

Sector note

19 Nov 2021

PROPERTY DEVELOPMENT & INVESTMENT

Poised for a strong recovery ahead

- Lacklustre 3Q21 sales volume in both HCMC and Hanoi due to stringent social distancing measures.
- We expect a strong recovery in 2022F transaction volume driven by increases in new supply and solid housing demand with high take-up rates.
- Our top picks are VHM, KDH, DXS and CRE.

Lacklustre 3Q21 sales volume in the South due to the stricter lockdown

The 3Q21 HCMC condo market witnessed a sharp drop in both new launches (-70.0% yoy) to 1,600 units and sales volume (-68.4% yoy) to 1,582 units, a five-year low. The new supply of ready-built houses was still struggle with only 10 units, down 99.2% yoy. We see secondary prices in 12/22 districts fell by 0.5%-9.2% qoq but still increased on yoy basis. Meanwhile, the average condo primary price climbed +17.0% yoy on average to US\$2,271 per square meter (psm).

COVID-19 resurgence blocked the recovery of Hanoi residential market

Unlike HCMC, the 3Q21 Hanoi new condo supply stayed relatively flat of -0.6% yoy to 3,483 units. However, sales volume plunged by 33.4% yoy due to higher contribution of low take-up rate segment and disrupted sales activities. The 3Q21 Hanoi new ready-built house supply was flourishing, with +877.8% yoy (c.440 units) in new launches and +206.0% yoy (410 units) in sale volumes. Likewise HCMC, we see the discounts on secondary prices on qoq basis but still increased on yoy basis. The average condo primary price rose 15.9% yoy on average to US\$1,542 per psm.

FY22F outlook: poised for a strong recovery ahead

We expect the residential market to recover in 2022F, based on three factors: 1) a broad-based recovery of macro fundamentals propelling the property market in 2021F; 2) housing purchasing decisions underpinned by affordable mortgage interest rates; and 3) a surge in new supply thanks to the loosening of regulatory bottlenecks.

Hospitality property: the worst is already behind us

We believe that hospitality property will recover quickly in the future on the back of Covid-19 vaccines presence along with recovery of the Vietnam tourism. The headwinds from the pandemic may be over in the hospitality property market from end-2021.

Our top picks are VHM, KDH, DXS and CRE

Re-rating catalyst is recovery in new supply. Downside risks are 1) prolong pandemic could restrict marketing and sales activities, and 2) further upward trend in construction material prices. Our top picks are VHM, KDH, DXS, CRE, in view of property market recovery and their positive FY22F presales outlook.

Analyst(s):



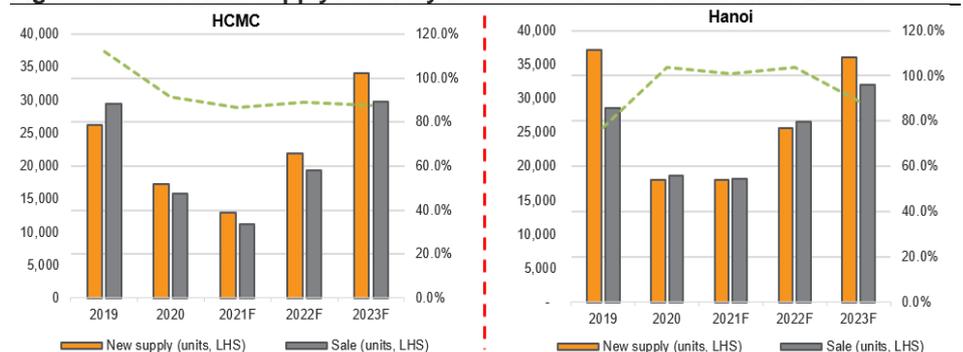
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Figure 1: New condo supply recovery in both HCMC and Hanoi since 2022F

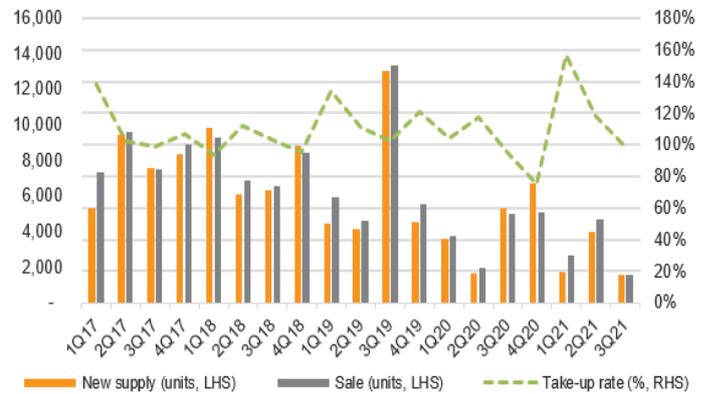


Sources: VNDIRECT RESEARCH, SAVILLS, CBRE

PRIMARY MARKET 3Q21 RECAP

Sales volume of condo in HCMC plunged due to 4th COVID-19 outbreak

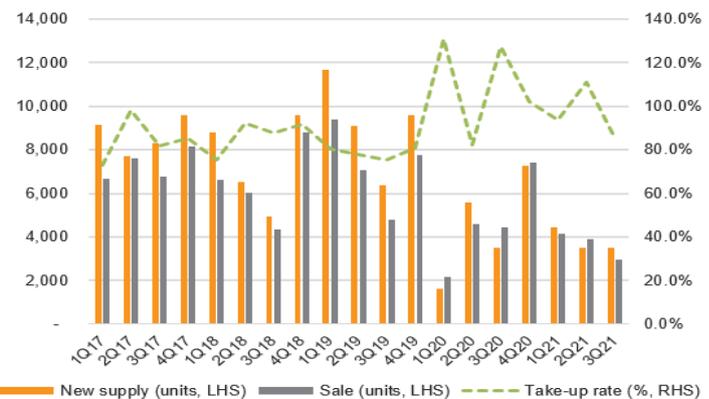
According to CBRE, the 3Q21 HCMC new condo supply plunged by 70.0% yoy to 1,600 units from only two high-end projects due to 4th COVID-19 outbreak since May; leading to a drop of 68.4% yoy in sales volume (1,582 units). We note that Binh Tan District firstly recorded a high-end project in 3Q21. Despite the disrupted sales activities due to local lockdown and suspended travels, we see 3Q21 take-up rate was still positive of 98.9% (+5.0% pts yoy) thanks to converting to sales online.



Sources: CBRE, VNDIRECT RESEARCH

Stay flat in Hanoi new condo supply but dwindle in sales volume in 3Q21

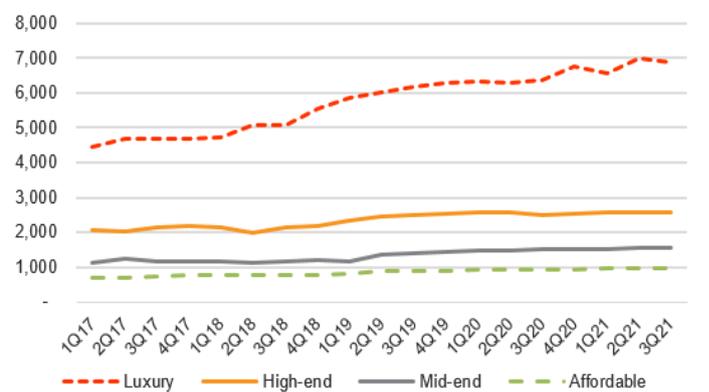
The 3Q21 Hanoi new condo supply stayed relatively flat of -0.6% yoy to 3,483 units, mostly from township projects in the West and East of Hanoi. High-end and mid-end segment accounted for 65%/35% of 3Q21 new supply, respectively. However, sales volume plunged by 33.4% yoy due to higher contribution of low take-up rate segment and two-month disrupted sales activities amid a new wave COVID-19 outbreak. Thus, 3Q21 take-up rate fell 33.1% pts yoy to 85.1%.



Sources: CBRE, VNDIRECT RESEARCH

HCMC condo primary price continued to increase in all segments (US\$ psm)

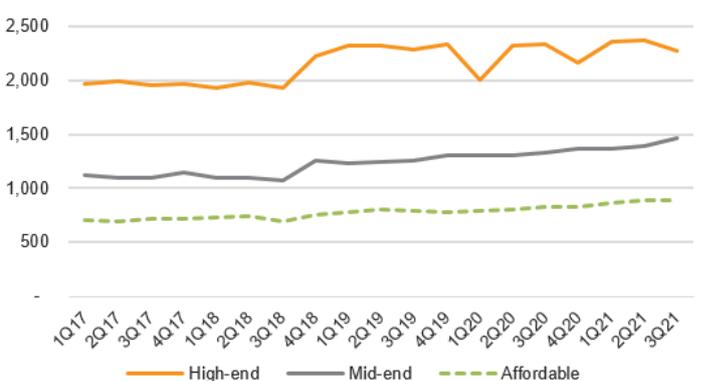
Despite severely affected by 4th COVID-19 outbreak in HCMC in 3Q21, we see there were no announcements of discounts in primary prices in HCMC. The condo prices across the board stayed nearly flat qoq but inched up 2.0-8.0% yoy in 3Q21. Luxury segment recorded the strongest growth among the segments of 8.0% yoy thanks to branded residence projects. The HCMC condo primary price rose 17.0% yoy on average to US\$2,271 psm in 3Q21.



Sources: CBRE, VNDIRECT RESEARCH

Hanoi condo primary price continued to rise (US\$ psm)

The lack of mid-range and affordable segment launches, coupled with high demand, drove prices in these respective segments up by 10.6% yoy and 7.5% yoy, the strongest growth among the segments. Meanwhile, high-end segment recorded down by 2.5% yoy due to less sought-after locations of project launched in 3Q21. The Hanoi condo primary price rose 15.9% yoy on average to US\$1,542 psm in 3Q21.

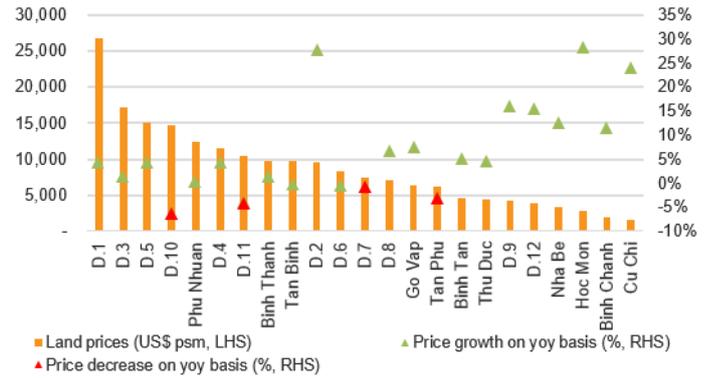


Sources: CBRE, VNDIRECT RESEARCH

SECONDARY MARKET 3Q21 RECAP

HCMC land secondary prices in 3Q21: Northwest continued to rise significantly (US\$ psm)

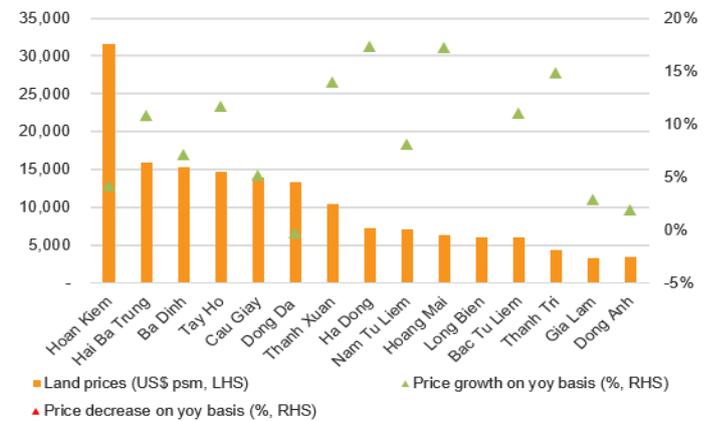
Based on our market research, we see 12/23 districts of HCMC recorded a fall of 1.2%-9.2% qoq in land secondary prices in 3Q21 due to 4th COVID-19 outbreak. Meanwhile, we see Northwest of HCMC still continued to do well in 3Q21, especially Cu Chi (+15.6% qoq), Binh Chanh (+10.6% qoq) driven by the proposal on establishment of Northwest City along with planning for urbanising these districts. On yoy basis, land prices in 19/23 districts of HCMC recorded a rise of 1.4%-28.4% yoy in 3Q21.



Source: VNDIRECT RESEARCH

Hanoi land secondary prices in 3Q21: dwindle in districts which dramatically increased in early-2021 (US\$ psm)

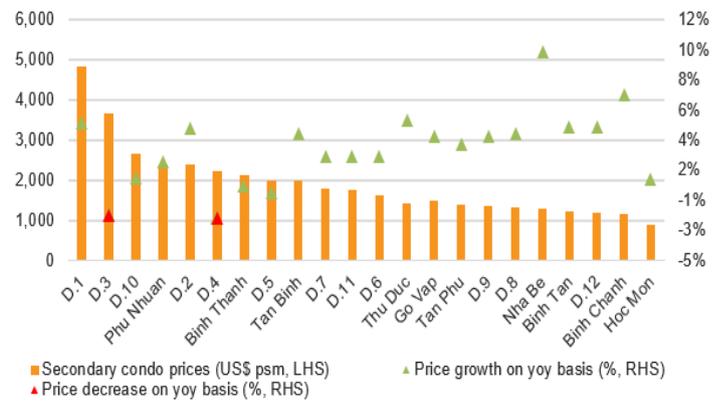
In 3Q21, we see a significant decrease in districts that dramatically increased in early-2021 such as Gia Lam (-28.1% qoq), Nam Tu Liem (-19.7% qoq) and Dong Anh (-19.4% qoq) thanks to tightening land management in these tempering areas as well as disrupted sales activities amid a new wave COVID-19 outbreak. On yoy basis, land prices cross Hanoi (16/16 districts) still recorded a rise of 1.9%-20.6% yoy.



Source: VNDIRECT RESEARCH

HCMC condo secondary price in 3Q21: HCMC's suburban areas continued to do well (US\$ psm)

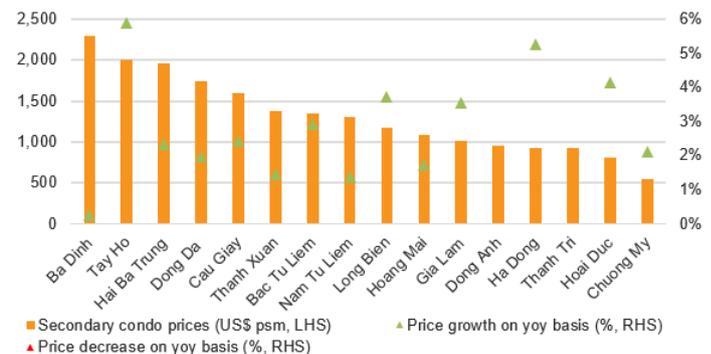
We see condo secondary prices in 12/22 districts in HCMC such as District 5, Binh Thanh, District 7 fell by 0.5%-6.0% qoq, the others rose 0.4%-3.3% qoq in 3Q21. On yoy basis, condo secondary prices in 20/22 districts rose by 2.1%-9.4% yoy in 3Q21. Of which, condo prices in Nha Be and Binh Chanh districts increased the most at 9.4%/6.5% yoy, driven by the acceleration of infrastructure developments and planning for urbanising at these districts.



Source: VNDIRECT RESEARCH

Hanoi condo secondary price in 3Q21: fall on qoq basis but still increase on yoy basis (US\$ psm)

Likewise HCMC, we see discounts on condo secondary prices on qoq basis, with 9/16 districts in Hanoi such as Long Bien, Ba Dinh, Hai Ba Trung recorded a decrease of 0.5%-5.4% qoq, the others inched up 1.0%-2.3% qoq. On yoy basis, condo secondary prices cross Hanoi (16/16 districts) still recorded a rise of 0.2%-8.7% yoy. Of which, Dong Anh district rose the most at 8.7% yoy in 3Q21, thanks to the acceleration of infrastructure developments.



Source: VNDIRECT RESEARCH

RESIDENTIAL MARKET: POSITIVE OUTLOOK REMAINS INTACT

We believe good times for property market since FY22F with housing supply gradually recovery thanks to loosening regulatory bottleneck while higher housing demand fueled by the recovery of macro fundamentals, stepping up infrastructure development and low mortgage rates.

We see three key factors to drive residential property demand in FY22F

A board-based recovery of macro fundamentals will propel property market in FY22F

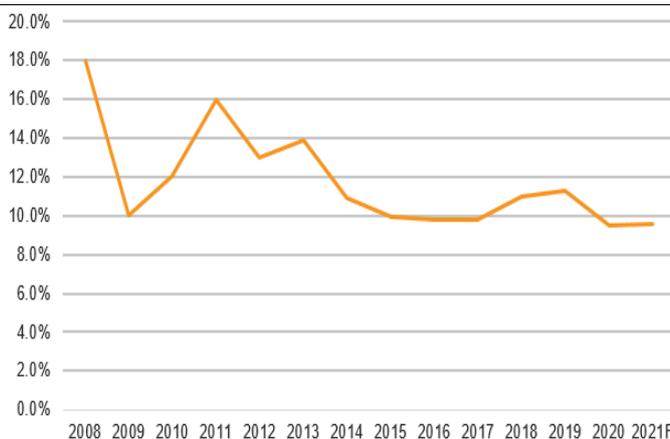
The global economy would remain strong growth momentum in 2022F. The International Monetary Fund (IMF) forecast the global economy to expand by 4.9% yoy in 2022. Noted that, the global economic growth rate averaged around 2.8% per year in the period 2016-2019 (before the COVID-19 pandemic). Being the largely net exporting economy, we believe Vietnam is well-placed to reap the benefits from global demand recovery. In addition, we expect a high vaccination rate for Vietnam with 70-75% of its population 1H22. We project Vietnam’s GDP rising by 7.5% in 2022, with resilient growth in all sectors.

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

Housing demand fueled by low mortgage interest rates

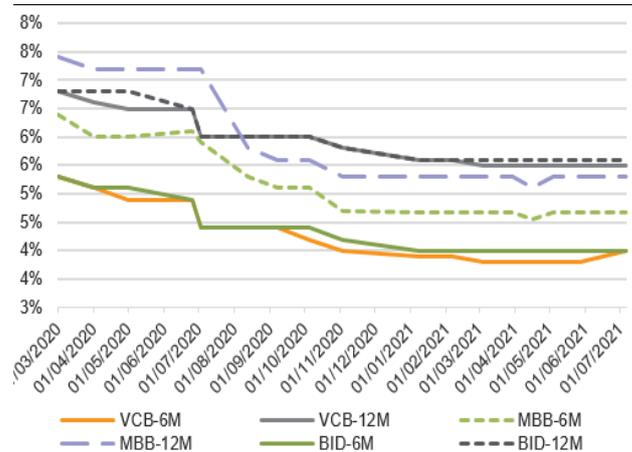
We see the average mortgage rate from local banks stayed relatively flat in 9M21, in a range of 9.2-9.5%, still a 10-year low. Given the benign inflationary pressure, we expect the SBV to maintain its accommodative monetary policy into 2022F. We maintain our view that the mortgage rates will still be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

Figure 2: We believe mortgage rates will still be maintained at a low rate until late-2Q22 at the earliest



Sources: VNDIRECT RESEARCH, DOMESTIC BANKS

Figure 3: Banks' 6M/over-6M tenor deposit rates have maintained at a low rate in 9M21



Sources: VNDIRECT RESEARCH, DOMESTIC BANKS

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

Stricter social-distancing measures and construction material prices hikes caused several delays in the implementation of public investment in 3Q21. However, public investment recovered steadily in Oct 2021 after the government eased social-distancing measures across the country since late-Sep. Per GSO data, the implemented state capital (public investment) jumped 20.4% mom to VND41.7tr (-13.9% yoy). For 10M21, implemented state capital dropped 8.3% yoy to VND318.6tr (vs. an increase of 31.6% yoy seen in the same period last year), equivalent to 64.7% of the full-year target. The government has targeted to disburse 95% of the state capital disbursement plan for 2021 that could be achievable, in our view.

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

Figure 4: Pipeline of mega projects in HCMC and Hanoi in 2021-26F

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

Sources: VNDIRECT RESEARCH, MINISTRY OF TRANSPORT

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

In addition, we see there are some upcoming approval for new zoning plans that should enhance infrastructure development and land prices as well, in our view. Of which, the proposal on establishment of Northwest City comprising Cu Chi and Hoc Mon, in tandem with planning for urbanising Hoc Mon, Binh Chanh, Nha Be, Cu Chi and Can Gio into urban districts lifted land prices rapidly in 1H21 in those area. **We believe the developers that own land bank in those areas such as VHM, NLG, KDH will enjoy the benefits of rising land prices.**

Figure 5: Upcoming approvals for the following new zoning plans enhance infrastructure development and land prices

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

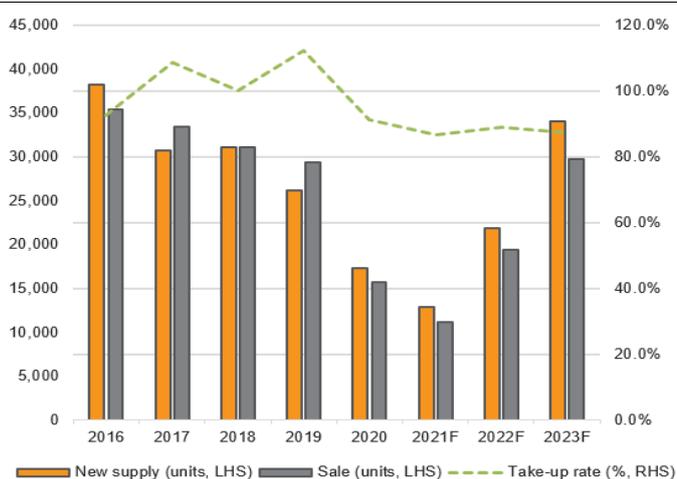
Source: VNDIRECT RESEARCH

Southern property market: condo supply to bounce back since 2022 onwards

HCMC's condo supply likely to bottom out

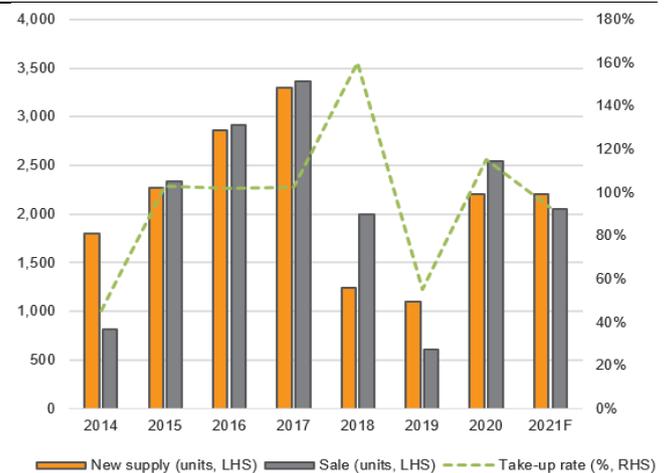
We expect HCMC new condo supply to bottom out in 2021F and recover strongly by 60-70% in 2022-23F, on the back of loosening regulatory measures such as Decree 148 and Amended Construction Law 2020. According to CBRE, the HCMC new condo supply will recover by 69.5% yoy in 2022F to c.22,000 units and +55.7%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

Figure 6: The HCMC new condo supply is expected to recover from 2022F thanks to loosening regulatory bottleneck



Sources: CBRE, SAVILLS, VNDIRECT RESEARCH

Figure 7: The HCMC new landed supply in 2H21F mostly comes from new phases of existing large township



Sources: CBRE, VNDIRECT RESEARCH

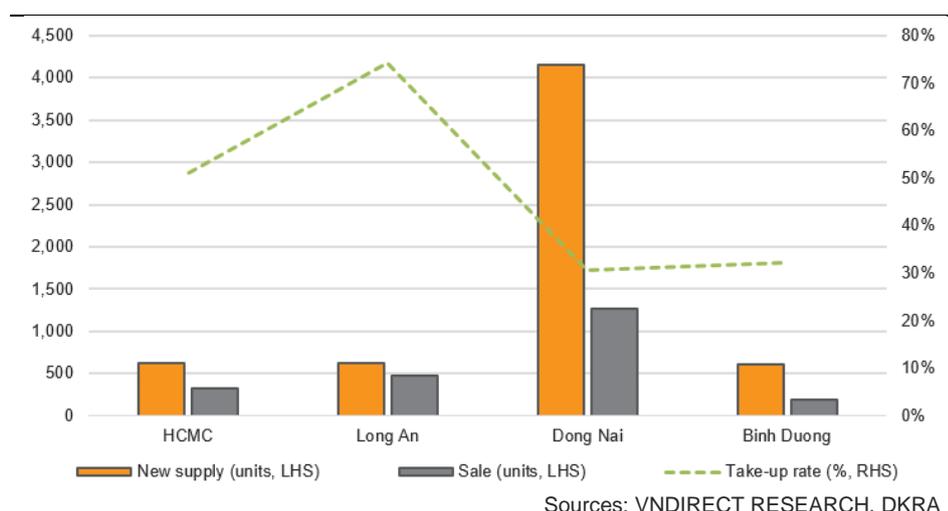
HCMC's neighbouring provinces will continue to do well in 2022F

We remain optimistic in 2022F outlook for housing market in HCMC's neighbouring provinces, which we expect to experience both demand volume and price expansion. After the work-from-home experience during the pandemic, we believe homebuyers can prefer for larger-sized landed homes to meet 'work-live-play' ecosystem demand. In the context of strong price escalation along with limited supply in HCMC since 2018 and acceleration in infrastructure

development shortening the time to HCMC, we see opportunities for HCMC's neighbouring provinces such as Long An and Dong Nai.

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

Figure 8: New supply for ready-built houses in Dong Nai was 6.6 times higher than that of HCMC in 9M21



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

Figure 9: HCMC's neighbouring province and suburban areas are expected to continue to do well in 2022F

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

*Figures are based on our estimate/assumption

Sources: VNDIRECT RESEARCH, COMPANY REPORT, COLLIERS

Strong housing demand leading to robust prices growth

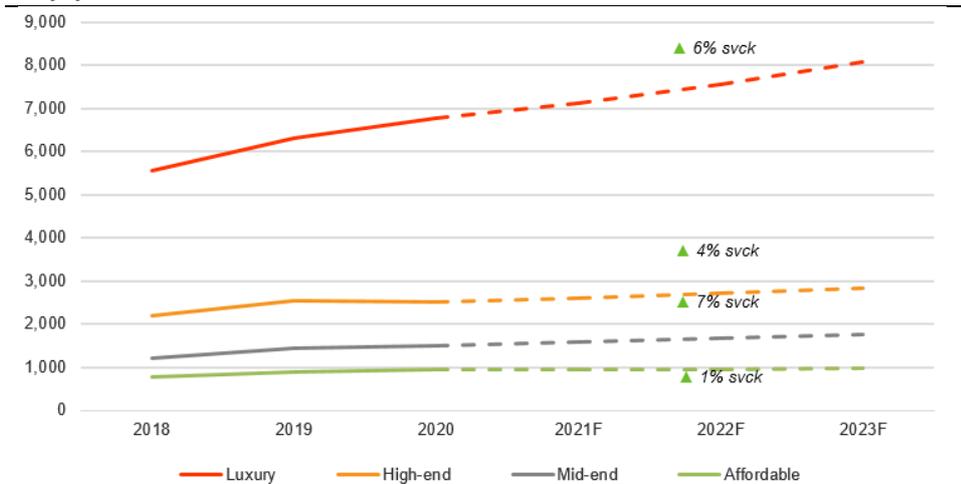
We believe there will be no announcements of discounts in HCMC housing primary prices in 2022F to factor in the increase in development cost with higher compensation cost and financing cost due to pending in the past three years and material expense escalation. We expect developers will offer better handover conditions, better facilities and supporting payment terms to stimulate demand rather than decrease their primary prices.

Follow these points, we expect condo primary prices in HCMC will continue to increase in all segments at 1-7% yoy. We project mid-end segment will increase the most at 7% yoy fuelled by its strong demand and limited supply. The luxury

segment likely continues to be more excited in 2022F buoyed by the launches of projects having sought-after locations in District 1 and Thu Duc City, after a new pricing level of US\$16,500-18,000 psm set by a new branded residence project in District 1 in 2021.

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

Figure 10: HCMC condo primary prices will continue to increase across the board at 1%-7% yoy in 2022F



Sources: VNDIRECT RESEARCH, CBRE

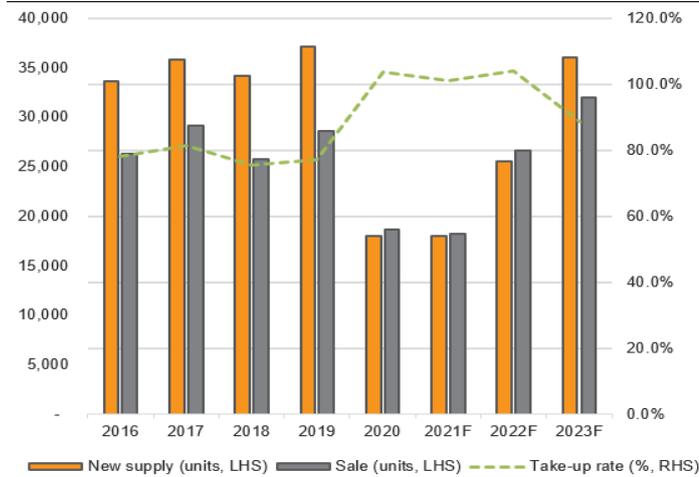
Northern residential market: flourish supply in both condo and landed property

Ample supply from upcoming mega township projects in 2022F

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

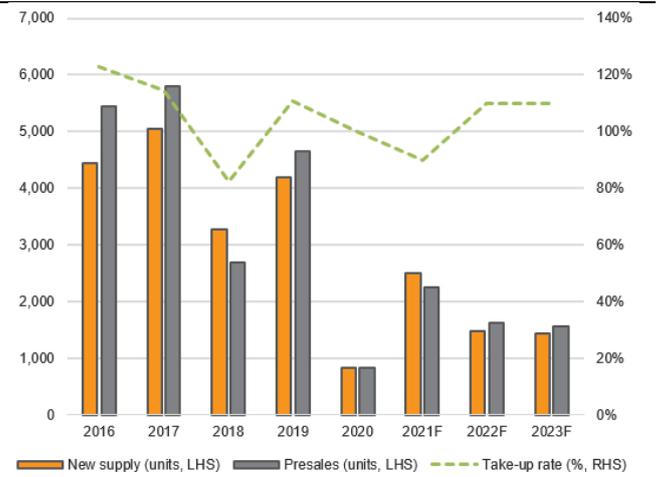
We see the new supply of landed property market will continue depend on launches of townships in 2022F. According to CBRE, new supply is likely to plunge c.40% yoy to 1,500 units in 2022F due to the lack of Vinhomes' massive project. The market is expected to welcome new products from new mega townships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

Figure 11: Hanoi new condo supply recovery in 2021-22F, driven by a stable contribution from Vinhomes' massive projects



Sources: CBRE, VNDIRECT RESEARCH

Figure 12: Lacklustre new landed supply in Hanoi while spotlight in its neighbouring provinces



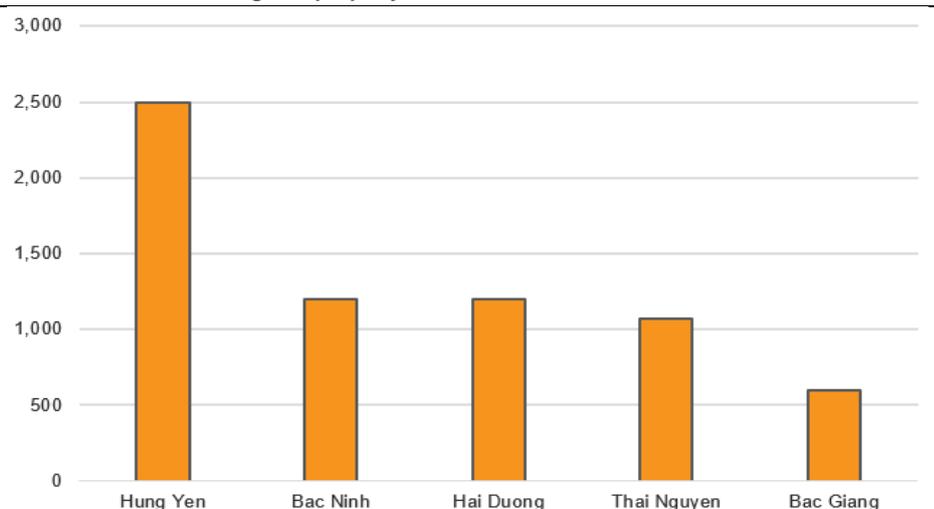
Sources: CBRE, VNDIRECT RESEARCH

Hung Yen is likely in the spotlight in 2022F

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

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

Figure 13: Abundant new products (2,500 landed units) from mega projects should add more excitement for Hung Yen property market in 2021F



Sources: VND RESEARCH, CBRE

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

Figure 14: VHM continues to cement its leading position with 3 projects launched in 2022F

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

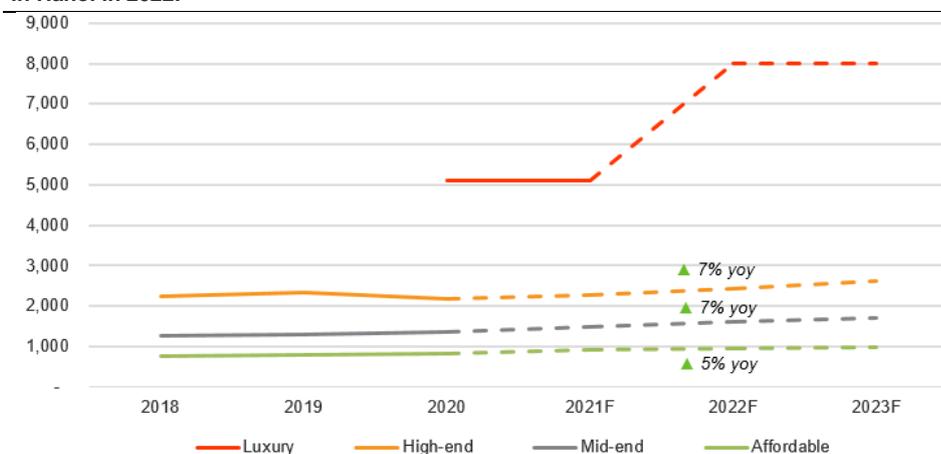
*Figures are based on our estimate/assumption

Sources: VNDIRECT RESEARCH, COLLIERS, COMPANY REPORT, COLLIERS

Uptrend in housing prices remains intact

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

Figure 15: While the luxury segment will see new pricing level, the others should be stable in Hanoi in 2022F

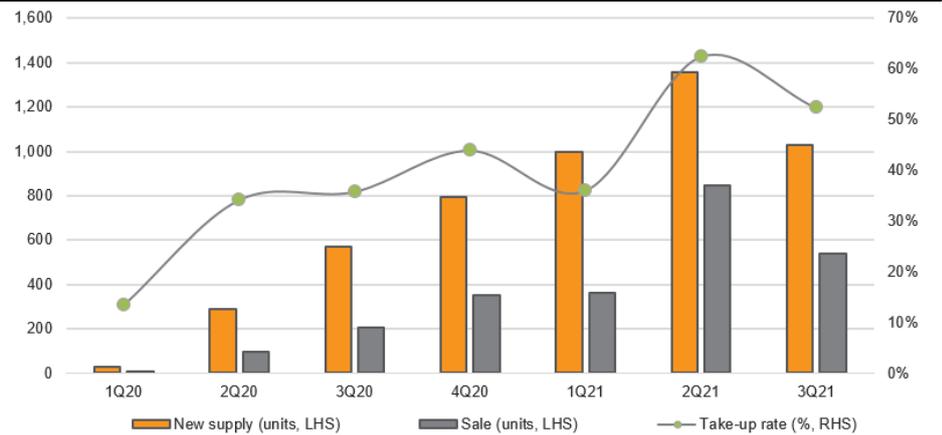


Sources: VNDIRECT RESEARCH, CBRE

HOSPITALITY PROPERTY: THE WORST IS ALREADY BEHIND US

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

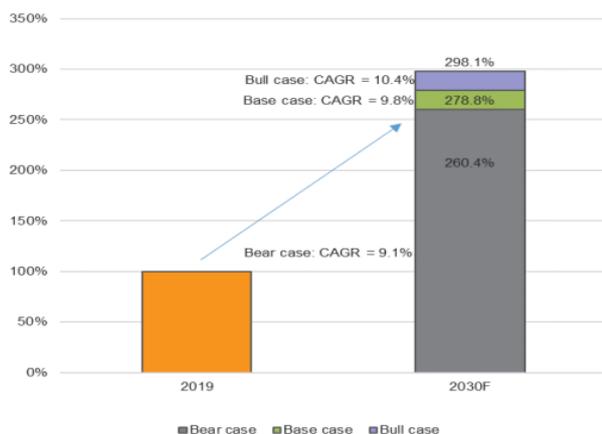
Figure 16: New supply for hospitality properties picked up in 9M21



Sources: VNDIRECT RESEARCH, DKRA

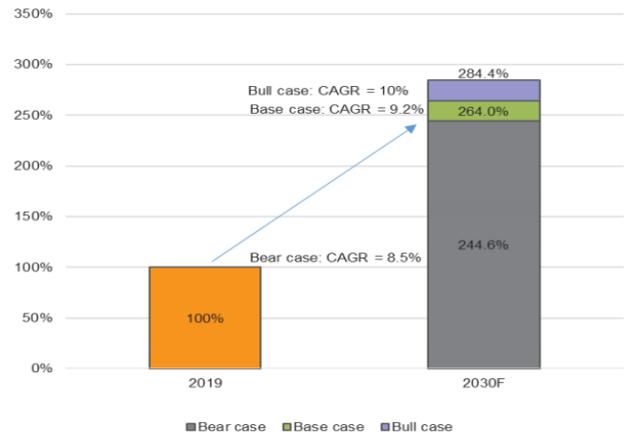
We believe that hospitality property will recover quickly since 2022F on the back of Covid-19 vaccines presence along with recovery of the Vietnam tourism. The headwinds from the pandemic may be over in the hospitality property market from end-2021. We believe landed hospitality property will be the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

Figure 17: Vietnam’s domestic passenger volume forecast in FY19-30F



Sources: VNDIRECT RESEARCH, CAAV

Figure 18: Vietnam’s international passenger volume forecast in FY19-30F



Sources: VNDIRECT RESEARCH, CAAV

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

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

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

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

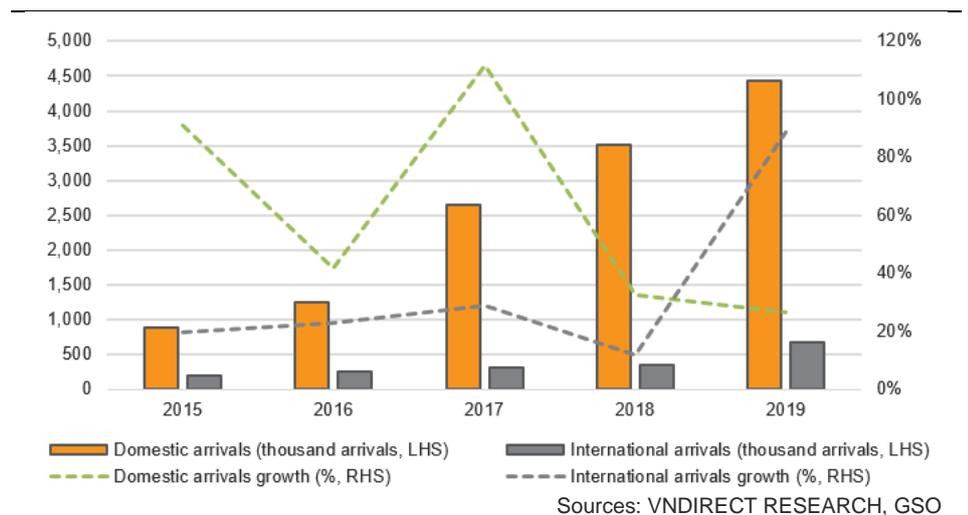
In addition, these areas also enjoy the advantage of infrastructure development such as Dau Giay – Phan Thiet expressway, Long Thanh international airport, providing a high potential for growth for investors. Of which, we see NVL's hospitality projects stand out with three project launches in these areas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

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

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

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

Figure 19: Lots of potential for Phu Quoc hospitality property on the number of domestic and international visitors to this island rising impressively before pandemic

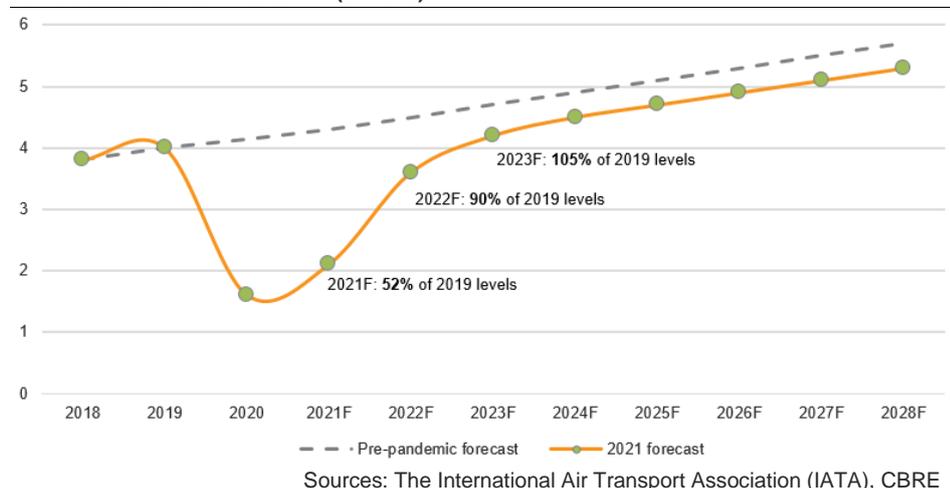


- **Stage 3&4: full recovery since 2023-24F with the bounces of international visitors**

We see all countries around the world are stepping up their immunization efforts to combat the COVID-19 pandemic. Several countries stand out for rolling out vaccination, of which Canada has the highest percentage of the population

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

Figure 20: IATA is forecasting global air passenger volume recover to pre-pandemic numbers sometime in 2023-24F (billions)



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

Figure 21: Selected examples of easing of travel restrictions

Market	Effective	Details
Thailand	July	Quarantine-free travel for vaccinated travellers to Phuket subject to certain restrictions.
	November	Quarantine-free travel for vaccinated travellers from at least ten low-risk countries including the US, UK, Singapore and mainland China.
Singapore	September	Quarantine-free travel for vaccinated travellers from ten countries including the US, UK and Germany. The programme will be extended to South Korea in mid-November.
Vietnam	November	Quarantine-free travel for vaccinated travellers from low-risk countries to Phu Quoc Island.

Sources: CBRE APAC

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

9M21 revenue recap at listed property companies: Contrast between large/mid-caps and small-caps

We see the impressive 9M21 revenue growth in large/mid-caps listed property companies such as DXG (+317% yoy) driven by Gem Sky World and Opal Boulevard handovers, CRE (+246% yoy) mostly from secondary property investment, NVL (+171% yoy) fuelled by abundant handovers from six projects. In contrast, most of small-caps recorded the net loss of 3%-79% yoy such as LDG (-79% yoy), CEO (-40% yoy) as social distancing in Southern Vietnam restricted their key project handovers. Among listed property companies, AGG's revenue increased the most at 833% yoy to VND687bn, driven by the handovers of Sky 89 and The Song.

Figure 22: Most of large/mid-caps recorded the impressive growth, contrast with the net loss in small-caps in 9M21

	9M21 revenue (VNDbn)	9M20 revenue (VNDbn)	Change (% yoy)
VHM	61,681	49,378	25%
NVL	10,312	3,803	171%
DXG	7,820	1,877	317%
CRE	4,526	1,308	246%
KDH	3,148	3,241	-3%
DXS	3,022	1,900	59%
HDG	2,454	3,830	-36%
PDR	2,391	2,498	-4%
IJC	2,339	1,840	27%
BCG	1,905	1,689	13%
DIG	1,655	1,865	-11%
HDC	920	553	66%
NLG	788	1,298	-39%
CCL	733	608	21%
AGG	687	74	833%
VPI	640	926	-31%
CEO	406	682	-40%
LDG	252	1,191	-79%
NRC	120	152	-21%

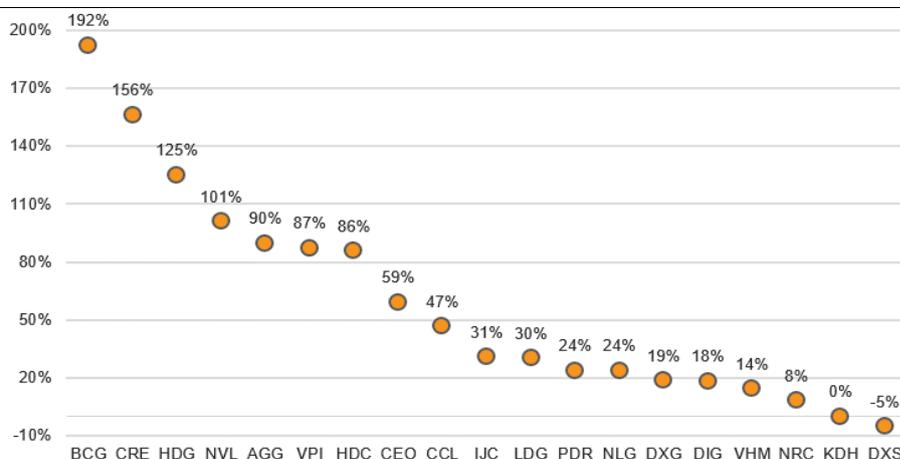
Sources: VNDIRECT RESEARCH, COMPANY REPORTS

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

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

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

Figure 23: Net gearing ratio of listed Vietnamese property developers as at 3Q21



We like developers that meet the following key criteria:

About to launch projects for which they already have construction licenses or land use right (LUR) certificates, or have a high likelihood of securing the license/certificate in 2022F.

With material exposure to the mid-range and affordable condo segments as these segments are driven by real end-user demand.

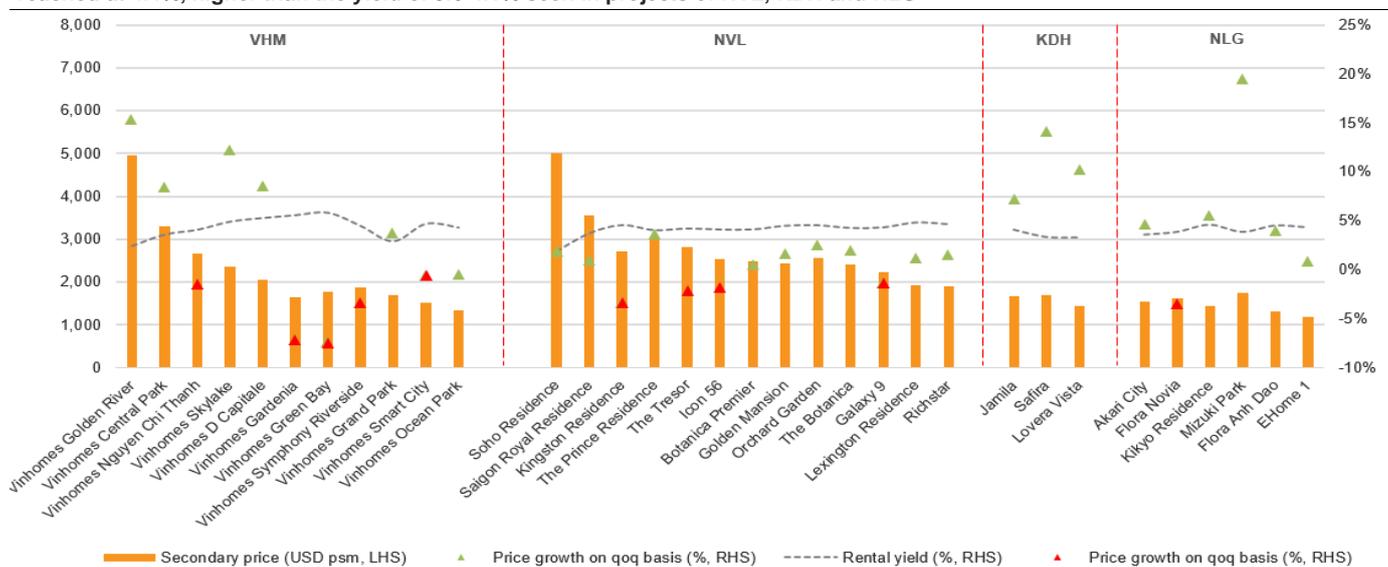
Buffered by a healthy financial position (low leverage, strong liquidity) to counter the risk of tightening credit for the real estate market as discussed above.

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

Vinhomes (VHM VN, Add, TP: 115,000). Vinhomes' (VHM) total land bank, including land under acquisition, was 16,800ha as of Sep 2021, about 3 times higher than that of the second-ranked company – Novaland, which translates to 16,400ha of residential GFA. This highlights its strong land acquisition and master planning capability, in our view. As of Sep 2021, 90% of its total land bank had not been deployed yet, showing the huge potential of the VHM in the future. We expect FY22F presales to return to its strong trajectory with 51,535 units of presales volume (+47.7% yoy) and VND152.1tr of value (+109.4% yoy) with the noticeable launches of three new projects including Vinhomes Co Loa, Vinhomes Dream City and Vinhomes Wonder Park.

Khang Dien (KDH VN, Add, TP: 54,800). We like KDH for its scale, financial capacity, huge land bank in HCMC's sought-after locations (578ha for residential and 110ha for industrial park as of end-3Q21) as well as legally transparent. These factors position KDH well to capture HCMC residential property market recovery since FY22F and stable earnings prospects, in our view. We project KDH's presales value to strongly bounce back in FY22F with four new residential project and one industrial park (IP) project launches in HCMC, namely Clarita (5.7ha), Armenia (4.3ha) in Thu Duc City, 158 An Duong Vuong (1.8ha) and Corona (17.5ha) and Le Minh Xuan IP (110ha), which has a potential GDV of VND30,853bn (based on our estimates). Upside risks in the short term could come from higher-than-expected average selling prices for five new projects; our mid- to long-term investment thesis is dependent on whether KDH can clear legal hurdles to start its Tan Tao project. Downside risks are 1) delays in obtaining permits for new launches and 2) continuous upward trend in construction material prices.

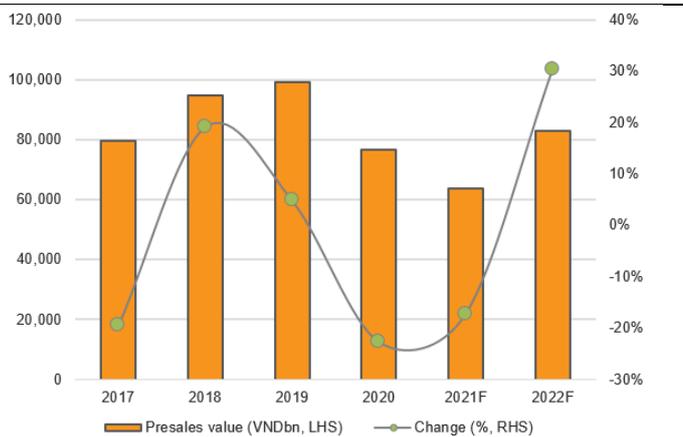
Figure 24: Condo prices at KDH's projects increased the most at 10.5% yoy on average in 3Q21 while rental yield at VHM's projects reached at 4.4%, higher than the yield of 3.6-4.1% seen in projects of NVL, KDH and NLG



Source: VNDIRECT RESEARCH

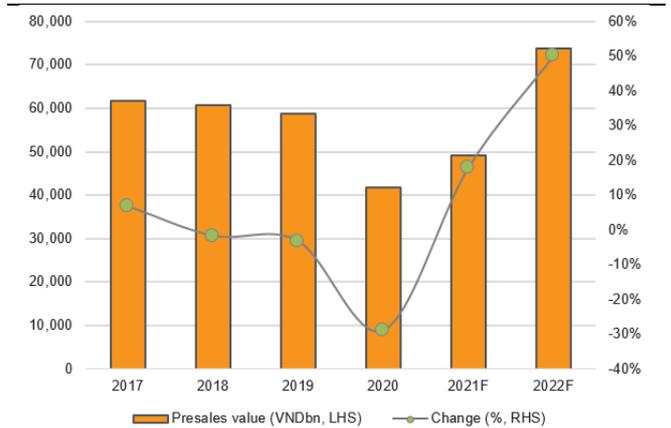
In the context of both volume and price expansion for residential market along with hospitality property recovery in 2022F, we expect property agencies such as DXS, CRE, KHG, NRC to take advantage and post a strong set of 2022F results. We like agencies converting their traditional sales operation to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

Figure 25: Expect a 30.3% yoy recovery in HCMC condo presales value



Sources: VNDIRECT RESEARCH, CBRE

Figure 26: Expect a 50.1% yoy surge in Hanoi condo presales value



Sources: VNDIRECT RESEARCH, CBRE

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

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

Figure 27: Peer comparisons

Company Name	Ticker	Share price (local cur)	TP (local cur)	Recom.	Market Cap (US\$mn)	3-year Fwd EPS CAGR (%)	P/E (x)		P/B (x)		ROE (%)		Dividend yield (%)		Net D/E (%)
							2021F	2022F	2021F	2022F	2021F	2022F	2021F	2022F	
Residential/hospitality developers															
Vinhomes	VHM VN	82,800	115,000	ADD	15,913	65.4	10.0	7.5	2.8	2.1	29.9	31.8	1.8	N/A	14.2
Novaland	NVL VN	102,700	107,700	HOLD	6,680	51.4	24.8	15.1	3.4	2.8	14.7	20.1	0	0	100.9
Phat Dat	PDR VN	89,600	NR	NR	1,925	27.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	23.9
Development Investment	DIG VN	71,900	NR	NR	1,586	40.9	31.3	36.2	N/A	N/A	15.4	13.0	N/A	N/A	18.4
Khang Dien	KDH VN	47,600	54,800	ADD	1,351	42.2	25.3	17.8	2.7	2.7	17.6	25.6	1.4	1.4	-0.5
Nam Long	NLG VN	66,000	61,200	HOLD	1,006	29.2	20.4	14.2	2.5	2.2	16.0	17.6	2.3	2.5	23.9
Dat Xanh	DXG VN	27,300	25,000	HOLD	718	46.3	11.3	7.7	1.9	1.5	18.2	21.7	0	0	18.5
Ha Do	HDG VN	67,100	50,300	HOLD	485	7.3	10.3	9.5	2.6	2.1	28.6	24.8	2.8	2.8	124.9
Ba Ria - Vung Tau	HDC VN	105,100	NR	NR	401	26.4	35.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	85.7
Bamboo Capital	BCG VN	28,250	24,000	HOLD	371	75.6	6.5	5.9	1.9	1.5	39.0	28.7	3.3	3.3	192.3
C.E.O Group	GEO VN	28,800	NR	NR	327	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	59.1
Becamex Infrastructure	IJC VN	33,650	NR	NR	322	9.8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	30.7
An Gia	AGG VN	45,900	NR	NR	168	9.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	89.8
LDG	LDG VN	15,250	NR	NR	161	120.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	30.2
Cuu Long Petro	CCL VN	19,350	NR	NR	41	11.9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	46.7
Local peer average						40.2	19.5	14.2	2.5	2.1	22.4	22.9	1.7	1.7	57.2
Local peer median						35.1	20.4	11.8	2.6	2.1	17.9	23.3	1.8	1.9	30.7
Brokerage															
Dat Xanh Services	DXS VN	32,150	39,500	ADD	508	65.6	15.0	8.1	2.0	1.7	23.8	44.2	2.2	4.0	-5.2
Van Phu Invest	VPI VN	52,000	NR	NR	505	36.3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	87.3
Century Land	CRE VN	30,950	36,100	ADD	269	35.8	15.7	9.8	1.7	1.4	15.6	17.5	3.2	3.2	156.0
Khai Hoan Land	KHG VN	20,500	NR	NR	158	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11.3
Danh Khoi	NRC VN	33,400	NR	NR	124	21.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8.4
Local peer average						39.8	15.4	8.9	1.9	1.6	19.7	30.9	2.7	3.6	51.6
Local peer median						36.0	15.4	8.9	1.9	1.6	19.7	30.9	2.7	3.6	11.3
China & Hongkong															
China Vanke-A	000002 CH	32.8	NR	NR	33,607	5.8	5.7	5.4	0.9	0.8	15.9	15.0	6.1	6.3	28.5
Sun Hung Kai	16 HK	139.6	NR	NR	37,146	10.8	9.0	8.8	0.5	0.5	5.3	5.4	5.0	5.2	15.6
China Overseas Land	688 HK	30.5	NR	NR	25,320	3.7	4.0	3.8	0.5	0.4	12.2	12.0	7.5	8.0	32.3
China Resources Land	1109 HK	34.9	NR	NR	30,256	6.2	7.2	6.2	0.9	0.8	13.1	13.3	5.1	5.7	29.7
China Evergrande	3333 HK	26.3	NR	NR	4,491	1.8	3.5	3.9	0.2	0.2	(1.2)	0.5	5.9	5.9	159.8
Country Garden	2007 HK	13.3	NR	NR	19,971	3.4	3.5	3.1	0.6	0.5	18.8	17.8	8.6	9.4	59.7
Indonesia															
Pakuwon Jati	PWON IJ	740	NR	NR	1,859	25.2	19.9	15.6	1.7	1.5	8.3	9.9	0.6	0.8	6.0
Bumi Serpong Damai	BSDE IJ	1,410	NR	NR	1,753	23.6	16.0	13.8	0.7	0.7	4.8	5.3	0.2	0.6	5.6
Ciputra Development	CTRA IJ	1,130	NR	NR	1,491	10.1	15.5	16.2	1.3	1.2	8.1	7.0	0.8	0.9	26.3
Summarecon Agung	SMRA IJ	1,134	NR	NR	1,103	51.1	49.0	30.7	1.9	1.8	4.0	6.1	0.2	0.3	85.9
Malaysia															
KLCCP Stapled	KLCCSS MK	7.7	NR	NR	2,912	N/A	20.5	18.1	0.9	0.9	4.4	5.0	4.5	5.2	9.8
SP Setia	SPSB MK	2.3	NR	NR	1,342	N/A	20.9	13.4	0.4	0.4	1.8	3.1	0.7	1.7	68.8
Sime Darby Property	SDPR MK	1.1	NR	NR	1,097	N/A	25.0	15.7	0.5	0.5	2.1	3.1	1.8	2.7	28.1
Singapore															
CapitaLand	CAPL SP	3.4	NR	NR	N/A	N/A	17.2	15.5	N/A	N/A	5.1	5.8	N/A	N/A	68.1
Keppel Corp	KEP SP	6.7	NR	NR	7,162	29.4	14.2	11.9	0.9	0.8	6.0	7.3	3.9	4.0	89.5
City Developments	CIT SP	9.4	NR	NR	4,830	N/A	31.2	14.8	0.8	0.7	2.3	5.1	1.8	2.1	93.7
UOL Group	UOL SP	7.3	NR	NR	4,404	32.1	19.7	15.8	0.6	0.6	2.9	3.5	2.4	2.5	29.5
Frasers Property	FPL SP	1.9	NR	NR	3,342	5.3	18.4	17.3	0.5	0.4	2.7	2.8	2.8	2.8	78.7
Ascott Residence	ART SP	1.2	NR	NR	2,579	15.3	30.6	29.7	0.9	0.9	3.4	2.7	3.8	5.0	48.9
Thailand															
Land And Houses	LH TB	10.7	NR	NR	3,238	14.3	15.3	13.6	2.1	2.0	13.6	14.9	5.6	6.2	110.6
WHA Corporation	WHA TB	4.2	NR	NR	1,648	26.8	18.8	15.6	1.7	1.7	9.6	11.5	2.8	3.4	117.6
Pruksa Holding	PSH TB	18.2	NR	NR	911	13.6	11.9	9.7	0.7	0.7	5.7	6.9	6.3	7.1	55.5
Supalai	SPALI TB	20.0	NR	NR	1,372	7.4	7.9	7.6	1.2	1.1	15.6	14.5	4.9	5.0	53.5

Note: all prices are based on the closing prices on Nov 18 2021. All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

Sources: VNDIRECT RESEARCH, BLOOMBERG

Sector investment risks and catalysts

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

Downside risks:

- Prolong pandemic could restrict marketing and sales activities;

- Housing prices have increased rapidly, especially in decentralized and sub-urban areas, which are raising concern and pricing out of the market for home buyers;
- We see rising construction cost on material prices hike in FY21F, especially steels prices have increased more than c.40-45% yoy. Steel accounts for 12-15% of total construction cost (based on industry estimates), this could drive up housing prices if those remain at current high level in the next two years;
- The individuals earning income from property leases with a price of more than VND8.33m per month are subject to tax even if they do not have full 12 months for lease in a calendar year under the Circular 40/2021/TT-BTC issued on 1 Jun 21, which will take effect from 1 Aug 21. This could impact to the rental housing market when this market is suffering due to COVID-19.

Strong outlook likely to priced in market prices in short term

Real estate stocks have witnessed an impressive rally since early-4Q21 with property sector index rising 15.3% since early 4Q21, higher than to VN-Index of 10.6%. Before that, most of them were in accumulation and sideways state, together with low interest rates environment, accelerating infrastructure development and a board-based recovery of macro fundamentals in 2022F, we believe the uptrend in real estate stocks is likely to continue until 2022F, especially stocks of businesses with good asset quality as well as large projects to be handed over immediately at end-4Q21 and 2022F, in our view.

However, with the current strong cash inflow, we see the stock price has been pushed up too quickly, especially companies are high exposure to land bank in Hanoi/HCMC’s neighbouring provinces such as NLG, HDC, DIG. Property sector is currently traded at 21.85x of trailing P/E and 3.17x of current P/B, which is higher than to VN-Index of 17.46x of trailing P/E and 2.79x of current P/B. So it is likely that in the short term there will be adjustments to balance back, before entering a stable uptrend in long term, in our view.

We believe investors should focus on quality names that possess following traits: 1) huge land bank, especially located in Hanoi/HCMC’s neighbouring provinces and suburban areas, which is already completed legal procedures as well as infrastructure to be launched in 4Q21 and 2022F 2) high exposure to the mid-range and affordable condo segments as these segments are driven by real end-user demand and 3) sustainable earnings growth and scalable business models.

Figure 28: Stock prices of listed property companies has rallied since early-4Q21



Sources: VNDIRECT RESEARCH, FIINPRO

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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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