

COVID-19 Strategy

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Vietnam stock market outlook

Re-deal

Globalization boosts economies by lifting borders and stock market connectedness improves allocational efficiency by reducing trading restriction. In the reverse way, in the fight against the COVID-2019 pandemic, country lockdown is hurting economies severely and capital flight is sinking stock markets globally. The impact is certainly much more devastating around the world than the previous SARS in 2002-2003 and MERS in 2012-2015. From China to EU and the U.S., the crisis has turned from supply-side to demand-side.

Recession? Highly likely by technical definition. In the first half, economic data will be disappointing given the fact that Vietnam has chosen to close its borders even with its very important partners and force local entertainment places to shut down temporarily in order to contain the spreading. Depression? Less likely or No. The collapse of the stock market will infect real estate market, which will reduce spending and income, which in turn will badly affect asset price even more. This closed loop will put economy into depression eventually. However, with the global commitment "whatever is necessary", we believe the world will soon be able to contain the pandemic and Vietnam has plenty of room for monetary policies as well as sizeable fiscal ones to pick up economies.

In a half-full-glass viewpoint, we expect the pandemic will peak in 2Q20. In terms of economy, in our three scenarios, Vietnam will resume its pre-outbreak level in 2H20, ranging from early to late, because domestic spending, inflowing FDI and international trade will soon come back. Assuming a better outlook in the second half, we expect the stock market is providing many bargaining opportunities for both traders and investors.

For "What" question, we recommend to focus on real estate or bank because any historical big wing was originated from one of these two sectors given their overwhelming market cap. Certainly, each sector has its own problem and selective allocation will yield a better performance. Meanwhile, we also recommend investors to pay attention to full-room stocks which will benefit the most from the launch of new ETFs and upcoming NVDR.

Unlike last year, the most important question is now "When". In February, we expected a V-shaped recovery of the stock market because the outbreak seemed to be under control at that time. As the VNIndex plunged down 30% in three months, it is likely the stock market will need much more time to regain investor confidence. However, given the fact that the VNIndex is by a hair away from its record valuation, new long-term bottom is very near.

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I. Vietnam stock market outlook – Re-deal

1. Investment points

#1 COVID-2019 to selectively make some real estate players better off

Government spending and FDI to keep asset price

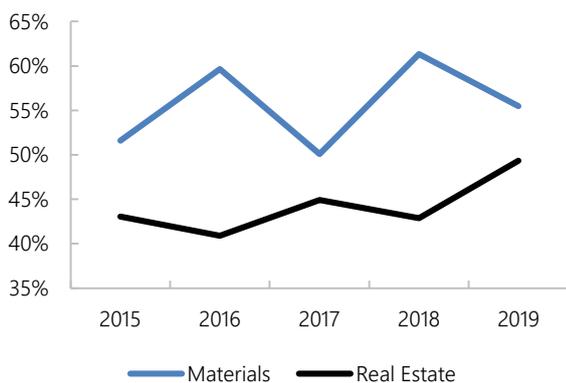
COVID-2019 will not only push Vietnam Government to recover its investment pace but also urge global investors to diversify their factories across many countries including Vietnam. We expect Government, as the biggest consumer and investor, will speed up its delayed projects, which reduced its investment and development expenditure by 40%YoY in 2019 due to its aggressive corruption fight. Meanwhile, aside from the U.S. – China trade tension, which has made 40% of companies consider to move a part of their capacities away from China, according to a survey by AmCham of Shang Hai and China in May 2019, COVID-2019 is another convincing factor.

Both of these movements will continue to support local asset price in the medium term, which in turn prop up investment and spending in real estate, construction and material sectors. However, not all can enjoy the post-virus recovery, especially high leverage ones. Currently, because of supply shortage and consumer spending cut, illiquid enterprises are in dire straits. In the longer term, it is the turn of insolvent ones to face illiquidity problem if the current lockdown of many countries is prolonged.

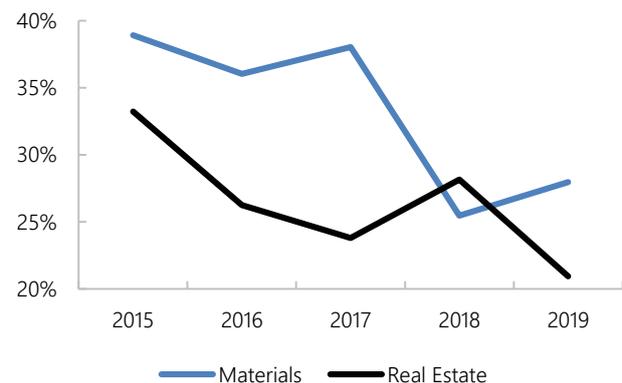
Solvent and liquid players to be better off

In the past five years, during the strong upswing of the economy, the aggressive expansion of capacity (steel) and land bank (real estate), which was funded by high debt, helped these companies enjoy fruitful results. But high leverage will likely bite them back as Vietnam economy is going into recession in 1H20 for the first time in decades.

Net debt over equity



Adj. cash ratio



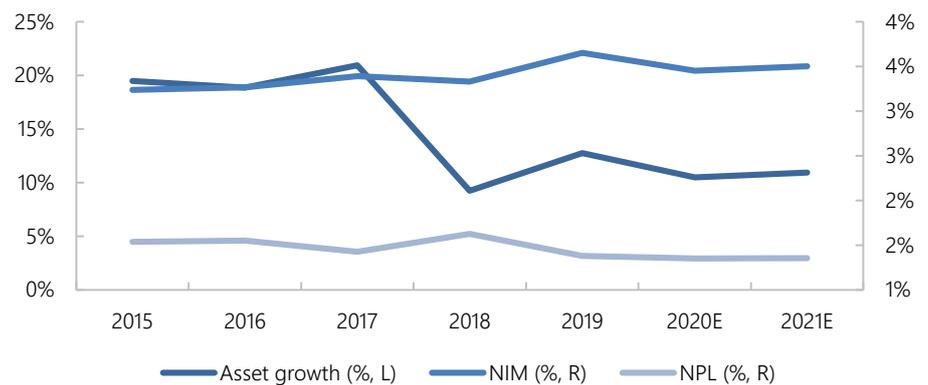
Source: FiinPro, KIS

In the end, the selection process will make healthy ones better off. Those having large and clean land bank, high solvency and liquidity can benefit the most from the recovery of the economy.

#2 Price plunge makes banks cheap again

In the first half, the pandemic will certainly slow down or even reduce retail credit amid already weak business one. For full year 2020, although debt-sponsored Government increasing spending will solve the excess liquidity, local banks may find it hard to keep a double-digit asset growth while facing contracting NIM and increasing NPL.

Bank asset and profitability, 2015-2021E

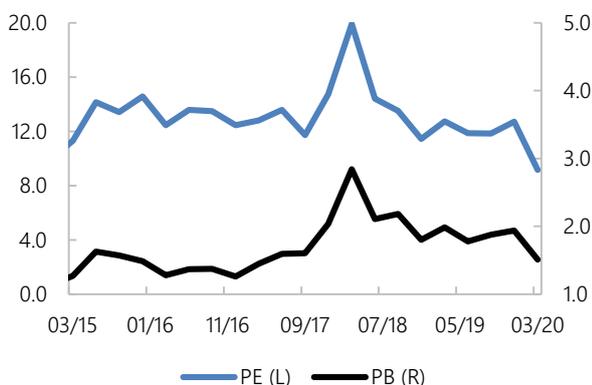


Source: KIS

Cheap valuation and limited foreign room to attract investors

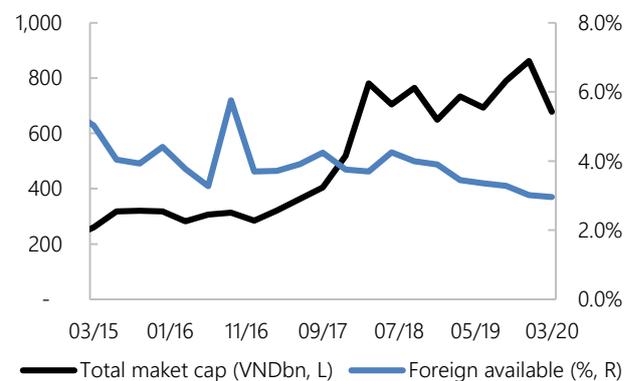
However, banks have never been an out-fashioned sector to foreigners. In the past five years, while the total market cap of the listed banks tripled to VND862tn (as of 2019-end), that available for foreigners decreased by almost a half to 3%. Therefore, given cheap stock valuation from price plunge, we expect this sector will become attractive in the second half when economy regains momentum after the virus containment because no investor wants to miss the train.

Bank multiples



Source: KIS

Total bank market cap vs Available for foreigner



#3 NVDR and full-room ETF is still hot topic

New ETFs. New money

When SSIAM VNFin Lead ETF was officially traded on HSX on 18 Mar, investors were subscribing for the IPO of VFMVN Diamond ETF, which is scheduled to be listed on HSX on 15 May. With IPO amounts of VND262bn for SSIAM VNFin Lead and est. min VN50bn for VFMVN Diamond, these ETFs have showed initial successes. Data from ETFs in South East Asia and South Korea shows that the most common ETFs can raise between 0.2%-0.5% and up to 2-3% of the market cap of their tracking indices. Therefore, we estimate a lot more money will pour into these new two ETFs and the upcoming VNFin Select ETF.

Unit: VND bn	VNFin Lead	VNFin Select	VN Diamond
Fund company	SSIAM	n.a	VFMVN
IPO date	24 Dec 2019 – 12 Jan 2020	n.a	03-23 Mar 2020
IPO amount	262	n.a	Est. 50
Ticker	FUESSVFL	n.a	FUEVFNVD
First trading date	18 Mar 2020	n.a	15 May 2020
Index market cap (*)	154,227	229,869	160,036
AUM at 0.2% (**)	246	369	254
AUM at 0.5% (**)	615	923	636
AUM at 2.0% (**)	2,462	3,692	2,545

* Data as of 20 Mar 2020

** KIS estimates AUM at 0.2%, 0.3% and 2% of the index market cap.

NVDR in on the way

Moreover, in the 9th session of Vietnam National Assembly from 20 May to 17 Jun 2020, the Ministry of Investment and Planning will seek an approval for the Amended Enterprise Law 2019, which puts the definition of NVDR into law and clarify its controversial voting right. Together with the Amended Securities Law 2019, these laws will be effective since 01 Jan 2021, opening way for the issue of NVDR in Vietnam.

#4 The cheapest valuation in 5 years

Earnings will be disappointing in the first half but rebound remarkably in the second one. In the land of the blind, the one-eyed man is king. Vietnam will be one of few countries recovering quicker and stronger from the pandemic thanks to young and active working force, strong domestic consumption and no domestic debt bubble.

We assume the economy will fully recover to the pre-virus level by the end of 2Q in the best case, 3Q in the base case and 4Q in the worst case. As such, we make estimates for listed companies as follows:

Profit growth by sector in HSX, 2020E-2021E.

	Worst Case		Base Case		Best Case	
	2020E	2021E	2020E	2021E	2020E	2021E
Cons Discretionary	-46%	124%	-19%	56%	2%	42%
Consumer Staples	-28%	24%	-8%	19%	6%	18%
Energy	-54%	124%	-32%	57%	-14%	42%
Health Care	-6%	7%	0%	5%	5%	14%
Financials	-20%	25%	-3%	22%	10%	20%
Industrials	-50%	102%	-29%	49%	-10%	34%
IT	-6%	6%	0%	5%	5%	14%
Materials	-18%	100%	12%	56%	35%	38%
Real Estate	-25%	68%	1%	37%	15%	33%
Utilities	-22%	27%	-6%	12%	4%	10%
All	-28%	50%	-8%	31%	7%	26%

Source: KIS

PE at 5-year low

The two-month plunge has brought the valuation of the broad market back to the level of 5 years ago.

VNIndex and PE, 2015-2020



Source: Bloomberg

As this recession will be unlikely prolonged into a depression, we estimate market valuation will recover by the end of this year. Taking 2019 average (discounted 20% to reflect the overall bearish sentiment) and standard deviation of PE and our base case earnings, we expect the VNIndex to close year 2020 in the range 720-840, corresponding to -2x to +2x standard deviation of PE. The ending may be even happier, looking at earnings growth of 2021.

VNIndex projection by PE band

Case	2019 PE		2020 PE						2020 EPS	2020 Price						
	Avg (*)	Stdev	@Avg- 3xStdev	@Avg- 2xStdev	@Avg- 1xStdev	@Avg+ 1xStdev	@Avg+ 2xStdev	@Avg+ 3xStdev		@Avg	@Avg- 3xStdev	@Avg- 2xStdev	@Avg- 1xStdev	@Avg+ 1xStdev	@Avg+ 2xStdev	@Avg+ 3xStdev
Worst	13.1	0.5	11.6	12.1	12.6	13.7	14.2	14.7	46.2	608	536	560	584	632	656	680
Base	13.1	0.5	11.6	12.1	12.6	13.7	14.2	14.7	59.4	781	689	720	751	812	843	874
Best	13.1	0.5	11.6	12.1	12.6	13.7	14.2	14.7	68.9	906	799	835	871	942	978	1,014

* We take a 20% discount to 2019 average of 16.6x to reflect the overall bearish sentiment.

Source: KIS

2. Risk

#1 Capital flight

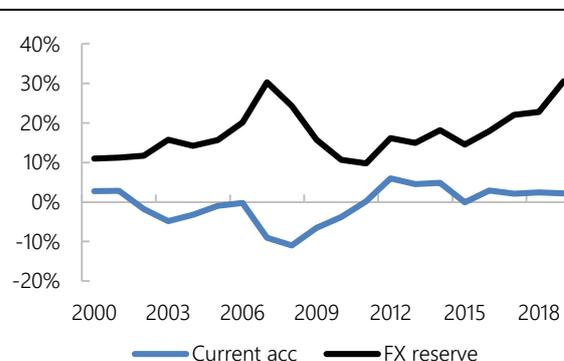
Since the COVID-2019 started spreading considerably in Europe and the U.S. in early Mar, global investors have flown into safe assets, making USD skyrocketing against South East Asian currencies recently. Specifically, the greenback jumped 12.2% mom vs IDR, 4.5% mom vs MYR, 2.9% mom vs THB, 0.1% mom vs PHP and 0.6% mom vs VND on 20 Mar. If this small change spirals up into a mass capital flight like 2008-2011 case, inflation will spike and economic depression may occur. However, Vietnam FX situation, with positive current account and increasing FX reserve as % of GDP, is now much stronger than 10 years ago, mitigating the abovementioned risk.

USD against South East Asian currencies

% Chg	USDVND	USDTHB	USDMYR	USDIDR	USDPHP
YTD	0.9%	8.4%	7.7%	15.9%	0.6%
1M	0.6%	2.9%	4.5%	12.2%	0.1%
3M	0.9%	8.4%	7.7%	15.9%	0.6%
1Y	0.8%	2.3%	7.9%	12.8%	-2.9%
3Y	2.7%	-5.5%	-0.5%	20.6%	1.5%

Source: Bloomberg. Data as of 20 Mar 2020

Vietnam current acc and FX reserve as of % GDP

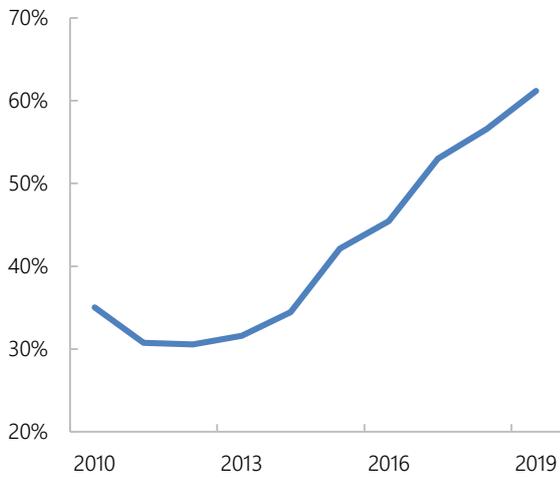


Source: IMF, SBV

#2 Household debt bubble

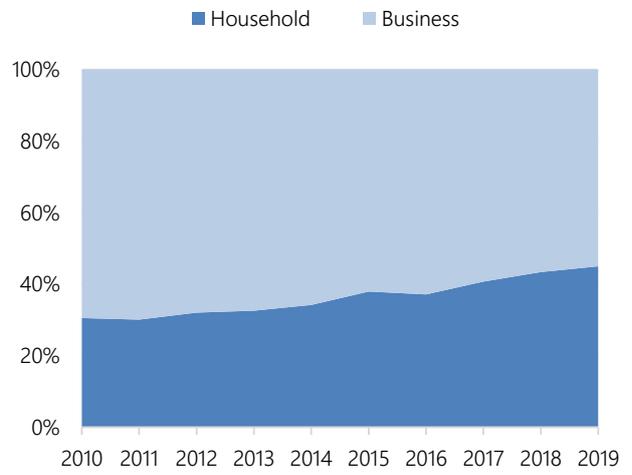
As we estimate household debt accounted for 45% of total outstanding credit as of the end of 2019, Vietnam should pay more attention to this cycle of boom and burst in the coming years. Since 2010, strong FDI, rising income, high urbanization and decreasing interest have encouraged more homebuyers, luring local banks to join the race of retail (or mortgage lending), which provides higher profit margin and lower NPL in normal time. During 2010-2019, household debt increased at the rate twice higher than nominal GDP, (24.1% vs 12.1%), showing that debt is outpacing income.

Household debt as % of GDP, 2010-2019



Source: GSO, SBV, KIS

Household vs Business, 2010-2019



Source: KIS

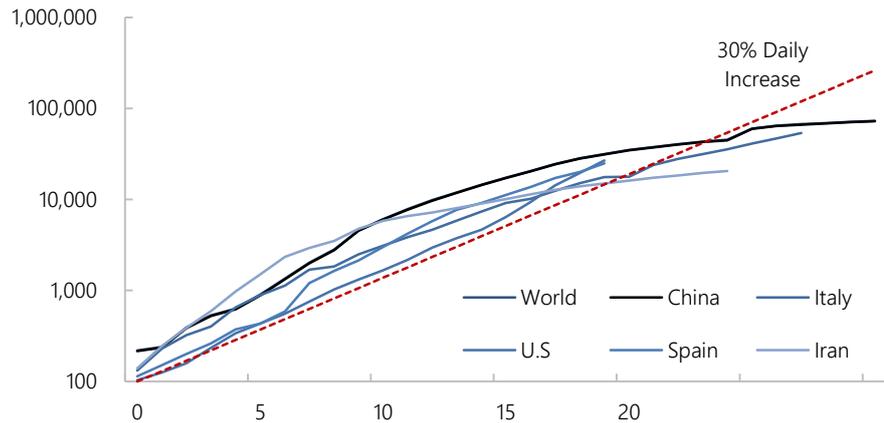
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II. Vietnam economic outlook 2020 – Recession

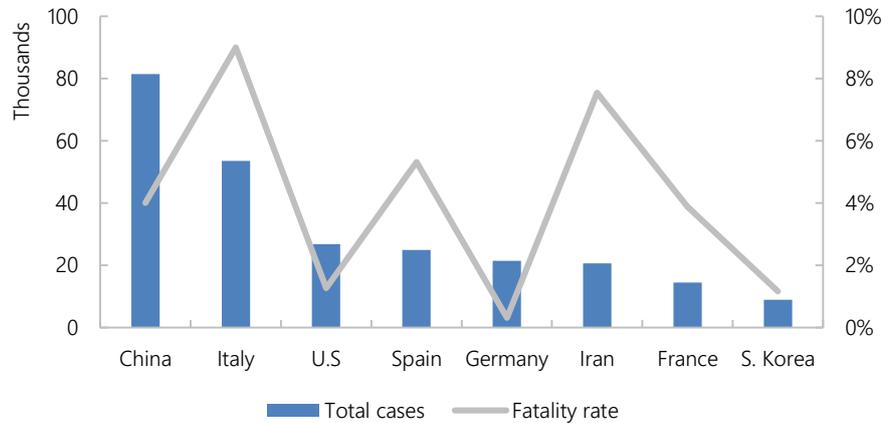
1. COVID-19 weakens economic growth around the globe

Total cases in log scale after 100 first cases



Source: WHO, KIS

Total cases - fatality rate by countries (%)



Source: WHO, KIS. Data as of 23 Mar 2020

COVID-19 spreads globally

Covid-19 pandemic initiated from Wuhan, China and widely have spread to 181 countries (approximating 78% of world population) in late 2019. The number of confirmed cases is accelerating at an exponential rate over time. As of 22 March 2020, WHO confirmed 305,275 cases with fatality rate at 4.24%. In which, China, Italy, United States, Spain, Germany, and Iran were on top of infected cases, accounting for 26.70%, 17.55%, 8.76%, 8.17%, 7.03% and 6.75% of the total. Italy and Iran have experiencing severe infection with high fatality rates at 9.01% and 7.55% respectively.

Global value chain disruption

Covid-19 outbreak has disrupted not only the value chain but also the demand in globe. The disease first formed the value chain contagion from the disruption in the world's largest factories, such as China and Southeast Asian countries. It then quickly spread into the world most consumption destinations such as the U.S., Germany, Italy and UK.

World GDP, manufacturing, and export shares by countries

Countries	GDP (%)	Manufacturing (%)	Exports (%)
US	24	16	8
China	16	29	13
Japan	6	8	4
Germany	5	6	8
UK	3	2	2
France	3	2	3
India	3	3	2
Italy	2	2	3
Brazil	2	1	1
Canada	2	0	2

Source: CEPR Press

Regarding to the increasing world integration in trade and investment, Mckibbin and Fernando (2020) use a global economic model to estimate the economic impact of spreading COVID-19 pandemic on the worldwide economy over seven simulated scenarios.

COVID-19 economic impact scenarios

Scenario	Countries affected	Severity	Attack rate for China	Mortality rate China	Nature of shocks
1	China	Low	1.0%	2.0%	Temporary
2	China	Mid	10.0%	2.5%	Temporary
3	China	High	30.0%	3.0%	Temporary
4	Global	Low	10.0%	2.0%	Temporary
5	Global	Mid	20.0%	2.5%	Temporary
6	Global	High	30.0%	3.0%	Temporary
7	Global	Low	10.0%	2.0%	Permanent

Source: Table 3 in Mckibbin and Fernando (2020)

According to estimates of Mckibbin and Fernando (2020), we prefer the scenario 5 (S04) as the most realistic one due to the recent outbreak situation. In this scenario, the disease will damage giant economies such as the U.S., China, Germany, Japan and UK badly and reduce their GDP growth rates by -2.0%, 1.6%, 2.2%, 2.5%, 1.5%, respectively.

GDP loss (%) under Scenarios

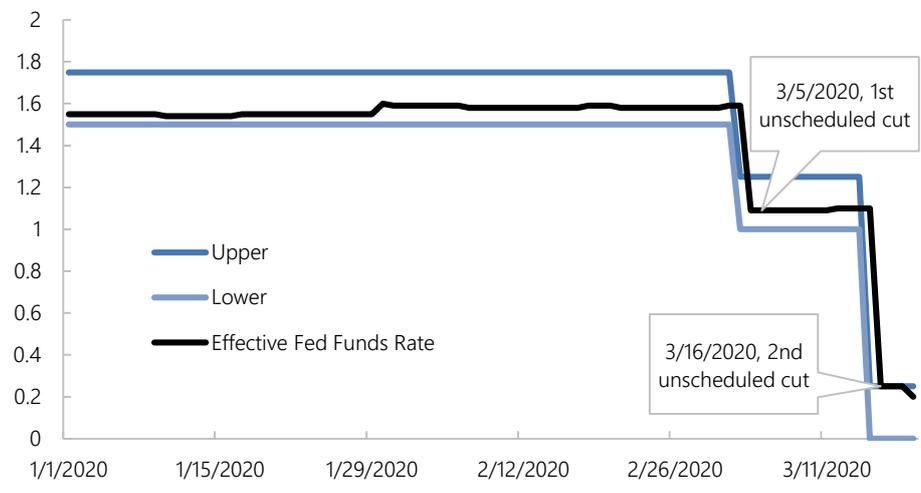
Country	S01	S02	S03	S04	S05	S06	S07
China	-0.4	-1.9	-6	-1.6	-3.6	-6.2	-2.2
India	-0.2	-0.2	-0.4	-1.4	-3.1	-5.3	-1.3
Germany	-0.2	-0.3	-0.5	-2.2	-5	-8.7	-1.7
Italy	-0.2	-0.3	-0.4	-2.1	-4.8	-8.3	-2.2
Japan	-0.3	-0.4	-0.5	-2.5	-5.7	-9.9	-2
UK	-0.2	-0.2	-0.3	-1.5	-3.5	-6	-1.2
Russia	-0.2	-0.3	-0.5	-2	-4.6	-8	-1.9
United States	-0.1	-0.1	-0.2	-2	-4.8	-8.4	-1.5
Indonesia	-0.2	-0.2	-0.3	-1.3	-2.8	-4.7	-1.3

Source: Table 2 in McKibbin and Fernando (2020)

Central banks have sharply eased to prevent affected corporation from bankruptcy.

- Fed has conducted two-unscheduled FOMC meetings to lower the fed fund rate range to 0-0.25%. Moreover, Fed has also committed to use its full range of tools to support the U.S. economy in this challenging time by keep purchasing Treasury securities and agency mortgage-backed securities (MBS) in the amounts needed to support smooth market functioning and effective transmission of monetary policy to broader financial conditions.
- In the context of vulnerabilities in global financial and capital markets, BOJ has decided to (1) provide more funds via purchasing government bonds; (2) provide loans against corporate debt (of about JPY8tn as of Feb-end 2020) as collateral at the interest rate of 0 percent with maturity up to one year; (3) purchase ETFs and J-REITs with the upper limit of about JPY12tn and about JPY180bn, respectively.
- The European Central Bank (ECB) has announced a comprehensive package of monetary policy measures to support households and firms at risk due to the economic fallout from the severe shock. More specifically, ECB has decided to (1) launch a new Pandemic Emergency Purchase Program (PEPP) with a fund of total EUR750bn; (2) expand the categories of eligible assets under the corporate sector purchase program (CSPP) to all sufficient-credit quality commercial papers; (3) enhance and expand the use of Euro system's refinancing operations by easing the collateral standards by adjust the risk parameters for credit institutions; (4) operate the new long-term refinancing operations (LTROs) at a low rate (the deposit facility rate) of -50 basis points aimed at ensuring the liquidity for the financial system. Additionally, the volume of funds that banks can borrow in order to provide liquidity to households and firms is expanded by more than EUR1tn with the minimum borrowing rate at 25 basis points below the average interest rate on the deposit facility.

Effective Fed Funds Rate



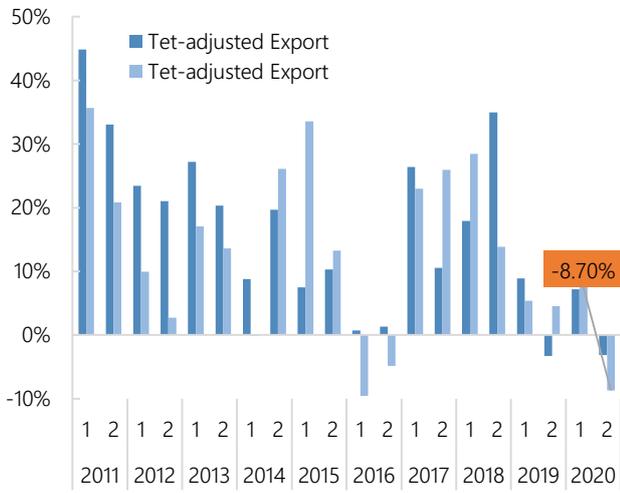
Source: Federal Reserve Bank of St. Louis, KIS

2. Vietnam sees early symptoms

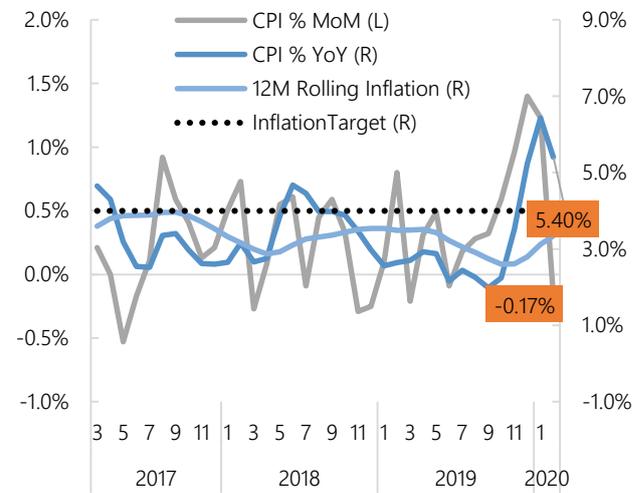
Vietnam's trade activity has seen COVID-19 symptoms. GSO has estimated that export and import values to grow 33.76% YoY and 26.08% YoY in February 2020. However, after adjusting the reverse effect of Tet holiday, our calculation shows that export and import values declined by 8.70% YoY and 3.14% YoY compared to the same period last year. We project that trade activities will be more severe in the next few months due to the temporary interruptions in the production of large trading partners such as China, Korea and Japan. Also, the complication of COVID-19 disease will damage the private consumption confidence in some large markets such as the U.S., Korea, EU and Japan and hence discourages trade activity. According to the underlying adjustment in February 2020 and our negative outlook for the next couple of months, we estimate that both export and import in March 2020 will decrease compared to March 2019 at double-digit rates

In February 2020, the Consumer Price Index declined by 0.17% mom, marking an adjustment after seven consecutive rising months. As a result, CPI increased by 5.40% YoY, and its 12-month rolling inflation rate posted 3.35%, lower than the Government target rate of 4%. In the context of ongoing global infection, we forecast that the spreading COVID-19 disease to demotivate worldwide commodity markets and ultimately puts downward pressures on Vietnam CPI in next couple of months.

Export and Import growth (% YoY)



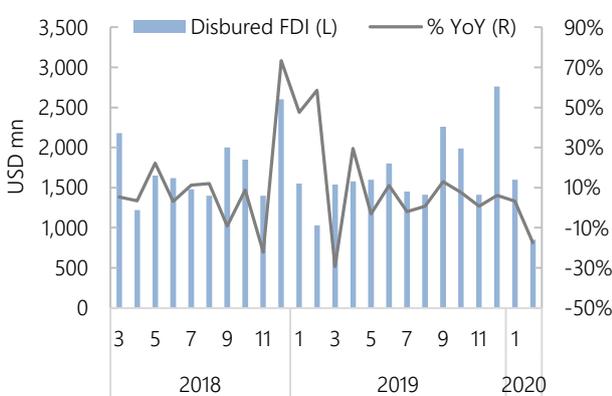
CPI Changes in February 2020



Sources: GSO

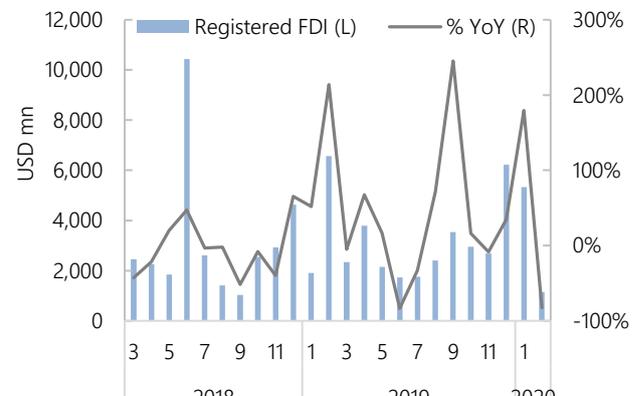
As of 20 Feb 2020, the registered capital inflow recorded at just USD1,139.5 mn, which is the lowest since September 2018. Furthermore, foreign investors seem to be unwilling to disburse amid accelerating risks of the outbreak when the disbursed FDI posted only USD850 mn, just more a half of January 2020 with USD1,600 mn. From our viewpoint, the downward trend of the foreign capital inflows will likely continue to take place in the next few months. Among sectors receiving the most registered FDI over years, processing has been affected severely by the COVID-19 outbreak as a large part of its business activities relies on parts, machines, materials, etc., imported from China. Therefore, it is likely that all business plans in this sector may have a second thought in the current condition. Besides, the outlook for other sectors, including real estate and retail, turns to negative when the whole economy is taking the damage from the pandemic, and it just seems not a right time for new businesses to launch in these areas at this time.

Disbursed FDI



Source: KIS, FIA, FiinPro

Registered FDI

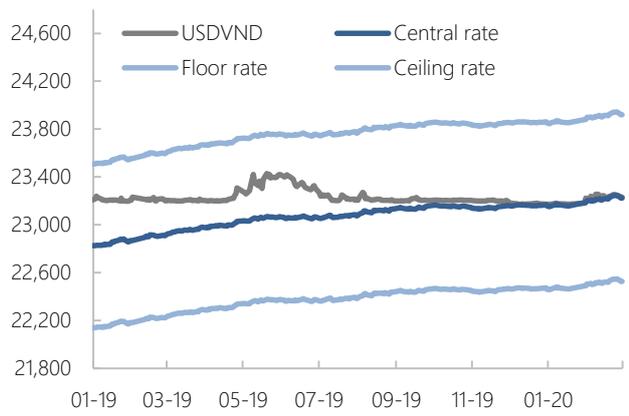


Source: KIS, FIA, FiinPro

Vietnam dong is under downward pressure from a stronger USD

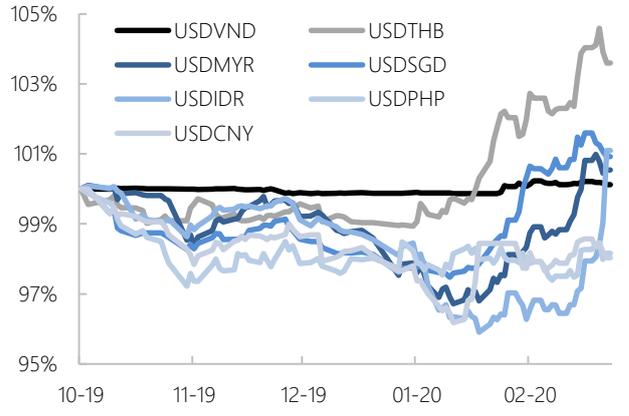
February has witnessed an identically downward trend of all ASEAN currencies against the greenback. Starting from the denominator, USD has seen a significant appreciation recently, primarily because it is one of the safest assets in the context that the outbreak is spreading risks globally. At some times in the month, the USD index, DXY, reached the highest level of 99.87 since April 2017. Therefore, we estimate that the central bank will face difficulties keeping the USDVND rate stable amid upcoming stagnation in FDI and trade activity. However, a high foreign reserve (around USD80bn) will partly support to stabilize the exchange rate.

USDVND exchange rate



Source: KIS, FIA, FiinPro

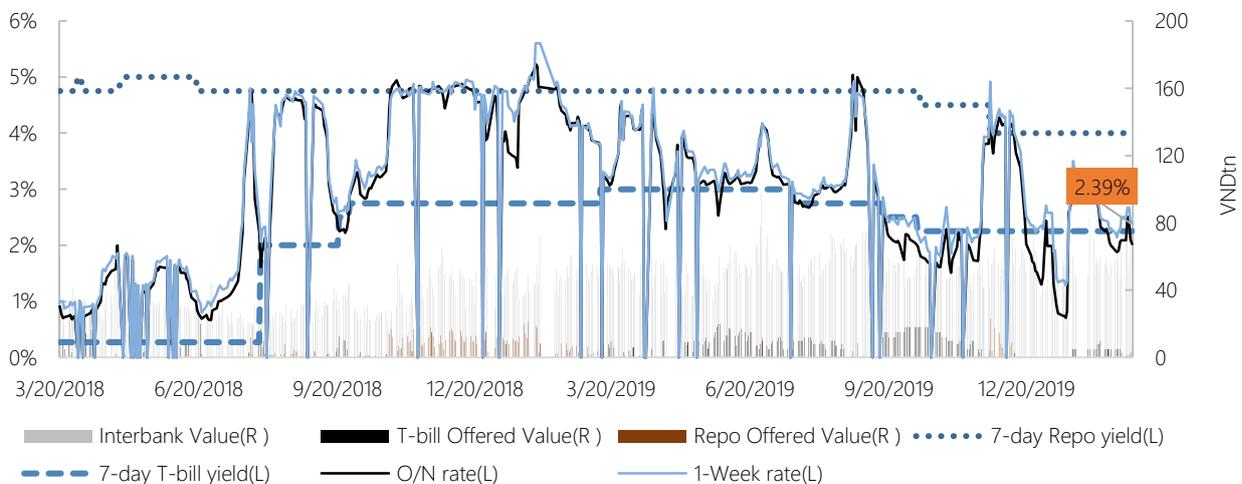
USD against South East Asian currencies



Source: KIS, FIA, FiinPro

SBV is considering to act while commercial banks is hesitating to disburse. In February 2020, the liquidity in the banking system was still ample. SBV extended to drain VND94.96tn out of their counterparties through T-bill (VND94.99tn) as the overnight interbank rate declined by 106 basis points to 2.02% with an increase in trading value (35.51% MoM). However, we estimate SBV to ease aggressively to foster economic growth after the disease is under control.

Daily 7-day T-bill, repo and interbank rates



Source: Bloomberg, KIS, SBV

3. Recession is a base case

We assume that the impact of COVID-19 on Vietnam's economic growth depends on the length, disease-induced disruption level to production, and the reduction in market demand. We also assert that the pandemic will damage services and industry and construction sectors the most while the agricultural, forest, and fishery experienced a less severe downtrend. Based on this assumption, we build three scenarios to forecast the GDP growth rates for the four upcoming quarters.

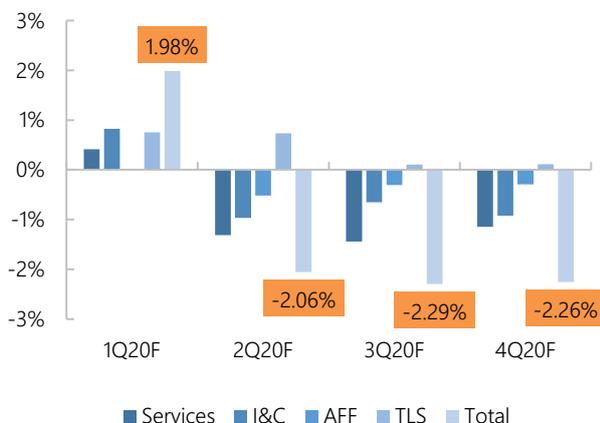
In terms of the length of the disease, we assume that:

- **Best case:** the pandemic will peak in 2Q20 and business is back to the pre-crisis level in 3Q20.
- **Base case:** the pandemic will peak in 3Q20 and business is back to the pre-crisis level in 4Q20.
- **Worst case:** the pandemic will peak in 4Q20 and business is back to the pre-crisis level in 1Q21.

In terms of the severity level of COVID19 effect by sectors, we assume that:

- COVID-19 global contagion will disrupt the industry and construction and services the most, among others, at 5% in 1Q20 and 10% for the next quarters. Besides, the disease seems to damage the agricultural, forest, and fishery sector less severely at 2% in 1Q20 and 5% for the upcoming quarters.
- The government will support affected firms by delaying taxes and providing subsidies as the pandemic lasts to 3Q20, reducing tax less subsidies by 5% compared to no-virus level.

Economic growth - Worst case



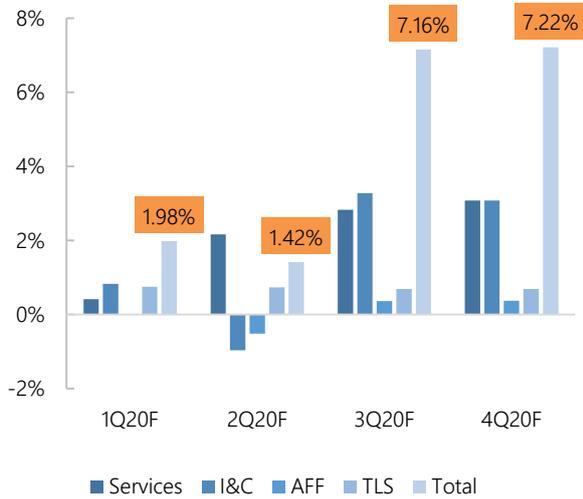
Source: KIS estimates

Economic growth - Base case



Source: KIS estimates

Economic growth - Best case



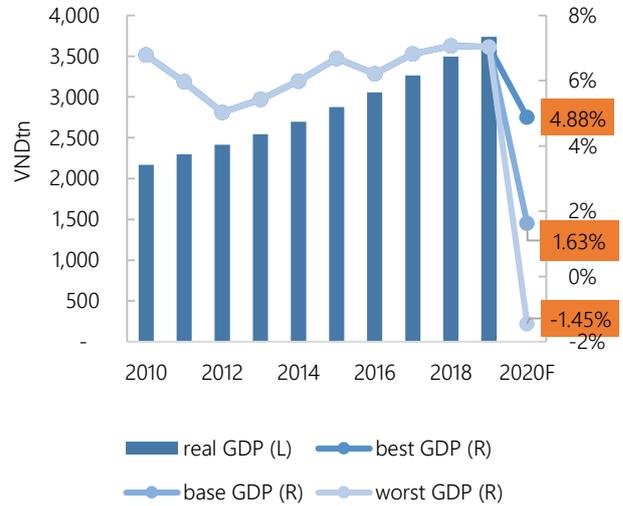
Source: KIS estimates

I&C: Industry and construction

AFF: Agriculture, forest and fishery

TLS: Tax less subsidies

Yearly GDP growth by case



Source: KIS estimates

III. Sector review and stock pick

Banking

Overweight

Yen Tran

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Backed by resilient macro factors

Investment points:

The system liquidity stays strong. The industry is in surplus liquidity proving by low interbank rate levels and an SBV's net withdrawal on OMO in 1Q20. We believe the current excessive liquidity and solid macro factors of the pre-COVID-19 outbreak, particularly BOP surplus and circa USD80bn of national forex reserves, will enable the system liquidity to weather the storm of the current short-term lockdown of the economy.

New LDR threshold is good for private banks. We estimate consolidated NIM in our coverage to contract by 20bps from 3.65% in 2019 to 3.45% in 2020 following the base case of the post-COVID-19. However, top private banks including ACB, MBB, TCB and VPB may gain a better recovery in lending margin in 2021 as compared to BID and CTG of which the existing LDRs are above 85% cap.

Realizing profit from securities investments. As the G-bond secondary market maintained high trading volume in 2M20 (average volume of VND112bn per month) and moderate yields, banks are able to realize profit from their excessive G-bond portfolios such as ACB (15.2% of total assets), MBB (11.6%), VCB (8.2%) and VPB (8.2%).

Non-interest incomes are still key catalysts. Banks may further emphasize on non-credit incomes given the threat of weakening assets quality. Huge bancassurance profit are expected to be recorded at VCB and ACB. At the same time, TCB may leverage its leading position in local debt market while VPB and MBB are good at developing insurance and card fees incomes.

Risk factors:

Threat from capital flight away from emerging and frontier markets including Vietnam to banking liquidity.

The economy is not able to fully recover in 4Q20, making banks to face a more pessimistic outlook and significant NPLs resulted from tourism & related segments.

Conclusion:

We keep our positive outlook on local bank in the long term thanks to the expected return of FDI inflows into manufacturing sectors and upcoming government spending. **OVERWEIGHT.**

Stock pick: **ACB**

Stock coverage

Recommendation & TP				Earnings & Valuation									
Company				TOI (VNDbn)	PPOP (VNDbn)	NPAT (VNDbn)	EPS (VND)	BPS (VND)	PER (x)	PBR (x)	ROE (%)	ROA (%)	DY (%)
ACB (HNX)	Recommendation	BUY	2017	11,439	5,222	2,118	1,276	9,887	16.8	2.2	14.1%	0.8%	0.0%
	Target Price (VND)	28,960	2018	14,033	7,321	5,137	3,107	12,963	6.9	1.7	27.7%	1.7%	0.0%
	Price (VND)	21,400	2019	16,097	7,790	5,997	3,560	16,754	6.0	1.3	24.6%	1.7%	4.7%
	Market cap (VNDbn)	35,449	2020F	16,617	8,948	6,356	3,763	19,514	5.7	1.1	21.1%	1.6%	4.7%
			2021F	18,776	10,111	7,175	4,251	22,765	5.0	0.9	20.4%	1.6%	4.7%
BID (HSX)	Recommendation	N/A	2017	39,017	23,512	6,946	1,985	12,604	16.7	2.6	15.7%	0.6%	2.1%
	Target Price (VND)	N/A	2018	44,483	28,366	7,542	1,642	14,179	20.2	2.3	15.5%	0.6%	0.0%
	Price (VND)	33,100	2019	48,121	30,864	8,548	1,577	17,750	21.0	1.9	13.6%	0.6%	2.1%
	Market cap (VNDbn)	133,129	2020	48,984	31,417	8,760	1,522	18,110	21.7	1.8	11.3%	0.6%	0.0%
			2021F	54,522	34,970	11,157	2,069	20,287	16.0	1.6	13.0%	0.7%	0.0%
CTG (HSX)	Recommendation	N/A	2017	32,620	17,550	7,459	1,615	16,967	12.3	1.2	12.1%	0.7%	0.0%
	Target Price (VND)	N/A	2018	28,446	14,361	5,277	1,036	17,920	19.1	1.1	8.1%	0.5%	0.0%
	Price (VND)	19,800	2019	40,519	24,785	9,477	2,160	20,474	9.2	1.0	13.2%	0.8%	0.0%
	Market cap (VNDbn)	73,723	2020F	39,549	24,191	7,594	1,427	20,523	13.9	1.0	9.2%	0.6%	0.0%
			2021F	43,836	26,813	10,733	2,218	22,749	8.9	0.9	11.4%	0.8%	0.0%
MBB (HSX)	Recommendation	BUY	2017	13,867	7,868	3,490	1,496	12,963	10.7	1.2	12.4%	1.2%	3.1%
	Target Price (VND)	27,822	2018	19,537	10,803	6,190	2,657	15,109	6.0	1.1	19.4%	1.8%	3.8%
	Price (VND)	16,000	2019	24,650	14,927	8,069	3,033	15,703	5.3	1.0	21.8%	2.1%	3.8%
	Market cap (VNDbn)	38,583	2020F	27,258	16,506	8,744	3,286	19,512	4.9	0.8	19.5%	2.0%	3.8%
			2021F	31,604	19,137	9,988	3,765	22,677	4.2	0.7	18.6%	2.0%	3.8%
TCB (HSX)	Recommendation	BUY	2017	16,344	11,646	6,446	2,157	9,039	8.0	1.9	27.7%	2.6%	0.0%
	Target Price (VND)	23,807	2018	18,351	12,508	8,475	2,409	14,770	7.2	1.2	21.6%	2.9%	0.0%
	Price (VND)	17,350	2019	21,068	13,756	10,226	2,864	17,567	6.1	1.0	18.0%	2.9%	0.0%
	Market cap (VNDbn)	61,964	2020F	22,378	14,546	9,502	2,657	20,225	6.5	0.9	14.3%	2.3%	0.0%
			2021F	26,087	17,087	10,572	2,960	23,185	5.9	0.7	13.9%	2.3%	0.0%
VCB (HSX)	Recommendation	N/A	2017	29,406	17,540	9,111	2,001	14,559	30.7	4.2	18.1%	1.0%	1.3%
	Target Price (VND)	N/A	2018	39,278	25,667	14,622	3,334	17,244	18.4	3.6	25.5%	1.4%	0.0%
	Price (VND)	61,500	2019F	45,733	29,913	18,528	4,288	23,077	14.3	2.7	25.1%	1.6%	1.3%
	Market cap (VNDbn)	228,096	2020F	49,049	32,082	21,173	4,705	26,989	13.1	2.3	22.8%	1.6%	1.3%
			2021F	58,697	38,393	23,175	5,142	31,341	12.0	2.0	21.4%	1.6%	1.3%
VPB (HSX)	Recommendation	N/A	2017	25,026	16,131	6,441	2,534	11,684	8.3	1.8	27.5%	2.5%	0.0%
	Target Price (VND)	N/A	2018	31,086	20,452	7,356	2,994	14,145	7.0	1.5	22.8%	2.4%	0.0%
	Price (VND)	21,050	2019	36,356	24,022	8,268	3,365	17,184	6.3	1.2	21.5%	2.4%	0.0%
	Market cap (VNDbn)	51,314	2020F	39,784	26,287	7,728	3,055	19,742	6.9	1.1	16.8%	1.9%	0.0%
			2021F	45,744	30,225	9,490	3,751	23,493	5.6	0.9	17.4%	2.0%	0.0%

Stock pick

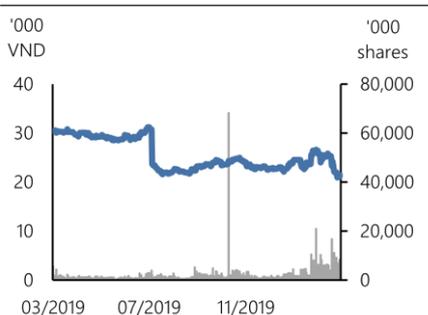
ACB

Prudent credit policies mitigate pandemic impact

Rating **BUY**

Market price (VND)	21,400
1-Y target price (VND)	28,960
1-Y price return	35.3%
1-Y dividend yield	4.7%
1-Y total return	40.0%

Stock price trend



Sources: KIS, Bloomberg

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-6	-19	-6	-10
Relative	20	5	20	18

Sources: KIS, Bloomberg

Stock Statistics 20-Mar-20

52-week range (VND)	20.9k-26.6k
Shares o/s (mn)	1,657
Mkt cap (VND bn)	35,449
Mkt cap (USD mn)	1,511
Foreign % owned	30.0%
Est. free float (mn. shares)	1,295.7
3m avg. daily vol. (shares)	4,555,299
VND/USD	23,372
Index: VN-Index/HNX	710/102

Ownership 20-Mar-20

Dragon Financial & affiliates	14.1%
ALP Asia Finance	10.0%
Mr. Tran Hung Huy (Chairman) & related parties	6.1%

Investment Points:

Lowest credit cost vs. peers. Favorable economy allowed ACB to reduce its credit cost to 0.11% in 2019 compared to the average 1.4% of our coverage. Its accumulated 10-year net credit cost was 0.3%. Given the bank's prudent credit policies, we forecast the virus impact on the bank may be negligible with credit cost at 0.4% this year.

High bad debts recovery. ACB posted negative net credit cost in 2018-2019 thanks to the recoveries of written-off debts, which accounted for 9-13% of TOI. As of 2019-end, real estate made up 92% of collaterals. Loans secured by liquid assets particularly townhouses enable ACB to recover around 50% of its accumulated written-off debts in the last 10 years.

Leverage from existing client base. ACB is leading in retail banking with 80% of deposits from and 60% of loans to individual clients. ACB plans to take advantages from its client base to expand non-interest income since its fee incomes as percentage of total credit was 0.87% in 2019, far below 1.01% of VPB, 1.285% of TCB and 1.44% of MBB. We believe insurance income will be the key catalyst for ACB in coming years.

Expected huge extraordinary incomes in 2020. ACB is looking for an exclusive bancassurance partnership which may record a significant upfront fee in 2H20. At the present, ACB is distributing insurance products for AIA (since 2015), Manulife (since 2019) and FWD (since 2019 via e-channel). Besides, ACB is also in negotiation for divestment away from ACBS, its brokerage subsidiary.

Risks:

Although investors are betting on extraordinary incomes for this years apart from ACB's core business, we do not know the timeline as well as the value of the bancassurance deal or ACBS divestment, which will greatly impact the bottom line of ACB, and thus share price. Therefore, we have yet included extraordinary gains from bancassurance and equity divestment into valuation.

Recommendation:

We expect the bank will gain thin top line growth of 3.2% YoY this year based on 10% increase of NII, 3.4% decrease of NFI and 40% decrease of other incomes. Despite of heavier credit provision, net profit may grow by 6% due to 5% decrease in CIR to 46%. Using residual income model and P/B multiples, we evaluate ACB share at VND28,960/share, meaning a 35% upside for this year. **BUY**

FINANCIALS MODEL						BS ITEMS (VND bn)					
Unit: VND bn	2017	2018	2019	2020E	2021E	2017	2018	2019	2020E	2021E	
Interest-related income	20,320	24,015	28,318	30,773	34,739	Loans to customers & corporate bonds	198,689	230,527	268,701	301,824	341,061
<i>Earning yield</i>	8%	8%	8%	8%	8%	Loans to customers	198,513	230,527	268,701	301,824	341,061
Interest related expense	11,862	13,652	16,205	17,402	19,384	<i>Growth</i>	19%	16%	17%	12%	13%
<i>Yield cost</i>	5%	5%	5%	5%	5%	<i>NPL ratio</i>	1%	1%	1%	1%	1%
Net interest income	8,458	10,363	12,112	13,372	15,355	<i>LLC</i>	133%	152%	175%	193%	189%
<i>NIM (%)</i>	3%	4%	4%	3%	4%	Deposit, loan & bond to other FI	12,768	19,460	30,442	39,457	40,629
Net fee and commission income	1,425	1,739	2,327	2,248	2,835	Deposit, loan & bond to SBV & Gov't	58,080	64,829	69,636	69,567	73,665
Net profit from securities	664	117	158	116	89	Gross interest-earning assets	269,537	314,817	368,778	410,848	455,355
Other income	892	1,815	1,500	882	497	VAMC	40	40	-	-	-
Total net revenue	11,439	14,033	16,097	16,617	18,776	Gross non-interest earning assets	18,659	19,109	19,609	22,934	25,876
<i>Growth</i>	51%	23%	15%	3%	13%	<i>% of total assets</i>	7%	6%	5%	5%	5%
Operating expenses	6,217	6,712	8,308	7,669	8,665	Total provision made	3,920	4,633	4,873	5,487	6,098
Pre-provision operating profit	5,222	7,321	7,790	8,948	10,111	<i>% of total assets</i>	1%	1%	1%	1%	1%
Credit provision	2,565	932	274	1,003	1,142	Total assets	284,316	329,333	383,514	428,294	475,132
<i>As % of pre-prov profit</i>	49%	13%	4%	11%	11%	Deposit from customers & bond	248,154	278,289	328,960	368,377	408,867
<i>As % of loans to customer & bonds</i>	1%	0%	0%	0%	0%	<i>LDR ratio</i>	76%	78%	78%	78%	80%
After-provision operating profit	2,656	6,389	7,516	7,945	8,969	CASA	17%	17%	19%	19%	19%
Tax	538	1,252	1,519	1,589	1,794	Deposit, borrowing from other FI	15,454	20,718	19,249	19,249	19,249
Net profit	2,118	5,137	5,997	6,356	7,175	Deposit, borrowing from Government & equivalent	136	3,234	156	156	156
Minorities	-	-	-	-	-	Total interest-bearing liabilities	263,744	302,242	348,365	387,782	428,271
Net attributable profit	2,118	5,137	5,997	6,356	7,175	<i>% of total total resources</i>	93%	92%	91%	91%	90%
Number of shares (mn)	1,027	1,289	1,663	1,663	1,663	Other liabilities	4,541	6,073	7,397	8,066	9,008
EPS (VND, adj.)	1,276	3,107	3,560	3,763	4,251	Total equity	16,031	21,018	27,753	32,446	37,852
EPS growth	62%	144%	15%	6%	13%	Minorities	-	-	-	-	-
DPS (VND)	-	-	1,000	1,000	1,000	Shareholders' equity	16,031	21,018	27,753	32,446	37,852
						BVPS (PLN)	9,887	12,963	16,754	19,514	22,765
						CAR (*)	11%	13%	11%		

Key ratio & Valuation	2017	2018	2019	2020E	2021E
ROE (excl minority interest)	14%	28%	25%	21%	20%
ROA	1%	2%	2%	2%	2%
PER (x)	16.8	6.9	6.0	5.7	5.0
PBR (x)	2.2	1.7	1.3	1.1	0.9
Dividend yield (adj.)	-	-	5%	5%	5%

(*) Source: ACB

Residential Estate

Neutral

Consolidation

Huy Hoang, CFA

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Investment points:

Enormous housing demand in Vietnam's biggest cities reaffirmed. We estimate that Vietnam's two major cities HCMC and Hanoi, need 50-60,000 new housing units every year in 2020-2022F to support the influx of rural migration, as the country rapidly urbanizes. Population demographic and social changes, including household fragmentation and a falling age dependency ratio, are further reinforcing property market demand. Key infrastructure projects such as the metro rail network or the upgrading of highway/ring road systems are expected to create inter-province linkages and cause key urban areas to spread out.

New supply could moderate further. Vietnam is conducting its periodical verification of land use nationwide, which may slow the licensing process. Especially, Ho Chi Minh City (HCMC), continues being hit in 2020F by regulatory roadblocks since mid-2018. Even though the HCMC government has on 22 Feb 2020 urged the relevant departments to quickly tackle the bottlenecks in the approval of new residential projects, we believe any significant improvement would not happen before 2Q20. With a less stringent regulatory environment than HCMC, Hanoi may lead market supply in 2020F which could cool down YoY after a booming year in 2019F.

Developers might face difficulties amid tighter funding. We think developers will face challenges in raising funds this year, due to the following 1) banks will continue to restrict loans extended to developers as they have to comply with a reduced medium-to-long-term-loan ratio from 40% in Jan 2020 to 37% in Sep 2020, and a stricter CRW ratio of 200% from 2020 onwards 2) Governmental supervision of corporate bond issuance will be more materially stricter in 2020F

Risk factors:

A higher-than-expected increase in mortgage rates: a substantial increase of 200-300bp in 2020F in mortgage rates would dampen the local's homebuyer's affordability and affect condo transaction. We attribute to 1) the local banks' pressure to meet the lower ratio of short-term funds used for medium-and long-term loans from 40% to 37% in Oct 2020F 2) a compensation for higher CRW ratio applied to mortgage exposures in non-compliant Basel 2 banks.

The demand to be seen soft this year: the dim economic prospect dragged by COVID-19 transmission could damage the income flow to homebuyers. Coupled with rising mid-range condo average price of 5-7% p.a, the banking system's mortgage payment-to-income ratio could breach the 50% level, which we believe is the upper threshold of mortgage affordability in Vietnam. The homebuyers could delay purchase plan, which may impact condo transaction this year.

Conclusion:

We rate the sector **Neutral** to reflect the impact of the unfavorable regulatory environment and potential drop of advance bookings from homebuyer's which will pressure new launch volumes as well as developer margins. However, we still maintain our view that real housing demand remains robust and, therefore, expect sustained high absorption rates for projects in 2020F, mostly in the mid-end condominium segment. We prefer listed developers that have sizable projects that have already obtained the regulatory permits and are scheduled for launch in 2020F.

We like developers that meet the following key criteria: 1) About to launch projects which already have construction licenses or LUR certificates, or have a high likelihood of securing them in 2020F; 2) With material exposure to mid-range and affordable condos as these segments are driven by real end-user demand; 3) Buffered by a healthy financial position (low leverage, strong liquidity) to counter the risk of tight credit flow to the real estate market.

Stock pick: **VHM, KDH, DXG**.

Stock coverage

Recommendation & TP				Earnings & Valuation									
Company				Sales (VNDbn)	EBIT (VNDbn)	NPAT (VNDbn)	EPS (VND)	BPS (VND)	PER (x)	PBR (x)	ROE (%)	EV/EBITDA (x)	DY (%)
VHM	Recommendation	BUY	2017	15,297	3,128	1,410	5,639	27,617	11.3	11.3	31%	9	0.0%
(HSX)	Target Price (VND)	100,300	2018	38,664	7,617	14,284	4,567	12,907	14.0	14.0	57%	30	0.0%
	Price (VND)	63,800	2019	51,826	23,111	21,305	6,361	16,599	10.0	10.0	43%	10	1.6%
	Market cap (VNDbn)	209,871	2020F	79,719	26,766	24,886	7,430	24,124	8.6	8.6	36%	10	1.6%
			2021F	128,113	47,503	36,398	10,867	33,991	5.9	5.9	37%	6	1.6%
KDH	Recommendation	BUY	2017	3,055	792	502	1,179	10,930	17.0	17.0	12%	11	5%
(HSX)	Target Price (VND)	25,000	2018	2,917	982	808	1,592	12,753	12.6	12.6	13%	9	2.5%
	Price (VND)	20,000	2019	2,813	1,223	915	1,691	14,006	11.8	11.8	13%	8	2.5%
	Market cap (VNDbn)	10,889	2020F	2,940	1,503	1,141	2,095	15,206	9.5	9.5	14%	7	2.5%
			2021F	3,228	1,367	1,076	1,976	16,582	10.1	10.1	12%	7	2.5%
DXG	Recommendation	BUY	2017	2,879	1,186	751	2,127	19,397	4.9	4.9	21%	4	0%
(HSX)	Target Price (VND)	18,000	2018	4,645	1,835	1,178	3,427	14,282	3.0	3.0	27%	3	0%
	Price (VND)	10,450	2019	5,814	2,099	1,217	2,645	13,439	4.0	4.0	20%	4	0%
	Market cap (VNDbn)	5,458	2020F	6,940	2,507	1,347	2,590	16,228	4.0	4.0	20%	4	0%
			2021F	10,647	3,217	1,674	3,219	19,426	3.2	3.2	22%	4	0%
NLG	Recommendation	BUY	2017	3,161	881	535	2,581	17,082	7.9	7.9	16%	3	0.0%
(HSX)	Target Price (VND)	30,000	2018	3,480	1,013	763	3,096	17,724	6.6	6.6	21%	3	0.0%
	Price (VND)	20,500	2019	2,807	299	806	2,933	17,902	7.0	7.0	18%	11	2.5%
	Market cap (VNDbn)	5,518	2020F	1,719	-2	1,481	5,473	17,417	3.7	3.7	15%	174	2.5%
			2021F	2,282	182	1,770	6,543	17,417	3.1	3.1	15%	3	2.5%

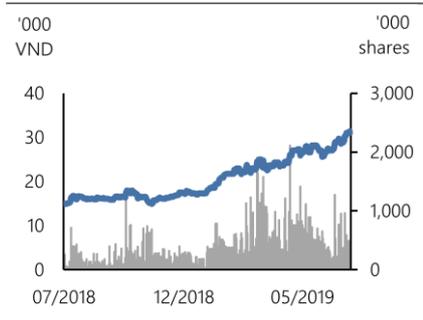
Stock pick

VHM

Values emerge from panic selling

Rating	BUY
Market price (VND)	63,800
1-Y target price (VND)	100,300
1-Y price return	57.2%
1-Y dividend yield	1.5%
1-Y total return	58.7%

Stock price trend



Sources: Sources: KIS, Bloomberg

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-25	-27	-24	-30
Relative	0	-3	0	-3

Sources: KIS, Bloomberg

Stock Statistics 20-Mar-20

52-week range (VND)	63.8k-99.5k
Shares o/s (mn)	3,290
Mkt cap (VND bn)	209,871
Mkt cap (USD mn)	8,946
Foreign % owned	14.9%
Est. free float (mn. shares)	956.2
3m avg. daily vol. (shares)	739,355
VND/USD	23,372
Index: VN-Index/HNX	710/102

Ownership 20-Mar-20

Vingroup	69.6%
GIC	5.8%
Vietnam Enterprise Investments Limited	1.0%

Investment Points:

Unrivalled land bank to fuel an ambitious strategy: VHM announced it had 16,800ha land bank, not only in its traditional markets, such as Hanoi and HCMC, but also in strategic locations in Ha Long, Hai Phong, and other second-tier cities. The group has shown unparalleled land acquisition capability, empowered by its superior financial position, proven brand and wide access to several types of land.

Strong earnings outlook for FY20-21F reaffirmed: After a FY19 robust growth with net profit topped those listed on Vietnam’s equity market at VND21.3tn (+49.1% YoY), we forecast VHM’s FY20F revenue to jump 53.8% YoY, and FY20F net profit to grow 16.8% YoY, underpinned by retail delivery at Ocean Park, Grand Park and Smart City. In the medium term, we expect a net profit CAGR of 30% in FY19-21F, driven by deliveries of mid-range projects and the bulk sales in mega projects.

Risks:

A majority of our valuation premium also comes from pre-approval projects: Large volumes and a long pipeline could raise skepticism on a project’s land compensation, presales and execution outlook as there are strong connections between government intervention and the real estate market.

There is a lack of reliable track records and market data which are needed to study buyers’ real demand in the low-tier markets. This could lead to the misjudgment of the absorption of each product. A number of VHM’s projects in the pipeline in lower-tier markets are large-scale and require significant upfront outlay for land acquisition. We believe this could trigger large sunk cost if products show weak demand and drag down the firm’s investment turnover when assets are not quickly monetized as planned

Recommendation:

The stock has declined 27% in the past month. We believe this presents a long awaited opportunity to gain access to the leading developer in Vietnam. We think VHM’s share price will be supported by its resilient business model and stellar unbilled bookings which will further spur EPS growth, and in turn valuation. We give our RNAV-based target price at VND100,300. **BUY**

FINANCIALS MODEL					
Unit: VND bn	2017	2018	2019	2020E	2021E
Net Revenue	15,297	38,664	51,826	79,719	128,113
<i>Sales growth</i>	36%	153%	34%	54%	61%
COGS	10,131	28,603	24,466	45,371	68,997
<i>Gross margin</i>	34%	26%	53%	43%	46%
SG&A	2,038	2,444	4,249	7,582	11,613
EBITDA	3,539	7,879	23,452	27,035	47,774
<i>EBITDA margin</i>	23%	20%	45%	34%	37%
Depr'n & Amort'n	410	262	341	269	272
Operating profit	3,128	7,617	23,111	26,766	47,503
<i>Operating margin</i>	20%	20%	45%	34%	37%
Net interest expense	-688	12,108	6,504	7,718	3,576
<i>As % of avg. net debt</i>	-6%	51%	22%	23%	9%
Interest cover (x)	3.9	3.3	10.2	10.4	18
Other profit/loss	-243	-7	43	-	-
Tax	543	4,942	5,451	6,897	10,216
<i>Effective tax rate</i>	26%	25%	18%	20%	20%
Net profit	1,565	14,776	24,206	27,588	40,863
<i>Net margin</i>	10%	38%	47%	35%	32%
Minorities	156	492	2,901	2,702	4,465
Net attributable profit	1,410	14,284	21,305	24,886	36,398
Number of shares (mn)	250	3,128	3,350	3,350	3,350
EPS (VND, adj.)	5,639	4,567	6,361	7,430	10,867
<i>EPS growth</i>	-14%	-19%	39%	17%	46%
DPS (VND)	-	-	1,000	1,000	1,000

EBITDA = Net revenue – (COGS - Depr'n&Amort'n)– SG&A expenses

EBIT = EBITDA – Depr'n&Amort'n

Net interest expenses = interest expenses – interest income

Other profit/loss consists of other financial income/expenses, profit share from JVs/associates and other income/loss.

Payout ratio = Dividend paid / Net attributable profit.

BS & CF ITEMS (VND bn)	2017	2018	2019	2020E	2021E
Increase in WC	337	-3,331	2,207	-1,401	-11,194
Capex	-	-	-	-	-
Other cash flow items	-10	-453	4,278	10,058	5,964
Free cash flow	-5,761	-16,923	20,813	-1,187	6,354
Share issues	28	12,241	-5,550	-	-
Dividends paid	-	-945	-3,687	-3,350	-3,350
Increase in net debt	5,394	9,963	-5,555	5,000	-
Net debt, end of year	15,327	31,909	26,505	40,909	40,909
Enterprise value	32,935	232,841	242,132	259,280	263,400
Total equity	10,124	48,143	64,756	90,562	128,076
Minority interests	3,220	4,912	9,159	9,758	14,223
Shareholder's equity	6,904	43,231	55,597	80,804	113,852
BVPS (VND, adj.)	27,617	12,907	16,599	24,124	33,991
Net debt / equity (%)	136%	59%	30%	40%	28%
Net debt / EBITDA (x)	3.9	3.6	0.8	1.3	0.7
Total assets	51,304	119,689	197,170	247,733	322,733

Net debt = debts – cash & equivalent

Key ratio & Valuation	2017	2018	2019	2020E	2021E
ROE (excl minority interest)	31%	57%	43%	36%	37%
ROA	5%	6%	12%	10%	13%
ROIC	36%	31%	34%	42%	111%
WACC	12%	12%	12%	12%	12%
PER (x)	11.3	14	10	8.6	5.9
PBR (x)	2.3	4.9	3.8	2.6	1.9
PSR (x)	4.2	1.6	1.2	0.8	0.5
EV/EBITDA (x)	9.3	29.6	10.3	9.6	5.5
EV/Sales (x)	2.2	6.0	4.7	3.3	2.1
Dividend yield (adj.)	0%	0%	1.6%	1.6%	1.6%

Stock pick

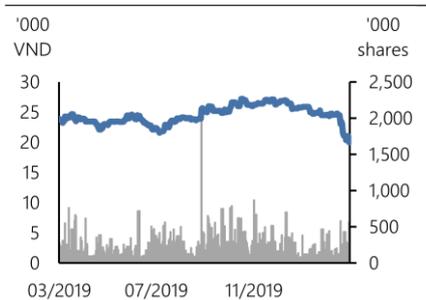
KDH

A safe haven

Rating **BUY**

Market price (VND)	20,000
1-Y target price (VND)	25,000
1-Y price return	25%
1-Y dividend yield	2.5%
1-Y total return	27.5%

Stock price trend



Sources: KIS, Bloomberg

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-26	-19	-25	-16
Relative	0	5	0	11

Sources: KIS, Bloomberg

Stock Statistics 20-Mar-20

52-week range (VND)	20.0k-27.2k
Shares o/s (mn)	544
Mkt cap (VND bn)	10,889
Mkt cap (USD mn)	464
Foreign % owned	44.4%
Est. free float (mn. shares)	405.3
3m avg. daily vol. (shares)	235,574
VND/USD	23,372
Index: VN-Index/HNX	710/102

Ownership 20-Mar-20

Vietnam Enterprise Investments Limited	16.2%
VinaCapital Vietnam Opportunity Fund Ltd.	13.3%
Tien Loc Investment Limited	11.5%

Investment Points:

Among a rare breed of developers with sizeable land bank in downtown HCMC. KDH’s land bank amounted to 499ha HCMC as end-FY19, mostly in the Western part of HCMC. This ensures over ten years of project development, in our view. KDH now has the third-largest land bank in HCMC (499ha) among the listed residential developers.

Proven track record, net cash position. Based on the projects announced, we project revenue CAGR of 14.7% and net profit CAGR of 24.6% over FY20-21F (unbooked presales of VND2,962bn in FY19, based on our estimates). Given its track record, we think KDH would be able to fund its construction costs largely via presales advance payments, reducing its reliance on bank loans. We believe its net cash position makes the company less prone to potential market downturns

Risks:

A majority of our valuation premium also comes from pre-approval projects. Large volumes and a long pipeline could raise skepticism on a project’s land compensation, presales and execution outlook as there are strong connections between government intervention and the real estate market.

Recommendation:

We believe KDH’s main strength is its iconic brand name in the residential real estate market with 15 years of market experience. Having the third-largest land bank in HCMC is another significant strong point, in our view. The sharp price drop gives undemanding valuation of KDH. And value investors should make advantage to put KDH on radar. **BUY**

FINANCIALS MODEL					
Unit: VND bn	2017	2018	2019	2020E	2021E
Net Revenue	3,055	2,917	2,813	2,940	3,228
<i>Sales growth</i>	-22%	-5%	-4%	5%	10%
COGS	2,019	1,677	1,312	1,161	1,569
<i>Gross margin</i>	34%	42%	53%	61%	51%
SG&A	244	257	278	277	292
EBITDA	799	990	1,232	1,515	1,380
<i>EBITDA margin</i>	26%	34%	44%	52%	43%
Depr'n & Amort'n	7	8	9	12	12
Operating profit	792	982	1,223	1,503	1,367
<i>Operating margin</i>	26%	34%	43%	51%	42%
Net interest expense	-53	111	-	-72	-18
<i>As % of avg. net debt</i>	-3%	8%	0%	-8%	-2%
Interest cover (x)	81.3	31.2	654.0	24.0	42.8
Other profit/loss	-19	-21	-32	-5	-5
Tax	170	266	274	285	269
<i>Effective tax rate</i>	23%	25%	23%	20%	20%
Net profit	559	810	917	1,141	1,076
<i>Net margin</i>	18%	28%	33%	39%	33%
Minorities	57	2	2	-	-
Net attributable profit	502	808	915	1,141	1,076
Number of shares (mn)	426	508	541	544	544
EPS (VND, adj.)	1,179	1,592	1,691	2,095	1,976
<i>EPS growth</i>	10%	35%	6%	24%	-6%
DPS (VND)	1,000	500	500	500	500

EBITDA = Net revenue – (COGs -Depr'n&Amort'n)- SG&A expenses

EBIT = EBITDA – Depr'n&Amort'n

Net interest expenses = interest expenses – interest income

Other profit/loss consists of other financial income/expenses, profit share from JVs/associates and other income/loss.

Payout ratio = Dividend paid / Net attributable profit.

BS & CF ITEMS (VND bn)	2017	2018	2019	2020E	2021E
Increase in WC	204	-1,236	-893	-191	-496
Capex	-61	-161	-211	-56	-61
Other cash flow items	-61	97	-184	-83	-57
Free cash flow	671	-85	-359	912	509
Share issues	1,488	101	93	-	-
Dividends paid	-234	-194	-207	-272	-272
Increase in net debt	-237	-689	-186	-17	-15
Net debt, end of year	1,894	1,658	968	782	933
Enterprise value	8,564	9,320	10,441	10,052	9,847
Total equity	6,191	6,899	7,664	8,314	9,063
Minority interests	977	35	39	35	35
Shareholder's equity	5,214	6,864	7,625	8,278	9,028
BVPS (VND, adj.)	10,930	12,753	14,006	15,206	16,582
Net debt / equity (%)	-15%	-13%	-6%	-10%	-12%
Net debt / EBITDA (x)	-1.2	-0.9	-0.3	-0.6	-0.8
Total assets	9,717	10,228	13,157	12,799	13,350

Net debt = debts – cash & equivalent

Key ratio & Valuation	2017	2018	2019	2020E	2021E
ROE (excl minority interest)	12%	13%	13%	14%	12%
ROA	7%	7%	8%	9%	8%
ROIC	15%	19%	20%	20%	18%
WACC	13%	13%	13%	13%	13%
PER (x)	17	12.6	11.8	9.5	10.1
PBR (x)	1.8	1.6	1.4	1.3	1.2
PSR (x)	6.6	6.9	7.1	6.8	6.2
EV/EBITDA (x)	10.7	9.4	8.5	6.6	7.1
EV/Sales (x)	2.8	3.2	3.7	3.4	3.1
Dividend yield (adj.)	5%	3%	3%	3%	3%

Stock pick

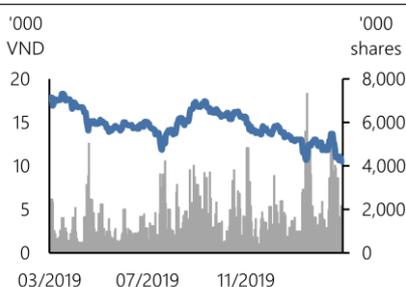
DXG

Short-term pain for a long-term gain

Rating **BUY**

Market price (VND)	10,450
1-Y target price (VND)	18,000
1-Y price return	72.2%
1-Y dividend yield	0%
1-Y total return	72.2%

Stock price trend



Sources: KIS, Bloomberg

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-28	-15	-24	-43
Relative	-2	8	1	-16

Sources: KIS, Bloomberg

Stock Statistics 20-Mar-20

52-week range (VND)	10.5k-18.3k
Shares o/s (mn)	519
Mkt cap (VND bn)	5,458
Mkt cap (USD mn)	233
Foreign % owned	42.8%
Est. free float (mn. shares)	438.4
3m avg. daily vol. (shares)	2,093,932
VND/USD	23,372
Index: VN-Index/HNX	718/102

Ownership 20-Mar-20

Luong Tri Thin	12.2%
NAV Investment JSC	4.5%
Dragons Funds	17%

Investment Points:

Ability to sustain and consolidate its leading market broker position. DXG garnered Vietnam’s top brokerage market share in FY19 (30%, equivalent to 30,083 units sold). We believe DXG could enjoy sustained brokerage revenue growth and consolidate its market share to 36-40% in FY20-25F despite recent headwinds in the real estate market, given the prospects of new potential markets, coupled with its nationwide network.

We expect solid net profit growth of 17.4% p.a. for FY20-21F. We forecast DXG’s FY20 revenue to rise 19.3% YoY and a 10.6% YoY growth in FY20F PATMI, of which 59% could come from bulk sales transactions. We expect a 17.4% net profit CAGR in FY20-21F. In the longer term, we project a net profit CAGR of 24.3% in FY22-25F, on expectations that DXG will begin developing its HCMC projects after the city’s licensing process progresses in FY21F

Risks:

Higher land cost paying for Gem Riverside. Gem Riverside project, its biggest project, which has been suspended since 2018 may pay additional land cost to HCM’s government

Recommendation:

We highly regard DXG’s well-positioned in the brokerage market with 15 years of market experience. We think the recent fall in DXG’s share price was due to doubts over DXG’s ability to get approval for its HCMC projects and fears of the COVID-19 spread. We believe DXG should revert to our estimated fair value, powered by the monetization of its robust presales in FY20-25F. Using the RNAV valuation model and our forecasts, we evaluate DXG share at VND18,000 per share at the end of 2020. **BUY.**

FINANCIALS MODEL						BS & CF ITEMS					
Unit: VND bn	2017	2018	2019E	2020E	2021E	(VND bn)	2017	2018	2019E	2020E	2021E
Net Revenue	2,879	4,645	5,814	6,940	10,647	Increase in WC	-1,943	-1,938	-3,811	-280	-6,379
<i>Sales growth</i>	15%	61%	25%	19%	53%	Capex	-	-	-	-	-
COGS	1,134	2,006	2,691	3,204	5,572	Other cash flow items	69	-6	806	379	213
<i>Gross margin</i>	61%	57%	54%	54%	48%	Free cash flow	-2,040	-769	-2,778	1,708	-3,679
SG&A	544	780	985	1,176	1,803	Share issues	403	542	1,636	-4	-11
EBITDA	1,202	1,859	2,138	2,561	3,272	Dividends paid	-300	-476	-479	-	-
<i>EBITDA margin</i>	42%	40%	37%	37%	31%	Increase in net debt	1867	337	1537	-257	2669
Depr'n & Amort'n	15	24	39	53	55	Net debt, end of year	684	2529	2866	4400	4142
Operating profit	1,186	1,835	2,099	2,507	3,217	Enterprise value	4,298	5,400	9,574	8,996	13,676
<i>Operating margin</i>	41%	40%	36%	36%	30%	Total equity	4,654	6,199	9,227	11,375	13,797
Net interest expense	3	16	61	-146	-387	Minority interests	840	1,199	2,239	2,936	3,695
<i>As % of avg. net debt</i>	0%	1%	2%	-3%	-7%	Shareholder's equity	3,814	5,000	6,989	8,439	10,102
Interest cover (x)	19.7	11.4	7.6	9.4	7.4	BVPS (VND, adj.)	19,397	14,282	13,439	16,228	19,426
Other profit/loss	18	-6	79	-	-	Net debt / equity (%)	18%	28%	39%	19%	46%
Tax	250	379	502	511	608	Net debt / EBITDA (x)	0.7	0.9	1.7	0.8	1.9
<i>Effective tax rate</i>	19%	18%	21%	20%	20%	Total assets	10,264	13,729	19,879	21,183	27,850
Net profit	1,085	1,723	1,886	2,044	2,434	Net debt = debts – cash & equivalent					
<i>Net margin</i>	38%	37%	32%	29%	23%						
Minorities	335	544	670	697	759	Key ratio & Valuation	2017	2018	2019E	2020E	2021E
Net attributable profit	751	1,178	1,217	1,347	1,674	ROE	21%	27%	20%	20%	22%
Number of shares (mn)	342	344	460	520	520	(excl minority interest)	13%	14%	11%	10%	10%
EPS (VND, adj.)	2,127	3,427	2,645	2,590	3,219	ROA	53%	32%	25%	25%	25%
<i>EPS growth</i>	-34%	61%	-23%	-2%	24%	ROIC	16%	16%	16%	16%	16%
DPS (VND)	497	-	-	-	-	WACC	4.9	3.0	4.0	4.0	3.2
EBITDA = Net revenue – (COGs -Depr'n&Amort'n)– SG&A expenses						PER (x)	0.5	0.7	0.8	0.6	0.5
EBIT = EBITDA – Depr'n&Amort'n						PBR (x)	3.6	2.2	1.8	1.5	1.0
Net interest expenses = interest expenses – interest income						PSR (x)	3.6	2.9	4.5	3.5	4.2
Other profit/loss consists of other financial income/expenses, profit share from JVs/associates and other income/loss.						EV/EBITDA (x)	1.0	0.4	0.4	0.3	0.2
Payout ratio = Dividend paid / Net attributable profit.						EV/Sales (x)	0%	-	-	-	-
						Dividend yield (adj.)	0%	-	-	-	-

Steel

Neutral

Vinh Chu

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The chilliest construction season

Investment points:

COVID-19 pandemic is dampening construction season. We expect the 10% YoY contraction of steel consumption in 2020, lower than the growth of 6.6% YoY in 2019 amid COVID-2019 pandemic, which adversely affects steel industry in 2 ways 1) narrowing GDP growth and (2) delaying construction activities in many cities. Our base case shows that COVID-19 will be controlled in 2Q20 so that steel consumption will recover from 2H20.

The strong gets stronger. We expect the largest producers using BOF technique (Hoa Phat, Formosa) will outperform its rivals based on the cost advantage. Due to financial burden and cost structure, there is not much room for their rivals to lower selling price.

Export slowdown and HRC price's plunge keep hurting coated steel sheet producers. Up to now, export still plays a vital role in coated steel sheet market, accounting for 31% of total consumption in 2019. COVID-19 pandemic has darkened the outlook for all export activities so that we predict a 10% YoY narrowness of coated steel sheet export in 2020.

Risk factors:

Longer-than-expected COVID-19. The longer pandemic will adversely hurt the global and domestic steel consumption.

Conclusion:

We believe that steel industry has a strong growth potential thanks to the industrialization and urbanization of Vietnam in the long term. However, COVID-19 pandemic is dampening construction season. In addition, the operation of Dung Quat and Formosa Ha Tinh factories will reshape the domestic market significantly in the short term and local competition will be tougher which result in narrowing profitability. **NEUTRAL.**

Stock coverage

Recommendation & TP				Earnings & Valuation									
Company				Sales (VNDbn)	EBIT (VNDbn)	NPAT (VNDbn)	EPS (VND)	BPS (VND)	PER (x)	PBR (x)	ROE (%)	EV/EBITDA (x)	DY (%)
HPG (HSX)	Recommendation	HOLD	2017	46,162	9,622	8,015	2,689	11,694	6.9	0.7	30.7%	3.3	0%
	Target Price (VND)	19,000	2018	55,836	10,550	8,601	2,965	14,667	6.3	0.8	23.6%	4.5	0%
	Price (VND)	18,600	2019E	63,658	9,743	7,578	2,556	17,241	7.3	0.8	17.1%	5.7	0%
	Market cap (VNDbn)	51,356	2020F	75,893	10,513	6,024	2,027	19,268	9.2	0.7	11.9%	4.3	0%
		2021F	83,963	14,727	10,312	3,487	22,755	5.3	0.6	17.7%	2.8	0%	
HSG (HSX)	Recommendation	SELL	2017	26,149	2,104	1,332	2,925	14,771	2.0	0.4	28.6%	5.0	14%
	Target Price (VND)	2,400	2018	34,441	1,266	409	937	13,381	6.2	0.4	7.9%	7.1	8%
	Price (VND)	5,820	2019E	28,035	970	361	828	12,913	7.0	0.5	6.8%	5.5	0%
	Market cap (VNDbn)	2,465	2020F	23,941	766	82	187	13,100	31.0	0.4	1.5%	5.4	0%
		2021F	24,838	1,043	292	657	13,757	8.9	0.4	5.1%	4.4	0%	
NKG (HSX)	Recommendation	SELL	2017	12,619	1,024	708	3,887	22,619	1.4	0.2	31.3%	5.6	13%
	Target Price (VND)	3,120	2018	14,812	390	57	293	16,325	19.1	0.3	1.9%	6.7	0%
	Price (VND)	5,580	2019E	12,177	290	216	1,102	16,576	5.1	0.3	7.2%	4.6	0%
	Market cap (VNDbn)	1,016	2020F	9,482	166	284	1,452	18,028	3.8	0.3	9.0%	3.7	0%
		2021F	9,565	249	154	848	18,835	6.6	0.3	4.6%	2.6	0%	

Stock pick

HPG

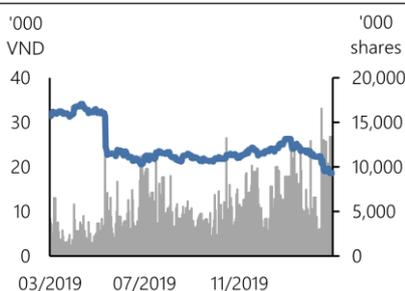
Leaving the rest in the dust

Rating

HOLD

Market price (VND)	18,600
1-Y target price (VND)	19,000
1-Y price return	2.2%
1-Y dividend yield	0%
1-Y total return	2.2%

Stock price trend



Sources: KIS, Bloomberg

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-21	-21	-19	-24
Relative	5	3	6	3

Sources: KIS, Bloomberg

Stock Statistics 20-Mar-20

52-week range (VND)	18.6k-34.2k
Shares o/s (mn)	2,761
Mkt cap (VND bn)	51,356
Mkt cap (USD mn)	2,189
Foreign % owned	37.6%
Est. free float (mn. shares)	1,443.2
3m avg. daily vol. (shares)	6,886,463
VND/USD	23,372
Index: VN-Index/HNX	710/102

Ownership 20-Mar-20

Chairman & affiliates	32.4%
Dragon Capital	5.0%
Vinacapital	4.9%
CEO Tran Tuan Duong	2.7%

Investment Points:

1st phase of Dung Quat project to boost long steel segment. The 1st phase of Dung Quat will operate fully from the beginning of 2020, doubling the long steel capacity to 4.35mn metric tons per year. We estimate that Hoa Phat will boost its market share to 35% in 2020 from 25% in 2019. However, short-term fight for market share will likely hurt profitability

Hoa Phat will deeply penetrate in flat steel market by a galvanized steel sheet factory in Hung Yen. The finish of the 2nd phase of Dung Quat project, which is capable of 2mn metric tons of HRC, will complete the full value chain of Hoa Phat in both long steel and flat steel segments. Dung Quat will help Hoa Phat become a top player in South East Asia.

The strong gets stronger: Thanks to cost advantage and financial abilities, Hoa Phat can aggressively lower its selling price to expand the market share. EAF producers do not have much room for lowering selling price. In addition, lower iron ore price sharpens Hoa Phat's cost advantage, compared with EAF producers.

Risks:

Operating risk of the 2nd phase of Dung Quat project: Because HRC is a totally new product of Hoa Phat, initial operation incident, if any, will make a test run longer than the plan of 3 months.

Recommendation:

We expect the success of Dung Quat project to make Hoa Phat become a regional giant in the foreseeable future. However, due to the impact of COVID-19, we cut our long steel consumption in 2020 by 13% to 3.3mn tonnes from 3.8mn tonnes. Therefore, we revise net profit forecast downward by 31% to VND6,024bn and downgrade our rating from BUY to HOLD. Disappointing short-term earnings will depress market share price. Using PER of 10x, we evaluate the HPG share at VND19,000 by the end of 2020, total expected return is 2.2%. **HOLD**

FINANCIALS MODEL						BS & CF ITEMS					
Unit: VND bn	2017	2018	2019	2020E	2021E	(VND bn)	2017	2018	2019	2020E	2021E
Net Revenue	46,162	55,836	63,658	75,893	83,963	Increase in WC	5,214	-5,447	1,436	1,390	917
<i>Sales growth</i>	39%	21%	14%	19%	11%	Capex	8,875	27,594	21,622	4,638	5,550
Steel	39,738	46,424	50,878	62,206	69,801	Other cash flow items	-1,445	8,012	-166	-	-
Agriculture	2,895	4,596	7,985	8,766	10,104	Free cash flow	-2,624	-19,298	-12,675	4,634	9,395
Real estate	760	1,672	1,622	1,622	626	Share issues	5,057	11	-	-	-
Others	2,768	3,144	3,172	3,299	3,431	Dividends paid	4	-	-	-	-
COGS	35,536	44,166	52,473	63,661	67,333	Increase in net debt	-2,430	19,287	12,675	-4,634	-9,395
<i>Gross margin</i>	23%	21%	18%	16%	20%	Net debt, end of year	-1,221	18,066	30,741	26,106	16,711
SG&A	1,004	1,121	1,442	1,720	1,902	Enterprise value	38,394	57,697	70,428	65,864	56,539
EBITDA	11,626	12,810	12,381	15,151	20,277	Total equity	32,398	40,623	47,788	53,455	63,153
<i>EBITDA margin</i>	25%	23%	19%	20%	24%	Minority interests	111	127	183	253	324
Depr'n & Amort'n	2,005	2,260	2,638	4,638	5,550	Shareholder's equity	32,287	40,496	47,605	53,201	62,829
Operating profit	9,622	10,550	9,743	10,513	14,727	BVPS (VND, adj.)	11,694	14,667	17,241	19,268	22,755
<i>Operating margin</i>	21%	19%	15%	14%	18%	Net debt / equity	-4%	44%	64%	49%	26%
Net interest expense	371	376	659	2,227	2,190	Net debt / EBITDA (x)	-0.1	1.4	2.5	1.7	0.8
<i>As % of avg. net debt</i>	-5,651%	4%	3%	8%	10%	Total assets	53,022	78,223	101,791	103,181	104,097
Interest cover (x)	25.9	28	14.8	4.7	6.7	Net debt = debts – cash & equivalent					
Other profit/loss	38	-103	13	-	-						
Tax	1,274	1,471	1,518	2,262	2,225						
<i>Effective tax rate</i>	14%	15%	17%	27%	18%						
Net profit	8,015	8,601	7,578	6,024	10,312	Key ratio & Valuation	2017	2018	2019	2020E	2021E
<i>Net margin</i>	17%	15%	12%	8%	12%	ROE	31%	24%	17%	12%	18%
Minorities	8	28	71	71	71	(excl minority interest)					
Net attributable profit	8,007	8,573	7,508	5,954	10,242	ROA	15%	11%	7%	6%	10%
Number of shares (mn)	1,517	2,124	2,761	2,761	2,761	ROIC	32%	20%	12%	10%	15%
EPS (VND, adj.)	2,689	2,965	2,556	2,027	3,487	WACC	15%	12%	10%	12%	14%
<i>EPS growth</i>	50%	10%	-14%	-21%	72%	PER (x)	6.9	6.3	7.3	9.2	5.3
DPS (VND)	-	-	-	-	-	PBR (x)	0.7	0.8	0.8	0.7	0.6
						PSR (x)	0.9	0.7	0.6	0.5	0.5
						EV/EBITDA (x)	3.3	4.5	5.7	4.3	2.8
						EV/Sales (x)	0.8	1	1.1	0.9	0.7
						Dividend yield (adj.)	-	-	-	-	-

EBITDA = Net revenue – (COGs -Depr'n & Amort'n)– SG&A expenses

EBIT = EBITDA – Depr'n & Amort'n

Net interest expenses = interest expenses – interest income

Other profit/loss consists of other financial income/expenses, profit share from JVs/associates and other income/loss.

Payout ratio = Dividend paid / Net attributable profit.

Electricity

Overweight

Hanh Vu

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"Negative"

Investment points:

Dwindling oil price implies as a great blow for electricity industry. As of 20 Mar 2020, Brent crude oil and HSFO prices plunged to USD29 per bbl and USD195 per MMBTU because of the COVID-19-derived weaken demand and Arab Saudi – Russia price war. We estimate Brent oil prices will average USD37 per bbl during the 2Q20 and then improve to USD42 per bbl during the second half of the year. Besides, with the rules of IMO to decrease fuel oil demand from 2020 onwards, we expect the average HSFO price will also decline to USD217 per MMBTU in 2Q20 and USD350 per MMBTU in 2H20 (-46% YoY and -32% YoY, respectively). With lower new oil price base case, we see positive impact on POW and NT2 this year.

El Nino happened as a timely rescue: Although manufacturing and service sectors have been affected the most by COVID-19 since the beginning of February, both electricity consumption and peak load figures still saw some growth. According to data from the National Load Dispatch Center (A0), total electricity consumed in the first two months of 2020 was 36.2 billion kWh (+7.5% YoY) while the national peak load capacity reached 33,600 MW (+2.1% YoY). Even in the first two weeks of Mar 2020, A0 has risen the mobilization from thermal power by 10% YoY because of El Nino. Therefore, we expect thermal power plants still sees increasing output in 1H20 and do not suffer negative influence from COVID-19.

Risk factors:

Power output depends heavily on weather. Looking ahead, unexpected weather can disrupt power plant competitiveness of not only the direct hydro power plants trading in the market but also strategic hydro power plants

Conclusion:

Overall, electricity sector is well-positioned in an uncertain economic backdrop. In 2020, the upward pressure on peak load of electricity, stronger EL-Nino remains and lower input prices are highlights on thermal power plant performance.

OVERWEIGHT.

Stock pick: **PPC.**

Stock coverage

Recommendation & TP				Earnings & Valuation									
Company				Sales (VNDbn)	EBIT (VNDbn)	NPAT (VNDbn)	EPS (VND)	BPS (VND)	PER (x)	PBR (x)	ROE (%)	EV/EBITDA (x)	DY (%)
PPC (HSX)	Recommendation	BUY	2017	6,236	2,663	854	2,663	17,082	11.3	1.8	16%	10.8	10%
	Target Price (VND)	30,000	2018	7,117	3,603	1,155	3,603	17,724	8.3	1.7	21%	7.1	9%
	Price (VND)	22,800	2019	8,183	1,212	1,268	3,949	18,682	5.8	1.2	21%	4.6	12%
	Market cap (VNDbn)	7,352	2020F	8,567	1,172	1,114	3,470	19,091	6.6	1.2	18%	4.9	13%
			2021F	7,673	769	716	2,222	18,251	10.4	1.3	12%	7.6	13%
NT2 (HSX)	Recommendation	BUY	2017	6,761	1,279	810	2,762	17,317	9.6	1.5	16%	5.2	10%
	Target Price (VND)	22,000	2018	7,670	914	782	2,687	12,795	9.9	2.1	18%	6.5	27%
	Price (VND)	17,500	2019	7,654	888	759	2,605	14,354	6.7	1.2	19%	3.9	5%
	Market cap (VNDbn)	5,038	2020F	7,188	929	794	2,725	15,579	6.4	1.1	18%	3.2	9%
			2021F	7,071	909	897	3,081	16,161	5.7	1.1	20%	2.7	14%
VSH (HSX)	Recommendation	HOLD	2017	527	287	284	1,346	14,084	12.6	1.2	10%	18.0	6%
	Target Price (VND)	18,600	2018	564	324	306	1,437	14,520	11.8	1.2	10%	19.6	6%
	Price (VND)	20,000	2019	400	174	159	725	15,317	26.2	1.2	5%	36	0%
	Market cap (VNDbn)	4,125	2020F	705	364	248	1,133	15,376	16.8	1.2	8%	17	5%
			2021F	1,536	855	390	1,777	15,153	10.7	1.3	12%	6	11%
POW (HSX)	Recommendation	BUY	2017	29,710	4,107	2,602	1,026	11,437	15.1	1.4	9%	7.2	0%
	Target Price (VND)	16,000	2018	32,663	3,420	2,052	716	10,474	21.7	1.5	7%	7.5	0%
	Price (VND)	8,500	2019	35,421	3,917	2,491	1,064	11,520	10.3	1.0	9%	5.7	0%
	Market cap (VNDbn)	19,900	2020F	37,448	4,194	2,545	1,087	12,607	10.1	0.9	9%	5.4	0%
			2021F	35,771	3,457	2,273	970	13,577	11.3	0.8	7%	6.5	0%
GEG (HSX)	Recommendation	BUY	2017	539	246	209	692	5,962	40.5	10.2	13%	17.2	0.5%
	Target Price (VND)	25,500	2018	559	229	187	628	11,034	44.6	9.9	7%	19.7	2.7%
	Price (VND)	20,300	2019	1,158	540	294	1,120	11,777	25.0	4.8	11%	11.5	2.5%
	Market cap (VNDbn)	4,005	2020F	1,430	622	272	1,020	13,587	27.4	3.9	9%	10.1	2.5%
			2021F	1,544	671	353	1,421	14,181	19.7	3.6	11%	9.1	3.6%

Stock pick

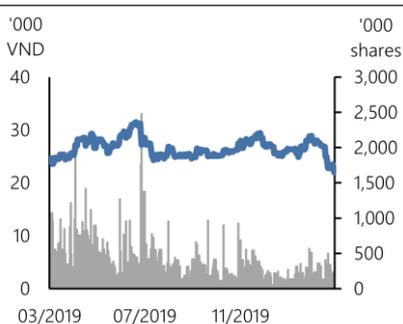
PPC

Weather the storm

Rating **BUY**

Market price (VND)	22,800
1-Y target price (VND)	30,000
1-Y price return	27%
1-Y dividend yield	0%
1-Y total return	27%

Stock price trend



Sources: KIS, Bloomberg

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-18	-24	-18	-2
Relative	8	0	8	25

Sources: KIS, Bloomberg

Stock Statistics 20-Mar-20

52-week range (VND)	22.0k-31.5k
Shares o/s (mn)	321
Mkt cap (VND bn)	7,053
Mkt cap (USD mn)	301
Foreign % owned	16.3%
Est. free float (mn. shares)	79.0
3m avg. daily vol. (shares)	219,778
VND/USD	23,372
Index: VN-Index/HNX	710/102

Ownership 20-Mar-20

EVN GENCO2	51.9%
REE CORP.	24.1%
Samarang Ucits - Samarang Asian Prosperit	9.1%

Investment Points:

PPC runs to all-time highs amid COVID-19 market plunge. In Jan and Feb 2020, electricity output rose to 424mn kWh (+15% YoY) and 552mn kWh (+91% YoY). Thanks to the extended El Nino, COVID-19 impact on PPC is minimized, which can be seen through the volume increase of PPC and other thermal power plants such as POW, NT2 and HND. Given higher load factor in the North and the strong effect of El Nino, A0 plans to maximize the mobilization from PPC in 1H20 despite of Coronavirus. We estimate total commercial electricity volume of Pha Lai rises to 5,600mn kWh (+2.5% YoY) in 2020, in which Pha Lai 1 and 2 will achieve up to 2,100 and 3,500mn kWh, respectively.

Coal prices drops due to Chinese soften demand. In 1Q20, the average coal input price of PPC reduced by 3% YoY. The drop came as China increased its reliance on domestic coal and tightened its use of imported coal, particularly from Australia. Given 48% YoY significant increase in electricity volume and 3% YoY decrease in coal price, we estimate PPC operating profit in 1Q20 to improve by 20% YoY. In 2020, we expect that despite COVID-19 impact, PPC still have potential to improve net sales to VND8,567bn (+5% YoY) but net profit may drop to VND1,114bn (-12% YoY) because of lower PPA price.

The average SMP keeps getting higher and higher. Despite CAN prices decreased by a half to about VND50~60 per kWh, average SMP in 1Q20 reported to rise to VND1,103 per kWh (+26% YoY) which can offset the negative impact of CAN prices. We project that the average SMP keeps the upward trend at least until the end of June 2020.

85% alpha ratio partly offsets lower PPA. The new PPA price of Pha Lai 1 is officially lowered by VND20 per kWh after resigning with EVN, whereas that of Pha Lai 2 is unchanged. However, thanks to the higher alpha rate (85% in 2020 compared with 80% in 2019), Pha Lai 1 will compete less in the market and thus compensate the loss of lower PPA's fixed price.

Risks:

The request for a review by Vietnam Electricity Group (EVN) of the PPA contract for PPC and several other power plants are still in processing.

Recommendation:

We expect that the company will have a flat growth rate in its bottom line (due to no significant construction or new project until at least 2026). On the bright side, with almost no FX risk, no debt from 2020 onward and significant annual operating cash flow, we expect PPC will be able to pay cash dividends constantly at VND3,000 per year. Using the DDM valuation model and our forecasts, we upgrade PPC from HOLD to BUY with the target price at VND33,000 per share at the end of 2020. **BUY**

FINANCIALS MODEL						BS & CF ITEMS (VND bn)					
Unit: VND bn	2017	2018	2019	2020E	2021E	2017	2018	2019	2020E	2021E	
Net Revenue	6,236	7,117	8,183	8,567	7,673	Increase in WC	-293	363	408	72	-167
<i>Sales growth</i>	4%	14%	15%	5%	-10%	Capex	18	348	19	189	154
COGS	5,445	5,936	6,896	7,317	6,834	Other cash flow items	-97	-453	164	-	-
<i>Gross margin</i>	13%	17%	16%	15%	11%	Free cash flow	1,263	932	712	890	764
SG&A	81	81	75	78	70	Share issues	-	-	-	-	-
EBITDA	747	1,134	1,248	1,208	805	Dividends paid	1,020	898	866	979	979
<i>EBITDA margin</i>	12%	16%	15%	14%	10%	Increase in net debt	-242	-34	154	89	214
Depr'n & Amort'n	37	35	36	36	36	Net debt, end of year	-1,692	-1,726	-1,572	-1,483	-1,269
Operating profit	710	1,099	1,212	1,172	769	Enterprise value	8,095	8,061	5,779	5,868	6,083
<i>Operating margin</i>	11%	15%	15%	14%	10%	Total equity	5,477	5,683	5,972	6,102	5,834
Net interest expense	-216.3	-158.2	-120.2	-113.8	-99.40	Minority interests	-	-	-	-	-
<i>As % of avg. net debt</i>	14%	9%	7%	7%	7%	Shareholder's equity	5,477	5,683	5,972	6,102	5,834
Interest cover (x)	-3.2	-6.9	-10.0	-10.2	-7.7	BVPS (VND, adj.)	17,082	17,724	18,682	19,091	18,251
Other profit/loss	77	191	206	67	-	Net debt / equity (%)	-31%	-30%	-26%	-24%	-22%
<i>Of which: Provision</i>	92	179	33	67	-	Net debt / EBITDA (x)	-2.3	-1.5	-1.3	-1.2	-1.6
Tax	149	293	271	238	153	Total assets	7,548	6,975	7,255	7,480	7,431
<i>Effective tax rate</i>	15%	20%	18%	18%	18%	Net debt = debts – cash & equivalent					
Net profit	854	1,155	1,268	1,114	716						
<i>Net margin</i>	14%	16%	15%	13%	9%						
Minorities	-	-	-	-	-						
Net attributable profit	854	1,155	1,268	1,114	716						
Number of shares (mn)	326	326	326	326	326						
EPS (VND, adj.)	2,663	3,603	3,949	3,470	2,222						
<i>EPS growth</i>	56%	35%	12%	-12%	-36%						
DPS (VND)	3,000	2,800	2,700	3,000	3,000						
EBITDA = Net revenue – (COGs -Depr'n&Amort'n)– SG&A expenses											
EBIT = EBITDA – Depr'n&Amort'n											
Net interest expenses = interest expenses – interest income											
Other profit/loss consists of other financial income/expenses, profit share from JVs/associates and other income/loss.											
Payout ratio = Dividend paid / Net attributable profit.											
						Key ratio & Valuation					
						2017	2018	2019	2020E	2021E	
						ROE	16%	21%	21%	18%	12%
						(excl minority interest)					
						ROA	11%	17%	17%	15%	10%
						ROIC	18%	27%	28%	23%	14%
						WACC	15%	15%	15%	15%	15%
						PER (x)	11.3	8.3	5.8	6.6	10.4
						PBR (x)	1.8	1.7	1.2	1.2	1.3
						PSR (x)	1.6	1.4	0.9	0.9	1.0
						EV/EBITDA (x)	10.8	7.1	4.6	4.9	7.6
						EV/Sales (x)	1.3	1.1	0.7	0.7	0.8
						Dividend yield (adj.)	10%	9%	12%	13%	13%

Seafood

Neutral

“Positive”

Toan Dao

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Investment points:

Chinese pangasius demand to recover soon after the pandemic. COVID-19 is making a significantly negative impact on pangasius because catering service is weakening in the current pandemic. However, we expect to see a recovery from 2Q2020 thanks to the positive signal of China’s effort to fight against the virus. As being Vietnam’s biggest pangasius export market, we estimate China will buy 438 thousand tons in 2020, growing at 15% YoY.

Shrimp export to drop at the three largest markets. After hitting China, COVID-19 is spreading its impact on Japan, EU and the U.S., which are the three largest export markets of Vietnam shrimp. Compared to China, because these markets are much less resilient, it will likely take much time for shrimp demand to pick up and we expect a lower growth of shrimp export this year.

Integrated value chain to improve profitability. Developing new farming area and applying high technology are expected to stabilize the material self-supply and production cost, thus improving profit margin of Vietnam seafood business in the long term.

Risk factors:

Further impact of COVID-19. Although we expect economic activities to recover in China from 2Q2020, the impact of COVID-19 can be beyond our estimate in other large seafood export markets, including Japan, EU, the U.S. and ASEAN.

Unfavorable changes to the U.S. anti-dumping tariffs affects immediately on pangasius export to the U.S., the second largest export market of Vietnam.

Threat from “red card” from European Commission (EC). In case EC concludes that Vietnam fisheries still maintain illegal fishing, they will enact an import ban on all Vietnam fishes.

Viral diseases lead to the drop of shrimp production.

Conclusion:

COVID-19 will slow down Vietnam seafood export and the negative impact will be highlight in the 1st quarter but then diminish in the following quarters of 2020. In overall, we have a cautious outlook about seafood sector in 2020. **NEUTRAL.**

Stock coverage

Recommendation & TP				Earnings & Valuation									
Company				Sales (VNDbn)	EBIT (VNDbn)	NPAT (VNDbn)	EPS (VND)	BPS (VND)	PER (x)	PBR (x)	ROE (%)	EV/EBITDA (x)	DY (%)
VHC (HSX)	Recommendation	BUY	2017	8,151	761	605	6,551	31,844	8.0	1.6	23%	6.8	4%
	Target Price (VND)	37,800	2018	9,271	1,685	1,442	15,391	43,452	3.3	1.2	41%	3.5	8%
	Price(VND)	24,050	2019U	7,867	1,358	1,180	7,239	27,100	3.3	0.9	29%	3.5	-
	Market cap (VNDbn)	4,341	2020E	9,714	1,482	1,394	7,553	34,165	3.2	0.7	24%	2.6	8%
			2021E	10,818	1,655	1,578	8,561	41,664	2.8	0.6	23%	1.9	8%
ANV (HSX)	Recommendation	BUY	2017	2,949	247	144	1,142	11,179	8.6	0.9	10%	6.2	12%
	Target Price (VND)	21,700	2018	4,118	693	604	4,810	14,779	4.8	1.6	37%	4.7	6%
	Price (VND)	15,700	2019U	4,481	805	704	625	19,006	25.1	0.8	33%	3.3	13%
	Market cap (VNDbn)	1,996	2020E	4,935	720	693	5,420	22,723	2.9	0.7	26%	3.7	9%
			2021E	5,814	931	927	7,259	28,576	2.2	0.5	28%	2.5	9%
IDI (HSX)	Recommendation	SELL	2017	5,327	443	343	1,859	11,608	28.1	4.5	16%	21.8	2%
	Target Price(VND)	3,100	2018	6,341	771	644	3,465	12,836	14.8	4.0	27%	14.3	3%
	Price(VND)	3,800	2019U	7,733	454	325	1,548	12,096	2.5	0.3	11%	7.6	-
	Market cap(VNDbn)	865	2020E	9,013	500	298	1,243	13,344	3.1	0.3	10%	7.4	-
			2021E	9,792	434	216	877	14,221	4.3	0.3	6%	8.2	-
MPC (HSX)	Recommendation	HOLD	2017	15,665	930	714	9,254	35,492	2.1	0.6	30%	5.3	-
	Target Price(VND)	16,600	2018	16,925	1,104	810	4,936	22,595	5.4	1.2	25%	6.3	19%
	Price(VND)	20,300	2019U	16,935	611	443	2,650	24,515	7.7	0.8	10%	7.1	25%
	Market cap (VNDbn)	4,029	2020E	15,324	549	523	2,079	25,683	9.8	0.8	8%	7.4	25%
			2021E	17,308	650	593	2,371	23,121	8.6	0.9	10%	7.7	25%
FMC (HSX)	Recommendation	HOLD	2017	3,498	129	112	3,417	16,073	5.3	1.2	21%	9.3	25%
	Target Price (VND)	19,400	2018	3,807	217	180	4,554	17,138	5.8	1.5	29%	6.6	8%
	Price (VND)	19,400	2019U	3,710	238	230	5,468	19,141	3.5	1.0	23%	3.2	10%
	Market cap (VNDbn)	1,053	2020E	3,343	209	191	3,527	20,628	5.5	0.9	18%	4.6	10%
			2021E	3,834	242	228	4,198	23,057	4.6	0.8	19%	3.9	10%

Stock pick

VHC

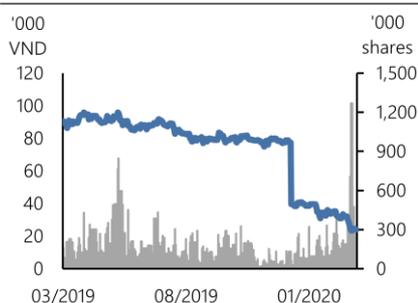
Export to China to recover from 2Q20

Rating

BUY

Market price (VND)	24,050
1-Y target price (VND)	37,800
1-Y price return	57%
1-Y dividend yield	8%
1-Y total return	65%

Stock price trend



Sources: KIS, Bloomberg

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-39	-30	-38	-45
Relative	-13	-6	-12	-18

Sources: KIS, Bloomberg

Stock Statistics 20-Mar-20

52-week range (VND)	23.5k-48.0k
Shares o/s (mn)	182
Mkt cap (VND bn)	4,376
Mkt cap (USD mn)	187
Foreign % owned	33.9%
Est. free float (mn. shares)	91.2
3m avg. daily vol. (shares)	206,824
VND/USD	23,372
Index: VN-Index/HNX	710/102

Ownership 20-Mar-20

Truong Thi Le Khanh	43.5%
Mitsubishi Corp	6.6%

Investment Points:

Pangasius export to China to recover from 2nd quarter of 2020. We expect pangasius consumption in China to recover from 2nd quarter of 2020 as China successfully controls COVID-19's spread. Although we lower our estimate for export revenue growth, we estimate Vinh Hoan's export revenue to China to reach VND990bn in 2020, growing at 14% YoY.

The recovery of export to the U.S. to face obstruction from COVID-19 pandemic. Thanks to the low price and the U.S. – China trade tension, export volume to the U.S. began to recover at double-digit growth in last 4Q. However, the spread of COVID-19 in the U.S. will erect new export obstruction to Vinh Hoan. We estimate Vinh Hoan's export revenue to the U.S. will reach USD148mn in 2020 and USD160mn in 2021, growing only 8% YoY.

Vertically extending value chain to improve profitability. We expect developing new farming area and going upstream to hatchery phase to stabilize the material supply and cost, thus improving profit margin in the long term.

Risks:

Further impact of COVID-19. Although we expect economic activities to recover in China from 2Q2020, the impact of COVID-19 can be beyond our estimate in other large seafood export markets, including Japan, EU, the U.S. and ASEAN.

Unfavorable changes to the U.S. anti-dumping tariffs. In fact, the preliminary results of POR15 of the U.S. DOC shows the high probability that more players may enjoy zero anti-dumping tariff.

Recommendation:

In 2020, we expect the soon recovery of demand after pandemic in China and rebound effort in the U.S. to maintain Vinh Hoan's export growth. Moreover, the recent price plunge (-34%) in 2 months has made Vinh Hoan's share valuation attractive.

We estimate VHC target price to be VND37,800 by the end of 2020 and recommend. Including VND2,000 cash dividend, total 1-year expected return for Vinh Hoan's share is 65%. **BUY.**

FINANCIALS MODEL						BS & CF ITEMS					
Unit: VND bn	2017	2018	2019	2020E	2021E	(VND bn)	2017	2018	2019	2020E	2021E
Net Revenue	8,151	9,271	7,867	9,714	10,818	Increase in WC	299	854	-482	657	365
<i>Sales growth</i>	12%	14%	-15%	24%	11%	Capex	243	545	371	589	528
COGS	6,980	7,232	6,334	7,771	8,655	Other cash flow items	220	-528	128	-364	-83
<i>Gross margin</i>	14%	22%	20%	20%	20%	Free cash flow	42	727	1,329	680	979
SG&A	411	354	401	454	501	Share issues	-	10.4	-	-	-
EBITDA	960	1,842	1,298	1,649	1,867	Dividends paid	-	363	-	364	181
<i>EBITDA margin</i>	12%	20%	17%	17%	17%	Increase in net debt	-42	-374	-1,329	-316	-798
Depr'n & Amort'n	199	156	165	168	212	Net debt, end of year	991	617	-712	-1,028	-1,826
Operating profit	761	1,685	1,132	1,482	1,655	Enterprise value	6,510	6,375	4,498	4,252	3,603
<i>Operating margin</i>	9%	18%	14%	15%	15%	Total equity	2,943	4,015	4,879	6,216	7,580
Net interest expense	51	-8.92	-16	-65	-95	Minority interests	0.1	-	2	-0.2	-0.3
<i>As % of avg. net debt</i>	5%	-1%	34%	8%	7%	Shareholder's equity	2,943	4,015	4,877	6,216	7,581
Interest cover (x)	15	-189	-70	-23	-17	BVPS (VND, adj.)	31,844	43,452	27,015	34,436	41,994
Other profit/loss	12	-7	161	0	0	Net debt / equity (%)	0.3	0.2	-0.1	-0.2	-0.2
Tax	118	245	129	152	172	Net debt / EBITDA (x)	1	0.3	-0.5	-0.6	-1
<i>Effective tax rate</i>	16%	15%	10%	10%	10%	Total assets	5,043	6,299	6,613	7,522	8,668
Net profit	605	1,442	1,180	1,394	1,578	Net debt = debts – cash & equivalent					
<i>Net margin</i>	7%	16%	15%	14%	15%						
Minorities	-0.1	-0.1	-	-0.1	-0.1						
Net attributable profit	605	1,442	1,180	1,394	1,578	Key ratio & Valuation	2017	2018	2019	2020E	2021E
Number of shares (mn)	92	92	182	182	182	ROE	23%	42%	29%	24%	23%
EPS (VND, adj.)	6,551	15,391	7,239	7,553	8,561	(excl minority interest)	23%	42%	29%	24%	23%
<i>EPS growth</i>	15%	135%	-53%	4%	13%	ROA	13%	25%	21%	20%	20%
DPS (VND)	2,000	4,000	-	2,000	2,000	ROIC	15%	28%	23%	24%	23%
						WACC	11%	11%	11%	10%	11%
						PER (x)	8	3.3	3.3	3.2	2.8
						PBR (x)	1.6	1.2	0.9	0.7	0.6
						PSR (x)	0.6	0.5	0.6	0.4	0.4
						EV/EBITDA (x)	6.8	3.5	3.5	2.6	1.9
						EV/Sales (x)	0.8	0.7	0.6	0.4	0.3
						Dividend yield (adj.)	4%	8%	0%	8%	8%

EBITDA = Net revenue – (COGs -Depr'n&Amort'n)- SG&A expenses
 EBIT = EBITDA – Depr'n&Amort'n
 Net interest expenses = interest expenses – interest income
 Other profit/loss consists of other financial income/expenses, profit share from JVs/associates and other income/loss.
 Payout ratio = Dividend paid / Net attributable profit.

Stock pick

ANV

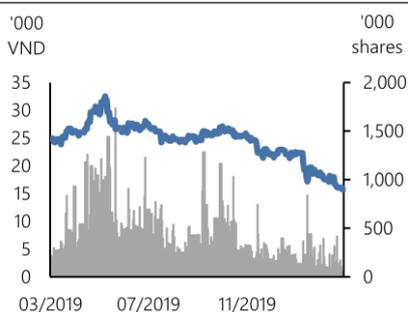
Market overly prices in export risk

Rating

BUY

Market price (VND)	15,700
1-Y target price (VND)	21,700
1-Y price return	38%
1-Y dividend yield	13%
1-Y total return	51%

Stock price trend



Sources: KIS, Bloomberg

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-31	-16	-29	-38
Relative	-5	8	-3	-10

Sources: KIS, Bloomberg

Stock Statistics 20-Mar-20

52-week range (VND)	15.7k-32.5k
Shares o/s (mn)	127
Mkt cap (VND bn)	1,996
Mkt cap (USD mn)	85
Foreign % owned	1.5%
Est. free float (mn. shares)	23.0
3m avg. daily vol. (shares)	210,723
VND/USD	23,372
Index: VN-Index/HNX	710/102

Ownership 20-Mar-20

Doan Toi	51%
Doanh Chi Thanh	13%
Doan Chi Thien	13%

Investment Points:

COVID-19 to hit Nam Viet’s export to China. Because of the deceleration of Chinese pangasius demand and the delay of cargo transportation to China’s distribution centers, we estimate COVID-19 will decelerate revenue growth of Nam Viet to 10% YoY in 2020, significantly lower than the growth of 2019 (+64% YoY). Down to the bottom line, Nam Viet’s EPS will drop 2% YoY to reach only VND5,420 in 2020.

The operation of Binh Phu farming in 2020 completes vertical production chain. Thanks to farming expansion, we expect Nam Viet will increase its raw material production to 200 thousand tons as well as enhancing pangasius self-supply up to 93% in 2020.

Pangasius processing factory has enough room for high volume growth. As the utilization rate of processing factory remained at 42% in 2019, Nam Viet has opportunity to capture consumption growth of potential markets when other large competitors faces capacity constraint. We expect that the utilization rate of Nam Viet factory will increase to 70% in 2020 and further reach 100% in 2022.

Risks:

Further impact of COVID-19. Although we expect economic activities to recover in China from 2Q20, the impact of COVID-19 can be beyond our estimate in other large seafood export markets, including Japan, EU, the U.S. and ASEAN.

Provisions for bad debt from divesting away from No.2 DAP. Continuing to recognize unexpected provisions will affect Nam Viet’s net profit in the coming years.

Recommendation:

Nam Viet’s market share price has dropped 30% over recent 2 months and we believe price plunge has already reflected export risk in 2020.

Based on target PER of 4x, we evaluate Nam Viet’s share value at VND21,700 per share by the end of 2020. The total 1-year expected return is 51%, including VND2,000 cash dividend. **BUY.**

FINANCIALS MODEL						BS & CF ITEMS					
Unit: VND bn	2017	2018	2019	2020E	2021E	(VND bn)	2017	2018	2019	2020E	2021E
Net Revenue	2,949	4,118	4,481	4,935	5,814	Increase in WC	-286	206	377	220	322
<i>Sales growth</i>	4%	40%	9%	10%	18%	Capex	53	431	362	569	0
COGS	2,517	3,256	3,438	3,883	4,486	Other cash flow items	-240	-288	37	20	-48
<i>Gross margin</i>	15%	21%	23%	21%	23%	Free cash flow	697	335	9	3	772
SG&A	185	169	268	332	397	Share issues	-	-	24.8	-	-
EBITDA	328	773	886	840	1,051	Dividends paid	84	149	181	255	255
<i>EBITDA margin</i>	11%	19%	20%	17%	18%	Increase in net debt	-613	-185	147	252	-517
Depr'n & Amort'n	80	80	81	120	120	Net debt, end of year	600	414	562	814	296
Operating profit	247	693	805	720	931	Enterprise value	2,041	3,629	2,991	3,248	2,813
<i>Operating margin</i>	8%	17%	18%	15%	16%	Total equity	1,394	1,848	2,386	2,824	3,496
Net interest expense	47	-5	9	-27	-39	Minority interests	-4	-	-	-	-
<i>As % of avg. net debt</i>	5%	-1%	2%	-4%	-7%	Shareholder's equity	1,398	1,848	2,386	2,824	3,496
Interest cover (x)	5.3	-144.9	90.6	-27.1	-23.9	BVPS (VND, adj.)	11,179	14,779	18,769	22,140	27,409
Other profit/loss	-34	-8	34	-	-	Net debt / equity (%)	0.4	0.2	0.2	0.3	0.1
Tax	23	86	126	54	43	Net debt / EBITDA (x)	1.8	0.5	0.6	1	0.3
<i>Effective tax rate</i>	14%	13%	15%	7%	5%	Total assets	2,702	3,425	4,134	5,076	5,353
Net profit	144	604	704	693	927	Net debt = debts – cash & equivalent					
<i>Net margin</i>	5%	15%	16%	14%	16%						
Minorities	1.6	4.2	-	-	-						
Net attributable profit	142	600	704	693	927						
Number of shares (mn)	125	125	128	128	128	Key ratio & Valuation	2017	2018	2019	2020E	2021E
EPS (VND, adj.)	1,142	4,810	5,530	5,420	7,259	ROE	11%	37%	33%	27%	29%
<i>EPS growth</i>	289%	321%	15%	-2%	34%	(excl minority interest)					
DPS (VND)	1,200	1,500	2,000	2,000	2,000	ROA	5%	20%	19%	15%	18%
						ROIC	9%	25%	23%	18%	21%
						WACC	9%	10%	8%	7%	8%
						PER (x)	8.6	4.8	2.8	2.9	2.2
						PBR (x)	0.9	1.6	0.8	0.7	0.6
						PSR (x)	0.4	0.7	0.4	0.4	0.3
						EV/EBITDA (x)	6.2	4.7	3.4	3.9	2.7
						EV/Sales (x)	0.7	0.9	0.7	0.7	0.5
						Dividend yield (adj.)	12%	7%	13%	13%	13%

EBITDA = Net revenue – (COGs -Depr'n&Amort'n)– SG&A expenses

EBIT = EBITDA – Depr'n&Amort'n

Net interest expenses = interest expenses – interest income

Other profit/loss consists of other financial income/expenses, profit share from JVs/associates and other income/loss.

Payout ratio = Dividend paid / Net attributable profit.

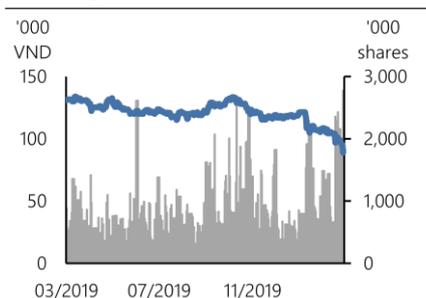
Stock pick

VNM

Extended school break increases consumption

Rating	BUY
Market price (VND)	90,000
1-Y target price (VND)	115,000
1-Y price return	28%
1-Y dividend yield	5%
1-Y total return	33%

Stock price trend



Sources: KIS, Bloomberg

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-23	-15	-24	-33
Relative	3	9	1	-5

Sources: KIS, Bloomberg

Stock Statistics 20-Mar-20

52-week range (VND)	89.0k-134.0k
Shares o/s (mn)	1,741
Mkt cap (VND bn)	156,724
Mkt cap (USD mn)	6,680
Foreign % owned	58.8%
Est. free float (mn. shares)	1,425.6
3m avg. daily vol. (shares)	1,082,223
VND/USD	23,372
Index: VN-Index/HNX	710/102

Ownership 20-Mar-20

SCIC	36%
F&N Dairy Investment	17.6%
Platinum Victory	10.6%

Investment Points:

COVID-19 to benefit Vinamilk's milk consumption. We do not see any significant negative impact of COVID-19 on Vinamilk's operation. Because Vinamilk is just taking its first step to China, with only 1% portion of total Vinamilk's export revenue, an export disruption in China will make a negligible impact. Meanwhile, domestic milk consumption will take advantage from COVID-19 as parents increase their children's milk intake during extended school break.

Revenue growth to maintain single-digit rate in 2020

We maintain our cautious view that Vinamilk will maintain a single-digit revenue growth rate in 2020, based on following points:

- **Domestic market to see no significant growth driver.** Because of flat demand, we estimate Vinamilk's domestic market share will keep stable in 2020 and domestic revenue will reach VND50,646bn (+6.5% YoY), accounting for 84% Vinamilk's total revenue in 2020.
- **High export growth to go on but foreign subsidiaries still see high volatility.** We expect Iraq market will return to be an export growth driver in 2020 with 15% YoY. Despite recovering, export via foreign subsidiaries still suffers high volatility and may grow only 9% in 2020 in our estimate.

Higher WMP price to lower gross margin. Expecting higher WMP (Whole milk powder) import price, we estimate that WMP cost per volume unit will raise 3% YoY in 2020, making COGS increase 8.1% YoY, higher than revenue growth rate +7.4% YoY, which leads to a slightly drop of 0.2% of Vinamilk's gross margin in 2020.

Risks:

The volatility of milk material price. Whole milk powder (WMP) price has increased since the early 2019 and narrowed Vinamilk's gross margin. Vinamilk will continue to face the risk of milk material price if hard weather in New Zealand has not improved much in 2020.

Recommendation:

We believe recent Vinamilk's share price plunge was overreacted and has undervalued Vinamilk's dominant market position.

Based on the fair PER of 19.5x, we evaluate Vinamilk's share at VND115,000 by the end of 2020. Including VND4,000 cash dividend, total 1-year expected return is 33%. **BUY.**

FINANCIALS MODEL					
Unit: VND bn	2017	2018	2019U	2020E	2021E
Net Revenue	51,041	52,562	56,318	60,509	65,020
<i>Sales growth</i>	9%	3%	7%	7%	8%
Domestic	43,572	44,747	47,555	50,646	53,938
Export	7,469	7,815	8,764	9,863	11,082
COGS	26,807	27,951	29,746	32,160	34,854
<i>Gross margin</i>	48%	47%	47%	47%	46%
SG&A	12,804	13,399	14,390	15,253	16,168
EBITDA	12,730	12,839	14,131	15,250	16,358
<i>EBITDA margin</i>	25%	24%	25%	25%	25%
Depr'n & Amort'n	1,300	1,627	1,948	2,154	2,360
Operating profit	11,430	11,212	12,182	13,096	13,998
<i>Operating margin</i>	22%	21%	22%	22%	22%
Net interest expense	-787	-627	-612	-684	-424
<i>As % of avg. net debt</i>	8%	6%	7%	12%	47%
Interest cover (x)	-15	-18	-20	-19	-33
Other profit/loss	12	212	1	1	1
Tax	1,951	1,846	2,241	2,398	2,510
<i>Effective tax rate</i>	16%	15%	17%	17%	17%
Net profit	10,278	10,206	10,554	11,384	11,914
<i>Net margin</i>	20%	19%	19%	19%	18%
Minorities	-17	-22	-27	-27	-27
Net attributable profit	10,296	10,227	10,581	11,410	11,941
Number of shares (mn)	1,742	1,741	1,741	1,741	1,741
EPS (VND, adj.)	5,297	5,295	5,478	5,897	6,171
<i>EPS growth</i>	10%	-	4%	8%	5%
DPS (VND)	5,000	4,500	4,000	4,000	4,000

EBITDA = Net revenue – (COGS - Depr'n&Amort'n)– SG&A expenses

EBIT = EBITDA – Depr'n&Amort'n

Net interest expenses = interest expenses – interest income

Other profit/loss consists of other financial income/expenses, profit share from JVs/associates and other income/loss.

Payout ratio = Dividend paid / Net attributable profit.

BS & CF ITEMS (VND bn)	2017	2018	2019U	2020E	2021E
Increase in WC	-2,572	1,315	-4,684	5,985	7
Capex	2,673	3,186	2,158	2,158	2,158
Other cash flow items	4,139	2,137	6,486	6,486	6,486
Free cash flow	7,338	5,195	8,542	-1,091	5,623
Share issues	-	-	-	-	-
Dividends paid	5,806	7,256	7,836	6,966	6,966
Increase in net debt	-1,532	2,061	-706	8,057	1,343
Net debt, end of year	-10,982	-8,921	-9,626	-1,570	-227
Enterprise value	11,480	9,411	11,854	3,770	2,401
Total equity	24,371	26,762	31,958	35,235	38,990
Minority interests	498	490	2,227	2,200	2,174
Shareholder's equity	23,873	26,271	29,731	33,035	36,816
BVPS (VND, adj.)	13,707	15,086	17,073	18,971	21,142
Net debt / equity	-0.5	-0.3	-0.3	0.0	0.0
Net debt / EBITDA (x)	-0.9	-0.7	-0.7	-0.1	0.0
Total assets	34,667	37,366	44,700	57,175	63,466

Net debt = debts – cash & equivalent

Key ratio & Valuation	2017	2018	2019U	2020E	2021E
ROE (excl minority interest)	45%	41%	38%	36%	45%
ROA	32%	28%	26%	22%	32%
ROIC	73%	62%	50%	39%	73%
WACC	15%	15%	15%	15%	15%
PER (x)	17	17	16.4	15.3	17
PBR (x)	3.8	3.4	3	2.7	3.8
PSR (x)	3.1	3	2.8	2.6	3.1
EV/EBITDA (x)	0.9	0.7	0.8	0.2	0.9
EV/Sales (x)	0.2	0.2	0.2	0.1	0.2
Dividend yield (adj.)	6%	5%	4%	4%	6%

Stock pick

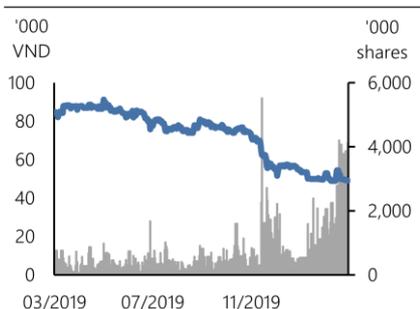
MSN

VinCommerce to boost pork sales

Rating **BUY**

Market price (VND)	49,200
1-Y target price (VND)	72,300
1-Y price return	47%
1-Y dividend yield	0%
1-Y total return	47%

Stock price trend



Sources: KIS, Bloomberg

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-13	-4	-11	-42
Relative	13	21	15	-14

Sources: KIS, Bloomberg

Stock Statistics 20-Mar-20

52-week range (VND)	49.0k-91.3k
Shares o/s (mn)	1,169
Mkt cap (VND bn)	57,512
Mkt cap (USD mn)	2,451
Foreign % owned	37.4%
Est. free float (mn. shares)	301.1
3m avg. daily vol. (shares)	1,479,370
VND/USD	23,372
Index: VN-Index/HNX	710/102

Ownership 20-Mar-20

Masan JSC	31.2%
Sun Flower Construction	13.2%
SK Investment Vina	9.4%
Ardolis Investment	5.6%

Investment Points:

Vincommerce – A year to focus on operating efficiency. After the completion of merger deal, Masan Group will have a year to restructure VinCommerce’s operation after 2-year period of rapid expansion of 134 Vinmart stores and 2,688 Vinmart+ stores. The solution includes eliminating slow-moving stores and improving contribution of centralized distribution centres. We estimate that VinCommerce will reach revenue of VND30,993bn (+20% YoY) and EBIT margin will improve from -8% in 2019 to -4.7% in 2020.

Masan Meat Life – Strong sales of MEATDeli pork thanks to wider points of sales. We believe that the strong sales of pork meat will continue in 2020, based on (1) the faster expansion of distribution network thanks to VinCommerce consolidation and (2) the higher utilization rate of Ha Nam Meat factory, reaching 50% following our estimates.

We expect pig feed revenue to observe a recovery because of the rebound of sow herb and porker herb as African swine fever has passed by. On the contrary, alqua feed will suffer from the deceleration of alqua consumption due to the negative impact of COVID-19 outbreak.

We estimate Masan Meat Life will reach revenue of VND16,958bn (+23% YoY) and EBIT of VND1,214bn (+54% YoY), respectively.

Masan Consumer – Premiumization to lead the growth. We expect that premiumization in consumer sector to lead Masan Consumer’s growth. We estimate Masan Consumer will record revenue of VND20,958bn, increasing 11.2% YoY thanks to the blossom of full-meal solutions portfolio, WakeUp 247 and Compact. Beside, we estimate the completion of Netco acquisition will contribute revenue of VND1,201bn in 2020, accounting for 5.7% total revenue of Masan Consumer.

Masan Resource – More stable metal price to improve earnings. In 2020, we have a neutral view about prospect of metal market and expect a more stable metal price (including tungsten, copper and bismuth) to improve Masan Resource’s operating earnings. We estimate Masan Resource will reach revenue of VND4,831bn (+3% YoY) and EBIT of VND568bn (+16% YoY), respectively.

Risks:

The impact of African swine fever (ASF) can drop significantly the porker supply.

The gloomy outlook of metal market can last longer beyond our expectation.

Recommendation:

Despite of the drop in earning caused by VinCommerce consolidation, we believe that much of the risks from VinCommerce have already been reflected at 24 times P/E forward 2020E, dropping 40% from the P/E forward at the early time of this M&A deal. Using sum-of-the-parts valuation, we value Masan Group’s share at

VND72,300 by the end of 2020. Total expected return is 47% at the market price of VND49,200. BUY.

FINANCIALS MODEL						BS & CF ITEMS					
Unit: VND bn	2017	2018	2019U	2020E	2021E	(VND bn)	2017	2018	2019U	2020E	2021E
Net Revenue	37,621	38,188	37,354	73,740	86,954	Increase in WC	-764	-398	5,327	-1,926	1,341
<i>Sales growth</i>	-13%	2%	-2%	97%	18%	Capex	2,111	2,638	3,178	1,952	2,074
Consumer	13,526	17,345	18,845	20,958	22,029	Other cash flow items	6,240	6,004	5,886	5,023	765
Meat value chain	18,690	13,977	13,799	16,958	23,318	Free cash flow	-1,368	82	-5,278	2,346	5,243
Resources	5,405	6,865	4,710	4,831	5,001	Share issues	3,513	10,928	271	-	-
VinCommerce	-	-	-	30,993	36,605	Dividends paid	2,713	1,304	390	-	-
COGS	25,989	26,306	26,413	56,497	66,630	Increase in net debt	568	-9,705	5,397	-2,346	-5,243
<i>Gross margin</i>	31%	31%	29%	23%	23%	Net debt, end of year	26,739	17,034	22,431	20,085	14,842
SG&A	7,203	6,330	6,098	13,074	14,784	Enterprise value	36,162	45,071	44,189	46,878	52,699
EBITDA	7,039	8,257	7,591	8,861	10,407	Total equity	20,225	34,080	51,888	54,900	59,452
<i>EBITDA margin</i>	19%	22%	20%	12%	12%	Minority interests	5,388	4,593	9,108	9,451	10,029
Depr'n & Amort'n	2,611	2,705	2,749	4,692	4,867	Shareholder's equity	14,837	29,487	42,780	45,448	49,423
Operating profit	4,429	5,552	4,843	4,170	5,541	BVPS (VND, adj.)	12,819	25,351	36,597	38,880	42,280
<i>Operating margin</i>	12%	15%	13%	6%	6%	Net debt / equity (%)	1.3	0.5	0.4	0.4	0.2
Net interest expense	3,090	2,343	1,581	3,052	2,569	Net debt / EBITDA (x)	3.8	2.1	3.0	2.3	1.4
<i>As % of avg. net debt</i>	12%	11%	8%	14%	15%	Total assets	63,529	65,973	80,239	99,992	102,085
Interest cover (x)	1.4	2.4	3.1	1.4	2.2	Net debt = debts – cash & equivalent					
Other profit/loss	2,800	3,035	3,843	1,900	2,114	Key ratio & Valuation					
<i>Income from affiliates</i>	<i>2,044</i>	<i>1,914</i>	<i>2,182</i>	<i>1,900</i>	<i>2,114</i>	ROE	21%	22%	15%	5%	8%
Tax	531	622	740	315	530	(excl minority interest)					
<i>Effective tax rate</i>	13%	10%	10%	10%	10%	ROA	6%	9%	8%	3%	4%
Net profit	3,608	5,622	6,365	2,704	4,556	ROIC	13%	15%	12%	7%	9%
<i>Net margin</i>	10%	15%	17%	4%	5%	WACC	12%	13%	12%	14%	14%
Minorities	505	705	807	343	578	PER (x)	24.5	15.2	14.8	24.4	14.5
Net attributable profit	3,103	4,916	5,557	2,361	3,978	PBR (x)	3.8	1.9	1.3	1.3	1.2
Number of shares (mn)	1,157	1,163	1,169	1,169	1,169	PSR (x)	1.5	1.5	1.5	0.8	0.7
EPS (VND, adj.)	2,700	4,539	4,766	2,020	3,403	EV/EBITDA (x)	5.1	5.5	5.8	5.3	5.1
<i>EPS growth</i>	67%	68%	5%	-58%	69%	EV/Sales (x)	1.0	1.2	1.2	0.6	0.6
DPS (VND)	3,000	-	-	-	-	Dividend yield (adj.)	6%	-	-	-	-

EBITDA = Net revenue – (COGs -Depr'n&Amort'n)– SG&A expenses

EBIT = EBITDA – Depr'n&Amort'n

Net interest expenses = interest expenses – interest income

Other profit/loss consists of other financial income/expenses, and other income/loss.

Payout ratio = Dividend paid / Net attributable profit.

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