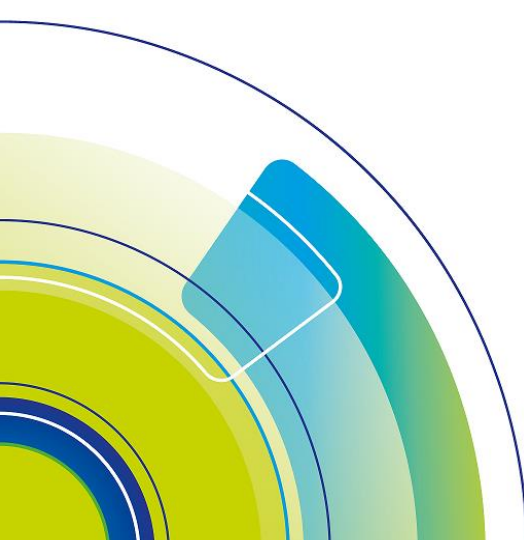




# **Vietnam Strategy – 4Q22**

**Wednesday, September 28, 2022**

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## Research Department

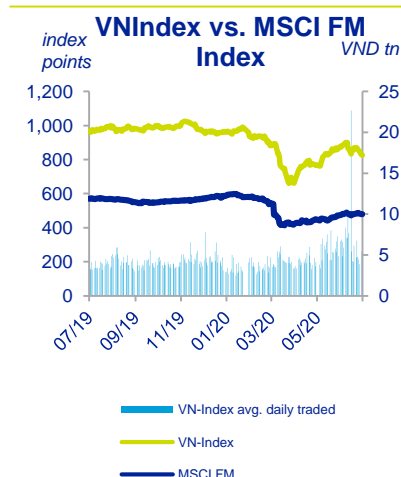
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## Strategy Report 3Q22

### 8M22 Index performance (%)

	1M	3M	6M	12M
<b>VNIndex</b>	-0.7%	-3.2%	-16.3%	-6.0%
<b>MSCI FM</b>	-2.1%	-5.3%	-11.1%	-21.3%



### Stock Statistics

### 8M 2022

Bloomberg code	VNIndex
52-week range (pts)	1,143-1,536
Members	400
Mkt cap (VND bn)	4,942,757
Mkt cap (USD m)	208,555
Daily avg. traded vol (shrs)	663,585,661
Daily avg. traded val (VND bn)	19,451
VND/USD	23,700
Index: VNIndex / HNX	1,244.50/283.46

## Vietnam's economic performance shines in the first half of 2022, while the equity markets navigated a stormy period in the face of global headwinds

The first half of 2022 saw a strong divergence between Vietnam's economic performance and the performance of the stock market. Vietnam's economy roared back to post first half GDP growth of 6.42%, with most major indicators trending in a positive direction, while the VNIndex was among the poorest performing equity markets globally, posting a -20.3% return in 1H, driven by both domestic and global events shaking investor confidence. The strong rebound in the economy was led by the return of domestic consumption (retail sales +11.7% y/y) and the resumption of manufacturing activities (IIP increased 8.7% y/y) after severe disruptions from COVID-19 restrictions in 2021. Inflationary concerns have taken the forefront of investors' minds globally, yet Vietnam's CPI posted a reasonable 2.44% on average YTD in the first half of 2022 and 2.89% as of Sept; we are optimistic that whole year inflation will remain within the government's target of 4% as we're seeing signs that the worst pressures have passed. Vietnam continues to be an attractive destination for FDI with disbursed investment increasing 8.9% y/y in the first half to reach 10b USD.

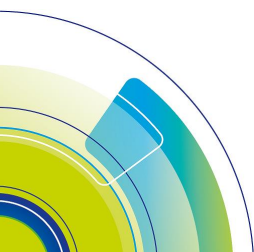
In contrast with the impressive economic rebound, the VNIndex dropped 20.3% in 1H 2022 as increasing global uncertainties and domestic issues leading to investor trepidation. On the domestic front, a series of anti-corruption measures in 1Q targeting market manipulation and improprieties in bond issuances took their toll on investor confidence; however we believe that in the long run, these moves will be a net positive for the market as rooting out these types of actions should help the long term, sustainable development of the Vietnamese capital markets. On the global front, the outbreak of the war in Ukraine has resulted in an energy crisis as economic sanctions placed on Russia have contributed to an energy shortage and surging prices globally. Disruptions to other key agricultural products (wheat, fertilizers, etc..) have further exacerbated inflationary pressures which have already been strained by supply chain disruptions caused by strict COVID-19 related lockdowns in China as the country continues to pursue a zero-COVID policy. With many developed economies facing stubbornly high single digit inflation figures, central banks have been forced to take aggressive moves to combat surging cost of living increases, which has resulted in a dimmed global economic outlook. As of Sept 27<sup>th</sup>, the VNIndex has struggled, falling to 1.174 (-22% YTD) as the SBV raised key rates by 100bps in response to continued aggressive hikes by central banks around the world and as the VND has been under devaluation pressure.

Despite the correction to the market so far in 2022, we remain positive about the fundamental outlook for the Vietnamese economy and markets. 1H earnings were strong, posting growth of 18.8% y/y and whole year expectations of 19% appear achievable. As of Sept 27<sup>th</sup>, the VNIndex trading at a trailing PE of 12.5x and a forward 2022 PE of 11.2, making it one of the cheapest in the ASEAN region.

	2018	2019	2020	2021	1H2022
GDP growth (%)	7.1	7.0	2.91	2.58	6.4
Per capita GDP (USD)	2,587	2,786	2,785	n/a	n/a
CPI (%)	3.5	2.8	3.2	-3.8	n/a
Export (% GDP)	80.4	79.7	81.6	91.0	96.8
Import (% GDP)	78.0	76.5	75.9	89.9	96.4
Balance of trade (USD mn)	7,211	10,400	19,064	3,324	743
Current account (% GDP)	3.0	6.3	5.8	-1.8	n/a
Public debt (% GDP)	58.3	55.0	55.9	43.1	n/a
Foreign debt (% GDP)	46.0	48.5	43.7	38.4	n/a
Registered FDI (USD bn)	35.4	22.5	21.1	24.3	11.8
Credit growth (%)	13.9	13.7	12.2	13.6	9.4

## Contents

Vietnam highlights .....	4
Vietnam GDP to recover strongly.....	4
Is Vietnam's inflation a concern in 2H2022? .....	7
Interest rates in Vietnam .....	100
Forex .....	13
Vietnam import- export .....	16
FDI in Vietnam .....	19
Sector outlooks.....	22
Banking.....	22
Retail.....	25
Real estate .....	28
Oil & gas .....	33
Energy sector.....	35
Fisheries .....	38
Materials.....	41
Stock market overview.....	41
Company Report Snapshot.....	54
<b>Disclaimer .....</b>	<b>79</b>

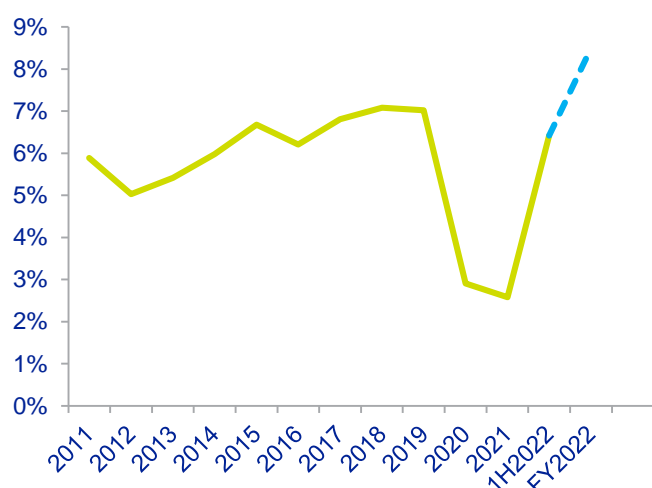


## Vietnam highlights

### Vietnam's GDP to recover strongly

Following a two year gap due to COVID-19, where Vietnam's GDP dropped to a low single digit, the country rebounded strongly in 1H2022, posting 6.42% GDP growth, and in 2Q2022 alone, Vietnam posted a strong 7.72% GDP growth – the highest since 2011. The strong growth is supported by the manufacturing sector (+11.45% YoY, contributing 27.51% to Vietnam's total GDP) and the resumption of the tourism sector. Vietnam resumed international flights since mid February 2022 and lifted travel restrictions for international passengers coming to Vietnam since mid March 2022. Thanks to that, accommodation and catering services jumped by 25.92% YoY in 2Q2022, following by art, entertainment and recreation (+14.01% YoY) and other service activities (+16.61% YoY).

Vietnam GDP



Source: GSO, ACBS

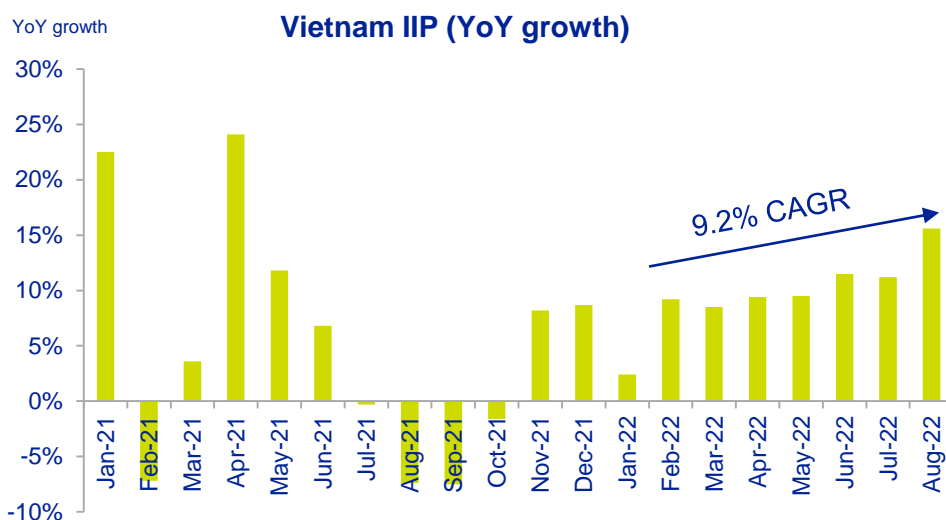
Vietnam 1H2022 GDP

	2Q2022	1H2022	2H2022 contribution
<b>Vietnam GDP</b>	<b>7.72%</b>	<b>6.42%</b>	
Agriculture, Forestry and Fishing	3.02%	2.78%	11.1%
Manufacturing	11.45%	9.66%	26.6%
Transportation and storage	9.37%	8.13%	4.5%
Finance, banking & insurance	9.17%	9.50%	4.3%
Education & Training	5.33%	5.27%	4.1%
Health care & Social relief	6.34%	8.08%	2.32%
Accommodation and catering services	25.92%	11.19%	2.06%
Art, entertainment and recreation	14.01%	8.08%	0.6%

Source: GSO

Vietnam's IIP has been on a steady upwards trajectory since the beginning of the year to reach 15.6% in August 2022, while the 1H2022 figure hit 8.7% YoY. 2021 was an rollercoaster of a year with IIP jumping to 24.1% in April 2021 right before the lockdown period, followed by 4 consecutive months in the negative territory given factories closures. The country's manufacturing activities started to recover in November 2021 (in exception for January 2022 due to Lunar New Year festivity). Vietnam's IIP is supported by manufacturing of textiles (+22.5% YoY), electrical equipment (+17.4% YoY) and pharmaceuticals and chemical products (+17.4% YoY).

Moving to 3Q2022 and 2H2022, despite shortage of raw material (for textile and electronic chips given Zero-COVID strategy in China) and high transportation costs, we believe Vietnam's IIP will grow strongly from a low 2021 base.



Source: GSO

In addition, the fiscal and monetary stimulus package in Vietnam which worth VND337tn started to be disbursed in 2Q2022 and will continue until year end. This will boost Vietnam's economic in 2H2022 to continue its expansionary trajectory.

As a result, we expect Vietnam's GDP in 3Q2022 to be boost to as high as 14.7%, following by a smooth 6.8% GDP growth in 4Q2022 from a normal level of 4Q2021. Overall, we estimate Vietnam's GDP in 2022 to be in a range of 6.8%-8.5%. while this is higher than the initial target of 6.0%-6.5% approved for the 2022 Government's socio-economic development plan earlier this year, the Ministry of Planning and Investment increased the GDP target to 7% in June 2022.

### GDP Scenarios for 2H 2022

Our first scenario is based on a weaker demand globally driven by high inflation and tightening monetary policies combined with pursuing Zero-COVID strategy in China. Production activities might continue to surge but at a slower pace than 2Q2022 while services sector might not fully recover in 2H2022.

The more optimistic second scenario is based on keep up accelerated industrial activities supported by surging in transportation and tourism as well as rising domestic consumption thanks to an assumption of higher credit growth granted by the SBV in 2H2022.

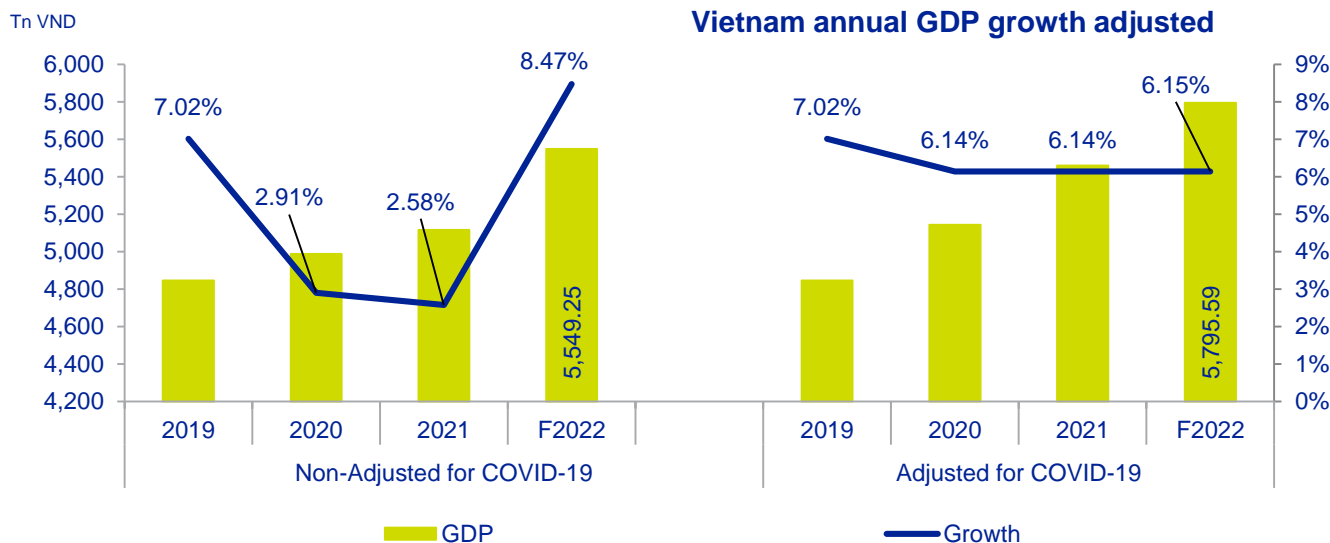
### Vietnam's macro indicators forecasts

	1H2022	2H2022E		FY2022E	
		Min	Max	Min	Max
GDP	6.4%	7.1%	10.4%	6.8%	8.5%
IIP	8.7%	12.7%	16.6%	10.7%	12.7%

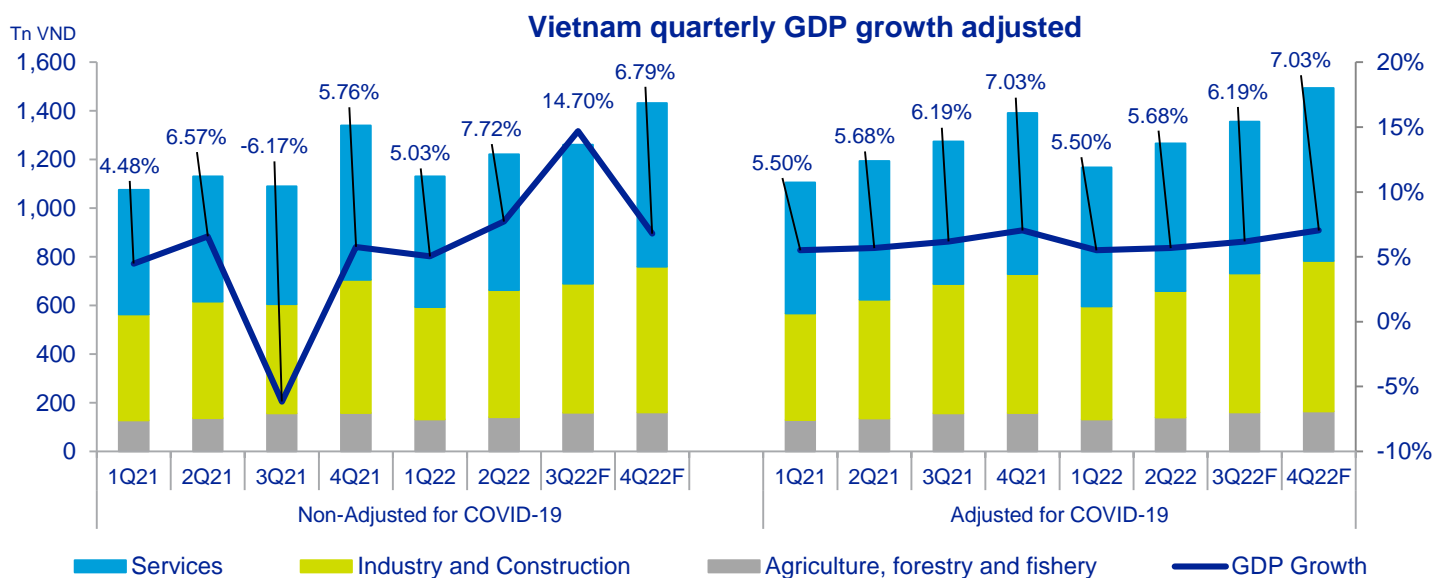
Source: GSO, ACBS

Looking on a normalized basis as we smooth out the COVID-19 effect in 2021 based on a 10-year avg. growth in Vietnam, we derive a 6.15% GDP growth for Vietnam in 2022 which is a reasonable rate in our view. While the estimated 8.5% GDP growth rate

seems high as we start from a low base of 2021, the absolute number of VND5,549.3tn of GDP in 2022 is closed to the normalized number.

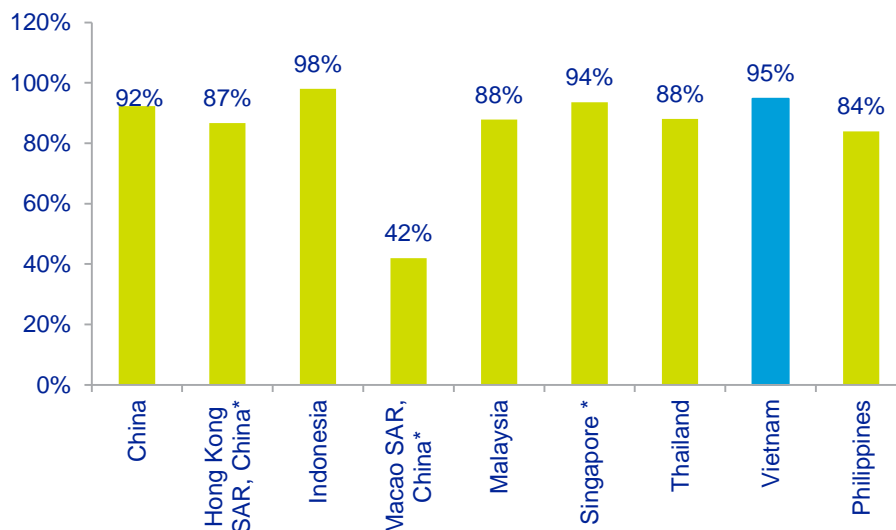


The quarterly data strengthens our beliefs of a high GDP growth rate for Vietnam in 2022. Comparing the actual data on the left chart below and the normalized data on the right side, Vietnam has minimal impact from COVID. In exception for 3Q2021 where Vietnam take the hardest hit of -14.4% vs. normalized data, other quarters are on a good trend of recovery with only 4% lower than the normalized one.



Compared to other regional countries, Indonesia has an expected 2022 GDP closer to the normalized GDP adjusted for COVID-19 impact, at only 2% below. Vietnam ranks second with 5.2% below while other countries have an avg. of 18% lower. Macao has the hardest hit with expected GDP for 2022 to be 58% lower than the normalized level.

**Forecast 2022 GDP vs. normalized GDP**

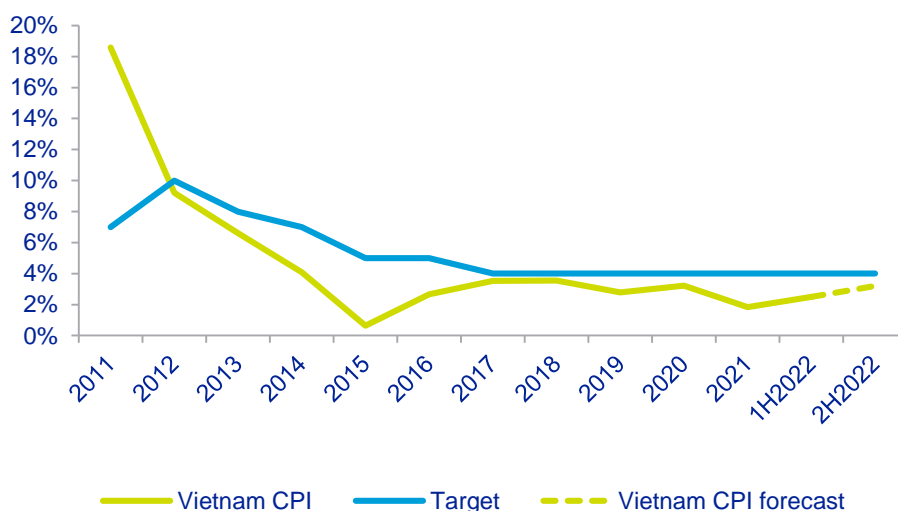


Source: Worldbank, GSO, ACBS, \* respective Government's target

### Is Vietnam's inflation a concern in 2H2022?

It has been a decade since the last time we've had to raise eyebrows about Vietnam's inflation, from double digit CPI above the Government's target in 2011, Vietnam's inflation has been well controlled and maintained below the line over the last 10 years. In 2021-2022, following a long period of contraction due to COVID-19 pandemic with social distancing measures, businesses temporarily closed and supply chain stuck, most Central Banks have to cut interest rates to buffer the pandemic impact. Associated with this is Central Banks' monetary policy with a large amount of liquidity injected into the economy to alleviate banks and businesses' financial condition.

**Vietnam CPI**



Source: GSO, ACBS

Since early 2022, there are pockets of the world which have been spared painful inflationary pressures and inflation risk drives interest rates to increase in major economies as shown in the table below in order to tighten monetary policies. ASEAN countries seem to be less impacted as most ASEAN Central Banks still maintain the



same rate as of 1H2022. However, inflation pressure starts to hit those countries in the context of rising energy prices, which in turn might drive price of food and other related items to jump.

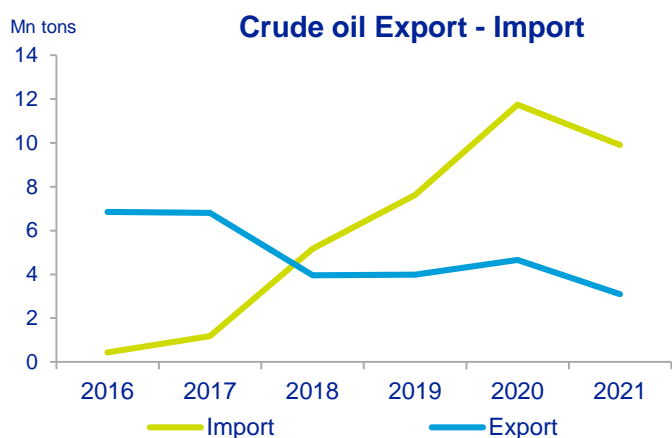
### Central Bank moves in 2022

Central Banks	Rate as Jan 2022	Rate as Sep 2022	YTD Pts changes
FED	0.25%	3.25%	3.00%
ECB	-0.50%	1.25%	1.75%
Bank of Canada	0.25%	3.25%	3.00%
Reserve Bank of Australia	0.10%	2.35%	2.25%
Bank of England	0.25%	2.25%	2.00%
Bank of Japan	-0.10%	-0.10%	0.00%
People's Bank of China	3.85%	3.65%	-0.20%
Bank of Thailand	0.50%	0.75%	0.25%
Bank Negara Malaysia	1.75%	2.50%	0.75%
Bank of Indonesia	3.50%	4.25%	0.75%
SBV – Valuable paper discount rate	2.50%	3.50%	1.00%
SBV – Refinancing rate	4.00%	5.00%	1.00%

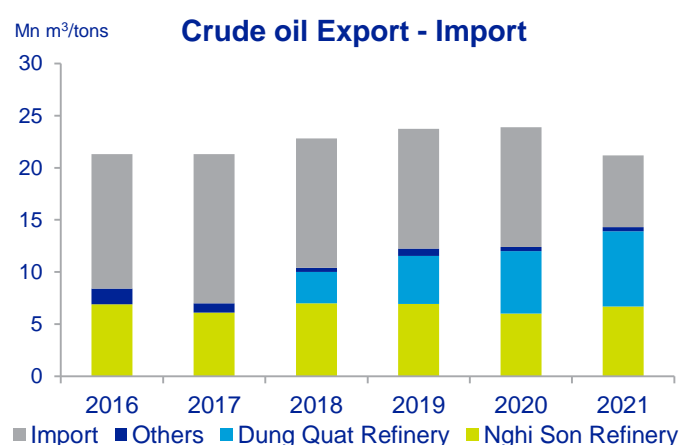
Source: Central Banks

The majority of upward pressure on Vietnam's CPI is coming from high oil prices globally which have resulted into high domestic gasoline price and in turn indirectly impacted other goods price in CPI basket. On average in 6M2022 food and energy CPI accounted for 1.93% of total 2.44% CPI in 6M2022. However, in upcoming months several exogenous factors could give a mixed result to our CPI in 2H2022.

Although Vietnam could supply around 70% of domestic petroleum, mainly made by Nghi Son refinery and Dung Quat refinery, Vietnam still has to import crude oil (9.9mn tons in 2021) for gasoline refinery as the Nghi Son refinery has to use imported oil to make gasoline. The recent escalating oil prices are predominantly attributed to the impact of the resumption of production activities after COVID-19 and geopolitical tensions and resulting sanctions from the Russian invasion of Ukraine



Source: Vietnam Customs

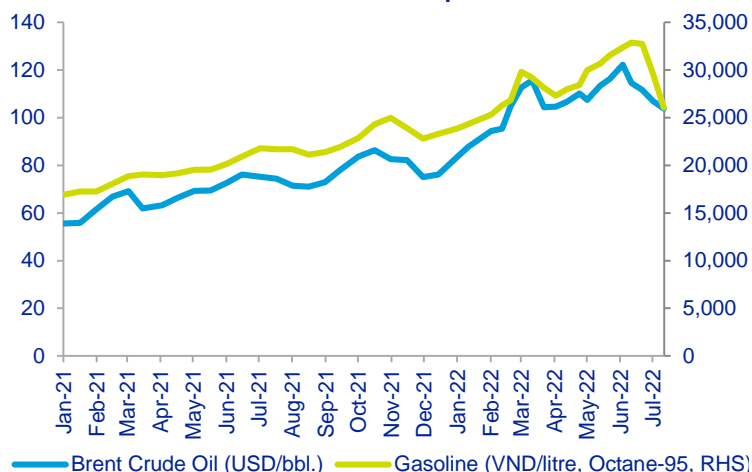


Source: PV Oil Phú Mỹ, Saigon Petro, ACBS

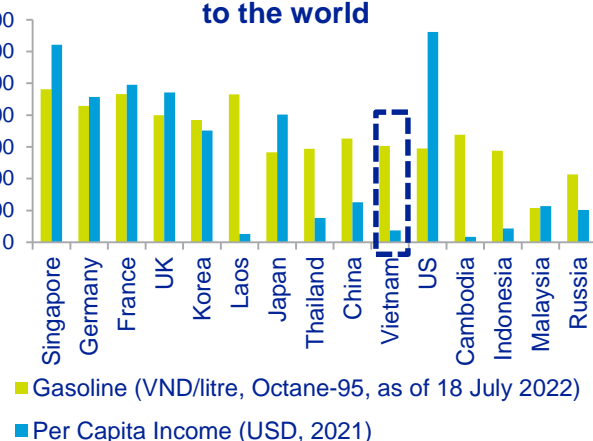


In Vietnam, oil and gasoline prices are one of the key exposure points for imported inflation. However, to battle with rising gasoline price caused by surging oil prices, the government have approved two environmental tax cut (2.000VND on 1st April and 1.000VND on 11st July). Besides that, the government has also considered lowering the value-added tax and special consumption tax on gasoline, with the Ministry of Finance requesting the special consumption tax on petrol to be halved and value-added tax on petrol and oil to be cut by 20% or 50% .

Oil vs Gasoline price



Price of gasoline in Vietnam compared to the world



Source: Bloomberg, ACBS

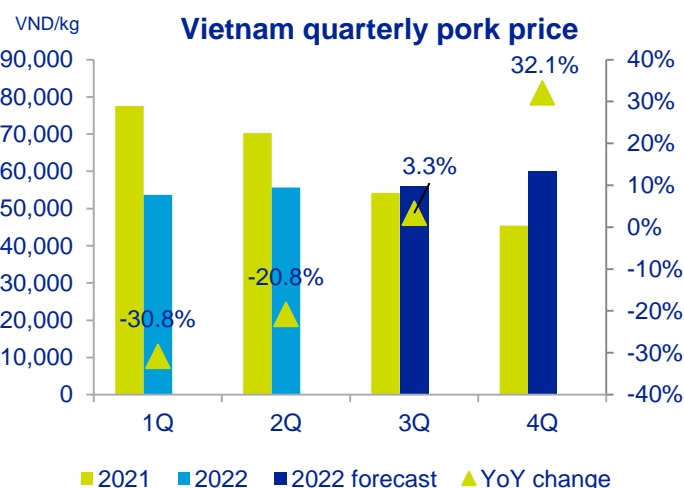
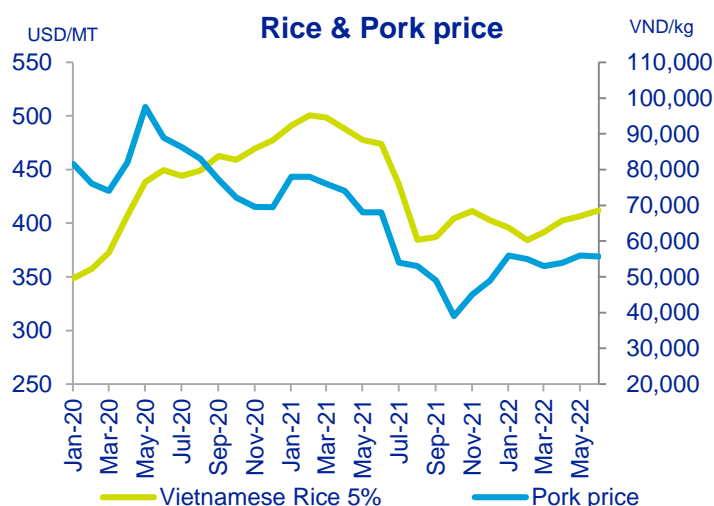
Source: Worldbank, Global petrol prices

The main staples in the Vietnamese diet are rice (accounting for around 2.55% of the CPI basket) and pork (accounting for around 5% of the CPI basket). Retail prices of rice in Vietnam remained steady and outbreak of African swine fever (ASF) from 2018 to 2021 caused surging pork prices during this time, which have subsequently fallen back sharply in 6M2022 as ASF is being controlled and herds have been repopulated. As of 1H2022, pork price declined by 26.0% YoY. We expect pork price to be stable in 3Q2022 as ASFV (African swine fever virus) is now contained and vaccines were rolled out since August 2022, however the rollout has been temporarily suspended due to dozens of pigs dying in in three provinces of Bình Định, Phú Yên and Quảng Ngãi, however, we hope that majority of Vietnam's herd will be vaccinated by the end of 2022. In addition, pork prices might pick up slightly, to as high as VND75,000/kg by the end of 4Q2022, around festivity and Lunar New Year period in conjunction with rising pork price in China recently.



Source: Nong Nghiep Viet Nam, Bloomberg, ACBS

Besides the main staples, other foodstuff such as poultry and seafood have not shown any dramatic increases throughout 1H2022, thanks to our abundant food supply and independence from imports. Rising poultry and seafood is mainly due to rising input costs and transportation fee, there is no fear of scarcity or shortages, therefore we don't expect any dramatic surges in these prices



To sum up, regarding domestic fuel price, one of our biggest Vietnam's CPI component, our "surging Inflation" assumption of global oil price will peak at 120-125 USD/barrel drives retail fuel price to as high as 32,000VND/liter in 2H2022 (A95, 22.2580/liter as of 21 September 2022). Combined with our "surging Inflation" expectation about pork price, we expect our worst CPI's projection to increase by an additional of 1.6%, bringing Vietnam's 2022 CPI to 4.1%, still around 4% target.

		CPI		
		Peak	2H2022	FY2022
<b>Peaked Inflation</b>	<b>Key Assumption:</b> <ul style="list-style-type: none"> <li>+ Average pork price reach as high as 72.000/kg in 2H22</li> <li>+ Average rice price and livestock price increased another 0.5% in 2H22</li> <li>+ Home maintenance materials decreased 0.75% in 2H22</li> <li>+ Oil prices stay at this current level (c. 100 USD/barrel)</li> </ul>	5.5%	4.0%	3.2%
<b>Sustain high Inflation</b>	<b>Key Assumption:</b> <ul style="list-style-type: none"> <li>+ Average pork price reach as high as 78.000/kg in 2H22</li> <li>+ Average rice price and livestock price increased another 0.75% in 2H22</li> <li>+ Home maintenance material remain stable in 2H22</li> <li>+ Oil price increased another 15% by yearend (115 USD/barrel)</li> </ul>	7.2%	4.9%	3.7%
<b>Surging Inflation</b>	<b>Key Assumption:</b> <ul style="list-style-type: none"> <li>+ Average pork price reach as high as 82.000/kg in 2H22</li> <li>+ Average rice price and livestock price increased another 1% in 2H22</li> <li>+ Home maintenance material increased 1% in 2H22</li> <li>+ Oil price increased another 20-25% by yearend (120-125 USD/barrel)</li> </ul>	8.3%	5.7%	4.1%

Source: ACBS

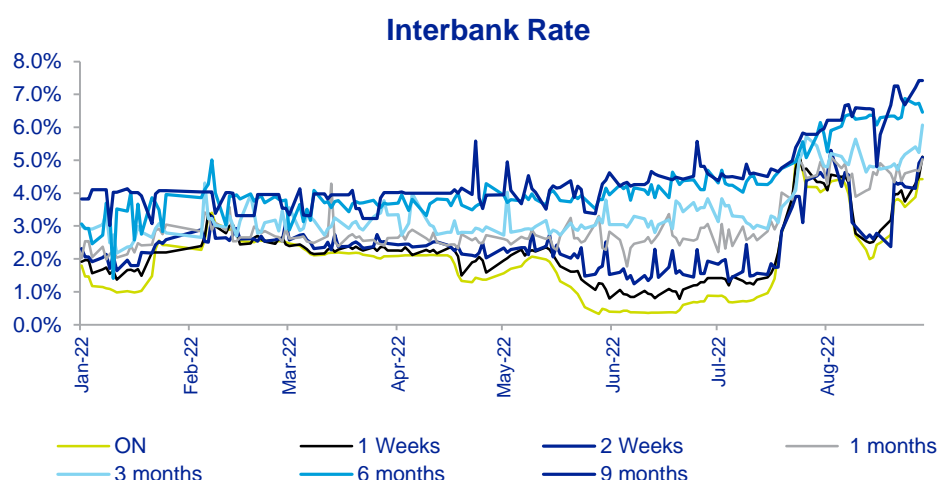
### Interest rates in Vietnam

Interbank interest rates increased throughout January and February 2022 as liquidity of banking system was constrained during Lunar New Year and rising credit growth at the beginning of 2022 and decreased from March 2022 through out mid-May as liquidity of banking system stabilized and liquidity in banking system also abundance

around May 2022 as most banks have reached their credit growth quota and were waiting for the SBV to approve new credit growth quota.

In August, the SBV continued to issue over VND160tn, while over VND194tn come due through T-bills channel. In addition, VND35bn of reverse repos OMO issued in August combined with over VND74tn coming due during the month through reverse repo OMO. Furthermore, we estimate that the SBV has sold over USD3bn in August, which indirectly withdrew over VND70tn from the system through August. As a result, the SBV withdrawn over VND75tn net via T-bills, reverse repos OMO and selling USD.

The interbank rate volatile across all tenors throughout August due to unstable liquidity of banking system caused by interbank activities of SBV listed above. As of the end of August, the average interbank rates of ON (3.53%, +164 bps MoM), 1-week, (3.79%, +151 bps MoM), 2-weeks (3.91%, +165 bps MoM), 1-month (4.59%, +136 bps MoM), 3-months (5.06%, +140 bps MoM), 6-months (6.24%, +165 bps MoM) and 9-months (6.51%, +169 bps MoM) all increased dramatically.



Source: SBV

Recent SBV moves are likely aimed at closing the negative interest rate gap between the VND and USD interbank interest rate on the interbank market, helped stabilize the exchange rate and the foreign exchange market as a whole.

SBV has issued series of Decisions dated 22/09/2022 on increasing some key interest rates (the first times since October 2020) applicable from September 23, 2022.

	Previous (p.a)	Updated (p.a)
<b>Refinancing rate</b>	4.0%	5.0%
<b>Discount rate</b>	2.5%	3.5%
<b>The overnight interest rate in the inter-bank electronic payment</b>	5.0%	6.0%
<b>VND mobilizing interest rate</b>		
for demand and below 1-month terms	0.2%	0.5%
for time deposits of 1-month to below 6-month terms	4.00%	5.00%
for time deposits of 1-month to below 6-month terms at the People's Credit Funds and the Micro Finance Institutions	4.50%	5.50%

Source: SBV

With recent aggressive rate hike of SBV (100bps), we continue to be positive about Vietnam being able to control inflation and maintain our expectations of **Vietnam's CPI for 2022** will increase in the range of 3.2% - 4% and remain within Government's target of 4%.

Despite fears that **Vietnam's growth prospects** could slow in the upcoming quarters of 2022 due to higher interest rate, Vietnam's economy has essentially regained its growth momentum as the post-COVID recovery carries on with good fundamentals in 8M2022. We also maintain our expectation that Vietnam's GDP will continue to record strong growth, in the range of 7.1% - 10.4% YoY in 2H2022 (10.4%-14.7% in 3Q and 4.5%-6.8% in 4Q) and 6.8% - 8.5% YoY in 2022. Given the recent unexpected and aggressive rates hike of SBV, we now see Vietnam's performance likely falling between our "Less Favourable Scenario" and "Favourable Scenario" due to the. However, we maintain our positive view that Vietnam's economic performance through GDP in 3Q2022 will reach 10%+ growth, supported by:

- (1) The continuing recovery of industrial activities (IIP increased 15.6% YoY in August 22 and 9.4% YoY in 8M22), which will push activities from FDI sector in term of investment and export;
- (2) Vietnam emerged as a substitute manufacturing center to cover output losses caused by the zero-COVID-19 strategy in China; and
- (3) The strong recovery of the service sector, after relaxing all COVID-19 related restrictions on service businesses, coming from (1) improvement of domestic consumption (total retail sales of goods and services August 22 increased 50.2% YoY and 8M22 increased 19.3% YoY), (2) reopening international tourism (retail sales of travelling services August 22 increased 51x YoY and 8M22 increased 12x YoY); and (3) normalization of transportation of goods help push trading activities especially export from FDI sector.

Furthermore, the fiscal and monetary stimulus package, worth 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 started disbursement in 2Q2022 (according to minister Nguyen Chi Dung, Ministry of Planning and Investment, by September 2nd, disbursement of fiscal and monetary stimulus package reached VND55.5tn, about 16% of total package) along with over VND244tn (of total VND530tn) of Capital under State Budget needed to disbursed toward the year end of 2022, which will push socio-economic recovery in the last months of 2022.

The SBV also confirmed (in the Vietnam socio-economic forum 2022) to maintain the credit growth target at 14% in 2022, which would indicate that another 2% extension of the credit growth quota will released towards the end of 2022, after recent moves to increase system wide credit by 2% in early September. As in our positive scenario, with the hypothesis that the SBV will grant new credit growth quota in 3Q2022, we expected that GDP of Vietnam for 3Q2022 will grow as high as 14.7% YoY.

After recent aggressive rate hikes by the SBV (100bps), and if the FED keeps raising interest rates as in their economic projections released on September 22, we expect that the SBV won't have another rates hike towards the year end 2022. We also maintain our view that **Vietnam's monetary policy management** by the **State Bank of Vietnam** will have no major surprises in 2022, supported by:

- (1) As long as Vietnam's inflation rate under controlled and stay within 4%, monetary policy tends to continue to be expansionary for supporting the economic recovery;
- (2) The main impact of the FED rate hikes expected to be mainly on foreign capital flows. In the short-term, with the history of others FED rate hikes, portfolio capital flows into emerging markets could turn negative and Vietnam could see net selling on the equity markets. After recent aggressive rates hike of SBV (100bps) and with good macroeconomic fundamental and acceptable inflation levels below 4%, Vietnam will continue to be an investment destination for FDI companies, especially in the manufacturing industry; and
- (3) Exports, which are the country's key economic growth driver, will remain strong as manufacturing activities gradually recover and are expected to continue its upward trajectory given the recovery of the global economy. Vietnam emerged as a substitute manufacturing center to cover loss output causing by zero-COVID-19 strategy of China. In addition, our trading activities continued to be solid as total export-import turnover in 8M2022 reached USD500bn (+16.3% YoY) with trade balance surplus reach USD5.5bn.

## Forex

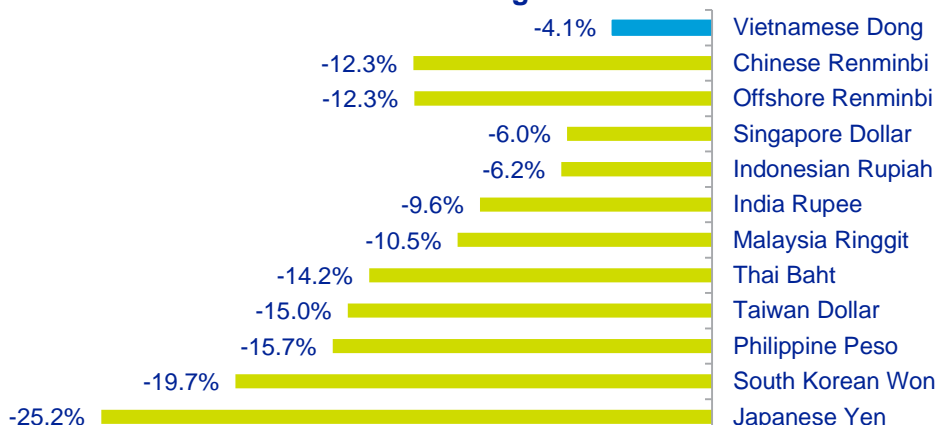
The SBV increased spot reference asking exchange rate (for the third time in 2022) in the late afternoon of September 7th, 2022 (which is the rate offering to commercial banks to buy USD from SBV) by 300VND (increased from 23,400 to 23,700 VND/USD) under heavy selling pressure of USD to banks recently. We estimate that from the beginning of the year to the end of June, the SBV sold up to USD15bn; since July 2022, when the SBV increased the asking rate from 23,250 to 23,400, we estimate a further USD5.7bn has been sold, resulting the foreign reserves sliding to approximately USD90bn.

The USD/VND interbank exchange rate has depreciated since the beginning of April 2022 due in part to upward pressure from rate hikes by major central banks. As the end of August 2022, average USD/VND exchange rate of banks stood at VND23,451 (+0.46% MoM, +2.93% YoY and +2.74% YTD). In addition, USD/VND exchange rate in black market also depreciated to VND24,060 and (-1.31% MoM, +4.47% YoY and +2.44% YTD).

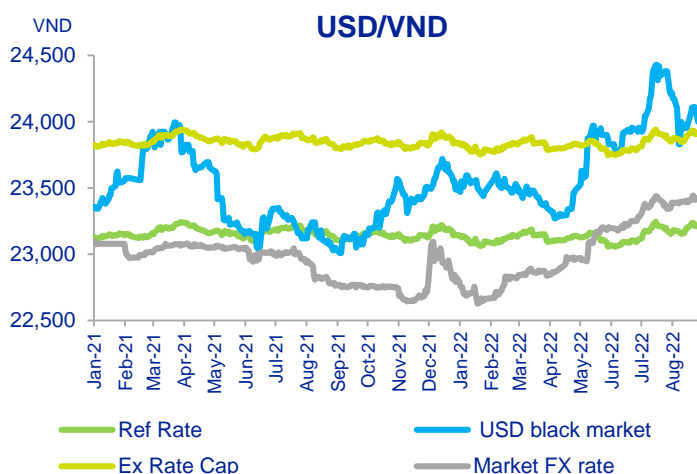
In general, the USD has been on a strong run with the Dollar Index (DXY) surpassing the 114 level, reaching a two-decade high, and appreciating c. 19% YTD. The strong dollar has been contributed to by several factors including the aggressive interest rate hikes by the US Fed and weaknesses seen in the Pound Sterling and Euro as those economies are facing the fallout of surging energy costs and the weaponization of the gas markets by Russia in response to economic sanctions placed upon them by many Western nations. In addition, the Japanese yen, Korean won, Thai baht and Malaysian ringgit also under pressure by aggressive hikes of US Fed which also depreciated significantly from beginning of 2022. So, the Vietnamese Dong has historically been under pressure when the DXY is strengthening, which is contributing to the actions from the SBV lately.



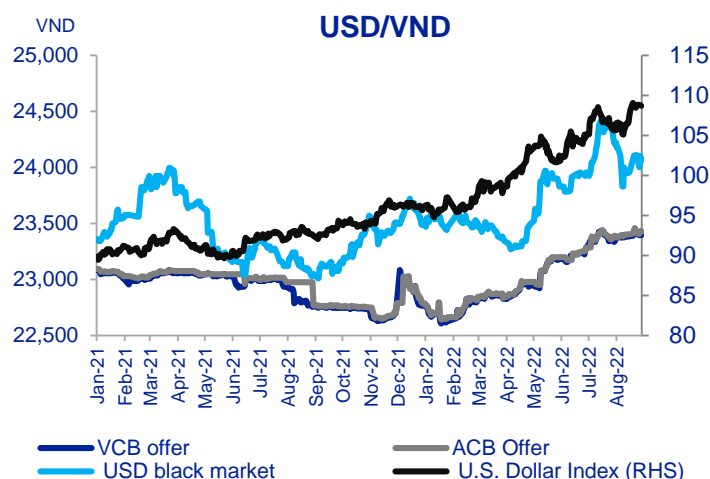
### Year-to-date against the US dollar



Source: Bloomberg, ACBS as of 26 Sept. 2022



Source: Bloomberg, SBV, ACBS



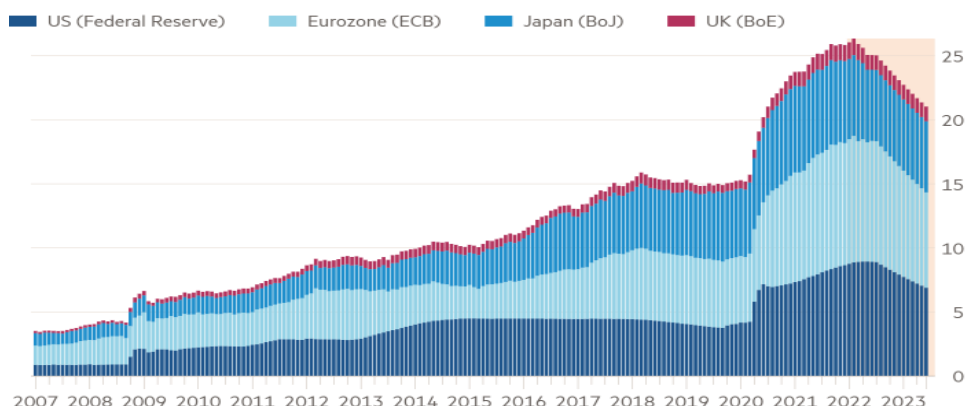
Source: Bloomberg, SBV, ACBS

In our opinion, the recent moves by the SBV to increase policy rates by 100bps were primarily an action in response in increasing devaluations pressures on the VND, rather than a move to try to dampen demand in response to rising inflation. The VND has been facing downward pressure from a few fronts including:

- (1) Interest rate hikes are expected to continue throughout the end of the year as over 16 major central banks around the world, especially US (FED) and UK (BOE), have indicated. Moving to 2023, we expect that while inflationary pressures will remain in the early parts of the year, if the actions of central banks have the intended effects and inflation is brought under control, we could see easing monetary policies emerging in the second half as encouraging economic growth will return to the forefront of policy makers minds;
- (2) The FED, along with BOE and ECB are stopping reinvesting maturing assets and starting to sell assets on their balance sheet (also known as Quantitative Tightening program). The FED expected to reduce around USD400bn of its balance sheet by the end of 2022. ECB and BOE also plans to follow FED. Morgan Stanley estimated that the balance sheets of the heaviest-hitting central banks will shrink by roughly USD4tn by the end of next year. Those events will affect VND strength in upcoming months;

### The balance sheets of central banks are set to shrink

Assets (\$tn)



- (3) China continues to pursue a zero-COVID-19 strategy with mass testing and lockdowns when cases surge. This strategy could cause another major disruption to global supply chains and further inflate shipping costs, which in turn could hinder our trading activities and may put another depreciation pressure on foreign exchange rate in upcoming months;
- (4) The Chinese Renminbi (CNY) has been under pressure since 1Q2022, seeing a devaluation vs the USD of c. 12.3% YTD and surpassing the important psychological level of 7:1 and trading around 2 year lows. The devaluation of the CNY could have knock on effects to emerging/frontier markets which compete with China for global shares of exports, which includes Vietnam, as Chinese exports are getting cheaper for importers; and
- (5) Recession risks grow, especially in US and EU as the US has technically fallen into a recession with GDP declined for two consecutive quarters and gas & energy crisis following the recent disruption of Russian natural gas supplies through the Nord Stream 1 pipeline in EU. The effects of low performance from US's and EU's economy could weigh on our export activities which is the country's key economic growth driver.

However, Vietnam's economy continues to exhibit relatively good fundamentals and factors which will help VND in general (in banking system and in black market) reclaim its strength and stabilized in upcoming months of 2022, include:

- (1) Inflation remaining low and under control below 4%;
- (2) Exports, which are the country's key economic growth driver, will remain strong as manufacturing activities gradually recover and are expected to continue their upward trajectory given the recovery of the global economy. Vietnam emerged as a substitute manufacturing center to cover loss output causing by zero-COVID-19 strategy of China. In addition, our trading activities continued to be solid as total export-import turnover in 8M2022 reached USD500bn (+16.3% YoY) and our balance of trade continued posted surplus USD2.4bn in August 2022 and overall 8M2022 remained surplus over USD5.5bn;
- (3) FDI inflows disbursement grew strongly in 8M2022 (+10.5% YoY);
- (4) The SBV will try to lower depreciation pressure to VND by keeping the positive gap between the VND and USD interbank interest rate. In addition, with sufficient foreign reserves (stood at around USD110bn at the end of 1Q2022, however there



has been speculation that c. USD20bn have been sold by the SBV, putting current reserves at an estimated USD90bn) SBV could use to defend its currency when needed.

Furthermore, SBV has recently increased spot reference asking exchange rate (for the third time in 2022) in the late afternoon of September 7th, 2022 (which is the rate offering to commercial banks to buy USD from SBV) by 300VND (increased from 23,400 to 23,700 VND/USD) under heavy selling pressure of USD to banks recently. In addition, SBV also took an aggressive rates hike of 100bps of key interest rates which will support and maintain stable of VND in upcoming months.

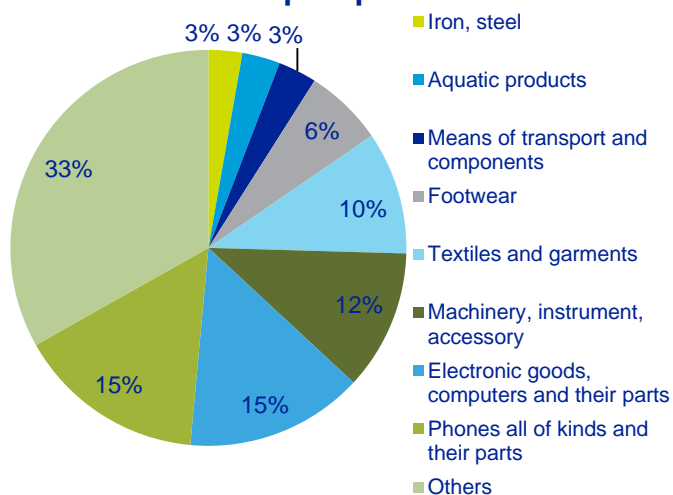
Overall, we amend our expectation that the spot asking exchange rate might depreciate as high as **2.5-3.0%** (last report 2-2.5%) for **FY2022** which spot reference asking exchange rate will be around 23.700 – 23.750VND/USD.

### Vietnam import- export

Vietnam posted a slim trade surplus of USD710mn as of 1H2022 with a 20.0% YoY increase in exports (to USD186.0bn). Of total exports, electronic goods, computers and phones account for the largest part of 29.9% of Vietnam's total export, followed by textile, garment and footwear with 16.4% contribution, both segments are growing at double digit of 14.0% and 19.3% YoY, respectively. Within Vietnam's main export products, aquatic products (3.1% contribution) grew by an impressive 39.6% YoY in value terms.

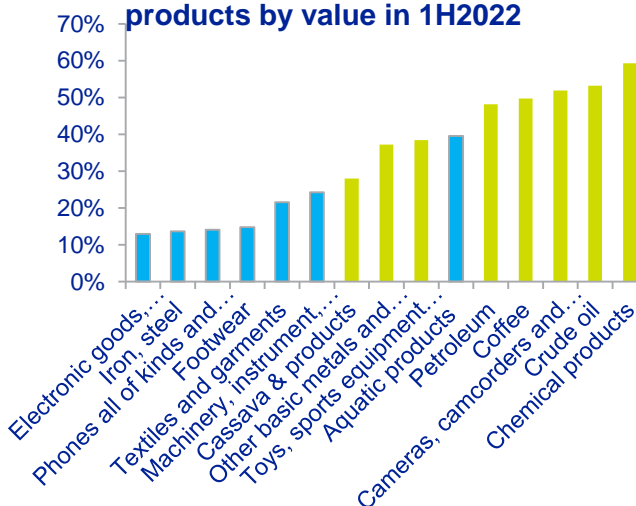
However, more than two third of Vietnam's total export turnover is coming from FDI. Excluding that, Vietnam is posting a trade deficit of USD16.0bn in 1H2022.

### Vietnam main export products



Source: GSO

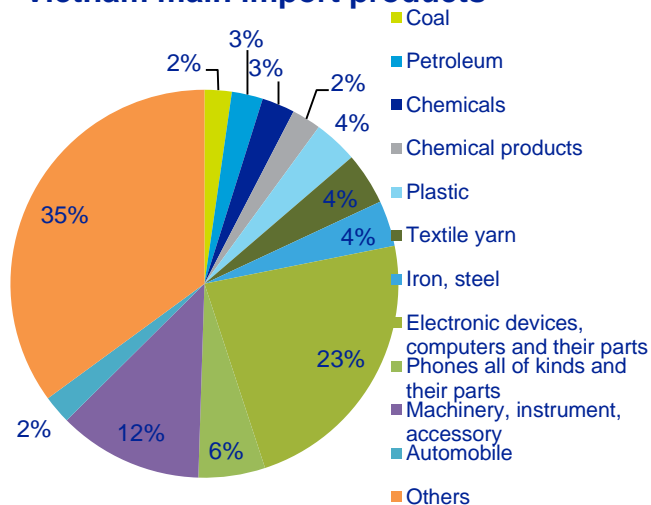
### Vietnam most growing export products by value in 1H2022



Source: GSO, Blue: Vietnam main export products

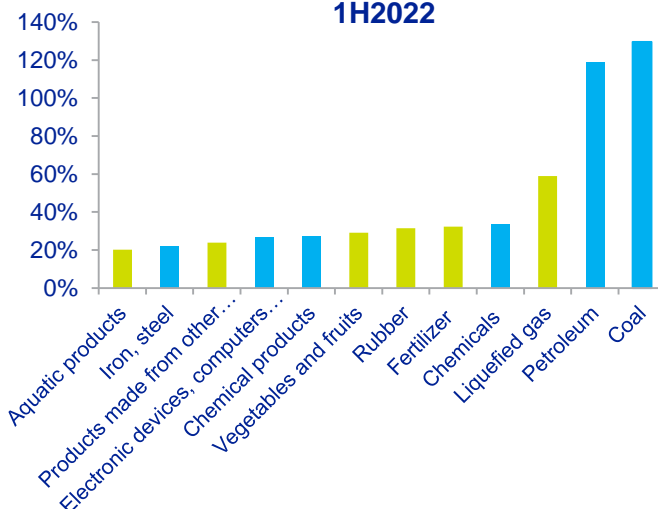
Vietnam's imports increased by 16.3% in 1H2022 to USD185.2bn with electronic devices, phones, computers and machinery to contribute the most (more than 40%), following by textile (4.3%), iron and steel (3.8%) and plastic (3.7%).

### Vietnam main import products



Source: GSO

### Vietnam import growth by value in 1H2022

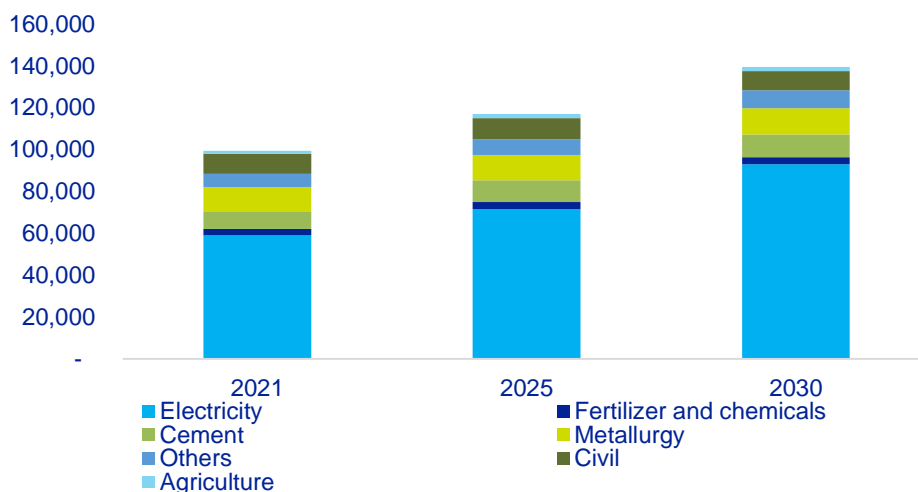


Source: GSO, \*Blue: Vietnam main import products

Imports of coal (2.3% contribution) grew the most, at 129.5% YoY in value terms and by 124% YoY in volume terms. It is expected that Vietnam needs to import 18-25mn tonnes of coal in 2022 to fill the gap as Vietnam coal production capacity is approx. 40mn tonnes annually. Nearly 60% of coal consumption in Vietnam is used for thermal power. As Vietnam enters the hottest period in April – September, especially in the Central and Northern regions, imports of coal are expected to increase in 3Q2022.

'000 tonnes

### Vietnam coal consumption by sector



Source: Vietnam energy

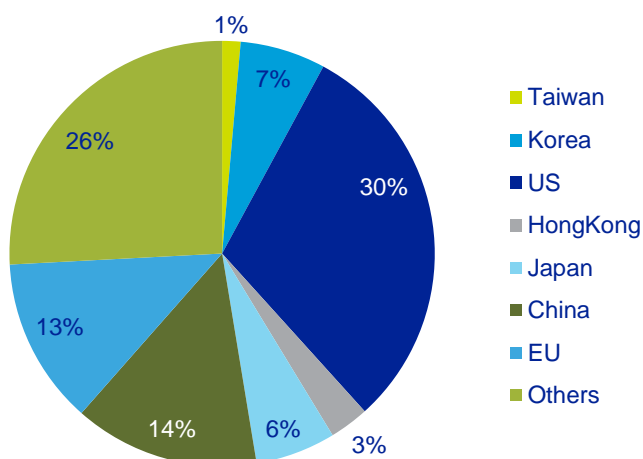
The US remains the largest export market of Vietnam, accounting for nearly one third of Vietnam's total export turnover in 1H2022 to USD56.6bn, +24.1% YoY. Major products are textile and telephone, computer, machinery equipment. While telephone, computer, machinery equipment are mostly from FDI sources, textile and garments are the main strength of domestic Vietnamese companies' exports to the US market. As inflation in the US reached 4 decade highs in June 2022 to 9.1%, we might expect pressures on apparel spending in the US. In fact, only the lowest income

household are cutting on apparel spending, higher-income households in the US are not yet affected and apparel sales in the US continue to surge by 5% YoY and by 13% vs the same period in 2019 (pre pandemic). This is a good opportunity for Vietnam textile and garment sector moving forward.

China continued to be Vietnam's largest import counterpart, accounting for 33% of imports. Vietnam posted a USD49.1bn of trade surplus with the US and a USD15.7bn of trade surplus with EU, a strong increase by 29.5% and 40.6% YoY, respectively. Main products imported from China to Vietnam are computers, electronic products and components (40.4% of total import from China), textile, garment, leather and footwear (11.0%), steel and steel products (7.5%) and chemical products (6.0%). With the ongoing Zero-COVID strategy pursued by China, Vietnam might be facing a shortage of those main products.

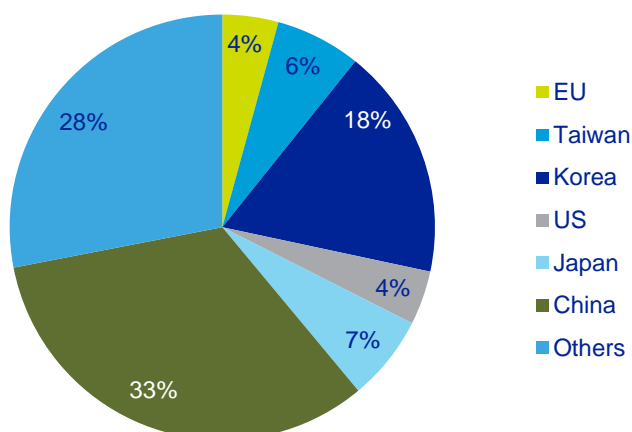
Computers, electronic products and components account for the major portion of products imported to Vietnam from China, from which microchips and semiconductors are one of the main products. Microchips and semiconductors can be found in many products from computers, smartphones to automobiles. China supplies approx. 6% of the world's semiconductors needs and because of the Zero-COVID-19 strategy and lack of empty containers, the supply of semiconductors worldwide is delayed. As the result, Honda Vietnam has planned to cut 50% of its production plan amid of semiconductor shortage. It is expected that the shortage of microchips and semiconductors will last until 2024 and this drives TSMC (the world's biggest chip manufacturer) to plan to increase price by 5-9% in 2023 while Samsung Electronics (the second largest) plans to raise price by 20%.

**Vietnam main export markets**



Source: Vietnam customs

**Vietnam main import markets**

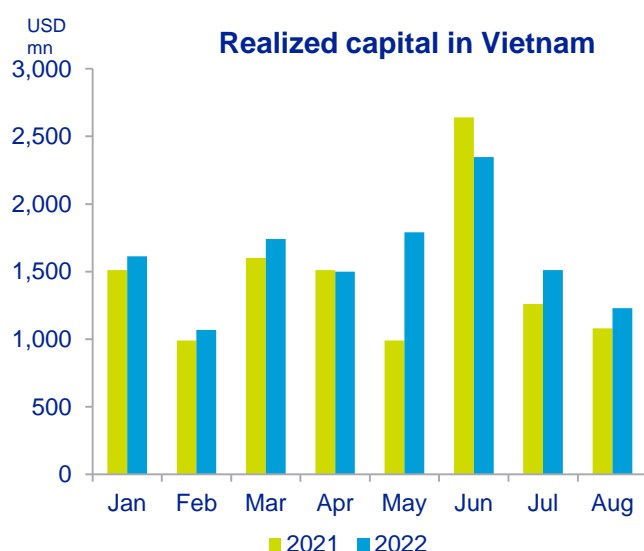


Source: Vietnam customs

Vietnam's textile and garment as well as the leather and footwear industry currently source approx. 50-55% of raw materials from China while Vietnam can only self-supply approx. 10% of material needed. Uncertainties around supply chain disruption from China combined with surging logistic costs due to the energy crisis put upward pressure on the industry. On the other side, as inflation surges in Vietnam's main garment import markets (the US, EU...), rising selling price to secure margins will be challenging for Vietnam garment companies.

### FDI in Vietnam

Following a long period of supply chain disruption amid of COVID-19, Vietnam emerged as a perfect candidate for a manufacturing hub to substitute for China, not only to diversify the supply source but also thanks to its abundant labor force at low cost. Even though the trend is not yet clear, Vietnam could also be poised to be one of the alternative destinations for foreign investment flows amid of Russia-Ukraine conflict arise. As a result, additionally registered capital and capital contribution and shares purchase in 8M2022 increased sharply by 50.7%YoY and 3.6% YoY, respectively, to USD7.5bn and USD 2.9bn. Although newly registered capital has not fully recovered yet (-43.9% YoY), total registered capital is in a positive trend with only 12.3% decline vs. 8M2021 to reach a total of USD16.8bn. Realized capital also increased by 10.5% YoY in 8M2022 to USD11.6bn. In June 2022, total registered capital almost doubled (+81.8% YoY) thanks to additional capital registered from Samsung Electronics in Ho Chi Minh city, adding USD841mn to a USD2.0bn worth project, bringing total investment of Samsung group into Vietnam to over USD19bn – the largest single foreign investor in Vietnam.



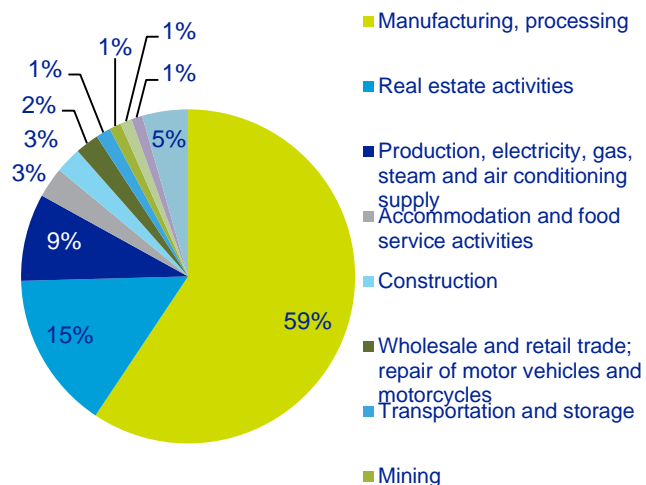
Source: PMI

Source: PMI

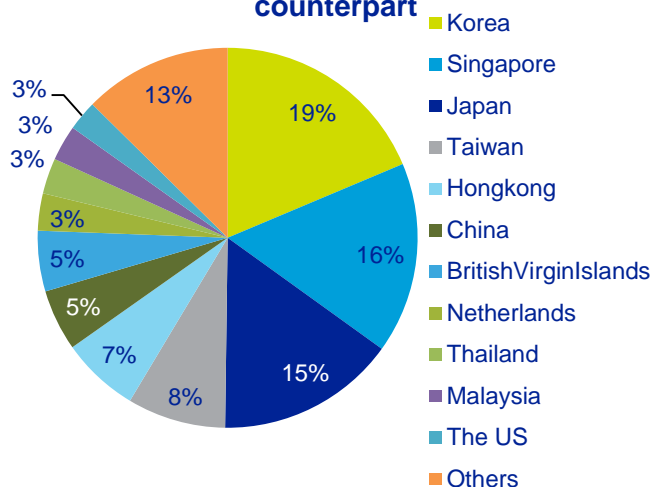
Since the opening up for the Vietnamese economy in the mid-1980's, there have been 139 countries investing in Vietnam. Among these, As Samsung is Vietnam's largest foreign investor, Korea leads foreign investment in Vietnam with USD80.2bn, accounting for 18.7% of Vietnam's total registered capital as of 8M2022. After 2.5 consecutive years being the leader, Singapore now ranked 2<sup>nd</sup> (since July 2022) with USD70.0bn (16.3%). Japanese FDI enterprises ranked 3<sup>rd</sup> in Vietnam with USD65.7bn (15.3%). We notice since 2020 an increasing trend of Japanese investment into non-manufacturing sectors such as food, FMCG and retailing.

Foreign investors invested in 19 out of 21 sectors of Vietnam economic classification system, from which the manufacturing and processing sector leads with 59% of total FDI registered as of 8M2022 with nearly 16,000 projects, equivalent to USD255.2bn. We can name major projects within the sector such as Samsung Electronics-mechanics, Goertek, JNTC, Fujifilm Business Innovation, Hansol Electronics...

FDI in Vietnam in 8M2022 by sector



FDI in Vietnam in 8M2022 by counterpart



Source: PMI

Source: PMI

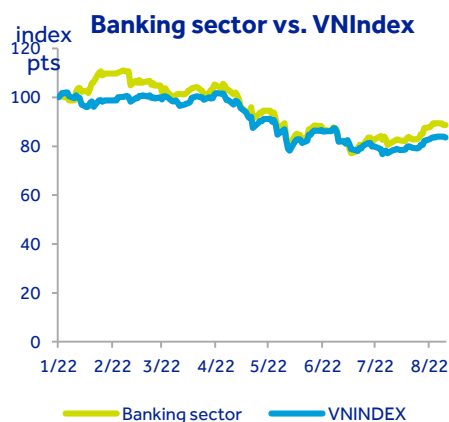
The framework on tax base erosion and profit shifting (BEPS) which is expected to be effective from 2023 and includes 141 nations (including Vietnam) will impose a global minimum tax of 15%. While the corporate tax rate in Vietnam is set at 20%, many tax incentives are offering to FDI and multinational corporates in Vietnam. Applying the BEPS framework will allow Vietnam to collect more taxes but Vietnam could be less competitive. According to the General Department of Taxation, approx. 3% of total 36,500 foreign projects invested in Vietnam currently enjoy tax incentives. Most foreign invested enterprises in Vietnam bear a 12.3% tax rate and with preferential rate applied for large corporates, those can enjoy 2.75%-5.95% rate, much lower than the global minimum tax policy of 15%. Given that there have not yet been any substantive changes to tax laws regarding the BEPS framework, the quantitative effect is difficult to estimate, however, its interesting to note that some peer countries in ASEAN (Cambodia, Laos, Myanmar and the Philippines) are not signatories to the agreement.

# SECTOR OUTLOOKS

## 4Q22



## BANKING

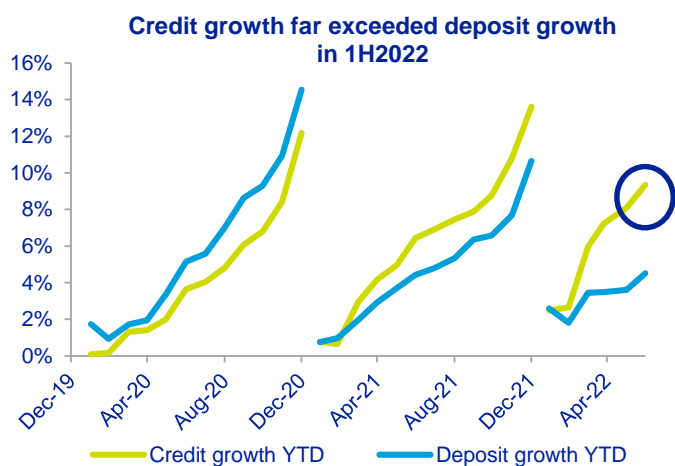


The earnings outlook for the banking industry in 2H22 is still positive, although deposit rates may continue to go up slightly

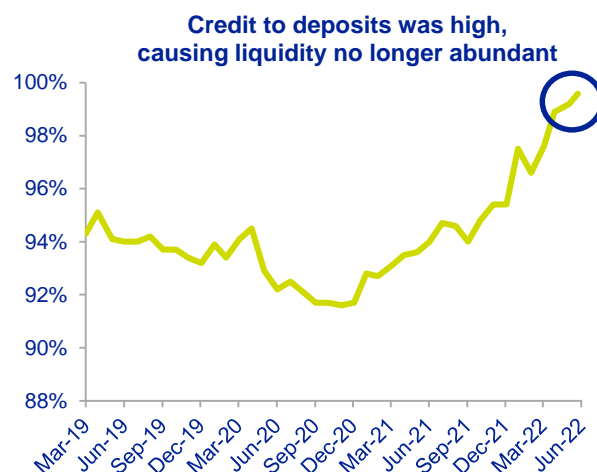
Credit growth is at a high level, deposit rates may have to increase by 0.5% by the end of 2022

The economy recovered strongly after the pandemic and lending interest rates were moderate to help stimulate credit demand to grow strongly. As of the end of June, 2022, credit growth reached 9.44% YTD, much higher than deposit growth of 4.78%. Strong credit growth put pressure on the liquidity of the banking system in 1H2022.

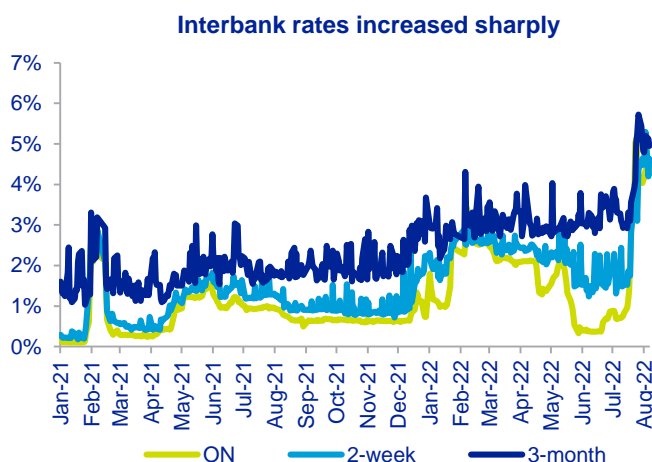
In addition, the SBV's issuance of SBV bills and the sale of USD also reduced liquidity in VND. Interest rates on the interbank market increased to 4-5% in all terms.



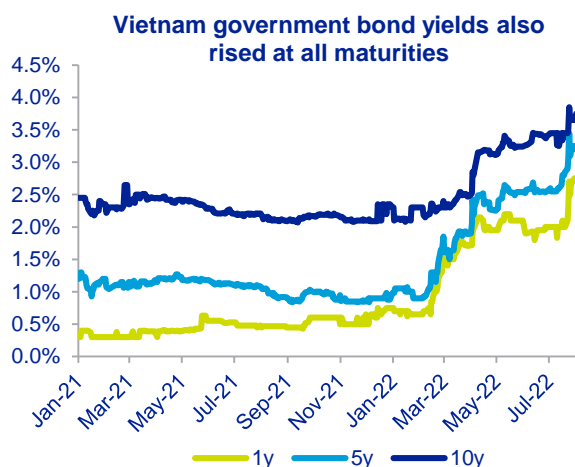
Source: SBV



Source: SBV, ACBS



Source: SBV



Source: VBMA



In 2H2022, we see some factors that increase demand for VND as follows:

- Credit growth quota was increased by 2% in Q3 and is expected to be extended by another 2% in Q4;
- The sale of USD by the State Bank in an effort to stabilize the exchange rate will increase the liquidity pressure of the VND;
- Disbursement of public investment is expected to improve in 2H2022. Therefore, the deposit balance of the State Treasury at commercial banks will also decrease.

Therefore, we expect banks will increase deposit rates by another 0.5% by the end of 2022 to enhance their capital mobilization.

### Profit growth in 2H2022 is expected to continue at a high level thanks to reduced provisioning pressure

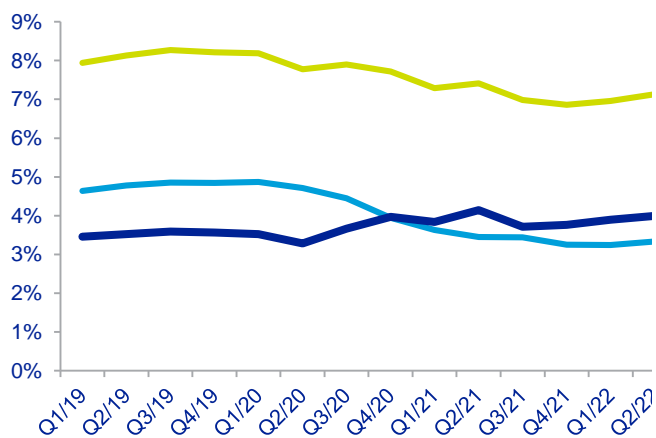
Deposit rates are increasing. However, we expect banks will control their cost of funds well thanks to improved LDR ratio and high CASA ratio. Especially at banks with very high CASA ratio such as TCB (47.5%), MBB (44.3%), VCB (36.5%), and MSB (34.4%).

Lending interest rates may also increase in 2H2022 due to the high credit demand of the economy. Meanwhile, the narrow credit quota makes commercial banks can choose good interest rate loans. Therefore, we expect banks' NIMs to be flat or slightly improved compared to 2021.

We expect that the SBV will control credit growth at a moderate level due to increasing inflationary risks. For the whole year of 2022, we maintain our forecast of 15% credit growth to balance various targets of controlling inflation, ensuring economic growth and keeping interest rate at a moderate level.

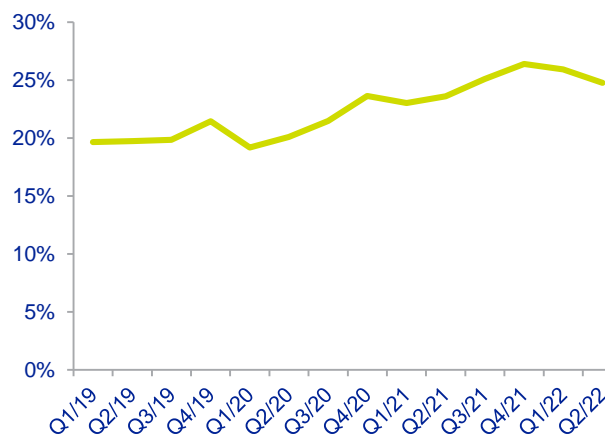
Non-interest income activities such as payment, bancassurance, investment banking services and off-balance sheet debt collections are expected to continue to grow positively thanks to the recovery of the economy post-pandemic.

**Cost of funds were well controlled and yields improved, supporting for NIM**



Source: Banks, ACBS

**CASA decreased in Q2/22 but remained at a high level, helping to limit the impact of increasing deposit rates**

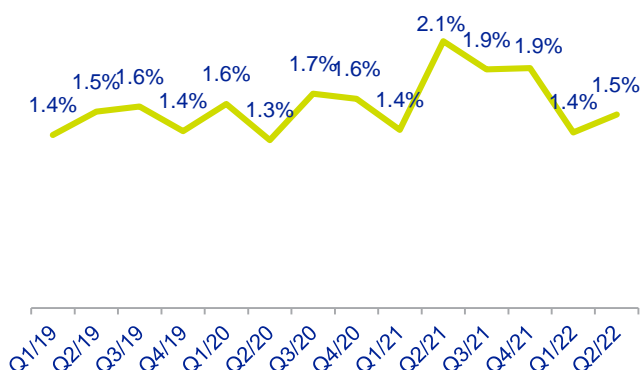


Source: Banks, ACBS

We see a significant decrease in provisioning pressure compared to 2021 and this will be the key profit growth driver for the banks in 2H2022. The reason for the decrease in provision pressure comes from:

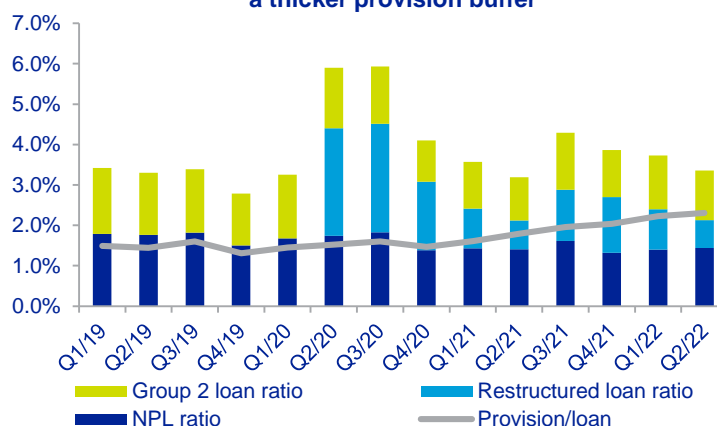
- Asset quality improved. In particular, NPL ratio and Group 2 loan ratio remained stable, while COVID-19 restructured loans tended to decrease gradually after the epidemic.
- The provision buffer was thicker and thicker. We see that many banks have made 100% provisions for COVID-19 restructured loans such as VCB, CTG, BID, MBB, TCB, ACB, STB, etc. Therefore, the pressure to make provision for COVID-19 restructured loans is no longer significant in 2022.
- The Government's credit control actions may affect the funding source of real estate sector. However, the financial situation of real estate companies in generally is quite healthy, while demand for housing in Vietnam is still very high. Therefore, we see that the credit risk in the real estate sector is currently negligible and NPLs in this sector will remain low in 2H2022.

**Credit cost (\*) decreased to a stable level as in before epidemic**



Source: Banks, ACBS

**Asset quality improved on the back of a thicker provision buffer**



Source: Banks, ACBS

In general, we expect:

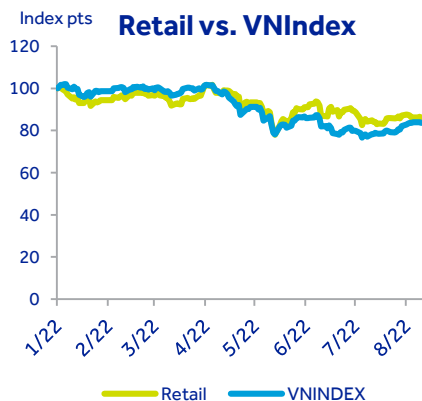
(1) income from core business is expected to continue to grow at a stable rate. The increase in deposit rates following the SBV's move to increase policy rates by 100bps is not expected to have a significant impact on NIM as we expect that lending rates will also increase. In addition to the fact that the SBV has extended the credit growth quota by 2% in Q3, net interest income is expected to grow well in 2H2022;

(2) decreasing in provisioning pressure will support profits of listed banks to grow strongly in 2H2022.

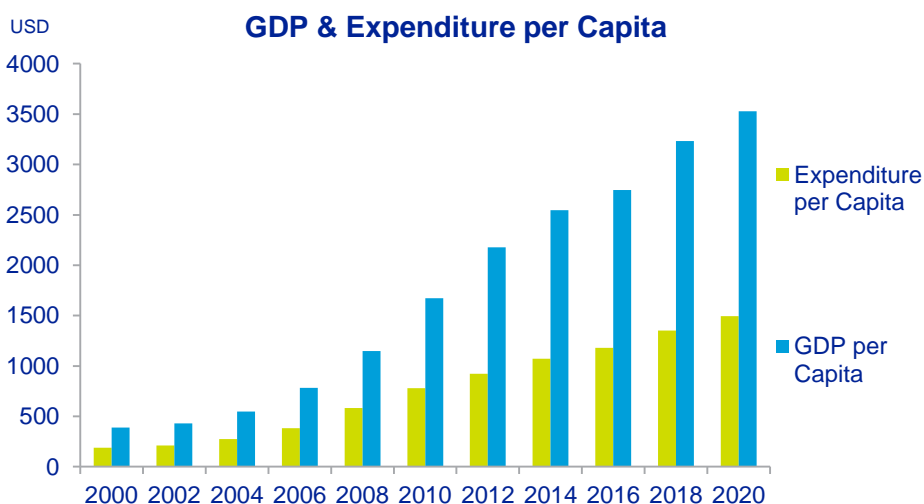
### RETAIL

**Maintain growth but profit may differentiate between companies in Consumer sector**

**Solid economic growth and income per capita are the backbone for consumer sector growth**



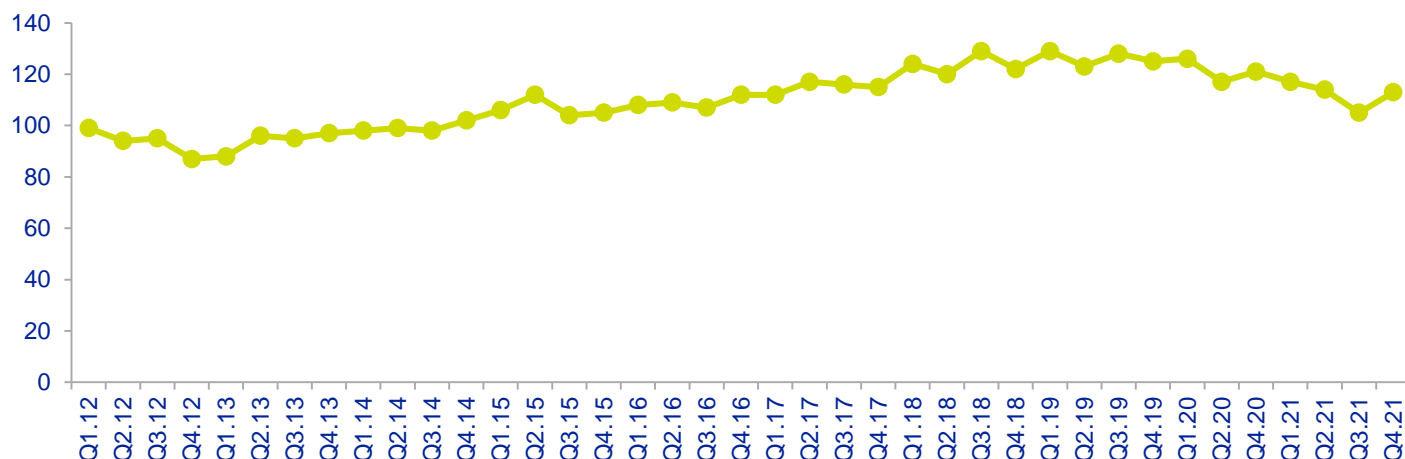
Vietnam is one of the most stable countries globally in terms of economic growth. The country recorded a compound annual growth rate of 5% for GDP in the past 20 years. Even in the 2020-2021 period, despite being affected by the disruption in global supply chain caused by the COVID-19, the country still achieved a GDP growth rate of 2.9% and 2.6% respectively. Stable macro conditions enabled the consumer sector to maintain decent growth in the period before Covid-19 where real household spending reached US \$112.1 b in 2019. Even during the Covid-19 period, consumer spending continued to grow despite all the restrictions in this period. Coming into 2022, with the economy widely recovering driven by the country's vaccination progress and all the restrictions will be fully lifted, consumer spending in Vietnam is projected to be 5.7% yoy. This is also in line with GDP's expected growth of 6.8% for this year.



Source: GSO

Stable economic and income growth for a long period helped to drive consumer confidence in the country up high. According to surveys by Nielsen, Vietnam has been ranked consistently in top 10 globally in terms of Consumer Confidence Index.

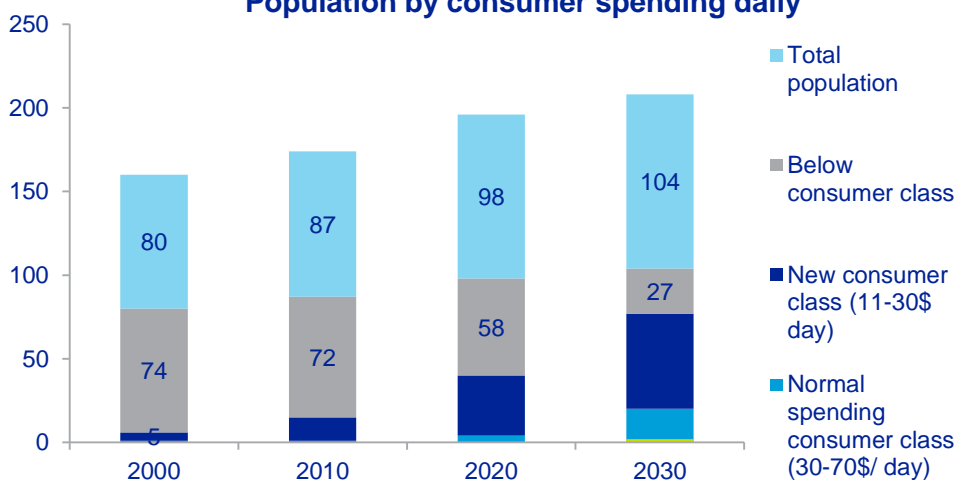
### Vietnam Consumer Confidence Index



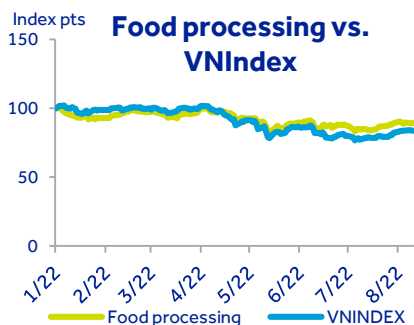
Source: Nielsen

Stable increased in income coupled with high consumer confidence drove consumer spending up. According to McKinsey, in 2000, less than 10% of the population is classified in consumer class – people who spend more than 11USD a day. Currently, this number changed to 40% and is expected to be 75% by 2030. Coupled with growing economy, urbanization is also one of the key driver for increasing spending with urban population is expected to increase from 37% of total population in 2020 to 44% in 2030. Based on McKinsey Global Institute forecasts, 90% of the total spending will be from urban area in the next decade.

### Population by consumer spending daily

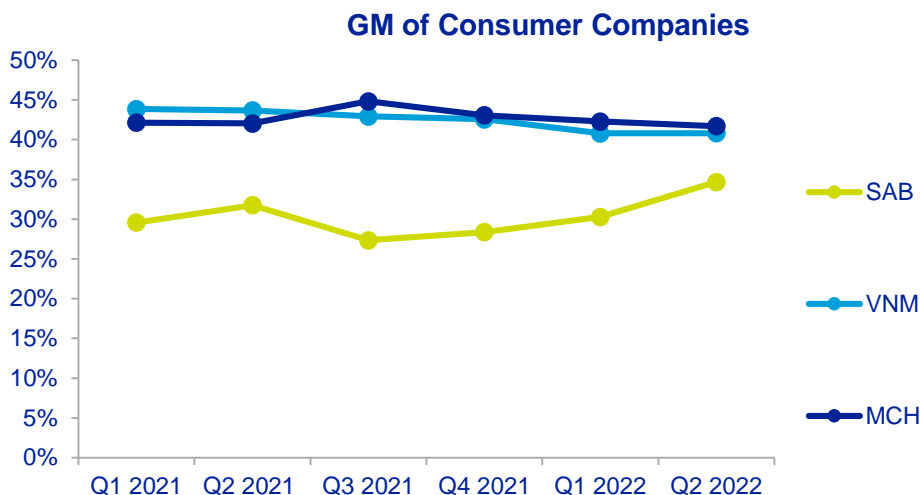


Source: McKinsey



### Commodities price hike and Inflation will affect companies differently

For 2022, companies in the consumer sector are mainly affected by the commodities price hike and inflation. Generally, commodities price hikes or input price increased can be transfer to consumer by increase selling price but some companies can pass this off easier than others. We examined some FMCG companies for comparison.



Source: ACBS

For VNM, its GM has been reducing since Q1 2021 and the company is more exposed to material price fluctuation since its settle period for input price is 3 to 6-months despite its selling price has been increased but could not cover the hike in its input price. Whereas, for SAB, its GM has been improving thanks to (i) the company increased its selling price in Q1 2022 and (ii) its input price is maintained throughout 2022 as the company has already settled input price for the whole year. For MCH, the company managed to maintain its GM thanks to its strategy of 'premiumization' to its product portfolio.

### Short-term prospects are mixed due to inflation and other factors

In short-term, the economy is still expected to be shaken by many factors (e.g. inflation, harsh weather conditions, the still-on-going disruption in global supply chain, etc). We expect material price will still fluctuate in short term period which lead to unstable profit margins and will vary between companies.

With that said, for longer period, the general condition is still bright with expected solid economic growth in Vietnam. The emerging middle class with increased income per capita are still key supports for companies in the consumer sector to grow.

## REAL ESTATE

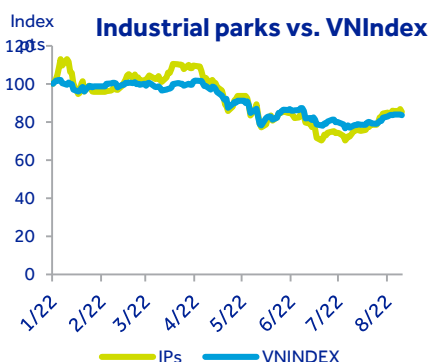
### Industrial property segment

Despite the complicated situation surrounding COVID-19, the industrial property segment saw a robust growth in 1H2022 with growing asking rents across the nation and stable occupancy rates thanks to strong demand from automotive, logistics and electronics sectors and China's zero-COVID policy which supports China+1 trend. Supply chain disruption created increasing demand for logistics facilities near seaports, inland ports and major air hubs and boosted new supply.

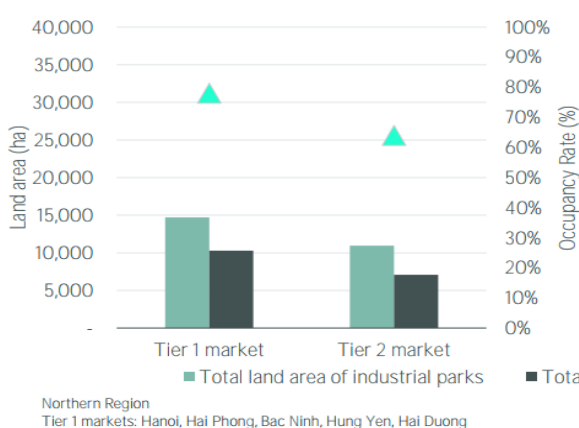
As of June 2022, Vietnam had a total of 564 planned Industrial Parks (IPs) with a total land area of 211,700ha, of which 292 IPs are operating, according to the Ministry of Planning and Investment. In 1H2022, these IPs attracted 91 new projects and 131 projects that increased investment capital with a total registered FDI of ~USD7.9bn.

In the northern market, asking rents increased by 5-12% YoY, to USD110/sqm/remaining leasing term for industrial land and 0-3% YoY to USD4.7/sqm/month for ready-built warehouses and factories. Occupancy rates remained stable at above 75% in Tier-1 market (Hanoi, Hai Phong, Bac Ninh, Hung Yen, Hai Duong) and above 60% in Tier-2 market (Quang Ninh, Vinh Phuc, Thai Binh, Ha Nam, Bac Giang).

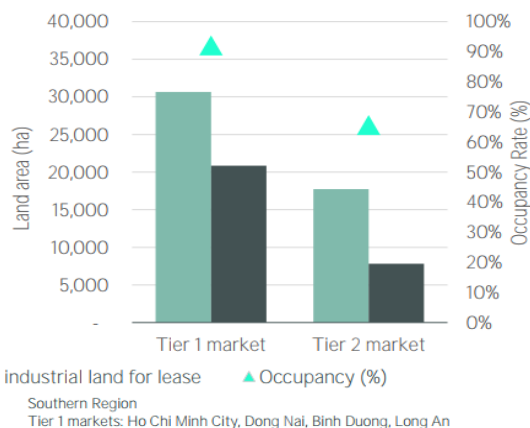
In the southern market, asking rents grew by 8-13% YoY, to USD136/sqm/remaining leasing term and 0-3% YoY, to USD4.8/sqm/month for ready-built warehouses and factories. Occupancy rates remained stable at above 90% in Tier-1 market (HCMC, Dong Nai, Binh Duong, Long An) and above 63% in Tier-2 market (Binh Thuan, Ba Ria – Vung Tau, Tay Ninh, Binh Phuoc).



**Northern Region, Industrial land  
Supply and Occupancy Rates**

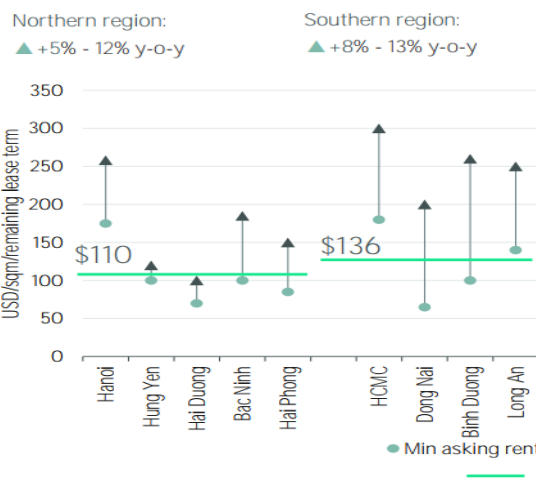


**Southern Region, Industrial land  
Supply and Occupancy Rates**

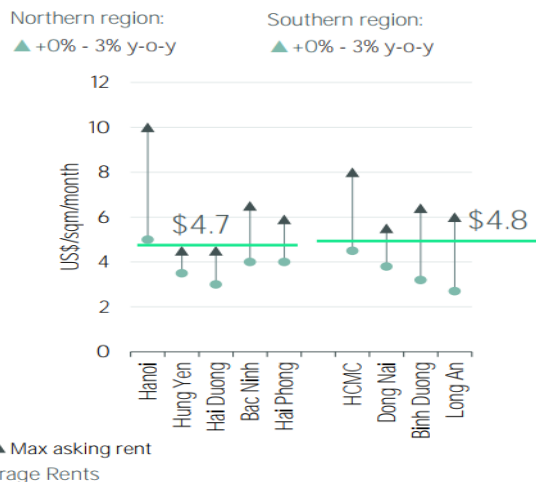


Source: CBRE

### Asking Rents, Industrial Land, H1 2022



### Asking Rents, RBW & RBF, H1 2022

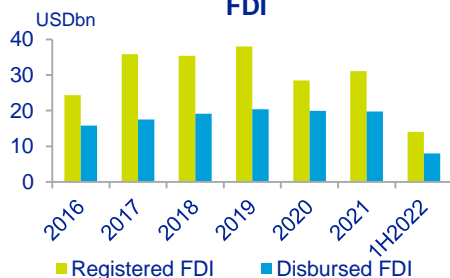


Source: CBRE

In 2021, despite the outbreak of COVID-19, Vietnam still recorded a 9% YoY growth in registered FDI, to USD31.2bn and stable disbursed FDI of USD19.7bn (-1% YoY). The processing and manufacturing industry accounted for over 58% of the total registered FDI. Singapore continued to be the leading investor in 2021 with USD10.7bn registered while Hai Phong was the No.1 FDI recipient with USD5.3bn (equivalent to nearly 17% of total registered FDI in 2021). Investment inflow in 1H2022 was affected by the strongest COVID outbreak, so registered FDI decreased by 8% YoY to USD14bn. However, disbursed FDI was still positive with 9% YoY growth to over USD10bn.

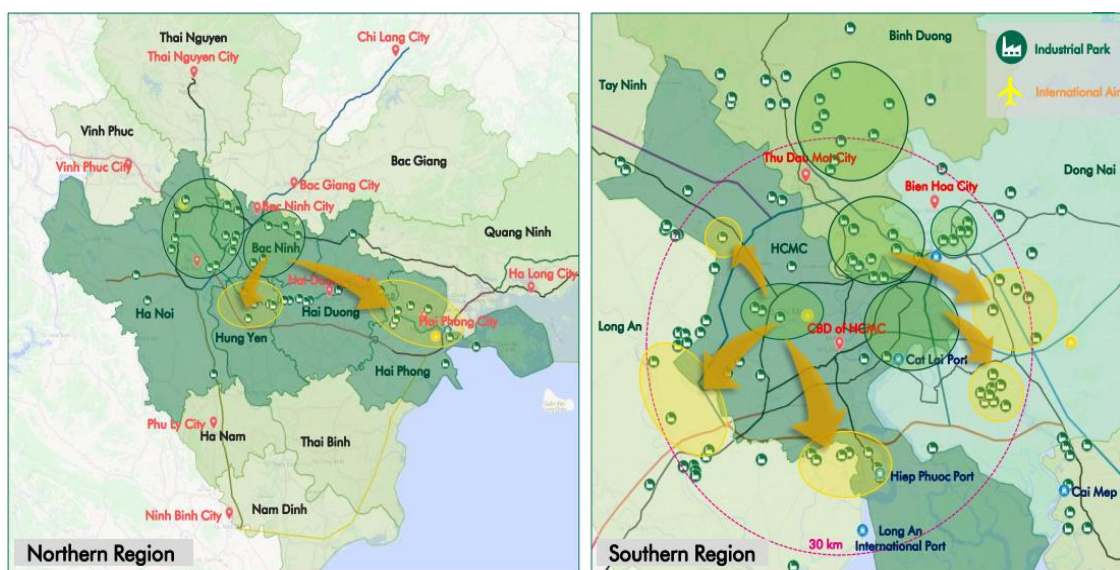
**Outlook:** We have a positive outlook for this segment given many favourable opportunities such as geography, relatively stable macroeconomic status compared to neighbouring countries, young and huge labor resource, many FTAs, etc. Due to limited land area and stable demand from foreign companies, leasing rate are expected to continue to grow, especially in the south given more new supply in the north than in the south. For longer term, new supply locations will be moved further away from traditional areas (i.e. Ba Ria – Vung Tau and Tay Ninh in the south and Quang Ninh, Bac Giang, Vinh Phuc, Ha Nam, Thai Binh, and Nam Dinh in the north) as they offer more affordable leasing rates and have lower occupancy rates. New logistics hubs will be established in major industrial regions given expansion of expressway to China's border and coastal area to the north and expansion of expressway to the west and coastal areas in the south. There will be increasing demand for large/high-quality warehouse, e.g. temperature-controlled warehouse thanks to the rapid growth of retail, e-commerce and exports. Multinational corporations will prefer eco & smart IPs which can offer more efficient logistics and better water & waste treatment systems, etc.

### FDI



Source: FIA





Source: CBRE

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.

Saigon VRG (**UpCOM: SIP**) is one of the biggest IP developers in the Southern Key Economic Zone with a total industrial area of nearly 3,200ha. The company currently has four IPs and four adjacent urban areas which are well located in HCMC, Dong Nai and Tay Ninh provinces. SIP's unique proposition from other developers as it can distribute electricity and water directly to its tenants, thus, it has a more stable business and is less affected by fluctuations in investment inflow compared to other developers. The company is preparing to shift from the UpCOM to the HOSE this year.

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.

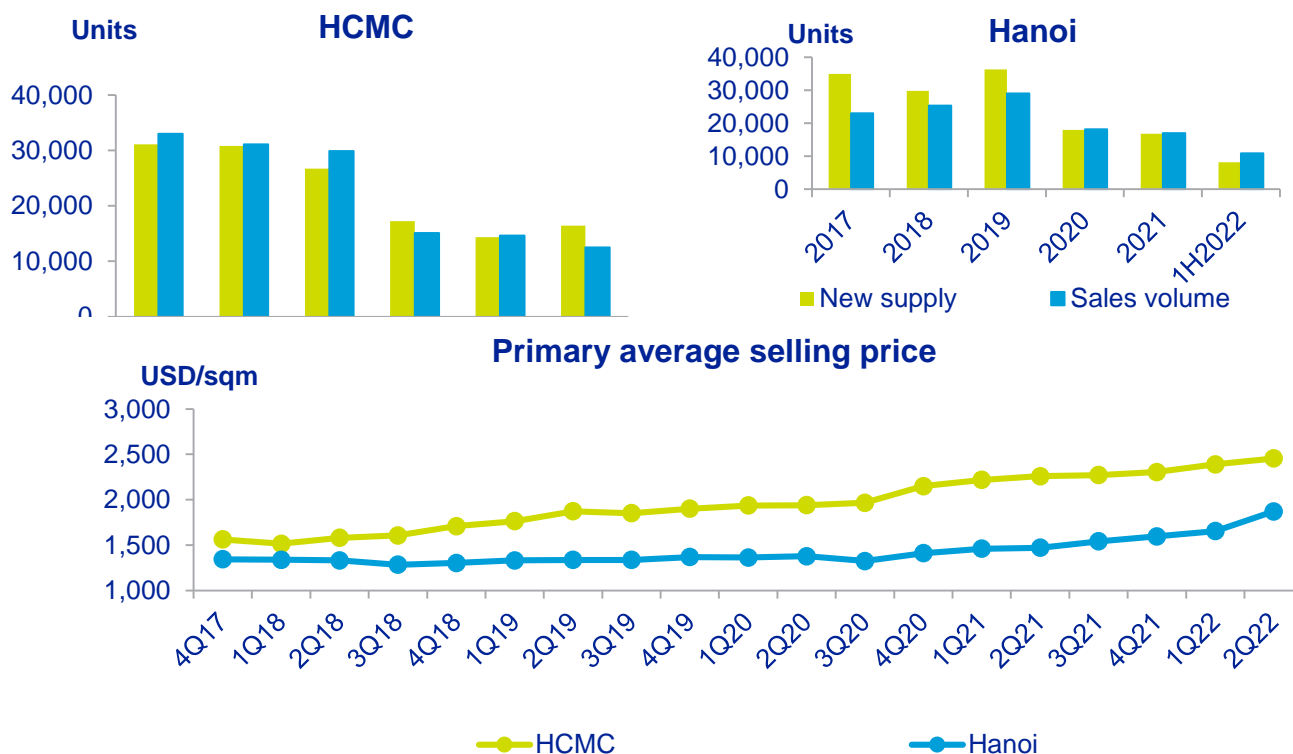
### Residential property segment faces with tightening credit

Tightening credit to both developers and homebuyers continued to be the biggest challenges of the residential property segment, along with corporate bonds issuance's inspection. Licensing issue and rising land prices in HCMC and Hanoi's urban districts encourage developers to expand 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 favorite products. Improved infrastructure, more affordable selling price and more green spaces have supported the absorption rates of these projects. Rental yields have not shown clear improvement with ~4% in HCMC and ~5% in Hanoi.

Condominium new supply increased sharply in 2Q2022 with increasing selling prices in both Hanoi and HCMC while sales performance slightly decreased. According to CBRE, in 1H2022, there were over 16,400 new apartments launched (+180% YoY) at ASP of USD2,455/sqm (+9% YoY) and over 12,500 units sold (+70% YoY) in HCMC. The high-end segment dominated new supply and accounted for 82%. Most new supply (83%) concentrated in Thu Duc City.

In 1H2022, Hanoi welcomed 8,165 new apartments (+35% YoY) at ASP of USD1,872/sqm (+27% YoY) and sold 10,830 units (+34% YoY). The high-end segment dominated the market with 55%, followed by the mid-end segment with 43%. New supply in Hanoi concentrated in mega townships such as Vinhomes Ocean Park, Vinhomes Smart City, etc.

Average absorption rates of newly launched projects in 1H2022 slightly decreased in HCMC (72% vs 74% in 2021 and 73% in 2020) but improved in Hanoi (49% vs 47% in 2021 and 42% in 2020).



Source: CBRE

### Outlook

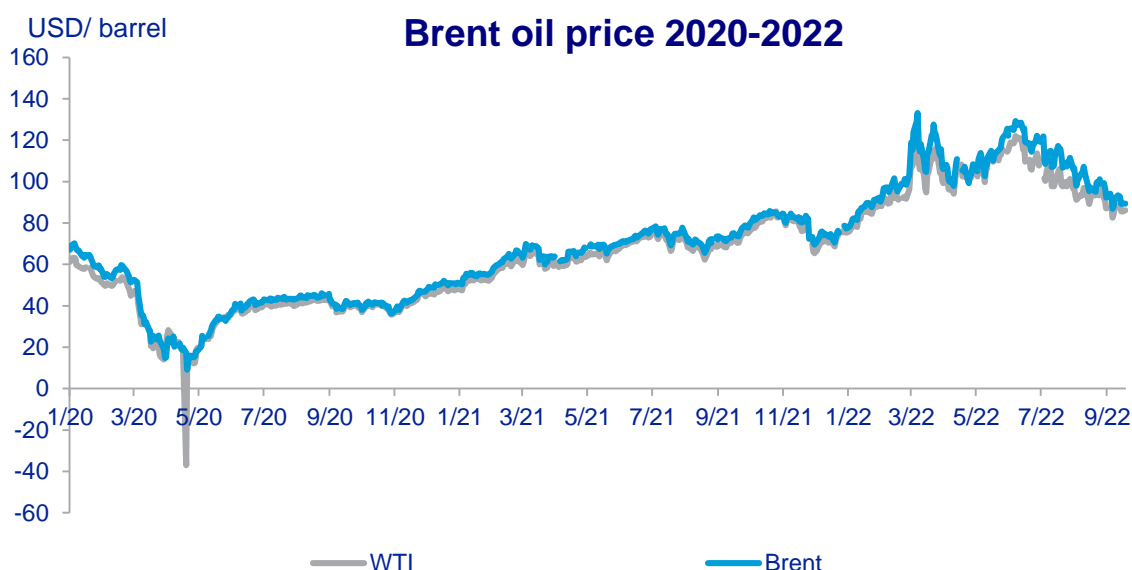
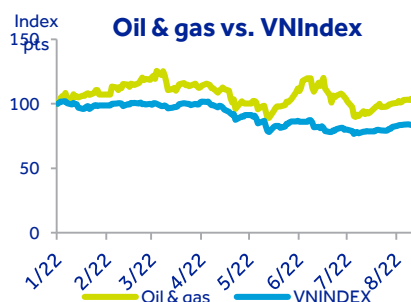
Given growing vaccination rate and adaptation to the 'New normal', we think new supply of condominium will recover at around 20,000-25,000 units in Hanoi/HCMC. Key growth drivers for this segment are construction/approval of key infrastructure projects, rising middle income class, and high urbanization rate. On the other hand, rising interest rate, inflation concern, tightening credit for risky sectors such as real estate are challenges for the market recovery. Thus, the demand is expected to decrease and price may go sideways. 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 such as Vinhomes (**HSX: VHM**), Khang Dien (**HSX: KDH**) and Nam Long (**HSX: NLG**) with healthy financial status, strong brand name, attractive projects, bulk sales strategy or support from strategic partners are less affected during this challenging period.

## OIL & GAS

### Oil price movement in 8M2022 and outlooks

Supply tensions along with the recovery of gasoline demand are the main reasons for the sharp increase in oil prices throughout 2021 and the first 8 months of 2022 (+60% YoY). The recovery in gasoline demand was driven by an increase in economic activity, the easing of social distancing restriction, and the speeding up of vaccinations. In addition, the supply was more tense when the Russia-Ukraine war broke out and accompanied by embargoes on Russian oil & gas from the US, UK and the European Union (EU). In which, the EU will cut 90% of Russian oil imports by the end of 2022.



Source: EIA 2022

Regarding the upcoming prospects, Brent oil prices are expected to cool down and remain at 85-95 USD/barrel for the rest of the year as supply is gradually increasing while demand has not shown positive signs yet:

#### Supply:

- The Iran nuclear deal is likely to be restored. If approved, Iran will be able to increase oil production from 2.4 million to 3.8 million barrels/ day by the end of 2022. In addition, Iran is also ambitious to increase production to 5.7 million barrels in the next eight years.
- US crude oil production has increased by about 6.4% (equivalent to 700,000 bpd) over the same period but still about 1 million barrels/day lower than before the COVID epidemic. According to the EIA, US crude oil production will exceed pre-epidemic levels to 12.8 million barrels per day in 2023.
- Despite the embargo, according to the IEA's report, Russia's crude oil production in July decreased slightly by only 310,000 bpd (3%) compared to the time before the Russia-Ukraine war broke out. Total July exports also fell by only 580,000 bpd as Russia shifted the embargoed portion of crude to countries like China, India and Turkey. => sanctions on Russian oil seems to have less impact than market previously forecasted.

## Demand:

- China's PMI fell to 49.0 (below the neutral 50-point threshold – the dividing line between expansion and contraction) => China's economy is slowing down. In addition, many cities in China have been imposed lockdown again because of Covid-19.
- High gasoline prices and concerns about inflation and economic recession have caused the demand for US gasoline to decrease even though it is currently in the peak driving season.

## Vietnam's oil and gas resources

Vietnam has been facing the depletion of its natural oil resources. Most large oil fields have been exploited for long-time and are currently in the final stages while new discoveries are mostly small field with low reserves and higher cost. The lack of exploration activities/spending that was due to low oil price in previous years has led to the fall in increasing oil and gas reserves from 2016.

According to Global Petrol Prices, Vietnam's gasoline consumption is at 0.21 liter per capita, which is much lower than Thailand, Indonesia and Singapore. Moreover, regard to BMI, Vietnam petroleum consumption is expected to grow at 3.5% annually until 2029. 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, increasing exploration activities and building more new facilities to accommodate imported LNG is needed. However, there are still many obstacles in the implementation such as capital sources, legal framework or negotiation of gas & electricity purchase contracts.

## Not all Oil and Gas companies benefit from the recent hike

The high oil price will continue to actively support the gas selling price of **(HSX: GAS)** after the company recorded a 98% increase in NPAT in 6M2022. In addition, NPAT of **(Upcom: BSR)** also increased strongly by 3.5 times thanks to high crack spread, which comes from supply tension and recovery in global demand. However, although still being at a high level, BSR's petroleum crack spread is gradually decreasing recently due to the aforementioned demand constraint and is expected to continue to decline in the coming years.

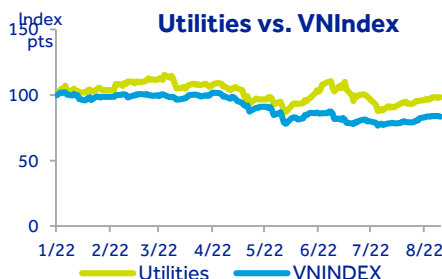
However, not all oil and gas companies benefited from the recent surge of oil prices, **(HSX: PVD)** recorded a loss for 2 consecutive quarters as operating costs increased due to gasoline prices and slow rig rental rate recovery. The slow initiation of new oil & gas projects had a negative impact on the workload of the Engineering & Construction segment and dragged the 6M2022 NPAT of **(HNX: PVS)** down 23% YoY. The trend of shifting to renewable energy and impacts from the COVID-19 pandemic partly explain this delay. Regarding the future prospects, with the expectation that the Block B O Mon project will be put into operation from the beginning of 2024, the business results of PVD and PVS will be improved.



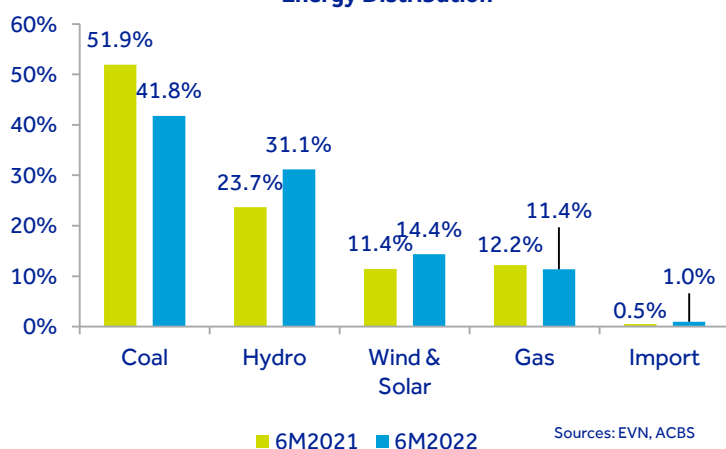
## ENERGY SECTOR

### The power sector

In 1H2022, the accumulated electricity consumption reached 133.52 bil kWh, +2.6% YoY, in which the coal-fired and hydro accounts for the most parts with 31.1% and 41.8% respectively. Nationwide peak mobilization also reached a new high record of 45,528 MW on June 21st, 2022 (increased by 3,100 MW compared to the peak of 2021). According to EVN, 2022 electricity output is expected to reach 275.51 billion kWh, +9.2% compared to 2021. In addition, the government is implementing electricity conversion under COP26 commitments. Coal-fired energy have been reduced slightly over years from 122.53 bil kWh (2020) to 118.08 bil kWh (2021); and expected to reach about 110 bil kWh at the end of 2022.

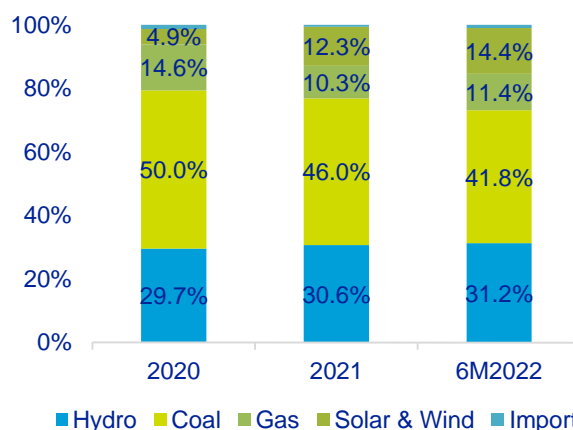


Energy Distribution



Source: EVN

Energy Distribution



Source: EVN

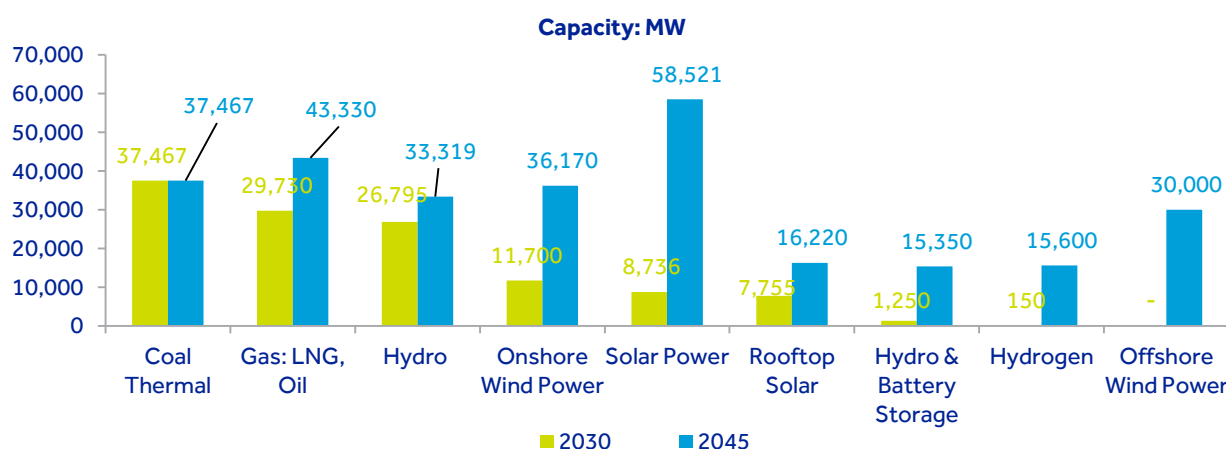
Hydropower is the most notable group with profits continuing to grow strongly in the second quarter of this year. 10 out of 34 plant operators have released Q2 financial statements, with NPAT increasing by +204.5% YoY thanks to:

- Heavy rain due to La Nina last longer than expected and
- The increase in average electricity selling prices (up 30% YoY). Because hydroelectric plants have the lowest selling price compared to other power sources (primarily coal and gas), they are frequently prioritized for mobilization if hydrological conditions are favorable. In this context, the thermal power group had less positive business results in the second quarter, with 4 out of 4 coal-fired power plants seeing a smaller increase in NPAT (+25.4 percent YoY) and the gas power group dropping sharply (-58.8%). The surge in solar and rooftop solar generation between 2018 and 2020, thanks to the government's encouraged policies, has negatively influenced the operational stability of national grid. Therefore, solar energy has been stagnant in 2021 and wind energy has been taken in place during the same period.

The surge in solar and rooftop solar generation between 2018 and 2020, thanks to the government's encouraged policies, has negatively influenced the operational stability

of national grid. Therefore, solar energy has been stagnant in 2021 and wind energy is anticipated to be the next hot sector in renewables.

According to newest updated version of the Power Plan 8 (PP8), economists have forecasted Vietnam's electricity demand will increase 8% - 10% per year until 2030. The coal-fired also have been edited to reach maximum capacity about 37,467 MW in 2030 and would not be developed subsequently. Instead, the gas thermal is projected to placed priority to process during 2030 -2045 using LNG as an input, increased by 40%, reaching 38,980 MW in 2030 and decreased by 43%, reaching 74,530 MW in 2045 compared to 3rd draft. However, there are problems accompany gas thermal projects. Many projects have not been implemented yet due to exhausted old gasfields, and high initial cost of exploiting new ones.



Sources: ACBS, EVN

Moreover, plan for developing hydroelectricity was not adjusted much as the potential for further exploitation is diminishing. It is anticipated to accounts for 19.8% - 2030 and 9.1% - 2045, equivalent to 28,946 MW and 35,139 MW in 2030 and 2045, respectively. The report on hydropower prospects in the period 2020-2025 shows that the system can add about 1,840 MW of medium and large scale, including processing 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 until 2030. Therefore, by 2045, the proportion of hydropower is forecast to account for only about 9% of Vietnam's power structure.

Expected wind power capacity has been modified down by 40% compared to previous draft, reaching 23,121 MW (15%) in 2030 and 122,450 MW (29.7%) in 2045. Solar energy capacity, excluding rooftop solar, is projected to reach 8,736 MW (5.7%) in 2030 and 75,987 MW (18.5%) in 2045. Furthermore, there would be 29,250 MW of energy storage as the Government has been looking for solutions to compensate the instability accompany renewables.

The capital investment plan is 3,000 trillion VND in total including;

- Allocating c. 306,150bn VND each year from 2021 – 2030; in which:
  - Investing in adding capacity: 2,250 trillion VND ,
  - Investing in upgrading the power grid: 750 trillion VND;
- Allocating c. 282,600bn VND each year between 2031 – 2045, (total 4,530 trillion VND) in which,
  - Investing in adding capacity: 3,300 trillion VND,
  - Investing in upgrading the power grid: 1,230 tril,



Transmission will be limited between regions to reduce the power loss rate through long distance transfers. Each region is supposed to provide adequate electricity output on its own.

### Outlook

Generally we expect the whole energy segment will become brighter thanks to the recovery of the economy in 2022, particularly the normalization of many businesses and production activities post-pandemic. Nevertheless, there will be priority placed between various energy sources.

In the short run, we expect coal-fired energy performs well from 2023 despite the fact that these businesses could be impacted by high input coal price due to:

- a. El Nino is forecasted to start having a strong impact at the beginning of 2023. Thus, it will reduce the precipitation and lead to less productive hydropower plants.
- b. A weak transmission grid and incomplete storage technology, which is unable to cover for the inflexibility of renewable energy (RE) including solar and wind energy, hampers RE's prospects to rapidly increase their share of the national energy portfolio in the short term
- c. To stabilize economic development, the government has to accept short term environmental costs of mobilizing thermal plants due to a shortage output from alternative sources.

Gas turbines displayed less positive 2Q2022 results compared to coal-fired group. These plants reported an ascent of input gas price increased by around 35% - 40% from Jan 2021 to Jun 2022; thus, driven down the net profit.

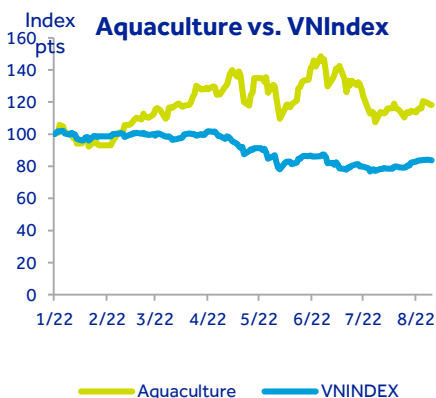
Renewable energy has a lot of potentials and is expected to be Vietnam's orientation moving forward in energy industry. We believe switching to renewable energy generation is an inevitable trend in the long run and Vietnam owns many favourable conditions for transition: typically tropical weather with high annual rainfall, long sunny hours and a long coastline.

In the long term, when PP8 is expected to be finalized and implemented at the end of 2022, 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 would benefit largely from Vietnam's government orientation in expanding renewable energy and developing suitable infrastructure for power capacity expansion. In addition, we expect the government would create alternative favorable policies to encourage renewable energy development such as wind power; for instance; FIT in 2018. As a result, we appreciate companies that are processing promising renewable energy projects are the key to focus for long term development.

### FISHERIES

#### Fishery exports

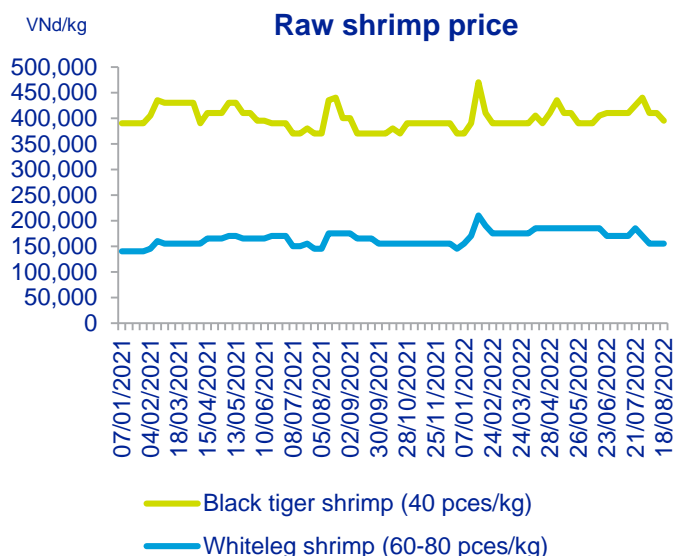
Although Vietnam fishery export turnover continue to grow vs. 2021 (from a low base amid of COVID-19), Vietnam fishery exports have started to decline after a skyrocketing first 5M2022 period (of nearly 50% YoY). Growth slow down to 10.9% YoY and 13.6% YoY in June and July 2022, respectively. From that amount, pangasius export continued to record decent growth rate of 46-48% YoY while shrimp export is almost flat (12.1% YoY in June 2022 and 1.8% YoY in July 2022) driving by shortage of raw material.



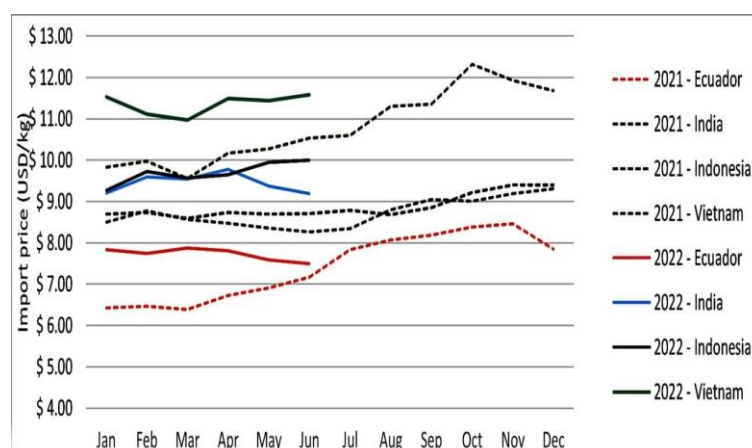
Source: VASEP

Enterocytozoon Hepatopenaei (EHP) shrimp disease and other shrimp diseases started being observed since early 2022 in Vietnam, hitting 1,786 ha of shrimp ponds (+22.8% YoY). In addition to that is 187ha of ponds affected by bad weather and 9,649 ha of shrimps ponds affected with unknown reasons, bringing the total surface area of affected shrimp ponds to 11,622ha in 5M2022 (~27% of Vietnam total shrimp ponds of 42,855ha in 5M2022). Early 3Q2022 is usually the starting period for a new shrimp crops in Vietnam, however, due to heavy rains which cause pond quality to decline (lower salinity, temperature, pH and oxygen), harvest volumes in September are expected to decline drastically.

Even so, raw shrimp prices haven't been able to increase despite the supply concerns. In fact, prices of black tiger shrimp in Vietnam remain flat, declining by 0.3% YoY in Jan – Aug 2022 period. Only prices of white leg shrimp increased (+11.2% YoY) as 88% of total shrimps imported into the US are white leg shrimp. This drives Vietnamese shrimps to be less competitive versus other players such as India, Bangladesh, Indonesia, Thailand..., especially in this context of high inflation. Data shown that Vietnamese shrimp ASPs to the US increased by 9.2% YoY for black tiger shrimp to 20.3 USD/kg and 5.7% YoY for white leg shrimp to 11.9 USD/kg in 1H2022. This is much higher than the first 3 biggest competitors of Vietnam shrimp in the US which are India and Indonesia (ASP ~8-9 USD/kg) and Ecuador (ASP ~6.5-7.5 USD/kg).

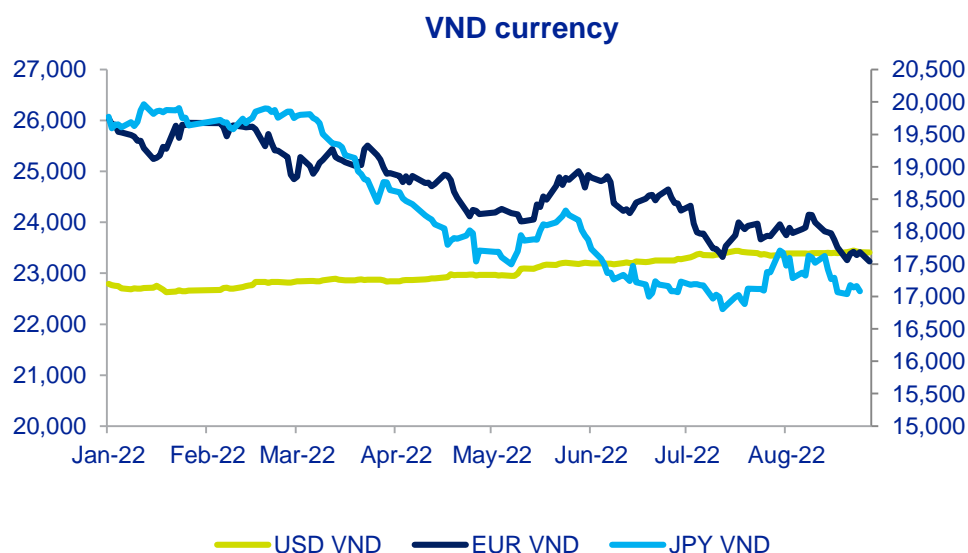


Source: VASEP



Source: NOAA

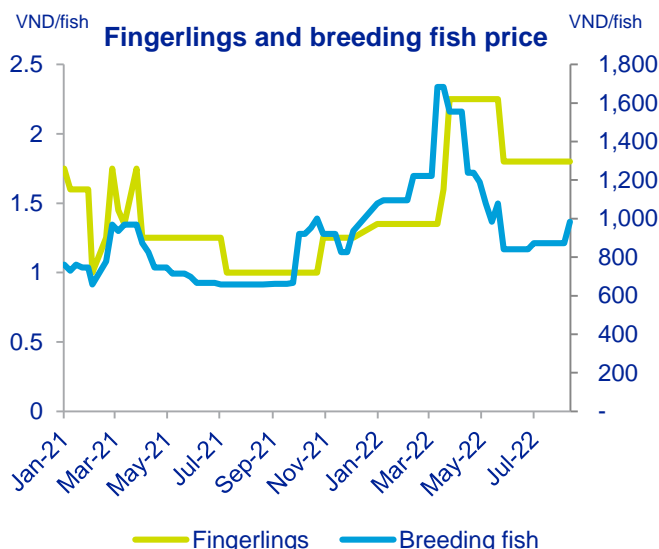
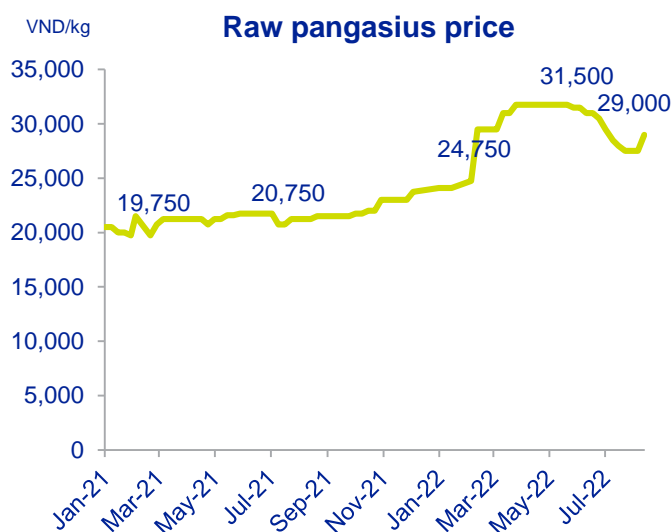
The EUR and JPY depreciation against USD (to 20 years low for EUR and 24 years low for JPY) drives merchandise to become more expensive for European and Japanese consumers. With the current inflationary pressures and shrimp to be recognized as a discretionary food, consumers tend to shift to necessities with affordable prices, which might drive shrimp demand to reduce in the next few months. In that context, large shrimp exporters such as Minh Phu (**HSX: MPC**) and Sao Ta (**HSX: FMC**) will have a higher advantage vs. smaller players in the market thanks to stronger financial position, large client base and stronger bargaining power.



Source: Bloomberg

Currency depreciation will also affect export price of pangasius. Luckily, Vietnam pangasius is considered as a cheaper alternative to other white fishes such as cod and pollock and amid of shortage of cod and pollock due to Russia-Ukraine tension, we believe this is a great opportunity for Vietnam pangasius export. As a result, Vietnam pangasius export grew impressively by 79.5% YoY over the 7M2022. Although

pangasius export slowdown in June and July, export turnover continued to grow above 46% YoY during this period.



Source: VASEP

Source: VASEP

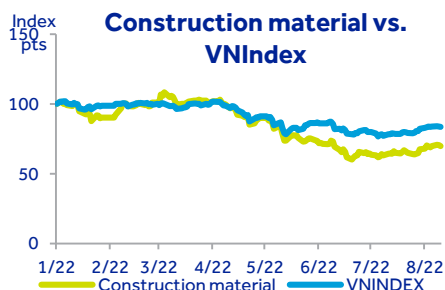
Raw pangasius price in Vietnam jumped by 40.2% YoY in Jan – Aug 2022 period amid of rising fuel price, fish feed and higher demand. For large company like Vinh Hoan (**HSX: VHC**) and Nam Viet (**HSX: ANV**) this is a good opportunity as those companies are less impacted by pangasius market price thanks to its high level of self sufficiency of 70% while the company still can negotiate higher ASP. For the US market, this is the first year ANV is exempted by the anti-dumping tax while VHC keeps enjoying the 0% rate, driving export volume to the US to increase. As of 7M2022, Vietnam pangasius export to the US increased by 92% YoY, accounting for 24% of Vietnam total pangasius export.

The EU market also recorded strong increase of Vietnam pangasius export. In 7M2022, Vietnam exported USD122mn, an increase by 91% YoY and surpass the whole 2021 export turnover (USD106mn).

## MATERIALS

### Construction material are facing a hard time

The global construction materials industry had a good beginning to 2022 as the global economic recovery was underway as we emerged from the pandemic. However, the positive outlook for construction materials was hit hard in the beginning of Q2.2022, when China suffered a return of COVID-19 outbreaks, which sent the country into strict lockdown periods, putting a pressure on construction material demand as construction activities lagged. The conflict between Ukraine and Russia also pushed the coal prices, which affected the cost for most of construction material such as steel, cement, bricks, etc. While disbursement of public investment spending has been slower than expected, reaching just 46.7% of the full year goal in the first three quarters, the pace is starting to pick up as the figure was just 39.2% as of the end August. The relatively slow disbursement of public investment spending and limitations for real estate developers to access loans for new projects also contributed to the slow demand of construction materials in Vietnam besides global factors.



Sources: Bloomberg

Global steel rebar prices had a good Q1 with strong recovery from the beginning of 2022 but soon reversed in Q2.2022 when China suffered from COVID-19 related lockdowns. Price have maintained at low levels as the global economy shows weakness in the face of high inflation and aggressive rate hikes by central banks to tame soaring CPI figures in many major countries.

Iron ore prices started the year 2022 at the level of 100 USD/ton as China suffered from a short electricity crisis, which led to industrial activities falling sharply, thus reduce the steel demand then lowered the iron ore demand.



Sources: Bloomberg

Iron ore inventories were built up by Chinese steel makers as slow demand from staggered construction activities led to slow steel consumption. Slow steel consumption in China was mostly caused by the combined effects of both the COVID pandemic since the early April and credit hardships at real estate companies since the crisis with the Evergrande Group, which resulted in the Chinese central bank tightening credit condition to real estate developers.

According to large miners' guidance, they still have no plan to increase capacity in 2022, but the raw materials which have been stocked up in China due to low manufacturing during pandemic and low steel demand can put downward pressure on iron ore prices. We think that it is hard for iron ore prices to rise in the short term as the steel industry in China would need time to absorb the iron ore inventory that has been stocked up during the pandemic. Also, the outlook for global steel demand outlook is dampened in the face of recessionary fears caused by high inflation and aggressive central bank actions.

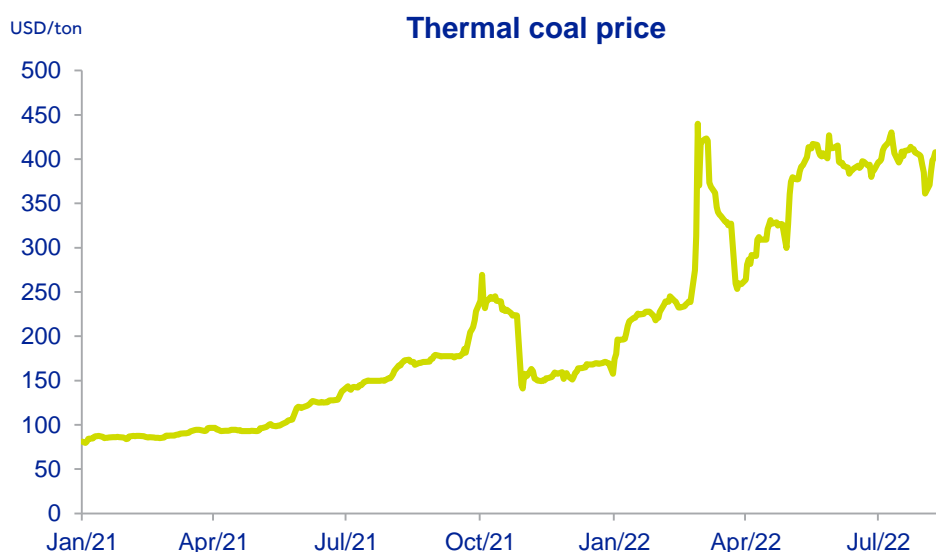


Source: Bloomberg



Coking coal prices have fallen to the level equal to the beginning of 2022, as metal manufacturing activities slowed down in China due to slow economic and construction activities. Coking coal prices are down nearly 50% since the peak in middle of April and are now is being traded at around 310 USD/ton near the end of September.

While the price of thermal coal has been maintained at the level of around 400 USD/ton (figures below) since May 2022, coking coal prices have showed a downtrend despite high input cost from thermal coal prices. The effect of coking coal inventories being stocked up and low steel manufacturing activities in China in recent months has had an effect on the coking coal market and prices have been falling gradually.



Source: Bloomberg

Since the invasion of Ukraine by Russia, coal prices have gone up dramatically, which has put a strain on production cost of many kinds of construction material which rely heavily on coal as a main fuel. Cement, bricks and tiles are main materials that are affected heavily by coal prices. According the report of Vietnam General Statistic Office in early September, the general index for construction cost after 8 months of 2022 has increased 3.71%, which was mainly caused by the increasing of cement, asphalt and brick. The general cost for residential construction was also reported to have increased by 7.86% in 8 months as cement, brick, tiles and sand account for most of the residential construction cost.

On the demand side, the reduction in real estate and construction activities has had a negative effect on construction materials demand. In 8 months of 2022, total sales volume of cement reached 65.33 mil.tons (-8% yoy), in which, the export of Vietnamese cement reached 21.77 mil.tons (-19% yoy). According to our estimation, the cost of thermal coal fuel accounts for over 60% of cement's production cost, which puts cement manufacturers under pressure of both low demand and high production cost.

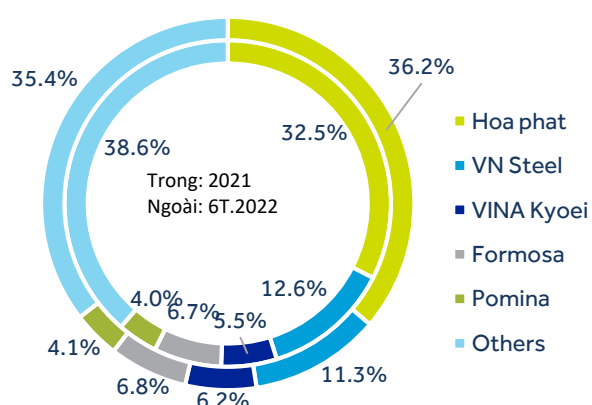
On the supply side, steel manufacturers are seeing input material prices (iron ore, coking coal) reduce gradually from a high base and inventories that had been built up in the first half of the year are steadily being reduced, which should lower oversupply issues that have plagued 1H 2022 leading prices to fall to the level equal to the beginning of 2022. The prices level of raw material, in our opinion, are hard to reduce

further in near future despite low raw material demand until now, because input cost for coking coal manufacturing and fuel costs for iron ore mining now are much higher than 2021 average. We can see raw materials (coking coal, iron ore) hovering around current levels for a few months before steel manufacturers can absorb excessive stocked up raw materials. However, steel selling prices have fallen to levels below the beginning of this year, the average price of domestic construction steel has fallen to around 15,000 VND/kg, 9.9% lower than in early January 2022. The lower construction steel prices have led to a potential contraction in gross margins of steel makers. With current market conditions creating low demand for construction and a tight outlook for the global economy, with many countries fighting high inflation, the domestic steel industry could still expect low margins in the near future.

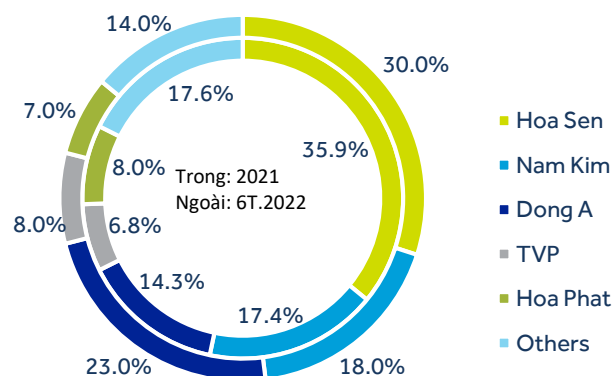
### Domestic steel companies snapshot

The short rise of input materials prices in early April caused a shock to the operations of most steel makers, as most companies has acquired high priced materials before the finished steel prices went into a downtrend due to China's wide-ranging lockdowns and slowing global economies.

Domestic construction steel market share



Domestic galvanized steel market share



Sources: VSA, ACBS

Although facing hard market conditions, we are still seeing top companies in both construction steel and galvanized steel gaining market share at the expense of smaller companies. Large domestic steel companies have economies of scale advantages which can outcompete smaller players in a price sensitive sector.

	Market cap (Bil.VND)	Rev growth 1H.2022	NI Growth 1H.2022	Current P/E	5 Years average P/E
HPG	133,740	22.90%	-26.9%	4.47	7.98
NKG	5,936	20.93%	-39.3%	3.36	8.32
HSG	10,716	4.22%	-81.77%	3.01	7.97

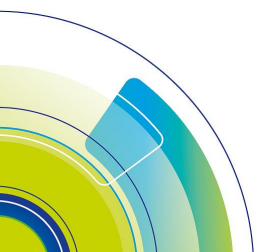
Sources: Bloomberg, Fiinpro

Domestic steel makers showed positive growth in revenues as average sale prices were higher compared to the same period of last year, however, net incomes were affected heavily by the effect of high input costs, which caused gross margins to fall sharply.

According to our observations, most steel companies trailing P/E have fallen to their lowest historical ranges and forward P/E according to companies' guidance are in the 6-6.5x range. The low forward P/E ranges makes steel companies valuations attractive when looking at their 5 years average P/E, which is about 8.0 times. But in short term, there are little catalysts to support strong operational performance. Moreover, many steel makers are nearing their capacity limits making it hard to raise output volumes further in short term. **Hoa Phat (HSX: HPG)** and **Nam Kim (HSX: NKG)** started their expansion projects but the timing for production increase would be in early 2024.

In our opinion, steel stocks are not attractive in short term due to current low demand from construction activities and current difficult situation in the Chinese market, which could keep steel prices from increasing in the near future. But the attractive valuation of large steel makers comparing to their average historical P/E has make them a good opportunity for long term.

# STOCK MARKET OVERVIEW



## 8M2022

Start Date	Jan 1 <sup>st</sup>
End Date	Aug 31 <sup>st</sup>
T. P/E	13.75
Avg. Trade Val (m USD)	827.7

### Top 3 Sectors During Period

Info. Technology	+11.4%
Utilities	+9.3%
Consumer Disc.	+6.7%

### Bottom 3 Sectors During Period

Comm. Services	-21.1%
Industrials	-22.2%
Materials	-25.7%

### Top 3 Stocks During Period

ANV	+63.7%
VHC	+48.7%
REE	+44.9%

### Bottom 3 Stocks During Period

ITA	-57.8%
APH	-55.8%
FIT	-53.3%

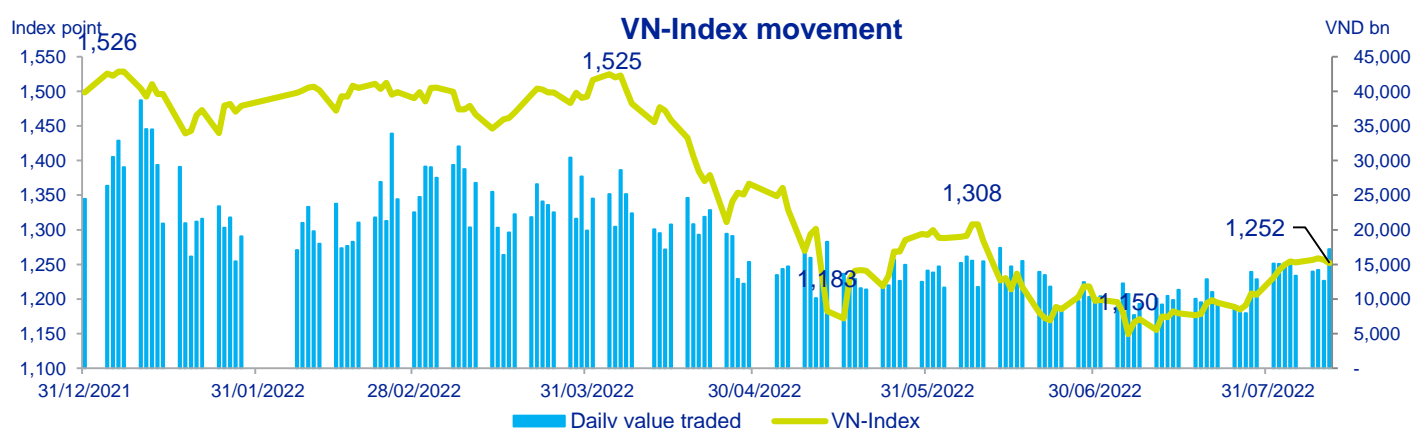
## The Vietnamese equity market

After a bumper year in 2021 with the VNIndex increasing by almost 36%, 2022 has been fraught with challenges both domestically and internationally which has dampened investor confidence, despite the Vietnamese economy posting enviable growth figures, and lead to the index falling 22.8% to 1,157.0 points as of Sept 27<sup>th</sup>. The Vietnamese equity markets started the 2022 year with the VN-Index reaching the peak of 1,525.6 points. The market sideways in a low range of 1,438.9-1,528.6 until early April 2022 with robust avg. daily liquidity to reach over VND24,000bn (+71.4% YoY).

Selling pressure began in April as a consequence of Russia-Ukraine conflict since February and rising inflation globally which drives major Central Banks to tighten monetary policy. In April 2022, the Vietnamese Government undertaken investigation around corporate bond issuance and speculative stocks, mostly related to the real estate sector. This cast a shadow on the overall market sentiment, causing the index to drop by 23% to 1,172 points by mid-May and dragging down the liquidity to below VND15,000bn. Liquidity continued to drop to as low as VND7,966bn (-51.1% YoY) in late July on the back of rising interest rates, little to no credit room and rising inflation.

The third quarter was marred by more global macro pessimism as stubbornly high inflation figures in many developed markets has forced central banks to continue with their aggressive tightening actions. Several key policy decisions were made domestically which have contributed to muted investor sentiment to close Q3 including the increase of credit quotas in the banking system (2% additional credit granted, below the 4% expected to reach the full year target of 14%), the SBV lowering the spot asking exchange rate by 300VND to 23,700VND and the raising of key policy rates by the SBV of 100bps (details and analysis of the moves included in the macro sections of the report).

Despite the correction to the market so far in 2022, we remain positive about the fundamental outlook for the Vietnamese economy and markets. 1H earnings were strong, posting growth of 18.8% y/y and whole year expectations of c. 20% appear achievable. As of Sept 27<sup>th</sup>, the VNIndex trading at a trailing PE of 12.5 as of the end of August and a forward 2022 PE of 11.2, making it one of the cheapest in the ASEAN region.



Source: Bloomberg

## 1H 2022 Business Results Posted Strong Growth

Amidst the economic recovery from a year full of COVID disruptions in 2021, market wide 1H 2022 revenues increased 16.7% y/y and earnings increased 18.8% y/y. Banks were the leading contributor in terms of earnings for the first half with H1 earnings rising 35% y/y due primarily to the decrease in provisioning that occurred in 2021 as banks grappled with COVID related loan restructuring, while also posting 16% y/y and 17.5% y/y growth in interest income and non-interest income respectively. While on the other hand, the Real Estate sector was the largest contributor on the down side with earnings decreasing 29% y/y. The first half saw a few issues facing the real estate market including many banks hitting their credit growth quotas towards the end of H1, which restricted access to bank credit for both buyers and developers and the slowdown in the corporate bond market due to tightening regulations as a result of recent anti-corruption measures.

Industry group	Market Cap (VNDtn)	2Q-2022		2Q-2022		1H-2022	
		Revenue (% q/q)	Net Income (%q/q)	Revenue (% y/y)	Net Income (%y/y)	Revenue (% y/y)	Net Income (%y/y)
Banks	1,522.0	4.2%	-7.2%	15.9%	37.9%	16.3%	34.7%
Real Estate	1,019.3	-6.8%	-7.5%	-51.2%	-41.0%	-40.3%	-29.0%
Food, Beverage & Tobacco	539.2	14.7%	-2.0%	6.7%	12.2%	8.3%	26.5%
Materials	369.9	-4.6%	-26.6%	12.4%	-25.7%	29.9%	2.9%
Utilities	336.2	8.2%	17.4%	16.7%	59.6%	22.2%	56.4%
Capital Goods	238.9	11.7%	-23.4%	10.1%	1.6%	13.8%	14.9%
Transportation	186.0	55.6%	-149.8%	112.4%	83.2%	72.3%	91.1%
Diversified Financials	120.3	-24.1%	-57.1%	-10.7%	-57.0%	15.9%	-17.0%
Retailing	105.5	-3.3%	-20.7%	16.8%	6.4%	18.6%	10.9%
Software & Services	98.9	2.3%	4.3%	18.4%	26.7%	22.8%	30.4%
Energy	70.1	24.5%	-84.0%	75.2%	-95.7%	72.8%	-73.3%
Insurance	56.2	1.9%	-33.3%	6.4%	-28.9%	7.9%	-5.0%
Consumer Durables & Apparel	50.4	-9.2%	-24.8%	39.1%	16.6%	36.1%	28.5%
Pharmaceuticals, Biotechnology & Life Sciences	29.6	-2.1%	1.9%	12.3%	15.4%	14.2%	22.9%
Automobiles & Components	9.3	-4.7%	64.6%	6.4%	22.0%	17.1%	17.9%
Consumer Services	7.7	13.8%	187.9%	-30.7%	1271.7%	15.8%	37.2%
Unclassified	7.2	-5.4%	-243.4%	16.8%	-207.8%	17.5%	-112.5%
Commercial & Professional Services	5.8	27.9%	140.8%	52.6%	267.0%	20.9%	127.4%
Health Care Equipment & Services	3.3	-1.3%	542.1%	-48.2%	0.9%	-48.7%	466.0%
Technology Hardware & Equipment	2.1	-29.9%	-35.1%	16.4%	17.6%	29.2%	55.8%
Telecommunication Services	2.1	-59.7%	-131.8%	111.2%	-725.9%	261.7%	528.2%
Media & Entertainment	1.6	8.4%	289.6%	-55.1%	119.5%	-56.4%	117.0%
Household & Personal Products	1.5	6.4%	57.9%	6.9%	74.0%	0.4%	35.1%
<b>Total</b>	<b>4,782.7</b>	<b>5.8%</b>	<b>-11.6%</b>	<b>11.9%</b>	<b>5.1%</b>	<b>16.6%</b>	<b>18.8%</b>

Source: Bloomberg

**Banks** were the leading contributor in terms of earnings for the first half with H1 earnings increasing 35% y/y, primarily due to the decrease in provisioning that occurred in 2021 as banks grappled with COVID related loan restructuring, while also posting 16% y/y and 17.5% y/y growth in interest income and non-interest income respectively. We believe that the banking sector is well positioned as valuations are currently attractive as their PE and PB ratios are trading at c. 20% and 13% below their 5-year averages, while the asset quality of the banks remain strong.

The **Transportation** sector has posted strong revenue (+72% y/y) and earnings figures (+91% y/y) compared to H1 last year, primarily driven by the reduction in losses at Vietnam Airlines (HVN) as travel has resumed following strict COVID prevention



measures in 2021. Transportation Infrastructure have good profits (+57%) given the growth of imports-exports and domestic trading as retail sales increase strongly in the first half. Moving forward, we believe that there will be further supportive news coming for the transportations sector as retail gasoline prices are trending lower and the high tourism season in July – August should set the sector up to post strong third quarter figures.

The **Utilities** sector recorded 56.4% y/y of earnings growth on the back of high oil and gas prices which benefited the largest company in the sector, PetroVietnam Gas (GAS).

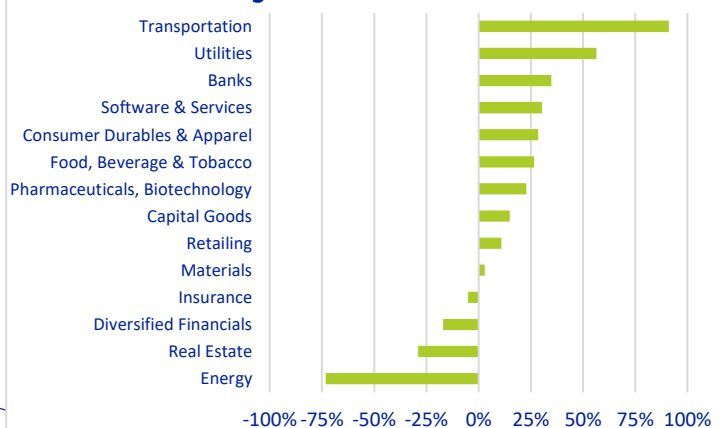
The **Food and Beverage** sector posted a sector earnings growth of 26.5% y/y in H1, driven by a strong rebound in retail sales and consumption following the relaxation of COVID-19 related restrictions. The fisheries sector returned impressive profit growth (+198%) and benefited from supply disruptions related to the Russian invasion of Ukraine.

The **Real Estate** sector was the largest contributor on the down side with earnings decreasing 29% y/y. The first half saw a few issues facing the market including many banks hitting their credit growth quotas towards the end of H1 which restricted access to bank credit for both buyers and developers and the slowdown in the corporate bond market due to tightening regulations as a result of recent anti-corruption measures

The **Energy** sector had a disappointing first half despite posting a 72.8% y/y increase in revenue, earnings dropped by 73.3% y/y, which was primarily due to the 90% decrease in profit of Petrolimex (PLX) as skyrocketing oil prices were unable to be completely passed along to customers and large provisions were made at the end of H1 on their gasoline inventories as prices have come down after acquiring inventories at peak prices (excluding provisioning, PLX profit would be down c. 28% y/y).

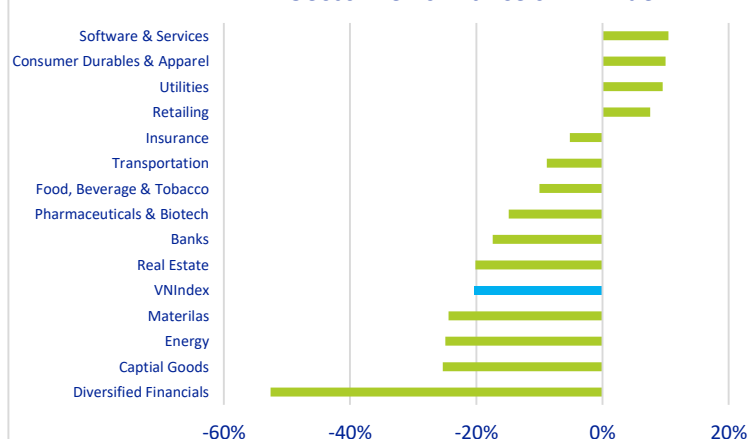
**Diversified Financials** (i.e. brokers) had a tough first half of the year, with the sector retreating over 50% as liquidity dried up significantly in the second quarter (-34%), overall margin balances slipped by an estimated 23% resulting in falling lending income and brokers' proprietary trading activities were deeply impacted by the overall market correction.

Net income growth in the first half of 2022



Source: Bloomberg, ACBS

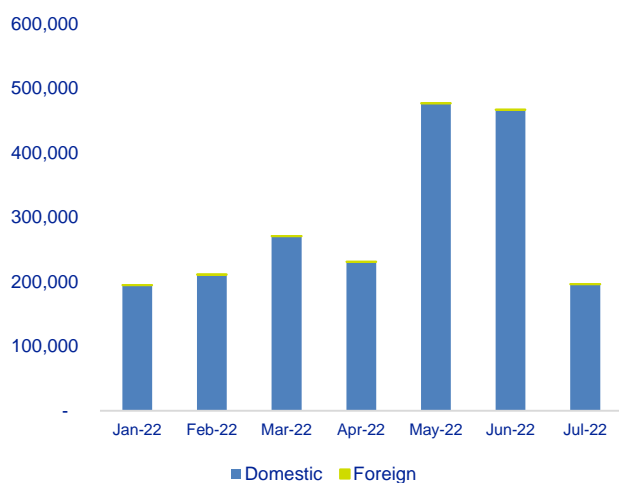
H1 Sector Performance on VNIndex



Source: Bloomberg, ACBS

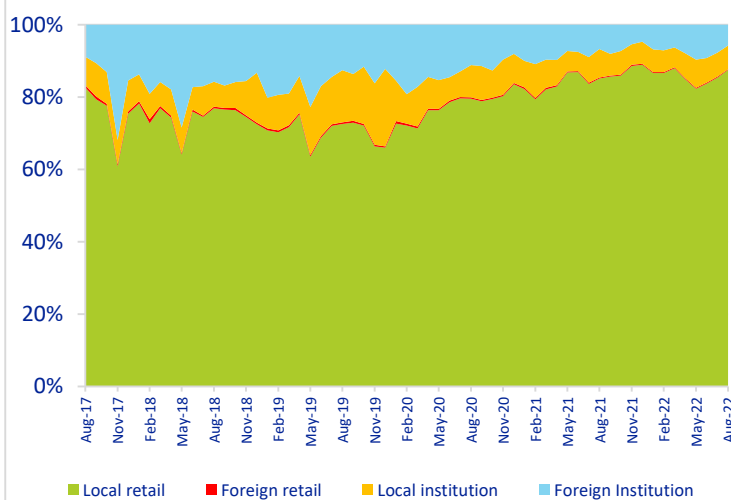
The Vietnamese equity markets continued to be driven by retail investors with domestic retail accounts making up 99% of total securities accounts in Vietnam and domestic trade has accounted for approx. 93.5% of trade in 2022. As of July 2022, Vietnam has 2,047,283 new trading accounts opened, an increase by 182.5% YoY. The total trading number of trading accounts has now reached over 6.3 million, which accounts for around 6% of the population, which has already surpassed a government target of 5% of the population having a trading account by 2025.

**New securities accounts**



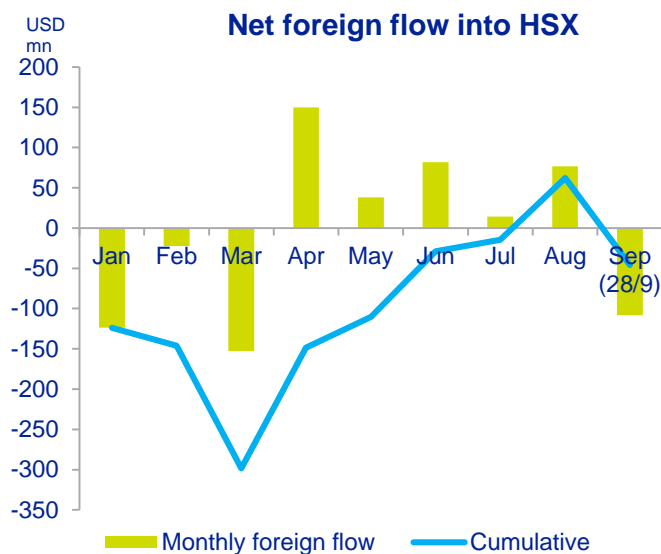
Source: VSD

**Market Turnover by Investors**

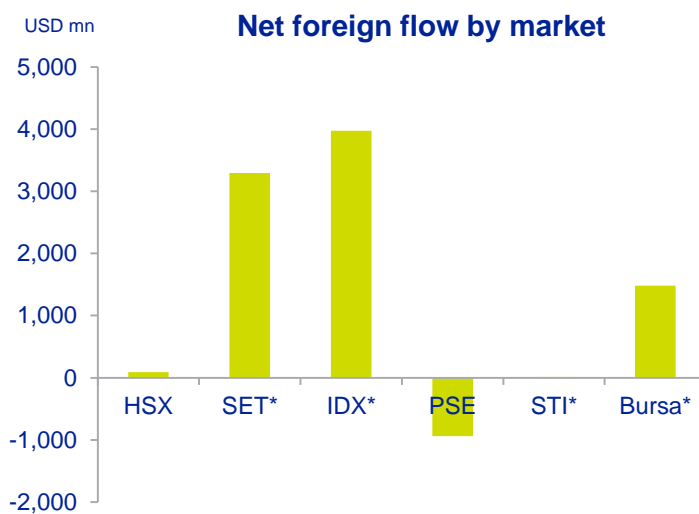


Source: FiinPro, ACBS

Foreign investors started to pour money into the Vietnam equity market since April 2022, however the net flows to Vietnam remain modest for the YTD at a net buy of USD90mn. Compared to neighboring countries, the foreign flow into HSX remains modest, although we're encouraged by the positive figure in the context of the aggressive interest rate hikes from the US Fed which has traditionally lead to a 'flight to safety' for capital flowing out of emerging and frontier markets.

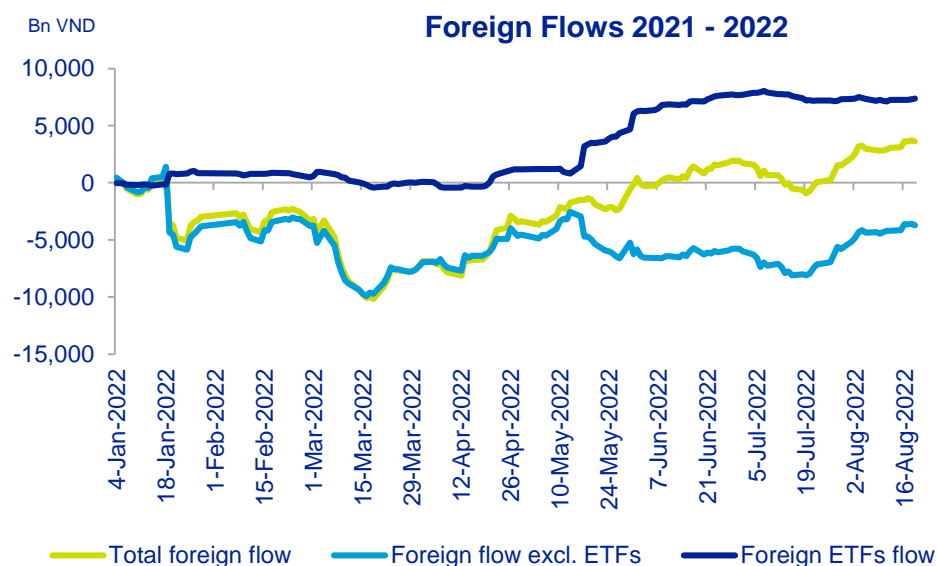


Source: HSX, ACBS



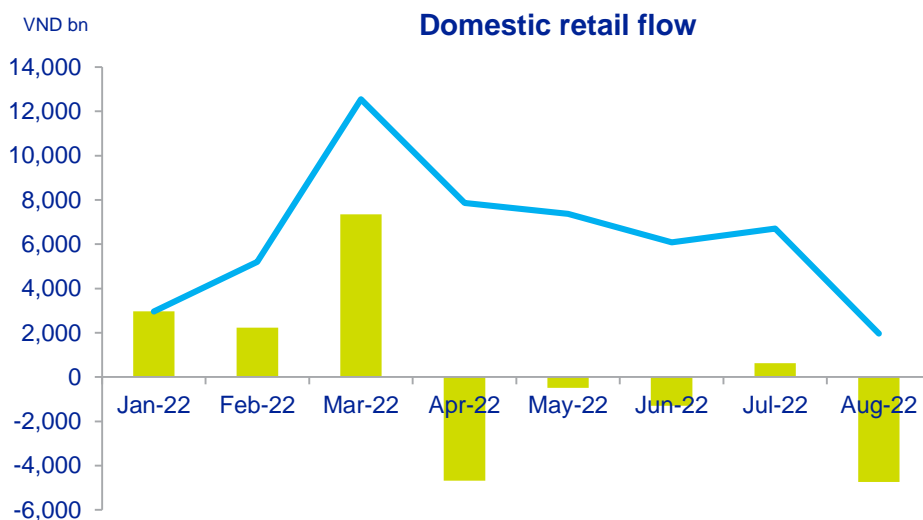
Source: respective stock exchanges, \* as July 2022

Of note, there have been a substantial amount of recent foreign flows since April 2022 making their way to ETFs, which includes FTSE VIETNAM ETF, VanEck Vietnam ETF, ETF DCFVMVN DIAMOND, ETF DCFVMVN30, Fubon FTSE...Excluding ETFs flow, institutional foreign investors remain net sellers throughout 8M2022.



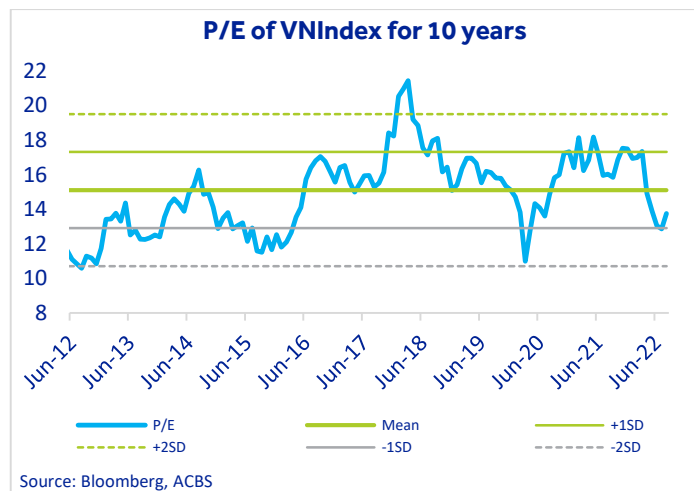
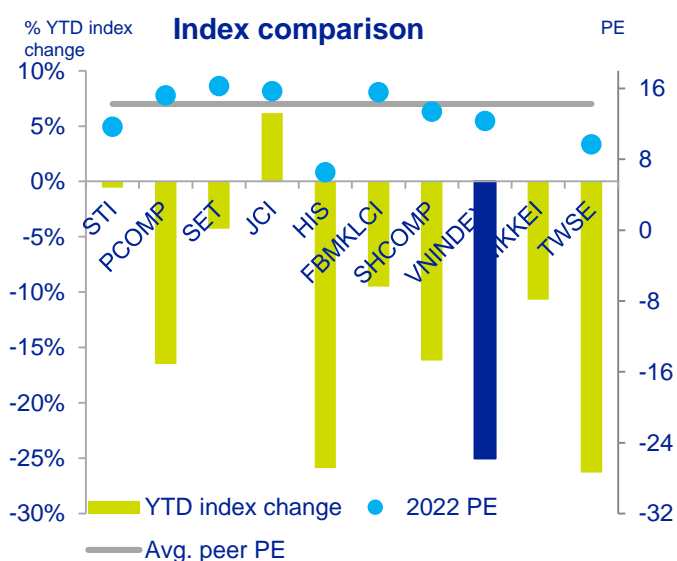
Source: ETF data, Bloomberg, ACBS

On the other side, domestic retail flow in Vietnam goes in opposite direction with foreign flow, withdrawing money from the market since April 2022. Net off, domestic retail investors remain net buyer of VND1,969.7bn (~USD84.5mn)



Source: Bloomberg

Compared to neighboring countries, most markets recorded negative YTD index growth, in exception with Indonesia and Singapore. The VN-Index has almost the deepest decline YTD rate of -25.0%, along with Hang Seng Index and TWSE Index. In term of valuation, the VN-Index is currently valued at 12.3x PE (Sept 28th data), 19.6% lower than its 10 years avg. of 15.3x which is an attractive opportunity in our view.



Source: Bloomberg, ACBS

Source: Bloomberg, ACBS

In terms of earnings growth, we believe Vietnam's earnings are set to grow at 17.5% YoY driven by main sectors such as banking, industrial parks, as well as the recovery of domestic consumption post pandemic. Compared to other markets in the region, Vietnam 2022 EPS growth is expected to be in line with its avg. peer. Expected 2022 PE at 15.8x is a fair value in our view, 3.3% above its 10 yrs avg. and 5.3% above the avg. peer.

## Vietnam equity market vs. peers

### Earnings growth and forward P/E

Country	Sept '22 P/E (x)	'22E EPS growth (%)	'22F P/E (x)	'23E EPS growth (%)	'23F P/E (x)
Vietnam (*)	12.3	22.8%	10.8	16.8%	9.2
<b>Average</b>	<b>14.9</b>	<b>18.8%</b>	<b>14.1</b>	<b>9.4%</b>	<b>12.9</b>
Indonesia	15.7	49.3%	15.5	1.5%	15.2
Malaysia	15.6	-1.3%	13.6	11.5%	12.2
Philippines	15.2	23.2%	14.1	15.5%	12.2
Singapore	11.7	13.8%	11.9	13.2%	10.5
Thailand	16.3	9.0%	15.4	5.5%	14.6

*Data as of Sept 27<sup>th</sup>*

*Source: Bloomberg, ACBS*

### Index Outlook for remainder of 2022

We have adjusted our expectations for the final quarter of the year as it becomes apparent that the markets are in a period of lowered sentiment in the face of both internal and external events. While it appears that inflation figures may have peaked in many markets as several key commodities prices have been retreating, inflationary fears and aggressive central bank actions are expected to persist until at least the end of the year, putting a cap on short term sentiment. We expect markets will normalize in 2023 when we can expect valuations to return to historical levels, however we see the remainder of the year continuing to trade around the valuation levels since the markets turned in April as sentiment dimmed.

- In our updated **base case scenario**, we generally maintain our earnings outlook to reach 19% y/y by the end of 2022, driven by the banking, transportation, real estates and utilities sectors. While we assume that markets will pick up in the final third of the year on the basis that corporate earnings remain strong and the macro environment is able to maintain its current trajectory amid global headwinds, we believe it will be a challenge to reach the recent 3 year average valuation of c. 15.5x, rather, it's likely that the VNIndex would trade within the range seen since 2Q when the effects of the war in Ukraine were starting to be felt and the anti-corruption actions taken domestically weighed on investor confidence. This would result in the index trading at c. 13.7x earnings by the end of the year (roughly 1SD below the 3 year average), resulting in an index level around 1,400 at the end of 2022.
- The **optimistic scenario** is based on 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 and that investor sentiment picks by the end of the year as the global and domestic issues are resolved or showing significant signs that the worst has passed. Based on that scenario, our earnings expectations would rise and we assume that earnings multiples would return to the 15x level, resulting in the index reaching an 1,500–1,600 point level.
- Finally, in the **pessimistic scenario**, we see continued uncertainty and fear clouding global markets with rising concerns on inflation, how fast and strong

central banks will react to inflationary pressures by raising rates and slow downs in China further stretching global supply chains, or new variants of COVID-19 threat the economic activities. 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 rally at the end of the year and end trading at c. 12.5x earnings to close around the 1,200 point level.

### 3 scenarios for the VN-Index in 2H22

Scenarios	Prudent	Neutral	Optimistic
VN-Index (points)	1,216	1,411	1,589
Growth vs. Aug 31 <sup>st</sup>	-5.0%	10.2%	24.1%
F PE (x)	13.2	12.4	12.1

Source: ACBS



## Company Report Snapshot

## Hung Cao, CFA

(+84 28) 3823 4159 - Ext: 326

[hungcv@acbs.com.vn](mailto:hungcv@acbs.com.vn)

Released date 14/09/2022

HOSE: STB

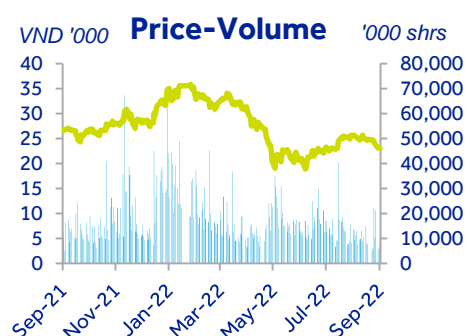
Banking

Target price (VND) 45,200

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	(31.4)	(12.1)	6.9	(16.1)
Relative	(12.7)	(9.0)	6.6	(9.0)

Source: Bloomberg



## Ownership

Duong Cong Minh 3.32%  
(Chairman)

## Stock Statistics

14-Sep-22

Bloomberg code STB VN

52-week range (VND) 18,600-36,700

No. of shares (m) 1,885

Mkt cap (VND bn) 43,454

Mkt cap (USD m) 1,853

Foreign room left (%) 7.3

Est. free float (%) 92.4

3m avg daily vol (shs) 13,644,600

VND/USD 23,450

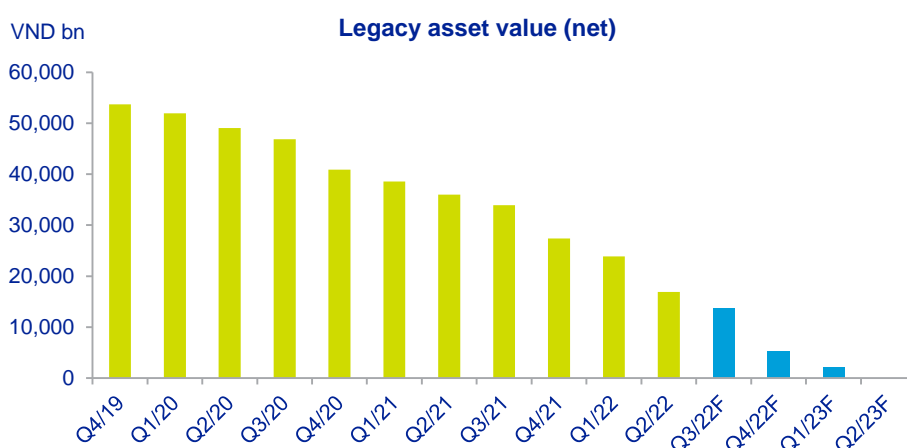
Index: VNIndex / HNX 1240.77/279.42

## SAI GON THUONG TIN JOINT STOCK BANK (STB)

We value STB with a 1-year target price of VND45,200/share. Strong growth in operating profit in 1H2022 helped STB speed up dissolving their legacy assets. STB has the potential to realize large profits when liquidating the collateral assets.

1H2022 business results were very positive with the profit before provisioning for legacy assets reaching VND10,600 billion. High profits facilitated STB's ability to speed up the process of dissolving legacy assets. In which, STB has made a total provision of VND7,700 billion for accrued interests, loans and VAMC bonds. Therefore, PBT in 1H2022 only reached VND2,908 billion (+19.9% y/y).

We estimate that STB's legacy asset value (net) at the end of Q2/22 was VND17,000 billion (~3% of total assets). We expect STB to complete cleaning all of their legacy assets in Q2/23.



Source: STB, ACBS

We value with a 1-year target price of VND45,200/share using a discounted residual income method. Our target price is equivalent to 1-year forward P/B of 1.58x.

(VND bn)	2019	2020	2021	2022F	2023F	2024F
Credit growth	15.3%	14.9%	14.0%	13.0%	13.0%	13.0%
NIM	2.8%	3.0%	2.8%	3.2%	4.8%	4.0%
NFI proportion	37.3%	33.3%	32.4%	38.7%	23.5%	26.7%
TOI growth	25.3%	18.0%	2.5%	46.0%	37.7%	-2.8%
CIR	63.3%	63.1%	55.1%	40.6%	33.5%	37.8%
Net credit costs	-0.7%	-0.9%	-0.9%	-2.1%	1.2%	-0.4%
Profit before tax	3,217	3,339	4,400	6,223	29,368	19,383
Growth	43.2%	3.8%	31.8%	41.4%	372.0%	-34.0%
Profit attributable	2,050	2,274	3,007	4,265	22,959	14,891
Adjusted EPS (VND)	1,088	1,206	1,595	2,262	12,179	7,899
BVPS (VND)	14,185	15,360	18,174	20,436	32,615	40,513
ROA	0.5%	0.5%	0.6%	0.8%	3.8%	2.2%
ROE	8.0%	8.2%	9.5%	11.7%	45.9%	21.6%
P/E (x)	21.2	19.1	14.5	10.2	1.9	2.9
P/B (x)	1.6	1.5	1.3	1.1	0.7	0.6

## Hung Cao, CFA

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[hungcv@acbs.com.vn](mailto:hungcv@acbs.com.vn)

Released date 2/8/2022

HOSE: MBB

Banking

Target price (VND) 44,200

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	(12.8)	(4.0)	5.1	(5.9)
Relative	5.9	(0.9)	4.7	1.1

Source: Bloomberg



## Ownership

Viettel	14.0%
SCIC	9.3%
Vietnam Helicopter	7.4%
Saigon New Port	7.1%

## Stock Statistics

02-Aug-22

Bloomberg code MBB VN

52-week range (VND) 21,850-34,900

No. of shares (m) 3,778

Mkt cap (VND bn) 100,503

Mkt cap (USD m) 4,277

Foreign room left (%) 0.0

Est. free float (%) 59.0

3m avg daily vol (shs) 8,169,076

VND/USD 23,500

Index: VNIndex / HNX 1244.09/296.49

## MILITARY COMMERCIAL JOINT STOCK BANK (MBB)

We value MBB with a target price of VND44,200/share. The taking over of Oceanbank can cause MBB's provision expenses remain high. The recent strong correction made MBB's stock price attractive, on the back of the sustainable growth of business results.

1H2022 profit grew by 49.0% y/y with strong growth from credit activity and reducing provisioning pressure.

Source: MBB

(Unit: VND bn)	1H2021	1H2022	+/-YoY
Net interest income	12,515	17,355	38.7%
Non-interest income	5,603	5,500	-1.8%
<b>Total income</b>	<b>18,117</b>	<b>22,855</b>	<b>26.1%</b>
Operating expenses	(5,891)	(7,458)	26.6%
<b>Profit before provisioning</b>	<b>12,227</b>	<b>15,397</b>	<b>25.9%</b>
Provision expenses	(4,240)	(3,500)	-17.5%
<b>Profit before tax</b>	<b>7,986</b>	<b>11,896</b>	<b>49.0%</b>

We forecast MBB's PBT in 2022 to reach VND22,607 billion, up 36.8% y/y and 11.2% higher than management's target.

Although the taking over of Oceanbank will help MBB be granted a higher credit quota than peers, MBB's provision expenses may have to remain high, accounting for about 1.6% of outstanding credit each year during the restructuring period.

MBB's share price has corrected by 25% from VND34,000 per share to VND26,000 per share since the beginning of April 2022. The sharp correction makes MBB's stock price attractive with a 2022 forward P/E and 2022 forward P/B of only **6.2x** and **1.3x**, respectively.

We value MBB with a 1-year target price of VND44,200 per share using a discounted residual income method. Our target price is equivalent to 1-year forward P/E and P/B of **9.5x** and **1.93x**, respectively.

(VND bn)	2018	2019	2020	2021	2022F	2023F
Credit growth	17.5%	18.8%	21.4%	26.1%	22.0%	20.0%
NIM	4.59%	4.94%	4.77%	5.10%	5.29%	5.24%
NFI proportion	25.0%	27.0%	25.9%	29.1%	23.9%	23.8%
TOI growth	40.9%	26.2%	11.0%	35.0%	18.6%	19.6%
CIR	44.7%	39.4%	38.6%	33.5%	32.8%	31.8%
Net credit costs	-0.97%	-1.21%	-1.54%	-1.47%	-1.08%	-1.17%
Profit before tax	7,767	10,036	10,688	16,527	22,607	26,740
Growth	68.3%	29.2%	6.5%	54.6%	36.8%	18.3%
Profit attributable	5,773	7,373	7,714	11,888	16,295	19,273
Adjusted EPS (VND)	2,672	3,170	2,782	3,146	4,213	4,983
BVPS (VND)	15,109	16,338	17,275	15,768	20,029	25,012
ROA	1.7%	1.9%	1.7%	2.2%	2.4%	2.4%
ROE	19.0%	20.9%	18.0%	22.1%	23.8%	22.1%
P/E (x)	17.5	13.7	13.1	8.5	6.2	5.2
P/B (x)	3.1	2.7	2.1	1.7	1.3	1.0
DPS (VND)	600	600	-	-	-	-
Dividend yield	2.3%	2.3%	0.0%	0.0%	0.0%	0.0%

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Released date 24/5/2022

HOSE: TCB

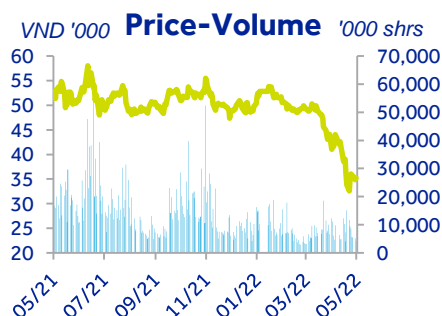
Banking

Target price (VND) 63,100

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	(29.9)	(7.7)	(0.1)	(26.7)
Relative	(11.2)	(4.6)	(0.5)	(19.7)

Source: Bloomberg



## Ownership

Masan Group	15.0%
Chairman & relatives	13.9%
Others	71.1%

## Stock Statistics

24-May-22

<b>Bloomberg code</b>	<b>TCB VN</b>
52-week range (VND)	32,550-58,600
No. of shares (m)	3,511
Mkt cap (VND bn)	123,760
Mkt cap (USD m)	5,306
Foreign room left (%)	0.0
Est. free float (%)	77.1
3m avg daily vol (shs)	7,517,710
VND/USD	23,325
Index: VNIndex / HNX	1233.38/305.96

## VIETNAM TECHNOLOGICAL AND COMMERCIAL BANK (TCB)

We value TCB with a target price of VND63,100 per share. TCB's long-term outlook remains positive, although the Government's actions to tighten corporate bond issuances, which could negatively impact TCB's fee income in 2022.

### Q1/22's PBT grew 23% YoY thanks to a sharp drop in provision expenses

Outstanding credit (including corporate bonds) at the end of Q1/22 grew by 7.9% compared to the beginning of the year and increased by 28.5% YoY. In which, outstanding corporate bonds increased by 22.2% YTD and by 59.3% YoY. By the end of April, TCB had used up the credit growth limit granted by the SBV (9-10%).

Total income in Q1/22 reached VND10,112 billion, grew 13.2% YoY. Total income growth slowed down due to a loss of VND314 billion in securities trading, compared to a net profit of VND746 billion in the same period of last year. Government bond yields increased at all maturities, forcing TCB to make provisions for the government bond investments.

Main business activities maintained high growth rates. Net interest income and net fee income increased by 32.5% YoY and 35.3% YoY respectively. NIM were back to pre-COVID 4<sup>th</sup> wave levels thanks to a recovery in loan yields and high CASA ratio of 50.4%.

Operating expenses increased by 21.3% YoY as TCB continued to invest in staff, marketing, IT systems and digital transformation. CIR remained at 30.7%, similar to previous quarters.

Provision expenses dropped sharply by 74.3% YoY, at only VND218 billion, this is the lowest level in the last 11 quarters. Provisioning pressure in Q1/22 was insignificant thanks to TCB's good asset quality. NPL ratio at the end of Q1/22 was at 0.67%, equivalent to the beginning of the year. COVID-19 restructured loans continued to decrease to VND1,600 billion, accounting for 0.44% of total outstanding loans and were fully provisioned. NPL coverage ratio stood at 161%, equivalent to the previous quarter.

(VND bn)	2019	2020	2021	2022F	2023F	2024F
Credit growth	19.0%	24.0%	26.5%	20.4%	20.0%	20.0%
NIM	4.40%	4.94%	5.76%	5.71%	5.76%	5.83%
NFI proportion	32.3%	30.7%	28.0%	19.1%	19.3%	18.0%
TOI growth	14.8%	28.4%	37.1%	9.5%	21.4%	19.2%
CIR	34.7%	31.9%	30.1%	33.3%	33.2%	33.7%
Net credit costs	0.07%	-0.46%	-0.42%	-0.07%	-0.22%	-0.25%
Profit before tax	12,838	15,800	23,238	25,717	30,731	36,300
Growth	20.4%	23.1%	47.1%	10.7%	19.5%	18.1%
Profit attributable	10,075	12,325	18,052	20,102	24,018	28,388
Adjusted EPS (VND)	2,878	3,516	5,142	5,725	6,841	8,086
BVPS (VND)	17,651	21,151	26,259	31,985	38,826	46,912
ROA	2.9%	3.0%	3.6%	3.2%	3.2%	3.1%
ROE	17.8%	18.1%	21.7%	19.7%	19.3%	18.9%
P/E (x)	12.3	10.0	6.9	6.2	5.2	4.4
P/B (x)	2.0	1.7	1.3	1.1	0.9	0.8
DPS (VND)	-	-	-	-	-	-

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Released date **13/4/2022**

**HOSE: VCB**

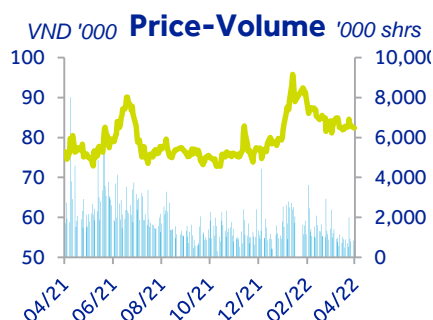
**Banking**

Target price (VND) **96,500**

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	-	(1.8)	1.1	5.3
Relative	18.7	1.3	0.8	12.4

Source: Bloomberg



## Ownership

State Bank of Vietnam	74.8%
Mizuho Bank Ltd	15.0%
Others	10.2%

## Stock Statistics

**13-Apr-22**

**Bloomberg code**

**VCB VN**

52-week range (VND)	73,276-96,000
No. of shares (m)	4,733
Mkt cap (VND bn)	389,959
Mkt cap (USD m)	16,940
Foreign room left (%)	6.4
Est. free float (%)	25.2
3m avg daily vol (shs)	1,485,463
VND/USD	23,020
Index: VNIndex / HNX	1477.20/427.45

## BANK FOR FOREIGN TRADE OF VIETNAM (VCB)

We value VCB with a target price of VND96,500/share for VCB. The drastic provisioning in 2021 will reduce the pressure of provisioning and support VCB's 2022 profit growth.

**PBT in 2021 grew by 18.8% thanks to solid growth from all business segments**

In 2021, outstanding credit (including corporate bonds) grew by 15.1%. Credit growth recovered strongly in Q4/21, up 3.1% after only increasing 1.6% in Q3/21 due to the impact of the 4<sup>th</sup> wave of COVID-19. In which, individual loans grew by 17.7% and accounted for 47% of VCB's outstanding loans.

Deposit rates were stable at low levels in 2021 and CASA increased to 35.7%, keeping the cost of funds at a low level of 2.3%. NIM decreased slightly in 2H2021 as VCB reduced loan interests by an amount of VND4,635 billion to support customers in the 4<sup>th</sup> wave of COVID-19. However, VCB's NIM of 2021 reached 3.2%, highest in the last 10 years.

Non-interest activities such as services, foreign exchange trading, and off balance sheet debt collection all maintained good growth. Non-interest income in 2021 grew by 12.1% and accounted for 25.3% of total income of VCB.

Total operating income grew by 15.6%, while operating expenses only increased by 9.6%, that helped VCB's profit before provisioning grew by 18.5%.

Asset quality maintained at a good level with a NPL ratio at 0.6%, equivalent to the beginning of the year. COVID-19 restructured loans increased slightly compared to Q3/21, at VND 10,500 billion, accounting for 1.1% of total outstanding loans. However, VCB has already made provisions for all COVID-19 restructured loans, causing provision expenses to increase by 18.8% and bringing NPL coverage ratio to a record level of 424%.

Profit before tax of 2021 reached VND 27,389 billion, up 18.8%.

(continue on the next page)

(VND bn)	2019	2020	2021	2022F	2023F	2024F
Credit growth	16.0%	14.0%	15.1%	15.0%	14.0%	13.0%
NIM	3.13%	2.95%	3.22%	3.25%	3.28%	3.32%
NFI proportion	24.4%	26.0%	25.3%	24.6%	24.1%	23.2%
TOI growth	16.4%	7.3%	15.6%	10.2%	14.6%	14.0%
CIR	34.6%	32.7%	31.0%	31.2%	30.2%	29.4%
Net credit costs	-0.52%	-0.95%	-0.97%	-0.38%	-0.39%	-0.42%
Profit before tax	23,122	23,050	27,389	36,725	42,783	49,488
growth	26.6%	-0.3%	18.8%	34.1%	16.5%	15.7%
Profit attributable	16,583	16,069	19,119	26,158	30,815	35,644
Adjusted EPS (VND)	4,471	4,333	5,155	5,527	6,114	7,072
BVPS (VND)	21,785	25,347	29,397	27,366	35,638	41,511
Equity/Total Assets	6.6%	7.1%	7.7%	8.1%	9.7%	10.0%
Adjusted ROA	1.4%	1.3%	1.4%	1.7%	1.8%	1.8%
Adjusted ROE	23.2%	18.4%	18.8%	21.9%	19.9%	18.3%
P/E	23.5	24.3	20.4	14.9	12.7	10.9
P/B	4.8	4.1	3.6	3.0	2.2	1.9
DPS (VND)	600	800	1,200	1,200	1,200	1,200
Dividend yield	0.7%	1.0%	1.5%	1.5%	1.5%	1.5%



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## Company Update

Released date 9/9/2022

HOSE: DXG

Property

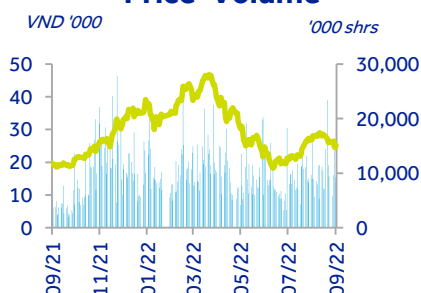
Target price (VND) 33,133

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	(31.1)	(11.8)	22.4	31.6
Relative	(12.4)	(8.7)	22.1	38.6

Source: Bloomberg

## Price-Volume



## Ownership

Dragon Capital and affiliates	19.9%
Luong Tri Thin (Chairman)	18.0%

## Stock Statistics

9-Sep-22

Bloomberg code	DXG VN
52-week range (VND)	17,200 - 47,450
Shares O/S (m)	608
Mkt cap (VND bn)	15,310
Mkt cap (USD m)	646
Foreign room left (%)	20.6
Est. free float (%)	75.6
3m avg daily vol (shrs)	9,318,846
VND/USD	23,690
Index: VNIndex / HNX	1256.35/284.17

## DAT XANH GROUP JSC (DXG VN)

Adjust our target price down to VND33,133 due to low 1H2022 results, delays in project launches and challenges in the real estate sector. Despite that, we reiterate our Buy rating as stock price has adjusted by 45% since our last update report in March and DXG remains a leading real estate broker and has secured a well-located land bank in HCMC and adjacent provinces.

### Business result

DXG announced a slide in 2Q2022 with net revenue of VND1,550bn (-57% YoY) and PATMI of VND262bn (-45% YoY), which were 6% and 16% lower than our forecast, respectively. The underperforming profit was mainly due to lower units delivered mainly at Gem Sky World and St Mortiz projects. Due to COVID and stricter credit granting to the real estate sector, the company recorded net revenue of VND3,342bn (-49% YoY) and PATMI of VND403bn (-51% YoY) in 1H2022, completing only ~1/3<sup>rd</sup> of its targets, respectively.

	2Q2021	2Q2022	YoY	1H2021	1H2022	YoY
Property development	2,511	793	-68%	4,679	1,777	-38%
Brokerage service	869	551	-37%	1,601	1,261	-21%
<b>Net revenue</b>	<b>3,563</b>	<b>1,550</b>	<b>-57%</b>	<b>6,517</b>	<b>3,342</b>	<b>-49%</b>
<b>NPATMI</b>	<b>299</b>	<b>262</b>	<b>-45%</b>	<b>830</b>	<b>403</b>	<b>-51%</b>

Source: DXS's audited 2Q2022 FS.

Presales in 1H2022 were ~USD100mn, mainly from the Gem Sky World project which has presold ~65% of over 4,000 units. For the full year of 2022, DXG targets presales of USD500mn, of which Gem Riverside accounted for USD300mn. This project is still waiting for its construction permit and is expected to be launched at the end of 3Q2022 or the beginning of 4Q2022 at the same time DXG plans to launch its new brand name for high-end products. The selling price of Gem Riverside is expected at ~VND80mn/sqm with gross margin of ~50% compared with the previous selling price of VND35-40mn/sqm offered 4 years ago, according to DXG.

On the other hand, the Opal Cityview and DXH Parkview projects in Binh Duong province will be rescheduled from 3Q2022 to 2023 and Lux Star in HCMC from 4Q2022 to 2023 given challenges in the real estate market, specifically stricter credit granting to both developers and home-buyers which affects land bank expansion plan, sales performance, project development and delivery.

	2019	2020	2021	2022E	2023E
Net Sales (VNDbn)	5,814	2,891	10,089	8,010	10,661
Growth	25.1%	-50.3%	249.0%	-20.6%	33.1%
EBITDA (VNDbn)	2,138	849	2,782	2,289	2,744
Growth	15.0%	-60.3%	227.9%	-17.7%	19.9%
NPATMI (VNDbn)	1,217	-496	1,157	980	1,135
Growth	3.2%	-140.8%	-333.4%	-15.3%	15.8%
EPS (bonus-adjusted, VND)	2,323	-832	1,942	1,571	1,812
Growth	2.9%	n/a	n/a	-19.1%	15.3%
ROE	20.3%	-7.5%	15.5%	10.8%	12.0%
ROIC	8.0%	-1.4%	5.6%	4.2%	4.5%
Net debt/EBITDA (x)	1.5	4.7	0.5	1.5	2.7
EV/EBITDA (x)	8.7	22.0	6.7	8.1	6.8
PER (x)	10.8	n/a	13.0	16.0	13.9
PBR (x)	1.4	1.4	1.1	1.1	1.0
DPS (VND)	0	0	0	0	0
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%



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## Company Update

Released date 25/8/2022

HOSE: NVL

Property

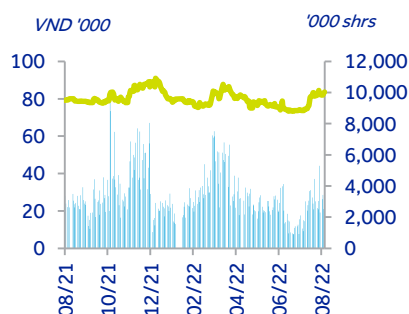
Target price (VND) 90,403

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	(6.6)	4.1	11.5	9.8
Relative	12.1	7.2	11.1	16.8

Source: Bloomberg

## Price-Volume



## Ownership

Novagroup JSC	32.21%
Diamond Properties JSC	10.43%
Bui Thanh Nhon	8.71%

## Stock Statistics 25-Aug-22

Bloomberg code	NVL VN
52-week range (VND)	72,000 – 91,000
Shares O/S (m)	1,950
Mkt cap (VND bn)	161,446
Mkt cap (USD m)	6,853
Foreign room left (%)	43.2
Est. free float (%)	34.7
3m avg daily vol (shrs)	2,510,073
VND/USD	23,560
Index: VNIndex / HNX	1286.68/299.65

## NO VA LAND INVESTMENT JSC (NVL VN)

Despite 1H2022 results which were affected by the COVID and tighter access to credit for the property sector, NVL is the second largest listed property developer with an expected land bank of nearly 10,600ha, strong fund raising track record and well positioned to benefit from the high demand of second/leisure homes from the rising middle class in Vietnam. Reiterate our Hold rating with a higher target price of VND90,403/share given the addition of Marina City, Aqua Marina and Binh Chau Onsen projects.

Novaland posted mixed 2Q2022 result with net revenue of VND2,658 bn (+5% YoY) and PAT of VND772 bn (-41% YoY). Despite a higher gross margin (42% vs 34% thanks to higher proportion of low-rise units delivered compared with high-rise units) and nearly VND800 bn of financial profit from transferring 49.7% of Nova SQN Investment JSC, PAT still declined due to VND1,670 bn of revaluation surplus recorded in 2Q2021.

For 1H2022, NVL recorded net revenue of VND4,614 bn (-35% YoY) and PAT of VND1,818 bn (-10% YoY), completing 13% and 28% of targets, respectively. Given rising COVID cases and some banks' reach credit limit, projects delivery was lower than 1H2021 (600 units vs 941 units) mainly at Novaworld Phan Thiet, NovaWorld Ho Tram, Aqua City and NovaHills Mui Ne.

	2Q2021	2Q2022	YoY	1H2021	1H2022	YoY
Net revenue	2,544	2,658	5%	7,050	4,614	-35%
Gross profit	858	1,128	31%	2,575	1,847	39%
Financial income	1,334	1,651	24%	1,906	2,532	-25%
Financial expense	1,829	1,152	-37%	2,283	2,063	11%
PAT	1,313	772	-41%	2,014	1,818	-10%

Source: NVL's 2Q2022 unaudited FS.

The overall Vietnamese hospitality real estate segment showed signs of recovery in 1H2022, except for condotel products, which NVL currently does not develop. According to DKRA, there were 2,776 villas (+45% YoY), 5,145 townhouses/shophouses (+230% YoY) and 1,591 condotels (-30% YoY) launched in 1H2022 with absorption rates of 75% (+40 pts YoY), 75% (+2 pts YoY) and 59% (+12 pts YoY), respectively.

	2019	2020	2021	2022E	2023E
Net Sales (VNDbn)	10,931	5,026	14,903	20,089	34,482
Growth (%)	-28.5%	-54.0%	196.5%	34.8%	71.6%
EBITDA (VNDbn)	-1,091	1,115	2,251	2,277	4,779
Growth (%)	-124.2%	-202.2%	101.9%	1.2%	109.9%
PATMI (VNDbn)	3,431	3,919	3,225	5,153	7,211
Growth (%)	6.4%	14.2%	-17.7%	59.8%	39.9%
EPS (bonus-adjusted, VND)	2,167	2,420	1,819	2,525	3,450
Growth (%)	4.2%	11.7%	-24.8%	38.8%	38.6%
ROE (%)	16.2%	16.2%	11.3%	14.8%	18.1%
ROIC (%)	5.1%	3.5%	1.9%	2.5%	3.4%
Net debt/EBITDA (x)	-25.4	32.8	18.9	22.6	12.4
EV/EBITDA (x)	-196.1	191.8	95.0	93.9	44.8
PER (x)	23.4	20.8	46.0	31.5	22.6
PBR (x)	3.6	3.2	4.6	4.1	3.6
DPS (VND)	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-

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## Company Update

Released date

10/8/2022

HOSE: KDH

Property

Target price (VND)

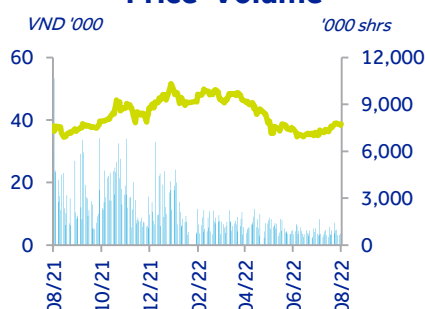
52,359

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	(27.4)	(12.7)	(4.6)	(12.7)
Relative	(8.7)	(9.6)	(5.0)	(5.6)

Source: Bloomberg

## Price-Volume



## Ownership

Dragon Capital

7.2%

## Stock Statistics

Bloomberg code

52-week range (VND)

Shares O/S (m)

Mkt cap (VND bn)

Mkt cap (USD m)

Foreign room left (%)

Est. free float (%)

3m avg daily vol (shrs)

VND/USD

Index: VNIndex / HNX

10-Aug-22

KDH VN

33,909 - 52,273

717

27,777

1,180

17.9

85.3

934,336

23,530

1257.26/303.54

	2019	2020	2021	2022E	2023E
Net Sales (VNDbn)	2,813	4,532	3,738	3,480	3,883
Growth (%)	-3.5%	61.1%	-17.5%	-6.9%	11.6%
EBITDA (VNDbn)	1,232	1,558	1,418	1,729	1,848
Growth (%)	24.5%	26.4%	-9.0%	22.0%	6.9%
PATMI (VNDbn)	915	1,153	1,202	1,532	1,612
Growth (%)	13.3%	26.0%	4.3%	27.4%	5.2%
EPS (bonus-adjusted, VND)	1,463	1,873	1,790	2,141	2,136
Growth (%)	9.8%	28.0%	-4.4%	31.6%	-0.3%
ROE (%)	12.6%	14.6%	13.1%	14.0%	12.8%
ROIC (%)	7.6%	8.3%	8.5%	9.3%	8.2%
Net debt/EBITDA (x)	-0.3	0.0	0.8	2.2	2.5
EV/EBITDA (x)	19.9	16.0	18.4	18.3	17.5
PER (x)	26.5	20.7	21.6	18.1	18.1
PBR (x)	2.8	2.7	2.4	2.4	2.1
DPS (VND)	500	-	-	-	-
Dividend yield (%)	1.3%	0.0%	0.0%	0.0%	0.0%

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

KDH remains a strong developer in the mid to high-end residential real estate segment with healthy financial status and its projects have clear legal statuses, good product design and on-time delivery. We lower our target price to VND52,359/share given delay in project launches.

### Business result

KDH posted good 2Q2022 result with net revenue of VND733bn (-34% YoY) and PAT of VND326bn (+23% YoY), equivalent to 91% and 112% of our forecasts, respectively. This result was mainly thanks to delivery of 40 villas at Classia high-end project which yielded a very high gross margin of 68% compared with 38% in 2Q2021 as Classia was acquired long ago at low cost while selling prices were much higher than other projects that KDH has developed.

For 1H2022, KDH posted net revenue of VND 875bn (-55% YoY) and PAT of VND625bn (+32% YoY), completing 22% and 48% of targets, respectively. This result was mainly thanks to higher gross margin (65% vs 43%) and VND269bn of revaluation surplus from acquiring 60% of Phuoc Nguyen Real Estate Investment JSC which owns a 6ha Doan Nguyen project in Thu Duc City that has resulted in inventories increasing by VND3,181bn.

Unit: VNDbn	2Q2021	2Q2022	Δ YoY	1H2021	1H2022	Δ YoY
Net revenue	1,112	733	-34%	1,948	875	-55%
Gross profit	426	498	+17%	830	575	-44%
PAT	265	326	+23%	473	625	+32%

Source: KDH's unaudited 2Q2022 FS.

### Fund raising

KDH's plan to 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% in 2Q2022 for land clearance at Tan Tao urban area and development of Classia and Privia projects has been put on hold as the company borrowed ~VND2,000bn from OCB at 11-11.17%/year in 1H2022.

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## Company Coverage

Released date 27/6/2022

Upcom: SIP

Industrial Property

Target price (VND) 178,369

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	(8.2)	(9.6)	24.4	(8.1)
Relative	10.5	(6.5)	24.1	(1.1)

Source: Bloomberg

## Price-Volume



## Ownership

An Loc Urban Development & Investment JSC	19.5%
Mr. Tran Manh Hung (Chairman)	9.9%
Nam Tan Uyen IP JSC	8.9%
Mr. Lu Thanh Nha (CEO)	7.4%

## Stock Statistics

27-Jun-22

Bloomberg code	SIP VN
52-week range (VND)	90,600 - 180,000
Shares O/S (m)	93
Mkt cap (VND bn)	9,755
Mkt cap (USD m)	417
Foreign room left (%)	48.8
Est. free float (%)	59.6
3m avg daily vol (shrs)	35,272
VND/USD	23,390
Index: VNIndex / HNX	1202.82/280.4

## SAIGON VRG INVESTMENT CORPORATION (SIP VN)

**A strong industrial park developer with distinct utilities income and healthy balance sheet. We value SIP with a target price of VND178,369/share as the company prepares to shift from the UpCOM to the main HOSE board**

Saigon VRG Investment Corporation (SIP) is one of the biggest industrial park (IP) developers in the Southern Key Economic Zone (SKEZ) with a total industrial area of nearly 3,200ha. The company currently has four IPs and four adjacent urban areas which are well located in HCMC, Dong Nai and Tay Ninh provinces. SIP's unique proposition from other developers as it can distribute electricity and water directly to its tenants, which has accounted for ~80% of total revenue over the past four years. Thus, SIP has a more stable business and is less affected by fluctuations in investment inflow to industrial parks (IPs) compared to other developers. The company is preparing to shift from the UpCOM to the HOSE this year.

In 2016-2021, despite the COVID-19 pandemic, SIP recorded an impressive CAGR of 25% in net revenue, to VND5,578bn and 42% in NPATMI, to VND833n in 2021. This stellar performance was mainly thanks to high demand of industrial land, increasing tenants' consumption of water and electricity and a 7 times increase in interest income generated from a high cash balance.

During the last five years, SIP maintained a very low debt balance and did not use long-term debts in 2019-2020. As of 31/3/2022, SIP had a debt balance of VND867bn, of which VND861bn was short-term, and a cash & cash equivalent balance of over VND5,000bn, equivalent to nearly 1/3<sup>rd</sup> of total assets, which is being maintained for upcoming investments in additional IP projects. Net debt/Equity ratio was -119.5% as of 31/3/2022. The company maintained cash dividend payment of VND1,800-2,800/share in the last four years and plans to pay at least VND2,000/share in this year.

For 2022, we forecast total revenue at VND6,519bn (+17% YoY) and PAT at VND1,033bn (+14% YoY), equivalent to 125% and 155% of targets, respectively. Our projected outperformance compared to the company's targets is bolstered by their recent results which have outperformed business plans by 45-327% of its revenue/profit targets over the last three years. **Using the NAV method, we derive a target price of VND178,369/share at YE2022** given positive outlook of the industrial property segment, SIP's strong financial status, solid income source from electricity and water distribution, good management team and stable cash dividend. Our main concerns for this stock are low liquidity (which is one reason to move the listing to the HOSE) and cross-ownership among SIP and member companies of Vietnam Rubber Group.

	2018	2019	2020	2021	2022E
Net Sales (VNDbn)	3,239	4,340	5,083	5,578	6,519
Growth (%)	25.7%	34.0%	17.1%	9.7%	16.9%
EBITDA (VNDbn)	362	606	936	955	1,142
Growth (%)	44.0%	67.5%	54.3%	2.1%	19.5%
Net income (VNDbn)	219	595	1,026	833	1,008
Growth (%)	33.9%	172.2%	72.4%	-18.8%	21.0%
EPS (bonus-adjusted, VND)	1,937	6,516	11,232	8,992	10,666
Growth (%)	27.0%	236.3%	72.4%	-19.9%	18.6%
ROE (%)	18.1%	36.5%	43.9%	27.4%	27.5%
ROIC (%)	1.7%	3.1%	4.2%	3.5%	4.1%
Net debt/EBITDA (x)	-9.4	-7.4	-4.1	-4.2	-4.0
EV/EBITDA (x)	11.0	6.6	4.3	4.2	3.5
PER (x)	53.4	15.9	9.2	11.5	9.7
PBR (x)	5.2	3.8	3.0	3.0	2.4
DPS (VND)	1,800	1,900	2,000	2,800	3,000
Dividend yield (%)	1.7%	1.8%	1.9%	2.7%	2.9%

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## Company Update

Released date

8/6/2022

HSX: KBC

Property

Target price (VND)

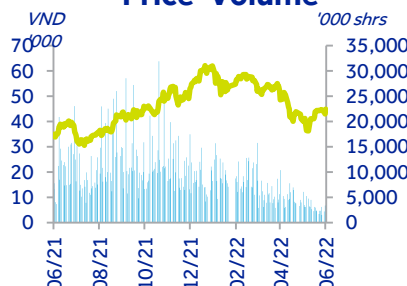
69,998

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	(38.8)	(21.6)	(6.3)	(6.3)
Relative	(20.1)	(18.4)	(6.7)	0.7

Source: Bloomberg

## Price-Volume



## Ownership

Dang Thanh Tam (Chairman)	14.96%
Kinh Bac Consultancy & Investment Development JSC	7.94%
Vinatex-Tan Tao Investment JSC	4.47%

## Stock Statistics

8-Jun-22

Bloomberg code

KBC VN

52-week range (VND)	29,950 - 62,900
Shares O/S (m)	576
Mkt cap (VND bn)	26,022
Mkt cap (USD m)	1,115
Est. Foreign room left (%)	30.5
Est. free float (%)	64.2
3m avg daily vol (shrs)	4,629,103
VND/USD	23,330
Index: VNIndex / HNX	1308.70/312.06

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

Adjust down our 2022 forecasts given low 1Q2022 results and ongoing market challenges. Lower target price of VND69,998.

Kinh Bac's 1Q2022 result was below our expectation with net revenue of nearly VND700bn (-65% YoY) and PAT of VND523bn (-27% YoY) due to the outbreak of COVID-19 in the first quarter, which affected project deliveries (nearly 9ha at Tan Phu Trung IP and 3.6ha at Trang Due urban area compared with 66.5ha at Nam Son Hap Linh, Quang Chau, Trang Due, Tan Phu Trung IPs and 1.3ha at Trang Due urban area delivered in 1Q2021). Gross margin declined by 16 ppts YoY, to 40% given low margin of the Tan Phu Trung IP. PAT declined at a lower rate than revenue thanks to nearly VND500bn of revaluation surplus from increasing ownership at Sai Gon Nhon Hoi IP from 10% to 35.35%. The company completed only 7% and 12% of revenue and profit targets, respectively.

	1Q2021	1Q2022	Δ YoY
Net revenue	2,002	692	-65%
Gross profit	1,123	279	-75%
Financial income	42	70	+67%
Financial expense	94	145	+53%
SGA expenses	187	144	-23%
Other income	1	499	78295%
PAT	715	523	-27%

Source: KBC's 1Q2022 FS.

Given the low 1Q2022 result and challenges in the real estate sector (i.e. more governmental control and inspection of corporate bond issuance and credit granting), which has affected project development and delivery in general, we adjust 2022 revenue down by 38% to VND8,858bn (+109% YoY) and PAT by 26% to VND3,733bn (+291% YoY), equivalent to 90% and 83% of the company's targets, respectively. We note that KBC's plan to privately issue VND2,400bn of corporate bonds may be delayed due to government's inspection of some real estate companies' issuance in the past which may affect land clearance, M&A activities, etc...

	2019	2020	2021	2022E	2023E
Net Sales (VNDbn)	3,210	2,151	4,246	8,858	11,060
Growth	28.8%	-33.0%	97.4%	108.6%	24.9%
EBITDA (VNDbn)	1,586	455	1,924	5,002	6,819
Growth	32.0%	-71.3%	322.8%	160.0%	36.3%
NPATMI (VNDbn)	898	224	782	3,428	4,237
Growth	19.1%	-75.1%	249.1%	338.3%	23.6%
EPS (bonus-adjusted, VND)	1,955	477	1,586	4,189	4,617
Growth	23.1%	-75.6%	232.5%	164.1%	10.2%
ROE	9.7%	2.3%	6.6%	18.4%	16.7%
ROIC	6.1%	1.7%	3.8%	10.8%	11.3%
Net debt/EBITDA (times)	0.8	6.1	1.3	0.0	0.2
EV/EBITDA (times)	27.1	94.4	22.3	8.6	6.3
PER (times)	22.8	93.3	28.1	10.6	9.6
PBR (times)	2.2	2.2	1.8	1.7	1.5
DPS (VND)	0	0	0	0	0
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%



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## Company Update

Released date 2/8/2022

HSX: VHM

Property

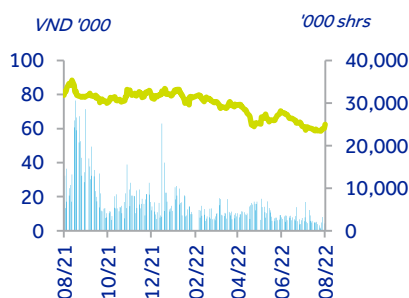
Target price (VND) 91,486

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	(26.7)	(2.8)	(9.7)	(23.5)
Relative	(8.0)	0.4	(10.0)	(16.4)

Source: Bloomberg

## Price-Volume



## Ownership

Vingroup JSC	69.34%
Government of Singapore (GIC)	5.01%

## Stock Statistics 2-Aug-22

Bloomberg code VHM VN

52-week range (VND) 58,300 - 93,769

Shares O/S (m) 4,354

Mkt cap (VND bn) 270,842

Mkt cap (USD m) 11,525

Est. Foreign room left (%) 26.8

Est. free float (%) 23.7

3m avg daily vol (shrs) 3,096,602

VND/USD 23,500

Index: VNIndex / HNX 1242.58/297.29

## VINHOMES JSC (VHM VN)

### Adjust target price down by 7% to VND91,486 and 2022 forecast given low 1H2022 result but strong pre-sales

VHM announced 2Q2022 result with net revenue of VND4,530bn (-84% YoY) and PAT of VND622bn (-94% YoY), much lower than our forecast. Despite an over 2-times increase in financial income, to VND1,210bn and a 9% YoY decrease in financial expenses, to VND709bn, this quarterly result was strongly affected by:

- (i) Lower number of units delivered (c.730 units vs. c.11,400 units),
- (ii) Lower gross margin (31% vs 52%) given lower proportion of low-rise units delivered compared with high-rise units, and
- (iii) Higher effective tax rate (51% vs 21%); we expect the effective tax rate to normalize in 2H2022, with the whole year rate reverting to c. 20%

For 1H2022, VHM recorded net revenue of VND13,453bn (-67% YoY) and PAT of VND5,347bn (-67% YoY), completing only 18% of its targets.

Unit: VNDbn	2Q2021	2Q2022	Δ YoY	1H2021	1H2022	Δ YoY
Net revenue	28,015	4,530	-84%	41,002	13,453	-67%
Gross profit	14,449	1,391	-90%	20,661	5,257	-75%
Financial income	551	1,210	119%	2,858	5,039	76%
Financial expense	778	709	-9%	1,139	1,186	-3%
PAT	10,572	622	-94%	16,050	5,347	-67%

Source: VHM's 2Q2022 unaudited FS

On the other hand, sales performance in 2Q2022 recorded impressive result with 7,900 retail units sold (-44% YoY) and contracted value of VND76,000bn (+250% YoY), mainly thanks to:

- (i) Successful launch of Vinhomes Ocean Park 2 – The Empire with retail sales of c.VND49,000bn or USD2.1bn and
- (ii) Full absorption of 4,500 units in 3 new blocks at the Oasis and The Tropical subzones – The Beverly Solari in Vinhomes Grand Park in May.

	2019	2020	2021	2022E	2023E
Net Sales (VNDbn)	51,627	71,547	84,986	70,032	92,220
Growth	33.5%	38.6%	18.8%	-17.6%	31.7%
EBITDA (VNDbn)	23,570	21,604	43,490	31,062	38,429
Growth	199.2%	-8.3%	101.3%	-28.6%	23.7%
PATMI (VNDbn)	21,746	27,351	38,825	28,370	32,250
Growth	52.2%	25.8%	41.9%	-26.9%	13.7%
EPS (bonus-adjusted, VND)	5,002	6,396	9,015	6,515	7,406
Growth	44.4%	27.9%	40.9%	-27.7%	13.7%
ROE	43.8%	38.6%	36.9%	21.2%	20.9%
ROIC	13.7%	13.5%	17.7%	11.0%	10.5%
Net debt/EBITDA (times)	0.5	0.4	0.2	0.7	0.9
EV/EBITDA (times)	11.5	12.5	6.2	8.7	7.0
PER (times)	12.5	9.8	6.9	9.6	8.4
PBR (times)	3.7	2.4	2.2	1.9	1.6
DPS (VND)	0	1,500	2,000	2,000	2,000
Dividend yield	0.0%	2.4%	3.2%	3.2%	3.2%

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## Company Update

Released date

BUY

HOSE: NLG

Property

Target price (VND)

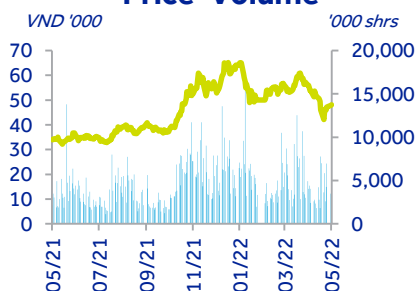
56,597

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	(42.6)	(10.0)	(1.3)	1.2
Relative	(23.9)	(6.9)	(1.6)	8.2

Source: Bloomberg

## Price-Volume



## Ownership

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

## Stock Statistics

5-May-22

Bloomberg code	NLG VN
52-week range (VND)	31,843 - 67,400
Shares O/S (m)	382.94
Mkt cap (VND bn)	18,400
Mkt cap (USD m)	797
Foreign room left (%)	15.8
Est. free float (%)	59.9
3m avg daily vol (shrs)	4,578,790
VND/USD	23,090
Index: VNIndex / HNX	1360.68/358.75

## NAM LONG INVESTMENT CORPORATION (NLG VN)

**Q1 results underwhelmed mainly due to the delays in project transfers, but the full year outlook remains unchanged. We maintain unchanged our target price of 56,600, as NLG appears to have been oversold during the recent market correction.**

Nam Long announced mixed 1Q2022 business results with a 149% YoY increase in net revenue, to VND587bn but a 91% YoY decrease in PAT, to VND33bn. The growth in the top line was mainly thanks to higher units delivered (163 units vs 106 units) and consolidation of Southgate project from 3Q2021 after increasing voting ratio from 50% to 65%. The decrease in the bottom line was mainly due to VND423bn of revaluation surplus from consolidating Izumi project (i.e. increasing ownership from 35.1% to 65.1%) recorded in 1Q2021. Gross margin jumped by 26 ppts YoY, to 42.6% mainly thanks to the consolidation of Southgate which mainly includes low-rise units.

The results were equivalent to only 8% and 2% of the company's revenue and PAT targets and lower than our estimation mainly due to a delay in recording ~VND350bn of profit from transferring 50% of Paragon Dai Phuoc and lower project deliveries than expectations.

Unit: VNDbn	1Q2021	1Q2022	YoY growth
Net revenue	236	587	+149%
Gross margin	17.0%	42.6%	+26 ppts
Financial income	8	23	+201%
Financial expenses	21	39	+83%
SGA expenses	138	194	+41%
Profit from associates and JVs	32	0	-100%
Other income	429	6	-99%
PAT	366	33	-91%

Source: NLG's 1Q2022 FS.

Sales performance in 1Q2022 witnessed positive growth of over 50% YoY, to 579 units and VND2,774bn of contracted value. Of note, Akari project was the best seller with 430 units sold and over VND1,400bn of contracted value thanks to the launch of 500 units at Block AK7 and AK8 in March. Sales in April also had positive momentum with the launch of 300 Flora Panorama units at Mizuki project with an absorption rate

	2018	2019	2020	2021	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%	11.6%	12.5%
ROIC	8.1%	9.0%	6.8%	6.0%	5.4%
Net debt/EBITDA (x)	-1.1	-1.4	3.4	-0.3	-0.9
EV/EBITDA (x)	17.4	23.0	45.3	20.1	13.7
PER (x)	17.9	15.3	17.3	16.0	15.6
PBR (x)	2.4	2.3	2.4	2.1	1.9
DPS (VND)	489	957	891	1,178	1,000
Dividend Yield	1.0%	2.0%	1.9%	2.5%	2.1%



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## Update Report

Released date

14/09/2022

HOSE: GAS

Natural Gas Distribution

Target price (VND)

119,000

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	15.4	(2.2)	(10.9)	23.2
Relative	34.1	0.9	(11.2)	30.2

Source: Bloomberg



## Ownership

PetroVietnam 95.76%

## Stock Statistics

14-Sep-22

Bloomberg code	GAS VN
52-week range (VND)	86,300 - 134,000
Shares O/S (m)	1,914
Mkt cap (VND bn)	217,999
Mkt cap (USD m)	9,397
Foreign room left (%)	46.0
Est. free float (m)	4.2
3m avg daily vol (shrs)	775,955
VND/USD	23,700
Index: VNIIndex / HNX	1247.26/280.15

## PetroVietnam Gas Joint Stock Corporation (GAS)

### 6M2022 Business results and outlooks

GAS recorded 2Q2022 business results with revenue of VND27,553 billion (+21.8% YoY) and NPAT of parent company's shareholders increased sharply to VND5,086 billion (+124.8% YoY). Although selling volume did not change, the average Brent oil price in Q2 increased strongly by 65% YoY, which has positively supported the gas selling price as well as the revenue of GAS. To explain this, the gas selling price of GAS is based on fuel oil (FO) price, which has a high correlation with Brent oil price. As a result, GAS's contribution margin also increased to 25%, higher than 16.6% in the same period last year. With this result, GAS recorded 6M2022 revenue of VND54,342 billion (+34.9% YoY) and NPAT of parent company's shareholders at VND8,515 billion (+98% YoY); completing 68% and 121% of GAS's full year plan respectively.

Regard 2H022 and onward outlooks, there are some pros and cons to consider:

- + Brent oil price is expected to cool down but still remain at high level of 85-95 USD/barrel for the rest of the year as Russia-Ukraine war is still going on besides sanction on Russia oil & gas export by some countries => still supported natural gas' selling price positively.
- + Thi Vai LNG storage (phase 1) is expected to operate in 2023: supplying 1.4 billion m3 of gas/year and support GAS's profit from mid-2023 as it will just come into operation
- However, the sharp increase in the global price of LNG will affect the import speed of LNG as well as the construction of LNG gas power plants that may face many difficulties in negotiating the Power Purchase Agreement (PPA) with EVN.
- 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.

Overall, we forecast average Brent oil price at USD93/barrel as well as GAS' 2022 business results with revenue of VND102,644 billion (+30% YoY) and NPAT from parent company VND13,595 billion (+56.7% n/n). Along with the volatile of oil prices as well as concerns about inflation and global recession, we value GAS with a target price of VND 119,000 for 2022.

	2019	2020	2021	2022F	2023F
Net Sales (VNDbn)	75,005	64,135	78,992	102,644	101,003
Growth (%)	-1%	-14%	23%	30%	-2%
EBITDA (VNDbn)	16,340	11,248	13,447	20,049	16,975
EBITDA margin (%)	22%	18%	17%	20%	17%
NPAT-MI (VNDbn)	11,902	7,855	8,673	13,596	11,477
Growth (%)	4%	-34%	10%	57%	-16%
EPS (VND)	6,051	3,993	4,409	6,912	5,834
Growth (%)	4%	-34%	10%	57%	-16%
ROE (%)	25%	16%	17%	24%	18%
ROIC (%)	18%	11%	12%	16%	13%
Net debt/EBITDA (x)	-1.6	-2.1	-1.6	-1.5	-2.0
PER (x)	18.5	28.0	25.4	16.2	19.2
EV/EBITDA (x)	12.0	17.5	14.6	9.8	11.6
PBR (x)	4.3	4.3	4.1	3.5	3.2
DPS (VND)	3,000	3,000	3,000	3,000	3,000
Dividend yield (%)	3%	3%	3%	3%	3%

## Mr. Huy Huynh

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## Company Update

Released date 10/6/2022

HOSE: HPG

Steel manufacture

Target price (VND) 54,870

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	(35.5)	(6.3)	(1.9)	(40.7)
Relative	(16.8)	(3.2)	(2.3)	(33.7)

Source: Bloomberg



## Ownership

Mr. Tran Dinh Long (Chair)	25.35%
Ms. Vu Thi Hien (Chair's wife)	7.34%
Dragon Capital	4.95%
VOF Investment Limited	3.76%

## Stock Statistics

10-Jun-22

Bloomberg code	HPG VN
52-week range (VND)	2,650 - 58,400
Shares O/S (m)	4,473
Mkt cap (VND bn)	151,856
Mkt cap (USD m)	6,575
Foreign room left (%)	28.1
Est. free float (%)	54.3
3m avg daily vol (shrs)	20,039,070
VND/USD	23,095
Index: VNIndex / HNX	99.08/310.69

## HOA PHAT GROUP JSC (HPG VN)

HPG's longer term outlook remains positive as capacity expansion has begun, however the company is unlikely to repeat last year's stellar results as short term margin pressures mount and capacity limitations restrict growth. We value HPG with a pre-issuance target price of 54,870 VND/share at the end of 2022, equivalent to a forward P/E of 6.4x.

In May 2022, total crude steel production of Hoa Phat reached 780,000 tons, increasing 16% yoy. While total steel sales of all kind reached 660,000 tons, increasing 10% yoy. Construction steel sales in May reached 393,000 tons, increasing 21% yoy as May 2021 was a low base when Ho Chi Minh city went into lockdown period due to COVID-19. Exporting activities also contributed to the positive operation results of Hoa Phat as the company exported 167,000 tons of steel in May (+100% yoy).

In 5 months of 2022, Hoa Phat produced 3.6 million tons of crude steel (+10% yoy), while total steel sales reached 3.4 million tons (+5% yoy). Construction steel is still the main product of the company, contributing 2 million tons to the total sale volume (+26% yoy), in which 631,000 tons of construction steel sales comes from exports (+100% yoy). Sales volumes of HRC steel reached 1.2 million tons, slightly higher than 2021.

Hoa Phat 5 months production	5M.2021	5M.2022	Growth
Total crude steel (mil. tons)	3.27	3.60	10%
Total sale volume (mil. tons)	3.23	3.40	5%
Construction steel sale volume	1.59	2.00	25.7%
HRC steel sale volume	1.10	1.20	9.1%

Source: Hoa Phat

The outlook for the remainder of 2022 is not as attractive as years past as Hoa Phat's growth is expected to be constrained by capacity limitations. The high price of coal also puts pressure on the company's gross margin as global demand for coal has been increasing. The recent COVID wave that put China into a long lockdown period has resulted in reduced global steel demand

HPG SUMMARY	2018	2019	2020	2021	2022E
Net Sales (VNDbn)	55,836	63,658	90,119	149,679	154,027
Growth (%)	21.0%	14.0%	41.5%	65.5%	3.4%
EBITDA (VNDbn)	12,834	12,381	22,359	46,475	36,497
Growth (%)	10.4%	-3.5%	80.6%	109.1%	-21.7%
Net Profit (VNDbn)	8,601	7,508	13,506	34,520	24,829
Growth (%)	7.1%	-12.7%	79.9%	155.6%	-26.4%
EPS (bonus-adjusted, VND)	1,858	1,691	3,020	7,170	4,056
Growth (%)	16.9%	-9.7%	78.5%	155.6%	-26.4%
ROE (%)	24.3%	18.6%	25.2%	37.9%	27.8%
ROIC (%)	13.1%	15.2%	17.6%	29.3%	25.4%
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	5.8
PER (x)	6.1	8.6	12.9	8.9	6.4
PBR (x)	1.5	2.0	2.3	2.1	1.4
DPS (VND)	0.0	0.0	500	500	500
Dividend Yield (%)	0%	0%	1.1%	1.1%	1.4%

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## Company Update

Released date **25/8/2022**

**HSX: FPT**

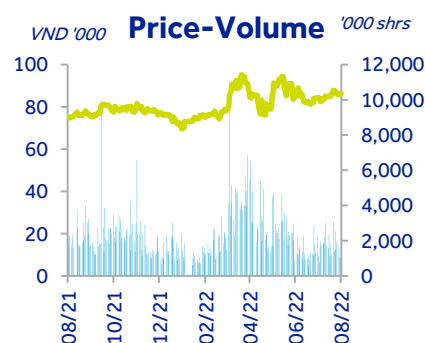
**Technology**

Target price (VND) **98,273**

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	9.5	(5.9)	(9.3)	6.8
Relative	28.2	(2.8)	(9.6)	13.8

Source: Bloomberg



## Ownership

Mr.Binh Truong (Chrm)	7.0%
SCIC	5.8%
Macquarie Group	4.7%

## Stock Statistics 25-Aug-22

<b>Bloomberg code</b>	<b>FPT VN</b>
52-week range (VND)	70,000-99,083
Shares O/S (m)	1,097
Mkt cap (VND bn)	95,661
Mkt cap (USD m)	4,065
Foreign room left (%)	0.0
Est. free float (m)	84.4
3m avg daily vol (shrs)	1,995,197
VND/USD	23,530
Index: VNIIndex / HNX	1282.5/299.5

## FPT CORPORATION (FPT VN)

The company reported strong performance in 1H2022, driven by an almost 30% YoY growth in software outsourcing segment, and is expected to maintain positive growth momentum for the rest of the year. Target price: VND98,273/share.

FPT announced net revenue and EBT growth of 22.2% and 23.9% YoY, reaching VND19,826bn and VND3,637bn, respectively, in 1H2022.

### FPT's 1H2022 business results:

Segments	Revenue (VND bn)	YoY growth	EBT (VND bn)	YoY growth
Software outsourcing (global IT services)	8,622	29.0%	1,367	28.9%
Domestic IT services	2,732	10.9%	225	2.7%
Telecom services	6,727	15.0%	1,288	20.6%
Online advertising	350	25.5%	157	22.4%
Education, investments & others	2,087	50.0%	2,488	12.5%
Elimination	692		1,889	
<b>Total</b>	<b>19,826</b>	<b>22.2%</b>	<b>3,637</b>	<b>23.9%</b>

Source: FPT

The global IT services segment grew by 29% YoY in revenue and 28.9% YoY in EBT in 1H2022, while maintaining its EBT margin compared to 1H2021. Most of its major markets continued to report glorious growth, including the US (+48.4%), APAC (+55.5%), Europe (+24.2%). The US market increased its share of revenue to nearly 32% and is gradually closing the gap with the Japanese market (currently the largest markets at c. 39% of the segment's revenue). Revenue from Japan climbed by 8.4% YoY, affected by deep depreciation of the JPY, although revenue in JPY rose by 17.8%. FPT has employed hedging measures and negotiated with clients to adjust service prices to mitigate these impacts. For the rest of the year, the segment is expected to maintain its high double-digit growth momentum given an increase of 40% YoY in signed revenue, reaching VND11,681bn; in which, while the US market's signed revenue was flat, Japanese market, whose growth had been slowed down significantly because of COVID-19, witnessed encouraging improvements in signed revenue in 2Q.

	2020	2021	2022F	2023F	2024F
Net Sales (VNDbn)	29,830	35,657	43,003	51,024	60,387
Growth (%)	7.6%	19.5%	20.6%	18.7%	18.3%
EBITDA (VNDbn)	6,038	6,665	8,289	9,794	11,644
EBITDA margin	20.2%	18.7%	19.3%	19.2%	19.3%
Net Profit (VNDbn)	3,538	4,338	5,565	6,706	8,131
Growth (%)	12.8%	22.6%	28.3%	20.5%	21.3%
EPS (bonus-adjusted, VND)	2,983	3,619	4,617	5,535	6,678
Growth (%)	12.2%	21.3%	27.6%	19.9%	20.7%
ROE	23.8%	25.8%	28.3%	28.4%	28.1%
ROA	9.4%	9.1%	10.0%	11.6%	13.7%
Net debt/EBITDA (times)	-0.7	-0.9	-0.7	-0.9	-1.1
EV/EBITDA (times)	12.0	10.8	8.7	7.4	6.2
PER (times)	28.9	23.8	18.7	15.6	12.9
PBR (times)	4.3	4.4	4.4	3.7	3.0
DPS (VND)	2,000	2,000	2,000	2,000	2,000
Dividend yield (%)	2.3%	2.3%	2.3%	2.3%	2.3%

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## Company Update

Released date 12/8/2022

HSX: VNM

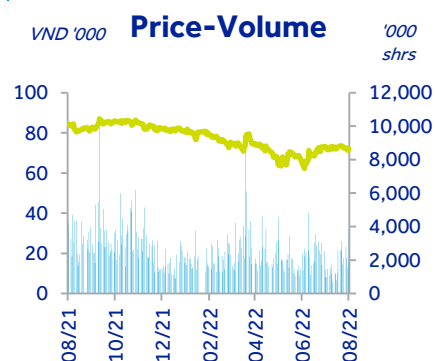
Consumer staples

Target price (VND) 81,132

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	(8.4)	5.8	15.6	(7.5)
Relative	10.3	9.0	15.3	(0.4)

Source: Bloomberg



## Ownership

SCIC	36.0%
F&N Dairy Investment Pte	17.7%
Platinum Victory Pte	10.6%

## Stock Statistics

12-Aug-22

Bloomberg code VNM VN

52-week range (VND)	64,500-92,400
Shares O/S (m)	2,090
Mkt cap (VND bn)	150,268
Mkt cap (USD m)	6,418
Foreign room left (%)	45.4
Est. free float (m)	35.2
3m avg daily vol (shrs)	2,052,346
VND/USD	23,530
Index: VNIndex / HNX	1262.3/303.4

## VIETNAM DAIRY PRODUCTS JSC (VNM VN)

With milk material prices starting to decelerate, VNM's profit margins are expected to see decent improvements in 4Q2022 and the following year. However, we revised down our projections for the company in 2022 to reflect lower-than-expected results in 1H, though a lower target price of VND81,132/share.

VNM announced 2Q2022 net revenue of VND14,930bn (-5% YoY) and EAT of VND2,102bn (-26.6% YoY). Domestic revenue fell by 5.9% YoY, despite an increase in selling prices, explained by:

- VNM notes that sales were impacted from inflationary pressures hurting consumer spending. Although we are not fully convinced by this reason considering the controlled inflation rate in Vietnam in 1H2022, it is understandable to some extent if the significant jump in fuel prices and transportation services causes consumers to rebalance their wallets, curbing spending for some other products. Nevertheless, these impacts seem to be more influential in urban area in this period as Kantar Worldpanel's reports indicated that dairy consumption slid by 1% (including 4% drop in volume) in urban 4 key cities, but was resilient in rural area with a growth rate of 13.1% (including 8% increase in volume) in 2Q2022.
- Decline in the company's market share, especially drinking milk except fresh milk. Although detailed numbers were not disclosed, the decline stemmed from the company's rearrangement of distribution system and consumers gradually moving from other drinking milk products to fresh milk, according to VNM's management. Additionally, increasingly tougher competition could be a huge pressure for the company as more foreign players jumped in the market while the local brands also look to strengthen their positions.

Falling consumption volume as a result of increase in selling prices, leading VNM to raise promotion and sales support expenses to stimulate demand after price changes.

	2020	2021	2022F	2023F	2024F
Net Sales (VNDbn)	59,636	60,919	61,273	64,312	67,487
Growth	5.9%	2.2%	0.6%	5.0%	4.9%
EBITDA (VNDbn)	14,740	13,879	12,318	14,164	14,785
EBITDA margin	24.7%	22.8%	20.1%	22.0%	21.9%
Net Profit (VNDbn)	11,099	10,533	9,029	10,500	11,017
Growth	4.9%	-5.1%	-14.3%	16.3%	4.9%
EPS (bonus-adjusted, VND)	4,774	4,531	3,884	4,517	4,739
Growth	4.7%	-5.1%	-14.3%	16.3%	4.9%
ROE	37.8%	32.7%	26.9%	29.8%	29.0%
ROA	23.8%	20.7%	17.1%	20.1%	21.2%
Net debt/EBITDA (times)	-0.8	-1.0	-1.3	-1.3	-1.5
EV/EBITDA (times)	9.3	9.8	11.1	9.6	9.2
EV/sales (times)	2.3	2.2	2.2	2.1	2.0
PER (times)	15.1	15.9	18.5	15.9	15.2
PBR (times)	4.8	4.5	4.4	4.1	3.8
DPS (VND)	4,100	3,850	3,850	3,850	3,850
Dividend yield	5.7%	5.4%	5.4%	5.4%	5.4%



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## Company Update

Released date

28/7/2022

HSX: VRE

Property

Target price (VND)

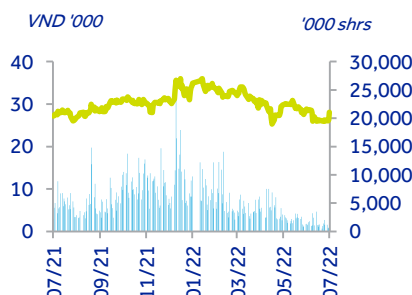
36,668

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	(3.3)	1.9	2.2	(0.5)
Relative	15.4	5.0	1.9	6.5

Source: Bloomberg

## Price-Volume



## Ownership

Vingroup JSC

60.3%

## Stock Statistics

28-Jul-22

Bloomberg code

VRE VN

52-week range (VND) 25,100 - 37,000

Shares O/S (m) 2,272

Mkt cap (VND bn) 63,852

Mkt cap (USD m) 2,715

Est. Foreign room left (%) 18.4

Est. free float (%) 23.5

3m avg daily vol (shrs) 2,460,206

VND/USD 23,520

Index: VNIIndex / HNX 1217.05/290.83

## VINCOM RETAIL JSC (VRE VN)

**Upgrade 2022 forecasts and our target price to VND36,668 given lower expected supporting package to tenants, higher 2022 property presales and lower net debt balance. Stock price has adjusted by 12% since our update report in 3/2022.**

VRE announced a positive 2Q2022 result with net revenue of VND1,850bn (+23% YoY) and PAT of VND773bn (+100% YoY), which was in line with our forecast. This result was mainly thanks to a 33% YoY growth of leasing revenue, to VND1,822bn driven by: (1) minimal supporting package when tenants returned to relatively normal businesses compared with VND424bn spent in 2Q2021 and (2) openings of VMM Smart City, VCP My Tho and VCP Bac Lieu with total retail GFA of ~93,000 sqm in 2Q2022.

On the other hand, property sales dropped by 91% YoY, to VND8bn due to lower units delivered (2 units vs 16 units). However, presales recorded deposits for 218 units in 2 new projects, leading to unbilled bookings of VND2,900bn at the end of 2Q2022 which will drive property sales to increase in 2023.

For 1H2022, VRE recorded stable result compared with 1H2021 with net revenue of VND3,219bn (-14% YoY) and PAT of VND1,151bn (-2% YoY), completing 40% and 48% of targets, respectively.

	2Q2021	2Q2022	YoY	1H2021	1H2022	YoY
Leasing revenue	1,370	1,822	+33%	3,082	3,069	-0%
Property sales	96	8	-91%	548	93	-83%
Other revenue	45	19	-59%	107	58	-46%
<b>Total revenue</b>	<b>1,510</b>	<b>1,850</b>	<b>+23%</b>	<b>3,737</b>	<b>3,219</b>	<b>-14%</b>
<b>PAT</b>	<b>388</b>	<b>773</b>	<b>+100%</b>	<b>1,168</b>	<b>1,151</b>	<b>-2%</b>

Source: VRE's unaudited 2Q2022 FS.

As of 2Q2022, VRE has 83 operating malls with a total retail GFA of ~1.75mn sqm (+6% YoY) and average occupancy rate of 82.5% (-1.6 ppts YoY). Next year, VRE plans to open VMM The Empire, VMM Grand Park and some VCPs in Ha Giang, Quang Tri, etc. to increase total retail GFA to ~2mn sqm. For 2024-2026 period, VRE plans retail GFA to reach ~3-3.7mn sqm with VMM as the main contribution.

	2019	2020	2021	2022E	2023E
Net Sales (VNDbn)	9,259	8,329	5,891	7,618	11,269
Growth	1.5%	-10.0%	-29.3%	29.3%	47.9%
EBITDA (VNDbn)	5,030	4,575	3,250	4,505	6,389
Growth	24.3%	-9.0%	-29.0%	38.6%	41.8%
PAT (VNDbn)	2,853	2,382	1,315	2,396	3,855
Growth	18.2%	-16.5%	-44.8%	82.2%	60.9%
EPS (bonus-adjusted, VND)	1,227	1,048	578	1,054	1,697
Growth	0.6%	-14.6%	-44.8%	82.3%	60.9%
ROE	10.3%	8.5%	4.4%	7.5%	11.0%
ROIC	10.3%	8.5%	4.5%	7.6%	11.6%
Net debt/EBITDA (times)	0.1	0.2	-0.1	-0.3	-0.5
EV/EBITDA (times)	12.3	13.5	19.0	13.7	9.7
PER (times)	22.4	26.8	48.6	26.6	16.6
PBR (times)	2.4	2.2	2.1	1.9	1.7
DPS (VND)	1,050	0	0	0	0
Dividend yield	3.7%	0.0%	0.0%	0.0%	0.0%

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## Company Update

Released date 28/7/2022

HOSE: SCS

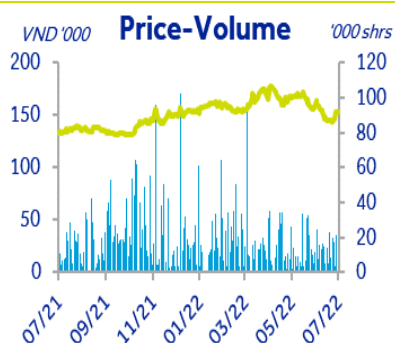
Transportation infrastructure

Target price (VND) 191,000

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	(5.2)	(5.7)	(8.8)	8.6
Relative	13.5	(2.6)	(9.1)	15.6

Source: Bloomberg



## Ownership

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

## Stock Statistics 28-Jul-22

Bloomberg code	SCS VN
52-week range (VND)	126,100-181,500
Shares O/S (m)	51
Mkt cap (VND bn)	8,246
Mkt cap (USD m)	352
Foreign room left (%)	3.4
Est. free float (m)	30.7
3m avg daily vol (shrs)	13,603
VND/USD	23,415
Index: VNIndex / HNX	1,209.77/291.76

## Saigon Cargo Services Corporation (SCS VN)

**Subdued 3Q2022 on the horizon before the peak season in 4Q2022 amid the holiday season. We value SCS with a TP of 191,000.**

**Events:** SCS ended 2Q2022 with a negative 1.5% YoY revenue growth to VND208.8bn and an increase in net profit by 1.7% YoY to VND153.0bn, equivalent to 22.4% and 25.9% of our FY2022 forecasts, respectively. As contract renewal is effective from 4Q2021, SCS's ASP increased by 9.5% YoY in 2Q2022. However, cargo volume through SCS' terminal declined by 10.2% YoY in 2Q2022, resulting in a declining top line. In details, international tonnage declined by 2.1% YoY while domestic tonnage continue its sharp drop by 31.9% YoY in 2Q2022.

Thanks to a strong 1Q2022, international tonnage via SCS's terminal kept its green shade with 18.0% YoY growth in 1H2022 while domestic tonnage enters the declining trend for 6 consecutive months. Overall, SCS's 1H2022 international tonnage fulfilled 54.0% of our FY2022 forecast while domestic tonnage is only equivalent to 38.0%.

According to management, cargo volume will continue to drop in 3Q2022 given the seasonality of the business and as air freight is now less favourable compared to sea freight (sea freight rates softened by nearly 25% since the beginning of the year). In 4Q2022, cargo volume is expected to peak up again as the holidays and festivity period comes. Other businesses are almost flat.

	2Q2022	YoY growth	1H2022	YoY growth
Revenue	208.8	-1.5%	454.7	+11.4%
Avg. selling price (VND mn)	3.5	+9.5%	3.5	+8.2%
Tonnage (tonnes)	55,435	-10.2%	122,039	+3.5%
Gross Margin	79.8%	-0.5 ppts	81.8%	+2.0 ppts
Net Profit	153.0	+1.7%	340.5	+18.3%
Net Margin	73.3%	+2.3 ppts	74.9%	+4.4 ppts

Source: Company data, ACBS

**Forecast changes:** We slightly increase international tonnage forecast by 3.7% to 191,962.2 tonnes in FY2022 while adjust down our FY2022 volume forecast for the domestic segment by 32.0% to 40,028.5 tonnes. We note that our new forecasts are now 104.3% and 71.5% of company's full year targets, respectively. We also revise our expect ASP to VND3.7mn/tonne (+6.0% YoY) to reflect higher 2Q2022 ASP than expectation.

(continued on next page...)

	2019	2020	2021	2022E	2023E
Net Sales (VNDbn)	748	693	839	908	1,026
Growth (%)	10.8	-7.4	21.1	8.2	13.1
EBITDA (VNDbn)	582	525	628	688	786
Growth (%)	12.8	-9.8	19.6	9.6	14.2
Net Profit (VNDbn)	466	430	529	589	696
Growth (%)	20.9	-7.7	22.9	11.3	18.2
EPS (bonus-adjusted, VND)	9,307	8,510	10,425	11,604	13,713
Growth (%)	20.6	-8.6	22.5	11.3	18.2
ROE (%)	49.4	42.6	46.7	40.1	35.8
ROA (%)	45.6	39.7	42.2	36.0	32.8
Net debt/EBITDA (x)	-0.4	-0.5	-0.9	-1.8	-2.1
EV/EBITDA (x)	13.0	14.6	12.2	10.1	7.6
PER (x)	16.4	17.9	14.6	13.1	11.1
PBR (x)	7.6	7.6	6.2	4.6	3.5
DPS (VND)	8,000	8,000	3,000	3,600	3,600
Dividend Yield (%)	5.2	5.2	2.0	2.4	2.4



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## Company Update

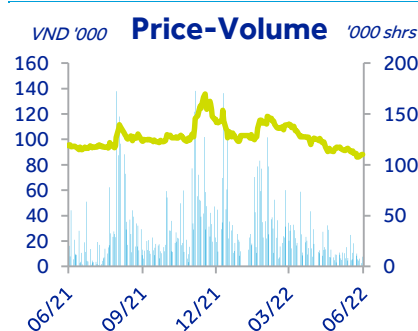
Released date 29/6/2022

**HSX: DHG**
**Pharmaceuticals**
**Target price (VND) 111,512**

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	(17.6)	(0.8)	-	(5.2)
Relative	1.1	2.4	(0.3)	1.8

Source: Bloomberg



## Ownership

Taisho 51.0%

SCIC 43.3%

## Stock Statistics

29-Jun-22

Bloomberg code **DHG VN**

52-week range (VND) 85,100-142,500

Shares O/S (m) 131

Mkt cap (VND bn) 11,532

Mkt cap (USD m) 501

Foreign room left (%) 45.8

Est. free float (m) 5.6

3m avg daily vol (shrs) 18,600

VND/USD 23,415

Index: VNIndex / HNX 1211.01/279.2

## DHG PHARMACEUTICAL JSC (DHG VN)

**DHG remains one of the leading domestic producers in the industry with a well-known brand name, pervasive distribution network and healthy company financials. We value DHG with a target price of VND111,512/share, representing a 30.1% expected total return.**

DHG generated VND1,065bn of net revenue, climbing by 4.7% YoY, in 1Q2022. Finished products, capturing 85% of DHG's overall net revenue, experienced decent growth of 13.6% YoY, explained by higher demand for healthcare products and drugs that support COVID-19 treatment in light of the outbreak in early months of this year. Nevertheless, we do not assume this growth may extend in the following quarters considering a relatively high base in 2Q and 3Q2021, unless the virus variants trigger additional waves of infection.

The pharmacy channel remains DHG's key revenue earner while the hospital channel accounts for c.10%. DHG currently has two Japan-GMP standardized production lines, enabling the company to enter top-ranking bids in hospital channel for generic drugs. More production lines could be upgraded to higher standards if needed. A new beta-lactam factory meeting Japan/EU-GMP standards (investment of VND627bn) may start construction this year, tentatively going into operation in 2024 and doubling the current capacity.

Thanks to a widened gross margin (47.4% in 1Q2022 vs 44.3% in 1Q2021) and a lower SG&A to net revenue ratio (21.3% in 1Q2022 vs 22.2% in 1Q2021), the company's EBT jumped by 24.5% YoY to VND286bn in 1Q2022. However, the company projects 2022 gross margin may be maintained around 2021's level, driven by increased raw material prices owing to higher logistic and transportation costs. The current SG&A to net revenue ratio is not expected to sustain for the whole year as the company plans to implement more activities, recognizing more expenses in the following quarters.

We project the company's top line growth at 5.4% YoY in 2022; in which finished products revenue may increase by 7.8% YoY. EBT is forecasted at VND903bn (+4.5% YoY), compared with the company's target of VND853bn (-1% YoY). **Combining the DCF and PER methods, our target price for this stock is VND111k/share.**

	2020	2021	2022F	2023F	2024F
Net Sales (VNDbn)	3,756	4,003	4,218	4,548	4,924
Growth	-3.6%	6.6%	5.4%	7.8%	8.3%
EBITDA (VNDbn)	799	866	905	977	1,061
EBITDA margin	21.3%	21.6%	21.4%	21.5%	21.5%
Net Profit (VNDbn)	740	777	810	869	937
Growth	16.4%	5.0%	4.3%	7.2%	7.8%
EPS (bonus-adjusted, VND)	5,443	5,720	5,997	6,432	6,934
Growth	16.6%	5.1%	4.9%	7.2%	7.8%
ROE	21.3%	21.1%	20.3%	19.5%	18.9%
ROA	17.2%	17.1%	15.9%	15.5%	16.4%
ROIC	37.6%	40.0%	31.4%	28.0%	28.8%
Net debt/EBITDA (times)	-2.4	-2.2	-1.5	-1.9	-2.1
EV/EBITDA (times)	12.0	11.0	10.6	9.8	9.0
EV/sales (times)	2.5	2.4	2.3	2.1	1.9
PER (times)	16.2	15.4	14.7	13.7	12.7
PBR (times)	3.2	3.0	2.7	2.5	2.2
DPS (VND)	4,000	3,500	3,000	3,000	3,000
Dividend yield	4.5%	4.0%	3.4%	3.4%	3.4%

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## Company Update

Released date **16/6/2022**

**HOSE: MSN**

**Consumer goods**

Target price (VND) **115,922**

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	(20.5)	3.5	2.7	(8.8)
Relative	(1.7)	6.6	2.3	(1.8)

Source: Bloomberg



## Ownership

CTCP Masan	31.23%
CT TNHH MTV TVXD Hoa Hường Dương	13.21%
SK Investment Vina I	9.26%

## Stock Statistics

16-Jun-22

Bloomberg code	MSN VN
52-week range (VND)	85,700 - 145,833
Shares O/S (m)	1,424
Mkt cap (VND bn)	161,450
Mkt cap (USD m)	7,013
Foreign room left (%)	20.1
Est. free float (m)	45.4
3m avg daily vol (shrs)	1,119,923
VND/USD	23,020
Index: VNIndex / HNX	1244.89 / 289.19

## MASAN GROUP CORPORATION (MSN VN)

MSN continues to develop its consumer-retail ecosystem and posted improved results in 1Q 2022 driven by strong performance in the consumer and resources sector. We value MSN with a target price of VND115,922/share, using NAV method, on the back of growth in their consumer products and the accelerating path to profitability of Wincommerce.

Ending 2021, audited financial statement of MSN shows a top line of 88,629bn (+14.8% YoY) and Net Profit of VND 8,562bn (+593.9% YoY). Primarily thanks to:

- MCH's growth in social distancing environment (+20% YoY in top line),
- TCB continued to shine with its net profit VND18,052bn (+46% YoY) which translated to a 48% increase in profit from associates of MSN, and
- Improved operating result of Wincommerce (WCM) from a negative EBITDA to a positive one, with EBITDA margin improving from (4.0%) to 3.6%.

Going forward to Q1 2022, unaudited financial statement of MSN shows a top line of VND18,189bn (-8.9% YoY) and Net profit of VND 1,595.8bn (+752% YoY). The decline in top line was due to deconsolidation of the feed segment in MML after MSN sold this segment to De Heus end of last year. If excluding the feed segment, net revenue grew 11.9% in Q1 2022 with MCH and MHT reporting double digit growth. Core business growth is the driving force for increase in bottom line for MCH. While MHT benefited from price hike in commodities market.

	Q1 2021	Q1 2022	%	2022F	%
<b>Total Net Revenues</b>	<b>19,997</b>	<b>18,189</b>	<b>(8.9%)</b>	<b>87,759</b>	<b>(6%)</b>
• MCH	5,494	6,448	17.4%	31,048	12%
• WCM	7,242	7,297	0.8%	37,008	20%
• MHT	2,963	3,930	32.6%	14,920	10%
• MML	4,704	931	(80.2%)	4,783	7%*

\*If excluding feed segment in 2021

For 2022, the Company set a target top line to be between VND90 trn to 100 trn (+22%-36% YoY if exclude feed segment revenue) while EAT is expected to be between VND6.9 trn – VND8.5trn (+82% - 124% YoY not including one-time gains/losses and feed segment contribution).

We hold a slightly more conservative view with our forecasts for top line of VND 87.7 trn (-1% YoY or +18% if exclude feed segment revenue) and EAT of VND 7,058bn (-29.7% YoY or +87% YoY not including one-time gains/losses and feed segment contribution). Key growth driver for MSN is still MCH with consumer spending to focus on cheaper alternative food (i.e. instant noodles) as CPI increase and MHT to maintain high asp thanks to price hike in commodities market.

	2018	2019	2020	2021	2022E
Net Sales (VNDbn)	38,187	37,354	77,218	88,629	87,759
Growth (%)	1.5%	-2.2%	106.7%	14.8%	-1.0%
EBITDA (VNDbn)	9,243	7,968	9,150	11,028	9,546
Growth (%)	20.6%	-13.8%	14.8%	20.5%	-13.4%
Net income (VNDbn)	4,916	5,558	1,234	8,563	5,983
Growth (%)	58.4%	13.1%	-77.8%	593.9%	-30.1%
EPS (VND)	4,226	4,754	1,050	7,253	4,223
Growth (%)	42.7%	12.5%	-77.9%	590.5%	-41.8%
ROE (%)	22.2%	15.4%	4.2%	35.1%	16.7%
Net debt/EBITDA (x)	1.6	2.7	5.7	2.6	3.2
PER (x)	26.0	23.1	104.7	15.2	26.0
EV/EBITDA (x)	2.7	3.1	2.7	2.3	2.6
EV/sales (x)	0.4	0.4	0.2	0.2	0.2
PBR (x)	4.3	3.0	8.1	4.0	4.0
DPS (VND)	0	0	0	0	0
Dividend yield (%)	0%	0%	0%	0%	0%

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## Company Update

Released date 16/6/2022

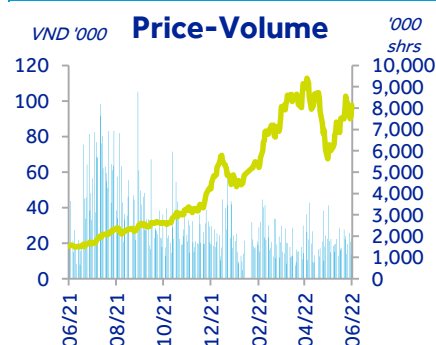
**HSX: FRT**
**Retail**

Target price (VND) 113,365

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	26.2	2.6	(9.6)	190.2
Relative	44.9	5.7	(10.0)	197.2

Source: Bloomberg



## Ownership

FPT Corp.	46.5%
VinaCapital FD MGM JSC	4.8%
VOF Investment	4.8%
Amersham Industries	2.9%

## Stock Statistics 16-Jun-22

<b>Bloomberg code</b>	<b>FRT VN</b>
52-week range (VND)	17,600–116,667
Shares O/S (m)	118
Mkt cap (VND bn)	11,575
Mkt cap (USD m)	503
Foreign room left (%)	29.9
Est. free float (m)	51.3
3m avg daily vol (shrs)	1,614,245
VND/USD	23,020
Index: VNIndex / HNX	1236.6/287.7

## FPT DIGITAL RETAIL JSC (FRT VN)

We rate FRT with a target price of VND113,365/share, representing a 16.5% expected total return, fostered by Long Chau pharmacy chain's potential outlook and improvements in its profitability.

FRT's business picture was refreshed by advances in its results. The company reported vigorous growth in 2021 – net revenue of VND22,495bn (+53% YoY) and EAT of VND444bn (2020: VND10bn) – and 1Q2022. In addition to growing from a low base 2020, the performance came as a result of:

- Expansion of Long Chau pharmacy chain's scale and profitability.** Besides growth from network expansion, the chain's sales benefited from increased demand for its products due to the strong outbreak of COVID-19 in Vietnam in 2021 and early 2022. Of note, Long Chau started to post positive EAT in 2021, albeit still moderate at VND3.7bn in our estimate.
- Surging demand for laptops and other devices** serving working from home, online learning, etc. amid the outbreak and in social distancing stages. Sales of other technology devices also recovered dramatically after the end of social distancing.

In 1Q2022, FRT recorded net revenue growth of 66.9% YoY to VND7,786bn. FPT Shop chain generated VND5,646bn (+38.3% YoY), in which laptop revenue continued to rise by 74% YoY, accounting for 25% of FPT Shop's revenue. Still, we do not expect this growth to sustain in the following quarters, given high base last year and that the working-from-office and direct learning modes have been resumed as the pandemic cools down now. FPT Shop opened 29 new shops in 1Q, bringing its number of shops in operation to 676 at the end of March 2022 (YE2021: 647). In 2021, the chain expanded its product portfolio by adding small home appliances to shops that are large enough, under shop-in-shop model. This product group is set to be present in at least 160 shops at the end of this year, from 100 shops currently, and its performance will decide next steps of expansion in terms of product category (e.g. larger appliances), scale, business model, etc. However, its revenue contribution remains humble at this time. We think the expansion to home appliances may support FPT Shop in improving customer traffic, taking advantage of its customer base to enhance revenue per store.

	2020	2021	2022F	2023F	2024F
Net Sales (VNDbn)	14,661	22,495	27,806	31,587	35,428
Growth	-11.9%	53.4%	23.6%	13.6%	12.2%
EBITDA (VNDbn)	73	513	697	840	991
EBITDA margin	0.5%	2.3%	2.5%	2.7%	2.8%
Net Profit (VNDbn)	25	444	572	671	784
Growth	-88.4%	1697.4%	29.0%	17.2%	16.8%
EPS (bonus-adjusted, VND)	177	3,746	4,594	5,384	6,290
Growth	-89.8%	2014.3%	22.6%	17.2%	16.8%
ROE	2.0%	30.9%	30.2%	27.9%	26.0%
ROA	0.4%	5.5%	5.2%	5.9%	6.6%
ROIC	2.4%	11.8%	10.9%	12.0%	13.3%
Net debt/EBITDA (times)	13.6	6.1	4.5	3.5	2.7
EV/EBITDA (times)	147.5	21.1	15.5	12.9	10.9
EV/sales (times)	0.7	0.5	0.4	0.3	0.3
PER (times)	551.4	26.1	21.3	18.1	15.5
PBR (times)	6.4	4.6	5.5	4.4	3.5
DPS (VND)	-	500	1,000	1,000	1,000
Dividend yield	0.0%	0.5%	1.0%	1.0%	1.0%

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## Company Update

Released date 17/5/2022

HOSE: VHC

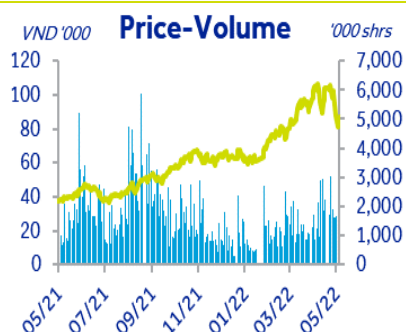
Aquaculture

Target price (VND) 112,300

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	33.3	3.7	(11.8)	77.0
Relative	52.0	6.8	(12.1)	84.0

Source: Bloomberg



## Ownership

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

## Stock Statistics 17-May-22

Bloomberg code	VHC VN
52-week range (VND)	36,000-108,900
Shares O/S (m)	182
Mkt cap (VND bn)	15,829
Mkt cap (USD m)	683
Foreign room left (%)	75.1
Est. free float (m)	50.3
3m avg daily vol (shrs)	1,382,171
VND/USD	23,200
Index: VNIndex / HNX	1,216.20/315.04

## VINH HOAN CORPORATION JSC (VHC VN)

### Taking advantage from increasing global demand and shortage of supply from Russia

VHC posted an outstanding 1Q2022. We value with a target price of 112,300 VND/share.

**1Q2022 snapshot:** VHC posted an impressive 82.7% YoY revenue growth to VND3,267.6bn in 1Q2022 with a high 23.8% gross margin – the highest quarterly gross margin since 2018. The pangasius segment – the largest contributor to VHC's blended revenue, recorded a high 79.5% YoY revenue growth, mainly thanks to the recovery in global demand as F&B operators reopened worldwide. VHC launched the BasaMaster brand at the end of 2021, which is currently distributed in 17/19 supermarkets in the US and is available in Vietnam both via traditional and online channels. The US market recorded the highest growth rate of 127.4% YoY in 1Q2022, followed by China (46.4% YoY) and the EU (32.5% YoY). We believe Vietnamese pangasius currently have a great advantage given ongoing economic sanctions imposed by the US and EU countries on Russia (As of 10M21, Russia exports USD731 of pollock, 38.9% of global pollock export). On the other hand, while Vietnam is the 3<sup>rd</sup> largest white fish exporter to Russia, Vietnam's pangasius exports to Russia only account for 2% of Vietnam's total export turnover, thus the declining exports since Feb 2022 have had minimal impacts. Finally, VHC posted quadrupled earnings of VND547.8bn in 1Q2022 (+318.0% YoY).

VND bn	1Q2022	YoY growth
<b>Total sales</b>	<b>3,268</b>	<b>82.7%</b>
Pangasius	2,145	79.5%
By-product	412	36.9%
Wellness	219	40.4%
Value-added products	38	15.2%
Shrimp chips	100	159.1%
Rice products	22	87.2%
Others	332	550.0%

**Outlook:** The global economic recovery is expected to boost global demand for pangasius as international tourism and the recovery of the F&B sector will continue in 2022. Pangasius raw material prices surged by 39.6% YoY, while fingerlings prices have surged by 59.1% YoY. On the other hand, juvenile prices have also started to jump since end of March 2022. From declining 1.4% YoY in 1Q2022, juvenile prices jumped by 54.7% YoY last month, suggesting a strong uptrend for pangasius raw material prices in the next few months.

	2019	2020	2021	2022E	2023E
Net Sales (VNDbn)	7,867	7,037	9,054	13,241	15,623
Growth (%)	-15.1	-10.5	28.7	46.2	18.0
EBITDA (VNDbn)	1,292	892	1,537	2,372	2,643
Growth (%)	-29.6	-30.9	72.3	54.3	11.4
Net Profit (VNDbn)	1,179	719	1,099	1,676	1,904
Growth (%)	-18.2	-39.0	52.8	52.5	13.6
EPS (bonus-adjusted, VND)	12,776	3,953	6,040	9,212	10,464
Growth (%)	-18.2	-39.0	52.8	52.5	13.6
ROE (%)	26.5	14.3	20.1	25.7	23.7
ROA (%)	18.3	10.4	13.8	16.7	15.2
Net debt/EBITDA (x)	-0.6	-0.3	0.3	0.3	0.1
EV/EBITDA (x)	6.8	19.9	12.1	7.9	7.0
PER (x)	7.2	23.1	15.1	9.9	8.7
PBR (x)	3.4	3.2	2.9	2.3	1.9
DPS (VND)	-	2,000	2,000	2,000	2,000
Dividend Yield (%)	-	2.2	2.2	2.2	2.2



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## Company Update

Released date 26/7/2022

**HSX: PNJ**
**Discretionary**
**Target price (VND) 133,026**

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	17.7	(1.6)	(6.6)	23.8
Relative	36.4	1.6	(6.9)	30.8

Source: Bloomberg



## Ownership

VietFund Management	10.2%
VinaCapital	4.5%
Dragon Capital	3.5%
Duy Cao	2.8%

## Stock Statistics 26-Jul-22

<b>Bloomberg code</b>	<b>PNJ VN</b>
52-week range (VND)	84,900-131,100
Shares O/S (m)	242
Mkt cap (VND bn)	27,024
Mkt cap (USD m)	1,154
Foreign room left (%)	0.0
Est. free float (%)	83.4
3m avg daily vol (shrs)	891,594
VND/USD	23,495
Index: VNIndex / HNX	1183.1/281.5

## PHU NHUAN JEWELRY JSC (PNJ VN)

We revised up our projections for 2022 given the company's vigorous performance in 1H2022 and our positive growth expectations for the rest of the year. Target price VND133,026/shr.

PNJ generated net revenue of VND18,210bn (+56.5% YoY) and EAT of VND1,088 (+48% YoY) in 1H2022, beating our projections by c.20% on the top line and c.12% on EAT. Besides growth from the low base in June 2021, a jump in gold bar & high-gold-content revenue (+73.6% YoY) and splendid growth in the retail segment (+90.6% YoY), despite low season, together with the company's cost optimization drove the company to better-than-expected results in 2Q. Net revenue and EAT grew by 81.1% and 64.8% YoY, respectively, in 2Q2022.

PNJ's 1H2022 results		YoY growth
<b>Net revenue</b>	<b>18,210</b>	<b>56.5%</b>
Retail	10,671	61.9%
Wholesale	2,149	30.1%
Gold bar	5,135	65.6%
Others	255	-9.7%
<b>EAT</b>	<b>1,088</b>	<b>48.0%</b>

Source: PNJ

The retail segment generated 61.9% YoY revenue growth in 1H2022, driven by strong growth of the existing stores (though the company did not disclosed a specific number) and rising contribution of new stores. By the end of June 2022, PNJ had 351 stores (YE2021: 341) in operation, including 332 gold stores (YE2021: 319). The company witnessed increase in number of new customers, bill value and frequency of repurchasing of the existing customers. Digital transformation has helped PNJ enhance data analysis capabilities to create effective marketing activities and dynamic product portfolio at each point of sale satisfying customers' interest.

	2020	2021	2022F	2023F	2024F
Net sales (VNDbn)	17,511	19,547	33,895	38,022	42,702
Growth	3.0%	11.6%	73.4%	12.2%	12.3%
EBITDA (VNDbn)	1,575	1,486	2,631	3,025	3,469
EBITDA margin	9.0%	7.6%	7.8%	8.0%	8.1%
Net profit (VNDbn)	1,069	1,029	1,936	2,292	2,672
Growth	-10.4%	-3.8%	88.2%	18.3%	16.6%
EPS (bonus-adjusted, VND)	4,418	4,242	7,550	8,689	10,031
Growth	-11.0%	-4.0%	78.0%	15.1%	15.4%
ROE	21.8%	18.3%	25.9%	23.3%	22.5%
ROA	12.5%	10.8%	17.6%	19.3%	20.7%
Net debt/EBITDA (times)	0.9	1.6	0.1	(0.2)	(0.5)
EV/EBITDA (times)	18.6	19.7	11.1	9.7	8.5
EV/Sales (times)	1.7	1.5	0.9	0.8	0.7
PER (times)	25.4	26.4	14.8	12.9	11.2
PBR (times)	4.8	4.2	3.0	2.6	2.2
DPS (VND)	2,000	2,000	2,000	2,000	2,000
Dividend yield	1.8%	1.8%	1.8%	1.8%	1.8%

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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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