

Xin Chao Vietnam

Market performance

	29 Oct	1D	1M	3M	YTD
VNIndex (pt, % chg.)	919.08	(0.2)	1.7	16.2	(4.4)
Turnover (VND bn)	8,001				
VN30 (pt, % chg.)	886.68	(0.2)	3.6	20.6	0.9

Major indicators

	29 Oct	1D	1W	1M	YTD
1-yr gov't bonds (% bp chg.)	0.52	(0.0)	(0.0)	(0.2)	(0.9)
3-yr gov't bonds (% bp chg.)	0.74	(0.2)	(0.3)	(0.5)	(0.9)
VND/USD (% chg.)	23,181	(0.0)	0.0	(0.0)	(0.0)
VND/JPY (% chg.)	22,277	(0.3)	(1.6)	(0.9)	(4.3)
VND/EUR (% chg.)	27,264	0.2	(0.5)	(0.2)	(4.7)
VND/CNY (% chg.)	3,455	(0.4)	(1.6)	(4.2)	(3.7)
	Prev. close	1D	1W	1M	YTD
10-yr US Treasury (% bp chg.)	0.78	0.0	0.1	0.2	(1.1)
WTI (USD/bbl, % chg.)	35.92	(3.9)	(8.6)	(13.0)	(41.2)
Gold (USD/oz, % chg.)	37.64	(3.8)	(8.3)	(14.0)	(43.0)

Domestic institutions net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
TCB	69.7	CTG	(115.3)
VIC	40.1	GAB	(88.3)
HPG	40.1	MSN	(58.2)
VPB	20.8	MWG	(54.7)
VJC	20.2	SHI	(30.8)

Foreign net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
HPG	45.3	MSN	(361.4)
SSI	20.6	VRE	(56.7)
STB	19.2	VJC	(24.7)
DGW	16.3	VNM	(22.7)
VHM	16.0	BID	(18.1)

Daily performance by sector

Top five sectors	% chg.	Bottom five sectors	% chg.
Others	1.9	Health Care	(2.4)
Consumer Durables	1.7	Retailing	(2.3)
Diversified Financials	1.5	Utilities	(1.1)
Commercial Services	1.5	Banks	(0.8)
Energy	1.3	Transportation	(0.8)

WHAT'S NEW TODAY

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New listing & Public offerings

KIS market view

	OP (VND bn)	NP (VND bn)	EPS growth (% yoy)	PE (x)	PB (x)	EV/EBITDA (x)	ROE (%)
2018	191,785	119,519	29.6	14.8	2.6	13.6	17.8
2019	238,659	144,922	24.3	13.4	2.3	11.0	17.4
2020F	261,642	146,123	3.0	13.3	2.1	9.6	15.4
2021F	293,650	165,232	14.1	11.7	1.8	8.4	15.4

Note: KIS Universe coverage of 35 companies that account for 58% of all listed (VNIndex) firms' earnings based on the past three-year average

KIS macro forecast

	1Q20	2Q20	3Q20	4Q20F	2019	2020F	2021F
GDP (% yoy)	3.8	0.4	2.6	5.0	7.0	4.3	5.9
Trade balance (USD bn)	1.7	0.6	7.4	5.1	10.4	7.9	1.8
CPI (% yoy, avg.)	5.6	2.8	3.2	3.5	2.8	3.8	3.5
Discount rate (% EoP)	3.5	3.0	3.0	3.0	4.0	3.0	3.0
VND/USD (avg.)	23,264	23,206	23,188	23,197	23,231	23,214	23,206
US GDP (% qoq)	(4.8)	(31.7)	30.0	4.0	2.2	(4.0)	3.8
China GDP (% yoy)	(6.8)	3.2	5.0	5.9	6.1	2.1	8.0

Source: KIS, Bloomberg

Market commentary & News

Market commentary

Members of Vingroup in the spotlight

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Vietnam stock markets kept going down after GSO announced some macro indicators. Export and import increased to USD26.70bn (+9.91% YoY) and USD24.50bn (+10.05% YoY). Consequently, the trade balance recorded a surplus of USD2.20bn, marking the sixth month in series starting from May.

At the close, the VNIndex lost 0.21% to close at 919.0 pts. Meanwhile, trading volume recorded to 436 million shares or VND8,000bn.

Foreign investors continued to sell with a net value of VND335bn on HSX. They sold MSN, VRE, and VJC the most with net values of VND361bn, VND56bn, and VND24bn, respectively.

The sharp reduction of global oil price pushed Energy down, namely GAS (-1.3%), PVT (-0.4%), PVS (-0.8%), and POW (-0.9%). Notably, PVD closed unchanged as its net income in 3Q20 reached VND37bn (+22% YoY).

Some constituents of VN30Index underperformed the benchmark index, falling more than 2% due to CTG (-2.6%), MSN (-2.3%), MWG (-2.5%), and TCB (-2.6%).

In contrast, cash flowed into members of Vingroup, such as VIC (+0.5%), VHM (+0.8%), and VRE (+0.4%), thanks to their positive business results in 3Q20. Among these, VHM posted VND1,760bn of revenue (+8% QoQ) and VND572bn of net income (+67% QoQ).

The VNIndex breaks down the 920-pts threshold and closes in red territory, the third consecutive session, showing a bearish market in the short term. Currently, strong support is 900 points. Thus, investors should decrease their proportion and stay on the sidelines.

Breaking news

▶ Vietnam: Manufacturing continues strong growing pace

In October, the expansion in the industrial sector continued accelerating, marking 6-month straight growth since April. In more details, IIP was growing at 3.6% MoM and 5.4% YoY with the manufacturing sector mainly driving the growth. With robust growth in most industries, the manufacturing sector continued rising significantly by 8.3% YoY. Oppositely, the downward trend in the mining sector was somewhat stronger (down by 14.5% YoY) as the extraction of crude oil and natural gas plunged further. Besides, electricity production & distribution was up by 1.0% YoY, while the water supply industry jumped up by 9.9% YoY. (KIS, GSO)

Macro & strategy

Economic Flash

Domestic economic growth is gaining momentum

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▶ Trade slows down

October trade activities extended its recovery path to five months with slower rates than the previous month. Specifically, export and import rose by 9.91% YoY and 10.05% YoY, posting USD26.70bn and USD24.50bn, respectively. Consequently, the trade balance recorded a surplus of USD2.20bn, marking the sixth month in series starting from May.

▶ CPI grows modestly

According to GSO's estimates, the retail sales in October witnessed an acceleration as the retailing sector grew with a double-digit rate, first time since February 2020. In contrast, the accommodation and catering (A&C) and traveling sectors kept reducing

notably and hindered the overall growth rate back to the pre-pandemic level.

- ▶ New FDI wave from Singapore investors

In October, FDI inflows bounced back somewhat compared to two previous months, especially newly registered capital reached a 9-month high after shrinking from August and September. Singapore was the largest investors in the month with USD0.74bn registered capital and also in 2020 with a 10-month accumulatively registered capital of USD7.51bn.

- ▶ Manufacturing continues strong growing pace

In October, the expansion in the industrial sector continued accelerating, marking 6-month straight growth since April. More details, IIP was growing at 3.6% MoM and 5.4% YoY with the manufacturing sector mainly driving the growth.

Sector & company

Nam Viet Corp (ANV)

3Q20 review: Earning growth to elevate qoq in 4Q20

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- ▶ Facts: 3Q20 NPAT increased 24.6% qoq

In 3Q20, Nam Viet recorded VND808bn revenue and VND40bn NPAT, decreasing 28.3% yoy and 73.8% yoy, respectively. Aggregate 9M20, Nam Viet recorded VND2,503bn revenue (-19.3% yoy), dragged down by total volume decrease of 16.8% yoy and avg export price decrease of 24.0% yoy.

In 9M20, Nam Viet's pangasius export witnessed revenue plunge in all markets. Particularly, Nam Viet's pangasius export revenue to Asia, America, EU recorded USD41mn (-16.5% yoy), USD7mn (-69.8% yoy), USD10.8mn (-30.0% yoy), respectively. Overall, Nam Viet recorded export revenue of VND66mn in 9M20, decreasing 36.7% yoy.

Due to revenue decrease (-19.3% yoy) and narrowing gross margin (-7.7%p yoy), Nam Viet recorded only VND115bn NPAT in 9M20, plunging 77.2% yoy and completing nearly 58% 2020 NPAT guidance.

- ▶ Pros & cons: 4Q20 NPAT growth to elevate qoq

We maintain our view for the whole 2020 that Nam Viet's NPAT will drop to 3-year low. We estimate Nam Viet will post VND3,361bn (-25.0% yoy) and VND171bn (-75.8% yoy) in 2020, completing 112% revenue target and 85% NPAT target of 2020 business guidance.

In 4Q20, we expect that Nam Viet will reach more optimistic business results, compared to 3Q20 results. We estimate Nam Viet will reach VND857bn revenue (+6.0% qoq) and VND55bn (+37.8% qoq) in 4Q20, premised by qoq export price improvement, based on: (1) pangasius material price surge starting from Oct 2020 and (2) qoq widening gross margin of 0.58%p, thanks to qoq export price increase amid stable input pangasius material price as input volume has been almost harvested from Nam Viet's owned farms (sizing nearly 400ha).

- ▶ Action: Waiting for new colors from solar power post-2020

Although Nam Viet is expected to extend recovery trend in 4Q20, we view that recovery trend of export price still imply high volatility as basing on material price surge. However, we see potential income growth for Nam Viet from solar power segment post-2020. Therefore, after posting cautious view in 2Q20 review report, we will make re-evaluation for ANV share in 4Q20 review report.

Mobile World (MWG)

BUY (Maintain), TP VND155,000

3Q20 brief: Net profit grows 7.2% yoy in Sep 2020

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- ▶ Mobile World's NPAT rose 7.2% yoy in Sep 2020

Mobile World released Sep 2020's business results, which recorded negative NPAT growth compared to previous month.

Mobile World reached VND8,382bn revenue (+6.0% yoy) and VND299bn NPAT (+7.2% yoy) in Sep 2020. Aggregate 9M20, Mobile World delivered VND81,352bn revenue (+6.0% yoy) and VND2,978bn NPAT (+0.1% yoy). Online revenue posted VND7,244bn and contributed 8.9% of total revenue. Based on 9M20 business results, Mobile World's revenue and NPAT completed 74% and 86% of 2020 business guidance, respectively.

By the end of Aug 2020, Mobile World owned 3,709 stores, increasing 67 stores mom, mainly contributed by the increase of 28 Bach Hoa Xanh stores and 41 Dien May Xanh stores.

- ▶ Dien May Xanh Super-mini reached VND200bn

Aggregate 9M20, The Gioi Di Dong recorded nearly VND21,965bn, decreasing 14.0% yoy. Dien May Xanh reached nearly VND44,255bn, increasing nearly 1% yoy.

Though the yoy growth was still negative, Mobile World's sales of phones in recent months has improved thanks to new openings of DMX mini/super-mini and the successful selling campaigns for new launched products. In which, The Gioi Di Dong reached VND7,499bn in 3Q20, decreasing 9.9% yoy but increasing 22.9% qoq.

Small appliances and white goods reached positive yoy sales growth in 9M20.

Laptop revenue reached VND2,500bn in 9M20, surging 44% yoy. Watches revenue reached VND1,050bn in 8M20, equivalent to more than 750 thousand of timepieces.

Techcombank (TCB)

BUY (Maintain), TP VND24,400

3Q20 AM brief: Big jumps in banking and non-banking income

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- ▶ Strong 3Q20 results

TCB posted strong 3Q20 TOI growth of 39.9% yoy and 30.3% qoq to VND7.5tn. The result was driven by both robust net interest income, up 42.1% yoy and 30.8% qoq, and outstanding non-interest income, up 35.3% yoy and 29.2% qoq.

In term of customer segment, TCB said that NII improvement was thank to FPS and WB while strong non-NII growth was attributable to WB and BB.

In term of operation, resilient 3Q20 NII growth stemmed from lowering funding cost with a peak in CASA ratio at 39%. In the meantime, the non-interest income was driven by bond fee (+203% yoy; +33% qoq) and card fee (+18% yoy; +24% qoq). This help TCB to offset skyrocketed OPEX (+38.7% yoy; +46.6% qoq) and credit provision (+182.6% yoy and 135.5% qoq). TCB 3Q20 NP was up 21.3% yoy (+10% qoq) to VND3.1tn.

TCB achieved 9M20 PBT of VND10.7tn (+20.9% yoy) and NP of VND8.4tn (+19% yoy), fulfilling 82% of the bank's 2020 guidance and 81% of our forecast.

- ▶ Investment banking business is glorious

TCB revealed to win a great bond fee of VND894bn (+165% yoy) in 9M20 since the issuers ran before the effective date of Decree 81/2020. Total corporate bond volume advised by TCB grew by 114% yoy to VND52.2tn and total distribution volume to retail increased by 42.8% yoy in 9M20. With high bases in 9M20 and 4Q19, it is difficult for TCB to retain strong bond fee growth in 4Q20.

- ▶ CASA ratio keeps upward

TCB has overcome peers in CASA attraction. Its CASA ratio peaked at 38.6% in 3Q20, an increase of 4.2 %p from 2Q20 thanks to retail. E-banking saw a robust growth in number of retail customers, retail transaction volume and retail transaction value. According to TCB, resilient CASA growth has led to admirable NIM in 3Q20 amid COVID-19 situation.

- ▶ Lending standstill, corporate bond elevates credit growth

Credit growth was 9.2% ytd in 9M20, outpacing the industry average of 6.09%.

The bank's corporate bond portfolio increased by 41% qoq to VND54.6tn, weighting ~14% of total assets, an increase of 4 %p from 2Q20. Loan book was standstill at VND231tn. TCB's BOM expect to achieve 100% of credit limit of ~20% yoy in 4Q20, which is 3.5 %p above our forecast. It also expects a rapider credit growth for 2021. TCB reveals that the BB segment will

emphasize on FMCG and retail industry while PFS keeps keen on mortgage.

- ▶ Reported NPL ratio dips down

TCB reported NPL ratio of all customer segments to plummet in 3Q20. Overall NPL ratio dipped to 0.6% given a significant write-off of VND1.4tn in 3Q20. Restructured COVID-19 loan book was down 14% from 2Q20 to VND7.2tn in 3Q20 (3.1% of total loan book). The bank's BOM said that the assets quality is staying healthy.

Vinhomes (VHM)

BUY, TP VND93,500

3Q20 review: A good quarter but more to come

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- ▶ Facts: Resilient 9M20 earnings

Vinhomes reported an exciting 3Q20 revenue growth of 142.8% yoy to VND26.5tn mainly driven by the property revenue growth of 154.8% yoy to VND25.5tn, equivalent to 10,800 units handed in 3Q20. The blend gross margin slumped to 34.4% in 3Q20, -27.6% pts yoy due to a combination of 1) the lower-margin condo units (around 35-40%) in three mega projects accounted 90% total handover in 3Q20 when the higher-margin (around 50%-65%) bulk sales revenue majored in 3Q19 2) the VND6.8tn sales of office part in Vincom Metropolis tower at a 30% gross margin. Hence, 3Q20 NPATMI growth was slower at 10.8% yoy to VND6tn.

The landscape went to the same in 9M20 results where total revenue growth was remarkable at 31.2% yoy to VND49.4tn, but the NPATMI growth was moderate at 8.7% yoy to VND16.4tn. Handover revenue growth of 33.8% yoy to VND46.8tn was the key driver to total revenue growth in 9M20 and the blended gross margin contraction of 8.6% pts yoy in 9M20 was blamed for the slower NPATMI growth.

- ▶ Pros and cons: Bulk sales lead 4Q20F growth

We believe bulk sale transactions valued at VND28tn at Sep FY20 could be the key driver in 4Q20 revenue. We estimate 4Q20F revenue could reach VND42tn driven bulk sale transaction, retail delivery of 11,000 units in three mega projects We maintain VHM's FY20F revenue at VND91.8tn, and PATMI at VND28.9tn.

However, the Wonder Park low-rise units could not be launched in late 4Q20F, per management which is expected to add about VND6.4-7tn presales. We expect FY20 retail presales reach VND39tn, -24% yoy back by the next launches of three mega projects.

- ▶ Actions: Cheap valuation despite solid growth

We retain our BUY rating at unchanged TP of VND93,500. Its flexible sales strategy in combining retail and bulk sales seems to help the firm withstand market headwinds, maintaining constant pre-sale activities and earnings growth. We think VHM's valuation is undemanding given by its FY20F topping earning growth

New listing & Public offerings

▶ Public offerings

(VND bn, share, VND)

Date of auction	Ticker	Company	Charter	Offered Shares	Min Bid	Note
11/12/2020		Ninh Binh Urea Fertilizer Port JSC	100.0	4,900,000	15,815	-
11/11/2020	VTP	Viettel Post	830.5	4,982,876	105,500	-
11/6/2020		Industrial Gas and Welding Electrode JSC	293.5	13,840,000	26,700	Local investors only
11/4/2020	VOC	Vietnam Vegetable Oils Industry Corporation	1,218.0	44,211,900	22,690	Whole lot sale

- **Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**

- BUY: Expected total return will be 15% or more
- Hold: Expected total return will be between -5% and 15%
- Sell: Expected total return will be -5% or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

- **Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

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