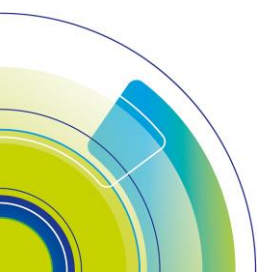




# **Vietnam Strategy – 2022**

**Thursday, March 24, 2022**

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## Research Department

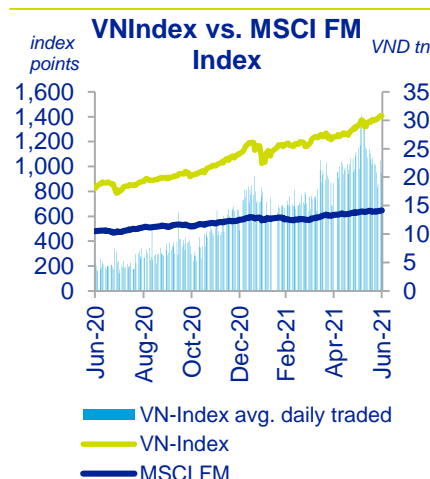
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## Strategy Report 2022

### 2021 Index performance (%)

	1M	3M	6M	12M
<b>VNIndex</b>	-1.0%	1.3%	12.1%	26.7%
<b>MSCI FM</b>	-4.4%	-6.4%	2.6%	10.2%



### Stock Statistics

### 2021

Bloomberg code	VNIndex
52-week range (pts)	1,023-1,500
Members	404
Mkt cap (VND bn)	5,838,114
Mkt cap (USD m)	252,732
Daily avg. traded vol (shrs)	700,383,872
Daily avg. traded val (VND bn)	20,084
VND/USD	23,100
Index: VNIndex / HNX	1,498.28/473.99

## Where is the growth potential for Vietnam in 2022?

2021 was another challenging year for Vietnam in dealing with the fallout from the COVID-19 pandemic, especially during the 3<sup>rd</sup> quarter which saw stringent lockdowns to slow the spread of the virus. 2021 GDP growth reached 2.58%, the lowest rate since 'doi moi', or the economic liberalization of the country in 1986, and saw a contraction of 6.02% in 3Q2021 during the worst of the lockdowns. In the 4<sup>th</sup> quarter, as vaccination rates reached herd immunity levels, Vietnam switched to a "living with COVID" strategy which saw the economy return to growth and positioned to return to a new normal in 2022. 2021 Inflation remained in check at just 1.84%, far below the 4% target thanks to decreasing food prices such as pork.

In 2022, we believe consumption will pick up again following a long period of social distancing. Manufacturing activities resume with higher productivity to fill up the inventory gap, boosting import-export. We expect CPI in 2022 will not enjoy the low level of 2021 and will be under upward pressure from (1) recent escalating oil price boosted by the resumption of production post COVID-19 and sanctions affecting oil output and exports as a result of the Russian invasion of Ukraine; and (2) retail gas price increases in line with global oil prices. However, we expect Vietnam's CPI to remain below the Government's 4% target in 2022 supported by (1) stabilized grain food and foodstuff prices when transportation and supply chains of goods are normalized in 2022; (2) food & foodstuffs will not face shortages due to surging demand, supply chain disruptions or low production in 2022 and (3) size of stimulus package is relatively small (~3% of the total money supply, and ~4% GDP of 2021).

Despite the negative impact of COVID-19, 2021 was a record year for the Vietnam equity market with the VN-Index to jump by 35.7%, ending the year at 1,498.3. The VN-Index peak at 1,500.8 points on Nov 25<sup>th</sup> 2021. From an avg. liquidity of VND6,254.1bn in 2020, the index liquidity surged three-fold to an avg. of VND20,027.0bn (USD871mn), reaching the highest level in mid-Nov at VND43,141.5bn (USD1.9bn). The number of new accounts trading also soared: from 2.8mn of securities accounts by the end of 2020, the total securities accounts in Vietnam reached 4.3mn by the end of 2021, with an impressive surge in Nov and Dec 2021 by over 220,000 new accounts opened/month, most of it are domestic retail investors. For 2022, we expect retail flows to continue to be strong and the proliferation of domestic fund management will lead to a more sustainable and less volatile market. With key rates expected to rise at central banks across the developed markets, frontier and emerging markets such as Vietnam will become more attractive with higher potential return, boosting foreign capital flows to flow back into Vietnam in 2022.

	2017	2018	2019	2020	2021
GDP growth (%)	6.8	7.1	7.0	2.9	2.58
Per capita GDP (USD)	2,317	2,457	2,604	2,656	2,070 (E)
CPI (%)	3.5	3.5	2.8	3.2	1.84
Export (% GDP)	103.2	97.9	98.6	96.4	152.5
Import (% GDP)	104.5	100.7	102.8	103.8	150.7
Balance of trade (USD mn)	2,674	6,828	10,874	19,954	4,076
Current account (% GDP)	-0.7	2.4	5.0	4.6	2.4
Public debt (% GDP)	61.4	58.3	55.0	55.3	43.7
Foreign debt (% GDP)	48.9	46.0	48.5	47.3	39.0
Registered FDI (USD bn)	29.6	25.9	22.5	21.1	24.3
Credit growth (%)	18.2	13.9	13.7	12.2	13.6

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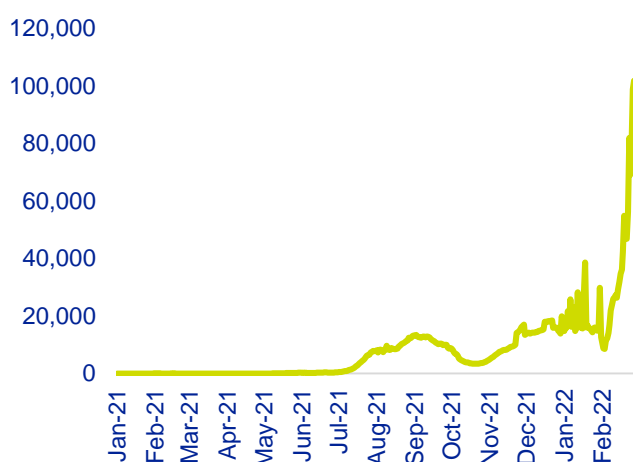
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## Vietnam highlights

### The COVID-19 situation in Vietnam

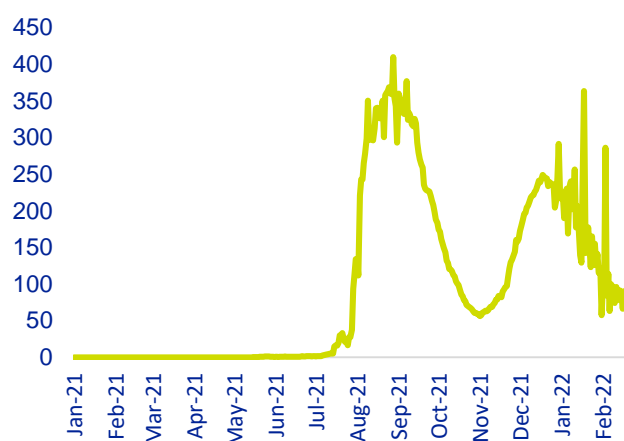
The fourth, and by far most impactful, wave of the COVID-19 pandemic started in May 2021 as the Delta variant arrived with nearly 200 new daily cases reported in Bac Giang province – an industrial hub in the North of Vietnam. The pandemic peaked in early September 2021 with nearly 15,000 new cases per day. Lockdowns and social distancing measures were implemented in main cities such as Bac Giang, Bac Ninh, Ha Noi, Da Nang, Ho Chi Minh city and surrounding provinces. Ho Chi Minh city – the key economic and commercial hub of Vietnam – encountered 3 months of strict lockdown where all non-essential businesses were closed and people are required to stay at home. At the peak in September, all intercity and intracity movements were banned with checkpoints implemented at every district border, while essential goods such as groceries and medicine were even provided by the military and district's people committee. Restrictions were eased in early October when confirmed cases calm down to approx. 3,500 daily cases.

**Vietnam daily confirmed cases**



Source: Ourworldindata

**Vietnam daily death due to COVID-19**



Source: Ourworldindata

The number of new detected cases bounced back in November 2021 when the Government lifted restrictions for non-essentials businesses such as restaurants, spas, shopping, etc. However, with the rapid vaccine roll out, Vietnam switched to the "living with COVID-19" strategy rather than the previous goal of "Zero COVID-19" and both hospitalizations and critical cases decline significantly after 2 and 3 doses of vaccines. As shown in the charts above, daily new confirmed cases reported in Vietnam reached new high every day with the new "living with COVID-19" since November 2021, surpassing 100,000 new daily cases as end of February 2022 as the Omicron variant arrived in Vietnam at the beginning of 2022. On the right chart, number of daily deaths due to COVID-19 seems on the down trend since end of 2021.

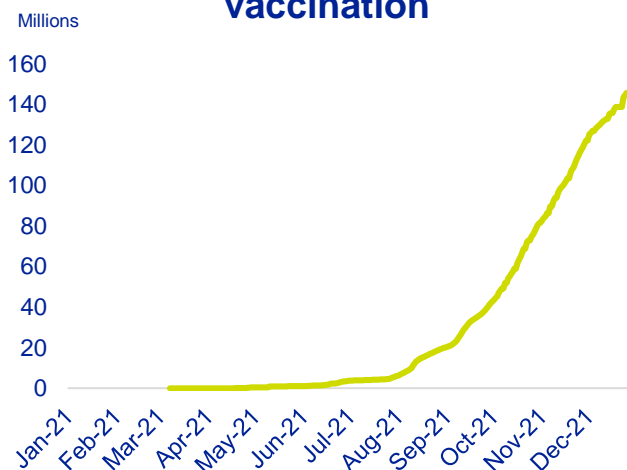
In late January 2022, the first cases of the Omicron variant were discovered, which has lead to soaring case load numbers, as seen in many countries across the world upon the arrival of Omicron. However, as has been experienced elsewhere, the

severity of the variant seems to be less than its predecessors and combined with high vaccination rates across the country, hospitalizations and severe cases have been relatively small compared to the case loads, allowing for the country to maintain its living with COVID-19 policies and avoid any further mass social distancing restrictions.

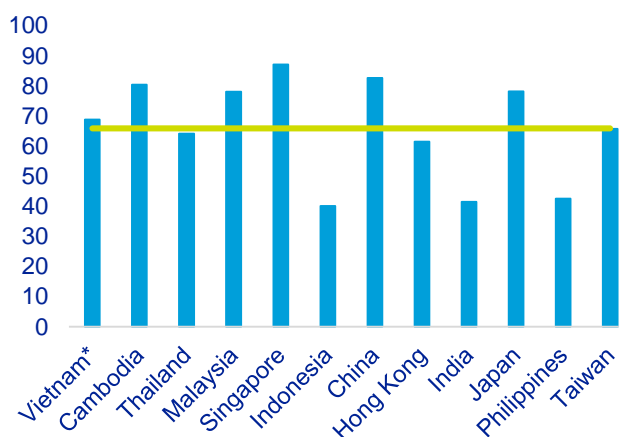
## Vaccination

As of the end of Feb 2022, 79.0mn habitants have received at least 1 dose of COVID-19 vaccination in Vietnam, equivalent to 81.9% of the total population. 78.6% of the population is fully vaccinated (75.8mn habitants) and the booster dose starts to be administrated in main cities, reaching ~40% of the population (38.6mn habitants). While the fully vaccination rate is only slightly above the avg. rate of Asian countries, vaccine roll-out ramped up quickly in Vietnam when only 2% of the population was immunized back to September. Rapid vaccine roll-out is the main priority of the Government to get the whole country immunized against the COVID-19 pandemic and this resulted in a significant drop in new cases detected, hospitalizations and deaths, allowing the country to lift restrictions and to move to a new strategy of "living with COVID" with the Decree 128/NQ-CP in early October.

**Vietnam total COVID-19 vaccination**



**Fully vaccinated rate per 100 habitants as end 2021**



Source: Ourworldindata

Source: Ourworldindata, \*VNExpress data

## GDP

The severe COVID-19 outbreak in the second and third quarters caused significant economic pain for Vietnam, driving the country's GDP to post the sharpest quarterly decline in decades by 6.02% YoY in 3Q2021. Looking at the sector level, the services sector is leading the downturn in 3Q2021 (-9.3% YoY), following by the industrial sector (-5.0% YoY).

In 4Q2021, the country came out from several months of restrictions and the economy bounced back in a V-shape by 5.22% YoY, allowing constrained sectors to boom such as services and construction. The industry and construction sector continued to lead Vietnam's growth in 4Q2021 (+5.6% YoY) driven by the manufacturing and processing – the largest contributor to Vietnam's total GDP (+8.0% YoY, 25.1% contribution) and electricity (+5.5% YoY). Despite a declining

performance in the accommodation and catering services segment (-15.3% YoY), administrative activity (-15.0% YoY) and other entertainment and recreation activity (-6.8% YoY), the services segment continued to grow in 4Q2021 by 5.4% YoY and is the 2nd most growing sector in Vietnam thank to the healthcare and social relief (+92.7% YoY), finance banking and insurance segment (+11.2% YoY) and information and communication segment (+8.1% YoY).

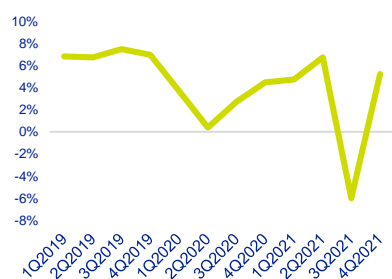
## Vietnam GDP by sector

Sector	4Q2021 growth	Contribution in 4Q2021	FY2021 growth	Contribution in FY2021
<b>Agriculture, Forestry and Fishing</b>	<b>3.2%</b>	<b>11.4%</b>	<b>2.9%</b>	<b>12.4%</b>
<b>Industry and Construction</b>	<b>5.6%</b>	<b>38.3%</b>	<b>4.1%</b>	<b>37.9%</b>
Manufacturing	8.0%	25.1%	6.4%	25.1%
Electricity, gas	5.5%	3.2%	5.2%	3.8%
Water supply, sewage, waste mgmt	3.6%	0.5%	4.0%	0.6%
<b>Services</b>	<b>5.4%</b>	<b>42.0%</b>	<b>1.2%</b>	<b>41.0%</b>
Accommodation and catering	-15.3%	1.8%	-20.8%	1.7%
Transportation and storage	0.9%	4.6%	-5.0%	4.4%
Finance, Banking & Insurance	11.2%	5.1%	9.4%	4.6%
Health care & Social relief	92.7%	3.6%	42.8%	3.1%
Information & communication	8.1%	3.5%	6.0%	3.5%

Source: GSO

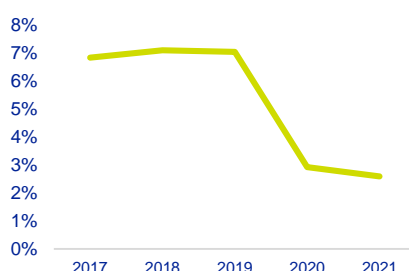
Overall GDP growth reached 2.58% in 2021, while still posting positive growth, this is the lowest annual growth figure since 'doi moi', or the economic liberalization of Vietnam, was enacted in 1986. Despite the low growth rates since the start of the pandemic (2.91% in 2020), Vietnam is one of the few countries to continually post positive figures in the region and the underlying macroeconomic fundamentals in the economy remain strong and poised for growth as the country emerges from this difficult time. Compared to neighboring countries, Vietnam's GDP growth in 2021 is lower than Singapore (+7.0%) and Indonesia (+3.2%) but higher than Thailand (+0.9%). We believe Singapore and Indonesia were heavily affected by the COVID-19 in 2020 and started from a low 2020 base (2020 GDP in Singapore -5.4% and Indonesia -2.1%) while Thailand continued to be affected as tourism – one of the biggest contributors to the country's GDP hasn't pick up.

Vietnam quarterly GDP



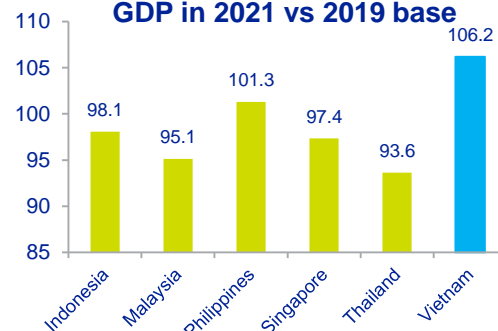
Source: GSO

Vietnam annual GDP growth



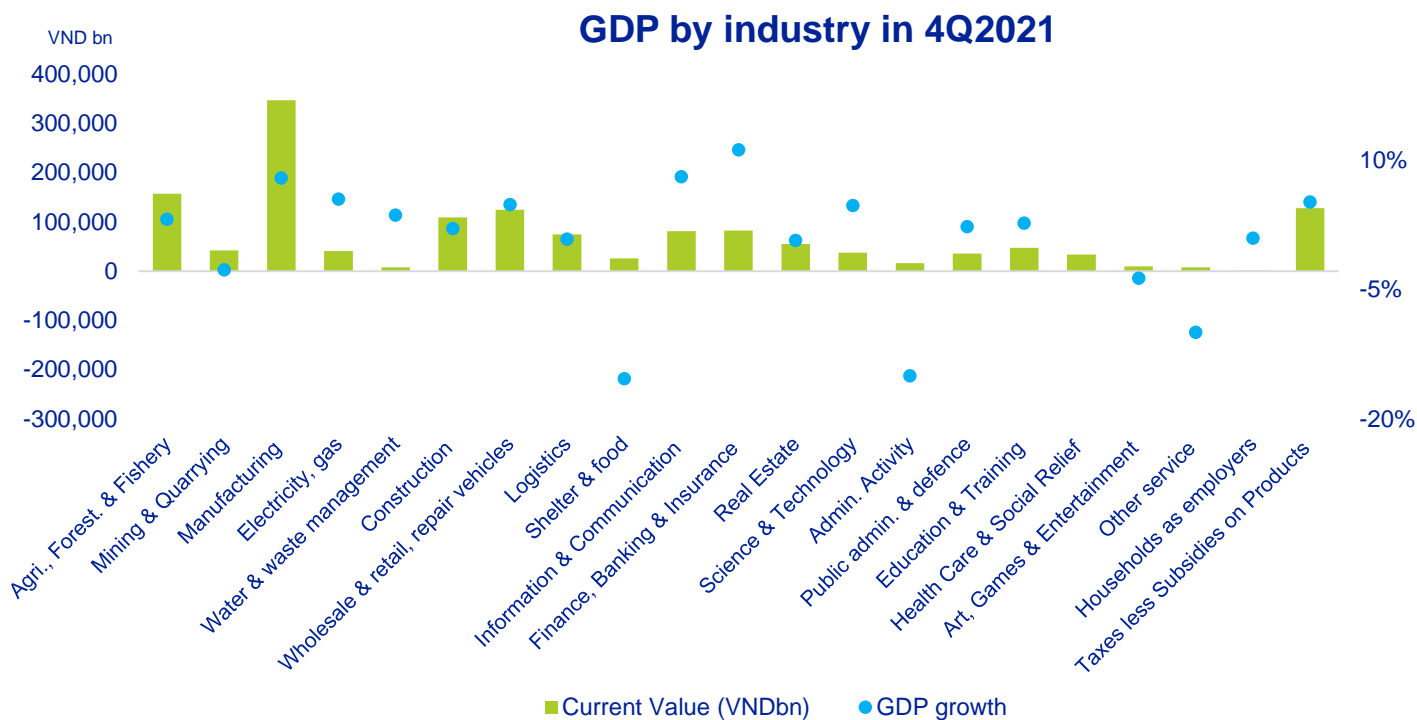
Source: GSO

GDP in 2021 vs 2019 base



Source: World bank, ACBS





Source: GSO

Emerging from the fourth outbreak, Vietnam is set for strong recovery as the surviving businesses are now stronger with higher productivity to catch up the gap during the social distancing period. This can be describe with data in the chart below showing GDP per worker with a job during the period. While the number of workers with an actual job (official and unofficial) declined by 3.5% YoY in 4Q2021, GDP per worker with a job grew by 9.1% YoY during the same period.



Source: GSO, ACBS

Most businesses have now adapted to the new situation of COVID-19 and the new behavior of its customers. Businesses have found solutions to cope with the risk of

materials shortages or delays, congested logistics or supply disruptions during lock down period. That strong belief led us to foresee a 5.5-6.5% GDP growth for the country in 2022.

## Vietnam 2022 GDP growth forecast

Organization	Latest projection	Previous projection
World Bank	5.5% (Jan 2022)	6.5%-7.0% (Sept 2021)
International Monetary Fund	7.2% (April 2021)	
The Asian Development Bank	6.5% (Sept 2021)	
Standard Chartered Bank	6.7% (Jan 2022)	7.0% (Sept 2021)
HSBC	6.5% (Jan 2022)	6.8% (Dec 2021)

## The Government's socio-economic development plan for 2022

GDP	6.0%-6.5%
GDP per capita	USD 3,900
CPI	4.0%

*Source: World Bank, IM, ADB, Standard Chartered Bank, HSBC, Vietnam*

Having said that, Vietnam's policies will need to remain supportive throughout 2022 to ensure a resilient recovery as businesses still face challenges due to the pandemic such as deteriorated liquidity and precarious financial situation (especially for SMEs), which in turn could cause concerns over the financial stability of Vietnam's banking system. Vietnam's Government mitigated the immediate liquidity risk of the banking system via the Decrees 03/2021/TT-NHNN and 14/2021/TT-NHNN. In the longer run, Vietnam's Government will need to continue to be supportive for illiquid but viable businesses to avoid extensive layoffs, improving the labor environment and thus improving the standard living and boosting domestic consumption. The Government will also need to continue to delay or reduce several fees and taxes and to reschedule loans at low interest rate to support firms and people impacted by the COVID-19 in 2022, although the numbers of people eligible for support will be lower than in 2021 with the new "living with COVID-19" strategy.

On January 11<sup>th</sup> 2022, Vietnam Government has approved a VND291tn fiscal package, VND46tn of monetary stimulus and another VND13tn of other packages to support the social- economy recovery post pandemic during 2022-2023 period. This is equivalent to USD15.4 bn and equivalent to 3.2% of Vietnam GDP in 2021. According to the Government, this fiscal and monetary stimulus package is expected to add to Vietnam's GDP growth by 2.3% in 2022 and by another 0.3% in 2023. This would also help Vietnam to keep the unemployment rate at around 2-3% in 2022.

The fiscal stimulus package focuses on various schemes:

1. Opening the economy is associated with investment in strengthening medical capacity, both with regards to preventive medicine and grassroots healthcare (VND60tn);
2. Ensuring social security and jobs creation (VND53.15tn);
3. Support the recovery of enterprises, cooperatives and business households (VND110tn);



4. Developing infrastructure, unleashing social resources for development investment (VND113.55tn)
5. Reducing VAT by 2% to 8% for most goods

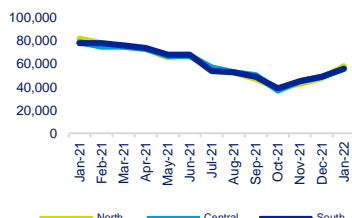
The monetary stimulus package:

1. Encouraging credit institutions reducing management costs and lending interest rates by at least 0.5%-1% in 2022-2023;
2. Continue to restructure the repayment periods, waive and reduce the interest and fees, maintain the debt classifications in order to support those customers affected by COVID-19 epidemic;
3. Ensure sufficient liquidity to speed up disbursement of interest rate support package for beneficiaries;
4. Using other legal financial sources to import vaccines, therapeutic drugs and medical equipment and supplies for epidemic prevention and control;
5. Continue to refinance the Vietnam Bank for Social Policies to lend to employers to pay salary for work suspension due to COVID-19.

## CPI

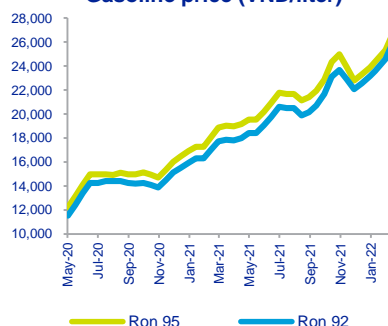
Vietnam's CPI in 2021 reached 1.8% YoY – the lowest increase over the last 5 years. The increase was led by an increase in transport costs (+10.5% YoY) and grain food price (+5.0% YoY). The decline in pork prices, from an avg. of VND77,000/kg in the beginning of 2021 to an avg. of VND49,000/kg by year-end (-36.4% YTD, around the 2019 level at the beginning of the pork swine fever), is offsetting the upward trend of logistics costs which drives other related cost to increase such as grain food and food services. We expect Vietnam CPI to be at 3-3.5% in 2022, higher than the 2021 level amid of rising global oil prices while pork price might increase to a higher price range. The rationale behind our expectation of higher pork price is because of heavy losses supported by hog farmers given price hike of pig feed (+20% YoY) and veterinary medicine (+180% YoY) while pork price bottomed at VND35,000/kg, driven hog farmers to reduce their pig heads.

Pork price chart (kg/VND)



Source: vietnambiz.vn, ACBS

Gasoline price (VND/liter)



Source: petrolimex.com.vn, ACBS

In our opinion, the average CPI in 2022 will be under upward pressure from:

- (1) The recent escalating oil price due to the impact of the resumption of production activities after COVID-19 and geopolitical tensions at the Russia-Ukraine border. An increase in oil prices will directly affect Vietnam's domestic gasoline prices and put upward pressure on the transportation sector and indirectly increase the pressure on prices of other commodities in different basket groups in the CPI basket. However, under a pessimistic scenario, where oil prices increase to an average of USD115/barrel (+40%), we don't expect an increase to the transportation sector of >15%, which would contribute 1.2 percentage point to rising CPI in 2022;
- (2) Retail gas prices also increases in line with global oil prices and will also put upward pressure directly on housing and construction materials sector as high as 5%, which would contribute 0.8 percentage point to CPI in 2022. Besides, the gas prices also has an indirect impact on the food and catering services sector.

However, Vietnam's inflation is expected to remain below the government's 4% target in 2022 thanks to the following factors:

- (1) We expect grain food and foodstuff prices will stabilize when transportation and supply chains of goods are normalized or increase slightly and the upward pressure of food and catering services sector in 2022 will be around 5% at most, contribute around 1.5 percentage point to CPI in 2022.
- (2) Food & catering services sector, especially food prices, will be less volatile as pork production resumed as ASF outbreaks have been contained & Vietnam's pig herds have gradually recovered and other food & foodstuffs will not in supply shortage due to surging demand or supply chain disruptions or low production;
- (3) Government has just approved a fiscal and monetary stimulus package, which in total is estimated to be over VND337tn (VND291tn for fiscal package and VND46tn for monetary package), to support the socio-economic recovery and development program after the impact of the COVID-19 pandemic. This stimulus package will also be evenly distributed in 2022 and a small part in 2023, and the growth rate of the money supply caused by this stimulus package is relatively small (+~3% of the total money supply). So in our opinion, inflation pressure from this stimulus package will be relatively small.

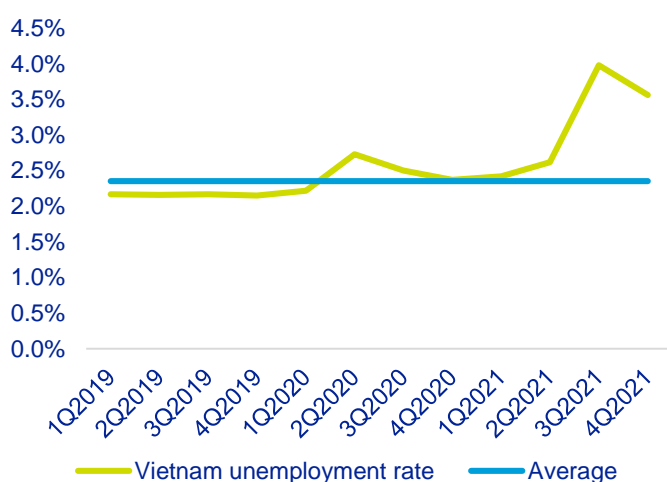
Overall, with the above assumptions, we estimate that the average CPI for 2022. Based on that, we foreseen a slightly high CPI for Vietnam in 1H2022 and a

stabilized level in 2H2022, driving the full year CPI to be in a range of 3-3.5%. and remain within Government's target of 4%.

## Vietnam's unemployment rate reached the highest rate in the last decade

The prolonged fourth wave of COVID-19 has severely impacted Vietnam's labor force, especially in 3Q2021, in which the total number of unemployed people reached 1.7 million, an increase by 449,600 versus 3Q2020 and equivalent to an unemployment rate of 3.98% - a highest rate over the last 10 years. The unemployment rate improved to 3.56% in 4Q2021 when activities revived in Vietnam but remains largely above the avg. level of 2.35% over the last 10 quarters. As the result, Vietnam unemployment rate in 2021 reached 3.22%, with urban area to reach a high 4.42% vs. rural area of 2.48%. This is an uncommon trend for Vietnam as unemployment rate in rural area is usually higher and the migration toward urban area for employment-related purpose is rising over the last 2 decades.

### Vietnam unemployment rate



	2018	2019	2020	2021
N. of newly registered enterprises	131,275	138,139	134,940	116,837
N. of dissolved enterprises	16,314	16,840	17,464	16,741

Source: GSO

Source: GSO

Looking at the corporate level, the number of dissolved enterprises in 2021 reached 16,741 firms, lower than 2020 by 4.1% YoY but remains at the high level considering the avg. of 12,635 enterprises in the pre-COVID-19 period from 2016-2018. 73% of dissolved enterprises in 2021 are operating in the services sector, mostly in wholesale and retail and vehicles segment (36.4%). Manufacturing and processing companies account for 11.5% of Vietnam's total dissolved enterprises in 2021. This explains the high level of unemployment rate in urban areas in 2021.

On the other hand, the number of newly registered enterprises in 2021 declined by 13.4% YoY to only 116,837 enterprises, far below the 134,785 avg. level of the last 3 years. This suggests a concern and uncertainties over the COVID-19 situation in Vietnam next year, contributing to a reluctance to start new businesses at this time. This might also suggest a precarious financial situation of new startups not yet ready to be launched amid of the global pandemic. This situation shows that the labor force of Vietnam is facing a difficult period with millions of workers without jobs, and it is more difficult to find a new job during that period. That also shows that the stimulus

package from the Government to support both businesses and workers is more than needed.

At many industrial hubs, the reverse situation is reported with severe labour shortages. This situation is also true since the number of workers with an official job only reached 15.4mn workers in 4Q2021, a decline by 18.3% YoY while worker with an unofficial job and worker in the agriculture field increase on a year on year basis. This suggests workers returned back to their hometown during the pandemic. On a QoQ basis, the number of total workers with a job increase by 3.8% QoQ in 4Q2021 to an approx. of 1.8mn workers but only 600mn workers are back to the official works with labour contract and social insurance while the remaining 1.3mn workers are still in precarious employment situation.

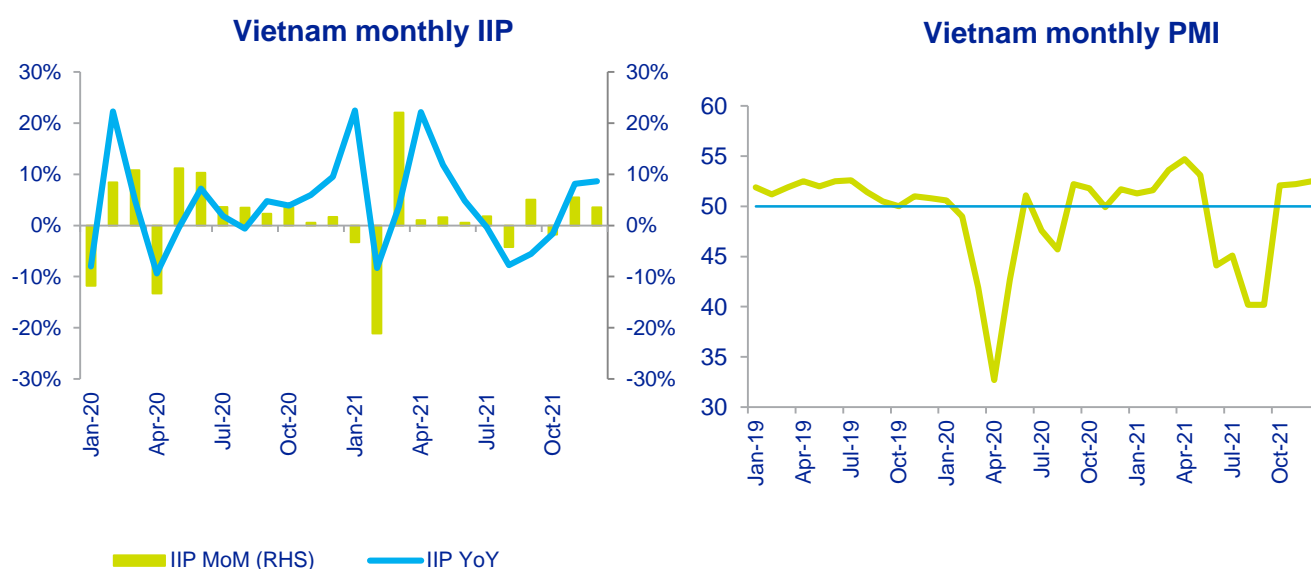
### Worker with a job in Vietnam by category

Category	4Q2020	3Q2021	4Q2021	Δ QoQ	Δ YoY
Total worker with a job (mn)	50.9	47.3	49.1	+3.8%	-3.5%
% of total workforce	97.7%	96.5%	96.8%		
Working in Agriculture field (mn)	13.9	14.4	14.3	-0.8%	+2.6%
With an unofficial job (mn)	18.1	18.1	19.4	+7.2%	+7.2%
With an official job (mn)	18.9	14.8	15.4	+4.3%	-18.3%

Source: GSO

### Vietnam's manufacturing activities revived in 4Q2021...

Thanks to rapid vaccination roll out and the new strategy of living with COVID-19, social distancing measures are eased in most of Vietnam industrial hubs such as Binh Duong, Dong Nai ..., driving Vietnam's IIP and PMI indicator to switch to the green shade in 4Q2021 to as high as 8.7% for IIP and 52.5 for PMI in December 2021.



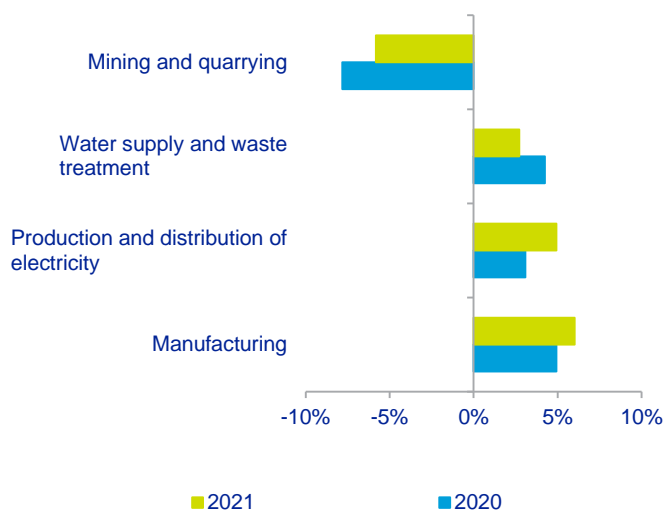
Source: GSO

Source: HIS Markit

As of the end of 2021, Vietnam's IIP grew by 4.8% YoY, lead by the manufacturing sector which grew by 6.0% YoY (from which basic material, coke and refine petroleum activity, electronic and optical products, motor vehicles and textile are the main

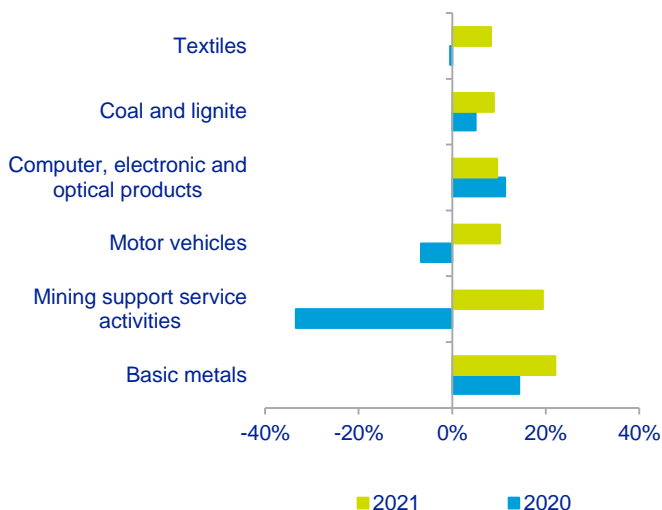
contributors), which in turn has led the production and distribution of electricity, water supply and water treatment activity to increase as factories are back to operations.

**IIP of sub-Industry**



Source: GSO

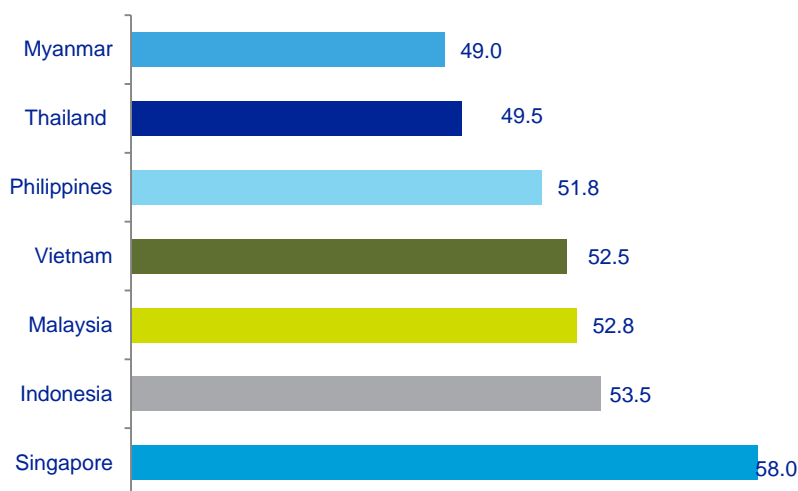
**IIP of sub-sector**



Source: GSO

On the other hand, the improvement in Vietnam PMI indicator in 4Q2021 reaffirmed our statement of higher efficiency from survival businesses to catch the inactivity period of strict lockdown and to fill the inventory gap to meet the higher demand of year-end and Lunar New Year season. As of December, Vietnam PMI is above the 50 level – the expansionary level for the whole quarter. The same schema is applied for the Philippines, Malaysia, Indonesia and Singapore, all 4 countries with a strong recovery from the manufacturing sector in the last quarter of the year.

**PMI ASEAN DECEMBER 2021**



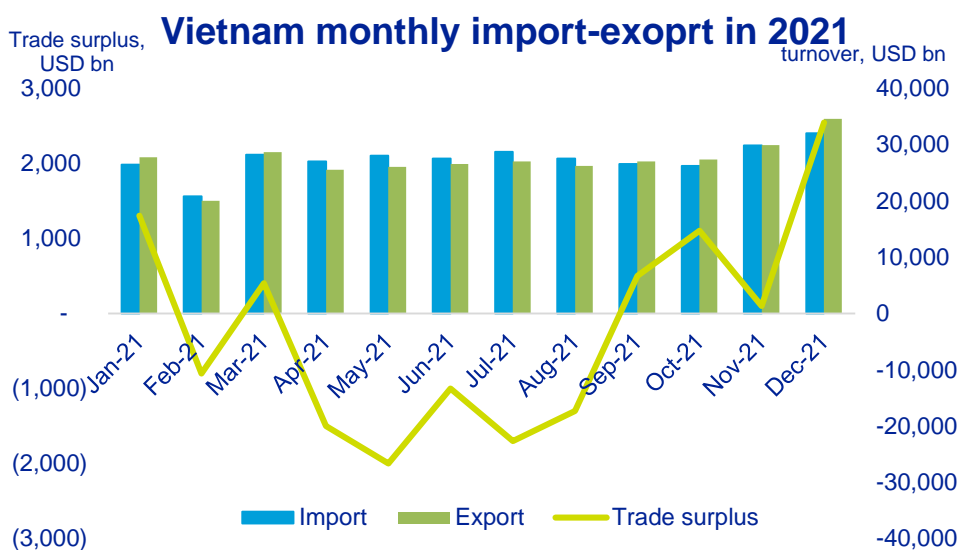
Source: HIS Markit

In the longer run, we believe Vietnam IIP and PMI will continue to be in the expansionary territory, boosted by the expected increasing FDI inflow in the next coming years. The risk of a flat or declining IIP and PMI indices in 2022 could come from a new severe

outbreak from other new COVID-19 variants, which might cause the country to slow down manufacturing activities in prevention of the pandemic during lockdown period, leading to a delay in activity recovery, although given high vaccination rates across the country, we see this risk as improbable at this time.

### ...leading to buoyant trade, service and import-export activities

Vietnam's total import-export turnover reached USD668.5bn, an all-time high with a strong increase by 22.9% YoY, creating a trade surplus of USD4.0bn. along with the recovery of the manufacturing and processing sector.

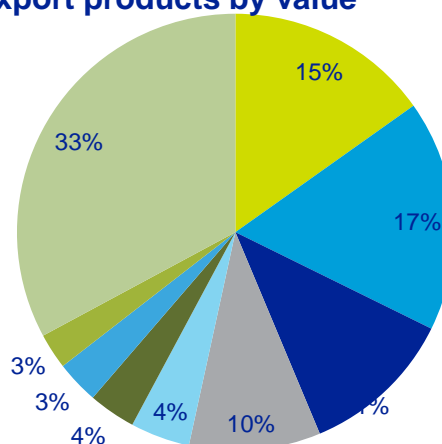


Source: GSO

Vietnam's main export products are phones, computers, electronic goods and spare parts, contributing nearly one third of Vietnam total export turnover in 2021. This reflects the shift to remote work and the growth in digital platforms during the lockdown period around the world. Export of machinery, instrument and accessories comes 2<sup>nd</sup> with 11.4% contribution, followed by textile and garment products with 9.7%.

### Vietnam main export products by value

- Electronic goods, computers and their parts
- Phones all of kinds and their parts
- Machinery, instrument, accessory
- Textiles and garments
- Wood and products
- Iron, steel





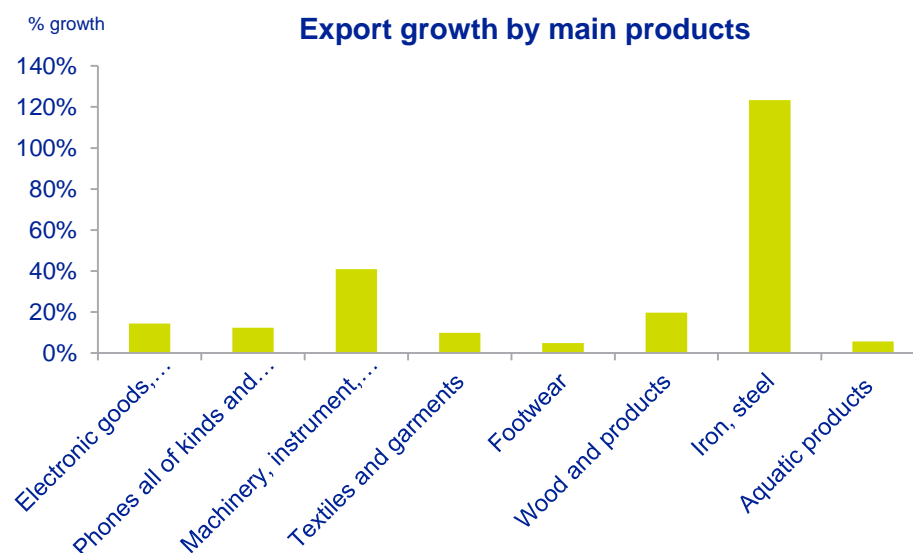
Source: GSO

In terms of growth rate, iron and steel recorded the highest growth rate of 123.4% YoY in value term, followed by plastic products (+69% YoY), cameras (+59.9% YoY) and textile fiber (+50.8% YoY). Stripping out the effect of fluctuating price, export volume declined slightly for main agricultural products such as rice (-0.5% YoY), pepper (-8.5% YoY), coffee (-2.7% YoY). However, export turnover for those products remains resilient, with a sharp increase in value term by 42% YoY for pepper. Crude oil exports in Vietnam plunged the most by 35% YoY in volume terms, reflecting:

- 1) the long period of lockdown without any drilling and extracting activity in Vietnam;
- 2) the lower demand of oil and gas products given lockdown and restrictions worldwide; and
- 3) the low crude oil reserve in Vietnam as most basins have been exploited for 15-35 years without further deep-water exploration activities.

However, crude oil export turnover increased by 8.8% YoY, reflecting the strong surge in global oil price.

Moving forward, we believe that manufacturing products (as opposed to natural resources and agriculture), which account for more than two third of Vietnam's total exports, will continue to surge. The driving factor behind export growth will continue to be FDI (>50% of FDI is into the manufacturing sector); FDI businesses already account for 73.6% of Vietnam's total exports. Excluding the foreign capital segment, Vietnam still recorded a trade deficit of USD25.4bn.



Source: GSO

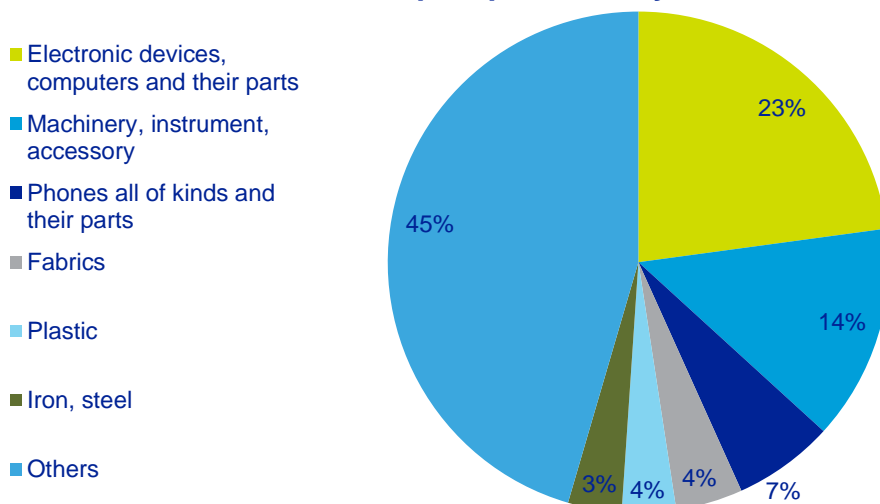
Regarding Vietnam's imported products, electronic products, machinery, computer and phones are also the main contributors of over 43%, approx. the same contribution in export, suggesting a temporary import-re-export activity from FDI firms or an import of electronic components and parts for assemblage activity in Vietnam thanks to low labor cost. However, given the desire for greater localization from major manufacturers, such as Samsung, we can expect that as domestic supply chains

improve, that the in-country value added portion of these higher tech manufacturing processes will improve.

In terms of growth rate, cashew nuts recorded the highest rate with 99.9% YoY in volume and 133% YoY in value term. This could lead to a conclusion of expansion in cashew nut export in 2022 in both value and volume term, helping Vietnam to maintain its leadership as the world's largest cashew nut exporter since 2016. However, this also leads to the fact that Vietnam's domestic cashew nuts only account for a minimal portion of Vietnam total cashew industry (~one fifth).

Rubber is the second fastest growing import product with 90.7% YoY in volume and 103% YoY in value term. The increase is driven by plantation expansion of Vietnam Rubber Group (**HSX: GVR**) to Cambodia and Laos over the last 5-7 years which is now ready to be harvested as well as supply shortages in neighboring countries of Thailand and Malaysia, which are typically key players in natural rubber production but are currently facing outbreaks of disease in the rubber plantations and destroying crops.

### Vietnam main import products by value



Source: GSO

### FDI

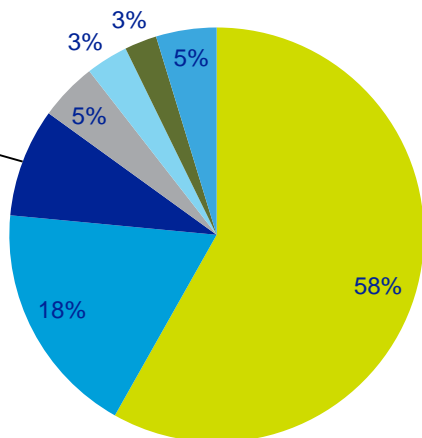
Despite the severe virus outbreak, Vietnam still attracted USD31.2bn of FDI in 2021, an increase by 9.2% YoY. This is below the USD38bn recorded pre-COVID-19 in 2019, but the YoY growth rate amid the strongest COVID-19 wave in 2021 affirmed the huge potential and attractiveness of Vietnam amongst foreign investors. In 2021, 1,738 new projects were approved (-31.1% YoY) with a total registered capital of over USD15.2bn (+4.1% YoY) such as the LNG power plant I and II in Long An (USD 3.1bn), the O Mon thermal plant II (USD 1.3bn). This suggests larger scale projects are coming into Vietnam in the next few years.

Disbursed capital declined by 1.2% YoY and reached USD 19.7bn in 2021. According to ADB in Vietnam, the decline touched essentially small-scale projects of under USD 5mn and under USD 1mn which is not a bad sign as larger scale projects will come. Notably, the additional registered capital reached over USD 9bn in 2021, a strong increase by 40.5% YoY. Among those additional registered capital, we can name the LG Display project in Hai Phong (USD 2.2bn).

In terms of counterparts, the top 6 counterparts with Vietnam are Asian countries, accounting for nearly 84% of total registered capital to Vietnam in 2021. All of them registered much higher capital than 2020 such as the leader Singapore (+19.1% YoY), Korea (+25.4% YoY), Japan (+64.6% YoY) ...

**2021 FDI in Vietnam by sector**

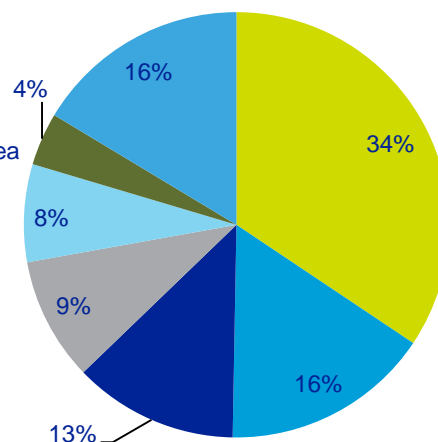
- Manufacturing, processing
- Production, electricity, gas, steam and air conditioning supply
- Real estate activities
- Professional, scientific and technical activities
- Transportation and storage
- Wholesale and retail trade; repair of motor vehicles and motorcycles



Source: MPI

**2021 FDI in Vietnam by counterpart**

- Singapore
- Republic of Korea
- Japan
- China
- Hong Kong
- Taiwan
- Others



Source: MPI

Looking beyond 2022, we believe Vietnam will be an attractive destination for FDI capital since the global supply chain needs to be reorganized and Vietnam is poised to be an ideal hub for ASEAN countries, especially for the processing and manufacturing sector, thanks to its skilled labor force at low cost and several FTAs recently signed that will create a better investment environment for foreign investors. As of in 2021, we believe FDI capital will continue to flow into big cities with convenient infrastructure and big industrial hubs such as Ha Noi, Ho Chi Minh and Bac Ninh. In addition to that, the continuous tension between China and the US will be a booster for FDI capital to flow into other countries, including Vietnam, as global manufacturers look to diversify their supply chains into multiple countries.

### Monetary Policy and FX

Many developed markets are starting to experience significant inflation concerns and are expecting tighter monetary policies this year to help address the issues. Specifically, US CPI in February 2022 rose by 7.9% compared with February 2021, and rose 0.8% MoM. Data on CPI put pressure on the US Federal Reserve (FED) to control inflation which will be more hawkish. The goal of the US and many developed countries is to control inflation as low as 2%, but recently inflation picked up as high as 7.9%. In order to provide a lifeline to the economy during the COVID-19 pandemic, until November 2021, the FED pumped out USD120bn a month into the market, up to this point it has pumped out USD4.5tn. At first, inflation was thought to be transitory, but higher figures have persisted since November 2021 and the FED has been gradually reducing pumped money by USD15bn each month. And at FOMC in 16<sup>th</sup> March, FED raise its benchmark federal-funds rate by a quarter percentage point (0.25%) and signaled that FED will have another six more rate hikes toward yearend. In addition, FED said that it also will finalize a plan to shrink its USD9tn asset portfolio (Quantitative Tightening Program) in June 2022, which is the original plan of the FED. And if inflation

does not decline by mid-2022, we expect that FED is likely to have more interest rate hikes toward yearend 2022 in conjunction with accelerate its QT program.

We estimate that our monetary policy management of the State Bank of Vietnam will have no impact on over FED rate hikes if:

- (1) the FED will only increase interest rate with total increase reach as high as 2% but FED will not start their Quantitative Tightening up until June 2022 (which withdraw money from the system);
- (2) As long as Vietnam's inflation rate stay within 4%, our monetary policy tends to continue to be expansionary for supporting the economic recovery;
- (3) Exports, which are one of the country's key economic growth drivers, will remained strong as manufacturing activities gradually recovered and is expected to continue its upward trajectory given the recovery of the global economy and a long list of Free Trade Agreements (FTAs) achieved to date such as EVFTA, UKVFTA, CPTPP.

The main impact of this scenario is mainly on foreign capital flows. In short-term, with the history of others FED rate hikes, portfolio capital flows into emerging markets will turn negative and Vietnam could see continued net selling on the equity markets. Despite short term fluctuations, Vietnam, with good macroeconomic fundamental and as long as inflation stay below 4%, will continue to be an investment destination for FDI companies, especially in the manufacturing industry.

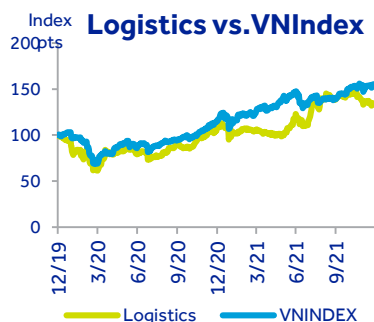
Despite the FED rate hike, we expect the VND in general (in banking system and in black market) will maintain its strength in upcoming months of 2022 supported by:

- (1) Exports, as noted above are expected to remain strong;
- (2) FDI inflows disbursement recovered recently and FDI inflows registered to Vietnam is expected to continue to after we control the outbreak of COVID-19 cases across country and reopen our economy, especially the manufacturing sector, given our long list of Free Trade Agreements (FTAs) achieved up to now; and
- (3) Abundant foreign reserves (stood at around USD111bn at the end of September 2021).

## Logistics during the pandemic

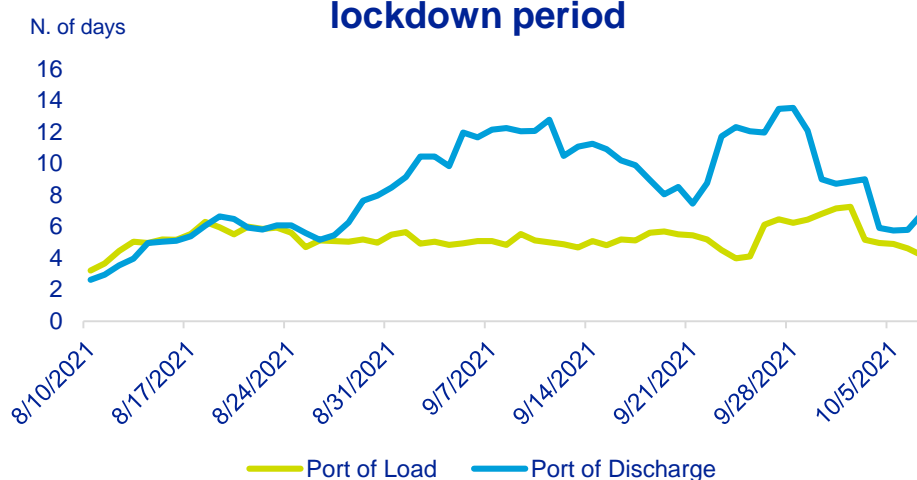
The impact of the COVID-19 pandemic has been felt in every aspect of the economy in Vietnam, including the supply chain despite many measures taken by the Government such as the "1 Road 2 Destinations" and "3 On Site" policies which requested facilities to arrange accommodation for all workers at designated places to ensure limited travel to the facilities. As global supply chains continue to be disrupted, the delivery of some key raw materials such as yarn and textile, computer chips and cars are delayed, in turn, causing production lines to be disrupted. Trade for intermediate goods started to recover in 3Q2021 as other countries worldwide reopened the economy post COVID-19. However, Vietnam entered a stricter lockdown in 3Q2021, driving manufacturing and processing businesses to almost cease operation.

Ports in Vietnam were also hit during the pandemic, especially in Southern Vietnam due to higher import shipments while factories in Vietnam hit low productivity, due to



social distancing policies constraining the labor force or even closed factories. According to Vietnam Report, lack of workers hits approx. 54% of Vietnam's total logistics companies as about 1.3 million people moved back to their hometown from Ho Chi Minh city and major cities in Southern of Vietnam. This drives container dwell time to increase sharply since August and reach approx. 1 week of delays even in October when the lockdown was lifted. According to Project 44, unlike other countries where port congestion was driven by shortage of containers, the port bottleneck in Vietnam was mainly due to lockdowns as the workforce at Vietnam ports declined by half.

### Dwell time in Vietnam ports during lockdown period



Source: Project 44

With restricted export shipments, cargo volume through Southern ports of Vietnam declined in 3Q2021. In Ho Chi Minh city, total cargo volume declined by 10.3% YoY to 11.3 mn tonnes in September (vs. 12.6mn tonnes last year). At Cat Lai Port (**HSX: CLL**), total cargo volume declined by approx. 20% YoY in September while Sai Gon Port (**Upcom: SGP**) recorded a 3% YoY decline in volume over the same period. Among 10 listed port companies, half of them have saw their revenue decline in 3Q2021 over the same period last year (Dong Nai port **HSX: PDN**, Port of Hai Phong **HNX: PHP**, Port Serco **HNX: PRC**, Doan Xa Port, **HNX: DXP**, Cat Lat Port **HSX: CLL**). In terms of profitability, 8 out of 10 companies recorded a declining gross margin in 3Q2021. Thanks to the increase in 1H2021, total cargo volume through Ho Chi Minh city ports remains in the green shade with over 5% YoY increase in 9M2021 to 127.5 mn tonnes.

Vietnam logistics companies	3Q2021 YoY revnue change	3Q2021 YoY gross profit change	3Q2021 gross margin	3Q2020 gross margin
Transport operations & services	-6.7%	-16.8%	29.8%	33.5%
Airlines	-29.2%	-13.4%	-33.3%	-27.3%
Air freight	33.0%	20.7%	11.9%	13.2%
Marine shipping	-0.6%	42.7%	20.0%	13.9%
Trucking	109.6%	46.5%	3.7%	5.3%
Transit services	-53.0%	-561.5%	-60.4%	6.2%
Logistics services	29.3%	23.9%	9.0%	9.4%

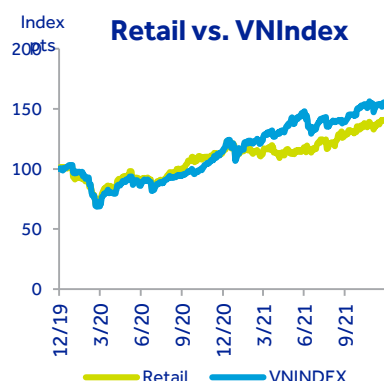
Source: Bloomberg



Transport operations & services and transit services were the most affected during the fourth wave of COVID-19 in 3Q2021 as dwell times increased. On the other hand, air cargo volume increased in 3Q2021 thanks to the high sea freight that drives the discrepancy between the two options minimal, benefiting air cargo companies such as Saigon Cargo (**HSX: SCS**), Noi Bai Cargo Terminal (**HSX: NCT**). Trucking companies also saw performance improvements in 3Q2021, which we believe is linked to the expansion of e-commerce and delivery services in Vietnam, especially during the lockdown period. As e-commerce continues to grow in Vietnam, it will be a key catalyst for both last-mile delivery and air cargo moving forward. Demand for high value-added air cargo with specialized amenities such as cold storage for vaccines and healthcare products will also help air cargo to boom.

The real question post pandemic for the global supply chains and in particular for Vietnam, is how to shift to a healthier and more resilient system. We believe the reorganization of the global supply chain post pandemic will benefit Vietnam. However, concerns around the high transport cost in 2022 and unexpected social distancing period are still present. To limit the impact of the pandemic moving forward, Vietnam needs to be less dependent on other sources of intermediate goods, trying to gradually replace import products with local goods.

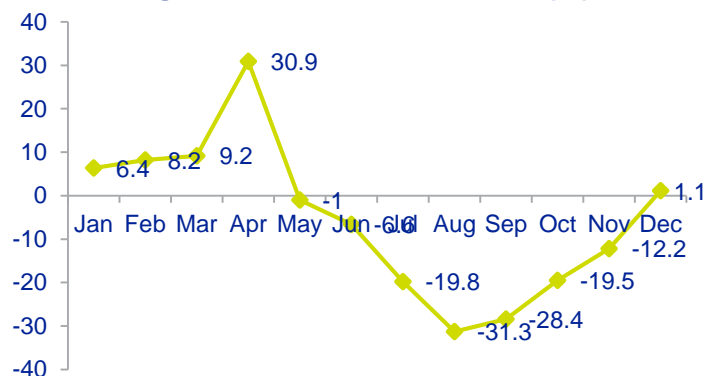
## How did the 4th wave effect domestic consumption?



The months long outbreak of COVID-19 on a large scale in Vietnam in 2021 weakened consumption of goods and services, with the Consumer Confidence Index and retail sales of consumer goods services sliding for most of the time in 2H2021, especially 3Q2021. Restrictions in people's movement and businesses' operation combined with impacts on consumer incomes might not allow consumers to have many choices other than priority for more essential products during social distancing stages and the peak time of the outbreak. Retailers of groceries/staple products (e.g food, drugs, personal care, healthcare products, etc.) enjoyed increased customer traffic when wet markets, restaurants, coffee shops, etc. closed temporarily and benefited from consumer's stockpiling in social distancing stages. Meanwhile, non-essential retailers (e.g. smartphones, consumer electronics, jewelry, etc.) had to close temporarily for most of the time in the social distancing stage in 3Q2021, causing either slump in revenue/earnings or loss for companies in this sub-sector in the period. In particular, such retailers as Mobile World Group (**HSX: MWG**), FPT Retail (**HSX: FRT**) and Phu Nhuan Jewelry (**HSX: PNJ**) experienced drops in revenue and earnings in 3Q2021 due to operational interruptions of many store chains. However, MWG and FRT's performance was partly supported by their members including the groceries chain, Bach Hoa Xanh (BHX from MWG), and pharmacy chain, Long Chau from FPT Group (**HSX: FPT**), respectively, whose stores were allowed to operate in the social distancing stage. BHX's average revenue per store jumped by ~22% in 3Q2021 versus that in 2Q2021 while a similar momentum was also seen in Long Chau.



YoY growth of retail sales of consumer goods and services in 2021 (%)



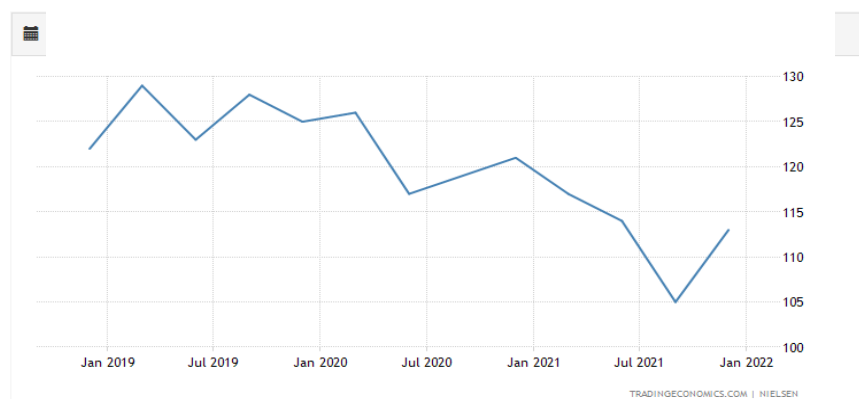
Source: GSO

Retail sales of consumer goods and services	YoY growth in 9M2021	MoM growth in Oct 2021
<b>Retail sales of goods</b>	<b>-3.4%</b>	<b>14.5%</b>
Food	5.0%	8.0%
Garment	-9.6%	25.1%
Household appliances	-10.0%	13.8%
Cultural and educational items	-10.5%	11.6%
<b>Sales of accommodation, food and beverage services</b>	<b>-22.1%</b>	<b>47.2%</b>
Accommodation	-37.1%	29.8%
Catering services	-20.7%	48.5%
<b>Sales of tourism services</b>	<b>-64.0%</b>	<b>298.9%</b>
<b>Sales of other services</b>	<b>-19.4%</b>	<b>39.5%</b>

Source: GSO

## Vietnam's Consumer Index (\*)

Consumer Confidence in Vietnam increased to 113 points in the fourth quarter of 2021 from 105 points in the third quarter of 2021. source: Nielsen



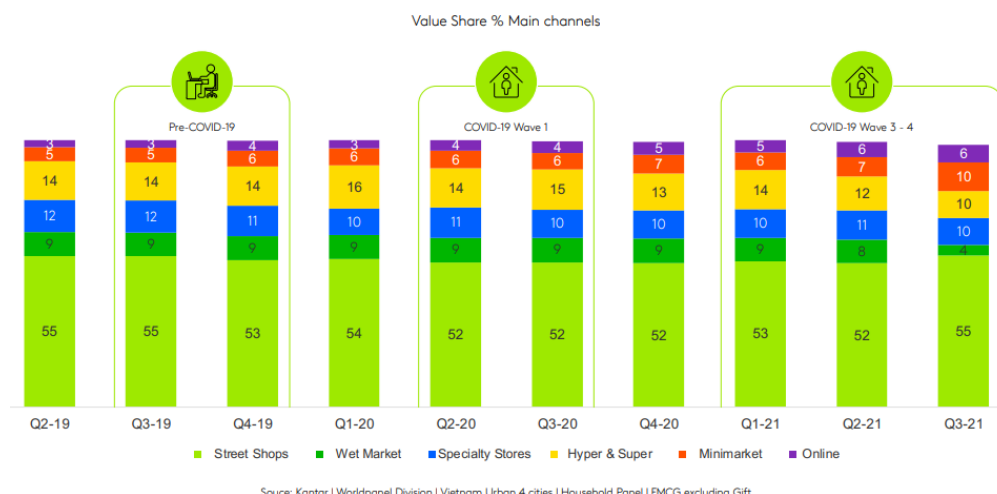
Source: <https://tradingeconomics.com/vietnam/consumer-confidence>.

(\*): In Vietnam, the Consumer Confidence Index is part of The Nielsen Global Survey of Consumer Confidence and Spending Intentions. The survey is conducted every quarter by the Internet and measures the level of optimism that consumers have about job prospects, personal finances and spending intentions. The index levels above 100 indicate optimism and below 100 indicate pessimism.

However, a recovery could be observed in the Consumer Confidence Index, retail sales of goods and services as well as retailers (e.g MWG's thegioididong.com and dienmayxanh.com chains, PNJ, etc.) after the end of social distancing stage. The Consumer Confidence Index has also bounced back after plummeting in 3Q2021. For 2022, we expect this recovery to continue, though performance may vary in different product groups, based on assumptions that the probability of repeating such a long social distancing stage as 2021 may be minimized thanks to expansion of vaccination, the government's potentially increased investments in healthcare system and changes in people's habits/awareness to diminish infection potential. Demand for staple products remain after social distancing measures were removed and post pandemic, due to their short expiration period and importance to people's daily lives.

Customer traffic to modern trade channels may be shared again by wet markets as this trade channel has reopened. Reopening of coffee shops, restaurants, etc. could restore sales for food & beverage manufacturers after recording falling revenue from this sales channel due to social distancing. Nevertheless, consumption for infrequent products may be curbed/delayed as a result of the pandemic's impacts on consumer spending power, although the severity could vary in different consumer segments. Infocus Mekong Research's survey suggests that consumer sentiment is leaning towards more humble spending priorities (e.g food & beverage, healthcare, education, etc.) rather than luxuries as consumers remain weary to return to the more free-spending pre-pandemic ways.

COVID-19 has also made online shopping activity more popular, approaching more consumers with a higher frequency and new product groups (particularly fresh food, which consumers often prefer shopping directly at stores/wet markets). Physical retail will remain an important channel but online sales is also deepening its role, making omni-channel an increasingly indispensable part in companies' business strategies.

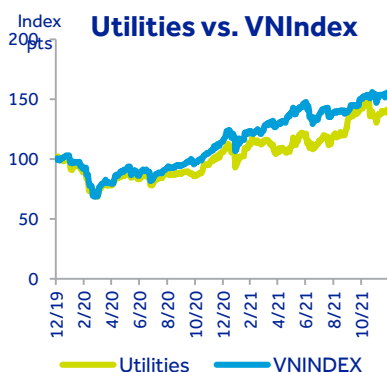


Source: Vietnam Insight Collection 2022 - Kantar Worldpanel

## Government continues to support the recovery of Vietnam's economy through public spending

Amidst the challenging situation of the recent outbreak of COVID-19 and the determination of Vietnam's Government in achieving the dual goals of anti-epidemic and economic recovery & development, Vietnam's government continued to show support to the economy in term of fiscal and monetary policies, especially through public investment in infrastructure including transport and public utilities. For the 2021-2025 plans, the Vietnam Government is eager to spend USD119bn for infrastructure development. We believe the Vietnam Government will fulfill this 5 years' plan given the country's needs and the strong potential of the infrastructure system for Vietnam's economy growth. The country is estimated to need up to USD480bn for infrastructure development until 2030. Increased spending, particularly on infrastructure, will benefit many economic sectors including utilities, transportation & logistics, materials, industrial real estate, as well as have ancillary benefits to all aspects of Vietnam's economic development.

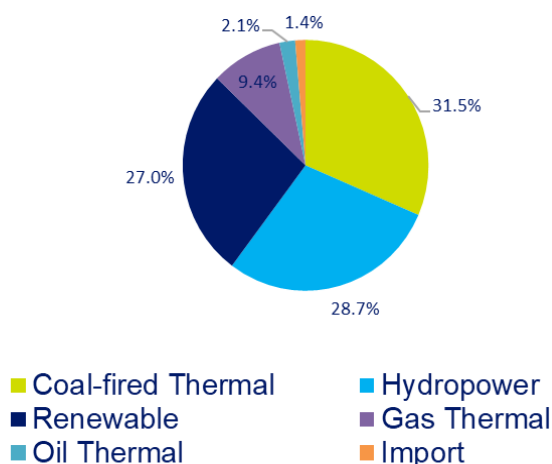
## The Power Sector



The energy sector, especially the renewable energy segment, has witnessed strong growth as demand for electricity in Vietnam is constantly growing. Economists have forecasted Vietnam's electricity demand to increase by 9% per year until 2025, with the Northern region growing faster than the Central and Southern regions. According to the Ministry of Industry and Trade, Vietnam's electricity demand is expected to outpace its supply by 15bn KWh in 2023. In order to meet that growing demand, Vietnam also has to expand its national grid accordingly to complement the capacity expansion.

Vietnam's power system ranks second in ASEAN region and twenty-third in the world in terms of scale. By the end of 2021, the total installed power capacity of the whole system has reached 76,620 MW, an increase of nearly 7,500 MW compared to 2020. 2021 is a volatile year of operation of the national power system as demand for electricity decreased due to the severe impact of the COVID-19 pandemic in many areas.

## VIETNAM 2021 POWER CAPACITY DISTRIBUTION



Source: EVN, ACBS

During lockdown, many southern provinces and cities implemented social distancing according to Directive 16 to ensure the requirements of COVID-19 prevention and control, causing a sharp decline in electricity consumption across the country, especially in the southern region. The sharp decline in commercial electricity consumption not only affects the production and business activities of the southern power industry, but also pose many challenges and potential risks to the safety and security of the national power grid system. In 3Q2021, average national daily electricity consumption decreased by 10.5% compared to the 2Q2021 and decreased by 4.1% compared to 3Q2020 while southern average daily electricity consumption decreased by 23.4% compared to 2Q2021 and decreased by 13.6% compared to 3Q2020. In October and November, electricity consumption showed signs of recovery compared to previous months. The electricity production output of the whole system reached 20.28 billion kWh (-0.3% YoY) and 20.71 billion kWh (+3.9% YoY) in October 2021 and November 2021 respectively. The capacity and consumption of electricity in the whole country during Tet holiday from January 29, 2022 to the end of February 6, 2022 was down sharply compared to weekdays before Tet. On average, during the Lunar New Year holiday, the highest electricity consumption capacity of the whole

national electricity system was only about 24,700 MW per day, and electricity consumption was about 485 million kWh/day. The national average daily electricity consumption during the Tet holiday was about 29% lower in capacity and 30% lower in output compared to the daily average of the week before Tet. However, compared with the same period of the Lunar New Year last year, the national average daily electricity consumption of the 2022 Tet holiday was still about 8% higher in peak capacity and 16% higher in output compared to the same period last year. In February 2022, electricity production of the whole system reached 18.6bn kWh (+14.9% YoY). Accumulated 2M2022 electricity production output reached 39.59 billion kWh (+6.1% YoY), of which utilization distribution shifting from hydropower to thermal power and renewable energy since the end of 2021.

Construction progress of important power source and grid projects, especially solving site clearance problems, were affected since many localities implemented social distancing according to Directive 16. However, in 11M2021, EVN has started 119 power grid projects; completed energizing one-hundred and ten 110-500 kV grid projects, including nine 550kV projects, twenty 220kV projects and eighty-one 110kV projects.

2021 was a favorable year for hydropower companies despite weaken demand. Thanks to the advantage of lower production costs compared to coal and gas thermal power, hydropower was prioritized for mobilization. The sharp increase in the price of coal and natural gas last year also increased the production costs of thermal power plants; thereby, further benefits hydropower companies. In addition, Favorable hydrological conditions in many areas also help hydropower plants increase their power output, resulted in business results exceeding expectations.

### 2022 Outlook

In 2022, electricity demand for socio-economic development will be at a high level, when the epidemic prevention strategy shifts to safe adaptation, living with COVID-19 and the economy reopens. According to EVN's forecast, the amount of electricity produced and purchased by the entire power system in 2022 will be about 275.5 billion Kwh (+7.58% YoY). As for renewable energy, in 2022, it is expected that renewable energy sources generation will provide about 35.6 billion Kwh, accounting for about 13% of the total electricity demand of the system

This year, hydrological conditions in many areas are forecasted to be favorable for hydropower companies. However, we forecast that the business results of hydropower companies will be strongly differentiated and depend on the hydrological situation in each region. The risk of water shortage in large reservoirs in the upper stream of Red River basin will continue to occur from January to June 2022. Meanwhile, in the Central and Central Highlands, by the end of December 2021, there could be a flood to help reservoirs increase water storage.

National Power Transmission Corporation (EVNNPT) continues to coordinate with ministries, branches and localities to promptly, safely and effectively deploy construction investment projects, especially projects to release power source capacity especially in South Central region. In order for existing renewable power sources not be limited in capacity due to overload, EVN will have to urgently deploy the construction of transmission lines and substations to release capacity of existing renewable energy sources that have been put into operation and 4,000 MW new wind

power (and potentially another 3,5000 MW that missed November 1st, 2021 deadline), especially in Ninh Thuan, Binh Thuan and Quang Tri areas.

Biggest challenge in 2022 is to ensure enough electricity for the Northern region, especially in the months of extreme weather. EVN has established a committee to ensure electricity supply in the Northern region for the period of 2021-2025, meeting monthly to propose solutions and drastically implement them. Current unfavorable hydrological situation of hydro power reservoirs in the North will affect the electricity supply situation for 2022. In order to get ready for potential power shortage in the North from May to July 2022 during extreme heat period, we expect EVN to mobilize more coal-fired thermal power to ensure the long-term goal of water storage in Northern hydropower reservoirs as directed by MoIT according to document No. 6690/BCT-DTDL issued on Oct 25, 2021.

### Power Development Plan VIII

The Ministry of Industry and Trade is urgently finalizing the Power Plan VIII for the period 2021-2045 (DPD VIII) to report to the government in 1Q2022. The content of Power Plan VIII revolves around building a sustainable plan; devoting a lot of space to developing green, clean, and environmentally friendly energy sources with reasonable production costs; ensuring the benefits of the state, investors and consumers; meeting Vietnam's commitments with the world on minimizing greenhouse gas emissions into the environment. Many localities have proposed to add renewable power projects to the planning, especially localities with potential for solar and wind power. However, in recent years, a large number of solar and wind power projects have been developed while renewable energy can only be used with an appropriate and reasonable proportion based on the conservation of electricity, ensuring the connection of supply and demand and meet the load demand. Therefore, Power Plan VIII will not be able to approve all proposals of localities. The plan will calculate the inclusion of projects on the basis of regional distribution, according to the area commensurate with the needs of the localities.

According to Power Plan VIII, it is expected that by 2030, the total installed capacity of Vietnam's power sources will reach 130,371-143,839 MW. In which, coal-fired thermal power accounts for 28.3-31.2%, gas thermal power (including LNG) accounts for 21.1-22.3%; large, medium and pumped storage hydropower accounts for 17.73-19.5%; renewable energy sources (small hydropower, wind power, solar power, biomass power) accounted for 24.3-25.7%, imported electricity accounted for 3-4%. By 2045, the total installed capacity of the power source will reach 261,951-329,610 MW, in which, coal-fired thermal power will account for 15.4-19.4%; gas thermal power (including LNG) accounted for 20.6-21.2%; large, medium and pumped storage hydropower accounted for 9.1-11.1%; renewable energy sources (small hydropower, wind power, solar power, biomass power) accounted for 26.5-28.4%; imported electricity accounted for about 3.1%. The share of coal-fired thermal power plants will drop sharply from 31% in 2021 to about 15-19% in 2045.



## Capacity development according to Power Plan VIII

	2020	2030	2045
<b>Capacity (GW)</b>	69,3	130.4-143.8	262.0-329.6
Coal-fired Thermal	31.5%	28.3-31.2%	15.4-19.4%
Gas Thermal	9.4%	21.1-22.3%	20.6-21.2%
Hydropower	28.7%	17.7-19.5%	9.1-11.1%
Renewable (including small hydropower)	27.0%	24.3-25.7%	26.5-28.4%
Import	1.4%	3-4%	3.1%

Sources: EVN, ACBS

Hydropower is an energy source with flexible operating conditions in the structure of Vietnam's electricity system. However, the proportion of hydropower sources is decreasing because the large hydropower projects in our country have basically been exploited and put into operation. The exploitation capacity of the remaining hydropower projects are mostly small capacity projects and in the stage of preparation for construction, or under construction. The report on reviewing the implementation progress of hydropower projects in the period 2020-2025 shows that the system can add about 1,840 MW of medium and large hydropower, including existing projects expansion such as Hoa Binh (additional 480 MW), Ialy (360 MW) and Tri An (200 MW). Small hydropower projects are likely to develop an additional 2,700 MW in the period from now to 2030. Therefore, by 2045, the proportion of hydropower is forecast to account for only about 9% of Vietnam's power structure.

Power Plan VIII orients the development of traditional fuel sources to switch to liquefied natural gas (LNG) on a very large scale from 0% in 2020 to approximately 12,550-17,100 MW in 2030, accounting for nearly 10% - 12% of the total generation capacity in 2030, gradually increasing to 43,000MW, accounting for 15%-17% of the total capacity in 2045. LNG gas is mainly imported and may face difficulties similar to the development of coal-fired power sources in the past period. The price of imported LNG fuel is always an uncertain factor, with many fluctuations in the past as well as in the coming period, leading to problems with prices, pricing mechanisms, investment forms, etc. These issues may pose many difficulties to the development of LNG power sources and affect Vietnam electricity security in general and security of electricity supply in particular.

Renewable energy is currently still unstable and not yet fully utilized. However, in a few years, as Vietnam's electricity demand recover from COVID-19 and absorb the new surge of renewable sources and new renewable energy sources are developed reasonably thanks to PDP VIII, renewable energy has a lot of potential and will be Vietnam's orientation moving forward. In the long term, as PDP VIII is finalized and implemented, companies such as Power Construction JSC No. 1 (**HSX: PC1**), REE Corporation (**HSX: REE**) and PV Power (**HSX: POW**) that are currently expanding their footprint into renewable energy will benefit from Vietnam's government orientation in expanding renewable energy and developing suitable infrastructure for power capacity expansion.

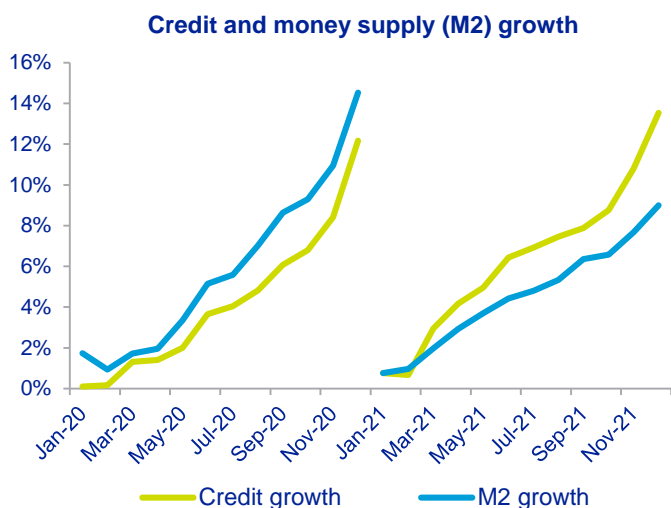
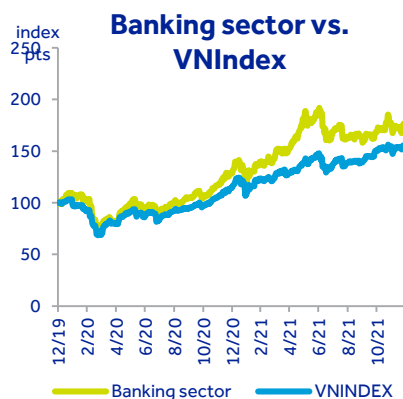


## The outlook for the banking industry is positive, although deposit rates may go up slightly

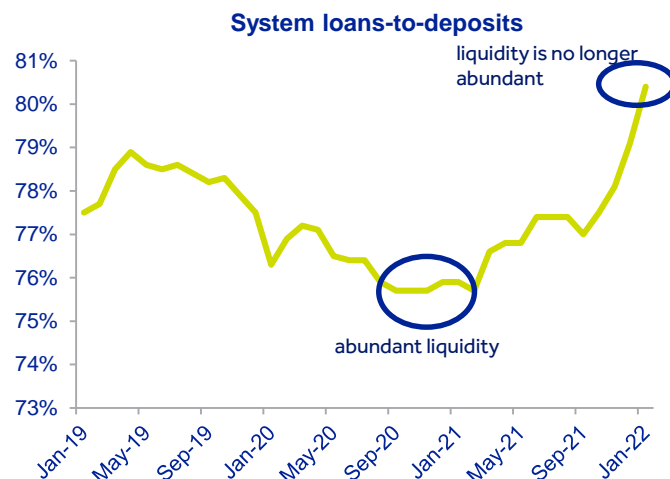
**System liquidity is no longer abundant, deposit rates are expected to increase by 50 basis points in 2022**

Deposit interest rates remained low in 2021, causing the deposit growth to slow down. Meanwhile, low lending interest rates stimulated a sharp increase in credit demand, especially after lock-down period. Credit continued to grow strongly in early 2022. As of January 29, 2022, credit growth reached 2.74% (SBV), equivalent to the growth rate of the whole Q1 of 2021.

Strong credit growth caused the liquidity of the banking system not as abundant as in Q2/20-Q3/21 period.



Source: SBV, GSO, ACBS



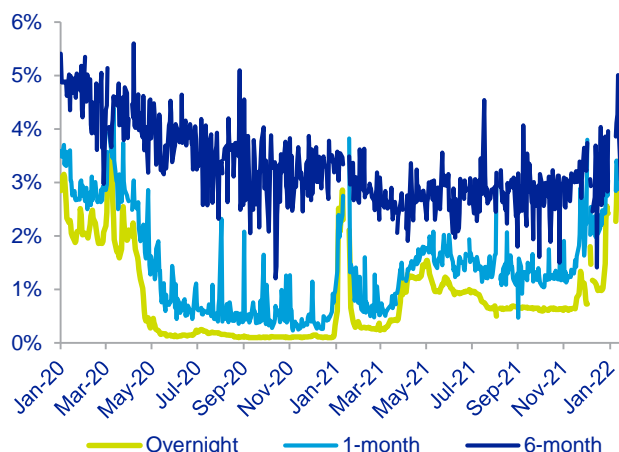
Source: SBV, GSO, ACBS

However, there are some factors supporting for banking system liquidity as follows:

- Although credit demand is strong, credit growth is still being controlled by the SBV through the granting of credit quotas to commercial banks.
- The tendency of banks to keep most of their profits instead of paying cash dividends to maintain liquidity. In 2021, the total profit after tax of 17 banks listed on HOSE reached VND 139 trillion, while these banks only paid a total of VND 3 trillion in cash dividends in 2021.
- Banks issued long-term capital by issuing valuable papers such as certificates of deposit and bonds. International bond issuing becomes easier and more common for Vietnamese banks.

Therefore, the current system liquidity has not been under stress. Interbank interest rates increased to 3% in short tenors in the period of late January 2022, however, this increase was seasonal due to the Lunar New Year holiday. Yields on government bonds are still remaining low, with only a slight increase in 1-year tenor.

Interbank interest rates



Source: SBV

VN government bond yields



Source: VBMA

We expect credit will continue to grow strongly and put pressure on system liquidity from the second half of 2022, when the SBV extends credit growth quotas for banks. Therefore, we forecast that deposit rates may increase slightly, about 50 bps in 2022 to ensure liquidity.

Regarding the impact on the business results of banks, we forecast the growth trend of CASA (demand deposit) will continue, offsetting the increased cost of funds due to rising deposit rates. Therefore, we expect cost of funds to not increase significantly and NIM to be flat compared to 2021's.

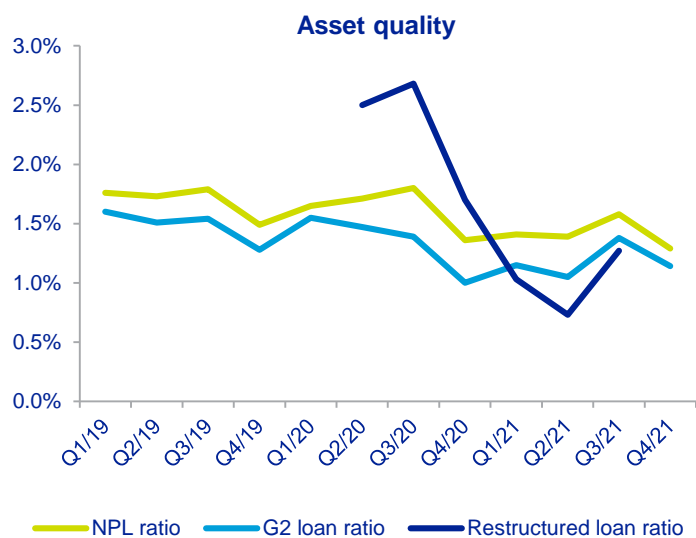
### The banking industry's profit growth driver in 2022 will come from a reduction in provision expenses

We forecast that credit growth of the banking industry will reach 15% in 2022, higher than the growth of 13.53% in 2021. However, the request to reduce lending interest rates from the SBV will limit the growth of net interest income of banks.

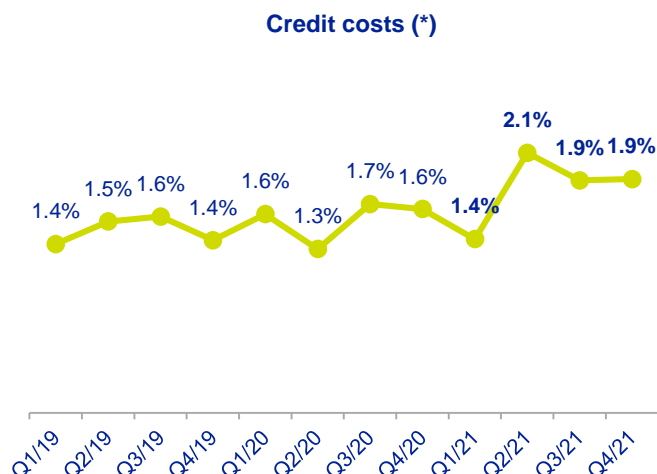
Non-interest income activities such as payment, bancassurance, investment banking services and off-balance sheet debt collection will also grow positively when social activities recover after the lockdown period.

Meanwhile, we expect provision expenses in 2022 to decrease compared to 2021 thanks to:

- NPL and group 2 loan ratios did not increase in 2021, but COVID-19 restructured loans have increased again since the 4<sup>th</sup> wave of the pandemic broke out in Q3/21. Even so, banks have made higher than minimum requirement provisions (30%) for restructured loans in 2021. Of which, many banks have exceeded the minimum provision requirements for COVID restructured loans (min 30%), with some reported to have made nearly 100% provisions already including CTG, ACB and MBB.
- The reopening of the economy since Q4/21 helps customers' financial situation recover. Since then, the asset quality of banks will also improve and reduce the pressure to make provisions in 2022.



Source: banks, ACBS



(\*): annualized

Source: banks, ACBS

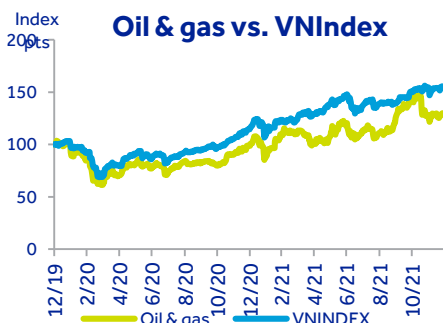
In general, we have a positive expectation for the banking sector's business results in 2022, driven by (1) strong credit growth and (2) less provisioning pressure than in 2021.

### Bank Coverage:

(Unit: VND bn)

Ticker	Market cap 15-Mar-22	Total assets 4Q21	NPL ratio 4Q21	Trailing ROA	Trailing ROE	Trailing P/E	Current P/B	2022F P/E	2022F P/B
VCB	383,807	1,414,765	0.6%	1.4%	18.6%	20.1	3.5	13.8	2.8
TCB	174,032	568,811	0.7%	3.6%	21.5%	9.6	1.9	8.5	1.6
CTG	153,544	1,531,468	1.3%	0.8%	12.6%	13.6	1.7	9.0	1.4
MBB	119,395	607,140	0.9%	2.2%	21.2%	10.0	2.0	9.1	1.7
STB	61,647	521,196	1.5%	0.6%	9.7%	21.0	1.8	12.8	1.6

Source: banks, ACBS



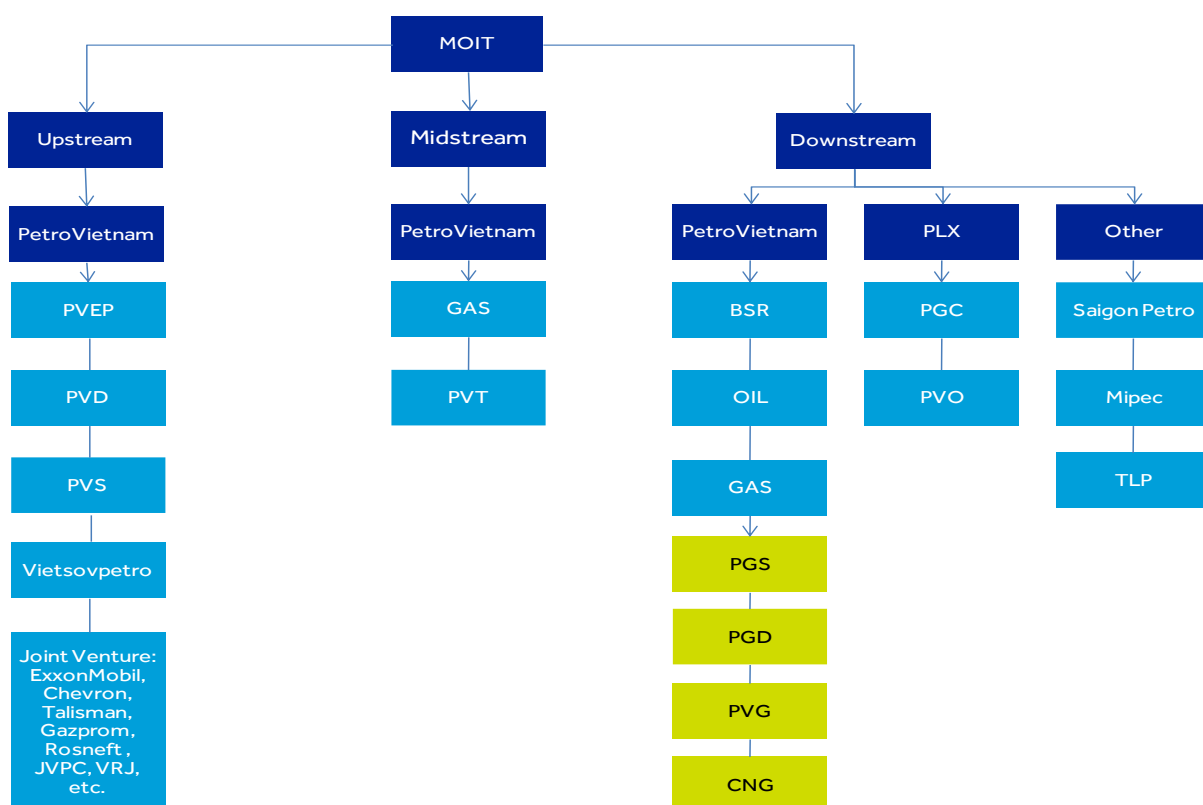
## The impact of oil price hikes

Vietnam oil and gas industry is dominated by the Vietnam Oil and Gas Group (PetroVietnam - PVN) and controlled by the Ministry of Industry and Trade (MOIT), plays an important role in Vietnam's economy thanks to its significant contribution to GDP and the state budget revenue (about 20% on average). It is also a top priority for development by the Government as being the key to national economic growth and energy security.

Traditionally, this industry is separated into three main activities:

- Upstream: geological research, exploration and mining
- Midstream: storage and transport activities
- Downstream: processing (refining, petrochemicals, gas) and distribution

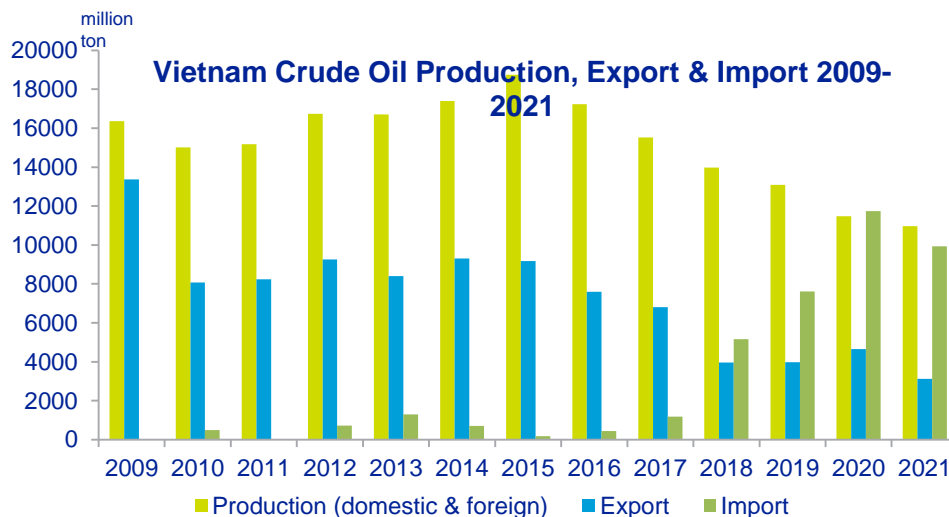
PVN and Petrolimex (**Hose: PLX**) are the two biggest players in this industry. However, PLX is currently involved only in transportation and distribution, with 48-50% market share in petroleum sector while PVN has built an integrated oil and gas value chain from upstream to downstream.



Source: ACBS

### Crude Oil Production, Import & Export

According to BP report, Vietnam crude oil reserves is at 4.4 billion barrel (mostly located in the South) and ranked 3<sup>rd</sup> place in Asia Pacific Region, after China (25.7 bil barrel) and India (4.4 bil barrel) but much lower than Venezuela (300.9 bil barrel) and Saudi Arabia (266.5 bil barrel).



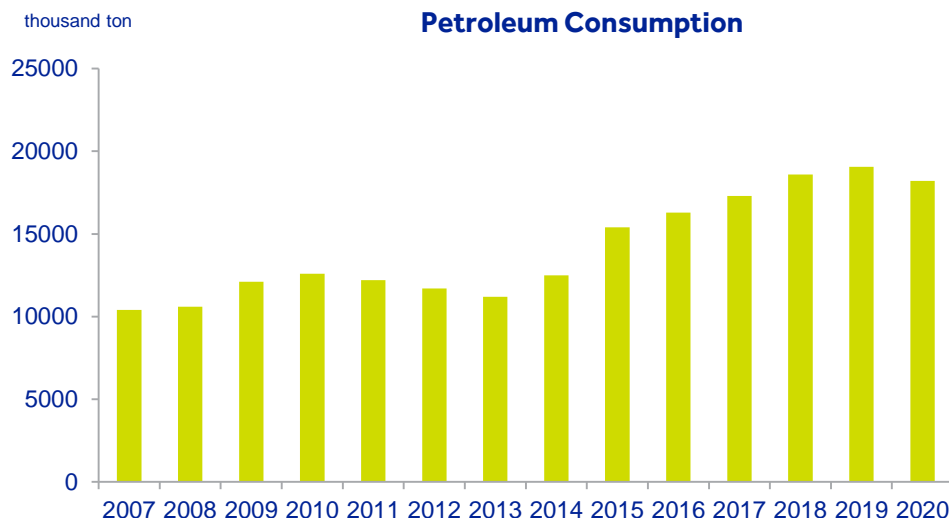
Source: PVN

Before 2018, Vietnam was a net exporter of crude oil (supplying about 0.6% of global demand), but is a net importer of oil products due to the country's low crude distillation capacity (6.5 million tons/year by Dung Quat Refinery). Starting from 2018, as the Nghi Son refinery (10 million tons/year) came on-stream and used crude oil from Kuwait as the input, Vietnam has become the net importer of crude oil.

In the 2015-2021 period, Vietnam's crude oil production has been on the decline with CAGR of -8.5%. In explaining this, Vietnam oil resource has been facing the depletion of natural oil resources. Most of large oil field have been exploited for long-time and are currently in the final stages while new discoveries are mostly small field with low reserves. Among that, Bach Ho oil field that makes up more than 60% of PVN's output can be exploited for about 4-5 years. Moreover, since 2016 there has been a lack of exploration activities due to low oil prices, which has led to the fall in newly discovered oil and gas reserve from 2016. In 2021, oil and gas reserve only increases 4.6 million ton, lower than 15 mil tons in 2020 and 40.5 million tons in 2015.

Therefore, despite current high oil price and recovering economy post-COVID-19, we expect crude oil production in 2022 to drop slightly.

### Petroleum consumption

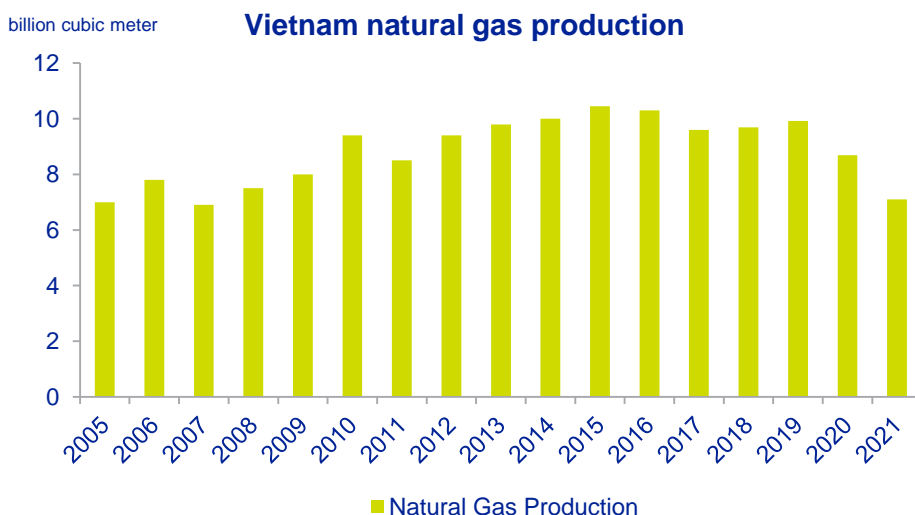


Source: PVN

After growing at CAGR of 3% in 2015-2019 period, Vietnam petroleum consumption has been on the decline in 2020-2021 due to trade and mobility restrictions amid COVID-19. However, we believe it is only the short-term impact. For 2022, thanks to the increase in economic activity, easing mobility restriction and acceleration in vaccination progress, petroleum consumption is expected to regrow.

According to Global Petrol Prices, Vietnam gasoline consumption is at 0.21 liter per capita, which is much lower than Thailand, Indonesia and Singapore. Thus, this gives Vietnam oil & gas industry a huge growth potential. Moreover, according to BMI, Vietnam petroleum consumption is expected to grow at 3.5% annually until 2029. Together with the expected recovering economy after COVID-19; Vietnam GDP growth, increasing car consumption and volume of goods transported will be the factors to justify the potential growth of petroleum consumption.

### Natural Gas & LNG



Source: PVGAS



According to EIA, Vietnam had a proven gas reserves of 24.7 trillion cubic feet (TCF) as of the end of 2016, which is about 690 billion cubic meters (BCM). Vietnam natural gas has been mainly produced from 3 basins: Cuu Long, Nam Con Son and Malay – Tho Chu. Domestic demand has been about equal to production, with 82-85% used for electricity generation, 10% for fertilizer plants, and the rest for low-pressure gas, LPG, etc. Regarding this sector, PVGas – a subsidiary of PVN (**HSX: GAS**) – is the monopolistic player.

Gas production in Vietnam has been surging from 2003 to 2019 with the Nam Con Son basin (which is gas- prone) coming on-stream in that year. However, in 2020-2021, natural gas production has dropped due to the COVID-19 impacts that led to low demand of natural gas in electricity generation as well as from industrial customers.

In the time coming, according to PVN and Power development plan VIII, natural gas demand will surpass supply by 2025 due to the current depletion of natural gas resource and rapid growth in electricity power demand. Therefore, building more new facilities to accommodate imported LNG is needed with capacity of 1-4 billion m<sup>3</sup> per year for 2021-2025 and 6-10 billion m<sup>3</sup>/year for 2026-2035. Understanding that, GAS has been constructing the LNG Thi Vai storage (phase 1: capacity at 1 million tons LNG per year, completed by Q3/2022) and had other large LNG projects (Son My, Hai Phong) under consideration.

Regarding the recent movement toward LNG, there are opportunities/threats below:

#### Opportunities

- Vietnam LNG consumption is expected to grow at annual rate of 10% over next decade
- Attracted foreign investment into LNG sector. For example: LNG Son My Terminal (AES Corp.), LNG-to-power project in Ha Phong (ExxonMobil), LNG Quang Ninh (Tokyo Gas), LNG Long An (GS Energy), etc.

#### Threat:

- Changes in the current undeveloped legal/ regulatory framework for LNG
- The construction of LNG gas thermal power plants can face difficulties in negotiating the Power Purchase Agreement (PPA) with EVN, which then affecting the progress of LNG projects

#### Oil price movement in 2021 and outlook

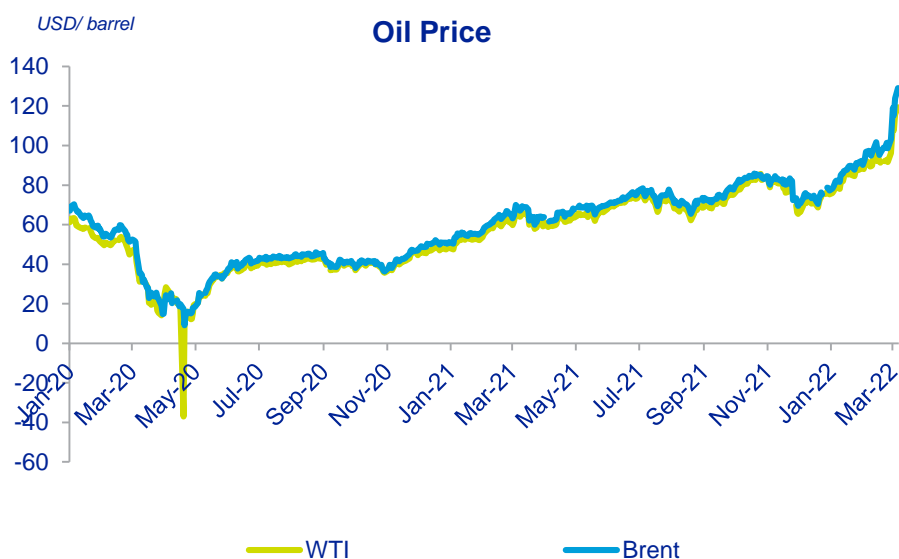
Despite some fluctuations in 2021, Brent oil prices have been climbing steadily, up 48.6% from USD49.9/barrel at Dec 2020 to USD74.1/barrel as of Dec 2021. The demand rebound, which comes from the increase in economic activity, easing mobility restriction and acceleration in vaccination progress, has been the key driver of oil's uptrend in 2021.

In the first 2 months of 2022, despite the emergence of Omicron variant, Brent oil prices surged strongly to USD101/barrel due to Russia-Ukraine war as well as the supply concerns amid increasing demand.

Regarding the outlook for 2022, oil demand is expected to increase thanks to ongoing rebound of economic activities, transport demand and vaccination progress.

However, the growth will be slow due to Omicron or other potential variants as well as the fear of contamination.

On the supply side, sanctions on Russia oil & gas by some US and UK have put a lot of pressure to the current supply concerns. However, OPEC+ will add 400,000 barrel/day each month till their production reaches pre-pandemic levels although several OPEC+ members did not meet the group's monthly output increases due to political strife and underinvestment in drilling. Iran's oil can also return to the market as nuclear talks resumes. Thanks to current high oil price, more supply is also expected to come online from US and other non-OPEC countries in mid-2022 to 2023. Thus, we forecast Brent oil price averaged at the 93 USD/barrel level for 2022.



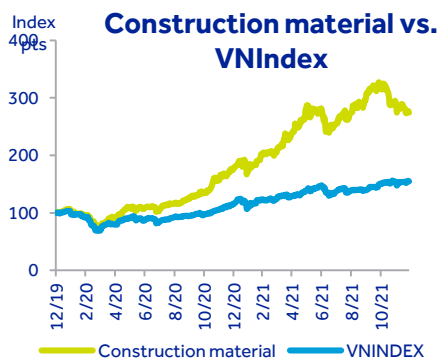
Source: Bloomberg

Higher oil price supports positively the selling gas price (**HSX: GAS**) and contribution margin of gasoline product amid low inventory cost (**HSX: PLX**, **HSX: BSR**). Together with easing border restriction, the jack-up day rate for (**HSX: PVD**) is also expected to improve along with the higher utilization rate of jack-up fleet and TAD rig. On the other hand, the slow initiation of new oil & gas project has put a lot of pressure on the workloads for the Mechanics & Construction segment of (**HNX: PVS**).

## Steel price peaked in the middle of 2021

Steel rebar prices had a volatile 2021 with a strong uptrend in the first half of 2021 before peaking at nearly 950 USD/ton in June. The strong price increase of steel price was caused by the return demand of China, with a push in construction and public investments to stimulate the economy after a long period of relative inactivity due to COVID-19 lockdowns.

The tight steel domestic steel supply in China was partially a result of this country pursuing a goal of reducing CO2 emissions. The steel industry is one of the main CO2 emission sources of China, so the government has set up some policies to restrict the domestic steel production, starting by restricting this country largest steel hub Tangshan from setting up new BOF furnaces.



The combined effects of expanding demand and contracting supply of China steel has pushed steel prices to reach the peak at 50% more than its level at the beginning of 2021.

USD/ton

### Steel rebar price



Source: Bloomberg

The strong uptrend of steel price was cut by the power crisis of China in the last quarter of 2021, the power crisis caused by coal shortage has a big negative effect on heavy industries of China which consume a lot of steel, causing the steel demand to fall sharply and let the steel price fall from 900 USD/ton to 675 USD/ton in November.

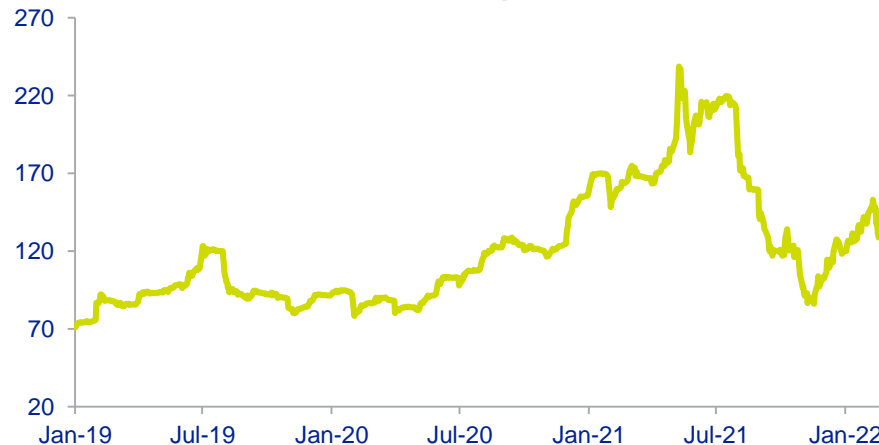
But steel price has recovered strongly when China coal supply was guaranteed in the beginning of 2022 and heavy industries activities started to run at their normal level, helping to get China steel demand back. Steel price has increased 10% from beginning of 2022, currently trading at about 770 USD/ton.

### Steel materials bounced back as supply tightened

As steel demand increases quickly after China lifted some lockdowns and started to boost their economic activities, the demand for materials also went up quickly, causing steel materials prices to increase strongly as supply remains constrained and unable to increase in a timely manner to expand to meet strong materials demand.

USD/ton

### Iron ore price



Source: Bloomberg

Iron ore price reached the peak at 240 USD/ton, double to its price in the beginning of 2021 when large iron ore miners were struggling with capacity expansion when the rainy weather in Brazil was unfavorable in recent years, making it very risky to set up a new mining zones. An unofficial trade ban between China and Australia also added to the restriction of China buying iron ore from Australia.

Iron ore fell quickly from its peak in the last quarter of 2021 when the commodities market over-reacted to the fear of iron ore shortage and China steel industry suffered from power shortage crisis, to the bottom at 95 USD/ton but quickly recovered to 150 USD/ton in the beginning of 2022 as steel production activities in China recovered.



Source: Bloomberg

The coking coal prices also followed along with steel price movements in 2021, but went even higher in the last quarter when China suffered from an extreme coal shortage situation. Coking coal price reached its peak at over 600 USD/ton, near triple to the price in beginning of 2021 when China coal inventory fell to its 5 years lowest in September. The strong increase of coal price was also added by speculative activities on the coal market, when some Chinese coal traders intentionally held up a large amount of coal in their inventory in order to push the coal price.

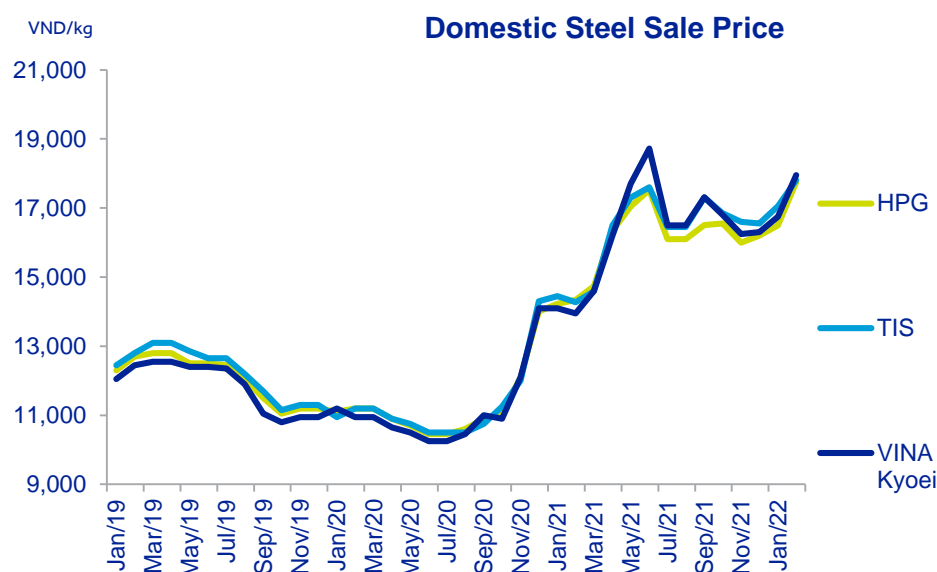
The extreme coal price problem was solved by Chinese government in the last quarter of 2021. The Chinese authorities threatened strong punishment to coal speculators and signed new coal import contract with Russia, Indonesia to expand their coal supply, therefore, solving the coal shortage problem and brought the coking coal price to the level at about 310 USD/ton.

As China signed sanctions against Russia coal, there is the potential lose about 15% of their total coal imports, equivalent to about 49 mil tons of coal. While the headline figures appear large, they only account for less than 1% of China coal consumption as China consumed about 5.24 billion tons of coal in 2021. In the latest statement at the beginning of March, China has planned to increased domestic coal production to meet the loss in import from Russia sanction, so in our view, the coal price would not be affected by the sanctions.

### Vietnamese steel market

Vietnam's steel market has a high correlation with global steel market, as the domestic steel industry is still highly reliant on imported materials. Except for a small amount of steel producers who have their own furnaces, the majority of steel producers in Vietnam need to import steel billets and HRC coils from overseas. Steel producers who have their own BOF furnaces like Hoa Phat, Formosa or Posco,.. also need to import raw material from Australia and Indonesia.

Rising global steel price in 2021 also affected Vietnam domestic steel market, while the steel rebar price level has increased about 50% compared to the beginning of 2021.

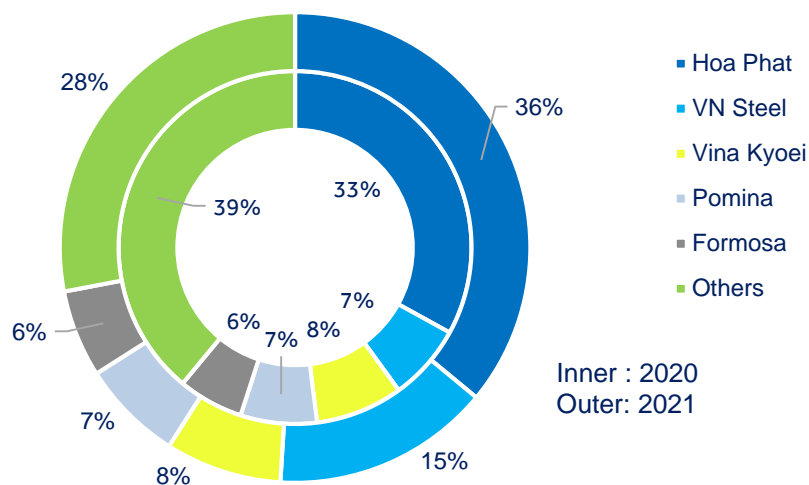


Source: Fiinpro

In our latest survey, domestic steel producers have increased the steel selling price for Feb-2022 to about 18,000 VND/kg when iron ore price increased again and steel demand began to recover in early 2022.

Although Vietnam's economy faced a difficult year in 2021 with a long lockdown period, Vietnam's steel industry still maintain the double digit growth with total steel production of all kinds reaching 33.29mn tons (+19.1% yoy). The steel industry growth is supported thanks to strong export activities with total volume of 7.76mn tons (+70% yoy), with the main export markets of Vietnamese steel being China and the US.

## Construction steel market share



Source: Vietnam Steel Association

Although already being the leader, Hoa Phat are still gradually increasing their construction steel market share by outcompeting small steel producers, using their price advantages given their scale. VN Steel made a big jump in market share competition thanks to recent acquisitions of small steel producers. The shares of Pomina, Vina Kyoei and Formosa seem to be stable through 2021. Overall, construction steel market in Vietnam is becoming more concentrated when top 5 steel producers account for 72% of the market, small steel producers are losing their market share because of less cost competitive and small size.

### Steel 2022 Outlook

In a February report from the world mining association, the 2022 guidance of large iron ore miners is very tight. For example, Vale mining set the production target for 2022 equal to their 2021 plan because of the outlook of unfavorable weather and the dam risk in Brazil. Other large miners also set a low target for the year 2022, which made the growth iron ore supply outlook in 2022 to be low, only 2-3%. Therefore, the tight outlook of iron ore supply can lead to an increase in iron ore price, making this commodity to be over 150 USD/ton.

As the steel demand of China are expected to recover in 2022 with the government rolling out stimulus packages and increasing the public investment, we expect the steel price can increase slightly till the end of 2022 surpassing 800 USD/ton.

The outlook of increased global steel and iron ore prices could lead to an increase in domestic steel prices in Vietnam, moreover, we expect the construction steel demand of Vietnam can growth at 12-13% thanks to the recovery of construction activities and the push of government on infrastructure projects.

We expect the recovering demand of steel can keep the price level of construction steel in Vietnam to be over 18,000 VND/kg in 2022. Good steel prices can benefit domestic steel producers such Hoa Phat (**HSX:HPG**), Hoa Sen (**HSX:HSG**) and Nam Kim (**HSX:NKG**). Steel trading company such as SMC Trading (**HSX:SMC**) can also benefit from the growing steel market.





## Industrial zones continue to enjoy the China +1 movement

Despite the complicated situation surrounding COVID-19, the industrial property segment saw a robust growth in 2021 with growing asking rents across the nation and high occupancy rates thanks to stable demand and infrastructure expansion and improvement. At YE2021, Vietnam had a total of 398 established Industrial Parks (IPs) with a total land area of 123,500ha (+8% YoY), of which 292 IPs are operating at an average occupancy rate of 71%, up by 80 bps YoY, according to the Ministry of Planning and Investment. Last year, these IPs welcomed 539 FDI projects and 615 DDI projects with registered capital of USD12.8bn (+15% YoY) and VND236.2trn, nearly unchanged compared to 2020. Asking rents for industrial land increased by more than 15% YoY in some provinces and averaged at USD131/sqm in the south and USD97/sqm in the north, according to CBRE.

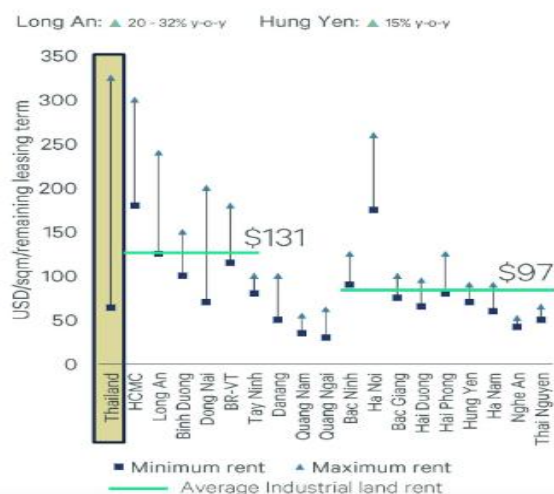
Supply chain disruption created increasing demand for logistics facilities (ready-built warehouses and factories) near seaports, inland ports and major air hubs and boosted new supply. Total supply in the north reached 1.3mn sqm of warehouses (+7% YoY) and 2.5mn sqm of ready-built factories (+9% YoY) while the south had 3.5mn sqm of warehouses (+10% YoY) and 3.2mn sqm of ready-built factories (+8% YoY), according to CBRE. Asking rents increased by more than 5% YoY in some provinces and averaged at USD4.7/sqm/month in the north and USD5.0/sqm/month in the south.

Looking forward, we think the market sentiment will remain strong in the long-term despite the COVID-19 with stable demand especially from multinational corporations' expansion. Asking rents are likely to grow at a stable rate along with more supply from the north than the south thanks to improved infrastructure. Multinational corporations will prefer eco & smart industrial parks which can offer more efficient logistics, decentralized energy storage and production, better water, waste, energy control systems, etc.

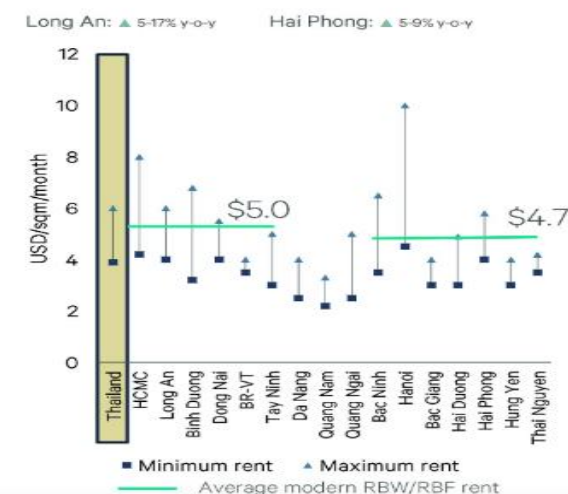
Kinh Bac (**HSX: KBC**) is one of the largest IP developers in Vietnam with a history of 20 years and IPs in both the northern and southern key economic zones. KBC has been well-known for attracting international high-tech corporations such as LG, Canon, Sanyo and Foxconn. Besides, it develops residential areas adjacent to these industrial projects.

Vinhomes (**HSX: VHM**), a member of Vingroup (**HSX: VIC**) is the largest residential developer in Vietnam and is expanding to the industrial segment with a target of 2,900ha of NLA in Hai Phong, Quang Ninh, Hai Duong, etc. to take advantage of the China +1 trend and improved infrastructure in the north of Vietnam.

Industrial land asking rents, 2021



Warehouse/Ready-built factory asking rents, 2021



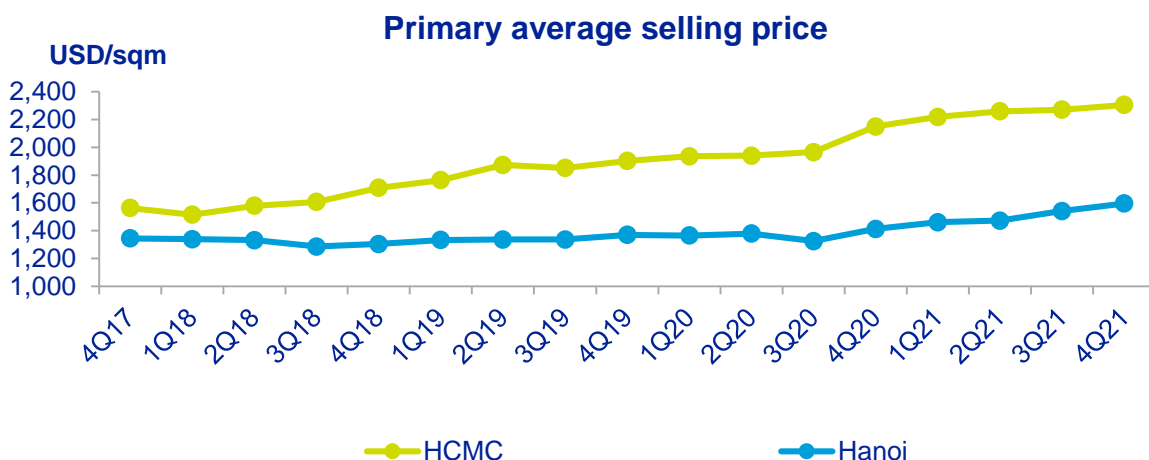
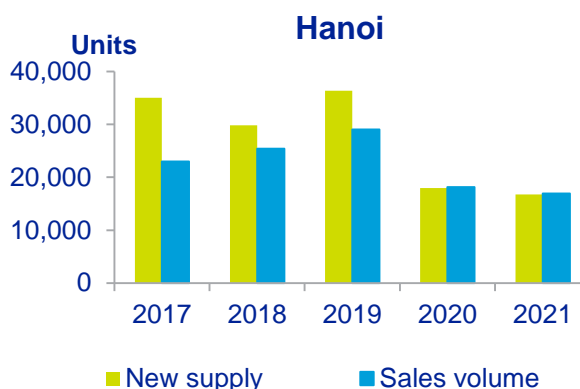
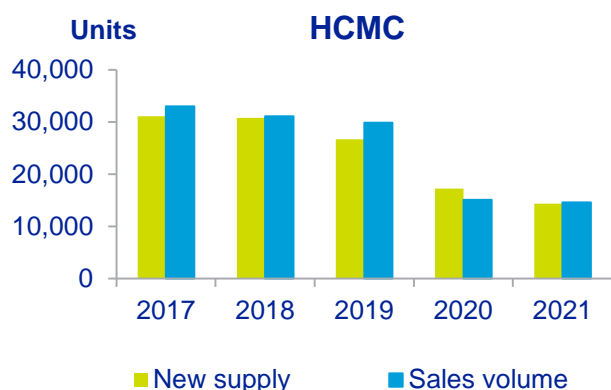
Source: CBRE.

## Residential real estate is expected to recover from the low base of 2021

Condominium new supply in 2021 continued to decline due to the pandemic and licensing issue. According to CBRE, HCMC launched 14,339 new units (-22% YoY), the lowest since 2014 with the leading of the high-end segment which accounted for 59%. This was the second year having no new affordable supply in this city. Hanoi supplied 16,758 new units (-7% YoY) with the dominance of the mid-end segment (which accounted for 72% of total supply) and limited affordable segment (4%). The 2020-2021 supplies in both cities were equivalent to only 47-50% of 2015-2019 period.

The year 2021 marked launches of the first two branded residence projects in Vietnam: The Grand Marina Saigon with average selling price (ASP) from USD15,000/sqm and The Grand Hanoi with ASP of ~USD26,000/sqm. Despite the pandemic, these projects still attracted foreigners, overseas Vietnamese and wealthy locals as they offer customers value added of a brand, i.e. Marriott and Ritz-Carlton and enhance homebuyers' living quality to a whole new level.

Sales volume continued to be affected by limited supply and the pandemic and hit the lowest levels since 2014 with 14,639 units (-7% YoY) in HCMC and 16,958 units (-9% YoY) in Hanoi. Price was in an uptrend thanks to limited supply, more high-end and luxury units launched and rising price of construction materials which accounted for roughly 60% of construction value. Average primary price reached USD2,306/sqm (+7% YoY) in HCMC and USD1,596/sqm (+13% YoY) in Hanoi.



Source: CBRE.

Licensing issue and rising land prices in HCMC and Hanoi's urban districts encourage developers to expand to suburban districts and neighboring provinces such as Binh Duong, Dong Nai, Long An, Hung Yen, Hai Phong and Quang Ninh with satellite township projects as favourite products. Improved infrastructure, more affordable selling price and more green spaces have supported the absorption rates of these projects.

### Outlook

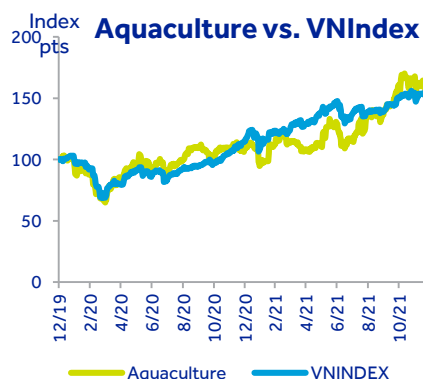
Given growing vaccination rate and adaptation to the 'New normal', we think new supply of condominium will recover at around 20,000-25,000 units in Hanoi/HCMC. Given construction/approval of key infrastructure projects, stable interest rate, rising middle income class, and high urbanization rate, demand is expected to be stable and price will continue on its uptrend. HCMC and Hanoi will welcome more branded residence projects while supply of affordable condo projects (ASP less than USD1,000/sqm) will continue to be rare although the demand in this segment is very high.

Developers and banks will continue to cooperate to offer customers attractive payment schedule and mortgage, e.g. move in after paying 30% of unit value, loan up to 100% of unit value, mortgage term up to 35 years, etc. Current low and stable mortgage interest rate will continue to stimulate the demand.

Developers such as Vinhomes (**HSX: VHM**), Khang Dien (**HSX: KDH**) and Nam Long (**HSX: NLG**) are expected to benefit from the recovering residential market given their strong brand name, healthy financial status, attractive projects, bulk sales strategy or support from strategic partners.

## Fishery exports

Vietnam's fishery products are one of the six key agriculture, forestry, and fishery products for export in Vietnam along with wood and wooden products, cashew nuts, rubber, vegetables and rice even though it accounts for approx. 2.6% of Vietnam total export turn over. In 2021, Vietnam exported a total of USD8.9bn of aquaculture and fishery products, an increase by 5.7% YoY. Noticeably, export volume increased by only 1.0% YoY to 8.63 mn tonnes, suggesting an increase by 4.6% YoY of ASP to above the USD1,000/kg.

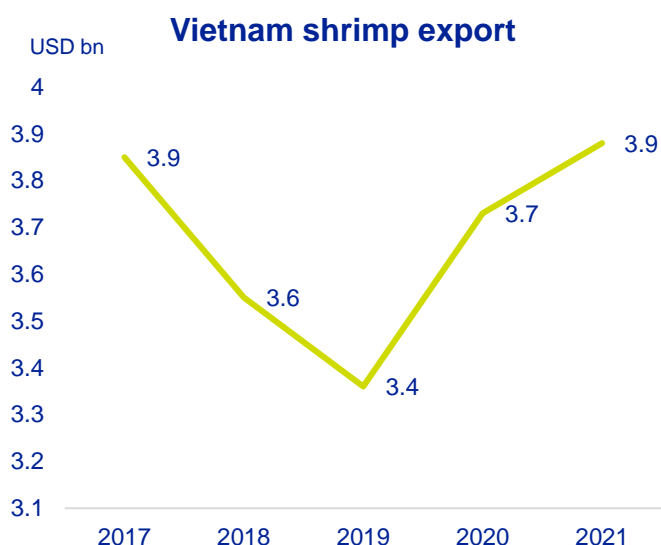


Source: VASEP

Shrimp accounts for the largest portion with USD3.9bn (+3.7% YoY) of export turnover in 2021, contributing 43.6% to Vietnam's total fishery export. The US is the biggest export market of Vietnam, accounting for 25.8% of Vietnam total shrimp export while Vietnam is the 5<sup>th</sup> largest exporter to the US. As of mid-December 2021, the US market recorded an increased by 22% YoY with market share of Vietnam to jump from 11% to 13%. EU market accounts for approx. 15% of Vietnam total shrimp export with a 17% YoY increase recorded in 2021 in value term. With the EVFTA which is effective a year ago, we believe there is more room for the EU market to expand. In the US market, Vietnam might gain more market share in 2022 as the US has doubled the anti-dumping tax for India. However we should have a closer watch for Ecuador – the largest producer of shrimp worldwide as Ecuador shrimp export to the US increased by 34% YoY in 2021 with ASP to jump impressively by 81% YoY. From exporting mostly raw shrimp to China, Ecuador has moved to a 30/30/30 strategy

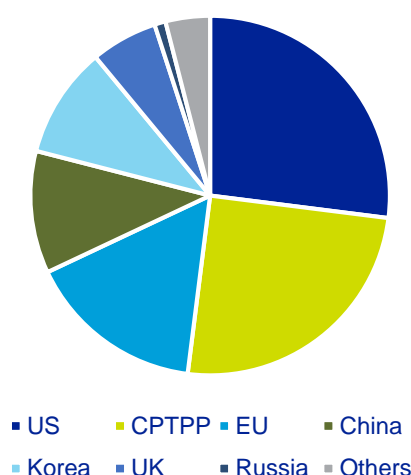
(30% for Asian markets, 30% for EU and 30% for the US) focusing on higher value-added products.

In terms of production, despite the negative impact of COVID-19 with long lockdown period, lack of workers and high transport and feed costs, shrimp production in Vietnam was still able to maintain the growth. In Ca Mau province, which accounts for one third of Vietnam's total shrimp export, recorded 4% YoY volume increase in 2021. Favorable weather and stable raw shrimp price have help farmers to maintain their crops. With those favorable conditions, Minh Phu Corporation (**HSX: MPC**) – the largest shrimp exporter of Vietnam – recorded a 13.9% YoY increase in net profit (as of 9M2021) with 6.7 pts improvement in gross margin, and this despite the reduction of MPC's export to the US market (The US market used to account for 30% of MPC's total export but due to high anti-dumping tax, the company reduced its exposure to the US market) which drives MPC's revenue to decline by 11.0% YoY in 9M2021. Sao Ta (**HSX: FMC**) recorded 17.1% YoY and 19.4% YoY increase in revenue and gross profit, respectively in 9M2021. Camimex (**HSX: CMX**) – the largest organic shrimp exporter in Vietnam recorded an impressive 28.4% and 37.9% YoY jump in revenue and gross profit, respectively over the same period.



Source: VASEP

**Vietnam shrimp export by market**

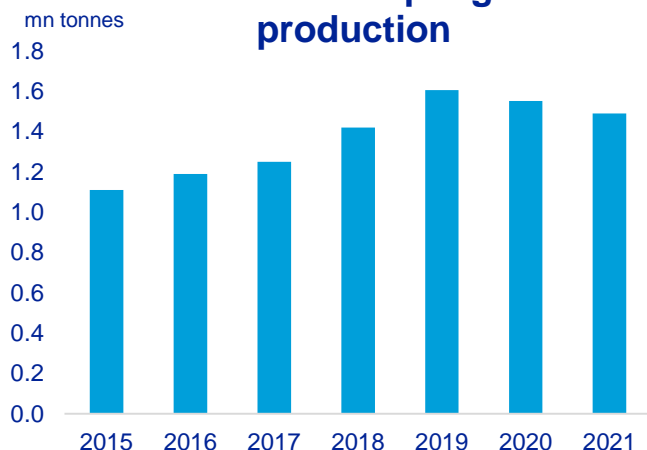


Source: VASEP

Pangasius exports are the second largest fishery export of Vietnam, accounting for 17.3% of Vietnam total fishery export in 2021. In 2021, Vietnam pangasius export increased 8.4% YoY and reached USD 1.61bn. Under the negative impact of COVID-19 in 3Q2021, Vietnam pangasius export turn over dropped by 21% YoY to USD295mn. As of 11M21, Vietnam pangasius exports only jumped by 3.3% YoY (USD 1.4bn) suggesting a booming December month for export turnover. This is an encouraging result amid of the COVID-19 situation in Vietnam in 2Q and 3Q2021 with Ho Chi Minh city and 18 cities in Southern of Vietnam to lockdown. In September 2021, 176 out of 449 pangasius factories (39%) were temporarily closed. Noticeably, the 5 largest pangasius hubs in the South of Vietnam (An Giang, Dong Thap, Can Tho, Hau Giang, Vinh Long) have seen 49% of pangasius factories to temporarily shut. Shortage of workforce, social distancing measures such as "3 on site" along with COVID-19 testing fees and travel restrictions cause difficulties to raw material sourcing have disrupted production lines and put additional financial costs to pangasius production.

Higher freight rate given shortage of container and higher feed cost (~+10% YoY to ~VND12,500/kg) also cause a hurdle to the Vietnam pangasius industry.

### Vietnam annual pangasius production



### Quarterly pangasius production



Source: VASEP

Source: VASEP

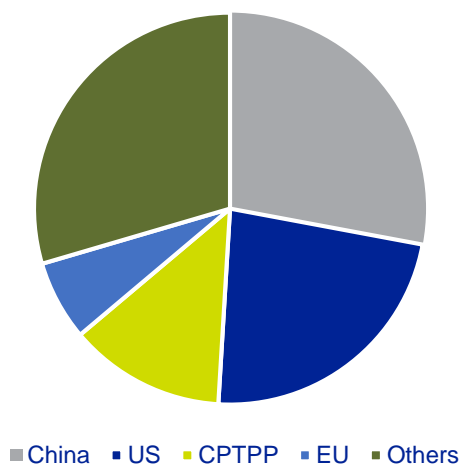
Despite a 12.6% YoY decline in value terms, China remains the largest export market of Vietnamese pangasius, accounting for 27.9% of Vietnam's total pangasius exports. Pangasius inventories in China declined drastically as of 9M2021 amid of increasing trade barriers for imported seafood in China in prevention of COVID-19. The same scenario happened with imported shrimps, salmon and pollock in China. As a result, China must boost imported seafood and in particular pangasius from Vietnam in the last months of the year. In December alone, Vietnam pangasius export turn over to China reached USD73.2mn, an impressive jump by 144.3% YoY.

The US market, with 23% contribution, recorded almost double turn over in 2021 to USD370.6mn. Noticeably, the final result of antidumping tax review for the POR 16 has announced 0% tax for Vinh Hoan Corporation (**HSX: VHC**), Navico (**HSX: ANV**) which helps to boost pangasius export.

The third largest pangasius export market for Vietnam is CPTPP with stable export turnover of USD207.8mn (+0.6% YoY) with Mexico to record significant growth of 37.3% YoY (USD69.2mn) and Canada 7.5% YoY (USD 32.7mn).

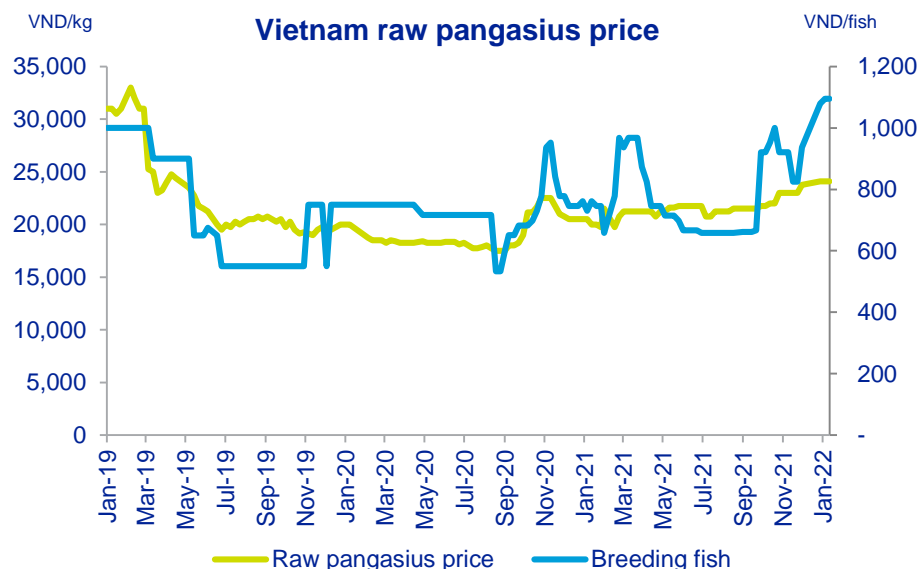


### Vienam pangasius export by market



Source: VASEP

Looking at the current raw pangasius price to assess the supply side in the next few months, we notice an increase by 19.2% YoY in avg. for raw pangasius price (to the VND24,000/kg level), allowing local farmers to secure minimal profit. With higher demand in the upcoming months for exports as activities pick up again worldwide, we believe raw price might continue to increase to the usual VND27,000-28,000/kg, encouraging farmers for larger crop thanks to higher profit. The current high breeding fish price (+40.4% YoY to above the VND1,000/fish and equivalent to the pre COVID-19 level in early 2019) reaffirms our assessment of larger crop for the next harvest season.



Source: VASEP

## The Vietnamese equity markets in 2021

2021 was a booming year for Vietnam equity market with the VN-Index increasing by 35.7% despite the impact of the pandemic, ending the year at 1,498.3. The VN-Index peak at 1,500.8 points on November 25<sup>th</sup> 2021.

### 2021

Start Date	Jan 1 <sup>st</sup>
End Date	Dec 31 <sup>st</sup>
T. P/E	17.0
Avg. Trade Val (m USD)	869

#### 2021 Top 3 Sectors

Info Technology	+88.75%
Comm. Services	+62.21%
Cons. Discre.	+60.65%

#### 2021 Bottom 3 Sectors

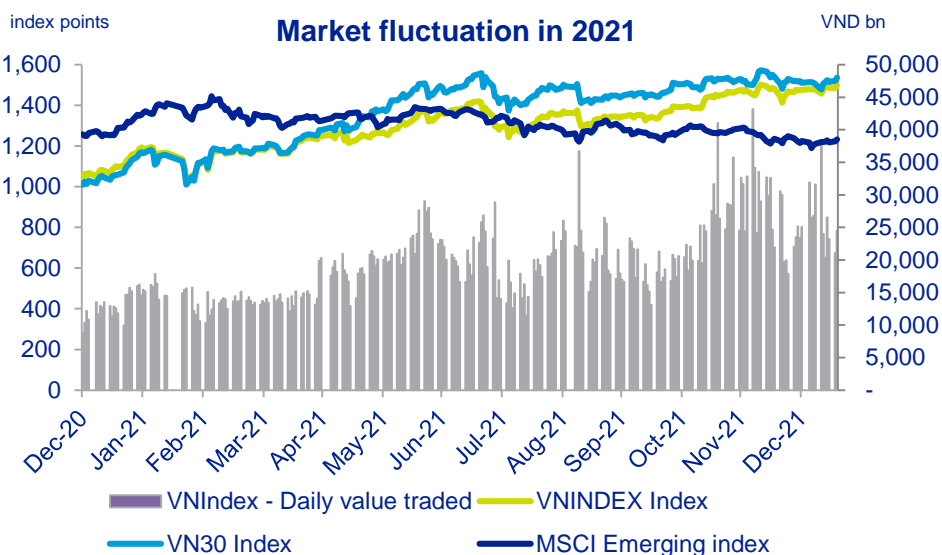
Utilities	+19.98%
Energy	+13.33%
Cons. Staples	+10.55%

#### Top 3 Stocks among top 100

TGG	+1,481.20%
LCM	+1,157.90%
TNT	+932.60%

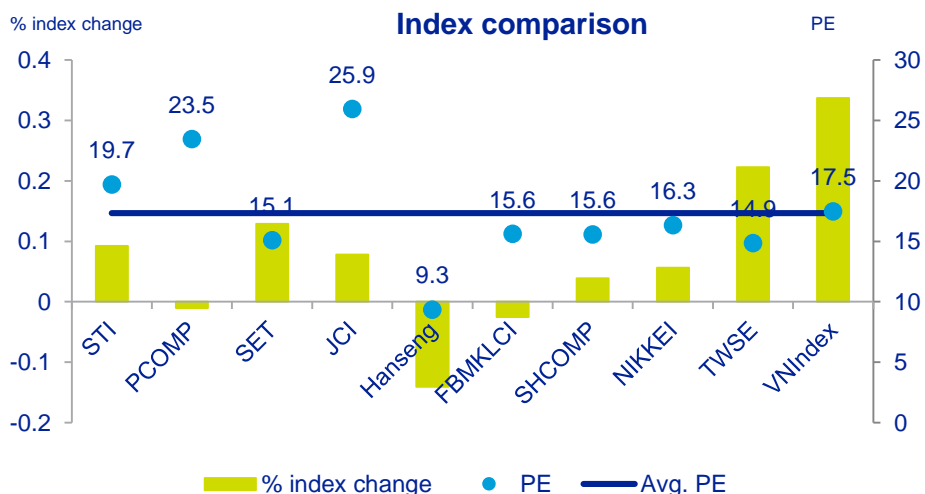
#### Bottom 3 Stocks among top 100

YEG	-44.70%
APH	-34.40%
TN1	-31.20%



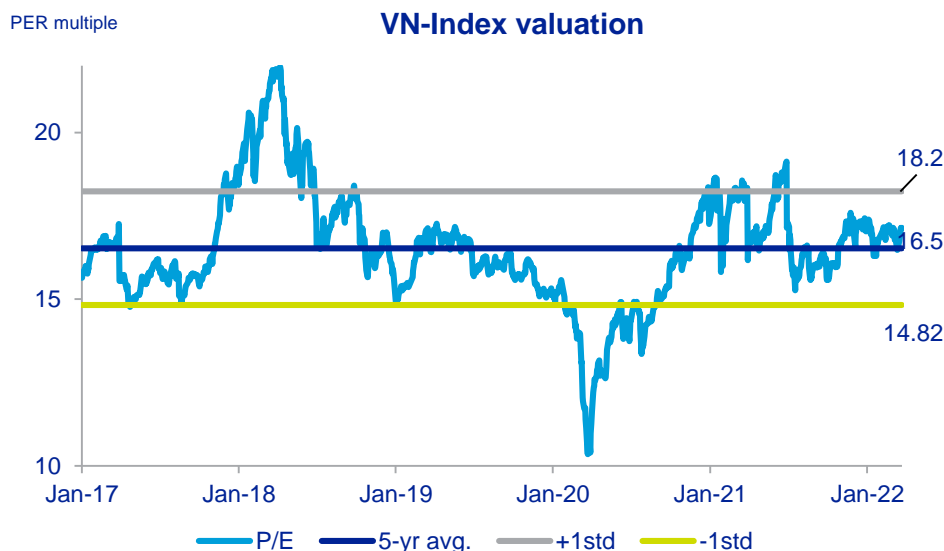
Source: Bloomberg

Vietnam's equity market ranked 7<sup>th</sup> among the world top markets with strongest growth rate in 2021, behind Abu Dhabi, Argentina, Iceland, Austria and Czech Republic. Compared to other regional markets, the VN-Index has the highest YTD growth rate in 2021, following by the Taiwanese market (+22.3% YTD) while most of other markets recorded only single digit growth rate and some markets even deep into the red such as the Philippines, Hong Kong and Malaysia.



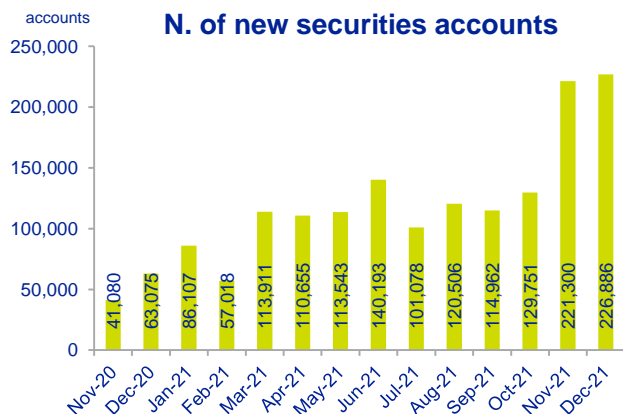
Source: Bloomberg

In terms of valuation, the VN-Index is traded at 17.5x PE which is in line with the avg. of the peers and much more attractive than Singapore (19.7x) or Jakarta (25.9x). While the VN-Index jumped by a 5Yr CAGR of 17.4% over the 2017-2021 period, the Vietnam equity market is not overvalued with the PE multiple fairly trades slightly above the 5yr avg. of 16.5x by 5.9% but still below +1 standard deviation level. Taking into account a 15.8% earnings 5yr CAGR and an expected 21.8% earnings growth for 2022, we believe the current valuation for Vietnam market is reasonable.

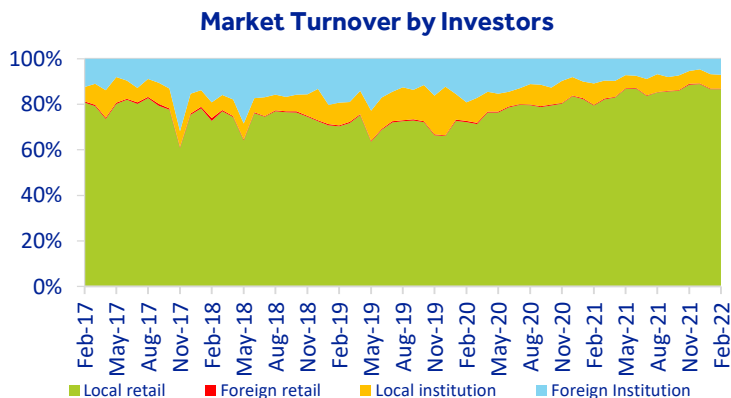


Source: Bloomberg

From an avg, liquidity of VND6,254.1bn in 2020, the index liquidity surged three-fold to an avg. of VND20,027.0bn (USD871mn), reaching the highest level in mid-November at VND43,141.5bn (USD1.9bn). Along with the strong liquidity surge is an all-time high number of new investors. From 2.8 mn of securities accounts by the end of 2020, the total securities accounts in Vietnam reached 4.3mn by the end of 2022, with an impressive surge in Nov and Dec 2021 by over 220,000 new accounts opened per month. From that amount, domestic investors accounts for more than 99% and most of the surge is coming from domestic individual accounts. Domestic trading, driven by the retail boon, accounted for approx. 94% of overall trade on the market, up from an average of ~85% in years prior.



Source: VSD



Source: Fiinpro

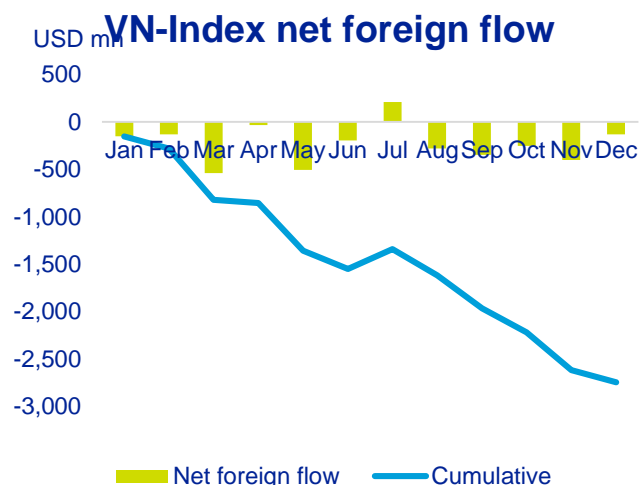
Ticker	Market Cap (VND tn)	2021 return	PE	PB	Remaining foreign room
VCB	372.9	4.0%	17.7	3.4	6.5%
VIC	361.9	-1.1%	85.6	3.6	35.5%
VHM	357.1	20.8%	9.1	3.1	26.6%
HPG	207.5	52.3%	6.5	2.5	25.4%
MSN	201.9	94.3%	84.1	9.4	68.3%
BID	187.7	-2.1%	18.8	2.3	13.3%
GAS	184.1	14.6%	21.9	3.7	46.3%
VNM	180.6	-17.5%	17.2	5.8	45.4%
NVL	175.7	147.8%	57.7	5.1	30.6%
TCB	175.5	58.7%	10.1	2.0	0.0%
CTG	162.9	29.7%	9.9	1.7	4.3%
VPB	159.1	98.3%	12.9	2.6	-2.1%
GVR	147.8	25.4%	26.9	3.0	12.5%
MBB	109.2	69.6%	9.8	1.9	0.0%
MWG	96.9	72.0%	22.4	5.2	0.0%
SAB	96.8	-21.9%	25.3	4.6	37.5%
ACB	93.2	53.5%	9.6	2.2	0.0%
FPT	84.4	84.8%	21.0	5.0	0.0%
VIB	73.5	104.4%	12.9	3.3	0.0%
VJC	69.5	2.6%	57.2	4.1	13.6%

## Top 20 Vietnamese stocks by Market Capitalization

Source: Bloomberg, Fiinpro

While 2021 was a supportive year for the Vietnamese equity market, the uptrend is mostly driven by domestic retail investors. 2021 marked the second consecutive year of net selling from foreign investors, with the 2021 net sell reaching USD2,748.5mn, up from USD868.2mn in 2020. The net outflow of 2021 alone washes out the 2 consecutive years of net buying trend in 2018-2019 from foreign investors. This could be partially explained by a more general shift to 'safer' asset allocations by managers in the face of global uncertainties since the start of the pandemic and not something that is Vietnam specific. Moving forward, as Vietnam emerges from the pandemic without major impact while the equity market continues to be resilient, we believe this will attract foreign investors to put money back into the market.

Bn USD	Net foreign flow 2021	Market Cap. (As of 31 Dec 2021)	Net foreign flow as % market cap
Vietnam	(2.8)	243.9	-1.2%
Thailand	(1.5)	580.8	-0.3%
Philippines	(0.05)	345.1	-0.01%
Indonesia	2.6	486.1	0.6%
Taiwan	(15.9)	1,950	-0.8%



Source: HSX, TSE, PSE, KLSE, IDX, TWE

On December 11<sup>th</sup>, Vietnam has launched the Vietnam Stock Exchange (VNX) as a parent company of the two exchanges HSX and HNX. It is based in Ha Noi with a 100% owned by the State. HNX is managing and running the derivatives and bonds products while HSX is managing the stock exchange and securities products.

Moving forward, we believe Vietnam's earnings are set to grow at 21.8% YoY driven by the banking, real estate and construction material sectors, as well as the recovery of domestic consumption post pandemic. Taking the 3 year average P/E of 16x and our base case earnings expectations, we estimate the index will end the year in the low to mid 1,700's level, equivalent to a 2022 F. P/E of ~13.8x from the beginning of 2022.

The optimistic scenario is based on the resumption of international flights worldwide combined with a positive effect from the fiscal and monetary package of the Vietnam Government and that corporate earnings exceed our expectations. Based on that scenario, our earnings expectations would rise and we assume that earnings multiples would remain around their current levels (~17x PE), resulting in the index reaching an 1,900-2,000 point level and representing a 2022 F. P/E of ~12.9x from the beginning of 2022.

Finally, the pessimistic scenario might happen with new COVID-19 variants, which results in Vietnam and many other countries enacting strict social distancing measures, that would in turn will delay the expected economic recovery or the war in Ukraine escalates to include more nations in the conflict which would have reverberating effects around the global economy and increase pressures on the inflation worldwide. This would result in earnings falling short of our expectations and market valuations dropping as apathy takes hold of the recent boon of new investors into the market. In this scenario, we could see the index struggle to post gains for the year and trade around the levels at the end of 2021.

## 3 scenarios for the VN-Index in 2022

Scenarios	Pessimistic	Neutral	Optimistic
VN-Index (points)	1,457.5	1,709.6	1,949.3
Growth vs. Jan 4th	-2.7%	14.1%	30.1%
2022 F. P/E (x)	15.2	13.8	12.9

Source: ACBS

## 2022 Index Points Sensitivity Matrix

	Earnings Growth								
Earnings Multiple		5.0%	10.0%	15.0%	21.8%	25.0%	30.0%	35.0%	40.0%
	14.0	1,291	1,353	1,414	1,498	1,537	1,599	1,660	1,722
	14.5	1,337	1,401	1,465	1,551	1,592	1,656	1,719	1,783
	15.0	1,383	1,449	1,515	1,605	1,647	1,713	1,779	1,844
	15.5	1,429	1,498	1,566	1,658	1,702	1,770	1,838	1,906
	16.0	1,480	1,550	1,621	1,717	1,762	1,832	1,903	1,973
	16.5	1,522	1,594	1,667	1,765	1,812	1,884	1,956	2,029
	17.0	1,568	1,642	1,717	1,819	1,866	1,941	2,016	2,090
	17.5	1,614	1,691	1,768	1,872	1,921	1,998	2,075	2,152

Source: ACBS

## Longer term outlook

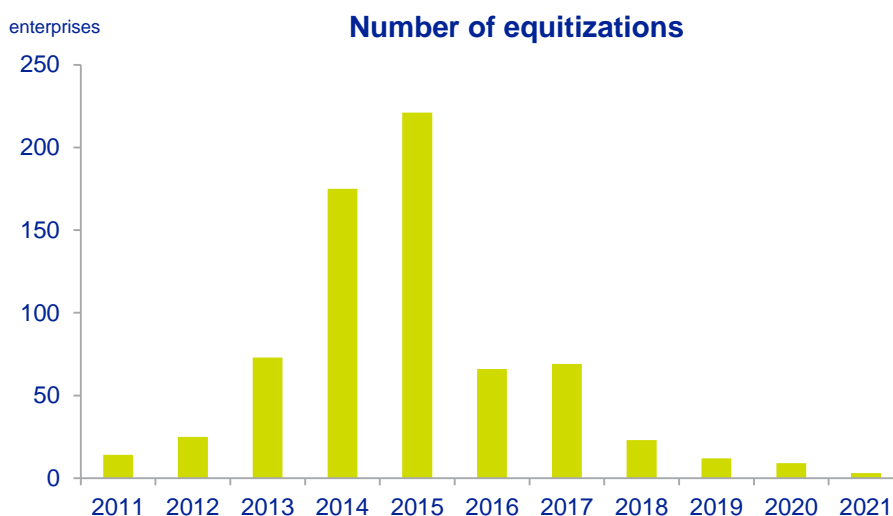
On a long-term perspective, there are several themes that are expected to contribute to the growth momentum for the Vietnamese equity markets:

### The return of SOEs divestment and equitization plans

In 2021, the State Capital only withdrew from 18 enterprises with a total book value of VND 1.7 tn and earned VND4.4 tn, much lower than the VND27.3tn book value recorded from divestment during the 2016-2020 period, bringing a total of VND177.4 tn to Vietnam State Capital. We believe setback of State Capital divestment is also the impact of the harmful fourth wave of pandemic in Vietnam. As the epidemic is contained, SOEs divestment will be back on track. It is expected that the Vietnam State Capital will divest from 6 large enterprises in 2022 including FPT group, Habeco, Bao Minh Insurance...

Regarding the equitization plan, 89 enterprises are planned with 13 large enterprises in Ha Noi and 38 large enterprises in Ho Chi Minh city including MobiFone, Agribank, VNPT... If success, that will add a large flow to the Vietnam equity market, offering new choices to investors.





Source: MoF

### The increasing importance of retail investors

The 1.5 mn of new securities accounts opened in 2021 have confirmed the increasing impact of retail investors in Vietnam. This is much higher than the combined four years in 2017-2020 period (a total of 1.0mn accounts). According to Fiinpro data, a flow of VND93,079bn (~USD4.0bn) was injected into the Vietnam equity market from domestic retail investors. As January 2022, an additional 195,068 accounts are added. We believe the increasing participation of domestic retail investors will boost market's liquidity to a new record high in 2022.

Indeed, we notice the same retail investors boom at other markets, especially in South-East Asia as deposit rate turns low and incites people to put savings into a more fruitful return and easy-access online trading platform. The increasing retail interest in Thailand market can be seen via the number of retail account trading, increasing from 47,429 new retail accounts in 2019 to 119,634 new accounts in 2020 (+152%). In 1H2021 alone, the number of new retail accounts at SET market almost doubled to 230,445 accounts, translating into a 42% retail participation (vs. 39% as end 2020). The same scenario applies for Malaysia with new retail accounts to jump by 264,118 new accounts in 2020 and an additional 223,249 accounts in 2021 (double compared to 113,665 new accounts in 2019), bringing the retail participation into Bursa market from 25% to 38% as end 2021.

As the Vietnamese population becomes more comfortable and accustomed to the equity markets being a place to accumulate and build wealth, the markets will attract cash flows from more traditional investment channels such as real estate, gold, foreign currencies, etc... Long term capital being channeled into the markets will help drive the Vietnamese markets as well as fuel the burgeoning domestic fund management business.

### Increasing domestic fund management

Low saving interest rate was key factor contributing to huge surge in number of retail customers and capital flowing into the stock market. The rate dropped sharply in 2020 and created new generations of new stock investors who are not shy away from risks. The downside of this is that not all of the new investors are equipped with adequate knowledge to tackle existing problems on the stock markets. Thus, for a while, the

Vietnam stock market was wild with many penny stocks increase many folds in prices. This happened partially because the market is still new and there are not enough products to be offered to new investors and meet their needs. Thus, it gained lots of interests from fund managements. One of the first to target at retail customers is Dragon Capital, the biggest fund in Vietnam, who launched its first pension and put-up advertising to public. With that said, even without the low interest rate, we still anticipate many more domestic funds targeting retail customers to appear as disposal income increased. The recent pandemic showed the potential of retail customers who has been neglected until now. We trust that many domestic fund managers have realized and already prepared to tap that lucrative market. All in all, while tapping an untapped market is attractive, it will not be an easy one as people in Vietnam still are quite conservative with interests lie in inheritance, real estate and gold. Though if we look at our neighbor China, who is very similar to Vietnam in a lot of ways, they have progressed quite a lot, having thousands of funds despite its financial market only started in early 2000s.

#### **Potential upgrade to emerging**

It is also worth to mention the potential to upgrade to Emerging market status by FTSE as Vietnam Stock Exchange is going to upgrade to a new system developed by KRX which will allowed the Vietnam Stock Exchange to fulfil most of FTSE's criteria for Emerging market (e.g. short sales). We expect it will be next year that the new system will run smoothly, and Vietnam will be upgrade to Emerging market status.

## Company Report Snapshot

## Hung Cao, CFA

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## Company Update

Release date

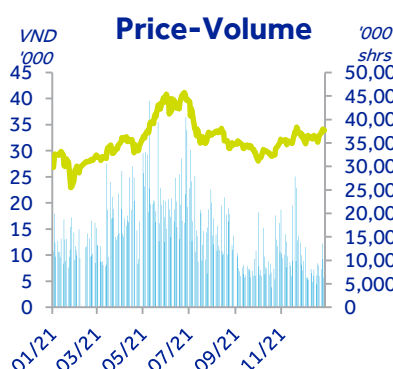
7/3/2022

**HSX: CTG**
**Banking**
**Target price (VND)**
**40,700**

## Stock performance 2021 (%)

	YTD	1M	3M	12M
Absolute	-5.6	-8.6	-0.9	11.2
Relative	-3.1	-5.9	0.4	-12.9

Source: Bloomberg



## Ownership

State Bank of Vietnam	64.5%
Tokyo-Mitsubishi UFJ	19.7%
Others	15.8%

Stock Statistics	01-Jan-22
Bloomberg code	CTG VN
52-week range (VND)	28,700 - 42,535
Shares O/S (m)	4,806
Mkt cap (VND bn)	153,784
Mkt cap (USD m)	6,657
Foreign room left (%)	4.3
Est. free float (%)	35.5
3m avg daily vol (shrs)	10,807,890
VND/USD	23,100
Index: VNIndex / HNX	1459.33/446.18

## VIETNAM BANK FOR INDUSTRY AND TRADE (CTG)

**We value CTG with a target price of VND40,700 per share. Reduced provisioning pressure will support profit growth in 2022.**

We expect CTG's profit before tax in 2022 to reach VND 25,257 billion, +43.6% YoY with growth drivers coming from:

(1) Economic recovery since Q4/21 will help improve CTG's asset quality and reduce provisioning pressure. COVID-19 restructured loans by the end of 2021 was VND10,300 billion, accounting for 0.9% of total outstanding loans. However, CTG has made provision for more than 90% of these restructured loans, higher than the minimum requirement of 30% in Circular 03 and Circular 14/2021. Therefore, the pressure of provisioning for COVID-19 restructured loans is not significant.

(2) Deposit rate may increase slightly due to the fact that system's liquidity is no longer abundant. However, CTG's net interest income will not be under pressure because of the reduction in the size of lending interest support packages, strong credit demand and improvement of CASA.

(3) Income from upfront fees from the exclusive bancassurance contract with Manulife is likely to be booked in Q1/22.

**1-year target price of VND40,700 per share** using a discounted residual income method. Our target price is equivalent to a forward 2022 P/E and P/B of **11.5x** and **1.84x** respectively, lower than the banking sector's P/E and P/B of 14.5x. and 2.47x because CTG has a lower growth rate and lower ROE than industry average.

(VND bn)	2018	2019	2020	2021	2022F	2023F
Credit growth	6.1%	7.3%	7.8%	11.1%	11.0%	10.0%
NIM	2.09%	2.93%	2.89%	3.05%	2.85%	2.86%
NFI proportion	17.8%	18.1%	21.5%	21.4%	21.7%	21.8%
TOI growth	-12.8%	42.4%	11.8%	17.3%	5.7%	11.0%
CIR	49.5%	38.8%	35.5%	32.3%	33.6%	33.3%
Net credit costs	-0.68%	-1.29%	-1.06%	-1.43%	-0.84%	-0.79%
Profit before tax	6,559	11,781	17,085	17,589	25,257	28,280
growth	-28.8%	79.6%	45.0%	3.0%	43.6%	12.0%
Profit attributable	3,857	7,612	10,907	11,292	16,980	18,954
Adjusted EPS (VND)	1,036	2,044	2,929	2,350	3,533	3,944
BVPS (VND)	18,000	20,625	22,778	19,343	22,076	25,220
Equity on assets	5.8%	6.2%	6.4%	6.1%	6.3%	6.5%
Adjusted ROA	0.3%	0.6%	0.8%	0.8%	1.0%	1.1%
Adjusted ROE	5.9%	10.6%	13.5%	12.7%	17.1%	16.7%
P/E (x)	40.1	20.3	14.2	13.7	9.1	8.2
P/B (x)	2.3	2.0	1.8	1.7	1.5	1.3
DPS (VND)	-	-	500	800	800	800
Dividend yield	0.0%	0.0%	1.6%	2.5%	2.5%	2.5%

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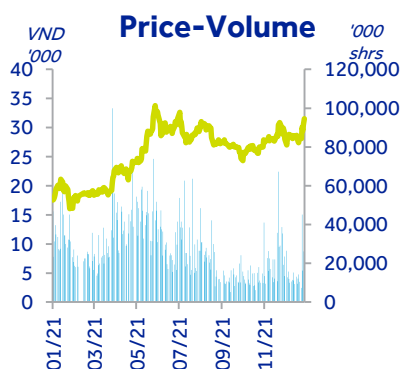
## Company Update

Release date	03/11/2022
	HSX: STB
	Banking
Target price (VND)	35,800

## Stock performance 2021 (%)

	YTD	1M	3M	12M
Absolute	4.4	-2.4	15.3	73.0
Relative	6.9	0.3	16.7	49.0

Source: Bloomberg



## Ownership

Duong Cong Minh (Chairman)	3.32%
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Stock Statistics	01-Jan-22
Bloomberg code	STB VN
52-week range (VND)	18,300 – 36,700
Shares O/S (m)	1,885
Mkt cap (VND bn)	62,024
Mkt cap (USD m)	2,685
Foreign room left (%)	10.7
Est. free float (%)	93.1
3m avg daily vol (shrs)	24,686,820
VND/USD	23,100
Index: VNIIndex / HNX	1459.33/446.18

## SAI GON THUONG TIN COMMERCIAL BANK (STB)

The 4th wave of Covid-19 affected STB's income but did not significantly affect its asset quality. We maintain our expectation that the disposal of remaining legacy assets will be completed by 2023. We raise our target price to VND35,800/share as STB's business results were better than our previous forecast.

The dissolving of legacy assets progressed well. We estimate STB's net problematic assets as of 3Q21 to be VND33.000 billion, -20% YoY.

At the AGM on April 2021, the management provided some information regarding the loans guaranteed by 32.5% STB (equivalent to 613 million STB shares) of Tram Be the former vice chairman. Accordingly, the stock price that enough to settle all of the principals, interests and penalized interests is at about VND33,000-34,000/share, equivalent to VND20,000-21,000 billion.

As for the loans guaranteed by Phong Phu Industrial Park, this land is still under inspection, making STB have not yet put it up for re-auction. The previous starting price that STB offered in 2020 was VND 6,651 billion.

We expect the liquidation progress of the above two significant collateral assets will be a strong catalyst for STB's asset quality and its share price. We maintain our forecast that the dissolving of STB's legacy assets will be completed by 2023.

We raise our 1-year target price to VND35,800/share using the discounted residual income method. Our target price is equivalent to 1-year forward P/E and P/B of 14.0x and 1.7x respectively.

Our forward P/E is higher than the industry median of 10.2x as STB is still in the process of making provision for its legacy assets and thus, earnings do not accurately reflect its true profitability.

Our forward P/B is below the industry median of 1.9x as STB still has a sizable legacy assets (approximately VND33,000 billion) that needs to be dissolved in the coming years.

(VND billion)	2018	2019	2020	2021	2022F	2023F
Credit growth	16.3%	15.6%	14.3%	12.0%	13.0%	13.1%
NIM	2.7%	2.8%	3.0%	2.8%	3.1%	3.3%
NFI proportion	34.1%	37.3%	33.3%	32.4%	26.8%	25.1%
TOI growth	35.1%	25.3%	18.0%	2.5%	8.8%	16.6%
CIR	67.1%	63.3%	63.1%	55.5%	57.0%	51.0%
Net credit costs	-0.7%	-0.7%	-0.9%	-1.0%	-0.6%	-0.6%
Profit before tax	2,247	3,217	3,339	4,400	6,658	9,321
Growth	50.6%	43.2%	3.8%	31.8%	38.5%	40.0%
Profit attributable	1,426	2,050	2,274	3,004	4,808	6,867
Adjusted EPS (VND)	757	1,088	1,206	1,593	2,551	3,642
BVPS (VND)	13,066	14,185	15,360	18,174	21,001	24,644
ROA	0.4%	0.5%	0.5%	0.6%	0.9%	1.1%
ROE	6.0%	8.0%	8.2%	9.5%	12.9%	16.0%
P/E (x)	35.2	24.5	22.1	16.7	10.4	7.3
P/B (x)	2.0	1.9	1.7	1.5	1.3	1.1

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## Company Update

Release date

4/3/2022

HOSE: KDH

Property

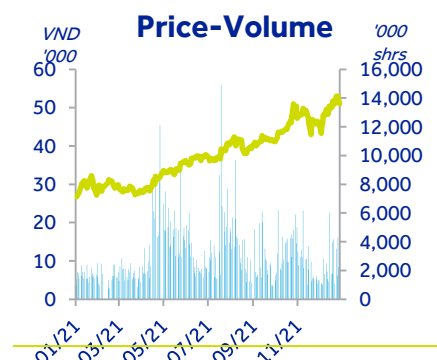
62,870

Target price (VND)

## Stock performance 2021 (%)

	YTD	1M	3M	12M
Absolute	-0.8	-6.5	3.7	75.4
Relative	1.7	-3.9	5.1	51.4

Source: Bloomberg



## Ownership

Dragon Capital

7.0%

## Stock

01-Jan-22

## Statistics

Bloomberg code

KDH VN

52-week range (VND)

27,091 - 57,500

Shares O/S (m)

643

Mkt cap (VND bn)

32,533

Mkt cap (USD m)

1,408

Foreign room left (%)

16.0

Est. free float (%)

86.9

3m avg daily vol (shrs)

1,870,000

VND/USD

23,100

Index: VNIndex / HNX

1459.33/446.18

## KHANG DIEN HOUSE TRADING AND INVESTMENT JSC (KDH VN)

**Increase target price by 45% to VND62,870 thanks to revaluation of projects in Binh Tan and Binh Chanh districts of Ho Chi Minh City**

### Business result

KDH posted unaudited 2021 net revenue of VND3,738bn (-18% YoY) and PAT of VND1,204bn (+4% YoY), equivalent to 77% and 98% of our forecast. The underperforming top line was mainly due to a delay in the launch of Classia project (previously known as Armena), while the bottom line was similar to our projection thanks to nearly VND200bn of revaluation surplus from acquiring Nguyen Thu JSC, which owns a project in Phu Huu Ward, Thu Duc City at the cost of VND420bn. Near the end of 2021, KDH announced its plan to buy 60% of Doan Nguyen Ltd. at the max cost of VND620bn to acquire an over 6ha residential project at Binh Trung Dong and Cat Lai Wards, Thu Duc City.

Given the impacts of the 4<sup>th</sup> wave of the COVID, KDH just sold 28 units (-94% YoY) at Verosa Park and Lovera Vista in 2021. Thus, advance from customers dropped by over VND2,000bn, to VND157bn at YE2021.

### Fund raising

In 2Q2022, KDH will issue VND2,000bn of 36-month non-convertible, unsecured and no-warrant corporate bonds to the public with a fixed coupon rate of 9-10%, of which VND1,600bn will be used for land clearance at Tan Tao urban area and construction and development of the condominium project in Binh Tan district and VND400bn for construction and development of the Classia project. We expect Net debt/Equity ratio increased from 10.9% at YE2021 to 16.9% at YE2022.

### Forecast

In 2022, the company is expected to launch three new projects, i.e. Classia in Thu Duc City (4.3ha with 180 low-rise units), Clarita in Thu Duc City (5.8ha with 159 low-rise units) and a condominium project in Binh Tan district (1.8ha with ~1,000 units). Given low supply, infrastructure development and the potential of the Thu Duc City, we expect high absorption rates of these projects with estimated 2022 sales value of over VND6,400bn.

	2018	2019	2020	2021U	2022E
Net Sales (VNDbn)	2,917	2,813	4,532	3,738	3,926
Growth (%)	-4.5%	-3.5%	61.1%	-17.5%	5.0%
EBITDA (VNDbn)	990	1,232	1,558	1,419	1,746
Growth (%)	23.8%	24.5%	26.4%	-8.9%	23.0%
PATMI (VNDbn)	808	915	1,153	1,202	1,311
Growth (%)	60.9%	13.3%	26.0%	4.3%	9.1%
EPS (bonus-adjusted, VND)	1,333	1,463	1,873	1,790	1,938
Growth (%)	6.0%	9.8%	28.0%	-4.4%	8.2%
ROE (%)	12.4%	12.6%	14.6%	13.1%	12.1%
ROIC (%)	7.9%	7.6%	8.3%	8.5%	8.5%
Net debt/EBITDA (x)	-0.9	-0.3	0.0	0.8	1.1
EV/EBITDA (x)	34.6	28.1	22.5	25.5	21.2
PER (x)	41.0	37.3	29.2	30.5	28.2
PBR (x)	3.3	3.9	3.8	3.4	3.1
DPS (VND)	500	500	-	-	-
Dividend yield (%)	0.9%	0.9%	0.0%	0.0%	0.0%



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## Company Update

Release date 17/2/2022

HOSE: NLG

Property

Target price (VND) 56,597

## Stock performance 2021 (%)

	YTD	1M	3M	12M
Absolute	-15.1	0.2	-11.5	71.2
Relative	-12.6	2.8	-10.2	47.1

Source: Bloomberg



## Ownership

Mr. Nguyen Xuan Quang (Chairman)	11.6%
Ibworth Pte Ltd	10.0%
Thai Binh Investment JSC	6.2%

## Stock Statistics

01-Jan-22

Bloomberg code	NLG VN
52-week range (VND)	29,853 - 67,400
Shares O/S (m)	383
Mkt cap (VND bn)	20,870
Mkt cap (USD m)	903
Foreign room left (%)	18.2
Est. free float (%)	60.0
3m avg daily vol (shrs)	5,272,563
VND/USD	23,100
Index: VNIndex / HNX	1459.33/446.18

## NAM LONG INVESTMENT CORPORATION (NLG VN)

### Increase target price by 18% to VND56,597 thanks to revaluation of key projects.

NLG ended 2021 with unaudited revenue of VND5,206bn (+135% YoY) and NPATMI of VND1,071bn (+28% YoY), equivalent to 100% and 90% of our forecast, respectively. The underperforming bottom line was mainly due to a higher minority interest than expected. Growth in 2021 mainly came from:

- (1) A YoY doubling in delivered volume to over 2,000 units, mainly at Akari City (1,525 units) and Southgate (507 units);
- (2) VND423bn of revaluation surplus from consolidating Izumi project after NLG acquired additional 30% stake from Keppel Land to increase its ownership to 65.1% in 1Q2021; and
- (3) VND361bn of financial profit from consolidating Southgate project after increasing voting ratio from 50% to 65% in 3Q2021. This amount was the remaining assets revaluation which was previously recorded based on project delivery.

Sales performance in 2021 outperformed 2020 with over 1,900 sold units (+71% YoY) and over VND6,800bn of sales value (+81% YoY), mainly at Mizuki and Southgate with pre-sales of around VND2,400-2,500bn each. If adding the bookings of 275 units with a total value of nearly VND2,000bn at Izumi project in November 2021, NLG pre-sold over 2,200 units (+95% YoY) with a total sales value of over VND8,800bn (+132% YoY). Given their good brand name and attractive projects, we forecast 2022 sales value of over VND11,000bn, mainly at Mizuki, Southgate, Akari, Izumi and Can Tho 43ha projects.

NLG maintained a healthy financial status with a net debt/equity ratio of -1.8% at YE2021 compared with 20.1% at YE2020 mainly thanks to ~VND2,000bn receipt from a private placement of 60mn shares at VND33.5k/share in 9/2021 and Akari's receipts from customers before delivery. We expect this ratio at -7.4% at YE2022.

We forecast 2022 revenue at VND6,266bn (+20% YoY) and NPATMI at VND1,236bn (+15% YoY) thanks to delivery of nearly 1,700 units mainly at Southgate, Can Tho 43ha and Akari and ~VND300bn of financial profit from transferring 50% of Paragon Dai Phuoc. Based on the RNAV method, we derive a 2022 target price of VND56,597, up by 18% compared to our previous target price mainly thanks to an increase in estimated average selling price of Mizuki, Southgate and Izumi by 4-20%.

	2018	2019	2020	2021U	2022E
Net Sales (VNDbn)	3,480	2,546	2,217	5,206	6,266
Growth	10.1%	-26.8%	-12.9%	134.8%	20.4%
EBITDA (VNDbn)	1,040	789	401	902	1,325
Growth	16.6%	-24.2%	-49.2%	125.1%	46.8%
NPATMI (VNDbn)	763	961	835	1,071	1,236
Growth	42.7%	25.8%	-13.1%	28.3%	15.4%
EPS (bonus-adjusted, VND)	2,680	3,146	2,778	3,011	3,071
Growth	28.3%	17.4%	-11.7%	8.4%	2.0%
ROE	15.8%	18.0%	11.5%	11.7%	12.7%
ROIC	8.1%	9.0%	6.8%	6.0%	5.4%
Net debt/EBITDA (x)	-1.1	-1.4	3.4	-0.3	-0.8
EV/EBITDA (x)	19.9	26.2	51.6	22.9	15.6
PER (x)	20.4	17.4	19.7	18.2	17.8
PBR (x)	2.7	2.6	2.7	2.3	2.2
DPS (VND)	489	957	1,000	1,500	1,500
Dividend Yield	0.9%	1.7%	1.8%	2.7%	2.7%

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## Company Update

Release date

12/11/2021

HSX: KBC

Property

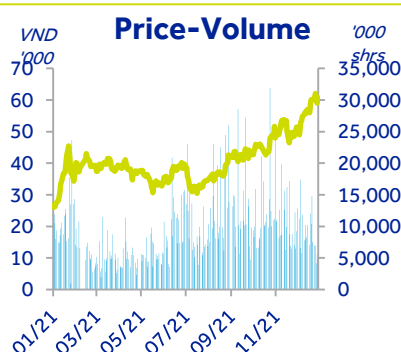
Target price (VND)

75,084

## Stock performance 2021 (%)

	YTD	1M	3M	12M
Absolute	-14.0	-9.2	-5.9	30.0
Relative	-11.5	-6.5	-4.6	6.0

Source: Bloomberg



## Ownership

Dang Thanh Tam (Chairman)	18.15%
Kinh Bac Consultancy & Investment Development JSC	8.08%
Vinatex-Tan Tao Investment JSC	4.47%

Stock Statistics	01-Jan-22
Bloomberg code	KBC VN
52-week range (VND)	29,950 - 62,900
Shares O/S (m)	570
Mkt cap (VND bn)	29,798
Mkt cap (USD m)	1,290
Foreign room left (%)	31.1
Est. free float (%)	71.7
3m avg daily vol (shrs)	8,896,051
VND/USD	23,100
Index: VNIndex / HNX	1459.33/446.18

## KINH BAC CITY DEVELOPMENT HOLDING CORPORATION JSC (KBC VN)

We value KBC with a target price of VND75,084 thanks to a bulk sales transaction at Trang Cat urban area and the adding of new IPs in Hung Yen and Hai Duong.

### Business result

Although northern provinces where KBC's IPs are located (Bac Ninh, Hai Phong, Bac Giang) tried to contain the virus spread in the 4<sup>th</sup> wave of COVID-19, 3Q2021 result was still below our expectation with net revenue of VND325bn (+61% YoY) and a loss of VND59bn, nearly 7 times higher than in 3Q2020 given no contribution from land leasing at Trang Due and Quang Chau IPs. For 9M2021, net revenue reached over VND3,000bn (+231% YoY) and PAT jumped to VND733bn (+660% YoY), equivalent to 47% and 37% of targets, respectively thanks to 82.6ha of industrial land area for lease at Nam Son Hap Linh, Quang Chau, Tan Phu Trung and Trang Due IPs, 4.5ha of residential land area for sales at Trang Due urban area, and 5.4ha of warehouses.

Source: KBC's 3Q2021 FS.

	3Q2020	3Q2021	Δ YoY	9M2020	9M2021	Δ YoY
Net revenue	202	325	61%	930	3,077	231%
Gross profit	115	159	38%	472	1,731	267%
Financial income	17	37	116%	44	111	152%
Financial expense	76	178	135%	174	403	132%
SGA expenses	47	52	11%	180	374	108%
PAT	-9	-59	584%	96	733	660%

### 2021 forecast

	2018	2019	2020	2021E	2022E
Net Sales (VNDbn)	2,491	3,210	2,151	4,659	14,382
Growth	97.7%	28.8%	-33.0%	116.6%	208.7%
EBITDA (VNDbn)	1,201	1,586	455	1,866	6,980
Growth	134.4%	32.0%	-71.3%	310.0%	274.1%
NPATMI (VNDbn)	831	947	232	1,034	4,108
Growth	39.6%	14.0%	-75.5%	346.3%	297.3%
EPS (bonus-adjusted, VND)	1,588	1,955	477	2,090	7,209
Growth	27.7%	23.1%	-75.6%	338.1%	245.0%
ROE	9.6%	10.2%	2.4%	9.0%	26.8%
ROIC	5.9%	6.4%	1.8%	4.6%	14.0%
Net debt/EBITDA (times)	1.9	0.8	6.1	0.3	1.0
EV/EBITDA (times)	23.0	17.4	60.7	14.8	4.0
PER (times)	34.7	28.2	115.5	26.4	7.6
PBR (times)	2.9	2.7	2.7	2.4	1.8
DPS (VND)	1,000	0	0	0	0
Dividend yield	1.8%	0.0%	0.0%	0.0%	0.0%

Given low 3Q2021 result, we adjust 2021 revenue down by 18% to VND4,659bn (+117% YoY) and PAT by 22% to VND1,229bn (+275% YoY), equivalent to 71% and 61% of targets, respectively due to a decrease in industrial land area delivered from 165ha to 131ha at Nam Son Hap Linh, Quang Chau, Tan Phu Trung and Trang Due IPs.

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## Company Update

Release date 10/12/2021

HSX: CTD

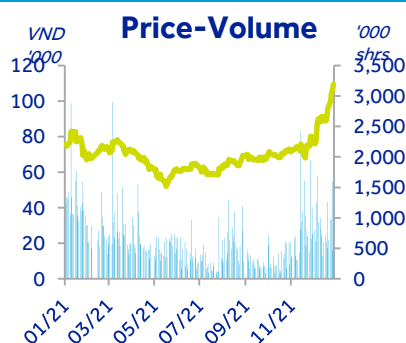
Construction

Target price (VND) 100,801

## Stock performance 2021 (%)

	YTD	1M	3M	12M
Absolute	-20.7	-5.5	-4.2	11.5
Relative	-18.2	-2.9	-2.8	-12.5

Source: Bloomberg



## Ownership

Kustocem Pte. Ltd.	17.5%
Thanh Cong Investment Ltd.	14.1%
The 8 <sup>th</sup> Pte. Ltd.	10.4%

Stock Statistics	01-Jan-22
Bloomberg code	CTD VN
52-week range (VND)	52,000 - 116,000
Shares O/S (m)	74
Mkt cap (VND bn)	6,411
Mkt cap (USD m)	278
Foreign room left (%)	2.9
Est. free float (%)	61.9
3m avg daily vol (shrs)	722,229
VND/USD	23,100
Index: VNIndex / HNX	1459.33/446.18

## COTECCONS CONSTRUCTION JSC (CTD VN)

We value CTD with target price of VND100,801 given expansion to infrastructure projects, improved financial transparency and increased backlog

Business results in 3Q2021 decreased significantly compared with the same period last year and was below our expectation. Revenue was over VND1trn (-61% YoY) and a loss of VND12bn compared with PAT of VND89bn in 3Q2020 due to social distancing period in the south of Vietnam triggered by the 4th wave of COVID-19 and lower gross margin mainly due to rising materials prices and labor costs (1.6% vs 6.1%). The company completed only 36% of its revenue target and 26% of PAT targets in 9M2021.

	3Q2020	3Q2021	Δ YoY	9M2020	9M2021	Δ YoY
Revenue	2,776	1,070	-61%	10,301	6,189	-40%
Gross profit	168	17	-90%	606	272	-55%
Financial income	49	77	59%	173	193	12%
Financial expense	0	2	n/a	30	4	-88%
G&A expenses	103	90	-12%	283	333	17%
PAT	89	-12	n/a	369	88	-76%

Source: CTD's 3Q2021 FS.

On the other hand, CTD completed its full-year target of VND22trn in new contracts in 11M2021, doubled the amount in 2020. Of note, it won ~VND8trn of new contracts in 3Q2021. Swan Lake Onsen (VND4trn), Le Meridien Da Nang (VND2.4trn), Dolce Peninsula (VND1.2trn) and Opal Skyline (VND1trn) are biggest projects so far. D&B projects (which usually have higher margins) accounted for nearly 30% compared with 0% in 2020.

CTD saw significant restructuring in 2020 and started to operate with new management team from October 2020. The new BOM reclassified accounts receivable which led to higher provision for bad debts and higher G&A expenses in 2020 and 9M2021. Rather than focusing on a few big developers, such as Vinhomes (HSX: VHM), which may pose risks to the company when these developers have difficulties in launching new projects, CTD expanded its customer database and expected to reach 300 customers at YE2021. In August, the company cancelled its ongoing contracts and will not sign new contracts with 9 sub-contractors, e.g. Newtecons, Ricons, BM Windows, etc. due to conflict of interests. Another highlight was positive operating cash flow of VND183bn in 9M2021

	2018	2019	2020	2021E	2022E
Net Sales (VNDbn)	28,561	23,733	14,558	8,866	15,826
Growth	5.1%	-16.9%	-38.7%	-39.1%	78.5%
EBITDA (VNDbn)	1,422	698	308	72	249
Growth	-17.5%	-50.9%	-55.8%	-76.8%	247.8%
PAT (VNDbn)	1,510	711	334	117	334
Growth	-9.9%	-52.9%	-53.0%	-65.0%	185.9%
EPS (bonus-adjusted, VND)	18,357	8,859	4,164	1,471	4,300
Growth	-10.2%	-51.7%	-53.0%	-64.7%	192.3%
ROE	19.8%	8.7%	4.0%	1.4%	3.9%
ROIC	42.1%	11.8%	3.4%	-0.1%	4.4%
Net debt/EBITDA (times)	-3.1	-5.8	-11.0	-78.7	-21.2
EV/EBITDA (times)	2.4	4.9	11.2	48.1	13.8
PER (times)	4.5	9.8	20.3	58.0	20.3
PBR (times)	0.8	0.8	0.8	0.8	0.7
DPS (VND)	5,000	3,000	1,000	1,000	1,000
Dividend yield	5.7%	3.4%	1.1%	1.1%	1.1%

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## Company Update

Release date 9/12/2021

HOSE: NVL

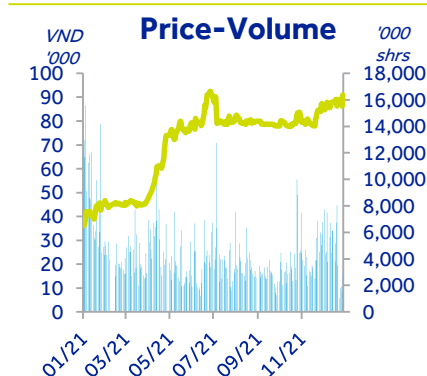
Property

Target price (VND) 127,155

## Stock performance 2021 (%)

	YTD	1M	3M	12M
Absolute	-14.9	-3.0	-12.7	66.2
Relative	-12.5	-0.4	-11.4	42.2

Source: Bloomberg



## Ownership

Bui Thanh Nhon (Chairman)	21.54%
Novagroup JSC	19.68%
Diamond Properties JSC	10.52%

Stock Statistics	01-Jan-22
Bloomberg code	NVL VN
52-week range (VND)	44,334 - 94,351
Shares O/S (m)	1,930
Mkt cap (VND bn)	149,415
Mkt cap (USD m)	6,468
Foreign room left (%)	31.5
Est. free float (%)	34.2
3m avg daily vol (shrs)	3,168,917
VND/USD	23,100
Index: VNIndex / HNX	1459.33/446.18

## NO VA LAND INVESTMENT JSC (NVL VN)

**Expected to post solid growth in 2021-2022 despite pandemic-related obstacles. Roll forward target price to VND127,155 at YE2022.**

Affected by the 4<sup>th</sup> wave of the pandemic, which hit hard in the south of Vietnam since May, Novaland posted a mixed result in 3Q21 with net revenue of VND3,262bn (+52% YoY) and PAT of VND536bn (-75% YoY). The growth in the top line was thanks to higher proportion of low-rise units delivered in coastal provinces compared with high-rise units delivered in HCMC (70% vs 30%), which led to a higher gross margin (46% vs 37%). The drop in the bottom line was mainly due to a 157% YoY increase in SG&A expenses, to VND853bn, a 56% YoY decrease in financial income, to VND1,059bn and a 47% YoY increase in financial expenses, to VND800bn.

For 9M2021, NVL recorded VND10,312bn in net revenue (+171% YoY) and VND2,550bn in PAT (-23% YoY) which were lower than our forecast due to lower units delivered in NovaWorld Ho Tram and NovaWorld Phan Thiet than expected as the 4<sup>th</sup> wave of COVID-19 occurred longer than our assumption. NVL delivered 1,216 units, mainly at Saigon Royal (404 units), NovaHills Mui Ne (360 units), and Aqua City (313 units).

	9M2020	9M2021	YoY
Net revenue	3,803	10,312	171%
Gross profit	1,379	4,077	196%
Financial income	5,056	2,965	-41%
Financial expense	1,294	3,083	46%
SG&A expenses	972	1,787	84%
PAT	3,298	2,550	-23%

Source: NVL's 3Q2021 FS.

Although NVL adjusted its 2021 sales target from 10,000 units to 7,000 units, its sales performance in 9M2021 was still impressive and equivalent to the whole year of 2020 with more than 5,000 units (+58% YoY) and a total value of over VND55trn or USD2.4bn (+119% YoY), of which Aqua City was the best seller with nearly 2,500 units sold at over VND30trn, followed by NovaWorld Phan Thiet with nearly 2,000 units sold at ~VND15trn.

	2018	2019	2020	2021E	2022E
Net Sales (VNDbn)	15,290	10,931	5,026	18,212	30,549
Growth (%)	31.4%	-28.5%	-54.0%	262.3%	67.7%
EBITDA (VNDbn)	4,507	-1,091	1,115	3,755	5,141
Growth (%)	60.5%	-124.2%	-202.2%	236.8%	36.9%
PATMI (VNDbn)	3,226	3,431	3,919	3,488	4,224
Growth (%)	58.7%	6.4%	14.2%	-11.0%	21.1%
EPS (bonus-adjusted, VND)	2,078	2,167	2,420	2,572	2,120
Growth (%)	38.3%	4.2%	11.7%	6.3%	-17.6%
ROE (%)	20.4%	16.2%	16.2%	14.2%	14.7%
ROIC (%)	7.2%	5.1%	3.5%	2.8%	3.1%
Net debt/EBITDA (x)	3.4	-25.4	32.8	10.5	8.2
EV/EBITDA (x)	57.6	-238.1	232.9	69.2	50.5
PER (x)	32.2	31.8	28.3	41.7	52.1
PBR (x)	5.4	5.0	4.3	6.8	6.1
DPS (VND)	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-



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Realease date 03/16/2022

HOSE: GAS

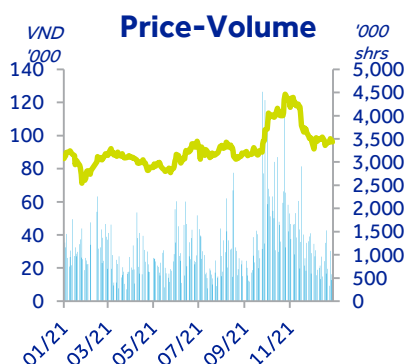
Natural Gas Distribution

Target price (VND) 110,000

### Stock performance (%)

	YTD	1M	3M	12M
Absolute	13.5	-8.0	10.5	22.3
Relative	16.0	-5.3	11.9	-1.8

Source: Bloomberg



### Ownership

PetroVietnam 95.76%

### Stock Statistics

01-Jan-22

Bloomberg code	GAS VN
52-week range (VND)	79,800 - 128,400
Shares O/S (m)	1,914
Mkt cap (VND bn)	209,003
Mkt cap (USD m)	9,048
Foreign room left (%)	46.2
Est. free float (m)	4.2
3m avg daily vol (shrs)	1,094,566
VND/USD	23,100
Index: VNIndex / HNX	1459.33/446.18

## PetroVietnam Gas Joint Stock Corporation (GAS)

### 2021 Business results and Expected growth in 2022

GAS recorded business results in 2021 with revenue of VND78,992 billion (+23.2% YoY) and EAT of parent company shareholders VND8,672 billion (+10.4% YoY). Although natural gas sales volume decreased by 18% due to lower demand from gas thermal power plants as social distancing were applied, the average price of Brent oil in 2021 increased by 69% to USD70.6/barrel and strongly support natural gas' selling price as well as revenue of GAS. However, gross profit margin remained at 17.7% due to: (1) the depletion of cheap gas source, (2) increase in depreciation expense from Nam Con Son 2 + Sao Vang Dai Nguyet pipeline and (3) sharing difficulties with customers in the context of the epidemic.

Regard 2022 and onward outlooks, there are some pros and cons to consider:

- + Natural gas's selling volume is expected to increase 18% in 2022 thanks to the increase in economic activity and easing mobility restriction.
- + Average Brent oil price will remain at high range around USD93/barrel in 2022 and supported gas' selling price positively as Russia-Ukraine war is still going on besides sanction on Russia oil & gas export by some countries.
- + Thi Vai LNG storage (phase 1) is expected to operate from Q3/2022: supplying 1.4 billion m3 of gas/year. However, as it will just come into operation, this LNG terminal is expected to support GAS's profit from 2023.
  - The gradually decreasing source of low-cost gas along with the participation of renewable energy sources will reduce the competitiveness of gas-fired power plants in the Competitive electricity generation market.
  - The construction of LNG gas thermal power plants can face difficulties in negotiating the Power Purchase Agreement (PPA) with EVN, which then affecting the progress of LNG projects.

Regarding the business plan for 2022, GAS sets a target of VND80,000 billion in revenue (+1.3% YoY) and VND7,039 billion in EAT (-20% YoY). This target is relatively conservative as oil prices continued to increase sharply in the first 2 months of the year. Overall, we forecast average Brent oil price at USD93/barrel as well as GAS' 2022 business results with revenue of VND94,256 billion (+19% YoY) and NPAT from parent company VND10,091 billion (+16.3% n/n). Along with the volatile of oil prices as well as ongoing Covid epidemic situation in Vietnam, we value GAS with a target price of VND 110,000 for 2022.

	2019	2020	2021	2022F	2023F
Net Sales (VNDbn)	75,005	64,135	78,992	94,256	96,188
Growth (%)	-1%	-14%	23%	19%	2%
EBITDA (VNDbn)	16,340	11,248	13,612	15,531	13,948
EBITDA margin (%)	22%	18%	17%	16%	15%
NPAT-MI (VNDbn)	11,902	7,855	8,673	10,091	9,021
Growth (%)	4%	-34%	10%	16%	-11%
EPS (VND)	6,051	3,993	4,409	5,130	4,586
Growth (%)	4%	-34%	10%	16%	-11%
ROE (%)	25%	16%	17%	19%	16%
ROIC (%)	18%	11%	12%	12%	10%
Net debt/EBITDA (x)	-1.6	-2.1	-1.6	-1.7	-2.0
PER (x)	15.0	22.8	20.6	17.7	19.8
EV/EBITDA (x)	9.6	13.9	11.5	10.1	11.2
PBR (x)	3.5	3.5	3.3	3.1	2.9
DPS (VND)	3,000	3,000	3,000	3,000	3,000
Dividend yield (%)	3%	3%	3%	3%	3%

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Release date 09/06/2021

HSX: REE

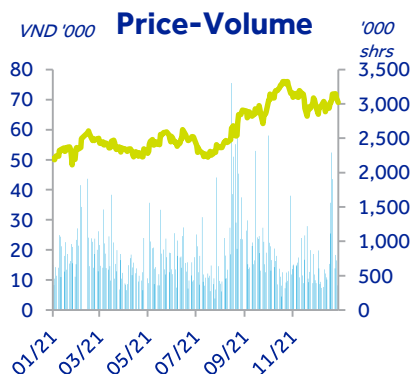
M&amp;E, Utilities, Real Estate

Target price (VND) 69,015

## Stock performance 2021 (%)

	YTD	1M	3M	12M
Absolute	3.0	5.4	9.1	31.1
Relative	5.5	8.1	10.4	7.1

Source: Bloomberg



## Ownership

Platinum Victory Pte Ltd	29.9%
Apollo Asia Fund Ltd,	5.9%

## Stock Statistics 01-Jan-22

<b>Bloomberg code</b>	REE VN
52-week range (VND)	49,700 - 76,900
Shares O/S (m)	309
Mkt cap (VND bn)	22,004
Mkt cap (USD m)	953
Foreign room left (%)	0.0
Est. free float (%)	42.7
3m avg daily vol (shrs)	631,641
VND/USD	23,100
Index: VNIndex / HNX	1459.33/446.18

## REFRIGERATION ELECTRICAL ENGINEERING CORPORATION

REE announced 6M2021 results with a 38.2% surge in EAT YoY, while revenue increased by 14.1% YoY, reaching VND941.8bn and VND2819.3bn respectively.

### REE's Revenue by segments and EAT

(bnVND)	2020	REE's 2021 Target	ACBS 2021F	6M2020	6M2021
<b>Revenue</b>	<b>5,640</b>	<b>6,933</b>	<b>6,306</b>	<b>2,471</b>	<b>2,819</b>
M&E	3,474	4,309	2,469	1,417	1,065
Real Estate	988	1,014	1,011	500	493
Power	1,178	1,610	2,826	554	1,262
<b>EAT</b>	<b>1,628</b>	<b>1,769</b>	<b>1,873</b>	<b>681</b>	<b>942</b>

The growth in EAT and revenue was mostly driven by:

- Changes in revenue contribution by segments, in particular, increasing the proportion from the power sector (higher gross margins than M&E), leading the gross margin to increase from 29.3% in 6M2020 to 39% in 6M2021;
- Continued outstanding performance from hydropower plants, especially Vinh Son – Song Hinh Hydropower JSC (HSX: VSH), which has become REE's subsidiary with 50.45% ownership (previously 49.52%) since April 2021.
- General and administrative expenses recorded VND141.4bn (+48.2% YoY) during the period driven by 86MW of new solar panel compared to same period last year has driven employee expense, and outsourcing expense while acquisition of VSH and TK Plus have recorded a goodwill of VND 12.2bn

In 2021, We expect REE to bring in VND 6,306bn (+11.8% YoY) and VND1,873bn (+15% YoY) in revenue and EAT respectively due to:

- We remain conservative about REE M&E as COVID-19 re-emergence in Vietnam and lockdown have hindered REE M&E's ability to execute their projects. This segment is expected to pick up again in 2022 when COVID-19 is controlled and expedited public investment providing favorable market condition for this segment.
- Continued favorable hydrology to aid performance from hydropower plants; Upper Kontum hydropower plants started operating in April this year will help increase revenue for this segment
- REE's offices maintain above 99% average occupancy rate.

	2017	2018	2019	2020	2021F
Net Sales (VNDbn)	4,995.2	5,101	4,896	5,640	6,306
Growth (%)	36.5%	2.1%	-4.0%	15.2%	11.8%
EBITDA ( VNDbn )	1,119	1,347	1,358	1,562	2,576
Growth (%)	2.8%	20.4%	0.8%	15.0%	64.9%
Net Profit ( VNDbn )	1,377	1,783	1,625	1,628	1,873
Growth (%)	26.0%	29.6%	-8.2%	-0.6%	15.0%
EPS (bonus-adj, VND)	4,438	5,745	5,226	5,243	6,052
Growth (%)	26.1%	29.4%	-9.0%	0.3%	15.4%
ROE (%)	18.1%	19.3%	14.1%	11.8%	11.8%
ROA (%)	10.7%	12.0%	9.3%	8.1%	7.4%
Net debt/EBITDA	0.06	0.11	1.72	1.98	2.82
EV/EBITDA (x)	20.8	17.3	17.1	14.9	9.0
PER (x)	14.6	11.3	12.4	12.4	10.7
PBR (x)	2.5	1.9	1.6	1.3	1.2
DPS (VND)	1,600	1,800	1,800	1,800	0
Dividend Yield (%)	3.0%	3.4%	3.4%	3.4%	0



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## Company Update

Released date 22/09/2021

HOSE: HPG

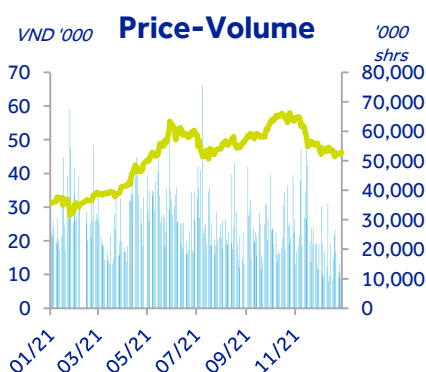
Steel manufacture

Target price (VND) 67,180

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	-0.4	0.3	-3.5	34.9
Relative	2.1	3.0	-2.1	10.9

Source: Bloomberg



## Ownership

Mr. Tran Dinh Long (Chair)	25.35%
Ms. Vu Thi Hien (Chair's wife)	7.34%
Dragon Capital	6.01%
VOF Investment Limited	3.76%

## Stock Statistics

Bloomberg code	HPG VN
52-week range (VND)	33,185 - 58,400
Shares O/S (m)	4,473
Mkt cap (VND bn)	206,649
Mkt cap (USD m)	8,946
Foreign room left (%)	26.6
Est. free float (%)	54.3
3m avg daily vol (shrs)	21,051,090
VND/USD	23,100
Index: VNIIndex / HNX	1459.33/446.18

## HOA PHAT GROUP JSC (HPG VN)

HPG's operations are still stable in spite of strict lockdowns throughout Vietnam and can maintain good growth thanks to public investment and prospects of new steel projects. We value HPG with a target price of 67,180 VND/share at the end of 2022.

In 7M.2021, total crude steel production of Hoa Phat reached 4.8 million tons (+58% yoy). In the same period, total sale volume of steel products also reached 4.9 million tons (+50% yoy). In which, the sale volumes of construction steel and hot rolled coil (HRC) were 2.2 million tons and 1.5 million tons, respectively.

Despite the COVID-19 pandemic causing Vietnam to go in a lockdown period, Hoa Phat managed to maintain good growth thanks to continuing construction activities of infrastructure projects (roads, hospital, airport, ...). In the north and central market of Vietnam, where the pandemic has had less effect, Hoa Phat reported 50% and 21% growth of sales volume in 7 months.

The company also reported a positive month-over-month growth for construction steel in July after 3 months declining construction steel sales. Construction steel sales in July reached 363,000 tons (+58% mom, +21% yoy).

With current designed capacity of 8 million tons of crude steel per year, HPG is now the largest domestic steel manufacturer in terms of capacity. Hoa Phat also has the largest market share in construction steel with 36% in 7M.2020 (increase from 32.5% in 7M.2020). HPG construction steel sale volume 7M.2021 has increased 22% yoy.

The expansion of Dung Quat steel complex is expected to begin in early 2022. The company is making deal with local residences for the price of land compensation and resettlement. The proposal of expansion project will be approved when HPG has finalized the land deal with local residences. There is only 3 months left until the start of expansion project, but we believe HPG can start the construction of the project on time since the land dealing process is going on final step.

HPG SUMMARY	2018	2019	2020	2021E	2022E
Net Sales (VNDbn)	55,836	63,658	90,119	144,352	154,027
Growth (%)	21.0%	14.0%	41.5%	62.0%	6.7%
EBITDA (VNDbn)	12,834	12,381	22,359	35,475	36,497
Growth (%)	10.4%	-3.5%	80.6%	52.6%	2.9%
Net Profit (VNDbn)	8,601	7,508	13,506	24,095	24,829
Growth (%)	7.1%	-12.7%	79.9%	78.9%	3.0%
EPS (bonus-adjusted, VND)	1,858	1,691	3,020	5,118	5,273
Growth (%)	16.9%	-9.7%	78.5%	78.9%	3.0%
ROE (%)	24.3%	18.6%	25.2%	37.0%	27.8%
ROIC (%)	13.1%	15.2%	17.6%	28.3%	26.4%
Net debt/EBITDA (x)	1.1	1.3	1.4	0.1	0.0
EV/EBITDA (x)	5.7	11.1	7.6	8.8	8.5
PER (x)	6.1	8.6	12.9	10.2	9.7
PBR (x)	1.5	2.0	2.3	2.1	1.9
DPS (VND)	0.0	0.0	500	500	1,000
Dividend Yield (%)	0%	0%	1.1%	1.1%	2.1%

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## Company Update

Release date 04/03/2022

HOSE: SAB

Consumer goods

Target price (VND) 151,247

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	4.2	-10.2	1.4	-12.6
Relative	6.7	-7.5	2.7	-36.7

Source: Bloomberg



## Ownership

Vietnam Beverage	53.39%
MOIT	36%

## Stock Statistics

01-Jan-22

Bloomberg code	SAB VN
52-week range (VND)	139,800 - 189,000
Shares O/S (m)	641
Mkt cap (VND bn)	98,757
Mkt cap (USD m)	4,275
Foreign room left (%)	37.4
Est. free float (m)	10.4
3m avg daily vol (shrs)	153,603
VND/USD	23,100
Index: VNIndex / HNX	1459.33/446

## Saigon Beer - Alcohol - Beverage Corporation (SAB VN)

### To recover in 2022 from COVID-19 negative effects

SAB announced its unaudited 2021 results with a top line of VND 26,373 bn (-5.7% YoY), while its bottom line fell 20.4% YoY, reaching VND 3,677 bn. Both top and bottom lines fell short of our expectations due mainly to the tight social distancing restrictions put in place during the third quarter of 2021 to combat the fourth, and largest up to that time, wave of COVID-19, which resulted in SAB's revenue dropping by 53% YoY in said quarter. Furthermore, a surge in commodity prices, which include SAB's raw key materials such as barley (+79%), aluminum (+40%), etc in 2021 has negatively affected the company's margins, though it was lessened by:

- (i) SAB's centralized material sourcing with Thaibev;
- (ii) SAB's production cost cutting initiatives and;
- (iii) increase product prices.

SAB's gross margin only lowered to 28.8% compared to 30.4%.

On the bright side, heavy spending on advertising has shown its results as SAB's market share increased in Q4 2021. According to SAB, as COVID-19 negatively impacted average income, thus leading people to move down to lower value segment, which is SAB's strong segment. While the data for market share is not yet available, we observed that SAB's Q4 2021 revenues increased by 14.5% YoY while Heineken's revenue, its biggest competitor, decreased in Q4 2021.

Moving to 2022, another huge outbreak has recently occurred in the North, most likely driven by the arrival of the Omicron variant to Vietnam. Currently the situation is still complicated with new infections discovered all over the country everyday. With that said, as most of the country has been fully vaccinated, the chance of another large-scale lock-down is unlikely. Thus while we expect some recover in SAB's top line but it will not reach the same level as pre-pandemic level. With regards to SAB's margins, the Russo – Ukrainian War is the key factor that will affect the company's profitability as both countries are key raw material providers for the beer supply chain (Ukraine is 2<sup>nd</sup> biggest wheat producer and Russia is 3<sup>rd</sup> biggest aluminum producer). Thus we expect SAB to be indirectly affected and its gross margin will be slightly decrease.

For 2022, we forecast with a top line of VND 31,774 bn (+20.5% YoY) and an EAT of VND 4,462 bn (+13.6% YoY). Using a combination of the DCF and P/E methods, our target price for SAB is VND 151,247/ share.

	2020	2021	2022E	2023E	2024E
Net Sales (VNDbn)	27,961	26,374	31,774	37,097	41,356
Growth (%)	-26.2%	-5.7%	20.5%	16.8%	11.5%
EBITDA (VNDbn)	5,527	4,213	4,686	6,165	7,062
Growth (%)	-8.7%	-23.8%	11.2%	31.6%	14.6%
Net income (VNDbn)	4,724	3,677	4,176	5,410	6,282
Growth (%)	-6.5%	-22.1%	13.6%	29.5%	16.1%
EPS (VND)	7,133	5,549	6,302	8,163	9,480
Growth (%)	-6.5%	-22.1%	13.6%	29.5%	16.1%
ROE (%)	24.4%	17.9%	18.8%	21.9%	22.2%
ROIC (%)	14.8%	10.2%	10.7%	14.4%	16.7%
Net debt/EBITDA (x)	(2.9)	(4.7)	(4.6)	(4.1)	(4.1)
EV/EBITDA (x)	14.7	19.3	17.3	13.2	11.5
PER (x)	22.4	28.8	25.4	19.6	16.9
PBR (x)	5.1	4.8	4.4	3.9	3.4
DPS (VND)	3,500	3,500	3,500	3,500	3,500
Dividend yield (%)	2.2%	2.2%	2.2%	2.2%	2.2%

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## Company Update

Release date

26/2/2022

**HSX: MWG**

Retail

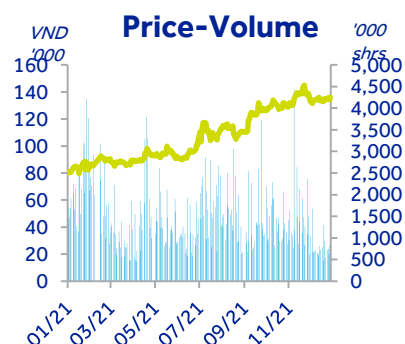
Target price (VND)

156,263

## Stock performance 2021 (%)

	YTD	1M	3M	12M
Absolute	-3.3	-1.4	-3.3	49.0
Relative	-0.8	1.2	-2.0	24.9

Source: Bloomberg



## Ownership

Retail World Ltd Co.	10.8%
Tri Tam Ltd Co.	9.9%
Arisaig Asia	7.2%

## Stock Statistics

01-Jan-22

Bloomberg code

MWG VN

52-week range (VND)

83,333 - 145,500

Shares O/S (m)

713

Mkt cap (VND bn)

93,666

Mkt cap (USD m)

4,055

Foreign room left (%)

0.0

Est. free float (%)

74.4

3m avg daily vol (shrs)

1,006,122

VND/USD

23,100

Index: VNIndex / HNX

1459.33/446.18

## MOBILE WORLD INVESTMENT CORP (MWG VN)

The company closed 2021 with decent growth despite the resurgence of COVID-19. Better momentum is expected for 2022 based on the assumption that operational interruption will not repeat. MWG will continue to enhance the existing businesses' performance while testing new business chains to look for new growth drivers. Target price of VND156k/shr.

MWG generated 13.3% and 25% YoY growth in net revenue and EAT, to VND122,958bn and VND4,901bn (unaudited), respectively in 2021. This included a 17% decline in EAT in 3Q, when about 2,000 TGDD and DMX stores were temporarily closed or restricted in either offline or online channels for most of the time due to social distancing requirements amid the COVID-19 spike in Vietnam. However, a vibrant recovery in 4Q, on the back of its store network reopening, combined with strong performance in 1H2021 drove the company to exceed its full-year targets and our projections.

EAT margin climbed to 4.0% from 3.6% in 2020, attributed to a widened gross margin from 22.1% in 2020 to 22.5% in 2021 and an increase of 176% YoY in financial income (mostly thanks to interest income), despite an inflated SG&A expenses on net revenue ratio (17.7% in 2021 vs 17.3% in 2020).

MWG's business results	2021U	YoY growth
Net revenue (VNDbn)	122,958	13.3%
TGDD+DMX	94,742	8.5%
BHX	28,216	32.7%
EAT (VNDbn)	4,901	25.0%
Number of stores	Δ from YE2020	
TGDD	970	57
DMX	1,992	565
In which, DMS	800	498
BHX	2,106	387

Source: MWG

**TGDD & DMX's** combined revenue reached VND94,742bn, up by 8.5% YoY, in 2021. TGDD had 970 stores (YE2020: 913) while DMX had 1,992 stores (YE2020: 1,427) in operation, including 800 DMS stores (YE2020: 302).

	2020	2021U	2022F	2023F	2024F
Net sales (VNDbn)	108,546	122,958	140,257	157,170	169,727
Growth	6.2%	13.3%	14.1%	12.1%	8.0%
EBITDA (VNDbn)	7,638	9,068	11,316	13,262	15,120
EBITDA margin	7.0%	7.4%	8.1%	8.4%	8.9%
Net profit (VNDbn)	3,918	4,899	6,264	7,466	8,602
Growth	2.2%	25.0%	27.9%	19.2%	15.2%
EPS (bonus-adjusted, VND)	5,771	6,872	8,531	9,872	11,042
Growth	-0.1%	19.1%	24.1%	15.7%	11.9%
ROE	28.4%	27.3%	27.2%	25.7%	23.8%
ROA	8.9%	9.0%	9.8%	11.5%	13.0%
ROIC	21.4%	21.5%	21.9%	24.5%	27.0%
Net debt/EBITDA (times)	0.2	0.7	0.2	(0.2)	(0.7)
EV/EBITDA (times)	13.5	11.4	9.1	7.8	6.8
EV/Sales (times)	1.0	0.8	0.7	0.7	0.6
PER (times)	23.6	19.8	15.9	13.8	12.3
PBR (times)	4.0	4.8	3.9	3.2	2.7
DPS (VND)	500	1,500	1,500	1,500	1,500
Dividend yield	0.4%	1.1%	1.1%	1.1%	1.1%

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## Company Update

Release date

26/1/2022

HSX: PNJ

Discretionary

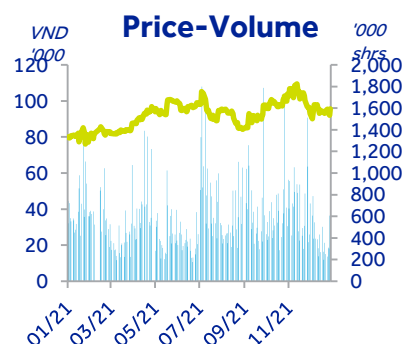
Target price (VND)

107,454

## Stock performance 2021 (%)

	YTD	1M	3M	12M
Absolute	7.5	-1.9	7.8	23.8
Relative	9.9	0.7	9.1	-0.3

Source: Bloomberg



## Ownership

VietFund Management	7.6%
VinaCapital	4.8%
Dragon Capital	3.2%
Cao Ngoc Duy	2.9%

## Stock Statistics

01-Jan-22

Bloomberg code

PNJ VN

52-week range (VND)	79,100 - 113,500
Shares O/S (m)	227
Mkt cap (VND bn)	23,373
Mkt cap (USD m)	1,012
Foreign room left (%)	0.5
Est. free float (%)	85.6
3m avg daily vol (shrs)	859,397
VND/USD	23,100
Index: VNIndex / HNX	1459.33/446.18

## PHU NHUAN JEWELRY JSC (PNJ VN)

The company released 2021 (unaudited) results in line with our expectations. We almost maintain our latest earnings projection with expectation that 2022 should be a better year. Target price VND107,454/shr.

Closing a harsh 2021, weighed by the resurgence of the COVID-19 pandemic, PNJ reported 12% YoY growth in net revenue and 3.4% contraction in EAT, in line with our projection, including negative VND160bn in EAT in 3Q2021 as a result of restricted operations of stores and online sales during the social distancing phase in HCMC and some provinces.

Revenue and EAT grew by 21.5% and 7% YoY in 4Q. The major segments comprising of retail, gold bar trading and wholesale almost returned to YoY growth in 4Q, when social distancing measures were removed and the company's store network was able to reopen entirely. On a cumulative basis, while the wholesale revenue fell slightly by 5.5% YoY, the retail and gold bar segments posted 10.5% and 25% YoY growth in 2021, respectively. At the end of 2021, PNJ had 341 stores (YE2020: 339), including 319 gold stores (YE2020: 302), 13 silver stores (YE2020: 33) and others.

PNJ's 2021 results	2021	Growth
<b>Net revenue</b>	<b>19,613</b>	<b>12.0%</b>
Wholesale	2,608*	-5.5%
Retail	11,525*	10.5%
Gold bar	4,827*	25.0%
Others	652*	41.8%
<b>EAT</b>	<b>1,033</b>	<b>-3.4%</b>

Source: PNJ; (\*): ACBS calculations

Gross margin was 18.2% in 2021, lower than 19.6% in 2020, given higher revenue contribution of low-margin gold bar/high-gold-content products, while the SG&A to net revenue ratio was unchanged at 11.0%.

For 2022, we expect the company to generate decent growth based on assumptions that there are no long social distancing measures applied on a large scale like 2021, given the government's strategies to adapt with the presence of the virus and hasten vaccinations. Gross margin may strengthen mostly fostered by the retail segment's growth. However, our projections also consider the probability that certain impacts on consumption of discretionary products may remain this year after such a long social distancing phase in 2021 and given that the pandemic still shadows, although this pressure may be different in consumer segments. Net revenue and EAT growth are projected at VND22,013bn (+12.2% YoY) and VND1,300bn (+25.9% YoY) in 2022. Combining DCF and PER methods, we value the stock at VND107k/share, equivalent to a total return of 12.8% at YE2022.

	2019	2020	2021U	2022F	2023F
Net sales (VNDbn)	17,001	17,511	19,613	22,013	24,904
Growth	16.7%	3.0%	12.0%	12.2%	13.1%
Net profit (VNDbn)	1,194	1,069	1,033	1,300	1,580
Growth	24.4%	-10.4%	-3.4%	25.9%	21.5%
EPS (bonus-adjusted, VND)	4,962	4,418	4,224	5,264	6,333
Growth	22.7%	-11.0%	-4.4%	24.6%	20.3%
ROE	28.7%	21.8%	18.4%	20.1%	21.1%
Net debt/EBITDA (times)	1.5	0.9	1.6	1.3	1.0
EV/EBITDA (times)	14.5	15.5	16.6	13.2	11.1
EV/Sales (times)	1.4	1.4	1.2	1.1	1.0
PER (times)	19.5	22.0	23.0	18.4	15.3
DPS (VND)	1,800	2,000	2,000	2,000	2,000
Dividend yield	1.9%	2.1%	2.1%	2.1%	2.1%



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## Company Update

Release date

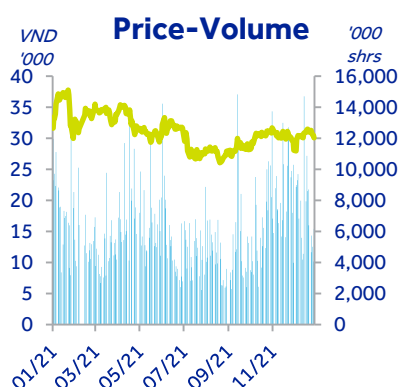
16/3/2022

**HSX: VRE**
**Property**
**Target price (VND)**
**34,052**

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	5.5	-6.6	4.4	-7.8
Relative	8.0	-4.0	5.8	-31.9

Source: Bloomberg



## Ownership as of Dec 12, 2021

Vingroup JSC 60.13%

Stock Statistics	01-Jan-22
Bloomberg code	VRE VN
52-week range (VND)	25,100 - 37,000
Shares O/S (m)	2,272
Mkt cap (VND bn)	72,146
Mkt cap (USD m)	3,123
Foreign room left (%)	19.1
Est. free float (%)	28.3
3m avg daily vol (shrs)	8,094,124
VND/USD	23,100
Index: VNIndex / HNX	1459.33/446.18

## VINCOM RETAIL JSC (VRE VN)

**Adjust 2022 target price to VND34,052 given the planned support package and delay in new mall openings.**

### 2021 Business result

In 2021, VRE recorded total revenue of VND5,891bn (-29% YoY) and PAT of VND1,315bn (-45% YoY), lower than our expectation because:

1. Support package given to tenants who were heavily impacted by COVID-19 was higher than expected. Without this package, VRE's revenue would have reached VND8trn.
2. Part of VMM Smart City was not opened in 4Q2021 as VRE's previous plan.
3. Property sales were lower than expected.

Leasing revenue dropped by 22% YoY, to VND4,701bn mainly due to support package of VND2,115bn compared with VND865bn in 2020. Leasing NOI followed the same trend with a 26% YoY decrease to VND3,161bn. As some small tenants left due to financial difficulties, the average occupancy rate in 2021 dropped by 1.4 ppts, to 84%, of which Vincom Plaza saw the highest decrease of 2.7 ppts, to 80% among four retail formats while Vincom Center saw an improvement of 2.0 ppts, to 94% thanks to upgrading tenant mix at VCC Dong Khoi, VCC Lieu Giai and VCC Pham Ngoc Thach. Tenants with strong balance sheet still expanded such as the opening of Muji in Vincom Metropolis and Decathlon in VMM Thao Dien (Please see Appendix 1 for details).

Property sales also declined by 53% YoY, to over VND1,000bn given 235 units were delivered compared with 346 units in 2020.

The 2021 results were heavily impacted by the 3Q2021 results, but the 4Q2021 saw strong recovery. 4Q2021 revenue and profit increased by 74% and 402% QoQ respectively thanks to Government's efforts to reopen the economy and increase in shophouses delivery. All 80 malls have returned to normal operation except for tenants at malls located in high infection risk areas. Footfall to Vincom malls in December 2021 reached 8.1 million visitors, 4 times the level in August 2021.

	2018	2019	2020	2021U	2022E
Net Sales (VNDbn)	9,124	9,259	8,329	5,891	7,496
Growth	65.3%	1.5%	-10.0%	-29.3%	27.2%
EBITDA (VNDbn)	4,048	5,030	4,575	3,239	4,410
Growth	9.2%	24.3%	-9.0%	-29.2%	36.2%
PAT (VNDbn)	2,413	2,853	2,382	1,315	2,320
Growth	19.0%	18.2%	-16.5%	-44.8%	76.4%
EPS (bonus-adjusted, VND)	1,219	1,227	1,048	578	1,021
Growth	25.9%	0.6%	-14.6%	-44.8%	76.5%
ROE	8.8%	10.3%	8.5%	4.4%	7.3%
ROIC	7.8%	10.3%	8.5%	4.5%	7.1%
Net debt/EBITDA (times)	-0.1	0.1	0.2	-0.1	0.2
EV/EBITDA (times)	17.7	14.3	15.7	22.2	16.3
PER (times)	30.0	25.3	30.3	54.9	31.1
PBR (times)	2.5	2.7	2.5	2.4	2.2
DPS (VND)	0	1,050	0	0	0
Dividend yield	0.0%	3.3%	0.0%	0.0%	0.0%

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## Company Update

Release date

22/2/2022

HOSE: VHC

Aquaculture

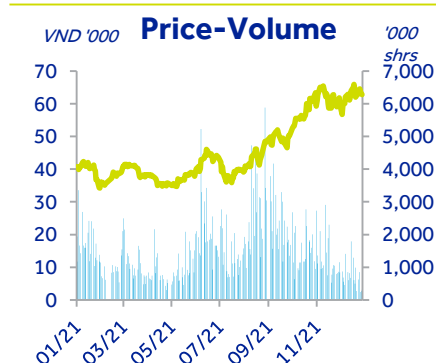
Target price (VND)

92,300

## Stock performance 2021 (%)

	YTD	1M	3M	12M
Absolute	36.3	16.4	39.0	106.8
Relative	38.8	19.1	40.3	82.7

Source: Bloomberg



## Ownership

Truong Thi Le Khanh (Chairwoman)	43.5%
Mitsubishi Corp.	6.6%
Lam Quang Thanh	4.6%

Stock Statistics	01-Jan-22
Bloomberg code	VHC VN
52-week range (VND)	35,200 - 86,900
Shares O/S (m)	182
Mkt cap (VND bn)	15,575
Mkt cap (USD m)	674
Foreign room left (%)	74.6
Est. free float (%)	50.3
3m avg daily vol (shrs)	963,086
VND/USD	23,100
Index: VNIIndex / HNX	1459.33/446.18

## VINH HOAN CORPORATION JSC (VHC VN)

### Great advantage from current raw material price hike

No significant impact from raw material price hike and strong bargaining power to increase ASP. 0% anti-dumping tax and expected higher ASP from pollock – pangasius' main competitor, will boost VHC sales volume in 2022. TP VND93,200/sh.

**FY2021 snapshot:** VHC posted an unaudited FY2021 net revenue of VND9,054.2bn (+28.7% YoY) and VND1,101.2bn of net profit (an impressive +53.1% YoY). Excluding the new Sa Giang subsidiary (HSX: SGC) contribution, that would be 23.6% YoY increase in revenue and 49.9% YoY in net profit. The value-added products recorded the highest growth rate of 64.8% YoY, followed by by-products (+33.5% YoY) and the fillet pangasius (+19.5% YoY). According to management, ASP in 2021 increased slightly while most of the growth came from sales volume increase. Despite high logistics fees which we believe VHC has to share with its long-term customers during difficult period and translated by a higher SG&A expense of 6.1% of sales (vs. 4.5% in FY2020), and higher raw pangasius market price (+12.7% YoY in avg.), VHC is still able to deliver a high gross margin of 19.4%, +5pts vs. FY2020 and almost equivalent to the pre-pandemic level in FY2019. This is thanks to the booming 4Q2021 with 23.7% gross margin while supportive actions to customers start to decline.

**Outlook:** Following a long period of social distancing with disrupted supply, manufacturing factories and export in Vietnam resumed strongly since 4Q2021. Higher demand led to higher prices of raw materials and raw pangasius prices jumped by 26.0% YoY since Jan 2022. Noticeably, price jumped by 49.4% YoY over the last 2 weeks following Tet holidays, reaching up to VND30,000/kg. If the trend continues, that could go to as high as VND36,000/kg as seen in late 2018. That high price assures at least 15-20% profit for local farmers and we believe a "boom crop" cycle has started in Vietnam. That could be risky for the next harvest season as breeding fish prices also jumped by 48.2% YoY since the beginning of the year while fingerlings price declined by 13.8% YoY even though fingerlings production declined by an avg. of 58% from June-August 2021. This leads us to believe 1) a lower quality of breeding fish moving forward; 2) local farmers might switch to fingerlings and lower quality breeding fish to reduce cost, which will lead to lower survival rate and lower quality of raw pangasius fish which in turn will lead to lower supply and higher raw pangasius price in the next coming months

	2019	2020	2021E	2022E	2023E
Net Sales (VNDbn)	7,867	7,037	9,054	10,595	12,295
Growth (%)	-15.1	-10.5	28.7	17.0	16.0
EBITDA (VNDbn)	1,292	892	1,535	1,842	2,088
Growth (%)	-29.6	-30.9	72.0	20.0	13.3
Net Profit (VNDbn)	1,179	719	1,101	1,267	1,484
Growth (%)	-18.2	-39.0	53.1	15.1	17.1
EPS (bonus-adjusted, VND)	12,776	3,953	6,052	6,964	8,155
Growth (%)	-18.2	-39.0	53.1	15.1	17.1
ROE (%)	26.5	14.3	20.1	20.1	20.0
ROA (%)	18.3	10.4	13.8	13.0	12.8
Net debt/EBITDA (x)	-0.6	-0.3	0.3	0.1	0.0
EV/EBITDA (x)	5.7	16.6	10.2	8.3	7.3
PER (x)	5.9	19.0	12.4	10.8	9.2
PBR (x)	2.8	2.6	2.4	2.0	1.7
DPS (VND)	-	2,000	2,000	2,000	2,000
Dividend Yield (%)	-	2.7	2.7	2.7	2.7



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## Company Update

Release date

24/11/2021

HOSE: SCS

Transportation infrastructure

Target price (VND)

171,500

## Stock performance 2021 (%)

	YTD	1M	3M	12M
Absolute	-1.3	-5.6	1.9	19.9
Relative	1.2	-2.9	3.2	-4.2

Source: Bloomberg



## Ownership

Gemadept Corporation (GMD)	31.8%
Airport Corporation of Vietnam (ACV)	12.9%
A41 Aircraft repairing company – preferred shareholder	12.4%

## Stock

01-Jan-22

## Statistics

Bloomberg code

SCS VN

52-week range (VND)

125,600 - 175,000

Shares O/S (m)

51

Mkt cap (VND bn)

8,018

Mkt cap (USD m)

347

Foreign room left (%)

24.8

Est. free float (%)

30.7

3m avg daily vol (shrs)

17,815

VND/USD

23,100

Index: VNIndex /

1459.33/446.18

HNX

## Saigon Cargo Services Corporation (SCS VN)

**We roll our valuation to FY2022 with a TP of VND171,500/sh on the back of higher cargo volume and higher ASP.**

SCS's cargo volume recorded strong growth amid of Vietnam's pandemic period. Domestic cargo through SCS terminal recorded a strong 34.8% YoY growth in 1H2021 and it continued to rise as of 9M2021 (+6.8% YoY). After a declining 1Q2021 (-1.1% YoY), the international cargo bounced back strongly in 1H2021 at +18.2% YoY. October 2021 international cargo volume came at 17,752 tonnes, the highest international volume ever. This is underpinned by an all the time high sea freight cost, surging by 3-4 time compared to early 2021 and up to 10 times higher vs. early 2020, driven by a severe lack of containers and peaking in Sept 2021. Even though sea freight rates are starting to calm down recently, the price difference with air freight remains small, creating a huge advantage for air cargo. According to SCS's management, freight volume through SCS terminal is expected to continue its uptrend in 4Q2021 and early 2022, on the back of manufacturing inventory refill post pandemic. We also expect sea freight to remain high given the busy season of Christmas and holidays.

Regarding SCS's ASP, the company has kept the rates flat since 2020 to support its long-term customers. For FY2022, the company's policy remains unchanged. However, rates will increase 5-10% for contract renewal. According to SCS, those contract renewals contribute approx. 20% of company's revenue. We identified about 15 customers out of 43 SCS's customers to renew their contract in 2022, including some big name like Lufthansa, Cathay Pacific, Hong Kong Air, Vietjet ... As TCS - the main competitor of SCS in Ho Chi Minh city - is running at full capacity, the only option for those clients is to renew their contract with SCS. Based on that, we expect SCS's to generate VND862.2bn of revenue (+10.2% YoY) and a slightly higher gross margin of 79.9%, helping SCS to earn VND556.9bn (+11.0% YoY), equivalent to a high net margin of 64.6%.

We continue to value SCS based on DCF methodology and derive a new TP of **VND171,500/sh** for SCS stock while rolling our valuation to FY2022. We like SCS as a debt free company and its strong positioning in HCMC air cargo business. As of 9M2021, SCS has VND439bn of cash and equivalent on hand.

	2018	2019	2020	2021E	2022E
Net Sales (VNDbn)	675	748	693	782	862
Growth (%)	14.8	10.8	-7.4	12.9	10.2
EBITDA (VNDbn)	516	582	525	607	671
Growth (%)	16.4	12.8	-9.8	15.6	10.6
Net Profit (VNDbn)	386	466	430	502	557
Growth (%)	22.7	20.9	-7.7	16.5	11.0
EPS (bonus-adjusted, VND)	7,716	9,307	8,482	9,883	10,974
Growth (%)	18.6	20.6	-8.9	16.5	11.0
ROE (%)	42.9	49.4	42.6	47.2	46.9
ROA (%)	39.3	45.6	39.7	43.8	43.8
Net debt/EBITDA (x)	-0.1	-0.4	-0.5	-0.9	-1.1
EV/EBITDA (x)	14.1	12.5	14.1	11.7	10.3
PER (x)	18.9	15.7	17.2	14.8	13.3
PBR (x)	8.3	7.3	7.3	6.7	5.9
DPS (VND)	7,200	8,000	8,000	8,000	8,000
Dividend Yield (%)	4.9	5.5	5.5	5.5	5.5

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**BUY:** where we believe prospective 12 month VND total return (including dividends) will be 15% or more.

**HOLD:** where we believe it will be -15% to 15%.

**SELL:** where we believe it will be lower than -15%.

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