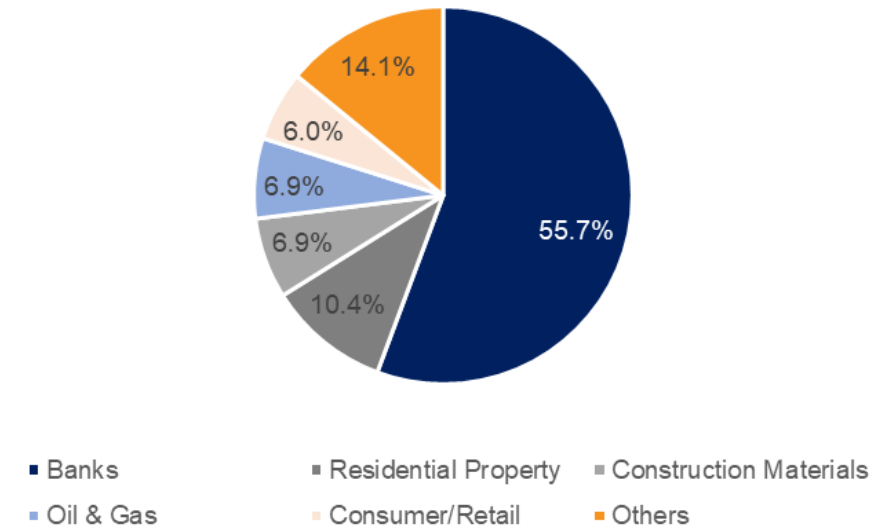
## Banking and Real Estate sectors will contribute heavily to the market earnings growth

Banking and real estate will account for 66.1% of the profit growth for companies listed on the HOSE in 2024

### Earnings growth forecast by sector



### The banking and residential real estate sectors contribute a large proportion to market earnings growth

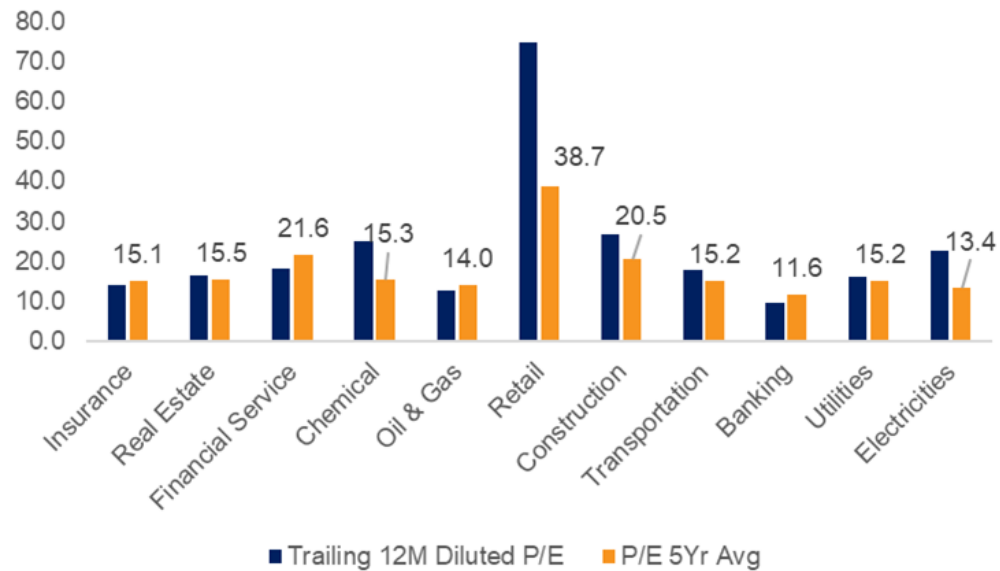


- The banking and real estate sectors are the two major contributors, accounting for 66.1% of the profit growth for companies listed on the HOSE in 2024.
- Segments highly related to commodity price fluctuations, such as construction materials, agriculture and exports, are expected to experience high earning growth due to the anticipated global trade recovery. Additionally, the earning growth outlook of power and aviation sectors will improve in 2024 thanks to better economic outlook.
- Consumer retail and O&G are the two segment that have negative earnings growth that investor should be more careful before making an investment decisions related to these sector.

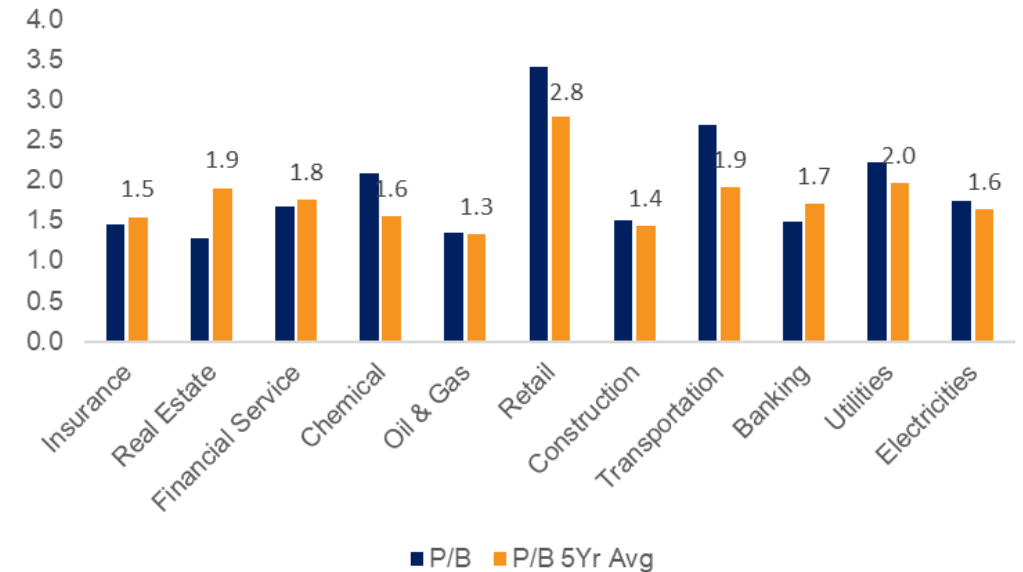
## Valuation by Sectors

The valuation of banking sectors remain lower and attractive than the 5-year average

Trailing 12M Diluted P/E by sectors vs. 5-year average P/E



P/B by sectors vs. 5-year average P/B



- We forecast banking sectors will achieve earnings growth of over 17% yoy in 2024. In addition, both P/E and P/B valuations of the banking sector are lower than the 5-year average. This means that the possibility of these sectors being valued at higher multiples is high if the prospects of these sectors change more positively in the future.
- The insurance and financial services sectors also have P/E and P/B valuations below the 5-year average, while the Real Estate sector has P/B valuations much lower than the 5-year average.
- The valuation of other sectors remains reasonable or higher compared to the five-year average multiples. However, valuations will become more attractive thanks to the increase in profits of these sectors in the coming quarters.



# Sector Outlooks

Navigating hardships, Awaiting brighter skies

# Banking

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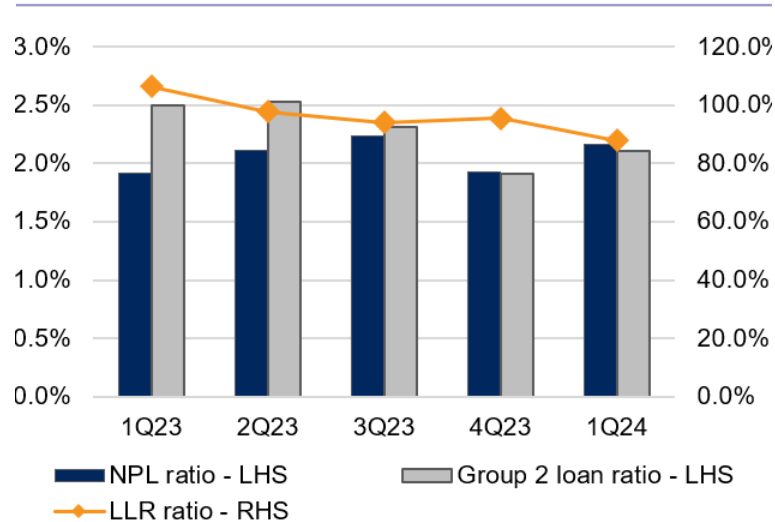
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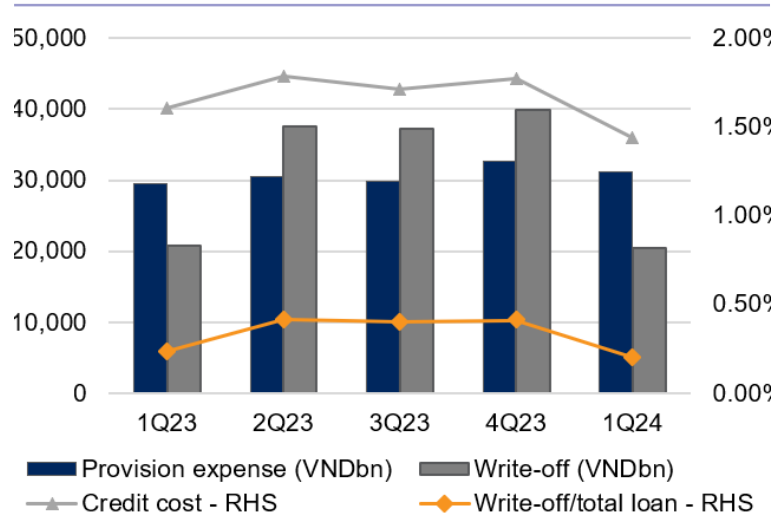
## 1H24: Asset quality continued to deteriorate due to slow economic recovery

The loan recovery of the system is quite slow due to a frozen real estate market.

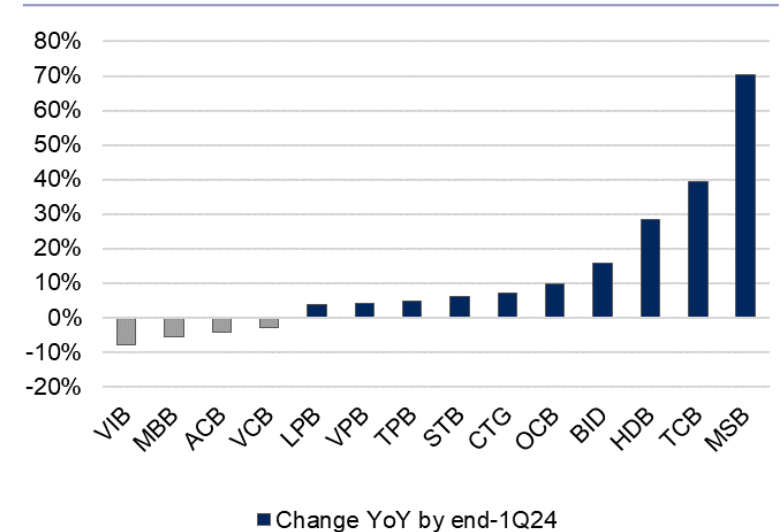
**Sector's NPL ratio in 1Q24 increased YoY, after increasing write-offs in 2H23**



**Banks have been increasing write-off activity in the past four quarters**



**Accrued interest and fees receivable rose YoY in majority of banks**

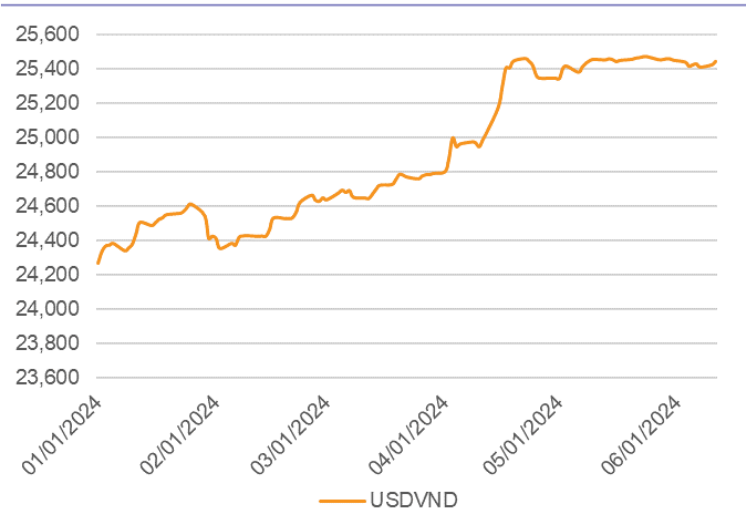


- Banks are actively using their reserve buffers for write-offs. However, the NPL ratio and Group 2 debt in 1Q24 continued to increase compared to the previous quarter, reaching 2.17% and 2.11%, respectively. Consequently, the provisioning cost for the entire industry remains around VND30tn each quarter.
- Retail-oriented banks have higher NPL ratios compared to wholesale banks, as consumer disposable income tends to recover after business revenue rebounds in the early stages of economic recovery.
- Accrued interest and fees receivable are increasing at most banks, which may lead to notable impacts such as: 1) liquidity stress amid SBV's money withdrawal through OMO; 2) business expansion capabilities affected; 3) pressure put on capital and capital adequacy ratios; leading to 4) increased fundraising activities resulting in higher cost of funds.

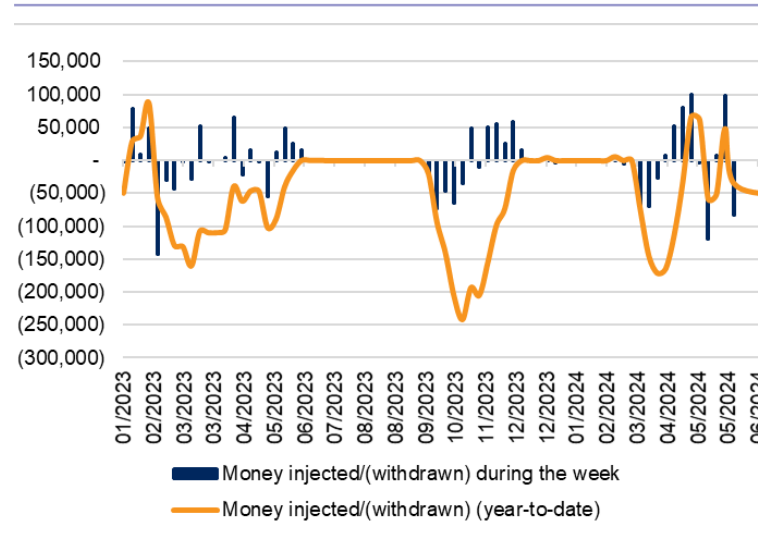
## 1H24: Liquidity strains under exchange rate pressure and low deposit growth

Interbank liquidity began to tighten from late-March when the SBV initiated withdrawals through the OMO channel to alleviate FX pressure.

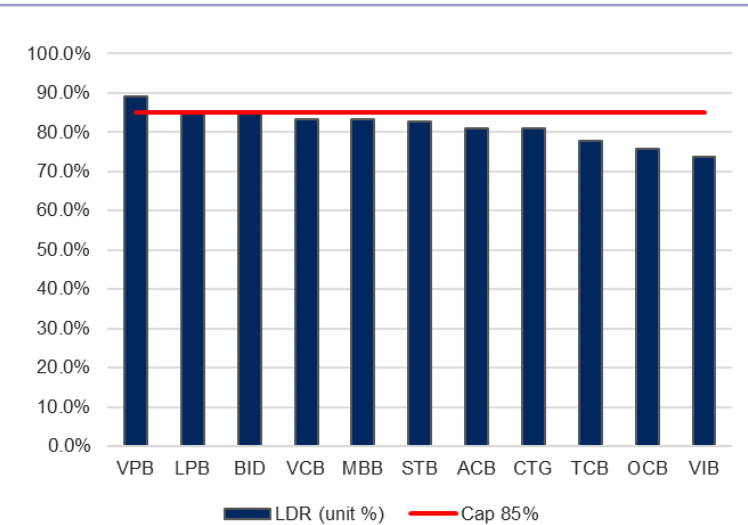
**VND devaluation since the beginning of the year put pressure on SBV to tighten monetary policy**



**SBV aggressively has withdrawn money to stabilize exchange rate**



**Many bank LDR ratios hit the regulated cap (85%) due to sluggish deposit growth**

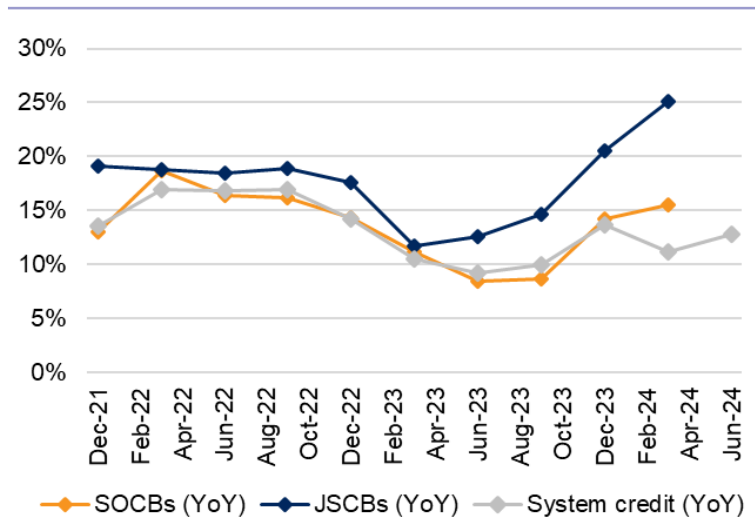


- The liquidity shortage within the banking system was caused by: 1) SBV aggressively withdrawing VND to control the exchange rate; 2) the banking system recorded 1.5% YTD deposit growth by 2Q24, lower than 4.6% YTD in 2Q23; 3) declining asset quality across the system; and 4) cross-ownership risk, from the ownership of RE enterprises in banks.
- Though the system's liquidity remains tight, it has achieved short-term balance. If the economy recovers, demand for credit increases or the Government pushes credit into the economy, interest rates are unlikely to decrease further.

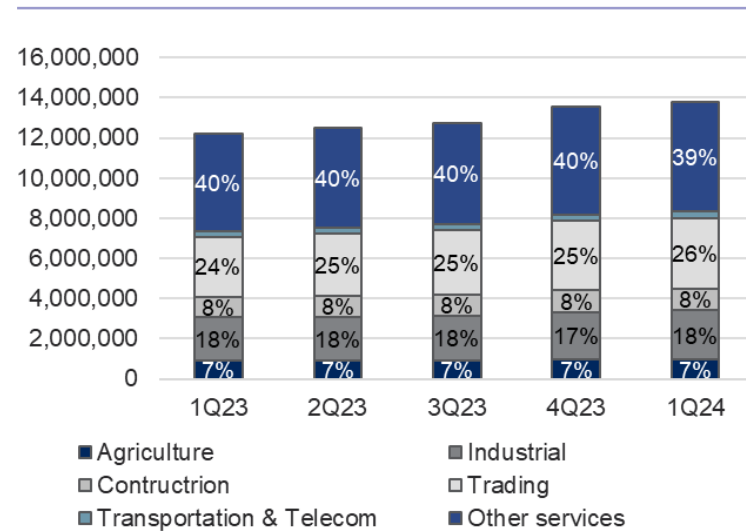
## 1H24: Credit suddenly accelerated in the final weeks of 2Q24

System credit growth reached 4.45% YTD by June (the same period last year was only 3.83%), gradually recovering.

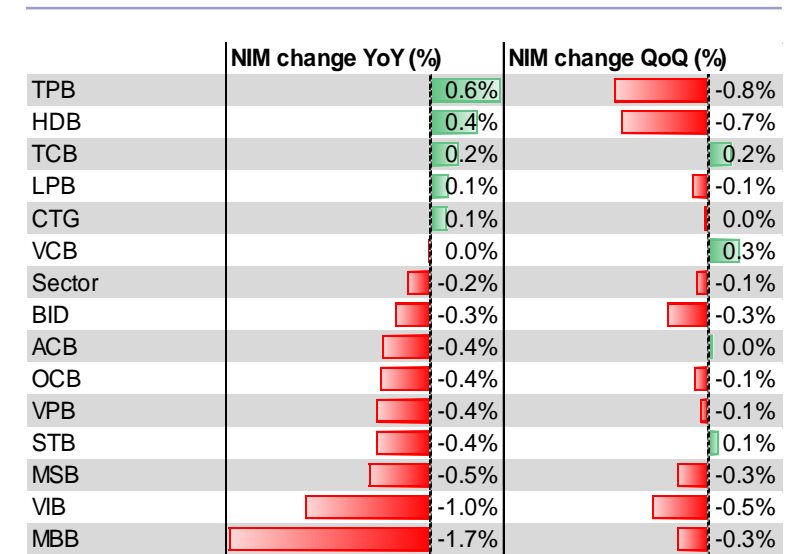
### 1H24 credit growth driven by JSCBs



### Outstanding credit mainly went into trading, industrial and real estate sectors



### NIMs tended to contract YoY and QoQ



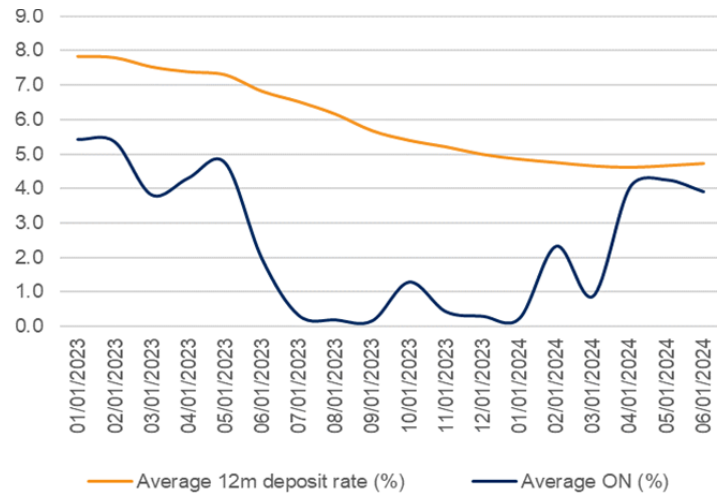
- The credit growth rate was quite slow in the early months of the year due to the slower-than-expected economic recovery and the inability to implement economic support credit packages as expected. Credit growth then suddenly accelerated in the final weeks of June, reflecting technical actions by banks to meet targets set by the SBV.
- Credit growth was driven by lending to corporate customers and flowed mainly into the trading, industrial, and real estate sectors.
- Banks with the most significant NIM expansion benefited from expanding lending to the real estate sector (HDB) or having an advantage in cost of fund, such as TPB, TCB, and LPB.

\*SOCBs: CTG, BID, VCB JSCBs: VPB, TCB, ACB, MBB, VIB, TPB, HDB, LPB, STB, OCB, MSB

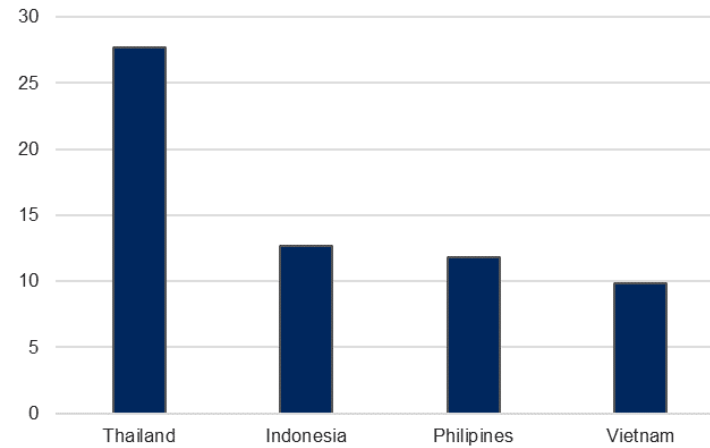
## Banking outlook for 2H24: Capital raising is an urgent need for the banking system

Under the pressure of liquidity strain, the banking system is in need of capital raising to ensure its long-term outlook

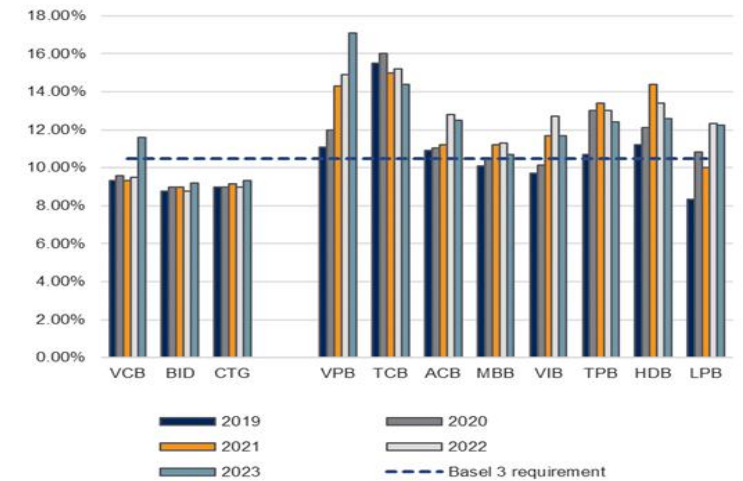
**Interbank rates rose under liquidity strain; hence, deposit rates started rising since April 2024.**



**Equity/asset ratio of Vietnam was lower than other nations in SEA region (as of 7/3/24)**



**Banks have been upgrading their capital requirements (CAR ratio) to Basel 3 to sustain long-term development**

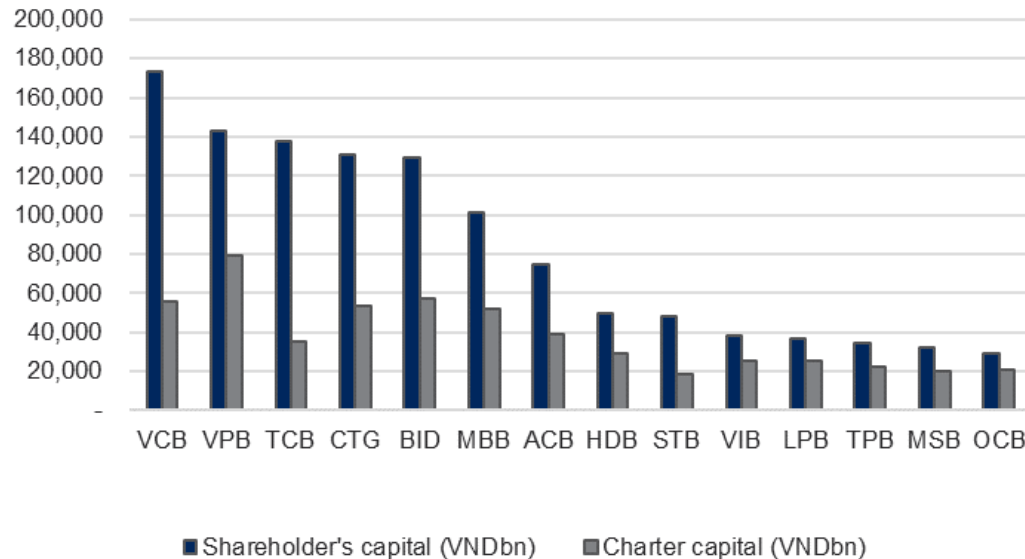


- The interbank lending rate increased from 0.31% to 4.8% from April to July 2024. We expect the decline in the banking sector's funding costs will end by the end of 2Q24 and gradually rise from 3Q24. We project deposit rates to increase in 2H24 to attract more customers, thus, lending rates will pick up but less than deposit rates to stimulate credit growth.
- Amid rising bad debt, mobilization increases the leverage ratio (asset/equity ratio) and poses a greater risk to the entire industry. Thus, banks need to raise their capital to improve their CAR ratios and strengthen their resilience amid this turbulent time.

## Banking outlook for 2H24: Capital raising is an urgent need for the banking system

We expect many capital raising deals in the industry will be completed in 2H24

### VCB has the largest equity in the entire industry, while VPB leads among joint-stock commercial banks



### FY24 capital raising plans

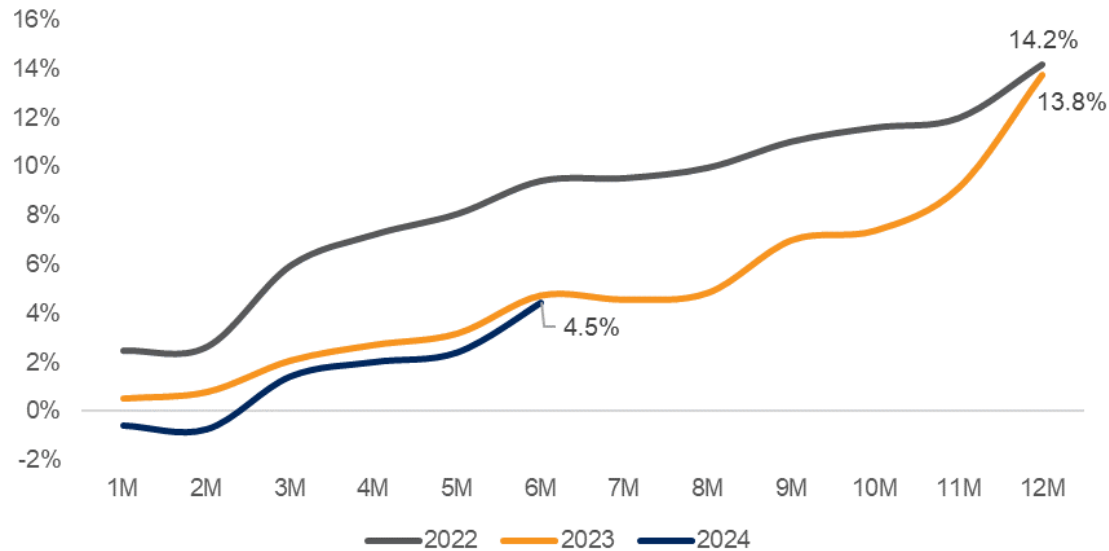
Banks	% of shares in issue	Issue value
VCB	Stock dividend: 38.8% Private placement: 6.5%	The expected value of the additional issue about USD1bn
BID	Private placement / Public offering: 9%	2.89% (~165 mn shares) will be actively deployed via private placement in FY24; remaining 6.11% is expected to be completed in FY25.
MBB	Private placement: 73 mn shares, 62 mn shares more still await/ Stock dividend: 15%/ Esop: 19.24mn shares	The total additional issued shares are approx 8.6bn shares
LPB	Public offering: 500 mn shares	Price VND10,000/share

- VCB and BID have plans for the largest capital increase in the industry in 2024 through private placement.
- For SOCBs, capital increases become an urgent need to be met as they: 1) are behind private banks in meeting CAR requirements; 2) have lower equity-to-asset (E/A) ratios than the sector average; 3) restructure other banks (VCB); and 4) gain additional resources to accelerate new business strategies and implement the Government's fiscal policies.

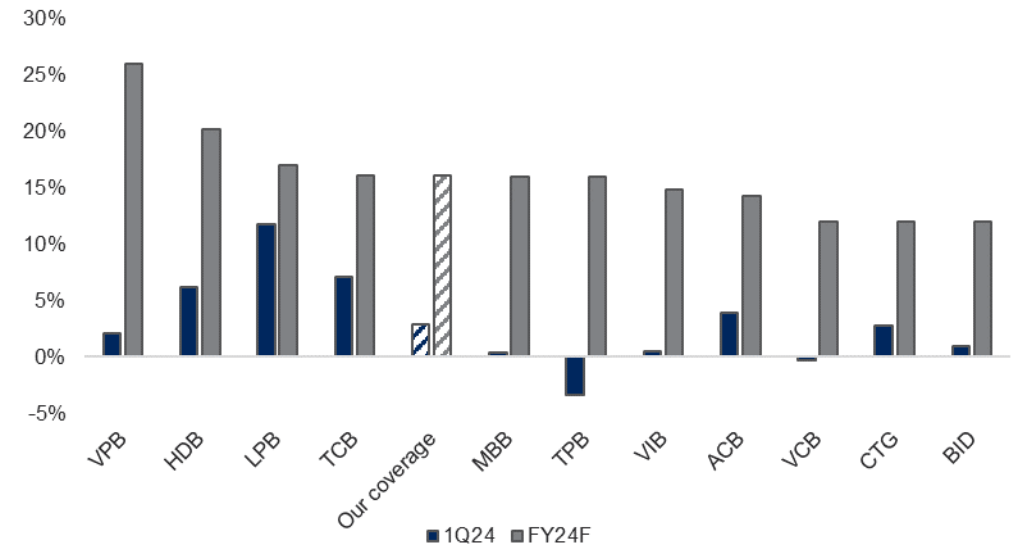
## Banking outlook for 2H24: Credit growth will accelerate from the third quarter of 2024

We believe that credit growth for the entire year of 2024 will achieve the 15% YTD target set by the SBV

### We expect credit growth to meet the SBV's 2024 target



### The differentiation in credit growth among banks

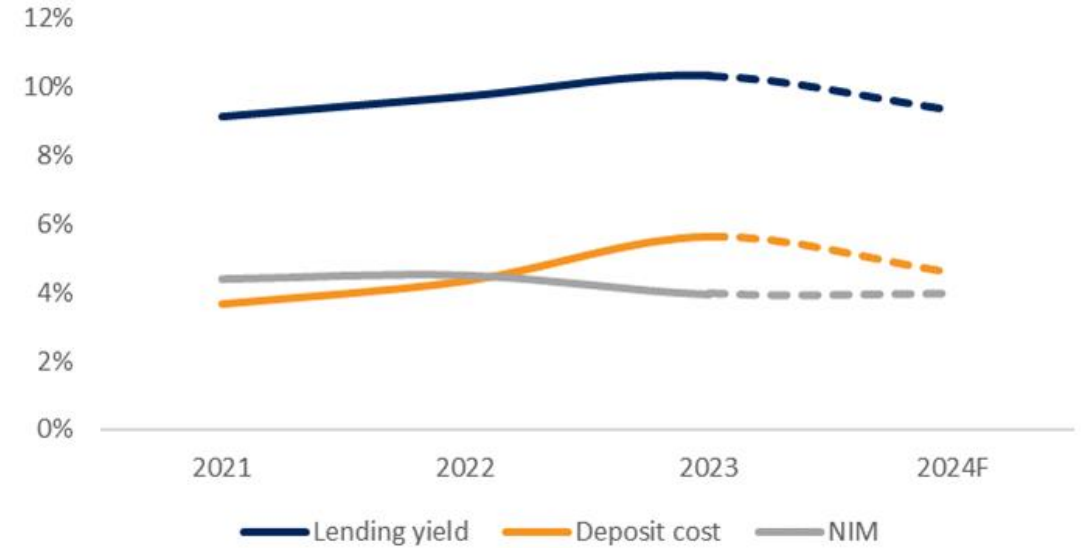
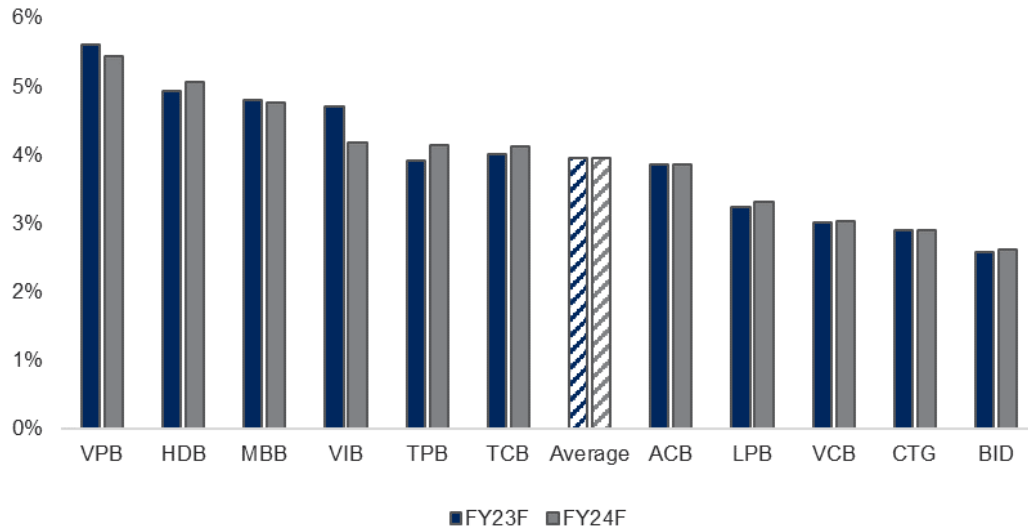


- We anticipate credit growth will reach 15% YTD in FY24, driven by a recovering real estate market and economic rebound. The new Land Law effective August 2024 is expected to resolve legal issues and boost housing supply. There are some solid signs of economic recovery, including GDP grew 6.93% YoY in 2Q24 and the Industrial Production Index (IIP) for June increased by 10.9% YoY, the highest in the past five months.
- VPB, HDB, and MBB are projected to outperform in credit growth due to their involvement in restructuring weak credit institutions and balanced loan portfolios. TCB and LPB will also benefit from a high proportion of real estate and mortgage loans.

## Banking outlook for 2H24: NIM will remain relatively flat compared to previous year

Only a few banks have seen improvement in NIM this year (HDB, TPB, TCB, LPB)

NIM remains flat due to reduced lending rates to support the economy



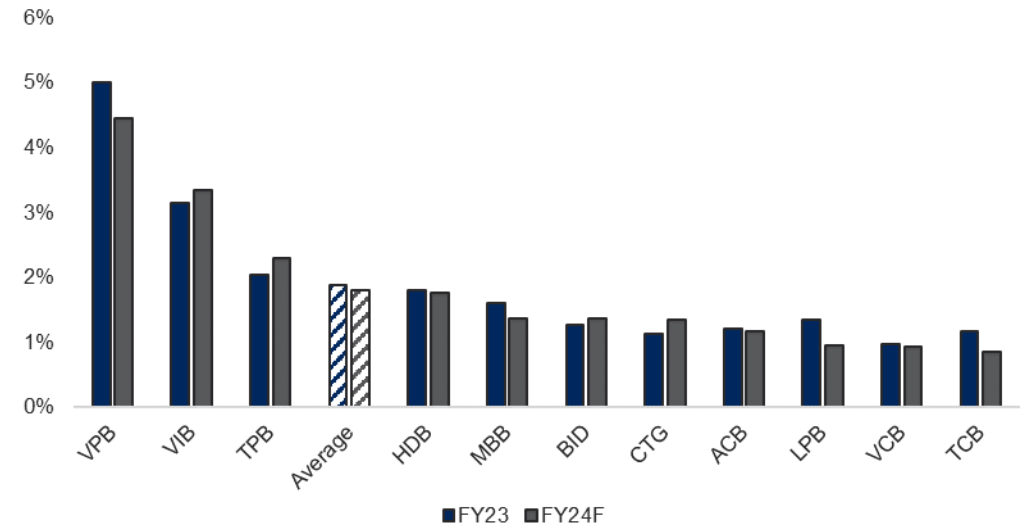
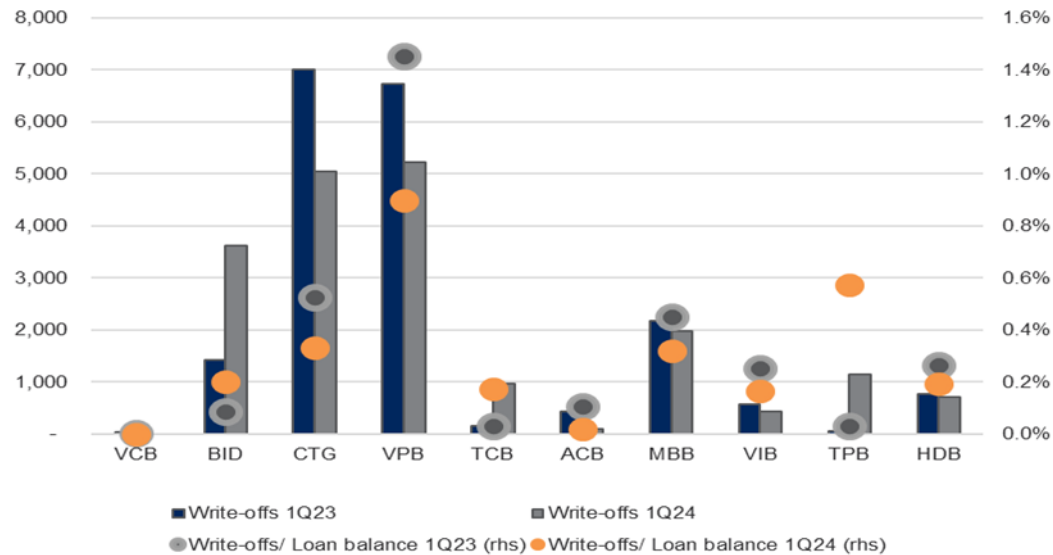
- We expect deposit rates to rise slightly from their recent bottom by about 0.5% to 0.75% by the end of FY24 so cost of funds (COF) will be more significantly affected in 4Q24, as COF across the industry typically lags interest rate trends by three to six months.
- The recovery of credit growth since 3Q24 will help banks pass on part of the increase in the cost of funds to their customers. Overall, the average NIM of the industry is expected to remain flat this year at around 4%.
- We believe that a faster economic recovery starting from the second quarter will help retail banks achieve a better NIM compared to 1Q24 (VPB, VIB, ACB and TPB).

## Banking outlook for 2H24: Asset quality of entire industry will improve compared to 1H24

The two most important drivers are the economic recovery and the ability to liquidate collateral for bad debt

### Banks will continue write-offs to reduce the NPL ratio in 2H24

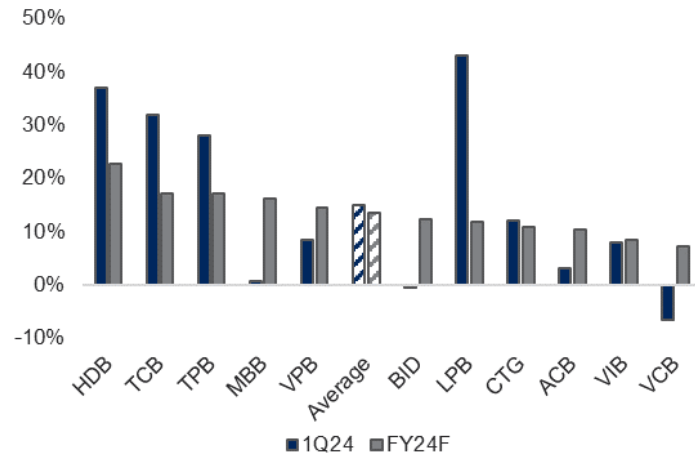
### The sector NPL ratio will slightly decrease from last year



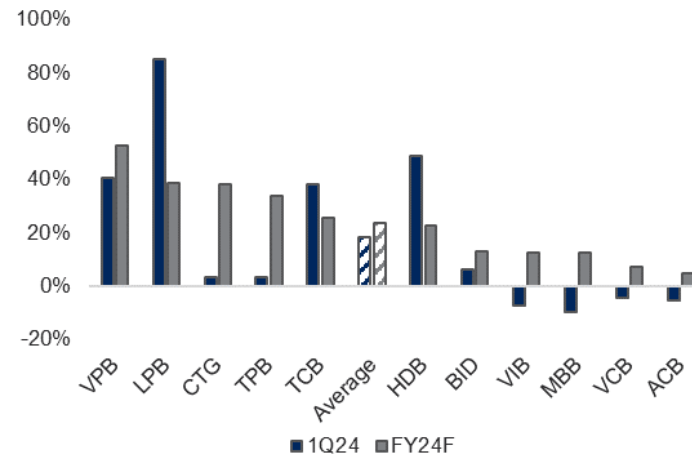
- VCB and ACB have hardly done any write-offs in 1Q24, while the two banks most actively writing off are TPB and VPB.
- We believe that the asset quality of the banking industry will improve in the second half of this year due to: 1) loan interest rates remaining low; 2) economic recovery helping to improve incomes; 3) debt recovery activities are strengthened as the real estate market gradually recovers; 4) the extension of Circular 02 until the end of 2024; and 5) the banks will continue to write off bad loans.

## Banking outlook for 2H24: Business performance will vary significantly among banks

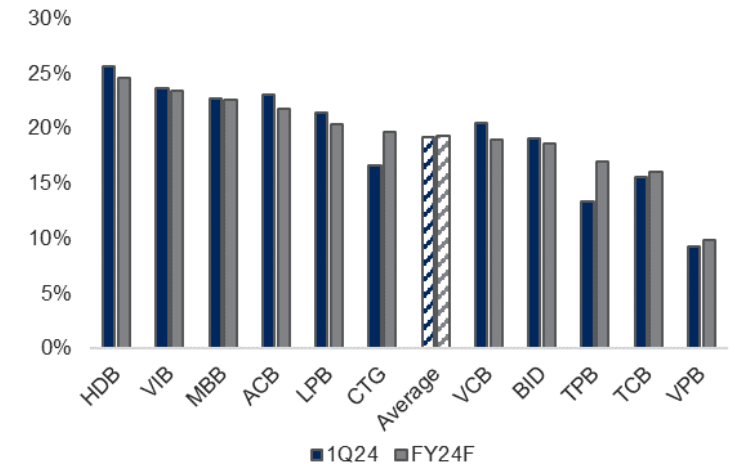
### Differentiation in TOI growth



### Sector net profit growth will accelerate in the 2H24



### ROE will only improve slightly compared to the 1Q24



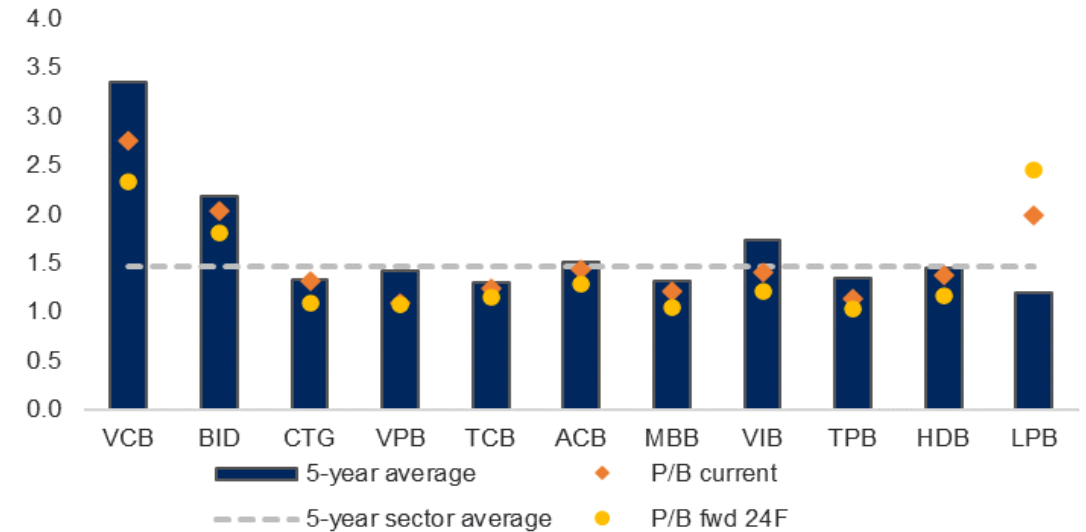
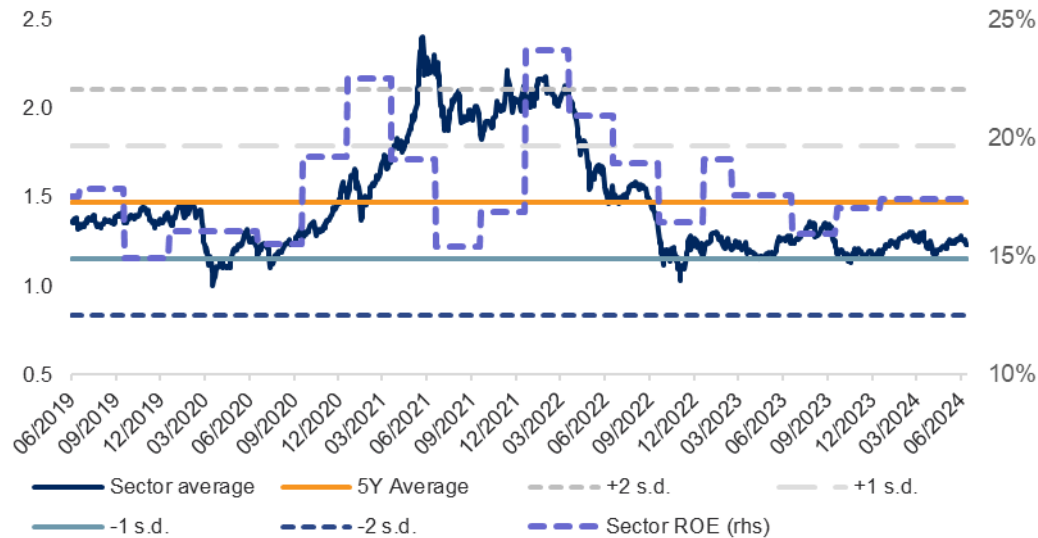
- We forecast that total TOI growth for the entire industry will reach 13.5% YoY (the figure for 1Q24 was 15% YoY). Banks that can maintain high credit growth and stable NIM will have the highest TOI growth in the industry, including HDB, TCB, MBB, and VPB. TPB will also likely experience an impressive recovery due to a low base in FY23.
- We project that net profit growth of the entire banking sector in 2024 will be around 23.8% YoY (the figure for 1Q24 was 18.1% YoY). VPB, LPB, and CTG will likely be the banks with the highest growth in the industry.
- Full-year industry ROE is expected to be around 19.4%, slightly up from the 1Q24 figure (19.2%). Banks forecast to have the highest ROE in the industry are HDB, VIB, and MBB, with levels of 24.65%, 23.45%, and 22.6%, respectively.

## 2H24: Valuation is relatively attractive as economic recovery outlook becomes clearer

After a period of price increases due to loose monetary policy and a low interest rate environment, banking stocks will continue to differentiate and adjust based on business performance

**The current P/B ratio of the banking sector (in our watchlist) is below the five-year average, which is a relatively low valuation**

**The current P/B ratio of most banks in our watchlist is currently at a low level below their own five-year average**

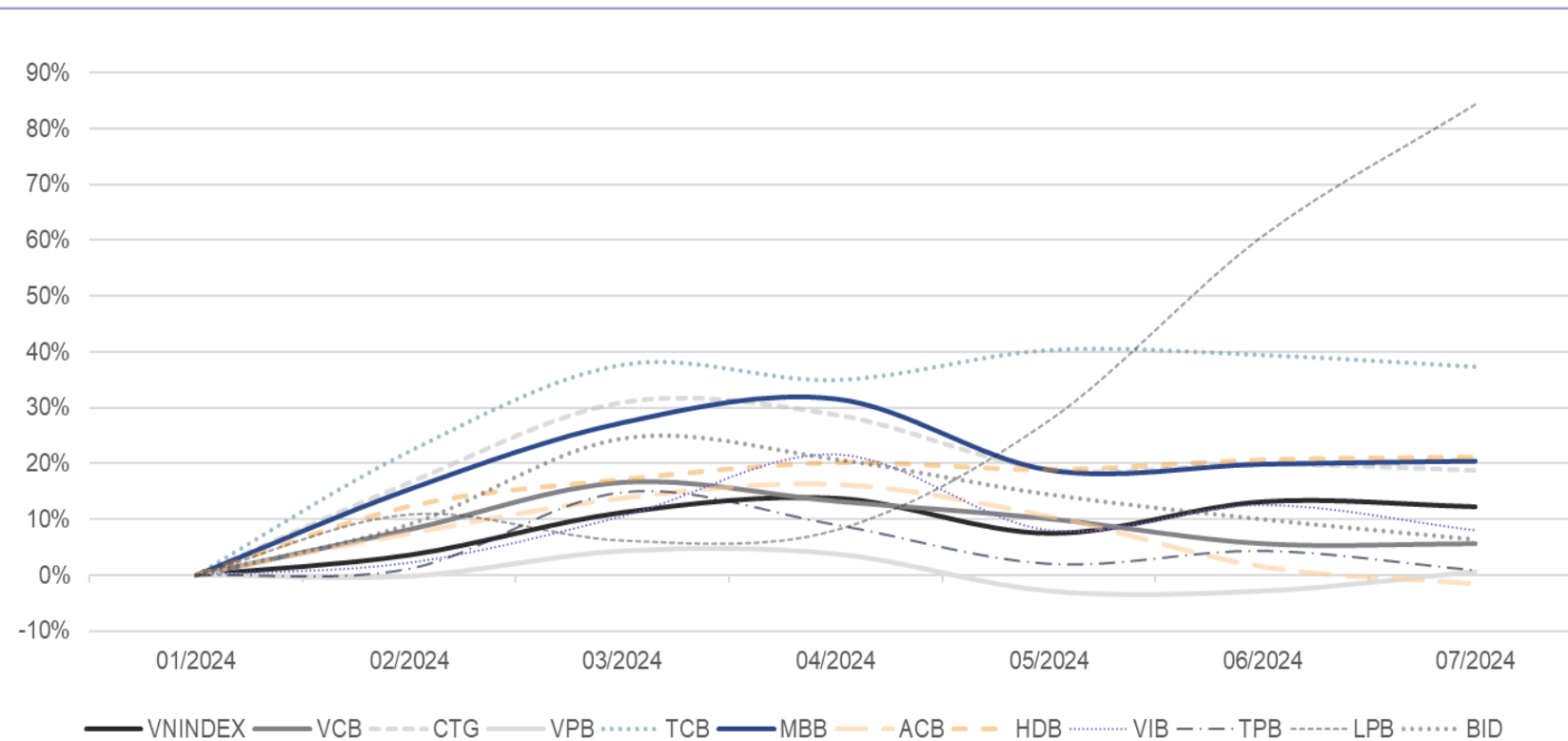


This is a good time to continue selectively accumulating banking stocks based on growth prospects. Our rationale includes:

- A clearer recovery of the real economy in the second quarter of the year alleviates concerns related to the asset quality of the banking system.
- Reduced exchange rate pressure when US interest rates decline, and a more stable macroeconomic environment ease liquidity pressures.
- Banks will be the first sector to benefit from the economic recovery.
- The P/B ratio of the banking sector is lower than the five-year industry average.
- Selling pressure from foreign investors is gradually decreasing due to the second point.

## Investment thesis: Credit growth and successful capital raising are the driving forces behind stock price

Credit growth and successful capital raising will attract investor attention as they demonstrate the resilience, growth potential of the business model, and the ability to withstand economic fluctuations of each bank



- **TCB** and **LPB** were the two stocks with the biggest price increases in the first half of 2024, and they were also the two banks with the highest credit growth in the industry. This clearly demonstrates that a primary investment thesis should focus on the potential for future credit growth.
- **VCB** experienced negative credit growth in the first quarter. We expect that successful capital raising, along with a strategy focused on the retail sector and lending to FDI enterprises, will create expectations of sustainable credit growth for this stock in the eyes of investors.
- **VPB's** stock has moved sideways and underperformed significantly compared to the VN-Index recently, reflecting negative aspects stemming from low credit growth figures and the bank's asset quality, especially issues related to FEC.
- **MBB** is expected to maintain the fifth highest credit growth in the industry and the third highest ROE. Although MBB's stock price has outperformed the VN-Index since the beginning of the year, it still does not fully reflect the growth potential of this bank.

## Stocks picks: VCB, VPB and MBB

Ticker	Investment thesis	Stock information																				
MBB	<p><b>TOI is boosted by robust credit growth and improving asset yield.</b> We forecast 16% credit growth as: 1) MBB received a generous credit quota due to the Ocean Bank transfer; 2) expectations of stronger retail recovery by year-end will benefit MBB as retail lending comprised 43% of credit book; and 3) MBB's corporate client portfolio (comprising 49% of the credit book) will facilitate credit growth as corporates are more likely to refinance than individuals. NIM will improve due to enhanced AY while COF stays intact. AY improves as the interest rate base is expected to rise and demand for retail lending will increase following economic recovery, boosting NIM because retail lending offers higher yields. COF stays unchanged thanks to a consistently high CASA ratio.</p>	<table border="1"> <tr><td>Target Price</td><td>28,400</td></tr> <tr><td>Upside</td><td>24.6%</td></tr> <tr><td>Dividend Yield</td><td>1.9%</td></tr> <tr><td>Market Cap (USDbn)</td><td>4.8</td></tr> <tr><td>3M ADTV (USDmn)</td><td>16.0</td></tr> <tr><td>Foreign room (USDbn)</td><td>0.0</td></tr> <tr><td>P/E TTM</td><td>5.8</td></tr> <tr><td>P/B Current</td><td>1.2</td></tr> <tr><td>ROE</td><td>22.7%</td></tr> <tr><td>FY24 EPS YoY</td><td>1.1%</td></tr> </table>	Target Price	28,400	Upside	24.6%	Dividend Yield	1.9%	Market Cap (USDbn)	4.8	3M ADTV (USDmn)	16.0	Foreign room (USDbn)	0.0	P/E TTM	5.8	P/B Current	1.2	ROE	22.7%	FY24 EPS YoY	1.1%
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FY24 EPS YoY	1.1%																					
<p><b>Leveraging corporate relationships to drive fee revenue.</b> We expect MBB to maintain TOI scale in FY24 thanks to an increase in Non-II based on its large corporate client portfolio and good relationships with military enterprises, which will help MBB boost cross-selling revenue and drive fee income.</p> <p><b>Bad debt pressure will ease toward the end of the year.</b> We project MBB's provision expenses to gradually decrease toward the end of the year, reaching VND8,631 (+25% YoY) driven by: 1) the anticipated economic recovery, increasing borrowers' ability to repay debt, thereby reducing the formation of new bad debt; and 2) the rapid increase in bad debt in 1Q24 due to CIC cross-linked debt, with the expectation that economic recovery will reduce the jump in debt groups and the possibility of CIC debt being reversed, helping MBB reduce provisioning pressure.</p>																						
VPB	<p><b>Q1 results reflect a difficult economy for consumers.</b> In 1Q24, consolidated NIM contracted to 5.52% (-73 bps YoY; -6 bps QoQ), non-interest income decreased by 26.1% YoY (-9% QoQ), and asset quality remained a concern as the NPL formation rate and group 2 loans continued to rise (+141 bps QoQ, +9 bps YoY).</p>	<table border="1"> <tr><td>Target Price</td><td>23,700</td></tr> <tr><td>Upside</td><td>23.8%</td></tr> <tr><td>Dividend Yield</td><td>0.0%</td></tr> <tr><td>Market Cap (USDbn)</td><td>5.9</td></tr> <tr><td>3M ADTV (USDmn)</td><td>14.8</td></tr> <tr><td>Foreign room (USDbn)</td><td>0.2</td></tr> <tr><td>P/E TTM</td><td>12.5</td></tr> <tr><td>P/B Current</td><td>1.1</td></tr> <tr><td>ROE</td><td>9.3%</td></tr> <tr><td>FY24 EPS YoY</td><td>40.0%</td></tr> </table>	Target Price	23,700	Upside	23.8%	Dividend Yield	0.0%	Market Cap (USDbn)	5.9	3M ADTV (USDmn)	14.8	Foreign room (USDbn)	0.2	P/E TTM	12.5	P/B Current	1.1	ROE	9.3%	FY24 EPS YoY	40.0%
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<p><b>Consumer recovery will drive strong VPB credit growth from 3Q24.</b> evidenced by the RSI index increasing by 9.5% YoY in May. This will be a driving force for credit growth to reach 21%, outpacing the sector's projected 15% growth, increasing TOI by 14% in FY24F.</p> <p><b>With successful restructuring, FEC can drive long-term ROE expansion.</b> We forecast ROE to expand from 9.9% in 2023 to 17% in 2026, driven by a return to profitability at FE Credit. FEC's restructuring brought positive signals as the company shifted toward customers with good credit histories. We expect FE Credit's NPLs to peak by end-2Q24, after the impact of the most severe credit issues come to an end. We expect FEC to record a loss this year due to a loss in 1Q24 but anticipate improving consumer demand to drive profits in 2025.</p> <p><b>Partnership with SMBC can support increased FDI lending.</b> The recovery momentum of TOI was maintained in 1Q24 (+8.5% YoY; +0.6% QoQ). This growth was driven by solid credit growth of 2.1% YTD, which mitigated the impact of declining NIM and Non-II. VPB can still expand lending to FDI customers thanks to its partnership with SMBC.</p>																						

## Stock picks: VCB, VPB and MBB

Ticker	Investment thesis	Stock information																				
VCB	<p><b>Lending to FDI customers and corporates will accelerate credit growth.</b> We expect 2H24 credit growth to improve due to increased lending to FDI customers and major investment projects. Levering off SOE relationships, VCB has won project loans such as Long Thanh Airport (USD1bn) and Block B-O Mon (total investment value of USD12bn). VCB also held a 43% market share in lending to foreign enterprises in 2022, the highest among listed banks, thanks to its brand advantage, leading position in international trade, and low cost of capital.</p> <p><b>NIM expanded compared to the previous quarter as CASA ratio improved.</b> Quarterly NIM increased 26bps QoQ but edged down 2bps YoY, reaching 3.16%. We forecast FY24 NIM to remain flat as VCB continues to reduce lending rates in line with SBV guidance. However, NIM will be partially supported by its ability to maintain low deposit rates and by improvement in its CASA ratio. Lending to large enterprises will contribute to improving the CASA ratio through payment, payroll, and foreign exchange services.</p> <p><b>Premier asset quality with largest provision buffer within banking sector.</b> 1Q24 NPL ratio rose 24bps QoQ to 1.2% and the NPL formation rate increased 25% pts QoQ (+1% pts YoY). However, VCB's NPL ratio remained the second lowest in the industry. VCB still has room to release provisions for write-offs due to its 200% Loan Loss Reserve (LLR), the highest in the industry, and because the bank did not write off any bad debt in 1Q24. We expect the NPL ratio to peak in 2Q24 while the write-off rate may increase to 0.5% for FY24.</p>	<table border="1"> <tr> <td>Target Price</td> <td>111,800</td> </tr> <tr> <td>Upside</td> <td>27.0%</td> </tr> <tr> <td>Dividend Yield</td> <td>0.0%</td> </tr> <tr> <td>Market Cap (USDbn)</td> <td>19.3</td> </tr> <tr> <td>3M ADTV (USDmn)</td> <td>5.5</td> </tr> <tr> <td>Foreign room (USDbn)</td> <td>1.3</td> </tr> <tr> <td>P/E TTM</td> <td>14.6</td> </tr> <tr> <td>P/B Current</td> <td>2.7</td> </tr> <tr> <td>ROE</td> <td>20.5%</td> </tr> <tr> <td>FY24 EPS YoY</td> <td>7.2%</td> </tr> </table>	Target Price	111,800	Upside	27.0%	Dividend Yield	0.0%	Market Cap (USDbn)	19.3	3M ADTV (USDmn)	5.5	Foreign room (USDbn)	1.3	P/E TTM	14.6	P/B Current	2.7	ROE	20.5%	FY24 EPS YoY	7.2%
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## Comparison of financial indicators among the banks in the watchlist

Banks	Ticker	Upside (%)	Market cap (USDmn)	NIM (%)		NPL (%)		P/B (x)		P/E (x)		3-yr Forward EPS CAGR	ROA (%)		ROE (%)	
				TTM	FY24F	TTM	FY24F	Current	FY24F	TTM	FY24F	%	TTM	FY24F	TTM	FY24F
Vietcombank	VCB VN	27.6%	18,702	3.1%	3.0%	1.2%	0.9%	2.7	2.4	14.6	13.8	15.5%	1.8%	1.8%	20.5%	19.0%
Vietinbank	CTG VN	23.4%	6,601	3.0%	2.9%	1.3%	1.4%	1.3	1.1	8.4	8.3	21.1%	1.0%	1.3%	16.6%	19.7%
BIDV	BID VN	8.4%	9,963	2.6%	2.6%	1.5%	1.4%	2.0	1.9	11.6	16.8	9.9%	1.0%	1.0%	19.1%	18.7%
Vietnam Prosperity JSC Bank	VPB VN	24.7%	5,920	5.7%	5.4%	4.8%	4.4%	1.1	1.1	12.5	11.1	22.4%	1.5%	1.4%	9.3%	10.8%
Techcombank	TCB VN	18.0%	6,641	3.6%	4.1%	1.1%	0.9%	1.2	1.1	8.6	7.0	15.5%	2.5%	2.5%	15.6%	16.0%
Military Commercial JSB	MBB VN	37.8%	4,689	4.8%	4.8%	2.5%	1.4%	1.2	1.1	5.8	6.2	4.6%	2.4%	2.1%	22.7%	20.1%
Asia Commercial Bank JSC	ACB VN	22.5%	4,228	4.0%	4.0%	1.5%	1.2%	1.4	1.3	6.8	6.4	8.2%	2.4%	2.2%	23.0%	21.8%
HD Bank	HDB VN	20.9%	2,597	5.3%	5.1%	2.2%	1.8%	1.4	1.2	5.9	5.7	13.6%	2.1%	1.9%	25.6%	24.6%
Vietnam International Bank	VIB VN	39.0%	2,117	4.6%	4.2%	3.6%	3.3%	1.4	1.2	6.4	5.7	20.0%	2.2%	2.2%	23.7%	23.4%
Tien Phong Commercial JSB	TPB VN	31.5%	1,518	4.2%	4.1%	2.2%	2.3%	1.1	1.1	8.6	6.6	11.4%	1.3%	1.6%	13.3%	17.0%
LPBank	LPB VN	-24.2%	2,888	3.0%	3.3%	1.4%	1.0%	2.0	2.7	10.7	10.5	5.7%	1.8%	1.9%	21.5%	20.3%
<b>Average</b>		<b>20.9%</b>		<b>4.0%</b>	<b>4.0%</b>	<b>2.1%</b>	<b>1.8%</b>	<b>1.5</b>	<b>1.5</b>	<b>9.1</b>	<b>8.9</b>	<b>13.4%</b>	<b>1.8%</b>	<b>1.8%</b>	<b>19.2%</b>	<b>19.2%</b>

# Financial services

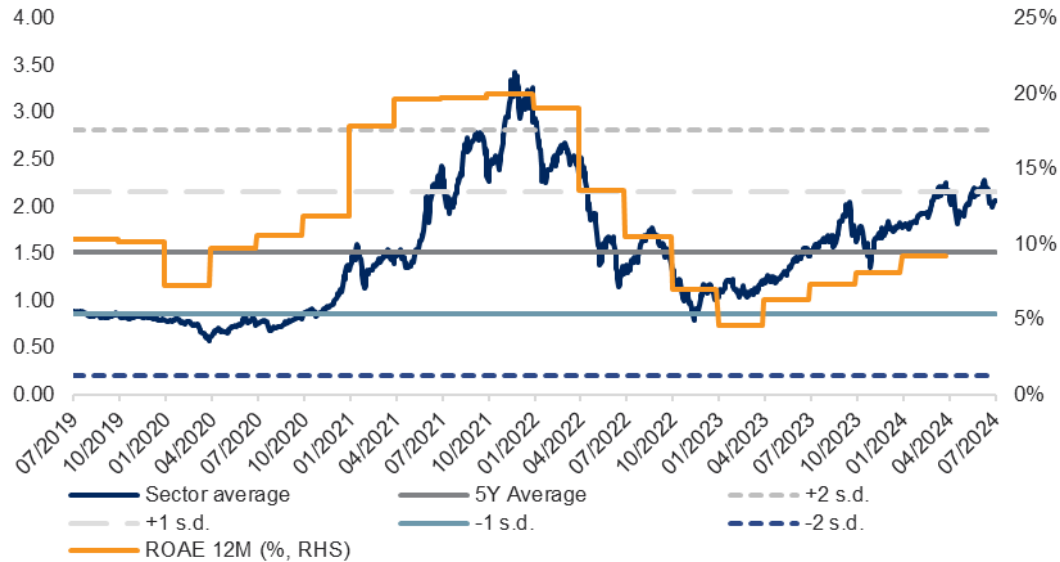
**Sector valuation has been fully priced in**



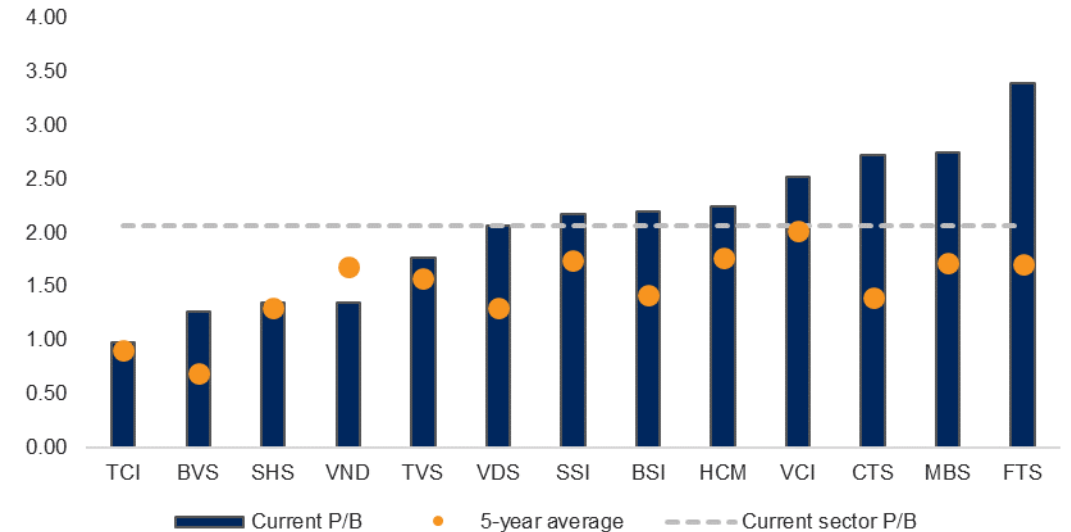
## 1H24 recap: Valuation of securities sector reflects its long-term growth potential

The long-term growth potential of the securities sector is reflected in its valuation. Thus, its valuation is not as attractive as other sectors especially in the context of long-term prospects related to KRX deployment, the upgrade to an emerging market, and a Fed rate cut that was expected in March, all of which have been delayed

### Valuation of securities sector is at a reasonable level



### Performance of sectors in Vietnam's stock market from the beginning of the year

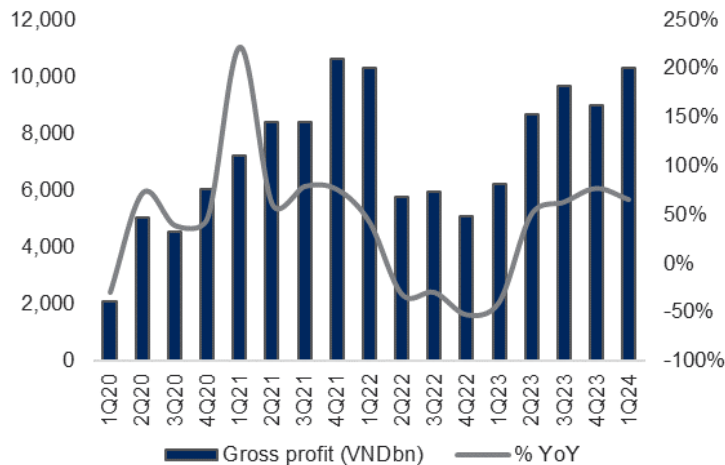


- Securities sector is trading at +1 standard deviation of five-year average P/B of the sector, which reflects its long-term growth potential.
- Most current P/B ratios of companies in the sector are higher than their five-year averages, except for VND.

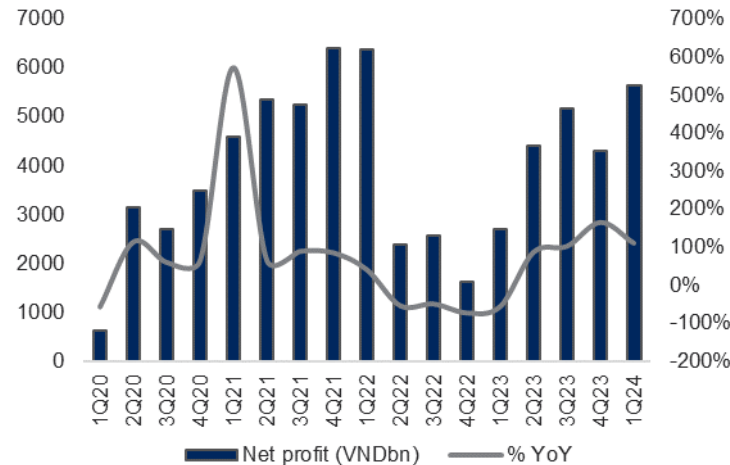
## 1H24 Recap: Upward momentum of VN-Index helps industry's profits recover

Earnings growth was strong amid average trading volume (ADTV) surging 110.9% YoY in 1Q24

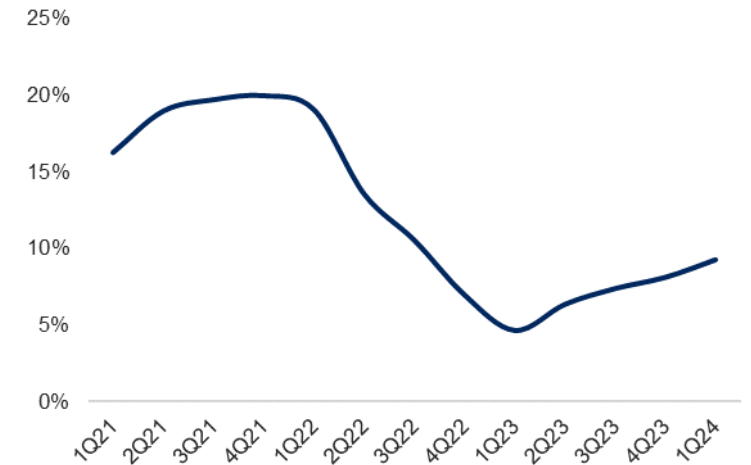
### Gross profit has maintained high growth since 2Q23



### Net profit has experienced the same trend



### Trailing ROE has extended its upward momentum

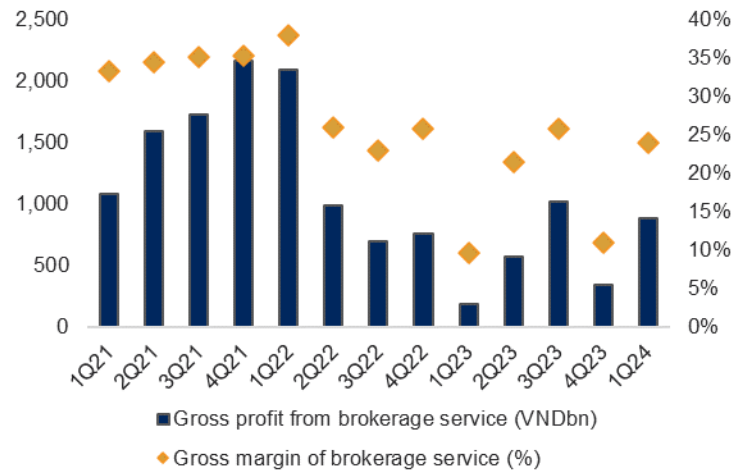


- Gross profit (GP) surged by 65.5% YoY (+14.9% QoQ) in 1Q24, extending high growth levels since 2Q23. The surge was driven by gross profit from brokerage services, which increased by 373% YoY amid: 1) an average daily trading volume (ADTV) on three main bourses rising by 110.9% YoY and 31.0% QoQ; and 2) a decline in commission rate costs to 76% from 90% in 1Q23.
- Net profit (NP) soared by 114.4% YoY (+34.9% QoQ) in 1Q24 due to: 1) operating revenue increased 29% YoY while operating costs decreased 7.06% YoY; and 2) interest costs slumping to 4.7% from 6.9% in 1Q23.
- Amid the vigorous growth of NP, trailing ROE has been in an upward trajectory since 2Q23.

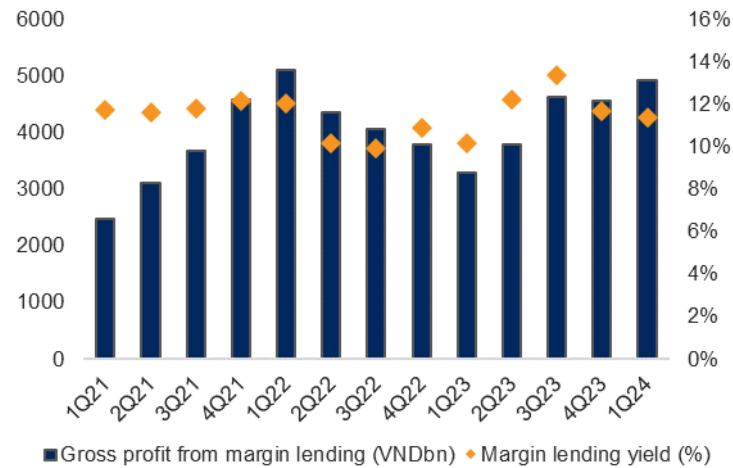
## 1H24 Recap: Upward momentum of VN-Index helps industry's profits recover

The zero-fee war is causing the gross profit margin of the brokerage segment to shrink

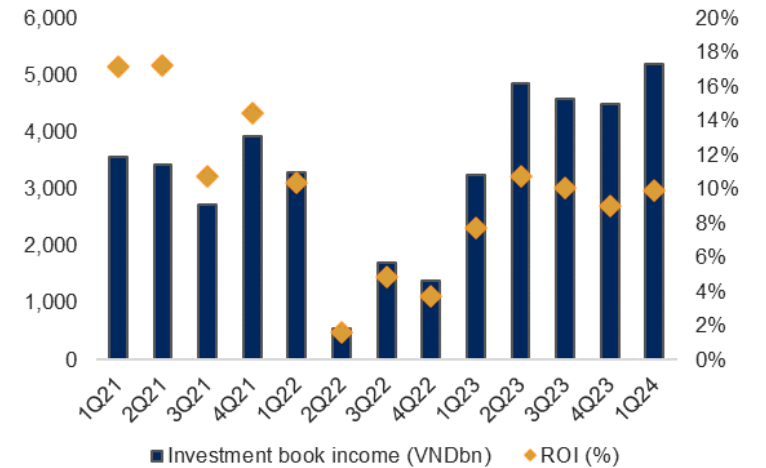
**Gross profit margin (GP) of brokerage service was lower than three-year average**



**Margin lending yield was one quarter behind lending yield trend of banking sector**



**ROI of investment maintained high level**

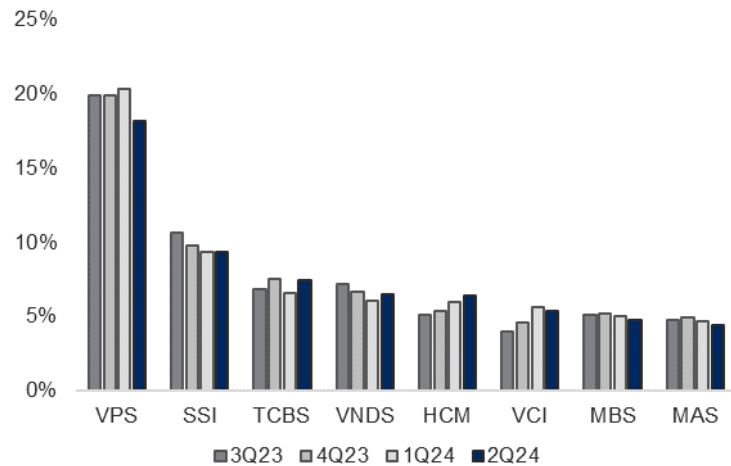


- GP of brokerage service was 23.9% in 1Q24, lower than its three-year average of 26.6%, because of a reduction of trading fee (1Q24: 0.13% vs three-year average of 0.17%) and higher brokerage expense (1Q24: 76% vs three-year average of 73%).
- Although the margin lending yield for the entire industry has seen a second consecutive quarterly decline, from 10.4% in 3Q23 to 10.7% in 1Q24, margin lending income for the industry has continued to increase for a third consecutive quarter (+49.2% YoY, +7.3% QoQ), due to a significant rise in the industry's margin loans (+67% YoY).
- Investment book income soared 59.9% YoY (+15.6% QoQ), mainly driven by a net gain from FVTPL (+84.2% YoY, +20.7% QoQ). The ROI of the investment book rose to 9.9% in 1Q24, maintaining its high level since 2Q23, in alignment with the strong VN-Index performance.

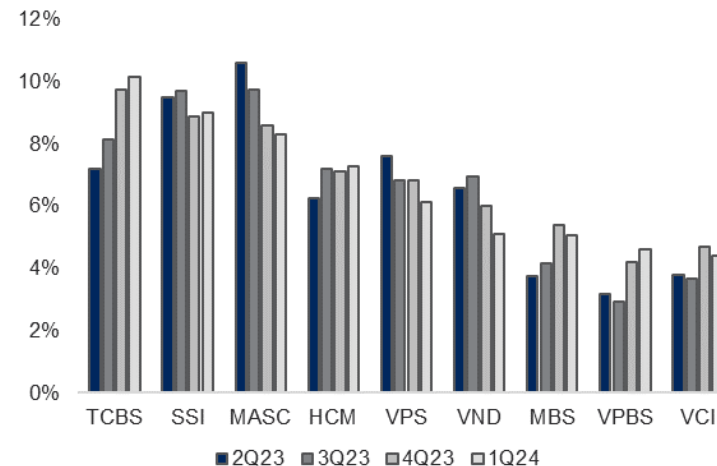
## 1H24 Recap: Companies in the industry are trying to increase their retail market shares

HSC and VCI are gradually gaining brokerage market share, while TCBS is emerging as a leader in the margin lending segment

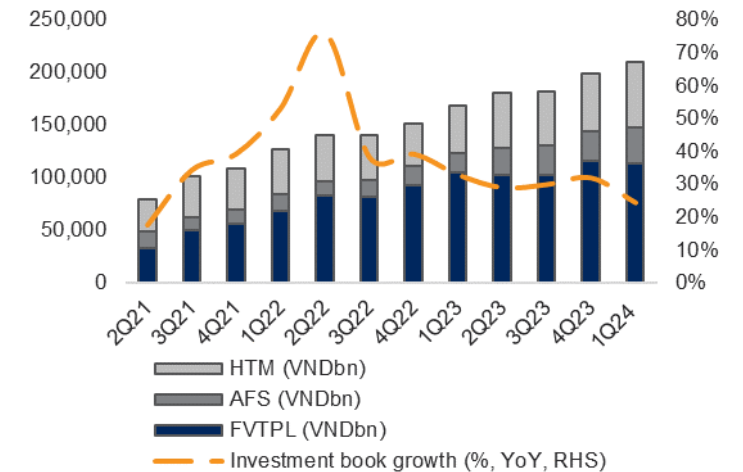
Brokerage market share of VN-Index (%)



Margin loans market share (%)



Growth (%) and investment portfolio structure of the industry (VND bn)

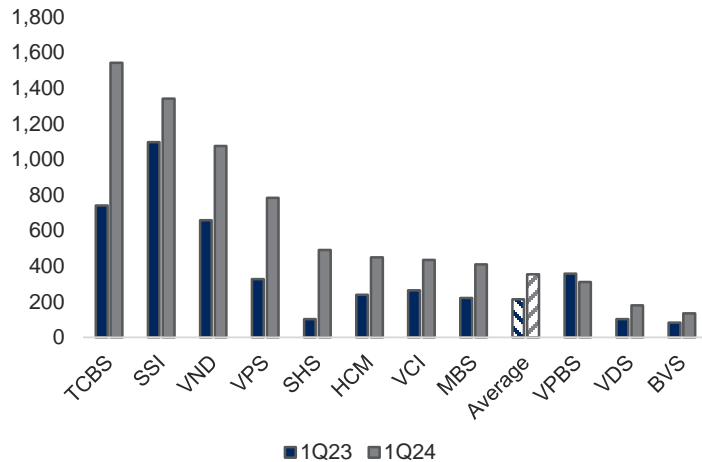


- VPS maintains its leading position with a highly commissioned brokerage team, though its 2Q24 market share fell to 19.2% due to pressure from TCBS, VNDS, HCM, and VCI. TCBS holds third place with a low-fee trading strategy, while HSC and VCI are gaining market share by expanding into the retail segment.
- TCBS, SSI, and MASC lead the margin loans market with different strategies: 1) low-interest margin loans (MASC) or flexible margin policies (SSI, TCBS); 2) low transaction fees to offset non-competitive margin rates (TCBS); 3) experienced advisors and a comprehensive product ecosystem (SSI); and 4) leveraging the parent bank's customer base (TCBS).

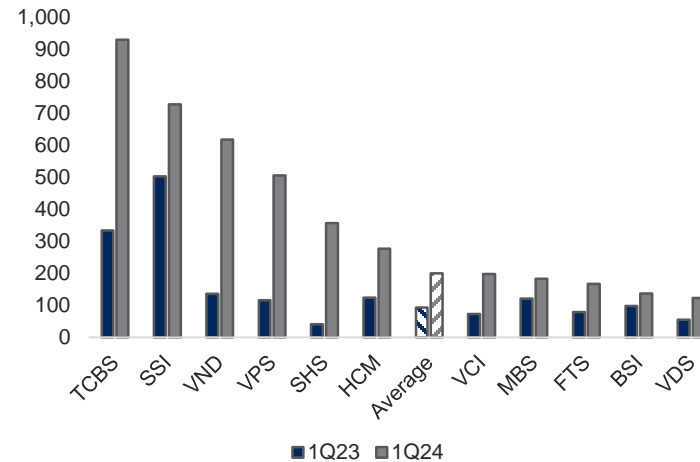
## 1H24 Recap: Profits grew well, following overall industry trend

TCBS has risen to become the most profitable securities company in the market in 1Q24

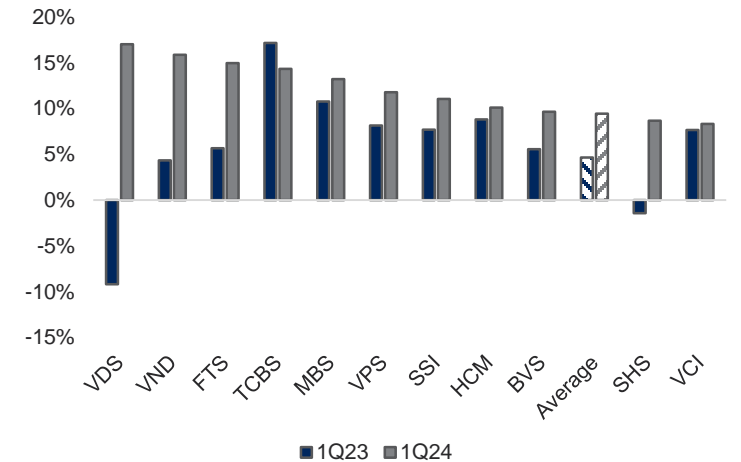
Gross profit (VNDbn)



Net profit (VNDbn)



ROE TTM (%)



- Most securities companies experienced higher gross profit in 1Q24 compared to 1Q23, following the overall industry trend. However, VPBS saw a decrease in profit YoY due to a 59.2% drop in profit from its investment book in 1Q24.
- Similarly, following the industry trend, most securities companies saw growth in net profit and an increase in ROE. Thanks to increased market share in brokerage and margin lending, TCBS has risen to become the most profitable securities company in the market. However, TCBS's ROE decreased because its equity increased significantly by 117% YoY in 1Q24, thanks to capital raised from 2Q23.

## Operating in the KRX system and the prospects of a market upgrade

### Rating Agencies Criteria that Vietnam needs to improve to be upgraded in emergin markets

#### FTSE

Yet to meet the delivery versus payment (DvP) criterion, which is currently rated as 'Restricted' due to the market practice of conducting a pre-trading check to ensure the availability of funds prior to trade execution

Cost of processing failed transactions. Currently not scored because investors are required to have 100% of funds before executing a trade

#### MSCI

The foreign ownership limit (FOL) level

Foreign room level

Equal rights for foreign investors

Foreign exchange market liberalization level

Information flow

Clearing and settlement

Possibility of off-exchange transactions

Stock lending

Short selling

**2H24**

We expect that the KRX system will be officially operational

**2H24**

New circulars on stock transacting regulation, including removing requirement of having 100% of funds in the account before executing a transaction

**2025**

Implementing the centralized partner offset model (CCP)

**11/2025**

MSCI is expected to decide on upgrading Vietnam's market to an emerging market

**11/2026**

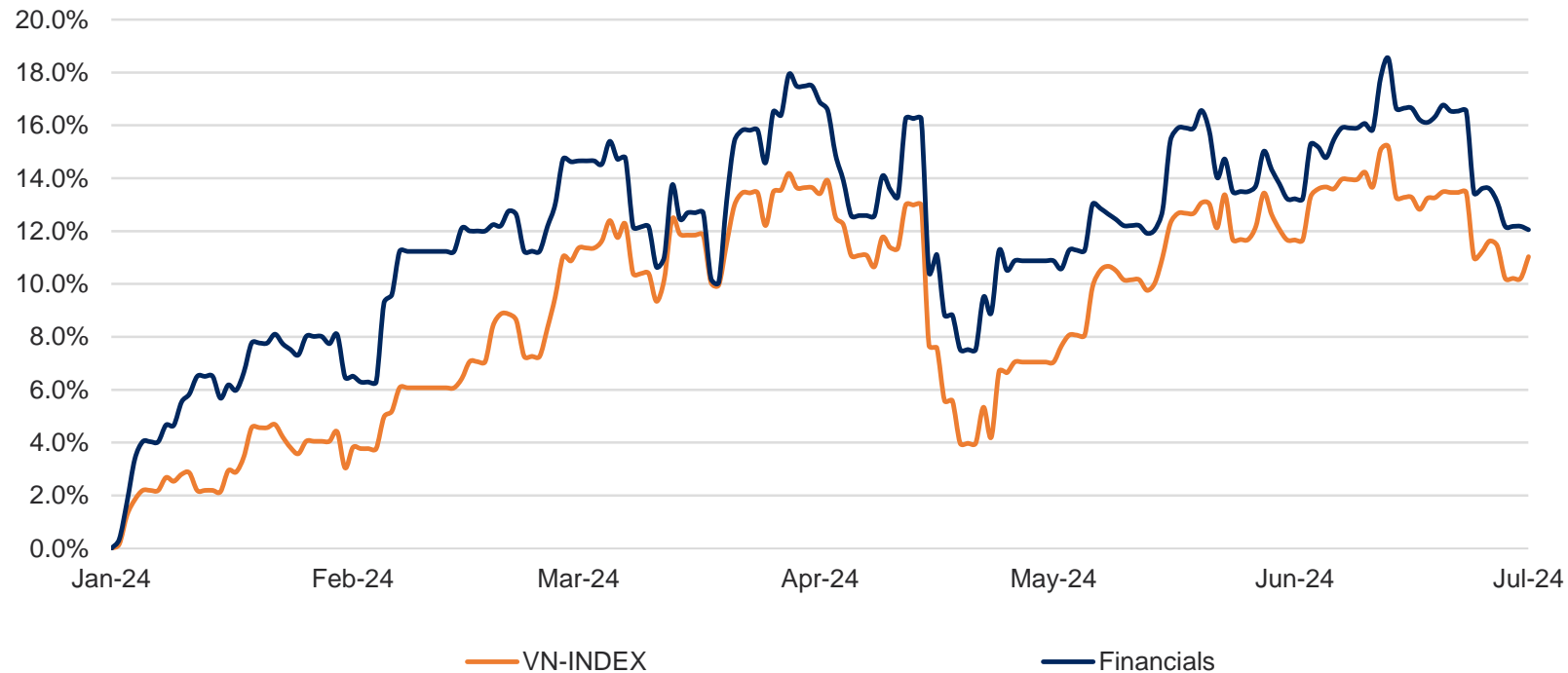
MSCI is expected to officially upgrades Vietnam's market to an emerging market

- The KRX system had planned to begin operation in May 2024 but has been delayed due to legal matters.
- However, regulatory authorities are making efforts to expedite the system's launch. In addition, authorities are also rushing to finalize regulations removing the requirement of having 100% of funds in the account before executing a transaction.
- The KRX system is not only operational to support the deployment of new products and improve liquidity but also to replace the entire current trading and clearing settlement system. We expect that the KRX system can be launched by 2024

## 2H24: We expect the Financial Services sector to perform in-line with the VN-Index

Our house base-case forecast is that the VN-Index will rise ~9% in 2H24 to reach 1,330 -1,350.

### The financial services sector' stock performance is quite in line with the VN- Index

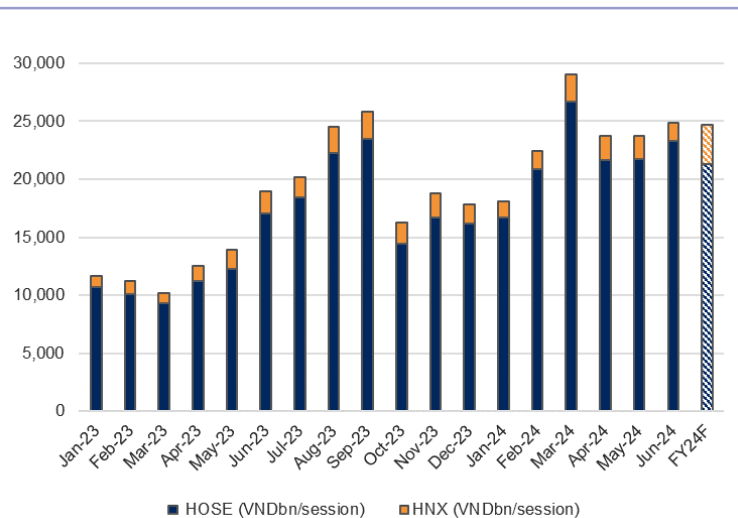


Currently, the KRX system is planned to go live in 2H24. If this happens on schedule or ahead of schedule, it would be a catalyst for the Financial Services sector to outperform the broader market.

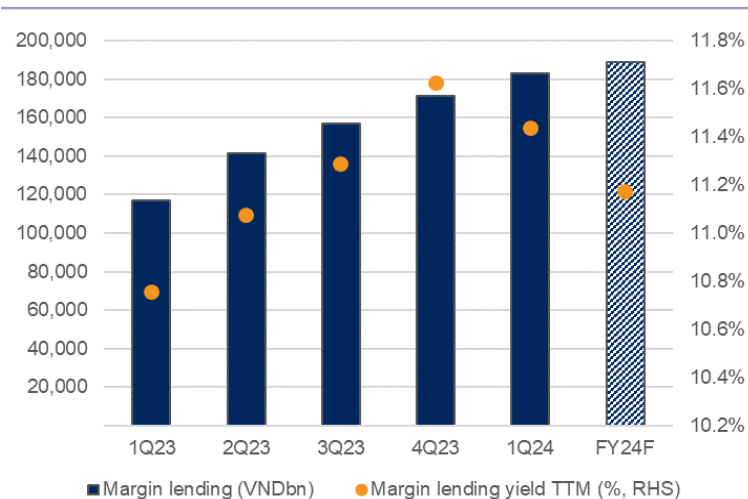
## 2H24: Investment efficiency crucial to performance

In the context of companies continuously increasing their capital, investment efficiency will be a key differentiator in the business results of companies in the sector

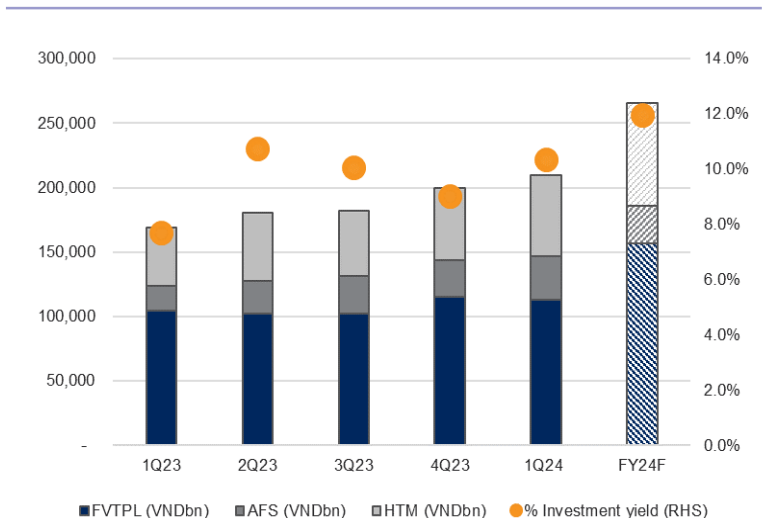
### Current ADTV on HOSE and HNX and projected FY24 ADTV (unit: VNDbn)



### Margin lending balance is expected to remain while margin lending yield will fall toward the end of the year



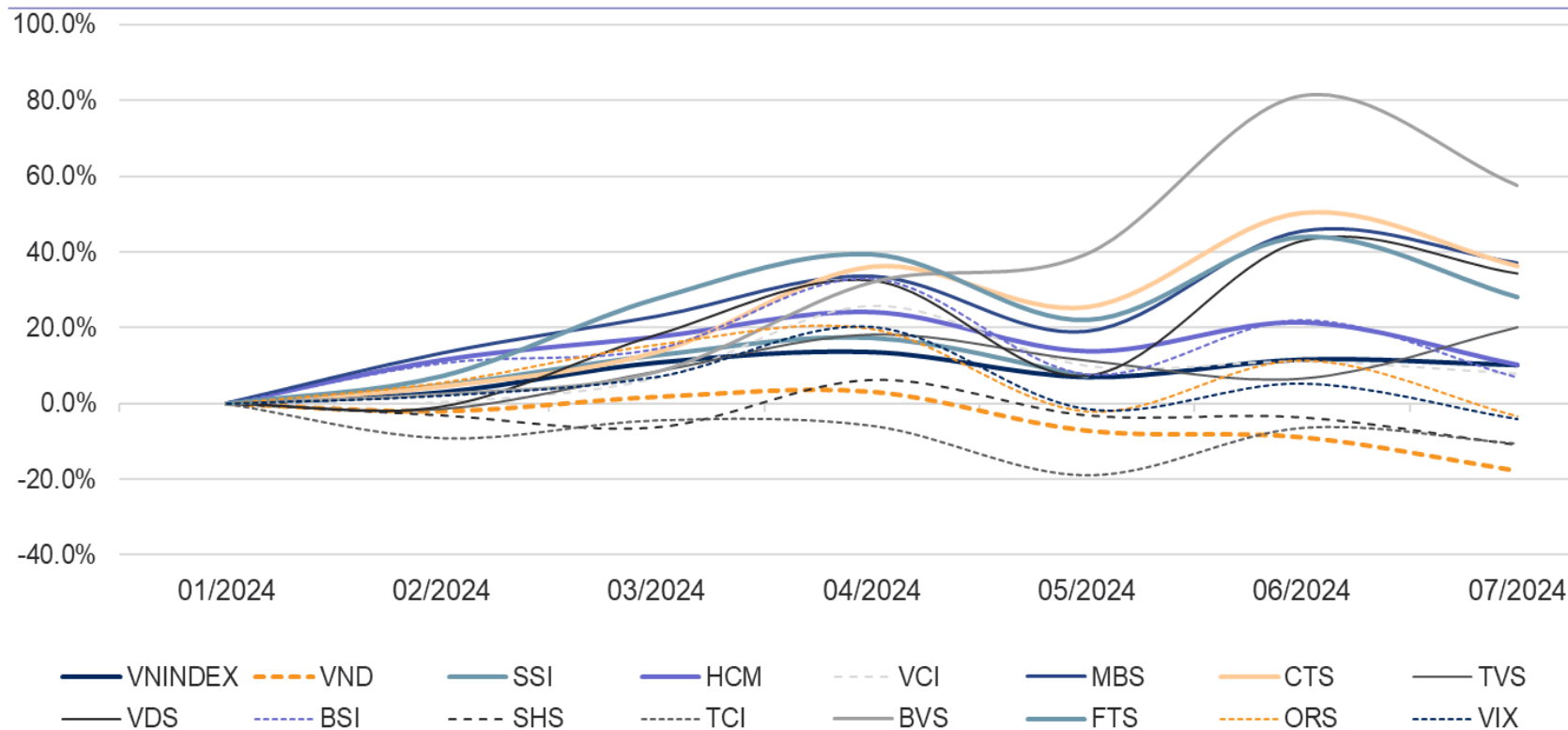
### Investment book will rise thanks to increasing capital optimizing needs



- We forecast the ADTV for 2024 to be approximately VND25tn (USD983mn) (+40% YoY). However, the ADTV in the second half of 2024 will remain almost flat compared to the first half of 2024.
- We also think the margin lending balance in the industry will struggle to see substantial growth compared to 1H24 amid unchanged market liquidity. However, we anticipate that margin lending yield will decrease as large brokerage firms (SSI, HCM, MAS, HSC) reduce their margin lending yields to expand their market share.
- We forecast that the investment book will increase to VND265tn (USD10.4bn)(+33% YoY) and the investment yield will be around 12% at the end of 2024.

## 2H24: Valuations broadly reflect the ROE of most stocks in the sector

There has been significant differentiation of share price performance across the sector this year.



- There is a significant divergence among stocks in the securities sector, with only about half of the stocks in the sector outperforming the VN-Index from the beginning of the year to now, including: HCM, VCI, MBS, CTS, TVS, VDS, BVS and FTS.
- The stocks that have consistently outperformed the index for the past seven consecutive months are BVS, VDS, MBS and CTS. BVS, which recorded the strongest performance in 1Q24, rising nearly 60%, also has the highest ROE at 9.7%.
- Most of these companies have the highest ROE in the industry, so we believe that their values have largely been reflected in the stock's price increase.

## Peer comparison

Company name	Ticker	Mkt cap (USDmn)	P/BV (x)		P/E (x)		ROE (%)		ROA (%)		Net profit growth YoY (%)		Total operation income YoY (%)	
			Current	FY24F	TTM	FY24F	TTM	FY24F	TTM	FY24F	FY23	FY24F	FY23	FY24F
SSI Securities Corp	SSI VN	2,039	2.2	2.2	20.2	21.4	10.1%	11.2%	3.8%	3.6%	35.0%	21.2%	13.0%	13.5%
Ho Chi Minh City Securities Corp	HCM VN	761	2.3	2.0	22.4	20.4	8.3%	9.9%	4.0%	4.7%	-20.9%	54.0%	-25.6%	16.3%
Vietcap Securities JSC	VCIVN	821	2.5	2.6	33.6	20.7	7.1%	13.1%	5.6%	5.6%	-43.4%	104.1%	-21.7%	21.4%
VNDirect Securities Corp	VND VN	993	1.3	N/A	9.2	N/A	15.8%	N/A	6.4%	N/A	65.7%	N/A	-3.9%	N/A
MB Securities JSC	MBS VN	552	2.7	N/A	22.5	N/A	12.7%	N/A	5.0%	N/A	13.6%	N/A	-7.3%	N/A
VietinBank Securities JSC	CTS VN	231	2.7	N/A	21.3	N/A	13.8%	N/A	4.1%	N/A	163.7%	N/A	31.2%	N/A
Thien Viet Securities JSC	TVS VN	154	1.8	N/A	12.6	N/A	15.6%	N/A	2.5%	N/A	469.7%	N/A	30.4%	N/A
Viet Dragon Securities Corp	VDS VN	212	2.1	N/A	13.2	N/A	17.0%	N/A	8.2%	N/A	-387.1%	N/A	-6.2%	N/A
BIDV Securities JSC	BSI VN	421	2.2	N/A	23.9	N/A	9.6%	N/A	5.3%	N/A	263.3%	N/A	15.6%	N/A
Sai Gon-Ha Noi Securities JSC	SHS VN	565	1.4	N/A	16.4	N/A	8.7%	N/A	7.6%	N/A	244.8%	N/A	-5.3%	N/A
Thanh Cong Securities Co	TCI VN	49	1.0	N/A	16.9	N/A	5.9%	N/A	4.6%	N/A	-16.5%	N/A	-20.3%	N/A
Bao Viet Securities Co	BVS VN	119	1.3	N/A	14.9	N/A	9.7%	N/A	4.1%	N/A	33.2%	N/A	1.8%	N/A
FPT Securities JSC	FTS VN	514	3.4	N/A	24.1	N/A	14.9%	N/A	7.8%	N/A	39.8%	N/A	11.0%	N/A
<b>Avg.</b>			<b>2.1</b>	<b>2.3</b>	<b>19.3</b>	<b>20.8</b>	<b>11%</b>	<b>11%</b>	<b>5%</b>	<b>5%</b>	<b>66%</b>	<b>60%</b>	<b>1%</b>	<b>17%</b>

# Residential property

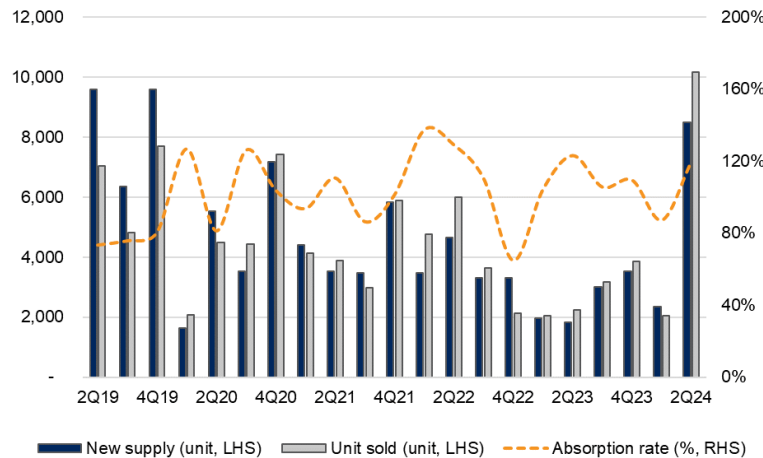
**From slow to steady: Market poised for a gradual rebound**



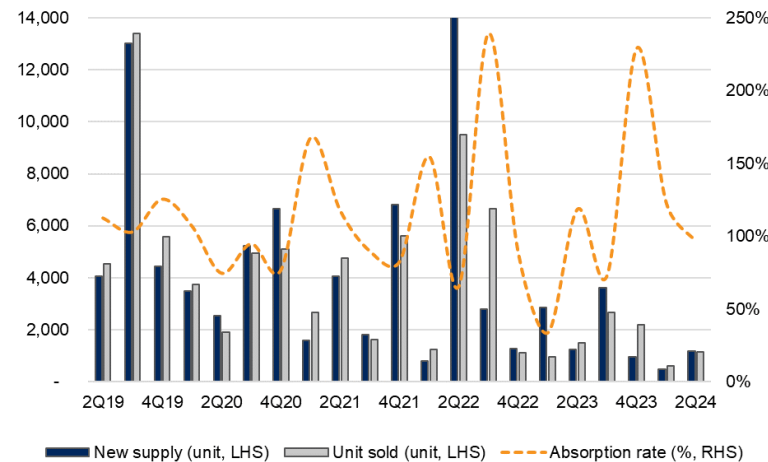
## 1H24 Recap: Hanoi market thrived, while HCMC slowly recovered

In 1H24, new apartment supply in HCMC was the lowest in 15 years, however absorption rate remained >100%. Meanwhile, Hanoi saw strong supply growth, absorption rate also accelerated. Average primary prices continued to rise in both markets.

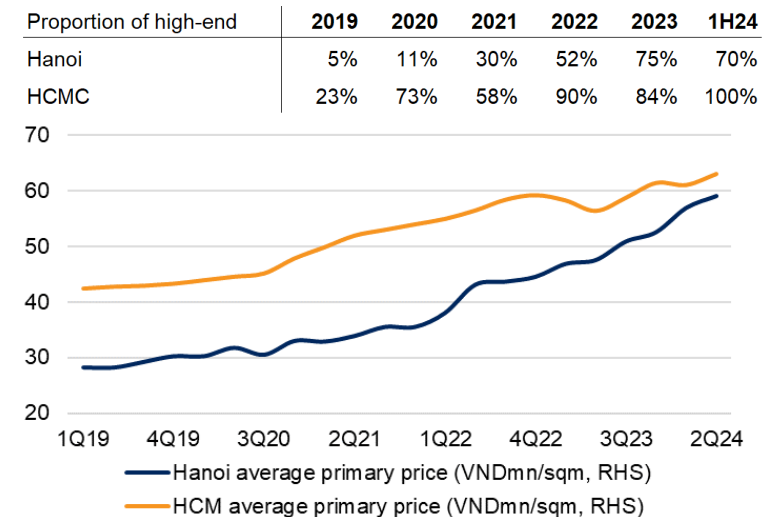
**Hanoi: new supply increased 176% YoY in 1H24 to 10,841 units. Absorption rate rose 12% YoY to 112% given significant new launches**



**HCMC: new 1H24 supply was the lowest in 15 years, down 59% YoY to 1,676 units. However the number of units sold continued to surpass new supply at 104%**



**Hanoi apartment prices are now approaching those in HCMC, where prices have been rising steadily over an extended period**

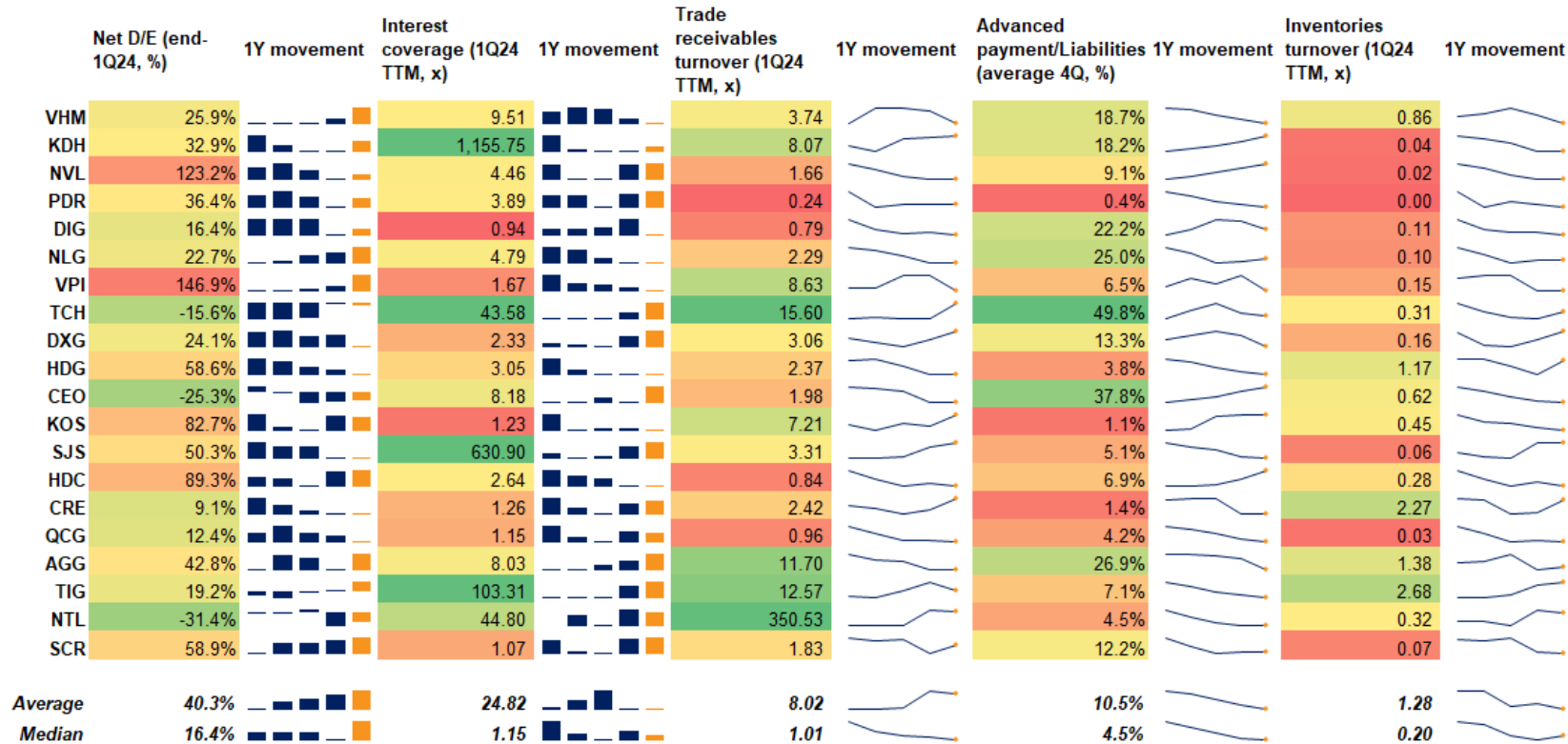


- **Hanoi recorded strong recovery.** After a slow start in 1Q24, new apartment supply in Hanoi reached the highest level in three years in 2Q24 (+263% QoQ, +367% YoY), with strong absorption rate at nearly 120%. The average primary price of apartment in Hanoi surged 25% YoY and 6% QoQ to approximately VND59mn/sqm, bridging the price gap between Hanoi and HCMC's average primary price from 35% to nearly 7%.
- **HCMC market slowly improved by quarter.** In 2Q24, new supply and unit sold in HCMC dropped 6%/24% YoY, but rising 139%/88% QoQ. Average primary price in HCMC rose slightly to VND63mn/sqm (+3% QoQ, +6% YoY).
- **Elevated prices resulted from limited supply in affordable segment.** Apartment prices stayed high in both market due to limited supply (as many projects were delayed because of legal difficulties) and concentration of new launches on the high-end segment.

## Financial health of developers: slowly recovering as core business activity hasn't picked up

1Q24 and TTM results for the sector indicate that financial conditions of enterprises have not significantly improved. Debt obligation pressure remained high, and the recovery of liquidity is uneven among companies

**Some financial indicators of the 20 largest listed property companies (by market capitalization as of 1 July 2024) and the average of 76 listed companies + public companies**



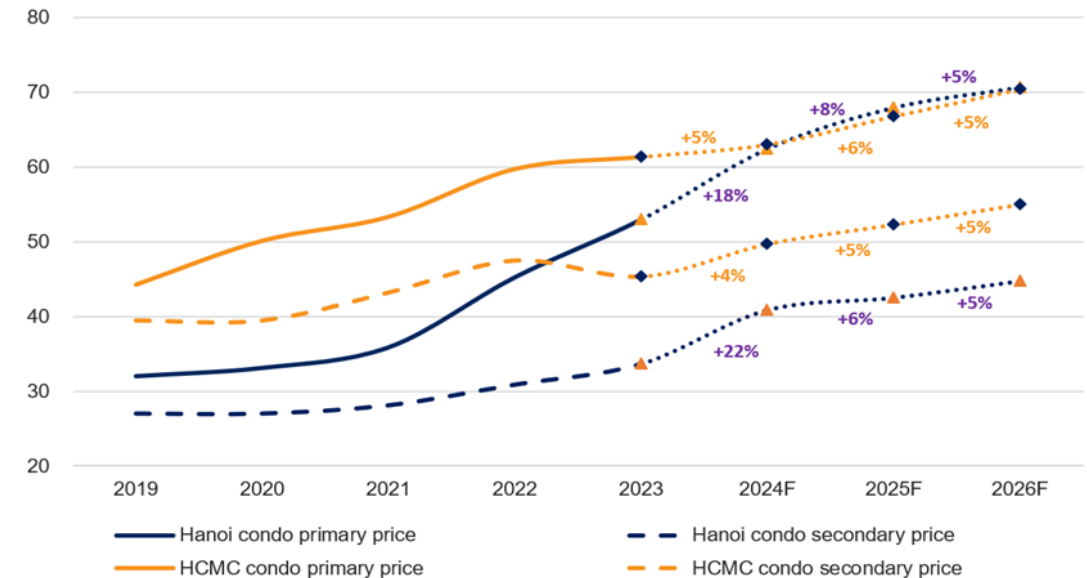
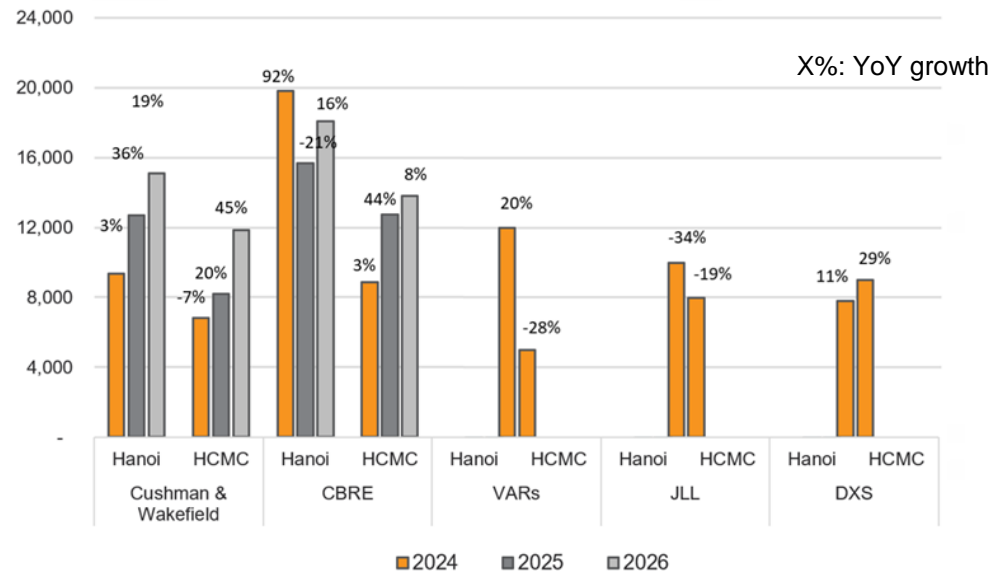
- **Leverage increased in most companies during 1Q24.** Average net D/E ratio by end-1Q24 rose 14.6% pts YoY. TTM average interest coverage was still far below the same period last year, but has improved 6.2x QoQ as a number of companies saw stronger profits thanks to the better sales progress in 2H23.
- **Liquidity improved in some developers.**
  - Average 4Q advanced payment on total liabilities dropped 2.4% pts YoY and is on a downward trend. However, there are some developer with this ratio picking up, who can rely on customer advances for project funding.
  - Most companies have inventories turnover below 1.0x. However, the liquidity pressure of many developers can be partly offset as they have improving trade receivables turnovers.

## 2H24 Outlook: Market sentiment turning positive

Supply in both Hanoi and HCMC is expected to begin showing slight improvement when the new Real Estate laws takes effect in August, but a more pronounced recovery is expected in 2025-26 as the effects of the laws and support factors begin to be reflected.

The Hanoi market has recovered better thanks to the faster removal of legal bottlenecks, and HCMC market is also showing clear signs of recovery after Real Estate Laws come into effect

Apartment prices in are expected to continue to rise, especially secondary prices, but this momentum is expected to slow down from 2025 onwards



- **Supply-demand imbalance remains a major challenge:** The higher growth in Hanoi supply is due to: 1) The mid-range segment continues to contribute a significant proportion of the total supply compared to HCMC market; 2) The faster procedures in resolving legal bottlenecks. We believe that the absorption rate in both Hanoi and HCMC will be positive in the context of a supply shortage.
- **Market sentiment improves, house prices go up.** Hanoi market has rebounded more strongly than anticipated in 1Q24. In both market, apartment products closely tied to real demand have not corrected as expected. This momentum of price is expected to slow down from 2025 onwards as supply starts to recover steadily.

## Aggressively resolving bottlenecks by government to stimulate market recovery

Government has demonstrated its determination through a series of intervention measures to remove bottlenecks in market, creating conditions for the market to develop transparently and sustainably.

Time	The Government's intervention
05/03/2023	The Government issued Decree No. 08/NĐ-CP to help relieve bond payment pressure for property developers.
03/04/2023	The Prime Minister issued Decision 388/QĐ-TTg approving the investment project to build 1 million social housing units; and VND120tn to support investment loans and purchase of social housing
21/04/2023	The Government issued Resolution No. 58/NQ-CP on April 21, 2023, which requires the Ministry of Construction to propose solutions to remove difficulties in construction investment procedures for residential property projects.
25/05/2023	The Deputy prime Minister signed telegram 469/CĐ-TTg requesting specific tasks to be assigned to each ministry and branch to guide localities on regulations in the fields they are responsible for.
15/07/2023	Resolution No. 105/NQ-CP of the regular Government meeting in June 2023, the Prime Minister requested the State Bank to continue reducing interest rates, especially lending interest rates (striving to reduce at least about 1.5-2%) researched and applied to both new and outstanding loans.
03/08/2023	The conference evaluated the results of implementing Resolution 33 and proposed solutions to remove difficulties and obstacles for the real estate market.
10/08/2023	The Government issued Notice of Conclusion of Prime Minister Pham Minh Chinh at the Conference to evaluate the results of implementing Resolution No. 33/NQ-CP dated March 11, 2023 of the Government and propose solutions remove difficulties and obstacles in the real estate market.
24/10/2023	Dispatch No. 993/CĐ-TTg, the Prime Minister instructed the State Bank of Vietnam to direct commercial banks to study and implement special credit promotion policies for feasible real estate projects and accelerate the disbursement of the VND120tn social housing credit package.
17/05/2024	The Government has issued Resolution No. 72/NQ-CP on May 17, 2024, submitting to the National Assembly a proposal to unify the early adoption of the amended Land Law.
29/05/2024	The Government has issued Resolution No. 80/NQ-CP on proposing the building of a National Assembly Resolution on piloting the implementation of commercial housing projects through agreements on the receipt of land use rights or the right to use land that is not residential land.
30/05/2024	The National Assembly has officially reviewed and decided that the Laws on Land, Housing, and Real Estate Business will take effect from August 1, 2024, five months earlier than the original date of implementation.

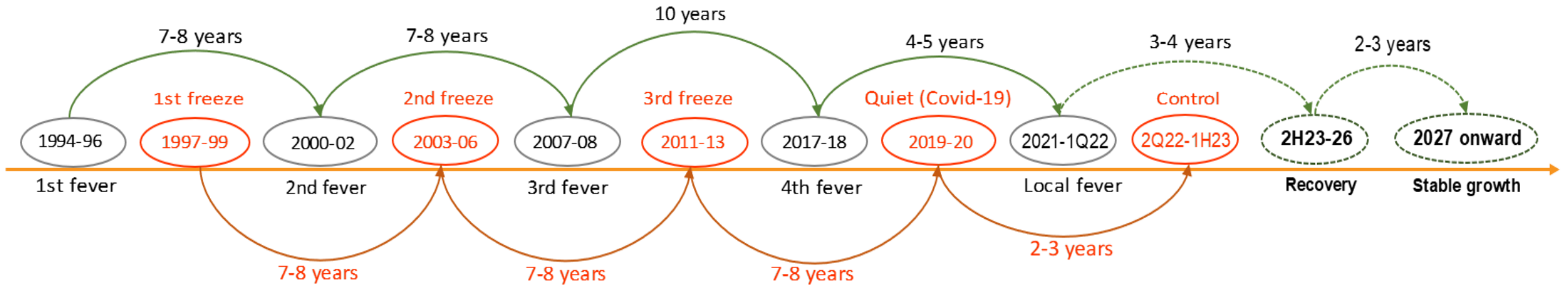
### Effectiveness of policies

- Hanoi: Authorities have demonstrated their proactive approach by concluding inspections, examinations, and directing the handling of 705 out of 712 projects (99%) that have been delayed in implementation, with the aim of bringing the land into use promptly.
- HCMC: Efforts of the authorities have also been evident, as they have successfully resolved 77 out of 220 projects (35%) of those initially proposed.
- In other big cities such as Hai Phong, Binh Duong, and Da Nang, efforts to resolve legal bottlenecks are also being prioritized, which has led to a noticeable improvement in market sentiment..

### Improvement in supply and demand

- New supply in Hanoi has clearly demonstrated the effectiveness of policy dismantling, as new supply in 1H24 increased by 185% YoY, reaching nearly 11,000 units with an take-rate of ~113%.
- While such effectiveness has not been seen in HCMC, the new supply in 1H24 decreased by 59% YoY to only nearly 2,000 units, mostly in the luxury segment.

## New Real Estate Laws should drive market into sustainable recovery phase

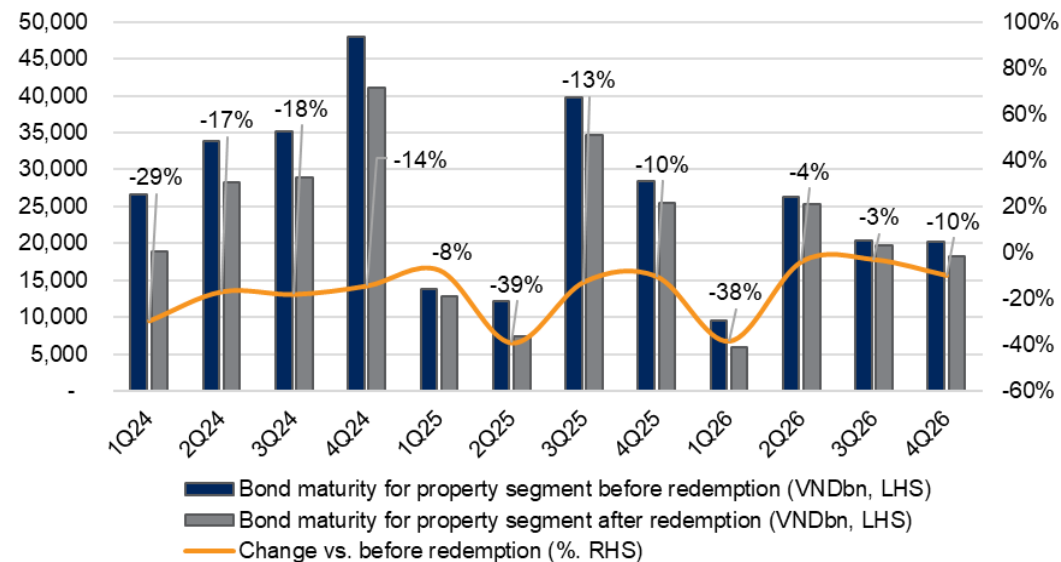


- **Government tightens control over uncontrolled fundraising channels.** From 2Q22-2Q23, the Government tightened monetary policy and controlled the overheated corporate bond market and a number of real estate project violations caused market turmoil, leading to a serious decline in market sentiment. Several projects encountered legal bottlenecks due to overlaps in regulations of different agencies, leading to a shortage of new housing supply. In fact, only one project each year in 2022-2023 was approved by the project owner, and in 1Q24, only one project was approved in HCMC.
- **Easing tightening measures in a controlled, healthy, sustainable ways.** We believe the enactment of the new Real Estate Laws on August 1, 2024 will resolve issues overlapping regulations and facilitate implementation of projects. The new Real Estate Laws also includes a series of regulations to protect homebuyers and landowners with suitable compensation prices and eliminates the mechanism of applying for land to develop projects through project auctions, thereby helping the market to be more transparent and healthily (see details in the [Real Estates Laws impact assessment report](#)).
- **Opportunities abound for sound developers.** The new law will tighten control over developers and support healthy and sustainable market development with stable supply. However, developers with clean land with clear legal documents and good capital preparation for land compensation under the old land price framework will retain their competitive advantage.

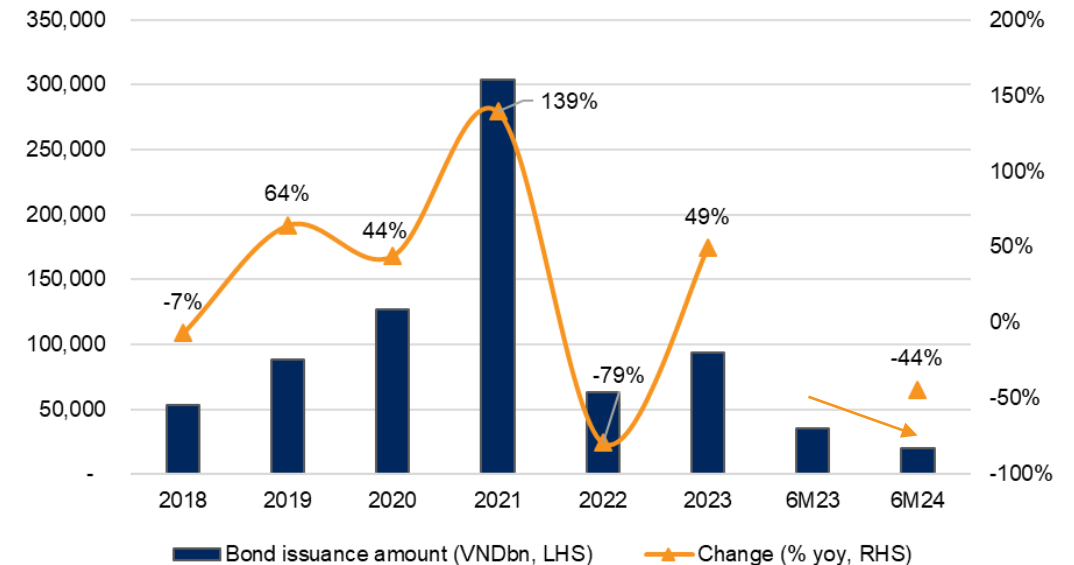
## Easing capital challenges fails to ignite developers need for fundraising

Property developers have been cautious in their capital raising plans during the pivotal period leading up to the effective date of the new Real Estate Laws, waiting for the issuance of circulars, decrees guiding the implementation of the new laws, and improvement in market sentiment.

Property developers actively bought back bonds valued VND58tn (USD2.4bn) in 2023 and VND11.2tn (USD0.4bn) in 1H24.



The private bond market in 1H24 hasn't shown positive improvement, decreasing by 44% to VND19.8bn (USD0.8bn).



- **Fundraising markets quickly bottom out.** Following a challenging period for the corporate bond market in 2022-2023, developers have stepped up bond buybacks to mitigate financial risks and refinance existing loans by new issues at lower capital costs. After a sluggish year in 2022, the market welcomed the first recovery in the private bond issuance market in 2023, increasing 32% YoY to VND83tn (USD3.4bn).
- **Recovery momentum remains unclear.** The recovery trend did not continue in 1H24, with the value of bond issuance declining by 44% to VND19.8tn (USD0.8bn).

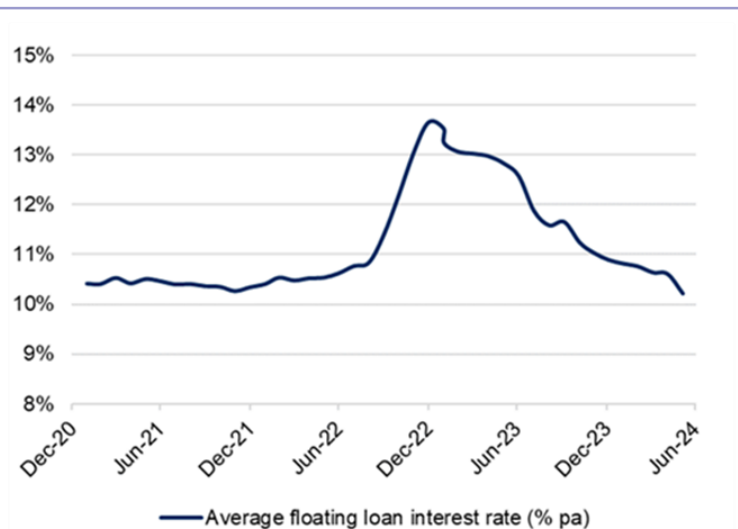
## Comparison of capital funding channels

Summary of funding outlook in 2H24		Examples of companies' activity since the beginning of 2024
<b>Stock issuance</b>	The stock market is expected to have better performance in 2H24, hence support the companies to successfully execute their issuance plan.	<ul style="list-style-type: none"> <li>- <b>Many developers have their funding plan approved in the 2024 AGM:</b></li> <li>• <b>NVL:</b> VND2tn private placement (USD80mn); VND11.7tn (USD468mn) rights issuance;</li> <li>• <b>DXG:</b> VND1.7tn private placement (USD68mn); VND1.8tn (USD72mn) rights issuance;</li> <li>• <b>KDH:</b> VND3tn (USD12mn) private placement;</li> <li>- <b>PDR:</b> finalized VND1.3tn (USD52mn) rights issuance in May 2024;</li> <li>- <b>DIG:</b> plans VND3tn (USD120mn) rights issuance.</li> </ul>
<b>Corporate bond (CB) issuance</b>	We expect the domestic bonds issuance activities of developers will slowly recover in general in 2H24. The corporate bond market has passed its most difficult period. as the regulations of Decree 65 are officially implemented. However, the market is awaiting developers resolving their bond debts, in order to return to a healthy state.	<ul style="list-style-type: none"> <li>- <b>Many companies have successfully issued CB in the domestic market:</b></li> <li>• <b>VHM:</b> six lots of CB totaling VND12.5tn (USD500mn), maturity in 2026 and interest rates of 12% pa;</li> <li>• <b>DIG:</b> VND1tn (USD40mn) CB, maturity in 2027, interest rate 11.25% pa;</li> <li>• <b>KHG:</b> CB of VND250bn (USD10mn), maturity 2029, interest rate 12.5% pa in the first year, and 13-month-term deposit rate for retail customer of HDB + 4.5% pa the following years.</li> <li>- <b>NLG:</b> approved the plan of CB private placement up to VND550bn (USD22mn), maturity in 2029, interest of 9.5% pa in the first 12 months, and average deposit rate of four SOCBs + 4.3% pa for the following years.</li> </ul>
<b>Private equity</b>	Selling project stakes to foreign investors activity will continue to be vibrant in 2H24, as companies can quickly collect cash while also benefiting from the involvement in project development and the reputation of these investors.	<ul style="list-style-type: none"> <li>- <b>Companies have sold projects to foreign investors:</b> Tam Luc Real Estate JSC sold to Gamuda Land a 3.68ha project in Thu Duc City for USD315.8mn; Thuan Thanh JSC sold to Sky World Development Berhad 2,060 sqms of land worth USD14.3mn in District 8, HCMC; Becamex IDC sold to Capitaland the Tan Thanh urban area project, covering 18.9 ha.</li> <li>- <b>Or established a strategic relationship to implement projects:</b> HTN cooperated with Marubeni to implement a new administrative center project in Thu Duc City.</li> <li>- <b>NLG announced a plan to divest project capital</b> of approximately VND6tn (USD240mn) over the next three years at the 2024 AGM.</li> </ul>
<b>VND bank loan</b>	Bank loan will continue to be a most favourable funding channel thanks to its accessibility. Commercial banks recently raising deposit rates, however, it typically takes six to nine months for new lending rates to reflect changes in deposit rates, depending on the loan maturity period.	
<b>USD loan</b>	This capital-raising channel is not currently popular among all companies in the industry due to the strong USD. However, more companies will be able to access international capital once the property market recovers and they demonstrate strong financial health.	<ul style="list-style-type: none"> <li>- At end-1Q24, <b>NVL</b> is having ~VND11tn debts in USD (USD440mn), interest rate of banks loans varied at 5.1% pa, or LIBOR + 4.25%/pa, or SOFR +5.5%/pa.</li> <li>- <b>NVL</b> negotiated to convert USD298.6mn exchangeable bond (interest rate 5.25% pa, maturity 2026) to its ordinary shares.</li> </ul>

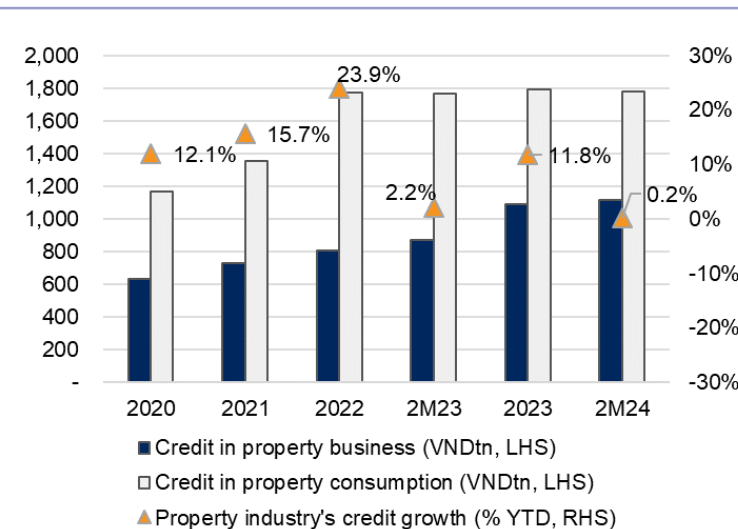
## The market is favorable to boost homebuyer absorption

Mortgage rates at banks have declined sharply to pre-pandemic levels, while many developers and brokerage agencies have introduced various offerings to support customer demand

### Average floating loan interest rates by June 2024 has decreased 2-3% pts YoY



### Credit absorption of homebuyers remains constant since the beginning of 2023



### Some sales incentives offered by developers

Sales incentives	
Financial supports	Loan with preferential interest rate at some specific banks
	Loan with fixed interest rate in a certain period, e.g. in the first two years
	Extended payment timeline
	Direct discount for early payment
Others	Free management fee/parking fee
	Developers' commitment to renting/buying back the in a certain conditions
	Chance to win a car through a lucky draw

- **Mortgage rates at banks have been declining sharply.** Average floating loan interest rates by June 2024 has decreased 2-3% pts YoY and should remain low until the end of the year. Many developers are partnering with commercial banks to offer flexible sales incentives, boosting customer demand in 2H24.
- **Property consumption credit has not significantly increased since early 2023.** We expect credit to remain stable in 2024 while disbursement to homebuyers may rise in the year's final months as market sentiment improves with the implementation of major Real Estate Laws.

## Stocks picks: KDH

### Ticker

### Investment thesis

### Stock information

### KDH

**Cost competitiveness preserved through rapid land clearance** KDH proactively accelerated land clearance for large projects to take advantage of the Government's old land price framework, which is more reasonably priced than the new, market-based land price framework and comes into effect January 1, 2026. In just over a year, the investment cost of KDH's projects has jumped. In 1Q24, KDH's inventory value increased 9.1% YTD and 64.7% vs beginning of 2023 to VND20.5tn (USD805mn).

**Positive developments on legal aspects of projects bolster growth outlook** The Le Minh Xuan Industrial Park project (phase 1: 89ha, phase 2: 21ha) and the Tan Tao project (scale of 330ha) in Ho Chi Minh City have both received investment approval from the Prime Minister and have a 1/500 master plan approved. Both projects are expected to bring in significant revenue for KDH.

**The Clarita and The Emeria will fuel strong pre-sales in 2024-2025** The successful launches of The Classia high-end townhouse project and The Privia mid-range apartment project demonstrated KDH's acumen in selecting and launching projects that are matched to market demand. From 2024-25, when signs of market recovery become clearer, KDH will accelerate the development of The Clarita and Emeria projects with a total of 200 townhouses and 600 apartments to be launched in cooperation with Keppel Land. We expect these projects to contribute pre-sales of VND3tn (USD118mn) and VND4.5tn (USD177mn) in 2024-25, respectively.

Target Price	VND43,800
Upside	20.8%
Dividend Yield	0.0%
FY24 EPS growth	28.4%
Market Cap	USD1.1bn
3MADTV	USD5.5mn
Foreign Room	USD114mn
P/E TTM	53.7x
P/B Current	2.2x
ROE	4.3%

## Peer comparison

Company	Country	Mkt cap USDmn	TTM net revenue USDmn	YoY %	TTM Net profit USDmn	YoY %	Debt/equity x	ROE %	TTM P/E x	Current P/B x
<b>Residential/hospitality developers</b>										
Vinhomes	Vietnam	6,511	3,219	(55.6)	872	(38.4)	0.3	12.4	8.0	0.9
Khang Dien	Vietnam	1,169	78	(38.8)	28	(27.3)	0.3	4.6	57.1	2.3
Nam Long	Vietnam	651	123	(21.2)	28.0	(15.7)	0.2	3.0	41.7	1.8
Dat Xanh	Vietnam	406	170	(2.4)	13.6	N/A	0.2	2.1	34.4	1.0
Phat Dat	Vietnam	793	23	(45.0)	28	(21.6)	0.4	8.0	28.6	1.7
Novaland	Vietnam	1,014	190	(50.5)	19	(33.1)	1.2	1.4	42.3	0.7
Development Investment Construction	Vietnam	630	40	(36.5)	(1)	(120.0)	0.2	(0.3)	N/A	2.2
Median			123	(38.8)	28	(30.2)	0.3	3.0	38.1	1.7
Average			549	(35.7)	141	(42.7)	0.4	4.5	35.4	1.5

# Steel

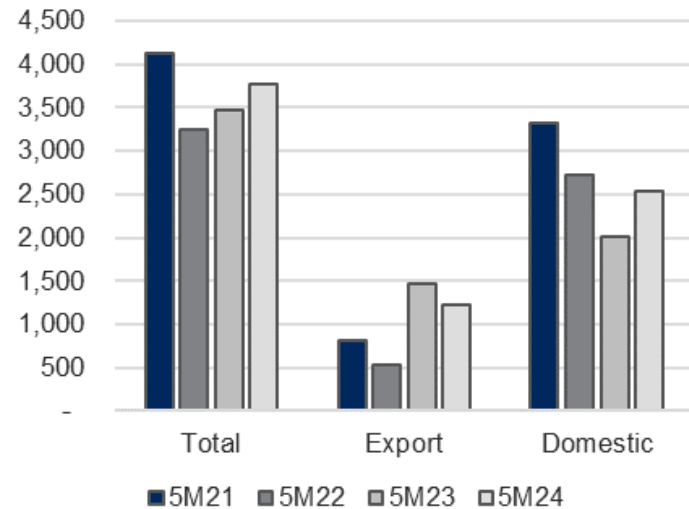
## Exports bolster earnings



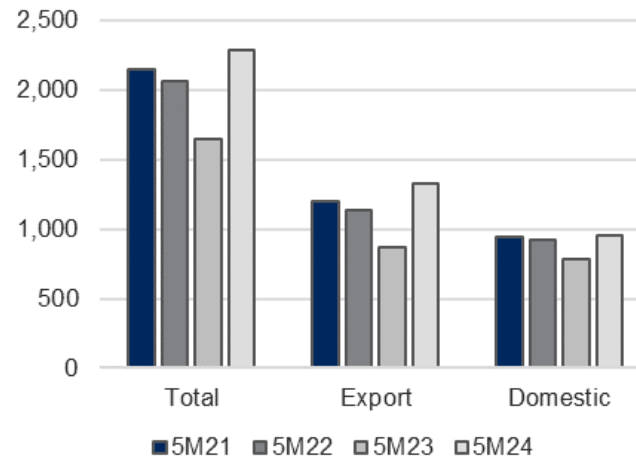
## Exports continue to thrive on resilient global demand and expanding production

We expect exports, having shown signs of decent growth momentum recently, to continue to support total sales volume as the domestic market is still tough.

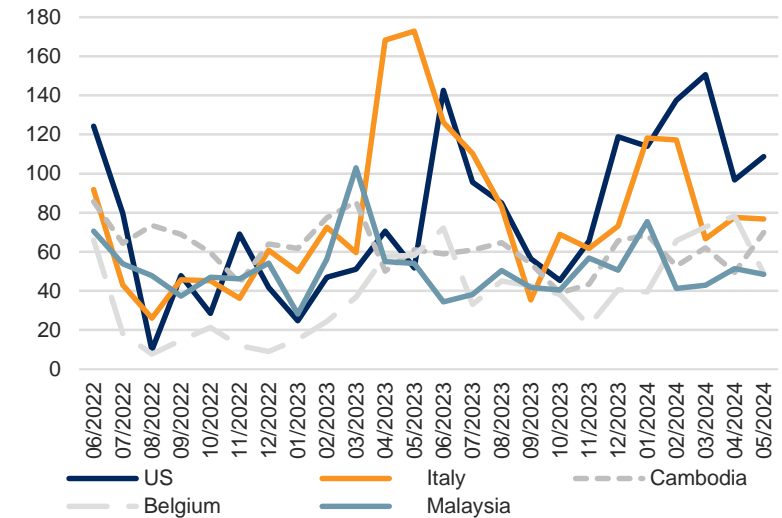
**Exports (thousand tonnes) accounted for 42%/33% of total rolled coil consumption in 5M22/5M23 compared to only 18% in 5M21-5M22**



**5M24 galvanized steel demand (thousand tonnes) surged 38% YoY, surpassing the 5M21 high, led by a 53% increase of exports**



**Steel and Iron export value (USDmn-monthly) to the five countries receiving the most Vietnamese exports is trending higher**

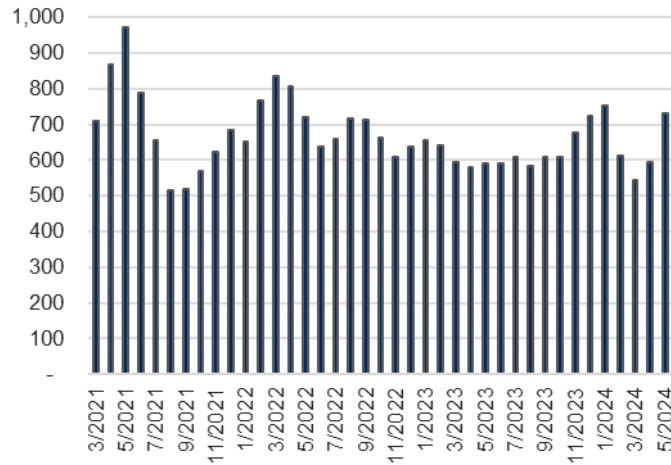


- Vietnamese exports recorded stable growth YoY for Cambodia and Malaysia while growth accelerating in the US, Italy, Belgium.
- The Australian Department of ISR forecasts global steel consumption to grow 1.4% in FY24, led by infrastructure spending and industrial production growth. Demand recovery is expected in advanced economies in FY25-26, paving the path for Vietnamese exports.

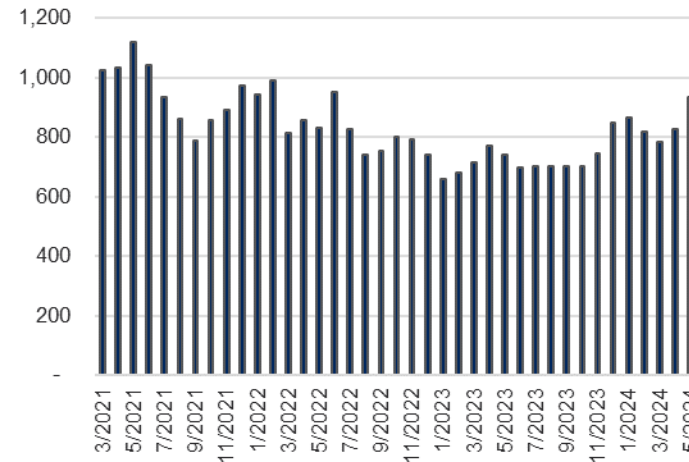
## Domestic demand expected to recover thanks to rebound in property market, industrial production

We remain optimistic that the property market will see a meaningful recovery, particularly by 2025, and that industrial production will continue to expand.

**YTD domestic construction steel demand (thousand tonnes) modestly improved 6% YoY**



**Domestic demand for roiled coil, galvanized steel, steel pipe, etc., surged 19% YoY due to having more various applications**



**Companies are expanding capacity with product targets repositioned for industrial production**

		HPG	NKG	GDA
Capacity (million tonnes)	Current	8.5	1.2	0.8
	New	5.6	0.8	1.2
Construction status	80% factory, 50% machineries	Breaking ground	Asking for investment approval	
Expected launch		2025	2026	2026
Application	Automobiles, shipbuilding, mechanical engineering, steel anchoring structures, and electronic appliances			

- YTD domestic construction steel demand, serving as a reliable indicator of improvement in the residential property sector, saw modest 6% growth YoY while demand for other steel products surged 19% YoY. We expect the property market will continue to improve thanks to: 1) a more favorable lending rate environment, which is expected to stimulate housing demand; and 2) increasing housing supply, facilitated by the gradual implementation of the Land Law, which is aimed at resolving existing supply constraints.
- Companies are expanding production with product targets repositioned in anticipation of a new steel industry cycle and demand for industrial manufacturing for automobiles, mechanical engineering and electronic appliances.

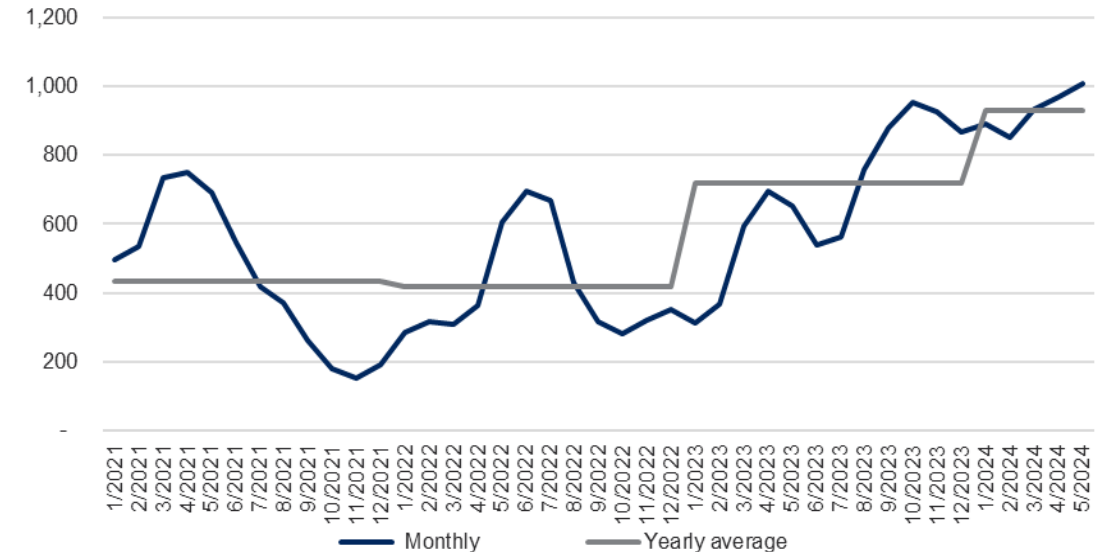
## Upside catalysts: Potential new Government regulations for steel industry

Upside catalysts include the Vietnam Steel Industry Development Strategy 2030-2050, the Law on Key Industrial Development and anti-dumping duties imposed on some kinds of steel imports.

The MoIT forecasts total demand of Vietnam's manufacturing industries through 2030 could reach USD310bn.

Purpose	USDbn
Machinery serving industrial projects	120
Automobiles	120
Rail traffic	35
Mechanical engineering for construction, agriculture, and processing	15
Standard equipment	10
Subways	10
Total	310
Proposing solutions	Aim
Issue preferential policies on land, infrastructure, science and technology and HR training	Steel
Develop and invest in more large production projects due to HRC having a large contribution in the manufacturing and processing industry	HRC alloy steel

Potential investigations on Chinese steel and a possible anti-dumping tax may cool Chinese steel exports (3M average smoothed – '000 tonnes) which increased 72%/29% YoY in FY23/YTD24, respectively.

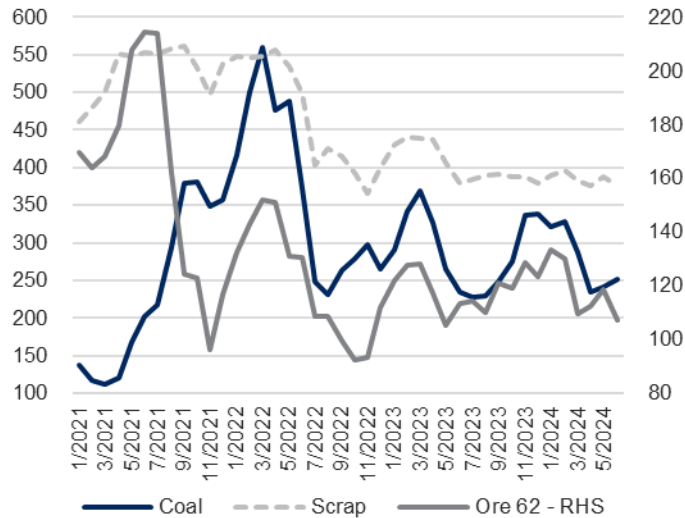


- These two strategic plans, which the MoIT is in charge of, aim to develop self-sufficiency in the domestic high-quality fabricated and alloy steel industries, which is vital to the process of industrialization and modernization.
- The MoIT is investigating galvanized steel to decide whether to impose an anti-dumping tax on some Chinese and South Korean galvanized steel imports. If this materializes, all galvanized steel producers will benefit, including HSG, NKG, HPG and GDA, but the timing would be in 2025-2026.
- The MoIT confirmed that it has all the necessary information to decide whether to start investigating HRC imported from some Chinese firms. The decision will be released in early August 2024.

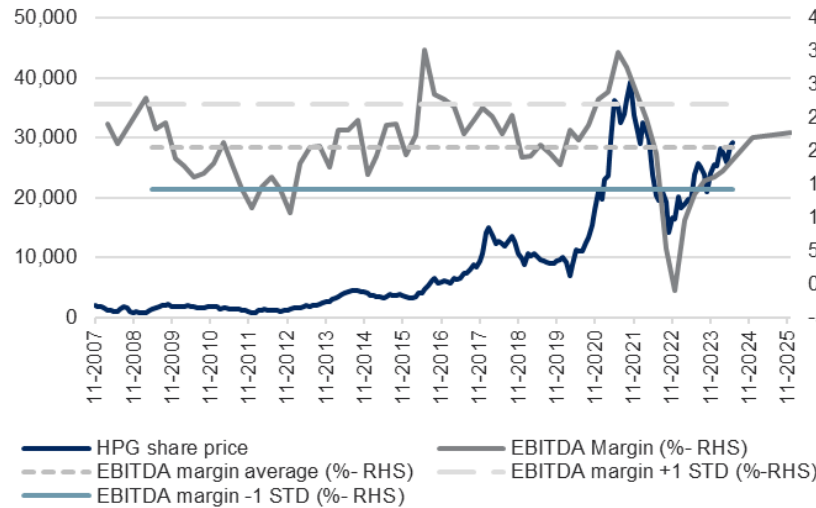
## Input price drop will bolster margins

Prices of coking coal and iron ore gradually cool. These input price drops amid steady ASPs will expand EBITDA margin for steel firms.

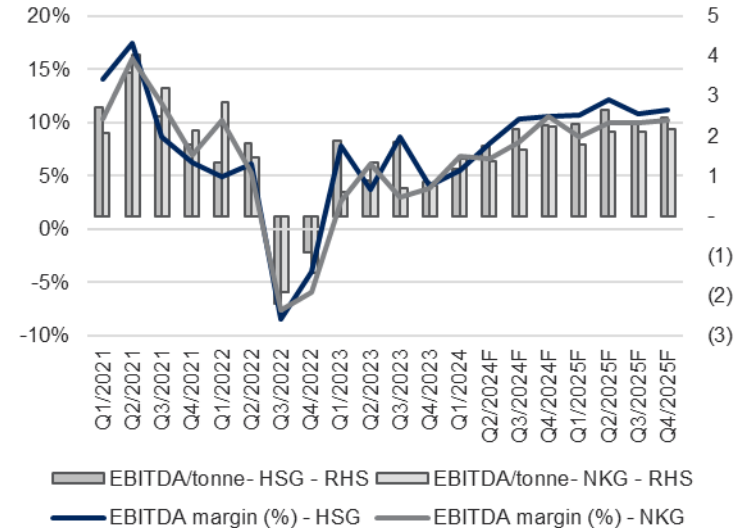
Key input prices for HPG dropped recently (USD/tonne)



HPG steel EBITDA margins, which monitor HPG's positioning within the steel industry cycle, rose to 17% (-0.5 STD)



EBITDA margin for NKG, HSG also increased



- Spot iron ore and scrap prices have been volatile as new Chinese stimulus packages kick in and fade. However, we maintain a long-term view that demand will soften due to modest falls in Chinese steel output and a shift in China's economy towards consumption-led growth. Coking coal will continue to stumble amid increasing Australian export volume.
- Moreover, firms which survived the 2022 steel market shock have likely learned the lesson of more prudence on inventory management.

## Stock pick: HPG

### Ticker

### Investment thesis

### Stock information

### HPG

**Dung Quat steel complex 2 (DQ2) launches HPG into a global top-30 steel producer and improves margins:** The launch of the Dung Quat 2 steel complex will drive FY25-27 HRC growth by adding 2.8 million tonnes in 2025 to current HRC capacity of 6mn tonnes, which includes both HRC and construction steel from Dung Quat 1. Moreover, operational efficiencies at Dung Quat 2 will reduce input costs for coking coal and labor.

**Better quality, price competitiveness and a customer network boost better export capability than the overall market:** Vietnamese construction steel prices struggle to stay globally competitive due to Vietnam's lower scale vs China. As a result, this segment's exports only account for 7% of total demand. However, HPG exports contributed 28% to 5M construction steel sales volume, compared to only 16% in 5M23. We expect that HPG exports will continue to thrive, especially when DQ2 kicks in.

HPG will benefit as **the domestic market improves** and **potential new AD solutions (if any)** are imposed.

**Input price drop will bolster margins:** Coking coal prices should drop due to increasing export volume as mines in New South Wales and Queensland ramp up production. We expect gross margin to rise from 11% in 2023 to 19% in 2024.

**Attractive valuation:** With FY24/25 ROE of 17%/18% and a widening valuation gap vs peers, HPG should trade at a target P/B of 2.0x, instead of a 1.5x 25F P/B.

<b>Target Price</b>	<b>VND44,000</b>
Upside	53%
Dividend Yield	3%
Market Cap (USDbn)	USD7.3bn
3M ADTV (USDmn)	USD30.7mn
Foreign Room (USDbn)	USD1.5bn
P/E TTM	20.2x
P/B Current	1.8x
ROE TTM	9.20%
EPS Growth	397%

## Peer comparison

Company	Country	Mkt cap USDmn	24E Revenue USDmn	yoy %	24E Net profit USDmn	yoy %	Net Debt/equity x	24E EPS growth %	24E P/E x	ROE %	24E P/B x
Hoa Sen Group	Vietnam	609	1,624	21.6	92	182.1	0.2	182.1	5.2	21.0	1.1
Nam Kim Steel JSC	Vietnam	275	911	22.3	44	841.0	0.7	841.0	5.8	20.0	1.0
Hoa Phat Group JSC	Vietnam	7,388	5,431	12.8	768	180.9	0.3	180.9	8.9	17.0	1.4
Median		609	1,624	21.6	92	182.1	0.3	5.8	5.8	20.0	1.1
Average		2,757	2,655	18.9	301	401.3	0.4	401.3	6.6	19.3	1.2

# Industrial property

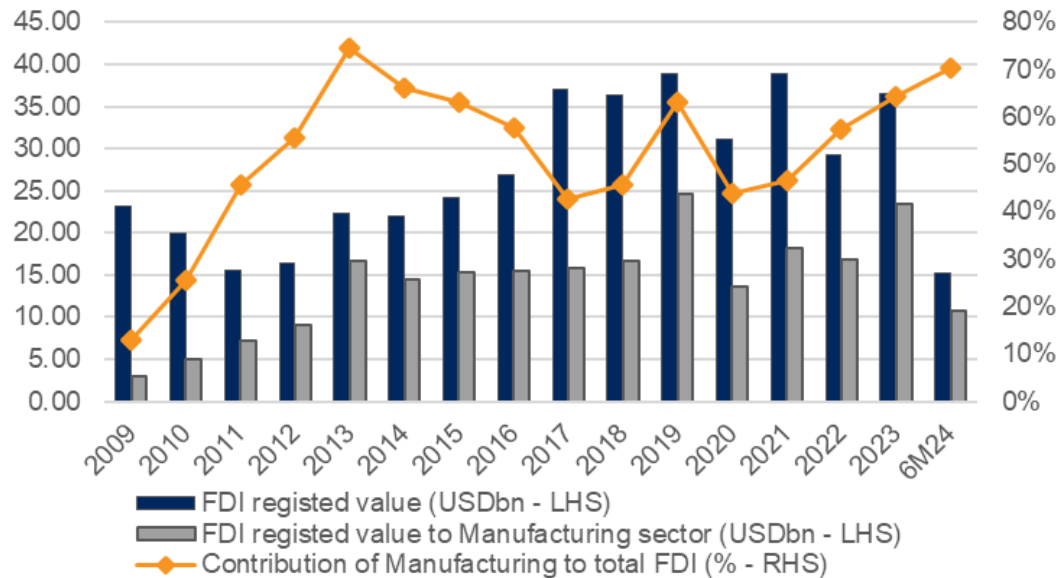
Supply will gradually improve



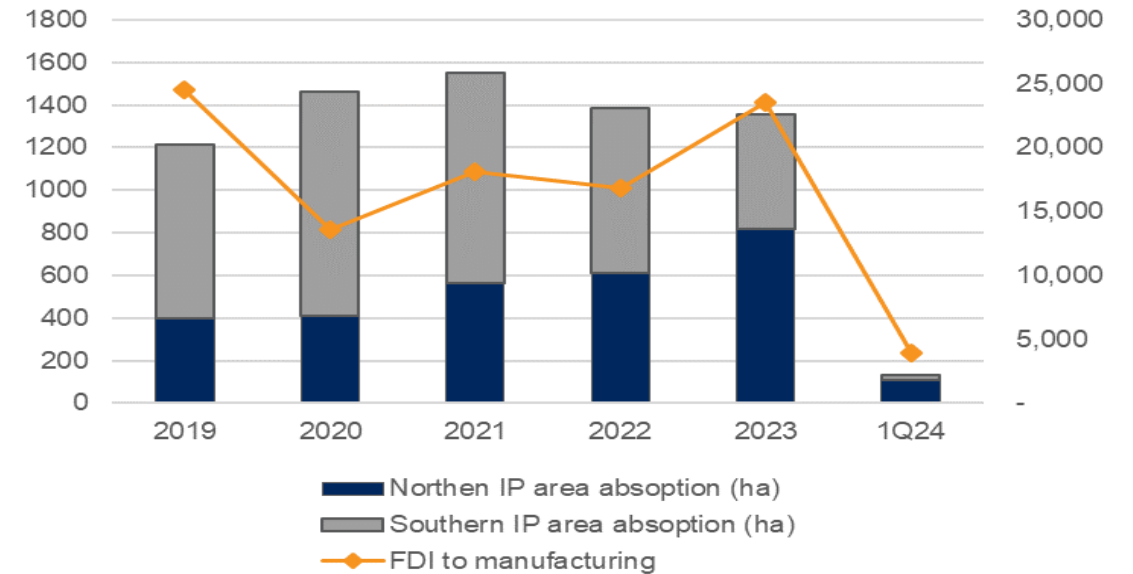
## FDI to manufacturing secures outlook for IP sector

Strong manufacturing FDI has led to high IP absorption, increasingly in the Northern region.

**FDI to manufacturing outpaced total FDI with a 14% CAGR over the last 10 years.**



**Correlation between FDI to manufacturing and IP area absorption from 2019 to 2024**

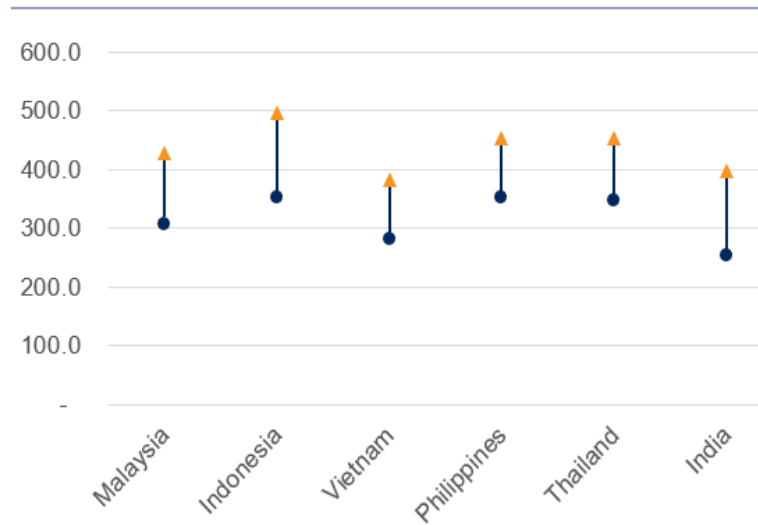


- FDI to manufacturing accounts for nearly 70% of total FDI registered value.
- We estimate that with average FDI registered to manufacturing of USD19.3bn (2019-2023), demand for industrial land to build factory will be around USD580mn to USD965mn.

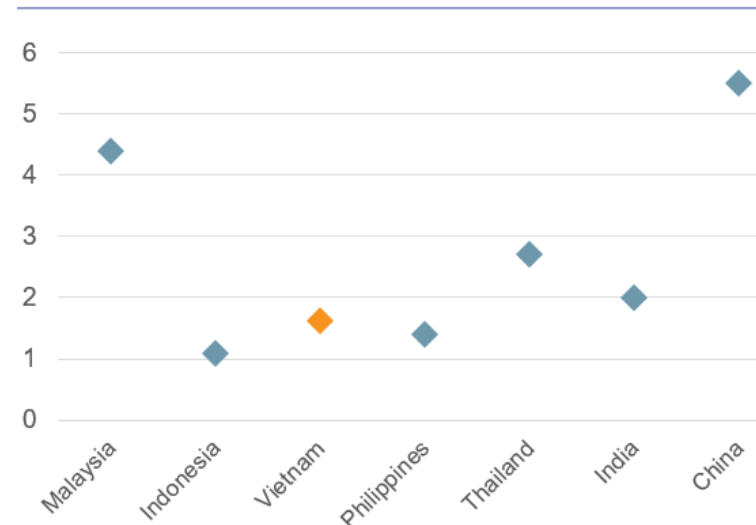
## Bright outlook for continued FDI - Competitive cost

Competitive cost is still one of the factors that make Vietnam attractive in the eyes of foreign manufacturers.

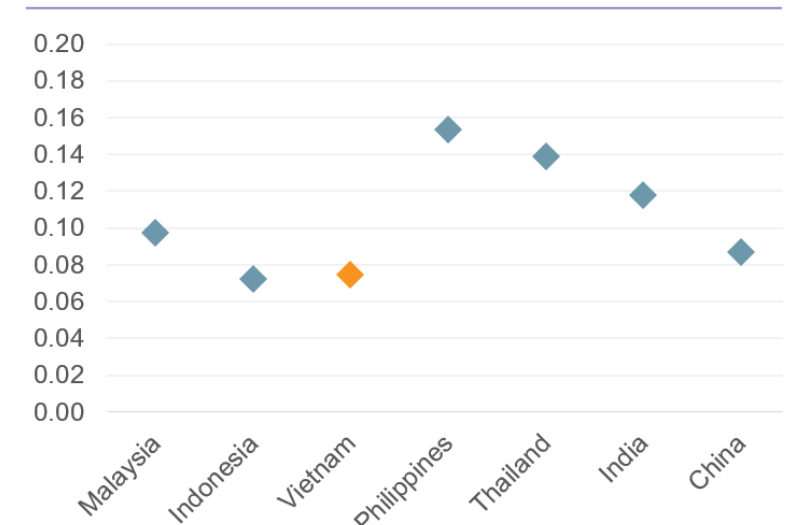
Construction cost (USD/sqm)



Manufacturing wage (USD/hour)



Electricity cost for business use (USD/kWh)



- Along with other factors like favorable geographic and natural conditions, we believe that competitive production electricity prices and labor costs compared to other countries in the region will help Vietnam gain an advantage in attracting FDI in: 1) electricity-intensive manufacturing industries like chemicals and heavy industry; and 2) labor-intensive industries such as textiles and electronics assembly.

## Bright outlook for continued FDI - China plus 1 strategy

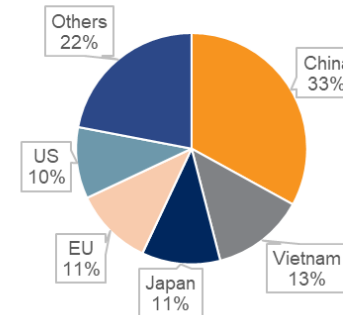
We expect the China plus 1 strategy to shape the shifting trends of big manufacturers

**More electronics manufacturers are moving or planning to move from China to Vietnam...**

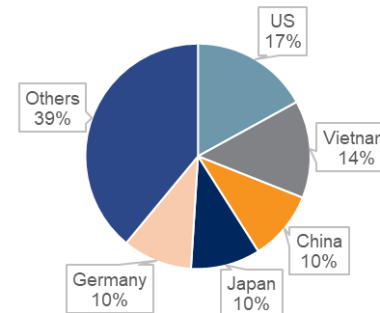
Company	Status	Products	Headquarter
Inventec	In Progress	Apple Parts Supplier	Taiwan
Wistron	In Progress	ODM Computer Parts	Taiwan
Pegatron	In Progress	Apple Parts Supplier	Taiwan
Apple	In Progress	AirPods	US
Qisda	In Progress	EMS Provider	Taiwan
Dell	Planning	Computers	US
Google	Planning	Smartphones	US
Microsoft	Planning	Computers	US
Lenovo	Planning	Computers	HongKong
Nintendo	Planning	Game Consoles	Japan

**... and have a high interest in the Northern IP market**

Northern' tenant enquiries via CBRE



Southern' tenant enquiries via CBRE

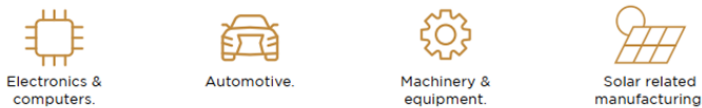


- Many technology giants have specific plans to move production from China to Vietnam, such as Apple, Qisda, and Pegatron. JPMorgan expects Apple to relocate 65% of AirPods, 20% of iPad, 20% of Apple Watch, and 5% of MacBook manufacturing to Viet Nam by end-2025. Some large electronics manufacturers are also planning to land in Vietnam in the coming years such as Dell, Google, Microsoft, and Lenovo.
- According to CBRE, Chinese tenants showed a high interest in IP land in the North, reflected in a 23% pts YoY increase in 2023 in Northern enquiries, raising the proportion to 33%.
- We believe that the Northern market, with its proximity to China, will be a suitable destination to catch this electronics manufacturing wave. Currently, electronics manufacturers are concentrated mainly in the Northern market with major IP developers such as VSIP, KBC, VGC and Deep C.

**Key IP developers** VSIP, KBC, VGC, TNI Holdings, Deep C

North

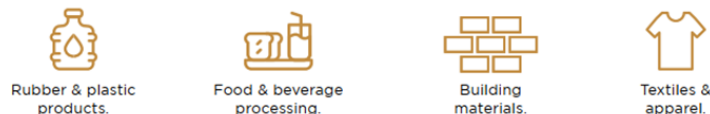
Tenant mix



**Key IP developers** VSIP, SNZ, SZC, SIP, TIP, ITA, IDC

South

Tenant mix



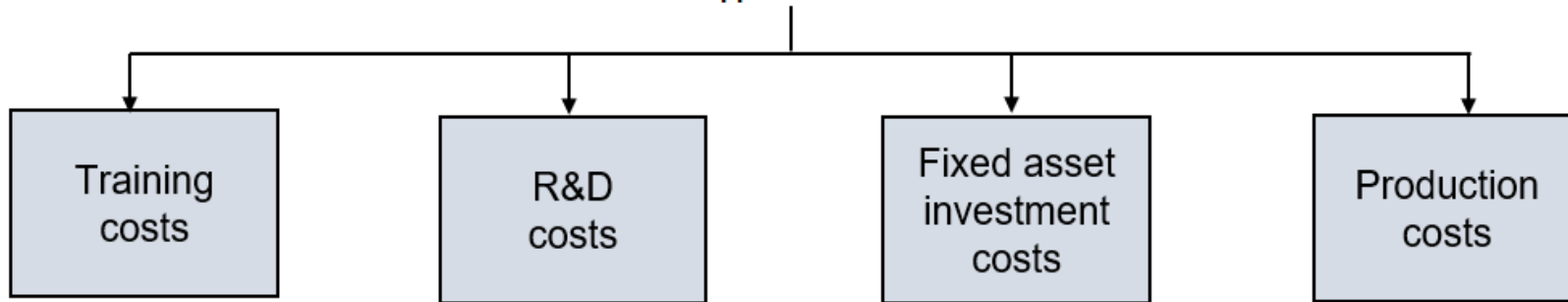
## Bright outlook for continued FDI - Non-tax investment support policy

We expect the Investment Support Fund to be a new driver to lure related high-tech FDI

### A Draft decree on the establishment, management, and use of the Investment Support Fund, partly using revenue from the GMT

Support business that:	Conditions
has project invested in high-tech product manufacturing	(1) Project has investment capital of over VND12tn or Business has revenue of over VND20tn/year
is high-tech enterprise	(2) complete disbursement of at least VND12tn within five years or VND10tn within three years from the date of issuance, adjustment of Investment Registration Certificate or approval of investment policy
has high-tech application projects	
has investment project in a research and development center	(1) project has investment capital of over VND3tn (2) complete disbursement of at least VND1tn within three years from the date of issuance, adjustment of Investment Registration Certificate or approval of investment policy.

Support in terms of



- Vietnam has applied the Global Minimum Tax (GMT) since 1/1/2024. At the same time, Vietnam also applied the QDMTT with a tax rate of 15%, as did Malaysia and Indonesia.
- To maintain Vietnam's attractiveness for FDI, the Government is developing a draft decree on the establishment of an Investment Support Fund, funded in part by revenue from GMT. The Fund will support FDI companies in the form of training costs, R&D costs, fixed asset investment costs, and production costs. The latest draft showed that the Government is targeting to support foreign investors in high-tech sectors.
- We believe if these expenditure-base incentives are applied, they will generate additional investment in related high-tech sectors, as they directly lower investment expenses for FDI companies.

## Infrastructure is key for success of IP sector and manufacturing

With transportation infrastructure projects such as Long Thanh International Airport (LTIA) and expressways being and will be implemented, Vietnam's infrastructure network in the coming period will develop to a new level, thereby promoting the development of surrounding IP.

### Better connectivity between tier-2 and tier-1 thanks to improvement infrastructure network in both the North (LHS) and the South (RHS)

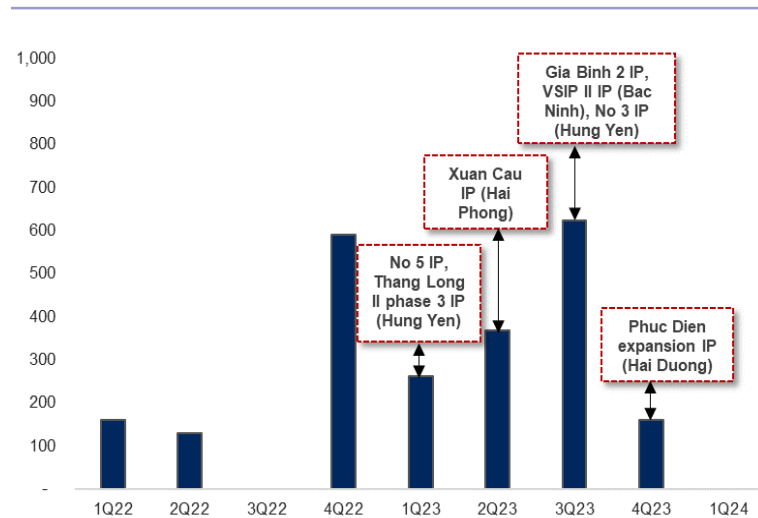


- LTIA is planned to be the largest airport in the country with a special location in the center of Southeast Asia, expected to become a common connection point of the region and the world. We believe that LTIA coming into operation (phase 1 is expected to put into operation in 2026) will help IPs in the surrounding area, especially Dong Nai, attract strong investment.
- In addition, we see a clearer trend of expanding investment into tier-2 markets in both the North and South thanks to growing connections to tier 1 markets and competitive rental prices (compared to tier-1 markets). We believe that Quang Ninh has the potential to become hot spots in the North while BR-VT will be an ideal alternative destination for tier-1 markets in the South.

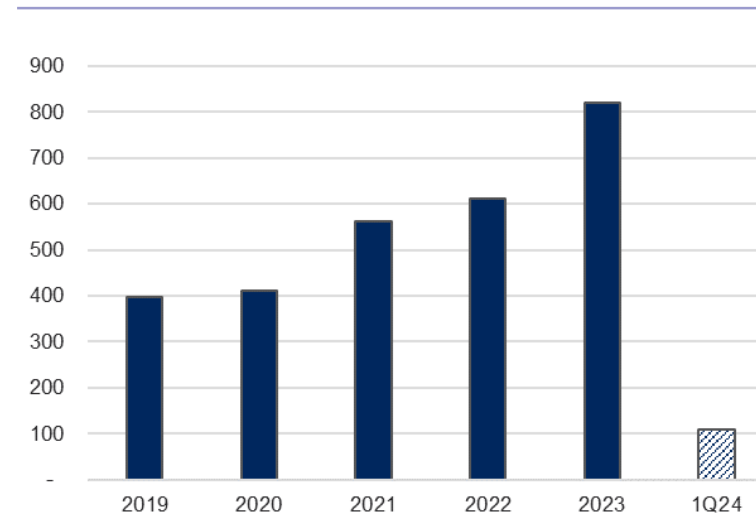
## 1Q24 recap: A contrast between two big industrial hubs

The Northern tier 1 market is vibrant thanks to abundant new supply and strong demand from high-tech sectors

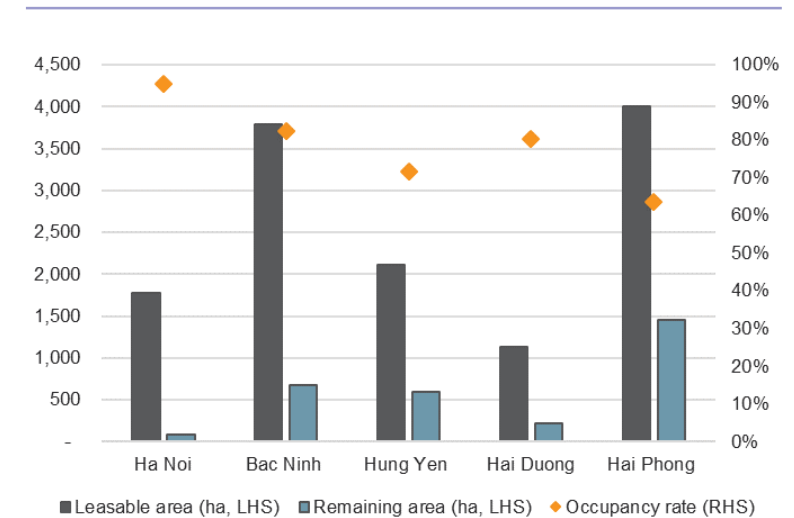
Over 1,400ha of leasable land area was introduced (Unit: ha)



Net absorption area has grown positively year over year (Unit: ha)



Average occupancy rate stayed at a high level of about 78%

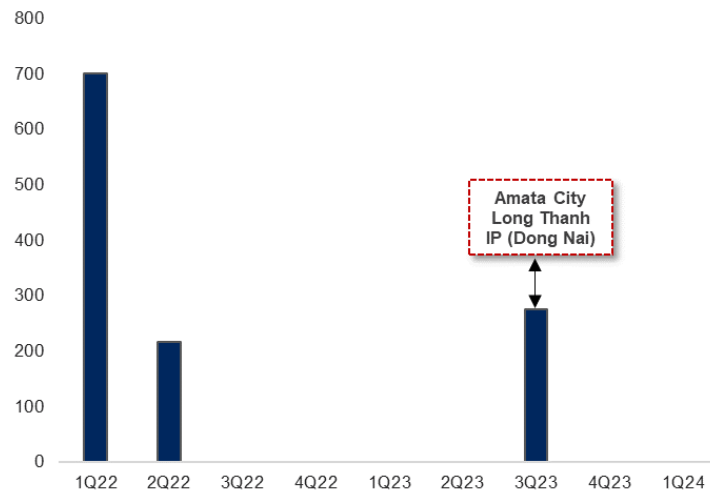


- The Northern tier 1 market welcomed relatively abundant new supply in 2023 with seven IPs starting construction in Hung Yen, Hai Phong, Bac Ninh and Hai Duong, providing over 1,400ha of new leasable area.
- Along with that, net absorption area grew strongly in 2023 with more than 800ha (+37% YoY). In 1Q24, this market recorded a net absorption area of nearly 110ha with notable transactions mostly from high-tech projects such as Victory Giant technology factory.
- Because there was no new supply in 1Q24 while net absorption area still recorded positive results, the average occupancy rate of IPs in the Northern tier 1 market increased 0.8% pts compared to the end of 2023, reaching 78%.

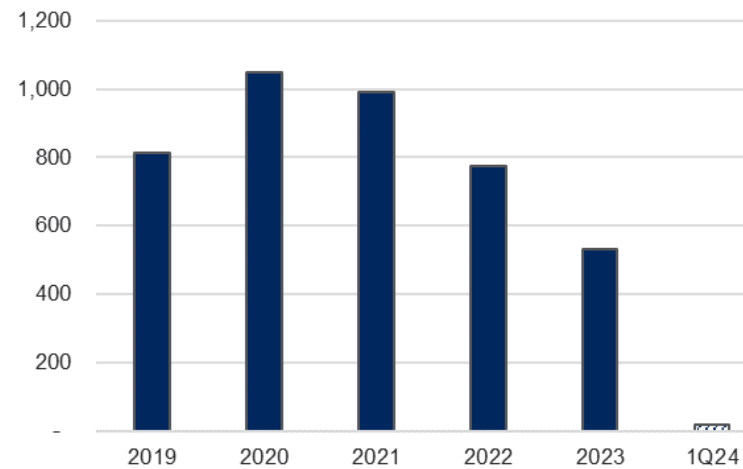
## 1Q24 recap: A contrast between two big industrial hubs

Meanwhile, the Southern tier 1 market is generally quiet due to limited new supply and slow progress in compensation and site clearance

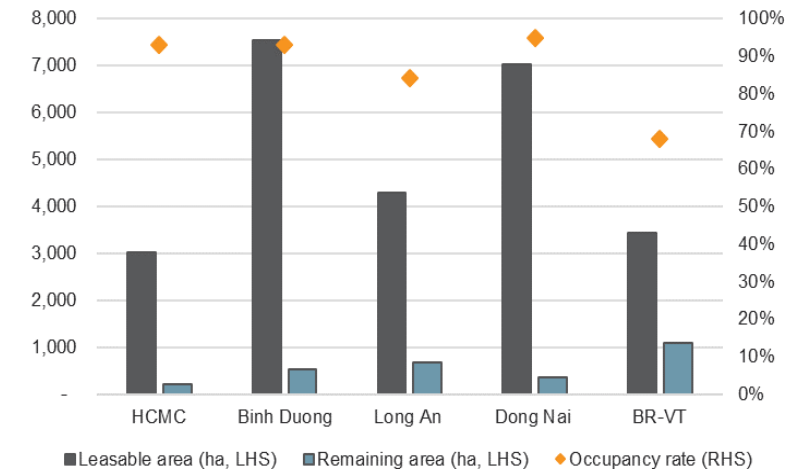
Limited new supply put into operation in 2023 (Unit: ha)



Net absorption area showed decline trend in recent years (Unit: ha)



Average occupancy rate stayed at a high level of about 89%

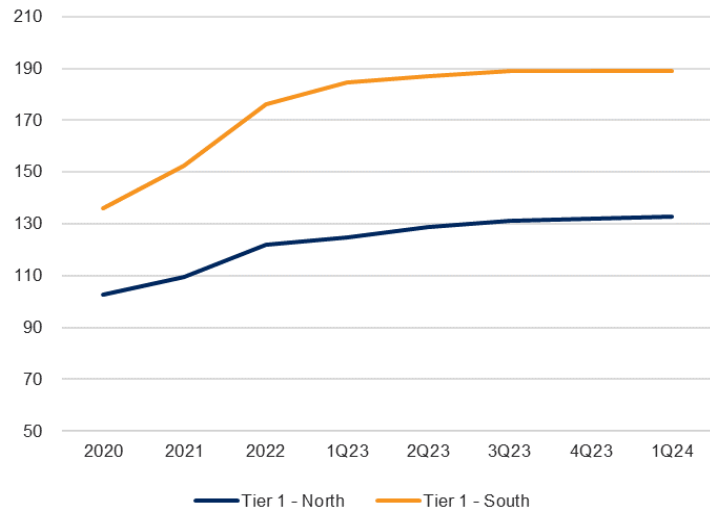


- In 2023, the Southern tier 1 market recorded limited new supply with just one IP starting construction in Dong Nai. In 1Q24, this market continued not to record any new IP launched.
- Limited new supply along with slow progress of compensation and site clearance caused net absorption area in the Southern tier 1 market to decrease with net absorption area in 2023 and 1Q24 at ~530ha (-32% YoY) and ~20ha, respectively.
- Occupancy rate inched up 0.1% pts compared to end-2023 and maintained at a high level of 89%. HCMC, Binh Duong, and Dong Nai had occupancy rates of over 93%.

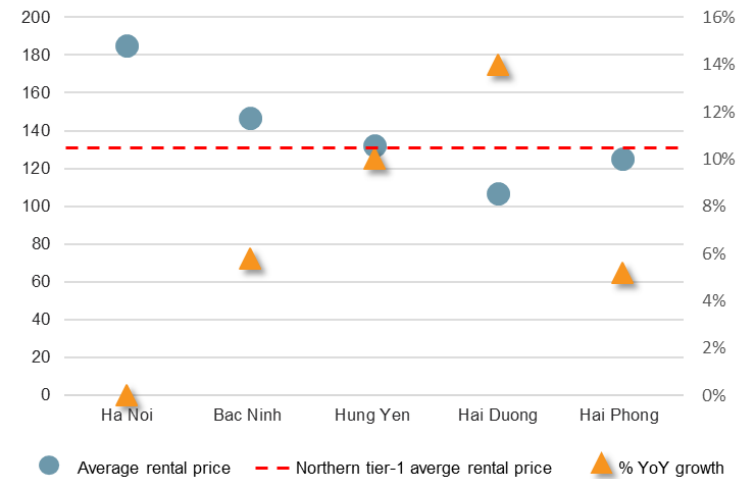
## Rental prices still on the rise

Rental prices grow faster in the North on the back of high quality demand

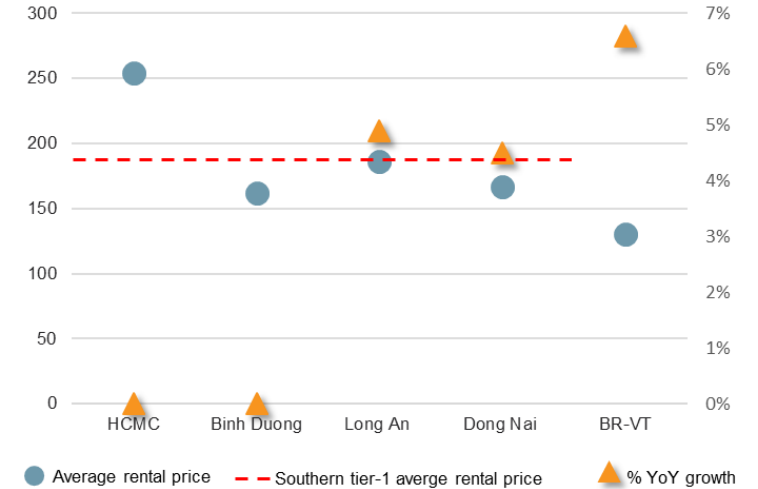
**Average rental price increased 1.2% QoQ in the North while staying flat QoQ in the South (Unit: USD/sqm/lease term)**



**Hai Duong and Hung Yen led the trend of increasing rental price (USD/sqm/lease term) in the northern market**



**BR-VT continued to be an alternative destination from tier-1 markets in the South**

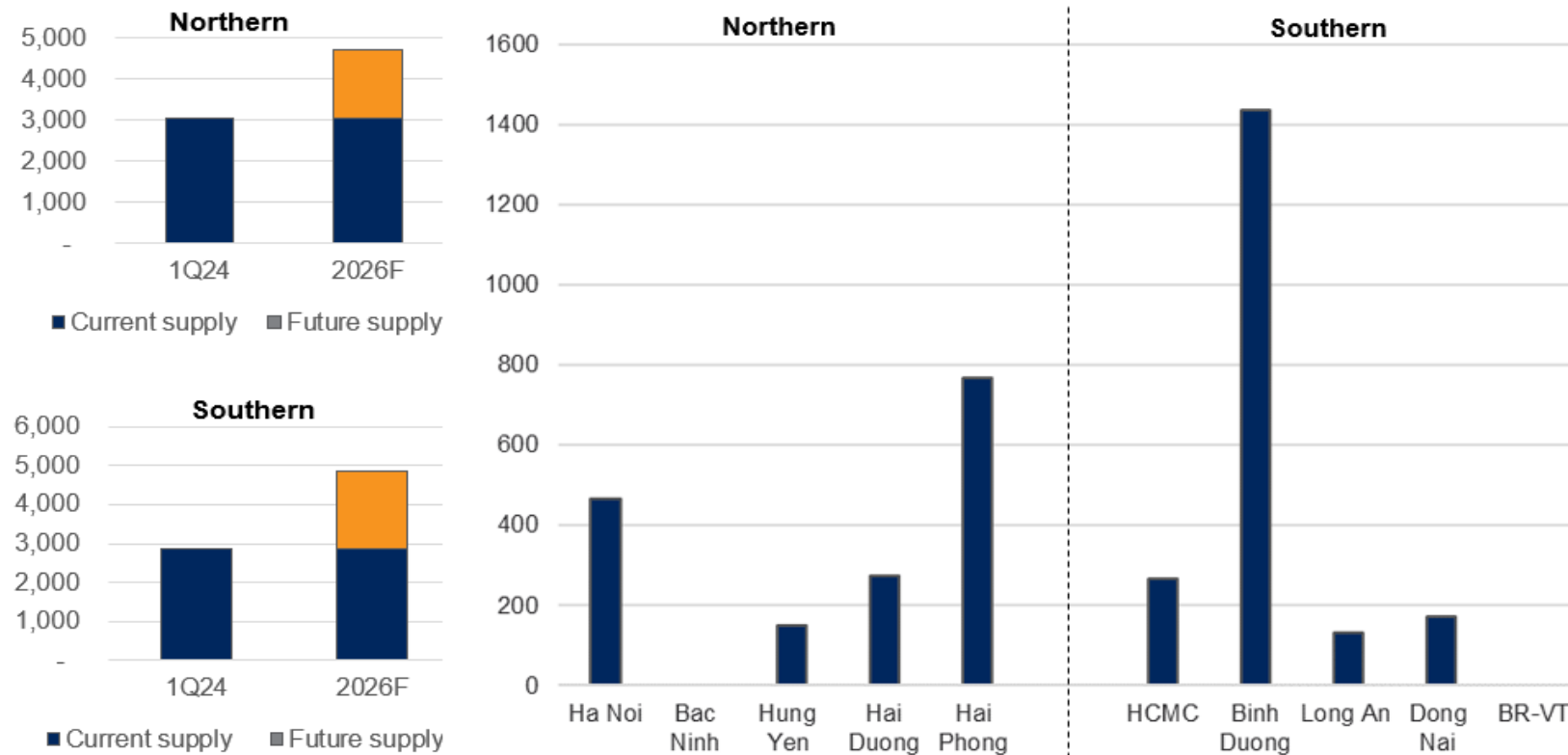


- In 1Q24, the average rental price in the Northern tier 1 market increased 1.2% QoQ and 7.8% YoY to USD133/sqm/lease term. Except for Hanoi with little remaining leasable area, other provinces showed positive rental growth attributed to high demand from high-value-added sectors.
- While the average rental price in the Southern tier 1 market stayed flat QoQ at USD189/sqm/lease term, showing YoY growth of 2.4% thanks to contribution of Long An and Dong Nai. In addition, BR-VT continues to be an alternative destination from tier-1 markets in the South, recording rental growth of nearly 7%.
- For 2024-26, we expect high demand from high-tech projects will boost rental prices in the North. At the same time, rental prices of IPs in the South will also grow positively thanks to limited new supply and improving infrastructure. CBRE forecasts rental prices will grow 3-9%/year in the North and 3-7%/year in the South during 2024-26.

## New supply trends will continue until 2025

We believe the contrasting picture of new supply between the two markets to continue in 2024 and will gradually improve from 2025.

### Hai Phong and Binh Duong will see new supply boom in 2024-26 (Unit: ha)



- We expect the Northern market will continue to welcome abundant new supply of about 1,661ha in 2024-26, largely concentrated in Hai Phong with Tien Thanh IP and Trang Due 3 IP (KBC).
- Meanwhile, the Southern market will continue to have limited new supply in 2H24 and will begin to improve from 2025 when the amended Land Law comes into effect, helping to speed up the process of compensation and site clearance. We expect new supply in the Southern market in 2024-26 will reach over 2,000ha, mostly from Binh Duong with projects such as: Nam Tan Uyen expansion phase 3 IP (NTC), VSIP 3 phase 2 IP and Tan Lap 1 IP (PHR), Cay Truong IP (BCM).

## Peer comparison

We see that valuation of most of the IP sector looks fair. Sector's average P/E is now near its multi-year average. P/B is somewhat higher than the 5-year average.

Company	Ticker	Mkt Cap	TTM Net revenue	%YoY	TTM Net profit	%YoY	Debt/Equity	ROE	TTM P/E	LQ P/B
		USDmn	USDmn		USDmn		%	%	x	x
Vietnam Rubber Group Ltd	GVR VN	5,813	929.0	(8.4)	135.7	(23.5)	12.0	5.1	58.0	2.9
Investment And Industrial Development Corp	BCM VN	2,634	330.8	34.8	96.6	81.2	101.3	13.8	29.1	3.6
Kinh Bac City Development Holding	KBC VN	872	235.8	67.6	46.2	(49.4)	18.1	5.7	22.1	1.2
Viglacera Corp JSC	VGC VN	933	553.6	(3.5)	51.9	1.0	53.9	15.5	19.3	2.9
IDICO Corp JSC	IDC VN	799	303.7	23.0	94.6	16.9	56.8	37.8	10.5	3.9
Sai Gon VRG Investment Corp	SIP VN	669	280.2	14.7	45.0	12.0	41.9	26.7	17.6	4.5
Sonadezi Corp	SNZ VN	613	228.5	2.9	58.7	38.7	47.7	12.6	20.3	2.5
Phuoc Hoa Rubber	PHR VN	325	56.7	(19.2)	21.0	(43.2)	8.4	12.8	17.8	2.2
Sonadezi Chau Duc Shareholding	SZC VN	286	34.3	50.2	11.3	96.4	153.6	11.5	23.8	2.4
Nam Tan Uyen JSC	NTC VN	204	9.9	(12.3)	12.6	16.9	28.7	35.8	17.3	5.4
Long Hau Corp	LHG VN	82	16.6	(43.6)	6.1	(26.6)	11.3	9.1	14.3	1.3
<b>Average</b>		<b>1,203</b>	<b>270.8</b>	<b>9.6</b>	<b>52.7</b>	<b>10.9</b>	<b>48.5</b>	<b>16.9</b>	<b>22.7</b>	<b>3.0</b>
<b>Median</b>		<b>669</b>	<b>235.8</b>	<b>2.9</b>	<b>46.2</b>	<b>12.0</b>	<b>41.9</b>	<b>12.8</b>	<b>19.3</b>	<b>2.9</b>

## Stock pick: We like KBC while PHR and BCM in watchlist

Company	Investment thesis	Stock Information																				
KBC	<p><b>Lack of IP bookings in 1Q24 should be a temporary delay...</b> During the first quarter of 2024, KBC had no revenue from IP leasing. However, we expect disappointing 1Q24 results will not last long as KBC possesses pending ready-for-lease IP land, along with several projects on the cusp of legal finalization in FY24. KBC's IP revenue will be back on track in the last three quarters of 2024.</p> <p><b>... thanks to the huge backlog of current projects.</b> We estimate that KBC will lease 157 ha of IP in FY24, which would equate to VND5.4tn (USD217mn) of revenue, primarily from the following projects: Nam Son – Hop Linh IP, Quang Chau IP, Tan Phu Trung IP and Industrial clusters in Hung Yen and Long An provinces, especially Trang Due 3 IP.</p>	<table> <tr><td>Target price</td><td>37,900</td></tr> <tr><td>Upside</td><td>31.1%</td></tr> <tr><td>Dividend Yield</td><td>0%</td></tr> <tr><td>FY24F EPS Growth</td><td>5.1%</td></tr> <tr><td>Market Cap</td><td>USD870mn</td></tr> <tr><td>3MADTV</td><td>USD6.5mn</td></tr> <tr><td>Foreign Room</td><td>USD250mn</td></tr> <tr><td>P/E TTM</td><td>22.1</td></tr> <tr><td>P/B Current</td><td>1.2</td></tr> <tr><td>ROE</td><td>5.7%</td></tr> </table>	Target price	37,900	Upside	31.1%	Dividend Yield	0%	FY24F EPS Growth	5.1%	Market Cap	USD870mn	3MADTV	USD6.5mn	Foreign Room	USD250mn	P/E TTM	22.1	P/B Current	1.2	ROE	5.7%
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<p><b>Hai Phong FDI enhances Trang Due 3's prospects to drive FY24-25 earnings.</b> We maintain our expectation that Trang Due IP will be the key driver for FY24-25 earnings growth. In 4M24, South Korea's registered FDI to Vietnam soared a robust 49% YoY to USD850mn. Hai Phong emerged as a significant beneficiary, capturing nearly half of these funds. We believe that the influx of funds bodes well for the prospects of Trang Due 3, especially considering the significant Korean corporate presence in Trang Due 1 and 2.</p> <p><b>Trang Cat's launch in 2H25 will bolster residential revenue.</b> KBC received approval for Trang Cat's revised 1/2000 plan in late 2023. Additionally, a VND5.65tn (USD226mn) deposit strengthens our confidence in the real estate brokerage service contract, paving the way for Trang Cat's launch in 2H25. We expect this project will drive a significant surge in residential sales of 250%/60% in FY25/FY26, respectively</p>																						
PHR	<p><b>Strong demand from Chinese tire manufacturers will boost sales volume.</b> China auto sales are projected to increase to ~31 million units (+3% YoY) and sales of NEVs to climb more than 20% YoY, reaching 11.5 million units in 2024. We expect strong rubber demand in 2024 as China should increase imported rubber to capture high demand for tire manufacturing. Thus, we expect PHR's sales volume to increase 15% in FY24.</p> <p><b>Bad weather in Thailand and high oil prices will support high rubber price.</b> Heavy rain in Thailand - the world's largest rubber producer - during the peak season may prevent it from accumulating enough output for 2024. Narrow supply coupled with crude oil prices staying high (USD83/bbl) in 2024, should support high rubber prices. We expect global rubber prices to remain at high levels of USD1.45/kg in 2024, increasing by 5.1% YoY.</p> <p><b>Binh Duong government moving to clear hurdles for NTU3 and Tan Lap1.</b> In February, the People's Committee of Binh Duong province held a meeting to establish a working group to resolve difficulties in determining land prices. With the positive moves of Binh Duong province, we believe that NTU 3 and Tan Lap 1 will come into operation as we previously forecast (NTU 3: available for lease in 2024/Tan Lap 1: start leasing in 2025). Thus, we expect associate profit to increase 115.5%/40.9% YoY while IP revenue changing -2.6%/+199.7% in FY24/25.</p>	<table> <tr><td>Target price</td><td>61,200</td></tr> <tr><td>Upside</td><td>0.3%</td></tr> <tr><td>Dividend Yield</td><td>4.9%</td></tr> <tr><td>FY24F EPS Growth</td><td>2.6%</td></tr> <tr><td>Market Cap</td><td>USD314mn</td></tr> <tr><td>3MADTV</td><td>USD1.2mn</td></tr> <tr><td>Foreign Room</td><td>USD97mn</td></tr> <tr><td>P/E TTM</td><td>17.8</td></tr> <tr><td>P/B Current</td><td>2.2</td></tr> <tr><td>ROE</td><td>12.8%</td></tr> </table>	Target price	61,200	Upside	0.3%	Dividend Yield	4.9%	FY24F EPS Growth	2.6%	Market Cap	USD314mn	3MADTV	USD1.2mn	Foreign Room	USD97mn	P/E TTM	17.8	P/B Current	2.2	ROE	12.8%
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## Stock pick

Company	Investment thesis	Stock Information																		
<b>BCM</b>	<p><b>Truong Truong IP coming into operation will push 2025 IP revenue.</b> Currently, BCM is completing the 1/500 Plan for Cay Truong IP. We believe that site clearance will not be difficult because the land to construct the IP is currently rubber plantation. Thus, we expect Cay Truong IP to be put into operation from 3Q25, helping IP revenue to increase 60%/14% in 2025/26.</p> <p><b>Shared profits from VSIP will grow strongly on continuous IP launches in 2023-25.</b> In 2023, VSIP started construction on four IPs including VSIP Bac Ninh II, VSIP Can Tho, VSIP Nghe An and Quang Tri IP with a total leasable area of 1,098ha. Last June, VSIP started construction on VSIP Lang Son and VSIP Ha Tinh phase 1, adding 550ha to the leasable land fund. During 2H24-25, we expect VSIP to deploy VSIP Thai Binh, Quang Ngai II IP and VSIP Binh Duong III phase 2, with a total leasable area of ~1,189ha. With a series of IPs continuously being put into operation in 2023-25, we expect VSIP's revenue and net profit to grow at average rate of 36%/30% YoY in 2024-26 period.</p> <p><b>Share issuance will reduce pressure on debt maturity.</b> BCM plans to issue 300mn shares, mobilizing a minimum of VND15tn (USD600mn) of charter capital. Of this, the company plans to spend more than VND5tn (USD200mn) for debt repayment. At the end of 1Q24, BCM's total debt amounted to VND21tn (USD840mn) and bond maturity pressure is heaviest in 2026 (~VND4.5tn / USD180mn). We expect BCM to complete its capital increase plan in 2025, helping the company have cash to meet due debts and to deploy projects. This issuance also helps increases BCM's free-float as the state ownership ratio is expected to decrease from 95% to 74%.</p>	<table border="1"> <tr> <td>Target price</td> <td>N/A</td> </tr> <tr> <td>Upside</td> <td>N/A</td> </tr> <tr> <td>Dividend Yield</td> <td>N/A</td> </tr> <tr> <td>Market Cap</td> <td>USD2.7bn</td> </tr> <tr> <td>3MADTV</td> <td>USD2mn</td> </tr> <tr> <td>Foreign Room</td> <td>USD1.3bn</td> </tr> <tr> <td>P/E TTM</td> <td>29.1</td> </tr> <tr> <td>P/B Current</td> <td>3.6</td> </tr> <tr> <td>ROE</td> <td>13.8</td> </tr> </table>	Target price	N/A	Upside	N/A	Dividend Yield	N/A	Market Cap	USD2.7bn	3MADTV	USD2mn	Foreign Room	USD1.3bn	P/E TTM	29.1	P/B Current	3.6	ROE	13.8
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Peak season coming

# Logistics

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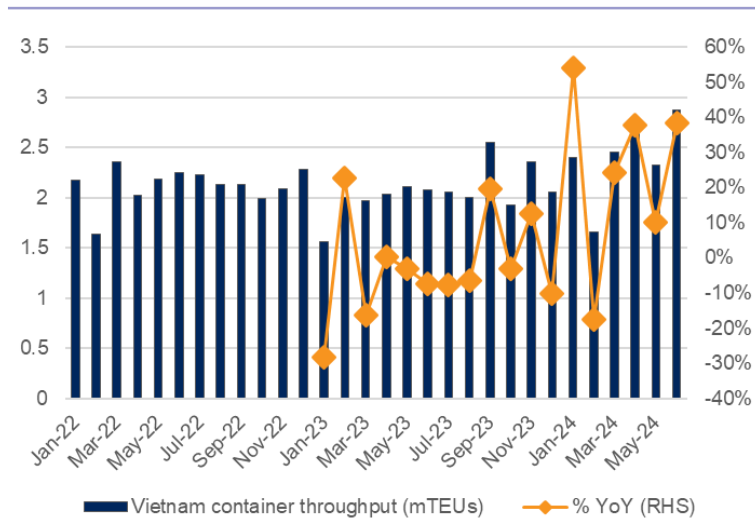
VNDIRECT



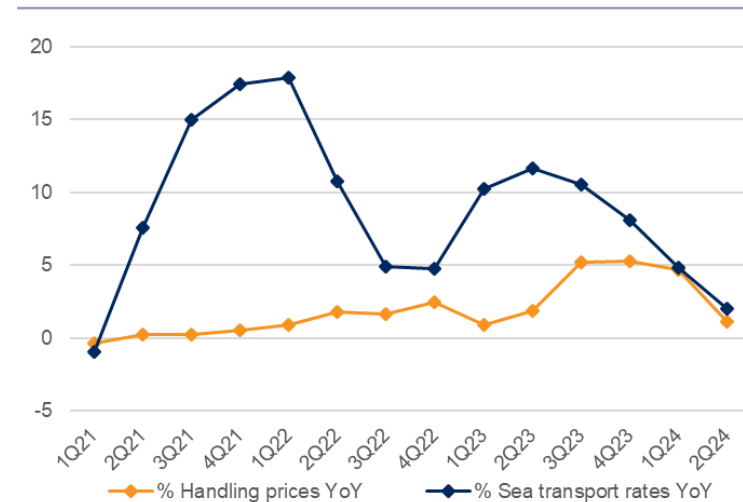
## Port operations had good results, while domestic transportation stayed flat

In 6M24, port operators enjoyed positive results amid a recovery in trading activity

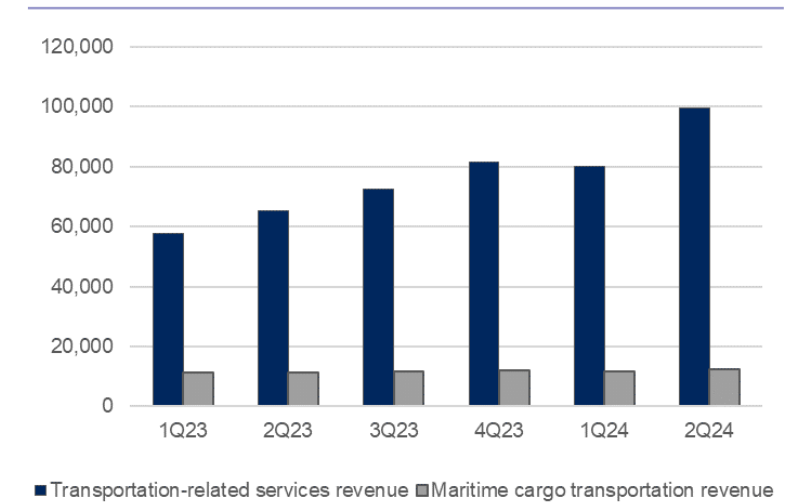
We estimate in 6M24, Vietnam container throughput reached 14.5 million TEUs, increasing 23.4% YoY



Handling prices and sea transport rates slightly increased YoY



Transportation-related services revenue and domestic freight revenue in major markets (Unit: VNDbn)

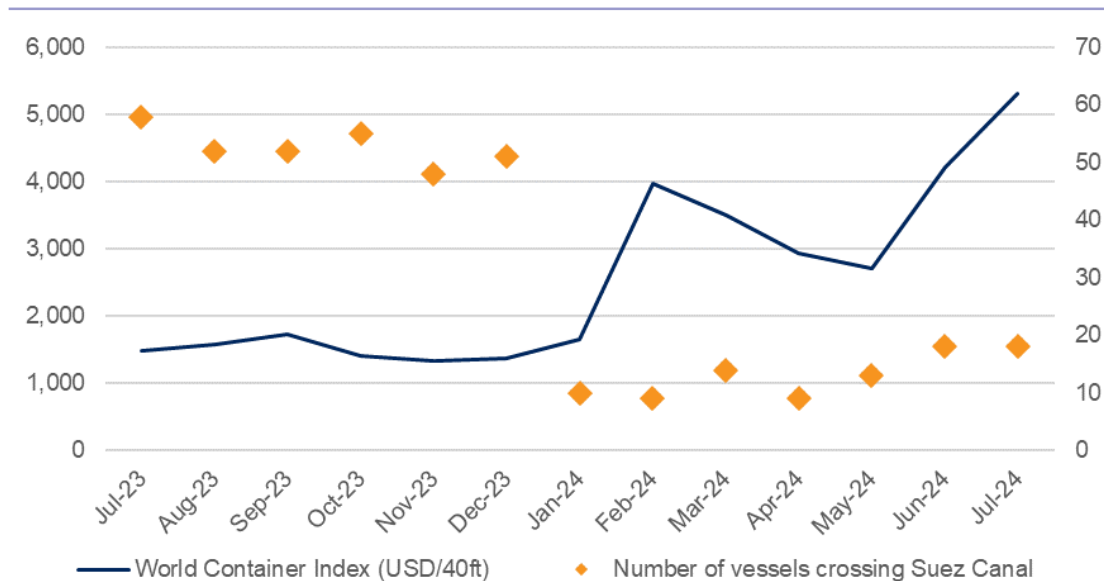


- In 6M24, corresponding to trading activities, container throughput was estimated to reach 14.5 million TEUs, increasing 23.4% YoY.
- Regarding service prices, handling and transport both increased 5% YoY in 1Q24 and started cooling in the second quarter.
- However, transported-related services revenue, which includes handling revenue, surged 24.2% QoQ in 2Q24. This was driven by economic activity in the southern region and positive results of trading activity. Conversely, domestic maritime transportation stayed flat QoQ.

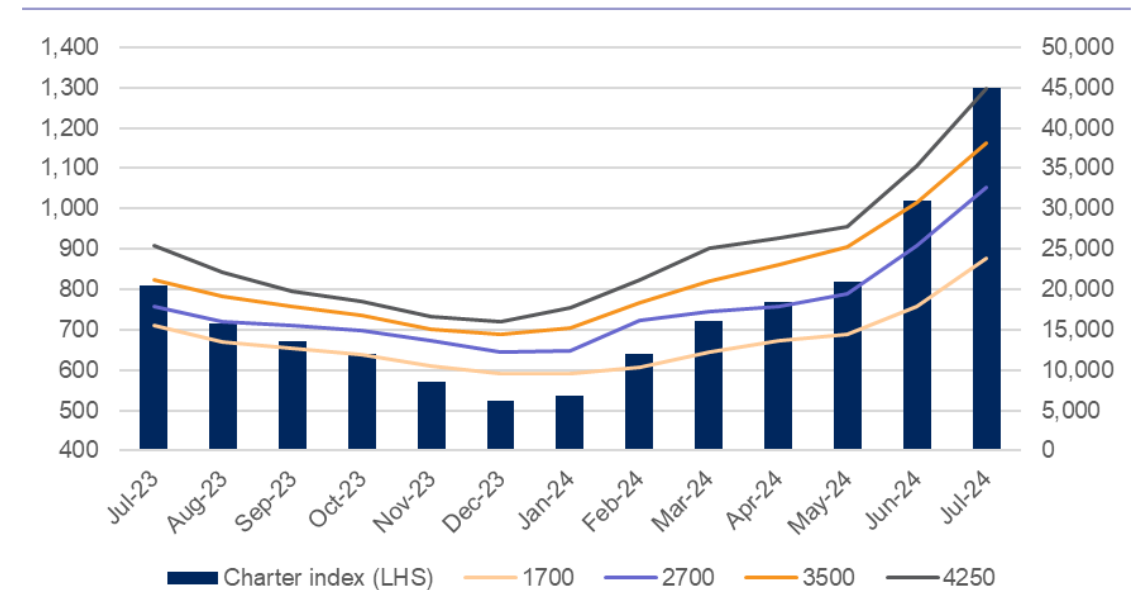
## “Traditional” peak season coming sooner than expected (1)

After recent cooling, rates accelerated in June by 25.6% MoM, signaling the arrival of the traditional peak season as: 1) disruptions at the Red Sea created a capacity shortage; and 2) unexpected demand increases have caused workload at Singapore Port to reach near-capacity levels.

**World container index (WCI) increased 25.8% MoM in June**



**Charter index also surged 27.1% MoM in June (Unit RHS: USD/day)**

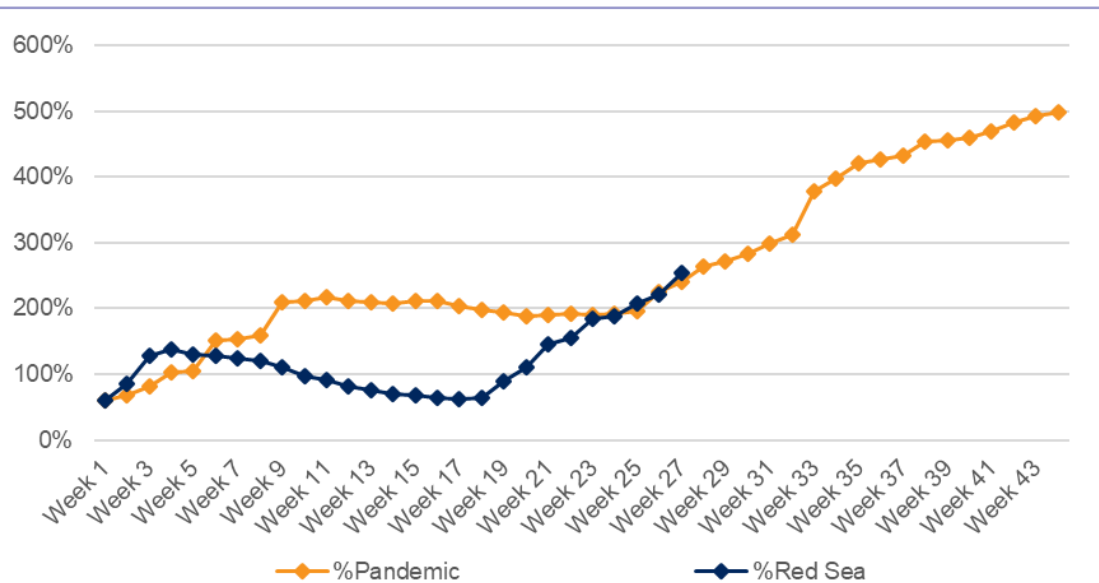


- The World Container Index (WCI) had declined from a spike in February, but in June it jumped 25.8% MoM. This surge contributed to a 34% YTD increase.
- Similarly, the charter rate index also exhibited a substantial rise in June, climbing 27.1% MoM. This increase translates to staggering 102% YTD growth.

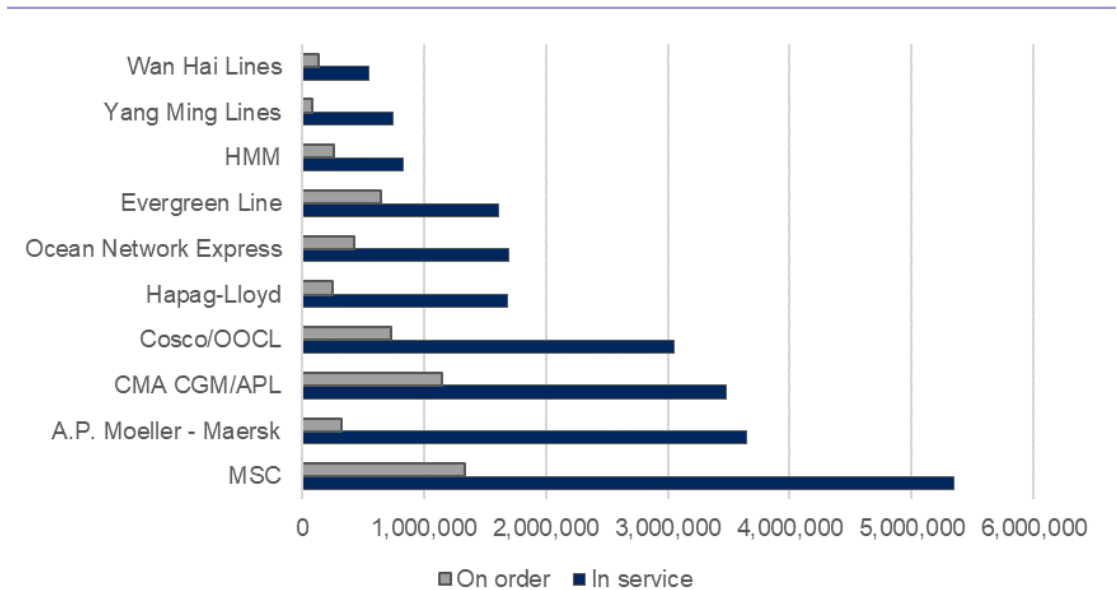
## “Traditional” peak season coming sooner than expected (2)

1) The disruption at the Red Sea caused lengthened transit times, reducing global capacity by approximately 6.0%. This disruption could last until the end of 2024. The longer it persists, the more likely it is that the transportation industry will experience the next Black Swan event.

**Increase of WCI since the first day of Red Sea disruptions compared to Covid pandemic**



**New container vessels to join oversupplied fleet in 2024-25 (Unit: TEUs)**



- As of early June 2024, global container shipping capacity expanded by 1.6 million TEUs, marking a 5.3% increase. Forecasts by Clarkson Research and Xeneta project an additional delivery of 1.1 million TEUs in the second half of 2024. Despite the disruptions in the Red Sea, the supply chain has risen to the occasion. Nevertheless, the market remains on edge; any closure of the Suez route could swiftly tip the balance toward oversupply, exerting significant downward pressure on freight rates. In short, we believe freight rates will stay volatile in the upcoming months.
- Meanwhile, due to peak season coming, container TEU miles are expected to remain at a high level in the next three months.

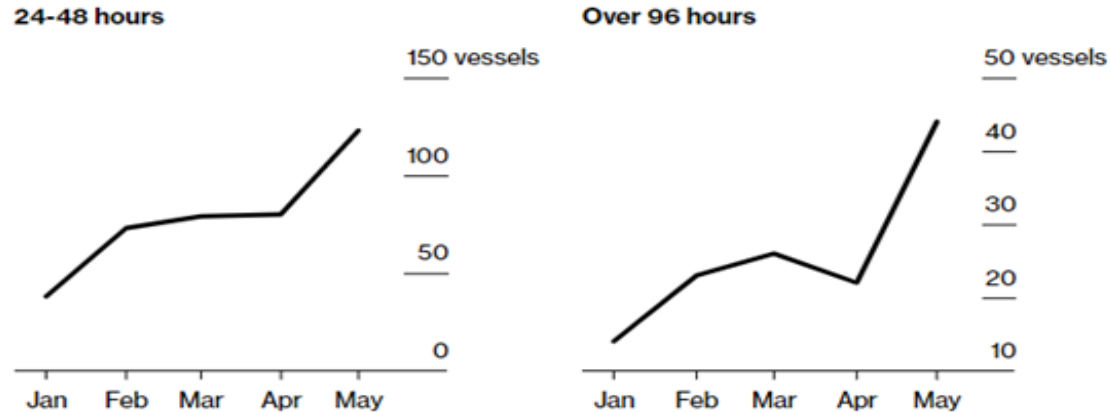
## “Traditional” peak season coming sooner than expected (3)

2) The peak season has caused workload at the Port of Singapore to reach near-capacity levels. We believe that this situation will persist for the next three months.

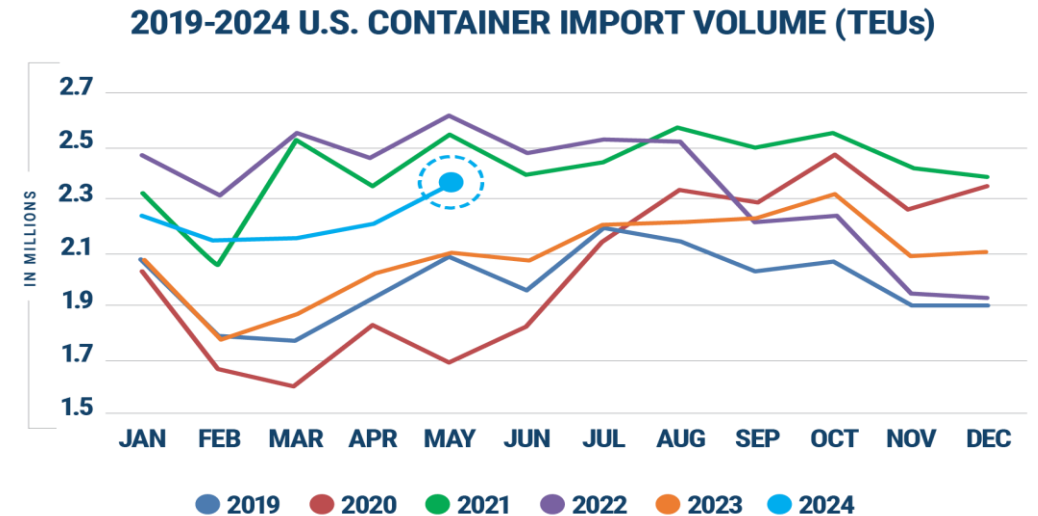
### Congestion at Singapore's container port is at its worst since the COVID-19 pandemic

#### Singapore Port Faces Increasing Congestion

More vessels are needing to wait for long time periods to berth



### US container import demand exhibited an uptick in May



- Drewry Maritime Services Director Jayendu Krishna reports that last month, yard utilization rates in Singapore, a key indicator of port activity, soared to nearly 90%, well above the ideal threshold of 70%. This was likely driven by the surge in US restocking demand since May. Furthermore, this could lead to shipping lines opting for ports in neighboring regions, potentially creating favorable competitive conditions for the CM-TV port region. However, we assess that the positive impact on port operators will not be pronounced.
- Additionally, consumers in the US are showing signs of fatigue. As peak season is likely to continue for the next three months, the congestion is likely to take longer to resolve.

## Operations to be optimized during peak season and cool down in 4Q24

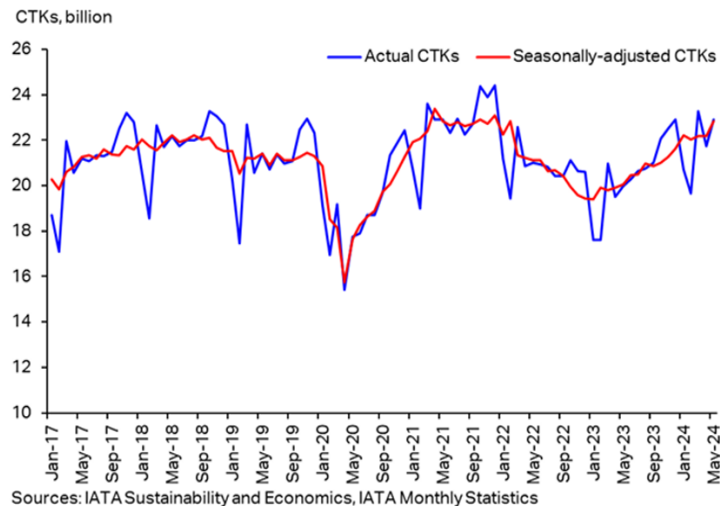
We believe that a modest increase in workload during the second half of 2024 will lead to sustained positive performance among port operators and enable shipping lines to capitalize on peak season demand with elevated rates. Below are our forecasts for two publicly traded companies that are emblematic of their respective core operations.

VNDbn	HAH			GMD			1Q24/FY24E	
	1Q24	FY24E	FY25F	1Q24	FY24E	FY25F	HAH	GMD
<b>Net revenue</b>	<b>704</b>	<b>3,208</b>	<b>3,631</b>	<b>1,006</b>	<b>4,058</b>	<b>4,560</b>	<b>22.0%</b>	<b>24.8%</b>
% YoY	7.5%	22.8%	13.2%	21.6%	5.5%	12.4%		
<b>Gross profit</b>	<b>106</b>	<b>763</b>	<b>1,022</b>	<b>441</b>	<b>1,999</b>	<b>2,133</b>	<b>13.9%</b>	<b>22.1%</b>
% YoY	-44.8%	24.9%	33.9%	3.4%	12.5%	6.7%		
<b>Core operating</b>	<b>72</b>	<b>610</b>	<b>858</b>	<b>291</b>	<b>1,315</b>	<b>1,356</b>	<b>11.8%</b>	<b>22.2%</b>
% YoY	-55.6%	25.6%	40.7%	-2.9%	17.8%	3.2%		
NPAT-MI	59	355	539	559	1,377	1,330	16.7%	40.6%
% YoY	-86.7%	-52.0%	51.7%	196.4%	-38.0%	-3.4%		

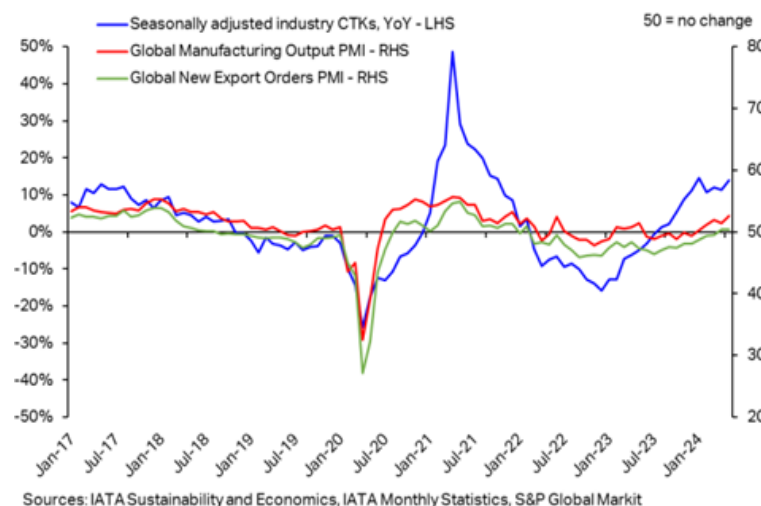
## Air cargo throughput outlook remains positive in 2H24

We expect air cargo throughput growth to enjoy a CAGR of 11.5% during 2024-25, driven by a recovery of global trade after an economic slowdown in 2023. Furthermore, cargo shipments by sea are experiencing delays due to political instability, prompting businesses to increasingly choose air transport as an alternative.

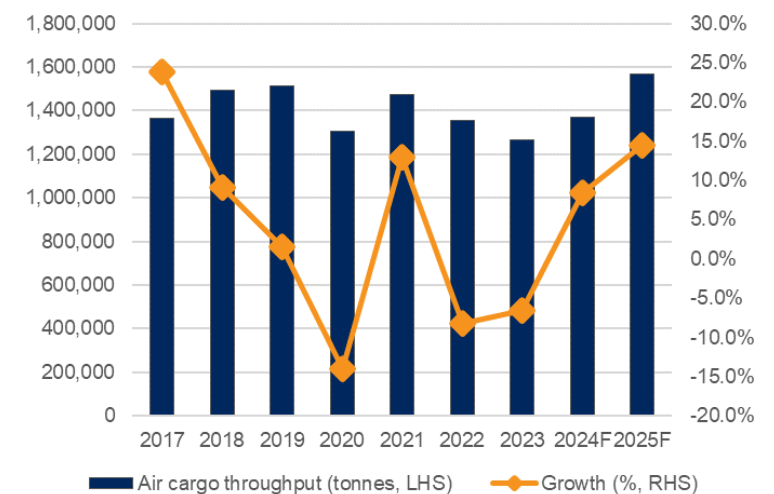
### May was the sixth month in a row of global double-digit demand growth (Unit: billion per month)



### New export orders PMI recorded a second positive report, representing a milestone not seen in over two years



### Vietnam air cargo throughput in 2024-25F



- Air cargo volume saw signs of recovery in 1H24 thanks to: 1) recovery of demand in the US and EU; 2) increased exports of electronics and mobile devices driven by FDI inflows into Vietnam since 2H23 and subsequent years; and 3) a low 2023 base.
- In the long run, Vietnam's air cargo market retains significant growth potential, aligned with the Government's aspiration to position the country as a major global manufacturing hub.

## Peer comparison: HAH

Company name	Bloomberg Ticker	Mkt cap (USDmn)	P/E		D/E ratio (%)	3-year EPS CAGR (%)	EV/EBITDA		ROA		ROE	
			TTM	FY25F			FY24E	FY25F	FY24E	FY25F	FY24E	FY25F
AP Moller - Maersk A/S	MAERSKB DC	27,885	18	23.0	27	177.2	5.0	7.1	2.1	(2.8)	2.8	(1.1)
COSCO SHIPPING Holdings Co Ltd	601919 CH	30,563	10	13.2	35	257.5	3.5	5.8	5.5	4.6	14.6	9.5
Evergreen Marine Corp Taiwan Ltd	2603 TT	11,539	8	13.9	31	231.9	3.8	5.6	7.1	4.6	13.1	7.1
HMM Co Ltd	011200 KS	9,441	10	11.8	14.1	4,325.1	1.5	2.5	8.3	4.0	9.2	3.9
Yinson Holdings BHD	YNS MK	1,492	8	8.9	205.9	22.5	8.1	7.4	4.1	4.6	11.2	11.2
Regional Container Lines PCL	RCL TB	603	18	32.3	18	302.4	3.0	3.1	3.8	1.1	5.0	1.5
Nanjing Shenghang Shipping Co Ltd	001205 CH	370	15	8.6	116	6.3	7.1	5.7	7.4	8.2	12.7	14.1
Fujian Guohang Ocean Shipping Group Co Ltd	833171 CH	286	NA	11.7	60	NA	9.4	6.8	NA	NA	8.6	10.6
Hai An Transportation & Stevedoring JSC	HAH VN	206	11	14.1	57	79.7	5.5	5.8	5.9	7.7	10.5	13.8
Average			12	15.4	63	760.4	5.2	5.5	5.5	3.5	9.6	7.1
Median			10	12.5	33	231.9	4.4	5.7	5.5	4.6	10.2	13.8

\*FY25F: Bloomberg consensus

## Peer comparison: GMD

Company Name	Bloomberg Ticker	Mkt Cap (USDmn)	3-year EPS CAGR (%)	P/E		P/B	ROE		ROA		Dividend yield	D/E EV/EBITDA	
				FY23 (x)	FY24F (x)	Current (x)	FY23 (%)	FY24F (%)	FY23 (%)	FY24F (%)	TTM (%)	FY24F (%)	TTM (x)
Gemadep Corp	GMD VN	1,022	34	9.8	19	2.5	28.7	13.8	16.7	8.7	2.4	20.2	16.9
Sai Gon Port JSC	SGP VN	253	95	12.6	22	1.4	13.6	11.3	6.5	6.4	2.1	43.7	9.4
Danang Port Jsc	CDN VN	130	10	9.9	11.6	1.6	17.9	NA	NA	NA	2.2	19.4	5.6
Dinh Vu Port Investment & Development	DVP VN	120	(1)	8.7	10.7	2.1	23.5	NA	NA	NA	8.8	-	8.2
Dong Nai Port Jsc	PDN VN	171	26	12.8	12	3.5	26.2	NA	NA	NA	NA	13.6	8.5
Cat Lai Port Jsc	CLL VN	55	(2)	13.6	14	2.1	15.9	NA	NA	NA	7.4	-	6.8
Port Of Hai Phong Jsc	PHP VN	382	3	11.9	17	1.4	13.2	7.8	8.9	5.4	2.3	11.5	7.9
Tancang Logistics And Stevedoring	TCL VN	42	11	10.3	11	2.0	21.7	NA	NA	NA	17.9	2.7	6.9
Doan Xa Port Jsc	DXP VN	31	(6)	10.9	15	0.9	5.1	NA	NA	NA	NA	-	10.5
Vegetexco Port Jsc	VGP VN	9	(4)	14.0	13	1.1	9.7	NA	NA	NA	NA	NA	76.5
Average		222	17	11.4	15	1.9	17.5	11.0	10.7	6.8	6.2	12.4	15.7
Median		125	6	11.4	14	1.8	16.9	11.3	8.9	6.4	2.4	11.5	8.4

## Peer comparison: SCS

Company	Bloomberg Ticker	Mkt cap	P/E		EPS growth	EV/EBITDA		ROA		ROE		Dividend yield
			FY23	FY24E		FY23	FY24E	FY23	FY24E	FY23	FY24E	
		(USDmn)	(x)	(x)	(%)	(x)	(x)	(%)	(%)	(%)	(%)	(%)
MacroAsia Corp	MAC PM	152	9	9.3	40	9.1	8.9	7.0	7.8	14.6	16.3	13.5
Xiamen International Airport C	600897 CH	778	15	14.0	31	5.0	NA	6.8	7.6	8.9	9.8	6.9
Noibai Cargo Terminal Services	NCT VN	97	11	11.1	2	NA	7.0	41.1	40.2	47.6	46.1	6.7
Southern Airports Services JSC	SAS VN	152	13	15.4	NA	NA	12.2	14.6	13.3	20.5	16.8	3.4
Average			12	12.4	24.1	7.1	9.3	17.4	17.2	22.9	22.2	7.6
Median			12	12.6	31	7.1	8.9	10.8	10.5	17.5	16.5	6.8
<b>Sai Gon Cargo Service Corp</b>	<b>SCS VN</b>	<b>343</b>	<b>16</b>	<b>16.3</b>	<b>15</b>	<b>7.6</b>	<b>11.0</b>	<b>30.6</b>	<b>32.0</b>	<b>33.3</b>	<b>36.5</b>	<b>5.4</b>

## Our coverage: HAH and GMD

Stock

Investment thesis

Stock information

HAH

**In-line expansion progress fuels double-digit net revenue growth in FY24-25:** In 1H24, HAH expanded its fleet with the addition of two vessels, Haian Beta and Anbien Sky. This expansion has elevated the fleet's total capacity to 21,371 TEUs, marking 20.3% YoY growth. With higher designed fleet capacity, we forecast double-digit growth of net revenue of 22.8%/13.2% YoY, reaching VND3.2tn/VND3.6tn (USD128mn/USD144mn) in FY24-25, respectively.

**Higher charter rates will drive FY25 EBITDA:** Since May, WCI has risen by 77%, from USD2,700 to USD4,800 per 40-foot container. Concurrently, charter rates for 1,700 TEU vessels have increased by 26% to USD19,500 daily, while rates for 1,800 TEU vessels, like HAH's new quartet, have surged 44% to USD24,500 daily. We increase our average charter rate assumption of HAH's leasing fleet (49% of total capacity) 17% for FY25, thus lifting EBITDA up 8.8% vs our latest forecast.

**Net margin under pressure due to high depreciation and interest expenses:** To finance its fleet expansion plan, we estimate that HAH will procure long-term financing amounting to VND856bn/VND339bn (USD34.7mn/USD13.7mn), which is expected to elevate its interest expenses to VND144bn/VND131bn (USD5.6mn/USD5.3mn) in FY24/25, reflecting a change of +95.6%/+78.2% from the FY23 level. Additionally, with an increase in operational vessels, its depreciation expenses will rise 30%/11.2% YoY in FY24/25. Thus, we expect net margin to stay low at 11.1%/14.9% in FY24/25, from 14.7% in FY23.

Target price	VND48,000
Upside	5.0%
Dividend Yield	0.0%
Market cap	USD206mn
3MADTV	USD5.0mn
Foreign Room	USD41.0mn
P/E TTM	11.3x
P/B Current	1.8x
ROE	10.5%
EPS growth	-7.6%

GMD

**Macro results support the container shipping outlook for 2024:** Vietnam container throughput reached 4.05 million TEUs in 2M24, up 27% YoY, according to VMA. Vietnam manufacturing showed signs of recovery in the first two months of 2024 with IIP increasing 5.7% YoY and PMI rising above 50. Accordingly, we forecast that 2024 import-export activities will grow by 8%/6% YoY, respectively, and container throughput will increase by 4.5% from the previous year.

**Increasing handling fees will boost core activity margin:** The Ministry of Transportation approved an average increase of 10% in handling fees, effective from February 15, 2024, for deep-water port areas. Thus, we expect GMD's gross margin to increase 3.2% pts YoY in FY24, mostly from Nam Dinh Vu ports. Its associate company, Gemalink, will also benefit, leading to a 21.2% increase in our forecast for the profit contribution of this port in FY24-25.

**Government dredging project makes NDV more competitive:** The MoT approved a VND300bn (USD12.1mn) dredging plan for the Ha Nam canal, which links Hai Phong port system and Nam Dinh Vu port. The project will deepen the canal from -7.0m to -8.5m, enabling bigger vessels to access the port, enhancing transport and investment. The project started in January 2024 and will end in June 2024. This will benefit Nam Dinh Vu port and make it more competitive by accommodating larger vessels, and we expect phase 3 of this project to go into operation in late FY24.

**Current valuation has already priced in much of the positive outlook:** GMD's stock price has increased 14.2% YTD, which we think is mostly thanks to the handling price increase; thus, the valuation seems reasonable now.

Target price	VND90,200
Upside	7.9%
Dividend Yield	2.4%
Market cap	USD1,039.0mn
3MADTV	USD4.7mn
Foreign Room	USD0.5mn
P/E TTM	8.6x
P/B Current	2.2x
ROE	23%
EPS growth	-45.7%

## Our coverage: SCS

### Stock

### Investment thesis

### Stock information

### SCS

**Collaboration with Qatar Airways will keep earnings growth on track:** In February 2024, SCS announced a new collaboration with Qatar Airways, which helped boost 1Q24 net revenue 31.3% YoY, fulfilling 24.4% of our full-year forecast. Thus, we believe this momentum will continue, resulting in a rise in revenue by 26.2%/7.2% YoY in FY24/25.

**Vietnam air cargo volume should recover in line with export activity:** In 5M24, Vietnam transported air cargo volume increased 27.4% YoY, indicating a recovery of air cargo activity. Also, Vietnam's PMI has been above 50 in April and May, reflecting sustained growth in new export orders. We expect export value to grow 6% YoY in 2024, which will favor air cargo services. As a result, due to the anticipated increase in international cargo volumes in the coming years, we forecast SCS's ASP will surge 6.6%/2.7% YoY in FY24-25. This translates to gross margin staying largely flat above 77.0%, with a slight increase of 1.1% pts/0.5% pts YoY in FY24-25.

**LTIA projects could add upside to our TP:** The Airports Corporation of Vietnam (ACV) is set to open bids for key components of Long Thanh International Airport's (LTIA) third project in early to mid-2024, including Package No. 7.8 for Cargo Terminal No. 1's construction and equipment installation. The terminal is expected to handle 1.2 million tonnes of cargo, and we expect SCS to win a share of the bid. However, we conservatively await official bidding results before adding this project into our model.

**Current price nearly reflects core operation's outlook without new project:** The current P/E of 15.4x is higher than its peer average (12.1x) and its five-year average (11.5x). However, SCS's EV/EBITDA ratio aligns with the industry standard, and ROE exceeds that of its peers. Furthermore, the dividend yield is still attractive at 5.4%. We therefore believe the valuation looks fair ahead of the LTIA bidding.

Target price	VND95,100
Upside	6.4%
Dividend Yield	5.4%
Market cap	USD360mn
3MADTV	USD0.3mn
Foreign Room	USD12.3mn
P/E TTM	14.4x
P/B Current	5.4x
ROE	43.2%
EPS growth	14.7%

# Exports

**Valuations fully reflect outlook**



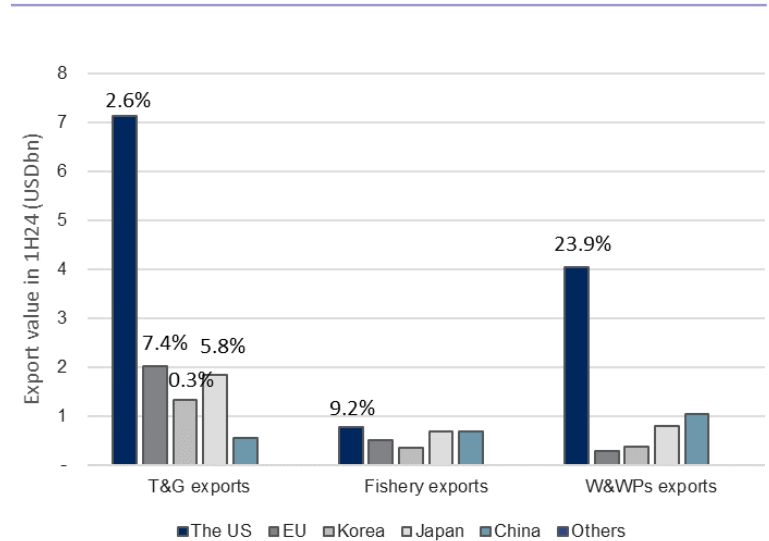
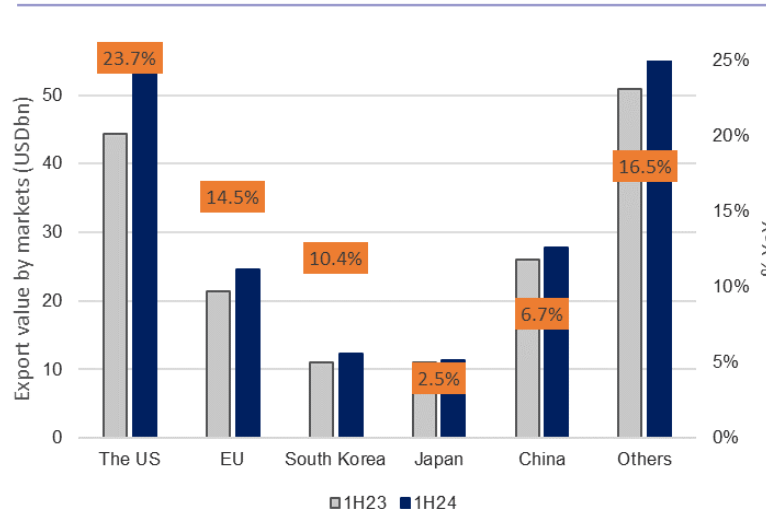
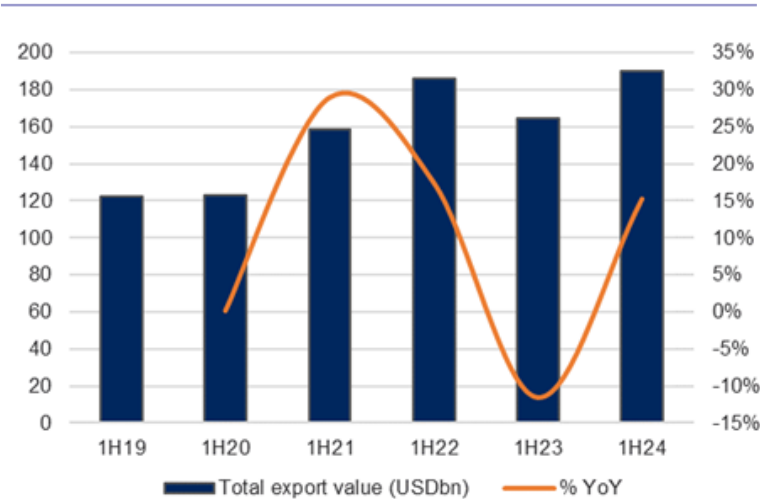
## 1H24 results: Exports improved from a low base

Manufacturing growth has been driven by exports, with improvement this year in all key markets and across key products

**Vietnam's export value increased 15.3% YoY to USD189bn in 1H24**

**All main markets recorded double-digit recovery, except for Japan**

**T&G, fisheries and W&WP exports grew due to demand recovery in almost all key export markets**



- Vietnam's export value increased 15.3% YoY to USD189bn in 1H24, completing 50.2% of the Ministry of Industry and Trade's 2024 guidance, and all main export sectors recorded growth. Exports recovered strongly from a low base in 2023 thanks to a return of global production and consumption demand from improving purchasing power. According to the World Trade Organization (WTO), the volume of global merchandise trade contracted 1.2% YoY in 2023, while the value of global merchandise exports fell 5% to USD24tn in 2023.
- The US is still Vietnam's biggest export market with turnover of USD55.0bn (accounting for 29% of total turnover in 1H24), and recorded the strongest recovery in 1H24. Main export items to the US include Computers, electronic products & components (USD11.2bn), Other machines, equipment, tools & spare parts (USD9.2bn), and Textile & garments (USD7.2bn) in 1H24.

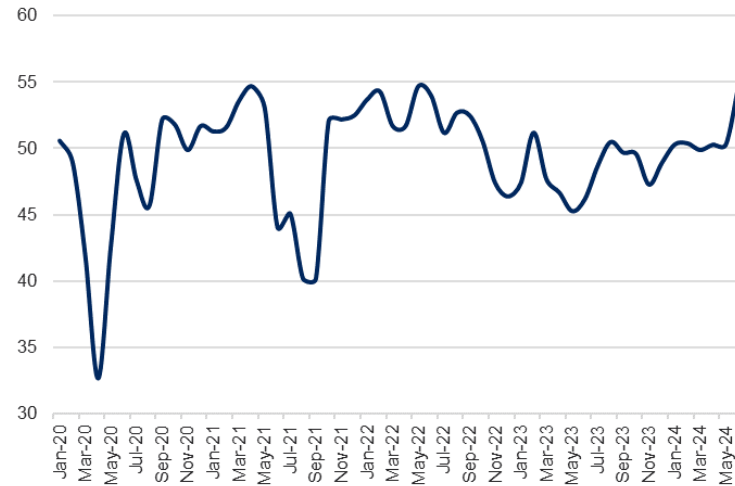
## 2H24 outlook: Manufacturing shows signs of continuing improvement...

Following the global trend of growing trade, Vietnam's manufacturing is beginning to show solid growth

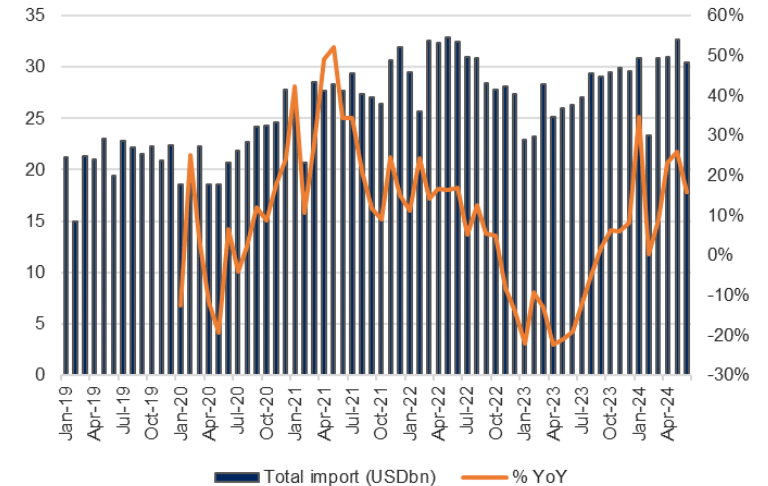
**Vietnam's manufacturing IIP has shown positive signs since early 2024**  
*(the base year 2015)*



**Vietnam's manufacturing PMI jumped to 54.7 in June from 50.3 in May**



**Total import value increased 18.1% YoY to USD179.2bn in 1H24**

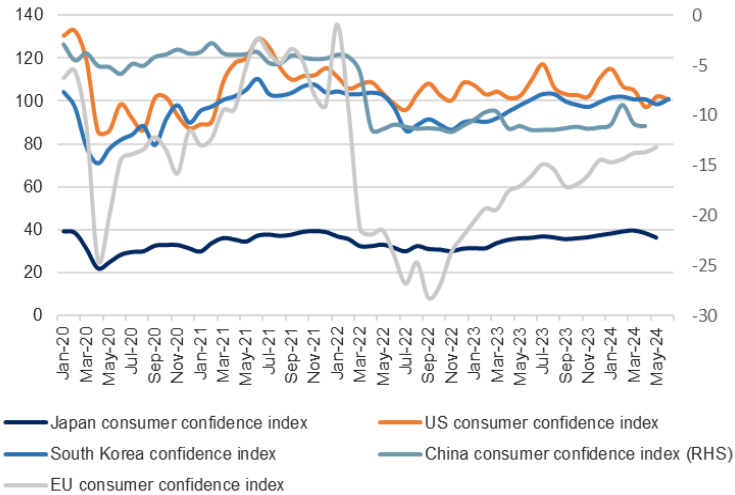


- Pent-up demand from 2022-23 is driving up merchandise production and consumption in 2024. The WTO forecasts global merchandise trade to increase 2.6% in 2024 and 3.3% YoY in 2025, after falling 1.2% in 2023.
- Vietnam's manufacturing IIP has shown positive signs since early 2024. Vietnam's manufacturing PMI jumped to 54.7 in June 2024, accelerating from 50.3 in the previous month. It marked the second consecutive increase in factory activity and the steepest since May 2022. New export orders also increased at the fastest pace since February 2022. Consequently, firms ramped up their production at the fastest pace since 2020. Furthermore, total import value increased 18.1% YoY to USD179.2bn in 1H24.
- We believe the recovery to continue for most export items in 2H24.

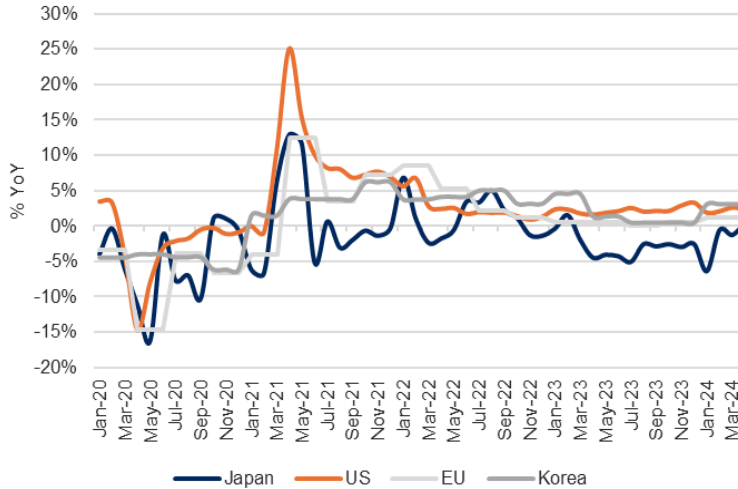
## 2H24 outlook: ...but challenges lie ahead

Low consumer confidence, sticky inflation and rising freight costs still present obstacles to stronger export growth

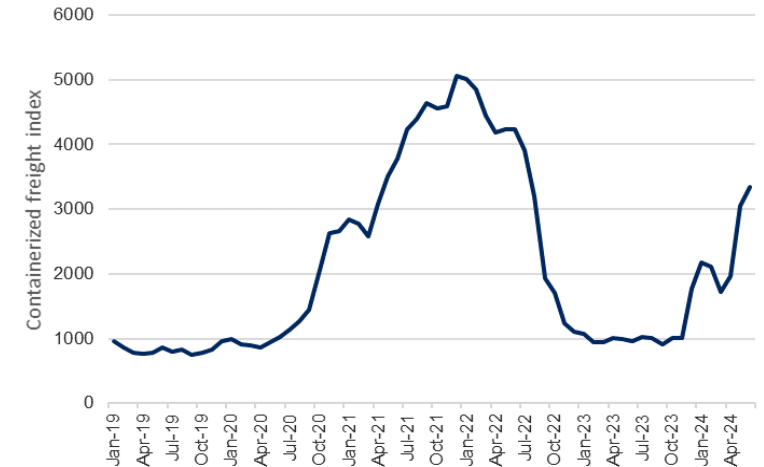
### Lower consumer confidence indexes show consumption conservation in most export markets in 2H24



### Consumer spending keeps improving but lower than inflation



### Increasing freight cost is a new challenge for globally exports and imports in 2H24

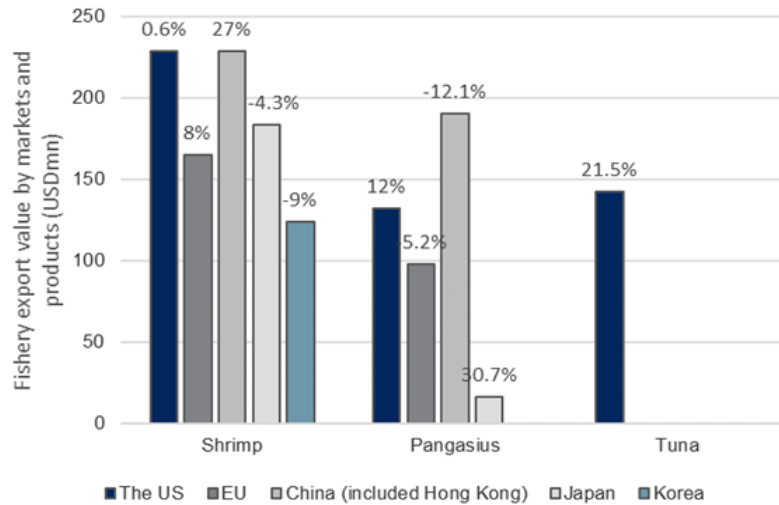


- Higher interest rates and economic recession concerns are putting pressure on global consumption. Confidence indexes show consumption conservation of consumer spending in key exports markets in 2H24.
- Although they mostly export by Free on Board (FOB) method, in which the seller transfers all risks and costs to the buyer once the shipment is loaded onto the shipping vessel at the port of shipment, Vietnamese exporters are still negatively impacted by increasing global freight costs, which may result from higher import raw material costs, selling expenses or fewer orders in 2H24. International Freight Forwarder and NVOCC forecast costs will be high until 3Q24.

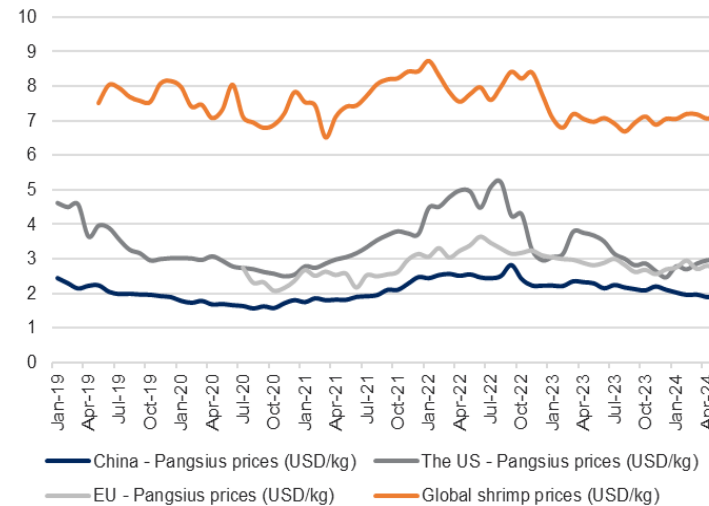
## Fisheries: Finding ways to meet challenges

We believe shrimp exports will face tougher competition in 2H24 while pangasius exports will benefit from rising demand from the US.

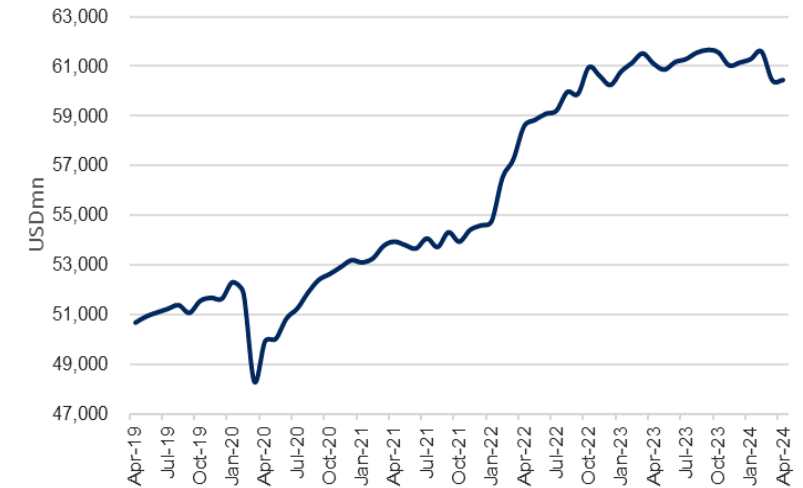
### Fishery exports climbed due to higher demand in the US, EU and China



### Global shrimp prices are at a low level, while pangasius prices improved recently in the US



### US sellers have kept food and beverage inventories stable recently



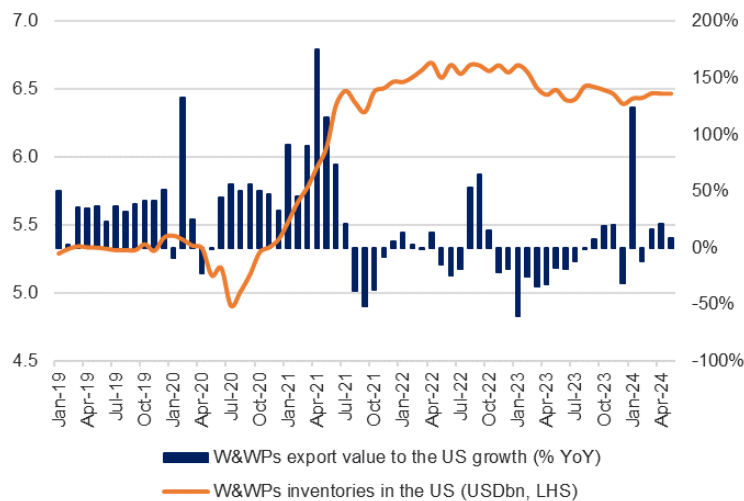
- Fishery export value grew 5.9% YoY to USD4.4bn in 1H24, completing 46.3% of Ministry of Agriculture and Rural Development’s guidance of USD9.5bn in 2024 (+6% YoY). Fisheries export to the US surged 9.2% in 1H24 to USD0.78bn, Americans used pangasius and tuna as alternatives for tilapia as ASP of tilapia imported to the US was higher than expected (+30% in 5M24).
- For 2H24, we think that shrimp exports will face fierce competition from cheaper shrimp from Ecuador, India and Indonesia. Global shrimp prices are at a low level and are unlikely to increase strongly in 2H24.
- Pangasius exports should continue to benefit from a preference for affordable white fish meat in 2H24. The Vietnam Association of Seafood Exporters and Producers (VASEP) forecasts pangasius export prices will increase 10% YoY in 3Q24 due to higher demand. However, producers will still face increased logistics costs.

## Wood & Wooden Products: Growth may slow in 2H24

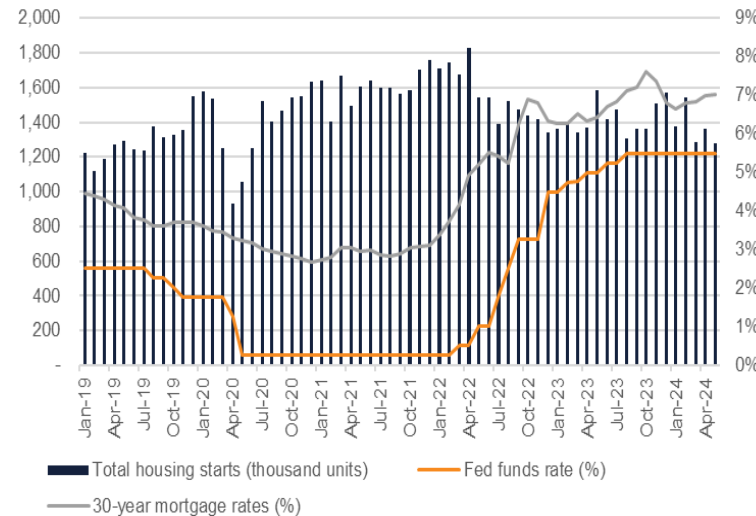
W&WP exports beat our expectations in 1H24; however, growth may slow in 2H24 amid lower US housing demand and high US inventory levels.

### High inventory of W&WPs in the US

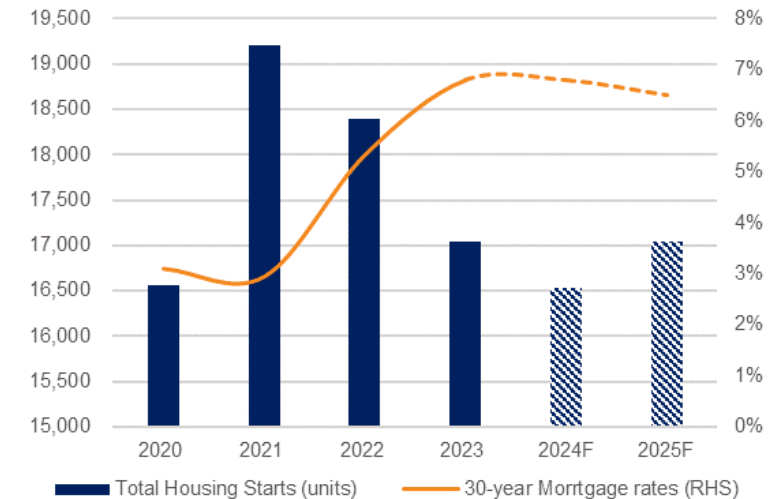
The US accounts for 54.7% of Vietnam's W&WP turnover in 1H24



### Housing demand recovery was slower-than-expected in the US amid high mortgage rates



### Fannie Mae expects mortgage rates to stay high and total housing starts to decrease 3.0% YoY in 2024.



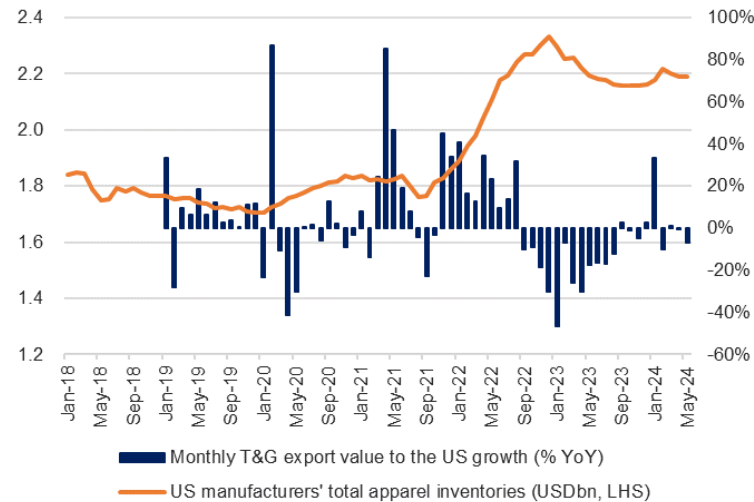
- Wood & wooden products (W&WPs) export value grew 24.5% YoY to USD7.4bn in 1H24, completing 48.6% of Vietnam Timber and Forest Product Association (Viforest) guidance of USD15.2bn in 2024 (+6% YoY), with W&WP exports to the US increasing 23.7% YoY to USD4.0bn in 1H24. We believe the positive growth in 1H24 was due to US housing market improvement, driven by a decline in mortgage rates in early 2024.
- We believe the US housing market recovery in 2H24 will be slower due to persistently high mortgage rates. Fannie Mae's latest mortgage rates forecast is 6.8% in 2024, equivalent to 2023 and 0.7% pts higher than the forecast in January, while total housing starts are expected to decrease 3.0% YoY in 2024.
- Combined with the remaining high inventory of W&WPs, we expect the growth of W&WP exports to the US to slow in 2H24.

## Textiles & Garments: Opportunities from supply shifts

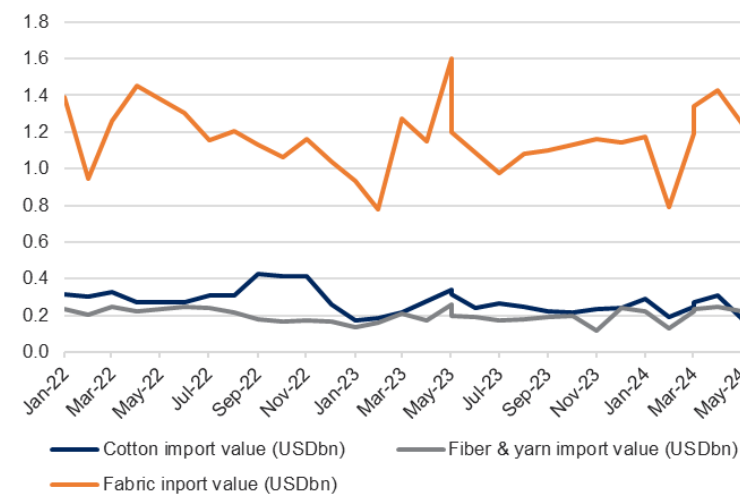
Domestic textile and garment production is thriving, with several manufacturers reporting full orders for 4Q24 amid supply shifts out of China and Bangladesh.

### US apparel inventories still at a high level in 5M24

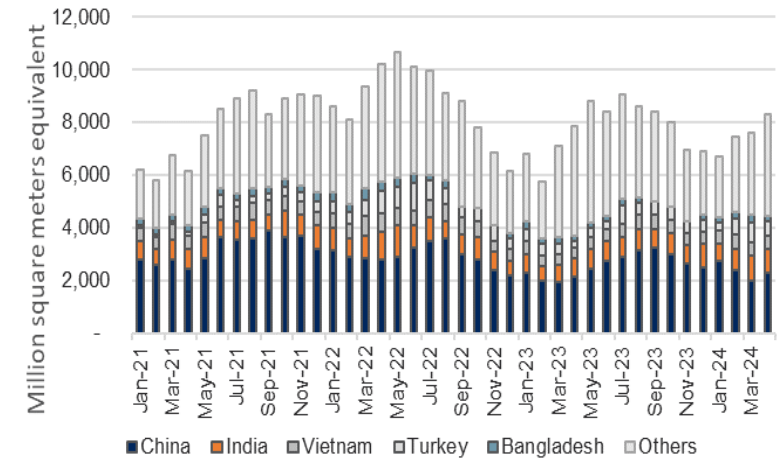
The US accounts for 43.5% of Vietnam's T&G exports in 1H24



### Vietnam's T&G enterprises increasing import raw material for garment production



### We expect shifts in China and Bangladesh supply to open opportunities for Vietnam's T&G exports

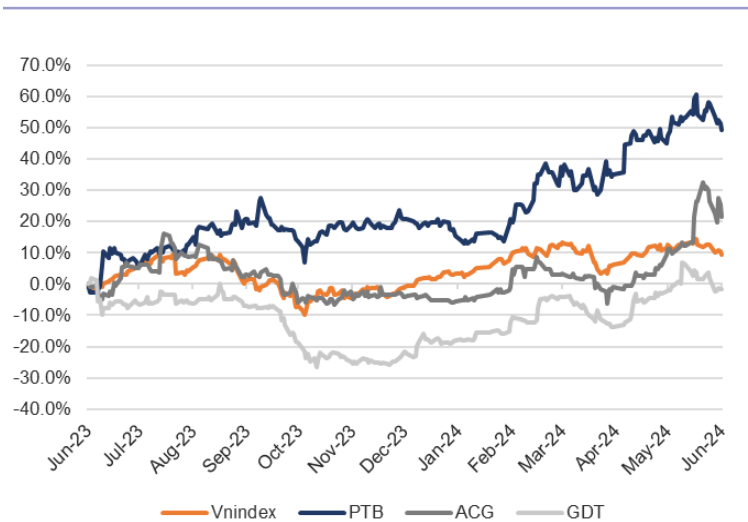


- Vietnam's textile and garment (T&G) export value rose 3.9% YoY to 16.3bn in 1H24, completing 37% of VITAS's guidance of USD44bn (+9.2% YoY) in 2024.
- Vietnam's domestic garment production has flourished since end-2023, as Vietnam's imported raw materials value for garment production climbed 11.7% YoY to USD9.9bn in 1H24. IIP growth for domestic clothing production was 107 points in June 2024 (vs an average level of 101 points in 2023). Several manufacturers have full orders for 4Q24.
- Textile workers in Bangladesh have held a prolonged strike for increased basic wages and improved working conditions since end-2023, and its garment production activity has been suspended until now. This has opened up opportunities for Vietnam's T&G exports. Bangladesh's T&G export value only increased 3.9% YoY after plunging 16% YoY in May.

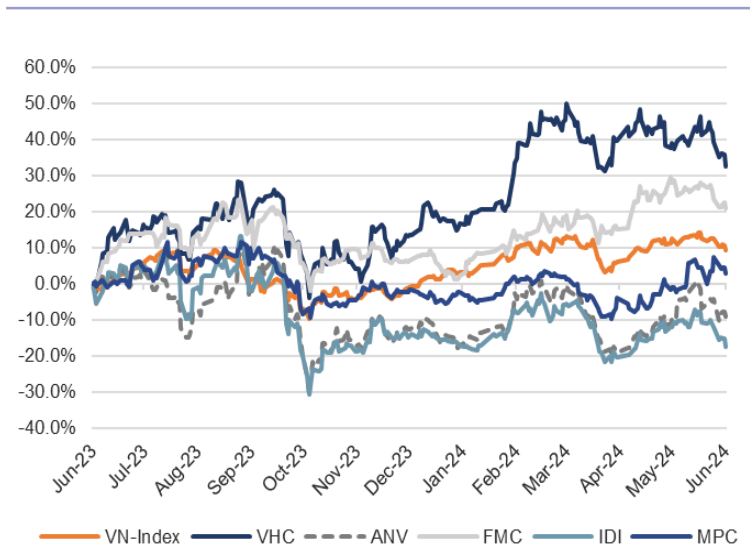
## Valuation: Stocks have outperformed the VN-Index in the first half

We do not have any strong ADD recommendations because the current rally has fully reflected the sector's outlook.

### PTB has outperformed the VN-Index



### VHC and FMC have outperformed the VN-Index



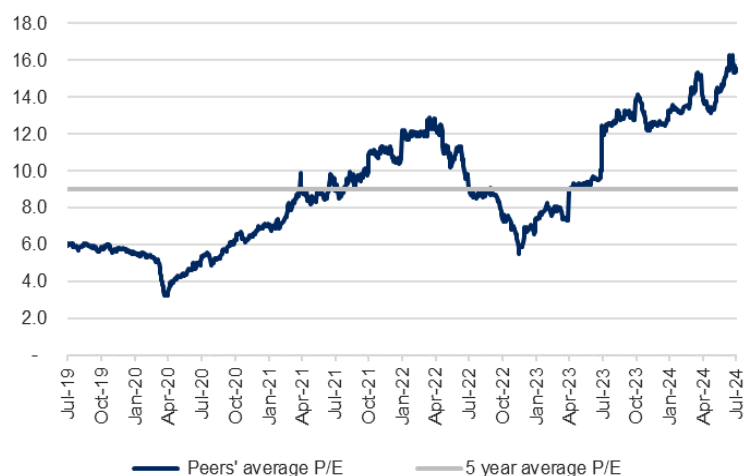
### MSH, TNG and STK have outperformed the VN-Index



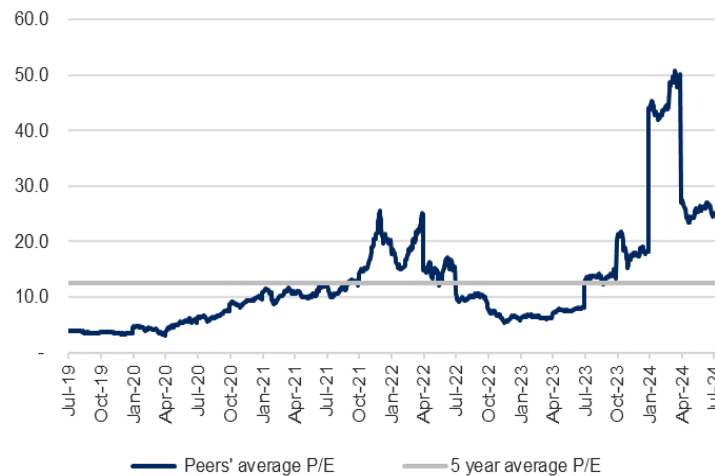
- W&WPs, fishery and T&G sub-sectors have risen 25.5%, 12.9% and 21.5% YTD, respectively, compared to the rally of 10.2% YTD of the VN-Index.

## Valuation: Current rally fully reflects sector's outlook

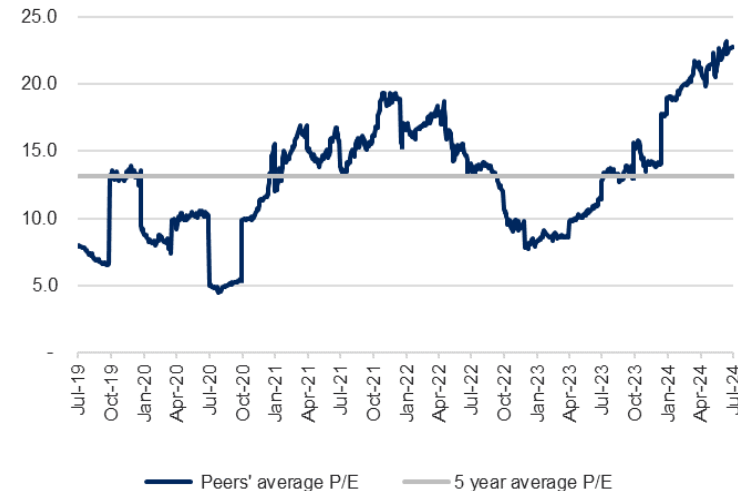
**W&WPs sector P/E ratio is above the five-year average**



**Fishery sector P/E ratio is above the five-year average**



**T&G sector P/E ratio is above the five-year average**



- We expect that EPS growth for PTB, VHC, TCM and MSH are 60.4%, 23.6%, 41.2% and 23.2%, respectively in 2024;
- Peer average P/E ratios of the three sub-sectors above are above five-year average levels;
- We think current prices fully reflect the sector's outlook for 2024, and the driver of the stock rally in 1H24 was the export recovery from a low base in 2023.

## Peer comparison (data as of 9/7/2024)

Companies	Country	Mkt cap USDmn	TTM net revenue USDmn	YoY %	TTM net profit USDmn	YoY %	Net D/E %	ROE %	TTM P/E x	Cur. P/B x
<b>Textile &amp; Garment companies</b>										
Song Hong Garment JSC	Vietnam	140.3	194.8	-3.9%	11.1	-32.3%	-32.7%	15.0%	13.6	2.1
Thanh Cong Textile Garment Inv Trading JSC	Vietnam	191.9	140.9	-17.3%	5.9	-52.8%	-3.3%	5.6%	39.3	2.4
TNG Investment & Trading JSC	Vietnam	115.1	296.4	3.9%	9.1	-24.3%	126.2%	13.0%	13.6	1.7
Viet Tien Garment Corp	Vietnam	69.0	357.6	-2.5%	8.7	14.0%	-25.1%	8.2%	11.4	0.9
Vietnam National Textile & Garment Gr.	Vietnam	300.6	675.6	-8.0%	15.6	-71.0%	39.3%	2.1%	52.9	1.1
Damsan JSC	Vietnam	39.6	72.4	12.6%	2.9	-22.3%	74.3%	11.6%	14.9	1.3
Phong Phu Corp	Vietnam	84.8	76.5	7.7%	12.1	-43.3%	22.4%	16.5%	7.5	1.2
Century Synthetic Fiber Corp	Vietnam	111.3	58.5	-20.4%	3.6	-72.6%	52.5%	5.5%	31.7	1.7
Median			167.9	-3.2%	8.9	-37.8%	30.9%	9.9%	14.2	1.5
Average			234.1	-3.5%	8.6	-38.1%	31.7%	9.7%	23.1	1.6
<b>W&amp;WPs companies</b>										
Phu Tai Corp	Vietnam	189.6	235.3	-14.2%	12.0	-51.0%	44.0%	10.8%	15.2	1.8
An Cuong Wood Working JSC	Vietnam	278.5	157.4	-12.1%	20.1	-31.1%	-28.6%	10.8%	14.7	1.7
Duc Thanh Wood Processing JSC	Vietnam	23.9	13.2	-10.7%	1.6	-52.9%	-7.0%	11.9%	16.5	2.2
Truong Thanh Furniture Corp	Vietnam	59.4	64.7	-13.6%	(5.6)	-971.1%	74.9%	-46.6%	N/A	7.3
Median			111.0	-12.9%	6.8	-51.9%	18.5%	10.8%	15.2	2.0
Average			117.6	-12.6%	7.0	-276.5%	20.8%	-3.3%	15.5	3.2
<b>Fishery companies</b>										
Vinh Hoan Corp	Vietnam	624.4	444.5	-12.5%	39.0	-60.0%	-0.5%	11.6%	17.3	1.6
Nam Viet Corp	Vietnam	169.5	179.2	-11.0%	(1.5)	-104.6%	63.8%	1.4%	N/A	1.5
Bentre Aquaproduct Import and Export JSC	Vietnam	16.4	22.1	-12.6%	2.7	4.9%	-11.5%	12.0%	6.3	0.9
Cuu Long Fish JSC	Vietnam	25.2	53.9	31.8%	0.4	-94.3%	91.6%	1.2%	62.7	0.8
International Development & Inv Corp	Vietnam	102.9	295.4	-9.4%	3.0	-90.3%	77.2%	1.8%	46.0	0.8
Minh Phu Seafood Corp	Vietnam	282.8	474.8	-20.4%	0.0	-100.0%	61.7%	-2.3%	N/A	1.4
Sao Ta Foods JSC	Vietnam	126.0	230.8	2.9%	13.0	-1.2%	12.3%	13.6%	11.4	1.5
Camimex Group JSC	Vietnam	42.0	107.8	-3.2%	3.1	-19.0%	99.2%	4.3%	20.7	0.9
Median			205.0	-10.2%	2.9	-75.1%	62.7%	3.0%	19.0	1.1
Average			226.1	-4.3%	7.5	-58.0%	49.2%	5.4%	27.4	1.2

# Power

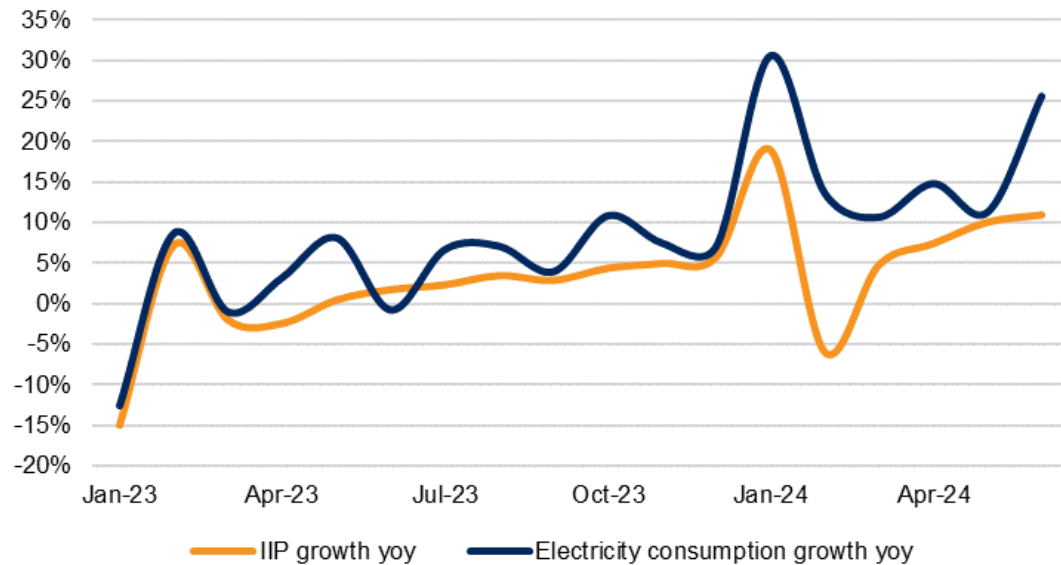
Hydropower returns to a favorable phase in 2H24



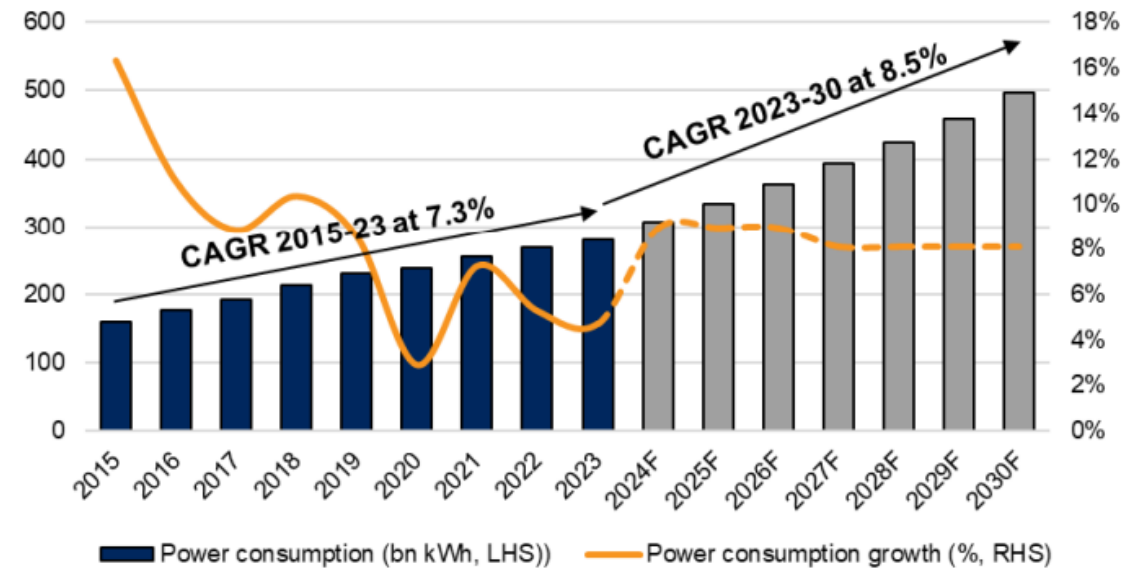
## Substantial power demand supported by expanding industrial and manufacturing sectors

Electricity consumption surged in 6M24 thanks to growing industrial activity

Electricity consumption jumped 12.4% YoY in 6M24 thanks to a rebound in industrial activity



Liberal trade policies, positive demographics and rapid urbanization will drive power consumption growth in the long term

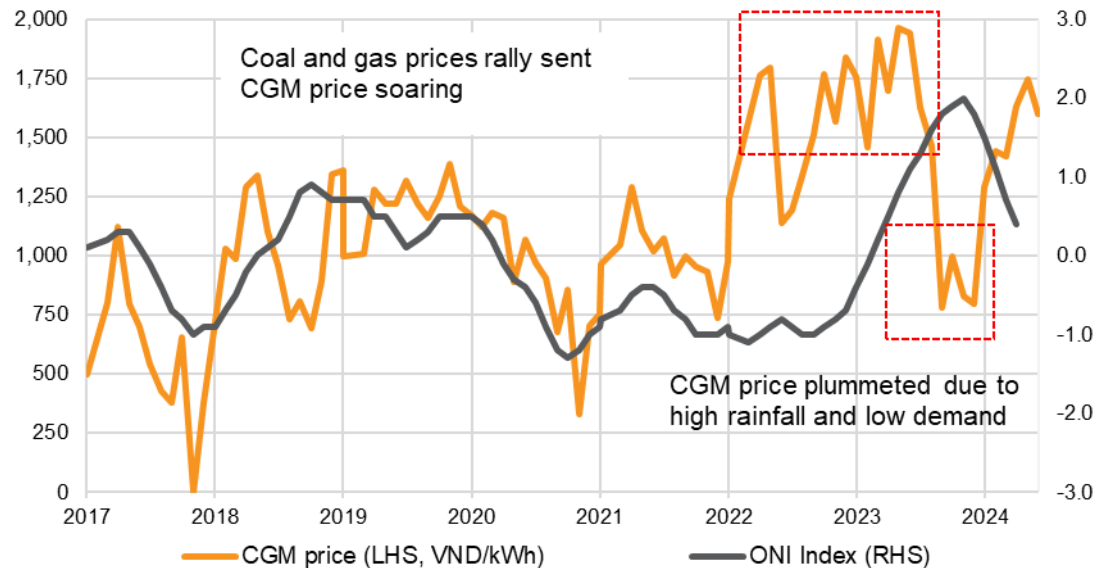


- Power consumption spiked 12.4% YoY in 6M24. This significant increase is primarily attributed to the rebound in industrial activity, particularly in electricity-intensive sectors like steel production. With June PMI surging to 54, we expect the recovery trend to continue throughout the remainder of 2024.
- Over the long term, electricity consumption is expected to grow rapidly at 8.5% annually. This growth is primarily driven by the Government's strategy to position Vietnam as a manufacturing hub, leading to expansion in the industrial and manufacturing sectors. We anticipate that favorable trade policies, a positive demographic trend, workforce skill development, and accelerating urbanization will contribute to this substantial increase in power consumption.

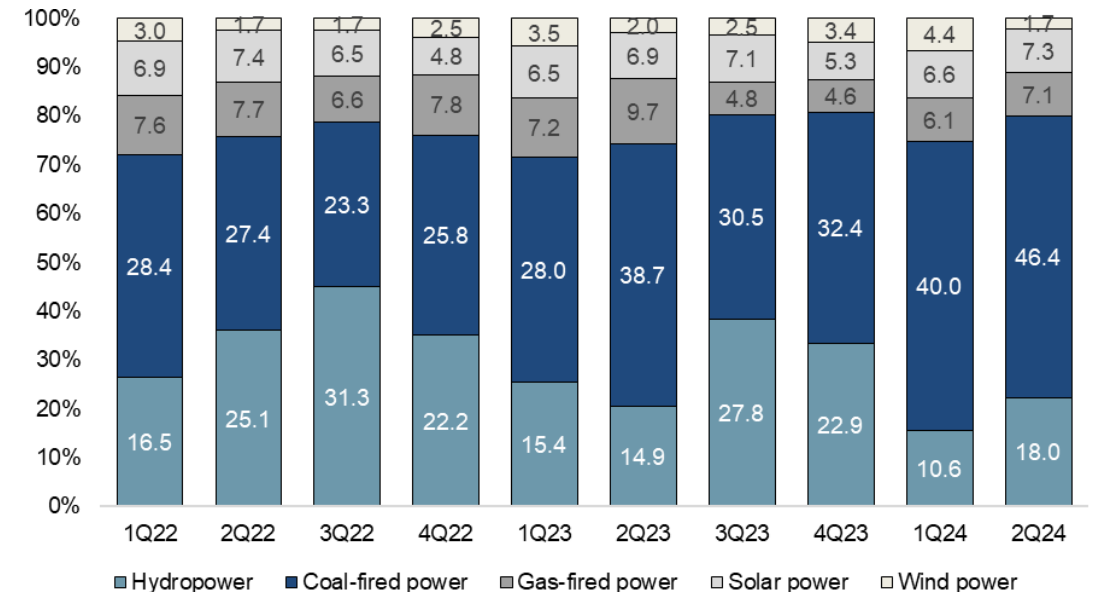
## Coal-fired power ramps up to meet hydropower, gas-fired power slump in 1H24

4M24 CGM price was 13% YoY lower due to lower proportion of gas-fired power in the mix and EVN setting SMP price cap 12% lower YoY

Monthly CGM price (unit: VND/kWh) (ONI Index > 0.5 indicates El Nino, ONI Index < 0.5 indicates La Nina)



Coal-fired power became the dominant power type in 1H24, making up for hydropower and gas-fired shortfall (Unit: billion kWh)

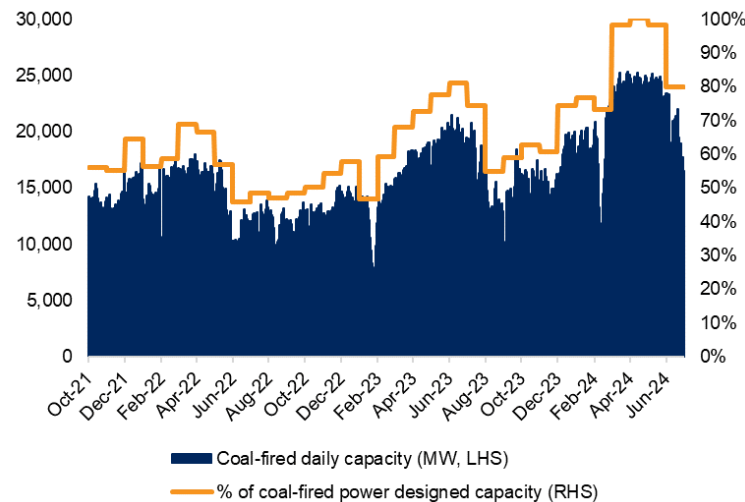


- 4M24 CGM price decreased 13% YoY as: 1) ample coal-fired power made up for the shortfall of hydropower and gas-fired power; and 2) the bidding price cap was 12% lower YoY, leading to a lower overall CGM price level.
- Hydropower output dropped 6% YoY in 1H24 from an already low base in 1H23. This drop reflects EVN's efforts to conserve hydropower for the peak demand season (May-June). Gas-fired power suffered an even steeper decline of 22% YoY due to a domestic gas shortage. To fill the gap, coal-fired plants ramped up production by 30% YoY, becoming the market's baseload in 1H24. With coal prices remaining at a favorable price base, we expect La Nina's return in 2H24 will further decrease the CGM price level compared to 1H24.

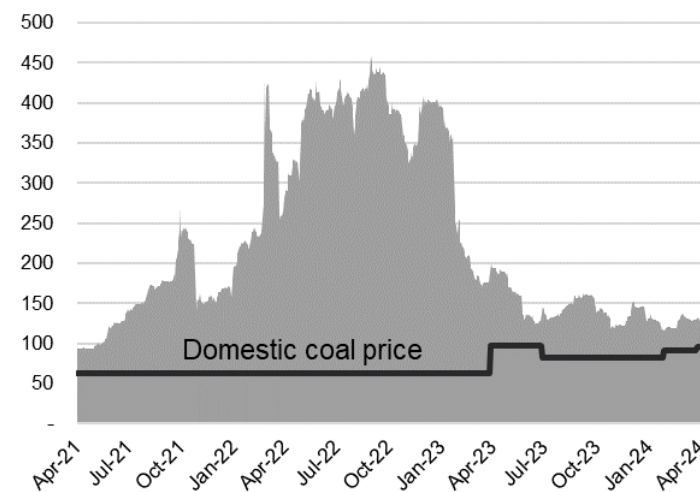
## Coal-fired power continues to be the backbone of the system

Conventional coal-fired power will continue to be the largest segment over the coming years, thanks to its low-cost, availability and reliability. However, we expect ample rainfall in 2H24 will mildly reduce the utilization rate of this power type in the short term.

**The near-maximum mobilization of coal-fired power in 5M24 to meet electricity demand underscores its critical role in ensuring energy security**



**The coal price has stabilized at a lower level after a surge in 2022, strengthening the economic benefit of coal-fired power (Unit: USD/ton)**



**Based on currently listed projects by 2030, coal-fired power capacity is expected to grow by 14% upon their completion. Recently, Van Phong I and Thai Binh II began operations.**

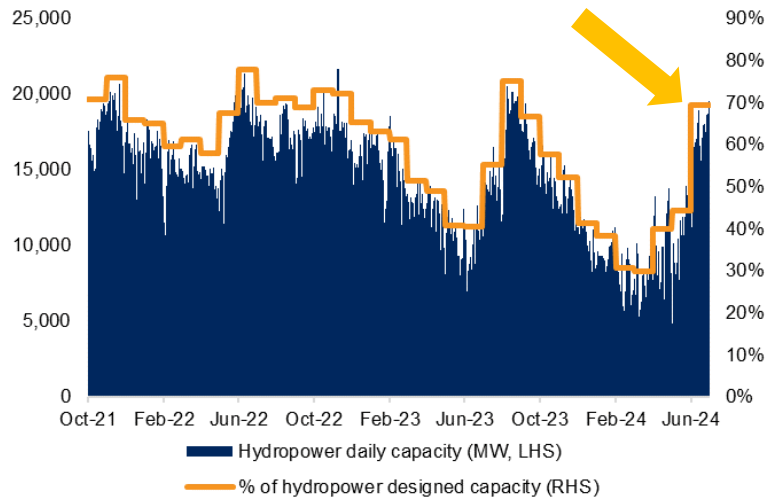
Power plant	Capacity (MW)	Investor	Location	Progress
Vung Ang II thermal	665	Kepeco - Mitsubishi	Central	Under construction
Quang Trach I thermal	1,200	GENCO2	Central	Under construction
Na Duong II thermal	110	TKV	North	Under construction
An Khanh - Bac Giang	650	NA	North	2021-26
Long Phu I thermal	1,200	PVN	South	2021-29

- To compensate for reduced gas-fired power and conserve hydropower during 5M24, EVN significantly increased coal-fired power generation. We anticipate a mild decrease in coal reliance in the 2H24 and 2025 due to expected high rainfall. However, thanks to its cost effectiveness and availability, coal-fired power remains a major contributor to feed the power-intensive manufacturing sector, especially in the context of depleting cheap gas supply and increasing integration of renewable energy sources. We believe the Government will remain committed to coal, given the substantial amount of capacity under construction. In fact, coal is the most practical source to meet growing electricity demand.
- After a sudden surge in coal demand for power production last summer, 1Q24 domestic coal price adjusted down 5% compared to last year's peak level. As international prices are expected to remain low throughout 2024, this trend of declining prices is likely to continue, making coal-fired power generation even more cost-competitive.

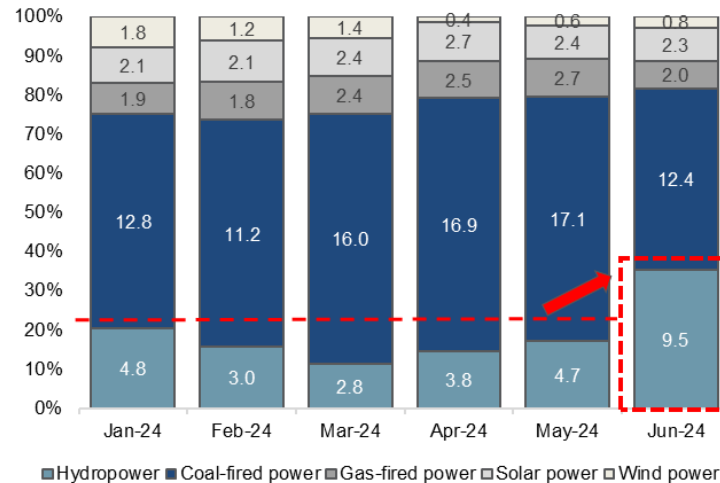
## Hydropower plants should enjoy their time under the rain for 2H24-25

La Nina's return is expected in 3Q24, arriving sooner than anticipated and boding well for hydropower companies

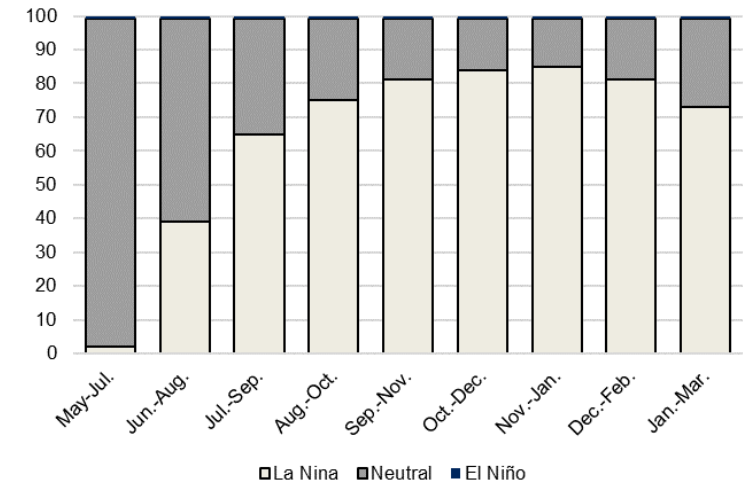
We notice a substantial jump in hydropower capacity in June, after a period of low utilization from January to May



La Nina sends an early gift: June's hydropower output doubled MoM thanks to heavy rainfall in the North



Weather phase has officially shifted to Neutral in May. We expect La Nina to return during July - September

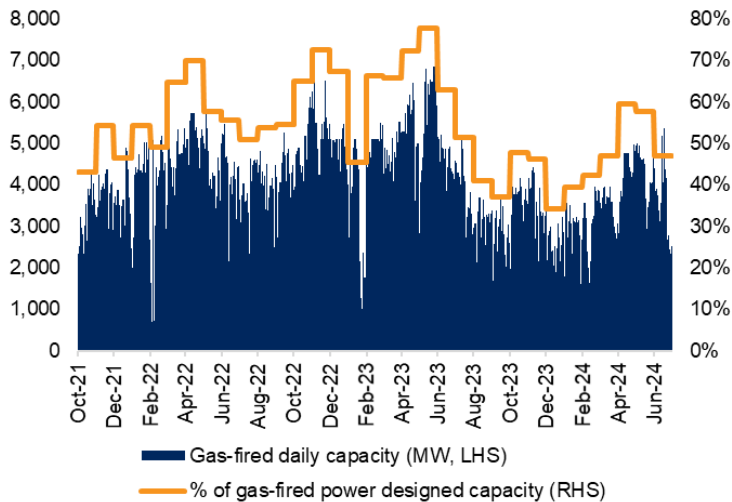


- Heavy June rainfall has brought a sigh of relief to Vietnam after the severe drought conditions experienced in 1Q24. This much-needed downpour has bolstered the hydropower outlook. By June 16, electricity output corresponding to stored water in reservoirs reached approximately 8 billion kWh, exceeding the initial plan by 3 billion kWh. This indicates that hydroelectric plants are prepared to operate at higher capacities to meet the system's needs. In the context of EVN's financial difficulties, hydropower remains the preferred source due to it being the cheapest electricity generation method.
- However, we see a slight setback. EVN set 2024 hydropower Qc ratio at 98%, an increase from 90% last year, dampening the ASP of hydropower. A higher Qc ratio signifies that hydropower plants will generate less revenue from the CGM, which means that they are unable to capitalize on their inherent cost-advantage through additional sales in this market.

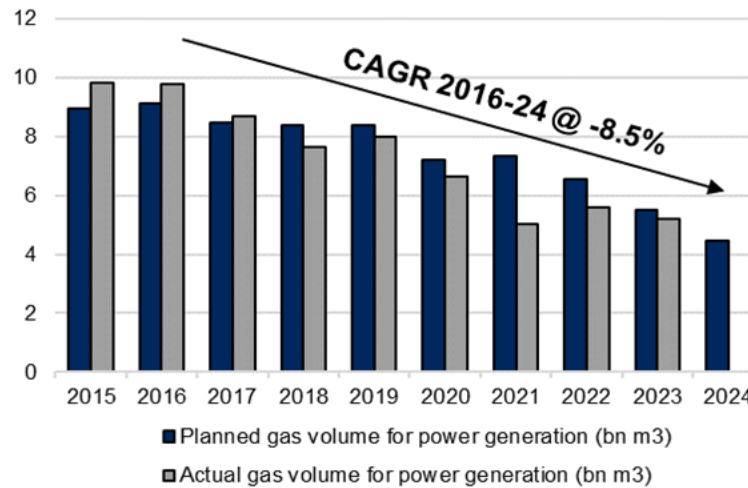
## Depleting domestic gas reserves is the short-term obstacle for gas-fired power

Due to depleting gas reserve amid high gas prices, gas-fired power faces short-term challenges

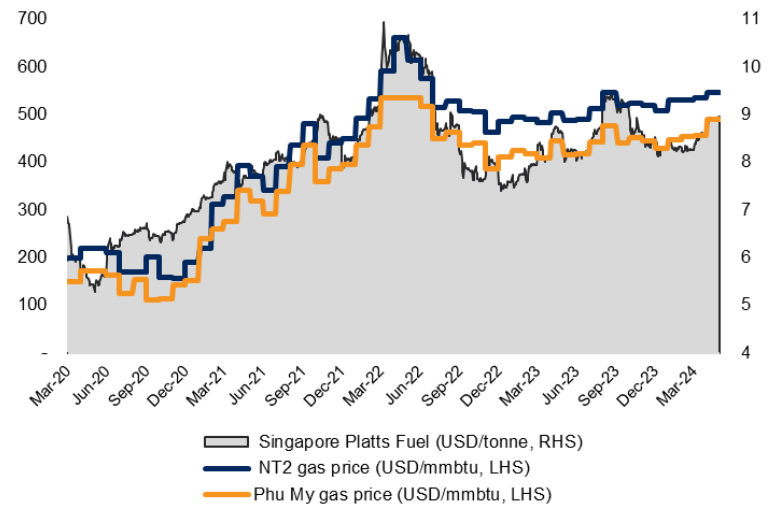
Gas-fired power was modestly mobilized in 1H24 due to decreased gas production



Planned gas volume for power generation has been in a down trend since 2015, implying that gas supply is running low



Domestic gas prices remain elevated due to anchored-high FO price and expensive extraction cost of new domestic gas fields

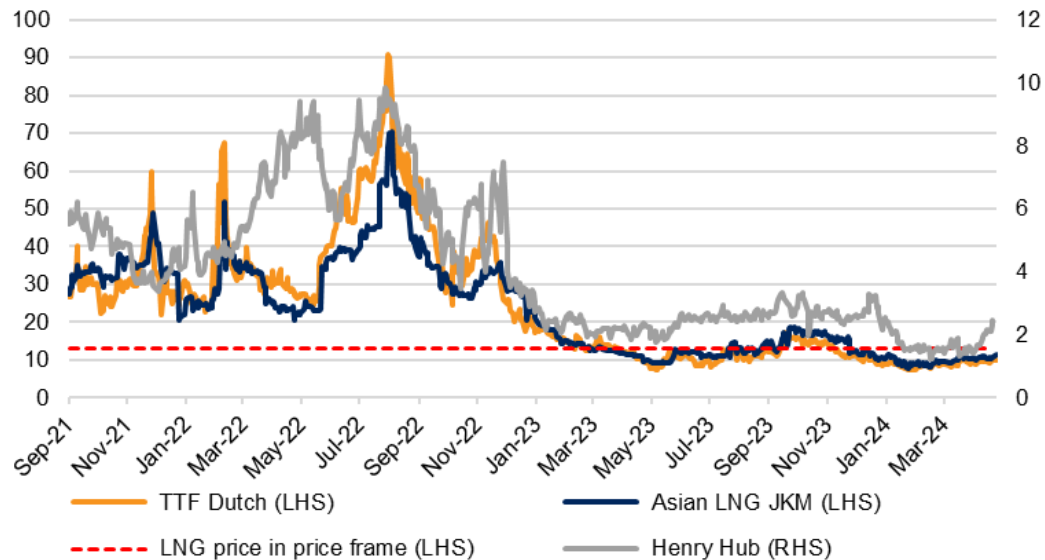


- NT2 and other gas-fired power plants faced limited mobilization in 1H24 (-22% YoY), mainly due to the depleting gas situation in Southeastern fields and EVN favoring coal-fired power due to its availability and cost-effectiveness.
- According to MoIT guidance, planned gas for 2024 power generation dips meaningful by 19-24% compared to 2023. This decrease suggests a constraint on the mobilizing of gas-fired power in 2024.
- Although gas input prices have retreated from their peak in 2022, they remain elevated as ongoing tight supply is likely to keep global oil prices afloat. Combined with the increasing volume from increasingly expensive domestic gas fields this year, we anticipate gas prices to stay high, hindering mobilization of this power source.

## A shift from domestic gas to LNG is getting increasingly visible

The decreasing domestic gas supply will facilitate LNG-fired power use. We believe LNG-to-power to be a promising segment in coming years thanks to its vital role in Vietnam’s energy transition, according to PDP8. As a state-owned leader in the power sector, PVPower (POW) will be a pioneer in this emerging segment.

**Benchmark international LNG/gas prices lingered at a low level, supporting the negotiation process of PPA and GSA contracts of the upcoming LNG project (Unit: USD/mmbtu)**



**Huge gas-fired power projects are in the pipeline, including those in the PDP8 Implementation Plan**

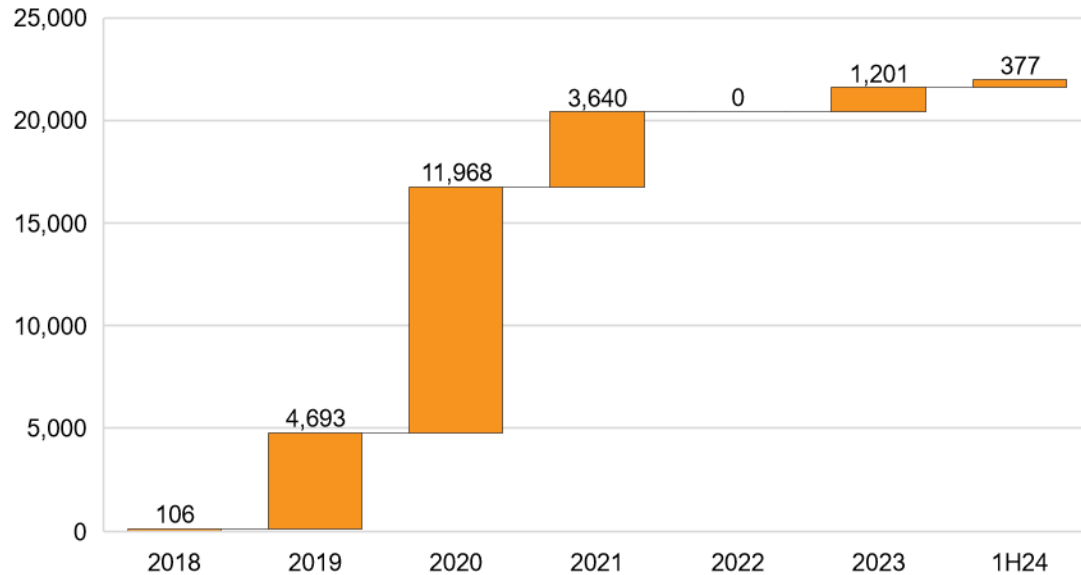
	Capacity (MW)	Timeline	Progress	Investor
<b>LNG power plant</b>				
Nhon Trach 3&4	1,600	2024-25	Under construction	PVPower
LNG Hiep Phuoc I	1,200	2025	Under construction	Hai Linh Company Limited
LNG Bac Lieu	2,400	2027-29	Studying FS	Delta Offshore Energy
LNG Quang Ninh	1,500	2028-29	Studying FS	PVPower - Colavi - Tokyo Gas - Marubeni
LNG Thai Binh	1,500	2029	Choosing investors	
LNG Nghi Son	1,500	2029-30	Choosing investors	
LNG Quynh Lap	1,500	2029-30		
LNG Quang Trach	1,500	2029-30		EVN
LNG Hai Lang	1,500	2028-29	Studying FS	T&T Group - Hanwha - Kospo - Kogas
LNG Ca Na	1,500	2029-30	Choosing investors	
LNG Son My II	2,250	2027-29	Studying FS	AES Group
LNG BOT Son My I	2,250	2027-29	Studying FS	EDF - Sojitz - Kyushu - Pacific Group
LNG Long An I	1,500	2029-30	2021-30	VinaCapital - GE

- Dwindling domestic gas reserves are likely to prompt the Government to prioritize LNG imports to fuel power plants. This urgency was underscored this summer when PV GAS imported roughly 200,000 tons of LNG specifically for EVN’s gas-fired power plant (Phu My 3) to meet surging demand.
- The MoIT has just proposed a minimum Qc ratio of 70% for LNG-fired power projects, applicable for a maximum of seven years. With these strict terms, we expect only SOE like POW might be willing to undertake LNG power plant projects.
- In May, the MoIT released a critical step towards finalizing PPA for Nhon Trach 3&4, Vietnam’s first LNG-fired power plant, by issuing the official pricing framework for LNG-fired power. While the established LNG price cap of VND2,591/kWh appears reasonable, it will inevitably increase EVN’s average electricity production cost. This cost increase is likely to put pressure on future adjustments to electricity tariffs for consumers.

## No significant movement for renewables in 1H24, still waiting for new price mechanism

The development process is still at a stalemate amid no clear price mechanism. 377 MW in RE capacity was successfully COD in 1H24.

**The absence of a new pricing mechanism post-FIT effectively halted the growth of Vietnam's renewable energy sector, with minimal new capacity added after 2021**



**MOIT issued the final transitional price framework from January 7, 2023 (Unit: VND/kWh), meaningfully lower compared to the FIT price**

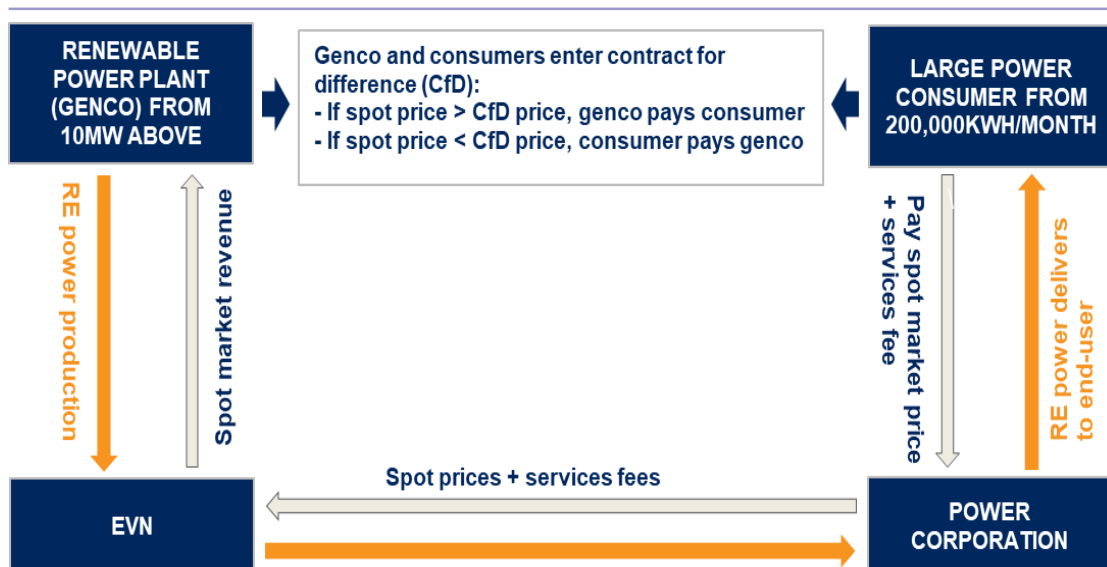
	Ceiling price for transitional projects	FIT price (converted to VND)	% change
Solar farm	1,185	1,680	-29%
Floating farm	1,509	1,823	-17%
Onshore wind	1,587	2,015	-21%
Offshore wind	1,816	2,323	-22%

- The development process is still at a stalemate amid no clear price mechanism. After an initial boom of RE thanks to the FIT program, existing projects stalled awaiting a new pricing system, which only arrived in January 2023. This resulted in only 29 projects with total capacity of 1,578 MW connecting to the grid by June 2024, under temporary pricing set at 50% of the proposed ceiling prices after zero development in 2022.
- In November 2023, the MoIT issued Circular 19 outlining the methodology for calculating solar and wind power prices. EVN has since directed its subsidiary, the Electric Power Trading Company (EPTC), to develop a renewable energy price range.
- The lack of a price mechanism for new RE plants is the biggest hurdle to expanding its capacity.

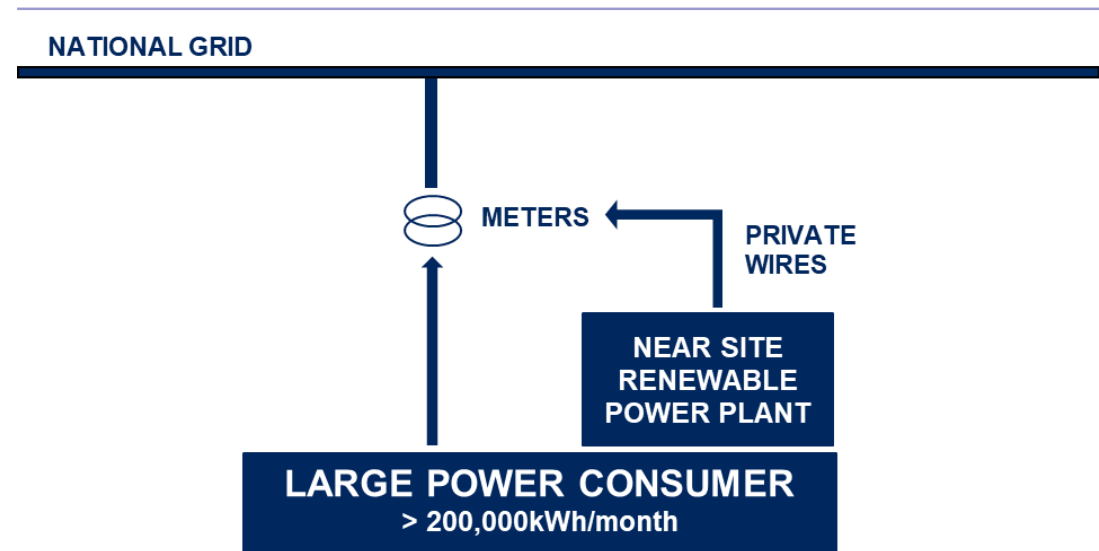
## DPPA mechanism release: Government is tackling policy uncertainties piece by piece

Despite slow progress, the Government is tackling policy uncertainty, pushing to finalizing important decrees such as the DPPA decree and roof-top solar decree, which would pave the wave for new RE capacity development.

The new decree introduces two DPPA options: through the national grid (on-grid/virtual/synthetic) or a private wire (off-grid). Below is a diagram for the on-grid option.



DPPA off-grid diagram, which opens for all sizes of RE power plants



- On July 3, 2024, the government introduced a game-changing decree on Direct Power Purchase Agreements (DPPA). This allows renewable energy producers to bypass the traditional system where Vietnam Electricity (EVN) was the sole buyer, and instead sell electricity directly to corporate customers. This move marks a significant step towards a more competitive energy market and weakens EVN's monopoly power.
- DPPA is set to significantly impact the RE sector. By providing access to credit-worthy off-takers and improving project bankability, DPPA incentivizes investment in new RE plants. The benefits extend to large power consumers who can directly procure clean electricity, meet sustainability commitments and lock in stable long-term electricity prices.
- Following the issuance of the DDPA decree, the mechanism for adjusting the average electricity retail prices and the LNG pricing framework, we expect the Government to soon pass new RE pricing, which should reignite pipeline development in the clean energy segment.

## Stock pick

### Company

### Investment theses

### Stock information

HDG

#### La Nina's return triggers hydropower recovery in 2H24-25

We expect the return of La Nina in 2H24 to be a key driver for hydropower growth in FY24-25. We forecast FY24-25 hydropower revenue to rise 5.2%/8.7% to VND1.4tn (USD55mn)/VND1.5tn (USD60mn). Although we expect the La Niña transition in 2H24 to boost FY24-25 hydropower output (+6.7%/7.6% YoY), lower ASPs due to a higher Qc ratio (limiting market sales) might cause a 5% YoY decrease in FY24 ASP for hydropower plants participating in CGM (Song Tranh 4, Dak Mi 2).

#### Launch of Charm Villas phase 3 to drive FY24-25 earnings

The launch of the final phase of Charm Villas was pushed back due to unfavorable market conditions in 2022-23 to capture potentially higher selling prices as the property market recovers. We expect HDG to launch and hand over remaining Charm Villas units during 2H24-2025, supporting property revenue to jump 314% in FY24 to VND1.17tn (USD46.1mn) and 4.8% in FY25 to VND1.23tn (USD48.3mn).

#### Strong financials, but land bank conversion is key to property growth

HDG has no long-term debt other than loans financing its power plants. The company even managed to reduce the interest spread on several major loans, further improving financial health. This strong balance sheet, along with their sizeable land bank in major cities, positions HDG for long-term growth. Once regulatory hurdles are addressed to convert the use of its land bank from manufacturing to residential, the land presents a compelling development opportunity.

#### Key risk: Hong Phong 4 still faces regulatory hurdles

Government inspections revealed challenges for Hong Phong 4 solar farm. The farm faces potential selling price adjustments due to being built on mineral reserve land. While the farm remains operational currently, we recommend close monitoring of developments to fully assess the potential impact.

Target price	35,700
Upside	13.5%
Dividend yield	1.6%
TSR	15.1%
Market cap	USD390mn
3M ADTV	USD6.3mn
Foreign room	USD130mn
P/E TTM	18.3
P/B Current	1.7
ROE	10%
FY24 EPS YoY	67.8%

## Peer comparison

Company name	Country	Mkt Cap	TTM net revenue	YoY TTM net profit	YoY	Net D/E	ROE	TTM P/E	Adj P/E	P/B	
		USDmn	USDmn	%	USDmn	%	%	%	x	x	x
<b>Gas-fired power peer</b>											
PVPower	Vietnam	1,390.8	1,068.0	(5.0)	30.8	(58.3)	5.4	2.5	45.2	45.2	1.1
GENCO 3	Vietnam	1,089.2	1,734.9	(7.8)	(8.2)	N/A	206.5	(1.3)	N/A	N/A	1.9
PetroVietnam Nhon Trach 2 JSC	Vietnam	248.0	175.6	(50.2)	3.2	(91.5)	(20.8)	1.4	102.6	102.6	1.6
Ba Ria Thermal Power JSC	Vietnam	32.9	30.8	39.9	2.6	(31.4)	(15.2)	5.8	12.6	12.6	0.8
<i>Average</i>		<i>690.2</i>	<i>752.3</i>	<i>(5.8)</i>	<i>7.1</i>	<i>(60.4)</i>	<i>44.0</i>	<i>2.1</i>	<i>53.4</i>	<i>53.4</i>	<i>1.3</i>
<b>Coal-fired power peer</b>											
HAI Phong Thermal Power JSC	Vietnam	291.1	450.1	8.9	17.4	(19.3)	6.1	7.2	16.8	16.8	1.2
Quang Ninh Thermal Power JSC	Vietnam	293.8	474.4	15.8	24.1	(19.9)	3.0	10.7	12.2	12.2	1.4
Pha Lai Thermal Power JSC	Vietnam	194.8	255.7	17.9	19.6	11.3	(2.5)	10.2	10.0	10.0	1.1
<i>Average</i>		<i>259.9</i>	<i>393.4</i>	<i>14.2</i>	<i>20.3</i>	<i>(9.3)</i>	<i>2.2</i>	<i>9.3</i>	<i>13.0</i>	<i>13.0</i>	<i>1.2</i>
<b>Hydropower peer</b>											
Vinh Son - Song Hinh Hydropower	Vietnam	492.5	79.8	(35.9)	20.4	(61.2)	77.7	10.3	24.1	24.1	2.7
Hua Na Hydropower JSC	Vietnam	247.0	25.8	(38.8)	6.4	N/A	2.7	4.9	38.5	38.5	1.9
Thac Ba HydroPower JSC	Vietnam	106.9	15.1	(46.2)	3.7	(71.1)	(2.5)	8.9	29.2	29.2	2.6
Song Ba Ha Hydro Power JSC	Vietnam	294.6	37.8	(15.9)	19.2	(24.2)	(38.5)	22.3	15.4	15.4	3.5
Central Hydropower JSC	Vietnam	201.1	30.6	(31.4)	10.2	(51.8)	34.1	12.8	19.7	19.7	2.6
Da Nhim-Ham Thuan-Da Mi Hydropower JSC	Vietnam	747.6	93.4	(13.8)	44.2	(25.0)	17.6	19.3	16.9	16.9	3.6
<i>Average</i>		<i>348.3</i>	<i>47.1</i>	<i>-30.3</i>	<i>17.3</i>	<i>(46.7)</i>	<i>15.2</i>	<i>13.1</i>	<i>24.0</i>	<i>24.0</i>	<i>2.8</i>
<b>RE power peer</b>											
Gia Lai Electricity JSC	Vietnam	213.4	92.6	13.6	6.4	(31.6)	167.0	3.2	38.7	38.7	1.4
<b>Multi-segment peer</b>											
REE Corp	Vietnam	1,305.1	316.2	(17.1)	75.7	(29.9)	31.7	11.6	17.2	17.2	1.9
Ha Do Group JSC	Vietnam	414.7	109.4	(27.8)	23.0	(49.4)	66.2	9.9	18.1	18.1	1.7
PC1 Group JSC	Vietnam	383.5	331.8	0.6	8.1	(39.7)	108.3	3.6	52.6	52.6	1.9
Bamboo Capital Group JSC	Vietnam	272.6	169.0	8.0	2.3	(47.3)	62.2	0.9	77.0	77.0	0.7
<i>Average</i>		<i>594.0</i>	<i>231.6</i>	<i>(9.1)</i>	<i>27.3</i>	<i>(41.6)</i>	<i>67.1</i>	<i>6.5</i>	<i>41.2</i>	<i>41.2</i>	<i>1.5</i>

SOURCE: BLOOMBERG, VNDIRECT RESEARCH

# Oil & Gas

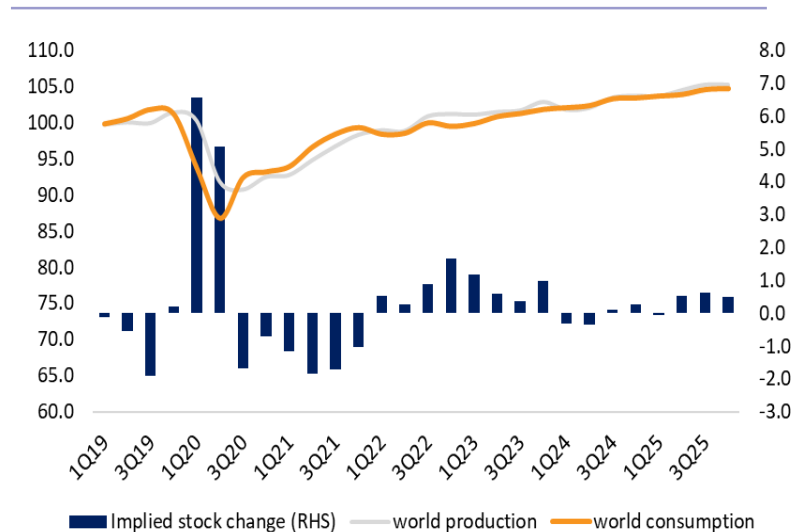
**Upstream outlook remains positive,  
mid-downstream to lean on policies**



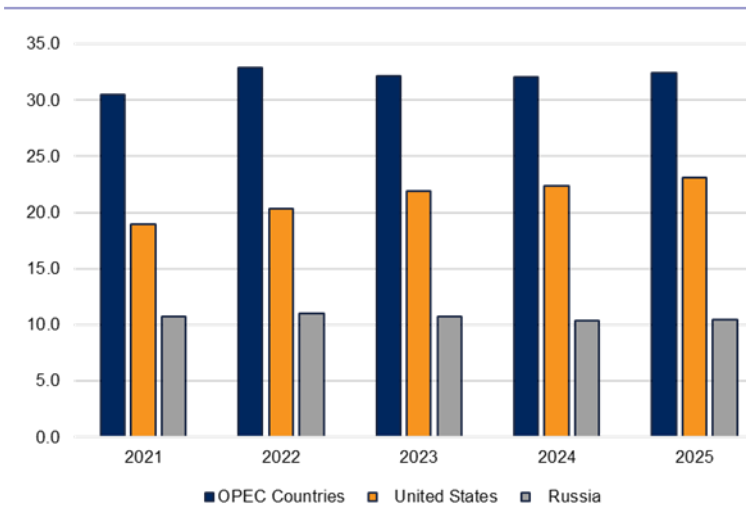
## Tight global supply keeps Brent oil price high in 2024 before easing in 2025

In 2024, we expect global oil prices to remain high, with Brent Crude averaging USD85 per barrel (+4% YoY)

**Supply/demand balance: EIA forecasts global oil consumption will increase 1.1 mbd and 1.5 mbd in 2024-25, respectively (mbd)**



**EIA forecasts OPEC oil output to marginally decrease 0.16 mb/d to 32 mb/d in 2024**



**Key events will impact oil prices in 2024**

Side	Event	Impact on oil price
Demand	Increasing demand from Asia for bunker fuels	Positive
	FED potentially easing interest rate from Sep 2024	Negative
	China's economic recovery	Positive
Supply	OPEC+ relaxing voluntary oil production cut	Negative
	Lingering geopolitical tension which might cause supply chain disruption	Positive
	Ongoing supply growth from countries outside of OPEC+ (United States, Canada, Brazil)	Negative
	OPEC spare crude oil production capacity	Negative

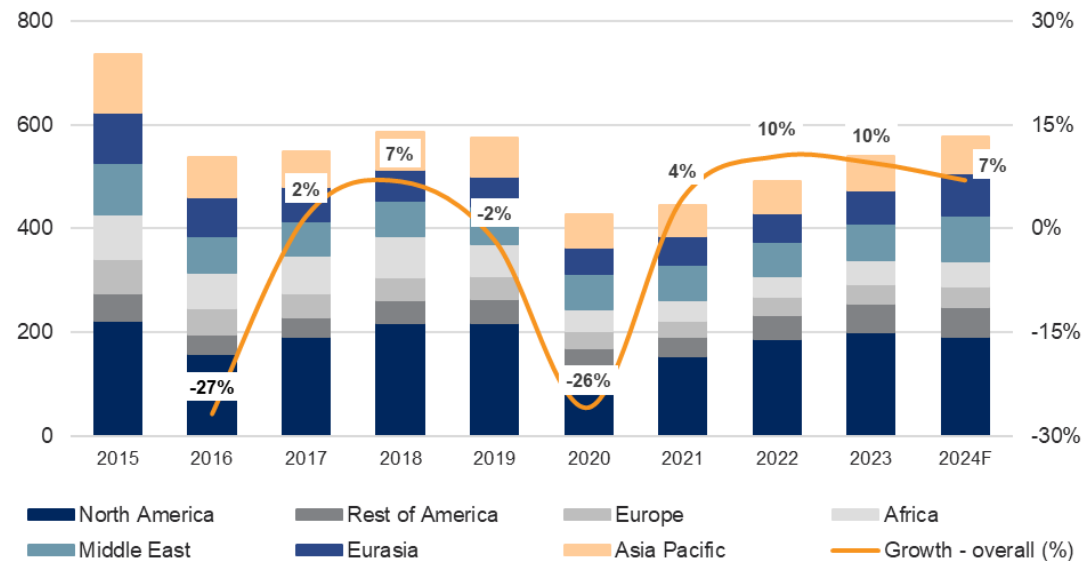
NOTE: ● Positive ● Negative

- The US Energy Information Administration (EIA) expects an increase in liquid fuel consumption from non-OECD Asia due to increased bunker fuel demand driven by shipping re-routing to avoid the Red Sea. The demand outlook for 2H24 is also supported by increasing petrol demand due to driving season in western countries. For 2024-25, the EIA forecasts global oil consumption will increase 1.1 mbd and 1.5 mbd, respectively.
- On the supply side, we expect the OPEC+ voluntary production cuts extension to September to cause a reduction in global oil inventories, which will keep global supply tight in 2H24. Buoyed by increasing demand, we expect the Brent oil price to stay high in 2H24, averaging USD85/bbl for 2024.
- Moving into 2025, we expect the Brent oil price to decline to an average of USD80/bbl. This decrease is attributed to stronger supply growth as the OPEC+ production cuts gradually phase out and production outside of OPEC+ continues to grow.

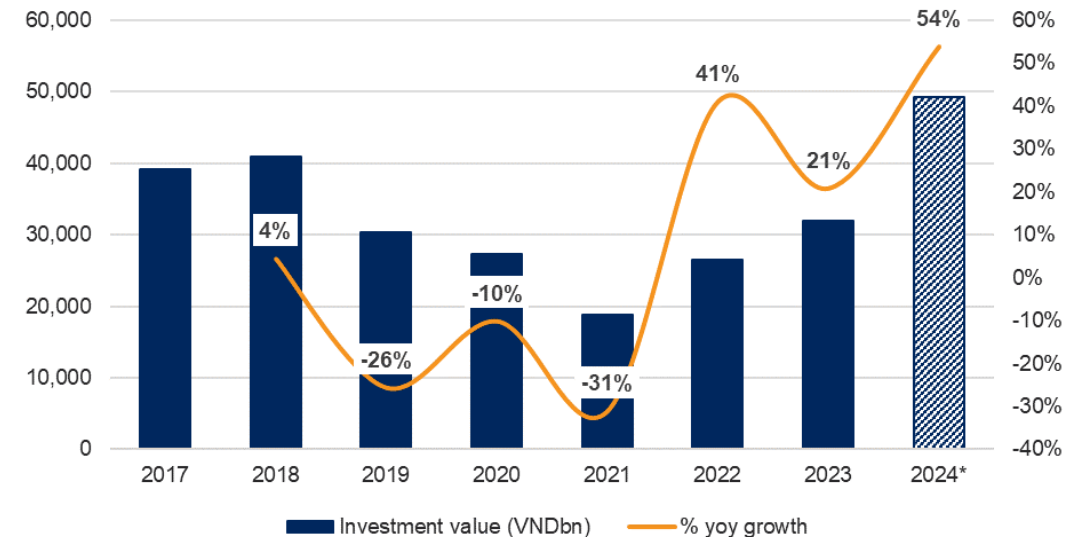
## Upstream investment: Still on the rise

Increasing capital expenditure for the O&G upstream segment bodes well for upstream service providers

The IEA forecasts global upstream investment will grow 7% YoY in 2024, mainly driven by the Middle East (USDbn)



PetroVietnam (PVN) bolsters capital expenditure from 2024 with many key projects such as Kinh Ngu Trang, Dai Hung and Block B entering execution phase

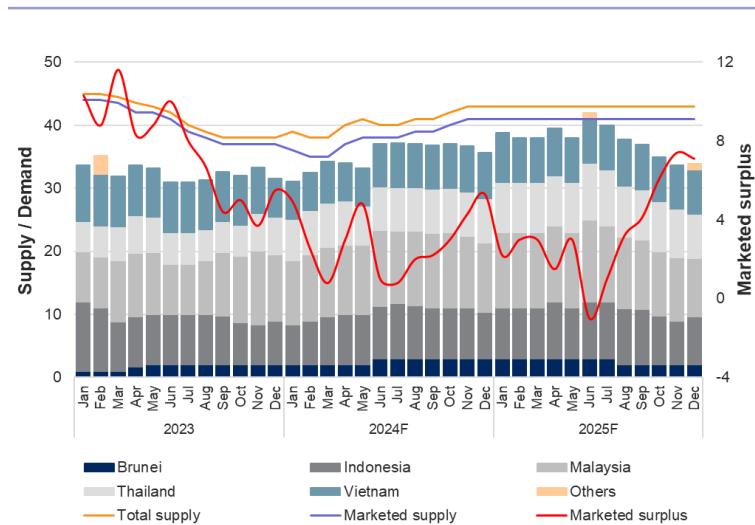


- The International Energy Agency (IEA) forecasts global upstream investment to rise 7% YoY in 2024 after a CAGR of 10% in 2022-23, mainly driven by burgeoning capital expenditure in the Middle East (+25% YoY in 2024).
- Vietnam has not missed this trend with PVN's capex plan of VND50tn (USD2bn), an increase of 54% compared to actual investment in 2023, of which upstream investments will make up 52% of total PVN capex. As upstream projects always span many years, we expect PVN to continue boosting capital expenditure in coming years, signaling that domestic E&P activities will be increasingly vibrant from 2024 onward.

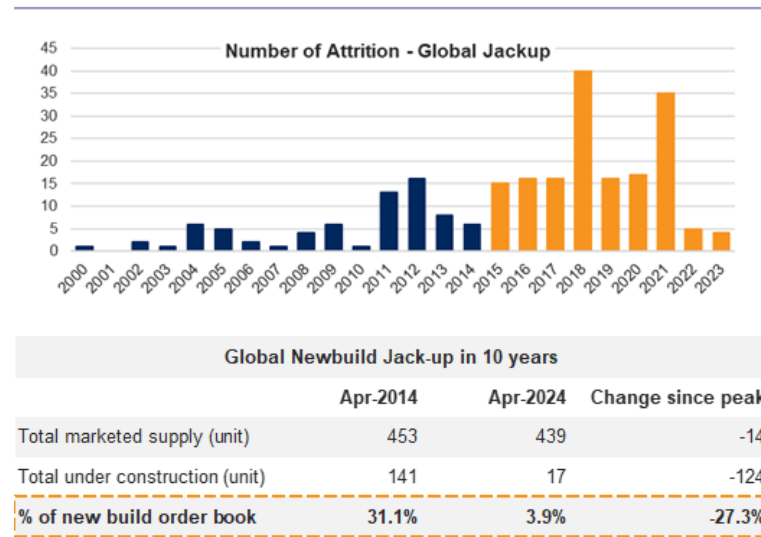
## Drilling service: JU market remains supportive despite some headwinds from Aramco

Saudi Aramco’s expansion pause caused 22 JU rig deals to be suspended, which only slightly relieved current JU supply tightness as it only accounts for 4.4% of total JU supply

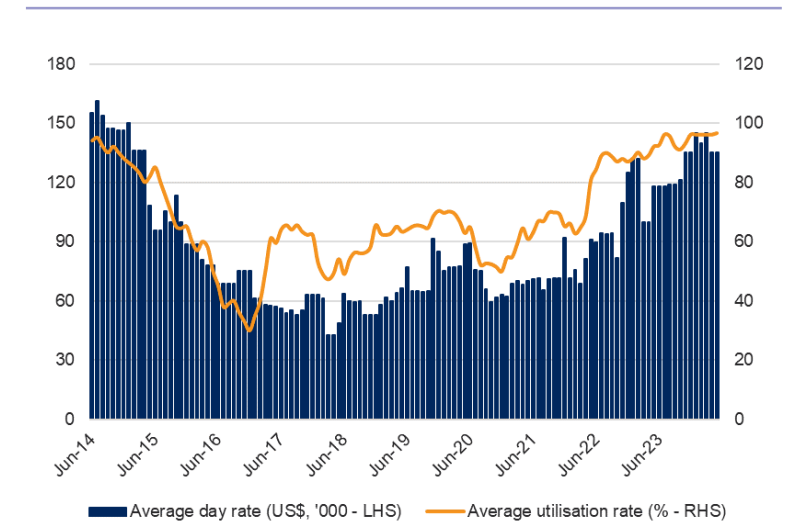
**JU demand in SEA is forecast to continue increasing in 2024-25 with main drivers being Malaysia and Thailand (rig)**



**A total of 164 JU have been retired in 2015-23 while the newbuild order book in coming years sits at a historic low (rig)**



**SEA average JU (361-400 IC) day rate is approaching 10-year highs due to the disequilibrium in JU supply/demand**

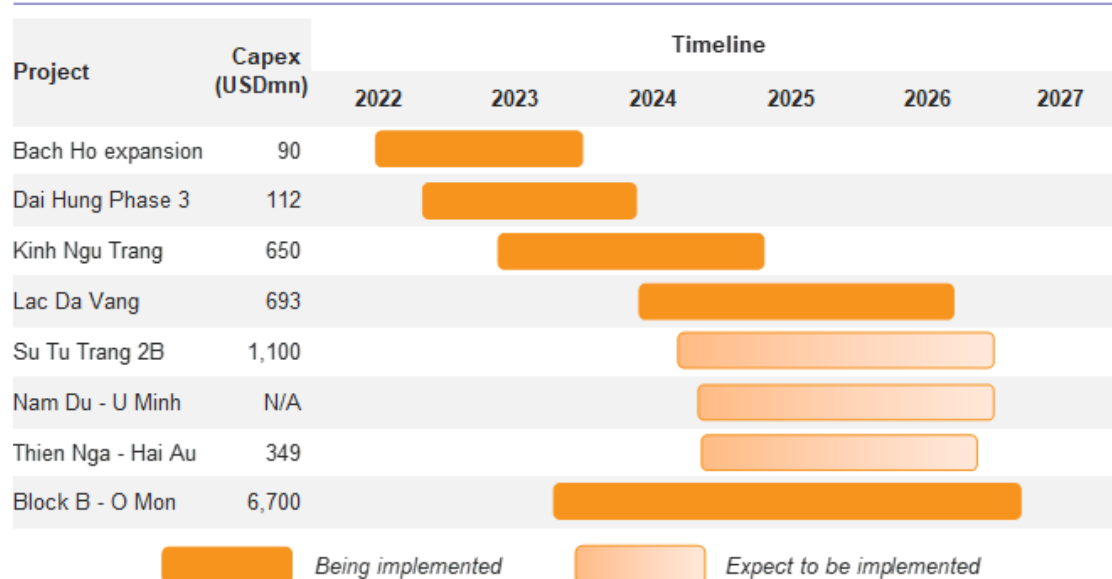


- S&P Global forecasts the SEA market will keep growing in coming years, with expected JU demand picking up from 32.5 units in 2023 to 35.2/37.6 units in 2024-25, respectively. We also note that major state-owned oil players in the region, such as Petronas, Pertamina, PTTEP and PVN, have formulated long-term development plans, implying a positive drilling demand outlook from 2026 onward.
- In contrast, the JU supply outlook remains tight due to an extremely low order book despite some relaxation after Aramco’s decision. We see that the newbuild order book over the next few years sits at a historic low of ~4% of the total global fleet while a total of 164 JU have been retired in 2015-23, signaling that the outlook for JU rig supply is quite modest for coming years.

## EPCI service: Project execution propels EPCI contractors' earnings

Many domestic upstream projects are entering execution phases that will propel EPCI contractors' earnings in coming years

Major domestic upstream O&G projects in the pipeline. Many projects, such as Kinh Ngu Trang, Block B and Lac Da Vang, have seen significant movement over the past year



With est. capex of over USD3.5bn for the first phase (until first gas in late-2026), the multibillion-dollar Block B project chain is still the main driver for Vietnam's O&G industry in coming years

	Capex (USDmn)	Investors	Workload scope	Activities	Major beneficiaries	Potential impact
<b>Upstream: Block B field development project</b>	6,700	<ul style="list-style-type: none"> <li>PVN (42.9%)</li> <li>PVEP (26.8%)</li> <li>MOECO (22.6%)</li> <li>PTTEP (7.7%)</li> </ul>	<ul style="list-style-type: none"> <li>A central production platform (CPP), a living quarters platform, flare tower, and bridges</li> <li>46 wellhead platforms and over 750 production wells</li> <li>A floating storage and offloading vessel (FSO)</li> </ul>	EPCI contract	PVS*	<span style="color: green;">●</span>
				FSO	PVS	<span style="color: green;">◐</span>
				Drilling / Well services	PVD	<span style="color: green;">◐</span>
				Drilling fluids	PVC	<span style="color: green;">◐</span>
<b>Midstream: Block B - O Mon pipeline</b>	1,300	<ul style="list-style-type: none"> <li>PVGAS (51%)</li> <li>PVN (28.7%)</li> <li>MOECO &amp; PTTEP (20.3%)</li> </ul>	The pipelines with design capacity of 20.3 mcm per day, including: <ul style="list-style-type: none"> <li>A 295km offshore pipeline</li> <li>A 102km onshore pipeline</li> <li>Landfall stations and gas distribution centers</li> </ul>	Gas distribution	GAS*	<span style="color: green;">◐</span>
				Pipe coating	PVB	<span style="color: green;">◐</span>
				EPCI contract	PVS*	<span style="color: green;">●</span>

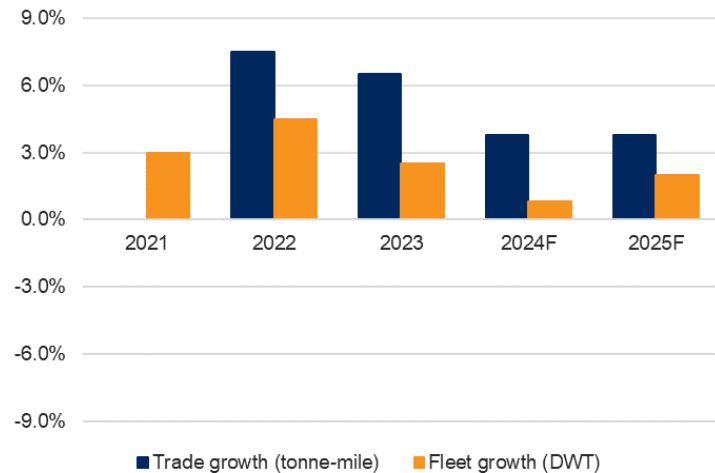
\* Packages already awarded

- Many key upstream projects such as Kinh Ngu Trang, Block B and Lac Da Vang have awarded EPCI packages and started executing over the past year. We expect project execution to drive the performance of contractors from 2H24 onward.
- For the Block B project, due to time-consuming bottlenecks regarding ODA allocation, investor approval procedures and PPA finalization, we see FID milestones for the project delayed to 2H24, but the project's outlook remains unchanged. The awarded EPCI packages are still on execution and some key remaining packages (offshore pipeline, FSO) are expected to be released going forward, fueling more potential backlog for upstream service providers.

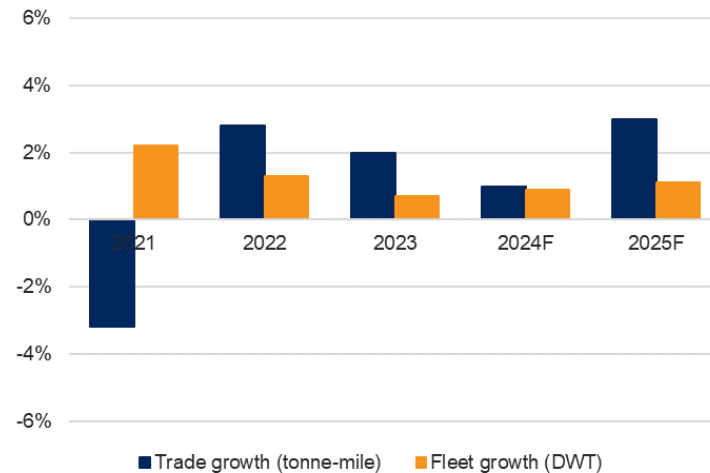
## O&G shipping: Liquid cargo shipping market conditions remain supportive for transporters

We see conditions for the liquid cargo shipping market remaining positive in 1H24 and the outlook appears supportive for transporters for the next couple of years

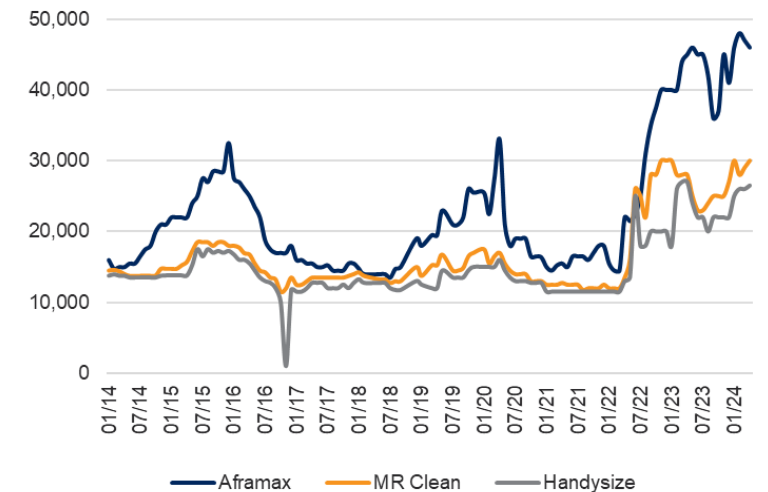
### Dirty and clean tanker supply/demand



### Chemical Tanker supply/demand



We expect tanker time charter rates to stay high thanks to supportive supply/demand balance (USD/day)

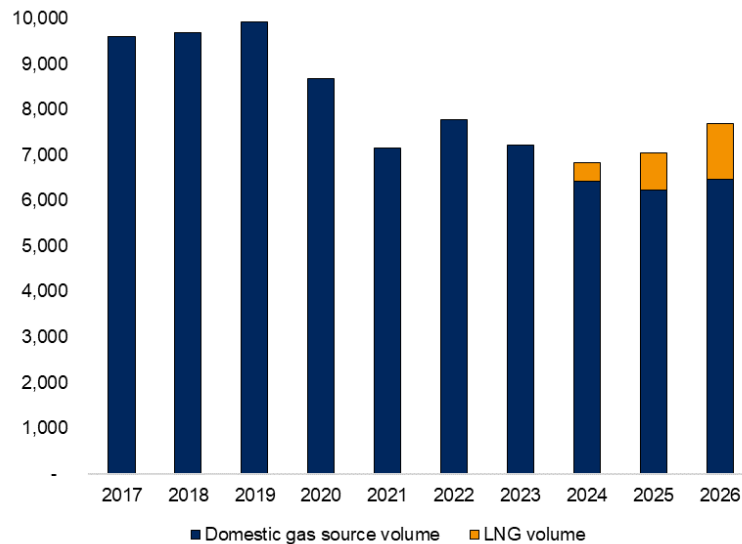


- Market conditions for liquid cargo shipping remain positive. According to Clarkson, demand continues to grow with support from expanding long-haul Atlantic-Asia trade, growth in global oil demand and refinery capacity (mostly in India), strong chemical demand from China and the impact of Red Sea-related rerouting due to geopolitical tensions.
- In contrast, supply side constraints continue in the dirty/clean tanker sector with moderate fleet growth while chemical fleet growth is limited due to a small orderbook in recent years. This current supply/demand balance is generally supporting tanker charter rates to stay high, boding well for O&G transporters.

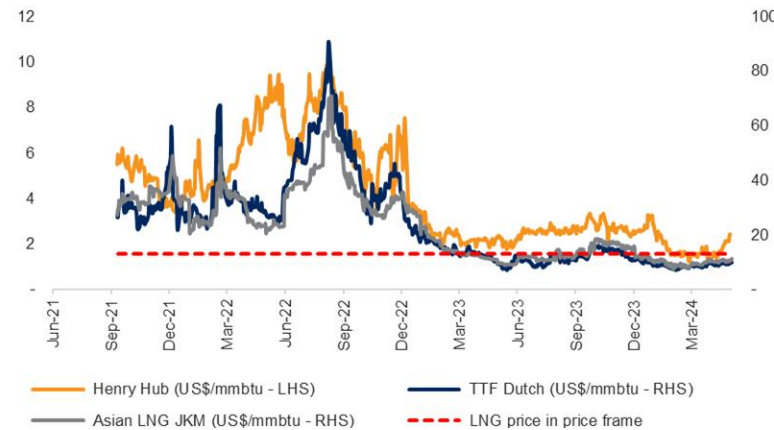
## Gas distribution: Limited short-term outlook, LNG transition to support medium term

With the lack of O&G projects from now until the first gas of Block B in 2026, we believe that the short-term business prospects of gas distributors are limited.

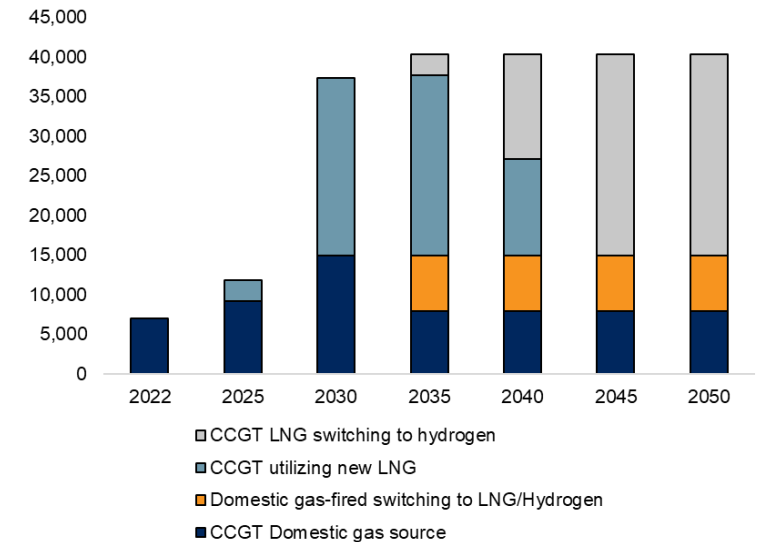
### LNG will play a vital role in supplementing depleting domestic gas sources in the medium term (mcm)



### LNG/gas prices have lingered at a low level, supporting PPA, GSA contract negotiations of upcoming LNG projects



### According to PDP8, LNG-to-power will be the major spearhead in 2023-30, making up 15% of total power capacity by 2030

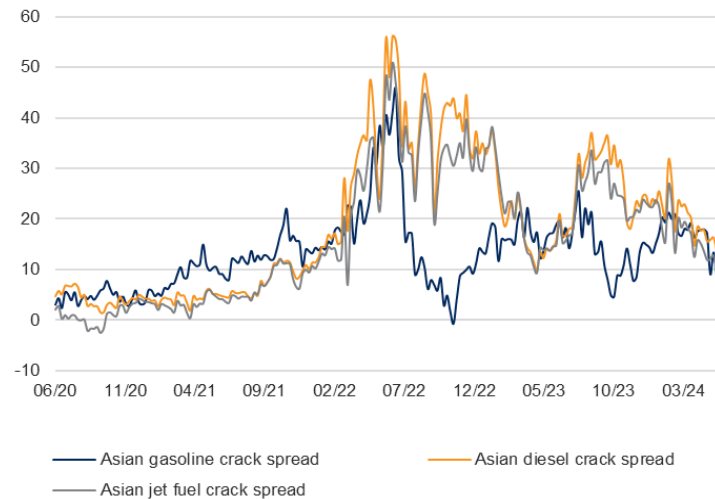


- Vietnam's O&G production has continuously fallen since 2015 mainly due to a lack of major O&G projects. Cheap gas sources are gradually running out while new sources are more expensive due to difficult exploitation conditions, leading to gas-fired power facing strong competition from other power sources. This is likely to put pressure on gas distributors due to decreasing gas volume in the short term.
- However, we expect LNG will be the key driver for gas distributors in the medium term. High electricity demand and depleting domestic gas supply will boost the need to swiftly transition to LNG as an alternative. This situation is likely to make PVN and EVN accelerate the process of finalizing PPA negotiations to put two gas power plants, NT3 and NT4, into operation in 2024-25. We expect that the establishment of a pricing framework for LNG-fired power generation coupled with the current affordable LNG price will facilitate this process. LNG sources will also become a major spearhead over 2023-35, according to PDP8.

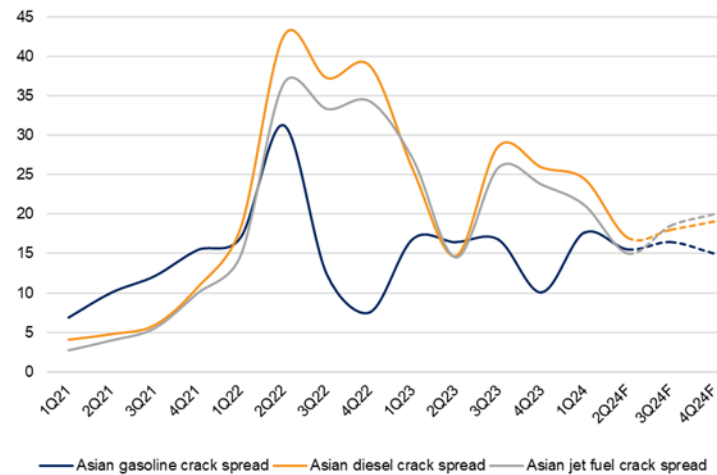
## Refineries: Lack of key drivers for growth in short term

We see that there is no catalyst for domestic refineries in the short term as: 1) crack spreads from 2025 will gradually decrease due to abundant supply from China and Middle East; and 2) there will be modest volume growth due to limited capacity

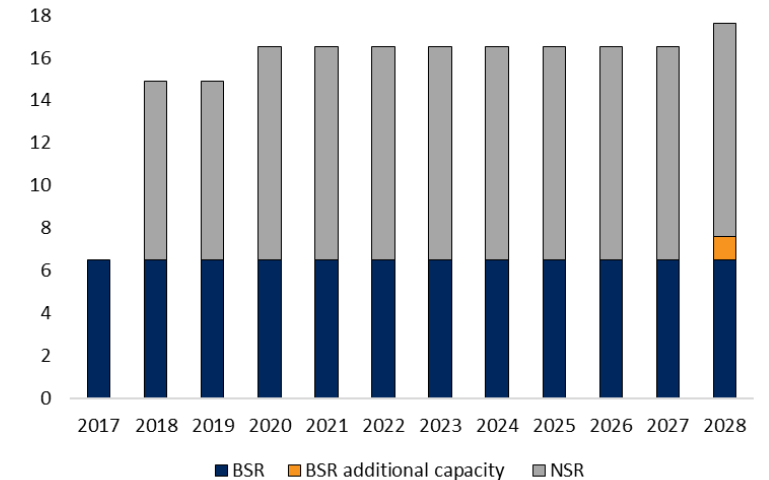
### Asian refined product crack spreads (USD/bbl)



### We expect the diesel/Jet fuel crack spread to rise in 3Q24 thanks to driving season and demand for heating in the winter (USD/bbl)



### Vietnam's refinery capacity will not improve until late-2028 when BSR expansion comes online (mn tons)

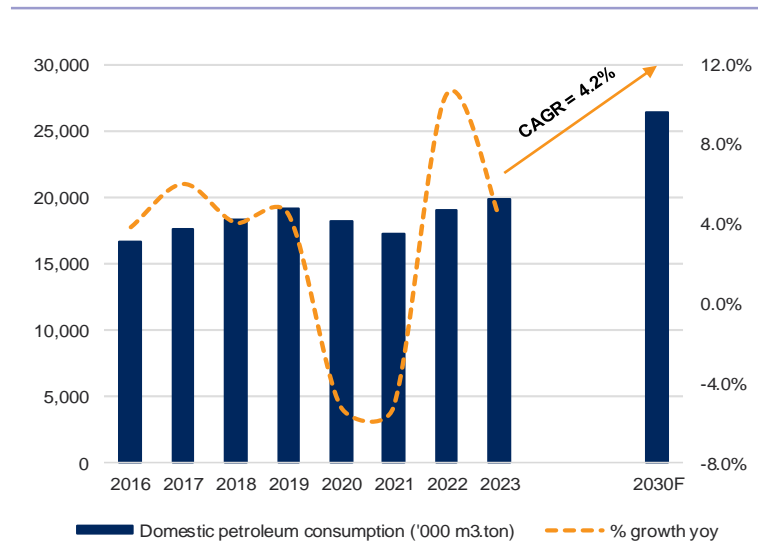


- Despite the recent drop in 2Q24 due to weaker-than-expected economic activity in US and a tepid construction sector in China, we expect Asian gasoline/diesel crack spreads to recover from 3Q24, averaging USD16.1/USD19.6 per barrel in 2024 thanks to improving demand driven by US driving season in the summer. Despite relatively high level compared to pre-crisis, these numbers are lower than 2023 numbers, trimming earnings growth prospect of refineries in 2024.
- Given its policy of prioritizing domestic sources, Dung Quat refinery and Nghi Son refinery have operated at over 100% design capacity (except for maintenance periods). Therefore, we see limited room for volume growth at domestic refineries due to a lack of capacity expansion in the near term, or at least until 2028 when BSR's expansion project comes online, which will lift BSR's design capacity by 17% and total Vietnamese design refining capacity by 6.7%.

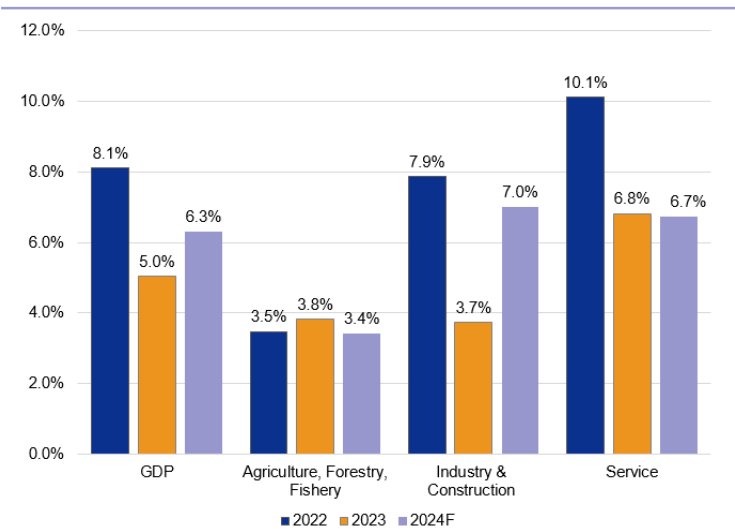
## Petrol distribution: Positive outlook due to sustainable demand growth and new petrol decree

We have a positive outlook for petroleum trading because: 1) positive volume growth is cushioned by Vietnam’s growing petroleum demand; 2) strong economic recovery fuels demand for petroleum products; and 3) distributors might benefit from the new petroleum trading decree.

### Domestic petrol consumption is projected to grow at a CAGR of 4.2% in FY23-30



### Strong GDP growth in 2024 is supported by industry, service sectors (accounting for major demand for petroleum products)



### Some major changes in the new petrol business decree draft

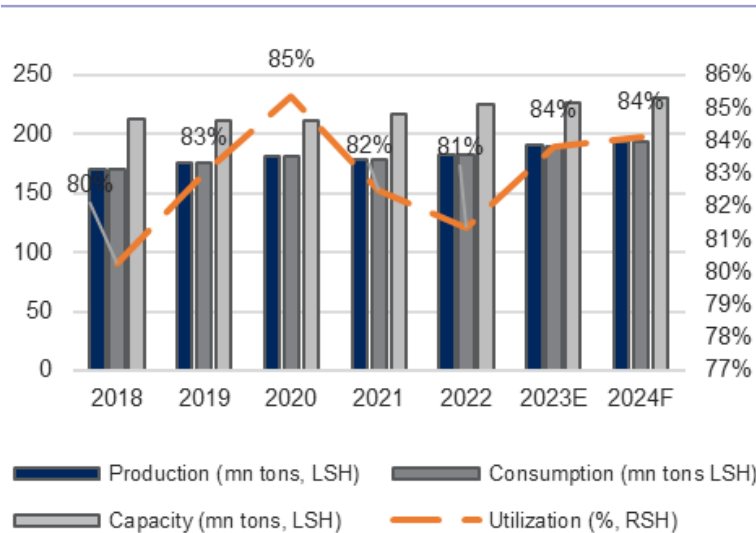
No.	Criteria	Comment
1	Price mechanism (proposed petrol distributors to set their own prices).	(1) Allow distributors to set their own retail price depending on actual market conditions. (2) Reduce the time and complexity involved in calculating costs for distributors.
2	More flexible in determination of fixed trading cost and fixed trading profit	(3) Allow distributors to promptly adjust the fixed trading costs and fixed profit during periods of significant volatility in the global oil price.
3	Tighter regulations on total petroleum resources of new distributors participating in the petroleum market	Tighter regulation to enhance the barriers for new, unqualified players in the market, which benefits existing distributors.

- We believe the Vietnamese petroleum distribution market has a lot of room for growth, particularly as Vietnam’s economy grows at a relatively fast pace, with expected GDP growth of around 6% annually and consumption projected to grow 4.2% p.a. in 2023-2030.
- We expect Vietnam’s economic recovery to accelerate in the coming quarters driven by growing manufacturing, trade turnover and domestic consumer demand in the context of accommodative monetary and fiscal policy. This will fuel demand for petroleum products.
- MOIT submitted a new Petroleum Decree draft to replace Decree 80/2023 for a second time recently. We see that there are material changes in this new decree that would support distributors. We expect these changes could benefit petroleum distributors as they have a more flexible mechanism to determine retail selling prices, fixed trading costs and fixed profits.

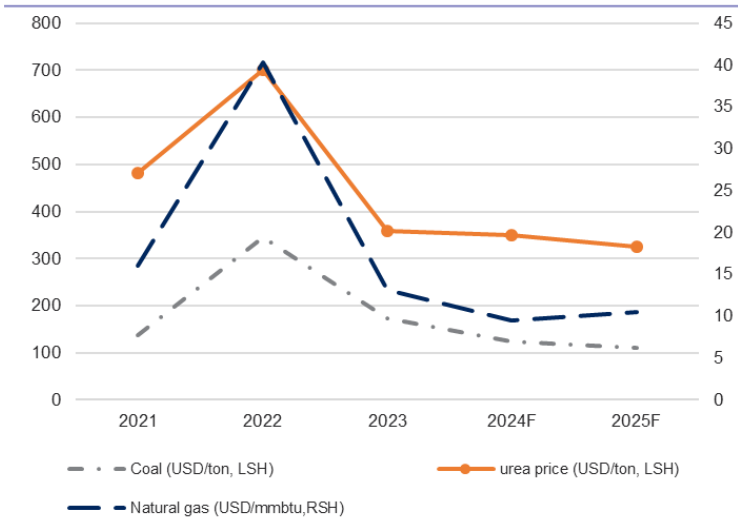
## Fertilizer: Urea price likely to continue to drop in 2024-25 due to decreasing raw material prices

The global urea price is forecast to decrease 2%/7% YoY in 2024-25, respectively, mainly due to lower raw material prices

### Global urea production will improve in 2024 due to positive demand



### Forecast of urea prices and raw materials for urea production in 2024-25



### A list of global events should affect urea price in 2024-25

Side	Event	Impact on urea price
Demand	India plans to reduce urea imports	Negative
	Global agricultural product prices decrease	Negative
	El Nino is shifting to a more neutral state	Positive
Supply	China plans to re-export urea	Negative
	Russia - Ukraine crisis	Positive
	Raw material prices decrease (Natural gas, Coal)	Negative

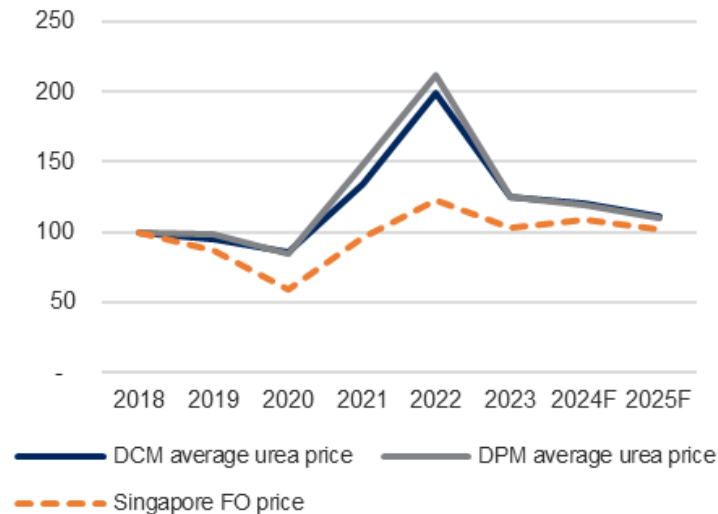
NOTE: ● Positive; ● Negative

- The International Fertilizer Association (IFA) forecasts that global Nitrogen fertilizer consumption (with urea accounting for 75%) will improve 2% YoY to 111.6 million tons in 2024, concentrated in areas that benefit from ENSO phenomenon changes such as Latin America, East Asia, and South Asia.
- Global urea capacity is expected to increase 1.8% YoY to 231 million tons. East Europe, Central Asia, Africa, and South Asia will lead this growth momentum. We expect global urea production to increase 2% YoY thanks to increasing urea consumption, low raw material prices encouraging production and potential supply from new urea capacity.
- We expect global urea prices will decrease 2%/7% YoY in 2024-25 (based on World Bank forecasts) due to: 1) potential urea oversupply as decreasing raw material prices will boost production; 2) India's increasing domestic production will reduce fertilizer imports in 2024-25; and 3) expected decreasing agricultural product prices will negatively impact fertilizer affordability.

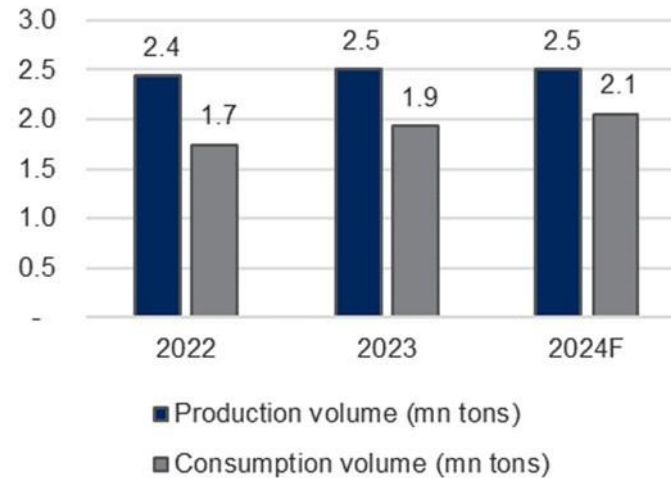
## Fertilizer: Domestic urea demand will increase in 2024

We expect Vietnam's urea consumption to increase 6.2% YoY to 2.1 million tons in 2024, triggered by favorable crop prices and lower urea prices.

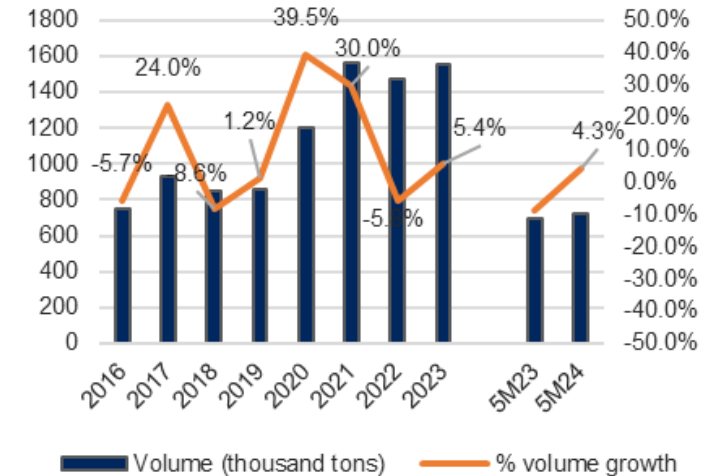
### Urea price vs FO price movement since 2018



### Vietnam will still face urea oversupply despite increasing urea demand in 2024...



...and exporting is the way to solve this situation with FY19-23 volume CAGR of 15.8% (Export data for all types of fertilizer)



- As Vietnam's urea price has a high correlation with global urea prices, we expect the domestic urea price to also decline 2%/7% YoY in 2024-25.
- In 5M24, Vietnam's rice exports increased 11.2% YoY in volume and 38% YoY in value. The average rice export price rose 20.7% YoY in 5M24 and is expected to remain high in 2024 due to limited global rice supply, encouraging more rice cultivation and larger crops. Combined with decreasing urea prices, this will promote fertilizer consumption in 2024.
- Due to a urea and phosphate supply surplus of 1/1.1 million tons per year (in terms of design capacity), Vietnam has bolstered exports since 2019, recording a volume CAGR of 15.8% in 2019-23. We believe exports will still be the main driver for urea and phosphate producers in Vietnam in coming years.

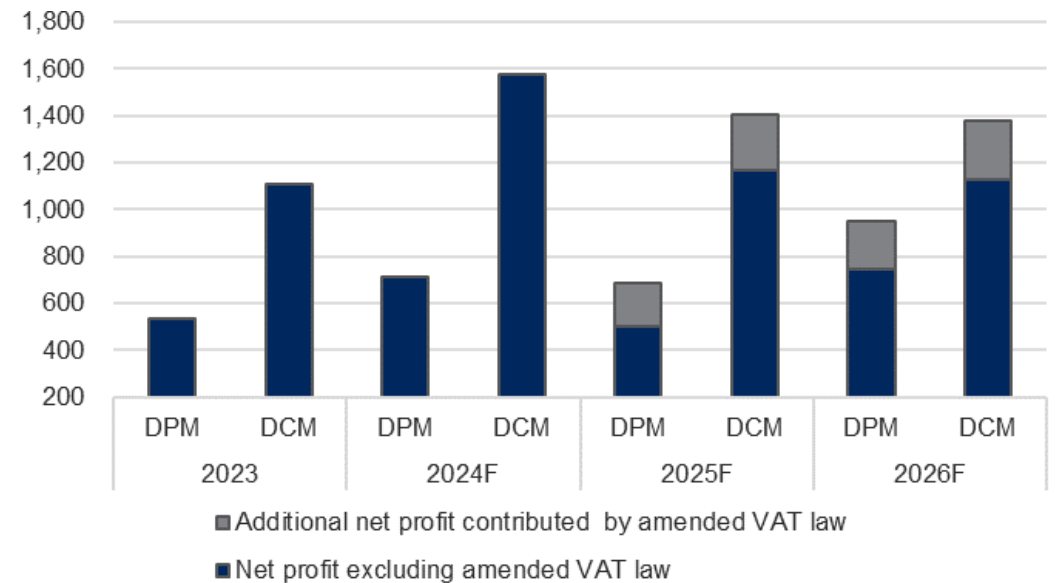
## Fertilizer: Expected amended VAT law will enhance domestic fertilizer industry performance

We believe that if the amended VAT law is passed and applied from 2025, single fertilizer manufacturers such as urea and phosphate producers will be the key beneficiaries

### Impact of the amended VAT law on domestic fertilizer businesses

VAT Law No. 71/2014/QH13		Draft amended VAT Law	Impact on fertilizer businesses		
Tax rate	Non-taxable	Taxable 5%	Single fertilizer manufacturer (urea, phosphate)	Complex fertilizers manufacturer (NPK)	Fertilizer importers
Impact	Fertilizer manufacturing and trading enterprises in Vietnam are not allowed to declare or deduct input VAT on goods and services (including investment activities, purchase, and sale of fixed assets serving fertilizer production activities) that must be included in the product price.	Fertilizer manufacturing enterprises with input materials (investment activities, purchase, and sale of fixed assets serving fertilizer production activities) will receive a maximum VAT deduction and refund of 5%.	Reduce production costs by 2 - 3% because inputs are mainly VAT taxable by 10% such as gas, coal, materials, machinery, etc.	It is possible to increase the selling price because the inputs are mainly imported fertilizers (urea, potassium, DAP, SA) that are VAT non-taxable. Therefore, there is no VAT deduction or the deduction rate is very low.	Increases the selling price of the product and cannot deduct or refund input VAT

### Some domestic fertilizer manufacturers will improve their net profit if the amended VAT law is passed (VNDbn)

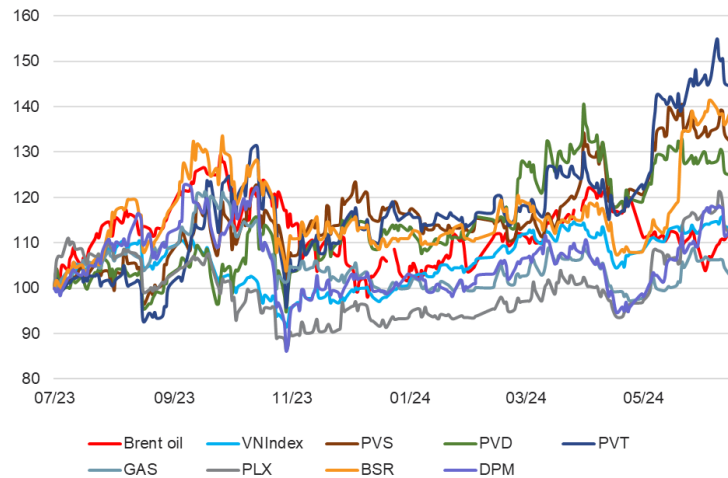


- On June 2024, the Government reported to the National Assembly (NA) on the draft amended VAT law. The Government proposed to impose a tax rate of 5% on fertilizers instead of the current 0% rate. We expect the NA to pass this draft at its 8th session (October 2024) and apply it from 2025 in the context that domestic fertilizer products are losing their competitive advantage in price compared to fertilizer imports.
- We expect that Vietnam's fertilizer producers will receive tax refunds of an estimated total value of VND1.5-2tn (USD59-79.8mn)/year, and the biggest beneficiaries are single fertilizer manufacturers (urea, phosphate) such as DCM, DPM, LAS and VAF.

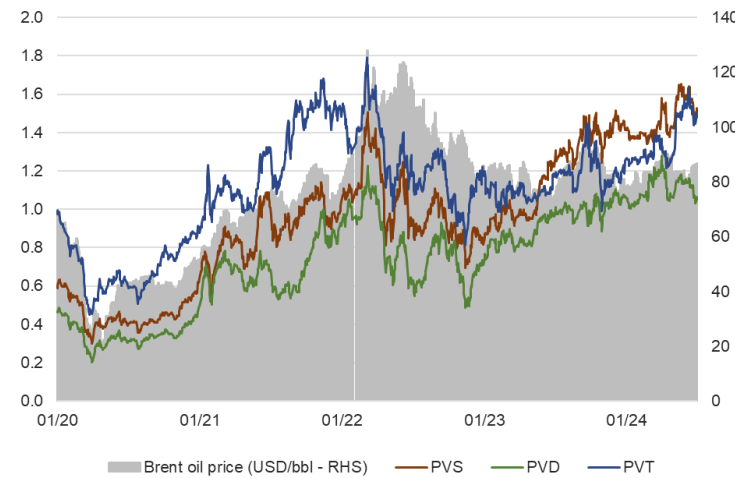
## Valuation: Reflecting the distinctiveness in each segment's prospects

In the last year, the stock prices of O&G service providers (PVS, PVD, and PVT) have outperformed most O&G downstream companies, reflecting the strong earnings growth of these companies

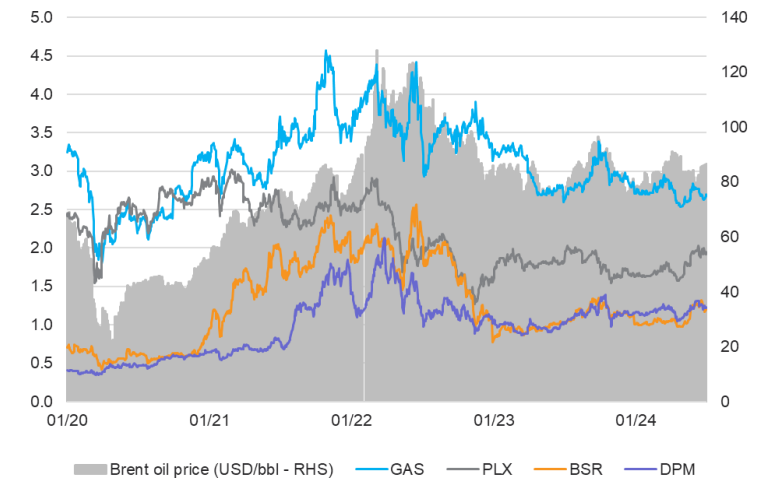
O&G stock price movement over the last year



P/B of O&G service providers vs Brent oil price



P/B of O&G downstream companies vs Brent oil price



- The valuations of O&G service providers have been approaching their peaks from 2022. This has mainly been due to their positive earnings growth driven by a favorable oil price base triggering upstream investment. We thus expect positive earnings to support stock prices in coming quarters.
- In contrast, valuations of all downstream companies are well below the peak of 2022 as their business performances are directly linked to global oil prices, which are also trading well below the peak of 2022. Assuming a stable oil price, we expect that the stock performance of these companies to mainly lean on the positive changes in Vietnam's policies that we mentioned above.

## Stock picks: We like PVD and put PLX on watchlist

Ticker	Investment thesis	Stock information																				
PVD	<p><b>Minor impact from Aramco's pause, JU market remains supportive.</b> The pause in the expansion of Aramco impacted demand for offshore drilling platforms with around 18 JU rig deals (3.6% of total JU supply) suspended. However, we see this number is not too significant amid steady drilling demand worldwide, and this just slightly relieves current JU supply tightness. The JU market, particularly in SEA, remains positive for drilling contractors such as PVD due to the lingering disequilibrium in the JU demand/supply balance.</p> <p><b>Vietnam will be a high-potential market from late-2025 onward.</b> PetroVietnam's capex acceleration (+54% YoY) signals that domestic E&amp;P activities will be increasingly vibrant from 2024 onward. We observe that key major projects are planning to launch drilling bidding and most are expected to start drilling from 2H25, implying a huge potential workload for PVD in the domestic market as soon as some of its current contracts terminate in late-2025. Thus, Vietnam will be a key market of PVD from 2026.</p> <p><b>Investment plan is likely to be a bit delayed to 1Q25.</b> According to management, PVD canceled a previous plan to invest in a rig as it required long time to reactivate, which did not meet the customer's drilling timeline. PVD is expected to seek another suitable rig to invest in this year. However, we expect the plan will be a bit delayed as a limited budget (USD90mn) and time-consuming approval process make the company uncomfortable to seek another suitable JU rig. We, therefore, expect the new Ju rig will go into operation from mid-1Q25 instead of 4Q24 previously. The new rig will contribute 14%/12% of PVD's drilling revenue/gross profit in 2025, respectively.</p> <p><b>The current P/B of 1.15x does not fully reflect the expected solid earnings outlook in FY24 with EPS growth of 71.7% YoY.</b></p>	<table border="1"> <tr><td>Target price</td><td>VND36,800</td></tr> <tr><td>Upside</td><td>23.1%</td></tr> <tr><td>Dividend Yield</td><td>0.0%</td></tr> <tr><td>FY24 EPS YoY</td><td>71.7%</td></tr> <tr><td>Market Cap</td><td>USD650.6mn</td></tr> <tr><td>3M ADTV</td><td>USD6.4mn</td></tr> <tr><td>Foreign Room</td><td>USD212.9mn</td></tr> <tr><td>P/E TTM</td><td>28.4x</td></tr> <tr><td>P/B Current</td><td>1.1x</td></tr> <tr><td>ROE</td><td>4.7%</td></tr> </table>	Target price	VND36,800	Upside	23.1%	Dividend Yield	0.0%	FY24 EPS YoY	71.7%	Market Cap	USD650.6mn	3M ADTV	USD6.4mn	Foreign Room	USD212.9mn	P/E TTM	28.4x	P/B Current	1.1x	ROE	4.7%
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PLX	<p><b>Strong domestic demand sustains petroleum volume growth.</b> We project PLX's domestic sales volume to grow at a FY24-25 CAGR of 7.1%, up from 5.2% in our previous report. We expect PLX's petroleum sales volume will continue to grow in 2H24 due to high domestic demand for petroleum products thanks to an improved economy. According to the GSO, goods transportation volume by road and air cargo have increased by 11.5%/47.5% YoY in 5M24. The Ministry of Industry and Trade (MOIT) also estimated that the total petroleum supply source for 2024 is 28.4 million m3.ton (+9.2% YoY).</p> <p><b>Market share expanding as expected.</b> We estimate PLX's petroleum sales volume in 1Q24 increased by over 10% YoY and was 18% above the average quarterly sales volume over the past five years. The significant rise in sales volume suggested that, as anticipated, PLX gained market share from other smaller distributors, especially from certain petroleum traders and distributors whose operating licenses were revoked.</p> <p><b>New Petrol Business Decree supports GM expansion.</b> MOIT has submitted a new Petroleum Decree. We see material changes that can benefit PLX due to its leading position and unique competitive advantages. Newly proposed mechanisms for determining retail selling prices and fixed trading costs will allow distributors to: 1) set their own retail price based on actual market conditions; and 2) promptly adjust the fixed trading costs and fixed profit (main drivers of PLX's gross profit) during periods of significant volatility in the global oil price. Therefore, we expect the decree might come into effect in late 2024 and will support PLX's GM to expand 0.5% pts to 6.1%.</p> <p>P/E TTM of 16.1x is below the regional peer average P/E (18.3x) and undervalues the company's earnings growth prospects.</p>	<table border="1"> <tr><td>Target price</td><td>VND47,100</td></tr> <tr><td>Upside</td><td>7.2%</td></tr> <tr><td>Dividend Yield</td><td>3.4%</td></tr> <tr><td>FY24 EPS YoY</td><td>27.0%</td></tr> <tr><td>Market Cap</td><td>USD2,197.1mn</td></tr> <tr><td>3M ADTV</td><td>USD2.8mn</td></tr> <tr><td>Foreign Room</td><td>USD51.9mn</td></tr> <tr><td>P/E TTM</td><td>17.1x</td></tr> <tr><td>P/B Current</td><td>2.1x</td></tr> <tr><td>ROE</td><td>12.6%</td></tr> </table>	Target price	VND47,100	Upside	7.2%	Dividend Yield	3.4%	FY24 EPS YoY	27.0%	Market Cap	USD2,197.1mn	3M ADTV	USD2.8mn	Foreign Room	USD51.9mn	P/E TTM	17.1x	P/B Current	2.1x	ROE	12.6%
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## Peer comparison

Company	Country	Mkt cap USDmn	Ticker	FY24 Rev. growth %	FY24 EPS growth %	Div. yield %	Net D/E %	ROE %	ROA %	TTM P/E x	Current P/B x
<b>Offshore drilling companies</b>											
Velesto Energy Bhd	MALAYSIA	480	VEB MK	8.8	64.5	1.1	9.4	5.5	4.2	17.2	0.9
Borr Drilling Ltd	BERMUDA	1,666	BORR NO	34.4	647.5	4.1	162.6	4.6	1.4	36.5	1.6
Valaris Ltd	UNITED STATES	5,339	VAL US	39.4	-62.2	0.0	26.8	50.1	23.1	6.5	2.6
Transocean	UNITED STATES	4,245	RIG US	32.4	98.0	0.0	68.1	-3.8	-1.9	N/A	0.4
<i>Average</i>				28.7	187.0	1.3	66.7	14.1	6.7	20.0	1.4
<b>PVDrilling</b>	<b>VIETNAM</b>	<b>649</b>	<b>PVD VN</b>	<b>33.1</b>	<b>71.7</b>	<b>0.0</b>	<b>-1.3</b>	<b>4.7</b>	<b>3.2</b>	<b>28.4</b>	<b>1.1</b>
<b>O&amp;G technical services companies</b>											
Malaysia Marine Eng	MALAYSIA	156	MMHE MK	3.5	108.6	2.2	-14.4	-31.5	-13.1	N/A	0.6
Yinson Holdings	MALAYSIA	1,492	YNS MK	-49.1	-9.2	1.7	166.6	12.4	3.8	8.4	0.9
Seatrium Ltd	SINGAPORE	3,658	STM SP	14.7	109.5	0.0	20.0	-39.7	-15.9	N/A	0.8
Hyundai Engineering	SOUTH KOREA	2,571	000720 KS	9.6	-14.0	1.9	-20.9	6.9	2.4	6.4	0.4
<i>Average</i>				-5.3	48.7	1.4	37.8	-13.0	-5.7	7.4	0.7
<b>PTSC</b>	<b>VIETNAM</b>	<b>789</b>	<b>PVS VN</b>	<b>19.9</b>	<b>15.0</b>	<b>2.4</b>	<b>-61.6</b>	<b>8.7</b>	<b>4.4</b>	<b>18.0</b>	<b>1.5</b>
<b>O&amp;G transportation companies</b>											
Vietnam Tanker JSC	VIETNAM	40	VTO VN	N/A	N/A	N/A	-39.0	7.6	5.4	12.0	0.9
MISC Bhd	MALAYSIA	8,362	MISC MK	-0.5	21.8	4.1	24.6	5.8	3.5	17.4	1.0
Thoresen Thai Agencies	THAILAND	349	TTA TB	39.0	95.4	2.1	9.7	8.2	4.6	6.0	0.5
Great Eastern Shipping	INDIA	2,187	GESCO IN	25.0	0.5	2.5	-30.7	23.1	16.3	7.0	1.5
<i>Average</i>				21.2	39.2	2.9	-8.9	11.2	7.5	10.6	0.9
<b>PVTrans</b>	<b>VIETNAM</b>	<b>422</b>	<b>PVT VN</b>	<b>13.3</b>	<b>11.8</b>	<b>1.0</b>	<b>16.2</b>	<b>15.4</b>	<b>6.4</b>	<b>10.9</b>	<b>1.5</b>

## Peer comparison

Company	Country	Mkt cap USDmn	Ticker	FY24 Rev. growth %	FY24 EPS growth %	Div. yield %	Net D/E %	ROE %	ROA %	TTM P/E x	Current P/B x
<b>Gas distribution companies</b>											
China Gas Holdings	HONG KONG	5,136	384 HK	13.1	46.7	6.8	84.1	5.7	2.1	12.5	0.7
Petronas Gas Bhd	MALAYSIA	7,565	PTG MK	2.0	9.1	4.4	-2.7	13.9	9.8	19.2	2.6
Gail India	INDIA	17,405	GAIL IN	4.9	11.8	2.8	21.9	14.0	8.5	14.7	1.9
Perusahaan Gas Negara	INDONESIA	2,411	PGAS IJ	8.4	38.3	9.0	7.8	11.3	4.4	7.7	0.9
<i>Average</i>				7.1	26.5	5.8		11.2	6.2	13.5	1.5
<b>PV GAS</b>	<b>VIETNAM</b>	<b>7,099</b>	<b>GAS VN</b>	<b>9.7</b>	<b>-1.9</b>	<b>3.8</b>	<b>-53.4</b>	<b>16.6</b>	<b>12.2</b>	<b>16.2</b>	<b>2.7</b>
<b>Oil refining companies</b>											
Thai Oil	THAILAND	3,357	TOP TB	-1.8	-18.1	5.2	89.0	12.5	4.8	5.9	0.7
IRPC	THAILAND	905	IRPC TB	0.1	171.2	2.5	85.5	-2.1	-0.9	N/A	0.4
Star Petroleum Refining	THAILAND	1,007	SPRC TB	17.6	554.0	7.1	30.0	3.6	2.0	24.9	0.8
PTT Global Chemical	THAILAND	3,727	PTTGC TB	-3.2	503.2	2.6	82.3	0.1	0.0	392.9	0.5
<i>Average</i>				3.2	302.5	4.3		3.5	1.5	141.2	0.6
<b>Binh Son Refinery</b>	<b>VIETNAM</b>	<b>2,743</b>	<b>BSR VN</b>	<b>-14.6</b>	<b>-29.4</b>	<b>3.1</b>	<b>-47.4</b>	<b>15.9</b>	<b>10.5</b>	<b>8.1</b>	<b>1.2</b>
<b>Petroleum distribution companies</b>											
PVOil	VIETNAM	565	OIL VN	N/A	N/A	N/A	-72.1	4.2	1.7	33.2	1.4
Pilipinas Shell Petroleum	PHILIPPINES	289	SHLPH PM	N/A	N/A	N/A	193.1	9.6	2.4	5.8	0.5
PTT Oil & Retail	THAILAND	5,247	OR TB	0.1	14.4	3.1	-14.7	10.7	5.4	16.2	1.7
Petronas Dagangan Bhd	MALAYSIA	3,655	PETD MK	5.8	8.8	5.2	-23.2	15.3	7.7	19.8	3.0
<i>Average</i>				3.0	11.6	4.1		10.0	4.3	18.8	1.7
<b>Petrolimex</b>	<b>VIETNAM</b>	<b>2,196</b>	<b>PLX VN</b>	<b>9.0</b>	<b>27.0</b>	<b>3.4</b>	<b>-36.9</b>	<b>12.6</b>	<b>4.4</b>	<b>17.1</b>	<b>2.1</b>
<b>Fertilizer companies</b>											
PVCFCo	VIETNAM	776	DCM VN	9.5	76.8	6.3	-97.1	10.1	8.1	18.5	1.9
Binh Dien Fertilizer Co.	VIETNAM	87	BFC VN	N/A	N/A	N/A	67.4	20.0	6.1	10.2	1.9
National Fertilizers Ltd	INDIA	802	NFL IN	N/A	N/A	N/A	158.6	5.9	1.3	44.6	2.6
Rashtriya Ltd	INDIA	1,360	RCF IN	N/A	N/A	N/A	63.6	4.9	2.1	N/A	2.5
<i>Average</i>				9.5	76.8	6.3		10.2	4.4	24.4	2.2
<b>PVFCCo</b>	<b>VIETNAM</b>	<b>574</b>	<b>DPM VN</b>	<b>-3.3</b>	<b>33.2</b>	<b>5.4</b>	<b>-57.4</b>	<b>4.3</b>	<b>3.5</b>	<b>28.1</b>	<b>1.3</b>

# Aviation

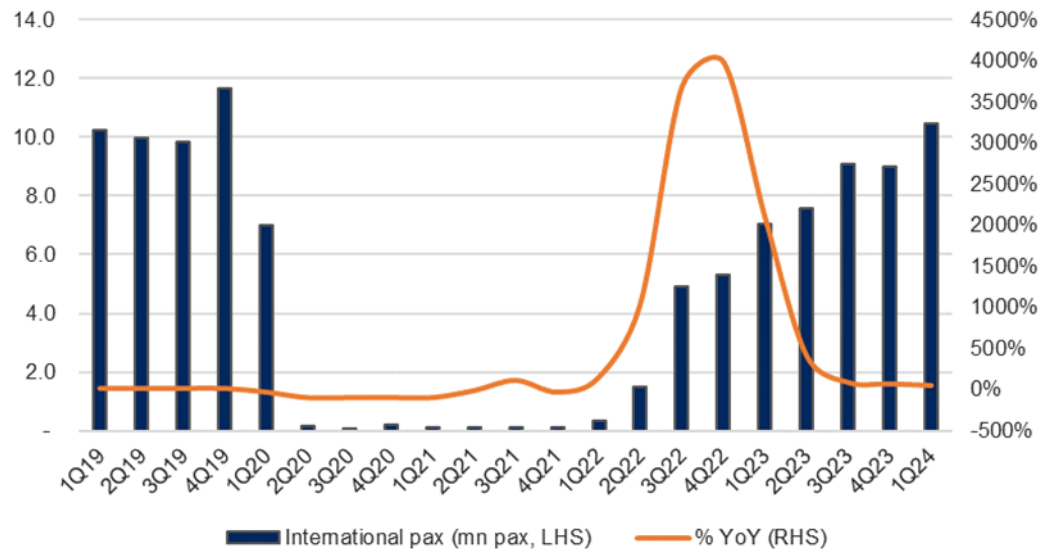
Open skies for international travel



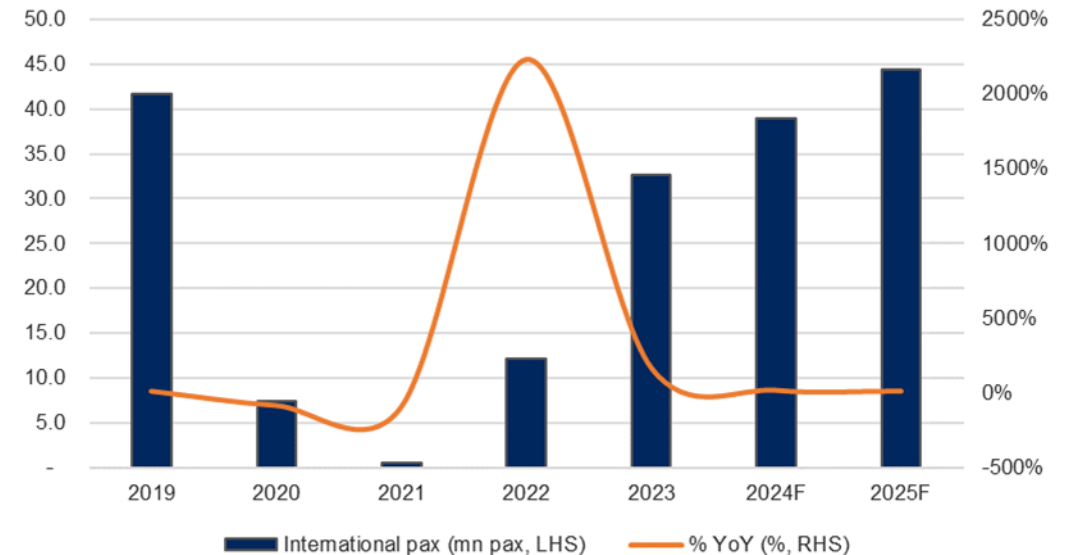
## We expect international market growth to remain robust through 2025

1Q24 international pax surged 47% YoY to 10.4 million, or 97% of pre-COVID-19 level. Chinese visitors reached 70% of pre-pandemic levels and will sustain the growth of passenger traffic across Vietnam's aviation value chain in 2024-25.

### Domestic pax throughput is shrinking



### Vietnam international pax forecasts

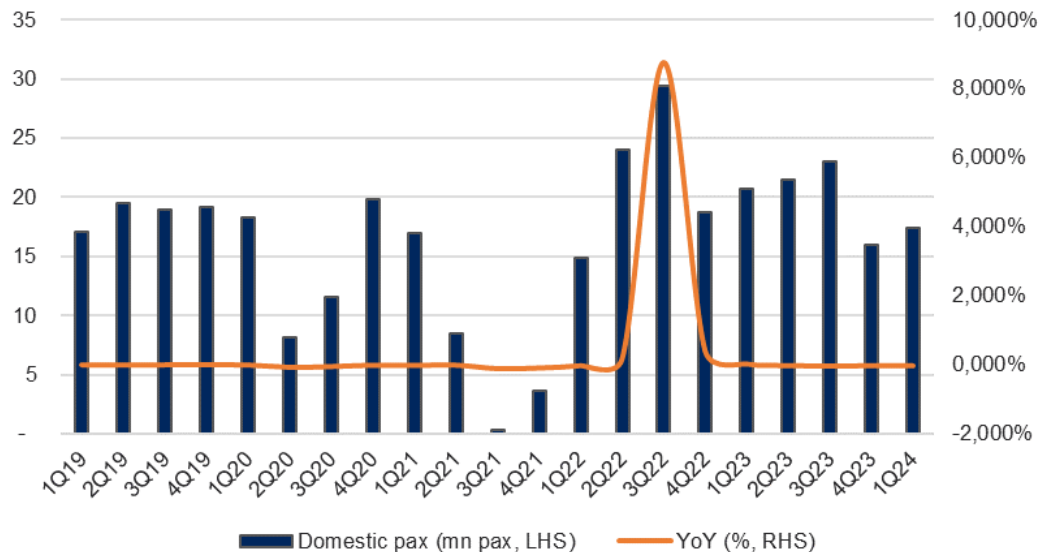


- With strong growth of Chinese pax and a new visa policy for tourists driving growth for international pax, Vietnam is expected to see a 19% YoY increase in international pax to 38.9 million in FY24 (reaching 94% of pre-pandemic levels).
- The Government aims to welcome 25 - 28 million international visitors in FY25, an increase 47%-56% YoY. To attain this goal, priority should be given to initiatives such as market research, brand positioning, tourism promotion enhancement, unilateral visa waiver expansion, and improved collaboration between tourism and airlines. However, we reckon that the above plan will be difficult to achieve as the number of international visitors has gradually recovered to pre-epidemic levels in FY24 and the economy will still be recovering in FY25. We project that int'l pax will increase 13.3% YoY in FY25 (108% of pre-pandemic levels).

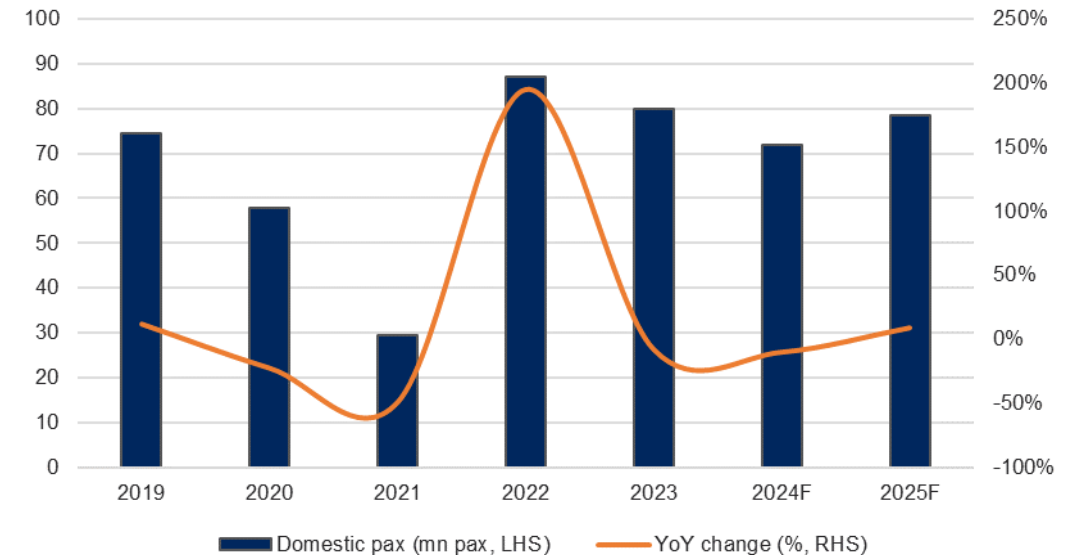
## Domestic market shows signs of weakening

In 1Q24, domestic pax declined 15% YoY to 17.5 million pax due to temporary reduction in fleet size.

### Domestic pax throughput is shrinking



### Vietnam medium-term domestic pax forecasts

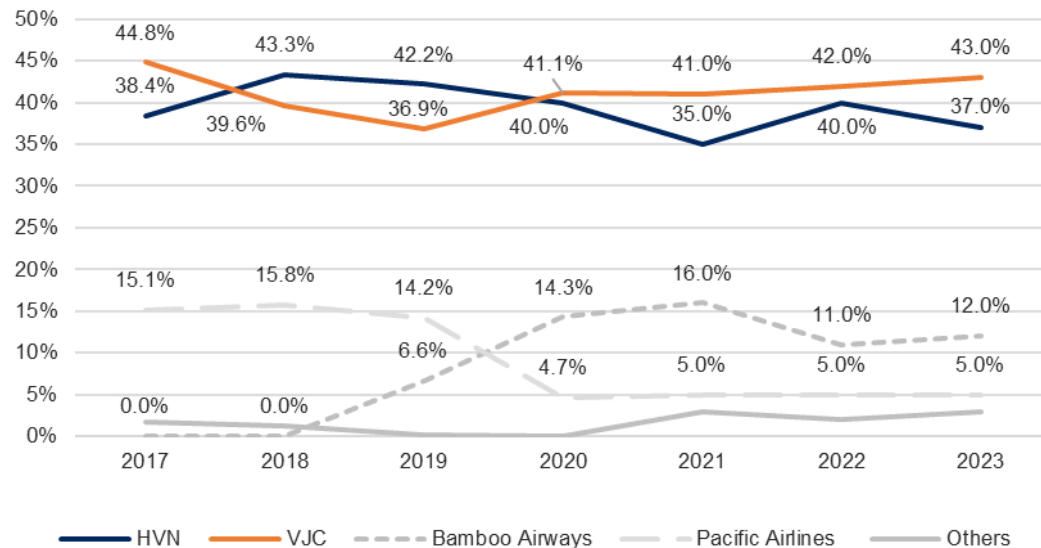


- Although 2023 domestic pax decreased on a YoY basis, it still reached 135% of pre-pandemic level.
- We forecast that domestic pax may decrease 10% YoY in 2024 due to operational suspensions, as Pratt & Whitney has recalled A321Neo engines for inspections, and reduced flights as part of route restructuring strategies from airlines, which have led to higher airfare prices. This has prompted domestic travelers to opt for alternative transportation or cheaper international tours like Thailand, rather than domestic travel.

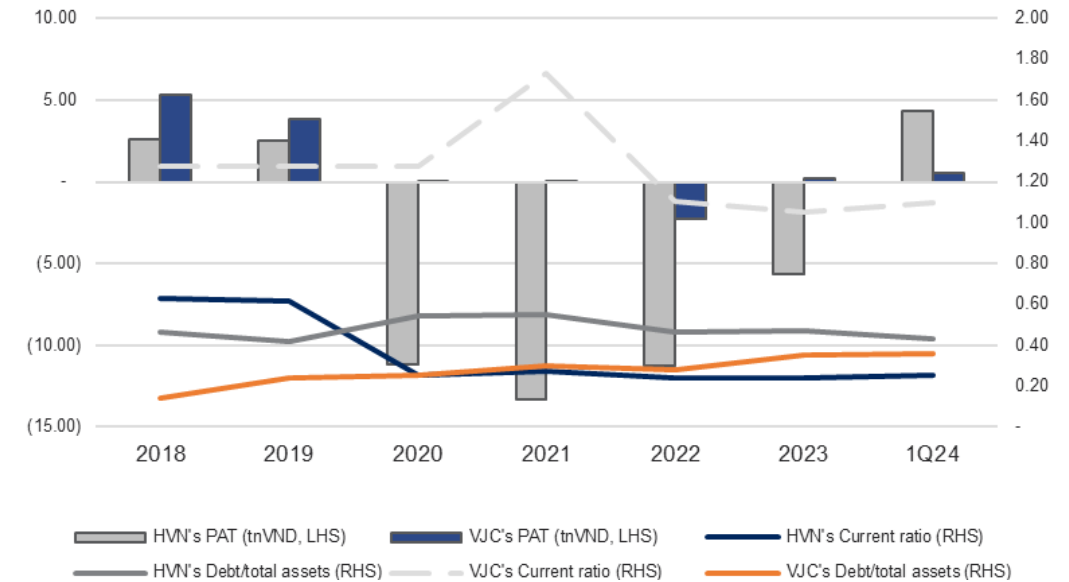
## Airlines are poised for a comeback

Airline companies have shown signs of recovery as net revenue and NPAT bounce back in 1Q24 thanks to strong growth of international pax.

### Domestic market shares of airlines in terms of capacity



### Financial metrics point to an upward trend in the aviation sector

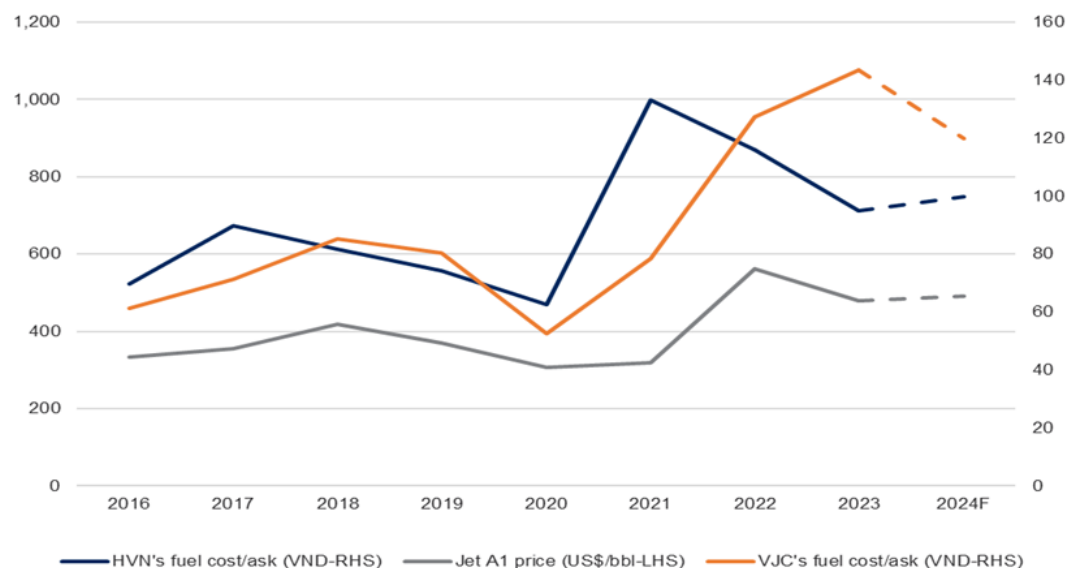


- HVN's market share fell from 40% in 2022 to 37% in 2023 without expanding its fleet. Bamboo Airways, despite strong growth initially, saw its market share drop from 16% in 2021 to 12% in 2023 due to BOM changes and scaling back its routes and fleet during restructuring. VJC has maintained its dominant position since 2020, and is poised to benefit from the industry's recovery.
- In 1Q24, HVN and VJC reported robust revenue and profit growth, driven by the recovery in international passenger traffic. We anticipate that the aviation sector has passed its most challenging phase and expect gradual improvement in the near future.

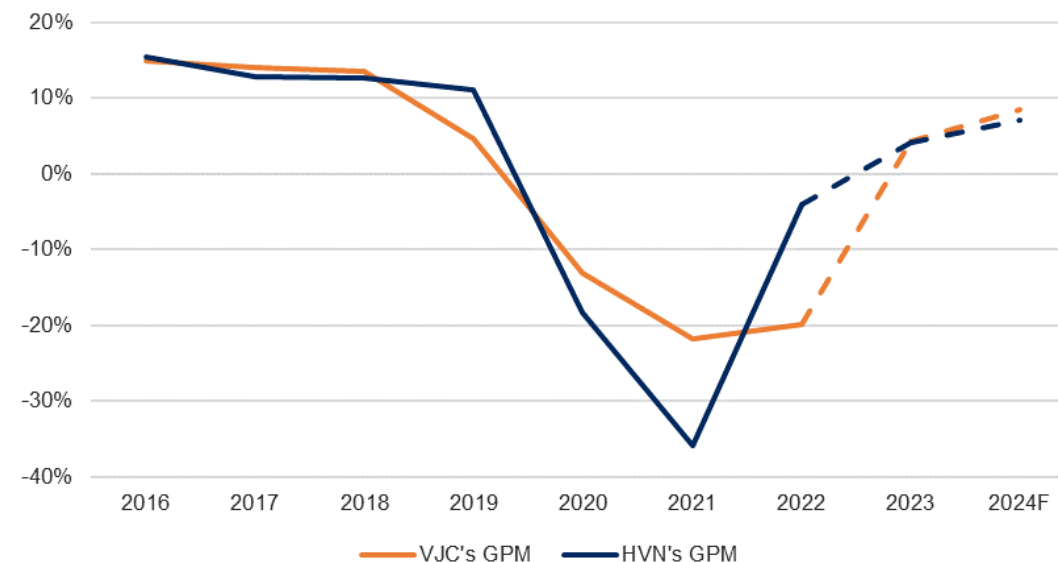
## Stable fuel prices bolster the industry's recovery outlook

According to the EIA, oil prices are projected to reach USD85 per barrel in 2024. While higher than the 2023 average, this is unlikely to heavily impact airline profit margins. However, political factors that could potentially drive oil prices higher than anticipated still need to be monitored.

### Aviation fuel prices have increased slightly due to demand recovery



### Core gross margin (%) of airlines in FY16-25F



- Jet A1 fuel price in 2024 is expected to increase slightly to USD110 per barrel, thanks to: 1) air travel demand has been recovering; 2) crude oil prices are expected to remain relatively stable; 3) adoption of sustainable aviation fuels; and 4) improvements in aircraft fuel efficiency.
- The adjustment of ceiling airfare prices provides airlines with the opportunity to offset their operating costs, especially fuel prices. This also allows airlines to have flexibility in adjusting ticket prices on domestic routes.
- We forecast gross profit margin for HVN and VJC in FY24 to be 7% and 8.5%, respectively, thanks to: 1) domestic/international load factor ratio rises, nearly equivalent to pre-COVID-19 levels; and 2) passenger yield growth.

## Vietnam’s airport capacity is ahead of schedule

Key airport infrastructure projects are being accelerated ahead of schedule by several months, which will support upstream companies in the aviation value chain in Vietnam, such as ACV.

### Prominent aviation infrastructure projects in coming years

Project	CAPEX (VNDbn)	Pre-construction capacity (m pax)	Additional capacity (m pax)	Investor	Construction plan						
					2024	2025F	2026F	2027F	2028F	2029F	2030F
LTIA phase 1	109,000	0.0	25.0	ACV	█	█	█	█	█	█	█
LTIA phase 2	48,000	25.0	25.0	ACV	█	█	█	█	█	█	█
T3 in TIA	10,990	30.0	20.0	ACV	█	█	█	█	█	█	█
T2 expansion in NIA	4,983	25.0	5.0	ACV	█	█	█	█	█	█	█
T2 in Cat Bi - Hai Phong	2,405	2.0	5.0	ACV	█	█	█	█	█	█	█
Sapa domestic airport	3,651	0.0	1.5	BOT	█	█	█	█	█	█	█
Quang Tri domestic airport	2,913	0.0	1.0	T&T	█	█	█	█	█	█	█

- According to ACV’s BOD, Long Thanh International Airport (LTA) will be completed three to six months ahead of our projection. We believe Phase 1 will begin operation around April 30, 2025. The phase 2 implementation timeframe is expected from 2028 to 2032.
- Terminal 3 of Tan Son Nhat airport is approximately 60% complete. The project is projected to be completed by April 2025.
- Terminal 2 of Noi Bai Expansion airport started construction on May 19. The project is stated for completion in February 2026.
- These key projects will help increase capacity and prevent congestion when planes take off/land at the two main hubs in Vietnam.

## Stock pick: ACV

Stock	Investment thesis	Stock information																		
<b>ACV</b>	<p><b>Int'l growth exceeds our expectation and offsets domestic pax decline.</b> We expect FY24 int'l pax will rise 18% to 94% of pre-pandemic levels as: 1) the Korean market fully recovers to pre-pandemic levels; 2) the Chinese market rebounds; and 3) we see growth from remaining markets, especially Europe, thanks to visa exemption policies. However, we expect domestic pax to decline 10% in FY24 due to temporary reductions in fleet size.</p> <p><b>Higher contribution of int'l pax supports strong GPM.</b> High gross profit in FY24/25 of 56%/53% will be driven by a shift in passenger structure with higher contributions from international passengers, who pay approximately five times more for services than domestic passengers.</p> <p><b>Favorable exchange rate movement supports FX gain.</b> In addition to ODA loans, by mid-2024, ACV had signed loan agreements totaling USD1.8bn from state-owned banks for the LTIA project. The VND will likely strengthen against the JPY, while the USD will depreciate toward the end of the year, which is expected to enable ACV to generate profits from exchange rate differentials, estimated at USD40mn/USD6mn, respectively, in FY24/25. However, high capex is causing net financial income to decline as ACV has utilized its surplus funds in expansion projects rather than depositing them in banks for savings, leading to a reduction in interest income.</p>	<table border="1"> <tr> <td>Target Price</td> <td>VND136,200</td> </tr> <tr> <td>Dividend Yield</td> <td>0%</td> </tr> <tr> <td>Market Cap (USDmn)</td> <td>10,241</td> </tr> <tr> <td>3m Avg daily value (USDmn)</td> <td>1.9</td> </tr> <tr> <td>Avail Foreign Room (USDmn)</td> <td>4,656</td> </tr> <tr> <td>P/E TTM</td> <td>37.4x</td> </tr> <tr> <td>P/B Current</td> <td>5.4x</td> </tr> <tr> <td>ROE</td> <td>18%</td> </tr> <tr> <td>EPS growth</td> <td>20.2%</td> </tr> </table>	Target Price	VND136,200	Dividend Yield	0%	Market Cap (USDmn)	10,241	3m Avg daily value (USDmn)	1.9	Avail Foreign Room (USDmn)	4,656	P/E TTM	37.4x	P/B Current	5.4x	ROE	18%	EPS growth	20.2%
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## Peer comparison

Ticker	Company name	Country	Mkt Cap	Revenue growth	EPS growth	Net debt/Equity	ROE TTM	ROA TTM	PE TTM	LQ PB
			USDmn	%	%		%	%	(x)	(x)
<b>Airports</b>										
aot tb Equity	Airports of Thailand PCL	TH	25,165	190.7	147	49.4	15.5	8.9	48.1	7.0
600009 CH Equity	Shanghai International Airport Co Ltd	CH	11,872	101.6	215	18.2	3.5	2.0	56.5	2.0
694 HK Equity	Beijing Capital International Airport Co Ltd	CH	1,575	104.3	107.1	64.1	(10.8)	(5.1)	N/A	0.8
9706 JP Equity	Japan Airport Terminal Co Ltd	JP	3,274	92.5	(12.4)	85.8	12.1	4.2	26.3	3.0
000089 CH Equity	Shenzhen Airport Co Ltd	CH	1,927	55.9	20	74.9	5.5	2.5	21.7	1.2
MAHB MK Equity	Malaysia Airports Holdings Bhd	MA	3,524	57.2	65	29.7	9.0	3.5	27.4	2.4
Median			3,399	97.0	86	56.7	7.3	3.0	27.4	2.2
Average			7,889	100.4	90	53.7	5.8	2.7	36.0	2.9
<b>ACV VN Equity</b>	<b>Airports Corp of Vietnam JSC</b>	<b>VN</b>	<b>9,481</b>	<b>44.9</b>	<b>35</b>	<b>(36.3)</b>	<b>18.0</b>	<b>13.3</b>	<b>37.4</b>	<b>5.4</b>
<b>Airlines</b>										
CEB PM Equity	Cebu Air Inc	PH	295	34.0	8	2,494.3	N/A	5.2	2.1	2.6
AAX MK Equity	AirAsia X Bhd	MA	141	176.8	N/M	1,251.8	71.0	2.9	7.9	3.4
AAV TB Equity	Asia Aviation PCL	TH	726	84.9	267	496.6	(3.7)	(0.4)	N/M	3.3
INDIGO IN Equity	InterGlobe Aviation Ltd	ID	19,671	26.6	(3)	951.1	N/M	11.6	20.1	82.3
091810 KS Equity	Tway Air Co Ltd	KR	421	71.3	(19)	(24.8)	65.7	8.0	5.5	2.9
601021 CH Equity	Spring Airlines Co Ltd	CH	7,165.2	1.0	2.5	66.9	17.7	6.3	19.2	3.2
Median			573.3	52.6	2.5	723.9	41.7	5.7	7.9	3.2
Average			4,736.4	65.7	58.7	872.7	37.7	5.6	11.0	16.3
<b>VJC VN Equity</b>	<b>Vietjet Aviation JSC</b>	<b>VN</b>	<b>2,158.9</b>	<b>2,448.0</b>	<b>389.4</b>	<b>164.9</b>	<b>3.8</b>	<b>0.8</b>	<b>92.3</b>	<b>3.4</b>
<b>HVN VN Equity</b>	<b>Vietnam Airlines JSC</b>	<b>VN</b>	<b>3,119.4</b>	<b>3,841.1</b>	<b>200.9</b>	<b>N/M</b>	<b>N/M</b>	<b>(2.6)</b>	<b>N/M</b>	<b>N/M</b>

Source: BLOOMBERG, VNDIRECT RESEARCH

# Technology

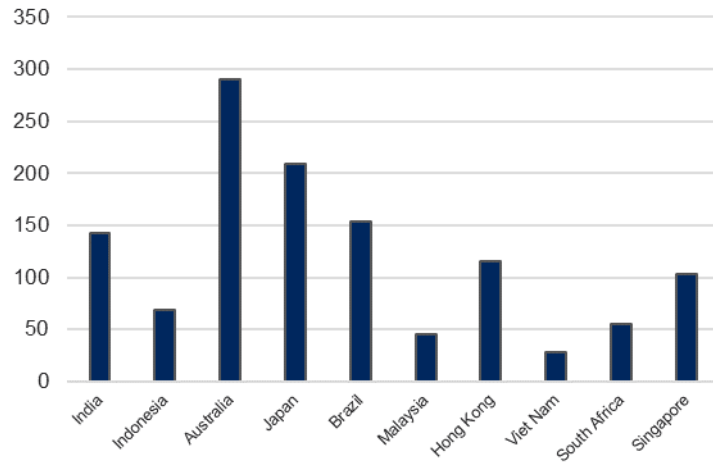
**Primed for substantial growth in the long term**



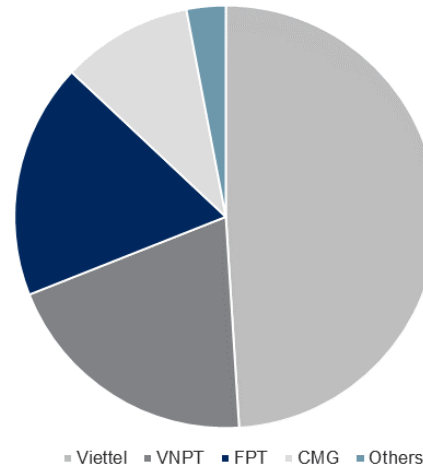
## Data centers have ample growth potential

According to the Data Center & Cloud Infrastructure Summit, the global Data Center market is poised to reach about USD321bn by 2024, expanding at an average rate of 7.3%. Vietnam is anticipated to experience a surge in Data Center growth, reaching an estimated USD1.27bn by 2030, with CAGR of 10.8%.

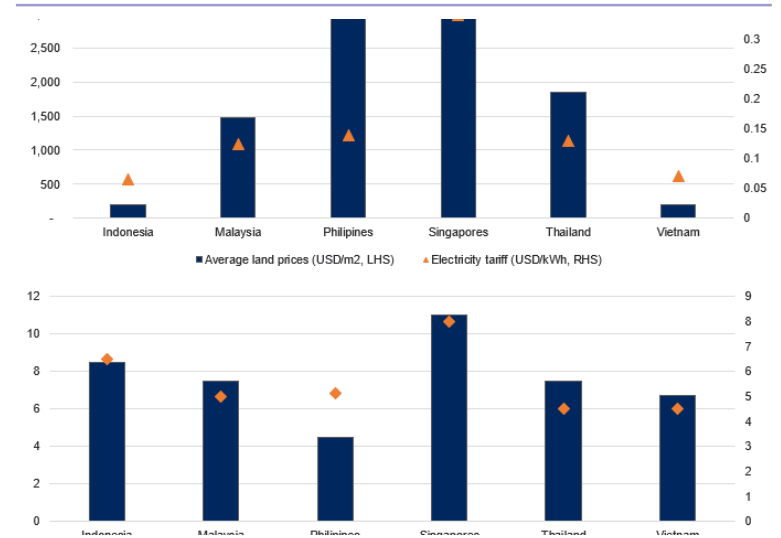
### Vietnam has relatively few data centers compared to other emerging global data center markets



### The data center market in Vietnam is dominated by domestic enterprises



### Low construction and electricity costs, along with tax incentives, should lure new investors

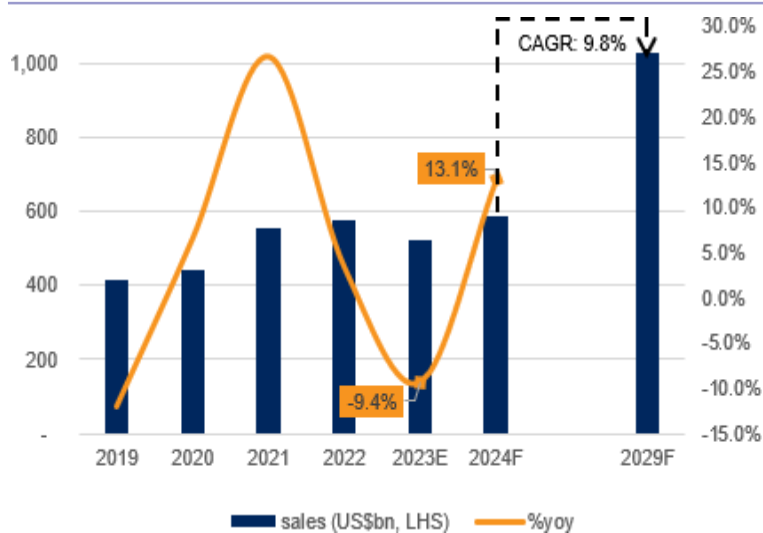


- Vietnam has relatively few data centers (around 28 DCs) and only met 30% of demand in 2023, according to Savills, implying strong potential for further expansion.
- According to the Vietnam's Technology Trends 2023-2025 report, local players dominate Vietnam's data center market, led by FPT, Viettel, VNPT and CMG, which collectively hold ~97% market share. Meanwhile, foreign cloud giants like AWS, Microsoft and Google command the largest share of Vietnam's cloud service market. These foreign providers often lease local data center capacity or use third-party cloud services to minimize latency for data-intensive applications like streaming and cloud storage. Thus, foreign players serve as both competitors in end-user solutions and clients for infrastructure leasing from local providers.
- Vietnam offers cost advantages with low construction and electricity costs, plus tax incentives to attract investors. Government support includes a reduced 10% CIT rate for 15 years, exemptions on land rental fees, a 5% VAT rate, and tariff exemptions on production materials for five years.

## Emerging trends, growth trajectory present promising long-term investment opportunities for chips

The global semiconductor industry is expected to record a robust recovery and grow 13.1% YoY in 2024 with a 2024-29 CAGR of 9.8%. Statista Market Insights forecasts that Vietnam's semiconductor revenue will achieve a CAGR of 11.6% during 2023-2027, reaching USD31.3bn by 2027.

**Global semiconductor sales are expected to recover in 2024 and enjoy a CAGR of 9.8% in 2024-29**



**Vietnam's labor wages and construction costs are lower compared to most countries in the region**



**Notable semiconductor giants have committed significant investments in Vietnam**



- "China + 1" or "Taiwan + 1" production strategies will create opportunities for other countries to attract FDI inflows.
- Vietnam is poised to become a hub for assembly, testing and packaging, driven by abundant human resources, strategic geographic location, and competitive costs. The country offers attractive support policies, including a 15-year land rent exemption in high-tech zones and import/export tax exemptions on project-related raw materials and components not available domestically.
- However, Vietnam's semiconductor sector lacks skilled labor, with about 5,500 circuit designers specializing mainly in physical design rather than the critical field of structural design engineering.

## FPT poised to benefit from semiconductor investment story

Stock	Investment thesis	Stock information																		
FPT	<p>Following the recent increase, the shares are now considered to be fully valued. However, as market sentiments towards semiconductors narratives, we pick FPT to our watch list. We prefer FPT as:</p> <p><b>Semiconductor segment will be FPT's long-term growth driver.</b> FPT partnered with NVIDIA to set up a USD200mn AI Factory with Nvidia's H100 GPU supercomputer system, aiming to advance AI R&amp;D and bolster semiconductor industry growth, and potentially including GPU production in Vietnam. We expect FPT to have a place in the global semiconductor industry and secure significant contracts from US partners in particular</p> <p><b>Japan and APAC markets drive global IT services growth.</b> We project FY24 Global IT services revenue to grow 25%, led by Japanese and APAC markets alongside recoveries in the US and EU. We expect revenue from Japan increases by 33% YoY, driven by strong demand, expanded market share through M&amp;A, and competitive pricing.</p> <p><b>Education sector fosters strong momentum for long-term growth.</b> We expect the education sector maintains 27.4% growth in FY24. FPT has launched two new specializations aiming to attract 30,000-50,000 semiconductor engineers by 2030 and has expanded facilities across its five campuses. Additionally, it plans to open new campuses for K-12 and vocational training in tier-2 and tier-3 provinces in 2024.</p> <p><b>Data center advancements will be main driver for Telecom growth in FY24-25.</b> Two data centers are set to launch in Ho Chi Minh City (50-100WM capacity by late 2024/early 2025) for new AI and Big Data services, followed by expansion into Hanoi to meet increasing data demand. The company also plans to invest in submarine cable infrastructure for high data capacity, targeting 25-30% annual revenue growth for its submarine cable business.</p>	<table border="1"> <tr> <td>Target Price</td> <td>VND136,800</td> </tr> <tr> <td>Dividend Yield</td> <td>1%</td> </tr> <tr> <td>Market Cap (USDmn)</td> <td>7,692</td> </tr> <tr> <td>3m Avg daily value (USDmn)</td> <td>25.1</td> </tr> <tr> <td>Avail Foreign Room (USDmn)</td> <td>187.4</td> </tr> <tr> <td>EPS growth</td> <td>6.60%</td> </tr> <tr> <td>P/E TTM</td> <td>28.8x</td> </tr> <tr> <td>P/B Current</td> <td>7.3x</td> </tr> <tr> <td>ROE</td> <td>27.4%</td> </tr> </table>	Target Price	VND136,800	Dividend Yield	1%	Market Cap (USDmn)	7,692	3m Avg daily value (USDmn)	25.1	Avail Foreign Room (USDmn)	187.4	EPS growth	6.60%	P/E TTM	28.8x	P/B Current	7.3x	ROE	27.4%
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## Peer comparison

Company name	Country	Mkt Cap	Revenue growth	EPS growth	Debt/Equity	ROE TTM	ROA TTM	PE TTM	LQ PB
		USDmn	%	%		%	%	(x)	(x)
<b>FPT VN</b>	VN	7,692	19.6	6.6	46.9	27.4	12.0	28.8	7.3
<b>Telecom</b>									
Telstra Group Ltd	AU	29,868	3.4	16.0	89.1	13.3	4.5	21.7	2.9
Telkom Indonesia Persero	IN	19,757	1.6	18.3	43.5	17.4	8.5	13.2	2.2
Maxis Bhd	MA	5,918	3.7	(13.6)	170	17.0	4.5	26.9	4.8
Globe Telecom Inc	PH	5,261	2.2	(34.6)	212	14.4	4.0	13.4	1.9
PLDT Inc	PH	5,789	2.6	141.2	274	26.2	4.4	12.3	3.2
Median		5,918	2.6	16.0	170	17.0	4.5	13.4	2.9
Average		13,319	2.7	25.5	158	17.7	5.2	17.5	3.0
<b>Technology</b>									
Infosys Ltd	ID	73,866	4.7	10.0	11	31.6	19.8	26.8	8.0
Wipro Ltd	ID	29,481	(0.8)	0.8	22.3	15.2	10.1	26.7	3.9
HCL Technologies Ltd	ID	49,506	8.3	2.3	7.3	24.0	16.3	27.2	6.3
Tech Mahindra Ltd	ID	14,540	(2.4)	(51.3)	10	17.6	10.6	56.4	5.0
Cyient Ltd	ID	2,776	18.8	32.3	35	15.6	9.1	29.4	4.8
Mphasis Ltd	ID	5,541	(3.8)	(5.5)	13	22.0	14.6	32.8	5.8
L&T Technology Services Ltd	ID	7,175	20.4	11.0	9	26.6	18.0	41.5	10.1
Median		14,540	4.7	2.3	11	22.0	14.6	29.4	5.8
Average		26,127	6.5	(0.1)	15.4	21.8	14.1	34.4	6.3
<b>Semiconductors</b>									
Intel Corp	US	142,605	(2.1)	(79.5)	45.2	4.0	2.2	33.6	1.3
Broadcom Inc	US	794,100	12.9	23.7	165.3	22.3	8.3	64.8	11.3
QUALCOMM Inc	US	223,033	(11.4)	(43.2)	74	38.0	16.5	26.4	9.1
Applied Materials Inc	US	199,757	(0.5)	8.9	36	45.2	23.9	29.1	11.0
Texas Instruments Inc	US	182,087	(13.9)	(25.0)	70	36.5	18.4	32.4	10.7
KLA Corp	US	114,841	(9.7)	10.0	208	90.4	18.2	37.8	37.1
Median		190,922	(5.9)	(8.1)	72	37.2	17.4	33.0	10.8
Average		276,071	(4.1)	(17.5)	99.8	39.4	14.6	37.4	13.4

Source: VNDIRECT RESEARCH, BLOOMBERG

# Sustainable recovery being tested

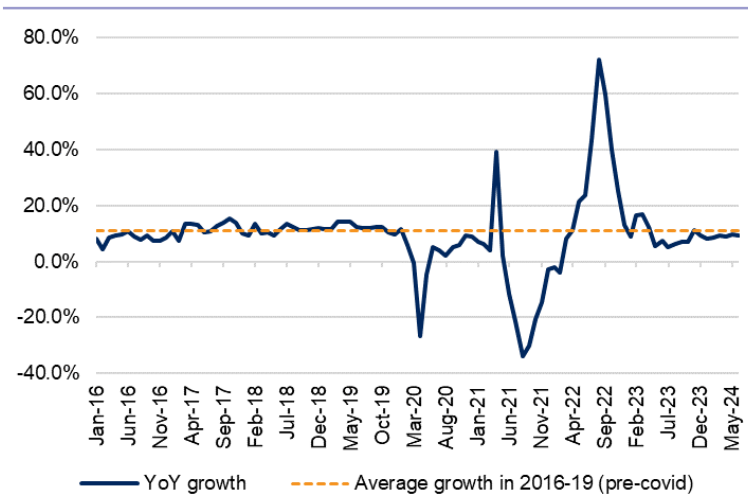
# Consumer



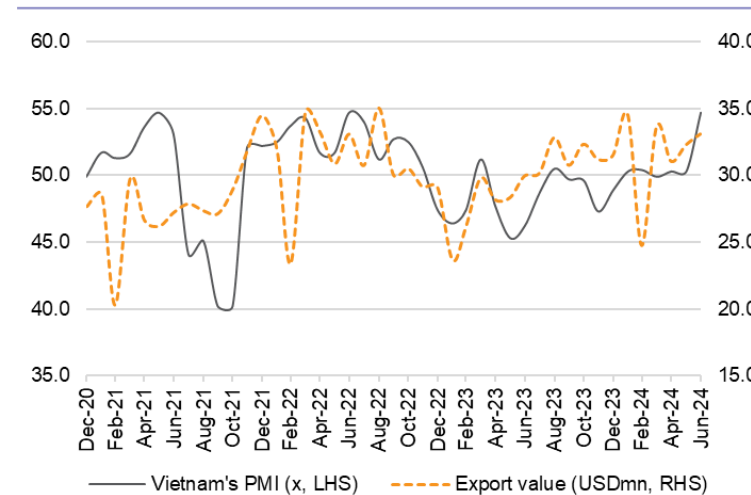
## Consumer demand is still recovering

6M24 domestic consumption growth of 8.6% YoY was below our expectations due to increased inflationary pressure since 4Q23 while worker savings have not fully recovered. However, we see some positive signs in the overall economy that suggest consumption will recover more clearly in 2H24.

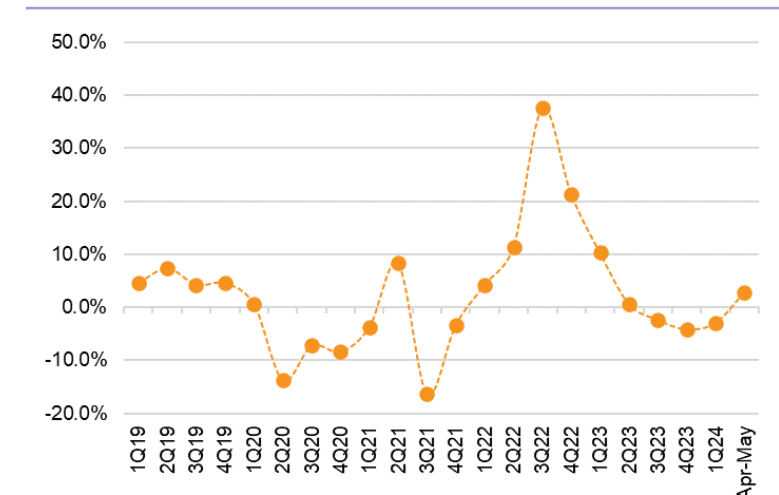
### Gross retail sales of consumer goods and services increased 9.1% YoY in June, still lower than before the pandemic



### Vietnam's PMI increased rapidly to 54.7 point while export value accelerated by 10.5% YoY



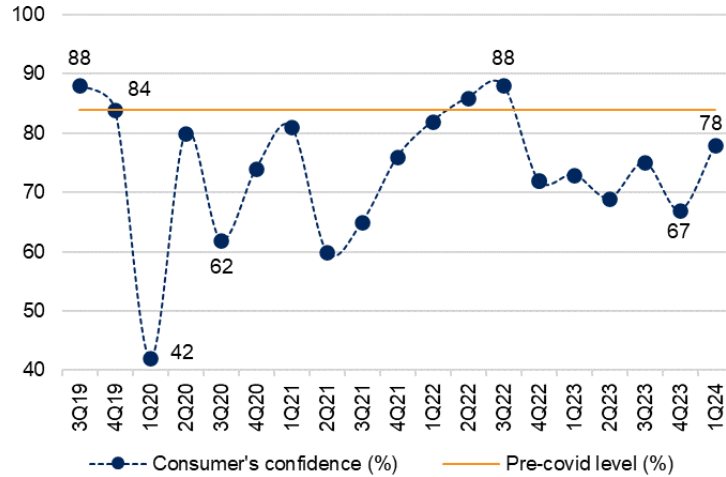
### FMCG value increased 2.8% YoY in April-May 2024 after three consecutive quarterly reduction



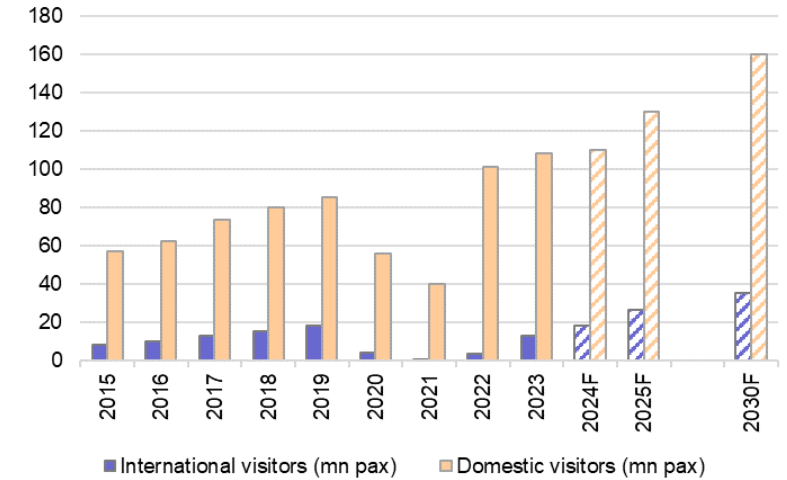
- The manufacturing industry struggled in the first three quarters of 2023, causing some workers to lose their jobs and have to use provisions and savings to make ends meet. Therefore, although the job market has improved significantly, consumer demand is still in the process of recovering.
- However, Vietnam's PMI remained above the 50-point threshold for a third consecutive month in June and reached the highest level since June 2022, with the strongest increase in orders since March 2011. This, coupled with 10.5% YoY growth in export turnover in June 2024, further reaffirmed our view that economic activity will further accelerate, which, in turn, will translate to a more robust job market and consumer incomes in 2H24-2025.

## Several factors contribute to improving domestic consumption in 2H24

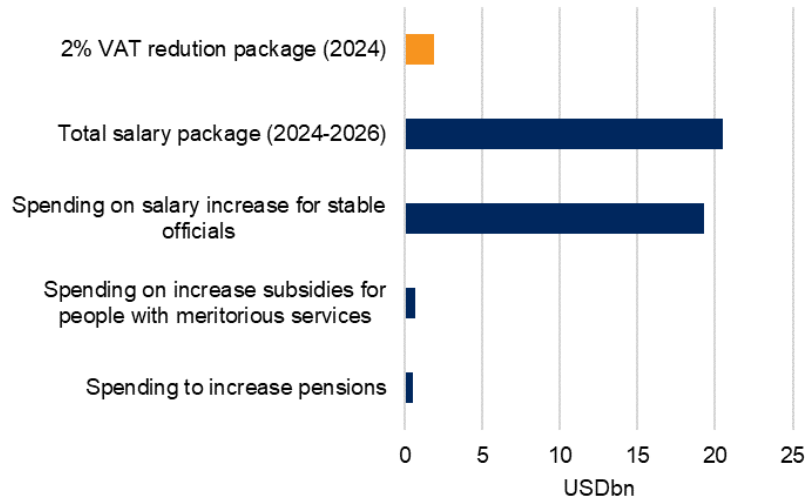
The consumer is becoming more confident about the economic situation, as consumer confidence reached the highest level in five quarters.



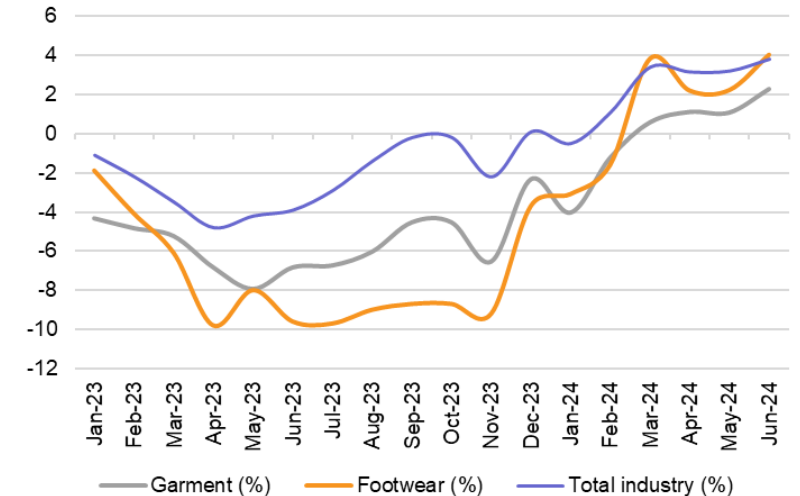
Increasing visitors will lead to an increase in demand for eating out and entertainment activities.



To improve domestic consumption, the Government has submitted a plan to extend the 2% VAT reduction for 2H24 and spend USD2.9bn (~0.7% GDP) to implement salary reform in 2024.



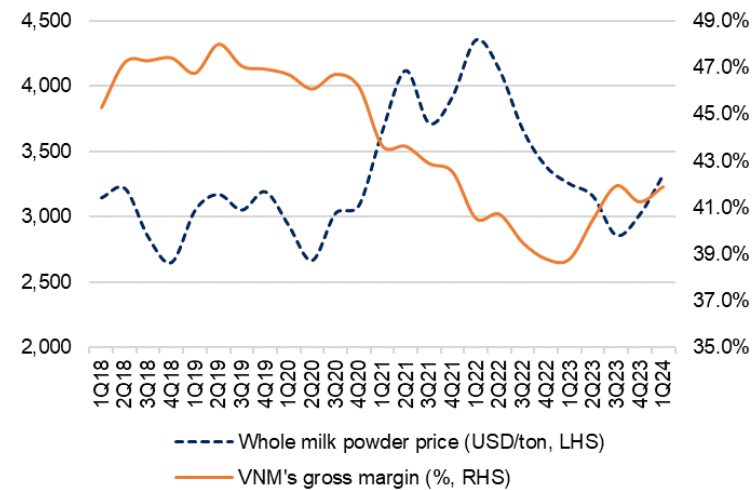
The labor utilization index in some labor deficit industries is improving slightly YoY. With the prospect of an 11% YoY increase in export value, we expect a more robust job market and consumer incomes in 2H24-25.



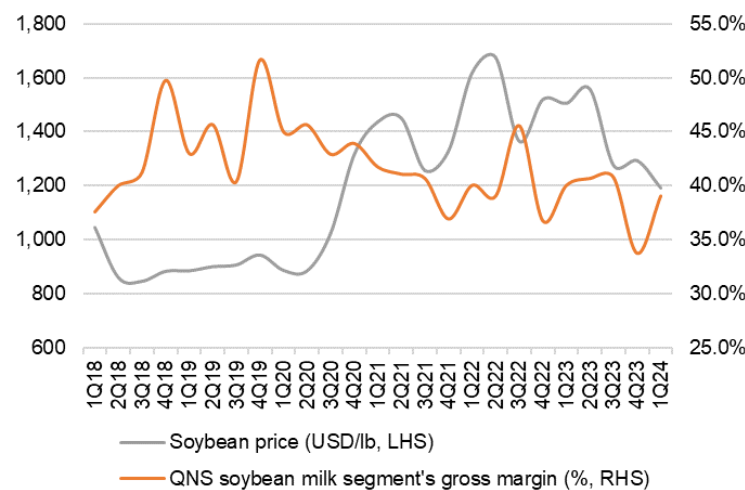
## Dairy producers: Gross margin improves thank to lower input cost

We saw a downtrend in almost all global food prices in 1H24, which may reduce pressure on the gross margins of consumer staple companies in FY24-25. We expect these companies' earnings growth will mainly come from gross margin improvement.

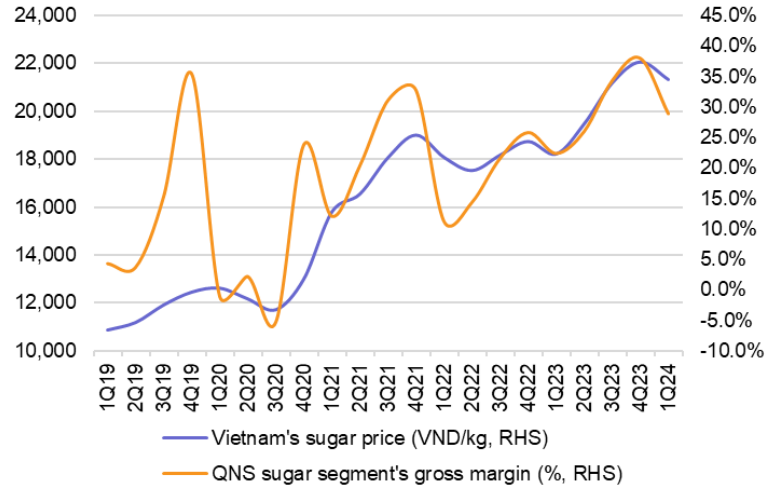
According to Rabobank, global milk prices may experience a slower recovery than expected due to a combination of weaker global demand and increased domestic milk production in China, leading to a reduction in imports



We believe the downtrend in global soybean prices may have a positive impact on QNS soybean milk's GM in FY24



We expect the domestic sugar price may decrease slightly in 2024 following the global sugar price trend but remain at a high level of VND20,000/kg

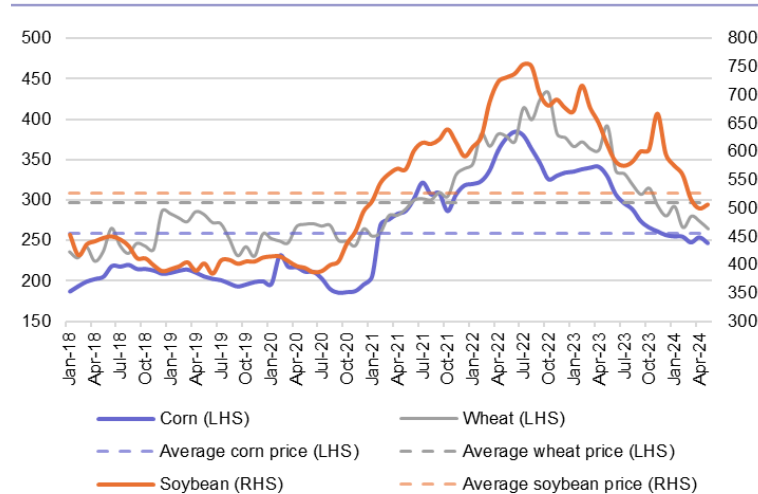


- According to VNM, the company has a fixed input milk powder price contract until October 2024 with a lower price compared to 1Q24 and 2023 levels. Given the current stable trend in global milk powder prices, we expect that VNM's GM could improve by 1.1% pts/1.1% pts YoY in FY24-25.
- Meanwhile, we believe QNS may enjoy gross margin improvement in its soybean milk segment thanks to lower input costs in 2H24. The company has fixed 70% of soybean input volume for 2024 with a lower price (approximately 8%).

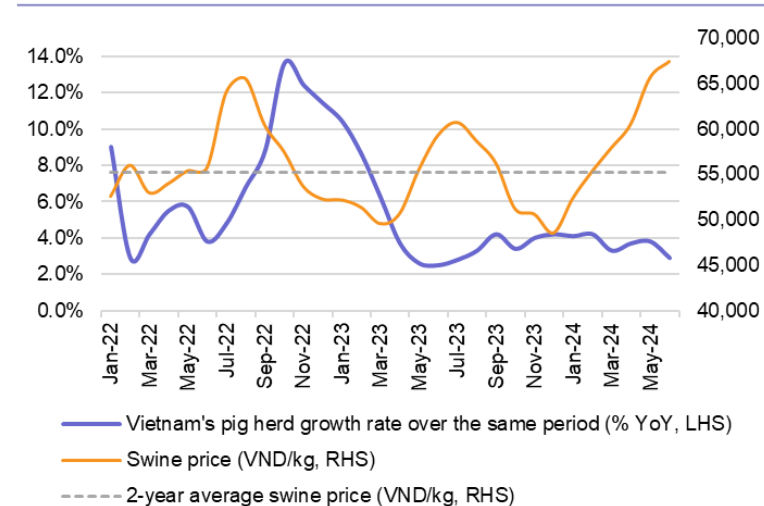
## Meat producers enjoy robust earnings growth off low base

We expect meat producers' gross margin to expand significantly in FY24 thanks to lower animal feed cost and a higher average swine price.

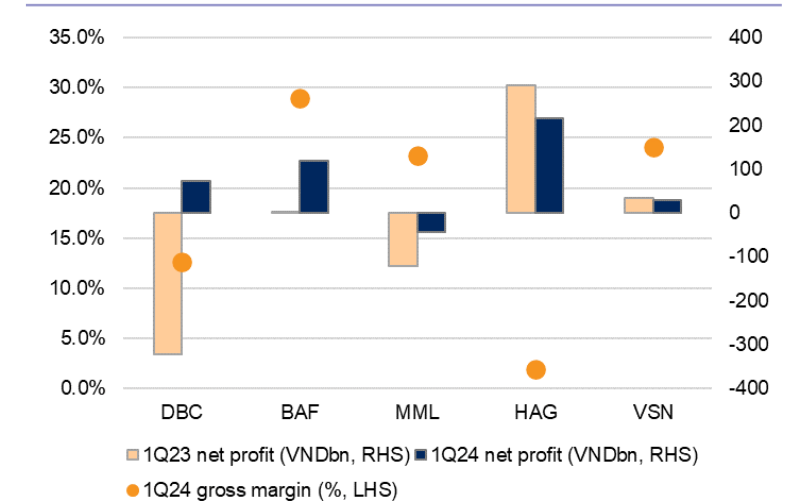
The import price for corn/wheat/soybeans plunged 25.2%/25.8%/20.3% YoY in 5M24, respectively. These products are the main material for animal feed production



The swine price rose 13.6% YoY, 2.7% MoM and 28.5% YTD in June 2024, 22.1% higher than the two-year average swine price



Most meat producers recorded strong earnings growth in 1Q24 (unit: VNDbn)

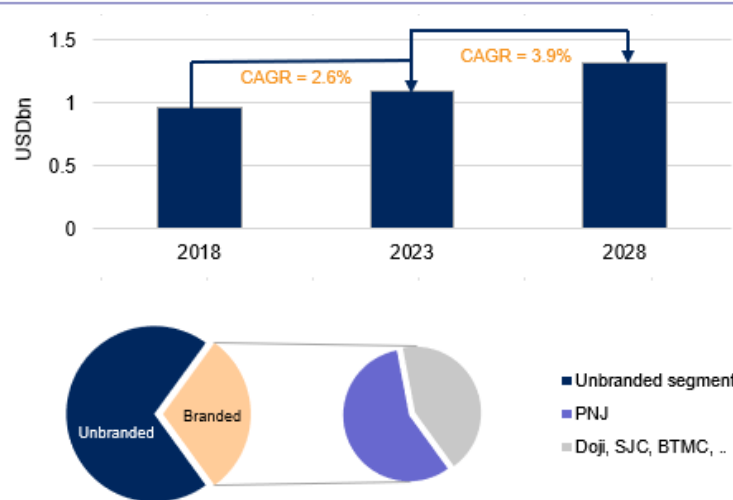


- We estimate the import price for corn/wheat/soybeans plunged 25.1%/32.4%/17.4% YoY in May 2024. We expect a lower input cost will ease pressure on animal feed prices. According to Livestock magazine, animal feed prices fell again in May 2024 (the first decrease was in March 2024) by about VND100-400/kg.
- We expect average swine prices to increase 13.0% YoY to VND61,000/kg in FY24. We see a new trend in the livestock industry's structure, in which 3F companies continue to expand farm scale while supply from small households tends to shrink due to concerns about fluctuations in animal feed costs and risks of disease outbreaks. This will help to stabilize pork supply in the coming years as 3F farms comply with barn hygiene and safety.

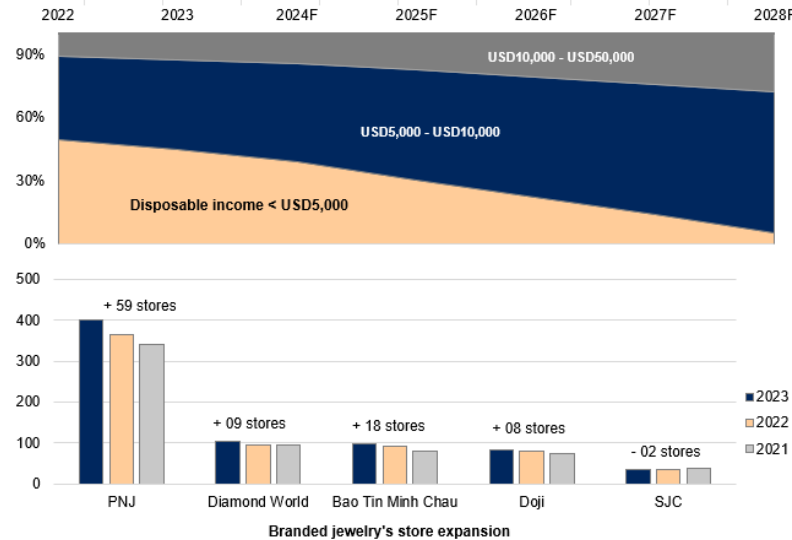
## Jewelry retailers maintain stable earnings growth

The long-term rise in middle- and high-income consumers will support solid growth of spending for luxury goods.

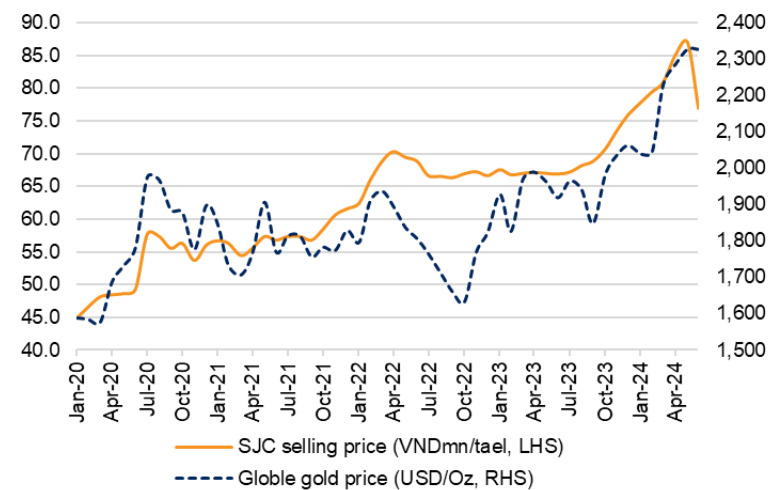
Vietnam's jewelry market is expected to reach CAGR of 3.9% in 2023-28. Currently, unbranded jewelers still account for nearly 70% of the market



We expect a rapid expansion of the middle class will boost consumer purchasing power and allow for spending for premium products. Meanwhile, branded jewelers are also expanding their distribution.



We expect domestic gold prices to stabilize in 2H24, supporting jewelry manufacturers' gross margin

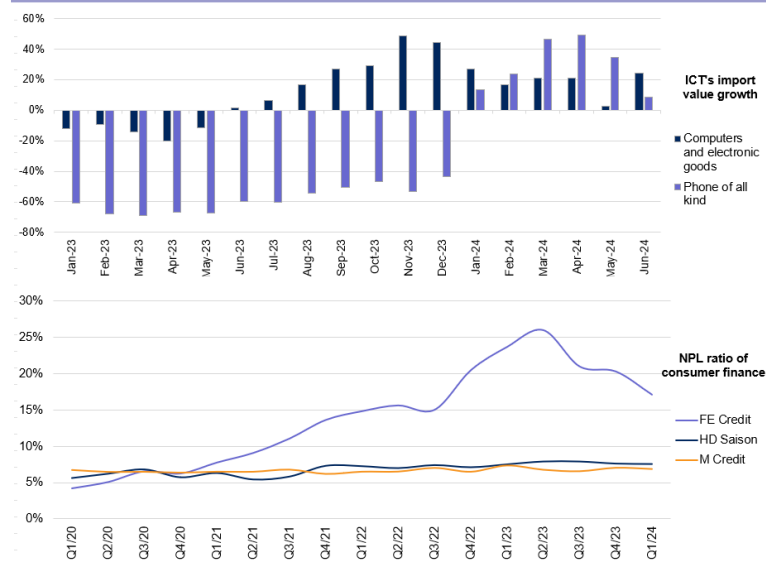


- The emergence of a growing middle class in Vietnam has further propelled consumer spending on luxury goods and the desire for high-quality, fashionable jewelry products. We also expect that the number of non-branded jewelry stores in Vietnam will gradually decline due to consumer preference for reputable brands.
- As the leader in the branded jewelry market, PNJ is able to enjoy these trends and gain more market share from the unbranded segment. The company plans to expand its store system in FY24-25 as well as developed a new customer base in the Northern region.

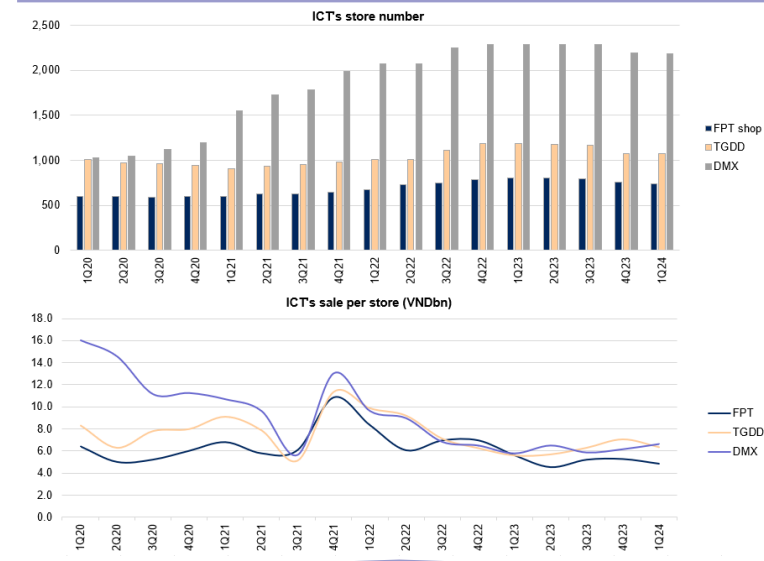
## Consumer discretionary: ICT demand improves slightly while grocery chains aim for profitability

We see a trend of optimizing operating costs by consumer discretionary companies. In particular, ICT retailers will likely maintain their distribution scale systems in 2024-25 and focus on improving average revenue per store....

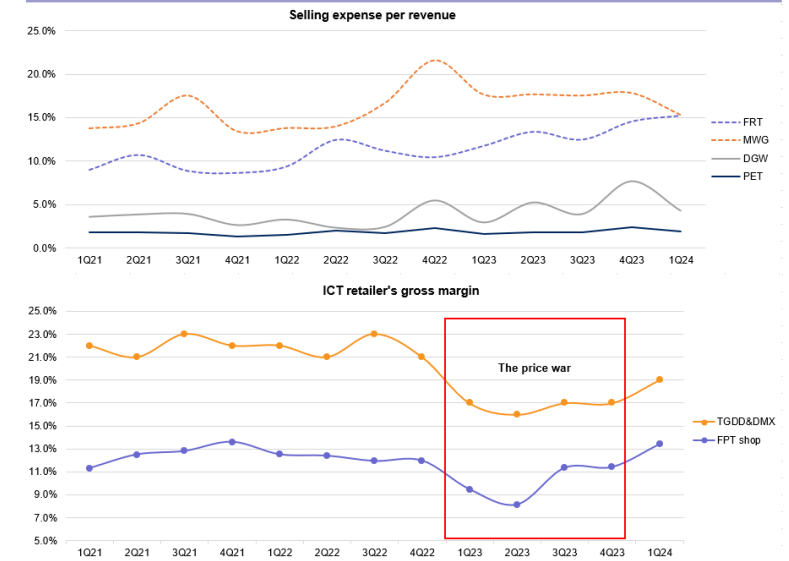
**Import value of ICT products improved in 6M24 while consumer credit shows signs of slowly recovering NPL ratios**



**After rapidly increasing the number of stores, ICT retailers will likely temporarily cease their expansion plans...**



**... and instead, these companies will focus on improving sales per store and optimizing operating expenses**

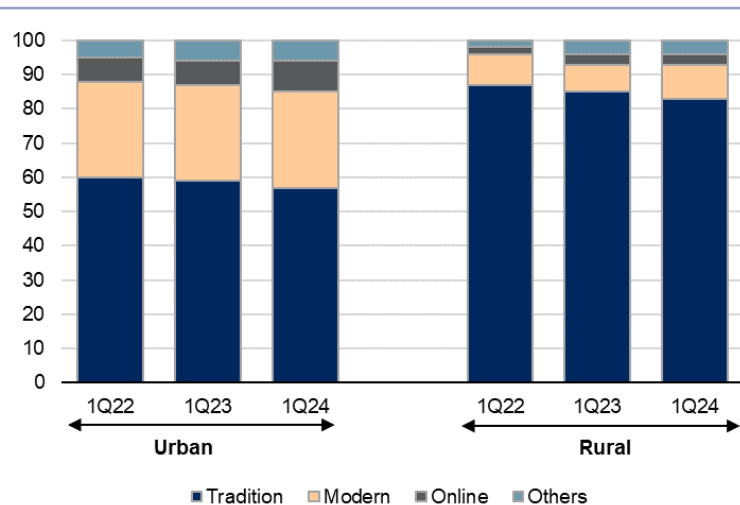


- We expect ICT demand to recover after a sharp decline in 2023. However, we believe ICT retailers will record single-digit revenue growth in 2024 due to: 1) a slow demand recovery; and 2) consumer finance (accounting for 20-30% of retail revenue) has not shown clear signs of improvement yet.
- Meanwhile, net margin will come from: 1) sales per store improvement; 2) optimizing operating expenses; and 3) gross margin improvement after a price war eases.

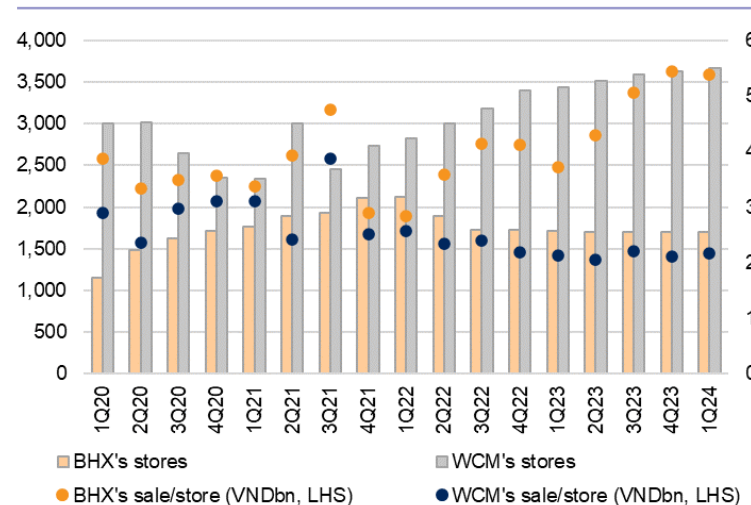
## Consumer discretionary: ICT demand improves slightly while grocery chains aim for profitability

...meanwhile, grocery retail chains will still focus on expanding their distribution systems in addition to improving same-store sales to take advantage of shifting shopping habits from traditional trade to modern trade.

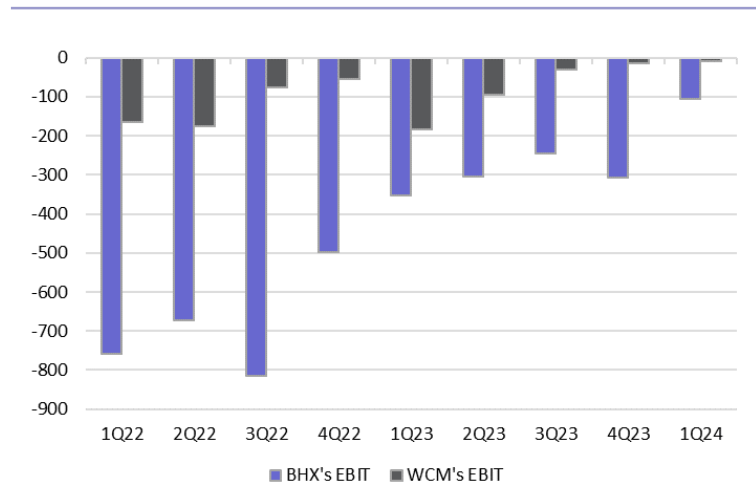
**Modern trade and online increased share in 1Q24 (unit: %)**



**Key players in modern grocery, BHX and WCM, are improving quarterly sales per store**



**Leading grocery chains are closer to profitability after a period of restructuring (unit: VNDbn)**



- We see a growing trend of shifting consumer habits from traditional channels to modern channels, and grocery retailers are restructuring their store operation models as well as expanding their distribution systems to capture this trend. In 2024, BHX plans to open 100 stores while WCM will increase its total stores to 4,000 from 3,600 in 2023.
- In addition, both BHX and WCM completed store restructurings in 2023. Therefore, we believe that leading grocery chains are getting closer to profitability and may record net profits in 2H24-1H25.

## Coverage outlook: Bright spots amid recovery

We believe business results in FY24 will be robust. We expect consumer staple companies to record slight growth in net profit (except for meat producers) thanks to gross margin improvement, while consumer discretionary companies should enjoy strong earnings growth in FY24 mainly thanks to a low base in FY23 and ICT demand returning from 2H24.

Stock	Sector	Revenue growth (% YoY)			Net profit growth (%YoY)			Comment	
		1Q24	FY24	FY25	1Q24	FY24	FY25		
VNM	Dairy producer	↔	1% ↗	3% ↗	4% ↗	18% ↗	6% ↗	9%	- We expect total revenue to increase 2.7% YoY in FY24 thanks to: 1) effective marketing strategies suitable for new target customers; 2) the positive impact from changing packaging for product lines such as yogurt and milk powder; 3) developing products with surplus value; and 4) stable performance in both export markets and subsidiaries. - Meanwhile, we expect gross margin to maintain upward momentum in the medium term of 1.1% pts YoY in FY24 thanks to lower input cost. Therefore, we forecast net profit will increase 6.2% YoY in FY24.
QNS	Sugar and dairy producer	↗	18% ↗	4% ↗	2% ↗	68% ↓	-3% ↗	0,2%	We expect QNS's gross margin to narrow slightly by 0.2% pts YoY in FY24 as GM from the soymilk segment expands by 2.1% pts YoY and offsets a 3.5% pts YoY decline in sugar's GM. We forecast net profit to decline 3.3% YoY in FY24 and remain flat in FY25 (+0.1% YoY) but still 65.0%/65.3% higher than the FY22 level of VND1.29tn.
BAF	Meat producer	↗	58% ↓	-12% ↓	-5% ↗	3648% ↗	1131% ↗	15%	- We expect BAF to enjoy better sales volume in the 3F segment thanks to rapid farm expansion in FY24-25, as the company aims to expand its herd size by investing in 18 new farms. - We expect BAF's gross margin to increase 7.0% pts YoY in FY24 thanks to: 1) a higher gross margin from the 3F segment; and 2) a larger 3F segment contribution to total gross profit. The higher 3F gross margin may come from: 1) lower input cost for animal feed production; and 2) higher average swine price in FY24. Thus, we forecast net profit to grow 1,131% YoY in FY24.
PNJ	Jewelry retailer	↗	29% ↗	11% ↗	7% ↓	-1% ↗	11% ↗	9%	For FY24, we forecast net profit to surge 10.8% YoY thanks to: 1) net revenue increasing 10.9% YoY; 2) gross margin expanding slightly by 0.2% pts YoY despite higher input material cost; and 3) SG&A/revenue ratio remaining stable at 10.9%.
MWG	ICT retailer	↗	16% ↗	10% ↗	6% ↗	4143% ↗	1662% ↗	25%	- We forecast net profit to surge 17.5x in FY24 thanks to gross margin improvement in the ICT segment and BHX profitability. We expect ICT's gross margin to rise 1.0% pts YoY in FY24 due to a change in product mix and the end of a price competition among ICT retailers, which has cooled since 4Q23. - In addition, we expect BHX chain to contribute pre-tax profit of VND188bn (USD7.4mn) to the parent company, compared to a loss of VND1.3tn (USD49.5mn) in FY23.
DGW	ICT distributor	↗	26% ↗	22% ↗	16% ↗	17% ↗	49% ↗	25%	- In our view, mobile phones continue to drive revenue growth in FY24 as consumption recovers. We expect net profit to increase 49.6% YoY in FY24 thanks to higher gross margin and lower selling expense/revenue. - We expect DGW's GM to expand 0.3% pts/0.2% pts in FY24-25 thanks to changes in product mix, in which higher-margin products contribute more to DGW's revenue. Meanwhile, as price competition among ICT retailers has cooled since 4Q23, we expect DGW to reduce discounts and support fees to retailers in the upcoming months.

## We prefer MWG, PNJ and BAF

Stock	Investment thesis	Stock information																				
BAF	<p><b>Swine prices have jumped in 2024:</b> The average swine price increased 14.7% YoY/3.6% MoM/29.7% YTD in June to VND68,000/kg and 12.9% YoY in 1H24 to VND60,000/kg. For 2H24, we expect the average swine price to increase 14% YoY to VND62,000 and reach VND61,000/kg (+13% YoY) during the year.</p> <p><b>Better sales volume thanks to rapid farm expansion:</b> In 2024-25, the company aims to expand its herd size by investing in 18 new farms. Therefore, we expect BAF's total herd to increase by 50%/30% YoY in FY24/25. BAF still distributes pork mainly through trader channels, thus we expect FY24/25 meat sales volume to increase 79.1%/27.8%.</p> <p><b>Lower input cost and higher selling prices boost 3F's gross margin:</b> We expect a lower input cost will decrease pressure on animal feed prices. In addition, we forecast the average swine price to increase 13.0%, leading 3F's gross margin to expand 10.4% pts for FY24.</p> <p><b>We expect long-term growth from an expanding farm and distribution system.</b></p>	<table border="1"> <tr><td>Target Price</td><td>VND26,800</td></tr> <tr><td>Upside</td><td>35.7%</td></tr> <tr><td>Dividend Yield</td><td>0.0%</td></tr> <tr><td>FY24 EPS YoY</td><td>647.2%</td></tr> <tr><td>Market Cap (USDmn)</td><td>130</td></tr> <tr><td>3M ADTV (USDmn)</td><td>4.3</td></tr> <tr><td>Foreign room (USDmn)</td><td>53</td></tr> <tr><td>P/E TTM</td><td>24.1</td></tr> <tr><td>P/B Current</td><td>1.2</td></tr> <tr><td>ROE</td><td>7.0%</td></tr> </table>	Target Price	VND26,800	Upside	35.7%	Dividend Yield	0.0%	FY24 EPS YoY	647.2%	Market Cap (USDmn)	130	3M ADTV (USDmn)	4.3	Foreign room (USDmn)	53	P/E TTM	24.1	P/B Current	1.2	ROE	7.0%
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PNJ	<p><b>Gaining market share through store expansion and new customer base:</b> PNJ added 36 stores in 2023 while its top four competitors combined opened just 18. In our view, PNJ has increased its market share while unbranded jewelry stores are facing difficulties due to weak demand.</p> <p><b>New retail product mix improves gross margins.</b></p> <p><b>Cost efficiency measures should support earnings growth:</b> Despite PNJ having a rapid store expansion rate (+10% YoY), the company still controlled costs well with SG&amp;A expense increasing slightly by 2.2% (accounting for 10.7% of net revenue). Despite many marketing programs, SG&amp;A/revenue remained steady at 10%-11%, which supports stable profit growth.</p> <p><b>Compelling valuation for the leader in the jewelry market:</b> PNJ is trading at a P/E of 16.9x - still below the peer average of 19.0x despite having a higher ROE and stronger TTM net profit growth.</p>	<table border="1"> <tr><td>Target Price</td><td>VND114,400</td></tr> <tr><td>Upside</td><td>20.5%</td></tr> <tr><td>Dividend Yield</td><td>1.8%</td></tr> <tr><td>FY24 EPS YoY</td><td>9.4%</td></tr> <tr><td>Market Cap (USDmn)</td><td>1,247</td></tr> <tr><td>3M ADTV (USDmn)</td><td>5.2</td></tr> <tr><td>Foreign room (USDmn)</td><td>-</td></tr> <tr><td>P/E TTM</td><td>16.3</td></tr> <tr><td>P/B Current</td><td>3.0</td></tr> <tr><td>ROE</td><td>20.4%</td></tr> </table>	Target Price	VND114,400	Upside	20.5%	Dividend Yield	1.8%	FY24 EPS YoY	9.4%	Market Cap (USDmn)	1,247	3M ADTV (USDmn)	5.2	Foreign room (USDmn)	-	P/E TTM	16.3	P/B Current	3.0	ROE	20.4%
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MWG	<p>After the recent run up, shares are fully valued, hence 11% TSR. However, BHX's sales per store were stronger than our expectation in May, thus <b>we see upside to our target price and pick MWG for our watch list.</b></p> <p><b>Demand for ICT products may come back in 2H24:</b> We see ICT demand may come from: 1) the European Football Championship (June - July) leading to increased demand for consumer electronics; and 2) phone replacement demand will rise in 2H24.</p> <p><b>The end of a price war boosts ICT's gross margin:</b> We expect TGDD/DMX's gross margin to rise 1.0% pts/0.5% pts YoY in FY24-25 due to a change in product mix with a higher proportion of air conditioners and consumer electronics (with higher GMs), and the end of a price competition among ICT retailers, which has cooled since 4Q23.</p> <p><b>BHX approaching profitability:</b> We expect the BHX chain to contribute pre-tax profit of VND188bn (USD7.4mn) to the parent company, compared to a loss of VND1.3tn (USD49.5mn) in FY23.</p> <p><b>We expect LT revenue growth from DMX and BXH store openings.</b></p>	<table border="1"> <tr><td>Target Price</td><td>VND72,100</td></tr> <tr><td>Upside</td><td>10.8%</td></tr> <tr><td>Dividend Yield</td><td>0.8%</td></tr> <tr><td>FY24 EPS YoY</td><td>1662.2%</td></tr> <tr><td>Market Cap (USDmn)</td><td>3,739</td></tr> <tr><td>3M ADTV (USDmn)</td><td>23.5</td></tr> <tr><td>Foreign room (USDmn)</td><td>63</td></tr> <tr><td>P/E TTM</td><td>91.4</td></tr> <tr><td>P/B Current</td><td>3.8</td></tr> <tr><td>ROE</td><td>4.4%</td></tr> </table>	Target Price	VND72,100	Upside	10.8%	Dividend Yield	0.8%	FY24 EPS YoY	1662.2%	Market Cap (USDmn)	3,739	3M ADTV (USDmn)	23.5	Foreign room (USDmn)	63	P/E TTM	91.4	P/B Current	3.8	ROE	4.4%
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## Peer comparison

Company	Country	Mkt cap USDmn	TTM net revenue USDmn	yoy %	TTM Net profit USDmn	yoy %	Debt/equity x	ROE %	TTM P/E x	Adj.P/E x	LQ P/B x
<b>Consumer Staple</b>											
Vietnam Dairy Products JSC	Vietnam	5,543	2,516	0.9	387	14.1	19.0	26.0	17.0	17.0	4.4
International Dairy Products JSC	Vietnam	609	267	9.3	39	14.1	25.3	38.0	16.2	16.2	5.0
Quang Ngai Sugar JSC	Vietnam	695	421	21.4	91.6	69.7	28.1	26.9	6.9	6.9	1.7
Thanh Thanh Cong - Bien Hoa JSC	Vietnam	350	1,053	12.3	27.1	(9.6)	133.4	5.4	16.9	16.9	0.9
Saigon Beer Alcohol Beverage	Vietnam	2,841	1,306	(7.3)	178	(17.4)	2.8	16.8	17.6	17.6	2.9
Masan Group Corp	Vietnam	4,330	3,257	2.2	79	(85.9)	179.4	1.2	1,289.5	1,289.5	4.1
BAF Viet Nam Agriculture JSC	Vietnam	185	229	(10.8)	6	(29.4)	122.4	7.3	48.9	48.9	2.1
DABACO Vietnam Group JSC	Vietnam	337	482	8.9	17	N/a	117.3	9.2	20.5	20.5	1.8
HAGL JSC	Vietnam	497	259	(0.3)	71	35.7	111.2	27.2	8.6	8.6	1.7
<b>Consumer Discretionary</b>											
Phu Nhuan Jewelry JSC	Vietnam	1,256	1,493	7.2	81	6.6	3.5	19.9	16.4	16.4	3.1
Mobile World Investment Corp	Vietnam	3,831	5,096	(1.1)	44	(60.8)	90.9	4.3	75.5	75.5	3.9
Digiworld Corp	Vietnam	428	794	4.6	16	(33.5)	87.8	14.2	29.2	29.2	4.1
PetroVietnam General Services	Vietnam	118	701	1.6	6	40.0	235.0	5.8	26.4	26.4	1.5
FPT DIGITAL RETAIL JSC	Vietnam	961	1,378	10.0	(11)	N/a	405.5	(16.6)	N/a	N/a	14.9
Median			923.4	3.4	41.2	(1.5)	101.0	11.7	17.6	17.6	3.0
Average			1,375.1	4.2	73.6	(4.7)	111.5	13.3	122.3	122.3	3.7

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## RECOMMENDATION FRAMEWORK

<b>Stock Ratings</b>	<b>Definition:</b>
Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the:(i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
<b>Sector Ratings</b>	<b>Definition:</b>
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.
<b>Country Ratings</b>	<b>Definition:</b>
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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