

true friend **KIS** Viet Nam  
Securities Corporation

# 2023 OUTLOOK Thriving in turbulent times

Investment Strategy | Sector Outlook

Research | 16 Dec 2022

# 2023 Outlook

# Contents

<b>Investment Strategy</b>	<b>“Open weak and close strong”</b>	<b>5</b>
	VNIndex 2022 recap	5
	Foreign demand recovers and fundflow hits the extreme	8
	“Open weak and close strong”	10
<b>Economy</b>	<b>Vietnam’s economy on the rocky road ahead</b>	<b>22</b>
	Global hawkishness is casting out	22
	The Zero-COVID end provides hope	30
	Internal shield could vanish soon	32
	Public investment could be the growth keeper	34
	Fed pivot could ease FX market and the liquidity stress	38
	Concluding remarks	39
<b>Sector Outlook</b>	<b>Summary</b>	<b>43</b>
	Power	44
	Consumers	48
	Construction Materials	56
	Seafood	60
	Textile	69
	Fertilizer	73
	Securities	78
	Insurance	84
	Retails	87
	Industrial Estate	92
Residential Property	97	

2023 Outlook  
Thriving in turbulent times

# Investment Strategy

---

## **“Open weak and close strong”**

### **I. VNIndex 2022 recap**

- 1. “When it rains, it pours”**
- 2. Liquidity shrank**
- 3. Trading activity by investor groups**

### **II. Foreign demand recovers and fundflow hits the extreme**

### **III. “Open weak and close strong”**

- 1. Medium downtrend**
- 2. Long term uptrend**
- 3. Market rebounds in 2H23**

## Strategy

### Thriving in turbulent times

#### 2022 has brought new headwinds to the stock market

In 2022, Vietnam's stock market has absorbed the burdens from both external and internal problems that led all indexes to a dramatic plunge since Apr 2022, in which VNIndex, HNX Index, and Upcom Index significantly dropped 31% YTD, 54% YTD, and 37% YTD, respectively. Particularly, small-cap tickers contracted the most and followed by mid-cap tickers with a drop of 49% YTD and 41% YTD. However, the market signaled to rebound from late of Nov after hitting a 2-year low.

#### Foreign demand strongly recovers

Foreign demand has started to come back from Apr 2022 and hit the extreme during the strong correction in Nov 2022. Demand was mainly absorbed by major sectors and focused on large-cap stocks which are the components of the VN30Index. Breaking down by investor group, domestic trading activity also surged where institutions ended up being net bought with a high level of net buy value. In terms of money flow, Vietnam was the leader of SEA which attracted high demand on major ETFs, completely fading the strong divestment across Thailand as well as pushing inflow across SEA to skyrocket.

#### Open weak and close strong

In the medium term, the market may still fall due to (1) Pressure from high Fed interest rates and (2) Low liquidity of the corporate bond market. However, we expect the market to rebound since 2H23 thanks to (1) Good fundamentals and (2) attractive valuation. Specifically, the VNIndex will form an important bottom from May 2023 to Sep 2023 in the range of 780-910 points. And then, the market will increase until the end of the year.

## I. VNIndex 2022 recap

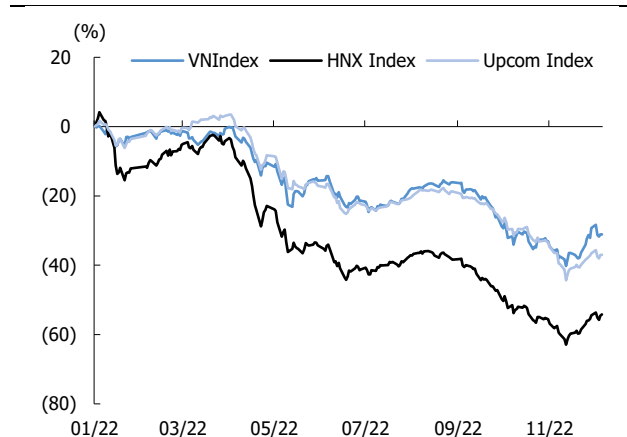
### 1. “When it rains, it pours”

**2022 brings new headwinds to the stock market.** Vietnam's stock market suffered a big loss during 2022 since it feared of globally negative issues such as elevated inflation, rate hike cycle and the challenges from China's Zero COVID-19 campaign. Moreover, the situation worsened when chairman of large groups was arrested on allegations of manipulation as well as illegal corporate bond issuances.

Particularly, VNIndex reached its all-time high at 1,528 points in the 1st week of 2022 and then consolidated around 1,450-1500 points in 1Q22 even though the global markets were facing of consequences from Russia-Ukraine war. However, the market tumbled 23.4% to marked 1,171 points in the early of May mainly affected by massive margin sell-off in the whole market. Notably, after getting upward from the July's bottom at 1,149 points, VNIndex extended to plunge 28.6% reaching 2-years bottom at 911 points in the first haft of November.

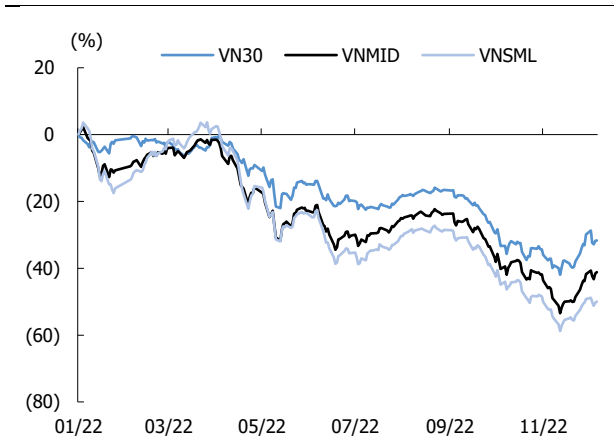
**VNIndex continually confirms new bottoms and reaches the lowest point in the middle of November 2022.** As the data calculated until 9th Dec, small-cap tickers have contracted the most and followed by mid-cap tickers with the drop of 49% YTD and 41% YTD. After continuing with its bearish trend, VNIndex finally ended its long-term down trend when it hit a 2-years bottom at 911 points on 15th November (-40.2% YTD) and shortly rebounded to close at 1,051 points on 9th Dec (+6.7% mom and -31% YTD).

**Figure 1. Growth of Vietnam indexes in 2022**



Source: Fiinpro, KIS

**Figure 2. Growth of key indexes of HOSE in 2022**

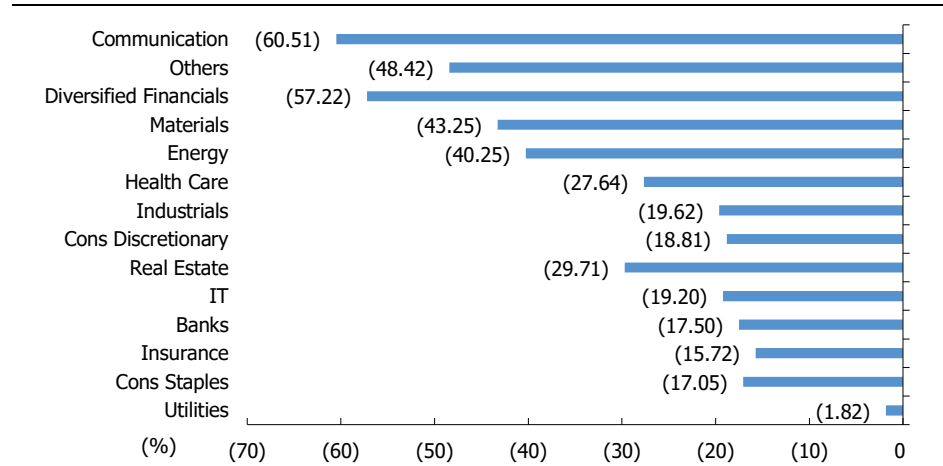


Source: Fiinpro, KIS

**All sectors are significantly contracted in 2022.** Considering on the proportion of contributed tickers in each sector, Diversified Financial decreased the most as it downed 48.4% YTD, mainly driven by the drop of SSI (-56.7%), VND (-52.45%) and VCI (52.5%). Besides, Materials tickers was negatively reflected by rising input price and lower demand, dominated by HPG (-45.3%), HSG (-58.4) and NKG (-57.3%). Notably, November has witnessed a tragic drop

of NVL (-81.7%), PDR (-76.3%) and HPX (-79%) in average 13 trading days since the problem from corporate bond has sparked.

**Figure 3. All sectors were colored in red**

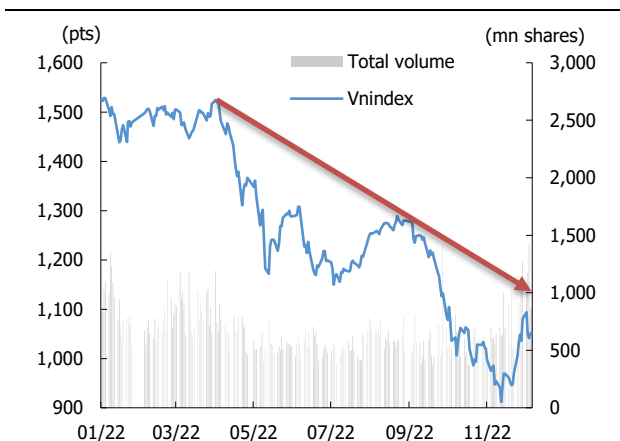


Source: Bloomberg, KIS

## 2. Liquidity shrank

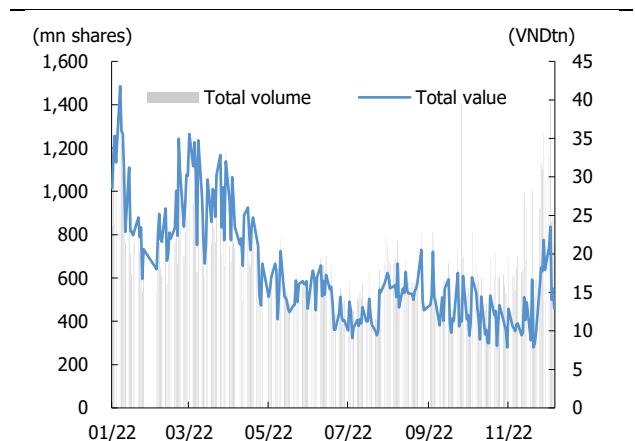
**Average trading turnover roughly decreased 18.8% yoy.** In 2022, both average of VNIndex’s trading value and volume plunged from 743mn shares/VND21.72tn to 670mn shares/VND17.64tn, decreased 10.6% yoy and 18.8% yoy, mainly influenced by tightening policies and pessimistic sentiment. Notably, trading turnover has downed since the index absorbed the burdens from both external and internal problems, started in May 2022 then remarkably improved when inflow from foreigners has risen in late November, recorded at around VND18tn/session (+18.4% compared to May 2022).

**Figure 4. Movement of VNIndex and liquidity in 2022**



Source: Fiinpro, KIS

**Figure 5. Trading value and volume in 2022**

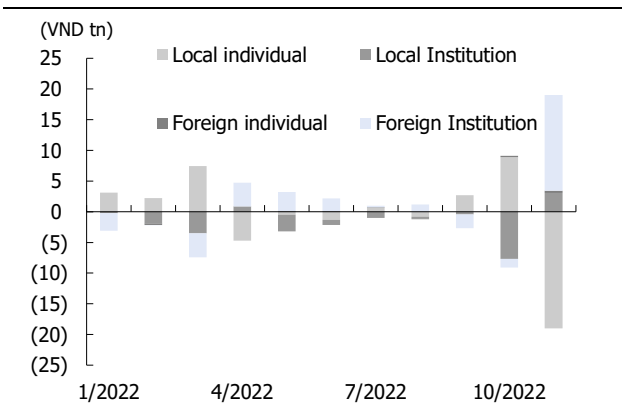


Source: Fiinpro, KIS

### 3. Trading activity by investor groups

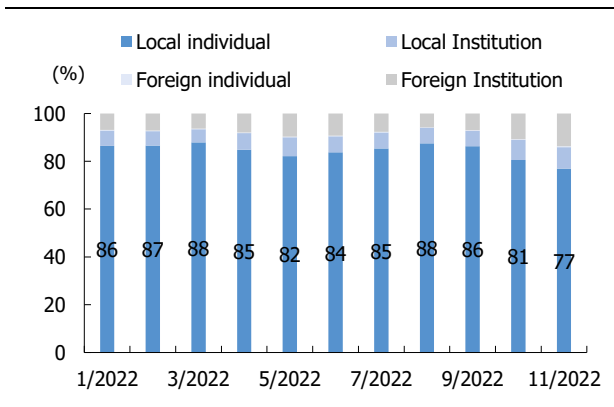
**Trading activity increased significantly across 4 groups since 2Q22.** In Nov 2022, total trading value surged whilst the market was quite dry during 1H22. Particularly, trading activity increased significantly across 4 groups since 3Q22 and skyrocketed in Nov 2022. Within Nov 2022, local individual was strongly net sold for VND19tn in net sell value whilst the remaining three groups ended up to be net bought. Notably, big money (institutional) has started to re-enter the market since 3Q22 due to the increase of trading activity proportion, pushing the trading proportion of local individual to fall below 80% which is the positive signal for the market to bottom out.

**Figure 6. Trading activity by investor group**



Source: KIS, Fiinpro

**Figure 7. Proportion by investor group**



Source: Fiinpro, KIS

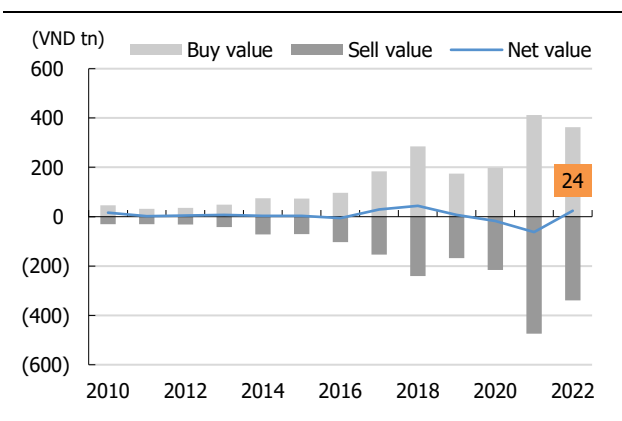
**Foreign institution records the surge in trading activity and strongly net bought in Nov 2022.** In Nov 2022, total trading value from foreign institution increased strongly, up 40% MoM as well as ending up to be net bought with the yearly high net buy value (VND15.5bn) whilst this group stayed quiet during 1H22 with the net trading value was below VND5tn. The increase in trading activity and net buy value from foreign institution during the sharp correction in Nov 2022 has turned on the green light for the attractive of the overall market. On the other sides, foreign individual continued to be not significant.

Breaking down by tickers, among domestic trading activity, local institution bought FPT, VIB, MBB, PNJ, and GAS the most whilst EIB, DIG, VFMVN Diamond, NVL, and VIC experienced the strongest divestment. With local individual, EIB, NVL, VIC, HPG, and DIG attracted the massive demand whilst large sell orders of this group were placed on CTG, STB, VNM, FPT, and DPM.

## II. Foreign demand recovers and fundflow hits the extreme

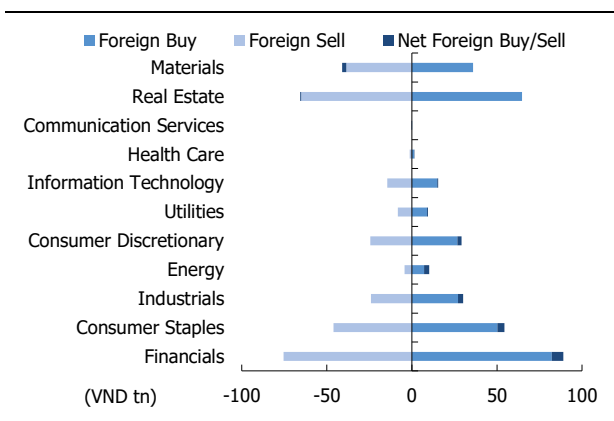
**Foreign demand ticks up after the long period of selling.** Market ended up to be net sold by foreign investor in 1Q22 with net sell value was VND6.6tn due to the rate hike environment. However, foreign demand has started to come back from Apr 2022 and hit the extreme during the strong correction in Nov 2022. Up to 9 Dec 2022, net buy value was VND24tn, the highest figure since 2019, mainly driven by the solid demand on Diamond and Fubon ETF. Breaking down by sector, foreign demand was mainly absorbed by Financials, Consumer Staples, and Industrials thanks to large buy orders on STB, CTG, DGC, VNM, and GMD. On the contrary, Materials and Real Estate ended up to be divested due to the strong divestment on HPG, NVL, VIC, and HPX.

**Figure 8. Net foreign buy/sell**



Source: KIS, Fiipro

**Figure 9. Net foreign buy/sell by sector**



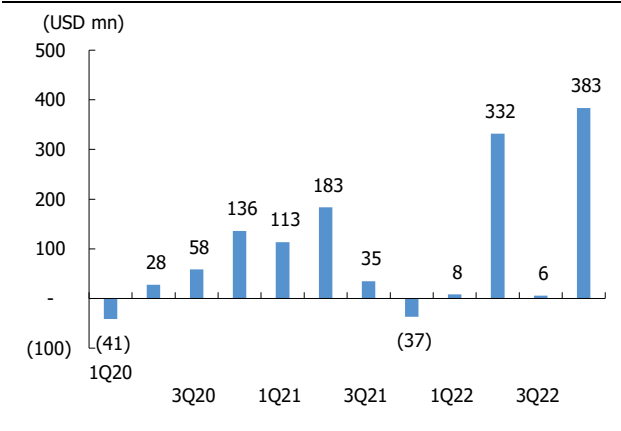
Source: KIS, Fiipro

**Vietnam continues to be the leader of South East Asia.** Up to 09 Dec 2022, Vietnam attracted USD729mn via major ETFs, the all-time high figure. Notably, among South East Asia (SEA), Vietnam kept being the leader in term of the flow of money, fading the strong divestment across Thailand (USD95mn) and being the main contributor for the solid demand across SEA in 2022.

**Stable demand on Vietnam’s major ETFs.** The flow of money across Vietnam skyrocketed. Particularly, the flow of money has started to recover and strongly increase from 3Q22 as well as Vietnam recorded the inflow for 3 consecutive months. From 2Q22, the flow of money was quite active, recording at three figures during the market strong correction period. Up to 9 Dec 2022, Vietnam attracted USD729mn via major ETFs, two times higher than the same period of 2021. Importantly, solid demand has started to spread to all major ETFs which was not happened in 2021.

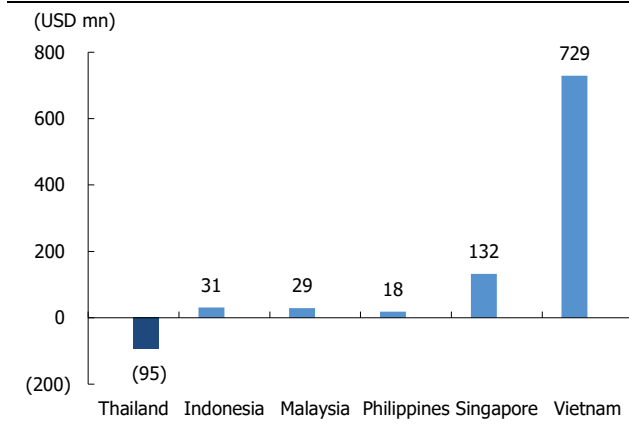


**Figure 10. Quarterly Vietnam ETF net flow**



Source: Bloomberg, KIS

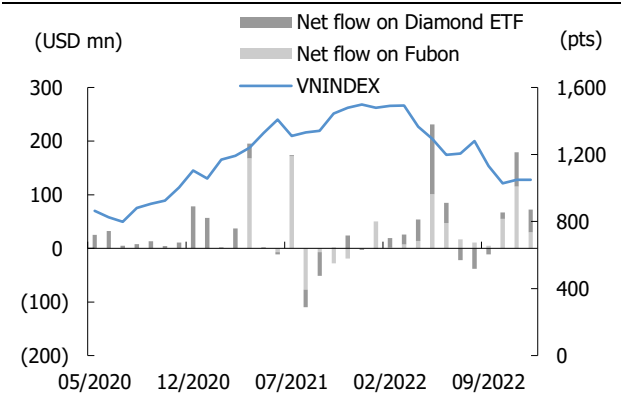
**Figure 11. The flow of money across SEA countries**



Source: Bloomberg, KIS

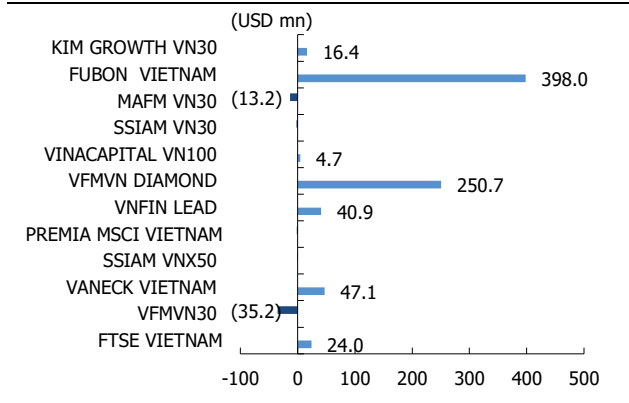
**Demand spreads to major ETFs.** Breaking down by ETFs, unlike 2021 when demand was mainly absorbed by Diamond and Fubon ETF, the flow of money has started to spread to all major ETFs in 2022. Particularly, up to 9 Dec 2022, Fubon continued to attract the most of demand across Vietnam, recording at USD400mn, followed by VFMVN Diamond (USD251mn), and VanEck (USD47mn). Notably, inflow also attracted by other ETFs such as VNFIN Lead (USD41mn), FTSE (USD24mn), and Kim Growth VN30 (USD17mn). On the contrary, outflow was only occurred on VFMVN30 and MAFM VN30 which was not significant.

**Figure 12. Net flow across top 2 ETFs and VNINDEX**



Source: Bloomberg, KIS

**Figure 13. Money flow across Vietnam major ETFs**



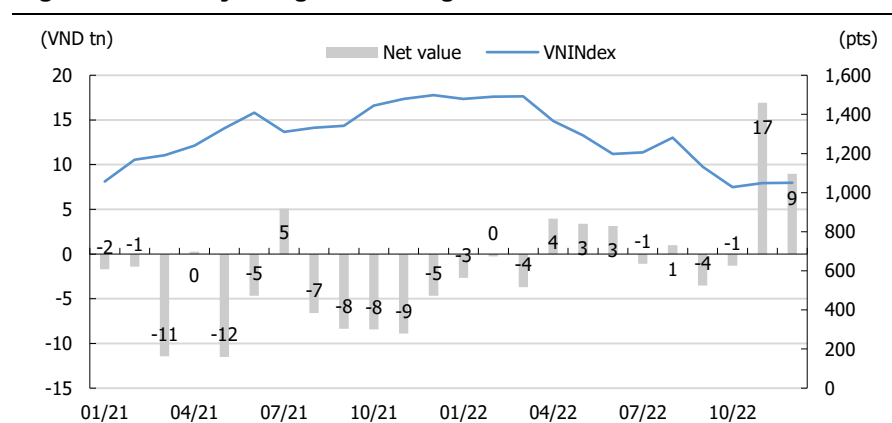
Source: Bloomberg, KIS

### III. “Open weak and close strong”

#### 1. Medium downtrend

**Short-term rebound quickly ends.** The VNIndex has rebounded since mid-November, increasing by 19% from Nov trough to Dec peak thanks to the high demand of foreign investors, disbursed VND16.9tn in November when the index retested 900 pts. This inflow was activated when the Vietnam stock market became attractive due to a bearish market by 40% from the Apr peak to the Nov bottom. However, the current bullish market strongly increased in 3 weeks, which made many stocks to become unattractive. Therefore, foreign capital inflows may slow down in the near future. And then the uptrend may reverse.

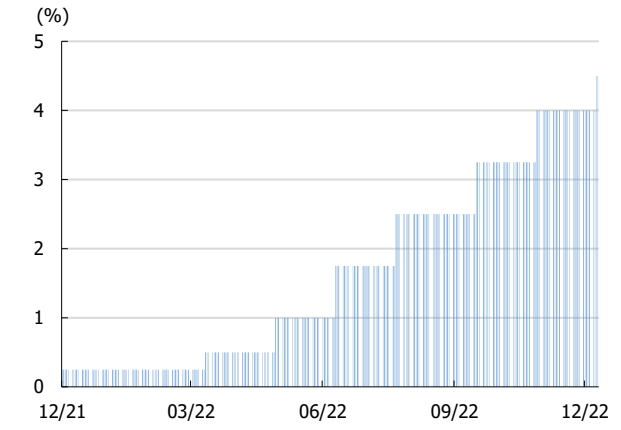
**Figure 14. Monthly foreigners' trading and the VNIndex**



Source: Fiiipro, KIS

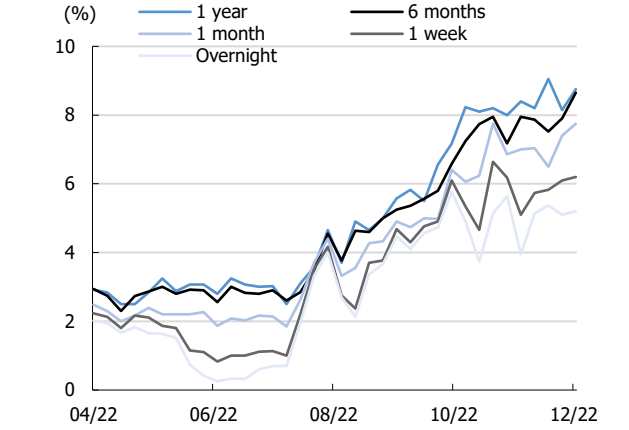
**Pressure from high Fed interest rates.** Although the Fed interest rate strongly increase in 2022, the Fed still maintains a high interest rate policy to against inflation in the future. Fed is expected to raise interest rates in 2023 and only consider reducing interest rates from 2024. Therefore, high interest rates policy of the FED will still have a negative impact on the global economy. Vietnam will continue to be affected by this policy in 2023. Accordingly, exchange rates and local interest rates continue to fluctuate strongly. In which, the interest rates (lending and deposit rates) may be high.

**Figure 15. Upper Fed fund rate target**



Source: KIS, Bloomberg

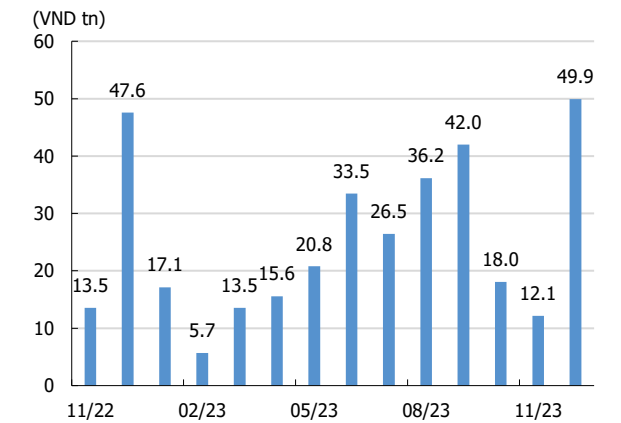
**Figure 16. VNIBOR Interbank Deposit rate**



Source: KIS, Bloomberg

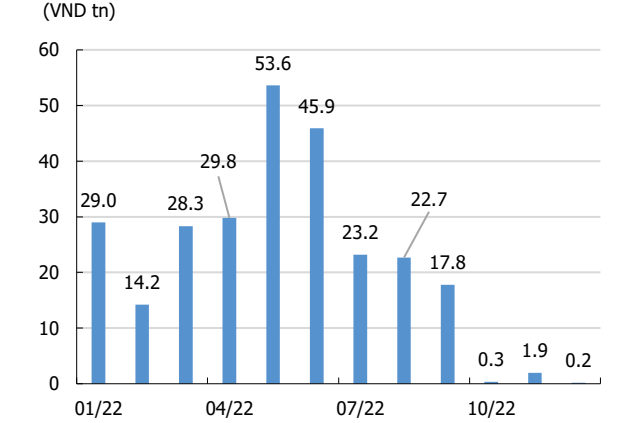
**Low liquidity of the corporate bond market.** The pressure to raise capital of companies from the issued bond is increasing. Accordingly, the maturity value of corporate bonds in Dec 2022 and 1Q23 are VND47tn and VND36tn. However, the liquidity of the market has been low when the issued value is lower than VND2tn since October 2022. Therefore, it is very difficult for companies to raise a large amount of capital to compensate for the corporate bond that will mature in December and 1Q23. In the short term, this pressure from this lack of liquidity will still have a strong impact on capital flows in the market.

**Figure 17. Value of bonds to maturity by month**



Source: KIS, Fiinpro, Bloomberg

**Figure 18. Total value of issued bond**



Source: KIS, Fiinpro, Bloomberg

## 2. Long term uptrend

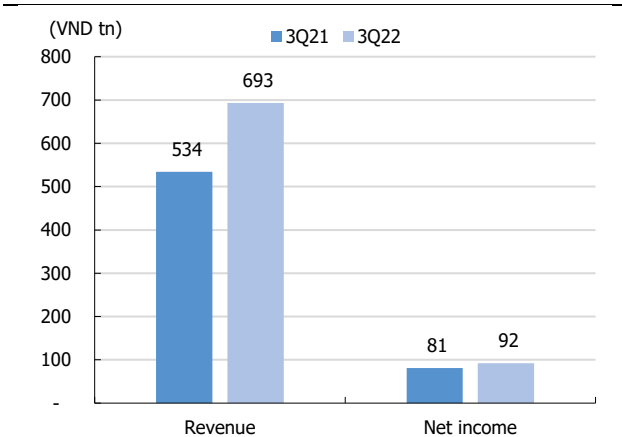
In the medium term, the market may still fall, however, Vietnam fundamentals make market gains in the long term.

**Market is undervalued.** The VNIndex has decreased 30-40% from the Apr peak, showing negative expectations of investors about the market trend. However, the total revenue and net income of listed firms on HNX and HOSE

have increased in 3Q22 and 9M22. Accordingly, revenue and net income in 3Q22 grew by 29.7% YoY and 13.1% YoY. In 9M22, firms grew 22.2% of revenue and 15.4% of total net income. Earnings are the driving factor of stock price. If earnings increase, the stock price will reflect this good information. It does not make sense when net income to still increases while stock prices go down, based on traditional theories.

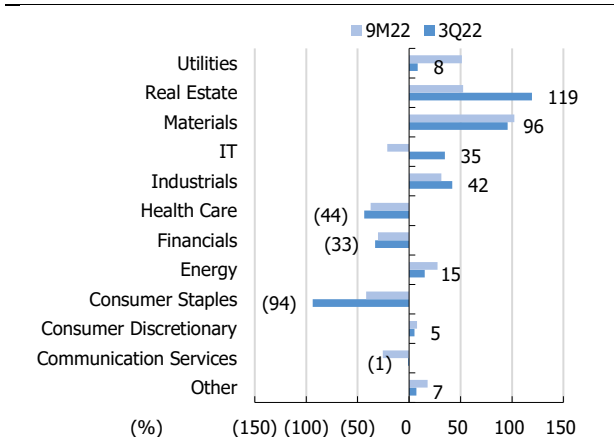
Besides, Vietnam's economy still grows by 8.83% in 3Q22 and is expected to grow by 6.9% in 2022 based on a forecast of HSBC. In 2023, the GDP growth is set at about 6.5% because of the Resolution on 2023 socio-economic development plan. Meanwhile, a number of large institutions such as Fitch Ratings, Standard Chartered, and Citigroup forecast Vietnam will grow over 6% in 2023. Hence, the local economy is expected to grow in the near future. This implies that the earnings of listed firms will still grow. Therefore, the current correction of around 40% is an overreaction.

Figure 19. Total revenue and net income



Source: KIS, Fiiipro

Figure 20. Total net income by sectors



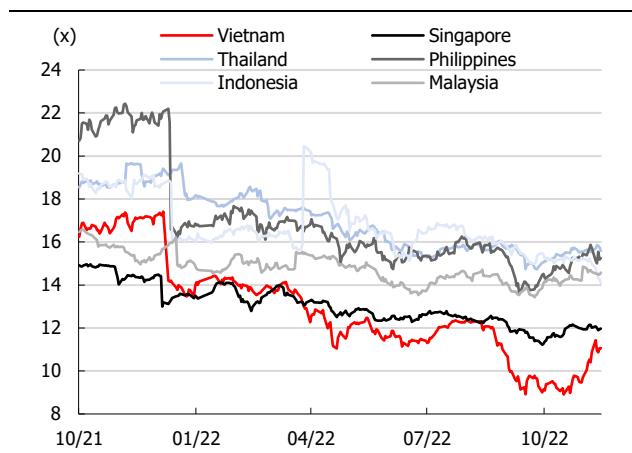
Source: KIS, Fiiipro

**Attractive valuation.** Since Apr 2022, the Vietnam stock market has decreased by 30-40%, which made the valuation of the Vietnam stock market attractive as PE forward records around 9x-10x in Nov. the Vietnam PE ratio is also the lowest in Southeast Asia such as 12x of Singapore, 15x of Thailand, 15x of Philippines, 14x of Indonesia, and 14x of Malaysia. That means Vietnam's stock market is undervalued compared to other Southeast Asia countries.

Moreover, the number of recommendations of analysts, who research the Vietnam stock market, records spiked in 4Q22 based on the buying recommendations. Accordingly, the buying recommendation reaches 280 recommendations (when the market fell sharply) in 4Q22 compared to 47 in 1Q22 (when the market peaked).

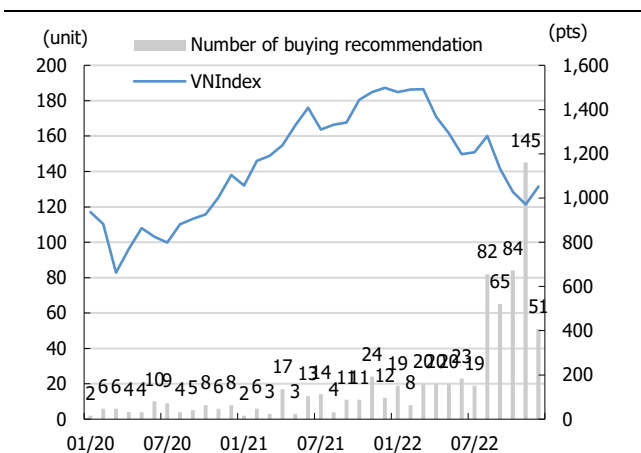
Analysts use fundamental research and analysis of the long-term business outlook to recommend buying or selling stocks in their reports. When they see investment opportunities thanks to the medium-term downtrend, they may release buying reports more than the other times such as in 1Q22. Hence the number of buy recommendations will increase sharply in 4Q22. That shows the valuation of the market is at an attractive level by the analysts.

**Figure 21. PER of the stock market in Southeast Asia**



Source: Bloomberg, KIS

**Figure 22. Number of analyst's buying recommendation**



Source: Bloomberg, KIS

### 3. “Open weak and close strong”

Based on analysis of 3-year and 1-year cycles, the market may continue to reduce until the middle of next year with the mid-2023 bottom from May to September at a range of 780 pts to 900 pts. And then the VNIndex may rebound and reach around 1,000-1,100 points at the end of 2023.

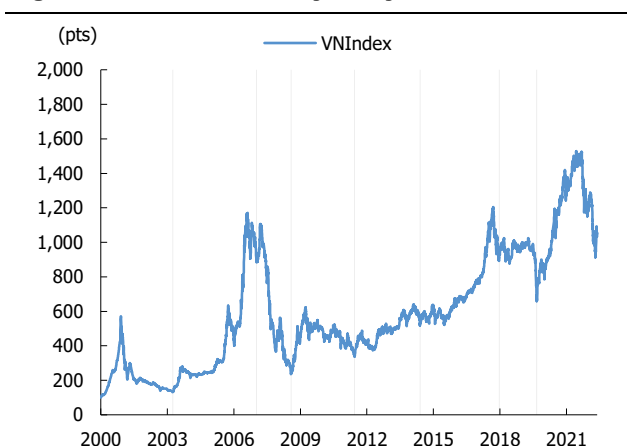
**VNIndex rebounds in 2H23 after forming the seventh 3-year cycle bottom.** Vietnam's stock market is impacted by a 3-year cycle. Currently, the market is in the seventh 3-year cycle with the starting bottom in Apr 2020 and the ending bottom expected in the period from Sep 2022 to Sep 2023. Two troughs of a 3-year cycle are 30 to 42 months apart (the average is 36 months or 3 years) according to Raymond Merriman.

**Table 1. 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  
Source: KIS

**Figure 23. Movement of 3-year cycle**



Source: KIS

The 3-year cycle bottom is expected to fall between Sep 2022 and Sep 2023, however, based on the analysis of the 1-year cycle (shown below), the high

probability is from May 2023 to Sep 2023. Besides, the bottom of the 3-year cycle will be lower than the last bottom in Nov around 911 points.

**1-year cycle bottoms in mid-2023.** The 25-period moving average on the weekly chart is used to determine the top and bottom of the 1-year cycle. The uptrend from Jul to Aug 2023 does not push the VNIndex to cross up the 25-period moving average. However, we believe that the Jul bottom is the second 1-year cycle bottom of 3-year cycles because (1) the Jul bottom is in the bottoming period of a 1-year cycle by Raymond Merriman and (2) the Aug peak reaches near the 25-period average.

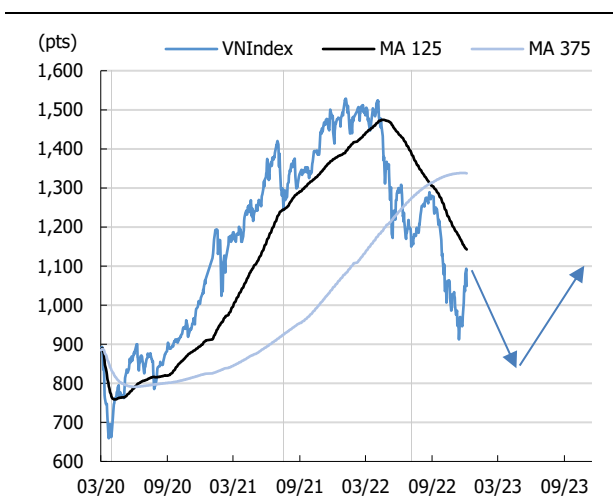
Based on the bottom 1-year cycle, we forecast the third 1-year cycle will form a bottom in May to September 2023 based on the standard time to form the bottom of the 1-year cycle (from 10 months to 14 months). Because the 1-year bottom will coincide with the 3-year bottom (expected in September 2022-September 2023), the time to create the bottom of the 1-year cycle may be extended or narrowed slightly compared to expectations.

**Table 2. Bottom and duration of 1-year cycle**

No. of 3-year cycle	No. of 1-year cycle	Start bottom	End bottom	Duration (Months)
V	13	12/17/2014	01/21/2016	13
	14	01/21/2016	12/06/2016	10
	15	12/06/2016	07/11/2018	19
VI	16	07/11/2018	01/03/2019	5
	17	01/03/2019	03/24/2020	14
VII	18	03/24/2020	07/19/2021	15
	19	07/19/2021	07/06/2022	11
	20	07/06/2022	05-09/2023*	10-14*

\*Expected period to form the 1-year cycle year  
Source: KIS

**Figure 24. Movement of 1-year cycle**



Source: KIS

**Expected target level for the 1-year bottom.** Based on the historical statistics of the 1-year and 3-year cycles, we forecast the level of the 1-year bottom in 2023. The target level is based on (1) peak-to-trough corrections of 3-year cycles and (2) peak-to-trough corrections of 1-year cycles, which is the last sub-cycle of the 3-year cycle. The two below tables show the adjustment level of the 1-year and 3-year cycles.

Firstly with 3-year cycles, the average fall of the six 3-year cycles is 41%. While the Jan peak of the seventh 3-year cycle is around 1,530 points hence the VNIndex may decrease to around 900-910 points ( $1,530 \times (1 - 41\%)$ ) to form the bottom of the 3-year cycle. Secondly, with the 1-year cycle, the average fall is 35%. Therefore, the VNIndex may be decreased by around 830-840 points due to the Aug 1-year peak of around 1,288 points.

The significant support is around 780, the Jul bottom. In addition, the index hit 911 points on Nov 2023 (based on the close price on 15th Nov 2022). Therefore,

we expect the VNIndex will form a 3-year cycle bottom in the range of 780-910 points.

**Table 3. Change of the last 1-year cycle**

No	Peak day	Bottom day	% change
1	25/04/2006	02/08/2006	-37%
2	27/08/2008	24/02/2009	-58%
3	09/02/2011	06/01/2012	-36%
4	03/09/2014	17/12/2014	-19%
5	09/04/2018	11/07/2018	-26%
6	06/11/2019	24/03/2020	-36%
<b>Average</b>			<b>-35%</b>

Source: KIS

**Table 4. Change of the 3-year cycle**

No	Peak day	Bottom day	% change
1	25/04/2006	02/08/2006	-37%
2	12/03/2007	24/02/2009	-80%
3	22/10/2009	06/01/2012	-46%
4	03/09/2014	17/12/2014	-19%
5	09/04/2018	11/07/2018	-26%
6	06/11/2019	24/03/2020	-36%
<b>Average</b>			<b>-41%</b>

Source: KIS

## Appendix 1

**Table 5. Top 10 gainers in November** (VND, %mom)

Ticker	Sector	Exchange	Current price	%1-month
FIR	Real Estate	HOSE	47,000	70.81
VPD	Utilities	HOSE	26,600	59.41
CTF	Cons Discretionary	HOSE	27,700	43.98
DDG	Utilities	HNX	40,800	35.10
REE	Industrials	HOSE	80,000	34.66
TDP	Materials	HOSE	30,600	30.55
DNP	Materials	HNX	24,500	25.64
BCM	Real Estate	HOSE	79,500	25.21
SAB	Cons Staples	HOSE	178,000	20.48
FDC	Real Estate	HOSE	19,400	17.93

Source: Fiiipro, KIS  
Data as of 30<sup>th</sup> Nov 2022, calculated based on 90% market cap of HOSE and HNX with daily average trading volume from 100,000 shares

**Table 6. Top 10 laggards in November** (VND, %mom)

Ticker	Sector	Exchange	Current price	%1-month
ART	Diversified Financials	HNX	1,300	(92.02)
KLF	Cons Discretionary	HNX	900	(88.89)
DVG	Materials	HNX	3,100	(86.92)
LDP	Health Care	HNX	5,500	(85.33)
AMD	Industrials	HOSE	1,240	(84.88)
THD	Real Estate	HNX	42,600	(84.62)
VC2	Industrials	HNX	9,100	(83.48)
NRC	Real Estate	HNX	4,700	(82.05)
NVL	Real Estate	HOSE	16,650	(81.70)
BII	Industrials	HNX	2,600	(80.74)

Source: Fiiipro, KIS  
Data as of 30<sup>th</sup> Nov 2022, calculated based on 90% market cap of HOSE and HNX with daily average trading volume from 100,000 shares

## Appendix 2

**Table 7. Vietnam ETF net flow**

Name	Type	Total AUM (USDmn)	NAV/share (USD)	Price (USD)	% 1W chg	% Premium	Net Fund Flow (USDmn)			
							1W	1M	6M	1Y
X FTSE VIETNAM SWAP	Swap ETF	227.5	27.7	27.9	(2.4)	0.4	6.7	20.6	42.1	17.3
VFMVN30 ETF FUND	ETF	261.5	0.8	0.8	(3.8)	1.7	1.2	7.0	11.3	(24.2)
VANECK VIETNAM ETF	ETF	415.3	12.7	12.9	(1.5)	1.2	17.7	66.6	78.4	36.6
SSIAM VNX50 ETF	ETF	8.9	0.6	0.6	(5.9)	(0.6)	0.0	(1.2)	(1.0)	(1.0)
PREMIA MSCI VIETNAM	ETF	16.6	8.1	8.1	(4.3)	(0.4)	0.0	0.0	(1.4)	(1.1)
SSIAM VNFN LEAD	ETF	139	0.6	0.6	(1.0)	1.3	2.6	(0.6)	32.6	46.6
VFMN DIAMOND ETF	ETF	776	1.0	1.0	(2.7)	(0.0)	19.4	70.5	36.7	249.5
VINACAPITAL VN100 ETF	ETF	10	0.6	0.6	(1.7)	0.8	0.0	0.0	1.1	4.7
SSIAM VN30 ETF	ETF	3	0.6	0.6	(2.0)	1.6	0.0	0.0	0.0	(2.1)
MAFM VN30 ETF	ETF	16	0.5	0.5	(4.3)	2.8	0.0	(2.5)	(5.8)	(13.2)
FUBON FTSE VIETNAM ETF	ETF	703.5	0.4	0.4	(1.0)	1.0	8.1	80.8	238.5	457.3
KIM GROWTH VN30 ETF	ETF	16	0.3	0.3	(2.4)	1.6	0.0	0.8	14.6	16.4

Source: Bloomberg, KIS



## Appendix 3

**Table 8. Top 10 foreign net buys**

(VND, %, VND bn)

Ticker	Sector	Price	% Chg	Buy	Sell	Net
STB	Financials	22,400	(28.9)	12,611	8,481	4,130
FUEVFNVD	Financials	22,990	(18.0)	15,370	11,662	3,707
DGC	Cons Staples	63,600	(13.7)	9,840	7,138	2,702
CTG	Financials	28,050	(17.3)	7,087	4,405	2,682
VNM	Cons Staples	80,000	(2.6)	15,398	13,189	2,208
DPM	Materials	42,950	(4.4)	5,827	3,645	2,182
VHM	Real Estate	54,100	(32.1)	16,043	14,202	1,841
NLG	Real Estate	29,883	(52.4)	5,355	3,594	1,762
MWG	Cons Discretionary	46,200	(31.6)	15,424	14,003	1,421
GMD	Industrials	47,650	3.3	3,796	2,519	1,277

Source: Fiinpro, KIS

**Table 9. Top 10 foreign net sells**

(VND, %, VND bn)

Ticker	Sector	Price	% Chg	Buy	Sell	Net
HPG	Materials	19,200	(45.3)	21,102	26,122	(5,020)
NVL	Real Estate	16,650	(81.7)	4,227	8,027	(3,800)
EIB	Financials	22,300	(33.8)	2,366	5,641	(3,275)
VIC	Real Estate	67,800	(28.7)	9,592	12,427	(2,835)
MSN	Cons Staples	97,000	(31.4)	13,522	16,082	(2,561)
E1VFN30	Financials	18,180	(29.6)	8,596	9,949	(1,353)
CII	Industrials	14,300	(69.2)	699	1,624	(925)
VCI	Financials	26,600	(52.5)	1,943	2,461	(518)
HPX	Real Estate	6,990	(79.0)	18	504	(486)
HCM	Financials	22,150	(51.3)	1,207	1,615	(408)

Source: Fiinpro, KIS

## Appendix 4

**Table 10. Top 10 local institutions net buy**

(VND, %, VND bn)

Ticker	Sector	Price	% Chg	Buy	Sell	Net
FPT	IT	74,600	(1.3)	10,450	8,085	2,365
VIB	Financials	20,250	3.3	3,333	1,555	1,778
MBB	Financials	17,400	(1.7)	9,198	7,996	1,202
PNJ	Cons Discretionary	113,500	9.9	4,801	3,643	1,159
GAS	Utilities	110,200	(0.8)	3,284	2,127	1,156
CTG	Financials	27,250	10.8	3,594	2,532	1,062
REE	Industrials	74,000	(6.3)	2,899	1,837	1,061
VNM	Cons Staples	82,800	5.5	6,283	5,301	982
BID	Financials	41,100	19.0	1,907	1,128	779
E1VFN30	Financials	17,800	1.3	4,012	3,267	745

Source: Fiinpro, KIS

**Table 11. Top 10 local institutions net sold**

(VND, %, VND bn)

Ticker	Sector	Price	% Chg	Buy	Sell	Net
EIB	Financials	22,000	(40.5)	2,855	8,955	(6,100)
DIG	Industrials	15,800	(10.7)	1,609	6,045	(4,437)
FUEVFNVD	Financials	22,800	2.5	6,237	10,610	(4,373)
NVL	Real Estate	23,350	(66.6)	5,027	8,419	(3,392)
VIC	Real Estate	69,600	25.6	5,348	8,359	(3,011)
SHB	Financials	10,100	1.4	2,356	5,022	(2,665)
MSB	Financials	13,000	4.8	2,503	3,780	(1,277)
DGC	Materials	60,900	(20.8)	2,970	4,018	(1,048)
VHM	Real Estate	54,500	21.1	8,254	9,300	(1,046)
FUESSVFL	Financials	13,940	6.3	763	1,689	(926)

Source: Fiinpro, KIS

**Table 12. Top 10 foreign institutions net buy** (VND, %, VND bn)

Ticker	Sector	Price	% Chg	Buy	Sell	Net
TCM	Cons Discretionary	46,500	5.9	12,383	8,202	4,181
GEX	Industrials	14,950	11.6	15,052	10,896	4,156
CTI	Materials	11,700	(8.6)	6,920	4,216	2,704
DGW	IT	44,250	(27.5)	9,675	7,005	2,670
DPR	Materials	51,000	(4.0)	5,737	3,430	2,308
VTO	Industrials	7,460	3.6	15,058	12,928	2,130
VOS	Industrials	9,410	(9.5)	15,815	14,044	1,771
OPC	Health Care	23,300	2.2	5,304	3,537	1,768
NLG	Real Estate	28,500	25.0	15,310	13,967	1,343
HAH	Industrials	30,800	(12.3)	3,745	2,450	1,295

Source: Fiinpro, KIS

**Table 13. Top 10 foreign institutions net sell** (VND, %, VND bn)

Ticker	Sector	Price	% Chg	Buy	Sell	Net
HTL	Cons Discretionary	15,950	(0.3)	20,154	25,340	(5,186)
PDR	Real Estate	13,650	(68.8)	4,118	7,922	(3,804)
ELC	IT	9,510	18.9	1,701	4,974	(3,274)
VPD	Utilities	23,400	(6.8)	9,446	12,288	(2,842)
NKG	Materials	11,000	(18.8)	13,353	15,504	(2,151)
EIB	Financials	22,000	(40.5)	8,210	9,342	(1,132)
CKG	Industrials	24,600	(11.8)	610	1,522	(912)
VND	Financials	13,600	18.3	1,771	2,285	(514)
HTN	Real Estate	17,850	(3.5)	14	501	(488)
HII	Materials	4,620	(16.0)	1,110	1,504	(394)

Source: Fiinpro, KIS

**Table 14. Top 10 local individual net buy** (VND, %, VND bn)

Ticker	Sector	Price	% Chg	Buy	Sell	Net
EIB	Financials	22,000	(40.5)	36,041	26,666	9,375
NVL	Real Estate	23,350	(66.6)	81,832	74,664	7,167
VIC	Real Estate	69,600	25.6	30,662	24,813	5,849
HPG	Materials	18,400	17.6	139,512	134,878	4,634
DIG	Industrials	15,800	(10.7)	91,457	87,375	4,082
MSN	Cons Staples	102,000	19.3	25,684	23,701	1,983
SHB	Financials	10,100	1.4	52,274	50,375	1,899
MSB	Financials	13,000	4.8	20,099	18,823	1,276
CII	Industrials	14,350	(5.6)	38,207	36,948	1,258
HNG	Cons Staples	4,550	11.0	18,187	17,489	698

Source: Fiinpro, KIS

**Table 15. Top 10 local individual net sell** (VND, %, VND bn)

Ticker	Sector	Price	% Chg	Buy	Sell	Net
CTG	Financials	27,250	10.8	34,473	38,216	(3,743)
STB	Financials	20,000	23.8	95,414	99,073	(3,658)
VNM	Cons Staples	82,800	5.5	22,363	25,546	(3,183)
FPT	IT	74,600	(1.3)	28,829	31,572	(2,743)
DPM	Materials	40,900	(5.5)	49,440	51,826	(2,386)
GAS	Utilities	110,200	(0.8)	13,898	16,049	(2,150)
VIB	Financials	20,250	3.3	18,836	20,689	(1,853)
PNJ	Cons Discretionary	113,500	9.9	13,256	15,099	(1,843)
GMD	Industrials	47,400	3.2	19,078	20,908	(1,830)
NLG	Real Estate	28,500	25.0	29,001	30,790	(1,789)

Source: Fiinpro, KIS

**Table 16. Top 10 foreign individual net buy** (VND, %, VND bn)

Ticker	Sector	Price	% Chg	Buy	Sell	Net
STB	Financials	20,000	23.8	12,383	8,202	4,181
FUEVFNVD		22,800	2.5	15,052	10,896	4,156
CTG	Financials	27,250	10.8	6,920	4,216	2,704
DGC	Materials	60,900	(20.8)	9,675	7,005	2,670
DPM	Materials	40,900	(5.5)	5,737	3,430	2,308
VNM	Cons Staples	82,800	5.5	15,058	12,928	2,130
VHM	Real Estate	54,500	21.1	15,815	14,044	1,771
NLG	Real Estate	28,500	25.0	5,304	3,537	1,768
MWG	Cons Discretionary	44,100	(14.5)	15,310	13,967	1,343
GMD	Industrials	47,400	3.2	3,745	2,450	1,295

Source: Fiinpro, KIS

**Table 17. Top 10 foreign individual net sell** (VND, %, VND bn)

Ticker	Sector	Price	% Chg	Buy	Sell	Net
HPG	Materials	18,400	17.6	20154	25340	(5186)
NVL	Real Estate	23,350	(66.6)	4118	7922	(3804)
EIB	Financials	22,000	(40.5)	1701	4974	(3274)
VIC	Real Estate	69,600	25.6	9446	12288	(2842)
MSN	Cons Staples	102,000	19.3	13353	15504	(2151)
E1VFN30		17,800	1.3	8210	9342	(1132)
CII	Industrials	14,350	(5.6)	610	1522	(912)
VCI	Financials	24,550	(6.3)	1771	2285	(514)
HPX	Real Estate	9,100	(64.6)	14	501	(488)
HCM	Financials	21,950	7.1	1110	1504	(394)

Source: Fiinpro, KIS

# Economy

---

## **Vietnam's economy on the rocky road ahead**

- I. Global hawkishness is casting out**
- II. The Zero-COVID end provides hope**
- III. Internal shield could vanish soon**
- IV. Public investment could be the growth keeper**
- V. Fed pivot could ease FX market and the liquidity stress**
- VI. Concluding remarks**

## Economy

### Vietnam's economy on the rocky road ahead

#### Global hawkishness is casting out

The Fed has lifted its key rate seven times this year, to a range of 4.25% to 4.50%, the highest in 15 years. However, as can be observed from the Minutes release on December 15 2022, the Fed believes further hikes, though at a slower pace, are needed to ensure that price pressures eventually drop to its 2% target. Given the increasing participation in global value chains, especially in electronic devices, footwear, and textiles sectors, Vietnam, as an assembly destination, is more likely under the impact of the U.S. economic slowdown, especially in 4Q22 and 1Q23.

#### Internal shield could vanish soon

The strong recovery of retail sales in 2022 was mainly driven by the low-base effect and corresponding pent-up demand which are fading. Future consumer confidence and domestic consumption, therefore, will tend to depend heavily on income prospects. Despite the recovery in tourism sectors, monthly earnings for the whole economy tend to reduce due to the estimated output cut and corresponding reduced working hours in labor-intensive industries with the export orientation.

#### Public investment could be the growth keeper

Healthy fiscal balance enables the government to follow aggressive public projects. Vietnam's state budget improved sustainably in recent years due to the successful economic restructure orienting to the industrial production. Locating as a manufacturing hub of the Southeast Asia region, solid Vietnam's budget receipts are in line with the growing global economy, especially in electronics, footwear, and apparel chains. Also, the impressive economic expansion ensures the government's payments and strengthens the fiscal position of the country.

## I. Global hawkishness is casting out

The Fed has lifted its key rate seven times this year, to a range of 4.25% to 4.50%, the highest in 15 years. However, as can be observed from the Minutes release on December 15 2022, the Fed believes further hikes, though at a slower pace, are needed to ensure that price pressures eventually drop to its 2% target.

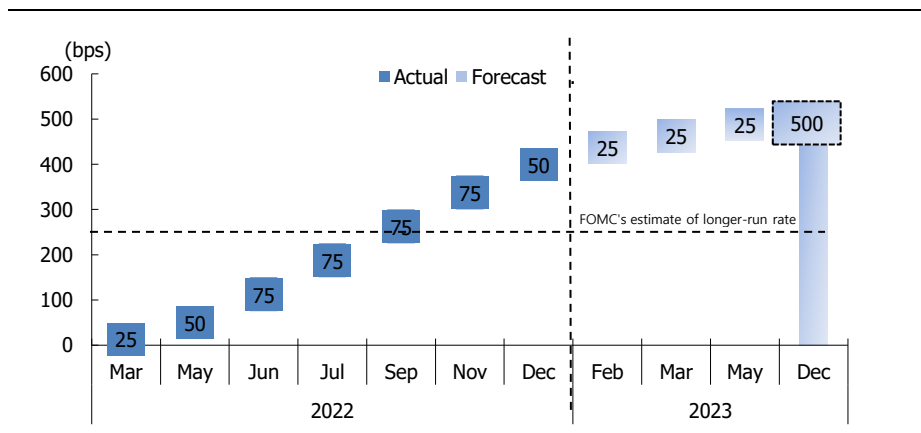
**Table 18. Fed's economic projection**

Variable	2022	2023	2024	2025	Longer run
Change in real GDP	0.5	0.5	1.6	1.8	1.8
September projection	0.2	1.2	1.7	1.8	1.8
Unemployment Rate	3.7	4.6	4.6	4.5	4.0
September projection	3.8	4.4	4.4	4.3	4.0
PCE Inflation	5.6	3.1	2.5	2.1	2.0
September projection	5.4	2.8	2.3	2.0	2.0
Core PCE inflation	4.8	3.5	2.5	2.1	
September projection	4.5	3.1	2.3	2.1	
Memo: Projection appropriate policy path					
Federal funds rate	4.4	5.1	4.1	3.1	2.5
September projection	4.4	4.6	3.9	2.9	2.5

Source: FOMC, KIS

Specifically, the Fed now sees its benchmark rate rising to a median rate of 5.1% in 2023, above the 4.6% forecast in September, indicating a target range of 5%-5.25% at the end of 2023.

**Figure 25. Fed hike rate by meeting**



Source: FOMC, GS, KIS

According to market forecast, Fed is likely to slow-down in raising interest rates in 2023 and bring it target to around 5% at the end of 2023. Specifically, it is expected that FED will increase 25bps in each period and meet the target on December. The FOMC long-run interest rate which included the rates of growth, inflation, unemployment, and federal funds rate is believed to be stable at 2.5%.

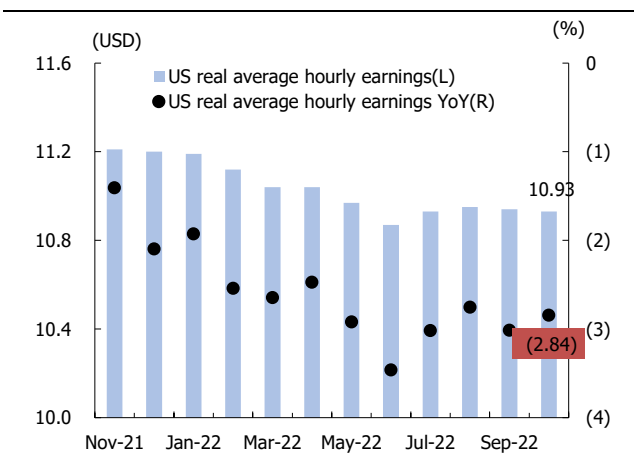
As can be known, the inflation target of 2% is still a big challenge for U.S. policymakers.

The impact of a tightening monetary policy on the real economy is increasingly material, especially in the U.S., when higher interest rates seem to put a larger financial burden on consumer spending, resulting in a gloomy business outlook and consequent reduction in the production of contract manufacturers.

Currently, the economy is “overheating”: inflation levels are at the highest in decades, with prices climbing on almost everything. Additionally, the job market is unsustainably tight, with nearly twice as many open jobs as people looking for work. Therefore, the Federal fund rates play a key role in resolving all the problems in U.S. markets.

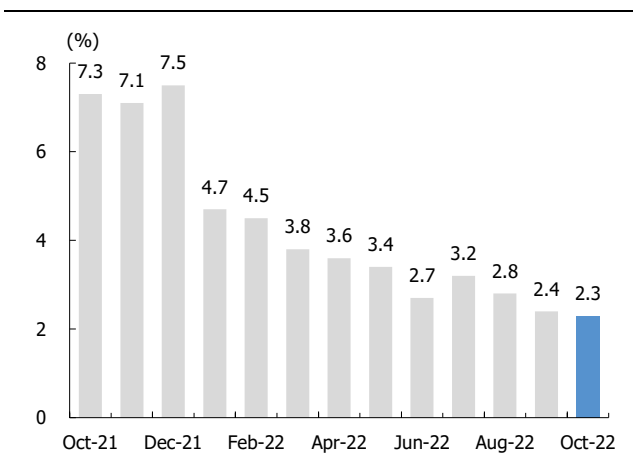
Normally, it usually takes at least a year for a change in this interest to have a widespread economic impact but the stock market often responds to it immediately. As can be seen, the Fed’s speeches about the slow hike in December eased the U.S. stock market in November. According to S&P Global, S&P 500 index was up 5.38% in November, bringing its one-year return to -16.56%. Besides, the Dow Jones Industrial Average (DIJA) gained 5.67% for the month and was down 7.51% YoY. However, compared with January, S&P 500 still suffered a loss of around 18.26% while DIJA is around 8.63%.

**Figure 26. U.S. real earnings by month**



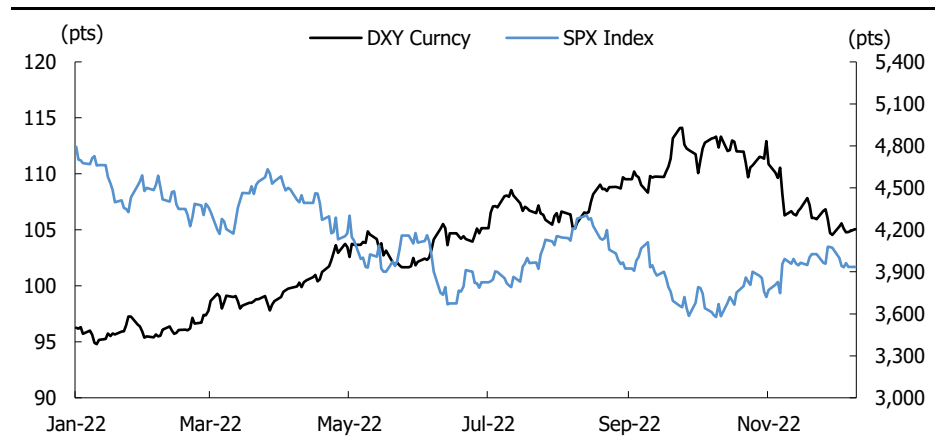
Source: FRED, Bloomberg, KIS

**Figure 27. U.S. personal saving rate by month**



Source: FRED, KIS

**Figure 28. S&P 500 cumulative loss in 2022**



Source: Bloomberg KIS,

The aggressive response sent a shock through the financial system that at one stage erased a significant amount of the U.S. stock market value. Higher interest rates make businesses face many difficult problems such as being more expensive for firms that rely on lines of credit or loans.

As can be known that a company's future growth potential and short-term earnings are harmed by increasing the cost of raising capital. As a result, a revision downward in profit expectations going forward as rates increase.

**Table 4. Index return by country**

Index	1-month (%)	3-month (%)	YTD (%)	1-year (%)
1 S&P 500	5.38	-0.14	-18.26	-16.56
2 Dow Jones Industrial Average	5.67	7.24	-8.63	-7.51
3 FTSE 100	1.08	1.98	0.56	2.28
4 Hang Seng	6.78	2.40	-17.89	-17.16
5 Nikkei 300	-0.54	0.67	-1.51	-1.29
6 KOSPI	-3.94	-1.45	-21.14	-22.19
7 VN-index	-0.99	-6.85	-30.57	-29.04
8 SET index	0.33	-1.34	-2.25	-1.52
9 JCI index	-4.03	-4.10	1.30	2.05
10 FTSE Bursa Malaysia KLCI	1.17	-0.07	-6.46	-2.38
11 PSEI Index	1.34	-0.38	-8.41	-10.60

Note: Data as of 16<sup>th</sup> Dec 2022  
Source: Bloomberg, KIS

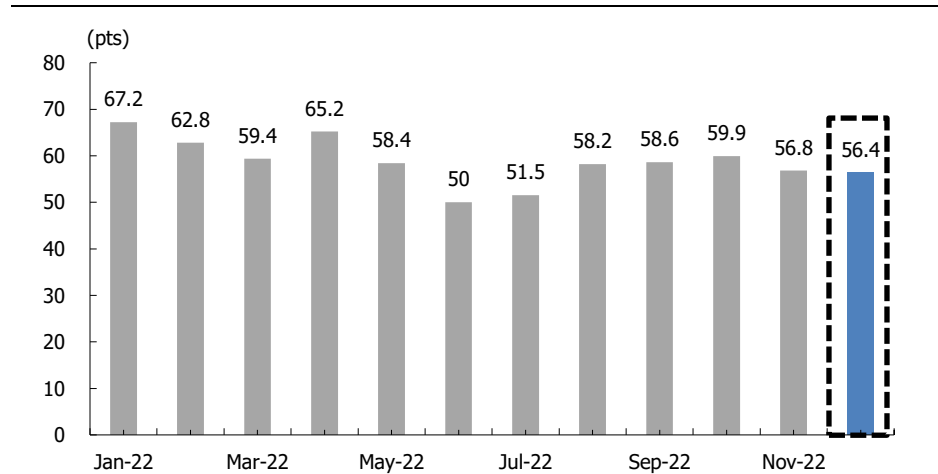
As mentioned above, the market often reacts immediately to the Fed Fund rate even if it is up or down. However, it takes around a year for a change in interest hike to have a widespread economic impact. There are some impacts on the



U.S. economy will be listed as follows. First of all, everyday consumers should be taken into consideration. Interest rate hikes affect a range of consumer loans that, in turn, influence consumer behavior.

The U.S. Michigan consumer sentiment shows how consumers view prospects for their financial situation, and how they view prospects for the general economy over the near term and the long term. Based on the Trading Economics forecast, at the end of 2022, the index will fall to 56.4, lower than the previous 3-month which shows a negative view of the growth prospect of consumers.

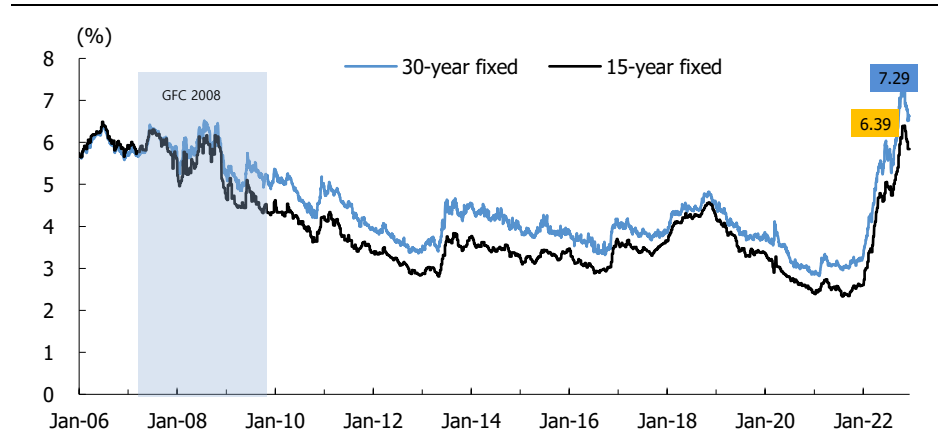
**Figure 29. The U.S Consumer Sentiment**



Source: Trading Economics, KIS

Secondly, the mortgage rates are also significantly impacted by the Fed Fund rate. Specifically, The Fed’s rate hikes are quickly absorbed into the housing market because they send mortgage rates way up. In late March, the average rate for a 30-year fixed mortgage, the most popular home loan in the United States, was below 4 percent. In late October, it topped over 7 percent.

**Figure 30. Weekly mortgage rate**



Source: Bloomberg, KIS

At the moment, fewer buyers are entering the market resulting in more homes being available for sale and prices are beginning to decline. Higher loan rates make people find it difficult to afford to buy homes, further crowding the rental market. The average rate for a 30-year fixed mortgage, the most popular home-loan product, reached 7.29 percent while a 15-year fixed rate was around 6.39%. As can be observed, the 30-year fixed mortgage at the moment is even higher than in the recession period in 2008.

Given the increasing participation in global value chains, especially in electronic devices, footwear, and textiles sectors, **Vietnam, as an assembly destination, is more likely under the impact of the U.S. economic slowdown, especially in 4Q22 and 1Q23.** According to Bloomberg’s estimates, the sales growth of Samsung electronics (SEC) will reduce to 0.86% YoY in 4Q22 from 3.78% YoY in 4Q21, reflecting weaker demand for its discretionary products. Similarly, Apple’s revenue is predicted to grow less than the previous quarter despite 4Q21 being the shopping season. The company was expected to face a reduction of 0.59% YoY in revenue for the next quarter, and the improvement for the first quarter of next year will be insignificant.

Consistent with the gloomy outlook, SEC revised its output plan to a lower level for 2022, including smartphone volume. At May-end, SEC reportedly scaled back its smartphones marketing by 30 million units to deal with the supply chain bottleneck and weaker demand. Vietnam’s factories account for roughly 50% of the smartphone output of the group, and the impact of the production reduction on the manufacturing and trade activities was inevitable. In the August-early, Reuter reported that an SEC’s smartphones plant in Vietnam cut work days to three per week in response to slowing global spending. According to [Korea IT News](#), SEC was likely planning to halt the production of smartphone factories in Vietnam for two weeks in December to reduce the inventory due to lower-than-expected sales. Furthermore, the company might make more adjustments to its total shipment, including smartphones, for the next year when the slowdown in global demand for discretionary products due to tightening monetary policies could persist in the first half of 2023.

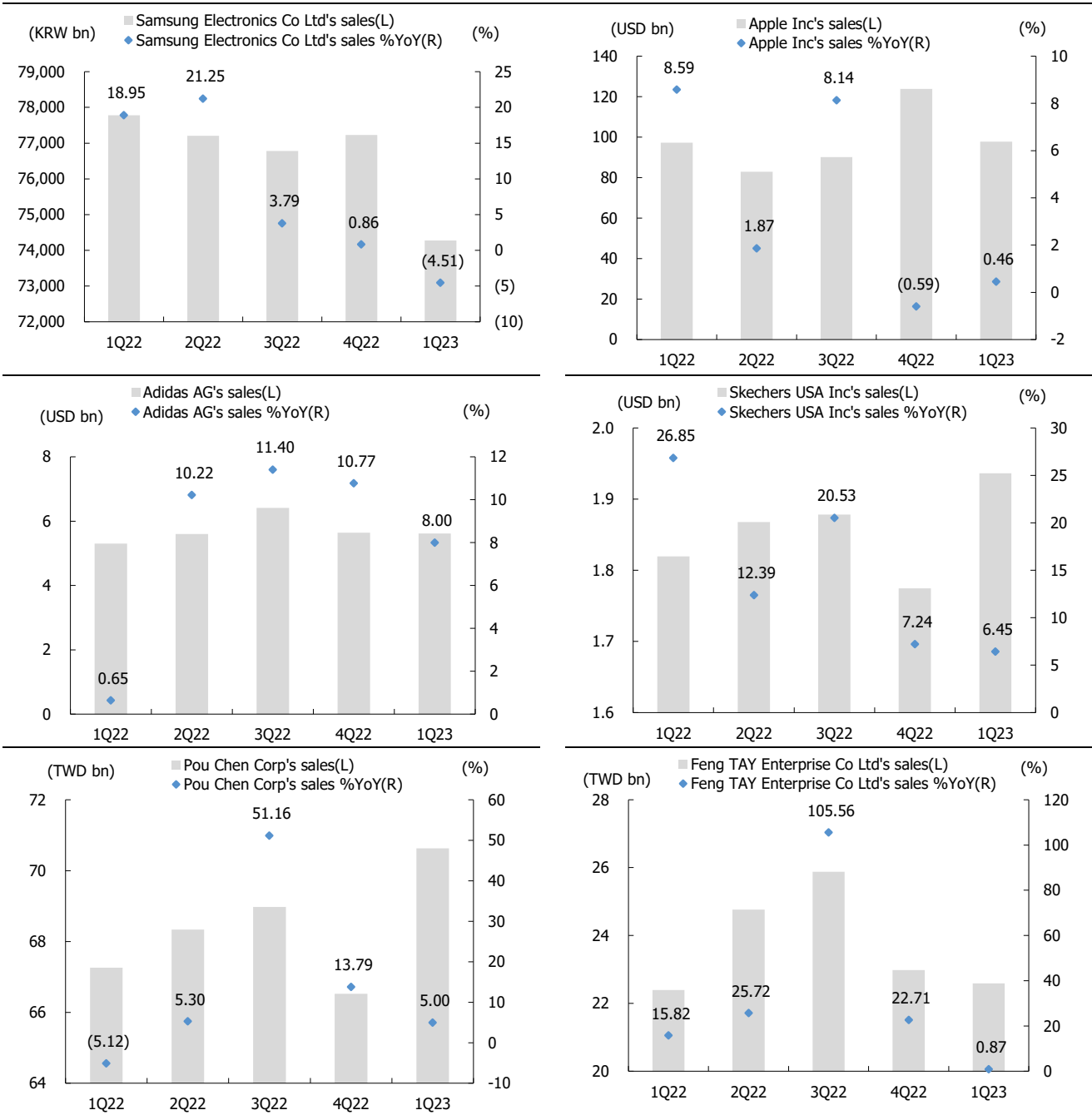
**Figure 31. Vietnam’s enterprises in the global value chain**



Source: KIS

Adidas AG and Gap Inc, two giants in the footwear and apparel sectors, are expected to experience a similar slowdown in their business for 4Q22 and 1Q23. As per Bloomberg's consensus, Adidas AG and Gap Inc will grow by 10.77% YoY and 7.24% YoY in the last quarter of 2022, 0.63ppts- and 13.29ppts-lower than 3Q22, respectively. The gloomy outlook in the footwear and apparel sectors provides more support for the pessimistic performance of companies in the value chain for the next couple of quarters. Accordingly, Pou Chen and Feng Tay, two Taiwanese shoe makers with highly Vietnam-located productions, were expected to grow less over the next two quarters when their customers seem to face lower growths in expected sales.

**Figure 32. Sales forecasts by major firms**

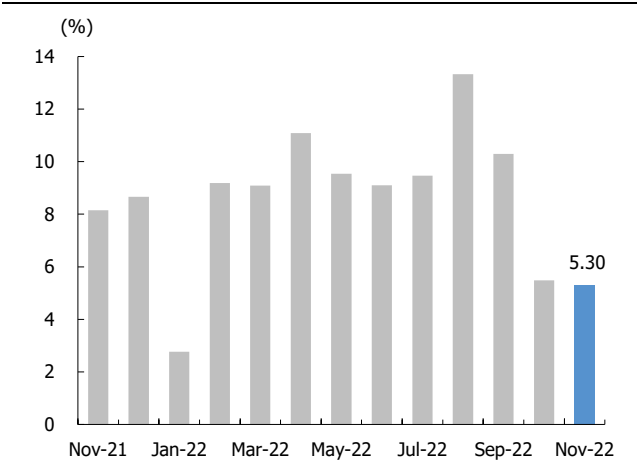


Source: Bloomberg, KIS

Taking a deeper look, the impact of the weaker sentiment of end-users on Vietnam’s economic activities was increasingly material in recent few months in several terms. First, industrial production decelerated significantly since September due to a poorer-than-expected manufacturing sector despite that the fourth quarter was seasonal with orders for shopping seasons of our trading partners. Therefore, export activity has entered into the red territory as its value started lower than in the same period last year. Furthermore, the gloomy outlook

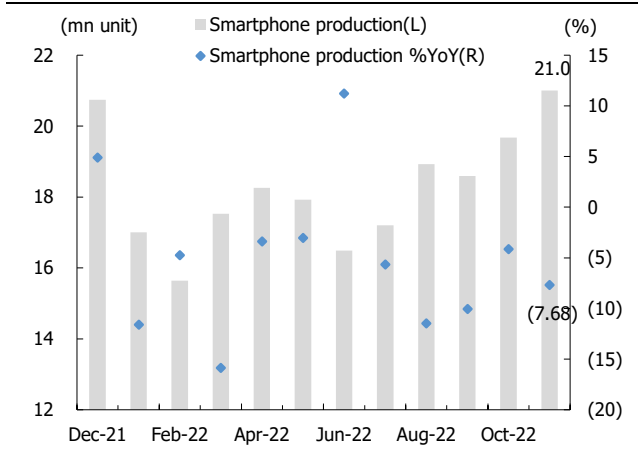
of global demand leads purchasing managers to be less optimistic about future business performance. As per S&P Global, Vietnam's PMI in November declined to 47.4 from 50.6 in the previous month due to deteriorating global economic conditions. More firms have implemented working hours cuts or even labor cuts in response to the emerging situation of fewer new orders.

**Figure 33. Vietnam IIP by month**



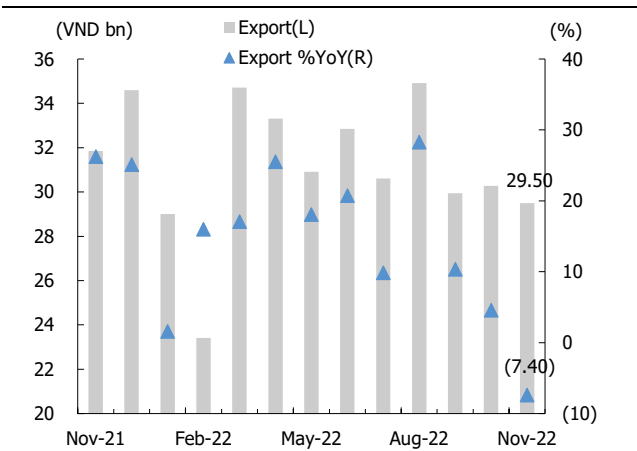
Source: GSO, KIS

**Figure 34. Vietnam smartphone production by month**



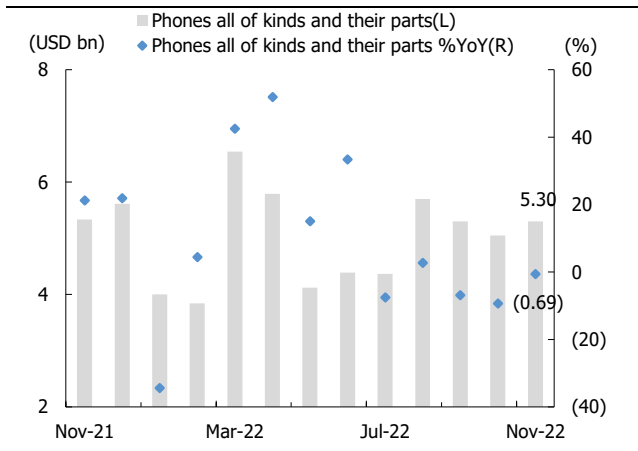
Source: GSO, KIS

**Figure 35. Vietnam export by month**



Source: GSO, KIS

**Figure 36. Vietnam smartphone export value by month**



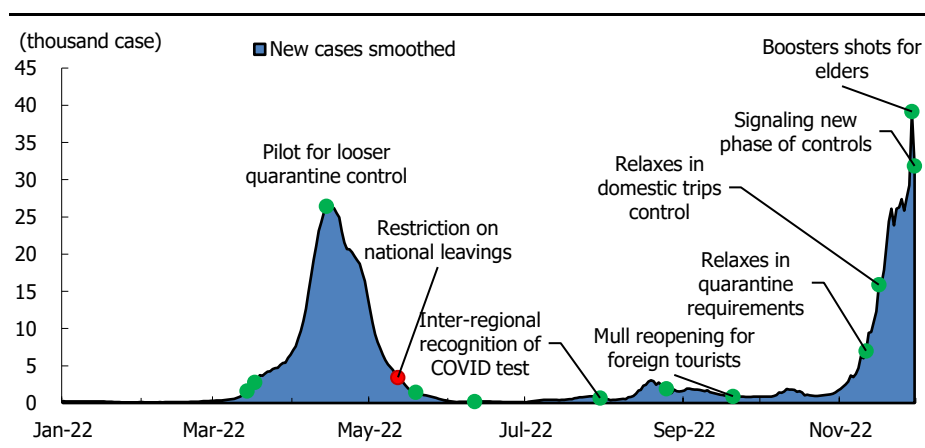
Source: GSO, KIS

Although the possibility of the Fed pivot is increasing with the recent development of inflation and the labor market, it likely takes us more time to reflect on the economic performance. Therefore, the U.S. demand for Vietnam's economy is likely to be weak, at least for the first quarter of 2023.

## II. The Zero-COVID end provides hope

The Chinese government provided hope to global investors when its officials started to signal a sooner end of Zero-COVID by relaxing some controversial COVID restrictions or at least through their discussions. Given the importance of China as a foreign consumer of Vietnam's export goods, the normalization of this country would be a positive signal for Vietnam's economy.

**Figure 37. China's COVID-19 major events**



Source: SMCP, KIS

**Vietnam would benefit from China's re-opening as it is the second largest importer of Vietnam, with a proportion of 16-17% of the total export value.**

The normalization of the world's biggest factory would boost its domestic demand and industrial production, resulting in demand recovery for the imported manufacturing materials and consumer goods from Vietnam. We expected that this demand recovery would reduce the negative impact of the contracted demand from the US and EU on Vietnam's export.

### Current situation:

Widespread and public expressions of resentment are uncommon in China since people historically have agreed to accept national leaders as long as they bring prosperity and grant individuals some personal freedom. Recently, protests by Chinese citizens reflected dissatisfaction with this social contract as the economic and social costs of Zero-COVID increased.

### Factors affecting the COVID policy of the Chinese government:

President Xi Jinping faces a dilemma in choosing between relaxing China's Zero-COVID policies which potentially send the victory signal of the large-scale demonstrations, or continuing to pursue harsh measures along with repressing the protests, which could exacerbate the existing discontent.

On one hand, the ease of the Zero-COVID policy could lead to millions of intensive-care admissions which could undermine the government’s credibility, especially Xi’s reputation as he is the founder of the Zero-COVID policy. On the other hand, adhering to the Zero-COVID policy could increase public anger toward the national leaders, with uncertain consequences.

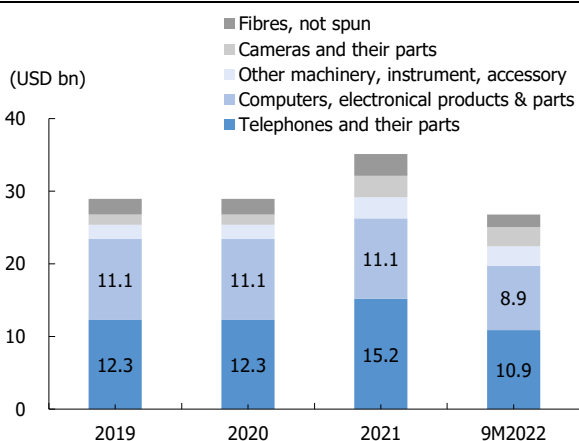
We expect that China would not fully reopen until the spring passed as the Chinese Lunar New Year season normally witnesses a peak of domestic travel along with a low elderly vaccination rate which could result in a substantial rise in newly infected cases and fatality rate. Sharing the same forecast, Goldman Sachs, JP Morgan, and Bloomberg expected that China would not fully reopen until the spring passed.

**Table 19. 10 new guidelines loosening restrictions on COVID measures**

Allow home quarantining for cases with mild symptoms
Limit lockdown – high-risk areas will be lifted up if no new cases are found in 5 consecutive days to ensure the normal functioning of society and basic medical services
Accelerate vaccination among the elderly
Ease in domestic travel – cross-regional travelers no longer require a valid negative test result or health code
Reduce mass testing in both frequency and scale. Negative testing and health code are no longer required for most public areas’ entrance
Ensure medicine availability and no purchase limit allowed
Enhance the monitoring of citizens still at risk of COVID
Ensure the continuity of vital social services. Lockdowns at low-risk areas are not allowed
Forbid the blockage of apartment exits in an emergency
Improve pandemic control measures on the school campus. Compulsory offline learning until new cases occur

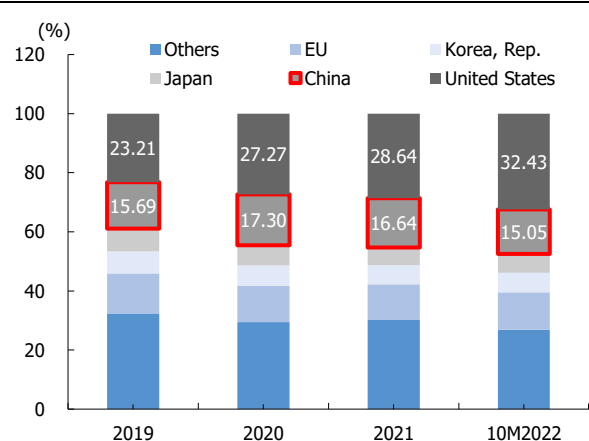
Source: CNN, KIS

**Figure 38. Vietnam’s top 5 goods exported to China**



Source: GSO, KIS

**Figure 39. Vietnam’s export structure by country**

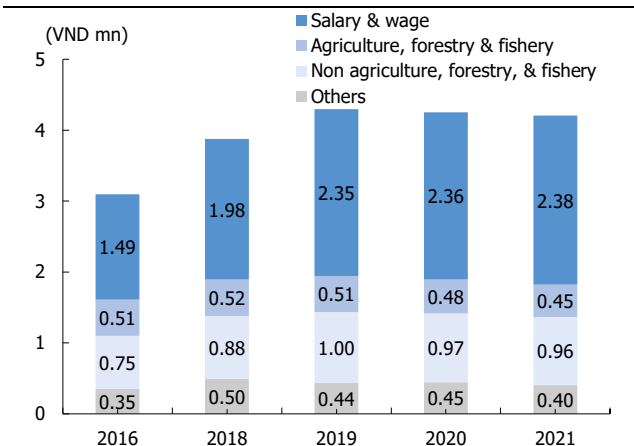


Source: GSO, KIS

### III. Internal shield could vanish soon

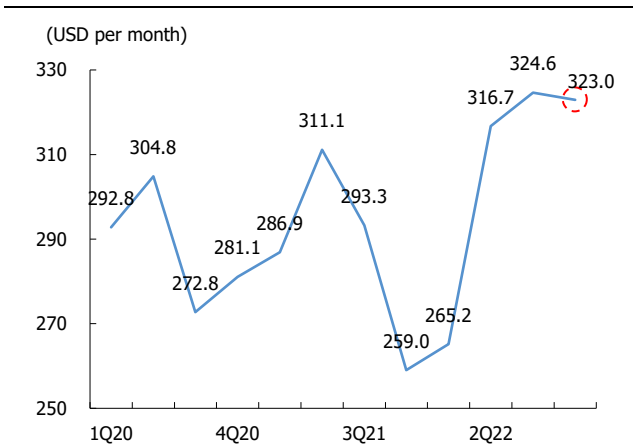
The strong recovery of retail sales in 2022 was mainly driven by the low-base effect and corresponding pent-up demand which are fading. Future consumer confidence and domestic consumption, therefore, will tend to depend heavily on income prospects. Despite the recovery in tourism sectors, monthly earnings for the whole economy tend to reduce due to the estimated output cut and corresponding reduced working hours in labor-intensive industries with the export orientation. Additionally, price inflation is a key risk to consumer spending over 2023, it has the potential to erode the purchasing power and shift demand away from discretionary spending.

**Figure 40. Monthly income per capita by income source**



Source: GSO, FiinPro, KIS

**Figure 41. Vietnam's monthly earnings**

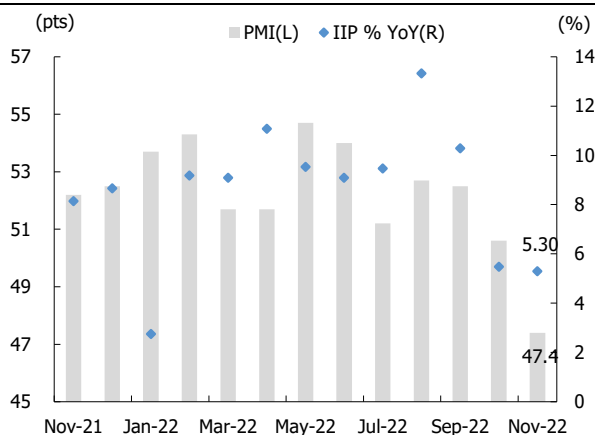


Source: CEIC Data, KIS

Labor income in the manufacturing sector could drop due to fewer new orders and output cuts. Samsung Display Vietnam, a manufacturer of Samsung Electronics specializing in producing monitor displays for smartphones, TV, and wearable devices, has announced to cut off working hours from 5 days to 3 days a week due to the low level of new orders. Similarly, in the footwear manufacturing sector, PouYuen Vietnam announced that an agreement to arrange an alternate leave of 14 days from Dec 2022 to Feb 2023 was made to 20,000 workers due to a reduction in export orders and output cut plan. Statistically, for 11M2022, there are nearly half of a million people were affected by the reduction in output cut plan, specifically 430,665 people experienced working hours reduced while 41,558 people were left without jobs.

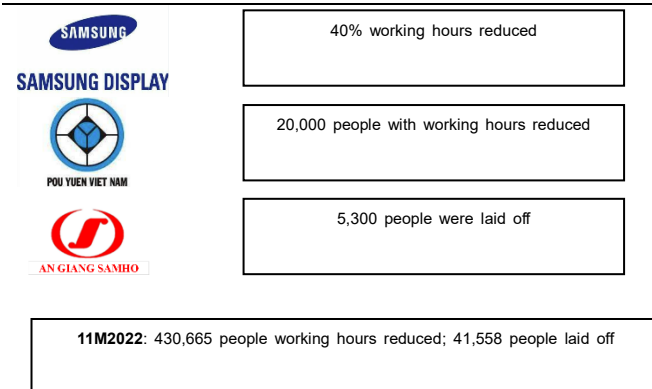


Figure 42. Vietnam's PMI and IIP in the manufacturing sector



Source: GSO, KIS

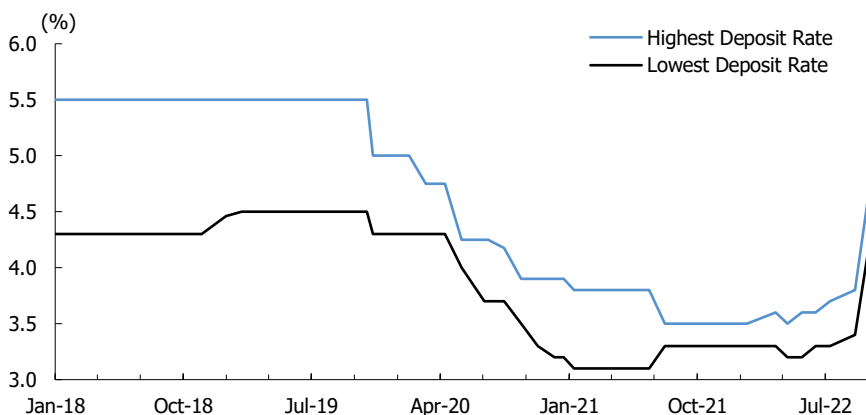
Figure 43. Notable announcements of working hour reduction



Source: VGCL, KIS

The high-interest rate environment could facilitate households to save money more or could increase the borrowing burden, causing domestic consumers to be less confident in their buying decisions. Since June of 2022, the savings rate (tenor less than 6 months) starts rising quickly from 3.6% to 4.8% at the end of October 2022 under the surging demand for short-term funding. Even though the government directed banks to not raise the lending rate to support corporations, this support is weakening as NIM squeezes and then interest hike is inevitable.

Figure 44. Vietnam's savings rate for the tenor of 1-month to below 6-month

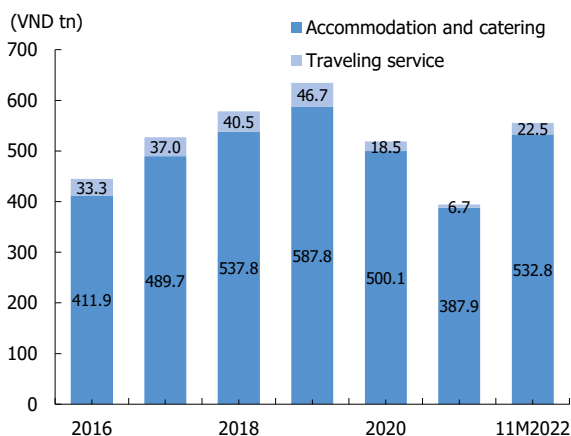


Source: FiinPro, KIS

On the upside, COVID-19 normalization brings jobs back to the labor market, especially in tourism, accommodation, and catering services, improving household income. Retail sales witness a strong recovery since May 2022 thanks to the reopening of Vietnam's economy, specifically growing by around 20% for 4 consecutive months since Aug 2022. In which the accommodation & catering (A&C) and traveling service (TS) sectors rose significantly by 56.47% and 306.52% YoY in Nov 2022, respectively. Moreover, A&C and TS are expected to be benefited from the Chinese visitor wave as the upcoming zero-

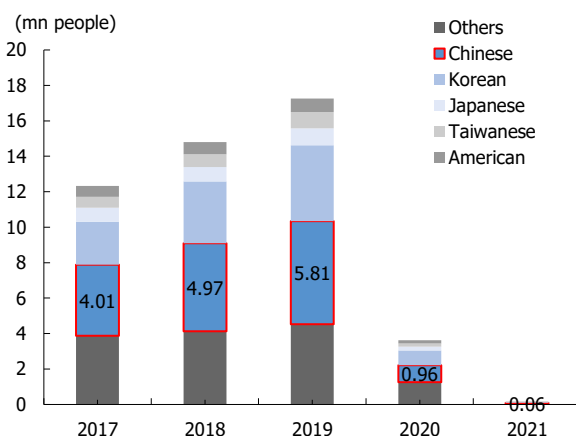
COVID policy ease in 2023. In 4Q2022 and 1Q2023, domestic consumption is expected to be improved as the huge cyclical demand from major events such as World Cup, Christmas, New Year, and Tet holiday.

**Figure 45. Vietnam's retail sales by year**



Source: GSO, KIS

**Figure 46. Top 10 countries visit Vietnam**



Source: GSO, KIS

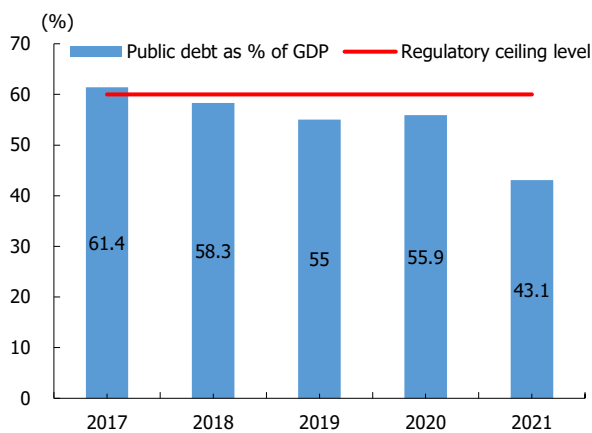
## IV. Public investment could be the growth keeper

**Healthy fiscal balance enables the government to follow aggressive public projects.** Vietnam's state budget improved sustainably in recent years due to the successful economic restructuring orientation to industrial production. Locating as a manufacturing hub of the Southeast Asia region, solid Vietnam's budget receipts are in line with the growing global economy, especially in electronics, footwear, and apparel chains. Also, the impressive economic expansion ensures the government's payments and strengthens the fiscal position of the country. Therefore, the actual ratio of public debt to GDP remained significantly lower than the regulatory level of 60%, despite that the government has issued multiple fiscal measures to support the economy and the national COVID-19 campaigns during the pandemic period. Over the last five recent years, this ratio decreased from 61.4% in 2017 to 43.1% in 2021, allowing the government to pursue policies for economic growth where public investment was one of the economic foundations of the country.

**Room for government to pursue economic growth in 2023 through the public investment channel remains ample due to the low disbursement in 2022.** Although the government showed a promising plan with multiple objectives poised in the fiscal package of the economic recovery program approved by the National Assembly. The actual disbursement was underperformed due to the uncertainty in domestic and global economic developments. The supply bottleneck in manufacturing hubs and the pent-up demand situation in western countries caused the transportation costs, and prices of a wide range of commodities and construction materials to increase dramatically, discouraging public projects in the country.

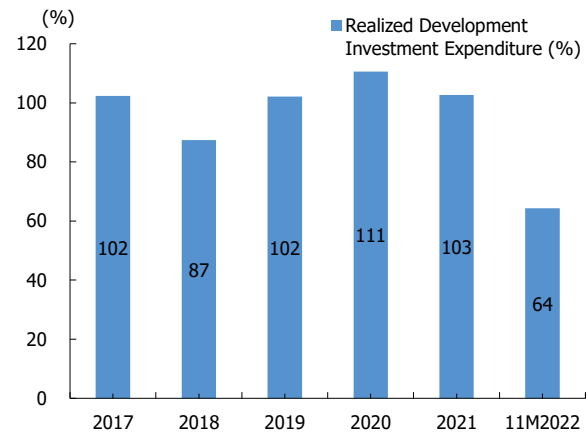
Additionally, the inherent complexity in the administrative process continued to hinder the disbursement from speeding up, especially for the year the investment scale increased significantly. Therefore, the actual spending for 11 months of 2022 just reached VND1,359tn, accounting for 76.20% of the annual plan. However, due to the low-base effect of the pandemic, the disbursed value still recorded a modest growth of 4.30% YoY compared to the last period last year.

Figure 47. Vietnam Public debt to GDP ratio over 2017-2021



Source: MOF, KIS

Figure 48. Vietnam's actual-to-plan ratio of public investment

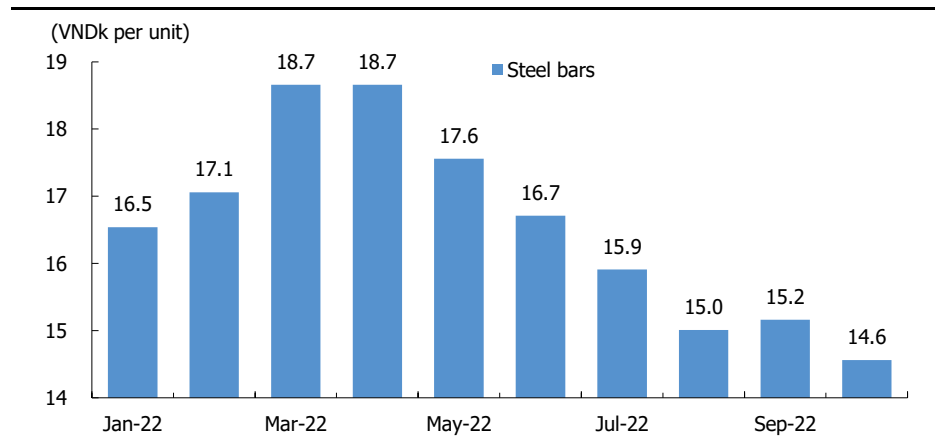


Source: CKNS, KIS

**The government seems to be more aggressive in managing the progress of public projects for 2023.** Through the latest local presses, the Prime Minister and his colleagues sent strong messages, including oral warnings, to related parties to accelerate the disbursement. Three documents of Resolution No. 124/NQ-CP Sept 2022; Directive No. 19/CT-TTG Oct 2022; and Dispatch No. 1076/CD-TTG Nov 2022 seem to reflect the efforts of authorities. Therefore, the improvement in state expenditure will add more support to Vietnam's economic growth in the next year.

Furthermore, along with the bright look of public investment resulting from the government policies and State budget, the decrease in construction material price, specifically, steel bars price positively contributes to the feasibility of public projects and speeds up the disbursement of public construction. After hitting the peak at VND18,660 per kg, steel bars fell by 11.5% YTD to VND14,560 per kg at the end of Oct-2022.

**Figure 49. Steel bars price by month in 2022**



Source: FiinPro, KIS

**Spending on investment in key national infrastructure projects will be the major driver to support economic growth.** In recent years, the government has approved many key infrastructure projects with a huge capital investment worth billions of dollars, for example, Long Thanh international airport, Ring road 03, and Metro 02 attracting not only the state budget but also capital from the private sector. Those government expenditures would contribute a lot to economic growth and creates job in the construction and material sectors, which were heavily affected by the bad situation in the real estate industry. The positive effects are expected to be medium-term as the project completion time generally exceeds five years. Below are some key investments project for the upcoming years

Figure 50. Major projects: Long Thanh international airport

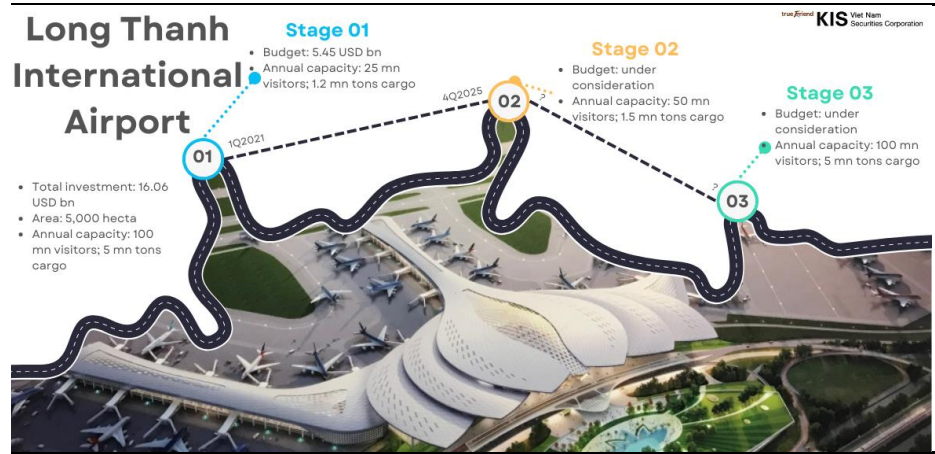


Figure 51. Major projects: Metro 02

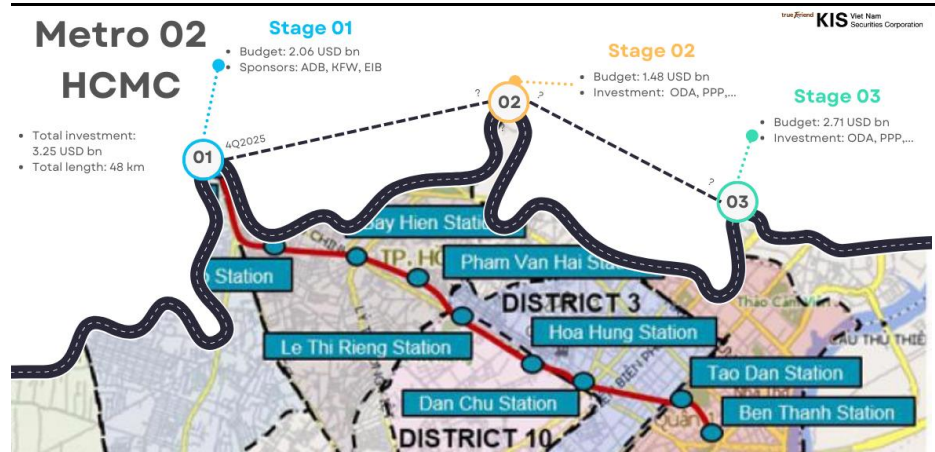
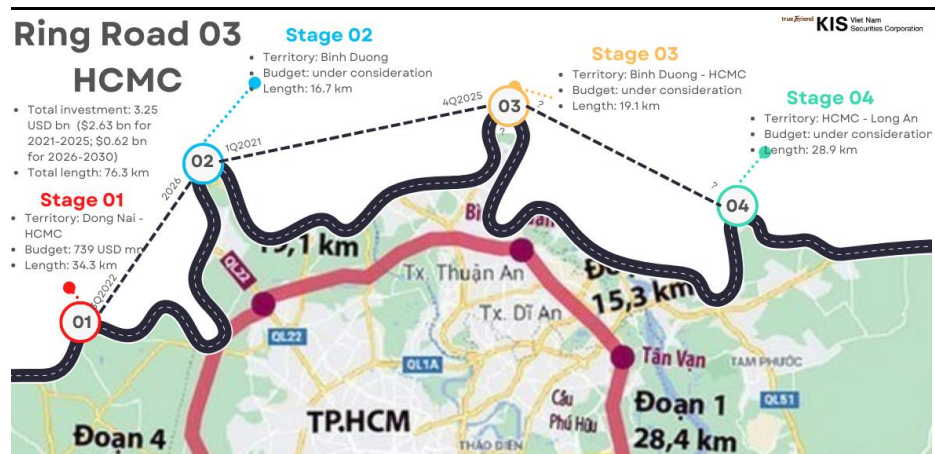


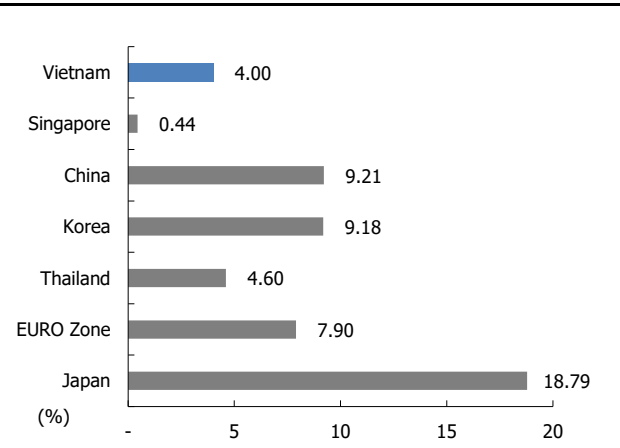
Figure 52. Major projects: Ring road 03



## V. Fed pivot could ease FX market and the liquidity stress

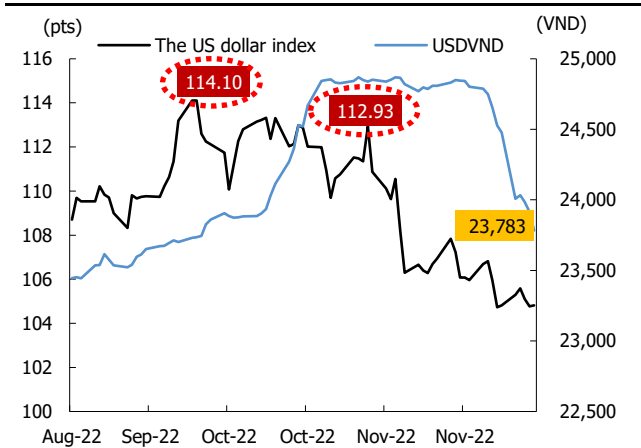
In general, from the beginning of the year until now, the VND exchange rate along with SGD (Singapore dollar) are relatively stable to major currencies and regional currencies thanks to the intervention of the State Bank such as an increase in greenback’s selling price, support banking system via open market operations and increase policy rate to keep the VND relatively stable. However, it also puts pressure on interest rates and increases the domestic money supply in the recent period.

**Figure 53. The YTD performance of local currencies**



Source: SBV, Bloomberg

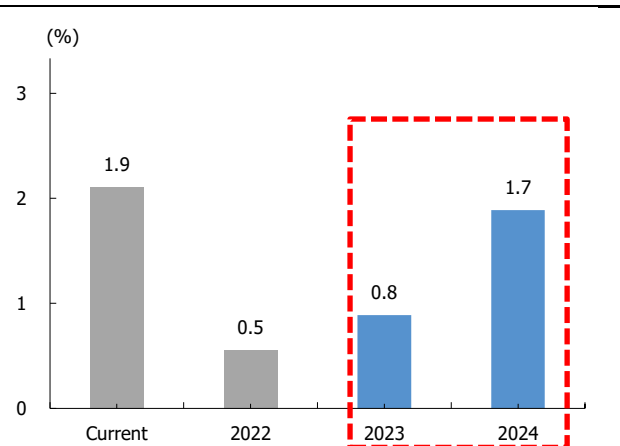
**Figure 54. The weekly performance of USDVND**



Source: SBV, Bloomberg

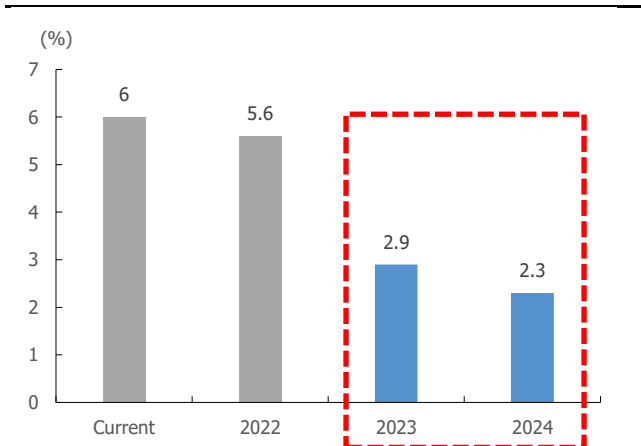
According to historical data, a peak was seen in the U.S. dollar at the end of September and since then, the dollar has experienced two sharp declines against other currencies. Furthermore, the decrease in the USD/VND exchange rate is part of the general trend of weakening of the USD.

**Figure 55. GDP growth of the U.S forecast**



Source: KIS, Bloomberg

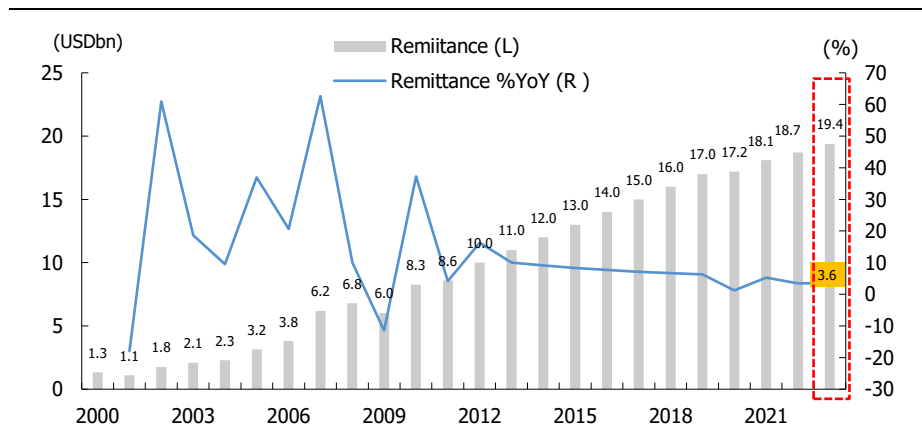
**Figure 56. PCE of the U.S Forecast**



Source: KIS, Bloomberg

Based on the FOMC projection and economic data from the U.S., we expect that the USDVND in 2023 will be stable for the following reasons. Firstly, the Fed will slow down the interest rate increase, making interest rate pressure not as great as in the previous periods. Secondly, based on the market forecast, the core-PCE is believed to increase to just around 2.9%YoY in 2023, 0.9% more to meet the FED’s inflation target at 2%.

**Figure 57. Historical data on remittance**



Source: World Bank, KNOMAD

Thirdly, as can be known that the remittance in 2022 is expected to be lower than in 2021. However, the number of remittances to Vietnam will increase sharply in the fourth quarter of 2022 due to seasonal factors at the end of the year. In addition, inflation in major economies in the world has been decreasing and the economy will start to recover, which will help overseas Vietnamese to have more income and increase remittances. According to the report on Migration and Development by World Bank and KNOMAD, total remittances to Vietnam could grow by 4.4% in 2022 and from 3.6-4.5% in the following year, after recording a 5% increase in 2021.

## VI. Concluding remarks

The hawkishness tendency and its implication for the global economy raised concerns about the economic prospect for Vietnam in 2023, especially the first half. The high-interest rate phenomena will erode the purchasing power in our target markets, consequently reducing the business scale of enterprises in the global value chains. Although the monetary tightening seems to step into the last stage, it would take us one or two quarters more to fully incorporate into the real global economy. The impact on Vietnam's economy, as an assembly hub in the Southeast Asia region, is evitable. More enterprises are joining the global tendency of reducing output plans and cutting employees to respond to global uncertainties. Therefore, Vietnam’s economy seems to step into 2023 without support from external factors.

However, long-term growth gears for our economy machine remain effective. Under the healthy fiscal balance and the low disbursement in 2022, an improvement in the progress of public projects would provide tremendous support for economic growth in 2023. Furthermore, the deceleration in the Fed's rate hike is expected to improve the liquidity condition, providing the monetary authority space to implement policies pursuing economic growth.



## Appendix 1

### Macro scorecard

	22-May	22-Jun	22-Jul	22-Aug	22-Sep	4Q21	1Q22	2Q22	3Q22	2018	2019	2020	2021
Real GDP growth (%)						5.22	5.03	7.72	13.67	7.08	7.03	2.91	2.58
Registered FDI (USD bn)	0.98	2.32	1.51	1.23	1.92	9.01	8.91	5.12	4.67	35.47	38.02	28.53	31.15
GDP per capita (USD)										3,202	3,398	3,521	3,725
Unemployment rate (%)										2.21	2.25	2.48	3.22
Export (USD bn)	30.48	32.65	30.32	33.38	29.94	95.26	86.01	96.83	96.48	243.5	263.6	282.7	335.7
Import (USD bn)	32.21	32.37	30.30	30.96	28.80	88.72	87.45	97.58	90.71	236.7	254.4	263	331.1
Export growth (%)	16.38	19.98	8.87	22.14	10.35	20.43	13.43	21.02	17.22	13.19	8.16	7.02	18.74
Import growth (%)	12.85	16.32	3.42	12.42	6.45	15.42	15.17	15.72	8.12	11.01	7.41	3.81	25.9
Inflation (%)	2.86	3.37	3.14	2.89	3.94	1.89	1.92	2.96	3.32	3.54	2.79	3.24	1.84
USD/VND	23,195	23,254	23,343	23,417	23,712	22,790	22,837	23,139	23,712	23,175	23,173	23,126	22,790
Credit growth (%)	7.62	8.51	9.14	9.62	10.47	12.97	4.13	8.51	10.47	10.77	13.75	12.17	12.97
10Y gov't bond (%)	3.25	3.38	3.50	3.37	4.39	2.11	2.40	3.38	4.39	5.07	3.37	2.01	2.11

Source: GSO, Bloomberg, FIA, IMF, KIS

2023 Outlook  
Thriving in turbulent times

# Sector Outlook

<b>Summary</b> .....	<b>43</b>
Power .....	44
Consumers .....	48
Construction Materials .....	56
Seafood.....	60
Textile .....	69
Fertilizer .....	73
Securities.....	78
Insurance.....	84
Retails.....	87
Industrial Estate .....	92
Residential Property.....	97

## Sector outlook summary

Sector	Investment Point	Top picks
Industrial Estate	<ul style="list-style-type: none"> <li>- Demand stayed resilient thanks to the strong expansion of FDI and local.</li> <li>- Trend of moving out of China for diversifying production, minimizing risk from centralized supply chain is going on</li> <li>- Abundant supply in Tier 2 could slow down the rent growth in 12M</li> </ul>	BCM
Residential property	<ul style="list-style-type: none"> <li>- Difficulties in repaying the principal of corporate bonds</li> <li>- Demand is impeded given the mortgage constraints</li> <li>- Hope on easing regulatory process to trigger the exciting launch supply</li> </ul>	NLG
Securities	<ul style="list-style-type: none"> <li>- Cloudy market conditions</li> <li>- Corporate market turnaround</li> <li>- Need more time for bigger things</li> </ul>	VND
Insurance	<ul style="list-style-type: none"> <li>- Stable premium growth rate</li> <li>- Loss ratio will cool down</li> <li>- New Insurance law from Jan 1st 2023</li> </ul>	
Construction materials	<ul style="list-style-type: none"> <li>- Slowdown global economy has dampened global demand from end-use industries.</li> <li>- Input prices has cooled down, which help to improve 2023 margins</li> <li>- Domestic issues slows down domestic demand</li> </ul>	HPG
Seafood	<ul style="list-style-type: none"> <li>- Seafood export growth rate slow down in 2023</li> <li>- Export to China is key theme for pangasius products</li> <li>- Shrimp export might tumble in 2023</li> </ul>	VHC
Fertilizer	<ul style="list-style-type: none"> <li>- 2022F will be another booming year.</li> <li>- However, potential growth may be not clear since 2023F as export motivation is no longer exist.</li> <li>- "Food protectionism" could become the key driver for the fertilizer industry.</li> </ul>	DPM
Consumers	<ul style="list-style-type: none"> <li>- Inflationary pressure has been eroding purchasing power.</li> </ul>	VNM, SAB, QNS
Food & Beverage	<ul style="list-style-type: none"> <li>- Input prices have cooled down, which help to improve 2023 margins</li> <li>- Defense sector amid macroeconomic instability</li> </ul>	
Textile	<ul style="list-style-type: none"> <li>- Contrasting export performance between garment and yarn in 11M2</li> <li>- The industry is feeling the inflation heat from key export markets</li> <li>- The re-opening of China could be a growth catalyst for yarn companies</li> </ul>	STK
Power	<ul style="list-style-type: none"> <li>- Thermal power benefits from waning La Nina in 2023F.</li> <li>- Input gas and coal prices are predicted to cool down in 2023F.</li> <li>- The final PDP 8 is expected to publish in 2023 which will encourage the development of renewable energy.</li> </ul>	NT2
Retails	<ul style="list-style-type: none"> <li>- Well rebound in 2022</li> <li>- Stagnant in sales of ICT and other discretionary products</li> <li>- Soaring sale of airport retail, pharmacies and FMCG retail</li> </ul>	MWG

# Power

## Non-rated

### ► Three keywords

- Thermal power benefits from waning La Nina in 2023F.
- Input gas and coal prices are predicted to cool down in 2023F.
- The final PDP 8 is expected to publish in 2023 which will encourage the development of renewable energy.

### ► Top pick

Petrovietnam Power Nhon Trach 2 (NT2, NON-RATED)			
	2022F	2023F	2024F
PE (x)	9.6	8.7	8.5
PB (x)	1.7	1.6	1.6
EV/EBITDA (x)	1.8	2.7	2.7
DY (%)	5.7	5.7	5.7
EPS (VND)	2,803.1	3,064.2	3,170.4
BPS (VND)	15,896.9	16,501.1	17,213.9

Source: Company data, KIS Research

## Keep our fingers crossed

### Investment summary

#### Splendid 2022's business results

In 10M22, the total power output reached 226bn kWh (+6.1% yoy) due to recovering power consumption demand. In particular, hydropower enjoyed decent growth when its output hiked to 82.4bn kWh (+29.8% yoy) thanks to La Nina effect. Coal-fired power output shrank 14.1% yoy to 86.6bn kWh as coal thermal power plants suffered from the coal shortage situation and the unattractively sharp rise of global coal price (+192% yoy). However, the crisis has gradually improved when Vinacomin's operation is back to normality.

The selling price soared up as a result of rising input material prices (gas, coal). In 10M22, CGM price averaged VND1,487/kWh, up 44.4% yoy. Thus, revenue and net profit of most power companies rose up in 9M22 compared to previous years.

#### Thermal power benefits from waning La Nina in 2023F

Columbia Climate School Research Institute for Climate and Society (IRI) forecasts a continuation of the La Nina event with 33-56% likelihood during Jan-Feb 2023 and transit into ENSO-neutral in the following months. We believe thermal power would be alternative in the context of declining hydropower output in 2023F.

Though the input coal price is projected to slow down compared to the skyrocketed price in 2022, it will remain at lofty level in 2023F as the expensive imported coal generally make up ~25 - 30% of total coal consumption. Nonetheless, we keep optimistic about the prospect of coal-fired power plants thanks to expectedly high power demand and the easing power price. Moreover, the Brent oil and Singapore fuel oil prices (benchmark for gas price supplied to domestic gas-fired power plants) are expected to ease in 2023F after the sharp spike in 2022. This will be a noted competitive advantage of gas thermal plants in 2023.

#### The final PDP 8 is expected to publish in 2023

We expect the Power Development Plant VIII (PDP 8) and pricing mechanism for transitional renewable energy (RE) projects will be approved in 1Q23. The recent draft is pointing towards the development of wind power capacity with CAGR of 16% in 2022-2045 and the elimination of 6,800MW coal-fired power out of the PDP 8. Thus, the PDP 8 is seen as a huge motivation for RE developers, especially wind power projects.

## PetroVietnam Power Nhon Trach 2 (NT2)

NON-RATED

Stock price (Dec 15, VND)	27,950
Market cap (USD mn)	346
Shares outstanding (mn)	288
52W High/Low (VND)	31,069/19,067
6M avg. daily turnover (USD mn)	1.76
Free float (%)	32.3
Foreign ownership (%)	16.2
Major shareholders (%)	
PV Power	59.37
CFTD	8.24

Yr to	Sales	OP	NP	EPS	BPS	PE	PB	ROE	EV/EBIT DA	DY
Dec	(VNDbn)	(VNDbn)	(VNDbn)	(VND)	(VND)	(x)	(x)	(%)	(x)	(%)
2019A	7,654	888	754.2	2,540	14,336	10.6	1.9	18.3	5.7	9.5
2020A	6,082	810	625.2	2,095	14,928	12.8	1.8	14.5	5.5	7.6
2021A	6,150	593	533.8	1,756	14,706	15.3	1.8	12.6	6.1	11.2
2022F	8,889	854	818.5	2,843	15,897	9.4	1.7	17.9	5.7	1.8
2023F	9,016	956	894.3	3,107	16,501	8.6	1.6	18.8	5.7	2.7

Source: Company data, KIS Research

Note: NP and EPS attributed to controlling interest

### Performance

	1M	6M	12M
Absolute (%)	19.8	6.4	20.5
Rel. to VNI (%p)	11.6	25.3	48.9

### Stock price



Source: Bloomberg

### 2023F's rosy performance

**Splendid performance in 9M22.** NT2's revenue and net profit in 9M22 were VND6,863bn (+52% yoy) and VND724bn (+75% yoy) driven by (1) increasing output to 3,074mn kWh (+29.7% yoy) from the tepid base in 9M21, (2) rising selling price amid sharp hike of input prices. In addition, NT2 reported VND340bn compensation revenue from EPTC for previous foreign exchange losses from the period of 2016-2021. We forecast NT2's revenue and net profit will surge to VND8,901bn (+47.7% yoy) and VND829bn (+55.3% yoy) based on the the following assumptions: (1) the expected 4Q22's volume of 1,021mn kWh (+23.8% yoy) expand the 2022's total volume to 4,094mn kWh (+28.2% yoy), (2) Average input gas price climbs to USD9.44/mmBTU (+17.9% yoy) owing to the sharp hike of FO prices.

**Brisk revenue and net profit outlook in FY23F.** We expect NT2 will benefit from waning La Nina effect. Despite a temporary halt of 40-45 days for major maintenance, we forecast the volume will slightly swell to 4,311mn kWh (+5.3% yoy) in the context of declining hydropower output. NT2's revenue and net profit are expected to VND9,016bn (+1.3% yoy) and VND894bn (+7.9% yoy) in 2023F, driven by (1) rising output to to 4,311mn kWh (+5.3% yoy), (2) the easing input gas price improves NT2's competitiveness, (3) NT2 will receive the remaining VND80bn compensation of exchange loss.

**Encouraging cash dividend.** NT2 already paid off its long-term debt in Jun 2021. Therefore, we expect NT2's cash flow will sharply increase in the next years. As its parent company, PV Power is deeply in need of cash to finance the new Nhon Trach 3 & 4 plants, we expect it would enlarge its annual cash dividend at 25% - 30% of charter capital in the following years.

**Balance sheet**

(VND bn)

FY-ending Dec.	2019A	2020A	2021A	2022F	2023F
Current assets (Adj.)	2,412	1,866	2,543	3,729	4,075
Cash & cash equivalent	651	62	1	1,195	1,218
Accounts & other receivables	1,459	1,489	2,230	2,215	2,436
Inventory	302	315	311	319	421
Non-current assets (Adj.)	4,876	4,184	3,496	2,868	2,240
Fixed Asset	4,876	4,184	3,496	2,868	2,240
Investment assets	0	0	0	0	0
Others	275	331	585	447	527
<b>Total assets</b>	<b>7,564</b>	<b>6,381</b>	<b>6,624</b>	<b>7,043</b>	<b>6,841</b>
Advances from customers	0	0	0	0	0
Unearned revenue	0	0	0	0	0
Trade payables	195	397	1,034	999	763
Others	1,400	912	1,147	1,258	1,060
ST debt & bond	1,350	775	210	210	267
LT debt & bond	492	0	0	0	0
<b>Total liabilities</b>	<b>3,437</b>	<b>2,084</b>	<b>2,390</b>	<b>2,467</b>	<b>2,091</b>
Controlling interest	4,127	4,298	4,234	4,576	4,750
Capital stock	2,879	2,879	2,879	2,879	2,879
Capital surplus	(0)	(0)	(0)	(0)	(0)
Other Reserves	137	137	160	194	231
Retained earnings	1,111	1,282	1,196	1,504	1,641
Minority interest	0	0	0	0	0
Shareholders' equity	4,127	4,298	4,234	4,576	4,750

**Income statement**

(VND bn)

FY-ending Dec.	2019A	2020A	2021A	2022F	2023F
Net sales	7,654	6,082	6,150	8,889	9,016
COGS	6,679	5,187	5,474	7,761	7,959
Gross profit	974	895	676	1,128	1,057
SG&A expenses	87	85	83	274	101
Operating profit	888	810	593	854	956
Financial income	48	18	18	10	14
Interest income	19	17	11	4	9
Financial expenses	168	160	52	12	29
Interest expenses	88	38	20	10	13
Other non-operating profit	30	(4)	7	0	0
Gains (Losses) in associates, subsidiaries and JV	0	0	0	0	0
Earnings before tax	797	663	566	852	941
Income taxes	43	38	32	34	47
Net profit	754	625	534	818	894
Exceptional items	0	0	0	153	155
Net profit (Adj)	754	625	534	666	739

**Cash flow**

(VND bn)

FY-ending Dec.	2019A	2020A	2021A	2022F	2023F
C/F from operations	1,917	1,222	1,074	1,320	737
Net profit	754	625	534	818	894
Depreciation & Amortization	690	693	690	689	689
Net incr. in W/C	473	(96)	(150)	(187)	(846)
C/F from investing	(187)	218	9	(55)	(51)
Capex	(5)	(1)	(3)	(60)	(60)
Decr. in fixed assets	(182)	219	11	4	9
C/F from financing	(1,344)	(1,830)	(1,143)	(475)	(663)
Incr. in equity	0	0	0	0	0
Incr. in debt	(1,085)	(1,111)	(568)	0	57
Dividends	(259)	(719)	(575)	(475)	(720)
C/F from others	(0)	0	0	0	(0)
Increase in cash	386	(389)	(61)	790	23

**Key financial data**

	2019A	2020A	2021A	2022F	2023F
Per-share (VND)					
EPS	2,540	2,095	1,756	2,843	3,107
BPS	14,336	14,928	14,706	15,897	16,501
DPS	899	2,498	1,999	1,650	2,500
Profitability (%)					
OP margin	11.6	13.3	9.6	9.6	10.6
NP margin	9.9	10.3	8.7	9.2	9.9
EBITDA margin	20.6	24.7	20.9	17.4	18.2
ROA	10.0	9.8	8.1	11.6	13.1
ROE (excl MI)	18.3	14.5	12.6	17.9	18.8
Dividend yield	9.5	7.6	11.2	1.8	2.7
Dividend payout ratio	6.3	16.7	13.6	10.4	15.2
Stability					
Net debt (VND bn)	1,192	713	209	(985)	(951)
Net debt/equity (%)	28.9	16.6	4.9	(21.5)	(20.0)
Valuation (x)					
PE	10.6	12.8	15.3	9.4	8.6
PB	1.9	1.8	1.8	1.7	1.6
EV/EBITDA	5.7	5.5	6.1	5.7	5.7

## Coverage valuation

Recommendation & TP			Earnings & Valuation										
Company			Year	Sales	OP	NP	EPS	BPS	PE	PB	ROE	EV/EBITDA	DY
				(VND bn)	(VND bn)	(VND bn)	(VND)	(VND)	(x)	(x)	(%)	(x)	(%)
Nhon Trach 2 (NT2)	Recommendation	Non-rated	2018A	7,670	914	782.2	2,717	12,795	9.9	2.1	21.2	6.5	9.1
	TP (VND)	N.A	2019A	7,654	888	754.2	2,540	14,336	10.6	1.9	18.3	5.7	9.5
	Price (Dec 15, VND)	27,950	2020A	6,082	810	625.2	2,095	14,928	12.8	1.8	14.5	5.5	7.6
	Market cap. (VND bn)	8,046	2021A	6,150	593	533.8	1,756	14,706	15.3	1.8	12.6	6.1	11.2
			2022F	8,889	854	818.5	2,843	15,897	9.4	1.7	17.9	5.7	1.8
		2023F	9,016	956	894.3	3,107	16,501	8.6	1.6	18.8	5.7	2.7	
Quang Ninh Thermal Power (QTP)	Recommendation	Non-rated	2018A	9,018	1,131	275	612	9,145	15.03	1.01	7.03	3.85	N.A
	TP (VND)	N.A	2019A	10,127	1,200	651	1,447	10,878	6.65	0.88	14.45	3.25	N.A
	Price (Dec 15, VND)	13,300	2020A	9,182	1,729	1,306	2,799	13,530	3.63	0.75	22.93	2.68	1.97
	Market cap. (VND bn)	5,985	2021A	8,571	734	578	1,284	13,712	13.50	1.26	9.43	5.60	5.77
			2022F	10,497	1,064	865	1,861	13,895	0.01	0.00	0.01	0.00	0.01
		2023F	9,919	979	885	1,916	14,289	0.01	0.00	0.02	0.00	0.01	
Hai Phong Thermal Power (QTP)	Recommendation	Non-rated	2018A	9,527	1,423	425	850	11,385	8.4	0.62	7.8	3.53	4.9
	TP (VND)	N.A	2019A	11,301	1,603	1,173	2,345	12,398	4.5	0.86	19.7	3.35	7.0
	Price (Dec 15, VND)	13,300	2020A	10,900	1,792	1,470	2,940	13,898	5.5	1.16	22.4	3.21	8.4
	Market cap. (VND bn)	6,650	2021A	9,027	559	455	911	12,452	19.7	1.44	6.9	5.77	8.0
			2022F	10,898	956	751	1,459	12,239	0.01	0.00	0.01	N.A	N.A
		2023F	10,963	1,113	957	1,856	13,149	0.01	0.00	0.13	N.A	N.A	
PV Power (POW)	Recommendation	Non-rated	2018A	32,662	3,683	1,921	856	10,464	N.A	1.47	N.A	7.40	N.A
	TP (VND)	N.A	2019A	35,376	3,946	2,532	1,081	11,490	10.11	0.95	9.85	5.83	N.A
	Price (Dec 15, VND)	11,400	2020A	29,732	3,371	2,365	1,010	12,186	13.24	1.10	8.53	6.32	2.24
	Market cap. (VND bn)	26,697	2021A	24,561	2,400	1,799	768	12,229	22.80	1.43	6.29	8.27	1.14
			2022F	28,573	1,982	1,250	519	N.A	0.02	N.A	0.01	N.A	N.A
		2023F	38,693	2,812	2,218	928	N.A	0.01	N.A	0.01	N.A	N.A	
REE Corp (REE)	Recommendation	Non-rated	2018A	5,101	915	1,784	5,003	26,136	4.79	0.92	20.56	9.61	5.81
	TP (VND)	N.A	2019A	4,890	946	1,639	4,597	29,159	6.47	1.02	16.63	13.13	5.26
	Price (Dec 15, VND)	77,200	2020A	5,640	1,239	1,628	4,566	32,225	9.22	1.31	14.90	12.50	3.31
	Market cap. (VND bn)	27,437	2021A	5,810	1,854	1,855	5,219	37,427	11.38	1.59	14.99	12.25	N.A
			2022F	8,744	3,385	2,546	7,270	42,855	0.01	0.00	0.02	0.01	0.00
		2023F	9,107	3,120	2,542	7,136	47,974	0.01	0.00	0.02	0.01	0.00	
Vinh Son - Song Hinh Power (VSH)	Recommendation	Non-rated	2018A	564	324	306	1,394	13,657	10.97	1.12	10.38	19.45	6.15
	TP (VND)	N.A	2019A	400	174	159	714	14,362	28.11	1.40	5.18	38.21	N.A
	Price (Dec 15, VND)	32,000	2020A	341	114	188	858	15,188	19.99	1.13	5.81	48.68	N.A
	Market cap. (VND bn)	7,560	2021A	1,611	770	387	1,637	16,976	17.02	1.64	10.55	9.49	N.A
			2022F	2,857	1,729	1,175	4,973	20,844	0.01	0.00	0.03	N.A	0.00
		2023F	2,024	1,014	596	2,524	22,540	0.01	0.00	0.01	N.A	0.00	
Pha Lai Thermal Power (PPC)	Recommendation	Non-rated	2018A	7,117	1,058	1,122	3,501	17,622	3.47	0.69	20.18	4.59	37.03
	TP (VND)	N.A	2019A	8,183	1,203	1,261	3,933	18,604	5.06	1.07	21.71	6.02	15.08
	Price (Dec 15, VND)	13,450	2020A	7,929	928	1,011	3,153	20,224	6.07	0.95	16.24	6.26	7.06
	Market cap. (VND bn)	4,312	2021A	3,868	-320	216	674	15,141	34.75	1.55	3.81	15.35	23.66
			2022F	5,390	33	305	904	N.A	0.01	N.A	0.01	N.A	0.00
		2023F	7,374	271	602	1,780	N.A	0.01	N.A	0.01	N.A	0.01	

Source: Bloomberg, KIS

## Consumers

### Food & Beverage

#### Non-rated

##### ► Three keywords

- Inflationary pressure has been eroding purchasing power.
- Input prices has cooled down, which help to improve 2023 margins
- Defense sector amid macroeconomic instability

##### ► Top pick

Vinamilk (VNM, Hold)			
	2021A	2022F	2023F
PE (x)	16.1	15.2	13.2
PB (x)	4.3	3.9	3.6
ROE (%)	30.6	30.1	31.8
DY (%)	5.0	5.3	6.1
EV/EBITDA (x)	10.2	9.4	8.2
EPS (VND, adj)	4,559	4,771	5,493
Sabeco (SAB, Non-rated)			
	2019A	2020A	2021A
PE (x)	23.6	24.3	31.8
PB (x)	5.9	5.5	5.2
ROE (%)	29.7	23.9	17.9
DY (%)	1.0	3.2	0.9
EV/EBITDA (x)	16.5	18.1	23.8
EPS (VND, adj)	7,760	7,565	5,767
Quang Ngai Sugar (QNS, Non-rated)			
	2019A	2020A	2021A
PE (x)	12.9	15.6	13.4
PB (x)	2.4	2.4	2.2
ROE (%)	21.9	16.1	18.3
DY (%)	2.5	5.7	4.8
EV/EBITDA (x)	7.5	8.8	7.6
EPS (VND, adj)	3,415	2,827	3,298

Source: Company data, KIS Research

## Enjoy easing input prices in 2023F

### Investment summary

#### Recovery demand in 2022

Per Fitch Solutions, spending for food and alcoholic drinks in Vietnam are forecasted to grow by 9.5% yoy and 9.6% yoy to reach VND985tn and VND64.7tn respectively in 2022 compared to a low base affected by the pandemic in 2021. In detail, the domestic dairy value was up 3% and underperformed FMCG categories in 9M22, per NielsenIQ. In contrast, Vietnam's beer production volume surged by over 47% yoy to 4,300 mn liters, according to GSO.

#### Easing input prices will support margins in 2023F

In 9M22, dairy companies witnessed a strong dropping in earnings, which was caused by the higher input prices. However, we see the input prices (whole & skim milk powder, soybean, ...) have already cooled down since 3Q22, so we expect the dairy industry's gross margin to recover strongly in 2023F. Besides, aluminum and malting prices also dropped significantly in 2H22, this will support gross margin for breweries in 2023F.

#### Economic slowdown drags down 2023F demand

Inflationary pressures caused by higher commodity prices and supply-chain challenges have been the key risk to consumer spending over 2022, and this has been eroding domestic purchasing power. These economic conditions continue to take place in 2023 at a lower level. Besides, slowing down Vietnam's economic growth in 2023F also hit the demand for F&B. However, we see a recovery of earnings of the sector in 2023F, especially in the dairy industry.

#### Favorable stocks: VNM, SAB, and QNS

Vinamilk (VNM), Sabeco (SAB), and Quang Ngai Sugar (QNS) are our favorite stocks in the industry. As we see the industry has already passed through harsh conditions, and 2023F positive earnings growth due to improvement in gross margins could attract defense money flow for F&B stocks amid economic instability.



## Vinamilk (VNM)

HOLD

		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)	(%)	(%)
Stock price (15 Dec, VND)	77,600	2019A	56,318	12,182	10,581	5,426	(21.7)	14,131	13.5	8.4	4.3	37.7	6.1
Market cap (USD mn)	6,894	2020A	59,636	12,263	11,099	4,736	(12.7)	14,472	15.5	9.9	4.6	35.5	5.2
Shares outstanding (mn)	2,090	2021A	60,919	11,760	10,532	4,559	(3.7)	13,882	16.1	10.2	4.3	30.6	5.0
52W High/Low (VND)	85,000/62,322	2022F	65,762	12,722	11,144	4,771	4.6	10,535	15.2	9.4	3.9	30.1	5.3
6M avg. daily turnover (USD mn)	6.93	2023F	71,517	14,977	12,831	5,493	15.1	12,726	13.2	8.2	3.6	31.8	6.1
Free float (%)	35.1												
Foreign ownership (%)	56.0												
Major shareholders (%)													
SCIC	36.0												
F&N	17.7												

Source: Company data, KIS Research

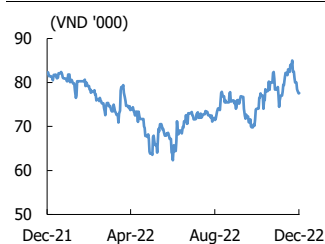
Note: NP and EPS attributed to controlling interest

### The worst is over

#### Performance

	1M	6M	12M
Absolute (%)	0.8	24.5	(5.4)
Rel. to VNI (%p)	(15.1)	36.8	22.0

#### Stock price



Source: Bloomberg

**The sluggish dairy sector in 2022.** VNM released its 3Q22 results, including revenue of VND16.1tn ( -0.7% yoy) and NPAT-MI of VND2.3tn (-21.4% yoy). For 9M22, revenue sustained VND44.9tn (-0.5% yoy) but NPAT-MI declined to VND6.6tn (-20.3% yoy), fulfilling 68% and 60% of our full-year forecasts. According to Kantar, dairy demand was still weak in 9Q22. Dairy consumption volume was down 7% yoy in urban areas and was up 2% yoy in rural areas, in 3Q22. Meanwhile, export revenue dropped slightly yoy in 9M22 due to weak demand in Middle East markets amid inflation concerns and transportation cost hikes.

**Subdued gross margin hit earnings in 9M22.** Although VNM increased the average selling price (ASP) by 5.5% yoy to protect margins, the gross margin narrowed by 3.6%p yoy in 9M22 because of spikes in logistic costs and raw material prices. Imported whole milk powder (WMP) and skim milk powder (SMP) prices went up by nearly 30% yoy in 2022 owing to higher feed, fertilizer, and fuel prices.

**Earnings could recover in 2023F.** The future global milk powder prices slumped strongly by over 30% vs the peak in 2Q22 and we expect VNM to benefit and improve the GM from 4Q22F. In 4Q22, we forecast VNM achieves positive growth yoy in net profit after several quarters of negative growth. In 2023F, we forecast VNM achieves single-digit growth in revenue and double-digit growth in net profit due to enjoying easing imported power milk prices.

**Maintaining HOLD rating.** As we see some headwinds belong to tailwinds, we maintain the HOLD rating for VNM stock. We see the economic slowdown following inflationary pressures would cause weak demand. However, as VNM has already stepped over the most extreme condition, and an improved gross margin due to easing input prices will push earnings of the company to recover strongly in 2023F. Additionally, the stockholders could enjoy an attractive dividend yield of over 5%.

**Balance sheet**

(VND bn)

FY-ending Dec.	2019A	2020A	2021A	2022F	2023F
Current assets	24,722	29,666	36,110	38,402	40,418
Cash & cash equivalents	15,101	19,425	23,374	25,880	27,157
Accounts & other receivables	4,503	5,187	5,822	5,754	6,438
Inventory	4,983	4,905	6,773	6,610	6,651
Non-current assets	19,978	18,767	17,222	21,459	25,756
Fixed assets	14,894	13,854	12,707	16,545	20,388
Investment assets	1,993	2,096	1,934	1,944	1,954
Others	3,205	2,945	2,706	3,108	3,564
Total assets	44,700	48,432	53,332	59,862	66,174
Advances from customers	245	111	66	986	1,073
Unearned revenue	2	16	4	4	4
Trade payables	3,648	3,199	4,214	4,278	4,050
Others	5,598	3,975	3,740	3,864	3,969
ST debt & due bonds	5,351	7,316	9,382	11,804	14,681
LT debt & bonds	123	167	76	0	0
Total liabilities	14,969	14,785	17,482	20,936	23,776
Controlling interest	27,504	31,297	33,083	36,079	39,529
Capital stock	17,417	20,900	20,900	20,900	20,900
Capital surplus	0	0	34	34	34
Other reserves	2,223	3,500	4,555	5,672	6,959
Retained earnings	7,875	6,910	7,594	9,473	11,637
Minority interest	2,227	2,350	2,767	2,871	2,993
Shareholders' equity	29,731	33,647	35,850	38,950	42,522

**Income statement**

(VND bn)

FY-ending Dec.	2019A	2020A	2021F	2022F	2023F
Sales	56,318	59,636	60,919	65,762	71,517
COGS	29,746	31,968	34,641	37,236	38,796
Gross profit	26,572	27,669	26,278	28,526	32,721
SG&A expenses	14,390	15,406	14,518	15,804	17,745
Operating profit	12,182	12,263	11,760	12,722	14,977
Financial income	807	1,581	1,215	1,357	1,291
Interest income	724	1,149	0	1,357	1,291
Financial expenses	187	309	202	279	374
Interest expenses	109	144	89	224	319
Other non-operating profit	(1)	(21)	195	0	0
Gains (Losses) in associates, subsidiaries and JV	(6)	4	(45)	0	0
Earnings before tax	12,796	13,519	12,922	13,801	15,894
Income taxes	2,241	2,283	2,290	2,553	2,940
Net profit	10,554	11,236	10,633	11,248	12,953
Net profit of controlling interest	10,581	11,099	10,532	11,144	12,831
EBITDA	14,131	14,472	13,882	10,535	12,726

**Key financial data**

FY-ending Dec.	2019A	2020A	2021A	2022F	2023F
C/F from operations	11,410	10,180	9,432	8,581	8,127
Net profit	10,554	11,236	10,633	11,248	12,953
Dep'n & Amort'n	1,948	2,209	2,121	2,187	2,251
Net incr. in W/C	(1,092)	(3,264)	(3,322)	(4,854)	(7,077)
C/F from investing	(6,748)	(4,802)	(3,933)	(304)	(311)
Capex	(2,158)	(1,265)	(1,531)	(1,661)	(1,601)
Incr. in investment	(4,590)	(3,537)	(2,402)	1,357	1,291
C/F from financing	(3,516)	(5,927)	(5,257)	(5,771)	(6,540)
Incr. in equity	127	(14)	318	0	0
Incr. in debt	4,194	2,016	2,046	2,321	2,778
Dividends	(7,836)	(7,928)	(7,621)	(8,092)	(9,317)
C/F from others	0	0	0	0	0
Increase in cash	1,146	(548)	241	2,506	1,277

**Valuation**

FY-ending Dec.	2019A	2020A	2021A	2022F	2023F
Per-share data (VND, adj.)					
EPS	5,426	4,736	4,559	4,771	5,493
BPS	17,070	16,099	17,154	18,637	20,346
DPS	4,499	3,793	3,646	3,872	4,458
Growth (%)					
Sales growth	7.1	5.9	2.2	7.9	8.8
OP growth	8.7	0.7	(4.1)	8.2	17.7
NP growth	3.5	4.9	(5.1)	5.8	15.1
EPS growth	(21.7)	(12.7)	(3.7)	4.6	15.1
EBITDA growth	10.1	2.4	(4.1)	7.4	15.5
Profitability (%)					
OP margin	21.6	20.6	19.3	19.3	20.9
NP margin	18.7	18.8	17.5	17.1	18.1
EBITDA margin	25.1	24.3	22.8	22.7	24.1
ROA	25.7	24.1	20.9	19.9	20.6
ROE	37.7	35.5	30.6	30.1	31.8
Dividend yield	6.1	5.2	5.0	5.3	6.1
Dividend payout ratio	82.9	80.1	80.0	81.2	81.2
Stability					
Net debt (VND bn)	(9,626)	(11,941)	(13,916)	(14,077)	(12,476)
Net debt/equity (%)	(32.4)	(35.5)	(38.8)	(36.1)	(29.3)
Valuation (x)					
PE	13.5	15.5	16.1	15.2	13.2
PB	4.3	4.6	4.3	3.9	3.6
EV/EBITDA	8.4	9.9	10.2	9.4	8.2

## Sabeco (SAB)

NON-RATED

Stock price (15 Dec, VND)	179,000	Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
Market cap (USD mn)	4,880	Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(x)	(%)	(%)
Shares outstanding (mn)	641	2017A	34,193	5,118	4,711	7,402	9.4	5,744	24.8	18.5	8.2	37.0	0.9
52W High/Low (VND)	195,000/142,417	2018A	35,949	4,440	4,177	6,563	(11.3)	5,075	28.0	20.7	7.3	28.8	3.3
6M avg. daily turnover (USD mn)	1.14	2019A	37,899	5,500	5,053	7,760	18.2	6,147	23.6	16.5	5.9	29.7	1.0
Free float (%)	10.4	2020A	27,961	4,940	4,724	7,565	(2.5)	5,534	24.3	18.1	5.5	23.9	3.2
Foreign ownership (%)	62.7	2021A	26,374	3,510	3,677	5,767	(23.8)	4,068	31.8	23.8	5.2	17.9	0.9
Major shareholders (%)													
Vietnam Beverage Company	54.6												
SCIC	36.0												

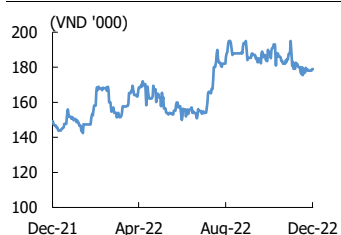
Source: Company data, KIS Research

Note: NP and EPS attributed to controlling interest

### Performance

	1M	6M	12M
Absolute (%)	(4.0)	17.8	20.0
Rel. to VNI (%p)	(19.9)	30.0	47.4

### Stock price



Source: Bloomberg

## Beautiful recovery

**Beautiful recovery in 9M22.** SAB recorded solid 3Q22 business results with a VND8.6tn revenue (+101% yoy), and VND1.3tn NPAT (+202% yoy) compared to a significantly low base in 3Q21 when applying lockdown measures. For 9M22, SAB revenue and NPAT went up by 44% yoy and 77% yoy to VND25tn and VND4.2tn, respectively, fulfilling 72%/91% of guidance. However, 3Q22 revenue decreased slightly by 4.1% qoq compared to the peak in Q2 which had Sea Game event and impressive strong consumption recovery after the reopening of social activities.

**Gross margin expanded in spite of the inflation environment.** Although the average prices of aluminum and malting barley increased by 18% and 15% respectively amid inflationary pressures. Gross margin of SAB increased by 2.8%p in 9M22 due to higher selling prices, well cost control, effective hedging of raw input materials, and better brand positioning. We estimate that beer ASP increased over 10% yoy in 9M22 as SAB conducted three price hikes from late last year.

**Mixing catalysts for 2023F outlook.** We expect single-digit volume growth in 2023 due to benefit from the full recovery of entertainment, travel, and gaining market share in the North. These positive catalysts will be partially offset by weaker consumer purchasing power as an economic slowdown. In the long-term view, we believe SAB can continue to improve gross margin by optimizing production as well as penetration in the sub-premium segment.

**Attractive valuation for long term.** SAB is trading at 20.9x TTM PE, far lower than the 3-yrs average of 29.1x PE. We think this price reflects the market expectation for the company's potential earnings growth in the next years due to improving gross margin and solid outlook of Vietnam beer sector. We believe that SAB stock is attractive with bright long-term prospects.

**Balance sheet**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Current assets	13,686	14,690	19,165	19,513	22,877
Cash & cash equivalents	10,827	12,012	16,509	17,274	20,598
Accounts & other receivables	715	766	569	591	468
Inventory	2,004	1,814	1,967	1,447	1,668
Non-current assets	8,327	7,677	7,798	7,862	7,610
Fixed assets	5,008	4,567	4,685	4,875	4,402
Investment assets	2,331	2,318	2,529	2,445	2,718
Others	1,108	885	694	733	621
Total assets	22,014	22,367	26,962	27,375	30,487
Advances from customers	89	110	43	65	63
Unearned revenue	1	2	1	1	1
Trade payables	2,020	2,027	2,427	1,653	2,400
Others	4,758	3,506	3,361	3,466	4,765
ST debt & due bonds	723	594	561	449	322
LT debt & bonds	2	15	494	526	341
Total liabilities	7,593	6,255	6,886	6,160	7,892
Controlling interest	13,383	15,046	18,805	19,940	21,221
Capital stock	6,413	6,413	6,413	6,413	6,413
Capital surplus	3	3	0	0	0
Other reserves	1,143	1,157	1,161	1,153	1,153
Retained earnings	5,824	7,474	11,232	12,374	13,656
Minority interest	1,037	1,065	1,271	1,275	1,373
Shareholders' equity	14,421	16,112	20,076	21,215	22,595

**Income statement**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Sales	34,193	35,949	37,899	27,961	26,374
COGS	25,328	27,864	28,348	19,460	18,765
Gross profit	8,866	8,084	9,551	8,501	7,609
SG&A expenses	3,747	3,644	4,051	3,561	4,098
Operating profit	5,118	4,440	5,499	4,940	3,510
Financial income	506	630	890	974	1,120
Interest income	454	606	855	929	848
Financial expenses	(26)	75	93	105	23
Interest expenses	42	35	37	64	49
Other non-operating profit	15	39	12	35	77
Gains (Losses) in associates, subsidiaries and JV	412	355	378	267	173
Earnings before tax	6,077	5,390	6,686	6,112	4,857
Income taxes	1,128	988	1,316	1,175	928
Net profit	4,949	4,403	5,370	4,937	3,929
Net profit of controlling interest	4,711	4,177	5,053	4,723	3,677
EBITDA	0	0	0	0	0

**Key financial data**

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
C/F from operations	5,068	4,515	5,005	4,129	3,518
Net profit	4,949	4,403	5,370	4,937	3,929
Dep'n & Amort'n	625	635	647	593	557
Net incr. in W/C	(506)	(523)	(1,012)	(1,402)	(969)
C/F from investing	(2,821)	(311)	(4,109)	(1,523)	(1,223)
Capex	(151)	(290)	(269)	(367)	(330)
Incr. in investment	(2,669)	(21)	(3,840)	(1,156)	(894)
C/F from financing	(1,424)	(4,005)	(1,247)	(3,995)	(1,414)
Incr. in equity	67	0	0	0	0
Incr. in debt	(482)	(116)	(111)	(261)	(318)
Dividends	(1,009)	(3,889)	(1,137)	(3,734)	(1,096)
C/F from others	0	0	0	0	0
Increase in cash	824	199	(352)	(1,390)	880

**Key financial data**

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Per-share data (VND, adj.)					
EPS	7,402	6,563	7,760	7,565	5,767
BPS	22,487	25,125	31,306	33,083	35,234
DPS	1,573	6,064	1,773	5,823	1,710
Growth (%)					
Sales growth	12.2	5.1	5.4	(26.2)	(5.7)
OP growth	8.6	(13.2)	23.9	(10.2)	(28.9)
NP growth	8.6	(11.3)	21.0	(6.5)	(22.1)
EPS growth	9.4	(11.3)	18.2	(2.5)	(23.8)
EBITDA growth	21.8	(11.6)	21.1	(10.0)	(26.5)
Profitability (%)					
OP margin	15.0	12.4	14.5	17.7	13.3
NP margin	14.5	12.2	14.2	17.7	14.9
EBITDA margin	16.8	14.1	16.2	19.8	15.4
ROA	24.0	19.8	21.8	18.2	13.6
ROE	37.0	28.8	29.7	23.9	17.9
Dividend yield	0.9	3.3	1.0	3.2	0.9
Dividend payout ratio	21.3	92.4	22.8	77.0	29.6
Stability					
Net debt (VND bn)	(10,103)	(11,403)	(15,454)	(16,299)	(19,935)
Net debt/equity (%)	(70.1)	(70.8)	(77.0)	(76.8)	(88.2)
Valuation (x)					
PE	24.8	28.0	23.6	24.3	31.8
PB	8.2	7.3	5.9	5.5	5.2
EV/EBITDA	18.5	20.7	16.5	18.1	23.8

## Quang Ngai Sugar (QNS)

NON-RATED

		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)	(%)	(%)
Stock price (Dec 15, VND)	35,600	2017A	7,633	1,153	1,027	3,925	(47.8)	1,567	11.2	7.0	2.4	24.5	3.2
Market cap (USD mn)	540	2018A	8,031	1,357	1,240	4,031	2.7	1,850	10.9	6.8	2.4	25.2	2.5
Shares outstanding (mn)	357	2019A	7,681	1,457	1,292	3,415	(15.3)	1,936	12.9	7.5	2.4	21.9	2.5
52W High/Low (VND)	49,585/34,500	2020A	6,490	1,163	1,053	2,827	(17.2)	1,634	15.6	8.8	2.4	16.1	5.7
6M avg. daily turnover (USD mn)	0.43	2021A	7,335	1,316	1,254	3,298	16.7	1,789	13.4	7.6	2.2	18.3	4.8
Free float (%)	57.3												
Foreign ownership (%)	19.1												
Major shareholders (%)													
Thanh Phat Company	15.6												
Vo Thanh Dang	6.7												

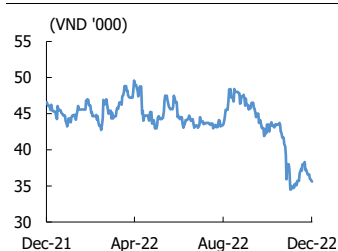
Source: Company data, KIS Research

Note: NP and EPS attributed to controlling interest

### Performance

	1M	6M	12M
Absolute (%)	3.2	(20.1)	(23.7)
Rel. to VNI (%p)	(12.6)	(7.8)	3.7

### Stock price



Source: Bloomberg

### Stability amid an unstable environment

**Flat earnings in 9M22.** QNS posted revenue and NPAT of VND2.3tn (+9% yoy) and VND318bn (-8.7% yoy), respectively in 3Q22. For 9M22, QNS reported revenue of VND6.3tn (+9.3% yoy) and NPAT of VND858bn (-1.2% yoy), respectively. Flat earnings in 9M22 due to sluggish soymilk and the gross margin of sugar segment dropping strongly. Meanwhile, the biomass power segment brought in VND190 bn in revenue and get a small profit.

**Soya milk segment will still be sluggish in 2023F.** Soya milk revenue increased 5% yoy to VND3.4tn, soymilk volume reached 207 mn liters (-1.3% yoy), while the average selling price increased by about 6% yoy. The gross profit margin of the segment reached 41.8% in 9M22, up from 41.1% in 9M21. We expect revenue to continue to stay flat in 2023 owing to weak demand in the slowdown economy. Meanwhile, gross margin of soymilk is expected to improve in 2023 due to lower soybean input prices.

**Solid sugar segment in 2023F.** In 9M22, revenue and gross profit were VND1.5 tn (+17% yoy) and VND240bn (-7% yoy) respectively. Sales volume of sugar reached 94,000 tonnes (+ 12% yoy) and the estimated ASP increased by 5% yoy. However, gross margin has decreased from 20.9% 9M21 to 16.5% 9M22, the decline in gross margin is due to the increase in the purchase prices of sugarcane higher than the increase in the ASP of output sugar. In 2023F, we believe the impact from the official imposition of tax on sugar imported from Thailand starting from 2023, thus QNS could increase sales volume and enjoy better gross margins.

**Valuation is quite attractive.** QNS is currently trading at 10.2x TTM PE and 9.0x forward PE in 2023, quite lower than 5-year historical average. Although weak demand of soymilk in 2023F, we believe valuation of QNS is quite attractive with prospect of improving gross margin of two main segments of soymilk and sugar.

**Balance sheet**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Current assets	1,907	3,178	3,840	4,188	5,323
Cash & cash equivalents	1,279	2,117	2,875	3,061	4,102
Accounts & other receivables	289	468	281	264	386
Inventory	320	585	661	844	816
Non-current assets	5,092	4,823	5,208	4,963	4,552
Fixed assets	2,805	4,388	4,157	3,807	4,285
Investment assets	2,047	214	826	928	47
Others	258	229	248	246	239
Total assets	6,999	8,002	9,048	9,150	9,876
Advances from customers	38	37	27	60	41
Unearned revenue	0	0	0	0	0
Trade payables	540	446	488	383	364
Others	390	439	397	379	343
ST debt & due bonds	1,404	1,727	1,665	1,723	2,032
LT debt & bonds	145	0	0	0	0
Total liabilities	2,517	2,649	2,578	2,545	2,781
Controlling interest	4,482	5,353	6,470	6,605	7,095
Capital stock	2,438	2,926	3,569	3,569	3,569
Capital surplus	288	288	353	353	353
Other reserves	454	506	568	607	638
Retained earnings	2,135	2,467	2,813	2,910	3,368
Minority interest	0	0	0	0	0
Shareholders' equity	4,482	5,353	6,470	6,605	7,095

**Income statement**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Sales	7,633	8,031	7,681	6,490	7,335
COGS	5,637	5,737	5,224	4,438	5,073
Gross profit	1,996	2,294	2,456	2,051	2,262
SG&A expenses	843	937	1,000	888	946
Operating profit	1,153	1,357	1,457	1,163	1,316
Financial income	38	87	138	142	143
Interest income	20	59	104	114	0
Financial expenses	78	96	77	72	66
Interest expenses	77	90	77	71	66
Other non-operating profit	26	57	26	33	47
Gains (Losses) in associates, subsidiaries and JV	0	0	0	0	0
Earnings before tax	1,138	1,405	1,543	1,266	1,439
Income taxes	112	165	251	213	186
Net profit	1,027	1,240	1,292	1,053	1,254
Net profit of controlling interest	1,027	1,240	1,292	1,053	1,254
EBITDA	1,567	1,850	1,936	1,634	1,789

**Key financial data**

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
C/F from operations	1,625	1,540	1,645	1,108	1,476
Net profit	1,027	1,240	1,292	1,053	1,254
Dep'n & Amort'n	414	493	479	471	474
Net incr. in W/C	184	(193)	(126)	(416)	(251)
C/F from investing	(1,051)	(1,461)	(1,512)	(56)	(1,274)
Capex	(874)	(566)	(646)	(199)	(114)
Incr. in investment	(177)	(895)	(866)	143	(1,161)
C/F from financing	(182)	(189)	(336)	(845)	(445)
Incr. in equity	(0)	(0)	124	0	0
Incr. in debt	158	139	(62)	58	309
Dividends	(339)	(328)	(397)	(904)	(754)
C/F from others	0	0	0	0	0
Increase in cash	391	(110)	(203)	207	(243)

**Key financial data**

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Per-share data (VND, adj.)					
EPS	3,925	4,031	3,415	2,827	3,298
BPS	18,382	18,295	18,126	18,506	19,877
DPS	1,392	1,122	1,112	2,531	2,113
Growth (%)					
Sales growth	9.5	5.2	(4.4)	(15.5)	13.0
OP growth	(24.0)	17.7	7.4	(20.2)	13.1
NP growth	(27.2)	20.8	4.1	(18.5)	19.0
EPS growth	(47.8)	2.7	(15.3)	(17.2)	16.7
EBITDA growth	3.3	18.0	4.6	(15.6)	9.5
Profitability (%)					
OP margin	15.1	16.9	19.0	17.9	17.9
NP margin	13.5	15.4	16.8	16.2	17.1
EBITDA margin	20.5	23.0	25.2	25.2	24.4
ROA	15.6	16.5	15.2	11.6	13.2
ROE	24.5	25.2	21.9	16.1	18.3
Dividend yield	3.2	2.5	2.5	5.7	4.8
Dividend payout ratio	35.5	27.8	32.6	89.6	64.1
Stability					
Net debt (VND bn)	270	(390)	(1,210)	(1,338)	(2,070)
Net debt/equity (%)	6.0	(7.3)	(18.7)	(20.3)	(29.2)
Valuation (x)					
PE	11.2	10.9	12.9	15.6	13.4
PB	2.4	2.4	2.4	2.4	2.2
EV/EBITDA	7.0	6.8	7.5	8.8	7.6

## Coverage valuation

Recommendation & TP			Earnings & Valuation										
Company				Sales (VND bn)	OP (VND bn)	NP (VND bn)	EPS (VND)	BPS (VND)	PE (X)	PB (X)	ROE (%)	ROA (X)	DY (%)
Vinamilk (VNM)	Recommendation	Hold	2019A	56,318	12,182	10,581	4,565	13,162	18.9	6.6	35.8	13.8	4.3
	TP (VND)	N.A	2020A	59,636	12,263	11,099	4,770	14,977	20.9	6.6	33.9	14.4	3.8
	Price (Dec 15, VND)	77,600	2021A	60,919	11,760	10,532	4,518	15,830	18.2	5.2	29.3	12.0	4.4
	Market cap. (VND bn)	162,180	2022F	60,707	10,129	8,843	3,778	14,901	20.5	5.2	25.4	11.3	5.0
			2023F	65,177	12,017	10,297	4,531	16,500	17.1	4.7	29.7	10.8	5.3
Sabeco (SAB)	Recommendation	Non-rated	2017A	34,193	5,118	4,711	7,218	20,870	31.5	10.9	38.3	26.3	1.3
	TP (VND)	N.A	2018A	35,949	4,440	4,177	6,426	23,463	39.0	10.7	29.4	31.8	2.8
	Price (Dec 15, VND)	179,500	2019A	37,899	5,499	5,053	7,477	29,325	28.8	7.3	29.9	21.5	0.7
	Market cap. (VND bn)	114,789	2020A	27,961	4,940	4,723	7,064	31,094	26.8	6.1	24.4	19.9	2.9
			2021A	26,374	3,510	3,677	5,718	33,092	25.8	4.5	17.9	19.3	1.0
Quang Ngai Sugar (QNS)	Recommendation	Non-rated	2017A	7,633	1,153	1,027	3,462	15,164	8.1	1.9	24.4	15.6	5.3
	TP (VND)	N.A	2018A	8,031	1,357	1,240	4,183	18,111	6.4	1.5	25.1	16.5	4.6
	Price (Dec 15, VND)	35,700	2019A	7,681	1,457	1,292	4,313	21,466	5.0	1.0	21.8	15.2	6.2
	Market cap. (VND bn)	12,743	2020A	6,490	1,163	1,053	3,463	21,915	10.1	1.6	16.0	11.6	8.6
			2021A	7,335	1,316	1,254	4,117	23,539	11.0	1.9	18.1	13.2	5.5

Source: Company data, KIS

# Construction materials

## STEEL

### Neutral

#### ► Three keywords

- Slowdown global economy has dampened global demand from end-use industries.
- Input prices has cooled down, which help to improve 2023 margins
- Domestic issues slow down domestic demand

#### ► Company Analysis

Hoa Phat (HPG, Hold)			
	2022F	2023F	2024F
PE (x)	10.7	8.5	6.4
PB (x)	1.1	1.0	0.9
EV/EBITDA (x)	6.2	5.8	4.9
EPS (VND) adj	2,177	2,409	2,961
BPS (VND)	17,420	19,698	21,950

Source: Company data, KIS Research

## Stepped into extreme condition

### Investment summary

#### Weakening demand in 10M22

Despite the strategy of opening up and living with the virus, total sales volume was down 5.6% yoy to 21.4mn tonnes in 10M22, which caused by weakening global and domestic demand. The total 10M22 export volume fell 36.2% yoy to 6.98mn tonnes and the export turnover posted at USD7.1bn in 10M22 (-25.7% yoy). Total domestic sales volume was down 5.9% yoy to 15.4mn tonnes in 10M22 despite the low base in 2021.

#### High input prices are no longer main concerns in 2023F

3Q22 witnessed the collapse in earning of the whole industry, which caused by the high input prices. In 4Q22, we still expect to the industry earnings will be continuously hit by remaining high-cost inventories. The input prices (coking coal, iron ore, scraps etc.) have cooled down since April 2022, however, we only see the industry gross margin and bottom line will be improved in 2023F due to high-cost inventories remained at high level over last quarters in 2022.

#### Global and domestic issues drag down 2022-2023F outlook

Slow-down global economic growth in 2023F will dampen the steel demand. Although we have seen some positive signals from property market in China, this may only partly relieve the fear of oversupply from China. From our viewpoint, we see no significant improvement for global steel industry in 2023F. Global recession would be the worst scenario for steel industry in 2023F. Besides, stagnant residential market in Vietnam would dent the domestic demand over upcoming months.

#### Maintain Neutral rating on the industry

As we see multiple headwinds for the steel industry, we maintain our Neutral rating on steel industry. Hoa Phat Group (HPG), Hoa Sen Group (HSG) and Nam Kim Steel (NKG) are in our watchlist. As we see the industry has already been stepping into extreme condition, any improvement even small in industry condition, in our opinion, would bring good sentiment for the industry in general and those companies in particular.



## Hoa Phat (HPG)

**HOLD/TP VND22,100**

Stock price (Dec 15, VND)	19,350
Market cap (USD mn)	4,781
Shares outstanding (mn)	5,815
52W High/Low (VND)	38,670/12,100
6M avg. daily turnover (USD mn)	24,36
Free float (%)	54.3
Foreign ownership (%)	21.2
Tran Dinh Long	26

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)	(%)	(%)
2020A	90,119	17,123	13,450	3,958	46.2	21,899	4.9	4.4	1.1	25.2	2.2
2021A	149,680	37,664	34,478	7,471	88.8	43,751	2.6	2.4	1.0	46.0	2.0
2022F	137,438	16,828	10,594	2,177	(70.9)	23,195	10.7	6.2	1.1	11.0	0.0
2023F	109,274	17,651	13,271	2,409	10.7	24,938	8.5	5.8	1.0	12.3	0.0
2024F	141,177	23,995	17,606	2,961	22.9	32,282	6.4	4.9	0.9	14.6	4.0

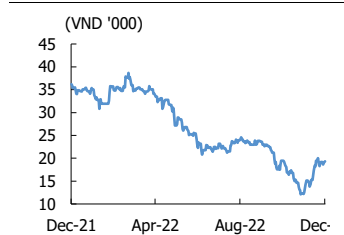
Source: Company data, KIS Research

Note: NP and EPS attributed to controlling interest

### Performance

	1M	6M	12M
Absolute (%)	54.8	(17.5)	(46.2)
Rel. to VNI (%p)	38.9	(3.6)	(18.7)

### Stock price



Source: Bloomberg

### Is bowstring at full draw?

**Earning collapsed in 3Q22.** HPG posted a loss of VND1,785.7bn in 3Q22 due to the combination of squeezed gross margin of 2.9% (lower ASP and high input cost) and a loss deriving from FX revaluation on the back of USD appreciation. For 9M22, revenue increased 10% yoy to VND115,583.5bn while net profit was VND10,443.2bn, -61.4% yoy. In 4Q22, we forecast HPG achieves VND21,729 in revenue (-50.4% yoy) and VND120bn in net profit (-98%) under the impact of remaining high-cost inventories and greenback appreciation. In 2023F, we forecast HPG achieves VND109,965 in revenue (-20.4% yoy) and VND13,270bn in net profit (+25.0%).

**BFs shutdown plan.** As the impact of central banks' policies and geopolitical tension, HPG announced the shutdown plan for 2 out of 3 BFs in Hai Duong and 2 out of 4 BFs in Dung Quat in November and further one more in Dec 2022 if the demand is still weak. Up to now, we have not received any information about 5<sup>th</sup> BF shutdown. According to the company, they expect to resume the operation of those BFs in 1Q23F, however, it still depends on the market demand at that time.

**Earnings forecasts are revised down.** The sharp downgrade was based on the worse-than-expected 9M22 performance results and poor outlook in 2023F. We revised down our earnings forecast by 68.1-47.9% over 2022-24F. However, we believe that HPG performance results will back on track from 2024F when we see the positive impact of the global spending acceleration and the right-time operation of new Dung Quat steel complex will be the main drivers for the growth revival from 2024F ([see our report](#)).

**Remaining HOLD rating.** As we see many headwinds over short term for steel industry and the company, we maintain the HOLD rating for HPG stock. We see the global recession is the biggest downside risks for HPG as a long-lasting weak demand could weaken the company financials. However, as HPG has been stepping in extreme condition, like an arrow at full draw, any improvement in the situation will be more likely to push the company moves toward its new height.

**Balance sheet**

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Current assets	56,747	94,154	89,506	65,614	69,105
Cash & cash equivalents	21,823	40,708	33,796	20,892	11,848
Accounts & other receivables	6,125	7,662	8,774	8,121	10,811
Inventory	26,287	42,135	43,500	33,760	42,917
Non-current assets	74,764	84,082	105,490	123,713	140,985
Fixed assets	65,562	69,281	69,914	85,628	102,341
Investment assets	6,983	10,573	30,583	32,593	32,603
Others	4,427	7,069	7,538	7,354	8,494
<b>Total assets</b>	<b>131,511</b>	<b>178,236</b>	<b>194,995</b>	<b>189,326</b>	<b>210,090</b>
Advances from customers	1,257	788	1,374	1,093	1,412
Unearned revenue	51	26	26	26	26
Trade payables	10,916	23,729	20,430	14,469	18,659
Others	5,926	5,700	5,857	5,986	6,143
ST debt & due bonds	36,799	43,748	52,748	39,748	40,748
LT debt & bonds	17,343	13,465	13,265	13,465	15,465
<b>Total liabilities</b>	<b>72,292</b>	<b>87,456</b>	<b>93,700</b>	<b>74,787</b>	<b>82,453</b>
Controlling interest	59,071	90,625	101,167	114,371	127,416
Capital stock	33,133	44,729	58,148	58,148	58,148
Capital surplus	3,212	3,212	3,212	3,212	3,212
Other reserves	934	922	932	946	963
Retained earnings	21,792	41,763	38,875	52,066	65,093
Minority interest	149	155	128	168	221
Shareholders' equity	59,220	90,780	101,295	114,539	127,637

**Income statement**

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	90,119	149,680	137,438	109,274	141,177
COGS	71,215	108,571	117,201	88,017	113,511
Gross profit	18,904	41,108	20,237	21,257	27,666
SG&A expenses	1,781	3,444	3,408	3,606	3,671
Operating profit	17,123	37,664	16,828	17,651	23,995
Operating profit (Adj.)	17,123	37,664	16,828	17,651	23,995
Financial income	1,005	3,071	2,818	2,186	988
Interest income	519	1,194	657	613	306
Financial expenses	2,837	3,732	7,628	4,917	4,941
Interest expenses	2,192	2,526	3,961	3,459	3,092
Other non-operating profit	65	48	83	66	42
Gains (Losses) in associates, subsidiaries and JV	2	5	5	5	5
Earnings before tax	15,357	37,057	12,105	14,989	20,089
Income taxes	1,851	2,536	1,537	1,679	2,431
Net profit	13,506	34,521	10,568	13,310	17,659
Net profit (Adj.)	13,114	33,418	12,656	14,009	17,216
Net profit of controlling interest	13,450	34,478	10,594	13,271	17,606
Exceptional items					
FX Gain/(Loss)	-	-	1,725	817	(284)
Other adjustment	-	(466)	400	-	-
EBITDA	21,899	43,751	23,195	24,938	32,282

**Cash flow**

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
C/F from operations	11,587	27,466	10,642	24,293	17,133
Net profit	13,506	34,521	10,568	13,310	17,659
Dep'n & Amort'n	4,776	6,087	6,367	7,287	8,287
Net incr. in W/C	(6,695)	(13,142)	(6,293)	3,696	(8,813)
C/F from investing	(18,495)	(20,404)	(30,001)	(17,832)	(17,044)
Capex	(11,916)	(12,116)	(27,010)	(25,010)	(25,010)
Incr. in investment	(6,579)	(8,288)	(2,991)	7,178	7,966
C/F from financing	16,053.7	1,729.4	8,800.0	(12,800.0)	(1,472.9)
Incr. in equity	3	11	0	0	0
Incr. in debt	17,471	3,423	8,800	(12,800)	3,000
Dividends	(1,420)	(1,704)	0	0	(4,473)
C/F from others	6	(16)	0	0	0
Increase in cash	9,146	8,792	(10,559)	(6,339)	(1,385)

**Key financial data**

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Per-share data (VND, adj.)					
EPS	3,958	7,471	2,177	2,409	2,961
BPS	17,873	20,296	17,420	19,698	21,950
DPS	428	381	0	0	769
Growth (%)					
Sales growth	41.6	66.1	(8.2)	(20.5)	29.2
OP growth	75.7	120.0	(55.3)	4.9	35.9
NP growth (Adj.)	75.4	154.8	(62.1)	10.7	22.9
EPS growth (Adj.)	46.2	88.8	(70.9)	10.7	22.9
EBITDA growth	77.5	99.8	(47.0)	7.5	29.4
Profitability (%)					
OP margin	19.0	25.2	12.2	16.2	17.0
NP margin (Adj.)	14.6	22.3	9.2	12.8	12.2
EBITDA margin	24.3	29.2	16.9	22.8	22.9
ROA	11.6	22.3	5.7	6.9	8.8
ROE	25.2	46.0	11.0	12.3	14.6
Dividend yield	2.2	2.0	0.0	0.0	4.0
Dividend payout ratio	10.8	5.0	0.0	0.0	25.6
Stability					
Net debt (VND bn)	32,319	16,505	32,216	32,321	44,364
Net debt/equity (%)	50.0	20.0	30.0	30.0	30.0
Valuation (x)					
PE	4.9	2.6	10.7	8.5	6.4
PB	1.1	1.0	1.1	1.0	0.9
EV/EBITDA	4.4	2.4	6.2	5.8	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)	(%)	
Hoa Phat Group (HPG)	Recommendation	Hold	2020A	90,119	17,123	13,450	3,958	17,873	4.9	1.1	25.2	4.4	2.2
	TP (VND)	22,100	2021A	149,680	37,664	34,478	7,471	20,296	2.6	1.0	46.0	2.4	2.0
	Price (Dec 15, VND)	19,350	2022F	137,438	16,828	10,594	2,177	17,420	10.7	1.1	11.0	6.2	0.0
	Market cap. (VND bn)	112,516	2023F	109,274	17,651	13,271	2,409	19,698	8.5	1.0	12.3	5.8	0.0
			2024F	141,177	23,995	17,606	2,961	21,950	6.4	0.9	14.6	4.9	4.0
Hoa Sen Group (HSG)	Recommendation	Hold	FY21A	48,727	5,047	4,249	8,434	21,950	1.5	0.6	48.8	2.0	0.0
	TP (VND)	12,500	FY22A	49,711	565	250	37	18,197	345.6	0.7	2.3	6.6	0.0
	Price (Dec 15, VND)	12,650	FY23F	32,198	545	411	683	18,880	18.5	0.7	3.7	4.7	0.0
	Market cap. (VND bn)	8,074	FY24F	36,621	1,067	848	1,410	20,291	9.0	0.6	7.2	3.4	0.0
			FY25F	42,277	1,389	1,111	1,846	22,138	6.9	0.6	8.8	2.8	0.0
Nam Kim Steel (NKG)	Recommendation	Hold	2020A	11,560	509	295	1,547	17,478	8.5	0.8	9.5	5.4	0.0
	TP (VND)	13,400	2021A	28,173	2,749	2,225	10,059	26,205	1.3	0.5	50.0	1.8	0.0
	Price (Dec 15, VND)	13,200	2022F	22,358	528	275	1,044	22,040	12.6	0.6	4.8	6.7	6.3
	Market cap. (VND bn)	3,712	2023F	12,880	426	295	1,120	22,328	11.8	0.6	5.1	5.7	6.3
			2024F	16,396	683	511	1,937	23,434	6.8	0.6	8.5	5.2	6.3

Source: Bloomberg, KIS

## Seafood

### Neutral

#### ► Three keywords

- Seafood export growth rate slowdown in 2023
- Export to China is key theme for pangasius products
- Shrimp export might tumble in 2023

#### ► Company Analysis

Vinh Hoan Corp (VHC, HOLD, VND77,000)			
	2022F	2023F	2024F
PE (x)	5.6	7.0	6.9
PB (x)	1.7	1.4	1.2
EV/EBITDA (x)	4.0	4.7	4.7
DY (%)	2.0	2.0	2.0
EPS (VND, adj.)	12,620	10,157	10,247

Source: Company data, KIS Research

- Pangasius fillet export slowdown in 2023
- Collagen & Gelatin revenue to surge on the back of factory capacity expansion

## Soft landing is anticipated in 2023F

### Investment summary

#### Be on cloud nine in 2022

2022 seafood industry marked a new high record of more than USD11bn value (+25% yoy) backed by the seafood demand soaring on most markets in 1H22. The revival of most markets from the pandemic boosted the high demand, especially in US and EU markets. Also, the EU, the US, and their allies shuttered the import of Russian whitefish and seafood, creating the opportunity for Vietnam pangasius (whitefish) and other seafood to gain more shares in these markets.

#### And taking a breather in 2023F

In 2023F, the seafood export could have a soft landing after hitting the peak in 2022 since the abundant stockpile and weaker purchasing power would lessen the markets' demand in 2023F. We consider that the seafood supply outplaced the consumption in 2H22F, making the high inventory, especially in US and EU markets where strongly imported end-2021 until 2022. At the same time, global high inflation warned to narrow the seafood spending of consumers in 2023.

#### Pangasius export looks forward to China's rebound

The high inflation and ample stockpile in large size could shrink the pangasius consumption till 1H23F. The abundant raw material and the lower aquafeed price could ease the supply source pressure, fostering the average selling price to cool down. Yet, export to China seems brighter since this government has been canceling the testing process of imported products to reduce the hefty cost and clearance time. The re-open after 2 years of COVID-19 restrictions and the less testing process of import products could revive the seafood demand of the largest market in 2023F.

#### Shrimp export might be harsh

In our view, the challenges of lower demand and highly competitive shrimp products could decelerate the export in 2023F. Similar to pangasius products, shrimp importers have a vast inventory after accelerating shrimp import in the last 2 years. Whilst, inflation rise contracts the consumer's spending on high-end food such as shrimp. As such, Vietnamese shrimp, having an expensive average selling price than its peers, is fiercely competed by cheap source from Ecuador and India.

### Valuation

Since the tepid demand for main products such as shrimp and pangasius in most key markets and the slowdown economic outlook increase inherent risks of the industry, we considered that seafood export would slow down. As such, we downgrade our rating from Overweight to Neutral in 2023F.

Our top pick is Vinh Hoan Corp and FMC, maintaining the top share of pangasius and shrimp exporters as the solid revenue and NPAT. We believe that strong fundamentals and insight strategy would drive the companies through short-term challenges to long-term gain.

## Vinh Hoan Corp (VHC)

**HOLD/TP VND77,000**

Stock price (15 Dec, VND)	70,900
Market cap (USD mn)	546
Shares outstanding (mn)	183
52-Week high/low (VND)	111,526/58,150
6M avg. daily turnover (USD mn)	3.06
Free float (%)	50.2
Foreign ownership (%)	29.9
Major shareholders (%)	
Truong Thi Le Khanh	43.5
Dragon Capital	6.9

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)	(%)	(%)
2020A	7,037	683	722	3,971	(35.5)	883	18.1	13.5	2.5	14.0	2.0
2021A	9,054	1,196	1,121	6,162	55.2	1,482	11.7	8.0	2.3	19.4	2.0
2022F	13,900	2,617	2,304	12,620	104.8	2,970	5.7	4.0	1.7	29.9	2.0
2023F	12,126	2,133	1,862	10,157	(19.2)	2,536	7.1	4.7	1.4	20.2	2.0
2024F	12,481	2,067	1,878	10,247	0.9	2,522	7.0	4.7	1.2	17.5	2.0

Source: Company data, KIS Research

Note: NP and EPS attributed to controlling interest

### Performance

	1M	6M	12M
Absolute (%)	(5.3)	(29.4)	16.2
Rel. to VNI (%p)	(21.2)	(15.8)	43.5

### Stock price



Source: Bloomberg

### Challenges to prove

**Peaked in 2022.** VHC maintains to place as a leader in seafood exporters. The pangasius fillet revenue soared to 59% yoy, setting all-time-high record since (1) the demand recovery strongly in key markets of VHC boosted export volume (2) the pressure of shortage supply source in general set the high average selling price. Also, Collagen & Gelatin (C&G) and other small segments' revenue contributed 84% yoy growth rate of VHC. The 9M22 NPAT beat our estimates mainly thanks to (1) GPM expansion, and (2) the high exchange gain from Dollar revenue in 2H22.

**The difficulties come ahead.** As we considered that the demand for pangasius would be softer in 2023F, especially in US and EU markets, the pangasius export would flattish or slightly lower yoy since US and EU importers contributed about 45% and 28% VHC revenue. Whilst, we expected the strong recovery of China market could offset pangasius export downward of VHC. Also, other small segments as Collagen & Gelatin and rice-related products would keep the growth momentum in 2023 thanks to capacity expansion in 2022.

**The average selling price might cool down.** 2023F NPAT could slide yoy since the margins narrow by lower average selling price and volume of pangasius export. The average selling price could decrease due to a combination of 1) the shortage supply could ease soon, and (2) the demand could slow down. Meanwhile, we expect that high GPM of Collagen & Gelatin products could positively impact VHC GPM in 2023.

**Earnings forecasts were revised down.** We adjust downward our revenue/NPAT estimates by -18.8%/-9.5%, to reflect the softer pangasius revenue growth. We peg revenue and NPAT at VND12,126bn, +14.9% yoy/VND1,850bn, -19.2% yoy in 2023F. We also introduce the 2024F forecast with VND12,481bn revenue/VND1,866bn NPAT, +2.9% yoy/+0.8% yoy. ([Report](#))

**Valuation.** We combine the PE comparison multiple 2023F-2024F at 8x/8.5x beside the DCF model with 50:50 weight. Our CoE turns more expensive to reflect a risk-free rate from 3.5% to 5.5%. Our blended target price reduces from VND121,500 to VND77,000 in response to an expensive cost of capital and weaker earning business. We downgrade our Rating from BUY to HOLD.

**Balance sheet**

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Current assets	4,228	5,242	7,476	8,547	9,877
Cash & cash equivalents	1,457	1,523	2,338	4,029	5,195
Accounts & other receivables	1,273	1,929	2,515	2,194	2,258
Inventory	1,498	1,790	2,623	2,325	2,424
Non-current assets	2,237	2,932	3,803	4,113	4,392
Fixed assets	1,887	2,329	3,244	3,597	3,919
Investment assets	350	602	559	516	473
Others	727	561	561	561	561
<b>Total assets</b>	<b>7,192</b>	<b>8,734</b>	<b>11,840</b>	<b>13,222</b>	<b>14,830</b>
Advances from customers	0	0	0	0	0
Unearned revenue	436	545	848	761	767
Trade payables	326	337	494	438	456
Others	94	79	85	89	94
ST debt & due bonds	1,106	1,723	1,980	2,206	2,440
LT debt & bonds	69	168	634	450	300
<b>Total liabilities</b>	<b>2,031</b>	<b>2,852</b>	<b>4,040</b>	<b>3,943</b>	<b>4,057</b>
Controlling interest	5,157	5,777	7,708	9,199	10,705
Capital stock	1,834	1,834	1,834	1,834	1,834
Capital surplus	224	224	224	224	224
Other reserves	(114)	(114)	(0)	(0)	(0)
Retained earnings	3,214	3,833	5,651	7,141	8,648
Minority interest	4	105	92	80	67
<b>Shareholders' equity</b>	<b>5,161</b>	<b>5,882</b>	<b>7,800</b>	<b>9,278</b>	<b>10,773</b>

**Cash flow**

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
C/F from operations	420	640	1,684	2,728	2,182
Net profit	722	1,121	2,304	1,862	1,878
Dep'n & Amort'n	201	285	352	403	456
Net incr. in W/C	(502)	(766)	(972)	464	(151)
C/F from investing	(311)	(856)	(1,224)	(713)	(734)
Capex	(604)	(605)	(1,224)	(713)	(734)
Incr. in investment	293	(251)	0	0	0
C/F from financing	(55)	421	355	(325)	(282)
Incr. in equity	0	63	0	0	0
Incr. in debt	309	717	722	42	85
Dividends	(364)	(359)	(367)	(367)	(367)
C/F from others	(177)	(139)	0	0	0
<b>Increase in cash</b>	<b>(123)</b>	<b>66</b>	<b>815</b>	<b>1,691</b>	<b>1,166</b>

**Income statement**

(VND bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	7,037	9,054	13,900	12,126	12,481
COGS	6,036	7,302	10,699	9,483	9,890
<b>Gross profit</b>	<b>1,001</b>	<b>1,752</b>	<b>3,201</b>	<b>2,642</b>	<b>2,591</b>
SG&A expenses	318	556	584	509	524
<b>Operating profit</b>	<b>683</b>	<b>1,196</b>	<b>2,617</b>	<b>2,133</b>	<b>2,067</b>
Financial income	58	137	251	233	201
Interest income	97	69	193	219	166
Financial expenses	107	107	341	234	107
Interest expenses	38	35	80	128	115
Other non-operating profit	(18)	(2)	5	5	5
Gains (Losses) in associates, subsidiaries and JV	0	0	0	0	0
<b>Earnings before tax</b>	<b>809</b>	<b>1,290</b>	<b>2,656</b>	<b>2,151</b>	<b>2,174</b>
Income taxes	86	178	366	301	309
<b>Net profit</b>	<b>722</b>	<b>1,121</b>	<b>2,304</b>	<b>1,862</b>	<b>1,878</b>
Net profit of controlling interest	722	1,112	2,290	1,850	1,866
<b>EBITDA</b>	<b>883</b>	<b>1,482</b>	<b>2,970</b>	<b>2,536</b>	<b>2,522</b>

**Key financial data**

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Per-share data (VND, adj.)					
EPS	3,971	6,162	12,620	10,157	10,247
BPS	28,361	31,767	42,057	50,190	58,412
DPS	2,000	2,000	2,000	2,000	2,000
Growth (%)					
Sales growth	(10.5)	28.7	53.5	(12.8)	2.9
OP growth	(39.7)	75.2	118.8	(18.5)	(3.1)
NP growth	(38.7)	55.2	105.5	(19.2)	0.9
EPS growth	(35.5)	55.2	104.8	(19.2)	0.9
EBITDA growth	(31.9)	67.7	100.4	(14.6)	(0.5)
Profitability (%)					
OP margin	9.7	13.2	18.8	17.6	16.6
NP margin	10.3	12.4	16.6	15.4	15.0
EBITDA margin	12.6	16.4	21.4	20.9	20.2
ROA	10.0	12.8	19.5	14.1	12.7
ROE	14.0	19.4	29.9	20.2	17.5
Dividend yield	2.0	2.0	2.0	2.0	2.0
Dividend payout ratio	1.56	0.51	0.53	0.43	0.49
Stability					
Net debt (VND bn)	(289.0)	463.5	357.1	(1,303.4)	(2,397.3)
Net debt/equity (%)	(5.6)	8.0	4.6	(14.2)	(22.4)
Valuation (x)					
PE	17.9	11.5	5.6	7.0	6.9
PB	2.5	2.2	1.7	1.4	1.2
EV/EBITDA	13.5	8.0	4.0	4.7	4.7

## Nam Viet (ANV)

NON-RATED

Stock price (15 Dec, VND)	24,700
Market cap (USD mn)	134
Shares outstanding (mn)	127
52-Week high/low (VND)	61,563/16,100
6M avg. daily turnover (USD mn)	2.33
Free float (%)	26.8
Foreign ownership (%)	4.0
Major shareholders (%)	
Doan Toi	54.3
Doan Chi Thanh	13.0

Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
Dec	(VNDbn)	(VNDbn)	(VNDbn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2017A	2,949	247	142	1,336	763.3	328	6.3	7.5	0.7	10.5	5.7
2018A	4,118	693	600	4,811	260.2	773	4.7	5.6	1.5	37.0	5.3
2019A	4,481	805	704	5,539	15.1	907	3.5	4.0	1.0	33.2	7.7
2020A	3,439	243	202	1,591	(71.3)	333	14.7	14.0	1.3	8.6	8.5
2021A	3,494	216	129	1,013	(36.3)	339	31.8	16.5	1.8	5.5	6.2

Note: NP and EPS attributed to controlling interest

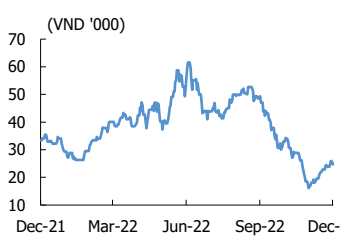
Source: Company data, KISVN

### Performing greatest strength in 2023

#### Performance

	1M	6M	12M
Absolute (%)	53.4	(59.0)	(26.0)
Relative (%p)	37.6	(45.4)	1.2

#### Stock price



Source: Bloomberg

**2022 fully recovering.** ANV revenue soared 54% yoy in 9M22, thanks to (1) high consumption in many markets, especially ASEAN and EU, and (2) a selling price increase strongly. The tight supply sources and high demand boosted the average selling price, expanding 9M21 gross margin and net margin +15%p and +10%p. Meanwhile, the SG&A expenses kept hefty compared to 2022. As such, the 9M22 NPAT recovered from the extremely low base of 9M21 and reached the new peak by +657% yoy.

**China export might be ANV's anchor.** In 2022, ANV export dripping to China market due to the complicated and costly COVID-19 testing process, narrowing the revenue contribution from 30% to 20%. As we expect that the China government could ease the testing process of import and cancel lockdown policies, ANV could perform well on China export in 2023F. Yet, the export growth rate to other large markets such as ASEAN and EU would slow down mainly due to the lower selling price. Even though ANV began to export to US market in 2H22 after receiving a 0% anti-dumping tax, we considered that ANV could not accelerate US export in 2023.

**The lower selling price would narrow margins.** In 2023F, the lower GPM yoy would bring down NPAT. The solved stagnant supply source and lower demand side decreased the pangasius export selling price, dragging GPM down. Besides, we considered that China's export increase would partly shrink ANV's average selling price since China market set lower average selling price than norms.

**Valuation.** ANV is trading at 5.3x TTM PE, lower than the peer at 7x TTM PE and adjusted from a 5-year PE history average at 10.5x, and near -1.sd at 2.3x. As such, ANV is expected to be attractive with trading at 12MF PE at 6x despite of EPS adjustment deceleration.



**Balance sheet**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Current assets	1,527	2,055	2,636	2,707	2,863
Cash & cash equivalents	26	521	610	365	689
Accounts & other receivables	627	572	443	442	394
Inventory	874	962	1,583	1,900	1,780
Non-current assets	1,063	1,267	1,368	1,950	1,855
Fixed assets	585	942	1,224	1,803	1,825
Investment assets	478	326	144	147	30
Others	113	103	130	177	170
<b>Total assets</b>	<b>2,702</b>	<b>3,425</b>	<b>4,135</b>	<b>4,834</b>	<b>4,887</b>
Advances from customers	16	14	11	14	45
Unearned revenue	0	0	0	0	1
Trade payables	100	119	200	432	198
Others	91	183	222	213	260
ST debt & due bonds	1,025	1,251	1,295	1,682	1,838
LT debt & bonds	76	10	20	159	210
<b>Total liabilities</b>	<b>1,308</b>	<b>1,577</b>	<b>1,749</b>	<b>2,500</b>	<b>2,552</b>
Controlling interest	1,398	1,848	2,386	2,334	2,336
Capital stock	1250.4	1250.4	1275.3	1275.3	1275.3
Capital surplus	46	46	96	96	96
Capital surplus	22	22	21	21	21
Other reserves	-27	-27	-28	-28	-28
Retained earnings	153	603	1,117	1,065	1,066
Minority interest	-4	0	0	0	0
Shareholders' equity	1,394	1,848	2,386	2,334	2,336

**Cash flow**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
C/F from operations	675	752	353	168	244
Net profit	144	604	704	202	129
Dep'n & Amort'n	69	72	24	55	102
Net incr. in W/C	461	76	(375)	(89)	13
C/F from investing	(393)	(288)	(128)	(200)	200
Capex	(39)	(429)	(306)	(100)	100
Incr. in investment	(354)	141	178	(100)	100
C/F from financing	(283)	135	55	525	207
Incr. in equity	0	0	0	0	0
Incr. in debt	(283)	159	55	525	207
Dividends	0	(25)	0	0	0
C/F from others	4	(104)	(191)	(738)	(327)
Increase in cash	3	495	89	(244)	324

**Income statement**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Sales	2,949	4,118	4,481	3,439	3,494
COGS	2,517	3,256	3,438	2,954	2,941
Gross profit	432	862	1,043	485	553
SG&A expenses	185	169	237	242	337
Operating profit	247	693	805	243	216
Financial income	20	74	52	43	41
Interest income	0	0	0	1	2
Financial expenses	64	75	60	80	115
Interest expenses	57	46	49	62	103
Other non-operating profit	-19	45	74	58	36
Gains (Losses) in associates, subsidiaries and JV	-5	-2	0	0	0
Earnings before tax	167	690	831	240	151
Income taxes	23	86	126	37	23
Net profit	144	604	704	202	129
Net profit of controlling interest	142	600	704	202	129
EBITDA	317	765	830	298	318

**Key financial data**

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Per-share data (VND, adj.)					
EPS	1336	4811	5539	1591	1013
BPS	11214	14825	18769	18359	18372
DPS	2062	3050	2000	2500	1500
Growth (%)					
Sales growth	4.4	39.6	8.8	-23.3	1.6
OP growth	170.6	180.2	16.2	-69.8	-11.1
NP growth	972.0	319.5	16.6	-71.3	-36.3
EPS growth	582.4	345.7	15.2	-72.5	-38.9
EBITDA growth	-54.8	141.7	8.4	-64.1	6.8
Profitability (%)					
OP margin	8.4	16.8	18.0	7.1	6.2
NP margin	4.9	14.7	15.7	5.9	3.7
EBITDA margin	10.7	18.6	18.5	8.7	9.1
ROA	5.0	19.7	18.6	4.5	2.6
ROE	11	37	33	9	6
Dividend yield	5.7	5.3	7.7	8.5	6.2
Dividend payout ratio	1.06	0.31	0.36	0.63	0.99
Stability					
Net debt (VND bn)	1,075	740	706	1,475	1,359
Net debt/equity (%)	77	40	30	63	58
Valuation (x)					
PE	6.3	4.7	3.5	14.7	31.8
PB	0.7	1.5	1	1.3	1.8
EV/EBITDA	7.5	5.6	4	14	16.5

## Sao Ta Food (FMC)

NON-RATED

		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)	(%)	(%)
Stock price (15 Dec, VND)	34,550	2017A	3,498	129	112	2,622	3.6	179	5.1	8.9	1.2	23.2	15.9
Market cap (USD mn)	96	2018A	3,807	217	180	4,133	36.7	278	5.0	6.2	1.3	29.0	6.6
Shares outstanding (mn)	65	2019A	3,710	238	230	4,854	17.4	305	4.6	4.3	1.2	26.9	14.6
52-Week high/low (VND)	71,821/30,000	2020A	4,415	225	226	4,333	(10.7)	302	7.2	6.4	1.5	22.4	3.0
6M avg. daily turnover (USD mn)	0.20	2021A	5,199	265	287	4,376	1.0	348	11.5	9.2	1.9	18.7	3.7
Free float (%)	34.8												
Foreign ownership (%)	31.5												
Major shareholders (%)													
PAN	37.8												
C.P	24.9												

Note: NP and EPS attributed to controlling interest

Source: Company data, KISVN

### Challenges in short term

#### Performance

	1M	6M	12M
Absolute (%)	12.5	(43.1)	(32.4)
Relative (%p)	(3.3)	(29.6)	(5.2)

#### Stock price



Source: Bloomberg

**A rising year in 2022.** FMC recorded VND4,491bn revenue in 9M22 (+20% yoy), thanks to (1) strong demand in US and Japan markets in 1H22, and (2) higher average selling price yoy. FMC increased processed shrimp products and value-add shrimp products, boosting the average selling price increased by 8% yoy. In 9M22, FMC kept GPM at 10.5%, which is a great effort as the shrimp input price has high fluctuation risks. Yet, the SG&A expenses maintain high due to lofty logistic costs to EU and US markets. As such, the 9M22 NPAT reached VND240bn increasing by 48% yoy.

**Earning cut down in 2023.** As we considered soft landing of global economic growth rate, high inflation and an abundant inventory of importers would lessen shrimp export in 2023F, FMC export could also decrease compared to 2022 surges, especially to US and EU markets. Meanwhile, we expect that FMC keep expanding Japan market due to their favor of value-add shrimp products with higher selling price, and lower logistic costs compared to norms. Even though the average selling price could cool down since the lower demand, we expect that the GPM would be stabilized as the input price would cool down as well. As such, we expect the 2023F earnings would slide down yoy slightly.

**Much hope in long-term prospects.** Since 2022, FMC has planned the farming area from 160ha to 500ha in 5 years (reaching 320ha in 2022), raising self-sufficient rate of input material to stabilize GPM. Besides, FMC is investing in double expansion of shrimp and agriculture processing capacity that complete it in 2023-2024 since FMC operated 80% capacity currently. We believe that those projects are key drivers of FMC's sustainable growth rate.

**Valuation.** FMC is currently trading at 6.7x TTM PE, nearing TTM PE peers and 5-year historical average. We believe the market has an objective reflection on growth rate prospect of FMC in 2023F. The market could value FMC at 12MF 6.5x PE with decelerating EPS growth in 2023F. Yet, we believe that FMC is attractive with shining long-term prospects.

**Balance sheet**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Current assets (Adj.)	1,315	1,158	1,076	1,195	2,117
Cash & cash equivalent	166	32	253	278	794
Accounts & other receivables	413	289	245	309	381
Inventory	736	837	578	608	941
Non-current assets (Adj.)	279	289	372	315	451
Fixed Asset	279	289	372	315	451
Investment assets	0	0	0	0	0
Others	56	49	73	201	132
<b>Total assets</b>	<b>1,650</b>	<b>1,495</b>	<b>1,521</b>	<b>1,711</b>	<b>2,700</b>
Advances from customers	1	1	1	6	6
Unearned revenue	0	0	0	0	0
Trade payables	50	83	40	51	98
Others	48	129	264	131	204
ST debt & bond	976	593	277	442	415
LT debt & bond	0	0	0	0	0
<b>Total liabilities</b>	<b>1,076</b>	<b>806</b>	<b>582</b>	<b>630</b>	<b>723</b>
Controlling interest	574	689	939	1,081	1,782
Capital stock	390	402	490.44	490.44	653.88
Capital surplus	71	71	191	191	594
Other Reserves	0	0	0	0	0
Retained earnings	114	216	258	400	534
Minority interest	0	0	0	0	195
Shareholders' equity	574	689	939	1,081	1,977

**Cash flow**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
C/F from operations	(241)	378	687	32	84
Net profit	112	180	230	226	287
Depreciation & Amortization	50	61	62	19	81
Net incr. in W/C	(404)	137	395	(212)	(284)
C/F from investing	(66)	(70)	(146)	(200)	200
Capex	(66)	(70)	(146)	(100)	100
Decr. in fixed assets	0	0	0	(100)	100
C/F from financing	160	(408)	(317)	166	(28)
Incr. in equity	0	0	0	0	0
Incr. in debt	160	(383)	(317)	166	(28)
Dividends	0	(25)	0	0	0
C/F from others	(13)	(34)	(4)	27	261
<b>Increase in cash</b>	<b>(160)</b>	<b>(134)</b>	<b>221</b>	<b>25</b>	<b>517</b>

**Income statement**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Sales	3,498	3,807	3,710	4,415	5,199
COGS	3,225	3,412	3,285	3,986	4,670
Gross profit	273	395	425	430	529
SG&A expenses	144	178	187	204	264
Operating profit	129	217	238	225	265
Financial income	18	11	18	33	54
Interest income	0	0	0	1	2
Financial expenses	32	34	21	23	33
Interest expenses	32	23	17	14	14
Other non-operating profit	18	0	15	24	36
Gains (Losses) in associates, subsidiaries and JV	0	0	0	0	0
Earnings before tax	115	194	236	237	289
Taxes	2	14	6	11	2
Net profit	112	180	230	226	287
Net profit of controlling interest	112	180	230	226	267
EBITDA	179	277	299	244	345

**Key financial data**

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Per-share data (VND)					
EPS	2,622	4,133	4,854	4,333	4,376
BPS	14,706	15,622	18,078	20,820	27,252
DPS	669.87	1195.14	1493.88	1239.92	519.05
Growth (%)					
Sales growth	13.6	8.8	-2.5	19.0	17.8
OP growth	8.0	68.1	9.6	-5.1	17.5
NP growth	9.3	60.6	27.3	-1.7	27.1
EPS growth	-23.9	59.9	-0.3	-2.2	-16.4
EBITDA growth	-34.4	55.0	8.0	-18.5	41.6
Profitability (%)					
OP margin	3.7	5.7	6.4	5.1	5.1
NP margin	3.2	4.7	6.2	5.1	5.5
EBITDA margin	5.1	7.3	8.1	5.5	6.6
ROA	7.4	11.5	15.2	14.0	13.0
ROE	21.4	28.6	28.2	22.4	18.7
Dividend yield	15.9	6.6	14.6	3	3.7
Dividend payout ratio	106	31	36	63	99
Stability					
Net debt (VND bn)	811	562	24	165	-380
Int.-bearing debt/equity (%)	141	82	3	15	-19
Valuation (x)					
PE	5.1	5	4.6	7.2	11.5
PB	1.2	1.3	1.2	1.5	1.9
EV/EBITDA	8.9	6.2	4.3	6.4	9.2

## 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	77,000	2017A	8,151	761	605	3,300	15,940	6.7	1.4	22.7	6.2	2.2
	TP (VND)	71,599	2018A	9,271	1,685	1,442	7,810	21,726	5.4	1.9	41.5	7.0	4.8
	Price (Dec 15, VND)	62,00	2019A	7,867	1,132	1,179	6,342	26,795	5.6	1.3	26.3	5.0	2.8
	Market cap. (VND bn)	11,681	2020A	7,037	695	719	3,953	28,425	9.9	1.4	14.3	8.1	5.1
			2021A	9,054	1,199	1,099	6,040	31,776	10.1	1.9	20.1	8.1	3.3
Nam Viet (ANV)	Recommendation	Not rated	2017A	2,949	247	142	1,336	11,214	6.3	0.7	10.5	7.5	5.7
	TP (VND)	24,000	2018A	4,118	693	600	4,811	14,825	4.7	1.5	37.0	5.6	5.3
	Price (Dec 15, VND)	34,000	2019A	4,481	805	704	5,539	18,769	3.5	1.0	33.2	4.0	7.7
	Market cap. (VND bn)	4,577	2020A	3,439	243	202	1,591	18,359	14.7	1.3	8.6	14.0	8.5
			2021A	3,494	216	129	1,013	18,372	31.8	1.8	5.5	16.5	6.2
Camimex (CMX)	Recommendation	Not rated	2017A	898	58	27	1,201	2,688	2.2	1.0	64.8	5.7	N.A
	TP (VND)	N.A	2018A	1,062	123	81	3,636	6,140	2.5	1.5	82.4	4.1	N.A
	Price (Dec 15, VND)	19,200	2019A	951	110	41	1,853	7,441	4.5	1.1	27.3	7.3	N.A
	Market cap. (VND bn)	1,825	2020A	1,425	112	47	1,309	9,384	10.9	1.5	17.9	9.0	N.A
			2021A	2,094	138	68	1,377	10,824	12.6	1.6	9.5	14.4	N.A
Minh Phu (MPC)	Recommendation	Not rated	2017A	15,665	930	639	2,314	8,873	4.1	1.1	29.9	7.1	N.A
	TP (VND)	45,700	2018A	16,925	1,104	703	2,468	11,297	5.8	1.3	24.4	7.6	N.A
	Price (Dec 15, VND)	42,200	2019A	16,998	611	441	1,264	12,354	6.7	0.7	10.9	5.8	29.5
	Market cap. (VND bn)	8,539	2020A	14,329	652	668	1,629	13,040	8.0	1.0	12.8	8.1	13.3
			2021A	13,578	715	642	1,529	13,394	13.0	1.5	11.6	12.2	5.0
Sao Ta Food (FMC)	Recommendation	Not rated	2017A	3,498	129	112	2,622	14,706	5.1	1.2	23.2	8.9	15.9
	TP (VND)	45,700	2018A	3,807	217	180	4,133	15,622	5.0	1.3	29.0	6.2	6.6
	Price (Dec 15, VND)	48,900	2019A	3,710	238	230	4,854	18,078	4.6	1.2	26.9	4.3	14.6
	Market cap. (VND bn)	8,539	2020A	4,415	225	226	4,333	20,820	7.2	1.5	22.4	6.4	3.0
			2021A	5,199	265	267	4,376	27,252	11.5	1.9	18.7	9.2	3.7

Source: Bloomberg, KIS

# Textile

## Non-rated

### ► Three keywords

- Contrasting export performance between garment and yarn in 11M22
- The industry is feeling the inflation heat from key export markets
- The re-opening of China could be a growth catalyst for yarn companies

### ► Top pick

Century Synthetic Fiber Corporation (STK, Non-rated)			
	20219A	2020A	2021A
PE (x)	8.7	12.9	6.7
PB (x)	1.7	1.7	1.5
EV/EBITDA (x)	5.6	6.5	4.7
DY (%)	5.7	5.5	5.5
EPS (VND, adj.)	3,021	2,029	3,923
BPS (VND, adj.)	15,314	15,309	17,801

Source: Company data, KIS Research

## A tough row to hoe

### Investment summary

#### Contrasting export performance between segments

According to the General Department of Customs, the export turnover of Vietnam's textile and garment in 11M22 lifted 18.7% yoy to USD34.6bn thanks to the recovery of domestic production and pent-up demand post-COVID in major export markets. In contrast, fiber and yarn export in 11M22 recorded negative growth of 13.6% yoy, down to USD4.4bn as China - the largest importer strictly applied Zero-COVID policy.

#### Feeling the inflation heat

After benefiting from pent-up demand in the US and EU post-COVID in 1H22, garment companies have been facing a challenging time since the beginning of 3Q22 due to the raising inflation and tighter financial conditions in these main export markets. Specifically, in November, textile and garment export posted negative growth for the first time this year as export to the US (the largest garment importer) fell 18.5% yoy, signaling a difficult time ahead. According to the Vietnam Textile and Apparel Association (VITAS), customers have shortened the pre-order period from 6 months to 3 months due to high inventory levels and inflationary pressures. Leading companies in the industry such as TCM, TNG, and MSH reported to have full orders for 4Q22F, but 1Q23 orders are slowing down driven by inflation concerns.

#### FX volatility risks

Until mid-November, the Euro has depreciated 7.9% against the US dollar. We expect the fall of the euro will negatively affect the business results of garment companies that have a large proportion of revenue coming from the EU, such as TNG and MSH. Meanwhile, the VND has depreciated 4% against the US dollar. We believe that businesses with positive net cash and low debt-to-equity ratio such as GIL will benefit from the current high interest rates environment.

#### Benefiting from China's re-opening

We expect China to turn its economy back on soon in 2023F as the country has recently relaxed COVID controls. As a result, yarn manufacturers will be benefited as China is the largest yarn importer of Vietnam, accounting for 47% of Vietnam's total yarn export value. We believe that leading yarn companies such as STK, and ADS will take advantage of China's move.

# Century Synthetic Fiber Corporation (STK)

NON-RATED

Stock price (Dec 15, VND)	25,950
Market cap (USD mn)	91
Shares outstanding (mn)	82
52W High/Low (VND)	57,337/24,950
6M avg. daily turnover (USD mn)	0.02
Free float (%)	58.9
Foreign ownership (%)	13.1
Major shareholders (%)	
Huong Viet Investment Consultant	20.0
Dang My Linh	14.3

Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
Dec	(VNDbn)	(VNDbn)	(VNDbn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2017A	1,989	126	100	1,657	210.1	274	15.8	8.1	2.0	13.5	1.0
2018A	2,408	245	178	2,972	79.4	388	8.8	5.5	1.7	21.1	3.1
2019A	2,229	269	214	3,021	1.6	406	8.7	5.6	1.7	21.5	5.7
2020A	1,766	174	144	2,029	(32.8)	308	12.9	6.5	1.7	13.3	5.5
2021A	2,042	276	278	3,923	93.4	386	6.7	4.7	1.5	23.8	5.5

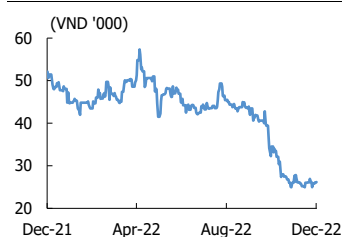
Source: Company data, KIS Research

Note: NP and EPS attributed to controlling interest

## Performance

	1M	6M	12M
Absolute (%)	(5.6)	(42.8)	(48.3)
Relative (%p)	(17.4)	(30.3)	(20.7)

## Stock price



Source: Bloomberg

## After a storm comes a calm

**A brighter 2023F is expected thanks to China's re-opening.** In 9M22, STK recorded revenue of VND1,686bn (+9% yoy) and NPAT of VND197bn (-3% yoy), fulfilling 65%/66% full-year guidance. According to the company, due to the negative impact of high inflation in the US and EU, top fashion brands witnessed low sales and high inventory levels. As a result, yarn orders were lowered in 9M22 compared to last year. Despite the weak demand, STK was still able to secure high value-added orders from premium customers, helping the company to post positive revenue growth. We expect China to reopen in 2023F, which will help the company to receive more orders and boost export revenue.

**Unitex factory expected to be in operation in 4Q23F.** Unitex's foundation construction has been completed, and STK is waiting for the construction permit release as well as completing other necessary legal procedures. It is expected that the first phase of the Unitex factory (with a capacity of 36,000 tons of yarn/year) will be put into operation from the beginning of 4Q23. The total sale volume in FY23F is expected to reach 76,800 tonnes/year to capture the growing demand for recycled yarn in 2024F.

**Benefitting from FTAs and ESG investing trend.** It is expected that by 2030, all garment and textile products imported into the European market must be recyclable and complied with social and environmental standards. Therefore, the demand for Eco-friendly products such as recycled yarn, and dope dye yarn is expected to grow strongly in the upcoming time. STK is embracing this opportunity to optimize the company's sales mix as well as its profit. In addition, the domestic yarn demand is also projected to increase further following the trend of shifting orders to Vietnam to meet the rules of origin for favorable tariff treatment under the FTAs. Besides, ESG investing is at a nascent stage in Vietnam, but gaining interest globally and regionally. We expect that the trend is coming to the Vietnam market soon, which will re-rate companies like STK that have early prepared for the ESG framework.

**Valuation.** STK stock price plunged 53.6% YTD and is currently trading at 6.75x TTM PE and 1.43x PB, far lower than the 3-yrs average of 10.85x PE and 2.03x PB. We think that the valuation is relatively attractive given its leading position in the industry. We expect the company to be one of the first yarn manufacturers to recover when global demand rebound.

**Balance sheet**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Current assets (Adj.)	613	804	880	633	986
Cash & cash equivalent	117	198	230	121	366
Accounts & other receivables	63	65	98	98	87
Inventory	399	510	525	401	472
Non-current assets (Adj.)	1,365	1,315	1,192	1,070	985
Fixed Asset	1,208	1,179	1,048	914	807
Investment assets	29	4	3	8	30
Others	163	164	167	151	198
<b>Total assets</b>	<b>1,979</b>	<b>2,119</b>	<b>2,071</b>	<b>1,703</b>	<b>1,971</b>
Advances from customers	40	29	39	44	42
Unearned revenue	0	0	0	0	0
Trade payables	307	332	229	262	291
Others	45	75	46	41	58
ST debt & bond	341	427	510	223	321
LT debt & bond	467	348	164	52	0
<b>Total liabilities</b>	<b>1,200</b>	<b>1,210</b>	<b>988</b>	<b>621</b>	<b>712</b>
Controlling interest	779	909	1,083	1,083	1,259
Capital stock	599	599	707	707	707
Capital surplus	35	35	35	35	35
Other Reserves	1	1	1	1	1
Retained earnings	143	273	340	382	558
Minority interest	0	0	0	0	0
Shareholders' equity	779	909	1,083	1,083	1,259

**Income statement**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Sales	1,989	2,408	2,229	1,766	2,042
COGS	1,772	2,073	1,875	1,510	1,668
<b>Gross profit</b>	<b>217</b>	<b>335</b>	<b>354</b>	<b>255</b>	<b>374</b>
SG&A expenses	90	90	85	81	99
<b>Operating profit</b>	<b>126</b>	<b>245</b>	<b>269</b>	<b>174</b>	<b>276</b>
Financial income	8	11	14	11	18
Interest income	5	8	9	4	6
Financial expenses	30	53	35	22	9
Interest expenses	27	29	31	16	5
Other non-operating profit	1	(3)	5	0	1
Gains (Losses) in associates, subsidiaries and JV	0	(1)	(0)	(0)	0
<b>Earnings before tax</b>	<b>105</b>	<b>199</b>	<b>253</b>	<b>164</b>	<b>286</b>
Taxes	5	21	38	20	7
<b>Net profit</b>	<b>100</b>	<b>178</b>	<b>214</b>	<b>144</b>	<b>278</b>
Net profit of controlling interest	100	178	214	144	278
<b>EBITDA</b>	<b>274</b>	<b>388</b>	<b>406</b>	<b>308</b>	<b>386</b>

**Cash flow**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
C/F from operations	306	248	171	446	290
Net profit	100	178	214	144	278
Depreciation & Amortization	148	143	137	134	111
Net incr. in W/C	58	(73)	(181)	168	(99)
C/F from investing	(27)	(113)	(35)	41	30
Capex	(5)	(100)	(10)	0	(3)
Decr. in fixed assets	(22)	(13)	(25)	41	34
C/F from financing	(249)	(99)	(139)	(543)	(50)
Incr. in equity	0	0	66	(42)	0
Incr. in debt	(233)	(50)	(98)	(398)	52
Dividends	(16)	(48)	(106)	(102)	(102)
C/F from others	0	0	0	0	0
<b>Increase in cash</b>	<b>30</b>	<b>36</b>	<b>(3)</b>	<b>(55)</b>	<b>271</b>

**Key financial data**

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Per-share data (VND)					
EPS	1,657	2,972	3,021	2,029	3,923
BPS	12,991	15,167	15,314	15,309	17,801
DPS	265	805	1,499	1,445	1,445
Growth (%)					
Sales growth	46.4	21.0	(7.4)	(20.8)	15.7
OP growth	117.2	94.3	9.8	(35.3)	58.2
NP growth	248.3	79.0	20.2	(32.7)	92.9
EPS growth	210.1	79.4	1.6	(32.8)	93.4
EBITDA growth	371.6	41.7	4.7	(24.2)	25.5
Profitability (%)					
OP margin	6.3	10.2	12.1	9.9	13.5
NP margin	5.0	7.4	9.6	8.2	13.6
EBITDA margin	13.8	16.1	18.2	17.4	18.9
ROA	5.0	8.7	10.2	7.6	15.2
ROE	13.5	21.1	21.5	13.3	23.8
Dividend yield	1.0	3.1	5.7	5.5	5.5
Dividend payout ratio	16.0	27.1	49.6	71.2	36.8
Stability					
Net debt (VND bn)	692	576	445	153	(45)
Int.-bearing debt/equity (%)	88.8	63.4	41.0	14.1	(3.6)
Valuation (x)					
PE	15.8	8.8	8.7	12.9	6.7
PB	2.0	1.7	1.7	1.7	1.5
EV/EBITDA	8.1	5.5	5.6	6.5	4.7

## 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)	(%)
Century	Recommendation	Non-rated	2017A	1,989	126	100	1,657	12,991	15.8	2.0	13.5	8.1	1.0
Synthetic Fiber (STK)	TP (VND)	N.A	2018A	2,408	245	178	2,972	15,167	8.8	1.7	21.1	5.5	3.1
	Price (Dec 15, VND)		2019A	2,229	269	214	3,021	15,314	8.7	1.7	21.5	5.6	5.7
	Market cap. (VND bn)		2020A	1,766	174	144	2,029	15,309	12.9	1.7	13.3	6.5	5.5
			2021A	2,042	276	278	3,923	17,801	6.7	1.5	23.8	4.7	5.5
Song Hong	Recommendation	Non-rated	2017A	3,282	225	200	6,255	31,713	5.6	1.1	28.5	3.3	12.9
Garment (MSH)	TP (VND)	N.A	2018A	3,951	437	370	6,546	19,605	5.4	1.8	43.8	3.2	10.2
	Price (Dec 15, VND)		2019A	4,411	513	450	8,962	24,710	3.9	1.4	41.5	2.3	13.6
	Market cap. (VND bn)		2020A	3,813	238	232	4,370	28,839	8.1	1.2	17.3	3.7	0.5
			2021A	4,748	487	442	8,567	29,902	4.1	1.2	30.1	2.8	21.3
Thanh Cong	Recommendation	Non-rated	2017A	3,209	243	192	2,996	20,746	18.3	2.6	19.4	10.6	1.2
Garment (TCM)	TP (VND)	N.A	2018A	3,662	305	259	3,214	23,537	17.0	2.3	22.2	9.7	0.9
	Price (Dec 15, VND)		2019A	3,644	292	216	2,388	24,566	22.9	2.2	16.1	9.0	0.9
	Market cap. (VND bn)		2020A	3,470	334	275	2,997	26,402	18.3	2.1	18.0	7.8	0.9
			2021A	3,535	159	143	1,436	23,942	38.1	2.3	8.6	15.4	0.8
TNG	Recommendation	Non-rated	2017A	2,489	220	115	2,664	15,304	5.7	1.0	20.0	6.1	0.0
Investment & Trading (TNG)	TP (VND)	N.A	2018A	3,613	328	180	3,187	16,094	4.8	0.9	25.3	5.0	0.0
	Price (Dec 15, VND)		2019A	4,612	407	230	2,710	16,358	5.6	0.9	24.7	4.3	0.0
	Market cap. (VND bn)		2020A	4,480	312	154	625	15,514	24.3	1.0	13.9	6.2	7.3
			2021A	5,444	398	232	2,484	15,774	6.1	1.0	17.8	6.2	2.1

Source: Bloomberg, KIS.



# Fertilizer

## Non-rated

### ► Three keywords

- 2022F will be another booming year.
- However, potential growth may be not clear since 2023F as export motivation is no longer exist.
- “Food protectionism” could become the key driver for the fertilizer industry.

### ► Top pick

Petrovietnam Fertilizer & Chemicals (DPM, Not rated)			
	2020A	2021A	2022F
PE (x)	8.9	5.6	2.6
PB (x)	0.8	1.7	1.3
EV/EBITDA (x)	3.6	3.6	1.3
DY (%)	7.6	3.1	12.2
EPS (VND, adj.)	1,765	7,959	15,533
BPS (VND, adj.)	20,659	26,871	32,696

Source: Company data, KIS Research

## That ship has sailed

### Investment summary

#### 2022F business results will be flourish

According to the GSO, in 10M22, Vietnam exported more than 1mn tonnes (+2% yoy) of fertilizer, equivalent to USD375mn (+29% yoy). According to the data we collected, nitrogen (N) fertilizer (including urea and liquid NH<sub>3</sub>) exported nearly 700,000 tonnes (+93% yoy). Based on our estimates, the 9M22 aggregate NPAT of the 5 largest fertilizer producers jumped 200% yoy, completing around 85-118% of their full-year guidance. At the beginning of Dec, domestic urea was trading at around VND13,200-14,500/kg (Nov: VND14,800-15,200/kg). With such a slow price movement, we think it will be difficult for domestic urea selling price hit the high level as the 2021's Winter-Spring crop (around VND18,000/kg).

#### However, “history may not repeat twice”

Based on the data we collected, Vietnam's urea FOB price was the highest among big players such as Russia and China. Both Russia and China could be able to offer cheap N thanks to low production costs. In Oct, China urea's FOB price was USD358/tonne, while those of Vietnam were USD735/tonne. We believe the advantage that Vietnam enjoyed in both 2H21 and 1H22 was a one-off event, and it is hard to happen again in both 4Q22F and 2023F due to the comeback of China and Russia in the global fertilizer battlefield. However, because of global political tension, the fertilizer supply could shrink in certain nations. Although Vietnam's fertilizer export volume in 2023F could not beat 2022's, we think it could increase by about 10% - 15% compared to 2021's (2021: 1.3mn tonnes).

CFIndustries forecasted that, in both 2022F-23F, China's average urea production cost is about USD200 – USD300/tonne, while the total cost of Russia's urea is under USD180/tonne. As we forecast, Vietnamese urea producers cannot make money with prices below USD328/tonne in 2022F and USD275/tonne in 2023F. Our forecast assumes that Brent oil and Singapore fuel oil (a benchmark for gas input price for gas-based urea producers) will ease in 2023F after a sharp pike in 2022F.

#### In long-term view, fertilizer demand is still harsh

The global grain prices still stayed at high level in 10M22. In which, in Oct, US corn/Russia buckwheat prices upped 1%/12% mom. According to the lasted report, the FAO indicated that global acute food insecurity is likely to continue between Oct 2022 and Jan 2023F. Therefore, we believe that overall global grain prices could increase as many countries follow the “food protectionism” policy now. Increases in commodity prices drove farmers to plant more profitable crops. Thus, the demand for fertilizer could remain high.

### Valuation

Currently, the industry is trading at 3.8x TTM PE and 1.5x PB, lower than the 3-yrs average of 17.9x PE and 2.0x PB. We think this valuation reflects the unpredictability of the fertilizer industry. However, the benefit from the rising commodity long-term outlook and the temporarily tight supply worldwide due to global political tension could not be neglected.

### Favorable stock: DPM

Along with the common trend of the fertilizer industry, we think the two largest urea producers such as DPM and DCM could not have a significant breakthrough in 2023F despite an impressive performance in 4Q21-1Q22. In a contrast, we still stay positive on DPM thanks to its attractive dividend policy in 2022F-23F. DCM, however, has no clear potential growth in 2023F, and based on the financial statement and historical transaction, we think DCM could only offer a dividend rate of about 20% - 30% (at par) in 2022F-23F.

## Petrovietnam Fertilizer and Chemicals (DPM)

NON-RATED

Stock price (Dec 15, VND)	43,500
Market cap (USD mn)	724
Shares outstanding (mn)	391
52W High/Low (VND)	69,175/34,550
6M avg. daily turnover (USD mn)	6.01
Free float (%)	35.7
Foreign ownership (%)	18.9
Major shareholders (%)	
Vietnam Oil Gas Corporation	59.6
Dragon Capital	8.1

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)	(%)	(%)
2019A	7,684	432	378	871	(47.7)	983.3	11.5	2.5	0.5	4.7	10.0
2020A	7,762	666	691	1,765	102.6	1,205.7	8.9	3.6	0.8	8.6	7.6
2021A	12,786	3,543	3117	7,959	350.8	4,070.9	5.6	3.6	1.7	33.5	3.1
2022F	19,814	7,117	6,083	15,533	95.2	7,630.7	2.6	1.3	1.3	56.1	12.2
2023F	16,951	3,752	3,206	7,527	(51.5)	4,221.5	5.4	3.5	1.0	21.2	12.2

Source: Company data, KIS Research

Note: NP and EPS attributed to controlling interest

### Performance

	1M	6M	12M
Absolute (%)	25.9	(23.4)	(5.4)
Relative (%p)	10.1	(11.1)	22.0

### Stock price



Source: Bloomberg

### 2022F's satisfied results

**Put all hope in 4Q22F.** In 9M22, DPM's revenue and PBT were VND14,727bn (+91% yoy) and VND5,369bn (+200% yoy), fulfilling 85%/130% of the full-year guidance. DPM's urea turnovers in 9M22 mostly came from 1Q22 exports, which was 90,450 tonnes (9M22: 150,000 tonnes). Contrary to our previous forecast, urea's selling price in Dec tends to move sideways at around VND13,200/kg regardless the Winter-Spring crop has entered the sowing stage. Based on that, we think DPM's urea selling prices could not be attractive as 4Q21's. However, we believe DPM still could leverage its sales volume in 4Q22F thanks to the domestic demand increase for the Winter-Spring crop.

**We expect the downtrend of gas input price could support the gross margin expansion in 1Q23F.** We estimate the gas price in Nov was USD236/tonne (+4% mom, -4% yoy). Nonetheless, the gas price at the beginning of Dec is USD215/tonne, downs 9% vs the Nov level. We expect the average gas input price in 4Q22F could be USD226/tonne, -13% vs the 3Q22 level. We think the downswing of the material price may be reflected in the business results 1-2 months after that due to the production progress.

**Abundant cash balance.** We like DPM the most among the fertilizer producers thanks to its wealthy cash balance. As of end-3Q22, the balance of cash accounted for about 54% of total assets (above VND9,000bn). A healthy balance sheet with no significant CAPEX plan could facilitate DPM to pursue a dividend payout ratio of 50-60% in 2022F-23F. The stockholders could enjoy a dividend yield of 12-15% p.a, more attractive than the current deposit yield of 8-10% p.a.

**Valuation.** DPM is trading at 2.7x TTM PE, far lower than the 3-yrs average of 9.1x PE, and 1.3x PB, nearing its 3-yrs average of 1.5x PB. We think this price reflects the market expectation for the company's revenue potential growth in 2023F. However, with the attractive dividend policy the company could offer, we think this valuation seems cheap.

**Balance sheet**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Current assets (Adj.)	4,738	4,856	5,653	6,024	9,520
Cash & cash equivalent	3,257	2,672	4,012	4,214	5,979
Accounts & other receivables	259	521	290	341	489
Inventory	1,223	1,663	1,351	1,468	2,776
Non-current assets (Adj.)	5,004	5,747	5,222	4,700	4,398
Fixed Asset	4,957	5,700	5,176	4,656	3,717
Investment assets	47	47	45	44	429
Others	522	531	566	576	528
<b>Total assets</b>	<b>10,264</b>	<b>11,134</b>	<b>11,440</b>	<b>11,300</b>	<b>13,918</b>
Advances from customers	138	69	81	123	124
Unearned revenue	1	-	-	-	0
Trade payables	298	416	479	453	771
Others	1,155	1,161	1,479	1,427	1,410
ST debt & bond	-	202	177	191	200
LT debt & bond	629	1,032	1,064	859	701
<b>Total liabilities</b>	<b>2,221</b>	<b>2,879</b>	<b>3,279</b>	<b>3,052</b>	<b>3,206</b>
Controlling interest	7,872	8,087	7,996	8,085	10,515
Capital stock	3914	3914	3914	3914	3,914
Capital surplus	21	21	21	21	21
Other Reserves	3,495	3,495	3,495	3,495	3,497
Retained earnings	442	657	566	655	3,085
Minority interest	171	168	165	163	197
Shareholders' equity	8,043	8,255	8,161	8,247	10,712

**Income statement**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Sales	7,996	9,297	7,684	7,762	12,786
COGS	5,884	7,398	6,281	6,032	8,001
<b>Gross profit</b>	<b>2,111</b>	<b>1,899</b>	<b>1,402</b>	<b>1,730</b>	<b>4,786</b>
SG&A expenses	1,441	1,098	970	1,064	1,244
<b>Operating profit</b>	<b>670</b>	<b>801</b>	<b>432</b>	<b>666</b>	<b>3,543</b>
Financial income	165	124	140	180	176
Interest income	-	-	-	1	159
Financial expenses	1	74	108	95	75
Interest expenses	0	63	107	88	69
Other non-operating profit	179	129	140	267	153
Gains (Losses) in associates, subsidiaries and JV	4	3	2	2	3
<b>Earnings before tax</b>	<b>853</b>	<b>871</b>	<b>467</b>	<b>848</b>	<b>3,800</b>
Taxes	145	158	78	146	628
<b>Net profit</b>	<b>708</b>	<b>712</b>	<b>389</b>	<b>702</b>	<b>3,172</b>
Net profit of controlling interest	708	712	389	702	3,118
<b>EBITDA</b>	<b>1,044</b>	<b>1,452</b>	<b>1,136</b>	<b>1,486</b>	<b>4,079</b>

**Cash flow**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
C/F from operations	<b>1,081</b>	<b>584</b>	<b>1,847</b>	<b>1,026</b>	2,358
Net profit	708	712	389	702	3,172
Depreciation & Amortization	165	520	522	529	537
Net incr. in W/C	208	(649)	936	(204)	(1,351)
C/F from investing	(1,582)	(1,263)	3	(200)	(1,174)
Capex	(1,580)	(1,263)	2	(100)	(79)
Decr. in fixed assets	(1)	-	1	(100)	(1,095)
C/F from financing	629	580	7	(191)	(693)
Incr. in equity	-	-	-	-	0
Incr. in debt	629	604	7	(191)	(145)
Dividends	-	(25)	-	-	(548)
C/F from others	(1,026)	(486)	(517)	(433)	0
<b>Increase in cash</b>	<b>(897)</b>	<b>(585)</b>	<b>1,340</b>	<b>202</b>	<b>491</b>

**Key financial data**

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Per-share data (VND)					
EPS	1,532	1,668	774	1,765	7,966
BPS	20,113	20,662	20,429	20,656	27,368
DPS	1,000	1,000	500	500	1,400
Growth (%)					
Sales growth	1.0	16.2	(17.4)	1.0	64.7
OP growth	(42.3)	20.1	(46.1)	54.2	431.8
NP growth	(39.1)	1.0	(46.0)	83.0	351.0
EPS growth	32.8	8.8	(47.7)	102.6	350.8
EBITDA growth	(39.0)	52.1	(24.9)	22.6	237.6
Profitability (%)					
OP margin	26.4	20.4	18.3	22.3	27.7
NP margin	8.9	7.7	5.0	9.0	24.8
EBITDA margin	10.8	14.2	12.9	15.7	27.7
ROA	7.0	6.5	3.4	6.0	25.2
ROE	8.7	8.8	4.7	8.6	33.5
Dividend yield	13.4	12.2	10.0	7.6	3.1
Dividend payout ratio	57.4	111.8	106.4	69.3	30.0
Stability					
Net debt (VND bn)	629	1,032	1,064	859	(5,078)
Int.-bearing debt/equity (%)	8.0	15.0	15.0	13.0	(50.0)
Valuation (x)					
PE	9.7	9.8	11.5	8.9	5.6
PB	0.7	0.8	0.5	0.8	1.7
EV/EBITDA	6.9	5.7	2.5	3.6	3.6

## 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	Non-rated	2018A	9,297	801	700	1,667	20,666	10.9	0.9	8.8	2.5	11.0
Fertilizer & Chemicals (DPM)	TP (VND)	N.A	2019A	7,684	432	378	871	20,433	14.4	0.5	4.7	3.6	9.0
	Price (Dec 15, VND)	43,500	2020A	7,762	666	691	1,765	20,659	10.0	0.9	8.6	4.9	6.8
	Market cap. (VND bn)	17,219	2021A	12,786	3,543	3117	7,959	26,871	5.6	1.7	33.5	3.6	3.1
			2022F	19,814	7,117	6,083	15,533	32,696	2.6	1.3	56.1	1.3	12.2
Petrovietnam	Recommendation	Non-rated	2018A	6,689	781	656	1,113	11,787	7.1	0.7	9.5	2.6	11.4
CaMau Fertilizer (DCM)	TP (VND)	N.A	2019A	7,043	394	426	578	11,483	9.7	0.5	5.1	1.6	16.1
	Price (Dec 15, VND)	29,200	2020A	7,561	643	661	1,017	11,900	12.4	1.1	8.7	2.8	4.7
	Market cap. (VND bn)	15,457	2021A	9,870	1,832	1,823	3,073	14,075	11.3	2.5	23.7	4.8	2.3
			2022F	13,988	2,413	2,429	4,407	20,219	6.6	1.4	22.8	4.9	6.6
Duc Giang	Recommendation	Non-rated	2018A	6,090	939	870	2,496	8,552	4.9	1.4	45.0	4.9	4.9
Chemicals (DGC)	TP (VND)	N.A	2019A	5,091	592	567	1,484	8,954	5.4	0.9	16.8	3.8	9.9
	Price (Dec 15, VND)	68,200	2020A	6,236	987	907	2,298	10,535	8.9	1.9	23.6	5.6	3.8
	Market cap. (VND bn)	25,901	2021A	9,550	2,542	2,388	6,047	16,368	12.2	4.5	45.0	8.8	0.6
			2022F	12,591	4,615	4,556	11,650	36,382	5.5	1.7	37.5	N.A	6.0
Binh Dien	Recommendation	Non-rated	2018A	6,382	418	193	3,060	16,324	6.3	1.2	18.2	6.5	18.1
Fertilizer (BFC)	TP (VND)	N.A	2019A	6,132	257	74	1,165	16,143	7.8	0.6	7.2	5.7	11.0
	Price (Dec 15, VND)	18,650	2020A	5,418	297	133	2,096	17,065	7.4	0.9	12.6	5.2	7.8
	Market cap. (VND bn)	1,066	2021A	7,743	449	220	3,456	19,046	8.8	1.6	19.1	6.1	4.9
			2022F	7,960	N.A	179	2,811	21,264	6.5	0.9	14.7	N.A	11.0

Source: Bloomberg, KIS.

# Securities

## Non-rated

### ► Keywords

- Cloudy market conditions
- Corporate market turnaround
- Need more time for bigger things

### ► Top pick

VND Securities (VND, Non-rated)			
	2019A	2020A	2021A
PE (x)	7.3	8.7	12.9
PB (x)	0.9	1.6	3.6
EV/EBITDA (x)	10.8	12.3	.16.0
DY (%)	2.9	1.6	0.9
EPS (VND)	1,736	3,143	5,479
BPS (VND)	14,737	17,326	22,583

- Top 3 brokers with effective operating performance
- Significant input from margin loan revenue
- Bond trading was the growth driver.

## In need of the patience

### Investment summary

#### Market environment turned gray

2022 was a surprised year for securities when the market environment turned gray quickly after it touched the peak of trading value at the end of last year. The ADTV has dropped significantly since 2Q22 and prolongs till now. As of end-Nov 2022, average daily trading value (ADTV) in 2022 was VND20.5tn per session (-23% yoy, but still +180% vs. 2020 figure). New opening accounts also witnessed sharp decrease following the market index downfall. As a result, securities companies' business activities which are tied to market environment was harmed. 9M22 net profit of biggest 25 companies in terms of Owners' Equity was VND10,518bn (-29% yoy) and net profit margin decreased to 22% (-10%p yoy).

#### The turnaround in corporate bond market

Corporate bond market brought a good profit for securities companies not only in IB revenue and profit but also good income from the redistribution of corp. bonds from primary market to secondary market which included a huge number of individual investors. The demand for corp. bond was increasing from 2021 till mid-2022 amid the low interest rate environment. But, with the release of Decree 65, it caused the bottleneck in both supply and demand towards corp. bonds. Furthermore, the tightening and investigating on valid bonds also caused the uncertainty for this investment channel due to bond issuers' insolvency risk. It is said that there will be amendment following Decree 65 to ease the regulation. However, the draft for this amendment is still not persuasive to meet the goal. Therefore, we see the threats for this income source in 2023 and going forward and companies who focused on corp. bond should consider diversification in their business model.

#### Need more time for bigger things

Reminding last year, uplifting market classification and applying KRX system raised hope for investors towards developing stock market. Coming to the 2022, the year contained unexpected occurrences and management bodies had to deal with the problems arising with actions and guidance regulation documents. One month left for 2022 and there is neither KRX nor uplifting market classification nearly becoming true, so it may take more time for those hopes to materialize. We cautiously expect the KRX system to be implied in 2023 and market classification upgrade will come in late-2024 or 2025. These two factors play a vital role to open a new chapter for Vietnam stock market, KRX coming first and market classification upgrade later.

#### 2023 first half is more challenging

Stock market is facing many obstacles from both internal and external

factors. The unpredictable regulation changes, disciplinary inspection processes had negative impacts on capital flow and trust in stock market. Unstable global macro factors also led to foreign exchange rate's high volatility, poor sectors' outlook and foreign fund flow shifting. In the near term for 1H23, we expect these headwinds to not cool down.

But coming to 2H23, it will be less painful for securities sector. First, the securities companies will adjust their business plans and models to cope with such unfavorable changes and the business result is expected to less impacted as 2021. Plus, with the results' low base in 3Q22 and 4Q22, it provides a brighter outlook for the sector when we have an adequate base for yoy basis comparison. Secondly, the foreign exchange rate pressure, USD in particular, is expected to ease from mid-2023 going forward due to less 'hawkish' actions from FED and the foreign exchange reserve will prevent the devaluation of VND. Lastly, given the possibility that the tightening schedule of the central banks will slow down and Vietnam macro conditions are under control, SBV may not increase the central interest rate and deposit rates will cool down accordingly.

## Sector information summary

## Listed companies

Company	Ticker	Exchange	Outstanding shr (mn)	Mkt price (VND)	Mkt cap (VND bn)	Revenue 9M22 (VND bn)	NPAT 9M22 (VND bn)	ROE (%)	PE (x)	PB (x)
SSI Securities	SSI	HOSE	1,489.1	20,250	30,155	4,985	1,464	14.5	9.4	1.4
VNDirect Securities	VND	HOSE	1,217.8	15,900	19,363	4,895	1,259	17.0	7.6	1.3
Viet Capital Securities	VCI	HOSE	435.5	27,100	11,802	2,360	841	19.1	9.0	1.8
Ho Chi Minh Securities	HCM	HOSE	457.2	23,450	10,722	3,015	727	12.4	11.2	1.3
Sai Gon - Ha Noi Securities	SHS	HNX	813.2	9,500	7,725	932	20	0.0	0.0	n/a
MB Securities	MBS	HNX	380.6	14,100	5,366	1,552	442	16.9	7.7	1.2
FPT Securities	FTS	HOSE	195.1	21,300	4,155	633	228	12.8	9.5	1.3
VIX Securities	VIX	HOSE	582.1	8,270	4,814	950	415	9.6	6.4	0.6
Thien Viet Securities	TVS	HOSE	107.1	22,900	2,452	695	38	10.9	12.7	1.4
Tien Phong Securities	ORS	HOSE	200.0	10,250	2,050	2,023	163	8.6	10.4	0.9
AgriBank Securities	AGR	HOSE	212.0	8,530	1,808	272	102	7.3	10.0	0.7
BIDV Securities	BSI	HOSE	187.3	19,350	3,624	841	96	7.2	13.8	0.8
Vietinbank Securities	CTS	HOSE	148.7	15,150	2,253	680	74	14.3	8.5	1.2
Everest Securities	EVS	HNX	103.0	11,600	1,195	738	(4)	11.2	5.6	0.6
Viet Dragon Securities	VDS	HOSE	210.0	8,100	1,701	627	(120)	n/a	n/a	0.8

Source: Fiinpro, KIS

Note: Updated as of Dec 15<sup>th</sup> 2022.



## VNDirect Securities (VND)

Non-rated

		Yr to	Sales	EBT	NP	EPS	% chg	EPS	BPS	PE	PB	ROA	ROE
		Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND)	(VND)	(x)	(x)	(x)	(%)
Stock price (Dec 15, VND)	15,900	2017A	1,220	580	481	3,103	-	3,103	16,231	8.0	1.6	7.3	21.6
Market cap (USD mn)	830	2018A	1,538	438	373	1,693	(45.4)	1,693	13,532	8.0	1.0	4.0	13.6
Shares outstanding (mn)	1,218	2019A	1,502	480	383	1,736	2.5	1,736	14,737	7.3	0.9	3.5	12.3
52W High/Low (VND)	34,785/9,720	2020A	2,135	862	693	3,143	81.0	3,143	17,326	8.7	1.6	5.2	19.6
6M avg. daily turnover (USD mn)	16.71	2021A	3,844	1,937	1,545	5,479	74.3	5,479	22,583	12.9	3.6	5.9	22.7
Free float (%)	89.1												
Foreign ownership (%)	19.6												
Major shareholders (%)													
I.P.A Investment	25.8												
Yurie Vietnam Securities													
Investment Trust	4.99												

Source: Company data, Fiinpro, KIS

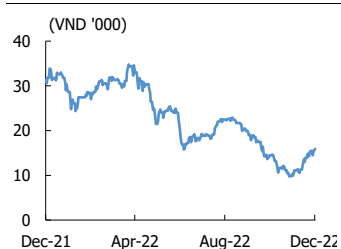
Note: NP and EPS attributed to controlling interest

### Business diversification is the key

#### Performance

	1M	6M	12M
Absolute (%)	60.6	(11.6)	(47.6)
Relative (%p)	44.7	2.3	(20.1)

#### Stock price



**Top 3 brokers with effective operating performance.** The company took the chance to reap the brokerage market share in 2022 when trading value through VNDirect accounts for around 8% which is higher than previous period just around 6-7%. The company increased its labor force by 63% in 2021 and 7% YTD with brokers accounting for the majority. 9M22 brokerage was VND1,043bn (-2.6% yoy), just slightly decreased yoy. Given the slump in trading value on 3 bourses, the gross margin for brokerage activities was impressive when being maintained as 45%.

**Significant input from margin loan revenue.** VNDirect executed a big capital increasing through issuing paid shares for existing shareholders, the company lifted its margin loan supply by 50% and benefited from them. Margin loan balance at end 3Q22 was VND12,664bn (-12.2% YTD) and margin ratio is 86.8%. The company has a comfortable room to supply margin lending around VND16,500bn in absolute number with less risk compared to their equity size. 9M22 revenue from margin lending was VND1,265bn (+27.2% yoy) while lending rate up ticked to 11.9% (+0.94%p yoy). Margin lending and brokerage activities have mutual impacts to each other and VNDirect is competitive in both areas.

**Bond trading was the growth driver.** Bond trading, both listed and unlisted bonds, contributed the most in proprietary trading activities for VNDirect. Accumulated 9M22, this source alone brought about VND680bn gross profit, impressive within company history as well as peers. D-bonds platform provided the convenience for investors and proved the effectiveness in business results. But, as mentioned above, it is expected to narrow following the corporate bond market impacts. Still, being one of the pioneers in establishing corporate bond marketplace, VNDirect may rely on this income source.

**Recommendation.** We recommend VNDirect thanks to 1) its high and stable market share in brokerage combining with impressive brokerage profit margin, 2) complete ability in margin lending with capital strength improvement and 3) diversified business models that prevents the company from unfavorable market movement. As of Dec 15, VND is trading at a 7.6x TTM PE and 1.3x PB ratio, still lower than the 3-year history average PB of 1.68x and median PB of 1.53x, respectively.

**Balance sheet**

(VND bn)

	2017A	2018A	2019A	2020A	2021A
Total assets	8,069	10,535	11,577	14,976	37,095
Cash and Cash equivalent	342	915	614	974	2,702
Loans	3,131	2,582	2,887	4,706	15,474
FVTPL (incl. provision)	540	800	1,172	982	12,471
HTM	2,258	5,371	5,548	3,266	5,312
AFS	748	387	783	2,963	0
Accounts receivable (incl. provision)	144	158	219	314	566
Other current assets	13	17	17	14	103
Investments in associates	422	0	0	0	0
Long-term securities investment	300	100	105	1,530	318
Other long-term assets	171	204	221	214	125
Total liabilities	5,553	7,552	8,329	11,157	27,272
Borrowings	4,352	6,012	6,554	9,458	20,449
Bonds	320	1,227	1,104	704	1,250
Other liabilities	15	2	2	13	161
Owners' Equity	2,516	2,983	3,249	3,819	9,822
Common shares	1,550	2,204	2,204	2,204	4,349
Capital surplus	121	121	121	121	1,504
Conversion options on convertible bonds	0	0	0	0	0
Treasury shares	(50)	(201)	(201)	(201)	(0)
Charter reserve	69	90	110	136	222
Financial reserve funds	40	61	81	107	192
Capital adjustment	0	0	0	0	0
Undistributed earnings	785	707	932	1,452	3,556
Minority interests	0	0	0	0	0

**Income statement**

(VND bn)

	2017A	2018A	2019A	2020A	2021A
Operating income	1,220	1,538	1,502	2,135	3,844
FVTPL gain	283	250	280	776	1,400
HTM income	180	289	391	381	344
AFS income	29	5	20	55	56
Loans and receivables	344	435	408	361	730
Brokerage	344	520	335	478	1,071
IB	30	22	48	59	221
Others (incl. custody services)	10	18	19	23	21
Operating expenses	256	610	302	543	1,435
FVTPL loss	65	382	99	290	645
AFS loss and revaluation	0	0	0	0	0
Prop trading expenses	0	0	0	0	18
Provision and interest expenses	10	(4)	34	18	38
Brokerage expenses	167	216	155	194	584
IB expenses	3	0	0	0	36
Others (incl. custody services)	11	15	14	41	114
Gross Profit	964	928	1,200	1,591	2,409
Financial activities	(104)	(158)	(186)	(435)	(369)
Revenue	15	4	95	5	3
Expenses	119	162	281	439	372
SG&A expenses	261	305	309	358	205
Operating profit	546	437	456	864	1,937
Other income	35	1	24	(1)	0
Earnings before tax	580	438	480	862	1,937
Earning after tax	481	373	383	693	1,545

**Key financial data**

	2017A	2018A	2019A	2020A	2021A
<b>Operating base</b>					
No. of employees	n/a	n/a	884	931	1,521
Stock trading value (VND tn)	n/a	n/a	136	264	1,046
Margin loan balance (VND bn)	2,995	2,456	2,777	4,304	15,474
<b>Financial Ratios (%)</b>					
Margin loan/Equity ratio	119.1	82.3	85.5	112.7	157.5
Leverage ratio	220.7	253.2	256.4	292.1	277.7
Gross profit margin	79.0	60.3	79.9	74.5	62.7
Net profit margin	25.5	39.4	24.3	25.5	40.2
<b>Growth (%)</b>					
Total assets	55.9	30.6	9.9	29.4	147.7
Owners' equity	29.1	18.6	8.9	17.6	157.2
Net revenue	66.8	26.1	(2.4)	42.1	80.1
Net profit	158.2	(22.4)	2.6	81.0	123.1

**Valuation**

	2017A	2018A	2019A	2020A	2021A
<b>Per share (VND)</b>					
BPS	16,231	13,532	14,737	17,326	22,583
EPS	3,103	1,693	1,736	3,143	5,479
DPS	1,000	500	500	500	500
<b>Valuation (x)</b>					
PB	1.6	1.0	0.9	1.6	3.6
PE	8.0	8.0	7.3	8.7	12.9
Dividend yield (%)	4.1	4.2	6.0	3.1	0.0
Payout ratio (%)	46.2	42.0	55.9	51.0	0.0
<b>Profitability (%)</b>					
ROE	21.6	13.6	12.3	19.6	22.7
ROA	7.3	4.0	3.5	5.2	5.9
Commission rate (bp)	n/a	n/a	24.7	18.1	10.2
Lending ratio	13.6	15.2	14.9	9.5	7.2

## 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	Non-rated	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 15, VND)	20,250	2019A	2,888	1,099	909	1,018	10,465	9.3	0.9	9.9	3.6	6.0
	Market cap. (VND bn)	30,155	2020A	3,523	1,552	1,257	1,383	10,818	15.5	2.0	13.1	4.0	3.1
			2021A	7,443	4,289	2,695	2,576	14,377	7.9	1.4	22.4	6.2	4.9
VN Direct (VND)	Recommendation	Non-rated	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 15, VND)	15,900	2019A	1,409	455	382	1,145	9,747	7.5	0.9	12.2	3.4	3.7
	Market cap. (VND bn)	19,363	2020A	1,846	863	694	2,084	11,463	8.9	1.6	19.6	5.2	1.7
			2021A	6,039	3,715	2,383	4,961	22,583	3.2	0.7	34.9	9.2	3.1
Viet Capital Securities (VCI)	Recommendation	Non-rated	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 15, VND)	27,100	2019A	1,394	855	693	2,120	12,326	6.1	1.1	18.0	10.1	5.4
	Market cap. (VND bn)	11,802	2020A	1,513	950	769	2,331	13,652	11.9	2.0	17.9	9.8	4.5
			2021A	3,707	2,381	1,499	4,501	19,645	6.0	1.4	27.1	12.0	4.4
Ho Chi Minh Securities (HCM)	Recommendation	Non-rated	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 15, VND)	23,450	2019A	1,197	531	433	1,083	10,742	13.8	1.4	11.7	6.8	12.2
	Market cap. (VND bn)	10,722	2020A	1,535	660	530	1,325	11,099	17.5	2.1	12.1	5.3	3.9
			2021A	4,460	1,725	1,147	2,379	15,992	9.9	1.5	19.5	6.2	2.1
Sai Gon - Ha Noi Securities (SHS)	Recommendation	Non-rated	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 15, VND)	9,500	2019A	996	310	255	1,085	9,350	4.5	0.5	11.2	4.7	21.9
	Market cap. (VND bn)	7,725	2020A	1,656	939	754	2,620	11,204	6.7	1.6	25.5	11.6	4.9
			2021A	2,895	2,062	1,396	4,124	18,617	2.3	0.5	30.1	15.7	-

Source: Company data, KIS.

# Insurance

## Non-rated

### ► Three keywords

- Stable premium growth rate
- Loss ratio will cool down
- New Insurance law from Jan 1<sup>st</sup> 2023

## Welcoming foreign investors

### Investment summary

#### Insurance premium is stable in growth

According to Insurance Association of Vietnam (IAV) report for 9M22, total insurance premium was VND 177.3tn (+16.9% yoy). In which, Life insurance premium was VND127.5tn (+16.2% yoy) and non-life insurance premium was VND 49.8tn (+19.1% yoy). The positive development in 2022 insurance premium lied at the non-life insurers. Usually, the growth rate for non-life was single digit and 2021's growth rate was moderate as 1.8%.

#### Loss ratio and combination ratio will cool down

The paid loss ratio up to 9M22 increased significantly in both life and non-life insurance. In non-life insurance, loss ratio was 32% (+2%p yoy). Non-life insurance products with high loss ratio included vehicle insurance (47%), hull and liability insurance (37.1%) and health insurance (31%). Health insurance and vehicle insurance are the two biggest in insurance premium weight, respectively. Life insurance paid loss is estimated around VND34,552bn (+57.4% yoy). As a result, 9M22 combination ratio for insurance sector exceeded 100% which indicated inefficiency in insurance operating and led to pressure for profit margin. We believe that the big reason for increasing loss ratio in 2022 due to the pent-up effect when 1) there were claims pending in 2021 due to national COVID lockdown and 2) "back-to-normal" period coming with arising operating activities and risks. Coming to 2022, this effect will be diminishing.

#### Effect of increasing interest rate to be activated

Life insurer will be benefited from interest rate through decreasing their mathematical reserve balance. However, BVH is the only listed insurer operating in life insurance. Therefore, such impact is just a small push for listed insurance market. The light of increasing interest rate will be shining more for investment income at insurance companies when majority of investment of the sector was in deposits or government bonds. This effect is delayed to be reflected in financial income. We expect insurance companies will enjoy better ROIC ratio (return on invested capital) in 2022.

### Awaiting foreign investors

New Insurance Law was announced in 2022 and will take effective from 1st Jan 2023. Highlights for new changes from 2023 are 1) foreign ownership up to 100% and 2) autonomy in new product development. Other significant changes such as 1) provisions on capital management, 2) risk-based capital (RBC) and 3) moving from allowing investment list to restricted list will be applied from 2028. We expect to see foreign investors from developed insurance market joining into Vietnam market through M&A deals, strategic cooperation in all of insurance roles in the market like insurers, reinsurers or insurance ancillary organizations. The market depth and domestic competition will increase accordingly. Currently, we do not have stock pick for the insurance sector. In our view, next year is a transition year for insurance sectors.

## Sector information summary

## Listed non-life insurers

Company	Ticker	Exchange	Outstanding shr (mn)	Mkt price (VND)	Mkt cap (VND bn)	Net premium 9M22 (VND bn)	NPAT 9M22 (VND bn)	ROE (%)	PE (x)	PB (x)
PVI	PVI	HNX	234.2	46,900	10,986	3,750	703	9.3	14.8	1.5
Bao Minh Insurance	BMI	HOSE	109.6	21,700	2,379	3,080	224	12.2	6.9	1.0
Post & Telecommunication Insurance	PTI	HNX	80.4	30,900	2,484	3,283	(348)	N.A	N.A	1.4
Military Insurance	MIG	HOSE	164.5	16,100	2,648	1,779	135	11.6	12.6	1.4
BIDV Insurance	BIC	HOSE	117.3	26,100	3,061	1,740	183	11.2	10.9	1.3
PJICO Insurance	PGI	HOSE	110.9	26,600	2,950	1,932	162	14.2	11.6	1.7
Agriculture Bank Insurance	ABI	UPCOM	50.4	35,800	1,804	1,388	169	11.9	12.0	1.3
Vietnam National Aviation Insurance	AIC	UPCOM	100.0	7,900	860	1,493	9	1.2	66.7	0.8
Bao Long Insurance	BLI	UPCOM	60.0	12,900	704	722	130	13.0	7.0	0.9

## Listed mixed insurers

Company	Ticker	Exchange	Outstanding shr (mn)	Mkt price (VND)	Mkt cap (VND bn)	Net premium 9M22 (VND bn)	NPAT 9M22 (VND bn)	ROE (%)	PE (x)	PB (x)
Bao Viet Group	BVH	HOSE	742.3	49,500	36,745	29,496	1,250	7.6	21.5	1.6

## Listed reinsurers

Company	Ticker	Exchange	Outstanding shr (mn)	Mkt price (VND)	Mkt cap (VND bn)	Net premium 9M22 (VND bn)	NPAT 9M22 (VND bn)	ROE (%)	PE (x)	PB (x)
PVI Reinsurance	PRE	HNX	104.4	19,700	2,057	755	98	16.6	9.4	1.3
Vietnam Reinsurance	VNR	HNX	150.7	20,400	3,075	984	252	9.8	9.5	0.9

Source: Fiiipro, KIS

Note: Updated as of Dec 15<sup>th</sup> 2022.

## Retails

### Non-rated

#### ► Three keywords

- Well rebound in 2022
- Stagnant in sales of ICT and other discretionary products
- Soaring sale of airport retail, pharmacies and FMCG retail

#### ► Top pick

##### Mobile World (MWG, Not rated)

	2019A	2020A	2021A
PE (x)	4.4	4.4	5.5
PB (x)	1.4	1.1	1.3
EV/EBITDA (x)	3.8	2.5	3.8
EPS (VND) adj	4.0	4.0	0.9
BPS (VND)	8,657	8,650	6,861

Source: Company data, KIS Research

## Hold a weak hand

### Investment summary

#### Well rebounds in 2022

Vietnam's retail sale revenue in 10M22 has remarkably went up by 22.3% yoy, per GSO thanks to favorable base in 9M21 which saw the national lock down requirements. Hence, the retail industry boomed with revenue growth of ICT/jewelry/automobile up to 24/104/56% yoy respectively. However, we anticipate the recovery pace could be slower in 4Q22F on the yearly basis given the pent-up demand in 4Q21 after the lockdown measures were lifted.

#### Sales stagnation of discretionary products in 2023F

The sales growth of phone and consumer electronics market may halt in 1H23F. In Vietnam, amid the labor market fluctuation with lower monthly income may reduce demand of ICT products. Slower sales of residential real estates in 2023 may contributable to a drop in CE consumption. We estimate the gross margin (GM) of ICT products will merely change due to lower selling prices, off-setting with lower input costs.

Increasing consumer lending rates and lower purchasing power may decrease demand for discretionary spending on jewelry and automobile. We expect a slight decrease of jewelry sales on the yearly basis. On the same track, automobile industry in 2023F will be cloudier comparing to the pre-COVID-19 period, mainly due to predominant income effect. Regarding the high base in 2022, we expect a slight decrease of automobile sales yoy, with remained gross margin thanks to lower input costs and decreased selling price for sales boosting.

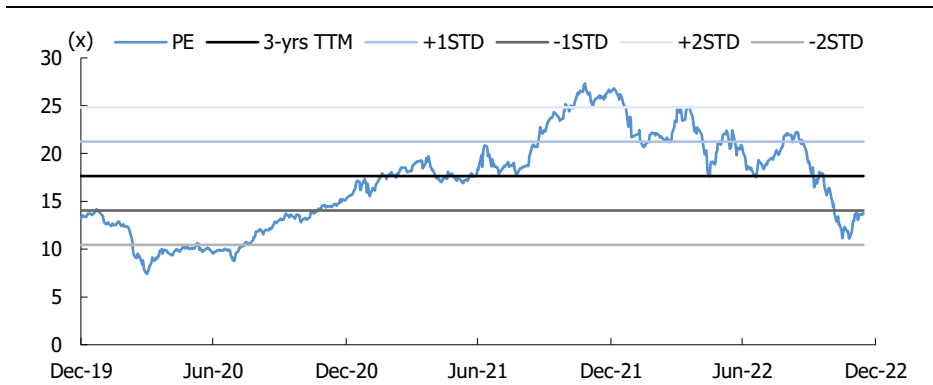
#### Stable sales of necessary products

The demand for healthcare and pharmaceutical products is stably high with minimum impact from inflation. In the fragmented market, with fast pace of retailers' store expansion, we anticipate a higher growth in pharmaceutical sales in 2023F, led by Long Chau (FRT) then followed by Pharmacy, An Khang (MWG) and Dr Win (MSN). In FMCG, revenue may slightly increase in 2023F with a slim inflation influence, the GM would also improve thanks to the standardized business model, including optimized operation and strictly-controlled opex, according to the strategy of Winmart (MSN) and BHX (MWG).

#### Valuation

Currently, the sector is trading at 13.71x TTM PE, 2.6x PB, lower than the 3-year average, falling below its -1STD of 3-year history. We think the valuation is attractive for the long-term investment.

**Figure 58: Retail PE**



Source: FiinPro, KIS



## Mobile World (MWG)

NON-RATED

Stock price (15 Dec, VND)	47,000
Market cap (USD mn)	2,974
Shares outstanding (mn)	1,464
52-Week high/low (VND)	79,583/37,700
6M avg. daily turnover (USD mn)	8.97
Free float (%)	76.2
Foreign ownership (%)	49.0
Major shareholders (%)	
Retail World Company Ltd	10.8
Tri Tam Company Ltd	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	66,340	2,779	2,206	6,959	(32.1)	3,469	5.4	4.4	2.0	45.3	1.9
2018A	86,516	3,871	2,879	6,490	(6.7)	5,094	5.8	3.9	1.9	38.7	2.9
2019A	102,174	4,977	3,834	8,657	33.4	6,420	4.4	3.8	1.4	36.3	4.0
2020A	108,546	5,216	3,918	8,650	(0.1)	7,412	4.4	2.5	1.1	28.4	4.0
2021A	122,958	5,895	4,899	6,861	(20.7)	8,815	5.5	3.8	1.3	27.3	0.9

Source: Company data, KIS Research

Note: NP and EPS attributed to controlling interest

### Performance

	1M	6M	12M
Absolute (%)	54.8	(17.5)	(46.2)
Rel. to VNI (%p)	38.9	(3.6)	(18.7)

### Stock price



Source: Bloomberg

### Conservative performance in 2023F

**Sale bounced back higher in 2022.** In 10M22, MWG's net revenue went up by 15% yoy to VND113.7tn and has met 81% of the revenue guidance. In which, ICT sales rose 21% yoy, BHX's revenue downed 9% yoy. Online sales increased 44% yoy, accounted for 14% total revenue of MWG.

**Stagnation in TGDD&DMX sales.** Looking forward, we are not optimistic about ICT sales growth of MWG in 2023F for several reasons: (1) the lower demand led by potential decrease of monthly earnings (2) sales in 2022 have recovered to a normal level after low-base in 2021, and (3) lower demand driven by the higher price of ICT products align with higher interest rate. MWG also confirmed postponing ICT coverage expansion in 4Q22F and 1H23F, except for five new Era Blue stores in Indonesia in 4Q22F.

**Bach Hoa Xanh improves NPM in 2023F.** BHX has completed restructuring in 3Q22 and improved its average sales per store to VND1.37bn in Oct 2022. BHX stores are strategically relocated to tier 2 locations with an area of 150-200sqm, near the residential zone. In 2023F, the management planned to focus on improving SSSG instead of spreading coverage, in which, they expected the sale growth of restructured BHX to be driven by new customers, not only from the traditional markets but also the supermarkets. We also anticipate BHX's NPAT in 2023F to improve on the yearly basis thanks to (1) one-off restructuring expenses in 2022, and (2) better sales thanks to standardized business model in 2023F.

**MWG postponed the expansion plan of An Khang** to 800 pharmacies at the year-end of 2022, remain the current store count at 529 pharmacies until 1H23. In 2023F, we estimate the revenue of An Khang to improve by 15% yoy thanks to better branding and higher traffic of BHX next-door.

We estimate MWG to reach revenue of VND144bn in 2023F, up 3% yoy and NPAT to slightly drop by 3% yoy, mainly attributable to ICT product lines' falling NPAT of 7% yoy, combining with the rise of BHX's NPAT by 15% yoy. MWG is currently trading at 13.38x PE and 2.91x PB ratio, lower than the 3-year TTM PE and PB ratio of 15.64x and 4.06x respectively. The valuation is attractive for investors to consider holding a defensive stock.

\*Note:

(1) TGDD (The Gioi Di Dong): the subsidiary of MWG specializing in selling ICT products

DMX (Dien May Xanh): the subsidiary of MWG specializing in selling consumer electronics products.

BHX (Bach Hoa Xanh): the subsidiary of MWG specializing in selling FMCG &amp; fresh foods

**Balance sheet** (VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Current assets	18,863	23,372	35,012	37,317	51,955
Cash & cash equivalents	3,411	3,800	6,252	15,405	18,379
Accounts & other receivables	2,766	1,543	1,815	1,595	3,162
Inventory	12,050	17,446	25,745	19,422	29,167
Non-current assets	3,960	4,751	6,696	8,714	11,016
Fixed assets	3,464	3,333	5,404	7,295	9,647
Investment assets	35	317	144	185	80
Others	854	1,370	1,973	1,688	2,054
Total assets	22,823	28,123	41,708	46,031	62,971
Advances from customers	22	38	81	87	98
Unearned revenue	0	0	0	0	0
Trade payables	7,373	8,245	12,055	8,728	12,180
Others	2,715	3,812	3,274	4,982	5,668
ST debt & due bonds	5,604	5,836	13,031	15,625	24,647
LT debt & bonds	1,200	1,208	1,122	1,127	0
Total liabilities	16,914	19,139	29,565	30,549	42,593
Controlling interest	5,906	8,977	12,136	15,472	20,366
Capital stock	3,170	4,435	4,435	4,532	7,131
Capital surplus	37	551	555	558	558
Other reserves	1	2	1	(1)	5
Retained earnings	2,699	3,990	7,150	10,390	12,675
Minority interest	3	6	8	9	12
Shareholders' equity	5,909	8,983	12,144	15,482	20,378

**Cash flow** (VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
C/F from operations	2,664	2,261	(1,286)	10,792	171
Net profit	2,207	2,880	3,836	3,920	4,901
Dep'n & Amort'n	690	1,223	1,443	2,196	2,921
Net incr. in W/C	(233)	(1,842)	(6,565)	4,677	(7,651)
C/F from investing	(2,120)	(2,344)	(5,873)	(8,574)	(11,255)
Capex	(2,065)	(1,496)	(3,067)	(3,911)	(4,977)
Incr. in investment	(55)	(848)	(2,806)	(4,663)	(6,278)
C/F from financing	1,871	422	6,525	2,014	7,877
Incr. in equity	92	705	86	99	226
Incr. in debt	2,010	203	7,104	2,594	7,891
Dividends	(232)	(486)	(665)	(679)	(240)
C/F from others	0	0	0	0	0
Increase in cash	2,414	338	(634)	4,233	(3,206)

**Income statement** (VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Sales	66,340	86,516	102,174	108,546	122,958
COGS	55,198	71,224	82,686	84,592	95,326
Gross profit	11,142	15,292	19,488	23,954	27,632
SG&A expenses	8,363	11,421	14,511	18,738	21,738
Operating profit	2,779	3,871	4,977	5,216	5,895
Financial income	251	342	631	794	1,288
Interest income	35	85	344	567	968
Financial expenses	234	437	570	594	715
Interest expenses	233	436	568	594	674
Other non-operating profit	14	12	19	(3)	6
Gains (Losses) in associates, subsidiaries and JV	0	(2)	(3)	(4)	(2)
Earnings before tax	2,809	3,786	5,053	5,410	6,472
Income taxes	602	906	1,217	1,490	1,570
Net profit	2,207	2,880	3,836	3,920	4,901
Net profit of controlling interest	2,206	2,879	3,834	3,918	4,899
EBITDA	3,469	5,094	6,420	7,412	8,815

**Key financial data**

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Per-share data (VND, adj.)					
EPS	6,959	6,490	8,657	8,650	6,861
BPS	18,641	20,255	27,378	34,160	28,578
DPS	731	1,096	1,499	1,498	336
Growth (%)					
Sales growth	48.7	30.4	18.1	6.2	13.3
OP growth	39.5	39.3	28.6	4.8	13.0
NP growth	39.8	30.5	33.2	2.2	25.0
EPS growth	(32.1)	(6.7)	33.4	(0.1)	(20.7)
EBITDA growth	74.2	46.8	26.0	15.5	18.9
Profitability (%)					
OP margin	4.2	4.5	4.9	4.8	4.8
NP margin	3.3	3.3	3.8	3.6	4.0
EBITDA margin	5.2	5.9	6.3	6.8	7.2
ROA	11.7	11.3	11.0	8.9	9.0
ROE	45.3	38.7	36.3	28.4	27.3
Dividend yield	1.9	2.9	4.0	4.0	0.9
Dividend payout ratio	10.5	16.9	17.3	17.3	4.9
Stability					
Net debt (VND bn)	3,392	3,244	7,901	1,347	6,269
Net debt/equity (%)	57.4	36.1	65.1	8.7	30.8
Valuation (x)					
PE	5.4	5.8	4.4	4.4	5.5
PB	2.0	1.9	1.4	1.1	1.3
EV/EBITDA	4.4	3.9	3.8	2.5	3.8

## 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)	(%)
Mobile World (MWG)	Recommendation	Hold	2017A	66,340	2,779	2,206	1,779	4,662	17.4	6.7	45.3	12.9	0.6
	TP (VND)	70,853	2018A	86,516	3,871	2,879	2,241	6,753	12.4	4.1	38.7	8.2	1.3
	Price (Dec 15, VND)	47,850	2019A	102,174	4,977	3,834	2,885	9,138	12.9	4.1	36.3	9.1	1.3
	Market cap. (VND bn)	70,031	2020A	108,546	5,216	3,918	2,884	11,380	13.6	3.4	28.4	7.5	1.3
			2021A	122,958	5,895	4,899	3,566	14,281	18.9	4.7	27.3	11.7	0.2
Phu Nhuan Jewelry (PNJ)	Recommendation	Non-rated	2017A	10,977	949	725	3,527	14,008	17.6	4.4	32.0	15.5	1.4
	TP (VND)	135,037	2018A	14,571	1,263	960	4,432	16,819	14.6	3.9	28.3	13.0	2.8
	Price (Dec 15, VND)	112,900	2019A	17,001	1,623	1,194	5,361	20,326	15.1	4.0	28.7	13.0	1.9
	Market cap. (VND bn)	27,774	2020A	17,511	1,508	1,069	4,532	23,047	17.3	3.4	20.9	12.6	2.0
			2021A	19,547	1,409	1,029	4,526	26,445	20.9	3.6	18.3	16.3	2.1

Source: Bloomberg, KIS

# Industrial Estate

## Non-rated

### ► Three keywords

- Demand stayed resilient thanks to the strong expansion of FDI and local.
- Trend of moving out of China for diversifying production, minimizing risk from centralized supply chain is going on
- Abundant supply in Tier 2 could slow down the rent growth in 12M

### ► Top pick

Becamex (BCM, Non-rated)			
	2019A	2020A	2021A
PE (x)	35.2	79.7	62.4
PB (x)	5.3	4.8	4.8
EV/EBITDA (x)	43.0	39.5	36.5
DY (%)	0.0	0.0	0.0
EPS (VND)	2,271.1	1,004.0	1,282.4
BPS (VND)	15,217.5	16,606.3	16,565.1

Source: Company data, KIS Research

## Solid growth despite macro headwinds

### Investment summary

#### Demand sustained its brisk momentum

The disbursement of FDI was USD2.23bn, +10.3% mom and 14.4% yoy in Nov, translating to a 11M22 USD19.7bn, 15.1% yoy, the highest amount seen in the past 5 years. The 3Q22 occupancy rate of the industrial park (IP) market in the Southern region steadily raised by 1.3% qoq, reaching 85.2%, thanks to strong net absorption in new completion during the 1H22. In 3Q22, IP land prices stay unchanged qoq at USD125/sqm/lease term but up 10% yoy.

#### Rent continues the upward trend yet at a slower pace

In the next 12 months, new supply in the IP market stays muted while the ready-built factory (RBF) market is more active, with a substantial new supply set to enter the market. Southern Vietnam's industrial land price is predicted to grow at a slower pace because new launches in Tier 2 should be positioned with more reasonable prices. Similarly, new RBF projects are likely to be located further away from the center, focusing on hybrid facilities that can be switched between factory and warehouse functions to tailor to the tenants' demands. RBF rents are expected to stabilize or slightly increase, depending heavily on the performance of new projects in less desirable locations amid strong supply entering the market.

#### Risks are still strong in the year ahead

Despite lots of competitive strength, Vietnam also faces short-term challenges. They include labor shortages, the high cost of complying with safety criteria set by the government, and limited capacity operation. In addition to improving the process of the procedure to attract investments, simplifying administrative procedures from the Government, and making it easier for industrial park investors to develop new projects when planning industrial parks, developers will also need more detailed planning, allocating areas for logistics, commercial services.

#### The medium-term prospect remains intact

Favorable geographic location, low operating costs, and tax incentives, 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. The promotion of investment in transport infrastructure and development of transport connections between regions and seaport areas by the government in recent years has helped Vietnam improve its competitive ranking with other countries in the region.

### Valuation seems rich given the excessive market sentiment

The recent pullback of real estate prices in equity market was a result of a stoking fear of sluggish aggregated sector presales growth impeded by unfavorable supply-demand dynamics. Even the sector rebounded and are trading at 23.2x TTM PE and 3.4x PB, well above the 2-year medians of 19.3x and 2.9x, we think the market seem overreact. 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. Selecting conservatively still rewards the wisdom investor betting in the turning point of some giant players.

### Top pick

BCM, the leading IP operator in the South with around 15,000ha land bank spanning throughout the nationwide. BCM gains the brightest spotlight thanks to its ready-to-lease land bank while the other giants are preparing the legal process to get license. Furthermore, its land transfer in Becamex Binh Duong New City could boost the earnings growth prospect in 2022-23F.

## Becamex (BCM)

NON-RATED

Stock price (Dec 15, VND)	79,900
Market cap (USD mn)	3,557
Shares outstanding (mn)	1,035
52W High/Low (VND)	97,230/58,437
6M avg. daily turnover (USD mn)	0.54
Free float (%)	3.3
Foreign ownership (%)	3
Binh Duong People Committee	95.4

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)	(%)	(%)
2017A	6,803.7	889.8	1,036.0	2,398.3	142.3	1,348.3	33.4	55.4	5.9	8.7	(0.0)
2018A	6,537.6	2,049.0	2,311.8	3,978.8	65.9	2,272.1	20.1	39.6	6.0	19.0	0.0
2019A	8,213.4	1,811.9	2,630.9	2,271.1	(42.9)	2,037.8	35.2	43.0	5.3	18.0	0.0
2020A	6,504.7	1,907.6	2,186.0	1,004.0	(55.8)	2,145.6	79.7	39.5	4.8	13.3	0.0
2021A	6,989.7	2,000.1	1,457.3	1,282.4	27.7	2,186.1	62.4	36.5	4.8	8.5	0.0

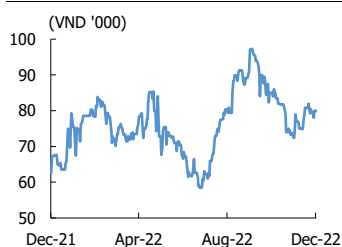
Source: Company data, KIS Research

Note: NP and EPS attributed to controlling interest

### Performance

	1M	6M	12M
Absolute (%)	10.4	18.4	21.4
Rel. to VNI (%p)	(5.5)	31.7	48.3

### Stock price



Source: Bloomberg

## Speedy land acquisition yields fruits

**Flourishing 9M22 earnings thank to favorable base.** 3Q21 net revenue came to VND2.3tn (+156% yoy) thanks to the real estate division (VND1.8tn, 1.94x yoy). Blended 3Q22 gross margin subsided to 29.8% vs 54.9% in 3Q21 due to the major component of thin-margin of social house segment. Interest expense slid 14% yoy thanks to loan balance contraction. Net profit was VND259bn, +4.2x. Hence, 9M22 results came in at VND the net profit came in at VND122bn, -77.2% yoy and completing 11.2% our estimate.

**Capitalizing on the booming growth of industrial estate demand.** The robust growth of the industrial park segment maintains its upswing in 2023-24F thanks to the commencement of owned-development Cay Truong and Bau Bang IP. Furthermore, the new operation of VSIP3 IP joint-venture could start contributing to the IP growth. Coupled with consistent rental growth yet lower than Tier 1, we foresee the IP segment could deliver double-digit growth in 2022-23F and still lead the BCM's net revenue growth.

**Reap rewards from the remarkable residential segment:** We expect revenue from residential property to skyrocket in 2023F thanks to the one-off gain of about VND5,000bn from Binh Duong New City project land transfer to CapitaLand. The transfer of 18.9ha has been processed from 2022 until now and we expect they could end the procedures, opening for the revenue booking in 2023F. The Binh Duong New City is among the largest residential land block up to 10,000ha with a modest cost of goods sold. The land transfer to Capital Land could pave the way for BCM to cooperate with other partners.

We put BCM into our radar watch list since we are the confident in BCM's monetization capacity of the New City ice berg and unlocking their huge industrial park land bank. Valuation is attractive, in our view, at 20X 2022F PE given the dominant position of BCM in the IP segment. The company is poised to become one of the leading industrial operators in the Southern thanks to its thousand's hectare land bank

**Balance sheet**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Current assets	37,182	30,513	27,965	29,841	29,147
Cash & cash equivalents	3,584	3,002	743	1,840	3,199
Accounts & other receivables	6,592	5,832	4,319	3,779	4,942
Inventory	26,897	21,619	22,877	24,191	20,931
Non-current assets	13,987	14,672	15,551	18,645	19,805
Fixed assets	1,593	1,729	1,844	1,819	1,220
Investment assets	10,882	11,740	12,751	15,934	17,812
Others	641	814	656	610	531
<b>Total assets</b>	<b>51,168</b>	<b>45,185</b>	<b>43,516</b>	<b>48,485</b>	<b>48,952</b>
Advances from customers	1,428	2,222	2,468	2,993	3,435
Unearned revenue	49	214	465	885	786
Trade payables	1,020	1,172	763	866	868
Others	16,002	8,431	9,521	11,661	10,083
ST debt & due bonds	8,604	10,517	9,259	6,138	4,248
LT debt & bonds	13,229	9,138	5,289	8,755	12,386
<b>Total liabilities</b>	<b>40,332</b>	<b>31,694</b>	<b>27,765</b>	<b>31,298</b>	<b>31,808</b>
Controlling interest	9,680	12,322	14,624	16,000	16,130
Capital stock	7,952	10,126	10,350	10,350	10,350
Capital surplus	19	14	12	12	12
Other reserves	2,091	85	132	896	997
Retained earnings	(381)	2,097	4,130	4,742	4,772
Minority interest	1,156	1,169	1,126	1,188	1,015
Shareholders' equity	10,837	13,491	15,750	17,187	17,145

**Cash flow**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
C/F from operations	(2,351)	659	2,932	2,548	343
Net profit	1,036	2,312	2,631	2,186	1,457
Dep'n & Amort'n	459	223	226	238	251
Net incr. in W/C	(3,845)	(1,875)	76	124	(1,366)
C/F from investing	2,271	903	284	(1,092)	(1,078)
Capex	(99)	(187)	(163)	(337)	(26)
Incr. in investment	2,370	1,090	448	(755)	(1,052)
C/F from financing	1,381	(1,953)	(5,378)	(97)	1,945
Incr. in equity	0	248	224	0	0
Incr. in debt	1,381	(2,201)	(4,993)	314	2,773
Dividends	0	0	(609)	(411)	(828)
C/F from others	0	0	0	0	0
<b>Increase in cash</b>	<b>1,301</b>	<b>(390)</b>	<b>(2,161)</b>	<b>1,359</b>	<b>1,209</b>

**Income statement**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Sales	6,804	6,538	8,213	6,505	6,990
COGS	4,703	3,277	4,826	3,244	3,769
Gross profit	2,100	3,260	3,387	3,261	3,221
SG&A expenses	1,210	1,211	1,575	1,353	1,221
Operating profit	890	2,049	1,812	1,908	2,000
Operating profit (Adj.)	890	2,049	1,812	1,908	2,000
Financial income	436	103	527	25	69
Interest income	0	103	74	19	0
Financial expenses	1,100	721	656	592	875
Interest expenses	1,052	718	649	582	769
Other non-operating profit	106	14	85	17	(472)
Gains (Losses) in associates, subsidiaries and JV	786	1,115	1,213	1,129	1,022
Earnings before tax	1,118	2,559	2,981	2,487	1,744
Income taxes	82	247	350	301	286
Net profit	1,036	2,312	2,631	2,186	1,457
Net profit (Adj.)	1,036	2,312	2,631	2,186	1,457
Net profit of controlling interest	842	2,171	2,487	1,986	1,405
EBITDA	1,348	2,272	2,038	2,146	2,186

**Key financial data**

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Per-share data (VND, adj.)					
EPS	2,398	3,979	2,271	1,004	1,282
BPS	13,628	13,323	15,218	16,606	16,565
DPS	(7)	49	605	397	407
Growth (%)					
Sales growth	(6.8)	(3.9)	25.6	(20.8)	7.5
OP growth	20.9	130.3	(11.6)	5.3	4.8
NP growth (Adj.)	7.0	157.7	14.6	(20.2)	(29.3)
EPS growth (Adj.)	142.3	65.9	(42.9)	(55.8)	27.7
EBITDA growth	12.9	68.5	(10.3)	5.3	4.9
Profitability (%)					
OP margin (Adj.)	13.1	31.3	22.1	29.3	28.6
NP margin (Adj.)	15.2	35.4	32.0	33.6	20.8
EBITDA margin	19.8	34.8	24.8	33.0	32.2
ROA	1.9	4.8	5.9	4.8	3.0
ROE	8.7	19.0	18.0	13.3	8.5
Dividend yield	(0.0)	0.0	0.0	0.0	0.0
Dividend payout ratio	(0.3)	1.2	26.6	39.6	31.7
Stability					
Net debt (VND bn)	18,249	16,654	13,805	13,052	13,436
Net debt/equity (%)	168.4	123.4	87.6	75.9	78.4
Valuation (x)					
PE	33.4	20.1	35.2	79.7	62.4
PB	5.9	6.0	5.3	4.8	4.8
EV/EBITDA	55.4	39.6	43.0	39.5	36.5

## 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	Non-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 15, VND)	16,150	2020A	21,116	2,382	3,771	943	11,897	31.7	2.5	8.0	26.8	2.0
	Market cap. (VND bn)	64,600	2021A	26,190	5,386	4,158	1,039	11,972	34.6	3.0	8.7	18.9	1.7
			2022F	26,439	4,321	4,354	1,088	N.A	14.8	N.A	8.6	10.0	3.4
Becamex (BCM)	Recommendation	Non-rated	2018A	6,537.6	2,049.0	2,311.8	3,978.8	13,323	20.1	6.0	19.0	39.6	0.0
	TP (VND)	N.A	2019A	8,213.4	1,811.9	2,630.9	2,271.1	15,218	35.2	5.3	18.0	43.0	0.0
	Price (Dec 15, VND)	80,000	2020A	6,504.7	1,907.6	2,186.0	1,004.0	16,606	79.7	4.8	13.3	39.5	0.0
	Market cap. (VND bn)	82,800	2021A	6,989.7	2,000.1	1,457.3	1,282.4	16,565	62.4	4.8	8.5	36.5	0.0
			2022F	11,603	3,565	3,809	3,680	19,913	21.5	4.0	19.9	N.A	N.A
Phuoc Hoa (PHR)	Recommendation	Non-rated	2018A	1,639	235	450	2,863	18,661	18.0	3.2	17.5	24.8	5.0
	TP (VND)	N.A	2019A	1,631	275	1,082	7,985	23,596	7.5	2.5	24.2	22.0	4.2
	Price (Dec 15, VND)	43,100	2020A	1,874	311	1,126	8,307	27,072	9.0	2.8	16.3	24.1	6.7
	Market cap. (VND bn)	5,840	2021A	1,945	370	478	3,525	22,057	18.5	3.0	15.4	16.9	6.9
			2022F	2,017	377	767	5,428	25,404	8.0	1.7	22.5	10.5	9.3
Kinh Bac (KBC)	Recommendation	Non-rated	2018A	2,491	1,162	746	1,191	14,329	7.8	0.6	8.6	7.7	N.A
	TP (VND)	N.A	2019A	3,210	1,533	917	1,463	15,045	7.9	0.8	10.0	5.9	6.5
	Price (Dec 15, VND)	22,950	2020A	2,151	366	224	358	15,392	51.1	1.2	2.4	33.5	3.2
	Market cap. (VND bn)	17,617	2021A	4,246	1,849	782	1,193	18,207	38.2	2.5	6.7	20.5	N.A
			2022F	9,462	4,072	2,928	3,823	27,865	6.0	0.8	14.9	5.4	2.2
Nam Tan Uyen (NTC)	Recommendation	Non-rated	2018A	532	438	470	19,357	24,540	2.1	1.7	95.9	4.8	26.2
	TP (VND)	N.A	2019A	194	86	237	9,855	24,191	9.4	3.8	40.4	11.1	10.8
	Price (Dec 15, VND)	119,900	2020A	264	135	291	12,123	28,467	20.7	8.8	46.0	34.6	2.9
	Market cap. (VND bn)	2,878	2021A	271	144	294	12,260	26,352	14.9	6.9	44.7	19.1	7.7
			2022F	1,240	1,113	891	37,110	N.A	3.2	N.A	70.3	N.A	N.A
Sonadezi Chau Duc (SZC)	Recommendation	Non-rated	2018A	290	111	97	973	11,564	N.A	N.A	N.A	N.A	N.A
	TP (VND)	N.A	2019A	329	139	134	1,340	11,959	12.3	1.4	11.4	9.1	4.9
	Price (Dec 15, VND)	32,550	2020A	433	199	186	1,860	12,642	16.5	2.4	15.1	13.5	3.3
	Market cap. (VND bn)	3,255	2021A	713	386	324	3,236	14,656	20.6	4.6	23.7	14.1	1.5
			2022F	1,381	385	322	2,930	N.A	11.1	N.A	18.6	N.A	3.1

Source: Bloomberg, KIS



# Residential property

## Neutral

### ► Three keywords

- Difficulties in repaying the principal of corporate bonds
- Demand is impeded given the mortgage constraints
- Hope on easing regulatory process to trigger the exciting launch supply

### ► Top pick

Nam Long (NLG, BUY, TP VND43,500)			
	2020A	2021A	2022F
PE (x)	9.5	9.8	3.3
PB (x)	1.3	1.1	0.6
EV/EBITDA (x)	8.8	34.3	4.0
DY (%)	1.4	3.9	1.3
EPS (VND)	2,780	2,686	7,422
BPS (VND)	23,489	35,276	38,436

Source: Company data, KIS Research

## Fear of inadequate government stimulus

### Investment summary

#### Difficulties in repaying the principal of corporate bonds

There were two tranches of bond not meeting the interest payment obligation in 2022 including the bonds of VKV (VKC VN Equity) and KS Finance. We think the default risk to accelerate through 2023F is foreseeable given a large amount of due principal. According to Vietnam Bond Market Association (VBMA), around VND100tn principal must be paid in 2023F. Despite being upbeat about some listed company's debt payment capacity driven by their solid balance sheet, we are concerned about some conglomerates' inadequacy namely Van Thinh Phat (VND21tn), Sovico (VND16tn), Novaland (VND20tn).

#### Bank policy for a mortgage remains tight in 1H23F

2H22 the average adjustable mortgage rate from local banks unexpectedly came in at 11-15% p.a, booming by 2-5%p vs 1H22. The soon dry-up of credit quota was attributed to the expensive mortgage rates in 2022. We expect the mortgage rates to remain at these heights until 1H23F given the continuous rise in the deposit rates recently. However, the mortgage rates could cool off in 2H23F albeit to a different extent but not by a significant amount seen in 2020-2021.

#### Regulatory amendments improve licensing process

We stay optimistic about the process of passing through amended Land Law to be on track. The Law of Land is deemed as the key legitimate foundation to tackle the bottlenecks in licensing projects and shorten the time in compensation period. Since validity of the amended Land of Law could take time (passed in Oct 2023F), we think the new consultancy board chaired by the Minister of Construction could take some initial steps to resolve the current issues. The market will return to its excitement after a dull and sluggish period. We expect at least tens of projects could reap rewards of those amendments, opening for thousands units are launching in 2023F.

#### Valuation seems rich given the excessive market sentiment

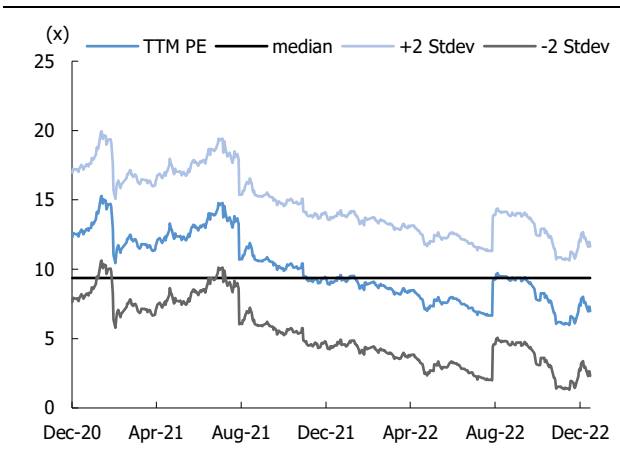
We stay Neutral on the overall sector. The recent pullback of real estate prices in equity market was a result of a stoking fear of sluggish aggregated sector presales growth impeded by unfavorable supply-demand dynamics. Even the sector rebounded and are trading at 10.6x TTM PE and 1.6x PB, well below the 3-year medians of 19.3x and 2.9x, we think the market seem overreact. 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 1.5x. Selecting conservatively still rewards the wisdom investor betting in the turning

point of some giant players.

**Top pick: NLG’s role to be viewed in fresh light**

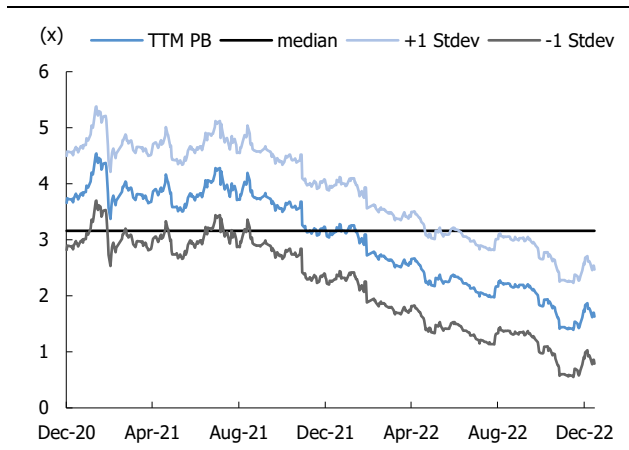
We are pickier to select our most favorable developers despite attractive valuations. We prefer those players owning the following records 1) Securing construction licenses or land use right certificates to launch in 2023F. (2) Building firm footprint in the mid-range and affordable condo/land lot segments as these segments enjoy enormous demand from real end-users. (3) Buttressed by a solid financial position (low leverage, strong liquidity) to support the homebuyers via promotion/subsidy programs. (4) Owning land bank in neighboring or suburban markets which are reaping the benefits of infrastructure spending.

**Figure 59: The industry PE**



Source: Company report, Fiiipro

**Figure 60: The industry PB**



Source: Company report, Fiiipro

## Nam Long (NLG)

BUY / TP VND43,500

Stock price (Dec 15, VND)	30,500	Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
Market cap (USD mn)	497	Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(yoy)	(VND bn)	(x)	(x)	(x)	(%)	(%)
Shares outstanding (mn)	384	2018A	3,480	491	763	3,280	21.7	763	8.7	37.2	1.4	20.3	1.2
52W High/Low (VND)	63,723/17,465	2019A	2,546	425	960	3,709	13.1	960	7.5	15.3	1.4	19.9	1.3
6M avg. daily turnover (USD mn)	3.33	2020A	2,217	434	835	2,780	(17.3)	835	9.5	16.6	1.3	15.7	1.4
Free float (%)	58.3	2021A	5,206	997	1,071	2,686	41.3	1,071	9.8	9.0	1.1	15.7	3.9
Foreign ownership (%)	45.2	2022F	9,586	763	2,251	7,422	71.4	3,303	3.3	6.3	0.6	17.7	1.3
Major shareholders (%)													
Nguyen Xuan Quang	12.09												
Ibeworthy Pte.Ltd	8.19												

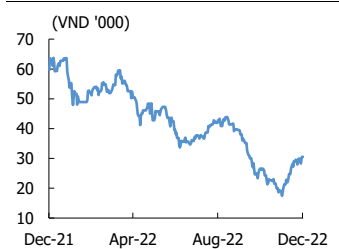
Source: Company data, KIS Research

Note: NP and EPS attributed to controlling interest

### Performance

	1M	6M	12M
Absolute (%)	74.5	(21.0)	(52.1)
Rel. to VNI (%p)	58.7	(7.7)	(25.1)

### Stock price



Source: Bloomberg

### Safe haven from the headwinds

**3Q22 tepid growth tracked the trails.** NLG's revenue boomed 484.1% yoy to VND882bn in 3Q22 driven property sale (VND857bn, +166.3x yoy). Contrary to spectacular revenue growth, net profit drop 82.7% yoy to VND51bn. We attribute the sharp net profit reduction to the absence of a non-cash revaluation gain of VND362bn from consolidating Southgate JSC. 9M22 revenue stayed solid with VND2,710bn, +244% yoy. However, 9M22 NPAT subdued 61% yoy to VND276bn due to the lack of goodwill income of VND429bn booked in 1Q21 and revaluation gain of VND362bn booked in 3Q21. Overall, 9M22 revenue and NPAT formed 38.1/22.8% of NLG's 22F targets.

**Decelerating earnings growth in 2021F-22F is unavoidable.** NLG revises down its VND23.3tn contract sales to VND12.3tn in 2022F, 2.08x higher than 2021. The 2022F guidance could also be adjusted to a VND6tn revenue and a VND905bn NPATMI, significantly lower than the AGM targets of VND7.1tn/VND1.2tn, respectively. The company blames the slower-than-expected legal frameworks and unanticipated soon dry-up of mortgage loans for their missing of guidance especially the Can Tho project, Izumi project.

**Healthy balance sheet reaffirmed.** Net debt to equity came in at 5% of which VND450bn bond is due in 2023F out of total VND2,610bn bond as of end-3Q22. The bondholders are institutions including TCBS (37%), IFC (20%), insurers (18%). However, the company is exposed to interest rate risk since 60% of total debt (VND4,537bn) has floating rates. The company keeps its strong credit ratings and gets a VND530bn credit line from Standard Chartered Vietnam Bank to finance its construction expense of Izumi project. The lending rate is geared towards 10.2% p.a in 3.5-year tenure. Furthermore, the company is going to receive another VND500bn tranche of IFC bond and 50% of divestment income of VND941.4bn in Dec, 2022.

**Maintain BUY rating.** Its flexible sales strategy in combining affordable condo projects and lower value landed-property in the neighboring provinces seems to help the firm withstand market headwinds. Furthermore, the intensifying balance with huge cash buttress the subsidy sale campaign to maintain constant pre-sale activities and earnings growth. We are reviewing our presale forecasts to reflect the new landscape of NLG's development pipeline. Our current target price maintains to VND34,500.

**Balance sheet**

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021A	2022F
Current assets	7,321	7,923	9,570	21,784	14,157
Cash & cash equivalents	2,084	1,901	1,073	3,112	2,055
Accounts & other receivables	1,833	1,548	2,228	1,934	2,898
Inventory	1	0	0	0	0
Non-current assets	1,762	2,052	3,580	1,291	2,275
Fixed assets	40	58	58	59	44
Investment assets	1,722	1,994	3,522	1,232	2,230
Others	492	929	493	543	727
Total assets	9,576	10,904	13,643	23,618	17,159
Advances from customers	1,322	2,068	364	(3,208)	822
Unearned revenue	7	7	7	7	7
Trade payables	175	333	2,463	2,725	1,342
Others	1,779	1,427	2,173	5,523	3,178
ST debt & bonds	201	63	390	585	219
LT debt & financial liabilities	806	806	1,525	2,315	625
Total liabilities	4,290	4,704	6,922	10,090	6,193
Controlling interest	4,139	5,083	2,505	8,310	7,738
Capital stock	2,597	2,853	3,829	2,853	2,853
Capital surplus	989	989	2,643	864	864
Other reserves	(740)	(598)	(6,099)	2,149	(1,504)
Retained earnings	1,294	1,839	2,132	2,444	5,525
Minority interest	1,145	1,117	4,598	5,217	3,228
Shareholders' equity	5,285	6,200	7,103	13,528	10,966

**Income statement**

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021A	2022F
Sales	3,480	2,546	2,217	5,206	9,161
COGS	1,963	1,480	1,523	3,397	5,038
Gross profit	1,517	1,066	694	1,808	4,123
SG&A	491	425	434	997	3,264
Operating profit					
Operating profit (Adj.)	1,013	626	236	781	161
Financial income	97	727	445	296	41
Interest income	129	120	727	445	60
Financial expenses	21	103	112	60	60
Interest expenses	20	53	102	60	0
Other non-operating profit	9	398	13	435	299
Gains (Losses) in associates, subsidiaries and JV	14	126	142	91	3,544
Earnings before tax	1,128	1,226	1,015	1,640	709
Income taxes	241	219	165	162	2,836
Net profit					
Net profit (Adj.)	887	1,007	850	1,478	2,117
NP of controlling interest	3,480	2,546	2,217	5,206	9,161
EBITDA	763	960	835	1,071	3,303

**Cash flow**

(VND bn)

FY-ending Dec.	2018A	2019A	2020A	2021A	2022F
C/F from operations	991	325	(1,111)	1,296	1,769
Net profit of controlling interest	887	1,007	835	1,071	2,836
Dep'n & Amort'n	13	16	23	30	39
Net incr. in W/C	384	(54)	(1,049)	686	(681)
C/F from investing	(1,830)	(377)	(1,043)	(2,006)	373
Capex	(15)	(64)	0	0	0
Incr. in investment	(97)	11	34	(746)	373
C/F from financing	840	(131)	1,326	2,749	(574)
Incr. in equity	447	276	(6)	2,637	0
Incr. in debt	600	(138)	1,589	444	(431)
Dividends	(207)	(244)	(257)	(333)	(143)
C/F from others	0	0	0	0	0
Increase in cash	991	325	(1,111)	1,296	1,769

**Key financial data**

FY-ending Dec.	2018A	2019A	2020A	2021A	2022F
Per-share data (VND, adj.)					
EPS	3,280	3,709	2,780	2,686	7,422
BPS	17,831	19,464	23,489	35,276	38,436
DPS	452	500	549	1,500	500
Growth (%)					
Sales growth	10.1	(26.8)	(12.9)	122.4	85.8
OP growth	14.9	(38.2)	(62.2)	253.4	289.9
NP growth (Adj.)	17.3	13.5	(15.5)	75.7	89.6
EPS growth (Adj.)	21.7	13.1	(17.3)	41.3	71.4
EBITDA growth	14.7	(37.5)	(59.5)	237.3	277.1
Profitability (%)					
OP margin (Adj.)	29.1	24.6	10.7	17.0	35.6
NP margin (Adj.)	25.5	39.5	38.4	30.3	31.0
EBITDA margin	29.5	25.2	11.7	17.8	36.1
ROA	9.3	9.2	2.9	2.7	5.8
ROE	20.3	19.9	15.7	15.7	17.7
Dividend yield	1.2	1.3	1.4	3.9	1.3
Dividend payout ratio	13.8	13.5	17.9	34.6	6.7
Stability					
Net debt (VND bn)	(1,077)	(1,031)	1,361	785	(1,211)
Net debt/equity (%)	(20)	(17)	20	9	(11)
Valuation (x)					
PE	8.7	7.5	9.5	9.8	3.3
PB	1.4	1.4	1.3	1.1	0.6
EV/EBITDA	9.5	5.1	8.8	34.3	4.0

## 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	9,929	9.9	18.1	37	6.4	57.0
	TP (VND)	93,615	2019A	51,627	23,219	21,747	6,493	13,118	12.5	4.4	15.3	4.9	43.8
	Price (Dec 15, VND)	50,700	2020A	70,890	20,709	27,839	8,311	20,040	10.3	5.7	16.6	3.2	39.1
	Market cap. (VND bn)	220,766	2021A	84,986	42,426	38,855	9,006	28,647	8.8	2.8	36.9	8.6	1.4
			2022F	81,122	43,707	36,793	10,984	41,853	5.7	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 15, VND)	28,600	2020A	4,532	1,547	1,152	2,041	14,544	25.3	3.6	12.6	19	1.0
	Market cap. (VND bn)	20,501	2021A	3,738	1,407	1,202	1,619	14,402	28.6	3.2	12.2	23.9	0.0
			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	491	763	3,280	17,831	8.7	1.4	20.3	37	0.0
	TP (VND)	45,300	2019A	2,546	425	960	3,709	19,464	7.5	1.4	19.9	15.3	0.8
	Price (Dec 15, VND)	30,550	2020A	2,217	434	835	2,780	23,489	9.5	1.3	15.7	16.6	0.8
	Market cap. (VND bn)	11,734	2021A	5,206	997	1,071	2,686	35,276	9.8	1.1	15.7	9.0	1.5
			2022F	9,586	763	2,251	7,422	38,436	3.3	0.6	17.7	6.3	0.8
Dat Xanh (DXG)	Recommendation	Non-rated	2018A	4,645	1,835	1,178	3,427	14,282	4.4	1.1	26.7	3.7	0.0
	TP (VND)	N.A	2019A	5,814	2,099	1,217	2,645	13,439	5.7	1.1	20.3	5.5	0.0
	Price (Dec 15, VND)	15,300	2020A	4,019	1,559	190	365	14,002	41.1	1.1	2.7	8.7	0.0
	Market cap. (VND bn)	9,333	2021A	10,089	2,713	1,157	1,942	14,713	18.0	2.4	15.5	9.7	0.0
			2022F	8,071	2,266	760	1,203	22,350	12.7	0.7	6.4	7.4	N.A
Novaland (NVL)	Recommendation	Non-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 15, VND)	17,950	2020A	5,026	379	3,919	2,932	19,125	16.4	2.5	16.3	96.7	0.0
	Market cap. (VND bn)	35,004	2021A	14,903	3,625	3,225	1,563	18,149	58.2	5.0	10.6	N.A	0.0
			2022F	34,008	9,196	6,818	4,055	44,169	4.4	0.4	13.1	11.5	0.0
Van Phu (VPI)	Recommendation	Non-rated	2018A	258	341	422	1,743	9,285	15.5	2.9	20.6	34.3	2.7
	TP (VND)	N.A	2019A	3,057	711	506	2,091	10,224	13.4	2.7	21.4	14.7	3.8
	Price (Dec 15, VND)	89,000	2020A	2,165	483	301	1,240	11,397	22.2	2.4	11.5	17.6	N.A
	Market cap. (VND bn)	51,510	2021A	2,611	357	348	1,439	13,190	34.7	3.8	11.7	39.6	N.A
			2022F	1,509	1,057	2,009	N.A	44.6	N.A	13.4	N.A	N.A	N.A

Source: Bloomberg, KIS

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

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

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

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

■ **Analyst Certification**

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

## Global Disclaimer

■ **General**

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

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

■ **Country-specific disclaimer**

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

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

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

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

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

#### VIET NAM

JAE HEUNG LEE, Business Director (jhlee@kisvn.vn +8428 3914 8585 - 1466)  
UYEN LAM, Head of Institutional Brokerage (uyen.lh@kisvn.vn +8428 3914 8585 - 1444)  
KIS Vietnam Securities Corporation  
3rd floor, 180-192 Nguyen Cong Tru, Nguyen Thai Binh Ward, District 1, Ho Chi Minh City.  
Fax: 8428 3821-6898

#### SOUTH KOREA

YEONG KEUN JOO, Managing Director, Head of International Business Division (ykjoo@truefriend.com, +822 3276 5157)  
PAUL CHUNG, Sales Trading (pchung@truefriend.com +822 3276 5843)  
27-1 Yoido-dong, Youngdeungpo-ku, Seoul 150-745, Korea  
Toll free: US 1 866 258 2552 HK 800 964 464 SG 800 8211 320  
Fax: 822 3276 5681~3  
Telex: K2296

#### NEW YORK

DONG KIM, Managing Director (dkim@kisamerica.com +1 212 314 0681)  
HOON SULL, Head of Sales (hoonsull@kisamerica.com +1 212 314 0686)  
Korea Investment & Securities America, Inc.  
1350 Avenue of the Americas, Suite 1110  
New York, NY 10019  
Fax: 1 212 314 0699

#### HONG KONG

DAN SONG, Managing Director, Head of HK Sales (dan.song@kisasia.com +852 2530 8914)  
GREGORY KIM, Sales (greg.kim@kisasia.com, +822 2530 8915)  
Korea Investment & Securities Asia, Ltd.  
Suite 2220, Jardine House  
1 Connaught Place, Central, Hong Kong  
Fax: 852-2530-1516

#### SINGAPORE

ALEX JUN, Managing Director, Head of Singapore Sales (alex@kisasia.com.sg +65 6501 5602)  
CHARLES AN, Sales (alex.jun@kisasia.com.sg +65 6501 5601)  
Korea Investment & Securities Singapore Pte Ltd  
1 Raffles Place, #43-04, One Raffles Place  
Singapore 048616  
Fax: 65 6501 5617

#### LONDON

Min Suk Key, Managing Director (peterkey@kiseurope.com +44 207 065 2766)  
Korea Investment & Securities Europe, Ltd.  
2nd Floor, 35-39 Moorgate  
London EC2R 6AR  
Fax: 44-207-236-4811

---

This report has been prepared by KIS Vietnam Securities Corp. and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. This report is provided solely for the information of professional investors who are expected to make their own investment decisions without undue reliance on this report and the company accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report is not intended for the use of private investors.