

TPBANK - TPB

Down but not out

FINANCIALS | Update

Add

Target price (12M)

VND31,000

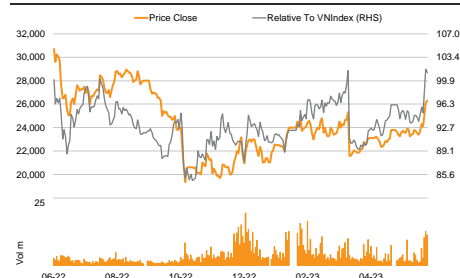
Consensus*: Add:3 Hold:3 Reduce:0

Target price / Consensus: 5.7%

Key changes in the report

Previous rating	Add
Previous TP	VND31,000
Current price	VND26,300
52w high (VND)	31,850
52w low (VND)	19,350
3m Avg daily value (VNDmn)	94,247
Market cap (VNDbn)	41,363
Free float	60%
Dividend yield	0.0%
TTM P/E (x)	6.64
Current P/B (x)	1.29

Price performance



Source: VNDIRECT RESEARCH

Ownership

Doji Gold & Gems Group	5.9%
FPT Group	5.3%
PYN Elited Fund	5.1%
Others	83.7%

Source: VNDIRECT RESEARCH

Analyst(s):



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- TPB's 1Q23 net profit grew 8.8% yoy to VND1,413bn (fulfilling 21% of our FY23F forecast).
- TPB's NP growth is expected to slow down to 9%/18% yoy in FY23-24F (2020-22 CAGR of 33.6%).
- Reiterate ADD with unchanged TP of VND31,000.

NIM compression dented 1Q23 NP growth

TPB provided a 13% yoy growth of earning assets (+5.3% ytd), in which loan growth of 15% yoy (+7.3% ytd). This loan growth level is higher than the sector's average thanks to its exposure to corporate lending (+11.6% ytd, incl. SMEs, making up 43.4% of total loans) as their liquidity shortage has spurred loan demand. However, NIM shrank 33bps yoy due to (1) corporate bonds' struggles (figure 6) and (2) decreasing CASA ratio. Thus, the bank's top line reduced 3.3% yoy in 1Q23. provisioning expenses dropped sharply 58% yoy, lifting its NP to grow 8.8% yoy (VND1,413bn - fulfilling 21% our FY23F forecast).

Asset quality deteriorated due to macro headwinds

The high interest rate environment has dampened consumer spending and the ability to fulfill obligations, thus diminishing loan demand. Otherwise banks will be more conservative to lend this group to minimize bad debt in this circumstance. As having great exposure to individual lending (56.7% total loans), TPB's asset quality has deteriorated: NPL ratio spiked to 1.5% (vs. 0.8% at end-FY22) and LLR decreased to 84% (vs. 135% at end-FY22) at end-1Q23. However, we expect things will get better from 2H23, given (1) the effects of supportive measures (see our note [here](#)) and (2) the SBV had three-time reductions in its policy rates, marking a reversal in the monetary policy to support economic recovery.

Tension on corporate bond segment has been relieved somewhat

An important issue for TPB is that its great exposure to corporate bonds (c-bonds; 11% of credit balance). Due to the on-going turbulence in c-bonds market, c-bonds balance has narrowed 5.1% ytd (-26% yoy); but this tension could be eased down as Circular 03/0223 has allowed to buy back unlisted c-bonds sold/distributed by them with several conditions. This is one of the ways to accelerate their lending activities via buying c-bonds in the context of weak system credit growth (+3% ytd at end-May) and current abundant liquidity among the banking system. In addition, it will boost c-bonds demand and thus benefit to some active plays in this market, like TPB. However, it also depends on each bank's risk appetite, as banks have tended to strengthen their balance sheet rather than chasing after growth.

Reiterate ADD with unchanged TP of VND31,000

We expect VIB's NP growth to slow down to 9%/18% yoy in FY23-24F (2020-22 CAGR of 33.6%). However, we believe TPB's valuation has reflected all the of headwinds as it is trading at only 0.96x P/B FY23F (peers' average of 1.2x) - slightly above its -2SD range of 3-year P/B average, implying an attractive entry point. Our TP is based on the combination of FY23F P/B of 1.2x and residual income valuation approach (COE: 14.1%, LTG: 3%), weighting equally. Downside risks include (1) slower-than-expected interest rates cool down, (2) higher-than-expected bad debt spike, and (3) slower-than-expected of policies' effects.

Financial summary (VND)	12-21A	12-22A	12-23E	12-24E
Net interest income (bn)	9,946	11,387	12,098	13,670
Net interest margin	4.3%	4.0%	3.8%	3.8%
Total operating income (bn)	13,517	15,617	16,833	19,060
Total provision charges (bn)	(2,908)	(1,844)	(2,218)	(2,132)
Net profit (bn)	4,830	6,262	6,844	8,053
Net profit growth	37.6%	29.6%	9.3%	17.7%
Adjusted EPS	3,560	3,959	4,327	5,091
BVPS	16,429	20,382	24,706	29,797
ROAE	22.6%	21.5%	19.2%	18.7%

Source: VNDIRECT RESEARCH

Down but not out

Reiterate Add with unchanged TP of VND31,000

We believe TPB's valuation has reflected all the of headwinds as it is trading at only 0.96x P/B FY23F (peers' average of 1.2x) - slightly above its -2SD range of 3-year P/B average, implying an attractive entry point.

We combine a 50% of P/B approach (1.2x P/B FY23F) and 50% residual income approach (COE: 14.1%, LTG: 3%) to derive a TP of VND31,000 for TPB. Downside risks include (1) slower-than-expected interest rates cool down, (2) higher-than-expected bad debt spike, and (3) slower-than-expected of policies' effects.

Figure 1: Key Assumptions of residual income valuation, based on our estimates

Assumptions	2023F	2024F	2025F	2026F	2027F	Terminal Year
Risk free rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Equity risk premium	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Beta	0.92	0.92	0.92	0.92	0.92	0.92
Cost of equity	14.1%	14.1%	14.1%	14.1%	14.1%	14.1%
Long-term growth rate						3.0%
<i>(in VND bn, otherwise noted)</i>						
Opening shareholders' equity	32,239					
PV of residual income (5 years)	9,593					
PV of terminal value	9,031					
Implied EV	50,862					
No. of outstanding shares (m shares)	1,582					
Implied value per share (VND/share)	32,155					

Source: VNDIRECT RESEARCH

Figure 2: Target price calculation, based on our estimates

Approach	Weight	Fair value (VND/share)	Contribution (VND/share)
Residual income	50%	32,155	16,078
P/B multiple (at 1.2x FY23F BVPS)	50%	29,894	14,947
Target price (VND/share)			31,025
Target price (VND/share, rounded)			31,000

Source: VNDIRECT RESEARCH

Figure 3: Vietnam bank comparison (price as of 02/06/2023)

Banks	Bloomberg Code	Price Latest	Target Price	Recomm.	Market cap (US\$bn)	P/B (x)		P/E (x)		3-yr fw CAGR EPS %	ROE %		ROA %	
		LC	LC			Current	FY23F	T12M	FY23F		Current	FY23F	Current	FY23F
Vietcombank	VCB VN	94,900	108,700	ADD	19.1	3.1	2.6	14.5	13.2	11.4%	23.6%	19.3%	1.9%	1.6%
Vietnam Prosperity JSB	VPB VN	19,850	24,800	ADD	5.7	1.3	1.2	11.0	7.6	13.3%	12.9%	16.3%	1.9%	2.5%
Techcombank	TCB VN	32,200	42,000	ADD	4.8	1.0	0.8	5.9	4.8	12.3%	17.8%	17.9%	2.9%	3.0%
Vietinbank	CTG VN	28,650	35,900	ADD	5.9	1.2	1.1	8.1	9.6	13.3%	16.1%	16.8%	1.0%	1.1%
Military Commercial JSB	MBB VN	19,700	29,300	ADD	3.8	1.1	0.9	5.0	4.5	16.5%	24.8%	23.1%	2.5%	2.6%
Asia Commercial JS Bank	ACB VN	21,800	30,000	ADD	3.6	1.4	1.2	5.8	5.8	15.4%	26.3%	24.1%	2.6%	2.4%
Vietnam International Commercial JSB	VIB VN	23,050	27,000	ADD	2.1	1.5	1.2	5.5	4.6	15.5%	29.7%	29.3%	2.5%	2.6%
HDBank	HDB VN	19,050	25,000	ADD	2.0	1.2	1.1	6.0	7.6	17.9%	22.6%	23.2%	1.9%	2.2%
Tien Phong Commercial JSB	TPB VN	26,300	31,000	ADD	1.8	1.2	1.0	6.5	5.2	16.0%	20.9%	19.2%	2.0%	2.0%
LienViet Post Bank	LPB VN	15,000	17,400	ADD	1.1	1.0	0.9	5.5	5.8	6.8%	19.9%	17.5%	1.4%	1.3%
Average						1.4	1.2	7.4	6.9	13.8%	21.5%	20.7%	2.1%	2.1%
Median						1.2	1.1	6.0	5.8	13.8%	21.5%	19.3%	2.0%	2.2%

Source: VNDIRECT RESEARCH

1Q23 recap: miss our expectations

Figure 4: Results comparison (VND bn unless otherwise noted)

FYE (VNDbn)	1Q23	1Q22	% yoy	FY23F forecast	2022 % yoy	% FY23 forecasts	Comment
Net interest income	2,737	2,831	-3.3%	12,098	11,387	6.3%	22.6% In line with our forecast
Non-interest income	922	785	17.5%	4,735	4,231	11.9%	19.5% Lower than our forecast due to lacklustre investment incomes
Operating revenue	3,659	3,616	1.2%	16,833	15,617	7.8%	21.7%
Operating expenses	(1,579)	(1,238)	27.6%	(6,060)	(5,945)	1.9%	26.1%
Pre-provision profit	2,080	2,378	-12.5%	10,773	9,672	11.4%	19.3%
Provision expenses	(315)	(755)	-58.3%	(2,218)	(1,844)	20.3%	14.2% Lower than our forecast
Pretax profit	1,765	1,623	8.7%	8,555	7,828	9.3%	20.6%
Net profit	1,413	1,299	8.8%	6,844	6,262	9.3%	20.6% Lower than our forecast

Source: TPB, VNDIRECT RESEARCH

Figure 5: TPB's key ratios by quarters

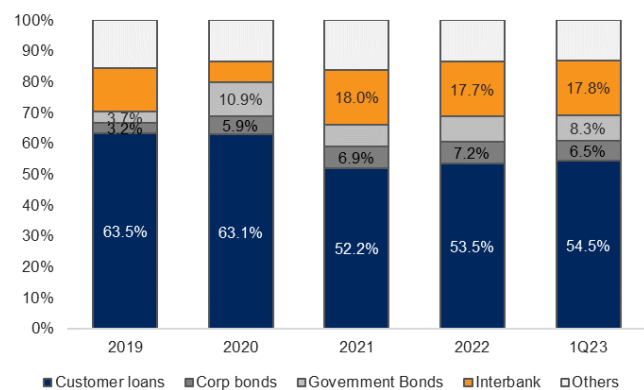
Key ratios	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23
NII/TOI	53.6%	71.1%	72.0%	77.1%	73.9%	80.9%	73.6%	77.8%	78.3%	66.4%	72.8%	75.9%	74.8%
Non-II/TOI	46.4%	28.9%	28.0%	22.9%	26.1%	19.1%	26.4%	22.2%	21.7%	33.6%	27.2%	24.1%	25.2%
NIM (annualised)	4.4%	4.4%	4.2%	4.5%	4.7%	4.6%	4.5%	4.3%	4.1%	4.2%	4.1%	4.0%	3.8%
Cost to Income ratio (CIR)	35.7%	45.1%	40.1%	36.6%	40.0%	35.2%	36.0%	25.6%	39.0%	34.2%	38.5%	34.5%	44.9%
Credit-cost rate	1.5%	1.5%	1.4%	1.5%	1.5%	1.6%	2.2%	2.0%	2.1%	2.1%	1.4%	1.1%	0.8%
Provision/PPOP	24.3%	30.1%	29.6%	30.6%	21.6%	27.9%	49.2%	25.4%	31.8%	23.0%	13.3%	5.7%	15.1%
Non-performing loan (NPL) ratio	1.3%	1.9%	1.5%	1.8%	1.2%	1.2%	1.1%	0.8%	1.1%	0.9%	0.9%	0.8%	1.4%
Loan-loss-reserves (LLR)	97.8%	76.0%	112.7%	92.2%	134.2%	134.0%	144.8%	152.6%	125.7%	161.5%	142.2%	135.0%	83.9%
ROAA (trailing 12 months)	2.1%	2.0%	2.1%	2.1%	1.9%	2.0%	2.0%	1.9%	1.9%	2.0%	2.1%	2.0%	2.0%
ROAE (trailing 12 months)	26.1%	25.6%	26.6%	26.3%	23.5%	24.1%	24.7%	22.6%	22.0%	22.1%	21.9%	21.5%	20.9%

Source: TPB, VNDIRECT RESEARCH

Figure 6: TPB's key balance sheet KPIs analysis

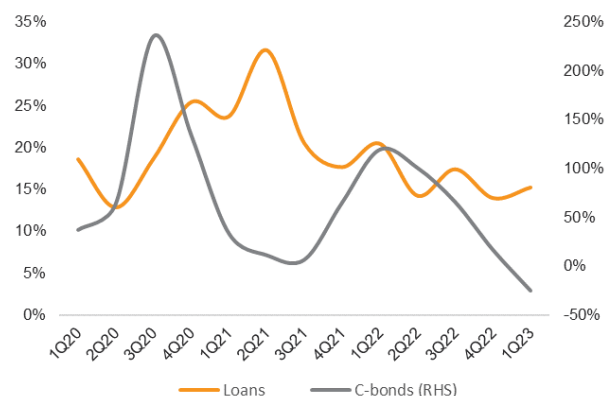
Earning asset (IEA) mix

- TPB's earnings asset increased 5.3% ytd at end-1Q23. Loans to customers increased by 7.3% ytd thanks to corporate lending segment.
- The bank has diversified its earning sources, not focusing heavily on customer loans but also reaching to interbank and debt instrument (c-bonds and g-bonds).



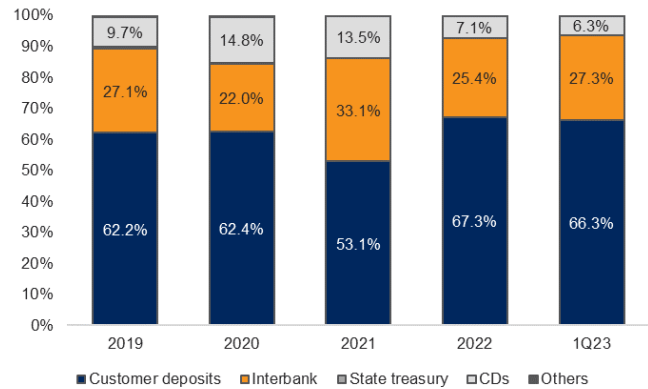
Loan mix vs. growth

- The high interest rate environment has dampened consumer spending and the ability to fulfill obligations, thus diminishing loan demand. Otherwise, banks will be more conservative to lend this group to minimize bad debt in this circumstance. TPB's individual lending only grew 4% (56.7% total loan book vs. 58.3% at end-FY22).
- Liquidity shortage among corporates has spurred their loan demand, leading TPB's corp. lending to increase 11.6% ytd (43.4% total loans book vs. 41.7% at end-FY22).
- All in all, total loan balance rose 7.3% ytd (+15% yoy – chart on the right-hand side).
- C-bonds balance reduced 5% ytd (-26% yoy) due to the ongoing struggles in this market (chart on the right-hand side).



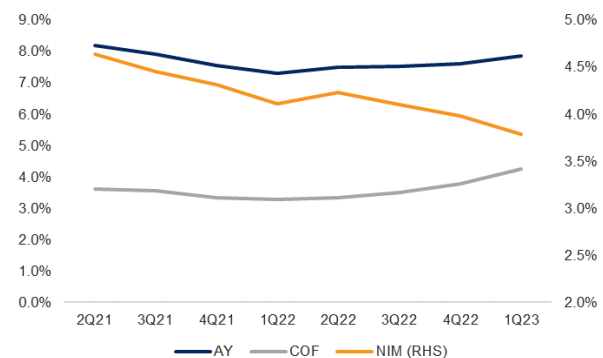
Funding mix, deposit and CASA

- TPB's deposit growth was 3.1% ytd (vs. 4.8% yoy growth of total funding). Instead of relying on customer deposit channels, TPB has diversified its funding mix i.e. increasing interbank source (+12.6% ytd). TPB is usually known as an active player in interbank market (a net-lender beside SOCBs name).
- LDR has stayed at benign level of 59.4% at end-1Q23 (59% at end-FY22; regulatory threshold of 85%). TPB has been successful to maintain a very low LDR ratio among 70-75% during the recent previous 5 years.
- CASA reduced to 14% (from 18% at end-2022), as individuals keep withdrawing their idle money to meet their financial situations and/or switch to term deposits in the context of a high interest rate environment.



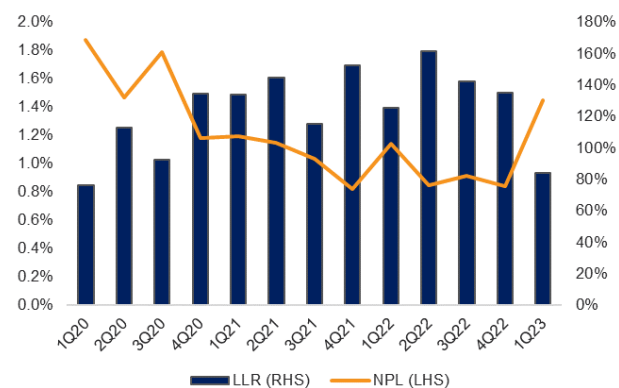
NIM performance

- TPB's annualized NIM compressed strongly 33bps yoy in 1Q23 as 43% loan exposure to corporate lending. As mention in this [note](#), we see the increase in corporate lending and individual deposit as the key trends among the sector, thus NIM would be compressed in overall. Furthermore, corporate bonds market's struggles and decreasing CASA also affected negatively to TPB's NIM performance.
- However, NIM could recover since 2H23 given (1) economic recovery to benefit individual lending (56.7% total loans at end-1Q23) and (2) ample liquidity (low LDR as noted).



Asset quality

- TPB's bad debt rose strongly 84% ytd, in which group-3 surged 3 times compared to the level at end-FY22. Group-2 debt also skyrocketed 125% ytd, making up 4% of total loans (~2% at end-FY22).
- The NPL ratio was 1.5% (vs. 0.8% at end-FY22). LLR went down to only 84% (vs. 135% at end-FY22). The bank's asset quality has deteriorated due to rising macro headwinds we have mentioned.
- However, we expect things to get better since 2H23 as (1) SBV marked a reversal in the monetary policy with three-time reductions in its policy rates; and (2) clearer effects of supportive measures.



Source: TPB, VNDIRECT RESEARCH

We take prudent FY23-24F earnings forecast for TPB

Due to the aforementioned sectoral headwinds, TPB will see a slower earnings growth of 9/18% yoy during FY23-24F (CAGR FY20-22 of 33.6%), given...

- Credit growth will slow down to 11/14% in FY23-24F (CAGR 2020-22 of 18%).
- NIM will shrink 17bps to 3.8% in FY23-24F.
- TPB will have to build provisions to defend with possible bad debt spike, leading to a 20% yoy growth in provisioning expenses.

Figure 7: Profit & Loss statement key KPIs, based on our forecasts

(In VNDbn, otherwise noted)	2020	2021	2022	FY23F	FY24F	FY25F	CAGR 2020-22	CAGR 2023-25F
Net interest income	7,619	9,946	11,387	12,098	13,670	16,380	22.2%	16.4%
Non-interest income	2,750	3,571	4,231	4,735	5,390	5,735	24.0%	10.1%
Net fee income	937	1,542	2,692	3,096	3,405	3,746	69.5%	10.0%
Income from trading and investment securities	711	1,410	426	469	516	567	-22.6%	10.0%
Operating income	10,369	13,517	15,617	16,833	19,060	22,115	22.7%	14.6%
% growth	22.4%	30.4%	15.5%	7.8%	13.2%	16.0%		
Operating expense	4,197	4,571	5,945	6,060	6,861	7,961	19.0%	14.6%
% growth	27.1%	8.9%	30.1%	1.9%	13.2%	16.0%		
Pre-provision profit	6,172	8,947	9,672	10,773	12,198	14,154	25.2%	14.6%
% growth	19.5%	45.0%	8.1%	11.4%	13.2%	16.0%		
Provision expense	1,783	2,908	1,844	2,218	2,132	2,053	1.7%	-3.8%
% of PPOP	28.9%	32.5%	19.1%	20.6%	17.5%	14.5%		
Pre-tax profit	4,389	6,038	7,828	8,555	10,066	12,101	33.6%	18.9%
% growth	13.5%	37.6%	29.6%	9.3%	17.7%	20.2%		
Profit after tax and minority interest	3,510	4,830	6,262	6,844	8,053	9,681	33.6%	18.9%
% growth	13.5%	37.6%	29.6%	9.3%	17.7%	20.2%		

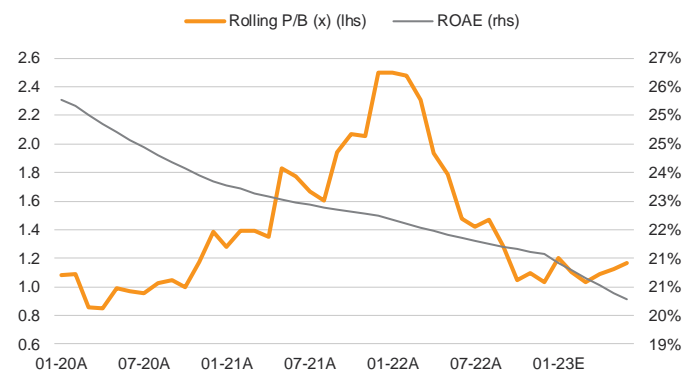
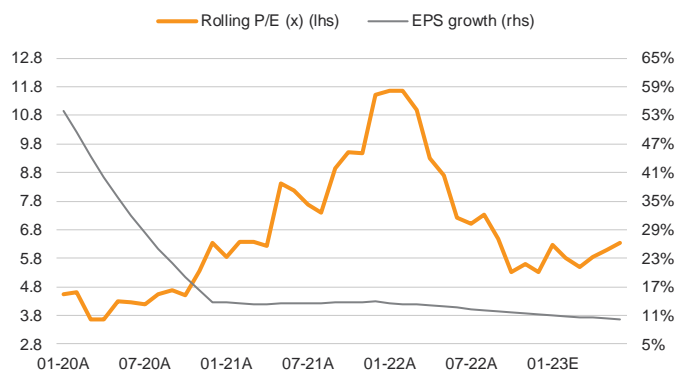
Source: VNDIRECT RESEARCH

Figure 8: Balance sheet key KPIs, based on our forecasts

(In VNDbn, otherwise noted)	2020	2021	2022	FY23F	FY24F	FY25F	CAGR 2020-22	CAGR 2023-25F
Interest-earning assets (excl. provisions) "IEAs"	190,117	270,801	301,115	334,218	380,230	443,102	25.9%	15.1%
% growth	26.2%	42.4%	11.2%	11.0%	13.8%	16.5%		
Gross loans to customers	119,991	141,228	160,993	180,312	207,359	248,831	15.8%	17.5%
% growth	25.5%	17.7%	14.0%	12.0%	15.0%	20.0%		
Interbank deposit and loans	21,807	66,793	65,353	71,889	82,672	95,073	73.1%	15.0%
% growth	-24.2%	206.3%	-2.2%	10.0%	15.0%	15.0%		
Securities	48,095	62,405	74,377	81,814	89,996	98,995	24.4%	10.0%
% growth	84.4%	29.8%	19.2%	10.0%	10.0%	10.0%		
Interest-bearing liabilities "IBLs"	185,609	262,949	289,484	312,717	346,862	396,549	24.9%	12.6%
% growth	24.9%	41.7%	10.1%	8.0%	10.9%	14.3%		
Customer deposit	115,904	139,562	194,960	210,557	231,612	266,354	29.7%	12.5%
% growth	25.4%	20.4%	39.7%	8.0%	10.0%	15.0%		
CDs and valuable papers	27,439	35,405	20,430	21,451	22,524	23,650	-13.7%	5.0%
% growth	90.2%	29.0%	-42.3%	5.0%	5.0%	5.0%		
Deposit and loan from other banks	40,880	87,016	73,496	80,111	92,127	105,947	34.1%	15.0%
% growth	1.7%	112.9%	-15.5%	9.0%	15.0%	15.0%		
Borrowing from SBV	698	564	433	433	433	433	-21.2%	0.0%
% growth	-15.7%	-19.2%	-23.2%	0.0%	0.0%	0.0%		
Other funds from gov. and other org.	689	402	165	165	165	165	-51.1%	0.0%
% growth	-2.5%	-41.7%	-58.9%	0.0%	0.0%	0.0%		

Source: VNDIRECT RESEARCH

Valuation



Income statement

(VNDbn)	12-22A	12-23E	12-24E
Net interest income	11,387	12,098	13,670
Non interest income	4,231	4,735	5,390
Total operating income	15,617	16,833	19,060
Total operating costs	(5,945)	(6,060)	(6,861)
Pre-provision operating profit	9,672	10,773	12,198
Total provision charges	(1,844)	(2,218)	(2,132)
Income from associates & JVs			
Net other income			
Pre-tax profit	7,828	8,555	10,066
Tax expense	(1,566)	(1,711)	(2,013)
Profit after tax	6,262	6,844	8,053
Minority interest	0	0	0
Net profit	6,262	6,844	8,053

Balance sheet

(VNDbn)	12-22A	12-23E	12-24E
Gross loans to customers	160,993	180,312	207,359
Loans to banks	53,365	58,701	67,507
Total gross loans	214,358	239,014	274,866
Securities - total	74,565	82,223	90,446
Other interest earning assets	12,192	13,391	15,369
Total gross IEAs	301,115	334,628	380,680
Total provisions	(2,021)	(4,289)	(6,269)
Net loans to customers	159,160	176,432	201,540
Total net IEAs	299,094	330,338	374,411
Cash and deposits	2,427	2,597	2,779
Total investments	0	0	0
Other assets	27,113	29,011	31,042
Total non-IEAs	29,540	31,608	33,821
Total assets	328,634	361,946	408,232
Customer deposits	194,960	210,557	231,612
Cds outstanding	20,430	21,451	22,524
Customer interest-bearing liabilities	215,390	232,008	254,136
Bank deposits	433	433	433
Broad deposits	215,823	232,442	254,570
Other interest-bearing liabilities	73,661	80,276	92,292
Total IBLs	289,484	312,717	346,862
Deferred tax liability			
Other non-interest bearing liabilities	6,911	10,150	14,238
Total non-IBLs	6,911	10,150	14,238
Total liabilities	296,395	322,867	361,100
Share capital	15,818	15,818	15,818
Additional paid-in capital	2,561	2,561	2,561
Treasury shares	0	0	0
Retained earnings reserve	11,747	18,587	26,640
Other reserves	2,113	2,113	2,113
Shareholders' equity	32,239	39,079	47,132
Minority interest	0	0	0
Total equity	32,239	39,079	47,132
Total liabilities & equity	328,634	361,946	408,232

	12-22A	12-23E	12-24E
Growth rate (yoy)			
Cust deposit growth	39.7%	8.0%	10.0%
Gross cust loan growth	14.0%	12.0%	15.0%
Net interest income growth	14.5%	6.3%	13.0%
Pre provision operating profit growth	8.1%	11.4%	13.2%
Net profit growth	29.6%	9.3%	17.7%
Growth in IEAs	11.3%	10.4%	13.3%
Share value			
Basic EPS (VND)	3,959	4,327	5,091
BVPS (VND)	20,382	24,706	29,797
DPS (VND)	0	0	0
EPS growth	11.2%	9.3%	17.7%

Key ratios

	12-22A	12-23E	12-24E
Net interest margin	4.0%	3.8%	3.8%
Cost-income ratio	(38.1%)	(36.0%)	(36.0%)
Reported NPLs / gross cust loans	0.8%	1.0%	1.0%
Reported NPLs / net cust loans	0.9%	1.1%	1.0%
GP charge / average cust loans	1.2%	1.3%	1.1%
Total CAR	14.0%	14.8%	15.6%
Loan deposit ratio	74.7%	77.7%	81.6%
Margins and spreads			
Return on IEAs	7.6%	8.5%	8.2%
Cost of funds	3.8%	5.0%	4.8%
Interest return on average assets	3.7%	3.5%	3.5%
ROAE	21.5%	19.2%	18.7%

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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