

Xin Chao Vietnam

Market performance

	4 Mar	1D	1M	3M	YTD
VNIndex (pt, % chg.)	1,168.52	(1.6)	5.1	14.4	5.9
Turnover (VND bn)	16,467				
VN30 (pt, % chg.)	1,174.29	(1.8)	5.1	19.3	9.7

Major indicators

	4 Mar	1D	1W	1M	YTD
1-yr govt bonds (% bp chg.)	0.51	0.0	(0.0)	(0.0)	0.1
3-yr govt bonds (% bp chg.)	0.92	0.0	(0.0)	0.2	0.1
VND/USD (% chg.)	23,022	0.0	0.0	0.4	0.3
VND/JPY (% chg.)	21,449	0.3	1.7	3.5	4.2
VND/EUR (% chg.)	27,703	0.4	(0.4)	1.5	2.8
VND/CNY (% chg.)	3,558	(0.0)	(0.0)	(0.5)	(0.6)
	Prev. close	1D	1W	1M	YTD
10-yr US Treasury (% bp chg.)	1.47	(0.0)	0.3	0.5	0.6
WTI (USD/bbl, % chg.)	61.00	(0.5)	8.5	31.9	25.7
Gold (USD/oz, % chg.)	63.90	(0.3)	8.6	29.7	23.4

Domestic institutions net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
VIC	90.7	OCB	(213.8)
TCB	72.6	PLX	(140.1)
GAS	69.2	FUEVFNVD	(55.3)
HDG	31.1	DBC	(9.5)
DXG	28.0	HPG	(9.4)

Foreign net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
PLX	114.9	VNM	(74.9)
FUEVFNVD	54.1	VIC	(60.5)
DPM	24.4	VCB	(33.8)
GVR	20.6	POW	(32.8)
MBB	20.6	MSN	(31.9)

Daily performance by sector

Top five sectors	% chg.	Bottom five sectors	% chg.
Consumer Services	2.1	Retailing	(2.5)
Household Products	1.8	Diversified Financials	(2.3)
Health Care	1.6	Software & Services	(2.3)
Telecommunication	1.3	Insurance	(2.1)
Technology	0.8	Banks	(1.9)

WHAT'S NEW TODAY

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Sector & Company

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KIS market view

	OP	NP	EPS growth	PE	PB	EV/EBITDA	ROE
	(VND bn)	(VND bn)	(% yoy)	(x)	(x)	(x)	(%)
2018	191,785	119,519	29.7	15.2	2.7	13.6	17.7
2019	238,659	144,922	24.2	13.8	2.4	11.0	17.4
2020F	270,014	151,973	7.2	16.6	2.7	11.4	16.1
2021F	304,264	177,159	18.9	13.9	2.3	10.2	16.4

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

KIS macro forecast

	1Q20	2Q20	3Q20	4Q20F	2019	2020	2021F
GDP (% yoy)	3.8	0.4	2.6	4.5	7.0	2.9	5.9
Trade balance (USD bn)	3.8	1.9	10.7	2.5	10.4	19.0	1.8
CPI (% yoy, avg.)	4.9	3.2	3.0	0.2	5.2	3.2	2.4
Discount rate (% EoP)	3.5	3.0	3.0	3.0	4.0	3.0	3.0
VND/USD (avg.)	23,264	23,206	23,188	23,252	23,231	23,252	23,219
US GDP (% qoq)	(4.8)	(31.7)	33.1	4.0	(3.5)	(3.5)	5.0
China GDP (% yoy)	(6.8)	3.2	4.9	5.8	2.3	2.3	8.4

Source: KIS, Bloomberg

Market commentary & News

Market commentary

Profit-taking at the 1,200-pts threshold

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The Vietnam stock market reversed to tumble yesterday due to the profit-taking on large-cap stocks when the VNIndex reached the 1,200-pts threshold.

At the close, the VNIndex fell by 1.55% to close at 1,168 pts. Meanwhile, trading volume was 651 million shares or VND16,466bn.

Foreign investors continued to sell with a net value of VND234bn for the tenth consecutive net selling session on HSX. They sold VNM, VIC, and VCB the most with a net value of VND74bn, VND60bn, and VND33bn, respectively.

Moreover, 29 out of 30 constituents of VN30Index closed in red territory.

Real Estate was the worst sector such as VHM (-1.5%), VRE (-2.7%), NVL (-1.0%), NLG (-1.2%), DXG (-3.0%), ROS (-2.8%), KDH (-2.6%), and TCH (-4.2%).

Besides, selling pressure pushed Banking and Consumer Staple down, SAB (-2.6%), VNM (-1.1%), MSN (-2.3%), BID (-2.4%), HDB (-2.8%), TCB (-3.2%), ACB (-2.6%), MBB (-3.0%), and STB (-3.4%).

In contrast, cash flowed into Energy, namely PVT (+2.9%), PVD (+2.8%), PVS (+8.4%), BSR (+10.7%), OIL (+14.5%).

Based on the sharp contraction, the market sentiment has become cautious in the short term. Moreover, the 1,200-pts threshold is the strong resistance. Therefore, traders should be careful and wait for the next signal to confirm the current trend.

Breaking news

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► Vietnam: IIP dives near to 2-year low in Tet-holiday month

A sharp decline in February raised concerns about the sustainability of industrial growth in the future. Although a long Tet holiday was partly responsible for the plunge, this strong downward magnitude was something worse than our expectation. According to the latest estimates from GSO, as of February-end, IIP plunged by 21.13% MoM and 7.18% YoY, which dragged the production level near to a level seen in April (when a half-month nationwide lockdown took place). Breaking down by sub-sectors, the manufacturing sector was down faster than the whole industry when declining by 23.09% MoM (+ 5.82% YoY). Meanwhile, mining sector fell by 18.52% MoM to a record low (- 23.03% YoY). Besides, the electricity production & distribution and water supply sectors also reduced by 9.82% MoM (- 2.34% YoY) and 8.68% MoM (+ 0.07% YoY), respectively. (GSO, VN Customs, KIS)

Macro & strategy

March Macro view

Economic growth to back to expansionary

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► Trade to grow modestly

February witnessed a slowdown in trade activity, which mainly resulted from the Tet seasonality. In addition, the decreasing demand for electronics appliances also attributed for the contraction in export. In the favor of speeding up vaccinations in our main trading partners and the increase in relief packages, we expect consumer confidence level continue to improve and bolster trade activities in the next month. Therefore, we predict export and import to grow by 11.62% YoY and 10.96% YoY in March 2021, respectively.

► CPI to slow down

February's CPI experienced a notable increase compared to the previous month due to food and foodstuff (F&Fs), traffic, and

housing and construction materials (HCM) prices. We expect that F&Fs and traffic indices to slow down due to the drop in pork price and the slowdown in petroleum product prices. Besides, electricity price seems to witness no more adjustment. Hence, we forecast CPI to rise by 0.40% MoM and correspondingly by 1.83% YoY in March 2021.

- ▶ IIP expansionary to face sustainability test

The weak performance of IIP raised our concerns about the sustainability of industrial growth. Some major industries received a warning call when the decreasing pace strongly outpaced the whole sector. The result in March would show a more clear picture. From our estimates, the IIP would recover about 19% - 21% MoM or about 4.5% – 6.5% YoY in March.

Sector & Company

Clever Group (ADG)

The first digital marketing player goes IPO

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- ▶ Set a firm footprint in digital marketing industry

Clever Group (ADG) claims the leading digital marketing provider thanks to 1) the Premier Google Partner since 2011; 2) the dominant player in Google AdWords advertisement market with 15% share and 3) the first authorized agency of Facebook Vietnam to provide the social marketing services.

- ▶ Ride on buoyant digital marketing industry

According to 2021 Vietnam Digital Marketing Trends report, the Vietnam digital marketing industry could earn a 21.5% CARG revenue in FY20-25F driven by the huge shift from traditional to digital marketing as the internet and smartphone are changing the consumers' lifestyle and habits. From the report, total industry revenue reached USD820m in FY20, +14.6% yoy and could post USD966.7m in FY21F, +17.8% yoy in the context of COVID-19 outbreak. ADG could benefit from the rising demand for digital marketing services in FY21F-25F thanks to its iconic brand name.

- ▶ Aim for a stellar earning growth of 17.5% yoy in FY21F

The management guilds for a VND418bn revenue, and a VND47bn net profit, (+17.5% yoy) in FY21 on the back of 1) the new contribution from subsidiaries acquired in FY19-20 ;2) rosy growth in productions and services via associate of Yello Digital Marketing Global Pte. Ltd and 3) deploying new services in ADG ecosystem including Social Listening platform (from CMetric), cross-nation B2B e-commerce solution (from CleverX).

The management is investing in domestic companies to expand the market share and is going to Indonesia market. The company also targets to open new branches of Clever X, Clever Review (Revu) and ADOP Vietnam in Da Nang city and sets up subsidiaries in Indonesia, the Philippines and Laos.

- ▶ Valuation looks relative cheap to peer

ADG's current share price corresponds to a forward PE of 27.2x. This seems slightly expensive in comparison with peer which could trade at a forward PE of 50x (based on 2021 guidance). Given ADG's growth strong profile, state-of-art digital marketing, we think ADG's valuation could re-rate.

Techcombank (TCB)

BUY (Maintain), TP VND47,000

Capture new upturn phase

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- ▶ Facts: 2020 NP to beat KIS forecast by 23%

TCB 4Q20 NP beats our estimate by ~23% at VND3.95tn (+30.5% yoy and 28% qoq). Since TOI surpassed our forecast by 4%, the dissimilarity is blamed for better-than-expected credit provision given a fall in NPL ratio to 0.47%, half of our estimate. Restructured Covid-19 loans increased by 11% qoq to VND7.9tn (~2.9% of total loans) while NPL coverage ratio reached 171%. For whole 2020, TCB earned a NP of VND12.3tn, up 22% yoy on a TOI of VND27tn, up 28% yoy.

► Skyrocketed credit growth

Credit growth rocketed from 9.2% ytd as of 3Q20-end to 24% ytd as of 2020-end, increasing by 5%p yoy and outpacing the industry average by 12%p. The robust growth was driven by both corporate bond portfolio (+53% yoy) and lending book (+20% yoy). TCB is able to leverage on strong capital buffer (CAR of 14-16% vs. 8% regulated) to win higher credit growth limitation (~19-24% per annum). We believe TCB to continue utilizing the advantage and lift our expected credit growth by 2.2-2.4% from our latest update to achieve ~20% per annum in the forecast period. Exposure to retail segment decreased from 40% of overall credit in 2019 to 34% in 2020 while those at WB segment including WB-lending & Corporate bond holding increased by 7%p to 50% respectively. As many real estate developers plan to take benefit of low interest rate environment to boost sales in 2021 (e.g Vinhome with remaining parts at Smart City, Ocean Park, Grand Park and new launches at Wonder Park, Dream City and Co Loa), we also expect the mortgage book to recover strongly.

► NIM stayed solid

4Q20 NIM (annualized) was solid qoq at 5.63%, and driving 2020 NIM up 54bps yoy to reach 4.9%. According to TCB's IR documents, average lending yield was quite steady in the first three quarters and started to fall in 4Q20. However, NIM was secured by low funding cost given superior CASA ratio of 46% and cheap mobilization rates. We believe the bank's success in attracting retail clients and customizing products based on value chain approach will reap bigger benefits, not only for NIM but other businesses. From that, we project the bank's NIM to upgrade to a range of 5.09-5.2% in 2021-2025.

Besides, we realized that TCBS has been aggressive in acquiring new customers since 2H20 with big promotion campaign on margin lending. The margin lending book grew to VND4.4tn from VND1.5tn in 2019 and TCBS gathered ~106,000 new accounts (~27% of industry) in 2020. From the bank's experience in attracting retail clients and CASA, we believe the recent pushes may excite its investment banking business further in coming years. Bond fee reached VND1.1tn, up 7% yoy in 2020 and is forecasted to make CAGR of 19-20% in 2021-2025.

► Capture new upturn phase of Vietnam financial market

2020 remarked a glorious show for the 20th anniversary of the Vietnam stock market. The upbeat movement seen across all equity, fixed-income and derivatives markets. Equity market capitalization accounted for 64% of nominal GDP; number of investor accounts achieved 2.8 million, up 396,500 yoy; corporate bond issuance was VND416tn, up 40% yoy; the size of corporate bond market expanded from 11.3% of GDP in 2019 to 15.3%. Given that mood, the parent bank and two subsidiaries, TCB Securities (TCBS) and TCB Capital (TCBC), gained good outcomes e.g 18% growth in bond advisory volume, 32% growth in bond distribution volume, 36% growth in iFund distribution volume, 57% surge in TCBF NAV.

► Raise non-NII forecast

TCB outpaces other same tier banks in term of non-NII, which achieved VND8.3tn in 2020 or ~30% of the TOI. Apart from investment banking business mentioned above, TCB managers plan to reboot bancassurance businesses after transition period from referral to direct sales model. Thanks to its affluent customer base, right strategy for digitalization and products mix, TCB's non-NII showed a 2015-2020 CAGR of 31.2%. Given remaining generous technology budget and heavy methods to develop client base for wealthy business, we expect the bank non-NII to make a 2020-2025 CAGR of at least 20%.

► Action: Revised up TP to VND47,000

Thanks to resilient economy and the bank's strength, we revise up 2021 – 2025 earnings outlook with more positive assumptions related to credit growth, NIM, credit cost and non-interest income growth. ROE may improve to ~18-20% range vs. 16-17% in our latest update. With a better ROE horizon and the bank's pioneer position in Vietnam debt capital and wealth market, we believe that it is unfair for TCB to trade at a PB discount vs. other same tier banks. Therefore, we maintain BUY and raise TCB TP to VND47,000 (26% from our last update) based on fair PB of 1.8x (same at ACB).

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

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

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

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

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