

## PORT OF HAI PHONG JSC (PHP) – UPDATE

<b>Market Price</b>	<b>Target Price</b>	<b>Dividend Yield</b>	<b>Rating</b>	<b>Sector</b>
VND24,500	VND29,200	2.5%	Add	INDUSTRIALS

04 August 2021

**Outlook – Short term:** **Positive**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Positive**

Consensus\*: Add:1 Hold:0 Reduce:0

Target price / Consensus: NA

### Key changes in the report

➤ FY21/22/23F EPS increased by 21.4%/16.6%/24.3%.

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	25,500
52w low (VND)	9,500
3m Avg daily value (VNDmn)	1,904
Market cap (VND bn)	7,520
Free float (%)	7
TTM P/E (x)	16.4
Current P/B (x)	1.84

### Ownership

Vinalines	92.6%
Others	7.40%

Source: VND RESEARCH

### Analyst(s):



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## The best is yet to come

- In 2Q21, PHP's net profit (NP) rose 26.0% yoy to VND156bn. 1H21 NP grew 35.6% yoy, fulfilling 62.3% of our full-year forecast.
- We raise FY21/22/23F EPS forecasts by 21.4%/16.6%/24.3% to reflect our expectation of higher container volume growth.
- Reiterate Add with a higher SOTP-based target price (TP) of VND29,200.

### Better-than-expected 2Q21 results

In 2Q21, PHP's net revenue increased 22.7% yoy to VND628bn thanks to buoyant container volume throughput (+26.2% yoy) following increasing sea freight demand. Gross profit margin expanded 1.5% pts yoy on higher economies of scales. Income from associate companies hiked +86.2% yoy to VND13bn in 2Q21 regarding to growing cargo volume through Hai Phong port cluster. Consequently, 2Q21 net profit increased 26.0% yoy to VND156bn, bringing 1H21 net profit to 35.6% yoy, fulfilling 62.3% of our full-year forecast.

### Hoang Dieu port relocation is still near-term catalyst

In short-term, we believe two other catalysts that would positively affect PHP including: (1) Hoang Dieu port relocation plan might be approved within 2021 following the construction progress of Nguyen Trai bridge, which has completed the necessary procedures and about to start at end-2021, and (2) we expect the government to approve the seaport services fee increase in 2022F.

### The new deep-sea port is growth engine in longer run

Giving Hai Phong port cluster's prime location, we expect PHP's container volume to grow 19.7% yoy in FY21F. However, PHP's current ports are running close to their designed capacity (about 106% at end-FY21). Thus, we forecast PHP's container volume to slow down to 6.3%/4.1% yoy during FY22-23F. PHP is going to invest the new deep-sea port in Hai Phong Int'l Gateway Port (HIGP) which will enhance its capacity by 52.4% to 3,200,000 TEUs p.a. With the inauguration of Wharf No.3 in 3Q23F and Wharf No.4 in 3Q25F, we expect PHP's container volume to rise steadily at 9.5% CAGR over FY24-27F.

### Reiterate Add with higher SOTP-based TP of VND29,200

We raise our FY21/22/23F EPS by 21.4%/16.6%/24.3% on the back of higher container volume throughput via PHP's ports. Downside risks include (1) uncertainties arising from global pandemic or crisis that could disrupt global trade may directly affect PHP's financial results through lower-than-expected cargo volume throughput and lower-than-expected cargo services price, and (2) longer-than-expected deep-water port completion time. Re-rating catalysts include (1) higher-than-expected cargo volume and services price of PHP's ports, and (2) Hoang Dieu port relocation plan and seaport fee increase proposal is approved.

Financial summary (VND)	12-19A	12-20A	12-21E	12-22E
Net revenue (bn)	2,117	2,031	2,394	2,671
Revenue growth	3.5%	(4.1%)	17.9%	11.6%
Gross margin	33.7%	35.4%	38.2%	40.5%
EBITDA margin	47.0%	46.0%	47.2%	47.8%
Net profit (bn)	388	447	584	618
Net profit margin	5.5%	15.4%	30.6%	5.8%
Recurring profit growth	24.2%	15.7%	27.3%	5.6%
Basic EPS	1,186	1,368	1,788	1,891
Adjusted EPS	1,186	1,368	1,788	1,891
BVPS	11,586	12,186	13,374	14,865
ROAE	10.6%	11.5%	14.0%	13.4%

Source: VND RESEARCH

## THE BEST IS YET TO COME

### Reiterate Add with a higher target price

#### We like PHP for:

(1) Owning the leading position in Hai Phong - the second largest port cluster in Vietnam, PHP is well-positioned to ride on the buoyant ocean trade;

(2) Its deep-water port to be started construction in 3Q21F, which would become PHP's new growth engine since FY24F,

(3) The relocation plan of Hoang Dieu port will be approved by Prime Minister within 2021 following the current construction progress of Nguyen Trai bridge. We believe this landbank market value should be much higher than its book value which will create one-off gain for PHP in near-term.

(4) Given the significant gaps in Vietnam's seaport services fee vs. other countries in the region, the Ministry of Transport (MOT) has proposed to raise Vietnam's seaport services fee following a roadmap. MOT has submitted the proposal to the government and the draft is being consulted by related parties. Due to concerns about high inflation rate in 2021F, we think the proposal might be approved in 2022F and might have positive impacts on PHP as PHP's ports are located downstream of Cam river, which would benefit the most in Hai Phong port cluster.

We reiterate our Add rating on PHP with a higher TP of VND 29,200 (+20.7%), deriving a potential upside of 21.7% including dividend yield. We adopt sum-of-the-parts valuation for this stock:

- 10-year DCF valuation (WACC:11.3%; LTG:1% to reflect our conservative view on Hai Phong port cluster growth) on PHP's core business. We revise our DCF valuation up 23.4% as we raise FY21-23F EPS by 21.4-24.3%.
- The project of relocating Hoang Dieu port with assumptions of (1) the government approves PHP's proposal on the project, (2) the residential density of 15% for the land, and (3) land price of VND40.88m/sqm based on current Hai Phong Land Price Announcement.

#### Downside risks

PHP's business is closely linked to Vietnam's export-import activities, thus any global pandemic or crisis that could disrupt global trade may directly affect PHP's financial results through:

- Lower-than-expected cargo volume throughput
- Lower-than-expected cargo services price

Besides, longer-than-expected deep-water port completion time and unfavorable changes in Hoang Dieu port relocation project could hamper PHP's business.

#### Re-rating catalysts

- Higher-than-expected cargo volume and services price of PHP's ports.
- Hoang Dieu port relocation proposal is approved by the government.
- Seaport fee increase proposal is approved by the government.

**Figure 1: SOTP Valuation**

SOTP Valuation	Value
Equity value on core business (VNDbn)	8,611
Equity value on Hoang Dieu port relocation project (VNDbn)	933
Total equity value (VNDbn)	9,544
No. of outstanding share	326,960,000
Equity value/share (VND)	29,200

Source: VNDIRECT RESEARCH

**Figure 2: Assumptions**

Assumptions	Value
Beta	0.88
Market risk premium	11.0%
Risk free rate	3.0%
Cost of equity	12.7%
Cost of debt	5.7%
Corporate tax	20%
WACC	11.3%
Permanent growth	1.0%

Source: VNDIRECT RESEARCH

**Figure 3: Equity value on core business (Unit: VNDbn)**

DCF Method	Value
PV of FCFF	2,808
Present value of terminal value	7,133
Enterprise value on core business	9,941
Less: Total debt	1,042
Less: Preferred securities	-
Less: Noncontrolling interest	822
Plus: Cash and Cash Equivalents	534
<b>Implied equity value on core business</b>	<b>8,611</b>

Source: VNDIRECT RESEARCH

**Figure 4: Discounted cash flow on core business (Unit: VNDbn)**

	FY21F	FY22F	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
<b>EBIT</b>	<b>919</b>	<b>1,073</b>	<b>1,152</b>	<b>1,073</b>	<b>1,362</b>	<b>1,383</b>	<b>1,711</b>	<b>1,834</b>	<b>1,921</b>	<b>1,976</b>
less: Taxes	177	206	222	207	262	266	329	353	370	380
EBIAT	742	866	931	867	1,100	1,117	1,382	1,481	1,551	1,596
Plus: Depreciation and amortization	210	205	200	514	488	783	740	702	667	637
Less: Capital expenditure	650	2,149	1,652	2,226	1,231	305	311	316	322	329
Less: Increase in net working capital	15	18	9	-43	34	-36	31	5	0	-4
<b>Present value of FCF</b>	<b>288</b>	<b>-985</b>	<b>-428</b>	<b>-581</b>	<b>211</b>	<b>955</b>	<b>936</b>	<b>880</b>	<b>805</b>	<b>728</b>

Source: VNDIRECT RESEARCH

**Figure 5: Peer comparison**

Company name	Ticker	TP (Local curr)	Recom.	Market Cap (US\$ m)	3-year EPS CAGR (%)	P/E		P/BV		ROE (%)		EV/EBITDA	
						2021F	2022F	2021F	2022F	2021F	2022F	2021F	2022F
<b>Domestic ports</b>													
Port of Hai Phong JSC	PHP VN	29,200	ADD	336.1	6.5	13.7	13.0	1.8	1.6	14.0	13.4	7.8	6.9
Gemadep Corp	GMD VN	44,900	ADD	621.0	44.8	26.0	15.9	2.2	1.9	8.8	12.9	12.9	9.7
Vietnam Container Shipping	VSC VN	N/A	NR	164.0	2.3	14.7	12.5	1.9	1.7	15.1	16.2	5.9	5.3
Sai Gon Port Jsc	SGP VN	30,900	ADD	282.7	31.0	17.1	12.0	2.1	1.8	17.8	21.7	5.1	4.4
Hai An Transport & Stevedori	HAH VN	N/A	NR	97.4	N/A	9.6	7.0	1.8	1.5	21.8	26.3	4.1	3.2
Dinh Vu Port Investment & De	DVP VN	N/A	NR	95.5	N/A	8.2	7.8	1.6	1.4	19.3	18.4	NA	NA
<b>Vietnam average</b>						<b>14.9</b>	<b>11.4</b>	<b>1.9</b>	<b>1.7</b>	<b>16.1</b>	<b>18.1</b>	<b>7.2</b>	<b>5.9</b>
<b>Regional ports</b>													
Adani Ports And	ADSEZ IN	N/A	NR	19,007.6	12.6	23.2	18.6	3.6	3.1	17.6	18.3	15.7	12.9
Xiamen Interna-A	600897 CH	N/A	NR	703.3	-13.8	12.7	10.4	1.1	1.1	9.3	10.7	5.0	4.7
Gateway Distripa	GDPL IN	N/A	NR	495.3	85.3	29.1	22.3	2.4	2.2	8.7	10.8	11.8	10.5
Namyong Terminal	NYT TB	N/A	NR	188.2	-14.2	21.2	17.2	2.0	2.0	9.6	11.3	7.6	7.0
<b>Regional average</b>						<b>21.5</b>	<b>17.1</b>	<b>2.3</b>	<b>2.1</b>	<b>11.3</b>	<b>12.7</b>	<b>10.0</b>	<b>8.8</b>

Source: VNDIRECT RESEARCH, DATA BLOOMBERG AT 04 AUGUST 2021

**2Q21 results: better performance than expected**
**Figure 6: PHP's 2Q21 results**

Unit: VNDbn	2Q21	2Q20	%yoy chg	1H21	1H20	%yoy chg	vs previous forecast	Comments
<b>Total container volume (TEUs)</b>	<b>549,057</b>	<b>435,017</b>	<b>26.2%</b>	<b>1,027,000</b>	<b>848,059</b>	<b>21.1%</b>	<b>53.1%</b>	Higher than our expectation. PHP's container volume increased sharply in 2Q21 thanks to the recovery of the global economy leading to higher sea freight demand. PHP's container volume growth outperformed Hai Phong port cluster's growth in 1H21 ( 21.1% yoy vs 19.8% yoy) as (1) PHP owns downstream ports which benefit from the capable of accommodate larger vessels compared to upstream ports, and (2) Hai Phong International Container Terminal (HICT) in HIGP is alluvial and has not been dredged recently, causing parts of its container volume to be transferred to downstream ports.
<b>Net revenue</b>	<b>628</b>	<b>512</b>	<b>22.7%</b>	<b>1,147</b>	<b>958</b>	<b>19.7%</b>	<b>54.2%</b>	ASP inched down 2.8%/1.2% in 2Q21/1H21 for PHP to attract new sources of cargo.
Gross profit	249	196	27.4%	453	357	27.0%	56.8%	
- Gross margin	39.7%	38.2%	+1.5% pts	39.5%	37.2%	+2.3% pts	+1.8% pts	PHP's gross margin increased significantly in 2Q21/1H21 as high revenue growth offset fixed costs.
SG&A	51	41	26.0%	89	79	13.5%	44.9%	Lower than our expectation as PHP maintains its cost-cutting efforts.
Financial income	42	40	5.6%	86	73	17.2%	48.6%	In-line with our expectation.
Financial expenses	4	6	-25.8%	7	16	-56.6%	8.9%	Lower than our expectation as PHP has not yet borrowed to deploy the deep-water port project.
Associates' profit	13	7	86.2%	21	14	49.9%	65.3%	Higher than our expectation as PHP's associates operating in the logistics segment benefited from the strong cargo volume growth in Hai Phong port cluster.
Minority interests	46	35	29.6%	75	60	24.9%	61.1%	Higher than our expectation. Dinh Vu Port (DVP), PHP's subsidiary, also recorded higher-than-expected net profit growth, leading to higher-than-expected minority interests.
<b>Net profit</b>	<b>156</b>	<b>124</b>	<b>26.0%</b>	<b>300</b>	<b>221</b>	<b>35.6%</b>	<b>62.3%</b>	Higher than our expectation.

Source: VNDIRECT RESEARCH, Company reports

**FY21-23F Outlook: Growth momentum continues in FY21F but might be slowdown in FY22-23F**
**Conservative guidance for FY21**

PHP targets a plan for FY21F with a revenue of VND2,224bn (+9.5% yoy) and a pretax profit of VND673bn (-4.0% yoy), equaling to 92.9%/74.4% of our full-year forecasts. We believe PHP can beat the target plan as the growth momentum in 1H21 might be maintained in FY21F.

The AGM has approved the plan to pay 6% cash dividend for FY20 and minimum 4% cash dividend for FY21F. The deep-water port construction investment plan was also approved at the AGM. Hoang Dieu port relocation plan is pending for Government's approval.

**FY21-23F earnings revision**

We change our forecasts for PHP's business as follows:

- We increase FY21/22/23F container volume by 15.0%/15.0%/14.7% to reflect the strong performance of the sea freight when the global economic recovers.
- We increase FY21/22/23F associates' profit by 13.3%/13.3%/14.5% as PHP's associates operating in the logistics segment will benefit from the high cargo volume growth in Hai Phong port cluster.
- We lower FY21F financial expense by 54% as PHP has not yet borrowed in FY21F to develop the deep-water port project.

- We increase FY21/22/23F minority interests by 18.5%/17.4%/16.2% as PHP's subsidiary also recorded high net profit growth.

Based on the above adjustments, we raise FY21/22/23F EPS by 21.4%/16.6%/24.3%.

**Figure 7: FY21 – 23F Earnings revision**

	FY20	FY21F			FY22F			FY23F		
		Old forecasts	New forecasts	% chg	Old forecasts	New forecasts	% chg	Old forecasts	New forecasts	% chg
Unit: VNDbn										
Total cargo volume (TEUs)	1,856,685	1,932,756	2,222,346	15.0%	2,053,180	2,361,411	15.0%	2,144,244	2,458,639	14.7%
Revenue	2,031	2,114	2,394	13.3%	2,358	2,671	13.3%	2,493	2,854	14.5%
Gross profit	720	797	914	14.7%	947	1,082	14.3%	1,009	1,181	17.0%
Financial income	30	77	36	-54.0%	141	144	2.2%	189	193	1.9%
SG&A	180	198	211	6.4%	221	235	6.4%	233	250	7.5%
Associates' profit	28	32	36	13.3%	36	40	13.3%	38	43	14.5%
EBITDA	934	1,018	1,130	11.0%	1,141	1,278	12.0%	1,171	1,353	15.5%
Minority interest	118	123	146	18.5%	128	150	17.4%	133	155	16.2%
Net profit	447	481	584	21.4%	530	618	16.6%	515	640	24.3%
<b>EPS (VND)</b>	<b>1,368</b>	<b>1,472</b>	<b>1,788</b>	<b>21.4%</b>	<b>1,622</b>	<b>1,891</b>	<b>16.6%</b>	<b>1,576</b>	<b>1,958</b>	<b>24.3%</b>

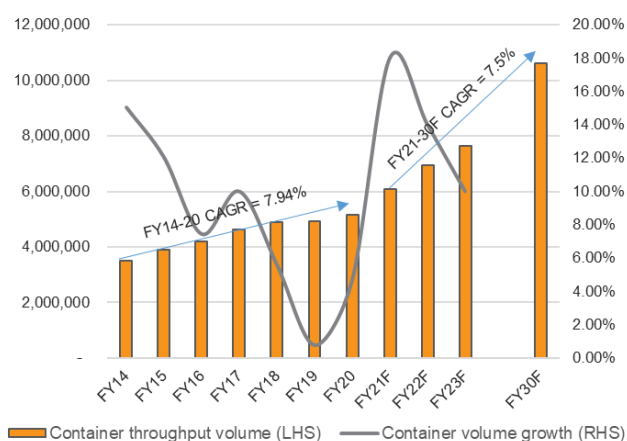
Source: VNDIRECT RESEARCH

**The new deep-sea port is growth engine for longer run**

**All ports of PHP are running close to designed capacity**

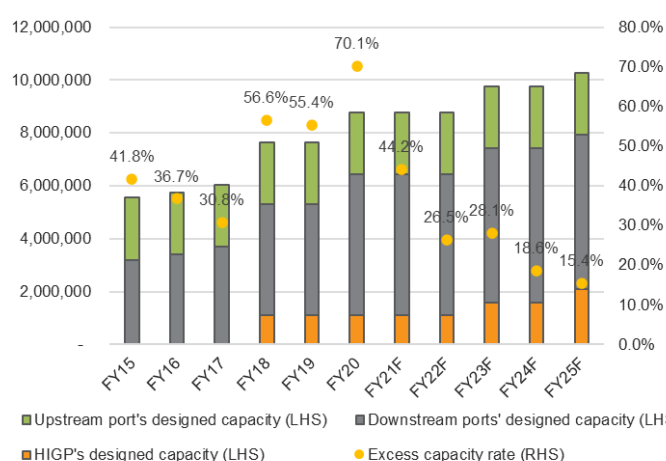
In 1H21, total container volume of Hai Phong port cluster strongly increased 19.8% yoy thanks to the recovery of global economy and the strategic location of Hai Phong port cluster. We expect these positive factors to be maintained and total container volume via Hai Phong port cluster may grow 18%/14%/10% yoy in FY21-23F. Thanks to strong container volume growth, the excess rate is forecast to reduce to 44.2%/26.5%/28.1% in FY21-23F as there are only 2 projects (PHP's deep-water port and Gemadept's Nam Dinh Vu phase 2) which will add a total of 1.5m TEUs designed capacity to the cluster in the period.

**Figure 8: Hai Phong port cluster container volume to grow 18-10% yoy in FY21-23F and 7.5% CAGR in FY21-30F (Unit: TEUs)**



Source: VNDIRECT RESEARCH, MOT

**Figure 9: The competition pressure likely to ease since 2021 onward (Unit: TEUs)**



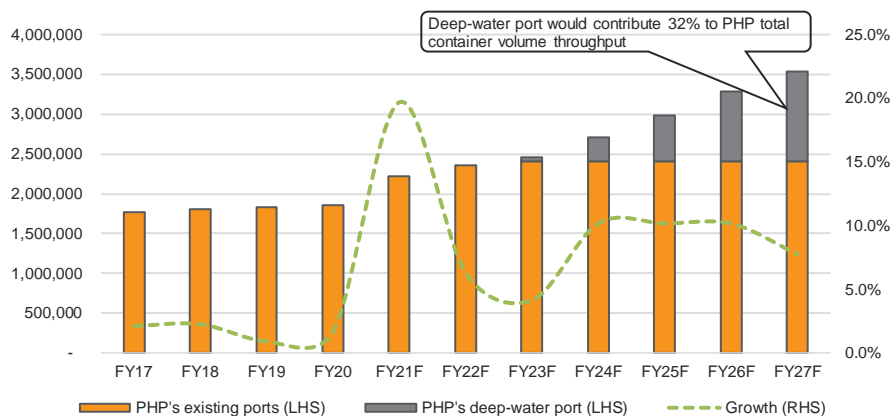
Source: VNDIRECT RESEARCH, MOT

Giving Hai Phong port cluster's prime location, we expect PHP's container volume to grow 19.7% yoy in FY21F. However, PHP's current ports are running close to their designed capacity (about 106% at en-FY21). Thus, we forecast PHP's container volume to slow down to 6.3%/4.1% yoy during FY22-23F.

### The new deep-water port will fuel PHP's container volume growth since FY24F

PHP is going to invest in two wharves in Hai Phong International Gateway Port (HIGP) in Cat Hai island from 3Q21F. It is designed to handle 1.1 million TEUs per year with total investment of VND6,946bn. In Mar 2021, PHP has completed the environmental impact assessment of the project and has been approved by the Ministry of Natural Resources and Environment. The 1/500 scale planning of the project was also approved by the People's Committee of Cat Hai district. The construction work is set to be fully completed in 2025F, with an expected in-service date of 2023F for the Wharf No 3.

**Figure 10: PHP's container volume throughput forecast in FY21-27F (TEUs)**

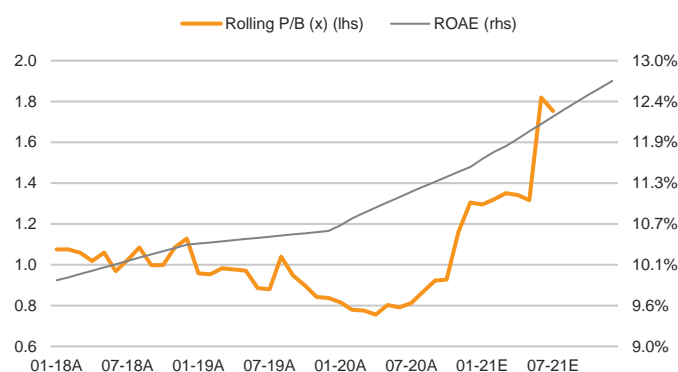
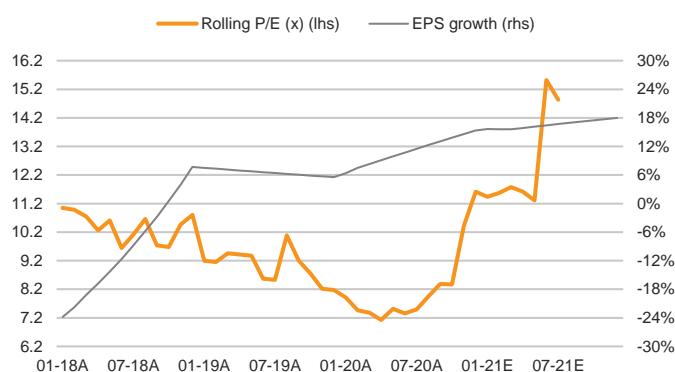


Source: VNDIRECT RESEARCH, Company reports

We believe the deep-water port to be PHP's new growth engine since FY24F, in which each wharf might take 3.5 years to reach its designed capacity as:

- PHP holds a dominant position in Hai Phong port cluster, therefore it establishes a firm relationship with carriers and the capable of capture more market share in Hai Phong for PHP's deep-water port.
- Except for PHP's deep-water port and Nam Dinh Vu phase 2, there is no project coming onstream during the 2021-25F period. The reduced supply is the support factor for the launching of PHP's deep-water port in the period.

In the FY24-27F period, with the launching of Wharf No.3 in 3Q23F and Wharf No.4 in 3Q25F, we expect PHP's container volume throughput to rise steadily at 9.5% CAGR. By FY27F, we expect PHP's deep-water port to contribute 32% to PHP's total container volume throughput.

**Valuation**

**Income statement**

(VNDbn)	12-20A	12-21E	12-22E
Net revenue	2,031	2,394	2,671
Cost of sales	(1,311)	(1,480)	(1,589)
Gen & admin expenses	(180)	(211)	(235)
Selling expenses	0	0	0
<b>Operating profit</b>	<b>540</b>	<b>703</b>	<b>848</b>
Operating EBITDA	763	913	1,052
<b>Depreciation and amortisation</b>	<b>(224)</b>	<b>(210)</b>	<b>(205)</b>
<b>Operating EBIT</b>	<b>540</b>	<b>703</b>	<b>848</b>
Interest income	161	179	184
Financial expense	(30)	(36)	(144)
Net other income	2	22	24
Income from associates & JVs	28	36	40
<b>Pre-tax profit</b>	<b>701</b>	<b>905</b>	<b>952</b>
Tax expense	(135)	(174)	(183)
Minority interest	(118)	(146)	(150)
<b>Net profit</b>	<b>447</b>	<b>584</b>	<b>618</b>
Adj. net profit to ordinary	447	584	618
Ordinary dividends	(312)	(196)	(131)
<b>Retained earnings</b>	<b>136</b>	<b>388</b>	<b>488</b>

**Balance sheet**

(VNDbn)	12-20A	12-21E	12-22E
Cash and equivalents	453	534	596
Short term investments	2,283	2,614	2,300
Accounts receivables	384	449	501
Inventories	63	71	76
Other current assets	19	21	23
<b>Total current assets</b>	<b>3,202</b>	<b>3,689</b>	<b>3,495</b>
Fixed assets	2,275	2,210	2,153
Total investments	270	270	270
Other long-term assets	66	582	2,591
<b>Total assets</b>	<b>5,813</b>	<b>6,751</b>	<b>8,509</b>
Short-term debt	35	43	48
Accounts payable	89	100	108
Other current liabilities	355	404	437
<b>Total current liabilities</b>	<b>479</b>	<b>548</b>	<b>593</b>
Total long-term debt	665	999	2,073
Other liabilities	8	9	10
Share capital	3,270	3,270	3,270
Retained earnings reserve	652	1,040	1,528
<b>Shareholders' equity</b>	<b>3,984</b>	<b>4,373</b>	<b>4,860</b>
Minority interest	676	822	973
<b>Total liabilities &amp; equity</b>	<b>5,813</b>	<b>6,751</b>	<b>8,509</b>

**Cash flow statement**

(VNDbn)	12-20A	12-21E	12-22E
<b>Pretax profit</b>	<b>701</b>	<b>905</b>	<b>952</b>
Depreciation & amortisation	224	210	205
Tax paid	(123)	(174)	(183)
Other adjustments	(380)	0	0
<b>Change in working capital</b>	<b>11</b>	<b>(15)</b>	<b>(18)</b>
<b>Cash flow from operations</b>	<b>433</b>	<b>926</b>	<b>955</b>
Capex	(18)	(650)	(2,149)
Proceeds from assets sales	0	0	0
Others	109	(341)	307
Other non-current assets changes			
<b>Cash flow from investing activities</b>	<b>91</b>	<b>(991)</b>	<b>(1,843)</b>
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	(34)	342	1,080
Other financing cash flow	(1)	0	0
Dividends paid	(312)	(196)	(131)
<b>Cash flow from financing activities</b>	<b>(346)</b>	<b>145</b>	<b>949</b>
Cash and equivalents at beginning of period	274	453	534
<b>Total cash generated</b>	<b>179</b>	<b>81</b>	<b>62</b>
Cash and equivalents at the end of period	453	534	596

**Key ratios**

	12-20A	12-21E	12-22E
<b>Dupont</b>			
Net profit margin	22.0%	24.4%	23.2%
Asset turnover	0.35	0.38	0.35
ROAA	7.7%	9.3%	8.1%
Avg assets/avg equity	1.49	1.50	1.65
ROAE	11.5%	14.0%	13.4%
<b>Efficiency</b>			
Days account receivable	55.7	55.5	55.5
Days inventory	17.6	17.6	17.6
Days creditor	24.8	24.8	24.8
Fixed asset turnover	0.85	1.07	1.22
ROIC	8.3%	9.4%	7.8%
<b>Liquidity</b>			
Current ratio	6.7	6.7	5.9
Quick ratio	6.5	6.6	5.8
Cash ratio	5.7	5.7	4.9
Cash cycle	48.4	48.3	48.3
<b>Growth rate (yoy)</b>			
Revenue growth	(4.1%)	17.9%	11.6%
Operating profit growth	7.7%	30.2%	20.6%
Net profit growth	15.4%	30.6%	5.8%
EPS growth	15.4%	30.6%	5.8%

Source: VND RESEARCH

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**RECOMMENDATION FRAMEWORK**

**Stock Ratings**

Definition:

- Add                    The stock’s total return is expected to reach 15% or higher over the next 12 months.
- Hold                    The stock’s total return is expected to be between negative 10% and positive 15% over the next 12 months.
- Reduce                The stock’s total return is expected to fall below negative 10% over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

- Overweight            An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral                A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight         An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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