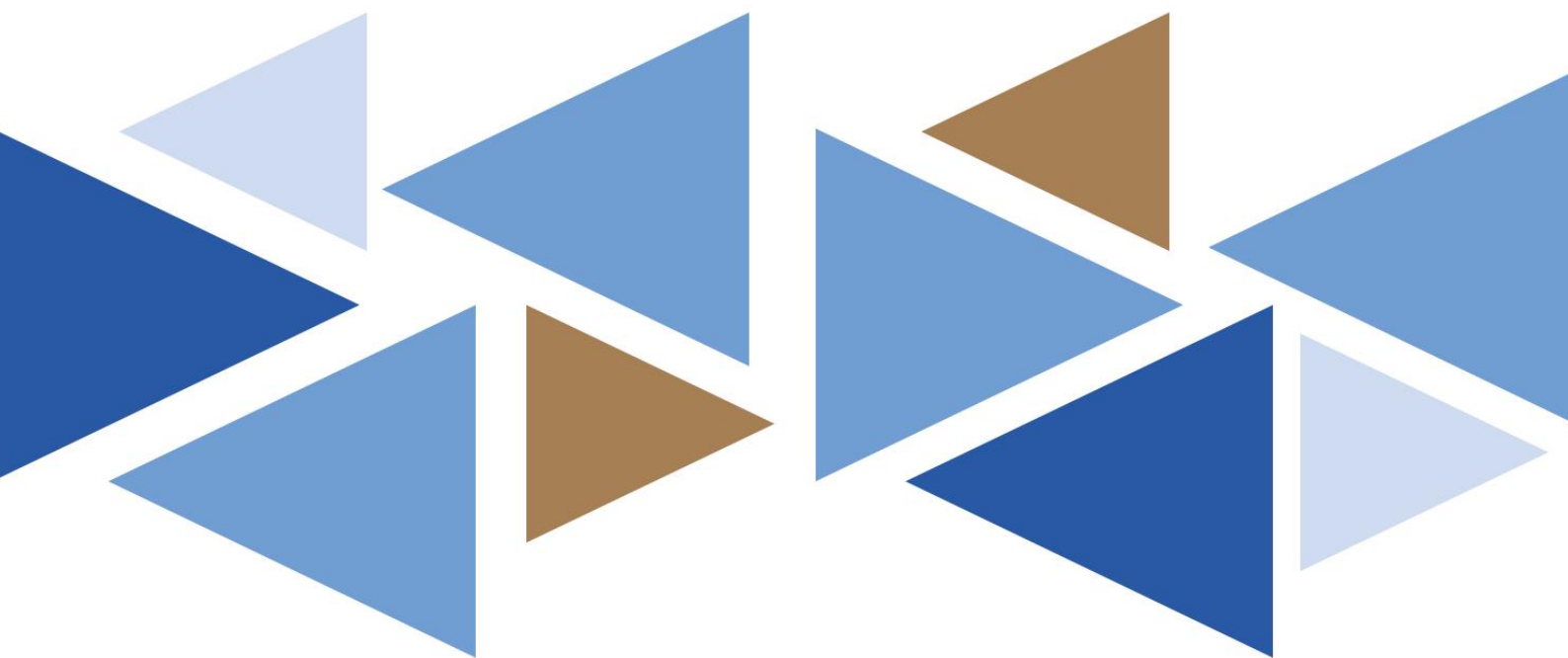


2022 OUTLOOK

The Big Uptrend



2022 Outlook Contents

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2022 Outlook
“The Big Uptrend”

Investment Strategy

“The Big Uptrend”

I. Stock market

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Strategy

“The Big Uptrend”

Bullish market

Key factors that drive the stock market to rise in 2022 include: (1) the Vietnam economy recovering and strong growth in 2022 and (2) new money will continue to flow into the stock market as new cash flows into stock markets and new money comes from capital flows of securities companies to margin.

Second upside one-year cycle

Based on the above analysis of the cycle and key factors, we can imagine the market movement in 2022 as follows:

(1) Firstly, the market will continue to go up in the near future and form a new historical peak after January 2022.

(2) Second, after forming the historical peak, the market will fell again and form another bottom, which is high probability to appear in the period from May 2022 to September 2022.

(3) Thirdly, after creating a 1-year cycle bottom of second 1-year bottom, the market will rebound and enter the final 1-year cycle of 3-year cycle in 2H22. This cycle may have many unexpected movements.

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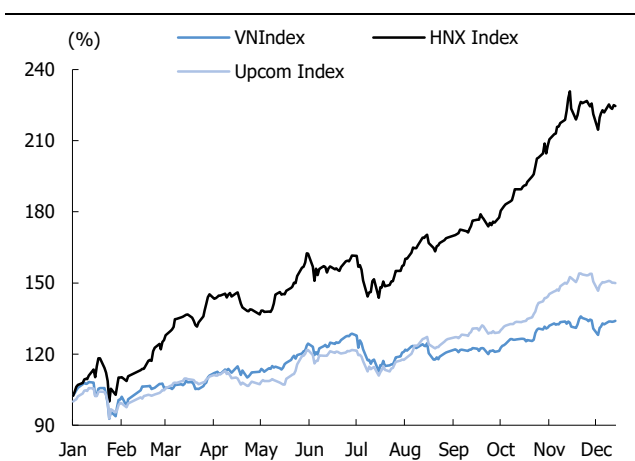
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I. Stock market

1. Stock market movement in 2022

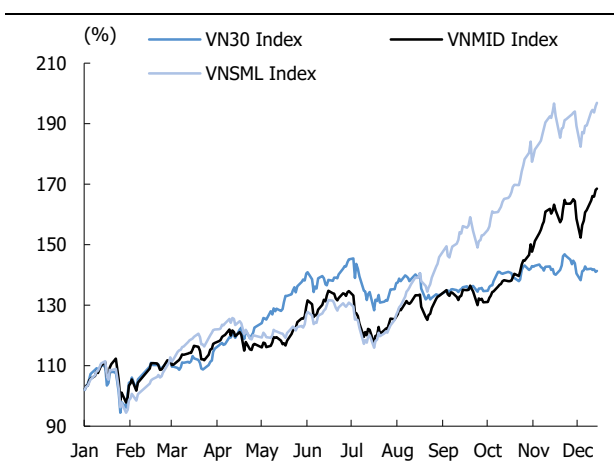
Small-cap tickers in the spotlight. Despite the government's imposition of strong measures to prevent the COVID-19 epidemic from June to October 2021, the Vietnamese stock market continues to go up in 2021. Key indexes of the market have a strong uptrend of more than 30%, such as the VNIndex up 34%, the HNXINDEX up 125% and the UpcomIndex up 50%. Notably, small- and medium-cap stocks have attracted the market's attention. Accordingly, the VN30Index only increased by 41%, while the VNMID Index increased by 69% and VNSML Index increased by 97%.

Figure 1. Growth of indexes in Vietnam market in 2021



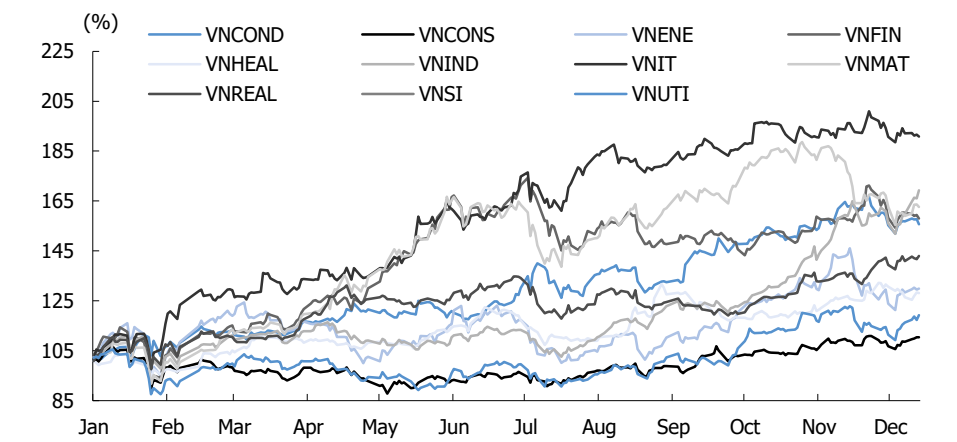
Source: Fiinpro, KIS

Figure 2. Growth of indexes on HSX in 2021



Source: Fiinpro, KIS

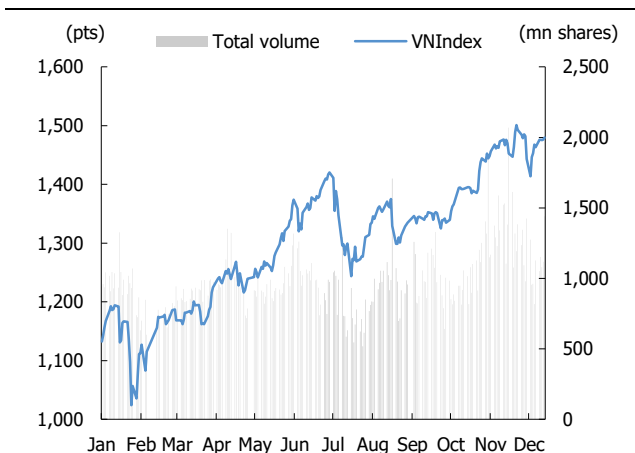
IT sector is the market leader. On the HSX, most industry groups have good growth of 10% or more. There are five industries with an increase of over 50%, including Information Technology, Industrials, Materials, Financials, and Consumer Discretionary. On the other hand, Real Estate, Energy, Health Care, Utilities, Communication Services rise by below 50%. The Information Technology group have the best performance by 90%, followed by Industrials (+69% YTD) and Materials (+62% YTD).

Figure 3. Growth of sectors in 2021

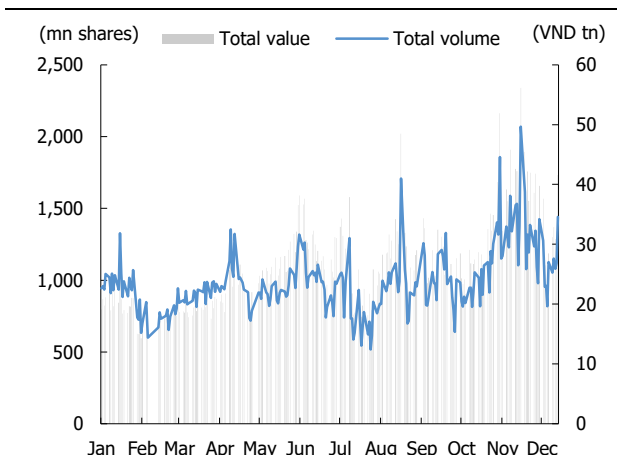
Source: Fiinpro, KIS

2. Trading volume and value

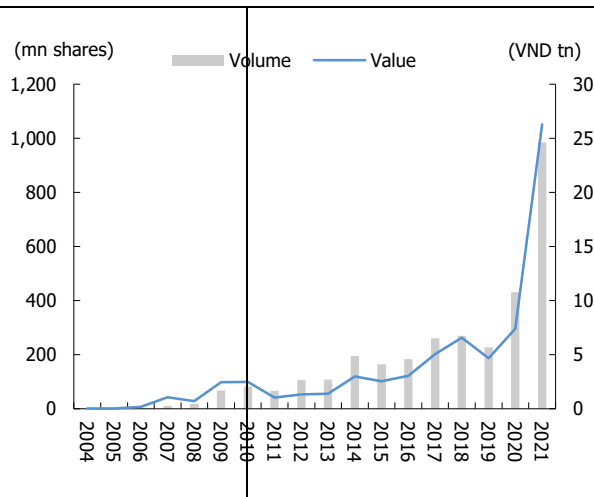
Liquidity at a record level. After the trading congestion on HSX in early 2021, trading has returned to normal on the HSX. Market liquidity in 2021 has increased significantly. Accordingly, the average trading volume and trading value per session reached 984 million shares or VND 26,200 billion, up 128% and 255% compared to 2020. Especially in the third quarter of 2021, liquidity sharply increases as the average trading per session reached 1,170 million shares of trading volume and VND33,400bn of trading value, up 172% and 350% compared to 2020. In which, the trading volume and value on the HSX accounted for $\frac{3}{4}$ of the total transactions in the Vietnam stock market.

Figure 4. Movement of the VNIndex and trading volume

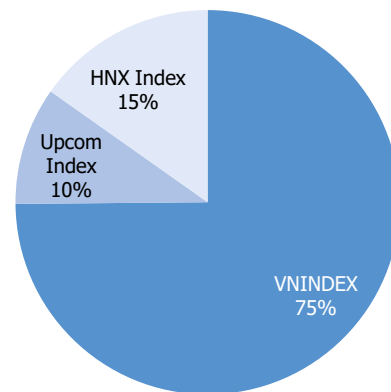
Source: Fiinpro, KIS

Figure 5. Trading value and volume

Source: Fiinpro, KIS

Figure 6. Trading value and volume per session

Source: Fiinpro, KIS

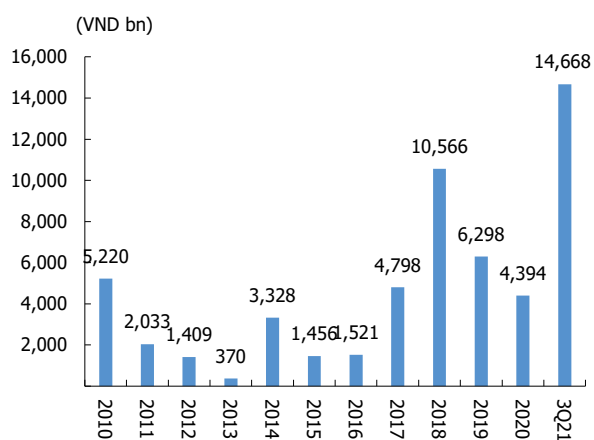
Figure 7. Trading volume by exchange

Source: Fiinpro, KIS

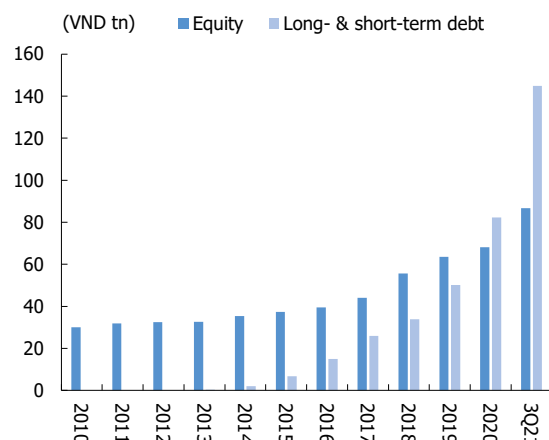
Liquidity spiked in 2021 thanks to (1) new cash flow of individual local investors, (2) capital flows from securities companies, and (3) HSX trading congestion has been resolved

New cash flow of individual local investors. Low-interest rates of deposits force individual investors to find an alternative investment channel such as gold, real estate, and securities... Because of the effects of the COVID-19 pandemic, access to some traditional investment channels such as gold or real estate became no longer suitable. Therefore, securities became an attractive alternative investment channel during this period. Besides, the market's high volatility, in some sessions, fluctuates up to 3%, creating potential profit opportunities for investors. Hence, new investors tend to shift their cash flow from other investment channels into securities. This causes the market to receive new capital flows from individual domestic investors.

Capital flows from securities companies. From the Mar bottom in 2020, the stock market recorded a strong bullish market and began to attract the attention of more investors. The demand for services including margin and advances has become increased. Securities companies decide to raise more resources to meet this demand of investors in 2021 by increasing debt and issuing equity to existing shareholders. Accordingly, securities companies issued VND8,100bn of equity in 2021, the highest level in 3 years. Besides, this firm also increases debt (short-term and long-term debt) to supplement operating capital, short-term and long-term debt rose by 50% to VND1,000bn. This capital of companies has been used by investors through the services of securities companies to invest in the market.

Figure 8. Capital raising activities of Brokerage in 2021

Source: Fiipro, KIS

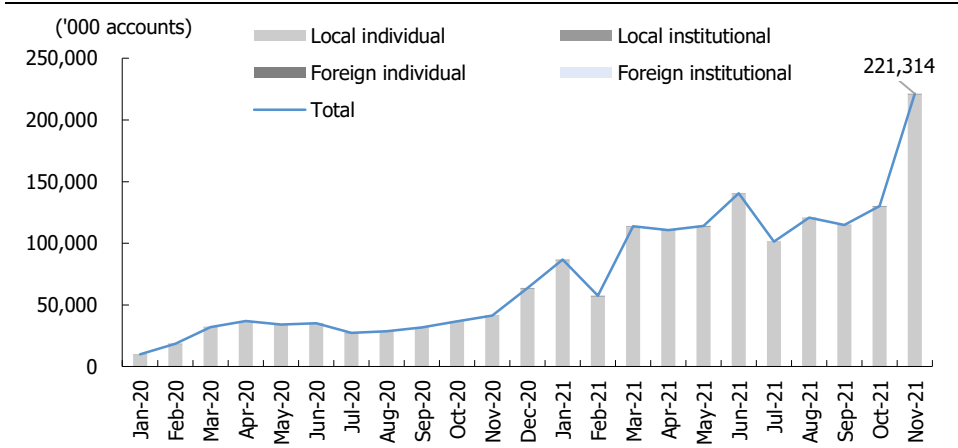
Figure 9. Equity and debt of Brokerage

Source: Fiipro, KIS

HSX trading congestion has been resolved. The trading process on the Ho Chi Minh City Stock Exchange returned to normal in the third quarter of 2021 when the new system was put into operation on July 5, 2021. This system was developed by the cooperation between SOVICO corporation and FPT. The new system has 3-5 times the processing capacity of the old system and can meet the stock market's needs for at least the next 3-5 years. HSX can ultimately expand the system in the future if necessary. In addition, because trading value reached a record high (VND45.4tn) on Dec 23, 2021 and trading value is 1,484 million shares on Nov 19, 2021, the new trading system is working well and completely meeting the trading needs of investors.

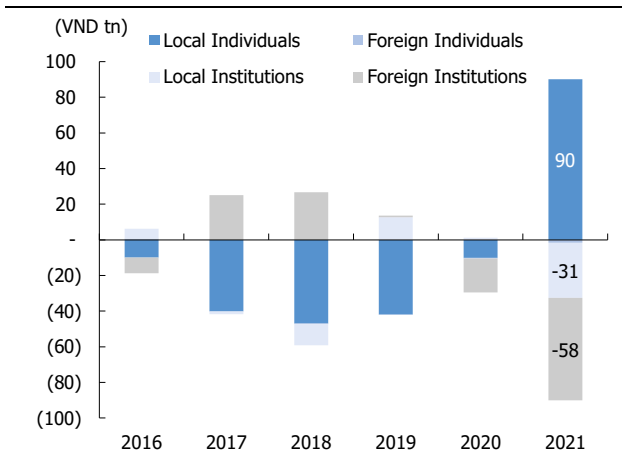
3. Retail investors in the spotlight

Retail investors keep attending on the stock market. With low deposit interest rates and limited access to other investment channels, stock market has become an attractive investment channel for domestic investors, especially individual investors. The number of new accounts opened continuously reached a record high of 1.311 million accounts in the first 11 months of 2021 compared to 396 thousand accounts in 2020. Among these, domestic investors opened 1.306 million new accounts following by 3.9 thousand new accounts of foreign individuals, 1,536 new accounts of domestic institutional investors and 191 accounts of foreign institutional investors. Based on a large number of new opened accounts (accounting for 99.56% of total new accounts) shows that individual investors are focusing their attention on the stock market.

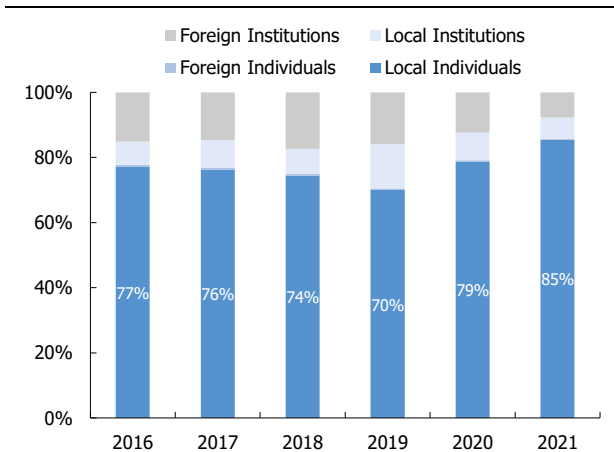
Figure 10. New number of investor's trading accounts

Source: Fiinpro, KIS

Domestic retail investors are the main driver. In 2021, foreign institutions record a net sell of VND57tn, followed by VND30tn of foreign individual investors and VND1.7tn of domestic institutional investors. However, domestic individual investors bought more than VND90tn (contrary to the selling trend in the previous five years). Besides, the trading value of this local retail accounts for 85% of the whole market's trading value (the highest level). This shows that cash flow from individual investors is the main driving force with the market's current uptrend.

Figure 11. Net trading value by investor types

Source: Fiinpro, KIS

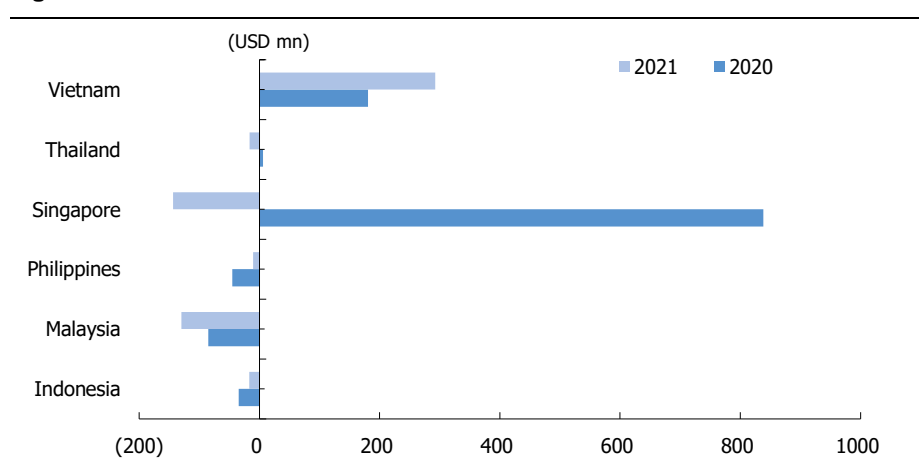
Figure 12. Trading value by investor types

Source: Fiinpro, KIS

4. The flow of money across Vietnam major ETFs

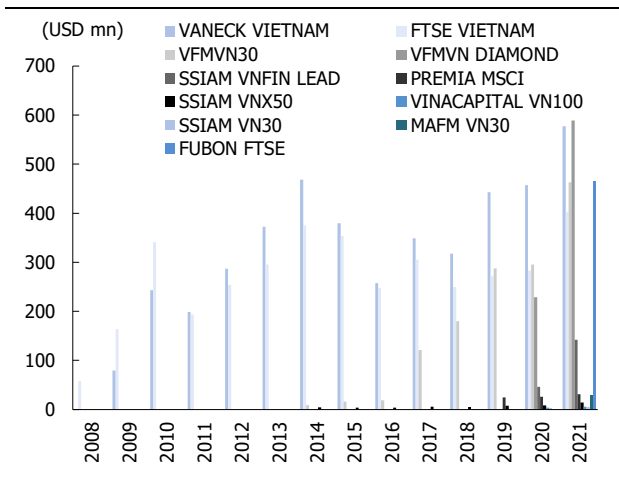
Massive flow of money via major ETFs. The flow of money across Vietnam has continued to surge in 2021. As of December 10, 2021, Vietnam has become one of the main driver for the positive money flow across SEA. To be specific, money inflow across Vietnam recorded at USD295mn (from the beginning of 2021 to 10 Dec 2021), up 60% YoY. Notably, among SEA countries, only Vietnam recorded the positively flow of money whilst other countries experienced the outflow. This is the positive signal for Vietnam’s capital market where foreign investors are attracted.

Figure 13. Net inflow/outflow of SEA countries

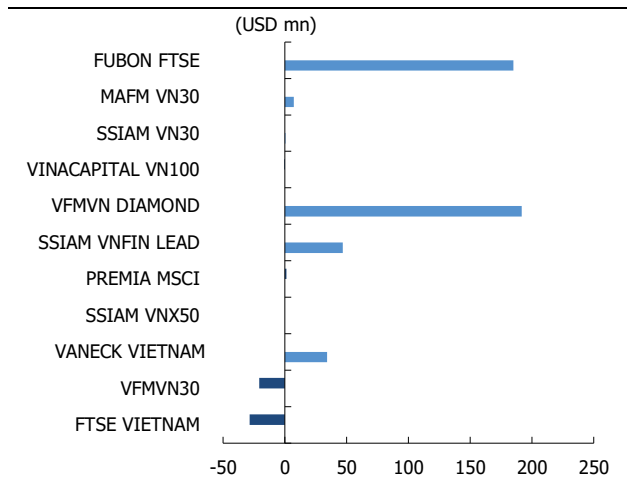


Source: Bloomberg, KIS

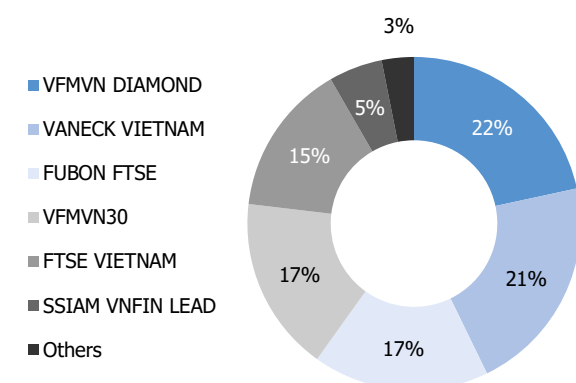
The flow of money across Vietnam via major ETF kept rising in 2021. As of December 10, 2021, total AUM reached USD2.3bn, 2 times higher than 2020. Notably, the positive flow of money has spread to all major ETFs, signaled by the increase of AUM of those ETF. Particularly, the AUM of X FTSE Vietnam, VFMVN30 ETF, VFMVN Diamond ETF, and SSIAM VNFIN Lead ETF was doubled compared to 2020, implying the strong money flow to Vietnam via ETFs. Relating to the net flow (1Y accumulated), major ETFs recorded the positive flow of money, except for X FTSE Vietnam and VFMVN30 ETF, giving the signal for the stable flow of money where supply are totally faded by demand.

Figure 14. AUM of Vietnam's major ETFs

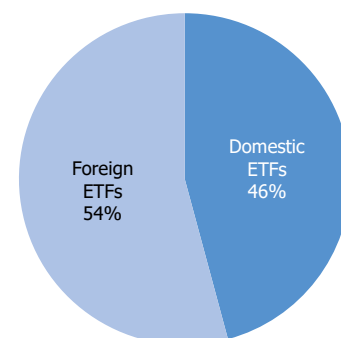
Source: Bloomberg, KIS

Figure 15. Vietnam ETF net flow (1Y accumulated)

Source: Bloomberg, KIS

Figure 16. AUM of Vietnam's major ETFs

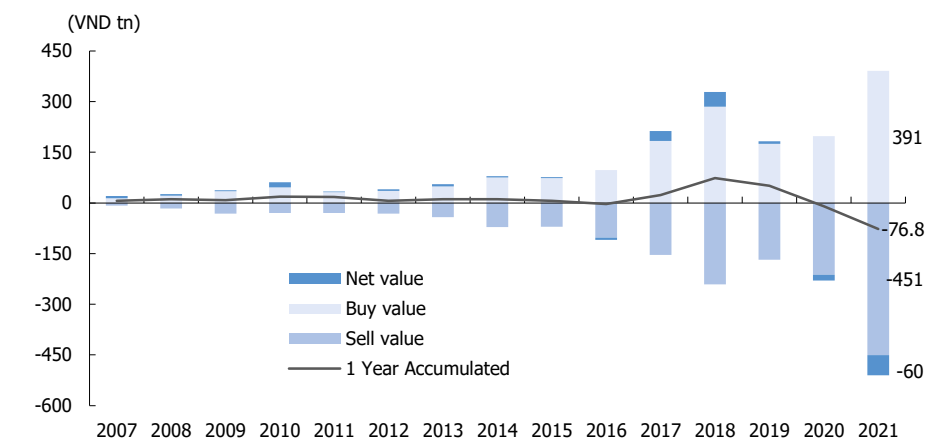
Source: Bloomberg, KIS

Figure 17. Proportion of Domestic and Foreign ETFs

Source: Bloomberg, KIS

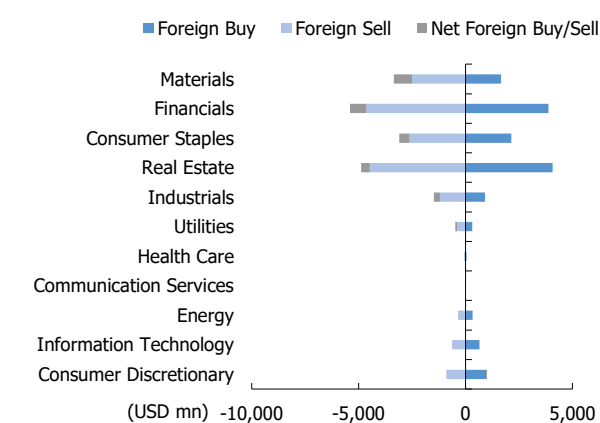
5. Net selling of foreign investors

Foreign selling activity skyrockets. Foreign activity kept recording at the negative level. Foreign investors' selling activity increased massively, fading the strong demand and push the market to end up to be net sold. As of December 10, 2021, net sell value recorded at VND60tn, 4 times higher than 2020. To be specific, foreigner's selling activity reached the highest level from 2007. Similar to 2020, the surge in foreign selling activity have been triggered by the uncertainty sentiment among the Vietnam capital market due to COVID-19 pandemic and negative impacts of Delta Variant.

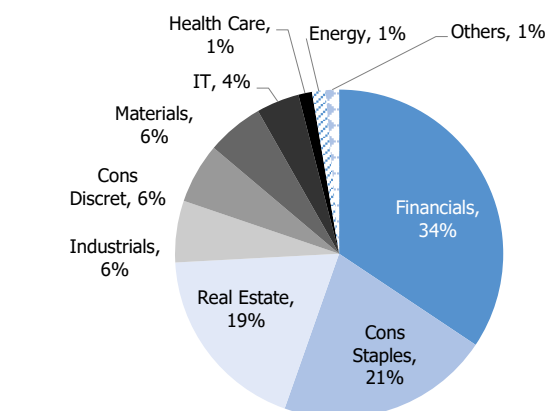
Figure 18. Yearly net foreign buy/sell (2007-2021)

Source: Fiinpro, KIS

Selling pressure spreads to major sectors. With sector, Materials, Financials, and Consumer Staples were divested the most, followed by Real Estate, Industrials, and Utilities. However, Consumer Discretionary and IT absorbed most of foreign demand across the market. Breaking down by tickers, foreign supply mainly focused on HPG, VPB, VNM, VIC, and CTG whilst STB, VHM, FUEVFN, MWG, and THD attracted buying activity the most.

Figure 19. Net foreign trading activity by sector

Source: VSD, KIS

Figure 20. Foreign ownership by sector

Source: Fiinpro, KIS

Taper tantrum impact on foreign trading strategy and flow of ETFs.

Taper tantrum, one of the main indicators for the trading strategy of foreign investors in 2022. Towards the end of 2021, in order to combat the pandemic-related economic slump, massive fiscal and monetary stimulus packages were put in place. However, as Fed made it clear in Jul 2021 meeting that the QE programme would be gradually scale down and rate hikes would take place, there is a negative signal for the trading strategy of foreign investors across Vietnam capital market in 2022. Particularly, the planned QE tapering would lead to the capital outflow due to the appreciation of the U.S. dollar on the back of rate hikes in the US. This event might lead to the depreciation of emerging market currencies and rate hikes by the local central banks. Thus, capital outflow could occur across Vietnam's capital market in 2022 which means foreign trading strategy will remain to be net sold.

Similar to the foreign trading strategy, the flow of money via ETFs could be a slowdown. To be specific, as the increase of capital outflow backed by the taper tantrum, the flow of money across Vietnam major ETFs would be negatively impacted. However, we expect a slight drop in the flow of money due to the maintenance of high demand among these ETFs. Domestic ETFs would continue to attract high demand whilst foreign ETFs could experience the outflow, especially Fubon FTSE Vietnam ETF and X FTSE Vietnam.

II. Factors improve stock market in 2022

Key factors that drive the stock market to rise in 2022 include:

- Firstly, the Vietnam economy recovers and strong growth in 2022.
- Secondly, new money will continue to flow into the stock market.

Recovery of Vietnam economy (the factor in this section have been explained above). Before the impact of the COVID-19 epidemic, Vietnam's economy suffered a lot of damage, especially in the 2H21 period. However, at the present time, the government changes its approach in the fight against the epidemic, whereby the government chooses to live with the epidemic instead of the zero-COVID as in the previous period. This can help the economy grow again in 2022-2023, as evidenced by the fact that economic indicators in October and November 2021 (the reopening period) have improved significantly compared to before.

In addition, the government also is planning for a number of other policies such as (1) the Economic Recovery and Development Programme for the 2022-2023 period, and (2) Expansionary monetary policy will be the main drivers to help the economy recovery. This will have a positive impact on the profitability of businesses.

New cash flow into stock markets. By the end of November 2021, the number of accounts on the stock market reached 4 million accounts, equivalent to 4% of the population of Vietnam. Compared with some countries in the world, this number is small, as the U.S. has more than 50% of adults owning stocks, China has more than 10% of the population opening a stock account, and Thailand has more than 6%. This implies that the number of new investors will continue to increase in the future. Besides, the opened new number of individual investors in Nov was also at a record high with more than 200,000 accounts. When this new group of investors invests, new cash flows will be poured into the stock market.

Besides, new cash flow come from capital flows of securities companies to margin. Another capital inflow comes from Brokerage. Accordingly, to meet the demand of investors (who use their services) some securities companies have planned to raise capital in 2022 such as SSI, VND, WSS, and VIX. This capital flow will margin and supplement operating capital, the total amount at the moment is VND18.5tn, higher than the VND14tn in 2021 (at the end of the third quarter). This amount can flow directly into the market through services provided by securities companies to investors. In a better situation, if other companies also issue equity, this capital inflow will be very large, enough to maintain the current uptrend of the market.

Table 1. Summarizing capital raising activities of securities companies in 2021

| Ticker | Plan | Value (VND bn) | Date |
|--------|---|----------------|------|
| WSS | Paid shares for existing shareholders. Rate 1:1. Price: 10,000 | 500 | 2022 |
| VIX | Paid shares for existing shareholders. Rate 1:1. Price: 15,000 | 2746 | 2022 |
| SSI | Paid shares for existing shareholders. Rate 2:1. Price: 15,000 | 7,460 | 2022 |
| VND | Paid shares for existing shareholders. Rate 1:1. Price: 10,000 | 4,350 | 2022 |
| VND | Bonus share 80% | 3,480 | 2022 |

Source: VSD, KIS

III. Cycle and pattern of the VNIndex

1. Second one-year cycle

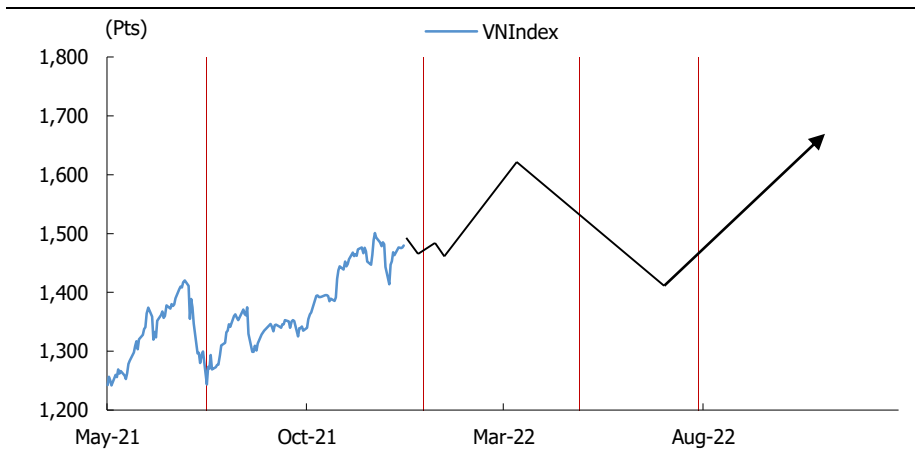
The first one-year cycle formed. Based on the method of Raymond Merriman, a price cycle can be split into two or three smaller cycles. We define 1-year cycles for 3-year cycles in the market (see 3-year cycles below). Accordingly, the first 1-year cycle of the 3-year cycle is finished based on the bottom on July 19th, 2021. At that time, the VNIndex closes below the 125-period moving average, which is the signal to confirm the cycle.

The duration of two bottoms of sub-cycle (from March low in 2020 to July low in 2021) is 17 months, which is more than a 1-year crystal cycle. That implies the last sub-cycle is not normal or the extended cycle. However, that does not impact the one-year trough, and the last sub-cycle is finished. Therefore, the market will begin the uptrend in short term in next future with the second 1-year cycle of a 3-year upside cycle.

Second one-year cycle. Since the bottom in July 2022, the VNIndex has formed a second 1-year cycle. Because the second sub-cycle for upside 3-year cycle, this upside cycle currently has the following characteristics.

- Firstly, the bottoming time of this 1-year cycle may fall from May 2022 to September 2022. The length of the cycle will be calculated from bottom to bottom and has a deviation of 1/6 times the time frame of the cycle. In this case, the 1-year cycle will have a deviation of 2 months (12 months x 1/6), showing the bottom will appear in July 2022 +/- 2 months.
- Secondly, the second 1-year cycle is a bullish cycle. The current 3-year cycle is an upward cycle, so its second sub-cycle is likely to be a bullish cycle. This implies a cycle peak will appear after the midpoint of the cycle or the peak form after January 2022. Accordingly, the VNIndex will create a new historical high in the future (higher 1,500-points peak on Nov 2021).

Figure 21. One-year cycle of Vietnam stock market



Note: Data as of 05 Nov 2021

Source: Fiinpro, KIS

2. Three-year upside cycle

3-year upside cycle from Apr 2020. Based on the documents of Raymond Merriman about cycle analysis, we recorded a 3-years cycle on the VNIndex, showing a significant trough every three years. Besides, the distance of the 3-years bottom has a period of 30 to 42 months (36 months or three years on average). With the seventh 3-year cycle, we already know some of the following characteristics.

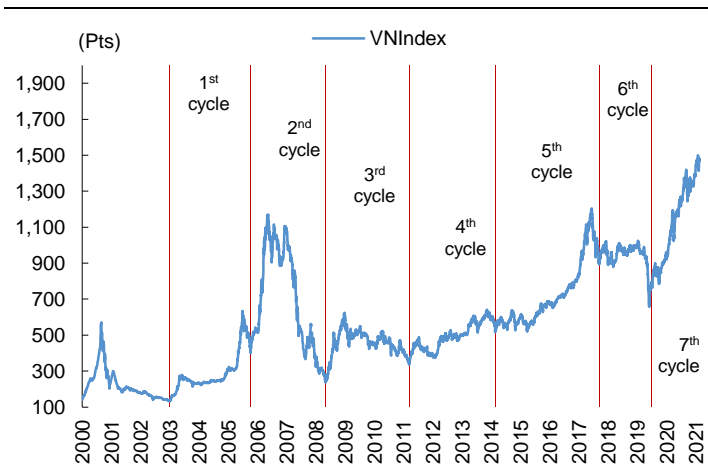
- Firstly, the current 3-year cycle is upward because the VN-Index continuously higher troughs and higher peaks than previous troughs and peaks. It means the 3-year cycle peak will appear in the second half of the cycle or after September 2021.
- Secondly, the current 3-year cycle bottom may fall between September 2022 and September 2023. The current 3-year cycle started in March 2020. The bottom may appear in a range of September 2022 to September 2023. Hence, the bullish market will continue for at least another 9 months.
- Thirdly, this seventh cycle can be the first phase of a larger upside cycle, which can be a bullish cycle of 6 years, 9 years or even 12 years. The sixth 3-year cycle, formed from July 2018 to March 2020, the duration between the two bottoms is 20 months, which is smaller than the standard time to create the bottom of the 3-year cycle (from 30 months to 42 months). According to Raymond Merriman, cyclic distortion usually occurs in the last subcycles of larger cycles (6, 9, or 12 years). When the large cycles bottom, it causes the smaller periods to deform. Therefore, it is possible that the larger cycles have bottomed out with the sixth 3-year cycle. Thus, the current 3-year cycle could be the first phase of a larger growth cycle.

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 | 09/2022-09/2023* | 30-42* |

*Expected period to form the 3-year cycle year

Note: Data as of 05 Nov 2021. Source: KIS, FiinPro

Figure 22. Movement of 3-year cycle

Note: Data as of 05 Nov 2021

Source: Fiinpro, KIS

3. Summary for cycle pattern

Based on the above characteristics of 3-year cycle and 1-year cycle, we can imagine the market movement in 2022 as follows:

- Firstly, the market will continue to go up in the near future and form a new historical peak after January 2022.

- Second, after forming the historical peak, the market will fell again and form another bottom, which is high probability to appear in the period from May 2022 to September 2022.
- Thirdly, after creating a 1-year cycle bottom of second 1-year bottom, the market will rebound and enter the final 1-year cycle of 3-year cycle in 2H22. This cycle may have many unexpected movements.

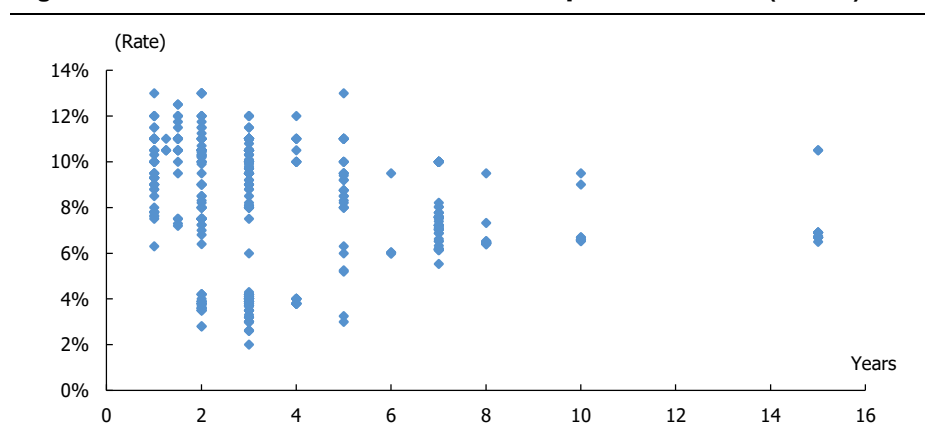
IV. Fixed income market by Sectors

Total issuing value of Corporate bonds reached VND450tn, nearly the same level of 2020. The total of domestic corporate bond issuances were 832. In which, the proportion of public offering was nearly 3%, much lower than the same period of 2020 and 2019. Private placement is prioritized by many enterprises (especially listed companies) due to some strict regulatory issues on the issuance of bonds through public offering method.

Breaking down by sectors, Real Estate firms ranked at the first place in terms of issuing value, accounted for nearly 50% of total issuing value, followed by Financials and Industrials. The total issued value of bonds across Real Estate sector decreased by 20% YoY. Nevertheless, Financials sector recorded the increase in total issued value, up 40% YoY. Particularly, the slowdown in total issued value of Real Estate bond could be explained by the Decree 81 which sets higher requirements and limitations on private offerings in an effort to restrict the issuance of bonds to private investors. Importantly, nearly 30% of issued bonds across Real Estate sector were unsecured or secured by common shares and this ratio kept increasing compared to 2020.

In the first 11 months of 2021, there were 4 issuances of bonds on the international market, which are Vingroup (USD500mn), convertible bonds of Novaland (USD300mn), bonds of BIM Real Estate Joint Stock Company (USD200mn), and sustainable bonds issued by Vinpearl.

Figure 23. The overall trend in duration and corporate bond rate (11M21)



Source: Bloomberg, FiinPro, KIS

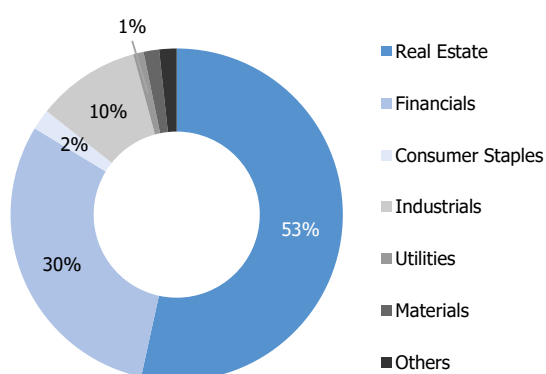
Duration and corporate bond rate. In the the first 11 months of 2021, 832 corporate bonds were issued. Short duration bonds (under 3 years) continued to be accounted the most, more than 60% of total issued corporate bonds. Within this period, among Financials sectors, most of issuing value was contributed by Commercial Banks alone, nearly 80%. In which, bonds with duration from 2-4 years accounted for more than 70%, with the average bond rate at 7%.

Real Estate ranked at the first place, recorded for 53% of issued corporate bond total value in 11M21 with the total issuing value of VND183tn. This sector is the leader in terms of bond rate, with the average of 8%/year and the short duration (averaged at 3 years).

11M21, Commercial banks continued to be the main contributor for the total issued value, after Real Estate firms, total issuing value recorded at VND163tn. In which, Tier 2-capital raising bonds accounted for nearly 25% (VND39tn).

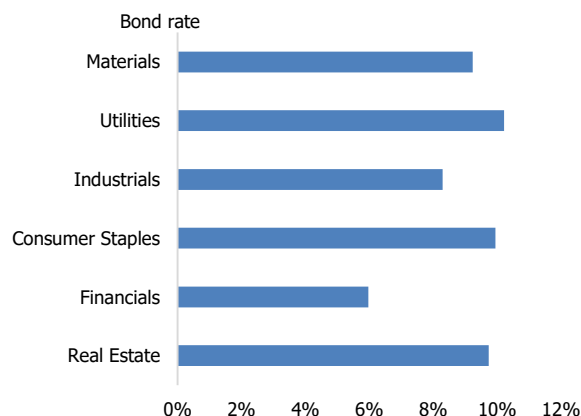
Investors could find more investment opportunities across Real Estate sector when the issued bonds have the bond rate are ranged from 8-13%/year, especially with short duration. However, investors need to aware bonds which are unsecured or secured by common shares and the proportion of these bonds have kept increasing.

Figure 24. Corporate bond by sectors (11M21)

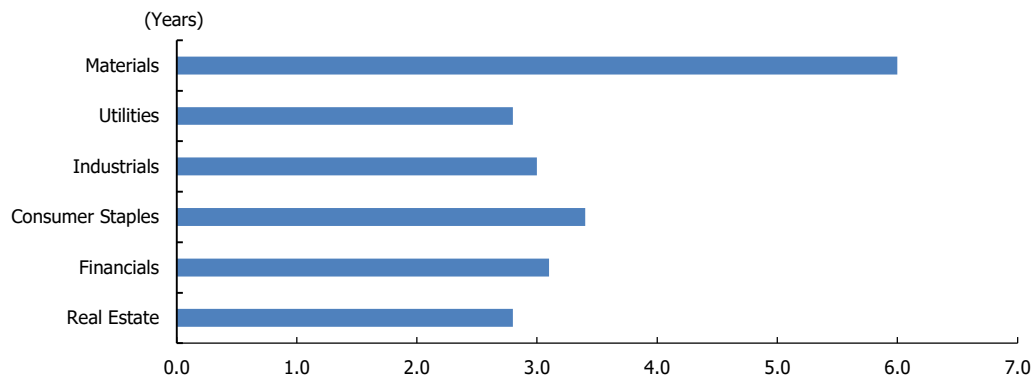


Source: Bloomberg, FiinPro, KIS

Figure 25. Average bond rate by sectors (11M21)



Source: Bloomberg, FiinPro, KIS

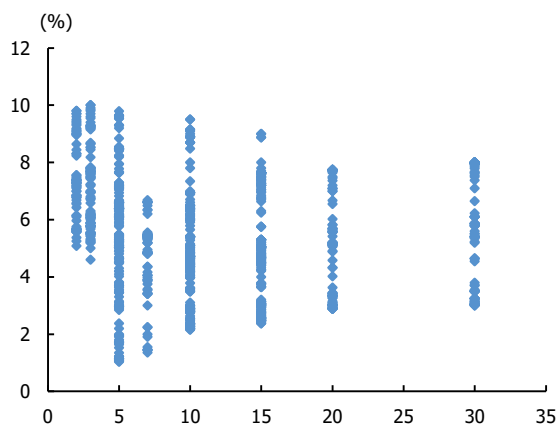
Figure 26. Corporate bond duration by sectors (11M21)

Source: Bloomberg, FiinPro, KIS

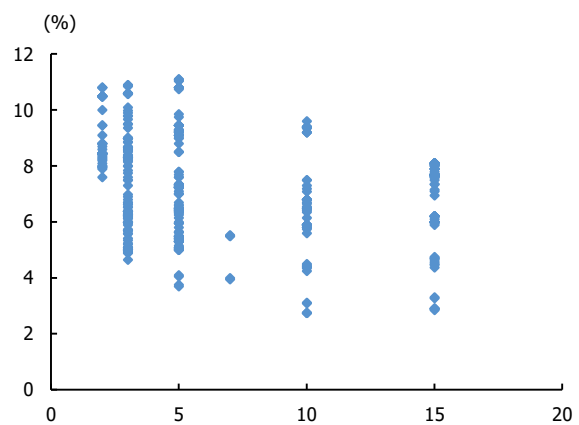
Government bond

In Nov 21, 16 auctions of government bonds were called by the State Treasury of Vietnam, total value and total winning value of VND40.5tn and VND35tn, respectively. The winning rate was recorded at nearly 80%. Particularly, 10-year and 15-year tenor continued to have the highest bidding volume, recorded at VND15.5tn and VND13.5tn, respectively. The winning rate for both 10-year tenor and 15-year tenor was more than 90%. However, the average winning rate for all tenor has decreased compared to the previous month, fading the increase of the winning rate for 5-year tenor bond.

In the last quarter of 2021, the State Treasury of Vietnam has planned to issue VND135tn of G-bond, including 5-year tenor (VND15tn), 7-year tenor (VND5tn), 10-year tenor (VND37tn), 15-year tenor (VND50tn), 20-year tenor (VND13tn) and 30-year tenor (VND15tn). 11M21, the total issuing value was VND288tn, accomplishing 77% of the set yearly plan and nearly 3% of bonds matured in 2021.

Figure 27. The overall trend in duration and winning yield of Government bond (2012-11M21)

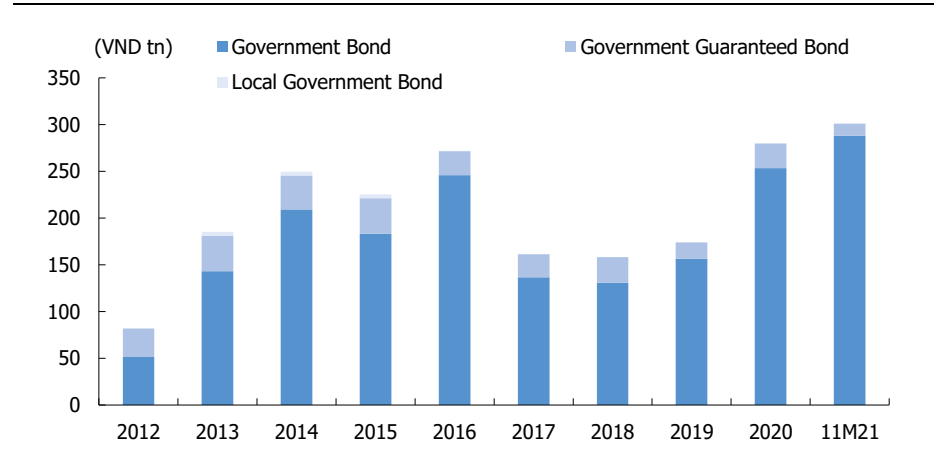
Source: HNX, KIS

Figure 28. The overall trend in duration and winning yield of Government guaranteed bond (2012-11M21)

Source: HNX, KIS

With Government-guaranteed bonds, 11M21, the total issued value recorded at VND13tn. In which, 85% of total issuing value was issued by the Bank for Social Policies, accomplishing 100% of the yearly plan. Besides, 15% of bonds were issued by Vietnam Development Bank. In terms of Local Government bond, there is no issued amount since 2016.

Figure 29. Total issued amount of Government bond, Government guaranteed bond, and Local Government bond



Source: HNX, KIS

Table 3. Current status of Corporate bonds that investors can buy

(Unit, VND, %, year)

| Issuer | Company's ticker | Listing volume | Par value | Interest rate | Term | Listing date |
|---|-------------------|----------------|-----------|---------------|------|--------------|
| Joint Stock Commercial Bank for Investment and Development of Vietnam | BID (HOSE) | 3,500,620 | 100,000 | 10.45 | 20 | 5/8/2007 |
| Joint Stock Commercial Bank for Investment and Development of Vietnam | BID (HOSE) | 5,000,000 | 100,000 | 0 | 7 | 12/30/2019 |
| Ho Chi Minh City Securities Corporation | HCM (HOSE) | 280,000 | 100,000 | 9 | 15 | 12/19/2007 |
| Ho Chi Minh City Securities Corporation | HCM (HOSE) | 2,000,000 | 100,000 | 8.25 | 15 | 7/16/2007 |
| Ho Chi Minh City Securities Corporation | HCM (HOSE) | 1,500,000 | 100,000 | 8.8 | 15 | 9/17/2007 |
| Ho Chi Minh City Securities Corporation | HCM (HOSE) | 900,000 | 100,000 | 8.8 | 15 | 10/25/2007 |
| Ho Chi Minh City Securities Corporation | HCM (HOSE) | 340,000 | 100,000 | 8.75 | 15 | 11/14/2007 |
| Kinh Bac City Development Holding Corporation | KBC (HOSE) | 4,000,000 | 100,000 | 11 | 0 | 10/7/2020 |
| Masan Group Corporation | MSN (HOSE) | 15,000,000 | 100,000 | 10 | 3 | 12/10/2019 |
| Masan Group Corporation | MSN (HOSE) | 20,000,000 | 100,000 | 9.3 | 3 | 5/8/2020 |
| Masan Group Corporation | MSN (HOSE) | 30,000,000 | 100,000 | 9.3 | 3 | 6/17/2020 |
| Masan Group Corporation | MSN (HOSE) | 30,000,000 | 100,000 | 10 | 3 | 8/13/2020 |
| Masan Group Corporation | MSN (HOSE) | 20,000,000 | 100,000 | 9.3 | 3 | 12/30/2020 |
| Nui Phao Mining Company Ltd. | Subsidiary of MSN | 5,000,000 | 100,000 | 10 | 5 | 12/18/2018 |
| Nui Phao Mining Company Ltd. | Subsidiary of MSN | 2,100,000 | 100,000 | 10 | 3 | 12/18/2019 |
| Nui Phao Mining Company Ltd. | Subsidiary of MSN | 3,000,000 | 100,000 | 10 | 3 | 7/22/2020 |
| Nui Phao Mining Company Ltd. | Subsidiary of MSN | 2,000,000 | 100,000 | 10 | 3 | 7/22/2020 |
| Nui Phao Mining Company Ltd. | Subsidiary of MSN | 5,000,000 | 100,000 | 10.2 | 5 | 7/22/2020 |
| Sai Gon Thuong Tin Real Estate Joint Stock Company | SCR (HOSE) | 4,700,000 | 100,000 | 10 | 3 | 6/7/2019 |
| VietJet Aviation Joint Stock Company | VJC (HOSE) | 6,000,000 | 100,000 | 9 | 3 | 11/2/2020 |
| Vincom Retail Joint Stock Company | VRE (HOSE) | 20,000,000 | 100,000 | 10 | 5 | 10/2/2020 |

Source: HSX, KIS

Appendix 1. ETFs investing in Southeast Asia markets

(USD mn)

| No | Ticker | Name | AUM | Fund focus |
|----|-------------------|--------------------------------|-------|-----------------|
| 1 | 2810 HK Equity | Premia Dow Jones Emerging Asea | 45 | ASEAN Countries |
| 2 | 9810 HK Equity | Premia Dow Jones Emerging Asea | 45 | ASEAN Countries |
| 3 | ASEA US Equity | Global X FTSE Southeast Asia E | 34 | ASEAN Countries |
| 4 | ASEAN SP Equity | CIMB FTSE ASEAN 40 | 9 | ASEAN Countries |
| 5 | 3099 HK Equity | Xtrackers MSCI Indonesia Swap | 90 | Indonesia |
| 6 | EIDO US Equity | iShares MSCI Indonesia ETF | 389 | Indonesia |
| 7 | H4ZT GR Equity | HSBC MSCI INDONESIA UCITS ETF | 63 | Indonesia |
| 8 | IDX US Equity | VanEck Vectors Indonesia Index | 53 | Indonesia |
| 9 | INDO FP Equity | Lyxor MSCI Indonesia UCITS ETF | 37 | Indonesia |
| 10 | R/LQ45X IJ Equity | Premier ETF LQ-45 | 146 | Indonesia |
| 11 | XIIC IJ Equity | Premier ETF Indonesia Consumer | 2 | Indonesia |
| 12 | XIIF IJ Equity | Premier ETF Indonesia Financia | 5 | Indonesia |
| 13 | XIIT IJ Equity | Premier ETF IDX30 | 176 | Indonesia |
| 14 | XIJI IJ Equity | Premier ETF Syariah JII | 1 | Indonesia |
| 15 | XISC IJ Equity | Premier ETF Indonesia State-Ow | 46 | Indonesia |
| 16 | XISI IJ Equity | Premier ETF SMINFRA18 | 6 | Indonesia |
| 17 | XISR IJ Equity | Premier ETF Sri Kehati | 30 | Indonesia |
| 18 | XMID LN Equity | Xtrackers MSCI Indonesia Swap | 135 | Indonesia |
| 19 | XPDV IJ Equity | Pinnacle CORE High Dividend ET | 1 | Indonesia |
| 20 | XPLC IJ Equity | Pinnacle Indonesia Large-Cap E | 1 | Indonesia |
| 21 | XPLQ IJ Equity | Pinnacle Enhanced Liquid ETF | 3 | Indonesia |
| 22 | 1560 JP Equity | NEXT FUNDS FTSE Bursa Malaysia | 4 | Malaysia |
| 23 | 3082 HK Equity | Xtrackers MSCI Malaysia UCITS | 41 | Malaysia |
| 24 | EWM US Equity | iShares MSCI Malaysia ETF | 224 | Malaysia |
| 25 | FBM30 MK Equity | FTSE BURSA MALAYSIA KLCI ETF F | 1 | Malaysia |
| 26 | H4ZV GR Equity | HSBC MSCI MALAYSIA UCITS ETF | 4 | Malaysia |
| 27 | MAL FP Equity | Lyxor MSCI Malaysia UCITS ETF | 15 | Malaysia |
| 28 | XCS3 GR Equity | Xtrackers MSCI Malaysia UCITS | 31 | Malaysia |
| 29 | 3016 HK Equity | Xtrackers MSCI Philippines UCI | 29 | Philippines |
| 30 | EPHE US Equity | iShares MSCI Philippines ETF | 128 | Philippines |
| 31 | FMETF PM Equity | First Metro Philippine Equity | 45 | Philippines |
| 32 | XPQP GR Equity | Xtrackers MSCI Philippines UCI | 51 | Philippines |
| 33 | 3065 HK Equity | Xtrackers MSCI Singapore UCITS | 50 | Singapore |
| 34 | 316300 KS Equity | KIM KINDEX Singapore REITs ETF | 9 | Singapore |
| 35 | 342140 KS Equity | KIM KINDEX Morningstar Singapo | 8 | Singapore |
| 36 | DBSSTI SP Equity | Nikko AM Singapore STI ETF | 27 | Singapore |
| 37 | EWS US Equity | iShares MSCI Singapore ETF | 538 | Singapore |
| 38 | SINGINC SP Equity | Phillip SING Income ETF | 47 | Singapore |
| 39 | SREITS SP Equity | Lion-Phillip S-REIT ETF | 173 | Singapore |
| 40 | STTF SP Equity | SPDR Straits Times Index ETF | 1,189 | Singapore |
| 41 | XBAS GR Equity | Xtrackers MSCI Singapore UCITS | 44 | Singapore |
| 42 | 1559 JP Equity | NEXT FUNDS Thai Equity SET50 E | 6 | Thailand |
| 43 | 1DIV TB Equity | ThaiDEX SET High Dividend ETF | 4 | Thailand |

| | | | | |
|----|--------------------|--------------------------------|-----|----------|
| 44 | 3092 HK Equity | Xtrackers MSCI Thailand UCITS | 74 | Thailand |
| 45 | BMSCG TB Equity | BCAP Mid Small CG ETF | 12 | Thailand |
| 46 | BSET100 TB Equity | BCAP SET100 ETF | 40 | Thailand |
| 47 | BMSCITH TB Equity | BCAP MSCI Thailand ETF | 38 | Thailand |
| 48 | EBANK TB Equity | KTAM SET Banking ETF Tracker | 2 | Thailand |
| 49 | ECOMM TB Equity | KTAM SET Commerce ETF Tracker | 1 | Thailand |
| 50 | EFOOD TB Equity | KTAM SET Food and Beverage ETF | 0 | Thailand |
| 51 | EICT TB Equity | KTAM SET ICT ETF Tracker | 0 | Thailand |
| 52 | ENGY TB Equity | MTrack Energy ETF | 2 | Thailand |
| 53 | ENY TB Equity | KTAM SET Energy ETF Tracker | 2 | Thailand |
| 54 | ESET50 TB Equity | KTAM SET50 ETF Tracker | 0 | Thailand |
| 55 | TDEX TB Equity | ThaiDEX SET50 ETF | 109 | Thailand |
| 56 | TH100 TB Equity | ThaiDEX SET100 ETF | 0 | Thailand |
| 57 | THA FP Equity | Lyxor MSCI Thailand UCITS ETF | 17 | Thailand |
| 58 | THD US Equity | iShares MSCI Thailand ETF | 391 | Thailand |
| 59 | XCS4 GR Equity | Xtrackers MSCI Thailand UCITS | 73 | Thailand |
| 60 | 2804 HK Equity | Premia MSCI Vietnam ETF | 31 | Vietnam |
| 61 | E1VFN30 VN Equity | VFMVN30 ETF Fund | 463 | Vietnam |
| 62 | FUESSV50 VN Equity | SSIAM VN50 ETF | 14 | Vietnam |
| 63 | VNM US Equity | VanEck Vectors Vietnam ETF | 577 | Vietnam |
| 64 | XFVT GR Equity | Xtrackers FTSE Vietnam Swap UC | 403 | Vietnam |
| 65 | FUESSVFL VN Equity | SSIAM VNFIN LEAD ETF | 139 | Vietnam |
| 66 | FUEVFN30 VN Equity | VFMVN DIAMOND ETF | 589 | Vietnam |
| 67 | FUEVN100 VN Equity | VINACAPITAL VN100 ETF | 5.5 | Vietnam |
| 68 | FUESSV30 VN Equity | SSIAM VN30 ETF | 4.6 | Vietnam |
| 69 | FUEMAV30 VN Equity | MAFM VN30 ETF | 39 | Vietnam |
| 70 | 00885 TT Equity | FUBON FTSE VIETNAM ETF | 473 | Vietnam |

Source: Bloomberg, KIS

Appendix 2. Vietnam major ETFs

| Name | Type | Total AUM | NAV/share | Price | % 1W | % | Net Fund Flow (USD mn) | | | |
|------------------------|----------|-----------|-----------|-------|-------|---------|------------------------|-------|--------|--------|
| | | (USD mn) | (USD) | (USD) | chg | Premium | 1M | 3M | 6M | 1Y |
| X FTSE VIETNAM SWAP | Swap ETF | 403.1 | 46.2 | 45.7 | 0.2 | (1.0) | (3.2) | (68) | (67.3) | (33.9) |
| VFMVN30 ETF FUND | ETF | 463.3 | 1.0 | 1.1 | 0.0 | 7.3 | (11.4) | (4) | 14.5 | (16.7) |
| VANECK VIETNAM ETF | ETF | 577.0 | 20.8 | 20.7 | 0.4 | (0.5) | (10.5) | (13) | 4.4 | 34.0 |
| SSIAM VN50 ETF | ETF | 14.1 | 0.9 | 1.0 | (2.2) | 4.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| PREMIA MSCI VIETNAM | ETF | 30.9 | 13.3 | 13.3 | (0.5) | (0.0) | (1.9) | (0.5) | 0.8 | 0.9 |
| SSIAM VNFIN LEAD | ETF | 139.0 | 0.9 | 0.9 | (2.2) | 2.3 | 5.8 | 20 | 17.5 | 48.5 |
| VFMVN DIAMOND ETF | ETF | 589.0 | 1.2 | 1.2 | 0.1 | 0.3 | (0.6) | (10) | (37.1) | 167.4 |
| VINACAPITAL VN100 ETF | ETF | 5.5 | 0.8 | 0.9 | 0.1 | 8.7 | 0.0 | 0.0 | 0.0 | (0.7) |
| SSIAM VN30 ETF | ETF | 4.6 | 0.8 | 0.8 | (2.4) | (0.9) | 0.2 | 0.2 | 0.8 | 0.6 |
| MAFM VN30 ETF | ETF | 39.0 | 0.7 | 0.8 | (0.3) | 12.4 | (0.2) | 2.0 | 3.2 | 7.3 |
| FUBON FTSE VIETNAM ETF | ETF | 472.6 | 0.6 | 0.6 | (0.2) | (0.6) | (9.1) | (53) | 40.7 | 185.2 |

Source: Bloomberg, KIS

Economy

Economy backs to the highway

- I. Vietnam economy to strongly grow
- II. COVID19 control and economic performance trade-off to lower
- III. Economic potential from massive fiscal expansion
 - 1. 1st component program: Investment program on the health sector
 - 2. 2nd component program: Social Security support program
 - 3. 3rd component program: Support program for businesses
 - 4. 4th component program: Infrastructure development program
- IV. Trade revenue to reach new high
- V. Rough recovery path for domestic consumption
- VI. Summary

Economy

Economy backs to the highway

Economy backs to the highway

We forecast that Vietnam's economy will again be among the brightest spots in the world of developing-emerging economies in 2022 and also in the medium term. Four key drivers for the promising outlook next year are: (1) the economy is in a much better position to defend against coming waves of COVID-19 with high vaccination rates and the support from government policy; (2) a large-wide-long fiscal - monetary package would be a rocket engine for economic recovery; (3) strong global consumption demand outlook is in favor of our export-oriented economic structure; and (4) the economy has more advantages to benefit from the continued shifting of the global value chain. Furthermore, although the services sector would likely take more time to recover back to its pre-pandemic level, an extremely low-base in 2H21 would be an important factor to boost its growth in 2H22. Finally, with a cautious view without pricing in the upcoming "Economic Recovery and Sustainable Development" fiscal - monetary support into the outlook, we still expect the economy to strongly recover at 7.5% YoY.

Economic potential from massive fiscal expansion

The economy is at risk of off-tracking the potential growth in the medium term. Under a severe impact of the COVID-19 fourth wave in 3Q21, not only did 3Q21 economic growth hit the worst result on record, but also Vietnam's economy has faced a risk that it may be left behind its pre-COVID-19 growth trend. According to the projection from the VN National Assembly's Committee for Economic Affairs and the Ministry of Planning and Investment, in a scenario without any additional support from the government, 2022 economic growth is estimated to be about 4%, and it would dampen medium growth momentum to 5.7% compared to the pre-pandemic growth pace of 6.5% - 7%. A task to preserving pre-pandemic economic growth trend is in need more than ever, and large-wide-long fiscal-monetary support seems to be the must to bring the economy back on track. With support from the government and the Vietnam Congress, the picture of the “Economic Recovery and Sustainable Development” fiscal-monetary support policies are becoming more and more clear with its deadline coming very nearby early-January 2022.

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I. Vietnam economy to strongly grow

Briefly, we are optimistic about Vietnam’s economy to rebound impressively in 2022 with several reasons of lower economic scarification for COVID-19 prevention, potential fiscal - monetary stimulus, higher domestic consumption, stable production, strong growth in trade activities, and higher foreign investment.

Table 4. Vietnam’s economic indicators

| Indicator | 2020 | 2021E | 2022F |
|-------------------------|--------|--------|--------|
| Nominal GDP (USDbn)* | 273.61 | 390.15 | 424.82 |
| GDP Growth (%) | 2.91 | 1.16 | 7.50 |
| Export (USDbn) | 282.53 | 301.23 | 336.58 |
| Export Growth (%) | 6.88 | 18.30 | 11.73 |
| Retail Sales Growth (%) | 1.27 | (9.11) | 10.02 |
| Inflation (%) | 3.23 | 1.78 | 3.50 |

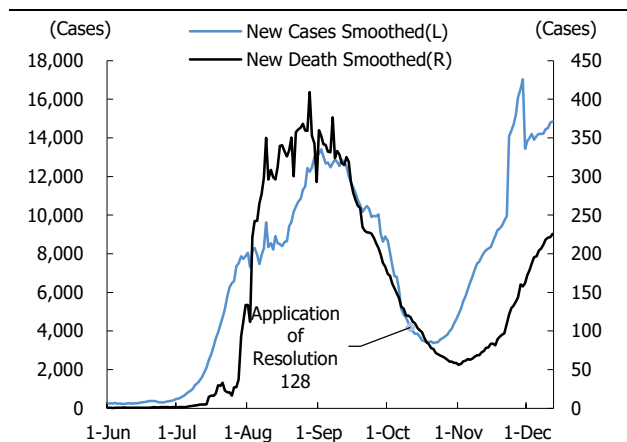
Source: GSO, KIS

*USDVND=23,000 is used to convert nominal GDP into dollar basis

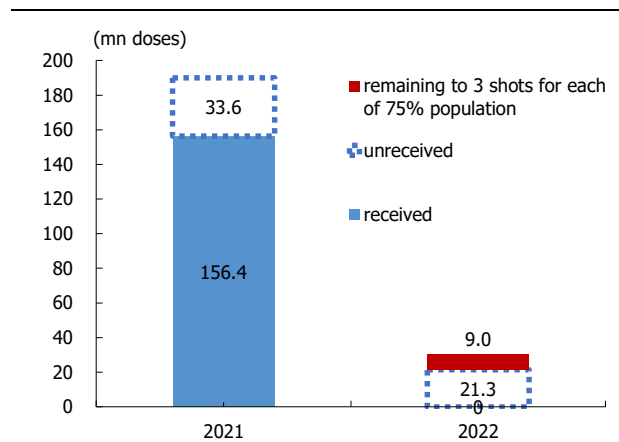
II. COVID19 control and economic performance trade-off to lower

The economic re-opening brought infection back, but the national vaccination was certainly high. Vietnam’s epidemiological features tend to be more cautious in recent months when the government decided to normalize economic activities with Resolution 128 of the “living with COVID” strategy. More economic activities and fewer restrictions resulted in widespread virus transmission. The nationwide infected cases have exceeded the August peak, and many provinces have recorded a significant increase in community-infected cases.

Although infected cases increased to the new high after the re-opening, vaccination increased significantly and prevented the healthcare system from the overload. The national vaccination increased impressively with the number of arrived vaccine doses as of 10th December reportedly were 156.4 million and exceeded the planned amount for this year. Moreover, the current ordered amount of vaccine doses allows Vietnam to pursue the strategy of the booster shot for each 75% population in 2022, providing the government more space to follow ambitious stimulus in the next year.

Figure 30. Vietnam epidemiological properties

Source: GSO, MoH

Figure 31. Vietnam vaccination status

Source: GSO, KIS

A specific guide of Resolution 128 in the “living with COVID” era would be a solid foundation for economic activities in 2022.

Resolution 128 indicates the critical change in the government’s stance in combating the pandemic with a weaker tendency of massive lockdown and a higher prioritization of the domestic production continuity. Following the guidelines set under Resolution 128, production and construction activities are allowed to operate at all risk levels. Furthermore, freight transport is also included in the “allowed-to-operate” list. In other words, this eliminates a possibility of a supply disruption in times of health crisis, preserving these crucial drivers for economic growth and the domestic supply chain. Furthermore, this is also easing operating condition requirements for service activities, especially the retailing sector, to revive the domestic consumption channel.

One more necessary change set by Resolution 128 is that local government must inform people and businesses about changes in COVID-19 risk assessment and social-distancing measures at least two days in advance. It helps people, household businesses, and enterprises be more proactive in preparing for tightening social-distancing measures and would further reduce the risks of a sudden disruption in economic activities.

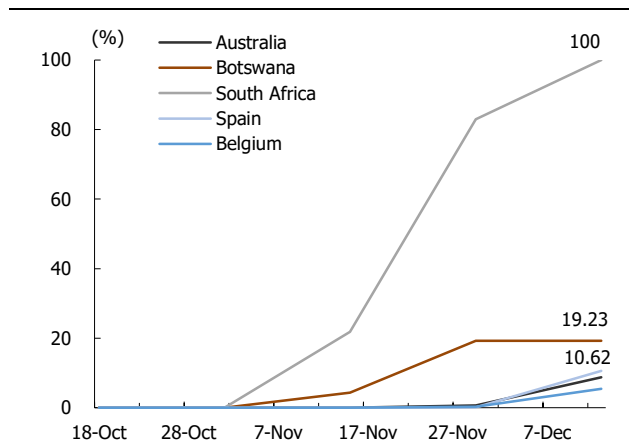
Table 5. Guidance on “Living with COVID-19” strategy

| | Level 1 | Level 2 | Level 3 | Level 4 |
|--|---|---|-------------------------------------|---|
| Transportation activities | | | | |
| Public Transport | Normal operation | Normal operation/ Conditional operation | Conditional operation/Non-operation | Conditional operation/Non-operation |
| Freight transport | Normal operation | Normal operation | Normal operation | Normal operation |
| Economic activities | | | | |
| Production activities | Normal operation | Normal operation | Normal operation | Normal operation |
| Construction activities | Normal operation | Normal operation | Normal operation | Normal operation |
| Services activities | | | | |
| Normal services activities (including retailing & wholesaling) | Normal operation | Normal operation | Normal operation | Normal operation/ Conditional operation |
| Catering services | Normal operation | Normal operation | Normal operation | Conditional operation |
| Accommodation services | Normal operation | Normal operation | Conditional operation | Conditional operation/Non-operation |
| Museums, exhibitions, libraries, cinemas, sports events | Normal operation | Conditional operation | Conditional operation | Non-operation |
| High-risk infection services | Normal operation/ Conditional operation | Conditional operation/Non-operation | Conditional operation/Non-operation | Non-operation |

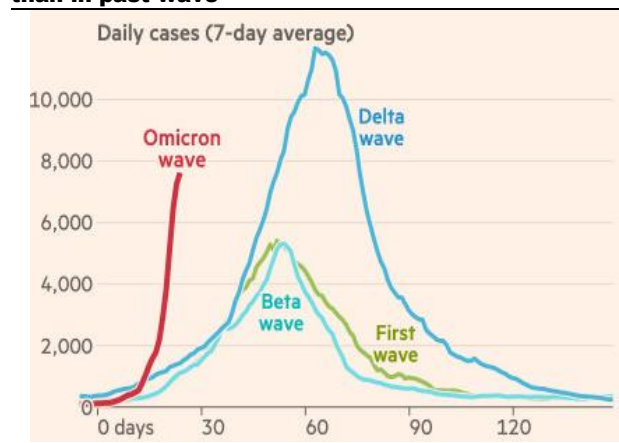
Source: Vietnam government, KIS compiles

On the downside, Omicron emerged as a new global challenge. According to the latest WHO's report of Omicron's characteristics, this variant outperforms Delta regarding the transmission speed. Although the evidence firstly is recorded in countries of southern Africa with low percentages of Delta variant, Omicron's superior transmissibility was recently found in Spain, Australia, and the U.K., where the Delta's portions are relatively high. As of 13th December, percentages of this variant per infected cases in Spain, Australia, and the United Kingdom were 10.62%, 8.73%, and 1.60%, increasing significantly from non-trivial amounts on 29th November. In late November, the reproduction rate in the hotspot of southern Africa reached 2, the level we usually saw in the early period of a pandemic.

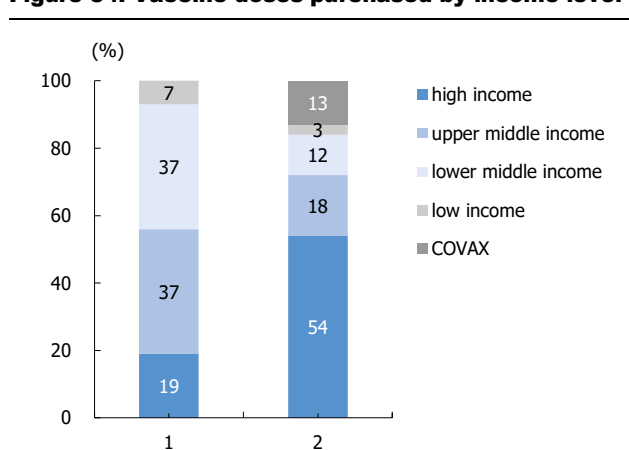
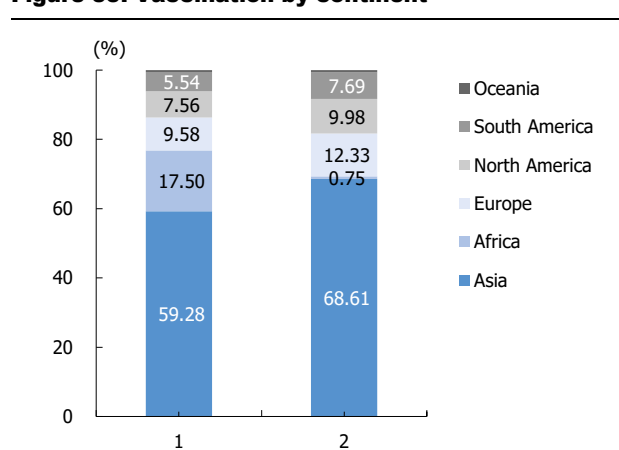
According to Tom Wenseleers, an evolutionary biologist at the Catholic University of Leuven in Belgium, Omicron's infection can be three to six times larger than delta. Although early evidence shows that Omicron-infected cases experienced the mild symptom, the high transmission in vaccinated or immune from previous infection regions raises the potential of vaccine evasion, which can be seen as a risk for countries to re-impose stricter measures. After WHO designated the Omicron as a variant of concern (VOC), multiple countries, such as the U.K., US, Canada, and Australia, shortly announced their new measures to cope with the spread from outside and enhance the precaution. On the one hand, those measures generally aim to impose the limitation or suspension to international travelers from origins of Omicron such as South Africa, Botswana, and Zimbabwe. On the other hand, governments accelerated their national vaccination with booster shots, considered the most effective way to deal with Omicron's potential for immune evasion.

Figure 32. Omicron percentage

Source: Our World in Data

Figure 33. COVID cases in Gauteng is rising faster than in past waveSource: [FI](#), KIS

The emergence of Omicron in southern Africa can be treated as a warning to the unbalance of global vaccine distribution that a new variant can emerge in some low-vaccinated regions and then spread into the rest of the world. It's easy to see that Africa and low-income countries were lagging significantly in the race towards community immune. According to WHO's global strategy, these countries were short of measures to encounter new virus variants. As of 15th December, the WHO's report confirmed the superior transmissibility of Omicron, while the severity and anti-vaccine characteristics are still under investigation due to the limited sample.

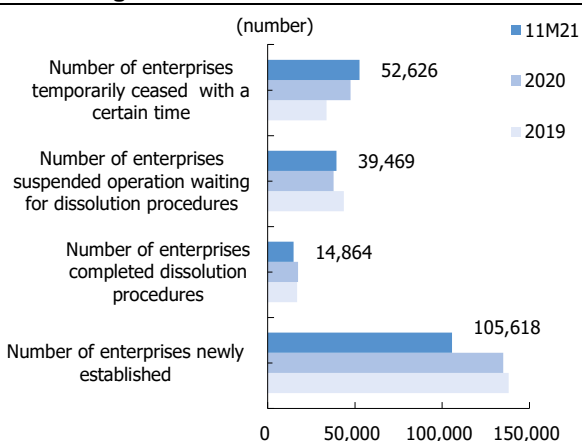
Figure 34. Vaccine doses purchased by income levelSource: [KFF](#), KIS**Figure 35. Vaccination by continent**

Source: Our World in Data, KIS

III. Economic potential from massive fiscal expansion

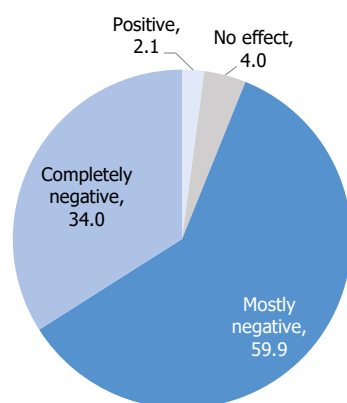
The economy is at risk of off-tracking the potential growth in the medium term. Under a severe impact of the COVID-19 fourth wave in 3Q21, not only did 3Q21 economic growth hit the worst result on record, but also Vietnam's economy has faced a risk that it may be left behind its pre-COVID-19 growth trend. According to the projection from the VN National Assembly's Committee for Economic Affairs and the Ministry of Planning and Investment, in a scenario without any additional support from the government, 2022 economic growth is estimated to be about 4%, and it would dampen medium growth momentum to 5.7% compared to the pre-pandemic growth pace of 6.5% - 7%. In other words, the pandemic impact on the economy is likely lingering over years in the no-government-support scenario.

Figure 36. Business and investment conditions are deteriorating



Source: GSO, MPI, KIS

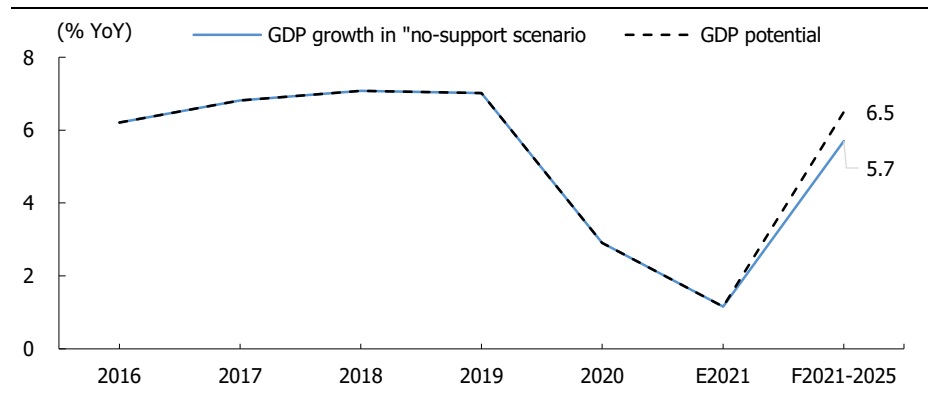
Figure 37. COVID-19 impacts on firm operations (VCCI – World Bank survey on 3,000 firms)



Source: GSO, MPI, KIS.

(*) We believe that an abnormal surge in investment of households and individuals was due to massive investment inflows into financial markets in 2021.

Figure 38. Vietnam's GDP growth in the medium-term under “no-support” scenario

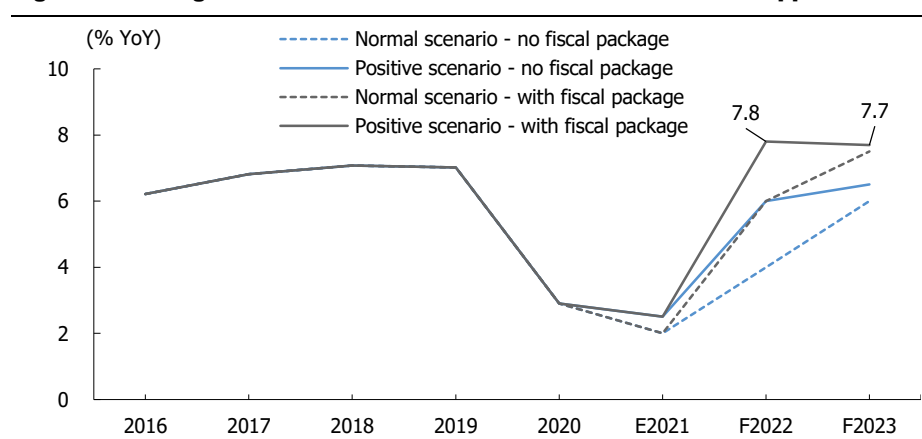


Source: GSO, Ministry of Planning and Investment, KIS

“Economic Recovery and Sustainable Development” program – a life vest for the economy. A task to preserving pre-pandemic economic growth trend is in need more than ever, and large-wide-long fiscal-monetary support seems to be the must to bring the economy back on track. With support from the government and the Vietnam Congress, the picture of the “Economic Recovery and Sustainable Development” fiscal-monetary support policies is becoming more and more clear with its deadline coming very nearby early-January 2022.

The fiscal-monetary expansion, if successfully passed, would lay a solid foundation for the economic growth in the short- and medium-term, heading to sustainable long-term growth. Based on tens of opinions and proposals from several economic think tanks in the “Economic Recovery and Sustainable Development” discussion, we compiled and made an outline that we think is most appropriate to the current economic conditions and closely follow to the proposal of the Ministry of Planning and Investment.

Figure 39. GDP growth under scenarios with and without fiscal support



Source: GSO, VN National Assembly's Committee for Economic Affairs, KIS

Table 6. Inside the fiscal – monetary support: 5 key sub-programs

(VND bn, %)

| Economic Recovery and Development Fiscal Package Proposals | | Investment amount | % 2021 GDP |
|--|---|-------------------|------------|
| Vietnam Academy of Social Sciences | Total | 666,000 | 7.4 |
| | 1st component program - Health investment | 76,000 | 0.8 |
| | 2nd component program - Social security support | 58,000 | 0.6 |
| | 3rd component program - Support for businesses | 244,000 | 2.7 |
| | 4th component program - State infrastructure investment program | 288,000 | 3.2 |
| VN National Assembly's Committee for Economic Affairs | Total | 843,845 | 9.4 |
| | 1st component program - Health investment | 76,670 | 0.9 |
| | 2nd component program - Social security support | 12,800 | 0.1 |
| | 3rd component program - Support for businesses | 451,725 | 5.0 |
| | 4th component program - State infrastructure investment program | 150,000 | 1.7 |
| | Other support programs | 37,650 | 0.4 |
| | Monetary support | 65,000 | 0.7 |
| | Allowing SCIC to invest in State-owned enterprises | 50,000 | 0.6 |

Source: Ministry of Planning and Investment, Vietnam Academy of Social Sciences, VN National Assembly's Committee for Economic Affairs, KIS collects and compiles

1st component program: Investment program on the health sector

Target. As a critical condition for Vietnam economy to move towards fully reopening domestically and internationally, the health system must be prepared and invested adequately, both in COVID-19 vaccinations and health infrastructure.

Proposal. Based on the report from the Vietnam Ministry of Health, 2 proposals are coming out from the Vietnam Academy of Social Sciences and the Central Committee's Economic Commission, with the adequacy investment approximately VND76tn for 2022 – 2023 period.

Table 7. Proposals for health investment in 2022 – 2023

(VND bn, %)

| 1st component program - Health investment | | Investment amount | % 2021 GDP |
|---|---|-------------------|------------|
| Vietnam Academy of Social Sciences | Total | 76,000 | 0.8 |
| | Spending on epidemic prevention and support for COVID patients in isolation | 14,000 | 0.2 |
| | Spending on COVID-19 community screening & testing and vaccine purchases | 32,000 | 0.4 |
| | Spending on health infrastructure for COVID prevention and treatment | 18,500 | 0.2 |
| | Spending on R&D on COVID vaccines and medicines | 8.8 | 0.0 |
| | Additional spending on health investment in the scenario of "worsening pandemic conditions" | 11,491 | 0.1 |
| VN National Assembly's Committee for Economic Affairs | Total | 76,670 | 0.9 |
| | Investment on public health capacity | 20,000 | 0.2 |
| | Investment in health facilities and vocational training for health sector | 22,970 | 0.3 |
| | Spending on the pandemic prevention | 33,700 | 0.4 |

Source: Vietnam Academy of Social Sciences, VN National Assembly's Committee for Economic Affairs, Vietnam Ministry of Health, KIS collects and compiles

2nd component program: Social Security support program

Target. This program is built to solve 3 core issues: (1) to secure people's living standards, especially those losing their income during and after the pandemic; (2) to recover stability in the labor market by bringing the workers back; (3) to stimulate muted domestic demand. Besides, a recovery in the labor market, if the support works successfully, would create downward pressure on overall wages and inflation as well, creating more room for fiscal and monetary space for further support.

Proposal. Several scenarios for social security support are discussed with large differences in both scale and types of support. In general, we found five main approaches in those proposals: (1) direct cash support to low-income and unemployed people; (2) increasing unemployment benefits for those affected by the pandemic; (3) financing vocational training for those affected by COVID-19; (4) lending with preferential interest rates for affected low-income workers and unemployed people; (5) supporting for rental expense for those returning to work.

Table 8. Proposals for the social security support program

(VND bn, %)

| 2nd component program - Social security support program | | Investment amount | % 2021 GDP |
|---|---|-------------------|-------------|
| Vietnam Academy of Social Sciences | Total | 58,100 | 0.6 |
| | Vocational training | 36,900 | 0.4 |
| | Additional unemployment benefits | 10,000 | 0.1 |
| | COVID-infected employee benefits | N/A | N/A |
| | Cash support for families with children less than 6 years old | 7,400 | 0.1 |
| | Free meal support for COVID patients | 3,800 | 0.0 |
| VN National Assembly's Committee for Economic Affairs | Total | 12,800 | 0.14 |
| | Rental assistance for workers back to work | 6,000 | 0.07 |
| | Vocational training support | 6,800 | 0.08 |

Source: MPI, Vietnam Academy of Social Sciences, VN National Assembly's Committee for Economic Affairs, KIS collects and compiles

3rd component program: Support program for businesses

Target. Being characterized as a manufacturing-oriented economy, the support program for firms holds the largest part in the “Economic Recovery and Development” plan. Under the proposal ideas from the Ministry of Planning and Investment & VN National Assembly's Committee for Economic Affairs, the plan for the support program includes both conventional and special tools, including tax & fee reductions and interest rate subsidy for key sectors. 3 key targets for the sub-program would include: (1) reducing costs for businesses, especially those affected the most during the pandemic time; (2) reducing price levels for goods to push domestic demand; (3) helping businesses to access preferential credit.

Proposal. We illustrate the proposal of the VN National Assembly's Committee for Economic Affairs below, which is sticking closely to the initial plan of the Ministry of Planning and Investment. We saw both conventional approaches, including reductions for domestic car registration and jet-fuel environment protection taxes, and unconventional tools, including social-insurance tax reduction to ease liquidity pressure for firms, and VAT reductions for a wide range of goods and services to push domestic demand. Besides, credit support for SMEs for salary payment is needed to maintain their operations in the early stage of the recovery.

Furthermore, in our opinion, the most powerful tools here are the liquidity and interest rate support for firms, including the interest-rate support subsidies and credit guarantee for SMEs. These supports are crucial in a period of running counter-cyclical fiscal expansion because it helps the firms to absorb the positive transmission of fiscal multiplier effects. To be more specific, the interest-rate subsidy support worth of VND20tn – VND30tn is about 2% lending rate reduction of VND1,000tn new credit (10% of 2021 outstanding credit) in 2022 or 1% - 1.5% interest rate reduction of VND1,000tn new credit per year in 2022 – 2023.

Table 9. Proposals for the support program for businesses

(VND bn, %)

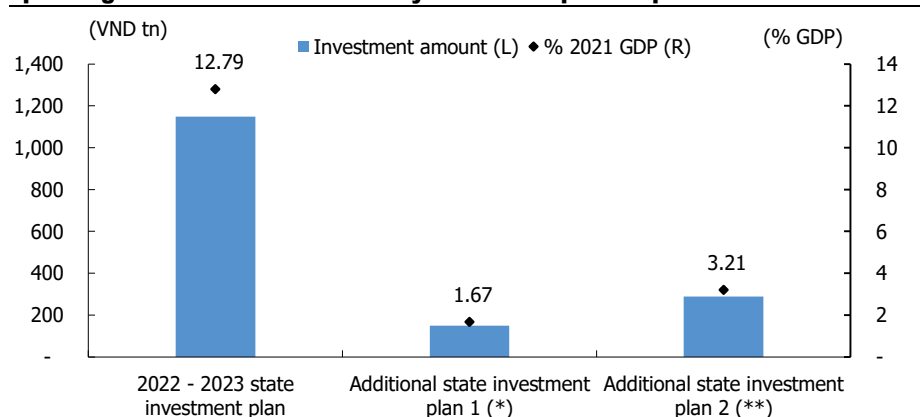
| 3rd component program - Support program for businesses | | Investment amount | % 2021 GDP |
|--|---|-------------------|------------|
| VN National Assembly's Committee for Economic Affairs | Total | 459,864 | 5.1 |
| | 2% reduction for VAT taxes | 60,200 | 0.7 |
| | 10% reduction for social insurance tax | 52,340 | 0.6 |
| | 30% reduction for jet-fuel environment protection tax | 18,924 | 0.2 |
| | 50% reduction for domestic car registration fees | 4,000 | 0.0 |
| | Loan guarantee for SMEs | 80,000 | 0.9 |
| | Interest rate subsidy | 25,000 | 0.3 |
| | Salary advance for SMEs | 219,400 | 2.4 |

Source: MPI, Vietnam Academy of Social Sciences, VN National Assembly's Committee for Economic Affairs

4th component program: Infrastructure development program

Target. The infrastructure investment program aims at two main goals: (1) re-building broken growth engine in the private sector after the pandemic; and (2) securing growth sustainability in the medium and long term. In the short term, large-scale infrastructure investment would improve the fragile labor market (creating more jobs), push domestic demand in a relatively short time compared to other support tools, and enhance investment sentiment in the private sectors. In the long run, higher infrastructure investment would lay a strong foundation for long-term growth sustainability.

Proposal. Two research institutions, including the Vietnam Academy of Social Sciences and the VN National Assembly's Committee for Economic Affairs, propose VND150tn and VND288tn packages for the infrastructure investment programs. Aiming in this program this time is to prioritize key infrastructure investment in the medium-term public investment plan in the 2021-2025 period, including shifting from the public-private partnership to public investment.

Figure 40. State investment plan in 2021 – 2025 and additional investment spending from “Economic Recovery and Development” plan

Source: VN Congress, VN government, Vietnam Academy of Social Sciences, VN National Assembly's Committee for Economic Affairs, KIS collects and compiles.

(*) with VND150tn of additional state infrastructure investment in 2022 – 2023 under proposal of VN National Assembly's Committee for Economic Affairs.

(**) with VND288tn of additional state infrastructure investment in 2022 – 2023 under proposal of Vietnam's Academy of Social Sciences

In addition, several key infrastructure projects in the medium- and long-term investment plans 2021-2025 of the central and local governments, which are expected to be financed by the fiscal package in the "Economic Recovery and Development " plan instead of public-private partnership and 2021-2025 state investment plan, have also revealed. Table 10 below showed proposals from the Ministry of Transport & Ho Chi Minh local government and the government to the Congress recently.

Table 10. Inside the fiscal investment package – key infrastructure projects

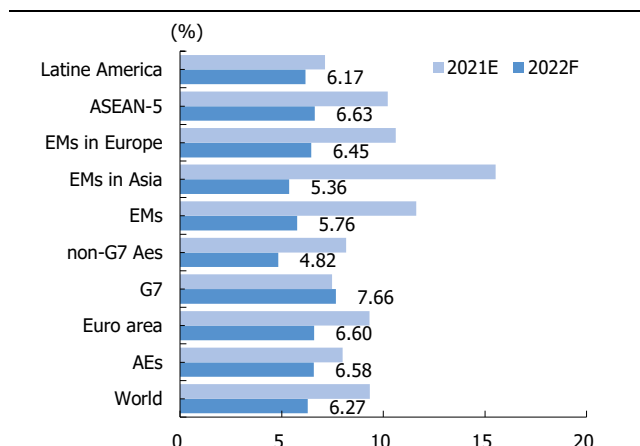
(VND bn)

| | Projects | Total investment amount | 2021 - 2025 public investment budget | Remaining amount, financed by the fiscal package |
|--|--|-------------------------|--------------------------------------|--|
| Under proposal from the Ministry of Transport and the Government to Congress | Ring Road No.3 in Ho Chi Minh City | 83,290 | - | 83,290 |
| | East North - South Expressway | 146,990 | 47,100 | 99,890 |
| | Bien Hoa - Vung Tau Expressway | 18,600 | 5,700 | 12,900 |
| | An Huu - Cao Lanh Expressway | 6,000 | 1,864 | 4,136 |
| | Chau Doc -Can Tho - Soc Trang Expressway | 49,700 | 14,200 | 35,500 |
| | Khanh Hoa - Buon Me Thuot Expressway | 17,400 | 5,200 | 12,200 |
| | Dai Nghia bridge | 8,000 | 2,400 | 5,600 |
| | Total | 329,980 | 76,464 | 253,516 |

Source: Ministry of Transport, Ho Chi Minh government, Vietnam government, VN Congress, KIS collects and compiles

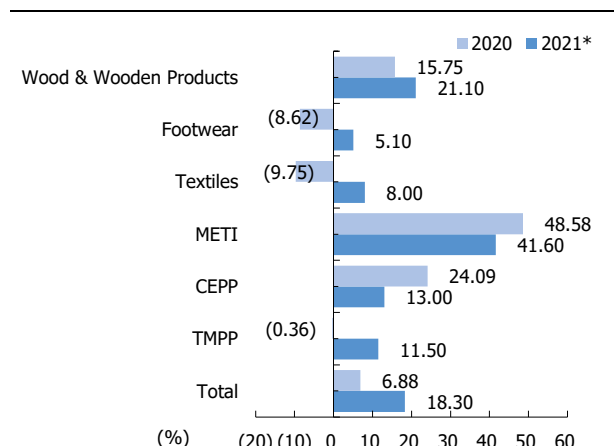
IV. Trade revenue to reach new high

Although the 2022 outlook for global trade seems uncertain, export activities ASEAN-5 is expected to grow impressively than other regions. The expected outperformance in Southeast Asia block encourages Vietnam's trade to reach a new high in 2022.

Figure 41. Export growth by country groups in 2022

Source: WEO IMF, KIS

Note: EMs: emerging and developing economies; AEs: advanced economies

Figure 42. Vietnam's export growth by products

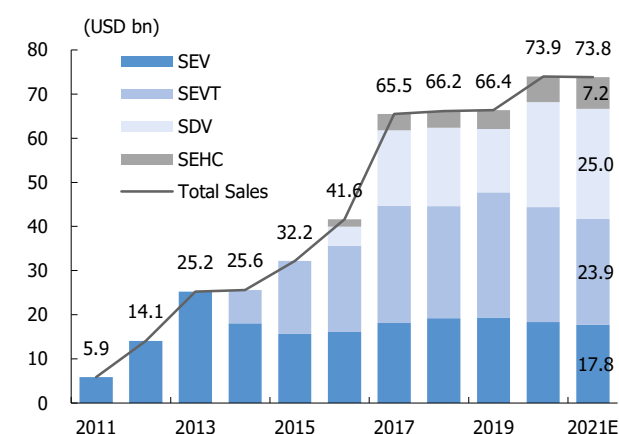
Source: GSO, KIS

Note: * sum of 11 months in 2021

Regarding industrial role, the key drivers for export growth in 2022 are the expansion of electronic device production and the rebound of labor-intensive industries such as footwear, textiles, wood and wooden products. 2021 performance of Samsung's factories in Vietnam, including two in Bac Ninh province (SEV and SDV), one in Thai Nguyen (SEVT), and one in Ho Chi Minh city (SEHC), remains stable and is predicted as a foundation for the export of electronic products in 2022. In more detail, the total revenue of Samsung Vietnam in 1H21 reached USD35.19bn, increasing 7.17% YoY and accounting for 22.21% of Vietnam's total export value in the same period.

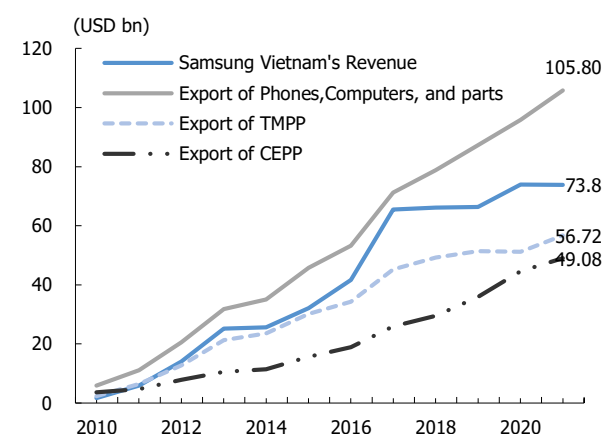
After increasing significantly in 2020 due to the re-allocation of the display manufacturing from China to Vietnam, Samsung's revenue tends to remain stable at roughly USD74.00bn per year. Samsung's production transfer reflects the diversification tendency of giant manufacturers to avoid the replication of production disruption by COVID-19. Similarly, Foxconn and Pentagon, as primary vendors of California's Apple, also accelerated the presence in Vietnam to stabilize their productions, enhancing the growth of Vietnam's phones, computers, and parts export in the next year.

Figure 43. Samsung's Sales in Vietnam by year



Source: Samsung's Financial Reports, KIS

Figure 44. Inflation conditions remain subdued



Source: GSO, KIS

Note: TMPP: Telephones, mobile phones and parts; CEPP: computers, electronic products and parts.

Vietnam's attractiveness as a favored destination for regional electronic product manufacturers will be unchanged next year. Given the close connections between the northern system of industrial parks (IP) and Noi Bai airport and China's boundary, Vietnamese labor costs remained relatively cheaper than China and other Southeast Asia countries. Besides, the resilience of manufacturing in IPs shows that Vietnam's government highly evaluated and facilitated the production of FDI-invested enterprises even amid the intense COVID-19 infection. Apple's vendors, including Foxconn and Pegatron, continued increasing their investments in 2021 as evidence for Vietnam's attractiveness and would motivate for export growth of electronic products next year.

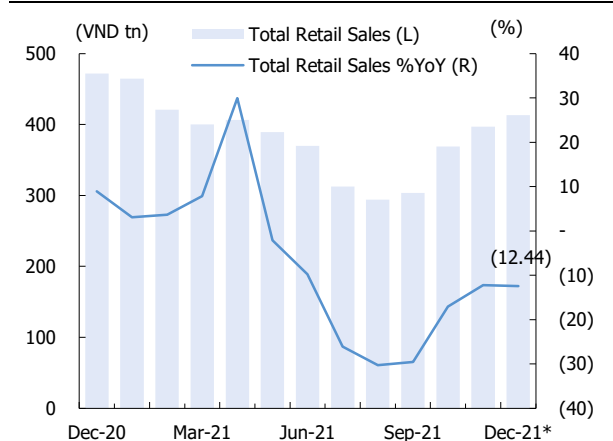
Furthermore, applying Resolution 128 suggests that the disrupted production will not repeat in 2022, indicating that exporting labor-intensive products, including textiles, footwear, wood, and wooden products, could accelerate in the next year.

V. Rough recovery path for domestic consumption

Retail sales in 2021 heavily rely on the government’s measures to combat COVID-19 infection. More directly, the monthly retail sales tend to move closely with the mobility status, the proxy for the extent of government restrictions on shopping behavior, such as crowd gathering prohibition, school, traditional market closure, and non-essential business closure.

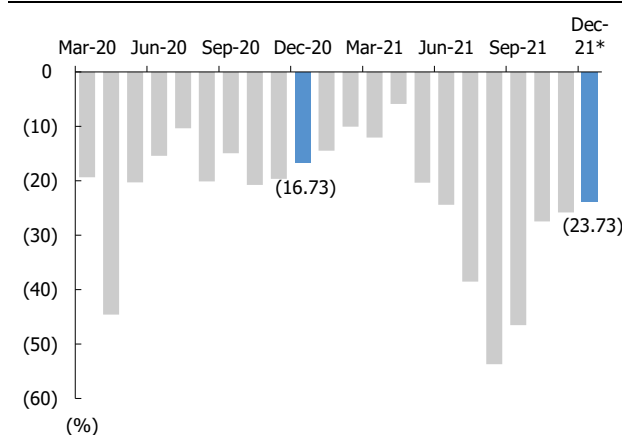
Looking forward, we see vaccination as the best hope to bring consumer confidence back next year. However, domestic consumption in 1Q22 seems challenging to fully recover to the pre-pandemic level due to the consumer’s caution and the potential increase in infection. Although the national mobility in shopping areas after the government decided to re-open the economy, its value remained low relative to the same period last year, suggesting that purchasing behavior was still far from the pre-pandemic level. In the government’s November meeting, MoH warned about the higher transmissibility in the year-end period due to more occupied economic activities and weather conditions, suggesting that the government could tighten the restriction modestly to control the infection. Therefore, retail sales need more time to accumulate enough motivation for a strong recovery.

Figure 45. Retail sales by month in 2021



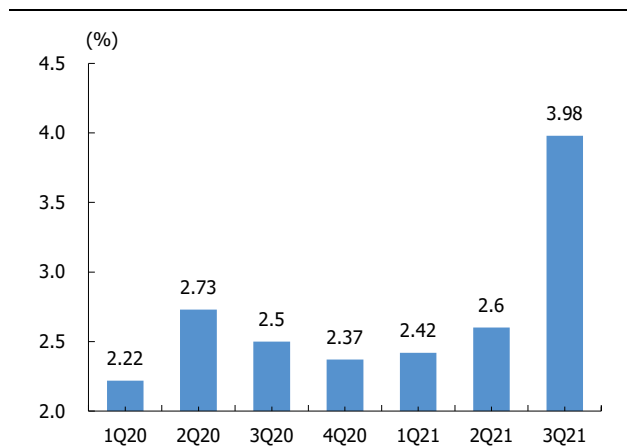
Source: GSO, KIS
Note: *estimated value

Figure 46. Retail sales and mobility by month in 2021

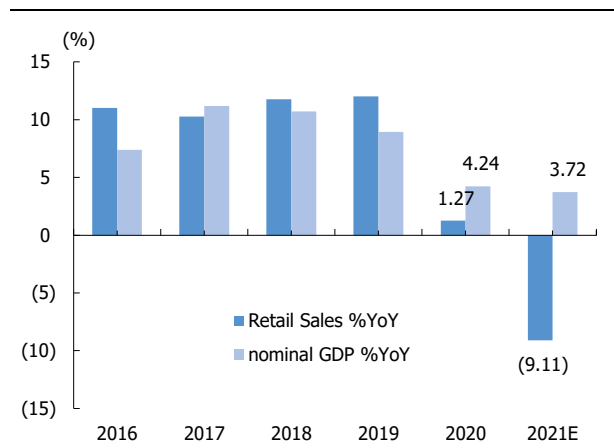


Source: Google, KIS
Note: *estimated value

Furthermore, high unemployment adds more challenges for domestic consumption recovery in the next year. According to GSO, the unemployment rate in 3Q21 increased to 3.98% from 2.37% at 2020-end after an enduring period of COVID-19 prevention. The increase in the number of jobless workers and the inefficiency of income support from fiscal policies suggest a lower budget for spending in the peak seasons of the Tet holiday in 2022-early.

Figure 47. Unemployment rate by quarter

Source: GSO, KIS

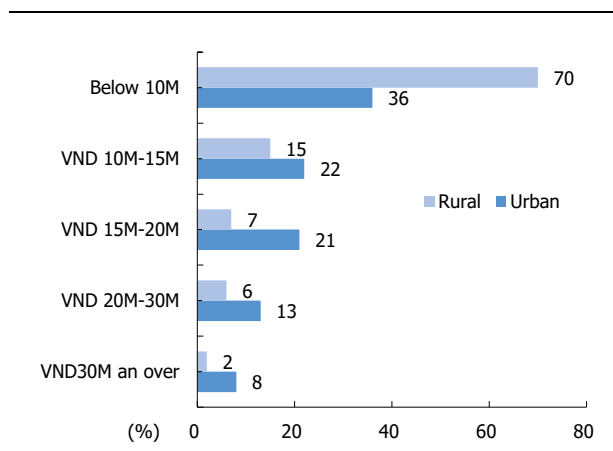
Figure 48. Retail sales vs normal GDP

Source: GSO, KIS

On the upside, gross saving has accumulated at a higher pace in the COVID19 period, reversing what we saw in years before 2020. Although nominal GDP increased 4.24% YoY in the previous year, implying a corresponding increase of around 4.24% in the disposable income, the retail sales increased non-proportionally by 1.27% YoY. In 2021, the unbalance between income and consumption changes remains even more apparent. The nominal GDP is estimated to slow down further this year by reaching 3.72% YoY, but the reduction of retail sales was much more intense, suggesting a higher saving than the pre-pandemic level. The mounting saving could be the main factor supporting the revenue of the retailing business in the first quarter of 2022.

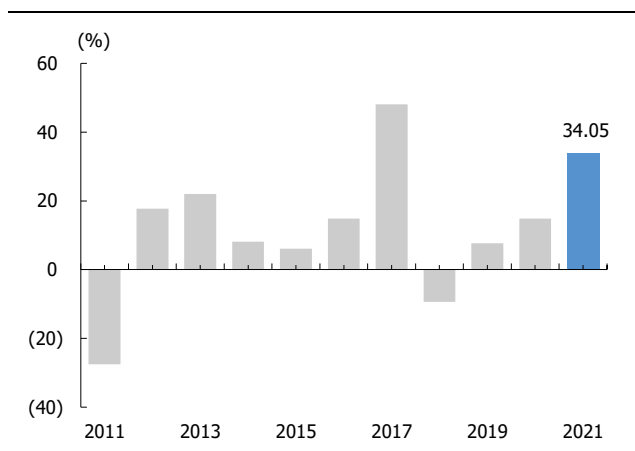
Moreover, 2021 witnessed a fruitful year of a variety of asset classes. As an emerging source of income, the stock market index continued to climb to a new high with the record number of initially-opened accounts, enriching the household's budget and creating more optimism for buying decisions.

Figure 49. Income distribution



SOURCE: STATISTA, KIS

Figure 50. VNIndex performance by year



Source: KIS

Income support policies are potentially expected to encourage domestic consumption in 2022. Given the vital role in the demand side of GDP structure, the recovery of domestic consumption would lead to an impressive performance of Vietnam's economy. According to the VN National Assembly's Committee for Economic Affairs proposal, VAT tax rate reduction and rental cost support were feasible solutions to help consumers ease the financial burden and have more confidence in spending.

VI. Summary

Table 11. Vietnam's economic indicators

| Indicator | 2020 | 2021E | 2022F |
|-------------------------|--------|--------|--------|
| Nominal GDP (USDbn)* | 273.61 | 390.15 | 424.82 |
| GDP Growth (%) | 2.91 | 1.16 | 7.50 |
| Export (USDbn) | 282.53 | 301.23 | 336.58 |
| Export Growth (%) | 6.88 | 18.30 | 11.73 |
| Retail Sales Growth (%) | 1.27 | (9.11) | 10.02 |
| Inflation (%) | 3.23 | 1.78 | 3.50 |

Source: GSO, KIS

*USD/VND=23,000 is used to convert nominal GDP into dollar basis

In our view, Vietnam's economy will again be among the brightest spots in the world of developing-emerging economies in 2022 and also in the medium term. 4 key drivers for the promising outlook next year are:

- (1) The economy is in a much better position to defend against coming waves of COVID-19 with high vaccination rates and the support from government policy;
- (2) A large-wide-long fiscal - monetary package would be a rocket engine for economic recovery;

(3) Strong global consumption demand outlook is in favor of our export-oriented economic structure;

(4) The economy has more advantages to benefit from the continued shifting of the global value chain.

Furthermore, although the services sector would likely take more time to recover back to its pre-pandemic level, an extremely low-base in 2H21 would be an important factor to boost its growth in 2H22. Finally, with a cautious view without pricing in the upcoming "Economic Recovery and Sustainable Development" fiscal - monetary support into the outlook, we still expect the economy to strongly recover at 7.5% YoY.

Macro scorecard

(USD bn, USD, %, % YoY)

| | Jul-21 | Aug-21 | Sep-21 | Oct-21 | Nov-21 | 4Q20 | 1Q21 | 2Q21 | 3Q21 | 2017 | 2018 | 2019 | 2020 |
|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP growth | | | (6.17) | | | 4.48 | 4.65 | 6.61 | (6.17) | 6.81 | 7.08 | 7.03 | 2.91 |
| Registered FDI | 1.45 | 2.40 | 3.02 | 1.59 | 2.73 | 7.32 | 10.13 | 5.14 | 6.88 | 35.88 | 35.47 | 38.02 | 28.53 |
| GDP per capita | | | | | | | | | | 2,353 | 2,551 | 2,730 | |
| Unemployment rate | | | | | | | | | | 2.21 | 2.21 | 2.25 | 2.48 |
| Export | 27.87 | 27.23 | 27.00 | 27.30 | 29.90 | 80.15 | 78.40 | 79.95 | 82.09 | 215.1 | 243.5 | 263.6 | 282.7 |
| Import | 29.11 | 27.34 | 26.50 | 26.20 | 29.80 | 76.86 | 75.57 | 83.70 | 82.95 | 213.2 | 236.7 | 254.4 | 263.0 |
| Export growth | 12.03 | (1.71) | (0.60) | 0.15 | 18.53 | 15.14 | 23.42 | 34.74 | 2.95 | 21.82 | 13.19 | 8.16 | 7.02 |
| Import growth | 31.75 | 20.34 | 9.49 | 7.97 | 20.81 | 16.43 | 26.60 | 45.79 | 20.19 | 21.85 | 11.01 | 7.41 | 3.81 |
| Inflation | 2.64 | 1.79 | 2.06 | 1.77 | 2.10 | 3.24 | 0.30 | 2.67 | 2.16 | 3.53 | 3.54 | 2.79 | 3.24 |
| USD/VND | 22,947 | 22,784 | 22,761 | 22,752 | | 23,126 | 23,076 | 23,020 | 22,761 | 22,698 | 23,175 | 23,173 | 23,126 |
| Credit growth | 6.92 | 7.40 | 7.54 | 8.72 | 9.27 | 10.14 | 2.95 | 6.44 | 7.54 | 18.24 | 13.89 | 13.70 | 10.14 |
| 10Y gov't bond | 2.19 | 2.06 | 2.14 | 2.15 | 2.09 | 2.01 | 2.40 | 2.21 | 2.14 | 5.14 | 5.07 | 3.37 | 2.01 |

Source: GSO, Bloomberg, FIA, IMF

2022 Outlook
"The Big Uptrend"

Sector Outlook

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Sector outlook summary

| Sector | Investment Point | Top picks |
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| Industrial Estate | <ul style="list-style-type: none"> - Temporarily short-term headwinds in 2021 - A new hotspot in the eyes of foreign investors - Rising factories and warehouses for lease demand | PHR |
| Banks | <ul style="list-style-type: none"> - Healthy credit growth amid new normalization. - Bad debt eases to buoy the provision reversion. - Steady growth of banca to foster non interest income growth - High valuation across the sector is temporarily | ACB |
| Residential property | <ul style="list-style-type: none"> - Gloomy housing market dragged by pandemic - Infrastructure spending is a key stimulant of market growth - Regulatory amendments improve licensing process - Bank policy for mortgage remains favorable in FY22F - Valuation seems rich given the excessive market sentiment | VHM |
| Securities | <ul style="list-style-type: none"> - In light of accelerating transaction liquidity - Raising capital plans are still in place - Government efforts in developing equity market | SSI |
| Insurance | <ul style="list-style-type: none"> - Positive insurance premium growth rate amid the pandemic - New winds for insurance market - Heightened hope on the resumption of sales activities - Low deposit rate environment continues to be the challenge | PVI |
| Construction materials | <ul style="list-style-type: none"> - Accelerated infrastructure spending boosts 2022F growth - Selling price is hindered by lackluster worldwide demand - Negative outlook pricing | HPG |
| Seafood | <ul style="list-style-type: none"> - The outbreak is well controlled in consuming countries - Logistics constraints could relax in 2H22F - The favorable tax rates of EVFTA, UKFTA, and potential new markets in CPTPP - The threat of IUU issued EU | VHC |
| Fertilizer | <ul style="list-style-type: none"> - Giant players aim to reduce fertilizer export - Short-term reward for Viet Nam's fertilizer industry - Demand for food storage is rising - Valuation is not justified | DPM |
| Logistics | <ul style="list-style-type: none"> - Global trade is expected to remain resilient at 4.7% yoy growth in 2022F - EVFTA will boost maritime operations in 2022F-23F - Air passenger is out of wood; air cargo could maintain strongly | GMD, SCS |
| Textile | <ul style="list-style-type: none"> - Robust anticipation on the normalcy - Sustainable momentum growth on yarn segment - The threats for the recovery process | STK |
| Construction | <ul style="list-style-type: none"> - Beneficiaries of the accelerated infrastructure spending - Energy infrastructure – another growth driver - Stock prices pricing the investor's positive sentiment | VCG |
| Power | <ul style="list-style-type: none"> - Recovery in demand and selling prices - Coal-fired power is on the rise to meet the demand recovery - Accelerated expansion of renewable energy | QTP |

Industrial Estate

Non-rated

► Three keywords

- Demand was sluggish due to travel restriction; supply improved
- 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

► Top pick

| Phuoc Hoa (PHR, BUY, VND70,500) | | | |
|---------------------------------|-------|-------|-------|
| | 2020A | 2021F | 2022F |
| PE (x) | 7.5 | 9.0 | 16.9 |
| PB (x) | 2.5 | 2.8 | 2.6 |
| EV/EBITDA (x) | 24.2 | 16.3 | 11.1 |
| DY (%) | 4.2 | 6.7 | 6.7 |
| EPS (VND) | 22.0 | 24.1 | 22.8 |
| BPS (VND) | 7,985 | 8,307 | 4,436 |

Time to fly high

Investment summary

Temporarily short-term headwinds in 2021

Industrial estate experienced a challenging year with travel restrictions, suspended production due to anti-virus measures. Total industrial land area put into operation in five key Southern industrial cities, leading to a 4.4%YTD increase in leasable area. Up until recently, average industrial park occupancy rates at key industrial centers of Vietnam are all at high levels 80-90%, +1%p YTD except for Hai Phong and Ba Ria - Vung Tau (BR-VT).

A new hotspot in the eyes of foreign investors

We think the trend of corporations looking to diversify away from the single-market-risk of China is not a short-term phenomenon but rather, will continue in the next three to five years. Favorable geographic location, low operating, costs and tax incentives combined with tightly pandemic controlling ability, Vietnam followed by Cambodia, Myanmar, Bangladesh, and Thailand is considered to be a bright spot for multinational enterprises, to avoid the escalating China-US trade tensions.

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.

Risks are still strong in the year ahead

Despite lots of competitive strength, Vietnam also faces short-term challenges to industrial park tenants do exist. They include labor shortages, high cost of complying with safety criteria set by the government, and limited capacity operation. This, together with travel restrictions, will continue to slow down in both expansion plans and new investment into companies. Vaccine rollouts and the lifting of travel restrictions will be key factors for a full recovery of the sector.

Top pick

PHR is among our most favourite companies. It is increasingly exposed to industrial park development by transferring some of its land bank to industrial lands. Three projects – NTU3, VSIP 3 and Tan Lap 1 – among many others in the pipeline are expected to be launched in the next three years. This is expected to result in a stronger earnings outlook as well as better cash flows for PHR.

Nhan Lai

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Phuoc Hoa Rubber (PHR)

BUY / TP VND70,500

| | |
|---------------------------------|---------------|
| Stock price (Dec 23, VND) | 75,000 |
| Market cap (USD mn) | 445 |
| Shares outstanding (mn) | 135 |
| 52W High/Low (VND) | 75,000/51,731 |
| 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) | (%) | (%) |
| 2019A | 1,639 | 235 | 450 | 2,863 | (22.8) | 320 | 18.0 | 24.8 | 3.2 | 17.5 | 5.0 |
| 2020A | 1,631 | 275 | 1,082 | 7,985 | 178.9 | 360 | 7.5 | 22.0 | 2.5 | 24.2 | 4.2 |
| 2021F | 1,874 | 311 | 1,126 | 8,307 | 4.0 | 396 | 9.0 | 24.1 | 2.8 | 16.3 | 6.7 |
| 2022F | 2,142 | 303 | 859 | 4,436 | (46.6) | 388 | 16.9 | 22.8 | 2.6 | 11.1 | 6.7 |
| 2023F | 2,618 | 441 | 1,360 | 7,024 | 58.3 | 526 | 10.7 | 14.7 | 2.2 | 15.8 | 6.7 |

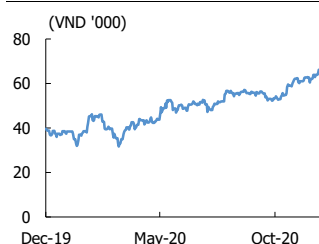
Note: NP and EPS attributed to controlling interest

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



Disappointing results but in line. 3Q21 net revenue came to VND282bn (+23% yoy) thanks to the rubber division, while net profit was VND64bn (-54% yoy). The decline mainly reflects the lack of land compensation income. Net other income in 3Q21 came to VND424mn vs. VND141bn reported in 3Q20. The huge difference is due to significantly lower income from the liquidation of rubber trees (VND424mn vs. VND41bn in 3Q20) and no land compensation income. Overall, the net profit came in at VND122bn, -77.2% yoy and completing 11.2% our estimate.

Rising rubber price from demand for rubber in China. Rubber price reached the highest level in years on October 29th, 2021 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.

Continuous postpone on receiving the compensation: Due to bureaucratic changes by Binh Duong's local authority and the impact of COVID-19 in the province in 3Q21, the risk is that approvals and compensation processes for the industrial parks in the province might see some delays. We expect the VSIP 3 IP operator could get the license to deploy the VSIP 3 IP in the 2022F, allowing PHR to obtain the full land compensation of VND898bn in 1Q22F. In addition to the upfront payment, PHR is entitled to recognize 20% of shared gross profit from selling VSIP3 IP's land sales and associate income from 20% stake.

We maintain our rating with a BUY recommendation and TP of VND70,500, based on a 10% discount to our SOP valuation. PHR is firing on all cylinders, with a promising outlook of faster approval for VSIP3 while its rubber segment continues to expand steadily. Valuation is attractive, in our view, at 7.1X 21F PE while providing a stable dividend yield of 6.7%. The company is poised to become one of the leading industrial operators in the Southern thanks to its thousand's hectare land bank from unfertile rubber plant.

Balance sheet

(VND bn)

| FY-ending Dec. | 2019A | 2020A | 2021F | 2022F | 2023F |
|------------------------------|-------|-------|-------|-------|-------|
| Current assets | 2,302 | 3,111 | 4,003 | 4,780 | 5,944 |
| Cash & cash equivalents | 1,638 | 2,498 | 3,315 | 4,046 | 5,147 |
| Accounts & other receivables | 227 | 241 | 246 | 260 | 279 |
| Inventory | 327 | 294 | 364 | 397 | 440 |
| Non-current assets | 3,159 | 2,943 | 3,108 | 3,323 | 3,538 |
| Fixed assets | 1,427 | 1,781 | 1,796 | 1,811 | 1,826 |
| Investment assets | 1,732 | 1,163 | 1,313 | 1,513 | 1,713 |
| Others | 503 | 485 | 406 | 249 | 92 |
| Total assets | 5,855 | 6,539 | 7,518 | 8,353 | 9,575 |
| Advances from customers | 31 | 46 | 46 | 46 | 46 |
| Unearned revenue | 1,552 | 1,531 | 1,857 | 2,184 | 2,371 |
| Trade payables | 76 | 52 | 52 | 52 | 52 |
| Others | 999 | 1,023 | 1,135 | 1,221 | 1,357 |
| ST debt & due bonds | 99 | 116 | 116 | 116 | 116 |
| LT debt & bonds | 419 | 528 | 528 | 528 | 528 |
| Total liabilities | 3,253 | 3,296 | 3,735 | 4,148 | 4,471 |
| Controlling interest | 2,529 | 6,424 | 7,345 | 8,084 | 9,155 |
| Capital stock | 1,355 | 1,355 | 1,355 | 1,355 | 1,355 |
| Capital surplus | 21 | 21 | 21 | 21 | 21 |
| Other reserves | 1,034 | 129 | 129 | 129 | 129 |
| Retained earnings | 119 | 531 | 777 | 836 | 1,245 |
| Minority interest | 72 | 114 | 173 | 269 | 420 |
| Shareholders' equity | 2,601 | 6,538 | 7,518 | 8,353 | 9,575 |

Income statement

(VND bn)

| FY-ending Dec. | 2019A | 2020A | 2021F | 2022F | 2023F |
|---|-------|-------|-------|-------|-------|
| Sales | 1,639 | 1,631 | 1,874 | 2,142 | 2,618 |
| COGS | 1,286 | 1,243 | 1,426 | 1,666 | 1,967 |
| Gross profit | 353 | 389 | 448 | 476 | 652 |
| SG&A expenses | 118 | 113 | 136 | 173 | 211 |
| Operating profit | 235 | 275 | 311 | 303 | 441 |
| Financial income | 187 | 188 | 193 | 213 | 292 |
| Interest income | 100 | 122 | 122 | 134 | 147 |
| Financial expenses | 48 | 54 | 50 | 59 | 56 |
| Interest expenses | 30 | 50 | 50 | 59 | 56 |
| Other non-operating profit | 234 | 935 | 939 | 649 | 1,040 |
| Gains (Losses) in associates, subsidiaries and JV | (1) | 37 | 46 | 49 | 121 |
| Earnings before tax | 607 | 1,382 | 1,439 | 1,155 | 1,838 |
| Income taxes | 119 | 257 | 254 | 201 | 328 |
| Net profit | 488 | 1,125 | 1,185 | 954 | 1,511 |
| Net profit of controlling interest | 450 | 1,082 | 1,126 | 859 | 1,360 |
| EBITDA | 320 | 360 | 396 | 388 | 526 |

Cash flow

(VND bn)

| FY-ending Dec. | 2019A | 2020A | 2021F | 2022F | 2023F |
|---------------------|-------|-------|-------|-------|-------|
| C/F from operations | 641 | 784 | 880 | 1,017 | 1,209 |
| Net profit | 488 | 1,082 | 1,126 | 859 | 1,360 |
| Dep'n & Amort'n | 85 | 85 | 85 | 85 | 85 |
| Net incr. in W/C | 263 | 474 | 534 | 689 | 738 |
| C/F from investing | (54) | (751) | 479 | 162 | 373 |
| Capex | (169) | 89 | 250 | 300 | 300 |
| Incr. in investment | 115 | (662) | 729 | 462 | 673 |
| C/F from financing | (280) | (275) | (542) | (449) | (480) |
| Incr. in equity | 0 | 16 | 0 | 0 | 0 |
| Incr. in debt | 20 | 127 | 0 | 93 | 62 |
| Dividends | (300) | (418) | (542) | (542) | (542) |
| C/F from others | | | | | |
| Increase in cash | 307 | (242) | 817 | 731 | 1,102 |

Key financial data

| FY-ending Dec. | 2019A | 2020A | 2021F | 2022F | 2023F |
|----------------------------|---------|---------|---------|---------|---------|
| Per-share data (VND, adj.) | | | | | |
| EPS | 2,863 | 7,985 | 8,307 | 4,436 | 7,024 |
| BPS | 18,661 | 23,596 | 27,072 | 28,775 | 33,806 |
| DPS | 3,000 | 2,500 | 4,000 | 4,000 | 4,000 |
| Growth (%) | | | | | |
| Sales growth | 25.1 | (0.5) | 14.9 | 14.3 | 22.2 |
| OP growth | 14.4 | 17.1 | 13.0 | (2.8) | 45.7 |
| NP growth | (24.2) | 130.7 | 5.3 | (19.5) | 58.3 |
| EPS growth | (22.8) | 178.9 | 4.0 | (46.6) | 58.3 |
| EBITDA growth | 15.0 | | | | |
| Profitability (%) | | | | | |
| OP margin | 14.4 | 16.9 | 16.6 | 14.1 | 16.8 |
| NP margin | 29.8 | 69.0 | 63.2 | 44.5 | 57.7 |
| EBITDA margin | 19.5 | 22.1 | 21.2 | 18.1 | 20.1 |
| ROA | 8.2 | 17.5 | 16.0 | 10.8 | 15.2 |
| ROE | 17.5 | 24.2 | 16.3 | 11.1 | 15.8 |
| Dividend yield | 5.0 | 4.2 | 6.7 | 6.7 | 6.7 |
| Dividend payout ratio | 104.8 | 31.3 | 48.2 | 90.2 | 56.9 |
| Stability | | | | | |
| Net debt (VND bn) | (1,120) | (2,671) | (3,401) | (4,503) | (5,666) |
| Net debt/equity (%) | (43.0) | (69.5) | (81.6) | (90.1) | (91.6) |
| Valuation (x) | | | | | |
| PE | 18.0 | 7.5 | 9.0 | 16.9 | 10.7 |
| PB | 3.2 | 2.5 | 2.8 | 2.6 | 2.2 |
| EV/EBITDA | 24.8 | 22.0 | 24.1 | 22.8 | 14.7 |

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 | 2018A | 19,713 | 2,389 | 2,596 | 647 | 11,165 | 41.9 | 2.4 | 5.3 | 31.2 | 0.9 |
| | TP (VND) | N/A | 2019A | 19,804 | 2,918 | 3,250 | 813 | 11,687 | 33.5 | 2.3 | 6.5 | 25.9 | 2.2 |
| | Price (Dec 23, VND) | 39,000 | 2020A | 21,116 | 2,382 | 3,771 | 943 | 11,897 | 31.7 | 2.5 | 8.0 | 26.8 | 2.0 |
| | Market cap. (VND bn) | 156,000 | 2021F | 26,922 | 5,774 | 4,579 | 1,145 | N.A | 34.1 | N.A | 9.4 | 19.2 | 1.5 |
| | | | 2022F | 29,172 | 5,775 | 5,049 | 1,262 | N.A | 30.9 | N.A | 9.9 | 19.1 | 1.7 |
| Becamex (BCM) | Recommendation | Not-rated | 2016A | 7,300 | 849 | 787 | 990 | 13,718 | 42.9 | 3.1 | 6.5 | 45.8 | 0.00 |
| | TP (VND) | N/A | 2017A | 6,804 | 1,012 | 842 | 1,059 | 12,174 | 40.1 | 3.5 | 7.1 | 39.1 | 0.00 |
| | Price (Dec 23, VND) | 67,400 | 2018A | 6,538 | 2,545 | 2,171 | 2,013 | 12,169 | 19.8 | 3.5 | 17.9 | 26.5 | 1.41 |
| | Market cap. (VND bn) | 69,759 | 2019A | 8,213 | 2,896 | 2,487 | 2,281 | 14,129 | 17.7 | 3.0 | 17.0 | 28.5 | 0.94 |
| | | | 2020A | 6,505 | 1,908 | 1,986 | 1,894 | 14,779 | 21.7 | 2.8 | N.A | 26.5 | 1.0 |
| Phuoc Hoa (PHR) | Recommendation | BUY | 2019A | 1,639 | 235 | 450 | 2,863 | 18,661 | 18.0 | 3.2 | 17.5 | 24.8 | 5.0 |
| | TP (VND) | N/A | 2020A | 1,631 | 275 | 1,082 | 7,985 | 23,596 | 7.5 | 2.5 | 24.2 | 22.0 | 4.2 |
| | Price (Dec 23, VND) | 70,500 | 2021F | 1,874 | 311 | 1126 | 8,307 | 27,072 | 9.0 | 2.8 | 16.3 | 24.1 | 6.7 |
| | Market cap. (VND bn) | | 2022F | 2,142 | 303 | 859 | 4,436 | 28,775 | 16.9 | 2.6 | 11.1 | 22.8 | 6.7 |
| | | | 2023F | 2,618 | 441 | 1,360 | 7,024 | 33,806 | 10.7 | 2.2 | 15.8 | 14.7 | 6.7 |
| 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 23, VND) | 60,000 | 2019F | 3,210 | 1,533 | 918 | 1,955 | 20,187 | 10.6 | 1.0 | 9.9 | 7 | 4.8 |
| | Market cap. (VND bn) | 34,185 | 2020A | 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 | 20.8 | 10.3 | 42.6 | 17.5 | 0.8 |
| | TP (VND) | - | 2018A | 532 | 438 | 456 | 28,476 | 36,810 | 6.5 | 7.8 | 94.1 | 3.0 | 3.2 |
| | Price (Dec 23, VND) | 185,200 | 2019F | 194 | 86 | 237 | 14,782 | 36,287 | 12.5 | 5.0 | 40.4 | 12.3 | 8.1 |
| | Market cap. (VND bn) | 4,444 | 2020A | 283 | 146 | 285 | 17,808 | 43,760 | 10.4 | 5.1 | 39.5 | 11.3 | 2.7 |
| | | | 2021F | 339 | 164 | 284 | 17,719 | 51,707 | 10.4 | 4.0 | 41.2 | 9.3 | 4.8 |
| 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 23, VND) | 47,200 | 2019F | 599 | 145 | 143 | 2,854 | 22,923 | 12.0 | 1.4 | 15.3 | 5.7 | 5.5 |
| | Market cap. (VND bn) | 2,363 | 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

Banks

Overweight

► Three keywords

- Robust lending growth
- Maintaining supportive policies
- Steady growth of banca

► Top pick

| Asia Commercial Bank (ACB, BUY, TP VND40,100) | | | |
|---|--------|--------|--------|
| | 2020A | 2021F | 2022F |
| PE (x) | 2.5 | 1.9 | 1.6 |
| PB (x) | 11.6 | 8.9 | 7.5 |
| ROE (%) | 24.3 | 24.8 | 23.5 |
| DY (%) | | | |
| EPS (VND) | 2,788 | 3,635 | 4,315 |
| BPS (VND) | 13,119 | 16,755 | 20,570 |
| <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. | | | |

Back on track

Investment summary

9M21 booming growth despite bad debt rise

Total net operating income (TOI) and net profit were still resilient with 16.4%/19% yoy in 3Q21 bringing 9M21 growths to 29.1%/44.7% yoy. These were attributable to 1) a 9.4% YTD credit growth as of end-3Q (corporate bond of 15.9%) 2) Net interest margin NIM expansion of 28-32bp yoy backed by overwhelmingly reduced cost of fund (COF) than lending rates, and 3) lower cost income ratio (CIR) to offset the provision growth. Non-performing loan (NPL) surged to 1.6% with a VND250tn restructured loan, 2.5% of their total loan books.

Healthy credit growth amid new normalization

We forecast 2022F system credit to grow 13-14%, driven by a strong bounce back in manufacturing and resilient mortgage loan demand which both offset the slower growth in corporate bond investment. NIM could narrow 20-50 bp albeit to a different extent owing to 1) deposit rates increases by 30-40 bp triggered by inflation pressure and high demand to meet credit growth 2) lending rates are still accommodative following SBV's requests.

Bad debt eases to buoy the provision reversion

We expect that under the economic recovery, businesses would resume operations and pay for their obligations, cushioning banks' bad debt increase. Meanwhile, we observed that banks proactively increased provisions for bad debt to maintain their asset quality under control which uplifted their credit cost in 9M21. Banks with low-risk appetites as well as less customer concentration or more diversified customer base are expected to face less asset risks.

Steady growth of banca to foster net interest income growth

We anticipate the banks will maintain steady non-II growth in 2022F in light of robust fee income growth (making up 40-50% in total non-interest income) and banca fee will continue to be leading driver. Most of the banks have ramped up their bancassurance business by joining in exclusive regional partnership. However, the commission growth from bond underwriting could not stretch as high seen in 2020 and gains from security trading could be slow down driven by inched government yield.

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High valuation across the sector is temporarily

As shown in figure 2 below, there was a sharp decrease in both banking prices in the last five months. Currently, the sector is trading at 2.25x TTM PB, nearing inline 1 s.d 2-year historical median. Looking at banking stickers' justified valuation multiples, we think that markets seem to be pricing in an expected mixed outlook. The TTM ROE of the sector improved to 22%, 55%p increase than in 2020F which is bolstered by the rosy 9M21 performance results.

Top picks: ACB

Amid the weak credit growth recovery, we prefer banks that have strong ability to expand lending activities or well-equipped to enhance the weight of non-interest income. Amid the intense deposit competition, we prefer banks with have strong CASA, lower LDR and more exposures to retail lending which will enjoy better asset yield. Regarding to arising bad debt, we like banks that have solid asset quality and strong provisioning buffer. We recommend ACB as our top picks.

Asia Commercial Bank (ACB)

BUY / TP VND40,100

| | | | | | | | | | | | | | |
|---------------------------------|---------------|-------|----------|----------|----------|-------|-------|----------|------|-----|-----|------|-----|
| Stock price (23 Dec, VND) | 27,300 | Yr to | TOI | PPE | NP | EPS | % chg | BPS | PE | PB | ROA | ROE | DY |
| Market cap (USD mn) | 3,850 | Dec | (VND bn) | (VND bn) | (VND bn) | (VND) | (yoy) | (VND bn) | (x) | (x) | (%) | (%) | (%) |
| Shares outstanding (mn) | 2,701 | 2018A | 14,033 | 7,321 | 5,137 | 1,912 | 143.6 | 7,977 | 17.0 | 4.1 | 1.7 | 27.7 | - |
| 52W High/Low (VND) | 28,950/13,693 | 2019A | 16,097 | 7,790 | 6,010 | 2,196 | 14.8 | 10,315 | 14.8 | 3.1 | 1.7 | 24.6 | - |
| 6M avg. daily turnover (USD mn) | 67.9 | 2020F | 18,161 | 10,537 | 7,683 | 2,788 | 27.0 | 13,119 | 11.6 | 2.5 | 1.9 | 24.3 | - |
| Free float (%) | 75.8 | 2021F | 23,705 | 14,149 | 10,023 | 3,635 | 30.4 | 16,755 | 8.9 | 1.9 | 2.1 | 24.8 | - |
| Foreign ownership (%) | 30.0 | 2022F | 27,787 | 16,435 | 11,855 | 4,315 | 18.7 | 20,570 | 7.5 | 1.6 | 2.2 | 23.5 | 1.5 |
| Major shareholders (%) | | | | | | | | | | | | | |
| Dragon capital | 12.2 | | | | | | | | | | | | |

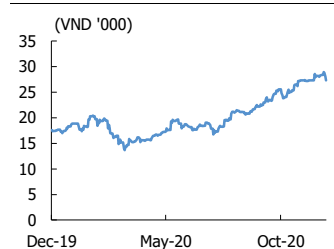
Note: NP and EPS attributed to controlling interest

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 VND45,400 for Asia Commercial Bank (ACB). ACB's 2022 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.

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 2H22F with qoq growth of 4.8% in 3Q21 and an estimation of ~4% qoq in 4Q21F 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 2021F and 3.57% in 2019 while credit cost is expected at 0.53% vs. 0.41% in 2021F and 0.11% in 2020.

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 2021F and 1.3tn in 2022F from G-bond trading.

Balance sheet

(VND bn)

| | 2018A | 2019A | 2020A | 2021F | 2022F |
|--------------------------|---------|---------|---------|---------|---------|
| Total assets | 329,333 | 383,514 | 444,530 | 505,663 | 569,479 |
| Gross IEAs | 314,817 | 368,778 | 425,387 | 489,412 | 551,488 |
| Loans and corp bonds | 230,527 | 268,701 | 311,479 | 358,201 | 411,931 |
| Household | 215,713 | 247,094 | 280,173 | - | - |
| Corporate | 14,814 | 21,606 | 31,306 | 358,201 | 411,931 |
| Dep't and loans to FIs | 19,460 | 30,442 | 31,671 | 40,269 | 39,205 |
| Dep't to SBV & G-bond | 64,829 | 69,636 | 82,237 | 90,943 | 100,352 |
| VAMC bond | 40 | - | - | - | - |
| NIEAs | 19,109 | 19,609 | 23,613 | 20,816 | 22,967 |
| Others | 4,633 | 4,873 | 4,470 | 4,565 | 4,976 |
| Total liabilities | 308,315 | 355,749 | 409,082 | 460,393 | 513,900 |
| Deposits | 269,999 | 308,129 | 353,196 | 398,753 | 445,325 |
| Debentures | 8,291 | 20,831 | 22,050 | 24,894 | 27,801 |
| Dep't and loans from FIs | 20,878 | 19,405 | 23,992 | 26,379 | 29,006 |
| Loans from Gov't & SBV | 3,074 | - | - | - | - |
| Other liabilities | 6,073 | 7,384 | 9,844 | 10,367 | 11,768 |
| Total equities | 21,018 | 27,765 | 35,448 | 45,271 | 55,580 |
| Controlling interests | 21,018 | 27,765 | 35,448 | 45,271 | 55,580 |
| Capital stock | 12,886 | 16,627 | 21,616 | 27,019 | 27,019 |
| Capital surplus | - | 272 | 272 | 272 | 272 |
| Other reserves | 3,693 | 4,596 | 5,742 | 6,894 | 8,398 |
| Retained earnings | 4,439 | 6,270 | 7,819 | 11,085 | 19,891 |
| OCI | - | - | - | - | - |
| Minority interest | - | - | - | - | - |

Income statement

(VND bn)

| | 2018A | 2019A | 2020A | 2021F | 2022F |
|------------------------------------|--------|--------|--------|--------|--------|
| Total operating income | 14,033 | 16,097 | 18,161 | 23,705 | 27,787 |
| Net interest income | 10,363 | 12,112 | 14,582 | 19,260 | 21,703 |
| Interest income | 24,015 | 28,318 | 31,856 | 35,600 | 40,426 |
| Interest cost | 13,652 | 16,205 | 17,274 | 16,341 | 18,724 |
| Non-interest income | 3,670 | 3,985 | 3,579 | 4,446 | 6,084 |
| Net commission income | 1,739 | 2,327 | 2,382 | 3,698 | 4,758 |
| Gains on investment securities | 117 | 158 | 918 | 436 | 760 |
| Other non-interest income | 1,815 | 1,500 | 280 | 312 | 566 |
| Provision for credit losses | 932 | 274 | 941 | 1,621 | 1,616 |
| Net operating revenue | 13,101 | 15,824 | 17,220 | 22,085 | 26,171 |
| SG&A | 6,712 | 8,308 | 7,624 | 9,556 | 11,352 |
| Employee benefits | 3,220 | 3,746 | 4,337 | 5,661 | 6,636 |
| Pre-provision earnings | 7,321 | 7,790 | 10,537 | 14,149 | 16,435 |
| Earnings before tax | 6,389 | 7,516 | 9,596 | 12,528 | 14,819 |
| Tax | 1,252 | 1,506 | 1,913 | 2,506 | 2,964 |
| Tax rate (%) | 19.6 | 20.0 | 19.9 | 20.0 | 20.0 |
| Continuing operations profit | 3,372 | 4,583 | 7,403 | 9,711 | 11,289 |
| Reversals of written-off loans | 1,765 | 1,427 | 280 | 312 | 566 |
| Net profit | 5,137 | 6,010 | 7,683 | 10,023 | 11,855 |
| Net profit of controlling interest | 5,137 | 6,010 | 7,683 | 10,023 | 11,855 |

Key financial data

| | 2018A | 2019A | 2020A | 2021F | 2022F |
|---|-------|-------|-------|-------|-------|
| Profitability and efficiency (%) | | | | | |
| ROE | 27.7 | 24.6 | 24.3 | 24.8 | 23.5 |
| ROA | 1.7 | 1.7 | 1.9 | 2.1 | 2.2 |
| NIM | 3.6 | 3.6 | 3.7 | 4.2 | 4.2 |
| Asset yield | 8.3 | 8.3 | 8.1 | 7.8 | 7.8 |
| Cost of fund | 4.8 | 5.0 | 4.6 | 3.8 | 3.9 |
| Cost-income ratio | 47.8 | 51.6 | 42.0 | 40.3 | 40.9 |
| Credit cost | 0.4 | 0.1 | 0.3 | 0.5 | 0.4 |
| Growth (%) | | | | | |
| Net profit of controlling interest | 142.5 | 17.0 | 27.8 | 30.5 | 18.3 |
| Pre-provision earnings | 40.2 | 6.4 | 35.3 | 34.3 | 16.2 |
| Credit growth | 16.0 | 16.6 | 15.9 | 15.0 | 15.0 |
| Total assets | 15.8 | 16.5 | 15.9 | 13.8 | 12.6 |
| Asset quality (%) | | | | | |
| NPL ratio | 0.7 | 0.5 | 0.6 | 0.7 | 0.7 |
| NPL coverage ratio | 151.9 | 175.0 | 160.3 | 156.7 | 153.1 |
| Loan to deposit | 78.6 | 78.4 | 80.3 | 81.8 | 84.3 |
| Capital adequacy (%) | | | | | |
| CAR ratio | 10.1 | 10.9 | 11.1 | 12.5 | 13.4 |
| CET1 ratio | n.a | 9.7 | 10.4 | 11.6 | 12.5 |
| Tier 1 ratio | 8.6 | 9.7 | 10.4 | 11.6 | 12.5 |

Valuation

| | 2018A | 2019A | 2020A | 2021F | 2022F |
|------------------------------|-------|--------|--------|--------|--------|
| Per share (VND, adj.) | | | | | |
| BPS | 7,977 | 10,315 | 13,119 | 16,755 | 20,570 |
| EPS | 1,912 | 2,196 | 2,788 | 3,635 | 4,315 |
| DPS | - | - | - | - | 500 |
| Valuation (x) | | | | | |
| PB | 4.1 | 3.1 | 2.5 | 1.9 | 1.6 |
| PE | 17.0 | 14.8 | 11.6 | 8.9 | 7.5 |
| P/PPE | 11.7 | 11.2 | 8.3 | 6.2 | 5.3 |
| Dividend yield (%) | - | - | - | - | 1.5 |
| Dividend payout ratio (%) | - | - | - | - | 11.6 |
| ROE analysis (%) | | | | | |
| ROE | 27.7 | 24.6 | 24.3 | 24.8 | 23.5 |
| Leverage(x) | 15.7 | 13.8 | 12.5 | 11.2 | 10.2 |
| IEAs to total assets | 94.3 | 95.0 | 94.7 | 95.9 | 96.0 |
| Net income to IEAs | 1.6 | 1.6 | 1.8 | 2.0 | 2.1 |
| Net interest income to IEAs | 3.3 | 3.3 | 3.4 | 3.9 | 3.9 |
| Non-interest income to IEAs | 1.2 | 1.1 | 0.8 | 0.9 | 1.1 |
| Credit cost to IEAs | 0.3 | 0.1 | 0.2 | 0.3 | 0.3 |
| SG&A to IEAs | 2.1 | 2.3 | 1.8 | 2.0 | 2.1 |

Coverage valuation

| Recommendation & TP | | | | Earnings & Valuation | | | | | | | | | |
|---------------------|----------------------|---------|-------|----------------------|----------|----------|-------|--------|-------|-----|-----|------|------|
| Company | | | | TOI | PPE | NP | EPS | BPS | PE | PB | ROA | ROE | DY |
| | | | | (VND bn) | (VND bn) | (VND bn) | (VND) | (yoy) | (VND) | (x) | (x) | (%) | (%) |
| Asia | Recommendation | BUY | 2018A | 14,033 | 7,321 | 5,137 | 1,912 | 7,977 | 19.0 | 4.6 | 1.7 | 27.7 | 19.0 |
| Commercial | TP (VND) | 40,100 | 2019A | 16,097 | 7,790 | 6,010 | 2,196 | 10,315 | 16.6 | 3.5 | 1.7 | 24.6 | 16.6 |
| Bank | Price (23 Dec, VND) | 32,500 | 2020F | 18,161 | 10,537 | 7,683 | 2,788 | 13,119 | 13.0 | 2.8 | 1.9 | 24.3 | 13.0 |
| (ACB) | Market cap. (VND bn) | 59,164 | 2021F | 23,705 | 14,149 | 10,023 | 3,635 | 16,755 | 10.0 | 2.2 | 2.1 | 24.8 | 10.0 |
| | | | 2022F | 27,787 | 16,435 | 11,855 | 4,315 | 20,570 | 8.4 | 1.8 | 2.2 | 23.5 | 8.4 |
| Techcombank | Recommendation | BUY | 2018A | 18,351 | 12,508 | 8,464 | 2,409 | 14,770 | 20.3 | 3.3 | 2.9 | 21.5 | - |
| (TCB) | TP (VND) | 50,400 | 2019A | 21,068 | 13,756 | 10,075 | 2,872 | 17,568 | 17.0 | 2.8 | 2.9 | 17.8 | - |
| | Price (23 Dec, VND) | 48,900 | 2020F | 27,043 | 18,411 | 12,325 | 3,499 | 21,013 | 14.0 | 2.3 | 3.1 | 18.2 | 0.0 |
| | Market cap. (VND bn) | 171,157 | 2021F | 36,820 | 24,670 | 18,017 | 5,111 | 26,104 | 9.6 | 1.9 | 3.8 | 21.8 | - |
| | | | 2022F | 40,887 | 27,394 | 20,026 | 5,673 | 31,777 | 8.6 | 1.5 | 3.6 | 19.7 | - |
| Millitary Bank | Recommendation | BUY | 2018A | 19,537 | 10,803 | 6,113 | 2,140 | 12,165 | 12.8 | 2.2 | 1.8 | 20.1 | 1.8 |
| | TP (VND) | 27,300 | 2019A | 24,650 | 14,927 | 7,823 | 2,752 | 14,197 | 9.9 | 1.9 | 2.1 | 22.2 | - |
| (MBB) | Price (23 Dec, VND) | 29,150 | 2020F | 27,362 | 16,807 | 8,263 | 2,813 | 17,275 | 9.7 | 1.6 | 1.9 | 19.2 | - |
| | Market cap. (VND bn) | 103,148 | 2021F | 35,872 | 22,392 | 12,251 | 4,074 | 21,553 | 6.7 | 1.3 | 2.4 | 22.3 | 3.0 |
| | | | 2022F | 40,469 | 25,465 | 14,106 | 4,625 | 25,368 | 5.9 | 1.1 | 2.4 | 21.0 | 3.0 |
| Vietcombank | Recommendation | Hold | 2018A | 39,278 | 25,667 | 14,622 | 3,334 | 17,244 | 22.9 | 4.4 | 1.4 | 1.4 | 0.0 |
| (VCB) | TP (VND) | - | 2019A | 45,730 | 29,913 | 18,526 | 4,326 | 21,763 | 17.7 | 3.5 | 1.6 | 1.6 | 1.0 |
| | Price (23 Dec, VND) | 76,500 | 2020F | 48,999 | 32,961 | 18,468 | 4,309 | 21,763 | 17.8 | 3.5 | 1.4 | 1.4 | 1.0 |
| | Market cap. (VND bn) | 360,374 | 2021F | 60,042 | 40,228 | 26,216 | 6,397 | 27,372 | 12.0 | 2.8 | 1.9 | 1.9 | 1.0 |
| | | | 2022F | 70,106 | 46,971 | 35,391 | 8,590 | 35,184 | 9 | 2.2 | 2.3 | 6 | 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 (23 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 (23 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

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

| Vinhomes (VHM, BUY, TP VND93,615) | | | |
|-----------------------------------|-------|-------|-------|
| | 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 |

Lofty hope on a turning point

Investment summary

Gloomy housing market dragged by pandemic

Tightening isolation requirements throughout the nation impeded the sales events and gallery visits while prolonged regulatory bottlenecks in granting licensing suspended the sales launch of new units in the residential markets. In 9M21, only 20,000 condo units were offered for sales in two mega cities, significantly dropping by 50-70% yoy. The landed mega townhouse projects survived well especially in the neighboring markets and suburban areas. After the work-from-home experience in the pandemic, we think homebuyers are favor for larger-sized landed homes to meet “work-live-play” ecosystem demand.

Infrastructure spending is a key stimulant of market growth

The government will faster the public spending in 2022F since the Politburo completed arranging members in 2021 which deterred the public spending by -8.3% in 10M21 vs +31.6% yoy in 10M20. The aim of infrastructure spending is upgrading and developing the regional transport systems through the completion of the radial highway network and various belt roads. The recent buoyant launches of landed properties in the suburban areas of HCMC can be attributed to these development plans that promise to improve connectivity to HCM.

Regulatory amendments improve licensing process

We expect the upcoming amended Land Law and relevant amended decrees to tackle the bottlenecks in licensing projects and shorten the time in granting construction. As above mentioned, the nomination of Politburo members ended in 2020 gives more space for governmental officers to adjust the regulatory laws in housing market. The market will return to its excitement after a dull and sluggish period. We expect at least tens of project could be beneficiary of those amendments, opening for thousands units are launching in 4Q22F-23F.

Bank policy for mortgage remains favorable in FY22F

2021 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

Nhan Lai

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Valuation seems rich given the excessive market sentiment

The recent boom of real estate players in equity market raises a skeptical on the valuation. They are trading at 23.2x TTM PE and 3.4x PB, well above the 2-year medians of 19.3x and 2.9x and moving in a 2 s.d range. We feel that the markets seem to be evaluating in an overwhelmingly optimistic on the buoyant presales growth driven by the infrastructure spending. However, the valuation is not distributed evenly between the mid-small-cap players and leaders. Of which, VHM is priced at its historical low record of PB at 3x

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

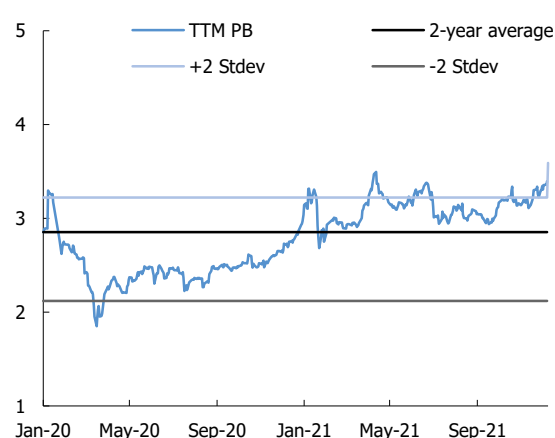
We like developers that meet the following key criteria including 1) About to launching projects for which they already have construction licenses or land use right certificates in 2022F. (2) With material exposure to the mid-range and affordable condo segments as these segments are driven by real end-user demand. (3) Buffered by a healthy financial position (low leverage, strong liquidity) to counter the risk of tightening credit for the real estate market. (4) High exposure of land bank in neighboring or suburban markets which are reaping the benefits of infrastructure spending.

The industry PE



Source: Company report, Fiiipro

The industry PB



Source: Company report, Fiiipro

Vinhomes (VHM)

BUY / TP VND93,615

| | |
|---------------------------------|---------------|
| Stock price (Dec 23, VND) | 82,500 |
| Market cap (USD mn) | 15,755 |
| Shares outstanding (mn) | 4,354 |
| 52W High/Low (VND) | 84,400/64,400 |
| 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 | 38,664 | 7,617 | 14,284 | 4,567 | (19.0) | 7,879 | 18.1 | 37 | 6.4 | 57.0 | 0 |
| 2019A | 51,627 | 23,219 | 21,747 | 6,493 | 42.2 | 23,570 | 4.4 | 15.3 | 4.9 | 43.8 | 1.3 |
| 2020A | 70,890 | 20,709 | 27,839 | 8,311 | 28.0 | 21,292 | 5.7 | 16.6 | 3.2 | 39.1 | 0.1 |
| 2021F | 86,239 | 36,620 | 32,701 | 9,763 | 17.5 | 37,584 | 41.1 | 9.0 | 2.4 | 32.4 | 1.2 |
| 2022F | 81,122 | 43,707 | 36,793 | 10,984 | 12.5 | 44,722 | 7.8 | 6.3 | 1.9 | 27.8 | 1.2 |

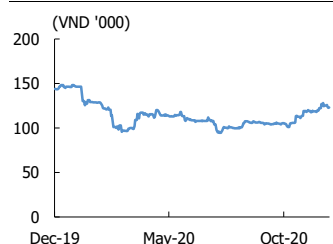
Note: NP and EPS attributed to controlling interest

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



Bulk sales to fuel 3Q21 rosy net profit growth. With a vibrant VND11.1tn NPATMI, +84.3% yoy, 9.1% qoq in 3Q21, VHM top those listed in the Vietnamese equity market and marking the two consecutive earnings quarters of over VND10tn. The brisk profit mainly stemmed from an expanding gross margin of 31.6%p yoy and +16%p qoq to 66% which offset the weak revenue growth of VND20.7tn, 21.9% yoy. The gross margin stretch was backed by the domination of high-margin bulk sales revenue of VND13.3tn (out of total property sales of VND17.3bn). Dream City project bulk sale contributed around VND8tn revenue.

Encouraging earnings growth in 2021F-22F. In 2021F, we estimate a 21.7% yoy revenue growth to VND86.2tn and 17.5% yoy net profit growth to VND32.7tn driven by a delivery of total 14,000 remainders of Grand Park, Smart City and Ocean Park. We also project a VND6tn financial income arising from 2020 bulk sales in Grand Park and Ocean Park projects. In 2022F, we attribute the 2022F revenue of VND81.1tn, -5.9% and net profit growth of VND36.8tn, 12.5% yoy to the contribution of three new mega projects. Total handover value estimate in 2022F is VND75.2tn.

Short-term headwinds on sales plans due to lockdown. Per management, three new mega townhouse projects, Wonder Park, Dream City, Coloa, are rescheduled to open for retail sale in 2022F instead of 2021. Also, the company targets to reap the value of the 4Q21F presale of VND29- 30tn, bringing the FY21F presale value to around VND71tn, far below the initial guidance of VND90-91tn.

Maintain BUY rating. Its flexible sales strategy in combining retail and bulk sales seems to help the firm withstand market headwinds, maintaining constant pre-sale activities and earnings growth. We are reviewing our presale forecasts to reflect the new landscape of VHM's development pipeline. Our current target price maintains to VND93,615. VHM is trading at

Balance sheet

(VND bn)

| FY-ending Dec. | 2018A | 2019A | 2020A | 2021F | 2022F |
|---------------------------------|---------|---------|---------|---------|---------|
| Current assets | 91,203 | 139,555 | 102,010 | 182,590 | 326,405 |
| Cash & cash equivalents | 3,515 | 13,332 | 12,479 | 52,032 | 109,001 |
| Accounts & other receivables | 43,356 | 47,468 | 34,024 | 39,134 | 52,835 |
| Inventory | 36,743 | 60,297 | 43,227 | 75,138 | 137,419 |
| Non-current assets | 24,771 | 36,237 | 56,248 | 67,476 | 97,813 |
| Fixed assets | 100 | 625 | 6,075 | 5,700 | 5,306 |
| Investment assets | 24,670 | 35,612 | 50,173 | 61,776 | 92,508 |
| Others | 3,716 | 21,449 | 56,680 | 66,134 | 62,992 |
| Total assets | 119,689 | 197,241 | 214,937 | 316,201 | 487,210 |
| Advances from customers | 14,207 | 40,246 | 27,310 | 69,296 | 203,778 |
| Unearned revenue | 0 | 0 | 0 | 0 | 0 |
| Trade payables | 2,504 | 6,078 | 10,860 | 10,460 | 7,355 |
| Others | 22,924 | 59,697 | 62,126 | 67,147 | 72,671 |
| ST debt & bonds | 6,403 | 18,162 | 10,998 | 9,814 | 12,245 |
| LT debt & financial liabilities | 25,506 | 8,343 | 13,958 | 39,094 | 36,663 |
| Total liabilities | 71,544 | 132,526 | 125,252 | 195,812 | 332,712 |
| Controlling interest | 43,231 | 56,096 | 86,148 | 115,500 | 148,943 |
| Capital stock | 33,495 | 33,495 | 33,495 | 33,495 | 33,495 |
| Capital surplus | 295 | 295 | 295 | 295 | 295 |
| Other reserves | 1,814 | (3,734) | (4,151) | (4,151) | (4,151) |
| Retained earnings | 7,627 | 26,040 | 56,509 | 85,861 | 119,304 |
| Minority interest | 4,912 | 8,619 | 3,538 | 4,889 | 5,555 |
| Shareholders' equity | 48,143 | 64,715 | 89,685 | 120,388 | 154,497 |

Income statement

(VND bn)

| FY-ending Dec. | 2018A | 2019A | 2020A | 2021F | 2022F |
|---|--------|--------|--------|--------|--------|
| Sales | 38,664 | 51,627 | 70,890 | 86,239 | 81,122 |
| COGS | 28,603 | 24,171 | 45,104 | 43,444 | 30,547 |
| Gross profit | 10,061 | 27,456 | 25,787 | 42,795 | 50,575 |
| SG&A | 2,444 | 4,237 | 5,078 | 6,174 | 6,868 |
| Operating profit | 7,617 | 23,219 | 20,709 | 36,620 | 43,707 |
| Financial income | 9,046 | 20,718 | 8,981 | 5,944 | 3,844 |
| Interest income | 1,544 | 2,379 | 2,496 | 8,981 | 5,944 |
| Financial expenses | 2,549 | 3,702 | 3,036 | 2,815 | 1,863 |
| Interest expenses | 2,378 | 2,984 | 3,036 | 2,815 | 1,863 |
| Other non-operating profit | (7) | 30 | (678) | 0 | (10) |
| Gains (Losses) in associates, subsidiaries and JV | 0 | 0 | 0 | 0 | 0 |
| Earnings before tax | 19,719 | 29,746 | 37,047 | 42,565 | 46,826 |
| Income taxes | 4,942 | 5,427 | 8,280 | 8,513 | 9,367 |
| Net profit | 14,776 | 24,319 | 28,767 | 34,052 | 37,459 |
| NP of controlling interest | 14,284 | 21,747 | 27,839 | 32,701 | 36,793 |
| EBITDA | 7,879 | 23,570 | 21,292 | 37,584 | 44,722 |

Cash flow

(VND bn)

| FY-ending Dec. | 2018A | 2019A | 2020A | 2021F | 2022F |
|------------------------------------|----------|----------|----------|---------|----------|
| C/F from operations | (1,463) | 51,928 | 22,273 | 21,674 | 85,613 |
| Net profit of controlling interest | 14,284 | 21,747 | 27,839 | 32,701 | 36,793 |
| Dep'n & Amort'n | 262 | 352 | 583 | 963 | 1,015 |
| Net incr. in W/C | (3,331) | 38,178 | 10,910 | (4,389) | 53,029 |
| C/F from investing | (17,842) | (27,320) | (21,171) | (2,724) | (25,295) |
| Capex | 0 | 0 | 0 | 0 | 0 |
| Incr. in investment | (17,842) | (27,320) | (21,171) | (2,724) | (25,295) |
| C/F from financing | 21,259 | (14,792) | (1,955) | 20,603 | (3,350) |
| Incr. in equity | 12,241 | (5,550) | (821) | 0 | 0 |
| Incr. in debt | 9,963 | (5,555) | (976) | 23,953 | (0) |
| Dividends | (945) | (3,687) | (158) | (3,350) | (3,350) |
| C/F from others | 0 | 0 | 0 | 0 | 0 |
| Increase in cash | 1,954 | 9,817 | (853) | 39,553 | 56,968 |

Key financial data

| FY-ending Dec. | 2018A | 2019A | 2020A | 2021F | 2022F |
|----------------------------|--------|--------|--------|---------|----------|
| Per-share data (VND, adj.) | | | | | |
| EPS | 4,567 | 6,493 | 8,311 | 9,763 | 10,984 |
| BPS | 12,907 | 16,748 | 25,719 | 34,482 | 44,467 |
| DPS | 0 | 1,101 | 47 | 1,000 | 1,000 |
| Growth (%) | | | | | |
| Sales growth | 152.8 | 33.5 | 37.3 | 21.7 | (5.9) |
| OP growth | 143.5 | 204.8 | (10.8) | 76.8 | 19.4 |
| NP growth | 913.3 | 52.2 | 28.0 | 17.5 | 12.5 |
| EPS growth | (19.0) | 42.2 | 28.0 | 17.5 | 12.5 |
| EBITDA growth | 122.7 | 199.2 | (9.7) | 76.5 | 19.0 |
| Profitability (%) | | | | | |
| OP margin | 19.7 | 45.0 | 29.2 | 42.5 | 53.9 |
| NP margin | 38.2 | 47.1 | 40.6 | 39.5 | 46.2 |
| EBITDA margin | 20.4 | 45.7 | 30.0 | 43.6 | 55.1 |
| ROA | 6.0 | 12.1 | 7.4 | 11.0 | 8.7 |
| ROE | 57.0 | 43.8 | 39.1 | 32.4 | 27.8 |
| Dividend yield | | 1.1 | 0.0 | 1.0 | 1.0 |
| Dividend payout ratio | 0.0 | 17.0 | 0.6 | 10.2 | 9.1 |
| Stability | | | | | |
| Net debt (VND bn) | 28,393 | 13,173 | 12,477 | (3,124) | (60,092) |
| Net debt/equity (%) | 59.0 | 20.4 | 13.9 | (2.6) | (38.9) |
| Valuation (x) | | | | | |
| PE | 22.1 | 15.5 | 12.1 | 10.3 | 9.2 |
| PB | 7.8 | 6.0 | 3.9 | 2.9 | 2.3 |
| EV/EBITDA | 44.3 | 15.3 | 16.6 | 9.0 | 6.3 |

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 | (19.0) | 7,879 | 18.1 | 37 | 6.4 | 57.0 |
| | TP (VND) | 93,615 | 2019A | 51,627 | 23,219 | 21,747 | 6,493 | 42.2 | 23,570 | 4.4 | 15.3 | 4.9 | 43.8 |
| | Price (Dec 23, VND) | 82,500 | 2020A | 70,890 | 20,709 | 27,839 | 8,311 | 28.0 | 21,292 | 5.7 | 16.6 | 3.2 | 39.1 |
| | Market cap. (VND bn) | 359,235 | 2021F | 86,239 | 36,620 | 32,701 | 9,763 | 17.5 | 37,584 | 41.1 | 9.0 | 2.4 | 32.4 |
| | | | 2022F | 81,122 | 43,707 | 36,793 | 10,984 | 12.5 | 44,722 | 7.8 | 6.3 | 1.9 | 27.8 |
| Khang Dien (KDH) | Recommendation | BUY | 2018A | 2,917 | 982 | 808 | 1,514 | 12,161 | 34.2 | 4.3 | 11.6 | 27 | 1.0 |
| | TP (VND) | 37,500 | 2019A | 2,813 | 1,223 | 915 | 1,613 | 13,362 | 32.1 | 3.9 | 13.4 | 24 | 1.0 |
| | Price (Dec 23, VND) | 51,700 | 2020A | 4,532 | 1,547 | 1,152 | 2,041 | 14,544 | 25.3 | 3.6 | 12.6 | 19 | 1.0 |
| | Market cap. (VND bn) | 32,826 | 2021F | 4,538 | 1,784 | 1,374 | 2,441 | 16,047 | 21.2 | 3.2 | 14.2 | 16 | 1.0 |
| | | | 2022F | 4,844 | 2,164 | 1,711 | 2,998 | 18,054 | 17.2 | 2.9 | 15.9 | 12 | 1.0 |
| Nam Long (NLG) | Recommendation | BUY | 2018A | 3,480 | 1,013 | 763 | 3,280 | 17,831 | 18.5 | 4.3 | 19.8 | 11.7 | 0.0 |
| | TP (VND) | 45,300 | 2019A | 2,546 | 626 | 960 | 3,709 | 19,464 | 16.3 | 3.4 | 20.3 | 21.8 | 0.8 |
| | Price (Dec 23, VND) | 60,600 | 2020F | 2,217 | 237 | 835 | 3,066 | 19,641 | 19.8 | 3.1 | 19.9 | 60.6 | 0.8 |
| | Market cap. (VND bn) | 23,206 | 2021F | 4,929 | 837 | 1,236 | 4,331 | 24,347 | 14.0 | 3.1 | 15.7 | 19.8 | 0.8 |
| | | | 2022F | 9,161 | 3,264 | 2,117 | 7,422 | 31,096 | 8.2 | 2.5 | 16.7 | 4.9 | 0.8 |
| 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 | 1,217 | 2,645 | 13,439 | 5.7 | 1.1 | 20.3 | 5.5 | 0.0 |
| | Price (Dec 23, VND) | 33,950 | 2020F | 4,019 | 1,559 | 190 | 365 | 14,002 | 41.1 | 1.1 | 2.7 | 8.7 | 0.0 |
| | Market cap. (VND bn) | 20,235 | 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 | 2018A | 15,290 | 4,006 | 3,239 | 2,590 | 14,818 | 18.1 | 3.2 | 20.6 | 16.9 | 0.0 |
| | TP (VND) | N/A | 2019A | 10,931 | 1,660 | 3,431 | 2,602 | 16,745 | 16.7 | 2.6 | 16.6 | N.A | 0.0 |
| | Price ((Dec 23, VND) | 88,500 | 2020A | 5,026 | 379 | 3,919 | 2,932 | 19,125 | 16.4 | 2.5 | 16.3 | 96.7 | 0.0 |
| | Market cap. (VND bn) | 166,290 | 2021F | 19,101 | 4,075 | 5,329 | 2,802 | 20,760 | 40.3 | 5.4 | 13.8 | 43.9 | 0.0 |
| | | | 2022F | 29,509 | 6,338 | 5,047 | 3,849 | 23,389 | 29.4 | 4.8 | 13.9 | 28.8 | 0.0 |
| DIC Group (DIG) | Recommendation | Not-rated | 2,345 | 314 | 324 | 858 | 8,872 | 12.9 | 1.2 | 10.9 | 14.5 | 2.7 | 2,345 |
| | TP (VND) | N/A | 2,116 | 376 | 391 | 966 | 9,732 | 11.1 | 1.1 | 11.0 | N.A | 4.8 | 2,116 |
| | Price (Dec 23, VND) | 89,000 | 2,487 | 346 | 711 | 1,784 | 11,546 | 12.1 | 1.9 | 16.4 | N.A | N.A | 2,487 |
| | Market cap. (VND bn) | 51,510 | 1,374 | 336 | 914 | 2,008 | N.A | 44.6 | N.A | 15.1 | N.A | N.A | 1,374 |
| | | | 3,848 | 1,509 | 1,057 | 2,009 | N.A | 44.6 | N.A | 13.4 | N.A | N.A | 3,848 |

Source: Company data, KIS

Securities

Non-rated

► Keywords

- High trading value base
- Capital raise for expanding needs

► Top pick

| SSI Securities (SSI, Non-rated) | | | |
|---|--------|--------|--------|
| | 2019A | 2020F | 2021F |
| PE (x) | 9.3 | 15.5 | 18.7 |
| PB (x) | 0.9 | 2.0 | 3.0 |
| EV/EBITDA (x) | 55.9 | 51.0 | 33.8 |
| DY (%) | 6.0 | 3.1 | 1.6 |
| EPS (VND) | 1,018 | 1,383 | 2,172 |
| BPS (VND) | 10,465 | 10,818 | 13,761 |
| <ul style="list-style-type: none"> • Top market share in brokerage with fat profit margin • There is room to growth margin lending • Profit motivation is still intact | | | |

First chapter has just passed

Investment summary

In light of accelerating transaction liquidity

Sum of top 15 biggest securities in term of owners' equity (total of VND 75.9tn, ~66% of sector equity) in 9M21, revenue skyrocketed to VND 32.6tn (+112% YoY). The main drivers for revenue are brokerage and income from margin loan lending when they are growing both in value and proportion in revenue mix. Brokerage revenue was increasing by 158% YoY while margin lending income rised by 156% YoY, accounts for 26.6% and 37.2% in revenue mix respectively. Net profit was VND 12.1bn (+117% YoY) and net profit margin improved to 37.2% (+1%p YoY).

Raising capital plans are still in place

As of end-3Q21, the market witnessed some specific firms touched the 200% regulated despite an additional of VND20-22tn capital was added in 9M21. Increasing charter capital was the main theme for securities companies in 2021- 2022F to help them supply for loan service and leverage the technology. The race in expanding the charter capital is warmed up in the last months of 2021 when companies one by one announced their new plan on capital increase. The new incremental capital could place a heavy weight on the EPS growth in 2021-22F where the TOI momentum growth could catch up.

Government efforts in developing equity market

In a longer term, MOF aims to concentrate on stock market as equity market for mid and long term funding. Restructuring the operation in stock market, upgrading core systems, studying to deploy new financial products have been conducted since 2021. Furthermore, the supervision and inspection activities are also promoted in order to ensure a transparent business environment. The nearest goal for 2025 is stock market capitalization accounting for 85% of GDP.

Top pick: SSI

Current valuation of securities sectors is high, spurred by impressive performance figures in 2021 and expectation for 2022. ROE and ROA are solid with 23.6% and 9.8% respectively. The industry is trading at 18.1x TTM PE and 3.1x PB, in range of +3 standard deviation in 3-year period. Our top pick is SSI. By having strong fundamental capabilities as well as top brokerage market share and being one of the biggest margin loan provider, SSI and VND will be the beneficiary in growing stock market.

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Sector information summary

Listed companies

| Company | Ticker | Exchange | Outstanding shr (mn) | Mkt price (VND) | Mkt cap (VND bn) | Revenue 9M21 (VND bn) | NPAT 9M21 (VND bn) | ROE (%) | PE (x) | PB (x) |
|-----------------------------|--------|----------|-------------------------|--------------------|---------------------|--------------------------|-----------------------|------------|-----------|-----------|
| SSI Securities | SSI | HOSE | 982.3 | 53,500 | 52,556 | 5,020 | 1,697 | 18.6 | 22.3 | 4.0 |
| VNDirect Securities | VND | HOSE | 434.9 | 85,200 | 37,057 | 3,963 | 1,545 | 33.2 | 12.4 | 4.3 |
| Viet Capital Securities | VCI | HOSE | 333.0 | 76,700 | 25,541 | 2,574 | 1,031 | 26.2 | 18.5 | 4.0 |
| Ho Chi Minh Securities | HCM | HOSE | 457.2 | 47,000 | 21,489 | 3,338 | 923 | 22.2 | 14.8 | 3.0 |
| Sai Gon - Ha Noi Securities | SHS | HNX | 325.3 | 52,000 | 16,914 | 1,753 | 827 | 30.6 | 10.7 | 3.1 |
| MB Securities | MBS | HNX | 267.6 | 40,600 | 10,864 | 1,559 | 416 | 19.5 | 17.2 | 3.4 |
| FPT Securities | FTS | HOSE | 147.6 | 63,200 | 9,326 | 1,024 | 672 | 31.2 | 11.9 | 3.3 |
| VIX Securities | VIX | HOSE | 274.6 | 32,600 | 8,952 | 1,256 | 574 | 34 | 8.1 | 2.5 |
| Thien Viet Securities | TVS | HOSE | 107.1 | 53,300 | 5,707 | 730 | 368 | 33.9 | 11.4 | 3.6 |
| Tien Phong Securities | ORS | HOSE | 200.0 | 27,650 | 5,530 | 892 | 180 | 15.3 | 16 | 2.6 |
| AgriBank Securities | AGR | HOSE | 212.0 | 25,000 | 5,300 | 270 | 317 | 14.6 | 16.5 | 2.3 |
| BIDV Securities | BSI | HOSE | 121.6 | 43,200 | 5,252 | 921 | 282 | 19.8 | 17 | 3.2 |
| Vietinbank Securities | CTS | HOSE | 106.4 | 42,650 | 4,538 | 614 | 197 | 19.5 | 15.2 | 2.8 |
| Everest Securities | EVS | HNX | 103.0 | 41,500 | 4,275 | 663 | 205 | 28 | 11.3 | 2.6 |
| Viet Dragon Securities | VDS | HOSE | 105.1 | 35,200 | 3,700 | 755 | 326 | 31.3 | 8.8 | 2.5 |

Source: Fiinpro, KIS. Updated as of Dec 20th 2021.

SSI Securities (SSI)

Non-rated

| | |
|---------------------------------|---------------|
| Stock price (Dec 23, VND) | 49,000 |
| Market cap (USD mn) | 2,097 |
| Shares outstanding (mn) | 982 |
| 52W High/Low (VND) | 55,900/17,370 |
| 6M avg. daily turnover (USD mn) | 34.31 |
| Free float (%) | 87.6 |
| Foreign ownership (%) | 38.4 |
| Major shareholders (%) | |
| Daiwa Securities Group | 15.7 |
| NDH investment | 9.6 |

| Yr to | Sales | OP | NP | EPS | % chg | BPS | PE | PB | ROE | ROA | DY |
|-------|----------|----------|----------|-------|--------|--------|------|-----|------|-----|-----|
| Dec | (VND bn) | (VND bn) | (VND bn) | (VND) | (yoy) | (VND) | (x) | (x) | (x) | (%) | (%) |
| 2017A | 2,532 | 1,377 | 1,162 | 1,350 | - | 9,727 | 10.4 | 1.4 | 14.2 | 7.1 | 4.1 |
| 2018A | 3,101 | 1,365 | 1,305 | 1,487 | 10.1 | 10,165 | 9.0 | 1.3 | 14.8 | 6.1 | 4.2 |
| 2019A | 2,888 | 1,099 | 909 | 1,018 | (31.6) | 10,465 | 9.3 | 0.9 | 9.9 | 3.6 | 6.0 |
| 2020A | 3,523 | 1,552 | 1,257 | 1,383 | 35.9 | 10,818 | 15.5 | 2.0 | 13.1 | 4.0 | 3.1 |
| 2021F | 6,765 | 3,910 | 2,401 | 2,286 | 65.2 | - | 21.8 | - | 17.7 | 4.9 | 2.0 |

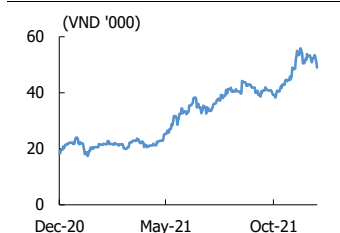
Note: NP and EPS attributed to controlling interest

The best has yet to come

Performance

| | 1M | 6M | 12M |
|--------------|-------|------|-------|
| Absolute (%) | (5.8) | 48.6 | 162.5 |
| Relative (%) | (5.5) | 42.0 | 125.7 |

Stock price



The second brokerage player with fatter brokerage profit margin. The brokerage was lucrative with a VND667bn revenue (+277% YoY, +7% QoQ). We estimated that the commission rate was 0.1865% (-0.2%p QoQ) while the peers are running numerous promotion campaigns to lure new joiners (F0). The brokerage-related expenses grew slower (+150% YoY, -0.3% QoQ), resulting in the gross margin for brokerage increasing significantly to 44.7% in 3Q21. Total 9M21 brokerage revenue was pegged VND1,727bn (+252% YoY).

Margin loan has more room to grow. SSI continues to expand the margin lending balance which reached to VND18.1tn as of end-3Q21. Currently, SSI provides the largest margin loan to the market and widens the gap with 2nd place by 32%. Although SSI is running ahead in margin loan balance, its margin ratio was only 150%. Given the margin loan restriction of 200% equity capital, SSI offers a competitive edge. Having to be mentioned that SSI planned to double its charter capital in early 2022. There is high probability that SSI continues to secure its dominating position in this playground.

Profit growth momentum remains intact. SSI keeps breaking its quarterly profit in 2Q21 and 3Q21. In 9M21, SSI posted a VND1,697bn net profit, 93.9% YoY, beating the full-year guidance by 13.4%. We estimate 4Q21F net profit will continue to break the record one more time when we saw the highest-trading-value sessions in 4Q21 plus with growing margin demand from market. The growth motivation of SSI is based on high market trading value and company is well-prepared to grasp the market demand in 2022 if any.

Recommendation. We recommend SSI thanks to 1) its high market share in brokerage and fat brokerage profit margin, 2) available room to expand margin lending activities and 3) outlook of Vietnam stock market with higher base in trading value and new financial products. SSI is trading at a 19x TTM PE and 3.2x PB ratio, slightly higher than the local peer median of 19.8x and 3.5x, respectively. However, given that SSI generated a lower TTM ROE of 18.5% and ROA of 5.1% than the industry with 23.4% and 9.8%.

Balance sheet

(VND bn)

| | 2017A | 2018A | 2019A | 2020A | 9M21* |
|---|--------|--------|--------|--------|--------|
| Total assets | 18,764 | 23,826 | 27,044 | 35,770 | 47,604 |
| Cash and Cash equivalent | 346 | 613 | 1,041 | 363 | 290 |
| Loans | 5,764 | 5,967 | 5,359 | 9,226 | 18,293 |
| FVTPL (incl. provision) | 1,408 | 2,010 | 4,274 | 13,204 | 13,626 |
| HTM | 7,882 | 12,326 | 10,722 | 5,592 | 7,838 |
| AFS | 1,535 | 1,265 | 760 | 186 | 266 |
| Accounts receivable (incl. provision) | 157 | 57 | 100 | 318 | 924 |
| Other current assets | 136 | 32 | 35 | 151 | 80 |
| Investments in associates | 813 | 764 | 794 | 785 | 809 |
| Long-term securities investment | 130 | 302 | 3,445 | 5,465 | 4,983 |
| Other long-term assets | 593 | 489 | 514 | 480 | 495 |
| Total liabilities | 10,148 | 14,670 | 17,643 | 25,897 | 35,526 |
| Borrowings | 8,504 | 11,193 | 15,550 | 23,351 | 34,213 |
| Bonds | 769 | 1,323 | 1,106 | 1,147 | 0 |
| Other liabilities | 225 | 132 | 128 | 73 | 65 |
| Owners' Equity | 8,616 | 9,156 | 9,401 | 9,873 | 12,078 |
| Common shares | 5,001 | 5,101 | 5,101 | 6,029 | 8,756 |
| Capital surplus | 29 | 29 | 29 | 29 | 797 |
| Conversion options on convertible bonds | 0 | 114 | 114 | 114 | 0 |
| Treasury shares | (2) | (9) | (19) | (35) | (21) |
| Charter reserve | 355 | 412 | 477 | 522 | 61 |
| Financial reserve funds | 271 | 328 | 393 | 438 | 496 |
| Capital adjustment | 671 | 319 | 300 | 35 | 30 |
| Undistributed earnings | 2,213 | 2,795 | 2,941 | 2,677 | 1,897 |
| Minority interests | 78 | 67 | 65 | 63 | 62 |

Income statement

(VND bn)

| | 2017A | 2018A | 2019A | 2020A | 9M21* |
|---------------------------------|-------|-------|-------|-------|-------|
| Operating income | 2,898 | 3,673 | 3,235 | 4,367 | 5,020 |
| FVTPL gain | 668 | 647 | 699 | 1,779 | 1,530 |
| HTM income | 451 | 716 | 991 | 850 | 545 |
| AFS income | 259 | 210 | 83 | 233 | 1 |
| Loans and receivables | 520 | 711 | 678 | 525 | 1,015 |
| Brokerage | 780 | 1,131 | 582 | 797 | 1,727 |
| IB | 136 | 155 | 100 | 98 | 67 |
| Others (incl. custody services) | 84 | 104 | 102 | 84 | 135 |
| Operating expenses | 1,137 | 1,651 | 1,171 | 1,902 | 2,085 |
| FVTPL loss | 486 | 622 | 383 | 1,003 | 915 |
| AFS loss and revaluation | 1 | 1 | 0 | 13 | 1 |
| Prop trading expenses | 7 | 8 | 11 | 24 | 20 |
| Provision and interest expenses | (51) | 40 | 12 | 0 | (23) |
| Brokerage expenses | 516 | 773 | 555 | 626 | 996 |
| IB expenses | 81 | 74 | 54 | 66 | 44 |
| Others (incl. custody services) | 97 | 134 | 156 | 169 | 132 |
| Gross Profit | 1,761 | 2,022 | 2,064 | 2,465 | 2,935 |
| Financial activities | (174) | (200) | (281) | (772) | (751) |
| Revenue | 95 | 145 | 266 | 67 | 51 |
| Expenses | 269 | 345 | 547 | 839 | 801 |
| SG&A expenses | 168 | 174 | 193 | 184 | 186 |
| Operating profit | 1,392 | 1,567 | 1,099 | 1,552 | 1,998 |
| Other income | 13 | 56 | 7 | 5 | 114 |
| Earnings before tax | 1,405 | 1,623 | 1,106 | 1,558 | 2,112 |
| Earning after tax | 1,161 | 1,303 | 907 | 1,256 | 1,697 |

Key financial data

| | 2017A | 2018A | 2019A | 2020A | 9M21A |
|------------------------------|-------|-------|--------|-------|--------|
| Operating base | | | | | |
| No. of employees | n/a | n/a | 966 | 909 | 1,187 |
| Stock trading value (VND tn) | n/a | n/a | 302 | 419 | 924 |
| Margin loan balance (VND bn) | 5,633 | 5,888 | 5,286 | 9,012 | 18,108 |
| Financial Ratios (%) | | | | | |
| Margin loan/Equity ratio | 65.4 | 64.3 | 56.2 | 91.3 | 149.9 |
| Leverage ratio | 117.8 | 160.2 | 187.7 | 262.3 | 294.1 |
| Gross profit margin | 60.8 | 55.0 | 63.8 | 56.4 | 58.7 |
| Net profit margin | 39.5 | 40.1 | 35.5 | 28.0 | 28.8 |
| Growth (%) | | | | | |
| Total assets | 41.9 | 27.0 | 13.5 | 32.3 | 33.1 |
| Owners' equity | 20.5 | 6.3 | 2.7 | 5.0 | 22.3 |
| Net revenue | 30.7 | 26.7 | (11.9) | 35.0 | 15.0 |
| Net profit | 32.7 | 12.2 | (30.4) | 38.5 | 35.1 |

Valuation

| | 2017A | 2018A | 2019A | 2020A | 9M21A |
|--------------------------|-------|--------|--------|--------|--------|
| Per share (VND) | | | | | |
| BPS | 9,727 | 10,165 | 10,465 | 10,818 | 13,761 |
| EPS | 1,350 | 1,487 | 1,018 | 1,383 | 2,172 |
| DPS | 569 | 569 | 569 | 661 | 661 |
| Valuation (x) | | | | | |
| PB | 1.4 | 1.3 | 0.9 | 2.0 | 3.0 |
| PE | 10.4 | 9.0 | 9.3 | 15.5 | 18.7 |
| Dividend yield (%) | 4.1 | 4.2 | 6.0 | 3.1 | 1.6 |
| Payout ratio (%) | 46.2 | 42.0 | 55.9 | 51.0 | 33.8 |
| Profitability (%) | | | | | |
| ROE | 14.7 | 14.7 | 9.8 | 13.0 | 17.7 |
| ROA | 6.9 | 7.3 | 6.1 | 3.6 | 5.1 |
| Commission rate (bp) | n/a | n/a | 19.3 | 19.0 | 18.7 |
| Lending ratio | 10.9 | 12.1 | 12.0 | 7.2 | 8.5 |

Coverage valuation

| Recommendation & TP | | | Earnings & Valuation | | | | | | | | | | |
|---|----------------------|----------|----------------------|----------|----------|----------|-------|--------|------|-----|------|------|------|
| Company | | | | Sales | OP | NP | EPS | BPS | PE | PB | ROE | ROA | DY |
| | | | | (VND bn) | (VND bn) | (VND bn) | (VND) | (VND) | (X) | (X) | (%) | (X) | (%) |
| SSI Securities (SSI) | Recommendation | Not-rate | 2017A | 2,532 | 1,377 | 1,162 | 1,350 | 9,727 | 10.4 | 1.4 | 14.2 | 7.1 | 4.1 |
| | TP (VND) | N/A | 2018A | 3,101 | 1,365 | 1,305 | 1,487 | 10,165 | 9.0 | 1.3 | 14.8 | 6.1 | 4.2 |
| | Price (Dec 23, VND) | 49,000 | 2019A | 2,888 | 1,099 | 909 | 1,018 | 10,465 | 9.3 | 0.9 | 9.9 | 3.6 | 6.0 |
| | Market cap. (VND bn) | 49,019 | 2020A | 3,523 | 1,552 | 1,257 | 1,383 | 10,818 | 15.5 | 2.0 | 13.1 | 4.0 | 3.1 |
| | | | 2021F | 6,765 | 3,910 | 2,401 | 2,286 | - | 21.8 | - | 17.7 | 4.9 | 2.0 |
| VN Direct (VND) | Recommendation | Not-rate | 2017A | 1,159 | 516 | 481 | 1,534 | 7,862 | 7.2 | 1.4 | 21.6 | 7.3 | - |
| | TP (VND) | N/A | 2018A | 1,163 | 343 | 373 | 1,149 | 8,951 | 8.2 | 1.1 | 13.6 | 4.0 | 6.6 |
| | Price (Dec 23, VND) | 81,100 | 2019A | 1,409 | 455 | 382 | 1,145 | 9,747 | 7.5 | 0.9 | 12.2 | 3.4 | 3.7 |
| | Market cap. (VND bn) | 35,274 | 2020A | 1,846 | 863 | 694 | 2,084 | 11,463 | 8.9 | 1.6 | 19.6 | 5.2 | 1.7 |
| | | | 2021F | - | - | - | - | - | - | - | 31.7 | 9.0 | - |
| Viet Capital Securities (VCI) | Recommendation | Not-rate | 2017A | 1,465 | 792 | 655 | 2,176 | 9,319 | 11.0 | 2.6 | - | - | - |
| | TP (VND) | N/A | 2018A | 1,729 | 1,003 | 823 | 2,535 | 11,175 | 7.7 | 1.8 | 24.7 | 12.7 | 1.9 |
| | Price (Dec 23, VND) | 72,000 | 2019A | 1,394 | 855 | 693 | 2,120 | 12,326 | 6.1 | 1.1 | 18.0 | 10.1 | 5.4 |
| | Market cap. (VND bn) | 23,976 | 2020A | 1,513 | 950 | 769 | 2,331 | 13,652 | 11.9 | 2.0 | 17.9 | 9.8 | 4.5 |
| | | | 2021F | - | - | - | 4,165 | - | 17.1 | - | 25.0 | 11.5 | - |
| Ho Chi Minh Securities (HCM) | Recommendation | Not-rate | 2017A | 1,300 | 692 | 554 | 1,662 | 8,348 | 11.2 | 2.2 | 21.4 | 10.8 | 3.5 |
| | TP (VND) | N/A | 2018A | 1,545 | 842 | 675 | 2,020 | 9,155 | 7.5 | 1.7 | 23.1 | 11.3 | 5.4 |
| | Price (Dec 23, VND) | 44,250 | 2019A | 1,197 | 531 | 433 | 1,083 | 10,742 | 13.8 | 1.4 | 11.7 | 6.8 | 12.2 |
| | Market cap. (VND bn) | 20,232 | 2020A | 1,535 | 660 | 530 | 1,325 | 11,099 | 17.5 | 2.1 | 12.1 | 5.3 | 3.9 |
| | | | 2021F | - | - | - | - | - | 16.5 | - | 23.0 | 8.2 | - |
| Sai Gon - Ha Noi Securities (SHS) | Recommendation | Not-rate | 2017A | 918 | 450 | 370 | 2,122 | 8,413 | 4.4 | 1.1 | 28.7 | 9.9 | 4.9 |
| | TP (VND) | N/A | 2018A | 1,092 | 410 | 358 | 1,996 | 10,157 | 2.9 | 0.6 | 21.5 | 8.0 | - |
| | Price (Dec 23, VND) | 48,000 | 2019A | 996 | 310 | 255 | 1,085 | 9,350 | 4.5 | 0.5 | 11.2 | 4.7 | 21.9 |
| | Market cap. (VND bn) | 15,613 | 2020A | 1,656 | 939 | 754 | 2,620 | 11,204 | 6.7 | 1.6 | 25.5 | 11.6 | 4.9 |
| | | | 2021F | - | - | - | - | - | - | - | - | - | - |

Source: Company data, KIS.

Insurance

Non-rated

► Three keywords

- Positive insurance premium growth rate
- Foreign investors
- Long-term regulation adjustment

► Top pick

| PVI Holdings (PVI, Non-rated) | | | |
|---|--------|--------|--------|
| | 2020F | 2021F | 2022F |
| PE (x) | 8.6 | 7.0 | 6.1 |
| PB (x) | 1.7 | 1.4 | 1.2 |
| EV/EBITDA (x) | 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 premium growth in 2020-2021. • Loss ratio was managed well in 2021. • Investment income remains growth despite challenge from low deposit rate. | | | |

Sit tight

Investment summary

Positive insurance premium growth rate amid the pandemic

According to Ministry of Finance's Insurance Supervisory Authority (ISA) report for 8M21, total insurance premium was VND 134.3tn (+17.99% yoy). Non-life insurance premium reached VND 37.8tn (+4.46% yoy). Claim expenses were VND 11.7tn and loss ratio was 31.02% (-4.12% yoy). Life insurance premium increased to VND 96.5tn (+24.3% yoy). New policy placement is pegged VND 32.2tn (+31.5% yoy). Bancassurance is the main channel generating new insurance contracts when it accounts for 54.4% of new-signed contracts.

New winds for insurance market

State-owned capital in insurance companies is going to be divested in late 2021 (BMI and BVH, specifically) and 2022. Alongside that, FOL at insurance companies uplifted from 50% to 100% which helps attract more foreign strategic investors. Currently, non-life insurance are dominated by state-owned enterprises, the change in ownership structure and foreign strategic investors make market outlook promising in the future.

Heightened hope on the resumption of sales activities

The impacts of prolonged COVID-19 pandemic and social distancing present barrier for sale agents to directly meet with customers. We expect when coming to normalcy, the industry is poised to register a robust post-pandemic growth especially the automobile insurance and health products. Furthermore, the rising consciousness on health protection by insurance could sustain the momentum growth on health product which is seen ballooning during the pandemic.

Low deposit rate environment continues to be the challenge

The low interest rate environment, which has continued though the pandemic, has had direct effects on insurers. Longevity of low interest-rate settings pushed financial assets (bank term deposits and government bond) will earn lower yield. The impact may be shown more clearly when the loss ratio tends to increase in “new normal”. Insurers will have to expand their investment to other asset classes with sufficient yield or changing business models by revising their risk appetite for renewal and new insurance contracts.

Top picks: PVI

We recommend PVI is one of leading insurance companies in Vietnam market, specializing in non-life insurance, inheriting strong financial foundation from parent company - Vietnam Pail and Gas Group (PVN).

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Sector information summary

Listed non-life insurers

| Company | Ticker | Exchange | Outstanding shr | Mkt price | Mkt cap | Net premium 9M21 | NPAT 9M21 | ROE | PE | PB |
|-------------------------------------|--------|----------|-----------------|-----------|----------|---------------------|-----------|------|------|-----|
| | | | (mn) | (VND) | (VND bn) | (VND bn) | (VND bn) | (%) | (x) | (x) |
| PVI | PVI | HNX | 234.2 | 51,000 | 11,946 | 3,042 | 805 | 13.2 | 11.8 | 1.7 |
| Bao Minh Insurance | BMI | HOSE | 109.6 | 44,700 | 4,900 | 2,532 | 188 | 9.8 | 21.9 | 2.2 |
| Post & Telecommunication Insurance | PTI | HNX | 80.4 | 56,600 | 4,550 | 2,946 | 199 | 13.1 | 16.9 | 2.1 |
| Military Insurance | MIG | HOSE | 143.0 | 24,350 | 3,482 | 1,536 | 149 | 15.2 | 14.2 | 2.1 |
| BIDV Insurance | BIC | HOSE | 117.3 | 29,500 | 3,460 | 1,359 | 287 | 13.8 | 10.3 | 1.4 |
| PJICO Insurance | PGI | HOSE | 88.7 | 29,600 | 2,626 | 1,908 | 261 | 19 | 8.8 | 1.6 |
| Agriculture Bank Insurance | ABI | UPCOM | 42.0 | 59,600 | 2,506 | 1,313 | 289 | 30.3 | 7.4 | 2.0 |
| Vietnam National Aviation Insurance | AIC | UPCOM | 100.0 | 14,800 | 1,494 | 879 | 13 | 1.8 | 75.5 | 1.4 |
| Bao Long Insurance | BLI | UPCOM | 60.0 | 18,300 | 1,101 | 670 | 112 | 9.2 | 16.5 | 1.4 |

Listed mixed insurers

| Company | Ticker | Exchange | Outstanding shr | Mkt price | Mkt cap | Net premium 9M21 | NPAT 9M21 | ROE | PE | PB |
|----------------|--------|----------|-----------------|-----------|----------|---------------------|-----------|-----|------|-----|
| | | | (mn) | (VND) | (VND bn) | (VND bn) | (VND bn) | (%) | (x) | (x) |
| Bao Viet Group | BVH | HOSE | 742.3 | 56,600 | 42,015 | 26,632 | 1,405 | 8.3 | 23.5 | 2.0 |

Listed reinsurers

| Company | Ticker | Exchange | Outstanding shr | Mkt price | Mkt cap | Net premium 9M21 | NPAT 9M21 | ROE | PE | PB |
|---------------------|--------|----------|-----------------|-----------|----------|---------------------|-----------|------|------|-----|
| | | | (mn) | (VND) | (VND bn) | (VND bn) | (VND bn) | (%) | (x) | (x) |
| PVI Reinsurance | PRE | HNX | 72.8 | 20,200 | 1,471 | | | 14.2 | 11.3 | 1.6 |
| Vietnam Reinsurance | VNR | HNX | 150.7 | 33,000 | 4,974 | 2,743 | 1,995 | 11.1 | 14.1 | 1.6 |

Source: Fiinpro, KIS

Note: Updated as of Dec 20th 2021.

PVI Holdings (PVI)

Non-rated

| | |
|---------------------------------|---------------|
| Stock price (23 Dec, VND) | 48,600 |
| Market cap (USD mn) | 496 |
| Shares outstanding (mn) | 234 |
| 52W High/Low (VND) | 53,900/27,717 |
| 6M avg. daily turnover (USD mn) | 0.71 |
| Free float (%) | 9.7 |
| Foreign ownership (%) | 56.8 |
| Major shareholders (%) | |
| HDI Global SE | 37.7 |
| PVN | 35.0 |

| Yr to | Sales | OP | NP | EPS | % chg | BPS | PE | PB | ROE | ROA | DY |
|-------|----------|----------|----------|-------|-------|--------|-------|------|-------|------|------|
| Dec | (VND bn) | (VND bn) | (VND bn) | (VND) | (yoy) | (VND) | (x) | (x) | (%) | (%) | (%) |
| 2017A | 5,398 | 692 | 500 | 2,115 | | 29,654 | 11.52 | 0.82 | 7.15 | 2.76 | 8.21 |
| 2018A | 6,173 | 751 | 553 | 2,305 | 9.0 | 29,354 | 11.66 | 0.92 | 7.88 | 2.82 | 5.21 |
| 2019A | 6,538 | 860 | 648 | 2,580 | 11.9 | 29,946 | 10.44 | 0.90 | 8.70 | 3.10 | 7.43 |
| 2020A | 5,552 | 1,062 | 808 | 3,407 | 32.1 | 30,990 | 8.74 | 0.96 | 11.09 | 3.64 | 7.56 |
| 2021F | | | | 4,211 | 23.6 | 29,974 | 11.64 | 1.67 | 13.70 | 4.17 | |

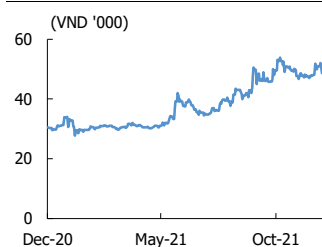
Note: NP and EPS attributed to controlling interest

Maintain the 2-digit earnings growth in 2021

Performance

| | 1M | 6M | 12M |
|------------------|-----|------|------|
| Absolute (%) | 2.1 | 29.4 | 59.2 |
| Rel. to VNI (%p) | 2.3 | 22.8 | 22.4 |

Stock price



Gross written premium still maintained growth momentum. 9M21 gross written premium by PVI was VND 7,073bn (+11.8% YoY), in which original insurance grew 10.1% YoY and inward reinsurance premium increased by 27.2% YoY. After deducting outward reinsurance, net written premium was pegged VND 2,011bn (+8.5% YoY). Notably, PVI was placed at top 1 non-life insurance market share in 6M21, first time exceeding Bao Viet in 3-year period.

Social distancing helps managing loss ratio and expense. Social distancing to control pandemic was helpful to favor the claim perspective. Loss ratios in 2Q21 and 3Q21 were the lowest in 3-year period. 9M21 loss ratio stayed at 34.3% (-4%p YoY). In addition, SG&A expense was pegged down 3.71% thanks to technology application in contracts and claim process management. Combining with bright premium growth and managed loss ratio, 9M21 net insurance operating profit booked VND 410bn (+57.6% YoY), combined ratio is at 85.6%.

Quick adaption in financial activities saves investment income. 9M21 financial income increased to VND 509bn (+11.1% YoY) thanks to the change in structure of financial investment. Starting from 2Q21, PVI decreased the deposit weight in their Held-to-maturity and increased significantly in bonds. Usually, bond portfolio was kept around 5% of PVI's financial investment. At end-Sep 2021, the bond weight was 24.6%, equivalent of VND 2,720bn (+391% YTD). 9M21 net profit was VND 807bn (+29.2% YoY). According to PVI representative, FY21 profit could reach VND 1,000bn (+17.8% YoY).

Recommendation. We recommend PVI thanks to 1) controlled combined ratio, 2) increasing insurance operation revenue and profit, 3) flexible investment strategy to solve the low deposit rate challenge in 2021 and 4) expected increasing deposit rate in 2022. However, downside risk of PVI is placed at expected bouncing back of claim expense in 2022 and competition in market share. PVI is trading at 11.6x PE and 1.7x PB ratios, lower than peer averages which are 14.1x and 1.8x respectively.

Balance sheet

(VND bn)

| | 2017A | 2018A | 2019F | 2020F | 9M21A |
|--------------------------|--------|--------|--------|--------|--------|
| Total assets | 16,643 | 19,627 | 19,648 | 22,087 | 22,276 |
| Short-term assets | 14,126 | 15,003 | 16,631 | 18,601 | 18,220 |
| Cash and Cash ~ | 707 | 1,216 | 326 | 493 | 1,144 |
| ST investment | 6,290 | 6,016 | 8,373 | 7,795 | 7,420 |
| Held-To-Maturity | 6,085 | 5,516 | 7,694 | 6,274 | 5,545 |
| Accounts receivable | 6,858 | 7,526 | 7,671 | 9,944 | 9,243 |
| Other ST | 271 | 245 | 260 | 369 | 414 |
| Long-term assets | 2,516 | 4,623 | 3,017 | 3,486 | 4,056 |
| Long-term investment | 302 | 1,051 | 191 | 1,867 | 2,465 |
| Held-To-Maturity | 160 | 980 | 108 | 1,789 | 2,380 |
| Investment property | 1,846 | 1,500 | 1,471 | 1,088 | 1,083 |
| Fixed assets | 302 | 276 | 265 | 353 | 358 |
| Other LT | 66 | 1,796 | 1,089 | 178 | 150 |
| Total liabilities | 9,821 | 12,794 | 12,613 | 14,910 | 15,071 |
| Short-term liabilities | 9,712 | 12,431 | 12,552 | 14,838 | 15,010 |
| Payables | 1,761 | 1,925 | 2,054 | 2,643 | 3,367 |
| Insurance reserve | 7,235 | 8,273 | 8,427 | 11,115 | 10,592 |
| Unearned premium reserve | 3,065 | 3,103 | 3,376 | 3,487 | 3,556 |
| Claim reserve | 4,035 | 5,011 | 4,843 | 7,400 | 6,751 |
| Catastrophe reserve | 136 | 160 | 208 | 228 | 285 |
| Long-term liabilities | 363 | 62 | 71 | 61 | 67 |
| Owners' Equity | 6,832 | 7,035 | 7,177 | 7,205 | 7,280 |
| Common shares | 2,342 | 2,342 | 2,342 | 2,342 | 2,342 |
| Capital surplus | 3,323 | 3,508 | 3,508 | 3,508 | 3,508 |
| Undistributed earnings | 813 | 633 | 738 | 940 | 1,003 |
| Minority interests | 235 | 251 | 256 | 278 | 259 |

Income statement

(VND bn)

| | 2017A | 2018A | 2019F | 2020F | 9M21A |
|---|---------|---------|---------|---------|---------|
| Gross written premium | 7,363 | 7,464 | 7,997 | 8,160 | 7,073 |
| Direct insurance | 6,688 | 6,872 | 7,295 | 7,402 | 6,281 |
| Inward reinsurance | 675 | 592 | 702 | 758 | 792 |
| Unearned premium | 0 | 0 | 0 | 0 | 0 |
| Net outward reinsurance | (3,529) | (3,906) | (4,403) | (4,346) | (4,030) |
| Ceding commission | 610 | 808 | 743 | 791 | 714 |
| Net revenue | 4,642 | 4,302 | 4,385 | 4,528 | 3,559 |
| Claim expenses | 1,885 | 1,577 | 1,713 | 1,495 | 1,044 |
| Direct insurance | 2,680 | 3,829 | 3,303 | 3,661 | 2,019 |
| Reinsurance | 429 | 425 | 206 | 317 | 302 |
| Recoveries from outward reinsurance ceded | (1,256) | (2,704) | (1,981) | (2,597) | (1,346) |
| Claim reserve | 55 | 41 | 212 | 131 | 89 |
| Salvage and subrogation recoveries | (23) | (15) | (26) | (17) | (19) |
| Increase in provision for catastrophe reserve | 24 | 48 | 20 | 58 | 75 |
| Operating expense | 2,141 | 2,155 | 1,998 | 2,155 | 1,680 |
| Total direct operating expenses | 4,050 | 3,780 | 3,731 | 3,708 | 2,799 |
| Gross insurance OP | 592 | 521 | 654 | 820 | 760 |
| SG&A expensé | (491) | (504) | (512) | (624) | (350) |
| Net insurance OP | 101 | 18 | 142 | 196 | 410 |
| Financial activities | 589 | 473 | 635 | 768 | 509 |
| Revenue | 699 | 740 | 770 | 828 | 580 |
| Expenses | (109) | (267) | (135) | (60) | (71) |
| Other income | (7) | 254 | 97 | 95 | 71 |
| Earnings before tax | 683 | 745 | 874 | 1,060 | 990 |
| Earning after tax | 540 | 588 | 702 | 849 | 807 |

Key financial data

| | 2017A | 2018A | 2019F | 2020F | 9M21A |
|-------------------------------|-------|-------|-------|-------|-------|
| Insurance Ratios (%) | | | | | |
| Loss ratio (%) | 49.2 | 44.3 | 47.7 | 39.2 | 34.3 |
| Expense ratio (%) | 55.8 | 60.5 | 55.6 | 56.5 | 55.2 |
| Combined ratio (%) | 105.6 | 106.2 | 103.8 | 97.2 | 92.8 |
| Financial Ratios (%) | | | | | |
| Gross insurance profit margin | 12.7 | 12.1 | 14.9 | 18.1 | 21.4 |
| Net insurance profit margin | 2.2 | 0.4 | 3.2 | 4.3 | 11.5 |
| Gross profit margin | 14.7 | 17.3 | 19.9 | 23.4 | 27.8 |
| Net profit margin | 11.6 | 13.7 | 16.0 | 18.7 | 22.7 |
| Growth (%) | | | | | |
| Total assets | 17.9 | 0.1 | 12.4 | 0.9 | 6.3 |
| Owners' equity | 0.2 | 3.0 | 2.0 | 0.4 | 1.0 |
| Net revenue | (0.5) | (7.3) | 1.9 | 3.3 | |
| Net profit | (5.9) | 9.0 | 19.3 | 20.9 | |

Valuation

| | 2017A | 2018A | 2019F | 2020F | 9M21A |
|------------------------------|--------|--------|--------|--------|--------|
| Per share (VND, adj.) | | | | | |
| BPS | 28,166 | 28,961 | 29,546 | 29,572 | 29,974 |
| EPS | 2,134 | 2,198 | 2,640 | 3,326 | 4,306 |
| DPS | - | - | - | - | - |
| Valuation (x) | | | | | |
| PB | 1.8 | 1.7 | 1.7 | 1.7 | 1.7 |
| PE | 23.5 | 22.8 | 19.0 | 15.1 | 11.6 |
| Dividend yield (%) | 5.6 | 4.0 | 4.5 | 5.7 | 0.0 |
| Dividend payout ratio (%) | 76.2 | 109.9 | 117.4 | 116.7 | 0.0 |
| Profitability (%) | | | | | |
| ROE | 7.3 | 7.9 | 9.3 | 11.2 | 13.2 |
| ROA | 2.8 | 2.8 | 3.2 | 3.6 | 4.2 |

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 (%) | ROA (X) | DY (%) |
| PVI Holdings (PVI) | Recommendation | Not-rate | 2017A | 5,398 | 692 | 500 | 2,115 | 29,654 | 11.5 | 0.8 | 7.2 | 2.8 | 8.2 |
| | TP (VND) | N/A | 2018A | 6,173 | 751 | 553 | 2,305 | 29,354 | 11.7 | 0.9 | 7.9 | 2.8 | 5.2 |
| | Price (Dec 23, VND) | 48,600 | 2019A | 6,538 | 860 | 648 | 2,580 | 29,946 | 10.4 | 0.9 | 8.7 | 3.1 | 7.4 |
| | Market cap. (VND bn) | 49,019 | 2020A | 5,552 | 1,062 | 808 | 3,407 | 30,990 | 8.7 | 1.0 | 11.1 | 3.6 | 7.6 |
| | | | 2021F | - | - | - | 4,211 | 29,974 | 11.6 | 1.7 | 13.7 | 4.2 | - |
| Bao Minh Insurance (BMI) | Recommendation | Not-rate | 2017A | 3,357 | 190 | 163 | 1,489 | 19,409 | 16.7 | 1.3 | 7.6 | 3.1 | 6.7 |
| | TP (VND) | N/A | 2018A | 3,310 | 200 | 162 | 1,480 | 20,451 | 9.8 | 0.7 | 7.4 | 3.0 | 5.7 |
| | Price (Dec 23, VND) | 81,100 | 2019A | 3,569 | 247 | 208 | 1,685 | 20,936 | 10.8 | 0.9 | 9.2 | 3.7 | 5.5 |
| | Market cap. (VND bn) | 35,274 | 2020A | 3,990 | 232 | 195 | 1,629 | 21,005 | 14.8 | 1.2 | 8.5 | 3.2 | 5.2 |
| | | | 2021F | - | 100 | 253 | 1,996 | 21,335 | 22.4 | 2.1 | 10.9 | 3.8 | 2.2 |
| Post & Telecommunication Insurance (PTI) | Recommendation | Not-rate | 2017A | 2,960 | 190 | 154 | 1,912 | 23,635 | 10.9 | 0.9 | 8.2 | 3.0 | 5.8 |
| | TP (VND) | N/A | 2018A | 3,415 | 34 | 17 | 207 | 22,576 | 96.3 | 0.9 | 0.9 | 0.3 | 6.0 |
| | Price (Dec 23, VND) | 72,000 | 2019A | 4,409 | 146 | 112 | 1,392 | 23,162 | 13.6 | 0.8 | 6.1 | 1.6 | 4.2 |
| | Market cap. (VND bn) | 23,976 | 2020A | 4,939 | 307 | 240 | 2,987 | 25,098 | 7.1 | 0.9 | 12.4 | 3.1 | 4.7 |
| | | | 2021F | - | - | - | - | - | - | - | - | - | - |
| Bao Viet Holdings (BVH) | Recommendation | Not-rate | 2017A | 29,482 | 2,524 | 1,563 | 2,292 | 20,221 | 27.0 | 3.1 | 11.6 | 1.9 | 1.6 |
| | TP (VND) | N/A | 2018A | 37,464 | 2,023 | 1,115 | 1,518 | 21,092 | 56.2 | 4.0 | 7.3 | 1.1 | 1.2 |
| | Price (Dec 23, VND) | 44,250 | 2019A | 40,317 | 2,377 | 1,182 | 1,681 | 25,821 | 39.7 | 2.6 | 7.0 | 1.0 | 1.5 |
| | Market cap. (VND bn) | 20,232 | 2020A | 43,300 | 2,580 | 1,591 | 2,117 | 27,033 | 30.7 | 2.4 | 8.0 | 1.2 | 1.2 |
| | | | 2021F | - | - | 1,982 | 2,487 | 29,028 | 22.4 | 1.9 | 9.1 | 1.3 | 1.8 |
| Vietnam Reinsurance (VNR) | Recommendation | Not-rate | 2017A | 1,022 | 267 | 259 | 1,682 | 17,832 | 9.5 | 0.9 | 9.6 | 4.0 | 12.0 |
| | TP (VND) | N/A | 2018A | 1,182 | 292 | 297 | 1,968 | 19,572 | 8.5 | 0.9 | 10.5 | 4.5 | 1.0 |
| | Price (Dec 23, VND) | 48,000 | 2019A | 1,513 | 307 | 288 | 1,911 | 20,383 | 8.6 | 0.8 | 9.6 | 4.2 | 6.4 |
| | Market cap. (VND bn) | 15,613 | 2020A | 1,909 | 339 | 312 | 2,063 | 20,643 | 8.0 | 0.8 | 10.1 | 4.5 | 10.5 |
| | | | 2021F | - | - | - | - | - | - | - | - | - | - |

Source: Respective company data, KIS

Construction materials

Non-rated

► Three keywords

- Accelerated infrastructure spending leverage the demand for final steel products after social distancing measure easing
- Export opportunity amid strong infrastructure spending globally
- Growth divergence for leading companies

► Top pick

| Hoa Phat (HPG, BUY, TP VND60,400) | | | |
|-----------------------------------|--------|--------|--------|
| | 2021F | 2022F | 2023F |
| PE (x) | 5.8 | 5.8 | 9.0 |
| PB (x) | 2.3 | 1.7 | 1.5 |
| EV/EBITDA (x) | 4.9 | 4.5 | 6.8 |
| DY (%) | - | - | - |
| EPS (VND) | 8,070 | 7,986 | 5,165 |
| BPS (VND) | 20,375 | 27,394 | 31,580 |

Accelerated infrastructure spending

Investment summary

Brisk performance in 11M21

Despite the impact of COVID-19 resurgence, Vietnam produced 28.3 mil tonnes (+21.4% yoy) in 11M21. Total sales volume was 24.8 mil tonnes (+35.6% yoy). Local steel makers made good use of the export opportunity whilst domestic market was seriously hit by COVID-19. The total export volume surged 69% to 6.9 mil tonnes and the export turnover posted at USD10.8bn in 11M21.

Accelerated infrastructure spending boosts 2022F growth

As 30 Nov, the public investment disbursement was 65.7% of governmental plan. Along with other fiscal package plans, we expect the government will push the public investment as the key driver for 2022 economic growth amid the easing of social distancing measure. The government is expected to focus on the major projects, for example, Long Thanh International Airport and North-South expressway.

Selling price is hindered by lackluster worldwide demand

However, there are some downside risks that may affect industry revenue growth. The China property sector crisis, if it lasts longer, would form the downward trend in global steel price with potential oversupply, then, reduce the industry revenue in 2022. In addition, the emerging of new COVID-19 variants reducing vaccine effectiveness would slow down the economy recovery in general and the steel industry in particular.

Negative outlook pricing

Currently, the steel companies are trading at 6.4x TTM PE, well below -1 s.d 2-year historical median due to the recent price pull-back. Looking at sector's low valuation multiples, we think that the markets seems to be pricing the negative outlook for next few quarters when the revenue growth can be pulled back due to high base in 2021 and the output price may remain low, along with export opportunity is not as attractive as it was since mills in US and EU has resumed operation. The TTM ROE improved to 41.4%, 23%p increase than in 2020, which strengthened by rosy 9M21 performance results.

Top picks: HPG

Hoa Phat is our top pick in the construction steel sub-industry thanks to the company's strategic flexibility, economic scale advantages and proven cost efficiency that boost the HPG's ability to grow over next years.

Hai Nguyen

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Hoa Phat (HPG)

BUY / TP VND60,400

| | |
|---------------------------------|---------------|
| Stock price (Dec 23, VND) | 44,950 |
| Market cap (USD mn) | 8,760 |
| Shares outstanding (mn) | 4,473 |
| 52W High/Low (VND) | 58,000/27,571 |
| 6M avg. daily turnover (USD mn) | 59.97 |
| Free float (%) | 54.2 |
| Foreign ownership (%) | 23.8 |
| Major shareholders (%) | |
| Tran Dinh Long | 26.0 |
| Vu Thi Hien | 7.3 |

| 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) | (%) | (%) |
| 2019A | 63,658 | 9,743 | 7,527 | 2,708 | (29.1) | 12,336 | 17.2 | 13.0 | 2.7 | 17.1 | 0.0 |
| 2020A | 90,119 | 17,123 | 13,450 | 3,958 | 46.2 | 21,899 | 11.8 | 8.5 | 2.6 | 25.2 | 0.9 |
| 2021F | 147,856 | 40,653 | 36,462 | 8,070 | 103.9 | 45,569 | 5.8 | 4.9 | 2.3 | 48.6 | 2.1 |
| 2022F | 136,485 | 40,837 | 35,938 | 7,986 | (1.0) | 46,333 | 5.8 | 4.5 | 1.7 | 33.7 | 2.1 |
| 2023F | 127,783 | 26,489 | 23,244 | 5,165 | (35.3) | 33,951 | 9.0 | 6.8 | 1.5 | 17.7 | 2.1 |

Growing demand

Rosy performance in 11M21 despite the COVID-19 resurgence. Despite COVID-19 resurgence, Hoa Phat recorded a VND38,918bn revenue (+10.1% qoq, +56.7% yoy) and a VND10,350bn net profit (+6.2% qoq, +173.5% yoy) in 3Q21 thanks to flexible sales policy and the increasing production capacity since the DQSC fully operated. In 11M21, total final-product sales volume was 6.89 mil tonnes (+71.4% yoy). In which, the total final-product export volume skyrocketed 140.6% to 1.2 mil tonnes amid weak domestic demand.

Potential beneficiary from global public spending. We expect HPG can benefit from the acceleration of infrastructure development domestically and globally for both long and flat steel products. As the largest steel maker in Vietnam, HPG is capable of utilizing its economic scale advantage and the steel-rolling flexibility to meet the market demand for domestic consumption and export. However, the emerging of new COVID-19 variants and the potential oversupply in China are likely to reduce the pace of domestic market recovery and create a downward pressure on steel price, which both hit seriously on company's revenue growth in 2022.

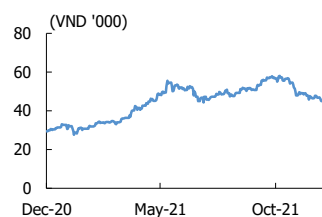
Stock price discounting. HPG is trading at 6.57x TTM PE and 2.47x PB ratio, slightly higher than the local peer median of 6.46x and 1.21x respectively. However, given that HPG generated a higher TTM ROE of 48% than the industry with 41.4%, we see that current valuation is not cheap enough for new investors. The current price correction caused by the worrisome about new COVID-19 variants, low steel price and short-term revenue growth outlook would create a good opportunity for new investors to have a bargaining price in 2022. HPG is still good stock with a solid fundamental and great long-term outlook.

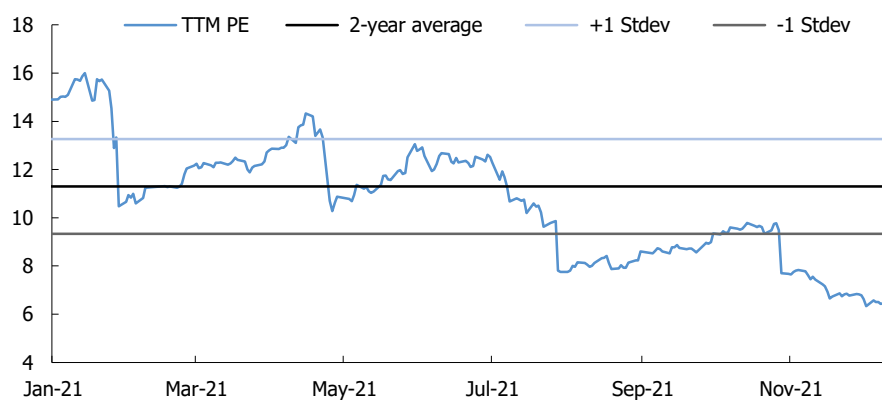
Target price VND60,400. We expect 2022F revenue is VND136,485bn (-7.6% yoy) and NPAT is VND36,045bn (-1.4% yoy) caused by the decline in selling price. 2022F EPS is expected to be at VND7,986 – a bit lower than 2021F level (VND8,070). We still believe Hoa Phat can utilize the opportunity from infrastructure spending domestically and globally thanks to its economic scale and flexible sale policy.

Performance

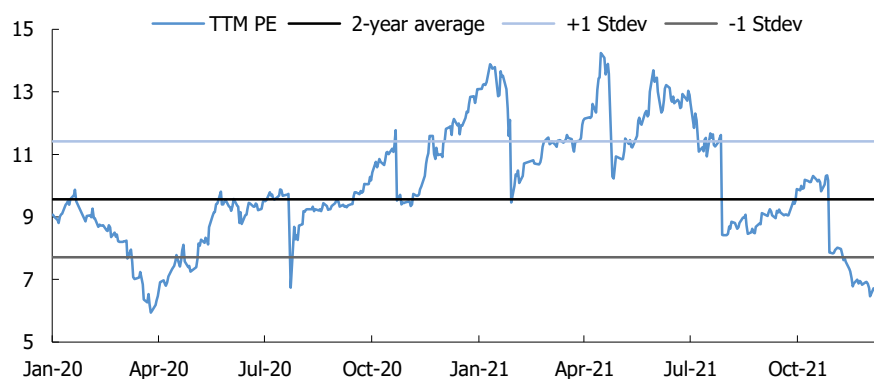
| | 1M | 6M | 12M |
|------------------|-------|--------|------|
| Absolute (%) | (9.3) | (12.5) | 52.8 |
| Rel. to VNI (%p) | (9.1) | (19.2) | 16.0 |

Stock price



Price pulled back as COVID-19 variant concern

Source: Fiin Pro

HPG - Negative short-term outlook pricing

Source: Fiin Pro

Balance sheet

(VND bn)

| FY-ending Dec. | 2019A | 2020A | 2021F | 2022F | 2023F |
|---------------------------------|---------|---------|---------|---------|---------|
| Current assets | 30,437 | 56,747 | 110,939 | 124,675 | 99,933 |
| Cash & cash equivalent | 5,919 | 21,823 | 48,083 | 64,060 | 37,410 |
| Accounts & other receivables | 3,561 | 6,125 | 13,084 | 17,276 | 17,610 |
| Inventory | 19,412 | 26,287 | 45,632 | 39,655 | 41,336 |
| Non-current assets | 71,339 | 74,764 | 73,805 | 83,316 | 125,330 |
| Fixed assets | 31,250 | 65,562 | 64,149 | 73,153 | 114,841 |
| Investment assets | 38,058 | 6,983 | 6,993 | 7,003 | 7,013 |
| Others | 3,549 | 4,427 | 6,438 | 6,443 | 6,611 |
| Total assets | 101,776 | 131,511 | 184,744 | 207,991 | 225,262 |
| Accounts & other payables | 17,309 | 18,150 | 29,919 | 23,910 | 23,427 |
| ST debt & bond | 16,838 | 36,799 | 48,346 | 47,209 | 46,339 |
| LT debt & financial liabilities | 19,842 | 17,343 | 15,343 | 14,343 | 14,243 |
| Total liabilities | 53,989 | 72,292 | 93,608 | 85,462 | 84,009 |
| Controlling interest | 47,624 | 59,071 | 90,878 | 122,162 | 140,817 |
| Capital stock | 27,611 | 33,133 | 44,729 | 44,729 | 44,729 |
| Capital surplus | 3,212 | 3,212 | 3,212 | 3,212 | 3,212 |
| Others | 924 | 934 | 1,117 | 1,152 | 1,176 |
| Retained earnings | 15,877 | 21,792 | 41,820 | 73,069 | 91,701 |
| Minority interest | 163 | 149 | 258 | 367 | 436 |
| Shareholders' equity | 47,787 | 59,220 | 91,136 | 122,529 | 141,253 |

Income statement

(VND bn)

| FY-ending Dec. | 2019A | 2020A | 2021F | 2022F | 2023F |
|--|--------|--------|---------|---------|---------|
| Sales | 63,658 | 90,119 | 147,856 | 136,485 | 127,783 |
| COGS | 52,473 | 71,215 | 104,098 | 92,782 | 98,611 |
| Gross profit | 11,185 | 18,904 | 43,758 | 43,703 | 29,172 |
| SG&A expense | 1,442 | 1,781 | 3,105 | 2,866 | 2,683 |
| Operating profit | 9,743 | 17,123 | 40,653 | 40,837 | 26,489 |
| Financial income | 471 | 1,005 | 1,035 | 955 | 895 |
| Interest income | 277 | 519 | 853 | 427 | 284 |
| Financial expense | 1,182 | 2,837 | 2,514 | 2,320 | 2,172 |
| Interest expense | 937 | 2,192 | 2,229 | 2,154 | 1,818 |
| Other non-operating profit | 66 | 65 | 148 | 137 | 128 |
| Gains (Losses) in associates, subsidiaries, and JV | (1) | 2 | 2 | 2 | 2 |
| Earnings before tax | 9,097 | 15,357 | 39,324 | 39,611 | 25,341 |
| Income taxes | 1,518 | 1,851 | 2,753 | 3,565 | 2,027 |
| Net profit | 7,578 | 13,506 | 36,572 | 36,046 | 23,313 |
| Net profit of controlling interest | 7,527 | 13,450 | 36,462 | 35,938 | 23,244 |
| EBITDA | 12,336 | 21,899 | 45,569 | 46,333 | 33,951 |

Cash flow

(VND bn)

| FY-ending Dec. | 2019A | 2020A | 2021F | 2022F | 2023F |
|-----------------------------|----------|----------|----------|----------|----------|
| C/F from operating | 7,715 | 11,587 | 23,845 | 36,670 | 27,669 |
| Net profit | 7,578 | 13,506 | 36,572 | 36,046 | 23,313 |
| Depreciation & Amortization | 2,593 | 4,776 | 4,916 | 5,496 | 7,462 |
| Net incr. in W/C | (2,456) | (6,695) | (17,643) | (4,872) | (3,106) |
| C/F from investing | (18,064) | (18,495) | (22,977) | 139 | (41,765) |
| CAPEX | (20,825) | (11,916) | (3,513) | (14,510) | (49,160) |
| Incr. in investment | 2,761 | (6,579) | (19,464) | 14,649 | 7,395 |
| C/F from financing | 12,377 | 16,053 | 5,074 | (6,610) | (5,443) |
| Incr. in equity | 0 | 3 | 0 | 0 | 0 |
| Incr. in debts | 12,391 | 17,471 | 9,548 | (2,137) | (970) |
| Dividends | (13) | (1,420) | (4,473) | (4,473) | (4,473) |
| Others | 0 | 0 | 0 | 0 | 0 |
| C/F from others | 0 | 6 | 0 | 0 | 0 |
| Increase in cash | 2,029 | 9,146 | 5,942 | 30,199 | (19,539) |

Key financial data

| FY-ending Dec. | 2019A | 2020A | 2021F | 2022F | 2023F |
|------------------------------|--------|--------|--------|---------|--------|
| per share data (VND) | | | | | |
| EPS | 2,708 | 3,958 | 8,070 | 7,986 | 5,165 |
| BPS | 17,307 | 17,873 | 20,375 | 27,394 | 31,580 |
| DPS | 11 | 428 | 1,000 | 1,000 | 1,000 |
| Growth (%) | | | | | |
| Sales growth | 14.0 | 41.6 | 64.1 | (7.7) | (6.4) |
| OP growth | (7.6) | 75.7 | 137.4 | 0.5 | (35.1) |
| NP growth | (12.2) | 78.7 | 171.1 | (1.4) | (35.3) |
| EPS growth | (29.1) | 46.2 | 103.9 | (1.0) | (35.3) |
| EBITDA growth | (3.7) | 77.5 | 108.1 | 1.7 | (26.7) |
| Profitability (%) | | | | | |
| OP margin | 15.3 | 19.0 | 27.5 | 29.9 | 20.7 |
| NP margin | 11.9 | 15.0 | 24.7 | 26.4 | 18.2 |
| EBITDA margin | 19.4 | 24.3 | 30.8 | 33.9 | 26.6 |
| ROA | 8.4 | 11.6 | 23.1 | 18.4 | 10.8 |
| ROE | 17.1 | 25.2 | 48.6 | 33.7 | 17.7 |
| Dividend yield | 0.0 | 0.9 | 2.1 | 2.1 | 2.1 |
| Dividend payout ratio | 0.4 | 10.8 | 12.4 | 12.5 | 19.4 |
| Stability | | | | | |
| Net debt (VND bn) | 30,761 | 32,319 | 15,607 | (2,508) | 23,172 |
| Int.-bearing debt/equity (%) | 60.0 | 50.0 | 20.0 | 0.0 | 20.0 |
| Valuation (X) | | | | | |
| PE | 17.2 | 11.8 | 5.8 | 5.8 | 9.0 |
| PB | 2.7 | 2.6 | 2.3 | 1.7 | 1.5 |
| EV/EBITDA | 13.0 | 8.5 | 4.9 | 4.5 | 6.8 |

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) | (%) |
| Hoa Phat (HPG) | Recommendation | Hold | 2019A | 63,658 | 9,743 | 7,527 | 2,708 | 17,307 | 17.2 | 2.7 | 17.1 | 13.0 | 0.0 |
| | TP (VND) | 60,400 | 2020A | 90,119 | 17,123 | 13,450 | 3,958 | 17,873 | 11.8 | 2.6 | 25.2 | 8.5 | 0.9 |
| | Price (Dec 23, VND) | 44,950 | 2021F | 147,856 | 40,653 | 36,462 | 8,070 | 20,375 | 5.8 | 2.3 | 48.6 | 4.9 | 2.1 |
| | Market cap. (VND bn) | 201,058 | 2022F | 136,485 | 40,837 | 35,938 | 7,986 | 27,394 | 5.8 | 1.7 | 33.7 | 4.5 | 2.1 |
| | | | 2023F | 127,783 | 26,489 | 23,244 | 5,165 | 31,580 | 9.0 | 1.5 | 17.7 | 6.8 | 2.1 |
| Binh Minh Plastics (BMP) | Recommendation | Not-rated | 2017A | 3,825 | 663 | 465 | 5,676 | 29,317 | 10.7 | 2.0 | 19.7 | 8.1 | 4.3 |
| | TP (VND) | 64,260 | 2018A | 3,920 | 608 | 428 | 5,224 | 29,973 | 7.7 | 1.3 | 17.6 | 4.8 | 9.9 |
| | Price (Dec 23, VND) | 58,500 | 2019A | 4,337 | 601 | 423 | 5,165 | 30,164 | 7.4 | 1.2 | 17.1 | 3.9 | 11.8 |
| | Market cap. (VND bn) | 4,789 | 2020A | 4,686 | 698 | 523 | 6,385 | 30,192 | 9.2 | 1.9 | 21.1 | 4.2 | 9.9 |
| | | | 2021F | 4,433 | 315 | 211 | 2,574 | 27,867 | 20.5 | 1.8 | 9.0 | 6.9 | 12.0 |
| Vinacomin (KSV) | Recommendation | Not-rated | 2017A | 5,405 | 458 | 160 | 790 | 11,303 | 13.7 | 0.8 | 7.2 | 6.2 | - |
| | TP (VND) | N/A | 2018A | 5,688 | 442 | 85 | 423 | 10,874 | 22.2 | 0.7 | 3.8 | 7.2 | - |
| | Price (Dec 23, VND) | 49,200 | 2019A | 6,145 | 238 | (14) | (68) | 10,413 | - | 1.0 | - | 8.8 | - |
| | Market cap. (VND bn) | 9,840 | 2020A | 6,163 | 428 | 157 | 784 | 10,807 | 16.9 | 1.0 | 7.4 | 6.2 | 2.3 |
| CMC (CVT) | Recommendation | Not-rated | 2017A | 1,181 | 233 | 174 | 4,736 | 14,731 | 6.7 | 2.1 | 37.5 | 5.5 | 1.7 |
| | TP (VND) | N/A | 2018A | 1,451 | 236 | 162 | 4,415 | 17,286 | 3.4 | 0.9 | 27.6 | 3.0 | 7.7 |
| | Price (Dec 23, VND) | 47,500 | 2019A | 1,468 | 232 | 165 | 4,487 | 19,053 | 4.0 | 1.0 | 24.7 | 2.6 | 13.8 |
| | Market cap. (VND bn) | 1,743 | 2020A | 1,307 | 167 | 121 | 3,288 | 20,812 | 11.9 | 1.9 | 16.5 | 5.6 | 3.8 |
| | | | 2021F | 1,369 | 159 | 109 | 2,965 | 20,570 | 12.9 | 2.0 | 14.7 | 8.8 | 5.1 |
| Vicostone (VCS) | Recommendation | Not-rated | 2017A | 4,353 | 1,119 | 1,122 | 5,426 | 14,525 | 17.0 | 6.4 | 58.5 | 15.8 | 0.8 |
| | TP (VND) | N/A | 2018A | 4,522 | 1,350 | 1,124 | 5,740 | 16,892 | 9.7 | 3.3 | 43.8 | 8.0 | 5.2 |
| | Price (Dec 23, VND) | 115,500 | 2019A | 5,563 | 1,696 | 1,410 | 8,559 | 20,908 | 7.3 | 3.0 | 45.6 | 6.9 | 6.2 |
| | Market cap. (VND bn) | 18,480 | 2020A | 5,660 | 1,732 | 1,428 | 8,257 | 24,112 | 9.9 | 3.4 | 39.1 | 7.8 | 4.8 |
| | | | 2021F | 6,866 | 2,130 | 1,769 | 10,231 | 29,541 | 12.4 | 4.3 | 42.0 | 9.4 | 3.1 |

Source: Company data, KIS

Seafood

Non-rated

► Three keywords

- Export volume maintain to recovery to resume in 2022
- CPTPP, EVFTA, and UKFTA to unlock more upside for Vietnam seafood in the EU and potential markets
- The “yellow card” marked for IUU fisheries combat is the key risk of Vietnam seafood export to the EU

► Top pick

| Vinh Hoan Corp (VHC, Not-rated, NA) | | | |
|---|--------|--------|--------|
| | 2019A | 2020F | 2021F |
| PE (x) | 5.8 | 10.2 | 12.2 |
| PB (x) | 1.4 | 1.4 | 1.9 |
| EV/EBITDA (x) | 5.0 | 8.1 | 9.1 |
| DY (%) | 2.7 | 5.0 | 2.4 |
| EPS (VND, adj.) | 6,342 | 3,953 | 5,077 |
| BPS (VND, adj.) | 26,795 | 28,425 | 32,282 |
| <ul style="list-style-type: none"> • Pangasius fillet export to recover post-2020 • Collagen & Gelatin revenue to surge on the back of factory capacity expansion | | | |

Recovery in 2022F

Investment summary

A year of challenges and opportunities

Despite the national lockdown and logistic tense, the export edged to USD8.7bn (+3% yoy) backed by (1) the revival of most consumers, especially US and EU markets (2) serious supply disruption in large competitors rewarded Vietnam seafood. Yet, the seafood export was impeded by (1) the production suspended in 4th outbreak wave which forced the farmers to apply strict prevention measures and therefore reduced material supply in 2H21 (2) a sharply drop of 24.3% yoy in China export market as tightened supervisory of Chinese Custom.

Full of hope expected in 2022F

In 2022F, we expect seafood export will fully recovery since (1) the outbreak is well controlled in consuming countries and that helps stabilize the demand post-2021's high base (2) the “New normal” policies prompt exporters to adapt with Covid-19 and sustain the seafood supply chain, (3) the favorable tax rates of EVFTA, UKFTA, and potential new markets in CPTPP like Mexico, Canada and Japan are key-driven to give a massive advantage to compete other players, and (4) logistics constraints could relax in 2H22F.

Despite headwinds persist

However, the risks are also sufficient material to consider as (1) the complexity of outbreak disrupts the seafood supply chain (2) China market might raise barriers to reduce import seafood by suspending the operation of ports and border gates given the doubt on virus transmission from seafood sources and the protection of revival domestic seafood productions and, (3) the resumption of peers might heat the market competition in 2022F.

The threat of IUU issued EU

Illegal, Unreported and Unregulated (IUU) fishing is an urgent risk of Vietnam seafood export to EU market since the effort of clarification is ineffective. Vietnam government is boosting the reasonable and more effective solution to quickly overcome the yellow card issue. Otherwise, Vietnam could likely receive red card, driving the captured fisheries products banned from exporting to EU, causing an estimated loss of 7% of seafood industry in terms of total value export to EU markets.

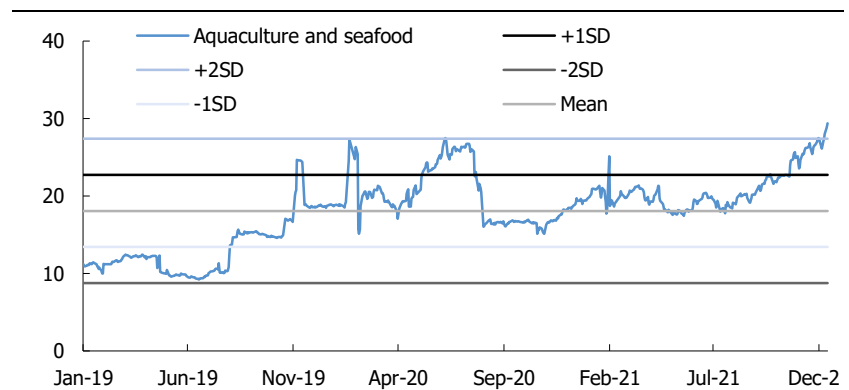
Linh Pham

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Valuation

Currently, the sector is trading at 29x TTM PE, 1.93x PB, higher than the 3-year average but slightly near its +1s.d of 3-year history. We think that the valuation of seafood industry is reflected by the positive expectation of exporters' upcoming business results in 4Q21F and 2022F. However, the valuation seems not expensive, giving the industry looks more compelling to buy-in. Whilst, the TTM ROE is revival after the steep decline in 2020 amid the Covid-19.

Culture and seafood PE



Source: Fiin, KIS

Top pick: VHC

Our top pick is Vinh Hoan Corp, maintaining the top share of pangasius exporters as the solid revenue and NPAT amid the outbreak of pandemic in 2021. We believe VHC will keep the brighten result in 2022F with greater revenue and NPAT, assisted by the high demand of pangasius fillet in most of the markets and the revival of others.

Vinh Hoan Corp (VHC)

BUY / TP VND47,000

| | |
|---------------------------------|---------------|
| Stock price (Dec 22, VND) | 62,000 |
| Market cap (USD mn) | 492 |
| Shares outstanding (mn) | 182 |
| 52W High/Low (VND) | 65,900/34,247 |
| 6M avg. daily turnover (USD mn) | 3.87 |
| Free float (%) | 50.3 |
| Foreign ownership (%) | 26.9 |
| 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) | (%) | (%) |
| 2017A | 8,151 | 761 | 605 | 3,300 | - | 960 | 6.9 | 6.2 | 1.4 | 59.2 | 2.2 |
| 2018A | 9,271 | 1,685 | 1,442 | 7,810 | 136.6 | - | 5.5 | - | 2.0 | 46.9 | 4.6 |
| 2019A | 7,867 | 1,132 | 1,179 | 6,342 | (18.8) | 1,298 | 5.8 | 5.0 | 1.4 | 41.5 | 2.7 |
| 2020A | 7,037 | 695 | 719 | 3,953 | (37.7) | 898 | 10.2 | 8.1 | 1.4 | 26.5 | 5.0 |
| 2021F | 8,586 | 1,035 | 946 | 5,077 | 28.4 | 1,341 | 12.2 | 9.1 | 1.9 | 16.8 | 2.4 |

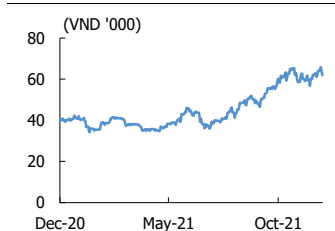
Note: NP and EPS attributed to controlling interest

Fire proves gold

Performance

| | 1M | 6M | 12M |
|--------------|------|-----|------|
| Absolute (%) | 54.3 | 0.6 | 38.9 |
| Relative (%) | 20.7 | 0.8 | 32.2 |

Stock price



Stay on top. In 2021, pangasius fillet revenue surged +19% yoy, even higher than pre-pandemic, driven by (1) high consumption and storage of revival markets, especially in the US market, (2) selling price increased amid bounced demand. Moreover, Collagen & Gelatin (C&G) revenue growth slowed down by +6% yoy as the limitation of C&G market expansion by Covid-19. The 9M21 NPATMI beat 2021 guidance thanks to (1) GPM expansion, (2) passing shipping cost to buyers in 2H21. Remarkably, VHC's well-controlled operation under 4th wave of pandemic ensures pangasius supply chain, securing VHC as a top pangasius exporter

Pangasius fillet export will accelerate 2022 VHC revenue. We expect that the demand recovery will persist in the US, the largest importer of VHC with 40% share of export value. Also, China market will be flourishing back, especially the restaurant channel, and the less tightened import policies thanks to the normalization after 2 years of the pandemic. Since a leading pangasius exporter with sustainable operation, the company gains competitive edges to expand the share and surpass the industry growth rate in 2022F. After 2 years of sluggish expansion, C&G growth rate could back on track on the revival demand.

The risks might wash away target. In 2022F, NPAT stays brisk assisted by (1) the improvement of pangasius fillet GPM when high raw material price is expected to maintain in 2022F and that could push the selling price (2) the rebound of high GPM product C&G (3) lower SG&A compared to 2021 since VHC gains selling power to transfer the burden of shipping cost. Yet, the uncertainty of Covid-19 development might push China market to tighten import products. Therefore, C&G growth rate could be impacted more at a great length.

Valuation. VHC is trading at 12.6x TTM PE, lower than the peer at 14.3x TTM PE and higher than PE history at 5.7x to 10.5x, implying a positive expectation of investors to the company. In 2022F, the market is expecting VHC to trade at VND71,599 based on the EPS adjustment at VND6,291 and 10.2x TTM PE forward.

Balance sheet

(VND bn)

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|------------------------------|-------|-------|-------|-------|-------|
| Current assets | 1,362 | 2,143 | 3,989 | 4,971 | 4,727 |
| Cash & cash equivalents | 334 | 418 | 651 | 1,578 | 1,405 |
| Accounts & other receivables | 1,150 | 1,329 | 2,002 | 1,516 | 1,699 |
| Inventory | 1,214 | 1,202 | 1,386 | 1,414 | 1,499 |
| Non-current assets | 1,716 | 2,433 | 3,540 | 3,016 | 2,466 |
| Fixed assets | 1,323 | 1,566 | 1,397 | 1,504 | 1,808 |
| Investment assets | 194 | 226 | 648 | 337 | 446 |
| Others | 235 | 300 | 213 | 258 | 334 |
| Total assets | 3,078 | 4,576 | 7,529 | 7,988 | 7,192 |
| Advances from customers | 19 | 66 | 11 | 20 | 36 |
| Unearned revenue | 0 | 0 | 0 | 0 | 0 |
| Trade payables | 276 | 233 | 274 | 283 | 326 |
| Others | 509 | 832 | 1,772 | 2,029 | 494 |
| ST debt & due bonds | 801 | 1,418 | 2,492 | 2,400 | 1,106 |
| LT debt & bonds | 518 | 402 | 0 | 0 | 69 |
| Total liabilities | 2,123 | 2,951 | 4,549 | 4,732 | 2,031 |
| Controlling interest | 944 | 1,377 | 2,581 | 2,927 | 5,157 |
| Capital stock | 570 | 836 | 1,712 | 1,712 | 1,834 |
| Capital surplus | 161 | 198 | 532 | 532 | 224 |
| Other reserves | 0 | 0 | 0 | 0 | 0 |
| Retained earnings | 162 | 284 | 266 | 603 | 3,214 |
| Minority interest | 11 | 248 | 399 | 328 | 4 |
| Shareholders' equity | 955 | 1,625 | 2,980 | 3,255 | 5,161 |

Income statement

(VND bn)

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|---|-------|-------|-------|-------|-------|
| Sales | 7,304 | 8,152 | 9,271 | 7,867 | 7,037 |
| COGS | 6,237 | 6,980 | 7,232 | 6,334 | 6,036 |
| Gross profit | 1,067 | 1,172 | 2,039 | 1,533 | 1,001 |
| SG&A expenses | 381 | 411 | 354 | 401 | 318 |
| Operating profit | 686 | 761 | 1,685 | 1,133 | 683 |
| Financial income | 87 | 58 | 137 | 251 | 233 |
| Interest income | 28 | 21 | 65 | 76 | 0 |
| Financial expenses | 93 | 89 | 167 | 90 | 107 |
| Interest expenses | 68 | 71 | 56 | 60 | 38 |
| Other non-operating profit | (7) | (8) | (46) | 1 | (18) |
| Gains (Losses) in associates, subsidiaries and JV | 0 | 0 | 79 | 14 | 0 |
| Earnings before tax | 672 | 723 | 1,688 | 1,309 | 791 |
| Income taxes | 107 | 118 | 246 | 130 | 86 |
| Net profit | 565 | 605 | 1,442 | 1,179 | 705 |
| Net profit of controlling interest | 567 | 605 | 1,442 | 1,179 | 705 |
| EBITDA | 281 | 533 | 638 | 937 | 641 |

Cash flow

(VND bn)

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|---------------------|-------|-------|-------|-------|-------|
| C/F from operations | 956 | 444 | 680 | 1,489 | 421 |
| Net profit | 565 | 605 | 1,442 | 1,179 | 705 |
| Dep'n & Amort'n | 147 | 199 | 156 | 165 | 201 |
| Net incr. in W/C | 244 | (360) | (918) | 145 | (485) |
| C/F from investing | (465) | (593) | (702) | (743) | (311) |
| Capex | (356) | (243) | (715) | (378) | (606) |
| Incr. in investment | (109) | (350) | 13 | (365) | 295 |
| C/F from financing | (622) | 27 | 20 | (703) | (55) |
| Incr. in equity | (3) | 0 | 10 | (114) | 0 |
| Incr. in debt | (388) | 27 | 373 | (403) | 309 |
| Dividends | (231) | 0 | (363) | (185) | (364) |
| C/F from others | - | - | - | - | - |
| Increase in cash | (131) | (123) | (2) | 43 | 54 |

Key financial data

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|----------------------------|--------|---------|--------|--------|--------|
| Per-share data (VND, adj.) | | | | | |
| EPS | 9,942 | 7,245 | 8,492 | 6,906 | 3,580 |
| BPS | 16,751 | 19,438 | 17,408 | 19,014 | 28,142 |
| DPS | 4,047 | (68) | 2,412 | 1,180 | 1,984 |
| Growth (%) | | | | | |
| Sales growth | - | 11.6 | 13.7 | (15.1) | (10.5) |
| OP growth | - | 11.0 | 121.4 | (32.8) | (39.7) |
| NP growth | - | 6.7 | 138.5 | (18.2) | (40.2) |
| EPS growth | - | (27.1) | 17.2 | (18.7) | (48.2) |
| EBITDA growth | - | 15.3 | 91.8 | (29.5) | (31.9) |
| Profitability (%) | | | | | |
| OP margin | 9.4 | 9.3 | 18.2 | 14.4 | 9.7 |
| NP margin | 7.7 | 7.4 | 15.6 | 15.0 | 10.0 |
| EBITDA margin | 11.4 | 11.8 | 19.9 | 16.5 | 12.6 |
| ROA | 18.4 | 15.8 | 23.8 | 15.2 | 9.3 |
| ROE | 59.2 | 46.9 | 62.6 | 37.8 | 16.7 |
| Dividend yield | 4.0 | (234.6) | 6.6 | 13.6 | 8.1 |
| Dividend payout ratio | 40.7 | (0.9) | 28.4 | 17.1 | 55.4 |
| Stability | | | | | |
| Net debt (VND bn) | 985 | 1,402 | 1,841 | 822 | (231) |
| Net debt/equity (%) | 100.0 | 90.0 | 60.0 | 30.0 | 0.0 |
| Valuation (x) | | | | | |
| PE | 1.6 | 2.2 | 1.9 | 2.3 | 4.5 |
| PB | 1.0 | 0.8 | 0.9 | 0.8 | 0.6 |
| EV/EBITDA | 2.3 | 3.1 | 2.5 | 3.0 | 3.0 |

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 | Not rated | 2017A | 8,151 | 761 | 605 | 3,300 | 15,940 | 6.9 | 1.4 | 22.7 | 12.7 | 2.2 |
| | TP (VND) | 71,599 | 2018A | 9,271 | 1,685 | 1,442 | 7,810 | 21,726 | 5.5 | 2.0 | 41.5 | 25.4 | 4.6 |
| | Price (Dec 23, VND) | 62,00 | 2019A | 7,867 | 1,132 | 1,179 | 6,342 | 26,795 | 5.8 | 1.4 | 26.3 | 18.3 | 2.7 |
| | Market cap. (VND bn) | 11,681 | 2020A | 7,037 | 695 | 719 | 3,953 | 28,425 | 10.2 | 1.4 | 14.3 | 10.4 | 5.0 |
| | | | 9M21 | 8,305 | 853 | 814 | 4,475 | 31,291 | 11.2 | 1.6 | 14.7 | 10.8 | 4.0 |
| Nam Viet (ANV) | Recommendation | Not rated | 2017A | 2,949 | 247 | 142 | 1,336 | 11,214 | 6.5 | 0.8 | 10.5 | 5.0 | 5.5 |
| | TP (VND) | 24,000 | 2018A | 4,118 | 693 | 600 | 4,811 | 14,825 | 4.9 | 1.6 | 37.0 | 19.6 | 5.1 |
| | Price (Dec 23, VND) | 34,000 | 2019A | 4,481 | 805 | 704 | 5,542 | 18,769 | 3.6 | 1.1 | 33.3 | 18.6 | 7.5 |
| | Market cap. (VND bn) | 4,577 | 2020A | 3,439 | 243 | 202 | 1,591 | 18,359 | 15.2 | 1.3 | 8.6 | 4.5 | 8.3 |
| | | | 9M21 | 3,371 | 215 | 161 | 1,267 | 18,944 | 22.0 | 1.5 | 6.7 | 3.5 | 3.6 |
| Camimex (CMX) | Recommendation | Not rated | 2017A | 898 | 58 | 27 | 1,321 | 2,957 | 2.2 | 1.0 | 64.8 | 3.8 | - |
| | TP (VND) | NA | 2018A | 1,062 | 123 | 81 | 3,999 | 6,754 | 2.5 | 1.5 | 82.4 | 10.0 | - |
| | Price (Dec 23, VND) | 19,200 | 2019A | 951 | 110 | 41 | 2,038 | 8,185 | 4.5 | 1.1 | 27.3 | 3.6 | - |
| | Market cap. (VND bn) | 1,825 | 2020A | 1,425 | 112 | 47 | 1,493 | 10,322 | 10.5 | 1.5 | 17.9 | 3.2 | - |
| | | | 9M21 | 1,742 | 122 | 59 | 1,527 | 11,653 | 8.9 | 1.2 | 10.9 | 3.4 | - |
| Minh Phu (MPC) | Recommendation | Not rated | 2017A | 15,665 | 930 | 639 | 4,627 | 17,746 | 4.4 | 1.1 | 29.9 | 7.2 | - |
| | TP (VND) | 45,700 | 2018A | 16,925 | 1,104 | 703 | 4,936 | 22,595 | 6.1 | 1.3 | 24.4 | 7.6 | - |
| | Price (Dec 23, VND) | 42,200 | 2019A | 16,998 | 611 | 441 | 2,528 | 24,708 | 7.1 | 0.7 | 10.9 | 5.1 | 27.9 |
| | Market cap. (VND bn) | 8,539 | 2020A | 14,329 | 652 | 668 | 3,258 | 26,080 | 8.5 | 1.1 | 12.8 | 7.9 | 12.6 |
| | | | 9M21 | - | - | - | - | - | 11.5 | 1.4 | - | 7.9 | 4.0 |
| Sao Ta Food (FMC) | Recommendation | Not rated | 2017A | - | - | - | - | - | 5.3 | 1.2 | - | 7.5 | 15.4 |
| | TP (VND) | 45,700 | 2018A | 3,807 | 217 | 180 | 4,133 | 15,622 | 5.2 | 1.4 | 29.0 | 11.3 | 6.4 |
| | Price (Dec 23, VND) | 48,900 | 2019A | 3,710 | 238 | 230 | 4,854 | 18,078 | 4.7 | 1.3 | 26.9 | 15.2 | 14.2 |
| | Market cap. (VND bn) | 8,539 | 2020A | 4,415 | 225 | 226 | 4,333 | 20,820 | 7.4 | 1.5 | 22.4 | 14.0 | 2.9 |
| | | | 9M21 | 4,964 | 231 | 226 | 4,179 | 23,030 | 11.8 | 2.2 | 19.0 | 9.3 | 3.8 |

Source: Company data, KIS.

Fertilizer

Non-rated

► Three keywords

- China's plan to stop exporting fertilizer until mid-2022 is opening up great opportunities for Vietnamese enterprises to increase domestic market share as well as export.
- Demand for food storage is rising after the COVID 19 pandemic leading to the need for fertilizer in agriculture.
- The Government may introduce price control policy to cool down the market.

► Top pick

| Petrovietnam Fertilizer & Chemicals (DPM, Not rated) | | | |
|--|--------|--------|--------|
| | 2019A | 2020A | 2021F |
| PE (x) | 14.4 | 10.0 | 8.7 |
| PB (x) | 0.5 | 0.9 | 2.1 |
| EV/EBITDA (x) | 2.5 | 3.6 | 4.9 |
| DY (%) | 9.0 | 6.8 | 4.7 |
| EPS (VND, adj.) | 774 | 1,765 | 5,885 |
| BPS (VND, adj.) | 20,433 | 20,659 | 24,797 |

More brilliant

Investment summary

Booming selling price amid tight supply

Based on The Plant Protection Department and Customs Department, domestic fertilizer production in 9M21 reached 5.7mn tonnes (+4.3% yoy) and fertilizer export recorded 918,570 tonnes (USD333mn) in 9M21. In Dec, Vietnam urea price increased 2.5x YTD to reach VND18,000/kg, following the world urea price due to the global supply shortage. World Bank forecasts this trend could stay until 1H22F. Based on our estimates, the 9M21 aggregate NPATMI of 9 largest suppliers jumped +116% yoy, completing 87-400% of their full-year guidance.

Giant players aim to reduce fertilizer export

Late 2021, China and Russia – the world's top three biggest fertilizer exporters have banned the export of fertilizer to ensure domestic supply and control potential inflation. The market is speculating the ban could persist until 1H22F. According to report of IndexBox, in 2020, the three largest fertilizer exporters, Russia, China, and Canada, made up USD5.1-7bn each but accounted for 35% of total market share. Hence, the sudden act could remarkably hit the world export volume and price which is anticipated to record a new high in 1H22F.

Short-term reward for Viet Nam's fertilizer industry

According to Mordor Intelligence report, Viet Nam's fertilizer market has a 4.9% CAGR in 2021-2026F. In order to meet fertilizer demand, two countries, South Africa and Korea, have acted to look for new suppliers, which creates more market share for fertilizer exporters such as Viet Nam. On Nov, South Korea is reported to import 10,000 tonnes of Urea from Viet Nam. We expect there could be more nations searching new sources in the short-term or expanding their capacity in the mid-to-long term. Vietnam could reap the temporary opportunity to bold well its footprint in the world map of fertilizer export.

Demand for food storage is rising

The US Department of Agriculture (USDA) forecasts that the world rice consumption in the 2021-2022F crop stay unchanged at 510.9mn tonnes. However, the volume of India, the largest rice exporter drops to 16.5mn tonnes (-12% yoy). Moreover, rice export of Vietnam could grow to 6.3mn tonnes in 2022F based on USDA estimates following a 5.5mn tonnes (USD2.88bn) in 9M21 (source Vietnam Food Association). This can be seen as a potential positive signal for fertilizer firms who could reap the benefit of sustainable demand from the rice producers.

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Price control risk from the Government

It should be noticed that the Government may intervene in the market to cool down domestic prices. Rice is considered essential commodity, especially in the context of food shortage after the Covid-19 pandemic. The Government can ask fertilizer production companies to reduce prices to support farmers and ensure stable rice prices in domestic market. Despite having an advantage in output, companies' profit margin may not improve because of unleveraged selling prices.

Valuation is not justified

Currently, the sector is trading at 8.8x TTM PE, 1.4x PB, slightly higher than the 2-year average of 9x, above its 1 s.d 2-year historical median. Considering the rosy outlook in 2022F, we think the valuation is not warranted. We acknowledge that the capacity constraint of Vietnam producers and the reign of the Vietnamese government on the fertilizer price could limit the growth prospect. However, the benefit from the rising commodity outlook and robust demand given the tight supply worldwide could not be neglected.

Top pick

We stay positive on Petrovietnam Fertilizer and Chemicals Coporation (DPM) thanks to its firm revenue growth outlook in FY22F, +2% yoy driven by the increase in selling prices and demand rising.

Petrovietnam Fertilizer and Chemicals (DPM)

Non-rated

| | |
|---------------------------------|---------------|
| Stock price (Dec 23, VND) | 55,500 |
| Market cap (USD mn) | 946 |
| Shares outstanding (mn) | 391 |
| 52W High/Low (VND) | 55,500/14,654 |
| 6M avg. daily turnover (USD mn) | 9.78 |
| Free float (%) | 38.9 |
| Foreign ownership (%) | 9.2 |
| Major shareholders (%) | |
| Vietnam Oil Gas Corporation | 59.6 |
| Edgbaston Asian Equity Trust | 5.0 |

| 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 | 9,297 | 801 | 700 | 1,667 | 9.0 | 1,310 | 10.9 | 8.8 | 0.9 | 8.8 | 11.0 |
| 2019A | 7,684 | 432 | 378 | 774 | (54) | 983 | 14.4 | 4.7 | 0.5 | 4.7 | 9.0 |
| 2020A | 7,762 | 666 | 691 | 1,765 | 128 | 1,206 | 10.0 | 8.6 | 0.9 | 8.6 | 6.8 |
| 2021F | 11,381 | 2,985 | 2,468 | 5,885 | (97) | 3,525 | 8.7 | 26.8 | 2.1 | 26.8 | 4.7 |
| 2022F | 11,624 | 2,012 | 1,702 | 3,978 | (32) | 2,548 | 12.9 | 6.8 | 1.9 | 16.2 | 3.9 |

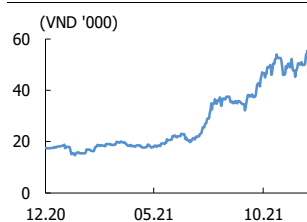
Note: NP and EPS attributed to controlling interest

Recovery in output since 4Q21

Performance

| | 1M | 6M | 12M |
|--------------|------|-------|-------|
| Absolute (%) | 12.6 | 154.9 | 216.8 |
| Relative (%) | 12.8 | 148.3 | 180.0 |

Stock price



Exports cut down from China and Russia. The move of China and Russia in cutting down the output of the export in late 2021 may reduce the stress on competition to domestic fertilizer producers. The market is expecting Korea and Australia could be hit significantly when China, the main supplier limits urea exporting. Not only benefiting the less import from China to Vietnam market, DPM, the market leader could ride on the global shortage to spur their export share.

Stricter regulation from the government. From Jul 2021, under the pressure of a significant rise in fertilizer prices, Viet Nam's Ministry of Industry and Trade required Petro Viet Nam Group to maintain high inventory to ensure that the supply chain will not be disrupted. The Ministry of Industry and Trade has also introduced to guide fertilizer firms in solving the high prices wave. From that, Viet Nam may reduce or temporarily stop export output to control price and support farmers. In the worst case, DPM may not benefit from the increased revenue due to the fall in selling price.

The risk of the fluctuation of input prices. The new variant of COVID-19, Omicron, could cast a shadow on the demand for commodity worldwide if the vaccination coverage is not ramping up enough. The additional cost born by prevention measures from infectious nations could dampen more the demand side. In the case, DPM's sales volume could be hindered which in turn hurt the momentum growth forecast of earnings in 2022F.

Valuation. DPM is currently trading at 12.7x TTM PE, nearing its below 1 s.d 2-year historical median but higher than industry 2-year average at 11.4x PE. We think the market are over expecting on the bullish growth prospect of DPM's 4Q21F-2022F. Based on BB estimates, DPM could be valued at 12MF 14.0x PE, much higher than the current TTM PE. Given the decelerating EPS growth in 2022F, the DPM's valuation is deemed not cheap.

Balance sheet

(VND bn)

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|------------------------------|-------|--------|--------|--------|--------|
| Current assets (Adj.) | 5,591 | 4,738 | 4,856 | 5,653 | 6,024 |
| Cash & cash equivalent | 4,154 | 3,257 | 2,672 | 4,012 | 4,214 |
| Accounts & other receivables | 515 | 259 | 521 | 290 | 341 |
| Inventory | 923 | 1,223 | 1,663 | 1,351 | 1,468 |
| Non-current assets (Adj.) | 3,588 | 5,004 | 5,747 | 5,222 | 4,700 |
| Fixed Asset | 3,542 | 4,957 | 5,700 | 5,176 | 4,656 |
| Investment assets | 45 | 47 | 47 | 45 | 44 |
| Others | 390 | 522 | 531 | 566 | 576 |
| Total assets | 9,569 | 10,264 | 11,134 | 11,440 | 11,300 |
| Advances from customers | 42 | 138 | 69 | 81 | 123 |
| Unearned revenue | 2 | 1 | - | - | - |
| Trade payables | 475 | 298 | 416 | 479 | 453 |
| Others | 820 | 1,155 | 1,161 | 1,479 | 1,427 |
| ST debt & bond | - | - | 202 | 177 | 191 |
| LT debt & bond | - | 629 | 1,032 | 1,064 | 859 |
| Total liabilities | 1,340 | 2,221 | 2,879 | 3,279 | 3,052 |
| Controlling interest | 8,055 | 7,872 | 8,087 | 7,996 | 8,085 |
| Capital stock | 3914 | 3914 | 3914 | 3914 | 3914 |
| Capital surplus | 21 | 21 | 21 | 21 | 21 |
| Other Reserves | 3,495 | 3,495 | 3,495 | 3,495 | 3,495 |
| Retained earnings | 625 | 442 | 657 | 566 | 655 |
| Minority interest | 174 | 171 | 168 | 165 | 163 |
| Shareholders' equity | 8,229 | 8,043 | 8,255 | 8,161 | 8,247 |

Income statement

(VND bn)

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|---|-------|-------|-------|-------|-------|
| Sales | 7,925 | 7,996 | 9,297 | 7,684 | 7,762 |
| COGS | 5,529 | 5,884 | 7,398 | 6,281 | 6,032 |
| Gross profit | 2,396 | 2,111 | 1,899 | 1,402 | 1,730 |
| SG&A expenses | 1,235 | 1,441 | 1,098 | 970 | 1,064 |
| Operating profit | 1,161 | 670 | 801 | 432 | 666 |
| Financial income | 234 | 165 | 124 | 140 | 180 |
| Interest income | - | - | - | - | 1 |
| Financial expenses | 14 | 1 | 74 | 108 | 95 |
| Interest expenses | 4 | 0 | 63 | 107 | 88 |
| Other non-operating profit | 8 | 179 | 129 | 140 | 267 |
| Gains (Losses) in associates, subsidiaries and JV | 4 | 4 | 3 | 2 | 2 |
| Earnings before tax | 1,393 | 853 | 871 | 467 | 848 |
| Taxes | 228 | 145 | 158 | 78 | 146 |
| Net profit | 1,165 | 708 | 712 | 389 | 702 |
| Net profit of controlling interest | 1,165 | 708 | 712 | 389 | 702 |
| EBITDA | 1,640 | 1,044 | 1,452 | 1,136 | 1,486 |

Cash flow

(VND bn)

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|-----------------------------|--------|--------|--------|-------|-------|
| C/F from operations | 1,836 | 1081 | 584 | 1847 | 1026 |
| Net profit | 1393 | 708 | 712 | 389 | 702 |
| Depreciation & Amortization | 242 | 165 | 520 | 522 | 529 |
| Net incr. in W/C | 198 | 208 | (649) | 936 | (204) |
| C/F from investing | (1002) | (1582) | (1263) | 3 | (200) |
| Capex | (1289) | (1580) | (1263) | 2 | (100) |
| Decr. in fixed assets | - | (1) | - | 1 | (100) |
| C/F from financing | (2425) | 629 | 580 | 7 | (191) |
| Incr. in equity | 114 | - | - | - | - |
| Incr. in debt | 6 | 629 | 604 | 7 | (191) |
| Dividends | (2312) | - | (25) | - | - |
| C/F from others | 54 | (1026) | (486) | (517) | (433) |
| Increase in cash | (1592) | (897) | (585) | 1340 | 202 |

Key financial data

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|------------------------------|--------|--------|--------|--------|--------|
| Per-share data (VND) | | | | | |
| EPS | 2,493 | 1,532 | 1,668 | 774 | 1,765 |
| BPS | 20,581 | 20,113 | 20,662 | 20,429 | 20,656 |
| DPS | 2,000 | 1,000 | 1,000 | 500 | 500 |
| Growth (%) | | | | | |
| Sales growth | (19) | 1.0 | 16 | (17) | 1.0 |
| OP growth | (36) | (42) | 20 | (46) | 54 |
| NP growth | (23.3) | (39.1) | 1.0 | (46) | 83 |
| EPS growth | (19.8) | 32.8 | 9.0 | (54) | 128 |
| EBITDA growth | (32) | (39) | 53 | (25) | 23 |
| Profitability (%) | | | | | |
| OP margin | 30.2 | 26.4 | 20.4 | 18.3 | 22.3 |
| NP margin | 14.7 | 8.9 | 7.7 | 5.0 | 9.0 |
| EBITDA margin | 17.7 | 10.8 | 14.2 | 12.9 | 15.7 |
| ROA | 11.1 | 7.0 | 6.5 | 3.4 | 6.0 |
| ROE | 13.6 | 8.7 | 8.8 | 4.7 | 8.6 |
| Dividend yield | 6.0 | 12 | 11 | 9.0 | 6.8 |
| Dividend payout ratio | 1.20 | 1.29 | 0.56 | 1.55 | 0.99 |
| Stability | | | | | |
| Net debt (VND bn) | - | 629 | 1,032 | 1,064 | 859 |
| Int.-bearing debt/equity (%) | - | 8 | 15 | 15 | 13 |
| Valuation (x) | | | | | |
| PE | 5.4 | 10.8 | 10.9 | 14.4 | 10 |
| PB | 0.8 | 0.8 | 0.9 | 0.5 | 0.9 |
| EV/EBITDA | 3.3 | 5.7 | 2.5 | 3.6 | 4.9 |

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) | (%) |
| Petrovietnam | Recommendation | Not-rated | 2017A | 7,996 | 670 | 694 | 1,532 | 20,116 | 10.8 | 0.8 | 8.7 | 5.7 | 12.1 |
| Fertilizer & Chemicals | TP (VND) | N/A | 2018A | 9,297 | 801 | 700 | 1,667 | 20,666 | 10.9 | 0.9 | 8.8 | 2.5 | 11.0 |
| | Price (Dec 23, VND) | 55,500 | 2019A | 7,684 | 432 | 378 | 774 | 20,433 | 14.4 | 0.5 | 4.7 | 3.6 | 9.0 |
| (DPM) | Market cap. (VND bn) | 21,719 | 2020A | 7,762 | 666 | 691 | 1,765 | 20,659 | 10.0 | 0.9 | 8.6 | 4.9 | 6.8 |
| | | | 2021F | 11,381 | 2,985 | 2,468 | 5,885 | 24,797 | 8.7 | 2.1 | 26.8 | 4.9 | 4.7 |
| Petrovietnam | Recommendation | Not-rated | 2017A | 5,748 | 710 | 638 | 1,075 | 11,574 | 9.5 | 0.9 | 9.5 | 2.6 | 9.8 |
| CaMau Fertilizer | TP (VND) | N/A | 2018A | 6,689 | 781 | 656 | 1,113 | 11,787 | 7.5 | 0.7 | 9.5 | 1.6 | 10.7 |
| (DCM) | Price (Dec 23, VND) | 38,800 | 2019A | 7,043 | 394 | 426 | 578 | 11,483 | 10.2 | 0.5 | 5.1 | 2.8 | 15.2 |
| | Market cap. (VND bn) | 20,541 | 2020A | 7,561 | 643 | 662 | 1,018 | 11,900 | 13.2 | 1.1 | 8.7 | 6.8 | 4.5 |
| | | | 2021F | 8,314 | 981 | 1,026 | 1,701 | 12,536 | 15.6 | 2.1 | 13.7 | 6.5 | 3.0 |
| Lam Thao | Recommendation | Not-rated | 2017A | 3,886 | 230 | 152 | 1,294 | 11,658 | 9.5 | 1.1 | 11.6 | 7.6 | 9.0 |
| Fertilizer & Chemicals | TP (VND) | N/A | 2018A | 3,565 | 216 | 123 | 985 | 11,261 | 11.2 | 1.0 | 8.7 | 7.8 | 12.7 |
| (LAS) | Price (Dec 23, VND) | 24,900 | 2019A | 2,849 | 100 | 2 | 7 | 10,975 | 968.8 | 0.6 | 0.2 | 11.4 | 4.4 |
| | Market cap. (VND bn) | 2,810 | 2020A | 2,294 | 64 | 8 | 20 | 11,147 | 402.2 | 0.7 | 0.7 | 7.8 | n/a |
| | | | 2021F | 2,685 | 105 | 71 | 435 | 11,653 | 43.0 | 1.6 | 5.6 | 12.8 | n/a |
| Binh Dien | Recommendation | Not-rated | 2017A | 6,306 | 558 | 277 | 3,764 | 17,049 | 6.4 | 1.4 | 23.0 | 5.9 | 12.5 |
| Fertilizer | TP (VND) | N/A | 2018A | 6,382 | 418 | 193 | 3,060 | 16,324 | 6.8 | 1.3 | 18.2 | 6.5 | 16.9 |
| (BFC) | Price (Dec 23, VND) | 34,450 | 2019A | 6,132 | 257 | 74 | 1,165 | 16,143 | 8.4 | 0.6 | 7.2 | 5.7 | 10.3 |
| | Market cap. (VND bn) | 1,969 | 2020A | 5,418 | 297 | 133 | 2,096 | 17,065 | 7.9 | 1.0 | 12.6 | 5.2 | 7.3 |
| | | | 2021F | 7,346 | 363 | 179 | 2,814 | 17,530 | 12.2 | 2.0 | 16.4 | 6.7 | 5.8 |
| Petrovietnam | Recommendation | Not-rated | 2017A | 2,037 | 4 | 10 | 468 | 12,441 | 16.0 | 0.6 | 4.7 | 4.1 | 8.0 |
| Fertilizer & Chemical | TP (VND) | N/A | 2018A | 2,287 | 5 | 11 | 577 | 11,956 | 18.3 | 0.5 | 5.3 | 7.6 | 16.0 |
| | Price (Dec 23, VND) | 22,600 | 2019A | 1,789 | - | 6 | 281 | 11,637 | 22.7 | 0.6 | 3.0 | 35.7 | 9.3 |
| South West | Market cap. (VND bn) | 384 | 2020A | 1,776 | 4 | 8 | 426 | 11,531 | 23.0 | 0.8 | 4.3 | 7.7 | 5.2 |
| (PSW) | | | 2021F | 2,151 | 48 | 44 | 2,235 | 13,045 | 5.0 | 0.9 | 21.0 | 0.7 | 3.6 |
| South-East | Recommendation | Not-rated | 2017A | 2,095 | 13 | 10 | 825 | 12,885 | 5.8 | 0.5 | 6.0 | 1.4 | 23.5 |
| Petrovietnam | TP (VND) | N/A | 2018A | 2,379 | 15 | 13 | 1,054 | 12,619 | 5.4 | 0.5 | 8.1 | 4.7 | 17.7 |
| Fertilizer & Chemicals | Price (Dec 23, VND) | 20,000 | 2019A | 1,924 | 7 | 11 | 886 | 12,498 | 5.6 | 0.5 | 6.9 | 1.3 | 14.1 |
| (PSE) | Market cap. (VND bn) | 250 | 2020A | 1,833 | 6 | 11 | 911 | 12,394 | 8.1 | 0.6 | 7.2 | 4.2 | 10.9 |
| | | | 2021F | 2,406 | 31 | 32 | 2,562 | 14,245 | 5.7 | 1.0 | 18.6 | 3.2 | 5.5 |

Source: Company data, KIS.

Logistics

Non-rated

► Three keywords

- Vietnam's logistics were flourishing thanks to a total Vietnam trade turnover
- Seaport logistics reap a solid momentum growth
- Air passenger is out of wood; air cargo could maintain strongly

► Top pick

| Gemadep (GMD, Non rated) | | | |
|--------------------------|--------|--------|--------|
| | 2018A | 2019A | 2020A |
| PE (x) | 3.7 | 13.6 | 27.7 |
| PB (x) | 1.2 | 1.1 | 1.6 |
| EV/EBITDA (x) | 11.8 | 10.4 | 13.6 |
| DY (%) | 41.2 | 6.9 | 3.1 |
| EPS (VND) | 6,236 | 1,602 | 1,149 |
| BPS (VND) | 19,804 | 19,789 | 19,582 |

Bright and shine

Investment summary

Every cloud has a silver lining

Despite the challenging year 2021 with a severe national lockdown in 3Q21, Vietnam's logistics were flourishing thanks to a total Vietnam trade turnover of USD602bn (+22.9% yoy) in 11M21. Based on our estimates, listed logistics firms recorded a 59.5% yoy NPATMI growth in 9M21. The suspended aviation flights continue rewarding seaport operators and vessel carriers with positive cargo volume of 644mn tonnes (+2% yoy) and a sharp increase freight index, translating to a 9M21 NPATMI growth of 68-929% yoy. Seaport logistics could sustain its upward momentum in the peak season of 4Q21F.

Seaport logistics reap a solid momentum growth

Global trade is expected to remain resilient at 4.7% yoy growth in 2022F, based on the forecast of World Trade Organization and it could approach its pre-pandemic long-run trend at the end of 2022F. Moreover, EVFTA will boost maritime operations in 2022F-23F. Freight index could gradually ease in 2022F, albeit to a different extent, but still remain high following 1) the supply of new-built container ships will be handed from 2023F 2) pressure from government to request shipping lines to reduce the freight and 3) congestion at seaports and cargo movement could be improved driven by the normalcy of high vaccinated rate.

Air passenger is out of wood; air cargo could maintain strongly

With particular plans in resuming the domestic and international air traffic, together with recent positive signs in controlling the pandemic and improving vaccination coverage nationwide, we expect Vietnam domestic and international air traffic may gradually recover from 3Q22F. The low-cost carriers could resume stronger and weather the storms of rising jet fuel and financial difficulties. Many airlines plan to expand to air cargo transportation driven by the resilient growth of cargo market in the pandemic. These will help air-freight rates become more attractive, giving its fast and secure mode, leading to the steady increase of global air cargo volume in 2022F.

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Risks are still prominent ahead

However, there are some potential headwinds 1) employee shortage after the 4th wave of COVID-19 2) the rising oil price pushes the jet fuel price hike by 4-5% yoy in 2022F-23F 3) the slower vaccination rate plan amid the new variant Omicron 4) The need of warehousing and logistics services, especially is cold storage is abundant as the demand for vaccines, agricultural goods are on the rise but the locals could not expand their infrastructure as there was a barrier to developing cold storage since it costs more expensive and requires modern technical knowledge.

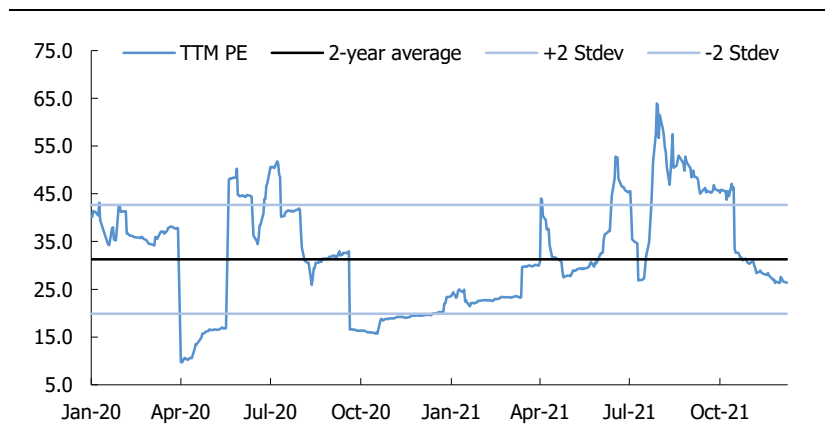
Valuation

We take a look closer at the shipping lines valuation in Fig 1. They are trading at 26.4x TTM, well below the 2-year median of 31.3x but still in the range of 1s.d. The industry valuation is correcting to reflect the recent retreat of the sea freight index since Nov following the reduction offered by the alliance. The magnitude of pull-back is not justified amid the optimistic prospect of the carriers. They could still ride on the bullish transportation market driven by the sustainable cargo growth and high-base freight index.

Top pick

We expected the import and export situation of Vietnam would continue to grow in the coming year, especially in Southern areas. Therefore, we stay optimistic on GMD thanks to its nationwide port infrastructure located from North to South. The company is reported to record the fascinating revenue growth from Gemalink port as it aims to operate with maximum capacity from 1Q22F-2Q22F. Furthermore, the company is also planning to raise the capacity by investing the Nam Dinh Vu port phase 2 and Gemalink port phase 2 in 2023F-24F.

Price of shipping lines retreats to 2-year average



Source: Fiin Pro

Gemadept (GMD)

Non-rated

| | |
|---------------------------------|---------------|
| Stock price (Dec 21, VND) | 46,300 |
| Market cap (USD mn) | 608 |
| Shares outstanding (mn) | 301 |
| 52W High/Low (VND) | 55,100/27,012 |
| 6M avg. daily turnover (USD mn) | 7.22 |
| Free float (%) | 96.7 |
| Foreign ownership (%) | 40.7 |
| Major shareholders (%) | |
| SSJ Consulting VN | 9.9 |

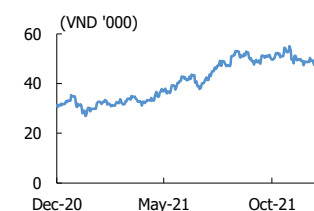
| Yr to | Sales | OP | NP | EPS | % chg | EBITDA | PE | EV/EBITDA | PB | ROE | DY |
|-------|----------|----------|----------|-------|-------|----------|------|-----------|-----|------|-----|
| Dec | (VND bn) | (VND bn) | (VND bn) | (VND) | (yoy) | (VND bn) | (x) | (x) | (x) | (%) | (%) |
| 2017A | 3,984 | 597 | 508 | 1,709 | 31.1 | 844 | 16.7 | 3.5 | 1.3 | 8.8 | 0.0 |
| 2018A | 2,708 | 546 | 1,848 | 6,307 | 269.1 | 164 | 4.5 | 23.0 | 1.4 | 30.2 | 1.7 |
| 2019A | 2,643 | 544 | 517 | 1,740 | -72.4 | 944 | 16.4 | 3.9 | 1.4 | 8.8 | 1.7 |
| 2020F | 2,606 | 471 | 371 | 1,235 | -29.0 | 746 | 23.2 | 4.4 | 1.4 | 6.3 | 1.8 |
| 2021F | 2,873 | 549 | 472 | 1,443 | 25.6 | 1,053 | 38.0 | 14.9 | 2.3 | 8.6 | 2.9 |

Note: NP and EPS attributed to controlling interest

Performance

| | 1M | 6M | 12M |
|------------------|-------|------|------|
| Absolute (%) | (9.2) | 10.7 | 47.3 |
| Rel. to VNI (%p) | (9.0) | 4.1 | 10.5 |

Stock price



2022: A brighter year ahead

9M21 net profit dragged by the COVID-19 resurgence. 3Q21's NPATMI jumped to VND126bn (+31% yoy), mainly thanks to the affiliates net income of VND68bn, +101% yoy. Despite the rosy 3Q21 growth, GMD still posted a -3%QoQ owing to the producing disruption caused by national lockdown in the 4th wave. Overall, in 9M21, revenue recorded VND2.2tn (+14% yoy) and NPATMI hence jumped to VND415bn, +32.6% yoy. Port segment rose to VND1.9tn, +20% yoy, backed by 52%yoy container throughput growth via its ports.

Gemalink is expected to drive growth from 2022F. In 1Q22F, 2 STS cranes No. 7 and 8 are expected to be put into operation, which would help Gemalink to optimize loading and unloading capacity of 1.5mn TEUs in phase 1. Besides, the cluster would also take advantage from the improvement of trade activities forwarded to late 2022 as 1) the positive effects of EVFTA would boost the export activities especially in seafood and agricultural sectors, which is mainly located in Southern areas and 2) the recovery of producing firms as strictly restrictions have lifted and gradually turning to "new normal".

Consensus on 2022F business performance. The company has yet issued its 2022F guidance but the market is expecting GMD could achieve a VND3,2tn revenue, +12.94% yoy and a VND773bn net profit, +51.27% yoy. The exciting growth is mainly fueled by the explode of new ports capacity, especially is Gemalink.

Valuation. GMD is currently trading at a 31.xx TTM PE, which is 113% higher than the local peer average of 27.xx. GMD valuation is reflected from the raise of shipping fees influenced by global supply chain disruption. However, given that GMD generated a lower TTM ROE of 6.95% and a ROA of 4.66% than its peers with 11.47% and 7.72%, we see the current valuation is overvalued. This can be explained by 8.8% drop in 3Q21 NP. However, we expected the valuation would be adjusted to fair valued in 2022F due to the optimistic outlook in 2022F-2023F.

Balance sheet

(VND bn)

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|------------------------------|--------|--------|-------|--------|-------|
| Current assets (Adj.) | 2,124 | 2,240 | 1,329 | 1,101 | 1,273 |
| Cash & cash equivalent | 813 | 893 | 285 | 230 | 451 |
| Accounts & other receivables | 1,224 | 1,239 | 978 | 792 | 749 |
| Inventory | 87 | 108 | 66 | 78 | 73 |
| Non-current assets (Adj.) | 6,830 | 7,976 | 7,743 | 7,830 | 7,431 |
| Fixed Asset | 4,521 | 5,666 | 5,112 | 5,145 | 4,900 |
| Investment assets | 2,308 | 2,310 | 2,632 | 2,684 | 2,531 |
| Others | 1,164 | 1,075 | 912 | 1,190 | 1,130 |
| Total assets | 10,118 | 11,291 | 9,984 | 10,120 | 9,835 |
| Advances from customers | 15 | 45 | 5 | 131 | 20 |
| Unearned revenue | 240 | 232 | 230 | 229 | 277 |
| Trade payables | 595 | 761 | 404 | 423 | 358 |
| Others | 895 | 1,224 | 549 | 692 | 684 |
| ST debt & bond | 1,579 | 715 | 675 | 652 | 763 |
| LT debt & bond | 928 | 1,221 | 1,592 | 1,426 | 1,138 |
| Total liabilities | 4,251 | 4,197 | 3,455 | 3,553 | 3,240 |
| Controlling interest | 5,166 | 6,344 | 5,880 | 5,876 | 5,901 |
| Capital stock | 1,794 | 2,883 | 2,969 | 2,969 | 3,014 |
| Capital surplus | 1,872 | 1,942 | 1,942 | 1,942 | 1,942 |
| Other Reserves | 369 | 406 | 428 | 459 | 511 |
| Retained earnings | 1,131 | 1,113 | 542 | 505 | 435 |
| Minority interest | 700 | 751 | 649 | 691 | 693 |

Income statement

(VND bn)

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|---|-------|-------|-------|-------|-------|
| Sales | 3,742 | 3,984 | 2,708 | 2,643 | 2,606 |
| COGS | 2,723 | 2,955 | 1,739 | 1,630 | 1,656 |
| Gross profit | 1,018 | 1,029 | 968 | 1,013 | 950 |
| SG&A expenses | 360 | 432 | 423 | 469 | 479 |
| Operating profit | 659 | 597 | 546 | 544 | 471 |
| Financial income | 39 | 173 | 1625 | 107 | 28 |
| Interest income | 0 | 0 | 0 | 0 | 1 |
| Financial expenses | 151 | 146 | 44 | 147 | 159 |
| Interest expenses | 121 | 144 | 129 | 145 | 147 |
| Other non-operating profit | -107 | 88 | 1633 | 70 | 30 |
| Gains (Losses) in associates, subsidiaries and JV | 50 | 109 | 133 | 236 | 157 |
| Earnings before tax | 481 | 650 | 2,182 | 705 | 513 |
| Taxes | 37 | 69 | 282 | 91 | 72 |
| Net profit | 444 | 581 | 1,900 | 614 | 440 |
| EBITDA | 2,488 | 844 | 164 | 944 | 746 |

Cash flow

(VND bn)

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|--------------------------------|---------|---------|---------|-------|-------|
| C/F from operations | 2,273 | 1,308 | 749 | 1,473 | 628 |
| Net profit | 444 | 581 | 1,900 | 614 | 440 |
| Depreciation | 1,829 | 247 | (381) | 400 | 275 |
| Amortization | | | | | |
| Net incr. in W/C | 0 | 480 | (770) | 460 | (88) |
| Others | | | | | |
| C/F from investing | (8,715) | (1,465) | 574 | (541) | (200) |
| Capex | (6,351) | (1,392) | 936 | (433) | (100) |
| Decr. in fixed assets | (2,364) | (73) | (362) | (108) | (100) |
| Incr. in investment | | | | | |
| Net incr. in intangible assets | | | | | |
| Others | | | | | |
| C/F from financing | (471) | (571) | 307 | (190) | (177) |
| Incr. in equity | 35 | 0 | 0 | 0 | 0 |
| Incr. in debt | 222 | (571) | 332 | (190) | (177) |
| Dividends | (268) | 0 | (25) | 0 | 0 |
| Others | | | | | |
| C/F from others | (323) | 808 | (2,238) | (798) | (30) |
| Increase in cash | (48) | 80 | (608) | (55) | 221 |

Key financial data

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|------------------------------|--------|--------|--------|--------|--------|
| Per-share data (VND) | | | | | |
| EPS | 1,303 | 1,709 | 6,307 | 1,740 | 1,235 |
| BPS | 17,730 | 21,771 | 20,181 | 20,165 | 20,254 |
| DPS | 35 | 0 | 492 | 492 | 501 |
| Growth (%) | | | | | |
| Sales growth | 4.0 | 6.5 | -32.0 | -2.4 | -1.4 |
| OP growth | -7.0 | -9.3 | -8.7 | -0.3 | -13.5 |
| NP growth | -4.0 | 31.0 | 226.8 | -67.7 | -28.2 |
| EPS growth | -39.0 | -20.2 | 258.0 | -72.4 | -30.1 |
| EBITDA growth | -6.0 | -66.1 | -80.6 | 475.0 | -21.0 |
| Profitability (%) | | | | | |
| OP margin | 17.6 | 15.0 | 20.2 | 20.6 | 18.1 |
| NP margin | 11.9 | 14.6 | 70.2 | 23.2 | 16.9 |
| EBITDA margin | 66.5 | 21.2 | 6.1 | 35.7 | 28.6 |
| ROA | 4.4 | 5.4 | 17.9 | 6.1 | 4.4 |
| ROE | 7.5 | 8.8 | 30.2 | 8.8 | 6.3 |
| Dividend yield | 0.1 | 0.0 | 1.7 | 1.7 | 1.8 |
| Dividend payout ratio | | | | | |
| Stability | 2.7 | 0.0 | 7.8 | 28.3 | 40.6 |
| Net debt (VND bn) | | | | | |
| Int.-bearing debt/equity (%) | 1,693 | 1,042 | 1,982 | 1,848 | 1,450 |
| Valuation (x) | 29 | 15 | 30 | 28 | 22 |
| PE | | | | | |
| PB | 21.9 | 16.7 | 4.5 | 16.4 | 23.2 |
| EV/EBITDA | 1.6 | 1.3 | 1.4 | 1.4 | 1.4 |

Saigon Cargo Service (SCS)

BUY / TP VND160,200

| | |
|---------------------------------|-----------------|
| Stock price (23 Dec, VND) | 152,000 |
| Market cap (USD mn) | 336 |
| Shares outstanding (mn) | 51 |
| 52W High/Low (VND) | 158,200/117,744 |
| 6M avg. daily turnover (USD mn) | 0.11 |
| Free float (%) | 30.7 |
| Foreign ownership (%) | 30.6 |
| Major shareholders (%) | |
| Gemadep | 32.1 |
| Airport corporation of Vietnam | 13.0 |

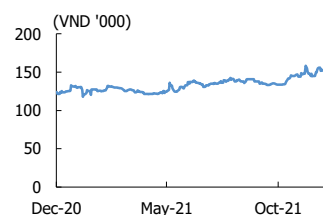
| Yr to | Sales | OP | NP | EPS | % chg | EBITDA | PE | EV/EBITDA | PB | ROE | DY |
|-------|----------|----------|----------|--------|-------|----------|------|-----------|-----|------|-----|
| Dec | (VND bn) | (VND bn) | (VND bn) | (VND) | (yoy) | (VND bn) | (x) | (x) | (x) | (%) | (%) |
| 2018A | 675 | 461 | 437 | 8,614 | 26.9 | 516 | 17.6 | 14.7 | 9.5 | 52.8 | 5.1 |
| 2019A | 748 | 527 | 502 | 9,896 | 14.9 | 582 | 15.3 | 12.8 | 8.3 | 57.5 | 4.8 |
| 2020A | 693 | 473 | 464 | 9,152 | (7.5) | 525 | 16.6 | 14.4 | 8.2 | 49.5 | 5.7 |
| 2021F | 784 | 549 | 538 | 10,596 | 15.8 | 608 | 12.6 | 10.7 | 6.3 | 53.3 | 6.2 |
| 2022F | 869 | 620 | 606 | 11,939 | 12.7 | 682 | 11.2 | 9.4 | 5.8 | 54.2 | 6.7 |

Note: NP and EPS attributed to controlling interest

Performance

| | 1M | 6M | 12M |
|------------------|--------|-----|------|
| Absolute (%) | 23.0 | 2.1 | 12.6 |
| Rel. to VNI (%p) | (10.5) | 2.3 | 5.9 |

Stock price



Aviation recovery may boost 2022's revenue growth

Sales and NP grow due to higher cargo prices. SCS's 3Q21 revenue recorded VND172bn (+2.5% yoy) whilst PBT gained 5.2% to VND130bn reflected from a rise 22.5% in average selling price (ASP). Air cargo prices are currently remained high thanks to the overloaded and skyrocketed fees of marine shipment. However, total cargo volume saw a decrease of 15.6% yoy, mainly dragged down by a slump in the international cargo (-5.5% yoy) and domestic cargo recorded a massive drop of 43.8% yoy due to the effects of COVID-19 4th wave.

Favor factors would encourage SCS's growth in 2022. Despite the pandemic has gradually control, global supply chain still facing struggles leading to a shortage of container, port congestion and imbalance supply-demand in 2021 and 2022F, cargo yields are therefore expected to continue increased. We are forecasting ASP to rise by 7.0% yoy, this growth is lower than global air cargo yield since CAAV and MoT are proposing policies to cut air services charges to help enterprises. International cargo volume would be the key driver for SCS's growth due to the booming E-commerce. We forecast that SCS's international cargo volume will grow by 7.4% in 2022F.

Outlook is still excellent, but obstacles remained. Beside the benefits receiving as explained, SCS still confronts some obstacles as 1) delay and cancelations of flights at airports and uncertainty schedule has further placed pressure on already limited freight capacity. 2) unpredicted spreading of new variant Omicron and 3) a slower than expected trade flows and air capacity recovery.

Valuation. We maintain BUY rating on SCS but upgrade our TP by 5.0% from VND152,600 to VND160,200. Our TP increase is mainly due to changing in our valuation assumptions and a better outlook for air freight industry. Currently, SCS is trading at TTM PE of 12.7x.

Balance sheet

(VND bn)

| FY-ending Dec. | 2019A | 2020A | 2021F | 2022F | 2023F |
|------------------------------|-------|-------|-------|-------|-------|
| Current assets (Adj.) | 317 | 308 | 530 | 625 | 787 |
| Cash & cash equivalent | 246 | 237 | 283 | 371 | 527 |
| Accounts & other receivables | 71 | 71 | 247 | 255 | 260 |
| Inventory | 0 | 0 | 0 | 0 | 0 |
| Non-current assets (Adj.) | 591 | 545 | 440 | 430 | 422 |
| Fixed Asset | 591 | 545 | 440 | 430 | 422 |
| Investment assets | 0 | 0 | 0 | 0 | 0 |
| Others | 165 | 241 | 189 | 193 | 202 |
| Total assets | 1,073 | 1,094 | 1,160 | 1,248 | 1,411 |
| Advances from customers | 1 | 1 | 1 | 1 | 1 |
| Unearned revenue | 0 | 0 | 0 | 0 | 1 |
| Trade payables | 4 | 5 | 11 | 13 | 9 |
| Others | 65 | 73 | 72 | 71 | 70 |
| ST debt & bond | 0 | 0 | 0 | 0 | 0 |
| LT debt & bond | 0 | 0 | 0 | 0 | 0 |
| Total liabilities | 69 | 79 | 84 | 85 | 80 |
| Controlling interest | 1,004 | 1,016 | 1,075 | 1,164 | 1,331 |
| Capital stock | 576 | 579 | 579 | 579 | 579 |
| Capital surplus | 35 | 43 | 43 | 43 | 43 |
| Other Reserves | 9 | 9 | 9 | 9 | 9 |
| Retained earnings | 385 | 384 | 444 | 532 | 699 |
| Minority interest | 0 | 0 | 0 | 0 | 0 |
| Shareholders' equity | 1,004 | 1,016 | 1,075 | 1,164 | 1,331 |

Income statement

(VND bn)

| FY-ending Dec. | 2019A | 2020A | 2021F | 2022F | 2023F |
|---|-------|-------|-------|-------|-------|
| Sales | 748 | 693 | 784 | 869 | 964 |
| COGS | 153 | 155 | 161 | 167 | 174 |
| Gross profit | 595 | 538 | 623 | 702 | 790 |
| SG&A expenses | 68 | 65 | 74 | 83 | 92 |
| Operating profit | 527 | 473 | 549 | 620 | 698 |
| Financial income | 14 | 29 | 33 | 36 | 42 |
| Interest income | 14 | 29 | 33 | 36 | 42 |
| Financial expenses | 1 | 1 | 0 | 1 | 0 |
| Interest expenses | 1 | 0 | 0 | 0 | 0 |
| Other non-operating profit | (2) | (2) | (2) | (2) | (2) |
| Gains (Losses) in associates, subsidiaries and JV | 0 | 0 | 0 | 0 | 0 |
| Earnings before tax | 538 | 499 | 579 | 653 | 738 |
| Taxes | (35) | (35) | (41) | (46) | (52) |
| Net profit | 502 | 464 | 539 | 608 | 687 |
| Net profit of controlling interest | 502 | 464 | 539 | 608 | 687 |
| EBITDA | 582 | 525 | 607 | 680 | 762 |

Cash flow

(VND bn)

| FY-ending Dec. | 2019A | 2020A | 2021F | 2022F | 2023F |
|-----------------------------|-------|-------|-------|-------|-------|
| C/F from operations | 549 | 525 | 582 | 656 | 733 |
| Net profit | 502 | 464 | 539 | 608 | 687 |
| Depreciation & Amortization | 55 | 52 | 58 | 61 | 63 |
| Net incr. in W/C | (8) | 9 | (15) | (13) | (17) |
| C/F from investing | 7 | (104) | (39) | (43) | (48) |
| Capex | 10 | 5 | (39) | (43) | (48) |
| Decr. in fixed assets | (3) | (109) | 0 | 0 | 0 |
| C/F from financing | (349) | (427) | (479) | (519) | (519) |
| Incr. in equity | 18 | 12 | 0 | 0 | 0 |
| Incr. in debt | 0 | 0 | 0 | 0 | 0 |
| Dividends | (367) | (439) | (479) | (519) | (519) |
| C/F from others | (39) | (4) | 0 | 0 | 0 |
| Increase in cash | 169 | (9) | 64 | 93 | 166 |

Key financial data

| FY-ending Dec. | 2019A | 2020A | 2021F | 2022F | 2023F |
|------------------------------|--------|--------|--------|--------|--------|
| Per-share data (VND) | | | | | |
| EPS | 9,896 | 9,152 | 10,614 | 11,974 | 13,528 |
| BPS | 18,373 | 18,599 | 21,193 | 22,931 | 26,223 |
| DPS | 7,229 | 8,648 | 9,436 | 10,236 | 10,236 |
| Growth (%) | | | | | |
| Sales growth | 10.8 | (7.4) | 13.2 | 10.9 | 10.9 |
| OP growth | 14.2 | (10.2) | 16.0 | 12.9 | 12.7 |
| NP growth | 14.9 | (7.5) | 16.0 | 12.8 | 13.0 |
| EPS growth | 14.9 | (7.5) | 16.0 | 12.8 | 13.0 |
| EBITDA growth | 12.8 | (9.8) | 15.7 | 12.1 | 12.0 |
| Profitability (%) | | | | | |
| OP margin | 70.4 | 68.3 | 70.0 | 71.3 | 72.4 |
| NP margin | 67.1 | 67.0 | 68.7 | 69.9 | 71.2 |
| EBITDA margin | 77.8 | 75.8 | 77.5 | 78.3 | 79.0 |
| ROA | 49.1 | 42.9 | 47.8 | 50.5 | 51.6 |
| ROE | 57.5 | 49.5 | 53.3 | 54.3 | 55.0 |
| Dividend yield | 5.4 | 6.5 | 7.1 | 7.7 | 7.7 |
| Dividend payout ratio | 0.7 | 0.9 | 0.9 | 0.9 | 0.8 |
| Stability | | | | | |
| Net debt (VND bn) | (246) | (237) | (283) | (371) | (527) |
| Int.-bearing debt/equity (%) | (24.5) | (23.3) | (26.3) | (31.9) | (39.6) |
| Valuation (x) | | | | | |
| PE | 22.4 | 17.6 | 15.3 | 16.6 | 12.6 |
| PB | 9.1 | 9.5 | 8.3 | 8.2 | 6.3 |
| EV/EBITDA | 16.9 | 14.7 | 12.8 | 14.4 | 10.7 |

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) | (%) |
| Gemadept (GMD) | Recommendation | Not-rated | 2017A | 3,984 | 597 | 508 | 1,922 | 22,005 | 14.2 | 1.2 | 8.1 | 14.7 | - |
| | TP (VND) | 57,000 | 2018A | 2,708 | 546 | 1,848 | 6,236 | 19,804 | 3.7 | 1.2 | 29.6 | 11.8 | 41.2 |
| | Price (Dec 23, VND) | 46,300 | 2019A | 2,643 | 544 | 517 | 1,602 | 19,789 | 13.6 | 1.1 | 8.1 | 10.4 | 6.9 |
| | Market cap. (VND bn) | 14,059 | 2020A | 2,606 | 471 | 371 | 1,149 | 19,582 | 27.7 | 1.6 | 5.8 | 13.6 | 3.1 |
| | | | 2021F | - | - | - | - | - | - | - | - | - | - |
| Port of Hai Phong (PHP) | Recommendation | Not-rated | 2017A | 2,069 | 509 | 341 | 1,044 | 10,805 | 10.5 | 1.0 | 9.9 | 4.3 | 3.7 |
| | TP (VND) | N/A | 2018A | 2,046 | 447 | 367 | 1,124 | 10,764 | 10.0 | 1.0 | 10.4 | 4.0 | 8.9 |
| | Price (Dec 23, VND) | 26,500 | 2019A | 2,117 | 501 | 388 | 1,186 | 11,586 | 7.5 | 0.8 | 10.6 | 2.5 | 2.2 |
| | Market cap. (VND bn) | 8,730 | 2020A | 2,031 | 540 | 447 | 1,366 | 12,183 | 11.4 | 1.3 | 11.5 | 5.0 | 3.9 |
| | | | 2021F | 2,222 | 615 | 522 | 1,598 | 12,647 | 18.7 | 2.4 | 13.0 | 9.9 | 2.0 |
| Vietnam Container Shipping (VSC) | Recommendation | Not-rated | 2017A | 1,303 | 332 | 237 | 2,449 | 15,159 | 7.4 | 1.2 | 16.8 | 5.0 | 5.2 |
| | TP (VND) | 42,270 | 2018A | 1,694 | 406 | 300 | 3,101 | 16,970 | 5.8 | 1.1 | 19.3 | 3.7 | 5.8 |
| | Price (Dec 23, VND) | 43,800 | 2019A | 1,793 | 340 | 234 | 2,415 | 17,869 | 5.9 | 0.8 | 13.9 | 2.8 | 8.7 |
| | Market cap. (VND bn) | 4,741 | 2020A | 1,689 | 320 | 240 | 2,474 | 18,545 | 12.4 | 1.7 | 13.6 | 5.3 | 5.0 |
| | | | 2021F | - | - | - | - | - | - | - | - | - | - |
| Vietjet Aviation (VJC) | Recommendation | Not-rated | 2017A | 42,303 | 5,745 | 5,073 | 9,386 | 19,557 | 12.6 | 6.0 | - | 11.5 | 1.5 |
| | TP (VND) | 102,800 | 2018A | 53,577 | 6,484 | 5,335 | 9,850 | 25,917 | 12.1 | 4.6 | 43.3 | 9.4 | 2.5 |
| | Price (Dec 23, VND) | 123,900 | 2019A | 50,603 | 4,184 | 3,807 | 7,053 | 28,445 | 20.7 | 5.1 | 26.3 | 18.8 | 3.0 |
| | Market cap. (VND bn) | 66,402 | 2020A | 18,220 | (2,551) | 69 | 130 | 28,592 | 959.7 | 4.4 | 0.5 | - | - |
| | | | 2021F | 14,650 | (2,683) | 1,191 | 2,271 | 31,233 | 56.3 | 4.1 | 7.7 | - | - |
| Vietnam Airlines (HVN) | Recommendation | Not-rated | 2017A | 83,553 | 2,068 | 2,659 | 1,931 | - | 16.3 | 22.8 | 3.2 | - | - |
| | TP (VND) | 22,346 | 2018A | 97,590 | 2,355 | 2,599 | 1,747 | - | 19.6 | 20.0 | 2.8 | - | - |
| | Price (Dec 23, VND) | 23,100 | 2019A | 98,228 | 3,690 | 2,346 | 1,308 | 10,119 | 20.4 | 2.6 | - | 8.3 | 8.3 |
| | Market cap. (VND bn) | 51,485 | 2020A | 40,538 | (8,558) | (8,531) | (4,758) | 3,530 | - | 6.3 | (69.7) | - | - |
| | | | 2021F | 26,860 | (12,152) | (12,282) | (6,523) | 1,081 | - | 23.1 | (267.4) | - | - |
| Vinaship (VNA) | Recommendation | Not-rated | 2017A | 559 | (75) | (76) | (3,794) | 79 | - | 20.4 | (192.0) | 30.5 | - |
| | TP (VND) | N/A | 2018A | 765 | (8) | 32 | 1,611 | 1,690 | - | 14.0 | 182.2 | 4.8 | - |
| | Price (Dec 23, VND) | 30,500 | 2019A | 698 | (5) | 29 | 1,464 | 3,154 | 2.1 | 1.0 | 60.4 | 4.9 | - |
| | Market cap. (VND bn) | 604 | 2020A | 513 | (32) | 1 | 69 | 3,223 | 58.0 | 1.2 | 2.2 | 7.3 | - |
| | | | 2021F | - | - | - | - | - | - | - | - | - | - |
| Tan Cang Lositics & Stevedoring (TCL) | Recommendation | Not-rated | 2017A | 833 | 100 | 97 | 2,865 | 21,240 | 3.7 | 0.5 | 14.1 | 2.4 | 9.8 |
| | TP (VND) | N/A | 2018A | 887 | 96 | 99 | 2,717 | 23,615 | 3.8 | 0.4 | 12.1 | 2.3 | 12.1 |
| | Price (Dec 23, VND) | 39,750 | 2019A | 952 | 94 | 100 | 2,731 | 24,997 | 4.8 | 0.5 | 11.2 | 2.8 | 10.5 |
| | Market cap. (VND bn) | 1,199 | 2020A | 1,090 | 105 | 99 | 2,703 | 20,365 | 9.1 | 1.2 | 11.8 | 4.2 | 28.4 |
| | | | 2021F | 1,166 | 128 | 128 | 3,600 | 17,833 | 10.7 | 2.2 | 19.4 | 6.4 | 20.8 |
| Airports Corp Of Vietnam (ACV) | Recommendation | Not-rated | 2017A | 13,830 | 4,546 | 4,101 | 1,883 | 12,556 | 56.3 | 8.4 | 15.9 | 26.6 | 0.6 |
| | TP (VND) | 90,479 | 2018A | 16,123 | 6,609 | 6,173 | 2,518 | 14,117 | 35.3 | 6.3 | 18.9 | 17.8 | 1.0 |
| | Price (Dec 23, VND) | 80,000 | 2019A | 18,329 | 7,948 | 8,201 | 3,450 | 16,860 | 21.7 | 4.4 | 22.3 | 12.4 | 1.2 |
| | Market cap. (VND bn) | 174,809 | 2020A | 7,767 | 577 | 1,647 | 577 | 17,237 | 140.4 | 4.7 | 3.4 | 44.3 | 1.1 |
| | | | 2021F | - | - | - | - | - | - | - | - | - | - |
| Vietnam Ocean Shipping (VOS) | Recommendation | Not-rated | 2017A | 1,612 | (221) | 11 | 77 | 4,560 | 43.6 | 0.7 | 1.7 | 11.7 | - |
| | TP (VND) | N/A | 2018A | 1,683 | (73) | 17 | 123 | 4,675 | 13.3 | 0.3 | 2.7 | 5.5 | - |
| | Price (Dec 23, VND) | 18,750 | 2019A | 1,538 | (100) | 49 | 348 | 4,970 | 4.7 | 0.3 | 7.2 | 6.4 | - |
| | Market cap. (VND bn) | 2,660 | 2020A | 1,277 | (148) | (187) | (1,338) | 3,717 | 6.2 | 0.6 | (30.8) | 9.1 | - |
| | | | 2021F | 1,271 | 173 | 360 | 2,573 | 6,624 | 8.9 | 3.5 | 48.2 | 7.4 | - |
| Viettel Post (VTP) | Recommendation | Not-rated | 2017A | 559 | (75) | (76) | (3,794) | 79 | - | 20.4 | (192.0) | 30.5 | - |
| | TP (VND) | 98,125 | 2018A | 765 | (8) | 32 | 1,611 | 1,690 | - | 14.0 | 182.2 | 4.8 | - |
| | Price (Dec 23, VND) | 71,900 | 2019A | 698 | (5) | 29 | 1,464 | 3,154 | 2.1 | 1.0 | 60.4 | 4.9 | - |
| | Market cap. (VND bn) | 7,456 | 2020A | 513 | (32) | 1 | 69 | 3,223 | 58.0 | 1.2 | 2.2 | 7.3 | - |
| | | | 2021F | - | - | - | - | - | - | - | - | - | - |

Source: Company data, KIS

Textile

Non-rated

► Three keywords

- Strong demand in most main markets
- CPTPP, EVFTA, accelerate export value by tax reduction.
- Yarn segment is favorable to brisk

► Top pick

| Century Synthetic Fiber (STK, Non-rated, NA) | | | |
|--|--------|--------|--------|
| | 2019A | 2020F | 2021F |
| PE (x) | 5.0 | 9.6 | 14.7 |
| PB (x) | 1.0 | 1.3 | 3.1 |
| EV/EBITDA (x) | 4.1 | 5.1 | 8.7 |
| DY (%) | 9.7 | 7.5 | 2.2 |
| EPS (VND, adj.) | 3,078 | 2,089 | 3,883 |
| BPS (VND, adj.) | 15,314 | 15,880 | 18,597 |
| <ul style="list-style-type: none"> • Trade barrier benefit for STK's competition • The gradually favorable to use recycled yarn of customer support the STK sale mix shifting. | | | |

Better in 2022F

Investment summary

Yarn shines the textile industry in 2021

Textile industry completed 2021 target to come to USD39bn, +11.2% yoy mainly assisted by (1) low base 2020 and (2) the high demand of main markets US, EU, Korea, and China. In 3Q21, the national lockdown dampened working forces, hit the delivery, and added extra expense due to on-site production. Yet, the yarn segment shines in the light of (1) less impact by the labor shortage, (2) the reward from the ban of EU and U.S imposed on cotton of China, the largest yarn supplier, (3) the yarn price hike in paralyzing with surging cotton price worldwide.

Robust anticipation on the normalcy

In 2022F, we expect the shortage of workers could be eased from 2Q22F since the normalcy could prompt the immigrants to come back to employment. In addition, the demand could still be buoyed thanks to resilient momentum growth in the major market including the US, EU, and China. Besides, logistics constraints could relax from 2H22F, putting less pressure on the logistic expense and fulfillment schedule. CPTPP and EVTA also bring a great benefit of tax reduction for the textile industry.

Sustainable momentum growth on yarn segment

The brisk prospect of yarn segment may sustain in 2022F following the tailwinds as (1) less impact of a labor shortage as yarn segment not required much labor source make quickly boosting and (2) prevalent trend of using recycle yarn spurred by most giant sportswear brands (3) the fruits arising from anti-dumping imposed on filament yarn importers, as on Oct 2021, Ministry of Industry and Trade imposed the anti-dumping tax rate policy for polyester yarn importer, at 3.36%-17.45% of largest import China (accounting for 60% of total import), 21.23% - 54.9% of other importers.

The threats for the recovery process

The working force plays a key role to revive the labor-intensive textile industry. The textile industry is gradually resuming its operation after the social distancing requirements are removed. However, they are suffering a working shortage in the peak season. The slower return of workers after the Lunar Tet holiday or even the permanent unemployment in the factories could dampen the fulfillment or result in termination with partners' orders.

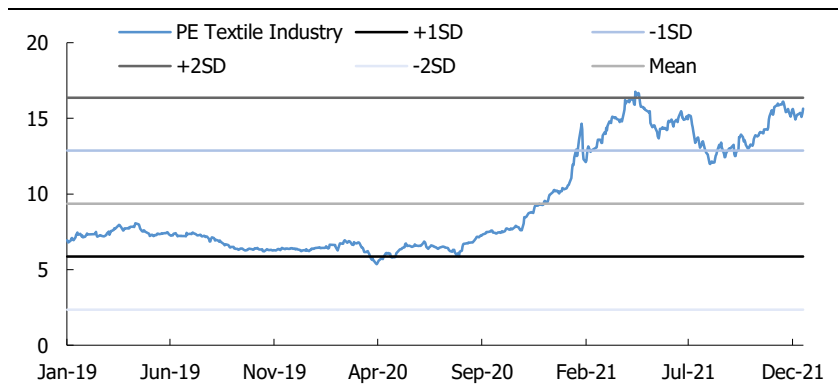
Linh Pham

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Valuation

Currently, the sector is trading at 15.6x TTM PE and 1.9x PB, nearing +2s.d of 3-year history. We think that the valuation of the textile industry is reflected by the positive expectation of the exporters' recovery upcoming business operation in 4Q21F and 2022F. However, the valuation seems not cheap since the TTM ROE is at 6.3%, lower than 2019 ROE at 7.2% despite improving from low 2020 ROE at 5.8%.

PE Textile Industry



Source: Fiin, KIS

Top pick: STK

Our top pick is STK as 2022F expecting to trade at VND68,144 based on EPS adjustment at VND4,987 and 11.4x TTM PE forward. As the consistent surge of 2021 business result, we expected that STK could take advantages to expand market in 2022F.

Century Synthetic Fiber (STK)

Non-rated

| | |
|----------------------------------|---------------|
| Stock price (Dec 23, VND) | 56,900 |
| Market cap (USD mn) | 169 |
| Shares outstanding (mn) | 68 |
| 52W High/Low (VND) | 66,000/19,543 |
| 6M avg. daily turnover (USD mn) | 0.08 |
| Free float (%) | 53.6 |
| Foreign ownership (%) | 13.2 |
| Major shareholders (%) | |
| Huong Viet Investment Consultant | 19.9 |
| Dang My Linh | 14.3 |

| 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) | (%) | (%) |
| 2017A | 1,989 | 126 | 100 | 1,427 | - | 274 | 9.1 | 6.5 | 1.1 | 13.5 | 1.9 |
| 2018A | 2,408 | 245 | 178 | 2,679 | 87.7 | 388 | 4.4 | 3.9 | 0.9 | 21.1 | 6.1 |
| 2019A | 2,229 | 269 | 214 | 3,078 | 14.9 | 406 | 5.0 | 4.1 | 1.0 | 21.5 | 9.7 |
| 2020A | 1,766 | 174 | 144 | 2,089 | (32.1) | 308 | 9.6 | 5.1 | 1.3 | 13.3 | 7.5 |
| 2021F | 2,186 | 322 | 274 | 3,883 | 85.9 | 471 | 14.7 | 8.7 | 3.1 | 22.8 | 2.2 |

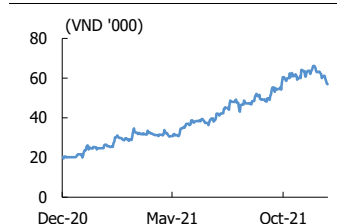
Note: NP and EPS attributed to controlling interest

Chances on territory expansion in 2022F

Performance

| | 1M | 6M | 12M |
|--------------|-------|-------|------|
| Absolute (%) | 183.0 | (6.4) | 49.7 |
| Relative (%) | 149.4 | (6.2) | 43.1 |

Stock price



Brighten in 2021. STK revenue surged +29% yoy, assisted by (1) low base in 2020, (2) the shift toward recycle yarn, accounting for 54% and +15%p yoy of sale mix, as the higher selling price compared to virgin yarn products, and (3) the high demand in domestic and export market. The 9M21 NPATMI remarkably increase by +171% yoy mainly driven by revenue rising and GPM expansion at 19.4%, +6.4%p yoy. Accordingly, the low-cost inventory of PET chip and brisk of market price make a price gap for products, also the bigger contribution of high GPM products as recycled yarn in sale mix products are driven keys for GMP improvement.

Chances for market share boosting in 2022F. In 2022F, STK might have a brighter result as high demand since domestic textile and garment manufacturers recover and the main export markets consumption kept surging. The anti-dumping tax imposed on filament yarn importers and final conclusion to impose STK anti-dumping tax of US Department of Commerce at 2.58%, which is lower than companies in other countries (above 7.45%) and other Vietnamese companies (at 22.36%), which will advance to expand market share of STK in domestic and US markets. Remarkably, the gradually favorable of using recycled yarn from famous popular sportswear brands will support recycle yarn products in sale mix products.

The threats of STK. NPAT will increase properly thanks to (1) the price gap as the market price based on Vietnam anti-dumping tax of import products (2) rising contribution of high GPM product as recycled yarn in sale mix. Yet, the risk that impact business result is the slow recovery process of textile and garment manufacturer might reduce the consumption of yarn products. Also, the high demand for recycled yarn in the export market might enter more rivals.

Valuation. STK is trading at 14.6x TTM PE, lower than the peer at 21.3x TTM PE and higher than PE history at 5.0x to 9.6x, implying a positive expectation of investors to the company. In 2022F, the market is expecting STK to trade at VND68,144 based on 2022F EPS adjustment at VND4,987 and 11.4x 12MF PE forward. We raise 2022F STK's revenue and NP by +22% yoy and +32% yoy, respectively.

Balance sheet

(VND bn)

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|------------------------------|-------|-------|-------|-------|-------|
| Current assets | 1,362 | 2,143 | 3,989 | 4,971 | 633 |
| Cash & cash equivalents | 87 | 117 | 198 | 230 | 121 |
| Accounts & other receivables | 85 | 63 | 65 | 98 | 98 |
| Inventory | 402 | 399 | 510 | 525 | 401 |
| Non-current assets | 1,716 | 2,433 | 3,540 | 3,016 | 1,070 |
| Fixed assets | 1,350 | 1,208 | 1,179 | 1,048 | 914 |
| Investment assets | 41 | 29 | 4 | 3 | 8 |
| Others | 60 | 163 | 164 | 167 | 151 |
| Total assets | 3,078 | 4,576 | 7,529 | 7,988 | 1,703 |
| Advances from customers | 12 | 40 | 29 | 39 | 44 |
| Unearned revenue | - | - | - | - | - |
| Trade payables | 251 | 308 | 332 | 229 | 262 |
| Others | 407 | 718 | 1,348 | 1,900 | 40 |
| ST debt & due bonds | 801 | 1,418 | 2,492 | 2,400 | 223 |
| LT debt & bonds | 652 | 467 | 348 | 164 | 52 |
| Total liabilities | 2,123 | 2,951 | 4,549 | 4,732 | 621 |
| Controlling interest | 944 | 1,377 | 2,581 | 2,927 | 1,083 |
| Capital stock | 570 | 836 | 1,712 | 1,712 | 707 |
| Capital surplus | 161 | 198 | 532 | 532 | 35 |
| Other reserves | 1 | 1 | 1 | 1 | 1 |
| Retained earnings | 162 | 284 | 266 | 603 | 382 |
| Minority interest | 11 | 248 | 399 | 328 | 0 |
| Shareholders' equity | 955 | 1,625 | 2,980 | 3,255 | 1,083 |

Income statement

(VND bn)

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|---|-------|-------|-------|-------|-------|
| Sales | 1,358 | 1,989 | 2,408 | 2,229 | 1,766 |
| COGS | 1,230 | 1,773 | 2,073 | 1,875 | 1,510 |
| Gross profit | 129 | 217 | 335 | 354 | 255 |
| SG&A expenses | 71 | 90 | 90 | 85 | 81 |
| Operating profit | 58 | 126 | 245 | 269 | 174 |
| Financial income | 1 | 8 | 11 | 14 | 12 |
| Interest income | 1 | 5 | 8 | 9 | 4 |
| Financial expenses | 30 | 30 | 53 | 35 | 22 |
| Interest expenses | 16 | 28 | 29 | 31 | 16 |
| Other non-operating profit | 1 | 1 | (3) | 5 | 1 |
| Gains (Losses) in associates, subsidiaries and JV | 0 | 0 | (1) | 0 | 0 |
| Earnings before tax | 31 | 105 | 199 | 253 | 165 |
| Income taxes | 2 | 5 | 21 | 39 | 20 |
| Net profit | 29 | 100 | 178 | 214 | 144 |
| Net profit of controlling interest | 29 | 100 | 178 | 214 | 144 |
| EBITDA | 281 | 533 | 638 | 937 | 641 |

Cash flow

(VND bn)

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|---------------------|-------|-------|-------|-------|-------|
| C/F from operations | 202 | 306 | 248 | 171 | 446 |
| Net profit | 29 | 100 | 178 | 214 | 144 |
| Dep'n & Amort'n | 123 | 148 | 143 | 137 | 134 |
| Net incr. in W/C | 50 | 58 | (73) | (180) | 168 |
| C/F from investing | (296) | (27) | (113) | (35) | 41 |
| Capex | (297) | (5) | (100) | (10) | 0 |
| Incr. in investment | 1 | (22) | (13) | (25) | 41 |
| C/F from financing | 173 | (249) | (99) | (139) | (543) |
| Incr. in equity | - | - | - | 66 | (42) |
| Incr. in debt | 197 | (233) | (50) | (98) | (398) |
| Dividends | (23) | (16) | (48) | (106) | (102) |
| C/F from others | - | - | - | - | - |
| Increase in cash | 80 | 30 | 36 | (3) | (55) |

Key financial data

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|----------------------------|--------|--------|--------|--------|--------|
| Per-share data (VND, adj.) | | | | | |
| EPS | 502 | 1,188 | 1,041 | 1,248 | 2,030 |
| BPS | 16,751 | 19,438 | 17,408 | 19,014 | 15,315 |
| DPS | 405 | 122 | 571 | 719 | 1,446 |
| Growth (%) | | | | | |
| Sales growth | - | 46.4 | 21.0 | (7.4) | (20.8) |
| OP growth | - | 117.6 | 94.3 | 9.8 | (35.2) |
| NP growth | - | 248.3 | 79.1 | 20.2 | (32.6) |
| EPS growth | - | 136.7 | (12.4) | 19.9 | 62.7 |
| EBITDA growth | - | 51.3 | 41.7 | 4.7 | (24.2) |
| Profitability (%) | | | | | |
| OP margin | 4.3 | 6.3 | 10.2 | 12.1 | 9.9 |
| NP margin | 2.1 | 5.0 | 7.4 | 9.6 | 8.2 |
| EBITDA margin | 13.3 | 13.8 | 16.1 | 18.2 | 17.4 |
| ROA | 0.9 | 2.6 | 2.9 | 2.8 | 3.0 |
| ROE | 3.0 | 7.7 | 7.7 | 6.9 | 6.7 |
| Dividend yield | 39.5 | 131.1 | 28.0 | 22.3 | 11.1 |
| Dividend payout ratio | 80.8 | 10.3 | 54.9 | 57.6 | 71.2 |
| Stability | | | | | |
| Net debt (VND bn) | 1,366 | 1,768 | 2,642 | 2,334 | 153 |
| Net debt/equity (%) | 140.0 | 110.0 | 90.0 | 70.0 | 10.0 |
| Valuation (x) | | | | | |
| PE | 31.9 | 13.5 | 15.4 | 12.8 | 7.9 |
| PB | 1.0 | 0.8 | 0.9 | 0.8 | 1.0 |
| EV/EBITDA | 12.4 | 12.1 | 14.9 | 13.3 | 4.1 |

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) | (%) |
| Century Synthetic Fiber (STK) | Recommendation | Not rated | 2017A | 1,989 | 126 | 100 | 1,427 | 11,700 | 9.12 | 1.11 | 13.52 | 4.98 | 1.85 |
| | TP (VND) | 68,144 | 2018A | 2,408 | 245 | 178 | 2,679 | 13,660 | 4.41 | 0.87 | 21.14 | 8.70 | 6.09 |
| | Price (Dec 23, VND) | 56,900 | 2019A | 2,229 | 269 | 214 | 3,078 | 15,314 | 5.02 | 1.01 | 21.53 | 10.23 | 9.70 |
| | Market cap. (VND bn) | 3,887 | 2020A | 1,766 | 174 | 144 | 2,089 | 15,880 | 9.61 | 1.26 | 13.33 | 7.65 | 7.47 |
| | | | 9M21 | 2,115 | 302 | 273 | 3,999 | 17,361 | 12.05 | 2.78 | 24.82 | 14.89 | 3.11 |
| Song Hong (MSH) | Recommendation | Not rated | 2017A | - | - | - | - | - | - | - | - | - | - |
| | TP (VND) | 92,948 | 2018A | 3,951 | 437 | 370 | 8,090 | 19,605 | 4.18 | 1.72 | - | - | 11.83 |
| | Price (Dec 23, VND) | 78,000 | 2019A | 4,411 | 513 | 450 | 9,095 | 23,241 | 4.38 | 1.71 | 42.93 | 17.62 | 11.29 |
| | Market cap. (VND bn) | 4,021 | 2020A | 3,813 | 238 | 232 | 4,677 | 27,370 | 7.64 | 1.31 | 18.32 | 8.93 | 12.60 |
| | | | 9M21 | 4,292 | 429 | 401 | 8,024 | 30,756 | 9.99 | 2.61 | 28.27 | 13.82 | 3.74 |
| Mirae (KMR) | Recommendation | Not rated | 2017A | 380 | 19 | 8 | 140 | 10,448 | 30.61 | 0.41 | 1.45 | 1.06 | - |
| | TP (VND) | NA | 2018A | 424 | 16 | 4 | 66 | 10,494 | 49.79 | 0.31 | 0.63 | 0.44 | - |
| | Price (Dec 23, VND) | 10,700 | 2019A | 545 | 17 | 4 | 74 | 10,557 | 38.14 | 0.27 | 0.71 | 0.44 | - |
| | Market cap. (VND bn) | 583 | 2020A | 417 | 15 | 0 | 3 | 10,548 | 920.22 | 0.28 | 0.03 | 0.02 | - |
| | | | 9M21 | 459 | 20 | 9 | 166 | 10,776 | 46.44 | 0.71 | 1.55 | 0.85 | - |
| Thanh Cong (TCM) | Recommendation | Not rated | 2017A | 3,209 | 243 | 192 | 2,287 | 14,926 | 8.41 | 1.29 | 16.53 | 6.55 | 1.79 |
| | TP (VND) | 41,625 | 2018A | 3,662 | 305 | 259 | 3,091 | 17,790 | 5.37 | 0.93 | 18.89 | 8.25 | 2.18 |
| | Price (Dec 23, VND) | 68,400 | 2019A | 3,644 | 292 | 216 | 2,573 | 19,884 | 5.86 | 0.76 | 13.66 | 6.99 | 2.52 |
| | Market cap. (VND bn) | 4,881 | 2020A | 3,470 | 334 | 275 | 3,283 | 22,877 | 13.66 | 1.96 | 15.35 | 9.33 | 0.91 |
| | | | 9M21 | 3,459 | 214 | 193 | 2,304 | 23,510 | 28.13 | 2.76 | 10.17 | 6.16 | 0.67 |
| Thai Nguyen (TNG) | Recommendation | Not rated | 2017A | 2,489 | 220 | 115 | 1,666 | 9,112 | 4.39 | 0.80 | 20.00 | 5.65 | - |
| | TP (VND) | 248,047 | 2018A | 3,613 | 328 | 180 | 2,610 | 11,498 | 4.10 | 0.93 | 25.33 | 7.48 | - |
| | Price (Dec 23, VND) | 32,500 | 2019A | 4,612 | 407 | 230 | 3,191 | 14,024 | 3.61 | 0.82 | 24.73 | 8.18 | - |
| | Market cap. (VND bn) | 3,142 | 2020A | 4,480 | 312 | 154 | 1,904 | 14,365 | 7.44 | 0.99 | 13.87 | 4.67 | 7.46 |
| | | | 9M21 | 5,031 | 345 | 193 | 2,312 | 15,492 | 11.76 | 1.76 | 15.57 | 4.82 | 2.72 |

Source: Company data, KIS.

Construction

Non-rated

► Three keywords

- Accelerated infrastructure spending and the recovery of property market
- Expected lower input material (steel) in 2022
- Attractive mortgage rate

► Top pick

| Vinaconex (VCG, Not rated) | | | |
|----------------------------|-------|-------|-------|
| | 2018A | 2019A | 2020A |
| PE (x) | 20.8 | 16.4 | 25.8 |
| PB (x) | 1.4 | 1.7 | 2.8 |
| EV/EBITDA (x) | 12.5 | 13.8 | - |
| DY (%) | 2.0 | 0.8 | 0.5 |
| EPS (VND) | 860 | 1,420 | 3,349 |

Poised to recovery

Investment summary

The revival was hindered in 9M21

As COVID-19 resurgence suspended construction activities and high input material prices hurt contractors' gross margin, the revival of construction industry was paused, especially in 3Q21. 3Q21 aggregated revenue was VND40,391bn (+1.74% yoy, -11% qoq,) while 3Q21 aggregated NPATMI decreased significantly by -45.4% yoy and -20.9% qoq. In 9M21, aggregated revenue was VND121,296bn (+11% yoy) and aggregated NPATMI was down to VND4,524bn 4.5% yoy. Gross margin was narrowing from 14.2% in 1Q21 to 10.8% in 3Q21.

Beneficiaries of the accelerated infrastructure spending

Similar to steel industry, the construction industry is anticipated to benefit from accommodative fiscal spending, favorable mortgage rate and revival property market. Amid the decline of steel price, construction companies can potentially improve their gross margins in 2022F. Although COVID-19 variants can slow down construction activities, the situation is expected to be not as bad as it was before thanks to higher vaccine coverage in some key cities

Energy infrastructure – another growth driver

According to PDP8 final-draft, the installed capacity will reach about 261,951-329,610 MW by 2045 while the 2020 installed capacity was only 69,094 MW. In addition, government is believed to attract more the private sector in power transmission projects, which could create a huge growth opportunity for domestic contractors, especially, who actively participated in renewable energy projects during 2018-2021.

Stock prices pricing the investor's positive sentiment

The sector is trading at 33.8x TTM PE, well over its 1 s. 2-year historical median (Figure 1). We think that the market seems to be pricing not only the positive outlook thanks to new policies but also the speculation sentiment. This also means that the sector would experience the price correction if the earning growth cannot meet the expectation while the accelerated infrastructure spending may require longer time to reflect in companies' business results.

Top picks: VCG

VCG is our top pick. VCG diversifies its businesses ranging from property development, construction, design consultancy, industrial production and construction materials, to export-import trade. VCG has won 7 construction packages with total investment value around VND 11,643bn in the North-South highway

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Vietnam Construction & Import-Export (VCG)

Not-rated

| | |
|---------------------------------|---------------|
| Stock price (Dec 23, VND) | 53,800 |
| Market cap (USD mn) | 1,035 |
| Shares outstanding (mn) | 442 |
| 52W High/Low (VND) | 53,800/38,334 |
| 6M avg. daily turnover (USD mn) | 4.63 |
| Free float (%) | 37.1 |
| Foreign ownership (%) | 1.3 |
| Major shareholders (%) | |
| An Quy Hung Co. Ltd | 58.1 |

| 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) | (%) | (%) |
| 2016A | 8,548 | 895 | 500 | 1,038 | - | 1,281 | 30.9 | 7.1 | 0.8 | 8.4 | 6.4 |
| 2017A | 10,852 | 1,135 | 1,342 | 2,787 | 168.6 | 1,497 | 31.8 | 7.7 | 1.3 | 21.5 | 8.3 |
| 2018A | 9,731 | 689 | 491 | 860 | (69.2) | 948 | 20.8 | 12.5 | 1.4 | 7.0 | 2.0 |
| 2019A | 9,502 | 786 | 684 | 1,420 | 65.2 | 1,097 | 16.4 | 13.8 | 1.7 | 10.2 | 0.8 |
| 2020A | 5,551 | -731 | 1,605 | 3,349 | 135.8 | -479 | 25.8 | - | 2.8 | 24.4 | 0.5 |

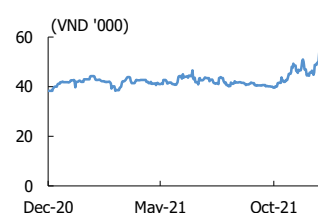
Note: NP and EPS attributed to controlling interest

To ride on the buoyant infrastructure spending

Performance

| | 1M | 6M | 12M |
|---------------|------|------|------|
| Absolute (%) | 16.2 | 23.2 | 40.3 |
| Relative (%p) | 16.4 | 16.5 | 3.5 |

Stock price

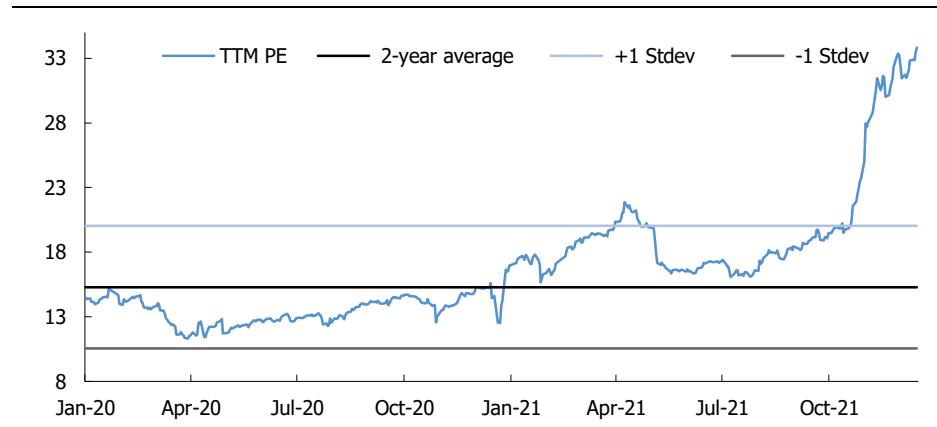


9M21 net profit dragged by the COVID-19 resurgence: VCG recorded a VND3,609bn revenue (-5% yoy) and a VND272bn NPATMI (-80% yoy), fulfilled 29.5%/27% annual guidance, respectively, in 9M21 due to the COVID-19 resurgence. In which, property development and commercial service revenue were down 19.3% and 28% yoy to VND142.1bn and VND616.9bn, respectively. Company even made a loss of VND124bn of NPAT-MI in 2Q21.

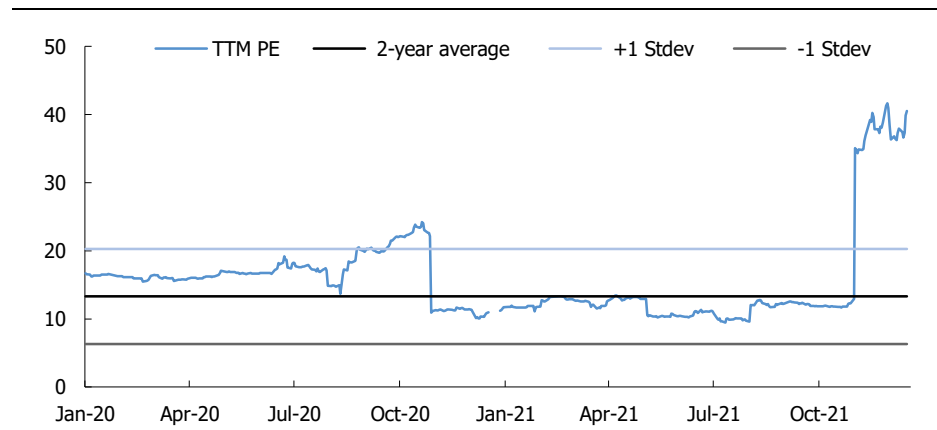
A giant ride on the buoyant public spending: VCG is well-positioned to ride on excessive public spending thanks to its firm footprint and strong connection with Construction Ministry, the former largest shareholder. Company is participating in many infrastructure projects including Mai Son–Highway 45 expressway, Vinh Hao – Phan Thiet expressway, Nghi Son – Dien Chau expressway. We expect that VCG will continue to gain competitiveness of accelerated public spending in the next years. In addition, owing over 2,000ha land bank, and several property projects under development, VCG is secured with at least 5 years' revenue streams.

Consensus on 2022F business performance: VCG is expected to achieve VND10,121bn (+80.1% yoy) in revenue and VND723bn (+113% yoy) in net profit in 2022. The forecasted growth is based on expectation of the accelerated infrastructure spending and revenue from property development segment, for examples, Green Diamond project.

High valuation due to recent bad performance: VCG is trading at 40.5x TTM PE and 3.3x PB ratio, higher than the local peer median of 33.8x and 2.1x respectively (Figure 2). In addition, VCG generated a lower TTM ROE of 6.83% than the industry with 8.38%, which indicates that the stock is currently not cheap. This can be explained by the poor performance in 3Q21 (3Q21 a VND54bn, -94% yoy). However, the TTM PE has been rallying significantly since November when the government discloses more on their robust fiscal spending plans. We think the current price has yet been fully factored in the optimistic outlook in 2022F-23F

Price pricing the positive outlook

Source: Fiin Pro

Poor 3Q21 performance made stock look overvalued

Source: Fiin Pro

Balance sheet

(VND bn)

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|------------------------------|--------|--------|--------|--------|--------|
| Current assets (Adj.) | 12,670 | 12,988 | 12,370 | 12,055 | 13,397 |
| Cash & cash equivalent | 2,962 | 3,452 | 2,944 | 2,302 | 3,546 |
| Accounts & other receivables | 5,345 | 5,657 | 5,846 | 7,303 | 7,468 |
| Inventory | 4,110 | 3,718 | 3,435 | 2,321 | 2,220 |
| Non-current assets (Adj.) | 10,176 | 8,641 | 7,715 | 7,263 | 6,213 |
| Fixed Asset | 3,400 | 2,785 | 2,672 | 2,442 | 2,582 |
| Investment assets | 4,656 | 4,311 | 3,363 | 3,497 | 2,713 |
| Others | 598 | 383 | 930 | 865 | 870 |
| Total assets | 22,845 | 21,629 | 20,085 | 19,318 | 19,610 |
| Advances from customers | 3,030 | 2,025 | 1,670 | 944 | 2,350 |
| Unearned revenue | 1,588 | 1,544 | 1,461 | 1,346 | 1,332 |
| Trade payables | 2,875 | 2,745 | 2,925 | 2,511 | 1,996 |
| Others | 3,318 | 3,421 | 2,574 | 2,117 | 2,482 |
| ST debt & bond | 2,447 | 2,450 | 2,106 | 2,220 | 2,141 |
| LT debt & bond | 2,107 | 1,586 | 1,476 | 2,442 | 2,146 |
| Total liabilities | 15,365 | 13,771 | 12,212 | 11,580 | 12,447 |
| Controlling interest | 5,816 | 6,393 | 6,560 | 6,687 | 6,252 |
| Capital stock | 4,417 | 4,417 | 4,417 | 4,417 | 4,417 |
| Capital surplus | 355 | 355 | 355 | 355 | 355 |
| Other Reserves | 522 | 521 | 997 | 968 | 967 |
| Retained earnings | 521 | 1,100 | 790 | 948 | 2,157 |
| Minority interest | 1,503 | 1,358 | 1,206 | 943 | 801 |

Income statement

(VND bn)

| FY-ending Dec. | 2019A | 2020A | 2021F | 2022F | 2023F |
|--|-------|--------|-------|-------|-------|
| Sales | 8,548 | 10,898 | 9,731 | 9,502 | 5,551 |
| COGS | 7,110 | 9,130 | 8,521 | 8,191 | 4,715 |
| Gross profit | 1,438 | 1,768 | 1,210 | 1,311 | 836 |
| SG&A expense | 543 | 633 | 521 | 525 | 1,568 |
| Operating profit | 895 | 1,135 | 689 | 786 | (732) |
| Financial income | 199 | 1,015 | 260 | 250 | 3,046 |
| Interest income | 5 | 12 | 38 | 119 | 0 |
| Financial expense | 290 | 306 | 294 | 313 | 277 |
| Interest expense | 282 | 285 | 274 | 268 | 255 |
| Other non-operating profit | 25 | 11 | 48 | 102 | 83 |
| Gains (Losses) in associates, subsidiaries, and JV | 9 | 97 | 90 | 141 | 7 |
| Earnings before tax | 837 | 1,952 | 793 | 965 | 2,127 |
| Income taxes | 124 | 322 | 156 | 179 | 437 |
| Net profit | 713 | 1,629 | 637 | 787 | 1,690 |
| EBITDA | 1,281 | 1,497 | 948 | 1,097 | (479) |

Cash flow

(VND bn)

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|---------------------|-------|---------|---------|---------|---------|
| C/F from operations | 773 | 398 | (50) | (1,493) | (25) |
| Net profit | 713 | 1,629 | 637 | 787 | 1,690 |
| Depreciation | 386 | 377 | 259 | 311 | 252 |
| Net incr. in W/C | (326) | (1,608) | (946) | (2,591) | (1,967) |
| C/F from investing | (761) | 941 | 244 | 341 | 2,864 |
| Capex | (460) | (616) | (318) | (380) | (205) |
| Incr. in investment | (301) | 1,557 | 562 | 721 | 3,069 |
| C/F from financing | 54 | (668) | (1,089) | 1,142 | (2,186) |
| Incr. in equity | 0 | 71 | 49 | 0 | (1,644) |
| Incr. in debt | 444 | (268) | (415) | 1,667 | (384) |
| Dividends | (390) | (471) | (722) | (526) | (159) |
| Others | | | | | |
| C/F from others | 0 | 0 | 0 | 0 | 0 |
| Increase in cash | 65 | 671 | (895) | (11) | 653 |

Key financial data

| FY-ending Dec. | 2017A | 2018A | 2019A | 2020A |
|------------------------------|--------|--------|--------|---------|
| Per-share data (VND) | | | | |
| EPS | 2,287 | 860 | 1,420 | 3,349 |
| BPS | 13,477 | 13,847 | 14,115 | 14,505 |
| DPS | | | | |
| Growth (%) | | | | |
| Sales growth | 27.5 | (10.7) | (2.4) | (41.6) |
| OP growth | 26.8 | (39.3) | 14.0 | (193.1) |
| NP growth | 168.5 | (63.4) | 39.1 | 134.7 |
| EPS growth | 120.3 | (62.4) | 65.1 | 152.1 |
| EBITDA growth | 16.9 | (36.7) | 15.7 | - |
| Profitability (%) | | | | |
| OP margin | 10.4 | 7.1 | 8.3 | (13.2) |
| NP margin | 14.9 | 6.5 | 8.3 | 30.4 |
| EBITDA margin | 13.7 | 9.7 | 11.5 | |
| ROA | 7.3 | 3.1 | 4.0 | 8.7 |
| ROE | 21.5 | 7.0 | 10.2 | 24.4 |
| Dividend yield | 8.3 | 2.0 | 0.8 | 0.5 |
| Stability | | | | |
| Net debt (VND bn) | 584 | 637 | 2,360 | 741 |
| Int.-bearing debt/equity (%) | 10.0 | 10.0 | 30.0 | 10.0 |
| Valuation (x) | | | | |
| PE | 31.8 | 20.8 | 16.4 | 25.8 |
| PB | 1.3 | 1.4 | 1.7 | 2.8 |
| EV/EBITDA | 7.7 | 12.5 | 13.8 | - |

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) | (%) |
| Vinaconex (VCG) | Recommendation | Not-rated | 2016A | 8,548 | 895 | 500 | 1,038 | 12,415 | 9.7 | 0.8 | 8.4 | 7.1 | 6.4 |
| | TP (VND) | N/A | 2017A | 10,852 | 1,135 | 1,342 | 2,787 | 13,477 | 6.3 | 1.3 | 21.5 | 7.7 | 8.3 |
| | Price (Dec 23, VND) | 53,800 | 2018A | 9,731 | 689 | 491 | 860 | 13,847 | 21.8 | 1.4 | 7.0 | 12.5 | 2.0 |
| | Market cap. (VND bn) | 23,764 | 2019A | 9,502 | 786 | 684 | 1,420 | 14,115 | 16.5 | 1.7 | 10.2 | 13.8 | 0.8 |
| | | | 2020A | 5,551 | (731) | 1,605 | 3,349 | 14,505 | 12.0 | 2.8 | 24.4 | - | 0.5 |
| Vietnam Electricity | Recommendation | Not-rated | 2017A | 909 | 93 | 63 | 711 | 11,082 | 9.8 | 0.6 | 6.8 | 5.9 | 7.1 |
| | TP (VND) | N/A | 2018A | 742 | (59) | 84 | 1,030 | 11,558 | 3.8 | 0.3 | 9.1 | - | 12.7 |
| Construction (VNE) | Price (Dec 23, VND) | 13,800 | 2019A | 1,232 | 30 | 10 | 121 | 11,651 | 29.9 | 0.3 | 1.0 | 9.6 | 0.0 |
| | Market cap. (VND bn) | 1,131 | 2020A | 1,300 | 34 | 12 | 141 | 11,785 | 42.8 | 0.5 | 1.2 | 17.2 | 0.0 |
| | | | 2021F | 1,780 | 50 | 13 | 159 | 11,823 | 56.4 | 0.7 | 1.3 | 15.6 | 0.0 |
| Simco Song Da (SDA) | Recommendation | Not-rated | 2017A | 38 | 2 | 0 | 8 | 10,131 | 381.2 | 0.3 | 0.1 | 9.7 | - |
| | TP (VND) | N/A | 2018A | 42 | (7) | (16) | (608) | 9,645 | - | 0.5 | - | 94.2 | - |
| | Price (Dec 23, VND) | 34,100 | 2019A | 39 | (8) | (62) | (2,364) | 7,279 | - | 0.4 | - | - | - |
| | Market cap. (VND bn) | 894 | 2020A | 28 | (5) | 5 | 176 | 7,455 | 28.4 | 0.7 | 2.4 | - | - |
| | | | 2021F | 32 | 7 | 7 | 255 | 7,400 | 47.9 | 1.6 | 3.4 | 38.3 | - |
| Hoa Binh (HBC) | Recommendation | Not-rated | 2017A | 16,037 | 1,155 | 859 | 3,819 | 10,471 | 6.7 | 2.4 | 42.2 | 6.9 | 1.8 |
| | TP (VND) | N/A | 2018A | 18,299 | 1,046 | 630 | 2,933 | 12,563 | 5.2 | 1.2 | 25.4 | 5.8 | 2.0 |
| | Price (Dec 23, VND) | 28,050 | 2019A | 18,610 | 679 | 417 | 1,791 | 14,800 | 5.6 | 0.7 | 13.2 | 7.7 | 2.7 |
| | Market cap. (VND bn) | 6,800 | 2020A | 11,225 | 248 | 86 | 356 | 14,845 | 42.9 | 1.0 | 2.4 | 18.5 | 1.9 |
| | | | 2021F | 10,716 | 263 | 101 | 419 | 15,112 | 37.5 | 1.0 | 2.8 | 16.9 | 1.8 |
| Power Engineering Consulting (TV2) | Recommendation | Not-rated | 2017A | 1,838 | 236 | 250 | 5,478 | 11,143 | 3.3 | 1.6 | 61.3 | 0.3 | 0.6 |
| | TP (VND) | N/A | 2018A | 1,840 | 244 | 225 | 5,000 | 15,527 | 7.1 | 2.3 | 37.5 | 2.4 | 0.4 |
| | Price (Dec 23, VND) | 66,200 | 2019A | 3,322 | 261 | 255 | 5,667 | 20,683 | 7.2 | 2.0 | 31.3 | 4.3 | - |
| | Market cap. (VND bn) | 2,980 | 2020A | 3,346 | 272 | 262 | 5,824 | 25,928 | 7.1 | 1.6 | 25.0 | 3.4 | - |
| | | | 2021F | 4,597 | 313 | 318 | 7,060 | 29,006 | 7.7 | 1.9 | 27.0 | 5.8 | 1.5 |
| Cuong Thuan IDICO (CTI) | Recommendation | Not-rated | 2017A | 1,093 | 393 | 147 | 2,721 | 18,663 | 8.9 | 1.3 | 15.6 | 8.1 | 9.5 |
| | TP (VND) | N/A | 2018A | 917 | 360 | 124 | 1,968 | 19,664 | 10.0 | 1.0 | 10.3 | 8.0 | 4.1 |
| | Price (Dec 23, VND) | 24,750 | 2019A | 797 | 290 | 80 | 1,853 | 19,587 | 10.1 | 1.0 | 6.4 | 9.8 | - |
| | Market cap. (VND bn) | 1,356 | 2020A | 915 | 205 | 97 | 1,624 | 20,339 | 9.0 | 0.7 | 8.3 | 11.4 | 16.4 |
| | | | 2021F | 925 | 199 | 53 | 969 | 19,301 | 16.4 | 0.8 | 4.9 | 12.1 | 13.8 |
| Power Construction No.1 (PC1) | Recommendation | Not-rated | 2017A | 3,161 | 355 | 237 | 1,184 | 11,699 | 16.4 | 1.7 | 10.2 | 12.2 | - |
| | TP (VND) | 32,637 | 2018A | 5,084 | 657 | 467 | 2,034 | 13,596 | 7.1 | 1.1 | 16.1 | 5.7 | - |
| | Price (Dec 23, VND) | 38,800 | 2019A | 5,845 | 594 | 358 | 1,560 | 14,985 | 7.8 | 0.8 | 10.9 | 7.0 | - |
| | Market cap. (VND bn) | 9,124 | 2020A | 6,679 | 823 | 513 | 2,032 | 17,380 | 9.1 | 1.1 | 13.8 | 6.6 | - |
| | | | 2021F | 10,161 | 737 | 690 | 2,804 | 19,606 | 11.5 | 1.6 | 16.5 | 13.9 | - |

Source: Company data, KIS

Power

Non-rated

► Three keywords

- Hydropower performed well at the cost of gas power in 2021 thanks to the effect of La Nina
- Coal-fired power is on the rise to meet the demand recovery of power consumption in 2022F
- Accelerated expansion of renewable energy following the PDP8 and COP26

► Top pick

| Quang Ninh Thermal Power (QTP, Not rated) | | | |
|---|-------|-------|-------|
| | 2018A | 2019A | 2020A |
| PE (x) | 17.8 | 7.9 | 4.1 |
| PB (x) | 1.2 | 1.1 | 0.9 |
| EV/EBITDA (x) | 4.3 | 3.4 | 2.7 |
| DY (%) | n/a | n/a | 2.0 |
| EPS (VND) | 612 | 1,447 | 2,901 |

Growth fueled by coal-fired plants

Investment summary

Hydropower performed well at the cost of gas power

In 11M21, the total consumption reached 235bn kWh, 4.2% yoy. lower than 8.62% CAGR in 2016-2020 due to the 4th wave of outbreak. Gas power was hit due to the unattractively sharp rise of global gas price, (143% yoy). Hydropower enjoyed growth, mostly attributable to La Nina effect, resulting in EVN switching to hydroelectric power to take advantage of cheap price. In 10M21, the volume of hydro power, gas thermal power, coal-fired power, renewable power, oil-fired/import were 63.5bn kWh, 7.8% yoy/22.4bn kWh, -24.4% yoy/100.8bn kWh, -2.9% yoy/24.1bn kWh, +169.3%yoy /1.39bn kWh, -61.7% yoy

Recovery in demand and selling prices

As COVID-19 is under control simultaneously with the easing of lockdown measures in most of the key cities/ provinces, we expect electricity consumption will recover from 2022F onward. According to Vietnam Electricity Corporation (EVN), Vietnam's power consumption will grow at 8.2% in 2022F. Besides, we believe that the bidding price offered by EVN will be higher as the effect of La Nina circulation wanes since early 2022F (according to World Meteorological Organization) drives the cheap hydropower could not be abundant seen in 2020.

Coal-fired power is on the rise to meet the demand recovery

EVN will prioritize the cheaper coal-fired power plants driven by their lower than gas supply price. The imported coal made up 24% of total volume, of which, Vietnam primarily imports from Indonesia and Australia. Newcastle coal futures hovered USD168/tonne, +101% YTD. Thus, we believe that the domestic coal price could soar in 2022F as EVN shift their focus to coal-fired plants. Despite its rising trend, the current buying price of coal-fired power at VND1,300 -1,569/kWh is still compelling vs gas-fired power at VND1,800 – 2,800/kWh. We expect the prospect of coal-fired plants stays solid than gas-fired firms in 2022F.

Accelerated expansion of renewable energy

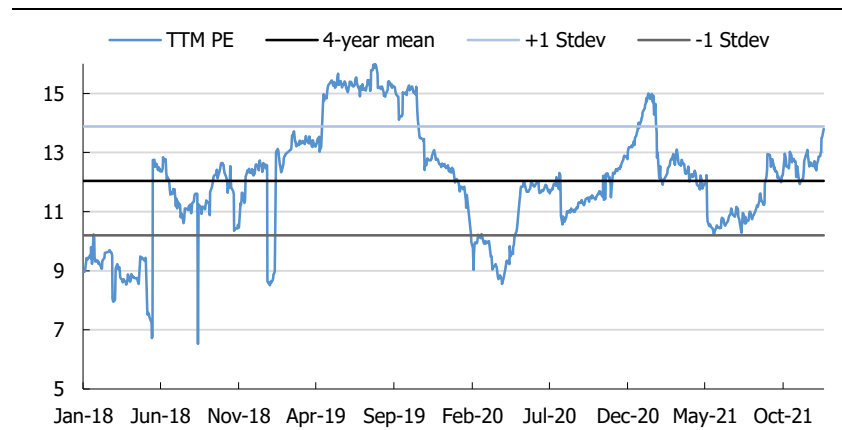
Following the Power Development Plan VIII (PDP8), Vietnam still relies on coal and gas power to ensure sufficient energy for economic growth. However, purchasing a net zero commitment at the UN Climate Change Conference (COP26), Vietnam is encouraging the power expansion to be led by renewable energy (RE) and that could be expected to rise from the 2022F onwards. As the current portion of RE in total electricity consumption is only 12% and RE normally takes 1-3 years to commercially operate, the rosy reward to RE could be expected to reap from 2024F.

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Valuation

Currently, the sector is trading at 13.8x TTM PE, nearing its above 1 s.d 4-year historical average (12.0x). Looking at electricity companies’ high valuation multiples, we think that market seems to be pricing in an expected positive outlook. The TTM ROE of the sector was 0.06 point lower than in 2020F which was driven by the below-expected 9M21 performance results.

Valuation of power companies



Source: Fiin Pro

Quang Ninh Thermal Power (QTP)

Non rated

| | |
|---------------------------------|---------------|
| Stock price (Dec 23, VND) | 18,500 |
| Market cap (USD mn) | 363 |
| Shares outstanding (mn) | 450 |
| 52W High/Low (VND) | 19,100/10,843 |
| 6M avg. daily turnover (USD mn) | 1.36 |
| Free float (%) | 88.4 |
| Foreign ownership (%) | 0.3 |
| Major shareholders | |
| EVNGENCO 1 (%) | 42.0 |
| Pha Lai Thermal Power (%) | 16.4 |

| 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) | (x) | (%) | (%) |
| 2018A | 9,018 | 1,131 | 275 | 612 | | 2,803 | 17.8 | 4.3 | 1.2 | 7.0 | n/a |
| 2019A | 10,127 | 1,200 | 651 | 1,447 | 136.4 | 2,997 | 7.9 | 3.4 | 1.1 | 14.4 | n/a |
| 2020A | 9,182 | 1,834 | 1,306 | 2,901 | 100.5 | 2,833 | 4.1 | 2.7 | 0.9 | 23.8 | 2.0 |
| 2021F | 8,339 | 833 | 613 | 1,314 | (54.7) | 1,914 | 13.1 | 4.6 | 1.2 | 9.9 | n/a |
| 2022F | 10,358 | 975 | 782 | 1,677 | 27.6 | 1,919 | 10.3 | 4.6 | 1.2 | 12.5 | n/a |

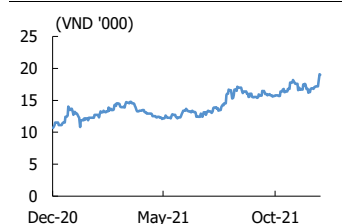
Note: NP and EPS attributed to controlling interest

Coal-fired power take the hotspot in FY22

Performance

| | 1M | 6M | 12M |
|------------------|-----|------|-------|
| Absolute (%) | 2.6 | 13.3 | 33.3 |
| Rel. to VNI (%p) | 0.6 | 4.8 | (5.6) |

Stock price



National lockdown hindered the performance in 9M21: Although the production output decreased in 3Q21 due to strict national lockdown, QTP's 9M21 EBIT increased 1.825x yoy thanks to the sharp decrease of depreciation cost. In 9M2021, QTP posted a VND396 bn net profit, beating the full-year guidance by 24.6%. Since Q4/2020 onwards, QTP has changed depreciation life for boilers and turbines from 10 years to 15 years. QTP has made the retroactive choice for depreciation cost in Q4/2020. Based on Bloomberg consensus, QTP is expected to achieve a VND8,339bn revenue, -9.18% yoy and a VND613bn net profit, -53% yoy in 2021F, translating to a VND216bn net profit (-73% yoy) in Q4/2021 due to the retroactive depreciation cost in Q4/2020.

Encouraging revenue and net profit outlook in FY22F We stay positive on QTP thanks to its earnings growth outlook in FY22, driven by the recovery of electricity consumption, EVN's strategic shift to coal-fired power in 2022F. QTP is expected to achieve VND10,358bn (+24.2% yoy) in revenue and VND782bn (+27.6% yoy) in net profit in 2022.

QTP is well-positioned to ride on the rising demand for coal-fired power in 2022F. QTP has strong connection with EVN and Vinacomin (its main shareholders). It is assumed that the global coal prices is expected to soar up in 2022F, thus we believe that the CGM price will rise in 2022F (15-20%). Simultaneously, the output of hydroelectric power is expected to decrease in 2022F as the effect of La Nina wanes, coupled with the rising price of gas-fired power (mainly attributable to the significant increase of global gas price in 2022F). Thus, we expect that QTP's Qc and total output will escalate in 2022F that significantly add up to the growth of QTP's gross profit in 2022F.

QTP is a good stock with a solid fundamental and great long-term outlook: QTP is trading at a 7.2x TTM PE, much lower than the local peer median of 12.1x. The current price correction caused by the worrisome about the low demand caused by the national lockdown, and short-term revenue growth outlook would create a good opportunity for new investors to have a favorable price in 2022.

Balance sheet

(VND bn)

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|------------------------------|---------|--------|--------|--------|--------|
| Current assets (Adj.) | 1,987 | 2,491 | 2,794 | 3,274 | 4,258 |
| Cash & cash equivalent | 301 | 321 | 536 | 623 | 1,338 |
| Accounts & other receivables | 1,399 | 1,669 | 1,960 | 2,203 | 2,405 |
| Inventory | 288 | 500 | 298 | 448 | 516 |
| Non-current assets (Adj.) | 13,379 | 11,481 | 9,522 | 7,616 | 6,167 |
| Fixed Asset | 13,374 | 11,481 | 9,522 | 7,616 | 6,167 |
| Investment assets | 5 | 0 | 0 | 0 | 0 |
| Others | 94 | 77 | 68 | 75 | 83 |
| Total assets | 15,459 | 14,049 | 12,385 | 10,966 | 10,508 |
| Advances from customers | 0 | 0 | 0 | 0 | 0 |
| Unearned revenue | 0 | 0 | 0 | 0 | 0 |
| Trade payables | 1,000 | 544 | 523 | 334 | 488 |
| Others | 334 | 232 | 214 | 155 | 182 |
| ST debt & bond | 1,966 | 1,946 | 1,891 | 1,830 | 1,336 |
| LT debt & bond | 9,286 | 7,616 | 5,642 | 3,751 | 2,414 |
| Total liabilities | 12,586 | 10,338 | 8,270 | 6,070 | 4,419 |
| Controlling interest | 2,873 | 3,711 | 4,115 | 4,895 | 6,089 |
| Capital stock | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 |
| Capital surplus | 231 | 231 | 231 | 231 | 231 |
| Other Reserves | (374) | (245) | (116) | 13 | 13 |
| Retained earnings | (1,484) | (775) | (499) | 152 | 1,345 |
| Minority interest | 0 | 0 | 0 | 0 | 0 |

Income statement

(VND bn)

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|---|-------|-------|-------|--------|-------|
| Sales | 8,738 | 8,210 | 9,018 | 10,127 | 9,182 |
| COGS | 7,287 | 6,731 | 7,815 | 8,856 | 7,348 |
| Gross profit | 1,451 | 1,479 | 1,203 | 1,271 | 1,834 |
| SG&A expenses | 68 | 73 | 72 | 71 | 105 |
| Operating profit | 1,383 | 1,406 | 1,131 | 1,200 | 1,729 |
| Financial income | 15 | 30 | 4 | 27 | 48 |
| Interest income | 0 | 0 | 0 | 0 | 1 |
| Financial expenses | 1014 | 804 | 857 | 562 | 396 |
| Interest expenses | 775 | 669 | 569 | 431 | 308 |
| Other non-operating profit | -242 | -29 | -287 | -109 | -47 |
| Gains (Losses) in associates, subsidiaries and JV | 0 | 0 | 0 | 0 | 0 |
| Earnings before tax | 367 | 709 | 275 | 660 | 1,375 |
| Taxes | 0 | 0 | 0 | 9 | 69 |
| Net profit | 367 | 709 | 275 | 651 | 1,306 |
| EBITDA | 9,439 | 3,360 | 3,089 | 3,106 | 2,879 |

Cash flow

(VND bn)

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|---------------------|----------|---------|---------|---------|---------|
| C/F from operations | 8,422 | 1,621 | 2,106 | 1,917 | 2,366 |
| Net profit | 367 | 709 | 275 | 651 | 1,306 |
| Depreciation | 8,055 | 1,953 | 1,959 | 1,906 | 1,150 |
| Amortization | | | | | |
| Net incr. in W/C | 0 | (1,041) | (128) | (640) | (89) |
| Others | | | | | |
| C/F from investing | (21,434) | (56) | 0 | 0 | (200) |
| Capex | (21,429) | (61) | 0 | 0 | (100) |
| Incr. in investment | (5) | 5 | 0 | 0 | (100) |
| C/F from financing | (471) | (1,690) | (2,053) | (1,952) | (1,831) |
| Incr. in equity | 0 | 0 | 0 | 0 | 0 |
| Incr. in debt | 41 | (1,690) | (2,029) | (1,952) | (1,831) |
| Dividends | 0 | 0 | (25) | 0 | 0 |
| Others | (2,077) | 146 | 162 | 122 | 381 |
| C/F from others | 231 | 21 | 215 | 86 | 715 |
| Increase in cash | 8,422 | 1,621 | 2,106 | 1,917 | 2,366 |

Key financial data

| FY-ending Dec. | 2016A | 2017A | 2018A | 2019A | 2020A |
|------------------------------|--------|--------|--------|--------|--------|
| Per-share data (VND) | | | | | |
| EPS | 810 | 1,588 | 603 | 1,457 | 2,942 |
| BPS | 6,530 | 8,434 | 9,353 | 11,125 | 13,838 |
| DPS | 24.0 | 0.0 | 500.0 | 500.0 | 501.0 |
| Growth (%) | | | | | |
| Sales growth | 12.0 | (6.0) | 9.8 | 12.3 | (9.3) |
| OP growth | 368.0 | 1.7 | (19.6) | 6.1 | 44.1 |
| NP growth | 128.0 | 93.4 | (61.2) | 136.5 | 100.6 |
| EPS growth | 128.0 | 96.0 | (62.1) | 141.7 | 102.0 |
| EBITDA growth | 103.0 | (64.4) | (8.0) | 0.5 | (7.3) |
| Profitability (%) | | | | | |
| OP margin | 15.8 | 17.1 | 12.5 | 11.8 | 18.8 |
| NP margin | 4.2 | 8.6 | 3.1 | 6.4 | 14.2 |
| EBITDA margin | 108.0 | 40.9 | 34.3 | 30.7 | 31.3 |
| ROA | 2.4 | 4.8 | 2.1 | 5.6 | 12.2 |
| ROE | 12.8 | 21.5 | 7.0 | 14.4 | 23.8 |
| Dividend yield | 0.1 | 0.0 | 1.7 | 1.7 | 1.8 |
| Stability | | | | | |
| Net debt (VND bn) | 10,952 | 9,240 | 6,997 | 4,958 | 2,412 |
| Int.-bearing debt/equity (%) | 381 | 249 | 170 | 101 | 40 |
| Valuation (x) | | | | | |
| PE | 35.3 | 18.0 | 47.4 | 19.6 | 9.7 |
| PB | 4.4 | 3.4 | 3.1 | 2.6 | 2.1 |
| EV/EBITDA | 1.3 | 3.1 | 2.6 | 2.0 | 1.2 |

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 (%) |
| Quang Ninh | Recommendation | Not-rated | 2016A | 8,738 | 1,383 | 367 | 815 | 6,385 | n/a | n/a | 14.0 | n/a | n/a |
| Thermal Power | TP (VND) | N/A | 2017A | 8,210 | 1,406 | 709 | 1,575 | 8,247 | 4.9 | 0.9 | 21.5 | 3.9 | n/a |
| (QTP) | Price (Dec 23, VND) | 18,500 | 2018A | 9,018 | 1,131 | 275 | 612 | 9,145 | 17.8 | 1.2 | 7.0 | 3.9 | n/a |
| | Market cap. (VND bn) | 8,325 | 2019A | 10,127 | 1,200 | 651 | 1,447 | 10,878 | 7.9 | 1.1 | 14.5 | 3.2 | n/a |
| | | | 2020A | 9,182 | 1,834 | 1,306 | 2,901 | 13,530 | 4.1 | 0.9 | 23.8 | 3.3 | 2.0 |
| Hai Phong | Recommendation | Not-rated | 2016A | 9,157 | 1,251 | 287 | 575 | 9,418 | 13.6 | 0.8 | 6.0 | 5.2 | 2.6 |
| Thermal Power | TP (VND) | N/A | 2017A | 9,095 | 1,548 | 396 | 791 | 10,371 | 11.9 | 0.9 | 8.0 | 4.6 | 6.4 |
| (HND) | Price (Dec 23, VND) | 19,400 | 2018A | 9,527 | 1,423 | 425 | 850 | 11,385 | 8.8 | 0.7 | 7.8 | 3.5 | 4.7 |
| | Market cap. (VND bn) | 9,700 | 2019A | 11,301 | 1,603 | 1,173 | 2,345 | 12,398 | 4.8 | 0.9 | 19.7 | 3.4 | 6.7 |
| | | | 2020A | 10,867 | 1,758 | 1,438 | 2,876 | 13,834 | 5.9 | 1.2 | 21.9 | 3.2 | 8.0 |
| Pha Lai Thermal | Recommendation | Not-rated | 2016A | 5,866 | 381 | 599 | 1,883 | 16,887 | 4.7 | 0.5 | 10.8 | 14.9 | 37.5 |
| Power | TP (VND) | N/A | 2017A | 6,236 | 710 | 854 | 2,682 | 17,083 | 5.0 | 0.8 | 15.7 | 10.0 | 17.8 |
| (PPC) | Price (Dec 23, VND) | 24,800 | 2018A | 7,117 | 1,058 | 1,122 | 3,501 | 17,622 | 3.6 | 0.7 | 20.2 | 4.6 | 36.1 |
| | Market cap. (VND bn) | 7,951 | 2019A | 8,183 | 1,203 | 1,261 | 3,933 | 18,604 | 5.2 | 1.1 | 21.7 | 6.0 | 14.7 |
| | | | 2020A | 7,929 | 928 | 1,011 | 3,153 | 20,224 | 6.2 | 1.0 | 16.2 | 6.3 | 6.9 |
| Nhon Trach 2 | Recommendation | Not-rated | 2016A | 7,983 | 1,295 | 1,086 | 3,718 | 17,230 | 4.2 | 0.9 | 22.0 | 5.6 | 20.7 |
| (NT2) | TP (VND) | N/A | 2017A | 6,761 | 1,279 | 810 | 2,762 | 17,317 | 7.6 | 1.2 | 16.1 | 6.2 | 12.3 |
| | Price (Dec 23, VND) | 26,300 | 2018A | 7,670 | 914 | 782 | 2,618 | 12,795 | 7.6 | 1.6 | 17.4 | 6.2 | 36.0 |
| | Market cap. (VND bn) | 7,571 | 2019A | 7,654 | 888 | 754 | 2,560 | 14,336 | 6.9 | 1.2 | 19.0 | 4.7 | 5.1 |
| | | | 2020A | 6,082 | 810 | 625 | 2,095 | 14,928 | 10.7 | 1.5 | 14.3 | 5.2 | 11.1 |
| Cam Pha | Recommendation | Not-rated | 2016A | 2,405 | (76) | 99 | 504 | 7,161 | n/a | n/a | n/a | n/a | n/a |
| Thermal Power | TP (VND) | N/A | 2017A | 3,640 | 330 | (102) | (518) | 6,642 | 11.3 | 0.8 | (7.5) | 7.1 | n/a |
| (NCP) | Price (Dec 23, VND) | 8,600 | 2018A | 3,205 | 38 | (414) | (2,102) | 4,541 | n/a | 0.5 | (37.6) | 8.5 | n/a |
| | Market cap. (VND bn) | 1,694 | 2019A | 4,003 | 302 | 2 | 13 | 4,553 | 653.9 | 1.9 | 0.3 | 6.5 | n/a |
| | | | 2020A | 4,230 | 192 | (584) | (2,965) | 1,589 | 692.3 | 2.0 | (96.5) | 6.9 | n/a |
| Ninh Binh | Recommendation | Not-rated | 2016A | 666 | 25 | 22 | 1,682 | 20,352 | 4.7 | 0.5 | 8.1 | 3.1 | 14.8 |
| Thermal Power | TP (VND) | N/A | 2017A | 703 | 44 | 38 | 2,944 | 21,223 | 3.2 | 0.4 | 14.2 | 2.3 | 16.0 |
| (NBP) | Price (Dec 23, VND) | 20,500 | 2018A | 756 | 30 | 27 | 2,060 | 19,595 | 4.2 | 0.6 | 10.1 | 2.0 | 28.9 |
| | Market cap. (VND bn) | 264 | 2019A | 1,192 | 24 | 20 | 1,188 | 19,958 | 3.5 | 0.5 | 6.0 | 4.8 | 6.9 |
| | | | 2020A | 1,038 | 37 | 28 | 2,176 | 20,691 | 5.6 | 0.6 | 10.7 | 2.9 | 8.3 |
| Ba Ria | Recommendation | Not-rated | 2016A | 1,668 | 93 | 120 | 1,981 | 18,290 | 4.3 | 0.5 | 11.1 | 4.5 | 14.8 |
| Thermal Power | TP (VND) | N/A | 2017A | 2,444 | 90 | 92 | 1,523 | 18,543 | 5.3 | 0.4 | 8.3 | 3.4 | 16.0 |
| (NBP) | Price (Dec 23, VND) | 17,800 | 2018A | 1,107 | 89 | 137 | 2,270 | 17,989 | 4.2 | 0.5 | 12.4 | 2.4 | 28.9 |
| | Market cap. (VND bn) | 1,077 | 2019A | 1,895 | 155 | 182 | 3,016 | 20,291 | 3.6 | 0.5 | 15.8 | 3.4 | 6.9 |
| | | | 2020A | 750 | 65 | 81 | 1,338 | 20,223 | 10.2 | 0.7 | 6.6 | 6.5 | 8.3 |

Source: Company data, KIS

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- 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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