

2021 OUTLOOK

Dynamic Vietnam: “Tiger will awaken”

Investment Strategy | Sector Outlook



2021 Outlook

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Executive Summary

Dynamic Vietnam: “Tiger will awaken”

Due to COVID-19, humanity has been hit hardest since World War II. As a result, the VNINDEX plummeted down to 650pts. However, the stock market rebounded rapidly, and in December it surpassed 1,000pts, the invisible ceiling of the Vietnamese stock market.

The biggest support for Vietnam's economy is FDI, which has been steadily increasing since joining the WTO, and exports have increased based on this, which has resulted in a record-high Trade Surplus. By November of this year, the value of Vietnam's trade surplus reached USD20bn, and this year is expected to double from last year. This surplus in Vietnam's trade balance has contributed greatly to the stabilization of the Vietnamese exchange rate and will continue to be a foundation for Vietnam's economic growth.

The economy for next year still has a positive outlook. First, Apple, a global mobile manufacturing company, is entering Vietnam. Luxshare, which already produces AirPods, has entered Vietnam, and Foxconn, which produces iPhones and MacBook, is also set to enter the country next year. You will remember that a lot of Korean investment funds have flowed into Vietnam since Samsung Electronics decided to invest in Vietnam in 2006. As such, Apple's entry into Vietnam is expected to be a driving force for another large investor in Vietnam.

The second is the FTA. The Vietnamese government has led the results of CPTPP and EVFTA through ceaseless efforts, and this year achieved the result of RCEP. The fruits of this FTA are not being seen due to the impact of COVID-19. However, it is expected that the FTA will bloom next year, and the fruit from it is expected to play a major role in Vietnam's economy for more than next 10 years.

Political stability, economic growth, and a young and conscientious workforce in Vietnam will remain as the driving forces behind Vietnam's growth in 2021.

We support the growth of Vietnam's economy and stock market.

2021 Outlook

Dynamic Vietnam: “Tiger will awaken”

Investment Strategy

Dynamic Vietnam: “Tiger will awaken”

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Strategy

Dynamic Vietnam: “Tiger will awaken”

One-year bullish market

In 2020, the Vietnam stock market showed strong volatility when it was negatively affected by the epidemic COVID-19. However, the stock market rebound sharply with a recovery of 60% from the bottom of March 2020 thanks to the cash flow of domestic investors. We forecast that the Vietnam stock market will continue to bullish market in 2021 as:

(1) The effect of 3-year upward cycles of the Vietnam stock market. The New 3-year upward cycle of the VNIndex starts from the bottom of March 2020, so the market will show an uptrend in the next three years. The bottom is expected to form in 2023.

(2) One-year upward pattern after the U.S. election year the first year. According to KIS statistics, the market often upside in the first year of the U.S. presidency, showing a one-year upward pattern. Therefore, we expect the Vietnam stock market's outperformance in the U.S. President's First Year promises to continue in 2021. The VNIndex in 2021 can reach 1,300 points.

Promising opportunities from high value chain shift

Recent production relocation of Apple's vendors, such as Foxconn and Luxshare, is signaling a potential shift in higher value chain toward Vietnam. This progress helps accelerate the transformation of Vietnam's manufacturing industry to a high-tech one, but it also makes Vietnam be a more attractive FDI destination in foreign investors' eyes. The case of Samsung Corporation establishing its operation in Vietnam many years ago is evident that a similar opportunity may have again come to our economy in the post-COVID-19 crisis.

RCEP boosts Vietnam's economy

The application of the common Rule of Origin also helps Vietnam products with a low localization ratio enjoy tax incentives from the other members, including Japan and South Korea, which is relatively increasing the comparative advantages of Vietnam products after the RCEP will take into effect.

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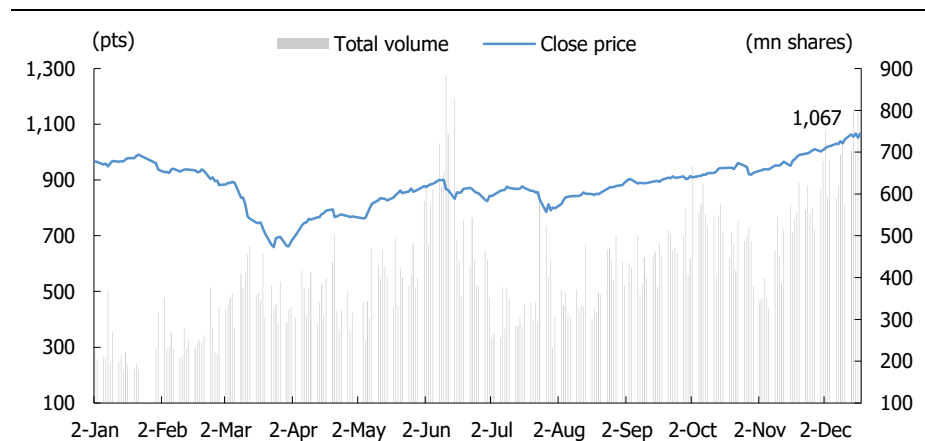
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I. Vietnam stock market looking back in 2020

The Vietnam stock market has strong fluctuations in 2020, according to stock market in 2020 can be rated as the top three with the most dramatic volatility since joining the WTO in 2006. In 1Q20, the market showed a sharp decline followed by a strong recovery in the next 3 quarters. The sharp uptrend helps Vietnam be in the top of the most outperformed market. The reason is the COVID-19 effect, the HoSE index fell by about 34.5% or 649pts from January to March 31, and then about 60% to the level of 1,067pt on December 18th. In addition, the notable point in 2020 is the market opening to foreign investors such as ETFs for foreign investors (VFMVN DIAMOND)

Figure 1. Movement of VNIndex and total trading volume in 2020

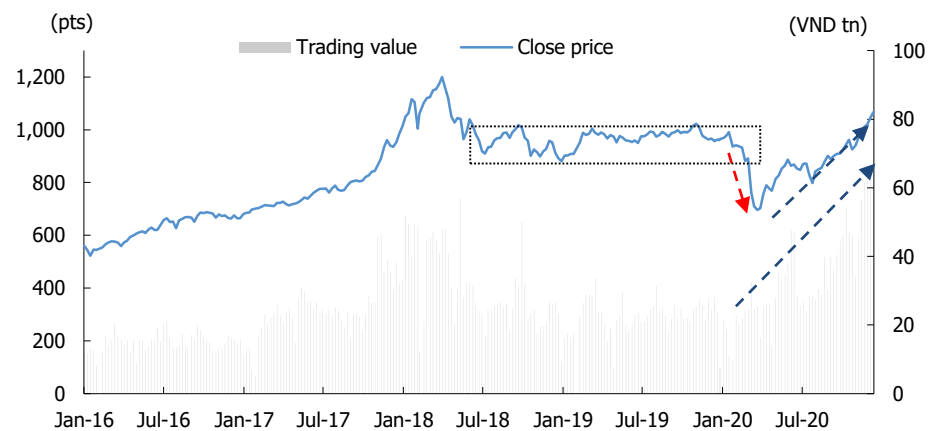


Note: Data as of 18 Dec 2020
Source: Fiinpro, KIS

1. The main reasons Vietnam's stock market rose

The strong uptrend of Vietnam's stock market can be explained by several reasons as follows:

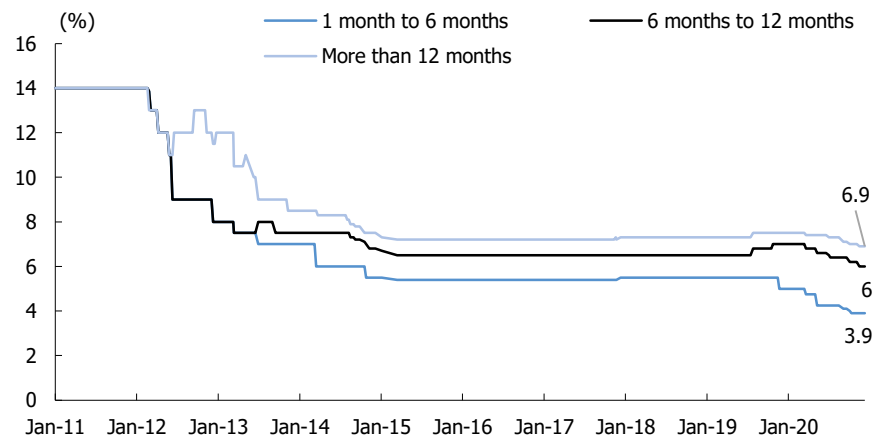
Firstly, in terms of supply and demand, during the period from May 2018 to March 2020, the VNIndex fluctuated in the range of 880 to 1,030 points, forming a consolidation. In this period, the market went sideways and there was not strong bullish market, so investors became discouraged with the market. The decline from February 2020 to March 2020 (due to the impact of the COVID-19) caused the stock prices of large-cap stocks to adjust to an attractive level. This has stimulated the greed of investors, causing them to increase buying stocks when the market bottomed out at the end of March 2020. The evidence is that liquidity of market increased strongly after March 2020.

Figure 2. Movement of VNIndex and total trading value 2016 to 2020

Note: Data as of 18 Dec 2020

Source: Fiiipro, KIS

Secondly, the State Bank's policies to support the economy help the market grow. The State Bank of Vietnam (SBV) has cut interest rates three times in 2020 to support the economy fight with the negative impacts of the COVID-19 epidemic. Thus, commercial banks' deposit rates adjust to a low level (below 7% for 1 year and 4% for 1 month). At this low interest rate, the amount of deposits will have to choose a different investment channel, which is more attractive return, and the stock market may be a good choice.

Figure 3. The highest deposit rate for duration

Source: Fiiipro, KIS

Thirdly, the business recovery of listed companies is a highlight for the market. Because of a strong impact of COVID-19 on business operations, the revenue and profitability of companies decrease sharply in the first half of 2020. But, in the second half of 2020, the business recovery of key firms has a positive impact on the market. Despite unable to fully recover, this is also a highlight for businesses, thereby helping the stock market to rebound.

Fourthly, the signing of the RCEP agreement also creates a positive impact on the market. The Regional Comprehensive Economic Partnership (RCEP) signed by Vietnam and 14 countries (and waiting for acceptance in the future) is expected to boost the Vietnamese economy. This has a positive effect on market sentiment in November 2020 and December 2020.

2. Macro factors support the market

About nearly a year since COVID-19 disease has become the global pandemic, Vietnam has been one of few countries that control the outbreak the most successful so far. Although the cost that Vietnam people have paid for that is huge, resulted from a total lockdown in mid-March and other social-distancing measures in COVID-19 affected areas, macroeconomic figures also showed that the economic recovery has outweighed the loss caused by the health crisis. Vietnam 2020's GDP growth is expected to be in a range between 2% - 3%, which is far better than most peers.

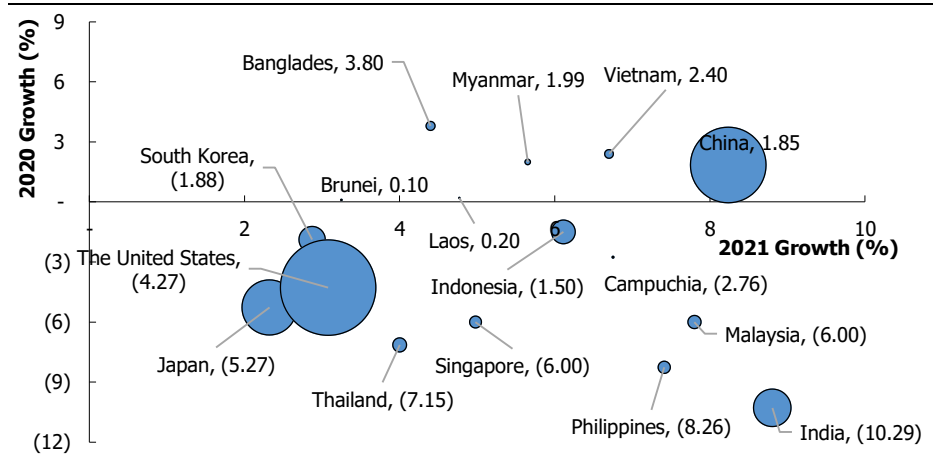
Table 1. PER of the stock market in Southeast Asia

Rank	Economy	Bloomberg Resilience Score	1M cases per 100,000	Total deaths per 1 million	Positive test rate (%)	Lockdown severity	Community mobility	2020 GDP growth forecast (%)
1	New Zealand	85.4	2	5	0	22	0.30	(6.10)
2	Japan	85	29	15	8.10	39	(7.80)	(5.30)
3	Taiwan	82.9	0	0	1.20	23	(2.80)	0.00
4	South Korea	82.3	10	10	2	44	(3.50)	(1.90)
5	Finland	82	129	68	1.90	41	(13.70)	(4.00)
6	Norway	81.6	281	56	3.10	49	(14.90)	(2.80)
7	Australia	81.2	1	36	0	52	(11.50)	(4.20)
8	China	80.6	0	3	0.10	73	(2.70)	1.90
9	Denmark	77	550	135	1.80	55	(9.70)	(4.50)
10	Vietnam	74.3	0	0	0.10	39	(4.70)	2.40

Source: Bloomberg Economics, Johns Hopkins University, Oxford COVID-19 Government Response Tracker, IMF, Google Inc., KIS

According to research from Bloomberg, based on 10 criteria about COVID-19 status, measures to tackle it by government, 2020's economic growth, and other criteria, etc., Vietnam is placed in the top 10 countries that handled the COVID-19 pandemic most effectively with the least amount of disruption to business and society. Vietnam also ranked in the top 5 about criteria for COVID-19 pandemic status and measures being taken to control it. Besides, according to the latest economic projection from the IMF, only Vietnam, China, Egypt, and Bangladesh saw a positive GDP growth in 2020. Vietnam's economy is also expected to return pre-crisis annual GDP growth of about 6% - 7% YoY in 2021.

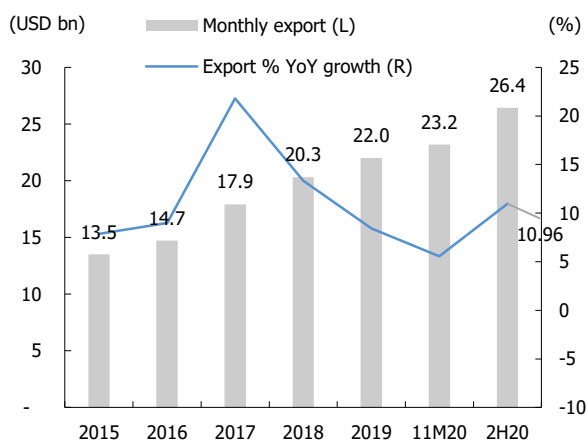
Figure 4. Vietnam GDP growth with peers



Source: IMF World Economic Outlook, updated on October, KIS

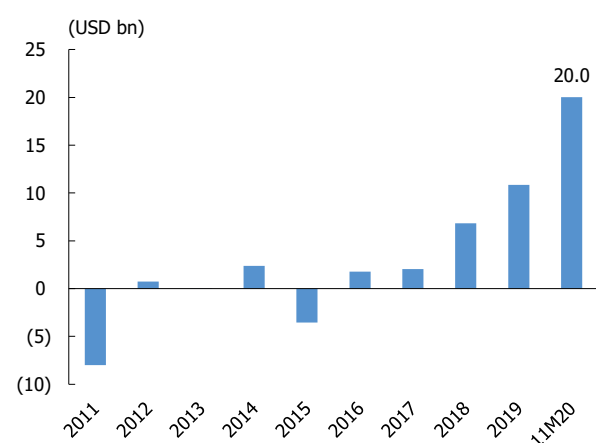
Two factors that reversed a steep economic downturn in April are increasingly high foreign demand and sustainably strong manufacturing expansion. Firstly, on the demand side, thanks to massive fiscal package and a low-interest-rate environment in major export markets, Vietnam's export is booming in 2H20 with a two-digit growth pace. The trade balance in 11M20 also reached an all-time high record of about USD20bn. Besides, data also showed evidence that a wide range of industries saw strong increases in export turnover, not just in a few industries like electronics or textile & garment industries, and this will help bolster the sustainable export growth.

Figure 5. Monthly export



Source: GSO, KIS

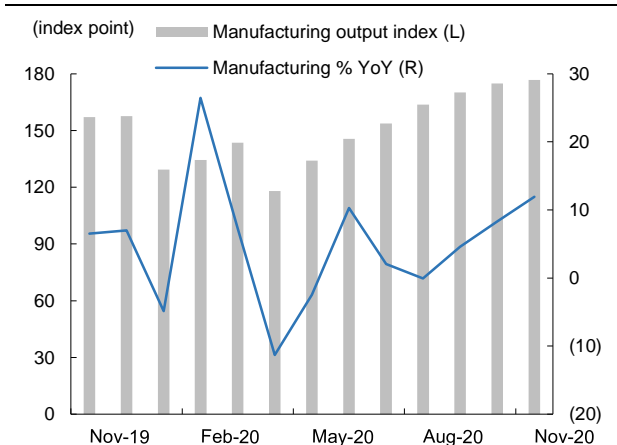
Figure 6. Trade balance



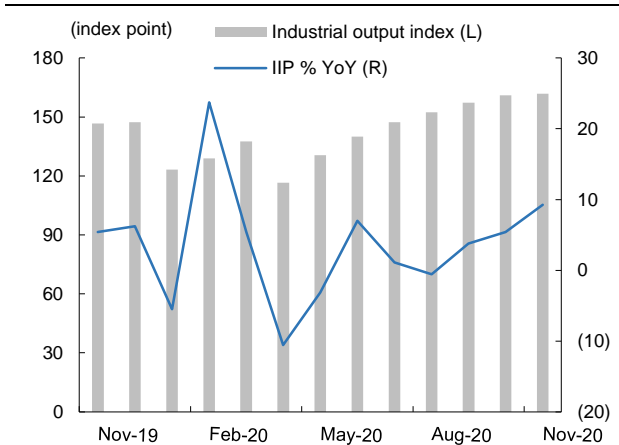
Source: GSO, KIS

On the other side, based on macroeconomic data and other information sources, it is likely that Vietnam is seeing a shift in the global supply chain from elsewhere in the pandemic era. As a result, the manufacturing output has recovered quickly from its temporary trough in April, and it now has peaked at a historic high, which is far above the pre-crisis level.

In recent months, domestic demand-driven industries have been replacing export-driven industries to be key driving forces for the economy. In other words, for now, high domestic and foreign demand will help the manufacturing sector remain at its peak and lift up the economy.

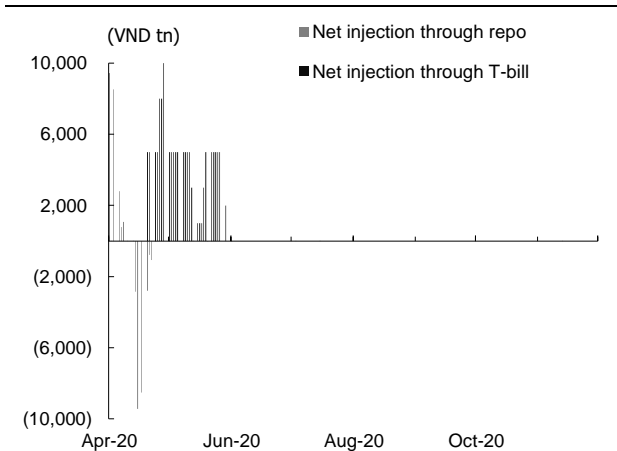
Figure 7. Manufacturing sector

Source: GSO, KIS

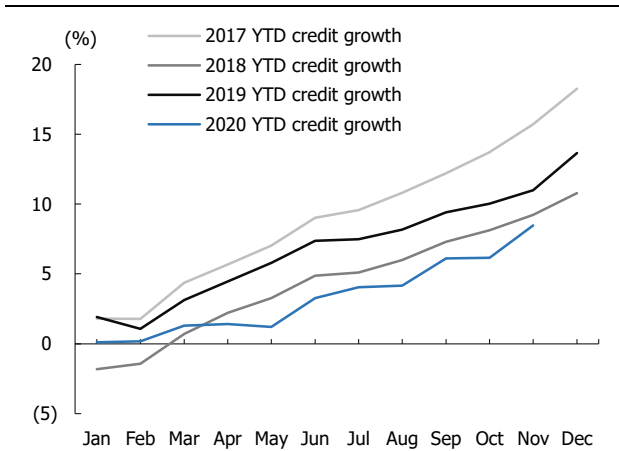
Figure 8. Industrial sector

Source: GSO, KIS

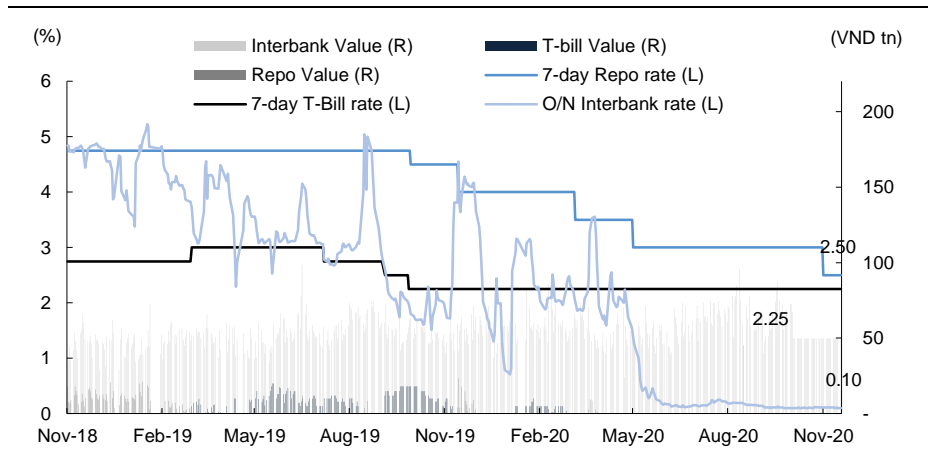
Besides, an accommodative monetary stance from SBV is creating an extraordinary low-interest-rate environment for the economy and also the stock market. Although policy rate cuts just have a little meaning for the economy at the time being, pouring hundreds of trillions of VND directly into the banking system and indirectly to the economy through several channels has significantly improved the liquidity and financial conditions for the financial markets. Besides, sluggishness in the lending activity also makes the liquidity more surplus, and there is no evidence that the current situation would reverse in the near term.

Figure 9. Development in OMO market

Source: HNX, Bloomberg, KIS

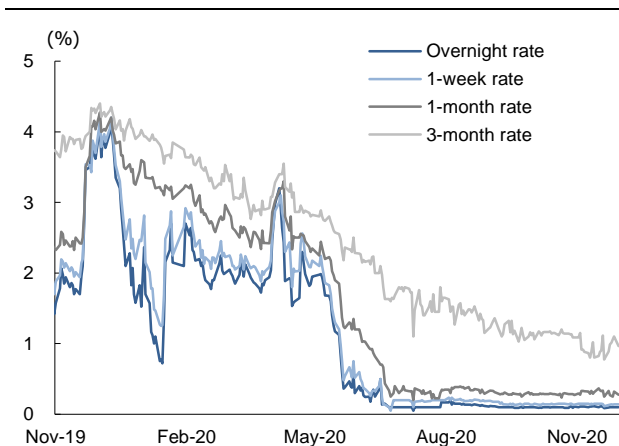
Figure 10. Sluggishness in the first lending market

Source: SBV, KIS

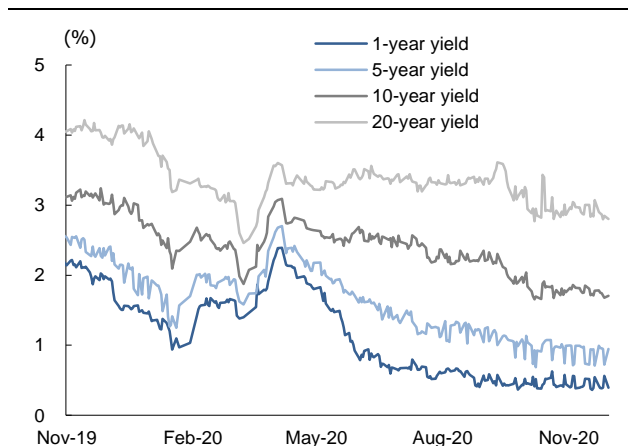
Figure 11. PER of the stock market in Southeast Asia

Source: HNX, SBV, Bloomberg, KIS

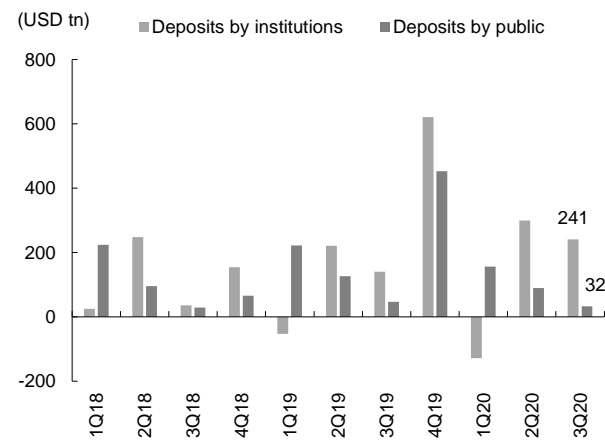
As a result of those developments from SBV and the banking system, the interbank rates and G-bond yields plunged to their historic lows, in which short-term interbank rates and G-bond yields are near the zero limit. More importantly, with surplus money supply and sluggish credit demand, deposit rates also plunged to remarkably low levels at all tenors. As a result, the deposit amount by the public dropped to remarkably low levels in 2Q20 and 3Q20. Evidence from 2H20 developments in the financial markets showed that a large part of liquidity is flowing to the capital market to find more attractive opportunities, thus new stock accounts and margin levels are coincidentally climbing to high records.

Figure 12. Development in OMO market

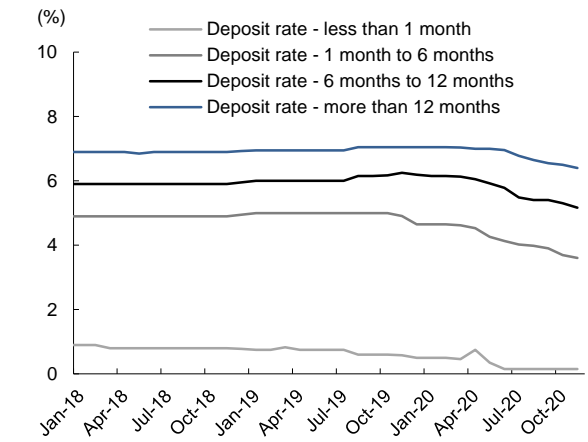
Source: HNX, Bloomberg, KIS

Figure 13. Sluggishness in the first lending market

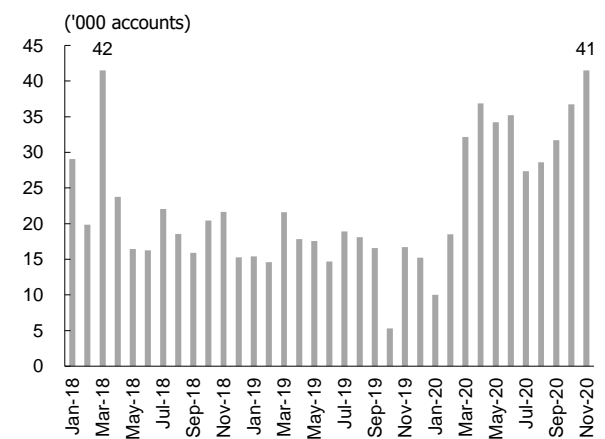
Source: SBV, KIS

Figure 14. Deposits by public and institutions

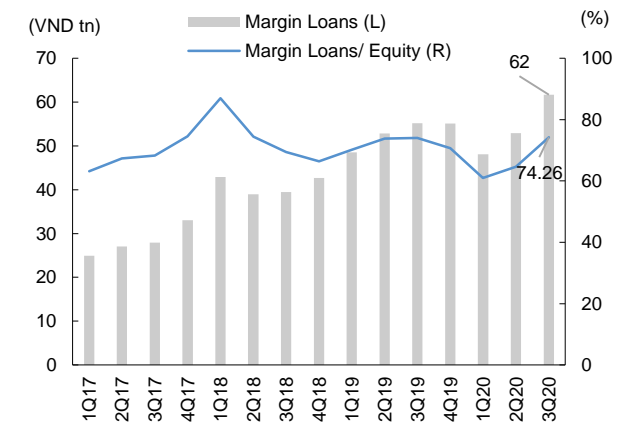
Source: SBV, Fiiipro, KIS

Figure 15. Deposit rates

Source: SBV, Fiiipro, KIS

Figure 16. New stock trading accounts

Source: VSD, KIS

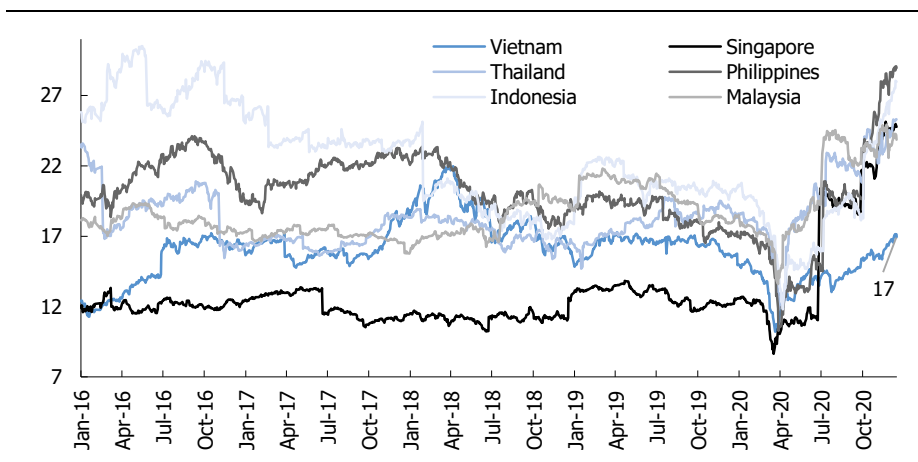
Figure 17. Margin loans in stock market

Source: Fiiipro, KIS

3. Market Risk Factors

For the above reasons, the Vietnam Index recovered 1,000 lines, but in terms of value, it can be assessed as a slightly burdensome level of the current stock market.

High Valuation Level. The strong bullish market caused valuations of companies to be at a high level. Accordingly, the average share-to-earnings ratio (PER) of companies listed on the Ho Chi Minh Stock Exchange has risen of 17.1x from 15x at the beginning of the year. This valuation makes the market less attractive to foreign investors.

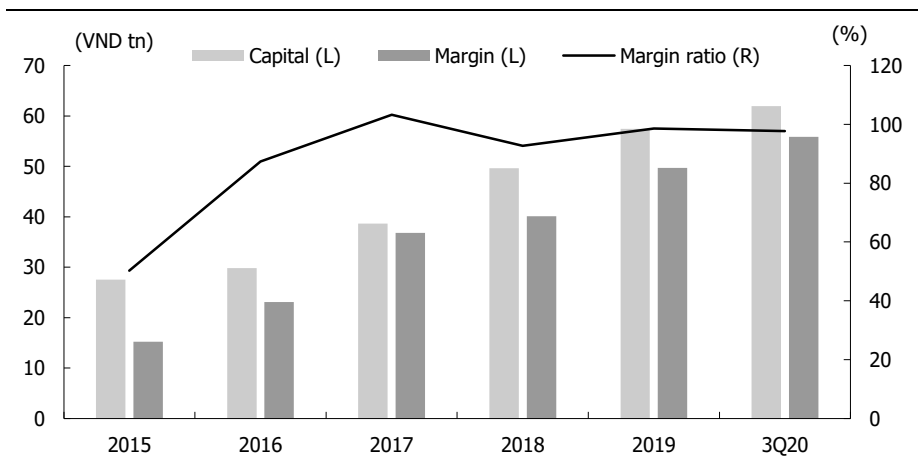
Figure 18. PER of the stock market in Southeast Asia

Note: Data as of 18 Dec 2020

Source: Fiinpro, KIS

High levels of margin debt. In terms of supply and demand, the total leverage in the stock market posted a high record of VND65,400bn (+16.7% QoQ), rising in the 3rd consecutive quarter. The average of the top 20 securities companies' margins relative to their capital stock is around 97.7%, which has been high since 2017. In addition, the ratio of margin to market capitalization is 1.7%, slightly higher than the previous five-year average of 1.4%.

The stock market peaks and the total leverage in the stock market are often related. When margin debt makes a record, the market tends to post a peak such as peaks of the VNIndex in 1Q18 and 4Q19.

Figure 19. Margin relative to capital by securities company

Source: Fiinpro, KIS

Therefore, we carefully predict that there will be a point in time when bubbles will be removed at least once depending on the future situation.

II. Index movement outlook in 2021

Based on the above-mentioned risks, we believe that the Vietnam stock market in 1Q21 might correct to form a short-term bottom. After that, the market will continue to a long-term bullish market for the rest of the year. The uptrend in 2021 could stem from:

New 3-year cycle of Vietnam stock market starts from the bottom of March 2020. Based on Raymond Merriman's cycle analysis. The VNIndex fluctuates in a pattern, forming a significant trough (the end trough of the cycle) every 3 years. In March 2020, the VNIndex formed the bottom of the sixth 3-year cycle, thus, the index is in the seventh 3-year upside cycle with more than 2 years of the bullish market. This is a new upward cycle, so the index continues to go up in the 2021.

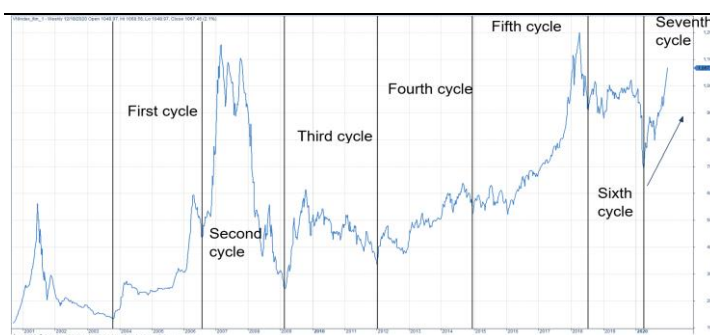
Table 2. Bottom and duration of 3-year cycle

Cycle	Start bottom	End bottom	Duration (Months)
1	10/24/2003	08/02/2006	33
2	08/02/2006	02/24/2009	30
3	02/24/2009	01/06/2012	34
4	01/06/2012	12/17/2014	35
5	12/17/2014	07/11/2018	42
6	07/11/2018	03/24/2020	20
7	03/24/2020		

Note: Data as of 18 Dec 2020
Source: KIS, FiinPro

Figure 20. Increase & decrease of 3-year cycle

(pts, %)



Source: KIS, FiinPro

New one-year upward pattern after the U.S. election year. According to KIS statistics from 2000, the stock market often upside in the first year of the U.S. presidency, showing a one-year upward pattern. Market's return ranged of 11.8% to 58.34% on five times of the previous U.S. election. In the last first year of the presidency, the market rose 47.8% after President Donald Trump won.

At that time, the policies of the new president, Joe Biden, will continue to have an impact on the supply chain shifts from China to Vietnam. Therefore, we expect the Vietnam stock market's outperformance in the U.S. President's First Year promises to continue in 2021. The VNIndex in 2021 can reach 1,300 points.

Table 3. Performance of VNIndex range 2000-2020

(% , pts, mn shares, VND tn)

Year	Change	Close	Total volume	Total value	Market Cap
2020	11.16%	1,067.46	79,790.35	1.45	3.92
2019	6.33	960.99	45,158.62	0.99	3.29
2018	(9.48)	892.54	49,737.86	1.35	2.88
2017	47.80	984.24	47,890.89	1.04	2.62
2016	14.82	664.87	32,329.62	0.60	1.49
2015	6.27	579.03	28,148.33	0.48	1.14
2014	7.92	545.63	30,468.30	0.53	0.99
2013	21.45	504.63	16,165.84	0.26	0.84
2012	17.75	413.73	14,057.34	0.22	0.68
2011	(27.62)	351.55	8,342.92	0.16	0.46
2010	(3.39)	484.70	11,792.65	0.38	0.59
2009	58.34	494.80	10,960.07	0.42	0.50
2008	(65.90)	315.62	2,835.17	0.12	-
2007	23.43	927.02	1,815.71	0.20	-
2006	144.99	751.77	569.34	0.03	-
2005	28.99	307.50	100.08	0.00	-
2004	42.70	239.29	57.23	0.00	-
2003	(8.98)	166.94	-	-	-
2002	(20.88)	183.33	-	-	-
2001	11.80	235.40	-	-	-
2000	106.83	206.83	-	-	-

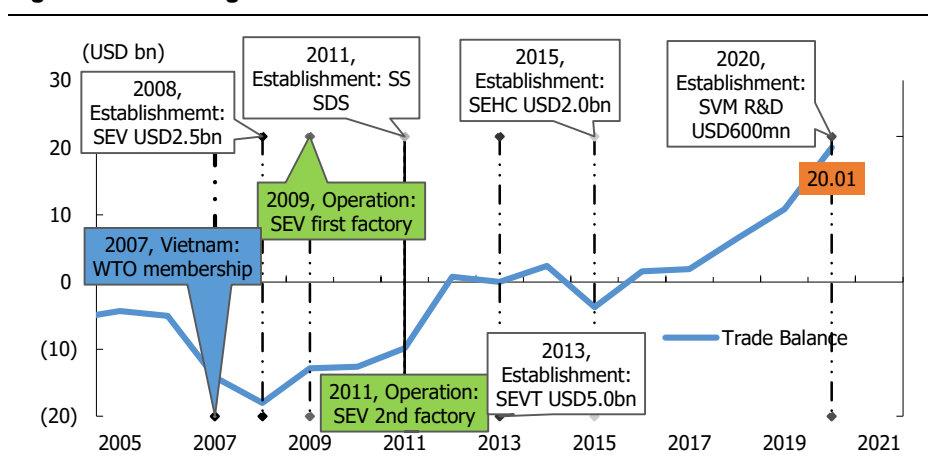
Note: Data as of 18 Dec 2020

Source: Fiinpro, KIS

III. Positive Stock Market Momentum

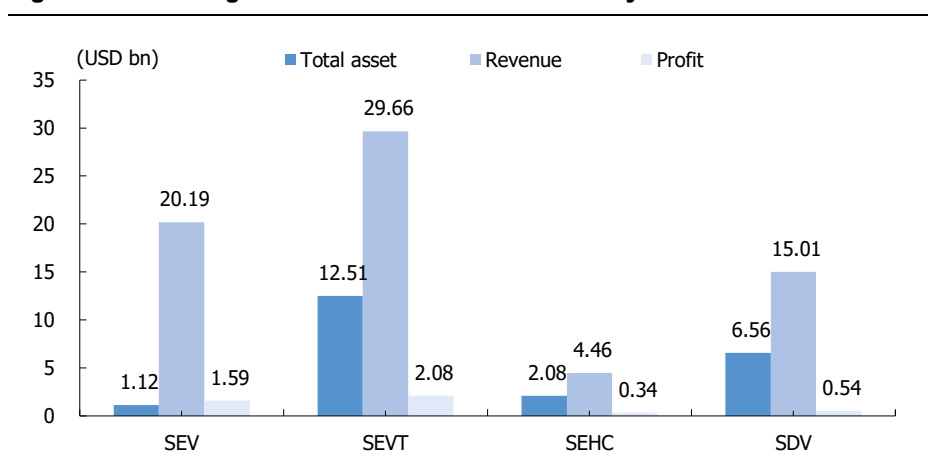
1. The past 10 years led by Samsung Electronics and Apple, which will lead the next 10 years

After joining the WTO, many foreign companies have entered Vietnam, and Samsung Electronics, with mobile as the flagship product, was the outstanding one. The impact of Samsung Electronics' mobile production and exports has transformed Vietnam's export structure toward higher-value-added industries. Consequently, Samsung's existence has improved the trade balance, which is the determinant in stabilizing the exchange rate. However, the less well-known part is the role of Samsung in prompting its parts-related vendors to invest productions into Vietnam jointly. Second, Samsung Electronics' success illustrates the attractiveness and profitability of Vietnam's business and investment environment. Currently, the largest foreign investor in the Vietnam stock market was a Korean fund centered on Korea Investment Trust Management, and the advancement of such Korean financial companies is helping to grow the Vietnamese capital market.

Figure 21. Samsung’s milestones in Vietnam

Source: [Samsung Electronics Vietnam](#), KIS

SEV: Samsung Electronics Bac Ninh, SEVT: Samsung Electronics Thai Nguyen, SEHC: Samsung Electronics Ho Chi Minh Ce Complex, SDV: Samsung Display Vietnam Co., Ltd, SS SDS: Samsung SDS Vietnam.

Figure 22. Samsung Vietnam* financial information by subsidiaries in 2019

Source: [Samsung](#), KIS

SEV: Samsung Electronics Bac Ninh, SEVT: Samsung Electronics Thai Nguyen, SEHC: Samsung Electronics Ho Chi Minh Ce Complex, SDV: Samsung Display Vietnam Co., Ltd.

* Samsung Electronics Vietnam

Back to early days of the global pandemic, the world has been afraid that the global supply chains, predominantly centered on China, would be collapsed with unprecedented strict measures taken to control the virus. From that, supply chain diversification has been more important than ever before, especially for multinational enterprises relying heavily on outsourcing. Vietnam, as a new global manufacturing & assembly center, is well-positioned to seize opportunities from this ongoing progress.

In early May, the Nikkei Asia cited from Apple-related sources that the world's largest technology company Apple will reallocate a part of its supply chain from China to Vietnam as a process of diversifying its international supply chain. Not long after Apple's call, Luxshare ICT and Foxconn, two Apple suppliers for AirPods and iPhone productions, have accelerated their investment in Vietnam from 2H20, while Pegatron, another name in the top 5 largest electronic parts

and component manufacturers, has planned to invest about USD1bn to Vietnam plant by 2027. Besides those names listed above, other Apple's vendors, including Wistron Corporation, Hon Hai Precision Industry Co. Ltd, GoerTek, and Compal Electronics, are already present in Vietnam.

Not only this progress helps accelerate the transformation of Vietnam's manufacturing industry to a high-tech one, but it also makes Vietnam be a more attractive FDI destination in foreign investors' eyes. The case of Samsung Corporation establishing its operation in Vietnam many years ago is evident that a similar opportunity may have again come to our economy in the post-COVID-19 crisis.

Table 4. Investments and operations of Apple's vendors in Vietnam

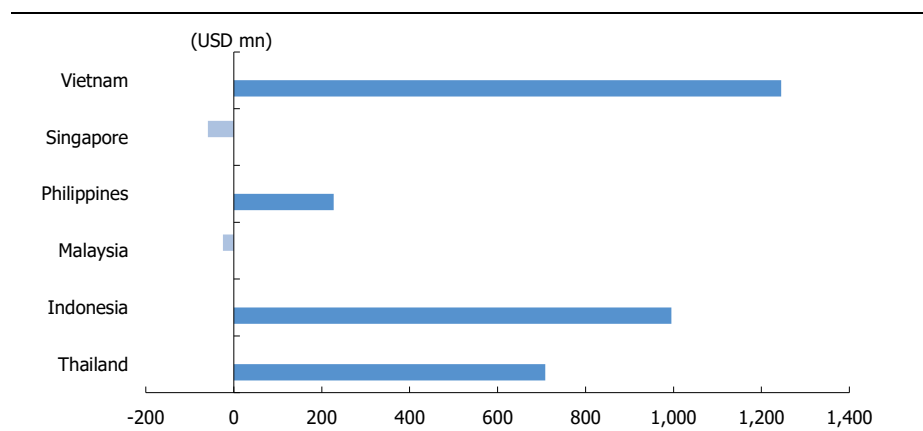
Year	Month	LUXSHARE (AirPods Production)	Foxconn (iPhones Production)
2016	10	• Luxshares ICT(Vietnam) established	
	01		• Foxconn purchased the land use right of 250,000 square meters in Bac Giang by USD16.5mn.
2019	07	• Luxshares ICT (Vietnam) increased paid capital with unspecified amount	
	08	• Luxshares ICT (Nghe An) established. Paid Capital USD70mn: Cable and Charger for iPhones	
		Merry & Luxshares (Vietnam) established. Paid Capital USD24mn	
	09	• Merry Electronics (Taiwan) 51%, Luxshares 49%	
2020		• AirPods production	
	03	• AirPods Pro Production	
	04	• Luxshares ICT (Nghe An) Start operation	
		• Luxshares ICT (Vietnam) increased capital about USD65mn	
		• Luxshares ICT (Van Trung) increased capital with unspecified amount	
	06	• Luxshares ICT (Nghe An) increased capital with unspecified amount: AirPods, Apple Watch Production	
		• Luxshares and Goertek jointly produce Apple's new earphone, AirPods Studio (unconfirmed news)	
	7-8	• Senior Apple executives visited Luxshare-ICT (Vietnam) several times to investigate iPhone production conditions. Apple requested to build dormitories to secure production capacity and increase the number of workers from 28,000 to 50,000-60,000 currently	Foxconn proposed to the authority to: • Establishing 600 ha industrial park in Bac Giang • Expand Binh Xuyen 2 Industrial Zone phase II in Vinh Phuc • Spent more than USD325mn to build housing for workers in Bac Giang, Bac Ninh and Vinh Phuc
2021	11	• Media reported coverage of possible 20% of iPhones 12mini production through partnership (or acquisition) with China's Wistron	• Foxconn invested USD270mn to its subsidiary FuKang Technology Company Limited.
	1H	• AirPods 3 (3rd generation model) will be produced.	• Assembly line for iPad and MacBook is expected to go into operation
	2H	• New AirPods Pro to be produced	

*Source: Press reports by year. KIS Vietnam Securities

2. Foreign investors and Vietnamese ETF investments and settings since Samsung entered the market

The ETF flow across Vietnam has increased dramatically since 2010. At the end of Nov 2020, total AUM reached USD1.2bn, 10 times higher than the number of 2010. Besides, Vietnam has become one of the main driver for the positive money flow across SEA. To be specific, Money inflow across Vietnam recorded at USD105mn (from the beginning of 2020 to the end of Nov 2020), three times higher than Thailand whilst Indonesia, Malaysia, and Philippines recorded the negative flow of money. This is the positive signal for Vietnam’s capital market where foreign investors are attracted.

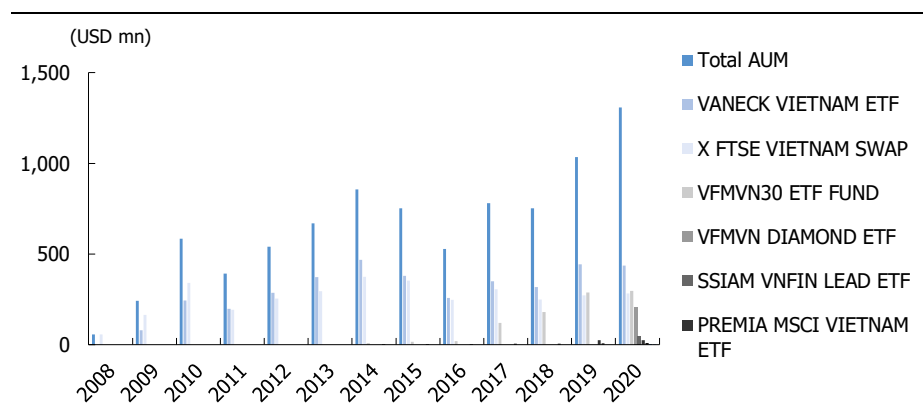
Figure 23. Net inflow/outflow of SEA countries since 2010



Source: Fiinpro, KIS

Besides, the diversified ETFs play an important role on the positive flow of money across Vietnam. Particularly, Vietnam’s ETFs have strongly developed since 2008 with the surge in AUM, from USD50mn in 2008 to nearly USD1,200mn in 2020. Notably, the new issued ETFs in 2020 which are VFMVN Diamond ETF and SSIAM VNFIN Lead ETF were the main contributors for the maintenance of positive flow of money across Vietnam. In terms of net flow, VFMVN Diamond ETF and SSIAM VNFIN Lead ETF recorded a net flow of USD90mn and USD25mn, respectively.

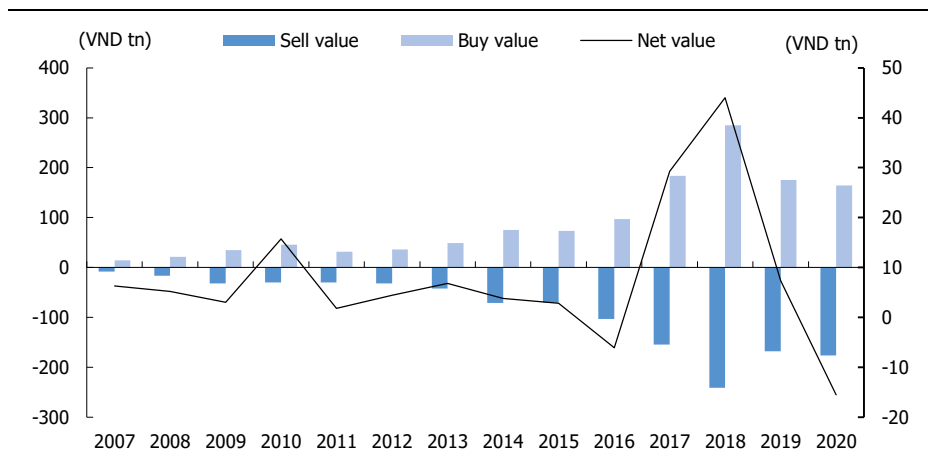
Figure 24. AUM of Vietnam’s major ETFs



Source: Fiinpro, KIS

However, foreign activities recorded at the negative level. Foreign investors' buying activities outperformed since 2007 which led to the net bought market. Up to Nov 2020, foreign selling activities have overwhelmed across the market. Net sell value recorded at VND15tn whilst the market ended up to be net bought from 2017 to 2019. To be specific, foreigner's selling activities have been increased 6% compared to 2019 while buying activities have been recorded the drop by 6%. The surge in foreign selling activities have been triggered by the uncertainty sentiment among the Vietnam capital market thanks to COVID-19 pandemic and the unclear result of US presidential election 2020 as well as the generated policies. As the result, money has flown to the other instruments so called “safe heaven”, such as bonds.

Figure 25. Yearly net foreign buy/sell (2007-2020)

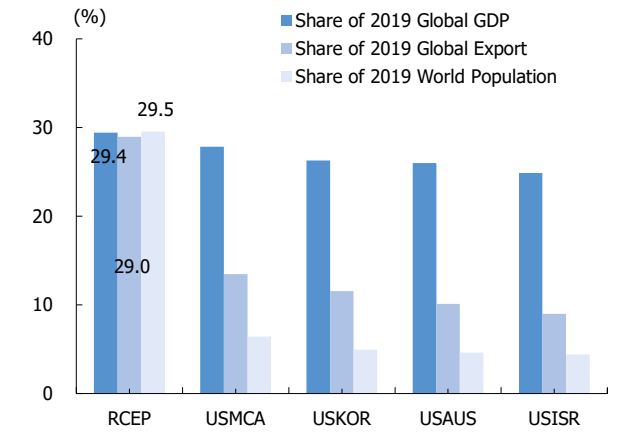


Source: Fiinpro, KIS

IV. FTA that can take effect all AT ONCE: CPTTP, EVFTA, RCEP

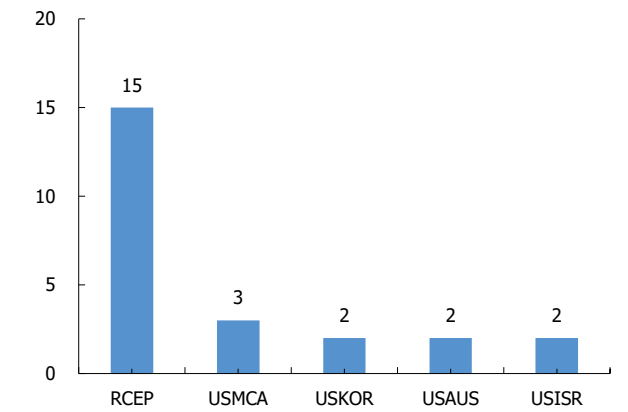
1. Facts of RCEP

RCEP, the biggest free trade agreement (FTA) ever. On 15 Nov 2020, leaders from 15 countries, including 10 ASEAN members, China, Republic of Korea, Japan, Australia, and New Zealand, witnessed the signing of the Regional Comprehensive Economic Partnership (RCEP or ASEAN+5), marking the world biggest free trade pact so far. According to 2019 international statistics, RCEP covers roughly 29.4 % of the world nominal gross domestic product (GDP), 29% of the global export value, and 29.5% of the world population. Regarding pact's purpose, RCEP aims to facilitate members' regional trade by eliminating tariffs and quotas over proximate 65% of goods and services traded and making business predictable with common rules of origin and transparent regulations.

Figure 26. RCEP vs top 4 FTAs

Source: GSO, IMF, KIS

RCEP: Regional Comprehensive Economic Partnership, USMCA: United States-Mexico-Canada Agreement (USMCA/CUSMA/T-MEC), USKOR: Korea, Republic of - United States, USAUS: United States – Australia, USISR: United States – Israel.

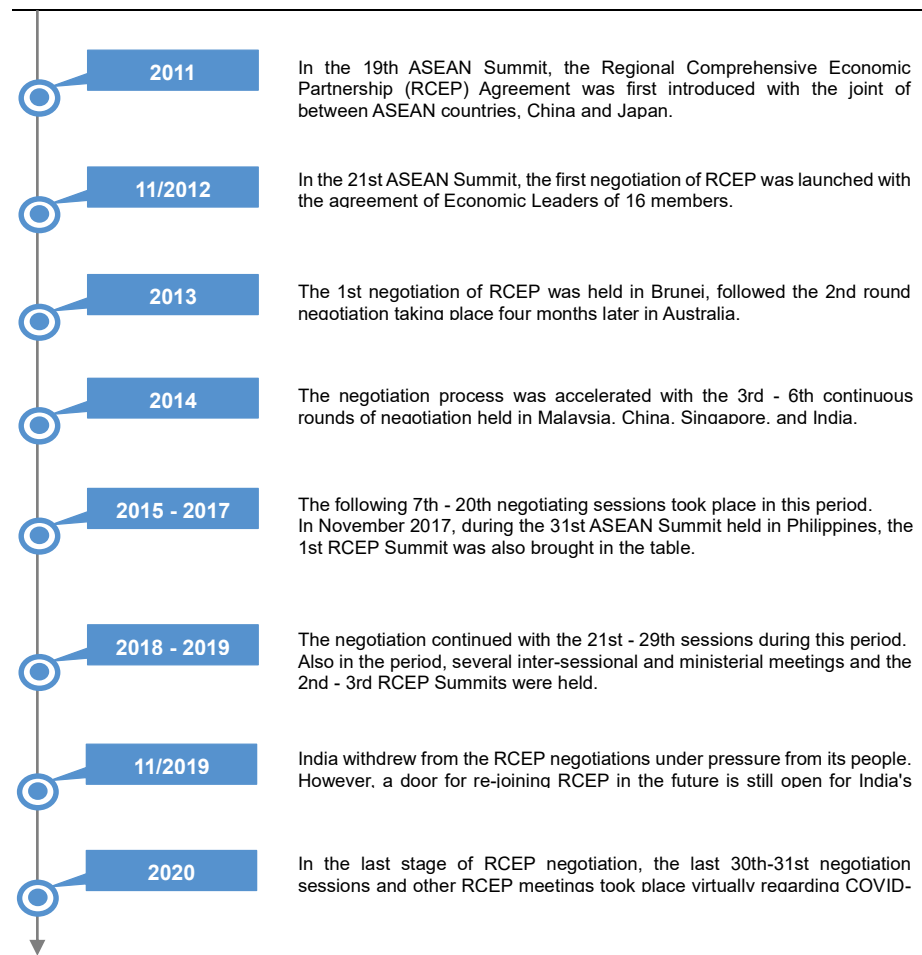
Figure 27. Number of members of top 5 FTAs

Source: WTO, KIS

The RCEP nearly came to fruition after a decade of negotiations and became more meaningful in the context of the COVID-19 slump. Back to early days in 2012, 10 ASEAN countries (including Vietnam, Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, and Thailand) with six other ASEAN's FTA partners – China, Japan, South Korea, Australia, New Zealand, and India – were launching the first negotiation to building “a modern, comprehensive, high-quality, and mutually beneficial economic partnership agreement”.

In an era of globalization, such a super multinational trade bloc like RCEP is exceptionally critical for the dynamic ASIAN countries as it helps facilitate manufacture-led economies to access to a wide free-trade area, which encompasses near about one-third of the global GDP - trade - population, than in a conventionally bilateral trade agreement. With great efforts being put by all members under China's lead, after 31 rounds of negotiating sessions and several meetings between Trade Ministers, 15 members – excluding India for now – have signed the finalization of RCEP Agreement in the 4th RCEP Summit on 15 November 2020.

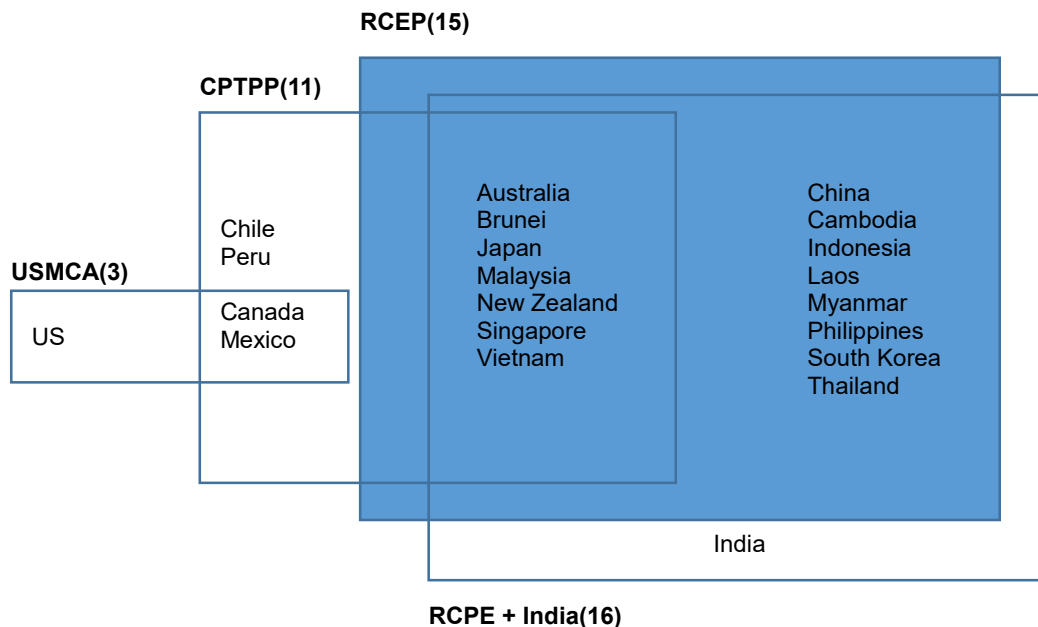
Finally, the RCEP will come into force 60 days after being ratified by at least six ASEAN nations and three non-ASEAN partners. For other cases if the government would have not yet ratified, the agreements will be effective 60 days after completing domestic procedures and notify the RCEP Depository that the process is done.

Figure 28. The timeline of RCEP

Source: [Vietnam WTO Center](#), KIS

RCEP overlaps with other existing agreements in terms of membership.

There are several bilateral or multilateral pacts between members being concluded or taking effect before the RCEP conclusion, such as the ASEAN- People's Republic of China Comprehensive Economic Cooperation Agreement (ACFTA), the ASEAN-Japan Comprehensive Economic Partnership (AJCEP). ACFTA is the most similar to RCEP with 11 over 15 overlapping countries, while the CPTPP includes seven similar countries. Major bilateral treaties, such as the Australia- People's Republic of China Free Trade Agreement (PRC-Australia FTA), Japan-Republic of Korea Free Trade Agreement (JKFTA), also contribute to the similarity of RCEP and existing FTAs in terms of membership.

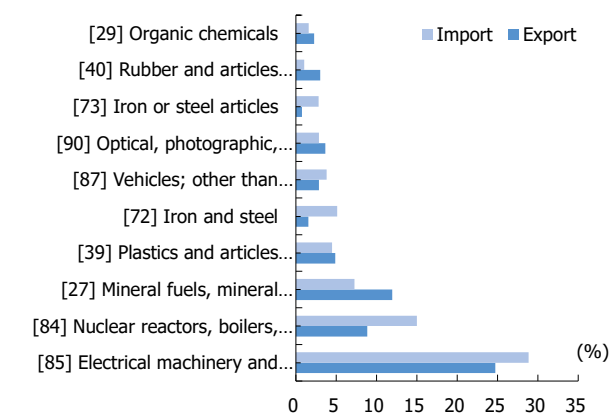
Figure 29. RCEP and other FTA involving the U.S, Asia, and the Pacific and 2019 GDP

Source: [WTO](#), KIS

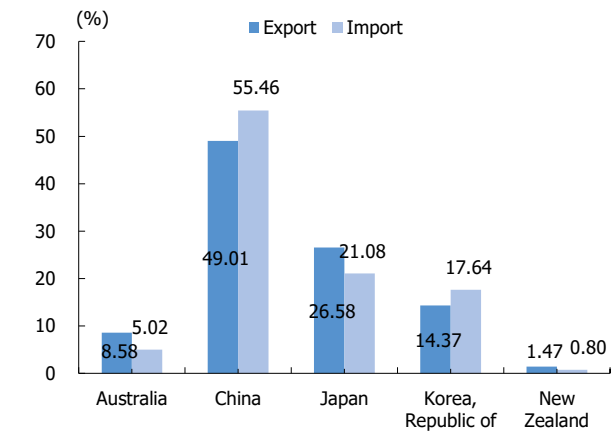
RCEP: Regional Comprehensive Economic Partnership, USMCA: United States-Mexico-Canada Agreement (USMCA/CUSMA/T-MEC), USKOR: Korea, Republic of - United States, USAUS: United States – Australia, USISR: United States – Israel.

A pact with a feature of China and computer, consumer electronics, and communication (3C) products. Regarding the structure of regional trade, HS85, HS84, HS27 are the most-traded product groups between the association of Southeast Asian Nations (ASEAN). In 2019, trading value of HS85, HS84, and HS27 posted USD52.14bn, USD23.81bn, and USD17.84bn, accounting for 27.05%, 12.35%, and 9.25%, respectively.

Regarding trading partners with ASEAN in RCEP members, China was the predominant member with its trading value reached USD10.36bn, consisting of 52.69% merchandise flow with ten major Southeast Asia countries. Japan and Korea posit in second and third place with their trading value of USD4.61bn and USD3.19bn, accounting for 23.44% and 16.24% of total value with ASEAN.

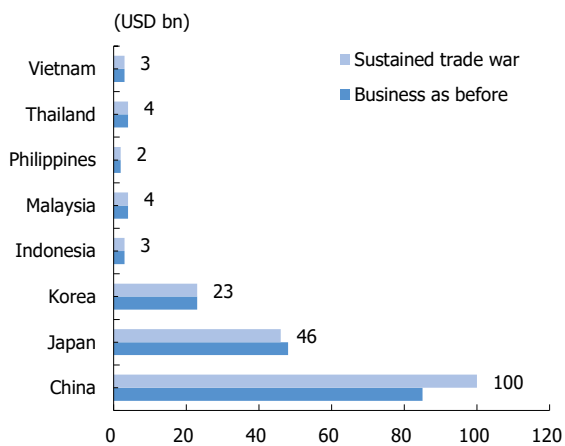
Figure 30. Top 10 ASEAN export/import item to rest of RCEPSource: [ASEAN](#), KIS

HS85: electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorders and reproducers, parts and accessories of such articles. HS84: nuclear reactors, boilers, machinery and mechanical appliances; parts thereof. HS27: mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.

Figure 31. Trade share of ASEAN with by countries in RCEPSource: [ASEANs](#), KIS

Rules of Origin (ROO) provision was the RCEP’s spotlight. Besides features of a free trade deal, tariff reduction, RCEP also harmonized various ROO and individual members' quotas. By concluding RCEP, dialogue countries will accept the unified ROO in assessing tariff preference. The ROO consolidation adds more tariff preference cases due to the combination of non-qualifying members into the bloc. ASEAN goods, which components from China, will also earn tax incentives as 100% local products. This complementary increases merchandise flows inter-regionally by motivating the comparative advantages.

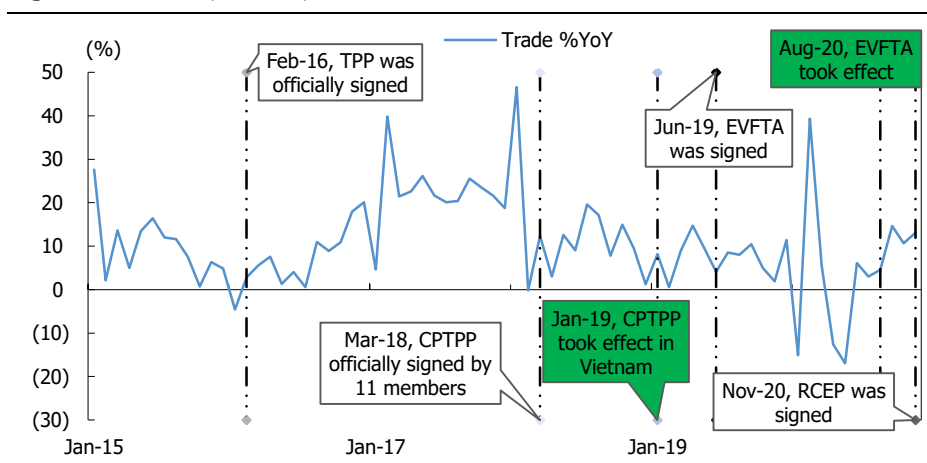
RCEP benefits all dialogue countries with various extents and put unfavorable implications for the U.S. The common rules of origin provision will highly favor China, Japan, and Korea in enhancing their competitiveness compared to the U.S. Countries participating in RCEP all benefit, while withdrawal from trade deals with the ASEAN region could affect the global position of the US. However, the interests from RCEP agreement are not equal over members because of the overlap with the FTAs becoming effective before. According to calculations of Petri and Plummer (2020), China is the most-benefited country from RCPE in terms of real income value, while Japan and Korea are the second and third beneficiaries. This is partly explained because according to TWO statistics, there were no strong free trade agreements between China, Japan, and Korea so far.

Figure 32. RCPE's beneficiariesSource: [Petri and Plummer \(2020\)](#), KIS**Figure 33. RCPE's beneficiaries: choropleth map**Source: [Petri and Plummer \(2020\)](#), KIS

2. Economic impact on Vietnam

After joining two modern trade agreements CPTPP and EVFTA in 2018 and 2020, Vietnam's economy also marked another milestone in late-2020 when joining the world-largest trade agreement RCEP. With the economy relying heavily on export and FDI, the Vietnam government is making great progress in increasing its role in international integration for trade expansion and FDI attraction. So far, CPTPP and EVFTA has contributed significantly in strengthening Vietnam's trade growth facing challenges from the weakening globalization in the pandemic era.

The U.S. – China trade war emerged nationalism by increasing tariff and non-tariff barriers, while COVID19 worsen the international trade as consumers became more conservative in spending. After the CPTPP took effect, Vietnam's trade value recorded USD43.81bn per month and grew averagely at 7.50% YoY until now and these corresponding figures for EVFTA were USD50.81bn and 11.66% YoY. Such impressive numbers support the positive effect of the world-largest pacts on Vietnam's trading flows. If CPTPP and EVFTA bring great opportunities directly to Vietnam export to new markets with remarkable reductions in tariff, RCEP can tie Vietnam products to regional value chain and lower production costs. More importantly, the application of the General Rule of Origin also helps Vietnam products with a low localization ratio enjoy tax incentives from the other members, including Japan and South Korea, which is relatively increasing the comparative advantages of Vietnam products after the RCEP will take into effect.

Figure 34. CPTPP, EVFTA, and RCEP milestones

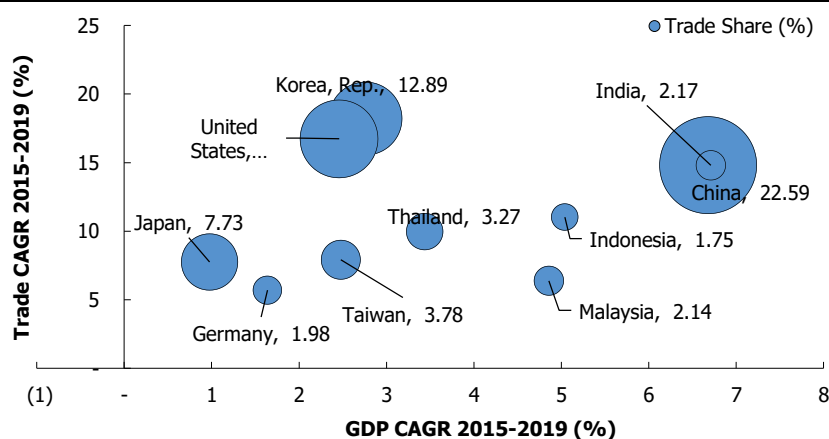
Source: [Vietnam WTO Center](#), KIS

RCEP: Regional Comprehensive Economic Partnership, USMCA: United States-Mexico-Canada Agreement (USMCA/CUSMA/T-MEC), USKOR: Korea, Republic of - United States, USAUS: United States – Australia, USISR: United States – Israel.

Given the spirit of comprehensive business and trade co-operations, the RCEP was expected to create more value for Vietnam's trade through regional tariff reduction and business predictability increase. RCEP's key members, such as China, Korea, and Japan, are important trading partners of Vietnam, and their participation is likely to boost Vietnam's export in merchandises with high relative competitiveness. In 2019, trading value with China, Korea, Japan consisted of 22.59%, 12.89%, and 7.73% of Vietnam's total trade. Besides, RCEP facilitates fair rivalry inter-regionally as an inherent part of any FTA body. Hence it motivates enterprises, including Vietnamese ones, to continuously improve their products and business.

More noticeably, the consolidation of the common rules of origin (ROO) facilitates trade by allowing members, including Vietnam, to apply a unified regulation instead of the previous five qualifying tariff preference procedures. Also, RCEP consolidates the custom clearance procedure and trade promotions. As a consequence of ROO, RCEP also increases competitiveness and opens the chance to Vietnam's products to approach markets that did not qualify the preferential tariff due to raw components originating from China such as Japan, Korea.

Furthermore, RCEP increases Vietnam's international position as a member of world-largest trading bloc. Through continuous participations in many agreements, Vietnam showed its evident stance toward more deepening business and investment cooperation. The RCEP signing also reflects the authority's consistent path in increasing the trade openness of the economy.

Figure 35. GDP growth and trade with Vietnam by partners

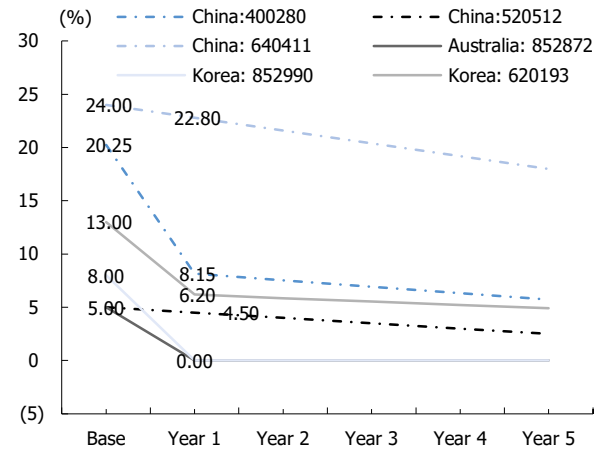
Source: GSO, IMF, KIS

However, the direct gain is limited because Vietnam has engaged in treaties with all RCEP's countries. In Petri and Plummer (2020)'s estimate, the inclusion makes an incremental change in real income of averagely USD3.00bn for Vietnam across all scenarios. Some reasons are explaining this moderate benefit. First, Vietnam has participated in negotiating, signing, and conducting some FTAs that their signatories also engage in RCEP. Therefore, the tariff preference level from RCEP is not material. According to 2019 trade WTO statistics, Vietnam exported telephones for cellular networks or for other wireless networks (HS 851770) of USD8.31bn to China and USD.23bn to Korea, accounting for 20.06% and 21.43% of respective total merchandise outflow to them. However, China and Korea's base tariff rates for this item from Vietnam were set at 0 percent at present. Hence, Vietnam will not earn more tariff preference from the new prominent regional pact.

Second, Vietnam's products in the early stage of RCEP will face challenges with high value-added goods from more-developed markets such as China, Japan, Korea. Although the slow tariff schedules allow firms to adjust their operations, the increasing disadvantages are inevitable. Also, Vietnam needs to upgrade its custom clearance procedure and business to meet the higher standards of more-advanced countries. Such change will improve the trade environment in the long-run, but it seems to incur cost and inconvenience somewhat in the short-run.

Figure 36. Vietnam export share (%) by country/HS

	Australia	China	Japan	Korea	NZ
030617	-	-	1.70	-	-
080132	-	-	-	-	3.83
081090	-	3.39	-	-	-
270900	3.11	-	1.84	-	-
400280	-	3.00	-	-	-
440122	-	-	2.44	-	-
520512	-	2.69	-	-	-
620193	-	-	-	1.88	-
620293	-	-	-	1.72	-
640411	3.40	-	-	-	2.67
851712	19.06	-	3.52	5.32	33.92
851762	3.87	-	-	-	2.63
851770	-	20.06	-	21.43	-
852872	5.85	-	-	-	6.49
852990	-	-	-	2.23	-
854231	-	14.02	-	-	-
854430	-	-	8.83	-	-

Source: [Vietnam WTO Center](#), KIS**Figure 37. RCPE tariff schedule on Vietnam major export items**Source: [WTO Center Vietnam](#), KIS

2021 Outlook

Dynamic Vietnam: “Tiger will awaken”

Sector Outlook

Summary	27
Industrial Estate	28
Seafood	32
Banks	41
Construction and Materials	49
Residential property	53
Aviation	57
Other stock: MWG	65

Sector outlook summary

Sector	Investment Point	Top picks
Industrial Estate	<ul style="list-style-type: none"> - Vietnam's position is highly regarded in the eyes of foreign investors - Free trade agreements (FTAs) attract more FDI flows to Vietnam - Rising factories and warehouses for lease from foreigners - Sustained rent growth in FY21F-22F expected 	PHR
Seafood	<ul style="list-style-type: none"> - Export volume recovery to resume in 2021 - EVFTA and UKFTA to unlock more upside for Vietnam seafood in the EU and the U.K. - The U.S. tax tariff on Vietnamese goods is the key risk of Vietnam seafood export to the U.S. 	VHC
Banks	<ul style="list-style-type: none"> - Credit accelerates on bright GDP outlook - Strong bottom line growth in 2021F 	ACB, TCB, VPB
Construction and Materials	<ul style="list-style-type: none"> - More clear signs of recovery of construction steels in FY21F - Crushed construction stones buoyant by infrastructure spending on Mekong Delta region - Furniture maintain momentum growth on U.S. tariff - Cement industry is not out of the wood yet 	HPG
Residential property	<ul style="list-style-type: none"> - Infrastructure spending a key stimulant of property demand - Bank policy for mortgage remains favorable in FY21F - Regulatory amendments improve licensing process 	DXG
Aviation	<ul style="list-style-type: none"> - Restructuring is most important - Air cargo – the strong recovery - Opportunities from a structural shift in manufacturing 	SCS

Industrial Estate

Overweight

► Three keywords

- Vietnam is rising star when controlling successfully COVID-19
- Trend of moving out of China for diversifying production, minimizing risk from centralized supply chain is going on
- Sustained rent growth in FY21F-22F expected

► Top pick

Phuoc Hoa (PHR, Not rated)			
	2017A	2018A	2019A
PE (x)	20.8	16.4	25.8
PB (x)	2.3	3.4	3.5
EV/EBITDA (x)	25.0	37.5	27.4
DY (%)	3.0	2.7	3.5
EPS (VND)	4,147	4,674	2,863
BPS (VND)	28,887	19,302	18,661

Hot and hotter

Investment summary

Vietnam's position is highly regarded in the eyes of foreign investors

According to a Standard Chartered survey conducted in 2020, Vietnam continues to be the most popular destination that 38% respondents consider expanding their business in Vietnam in the following three years, followed by Cambodia, Myanmar, Bangladesh and Thailand. Favorable geographic location, low operating costs and tax incentives combining with tightly pandemic controlling ability, Vietnam is considered to be a bright spot for multinational enterprises, to avoid the escalating China-US trade tensions

Free trade agreements (FTAs) attract more FDI flows to Vietnam

When businesses move production into Vietnam, some of them would like to enjoy the tax subsidies from FTAs which Vietnam signed and forced into effective. The export tax on goods from Vietnam to the EU will be eliminated after the EVFTA comes into effect, or after a short time (maximum of seven years). This is the highest level of commitment that Vietnam has achieved under the FTAs signed so far. The EVFTA will help motivate manufacturing investment companies to come to Vietnam, helping maintain strong FDI inflows into the Southeast Asian nation in the coming years, in our view.

Rising factories and warehouses for lease from foreigners

While large firms decide to lease land for building factories, more and more small and medium-sized enterprises have the demand of leasing ready-built or built-to-suit factories/ warehouses for saving time and initial investment costs. Catching the trend, more and more industrial real estate investors and developers have been building factories/ warehouses for lease. the total acreage of factories and warehouses for rent may reach 10 million square meters, mostly in the provinces and cities located in the Northern and the Southern region.

Sustained rent growth in FY21F-22F expected

The land rental prices in FY20F witnessed strong performance of the both markets with an average increase of 9.7% yoy (end 2Q20) to USD105/sq m/lease term in Southern provinces and 6.9% yoy (end 3Q20) to USD96/sq m/lease term in Northern provinces. We believe the upward trend in rents to remain bullish in FY21F with a 7-10% yoy rise

Top pick

We stay positive on Phuoc Hoa Rubber thanks to its firm earnings growth outlook in FY21F, +15% yoy driven by the land compensation from VSIP 3 industrial park and rising rubber price

Nhan Lai

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Phuoc Hoa Rubber (PHR)

Not rated

Stock price (Dec 24, VND)	64,000
Market cap (USD mn)	375
Shares outstanding (mn)	135
52W High/Low (VND)	66,200/31,731
6M avg. daily turnover (USD mn)	2.8
Free float (%)	32.4
Foreign ownership (%)	13.7
Vietnam Rubber Group	66.6
VOF Investment Limited	4.9

Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2015A	1,227	156.48	212	2,697	(19.8)	123.6	30.9	45.1	2.5	9.5	3.0
2016A	1,178	158.22	220	2,804	4.0	127.0	31.8	46.4	2.4	9.8	2.7
2017A	1,654	232.72	326	4,147	47.9	232.9	20.8	25.0	2.3	13.8	3.5
2018A	1,558	362.07	628	4,674	12.7	242.0	16.4	37.5	3.4	24.7	3.0
2019A	1,639	373.41	450	2,863	(38.7)	320.3	25.8	27.4	3.5	17.0	4.6

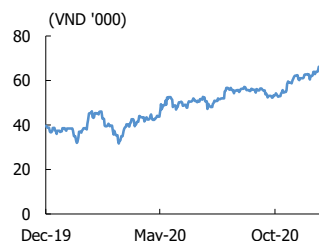
Note: NP and EPS attributed to controlling interest

Confidence begets opportunities

Performance

	1M	6M	12M
Absolute (%)	2.7	31.5	66.4
Rel. to VNI (%p)	(4.8)	5.6	52.8

Stock price



Land compensation from VSIP 3 industrial park lead FY21F net profit growth. We recommend PHR as our top sector pick. The company is poised to become one of the leading industrial operators in the Southern thanks to its thousands hectare land bank from unfertile rubber plant. In FY21F, we expect PHR could receive at least VND898bn from the land compensation in VSIP 3 industrial park.

Rising rubber price from demand for rubber in China. Rubber price reached the highest level in years on October 29th, 2020 after a Reuters poll showed that China's economy in 2021 would recover strongly from the recession caused by the Covid-19 pandemic. ANRPC forecasts that the trend of rising rubber prices will continue to exist in the coming months, mainly due to the recovery of China's manufacturing sector, amid an increase in car sales in India and the prospect of a new economic stimulus program in the U.S. September was the first month the automobile industry recovered almost globally, after a long period of decline caused by the Covid-19 epidemic.

Earnings growth in FY21F of double-digits is secured. We forecast the revenue and net profit could reach to VND1,891bn and VND1,222bn, 97.2% yoy and 18.7% yoy respectively thanks to optimistic rubber market and the land compensation profit from VSIP 3 IP.

Balance sheet

(VND bn)

FY-ending Dec.	2015A	2016A	2017A	2018A	2019A
Current assets	890	1,194	1,051	1,369	2,302
Cash & cash equivalents	602	825	539	707	1,638
Accounts & other receivables	107	160	218	297	227
Inventory	148	177	258	308	327
Non-current assets	2,333	2,505	2,899	3,434	3,159
Investment assets	533	622	923	1,212	1,427
Tangible assets	1,801	1,884	1,976	2,222	1,732
Intangible assets	110	192	381	342	503
Total assets	3,300	3,860	4,295	5,087	5,855
Current liabilities	33	90	194	55	31
Accounts & other payables	75	253	529	1,202	1,552
ST debt & bonds	26	43	69	63	76
Current portion of LT debt	359	274	320	500	999
Non-current liabilities	360	603	463	127	99
Debentures	254	232	239	377	419
LT debt & financial liabilities	1,107	1,565	1,884	2,400	3,253
Total liabilities	2,135	2,236	2,349	2,615	2,529
Paid-in capital	813	813	813	1,355	1,355
Capital surplus	2	0	0	21	21
Other reserves	1,006	1,047	1,245	927	1,034
Retained earnings	314	377	290	312	119
Shareholders' equity	58	59	63	71	72

Cash flow

(VND bn)

FY-ending Dec.	2015A	2016A	2017A	2018A	2019A
C/F from operations	244	265	115	468	641
Net profit	215	223	330	644	488
Depreciation	45	49	51	71	85
Amortization					
Net incr. in W/C	(70)	128	(104)	230	263
Others					
C/F from investing	(73)	(182)	(179)	(171)	(202)
Capex	(144)	(291)	(236)	(176)	(169)
Decr. in fixed assets					
Incr. in investment	134	(176)	344	103	115
Net incr. in intangible assets					
Others					
C/F from financing	(298)	80	(276)	(274)	(280)
Incr. in equity	14	0	1	118	0
Incr. in debt	(151)	221	(134)	(203)	20
Dividends	(160)	(141)	(143)	(189)	(300)
Others					
C/F from others					
Increase in cash	(64)	(122)	(53)	122	307

Income statement

(VND bn)

FY-ending Dec.	2015A	2016A	2017A	2018A	2019A
Sales	1,227	1,178	1,654	1,558	1,639
COGS	1,058	1,020	1,370	1,283	1,286
Gross profit	169	158	284	274	353
SG&A expenses	91	80	102	103	118
Operating profit	79	78	182	171	235
Financial income	73	77	75	163	187
Interest income	48	33	47	53	100
Financial expenses	35	21	51	41	48
Interest expenses	35	19	49	28	30
Other non-operating profit	105	101	179	408	234
Gains (Losses) in associates, subsidiaries and JV	40	25	26	69	(1)
Earnings before tax	261	260	412	770	607
Taxes	46	36	81	126	119
Net profit	215	223	330	644	488
Other comprehensive profit	3	3	5	15	38
Total comprehensive profit	212	220	325	628	450
EBITDA	124	127	233	242	320

Key financial data

FY-ending Dec.	2015A	2016A	2017A	2018A	2019A
Per-share data (VND)					
EPS	2,697	2,804	4,147	4,674	2,863
BPS	26,259	27,507	28,887	19,302	18,661
DPS	1,000	1,000	1,000	1,000	1,000
Growth (%)					
Sales growth	(23.5)	79.7	14.9	61.3	25.1
OP growth	(48.8)	65.0	84.5	54.7	14.4
NP growth	(19.8)	55.7	38.9	61.8	3.2
EPS growth	(19.8)	32.8	(34.4)	61.1	(22.8)
EBITDA growth	(38.7)	65.6	84.5	54.7	15.0
Profitability (%)					
OP margin	6.4	6.6	11.0	11.0	14.4
NP margin	17.5	18.9	20.0	41.3	29.8
EBITDA margin	10.1	10.8	14.1	15.5	19.5
ROA	6.3	6.1	8.0	13.4	8.2
ROE					
Dividend yield					
Dividend payout ratio	37.1	35.7	24.1	21.4	34.9
Stability					
Net debt (VND bn)	13	10	163	(202)	(1,120)
Int.-bearing debt/equity (%)	0.6	0.4	6.8	(7.5)	(43.0)
Valuation (x)					
PE	NM	30.3	62.0	31.8	21.4
PB	NM	2.9	7.3	6.0	4.7
EV/EBITDA	NM	19.2	32.3	18.7	12.7

Coverage valuation

Recommendation & TP			Earnings & Valuation										
Company				Sales	OP	NP	EPS	BPS	PE	PB	ROE	EV/EBITDA	DY
				(VND bn)	(VND bn)	(VND bn)	(VND)	(VND)	(x)	(x)	(%)	(x)	(%)
Vietnam Rubber Group (GVR)	Recommendation	Not-rated	2015A	15,069	1,415	1,712	654	14,970	41.6	1.8	4.0	30.0	0.0
	TP (VND)	N/A	2016A	15,545	2,219	2,489	952	15,661	28.6	1.7	5.6	25.8	0.0
	Price (Dec 24, VND)	27,200	2017A	20,048	3,480	3,478	1,271	15,946	21.4	1.7	7.5	17.3	0.0
	Market cap. (VND bn)	108,800	2018A	19,713	2,389	2,596	647	11,165	41.9	2.4	5.3	31.2	0.9
			2019A	19,804	2,918	3,250	813	11,687	33.5	2.3	6.5	25.9	2.2
Becamex (BCM)	Recommendation	Not-rated	2015A	7,338	585	485	585	11,687	72.6	3.6	4.3	50.5	0.00
	TP (VND)	N/A	2016A	7,300	849	787	990	13,718	42.9	3.1	6.5	45.8	0.00
	Price (Dec 24, VND)	42,500	2017A	6,804	1,012	842	1,059	12,174	40.1	3.5	7.1	39.1	0.00
	Market cap. (VND bn)	43,987	2018A	6,538	2,545	2,171	2,013	12,169	19.8	3.5	17.9	26.5	1.41
			2019A	8,213	2,896	2,487	2,281	14,129	17.7	3.0	17.0	28.5	0.94
Phuoc Hoa (PHR)	Recommendation	Not-rated	2015A	1,227	156.48	212	2,697	26,259	30.9	2.5	9.5	45.1	3.0
	TP (VND)	N/A	2016A	1,178	158.22	220	2,804	27,507	31.8	2.4	9.8	46.4	2.7
	Price (Dec 24, VND)	64,000	2017A	1,654	232.72	326	4,147	28,887	20.8	2.3	13.8	25.0	3.5
	Market cap. (VND bn)	8,671	2018A	1,558	362.07	628	4,674	19,302	16.4	3.4	24.7	37.5	3.0
			2019A	1,639	373.41	450	2,863	18,661	25.8	3.5	17.0	27.4	4.6
Kinh Bac (KBC)	Recommendation	Hold	2017A	1,260	473	585	1,244	17,644	16.6	1.2	7.3	26	0.0
	TP (VND)	-	2018A	2,490	1,161	746	1,587	19,232	13.0	1.1	8.6	11	0.0
	Price (Dec 24, VND)	20,650	2019F	3,210	1,533	918	1,955	20,187	10.6	1.0	9.9	7	4.8
	Market cap. (VND bn)	9,700	2020F	2,719	965	593	1,262	21,449	16.4	1.0	6.1	10	0.0
			2021F	3,249	1,222	780	1,661	23,111	12.4	0.9	7.5	7	0.0
Nam Tan Uyen (NTC)	Recommendation	Hold	2017A	146	63	142	8,905	23,720	31.7	11.9	42.6	32.7	0.5
	TP (VND)	-	2018A	532	438	456	28,476	36,810	9.9	7.7	94.1	6.2	2.1
	Price (Dec 24, VND)	288,000	2019F	194	86	237	14,782	36,287	19.1	7.8	40.4	24.7	5.3
	Market cap. (VND bn)	6,767	2020F	283	146	285	17,808	43,760	15.8	6.4	39.5	16.2	2.8
			2021F	339	164	284	17,719	51,707	15.9	5.5	41.2	17.1	2.8
Long Hau (LHG)	Recommendation	Hold	2017A	488	192	166	6,157	25,693	5.6	1.6	23.6	0.7	4.4
	TP (VND)	-	2018A	430	173	176	3,519	21,822	9.7	1.5	19.2	5.6	4.4
	Price (Dec 24, VND)	34,300	2019F	599	145	143	2,854	22,923	12.0	1.4	15.3	5.7	5.5
	Market cap. (VND bn)	1,717	2020F	666	203	174	3,475	24,012	9.9	1.3	17.6	4.7	5.5
			2021F	795	302	224	4,470	25,658	7.7	1.2	20.9	3.4	5.5

Source: Company data, KIS

Seafood

Overweight

► Three keywords

- Export volume recovery to resume in 2021
- EVFTA and UKFTA to unlock more upside for Vietnam seafood in the EU and the U.K.
- The U.S. tax tariff on Vietnamese goods is the key risk of Vietnam seafood export to the U.S.

► Top pick

Vinh Hoan Corp (VHC, BUY, TP VND50,000)			
	2019A	2020F	2021F
PE (x)	9.0	6.6	5.5
PB (x)	1.4	1.2	1.1
EV/EBITDA (x)	5.6	3.9	3.0
DY (%)	4.8	4.8	4.8
EPS (VND, adj.)	4,608	6,268	7,488
BPS (VND, adj.)	29,436	33,709	39,181

- Pangasius fillet export to recover post-2020
- Collagen & Gelatin revenue to surge on the back of factory capacity expansion

More brilliant post-2020

Investment summary

Export volume recovery to resume in 2021

For 2021, we focus on pangasius export volume recovery in core markets, including EU, China and the U.S. Under worldwide pandemic, seafood consumption via restaurant channel has been hit seriously due to restaurant closure. However, seafood has proved itself as essential products and see demand increase via retailing channel in social distancing period. In 2021, we expect that (1) China's successful pandemic control will buoy traffic recovery of restaurant activities, (2) new normal society status in the U.S. and EU continues to promote pangasius consumption via retailing channel, (3) Covid-19 Vaccination Program of developed countries, which will be accelerated in 2021, will be a boost for Vietnam pangasius export since 2021.

Besides, as we are concerned herd immunity thanks to vaccine can only be reality by the end of 2021, seafood consumption via retailing channel still find growth upside in 2021, focusing on high-margin processed seafood products, which contributed smaller revenue portion of Vietnam seafood exporters but delivered higher selling price and higher gross margin.

EVFTA and UKFTA to unlock more upside for Vietnam seafood in the EU and the U.K.

As being mentioned several times before, valid EVFTA will bring benefits for Vietnam exporters thanks to favorable export tax rate. Furthermore, Vietnam has reached UKFTA with the U.K. with the equivalent tax basis versus EVFTA, which will erase the long-term impact of Brexit on Vietnam seafood export.

The U.S. tax tariff on Vietnamese goods is the key risk of Vietnam seafood export to the U.S.

The U.S. Treasury Department branded Vietnam as currency manipulator. Although we are still waiting for the negotiation between Vietnam and the U.S. to achieve better results, we are concerned that President Donald Trump can promote faster penalties, likely to be preliminary subsidy tax imposition, on Vietnamese goods in the last days of his presidency. If this worst case become reality, this penalty will cause significantly negative impacts to Vietnam seafood exporters business.

Top pick: Vinh Hoan Corporation

Our top pick is Vinh Hoan Corp with a TP of VND50,000. Total expected return is 26.1%, including VND2,000 cash dividend.

Toan Dao

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Sector information summary

Listed pangasius companies

Company	Ticker	Exchange	Outstanding shr (mn)	Mkt price (VND)	Mkt cap (VND bn)	Revenue 9M20 (VND bn)	NPAT 9M20 (VND bn)	ROE (%)	PE (x)	PB (x)
Vinh Hoan	VHC	HOSE	181.9	41,600	7,569	5,152	552	14.7	10.0	1.4
Sao Mai Group	ASM	HOSE	258.9	17,000	4,401	9,002	430	8.5	8.4	1.1
Nam Viet	ANV	HOSE	127.1	22,250	2,829	2,535	116	13.2	8.9	1.2
I.D.I Corp	IDI	HOSE	227.6	7,290	1,660	4,456	73	3.4	18.1	0.6
TRISEDCO	DAT	HOSE	46.0	31,700	1,458	1,567	36	8.5	27.3	2.2
CL Fish Corp	ACL	HOSE	50.2	14,000	702	660	14	4.0	26.2	1.0

Listed shrimp companies

Company	Ticker	Exchange	Outstanding shr (mn)	Mkt price (VND)	Mkt cap (VND bn)	Revenue 9M20 (VND bn)	NPAT 9M20 (VND bn)	ROE (%)	PE (x)	PB (x)
Sao Ta Foods	FMC	HOSE	49.0	35,750	1,753	3,214	162	22.6	7.7	1.7
CAMIMEX Group	CMX	HOSE	30.4	15,950	485	1,123	44	20.3	3.9	1.3
Aquatex Bentre	ABT	HOSE	11.5	31,100	358	249	13	4.0	21.9	0.9
Minh Phu Seafood	MPC	UPCoM	199	28,700	5,693	10,018	475	10.5	10.8	1.1

Source: Fiinpro, KIS

Vinh Hoan Corp (VHC)

BUY / TP VND50,000

Stock price (Dec 22, VND)	41,000
Market cap (USD mn)	322
Shares outstanding (mn)	182
52W High/Low (VND)	46,250/19,590
6M avg. daily turnover (USD mn)	1.18
Free float (%)	50.2
Foreign ownership (%)	30.9
Major shareholders (%)	
Truong Thi Le Khanh	43.5
Mitsubishi Corp	6.5

Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2018A	9,271	1,685	1,442	15,489	153.2	1,842	2.7	4.4	0.9	41.5	9.7
2019A	7,867	1,132	1,179	6,371	(58.9)	1,298	6.5	5.2	1.5	26.5	-
2020F	7,241	903	858	4,608	(27.7)	1,108	9.0	5.6	1.4	16.8	4.8
2021F	8,036	1,194	1,161	6,268	36.0	1,429	6.6	3.9	1.2	20.2	4.8
2022F	8,840	1,402	1,382	7,488	19.5	1,629	5.5	3.0	1.1	20.8	4.8

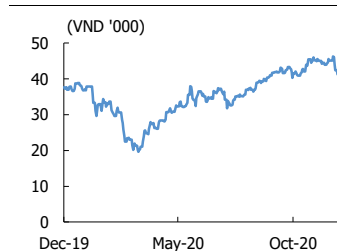
Note: NP and EPS attributed to controlling interest

NPAT to surge on Collagen & Gelatin

Performance

	1M	6M	12M
Absolute (%)	(10.1)	16.3	10.0
Relative (%)	(17.6)	(9.6)	(3.5)

Stock price



Pangasius fillet export to recover post-2020. We focus on (1) the recovery of pangasius export volume in top markets (the U.S., EU, China) and (2) better demand for processed pangasius fillet in 2021, in the context of remaining low average export price.

We view that New President of United States, Joe Biden, will enforce policies that strengthen Vinh Hoan's long-term dominant position in the U.S. market, including stronger efforts on refraining pandemic's spread, low ability to reverse trade war's terms on tax tariffs in 2021 and the focus on technical barriers.

We expect pangasius fillet revenue to recover post-2020 thanks to export price improvement as pangasius material price has rebounded since 4Q20. We estimate Vinh Hoan will reach VND6,764bn pangasius related-fillet revenue in 2021 (+3.4% yoy).

Collagen & Gelatin revenue to surge on the back of factory capacity expansion. We expect Collagen & Gelatin will continue its revenue blossom in 2021 thanks to new capacity commenced in 4Q20. We estimate Vinh Hoan's Collagen & Gelatin will reach VND1,272bn revenue (+83% yoy) and VND407bn NPAT (accounting for 35% of total NPAT) in 2021, becoming earning growth pillar of Vinh Hoan post-2020.

Risks. The U.S. DOC can impose subsidy tax rate on Vietnam seafood exporters due to the currency manipulation designation. In the worst case that Vietnam seafood products will suffer from subsidy tax rate, we estimate that Vinh Hoan can lose nearly 12% NPAT in 2020.

Recommendation. We maintain our base case as the target scenario in 2021 with the assumption that Vietnamese government will co-operate well with the U.S. to erase currency manipulation designation before receiving any serious penalty. Basing on the back of recovery of pangasius fillet export revenue and Collagen & Gelatin revenue surge, we estimate VHC target price to be VND50,000 by the end of 2021. Including VND2,000 cash dividend, total expected return is 26.1%. **BUY.**

The impact of currency manipulation on Vinh Hoan business

Vinh Hoan can be imposed subsidy tax tariff by The U.S. DOC

The U.S. Treasury Department (The U.S. Treasury) designated Vietnam as currency manipulator for the first time. As being branded as currency manipulator, Vietnam export can suffer from tax subsidy tariff as the penalty with highest probability. Particularly, The U.S. Commerce Department (The U.S. DOC) will receive result of The U.S. Treasury as input factor to continue its process to determine which product will suffer penalty and the particular subsidy tax rate. To impose subsidy tax tariff on one imported product, the U.S. DOC needs to clarify how much damage currency manipulation has caused to the U.S. domestic industry.

As the U.S. white fish industry has equivalent aquaculture process to Vietnam white fish aquaculture process, Vietnam pangasius exporters can completely suffer from subsidy tax tariff in the case that The U.S. DOC still labels Viet Nam as currency manipulator. Recalling to the impact of currency undervaluation on Vietnam tires, The U.S. DOC imposed tax tariffs range from 6.23% to 10.08%. Therefore, as other factors will be unchanged, we have our view that Vietnam seafood exporters can be imposed the same tariff rate of around 6% due to currency undervaluation. We designate 6% subsidy tax rate stating from the early 2021 as our worst case for Vinh Hoan.

Vinh Hoan can lose 12% NPAT in 2020 due to the impact of subsidy tax tariff. We view that the impact of subsidy tax tariff on Vinh Hoan will focus on the profit margin contraction in the U.S. Meanwhile, the decision to leave the U.S. is unlikely to occur, Vinh Hoan will maintain its current structure of export market, explained by:

- **Vinh Hoan’s long-standing dominance in the U.S.** Vinh Hoan has established its dominance position in the U.S. by complying with stringent standards, maintaining zero anti-dumping tariff in many years and possessing loyalty customer base. Excluding Vinh Hoan, no other Vietnam exporter gains this success in the U.S. market. Besides, on the aspect of price and demand volatility, pangasius export to The U.S. shows more stability than those of other markets.
- **Even suffering from subsidy tax tariff, the U.S. still shows more attractive profit than that of other markets.** Basing on the assumption that Vinh Hoan’s export to the U.S. will suffer subsidy tax rate of 6%, we estimate Vinh Hoan’s operating profit of export to the U.S. will drop 12.5% compared to the figure of 0% subsidy tax rate. Especially, even suffering from 6% subsidy tax tariff, Vinh Hoan’s operating profit of export to the U.S. still remain higher than those of export to EU and China, mainly thanks to higher of export price.
- **Collagen & Gelatin will face no negative impact** thanks to the lack of the U.S. rivals. Vinh Hoan is currently the unique pangasius processor producing Collagen & Gelatin from pangasius skin. We view that the difference from Collagen & Gelatin origin is one advantage for Vinh Hoan’s Collagen & Gelatin product to get rid of subsidy tax tariff.

Therefore, the best solution for Vinh Hoan in our worst case is maintaining its market structure, which has been held solidly in many years, until Viet Nam is removed from list of currency manipulator. Hence, the impact of subsidy tax tariff will reflect totally to operating profit via contracting gross margin during the period of tax application.

Overall, we estimate that Vinh Hoan will record subsidy tax deposit of nearly VND144bn in the whole 2021. Vinh Hoan will post NPAT of VND847bn, decreasing 24.4% compared to our NPAT estimate of 0% subsidy tax rate. However, Vinh Hoan can still reach double-digit 2021 NPAT growth of 11.5% yoy in our worst case, thanks to the NPAT surge of Collagen & Gelatin, which will face negligible impact from currency manipulation, per our expectation.

In our worst case, we downgrade to Hold from BUY for VHC share at TP of VND37,000

In our worst case for Vinh Hoan, we lower our target price (TP) for VHC share by 26% to VND37,000/share and downgrade to Hold as we believe the market price plunge of VHC share price (-20% over the last one week) has fully reflected the negative impact of currency manipulation. Our TP decrease is mainly driven by the 24.4% decrease compared to our NPAT estimate of 0% subsidy tax rate.

2021 KIS estimates for different cases of subsidy tax rate

(VND bn, VND)

	Subsidy tax rate			
	0%	4%	5%	6%
NPAT	1,161	890	869	847
EPS	6,268	4,783	4,665	4,548
Target price	50,000	38,300	37,500	37,000

Balance sheet

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021A	2022A
Current assets	4,040	4,514	4,248	5,018	5,946
Cash & cash equivalents	651	1,578	1,395	1,917	2,575
Accounts & other receivables	2,003	1,522	1,506	1,650	1,795
Inventory	1,386	1,414	1,346	1,451	1,577
Non-current assets	2,045	1,841	1,879	1,865	2,061
Fixed assets	1,656	1,840	1,879	1,865	2,061
Investment assets	389	1	-	-	-
Others	213	257	120	120	120
Total assets	6,299	6,612	6,246	7,003	8,128
Advances from customers	11	20	14	16	18
Unearned revenue	-	-	-	-	-
Trade payables	274	282	269	290	315
Others	728	567	472	562	664
ST debt & due bonds	1,269	866	134	-	-
LT debt & bonds	-	-	-	-	-
Total liabilities	2,283	1,735	889	868	997
Controlling interest	4,015	4,875	5,356	6,133	7,129
Capital stock	924	1,834	1,834	1,834	1,834
Capital surplus	224	224	224	224	224
Other reserves	-	(114)	(114)	(114)	(114)
Retained earnings	2,867	2,932	3,412	4,190	5,186
Minority interest	-	2	2	2	2
Shareholders' equity	4,015	4,877	5,358	6,135	7,131

Income statement

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021A	2022A
Sales	9,271	7,867	7,241	8,036	8,840
COGS	7,232	6,334	6,032	6,502	7,064
Gross profit	2,039	1,533	1,209	1,534	1,776
SG&A expenses	354	401	307	340	374
Operating profit	1,685	1,132	903	1,194	1,402
Financial income	137	251	95	107	145
Interest income	65	76	95	107	145
Financial expenses	167	90	37	2	-
Interest expenses	56	60	37	2	-
Other non-operating profit	(85)	147	-	-	-
Gains (Losses) in associates, subsidiaries and JV	79	14	-	-	-
Earnings before tax	1,688	1,309	961	1,299	1,547
Income taxes	245	130	102	138	165
Net profit	1,442	1,179	858	1,161	1,382
Net profit of controlling interest	1,442	1,179	858	1,161	1,382
EBITDA	1,842	1,298	1,108	1,429	1,629

Cash flow

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021A	2022A
C/F from operations	680	1,489	1,116	1,241	1,445
Net profit	1,442	1,179	858	1,161	1,382
Dep'n & Amort'n	156	165	205	235	227
Net incr. in W/C	(918)	145	52	(155)	(164)
C/F from investing	(702)	(743)	(205)	(221)	(423)
Capex	(545)	(361)	(205)	(221)	(423)
Incr. in investment	(157)	(383)	-	-	-
C/F from financing	20	(703)	(1,096)	(498)	(364)
Incr. in equity	10	(114)	-	-	-
Incr. in debt	373	(403)	(732)	(134)	-
Dividends	(363)	(185)	(364)	(364)	(364)
C/F from others	235	884	-	-	-
Increase in cash	233	927	(184)	522	658

Key financial data

FY-ending Dec.	2018A	2019A	2020A	2021A	2022A
Per-share data (VND, adj.)					
EPS	15,489	6,371	4,608	6,268	7,488
BPS	43,452	27,008	29,436	33,709	39,181
DPS	4,000	-	2,000	2,000	2,000
Growth (%)					
Sales growth	13.7	(15.1)	(8.0)	11.0	10.0
OP growth	121	(32.8)	(20.3)	32.3	17.4
NP growth	139	(18.2)	(27.2)	35.2	19.1
EPS growth	153	(58.9)	(27.7)	36.0	19.5
EBITDA growth	92	(29.5)	(14.6)	29.0	13.9
Profitability (%)					
OP margin	18.2	14.4	12.5	14.9	15.9
NP margin	15.6	15.0	11.9	14.4	15.6
EBITDA margin	19.9	16.5	15.3	17.8	18.4
ROA	25.4	18.3	13.4	17.5	18.3
ROE	41.5	26.5	16.8	20.2	20.8
Dividend yield	9.8	-	4.9	4.9	4.9
Dividend payout ratio	25.8	-	43.4	31.9	26.7
Stability					
Net debt (VND bn)	618	(712)	(1,261)	(1,917)	(2,575)
Net debt/equity (%)	15	(15)	(24)	(31)	(36)
Valuation (x)					
PE	2.6	6.4	8.9	6.5	5.5
PB	0.9	1.5	1.4	1.2	1.0
EV/EBITDA	4.4	5.2	5.6	3.9	3.0

Camimex Group (CMX)

Stock price (Dec 24, VND)	15,500
Market cap (USD mn)	20
Shares outstanding (mn)	30
52W High/Low (VND)	17,910/8,189
6M avg. daily turnover (USD mn)	0.37
Free float (%)	41.2
Foreign ownership (%)	14.1
Major shareholders (%)	
KB Securities	12.3
Bui Si Tuan and Affiliates	10.3

Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2015A	2,877	127	97	7,364	1,240	160	3.9	10.0	1.1	50.3	-
2016A	3,079	119	103	7,773	5.5	165	3.7	9.9	0.8	25.0	-
2027A	3,498	129	112	8,499	9.3	181	3.4	10.8	0.7	21.4	-
2018A	3,807	217	180	13,652	60.6	278	2.1	6.1	0.5	28.6	-
2019A	3,710	238	230	17,379	27.3	305	1.6	3.8	0.4	28.2	-

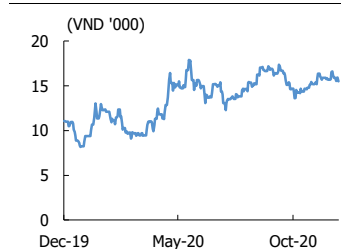
Note: NP and EPS attributed to controlling interest

EVFTA to fulfill growth prospect since 2021

Performance

	1M	6M	12M
Absolute (%)	0.6	5.2	41.5
Relative (%p)	(6.9)	(20.6)	28.0

Stock price



EVFTA to set new motivation for export to EU: The valid EVFTA, which reduces export tax for Vietnam shrimp products, will accelerate shrimp export to EU. Besides, Vietnam shrimp products are showing positive volume growth during pandemic period thanks to demand surge of retailing channel.

EU market is the biggest market of Camimex with over 58% revenue portion. Almost shrimp farms, hatchery farms and processing factories of Camimex received worldwide high-quality certificates, including EU Organic, Naturland. High-quality farms and factories supports Camimex for complying with EVFTA rules, as well as the flexibility in worldwide penetration.

High available-for-sale inventory and hatchery density of organic farm remains at 1-2 unit/m², significantly lower than the maximum permitted by Naturland (15 unit/m²), will reinforce Camimex's capacity to fulfil new export orders in 2021.

Organic shrimp farm sets high gross margin compared to sector average: Camimex is the only organic shrimp producer in Vietnam with the ability to locate its organic farm in developed countries. As shrimp is raised in the wild nature, shrimp quality and disease resistance are better. Farming cost is lower thanks to natural feed and low labor cost. Therefore, organic shrimp complies well with stringent quality requirements of large markets (EU, the U.S., Japan), leading to higher selling price and higher gross margin compared to gross margin of industrial shrimp.

Balance sheet

(VND bn)

FY-ending Dec.	2015A	2016A	2017A	2018A	2019A
Current assets	1,065	1,054	1,315	1,158	1,076
Cash & cash equivalents	415	326	166	32	253
Accounts & other receivables	208	251	413	289	245
Inventory	441	477	736	837	578
Non-current assets	218	263	279	289	372
Fixed assets	218	263	279	289	372
Investment assets	0	-	-	-	-
Others	61	57	56	49	73
Total assets	1,344	1,374	1,650	1,495	1,521
Advances from customers	3	3	1	1	1
Unearned revenue	-	-	-	-	-
Trade payables	55	33	50	83	40
Others	74	46	48	129	264
ST debt & due bonds	867	816	976	593	277
LT debt & bonds	-	-	-	-	-
Total liabilities	999	898	1,076	806	582
Controlling interest	345	476	574	689	939
Capital stock	200	300	390	402	490
Capital surplus	71	71	71	71	191
Other reserves	-	-	-	-	-
Retained earnings	74	105	114	216	258
Minority interest	-	-	-	-	-
Shareholders' equity	345	476	574	689	939

Income statement

(VND bn)

FY-ending Dec.	2015A	2016A	2017A	2018A	2019A
Sales	2,877	3,079	3,498	3,807	3,710
COGS	2,605	2,841	3,225	3,412	3,285
Gross profit	272	238	273	395	425
SG&A expenses	145	118	144	178	187
Operating profit	127	119	129	217	238
Financial income	17	23	18	11	18
Interest income	(1)	(0)	0	0	0
Financial expenses	48	34	32	34	21
Interest expenses	16	21	32	23	17
Other non-operating profit	(5)	11	18	0	15
Gains (Losses) in associates, subsidiaries and JV	-	-	-	-	-
Earnings before tax	105	109	115	194	236
Income taxes	7	6	2	14	6
Net profit	97	103	112	180	230
Net profit of controlling interest	97	103	112	180	230
EBITDA	160	165	181	278	305

Cash flow

(VND bn)

FY-ending Dec.	2015A	2016A	2017A	2018A	2019A
C/F from operations	131	148	(239)	379	692
Net profit	97	103	112	180	230
Dep'n & Amort'n	33	45	52	62	67
Net incr. in W/C	-	-	(404)	137	395
C/F from investing	(161)	(18)	(61)	(82)	(153)
Capex	(100)	(110)	(61)	(77)	(157)
Incr. in investment	(61)	92	-	(5)	4
C/F from financing	460	(50)	160	(383)	(317)
Incr. in equity	-	-	-	-	-
Incr. in debt	460	(50)	160	(383)	(317)
Dividends	-	-	-	-	-
C/F from others	(22)	(169)	(20)	(47)	(1)
Increase in cash	408	(89)	(160)	(134)	221

Key financial data

FY-ending Dec.	2015A	2016A	2017A	2018A	2019A
Per-share data (VND, adj.)					
EPS	7,364	7,773	8,499	13,652	17,379
BPS	26,097	35,976	43,430	52,109	71,004
DPS	-	-	-	-	-
Growth (%)					
Sales growth	222.1	7.0	13.6	8.8	(2.5)
OP growth	185.2	(5.7)	8.0	68.1	9.6
NP growth	1,239.8	5.5	9.3	60.6	27.3
EPS growth	1,239.8	5.5	9.3	60.6	27.3
EBITDA growth	137.5	3.0	9.6	53.9	9.5
Profitability (%)					
OP margin	4.4	3.9	3.7	5.7	6.4
NP margin	3.4	3.3	3.2	4.7	6.2
EBITDA margin	5.6	5.4	5.2	7.3	8.2
ROA	9.9	7.6	7.4	11.5	15.2
ROE	50.3	25.0	21.4	28.6	28.2
Dividend yield	-	-	-	-	-
Dividend payout ratio	-	-	-	-	-
Stability					
Net debt (VND bn)	451.8	490.4	810.7	561.6	24.0
Net debt/equity (%)	130.9	103.1	141.2	81.5	2.6
Valuation (x)					
PE	2.1	2.0	1.8	1.1	0.9
PB	0.6	0.4	0.4	0.3	0.2
EV/EBITDA	6.7	6.7	7.9	4.2	2.1

Coverage valuation

Recommendation & TP			Earnings & Valuation										
Company				Sales	OP	NP	EPS	BPS	PE	PB	ROE	EV/EBITDA	DY
				(VND bn)	(VND bn)	(VND bn)	(VND)	(VND)	(X)	(X)	(%)	(X)	(%)
Vinh Hoan (VHC)	Recommendation	BUY	2018A	9,271	1,685	1,442	15,489	43,452	2.6	0.9	41.5	4.4	9.8
	TP (VND)	50,000	2019A	7,867	1,132	1,179	6,371	27,008	6.4	1.5	26.5	5.2	-
	Price (Dec 24, VND)	41,000	2020F	7,241	903	858	4,608	29,436	8.9	1.4	16.8	5.6	4.9
	Market cap. (VND bn)	7,460	2021F	8,036	1,194	1,161	6,268	33,709	6.5	1.2	20.2	3.9	4.9
			2022F	8,840	1,402	1,382	7,488	39,181	5.5	1.0	20.8	3.0	4.9
Nam Viet (ANV)	Recommendation	Not rated	2018A	4,118	693	600	4,811	14,825	4.7	1.5	37.0	4.6	6.7
	TP (VND)	NA	2019A	4,481	805	704	5,541	18,778	4.1	1.2	33.3	4.0	8.9
	Price (Dec 24, VND)	22,450	2020F	3,361	216	171	1,343	18,621	16.7	1.2	7.2	9.9	6.7
	Market cap. (VND bn)	2,853	2021F	3,769	252	208	1,640	18,761	13.7	1.2	8.8	10.0	6.7
			2022F	4,229	257	222	1,745	18,499	12.9	1.2	9.4	10.2	6.7
I.D.I Corp (IDI)	Recommendation	Hold	2018A	6,341	771	644	3,465	12,836	14.8	4.0	27.2	14.3	3.1
	TP (VND)	6,600	2019A	7,733	454	325	1,548	12,096	4.5	0.6	11.2	7.6	-
	Price (Dec 24, VND)	6,900	2020F	6,250	288	134	521	12,622	13.2	0.5	4.2	10.2	-
	Market cap. (VND bn)	1,571	2021F	6,756	405	245	1,003	13,625	6.9	0.5	7.6	7.6	-
			2022F	7,297	438	264	1,083	14,715	7.4	0.5	8.3	8.2	-
Minh Phu (MPC)	Recommendation	Sell	2018A	16,925	1,104	810	4,936	22,595	5.4	1.2	25.3	6.3	18.8
	TP (VND)	22,000	2019A	16,935	611	443	2,650	24,515	10.8	1.2	10.0	7.1	-
	Price (Dec 24, VND)	28,600	2020F	13,300	692	643	2,752	27,794	10.4	1.0	10.0	6.7	12.2
	Market cap. (VND bn)	5,676	2021F	15,022	781	733	3,150	27,510	9.1	1.0	11.6	6.5	12.2
			2022F	16,524	859	806	3,465	30,261	10.0	1.1	12.8	7.2	12.2
Sao Ta Food (FMC)	Recommendation	Hold	2018A	3,807	217	180	4,554	17,138	5.8	1.5	28.6	6.6	7.5
	TP (VND)	31,000	2019A	3,710	238	230	5,468	19,141	6.4	1.8	0.2	3.2	7.2
	Price (Dec 24, VND)	34,850	2020F	4,095	256	233	4,287	21,388	8.1	1.6	21.3	7.1	7.2
	Market cap. (VND bn)	1,891	2021F	4,341	274	254	4,684	24,303	7.4	1.4	20.5	6.2	7.2
			2022F	4,775	302	280	5,153	26,733	8.2	1.6	22.6	6.8	7.2

Source: Company data, KIS.

Banks

Overweight

► Three keywords

- Robust lending growth
- Maintaining supportive policies
- NP surges by 21%

► Top pick

Asia Commercial Bank (ACB, BUY, TP VND33,400)			
	2020F	2021F	2022F
PE (x)	8.6	7.0	6.1
PB (x)	1.7	1.4	1.2
ROE (%)	22.2	22.7	22.0
DY (%)	-	3.7	3.7
EPS (VND)	3,167	3,928	4,504
BPS (VND)	16,059	18,986	22,491
<ul style="list-style-type: none"> • Healthy assets quality results moderate COVID-19 credit cost. • Record apart of VND8.4tn upfront fee in 2021. • G-bond yields continue favor ACB's treasury investment. 			

Techcombank (TCB, BUY, TP VND37,300)			
	2020F	2021F	2022F
PE (x)	8.6	7.5	6.5
PB (x)	1.3	1.1	1.0
ROE (%)	17.1	16.5	16.2
DY (%)	-	-	-
EPS (VND)	3,256	3,713	4,301
BPS (VND)	20,824	24,537	28,838
<ul style="list-style-type: none"> • Mortgage growth regains since 4Q20 • NIM keeps its upward path • Strong investment banking arm 			

Era of cheap capital

Investment summary

Industry outlook: Credit accelerates on bright GDP outlook

We believe the SBV may maintain its supportive methods in order to encourage economy recovery post COVID-19, credit expansion and reasonable interest rate may continue in 2021. Based on forecast GDP at around 6-7%, we expect the country's credit growth at 14.4% - 15.6% next year. With that, the credit to GDP ratio may hike to ~157% in 2021. However, the revised-GDP may help to trim the overall country leverage down to moderate level at 125%.

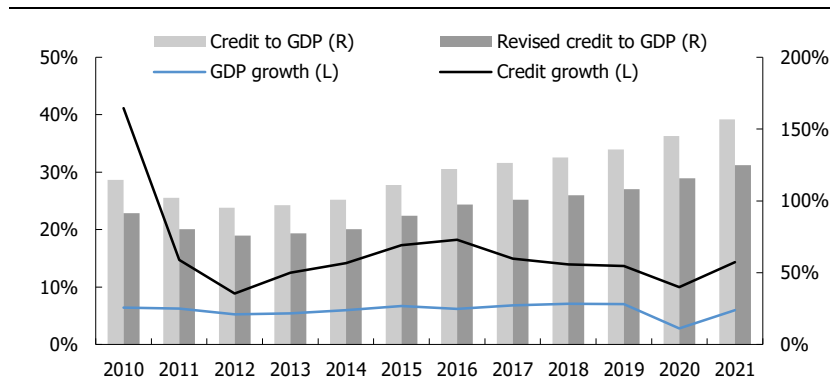
KIS estimate: Strong bottom line growth in 2021F

We project the banking stock under KIS's Universe to gain a controlling-interest NP at VND88.8tn in 2021F, up 21% from our 2020 estimate. The figure is driven by 1) high credit growth at 13%, +3%p yoy; 2) 16bps NIM improvement on expiration of relief credit packages; and 3) well-contained credit cost at 1.75% vs. 2020 estimate of 1.83%. Despite there is no information on Cir.01 extension, exciting local economy is favor for bank to develop top line growth to weather COVID-19's issues.

Top picks: ACB, TCB, VPB

We recommend ACB, TCB and VPB as our top picks. We pick ACB on the back of healthy assets quality and development of non-interest income. For TCB, the bank's is one beneficiary in potential financial market with strong arms in banking, securities, and fund management. As for VPB, an IPO of FE Credit, the leading consumer finance in Vietnam, expected in 2021 would be key catalyst. Furthermore, the three banks above are expected to be re-rating at higher multipliers following buying demand on limited-FOL stocks.

Figure 1. Vietnam credit growth and credit to GDP ratio



Source: KIS

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Asia Commercial Bank (ACB)

BUY / TP VND33,400

Stock price (24 Dec, VND)	27,300
Market cap (USD mn)	2,551
Shares outstanding (mn)	2,162
52W High/Low (VND)	28,950/13,693
6M avg. daily turnover (USD mn)	67.9
Free float (%)	75.8
Foreign ownership (%)	30.0
Major shareholders (%)	
Dragon capital	12.2

Yr to	TOI	PPE	NP	EPS	% chg	BPS	PE	PB	ROA	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(%)	(%)	(%)
2018A	14,033	7,321	5,137	2,390	143.6	9,972	11.4	2.7	1.7	27.7	0.0
2019A	16,097	7,790	6,010	2,744	14.8	12,893	9.9	2.1	1.7	24.6	0.0
2020F	18,062	9,877	6,947	3,167	15.4	16,059	8.6	1.7	1.7	22.2	0.0
2021F	22,898	12,521	8,606	3,928	24.0	18,986	7.0	1.4	1.9	22.7	3.7
2022F	25,842	14,161	9,880	4,504	14.7	22,491	6.1	1.2	1.9	22.0	3.7

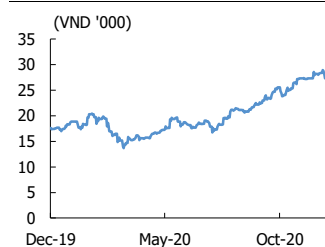
Note: NP and EPS attributed to controlling interest

Growth trajectory continue

Performance

	1M	6M	12M
Absolute (%)	0.0	49.1	56.3
Rel. to VNI (%p)	(7.5)	23.2	42.8

Stock price



Huge one-off to cushion the bottom line: We reaffirm BUY at TP of VND33,400 for Asia Commercial Bank (ACB). ACB's 2021 NP is forecast at VND8.6tn, increasing by 38% yoy on the back of fast credit growth (15.5%), large one-off from bancassurance upfront fee (VND2tn, 24% of total upfront) and low credit provision (~0.53% of lending book). We respect the bank's resilient balance sheet, capacity to develop non-interest income and treasury investment. Besides, huge banca upfront premium of VND8.4tn should be a thick cushion for the bank's profitability. ROE is forecast at 21-23% during forecast period. Moreover, the list on HSX in Dec 2020 should be a re-rating catalyst on ACB given its present in HSX's selective indexes.

A kickoff in Non-NII: Apart from significant extraordinary upfront fee, we believe the above banca partnership implies a strong commitment from ACB's BOM to improve its non-interest income. The bank's solid retail customer base with low banca penetration may assist ACB to develop this line further in coming years.

Grasping for higher credit growth: In line with the country's economy recovery, ACB has speeded up credit in 2H20 with qoq growth of 4.8% in 3Q20 and an estimation of ~4% qoq in 4Q20 from our forecast. We expect the bank to capture high credit growth of 15.5% in 2021F. We believe ACB to keep its low risk appetite, focusing on its existing strength - secured loans and retail banking segment. NIM is forecast at 3.66% vs. 3.53% in 2020F and 3.57% in 2019 while credit cost is expected at 0.53% vs. 0.41% in 2020F and 0.11% in 2019.

G-bond yields keep favor ACB's treasury investment: ACB held a G-bond portfolio of VND66tn in 3Q20 (~16% of total assets) which is excessive vs. peers. This business is more efficient amid historical low interest rate environment at present. We project ACB to report a gain of VND1tn in 2020F and 1.3tn in 2021F from G-bond trading.

Balance sheet

(VND bn)

	2018A	2019A	2020F	2021F	2022FF
Total assets	329,333	383,514	432,523	488,224	551,521
Gross IEAs	314,817	368,778	417,098	470,705	532,273
Loans and corp bonds	230,527	268,701	308,334	356,126	409,544
Household	215,713	247,094	-	-	-
Corporate	14,814	21,606	308,334	356,126	409,544
Dep't and loans to FIs	19,460	30,442	29,802	28,166	28,150
Dep't to SBV & G-bond	64,829	69,636	78,963	86,413	94,579
VAMC bond	40	-	-	-	-
NIEAs	19,109	19,609	21,343	24,445	27,054
Others	4,633	4,873	5,919	6,925	7,806
Total liabilities	308,315	355,749	397,811	447,183	502,906
Deposits	269,999	308,129	346,732	390,214	439,198
Debentures	8,291	20,831	23,441	26,380	29,692
Dep't and loans from FIs	20,878	19,405	19,405	21,330	23,447
Loans from Gov't & SBV	3,074	-	-	-	-
Other liabilities	6,073	7,384	8,234	9,260	10,570
Total equities	21,018	27,765	34,712	41,040	48,615
Controlling interests	21,018	27,765	34,712	41,040	48,615
Capital stock	12,886	16,627	21,616	21,616	21,616
Capital surplus	-	272	272	272	272
Other reserves	3,693	4,596	5,497	6,539	7,830
Retained earnings	4,439	6,270	7,327	12,614	18,898
OCI	-	-	-	-	-
Minority interest	-	-	-	-	-

Income statement

(VND bn)

	2018A	2019A	2020F	2021F	2022F
Total operating income	14,033	16,097	18,062	22,898	25,842
Net interest income	10,363	12,112	13,751	16,097	18,942
Interest income	24,015	28,318	31,699	36,289	42,043
Interest cost	13,652	16,205	17,947	20,192	23,101
Non-interest income	3,670	3,985	4,311	6,801	6,900
Net commission income	1,739	2,327	2,718	5,027	5,517
Gains on investment securities	117	158	1,030	1,303	666
Other non-interest income	1,815	1,500	563	471	716
Provision for credit losses	932	274	1,194	1,764	1,812
Net operating revenue	13,101	15,824	16,868	21,134	24,030
SG&A	6,712	8,308	8,185	10,377	11,681
Employee benefits	3,220	3,746	4,203	5,329	6,014
Pre-provision earnings	7,321	7,790	9,877	12,521	14,161
Earnings before tax	6,389	7,516	8,683	10,757	12,349
Tax	1,252	1,506	1,737	2,151	2,470
Tax rate (%)	19.6	20.0	20.0	20.0	20.0
Continuing operations profit	3,372	4,510	6,384	8,134	9,163
Reversals of written-off loans	1,765	1,500	563	471	716
Net profit	5,137	6,010	6,947	8,606	9,880
Net profit of controlling interest	5,137	6,010	6,947	8,606	9,880

Key financial data

	2018A	2019A	2020F	2021F	2022FF
Profitability and efficiency (%)					
ROE	27.7	24.6	22.2	22.7	22.0
ROA	1.7	1.7	1.7	1.9	1.9
NIM	3.6	3.6	3.5	3.7	3.8
Asset yield	8.3	8.3	8.1	8.3	8.5
Cost of fund	4.8	5.0	4.9	4.9	5.0
Cost-income ratio	47.8	51.6	45.3	45.3	45.2
Credit cost	0.4	0.1	0.4	0.5	0.5
Growth (%)					
Net profit of controlling interest	142.5	17.0	15.6	23.9	14.8
Pre-provision earnings	40.2	6.4	26.8	26.8	13.1
Credit growth	16.0	16.6	14.8	15.5	15.0
Total assets	15.8	16.5	12.8	12.9	13.0
Asset quality (%)					
NPL ratio	0.7	0.5	0.9	0.8	0.7
NPL coverage ratio	151.9	175.0	122.3	137.8	148.9
Loan to deposit	78.6	78.4	80.3	82.5	84.4
Capital adequacy (%)					
CAR ratio	10.1	10.9	11.9	12.4	12.8
CET1 ratio	n.a	9.7	10.7	11.2	11.6
Tier 1 ratio	8.6	9.7	10.7	11.2	11.7

Valuation

	2018A	2019A	2020F	2021F	2022F
Per share (VND, adj.)					
BPS	9,972	12,893	16,059	18,986	22,491
EPS	2,390	2,744	3,167	3,928	4,504
DPS	-	-	-	1,000	1,000
Valuation (x)					
PB	2.7	2.1	1.7	1.4	1.2
PE	11.4	9.9	8.6	7.0	6.1
P/PPE	7.9	7.5	6.0	4.7	4.2
Dividend yield (%)	-	-	-	3.7	3.7
Dividend payout ratio (%)	-	-	-	25.5	22.2
ROE analysis (%)					
ROE	27.7	24.6	22.2	22.7	22.0
Leverage(x)	15.7	13.8	12.5	11.9	11.3
IEAs to total assets	94.3	95.0	95.1	95.1	95.2
Net income to IEAs	1.6	1.6	1.7	1.8	1.9
Net interest income to IEAs	3.3	3.3	3.3	3.4	3.6
Non-interest income to IEAs	1.2	1.1	1.0	1.4	1.3
Credit cost to IEAs	0.3	0.1	0.3	0.4	0.3
SG&A to IEAs	2.1	2.3	2.0	2.2	2.2

Techcombank (TCB)

BUY / TP VND37,300

Stock price (24 Dec)	27,950
Market cap (USD mn)	4,235
Shares outstanding (mn)	3,505
52W High/Low (VND)	29,400/14,900
6M avg. daily turnover (USD mn)	10.7
Free float (%)	70.0
Foreign ownership (%)	22.5
Major shareholders (%)	
Masan	20.0

Yr to	TOI	PPE	NP	EPS	% chg	BPS	PE	PB	ROA	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(%)	(%)	(%)
2018A	18,351	12,508	8,464	2,409	11.7	14,770	11.6	1.9	2.9	21.5	0.0
2019A	21,068	13,756	10,075	2,872	19.2	17,568	9.7	1.6	2.9	17.8	0.0
2020F	26,480	17,768	11,456	3,256	13.4	20,824	8.6	1.3	2.8	17.1	0.0
2021F	30,442	20,351	13,065	3,713	14.0	24,537	7.5	1.1	2.8	16.5	0.0
2022F	35,318	23,611	15,132	4,301	15.8	28,838	6.5	1.0	2.8	16.2	0.0

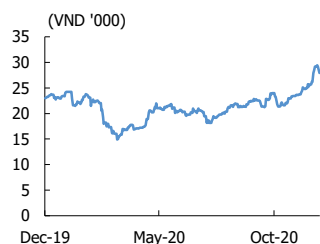
Note: NP and EPS attributed to controlling interest

Unfastening property legal issues support mortgage loans

Performance

	1M	6M	12M
Absolute (%)	18.2	36.3	21.5
Rel. to VNLI (%p)	10.6	10.4	8.0

Stock price



Upgrade TP to VND37,300: We reiterate BUY and lift TP to VND37,300, up 31% from previous report. The reasons for the TP upgrade are mainly due to 1) brighter mortgage outlook following recent proposal to unfasten legal issue on HCM's property market; 2) positive NIM path; 3) the bank's cross selling ability and 4) re-rating factor following 7%p expansion of FOL under new Securities Law.

Mortgage loans to retrieve growth: Property sales recover in 4Q20 which is in line with economy's recovery post COVID-19 outbreak. Since many of TCB's anchored developers such as Vinhomes, Masterise and MIK to ramp up construction works and sales, we expect lending to lead the bank's credit growth since 4Q20. In addition, the recent proposal related to state-owned lands conversion may imply a green light of unfastening legal issue in HCM in coming period. We believe this is a good for TCB as it is one among the top mortgage players in HCM and Ha Noi. We factor that to 2021F credit growth at 18.3%, up ~2%p from latest report.

Positive NIM outlook: NIM is in upward trend from 3.86% in 2017 to 5.01% in 9M20 thanks to the bank's shift in both funding and lending structure. TCB is lowering funding cost via CASA improvement and deposit rate cuts. It is outstanding in CASA attraction and now outpaces peers at a CASA ratio of 39% in 3Q20. In 4Q20, TCB trims its deposit rates significantly to approach SOB's levels, and creates a gap of 80-90 bps against those at other private banks. In the meantime, the bank's lending book has shifted toward mortgage loans for higher yield and safety. In sum, we project the bank's NIM to range from 5.0-5.5% in the forecast period.

Strong investment banking arms: TCB is the most active players in Vietnam debt capital market. The bank has a strong securities arm – TCBS, who lead the industry in term of bond advisory volume, bond redistribution volume and bond brokerage; and a growing investment management company – TCB Capital, who possess the largest local corporate bond fund in Vietnam. TCB is heading to be a pioneer in Vietnam wealth management segment.

Balance sheet

(VND bn)

	2018A	2019A	2020F	2021F	2022F
Total assets	320,989	383,699	444,151	510,094	584,828
Gross IEAs	300,498	357,743	413,037	472,279	540,897
Loans and corp bonds	219,595	261,400	312,823	370,165	438,294
Household	72,384	105,247	-	-	-
Corporate	147,211	156,153	-	-	1
Dep't and loans to FIs	44,975	59,154	55,760	51,107	44,070
Dep't to SBV & G-bond	35,928	37,188	44,454	51,007	58,532
VAMC bond	-	-	-	-	-
NIEAs	23,314	29,422	34,820	42,268	49,242
Others	2,823	3,466	3,706	4,453	5,311
Total liabilities	269,276	321,917	370,973	423,920	483,600
Deposits	201,415	231,297	265,090	296,542	331,881
Debentures	13,178	17,461	20,012	32,620	43,145
Dep't and loans from FIs	36,426	61,267	72,767	80,043	92,050
Loans from Gov't & SBV	6,025	-	-	-	-
Other liabilities	12,232	11,893	13,105	14,715	16,524
Total equities	51,713	61,782	73,178	86,174	101,228
Controlling interests	51,644	61,491	72,887	85,884	100,937
Capital stock	34,966	35,001	35,001	35,001	35,001
Capital surplus	477	477	477	477	477
Other reserves	3,868	5,173	6,684	8,402	10,362
Retained earnings	12,334	20,841	30,725	42,003	55,097
OCI	-	-	-	-	-
Minority interest	69	291	291	291	291

Income statement

(VND bn)

	2018A	2019A	2020F	2021F	2022F
Total operating income	18,351	21,068	26,480	30,442	35,318
Net interest income	11,127	14,258	18,610	21,818	25,709
Interest income	21,151	25,016	29,275	34,187	39,984
Interest cost	10,024	10,758	10,665	12,369	14,274
Non-interest income	7,223	6,810	7,870	8,625	9,609
Net commission income	3,770	3,358	4,150	4,785	5,514
Gains on investment securities	1,820	1,646	1,490	1,535	1,809
Other non-interest income	1,634	1,807	2,230	2,304	2,285
Provision for credit losses	1,846	917	3,156	3,686	4,309
Net operating revenue	16,504	20,151	23,324	26,756	31,009
SG&A	5,843	7,313	8,712	10,091	11,708
Employee benefits	3,240	4,262	n.a	n.a	n.a
Pre-provision earnings	12,508	13,756	17,768	20,351	23,611
Earnings before tax	10,662	12,838	14,612	16,665	19,301
Tax	2,187	2,612	2,922	3,333	3,860
Tax rate (%)	20.5	20.3	20.0	20.0	20.0
Continuing operations profit	7,052	9,146	10,392	11,960	14,088
Reversals of written-off loans	1,423	1,080	1,298	1,372	1,353
Net profit	8,475	10,226	11,690	13,332	15,441
Net profit of controlling interest	8,464	10,075	11,456	13,065	15,132

Key financial data

	2018A	2019A	2020F	2021F	2022F
Profitability and efficiency (%)					
ROE	21.5	17.8	17.1	16.5	16.2
ROA	2.9	2.9	2.8	2.8	2.8
NIM	4.09	4.40	4.90	5.00	5.16
Asset yield	7.78	7.73	7.70	7.83	8.02
Cost of fund	4.07	3.79	3.19	3.23	3.26
Cost-income ratio	31.8	34.7	32.9	33.1	33.1
Credit cost	0.92	0.38	1.10	1.08	1.07
Growth (%)					
Net profit of controlling interest	31.3	19.0	13.7	14.0	15.8
Pre-provision earnings	7.4	10.0	29.2	14.5	16.0
Credit growth	20.3	19.0	19.7	18.3	18.4
Total assets	19.2	19.5	15.8	14.8	14.7
Asset quality (%)					
NPL ratio	1.8	1.3	1.2	1.2	1.3
NPL coverage ratio	85.1	94.8	97.2	98.8	92.5
Loan to deposit	66.5	81.3	78.0	83.1	85.2
Capital adequacy (%)					
CAR ratio	14.6	15.5	15.5	15.8	16.2
CET1 ratio	n.a	n.a	n.a	n.a	n.a
Tier 1 ratio	n.a	15.2	15.2	15.5	15.9

Valuation

	2018A	2019A	2020F	2021F	2022F
Per share (VND, adj.)					
BPS	14,770	17,568	20,824	24,537	28,838
EPS	2,409	2,872	3,256	3,713	4,301
DPS	-	-	-	-	-
Valuation (x)					
PB	1.9	1.6	1.3	1.1	1.0
PE	11.6	9.7	8.6	7.5	6.5
P/PPE	7.8	7.1	5.5	4.8	4.1
Dividend yield (%)	-	-	-	-	-
Dividend payout ratio (%)	-	-	-	-	-
ROE analysis (%)					
ROE	21.5	17.8	17.1	16.5	16.2
Leverage(x)	6.2	6.2	6.1	5.9	5.8
IEAs to total assets	92.8	92.4	92.2	91.8	91.7
Net income to IEAs	2.8	2.8	2.8	2.8	2.8
Net interest income to IEAs	3.7	4.0	4.5	4.6	4.8
Non-interest income to IEAs	2.4	1.9	1.9	1.8	1.8
Credit cost to IEAs	0.6	0.3	0.8	0.8	0.8
SG&A to IEAs	1.9	2.0	2.1	2.1	2.2

Vietnam Prosperity JSC Bank (VPB)

BUY / TP VND37,300

Stock price (24 Dec)	31,500
Market cap (USD mn)	3,319
Shares outstanding (mn)	2,438
52W High/Low (VND)	33,000/16,950
6M avg. daily turnover (USD mn)	5.61
Free float (%)	73.1
Foreign ownership (%)	23.4
Major shareholders (%)	
Mr. Ngo Chi Dung & family	15.1

Yr to	TOI	PPE	NP	EPS	% chg	BPS	PE	PB	ROA	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(%)	(%)	(%)
2018A	31,086	20,452	7,356	2,994	18.1	14,145	10.5	2.2	2.4	22.8	0.0
2019A	36,356	24,022	8,268	3,392	13.3	17,315	9.3	1.8	2.4	21.5	0.0
2020F	38,281	26,402	8,945	3,619	6.7	19,461	8.7	1.6	2.2	19.8	0.0
2021F	44,199	30,485	10,290	4,040	11.6	22,747	7.8	1.4	2.2	19.4	0.0
2022F	50,491	30,825	6,046	2,374	-41.2	29,791	13.3	1.1	1.4	9.0	0.0

Note: NP and EPS attributed to controlling interest

Potential upside from FE Credit IPO

IPO FE Credit in 3Q21. We reiterate BUY at TP of VND37,300 for Vietnam Prosperity Bank (VPB). The new TP came following an inclusion of FE Credit IPO in 2021 according to the bank's recent disclose. Our base case supposes that VPB to divest 49% of FE Credit at PB of 3.0x. Since COVID-19 is not an unexpected factor at this moment and Vietnam is outstanding in containing the virus outbreak, we expect the deal to be finalized in 2021 and reflect into the parent bank's earnings in 2022.

Taking advantages from supportive policies. We anticipate VPB to keep leveraging from SBV's supportive policies and monetary easing policies. We project consolidated credit to grow fast and reach 18% in 2020. Of which, FE Credit's lending growth is forecast at 9% and the parent bank's credit growth is at 20.7%. 2021F credit growth is projected at 16%.

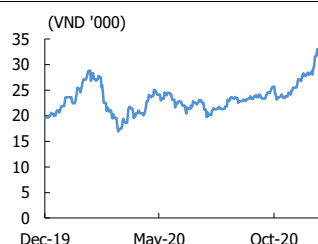
Restructured loans may inch down to ~VND25.9tn or 8.9% of consolidated loan book by 2020-end, from 10% in Sep 2020 and 10.3% in June 2020. In our view, large restructuring amount is the main reason driving credit cost (annualized) down to 4.7% in 9M20 from 5.0% in 9M19 (excluding VAMC bond provision) while NPL was 3.6% in Sep 2020, up 50bps ytd and down 15% yoy. We believe VPB to make use of supportive policies to contain credit cost at manageable level of 5.0% in 2021. Given the delay provisioning, 2021 NP of controlling interest is projected to grow 15% to VND10.3tn.

NIM to improve in 2021F. As FE Credit has limited risky products and cash loans amid COVID-19 storm in order to contain credit cost, consolidated NIM dropped by 122bps yoy in 9M20 to 9.26%. However, given exciting economy growth in 4Q20 and bright 2021 outlook, we expect the company will loosen lending activity from 4Q20 and make a credit growth of 12% in 2021. The consolidated NIM is forecast to improve by 32bps to reach 9.71% in 2021.

Performance

	1M	6M	12M
Absolute (%)	22.8	41.3	63.2
Rel. to VNI (%p)	15.3	15.4	49.7

Stock price



Balance sheet

(VND bn)

	2018A	2019A	2020F	2021F	2022FF
Total assets	323,291	377,204	429,202	487,747	552,386
Gross IEAs	303,005	351,173	380,334	441,649	508,814
Loans and corp bonds	230,790	271,407	320,574	372,042	432,070
Household	128,504	150,954	n.a	n.a	n.a
Corporate	102,286	120,452	n.a	n.a	n.a
Dep't and loans to FIs	33,669	44,987	24,641	30,801	33,881
Dep't to SBV & G-bond	38,546	34,779	35,120	38,807	42,863
VAMC bond	3,161	0	0	0	0
NIEAs	21,315	30,755	53,202	51,562	50,151
Others	4,190	4,723	4,334	5,464	6,579
Total liabilities	288,541	334,994	381,099	429,811	484,799
Deposits	170,851	213,950	236,948	271,890	312,074
Debentures	48,658	57,600	79,055	91,383	101,408
Dep't and loans from FIs	54,561	51,160	49,985	52,614	55,801
Loans from Gov't & SBV	3,781	19	0	0	0
Other liabilities	10,690	12,266	15,111	13,924	15,516
Total equities	34,750	42,210	48,103	57,936	67,588
Controlling interests	34,750	42,210	48,103	57,936	75,876
Capital stock	25,300	25,300	25,470	25,470	25,470
Capital surplus	1,289	693	26	26	26
Other reserves	2,974	4,411	6,628	11,417	15,956
Retained earnings	5,187	11,806	15,980	21,023	34,424
OCI	0	0	0	0	0
Minority interest	0	0	0	0	-8,288

Income statement

(VND bn)

	2018A	2019A	2020F	2021F	2022F
Total operating income	31,086	36,356	38,281	44,199	50,491
Net interest income	24,702	30,492	32,064	37,077	42,422
Interest income	40,280	49,697	52,640	59,918	69,556
Interest cost	15,579	19,204	20,576	22,841	27,133
Non-interest income	6,384	5,863	6,217	7,122	8,068
Net commission income	1,509	2,753	3,209	3,846	4,565
Gains on investment securities	194	1,091	1,353	945	765
Other non-interest income	4,681	2,020	1,655	2,330	2,739
Provision for credit losses	11,253	13,688	15,222	17,623	21,433
Net operating revenue	19,832	22,668	23,059	26,576	29,058
SG&A	10,634	12,334	11,879	13,714	19,666
Employee benefits	6,021	7,327	0	0	0
Pre-provision earnings	20,452	24,022	26,402	30,485	30,825
Earnings before tax	9,199	10,334	11,181	12,862	9,392
Tax	1,843	2,066	2,236	2,572	1,878
Tax rate (%)	20.0	20.0	20.0	20.0	20.0
Continuing operations profit	5,263	6,403	8,945	10,290	7,514
Reversals of written-off loans	2,093	1,865	0	0	0
Net profit	7,356	8,268	8,945	10,290	7,514
Net profit of controlling interest	7,356	8,268	8,945	10,290	6,046

Key financial data

	2018A	2019A	2020F	2021F	2022F
Profitability and efficiency (%)					
ROE	22.8	21.5	19.8	19.4	9.0
ROA	2.45	2.36	2.22	2.24	1.44
NIM	9.44	9.94	9.39	9.71	9.57
Asset yield	16.20	15.41	15.68	15.70	15.72
Cost of fund	6.05	6.40	5.98	5.84	6.13
Cost-income ratio	34.2	33.9	31.0	31.0	38.9
Credit cost	5.27	5.45	5.14	5.09	5.33
Growth (%)					
Net profit of controlling interest	14.2	12.4	8.2	15.0	-41.2
Pre-provision earnings	26.8	17.5	9.9	15.5	1.1
Credit growth	17.3	17.6	18.1	16.1	16.1
Total assets	16.4	16.7	13.8	13.6	13.3
Asset quality (%)					
NPL ratio	3.5	3.4	3.9	4.0	3.8
NPL coverage ratio	45.9	46.4	45.4	46.2	53.6
Loan to deposit	95.9	95.7	101.4	102.4	104.5
Capital adequacy (%)					
CAR ratio	11.2	11.1	11.1	13.4	13.6
CET1 ratio	n.a	n.a	n.a	n.a	n.a
Tier 1 ratio	n.a	10.7	10.7	13.0	14.6

Valuation

	2018A	2019A	2020F	2021F	2022F
Per share (VND, adj.)					
BPS	14,145	17,315	19,461	22,747	29,791
EPS	2,994	3,392	3,619	4,040	2,374
DPS	0	0	0	0	0
Valuation (x)					
PB	2.2	1.8	1.6	1.4	1.1
PE	10.5	9.3	8.7	7.8	13.3
P/PPE	3.8	3.2	2.9	2.6	2.6
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Dividend payout ratio (%)	0.0	0.0	0.0	0.0	0.0
ROE analysis (%)					
ROE	22.8	21.5	19.8	19.4	9.0
Leverage(x)	9.3	8.9	8.9	8.4	8.2
IEAs to total assets	92.5	91.9	87.7	89.5	91.0
Net income to IEAs	2.4	2.4	2.4	2.3	1.2
Net interest income to IEAs	8.2	8.7	8.4	8.4	8.3
Non-interest income to IEAs	2.1	1.7	1.6	1.6	1.6
Credit cost to IEAs	3.7	3.9	4.0	4.0	4.2
SG&A to IEAs	3.5	3.5	3.1	3.1	3.9

Coverage valuation

Recommendation & TP			Earnings & Valuation										
Company				Total oper. income. (VND bn)	PPE (VND bn)	NP (VND bn)	EPS (VND)	BPS (yoy)	PE (VND)	PB (x)	ROA (x)	ROE (%)	DY (%)
Asia	Recommendation	BUY	2018A	14,033	7,321	5,137	2,390	9,972	11.4	2.7	1.7	27.7	0.0
Commercial	TP (VND)	33,400	2019A	16,097	7,790	6,010	2,744	12,893	9.9	2.1	1.7	24.6	0.0
Bank	Price (24 Dec, VND)	27,300	2020F	18,062	9,877	6,947	3,167	16,059	8.6	1.7	1.7	22.2	0.0
(ACB)	Market cap. (VND bn)	59,011	2021F	22,898	12,521	8,606	3,928	18,986	7.0	1.4	1.9	22.7	3.7
			2022F	25,842	14,161	9,880	4,504	22,491	6.1	1.2	1.9	22.0	3.7
Techcombank	Recommendation	BUY	2018A	18,351	12,508	8,464	2,409	14,770	11.6	1.9	2.9	21.5	0.0
(TCB)	TP (VND)	37,300	2019A	21,068	13,756	10,075	2,872	17,568	9.7	1.6	2.9	17.8	0.0
	Price (24 Dec, VND)	27,950	2020F	26,480	17,768	11,456	3,256	20,824	8.6	1.3	2.8	17.1	0.0
	Market cap. (VND bn)	97,962	2021F	30,442	20,351	13,065	3,713	24,537	7.5	1.1	2.8	16.5	0.0
			2022F	35,318	23,611	15,132	4,301	28,838	6.5	1.0	2.8	16.2	0.0
Vietnam	Recommendation	BUY	2018A	31,086	20,452	7,356	2,994	14,145	10.5	2.2	2.4	22.8	0.0
Prosperity Bank	TP (VND)	37,300	2019A	36,356	24,022	8,268	3,392	17,315	9.3	1.8	2.4	21.5	0.0
(VPB)	Price (24 Dec, VND)	31,500	2020F	38,281	26,402	8,945	3,619	19,461	8.7	1.6	2.2	19.8	0.0
	Market cap. (VND bn)	3,319	2021F	44,199	30,485	10,290	4,040	22,747	7.8	1.4	2.2	19.4	0.0
			2022F	50,491	30,825	6,046	2,374	29,791	13.3	1.1	1.4	9.0	0.0
Vietcombank	Recommendation	Hold	2018A	39,278	25,667	14,622	3,334	17,244	29.2	5.6	1.4	1.4	0.0
(VCB)	TP (VND)	-	2019A	45,730	29,913	18,526	4,287	21,763	22.7	4.5	1.6	1.6	0.0
	Price (24 Dec, VND)	97,300	2020F	50,629	33,167	19,316	4,312	26,084	22.6	3.7	1.5	1.5	1.0
	Market cap. (VND bn)	360,374	2021F	59,967	39,285	23,383	5,370	30,464	18.1	3.2	1.7	1.7	1.0
			2022F	69,927	45,810	28,412	6,529	36,006	14.9	2.7	1.9	1.9	1.0
Vietinbank	Recommendation	N/A	2018A	28,446	14,361	5,275	1,043	17,920	32.6	1.9	0.5	8.1	0.0
(CTG)	TP (VND)	N/A	2019A	40,519	24,785	9,461	2,160	20,474	15.7	1.7	0.8	13.2	1.5
	Price (24 Dec, VND)	33,950	2020F	45,286	30,342	10,299	2,385	22,380	14.2	1.5	0.8	12.9	1.5
	Market cap. (VND bn)	126,410	2021F	50,989	33,143	14,036	2,706	24,889	12.5	1.4	1.0	15.1	1.7
			2022F	59,758	38,843	15,831	2,891	27,212	11.7	1.2	1.0	14.7	1.7
BIDV	Recommendation	N/A	2018A	44,483	28,366	7,542	1,642	15,068	27.7	3.0	0.6	14.6	0.0
(BID)	TP (VND)	N/A	2019A	48,121	30,864	8,548	1,577	18,529	28.9	2.5	0.6	12.9	1.8
	Price (24 Dec, VND)	45,500	2020F	50,415	32,770	8,229	1,499	19,247	30.3	2.4	0.5	10.4	1.8
	Market cap. (VND bn)	183,002	2021F	56,814	36,929	10,606	2,110	20,667	21.6	2.2	0.6	12.7	1.8
			2022F	62,740	40,781	14,278	2,867	22,883	15.9	2.0	0.8	15.8	1.8

Source: Respective company data, KIS

Construction and Materials

Overweight

► Three keywords

- Infrastructure spending leverage the demand for construction steel and other materials
- Export pave the way to reach the balance point in cement industry
- U.S. trade war is benefiting the furniture market

► Top pick

Hoa Phat (HPG, Hold, TP VND35,000)			
	2019F	2020F	2021F
PE (x)	12.5	7.3	6.7
PB (x)	0.7	0.7	0.7
EV/EBITDA (x)	4.9	4.6	4.4
DY (%)	4.3	4.8	5.3
EPS (VND)	18,362	31,634	34,177
BPS (VND)	312,908	331,469	351,334

The winner takes it all

Investment summary

More clear signs of recovery of construction steels in FY21F

The recent improvement in construction steel sales opens a recovery sign on FY21F outlook based on following expectations: 1) the North-South express project could need VND5.9tn worth of asphalt, VND6.4tn of construction steel and VND3.8tn cements. 2) demand for steel and cement imports into China is still strong as the China has been accelerating construction of infrastructure projects since 2Q20

Crushed construction stones buoyant by infrastructure spending on Mekong Delta region

The MoT submitted application for 7 expressways, with a total length of 548km and a total investment of VND65tn in Mekong Delta region. By 2025F, definitely, the commencement of those projects require a giant source of construction stones in FY2021-25F, which benefiting the companies that own stone resources in Dong Nai and Binh Duong provinces. In particular, the companies located near expressway projects will be prioritized for the supply given the advantages and project quality of these companies.

Furniture maintain momentum growth on U.S. tariff

Vietnam furniture industry continues riding on the high export growth at two-digit number in FY21F as the tariffs (20-25%) on Chinese furniture's have not eased. We expect total high export volume momentum remains in FY21F.

Cement industry is not out of the wood yet

Vietnam cement industry is still running at over supply capacity that export to foreign countries is the sole way to accomplish this equilibrium. Hence, the cement producers are highly sensitive to the industry's export pictures in FY21F since the domestic consumption is getting a bit rosy signals driven by the warm of residential property market. We still positive on the leading position of Ha Tien 1 company thanks to its firm footprint that help to maintain the earning growth in FY21F.

Top pick: Hoa Phat

Hoa Phat is our top pick in the construction steel sub-industry thanks to the company's economic scale advantages and proven cost efficiency that boost the HPG's ability to grab market share from its peer.

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Hoa Phat (HPG)

Hold / TP VND35,000

Stock price (Dec 24, VND)	39,950
Market cap (USD mn)	5,722
Shares outstanding (mn)	3,313
52W High/Low (VND)	40,000/13,254
6M avg. daily turnover (USD mn)	21.03
Free float (%)	53.9
Foreign ownership (%)	33.3
Major shareholders (%)	
VOF Investment Limited	3.7
VinaCapital Vietnam	3.6

Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2017A	16,874	1,202	3,128	44,066	20.5	4,486	6.1	6.0	0.9	15.5	3.7
2018A	17,744	1,110	890	12,144	(72.4)	5,046	19.6	5.2	0.8	3.9	4.2
2019A	18,558	1,202	1,342	18,362	51.2	5,313	12.5	4.9	0.7	5.8	4.3
2020F	19,642	1,468	2,309	31,634	72.3	5,669	7.3	4.6	0.7	9.6	4.8
2021F	20,002	1,643	2,494	34,177	8.0	5,838	6.7	4.4	0.7	9.7	5.3

Performance

	1M	6M	12M
Absolute (%)	6.5	81.0	110.6
Rel. to VNI (%p)	(1.0)	55.1	97.1

Stock price



Dung Quoc Steel complex take the hotspot

Dung Quoc Steel complex lead HPG's steel volume growth in FY21F-22F:

The DQSC starts running the 4th blast furnace from beginning FY21F and could operate the 3rd blast furnace at 90-95% capacity in FY21F. We forecast HPG's total steel sale volume to rise 15-16% yoy to 7.2-7.3 tonnes in FY21F on the back of DQSC operation in both phase 1 and 2.

Larger market share backed by distinguished economic scale: HPG is the market leader steel in Vietnam that even in the downturn of steel market cycle, HPG could still be growing by acquire more market share from its peers to increase the market dominance. We estimate market share to widen to 33-34% from 32% in FY20F

Encouraging net profit outlook in FY21F: We forecast net profit growth to VND12.3tn, +31.9% yoy in FY21F. The double-digit net profit is backed by a combination of 1) a 3-4% yoy decrease in average iron ore prices and 1) 12-16% yoy in construction steel volume.

Maintain HOLD as the catalyst priced in: Our TP rises to VND35,000 as we roll forward our valuation basis to FY21F. Our valuation is based on an equal weighting of 1) a forward P/E of 10.0x on FY21F EPS, and 2) a DCF valuation over a 10-year projection period. However, the market price has been pricing in the potential FY21F earnings growth. We maintain HOLD. Re-rating catalyst: lower-than-expected iron ore price.

Balance sheet

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Current assets	32,506	23,566	28,926	47,235	58,185
Cash & cash equivalents	14,201	6,240	5,939	19,028	27,174
Accounts & other receivables	6,555	3,210	3,575	4,467	4,990
Inventory	11,749	14,115	19,412	23,740	26,021
Non-current assets	18,875	51,136	69,287	69,287	69,287
Investment assets	18,858	51,070	69,261	69,261	69,261
Tangible assets	17	67	26	26	26
Intangible assets	1,642	3,521	3,577	3,577	3,577
Total assets	53,022	78,223	101,791	120,099	131,049
Current liabilities	6,848	7,788	7,900	7,584	6,910
Accounts & other payables	4,948	5,735	5,567	5,500	4,801
ST debt & bonds	80	21	101	99	96
Current portion of LT debt	1,409	1,441	1,459	1,463	1,469
Non-current liabilities	13,172	14,000	15,191	15,633	15,403
Debentures	6,572	7,254	7,994	8,044	8,077
LT debt & financial liabilities	2,019	2,382	2,388	2,479	2,562
Total liabilities	20,020	21,788	23,091	23,217	22,312
Controlling interest	22,471	22,957	23,373	24,872	26,476
Capital stock	45	45	45	45	45
Capital surplus	2,916	2,916	2,916	2,916	2,916
Other reserves	(2,261)	(1,909)	(2,105)	(2,105)	(2,105)
Retained earnings	22,145	22,235	22,847	24,346	25,950
Minority interest	(122)	(133)	(123)	(128)	(133)
Shareholders' equity	22,349	22,824	23,250	24,744	26,343

Cash flow

(VND bn)

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
C/F from operations	5,087	17,523	8,609	13,080	17,246
Net profit	8,010	8,630	7,604	9,794	12,454
Depreciation	2,005	2,260	2,638	4,638	5,550
Amortization	0	0	0	0	0
Net incr. in W/C	(4,927)	6,633	(1,633)	(1,352)	(759)
Others					
C/F from investing	(17,926)	(20,533)	(18,698)	(4,638)	(5,550)
Capex	(8,875)	(27,594)	(21,622)	(4,638)	(5,550)
Decr. in fixed assets					
Incr. in investment	(9,051)	7,061	2,924	(9,051)	7,061
Net incr. in intangible assets					
Others					
C/F from financing	2,624	19,298	12,675	(929)	(944)
Incr. in equity	5,057	11	0	-	-
Incr. in debt	(2,430)	19,287	12,675	(13,441)	(11,696)
Dividends	(4)	-	-	(1,657)	(3,313)
Others					
C/F from others					
Increase in cash	8,949	(7,961)	(301)	13,088	8,146

Income statement

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Revenue	46,162	55,836	63,658	79,544	88,857
Operating expenses	1,004	1,121	1,442	1,802	2,013
Operating profit	9,622	10,550	9,743	13,570	16,507
Financial income	186	294	471	277	423
Interest income	109	163	277	277	423
Financial expenses	556	772	1,182	2,720	2,780
Interest expenses	480	540	937	2,720	2,780
Other non-operating profit	36	(1)	66	0	0
Gains (Losses) in associates, subsidiaries and JV	(0)	0	(1)	0	0
Earnings before tax	9,284	10,101	9,122	11,127	14,150
Income taxes	1,274	1,471	1,518	1,333	1,696
Net profit	8,015	8,601	7,578	9,453	12,454
Controlling-interest NP	8,007	8,573	7,508	9,382	12,384
Other comprehensive profit					
Total comprehensive profit					
Controlling-interest total comprehensive profit					
EBITDA	11,626	12,810	12,381	18,208	22,058

Key financial data

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
Per-share data (VND)					
EPS	2,241	2,471	2,143	2,678	3,534
BPS	9,745	12,222	14,368	16,649	19,183
DPS	0	0	0	500	1,000
Growth (%)					
Sales growth	38.7	21.0	14.0	25.0	11.7
OP growth	20.8	18.9	15.3	17.1	18.6
NP growth	17.4	15.5	11.9	12.3	14.0
EPS growth	49.5	10.3	(13.3)	25.0	32.0
EBITDA growth	22.0	10.2	(3.3)	47.1	21.1
Profitability (%)					
OP margin	20.8	18.9	15.3	17.1	18.6
NP margin	17.4	15.5	11.9	12.3	14.0
EBITDA margin	25.2	22.9	19.4	22.9	24.8
ROA	15.1	11.0	7.5	8.2	9.5
ROE	30.8	23.6	17.0	18.3	20.9
Dividend yield	-	-	-	1.3	2.5
Dividend payout ratio	-	-	-	18.7	28.3
Stability					
Net debt (VND bn)	-1,221	18,066	30,741	17,300	5,604
Int.-bearing debt/equity (%)	(3.8)	44.5	64.3	31.2	8.8
Valuation (x)					
PE	17.8	16.2	18.6	14.9	11.3
PB	1.2	1.3	2.8	2.4	2.1
EV/EBITDA	7.2	8.0	9.4	5.6	4.1

Coverage valuation

Recommendation & TP			Earnings & Valuation										
Company				Sales	OP	NP	EPS	BPS	PE	PB	ROE	EV/EBITDA	DY
				(VNDbn)	(VNDbn)	(VNDbn)	(VND)	(VND)	(x)	(x)	(%)	(x)	(%)
Hoa Phat (HPG)	Recommendation	Hold	2017A	46,162	9,622	8,010	2,241	9,745	17.8	1.2	30.7	7.2	0
	TP (VND)		2018A	55,836	10,550	8,630	2,471	12,222	16.2	1.3	23.6	8.0	0
	Price (Dec 24, VND)	39,950	2019A	63,658	9,743	7,604	2,143	14,368	18.6	2.8	17.2	9.4	0
	Market cap. (bn)	32,365	2020F	79,544	13,570	9,794	2,678	16,649	14.9	2.4	19.0	5.6	1
			2021F	88,857	16,507	12,454	3,534	19,183	11.3	2.1	20.9	4.1	3
Binh Minh (BMP)	Recommendation	Hold	2017A	4,055	663	465	5,109	29,317	12.3	2.1	19.8	5.7	5.6
	TP (VND)		2018A	4,121	608	428	4,750	29,973	13.3	2.1	17.6	5.9	6.3
	Price (Dec 24, VND)	63,000	2019A	4,341	601	423	4,696	30,164	13.4	2.1	17.2	5.7	7.1
	Market cap. (VND bn)	5,157	2020F	4,508	667	479	5,319	30,965	11.8	2.0	19.1	5.0	7.1
			2021F	5,025	550	377	4,188	30,634	15.0	2.1	15.0	5.7	7.1
Ha Tien 1 (HT1)	Recommendation	HOLD	2017A	8,209	1,028	488	1,066	13,577	15.8	1.2	9.4	6.1	0.0
	TP (VND)		2018A	8,378	1,075	634	1,431	13,525	11.8	1.2	12.3	5.3	0.0
	Price (Dec 24, VND)	16,850	2019A	8,839	1,192	746	1,685	14,036	10.0	1.2	14.2	4.6	0.0
	Market cap. (VND bn)	6,428	2020F	8,065	1,049	675	1,525	14,361	11.1	1.2	12.5	4.6	0.0
			2021F	8,696	1,172	800	1,812	15,010	9.3	1.1	14.3	3.7	0.0
Viglacera (VGC)	Recommendation	BUY	2017A	11,726	741	482	1,103	15,696	16.0	1.12	8.0	4.2	2.3
	TP (VND)	16,000	2018A	12,382	686	439	1,005	16,218	14.1	0.88	6.3	4.2	2.8
	Price (Dec 24, VND)	11,700	2019A	13,451	879	574	1,314	17,132	8.9	0.68	7.9	3.0	3.4
	Market cap. (VND bn)	5,108	2020F	14,258	996	648	1,484	18,166	7.9	0.64	8.4	2.7	3.8
			2021F	14,508	1,184	793	1,816	19,433	6.4	0.60	9.7	2.4	4.7

Source: Company data, KIS

Residential property

Neutral

► Three keywords

- Heavy infrastructure investment boost the residential market performance
- Demand is bolstered by the accommodative bank policy
- Supply is being improved thanks to regulatory process

► Top pick

Dat Xanh (DXG, BUY, TP VND14,800)			
	2020F	2021F	2022F
PE (x)	41.1	7.8	3.8
PB (x)	1.1	0.9	0.8
EV/EBITDA (x)	2.7	12.9	22.1
DY (%)	0.0	0.0	0.0
EPS (VND)	8.7	6.1	3.1
BPS (VND)	365	1,927	3,949

Light at the end of tunnel

Investment summary

Infrastructure spending a key stimulant of property demand

The government is upgrading and developing the regional transport systems through the completion of the radial highway network and various belt roads, including HCM Trung Luong-My Thuan; Bien Hoa-Vung Tau. Six of the 11 sub-projects in the eastern section of the North-South Expressway that were implemented between 4Q19-4Q20 will be built in 2021F and are expected to be completed in the 2022-23F period. The recent buoyant launches of land lot properties in the suburban areas of Dong Nai and Long An can be attributed to these upgrades and development plans that promise to improve connectivity to HCM

Bank policy for mortgage remains favorable in FY21F

2020 the average adjustable mortgage rate from local banks decreased 80-120 pts yoy drop. We expect this low level could maintain until 3Q21F as Circular 08/NHNN reschedules the timeline of meeting the ratio of short-term funds used for medium-and long-term loans from 40 to 37 until 3Q20F. We believe the currently favorable mortgage rate the equity contribution ease and loan to collateral ratio increase are among the key aids to bolster transaction volume

Regulatory amendments improve licensing process

On Jun 19 2020, revision of Construction Law and Investment Law pave the way for improvement in licensing projects. Furthermore, recent amendments in Real Estate Law on Dec 18 grant the developers the land parcels under State's management without auction. We expect at least tens of project could be beneficiary of those amendments, opening for thousands units are launching in 4Q21-22F.

Top pick: DXG's role to be viewed in fresh light

We like DXG due to its spectacular earnings growth to VND1,002 in FY21F secured by the handover of Opal Boulevard project. DXG could be the beneficiary of the heavy investments on Long Thanh Airport project that could faster the presales growth in Gem Sky World townhouse project.

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Dat Xanh Group (DXG)

BUY / TP VND14,800

Stock price (Dec 24, VND)	15,000
Market cap (USD mn)	336
Shares outstanding (mn)	518
52W High/Low (VND)	15,700/7,750
6M avg. daily turnover (USD mn)	2.72
Free float (%)	81.4
Foreign ownership (%)	35.7
Major shareholders (%)	
NAV Investment JSC	4.49
KIM Vietnam Growth Equity	4.3

Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2018A	4,645	1,835	1,178	3,427	61.1	1,859	4.4	3.7	1.1	26.7	0.0
2019A	5,814	2,099	1,217	2,645	(22.8)	2,138	5.7	5.5	1.1	20.3	0.0
2020F	4,019	1,559	190	365	(86.2)	1,612	41.1	8.7	1.1	2.7	0.0
2021F	6,949	2,156	1,002	1,927	428.3	2,211	7.8	6.1	0.9	12.9	0.0
2022F	10,449	3,286	2,054	3,949	105.0	3,344	3.8	3.1	0.8	22.1	0.0

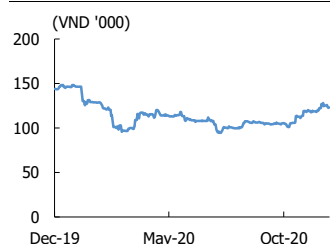
Note: NP and EPS attributed to controlling interest

Waiting for a blue sky

Performance

	1M	6M	12M
Absolute (%)	4.2	13.4	(14.3)
Rel. to VNI (%p)	(3.3)	(12.5)	(27.8)

Stock price



Encouraging earnings growth in FY21F. We estimate DXG could achieve a VND1,002bn earnings vs a VND190bn in FY20F on the back of handover of 1,500 units of Opal Boulevard condo projects. We also stay positive on the outlook of Gem Sky World project thanks to better sentiment of buyers betting on the heavy infrastructure spending in Dong Nai province.

Presales growth are on track in FY20-21F. A 1,630-condo unit project in Binh Duong City Opal Cityview is expected to launch in late 4Q20F or 1Q21F, in our view. We estimate presales in FY20F could reach VND3,499bn, helping secure DXG's property revenue in FY21-22F

Spin off Dat Xanh Service arm-length. Dat Xanh Group is going to complete the divestment of Dat Xanh Service business. It is rumored that the private placement to strategic partner and the listing of Dat Xanh Service to be in FY21F. we expect those informations could trigger the DXG's market price.

Balance sheet

(VND bn)

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
Current assets	11,816	17,066	18,632	24,335	30,103
Cash & cash equivalents	1,159	793	1,357	2,279	4,181
Accounts & other receivables	5,567	9,023	8,145	9,865	11,671
Inventory	4,605	6,791	8,672	11,816	13,908
Non-current assets	1,277	1,607	1,904	1,927	1,955
Investment assets	54	330	309	287	264
Tangible assets	1,223	1,277	1,595	1,640	1,691
Intangible assets	636	1,206	1,302	1,419	1,570
Total assets	13,729	19,879	21,838	27,681	33,628
Advances from customers	1,029	908	3,382	6,371	10,217
Unearned revenue	19	36	36	36	36
Trade payables	581	1,187	735	1,721	2,568
Others	3,034	4,122	1,448	1,850	2,198
ST debt & bond	471	1,063	846	930	976
LT debt & bond	2,394	3,337	5,396	5,382	3,734
Advances from customers	7,530	10,652	11,844	16,290	19,729
Total liabilities	5,000	6,989	7,282	8,273	10,327
Controlling interest	3,501	5,200	5,200	5,200	5,200
Capital stock	11	11	11	(0)	(0)
Capital surplus	33	62	58	58	58
Other reserves	1,456	1,716	2,013	3,014	5,068
Retained earnings	1,199	2,239	2,712	3,118	3,572
Minority interest	6,199	9,227	9,994	11,391	13,899
Shareholders' equity	1,029	908	3,382	6,371	10,217

Cash flow

(VND bn)

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
C/F from operations	(932)	(1,646)	(1,030)	827	3,463
Net profit	1,178	1,217	190	1,002	2,054
Depreciation	24	39	53	55	57
Amortization					
Net incr. in W/C	(1,938)	(3,811)	(1,753)	(525)	1,020
Others					
C/F from investing	(0)	(1,413)	(245)	36	41
Capex	0	0	0	0	0
Decr. in fixed assets					
Incr. in investment	113	(1,139)	82	91	101
Net incr. in intangible assets					
Others					
C/F from financing	403	2,693	1,839	58	(1,602)
Incr. in equity	542	1,636	(4)	(11)	0
Incr. in debt	337	1,537	1,843	69	(1,602)
Dividends	(476)	(479)	0	0	0
Others					
C/F from others					
Increase in cash	(529)	(365)	564	922	1,903

Income statement

(VND bn)

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
Sales	4,645	5,814	4,019	6,949	10,449
COGS	2,006	2,691	1,638	3,904	5,851
Gross profit	2,639	3,123	2,382	3,045	4,597
SG&A expenses	780	985	769	834	1,254
Operating profit	1,835	2,099	1,559	2,156	3,286
Financial income	270	51	56	62	68
Interest income	207	270	51	56	62
Financial expenses	(209)	(831)	(508)	(274)	0
Interest expenses	(235)	(305)	(508)	(274)	0
Other non-operating profit	(6)	79	0	0	0
Gains (Losses) in associates, subsidiaries and JV	256	149	50	55	61
Earnings before tax	2,102	2,389	829	1,759	3,135
Income taxes	379	502	166	352	627
Net profit	1,723	1,886	663	1,408	2,508
Controlling-interest NP	1,178	1,217	190	1,002	2,054
Other comprehensive profit					
Total comprehensive profit					
Controlling-interest total comprehensive profit					
EBITDA	1,859	2,138	1,612	2,211	3,344

Key financial data

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
Per-share data (VND)					
EPS	3,427	2,645	365	1,927	3,949
BPS	14,282	13,439	14,002	15,908	19,858
DPS	0	0	0	0	0
Growth (%)					
Sales growth	61.3	25.1	(30.9)	72.9	50.4
OP growth	54.7	14.4	(25.7)	38.3	52.4
NP growth	61.8	3.2	(84.4)	428.3	105.0
EPS growth	61.1	(22.8)	(86.2)	428.3	105.0
EBITDA growth	54.7	15.0	(24.6)	37.1	51.2
Profitability (%)					
OP margin	39.5	36.1	38.8	31.0	31.5
NP margin	37.1	32.4	16.5	20.3	24.0
EBITDA margin	40.0	36.8	40.1	31.8	32.0
ROA	14.3	10.9	6.2	7.1	8.7
ROE	26.7	20.3	2.7	12.9	22.1
Dividend yield		0.0	0.0	0.0	0.0
Dividend payout ratio	0.0	0.0	0.0	0.0	0.0
Stability					
Net debt (VND bn)	1,707.2	3,606.4	4,885.2	4,032.8	528.7
Int.-bearing debt/equity (%)	27.5	39.1	48.9	35.4	3.8
Valuation (x)					
PE	4.4	5.7	41.1	7.8	3.8
PB	1.1	1.1	1.1	0.9	0.8
EV/EBITDA	3.7	5.5	8.7	6.1	3.1

Coverage valuation

Recommendation & TP			Earnings & Valuation										
Company				Sales (VND bn)	OP (VND bn)	NP (VND bn)	EPS (VND)	BPS (VND)	PE (x)	PB (x)	ROE EV/EBITDA (%)	(x)	DY (%)
Vinhomes (VHM)	Recommendation	BUY	2018A	38,664	7,617	14,284	4,567	12,907	18.9	6.7	57.0	38	0.0
	TP (VND)	30,000	2019A	51,627	23,219	21,747	6,493	16,748	13.3	5.2	43.8	13	1.3
	Price (Dec 24, VND)	93,500	2020F	91,787	31,621	28,895	8,627	26,031	10.0	3.3	40.3	9.5	1.2
	Market cap. (VND bn)	283,885	2021F	75,138	33,290	32,724	9,770	33,756	8.8	2.6	32.7	9.5	1.2
			2022F	172,437	75,965	56,843	16,970	49,726	5.1	1.7	40.7	3.7	1.2
Khang Dien (KDH)	Recommendation	BUY	2018A	3,055	792	502	1,111	10,360	25.5	2.7	11.6	16	3.5
	TP (VND)	27,000	2019A	2,917	982	808	1,514	12,161	18.7	2.3	13.4	14	1.8
	Price (Dec 24, VND)	28,300	2020F	2,813	1,223	915	1,613	13,362	17.5	2.1	12.6	13	1.8
	Market cap. (VND bn)	15,587	2021F	3,602	1,506	1,104	1,954	14,223	14.5	2.0	14.2	10	1.8
			2022F	4,519	1,732	1,343	2,386	15,857	11.9	1.8	15.9	8	1.8
Nam Long (NLG)	Recommendation	BUY	2018A	3,480	1,013	763	3,280	17,831	8.9	2.1	19.8	4.6	0.00
	TP (VND)	30,900	2019A	2,546	626	960	3,709	19,464	7.9	1.6	20.3	9.2	1.64
	Price (Dec 24, VND)	29,300	2020F	1,867	245	826	3,032	20,605	9.6	1.5	19.9	18.9	1.64
	Market cap. (VND bn)	8,074	2021F	4,073	686	1,112	3,898	23,887	7.5	1.4	15.1	10.3	1.64
			2022F	4,883	1,087	1,483	5,198	28,429	5.6	1.2	17.5	5.2	1.64
Dat Xanh (DXG)	Recommendation	BUY	2018A	4,645	1,835	1,178	3,427	14,282	4.4	1.1	26.7	3.7	0.0
	TP (VND)	14,600	2019A	5,814	2,099	1217	2,645	13,439	5.7	1.1	20.3	5.5	0.0
	Price (Dec 24, VND)	15,000	2020F	4,019	1,559	190	365	14,002	41.1	1.1	2.7	8.7	0.0
	Market cap. (VND bn)	7,789	2021F	6,949	2,156	1,002	1,927	15,908	7.8	0.9	12.9	6.1	0.0
			2022F	10,449	3,286	2,054	3,949	19,858	3.8	0.8	22.1	3.1	0.0
Novaland (NVL)	Recommendation	Not-rated	2015A	6,673	636	415	1,128	13,891	58.1	4.8	8.8	34.3	0.0
	TP (VND)	N/A	2016A	7,359	2,184	1,665	2,793	15,244	23.5	4.3	20.6	49.4	0.0
	Price ((Dec 24, VND)	66,000	2017A	11,632	2,568	2,033	3,130	19,411	21.0	3.4	17.5	19.3	0.0
	Market cap. (VND bn)	65,039	2018A	15,290	4,689	3,239	3,456	20,259	19.0	3.3	19.5	17.2	0.0
			2019A	10,931	592	3,431	3,539	22,978	18.6	2.9	15.5	-84.4	0.0
DIC Group (DIG)	Recommendation	Not-rated	2015A	386	19	22	79	12,171	107.5	0.7	0.6	111.0	0.0
	TP (VND)	N/A	2016A	1,588	43	45	163	11,467	52.2	0.6	1.1	73.9	0.0
	Price (Dec 24, VND)	26,450	2017A	857	522	405	1,473	11,829	5.8	0.6	10.0	23.0	0.0
	Market cap. (VND bn)	8,205	2018A	732	87	97	352	12,406	24.2	0.6	2.3	24.6	0.0
			2019A	858	29	59	214	12,525	39.7	0.6	1.4	25.3	0.0

Source: Company data, KIS

Aviation

Overweight

► Three keywords

- Restructuring is most important
- Air cargo – the strong recovery
- Opportunities from a structural shift in manufacturing

► Top pick

Saigon Cargo S (SCS, BUY, TP VND148,500)			
	2020F	2021F	2022F
PE (x)	12.7	14.1	12.8
PB (x)	6.8	6.1	5.4
EV/EBITDA (x)	10.6	11.2	9.9
DY (%)	5.8	5.9	5.9
EPS (VND)	9,971	8,994	9,911
BPS (VND)	18,512	20,572	23,578

- Vietnam's air cargo market is going on
- Core business maintains and recovers rapidly
- Ready to fly strongly

Big picture with different color segments

Investment summary

Restructuring is most important

In our view, for airlines (especially Vietnam Airlines), restructuring is inevitable. It will take more than two-three years for passenger traffic to return to the pre-coronavirus level, widespread global vaccine roll-out is likely to take a least 12-24 months. Both traditional airlines (Vietnam Airlines – HVN) and low-cost carrier (Vietjet Air – VJC) were faced difficulties which depend on international flights. HVN has 64 international routes and VJC's ancillary revenue focus on international passenger yield.

Air cargo – the strong recovery

While airline passenger base on vaccine development and pandemic restriction, air cargo has a good recovery thanks to raw material for production demand increases when the V-shaped recovery in manufacturing activity. Air cargo terminal operators such as SCS or NCT will be affected by COVID-19 at a low level.

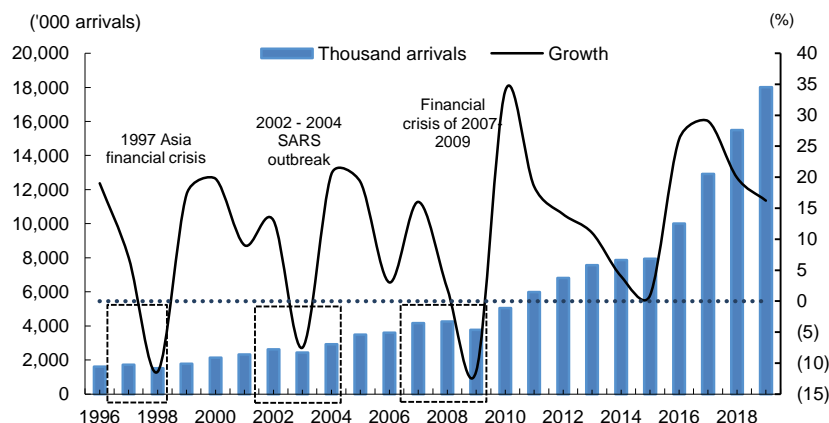
Opportunities from a structural shift in manufacturing

Vietnam has managed an impressive feat in controlling COVID-19 so mobility trends in several key sectors such as telephones, mobile phones and parts had already returned to pre-pandemic. This is a great advantage for Vietnam's terminal air cargo operators.

Top pick: Saigon Cargo Service (HSX: SCS)

Our top pick is Saigon Cargo Service with a TP of VND148,500.

Figure 23. International passenger volume in 1996 – 2019



Source: GSO, KIS

Nam Nguyen

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Saigon Cargo Service (SCS)

BUY / TP VND240,000

Stock price (Dec 24, VND)	126,500
Market cap (USD mn)	277
Shares outstanding (mn)	51
52W High/Low (VND)	129,900/81,500
6M avg. daily turnover (USD mn)	0.14
Free float (%)	98.6
Foreign ownership (%)	28.6
Major shareholders (%)	
Gemadept Corporation	32.6
ACV	13.1

Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2017A	588	387	344	6,839	40.5	443	18.5	14.1	7.6	44.7	3.7
2018A	675	461	437	8,679	26.9	516	14.6	12.2	7.8	52.8	6.2
2019A	748	527	502	9,971	14.9	582	12.7	10.6	6.8	57.5	5.8
2020F	700	484	467	8,994	-9.8	539	14.1	11.2	6.1	46.0	5.9
2021F	761	534	515	9,911	10.2	588	12.8	9.9	5.4	44.9	5.9

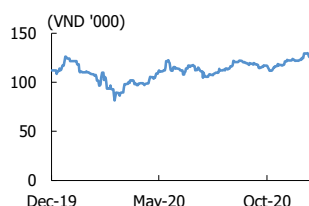
Note: NP and EPS attributed to controlling interest

So far so good

Performance

	1M	6M	12M
Absolute (%)	3.2	11.2	12.6
Rel. to VNI (%p)	(4.3)	(14.7)	(0.9)

Stock price



Vietnam's air cargo market is going on. According to IATA, Asia Pacific's air cargo volume picked up despite the Golden Week holidays (a typically weak period for air cargo business). The inventory to sales ratio of companies is lower which is also a signal of material shortage. Consequently, the air's loading and unloading goods demand to grow.

Core business maintains and recovers rapidly. 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 75.0 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, the 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. Currently, 11M20 cargo volumes were 139,849 tonnes and 49,363 tonnes, international and domestic, respectively. We believe that 2020's cargo volumes decrease 5.0 YoY in the worst-case due to lock-down time. But 2021F returned growth again thanks to freight demand of FDI's electronic components manufacturers recover rapidly.

Ready to fly strongly. Currently, SCS's financial position recorded no gearing and VND260bn as cash or deposit. Tan Son Nhat International Airport's terminal 3 expansion plan has been approved, the project to start work in the second quarter of 2021. This is an opportunity for SCS to increase capacity and market share, SCS is operating with over-capacity (~110 design capacity). SCS's expansion plan has no interest rate risk due to cash in hand and not need borrowing.

Recommend BUY with TP at VND148,500. We evaluate SCS share price at VND148,500 per share based on DCF method for five-year period. Stable business with strong cash flow helps SCS maintain high-level cash dividend. The aviation industry is facing major threats and challenges in the future, SCS is a spotlight of aviation value chain.

Balance sheet

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Current assets	235	157	317	490	691
Cash & cash equivalents	171	77	246	408	606
Accounts & other receivables	63	79	71	82	85
Inventory	0	0	0	0	0
Non-current assets	686	637	591	536	481
Investment assets	686	637	591	536	481
Tangible assets	0	0	0	0	0
Intangible assets	69	178	165	173	177
Total assets	990	971	1,073	1,199	1,349
Current liabilities	0	0	1	0	0
Accounts & other payables	14	7	0	5	5
ST debt & bonds	3	5	4	4	5
Current portion of LT debt	48	73	65	81	80
Non-current liabilities	7	0	0	0	0
Debentures	3	0	0	0	0
LT debt & financial liabilities	75	86	69	91	90
Total liabilities	914	885	1,004	1,108	1,259
Controlling interest	572	572	576	576	576
Capital stock	21	21	35	35	35
Capital surplus	2	9	9	9	9
Other reserves	320	284	385	489	640
Retained earnings	0	0	0	0	0
Minority interest	914	885	1,004	1,108	1,259
Shareholders' equity	235	157	317	490	691

Income statement

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Sales	588	675	748	700	761
COGS	135	147	153	149	154
Gross profit	724	822	595	551	606
SG&A expenses	66	67	68	66	72
Operating profit	658	755	527	484	534
Financial income	5	8	14	19	21
Interest income	5	7	14	19	21
Financial expenses	5	0	1	1	1
Interest expenses	4	0	1	1	1
Other non-operating profit	(3)	(2)	(2)	0	0
Gains (Losses) in associates, subsidiaries and JV	0	0	0	0	0
Earnings before tax	384	467	538	502	554
Income taxes	(40)	(30)	(35)	(35)	(39)
Net profit	344	437	502	467	515
Controlling-interest NP	344	437	502	467	515
Other comprehensive profit	588	675	748	700	761
Total comprehensive profit	135	147	153	149	154
Controlling-interest total comprehensive profit	724	822	595	551	606
EBITDA	443	516	582	539	588

Cash flow

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
C/F from operations	384	497	549	532	565
Net profit	344	437	502	467	515
Depreciation	56	55	55	55	55
Amortization	0	0	0	0	0
Net incr. in W/C	(16)	5	(8)	10	(4)
Others	0	0	0	0	0
C/F from investing	10	(48)	7	(10)	(3)
Capex	10	6	10	(8)	(7)
Decr. in fixed assets					
Incr. in investment	0	(53)	(3)	(2)	4
Net incr. in intangible assets					
Others					
C/F from financing	(160)	(386)	(349)	(375)	(375)
Incr. in equity	5	0	18	0	0
Incr. in debt	72	10	0	0	0
Dividends	(237)	(396)	(367)	(375)	(375)
Others					
C/F from others	(164)	(157)	(39)	15	12
Increase in cash	70	(94)	169	162	198

Key financial data

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Per-share data (VND)					
EPS	6,839	8,679	9,971	8,994	9,911
BPS	16,727	16,143	18,512	20,572	23,578
DPS	4,711	7,864	7,283	7,455	7,455
Growth (%)					
Sales growth	18.6	14.8	10.8	(6.5)	8.7
OP growth	34.1	19.1	14.2	(8.0)	10.2
NP growth	40.5	26.9	14.9	(7.0)	10.2
EPS growth	40.5	26.9	14.9	(9.8)	10.2
EBITDA growth	29.2	16.4	12.8	(7.4)	9.2
Profitability (%)					
OP margin	65.8	68.3	70.4	69.2	70.2
NP margin	58.6	64.7	67.1	66.8	67.7
EBITDA margin	75.3	76.4	77.8	77.0	77.4
ROA	35.2	44.6	49.1	39.9	39.2
ROE	44.7	52.8	57.5	46.0	44.9
Dividend yield	3.6	6.1	5.6	5.8	5.8
Dividend payout ratio	0.7	0.9	0.7	0.8	0.8
Stability					
Net debt (VND bn)	(161)	(77)	(246)	(408)	(606)
Int.-bearing debt/equity (%)	(17.6)	(8.7)	(24.5)	(36.8)	(48.1)
Valuation (x)					
PE	18.9	14.9	13.0	14.4	13.1
PB	7.7	8.0	7.0	6.3	5.5
EV/EBITDA	14.4	12.5	10.9	11.5	10.2

Vietjet Aviation JSC (VJC)

Stock price (Dec 24, VND)	123,000
Market cap (USD mn)	2,785
Shares outstanding (mn)	524
52W High/Low (VND)	148,200/94,500
6M avg. daily turnover (USD mn)	2.12
Free float (%)	46.2
Foreign ownership (%)	18.7
Major shareholders (%)	
Sunflower Sunny	28.6
Ms. Nguyen Thi Phuong Thao	8.8

Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2015A											
2016A											
2017A	42,303	5,745	5,073	6,535	103.3	5,840	18.8	9.6	9.0	66.2	0.9
2018A	53,577	6,484	5,335	6,872	5.2	6,625	17.8	9.7	6.8	43.3	2.1
2019A	50,603	4,184	3,807	4,904	-28.6	4,279	25.0	23.5	6.4	26.3	0.8

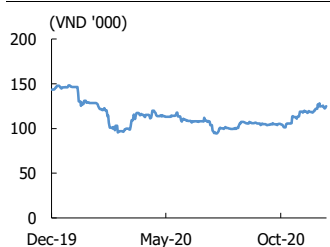
Note: NP and EPS attributed to controlling interest

Adapted to survive

Performance

	1M	6M	12M
Absolute (%)	4.2	13.4	(14.3)
Rel. to VNI (%p)	(3.3)	(12.5)	(27.8)

Stock price



The reappearance of COVID-19 resulted in a slower recovery. According to CAA, VJC's flights bounced back in June and July 2020 with 7,895 and 9,289 flights, respectively. But, the second wave of COVID-19 was the reason for a let-down in August, September and October 2020. In 11M20, the number of VJC's flights plummeted 44.0 YoY (Vietjet Air performs 70,905 flights in 11M20 compare to 126,558 flights in 11M19). However, VJC continued to maintain its leading market share position in the Vietnam's domestic market. It is condition for VJC's recovery in the future. In 2020, VJC has opened 8 new routes focus on Da Nang – worth living city.

Making decisions to adapt to circumstances. VJC – private airline carried out a series of activities to overcome the difficulty in COVID-19 expansion. It may be as reduction of fleet (wet leased aircraft), negotiating lease holiday and restructuring the loans with banks. VJC also reduces expenses such as crews, admin and other salaries. In 9M20, VJC booked revenue of VND13,780bn and a PBT loss of VND883bn.

Non-transportation revenue to save 2020F profit. Sales and Lease Back transaction is recognized to reduce business loss of VJC. In 9M20, net other income reached VND1,775bn, we believe that VJC disinvested from non-aviation assets. Besides, VJC also using their passenger aircraft to transport urgent goods – using aircraft efficiently while sluggish passengers transporting.

Waiting for coronavirus vaccine. VJC's international flights focus on China, Korea and Japan routes so a rapid expansion vaccine will be needed. If three countries approved an extensive vaccination program, cross-border routes will resume, VJC's passenger transportation revenue recovers. Chinese, Korean and Japanese always stay on top of Vietnam's tourist. We expected pandemic will be control in 2Q21F and Vietnam's airlines will fly the plan.

Balance sheet

(VND bn)

FY-ending Dec.	2015A	2016A	2017A	2018A	2019A
Current assets			16,866	18,223	23,513
Cash & cash equivalents			6,863	7,982	6,509
Accounts & other receivables			9,736	9,773	16,256
Inventory			267	469	748
Non-current assets			1,819	2,948	2,839
Investment assets			1,751	2,879	2,623
Tangible assets			68	68	216
Intangible assets			12,973	17,915	22,507
Total assets			31,658	39,086	48,859
Current liabilities			456	689	670
Accounts & other payables			1,964	2,732	3,184
ST debt & bonds			560	924	1,895
Current portion of LT debt			10,559	15,173	16,384
Non-current liabilities			6,897	4,958	8,161
Debentures			627	572	3,662
LT debt & financial liabilities			21,064	25,048	33,956
Total liabilities			10,592	14,037	14,900
Controlling interest			4,513	5,416	5,416
Capital stock			246	246	246
Capital surplus			24	119	-2,282
Other reserves			5,809	8,256	11,521
Retained earnings			2	2	2
Minority interest			10,594	14,039	14,903
Shareholders' equity			16,866	18,223	23,513

Cash flow

(VND bn)

FY-ending Dec.	2015A	2016A	2017A	2018A	2019A
C/F from operations			7,440	11,216	(245)
Net profit			5,073	5,335	3,807
Depreciation			95	141	96
Amortization					
Net incr. in W/C			2,272	5,739	(4,147)
Others					
C/F from investing			130	1,257	(308)
Capex			617	1,270	(161)
Decr. in fixed assets					
Incr. in investment			(487)	(12)	(147)
Net incr. in intangible assets					
Others					
C/F from financing			156	(23)	(6,836)
Incr. in equity			1,759	0	0
Incr. in debt			(727)	1,994	(6,293)
Dividends			(877)	(2,017)	(543)
Others					
C/F from others			(3,606)	(11,331)	5,916
Increase in cash			4,120	1,119	(1,473)

Income statement

(VND bn)

FY-ending Dec.	2015A	2016A	2017A	2018A	2019A
Sales			42,303	53,577	50,603
COGS			35,753	46,085	44,980
Gross profit			78,056	99,663	5,623
SG&A expenses			805	1,008	1,439
Operating profit			77,251	98,655	4,184
Financial income			119	332	780
Interest income			71	221	551
Financial expenses			521	918	1,025
Interest expenses			238	258	351
Other non-operating profit			4	7	721
Gains (Losses) in associates, subsidiaries and JV			-44	-89	-92
Earnings before tax			5,303	5,816	4,569
Income taxes			-229	-481	-761
Net profit			5,074	5,335	3,807
Controlling-interest NP			5,073	5,335	3,807
Other comprehensive profit					
Total comprehensive profit					
Controlling-interest total comprehensive profit					
EBITDA			5,840	6,625	4,279

Key financial data

FY-ending Dec.	2015A	2016A	2017A	2018A	2019A
Per-share data (VND)					
EPS			6,535	6,872	4,904
BPS			13,644	18,081	19,194
DPS			1,129	2,598	1,003
Growth (%)					
Sales growth			53.8	26.7	(5.6)
OP growth			79.8	12.9	(35.5)
NP growth			103.3	5.2	(28.6)
EPS growth			103.3	5.2	(28.6)
EBITDA growth			80.2	13.5	(35.4)
Profitability (%)					
OP margin			13.6	12.1	8.3
NP margin			12.0	10.0	7.5
EBITDA margin			13.8	12.4	8.5
ROA			19.6	15.1	8.7
ROE			66.2	43.3	26.3
Dividend yield			0.9	2.1	0.8
Dividend payout ratio			0.2	0.4	0.2
Stability					
Net debt (VND bn)			661	(2452)	5314
Int.-bearing debt/equity (%)			6.2	(17.5)	35.7
Valuation (x)					
PE			18.8	17.8	25
PB			9	6.8	6.4
EV/EBITDA			9.6	9.7	23.5

Vietnam Airlines JSC (HVN)

Stock price (Dec 24, VND)	27,350
Market cap (USD mn)	1,677
Shares outstanding (mn)	1,418
52W High/Low (VND)	34,300/17,800
6M avg. daily turnover (USD mn)	0.77
Free float (%)	3.9
Foreign ownership (%)	9.2
Major shareholders (%)	
CMSC	86.2
ANA	8.8

Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2015A											
2016A											
2017A	82,951	3,475	2,371	1,671	15.4	1,146	16.6	64.5	2.3	14.6	2.6
2018A	96,811	4,887	2,335	1,646	(1.5)	9,818	16.9	7.3	2.2	13.4	3.3
2019A	98,228	3,690	2,346	1,654	0.5	8,542	16.8	7.6	2.2	12.9	4.4

Note: NP and EPS attributed to controlling interest

Tsunami washed everything

The dramatic drop in air passenger demand due to the COVID-19 pandemic and prevention measures. According to CAA, the number of VNA's flights plummeted 34.0 YoY in 11M20 (Vietnam Airlines performs 79,349 flights in 11M20 compare to 120,167 flights in 11M19). Drop in commercial flights are due to restrictions on travel and cross-border routes limited. Despite the return of domestic flights is not enough for HVN's recovery because HVN's transportation revenue depends on international passenger yield. Seat capacity or load factor reduces as a result of COVID-19 changed tourist behavior on the holiday. In 2020, HVN have opened 6 new domestic routes. Most of new flights have destinations in famous tourist cities (Da Lat, Phu Quoc). It is preparation for a boom in Vietnam tourism after COVID-19 as historical data.

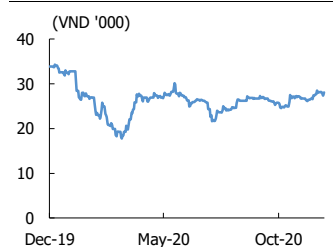
Stress financial position when incurring a huge loss. In 9M20, HVN's revenue was VND32,411bn and incurred a PBT loss of VND10,505bn. Vietnam Airlines estimates consolidated revenue of VND40,000bn and a net loss of VND15,000bn in 2020. Currently, bad results brushed off the fruit of HVN's 25-year business, this resulted in a retained earning loss of VND8,874bn to the company in 3Q20.

Rescue plan approved but until gloomy prospect. Vietnam National Assembly accepted HVN's rescue plan, HVN will be refinanced by State Bank of Vietnam (SBV) and issue additional share for existing shareholders, State Capital and Investment Corporation (SCIC) duty to government buy stocks by using call options of Commission for the Management of State Capital (CMSC). This is only temporary way for liquidity risk, success in keeping COVID-19 and open-sky are key points for HVN's recovery.

Performance

	1M	6M	12M
Absolute (%)	2.2	1.3	(19.6)
Rel. to VNI (%p)	(5.3)	(24.6)	(33.1)

Stock price



Balance sheet

(VND bn)

FY-ending Dec.	2017A	2018A	2019A
Current assets	20,792	19,335	18,010
Cash & cash equivalents	7,950	6,478	6,536
Accounts & other receivables	9,608	9,171	7,904
Inventory	3,234	3,686	3,570
Non-current assets	57,471	53,405	49,461
Investment assets	55,356	51,269	47,366
Tangible assets	2,115	2,135	2,095
Intangible assets	10,288	9,651	8,984
Total assets	88,550	82,390	76,455
Current liabilities	340	277	656
Accounts & other payables	724	1,039	954
ST debt & bonds	13,805	14,475	15,883
Current portion of LT debt	9,127	9,460	8,420
Non-current liabilities	9,690	8,273	6,508
Debentures	37,433	30,193	25,427
LT debt & financial liabilities	71,118	63,718	57,847
Total liabilities	16,794	18,121	18,147
Controlling interest	12,275	14,183	14,183
Capital stock	1,221	1,221	1,221
Capital surplus	390	-648	131
Other reserves	2,908	3,365	2,612
Retained earnings	639	551	460
Minority interest	17,433	18,672	18,608
Shareholders' equity	20,792	19,335	18,010

Cash flow

(VND bn)

FY-ending Dec.	2017A	2018A	2019A
C/F from operations	10159	8509	9242
Net profit	2371	2335	2346
Depreciation	(2329)	4931	4853
Amortization			
Net incr. in W/C	10117	1242	2044
Others			
C/F from investing	(8692)	824	990
Capex	(8644)	844	949
Decr. in fixed assets			
Incr. in investment	(48)	(21)	41
Net incr. in intangible assets			
Others			
C/F from financing	12794	8191	4855
Incr. in equity	63	839	44
Incr. in debt	13743	8656	6531
Dividends	(1011)	(1304)	(1721)
Others			
C/F from others	(9840)	(18995)	(15029)
Increase in cash	4421	(1472)	58

Income statement

(VND bn)

FY-ending Dec.	2015A	2016A	2017A	2018A	2019A
Sales			82,951	96,811	98,228
COGS			72,278	84,754	87,260
Gross profit			10,673	12,056	10,969
SG&A expenses			7,198	7,169	7,279
Operating profit			3,475	4,887	3,690
Financial income			907	1,160	1,140
Interest income			207	352	405
Financial expenses			2,294	3,675	2,345
Interest expenses			1,558	1,561	1,455
Other non-operating profit			1,087	956	939
Gains (Losses) in associates, subsidiaries and JV			-20	-16	-34
Earnings before tax			3,155	3,312	3,389
Income taxes			-496	-713	-851
Net profit			2,659	2,599	2,537
Controlling-interest NP			2,371	2,335	2,346
Other comprehensive profit					
Total comprehensive profit					
Controlling-interest total comprehensive profit					
EBITDA			1,146	9,818	8,542

Key financial data

FY-ending Dec.	2015A	2016A	2017A	2018A	2019A
Per-share data (VND)					
EPS			1,671	1,646	1,654
BPS			11,841	12,777	12,795
DPS			713	920	1,213
Growth (%)					
Sales growth			18.4	16.7	1.5
OP growth			(16.1)	40.6	(24.5)
NP growth			15.4	(1.5)	0.5
EPS growth			15.4	(1.5)	0.5
EBITDA growth			(86.9)	756.8	(13.0)
Profitability (%)					
OP margin			4.2	5.0	3.8
NP margin			2.9	2.4	2.4
EBITDA margin			1.4	10.1	8.7
ROA			2.9	3.0	3.2
ROE			14.6	13.4	12.9
Dividend yield			2.6	3.3	4.4
Dividend payout ratio			0.4	0.6	0.7
Stability					
Net debt (VND bn)			39,172	31,987	25,398
Int.-bearing debt/equity (%)			224.7	171.3	136.5
Valuation (x)					
PE			16.6	16.9	16.8
PB			2.3	2.2	2.2
EV/EBITDA			64.5	7.3	7.6

Coverage valuation

Recommendation & TP				Earnings & Valuation									
Company				Sales (VND bn)	OP (VND bn)	NP (VND bn)	EPS (VND)	BPS (VND)	PE (x)	PB (x)	ROE (%)	EV/EBITDA (x)	DY (%)
Saigon Cargo Service (SCS)	Recommendation	BUY	2017A	588	387	344	6,839	16,727	18.9	7.7	44.7	14.4	3.6
	TP (VND)	148,500	2018A	675	461	437	8,679	16,143	14.9	8.0	52.8	12.5	6.1
	Price (Dec 24, VND)	126,500	2019A	748	527	502	9,971	18,512	13.0	7.0	57.5	10.9	5.6
	Market cap. (VND bn)	262	2020F	700	484	467	8,994	20,572	14.4	6.3	46.0	11.5	5.8
			2021F	761	534	515	9,911	23,578	13.1	5.5	44.9	10.2	5.8
Vietjet Air (VJC)	Recommendation	Not rate	2017A	42,303	5,745	5,073	9,386	19,557	12.6	6.0		11.5	1.5
	TP (VND)		2018A	53,577	6,484	5,335	9,850	25,917	12.1	4.6	43.3	9.4	3.1
	Price (Dec 24, VND)	123,000	2019A	50,603	4,184	3,807	7,051	28,445	20.7	5.1	26.3	18.8	0.7
	Market cap. (VND bn)	38,790	2020F	25,742	(2,689)	(520)	(1,005)	27,631		4.4	(4.3)		
			2021F	51,854	3,754	2,486	4,162	31,096	29.5	4.0	14.1	21.5	0.8
Vietnam Airlines (HVN)	Recommendation	Not rate	2017A						22.8	3.2			1.5
	TP (VND)		2018A						20.0	2.8			2.5
	Price (Dec 24, VND)	27,350	2019A	98,228	3,690	2,482	1,750	12,795	19.3	2.6		8.3	3.0
	Market cap. (VND bn)	64,432	2020F	43,981	(14,363)	(14,564)	(6,784)				(79.2)		
			2021F	58,037	(5,535)	(5,901)	(856)				(53.2)		

Source: Company data, KIS

Mobile World (MWG)

Stock price (Dec 24, VND)	116,700
Market cap (USD mn)	2,283
Shares outstanding (mn)	453
52W High/Low (VND)	119,900/58,085
6M avg. daily turnover (USD mn)	4.0
Free float (%)	89.9
Foreign ownership (%)	49.0
Major shareholders (%)	
Nguyen Duc Tai & Affiliates	14.0
Tran Le Quan & Affiliates	8.4

Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE EV/EBITDA	PB	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(%)	(%)
2018A	86,516	3,871	2,879	6,689	25.9	5,094	17.4	11.0	5.8	38.7
2019A	102,174	4,977	3,834	8,665	29.5	6,420	13.5	9.5	4.3	36.3
2020F	108,693	5,342	3,953	8,731	0.8	6,967	13.4	7.6	3.4	28.5
2021F	140,538	7,026	5,563	11,930	36.6	9,028	9.8	6.1	2.6	30.7
2022F	165,692	8,960	6,981	14,628	22.6	11,220	8.0	4.7	2.1	29.3

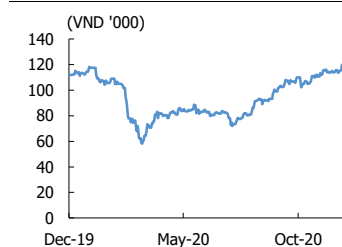
Note: NP and EPS attributed to controlling interest

Earnings to thrive on Dien May Xanh post-2020

Performance

	1M	6M	12M
Absolute (%)	4.2	39.2	6.3
Rel. to VNI (%p)	(3.3)	13.3	(7.2)

Stock price



Super-mini format to bolster Dien May Xanh's earnings: We expect demand of consumer electronics will recover from the early 2021 as Viet Nam has completely controlled Covid-19's spread. Besides, management's strategies for enhancing earning and developing Dien May Xanh Super-mini format will reinforce Dien May Xanh as earning growth driver. We estimate The Gioi Di Dong & Dien May Xanh to reach 3-year CAGR NPAT growth of 24.5 in 2020-2022.

Bach Hoa Xanh to spearhead earning growth after 2022: We estimate Bach Hoa Xanh will achieve 3-year CAGR revenue growth of 53.1 in 2020-2022 thanks to full-year contribution of annual new store opening. Moreover, we expect Bach Hoa Xanh to make profit after tax from 2022, premised by promoting cost optimization after the phase of scaling up store.

Attractive valuation on intact earning growth prospect: We estimate Mobile World to reach 3-year CAGR revenue growth and NPAT growth of 23.8 and 32.9 in the period of 2020-2022, respectively. Particularly, The Gioi Di Dong & Dien May Xanh will reach 3-year NPAT growth of 24.5 while Bach Hoa Xanh will make profit after tax in 2022 to become earning growth pillar of Mobile World post-2022.

Based on 3-Y average PE multiple of 13.0x, we evaluate MWG share value at VND155,000 per share. The total expected return is 43.6, including 1.4 cash dividend yield. Our attractive return forecast bases on:

- **The effective efforts of Mobile World on minimizing impact of pandemic.** Despite being hit by weakening demand of mobile phones and consumer electronics, we expect that efforts to protect earnings of The Gioi Di Dong & Dien May Xanh coupled with profit margin improvement of Bach Hoa Xanh, will support Mobile World to complete 2020 business targets and achieve outstanding business results compared to the rest of market.
- **Strong earnings growth to remain intact post-2020,** thanks to management board's initiatives and strong business execution, highlighted by Dien May Xanh Super-mini format and Bach Hoa Xanh's NPAT contribution since 2022, per our estimates.

Toan Dao

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Balance sheet

(VND bn)

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
Current assets	23,103	34,187	37,876	51,031	59,881
Cash & cash equivalents	3,800	6,252	13,043	16,865	19,883
Accounts & other receivables	1,856	2,190	3,207	4,146	4,888
Inventory	17,446	25,745	21,626	30,020	35,110
Non-current assets	3,650	5,548	6,751	7,198	7,388
Fixed assets	3,590	5,491	6,694	7,142	7,332
Investment assets	60	56	56	56	56
Others	1,370	1,973	657	657	657
Total assets	28,123	41,708	45,284	58,886	67,927
Advances from customers	38	81	82	106	106
Unearned revenue	-	0.3	-	-	-
Trade payables	8,245	12,055	12,487	13,276	15,134
Others	3,812	3,274	4,074	5,399	6,301
ST debt & due bonds	5,836	13,031	11,898	18,360	18,267
LT debt & bonds	1,208	1,122	1,122	1,122	1,122
Total liabilities	19,139	29,565	29,663	38,263	40,930
Controlling interest	8,977	12,136	15,612	20,610	26,980
Capital stock	4,435	4,435	5,190	5,328	5,436
Capital surplus	551	555	558	558	558
Other reserves	1	(5)	(559)	(562)	(562)
Retained earnings	3,990	7,150	10,423	15,286	21,549
Minority interest	6	8	10	13	16
Shareholders' equity	8,983	12,144	15,621	20,623	26,997

Income statement

(VND bn)

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
Sales	86,516	102,174	108,693	140,538	165,692
COGS	71,224	82,686	85,247	109,345	127,842
Gross profit	15,292	19,488	23,447	31,194	37,850
SG&A expenses	11,421	14,511	18,105	24,168	28,889
Operating profit	3,871	4,977	5,342	7,026	8,960
Financial income	342	631	313	652	843
Interest income	85	344	313	652	843
Financial expenses	437	570	750	691	1,026
Interest expenses	436	568	750	691	1,026
Other non-operating profit	269	305	305	345	419
Gains (Losses) in associates, subsidiaries and JV	(2)	(3)	-	-	-
Earnings before tax	3,786	5,053	5,209	7,331	9,196
Income taxes	906	1,217	1,255	1,766	2,215
Net profit	2,880	3,836	3,955	5,565	6,981
Net profit of controlling interest	2,879	3,834	3,953	5,563	6,978
EBITDA	5,094	6,420	6,967	9,028	11,220

Cash flow

(VND bn)

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
C/F from operations	2,261	(1,286)	10,793	630	6,373
Net profit	2,880	3,836	3,955	5,565	6,981
Dep'n & Amort'n	1,223	1,443	1,625	2,003	2,260
Net incr. in W/C	(1,842)	(6,565)	5,213	(6,938)	(2,868)
C/F from investing	(2,344)	(5,873)	(2,395)	(2,716)	(2,660)
Capex	(1,495)	(3,066)	(2,337)	(2,450)	(2,450)
Incr. in investment	(850)	(2,807)	(58)	(266)	(210)
C/F from financing	460	6,529	(1,610)	5,899	(701)
Incr. in equity	705	86	202	136	108
Incr. in debt	241	7,109	(1,133)	6,462	(93)
Dividends	(486)	(665)	(679)	(699)	(716)
C/F from others	13	3,082	3	8	7
Increase in cash	389	2,452	6,791	3,821	3,018

Key financial data

FY-ending Dec.	2018A	2019A	2020F	2021F	2022F
Per-share data (VND, adj.)					
EPS	6,689	8,665	8,731	11,930	14,628
BPS	20,258	27,415	34,487	44,204	56,560
DPS	1,500	1,500	1,500	1,500	1,500
Growth (%)					
Sales growth	30.4	18.1	6.4	29.3	17.9
OP growth	39.3	28.6	7.3	31.5	27.5
NP growth	30.5	33.2	3.1	40.7	25.4
EPS growth	(6.6)	29.5	0.8	36.6	22.6
EBITDA growth	46.8	26.0	8.5	29.6	24.3
Profitability (%)					
OP margin	4.5	4.9	4.9	5.0	5.4
NP margin	3.3	3.8	3.6	4.0	4.2
EBITDA margin	5.9	6.3	6.4	6.4	6.8
ROA	11.3	11.0	9.1	10.7	11.0
ROE	38.7	36.3	28.5	30.7	29.3
Dividend yield	1.3	1.3	1.3	1.3	1.3
Dividend payout ratio	22.4	17.3	17.2	12.6	10.3
Stability					
Net debt (VND bn)	3,244	7,901	(23)	2,618	(494)
Net debt/equity (%)	36.1	65.1	(0.1)	12.7	(1.8)
Valuation (x)					
PE	17.4	13.5	13.4	9.8	8.0
PB	5.8	4.3	3.4	2.6	2.1
EV/EBITDA	11.0	9.5	7.6	6.1	4.7

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