

Xin Chao Vietnam

Market performance

	2 Nov	1D	1M	3M	YTD
VNIndex (pt, % chg.)	933.68	0.9	2.6	16.9	(2.8)
Turnover (VND bn)	5,344				
VN30 (pt, % chg.)	899.27	0.8	4.4	21.4	2.3

Major indicators

	2 Nov	1D	1W	1M	YTD
1-yr gov't bonds (% bp chg.)	0.52	(0.0)	(0.1)	(0.1)	(0.9)
3-yr gov't bonds (% bp chg.)	1.00	0.0	(0.0)	(0.1)	(0.7)
VND/USD (% chg.)	23,178	0.0	0.0	(0.0)	(0.0)
VND/JPY (% chg.)	22,131	0.1	(0.6)	(1.2)	(3.6)
VND/EUR (% chg.)	27,005	0.3	0.5	1.0	(3.8)
VND/CNY (% chg.)	3,464	(0.0)	(1.5)	(4.2)	(3.9)
	Prev. close	1D	1W	1M	YTD
10-yr US Treasury (% bp chg.)	0.86	(0.0)	0.2	0.3	(1.1)
WTI (USD/bbl, % chg.)	34.85	(2.6)	(5.9)	(13.5)	(42.9)
Gold (USD/oz, % chg.)	37.12	(2.2)	(5.5)	(14.3)	(43.8)

Domestic institutions net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
VIC	43.6	GAB	(75.1)
TCB	27.6	GEG	(18.5)
VNM	21.3	GVR	(9.5)
VJC	20.5	KBC	(3.5)
VPB	17.8	HDG	(3.3)

Foreign net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
CTG	17.7	MSN	(280.5)
GVR	11.3	HPG	(73.8)
DPM	10.6	VRE	(35.1)
IMP	9.7	GAS	(23.9)
HSG	4.8	FLC	(22.0)

Daily performance by sector

Top five sectors	% chg.	Bottom five sectors	% chg.
Others	2.8	Energy	(1.1)
Diversified Financials	2.3	Health Care	(0.8)
Banks	2.3	Automobiles	(0.7)
Consumer Durables	1.7	Utilities	(0.6)
Transportation	1.6	Telecommunication	(0.4)

WHAT'S NEW TODAY

Market commentary & News

- **Market commentary:** Banking stocks lead market gains
- **Vietnam:** Increasing demand leads to growth in the manufacturing industry

Macro & strategy

- **Fundflow 26 - 30 Oct:** Outflow slows down

Sector & company

- **Aviation:** 3Q20 brief
- **Asia Commercial Bank (ACB):** 3Q20 review

New listing & Public offerings

KIS market view

	OP	NP	EPS growth	PE	PB	EV/EBITDA	ROE
	(VND bn)	(VND bn)	(% yoy)	(x)	(x)	(x)	(%)
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	13.5	2.1	9.6	15.4
2021F	293,650	165,232	14.1	11.8	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	4.9	5.8	6.1	2.1	8.0

Source: KIS, Bloomberg

Market commentary & News

Market commentary

Banking stocks lead market gains

Hieu Tran
hieu.ttm@kisvn.vn

Vietnam stock markets maintained its uptrend amid the rebound of the Asian financial market.

At the close, the VNIndex gained 0.89% to close at 933.6 pts. Meanwhile, trading volume recorded to 297 million shares or VND5,343bn.

Foreign investors continued to sell with a net value of VND508bn on HSX. They sold MSN, HPG, and VRE the most with net values of VND280bn, VND73bn, and VND35bn, respectively.

Banking was the market leader thanks to CTG (+4.8%), VCB (+3.4%), BID (+1.0%), HDB (+0.8%), ACB (+1.7%), MBB (+1.1%), STB (+1.1%), and VPB (+0.8%).

Some constituents of the VN30Index soared more than 1% such as MWG (+1.6%), PNJ (+2.8%), POW (+1.0%), ROS (+2.2%), and VJC (+3.6%). Among which, VJC's business results were better than investors' expectation. Its revenue reached VND2,809bn, while after-tax loss posted VND971bn in 3Q20.

In contrast, GAS (-0.9%), KDH (-2.4%), PLX (-1.3%), REE (-0.8%), and TCH (-2.7%) closed in red territory.

Notably, VNM fell by 0.4%, despite positive business results in 3Q20. It recorded revenue of VND45,211bn (+7.44% YoY) and net income of VND8,999bn (+7.42 YoY).

Despite the second gaining session, the uptrend does not confirm in the short term as the VNIndex closes below the significant moving average. Therefore, investors should stay on the sidelines and wait for the next signal.

Breaking news

- ▶ Vietnam: Increasing demand leads to growth in the manufacturing industry

According to the latest report from IHS Markit, business conditions in the manufacturing sector continued to improve further for the second straight month as Vietnam Manufacturing PMI index recorded 51.8 point, slightly lower than 52.2 in the previous month, signaling the continuing recovery. More details, the increase in the production capacity was thanks to a solid increase in the new orders, most clearly seen from new businesses. Business confidence about the outlook for 2021 remained positive but slightly lower than in September. (IHS Markit)

Macro & strategy

Fundflow 26 - 30 Oct

Outflow slows down

Dang Le
dang.lh@kisvn.vn

- ▶ Vietnam foreign flow

Last week, selling activities continued to overwhelm. Net sell value recorded at USD85mn, down 20% WoW.

Breaking down by sectors, selling pressure continued to focus on Consumer Staples, Real Estate, and Industrials. Net sell value recorded at USD56mn, USD12mn, and USD9.5mn, respectively. Particularly, foreign selling activities mainly focused on MSN, VNM, VRE, VIC, KDH, VJC, and VSC, fading the sharp buying activities on SBT, VHC, VHM, and DXG. Besides, Materials also experienced the outflow due to high selling pressure on HPG. On the contrary, Information Technology attracted the most foreign demand across the market thanks to large buy orders on DGW. Financials also ended up to be net bought owing to CTG and VPB.

- ▶ South East Asia ETF flow

Money inflow increased across SEA with net inflow recorded at USD19mn, nearly doubled the previous week. To be specific, Indonesia and Philippines recorded the positive flow of money after experiencing the series of outflow. Besides, Singapore continued to attract the flow of money for 4 consecutive weeks whilst Thailand and Malaysia recorded no money inflow last week.

Outflow has slowed down across Vietnam. Net inflow recorded at USD0.2mn. Of which, VFMVN Diamond ETF was the main contributor which attracted USD0.7mn last week.

Sector & company

Aviation

Not rated

3Q20 brief: Difficulty leaves no one

Nam Nguyen
nam.nt@kisvn.vn

► Airlines: Two giants, two destinies

VJC: Efforts to overcome difficulties

Whereby, revenue reached VND2,809bn (-79.3% YoY) and PBT was lost VND931bn (in which 3Q19's reached VND1,913bn). In 9M20, VJC booked revenue of VND13,780bn and PBT loss of VND883bn. Noticeably, VJC's core business reported comprehensive revenue with VND2,809bn and no SALB transactions appear.

The core business is a highlight when domestic flights recover. In 3Q20, VJC performs 14,018 flights.

HVN: Tsunami washed everything

HVN reported 3Q20 revenue that was down 70% YoY to VND7,602bn with a PBT loss of VND3,942bn. HVN's 9M20 revenue was VND32,411bn (-56.8% YoY). In 9M20, HVN incurred a net PBT loss of VND10,505bn (-419.1% YoY). Bad result brushed off fruit of HVN's 25-year business, it gives company a negative undistributed profit to VND8,874bn.

Supporting for HVN still has many problems. 1) financial investment – untimely, 2) increase charter capital – violate Securities Law (Issuer must have positive profit), 3) Issue of share for shareholders or private placement (SCIC – State Capital and Investment Corporation) – need direct steering because SCIC invests in only 4 regulated sectors. Besides, HVN's strategic investor – ANA Holding Inc. is also facing difficulties with a net loss of USD1.8bn.

Currently, HVN is also given a 30% stake in Jetstar Pacific Airlines by Qantas Asia Investment Company when Qantas Group withdraws from this joint venture.

► Airport: Position of a leader

ACV: Save for the rainy day

ACV reported 3Q20 results with revenue and PBT reached VND1,443bn (-68.6% YoY) and VND156bn (-94.3% YoY), respectively. On 3Q20 balance sheet, ACV owns cash, cash equivalents and short-term deposits of VND33,980bn. It brought for ACV deposit income of VND541bn. In general, 9M20 results with revenue of VND6,083bn (-54.9% YoY) and PBT of VND1,672bn (-77.1% YoY).

ACV has supported airlines (international and domestic) by offering to reduce fees to all airlines using services at ACV's airports

► Aviation services: Clear differentiation

SCS: Bright spotlight

SCS reported its 3Q20 results with revenue and profit before tax (PBT) reached VND167bn and VND124bn, shrinking 10% YoY and 9.3% YoY, respectively. SCS's 9M2020 revenue was VND495bn while PBT was VND362bn. Revenue and PBT met 75% and 80.4% of the company's full-year guidance, respectively.

Specifically, international cargo plunged 27% YoY and domestic cargo slumped 14.3% YoY. In 3Q20, domestic cargo was recovered when reached 13,754 tonnes and grow 3.7% YoY but international cargo reached 51,908 tonnes, lower than 3Q19 declined 5.4% YoY. All, 9M2020 total cargo volume was 148,884 tonnes, -7.8% YoY.

AST: It never rains but it pours

AST reported an 81.5% decrease in net revenue and a 144.7% decrease in PBT. The deterioration was due to impacted COVID-19 affected comprehensive business segments of AST seriously.

The pandemic worsened and restriction flight order had reduced passenger volume and AST's stores had to stopped or operated with low-efficiency rates. To make matters worse, the second wave of Covid-19 at Da Nang hits main AST's business hotel with A La Carte Beach Hotel.

- ▶ Industry update: Looking forward to a final-quarter recovery

Ministry of Health also published an isolation procedure for international entry and waiting for approval. International flights in the last 2 months of the year will be increased international transportation revenue again.

Airlines continued to expand new domestic routes. From last year until now, HVN and VJC have opened 6 and 4 new routes, respectively (note: VJC announced 8 new routes). Most of new flights have destinations in famous tourist cities. It is preparation for a boom in Vietnam tourism after Covid-19 as historical data. RPK's airlines will rise when demand for tourism increase because restriction travel is finished and holiday is coming.

Investment airports had become the mainstream in public investment with big projects such as Long Thanh international airport. Airlines and private businesses continue to also wish to join invest in airport systems, proving attractiveness of aviation industry.

Air cargo terminal operator SCS and airport operator ACV will be strongest man in aviation stock with healthy financial statements and certainty market positions. Airfreight is recovering rapidly for production demand as electrical products. They accounted for more than 80% in value export-import by air cargo from FDI business. Shift in manufacturing to Vietnam is a great advantage for air transportation with technology producing firms.

Asia Commercial Bank (ACB)

BUY (Maintain), TP VND29,100

3Q20 review: Hurry up!

Yen Tran
yen.tt@kisvn.vn

- ▶ Strong 3Q20 results

ACB 3Q20 conso. NP was VND2.1tn, increasing by +36% qoq or +34% yoy. The brisk profit was thanks to a better-than-expected lending margin and cost saving. NIM was 3.71%, an increase of 41bps qoq despite COVID-19 restructured loans were as large as 3.1% of total credit. CIR fall to 39% from 43% in 2Q20 and provision expenses declined by 63% qoq to VND162bn.

- ▶ Pros & cons: Still hurry in 4Q20

Credit speeded up at 10.7% ytd in 3Q20 and caught up 9M ytd growth level in the last three years. The number was beating our forecast thanks to a 12.3% ytd growth in consumer loan book and 10.7% ytd growth in SMEs loan book. We believe, "Vietnam new normal economy" has led many banks including ACB running for a bigger market size while some are hesitated. As such, we revised up ACB's credit growth to 14.8% for 2020F and 14%/year for coming years. We don't expect ACB to raise its risk appetite. It did not join the 3Q20 corporate bond party and still keens on retail banking with high proportion of secured loans.

Since the bank stopped carrying new moratorium, bad debt ratio moved up in 3Q20. The impaired loans reached VND3,308bn by Sep, swelling by VND433bn from 2Q20 and VND1,228bn from 2019-end. New bad debt formation (including write-offs) jumped 4.4x qoq to VND575bn in 3Q20 and VND1,048bn in 9M20 vs. VND60bn in 9M19. However, given lack of one-off credit provision from interbank loans, ACB showed a 63% qoq decrease in credit provision.

On the other hand, a 3Q20 credit cost of ~0.22% and NPL coverage ratio of 117% are below our expectation. These should be results of lighter provision pressure thanks to Circular 01 and more optimistic economy outlook in consequence of resilient retail sales data. Since this mood may continue in coming quarters, we trim credit cost by 19bps to 0.41% for 2020F and by 5bps to 0.52% for 2021F.

- ▶ Action: Lift TP to VND29,100

We reaffirm BUY at lift TP by 13% to VND29,100. As the pandemic worry has returned upon 2020-21 winter and EU recent lockdown, we incline to resilient banks like ACB.

New listing & Public offerings

► New listing

(VND bn, share, VND)

Date of listing	Ticker	Company	Exchange	Charter	Listed Shares	Reference price
11/9/2020	LPB	Lien Viet Post Bank	HSX	9,769.5	976,948,319	11,800

► Public offerings

(VND bn, share, VND)

Date of auction	Ticker	Company	Charter	Offered Shares	Min Bid	Note
11/30/2020	ITJ	Becamex Infrastructure Development JSC	1,371.0	80,000,000	12,500	-
11/27/2020	IDC	IDICO Corporation	3,000.0	108,000,000	26,930	Local investors only
11/24/2020	ITS	Vinacomin – Investment, Trading and Service JSC	2,649.8	4,536,000	17,500	-
11/16/2020		Viet Nam Agriculture Tourism Trading JSC	230.0	5,290,000	15,530	-
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

- **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.

- **Analyst Certification**

I/We, as the research analyst/analysts who prepared this report, do hereby certify that the views expressed in this research report accurately reflect my/our personal views about the subject securities and issuers discussed in this report. I/We do hereby also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

Global Disclaimer

- **General**

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KIS Vietnam Securities Corp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KIS Vietnam Securities Corp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KIS Vietnam Securities Corp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KIS Vietnam Securities Corp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or KIS Vietnam Securities Corp. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

- **Country-specific disclaimer**

United States: This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

United Kingdom: This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

Hong Kong: This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

Singapore: This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

Copyright © 2020 KIS Vietnam Securities Corp.. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp..