

VINGROUP JSC (VIC)
CONGLOMERATE

HOLD

Current Price	VND40,800
52Wk High/Low	VND75,600/ VND40,400
Target Price	VND46,600
TP vs Consensus	-2.4%
Upside	14.2%
Dividend Yield	0 %
TSR	14.2%

Growth rating	Positive
Value rating	Neutral
ST Technical Analysis	<u>Neutral</u>

Market Cap	USD6,230mn
3MADTV	USD3.8mn
Avail Foreign Room	USD2,380mn
Outstanding Shares	3,824m
Fully Diluted O/S	3,824m

	VIC	Peers	VNI
P/E TTM	41.5x	48.2x	13.5x
P/B Current	1.2x	3.3x	1.7x
ROA	0.5%	5.1%	1.3%
ROE	2.3%	12.8	4.8%

*as of 8/15/2024

Share Price Performance



Share price (%)	1M	3M	12M
VIC	-2.3	-11.4	-44.3
VNIndex	-3.9	-1.0	-0.5

Ownership

Vietnam Investment Group JSC	33.0%
Pham Nhat Vuong	18.1%
VMI Real estate Investment and Management JSC	6.4%
SK Investment Vina I Pte.Ltd	6.1%
Others	36.4%

Business Descripton

Vingroup is the largest private conglomerate in Vietnam. It leads residential property development with the subsidiary Vinhomes, and tourism property and services business with Vinpearl, while pioneering in electric vehicle manufacturing through VinFast. The group also operates in social services such as health-care, education and electric buses.

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Spreading wings to international markets

- We initiate coverage with a HOLD rating and 14.2% upside to our target price of VND46,600.
- Vingroup is the leading company in Vietnam in residential property, hospitality and entertainment, and electric vehicle manufacturing.
- The current P/B of 1.2x is lower than VIC's 3Y and 5Y averages. It is equivalent to residential property peers but below automotive peers. However, its FY24 ROE of 2.9% is also below its historical average.

Financial Highlights

- We forecast property delivery and electric vehicle manufacturing to form 45.2%/31.2% of FY24 revenue, and 35.8%/46.9% by FY28, respectively.
- We expect net profit to reach VND4.5tn (USD179mn) in FY24 and VND8.4tn (USD334mn) by FY28, posting a FY24-28 CAGR of 16.7%.
- Liquidity risk remains a concern due to low solvency ratios: the debt to equity ratio was 1.37x at end-1H24 (+0.09x YoY), while TTM interest coverage declined to 1.58x at end-1H24 (-0.73x YoY).

Investment Thesis

Maintaining its leading position in residential property

Vingroup's residential property development subsidiary Vinhomes JSC (VHM) is a domestic market leader. We expect VHM's new contract value to rise 4.3% in FY24 to VND90.8tn (USD3.7bn) and 41.3% in FY25 to VND128.2tn (USD5.2bn). Despite our conservative market outlook for 2024, we believe strong pent-up housing demand, which is waiting for appropriate supply, will drive sustainable growth.

Asia to be the main market driving VinFast's vehicle growth

The domestic market will continue to be VinFast's strength, as car ownership rates in Vietnam have maintained a continuous growth trajectory in recent years, while a rising middle-income class and more awareness about environmental issues and the cost benefits (of lower maintenance and fuel costs) will support EV consumption.

VinFast now targets Southeast Asia to be a key market due to its favorable environment of incentive policies and rising consumer preference for electric vehicles. We forecast the Southeast Asian and Indian markets will account for 89-90% of its FY24-26 vehicle sales. Globally, we expect VinFast to deliver about 80,000 EVs in FY24 and 115,000 in FY25.

Hospitality segment blooms with Vietnam's tourism recovery

Leveraging off cooperation with international brands, Vinpearl has built a portfolio of hotels and resorts in prime locations in Vietnam's most popular tourism destinations. We expect FY24/FY25 hospitality and entertainment revenue to increase 30.7%/23.4% YoY to VND11.4tn (USD379mn) and VND14.0tn (USD438mn), respectively, as Vietnam's tourism sector recovers from the prior downturn.

Vinpearl's planned listing on HOSE would enhance value

Vingroup plans to bring back Vinpearl on HOSE in late 2025/ early 2026, which would enhance financial and operational transparency and improve opportunities to attract strategic investors.

Financial summary	12-22A	12-23A	12-24E	12-25F	12-26F
Revenue (VNDbn)	101,794	161,428	203,530	255,042	296,362
Revenue growth (%)	-19.0%	58.6%	26.1%	25.3%	16.2%
Gross margin (%)	14.4%	14.6%	16.6%	18.0%	19.8%
EBITDA margin (%)	47.5%	33.6%	33.6%	24.5%	23.2%
Net profit (VNDbn)	8,782	2,157	4,516	5,411	5,931
Net profit growth (%)	N/A	-75.4%	109.4%	19.8%	9.6%
D/E (x)	1.2	1.4	1.4	1.4	1.2
P/B (x)	1.5	1.2	1.3	1.4	1.4
P/E (x)	23.4	79.1	37.8	31.5	30.5
EV delivery (unit)	7,355	34,855	80,130	115,130	132,380
E-scooter delivery (unit)	60,044	72,468	88,411	99,904	111,111

Source: VIC, VNDIRECT RESEARCH

Company profile: Overview on the largest private conglomerate in Vietnam

A brief history

Vietnam Investment Group JSC (Vingroup JSC) was formed by the merger of Vinpearl JSC into Vietnam Commercial General JSC (Vincom JSC) in November 2011 through a share conversion, then listed on the Ho Chi Minh City Stock Exchange (HOSE) with the ticker symbol VIC in February 2012.

Vincom JSC, established on May 2002, developed a project portfolio spanning across various segments of residential, retail and office properties, focusing on upper mid-range and high-end products. The company was known for its capability to implement large-scale and mixed-use projects comprised of housing units, shopping centers and officetels in urban centers in Hanoi and HCMC on-schedule and with high quality. Vincom built its reputation in the market through projects such as Vincom Center Hanoi – Tower A, B and C, Royal City, Vincom Village (Ha Noi) and Green City (HCMC).

Vinpearl JSC was one of the top hospitality companies in Vietnam, providing high-end hotel/resorts and recreation services, and making its name through successful projects such as Vinpearl Resort Nha Trang and VinWonder Nha Trang. The company was established in July 2001 under the name of Hon Tre Tourism Investment and Development, Trading and Services LLC.

After the merger, Vingroup became the largest listed property developer in the Vietnamese market, and has maintained its leading position.

Vingroup has expanded its business activities into many adjacent industries: manufacturing (VinSmart, VinFast), health-care (VinMec), education (Vinschool and VinUni), health (VinFa), a retail/supermarket chain and agriculture products (VinPro, VinMart, VinEco), fashion (VinDS), technology (VinID, VinTech, VinBrain) and public transportation (VinBus).

As of end-June 2024, Vingroup was a holding company with 108 subsidiaries, focusing on three key pillars: Industrials & Technology, Real Estate & Services and Social Enterprises. Through these pillars, Vingroup provides a full range of living accommodations within its ecosystem for customers.

See VIC's signature projects in [Appendix 1](#).

The group's ecosystem and ownership structure

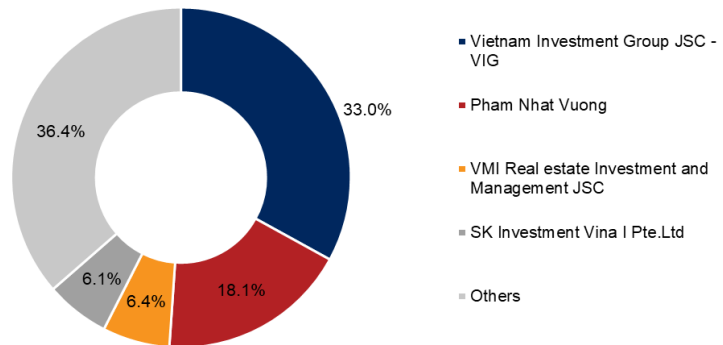
The Vingroup ecosystem

Figure 1: Vingroup's major business sectors



Ownership structure

Figure 2: VIC's ownership structure as of 6/30/2024



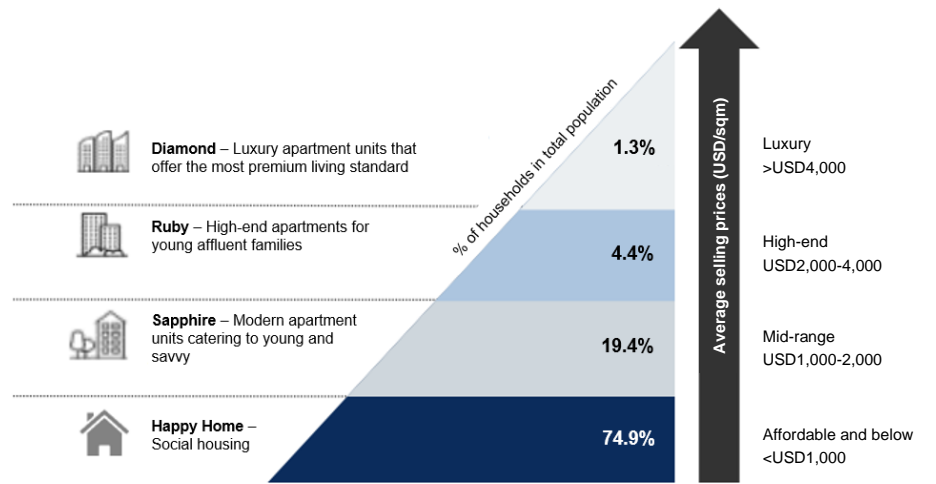
Founder Pham Nhat Vuong is, directly and indirectly, the biggest shareholder of Vingroup JSC, as he holds 92.9% of Vietnam Investment Group's charter capital, and 90.0% of VMI's charter capital.

A leading developer in Vietnam's residential property market

Vingroup's residential property business is run by subsidiary Vinhomes JSC, which was formally established in 2008 under the name of BIDV-PP Urban JSC, and was listed on HOSE with the ticker symbol VHM in May 2018.

Vinhomes is recognized as a leading developer in the domestic residential property industry, with market share of 26% across all segments, 38%/41% in mid-range and high-end condominiums, and 36% in landed properties (data as of end-2Q24).

Figure 3: Vinhomes offers products in all segments of the residential property market



Source: VHM, VNDIRECT RESEARCH

Possessing the largest land bank at strategic locations

At end-2023, Vinhomes had a total land bank of nearly 19,600 ha, most of which is situated at prime locations in populous areas or has potential for tourism development. The company operates in 28 urban areas, having delivered 130,000 housing units, with total cumulative pre-sales of 235,700 units.

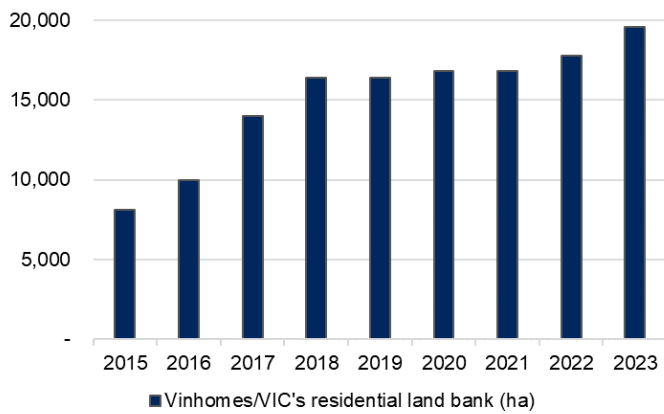
Over time, Vinhomes has outpaced other listed property companies in land bank expansion. Vinhomes/Vingroup’s residential land bank spans across prime locations in the CBD and non-CBD of Hanoi, HCMC and other provinces. In addition, Vingroup/Vinhomes is a top candidate to develop large-scale urban areas in the future, as it has won the trust of the authorities through a track record of on-schedule implementation and meeting legal requirements.

In 2000-2015, with a large land bank situated mostly in Hanoi and HCMC, Vingroup made its name in the domestic residential housing industry through projects such as Vinhomes Royal City (12ha – Thanh Xuan, Hanoi) in 2010, Vinhomes Times City (36ha – Hoang Mai, Hanoi) in 2011, Vinhomes Riverside (184ha – Long Bien, Hanoi) in 2011 and Vinhomes Central Park (44ha – Binh Thanh, HCMC) in 2015.

The next period’s project development strategy was to shift outside the CBD due to low supply capacity in CBD locations. Vinhomes implemented large-scale comprehensive projects to provide accommodation outside city centers (with the synergy from retail, hospital, and entertainment facilities in Vingroup’s ecosystem) for homebuyers. A number of projects broke ground such as Vinhomes Ocean Park (420ha – Gia Lam, Hanoi), Vinhomes Grand Park (272ha – Thu Duc city, HCMC) and Vinhomes Smart City (280ha – Nam Tu Liem, Hanoi) in 2018.

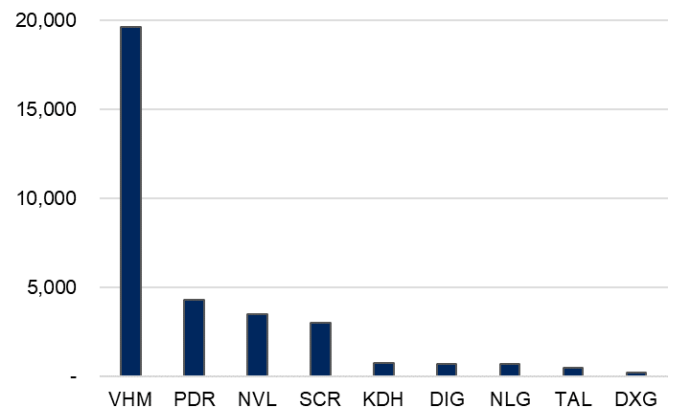
Continuing the success of Vinhomes Ocean Park, Vinhomes implemented the projects Ocean Park 2 and 3 (in Hung Yen province) as part of Ocean City’s 1,200ha. Vinhomes is also seeing good sales progress in a project in Thuy Nguyen (Hai Phong city) called Vinhomes Royal Island (877ha), which was launched in late-March 2024.

Figure 4: Vinhomes/Vingroup's residential land bank development since 2015



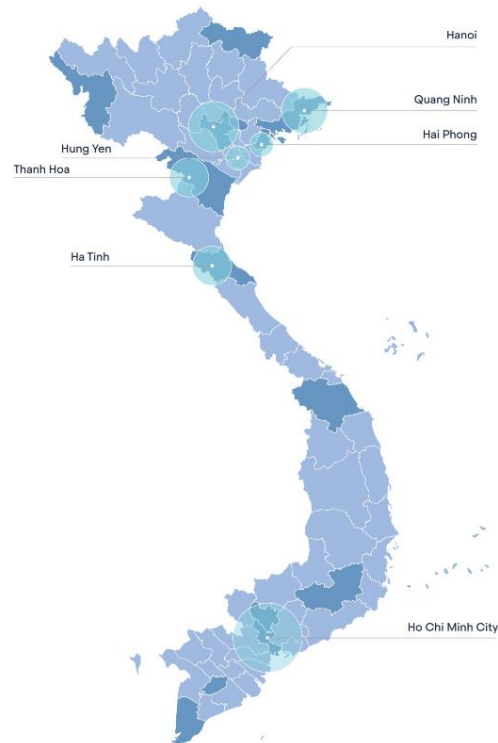
Source: COMPANIES' REPORTS, VNDIRECT RESEARCH

Figure 5: Land bank of listed property companies at end-2023 (unit: ha)



Source: COMPANIES' REPORTS, VNDIRECT RESEARCH

Figure 6: Vinhomes/Vingroup's residential land bank spans across prime locations in CBD and non-CBD of Hanoi, HCMC and other provinces

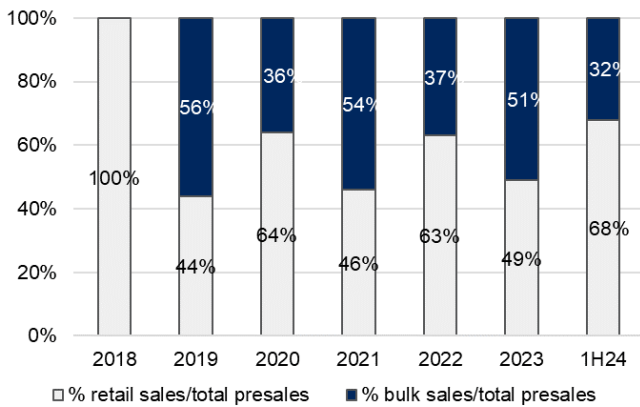


Source: VHM, VNDIRECT RESEARCH

Flexible dual-channel sales strategy ensures financial stability

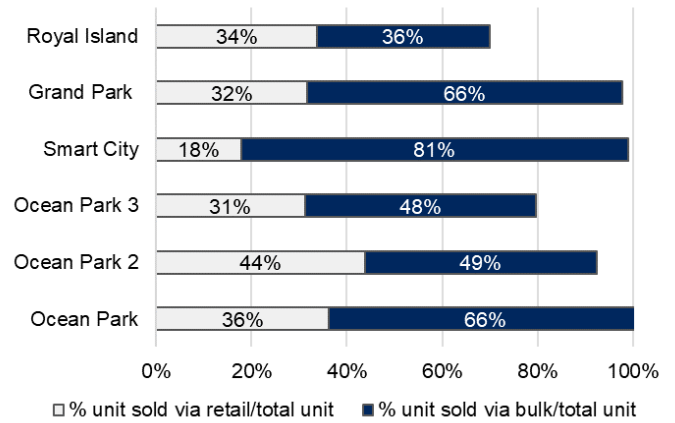
Bulk sales form a significant proportion of Vinhomes' property sales (see Figure 7), as they have demonstrated certain efficiencies by providing quick and direct cash flow from customers. This is especially beneficial during periods of weak market sentiment and retail demand. Additionally, bulk sales represent strategic cooperation with prominent foreign developers, (such as Mitsubishi, Capital Land), which not only bolster Vinhomes' capital needs but also leverage the reputation of these established firms to attract a broader customer base. Hence, this dual-channel strategy enables Vinhomes to maintain financial stability and market presence, regardless of fluctuating market conditions.

Figure 7: Bulk sales and retail sales proportion of total pre-sales during each period



Source: VHM, VNDIRECT RESEARCH

Figure 8: Bulk sales and retail sales proportion of recent major projects



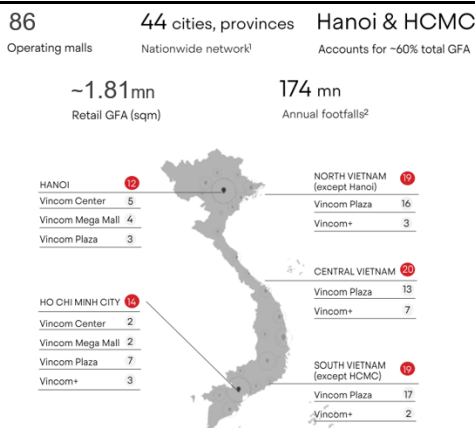
Source: VHM, VNDIRECT RESEARCH

The biggest shareholder of Vietnam's largest retail landlord

Before selling a majority of its stake in Vincom Retail JSC (HOSE: VRE), Vingroup possessed a diverse portfolio of 86 shopping malls nationwide, with an aggregate retail GFA of 1.81 million sqm (by June 2024).

Vincom Retail's shopping malls are tailored to meet the specific needs of varied consumer demographics in diverse areas, from city centers and central business districts of Hanoi and HCMC, to medium-density or non-central business district areas.

Figure 9: VRE's mall locations



Source: VRE, VNDIRECT RESEARCH

Figure 10: VRE's mall formats



Source: VRE, VNDIRECT RESEARCH

In March 2024, Vingroup announced its transfer of up to 100% of the charter capital owned by itself and subsidiaries in SDI Trading Development and Investment Co. Ltd. (who owns more than 99% of charter capital of Sado Trading Commercial JSC – a major shareholder holding 41.5% of Vincom Retail JSC), to several investors. At end-June 2024, VIC and its subsidiaries completed the transfer of 70% interests in SDI. Currently, VIC directly owns 18.8% and indirectly owns 12.45% of VRE.

According to management, the change in ownership structure will not affect Vincom Retail's current business activities, and Vincom Retail will continue to be a strategic partner with other entities within Vingroup's ecosystem. We believe that Vincom Retail will continue to have its presence in urban residential

areas developed by Vinhomes, bringing benefits to both sides as Vincom Retail also benefits from the customer base of Vinhomes residences.

A pioneer in Vietnam’s electric vehicle manufacturing


A vision of taking its business global

Vingroup entered the automotive industry in 2017, with the establishment of VinFast Trading and production LLC, starting with the manufacture of ICE vehicles. VinFast introduced its first two ICE models, Lux A2.0 and LUX SA2.0, in October 2018. In December 2021, VinFast delivered 100 battery electric vehicles (BEV or EV), VF e34, the first EV model manufactured by and in Vietnam.

VinFast is currently the first and only Vietnamese manufacturer of electric vehicles, including SUVs, buses and scooters. By the end of 2022, VinFast has ceased its ICE vehicles production and focus solely on electric vehicles.

Figure 11: VinFast's launched EV models


Model	Unit	VF 3	VF 5	VF 6	VF e34	VF 7	VF 8	VF 9	VF Wild
Segment		mini-SUV	A-SUV	B-SUV	C-SUV	C-SUV	D-SUV	E-SUV	Mid size pickup truck
Version		Standard, unbound colour	Plus	Plus	Smart	Plus	Plus, CATL battery	Plus Captain Seat, CATL battery	
MSRP (with battery)	USD	13,480	21,920	34,200	33,200	47,960	61,760	92,480	N/A
MSRP (without battery)	USD	10,200	18,720	30,600	28,400	39,960	53,360	71,680	N/A
Range per full charge	km	210	326.4 WLTP	381 WLTP	318.6 NDEC	431 WLTP	457 WLTP	602 WLTP	N/A
Maximum power	kW	32	100	150	110	260	300	300	N/A



Source: VFS, VNDIRECT RESEARCH

Figure 12: VinFast's launched E-scooter models

Model	Unit	Evo200	Feliz S	Vento S	Klara S	Theon S
Motor type		Inhub	Inhub	Side motor	Inhub	Chain drive
MSRP (incl. portable charger)	USD	720	1080	2000	1400	2520
Range per fully charge	km	203	198	160	194	150
Maximum speed	km/h	70	78	89	78	99

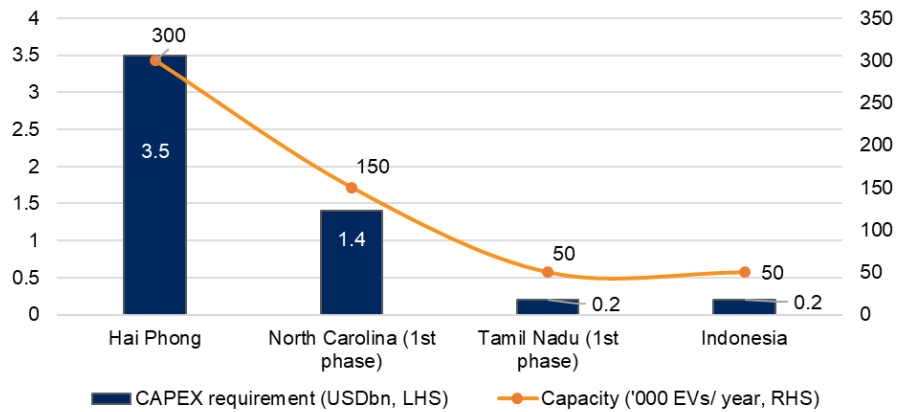


Source: VFS, VNDIRECT RESEARCH

In August 2023, VinFast Auto Ltd went public on Nasdaq (US) with the ticker symbol VFS after a SPAC transaction with Black Space Capital.

VinFast currently owns a factory with a designed capacity of 300,000 EVs/year in Hai Phong. The company is also building a 50,000 EVs/year CKD factory in Tamil Nadu, India and a CKD factory with the same capacity in Indonesia; with plan to start construction a 150,000 EVs/year (phase 1) factory in North Carolina, USA.

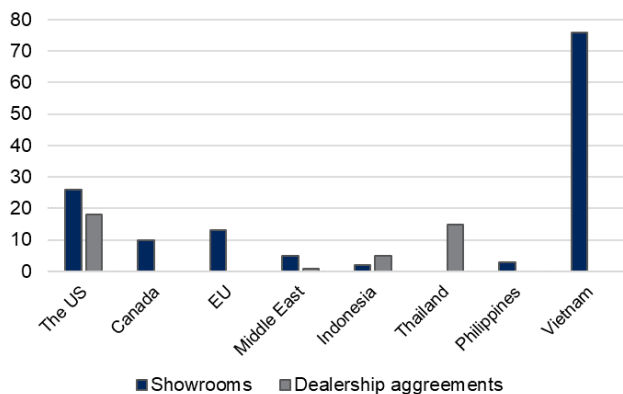
Figure 13: Expected capital expenditure needed for VinFast's EV manufacturing facilities



Source: VFS, VNDIRECT RESEARCH

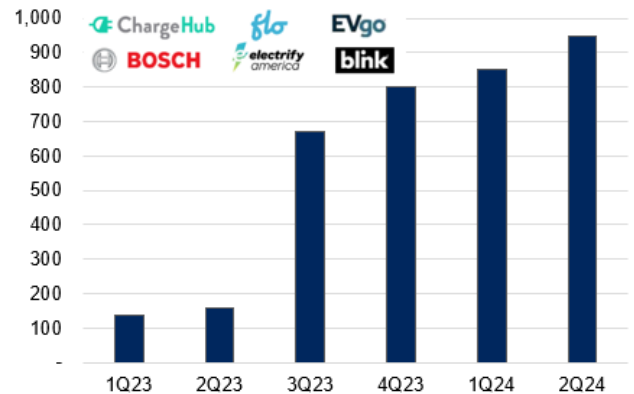
At end of June 2024, the company had a distribution network of 130 showrooms (including company owned and dealer showrooms), with access to 950,000 charging points globally (including company-owned points in Vietnam and partner charging networks in North America and Europe).

Figure 14: VinFast's EV distribution network



Source: VFS, VNDIRECT RESEARCH

Figure 15: Total charging points and partners ('000)



Source: VFS, VNDIRECT RESEARCH

A value chain with in-house and global partners

With the advantage of having parent Vingroup, VFS was able to reach out to top-tier partners among vehicle interior and exterior component manufacturers.

For its advanced automotive system, VinFast works with several partners to develop and enhance its ADAS (Advanced Driver Assistance Systems) technology, such as using the NVIDIA DRIVE Xavier system-on-a-chip. All VinFast EVs are now equipped with level 2 ADAS.

For battery supply, VFS has an auto manufacturing complex in Hai Phong with a cylindrical battery factory and a battery cell facility (capacity 70,000 pack/year). VinFast also has a battery pack factory with capacity of 100,000 pack/year in operation and a LFP battery cell facility (China's Gotion High-Tech owns 51%) with capacity of 5GWh/year (1st phase) expecting to start production in 3Q24 in the Vung Ang Economic zone (Ha Tinh).

See VinFast's other partnerships in Figure 16.

Figure 16: VinFast's key partners

Cooperation on	Partners
ADAS	
Powertrain and battery	
Smart infotainment	
Internal and exterior components	

Source: VFS, VNDIRECT RESEARCH

A first-class hospitality and entertainment brand in Vietnam

Vinpearl hotels and resorts and VinWonder amusement parks

Vinpearl JSC is the leading integrated hospitality and entertainment services developer and operator in Vietnam, with over 20 years of experience in the tourism industry distinguished by its exceptional range of offerings and prime locations.

As of December 31, 2023, Vinpearl owned and operated 42 facilities in 17 major cities nationwide, including 30 hotels and resorts with a capacity of over 15,900 hotel rooms, three theme parks, two entertainment complexes, one safari, one water park, four golf courses, and one dining and conference centre.

Figure 17: Vinpearl's brands

Brands			
Number of accomodation	30 hotels and resorts ~15,900 rooms	7 destinations 4 concepts: shows, water park, conservation parks for endangered animals and aquarium	4 golf courses

Source: VIC, VNDIRECT RESEARCH

Since 2022, Vinpearl has formed a strategic cooperation with Meliá Hotels International, a Spanish hotel chain that has its presence in more than 40 countries with more than 380 properties worldwide. Currently, Meliá is managing 13 Vinpearl hotels and resorts. Vinpearl has formed similar partnership with Marriott International (US) since 2023, according to which Marriott will manage nine Vinpearl hotels and resorts. Marriott is a leading hotel brand in the global market with more than 8,000 properties under 30 leading brands spanning 139 countries or territories in its portfolio.

This is part of Vinpearl's global branding strategy, as the synergy with these brands helps attract international customers to Vinpearl's facilities, and in turn enhances customer sentiment of its own brand.

Residential property industry outlook

Vietnam’s residential property market slowed down in 2H22, following high-profile arrests related to corporate bond issuance violations, limited credit room for property development, and rising lending rates that temporarily dented housing demand. In the short-term, the market is facing slow legal processes limiting new supply (especially in HCMC) and prices remaining at high levels (prices continue to rise in the Hanoi market).

However, we believe the market has passed its toughest phase thanks to a more favorable policy environment. While we expect the market to remain conservative in 2024, the market should show gradual improvement during the year. High real housing demand, which is still pent up and waiting for appropriate supply, is a stimulus for the market’s sustainable growth momentum in the next phase.

The market’s general context has become more favorable

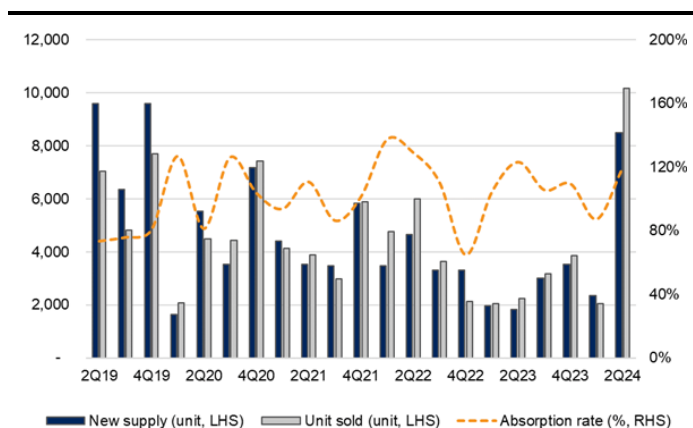
Market looks slow but is on road to recovery

In 1H24, the Hanoi market thrived, while HCMC slowly recovered. However, resilient absorption rates signify strong demand in both market.

- Hanoi enjoyed a strong recovery: New supply increased 176% YoY in 1H24 to 10,841 units, while the absorption rate rose 12% YoY to 112%. After a slow start in 1Q24, new apartment supply in Hanoi reached its highest level in three years in 2Q24 (+263% QoQ, +367% YoY), with a strong absorption rate at nearly 120%.
- The HCMC market slowly improved on quarter: 1H24 new supply was the lowest in 15 years, down 59% YoY to 1,676 units. However, the number of units sold continued to surpass new supply at a 104% absorption rate. In 2Q24, new supply and units sold in HCMC dropped 6%/24% YoY, but rose 139%/88% QoQ, respectively.

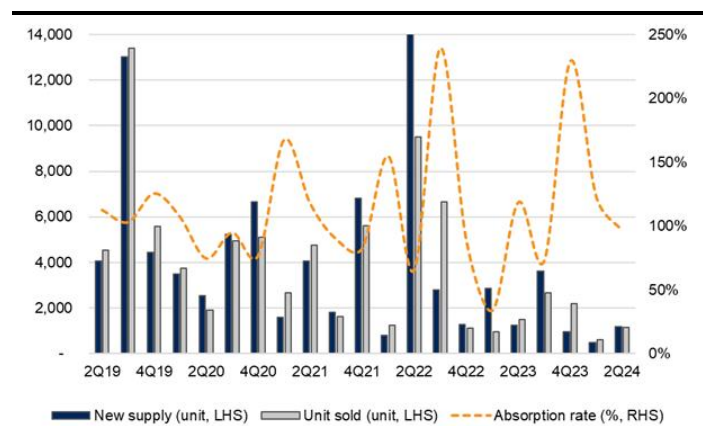
According to data from CBRE, new condo supply in 2024 is expected to be slightly over 8,000 units in HCMC (-8% YoY) and to reach over 12,000 units (+20% YoY) in Hanoi. The absorption rate on new supply is expected to remain above 100% in the Hanoi market, while improving compared to previous years in HCMC.

Figure 18: New supply in Hanoi in 2Q23 was highest since 2019



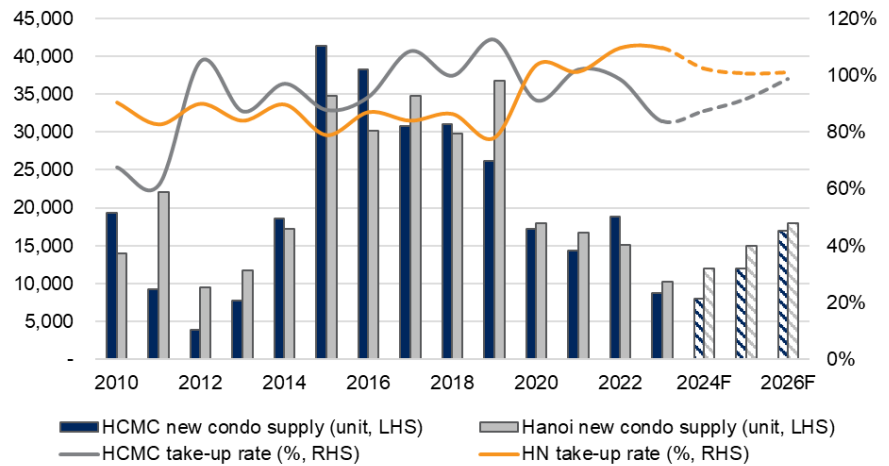
Source: CBRE, VNDIRECT RESEARCH

Figure 19: HCMC showed slow improvement



Source: CBRE, VNDIRECT RESEARCH

Figure 20: New condo supply is expected to recover in Hanoi and stay flat in HCMC in 2024



Source: CBRE, VNDIRECT RESEARCH

Awaiting support from new laws

Thanks to the Government’s determination to remove bottlenecks in the market, three major property laws (Land Law 2024, Housing Law 2023, Law on Real Estate Business 2023) started to take effect from August 1, 2024, earlier than the previous expected effective date of January 1, 2025.

Bolstered by the Government’s continuing effort to support the property market, the market will welcome clarifications of regulations, which will help to smooth the project approval process in the coming months. New regulations and policies should help resolve current legal problems and strengthen market sentiment.

We believe that the amended laws will also help the market develop in a more transparent, healthy and sustainable direction, by imposing stricter requirements for investors and protecting the rights of home buyers. Developers will be required to prove stronger finances, implementation capability, and legal adequacy, which should bolster the competitive advantages for leading developers, such as Vinhomes.

Real housing demand fuels the market’s long-term growth

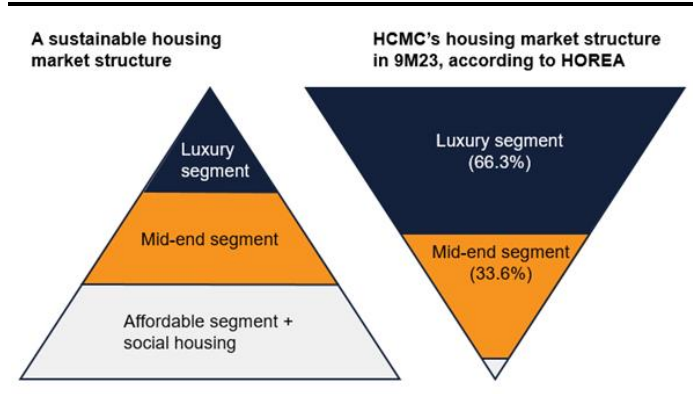
New supply to focus on mid-range, affordable housing segments

In response to encouragement from the Government via a credit package (VND120tn/USD5bn, interest rates of 1.5-2 % pts lower than SOCB average lending rate) and supportive regulations under the amended Housing Law in order to achieve a plan of one million social housing projects completed by 2030, residential property developers have been actively carrying out projects in this segment.

Social housing projects yield lower net profit margins for developers. In a social housing project, the social housing area is entitled to a maximum net profit margin of 10%. With the commercial housing area (which accounts for a maximum 20% of a total project) being counted separately, a total project’s net profit margin will be around 15-16%.

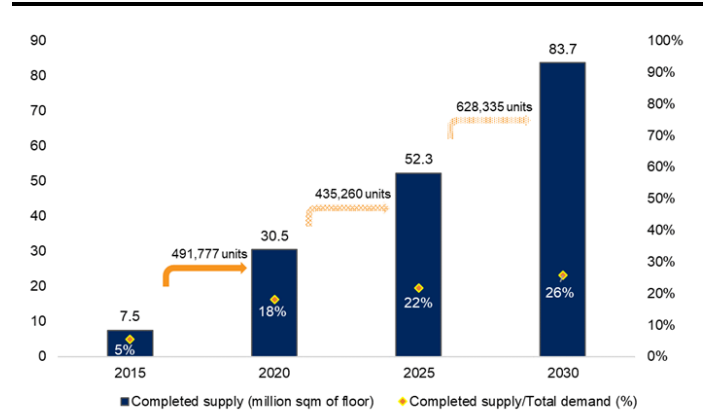
However, we believe implementing social housing projects is going to bring about pros rather than cons, as it helps the property market recover by solving the current demand-supply imbalance. The property market’s recovery will cast a positive shadow on the overall economy, which in turn will then support the absorption as well as development of residential property projects in general.

Figure 21: Vietnam’s market has an imbalance in supply and demand of real demand products



Source: HOREA, VNDIRECT RESEARCH

Figure 22: Expected supply of social housing (million sqm of floor) according to projection in Decision No. 338

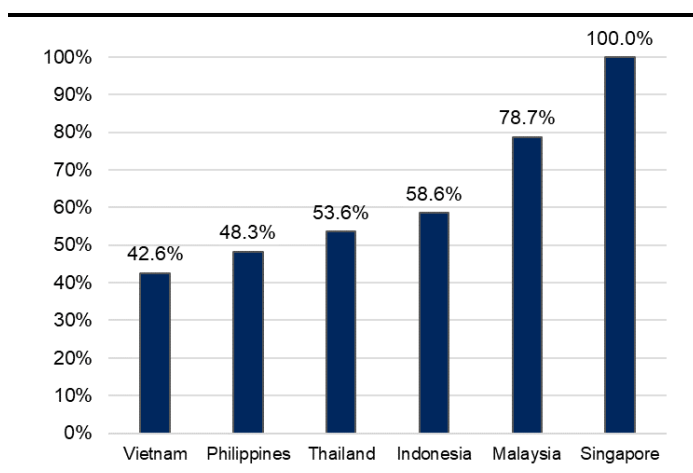


Source: MINISTRY OF CONSTRUCTION, VNDIRECT RESEARCH

Urbanization drives long-term growth in housing construction

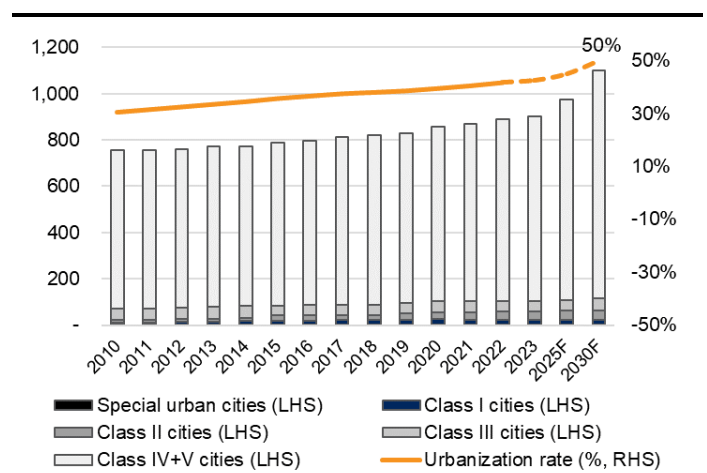
We believe that the residential property market still see strong demand in the long run, driven by Vietnam’s growing urbanization. Urbanization in Vietnam rose from 30.5% of the population in 2010 to 42.6% by November 2023, but was still below regional peers (figure 23). The Ministry of Construction expects the urban population will reach 45% by 2025, and more than 50% by 2030.

Figure 23: Urbanization rates of peers in 2023 (%)



Source: STATISTA, VNDIRECT RESEARCH

Figure 24: Vietnam expects to have 50% urban population by 2030

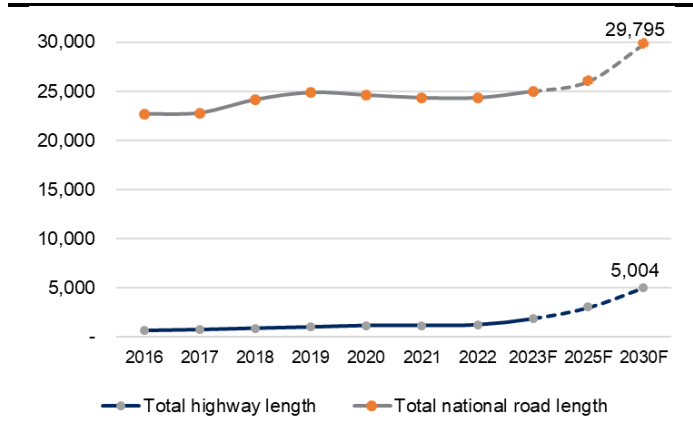


Source: MINISTRY OF CONSTRUCTION, VNDIRECT RESEARCH

Upgrading transportation infrastructure will support the urbanization trend. According to Vietnam’s road development planning for 2021-30 and vision toward 2050, the Government aims to complete 5,004km of highway (2021-30, with a CAGR of 17.6%) and 29,795km of national roads (2021-30, with a CAGR of 2.3%) by 2030.

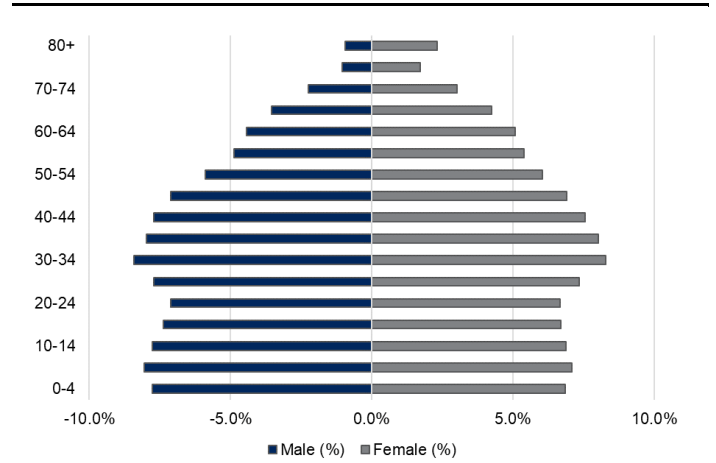
Housing demand is also supported by demographic factors. Vietnam is still in the period of a “golden” population structure, with a high proportion of working-age residents, while the population aged 25-44, who are the most common homebuyers, is 31%.

Figure 25: Vietnam's highway and national road development plan (km)



Source: MINISTRY OF CONSTRUCTION, VNDIRECT RESEARCH

Figure 26: Vietnam's population pyramid in 2023



Source: PYRAMID POPULATION, VNDIRECT RESEARCH

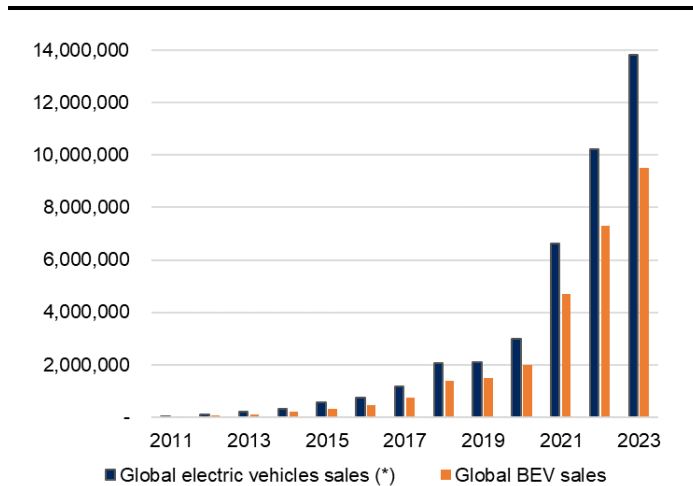
Automotive industry outlook

Global battery electric vehicle market on the move

Battery electric vehicles (BEV or EV) have extended their presence in the global automotive industry in recent years, thanks to: 1) advancements in technology, driving experience and charging convenience; 2) Government policy incentives; 3) increasing consumer awareness of environmental issues; and 4) lower operating costs compared to plug-in hybrid electric vehicles (PHEV) and fuel-cell electric vehicles (FCEV) due to fewer moving parts and lower energy costs per mile driven (see comparison of electric vehicles type in [Appendix 2](#)).

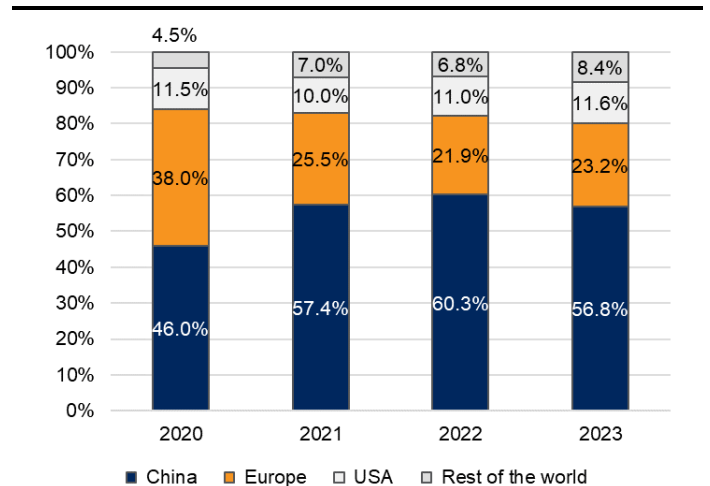
The market went from concentrating only in North America, Europe and China (early-2010s) to expanding with notable growth in markets such as India, Southeast Asia and Latin America (mid-2010s). In its early days, the market was dominated by a few key players, such as Tesla (US), with the first BEV named Roadster in 2008, Nissan (Japan) with the Nissan Leaf, General Motors (US) with Chevrolet Volt in 2010, and BYD (China) with the BYD e6 in 2011. The market then became much more competitive with new automakers taking part, such as Volkswagen and BMW (Germany), Renault (France), Hyundai (Korean), Nio and SAIC (China), Rivian and Lucid (US), Volvo (Sweden), and VinFast (Vietnam).

Figure 27: Sales of electric vehicles maintained growth globally even through the pandemic period



Source: IEA, VNDIRECT RESEARCH

Figure 28: Global BEV sales by market share since 2020 (%)



Source: IEA, VNDIRECT RESEARCH

Figure 27 (*): data includes BEV, PHEV and FCEV.

Global target of net-zero paves way for further EV development

The global push toward net-zero emissions is a significant catalyst for the further development and expansion of the electric vehicle market in general and the BEV market in particular.

The international accords to limit global warming to well below 2 degrees Celsius, with efforts to keep it to 1.5 degrees, underscores the importance of reducing emissions from transportation. During COP26, over 100 countries committed to achieving net-zero emissions by mid-century, further emphasizing the transition to EVs.

As countries and companies work toward these climate goals, the momentum behind the EV market is set to continue its rapid acceleration, contributing to a substantial reduction in global carbon emissions. By fostering regulatory support, technological advancements, substantial investments, and heightened

consumer awareness, the pathway to a more sustainable transportation future is becoming clearer:

- Stricter emission standards are being enforced globally, pushing automakers to develop and promote electric vehicles to comply. For example, the EU targeted zero-emission light-duty vehicle sales reaching 100% in 2035. The United Kingdom passed the Vehicle Emissions Trading Schemes Order 2023, setting a target for zero-emission cars sales to increase from 22% of the market in 2024 to 80% in 2030. Canada amended its GHG regulations, targeting at least 20% of the market to be zero-emission vehicle sales by 2026, at least 60% by 2030 and 100% zero-emission vehicle sales by 2035.
- Governments are offering financial incentives such as tax credits, rebates, and grants to encourage the purchase of EVs. For example, the US federal tax credit for EVs can be up to USD7,500 (for vehicles that use a battery capacity of 16 kWh or more), and many states offer additional incentives.
- Significant investments are being made to expand the EV charging infrastructure. The US aims to install 500,000 public chargers by 2030 through federal funding, and the EU plans to have three million public charging points by the same year.

Many automotive companies are committing to electrification. For example, General Motors plans to offer only electric vehicles by 2035; Volkswagen aims for 55% of its sales to be electric by 2030 in the US and 80% in EU; while Toyota targets EVs to account for 20% total production by 2026.

Bloomberg New Energy Finance (BNEF) estimated that global passenger EV sales would expand from 3.1 million units to 14 million units in 2020-25, toward 66 million units in 2040. BNEF expects that EVs could account for 40% of all new vehicle sales by 2030 and nearly 100% by 2040.

Battery technology improvement supports BEV demand

Companies are investing heavily on battery technology to win over wary potential buyers. The continuous improvements in battery technology supply EVs with longer ranges and shorter charging times. BYD and Tesla have led the pack in embracing lithium-iron-phosphate (LFP) batteries, which have a lower energy density, cost less and boast a longer life than the main alternative – nickel-cobalt-manganese (NCM) batteries. Toyota, BYD, and CATL are all working on developing solid-state batteries, which use high-voltage, high-capacity electrode materials that boost battery performance and capacity compared to lithium-ion technology.

Challenges in mature markets, opportunities in emerging ones

The US market has potential for large growth but is heating up with competition

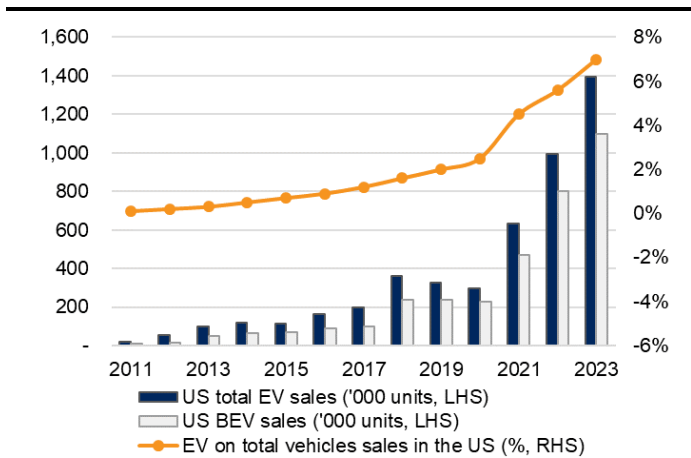
EV sales in the US have grown rapidly. In 2020, despite the pandemic, EV sales reached about 295,000 units. By 2021, this number increased significantly, with over 607,000 EVs sold, marking growth of more than 100% year-over-year. The market share of EVs has also expanded to approximately 7% of all new vehicle sales in the US, from about 2% in 2019.

The growth of public charging infrastructure in the US has been rapid and substantial, driven by a combination of government support, private investment, and increasing consumer demand for electric vehicles.

The US government has implemented the following policies to support the EV industry.

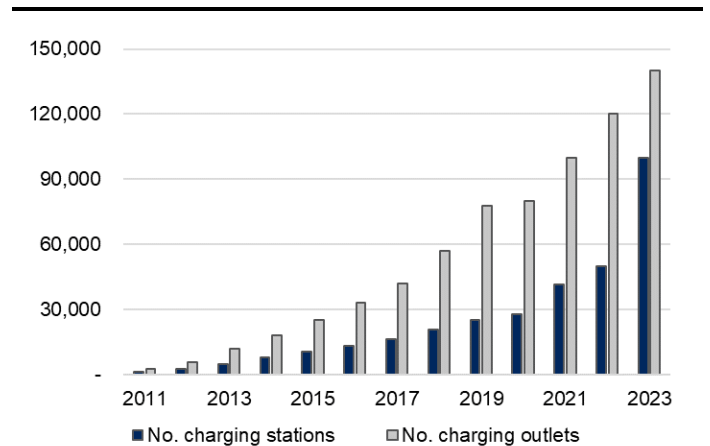
- The federal tax credit of up to USD7,500 has been crucial in promoting EV adoption, though it phases out for manufacturers after they sell 200,000 qualifying vehicles. Companies like Tesla and General Motors have already hit this cap.
- State Incentives vary significantly, with states like California and New York offering rebates up to USD2,000, and additional incentives for low-income households, while New Jersey offers sales tax exemptions.
- The Bipartisan Infrastructure Law (Infrastructure Investment and Jobs Act) allocated USD7.5bn for EV charging infrastructure with a goal to install 500,000 chargers by 2030. By 2023, significant progress had been made, with federal and state funding supporting the rapid expansion of charging networks.

Figure 29: US EV market share doubled from 2018 to 2023



Source: IEA, DOE, VNDIRECT RESEARCH

Figure 30: Charging infrastructure has expanded rapidly



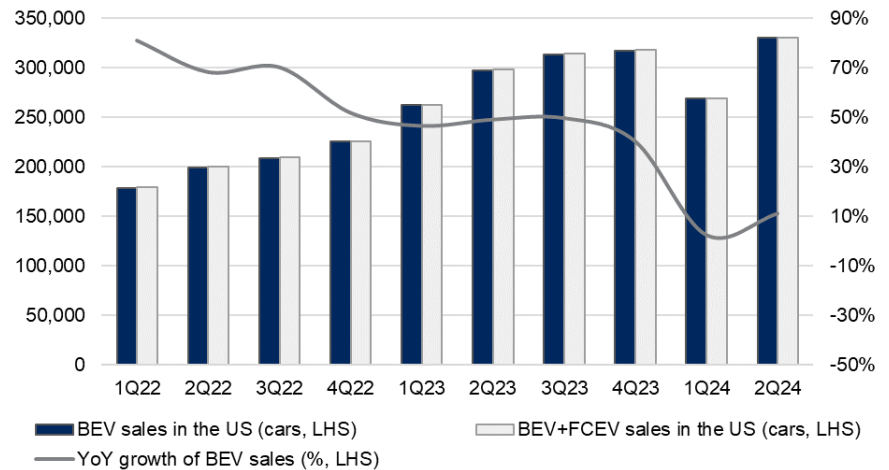
Source: IEA, DOE, VNDIRECT RESEARCH

The US market is dominated by major players such as Tesla, General Motors, Ford, and Volkswagen. GM plans to exclusively offer electric vehicles by 2035, and Ford aims for 40% of its global sales to be fully electric by 2030. New entrants like Rivian and Lucid Motors, and startups supported by major investments, have also entered the market, enhancing competition and innovation.

After a period of robust growth, competition has been accelerating as more EV makers are entering the US market, while consumption demand has been slower due to concerns above a number of factors related to costs, technology and macroeconomics. According to Cox Automotive, BEV sales in 2Q24 reached ~8% of the total LDV (light-duty vehicles), increasing from 7.1% in 1Q24 and 7.2% in 2Q23. On a yearly basis, BEV sales grew 2.9% in 2Q24. The growth momentum has slowed down, as 1Q24 sales were up 2.6% YoY, after 13 consecutive quarters of double-digit gains.

McKinsey's 2024 Mobility Consumer Global Survey showed that 46% of EV owners in the US want to switch to ICE vehicles (vs 29% globally). Top concerns in the US market are charging infrastructure inadequacy, total cost of ownership, and inconvenience during long-distance trips.

Figure 31: Electric vehicles sales in the US by quarter



Source: KELLY BLUE BOOK, VNDIRECT RESEARCH

Apart from the fact that the US LDV market is highly seasonal and total sales usually level off in the first quarter, the slowdown in EV sales growth was also attributable to luxury vehicle sales declining more than mass-market sales amid uncertainties in the economic outlook (EVs contributed about one-third of luxury LDV over the last four quarters).

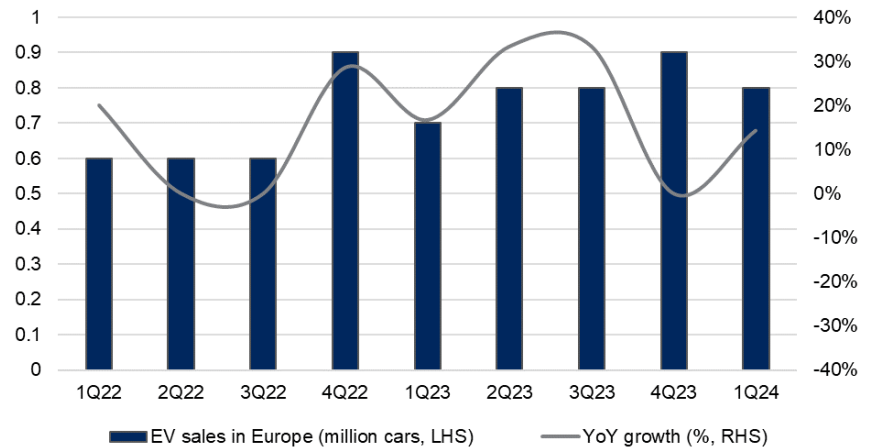
Several carmakers, led by Tesla, have cut prices repeatedly over the past year to win customers. Many have also reduced output and staffing to maintain profits. Manufacturers are racing to introduce several cheaper models. European versions include Stellantis' e-C3, the Renault 5 and the Volvo EX30. In the US, where only one electric model sells for less than USD40,000, General Motors is starting to build an electric Chevrolet Equinox starting at USD35,000.

The European market is highly competitive with local and Chinese auto makers

Europe has solidified its position as the second largest EV market globally (after China).

In 2020, despite the pandemic's impact, EV registrations doubled compared to the previous year. Countries such as the Netherlands, Norway, the United Kingdom, and France led this surge. From 2021 to 2023, the market saw significant expansion. In 2022, EVs represented about 12.1% of all new car registrations in Europe, up from 9.1% in 2021. This growth continued into 2023, with EVs accounting for approximately 25% of all new car sales in the region, according to IEA. This growth was supported by stringent CO2 emissions standards and generous incentives across various European Union (EU) member states.

Figure 32: Electric vehicle sales in Europe by quarter



Source: IEA, VNDIRECT RESEARCH

The major players in the European EV market include Volkswagen Group, BMW, Renault, and Tesla, which have all increased their offerings of electric and plug-in hybrid models.

However, the EV market in the EU is highly competitive with even local car manufacturers losing market competitiveness to Chinese vehicles, which are 28% cheaper than European EV brands. Made-in-China EV models (including international brands' models produced in China and then exported to the EU and China-originated models) will account for 25.3% of EV sales in the EU in 2024, from 19.5% in 2023, according to the European Federation for Transport and Environment (T&E). Chinese EV leader BYD has announced plans to build a new factory in Hungary, with EV production expected to start by the end of 2025. BYD aims to become one of the largest EV brands in Europe by 2030, accounting for 10% of the market by that time (BYD has already seen its market share in the European EV market increase from 0.4% in 2019 to 8% in 2023). The EU has raised tariffs on electric cars imported from China, adding additional duties of 17.4% to 38.1%, bringing the total rate to nearly 50%, due to concerns over unfair subsidies.

On the other hand, despite this strong growth momentum in the market, concerns about market saturation have emerged, with factors such as the high cost of EVs, limited charging infrastructure in some areas, and the phase-out of subsidies potentially tempering future growth.

However, the ongoing investments in battery technology and charging networks are expected to sustain the market's momentum.

The development of the EV market in Southeast Asia has been accelerating

The EV market in Southeast Asia is still in its nascent stage, accounting for less than 2% of global EV sales. However, it is expected to grow significantly with a CAGR of 16%-39% from 2021 to 2035, according to an EY-Parthenon study.

- Indonesia: The country holds the world's largest deposits of nickel, tin, and copper, essential for EV batteries. In 2020, the government banned nickel ore exports to boost local battery production. By 2022, Indonesia opened its first EV battery production facility, and major investments from companies like LG Energy Solution and Hyundai are underway to mass-produce battery cells by 2024. Indonesia aims to export 200,000 EVs by 2025, making up nearly 20% of its car exports, according to Mordor Intelligence.

- Thailand: The government's roadmap includes manufacturing around 250,000 electric vehicles by 2025, including electric buses and motorcycles. Thailand also attracts significant investments, such as a BYD electric car manufacturing plant started operations in July 2024 with an annual capacity of 150,000 EVs.
- Philippines: Government initiatives, such as the Comprehensive Roadmap for the Electric Vehicle Industry (CREVI) and the Electric Vehicle Industry Development Act (EVIDA), offer tax incentives and infrastructure investments to encourage the adoption of EVs. These initiatives aim to achieve a target of one million electric vehicles on the nation's roads by 2030. Additionally, the country's abundant renewable energy resources, with a potential of over 250 GW from solar and wind, can provide a clean and sustainable power source for charging stations.
- Vietnam: Vietnam, through Vinfast, is rapidly developing its EV sector. Vinfast is constructing facilities capable of producing 50,000 EV/year in India and Indonesia, and a factory to produce 100,000 EV batteries/year. Vietnam's extensive nickel reserves further support its ambitions to become a significant player in the global battery supply chain.
- Malaysia: Malaysia aims to be a regional EV battery manufacturing hub, with collaborations like the one between Hong Seng Consolidated Berhad and EoCell.
- Singapore: Singapore is leading in market readiness due to high acceptance of EVs, a growing charging network, and robust government support. It has seen early adoption and significant sales growth in the EV sector. From 2020 to 2021, EV sales surged 17-fold from 102 units to 1,740 units, representing 3.8% of new car registrations that year, according to Fitch Solutions. By 2023, EVs accounted for 13% of all passenger vehicle sales in this country (+1.4% pts YoY).

India is becoming a key player in the global EV market

India's EV market is on a fast growth trajectory, supported by robust government policies, increasing consumer demand, and significant investments from both domestic and international players. Two-wheelers dominate the market, making up about 85-90% of total EV sales. Tata Motors has been a leader in the four-wheeler segment, while companies like Ola and Hero Electric are prominent in the two-wheeler space.

Electric vehicles sales (across all segments) in India saw substantial increases over the past few years, from nearly 323,000 units in 2021 to exceeding one million units in 2022, then nearly doubling in 2023, with projections indicating a 66% growth in 2024.

The Indian government has played a pivotal role in this growth through various policies and incentives. The Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME) scheme has been instrumental, particularly in boosting two-wheeler and three-wheeler EV sales. Additionally, the Production Linked Incentive (PLI) scheme for Advanced Chemistry Cells (ACC) and the reduction of import duties on certain EV models have further encouraged both production and adoption of EVs.

VFS competes with other EV players in after-sales services

After-sales support policies are essential to enhance customer satisfaction, loyalty and retention. By providing these services, manufacturers can also help gain customer feedback and insights, hence creating a competitive advantage to attract new customers.

VinFast is offering warranty options that are more beneficial to customers than most other EV players, which should support the adoption of its products in international markets.

Figure 33: VinFast's after-sales support policies

	Period	Models applied	Available in markets
Warranty packages (incl. Basic, Drivetrain, Corrosion warranty)	10 years/ 125,000 miles	VF e34, VF 7, VF 8, VF9	US, Vietnam, Philippines
	7 years/ 100,000 miles	VF 3, VF 5, VF 6	
Roadside assistance accessible 24/7	10 years / 125,000 miles	All models	US, Vietnam, Philippines
Battery warranty	10 years/ unlimited mileage	VF e34, VF 7, VF 8, VF 9	
		8 years/ unlimited millage	VF3, VF5, VF 6

Source: VFS, VNDIRECT RESEARCH

Figure 34: Other manufacturers with strong commitment to supporting their EV customers

EV manufacturers	Tesla	Hyundai	Kia	BYD	Mitsubishi
Basic vehicle warranty	4 years/ 50,000 miles	5 years/ 60,000 miles	5 years/ 60,000 miles	4 years/ 50,000 miles	5 years/ 60,000 miles
Battery Warranty	8 years/ 100,000 or 150,000 miles depending on the model and battery size	Lifetime warranty for the original owner	10 years/ 100,000 miles	8 years/ 100,000 miles	8 years/ 100,000 miles
Roadside Assistance	Included for the duration of the vehicle and battery warranty	5 years with unlimited miles	5 years/ 60,000 miles	Typically 4 years/ 50,000 miles details vary by region	5 years with unlimited miles
Corrosion warranty	12 years or unlimited miles	7 years with unlimited miles	5 years/ 100,000 miles	Typically around 6 years with unlimited miles, depending on the market.	7 years/ 100,000 miles
Drivetrain warranty	8 years/ 100,000 or 120,000 miles depending on the model and range	10 years/ 100,000 miles	10 years/ 100,000 miles	6 years/ 60,000 miles	10 years/ 100,000 miles

Source: COMPANIES' DATA, VNDIRECT RESEARCH

Bright long-term outlook for EV consumption in Vietnam

Currently, VinFast is the market leader in Vietnam with over 50% of the domestic passenger EV market. Competition in Vietnam's EV market is heating up with TMT Motors' production of the mini EV under Chinese brand Wuling HongGuang. Its factory has an annual capacity of 30,000 units for the first phase and 60,000 for the second phase. Foxconn (Taiwab) has announced that it plans to build an EV charging and component production plant in Vietnam with an investment of USD250mn while Chery Automobile (China) joined with Geleximco (HOSE: GEX) to build a USD800mn assembly plant with a capacity to produce 200,000 vehicles per year from 1Q26.

Government seeks to achieve net zero, grow auto manufacturing

Vietnam agreed to reduce emissions to net zero by 2050 at the 26th UN Climate Change Conference in 2021 (COP26) and has continued to show strong commitment ever since; it submitted a plan to reduce methane emissions by at least 30% by 2030 (vs 2020's level) at COP27 and joined the Green Strategic Partnership with Denmark (in November 2023) ahead of COP28.

Shifting to electric vehicles is essential, as emissions from transportation such as CO, CO2, NO2, black smoke, and other pollutants are the leading cause of

high levels of air pollution in urban areas. These emissions account for up to 70% of the total dust and emissions in the air, especially in major cities like Hanoi and HCMC (In urban areas with high traffic density, approximately 15% of CO emissions and 50% of NO2 concentrations in the air come from vehicle emissions, according to the National Institute of Occupational and Environmental Health).

Vietnam has implemented some incentives for electric vehicles, which help electric vehicle buyers save a significant amount of money. Decree 10/2022, effective from March 2022, is one of Vietnam's first incentive policies for electric vehicles and features the following.

- From 3/1/2022 to 2/28/2025: The registration fee for electric cars is reduced by 100%, meaning the fee will be 0% in all provinces and cities.
- From 3/1/2025 to 2/28/2027: The registration fee for electric cars will be reduced by 50% compared to the fee for gasoline and diesel cars with the same seating capacity.

The National Assembly also agreed to reduce the Special Consumption Tax (SCT) on electric cars. The maximum reduction is up to 9% for electric cars with nine or fewer seats from March 2022 to February 28, 2027.

However, compared to support policies for electric vehicles in other countries such as China, Thailand, and Europe, Vietnam's incentives are still not particularly prominent. Vietnam's electric vehicle market needs more policies to develop, including incentives for manufacturers, support for electric car buyers, and support for infrastructure development for electric cars.

In early August 2023, the Ministry of Transport (MoT) proposed a framework of policies to support the conversion to electric cars in Vietnam. The proposal identified priority targets in the electric car manufacturing industry, including technology access and transfer, enhancing the capacity for developing electric car assembly technology, preferential loans for transport businesses converting to electric cars and higher subsidies for electric buses.

Regarding incentives for automobile manufacturers in general, the Ministry of Planning and Investment has proposed support measures for enterprises capable of producing prioritized vehicle lines at a scale of over 50,000 vehicles per year. The Ministry of Industry and Trade has also proposed a different SCT for vehicles with a high localization rate (potentially exempting the SCT on the value created domestically) to encourage car manufacturers to produce and assemble locally, thereby increasing the localization rate in the automotive industry.

With its attempt to minimize manufacturing costs, VFS's factory in Hai Phong (designed capacity of 300,000 EVs/year) has reached a locality rate of up to 60%. Since VinFast stopped producing ICE vehicles and became a fully electric vehicle manufacturer in 2022, the factory in Hai Phong's SCT will be down from 35% to 3% until end-Feb 2027 (after that will be 11%). VinFast has to pay only 10% corporate income tax (CIT) for the first 15 years from when it starts generating revenue, 0% CIT for four years from when it has tax-bearing income, and a 50% reduction on CIT for the next nine years.

Charging infrastructure is spreading rapidly

As of the end of 2023, VinFast owns 63,800 charging points (+18.1% YoY) nationwide, with a charging station density of 3.5 km per station in 80 of 85 cities. VinFast is also collaborating with PVOil to install charging points in the existing petrol station infrastructure of this unit.

The number of charging points in Vietnam is outstanding compared to other markets in the region; Thailand currently has about 8,700 charging points, while Singapore currently has only about 3,600 charging points.

VinFast aims to establish 150,000 charging points in Vietnam. V-GREEN – the company in charge of developing charging station networks for VinFast – has planned to invest an additional VND10tn (USD400mn) over the next two years to build new, upgraded charging station systems three times the current capacity on a global scale.

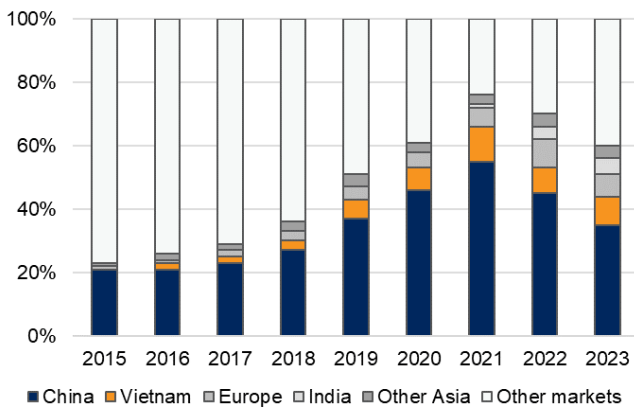
The development of electric vehicle (EV) charging infrastructure in Vietnam is in its early stages but showing promising progress. However, since currently nearly all of the charging points in Vietnam are dominated by VinFast and not shared with other car brands for at least the next 10 years, the adoption of electric vehicles in Vietnam will heavily lean toward VinFast cars and create barriers for other electric car manufacturers to enter the market.

Vietnam’s market still dominated by two-wheelers

EV adoption in Vietnam is now seeing better progress in the electric two-wheeler (E2W) segment. Vietnam’s E2W market is currently the second largest in the world (behind China).

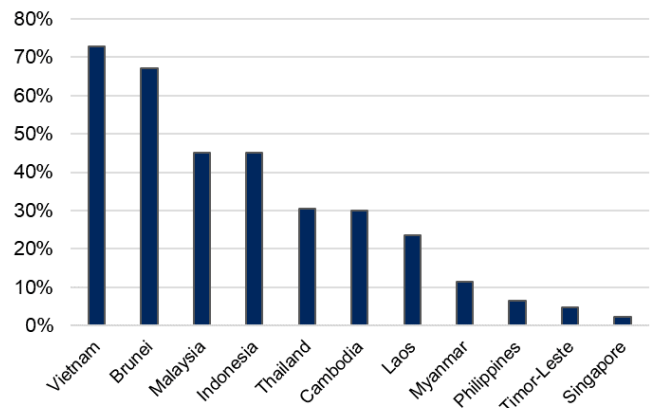
Originally, the Vietnamese market has always favored motorbikes, with its infrastructure characterized by numerous narrow alleys and small streets, especially in urban areas and traditional neighborhoods. Vietnam had the highest motorbike owners/population ratio among ASEAN countries in 2023, according to Seasia Stats.

Figure 35: E2W sales share by region (%)



Source: IEA, VNDIRECT RESEARCH

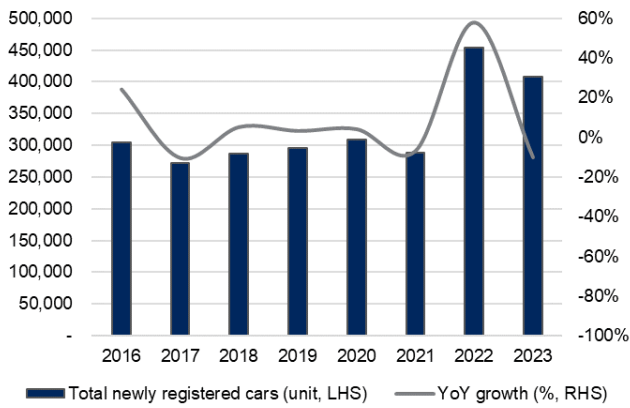
Figure 36: Motorbike owners/population ratio in 2023 of ASEAN countries



Source: SEASIA STATS, VNDIRECT RESEARCH

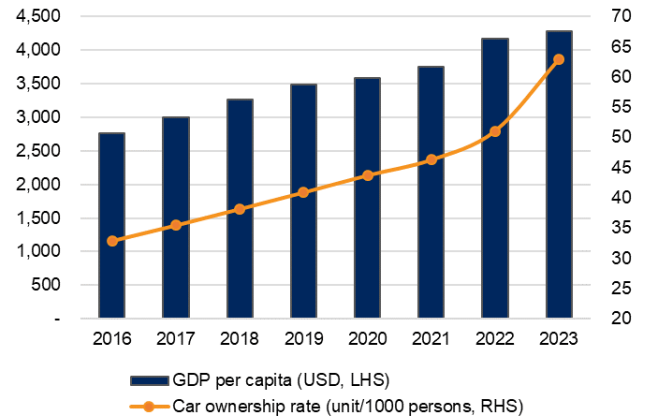
The car ownership rate in Vietnam increased significantly in 2023, reaching 63 cars per 1,000 persons (from 51 cars in 2022), even though sales of newly registered cars declined by 10.1% YoY (according to data from Vietnam Register (VR)), as used car sales rose. This ownership rate has maintained continuous growth in recent years, showing a consistent trend of increasing car adoption. Accordingly, we believe the rising middle-income class and better awareness about environmental issues and the cost benefits of EV ownership (lower maintenance and fuel costs) will support EV consumption.

Figure 37: Total number of newly registered cars in Vietnam



Source: VR, VNDIRECT RESEARCH

Figure 38: Higher incomes support car ownership



Source: GSO, VR, VNDIRECT RESEARCH

According to HSBC, Vietnam’s annual combined E2Ws and electric car sales are expected to rise from less than one million in 2024 to over 2.5 million by 2036. Electric vehicle sales in Vietnam are expected to rise 115% YoY to around 18,000 units in 2024, and grow with a CAGR of 25.8% over 2023-2032 period, reaching up to 65,000 units by 2032, driven by the products from VinFast, Wuling HongGuang, Skoda and Hyundai-branded EVs, and other Chinese EV makers, according to BMI Research (Fitch Solutions). Meanwhile, the Vietnam Automobile Manufacturers Association (VAMA) has estimated that the country will have 3.5 million electric cars on the road by 2040.

Hospitality industry outlook

Tourism rebound boosts optimism for hospitality business

Vietnam’s hospitality industry is supported by a better economic outlook from 2H24, and policies promoting international tourism, as well as new attraction sas international hotel brands acquire or cooperate with Vietnam’s hotels and resorts.

Inbound tourism recovery provides momentum for sector growth

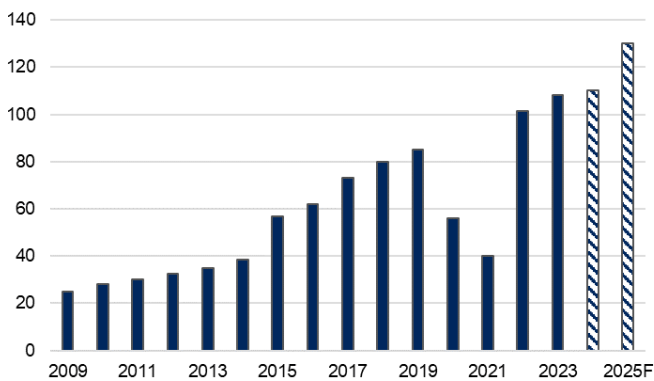
Domestic tourist arrivals have exceeded pre-pandemic levels while international tourists numbers show a positive recovery:

- The number of domestic tourists reached 66.5 million pax in 6M24 (+4% YoY and 46.5% vs 6M19). In 2023, domestic tourists reached 108.2 million pax, +6.8% YoY.
- International tourists visiting Vietnam increased 58.4% YoY to 8.83 million pax in 6M24, surpassing pre-pandemic levels (+4.1% vs 6M19). In 2023, Vietnam recorded 12.6 million international visitors (3.4x vs 2022), beating the Government’s plan of 8.0 million international visitors for the whole year.

The recovery of inbound tourism was partly supported by a number of initiatives the Government implemented in 2023, such as 45-day visa exemption regardless of passport type or entry purpose for 13 countries, and granting electronic visas to citizens of all countries while extending the validity period from 30 to 90 days with unlimited entries and exits. Into 2024, given the better outlook of the global economy (as discretionary spending recovers from the pressure of tightening monetary policies) and international tourism coming back to the same level as before Covid-19, we expect the number of international visitors to Vietnam to accelerate by 43% YoY to 18 million pax.

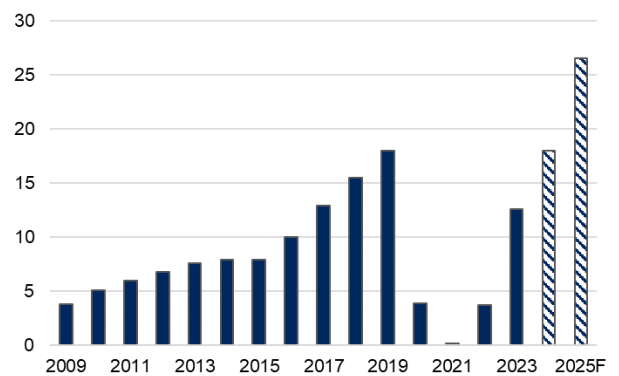
We expect the domestic market to be in line with the target of 110 million passengers in 2024, thanks to the continuing recovery of travel and consumption demand, as well as the development of new tourist attractions tailored to different appetites of customers and technology helping the reservation and check-in process become more convenient.

Figure 39: We expect domestic tourist arrivals to reach 110 million in 2024



Source: VNAT, VNDIRECT RESEARCH

Figure 40: We expect Vietnam to welcome nearly 16.4 million inbound arrivals in 2024



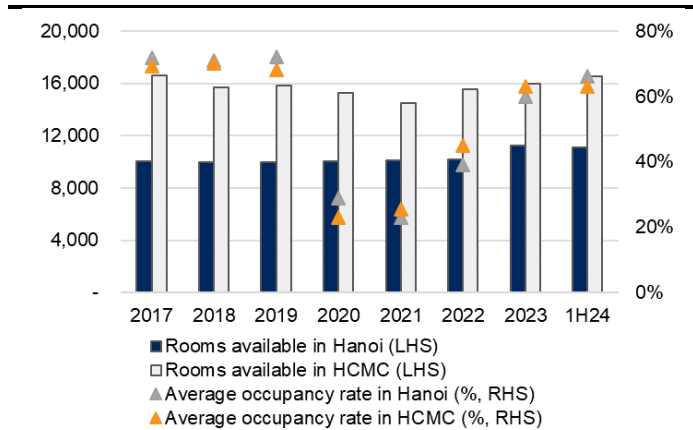
Source: VNAT, VNDIRECT RESEARCH

The hospitality market is experiencing a gradual recovery

By the end of 1H24, the Hanoi market offered 11,120 hotel rooms (up 1.4% YoY), with the average occupancy rate reaching 66% (up 6.0% pts YoY, and 8.0% pts lower than 1H19 average). Meanwhile, the HCMC market had 16,542 rooms (+5.6% YoY), while the occupancy rate reached 63% (+1.0% pts YoY and -5.8% pts vs 1H19 average). In both markets, supply and occupancy rates have shown resilient improvement from pandemic levels (Figure 41).

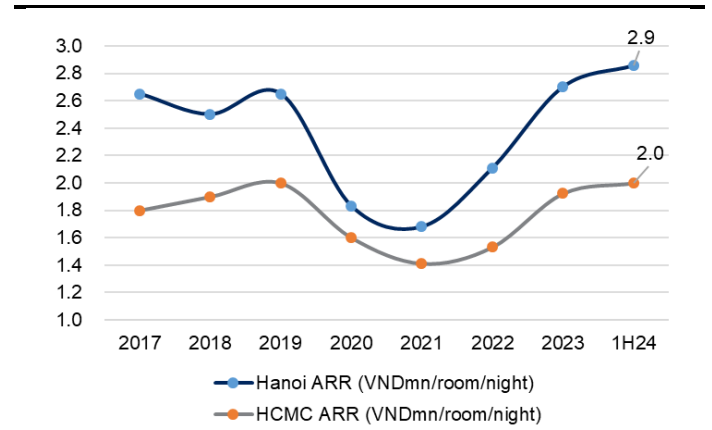
The average room rate continued to rise in both markets, reaching nearly VND2.9mn/room/night in Hanoi (+10.5% YoY) and VND2.0mn/room/night in HCMC (+4.5% YoY).

Figure 41: Hotel supply and occupancy rates have shown resilient improvement from the pandemic level



Source: SAVILLS, VNDIRECT RESEARCH

Figure 42: The average room rate continued to rise in both markets, exceeding the pre-Covid level



Source: SAVILLS, VNDIRECT RESEARCH

According to research from Savills, the Hanoi market is expecting 2,896 new rooms in 2024-2026, of which 1,177 rooms will come from international developers. The HCMC market will welcome nearly 300 new rooms and 340 rooms returning after renovation in 2H24, adding up to 1,100 rooms by 2027.

In both markets, occupancy rates are returning to pre-Covid levels. We expect the average occupancy rate to reach 70-72% in Hanoi and 65-66% in HCMC in 2024-25.

Leveraging synergy from international brands

With the growing attractiveness of Vietnam to both inbound and domestic tourists over the past few years, thanks to its strategic position in Southeast Asia and rising middle-income population, many international hotel brands have expanded their operations in Vietnam by acquiring domestic hotels, or cooperate with domestic brands in terms of hotels management, such as Marriott International, Accor Hotels, Hilton Worldwide and InterContinental Hotels Group (IHG).

The cooperation between domestic hotel brands and international brands, by integrating local hospitality elements with global standards, can enhance the Vietnamese brands' accommodation and services quality, offering distinctive and high-quality experiences to guests.

Vingroup's major businesses outlook

FY24-28 earnings forecast

Figure 43: VIC's FY24-28 earnings forecast

Unit: VNDbn	2023	2024E	2025F	2026F	2027F	2028F
Revenue	161,428	203,530	255,042	296,362	341,045	393,242
Sale of inventory properties	94,374	91,974	101,719	111,609	124,807	140,692
Property leasing	8,836	3,441	1,244	1,269	1,294	1,320
Manufacturing	28,081	63,485	101,950	127,758	153,477	184,270
Constuction	6,254	15,108	15,864	16,657	17,490	18,364
Hotel, amusement park	8,689	11,357	14,015	16,187	17,257	18,400
Hospital	4,415	5,581	6,046	6,522	7,181	7,325
Education	5,127	6,048	7,039	7,975	9,036	10,238
Others	5,651	6,537	7,165	8,386	10,503	12,634
Gross profit	23,508	33,826	45,956	58,773	75,542	91,975
Gross profit margin (%)	14.56%	16.62%	18.02%	19.83%	22.15%	23.39%
SG&A expense	25,977	45,380	53,511	59,721	66,446	72,981
SG&A as % of revenue	16.09%	22.30%	20.98%	20.15%	19.48%	18.56%
EBIT	(4,905)	9,718	9,049	13,268	15,700	17,854
Financial income	20,502	54,744	46,349	44,752	39,459	33,260
Interest expense	(15,673)	(27,249)	(23,143)	(23,674)	(26,147)	(27,371)
Pre-tax profit	13,769	13,129	12,420	17,093	20,018	22,798
Net profit	2,157	4,516	5,411	5,931	7,247	8,363
Net profit margin (%)	1.34%	2.22%	2.12%	2.00%	2.12%	2.13%
EPS	564	1,181	1,415	1,551	1,895	2,187
Revenue growth YoY (%)	58.58%	26.08%	25.31%	16.20%	15.08%	15.30%
Residential property	71.84%	-2.54%	10.60%	9.72%	11.83%	12.73%
Manufacturing	115.04%	126.08%	60.59%	25.31%	20.13%	20.06%
Hospitality and entertainment	29.21%	30.70%	23.40%	15.50%	6.61%	6.62%
Net profit growth YoY (%)	-75.44%	109.37%	19.81%	9.62%	22.18%	15.39%
ROAA	0.35%	0.65%	0.73%	0.78%	0.90%	0.97%
ROAE	1.52%	2.94%	3.28%	3.36%	3.82%	15.02%

Source: VIC, VNDIRECT RESEARCH

We forecast VIC's revenue to accelerate by 26% YoY in FY24, reaching VND204tn (USD8.1bn), with the largest contribution coming from property delivery (45.2%), followed by electric vehicles manufacturing (31.2%). By FY28, we expect property delivery and electric vehicles manufacturing to respectively account for 35.8%/46.9% of total revenue, driving total revenue to VND393tn (USD15.7bn).

Property sales will contribute to Vingroup's consolidated net profit in coming years from BCC projects with Vinhomes such as Vinhomes Royal Island (launched in 1H24), Wonder Park, Co Loa (projected to launch in 2H24) and Ha Long Xanh (expected to launch in 1H25). We estimate BCC projects will bring ~VND34tn (USD1.4bn) in FY24 and VND39tn (USD1.6bn) in FY26.

We estimate that blended gross profit margin (GM) will increase by 2.1% pts YoY to 16.6% in FY24, mainly attributed to the improving GM of the manufacturing segment, following the increase in EV sales volume which has a higher GM. Gross profit margin will continue to expand to 18% in FY26 and 23.4% by FY28.

We estimate FY24 financial income will reach VND54.7tn (USD2.2bn), most of which coming from the SDI divestment and bulk sales from Vinhomes Royal Island.

Consequently, net profit is expected to reach VND4.5tn (USD179mn) in FY24 and VND8.4tn (USD334mn) by FY28, posting a FY24-28 CAGR of 16.7%.

Residential property: Maintaining its leading position

Long-term strategy to develop eco-friendly super-mega projects

Vinhomes has outlined a long-term development strategy focused on creating large-scale projects that meet international standards and green city development principles. This approach includes modern infrastructure, diverse facilities, Vinschool educational institutions, Vinmec hospitals and clinics, Vincom shopping centers, the VinBus electric bus system, and a charging network for VinFast electric vehicles.

This strategy aims to improve the quality of life for its residents and support the national goal of sustainable urbanization, serving as a model for urban development across the country. Successful projects, such as the 2018 launches of Vinhomes Ocean Park and Vinhomes Smart City, and the completion of the 1,200-hectare urban complex Ocean City in the east of Hanoi in 2024, highlight its ambition to enhance Vietnam's standing in the global property market.

Vinhomes benefits from several key advantages in pursuing its large-scale project development plans, including: 1) as part of Vingroup, it can undertake significant projects and create comprehensive living environments; 2) its technological expertise in smart management and sustainable solutions improves project efficiency and environmental sustainability; and 3) it effectively navigates regulatory landscapes, ensuring smoother project implementation, supported by strong brand reputation and established relationships with government bodies.

VHM is a pioneer developer of social housing

The Government provided a credit package of VND120tn (USD5bn) in order to achieve a plan of 1 million social housing projects completed by 2030, including interest rates 1.5-2 % pts lower than SOCB average lending rates during the first three years. However, the SBV is proposing a further extension of the package's incentives: interest rates 3 % pts lower than SOCB average lending rates, applied for the first five years. In response to the encouragement from the Government and supportive regulations under the amended Housing Law, residential property developers have been actively carrying out projects in this segment.

We believe Vinhomes is managing its social housing projects portfolio well in terms of development progress and product diversity.

In January 2024, Vinhomes broke ground on two social housing projects under the "Happy Home" brand, one in Nam Trang Cat (Hai Phong city, 28ha) and the other in Cam Ranh (Khanh Hoa province, 88ha). We expect the two projects to be launched by 2H24, together with a project in Quang Tri.

Figure 44: VHM's social housing project development pipeline updates

Project location	Area (ha)	Components	Current progress	Execution time frame*		
				2024F	2025F	2026F onward
Dong Ha, Quang Tri	2	100 low rise units	1/500 master plan approved			
Nam Trang Cat	28	4,400 high-rise units and 300 low-rise units	Infrastructure and facilities are under construction			
Cam Ranh, Khanh Hoa	87	4,100 low-rise unit	Infrastructure and facilities are under construction			
Vinhomes Vu Yen - Hai Phong	50	N/A	Investment policy approved			

(* Each project execution timeframe (from first launch to delivery completion) is in navy blue highlight. Otherwise, no detail project timeframe has been announced by the company

Source: VHM, VNDIRECT RESEARCH

Vinhomes is making a wise move to provide both low-rise and high-rise products in its social housing projects. The social housing segment is going to expand its share in Vietnam’s residential property market in the coming decade, therefore it requires wider product supply variety and higher quality to meet different demands of customers. Expanding to the affordable segment will not only help solve the residential property market’s supply and demand imbalance, but also spread Vinhomes’ brand identity to a broader range of homebuyers.

Earnings poised to grow with mega projects launched in FY24-25

Figure 45: VHM’s key project development pipeline

Project	Location	Product type	Area (ha)	Execution time frame*				% units sold
				2023A	2024E	2025F	2026F onward	
Vinhomes Ocean Park	Gia Lam, Ha Noi	Complex	420.0	█	█			99%
Vinhomes Smart City	Nam Tu Liem, Ha Noi	Complex	280.0	█	█			99%
Vinhomes Grand Park	Thu Duc, HCMC	Complex	272.0	█	█			98%
Vinhomes Ocean Park 2	Hung Yen	Complex	458.0	█	█	█		90%
Vinhomes Ocean Park 3	Hung Yen	Complex	294.0	█	█	█		73%
Vinhomes Golden Avenue	Mong Cai, Quang Ninh	Complex	116.0	█	█	█	█	62%
Vinhomes Sky Park	Bac Giang	Apartment	1.1	█	█			89%
Vinhomes Royal Island	Hai Phong	Complex	877.0		█			70%
Vinhomes Wonder Park	Dan Phuong, Ha Noi	Complex	133.0		█			Not yet launched
Vinhomes Co Loa	Dong Anh, Ha Noi	Complex	385.0		█			Not yet launched
Vinhomes Ha Long Xanh	Quang Ninh	Complex	5,545			█		Not yet launched
Vinhomes Long Beach	Can Gio, HCMC	Condotel, villa	2,870			█		Not yet launched
Vinhomes International University Town	Hoc Mon, HCMC	Complex	924.0			█		Not yet launched
Vinhomes Me Tri 2	Nam Tu Liem, Ha Noi	Complex	75.0			█		Not yet launched

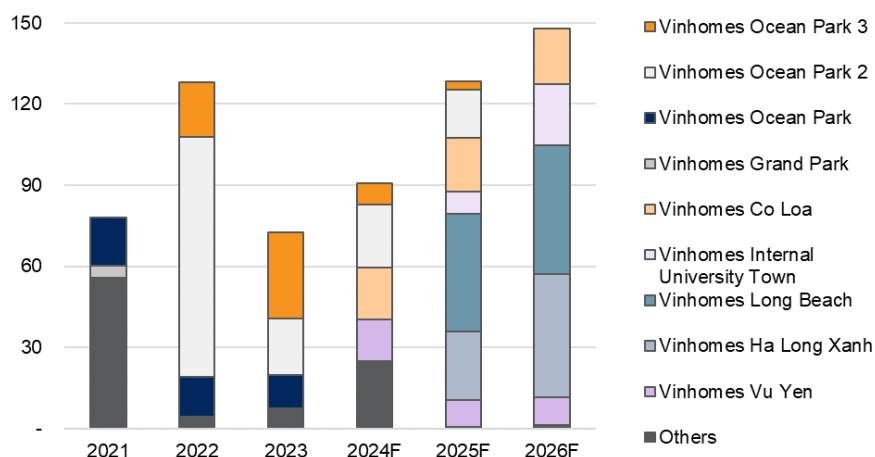
(*) Each project execution time frame (from first launch to delivery completion) is in navy blue highlight. Otherwise, no detail project time frame has been announced by the company

Source: VHM, VNDIRECT RESEARCH

Regardless of the high base formed by the two mega projects Vinhomes Grand Park and Vinhomes Ocean Park 2 in FY21-22, we observe that VHM managed to meet its sales progress and delivery schedule for its next projects in the pipeline amid unfavorable conditions clouding the residential property market in 2H22-1H23 related to limited credit room for property and rising lending rates denting housing demand.

Given the company’s project implementation capability and the recovery of contracted sales value from 4Q23, which reflected improvement in market demand, we believe VHM will maintain positive pre-sales growth in the coming quarters through a number of projects expected to be launched (Figure 45), which will supplement revenue growth in FY25-27.

Figure 46: Our estimate of VHM's new contracts value by project (Unit: VNDtn)



Source: VHM, VNDIRECT RESEARCH

We expect VHM’s new contracts value to increase by 4.3% YoY in FY24, reaching VND90.8tn (USD3.7bn) in FY24 due to:

- (1) three mega projects, including Vinhomes Royal Island (877ha, Hai Phong) which was launched in March 2024, Vinhomes Co Loa (385ha, Hanoi) and Vinhomes Wonder Park (133ha, Hanoi), which we expect to be launched in 2H24F;
- (2) the remaining 2,500 low-rise units in Vinhomes Ocean Park 2 (460ha, Hung Yen), 3,600 low-rise units in Vinhomes Ocean Park 3 (294ha, Hung Yen) and 2,000 units of Vinhomes Ocean Park (420ha, Hanoi), Vinhomes Smart City (280ha, Hanoi) and Vinhomes Grand Park (272ha, HCMC).

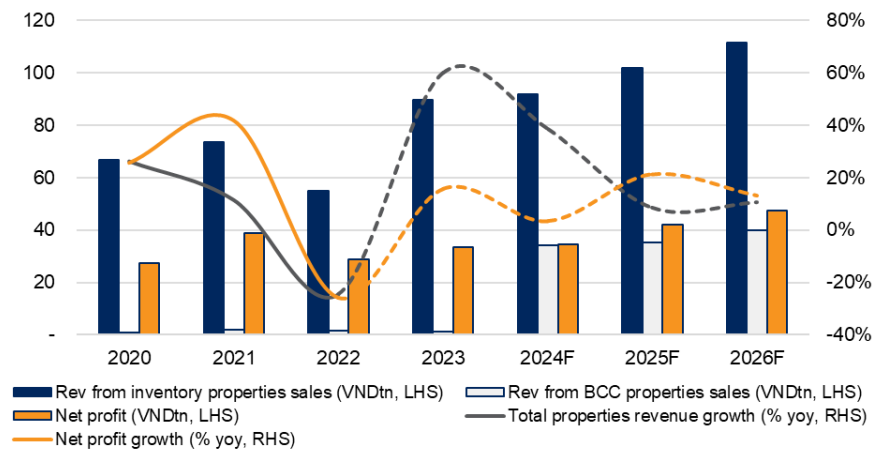
For FY25, new contracts value is estimated to grow 41.3% YoY to VND128tn (USD5.2bn), fueled by the sales in Vinhomes Ha Long Xanh (5,545ha, Quang Ninh), Vinhomes Long Beach Can Gio (2,870ha, HCMC), and Vinhomes International University Town (924 ha, HCMC).

In the coming years, as major projects under BCC with Vingroup are launched, revenue from inventory properties is expected to grow more slowly, while financial income will extend its contribution to net profit.

We estimate VHM’s revenue from inventory property sales to increase 2.4% YoY to VND91.8tn (USD3.7bn) in FY24, 9.9% YoY to VND102tn (USD 4.1bn) in FY25 and 9.7% YoY to VND111tn (USD4.5bn) in FY26. We forecast income from BCC projects will reach VND34tn (USD1.4bn) in FY24, VND35tn (USD1.4bn) in FY25 and VND39tn (USD1.6bn) in FY26.

Accordingly, we forecast net profit to reach VND34.5tn (USD1.4bn) in FY24, VND41.9tn (USD1.7bn) in FY25 and VND47.4tn (USD1.9bn) in FY26, accelerating 3.5%/21.3%/13.1% YoY, respectively.

Figure 47: We forecast VHM’s net profit to grow 4.9%/21.3% YoY in FY24-25



Source: VHM, VNDIRECT RESEARCH

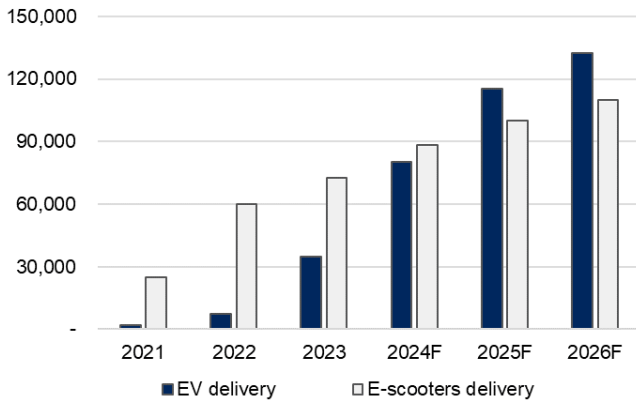
Vinhomes plans to buy back 370 million shares

On August 15, 2024, Vinhomes submitted its share buyback plan to the general shareholders. The company will need the approval from the State Securities Commission (SSC). The repurchase of 370 million shares (~8.5% of the current outstanding shares) will result in a corresponding decrease in Vinhomes' charter capital by VND3.7tn (USD148mn).

If Vinhomes is approved to repurchase shares, EPS will increase as the number of outstanding shares is reduced. This will also allow the company to return excess cash to shareholders in a tax-efficient manner, providing flexibility as it is not a long-term commitment like dividends.

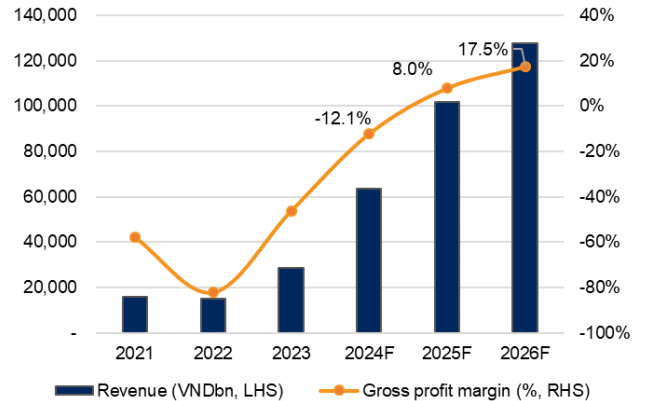
EV Manufacturing: Expecting better results from expansion

Figure 48: We expect VinFast will deliver about 80,000 EVs and 89,000 E-scooters in FY24



Source: VFS, VNDIRECT RESEARCH

Figure 49: We expect VinFast will have positive gross profit margin by FY25



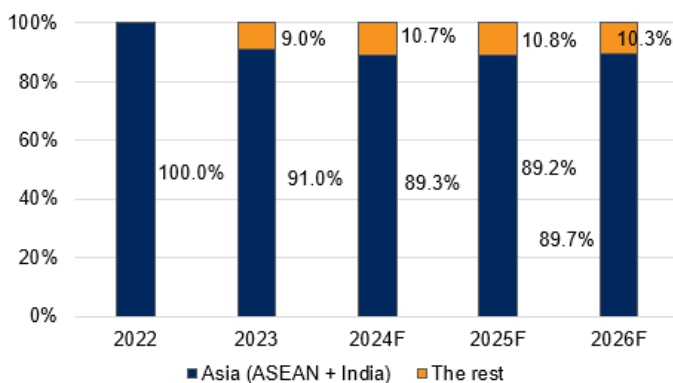
Source: VFS, VNDIRECT RESEARCH

We expect VinFast will deliver about 80,100 EVs and 88,900 E-scooters in FY24 along with 114,600 EVs and 100,000 E-scooters in FY25.

We expect VinFast revenue to reach VND63.5tn (USD2.5bn) in FY24 and VND102tn (USD4.1bn) in FY25, increasing by 121%/60.6% YoY, respectively. Gross profit in 2024 is expected to be -VND7.7tn (-USD306mn), before turning positive at VND8.2tn (USD328mn) in FY25.

VinFast is aggressively expanding its commercial footprint, product offerings and manufacturing capacity, in an attempt to build a strong foundation for long-term growth. The company now has a full range of EVs from A to E segments, with products tailored to specific markets, and is ready to scale up its activities. VinFast now targets Southeast Asia to be a key market, with its favorable environment of incentive policies, rising consumer preference for electric vehicles and ample room for market growth. We forecast Asian markets (Southeast Asia and India) to account for around 89-90% of its total vehicle sales in FY24-26.

Figure 50: Our expectation of consumption in VinFast's targeted markets



Source: VFS, VNDIRECT RESEARCH

- US market:** 18 dealers all open for sales from 2Q24. Furthermore, 80+ effective dealer applications will support VFS to increase its points of sales this year. VinFast expects to start delivering VF9 in this market in 2Q-3Q, after that will be the VF7 in 3Q-4Q.

VinFast sells in the US market through its website and company-owned showrooms. Under this model, it was only licensed to sell vehicles in the state of California, while continuing to pursue licenses in other states. However, to improve sales progress, the company changed its policy to distribute through third-party dealerships. This shift allows VinFast to expand across the country more quickly, but also eats up a part of gross margin. Selling through dealers can also offer more efficient capital usage and costs for the expansion, thanks to their local networks and expertise.

VFS also offers finance leasing, as a significant portion of US drivers lease their vehicles. VFS entered into an agreement with US Bank to be its preferred partner for leasing and retail financing. It also has a panel of other partners which includes: Bank of America, JPMorgan Chase, Allied First Bank and Westlake Financial.

VinFast has paused the commencement of its factory in North Carolina until 2028. Initially, the plant was scheduled to be operational by July 2024, and the plan was later adjusted to 2025, before this latest change. However, the delay of this factory will save USD1.4bn for VinFast to begin factories in the Asian market.

- **European market:** VinFast signed a cooperation agreement with Bosch, one of the leading global suppliers of automotive technology and services, giving VinFast customers in Europe access to Bosch's extensive network of 700,000 charging points in 30 European countries. In April 2024, VinFast signed a cooperation agreement with Mobivia, one of Europe's leading automotive repair and maintenance brands, to access the high-quality aftersales services available at Mobivia's network of 1,200 service centers in France and Germany.
- Through this cooperation, VinFast electric vehicle owners can access the high-quality aftersales services available at Mobivia's network of 1,200 service centers in France and Germany

Similar to the US market, sales progress in Europe has not picked up as the company initial forecast, which we believe to be mainly attributed to these factors:

(1) The European EV market is highly competitive and mature, with many established brands offering a wide range of electric vehicles. VinFast may see slow progress in building brand recognition and consumer trust while being surrounded by established competitors like Tesla, BMW, Volkswagen, and other well-known EV manufacturers.

(2) Europe has stringent regulatory requirements for automotive safety, emissions, and performance. Ensuring compliance with these standards can be time-consuming and costly, resulting in delayed product launches and muted market penetration.

(3) A high interest rate environment to rein inflation in 2022-23 hurt consumer confidence, affecting overall demand for new vehicles, including those from VinFast.

However, VinFast has been taking several steps to address the market's challenges, such as participating in major motor shows to enhance brand awareness, developing partnerships with local distributors, and providing top after-sales support policies. We expect these strategies will help VinFast overcome hurdles in the European market and record stable sales from 2025.

- Vietnam:** The domestic market continues to be VinFast's strength. The mini e-SUV VF3 was launched in early May 2024, receiving 27,649 deposits after three days, a good sign of consumer acceptance in the market. VF3 is an affordable EV model, targeting young and mid-lower income customers, and is expect to popularize electric transportation in Vietnam.

GSM (95% owned by Mr. Pham Nhat Vuong) has been consuming a majority of VinFast's vehicles supply (72% of total EVs and 46% of total E2Ws sales in 2023). GSM has a target scale of 20,000 electric cars and 60,000 E2Ws, to provide taxi services, and to enhance consumer awareness of electric transportation in Vietnam.

However, we expect the proportion of electric vehicle sales to retail customers in the Vietnamese market will expand from 2024, reflecting the positive reaction to the models launched (VF 3, VF 5, VF 6, VF 7, and VF 8). VF5 became the best-selling car in Vietnam in 1H24.

- Southeast Asian markets:** VinFast entered the Indonesian market in February 2024 with the right-hand-drive VF 5, VF e34, VF 6, and VF 7 models, and delivered the first batch of VF e34 in late July. VinFast expects to have opened 15 dealer stores by the end of August. The company signed MOUs with three Jakarta-based companies for the delivery of a total of 600 electric vehicles, and signed letters of intent with five dealerships. In July, the company broke ground on an EV assembly plant, which has capacity of 50,000 vehicles, with initial capex of USD200mn.

In March 2024, VinFast signed an MoU with 15 Thai dealers to establish 22 showrooms located on major roads throughout the metropolitan area of Bangkok.

In May 2024, the company signed four dealer agreements in the Philippines. Three dealer showrooms were opened, and the VF 5 was officially launched in July.

- Indian market:** In February 2024, VFS officially broke ground on its first electric vehicle CKD facility in Thoothukudi City, Tamil Nadu, India. The plant boasts an initial investment of up to USD200mn over five years and will have a capacity of up to 50,000 electric vehicles per year. The project will help the Tamil Nadu state government reach its target of electric vehicles accounting for 30% of newly registered private cars. VinFast also signed a MoU with the Tamil Nadu state government to invest USD500mn over the next 5 years. VinFast plans to open 15 dealer stores by the end of August 2024.
- Middle Eastern markets:** VinFast signed dealer sales agreements with Bahwan Automobiles Trading LLC (BAT) for the distribution of electric vehicles in the Oman market in February 2024, according to which, BAT will establish and operate 13 VinFast stores and service centers in 2024-27. The first store was opened in July.

VFS also signed with Al Tayer Motors, one of the UAE's premier automotive dealerships, in May 2024. The inaugural store in these markets will be open in 2024 with vehicle sales of four e-SUV models: VF 6, VF 7, VF 8, and VF 9.

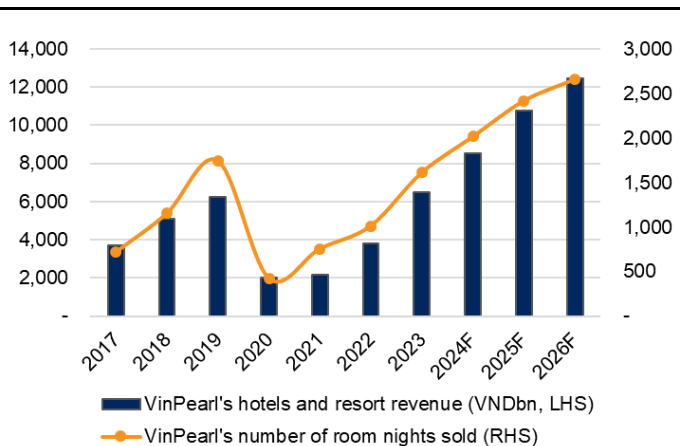
In August, VinFast signed an exclusive dealership agreement with Al Mana Holding W.L.L. to distribute VinFast electric vehicles throughout Qatar. The first facility is expected to open in 3Q24 in Doha, featuring four models: VF 6, VF 7, VF 8, and VF 9.

Hospitality and entertainment: booming with Vietnam’s tourism

Partnering with international brands such as Meliá and Marriott can provide numerous strategic advantages to enhance Vinpearl’s market position and operational efficiency, and thereby offer exclusive service quality to its target customers – international tourists and upper-middle income domestic tourists.

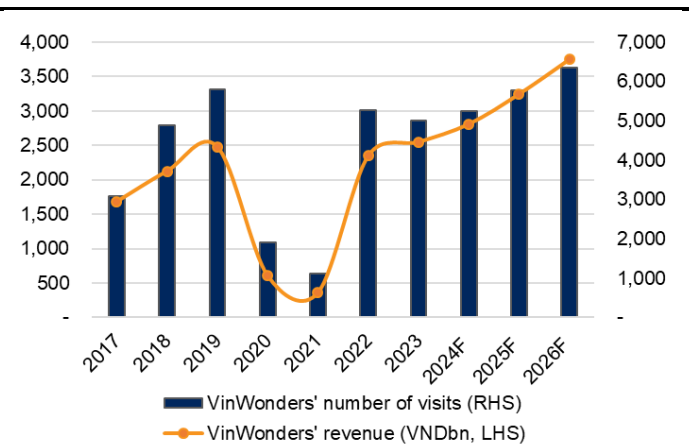
- (1) The recognition and reputation of these brands can significantly boost Vinpearl’s appeal to both domestic and international travelers. Vinpearl can also enjoy the brands’ extensive sales networks. For example, Marriott has millions of members worldwide, providing a steady stream of loyal guests who prefer to earn and redeem points during their stays.
- (2) These brands’ proven operational expertise and adherence to high standards ensure efficient and effective hotel management. This not only helps in maintaining consistent quality but also significantly enhances guest satisfaction.
- (3) Moreover, these brands have significant purchasing power to negotiate better rates for supplies and services. This will result in substantial cost savings, enhancing economies of scale for the hotels.

Figure 51: We expect Vinpearl’s hotel and resort revenue to increase by 31.3% YoY in FY24



Source: VIC, VNDIRECT RESEARCH

Figure 52: We expect Vinpearl’s VinWonders revenue to increase by 10.3% YoY in FY24



Source: VIC, VNDIRECT RESEARCH

Thanks to the rebound of global tourist activity and ongoing strong demand of domestic travelers, Vinpearl's occupancy rate over all its hotel and resort accommodations has exceeded pre-pandemic level, reaching more than 45% by the end of 1H24. Vinpearl's room nights sold increased by 34% YoY in 1Q24. Most hotels managed by Marriott International/Meliá Hotel International will have operated for a full year in 2024, following a transitional period over the previous two years. Consequently, we project significant growth in room nights sold for the next two years. As the hotels are still recovering from the pandemic, there is potential for further growth in occupancy rates, aiming to reach 50-55% in 2024-25.

With its synergy with international brands and the advantage of its hotels and resorts situating in prime locations in Vietnam’s most popular tourism destinations (Quang Ninh, Nha Trang, Phu Quoc, Da Nang), we believe the strong flow of international tourists and upper-class domestic tourists will enhance Vinpearl’s results in 2024-25.

We expect Vingroup’s revenue for its hospitality and entertainment business to increase 30.7%/23.4% YoY to VND11.4tn (USD379mn) and VND14.0tn (USD438mn), respectively.

Vinpearl to be listed in late 2025/ early 2026

Vinpearl was traded on HOSE with the ticker symbol VPL until the company was delisted in 2011 due to a merge with Vincom to form Vingroup.

Vingroup plans to bring Vinpearl back to HOSE in late 2025/ early 2026, which can enhance the company's transparency in financial and operational activities, as well as access to strategic investors. This will help Vinpearl's funding activities and further expand its businesses.

Figure 53: Criteria for listing stock in HOSE

Criteria	Requirements
Charter Capital	- Minimum charter capital of VND120bn (USD4.8mn) at the time of registration.
Profitability	- The company must have been profitable for the last two consecutive years. Return on Equity for the most recent year must be at least 5%, with no overdue debt of more than one year, and no accumulated losses based on the most recent audited financial statement.
Shareholder Structure	- At least 20% of voting shares must be held by at least 300 minority shareholders. - Individual shareholders, institutional shareholders, and major shareholders of the company must commit to holding 100% of the shares for the first six months and 50% of the shares for the next six months.
Other	- At the time of the registration for listing on the stock exchange, the company must have been operating as a joint-stock company for more than two years. The company's shares must have been traded on the UPCOM market for at least two years, with the approval of the company's General Meeting of Shareholders, except for cases where the company has already made a public offering or is an equitized enterprise. - Within two years up to the time of the registration for listing, the company and the legal representative must not have been penalized for violations related to prohibited acts in securities trading activities. - All debts of members of the Board of Directors, the executive board, the chief accountant, major shareholders, and related parties must be disclosed.

Source: Law on Securities 2019, Decree 155/2020/NĐ-CP, VNDIRECT RESEARCH

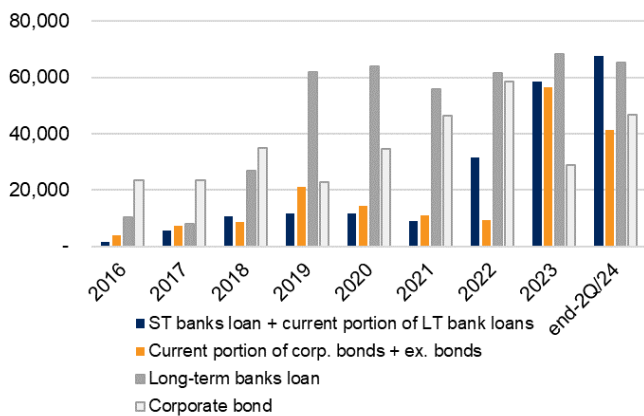
Financial health: Caught between a rock and a hard place

Vingroup has taken on high debt levels to fund its automotive manufacturing business at the development phase. By the end of 2Q24, total debt reached VND222tn (USD8.9bn), of which VND110tn (USD4.4bn) was short-term debt. The company says that it has already secured or in discussion for the refinancing of 100% of outstanding obligations for this year.

To mitigate debt maturity pressure, from the beginning of the year, Vingroup has repurchased the remaining portion of the USD500mn exchangeable bonds due in 2026 (USD250mn was earlier redeemed in late 2023). The company has also repurchased USD373mn of the USD625mn international bonds exchangeable to VFS shares (which has put option in May but mature in 2026) and extended the remaining to November 2025.

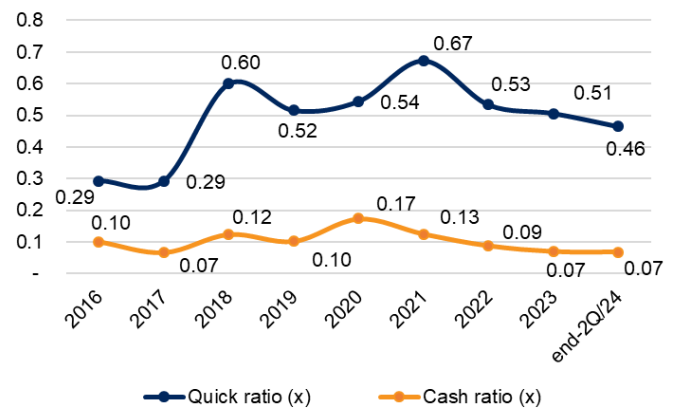
Solvency capability looks narrowed...

Figure 54: Vingroup is facing debt maturity pressure this year (VNDbn)



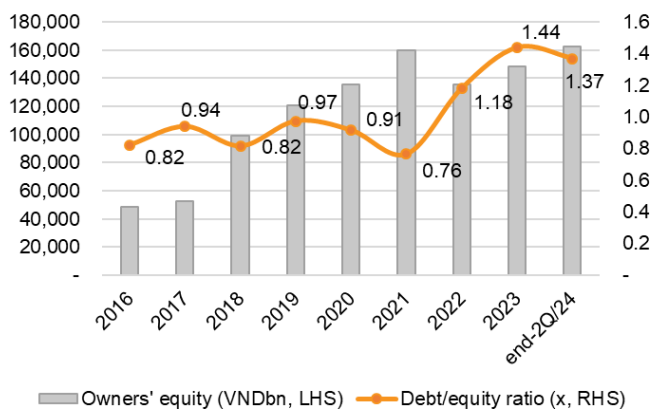
Source: VIC, VNDIRECT RESEARCH

Figure 55: Liquidity ratios have been decelerating



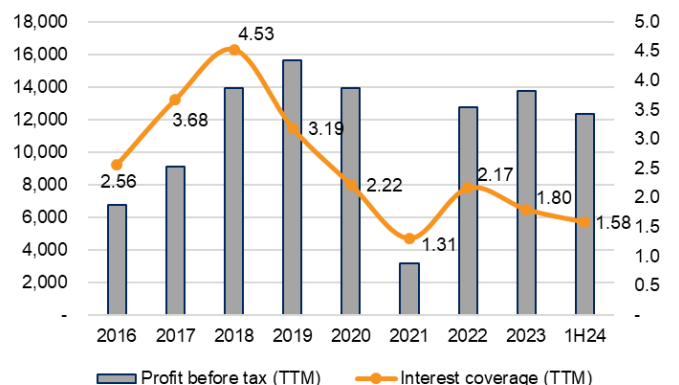
Source: VIC, VNDIRECT RESEARCH

Figure 56: Interest bearing debt has been higher than owner's equity since 2022



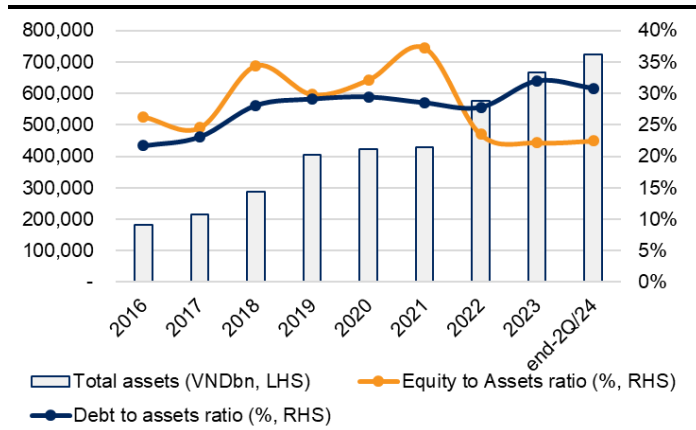
Source: VIC, VNDIRECT RESEARCH

Figure 57: Interest coverage ratio declined, however, remaining above 1.0x secured interest payment capability



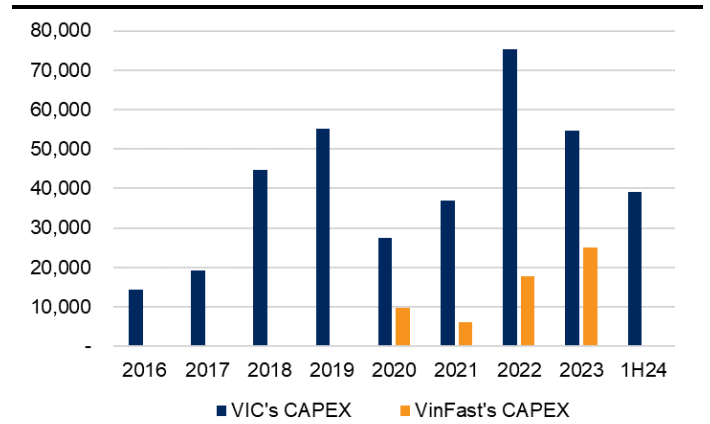
Source: VIC, VNDIRECT RESEARCH

Figure 58: Debt to assets ratio decreased in 1H24 (vs end-2023)



Source: VIC, VNDIRECT RESEARCH

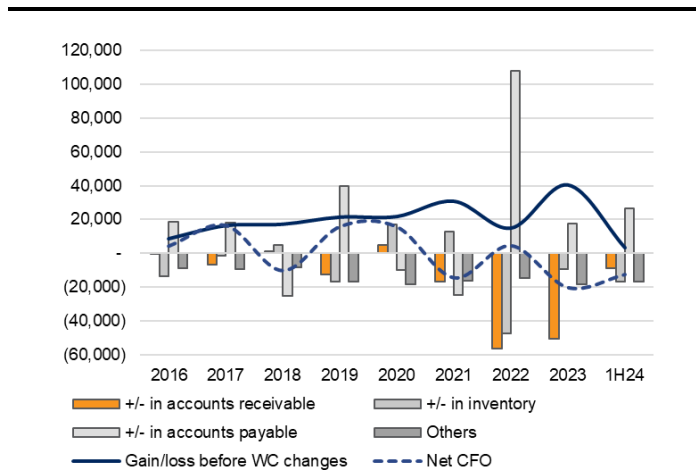
Figure 59: Vingroup's capital expenditure has surged for auto manufacturing (VNDbn)



Source: VIC, VNDIRECT RESEARCH

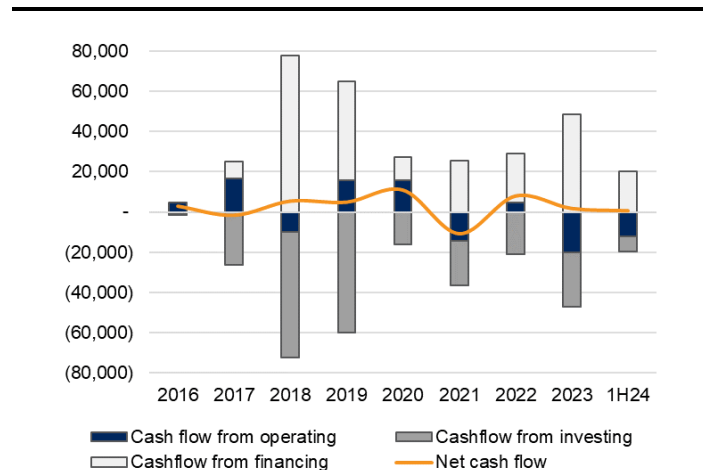
... while cash flow shows strain

Figure 60: Cash flow from operating activities (VNDbn)



Source: VIC, VNDIRECT RESEARCH

Figure 61: Net cash flow (VNDbn)



Source: VIC, VNDIRECT RESEARCH

Valuation: We initiate with a TP of VND46,600 and a HOLD recommendation

Our valuation is based on an equal-weighting combination of SOTP valuation and P/B multiple:

Figure 62: Valuation summary (Unit: VND)

Method	Implied value per share	Weight (%)	Weighted price (VND/share)
SOTP	47,171	50%	23,585
P/B	46,073	50%	23,037
Target price (rounded)			46,600

Source: VNDIRECT RESEARCH

- SOTP method: We use a risk-free rate of 2.79% (based on the 10-year bond yield as of June 30) and an [equity risk premium](#) of 7.78%.
 - Residential property: We use the RNAV method with an assumed WACC-based discount rate of 11.1% for each project's valuation given the detailed execution and pre-sales plans announced by VHM to revise its inventory and investment assets.
 - Manufacturing: We apply a five-year cash flow projection with a WACC of 10.5% on VFS.
 - Hospitality, education and hospital segments: We set a target P/S of 2.2x for hospitality, 3.0x for education and 3.5x for hospitals on the estimated revenue for FY24-25 for each segment.
 - Retail space leasing: We apply a five-year cash flow projection with a WACC of 10.7% on [VRE](#).

We apply a discount rate of 45% on total net value to account for cash flow risk, primarily associated with VinFast. This consideration reflects the capital-intensive nature of the business and the prevailing cautious sentiment among investors. However, this risk can be mitigated based on VinFast's performance in the coming quarters. Improved performance would be reflected by a lower discount rate, as shown in our sensitivity table, highlighting the potential for reduced risk and enhanced valuation under better operational outcomes.

Figure 63: SOTP-based valuation

Segments	Valuation method	Fair value	VIC's ownership	Holding value of VIC
		VNDbn	%	VNDbn
Property	RNAV, including VHM and VIC's projects	398,658	69.3%	276,429
		21,600	100.0%	21,600
EV manufacturing	Enterprise value in VFS' DCF 5Y model	303,231	50.7%	153,738
Hospitality and entertainment	Average FY24-25 Revenue* target P/S	27,908	85.6%	23,876
Education	Average FY24-25* target P/S	19,630	61.4%	12,057
Hospital	Average FY24-25* target P/S	20,348	75.0%	15,261
Retail space leasing	Enterprise value in VRE's DCF 5Y model	79,559	18.4%	14,639
Total value (VNDbn)				517,600
(+) Cash and cash equivalent				28,544
(+) Short-term investments				4,219
(-) Total debts				(222,428)
Net value (VNDbn)				327,935
Discount rate (%)				45%
Outstanding share (mn)				3,824
Target price (VND/share)				47,171

Source: VIC, VNDIRECT RESEARCH

Figure 64: RNAV for Vinhomes' properties (VNDbn)

Inventory and investment	Book value as at 06/30/2024	Fair value	Method
Residential property	152,437	355,767	DCF
<i>Major contributors:</i>			
Vinhomes Ocean Park 2		18,503	
Vinhomes Ocean Park 3		10,693	
Vinhomes Royal Island		37,346	
Vinhomes Wonder Park		23,734	
Vinhomes Co Loa		19,414	
Vinhomes Green Ha Long		36,072	
Vinhomes Long Beach		24,823	
Vinhomes International University Town		12,527	
Office lease	479	32,105	DCF
Industrial property	1,607	10,786	Book value
Total property value	154,524	398,658	

Source: VHM, VNDIRECT RESEARCH

Figure 65: WACC assumptions for Vinhomes RNAV valuation

Assumptions	
Beta (x)	1.0
Market premium	7.8%
Risk-free rate	2.8%
Cost of equity	10.6%
Cost of debt	12.0%
Debt weight	33.7%
Equity weight	66.3%
WACC	11.1%

Source: VHM, DSTOCK, VNDIRECT RESEARCH

Figure 66: Our 5Y forecast Free Cash Flow to the firm for VinFast (VNDbn)

	2024	2025	2026	2027	2028
Revenue	63,485	101,950	127,758	153,477	184,270
Gross profit	(7,652)	8,206	22,417	35,022	51,085
EBIT	(30,913)	(16,615)	(3,547)	5,915	18,676
Less: Tax	(41)	(24)	(10)	(0)	(12)
EBIAT	(30,953)	(16,640)	(3,558)	5,915	18,664
Plus: Depreciation and amortization	14,360	17,165	15,333	13,768	12,477
Less: Capital expenditure	(16,909)	(1,058)	(1,299)	(1,323)	(1,086)
Plus: Changes in working capital	5,649	2,296	(914)	897	1,625
Free cash flow (FCFF)	(27,853)	1,763	9,562	19,257	31,680
Present value of FCF	(27,853)	1,596	7,835	14,283	21,270

Source: DSTOCK, VNDIRECT RESEARCH

Figure 67: VinFast valuation by DCF 5Y

DCF Method	Amount
PV of Free Cash Flows	17,131
PV of Terminal Value	286,100
Enterprise value	303,231

Source: VNDIRECT RESEARCH

Figure 68: WACC assumptions for VinFast DCF valuation

	Value
Beta (x)	1.0
Market Risk Premium	7.8%
Risk-free rate	2.8%
Cost of Equity	10.6%
Cost of Debt (after tax)	9.6%
WACC	10.5%

Source: VNDIRECT RESEARCH

Figure 69: Sensitivity of the SOTP's TP to our valuation assumptions for Vinhomes

		Vinhomes' WACC (%)					
		10.05%	10.55%	Base case 11.05%	11.55%	12.05%	
Discount rate to projects' NPV (%)	Conservative case	- Discount to projects launched: Vinhomes Sky Park, Golden Avenue, Royal Island: 30% Others: 0%	48,275	47,699	47,171	46,685	46,235
	Neutral case	- Discount to projects launched: 0% - Discount to projects to be launched in FY24: 40% - Discount to projects to be launched in FY25: 70% - Discount to social housing projects: 10%	55,194	54,549	53,953	53,401	52,887
	Positive case	- Discount to projects launched: 0% - Discount to projects to be launched in FY24: 30% - Discount to projects to be launched in FY25: 60% - Discount to social housing projects: 10%	60,092	59,397	58,752	58,153	57,592

Source: VNDIRECT RESEARCH

Figure 70: Sensitivity of the SOTP's TP to our valuation assumptions for VinFast

		VinFast's WACC (%)					
		9.5%	10.0%	Base case 10.5%	11.0%	11.5%	
Electric vehicle delivery volume in FY24-25 vs our forecast (%)	Base case	80%	43,931	42,002	40,419	38,880	37,602
		90%	47,521	45,408	43,675	41,989	40,587
		100%	51,127	48,830	47,171	45,111	43,585
		110%	54,745	52,264	50,226	48,243	46,593
		120%	58,371	55,705	53,515	51,384	49,609

Source: VNDIRECT RESEARCH

Figure 71: Sensitivity of the SOTP's TP to our assumptions of discount rate

Discount rate to total net asset value								
Positive scenario			Neutral scenario			Conservative scenario		
20%	25%	30%	35%	40%	45%	50%	55%	60%
68,612	64,323	60,035	55,747	51,459	47,171	42,882	38,594	34,306

Source: VNDIRECT RESEARCH

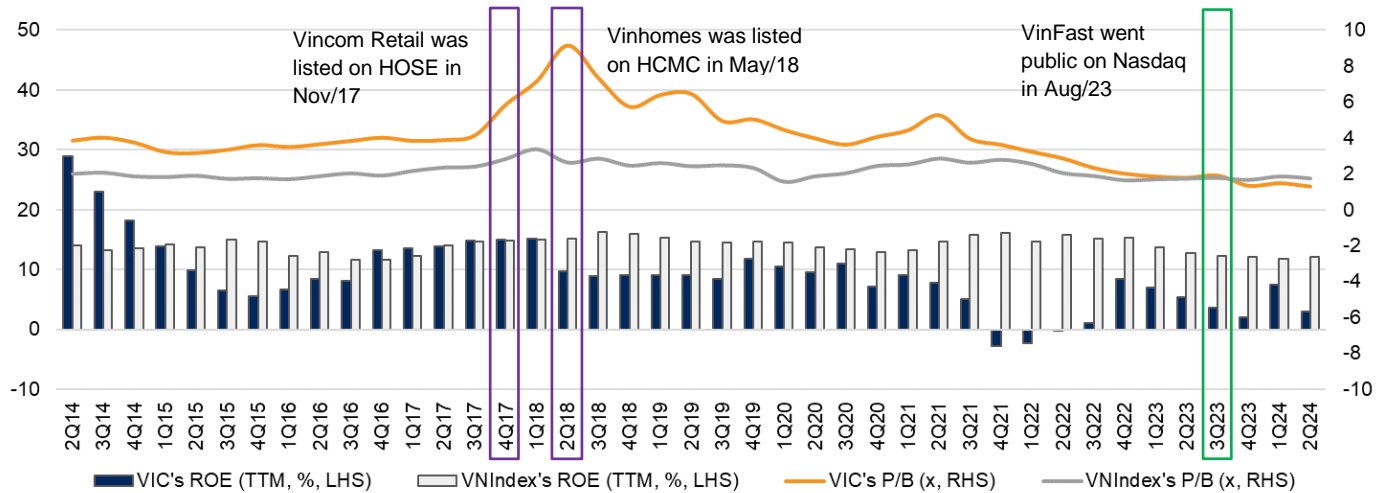
- P/B method: We apply a target P/B of 1.4x on our estimated FY24-25 average BVPS, which is higher than VIC's current P/B (of 1.2x), but well lower than the 3Y and 5Y peer average of the company itself, and the residential property and automotive industries.

Figure 72: P/B Valuation

FY24-25 average estimated book value per share (VND)	32,909
	Current P/B (x) 3Y average P/B (x) 5Y average P/B (x)
VIC	1.2 2.3 3.2
Residential property sector average	1.3 2.0 2.3
Automotive sector average	1.9 2.0 2.0
FY24-25 target P/B (x)	1.4
Implied value per share (VND)	46,073

Source: DSTOCK, VNDIRECT RESEARCH

Figure 73: VIC has been underperforming vs VN-Index



Source: BLOOMBERG, VNDIRECT RESEARCH

In recent years, VIC's stock price has underperformed the VN-Index, largely due to a deterioration in its return on equity (ROE). Additionally, market sentiment has worsened due to concerns over risks related to the residential property market and VinFast. Historical data provides context: in 2015-16, when ROE fell to 5-6%, VIC's P/B ratio was 3.3-3.5x. However, despite the TTM ROE reaching 5.4% in 2Q23, the P/B ratio was only 1.7-1.8x. Given our forecast of 2.9% and 4.0% ROE for VIC in FY24-25, we have applied a target multiple of 1.4x to reflect the anticipated performance and market conditions.

Figure 74: Sensitivity of the TP by P/B to our multiple assumptions

Positive scenario		Target P/B (x)			Conservative scenario			
		Neutral scenario			Bearish investor sentiment			
Strong investor sentiment		Investor sentiment improves, but remains cautious						
1.60	1.55	1.50	1.45	1.40	1.35	1.30	1.25	1.20
52,655	51,009	49,364	47,719	46,073	44,428	42,782	41,137	39,491

Source: VNDIRECT RESEARCH

Figure 75: Peer comparison by industry (data as of 8/15/2024)

Company	Country	Ticker	Current price		Market cap		P/E (x)		P/B (x)		3-year EPS growth		ROE (%)		ROA (%)		D/E (x)	P/S (x)
			LC\$	USDmn	TTM	FY24	TTM	FY24	Current	FY24	CAGR (%)	TTM	FY24	TTM	FY24	Current		
Vingroup Jsc	Vietnam	VIC VN	40,800	6,230	41.5	38.0	1.2	1.3	(76.1)	3.1	2.8	0.6	0.6	1.4	0.9			
Residential property developers																		
Vinhomes Jsc	Vietnam	VHM VN	37,850	6,580	7.0	5.3	0.9	1.4	15.8	13.0	19.0	5.3	6.4	0.3	2.0			
Khang Dien House Trading and Investment Jsc	Vietnam	KDH VN	35,500	1,289	49.9	35.9	2.1	1.8	(35.8)	4.4	6.3	2.4	3.7	0.4	8.8			
Nam Long Investment Corp	Vietnam	NLG VN	37,250	572	35.8	26.7	1.6	1.5	(11.3)	4.4	6.1	1.5	2.8	0.5	2.3			
Dat Xanh Group Jsc	Vietnam	DXG VN	13,200	380	51.7	41.8	0.9	0.9	(23.1)	1.7	2.1	0.6	1.1	0.4	1.8			
Development Investment Group Jsc	Vietnam	DIG VN	22,200	541	351.2	N/A	1.8	N/A	(17.4)	0.5	N/A	0.2	N/A	0.4	9.2			
<i>Average</i>					<i>99.1</i>	<i>27.4</i>	<i>1.5</i>	<i>1.4</i>	<i>(14.4)</i>	<i>4.8</i>	<i>8.4</i>	<i>2.0</i>	<i>3.5</i>	<i>0.4</i>	<i>4.8</i>			
<i>Median</i>					<i>49.9</i>	<i>31.3</i>	<i>1.6</i>	<i>1.4</i>	<i>(17.4)</i>	<i>4.4</i>	<i>6.2</i>	<i>1.5</i>	<i>3.2</i>	<i>0.4</i>	<i>2.3</i>			
EV manufacturers																		
Tesla Inc	US	TSLA	207.83	640,973	56.5	86.5	9.9	9.5	17.7	21.1	11.0	12.2	6.5	0.2	7.4			
Byd Co Ltd Unsp/Adr	China	BYDDY	55.27	87,338	18.4	15.2	4.0	N/A	80.7	23.6	24.1	5.0	N/A	0.3	0.9			
Nio Inc Class A Adr	China	NIO	3.89	7,868	N/A	N/A	2.8	4.4	(39.9)	N/A	N/A	N/A	N/A	1.2	0.9			
Tata Motors Ltd	India	TTMT IN	1,053.45	46,764	12.4	15.5	4.6	3.6	1,202.9	48.2	25.5	8.9	8.2	1.2	0.8			
Energy Absolute Pcl	Thailand	EA TB	4.12	428	2.2	2.8	0.3	0.3	-	14.9	11.0	5.5	4.8	1.5	0.6			
<i>Average</i>					<i>22.4</i>	<i>30.0</i>	<i>4.3</i>	<i>4.5</i>	<i>252.3</i>	<i>26.9</i>	<i>17.9</i>	<i>7.9</i>	<i>6.5</i>	<i>0.9</i>	<i>2.1</i>			
<i>Median</i>					<i>15.4</i>	<i>15.3</i>	<i>4.0</i>	<i>4.0</i>	<i>17.7</i>	<i>22.3</i>	<i>17.5</i>	<i>7.2</i>	<i>6.5</i>	<i>1.2</i>	<i>0.9</i>			
Hotel brands																		
Marriott International Administrative Services Inc	US	MAR	216.43	60,598	21.6	22.9	N/A	N/A	40.7	N/A	N/A	11.6	16.6	N/A	2.6			
Accor SA Adr	France	ACCYY	7.29	8,840	14.8	N/A	1.9	N/A	72.5	13.3	N/A	5.6	N/A	0.6	1.8			
InterContinental Hotels Group Plc Adr	Britain	IHG	94.94	15,250	24.5	21.2	N/A	N/A	114.2	N/A	N/A	14.6	15.3	N/A	3.3			
City Developments Ltd	Singapore	CIT SP	5.21	3,423	14.0	14.7	11.3	0.5	(76.1)	3.7	3.6	1.4	1.6	1.3	1.3			
Minor International Pcl	Thailand	MINT TB	24.60	4,182	22.1	19.4	2.9	1.8	20.9	14.7	9.8	1.9	2.4	2.2	0.9			
<i>Average</i>					<i>19.4</i>	<i>19.6</i>	<i>5.3</i>	<i>1.2</i>	<i>34.5</i>	<i>10.6</i>	<i>6.7</i>	<i>7.0</i>	<i>9.0</i>	<i>1.4</i>	<i>2.0</i>			
<i>Median</i>					<i>21.6</i>	<i>20.3</i>	<i>2.9</i>	<i>1.2</i>	<i>40.7</i>	<i>13.3</i>	<i>6.7</i>	<i>5.6</i>	<i>8.9</i>	<i>1.3</i>	<i>1.8</i>			

Source: BLOOMBERG, VNDIRECT RESEARCH

Key valuation sensitivities

Potential re-rating catalyst:

- 1) Better-than-expected property delivery result as the residential property market improves sooner-than-expected;
- 2) Better-than-expected electric vehicle delivery results;
- 3) Better-than-expected hospitality earnings thanks to stronger-than-expected tourism demand.

Downside risk comes from:

- 1) Slower-than-expected housing demand due to uncertainties in the macro economy, interest rates rise, and slow legal progress for projects;
- 2) Failure to reach vehicle delivery targets due to slow customer acceptance and high competitiveness (e.g. vs cheap products from Chinese automakers).

Appendix

Appendix 1: Vingroup's signature projects

Residential property projects

Vinhomes Central Park



- Location: Binh Thanh, HCMC
- Total project area: 43.9 ha (density: 16%)
- GDV: VND30tn (USD1.2bn)
- Component: villas, apartments, shophouses
- Delivery started: 2015

Vinhomes Royal City



- Location: Thanh Xuan, Hanoi
- Total project area: 12.1 ha (density: 23%)
- GDV: VND10tn (USD400mn)
- Component: apartments, shophouses
- Delivery started: 2015

Vinhomes Smart City



- Location: Nam Tu Liem, Hanoi
- Total project area: 280 ha (density: 23%)
- GDV: VND80tn (USD3.2bn)
- Component: apartments, townhouses, villas, shophouses
- Delivery started: 2020

Vinhomes Grand Park



- Location: Thu Duc city, HCMC
- Total area: 271 ha (density: 22%)
- GDV: VND80tn (USD3.2bn)
- Component: apartments, townhouses, villas, shophouses
- Delivery started: 2020

Vinhomes Ocean City (VHM Ocean Park 1 2 3)



- Location: Gia Lam (Hanoi) – Van Giang, (Hung Yen)
- Total area: 1,200 ha (density: 30%)
- GDV: VND152tn (USD3.2bn)
- Component: apartments, townhouses, villas, shophouses
- Delivery started: 2020

Vinhomes Royal Island



- Location: Thuy Nguyen, Hai Phong
- Total area: 877 ha (density: 22%)
- GDV: VND56tn (USD2.2bn)
- Component: townhouses, villas, shophouses
- Delivery started: 2024F

Retail property projects

Vincom Center Ba Trieu



- Location: Hai Ba Trung, Hanoi
- Retail GFA: 4.2 ha
- Opening time: 2004

Vincom Mega Mall Ocean Park



- Location: Van Giang, Hung Yen
- Retail GFA: 5.6 ha
- Opening time: 2020

Vincom Plaza Long Bien



- Location: Long Bien, Hanoi
- Retail GFA: 3.8 ha
- Opening time: 2011

Tourism property projects

Vinpearl Resort & Spa Nha Trang Bay



- Location: Nha Trang, Khanh Hoa
- Total project area: 21 ha
- Components: resort vilas, hotel
- Opening time: 2015

Landmark 81 (Vinhomes Central Park)



- Location: Binh Thanh, HCMC
- Project area: 81 floors, GFA = 24.1ha
- Components: commercial, retail, entertainment complex, and luxury residential apartments
- Opening time: 2018

Vinpearl Safari Phu Quoc



- Location: Phu Quoc, Kien Giang
- Total project area: 380 ha
- Opening time: 2015

Source: COMPANIES' DATA, VNDIRECT RESEARCH

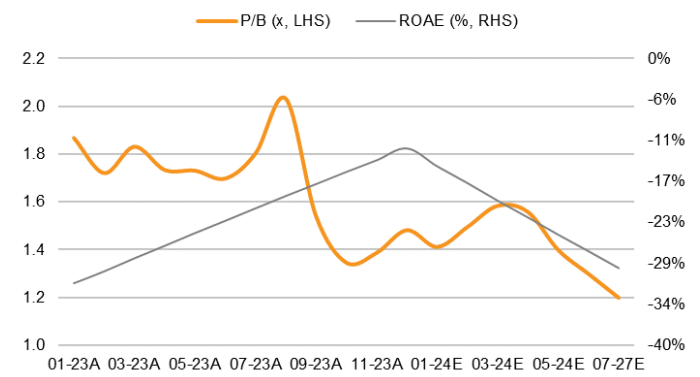
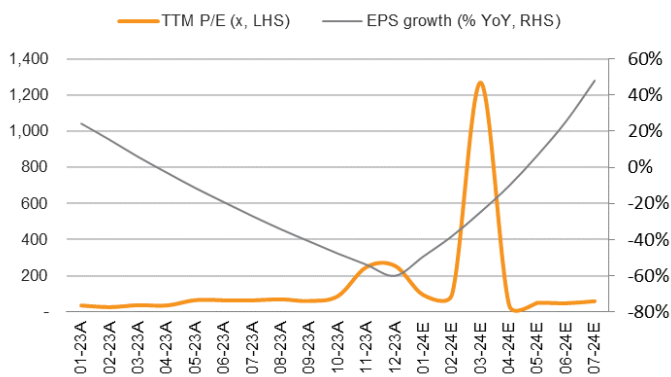
Appendix 2: Different categories of electric vehicles

Figure 76: Three common categories of electric vehicles

Feature	BEV	PHEV	FCEV
Definition	Vehicles powered entirely by electricity stored in batteries, which drive the electric motor.	Vehicles that combine a conventional internal combustion engine with a battery-powered electric motor. They can be charged via an external power source.	Vehicles that generate electricity on board through a chemical reaction between hydrogen and oxygen in a fuel cell.
Energy Source	Electricity from batteries	Combination of gasoline and electricity	Hydrogen fuel cells
Range	Typically 150-350 miles	20-50 miles on electric, extended with gasoline	Typically 300-400 miles
Refueling/Charging	Charging stations, home outlets	Charging stations, home outlets, gas stations	Hydrogen refueling stations
Emissions	Zero tailpipe emissions	Lower than ICE, varies by usage	Zero tailpipe emissions
Maintenance	Lower due to fewer moving parts	Higher complexity, need maintenance for both powertrains	Similar to EV, but specific to hydrogen systems
Example models	Tesla Model 3, Nissan Leaf, Chevrolet Bolt EV	Toyota Prius Prime, Chevrolet Volt, Mitsubishi Outlander PHEV	Toyota Mirai, Honda Clarity Fuel Cell, Hyundai Nexa

Source: VNDIRECT RESEARCH

Valuation



Income statement

(USDbn)	12-23A	12-24E	12-25E
Net revenue	161,428	203,530	255,042
Cost of sales	(137,919)	(169,705)	(209,085)
Gen & admin expenses	(13,463)	(17,312)	(17,525)
Selling expenses	(12,514)	(28,068)	(35,986)
Operating profit	(4,905)	9,718	9,049
Operating EBITDA	54,217	68,349	62,418
Depreciation and amortisation	17,606	22,582	21,116
Operating EBIT	36,611	45,767	41,302
Interest income	4,481	3,817	4,425
Financial expense	(22,841)	(33,397)	(29,658)
Net other income	18,675	2,652	2,595
Income from associates & JVs	(98)	(75)	(87)
Pre-tax profit	13,769	13,129	12,420
Tax expense	(11,713)	(9,073)	(6,351)
Minority interest	(101)	(460)	658
Net profit	2,157	4,516	5,411
Ordinary dividends	-	-	-

Balance sheet

(USDbn)	12-23A	12-24E	12-25E
Cash and equivalents	27,983	29,726	25,527
Short term investments	6,999	7,699	8,083
Accounts receivables	168,115	170,344	196,720
Inventories	92,624	95,458	102,490
Other current assets	47,817	43,645	25,504
Total current assets	343,536	346,873	358,325
Fixed assets	160,410	190,673	199,180
Total investments	131,050	145,788	156,477
Other long-term assets	32,660	49,290	31,535
Total assets	667,656	732,623	745,517
Short-term debt	116,235	106,643	112,218
Accounts payable	34,874	49,615	69,606
Other current liabilities	250,189	269,974	247,620
Total current liabilities	401,298	426,232	429,445
Total long-term debt	97,018	120,433	119,215
Other liabilities	21,118	26,724	26,651
Share capital	38,786	38,786	38,786
Retained earnings reserve	14,106	24,030	32,004
Shareholders' equity	148,222	159,234	170,206
Minority interest	-	-	-
Total liabilities & equity	667,656	732,623	745,517

Cash flow statement

(USDbn)	12-23A	12-24E	12-25E
Pretax profit	13,769	13,129	12,420
Depreciation & amortisation	17,606	22,582	21,116
Other adjustments	8,916	(5,594)	(14,059)
Change in working capital	(60,303)	(50,852)	(17,371)
Cash flow from operations	(20,012)	(20,734)	2,106
Capex	(54,548)	(18,616)	(16,001)
Proceeds from assets sales	5,774	3,059	4,052
Others	21,789	29,015	33,894
Cash flow from investing activities	(26,985)	13,458	21,945
New share issuance	10,753	11,979	9,152
Shares buyback	-	-	-
Net borrowings	38,038	(1,177)	(35,643)
Other financing cash flow	(11)	-	(0)
Dividends paid	(61)	(1,720)	(1,721)
Cash flow from financing activities	48,718	9,081	(28,212)
Cash and equivalents at beginning of period	26,213	27,983	29,726
Total cash generated	1,721	1,805	(4,162)
Cash and equivalents at the end of period	27,983	29,726	25,527

Key ratios

	12-23A	12-24E	12-25E
Dupont			
Net profit margin	1.34%	2.22%	2.12%
Asset turnover	0.26	0.29	0.35
ROAA	0.35%	0.65%	0.73%
Avg assets/avg equity	4.39	4.55	4.49
ROAE	1.52%	2.94%	3.28%
Efficiency			
Days account receivable	332.8	303.5	262.7
Days inventory	216.2	168.6	141.6
Days creditor	80.7	75.8	85.3
Fixed asset turnover	0.75	0.90	1.07
ROIC	0.60%	1.17%	1.35%
Liquidity			
Current ratio	0.86	0.81	0.83
Quick ratio	0.51	0.49	0.54
Cash ratio	0.07	0.07	0.06
Cash cycle	468.2	396.4	319.0
Growth rate (YoY)			
Revenue growth	58.6%	26.1%	25.3%
Operating profit growth	(161.3%)	N/A	(6.9%)
Net profit growth	(75.4%)	109.4%	19.8%
EPS growth	(75.4%)	109.4%	19.8%

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