

PROMISING OUTLOOK ON INCREASING VIETNAM STOCK MARKET SIZE (*)

“The game of market” is going to change when large-caps plan to get listed on the bourse, boosting total market capitalization 1.7 times in the next 2 years.

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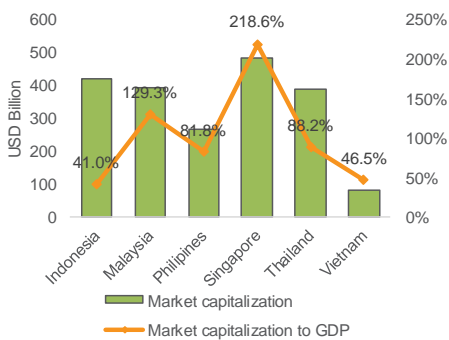
(*) In this report, the term “market” and “stock market” refers to all exchange-listed securities on HSX, HNX and UPCOM.

SUMMARY

- With the participation of new large-cap listings such as Habeco, ACV and potentially Sabeco, Vietnam Airlines... total market capitalization could increase strongly and Vietnam stock market would provide premium choices for both domestic and foreign investors.
- The top 10 largest stocks in terms of market capitalization could include Sabeco, Masan Consumer, Thaco, Mobifone and Vietnam Airlines.
- Based on our calculations, the size of the Vietnam stock market would grow by 1.7 times in the next 2 years. Market capitalization to GDP would increase from 38.5% (in 2016) to 46.5% (in 2017) and 56.3% (in 2018).
- We believe that the government's ambitious target of 70% Market cap to GDP by 2020 is achievable.

1. Vietnam stock market capitalization – where we are

Market capitalization/GDP of Southeast Asian countries, including Vietnam

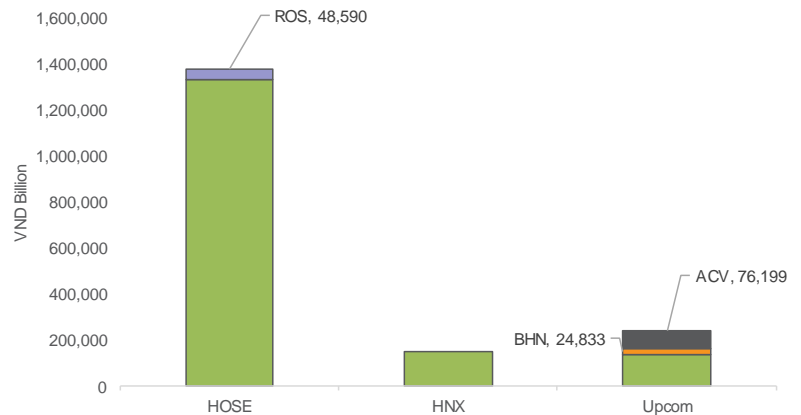


Sources: Worldbank, Bloomberg

Total market capitalization of Vietnam stock exchanges reached VND1.767 trillion (\$80 billion) as of Nov 1, 2016; accounting for 38.5% of GDP. This is equivalent to an 18% increase in market size since the beginning of the year. Yet data shows that the size of Vietnam stock market is still modest compared to other developing stock markets in the Southeast Asia region.

As the consequent of various measures which the Government has proposed as part of an effort to promote Vietnam from “frontier” to “emerging market” status, **we believe that the market size will increase considerably in the next 5 years.**

Market capitalization and the effect of new listings

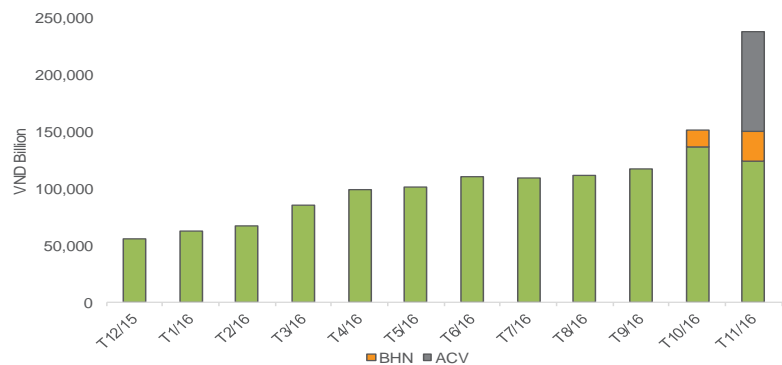


Sources: VNDIRECT calculations

Vietnam stock market includes 3 exchanges: HOSE, HNX and UPCOM, with market capitalization of VND1.378 trillion, VND151 trillion and VND 238 trillion, respectively. In terms of capitalization, HOSE ranks first with 78% of market share, followed by UPCOM 13.5% and lastly HNX with 8.5%.

Notably, the market size of UPCOM has grown strongly by 74% within the last month, equivalent to a 4-time increase since the beginning of 2016, stemming mainly from the new large-cap share listings and massive State divestment push. With the listing of ACV (VND76.2 trillion in market cap) and Habeco (VND 24.8 trillion), UPCOM surpassed HNX to become the second largest exchange in Vietnam.

UPCOM market capitalization and the effect of BHN and ACV listings



Sources: FiinPro, VNDIRECT

As the Government plans to list large-cap SOEs before divestment, we believe the market size of Vietnam stock exchanges, especially UPCOM and HOSE, is going to grow fast in the upcoming period.

2. Vietnam market capitalization doubled in the period 2010-2015

Vietnam stock market indicators

Indicators	2009	2010	2011	2012	2013	2014	2015	Nov-16
Marketcap (VND bn)*	571,670	720,345	906,762	1,063,203	1,156,897	1,304,583	1,498,525	1,766,903
%yoy growth		26%	26%	17%	9%	13%	15%	18%
Market cap of newly-listed companies(VND bn)		243,914	263,989	262,402	159,026	199,468	182,295	212,607
Market cap of other listed companies (VND bn)		476,431	642,772	800,801	997,871	1,105,114	1,316,230	1,554,296
Market cap change due to price movements (VND bn)		-95,239	-77,573	-105,960	-65,332	-51,782	11,647	55,771
Number of listed companies	409	669	744	769	780	820	925	1,035
Net change in number of listed companies		260	75	25	11	40	105	110

Sources: FiinPro, VNDIRECT calculations

Market size in 2010-2015 (HSX, HNX, UPCOM)



Sources: FiinPro, VNDIRECT

* Market cap adjusted for cash dividend

Comments:

- After VN-Index hit the bottom in 2013, the growth of market size recovered at a pace of 15% by 2015 and 18% in 11M2016.
- The number of listed companies also expands at a higher pace with the number of newly-listed companies in 11M2016 hit the 6-year record at 110 companies.

3. Key factors to boost market size

Together with the aim to raise the Market cap/GDP ratio to 70% until 2020, Vietnam is on the track to attain the holy grail of “emerging market” status. Therefore, Government hastened the state ownership exit process and urged several SOEs to IPO or to list on the bourses which will bring a sizeable supply of stocks into the market.

Lists of upcoming IPOs and listings on the exchanges

Name	Industry	Expected listings/IPO	Charter Capital (VN bn)	Estimated Marketcap (VND Bn)
Sabeco	F&B	Listing on HOSE and sale of government in 2017	6,412	80,160
Vinatex	Textiles	Listing in 2017	5,000	5,000*
Masan Consumer	F&B	Listing on UPCOM in Q4/2016	5,253	94,000
Vissan	F&B	Listing on UPCOM	809.1	6,473
36 Corp.	Construction	Listing soon	430	650
VIB	Banks	Listing in 2017	5,645	11,000
Novaland	Real Estate	Listing in 2017	6,229	28,000
Petrolimex	Oil & Gas	Listing in 2017	12,938	30,000
Vinafor	Forestry	Listing in 2017	3,500	3,540
Viwasupco	Construction		500	2,000
Thaco	Automobiles	Listing in 2017	4,145	85,527
Veam	Automobiles	Listing in 2017	13,288	19,000
Hancorp	Construction	Listed on UPCOM	1,410	1,763
Vietnam Airlines	Airlines	Listed on UPCOM in Dec 2016	14,102	62,000
Vietjet	Airlines	N/a	1,450	22,600
PV Power	Utilities	Expected IPO in 2016 (behind schedule)	13,078	27,000
Binh Son Refining and Petrochemical	Oil & Gas	N/a	35,000	35,000**
PV Oil	Oil & Gas	N/a	10,884	10,884**
Mobifone	Telecommunication	N/a	15,000	83,200

Source: VNDIRECT

* The data are calculated using our available information for the purpose of estimating the company market capitalization. The data are only for reference and should not be used for portfolio consulting, stock valuation and recommendation.

** As we do not possess enough information, charter capital data are used for estimated capitalization.

The market capitalizations of 19 companies listed above total more than VND611,453 billion, equivalent to USD27.1 billion and account for 35% of current Vietnam stock market cap.

4. Estimated market capitalization of Vietnam stock market in 2016-2018 and 2020 outlook

We estimate the Vietnam stock market capitalization in the next 2 years basing on the data providing below:

- Historical data: market capitalization of Vietnam stock market, including all listed companies (on HOSE, HNX, UPCOM) during the period Jan 2009 – Nov 2016
- Estimated market capitalization of 19 upcoming listings (stated above)

- Calculations on market capitalization of newly-listed companies and increase in market cap regarding to price growth. Assume that Vietnam stock indices grow at a rate of 8.7 -8.9% in the next 2 years (equal to growth rate of nominal GDP in the next 2 years)
- New listings is assumed at a number 100 companies/year in the next 2 years (based on the data of 2015 – 105 companies and 11M2016 – 109 companies)
- The size of a new listing is similar to the average size of a newly-listed company in 2015 and 2016

Indicators	2015	2016	2017	2018
GDP (USD bn)	194	206.54	224.15	243.71
GDP growth (%)	6.68%	6.50%	6.70%	6.90%
Inflation (%)	0.63%	4.50%	4%	4%
USD/VND exchange rate	22,485	22,534	22,985	23,445
Change in exchange rate		0.22%	2%	2%
Estimated stock market cap (USD bn)		79.5	104.2	137.3
Market cap increase (USD bn)			24.0	31.8
- Due to new listing			20.5	27.1
- Due to price increase			3.5	4.6
Estimated market cap to GDP		38.49%	46.48%	56.33%

Sources: VNDIRECT calculations

Based on our calculations, the size of the Vietnam stock market could grow by 1.7 times in the next 2 years. Market capitalization to GDP would increase from **38.5%** (in 2016) to **46.5%** (in 2017) and **56.3%** (in 2018).

Given high growth of market size thanks to massive state divestment and large-cap stock listings, the ambitious target of 70% of GDP by 2020 might become more achievable.

5. The ranking of large-cap stocks might change significantly in the next 2 years

In order to compare the market capitalization of upcoming listings and currently listed stocks, we use the following assumptions:

The 19 companies mentioned above will be listed on the bourse within the next 2 years

- The prices of currently listed companies remain unchanged for comparison
- Top 20 largest securities has market capitalization higher than VND 11.000 billion

Current end estimated ranking of stocks in terms of market capitalization

Current			After large-cap listings		
No.	Ticker	Current market cap (VND bn)	No.	Ticker	Estimated market cap (VND bn)
1	VNM	201,751	1	VNM	201,751
2	VCB	128,800	2	VCB	128,800
3	GAS	128,768	3	GAS	128,768
4	VIC	112,630	4	VIC	112,630
5	ACV	76,200	5	Masan Consumer	94,000
6	CTG	61,063	6	Thaco	85,527
7	BID	52,819	7	Mobifone	83,200
8	ROS	48,590	8	Sabeco	80,160
9	MSN	47,125	9	ACV	76,200
10	BVH	42,733	10	Vietnam Airlines	62,000
11	HPG	35,480	11	CTG	61,063
12	BHN	24,802	12	BID	52,819
13	MBB	23,293	13	ROS	48,590
14	MWG	22,426	14	MSN	47,125
15	FPT	19,774	15	BVH	42,733
16	ACB	16,939	16	HPG	35,480
17	STB	14,609	17	Binh Son Refining & Petrochemical	35,000
18	EIB	12,048	18	BHN	24,802
19	CTD	11,496	19	Petrolimex	23,293
20	DPM	11,094	20	Vietjet	22,565

Source: VNDIRECT estimation

Assume that all these 19 companies will join the market in the next 2 years, the ranking would change as following:

- Top 5: The first 4 includes VNM, VCB, GAS and VIC. The 5th one could be Sabeco or Masan Consumer (These two plan to get listed earlier than Thaco and Mobifone).
- Top 10: New entries (excluding Sabeco and Masan Consumer) could be Thaco, Mobifone and Vietnam Airlines.
- Top 20: Newcomers might be Binh Son Refining and Petrochemical, Petrolimex or Vietjet.

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