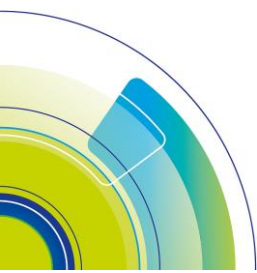




# **Vietnam Strategy – 2023**

**Monday, February 06, 2023**

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## Research Department

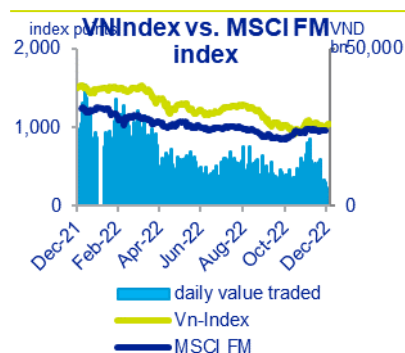
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## Strategy Report 2023

### 2022 Index performance (%)

	1M	3M	6M	12M
<b>VNIndex</b>	0.2%	-10.1%	-16.9%	-36.6%
<b>MSCI FM</b>	3.1%	10.1%	0.3%	-17.1%



### Stock Statistics

2022

<b>Bloomberg code</b>	<b>VNIndex</b>
52-week range (pts)	874-1,531
Members	402
Mkt cap (VND bn)	4,422,323
Mkt cap (USD m)	186,360
Daily avg. traded vol (shrs)	599,726,470
Daily avg. traded val (VND bn)	15,366
VND/USD	23,750
Index: VNIndex / HNX	1,123.38/221.56

## Cheap valuation to buy in

The Vietnamese economy was a global stand out in 2022, posting its highest GDP growth rate since 1997 at 8.1%, while most of the world struggled with high inflation, volatile exchange rates, high energy prices and hawkish central banks. However, the impacts of the global turmoil were starting to be felt in the last months of the year with IIP, PMI and exports dropping sharply. From Oct-Nov, the economy suffered as liquidity in the capital markets dried up following the investigation of corporate bonds issuances from large real estate corporates. In 2023, even though the GDP target remains high at 6.5%, the main pillars, which are manufacturing, export/FDI and domestic consumption are all showing signs of weakening. The CPI in 2022 was kept at a reasonable 3.1% and we believe that there will not be any inflationary shocks in 2023, giving the Government ample room to boost the country's public spending. The capital injected into the economy could smoothen the system's liquidity issues and boost several sectors such as construction, material, logistics, industrial parks, etc.

The VN-Index had a difficult year in 2022 as the global headwinds resulted in aggressive interest rate hike throughout most of the year and the anti-corruption efforts to weed out nefarious actions by some large companies took their toll on investor sentiment with the index dropping from a peak of 1,520.0 points on early Apr 2022 to as low as 911.9 points in mid Nov 2022, along with a significant decrease in market liquidity, which declined by 57.2% on avg. in 4Q2022 from that in 1Q2022. Liquidity dropped to as low as VND5,500bn/session in Dec 2022. The sharp drop in some share prices, combined with negative market sentiment and low liquidity, triggered margin calls, mostly across real estate developers. Some tickers recorded up to 65-67% drop in share price. As the market touched its bottom with an attractive valuation of 9.9x, well below the 10 years avg. of 14.7x, foreign investors started to come back into Vietnam, with a net inflow of VND26,839bn (~USD1.1bn) in only the last two months of the year.

Moving to 2023, we estimate the VN-Index to reach 1,217 pts with a 12.8% earnings growth and a PER of 11.3x. Our base case scenario is based on the assumptions of 1) the resilience of the banking sector as asset quality and NIM would remain stable, 2) as we expect inflation to remain subdued in 2023, the Vietnamese Government would have more room to boost on public spending, boosting the construction material sector as well as all related sectors such as logistics and industrial parks. The capital injected into the economy through public spending will help the smoothen the system's liquidity issues and thus ease access to loans, particularly in the manufacturing sector. While uncertainties remain around the economic outlook both domestically and globally, Vietnam's economy might weaken in 1H2023, we believe the situation might differ regarding the Vietnam market equity as valuation is currently very attractive and this will attract more foreign flow to come back. As we have expectations for a brighter 2H2023, we believe the equity market reaction will precede the economic pivot and start an uptrend in late 1Q2023-early 2Q2023.

	2018	2019	2020	2021	2022
GDP growth (%)	7.1	7.0	2.9	2.6	8.0
Per capita GDP (USD)	3,267	3,491	3,586	3,756	4,110 (E)
CPI (%)	3.5	2.8	3.2	1.8	3.2
Export (% GDP)	97.9	98.6	96.4	92.0	91.3
Import (% GDP)	100.7	102.8	103.8	90.9	88.3
Balance of trade (USD mn)	6,828	10,874	19,954	4,076	12,402
Current account (% GDP)	2.4	5.0	4.6	-1.0	-0.3(E)
Public debt (% GDP)	58.3	55.0	55.9	43.1	38.0(E)
Foreign debt (% GDP)	46.0	48.5	47.3	38.4	n/a
Registered FDI (USD bn)	25.9	22.5	21.1	24.3	22.6
Credit growth (%)	13.9	13.7	12.2	13.6	14.5(E)

## Contents

Vietnam highlights .....	4
Vietnam macro indicators seem to be stable at first glance... ..	4
Strong GDP growth .....	4
Reasonable CPI under control .....	Error! Bookmark not defined.
Public spending expected to be boosted in 2023 .....	9
... but headwinds start to show up .....	9
Slower manufacturing activity .....	9
Trade slowdown in last months of the year.....	11
Registered FDI to slowdown.....	13
Enhancing market transparency through investigations.....	14
Liquidity in the system improves but with higher interest rate level in 2023 .....	15
Exchange rate neutral in 2023 .....	16
China to reopen .....	18
2023 sectors outlook.....	20
Banking industry .....	20
Industrial property segment.....	23
Residential property segment.....	29
Electricity sector .....	34
Oil and gas .....	40
Commodities .....	46
Consumer .....	50
Fishery.....	53
The Vietnamese equity markets.....	58
Company Report Snapshot.....	61
Disclaimer .....	71



## Vietnam highlights

### Vietnam macro indicators seem to be stable at first glance...

#### Strong GDP growth

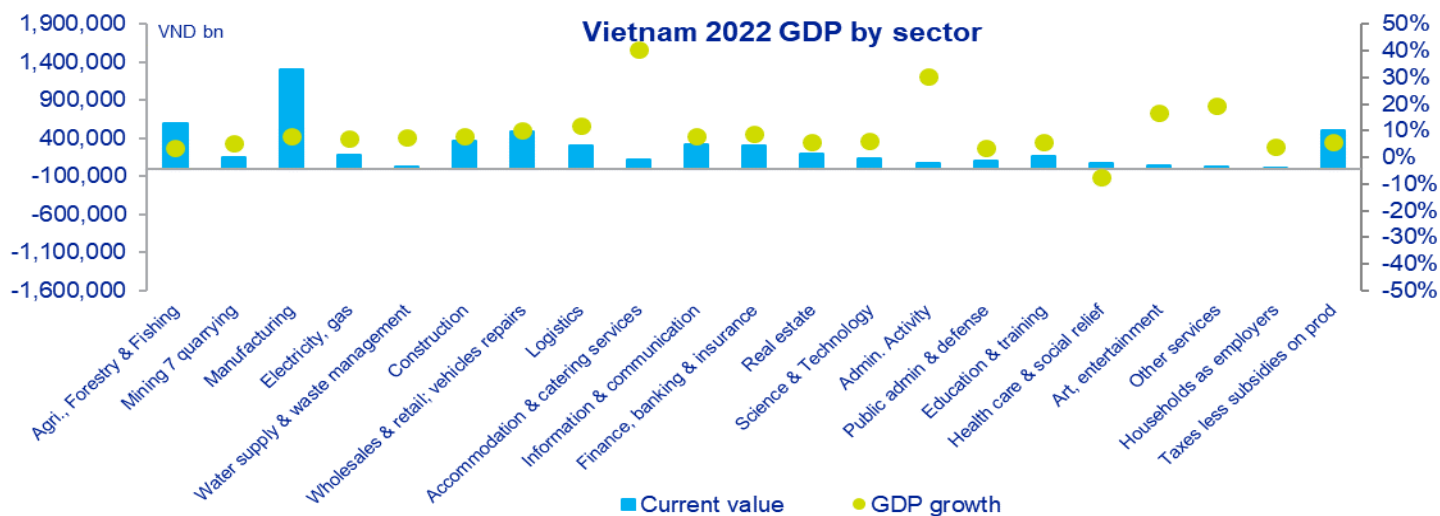
After posting an exceptionally high GDP growth in 3Q2022 from a low base of 2021, Vietnam posted a more reasonable rate of 5.92% in 4Q2022; whole year 2022 GDP growth came in at 8.02% - the highest rate over the last ten years.



Source: GSO

Source: GSO

Vietnam recorded growth across almost all sectors (with the exception of healthcare as the country emerged from the pandemic wave in 2021), with particularly strong growth in accommodation and catering services, which recorded the highest growth rate of 40.6% YoY as Vietnam re-opened its borders to welcome foreign tourists in March 2022. The biggest contributor to Vietnam GDP remains the manufacturing sector, accounting for 23.4% of Vietnam's GDP, followed by agriculture, forestry and fishing (10.9%) and wholesale, retail (8.9%).



Source: GSO

Vietnam's expected GDP growth has shown strong reliance against COVID-19 and other external factors. The country recovered quicker than expected, surpassing the initial target of 6.5% growth in 2022.

In 2023, the Government continues to set a strong 6.5% GDP growth target, in line with the country's 10-year avg. over the 2010-2019 period (pre COVID-19 period) and well above the avg. of the last five years of 5.3%. We believe Vietnam will be able to meet its 2023 GDP target, supported by continuously strong manufacturing activities, combined with a revival in the tourism sector, especially with the reopening of China in 2023, which had been the largest inbound tourism source in 2019, and buoyant construction activities on the back of higher public spending.

## GDP forecasts

GDP growth	2019	2020	2021	2022	2023F
<b>Vietnam</b>	<b>7.0%</b>	<b>2.9%</b>	<b>2.6%</b>	<b>7.8%</b>	<b>6.5%</b>
<b>Average</b>	<b>3.8%</b>	<b>-5.7%</b>	<b>4.3%</b>	<b>4.6%</b>	<b>4.1%</b>
Singapore	1.3%	-5.4%	8.0%	3.0%	2.3%
Thailand	2.3%	-6.1%	1.5%	2.8%	3.7%
Malaysia	4.3%	-5.6%	3.1%	5.4%	4.4%
Indonesia	5.0%	-2.1%	3.7%	5.3%	5.0%
Philippines	5.9%	-9.5%	5.7%	6.5%	5.0%

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Source: IMF, GSO

## Reasonable CPI under control

Vietnam's CPI in 2022 was driven by food and fuel price. Along with the 54.9% YoY avg. increase in global oil price in 2022 is an 28.1% YoY increase in Vietnam gasoline price and 52.2% YoY increase in Vietnam diesel price. On a monthly basis, Vietnam domestic gasoline price jumped as high as 61.5% YoY in June 2022 which partly led to a 3.37% monthly CPI increase in that month.

CPI Basket	Weight (%)	12/2022 (MoM)	12/2022 (YoY)	Avg 12M2022 (YoY)
<b>CPI headline</b>	<b>100.0</b>	<b>-0.01%</b>	<b>4.55%</b>	<b>3.15%</b>
Food and Foodstuffs	33.6	0.15%	5.21%	2.55%
Food	3.7	0.48%	2.91%	2.44%
Foodstuff	21.3	0.05%	5.01%	1.62%
Eating outside	8.6	0.26%	6.70%	4.94%
Beverage, cigarette	2.7	0.44%	3.79%	3.15%
Garment, footwear	5.7	0.41%	2.43%	1.63%
Housing and constrn. Materials	18.8	0.66%	7.14%	3.11%
Household appliances & goods	6.7	0.22%	2.66%	2.03%
Medicine, health care	5.4	0.08%	0.59%	0.40%
Transportation	9.7	-2.78%	-0.16%	11.27%
Postal services, Telecom.	3.1	-0.04%	-0.25%	-0.37%
Education	6.2	0.32%	11.80%	1.68%
Culture, entertm't. & tourism	4.6	0.09%	5.02%	3.10%
Other goods, services	3.5	0.23%	3.17%	2.36%

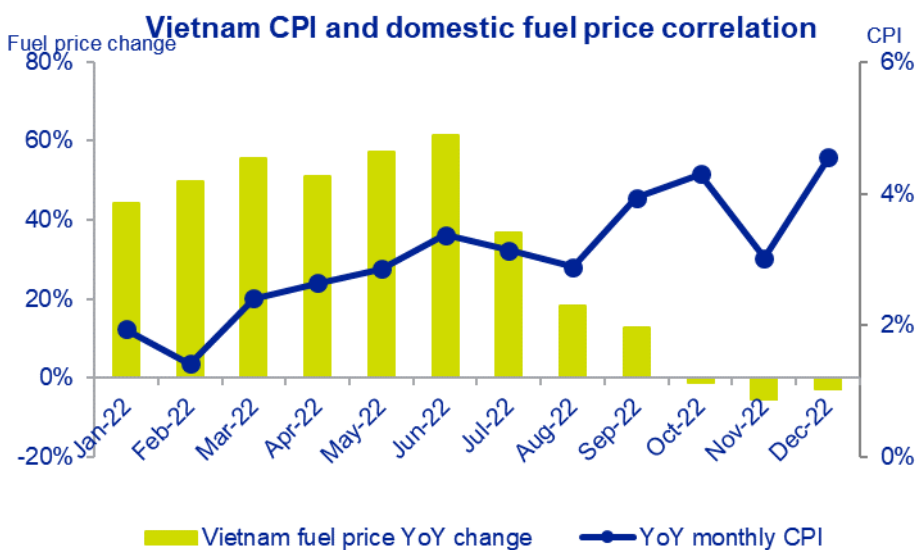
Source: GSO

Domestic gasoline price hikes started to slow down from July 2022 thanks to 1) a declining global oil price, 2) a 10ppts import tax cut for gasoline product from 20% to 10% in early October 2022, and 3) the Ministry of Finance additional 50% cut on environmental tax to VND1,000/liter for gasoline in July (from VND2,000/liter) and to VND500/liter for diesel (from VND1,000/liter).

In October 2022, Vietnam gasoline prices started to decline as global oil prices in September declined by 11.6% on avg. (Vietnam carries about 1 month of inventory). However, Vietnam's monthly CPI picked up again in Aug-Oct 2022 period on the back of higher education (+8.37% in September), food and food services (+5.13% in October) and housing and construction material (+5.42% in October). While September is the back to school season and usually the period of higher education price, we believe food and food services price hike is the sequel of higher gasoline price in previous months.

Brent price was at USD84.2/barrel as of Dec 29<sup>th</sup> 2022. We don't foresee any major jump in 1H2023 even with China lifting its zero-COVID strategy in Jan 2023. We believe China's recovery will be gradual as weakening global economic conditions will pull global demand down and thus it will pose a downside risk for orders and manufacturing activity in China and globally. Thus we see a limit to demand surges while oil production is expected to be slightly higher. According to EIA OPEC production is expected to reach 34.37mn bpd in 2023 (vs. 34.09mn bpd in 2022), non OPEC production will reach 66.3mn bpd in 2023 (vs. 65.84mn bpd in 2022) and the US is expected to produce 12.31mn bpd in 2023 (vs. 11.87mn bpd in 2022). Based on that, we expect Vietnam domestic fuel price to remain stable in 1H2023 and to have limited impacts on the country's CPI.

We expect global economic conditions to ease in 2H2023 as we believe FED's plan to keep raising interest rates will be in 1H2023 and it might start to cut rates in 2H2023 in order to prevent the US from recessionary risks. Global demand and activities might pick up at a faster pace, leading global oil price to jump up to USD100/barrel in the second half of the year.

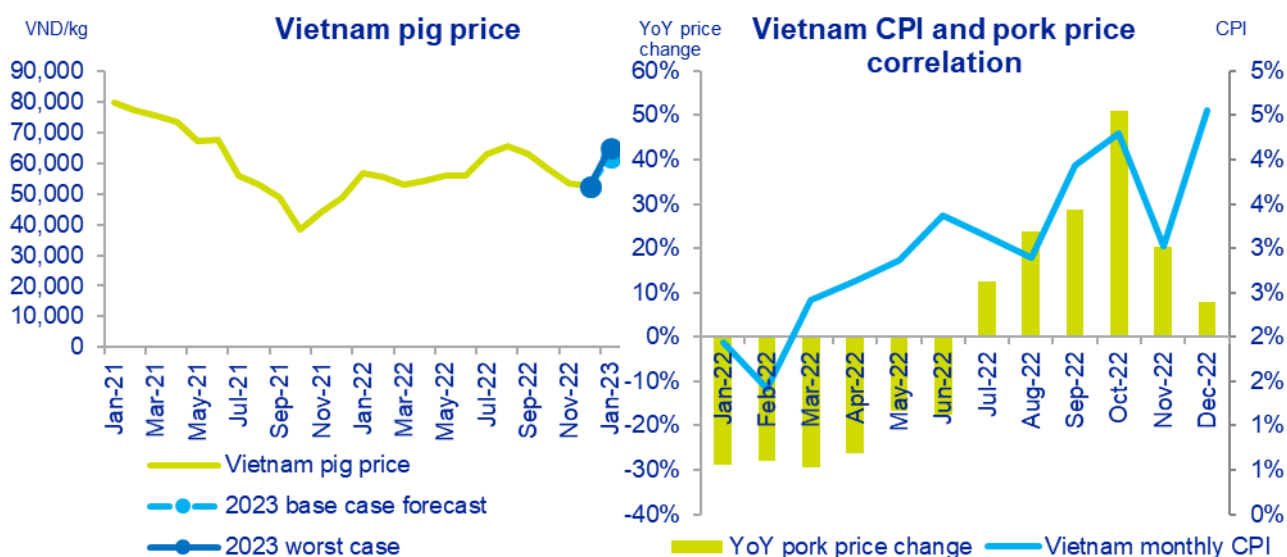


Source: GSO, Petrolimex



Higher food and food services price hikes could be analyzed using through Vietnam's pig prices as a proxy as pork is the main ingredient in Vietnamese traditional diet along with rice and fish. Despite high inflation, high fuel price and strong import activity from China in Mar-Jun 2022 period, pig prices in Vietnam declined on a YoY basis over that period starting from a very high base of 2021 (given ASF disease). Vietnam pork prices jumped by 27.1% YoY on avg. over the Jul-Oct 2022 period as a result of low base lockdown in 2021. From July onwards, Vietnam strictly controlled pork export while continuing to import frozen pork (mostly from Brazil, Russia and Germany) in order to control pork prices and thus inflation. As a result, we noticed a slower price YoY growth rate in Nov 2022 of 20.3% YoY vs. Oct 2022 (51.1% YoY), lowering Vietnam monthly CPI in November. This slower rate is also a result of lower domestic consumption volume. According to Ipsos data, Vietnam pork consumption per capita in 2022 dropped by 3% per annum on avg. to 23.5kg from 25kg in 2020 while Vietnam poultry consumption per capita increased by 8.5% per annum over the same period, from 17kg per capita to 20kg per capita in 2022. We believe the main reason is high pork prices in 2020-2021 combined with slower economic conditions and tightening financial conditions in 2021.

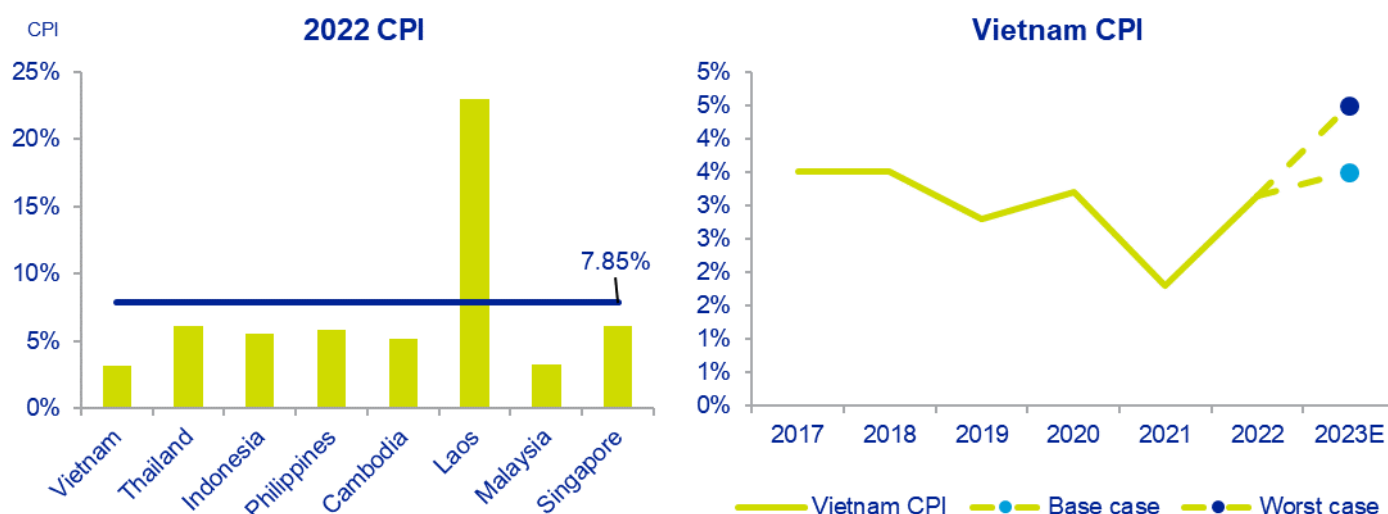
Even when 2023 Lunar New Year is approaching, Vietnam pig prices remain stable at VND54,000/kg while they usually jump by 15% at the lowest. On the other hand, pig feed had 10 price hikes in 2022, a 64% YoY increase in total. Thus farmers are suffering huge losses at a current pig price of VND52,500/kg on avg. With the increased feed prices, we expect farmers to make profit at approx. VND60,000-62,000/kg, therefore we believe pig prices will soon to be adjusted to that price range and further if export to China is lifted again. If pig prices reach VND62,000/kg, we estimate Vietnam CPI to be boosted by an additional 0.6%.



Source: Animal Husbandry Association of Vietnam (AHAV), ACBS

Source: GSO, AHAV

Despite declining prices for steel and galvanized steel by 8.5% and 5.2% YoY in Sept-Oct 2022, housing and construction material increase was underpinned by higher sand (+62.8% YoY) and cement prices (+14.4% YoY) as those components account for 10% and 25% on avg. in a construction project.



Source: GSO, respective National Statistics Department of each country

Source: GSO, ACBS

Compared to other neighbouring countries, Vietnam CPI in 2022 was seating at 3.15%, well below the avg. of 7.85%. Excluding the outlier Laos who recorded double-digit CPI in 2H2022 and up to 39% in the last months of the year, the avg. remained at 5.32%, 69% higher than Vietnam's CPI. As we don't foresee any major jump in Vietnam CPI main components in 1H2023 and only minor adjustment in 2H2023, we believe Vietnam CPI will be well under control in a range of 3.5%-4.5% and below the Government's 2023 target.

### Public spending expected to be boosted in 2023

Vietnam allocated a total of VND580.3trn for public spending in 2022. As of end Dec 2022, the country spent VND511.6tn, equivalent to 85.2% of the full-year plan. We expect the remaining portion will need to be spent in 2023 while the country targets an additional VND650-700trn for 2023. According to the Global Infrastructure Hub, Vietnam will need USD25bn on avg. over the next 20 years, focusing on energy (44%), roads (22%) and telecom (16%).

Road transport upgrade is crucial for Vietnam's economic development in order to attract more FDI firms. The country currently has 1,290km of highway and targets to have up to 5,000km by 2030 and to 9,000km by 2050. The biggest project is a 723km of North-South highway splitting into 12 sub-projects across the country, expected to worth up to VND147trn and to be finalized by 2025. Port and seaport are another catalyst for FDI to come into Vietnam. The country currently houses 251 ports and 45 seaports with a capacity of 543.7mn tonnes of cargo/year.

Public spending will also help Vietnam to inject more liquidity into the economy, creating more employment. However, pouring more cash into the system will also weigh on the country's inflation.

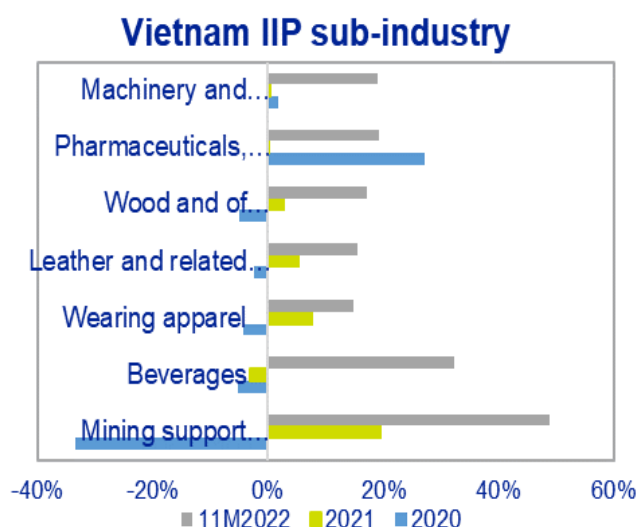


## ... but headwinds start to show up

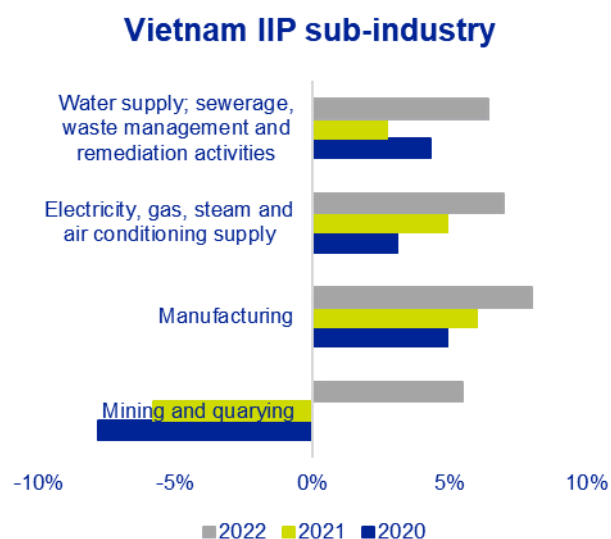
### Slower manufacturing activity

Vietnam's 2022 IIP grew by 7.8% YoY, leading by the manufacturing sector to grow by 8.0% YoY, from which beverages segment leads the flow, jumping by 32.3% YoY from a low 2021 base. Manufacture of wood, pharmaceuticals medicinal chemical, apparels and machinery also grew at a decent rate of 16-18% YoY.

The production and distribution of electricity, water supply and water treatment activity also increased as factories returned to operations after a disruption during 2021. Finally, mining support activities revived boosting the mining and quarrying activities to increase in 2022.



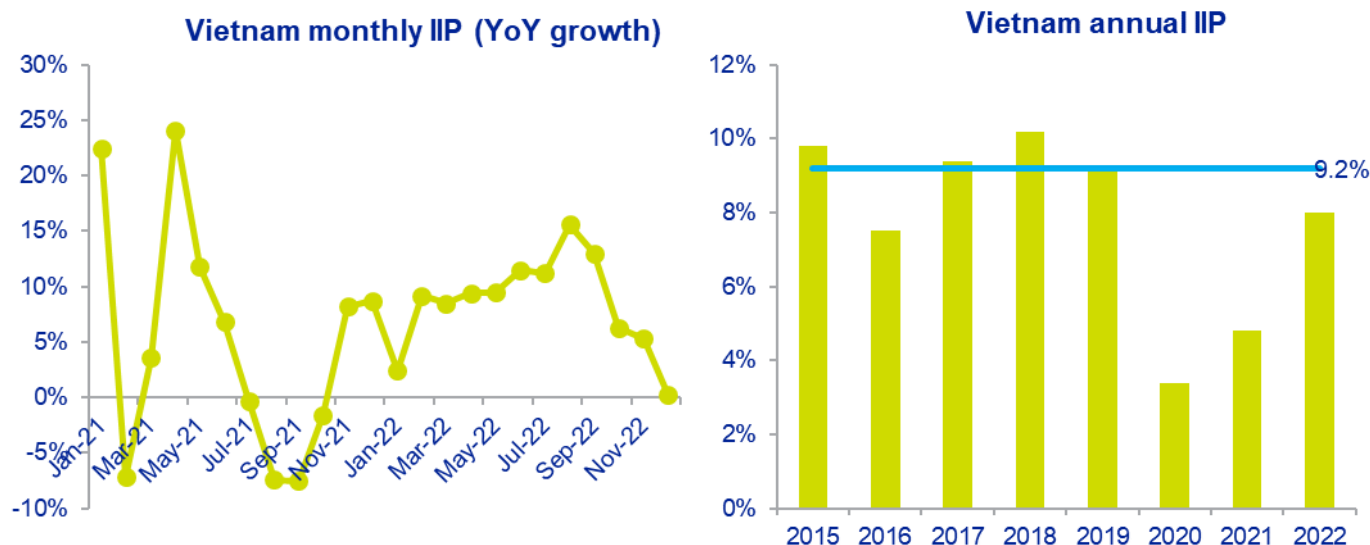
Source: GSO



Source: GSO

Even so, Vietnam's IIP stood well below the pre-pandemic years, with the index slowing down in the last months of the year when manufacturing activities normally peak for festivity period. The slowdown since September 2022 can be partially attributed to the limited credit room since July 2022 and the corporate bonds struggle in November 2022 causing bottle necks to for liquidity in Vietnam's financial markets.

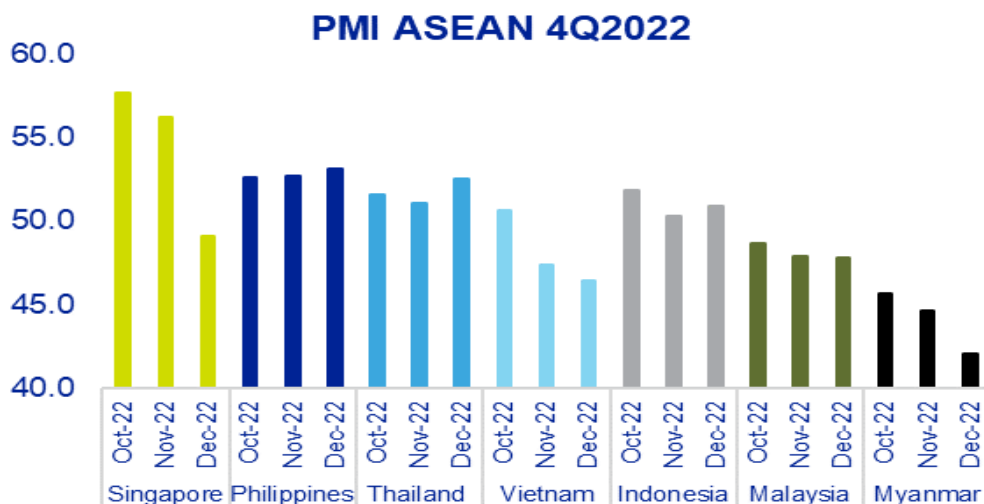
In November 2022, Vietnam's IIP dropped to 5.3% YoY and further to only 0.2% in December 2022, below the avg. of 7.1% in the last 3 years which are the worst years given COVID-19. On an annual basis, data shows 8.0% while the avg. of the 2015-2019 pre COVID stands at 9.2%.



Source: GSO

Source: GSO

Looking at Vietnam's PMI, the country is sitting at the bottom of the table amongst ASEAN countries, only ahead of Myanmar. From a 55 level at end 2021, Vietnam's PMI degraded to 50.6 in Oct (still above the 50 expansionary level) but then dropped to 47.4 in Nov 2022 and again to 46.4 in Dec 2022 – the lowest level in the last 15 months. Demand, including from both the domestic and export markets, softened in last months of the year amid of tightening economic conditions, driving Vietnam's production output and purchasing activities to decline. Higher depreciation of the VND against USD in Oct and Nov also contributed to input cost hike and thus lower purchasing activity amid of current gloomy economic conditions.



Source: HIS Markit

## Trade slowdown in the last months of the year

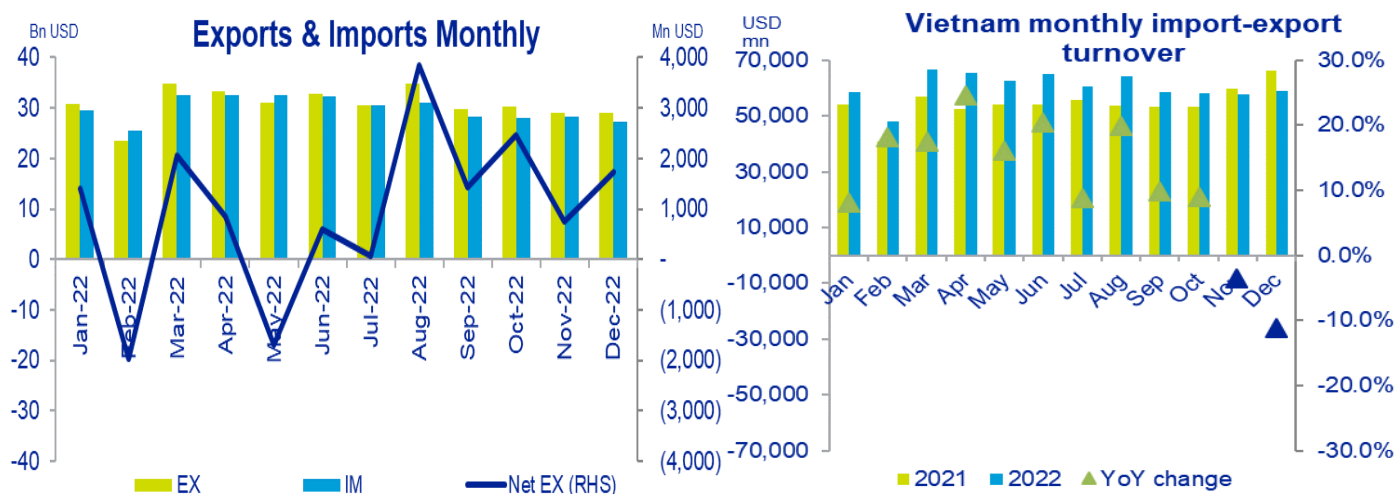
Vietnam's total import-export turnover in 2022 reached USD725.0bn, an increase by 10.8% YoY, creating a trade surplus of USD5.3bn. However, this is below the total trade target of USD750bn for 2022. In 1H2022, the country recorded a trade deficit of USD1.8bn mainly due to a higher import of coal and oil and gas amid of price hike. In

fact, import volume of oil and gas remained stable in 1H2022 while coal volume actually declined by 17.7% YoY. Import in value increased by 46.6% YoY for oil and gas and by 129.5% YoY for coal.

Vietnam pivoted to a strong trade surplus in 2H2022 of USD7.1bn thanks to strong export of apparels and footwear in Aug (+23.1% YoY and +30.5% YoY, respectively, to a total of USD6.2bn of export turnover) and a trade surplus of USD1.5bn from phones, computers and electronic devices. As of 2022, Vietnam has exported a total of USD61.5bn of footwear and apparels (+21.7% YoY) and USD113.5bn of phones, computers and electronic devices (+4.5% YoY).

As of 2022, Vietnam had a trade surplus of USD94.9bn with the US while recording a trade deficit with China (USD60.2bn), Korea (USD37.8bn) and Taiwan (USD17.5bn). Vietnam's main export items to the US are electronic devices, phones, computers, accounting for 43.8% of Vietnam total exports to the US which we believe is relied on FDI firms such as Apple. Textile, garments and footwear contributed 24.6%, followed by wood and wood products (7.9%) and fishery (2.0%).

On the other hand, Vietnam imported mostly phones, computers, cameras and other appliances from China, accounting for 29.7% of Vietnam total import from China.



Source: GSO

Source: GSO

However, trade declined in November (-3.6% YoY) and December (-11.2% YoY) when activities are usually buoyant for the holiday period. The FDI sector also recorded negative export growth over these two months, by -6.3% and by -10.6% YoY, respectively.

In 4Q2022 alone, Vietnam recorded a decline in export turnover in 22 of 34 major categories. While most products saw a decline both by volume and value, some items such as rubber, plastic material and pepper recorded a decline by value but a volume jump in 4Q2022, suggesting a price congestion.

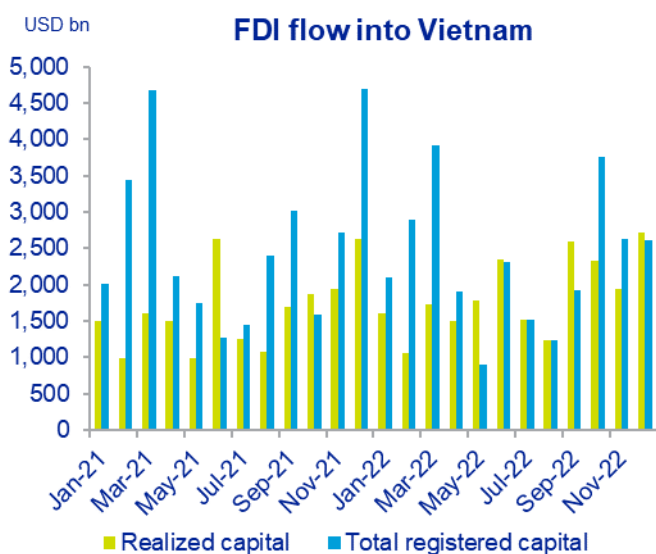
## YoY trade change in 4Q2022 by product

Item	4Q2022 export YoY change	% of 4Q2022 total export	Item	4Q2022 import YoY change	% of 4Q2022 total import
Phones & parts	-14.0%	15.9%	Electronic, computer	-16.2%	21.3%
Textiles & garments	-8.9%	9.5%	Appliances	-4.8%	12.8%
Footwear	+29.7%	6.5%	Phones & parts	-18.1%	6.4%
Wood and products	-2.4%	4.0%	Textile yarn	-12.7%	3.9%
Vehicles and parts	+18.9%	3.7%	Automobile	+25.5%	3.4%
Fishery	-9.5%	2.7%	Plastic	-6.8%	3.1%
Iron, steel	-59.5%	1.5%	Iron, steel	-12.7%	2.9%
Plastic	-10.2%	1.4%	Crude oil	+64.8%	2.9%
Textile fibers	-39.6%	1.0%	Petroleum	+107.1%	2.8%
Cashew nut	-18.6%	0.9%	Chemicals	-8.6%	2.2%
Crude oil	+24.0%	0.8%	Cattle feed	+22.2%	1.7%
Chemicals	-20.1%	0.8%	Coal	-10.6%	1.4%
Furniture and non-wood products	-13.1%	0.7%	Cotton	+39.8%	1.3%
Plastic material	-16.6%	0.6%	Rubber	-23.6%	0.8%
Clinker, cement	-37.8%	0.3%	Fishery	+40.8%	0.8%

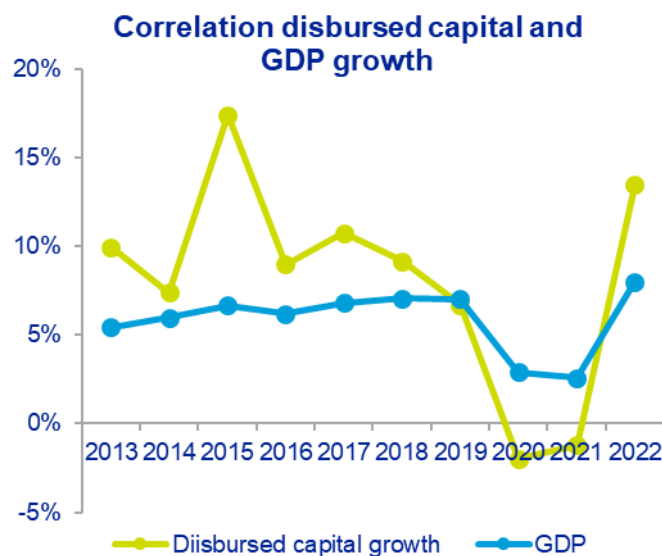
Source: Bloomberg, Fiinpro

## FDI to slowdown

Total disbursed FDI in Vietnam in 2022 reached USD22.4bn (+13.5% YoY), accounting for 34% of realized social investment (VND1,562.3trn ~ USD66.5bn) and 9.5% of Vietnam GDP. FDI sector plays a predominant role in Vietnam's import-export activities. In 2022, imports by the FDI sector accounted for 65.1% of Vietnam's total imports, while exports from FDI entities accounted for 73.8% of Vietnam's total exports, contributing USD41.8bn of trade surplus for Vietnam while domestic companies recorded a trade deficit of USD30.8bn.



Source: MPI



Source: MPI

Despite the increase in disbursed FDI, total registered FDI declined by 11.0% YoY in 2022 to USD27.7bn with 2,036 projects (+17.1% YoY), suggesting smaller projects coming to Vietnam. 2021 was also an unexpected year with high registered capital of 31.2bn (+9.2% YoY) with 2 major projects contributing USD4.4bn, which contributed to the declining registered FDI numbers in 2022. The decline in registered FDI in 2022 is the reflection of the current global economic conditions with ongoing tensions between Russia and Ukraine, inflation pressure, lower global demand, risk of recession, tightening financial condition ... all of these events put downward pressure on business expansion globally. We believe those issues might be gently addressed from 2H2023 onwards, creating better business conditions for FDI to flow into Vietnam.

In 2022, Vietnam counts major projects such as Lego project which worth USD1bn, Samsung Electro-Mechanics in Thai Nguyen province (USD920mn), Goertek Vina in Nghe An province (USD452mn).

### Enhancing market transparency through investigations

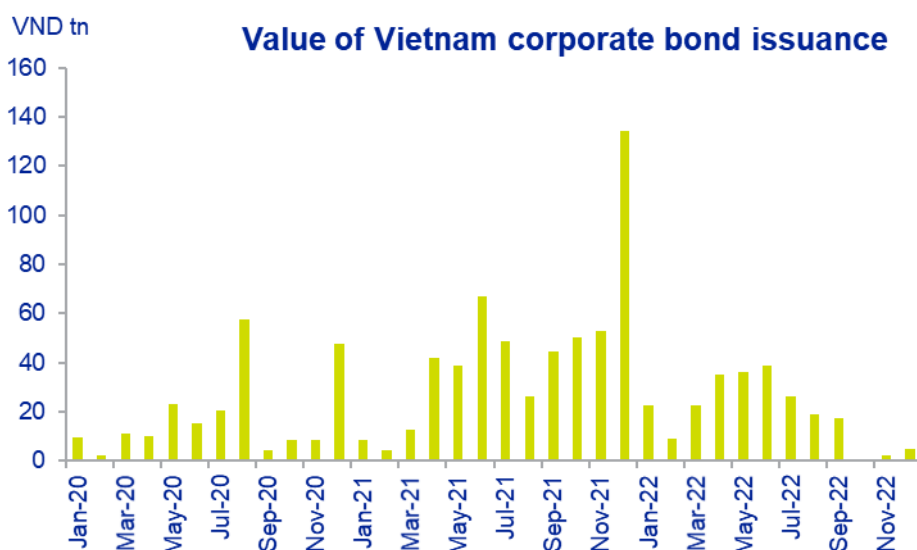
In 2022, Vietnam actively launched an anti-corruption campaign as well as cracked down on violations in the equity, bonds and real estate markets. The Government has issued the Decree 65/2022/ND-CP in mid-September 2022 to tighten regulations on corporate bonds and enhancing transparency through stringent requirements for disclosure of information such as the purpose of bond issuance and specific investment plan. As the result, the State Securities Commission (SSC) has sanctioned 442 cases with a total fine of VND33.4bn, from which three cases are about stock manipulation. Top management of several large firms, both listed and unlisted, have been sanctioned or arrested such as Louis Holdings, FLC Group, Tan Hoang Minh Group, while there have been changes in senior management at the Ho Chi Minh Stock Exchange as violations were not uncovered in a timely manner.

Vietnam has detected several cases of fraudulent activities surrounding the issuances of corporate bonds, most of these are related to real estate developers with two major cases which are Tan Hoang Minh and Van Thinh Phat, cancelling more

than VND10trn worth of bonds issued by Tan Hoang Minh in early April while VND25trn of considered bond fraud was issued by Van Thinh Phat's subsidiary.

As the result, corporate bond issuance in Vietnam dropped by 55.8% YoY in 2022 to VND233.7tn. As shown in the graph below, there is almost no corporate bond issuance from October onwards as a result of the new Decree 65/2022/ND-CP issued mid-September 2022.

In 2022, corporate bonds issued by banks accounted for the largest proportion of more than 40%, followed by property companies with nearly 30% and construction companies with nearly 8%.



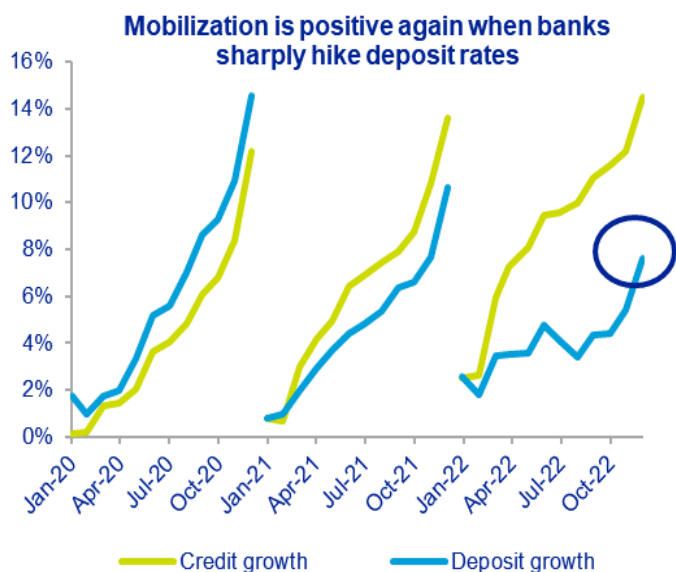
Source: HNX

In the long run, we believe those actions will enhance the transparency of Vietnam's financial market, creating a more sustainable and trustful environment for both domestic and foreign investors. However, in short term, the wave of negative news weighed on market sentiment, contributing to the market correction throughout much of the year. In addition to that, trillions of VND are stuck in the corporate bonds and real estate projects which are under investigation, creating a bottleneck for liquidity in Vietnam's financial markets.

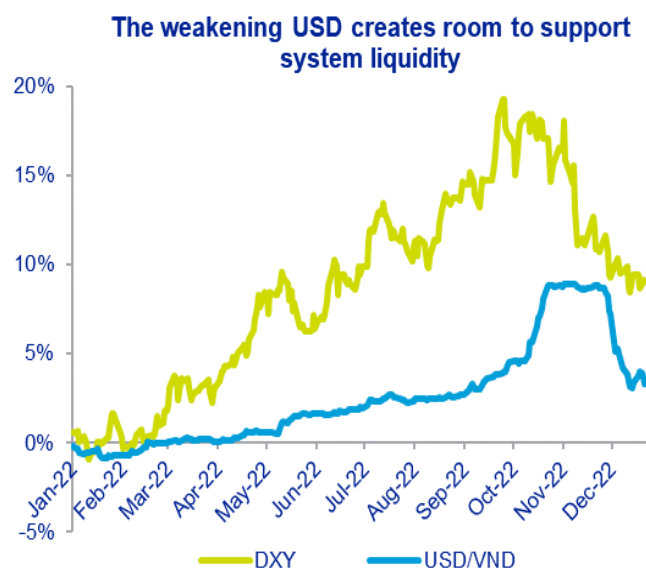


## Liquidity in the system improves but with higher interest rate levels in 2023

By the end of 2022, credit growth of the whole banking system reached 14.5%, higher than deposit growth of 7.6%, according to ACBS estimates. Mobilization of the whole system has started to improve since the end of October 2022, when commercial banks sharply increased deposit rates. Specifically, deposit interest rates have increased by 2% in state-owned commercial banks and by 3-4% in private commercial banks. In the interbank market, liquidity started to be abundant and the State Bank of Vietnam had to withdraw VND through the open market operation to defend the VND|USD exchange rate.



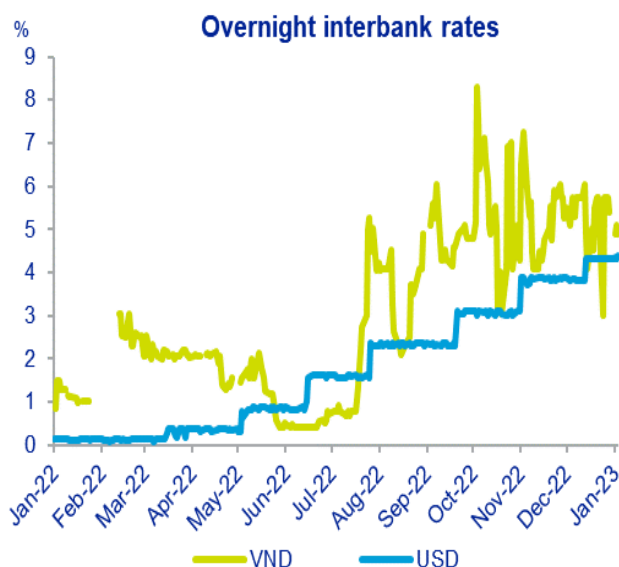
Source: SBV



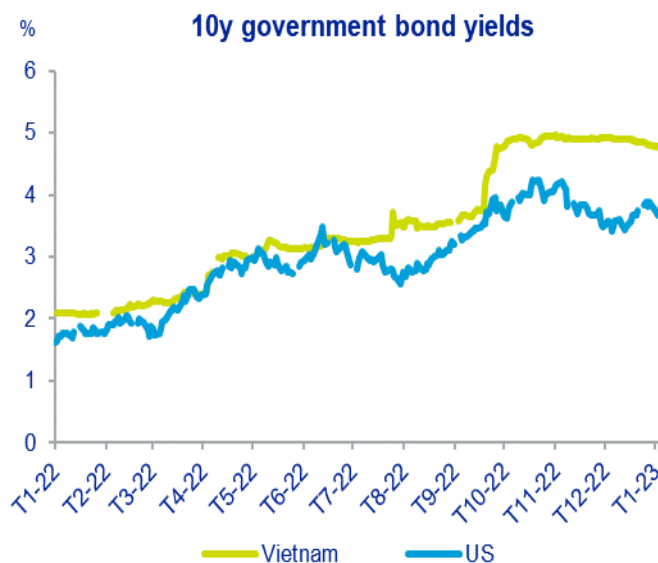
Source: Bloomberg

We expect liquidity in the banking system will improve in 2023 thanks to the capital inflows to the banking system after the VND interest rate has increased to a relatively attractive level compared to the USD.

Exchange rate pressures also eased when the USD weakened globally after surging for large part of 2022 as the FED aggressively raised rates. The DXY index dropped sharply from a peak of 114 to 104 level after US inflation showed signs of cooling down. We expect that the FED will raise interest rates to 5.25% before gradually reducing them from either late 2023 or 2024. Thus, we do not expect the Fed to raise interest rates in 2023 compared to the current FED fund rate of 4.5%. This will help reduce exchange rate pressure on the VND and create room to support liquidity of the State Bank of Vietnam.



Source: Bloomberg



Source: Bloomberg

The Government's expansionary fiscal policy in 2023 will also help a large amount of money return to the system and increase the cash flow of the economy. Accordingly, the development investment spending plan of 2023 is nearly VND726,700bn, an increase of 38% compared to the plan of 2022 and 67% higher than the estimated implementation in 2022. Although there are still difficulties in disbursement procedures in the local level, the drastic direction of the Government promises to promote more active disbursement of public investment than in previous years.

We believe that the State Bank of Vietnam will maintain a relatively tight monetary policy, but through interest rate tools instead of limiting credit room like in the last year. In general, the liquidity position in 2023 will be relatively more abundant compared to the last year, but overall interest rates will be higher throughout the year.

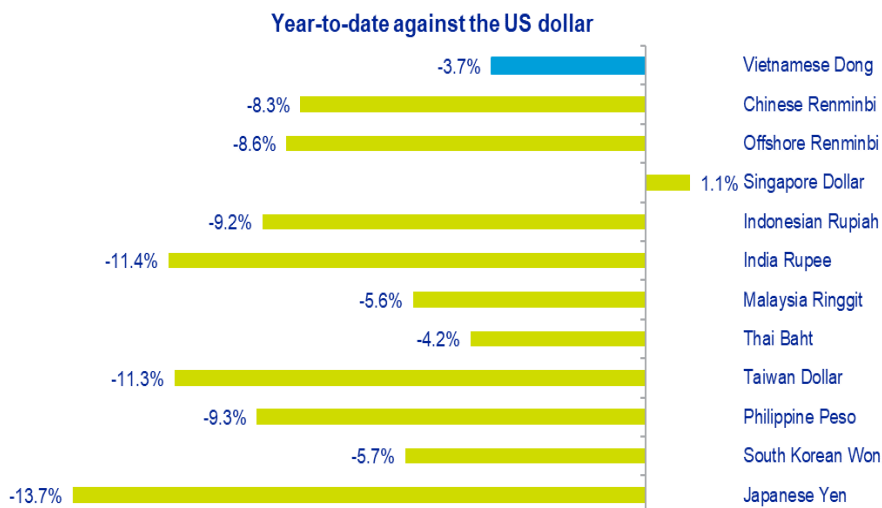
### Exchange rate neutral in 2023

The SBV increased the spot reference asking exchange seven times in 2022 (which is the rate offering to commercial banks to buy USD from SBV) by total VND1,820 (increased from 23,050 to 24,870 VND/USD). In addition, The SBV also decided to adjust the USD/VND spot exchange rate band from  $\pm 3\%$  to  $\pm 5\%$ ; effective from Oct 17<sup>th</sup> 2022. Both the actions were due to heavy selling pressure of USD to banks recently as the growing pressure from the strengthening US Dollar (US Dollar index was up 8.2% during this period) after the recent Fed interest rate hikes. Furthermore, we also estimate the SBV has sold up to USD26.5bn from the beginning of 2022, resulting the foreign reserves sliding to approximately USD82.5bn.

Fortunately, SBV decreased the spot reference asking exchange rate three time in November (after increasing seven times) thank to a cooling off period in the FX market cause by unexpected foreign inflow in the last two months of 2022. The USD has pulled back since Nov 2022, which has contributed to the strengthening of the VND recently. We expect that trend might continue as FED is expected to stop the rate increases by the end of 1H2023.

In general, the USD has been on a strong run with the Dollar Index (DYX) which increased over 8% 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. The VND has historically been under pressure when the DXY is strengthening, which is contributing to the actions from the SBV.



Sources: Bloomberg, ACBS

Overall, as of the end of 2022, the USD/VND exchange rate of banking system has depreciated which average USD/VND exchange rate of banks stood at VND23,633 (+3.7% YTD). In addition, USD/VND exchange rate in black market also depreciated slightly to VND23,745 (+1.10% YTD).

We expect depreciation pressures on the VND in 2023 will be low as:

- (1) The USD has pulled back since Nov 2022 from its high (114) and as the end of 2022 stood at 103.52 (-8.6% from its high 114), which has contributed to the strengthening of the VND. We expect that trend might continue as the FED is expected to slow the rate of increases in 2023 and stop increases by the end of 1H2023;
- (2) According to the Vietnamese Government Portal, remittances to Ho Chi Minh city are expected to reach USD6.8bn in 2022 (increased from USD6.5bn in 2021). And some estimations are that remittances in 2022 will reach USD19bn (compared with USD18bn in 2021);
- (3) Disbursed FDI inflows are expected remain strong in 2023 (disbursement continued to increase 13.5% YoY in 2022, reach USD22.4bn) as Vietnam remains a low-cost manufacturer, stability in the macro economy and with more competitive labor costs in the region could be attractive for FDI firms to invest and establish production plants, which might bring more USD to Vietnam;
- (4) The strong recovery of the service sector especially coming from international tourism (retail sales of travelling services 4Q2022 increased 231% YoY and 2022 increased 271% YoY) which also help a supporting factor for foreign inflows;
- (5) Recession risks grow, especially in Vietnam's large trading partners such as the US, EU, Japan and China. Fortunately, as the FED's economic projections

signaled that 2023's US GDP will continue to grow by 0.5% in 2023, so our export activities, which is one of our main source of USD, could remain positive in 2023, although the rate of growth could see some moderation;

Overall, we expected that the VND/USD exchange rate might be neutral in 1H2023 and may appreciate in 2H2023.

## China to reopen

China's border reopening and COVID quarantine removal on Jan 8<sup>th</sup> 2023 is expected to help Vietnam to bolster its tourism recovery as Chinese tourists accounted for 32% of total foreign tourists coming to Vietnam in 2018-2019 pre-COVID 19 period. Total international tourists coming to Vietnam in 2022 reached 3.6mn pax, still 4.6% below the 2020 level and is only equivalent to 20.3% of the pre COVID-19 level in 2019. Adding the 4.4mn Chinese tourists on avg. over the 2016-2019 period would bring Vietnam tourism to nearly 45% of the pre-pandemic level. As international tourists usually account for 10% of Vietnam's GDP, that would add another 2.4% to Vietnam's GDP in 2023.



Source: GSO

Source: GSO

China's reopening is also expected to help smooth out the supply chains which have been disrupted since the onset of COVID. China is the largest importer to Vietnam, accounting for more than 30% of Vietnam total import turnover. That would help Vietnam manufacturing sector to run smoother. On the other hand, China is also a direct competitor with Vietnam's manufacturing sector to fulfill orders which are already low in recent months given either bloated inventory from main export markets such as the US and EU or low consumption.

However, we don't expect a huge boom in China's recovery activities in next few months given current soft global demand, which has translated in export drop for Vietnam in the last two months. The last three years fighting against the pandemic also dragged China's economy down drastically. Combined with the ongoing property crisis starting with Evergrande Group to default in late 2021, we doubt that Chinese's consumption to significantly peak in the next few months and believe things could be smoother only starting from 2H2023 onwards.

## 2023 Sector Outlooks

### Banking industry profit growth is expected to slow in 2023

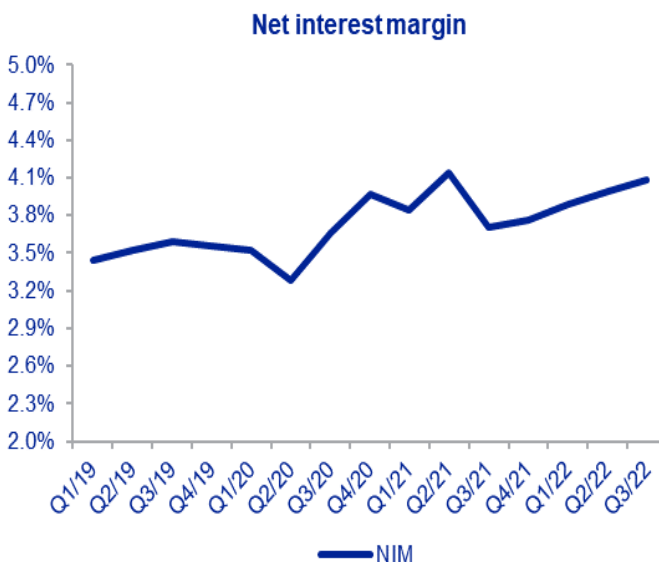
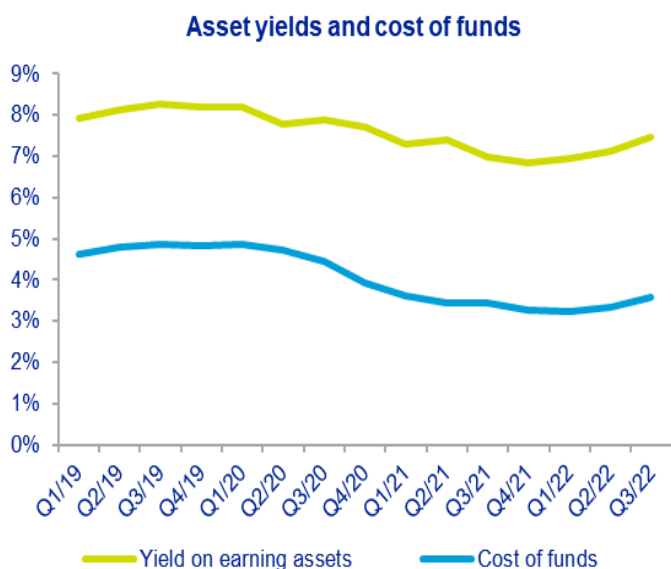
We forecast credit growth in 2023 to reach **14%**, lower than the growth rate of 14.5% in 2022. This is due to:

- High lending interest rates reduce credit demands of individuals and businesses.
- Feasibility of expansion investment projects of enterprises decrease in the high interest rate environment.
- Banks do not lower credit risk management standards in the context of rising risks of the economy.

Therefore, we expect the State Bank of Vietnam will not need to strictly manage credit growth limits of banks in 2023 and the situation of "out of credit room" as in 2022 will be less likely to happen.

Deposit growth in 2023 is expected to improve compared to 2022 thanks to relatively attractive deposit rates and more positive outlook in public investment disbursement. We expect banks to maintain their deposit rates at current high levels and deposit growth in 2023 could reach **14%**, thereby improving banks' liquidity ratios.

We forecast that NIM of the whole industry may decrease slightly in 2023. However, there will be a divergence between banks depending on their liquidity position and the size of lending rate support of each banks. The increase in interbank interest rates will negatively affect NIM of net interbank borrowers such as TCB, VPB, HDB, TPB, MSB and LPB. Meanwhile, NIM of banks that do not depend much on interbank funding such as VCB, BID, CTG, MBB, ACB and STB will be minimal affected.



Source: respective banks' FS

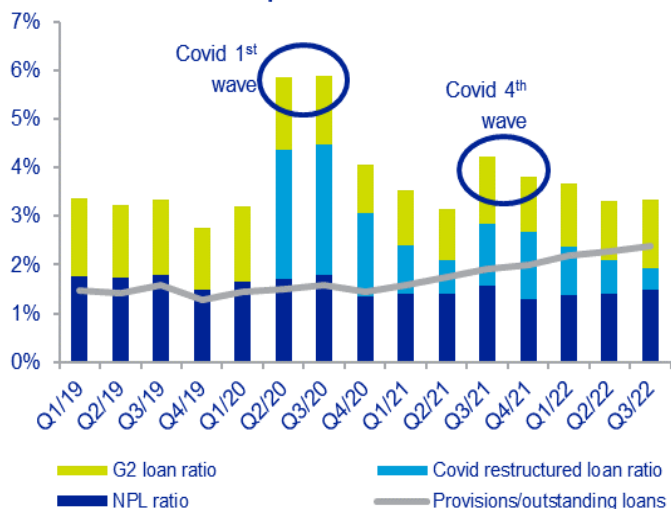
pressures are increasing in 2023. Real estate businesses are facing payment pressure when bonds mature and some on them had to buy back their bonds ahead of time to limit legal risks. However, a positive point is that banks have prepared in advance by thickening the reserve buffers to the historical high levels in the past quarters. This will help banks protect their asset quality at a relative safe level in 2023.

Source: respective banks' FS

Rising NPLs

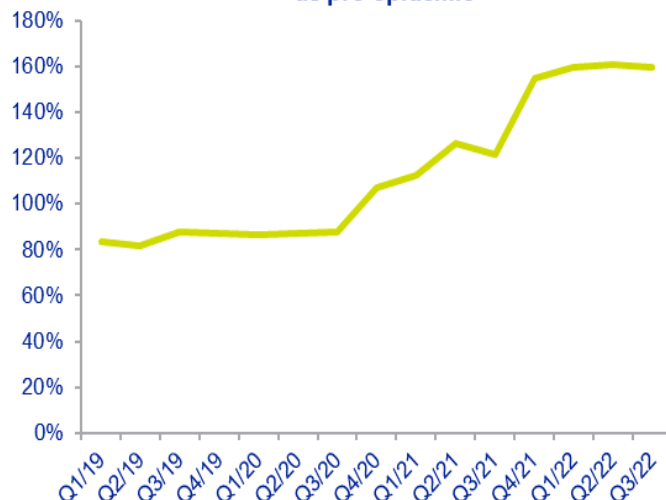


**Asset quality remains stable but under pressure in 2023**



Source: respective banks' FS

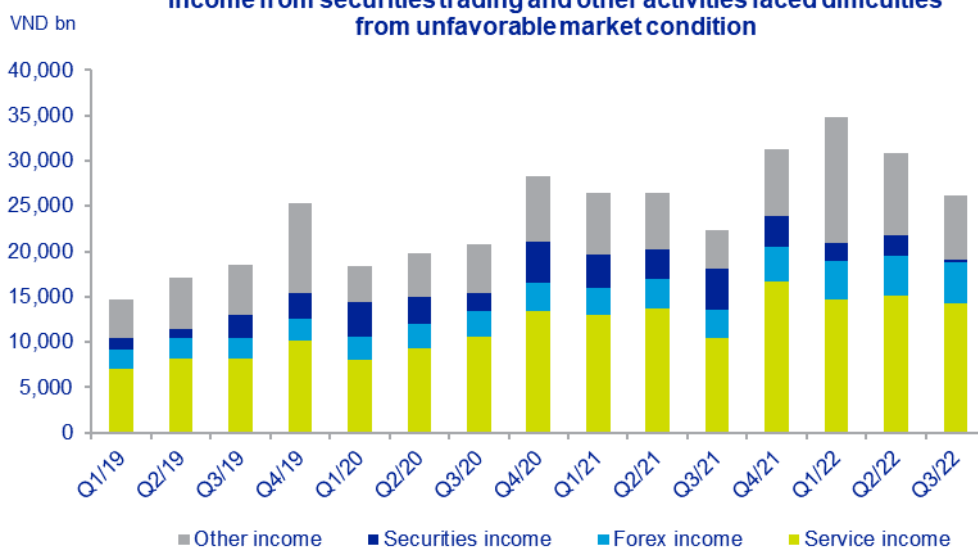
**NPL coverage ratio is twice as high as pre-epidemic**



Source: respective banks' FS

Non-interest income continues to face difficulties in 2023. Payment fees and banca commissions are forecast to continue to grow steadily in 2023. However, advisory fee income will be negatively affected by the corporate bond market, which is currently frozen and the crisis of investor's confidence in bonds takes a quite long time to recover. The process of liquidating collateral assets (mainly real estate) to recover off-balance-sheet loans will continue to slow down in the coming time due to low liquidity in the real estate market.

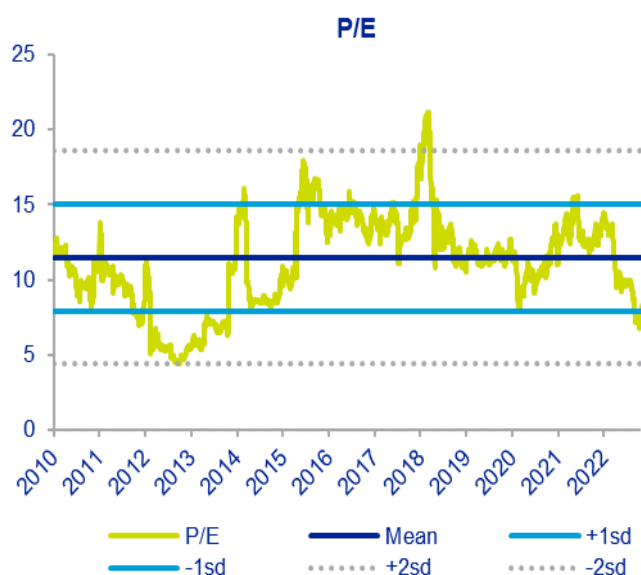
**Income from securities trading and other activities faced difficulties from unfavorable market condition**



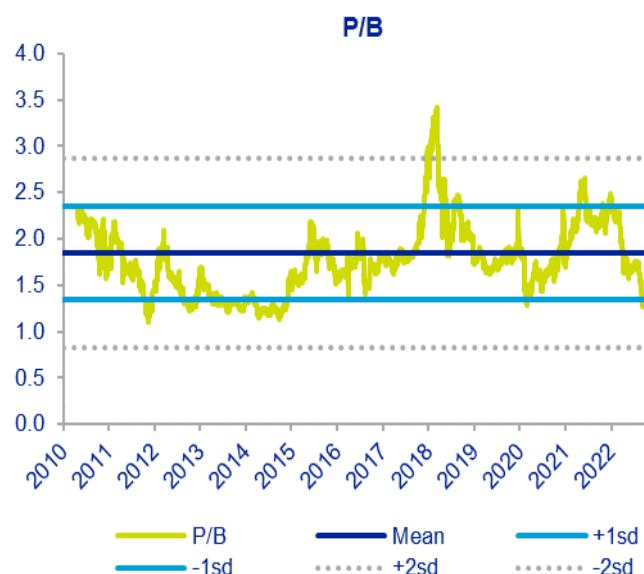
Source: respective banks' FS

We expect banking sector profits to grow 10% in 2023 compared with 35% growth in 2022. Even with the decreased profit growth outlook in 2023, with valuations at attractive levels, banking stocks appear to be good investment opportunities for long-term investors.





Source: Fiinpro



Source: Fiinpro

In the short-term, policy changes in a more positive direction will be the catalysts for banking stock prices to recover. Specifically, actions to support the real estate and corporate bond markets of the Government such as removing obstacles in project legal procedures and amending Decree 65/2022 in a more relaxed direction.

The international macro movement in a more positive direction in 2023 (in particular, controlled inflation) will also help the global central banks to loosen their monetary policies and support the stock prices.

Short-term downside risks to banking stocks include:

- The prolonged bottleneck in capital flows caused a crisis in the real estate sector and resulted in surging in NPLs;
- Inflation in the US remained high, causing the FED to hike USD rate sharply and put pressure on liquidity on the Vietnamese banking system.

## The industrial property segment

The industrial property segment continued to post solid performance in 9M2022 with growing asking rents and stable occupancy rates mainly thanks to:

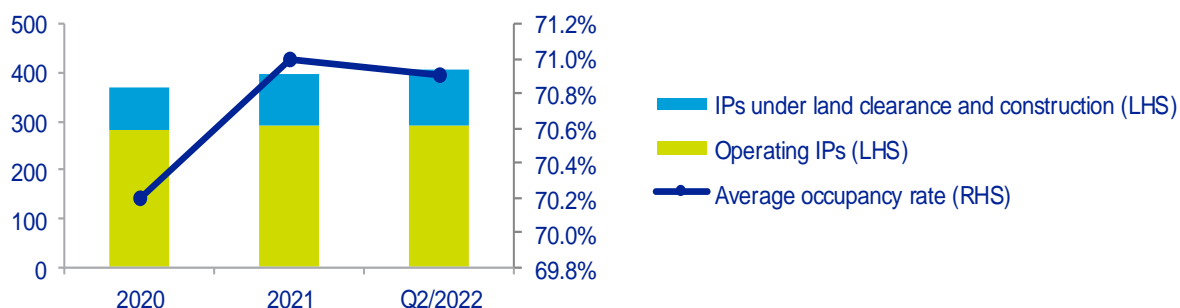
- Limited supply of industrial land, especially in the southern region.
- Stable demand from international corporations, especially those in the electronics, logistics and automotive sectors.
- Supply chain disruption during COVID support China+1 trend.
- Rapid growth of retail and e-commerce stimulated high demand for ready-built warehouses and factories.

At the end of 2Q2022, Vietnam had 564 planned industrial parks (IPs) with a total area of 211,700ha, of which 406 IPs were established, an increase of 8 IPs compared to the end of 2021. There were 292 IPs operating at an average occupancy rate of 70.9%, unchanged YoY and 114 IPs under land clearance or construction. Accumulatively, these IPs and economic zones have attracted nearly 11,000 FDI projects and over 10,000 DDI projects with a total registered FDI of ~USD232bn and DDI of

Indexpts Industrial parks vs. VNINDEX



## Number of IPs and average occupancy rate



~VND2,600tn.

Source: Ministry of Planning and Investment

## The northern market

The northern market which includes Hanoi, Hai Phong, Bac Ninh, Hung Yen and Hai Duong had no new supply of industrial land in 3Q2022 but 290ha of new NLA in 1H2022 from Thuan Thanh 1 IP in Bac Ninh (160ha) and An Phat 1 IP in Hai Duong (130ha). Total supply at the end of 3Q2022 reached nearly 10,200ha (+2.6% YoY). Average land leasing rate was recorded at USD110/sqm/remaining leasing term (+4.3% YoY and +0.1% QoQ). Occupancy rate was stable at around 80% with Bac Ninh as the highest-net-absorption market in 3Q2022 thanks to its strategic location, established infrastructure and presence of giant firms such as Samsung and Foxconn.

In 3Q2022, the ready-built factory (RBF) market recorded new supply of nearly 37,400 sqm from three projects (13,600 sqm at Yen Phong 2C IP in Bac Ninh, 8,000 sqm at Nam Cau Kien IP in Hai Phong and 15,800 sqm at Yen My II – phase 1 IP in Hung Yen) after two consecutive quarters of no new supply. Total supply at the end of 3Q2022 reached over 2.2mn sqm (+6.5% YoY). Average RBF rent rate slightly went up by 3.7% YoY and 1.5% QoQ to USD4.77/sqm/month. Hung Yen recorded the highest net absorption of 18,800 sqm in 3Q2022, followed by Bac Ninh with 15,500 sqm.

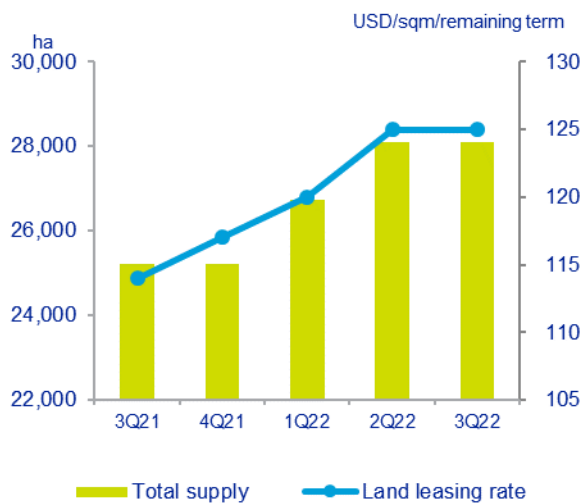


### The southern market

The southern market which includes HCMC, Binh Duong, Dong Nai, Long An and Ba Ria – Vung Tau welcomed VSIP 3 in Binh Duong in 1Q2022, Viet Phat and Nam Thuan IPs in Long An in 2Q2022 but no new supply in 3Q2022. Thus, total supply of industrial land remained at nearly 28,100 ha (+11.4% YoY), of which Binh Duong and Dong Nai dominated with 27% and 25% of market shares. Average asking rent was unchanged QoQ but increased by 9.6% YoY, to USD125/sqm/remaining leasing term. Average occupancy rate was steady at 85.2% (+1.3 ppts QoQ but unchanged YoY). Dong Nai was considered as the most attractive location in 3Q2022 with net absorption of more than 200ha.

The RBF market welcomed an impressive new supply of 511,000 sqm in 3Q2022, mainly from Dong Nai and HCMC, of which BWID contributed 332,600 sqm from BWID Dau Giay and BWID Nhon Trach 2 – Loc Khang 1& 2 in Dong Nai. Average rent rate in the southern region went up 1.0% QoQ and 5.9% YoY, to USD4.85/sqm/month. Notably, asking rent of USD6/sqm/month in Long Hau 3 IP led average rental rate in Long An increased by 0.2% QoQ, to USD4.35/sqm/month. Nearly 229,000 sqm of RBF was absorbed in 3Q22, mainly from Lap Thanh Blue Ocean Park 3 project in Saigon High-tech Park in HCMC.

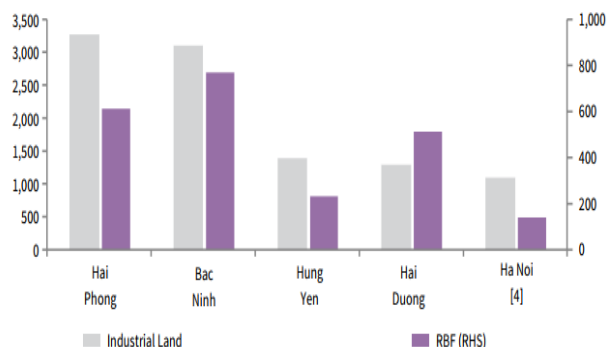
#### Industrial land



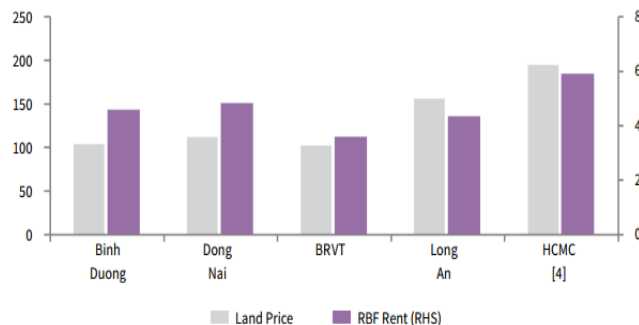
#### Ready-built factory



(ha) (mil. sqm)



(USD/sqm/lease term) (USD/sqm/month)

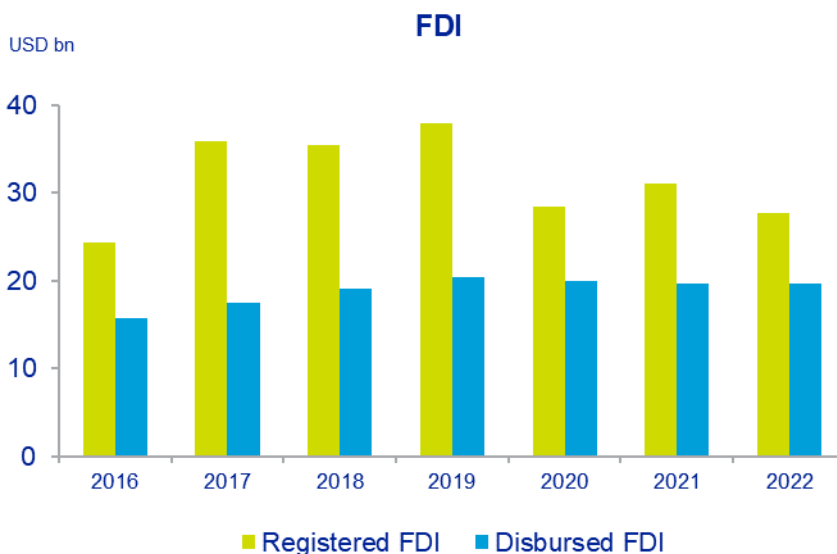


Source: JLL

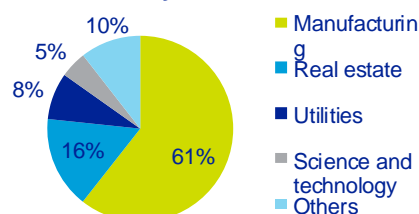
## Register FDI down, disbursed FDI up

According to the Ministry of Planning and Investment, IPs and economic zones accounted for 35-40% of total annual registered FDI or 70-80% of registered FDI to the manufacturing sector. Thus, FDI is the key growth driver for the industrial property segment.

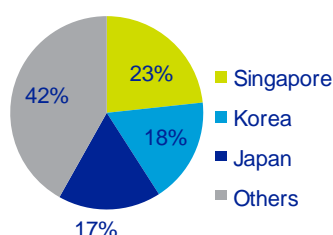
Given COVID outbreak and the slowdown of global economy, registered FDI in 2022 dropped by 11% YoY, to USD27.7bn. However, disbursed FDI still increased by 14% YoY, to USD22.4bn. Manufacturing and processing was the #1 sector which attracted over USD16.8bn, equivalent to nearly 61% of total registered FDI. Real estate was the second attractive sector which accounted for over 16% of total registered FDI. Singapore was the #1 investor with USD6.5bn, accounted for over 23% of total registered FDI, followed by Korea and Japan. HCMC was the #1 location with USD3.9bn, accounted for over 14% of total registered FDI, followed by Binh Duong and Quang Ninh.



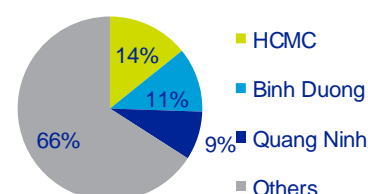
2022 registered FDI value by sector



2022 registered FDI value by investor



2022 registered FDI value by location



Source: FIA

Table: Top FDI projects in 2022

Company	Nationality	Industry	(Additional) investment capital (USDmn)	IP	Province
1 Lego	Denmark	Rubber & plastic products	1,300	VSIP 3	Binh Duong
2 Samsung Electro-Mechanics VN	Korea	Computer, electronic and optical products	920	Yen Binh	Thai Nguyen
3 Trina Solar	Singapore	Chemical products	275	Yen Binh	Thai Nguyen
4 Goertek Vina	China	Computer, electronic and optical products	260	WHA IZ 1	Nghe An
5 GE Vietnam	Korea	n/a	217	n/a	Bac Ninh
6 Libra International Investment Pte	Singapore	Textiles	210	Thanh Thanh Cong	Tay Ninh
7 JNTC	Korea	Computer, electronic and optical products	163	Thuy Van	Phu Tho
8 Coca Cola Vietnam	US/Singapore	Beverages	136	Phu An Thanh	Long An
9 Autel Robotics	Korea	Machinery & equipment	90	VSIP Hai Phong	Hai Phong
10 Viet Y Steel	Japan	Metals	80	Nam Cau Kien	Hai Phong

Source: ACBS summary.

**Outlook:** We have a positive outlook for this segment given many favourable opportunities mentioned above. The north is considered as an expanded manufacturing base from China while the south as a rising international logistics hub.

We expect more new supply of industrial land in the north than in the south, especially in Bac Ninh and Hai Phong thanks to presence of big electronic firms such as Samsung, LG and their supply chain. Due to limited industrial land area and stable demand from foreign companies, leasing rate are expected to continue to grow, but at a slower pace in the south, given 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) which offer more affordable leasing rates. Multinational corporations will prefer eco & smart IPs which use renewable energy and offer more efficient logistics and better water & waste treatment systems, etc.



New RBF projects will focus on hybrid facilities which can convert between warehouse and factory to tailor to tenants' demand. Multi-floor industrial facilities will become more common in land-constrained cities. RBF asking rent may slightly increase or stabilize as more new supply will be pumped into the market.



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 remaining NLA of over 800ha. The company currently has four IPs and four adjacent urban areas which are well located in HCMC, Dong Nai and Tay Ninh provinces. SIP has a more stable business and is less affected by fluctuations in investment inflow compared to other developers thanks to: (1) stable income source from electricity and water distribution directly to its tenants and (2) annual revenue recognition accounting method. The company is preparing to shift from the UpCOM to the HOSE in 2023.

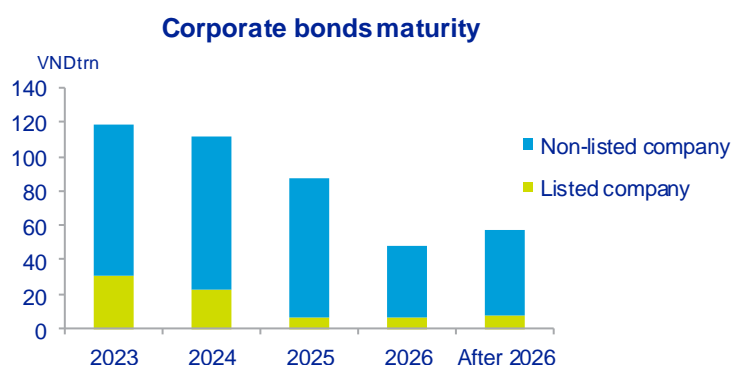
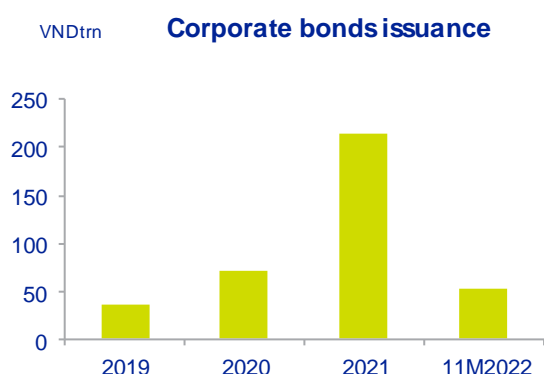
Vinhomes (**HSX: VHM**), a member of Vingroup (**HSX: VIC**) is the biggest listed residential developer in Vietnam and is expanding to the industrial segment with a target of 2,900ha of NLA in Hai Phong, Quang Ninh, Hai Duong, etc. to take advantage of the China +1 trend and improved infrastructure in the north of Vietnam. The company is waiting for adjustment of provincial master plans to initiate its industrial projects.

## Residential property segment

The residential property segment is facing many challenges such as capital raising issues as the corporate bond markets has essentially grinded to a halt, rising interest rates and slow project approval process. However, the government has provided some preliminary support to help this segment overcome these challenges.

### Capital raising problem

Property firms faced many difficulties in raising capital to restructure their debts, develop their projects and expand their land bank. Banks focus their credit room for manufacturing and prioritized sectors (agriculture, export, SMEs, etc.) rather than property sector as the government wants to control speculation activities to avoid housing bubble. The unfavorable stock market led to delays or cancelation of share issuances plan and private issuances of corporate bonds were quiet due to stricter regulations stated in Decree. No 65 and violations of some well-known property firms which seriously damaged investors' confidence. Corporate bond issuances from property firms dropped to VND51.8trn in 11M2022 after the peak of VND214.4trn in 2021. Property firms are under pressure to pay back VND119trn of corporate bonds due in 2023 and VND112trn due in 2024.



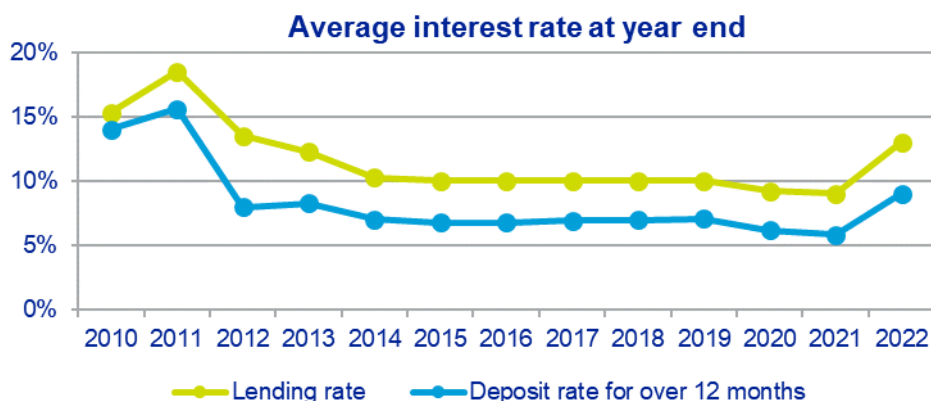
Source: Finpro, HNX

The government started to provide preliminary support in 4Q2022. The Prime Minister issued an official letter No.1435/QĐ-TTg to request the SBV, ministries and People's Committees of cities and provinces to cooperate and remove obstacles for the property sector. The SBV increased 2022 credit growth target by 1.5-2% to 15.5%-16%, equivalent to an increase of ~VND200trn. The Ministry of Finance proposed amendment for Decree No.65 which extends the implement time of determination of professional securities investors and credit rating by one year to Jan 1<sup>st</sup> 2024 and allows to extend bond maturity date by a maximum of two years.

### Interest rate hikes

Surging interest rates were a key reason for the frozen property market in 2011-2013. Thus, the uptrend of lending rate from the stable range of 9-10%/year in 2015-2021 to 11-13%/year in 2H2022 indicated that the winter has come. When deposit rates of some banks surpassed 10%, the Vietnam Banks' Association proposed a ceiling of 9.5% for all periods and some banks started to decrease their rates. In

addition, in the Document No. 9064/NHNN-TD, the SBV said it will monitor cases where credit institutions continue to raise interest rates.



Source: ACBS summary.

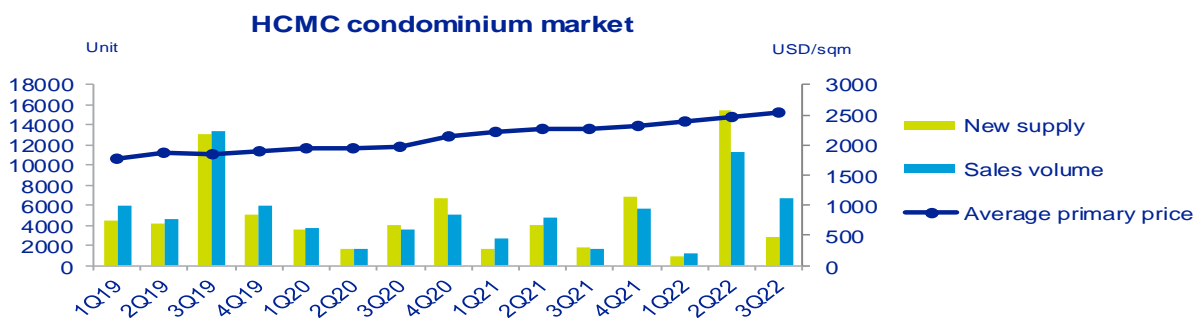
### Slow project approval process

Slow project approval process caused by overlapping and conflicting legal documents and difficulties in land clearance, land bidding and land use right calculation has lasted for five years. This led to limited supply, rising selling prices, mismatch between the supply and demand and higher investment costs for developers. Proposal for amendment of the Land Law is being discussed and it is expected to partly resolve this issue when approved.

### Condominium market saw a sharp decrease in new supply and absorption rate in 3Q2022

Given challenges mentioned above, the number of new condos launched in HCMC in 3Q2022 dropped significantly by 80% QoQ to 2,851 after a surge in 2Q2022. The high-end segment continued to lead the new supply with a 76% share. Sales volume continued to exceed new supply and was recorded at 6,726 units, down by 36% QoQ. Average absorption rate of newly launched projects dropped to 55% compared with 78% in 3Q2021. Average primary price continued on an uptrend and reached USD2,545/sqm (+3% QoQ and +12% YoY).

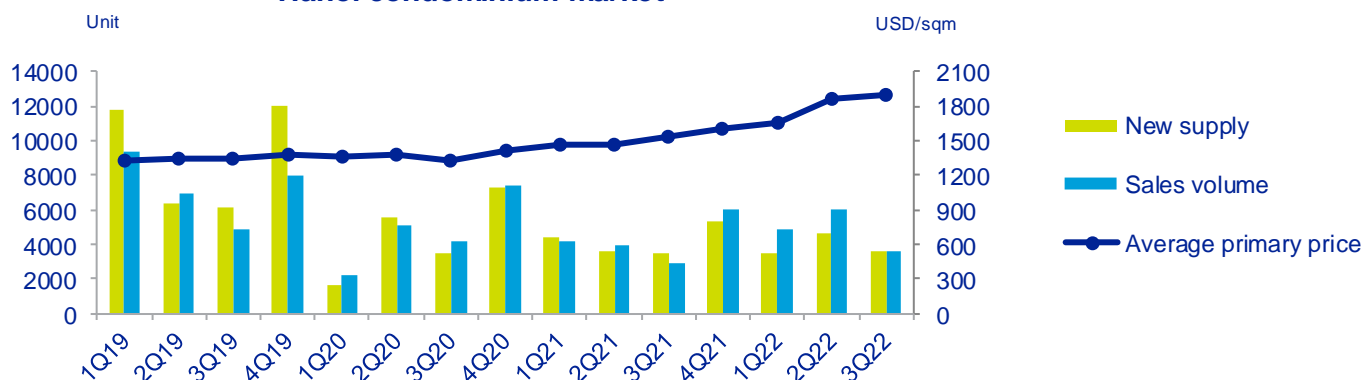
For 9M2022, both new supply and sales volume were recorded at over 19,200 units, much higher than in 9M2021 as the pandemic has been put under control since 2Q2022.



Source: CBRE

The Hanoi market witnessed the same trend in 3Q2022 with new supply of 3,640 units (-22% QoQ) and sales volume of 3,624 units (-40% QoQ). The high-end segment accounted for 67% of total new supply while the remainder belonged to the mid-end segment. Average primary price increased by 1% QoQ and 23% YoY as the market shift towards the high-end segment. For 9M2022, Hanoi recorded over 11,800 new units launched (+3% YoY) and nearly 14,500 sold units (+31% YoY), still much lower than the pre-COVID level.

### Hanoi condominium market

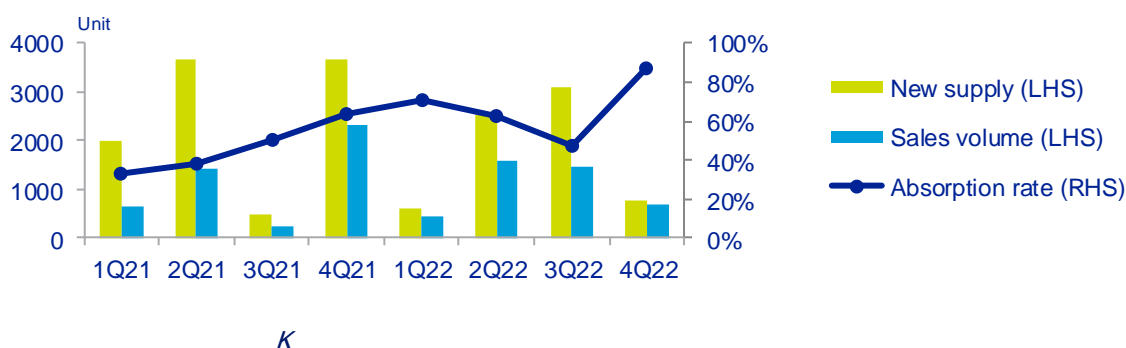


Source: CBRE.

### Landed property market

HCMC and surrounding provinces saw a substantial decline in 4Q22 new supply to nearly 800 units (-74% QoQ and -78% YoY). Thus, new supply in 2022 dropped by 29% YoY, to over 7,000 units, mostly located in Dong Nai (accounted for 32.5% of total supply) and HCMC (22.3%). Sales volume significantly slid by 42% YoY to over 4,100 units, of which Dong Nai saw the highest decrease of 73% YoY. Absorption rate was still at a low level of 59%, compared with 57% in 2021 and 71% in 2020. Some projects witnessed discounts in primary selling prices in 2H22. Many developers offered attractive discounts for short payment schedule to stimulate the demand.

### Landed property market in HCMC and surrounding provinces



Source: CBRE.

The Hanoi market welcomed over 4,900 units (-11% QoQ) from 10 projects in 3Q2022 with the majority came from Vinhomes Ocean Park 2 –The Empire project. This project launched nearly 9,600 units in 2Q2022 and 3Q2022, equivalent to 89% of total units launched from 1Q18 to 1Q22. Around 5,000 units were absorbed in 3Q2022. Average primary price reached USD8,462/sqm (+36% YoY) given new launches were from the high-end segment.

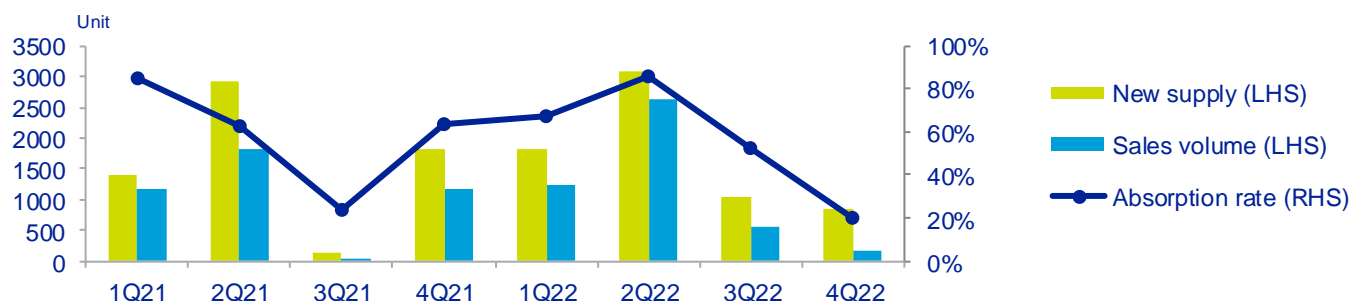


Source: CBRE

### Land lot market saw a sharp decrease in new supply in 4Q2022

In 4Q22, HCMC and surrounding provinces recorded nearly 850 land lots launched (-20% QoQ and -54% YoY) and only 169 land lots sold (-69% QoQ and -86% YoY), the lowest since 4Q21. However, thanks to high supply in 1H22, new supply in 2022 increased by 9% YoY, to over 6,800 units with the dominance of Long An and Binh Duong which together accounted for nearly 75%. Sales volume slightly decreased by 2% YoY, to nearly 4,600 land lots, of which Long An and Binh Duong accounted for 85%. Primary prices went sideways during the year. Given market difficulties in 2H22, developers offered attractive discounts for short payment schedule and buyback guarantee to stimulate the demand.

### Land lot market in HCMC and surrounding provinces



Source: DKRA.



### Outlook

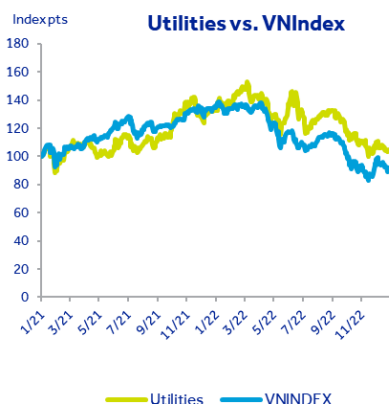
We expect 2023 will be the year of restructuring and filtration. New supply is limited and absorption rates may stay at low levels given unfavorable market conditions, e.g. high interest rate, limited credit room for the property sector and corporate bonds issue. Primary selling prices of condominiums and landed properties may slightly increase given limited supply and the dominance of the high-end segment while those of land lots may go sideways or decrease. Developers may continue to offer interest rate support, guaranteed buy-back profit, guaranteed leasing profit or other promotions to stimulate demand.

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.



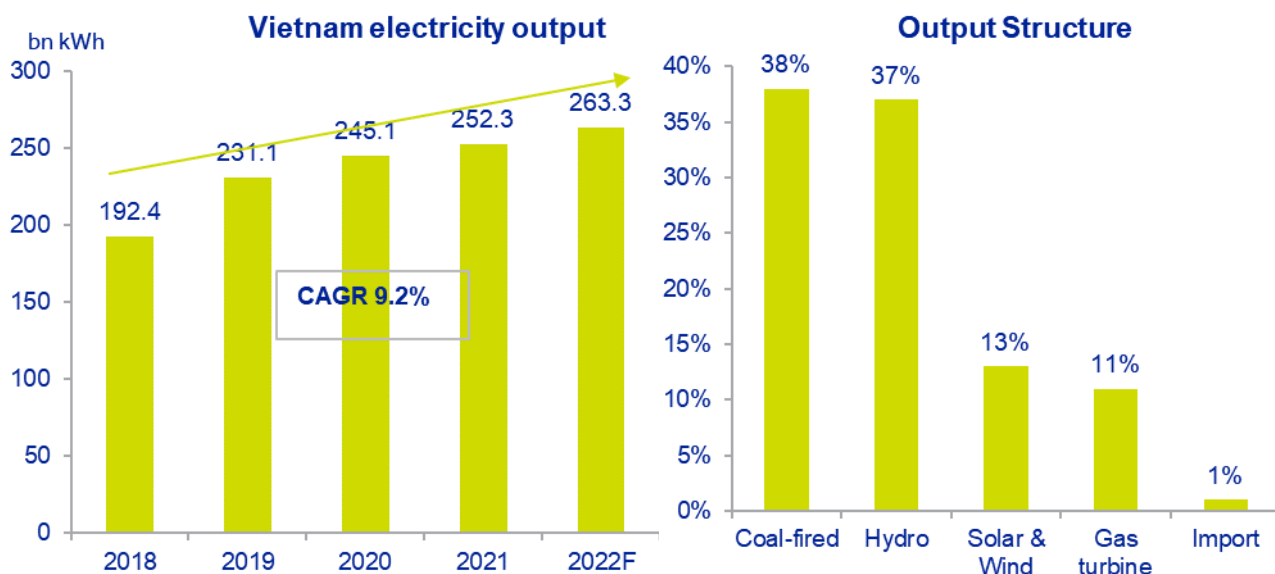
## The electricity sector

### The past: 2022 output



2022 energy output reached an estimated 263.26 bn kWh, +4.4% YoY, resulting in a cumulative average growth rate (CAGR) of 9.2 % in 2018 – 2022 period. The higher growth rate in 2022 compared to 2021 (about 3%) indicates that the economy is resuming post pandemic. However, the 2022 energy consumption growth rate is quite low compared to GDP – 8.02%. It was expected to stay about 2 - 3% higher than GDP growth based on previous Vietnamese economic conditions and past data.

Thanks to La Nina conditions, resulting in higher precipitation than many-year average, which are beneficial for hydropower production, 2022's mobilized hydroelectricity is expected to reach 97.4bn kWh, accounting for 37% and +24% YoY which is in the expense of coal-fired output mobilization is projected to decrease to 100bn kWh, accounting for 38% and -15% YoY. In addition, the output amount from solar and wind power increased by c.10%, and accounted for 13% of total output. The changes to the output mix and growth in renewables are indications for the government's efforts to transition Vietnam's energy production portfolio in line with their COP26 commitment to bring carbon emission to Net Zero by 2050.



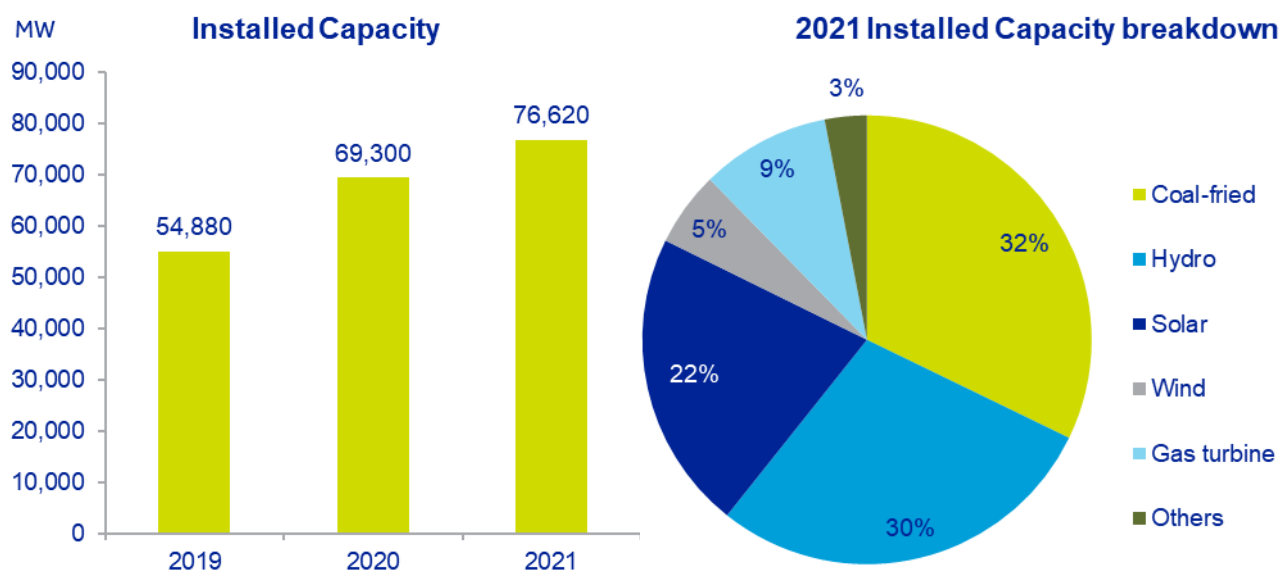
Source: EVN

### The past: 2022 capacity

The national installed capacity achieved 76,620 MW at the end of 2021, increased by 7,500 MW - +10.6% YoY, has outpaced Indonesia and ranked 1<sup>st</sup> in ASEAN. Coal thermal accounts for the largest proportion: 32% - 24,672 MW whereas hydro is 30% - 21,837. Notably, renewables (excluding hydro) accounts for 27% - 20,670 MW, and rose by 3,420 MW – +20% YoY and four (4) times compared to 2019. The rapid development of the renewables sector has aided by attractive FIT incentive policies alongside attractive electricity selling prices for a long duration, specifically twenty (20) years of the contract.

On the other hand, these policies accompanied aggressive development renewables, which is resulting in imbalance in peak time period, and source structure aspect as well as the transmission system. Particularly, the government had initially aimed to

keep solar power proportion around 10% of the total installed capacity. However, at the end of 2021, the solar power has accounted for 22% - and became the 3rd largest source.



Source: EVN

### The past 2022: EVN

EVN reported a loss of nearly VND16,000bn in 10M2022, and anticipated the loss could reach further to VND33,000bn for the whole year. EVN stated steadily increasing input costs of fossil fuels such as oil, coal and gas led EVN to obtain higher bid electricity price from thermal generators, while retail prices for electricity haven't changed since 2019, at only VND1,860 (7.9 cent/kWh – 2020 USD/VND: 23,544 as benchmark). Furthermore, EVN specified a loss of 150 VND on each kWh selling and has been pushing for an electricity retail price adjustment to Ministry of Industry and Trade (MoIT).

### The future and expectation: New RE price scheme

According to the new Decision 21/QD-BCT for the official approval on the final ceiling electricity price for renewable transiting solar and wind projects which were in late of previous FIT incentive policies – Oct 2021.

	Price: VND / kWh	Price: cent / kWh <sup>1</sup>	Previous FIT price:	Change: %
Terrestrial	1,184.9	5.05	7.09	-29%
Floating	1,508.3	6.43	8.38	-23%
Onshore	1,587.1	6.77	8.50	-20%
Offshore	1,815.9	7.74	9.80	-21%

Sources: ACBS, MoIT

<sup>1</sup> USD / VND: 23,450 – Jan 10<sup>th</sup>, 2022 for reference only

In Dec 2022, MoIT has re-submitted the 9th draft National Power Plan 8 (PP8) – 8129 /TTr – BCT for nationwide electricity development approval of 2021 – 2030 period, given vision to 2050 with three (3) scenarios.

- **Primary** is equivalent to GDP growth of 6.8% in 2021 – 2025 period, and 6.4% in 2026 – 2030 period.
- **High load-based** is equivalent to GDP growth of 7.5% in 2021 – 2025 period, and 7.2% in 2026 and 2030 period.
- **2<sup>nd</sup> high load-based** is similar to high load-based but given accommodation for about 6,200 MW coal-fired projects which is likelihood of cancellation due to lack of capitals and also investors. Therefore, those projects would be supplanted by LNG gas thermal instead of.

## The future and expectation: Capacity

Coal-fired generation is expected to reach the maximum capacity in 2030 with only 36,127 MW – accounting for 27.5%, reducing nearly 20,000 MW compared to the 1st draft in Mar 2021. There are only 12 remaining projects – 13,792 MW, which would be deployed until 2030 in which 5 BOT projects – 6,800 MW, which suffer the likelihood of being unable to seek for alternative investors. Therefore, MoIT has built the 2nd high load-based scenario to deal with it by expanding more LNG gas turbine thermal.

After a period of rapid development, spurred by attractive incentivized FIT policies, solar power has surpassed its targeted capacity of just 8,736 MW; thus capacity is expected to be stagnant until after 2030 as storage and transmission capacity has not kept pace with the rapid development.

Wind power would supplant solar become the leader in renewables. Capacity is expected to surge at least three times, from 4,126 MW – 2021 to nearly 12,000 MW – 2030, accounting for 9% in primary scenario. In addition, in the 2nd high load-based scenario, it would reach over 28,000 MW (including offshore); fold seven (7) times compared to currently capacity.

Scenario	Primary		High load-based		2 <sup>nd</sup> High load-based	
Capacity: MW	2025	2030	2025	2030	2025	2030
Pmax	59,342	86,479	61,357	93,343	61,357	93,343
Coal-fired	30,067	36,127	30,067	36,327	30,067	30,127
Domestic gas turbine	9,176	14,930	9,176	14,930	9,176	14,930
LNG	3,500	15,400	3,500	18,500	3,500	24,500
Hydro	25,829	27,353	26,795	28,946	26,795	28,946
Onshore	11,196	11,905	13,616	13,925	13,616	21,480
Offshore	-	-	-	4,000	-	7,000
Solar	8,736	8,736	8,736	8,736	8,736	8,736
Garbage / Biomass	980	1,230	980	1,230	1,180	2,270
Pumped Hydro Storage		1,500	50	2,700	50	2,700
Import	3,853	4,076	4,453	5,000	4,453	5,000
Rooftop	7,755	7,755	7,755	7,755	7,755	7,755
<b>Total</b>	<b>103,763</b>	<b>132,212</b>	<b>107,799</b>	<b>145,049</b>	<b>107,999</b>	<b>156,444</b>

## The future and expectation: Output

Coal thermal groups contribute the largest energy output volume in all three (3) scenarios, accounting from 31 – 42% until 2030. Thus, it indicates that in the short term, Vietnam still has to lean on coal-fired to facilitate sustainably economic development. However, the rate would be lessened over long term period as the government's effort to cut down carbon dioxide.

Notably, LNG turbine output would hike considerably from 0 to at least 88bn kWh in 2030 with totally 15 projects would be deployed, starting with NT3 & 4 (POW) at Nhon Trach – Dong Nai.

Moreover, wind power is projected to supply about 31bn kWh - 5.6% to 80bn kWh - 13.4% of the national electricity demand in 2030.

	Primary		High load-based		2 <sup>nd</sup> High load-based	
Output: GWh	2025	2030	2025	2030	2025	2030
Coal-fired	165,953	234,424	168,041	234,702	167,549	185,854
Domestic gas-fired	26,544	49,185	26,707	52,133	26,816	52,406
LNG	16,687	88,493	17,708	105,043	16,973	118,490
Hydro	91,848	97,135	94,936	100,482	94,937	100,476
Wind	29,469	31,117	34,453	49,663	34,533	79,511
Solar	26,634	26,634	26,708	26,708	26,708	26,708
Garbage / Biomass	4,532	6,346	4,545	6,444	5,702	11,624

2021 - 2030	Substation: unit		Grid: km	
Primary Scenario	News	Overhaul	News	Overhaul
500kV	46,550	35,550	10,884	1,324
220kV	70,525	33,497	15,599	6,500
2 <sup>nd</sup> High load-based	News	Overhaul	News	Overhaul

Import	15,410	16,193	16,788	18,790	16,789	18,791
<b>Total</b>	<b>378,327</b>	<b>551,290</b>	<b>391,339</b>	<b>595,457</b>	<b>391,339</b>	<b>595,457</b>

Source: EVN

## The future and expectation: System and investment

There are 10,800 km - 12,500 km of 500kV transmission lines and around 16,000 km 220kV need to be added up to the national grid system. The government's analysts expect that it would not be necessary to build extra 500kV after 2030 to transmit electricity between various regions as a result of regional self-sufficiency. In addition, the MoIT anticipated the maximum energy volume transferred between regions would not pass over 20bn kWh per year.

<b>500kV</b>	50,250	37,800	12,560	1,324
<b>220kV</b>	79,775	35,747	16,381	6,484

Source: EVN

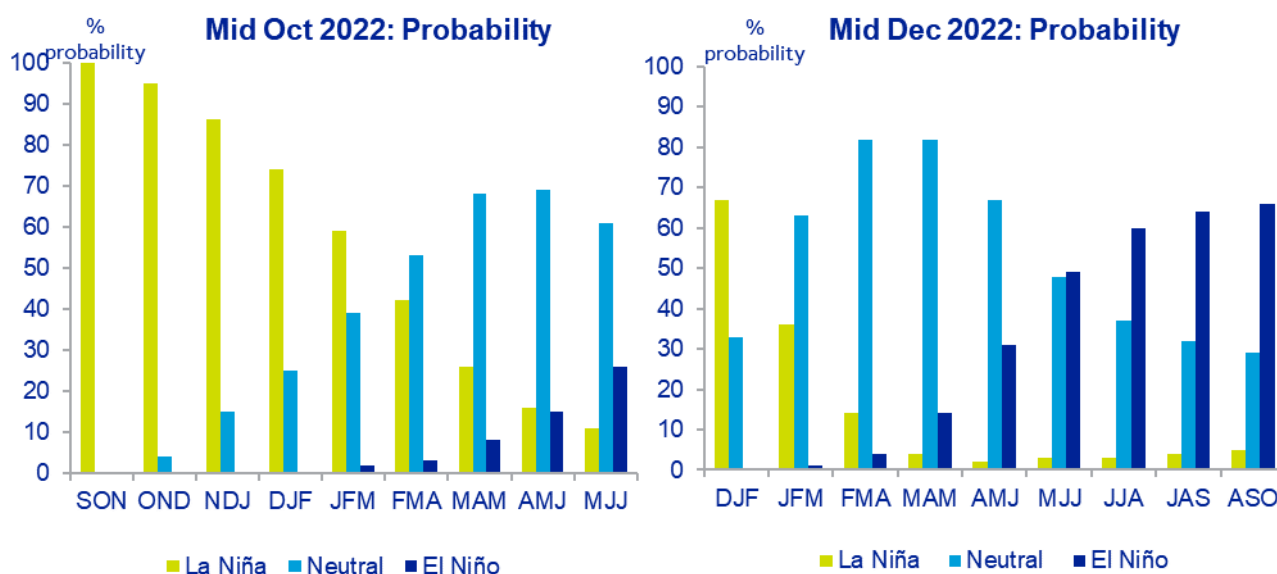
There is huge investment capital required to address the PP8 plan, estimated around VND290,000bn per year in which:

2021 - 2030 Investment Capital / Year	USD: bn	VND: bn	USD/VND
<b>Source</b>	10.8	254,340	23,550
<b>Grid</b>	1.5	35,325	23,550

Source: EVN

### The future and expectation: Weather

According to ENSO, the Mid Dec 2022 model-based probabilistic forecast reported higher probability that El Nino cycle would return in 2023 – 2024 period compared to the previous model at Mid Oct 2022. Particularly, the forecast in Mid Dec 2022 stated that there are 49% chance of El Nino happening in May-June-July (MJJ), nearly twice compared to the Mid Oct 2022 forecast. Thus, we expect that 2023 weather condition would offer advantages for thermal power plants including coal-fired and gas turbines, due to El Nino which leads to lower rainfall than many year average, over hydropower.



Source: EVN

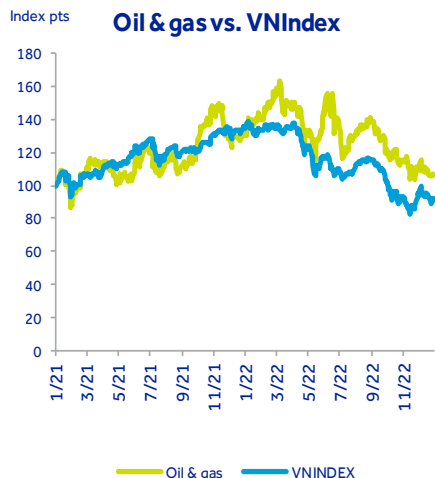
We expect in the short term, thanks to the El Nino weather conditions which establish preference for thermal power rather than hydroelectricity particularly, that thermal power generation will relatively outperform hydro, which was preferential in 2022. Thus, thermal group is forecasted to post a strong result in 2023 – 2024 period. However, the net profit among thermal sector would be diminished partially attributable to remaining high level of input fossil fuels price.

In the long run, based on the PP8's orientation, we expect there would be significant growth in wind power and gas turbine as well as transmission system. Thus, it would

be ideal to focus investments and seek for companies which have chief operation in these energy sectors including PC1, REE or POW.

Additionally, we expect the government would increase the electricity retail price to compensate for EVN loss. Nevertheless, the growth rate will be kept as low as possible, about 3% from VND1,860, in order to not weigh too heavily on inflationary pressures in 2023.





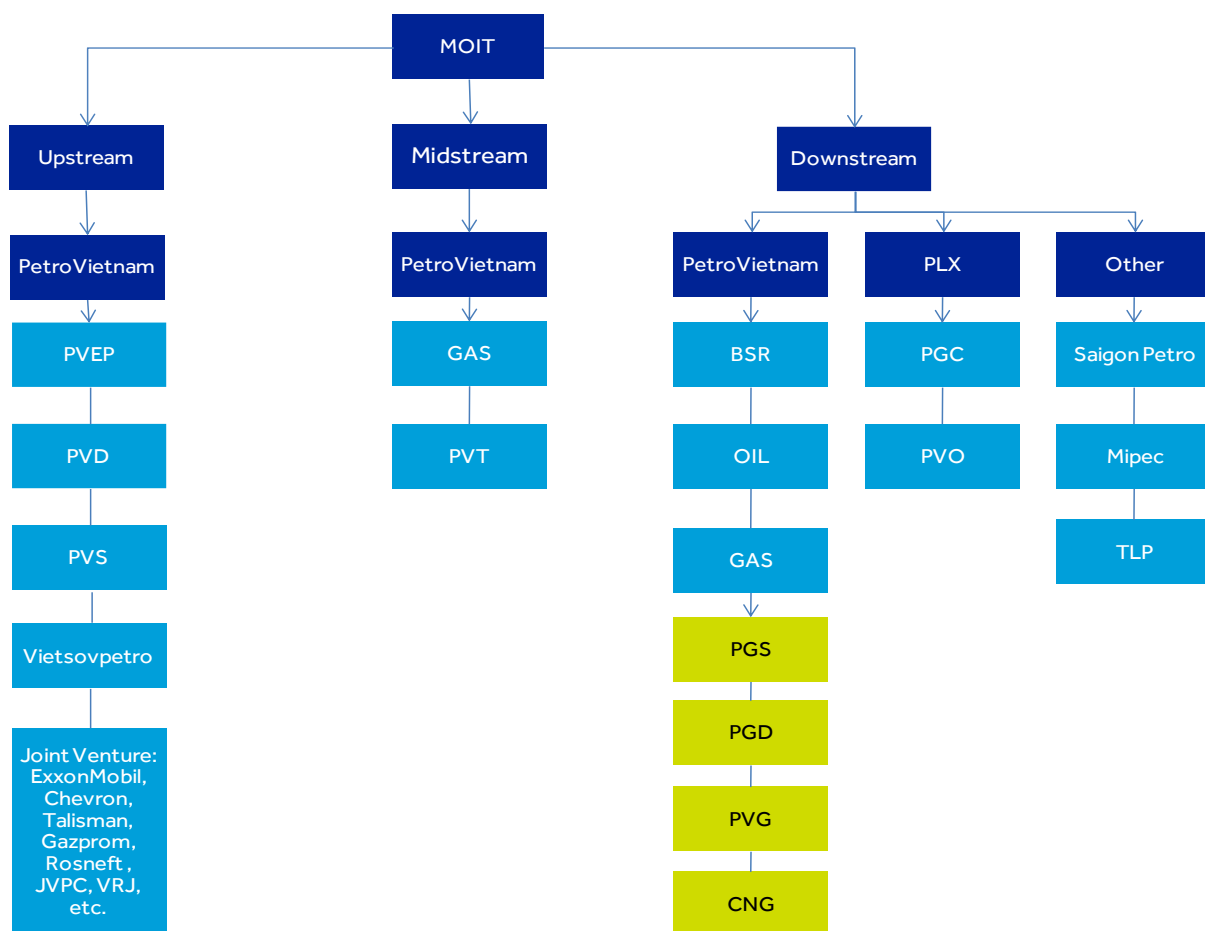
## Oil & gas

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

Traditionally, this industry is separated into three main activities:

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

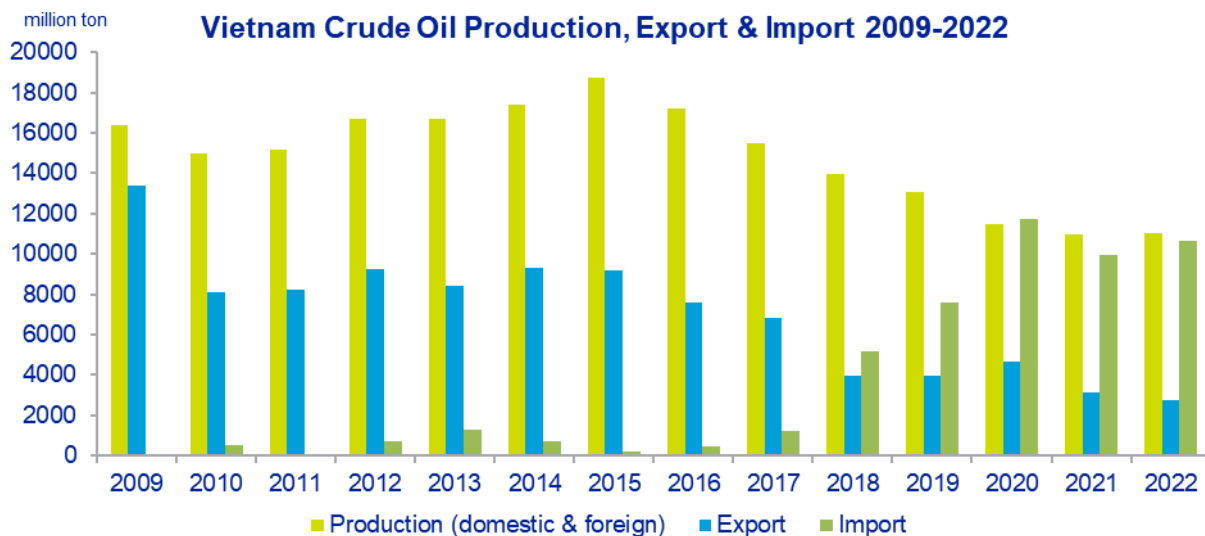
PVN and Petrolimex (HSX: PLX) are the two biggest players in this industry. However, PLX is currently involved only in transportation and distribution, with 48-50% market share in petroleum sector while PVN has built an integrated oil and gas value chain from upstream to downstream.



Source: PVN, ACBS

### Crude Oil Production, Import & Export

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

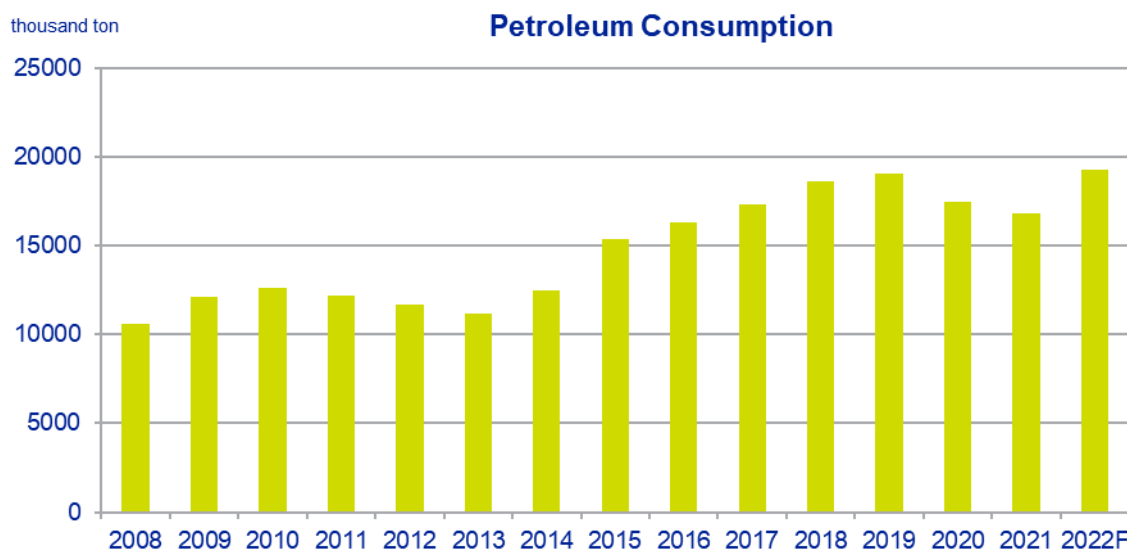


Source: PVN

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

In the 2015-2022 period, Vietnam's crude oil production has been on the decline with CAGR of 7.2%. In explaining this, Vietnam oil resource has been facing the depletion of natural oil resources. Most of large oil field have been exploited for long-time and are currently in the final stages while new discoveries are mostly small field with low reserves. Among that, Bach Ho oil field that makes up more than 60% of PVN's output can be exploited for about 4-5 years. Moreover, the lack of exploration activities that was due to low oil price has led to the fall in increasing oil and gas reserve from 2016. In 2021, oil and gas reserve only increases 4.6mn tons, lower than 15mn tons in 2020 and 40.5mn tons in 2015. Therefore, despite the high oil price and recovering economy post-Covid-19, domestic crude oil production moves sideways in 2022 and is expected to continue in coming years.

## Petroleum consumption



Source: PVN

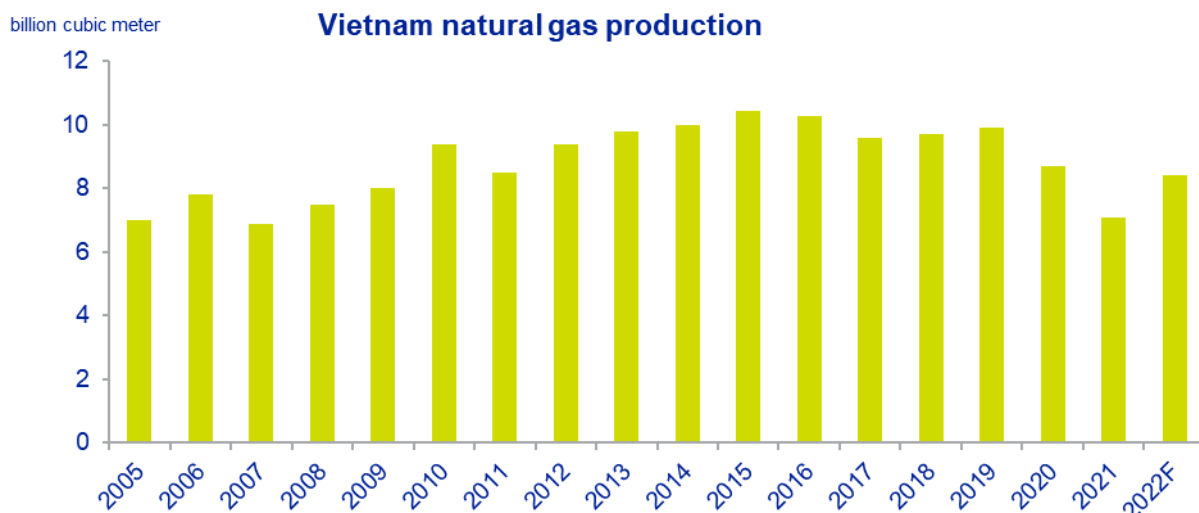
After growing at CAGR of 3% in 2015-2019 period, Vietnam's petroleum consumption declined in the 2020-2021 period due to trade and mobility restrictions amid COVID-19. For 2022, thanks to the increase in economic activity, easing mobility restriction and acceleration in vaccination progress, petroleum consumption has rebound well. However, in 4Q2022, Vietnam faced a fuel supply strain, which was due to:

- Technical issue at Nghi Son Refinery
- Market movements are complicated (transport costs increase, inflation, oil prices fluctuate strongly) while the components in calculating the petrol price formula are not adjusted regularly to reflect the actual costs. Therefore, it has led to the closure/suspend of operation of some small petroleum stations (poor financial capacity, high debt) due to lower selling prices than input costs.
- The government has been battling against petroleum smuggling in 2022. As of September 2022, 12/33 fuel firms have had their licenses withdrawn for a definite time in the inspection conducted by the Ministry of Industry and Trade from February 2022.

For 2023, oil consumption might remain flat due to growing concerns toward recession and inflation.

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

## Natural gas &amp; LNG



Source: PVGAS

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

Gas production in Vietnam has been surging since 2003 to 2019 with the Nam Con Son basin (which is gas- prone) coming on-stream in that year. However, in 2020-2021, natural gas production has dropped due to the COVID-19 impacts that led to low demand of natural gas in electricity generation as well as from industrial customers. For 2022, gas production rebound on recovering economy with higher demand from industrial customers while demand from gas-fired power plant is unchanged due to the impact of La Nina weather condition.

For 2023, although El-Nino weather conditions will increase gas demand gas-fired power plants, the global economy is declining while production/export activities are showing signs of decline with PMI below 50. Therefore, gas output/demand is forecasted to move sideways

In the coming time, according to PVN and Power development plan VIII, natural gas demand will surpass supply by 2025 due to the current depletion of natural gas resource and rapid growth in electricity power demand. Therefore, building more new facilities to accommodate imported LNG is needed with capacity of 1-4bn m3 per year for 2021-2025 and 6-10bn m3/year for 2026-2035. Understanding that, GAS has been constructing the LNG Thi Vai storage (phase 1: capacity at 1mn tons LNG per year, completed by 4Q2022) and had other large LNG projects (Son My, Hai Phong) under consideration.

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

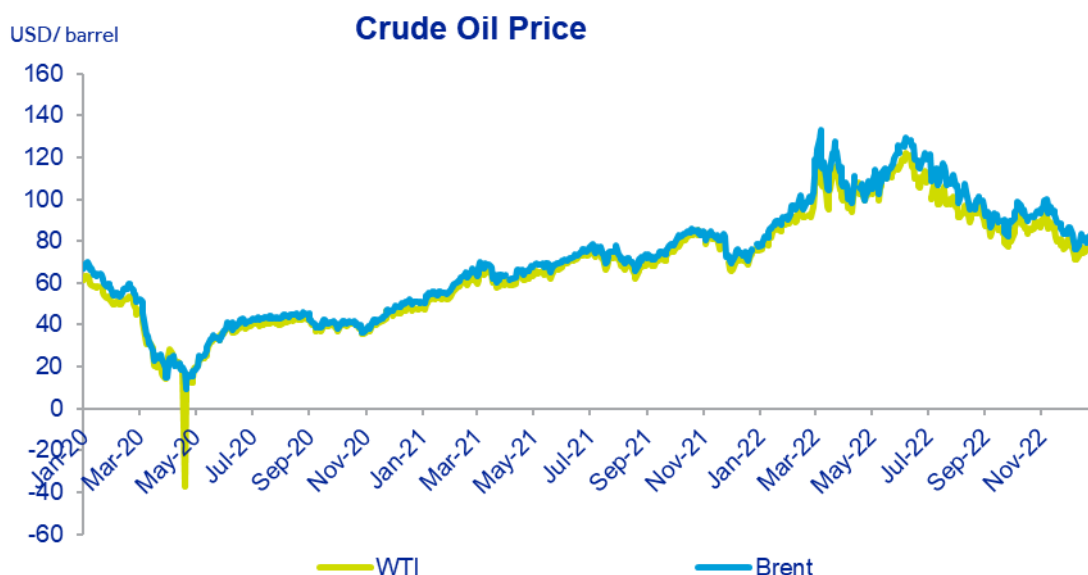
### *Opportunities:*

- Vietnam LNG consumption is expected to grow at annual rate of 10% over next decade.
- Attracted foreign investment into LNG sector.

### *Threats:*

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

### **Oil price movement in 2022 and outlook**



Source: EIA

Continuing the uptrend from 2021 amid increasing demand which had come from the increase in economic activity, easing mobility restriction and acceleration in vaccination progress, Brent oil price surged strongly in the 1H2022 to around USD130/barrel. This movement was thanks to the supply tensions along with the recovery of gasoline demand. The supply was more tense as the Russia-Ukraine war broke out and accompanied by embargoes on Russian oil & gas from the US, UK and the European Union (EU). However, in the 2H2022, Brent oil price started to fall to around USD85/barrel on growing concerns about global demand/economy recession, which seemed to outweigh the G7 price cap on Russian oil sales + the EU's ban on seaborne crude oil import from Russia (implemented on December 5th 2022).

Regarding the upcoming prospects, average Brent oil price is forecasted to drop to USD85/barrel in 2023 as supply is gradually increasing while demand is expected to moved sideways:

*Supply:*

- Sanctions on Venezuela oil may be lifted. More supply is also expected to come online from US and other non-OPEC countries in 2023. This might mitigate gradually the current supply shortage.
- Although OPEC+ agreed in October 2022 to cut oil production deeply by 2mn bpd from November to spur a recovery in oil price and maintained this quota through the end of 2023. This OPEC' production cut will have limited impact as OPEC+ has been producing more than 3mn below its agreed quota levels for months due to its political strife and underinvestment in drilling. Therefore, the actual cut will be lower and estimated to be around 1mn bpd.

*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. Although China starts to open up to international tourism from Jan 2023, the recovery of oil demand can be slow as the infection and fatalities in China is still rising.
- High gasoline prices and concerns about inflation and economic recession have lower the demand for oil.

Besides that, there are also some certain risk that can cause negative impact on oil price and this industry outlook:

- Global recession risk
- New COVID variant with high infectiousness drag oil demand down
- Tension between Russia and Ukraine
- Concerns about climate change, increasing sales of electric cars and investment in green energy

**Expected decline in business results of listed O&G companies**

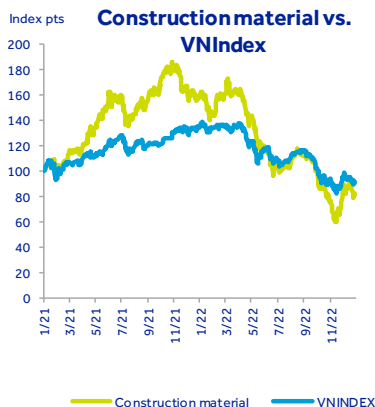
Average Brent oil price is expected to drop to USD85/ barrel in 2023. Therefore, lower oil prices will slightly drag down selling price of gas (**HSX: GAS**) and the rig day rate for (**HSX: PVD**). Moreover, the current high volatility of oil prices can cause negative impact to (**HSX: PLX**) as PLX has to maintain a minimum 20-days inventory worth of domestic demand. Besides that, expected fall in global demand will also narrow the crack spread for refinery plant (**UpCom: BSR**). On the other hand, the slow initiation of new oil & gas projects will continue to put a lot of pressure on the workloads for the Mechanics & Construction segment of (**HNX: PVS**).



## Commodities

### The steel industry

Global steel prices decreased 9.1% during 2022 with wide fluctuations, while the downtrend began in mid-April when China suffered from widespread COVID outbreaks which forced the country to apply massive restriction methods and affected the demand for steel. The global steel market also got affected by reducing demand from global real estate market when high inflation and interest rates in many countries reduced the affordability of house buyers.



Source: Bloomberg

Steel prices recovered in final months of 2022 when Chinese authorities started to show signs of easing some COVID restrictions. Even though China is still struggling with the Zero-COVID target, the country has reopened public places and there are more people traveling on public commuting services. This shows signals for China changing their Zero-COVID strategy to a herd immunity goal, while the government also adjusted insurance policy for COVID patients. Chinese authorities also plan to ease the debt caps for some real estate companies, which could bring back real estate developing activities which has been frozen for a long time. The slow recovery of the Chinese economy in general and real estate market would bring back construction activities as well as steel demand of this country. We also believe that the recovery of China's economy would have a positive impact on global economy recovery and will boost the recovery speed while China accounts for a large portion of global economy. Global steel prices have increased 9.4% in December 2022, in theme of positive information about China recovery.

The Vietnamese steel market also has movements similar to global market, in which the domestic construction steel prices have increased to about VND14,750/kg (+5.1% MoM) in the last months of 2022. Although current price level of domestic construction steel is still much lower than beginning of the year 2022 (about VND17,500/kg), but the improvement of construction steel prices recently should ease the pressure on domestic steel makers' operations.



Source: Bloomberg

Iron ore prices increased nearly 40% from the latest bottom, which bring this material to the level equal to beginning of 2022 while the emergence of China from lockdown bring a brighter outlook for global steel industry. However, the increase of steel prices hasn't caught up with iron ore prices yet, this could cause steel makers to suffer from contracting gross margins in the short-term.

The domestic Vietnamese steel market also followed similar themes to the global steel market, while the slowdown of real estate market had a strong negative impact on domestic steel demand. In 11 months of 2022, the steel production was down 11.3% YoY and steel consumption was down 6.8% YoY, in which exports were down 19.3%, a strong decline in steel export due to global situation.

China, which used to be a large export market for Hoa Phat crude steel, has reduced their contribution to Vietnam steel export from about 15% to about 1% after 11 months of 2022 when China steel market suffered a lot from the pandemic and real estate crisis. The export volume of Vietnamese steel was down 36.7% YoY in 11 months of 2022.

Despite the overall negative performance of the Vietnamese steel market, there are some bright points for large domestic steel makers, which are gradually taking market share from small steel makers; Hoa Phat has increased their market share from 32% in 2021 to 36.2% in 2022, other steel makers such as Nam Kim, VN steel or Dong A also increased their market share by 1-2% in 2022. The increase in large steel makers market share is consolidating the market and positioning the surviving players well for a rebound when the market recovers. We believe that within the next two years the real estate real estate sector could recover, thus bring back the demand for steel. Hoa Phat and Nam Kim have timed their expansion projects to be completed in late 2024 - early 2025 and we can expect a jump in those companies' output after the new capacity comes online. With current state of Vietnam's steel market, the short term outlook is quite negative as the recovery speed could be slow when real estate market doesn't receive significant policy support, but we still have positive long-term expectation on large domestic steel makers such as **Hoa Phat (HSX: HPG)** or **Nam Kim (HSX: NKG)** while the timing or their expansion project could

meet the recovery phase of the real estate market in the next few years. Steel companies' stock valuation is also quite attractive, when most steel tickers are trading at a forward PER of 5x-6x, which is lower than their five years average of 7.5x to 8x.

#### Natural rubber

Natural rubber prices decreased by 27.5% in 2022, while the strict lockdowns in China-the largest rubber importer- affected the global rubber demand. We think that the slowdown of China manufacturing is the main reason for the reducing of rubber prices. Moreover, the high inflation and the slowdown in global car demand also contributed to the reducing of rubber prices while reducing the car demand also mean reducing the demand for rubber tires.



Source: Bloomberg

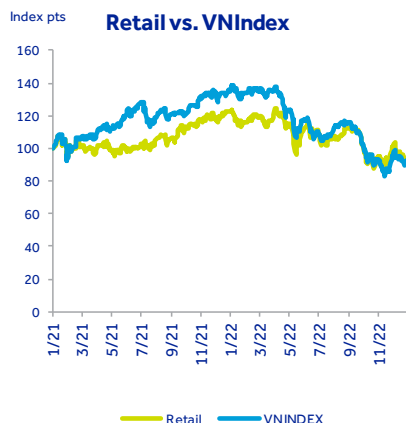
According to ANRPC report, in November 2022, world production recorded a 2.7% YoY growth to 1.426mn tons as compared to 1.389mn tons last year. While world demand is estimated at 1.301mn tons, increased 0.6% YoY from 1.294mn tons in November 2022. We can see that the over-supply situation of natural rubber is becoming stronger as the main rubber import country was affected by the pandemic. Moreover, while the global pandemic has eased with mass vaccination, the demand for medical gloves has dropped significantly and affected natural rubber demand.

We believe that China's economy plays a great role in recovery speed of rubber demand, as well as other commodities. The strong drop down in China import of rubber has put a pressure on demand side, making the global rubber industry experience an abundance of supply. Moreover, the high inflation and interest rates situation in most countries make the car consumption strength to become weaker, thus, putting a pressure on tires manufacturing, which accounts for nearly 30% demand of natural rubber.

We also believe that the demand for natural rubber cannot recover quickly in short-term. Although natural rubber prices have increased slightly since November, the current rubber price is still about 15% lower than beginning of 2022. According to our observation, labor cost in rubber industry tends to increase recently and put a pressure on the gross margin of rubber companies in short-term.

In short-term, the outlook for rubber prices is blurred due to current over-supply situation. Therefore, the outlook for Vietnamese rubber companies, in our opinion, is not positive until mid-2023. And the recovery of rubber prices could be slow as global rubber inventories could accumulate with the current over supply situation. As rubber prices almost reached its bottom and has recovered slightly thanks to the reopening of China's economy, we also put an expectation on the recovery of rubber companies which have good planting areas, such as Dong Phu Rubber (**HSX: DPR**), Phuoc Hoa Rubber (**HSX: PHR**) or Vietnam Rubber Group (**HSX: GVR**) in the second half of 2023.

## The consumer sector – slowdown in short term but bright prospect in a long run



2022 generally witnessed a recovery in consumer spending and retailing activities in Vietnam after being affected/restricted by COVID-19 outbreak and social distancing stages, especially in 2021. Retail sales of goods and services are estimated to rise by 19.8% YoY in 2022 and 16.1% compared to the pre-pandemic level in 2019, versus a decline of 3.9% YoY in 2021 and 0.9% YoY in 2020. Retail sales of goods, accounting for c.79% of the total, rose by 14.4% YoY in 2022 (including an increase of 25% YoY in 3Q2022 on the low base in the same period in 2021) and 21.1% compared to that in 2019. While retail sales of food, the largest contributor accounting around one-third of the total, climbed by 10% YoY, the growth was 22.9% YoY in cultural and educational items, 19.1% YoY in garment, 13.8% in vehicles, and 7% YoY in home appliances in 2022.

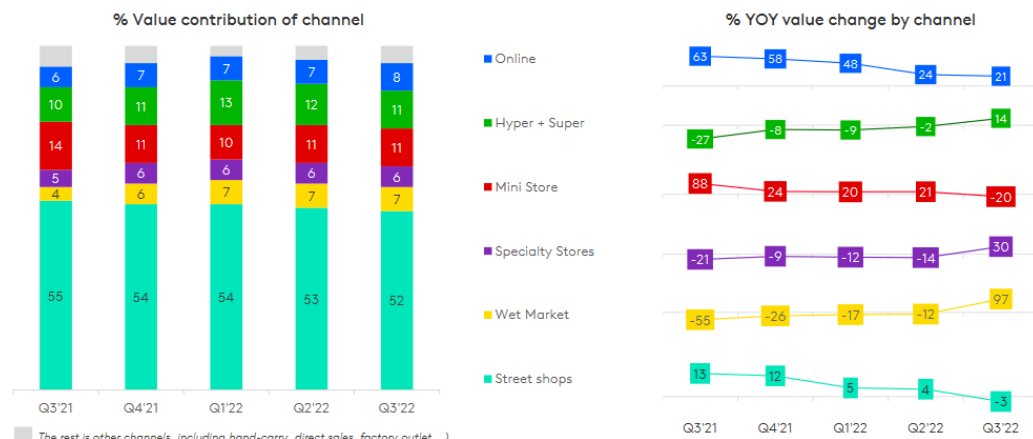


Source: GSO

Vietnamese retailers and consumer manufacturers continued to maintain their positions among foreign players in Asia. Mobile World Investment Corp. (**HSX: MWG**) is the only Vietnamese name present in the top 100 retailers in Asia 2022 (based on 2021 sales) while the company along with Saigon Union of Trading Cooperatives are two Vietnamese players ranked in the top 25 retailers in Southeast Asia, according to Euromonitor. Vietnam Dairy Products JSC (**HSX: VNM**) and Masan Consumer (**HSX: MCH**) are two Vietnamese players that have been present in the top 10 most chosen FMCG manufacturers for years, beside foreign names, according to Kantar Worldpanel.

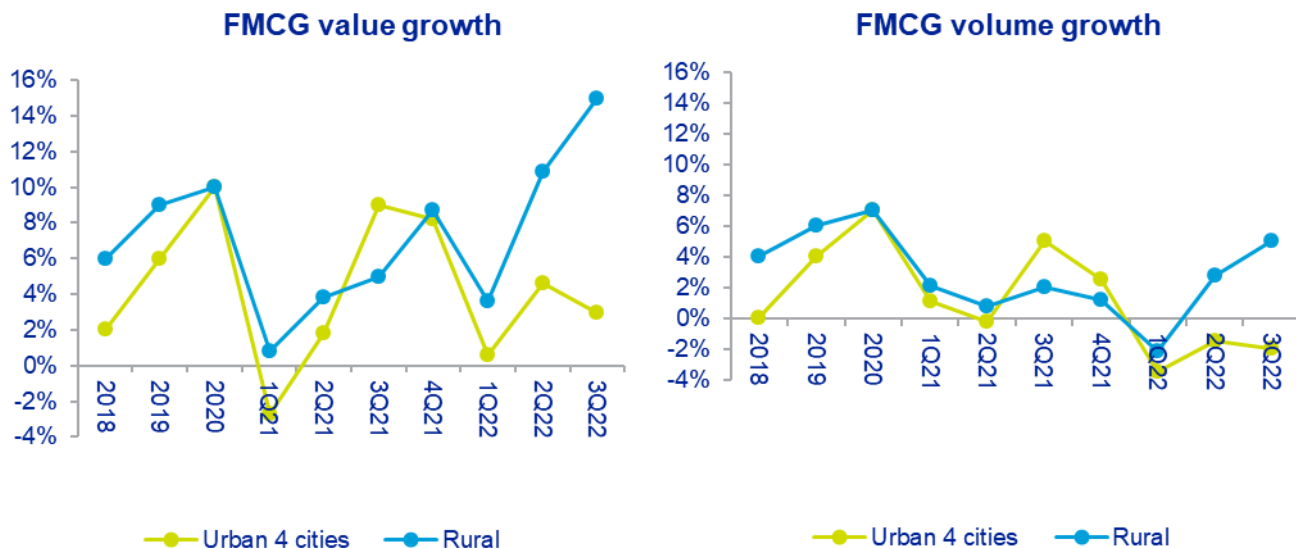
Retail channels restored operation without lockdown or restriction. According to KantaWorld Panel, most of them have been on the rise after experiencing big drop in 2021. Online channels are slowing down but still maintaining double-digit growth. Expansion of store network continued, with the most prominent retailers probably belonging to pharmacy/drug store chains, including Long Chau pharmacy (+400 new stores in 9M2022), An Khang pharmacy (+331 new stores in 11M2022), Pharmacity (+252 new stores). WinCommerce (WCM) also continued with their expansion in Q3

with 176 new Winmart+ opened. On the other hand, Bach Hoa Xanh closed 414 stores as a part of their restructuring plan.



Source: Kantar Worldpanel

However, in terms of consumption of FMCG products, data from Kantar Worldpanel indicated that the rise FMCG spending in 9M2022 was largely thanks to an increase in average paid price while volume growth was low, especially in urban four cities. In addition to the high base in 2021, this may be attributed to consumers restructuring their wallets, cutting down consumption in response to increasing prices in these products or others like fuel prices, transportation services, etc. A portion of workers moving from urban to rural areas due to lay-off/unstable job state may contribute to a shift in FMCG purchasing from urban to rural areas.



Source: Kantar Worldpanel

Source: Kantar Worldpanel

Listed retailers reported good revenue growth thanks to recovery of consumer demand post COVID-19 in the first months of 2022 and growth from a low base in 3Q2021, for example MWG (reporting 18% YoY revenue growth in 9M2022), FRT (+55% YoY in 9M2022) and PNJ (+104% YoY in 9M2022). Still, companies have expressed conservative view on 4Q2022 and 1H2023 outlook, considering the economic conditions which may not favor consumer purchasing power, especially for non-essential products. While facing rising costs of living, consumer spending may



also be hindered by concerns about income uncertainty and job security in light of stiffer economic outlook and lay-off in many manufacturers.

Nevertheless, the sector outlook is expected to be better from 2H2023 given many forecasts on a brighter economic picture in the period. The recovery of international travelers will likely contribute to the sector's growth while domestic consumption still has a promising long-term outlook, fueled by a developing economy, large, young, and increasingly connected population, rising urbanization, higher incomes and living standards, and rising middle class.

## Fishery exports

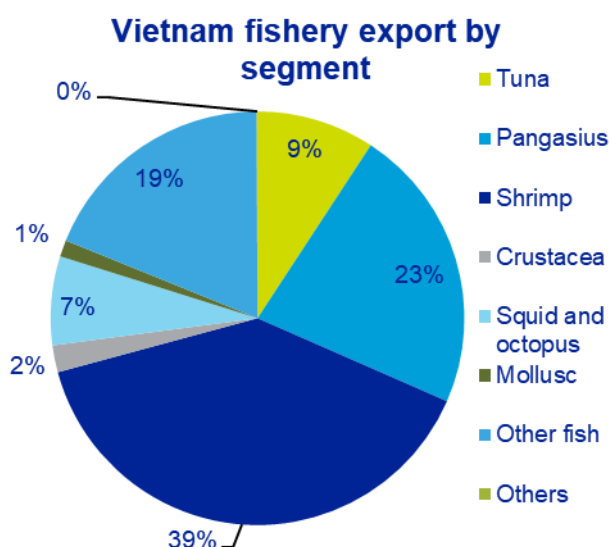
Despite recording a 23.1% YoY growth to USD11.0bn in 2022, Vietnam's fishery export is facing a downtrend in 4Q2022 while it is normally the high season of the business. Orders for 1Q2023 are not yet fulfilled and many factories closed down months prior to the Lunar New Year holiday. Thus, we expect the Vietnam fishery sector to have a quiet 1H2023 period.



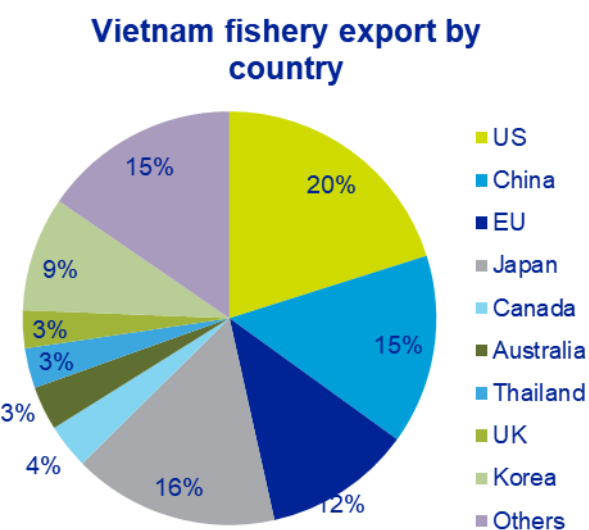
Source: VASEP

Shrimp is the biggest segment of Vietnam fishery export in value term, accounting for 39% of the total export turnover, followed by pangasius (23%). In term of export market, Vietnam export the most to the US, contributing 20.1% to Vietnam total fishery export turnover, followed by Japan (16.1%), China (14.8%) and EU (11.5%). In term of growth rate, China recorded the highest rate with 61.0% YoY in 2022, followed by Canada (+39.3%), Australia (+37.3%) and Japan (+28.6%). EU countries also recorded a decent rate of +20.1% YoY while US as the largest export market of Vietnam fishery, only recorded a low single digit growth of 4.0% YoY in 2022.

As China reopens in Jan 2023, that will be a good opportunity for Vietnam to catch new demand, filling the gap of the declining demand from the US and EU amid of global economy slowdown. Following the pandemic period, the Chinese market will become more demanding in terms of standards and safety requirements. Vietnamese fishery export companies need to react quickly in order to grab more market share from other main competitors such as India, Ecuador.



Source: VASEP



Source: Vietnam Customs

**Vietnamese shrimp exports** reached USD4.3bn, +9.2% YoY, from which white-leg shrimp accounts for 72.8% (USD3.1bn), black tiger shrimp accounts for 13.4% (USD570mn) and lobster for 6.5% (USD 278mn).

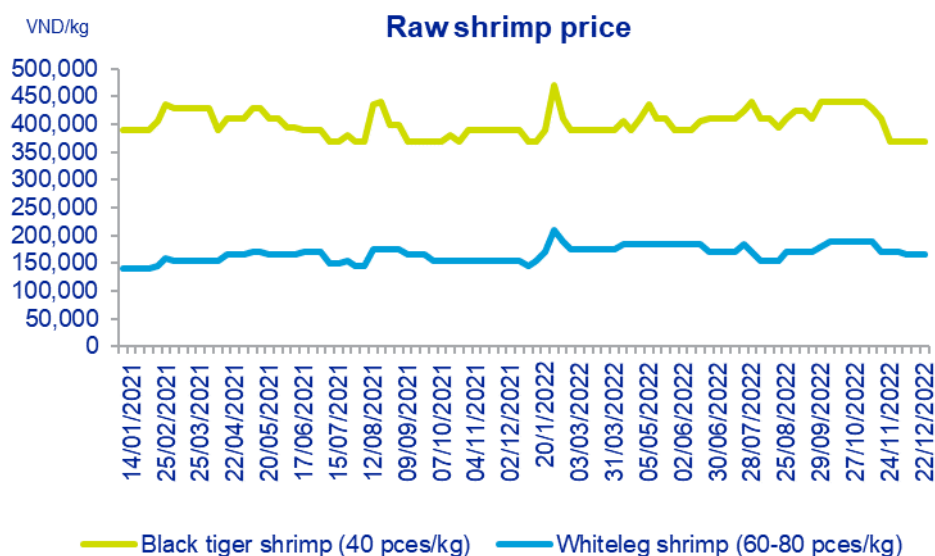
In the 1H2022, Vietnamese shrimp exports grew by 35.5% on avg., supported by the Japanese market. Following 2 consecutive years of declining shrimp export turnover to the Japanese market (-0.9% YoY in 2020 and -6% YoY in 2021), Vietnamese shrimp exports bounced back to 25% YoY in 9M2022 (to USD515mn). It started to decline, in mid-October, resulting in a 19% YoY decline in Oct 2022 due to JPY depreciation in Sep-Oct. In other markets such as the US and EU, high inflation, the depreciation of the EUR currency and high transport cost dragged demand down. As the result shrimp exports declined in 4Q2022.

The Japanese market is the second largest shrimp import market of Vietnam (behind the US) while Vietnam is the largest shrimp supplier to Japan, accounting approx. 24% market share (followed by Indonesia, India and Argentina). Minh Phu (**Upcom: MPC**) and Sao Ta (**HSX: FMC**) are the two largest players in Vietnam exporting to Japan, with 24.3% and 10.8% market share, respectively.



Source: VASEP

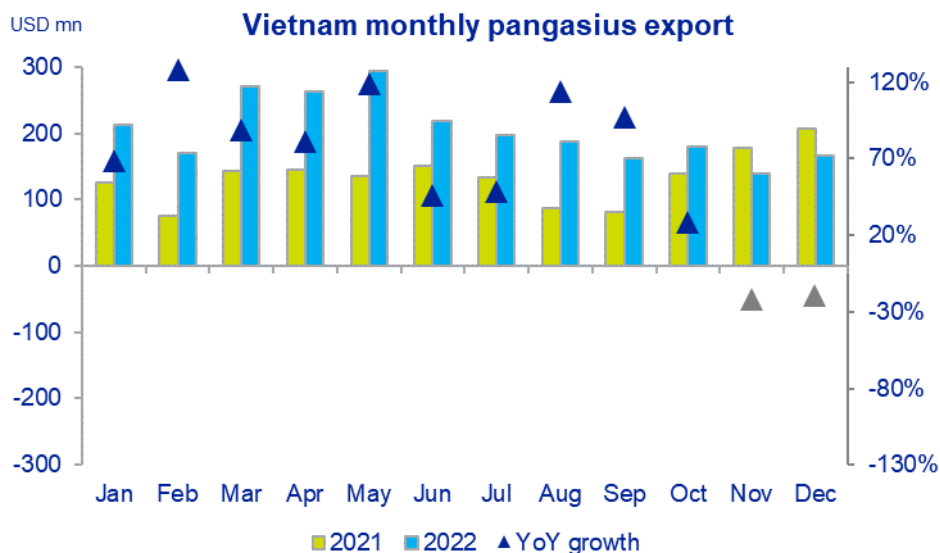
Raw shrimp prices in 2022 were flat (+2.3% YoY) at VND406,489/kg on avg. for black tiger shrimp and increased by 11.1% YoY to VND176,064/kg for white-leg shrimp. As demand dropped in 4Q2022, shrimp prices also dropped in Nov-Dec 2022 but remain flat compared to the same period last year. Export prices also jumped strongly in the beginning of the year, increasing by 9.3% YoY on avg. in 1H2022. However, lacking of demand in 2H2022 combined with unchanged raw material price will squeeze factories margin. Sao Ta (**HSX: FMC**) has 270ha of shrimp farm and recently add another 203ha from which 100ha is expected to be operational in 2023, boosting the company's self-sufficiency rate from 20-25% as currently to as high as 30% in 2023. Minh Phu (**Upcom: MPC**) has 1,200 ha of shrimp farms providing about 15,000 tonnes of shrimp annually which is equivalent to a self-sufficiency rate of ~10%. Those companies are less impacted by the raw shrimp price fluctuation while take the advantage as the largest players in Vietnam.



Source: VASEP

### Pangasius exports

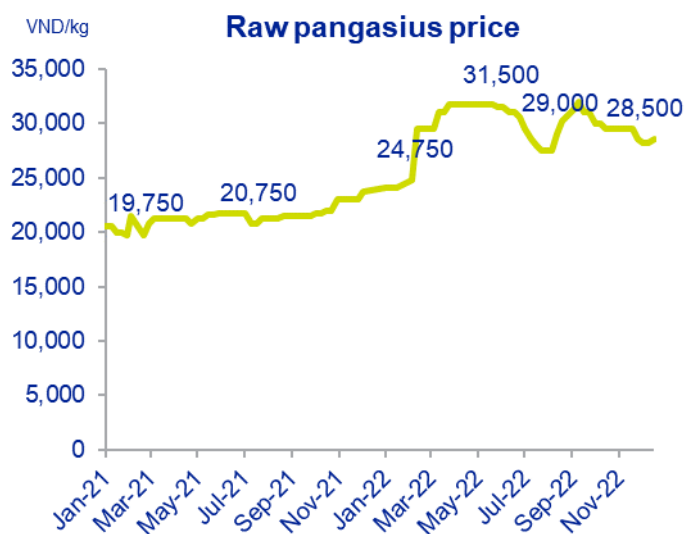
With lower value and less impacted by the devaluation of JPY as the main export markets of Vietnam pangasius is the US, China and EU, exports of pangasius maintained a high growth rate in 10M2022, rising by 77.2% YoY. However, the global economic slowdown started to be felt in Nov and Dec 2022 with - 21.9% YoY and - 19.5% decline in pangasius export turnover, respectively.



Source: VASEP

Pangasius export prices increased by 25% YoY on avg. in 2022. Along with that is a high raw pangasius price. With declining demand in Nov and Dec, raw pangasius price started its decline but maintained at a high level of over VND28,000/kg. This allows most of farmers to earn profit, maintaining sustainable supply for 2022. However, looking at fingerlings price, we notice that price remains high with 13.1% YoY increase and we are suspicious about pangasius' supply source in 1H2023. With more than 600ha of farming area and another 100-150ha added in 2022, Vinh Hoan (**HSX: VHC**) has a high sufficiency rate of nearly 70%, allowing the company to not only not be dependent to market price, but also has a strong bargaining power in the US market to negotiate higher selling price based on the current high raw material price.

In 2023, as China reopens and demand in the US and EU continue to be soft, China is expected to be the largest pangasius export market for Vietnam. Despite a decline in Dec, we believe restaurants and catering services reopening in China in Jan 2023 will boost consumption again for Vietnam pangasius. The US continued to be the second largest market of Vietnam pangasius export, contributing 23% to Vietnam's pangasius export turnover.



Source: VASEP



Source: VASEP



## The Vietnamese equity markets in 2022

### 2022

Start Date	Jan 1 <sup>st</sup>
End Date	Dec 31 <sup>st</sup>
T. P/E	10.6
Avg. Trade Val (m USD)	741

### Top 3 Sectors During Period

Info Technology	-2.3%
Utilities	-3.7%
Cons. Staples	-14.2%

### Bottom 3 Sectors During Period

Comm. Services	-56.6%
Materials	-48.8%
Energy	-45.4%

### Top 3 Stocks among top 100 During Period

CMG	+24.6%
PNJ	+24.6%
KDC	+20.4%

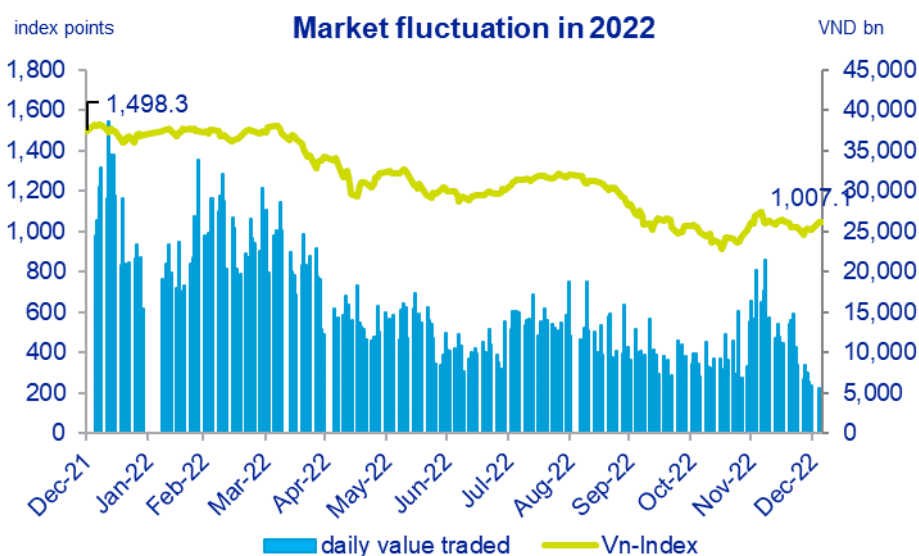
### Bottom 3 Stocks among top 100 During Period

HPX	-86.2%
NVL	-84.6%
DIG	-82.0%

Following the decline of global markets amid of soaring inflation, energy price hike, tension between Ukraine and Russia, 2022 was a fluctuated year for Vietnam equity market with the VN-Index to decline by 32.8% YTD ending the year at 1,007.1 index points from 1,498.3 points. The VN-Index peak at 1,520.0 points on early April 2022. Market sentiment dropped along with investigations and issues from the real estate and corporate bonds markets, the VN-Index dropped to as low as 911.9 points in mid-November 2022.

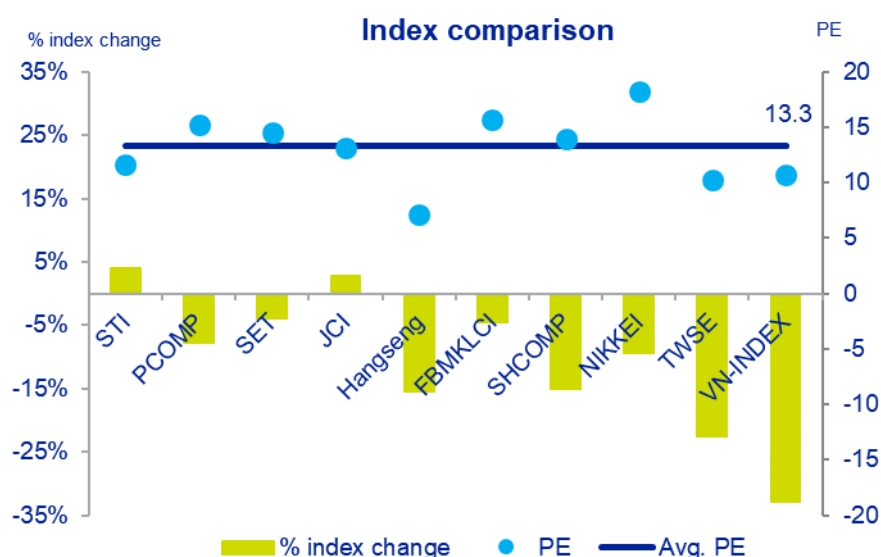
As capital is stuck in Van Thinh Phat corporate bond for further investigation and as firms can't no longer access to capital through bond issuance in short term, market's liquidity dropped to an avg. of VND10,351.4bn in 4Q2022 from an avg. of VND24,203.6bn in 1Q2022, a sharp decline by 57.2%. Liquidity dropped to as low as VND5,500bn/ session in December 2022.

Sharp price decline combined with low liquidity also triggered margin calls in November 2022. Major property companies are on the list such as Novaland (HSX: NVL), Phat Dat Group (HSX: PDR), Hai Phat (HSX: HPX) ... driving share price to drop by 66.7% on avg. in November 2022.



Source: Bloomberg

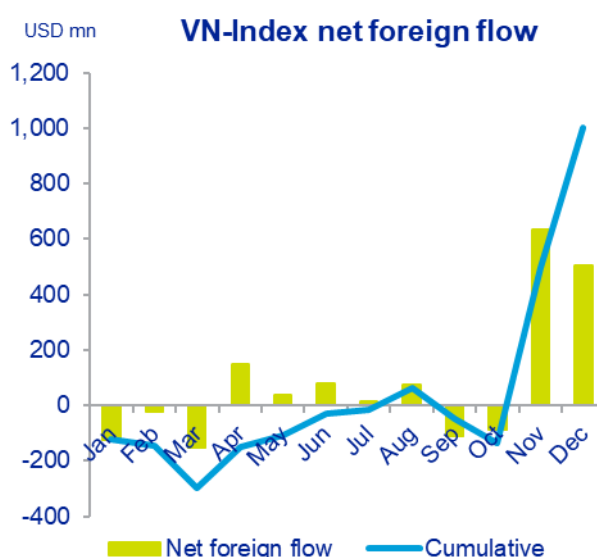
Compared to other index in the region, the VN-Index recorded the deepest drop of 32.8%, following by the Taiwanese market (-22.6%). Only a few are able to maintain the green shade with small single digit growth such as Singapore (+4.1%) and Indonesia (+2.8%). In terms of valuation, Vietnam is sitting at 9.8x, 26.2% below the peer average of 13.3x. This is also the 10-year low of Vietnam equity market valuation, suggesting an auspicious opportunity to invest.



Source: Bloomberg

As opposed to 2021, 2022 is driven by foreign flow, especially in the last two months of the year where total foreign inflow of these two months reached VND26,839bn (equivalent to USD1.1bn). Thanks to that, the foreign flow into the Vietnam equity market turn a positive VND23,604bn (USD1.0bn) following two consecutive years of net outflow in 2020-2021 period.

Bn USD	Net foreign flow 2022	Market Cap. (As of 30 Dec 2022)	Net foreign flow as % market cap
Vietnam	1.0	170.0	0.59%
Thailand	6.0	587.2	1.02%
Philippines *	-1.2	165.0	-0.73%
Indonesia	3.9	614.1	0.64%
Singapore	1.7	377.1	0.45%



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

(\*) PSE as of 10M2022, STI as Dec 12<sup>th</sup> 2022

Moving forward, we believe earnings on the VNIndex are set to grow at 12.8% YoY driven by 1) the resilience of the banking sector as asset quality and NIM would remain stable, 2) as we expect inflation to remain subdued in 2023, the Vietnamese Government would have more room to boost on public spending, boosting the construction material sector as well as all related sectors such as logistics and industrial parks. The capital injected into the economy through public spending will help the smoothen the system's liquidity issues and thus ease access to loans, particularly in the manufacturing sector. Based on that scenario, the VN-Index is

expected to trade at 11.3x PER and reach the 1,217 level. We note that the 11.3x PER is equivalent to the avg. PER of the VN-Index since 2010 minus one standard deviation.

The optimistic scenario is based on global inflationary pressure easing and boosted consumption worldwide, which in turn would have a benefit for FDI inflows into Vietnam as well as the manufacturing sector and exports from Vietnam. China's reopening would also boost Vietnam tourism and services. Based on that scenario, we expect earnings to grow by 17.8% YoY and the VN-Index to set above the 1,400 territory, equivalent to a 12.5x PER. We note that this remains 15% below the 14.7x 10 years avg.

Finally, the prudent situation might happen with 1) new COVID-19 variants which drives Vietnam and many other countries worldwide to lockdown again, or at least enhanced prevention measures; 2) global inflation might be at the high level which cause pressure on the interest rate and exchange rate; 3) purchasing power continues to decline worldwide 4) another year with high tension for the system's liquidity and/or 5) further investigations similar to those undertaken in the corporate bond market. That would translate into single digit earnings growth of 7.8% YoY and the market would be back to its low level of 10.1x PER of November 2022.

### 3 scenarios for the VN-Index in 2023

Scenarios	Prudent	Neutral	Optimistic
VN-Index (points)	1,036	1,217	1,411
Growth vs. Dec 31th	2.8%	20.9%	40.1%
2022 PER (x)	10.1	11.3	12.5
EPS growth	7.8%	12.8%	17.8%

Source: ACBS

### 2023 Index Points Sensitivity Matrix

	Earnings Growth								
Earnings Multiple		5.3%	7.8%	10.3%	12.8%	15.3%	17.8%	20.3%	22.8%
	9.4	949	972	994	1,017	1,039	1,062	1,085	1,107
	10.1	1,012	1,036	1,060	1,084	1,108	1,132	1,156	1,180
	10.7	1,074	1,099	1,125	1,150	1,176	1,201	1,227	1,252
	11.3	1,136	1,163	1,19	1,217	1,244	1,271	1,298	1,325
	11.9	1,199	1,227	1,256	1,284	1,312	1,341	1,369	1,398
	12.5	1,261	1,291	1,321	1,351	1,381	1,411	1,441	1,470
	13.2	1,323	1,355	1,386	1,417	1,449	1,480	1,512	1,543
	13.8	1,386	1,418	1,451	1,484	1,517	1,550	1,583	1,616

Source: ACBS

## Company Report Snapshot

## Mr. Hung Cao, CFA

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## Company Update

Released date **30 Dec 22**

HSX: **MBB**

Banking

Target price (VND) **30,200**

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	-25.9	13.9	-15.3	-21.9
Relative	4.7	6.2	0.1	7.9

Source: Bloomberg



## Ownership

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

## Stock Statistics

**30-Dec-22**

<b>Bloomberg code</b>	<b>MBB VN</b>
52-week range (VND)	13,200-29,083
Shares O/S (m)	4,534
Mkt cap (VND bn)	80,932
Mkt cap (USD m)	3,408
Est. Foreign room left (%)	0.0
Est. free float (%)	58.9
3m avg daily vol (shrs)	12,867,800
VND/USD	23,750
Index: VNIndex / HNX	1,024.43/205.06

## MILITARY COMMERCIAL JS BANK (MBB VN)

We expect provision expenses to face pressure as the economy is facing global headwinds, the domestic corporate bond market remains stagnant and the taking over of Oceanbank. However, MBB's stock price is in an attractive level and has the potential to recover when policies and macro factors improve. We value MBB with a target price of VND30,200/share.

### Business results in 9M2022

9M2022's PBT grew by 53.1% YoY with the growth drivers coming from credit activities and decreasing provisioning pressure.

NII grew well thanks to strong credit growth and high NIM. However, NFI in 9M2022 was less positive due to the impact of the correction in the stock market, corporate bonds and real estate.

Provision expenses decreased thanks to pressures as provisioning for COVID-19 restructured loans is no longer significant. The provision buffer was thickened to cope with the risk of NPLs arising.

### Outlook for 2023

In addition to the responsibility of restructuring Oceanbank, MBB (and the banking sector in general) will face the potential of increasing NPLs arising in the context of liquidity difficulties in the economy. As a result, MBB's credit costs may have to remain at the high level of 2.0% in the coming years.

We forecast 2023's PBT will reach VND23,692bn, +5.1% YoY.

### Valuations and recommendations

The earnings outlook for 2023 is marginal as increases in provisioning are expected to be a drag on the bottom line, however, MBB's stock price is at an attractive level with a PER of 4.7x and a PBR of 1.1x.

We have a target price at the end of 2023 for MBB stock at **VND30,200** per share using the discounted residual income method. Our target price equates to a forward PER and PBR of 8.2x and 1.5x respectively.

(VND bn)	2019	2020	2021	2022F	2023F	2024F
Credit growth	18.8%	21.4%	26.1%	22.4%	20.0%	20.0%
NIM	4.94%	4.77%	5.10%	5.56%	5.49%	5.43%
NFI proportion	27.0%	25.9%	29.1%	23.4%	22.5%	22.1%
TOI growth	26.2%	11.0%	35.0%	20.3%	15.7%	18.2%
CIR	39.4%	38.6%	33.5%	33.7%	32.1%	30.6%
Credit costs	-2.00%	-2.08%	-2.20%	-1.53%	-2.06%	-2.06%
Profit before tax	10,036	10,688	16,527	22,551	23,692	28,682
Growth	29.2%	6.5%	54.6%	36.4%	5.1%	21.1%
Profit attributable	7,373	7,714	11,888	16,253	17,075	20,671
Adjusted EPS (VND)	3,170	2,782	3,146	3,585	3,693	4,471
BVPS (VND)	16,338	17,275	15,768	17,075	20,439	24,910
ROA	1.9%	1.7%	2.2%	2.5%	2.2%	2.2%
ROE	20.9%	18.0%	22.1%	23.7%	19.9%	19.7%
P/E (x)	9.1	8.7	5.6	4.1	3.9	3.2
P/B (x)	1.8	1.4	1.1	0.9	0.7	0.6
DPS (VND)	600	-	-	-	-	-

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## Company Update

Released date

30 Dec 22

HSX: VRE

Property

Target price (VND)

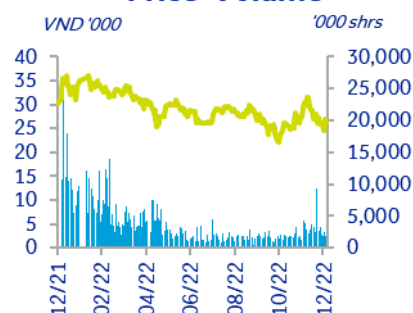
32,817

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	-12.6	-13.1	-2.6	-13.3
Relative	19.1	-11.1	7.4	17.8

Source: Bloomberg

## Price-Volume



## Ownership

Vingroup JSC 60.3%

## Stock Statistics

30-Dec-22

Bloomberg code

VRE VN

52-week range (VND) 21,400 - 37,000

Shares O/S (m) 2,272

Mkt cap (VND bn) 59,762

Mkt cap (USD m) 2,518

Est. Foreign room left (%) 17.4

Est. free float (%) 26.4

3m avg daily vol (shrs) 2,051,335

VND/USD 23,730

Index: VNIindex / HNX 1007.09/205.31

## VINCOM RETAIL JSC (VRE VN)

Roll forward target price to VND32,817 at YE2023 with the expectation of no COVID-related supporting package, 6 new malls and a jump in property sales in 2023.

### Positive 3Q2022 and 9M2022 results

VRE's positive 3Q2022 result was in line with our forecast with net revenue of over VND2,000bn (+155% YoY) and PAT of VND794bn, up by 33 times YoY. 9M2022 result was also satisfying with net revenue of VND5,224bn (+16% YoY) and PAT of VND1,944bn (+63% YoY), completing 65% and 81% of its targets mainly thanks to strong growth of leasing activities.

Unit: VND bn	3Q2021	3Q2022	YoY	9M2021	9M2022	YoY
Leasing revenue	728	1,837	152.3%	3,810	4,906	28.8%
Property sales	20	136	567.7%	568	229	-59.7%
Other revenue	39	32	-17.9%	146	89	-38.6%
Total revenue	787	2,005	154.7%	4,524	5,224	15.5%
Gross profit	130	1,039	697.1%	1,928	2,711	40.6%
PAT	24	794	3,155.9%	1,193	1,944	63.0%

Source: VRE's 3Q2022 FS.

### Growth from leasing activities mainly came from lower supporting package, three new malls opened in 2Q2022 and an increase in rental rate

Leasing revenue in 9M2022 reached VND4,906bn (+29% YoY), accounting for 94% of total revenue. Gross margin of this segment increased by 7.4 pts YoY to 53.6%. Growth mainly came from:

- (1) lower support package for tenants affected by COVID (464bn in 9M2022 vs VND1,349bn in 9M2021),
- (2) the openings of 3 new malls in 2Q2022, namely VMM Smart City, VCP My Tho and VCP Bac Lieu with a total GFA of ~93,000 m<sup>2</sup>, and
- (3) an increase in rental rate of 7-10% on average for all mall types in 3Q2022 vs 3Q2019.

	2019	2020	2021	2022F	2023F
Net Sales (VNDbn)	9,259	8,329	5,891	7,473	11,198
Growth	1.5%	-10.0%	-29.3%	26.8%	49.9%
EBITDA (VNDbn)	5,030	4,575	3,250	4,581	6,363
Growth	24.3%	-9.0%	-29.0%	41.0%	38.9%
PAT (VNDbn)	2,853	2,382	1,315	2,449	3,796
Growth	18.2%	-16.5%	-44.8%	86.2%	55.0%
EPS (bonus-adjusted, VND)	1,227	1,048	578	1,078	1,670
Growth	0.6%	-14.6%	-44.8%	86.3%	55.0%
ROE	10.3%	8.5%	4.4%	7.7%	11.1%
ROIC	10.3%	8.5%	4.5%	7.8%	11.3%
Net debt/EBITDA(times)	0.1	0.2	-0.1	-0.3	-0.2
EV/EBITDA(times)	11.7	12.8	18.1	12.8	9.2
PER (times)	21.0	25.1	45.5	24.4	15.7
PBR (times)	2.2	2.0	1.9	1.8	1.7
DPS (VND)	1,050	0	0	0	800
Dividend yield	4.0%	0.0%	0.0%	0.0%	3.0%



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## Company Initial

Released date

11 Dec 22

HOSE: REE

Utility

Target price (VND)

93,209

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	24.9	-10.4	-1.0	25.6
Relative	57.2	6.1	9.7	48.6

Source: Bloomberg



## Ownership

Platinum Victory PTE.Ltd	33.20%
Nguyen Thi Mai Thanh	12.17%
Nguyen Ngoc Hai	5.46%
HFIC	5.27%
Apollo Asia Fund Ltd	5.02%

## Stock Statistics

11-Dec-22

Bloomberg code	GMD VN
52-week range (VND)	62,800 – 99,000
Mkt cap (VND bn)	29,996
Mkt cap (USD bn)	1.27
Foreign room left (%)	0.0
Est. free float (mil)	139
10 aver daily vol (shrs)	703,560
VND/USD	23,650
Index: VNIndex / HNX	1010.24/222.56

## REE CORPORATION (HSX: REE)

REE has transitioned itself to a leading energy company with a focus going forward on renewable energies. We value REE with target price of VND93,209 per share, thanks to dominant portfolio investment in utility.

REE owns an attractive diversified energy portfolio including hydro, coal-fired thermal, wind and solar energy, which has supplanted the M&E segment to be the focus of the company's long term orientation. Going forward, REE will be placing a higher priority on renewable energies and reducing its dependence on fossil fuels (coal fired thermal plant particularly), following Net Zero Carbon Emission by 2050 commitment at 2021 United Nations Climate Change conference (COP26) and the Politburo's Resolution 55-NQ/TW on the Orientation of the Viet Nam's National Energy Development Strategy. In 2022, REE targets to add an additional 100 MW in wind power plant capacity.

The company's net profit margin has improved and the EAT has been more stable since the energy segment has overtaken M&E as the main business line. In 2022, we expect an impressive growth of REE's EAT thanks to new Thuong Kon Tum hydro plant – VSH (220 MW) has been operated since 4Q2021, which increased the capacity of VSH almost three times, and the longer than expected effects of La Nina. This sector is anticipated as a main contributed catalyst for REE's growth in 2022.

In addition, REE owns 145,000 sqm lease-office building, which provides a steadier source of earnings and cash flow compared to the more variable business lines. In 2021, the Real Estate segment generated VND896bn in revenue and VND461bn in profit after tax. Furthermore, the company is currently expanding this segment with the Etown 6 project, which will add 40,000 sqm and is expected to be finalized in 4Q2023.

The M&E segment is expected to post a better performance in 2022 as the 2021 results were impacted strongly by slowdowns in real estate development from impacts of the COVID-19 prevention measures.

	2019	2020	2021	2022F	2023F
Net Sales (VNDbn)	4,900	5,640	5,809	7,229	7,198
Growth (%)	-3.9%	15.1%	3.0%	24.4%	-0.4%
EBITDA ( VNDbn )	1,358	1,562	3,077	5,201	4,887
Growth (%)	0.8%	15.0%	53.0%	69.0%	-6.0%
Net Profit ( VNDbn )	1,625	1,628	1,855	2,875	2,664
Growth (%)	-8.9%	0.2%	13.9%	54.9%	-7.3%
EPS (VND)	5,242	5,252	5,984	8,053	7,463
Growth (%)	-8.9%	0.2%	13.9%	60.8%	-7.3%
ROE (%)	14.8%	13.3%	11.3%	17.8%	16.5%
ROA (%)	5.2%	5.0%	5.6%	9.0%	8.4%
Net debt/EBITDA (x)	4.1	2.1	3.0	2.0	2.1
EV/EBITDA (x)	10.29	5.95	6.47	5.6	6.8
PER (x)	15.7	15.8	13.4	8.9	9.6
PBR (x)	2.5	2.2	1.9	1.3	1.2
Dividend Yield (%)	2.8	2.8	3.0	3.0	3.0

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## Company Initiation

Released date

27 Jan 23

HOSE: POW

Utility: Energy

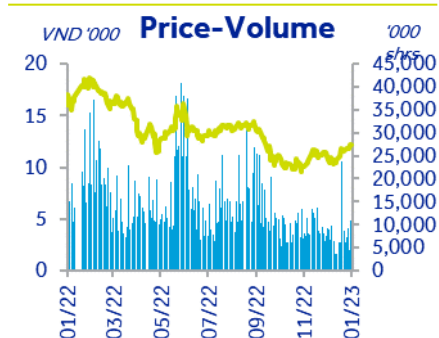
Target price (VND)

15,007

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	14.6	6.1	9.5	-21.1
Relative	5.2	1.6	5.8	1.4

Source: Bloomberg



## Ownership

PVN	79.94%
Norges Bank	1.27%

## Stock Statistics

27-Jan-23

Bloomberg code	POW VN
52-week range (VND)	20,350 – 8,910
Shares (m)	2,342
Mkt cap (VND bn)	28,454
Mkt cap (USD bn)	1.2
Foreign room left (%)	18.79
Est. free float (m)	440
3m avg daily vol (m shrs)	12.9
VND/USD	23,650
Index: VNIndex / HNX	1098.3/218.4

## PETROVIETNAM POWER CORPORATION (POW VN)

POW is the largest-scale listed energy producer primarily focused on gas powered generation, owning over 4,200 MW of capacity across seven chief generators, with ambitious LNG gas-fired projects in the pipeline to set the stage for long term investment. We value POW with a target price of VND15,007/share.

Despite the National Power Plan VIII (PP8) not yet being officially approved, the latest draft further clarifies the Government's orientation in looking for more environmentally friendly energy sources to reduce carbon emissions, as per commitments made at COP26, while at the same time assuring sufficient energy production to facilitate sustainable long term economy growth. As a result, gas-fired generation is considered as the number one contender to replace coal thermal as a fundamental source that could sufficiently serve both objectives and enhance energy development in the future.

According to PP8's 4<sup>th</sup> draft, energy consumption is expected to reach 391bn kWh in 2030, up more than 50% compared to 2021 output, in which gas-fired is expected to account for 17.4% - 68 bn kWh; and will become the largest supply energy group in 2045, accounting for 25.8% of 867 bn kWh generated nationally. Increasing overall power demand (expected at 8% – 10% per year) and the transformation of the sector are catalysts for gas thermal projects to thrive, which would directly benefit POW with its large scale portfolio in this field.

POW is a power generation company with a portfolio of over 4,200 MW of capacity, of which, gas fired generation accounts for 93% spread across several plants in different provinces including Nhon Trach (NT) 1 & 2, and Ca Mau (CM) 1 & 2. POW's plants can supply up to 10% of the current energy demand of the whole country (nearly 23bn kWh).

In 2021, POW announced and received approval for its ambitious plans to develop three more gas-powered plants: NT3 & 4 (Capacity: 1,500 MW – Capital: VND32,487bn) and Quang Ninh (Capacity: 1,500 MW – Capital: VND46,000bn). More specifically, construction of NT3 & 4 began in 2Q2022 and are projected to be put into commercial operation in 4Q2024 and 2Q2025, while Quang Ninh Power Plant JSC has been established with a 30% share contribution from POW in Sept 2022 and is expected start development in 2023 and be completed in 2Q2027.

Unit: bn VND	2021	2022F	2023F	2024F	2025F
Net Sales	24,561	23,874	35,107	36,622	42,849
Growth	-17%	-3%	47%	4%	17%
EBITDA	5,632	5,158	6,341	7,282	9,516
Growth	-12%	-8%	23%	15%	31%
Net Profit	1,799	1,594	2,676	3,486	3,705
Growth	-24%	-11%	68%	30%	6%
EPS (VND)	768	693	1,143	1,489	1,582
Growth	-24%	-11%	68%	30%	6%
ROE	6%	5%	8%	9%	9%
ROA	3%	2%	3%	4%	4%
Net debt / EBITDA (x)	1.5	3.4	4.4	5.3	3.9
EV / EBITDA (x)	5.0	8.9	7.9	7.7	5.0
PER (x)	15.8	17.8	10.6	8.2	7.7
PBR (x)	0.9	0.9	0.8	0.7	0.7
DPS (VND)	200	-	-	-	-
Dividend Yield	2%	-	-	-	-

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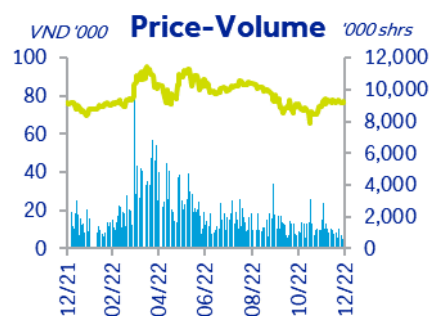
## Company Update

Released date **30 Dec 22**  
**HSX: FPT**  
**Technology**  
**Target price (VND) 96,238**

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	1.3	2.6	-1.0	-0.2
Relative	33.1	4.5	8.9	30.8

Source: Bloomberg



## Ownership

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

## Stock Statistics

30-Dec-22

Bloomberg code	FPT VN
52-week range (VND)	61,300-99,083
Shares O/S (m)	1,097
Mkt cap (VND bn)	84,361
Mkt cap (USD m)	3,555
Foreign room left (%)	0.0
Est. free float (m)	84.3
3m avg daily vol (shrs)	1,226,259
VND/USD	23,730
Index: VNIndex / HNX	1007.09/205.3

## FPT CORPORATION (FPT VN)

The company almost completed a fruitful 2022, driven by 31% YoY growth in software outsourcing segment, and is expected to keep growth momentum for 2023. Target price of VND96k/share, at the end of 2023.

FPT announced net revenue and EBT growth of 24.1% and 23.8% YoY, reaching VND30,975bn and VND5,665bn, respectively, in 9M2022. The results were 23.4% and 22.5% YoY, respectively, in 11M2022.

### FPT's 9M2022 business results:

Segments	Revenue (VND bn)	YoY growth	EBT (VND bn)	YoY growth
Software outsourcing (global IT services)	13,479	29.4%	2,219	28.1%
Domestic IT services	4,439	11.8%	380	14.5%
Telecom services	10,243	16.1%	1,928	20.5%
Online advertising	564	37.5%	241	31.4%
Education, investments & others	2,249	68.2%	897	23.2%
<b>Total</b>	<b>30,975</b>	<b>24.1%</b>	<b>5,665</b>	<b>23.8%</b>

Source: FPT; ACBS calculation

The global IT services segment generated revenue growth of 29.4% YoY in 9M and 31% YoY in 11M2022. 9M2022 EBT grew by 27.6% YoY, with an EBT margin of 16.5%, similar to that in 9M2021. Most of its major markets performed well, including the US (+42.4% in 9M; 48.6% in 11M), APAC (+56.4% in 9M; 47.3% in 11M), Europe (+23.4% in 9M). Revenue from Japan, which was slackened by COVID-19 and deep depreciation of the JPY, has been on recovering, growing by 12% in 9M and 13% YoY in 11M2022 (versus 8% YoY in 1H). The recovery is expected to extend in Japan with a growth rate of 25-30% projected in 2023 thanks to resurgence of spending for IT services post COVID-19. For 2023, given an increase of 42.6% YoY in signed revenue in 9M2022 (11M2022: +37.1%), the global IT services segment may retain its high double-digit growth momentum and complete the target of achieving \$1bn of revenue, from \$800m at present.

	2020	2021	2022F	2023F	2024F
Net Sales (VNDbn)	29,830	35,657	43,883	51,685	61,719
Growth (%)	7.6%	19.5%	23.1%	17.8%	19.4%
EBITDA (VNDbn)	6,038	6,665	8,440	9,873	11,775
EBITDA margin	20.2%	18.7%	19.2%	19.1%	19.1%
Net Profit (VNDbn)	3,538	4,338	5,532	6,491	7,928
Growth (%)	12.8%	22.6%	27.5%	17.3%	22.1%
EPS (bonus-adjusted, VND)	2,983	3,619	4,589	5,357	6,511
Growth (%)	12.2%	21.3%	26.8%	16.8%	21.5%
ROE	23.8%	25.8%	28.2%	27.6%	27.8%
ROA	9.4%	9.1%	10.1%	11.5%	13.8%
Net debt/EBITDA (times)	-0.7	-0.9	-0.8	-1.1	-1.3
EV/EBITDA (times)	10.6	9.6	7.6	6.5	5.4
EV/Sales (times)	2.1	1.8	1.5	1.2	1.0
PER (times)	25.8	21.3	16.8	14.4	11.8
PBR (times)	3.8	3.9	4.0	3.3	2.7
DPS (VND)	2,000	2,000	2,000	2,000	2,000
Dividend yield (%)	2.6%	2.6%	2.6%	2.6%	2.6%

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## Company Update

Released date 29 Nov 22

HSX: MWG

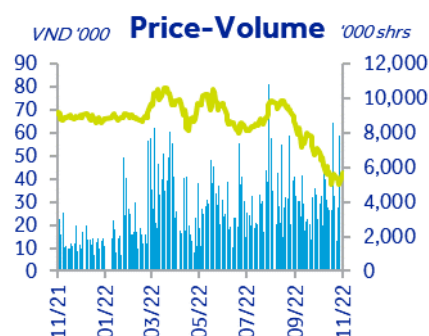
Retail

Target price (VND) 58,332

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	-36.1	-19.5	-42.2	-37.3
Relative	-5.4	-20.1	-23.6	-7.9

Source: Bloomberg



## Ownership

Retail World Ltd Co.	10.5%
Tri Tam Ltd Co.	9.9%
Arisaig Asia	7.0%
VietFund	3.2%

## Stock Statistics

29-Nov-22

Bloomberg code	MWG VN
52-week range (VND)	35,250-81,400
Shares O/S (m)	1,464
Mkt cap (VND bn)	63,152
Mkt cap (USD m)	2,541
Foreign room left (%)	0.0
Est. free float (%)	76.2
3m avg daily vol (shrs)	3,721,959
VND/USD	24,858
Index: VNIndex / HNX	1024.59/209.51

## MOBILE WORLD INVESTMENT CORP (MWG VN)

We revise down our target price to VND58,332/shr to reflect more cautious projections for 2023, given concerns about potentially weaker consumer purchasing power in the midst of less favourable economic conditions. Improvements from restructuring may help BHX satisfy expectations about making profit late 2023.

MWG announced 18.4% YoY growth in net revenue and 15.9% growth in EBT despite 4.3% growth EAT in 9M2022, as a result of:

- a narrowed gross margin (22.2% in 9M2022 vs 23.3% in 9M2021), despite a lower SG&A expenses on net revenue ratio (16.8% in 9M2022 vs 18.7% in 9M2021).
- an increase of 105% YoY in financial expenses (mostly owing to interest expenses),
- VND487bn of expense from disposal of assets.
- higher effective corporate income tax rate (32% in 9M2022 vs 24.5% in 9M2021) due to adjustments in corporate income tax expense.

In 10M2022, the company's revenue grew by 15% but EAT slid by 2% YoY.

MWG's business results	9M2022	YoY growth
Net revenue (VNDbn)	102,816	18.4%
TGDD	27,246	32%
DMX	54,081	24%
BHX	19,946	-12%
EAT (VNDbn)	3,483	4.3%
Number of stores	Δ from YE2021	
TGDD (including Topzone)	1,116	146
DMX (including DMS)	2,246	254
BHX	1,727	-379
An Khang	529	351

Source: MWG

TGDD and DMX chains (including Topzone and DMS) generated 32% and 24% YoY revenue growth, respectively, in 9M2022, attributed to growth from the existing stores and expansion of Topzone and DMS chains.

	2020	2021	2022F	2023F	2024F
Net sales (VNDbn)	108,546	122,958	136,249	141,399	157,477
Growth	6.2%	13.3%	10.8%	3.8%	11.4%
EBITDA (VNDbn)	7,638	9,095	10,734	10,970	13,553
EBITDA margin	7.0%	7.4%	7.9%	7.8%	8.6%
Net profit (VNDbn)	3,918	4,899	4,491	5,099	7,274
Growth	2.2%	25.0%	-8.3%	13.5%	42.6%
EPS (bonus-adjusted, VND)	2,884	3,435	3,107	3,435	4,771
Growth	-0.1%	19.1%	-9.6%	10.6%	38.9%
ROE	28.4%	27.3%	20.4%	19.9%	23.4%
ROA	8.9%	9.0%	7.0%	7.8%	11.4%
Net debt/EBITDA (times)	0.2	0.6	0.5	(0.1)	(0.6)
EV/EBITDA (times)	8.8	7.4	6.3	6.1	5.0
EV/Sales (times)	0.6	0.5	0.5	0.5	0.4
PER (times)	14.8	12.5	13.8	12.5	9.0
PBR (times)	1.3	1.5	2.6	2.3	1.9
DPS (VND)	500	1,000	1,000	500	1,000
Dividend yield	1.2%	2.3%	2.3%	1.2%	2.3%



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## Company Update

Released date **17 Nov 22**

**HSX: FRT**

**Retail**

Target price (VND) **76,200**

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	-8.1	-18.0	-23.5	61.9
Relative	28.3	-10.3	0.3	95.3

Source: Bloomberg



## Ownership

FPT Corp.	46.5%
VinaCapital	4.8%
VOF Investment	4.8%
CTBC VNEQ Fund	3.6%

## Stock Statistics

**17-Nov-22**

<b>Bloomberg code</b>	<b>FRT VN</b>
52-week range (VND)	37,000-116,667
Shares O/S (m)	118
Mkt cap (VND bn)	7,251
Mkt cap (USD m)	308
Foreign room left (%)	24.8
Est. free float (m)	50.2
3m avg daily vol (shrs)	1,901,991
VND/USD	24,858
Index: VNIndex / HNX	941.3/187.2

## FPT DIGITAL RETAIL JSC (FRT VN)

We value FRT with a target price of VND76,200/share at the end of 2023, fostered by Long Chau pharmacy chain's potential outlook and improvements in its profitability.

FRT announced net revenue of VND21,708bn (+54.9% YoY) in 9M2022. The FPT Shop chain reported VND15,233bn (+32.3% YoY) in revenue, with 98 new shops opened, bringing its number of shops in operation to 745 at the end of September 2022 (YE2021: 647). Laptops, which enjoyed high demand in the first half of the year, experienced slowdown in revenue (~35% YoY) in 3Q2022 due to a high base last year. Revenue from other products, generated most by mobile phones and Apple products, rose by 114.5% in 3Q and 42.6% YoY in 9M2022.

FRT's business results (VND bn)	9M2022	YoY growth
<b>Net revenue</b>	<b>21,708</b>	<b>54.9%</b>
FPT Shop	15,233	32.3%
Long Chau	6,562	159%
<b>EAT</b>	<b>301</b>	<b>178%</b>

Source: FRT

The Long Chau pharmacy chain witnessed its revenue soar by 159% YoY to VND6,562bn. The average revenue per store per quarter was VND3.2bn in 3Q2022, after touching VND3.95bn in 1Q owing to surging demand for drugs/healthcare products in light of COVID-19 outbreak. As of September 2022, Long Chau had 800 shops in operation (YE2021: 400), covering 63 provinces/cities, compared with 1,071 Pharmacy stores (63 provinces/cities) and 529 An Khang stores (33 provinces/cities). While Long Chau started to make profit from 2021, the others have not.

	2020	2021	2022F	2023F	2024F
Net Sales (VNDbn)	14,661	22,495	29,673	35,148	39,244
Growth	-11.9%	53.4%	31.9%	18.4%	11.7%
EBITDA (VNDbn)	73	513	531	635	752
EBITDA margin	0.5%	2.3%	1.8%	1.8%	1.9%
Net Profit (VNDbn)	25	444	397	431	502
Growth	-88.4%	1697.4%	-10.4%	8.4%	16.4%
EPS (bonus-adjusted, VND)	177	3,746	3,191	3,459	4,027
Growth	-89.8%	2014.3%	-14.8%	8.4%	16.4%
ROE	2.0%	30.9%	22.0%	20.4%	20.4%
ROA	0.4%	5.5%	3.5%	3.5%	3.9%
ROIC	3.1%	18.2%	11.4%	11.1%	11.2%
Net debt/EBITDA (times)	1.5	3.0	4.5	4.3	3.8
EV/EBITDA (times)	128.5	18.4	17.8	14.9	12.6
EV/sales (times)	0.6	0.4	0.3	0.3	0.2
PER (times)	368.0	17.4	20.4	18.9	16.2
PBR (times)	4.2	3.1	4.0	3.5	3.0
DPS (VND)	-	500	1,000	1,000	1,000
Dividend yield	0.0%	0.8%	1.5%	1.5%	1.5%

## Ms. Gigi Nguyen Binh

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## Company Update

Released date

25 Oct 22

HOSE: VHC

Aquaculture

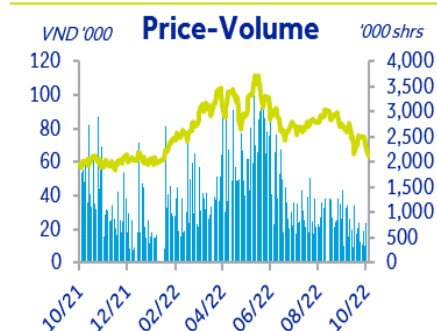
Target price (VND)

101,000

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	3.2	-20.2	-20.5	11.1
Relative	37.7	-2.2	-3.2	39.1

Source: Bloomberg



## Ownership

Truong Thi Le Khanh (Chairwoman)	43.2%
Vo Phu Duc (BOD member)	6.0%
Holberg Fondsforvaltning AS	3.4%

## Stock Statistics

25-Oct-22

Bloomberg code	VHC VN
52-week range (VND)	57,200-118,000
Shares O/S (m)	183
Mkt cap (VND bn)	11,571
Mkt cap (USD m)	467
Foreign room left (%)	71.4
Est. free float (m)	50.2
3m avg daily vol (shrs)	823,450
VND/USD	24,800
Index: VNIndex / HNX	969.72/205.31

## VINH HOAN CORPORATION JSC (VHC VN)

### Surpasses FY2022 net profit target by 13% in 9 months

As of 9M2022, VHC surpassed its net profit FY2022 target by 13.4%. Even with a flat 4Q2022 earnings, VHC would double its 2022 earnings to VND2,235bn, surpassing its FY2022 target by 39.7%. TP VND101,000/sh.

Moving to 2023, we expect VHC's growth to remain at double digits but smooth out to a more decent level, reaching VND20,536.3bn of net revenue (+34.3% YoY in 2023 vs an expected 69% in 2022). In Oct 2022, raw material prices continued their uptrend, +37.9% YoY for raw pangasius and 12.1% YoY for fingerlings. The business seasonality suggests a price hike until May 2023, helping VHC to maintain a high ASP. In the US market – the main export market of VHC, accounting for 35% of the group's business and nearly 50% of the fish business – frozen pangasius fillet price reached as high as 5.2 USD/kg, +18.8% from a 4.4 USD/kg at the beginning of the year. Thus, we believe VHC will be able to negotiate a high ASP in 2023 based on raw material hikes and strong negotiation power. We also expect VHC to earn a high 19.3% gross margin in 2023 as the new pond area added in 2020 will gradually reach full capacity over the next 2 years, helping VHC to maintain a high self-sufficiency rate of 70%. In terms of sales volume, we expect high inflation in main export markets to boost consumption of pangasius – a cheaper alternative of white fish. China also eased control on frozen food import in early September 2022. Based on those assumptions, we estimate VHC's frozen fillet volume to increase by 23% YoY and VHC to deliver VND2,517.1bn of net profit in 2023 (+12.9% YoY).

**Valuation:** We believe the core businesses will continue to accelerate VHC's performance, with frozen fish fillets remaining the main pillar of the company's business model. The company continues to have a very low debt level, translating to a single digit net D/E ratio. VHC started 3 new projects of rice, feed and fruit juice in 2021 which are expected be finalized in 2023. Following this period, we estimate VHC will deliver over VND1,0trn of free cash flow annually, translating into a target price of VND93,500/sh based on DCF methodology. We applied a target PER of 7.9x in line with Vietnam's avg. peer of fishery companies. We note that our target PER is 24.8% lower than the avg. peer group of 10.5x which includes ASEAN emerging fishery companies (excluding China) and 44.8% lower than the avg. of Indian companies (India continues to be the surrogate country at POR18). We maintain our methodology of simple average of DCF and PER methods and roll our valuation to 2023 with a target price of **VND101,000/sh**.

	2019	2020	2021	2022F	2023F
Net Sales (VNDbn)	7,037	9,054	15,293	20,536	24,458
Growth (%)	-15.1	-10.5	28.7	68.9	34.3
EBITDA (VNDbn)	1,292	892	1,537	3,018	3,455
Growth (%)	-29.6	-30.9	72.3	96.3	14.5
Net Profit (VNDbn)	1,179	719	1,099	2,230	2,517
Growth (%)	-18.2	-39.0	52.8	102.9	12.9
EPS (bonus-adjusted, VND)	12,776	3,953	6,040	12,239	13,726
Growth (%)	-18.1	-69.1	52.8	102.6	12.2
ROE (%)	26.5	14.3	20.1	32.1	27.4
ROA (%)	18.3	10.4	13.8	21.6	18.9
Net debt/EBITDA (x)	-0.6	-0.3	0.3	0.2	0.2
EV/EBITDA (x)	5.3	15.5	9.5	4.9	4.3
PER (x)	5.5	17.7	11.6	5.7	5.1
PBR (x)	2.6	2.5	2.2	1.6	1.2
DPS (VND)	-	2,000	2,000	2,000	2,000
Dividend Yield (%)	-	2.9	2.9	2.9	2.9



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### Our Recommendation System

**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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