2017

The Odds Favour the Bold

RONG VIET SECURITIES CORPORATION

Analysis and Investment Advisory

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VIETNAM MACRO OUTLOOK: ENSURING CONTINUOUS STABILITY

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As we mentioned in our preliminary report in December of 2016, ***Vietnam's macroeconomic challenges have been rising this year.*** *There are 3 factors that constrain economic development at the moment, including a high public debt/GDP ratio, an over-reliance on the FDI sector as a growth driver in manufacturing and trade, and the slow progress in SOE and banking reforms. More recently, the risks of protectionism have cast an additional shadow on Vietnam's economic outlook. At the beginning of this year, investors appeared most concerned about the risks of VND devaluation and there has been greater skepticism on whether Vietnam's policy makers can ensure a stable business environment for domestic enterprises.*

However, we take a positive view that Vietnam will be able to navigate these challenges:

i. **We view the risk of a large devaluation of VND as low because of the specific characteristics of Vietnam's exchange rate mechanism.** Investors are concerned that the strength of the USD will continue through 2017 because of Trump's policy and the Fed rate hike. However, there are three risk mitigating factors at play. First, from a macro stability management perspective, the starting point of a position in the form of current account surplus and the lack of significant inflationary pressure does mean that the SBV will be able to manage the exchange rate and thus avoid the sharp devaluation of the VND. Secondly, recent intervention of the SBV to build FX reserves has been commendable. A historic high level of FX reserves could provide adequate buffers against external currency shocks, smoothing periods of substantial volatility. Finally, pressure from psychological elements and market expectations has been mitigated since the new exchange rate mechanism was applied in early-2016. During 2017, we do recognize that there will be a manageable, moderate currency depreciation ahead. We project that the year-end exchange rate will be 23,500.

ii. **Notwithstanding higher inflation in the years ahead, a spike in interest rates is the less likely outcome.** In the context of the commodity bull market, investors have expressed reservation regarding higher inflation. Although the headline inflation has risen, reflecting the administered price changes and the recovery of oil prices, core inflation is still benign. We forecast a 2017 headline CPI of 6.0% YoY, while we expect that core CPI will be around 2.5-3.0%. We think the SBV will maintain the current policy interest rates, given that higher headline inflation reflects non-monetary factors. If core inflation picks up due to second-round effects, a tightening monetary policy could be considered.

   Recently, the SBV issued many circulars regulating the operations of credit institutions, especially Circular 39/2016/TT-NHNN on credit activities of credit institutions and foreign bank branches regarding the new lending regime. It is still too early to fully access all the implications of this regulatory, although we think it is a step in developing prudential macroeconomic measures, and tightening of regulations on lending in some sectors, while channeling capital through policy directives to productive and special sectors based on the health of individual banks. In addition, the SBV has a desire to control short run volatility in the monetary market to strengthen macroeconomic stability, by removing the available lending rate cap stipulated under the Civil Code of 2015 and applying the short-term lending rate cap.

iii. **Trade protectionism is not likely to hurt Vietnam's economy in the medium term.** Vietnam's export performance has been supported by FDI sectors in recent years. In 2016, the FDI sector's share in Vietnam's total exports reached 70%, which displays how Vietnam's trade outlook will depend mostly on the FDI sector. We think the ongoing investment trend in Vietnam will not be reverted easily after the failure of the TPP. According to a survey conducted by JETRO on business conditions of Japanese companies in Asia, a total of 66.6% of the surveyed firms selected "Expansion" as their approach to future business challenges in the next one or two years, up 2.5 pp from the 2015 survey. Comparing China with Vietnam, the proportion was higher, as Vietnam (66.6%) overtook China (40.1%). It should be noted that only 15.4% of the surveyed firms answered that the TPP will impact their businesses while 60.1% answered "Unknown". According to the result of this survey, we think the TPP is not one of the key criteria for FDI investors considering whether they want to expand their businesses in Vietnam. According to the survey, high receptivity for high-value added products and sales increase have been the key reasons for business expansion, so FDI investors are mainly interested in wholesale/retail and electric machinery sectors.

Domestic exporters will benefit from the recovery of commodity prices. Moreover, companies who take advantage of the rising trade protectionism between China and the US might see some improvements in the medium-term.

Bull Market in Commodity Prices and its Impacts on Domestic Enterprises

The commodity bear market ended in 2016, which was especially led by an increase in the prices of base metals and energy. Based on the policy objectives that aim to keep inflation low and the outlook for domestic demand, we do not think output prices could increase significantly enough to offset the increase of input prices. In the short-run, only companies who opportunistically built stocks at low prices will benefit during the recovery of commodity prices. Companies that did not prepare for the hike in input prices will experience a decline in their profit margins. Domestic demand will continue to support companies operating in the consumer and healthcare industries, and an increase in selling prices could lead to earnings growth.

In the beginning of this year, investors have been interested in whether stock returns of companies whose primary business is in commodities actually reflect changes in the prices of the underlying commodities (rubber, oil & gas). It is common to think that investing in commodity stocks to be an alternative to investing in commodities themselves. Furthermore, we have observed that commodity prices have followed a super cycle for a decade, while the bull phase of individual stocks is shorter. At the moment, we believe that there should be hope for investors who are interested in commodity-linked stocks, as some areas are still trading at a low. However, the recovery in business results will occur significantly after the rise of commodity prices.

Risks:

- Vietnam's high credit to GDP ratio reflects the dependency of the economy on bank lending, However, most of the increase in credit was due to the real estate, financial and personal sectors. This raises concerns over the productivity of new credit. If the authorities fail to use appropriate measures (both market and administrative) to control over excessive credit growth, Vietnam's financial stability will be negatively affected.
- Due to high public debt, the government has to enhance budget revenue to reduce fiscal deficit. We think that the temporary solution is to take steps further to use equitization profit to finance the deficit. At the end of 2016, the new cabinet raised further hope on the prospects of selling the State's stakes in big SOEs. If the Government fails to put their promises into action, market sentiment will be not as good as before.
- External shocks could trigger domestic risks. More volatilities in the global market could create more pressure on the exchange rate and domestic interest rates. The lack of resources to mitigate external shocks could undermine Vietnam's macroeconomic stability.

In conclusion, we believe that the macro environment is shifting from low inflation to slight reflation in 2017. We expect more prudence in public expenditure, sound monetary management to improve bad debts and pro-business policies through improving administrative procedures. Macroeconomic policy will focus on preserving stability in interest rates and exchange rates. Credit growth might not be as high as last year as credit to real estate and other potential risky sectors will be monitored closely. On the other hand, monetary authorities will channel prioritize credit for productive sectors such as manufacturing, agriculture, technology, logistics and SMEs.

Based on the above rationales, we think that domestic enterprises can continue to do well in this environment as long as the underlying driver is macroeconomic stability. Improved business sentiment in supporting sectors could ignite the confidence and willingness to invest in the private sector. Stronger economic growth and moderate inflation could support revenue-driven earnings growth. In addition, some companies that have competitive advantages in the domestic market will continue to grow when income increases. Exporters are hardly to expect a sharp depreciation in the VND, but their business situation will be less difficult thanks to the recovery of commodity prices. They are even better if they can take advantage of the opportunities when trade protectionism between the US and China rises.

Table 1: 2017 Key Macro Indicators

	2014	2015	2016	2017F
ECONOMIC GROWTH	5.98%	6.68%	6.25%	6.58%
TRADE BALANCE (USD B)	+1.5	-4.1	+1.5	-1.0
EXPORT GROWTH	11.6%	8.1%	9.0%	10.4%
IMPORT GROWTH	15.9%	12.0%	5.3%	11.9%
INFLATION	1.9%	0.6%	4.7%	6.0%
REFINANCING RATE	6.5%	6.5%	6.5%	6.5%
M2 GROWTH	16.0%	14.5%	16.2%	16.0%
CREDIT GROWTH	12.6%	17.3%	18.7%	18.0%
BUDGET DEFICIT/GDP	4.7%	4.6%	3.9%	3.5%
EXCHANGE RATE	21,405	22,540	22,790	23,500

Source: RongViet Research

CAPITAL INFLOWS WILL STILL BE AMPLE IN 2017

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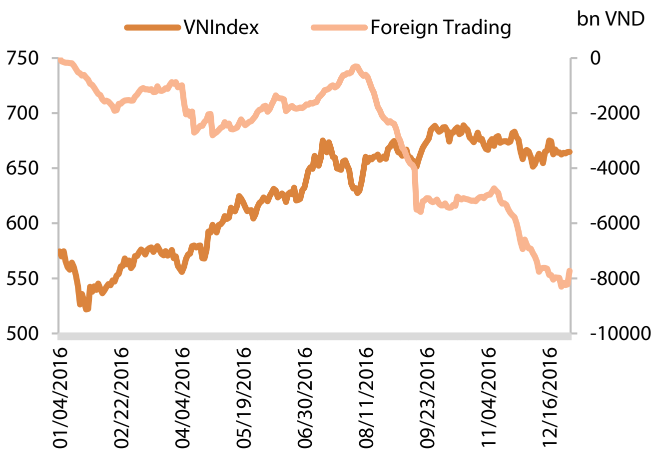
We noticed that the market was driven majorly by the rise in PE last year, rather than fundamental factors, namely the business performances of listed companies. We also believe that the abundant liquidity was a key factor for the gain of the market. 2016 was the first year that foreigners net sold for the entire year. Ironically, the market reacted differently when local investors decided to buy in as they gradually understood what was really behind these selling figures.

2016 Rewind: Foreigners were Significant Net Sellers in 2016 but Local Investors Reacted Positively

In 2016, the average trading value on the HSX and HNX was VND2,930 billion, representing an increase of 17.2% YoY. Foreigners still participated at a moderate rate of 12.7%. This was the first time that foreigners were net sellers for a whole year. They sold VND6,758 billion worth of Vietnamese equities in 2016. A closer examination shows that the selling of foreign investors was not so severe and resulted from the following three reasons. **Firstly**, the selling value mostly came from selling VIC. Off-shore investors net sold VND6,294 billion of VIC, and we believe those convertible bond (CB) arbitrageurs took profit. **Secondly**, ETFs turned to sellers when they net sold a total of VND3,364 billion and the pressure mostly came in the final 4 months last year. **Thirdly**, some foreign selling was tempted by profit taking when the valuations of some blue-chips surged. Typically, foreigners net sold more than VND2,300 billion of VNM when the share prices became too hot after the result of the FOL elimination and SCIC divestment. Another unconfirmed reason is that some funds closed their positions of some shares like VNM and HPG to raise their cash balances in order to get ready for certain OTC names prior to their official listing on the stock exchanges.

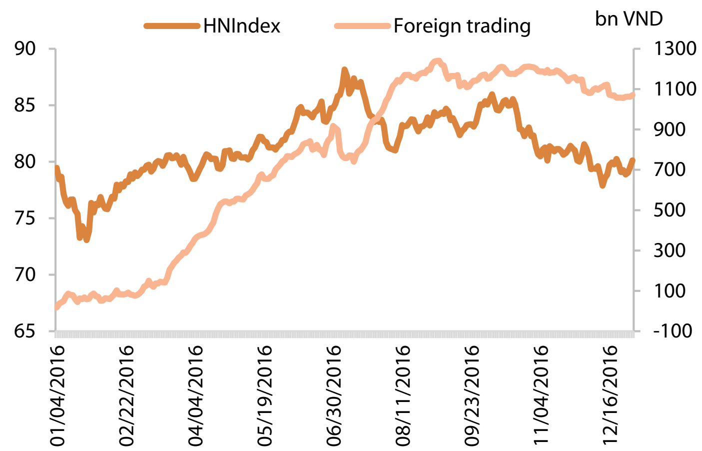
Local market players reacted oppositely to foreigners. They bought on weakness and accepted buying high and selling higher. Therefore, the market continuously moved upward in 2016.

Figure 1: Foreign trading and VNIndex



Source: RongViet Research

Figure 2: Foreign trading and HNIndex



Source: RongViet Research

There are both negative and positive signals for foreign capital in 2017. Last year, the VanEck Vectors Vietnam ETF had a negative double digit return for the second year, at -12.2%, while the FTSE Vietnam ETF also suffered from an unsuccessful year with a loss of 2.4%. At this point, ETFs could observe another unfavorable year in 2017. The second point relates to the volatility of the exchange rate. We have seen abundant capital outflows in the past when the VND depreciated suddenly (March 2015, August 2015, 2 last months of 2016). The sudden movement have been minimized so far by the "central FX rate" regime; however, with a forecasted 3% VND depreciation, we still think that this would negatively affect performance of foreign capital in 2017.

On the other hand, capital may outflow from ETFs but can enter from other sources. Last year, the average return of foreign funds in Vietnam's stock market was 15.9%, which outperformed local funds by 0.5%. Instead of choosing ETFs, foreign investors can choose other foreign funds to invest in Vietnam. With strong proven performance, it is not too difficult for big funds to raise capital from foreign investors.

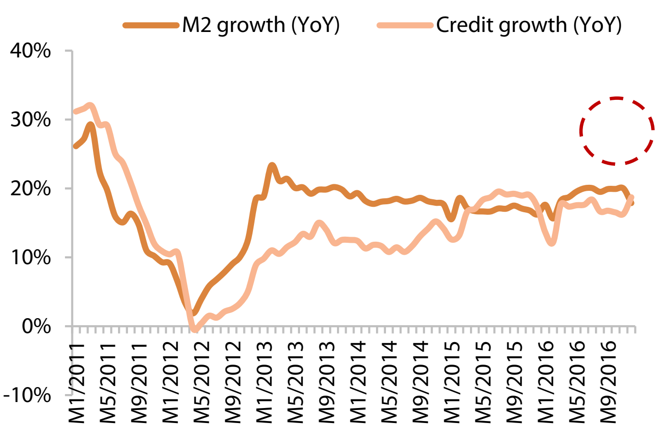
Another potential factor is Pakistan's reclassification to EM, which will occur in May 2017. The transition of Pakistan will leave a gap in MSCI Frontier Markets. We think the gap will be quickly filled by other frontier markets including Vietnam. There is around USD15 billion AUM (18% of Vietnam market cap) tracking MSCI FM.

In brief, there are both pros and cons so we think that giving a neutral rating on foreign capital inflows would be appropriate. However, we should emphasize that the contribution of foreign investors has never been high enough to affect the market, as it is around 13% to 15% of the total trading value since 2012. As a result, we believe that that market movement will be driven more by local investors.

Local Capital Inflow will Define the Market in 2017

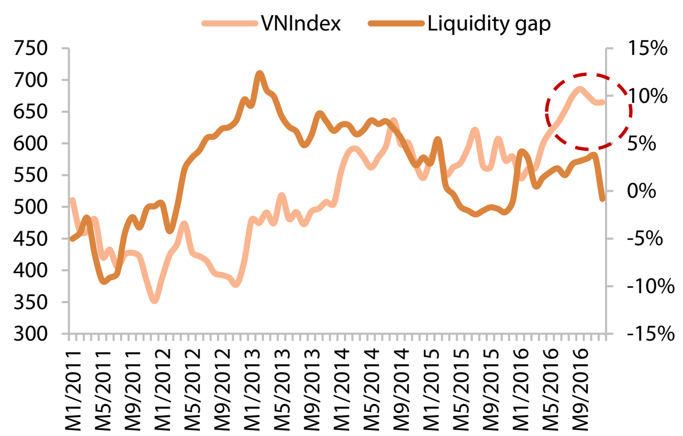
Regarding local inflows, we are still positive about the market's liquidity. SBV will continue to maintain an expansionary monetary policy in 2017 but we are more cautious about the gap as there are concerns on currency and inflation. There is still room for this gap but it will decelerate in 2017.

Figure 3: Liquidity Gap



Source: RongViet Research

Figure 4: Liquidity Gap and VNIndex



Source: RongViet Research

Margin lending will continue to be a key driver for market movement. It is proven that the enormous increase in margin lending balances from 2015 has been very supportive of the stock market. The average margin lending in 2016 was VND22,421 billion, a 45% rise compared to VND15,443 billion in 2015. The 2016 average daily value increased by 17% and the VNIndex and HNIndex increased by 14.7% and 0.2% respectively. **We think that margin will continue to rise in 2017**. Although some may argue that the margin balance is too high, we do not agree with this argument. Firstly, we calculated the margin over total free-float market cap and realize that the ratio has been below 4% from Q1 2014 to Q4 2016. Even when the margin debt reached its peak of VND26,759 billion in Q2 2016, it was only equal to 4.7%. According to the latest Decision 87/QD-UBCK regulation on margin lending, securities companies can provide an amount of margin debt that is double their owner's equity capital. Total owner's equity capital of brokers was around VND34,745 billion by the end of 2016, which enables the margin lending to reach the maximum amount of VND68,489 billion, 3.5 times more than the current margin level. The only concern about the margin lending issue is the "domino effect" whenever the market goes down.

Due to the neutral foreign capital, but positive local capital inflows, we hold the view that the stock market will continue to benefit from increasing liquidity in 2017. We project the total value trading in the HSX and HNX in 2017 will increase by ~5.3%, to reach VND3,090 billion.

2016 SECTOR REVIEW

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Compared to the trailing earnings growth for Q3 2016, the earnings growth of businesses for 2016 showed some improvement, excluding outliers that suffered a huge loss due to abnormal issues. This represents a considerable improvement from our initial outlook in our December 2016 strategy report, which used TTM Q3 2016 data when assessing the market's valuation. This stronger rise in earnings, coupled with P/E expansion, is the main reason for the outperformance of many sectors in 2016.

Earnings Growth

Theme 1: Another Exciting Year for Construction Activities

The real estate market still grew strongly during 2016 with a large number of new project initiations, although it cooled down a little bit compared to 2015. Additionally, the government's demand to develop industrial park and transportation infrastructure is quite high. The combination of these two factors continues to create another exciting year for construction activities as well as other related businesses in the value chain.

Earnings after tax of **construction companies** all rose significantly, namely CTD (+113%), HBC (+540%), VCG (+44%), HUT (+152%), LCG (+358%), and CII (+36%). **Construction materials** businesses also had good result such as VIT (+54%) and CVT (+143%) in the ceramics segment, VCS (+67%) and NNC (+49%) in the construction stone segment, and BMP (+25%) and DNP (+84%) in the plastic pipe segment. These are some of the biggest names in the segment, which provides an overall view for this sector in 2016.

Steel consumption also increased. In addition to the high demand from construction projects, tax imposing on imported steel actually substantiates growth of these steel companies. This group (which belongs to the **basic materials sector**) is the leader in terms of profit growth in 2016. Owning steel stocks such as HPG, HSG, TLH, SMC, NKG, and POM almost guaranteed that investors would be able to outperform the market by a fair amount.

Theme 2: When Domestic Consumption Takes Over

Household goods (with companies like PNJ-jewelry, TLG-stationery, RAL-bulbs, GDT-household wood), **Foods & beverages** (VNM, MSN), and **Retailers** (MWG) all benefit from rising incomes and higher consumption in Vietnam. However, it should be noted that the performance of the foods & beverages and retails sectors are largely influenced by VNM, MSN and MWG since the market cap of other stocks is fairly small. It seems that not all businesses can take advantage of the trend, as many of the others have only had modest growth due to strong competition.

Dividends

For those who love dividends, the **utilities** sector has a satisfactory dividend yield to attract investors (12.2%) with the highest being TDW (19%), PGS (18%), PPC (18%), NT2 (13%) and GAS (13%). This dividend plus stock price appreciation throughout the year created a wonderful investment yield and is clear proof for the efficiency of a dividend investment strategy.

Other sector that has high dividend yields includes **Chemicals** (8.4%) with fertilizer stocks such as BFC (20%), NFC (16%), SFG (15%), PCE (14%) and PSW (13%), and **Automobiles** (6.9%). Meanwhile, **real estate** (0.7%) or **banking** (1.6%) pay very low dividends.

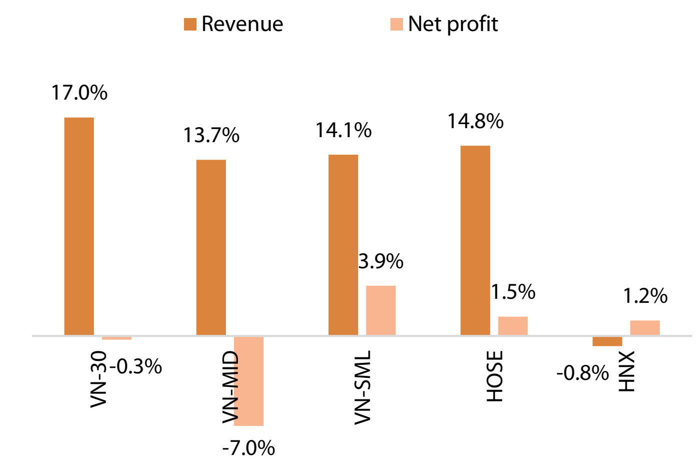
P/E Change

In 2016, the market accepted a much higher P/E for stocks as 15/18 sectors experienced a P/E expansion. Specifically, sectors that had the highest P/E expansion are:

- **Oil & gas** with 5 stocks PVB, PVC, PVD PVE and PVS. The P/E of the sector mainly surged due to the fact that the plunge of stock prices was not as strong as the free fall of earnings. PVB and PVC both recorded a loss while earnings after tax of PVD plummeted by 93%.
- **Healthcare:** Stories about the FOL lifting and strategic investors have completely changed investors outlook about this sector. Valuation spiked up compared to the beginning of the year.
- **Utilities:** This sector was distorted by GAS. This stock price recovered strongly even though earnings in 2016 was lower YoY. If excluding this stock from the list, P/E expansion will be much smaller.

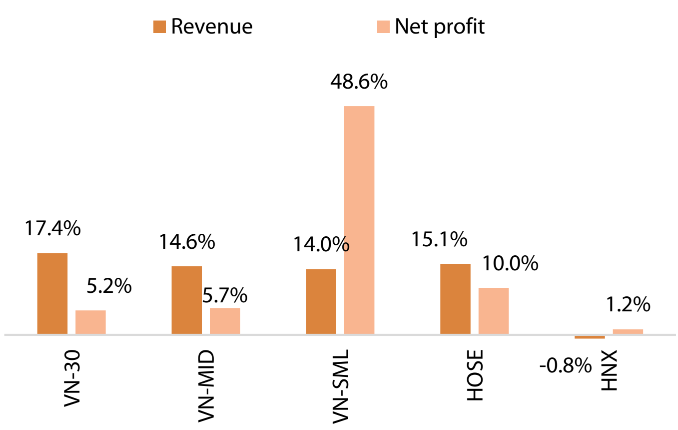
In conclusion, 2016 appears to be a good year as 12/18 sectors delivered a positive return. Dividing the performance into three factors (earnings growth, dividends and P/E change), there is a story to be told: in addition to earnings growth, P/E expansion plays a major part in the rise in stock price. This P/E ratio reflects the market expectations on earnings growth in the next year. Accordingly, it all boils down to one thing; business earnings in 2017 must have an appropriate growth.

Figure 5: Revenue and NPAT Growth of Main Indexes



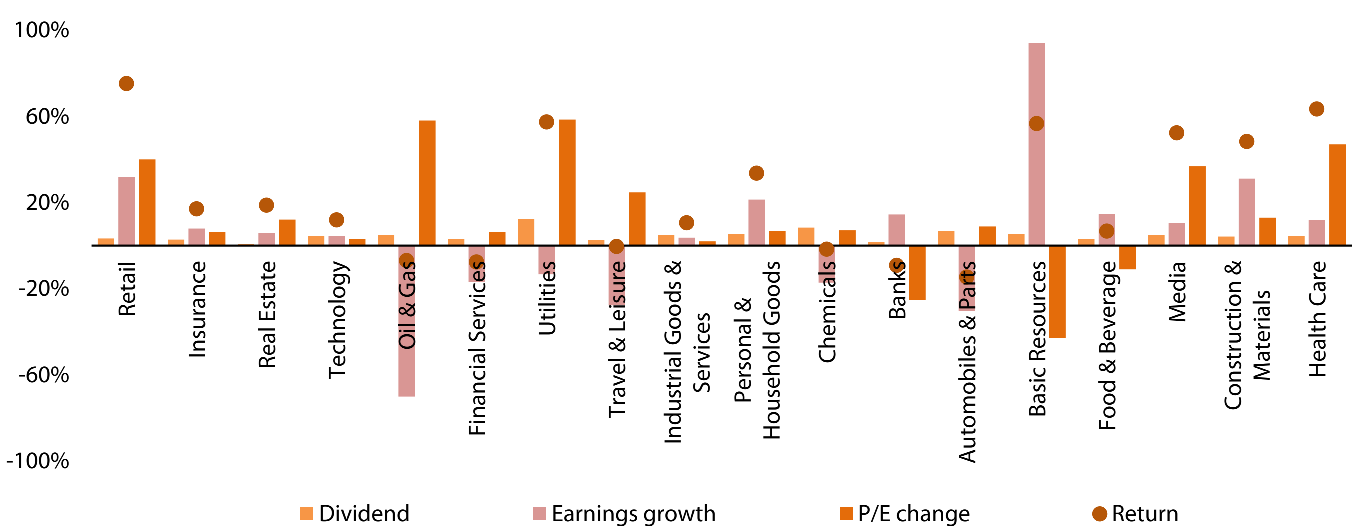
Source: RongViet Research

Figure 6: Revenue and NPAT Growth of Main Indexes (Excluding Outliers)



*Source: RongViet Research *excluding HAG (loss VND1,020 bn). HNG (loss VND954 bn) , TTF (loss VND1,621 bn), OGC (loss VND727 bn)*

Figure 7: Sector Performance Divided by 3 Factors



*Source: Fiin Pro, RongViet Research calculated at 12/31/2016 *excluding KDC, HAG, and OGC*

INVESTMENT STRATEGY AND IMPLEMENTATION IDEAS

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By the end of 2016, the market's relative valuation reached a 7 year high, and was considerably higher than the average PE of 2009 - 2016 (average PE of 13.5x). Its PE ratio was equivalent to the valuation of Thailand and Malaysia's stock markets, and quite expensive if compared to Pakistan.

The rise in the stock market PE reflects the market's expectations regarding changes taking place in 2016, such as (1) The new term of the Vietnam's National Assembly and Government with important messages on economic development strategies; (2) Motion of the IPO roadmap and divestments of the State; (3) The market's expectations for the profit growth of businesses in the coming years. In addition, the abundance of cash flow, mainly from domestic investors, had a strong impact on stock price movements as well as the overall trends in the market. The liquidity on both exchanges increased by more than 17% in 2016. More interestingly, while foreign investors were net sellers for the first time in many years, local investors actively traded and contributed to 85 - 87% of the total trading value.

We expect that the aforementioned characteristics will be the key drivers for the market's movement in 2017.

In terms of fundamentals, our forecasted growth of revenue as well as NPAT of listed company under our coverage in 2017 (accounting for 49% of the market's total MC, excluding ROS) is quite positive, at 22% YoY and 16% YoY respectively. In addition, based on Bloomberg's consensus forecast, the NPAT growth of 80 listed companies (accounts for 76% of the market's total MC) is around 12.7%. Although this growth is not too high, it can help the market to gain momentum while ensuring that the PER does not increase slightly.

The market's growth will likely continue to be driven by domestic capital, which is mainly contributed by the margin supplied from brokers. The average margin supply in 2016 has increased by 45% YoY, but is only equal to 65% of the total equity of brokerages and equal to only 33% of the maximum amount these companies can provide for investors, according to Decision 87/QD-UBCK. Therefore, the lack of margin supply is not a concern. Instead, the interest rate level, which influences the level of leverage used by investors, is more influential. The M2/GDP has surged to a record of 157.6% as of the end of 2016. This rise, coupled with the inflation and exchange rate risks, will likely lead to a tighter monetary policy as compared to the last two years. However, the tightening process will not be sudden but flexible, following the movement of inflation to support the development of key industries and private sectors. Therefore, we expect no abnormal change in interest rates in 2017.

Considering the earnings outlook of representative businesses and the capital inflows, we think the market will still be able to maintain the upward trend in 2017. If 2017 earnings follow the forecast above and market valuation remains at this level or a bit lower, the VN-Index (excluding ROS) can advance by about 10.4%. However, it may occasionally surge further due to the high level of volatility driven by local investors. Accordingly, the market may reach its 2017 peak around June-August as the outlook for companies becomes clearer and exchange rates concerns are likely to rise as they have in the last two years.

Investment Ideas

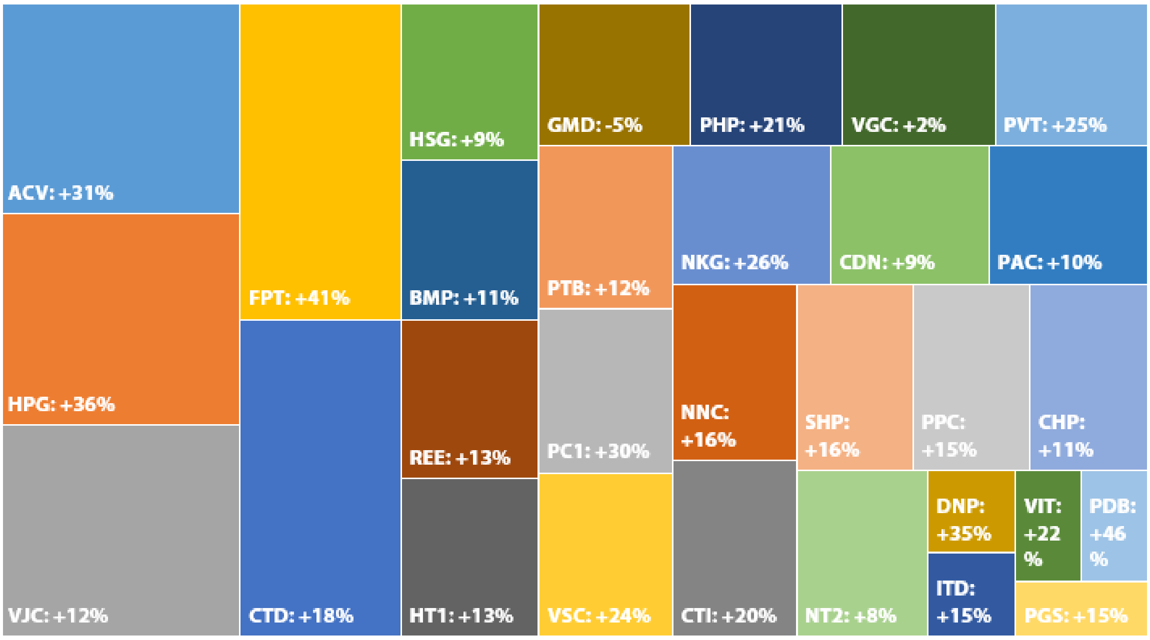
Opportunity 1: Focus on industries which can meet high demand on infrastructure investment and development

As the new term has begun, the government is determined for Vietnam to have an average GDP growth of 6.5-7% during 2016-2020, which requires large investment in synchronous infrastructure systems. Besides that, many effective Bilateral FTAs and low production expense advantages have been attracting many investors from China, Korea and Japan. Big FDI projects include the following: Projects in the North such as LG Display (USD1.5 billion), LG Innoteck (USD500 million), Solar Glass Flat (USD200 million), and Bridgestone (USD575 million), projects in central Vietnam such as Hemaraj Industrial Zone (USD1 billion), Vung Ang 2 Thermal Power Plant (USD2.2 billion), and in the South Kolon (USD1 billion), Chenlong (USD1.5 billion), and Amata Industrial Zone expansion.

Domestic investors also showed their confidence with either business expansion or long-term investment such as Dung Quat Steel Complex Zone of Hoa Phat group, and the Ca Na steel project of Hoa Sen group and FPT City DaNang (the first eco city model in DaNang with USD1 billion investment capital) of FPT.

Manufacturing is still growing, along with the demand for comparable development in transportation infrastructure, technology, port, and warehouses. This serves as motivation for the growth of these areas: Material construction, logistics, and public utilities (gasoline, electric, water).

Figure 8: RongViet Research's Coverage List



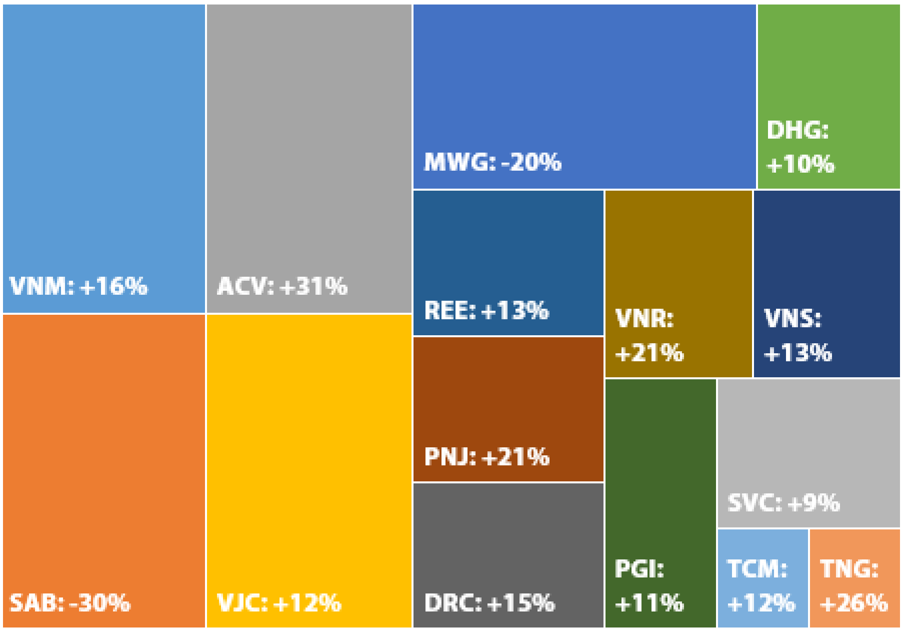
Source: RongViet Research; Price at Feb 28th 2017

Opportunity 2: Income growth and consumer awareness of the new generation provides strong potential for nutritional food, retail, travel and aviation sectors

Vietnam's demographic reports show that the population size of generation Y (born in 1982-1999) saw impressive growth. In Vietnam, this group accounts for up to 34% of population and is predicted to rise to over 44% in 2020 and 48% in 2025. According to KPMG research, Gen Y spends half of their salary on holidays, traveling, fashion and technology. Moreover, the strong level of knowledge of information technology and the appearance of financial companies stimulates them to spend more.

Survey results from Nielsen in Q3 2016 also shows that Vietnam's consumer confidence index has remained over 100 points for two consecutive years (since Q4 2016) and Vietnam was ranked 4nd in optimism. Vietnam's per capita income climbed to USD2,000 in 2015 (according to GSO) and increased 5.7% in 2016. This provides a strong opportunity for goods and services retail trade.

Figure 9: Rong Viet Research's Coverage List



Source: RongViet Research; Price at Feb 28th 2017

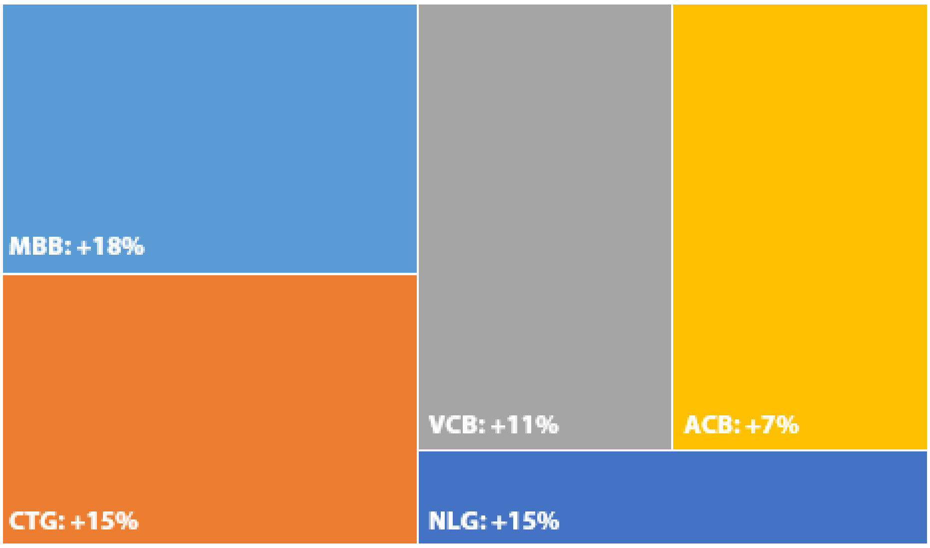
Opportunity 3: Real Estate and Banking

Despite the significant recovery of the real estate industry in 2016 and the improvement in the income of many banks, the stock price movements of these two sectors was not very strong during the same period. For the banking sector, bad debt burdens and ensuring capital adequacy to meet Basel II is a significant source of concern. Meanwhile, the economy's demand on capital has been increasing as observed from high credit growth in 2015 – 2016 and is expected to maintain in 2017. Thanks to that, banks' income experienced strong growth so that banks can compensate partially for operating and loan loss provision expenses. Moreover, the banking industry is under phase two of its restructure project, and we expect that mechanisms for bad debt solving will be released in 2017. We expect that the banking industry's bad debt recovery progress will have a faster pace in 2018.

For the real estate sector, since the risk factor to real estate receivable is lifted to 200% under Circular 06 (Circular 36: 150%), credit to the real estate sectors could be limited. Hence, real estate developers should raise capital to meet their demand on investments, although this will create fear from investors due to dilution. Moreover, the time of projects with extraordinary IRR, where there was an extraordinary supply of buyers has passed. Without abundant advance payments and land use tax expenses based on the market price of the land, the project's IRR is becoming less attractive. Business performance of real estate companies, thus, depends on project location, and the reputation of the developer and constructor. Listed real estate companies are not considered the industry representatives, and the stock price movement of this industry seems to not be in the line with the real estate market's recovery in the past two years. There are a few companies that have ready to sell projects, especially for the middle-end and affordable segment (in which real demand is the highest).

Therefore, investors could consider reducing real estate holdings and increasing holdings in the banking sector.

Figure 10: RongViet Research's Coverage List



Source: RongViet Research; Price at Feb 28th 2017

Opportunity 4: Stocks that Benefit from the Recovery of Commodity Prices

International commodity prices significantly recovered in 2016, and the strongest growth was in coking coal, crude oil (Brent oil) and rubber, which is beneficial to companies that produce and supply these goods. The gross profit margin of the coal, natural rubber and sugar cane industry has significantly improved during 2016 as a result of the recovery of commodity prices.

For the petroleum industry and petroleum constructors, the market has begun to be more optimistic as the price of oil recovers, although business results of companies involved in petroleum exploration, construction and exploitation have not followed this recovery. If oil prices maintain a stable upward trend, this may be the period for a rebound in the business results of companies which are involved in petroleum.

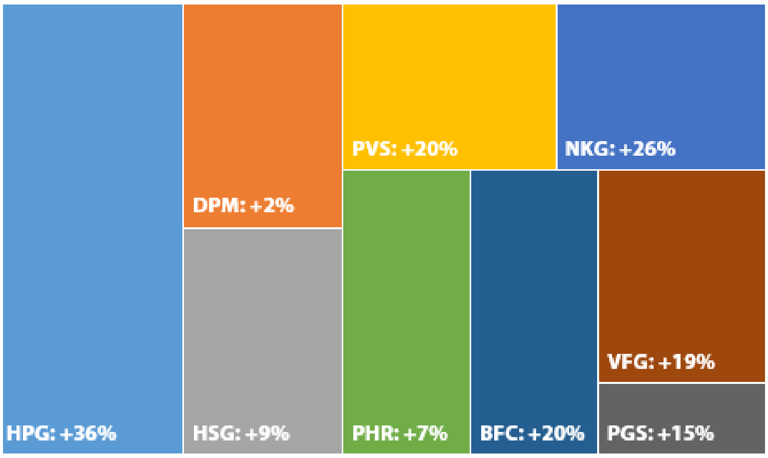
There is an uneven effect on stocks of sectors using raw materials as inputs. The competitiveness and position of companies will be the two main factors affecting gross profit margin movements. Therein, the gross profit margin of textile, plastics, and battery companies is less sensitive with input raw material price fluctuations and we haven't noted any sign of the gross profit margin of these sectors being impacted by price fluctuations. In contrast, the gross profit margin of the steel sector has been affected during the last two quarter of 2016. The impact on the GPM has also not been strong for steel companies, as they have a closed production process, the ability to impact selling prices, and are supported by defense taxes.

Table 2: International Commodity Price Movement

	Crude Oil (Brent)	Coking Coal	Lead	Natural Rubber	Cotton
Feb 15th 2017 (YTD)	-1.9%	-15.6%	16.7%	38.4%	7.2%
2016	52.4%	158.0%	28.2%	64.7%	11.3%
2015	-35.0%	-34.6%	-19.7%	-18.2%	3.3%
2014	-48.3%	-20.9%	-2.5%	-35.6%	-21.1%
2013	-48.3%	-20.9%	-2.5%	-35.6%	-21.1%
2012	3.5%	-26.7%	8.4%	-25.3%	-22.5%

Source: Bloomberg

Figure 11: RongViet Research's Coverage List



Source: RongViet Research; Price at Feb 28th 2017

Opportunity 5: IPO and Government Divestment- Fast in the short-term, Caution for the long-term

Circular 180/2015/TT-BTC was put into effect on 1st Jan 2016 and Circular 115/2016/TT-BTC which was put into effect on 1st Nov 2016, have regulated the exact time when public companies and state enterprise have to be listed after an IPO. This is a strong move to increase confidence for investors when they invest in IPO companies or buy shares of unlisted state enterprises.

Stocks in which the SCIC/government divestment is more likely includes the following areas (1) stocks that are expected to be transferred with a higher price than the market price before the transfer; (2) leading companies in essential sectors that have rising demand due to population growth as well as the growth in income of Vietnamese people. Investors who are interested in these stocks are also multinational corporations operating in the same sector; (3) Expectations of the appearance of non-state strategic shareholders will bring significant changes in administration, therein, improving business the effectiveness of business operations.

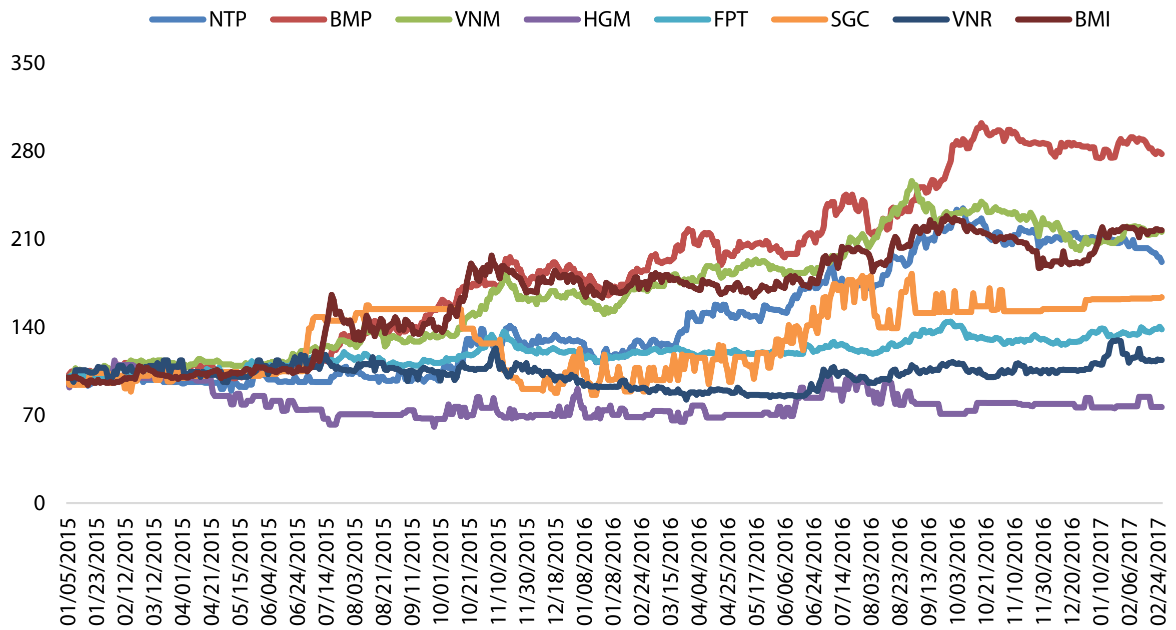
Normally, the stock prices of unlisted companies are often discounted due to its liquidity being lower than listed companies. Investors, consequently buy companies prior to its listing in order to gain more value due to the above reasons. After being re-rated, the stock price will depend not only on liquidity but also its potential which is not easy to recognize in a short time. A stock price slowdown after sharply increasing is inevitable, which means that it is not easy to gain a strong profit in this situation, unless you invested prior to its listing. Moreover, the free-float rate in hot stocks like SAB, VJC and NVL is quite small, and the valuation is becoming less attractive in the short term as the share price of these stocks has been hitting the ceiling.

Table 3: Stock Price Movement After Being Listed

Tickers	Exchange	Listing Date	% Price Change on the 1st Trading Day	No. of Consecutive increasing Sessions after Listing	% Price Change after 1 Week Listed	% Price Change after 2 Week Listed	% Price Change after 1 Month Listed
VJC	HOSE	28-02-2017	20%	5	47%		
MCH	UPCOM	05-01-2017	0%	0	-7%	-11%	-12%
HVN	UPCOM	03-01-2017	40%	3	54%	43%	38%
SAB	HOSE	06-12-2016	20%	9	68%	79%	87%
VGC	HNX	22-11-2016	3%	1	-1%	-2%	-4%
ACV	UPCOM	21-11-2016	40%	3	70%	64%	90%
BHN	HOSE	19-01-2017	40%	8	181%	196%	172%
PC1	HOSE	16-11-2016	19%	3	13%	1%	3%
TVN	UPCOM	18-01-2016	27%	1	10%	-6%	-15%

Source: RongViet Research database

Figure 12: Price Fluctuation of 8 Listed Stocks Under SCIC Divesment Plan in 2015 – 2016



Source: RongViet Research

Table 4: SCIC's Divestment List under Document 1787

	Ticker	Cur. Ownership	Market Value (VND bn)	EPS growth in 2015	EPS growth in 2016	Dividend Yield	Probability of divesting in 2017
1	NTP	37.1%	1,945	22.4%	9.9%	5.2%	Very high
2	BMP	38.4%	3,266	18.5%	20.0%	3.4%	Very high
3	VNM	45.1%	86,013	16.8%	20.3%	4.8%	May divest partially
4	FOX	50.2%	6,813	19.7%	23.7%	N/a	High
5	HGM	46.6%	215	2.8%	-20.4%	3.5%	N/a
6	FPT	6.0%	1,264	4.3%	3.4%	4.5%	High
7	SGC	49.9%	170	12.7%	34.0%	2.8%	Very high
8	VNR	40.4%	1,197	0.0%	-1.3%	7.1%	Unidentified
9	BMI	50.7%	1,255	0.0%	77.5%	4.1%	Unidentified
10	VIID	47.6%	N/a	N/a	N/a	N/a	High

Source: RongViet Research compile

Table 5: List of IPOs, Listings, and Divestments in 2017

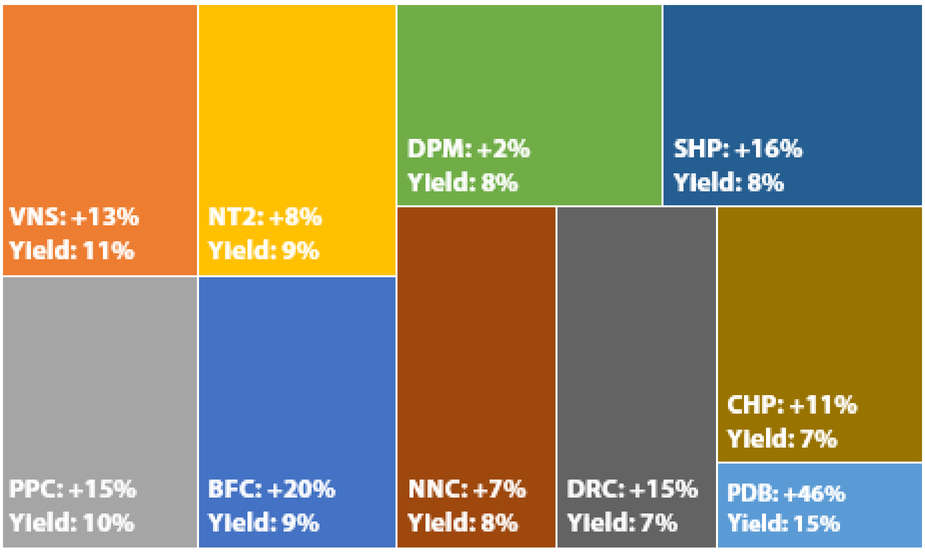
Name	State-owned representative	State ownership	Notes
SAB	MOIT	89.59%	Divestment plan will be proposed by Q1 2017
BHN	MOIT	81.79%	Divestment proposal has struggle due to the term of priority divestment to Carlsberg
HVN	MOT	86.16%	Listed
ACV	MOT	95.40%	Listed
VGC	MOC	78.82%	Listed
PV Oil	PVN	100.0%	To be listed: June 2017
PLX	MOIT	94.99%	To be listed: April 2017
Lilama Corp.	MOC	98.00%	
PV Power		60.00%	
Vietnam Rubber Group		100.0%	IPO: Q3/2017
Techcombank			
VPBank			
Vinafood 1	MARD	100.0%	IPO: End of 2017
Vinafood 2	MARD	100.0%	IPO: Q2/2017

Source: RongViet Research compile

Opportunity 6: High Dividend Yield Stocks

For high dividend yields (real cash dividend payment to market price 7% or higher) strategy, we find that most of these are stocks from the electricity sector that have stable business results. Moreover, DPM, VNS, BFC, DRC and PDB are expected to have high dividend yield in 2017 as well.

Figure 13: RongViet Research's Coverage List



Source: RongViet Research; Price at Feb 28th 2017

SECTOR RATING 2017

Lam Nguyen (lam.ntp@vdsc.com.vn)

Table 6: Sector Qualitative Rating

No.	Subsector	2017 Supply - Demand	Input	Legal Environment	Long-term Growth Potential	Technological Development	Competition	Rating	Stock Picks	Watchlist
1	Building materials	+		+	+			Positive	PDB, NNC, BMP, HT1, VGC, VIT, DNP, PTB	
2	Construction	++	+	-	+			Positive	CTD, PC1, CTI	HBC, SRF
3	Steel	+		++	+	+		Positive	HPG, HSG, NKG	
4	Insurance	+		+	++		-	Good	PGI, VNR	PVI
5	Port	+	-	+	+		-	Good	VSC, GMD, CDN, ACV	PHP
6	Chemicals - Natural Rubber	+	+		+			Good	PHR	DPR
7	Technology	+	+		+	+	-	Good	FPT, ITD	
8	Automotive retail	+		+	+		-	Good	SVC	
9	Oil & Gas	+		+	-		+	Good	PVS, PVT, PGS	PVD
10	Aviation	++	-	+	+			Good	VJC	HVN
11	Banking	+	-	+	+	+	-	Good	VCB, ACB, CTG, MBB	
12	Power	+	-	+	+		-	Good	SHP, CHP, PPC, NT2	
13	Chemicals - Fertilizers/ Agochemicals	+	-	+		+	-	Good	BFC, DPM, VFG	LAS
14	Textile	+		-	+	+	-	Good	TCM, TNG	GMC
15	F&B (Beer, milk)	+	-		++		-	Good	VNM	SAB
16	Real Estate	+		-	+		-	Neutral	NLG	
17	Pharmaceutical	+			+	-	-	Neutral	DHG, IMP	
18	Automotive - Rubber Tires	+	--	+	+	+	-	Negative	DRC	
19	Others								REE, VNS, VEAM, PNJ	

Source: RongViet Research

Table 7: RongViet Research Stock Picks

Ticker	Subsector	Target price (VND)	Time horizon	Cur. Price @28/02 (VND)	Financials 2016		Financials 2017F		Valuation			Div. Yield (%)	Trading			
					+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	PE Trailing (x)	PB (x)	PE 2017F (x)		+/- 1Y (%)	Avg. vol. 3M (1K share)	Market Cap (VND bn)	Remaining Foreign Room (%)
BMP	Construction & Materials	208,400	Long-term	187,000	18.5	20.0	11.2	8.7	14.3	3.7	14.0	4.1	50.0	42	8,504	0.7
CTD	Construction & Materials	237,700	Long-term	201,000	52.0	113.5	30.4	22.4	9.2	2.5	9.2	2.6	n/a	141	15,474	6.9
CTI	Construction & Materials	31,500	Long-term	26,350	27.0	66.1	19.2	7.2	9.6	1.5	14.4	5.5	53.0	403	1,133	20.3
DNP	Construction & Materials	29,600	Long-term	22,000	60.5	100.9	35.1	43.6	8.0	1.6	5.1	0.0	87.5	160	660	45.9
HT1	Construction & Materials	21,200	Long-term	18,800	8.3	10.1	6.6	13.1	9.7	1.5	9.1	0.0	n/a	205	7,173	39.0
NNC	Construction & Materials	90,100	Intermediate-term	77,500	14.9	48.3	23.5	27.0	6.3	2.9	7.4	8.1	n/a	22	1,274	28.9
PC1	Construction & Materials	48,000	Intermediate-term	36,800	-3.1	24.6	10.0	-3.4	8.9	1.4	9.7	0.0	0.0	188	2,770	26.6
PDB	Construction & Materials	29,900	Long-term	20,500	11.0	1.6	15.9	22.7	5.5	1.3	5.0	14.6	11.8	21	166	37.0
PTB	Construction & Materials	153,600	Intermediate-term	137,500	20.1	50.7	25.6	27.2	11.2	3.8	9.9	0.0	124.5	48	2,970	38.6
VGC	Construction & Materials	14,600	Long-term	14,300	3.3	48.5	8.8	23.6	12.3	1.3	7.7	4.9	0.0	59	4,390	39.9
VIT	Construction & Materials	36,000	Long-term	29,600	41.6	53.7	17.8	18.2	7.6	1.9	6.9	5.1	54.2	26	444	46.6
HPG	Basic Resources	54,400	Long-term	40,000	21.2	89.4	30.7	13.2	5.7	1.9	4.5	0.0	67.1	3,620	33,711	13.4
HSG	Basic Resources	51,700	Intermediate-term	47,250	16.5	145.3	31.7	-0.5	5.7	2.2	5.7	5.8	145.8	1,710	9,287	20.0
NKG	Basic Resources	46,110	Intermediate-term	36,500	55.4	312.1	61.9	28.5	4.8	1.6	4.0	0.0	214.7	246	2,410	19.4
PGI	Insurance	24,900	Long-term	22,400	9.0	14.7	10.3	48.5	14.3	1.7	10.0	2.2	37.4	108	1,590	47.5
VNR	Insurance	27,300	Long-term	22,600	-2.8	-1.2	18.1	9.7	13.3	1.2	11.3	6.6	24.4	192	2,962	19.2
ACV	Industrial Goods & Services	67,000	Long-term	51,200	2.3	109.3	16.2	37.9	31.6	4.4	23.3	1.0	0.0	471	112,174	45.6
CDN	Industrial Goods & Services	27,200	Intermediate-term	24,900	-3.5	1.9	16.0	9.1	13.5	2.1	12.0	4.0	0.0	3	1,643	48.6
GMD	Industrial Goods & Services	33,000	Intermediate-term	34,700	4.6	-5.2	11.0	26.3	13.9	1.0	21.3	5.8	37.5	711	6,226	0.0
PAC	Industrial Goods & Services	36,800	Intermediate-term	33,600	8.2	34.1	19.4	0.5	13.5	2.9	13.9	6.8	55.5	144	1,561	24.3
PHP	Industrial Goods & Services	20,800	Intermediate-term	17,200	1.5	20.8	0.1	6.4	11.4	1.6	13.0	4.7	-20.5	7	5,624	48.6
PVT	Industrial Goods & Services	15,400	Long-term	12,300	17.8	12.2	5.4	1.9	9.1	1.1	8.8	6.5	40.9	427	3,462	23.9
REE	Industrial Goods & Services	28,300	Long-term	25,100	38.4	30.0	20.4	19.7	7.8	1.2	6.4	3.2	24.3	1,028	7,782	0.0
VEAM	Industrial Goods & Services	17,500	Intermediate-term	N/a	92.0	-16.6	4.9	9.1	0.0	0.0	n/a	n/a	n/a	n/a	n/a	n/a
VSC	Industrial Goods & Services	73,700	Long-term	59,400	16.6	-10.0	18.2	23.8	11.1	2.1	9.7	5.9	-2.3	129	2,706	0.0
BFC	Chemicals	41,000	Long-term	34,300	-1.5	20.9	17.8	18.5	7.4	2.3	6.6	8.7	73.1	156	1,961	29.0
DPM	Chemicals	25,000	Long-term	24,400	-18.8	-24.2	16.4	6.1	8.9	1.3	9.4	8.2	-2.6	822	9,549	28.2
PHR	Chemicals	30,600	Intermediate-term	28,500	-4.0	6.3	61.0	45.3	12.1	1.2	8.9	3.5	84.1	834	2,237	45.4

Ticker	Subsector	Target price (VND)	Time horizon	Cur. Price @28/02 (VND)	Financials 2016 +/- Rev. (%)	Financials 2016 +/- NPAT (%)	Financials 2017F +/- Rev. (%)	Financials 2017F +/- NPAT (%)	Valuation PE Trailing (x)	Valuation PB (x)	Valuation PE 2017F (x)	Div. Yield (%)	Trading +/- 1Y (%)	Trading Avg. vol. 3M (1K share)	Trading Market Cap (VND bn)	Trading Remaining Foreign Room (%)
VFG	Chemicals	90,700	Long-term	76,000	13.1	5.1	9.9	16.2	9.6	1.8	9.1	4.6	19.4	14	1,390	27.6
FPT	Technology	64,800	Intermediate-term	45,850	9.0	3.1	10.3	24.0	10.3	2.2	8.5	4.4	15.6	891	21,061	0.0
ITD	Technology	33,900	Intermediate-term	29,500	57.5	137.8	19.9	19.0	6.6	1.7	6.9	2.0	129.1	94	562	33.0
DRC	Automobiles & Parts	35,900	Long-term	31,250	1.2	-4.8	17.5	-1.3	9.3	2.3	10.3	7.2	6.5	253	3,712	18.7
SVC	Automobiles & Parts	54,500	Long-term	50,200	38.2	17.0	11.0	21.9	9.3	1.3	9.4	3.2	54.4	56	1,254	8.8
VJC	Travel & Leisure	121,000	Long-term	108,000	38.7	95.8	41.5	36.0	n/a	n/a	11.2	n/a	n/a	n/a	n/a	5.5
VNS	Travel & Leisure	34,500	Intermediate-term	30,500	6.3	-5.3	2.3	4.5	6.9	1.4	6.4	11.5	8.2	73	2,070	4.0
ACB	Banks	24,500	Long-term	22,900	14.7	28.9	18.1	21.9	16.6	1.6	15.4	0.0	26.6	1,285	22,577	0.0
CTG	Banks	21,000	Long-term	18,250	13.6	19.4	10.8	17.8	10.1	1.1	8.5	3.8	3.9	1,511	67,952	0.0
MBB	Banks	16,500	Long-term	14,000	7.0	14.7	4.6	7.5	8.6	1.0	7.8	6.4	2.2	648	23,978	0.0
VCB	Banks	41,700	Long-term	37,400	14.6	28.5	10.4	14.2	20.5	2.8	17.3	2.7	22.6	1,149	134,557	9.1
CHP	Utilities	25,000	Intermediate-term	22,600	-10.9	-21.5	16.6	31.6	11.2	1.7	8.8	7.1	0.0	218	2,848	45.6
NT2	Utilities	31,900	Long-term	29,600	18.6	-4.9	-13.2	-10.6	8.3	1.8	9.2	9.0	28.1	407	8,432	27.4
PGS	Utilities	20,900	Intermediate-term	18,100	-16.8	206.8	23.6	-65.5	2.5	0.9	7.7	6.9	12.3	232	905	30.6
PPC	Utilities	19,400	Long-term	16,800	-22.0	-3.2	17.7	34.4	10.2	1.1	8.0	10.4	20.8	172	5,345	32.5
SHP	Utilities	22,800	Intermediate-term	19,700	-13.7	-40.4	17.3	67.3	19.0	1.6	11.7	8.1	14.5	128	1,846	45.2
PVS	Oil & Gas	22,200	Long-term	18,500	-19.9	-34.9	-8.2	5.8	8.8	0.8	7.9	5.7	33.9	1,801	8,264	21.2
MWG	Retail	134,500	Intermediate-term	167,100	76.7	47.2	63.2	41.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.0
PNJ	Personal & Household Goods	90,900	Long-term	75,000	11.1	195.5	15.3	39.4	16.5	4.9	13.4	1.3	71.4	141	7,371	0.0
TCM	Personal & Household Goods	22,400	Long-term	20,000	10.0	-25.6	6.2	55.6	7.5	0.9	7.4	4.0	-31.6	341	982	0.0
TNG	Personal & Household Goods	17,000	Intermediate-term	13,500	-1.9	14.3	17.0	16.0	5.3	0.8	5.6	0.0	-21.8	68	463	27.7
SAB	Food & Beverage	158,400	Long-term	225,100	12.9	31.2	10.9	4.2	n/a	n/a	32.9	2.8	n/a	n/a	144,352	39.2
VNM	Food & Beverage	151,800	Long-term	131,400	16.8	20.3	19.9	12.1	20.8	8.8	20.2	3.4	25.9	1,864	190,716	46.3
NLG	Real Estate	26,100	Long-term	22,600	-2.8	67.4	18.1	39.3	9.4	1.3	7.6	2.2	0.1	232	3,212	3.8
DHG	Health Care	125,400	Long-term	114,000	4.8	20.6	12.5	10.0	14.0	3.5	14.6	3.1	36.7	97	9,937	0.0
IMP	Health Care	54,900	Long-term	57,900	4.8	8.7	24.6	33.7	17.2	1.9	18.8	3.5	51.2	45	2,178	0.0

Source: RongViet Research

Table 8: RongViet Research Watch list

Ticker	Subsector	Our View	Trading +/- Price 1y (%)	Trading Avg. vol. 3M (K shares)	Trading Market Cap (VND bn)	Trading FOL (%)	Valuation PE Trailing (x)	Valuation PB (x)	Cash Div. 2016	Financial 2016 TTM +/- Price	Financial 2016 TTM Avg. vol. 3M
HBC	Construction & Materials	• HBC's strength is its competitive capacity, which enables the company to win large contracts with reputable real estate developers. A considerable backlog enlarged by the mounting new projects ensures HBC's workload as well as revenue and profit growth. • HBC has been focusing on improving its payable management. Therefore, minimizing provision for doubtful debts and reversing past provisions can be catalysts for HBC's profit in 2017.	190.1	1,889	4,519.4	26.8	7.8	2.8	1,500	39.3	6.1
SRF	Industrial Goods & Services	• SRF is one of the top firms in both operating businesses, and is able to make full use of the strong rise in M&E demand and Industrial Refrigeration to boost its revenue and profit growth. • Maintaining a conservative debt ratio, an abundant amount of cash, a highly circulated working capital and a consistent cash dividend policy makes SRF an attractive investment.	150.4	32	823.4	21.5	8.6	1.8	1,500	22.2	7.8
PVI	Insurance	• No. 1 market share in non-life sector thanks to wholesale to subsidiaries of PVN. • Restructuring is in progress: the company will increase revenue contribution from "non-PVN" clients, and expand retail channels. • PVN is planning to divest from PVI: the ownership will reduce gradually from its current 35% to 20% and will completely finish in 2020 via private issuance to foreign strategic partners.	8.9	54	5,562.2	0.0	10.3	0.8	1,200	8.0	3.4
DPR	Chemicals	• DPR owns a large and young yield planted by Vietnam Natural Rubber Group. • A significant increase in NR price would support for its earnings results. • Investing in mattress and pillow segments enables it to complete its value chain as well as diversify its business.	43.0	64	1,765.5	25.6	11.1	0.8	3,000	6.0	4.7
PVD	Oil & Gas	• Oil price will maintain its stable recovery in long-run. • As a result, exploitation demand is projected to improve gradually. • Stock price has been attractive with the lowest level in 5 years	-0.7	1,596	8,499.3	20.4	70.8	0.6	0	0.9	0.5

Ticker	Subsector	Our View	Trading +/- Price 1y (%)	Trading Avg. vol. 3M (K shares)	Trading Market Cap (VND bn)	Trading FOL (%)	Valuation PE Trailing (x)	Valuation PB (x)	Cash Div. 2016	Financial 2016 TTM +/- Price	Financial 2016 TTM Avg. vol. 3M
HVN	Travel & Leisure	• Passenger transportation continue to grow thanks to domestic and international market potential. • Restructuring is taking place. The plan includes renewing the fleets and deleveraging by entering sale and leaseback transactions.	0.0	909	44,505.5	40.1	14.6	2.8	n/a	17.5	2.7
LAS	Chemicals	• LAS has the strongest market share in the Northern market in the Sulfur and NPK segment. • Favorable weather conditions increased the demand for fertilizer, which led to a recovery in LAS's sales activities. • The changes in tax policies would ease the pressure of LAS's COGS	-22.6	396	1,580.0	42.3	11.4	1.2	1,500	10.6	5.1
GMC	Personal & Household Goods	• Benefit from recovering textile and clothing demand in the US and China market. • GMC stll has room to raise its revenues by adding more 55 garment lines from the current number of 60 lines. • Having good financial strength as leverage ratio has been at industry average and interest expenses accounted for only 3.5% of gross margin. • High cash dividend yield (~10%)	-6.5	16	449.7	34.2	5.5	1.6	3,000	23.6	7.5
TRA	Health Care	• Self-supplies most of its input material thanks to the company's plantation. Stable growth in revenue and NPAT. • Gross margin has consistently improved (from 41% in 2012 to 49% in 2016). • Healthy balance sheet. Quick cash conversion cycle as TRA requires cash payment when the goods are delivered. • Expanding capacity as new factory is expected to operate in 2017.	83.4	4	3,972.4	1.3	18.9	4.3	3,000	21.3	15.9
DMC	Health Care	• Operational efficiency is expected to improve thanks to the help from Abbott. • Having a PIC/S standard factory allow DMC to join the drug bidding in Tier 2.	77.1	39	2,569.8	-8.2	15.3	2.9	1,500	20.1	16.4

Source: RongViet Research

NOTES AND EXPLANATIONS

Below is RongViet Research's top picks for 2017 which is based on a combination of the following factors:

(1) Optimistic sector prospect in 2017;
(2) Strong earnings prospects supported by perceivable catalysts;
(3) The underlying company possesses a strong market position and/or competitive advantages;
(4) The stock is trading at the significant discount to its intrinsic value with consideration of the company's long-term outlook.

The financial ratios and trading data presented below are computed as of 28th February 2017.

Since the majority of companies have yet to publish their 2016 financial statements, unaudited data was used in our analyses and presentations for the fiscal year of 2016. Calculated ratios and other figure may be subject to change after the audited financials are released.

In the company overview section, the companies are rated based on five criteria: (1) Growth prospects, (2) Financial health, (3) Management quality, (4) Valuation and (5) Risk. On a scale of 1-5, the better the criteria, the higher the score. Except for risk factors, a higher score means lower risk.

RONGVIET RESEARCH'S GUIDELINE OF STOCK RATINGS

RATINGS / EXPECTED RETURN	BUY	ACCUMULATE	NEUTRAL	REDUCE	SELL
Intermediate-term (up to 6 months)	>20%	10% to 20%	-5% to 10%	-15% to - 5%	<-15%
Long-term (over 6 months)	>30%	15% to 30%	-10% to 15%	-15% to -10%	<-15%

BUILDING MATERIALS INDUSTRY: LIGHT AND DARK INTERTWINED

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The development of the real estate market and construction industry is among the main catalyst for the improved prospects of building materials consumption. The quantity of real estate and construction projects still has room to grow and will consequently be the main driving force for the building material businesses in 2017. However, competitive pressure could be more intense as more factories come into operation. Therefore, we hold the view that large companies having strong financial conditions and that are under efficient management will be the largest beneficiaries of the industry's growth.

Investment Opportunities

Consumption still has room for growth due to the increase in important infrastructure and real estate projects. Many companies have stated their plans to conduct new real estate projects in 2017, including Vincity Condominium of Vingroup, Mui Den Do Park and Saigon Peninsula and Luxgarden. Ample FDI capital flow can also speed up the demand for factory and infrastructure construction in new and expanding industrial zones.

In terms of infrastructure construction, we expect that transportation infrastructure will draw above VND1,000 trillion during the period from 2016 to 2020, along with uncompleted projects including Ben Thanh Metro – Suoi Tien, Da Nang – Quang Ngai Highway, My Thuan – Can Tho Highway. The effort to improve infrastructure conditions could create more opportunities for building material businesses.

The tendency to produce high quality products is becoming more prevalent. Many leading companies have replaced old lines with new ones using material-saving and higher quality products in order to keep pace with the consumption trends. Typical examples include VGC (invested in energy-saving lines and floating glass manufacturing), VIT (fully replacing its coal technology to CNG technology), HT1 (using materials such as rice husk, cashew oil, instead of HFO oil), C32 (investing in shaking and pressing concrete lines and shaking tables and squared culvert in order to raise operating efficiency). This not only makes domestic products more competitive but also advocate export turnover growth.

Cement

- **Export turnover showed no signal of recovery.** In 2016, export turnover continued to decrease by 2% YoY due to increasingly competitive pressure from Thailand and China. Besides, Vietnam stands at a disadvantageous position due to cement tariffs (5%) and non-VAT refund policies coming into effect since September 1st, 2016.
- **Increasing competitive pressure could drag price growth, while production costs, including material expenses (coal, oil) and worker expenses, are increasing.** We estimate that the total designed capacity of factories currently operating is around 88 million tons per year (2016), equivalent to a redundancy of between 5 and 8 million tons per year. In 2017, the oversupply situation will become more serious due to additional production from Long Son Cement projects (2.3 million tons, Thanh Hoa), and the first stage of Song Lam Cement project (4 million tons, Nghe An). The industry's capacity can reach a production of between 120 and 130 million tons per year until 2020, further exceeding domestic consumption estimations (~82 million tons). In the event that exports show no improvements and cement projects come into operation as expected, the cement supply can exceed the demand by 24-35 million tons per year. However, the oversupply state mainly occurs in the North, while half of the South's supply comes from other regions. Besides, the Southern area witnessed the fastest cement consumption growth compared to other regions and had a limited source of cement.
- **The foreign exchange effect is decreasing along with the amount of debt.** The practice of paying back on time or even before the due date has made the debt amount (EUR and USD) of new cement factory projects, which were built between 2000 and 2010, reduces. This decrease interest expenses and also foreign exchange loss risk.

Construction Stone

- **The renewal of Di An – Binh Duong mine exploration could create a large impact on large companies' operating results.** Basing on the current license, Tan Dong Hiep (KSB, C32) and Nui Nho (NNC) quarries have to be closed at the end of 2017. All of these mines are major mines of the companies; therefore, the business results would be negatively impacted if the renewal is not approved. However, NNC's profit will be less affected than the other two since it stores gravel and because of its large processing zone. We hold the view that the possibility that these mines are renewed is high because the workload from infrastructure projects in HCMC and Binh Duong during 2016 to 2020 remains very strong.

Building Plastic

- **Material prices can increase along with oil prices.** We expect that plastic powder (PVC and HDPE) which is the main material accounting for more than 70% of the cost of plastic pipes, will increase.
- **Extending production projects could make the industry competition more intensive.** In 2017, BMP plans to invest subphase 1 of Long An factory Phase 2 with total design capacity of 20,000 tons per year, in addition to some pipe manufacturing lines in the factory in Binh Duong province. HSG, which is a newcomer in the industry, plans to raise its capacity by 51,500 tons per year from the current capacity of 76,300 tons per year. Even DNP, which is a company specializing in producing plastic pipe for construction, is starting to enter the civil plastic industry. However, we think that the ability to absorb additional production is high due to the strong industry growth (15%-20%/year).

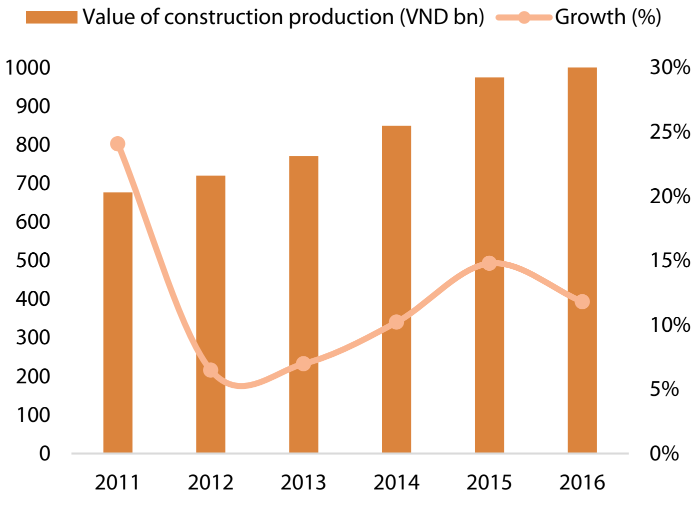
Tiles

- The cycle of this group is usually slower than the cycles of other construction materials such as steel and concrete. The high growth rate of tile companies often coincides with the period of real estate projects being handed over, which is usually the last quarter of the year. In 2017, projects started from late 2015 and early 2016 are expected to be handed over, including Golf Park District 9, Lakeview City House District 2, Orchard Garden, Garden Gate, and Botanica. This will continue to support the consumption demand for tile products.
- The trend of using granite tiles instead of ceramic tiles is becoming more prevalent. With the advantage of high durability and being waterproof, granite tiles are becoming more and more popular than ceramic tiles. According to the master plan, the Ministry of Construction sets some limits for ceramic tile projects and has been encouraging the development of granite tiles. The Ministry of Construction also forecasts that the demand for granite tiles until 2020 will reach 140 million square meters per year while the domestic supply is only ~60 million square meters per year. Thus, the production capacity of the entire industry must increase more than 20% per year on average to meet the demand for consumption in the coming years.

Risks

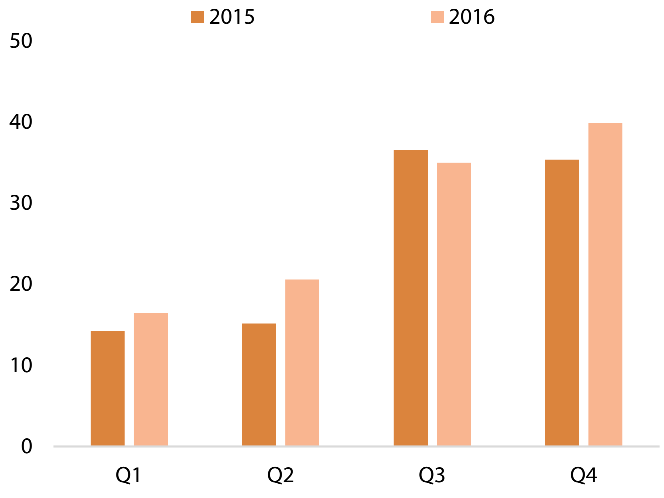
- The increase in input prices.
- The possibility of increased interest rates, which will significantly impact many corporations using a large proportion of debt to finance new investments.

Figure 14: Construction Production Value



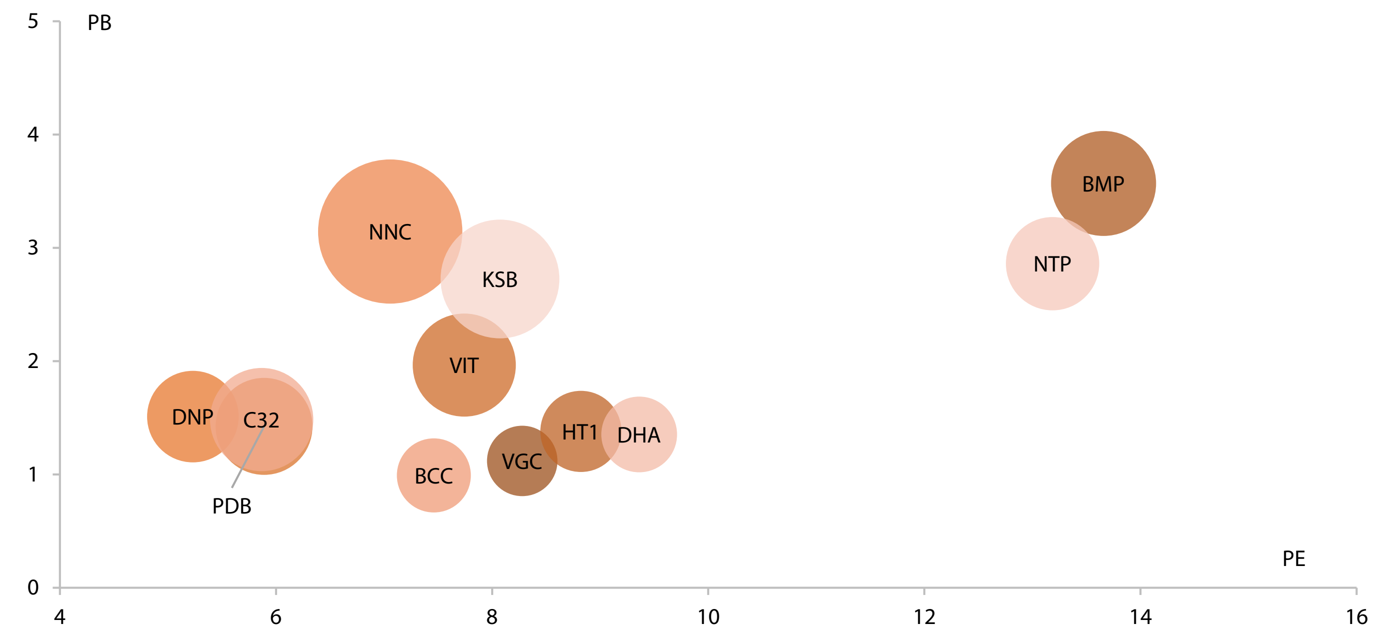
Source: GSO, RongViet Research

Figure 15: Cement Consumption (million tons)



Source: GSO, RongViet Research

Figure 16: PE, PB, ROE of Some Listed Companies



Source: Fiinpro, RongViet Research, Size of bubble: ROE

Growth Potential Remains

NEUTRAL	+11%
CMP (VND)	187,000
Target Price (VND)	208,400
Investment Period	Long-term

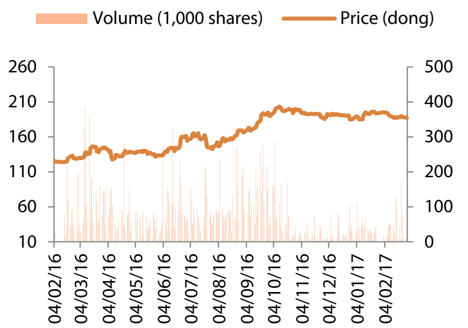
Company Description

Binh Minh Plastics JSC is the largest enterprise involved in the production of plastic pipes in the Southern region, with more than a 50% market share. BMP's products include PVC pipes (~85%), HDPE (12%) and PVR (3%). Plastic pipe consumption accounts for 90% of the total annual sales volume of BMP.

BMP currently has 4 factories including 1 factory in the North and 3 factories in the Southern region with a total capacity of 120,000 tons/year. Like its rivals, BMP plans to expand into the Central market through investment in Da Nang Plastics (DPC). However, the two sides have not agreed on the method as well as the estimated time of the merger yet.

The State (SCIC) owns 29.52% and intends to divest in 2017. Besides that, BMP does not currently have "room" for foreign investors.

Price Performance



%	YTD	1M	3M	12M
BMP	-2.1	-3.1	-2.8	59.8
VNIndex	6.9	3.4	5.4	31.9

Since the company's factory 4 in Long An began operating (July 11/2015), BMP's bottlenecks have begun to reduce. The company's output increased by 17% in 2015 and ~18% in 2016. Although the plastic pipe industry is witnessing increasingly fierce competition, BMP is the only company in the plastic industry that does not fully meet the needs of customers. In the long term, the company will focus on its investment in Long An factory to continue to increase its production capacity.

Investment Rationales

- **The potential growth of sales volume remains.** Phase 1 of Long An plant began running at full capacity (10,000 tonnes of parts/year). The reorganization of machinery in its plants can increase the efficiency of exploration and production for BMP by 10% in 2017.
- **Phase 2 of the factory in Long An will continue to support the growth of output from the second half of 2018.** The subphase 1 of Long An factory Phase 2 has a capacity of 20,000 tons/year and capital investment of around VND720 billion. BMP's revenue may increase ~15%/year when this subperiod begins to operate stably.
- **Good financial health, with virtually no debt.** Thanks to its abundant cash, BMP does not use debt to finance new plants. BMP's gearing is much lower than its competitor NTP. The company's strong financial resources will help BMP to expand investments or M&As with other firms in the same industry.
- **BMP has a higher profit margin, as compared to its peers.** BMP has a low commission rate (11-14%), as compared to other companies in this industry such as NTP (20-35%) and HSG (~25%). Consequently, the net profit margin of BMP (18.8%) is higher than NTP (9.1%), DNP (6.2%) and HSG (operating at a loss).

2017 Forecast

- Sales volume will increase by 11% and prices will remain stable.
- BMP's gross margin will decrease slightly compared to 2016, because the price level of raw materials (PVC) will be 1.6% higher than the average of 2016, as a result of the recovery of oil prices.
- There will be increased competition in the industry, especially resulting from the entry of HSG. However, HSG focuses on agriculture, while BMP focuses on the civil market.
- Selling expenses/revenue may decrease slightly, as compared to 2016.

Potential Catalysts

- The ability to open "room" for foreign investors has been approved in the general shareholder's meeting in 2016 and this will be implemented immediately in 2017.
- BMP might pay 60-100% stock dividend for 2016.
- SCIC will divest in BMP this year.

Risks to Our Call

- Competitors increasing their commission rate, which might push BMP to increase its selling price or adjust its current discount rate.

Stock Info

Sector	Building Materials
Market Cap (VND B)	8,686
Current Shares O/S	45
Beta	0.84
Free float (%)	62
52 week High	203,567
52 week Low	127,536
1 Month Avg. Volume (K)	40
Foreign Ownership (%)	49
State Ownership (%)	30

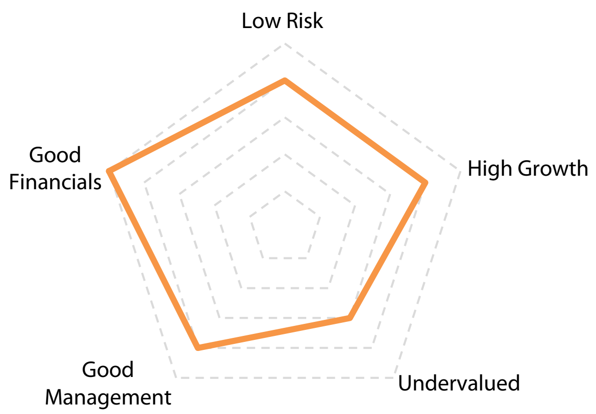
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	2,415.6	2,791.6	3,308.7	3,678.8	4,159.4
% growth YoY	15.7	15.6	18.5	11.2	13.1
PAT	376.8	518.9	622.6	676.9	744.9
% growth YoY	1.9	37.7	20.0	8.7	10.0
ROA (%)	20.9	23.8	23.4	22.2	21.9
ROE (%)	23.5	27.8	28.3	26.4	25.5
EPS (VND)	8,285	10,269	12,322	13,396	14,741
BV (VND)	37,782	44,313	52,411	60,378	68,159
Dividend (VND)	4,000	4,000	6,500	6,500	8,000
P/E	23.6	18.8	14.3	14.0	12.7
P/B	5.2	4.4	3.7	3.1	2.7

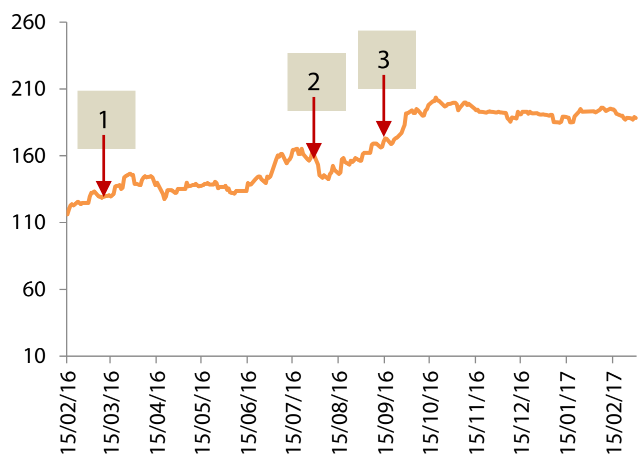
Company Overview



- New factory in Long An will continue to support the growth of output and revenue for BMP in the long-term.
- BMP has invested ERP in production management as well as business planning.
- Although the company has invested in a new plant, BMP has not used debt yet. Moreover, the Company has a stable dividend payout ratio of 60-65%/par value.
- The business risk factors are very low, with the main risk being the movement of raw material prices.

Source: RongViet Research

Price Drivers



1. Q1 2016 results were positive compared to the same period before.
2. Q2 2016 earnings results were quite pessimistic.
3. Rumor on SCIC's divestment.

Source: Bloomberg, RongViet Research

Large Potential in the Long Term

BUY	+35%
CMP (VND)	22,000
Target Price (VND)	29,600
Investment Period	Long-term

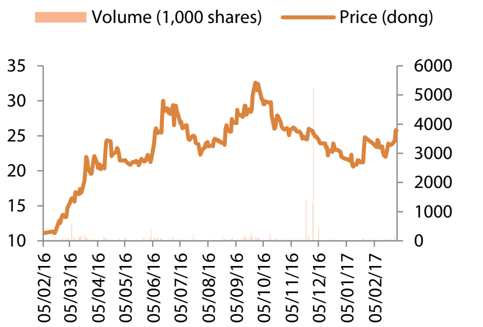
Company Description

Dong Nai Plastic JSC is an enterprise specializing in manufacturing and trading of plastic pipes used for water supply, drainage projects and exported plastic bag packaging. From the second half of 2015, DNP has added a new water segment to its business, which it will be focusing its efforts on developing.

3 plastic pipes factories and 1 plastic bag packaging plant of DNP have design capacity of 4,000 and 1,000 tons/month, respectively. DNP will not expand its plastic packaging segment, but DNP will continue to expand its construction pipes segment and enter the civil plastic pipes market through its cooperation with its subsidiary - Tan Phu Plastic. In the array of clean water, DNP newly increased the capacity of Binh Hiep JSC to 50,000 m³/day. Along with Dong Tam BOO plants, DNP will continue to invest in new water projects in Bac Giang, Long An, Bac Ninh, Tien Giang, Hue and other promising locations.

Regarding the shareholder structure, shareholders of DNP are largely individuals, especially executives and related people.

Price Performance



%	YTD	1M	3M	12M
DNP	0.0	14.4	-6.6	113.0
VNIndex	6.9	3.4	5.4	31.9

The assets and market capitalization of DNP have risen considerably in the past three years as a result of the company penetrating into new production segments. Moreover, DNP will continue to develop new water sector projects, expand the capacity of its construction pipes and invest in the civil pipes segment. However, these projects are unlikely to support the growth of DNP in the short-run.

Investment Rationales

- **We expect that the expansion of its water sector will bring higher business efficiency for DNP in the long term.** Excluding the earnings results of BOO Dong Tam, the company's water segment had the highest net margin (20-35%) compared to the plastic pipes (~10%) and plastic packaging segments (3-4%). Therefore, DNP plans to invest in more new water projects to increase the total capacity of this array to 240,000 m³/day in 2018. In addition, the project will also support the construction pipes consumption of DNP, as ~80% of the total investment is the cost of pipes.
- **Tan Phu Plastic's earnings will increasingly contribute to the profitability of DNP.** We project that the revenue and profit of TPP will increase by 50% compared with 2016, due to the completion of restructuring in 2016 and several large contracts with Vinamilk. In addition, the new projects will also support TPP's growth in the coming years.
- **We expect that BOO Dong Tam water plant will have a small profit beginning in 2017.** With the acquisition of shares in BOO Dong Tam, DNP had to record losses of~VND9 billion in Q4 2016. However, after a few months of restructuring, the water generation capacity of this plant has doubled to 50,000 m³/day and passed the break-even point.

2017 Forecast

- The output of construction pipes will increase by 18% while the plastic packaging volume will be equivalent to 2016. The prices of these products will remain stable.
- We estimate that revenue from the water segment will reach VND199 billion including the sales of Binh Hiep JSC, for as much as VND68 billion. The sale of Tan Phu Plastic subsidiary will be ~VND759 billion.
- The consolidated profit margin will increase slightly to 23.2% as a result of its Tan Phu subsidiary completing the dissolution of inefficient units and the profit margins of BOO Dong Tam improving.
- We estimate that the profit after tax of the parent company will be VND130 billion, corresponding to an EPS of VND4,324.

Potential Catalysts

- DNP can buy some more efficient water businesses.
- Earnings results of TPP, which is a member of the DNP, could be higher than expected due to many new large contracts or the transfer of land.

Risks to Our Call

- The increase in interest rate might heavily impact on DNP's profit.

Stock Info

Sector	Building Materials
Market Cap (VND B)	646
Current Shares O/S	27
Beta	-0.53
Free float (%)	37
52 Week High	32,600
52 Week Low	13,037
1 Month Avg. Volume (K)	37
Foreign Ownership (%)	3
State Ownership (%)	0

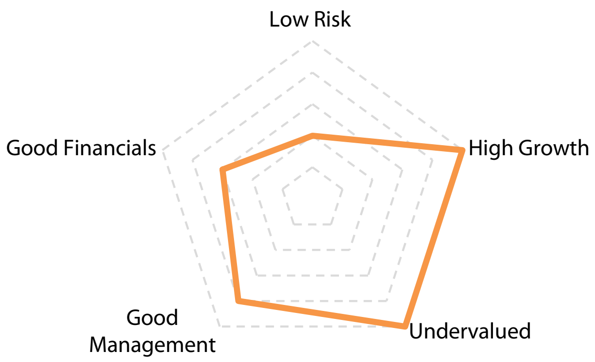
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	594.5	903.8	1,450.4	1,960.0	2,305.0
% growth YoY	53.6	52.0	60.5	35.1	17.6
PAT	22.9	45.1	90.5	130.0	144.0
% growth YoY	95.6	96.9	100.9	43.6	10.8
ROA (%)	6.5	7.9	5.6	4.8	4.6
ROE (%)	22.8	23.9	21.5	25.1	22.9
EPS (VND)	6,676	3,336	3,016	4,324	4,806
BV (VND)	32,319	16,960	14,559	17,198	20,956
Dividend (VND)	-	-	-	1,000	1,000
P/E	3.6	7.2	8.0	5.1	4.6
P/B	0.7	1.4	1.6	1.3	1.0

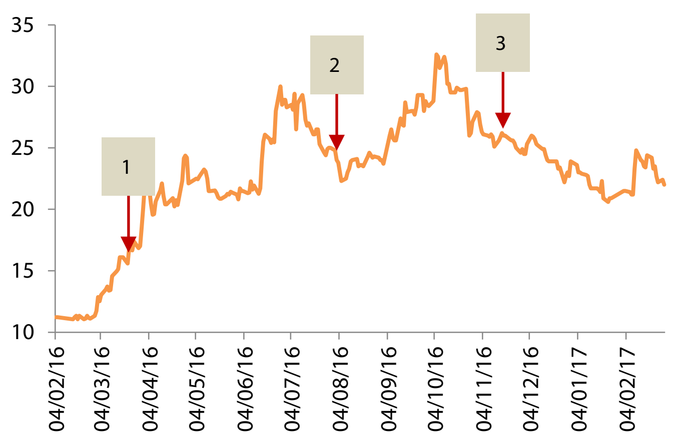
Company Overview



- With several new investment projects in the water and plastic pipes segments, DNP's growth prospects are favorable.
- DNP might consider separating the water sector into subsidiaries to be more favorable in management and fundraising. This can reduce the risk of dilution because DNP will most likely not continue to issue new shares to support the investment projects in the water sector.
- The company uses lots of debt to fund the expansion of its new factory. Therefore, we forecast that interest expenses will increase by 20%, as compared to 2016.
- DNP was formerly a private enterprise, so the company focuses on optimizing its management system to cut costs and increase its profit.

Source: RongViet Research

Price Drivers



1. The company's earnings in Q1 2016 were 5 times higher as compared to the same period.
2. The company paid stock dividends of 22%, 10% in bonus shares and issued shares to current shareholders at a ratio of 100:60.
3. The company's earnings during Q3 2016 were not as expected. Moreover, the information related to the poor performance of BOO Dong Tam creates a psychological concern for investors.

Source: Bloomberg, RongViet Research

HA TIEN 1 CEMENT JSC — Bloomberg: HT1 VN

Growth Will No Longer Be Easy

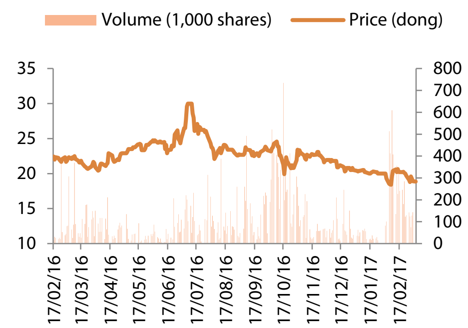
NEUTRAL	**+13%**
CMP (VND)	18,800
Target Price (VND)	21,200
Investment Period	Long-term

Company Description

Vicem Ha Tien Corporation is the leading cement producer in Vietnam with a 29.4% market share in the South, and 10.6% market share in Vietnam. HT1's products are high quality cement products including PC50, blended cement PCB 40, and cement MS - PCB 40. HT1's cement is commonly used for large projects and has higher selling prices compared to other businesses. HT1 has built a distribution system, which includes over 70 official distributors and 10,000 stores mainly in the Southeast region (32.87%), the Mekong River Delta (24.99%), and Central Highlands (22.98%).

Currently, the company has a production capacity of 4 million tons of clinker and 7.1 million tons of cement per year through its 2 cement plants in Binh Phuoc and Kien Giang and 3 grinding stations in Phu Huu, Cam Ranh and Long An. Thu Duc grinding station had to stop production and the land in this area will be developed into a residential-commercial complex. However, it will take time for this transfer to take place and the profits from this will not be too large.

Price Performance



%	YTD	1M	3M	12M
HT1	-4.4	-3.0	-15.2	-7.0
VNIndex	6.9	3.4	5.4	31.9

HT1's gross profit margin declined dramatically in 2016, especially in Q4, for the following reasons: (1) costs relating to the closure of its grinding station in Thu Duc, (2) HT1 must hire Ha Long cement Company for processing, which results in costs being 10-15% higher than self production (3) the cost of coal (accounting for 25-30% of COGS) increased by 20% and (4) the average selling prices declined slightly since the percentage of bulk cement (10-15% lower price than cement bags) increased by 4.3%. However, we believe that the prospects for this year are more favorable, and that the company's sales volume will grow and its profit margin will improve slightly.

Investment Rationales

- **HT1 will benefit the most from the growth of domestic cement demand in the medium term.** The domestic cement market is allocated unevenly with an excess supply in the North and Central regions, while production in the southern provinces only accounts for half of the demand. In additions, the Southern region has the highest growth rate of cement consumption in the country and a low supply compared with other regions. Therefore, HT1 is poised to benefit from the development of this region, as a market leader in Southern Vietnam.
- **Binh Phuoc 2 plant project Phase 1, with a capacity of 2 million tons of clinker and 2 million tons of cement can allow it to make significant improvements in its operations.** However, the new plant will not be put into operation until 2019-2020. Therefore, HT1 is not able to immediately address the issue of its production capacity and high costs.
- **The negative effects of exchange rate fluctuations tend to decrease.** HT1 can pay off the debt in foreign currency (~EUR53 million and USD19 million) at the end of 2020.

2017 Forecast

- We project that the company's domestic cement output will increase by 7%, and exports will fall by 20%. We estimate that its net revenue will rise by 6.6% compared to 2016.
- The company's gross profit margin will rise to 20.4% from 19.71% (2016) due to the increase in sales volume and because there will be no costs related to the closure of the grinding station in Thu Duc in 2017.
- Interest expenses will decrease by 11% compared to 2016, as HT1 continues to pay debt in foreign currency loans.
- We forecast that the company's cost of sales and management will be stable. We estimate that PAT in 2016 will be VND813 billion, corresponding to a forward EPS of VND2,063 VND.

Potential Catalysts

- The movements in EUR/VND and USD/VND will benefit HT1.
- The export tax of cement is 0% and VAT refund for exporting is 10%.
- The ability to review and eliminate some of the new projects from the sector planning.

Risks to Our Call

- USD increases stronger than our forecasts.

Stock Info	
Sector	Building Materials
Market Cap (VND B)	7,822
Current Shares O/S	382
Beta	0.46
Free float (%)	20
52 Week High	30,000
52 Week Low	18,400
1 Month Avg. Volume (K)	241
Foreign Ownership (%)	10
State Ownership (%)	80

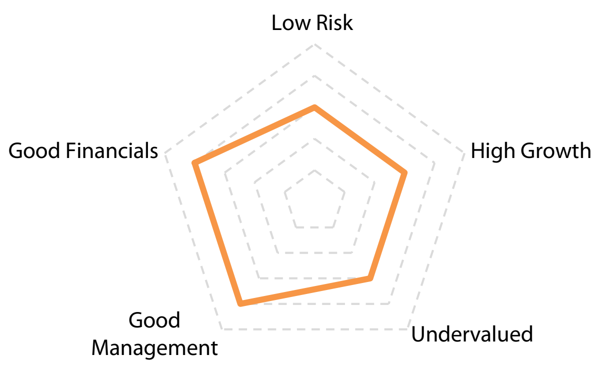
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	**2014**	**2015**	**2016**	**2017F**	**2018F**
Revenue	6,758.1	7,608.4	8,236.7	8,780.0	9,237.0
% growth YoY	6.1	12.6	8.3	6.6	5.2
PAT	304.9	738.7	813.2	919.6	981.4
% growth YoY	11,947.4	142.3	10.1	13.1	6.7
ROA (%)	2.4	6.0	6.9	6.2	8.3
ROE (%)	8.8	18.1	16.9	16.6	15.8
EPS (VND)	821	2,182	1,824	2,063	2,201
BV (VND)	11,679	13,920	13,624	15,491	17,047
Dividend (VND)	-	-	-	500	1,000
P/E	21.5	8.9	9.7	9.1	8.5
P/B	1.8	1.5	1.5	1.2	1.1

Company Overview



- Currently, the plants of HT1 have been operating close to maximum capacity. In addition, its new plant cannot operate immediately, therefore, the growth of production is primarily from the increase in outsourcing.
- The amount of short and long-term loans, especially loans in foreign currency, tends to decline. This will minimize the risk of exchange rate fluctuations and reduce interest expenses for HT1.
- HT1 utilizes research and alternative fuels to reduce its production costs. The company is considering importing coal when the domestic coal prices increase and using cashew oil instead of HFO for its furnace.

Source: RongViet Research

Price Drivers

1. Business results in Q2 2016 grew substantially over the same period and in the previous quarter.

Source: Bloomberg, RongViet Research

Positive Outlook Even if its Mine License Is Not Extended

ACCUMULATE	+16%
CMP (VND)	77,500
Target Price (VND)	90,100
Investment Period	Intermediate-term

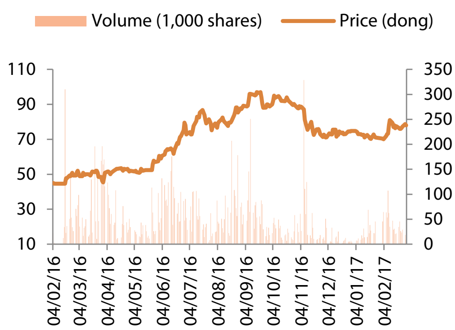
Company Description

Nui Nho Stone Joint Stock Company specializes in exploiting and trading of building stones in the Southern region of Vietnam. The company is currently exploring two quarries, namely Nui Nho (Di An, Binh Duong) and Tan Lap (Tan Lap, Binh Phuoc). Nui Nho is its main quarry, contributing to 85-90% of its revenue and profit.

Thanks to the high-quality stone and its favorable geographical position, products in its Nui Nho quarry have had strong sales and a high gross profit margin of ~40-50%. In contrast, the profit margin of Tan Lap quarry is still modest (~15%). However, according to the current mining plan of Binh Duong province, Nui Nho quarry is likely to stop mining at the end of this year. NNC is actively looking for new quarries and boosting mining in Tan Lap quarry to offset this when its Nui Nho quarry is closed.

Regarding the shareholder structure, Binh Duong Building Materials and Construction Company Ltd (M&C Binh Duong) currently hold 37.73% of NNC. We expect that this business will list on the stock exchange in 2017 and NNC owns 10% of M&C Binh Duong. The percentage of ownership of foreign investors in NNC is 20.5%.

Price Performance



%	YTD	1M	3M	12M
NNC	4.9	7.7	1.5	70.0
VNIndex	6.9	3.4	5.4	31.9

The significant growth of infrastructure construction has been supporting NNC's earning results in recent years. The growth rate of its revenue and PAT was 14.2% and 36.5% respectively between 2013-2016. The company's gross profit margin also improved dramatically from 30.2% to 40.8%. NNC will find other new mines to maintain its gravel business in the long term.

Investment Rationales

- **Many large infrastructure projects in the Southeast region will be implemented and will support the sales volume and selling prices of NNC.** For example, HCM city, which accounts for 60-70% of NNC's revenue, plans to invest VND39,263 billion for the construction of 80 transport projects (An Suong intersection, Vanh Dai 4 Street, overpass at Go Vap District, etc.).
- **The company's business efficiency is superior to the industry.** Thanks to the effective management of input costs and the concentration on mining, the profit margins, financial indicators (ROA and ROE), and operations of NNC are generally more favorable than other big competitors such as KSB, C32 and DHA.
- **Although we hold the view that its mining license at Nui Nho mine has a strong chance of being renewed, NNC can still prevail over its peers in the opposite case.** With many years of experience in mining, NNC can save a portion of explosives for quarrying; the Company might reserve part of this volume for the following year. At the same time, NNC can store about 5-6 million m^3 of stone, thanks to its processing area (~33 ha) being larger than KSB (8.36 ha) and C32 (~4 ha). This amount is also more than KSB (2.5 million m^3) and C32 (0.6 million m^3), after the expiration of these quarries.

2017 Forecast

- The output of Nui Nho will only rise ~5.5%. We expect that Tan Lap quarry will increase by 80% because NNC successfully applied to increase the exploited volume in this quarry.
- With a limited supply from Nui Nho and the change in product structure in Tan Lap quarry (the proportion of stone 1x2 increases from 20% to 40%), we forecast that the average selling price in Nui Nho and Tan Lap will rise by 2.5% and 4% respectively compared to 2016.
- The company's gross profit margin will increase slightly to 42%, mainly due to the efficient improvement in exploitation of its Tan Lap mine.

Potential Catalysts

- Nui Nho Quarry's license is extended for 3-4 years.
- NNC successfully purchases a new quarry.

Risks for Our Call

- Nui Nho quarry has to be closed.

Stock Info

Sector	Building Materials
Market Cap (VND B)	1,198
Current Shares O/S	16
Beta	0.63
Free float (%)	45
52 Week High	97,000
52 Week Low	45,389
1 Month Avg. Volume (K)	41
Foreign Ownership (%)	20
State Ownership (%)	38

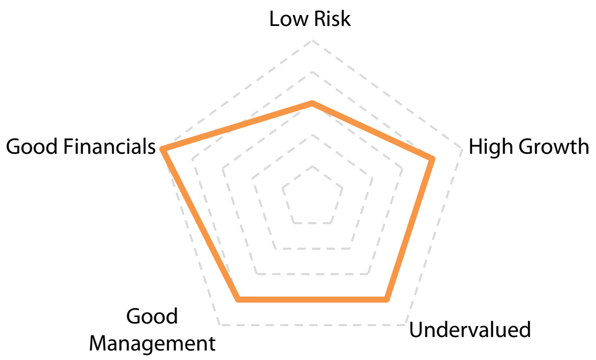
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	**2014**	**2015**	**2016**	**2017F**	**2018F**
Revenue	392.2	507.9	583.8	720.8	779.0
% growth YoY	21.3	29.5	14.9	23.5	8.1
PAT	104.3	123.4	183.0	232.4	240.2
% growth YoY	44.7	18.4	48.3	27.0	3.4
ROA (%)	35.5	33.1	40.9	41.8	35.4
ROE (%)	47.8	46.1	53.0	51.7	44.3
EPS (VND)	7,926	7,292	8,635	10,406	10,755
BV (VND)	19,024	21,700	24,653	24,052	28,666
Dividend (VND)	6,000	6,600	6,000	6,500	7,000
P/E	8.9	7.9	6.3	7.4	7.2
P/B	3.7	3.2	2.9	3.2	2.7

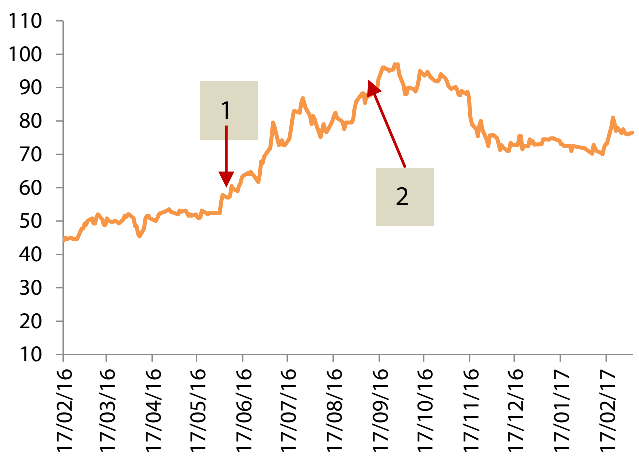
Company Overview



- High growth rate thanks to the increase in output and selling prices. Since several of its major projects have already been started or are in the process of construction, we expect that the high demand for stone will continue in 2017-2018.
- Good financial health, with no bank loans.
- The model of management is relatively simple, without the attached units, subsidiaries and associated companies.
- Valuation is more attractive if Nui Nho quarry's license is extended for 3-4 years.

Source: RongViet Research

Price Drivers



1. Stock dividend 4:1.
2. Good business results in Q3/2016.

Source: Bloomberg, RongViet Research

PACIFIC DINCO CORPORATION — Bloomberg: PDB VN

Small Business, High Potential, and Low Valuation

BUY	+46%
CMP (VND)	20,500
Target Price (VND)	29,900
Investment Period	Long-term

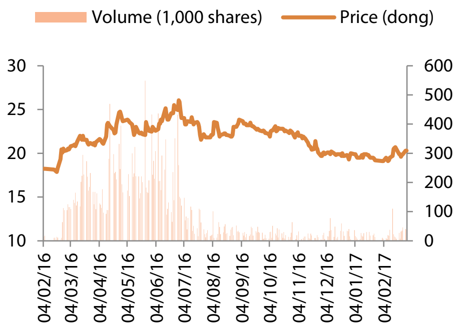
Company Description

Pacific Dinco Corporation is one of four businesses providing high quality fresh concrete for Danang (25% market share) and is the largest concrete supplier in Quang Nam (40% market share). Currently, the company has five batching plants with a total capacity of 425 m^3 fresh concrete/hour. The company provides many types of concrete like traditional concrete, sulfate resistant concrete (penetrative resisting concrete), high strength concrete, and dynamic concrete.

The ownership of Son Phuoc Minerals Corporation (76%) not only helps PDB to buy stone for concrete production at 5-10% lower than normal prices, but also significantly supports the earnings results of PDB. Its stone segment accounts for 8% of its revenue and 13% of its gross profit.

The state (Dinco Corporation) currently holds 21.74% of PDB. Therefore, PDB has participated in many construction projects in which Dinco Corporation is a contractor. The remaining shareholders are mostly management and employees.

Price Performance



%	YTD	1M	3M	12M
PDB	2.5	5.1	-6.0	10.2
VNIndex	6.9	3.4	5.4	31.9

PDB has many benefits ahead of it, due to its geographical advantage and its relatively higher production capacity, as compared to other businesses in central Vietnam. The compound annual growth rate of the parent company's concrete output was 33% between 2014-2016. This allowed for PDB's revenue and profit after tax to double and quadruple, respectively. PDB's long term growth potential is strong, along with the development of central Vietnam.

Investment Rationales

- **The prospects for real estate and infrastructure development in Da Nang and Central provinces are very strong.** Many infrastructure projects are taking off, including the tunnel over the Han River project, Da Nang - Quang Ngai Highway, and La Son - Tuy Loan Expressway to name a few. Moreover, hotels and resorts are being built according to Da Nang's tourism development orientation, leading to a higher demand for concrete.
- **The company's revenue during 2017 will be supported by its investment in additional concrete mixer trucks and machines.** Currently, the new batching plants have been operating stably and are expected to significantly contribute to PDB's growth in 2017.
- **There is strong growth potential for the mining output in the quarries of Son Phuoc Minerals Corporation.** The annual license production is over 200,000 m^3 per year. However, the amount that the business exploits is lower than the licensed volume. Therefore, PDB can meet the rising market demand in the future.
- **The cash dividend rate is quite attractive.** Since its listing date, PDB has maintained a high dividend payout ratio of ~20%/par value or a dividend yield of ~10%.

2017 Forecast

- The concrete output of the parent company will increase by 20%. The concrete volume of Chu Lai, its subsidiary company, is estimated to recover slightly by ~3%. The consumption volume of gravel is forecasted to increase by 5% over the same period.
- The prices of these products have been stable, compared to 2016.
- The company's GP margin will improve by 43 bps due to positive sales and its ability to increase prices to offset increased input costs.
- Revenue and NPAT will reach VND441.7 billion and VND34.6 billion, respectively, increasing by 15.9% and 22.7% compared to 2016.

Potential Catalysts

- Information about the commencement of large projects in Quang Nam and Da Nang.
- Large individual shareholders announced that they were buying additional shares.
- The ability for the company to raise capital and expand into the southern market.

Risks to Our Call

- Some projects may be delayed, which could offset its sales.

Stock Info	
Sector	Building materials
Market Cap (VND B)	162
Current Shares O/S	8
Beta	0.70
Free float (%)	54
52 weeks High	26,054
52 weeks Low	19,100
1 Month Avg. Volume (K)	20
Foreign Ownership (%)	12
State Ownership (%)	0

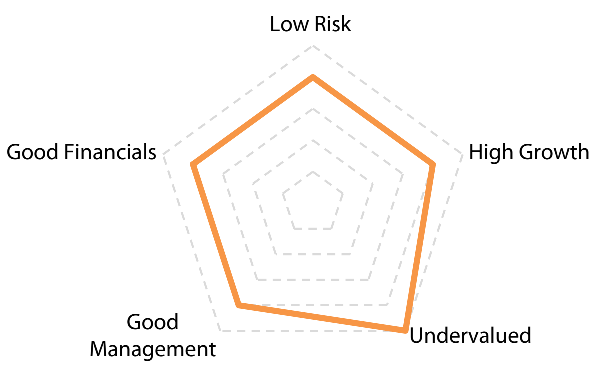
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	**2014**	**2015**	**2016**	**2017F**	**2018F**
Revenue	190.9	343.5	381.3	441.7	479.0
% growth YoY	61.4	79.9	11.0	15.9	8.4
PAT	8.1	27.8	28.2	34.6	40.4
% growth YoY	705.8	242.9	1.6	22.7	16.8
ROA (%)	6.8	17.2	13.9	15.2	17.4
ROE (%)	11.6	28.4	25.2	28.5	30.2
EPS (VND)	999	3,152	3,481	4,061	4,739
BV (VND)	10,906	13,248	14,395	15,562	17,479
Dividend (VND)	-	1,000	2,000	3,000	3,000
P/E	19.1	6.1	5.5	5.0	4.3
P/B	1.8	1.4	1.3	1.3	1.2

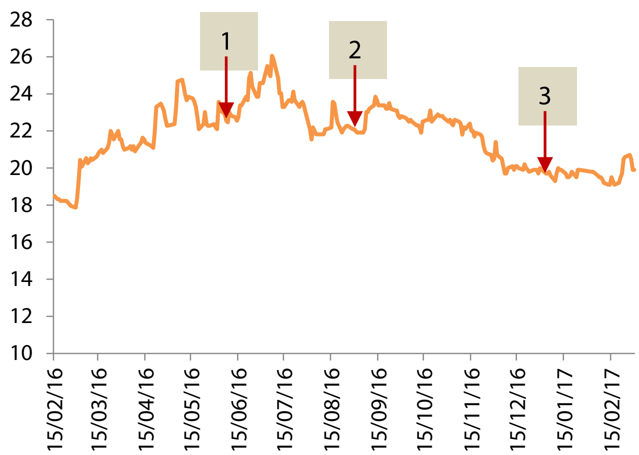
Company Overview



- The long-term growth outlook is relatively positive thanks to the development of the Central region, especially Da Nang City.
- Good financial health, with a low rate of debt / equity compared to the industry average.
- Business efficiency has improved with the gradual increase in profit margins, ROE, and ROA while indicators have remained stable.

Source: RongViet Research

Price Drivers



1. Board Chairman subscribed 700,000 shares.
2. Cash dividend.
3. Business results were worse compared to the previous quarter.

Source: Bloomberg, RongViet Research

Lightning Speed

ACCUMULATE	+12%
CMP (VND)	137,500
Target price (VND)	153,600
Investment period	Intermediate-term

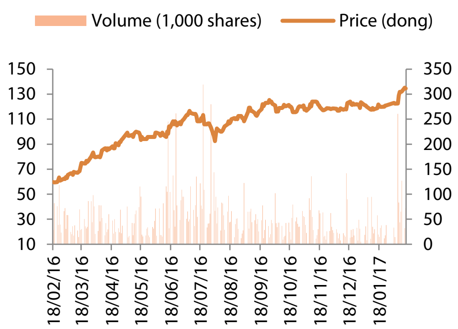
Company Description

Phu Tai Joint Stock Company is the leading enterprise in Binh Dinh province in stone exploitation. In addition, it also produces interior and exterior wooden products, exporting to EU, US and Japan. At the same time, the company also has a monopoly position in the distribution of Toyota car products in the Central region of Vietnam.

In recent years, the revenue structure of PTB has been focusing on increase the proportion of the stone and wood production segments, while reducing its automobile segment. This is a positive move for the company, which has helped it to improve its profitability.

In terms of shareholder structure, corporate leadership is the largest shareholder group after the Ministry of Defense divested completely.

Price Performance



%	YTD	1M	3M	12M
PTB	11.3	14.7	17.4	147.9
VNIndex	6.9	3.4	5.4	31.9

PTB achieved impressive revenue results, with all of PTB's core businesses including wood, automobile retail, and stones exhibiting over 20% CAGR in 2012-2016. Meanwhile, its gross margin continuously improved due to ongoing positive demand, which significantly increased its profit. We believe in the positive growth of the construction industry, the efficiency of the business organization, and its careful plan for expansion, which will allow for the company to continue delivering strong growth in the future.

Investment Rationales

- **The continuous growth of construction activities will result in positive demand for granite stone.** In the past 2-3 years, PTB has achieved strong growth in the stone production segment (granite and marble stone) due to the recovery of the real estate market. Furthermore, many projects are being completed in the construction industry, which will be the driving force for the company's sales volume.
- **Well-prepared and efficient expansion strategy.** PTB is implementing many projects in all three of its business segments:
  - **Stone production:** Hung Yen factory started its operations in the beginning of 2017. PTB also plans to double the capacity of Khanh Hoa factory and to exploit a new quarry in Dak Nong.
  - **Wood production:** PTB plans to invest and complete the Phu Cat Wooden Factory – the largest capacity up-to-date in 2017.
  - **Automotive retail:** PTB will continue to expand as an automobile distributor in the Central region, as the growth of overall industry still remains high.
- **Gross profit margin increased gradually in the stone and wood segment.** PTB has been quite successful in restructuring its product towards higher profitability in 2016. The positive demand will be a strong foundation for the improvement of its gross margin.

2017 Forecast

- We project that the company's revenue will increase by 25.6% over the same period. In particular, sales from the wood, stone segments and automotive retail will increase by ~15-34%.
- Stone segment: Export market is positive in Turkey. PTB will expand into the Japanese market.
- The company's gross margin will improve to 16.5%.
- We estimate that its profit after tax will be 27.2% YoY, resulting in an EPS of VND13,824.

Potential Catalysts

- Dividend policy in the 2017 AGM.
- Clarified information about the prospects of its wood manufacturing plant in Phu Cat, which will be completed on 06/2017.

Risks to Our Call

- Fierce competition with stone production in the northern market.
- Risks from the wood export market: VPA/FLEGT, tariff and non-tariff barriers.
- 720,000 ESOP shares will be traded at the end of April, 2017.

Stock Info

Sector	Building Materials
Market Cap (VND B)	2,668
Current Shares O/S	22
Beta	0.71
Free float (%)	67
52 weeks High	140,300
52 weeks Low	65,417
1 Month Avg. Volume (K)	80
Foreign Ownership (%)	10
State Ownership (%)	0

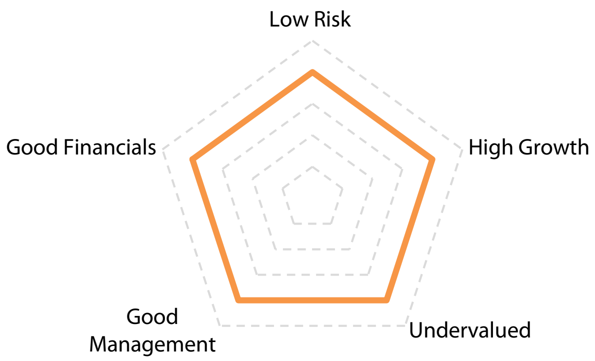
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	2,451.9	3,045.9	3,658.9	4,597.2	5,335.7
% growth YoY	14.4	24.2	20.1	25.6	16.1
PAT	111.5	173.3	261.2	332.3	364.8
% growth YoY	20.9	55.5	50.7	27.2	9.8
ROA (%)	12.0	15.7	18.0	17.3	17.2
ROE (%)	38.4	42.1	41.9	38.6	34.6
EPS (VND)	8,850	12,086	11,195	13,824	15,180
BV (VND)	28,414	34,908	35,231	44,420	53,056
Dividend (VND)	-	-	-	-	-
P/E	14.6	14.4	11.2	9.9	9.1
P/B	4.8	3.9	3.8	3.1	2.6

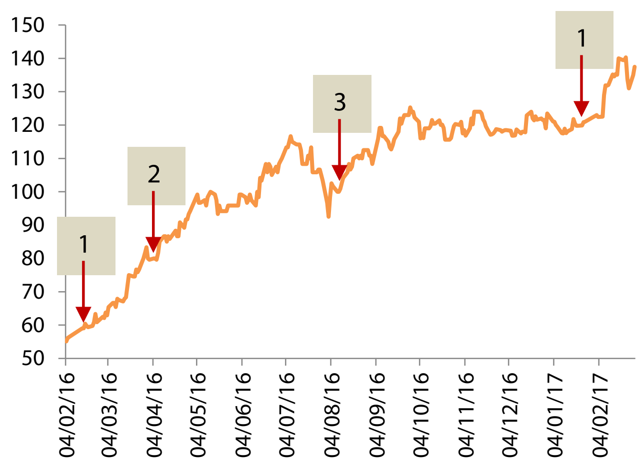
Company Overview



- PTB has achieved high growth in recent years due to the recovery of the construction and real estate markets, especially civil construction.
- Originally from the Ministry of Defense, PTB has good administration as well as a fast-paced and solid investment process. This is reflected in the company's highly efficient financial ratios.
- We are concerned about short-term loans and account receivables management, especially when the company is beginning to expand its business production capacity.
- According to CBRE, the apartment supply can peak in 2017-2018 period, which would creates risks for its business operations.
- The strong expansion in wood production can face market risks because more than 70% of revenue comes from export markets.

Source: RongViet Research

Price Drivers



1. Outstanding earning growth, positive expectation for the next fiscal year.
2. Chairman and member of BOD registered to buy more than 473,000 shares.
3. Stock dividend (10:2).

Source: Bloomberg, RongViet Research

Potential Growth When Promoting Restructuring

NEUTRAL	+2%
CMP (VND)	14,300
Target price (VND)	14,600
Investment Period	Long-term

Company Description

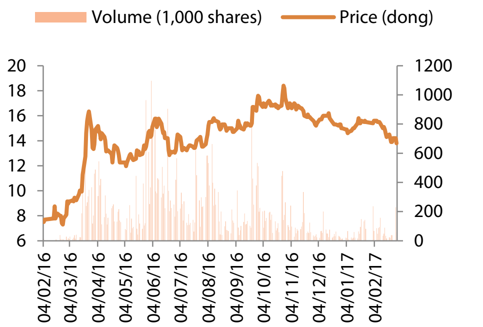
Viglacera Corporation - JSC is an enterprise specializing in manufacturing building materials and trading real estate in Vietnam. In the building materials sector, VGC focuses on the development of glass products, sanitary wares and tiles in the middle-end and traditional segment. VGC benefits strongly from its 60 tier one department stores and more than 3,000 retail stores, which have helped it become a strong brand with consumers in Vietnam.

In the field of real estate, VGC is a large real estate developer with more than 4,000 hectares of land. Moreover, VGC is a big name in the social and commercial housing projects in Hanoi. The Ministry of Construction is the largest shareholder holding 78.82% of the company.

According to the plan, the Ministry of Construction will have to lower its holding to under 51% by 2019 at the latest.

The divestment method is to issue shares to outside investors or ESOP to employees. In addition, VGC's stock also received the attention of many organizations and foreign investment funds. Currently, the percentage of foreign ownership is 27.83%.

Price Performance



%	YTD	1M	3M	12M
VGC	-6.5	-4.7	-13.9	95.9
VNIndex	6.9	3.4	5.4	31.9

The business results of VGC have witnessed significant improvements on the back of the recovery of the real estate and construction markets. The compound annual growth rate (CAGR) of profit after tax was up to 84.9% in 2012-2016. In the coming years, new projects such as energy-saving glass, ultra-white glass, sanitary or the brick segment will be the sources of VGC's growth in the long term.

Investment Rationales

- **Large and surplus production capacity in the construction materials segment.** The company's production capacity in the building glass, granite tiles, ceramic tiles and sanitary ware of VGC accounted for 40%, 11%, 6% and 10% of the total capacity in Vietnam. Currently, VGC is prepared to invest in more expansion projects, which we expect will encourage growth from 2018 onwards.
- **Another long term advantage of VGC is its large developed industrial park land at favorable locations in Vietnam.** VGC's land fund (4,032 ha) is larger than its peers (KBC, ITA, LHG) and mainly have relatively low occupancy rates because they are newly exploited. The prospects for VGC's industrial parks are favorable, given the strong FDI attraction in provinces where VGC operates.
- **The State divestment can be a catalyst for improving its business performance.** Like many companies having state-dominated shares, the business efficiency is realizing its full potential, especially in the real estate segment. Therefore, the divestment of the Ministry of Construction to make room for new strategic shareholders will be a condition for the improvement of VGC's company results.

2017 Forecast

- **Building Materials:** We estimate that the consumption of glass products, bricks and sanitary ware will grow by 4.5%, 6.9% and 10.3%, respectively. The growth rate of sanitary ware will be higher than other segments since the new sanitary ware plant is expected to go into operation in Q3 2017.
- **Building Materials:** Tiles (ceramic tiles and bricks) will account for 45% and 48% of the revenue and gross profit of VGC.
- **Real Estate:** The company's leased area of its industrial parks is approximately 100.5ha and 70% of the revenue is going to be a lump sum. Rental prices should increase slightly compared to 2016. The proportion of its real estate earnings fell by 1 percentage point compared to 2016.
- The gross profit margin will be less volatile, as compared to 2016.

Potential Catalysts

- The divestment process of The Ministry of Construction.

Risks to Our Call

- Prospects for FDI could become less optimistic.
- Risk of the shareholder interests dilution: The additional profit from new investment projects has not caught up with the speed of the increase in the number of shares.

Stock Info

Sector	Building materials
Market Cap (VND B)	4,697
Current Shares O/S	307
Beta	0.90
Free float (%)	21
52 week High	18,400
52 week Low	7,299
1 Month Avg. Volume (K)	42,736
Foreign Ownership (%)	9
State Ownership (%)	79

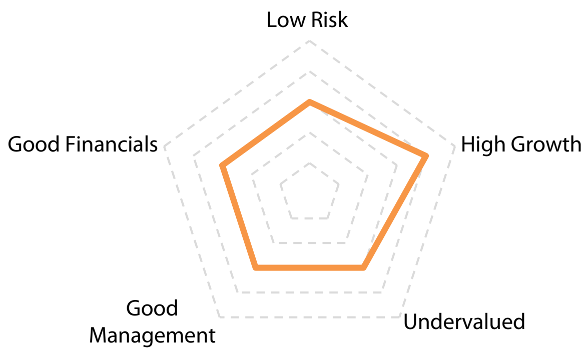
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	8,008.7	7,819.9	8,077.9	8,785.0	9,976.0
% growth YoY	31.5	-2.4	3.3	8.8	13.6
PAT	295.6	328.4	487.6	602.8	657.8
% growth YoY	882.8	11.1	48.5	23.6	9.1
ROA (%)	4.6	4.4	6.0	5.3	5.2
ROE (%)	12.8	13.5	13.0	15.2	12.6
EPS (VND)	1,118	1,207	1,684	1,532	1,378
BV (VND)	9,987	11,152	12,231	13,036	12,801
Dividend (VND)	-	-	700	600	1,000
P/E	-	6.3	12.3	7.7	7.0
P/B	1.5	1.4	1.3	1.1	1.1

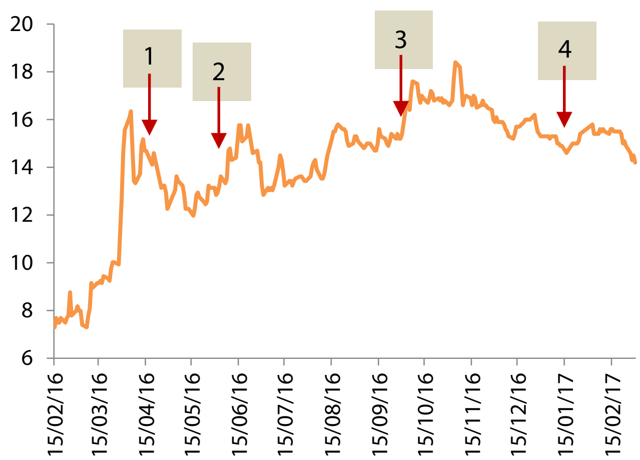
Company Overview



- VGC's earnings will have significant growth between 2017-2020, driven by its comprehensive investment plans and the positive outlook for the real estate market.
- The company's management is quite complex and the company has extensive investments, which makes VGC's business efficiency fall below its potential. VGC is actively divesting from small businesses which have less impact on the company's core operating activities.
- Improved financial structure: The company's strong cash flow from operating activities and the issuance of increasing capital will help VGC to reduce its debt and support new investment projects.

Source: RongViet Research

Price Drivers



1. The 2016 AGM approved the plan to issue 30 million shares through auction, and 12.5 million shares through ESOP.
2. The waves of Upcom businesses and information about its energy-saving glass project in Binh Duong.
3. Q3/2016 earnings results were nearly double over the same period last year.
4. VGC unveiled the plan to issue 120 million shares.

Source: Bloomberg, RongViet Research

The New Factories Will Continue to Support the Growth

ACCUMULATE +22%

CMP (VND)	29,600
Target Price (VND)	36,000
Investment Period	Long-term

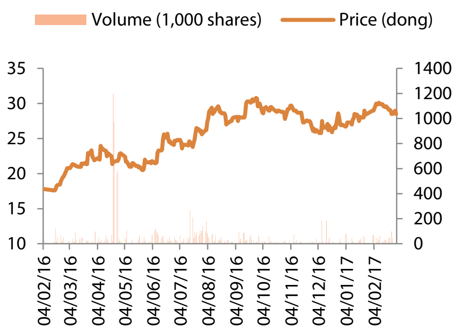
Company Description

Viglacera Tien Son Joint Stock Company is an enterprise specializing in the production of high quality granite tiles in the Northern region. Along with the operation of new plant since 12/2015, total current capacity of VIT is 6.5 million m², corresponding to 11% of industry's production capacity.

VIT focused on technical innovation, diversity of designs and product size. In 2016, the Company completed the system conversion from coal to CNG and the cost did not change too much to increase the stability of product quality. Simultaneously, VIT invested in digital printing technology and nanotechnology for high precision products with ultra-glossy surface and ultra-waterproof. Therefore, VIT' s products meet the import standards of many countries such as Thailand, India, Japan, Taiwan, South Korea, and Sweden.

Regarding shareholder structure, Viglacera Corporation holds dominant shares (51%). In addition, insiders and other relevant individuals hold about 10% shares.

Price Performance



%	YTD	1M	3M	12M
VIT	10.2	2.1	1.4	68.0
VNIndex	6.9	3.4	5.4	31.9

Thanks to the robust growth of the real estate market, sector policy support programs, and efforts to improve production technology, the business results of VIT have significantly improved. The growth rate for revenue and PAT was 20.7% and 70.5%/year respectively over the period of 2013-2016. At the same time, the sales deductions decrease significantly as the stability of the product increases. In next year, the company's capacity expansion projects will continue to be a highlight to support the growth of volume and earnings for the company.

Investment Rationales

- **The demand for granite tiles will grow in the long term.** According to the Ministry of Construction, the demand for granite in Vietnam will be 140 million m² in 2020, while the ability of domestic supply is only ~60 million m². Thus, the total production capacity should increase over an average of 20%/year to meet the demand in the coming years.
- **The company's gross profit margin will improve thanks to the increasingly stable operations of Phase 2 of the Thai Binh plant.** Since this factory started running from 12/2015, the ratio of product A1 (highest quality) and losses of this plant has not reached expectations of VIT. However, the plant has stable operations and is running about 7% higher than its design capacity. In addition, the completion of switching from coal to a natural gas dryer in 2016 will also support the stability of the VIT's products from 2017. However, the gross profit margin might decrease by 0.45% because the price of CNG is 14% higher than coal.
- **Room to increase production capacity from new factories.** VIT plans to buy 1 factory in the Southern region to be able to produce 2.8 million m² of granite tiles/year from the beginning of Q3 2017. Since 2018, the Phase 3 of Thai Binh plant, which capacity is 4 million m2/year, might begin operating. This will be the new driving force supporting the growth of VIT over the period of 2017-2019.

2017 Forecast

- Consumption output will increase by 16.5%, which is mainly due to the contribution of the new plant in the Southern region. Selling prices will remain stable compared to 2016.
- The gross profit margin will improve slightly to 0.23 percentage points because Phase 2 of Thai Binh plant will have stable operations.
- The cost of sales and the management of the business remains low (about 3.15% of sales) since its products will continue to be consumed by its parent company system.
- We estimate that the company's net sales and PAT will be VND1,137 and 67.8 billion respectively, corresponding to an increase of 17.8% and 18.2% compared to 2016. EPS in 2017 after excluding bonus and welfare will be VND4,293.

Potential Catalysts

- The new plant begins operating stably, earlier than originally planned.
- The ability to increase the dividend payout ratio is better than planned (15%).

Risks to Our Call

- The effect of the new plant acquisition in the 1st year is not as expected.

Stock Info

Sector	Building Materials
Market Cap (VND B)	396
Current Shares O/S	15
Beta	-0.23
Free float (%)	42
52 week High	30,800
52 week Low	20,500
1 Month Avg. Volume (K)	40
Foreign Ownership (%)	2
State Ownership (%)	51

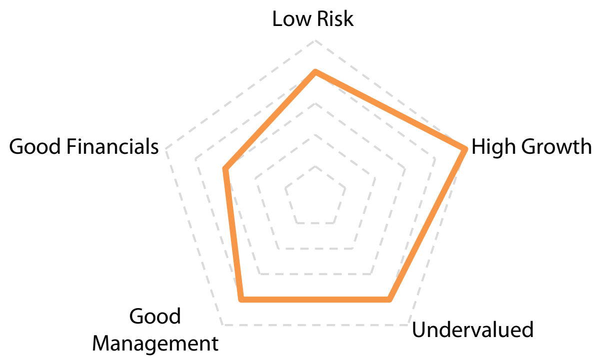
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	677.9	681.8	965.2	1,137.0	1,517.0
% growth YoY	23.8	0.6	41.6	17.8	33.4
PAT	27.7	37.3	57.4	67.8	85.2
% growth YoY	139.7	34.5	53.7	18.2	25.7
ROA (%)	5.0	6.2	7.9	8.2	8.0
ROE (%)	20.0	21.5	27.3	28.2	30.2
EPS (VND)	2,801	2,310	3,824	4,293	5,397
BV (VND)	15,420	12,920	15,058	17,007	20,572
Dividend (VND)	-	1.000	1.500	2.500	2.000
P/E	10.4	12.6	7.6	6.9	5.5
P/B	1.9	2.2	1.9	1.7	1.4

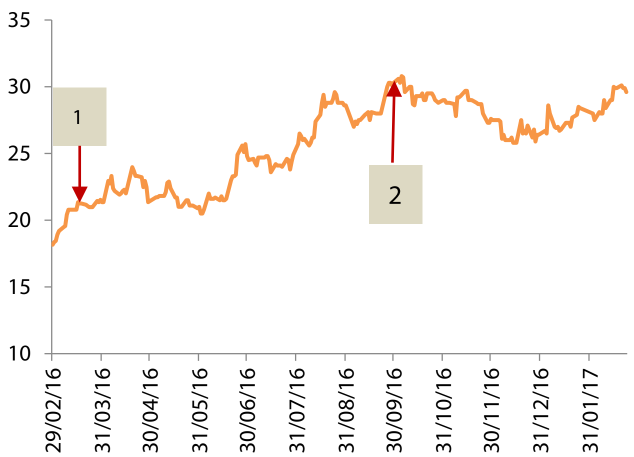
Company Overview



- The potential growth is still high thanks to the operation of its new factory beginning in 2017 and 2018.
- Since the cost of acquisition and new investments is quite high (total approximately VND500 billion), the financial leverage of VIT will increase from 2017 unless VIT issues additional shares to raise capital or keeps cash by paying less dividend in cash.
- The rate of dividend payment in cash is relatively stable.

Source: RongViet Research

Price Drivers



1. Business results of Q1 were low and the system stopped operating approximately a half month for installation of CNG system.
2. Business results of Q3 2016 were positive.

Source: Bloomberg, RongViet Research

CONSTRUCTION: STEADY GROWTH

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The construction industry received immense boosts from the real estate market in 2016, even though the momentum has decreased compared to 2015. The increase in both quantity and size of high-end projects continues to bring about a considerable amount of jobs to construction contractors. However, as loan accessibility has been contracted and the real estates' credit growth has leveled out, the housing segment might not a key driver for construction demand growth in 2017. Instead, we expect that the growth in other segments including shopping centers, office buildings and infrastructure will encourage the construction industry value.

Investment Opportunities

Housing projects contribute to a large proportion of construction firms' backlogs. Top contractors such as CTD and HBC announced numerous large projects during 2016 including Coteccons' D'Capitale (VND3,800 Billion), The Masteri Villas (VND2,500 Billion) and Landmark 81 (VND2,023 Billion), Imperia Sky Garden (VND2,500 Billion) and other projects developed by Novaland. CTD's backlog at the end of 2016 was 60% higher YoY and achieved the USD1 Billion milestone, while HBC's was VND15,500 Billion at the end of Q3/2016. In addition to an impressive revenue growth, profitability reached record-high thanks to the favorable material movements and economies of scale.

The high demand for home ownership in Vietnam remains abundant, as the market needs 374,000 units of new housing while another 320,000 units need repair or replacement. In fact, since 2010, the average housing floor per capita inclined by 1 to 1.1m2 annually. The number of projects under construction in Hanoi and HCMC at 2016-end was 170 units higher YoY and during the 2015-2030 period, the two cities will have completed nearly 1,300 projects. This shows that the civil construction segment still possesses ample room for growth. Real estates companies' increasing professionalism and the authority's appropriate monitor will assist the market in avoiding shocks similar to what happened during 2011-2012.

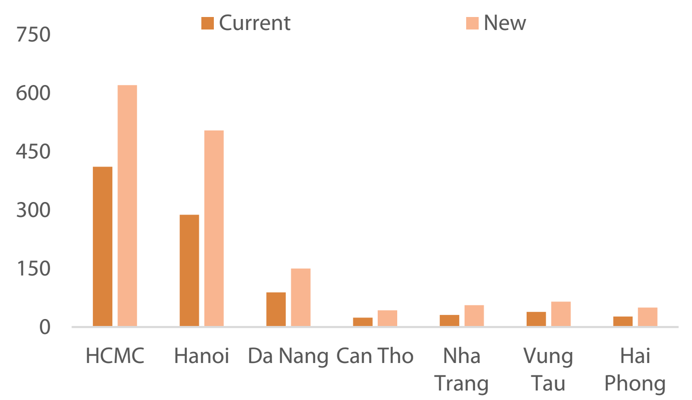
We expect that Infrastructure construction activity will remain positive in 2017. The source of construction demand will come from industrial development and traffic infrastructure. The high inflow of FDI to Northern areas (Thai Nguyen, Bac Ninh, Hai Phong, Hai Duong) has initiated demand for building infrastructure of industrial zones. The firms that win these deals are usually subsidiaries of the IZ developer. For traffic infrastructure, BMI believes that the road-bridge project value would grow by 8.8% during 2017 and be the main growth driver of this segment. Considering the high capital requirements for funding road-bride projects, large and sound financial firms such as VEC, Corporation 319, Cienco 1 and CII have the strongest chance of winning the bidding process. Some of the big projects on the pipeline include Phan Thiet- Dau Giay, Dau Giay-Lien Khuong expressway or Ring road number 3 connecting the outskirts of HCMC. Apart from that, smaller projects that solve urban city problems such as traffic congestion (tunnel, overfly bridge) will be the source of jobs for smaller firms such as CTI, HTI, LGC and IJC.

Site clearance time and project developer's financial health are important to the progress of projects. Government determination to privatize public infrastructure projects (especially road and bridge projects) under BOT and BT mode will speed up fund disbursement and hence facilitate project construction progress and revenue recognition of constructors as well. According to MOT, the total value of bridge-road projects in 2017 is approximately VND52,000 billion and 40% of this comes from private investors. In addition, construction firms could be supported by the stable forecast of building material prices and interest rates. Hence, investors looking for infrastructure construction stocks could filter the stocks based on these criteria: (1) proven capability seen from previous projects, (2) projects initiated by financially good developers and (3) uncomplicated site clearance and construction firms having a stable backlog of work.

Risks

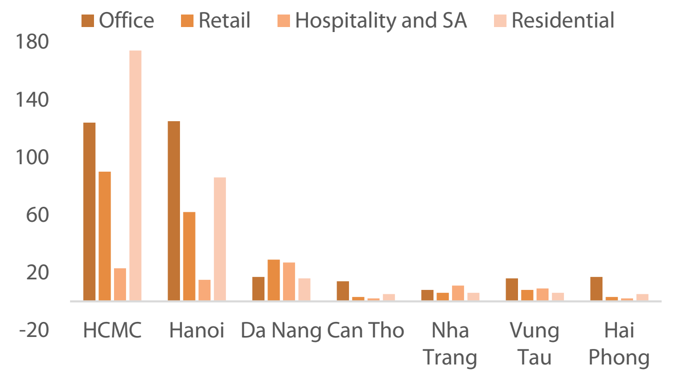
- SBV's Circular 06/2016/TT-NHNN amendment adjusts real estate's borrowing risk factor from 150% to 200%, which affects the available lending room from banks for future projects.
- Basic materials' recent price hike is likely to push construction material prices such as steel, cement, bricks and stones, which might put pressure on the gross margin of companies in this sector.
- The government's high debt problem prolongs site clearance for construction
- Complicated project cost finalization leads to delayed payments

Figure 16: Number of Projects in Large Urban Areas



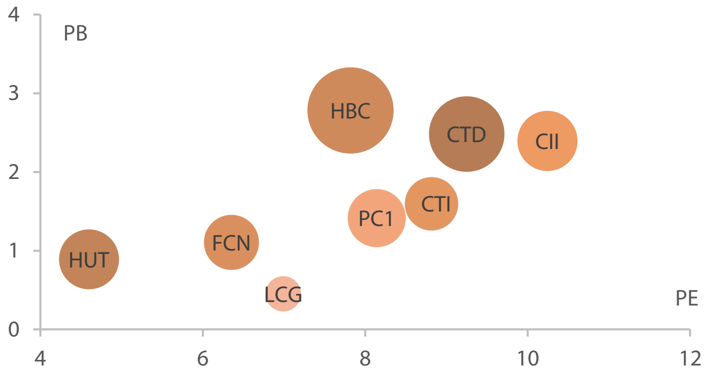
Source: CBRE, RongViet Research

Figure 18: Number of Projects Under Construction



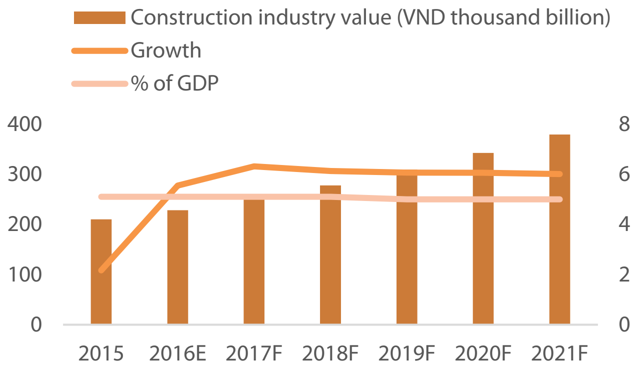
Source: CBRE, RongViet Research

Figure 19: ROE, PE, PB of Companies in Construction Industry



Source: RongViet Research- Size of bubble: ROE

Figure 20: Construction Industry Value



Source: Ministry of Construction, RongViet Research

Construction industry Value	2015 (VND billion)	2016 (VND billion)	Real Value Growth
TOTAL	**660.9**	**1,089.2**	**10.1%**
Public sector	58.0	83.3	1.7%
Private sector	561.4	952.4	12.5%
Foreign-invested sector	41.5	53.6	-10.9%
Residential houses	266.5	428.6	13.6%
Non-residential houses	106.5	188.1	-2.5%
Civil technical buildings	214.8	344.3	13.1%
Specialized building	73.1	128.3	11.8%

Source: GSO, RongViet Research

Market Leader Diversifies Its Business

ACCUMULATE	**+18%**
CMP (VND)	201,000
Target price (VND)	237,700
Invesment period	Long-term

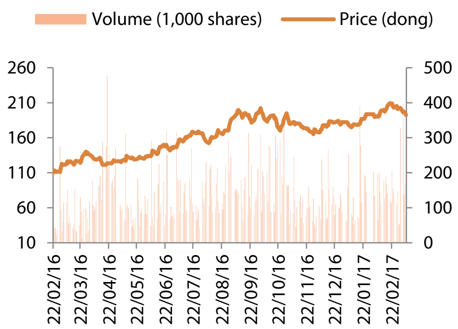
Company Description

Coteccons Construction JSC (CTD-HSX) is the largest listed Vietnamese construction contractor famous for its design & Build capacity. CTD manages a backlog of over USD1 billion, which includes several large-sized projects of various construction works nationwide. CTD is one of the few companies trusted by large developers including Vingroup and Sungroup, besides Hoa Binh Construction (HBC-HSX).

Possessing a remarkably strong financial structure with no loans and a sufficient amount of cash, CTD is consequently superior to most of its local peers in placing large and complicated bids.

CTD's shareholder structure has recently changed, as it has been joined by financial partners including Vinacap, Dragon Capital and SSIAM, altogether holding nearly 15% of CTD.

Price Performance



%	YTD	1M	3M	12M
CTD	10.1	7.5	15.7	105.0
VNIndex	6.9	3.4	5.4	31.9

As a market leader in the domestic construction sector that bears no bank loans, Coteccons has significant opportunities to expand its backlog and revenue, as well as to stabilize its operating efficiency. However, CTD has also been making efforts to diversify its business lines to ease the risks from the peaking real estate market. The recent private placement shows that CTD is observant enough to make full use of the growth in demand, as well as to find feasible alternatives to achieve long-term development.

Investment Rationales

- **CTD has a strong market reputation and a dominant position in the construction market.** The company participates in 36 out of 275 civil and industrial projects in large cities including HCMC, Hanoi, Hai Phong and Nha Trang, and accounts for nearly 9% of the 2016 domestic construction value.
- **As a market leader, CTD also has an advanced backlog and strong revenue growth, as the real estate market and infrastructure demand are reaching the peak.** The record-high backlog at the end of 2016 was roughly 36% higher than HBC, another sizable construction firm, and we expect that it will sustain reasonable revenue growth for the upcoming 2 years.
- **CTD is putting effort into diversifying its business away from construction works, since the risky real estate market might level out from the prior strong growth phase.** The recent private placement has enabled the company to expand its value chain towards furniture and to enter other industries including infrastructure development and office leasing. BOT Phu Ly-Ha Nam marks the entry of CTD as both a developer and contractor, which enables CTD to improve the 12% ROE regulated by the authority for BOT developers; however, this area does have a lower profitability as compared to housing projects.

2017 Forecast

- 2017 Backlog: VND26,855 billion, up by 77% YoY.
- Construction Revenue: VND26,715 billion, up by 41% YoY.
- Gross Margin: 8.5%, slightly lower as compared to the previous year.
- Higher inventory and receivables, lower cash and short-term investments due to deteriorating market conditions and CTD's M&A deals.

Potential Catalysts

- Higher revenue recognition than expected.
- New projects such as Vincity from Vingroup might significantly increase its backlog.

Risks to Our Call

- The amount of work signed in 2017 might not be sufficient for CTD to book its estimated revenue.
- Over 11.4 million shares issued in the private placement are going to be unblocked for trading on November 22, 2017. The surge in supply from financial investors may put downward pressure on CTD's stock price.

Stock Info

Sector	Construction
Market Cap (VND B)	14,049
Current Shares O/S	77
Beta	0.85
Free float (%)	86
52 week High	209,500
52 week Low	121,314
1 Month Avg. Volume (K)	148
Foreign Ownership (%)	42
State Ownership (%)	0

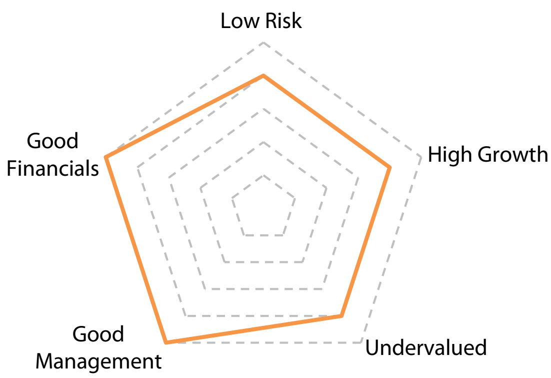
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	**2014**	**2015**	**2016**	**2017F**	**2018F**
Revenue	7,633.6	13,668.9	20,782.7	27,107.0	29,792.5
% growth YoY	23.3	79.1	52.0	30.4	9.9
PAT	327.4	665.0	1,420.0	1,737.8	1,907.6
% growth YoY	27.3	103.1	113.5	22.4	9.8
ROA (%)	7.0	10.5	14.5	13.6	12.8
ROE (%)	9.5	23.1	30.0	25.5	23.5
EPS (VND)	7,400	13,533	17,548	21,176	23,194
BV (VND)	60,135	69,458	81,085	96,537	114,695
Dividend (VND)	*2,000*	*2,000*	*5,500*	*5,500*	*5,500*
P/E	5.9	3.6	11.3	9.2	8.4
P/B	0.7	0.7	2.6	2.6	2.6

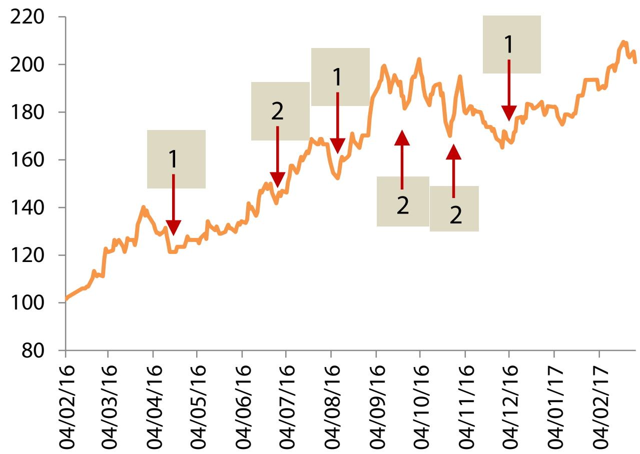
Company Overview



- An established position in the domestic construction industry.
- No short or long-term loans.
- Enormous cash and short-term bank deposits.
- Consistent cash dividend policy.

Source: RongViet Research

Price Drivers



1. Business result rumors.
2. New signed work announcement.

Source: Bloomberg, RongViet Research

Positive Mid And Long Term Growth

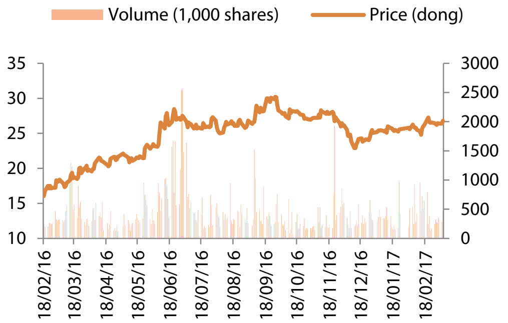
ACCUMULATE	+20%
CMP (VND)	26,350
Target Price (VND)	31,500
Investment Period	Long-term

Company Description

Cuong Thuan IDICO (CTI-HSX) has transformed from a small constructor to a developer and operator of BOT road projects. To increase its self sufficiency, CTI acquires local stone quarries in Tan cang , Xuan Hoa and Thien Tan mine.

The success of its BOT Vo Nguyen Giap road project at the total cost of nearly VND1,500 billion is a springboard to embark on projects such as BOT 91 road and BOT 319. There is a high need for infrastructure development in Dong Nai, which is favorable for CTI given its position as a constructor and construction stone provider.

Price Performance



%	YTD	1M	3M	12M
CTI	5.2	4.4	-6.2	57.1
VNIndex	6.9	3.4	5.4	31.9

CTI's business has seen significant changes from 2014 since BOT Vo Nguyen Giap road started collecting tolls. The success of this project is imperative in giving the firm a stable and strong cash flow and to build trust for investors. Rising road and industrial infrastructure demand in Dong Nai province presents the firm with various opportunities in the future. However, given CTI's relatively small chartered capital, the firm will likely have to issue new shares to raise funds for new projects.

Investment Rationales

- **Competitiveness from the integrated business supply chain.** Being a constructor and building materials producer at the same time (including concrete sewage products, and construction stone) helps it keep construction costs down and increase the return of its projects.
- **Numerous BOT toll booths going into operation will drive the company's earnings growth.** The company's 2017 toll revenue will grow thanks to BOT 91 Road and Special road for building materials transport project (Q3 2017). In 2018, the operation of BOT 319 road will add growth to its toll revenue.
- **Mid-term growth catalysts come from its stone quarry business.** CTI holds 15% of the stone reserves in Dong Nai province (~73 mil cubic meters). We expect the firm to allocate more investment to increase stone production from late 2018 after it finishes big projects (social housing and BOT 319).

2017 Forecast

- Toll revenue will reach VND500 billion (+32% YoY) in 2017. Total revenue and PAT (after minority) will increase by 18% YoY and 15% YoY.
- The firm plans to raise up to VND500 billion in a 20 million share issue (private) to finance Tam Hoa Social housing project and BOT 319 road. If so, CTI's 2017 EPS (diluted) estimates to be VND2,168 and the stock trades at P/E forward of 12x.

Potential Catalysts

- News on stock trading of large shareholders and Long Thanh mega airport project.

Risks to Our Call

- Traffic grows lower than expected.
- Delayed land site clearance for new projects.

Stock Info

Sector	Construction
Market Cap (VND B)	1,120
Current Shares O/S	43
Beta	1.00
Free float (%)	69
52 week High	30,202
52 week Low	17,313
1 Month Avg. Volume (K)	450
Foreign Ownership (%)	28
State Ownership (%)	0

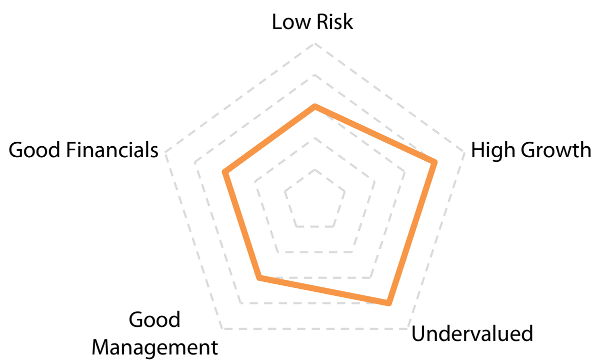
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	722.0	829.7	1,053.6	1,256.0	1,417.0
% growth YoY	100.2	14.9	27.0	19.2	12.8
PAT	49.5	68.0	112.9	121.0	148.0
% growth YoY	191.3	318.5	66.1	7.2	22.3
ROA (%)	2.3	2.4	3.2	2.9	3.1
ROE (%)	16.7	14.2	15.0	11.5	13.8
EPS (VND)	1,093	1,502	2,495	2,673	3,274
BV (VND)	12,132	13,117	16,509	16,661	16,991
Dividend (VND)	-	-	1,600	1,700	1,800
P/E	23.8	17.3	10.4	9.7	7.9
P/B	2.1	1.9	1.6	1.5	1.5

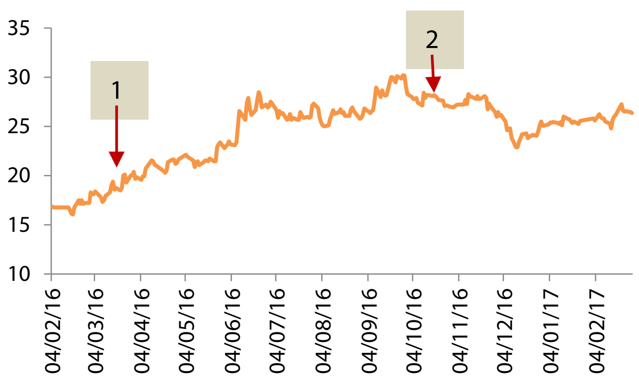
Company Overview



- The rising vehicle ownership rate for personal use and industrial need will increase CTI's toll revenue. This growth appears to be in line with the rising income of the Vietnamese and increased FDI inflows.
- Thin management to manage increasing company scale.
- The company is massively leveraged in its BOT projects. However, the high debt concern is alleviated by good cash inflow from BOT toll booths.
- Dilution risk remains a concern.

Sources: RongViet Research

Price Drivers



1. Released news on its profit results.
2. Information released regarding the downward fee adjustments for BOTs.

Sources: Bloomberg. RongViet Research

Accumulate For a Breakthrough

BUY	**+30%**
CMP (VND)	36,800
Target price (VND)	48,000
Investment period	Intermediate-term

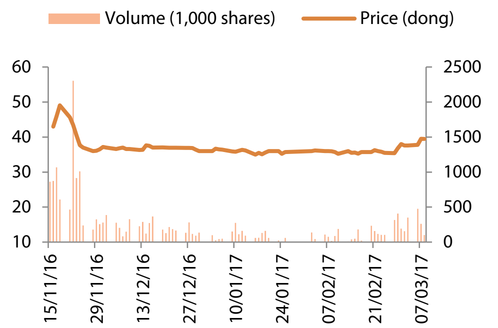
Company Description

Power Construction JSC 1 is the leading player in electricity construction in Vietnam with its core business revolving around transmission lines & substation construction, steel tower & steel tubular pole manufacturing, hydropower investment & operations, and real estate.

The largest contribution to PC1's revenue stream is electricity construction and industrial production, which collectively account for 80-90% of its total revenue. Additionally, PC1 has efficiently utilized its large land bank advantage to develop its real estate segment, which contributes to 15% of total revenue in the years that it recognizes sales from these projects.. The hydropower segment, although new, is making more and more of a significant contribution to PC1 over the past few years.

The two largest shareholders of PC1 are Mr Trinh Van Tuan and Dragon Capital with the ownership of 20.83% and 15.25% respectively.

Price Performance



%	YTD	1M	3M	12M
PC1	5.6	8.0	-12.6	n/a
VNIndex	6.9	3.4	5.4	31.9

PC1 is the leading player in transmission line and substation construction in Vietnam, with a 30-40% market share. In addition, the company has been expanding its business activities to create synergy among different segments. We expect that the electricity construction and industrial production segments will experience robust growth in 2017. The hydropower sector will also begin to bring significant contribution to revenue, due to the initiation of key transmission line projects. Meanwhile, the company's My Dinh Plaza 2 project will bring positive prospect to PC1's revenue in 2018 – 2019.

Investment Rationales

- **Electricity construction and industrial production will begin to deliver robust growth again.** In 2016, revenue from this segment decreased significantly compared to 2015, due to the delay of its transmission projects. This consequently led to a decline in its industrial production revenue. According to recent adjustments of the revised Power Development Program VII, items in its Branch 3 project (500kV transmission line with total length of 700 km) will be added in 2017, while other items will begin earlier than planned. This will provide another opportunity for PC1 to increase its revenue during 2017 – 2020.
- **Notable contribution from the hydropower segment in PC1's valuation:** Trung Thu and Bao Lam 1 hydropower plants began operating in the end of 2016. In 2017, there will be two additional plants including Bao Lam 3 and 3A, which will increase PC1's total capacity in this segment to 114MW. Simultaneously, the above projects will bring PC1 stable cashflow in the long-term, with a NPV of approximately VND1,300 billion or VND17,200/share.
- **The sales opening of My Dinh Plaza 2 will be favorable due to its fast execution as well as its competitive pricing in the middle-end segment.** We expect that this project will contribute to around VND1,200 billion in revenue and VND270 billion in PAT to PC1 between 2018-2019. Additionally, PC1 may announce additional real estate projects in 2017, given its strong land bank and strong financial capacity.

2017 Forecast

- We forecast that revenue from electricity construction and industrial production will grow strongly by 22% and 18%, respectively.
- The company's new hydropower plants, including Trung Thu and Bao Lam 1, just came into operation and will contribute VND280 billion in revenue per year .
- We project that its PAT will moderately decrease by 3% and that its EPS will reach VND3,177.

Potential Catalysts

- Contribution of two new plants fully coming into operation will help PC1 gain attention from investors about the potential of its hydropower segment.
- Positive sales progress of My Dinh Plaza 2.

Risks to Our Call

- Business results in H1 2017 decrease because the company will not receive revenue from real estate.
- Risk from EVN delaying projects in transmission line & substation.

Stock Info	
Sector	Construction
Market Cap (VND B)	2,705
Current Shares O/S	75
Beta	0.01
Free float (%)	61.26
52 week High	49,050
52 week Low	35,000
1 Month Avg. Volume (K)	129
Foreign Ownership (%)	21
State Ownership (%)	0

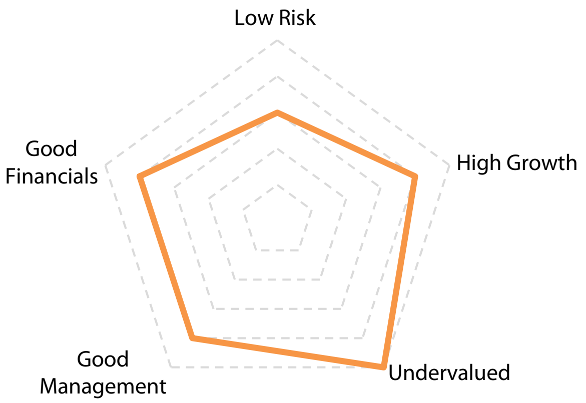
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	3,100.0	3,100.9	3,006.0	3,306.4	4,898.0
% growth YoY	53.1	0.0	-3.1	10.0	48.1
PAT	423.4	245.5	305.9	295.6	609.2
% growth YoY	203.8	-42.0	24.6	-3.4	106.1
ROA (%)	20.2	9.2	7.9	5.1	8.7
ROE (%)	63.9	22.0	17.8	13.2%	21.5
EPS (VND)	21,064	7,184	4,064	3,177	5,457
BV (VND)	42,977	38,056	26,033	29,846	37,703
Dividend (VND)	0	0	0	0	0
P/E	n/a	n/a	8.9	9.7	4.7
P/B	n/a	n/a	1.4	1.2	1.0

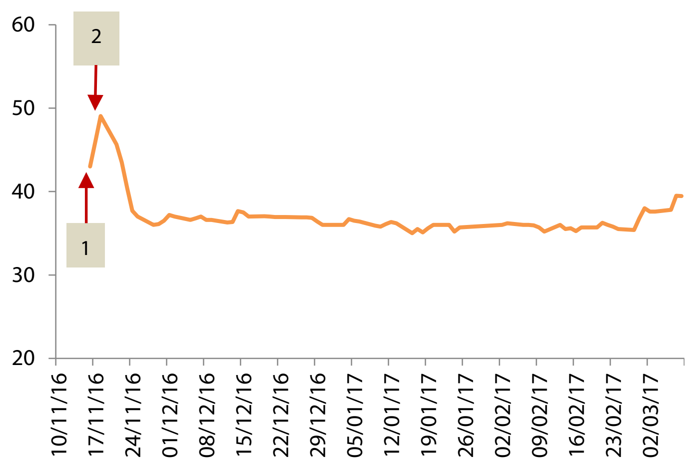
Company Overview



- Management board of PC1 is proactive in looking for investment opportunities, efficient competitive strategies and cost management.
- PC1 is pursuing an ambitous growth plan, which is accompanied by EPS dilution risk due to the increasing capital demand.
- Hydropower projects with the total capacity of 114MW coming into operation during 2017 and 2018 will contribute significantly to PC1's growth in the upcoming years.

Source: RongViet Research

Price Drivers



1. Market expecation in the initial period when PC1 is listed on HSX.
2. Selling pressure due to investors taking profits.

Source: Bloomberg, RongViet Research

STEEL INDUSTRY: EFFECTIVE TRADE MEASURES

Trinh Nguyen (trinh.nh@vdsc.com.vn)

The steel industry experienced a strong recovery during 2016. Domestic producers were able to experience remarkable financial growth following the negative impacts of cheaper Chinese steel flooding the market. The steel industry's growth drivers include the real estate market and the increased demand in construction. The demand in construction will persist throughout 2017, as construction contractors' backlogs are near their peaks. Moreover, Vietnamese steel makers are expected to expand their export markets to American or European countries. Companies in this industry will face challenges regarding input price movement and trade projections, and companies have to continue making efforts to maintain market share. The entire domestic industry needs to continuously reform itself in order to adapt to the globalized steel market.

Investment Opportunities

Construction demand growth is forecasted to peak in 2017. We project that civil and infrastructure construction growth will be 7% in 2017, reaching a 5 year high. This will strongly facilitate the continued growth of Vietnam's steel industry. Vietnam' steel consumption in 2016 was above 20 million tons, 12% higher than 2016. Vietnam's steel consumption per capita is equivalent to 220kg, which is considerably low by global standards. Since Vietnam is a developing country with significant investments in infrastructure, the country consequently has ample opportunity for its steel industry to deliver robust growth in the future. We forecast that steel demand will increase by 8% during 2017, achieving the same level of growth as construction demand.

The Vietnamese steel market is reducing its dependence on Chinese products. Vietnam imported approximately 3.6 million tons of scrap, over 1 million tons of billets, and another 16 million tons of final products from China in 2016 before trade measures took effect. Afterwards, countervailing and anti-dumping duties were imposed, which has improved the industry considerably:

1. Countervailing duties of 23.3% and 14.2% on billets and rebar imports since July 2016; this will be effective until 2020.
2. Temporary anti-dumping duties on GI/GL steel ranging from 4.02% to 38.34% on Chinese and Korean imports since September 2016.
3. Temporary measures on prepainted steel imports are expected to begin during Q1/2017, and the expected maximum duty is 40%.
4. Temporary measures on H-shaped steel imports are expected to begin during March 2017.

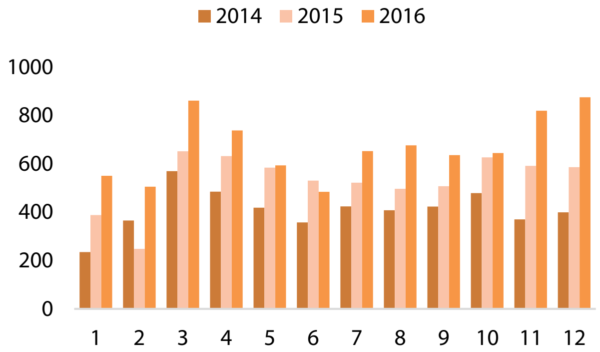
Therefore, domestic steel firms stand a chance to claim market shares from imports and to reduce dependency on China for inputs such as billets and wire rod.

The prices of global materials have been disturbing the stability of domestic steel prices, and consequently impacted company's profitability. The average long steel price is currently 17% higher YoY, which shows the trade policies' efficiency in boosting the industry performance amid the oversupply crisis of the Chinese steel sector. Moreover, steel prices are going to be supported by the input price hike occurring in 2016, boosting domestic production.

Risks

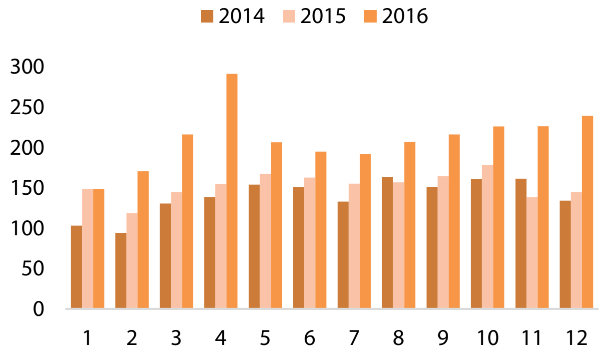
- Trade measures may not prolong in the long term. New steel mills equipped with incomplete production processes cannot sustain profitability, considering the highly volatile nature of input prices in the international market.
- Steel overcapacity remains an unresolved issue, putting pressure on the Vietnamese market as China continues dumping and protectionism activities.
- China's restructuring policies can cause unpredicted global input price fluctuations, which would also lead to volatility in steel firms' profits. After a sharp hike during 2016 because of China's production restrictions, major input prices are cooling down. This has helped in reducing the costs of sales while causing provisions and losses for inventory devaluation.

Figure 21: Monthly Sales Volume for Construction Steel (thousand tons)



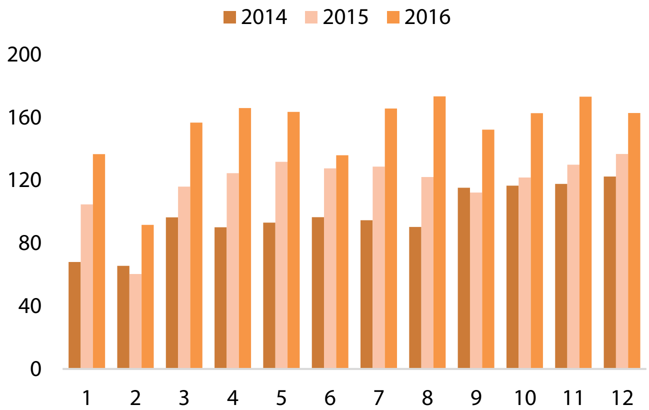
Source: VSA, RongViet Research

Figure 22: Monthly Sales Volume for Coated Steel (thousand tons)



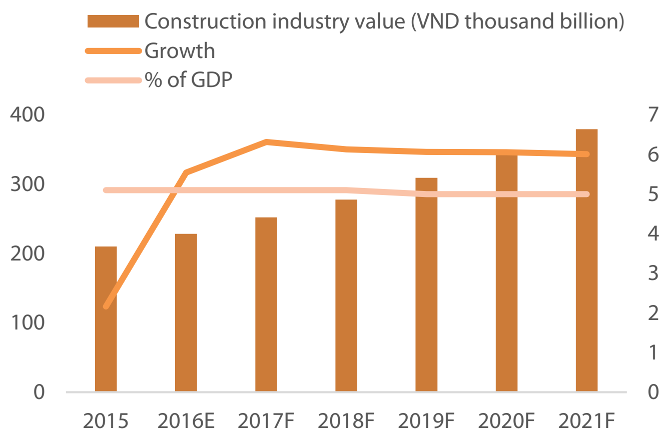
Source: VSA, RongViet Research

Figure 23: Monthly Sales Volume for Steel Pipe (thousand tons)



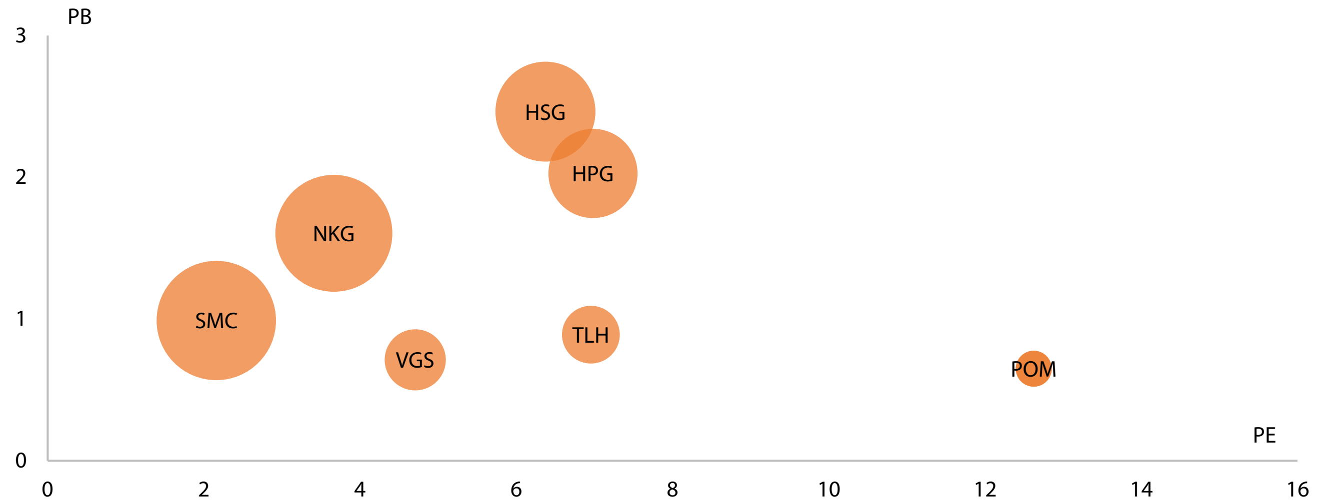
Source: VSA, RongViet Research

Figure 24: Construction Industry Value



Source: Ministry of Construction, RongViet Research

Figure 25: ROE, PE, PB of Steel Companies



Source: FiinPro, RongViet Research, Size of bubble: ROE

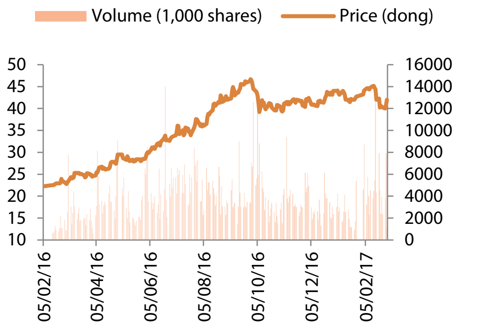
Beyond Expectations

BUY	+36%
CMP (VND)	40,000
Target price (VND)	54,400
Invesment period	Long-term

Company Description

Hoa Phat Group JSC (HPG-HSX) is a multi-sector company whose main businesses include steel making, furniture, refrigeration engineering, agriculture and real estate. The company's steelmaking capacity is two-million-tons, and HPG has been gradually able to take the largest market share in the construction steel segment, with 2016 volume of over 1.8 million tons. The company's operating efficiency is sufficient in all business sectors, and ROE has been over 20% for four consecutive years.

Price Performance



%	YTD	1M	3M	12M
HPG	-7.3	-4.8	-4.8	77.1
VNIndex	6.9	3.4	5.4	31.9

In spite of being affected by the rise of input prices, we expect that HPG will be able to maintain its top position in the steel industry in 2017. Thanks to the growing domestic demand and a solid market price level supported by the countervailing measures, HPG can ease the negative influence caused by soaring coking coal and iron ore prices. RongViet Research forecasts that HPG is capable of keeping is gross margin above 20% during the period of fluctuating input prices due to China's industry reforming activities.

Investment Rationales

- **HPG continues to be the largest domestic rebar producer with a capacity of over 2 million tons per year.** Minor improvements are being made at its steel complex to increase its output and efficiency.
- **HPG is carrying out several new plans to further expand its steel business** including selling billets to compete against imports, and taking advantage of the vacancy in Chinese producers due to the AD activities. HPG has also been focusing on exporting to North American markets and developing new steel products of various applications with the aim of replacing imports.
- **Global and domestic steel prices in 2017 should be very favorable for HPG**, as the coking coal price is cooling down while the domestic steel price is inclining.

2017 Forecast

- Sales Volume Growth for its Steel Business: 13%.
- Coking coal price: USD209 per ton.
- Domestic rebar price change: +20%.
- Gross margin: 23.49%.

Potential Catalysts

- Domestic steel prices might increase stronger than expected, extending the gross margin for HPG. If the rebar price exceeds VND12 Million per ton, HPG's profitability is likely to be higher than our estimates.
- The price of coking coal can further decrease, which would lower the company's cost of sales. If coking coal becomes cheaper than USD275 per ton, it can result in a higher gross margin and net profit for HPG.

Risks to Our Call

- Global input prices might be difficult to project, including imported iron ore and coking coal, which might raise HPG's exchange rate loss. Our worst case scenario includes USD350 and VND10.2 million for coking coal and domestic rebar price, which causes HPG's gross margin to drop to under 8%.
- The general meeting resolution of a 10:2 right issue if passed might create a negative market sentiment. Investors, especially those who do not exercise their rights, could feel disgruntled when their shares are diluted, while the stock price faces a downward pressure as a large amount of supply enters the market.

Stock Info

Sector	Basic materials
Market Cap (VND B)	36,365
Current Shares O/S	843
Beta	1.16
Free float (%)	48
52 week High	46,700
52 week Low	23,434
1 Month Avg. Volume (K)	5,134
Foreign Ownership (%)	35
State Ownership (%)	0

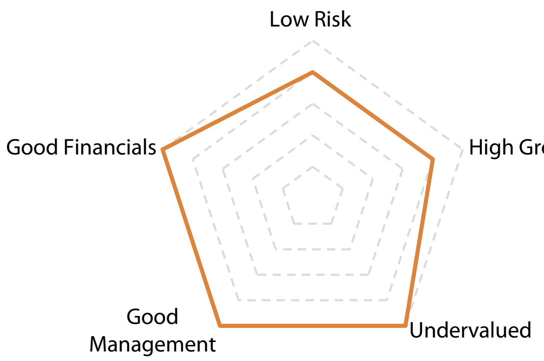
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	25,525.3	27,452.9	33,283.2	43,509.3	51,933.9
% growth YoY	34.8	7.6	21.2	30.7	19.4
PAT	3,144.3	3,485.5	6,601.8	7,475.6	7,801.9
% growth YoY	60.9	10.9	89.4	13.2	4.4
ROA (%)	13.9	14.6	22.5	18.1	16.6
ROE (%)	29.5	26.5	38.5	31.8	25.9
EPS (VND)	6,525	4,755	7,833	8,870	9,257
BV (VND)	24,478	19,706	23,429	32,251	26,156
Dividend (VND)	1,500	1,500	-	-	1,500
P/E	6.9	9.4	5.7	4.5	4.3
P/B	1.8	2.3	1.9	1.2	1.5

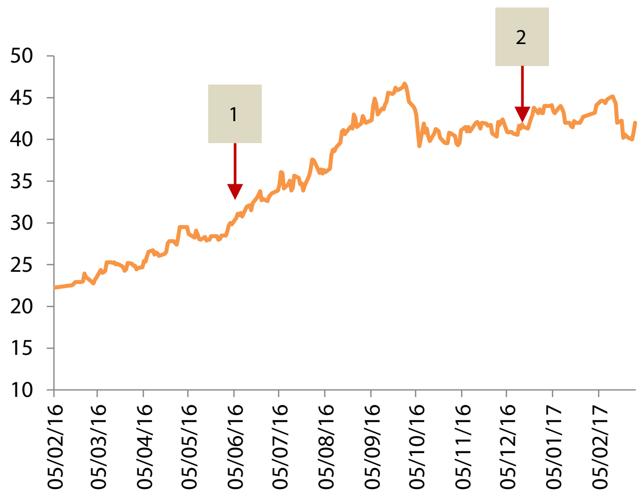
Company Overview



- An established position in both long and flat steel markets thanks to a well-developed production plant.
- Consistent and attractive dividend policy.
- Highly dependent on global steel prices for input.
- Minimum gearing unlike most other steel companies that have to depend on loans to expand capacities.

Source: RongViet Research

Price Drivers



1. Vietnam imposes anti-dumping duties on imported rebar and billets.
2. Quarterly business results.

Source: Bloomberg, RongViet Research

Robust Core Business

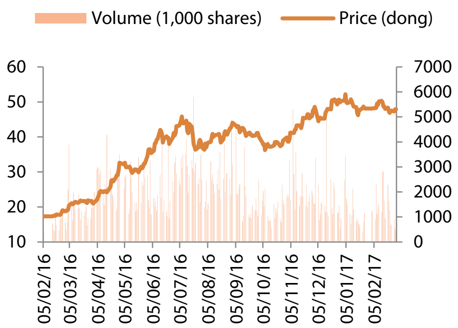
NEUTRAL	+9%
CMP (VND)	47,250
Target price (VND)	51,700
Invesment period	Intermediate-term

Company Description

Hoa Sen Group JSC (HSG- HSX) is the largest coated steel producer in the domestic market. The company's major product lines include coated steel, welded steel pipes and plastic pipe. The company has a total capacity of over 2 million tons per year. HSG is capable of retaining the highest position in terms of domestic market share for coated steel, while at the same time deriving around one third of its revenue from exporting activities.

HSG's main strengths include its national-wide retail network, global input price monitoring and inventory management, which enables the company to retain a prevailing profit margin compared to its domestic peers.

Price Performance



%	YTD	1M	3M	12M
HSG	-5.2	-0.9	3.9	178.7
VNIndex	6.9	3.4	5.4	31.9

While most steel companies have suffered from the rise of input prices, HSG stands out as one of the few companies that is able to retain steady efficiency in its production. The company plans to continue expanding its production capacity and distribution network, aiming at double digit growth during FY16-17. While the company has not yet implemented its steel complex project in Ca Na, HSG's cash flows and profitability are unlikely to be affected in the medium term. Moreover, the company's attractive dividend policy and an excessive cash holding are another benefit of investing in the stock.

Investment Rationales

- **HSG continues to be the largest domestic coated steel firm in terms of capacity.** HSG will be able to increase its total capacity by introducing several new lines of GI/GL, prepainting, welding and plastic pipe.
- **HSG focuses on the domestic market rather than exports** to make full use of the strong growth in demand, and it is the only domestic coated steel producer with an extensive retail system.
- **HSG can be flexible in pricing in order to maintain its strong gross margin.** Global steel prices might be in favour of Vietnamese companies in 2017, as HRC's price is going to cool down while the domestic coated steel price has remained stable.

2017 Forecast

- Steel sales volume growth: 28%.
- Average selling price growth: 14%.
- Gross margin: 19%, which is 4.36 percentage points lower than last year because the price of HRC is currently 80% higher than last year.

Potential Catalysts

- Input prices (HRC) might drop more, which will allow HSG to have a higher gross margin. A deeper fall than 7% might expand HSG's gross margin, assuming there is no change in its ASP.
- We anticipate that an antidumping duty is going to be imposed on prepainted coated steel imports, which is supportive news for Vietnamese producers.

Risks to Our Call

- Global input prices might be difficult to monitor, as price movements could be significantly different from our forecasts. For instance, if HRC price stays above USD500 per ton while the domestic sales price does not similarly increase, HSG's gross margin will decline.

Stock Info

Sector	Basic materials
Market Cap (VND B)	8,255
Current Shares O/S	197
Beta	1.39
Free float (%)	36
52 week High	52,198
52 week Low	20,443
1 Month Avg. Volume (K)	1,417
Foreign Ownership (%)	29
State Ownership (%)	0

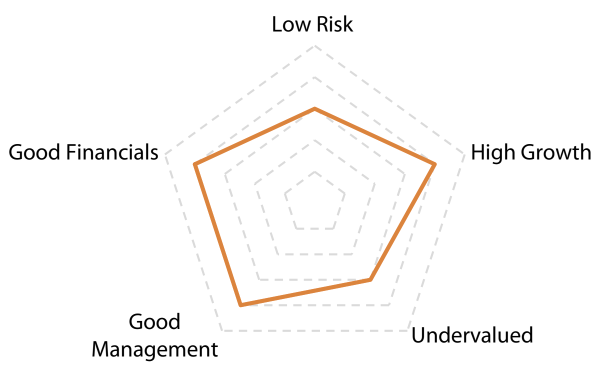
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	FY13-14	FY14-15	FY15-16	FY16-17F	FY17-18F
Revenue	16,106.6	16,945.3	19,739.1	26,004.2	30,581.0
% growth YoY	30.3	5.2	16.5	31.7	17.6
PAT	432.6	715.0	1,753.7	1,744.7	2,132.1
% growth YoY	-22.5	65.3	145.3	-0.5	22.2
ROA (%)	5.1	7.9	15.4	12.57	12.95
ROE (%)	18.0	25.0	44.9	36.7	34.4
EPS (VND)	4,292	5,258	6,865	8,256	10,089
BV (VND)	24,823	24,528	23,206	27,358	35,706
Dividend (VND)	1,500	1,500	2,500	2,500	2,500
P/E	11.9	9.7	5.7	5.7	4.7
P/B	2.1	2.1	2.2	1.7	1.3

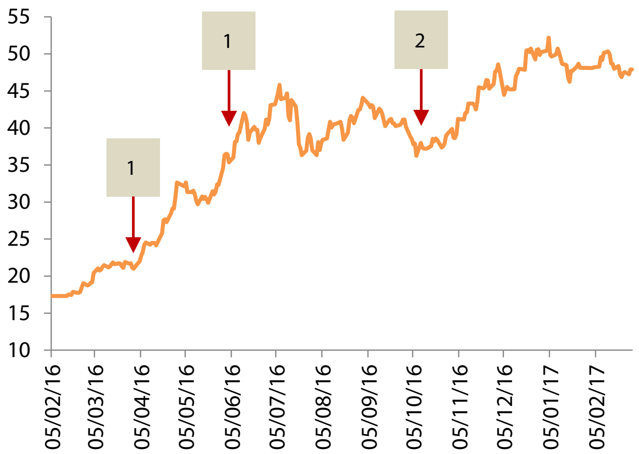
Company Overview



- The Vietnamese coated steel industry is a high growth business as companies can easily seek overseas sales.
- Consistent and attractive dividend policy. It should be noted HSG has started to lower its cash dividend while raising its stock dividend, due to its new steel project.
- High dependence on global steel prices for its inputs.
- High gearing because of extensive capacity investment.

Source: RongViet Research

Price Drivers



1. Quarterly Business Results.
2. Vietnam imposes anti-dumping duties on imported coated steel.

Source: Bloomberg, RongViet Research

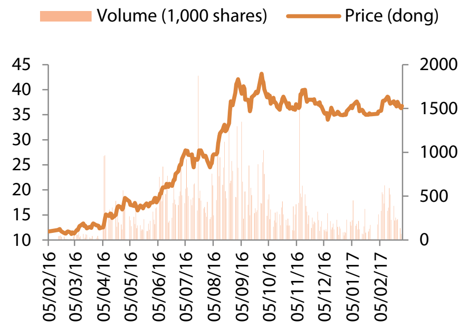
Elevating

BUY	**+26%**
CMP (VND)	36,500
Target price (VND)	46,110
Invesment period	Intermediate-term

Company Description

Nam Kim Steel JSC (NKG- HSX) is the second largest coated steel producer in the domestic market. The company is capable of making over 500,000 tons of coated steel and over 100,000 tons of steel pipe per year. Even though the company does not have an aggressive marketing campaign, Nam Kim Steel has been recognized as the second largest company in terms of its domestic market share, and is also well-known for its ability to export roughly half of its output.

Price Performance



%	YTD	1M	3M	12M
NKG	4.3	4.3	-3.9	214.7
VNIndex	6.9	3.4	5.4	31.9

NKG has been delivering radical changes in its internal business performance, regarding production, sales and financial strength. Moreover, the company has been taking advantage of countervailing measures against Chinese steel in both Vietnam and other export markets. NKG's efficiency and profitability have been advancing to a new level, and the company has been making rapid improvements in its financial strength.

Investment Rationales

- **The anti-dumping duties on imports support domestic producer's ability to replace Chinese steel.** NKG sells its products to wholesalers and retailers, and currently has the best chance of taking over the market share from Chinese exporters.
- **The company's new Nam Kim 3 plant will boost output sharply and NKG has restructured its debt in order to fund the construction.** Thus, NKG is likely to raise its interest coverage and to retain higher net income.
- **NKG will be able to capture a higher gross margin.** The ability to produce all of its CRC can make NKG's gross margin remain above other competitors of the same size.

2017 Forecast

- Sales volume growth: 65%.
- Gross margin: 11.0%, which is near the same level as 2016. This will result from the rise of the price of HRC and because of the company's two new cold-rolling lines.

Potential Catalysts

- Input price (HRC) might drop more strongly, resulting in a higher gross margin.
- Chinese steel could face more anti-dumping duties, leaving room for Vietnamese exports.

Risks to our Call

- Exports might be affected because of the possible new tariff and/or other trade measures.
- Global input prices might be difficult to monitor, and provisions and reversals could affect NKG's profitability.

Stock Info

Sector	Basic Materials
Market Cap (VND B)	2,311
Current Shares O/S	66
Beta	1.29
Free float (%)	25
52 week High	43,200
52 week Low	12,000
1 Month Avg. Volume (K)	333
Foreign Ownership (%)	28
State Ownership (%)	0

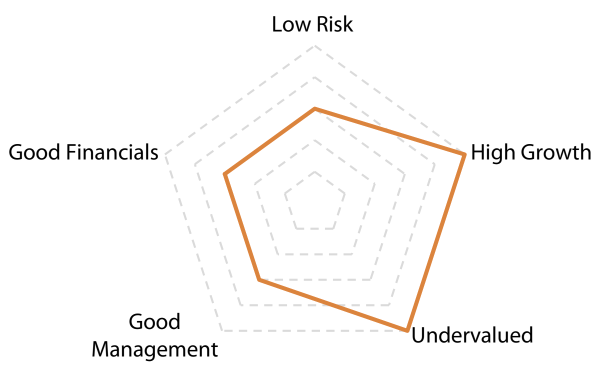
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	5,835.4	5,750.8	8,936.5	14,472.6	16,587.1
% growth YoY	25.1	-1.5	55.4	61.9	14.6
PAT	76.6	126.1	519.5	667.8	737.4
% growth YoY	47.8	64.5	312.1	28.5	10.4
ROA (%)	2.9	3.9	10.5	8.9	7.8
ROE (%)	18.3	22.0	46.8	35.0	28.3
EPS (VND)	1,921	2,786	7,868	9,203	10,162
BV (VND)	12,693	14,576	23,906	33,945	45,112
Dividend (VND)	-	-	-	-	-
P/E	19.7	13.6	4.8	4.0	3.6
P/B	3.0	2.6	1.6	1.1	0.8

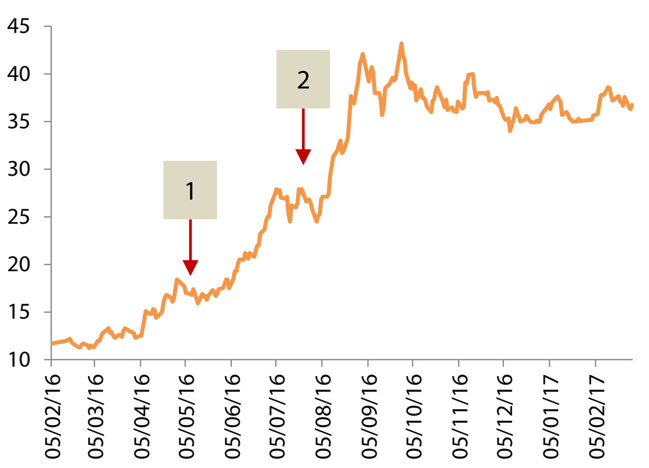
Company Overview



- The Vietnamese coated steel industry is a high growing segment, as companies can easily seek overseas sales.
- High dependence on global steel prices for inputs.
- High gearing because of extensive capacity investment.
- 25% dilution ratio because of the private placements made during 2016.

Source: RongViet Research

Price Drivers



1. Quarterly Business Result.
2. Antidumping on imported galvanized steel.

Source: Bloomberg, RongViet Research

INSURANCE: A SAFE INVESTMENT

Thien Bui (thien.bv@vdsc.com.vn)

We initially presented our outlook on the insurance sector for the first time in 2015, and we continue to give a positive rating for this sector. Insurers survived through tough times and began to recover from 2012, and followed through with double digit growth in 2014. ***Vietnam's insurance market is undeniably poised for rapid growth*** *thanks to the country's healthy economic growth, heavy investment in infrastructure and increased consumption of the private sector.*

The sharp rise in product sales has also significantly increased the capital available for reinvestment in the national economy*. Given that interest rates have had the tendency to bottom out since 2015 – 2016, financial institutions like insurers will benefit the most as they are prone to high asset allocation to fixed income instruments such as deposits and secured bonds.*

The rally of insurance stocks just began in 2014 and we believe the wave of this sector will continue. Conveniently, key players in the insurance space are all listed companies. Investors have many choices but we specifically like PGI, VNR and PVI, as we believe that these companies have significant catalysts ahead of them. We are also looking forward to another notable case, MIC – Military Insurance, which is another strong competitor that has not been listed yet.

Investment Opportunities

Strong Performers: Insurance was one of the fastest-growing sectors of the economy in 2016. Premium income climbed by 22.74%, reaching VND86 trillion. The life segment led sales, increasing by 34.6% and accounting for nearly 58% of total sales. Premium income in the non-life segment rose by 15.9%, marking a 5-year high. **According to the Insurance Association of Vietnam (IAV), the non-life insurance industry's growth will be more than 14% in 2016, and the life segment is poised to expand by 25%.**

Highly Potential market: At present, premiums stand at around 1.5% of GDP in Vietnam, compared to 3.8% in ASEAN. The low penetration of insurance relative to the size of Vietnamese market, which has a 60% youth generation, indicates **great potential for expansion**. Decision 193/QD-TTg targets premiums/GDP to reach 3% - 4% between 2016 and 2020.

New product supplies: Many products are in the development phases to **meet the new demands of the insurance market**, **diversify product concentration risks of insurers, and gradually narrow the insurance gap in Vietnam**. For example, insurance for public property has been suggested in a draft Law of Property, which requires that insurers must have owner's equity above VND600 billion and total assets above VND2,000 billion. So far, most of the listed companies in this industry including PVI, BVH, BMI, PGI, PTI and BIC are capable of participating in this new segment.

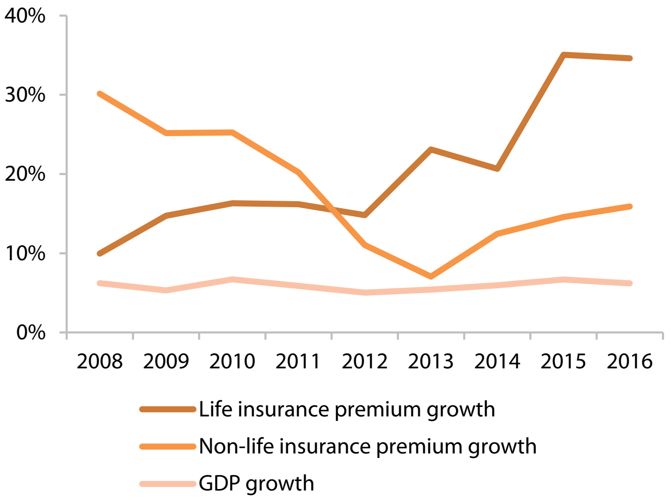
Foreign strategic partners: Non-life insurers are attractive in the eyes of international companies. **The market is not yet saturated**, so there is still room for foreign insurers. While the life segment currently allows for 100% foreign ownership, the non-life segment is still restricted. Besides, the non-life market is dominant by the "big 5", which holds a 60% market share. Therefore, **foreign insurers will continue to penetrate the market via strategic partnerships**. **Local non-life insurers will receive significant support from these strategic partner in areas such as product R&D, and IT systems. The stock prices have been impacted by the highly likelihood of this happening, as seen with** PTI and BIC's stock price doubling after these two companies finalized the deal with their new foreign shareholders. For this aspect, PGI is the only local insurer that does not have a strategic partner.

Earnings moderately improve on the back of higher interest rates. Given that interest rates have the tendency to be higher in 2017 on the expectation of higher inflation and depreciation of the VND, we believe that the financial income of insurers will moderately improve as insurers normally invest ~89% of their portfolios in fixed income instruments (deposits and secured bonds).

Risks

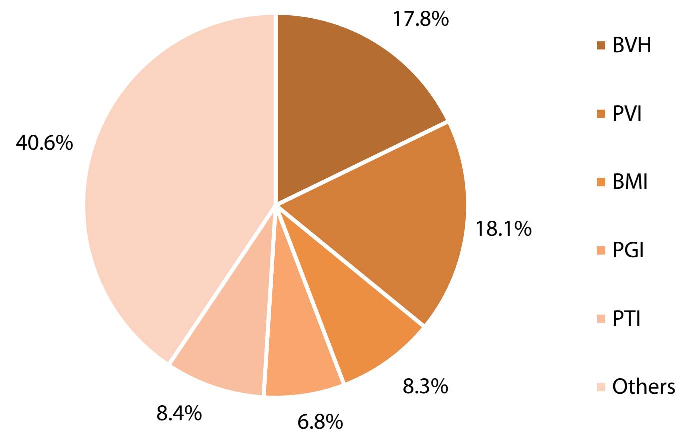
- **Fierce competition continues to intensify**. So far we have seen some minor decrease in terms of market share of the top 5 companies due to rising competition of other smaller players. The fierce competition could lead to unfair premium competition.
- **Insurance frauds remains unsolved**. As more people have access to insurance products, more insurance frauds will escalate. Though regulators have categorized insurance frauds in the criminal code, it will not vanish in the next few years.
- **Unexpected P&I (Protection & Indemnity) Payments**

Figure 26: Life and Non-Life Premium Written Growth vs. GDP Growth



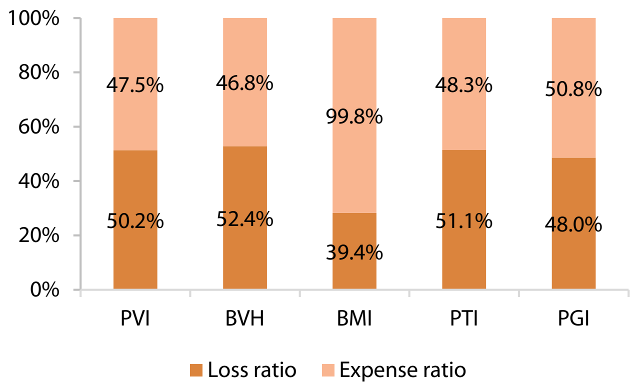
Source: ISA, RongViet Research

Figure 27: 2016 Non-life insurance Market Share



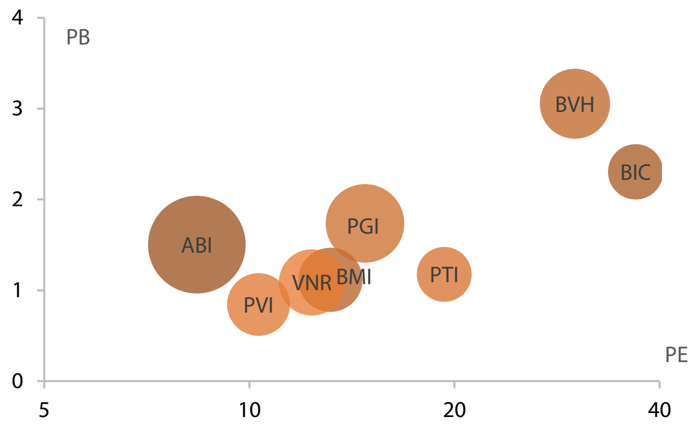
Source: ISA

Figure 28: Loss Ratio & Expense Ratio of Top 5 Insurers



Source: RongViet Research

Figure 29: P/E, P/B, ROE of Listed insurers



Source: Fiinpro, RongViet Research, Size of bubble: ROE

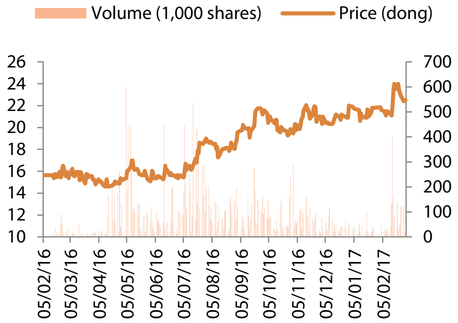
In Search of a Breakthrough

ACCUMULATE	+11%
CMP (VND)	22,400
Target price (VND)	24,700
Investment period	Long-term

Company Description

PJICO Insurance Corporation (PGI – HSX) was established in 1995 and listed on the HSX in 2011. PGI is currently one of the top 5 non-life insurers, holding a 6.8% market share in terms of gross premiums. Like other non-life insurers in Vietnam, PGI provides 4 major insurance services, which include motor vehicle, health and personal accident, technical property and marine insurance.

Price Performance



%	YTD	1M	3M	12M
PGI	10.8	6.7	11.8	77.1
VNIndex	6.9	3.4	5.4	31.9

Though the insurance sector started to recover since 2012, PGI just began to experience double-digit growth in 2015 and 2016. While the total gross premium of the whole market increased ~17% from 2014 – 2016, PGI only experienced moderate growth of around 12.1%. This explains why the company lost its 4th position in the market to PTI during the middle of 2015. In spite of its slower growth momentum, PGI is well-known for its decent risk and investment management, which is a typical requirement for investors who are interested in an insurance company.

Investment Rationales

- **Positive prospects for the insurance market**: Vietnam's nonlife insurance market is poised for rapid growth thanks to the country's healthy economic growth, heavy investment in infrastructure and expanding middle and affluent class.
- **PGI continued to recover and expand since 2012**, and has been able to increase its gross premium, decrease its loss ratio, and to keep its expense ratio stable.
- **It is likely that interest rates will increase after bottoming out in 2016**; therefore, PGI can earn higher investment income as 89% of its portfolio is deposits.
- **PGI is looking for foreign strategic partners via a private issuance.** The appearance of strategic partner and its new capital increasing will help PGI strengthen its financial health, approach more valuable insurance contracts and enhance its investment activities.

2017 Forecast

- We forecast that its gross premium will increase by 11.5% thanks to a major increase in (1) motor vehicles, as PGI is put on the shortlist of THACO and Toyota and (2) personal health & accident insurance via the online channel.
- We project that its loss ratio will increase to 48.0% as we think hull and P&I insurance will face more risks in 2017 due to La Nina, while its expense ratio will be controlled at around 50.8%; this will result in a combined ratio of 98.8%.
- Catastrophe reserves will remain stable at 2% of net earned premium.
- Its investment activities will reach a return of 6.6% as PGI will start to allocate around 5% of invested capital to an investment trust.
- We project that the company's PAT will reach VND129.5 billion; thus 2017 EPS will be VND1,825; 2 one-off profits from selling SAB (VND27 billion) and VIP (VND17.5 billion) will boost the PAT to VND158.6 billion, which generates an EPS of VND2,333.

Potential Catalysts

- Successful private issuance at a premium price; news of interest rates increasing. New products launching (public property insurance).

Risks to Our Call

- Loss ratio increasing substantially. Hull and P&I insurance is the second largest segment of PGI, which is very vulnerable to weather conditions such as La Nina.
- Private issuance fails and the company has to extend the process to look for other strategic partners.

Stock Info

Sector	Insurance
Market Cap (VND B)	1,554
Current Shares O/S	71
Beta	0.92
Free float (%)	26
52 week High	24,000
52 week Low	14,601
1 Month Avg. Volume (K)	49,707
Foreign Ownership (%)	2
State Ownership (%)	57

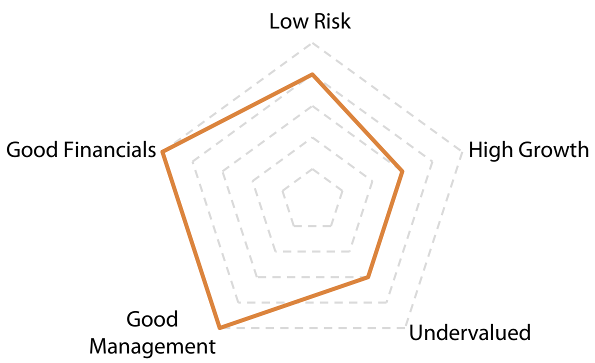
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	1,745.4	1,896.0	2,067.3	2,279.5	2,581.2
% growth YoY	-0.4	8.6	9.0	10.3	13.2
PAT	88.2	93.1	106.8	159.0	137.0
% growth YoY	34.0	6.0	15.0	48,5	-13,5
ROA (%)	2.9	2.5	3.0	3.3	2.6
ROE (%)	10.5	11.2	12.0	16.6	13.3
EPS (VND)	1,243	1,111	1,505	2,333	1,933
BV (VND)	12,058	11,271	12,897	14,072	15,029
Dividend (VND)	1,300	1,400	1,000	1,000	1,000
P/E	17.3	19.3	14.3	9.3	10.7
P/B	1.8	1.9	1.7	1.5	1.4

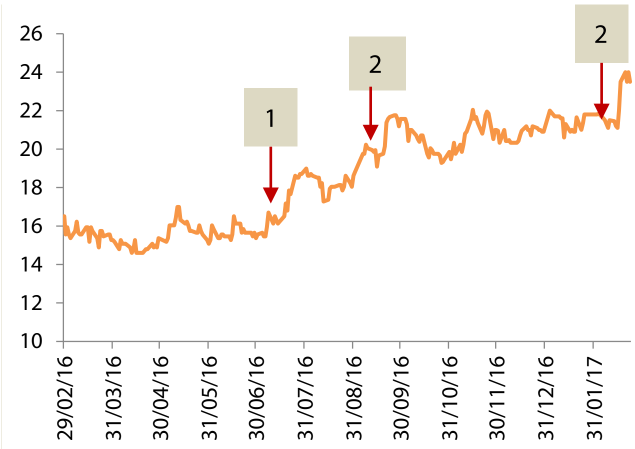
Company Overview



- Long-term growth is positive, which is in line with the insurance market as a whole.
- BoD is step by step improving efficient of the company, proven by stable expense and loss ratios.
- Safe investment activity when most of the portfolio is allocated to deposit and secured bonds while equity investing is limited and delegated to wealth management firms.
- Healthy financial strength enables PGI to participate in new products, which can later lower the risk of product mix.

Source: RongViet Research

Price Drivers



1. FOL lifting rumor.
2. Private issuance rumor.

Source: Bloomberg, RongViet Research

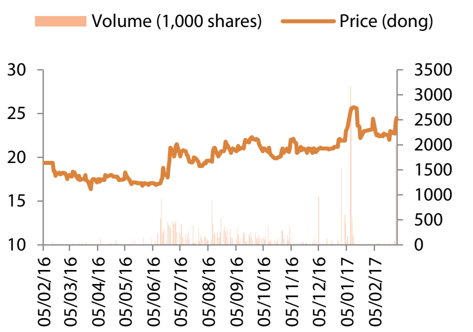
Intersection of Vietnam and the Global Insurance Market

ACCUMULATE	+21%
CMP (VND)	22,600
Target price (VND)	27,300
Investment period	Long-term

Company Description

Vietnam National Reinsurance Corporation is the biggest reinsurer in Vietnam's insurance market. The company was established in 1994. After raising charter capital 6 times, VNR is currently the third largest company in the insurance sector after PVI and BVH. VNR currently holds approximately 55% of the market share for inward reinsurance premium.

Price Performance



%	YTD	1M	3M	12M
VNR	6.7	-12.8	9.3	22.1
VN-Index	6.9	3.4	5.4	31.9

VNR is the only insurer that has transactions with the rest of the 29 non-life insurance companies in Vietnam. Thanks to its long-term relationship with other companies in the insurance sector, VNR has a large database to use for calculating risks and premiums of many insurance products. Moreover, VNR serves as a bridge connecting Vietnam insurers with the international market thanks to its two well-known shareholders, namely Munich Re and Swiss Re. These two companies are among two of the largest reinsurance enterprises in the world.

Investment Rationales

- **Positive prospects for the insurance market:** Vietnam's nonlife insurance market is poised for rapid growth thanks to the country's healthy economic growth, heavy investment in infrastructure and expanding middle and affluent class
- **The Insurance market will begin to have more complicated products** and nonlife insurers with have to use reinsurance from other larger firms such as VNR and global insurers.
- **Flexible but safe investment management enables VNR to minimize interest rate risks.** Unlike other companies, VNR is more flexible in its asset allocation. 75% of its invested capital is allocated to fixed income compared to the average of 88% for the insurance industry; the rest is allocated to investment trusts and investment in other entities, which gain better returns than fixed income instruments (deposit and secured bonds).
- **The BVPS is undervalued.** After Revaluating 3 listed entities (PGI, PTI, ABI) that VNR is investing in and the investment in Samsung Vina, the BVPS of VNR will increase by VND2,221, 10.7% higher than its current BVPS.
- Though actively investing in multi-assets, VNR still puts a high weight in fixed income that will benefit from interest rates bottoming out since 2016.

2017 Forecast

- Inward reinsurance premiums will increase by 8.34% on the back of (1) 10% growth in fire & explosion insurance due to increasing attention to this product after many accidents happened in apartments last year (2) 17% growth of miscellaneous products, which is equal to the industry growth rate.
- Loss ratio will be 58.3% while the expense ratio can be controlled at 38.3%, as there aren't any policy changes in cost management of VNR.
- We expect that its investment return will reach 7% as the company will increase its allocation to investment trusts.
- PBT and PAT for FY2017 will be VND337 billion and VND281 billion respectively, giving the company an EPS of VND2,140.

Potential Catalysts

- VNR realizes a return from selling PGI because cross-ownership is not allowed. Assuming that VNR can sell PGI at our fair value for this stock (VND24,900/share) the company can earn VND96 billion. The PAT can surge to VND360 billion, generating EPS of VND2,750.
- SCIC divestment rumor.

Risks to Our Call

- Unexpected surges in indemnity payments.
- Low liquidity makes the stock price more volatile.

Stock Info

Sector	Insurance
Market Cap (VND B)	2,779
Current Shares O/S	131
Beta	-0.20
Free float (%)	33
52 week High	25,700
52 week Low	16,370
1 Month Avg. Volume (K)	13
Foreign Ownership (%)	30
State Ownership (%)	40

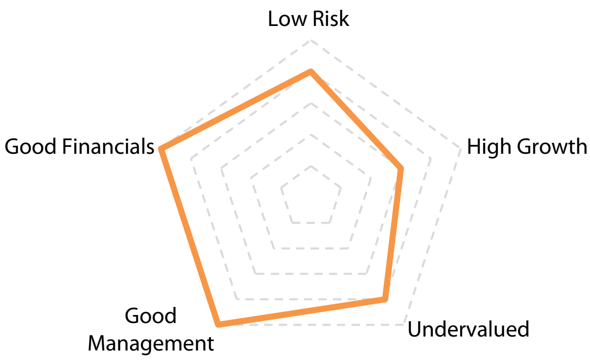
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	901.8	991.8	964.5	1,139.2	1,188.0
% growth YoY	16.6	10.0	-2.8	18.1	4.3
PAT	334.5	242.6	239.8	280.5	319.8
% growth YoY	11	-28	-1	17	14
ROA (%)	5.4	3.9	4	4.2	4.4
ROE (%)	13.1	9.1	9	10.1	10.9
EPS (VND)	2,554	1,802	1,829	2,140	2,439
BV (VND)	20,439	20,011	20,789	21,789	23,007
Dividend (VND)	1.000	1.500	1.500	1.100	1.200
P/E	9.6	13.5	13.3	7.5	6.6
P/B	1.2	1.2	1.2	1.0	1.0

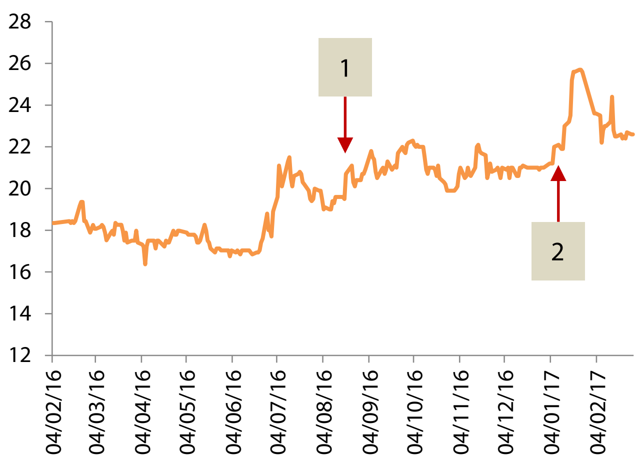
Company Overview



- Biggest reinsurer that has connections with all of the insurers in Vietnam and is the "gateway" for outward reinsurance premium passed to international markets.
- Long-term growth is positive, which is in line with the insurance market as a whole.
- BoD is gradually improving the efficiency of the company, proven by its stable expense and loss ratios.
- Flexible and safe investments.

Source: RongViet Research

Price Drivers



1. All insurance stocks rallied.
2. Information on Bao Viet Fund registration to buy 8 million shares of VNR.

Source: Bloomberg, RongViet Research

SEAPORTS: POSITIVE LONG-TERM PROSPECTS

Hoang Nguyen (hoang.nh@vdsc.com.vn)

Vietnam has been a bright spot globally, as its trade activity continued on a positive growth track amid the struggles experienced by its main trade partners. The seaport sector was a direct beneficiary of this, as 2016 throughput grew by 10% YoY. Efforts initiated by northern provinces to attract FDI projects in recent years is making container throughput distribution more balanced with the South. As a result of the anticipated overall cargo growth, we expect Vietnam's seaport operators to experience a strong divergence in business performance depending on geography, port locations, surrounding public infrastructure and clientele policies.

Investment Opportunities

Northern Seaports

Fiercer competition negatively affected Hai Phong seaport operators' 2016 results. The intense competition came from rising port supply (VipGreen port joined in late 2015), lower than expected cargo growth and a decline in frozen food cargo. The source of frozen food cargo, the extraordinary factor in 2015, is becoming more unpredictable and could decrease in upcoming years. This would happen because Chinese cargo owners no longer find it cost effective to transport the cargo to China mainland through the Vietnamese port in Hai Phong after the MOT tightened the truckload control.

We anticipate a strong divergence for Hai Phong Seaport Operators. Seaports located downstream in DinhVu peninsula hold the following advantages: (1) deeper water depth and wide water surface before the port, which is suitable for large container vessels (2) no restrictions for height clearance limits after the Bach Dang bridge is completed and (3) benefits from cargo moved from upstream ports. We expect seaport's profit margins to face challenges since the performance of shipping lines is struggling. Incremental cargo growth from FDI projects needs time to come into production and seaports need to upgrade port infrastructure to serve larger vessel trend.

Preferential foreign investment policies and fast improving infrastructure are attracting a large inflow of FDI. The completion of big projects such Ha Noi – Hai Phong expressway, Highway 5 maintenance, Tan Vu – Lach Huyen bridge, and Dinh Vu IZ are facilitating the movement of goods and trade flow. Statistics from FIA showed that the Northern provinces contributed to 20-25% of the average annual USD20 billion registered FDI to Vietnam. This region's proximity to Northern Asian trade partners (including China, Korea and Japan) makes it a very favorable FDI destination, especially since China and Korea want to take the advantage of low operating costs and streamlined tariff regimes with markets Vietnam signed FTAs with.

Therefore, investors who are interested in looking for opportunities in seaport stocks should pick stocks having these criteria: (1) port location in Cam river downstream (specially Dinh Vu peninsula), (2) room to handle additional cargo and (3) preserved land bank after port facility (Depot, ICD) so that it can avoid congestion and increase productivity of the main port and (4) flexible client policy.

Southern Seaports

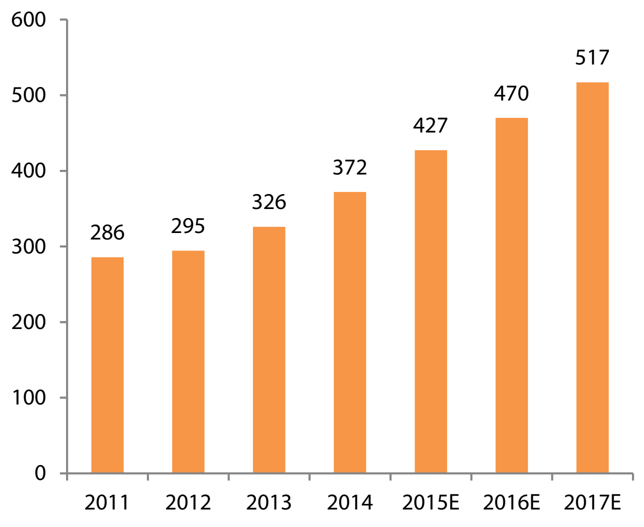
HCMC is becoming increasingly congested and requires a long-term plan for Cat Lai port. The port, handling 2/3 of the container volume in the South, saw 2016 throughput grow by 8%YoY in 2016. Given this pace, Cat Lai port would soon surpass its 2020 target by 50% right in 2017. In fact, the current HCMC public infrastructure is struggling to cope with rising cargo export/import activities from adjacent FDI led manufacturing hubs. The solution, including online customs procedure and building overfly bridges and tunnels (My Thuy intersection, Cat Lai bridge, ring road 3), could only relieve the short-term traffic congestion. The gradual relocation of cargo to Cai Mep seems to be a long-term solution, considering the high pace of HCMC urbanization. If so, ports located further upstream Dong Nai and Saigon river such as Cat Lai, Dong Nai, Binh Duong and VICT will be a good collection point for sending goods by barge to Cai Mep port for export.

This presents Ports in Cai Mep area with opportunities to improve its operational utilization. We believe that companies could save up to USD200/container and 3 voyage days when exporting/importing directly to Europe and America via Cai Mep. The volume of cargo barged to Cai Mep increased the overall utilization of ports in this area to 30% from 20% in 2015. Despite utilization still being low, cargo volume prospects heading to Cai Mep look more positive, which helps port operators to reduce losses from previous years and to maintain operations. In the long-run, reducing land banks to develop industrial zones in Binh Duong and Dong Nai would push FDI investments toward Ba Ria-Vung Tau and hence create a sustainable course of cargo for Cai Mep port cluster.

Risks

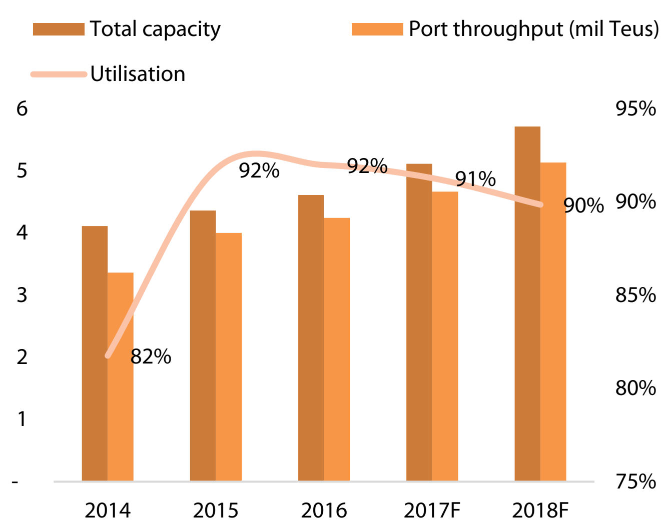
- Increasing trade protection from Vietnam's major export markets like America and Europe slows down trade activity.
- Prolonged vessel oversupply dampens vessel lines' health and hence seaport handling rate suffers.

Figure 30: Vietnam Seaport Throughput (million Tons)



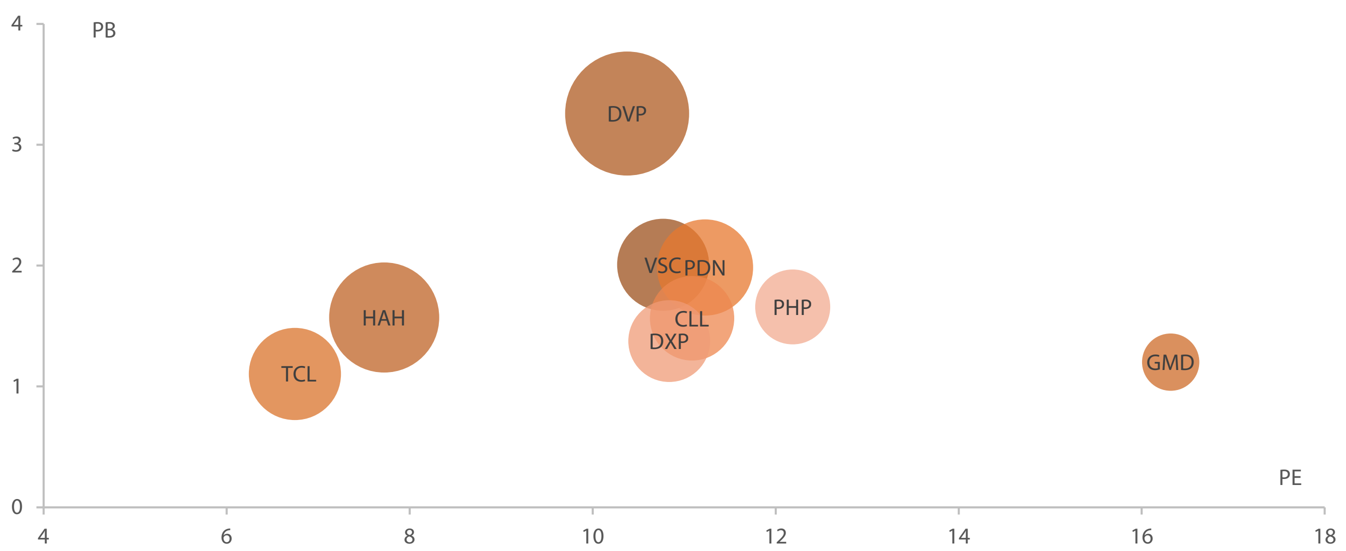
Source: Vinamarine, RongViet Research

Figure 31: Seaport Supply vs Demand in Hai Phong



Source: RongViet Research forecast

Figure 32: PE, PB, ROE of some listed companies



Source: Fiinpro, RongViet Research, Size of bubble: ROE

AIRPORTS CORPORATION OF VIETNAM JSC — Bloomberg: ACV VN

Strong Mid-Term Growth Prospects

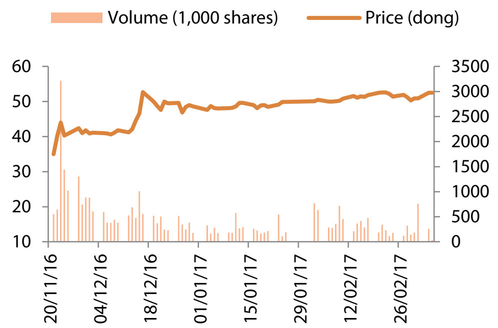
BUY	+31%
CMP (VND)	51,200
Target Price (VND)	67,000
Investment Period	Long-term

Company Description

ACV owns and operates 22 airports in Vietnam with total chartered capital of VND21.8 trillion. The firm's main source of revenue comes from (1) aeronatutical services, (2) non-aeronautical services and (3) retailing. The company's aeronautical services makes up 80% total revnue.

Air travel demand in Vietnam will experience significant growth driven by rising incomes and FDI actitvity faciliated by FTAs taking effect. However, the question of how to finance big projetcs to cope with the rise in passengers is a significant concern. We expect that the firm will need to raise a significant amount of capital to support its expansion at current airports and Long Thanh mega airport projetcs.

Price Performance



%	YTD	1M	3M	12M
ACV	5.3	4.3	46.3	n/a
VNIndex	6.9	3.4	5.4	31.9

ACV manages 22 commercial airports in Vietnam. The busiest airport hubs in Vietnam, including Ho Chi Minh, Hanoi, Da Nang and Phu Quoc have received strong passenger growth of 20% per annum in recent years. Fast rising demand for flights has resulted in the current airport infrastructure beginning to be strained and require immediate expansion. The IPO of ACV is one of the measures taken by the government to facilitate transparency and the other large investments in the coming years.

Investment Rationales

- **ACV has a monopoly position in operating 22 commercial airports in Vietnam.** Its airport capacity served approximately 82 million passengers at the end of 2016, and this could expand to 132 million in 2020. Vietnam's favorable geography creates a highly potential domestic air transport market.
- **We expect that air travel demand will experience strong growth** thanks to: (1) rising incomes, (2) Vietnam's economy becoming more integrated and (3) fast expansion of budget airlines. ACV experienced 16.5% CAGR in passenger during 2012-2016. Moreover, domestic passenger growth has been increasing by 20% annually since Vietjet joined the market from late 2011.
- **Expansion projects promise to add 20 million passenger capacity for ACV by 2018.** Therefore, in the short-term, its busy hubs with high utilization rates are still able to accommodate passenger growth rate of 20%-25%/year.
- **Abundant room for efficiency and profitability improvement in the long-term.** This resulted from (1) low income levels of the Vietnamese population, (2) ACV's proposal to increase its aeronautical fee regime to cover large investment costs, and (3) ineffective exploitation of non-aeronautical facilities relative to its regional peers.

2017 Forecast

- We project that revenue and EBIT (mother firm) will grow at 16%YoY and 29%YoY, assuming that there is 19% YoY passenger growth and aircraft landing growth of 15.5% YoY.
- In the best case, the firm could record 45% YoY growth in EBIT from 25% YoY and 27% YoY growth in passengers and landing/takeoff, respectively.

Potential Catalysts

- Depreciating JPY versus VND giving ACV a large unrealized FX gain.
- Approval of new aeronautical fees.

Risks to Our Call

- Lower than expected growth in passengers.

Stock Info

Sector	Industrial Transportation
Market Cap (VND B)	112,214
Current Shares O/S	2,177
Beta	0.90
Free float (%)	2
52 week High	52,700
52 week Low	35,000
1 Month Avg. Volume (K)	344
Foreign Ownership (%)	3
State Ownership (%)	95

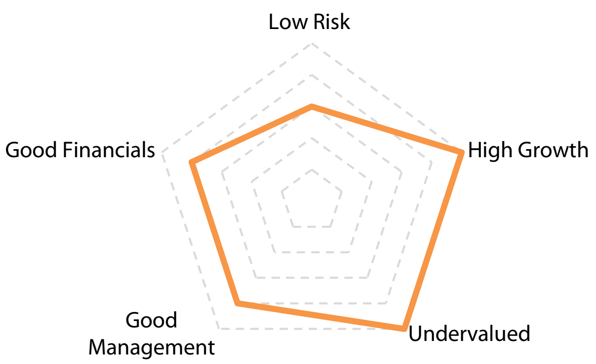
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	10,554.7	13,172.8	13,471.0	15,659.0	18,341.0
% growth YoY	10.5	24.8	2.3	16.2	17.1
PAT	2,632.2	1,712.2	3,583.0	4,940.0	6,238.0
% growth YoY	14.6	-34.9	109.3	37.9	26.3
ROA (%)	6.7	3.9	0.0	10.3	12.3
ROE (%)	14.1	8.3	0.0	16.8	18.7
EPS (VND)	1,617	1,002	1,597	2,202	2,780
BV (VND)	12,081	11,601	11,936	13,097	14,851
Dividend (VND)	-	-	500	500	500
P/E	31.9	51.5	31.6	23.3	18.4
P/B	4.3	4.4	4.4	3.9	3.4

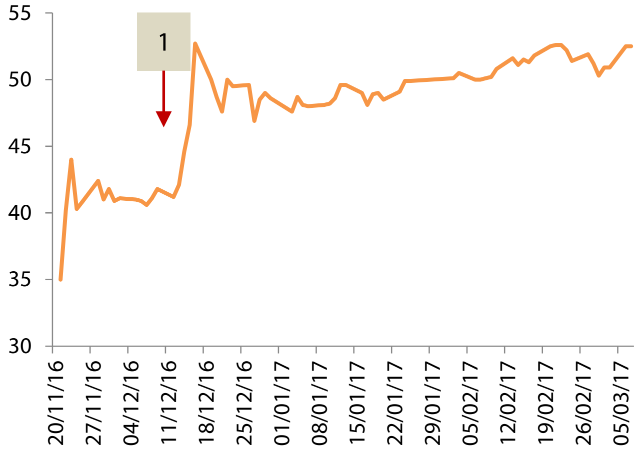
Company Overview



- Air travel demand is rising fast especially in emerging economies such as Vietnam. IATA predicted that Vietnam's aviation sector will grow 7.3% annually on average between 2016-2035 making it the 7th fastest growing aviation market.
- The company has solid financial health along with its strong cash flow of nearly VND5,000 billion/year. The company also has up to 30 years for loans payment.
- The privatization strategy of Vietnam's government regarding public investment may compromise and ACV may have to share its monopoly position in the long run.

Source: RongViet Research

Price Drivers



1. Strong airport passenger growth readings quarterly or investment divestment information.

Source: Bloomberg, RongViet Research

DA NANG PORT JSC — Bloomberg: CDN VN

A Beneficiary of FDI Inflows to Central Vietnam

NEUTRAL	+9%
CMP (VND)	24,900
Target price (VND)	27,200
Investment period	Intermediate-term

Over the past 4 years, CDN has witnessed significant increases in its throughput, and the number of its containers rose by 20-22% annually. Due to the low base of infrastructure and low competition, FDI will significantly improve the business environment of the area. This will be the main growth driver for Da Nang's throughputs.

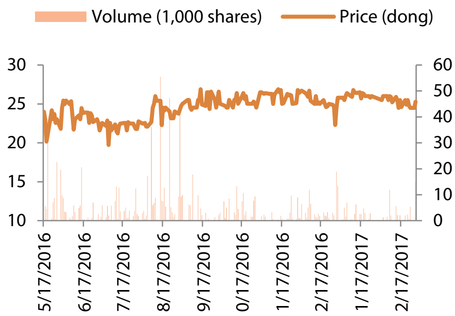
Company Description

Da Nang Port JSC (CDN – HNX) is one of the largest port operators in central Vietnam, handling the most antique ports in this area. Da Nang port is safe for vessels to anchor for the whole year thanks to its location in Da Nang Bay with little wind exposure and a 450-meter breakwater. In addition, the port's water depth also ensures its ability to handle large ships.

CDN is currently focusing on container handling as more than 60% of its total throughput is containers, and we believe that this figure will continue to rise in line with the global growth trends. Moreover, CDN also benefits from Da Nang's policies to improve its tourism industry, as it is a cruise operator.

Vinaline is CDN's largest stakeholder at the moment, holding 75% of its shares.

Price Performance



%	YTD	1M	3M	12M
CDN	3.2	-3.4	-2.7	n/a
VNIndex	6.9	3.4	5.4	31.9

Investment Rationales

- **Competition in the container handling sector remains low in central Vietnam.** While the majority of the ports in this area focus on bulk cargo, CDN will be the key beneficiary from the rise of container volume, as a result of its infrastructure and the 2nd phase of Tien Sa Port. However, the completion of Lien Chieu Port in 2022 may increase competition in this area.
- **The second phase of Tien Sa port will be the most significant driver of volume growth in the long run.** The VND900 billion project, which will begin operating around mid-2018, will double CDN's capacity and ensure its ability to meet the market demand due to the strong growth of throughput. We believe that the growth in throughput in Da Nang will be between 15% - 20%.
- **There is still plenty of room for growth for the cruise sector.** The number of foreign tourists visiting Da Nang is expected to grow by 15-20% annually, and 1/10 of these tourist traveled by sea; most tourist come from China. CDN is poised to benefit from the state's policies to assist tourism in Vietnam, and also benefits geographically due to the attractiveness of beaches in Da Nang.
- **The company's gross profit margin will undergo significant improvements as it completes the restructuring of its port operations.** The current direct labor cost of CDN is 25%, while the costs for VSC and HAH is around 15-17%. Therefore, CDN can still be relatively more profitable as it invests in modern equipment and undergoes restructuring.

2017 Forecast

- We project that its throughput volume in 2017 will reach up to 8 billion metric tons, contributing VND480 billion to its total revenue from cargo handling; 80% of this will come from handling containers.
- We project that its NPAT will grow by 21% YoY, excluding extraordinary profits from its divestments.
- CDN may only use its cash and debt to back up its new projects, thanks to its current financial health. However, in the event that CDN issues new shares, shareholder's interest will be strongly affected in 2017 and 2018.

Potential Catalysts

- Maritime industry recovery, which will help in raising cargo handling charges.
- Industrial zone construction and expansion projects in the area.
- International events to attract tourists to Da Nang.

Risks to Our Call

- Lower growth of actual throughput in central Vietnam.
- More big players may join the port market in this area.

Stock Info	
Sector	Industrial Transportation
Market Cap (VND B)	1,643
Current Shares O/S	66
Beta	0.31
Free float (%)	13
52 Week High	28,320
52 Week Low	19,725
1 Month Avg. Volume (K)	2
Foreign Ownership (%)	0
State Ownership (%)	75

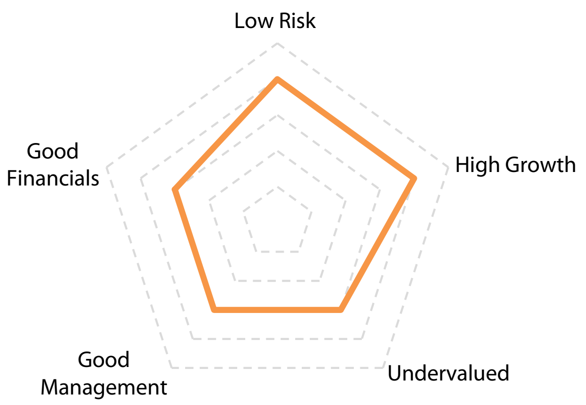
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	**2014**	**2015**	**2016**	**2017F**	**2018F**
Revenue	n/a	573.2	553.3	642.0	815.0
% growth YoY	n/a	n/a	3.5	16.0	26.9
PAT	n/a	125.0	127.0	139.0	145.4
% growth YoY	n/a	n/a	1.9	9.1	4.3
ROA (%)	n/a	12.5	12.5	11.9	10.5
ROE (%)	n/a	16.5	15.6	16.3	15.7
EPS (VND)	n/a	1,748	1,776	1,943	2,029
BV (VND)	n/a	11,772	12,415	13,472	14,669
Dividend (VND)	n/a	700	1,000	1,000	1,000
P/E	n/a	13.7	13.5	12.0	12.0
P/B	n/a	2.2	2.1	1.9	1.7

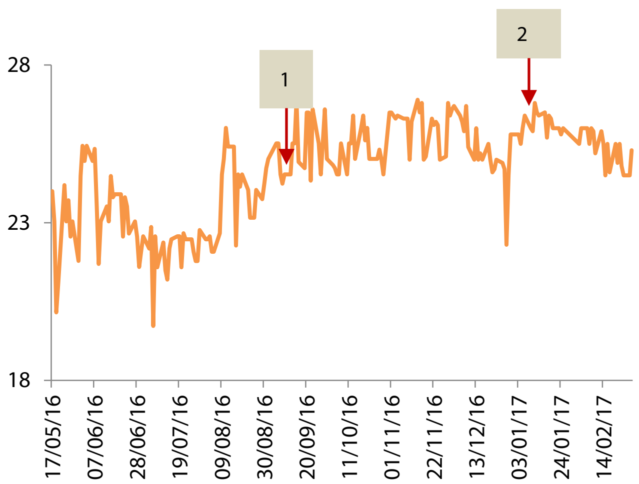
Company Overview



- Due to the low base of infrastructure and low competition, FDI will significantly improve the business environment of the area. CDN is one of the most dominant companies involved in the container handling market in central Vietnam, with the majority of its throughput volumes coming from Da Nang and Quang Nam, while the rest comes from Central highlands, Cambodia and Laos.
- The company's strong cash flow and high volume of throughput will support the feasibility of its new projects. Financial expenses will increase from 2018 because of the new debts for this project's financing.
- Corporate governance and its restructuring plan need to be conducted to improve the number of CND's clients, as well as its productivity.

Source: RongViet Research

Price Drivers



1. Dividend.
2. Quarterly business results.

Source: Bloomberg, RongViet Research

High Growth Pioneer In Vietnam's Logistics Industry

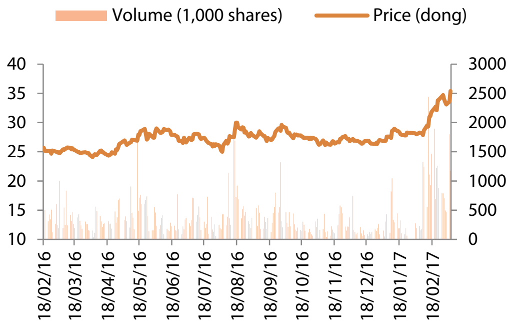
NEUTRAL	-5%
CMP (VND)	34,700
Target Price (VND)	33,000
Investment Period	Intermediate-term

Company Description

Gemadept operates an integrated logistics services chain (trucking fleet, warehousing and seaport) in some of the most strategic trading points in Vietnam. The firm's core business has seen resilient growth driven by the efficient performance of its seaports in Hai Phong.

The firm's management has been active in the acquisition and merger of its logistics facilities to sustain future growth. Given this position, we believe that GMD's business will continue to flourish amid rising logistics demand in the coming years.

Price Performance



%	YTD	1M	3M	12M
GMD	28.5	24.8	30.0	35.8
VNIndex	6.9	3.4	5.4	31.9

GMD is considered to be Vietnam's leading logistics and seaport services provider. The firm creates its own competitiveness through its integrated supply chain across Vietnam (trucking fleet, warehousing and seaport). The firm's diversified client portfolio has helped its seaport business in Hai Phong to sustain growth amid struggles experienced by other companies last year. We believe the firm's efficiency could substantially improve if it finalizes its decision for divestment of its non-core business.

Investment Rationales

- **Vietnam is poised to be the second global manufacturing hub after China, which supports its long-term logistics demand.** The nation's high 10-12% annual trade growth has sustained an average of USD22 billion worth of FDI inflow over the past decade.
- **The company serves 10% of the container market passing through Vietnam's ports.** GMD owns four seaports (total of 1.3 mil Teus in capacity) and 120,000 square meters of warehousing and depot located at Vietnam's strategic trading points (Hai Phong, HCMC, and Quang Ngai).
- **New after-port facility from ICD Nam Hai (21ha), licensed in October 2016 and adjacent to NHDV port.** This could allow NHDV to handle up to 700,000 Teus/year; the port already began running at 100% capacity in 2016.
- **Strategic Nam Dinh Vu port investment to counter deeply segregated seaport developments in Hai Phong:** Phase 1 for this project will commence in early 2018 and has a capacity of 600,000 Teus/year. The port is situated inside the special economic zone Cat Hai – Dinh Vu, and would be able to compete fiercely with its peers, given its geographical advantage and GMD's network of clients.

2017 Forecast

- We estimate that the company's 2017 Revenue and PAT (after minority interest) will grow by 11% YoY and 26% YoY. This is based on the expectation that there will be 10% growth in NHVD cargo and stable growth in the logistics segment.
- We project that GMD could record VND100 billion in financial gains, if it divests its remaining 15% stake at GMD Tower Managing Company.
- If its Nam Dinh Vu Project has a utilization rate of 70%, we expect that the company could experience 27% growth in earnings.

Potential Catalysts

- News on non-core assets liquidation and rubber projects.

Risks to Our Call

- Lower than expected cargo growth will result in stronger competition and will dampen handling prices.

Stock Info

Sector	Industrial Transportation
Market Cap (VND B)	4,845
Current Shares O/S	179
Beta	0.65
Free float (%)	75
52 Week High	34,700
52 Week Low	24,089
1 Month Avg. Volume (K)	917
Foreign Ownership (%)	30
State Ownership (%)	0

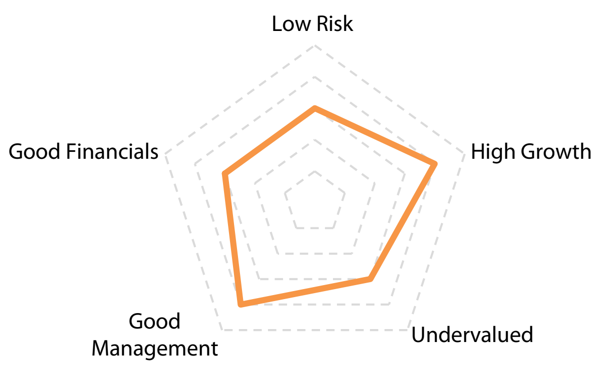
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	3,012.6	3,586.3	3,750.2	4,163.0	5,092.0
% growth YoY	19.3	19.0	4.6	11.0	22.3
PAT	531.0	402.4	381.6	482.0	611.0
% growth YoY	176.2	-24.2	-5.2	26.3	26.8
ROA (%)	6.7	4.7	4.0	4.8	5.7
ROE (%)	10.9	7.4	6.6	7.6	9.5
EPS (VND)	2,722	2,063	1,957	2,500	3,175
BV (VND)	42,002	42,514	28,888	22,626	22,863
Dividend (VND)	-	-	2,000	2,000	2,000
P/E	6.2	8.4	17.2	13.4	10.6
P/B	0.4	0.4	1.1	1.5	1.4

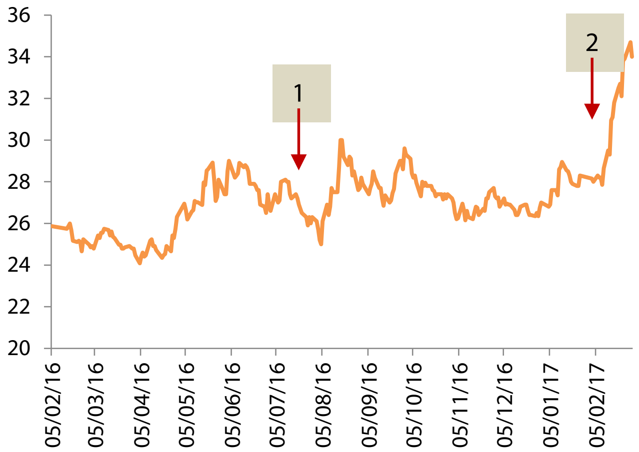
Company Overview



- Strong growth prospects will be driven by FDI investment and the increased economic integration of Vietnam.
- The company's equity return performance will improve substantially if it accelerates its divestments in rubber and real – estate investments (accounting for 20% of total assets).
- High dilution risk from its convertible bond to hit its exercise date in Q2 2017.
- GMD has highly experienced and active management, which are quick to capture opportunities.

Source: RongViet Research

Price Drivers



1. Dividend news.
2. Strong recovery of natural rubber prices.

Source: Bloomberg, RongViet Research

PORT OF HAIPHONG JSC — Bloomberg: PHP VN

Long The Stock For The Future

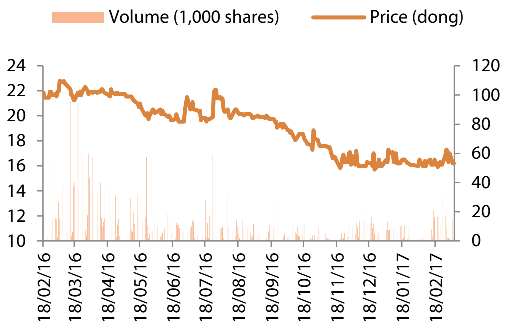
ACCUMULATE	**+21%**
CMP (VND)	16,000
Target Price (VND)	20,800
Investment Period	Long-term

Company Description

Established from 1874, PHP (in Northern area) and Sai Gon New Ports are the largest port operators in Vietnam handling ½ of Vietnam's total container volume. For PHP, the firm services 1/3 of the market share here in Hai Phong.

Vinalines, which holds a 93% stake, causes PHP trading liquidity very low. However, the plan for Vinalines to lower its stake at PHP to 65% or 51% would improve this situation, and allow it to restructure its business. This would be done through selling a portion of Vinalines or issueing additional shares.

Price Performance



%	YTD	1M	3M	12M
PHP	8.1	6.8	9.3	-13.6
VNIndex	6.9	3.4	5.4	31.9

PHP's seaport system plays a crucial role in Northern Vietnam's most important port, Hai Phong. Its large seaport capacity and land bank are its relatively physical advantages. Similar to other large state owned firms, PHP faces issues in its business performance. PHP's IPO in 2015 motivates the firm to be more transparent and to improve its business efficiency. However, the company needs to reduce state ownership and allow for more contribution from outside investors, in order to be successful in this restructuring.

Investment Rationales

- **PHP dominates the Hai Phong port sector, with a 42% handling capability.** The firm's port systems include a general Hoang Dieu port and the 2 container ports Tan Vu and Chua Ve (2 million Teus/year, which collectively handled 43% of the container volume in Hai Phong during 2016.
- **Tan Vu Port is PHP's short and medium term growth engine. Tan Vu port only operates 3 out of its 5 berths, and handled a total of ~900,000 Teus last year.** The firm will push its capacity by investing in 4 more QCs for the remaining 2 berths and hence adding 200,000 Teus/year to its capacity in 2017-2018.
- **Hai Phong's seaport development master plan affects PHP in two ways.** In particular, Hoang Dieu and Chua Ve's competitiveness will decrease substantially, while, its Tan Vu port's stake will be raised further given its more favorable location. Therefore, PHP could transfer Hoang Dieu port to mobilize resources for a VND6,000 billion deep seaport project in Lach Huyen. However, we remain concerned about the feasibility and profitability of this project given its high investment cost and Lach Huyen's shortage of after port land for Depot.
- **Container throughput passing through Hai Phong could grow by 9-10% in 2017.** The recovery of garments orders, machinery import demand from large FDI projects such as LG Display and Innotek and commercial production of Bridgestone will push up trade activity.
- **Accelerating the state ownership divestment would quicken the restructuring process of PHP.** We expect that Vinalines will reduce its stake down to 65% or even 51% in the future.

2017 Forecast

- We expect that throughput via Tan Vu and Chua Ve will grow by 8%, but Hoang Dieu Port could witness a 30% reduction as 3 out of its 11 berths could face operation disruptions due to the construction of Hoang Van Thu bridge.
- We estimate that PAT (after minority) will grow by 6.5% YoY.

Potential Catalysts

- News on border trade in Northern Vietnam.

Risks to Our Call

- Lower than expected growth in cargo.
- New Bach Dang Bridge poses vessel height clearance concern.

Stock Info

Sector	Industrial Transportation
Market Cap (VND B)	5,558
Current Shares O/S	327
Beta	-0.07
Free float (%)	5
52 Week High	22,792
52 Week Low	15,700
1 Month Avg. Volume (K)	9
Foreign Ownership (%)	0
State Ownership (%)	93

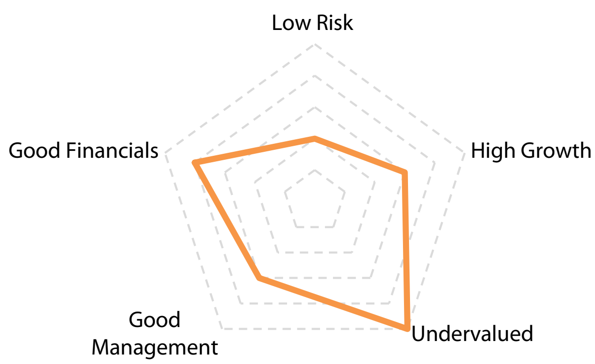
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	**2014**	**2015**	**2016**	**2017F**	**2018F**
Revenue	1,951.3	2,350.2	2,385.5	2,387.0	2,577.0
% growth YoY	0.6	20.4	1.5	0.1	8.0
PAT	331.4	382.0	461.5	491.0	538.0
% growth YoY	15.1	15.3	20.8	6.4	9.6
ROA (%)	7.7	6.7	8.4	9.4	9.9
ROE (%)	12.1	9.2	11.4	12.0	13.0
EPS (VND)	1,013	1,168	1,411	1,320	1,446
BV (VND)	11,117	11,649	10,374	12,459	13,284
Dividend (VND)	-	800	800	800	800
P/E	15.9	13.8	11.4	13.0	11.9
P/B	1.4	1.4	1.6	1.4	1.3

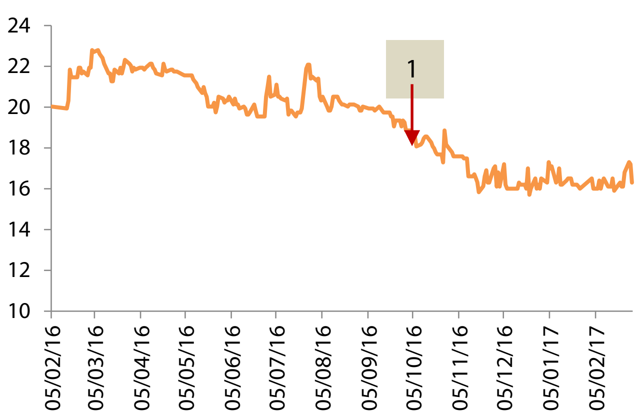
Company Overview



- Logistics and seaport services will benefit from rising trade in Vietnam driven by FDI invested projects and Vietnam's economy becoming more integrated through FTAs.
- Return on equity, held off by its large seaport investment, is low relatively to its industry peers (8-12% versus 20-25%).
- Fiercer competition from Nam Dinh Vu port from 2018.
- Inflexible clients policy and relatively rigid management reduces the firm's competitiveness.

Source: RongViet Research

Price Drivers



1. Appreciating JPY versus VND.

Source: Bloomberg, RongViet Research

Earnings Growth Will Return From 2017 Onwards

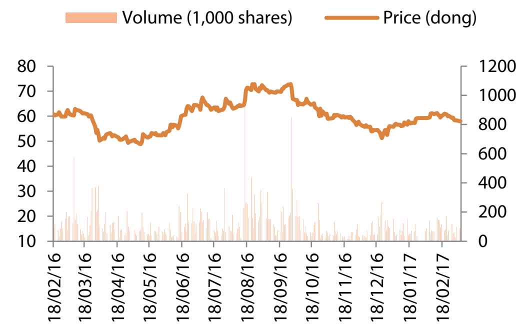
ACCUMULATE	**+24%**
CMP (VND)	59,500
Target Price (VND)	73,700
Investment Period	Long-term

Company Description

VSC is an established seaport operator in Hai Phong. VSC is able to be extremely competitive in this industry due to its high quality services and its large asset base in Hai Phong (port and warehousing). As a result, the firm has been achieving significant earnings growth over the past decade, and has attracted the attention of a large amount of institutional investors. Foreign ownership has consistently been at the ceiling rate of 49%.

Given the efforts of the Vietnamese government to open up Vietnam's economy through FTAs, we expect that VSC's business will open a new chapter of growth, especially due to its new VIP-Green Port.

Price Performance



%	YTD	1M	3M	12M
VSC	6.1	3.7	-0.5	3.8
VNIndex	6.9	3.4	5.4	31.9

VSC has achieved strong performance results in recent years with revenue and PAT having CAGR of 11% and 9.4%. The decision to invest in Vip-Green port (500 thousand Teus/year), which became ready for full exploitation in late 2016, will be a new source of growth for the company during 2017. This move by VSC reiterates the commitment and long-term business strategy of management in the Hai Phong seaport sector.

Investment Rationales

- **VSC's container handling capacity accounts for 18% of the Hai Phong area.** After being put into full operation in Q4 2016, VSC is now capable of handling up to 860,000 Teus/year, rising to the 2nd position after PHP in terms of capacity.
- **Higher utilization of VipGreen port will be the driver for earnings growth in 2017.** The company's brand-new facility and geographical advantageous location makes Vip-Greenport a strong selection for shipping lines in Hai Phong. We expect the port to soon have new clients, besides existing clients such as Evergreen, Cosco, and OOCL. The investment in the after port depot in Dinh Vu gives this port additional room for cargo in the long-run.
- **Northern provinces have been attracting huge FDI inflow.** Hai Phong, Bac Ninh, Thai Nguyen and Bac Giang account for 20-25% of the total FDI in Vietnam. We expect that container throughput via Hai Phong will recover to its usual growth of 9 -10% in 2017, resulting from the recovery in apparel orders and large FDI projects such as LG display and Innotek, which will import machinery for production.
- **Investment in VipGreen Port will support VSC's position in the expected fiercer competitive environment.** Hai Phong Port's sector master plan would mean that upstream ports will face mounting competition from the newly invested ports in Dinh Vu area and farther in Lach Huyen, which have better locations and facilities.

2017 Forecast

- If VipGreen port handles 450,000 teus in 2017, VSC could record 18.2% YoY and 23.8% YoY growth in revenue and PAT respectively.
- Greenport's handling fees could face a decrease of 5 -10% in 2017 amid the expected tense competition among upstream ports. VipGreen port could keep handling fees above the floor price of USD40.

Potential Catalysts

- News on border trade in Northern Vietnam.

Risks to Our Call

- Lower than expected growth in cargo.

Stock Info

Sector	Industrial Transportation
Market Cap (VND B)	2,551
Current Shares O/S	46
Beta	0.48
Free float (%)	85
52 Week High	72,874
52 Week Low	48,852
1 Month Avg. Volume (K)	95
Foreign Ownership (%)	49
State Ownership (%)	0

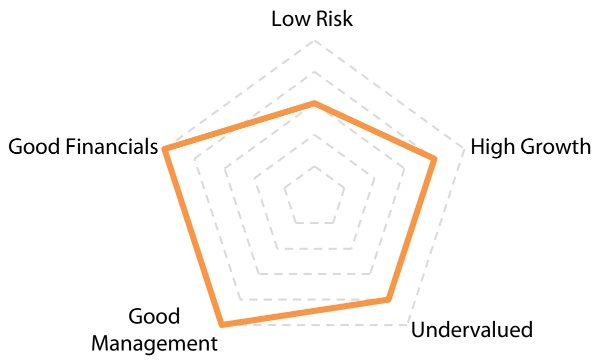
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	891.2	927.8	1,082.2	1,279.0	1,356.0
% growth YoY	12.5	4.1	16.6	18.2	6.0
PAT	248.1	279.3	251.3	311.0	341.0
% growth YoY	3.2	12.6	-10.0	23.8	9.6
ROA (%)	18.9	15.0	10.9	12.1	13.2
ROE (%)	23.6	21.1	17.1	18.2	18.6
EPS (VND)	7,182	6,089	5,516	6,148	6,735
BV (VND)	30,641	30,488	29,602	36,195	40,450
Dividend (VND)	3,000	3,000	3,000	3,000	3,000
P/E	8.5	10.1	11.1	9.7	8.8
P/B	2.0	2.0	2.1	1.6	1.5

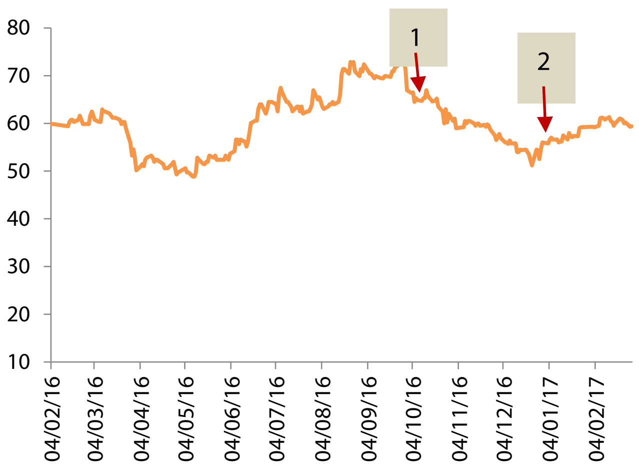
Company Overview



- Logistics and seaport services will benefit from the rising trade in Vietnam driven by FDI invested projects and the deeper integration of Vietnam's economy through FTAs.
- The company is in a good financial position and its strong cash flow supports its dividend policy.
- Risk comes from rising competition especially during cargo down time, which causes price competition among ports.
- VSC has experienced and established management with great local knowledge in Northern Vietnam

Source: RongViet Research

Price Drivers



1. A dip in Q3 2016 earnings resulted by falling frozen cargo and lower than expected container growth.
2. VipGreen port produced encouraging profit result in 4Q2016

Source: Bloomberg, RongViet Research

NATURAL RUBBER: REACHING A HIGHER PRICE LEVEL

Diem My Tran (my.ttd@vdsc.com.vn)

The natural rubber (NR) industry went through a difficult year in 2016, as the price of rubber reached a 6-year low. In 2017, oversupply contractions, weather conditions and the recovery of the global tire industry will be supporting factors for the price of natural rubber.

Investment Opportunities

The global natural rubber oversupply will contract. During 2014-2016, the natural rubber global supply decreased by 0.6% while consumption demand recorded growth of 3.2%/year (According to ANPRC). The improvement of demand while supply moderately decreases will help to absorb the excess supply generated up to 2013. According to IRSG' estimation, the supply growth will decelerate gradually in 2017. The reason is that the peak period of dependency on Thailand's rubber exploitation, which accounts for 36% of global rubber production, has almost ended. Meanwhile, the decline of rubber prices has led to an increasing number of rubber plant liquidations over time.

Abnormal weather conditions will continue to support the short and intermediate term uptrend of natural rubber prices. Weather is the main factor that affects NR exploitation activities, yield and price. In Q1 2017, floods in 12 Thailand provinces damaged 360,000 tons of rubber, or 7.6% of its exploitation. Additionally, heavy rains due to La Nina this year can also affect rubber yield and exploitation activities.

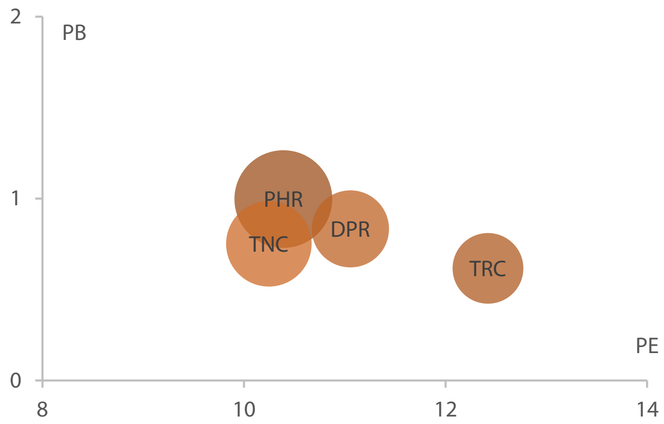
The recovery of China's tire industry is the supporting factor for global natural rubber prices. In the period of 2017-2020, we expect that China's tire industry will record an average growth of 4%/year thanks to the recovery of China's auto sales. This will be a good stimulus to the long-term prospects of the global NR industry given that the auto industry accounts for 70% of natural rubber consumption.

Businesses with large plantation acreage and high yields such as DPR, TRC and PHR will benefit from the increase in NR prices. Moreover, the liquidation activities will bring stable income (VND150 billion/ year) for PHR in the following years, since it has a large structure of older trees. Currently, PHR has gradually expanded to industrial parks (Nam Tan Uyen and Tan Binh (Binh Duong) Industrial Park). This helps to diversify its revenue in the long term as well as create a new focal point for its business prospects.

Risks

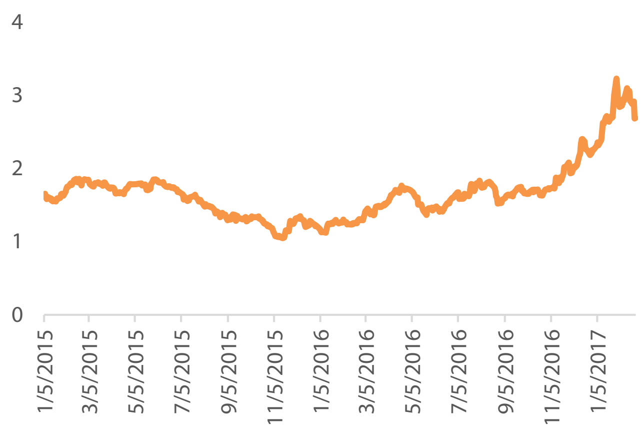
- Natural rubber demand may not recover as expected.
- Risks concerning weather will affect the exploitation output regardless of an increase in price.

Figure 33: PE, PB, ROE of Some Listed Companies



Source: Fiinpro, RongViet Research, Size of bubble: ROE

Figure 34: Price Movement of Natural Rubber (Unit: USD/kg)



Source: Bloomberg, RongViet Research

Hope for the Best

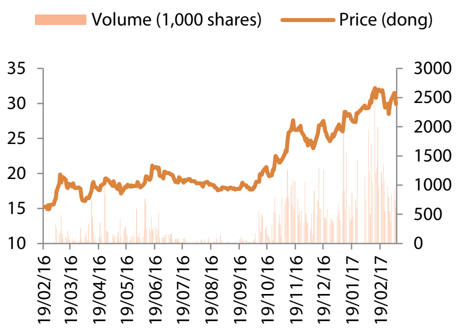
NEUTRAL	+7%
CMP (VND)	28,500
Target price (VND)	30,600
Investment period	Intermediate-term

Company Description

Phuoc Hoa Rubber JSC participates in planting and exploiting natural rubber in the South East, where there is a pivotal region for planting natural rubber trees. The company has a large plantation acreage (15,000 ha in Vietnam and 7,000 ha in Cambodia) and large purchasing area, which helps in diversifying its material sources as well as optimizing its capacity from its current factory system. The company's rubber business activities bring the company the largest profit, accounting for 95% of PHR's gross profit. In addition, the company also diversifies its business through other segments such as wood and industrial parks.

Currently, Vietnam Rubber Group is the largest shareholder, owning 69% of PHR.

Price Performance



%	YTD	1M	3M	12M
PHR	12.9	4.2	8.8	85.3
VNIndex	6.9	3.4	5.4	31.9

The global natural rubber (NR) price has recovered since the second half of 2016, which improves the overall view of businesses in the rubber industry in general. Moreover, we hold the view that PHR is specifically poised to benefit from the improved industry sentiment. We estimate that the profits from the rubber segment of PHR will double this year. Additionally, the stable income from liquidation activities, coupled with transferring land to Nam Tan Uyen industrial park, will help to contribute more positively to the company's business results.

Investment Rationales

- **Cambodia's planted land will enter a new exploitation period.** The total plantation area is 7,662 ha, in which 402 ha was brought into exploitation in 2016. In 2017, the company projects to exploit 1,515 more ha of rubber in Cambodia. This would compensate for the output shortage due to liquidation activities and land ownership transfer to the industrial park (~1,500 ha) this year.
- **We expect that its profit from the rubber segment will double in 2017 due to global NR price recovery.** This segment will be the primary source of PHR's growth. Because of its large old plant proportion (in which 60% of planted land is 16-24 exploitation year old tree), the company's plant liquidation activities will bring a stable stream of income (VND150 billion/year) to PHR in the coming years.
- **Expansion to Industrial Parks:**
  - Tan Binh (Binh Duong) Industrial Park, with 80% ownership. In 2016, the coverage rate was 46% and we expect that it will increase to 66.4% at the end of 2017 (Commercial land area is 244 ha).
  - Nam Tan Uyen Industrial Park (NTC – Upcom), with 32.85% ownership. In 2016, NTC plans to pay a 65% cash dividend (15% cash dividend in advance paid late-2016). This will provide a huge financial gain for the business this year. Additionally, PHR has plans to increase the ownership in NTC to over 50% in 2018 to seize this opportunity in the Industrial park segment.

2017 Forecast

- We expect that the NR price will increase by 50% in 2017, due to the global commodity price recovery. We expect that the consumption volume will be 29,450 tons.
- Liquidation area of ~1,000 ha, with an average price of VND150 million/ha.
- Gross margin increases, reaching 16.7%. We forecast that the company's revenue and earnings after tax will increase by 61% and 45% respectively, which is equivalent to an EPS of VND3,214.

Potential Catalysts

- News regarding the IPO of Vietnam Rubber Group.
- The price of natural rubber increases signficantly.

Risks to Our Call

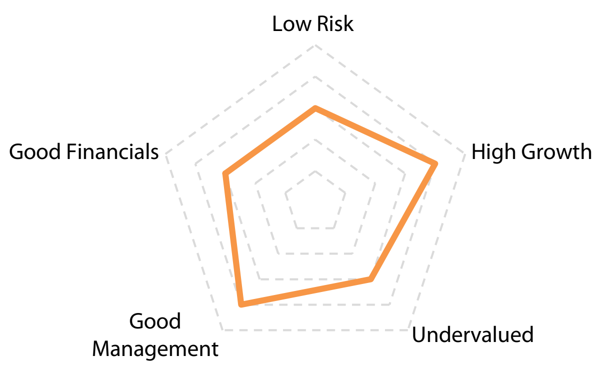
- Natural rubber price do not move as expected.

Stock Info	
Sector	Natural Rubber
Market Cap (VND B)	1,982
Current Shares O/S	78
Beta	1.04
Free float (%)	31
52 week High	32,200
52 week Low	16,066
1 Month Avg. Volume (K)	1,005
Foreign Ownership (%)	3
State Ownership (%)	67
Source: RongViet Research	
Price as of 28/02/2017	

Key Financials

(VND B)	**2014**	**2015**	**2016**	**2017F**	**2018F**
Revenue	1,605.0	1,227.3	1,178.2	1,897.0	2,277.0
% growth YoY	-15.3	-23.5	-4.0	61.0	20.0
PAT	263.8	211.7	225.0	327.0	363.0
% growth YoY	-29.0	-19.8	6.3	45.3	11.0
ROA (%)	7.7	6.6	5.9	8.0	8.7
ROE (%)	11.7	9.9	10.1	14.0	14.7
EPS (VND)	2,596	2,083	2,219	3,214	3,570
BV (VND)	27,713	26,259	27,579	28,793	30,364
Dividend (VND)	1,000	2,000	1,500	2,000	2,000
P/E	9.9	15.1	12.1	8.9	8.0
P/B	1.2	1.2	1.2	1.0	0.9

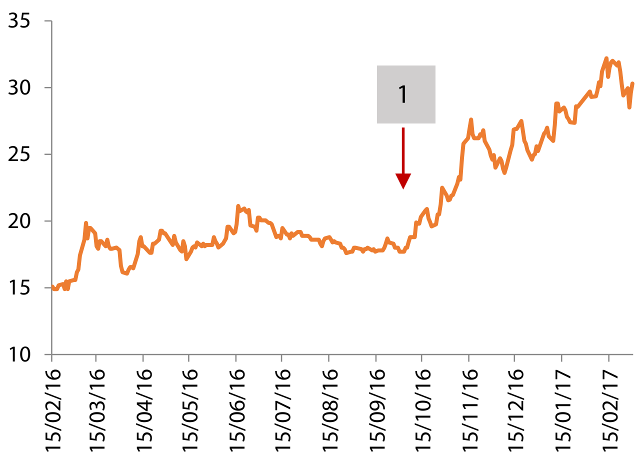
Company Overview



- Business activities depend on the NR price. As a result, the NR price movement will significantly affect the growth potential of its business.
- Healthy financial situation, and its debts are used to sponsor its plantation maintenance projects.
- We expect that its dividends will increase due to an increase in financial income from Nam Tan Uyen (NTU's dividend on par value is 65%).

Source: RongViet Research

Price Drivers



1. Natural rubber price recovery.

Source: Bloomberg, RongViet Research

AUTOMOTIVE RETAIL INDUSTRY: DEMAND IS STILL STRONG

Ha My Tran (my.tth@vdsc.com.vn)

The automotive retail sector has delivered positive growth in recent periods. We expect that consumption growth will continue to rise due to the increase in disposable incomes and the increased demand for transportation. At the same time, the wave of car imports from ASEAN countries will be stronger following the AITGA roadmap. The business environment for automotive retailers will be more competitive, in which, companies with strong distribution system and good relationship with car manufacturers will have more advantages.

Investment Opportunities

The automotive retail industry in Vietnam is in its preliminary stage of motorization. Vietnam's per capita income reached USD5,668 in 2016, which reflects its strong middle class. According to GMSIP, a per capita income of more than USD4,000 reflects an increase in the middle class as well as higher demand for car ownership, which usually grows twice as fast.

RongViet Research estimates that there were around 32 cars per 1,000 people in Vietnam in late 2016, which is low compared to other countries exhibiting similar economic conditions (50 cars per 1,000 people). Although the growth of automobile consumption seems to be leveled off, the expected surge in demand for cars in Vietnam is still ahead. We expect that consumption growth in the automotive retail industry in 2017 will reach ~20%, which is lower than the current growth rate of 24%; the passenger cars segment is expected to continue maintaining a high growth rate (~25 -30%).

Consumer confidence is high, which has boosted the demand for cars. Consumer confidence from Vietnam remained high in recent quarters and standed at 112 in Q4 2016 (according to Nielsen). Vietnam's infrastructure rank also progressed in the past year, up from #93 (WEF 2015-2016) to #89 (WEF 2016-2017). Therefore, RongViet Research holds the view that the lack of progress in infrastructure is not a major concern for car buyers at the moment. High consumer confidence and improved incomes are key factors that impact the demand for the growth of the automotive industry.

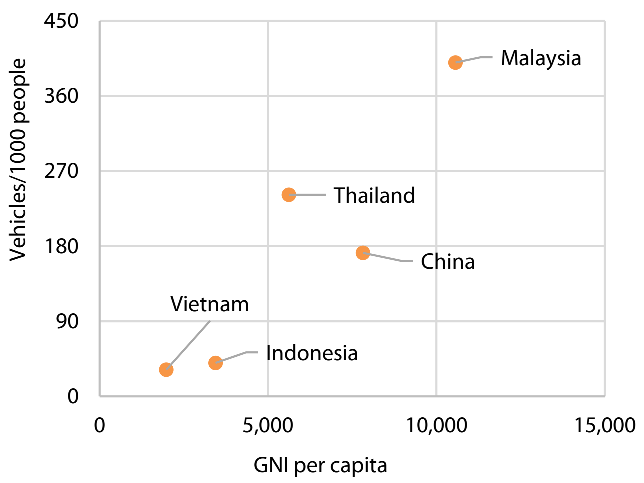
Changes in policies will impact the industry but should not curb demand. 2017 can be considered as an important transformation period of the automotive industry, specifically in the automotive retail policy. From January 1st, 2017, the automobile import tariffs from ASEAN have dropped to 30% compared to 40% in 2016; this will eventually drop to 0% at the beginning of 2018. According to RongViet Research, Agreement on Trade in Goods ASEAN (ATIGA) will significantly increase automotive imports from ASEAN countries. Though this may impact manufacturers and assembly plants, we believe it will not deter consumption. Under the high competition between domestic and imported cars, the Government will have policies aimed at protecting the automobile industry, which include the following:

1. Add additional automotive segments (manufacturing, assembling, import cars) to the category of conditional businesses, which will be in effect in July of 2017. This creates a barrier for small businesses to participate in the automotive value chain.
2. Prospects of policy changes on Special Tax Consumption (STC) from 01/01/2018 will positively impact sales of vehicles with larger than 2.0L capacity because of the second stage of adding up to another 10-15% on STC. However, automotive retailers will focus more on environmentally friendly cars with low capacity to avoid risks from raising STC in the long run.
3. Adjustment of fees and charges for automobile buyers (new car registration fee, registration fee, and charge license plates) also affects the demand for car ownership.

Risks

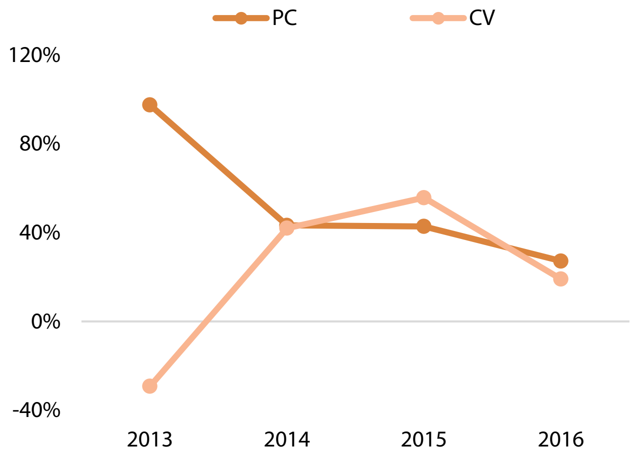
- The policy of the government of tightening car imports.
- The decline in macroeconomic growth affecting the demand for car ownership.

Figure 35: GNI per capita and Vehicles per 1,000 people



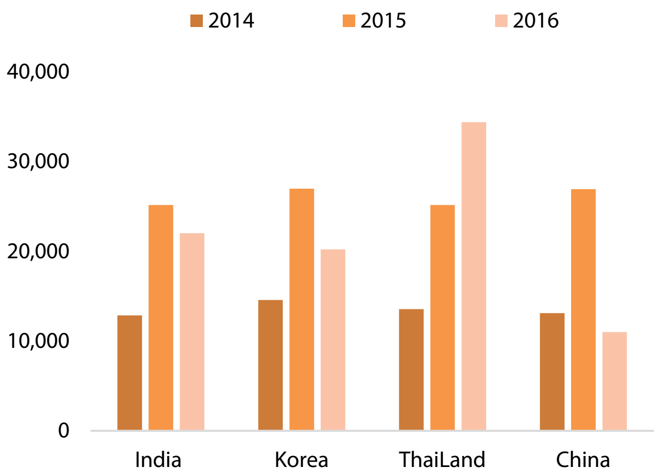
Source: RongViet Research

Figure 36: Passenger Cars and Commercial Cars Growth



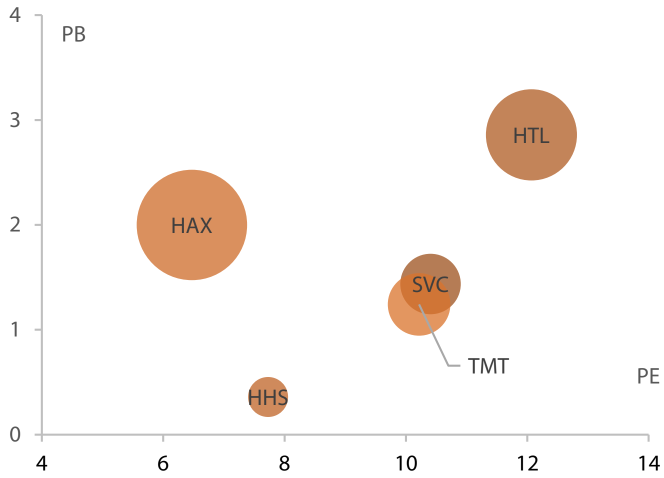
Source: VAMA, RongViet Research

Figure 37: Imported Cars by Countries (Units)



Source: Customs, RongViet Research

Figure 38: ROE, PE, PB of Companies in Automotive Retail Industry



Source: Fiinpro, RongViet Research; Size of bubble: ROE

Automobile Segment Not Performing at Full Potential

NEUTRAL	+9%
CMP (VND)	50,200
Target price (VND)	54,500
Investment period	Long-term

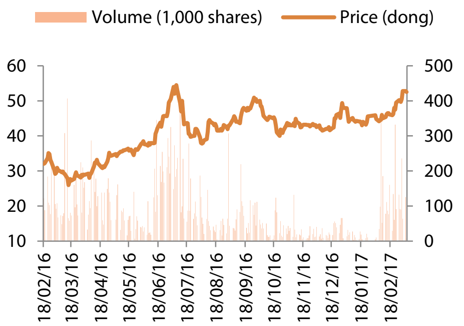
Company Description

Saigon General Services (Savico) is one of the best automobile and after-sales services companies in Vietnam with over 34 years of operations. The competitive advantage of SVC is its wide distribution network in the north and the south of Vietnam.

Besides taking advantages of its ownership of many lands with prime location, Savico has expanded to the real estate market through its operations in the following areas: building offices for lease, entertainment areas, commerce buildings and resorts. In recent years, SVC has divested gradually from some real estate projects or cooperated with experts to develop them.

Ben Thanh Group – the state-owned investment enterprises – holds a 40.81% stake of SVC.

Price Performance



%	YTD	1M	3M	12M
SVC	4.6	16.2	16.2	51.7
VNIndex	6.9	3.4	5.4	31.9

In the last 5 years, SVC has recorded remarkable annual sales growth (~17%) thanks to the boom in automobile demand. The automobile segment's gross margin has decreased gradually over the years, although we expect that the company's profit margin is still below its potential. The rental and transferring real estate segments contributed to most of SVC's profit in recent years. Given the low margins of automobile segment, we only expect that its performance will improve gradually, especially in after-sales services, after the IPO of Ben Thanh Group (probably in 2018) – strategic shareholders of SVC.

Investment Rationales

- **The company's automobile business has strong revenue but negligible profit.** We estimate that the automotive retail segment (including commercial and after-sales services) accounted for 98% of SVC's sales in 2016, but only contributed to 13% of its operating profit. If we include additional deductibles, commissions from brand providers, and profit from the joint ventures, this segment contributed ~30% of the parent company's PAT. According to our estimation, the profit margin before tax of the automotive segment is small (<1%). We believe that this figure can be improved by increasing the proportion of after-sales service segments (gross margin ~15-16%). Moreover, the IPO of Ben Thanh Group will help SVC to have better management, which will reduce its business costs.
- **SVC owns office buildings and commercial centers for rent at prime locations.** The real estate leasing segment was the major contribution to the PAT of the parent company (>50%). This segment has also brought steady cash flow and high profitability. We expect that the profit from the rental office and commercial centers will improve slightly in the coming years.
- **SVC continues to book the profits from transferring real-estate.** In the last 4 years, SVC has 1-2 transferring real estate projects, most of which were profitable. This year, SVC will transfer 60% of ownership shares of Nam Ky Khoi Nghia Project. SVC can also record a profit from land-transferring projects to Novaland (Pho Quang Project) after completing legal formalities. In addition, another project that is likely to be transferred is Mercure Son Tra – Da Nang, and SVC has found the partner that is in negotiation process.

2017 Forecast

- We estimate that its revenue and profit growth will be 11.0% YoY, and 21.9% YoY respectively.
- We expect that SVC will record profits from transferring Nam Ky Khoi Nghia project this year (~VND60 billion).
- SVC's 2017 EPS is VND5,332.

Potential Catalysts

- Transferring-real-estate-project information.

Risks to Our Call

- Real estate projects may not be transferrable or being transfered at lower price.

Stock Info	
Sector	Automobile and Parts
Market Cap (VND B)	1,199
Current Shares O/S	25
Beta	1.02
Free float (%)	40
52 week High	54,500
52 week Low	25,978
1 Month Avg. Volume (K)	124
Foreign Ownership (%)	42
State Ownership (%)	41

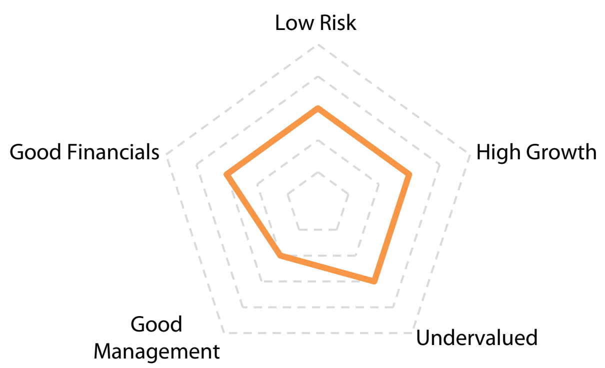
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	7,930.2	9,889.9	13,670.8	15,180.1	14,416.2
% growth YoY	20.5	24.7	38.2	11.0	-5.0
PAT	51.8	103.9	121.5	148.1	154.8
% growth YoY	25.8	100.5	17.0	21.9	4.5
ROA (%)	3.2	6.1	5.7	4.3	4.1
ROE (%)	11.7	18.0	15.5	16.8	17.1
EPS (VND)	1,818	3,698	4,374	5,332	5,572
BV (VND)	36,834	39,626	45,764	35,724	36,760
Dividend (VND)	1,200	1,400	1,600	2,000	2,000
P/E	21.9	12.3	9.3	9.4	9.0
P/B	1.5	1.4	1.3	1.4	1.4

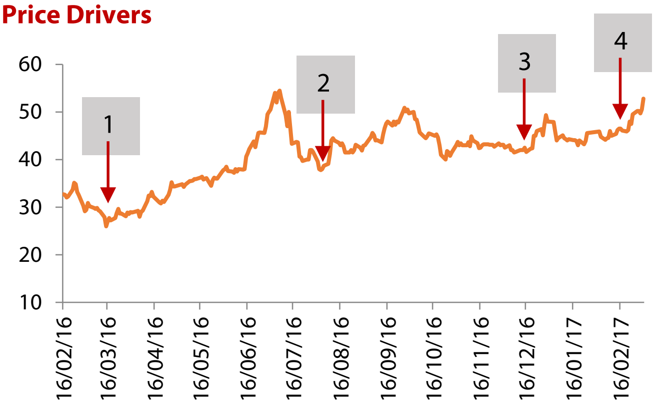
Company Overview



- The potential for revenue growth of SVC is associated with the growth of the automotive retail industry, however, the automobile sector contributes very little to the profitability of the business.
- The Board of Directors of SVC are directors of Ben Thanh Group Executive and have extensive experience in management. However, the complex ownership structure with several joint venture companies and subsidiaries makes the business efficiency unmatched with the scale of the business.
- The business manages its cash flow well by: (1) stable cash flows from rental real estate projects and (2) focusing on its core businesses by divesting many potential real estate projects.
- With its current price, we initiated a NEUTRAL recommendation for SVC, average 1-Y PE of SVC is ~10x.

Source: RongViet Research

Price Drivers



1. Cooperating with Volvo.
2. Probus Opportunities Fund continuously buying SVC shares.
3. Transferring the projects at 277-279 Ly Tu Trong.
4. Issuing Resolutions to transfer 60% of ownership shares of Nam Ky Khoi Nghia Project.

Source: Bloomberg, RongViet Research

AVIATION INDUSTRY: THE SKY IS STILL BRIGHT

Hieu Nguyen (hieu.nd@vdsc.com.vn)

Vietnam's aviation industry has flown high in recent years thanks to the fast pace of air passenger growth. In 2017, the airlines will probably face some headwinds such as higher fuel costs and ground operation expenses. However, we believe that the growth of passengers will still be ample enough to offset these factors.

Investment Opportunities

Domestic passenger transportation has grown rapidly due to the rise of middle-class income, which has led to a huge demand for tourism and air travel. The number of passenger has risen from 12 million in 2012 to over 30 million in 2016, and could reach 38 million in 2017. Thanks to the appearance of low-cost airlines, people now have a more economical and convenient choice for travel than buses, railways and traditional airlines.

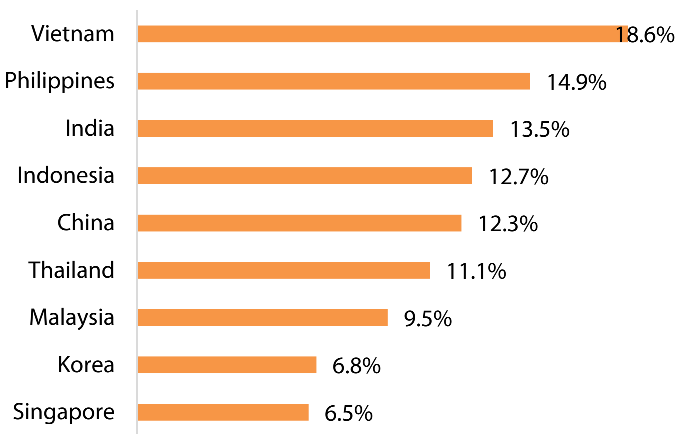
International transportation will benefit from the government's efforts to promote tourism. In 2016, Vietnam welcomed 10 million international passengers (+26% YoY), and 8.26 million of these passengers arrived by planes (+32% YoY). Northeast tourists, especially Chinese, still outnumbered others. The trend seems likely to continue in upcoming years as tourism cooperating activities between Vietnam and China have been strongly pushed recently. Moreover, the government has shown its support to the tourism industry via policies such as allowing electronic visas and visa waiving for five Western countries (England, France, Germany, Italy and Spain). The goal is to attract more foreign tourists to Vietnam: 11.5 million in 2017 and up to 20 million in 2020. Assuming 80% of them arriving by plane, 9.2 million potential passengers are waiting to be served next year.

The growing economy and trading will be the motivation for the growth of cargo transportation. However, the speed of growth should be monitored closely since cargo volume has had a slowdown in the second half of 2016.

Risks

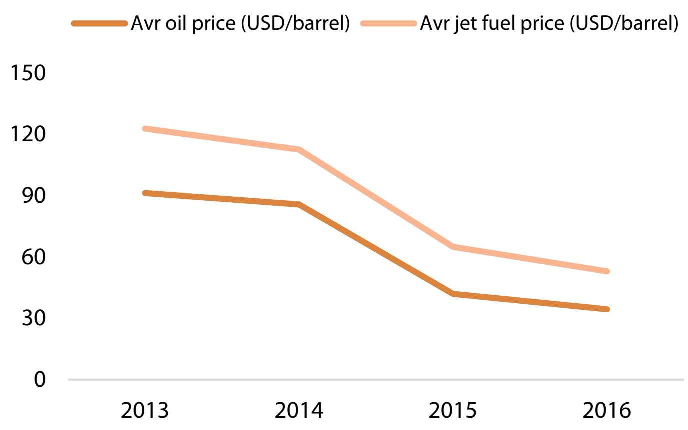
- **Exchange rate risk:** As a capital-intensive business, airlines have heavily foreign denominated loans (USD, JPY) on their balance sheets. Thus, exchange rate fluctuation is one of the most concerning issues.
- **The appreciation of fuel prices**: Fuel costs account for 35-40% of airline's operational expenses. We predict that the price of oil will recover after bottoming out in 2016. This will likely put more pressure on the profit margin of airlines and lower the cost advantage of LCCs, despite some help from hedging tools.
- **Risks associated with economic cycles.**

Figure 39: Passenger's CAGR in the region in 2005-2015



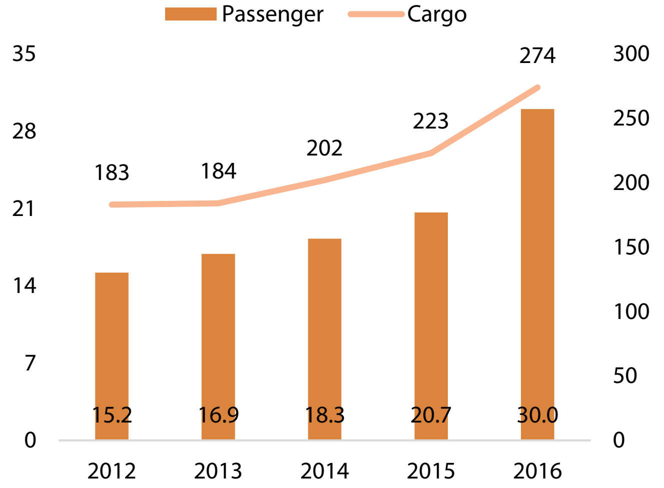
Source: knoema.com

Figure 40: Fuel Price Movements in 2013-2016



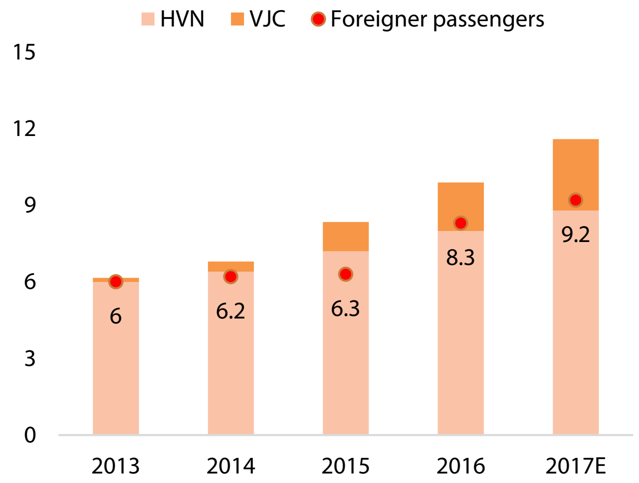
Source: Bloomberg, inflation data

Figure 41: The number of passengers (million) and cargo (thousand tons) transported by airways in 2012-2016



Source: GSO, RongViet Research

Figure 42: The number of passengers in international flights vs. the number of international tourist that arrived to Vietnam by plane



Source: GSO, RongViet Research

A Fairy Tale of the Vietnam Aviation Industry

NEUTRAL	**+12%**
CMP (VND)	108,000
Target Price (VND)	121,000
Investment Period	Long-term

Company Description

VietJet Aviation JSC is the largest LCC and the second largest airline in Vietnam, measured by its market share.

Contrary to other private LCCs that running out of business, VJC turned profitable after only 2 years of operation, a remarkable achievement for a young airline.

Thanks to sale and leaseback transactions, VJC has expanded its fleet rapidly. At the end of 2016, the company has 41 aircrafts, operates 37 domestic routes and 23 internation routes, with an average load factor of 88%/flight.

Besides foreign investors, large shareholders includes CEO Nguyen Thi Phuong Thao (9.4%) and related entities such as Sunny Huong Duong (23.2%), Sovico (4.9%) and HDBank (4.5%)

Operating its first commercial flight on December 2011, VJC has grown rapidly into the second largest airline in Vietnam in a very short time. Successful application of LCC model, efficient use of capital to expand its fleet, and its unique marketing strategy have helped the company to achieve what the previous airlines failed to do: stimulating and exploiting the full potential of the domestic market. VJC's success, thus, has become a fairy tale of the Vietnam aviation industry.

Investment Rationales

- **Winning market share with LCC model.** The model allows VJC to provide customers with a more convenient and economical service than bus, railroad or traditional airline. VJC's domestic market share, thus, has skyrocketed from 8% in 2012 to 42% in 2016, and is expected to reach 45% in 2017**.**
- **Domestic market is on the rise.** Vietnam is still in the "golden age" demographic with a young and abundant labor force. For this group, rising incomes will directly lead to an increase in traveling, especially air traveling. As Vietnam's GDP growth is expected to continue to be among the fastest in the region, domestic market growth remains ample.
- **Untapped international market.** Tourist arrival from Northeast countries (China, Korea, and Japan) and Russia have continued to grow and promised to be the main source of passengers in coming years. Flights to Japan, India and Russia have not been operated yet, so there is more room for VJC to grow. VJC's airfare, in our view, is appropriate enough to compete with other LCCs as the company opens new routes.

2017 Forecast

- Passenger transportation will reach 19.5 million, of which domestic passengers are 17 million.
- 15 A321s with max capacity of 230 seats will be delivered to complement the current fleet of mainly A320s (180 seats). If the company is able to maintain a load factor of 88%, its operational efficiency will improve remarkably.
- Entering 15 sale and leaseback transactions compared to 10 of 2016. The estimated profit from these transaction is VND1,200 billion.
- Average ticket price is expected to increase by 10% to counter a 20% rise in fuel costs
- We estimate that its revenue and PAT will be VND38,966 billion and VND3,116 billion, respectively.

Potential Catalysts

- Movement to support and accelerate the infrastructure development of the aviation industry. This is a critical point for airlines to effectively expand and utilize their fleets.

Risks to Our Call

- Passenger volume is affected by external factors such as diseases, weather and sudden economic downturns.

Stock Info

Sector	Aviation
Market Cap (VND B)	32,400
Current Shares O/S	300
Beta	n/a
Free float (%)	n/a
52 week High	n/a
52 week Low	n/a
1 Month Avg. Volume (K)	n/a
Foreign Ownership (%)	30
State Ownership (%)	0

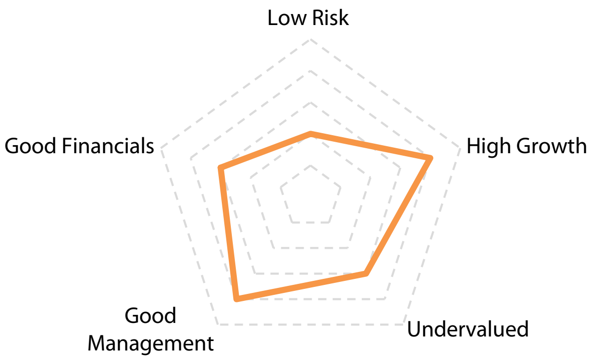
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	**2014**	**2015**	**2016**	**2017F**	**2018F**
Revenue	8,706.3	19,845.5	27,532.1	38,966.0	47,550.0
% growth YoY	129.7	127.9	38.7	41.5	22.0
PAT	276	1,172	2,187	3,116.0	3,902.0
% growth YoY	1019.9	224.7	95.8	36.0	25.2
ROA (%)	6.8	11.9	14.3	11.6	12.4
ROE (%)	45.9	75.2	68.7	25.8	26.3
EPS (VND)	4,505	8,071	7,639	9,665	12,103
BV (VND)	12,074	14,802	15,085	31,589	32,328
Dividend (VND)	n/a	n/a	n/a	3,000	3,000
P/E	n/a	n/a	n/a	11.2	8.9
P/B	n/a	n/a	n/a	3.4	3.3

Company Overview



- Great capital and operational management has led to the success of VJC's LCC model. The outlook for 2017-2019 seems promising for VJC thanks to its domestic market potential and the untapped international market.
- Unusual high lease expenses result from sale and leaseback transactions, which will put more pressure on business's operating costs in the long-term.
- Directly exposure to the fluctuation of fuel prices, exchange rate and economic health creates large risks for VJC.

Source: RongViet Research

BANKING INDUSTRY: FIRE PROVES GOLD

Lam Nguyen (lam.ntp@vdsc.com.vn)

2016 was considered a very successful year for many banks in Vietnam. The profitability of banks has been facilitated by the plentiful supply of money, the consistent growth of credit, loosening the risk factor for real estate loans, and the lifting of short-term deposits for intermediate and long-term loan ratios in accordance with Circular 36. We estimate that banks will improve alongside other sectors in Vietnam, and that banks will experience a strong growth in income. Many circulars and resolutions came into effect at the end of 2016, and the top two priorities in 2016-2020 period will be the calling in of bad debts and improving the quality of capital adequacy.

Thus, many banks have successfully restructured assets and had positive earnings growth. Besides that, some banks such as Techcombank or VPBank will be listed in 2017, which will provide investors with new choices in the banking sector.

Investment Opportunities

Good Business Result Due to Credit Recovery: The country's strong credit growth, which started to speed up since 2015 and was over 18% in 2016, resulted in a dramatic increase in the income of banks in 2016. There has been a surge in provisions (due to provision for VAMC's special bonds) yet many banks completed their business plans with an average PAT and credit growth of 20% and 14%, respectively (listed banks only). Monetary policy in 2017 may be a low- profile policy, especially when some regulations of Circular 06 are put into effect. However, the estimated credit growth is 18% and we estimate that the average earnings growth for listed banks will be higher than this.

Credit activities are normalized by Circulars which began at the end of 2016. These circulars include Circular 39, which is related to the credit activities of financial institutions and bank branches, and Circular 43, which is related to consumer loans of financial companies and was put into effect in Feb 15, 2017. While Circular 43 details in consumer lending activities, Circular 39 has many important regulations on lending (1): Lending rate is an agreement between a lender and borrower, which depends on supply and demand situations on the currency market and the risk of the loan itself (2) instead of entirely denying rollover loans (according to Decision 6960/NHNN-TTGSNH) resolution), Circular 39 specifically regulates which type of credit demand is not acceptable (mainly for funding purpose) and admits rollover loans.

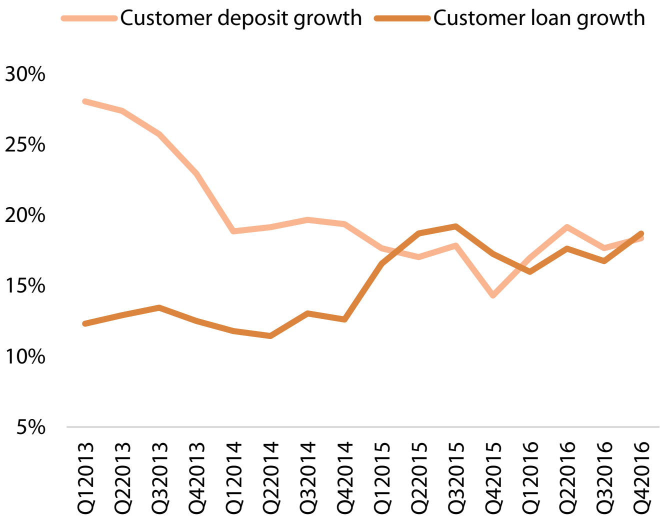
Disposing of bad debts, by selling this debt to VAMC. The handling of bad debt became a very highly emphasized theme for Vietnam's banking sector in 2016. Due to some of the legal problems, specifically regarding regulations about selling collaterals and non-collateral market, VAMC's loan loss recovery in 2015 is quite lower than the operator's target, at just 15%. This shortcoming had been evaluated and acknowledged, which will bring a lot of legal changes in 2017, and will be the platform for vigorous changes in the recovery of loans in 2018.

41 Circular regulates capital adequacy according to Basel II standard. After going through continuous changes, Vietnam's bank standardization route has been set in the following phases: piloting will take place between 2017-2019, and will be effective in 2020 as regulated under Circular 41/2016/TT-NHNN. According to this Circular, CAR must be not lower than 8% with calculation method is quite close to the Basel II standards.

Risks

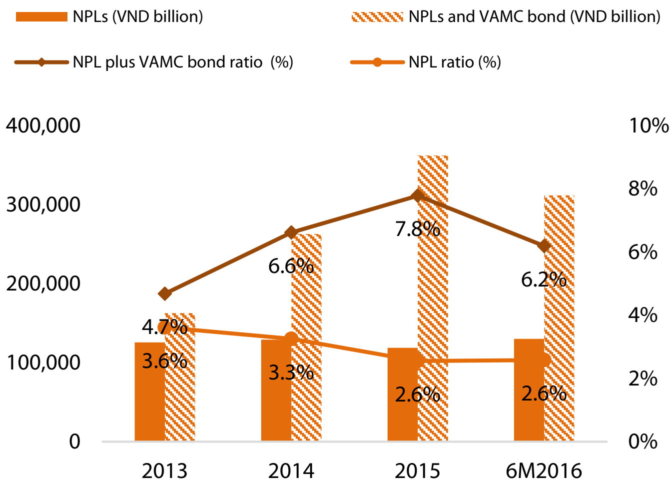
- The slow recovery of the real estate industry affects loan loss recovery, especially for bad debts which it has sold to VAMC.
- New bad debts from new loans (2015-2016) may make provisions surge.
- Government bonds sinks, which may cause bank provision for losses for banks that purchased bonds during the previous period.

Figure 43: Credit and Mobilization Growth in 2013-2016



Source: SBV, RongViet Research database

Figure 44: Bad Debt Still Remains High



Source: SBV, VAMC, RongViet Research database

Figure 45: ROE, PE, PB of Companies in Banking Industry

Source: Fiinpro, RongViet Research, Size of bubble: ROE

Ready For a Growth Cycle

NEUTRAL	+7%
CMP (VND)	22,900
Target price (VND)	24,500
Investment period	Long term

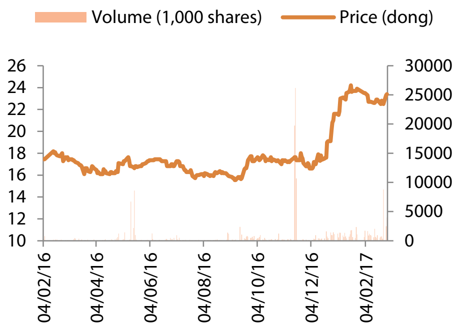
Company Description

Asia Commercial Joint Stock Bank was established in April 1993 as a small private bank focusing on retail activities. It is also a pioneer in implementing modern banking service activities such as issuing many kinds of credit cards since the 90's.

After operating for nearly 22 years, ACB is the 3rd largest bank in terms of total assets in the commercial bank group and is also considered one of the leading retail banks. ACB carried out an IPO in 2006, and was the first bank to be listed on the HNX.

Mr. Tran Huy Hung (chairman and relatives) owns 6.19% and foreign ownership is 30%.

Price Performance



%	YTD	1M	3M	12M
ACB	30.1	0.0	32.6	32.6
VNIndex	6.9	3.4	5.4	31.9

ACB is a dynamic bank operating in many business segments, which has been a double-edged sword for the company in the past years. After having substantially reconstructed its business between 2013-2015, ACB has basically completed its legacy issue related to a state-owned corporation and group of six companies related to "Bau Kien". Since 2016, the company's core activities have been improving amid the sharp rise in credit growth and positive direction of retail banking.

Investment Rationales

- **The company still has room for improving its operating efficiency and its profitability.** ACB's loan to deposit ratio was 77% in Q2 2016 and its estimated short-term deposits for intermediate and long-term loans ratios was around 31%, lower than requirement under Circular 36. These ratios left room for ACB to push credit growth and gain initiative in deposits as well as to restructure loan term to utilize its capital usage ratio.
- **Positive growth of its core banking.** ACB's core activities have started to recover since 2015 thanks to the positive credit growth. Moreover, we expect that ACB's profitability will continuously improve between 2017-2019, as the company plans to focus on its traditional customer segment (SMEs and individuals), while simultaneously penetrating the wealthy customer segment (Privilege Banking).
- **Good results from solving its legacy issues.** 60% of ACB's VND5,800 billion receivables in the early 2016, which is the largest outstanding legacy amount related to "Bau Kien", were resolved by making provision and recover from selling collateral during 2016. Moreover, ACB is among banks holding the lowest amount of VAMC's special bond. It is expected that ACB can finish its legacy issues in 2017, and push the provision process of VAMC's special bond.
- **Piloting Basel II.** After issuing the bond in 2016, ACB's CAR is approximately 13%, quite far from requirement of 9% under Circular 36. Therefore, ACB is not under high pressure to raise capital like these other banks.

2017 Forecast

- We expect that loans and deposits to customers will grow at 19% YoY and 16% YoY respectively.
- Net interest income and income from services will account for 96% and 12% respectively of total income, which represents an increase of 15% YoY.
- PAT will be 21.9% YoY, and that its EPS will be VND1,489.

Potential Catalysts

- Finish legacy issues sooner than expect.

Risks to Our Call

- Deposit interest rate increases faster than lending interest rate, making a negative effect on NIM and interest income growth.
- The realization of transferring Mac Dinh Chi real estate project will help ACB to generate one-off earnings of around VND1,400-1,600 billion. The information would help ACB to be accepted at higher P/B than now.

Stock Info	
Sector	Banking
Market Cap (VND B)	17,352
Current Shares O/S	986
Beta	0.56
Free float (%)	93
52 week High	24,200
52 week Low	15,545
1 Month Avg. Volume (K)	1,127
Foreign Ownership (%)	30
State Ownership (%)	0

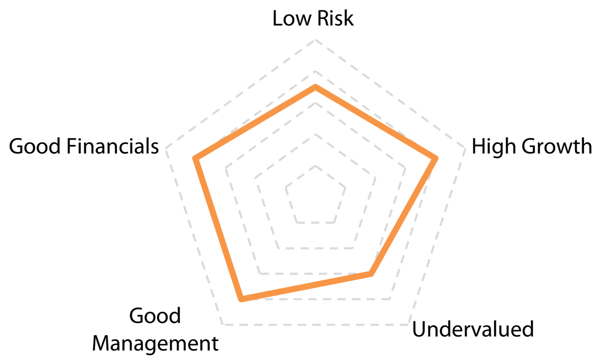
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	6,056.3	6,220.3	7,132.9	8,427.1	10,775.8
% growth YoY	7.2	2.7	14.7	18.1	27.9
PAT	951.8	1,028.2	1,325.2	1,615.2	2,361.1
% growth YoY	15.2	8.0	28.9	21.9	46.2
ROA (%)	0.5	0.5	0.6	0.6	0.8
ROE (%)	7.6	8.2	9.9	10.7	14.1
EPS (VND)	1,015	1,043	1,413	1,489	2,177
BV (VND)	13,221	13,637	14,997	14,906	16,084
Dividend (VND)	700	700	-	-	1,000
P/E	23.2	22.5	16.6	15.4	10.5
P/B	1.8	1.7	1.6	1.5	1.4

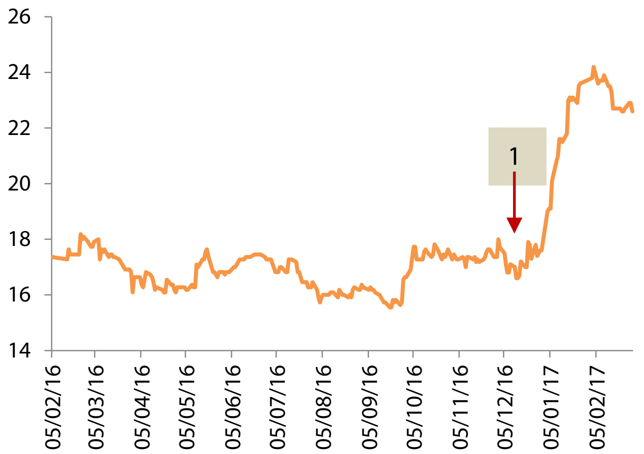
Company Overview



- High CAR and liquidity ratios allows ACB to push credit growth. The company's experience in the individuals and SME segments will help its core activities grow considerably.
- ACB has been very responsive in disposing and collecting bad debts, included legacy problems and bad debts sold to VAMC. ACB's bad debts recovery ratio was quite high in 2016.
- Large investment required to develop the retail segment, which leads to high operating costs.

Source: RongViet Research

Price Drivers



1. Positively business results and the rumor about Mac Dinh Chi real estate project transfer.

Source: Bloomberg, RongViet Research

Investment For The Future

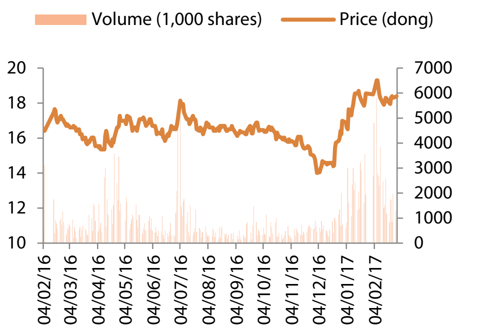
ACCUMULATE	**+15%**
CMP (VND)	18,250
Target price (VND)	21,000
Investment period	Long-term

Company Description

Viettinbank has a wide and spacious banking system across Vietnam, with 1 exchange, 150 branches, and over 1,ooo agency/ provident funds. Viettinbank is the second largest bank in Vietnam in term of charter capital, and third in terms of total assets. The company's credit and mobilization market share is approximately 12% and 19%, respectively, in 2016, slightly increasing compared to the previous year. Currently, Viettinbank is undergoing a paradigm shift and is also investing in modern technology applications, with the aim of becoming the leading retail bank in Vietnam.

Its large investors are State (64.46%), and three foreign investors are The Bank of Tokyo-Mitsubishi UFj, IFC L.P and IFC with total ownership of 27.7%.

Price Performance



%	YTD	1M	3M	12M
CTG	26.4	-0.3	14.9	11.9
VNIndex	6.9	3.4	5.4	31.9

CTG is in its transition period with relatively high investment demand, not only to meet expenses in IT but also in network as well as human resources. At 10% of credit market share, the improving of the economy's demand for capital will help to push CTG's income growth, making up for the increase in operating and provision expenses. After excluding the value of bad debts sold to VAMC, CTG valuation is considered to be more attractive than its peers, including VCB and BID.

Investment rationales

- **CTG is the leading bank in Vietnam in terms of scale.** CTG is 2nd in terms of total assets, credit and mobilization market share among all listed banks. However, it is the biggest bank in term of capital size and its network system. Until the end of Q3 2016, its credit and mobilization market share was 10.7% and 12%, respectively.
- **The company's paradigm shift requires large investment for technology.** Due to its intermediate term plan (2015-2018), we estimate that its CIR will still remain at a moderate level of 47% during 2016-2018.
- **VAMC's special bond and provisions burden.** The bad debt sold to VAMC sharply rose in 2015, and equivalent special bond was only lower than BID. We estimate that provision for special bonds will be high in 2017-2019 and will strongly decline in 2020. However, the recovery rate of bad debt sold to VAMC has been a relatively smooth process in 2016. If CTG can keep this speed in 2017, we predict that it will be able to complete its provisions by 2019.
- **It is likely that CTG will issue a long term bond to enhance core capital.** Among many capital raising solutions, issuing long term bond is the most possible plan because (1) There is no chance to raise Tier 1 Capital when state shareholder's ownership has decreased to the minimum level of 65% and Congress's Resolution has clarified to not use public budgets invest in commercials banks (2) Although CTG has issued VND8,000 billion to raise Tier 2 capital in 2015, total Tier 2 Capital is just around 20% of total Tier 1 capital.

2017 Forecast

- We forecast that CTG's loan and deposit growth will be 16% and 20%, respectively.
- Net interest and service income will contribute 83% and 6.7%, respectively, to its total operating income.
- NPAT will grow by 17.8% YoY, with equivalent EPS of VND2,153.

Potential Catalysts

- The likelihood that CTG's FOL will be lifted.

Risks to Our Call

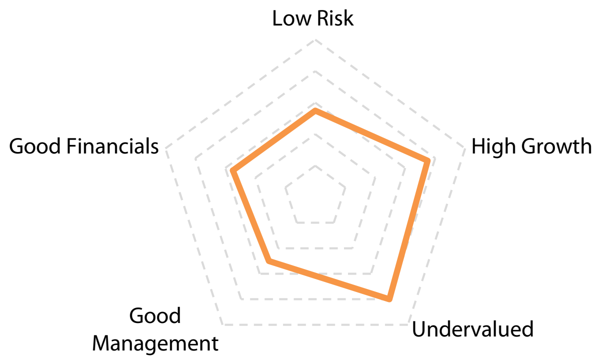
- Operating costs sharply rose due to its paradigm shift and investment in technology infrastructure.
- High provision for special bonds.

Stock Info	
Sector	Banking
Market Cap (VND B)	56,037
Current Shares O/S	3,723
Beta	1.16
Free float (%)	8
52 week High	19,300
52 week Low	14,009
1 Month Avg. Volume (K)	2,581
Foreign Ownership (%)	30
State Ownership (%)	64
Source: RongViet Research	
Price as of 28/02/2017	

Key Financials

(VND B)	**2014**	**2015**	**2016**	**2017F**	**2018F**
Revenue	21,031.1	22,743.9	25,828.8	28,620.5	30,750.9
% growth YoY	-3.5	8.1	13.6	10.8	7.4
PAT	5,712.9	5,697.9	6,805.4	8,018.3	9,178.7
% growth YoY	-1.4	-0.3	19.4	17.8	14.5
ROA (%)	0.9	0.8	0.8	0.8	0.8
ROE (%)	10.5	10.3	11.5	12.5	12.7
EPS (VND)	1,534	1,224	1,828	2,153	2,465
BV (VND)	14,781	15,004	16,843	18,240	20,705
Dividend (VND)	1.000	700	700	700	700
P/E	12.1	15.1	10.1	8.5	7.4
P/B	1.3	1.2	1.1	1.0	0.9

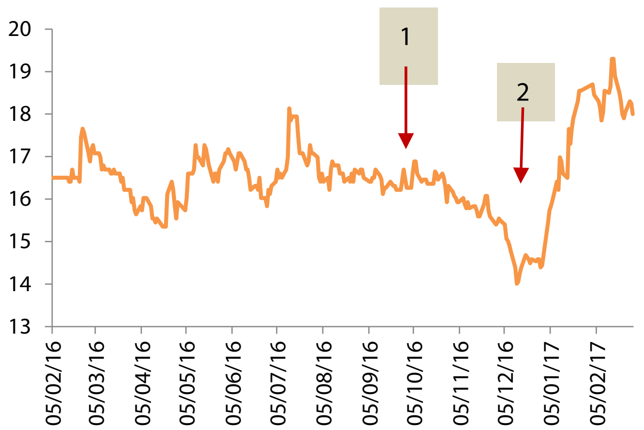
Company Overview



- CTG has started to restructure its operation model as well make huge investments in technology infrastructure. This process will be very costly, and it will take a lot of time to realize the benefits.
- There is no room for improving NIM and profitability, as CTG's capital adequacy and liquidity ratios have almost approached the limitation of the SBV.
- PG Bank's merging plan was prepared several years ago. If completed, CTG will have more than VND3,000 billion in charted capital. However, merging with a small bank that is either risker or risk equivalent will not improve its CAR ratio.
- After excluding the issues of its bad debt, CTG's valuation is quite attractive compared to its peers. However, the unlikely cash dividend payment and lack of room for foreign investors could be a barrier for its stock price.

Source: RongViet Research

Price Drivers



1. State shareholder required CTG to pay cash dividend, raising fears about the bank's capital adequacy.
2. High value of special bonds makes the provisions surge upward.

Source: Bloomberg, RongViet Research

Slowly but Safely

ACCUMULATE	**+18%**
CMP (VND)	14,000
Target price (VND)	16,500
Investment period	Long-term

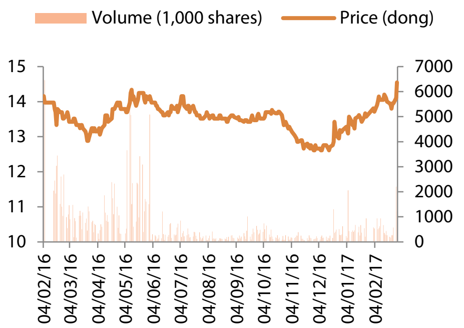
Company Description

Military Commercial Joint Stock Bank was established in 1994, in order to meet the financial services demand of military firms.

After operating for 16 years, MBB has grown strong and is now expanding to a new market segment besides the traditional market.

MBB has healthy financials and strong competitiveness, which increases its total assets each year. MBB is also one of 10 banks that has been piloting Basel II in risk & capital management since 2017.

Price Performance



%	YTD	1M	3M	12M
MBB	4.3	5.8	8.9	7.2
VNIndex	6.9	3.4	5.4	31.9

Although MBB is a commercial bank, its major shareholders are military firms, which allows MBB to take advantage of low cost of capital. Management is strict and it has low capital usage factor, and MBB is well-known for its good asset quality, capital safety and sufficient liquidity. MBB also has a stable dividend policy, and does not have strong pressure to raise capital.

Investment Rationale

- **MBB is the leading bank in terms of asset quality.** As MBB has applied both qualitative and quantitative methods to classify its loans, its non-performance loan ratio and provision expenses are always higher than its peers. Due to its strict management, MBB is under less pressure during the industry's restructure period. Moreover, MBB's liquidity is pretty high and the estimated short term deposit financed to intermediate and long term loans ratio is around 20%, far lower than required ratio under Circular 36 (and Circular 06 also).
- **Commercial bank's business performance is not strong.** Net interest margin (NIM) has been on a downward trend due to the decline in inter-bank income and the lower yield of investment securities. Although the loans to customers has increased significantly and accounted for nearly 50% of MBB's total asset, the increase of interest income is still unable to offset for the above decline.
- **There is not much pressure on piloting Basel II.** The company's CAR was 12.9% as of the end of 2015, far higher from 9% under Circular 36 requirement. In Q1 2016, MBB had issued over VND31 million shares to swap with Song Da Financial Institution, which raises its equity to more than VND300 billion. Thus, MBB's capital raising will not be as serious as other banks, when it pilots Basel II.

2017 Forecast

- We expect that the growth of loans to customer and deposit from customers will be 16.5% and 10%, respectively.
- Net interest and service income's contribution to total operating income wil be 85% and 6.5%, representing an increase of 3% YoY.
- NPAT will grow by 7.5%, resulting in EPS of VND1,797.

Potential Catalysts

- The information about the lifting of FOL in the banking sector.
- Finding a potential strategic partner (10% capital).

Stock Info

Sector	Banking
Market Cap (VND B)	23,978
Current Shares O/S	1,713
Beta	0.31
Free float (%)	45
52 week High	14,340
52 week Low	12,611
1 Month Avg. Volume (K)	525
Foreign Ownership (%)	20
State Ownership (%)	32

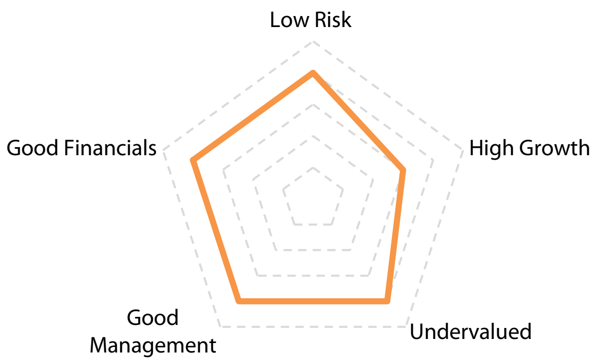
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	8,306.9	8,771.9	9,386.6	9,818.4	10,734.3
% growth YoY	8.4	5.6	7.0	4.6	9.3
PAT	2,476.0	2,496.0	2,863.3	3,078.6	3,576.3
% growth YoY	8.8	0.8	14.7	7.5	16.2
ROA (%)	1.3	1.2	1.2	1.2	1.2
ROE (%)	15.8	12.8	12.0	12.0	13.1
EPS (VND)	2,136	1,467	1,672	1,797	2,088
BV (VND)	14,284	14,121	14,802	15,388	16,476
Dividend (VND)	1,000	500	1,000	1,000	1,000
P/E	6.7	9.8	8.6	7.8	6.7
P/B	1.0	1.0	1.0	0.9	0.8

Company Overview



- During the banking crisis, MBB showed its weak points, namely its low market share in credit and deposits (3.2% and 2.5% respectively). The bank also lacks experience in banking activities, which was also resulted in the reduction of its profitability.
- In 2016, MBB has made use of the remaining room in LDR to push mobilization growth. Besides that, its short term deposits for intermediate and long term loans ratio was quite low, which allows MBB to reconstruct its loan portfolio by term. We predict that the company's NIM will recover in 2017.
- MBB plans for cash dividends of at least 10%. Even during the time when the banking sector faces many difficulties, MBB can still pay dividends (5% cash 5% shares).

Source: RongViet Research

Price Drivers

1. Quarterly business results in 2016 were less promising compared with the results of other banks.

Source: Bloomberg, RongViet Research

Consolidating its Leading Role

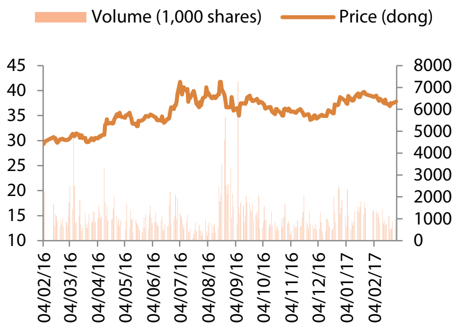
NEUTRAL	**+11%**
CMP (VND)	37,400
Target price (VND)	41,700
Investment period	Long-term

Company Description

VCB is 4th largest State Bank in term of total assets, credit and mobilization market share and network system. However, VCB has a vast market share in international clearing and credit. VCB is now operating as a financial institution whose core business is a commercial bank and its affiliated companies.

State owns 77.1% and its strategic investor Mizuho owns 15%. Hence, VCB still has room to make private placement to foreign investors.

Price Performance



%	YTD	1M	3M	12M
VCB	5.5	-1.8	4.8	30.1
VNIndex	6.9	3.4	5.4	31.9

VCB is a favorable stock pick in Vietnam's banking industry thanks to its high transparency as well as strong asset quality. VCB is ranked 4th in terms of total assets, and 3rd in terms of owner capital, and it has a smaller credit and deposit market share than BID and CTG. However, thanks to its high quality assets and low capital usage ratio, VCB has more room to improve its earnings growth and profitability. Thanks to its positive earnings growth in 2016, VCB has completed provisions on special bonds.

Investment Rationales

- **Well controlled NPLs and asset quality.** VCB's credit growth reached 20%, much higher than deposit growth in 2016. Despite this, VCB's NPLs ratio slightly decreased to 1.5% and its bad debt coverage ratio remained at 120%. Moreover, VCB is the first bank in the sector to finish provisioning for VAMC special bonds.
- **More room to improve profitability thanks to its high liquidity ratio.** By the end Q2 2016, the estimated LDR and short-term deposits financed to intermediate and long-term loan ratio was 79% and 28%, respectively. Thanks to that, VCB has room for restructuring the loan by terms as well as initiatives in mobilization in the most beneficial way. The estimated NIM is stable, while its ROE keeps improving.
- **Capital raising pressure to meet Basel II standards.** At the end of Q2 2016, VCB's CAR was 9.74%, quite low compared to others bank which are also piloting Basel II. Therefore, VCB paid bonus shares as well as issued long-term bond in 2016 to strengthen its core capital. VCB has been attempting to find a strategy/financial partner through a 10% private placement. The deal should be completed in 2017 as the piloting Basel II is underway.
- **Ensuring a stable cash dividend:** VCB has been able to pay a 10% cash dividend, even during the banking industry's struggles.

2017 Forecast

- VCB's loan and deposit growth is forecasted at 15% and 14% YoY, respectively.
- The contribution of net interest and services income to total operating income will be 79.5% and 8.4%, respectively, which represents an increase of 14% YoY.
- NPAT will grow by over 14.2% YoY and its EPS will be VND2,166.

Potential Catalysts

- Success in issuing 10% shares for a strategic partner.

Risks to Our Call

- Raising capital will negatively impact its profitability.

Stock Info

Sector	Banking
Market Cap (VND B)	127,541
Current Shares O/S	3,598
Beta	1.50
Free float (%)	23
52 week High	41,749
52 week Low	29,696
1 Month Avg. Volume (K)	1,244
Foreign Ownership (%)	21
State Ownership (%)	77

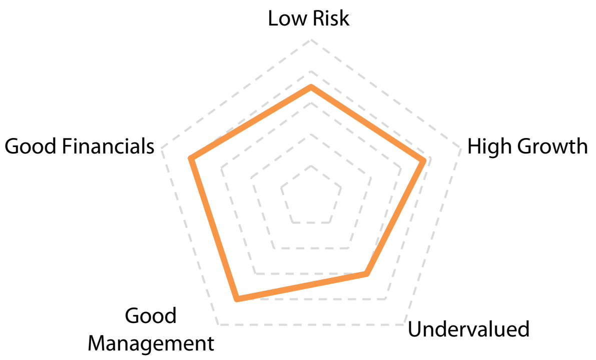
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	**2014**	**2015**	**2016**	**2017F**	**2018F**
Revenue	17,285.2	21,201.8	24,301.8	26,836.2	30,309.8
% growth YoY	11.5	22.7	14.6	10.4	12.9
PAT	4,566.5	5,313.9	6,825.7	7,791.9	10,289.0
% growth YoY	4.8	16.4	28.5	14.2	32.0
ROA (%)	0.9	0.9	0.9	1.0	1.1
ROE (%)	10.7	12.1	14.5	15.7	18.0
EPS (VND)	1,714	1,635	1,897	2,166	2,860
BV (VND)	16,257	16,888	13,662	14,568	16,228
Dividend (VND)	1,000	1,000	1,000	1,000	1,000
P/E	22.7	23.8	20.5	17.3	13.1
P/B	2.4	2.3	2.8	2.6	2.3

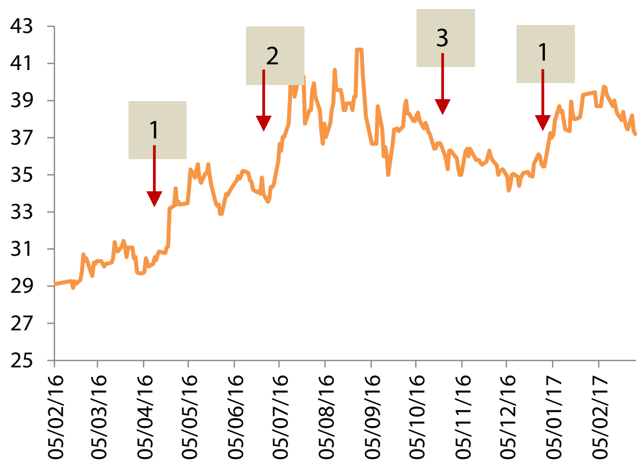
Company Overview



- VCB has become more active in its business strategy as many banks target becoming the leader in the retail segment. Loans to state enterprises has been on a downward trend, while SMEs and individual loans have certainly improved to 21% and 20%, respectively, at the end of 2015.
- In 2017, VCB will take part in reconstructing one weak bank.
- VCB's valuation is relatively high compared with the industry. However, the asset quality and liquidity criteria of VCB is considered to be superior, so VCB is still seen as the most viable option for funds.

Source: RongViet Research

Price Drivers



1. Positive business results.
2. Paying a 10% cash dividend and 35% stock bonus.
3. Negative reaction with the discounted price offered in strategy report.

Source: Bloomberg, RongViet Research

POWER INDUSTRY: MARKET EQUILIBRIUM IN 2017 REMAINS STABLE

Phan Nguyen Thanh Son (son.pnt@vdsc.com.vn)

Since the end of 2015, the business results of electricity companies significantly reflected weather changes, mainly from the effect of El Nino. This made it difficult for hydropower plants that struggled due to water shortages, which hampered electricity production in the dry season, especially in the first half of 2016. Meanwhile, La Nina, taking place at the end of Q3/2016, led to a hydropower oversupply, which consequently lowered the market price significantly. The business results of hydropower plants were consequntly not as strong during 2016.

In the first half of 2017, hydropower companies can experience strong growth due to the low base in 2016 and because La Nina is forecasted to extend until the end of dry season. On the same page, the tendency of input prices to increase will affect the competitiveness of thermal power companies in the Competitive Electricity Generation Market (CGM).

Investment Opportunities

Balance between supply and demand in 2017 remains stable

The total amount of electricity consumption supplied by EVN in 2016 reached 159.5 billion kWh, increasing by 11.2% YoY. The industry & construction and households segments continued to contribute significantly to the total electrical energy consumption, at 53.5% and 34.4% respectively. However, consumption growth in industry and construction stalled at 10.8%. This growth represents a 3 year low, and was considerably lower than the growth rates of 13.7% in 2014 and the 11.5% in 2015.

In 2017, the growth target of the Industrial Production (IIP) that the Ministry of Industry and Trade sets is 8%, marginally higher than 7.5% of 2016. This target is also significantly lower than 9.8% of 2015 and the 11.5% target that the Ministry of Industry and Trade set for 2016. In the event that there is moderate growth in industrial production activities, pressure from this segment's electrical consumption in 2017 will, as a result, decrease. Additionally, the La Nina phenomenon is forecasted to last until the end of dry season in 2017, and will partly lower floor temperature, making electricity demand from households decrease in the peak of the summer of 2017.

Given that there will be moderate growth in electrical consumption demand in 2017, EVN already has a supply plan with additional power sources, diesel thermal power mobilization, as well as its current thermal power and hydropower plants.

Electricity mobilization from its current thermal power plants will still be positive

According to EVN's plan, the total capacity of all projects coming into operation in 2017 is around 3,647 MW, contributing to around 8.7% of the total national capacity. This number is quite small compared to the increase in demand. As a result, EVN has to continue mobilizing from diesel thermal power plants (using oil as material with high electricity production costs) at 2.2 billion kWh, which represents a significant increase from 1.2 billion kWh in 2016.

This suggests that electricity mobilization from current power plants is still very high. Even though the hydropower plants should benefit from hydrological conditions, the small total capacity and seasonal effect makes the mobilization proportion from hydropower decrease by 2.4% compared to 2016, according to EVN's plan. On the other hand, mobilization from current thermal power plants will increase by around 1.5%. Coal and gas thermal power still contributes the most at roughly 42% and 22.3% of total mobilization output, respectively.

Higher input prices do not Significantly Impact the Profits of Thermal Power Plants

From December 2016, the selling price of coal to thermal power plants increased by 7% and gas prices almost doubled compared to the beginning of 2016 (5.3 USD/mmBTU in average in the end of 2016). We forecast that the uptrend in oil prices will continue through 2017.

In terms of contract output (Qc), the contract sales price to EVN will fully include input costs according to the government's regulation, and it will not affect the profit of businesses. Regarding the output in CGM (Qm), the increase in input prices will lower the competitiveness of thermal power companies, but will not affect their profits that much. This accounts for around 15% - 20% of the total sales volume.

La Nina extending to the end of the dry season has a positive effect on Southern hydropower plants and negative impact on Northern ones. The output of hydropower businesses in 2016 was severely affected by El Nino even though La Nina caused the amount of rain to increase at the year end. In 2017, La nina is expected to occur until March which will support the amount of rain in the Highlands, Southern Central and Southern regions, 20%-40% higher than the multi-year average. This will be 10%-20% lower than the multi-year average in Northern and Northern Central regions.

Therefore, the dry season in 2017 can provide strong growth from Southern hydropower businesses as well as obstacles to the Northern ones.

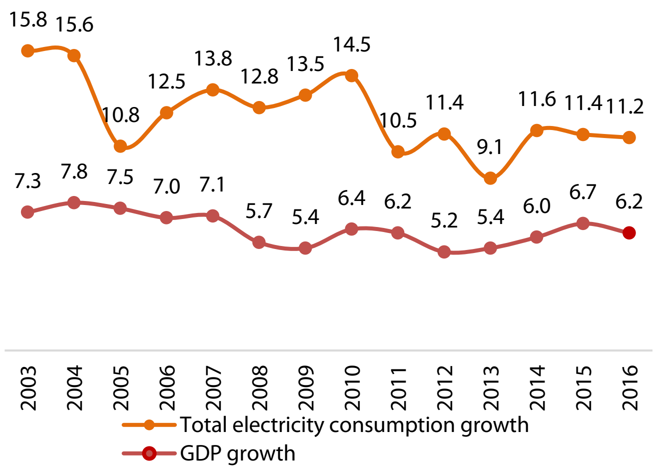
The stable dividend policy of stocks in the electricity industry classifies them as defensive stocks.

Thanks to the long term contracts to sell electricity to EVN with a selling price calculating mechanism, the company is able to have guaranteed and relatively stable profits. This will allow its electricity businesses to maintain an annual regular cash dividend payment policy.

Risks

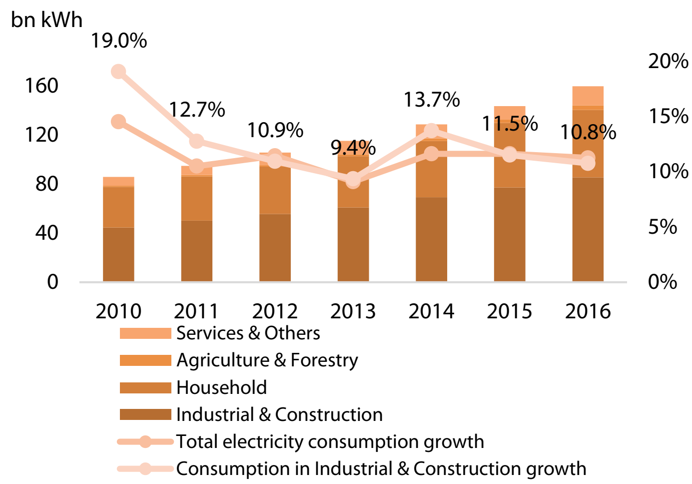
- Risks to businesses with large loans denominated in foreign currencies like NT2 owing in USD, EUR, PPC owing in JPY or BTP owing in KRW.
- If La Nina extends more than expected or has a larger magnitude, it will affect the hydroelectrical supply, and will therefore change the balance of supply and demand in the CGM, as well as the electricity market price.

Figure 46: Comparison Between the Growth Rate (%) of Electricity Consumption and GDP



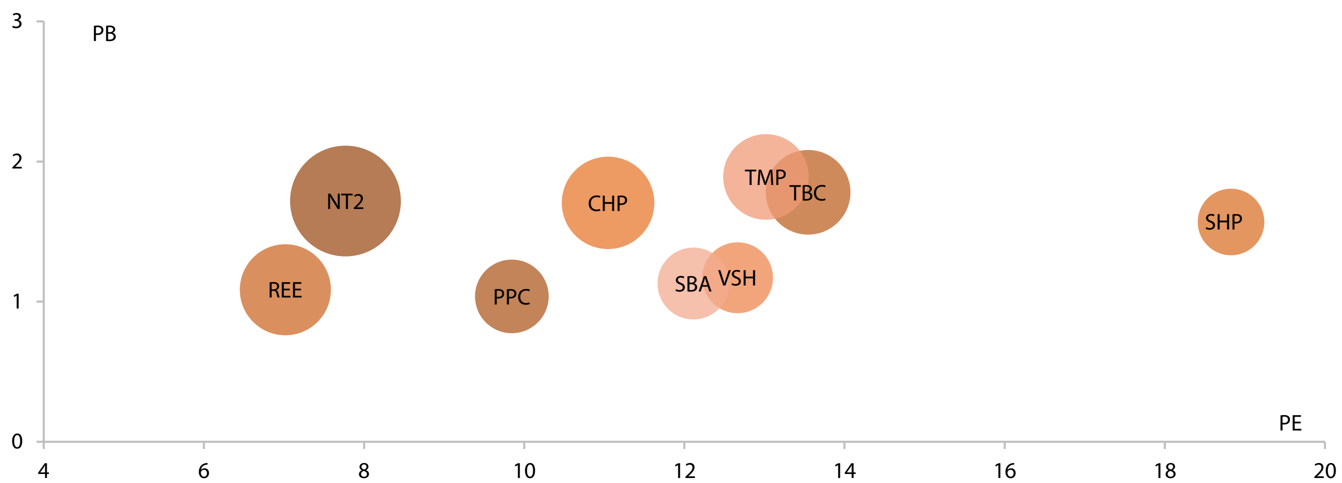
Source: RongViet Research

Figure 47: Electricity Consumption by Segments in 2010-2016



Source: EVN

Figure 48: ROE, PE, PB of Companies in the Power Industry



Source: Fiinpro, RongViet Research; Size of bubble: ROE

Accelerating Right From The Beginning of The Year

ACCUMULATE	+11%
CMP (VND)	22,600
Target price (VND)	25,000
Investment period	Intermediate-term

During 2015-2016, many hydropower plants in the Highlands, and Central and Southern regions of Vietnam suffered from unfavorable hydrological conditions. Meanwhile, A Luoi hydropower plant of CHP has proved its stability due to its geographical advantage. We forecast that hydrological movements will be more favorable in 2017, and will be able to bring CHP positive growth this year.

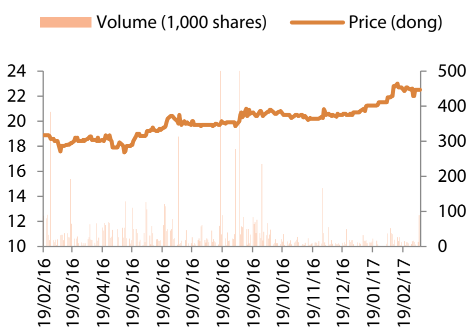
Company Description

Central Hydropower JSC is an electricity production company, with the largest capacity among listed hydropower companies. The A Luoi plant of CHP, with capacity of 170 MW, was built on the basin of A Sap river in Thua Thien Hue province. This province has the highest average annual rainfall in Vietnam, with the rainy season lasting from September to February. Therefore, the output of CHP during this time usually accounts for 70% of the total output of the year.

A Luoi hydropower plant has a long-term contract, and sells 80% of its electricity output for EVN. Since the reservoir of A Luoi is regulated weekly, the contract output is defined weekly as well. Thanks to its stable operations, the company's long-term debts are paid off regularly in according to the agreement with the banks and its interest expenses also decrease year after year.

The two largest shareholders of CHP are Southern Power General Corporation (EVN SPC) and Refrigeration Electrical Engineering Corporation (REE), with 23% and 14% ownership respectively.

Price Performance



%	YTD	1M	3M	12M
CHP	6.3	3.3	8.9	23.2
VNIndex	6.9	3.4	5.4	31.9

Investment Rationales

- **High stability in production activities results from the special location of A Luoi hydropower plant.** This plant is built on the basin of A Sap river, which starts from the Western slope of Truong Son mountains and flows to Laos. Therefore, the hydrological conditions at A Luoi plant will be similar to those of the Western slope of Truong Son mountain. Truong Son mountains experience a large amount of rainfall from September to December and it is less influenced by heavy droughts as compared to other hydropower plants.
- **We expect that the company's revenue and output in 2017 will experience robust growth** thanks to the favorable hydrological conditions in the first half of the year. Water flow of rivers in Thua Thien Hue will be 80% higher than multi-year averages, and help CHP boost its production strongly in H1 2017. This also occurs during the period with the highest average selling price of the year, so there will be a remarkable impact on profit and revenue for the entire year.
- **CHP can maintain its high dividend payment policy thanks to the improvement of its profit in 2017.** The decrease in the balance of debt principal year after year, which leads to decreasing interest expenses, will also contribute to the improvement of CHP's profitability In upcoming years. Hence, the company has enough capacity to maintain its current cash dividend policies.

2017 Forecast

- We project that the output and revenue of CHP in the first half of this year can increase by 80% and 67% respectively, which will allow the total output and revenue for the whole year to increase by 9% and 17%, respectively.
- We expect that the company's gross profit margin will increase by 3% to 64%, due to the growing output that helps to decrease its depreciation expenses.
- Interest expenses will decrease by about VND15 billion in 2017. This year will also be the first year that A Luoi plant bears a corporate income tax at about VND17.8 billion.
- We expect that the company's profit after tax will increase by 32% and EPS will reach VND2,692.

Potential Catalysts

- Announcement of strong financial results during Q1 and Q2 2017.

Stock Info

Sector	Electricity
Market Cap (VND B)	2.608
Current Shares O/S	126
Beta	-0.33
Free float (%)	25
52 week High	23.000
52 week Low	17.500
1 Month Avg. Volume (K)	18
Foreign Ownership (%)	3
State Ownership (%)	60

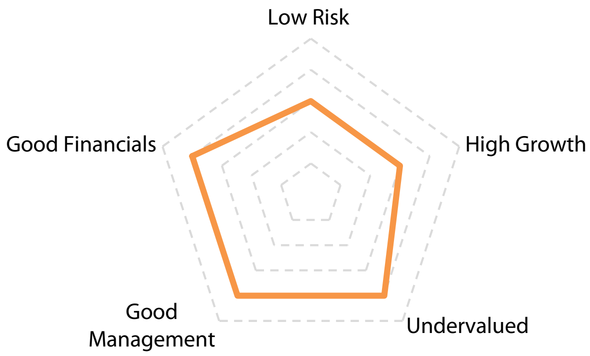
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	626.5	729.3	649.7	757.7	712.9
% growth YoY	18.6	16.4	-10.9	16.6	-5.9
PAT	213.1	328.3	257.8	339.2	317.4
% growth YoY	69.2	54.1	-21.5	31.6	-6.4
ROA (%)	6.3	10.0	8.1	11.4	10.8
ROE (%)	15.9	21.5	15.6	18.8	16.6
EPS (VND)	1,776	2,484	2,046	2,692	2,519
BV (VND)	11,842	12,906	13,255	14,283	15,219
Dividend (VND)	300	900	1,600	1,600	1,600
P/E	13.0	9.3	11.2	8.4	9.0
P/B	1.9	1.8	1.7	1.6	1.5

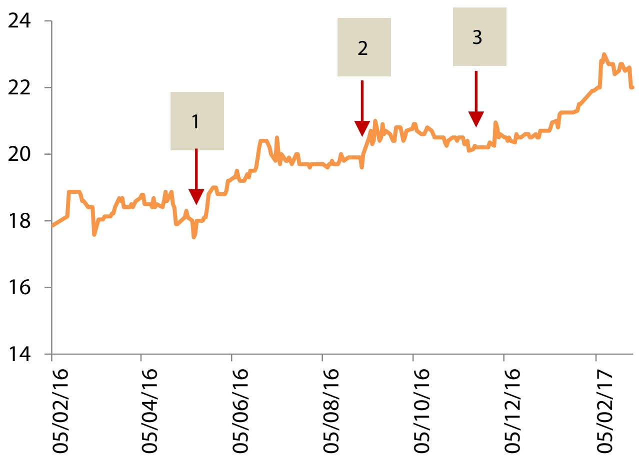
Company Overview



- Since Dak Drinh 2 hydropower project has been cancelled, the company's current growth prospects solely depend on the operation of A Luoi plant. In the long-term, the total output of this plant will remain stable.
- The management board of the company is really active in looking for and studying new investment opportunities to expand its production capacity.
- The company's healthy financial condition coupled with its stable business operations will allow CHP to pay off its debt, as well as cash dividends, regularly.
- The two biggest risks to CHP's business include hydrological conditions and market interest rate risks.

Source: RongViet Research

Price Drivers



1. Dividend payment at VND1,600/share.
2. Moving from the HNX to the HSX.
3. Positive information about output when La Nina occurred, and was forecasted to last until the end of the dry season of 2017.

Source: Bloomberg, RongViet Research

Entering Off Peak Period

NEUTRAL	**+8%**
CMP (VND)	29,600
Target price (VND)	31,900
Investment period	Long-term

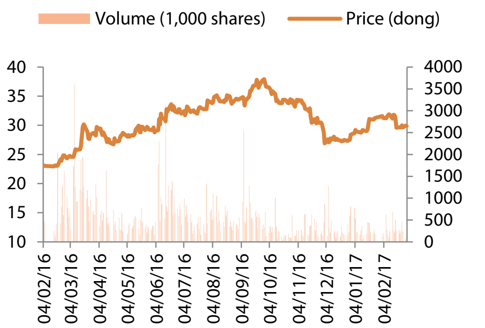
Company Description

PVPower NT2 was founded in 2007 in Ong Keo Industrial Park in Dong Nai province. Currently, PVPower NT2 is the largest gas-turbine power company listed on the stock exchange in terms of market capitalization.

PVPower NT2 is responsible for investment and operation of the NT2 gas turbine power plant with capacity of 750 MW. The factory was constructed in 4 years, and fully began its commercial operations since Oct-2011 and started participating in the Vietnam Competitive Generation Market since July of 2012. NT2 is designed with an average output of 4.5 billion kWh each year, accounting for 3.5% of national electricity demand as of 2014.

PV Power is the largest shareholder of NT2 with 65% ownership.

Price Performance



%	YTD	1M	3M	12M
NT2	8.6	1.9	-9.7	31.2
VNIndex	6.9	3.4	5.4	31.9

NT2 was able to prove its ability in this sector when the electricity demand exceeded supply during 2015-2016. After operating at a high capacity for a long time, we believe that 2017 will be a proper time for NT2 to have a relative slowdown while weather conditions become more favorable. Meanwhile, the power industry socialization process is still attractive to investors, although it is progressing slowly. Therefore, NT2 is a viable option for investors who are interested in long term investment in Vietnam's power sector, although we are currently only giving this company a neutral recommendation.

Investment Rationales

- **Electricity production will enter an off peak period in 2017.** The factors that supported the relative superiority of NT2 in FY2016 superiority will not be present in 2017. These factors include, (1) El Nino ended and temperature "cooldown" and (2) natural gas prices sharply increased. Additionally, NT2 has been operating at high capacity for two years, and its electricity output will most likely decrease in 2017. The company's gross margin, as a result, will decrease slightly.
- **Less competitiveness in the CGM as natural gas prices increase.** Compared to the price of other fuels, the price of natural gas has recorded a significant increase in recent months. Thermal power plants will be able to transfer input price rises to the selling price of electricity, ensuring that there is no loss due to input price volatility. However, the increase of variable costs will lower these plants' competitiveness when participating in the CGM.
- **Major repairments will not affect electricity generation activities.** NT2 will begin its first major overhaul in October 2017. This will occur during the rainy season for most parts of the country, and electricity mobilization from thermal power is low. As a result, this event will not pose significant interruptions to the NT2's future operations.
- **NT2's stable cash flow guarantees a high dividend rate.** NT2's cash flow is relatively healthy, resulting from its effective business operations, decrease of interest expense by around VND30 billion per year on average, and receive more than VND160 billion of account receivable from EVN each year, over a 4 year period (2015-2019). Hence, NT2's dividend payment has increased significantly in recent years with the highest rate being in 2016 (33% cash dividend). In the long term, we believe that NT2 can maintain a cash dividend payment at 25 – 30% each year on average.

2017 Forecast

- Commercial electricity output is forecasted to decrease by 3.8% YoY.
- We expect that revenue will grow 15% YoY (after excluding revenue from the retrospective of gas transportation fees in 2016); its gross margin is 18.5%.
- Financial activities will record a loss of VND150 billion, assuming that the USD and EUR appreciate by 3%.
- NPAT will decrease by 11% YoY, equivalent to EPS of VND3,206.
- 3 million ESOP shares offered in Q1 2017 at VND10,000.

Potential Catalysts

- NT2 is assigned the NT3 project

Risks to Our Call

- The rally of natural gas prices has a negative effect on its gross margin
- Higher than expected USD and EUR appreciation.

Stock Info	
Sector	Electricity
Market Cap (VND B)	7,777
Current Shares O/S	285
Beta	0.65
Free float (%)	27
52 week High	37,911
52 week Low	24,333
1 Month Avg. Volume (K)	308
Foreign Ownership (%)	22
State Ownership (%)	65

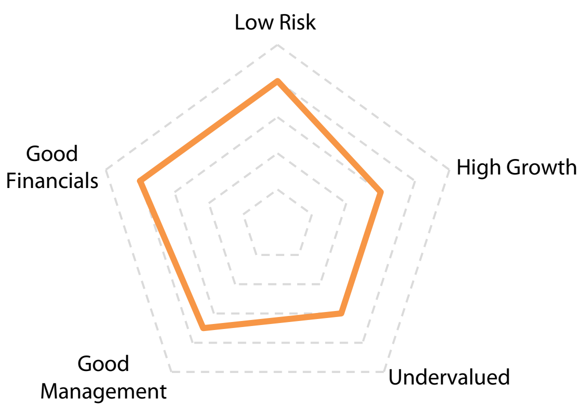
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	7,064.9	6,729.4	7,983.3	6,931.8	7,243.0
% growth YoY	20.1	-4.7	18.6	-13.2	4.5
PAT	1,591.0	1,141.6	1,085.5	970.4	973.8
% growth YoY	19,256.6	-28.2	-4.9	-10.6	0.3
ROA (%)	12.9	9.5	8.8	7.9	8.8
ROE (%)	45.2	25.3	22.4	19.6	21.0
EPS (VND)	6,137	4,095	3,810	3,206	3,218
BV (VND)	16,589	17,408	17,230	17,522	17,807
Dividend (VND)	1,500	2,200	3,300	2,700	3,000
P/E	5.1	7.7	8.3	9.2	9.2
P/B	1.9	1.8	1.8	1.7	1.7

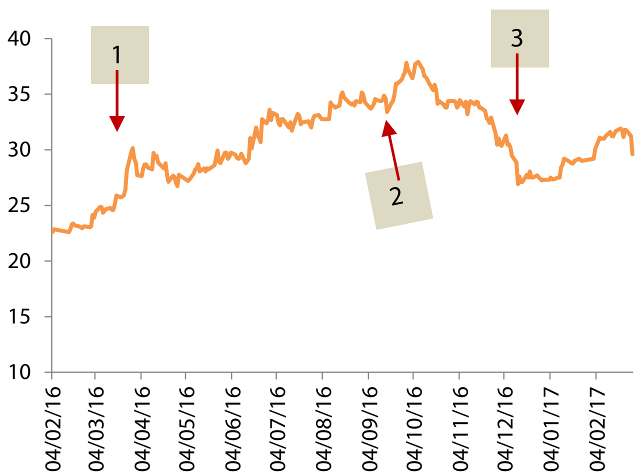
Company Overview



- NT2 is located in the central province of Southern Vietnam, which is always short of electricity supply. In the past 2 years, NT2 continuously operated at around 10% higher than designed capacity.
- With over 6 years of operations, which means only one-fifth of the project cycle, it can be said that NT2's equipment is relatively new. As a result, expenditure on materials for the NT2 plant will be relatively low.
- The natural gas supply of NT2 is guaranteed, as it is a subsidiary of PV Power (under PVN).
- Although the company has a large foreign loan denominated in USD and EUR, a fast loan payment plan (9.5 year equivalent to one-third of the project cycle) will help NT2 to eliminate its exposure to exchange rate risks when it completed the loan payment in 2022.

Source: RongViet Research

Price Drivers



1. Benefits from weather conditions and stable exchange rate.
2. Expectation that NT2 can be the key investor of NT3 and NT4 projects.
3. Business result of Q4 2016 were less optimistic than Q4 2015.

Source: Bloomberg, RongViet Research

PHA LAI THERMAL POWER JSC. | Bloomberg: PPC VN

Difficulties Left Behind

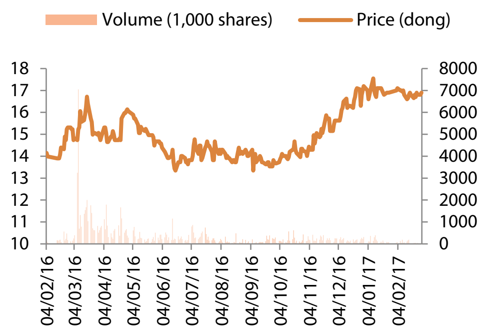
ACCUMULATE	+15%
CMP (VND)	16,800
Target price (VND)	19,400
Investment period	Long-term

Company Description

Pha Lai Thermal Power JSC. was founded in 1982 and is among the oldest and largest coal-burning power plants in Northern Vietnam. PPC has two electrical thermal factories, named PL1 with a designed capacity of 440 MW and PL2 with a designed capacity of 600 MW. PPC also owns a 26% stake of Hai phong electrical thermal factory, a new factory with a capacity of 1,200 MW. PPC is capable of providing an average of 6 billion kWh of electricity per year, accounting for 6% of the national electricity supply. PL1 was full depreciated in 2014 and PL2 was in mid-2015.

State shareholders own 52.3% PPC, represented by GENCO2. EVN has a significant influence on PPC, and PPC's annual business plan strictly follows EVN.

Price Performance



%	YTD	1M	3M	12M
PPC	0.6	0.6	13.4	16.0
VNIndex	6.9	3.4	5.4	31.9

Power Purchasing Agreement (PPA) plays a key role to guarantee a minimum return for electricity factories that have operated for a long period and fully depreciated like PL1. As a result of the company not finishing PPA in the first half of 2016, PL1 can only operate at around 63% of its designed capacity, which has a negative effect on its overall business results. We expect that PPC's electrical production will return to its multiple-year average in 2017, which will help its production revenue grow significantly.

Investment Rationales

- **Gross margin will increase due to electricity production returning to its multi year average.** Given that PC1 has signed PPA, the proportion of Qc will significantly increase compared to 2016. The average electricity will also increase slightly. Moreover, supply from hydro power in the north will not be as abundant as in 2016, and given the limited supply from thermal power plants in 2017, we assume that PPC's sales volume will be significantly higher than 2016. These factors contribute greatly to the improvement of its gross margin in 2017.
- **Narrowing the competitive advantage gap with gas-turbine power plants in the CGM.** In the beginning of 2017, the coal price sold to electricity companies has increased by 7% while the gas price has doubled, resulting in a smaller gap of variable costs between coal-burning and gas-turbine power plants. This will reduce competitive pressure to coal-burning power plant in the CGM.
- **High and stable dividend yield:** In addition to its relatively stable electrical production business, PPC's annual net financial income is around VND200 billion, which allows it to maintain a dividend yield ratio of 15-25%.

2017 Forecast

- We forecast that the commercial volume and average price of electricity will increase by 14% and 6% YoY, respectively.
- We also forecast that revenue will grow by approximately 18% YoY and that its gross margin will reach 10.4%.
- The company's financial activities can record a net gain of approximately VND97 billion, with a 4% appreciation of the JPY and PPC not paying all of its loan before maturity.
- The company's NPAT will increase by 34% YoY, with a corresponding EPS of VND2,111.

Potential Catalysts

- High generated volume or significantly increase of profit.
- Weaker JPY.

Risks to Our Call

- JPY appreciate higher than our expectations.

Stock Info

Sector	Electricity
Market Cap (VND bn)	5,313
Current Shares O/S	318
Beta	0.36
Free float (%)	16
52 week High	17,550
52 week Low	13,341
1 Month Avg. Volume (K)	87
Foreign Ownership (%)	16
State Ownership (%)	51

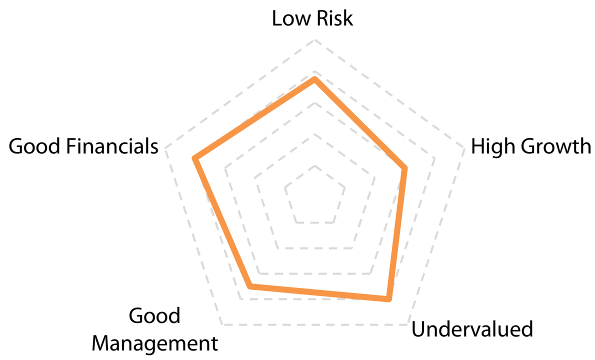
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	7,481.9	7,664.9	5,977.4	7,037.9	7,161.8
% growth YoY	13.6	2.4	-22.0	17.7	1.8
PAT	1,044.7	560.7	542.9	729.6	705.6
% growth YoY	-35.9	-46.3	-3.2	34.4	-3.3
ROA (%)	9.0	5.0	5.0	7.7	10.0
ROE (%)	18.9	9.8	9.9	15.6	19.3
EPS (VND)	3,022	1,542	1,664	2,111	2,037
BV (VND)	17,393	17,471	15,796	16,879	17,553
Dividend (VND)	1,500	2,500	1,700	1,700	1,700
P/E	5.3	11.0	10.2	8.0	8.2
P/B	1.0	1.0	1.1	1.0	1.0

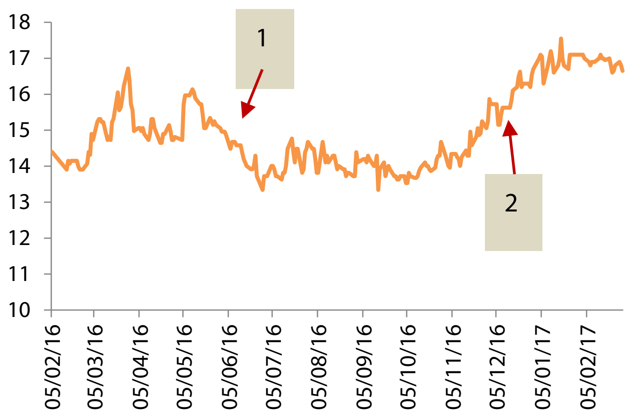
Company Overview



- After 30 year of operations, PL1 operating capacity is relatively low. PPC is considering a major overhaul or upgrade the factory's machine. According to PPC's representation, the maintenance may not help to increase PPC's capacity will help operating efficiency increase around 10%.
- Upon finishing the PL1 upgrade, PL1's PPA term can be longer (maybe 10-18 years instead of the current 4 years). PPC's electrical production process will be highly stable, allowing it to avoid the similar risk of production in 2016)
- Since the company has a large stakeholder like REE, PPC is more more energetic and professional in IR and corporate management practices
- PPC is considering to pay off all its foreign debt before maturity by offsetting the amount that EVN borrows. Estimated NPV of the total amount of net interest income and realized FX loss if PPC keeps the loan is VND1,160 billion, equivalent to VND3,646 per share.

Source: RongViet Research

Price Drivers



1. PL1's PPA was signed later-than-expected and the high appreciation of JPY negatively impacted its business results in the first 9 months of 2016.
2. JPY depreciated and it had positive business result in Q4.

Source: Bloomberg, RongViet Research

Strong Recovery

ACCUMULATE	+16%
CMP (VND)	19,700
Target price (VND)	22,800
Invesment period	Long-term

SHP's electricity output reached a new record high in FY 2014, thanks to the favorable hydrological conditions and contribution of its new hydropower plant Da M'Bri. After this, SHP's electricity output in the next two years sharply decreased due to negative impacts from El Nino. However, in 2017, positive movements from both the hydrological conditions in the South and the competitive electricity generation market will create favorable growth for SHP in the future.

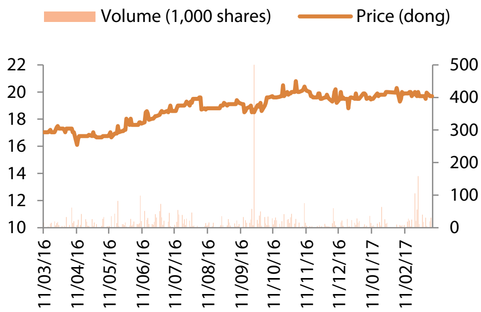
Company Description

Southern Hydropower Joint Stock Company is an electricity generating company that owns three hydroelectric power plants with a total output of 122.5 MW. All of these power plants are located in Lam Dong Province. SHP's hydroelectric power plants signed long term sales contracts with EVN with 80-100% total electricity output, and these plants are operating beyond the designed capacity.

Among SHP's plants, Đa M'Bri is the largest with a capacity of 75 MW, accounting for 60% of the company's total electricity output. The plant came into operation since 2014 with total investment capital of VND2,500 billion, which was mostly capitalized by a long-term loan in VND. Due to its stable operating ability, SHP has been steadily clearing its debt according to its deal with the bank, which lowers its interest expense each year.

Currently, Southern Power Corporation and Mechanical refrigeration JSC are the two largest shareholders of SHP, holding 28.9% and 10.7% SHP's shares, respectively.

Price Performance



%	YTD	1M	3M	12M
SHP	-2.0	-2.5	-2.0	13.9
VNIndex	6.9	3.4	5.4	31.9

Investment Rationales

- **Good hydrological conditions will support SHP's business results in 2017.** With El Nino ending, La Nina coming will bring heavy rain back, especially in the dry season. Such positive movements will not only increase SHP's electricity output in first half of 2017, but also improve the annual average selling price. However, since hydrographic factors are cyclical and will repeat in the future, the total output of SHP in the long-term will remain at a stable level in the future unless the company has new investment plans.
- **Long-term sales contracts with EVN ensures the stable operations of its plants.** These contracts have a term of 10-25 years and account for most of SHP's output, while the selling price is fixed throughout the term of the contract. This mechanism ensures that SHP's profitability will always be positive, but not too high. The company's profit improvements mostly comes from output growth and the decrease in interest expenses due to the lower outstanding debt year after year.
- **High and stable dividend payment policy**, at around VND1,600/share, or an ~8% dividend yield. Investors can expect a higher yield when SHP finishes paying off its debts.

2017 Forecast

- La Nina can give significant rise to the electricity output of SHP in the first half of 2017 and increase the average selling price in FY2017 as well. We expect that the company's total output and revenue will grow by 10% and 17% YoY respectively.
- SHP has more relative advantages over other thermal power plants since the input expenses of thermal power is experiencing an upward trend.
- We estimate that interest expenses will reduce by VND13.7 billion in 2017.
- We project that the company's PAT will increase by 67% and its EPS will be VND1,751.

Potential Catalysts

- Good news about its FY2017 revenue and profit, as compared to FY 2016.

Stock Info

Sector	Electricity
Market Cap (VND B)	1,865
Current Shares O/S	94
Beta	-0.13
Free float (%)	40
52 week High	20,800
52 week Low	16,107
1 Month Avg. Volume (K)	28
Foreign Ownership(%)	4
State Ownership (%)	49

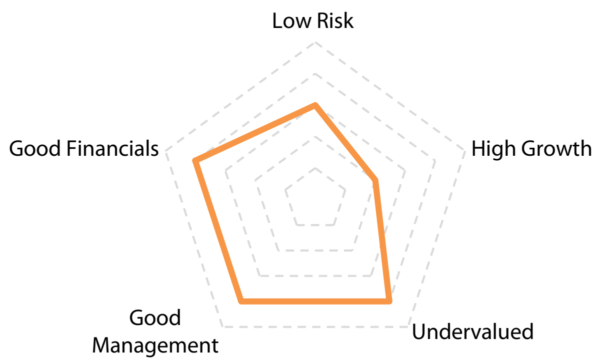
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	**2014**	**2015**	**2016**	**2017F**	**2018F**
Revenue	596.4	594.7	513.0	601.8	612.4
% growth YoY	207.3	-0.3	-13.7	17.3	1.8
PAT	220.1	164.6	98.1	164.1	177.0
% growth YoY	111.2	-25.2	-40.4	67.3	7.8
ROA (%)	7.2	5.4	3.5	6.40	7.33
ROE (%)	19.1	13.4	8.1	13.1	14.0
EPS (VND)	2,255	1,673	1,005	1,681	1,813
BV (VND)	13,038	13,200	12,563	13,417	13,506
Dividend (VND)	800	1,500	1,600	1,000	1,800
P/E	7.4	10.0	19.1	11.4	10.6
P/B	1.3	1.3	1.8	1.7	1.7

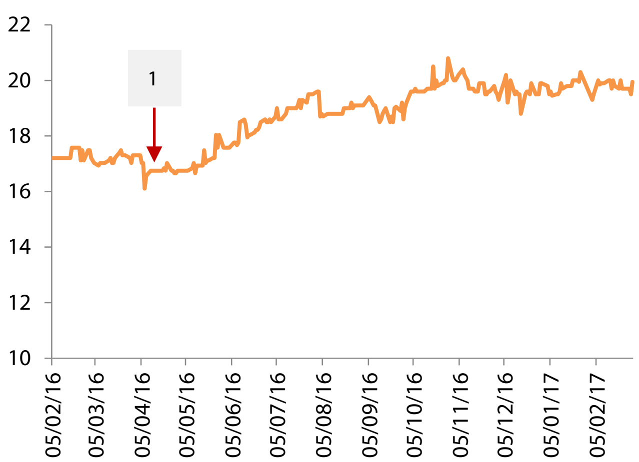
Company Overview



- The company currently has no new projects planned, so its growth prospects depends mostly on hydrological conditions. In the long term, the total output will remain at a stable level.
- The company has a healthy financial situation, and its depreciation is sufficient enough to pay its outstanding debts periodically and maintain a stable dividend policy.
- SHP is able to bear interest rate risks when most of SHP's long term debts apply quarterly adjusted floating rates.
- Even though hydrological movements are cyclical, it's still hard to predict the exact timing and level of these events. Prolonged negative movements will bring SHP distress on its cash flow for debt and dividend payments in the short-term.

Source: RongViet Research

Pricve Drivers



1. During its shareholder's meeting, the company reached a resolution to pay a dividend of VND1,600/share for FY2015 and FY2016.

Source: RongViet Research

OIL & GAS: REKINDLED FAITH

Kien Nguyen (kien.nt@vdsc.com.vn)

Vietnam's oil & gas industry has gone through the most negative period over the last 2 years, as oil prices approached the lowest level in 10 years at 27 USD/barrel. In its current state, investment opportunities prevail in this industry as it sentiment begins to improve along with the recovery of oil prices.

RongViet Research asserted that 2016 would be the trough of the industry. However, there will be gap between the recovery of oil prices and positive prospects for Vietnamese oil & gas companies. Therefore, 2017 could be the turning point in business efficiency for companies, which can begin to witness an improvement in financial results.

However, the industry can still experience challenges in global supply and demand, and companies in Vietnam specifically can face challenges in project scheduling.

Investment Opportunities

2017 marked the point of global demand exceeding supply. In early 12/2016, the success of reaching the unprecedented agreement to cut the supply was the first step for OPEC to regain the influence in global oil market and bring positive sentiment to the industry. In the long-term, according to IEA's report, the global supply will continue to increase to 97.5 million barrels/day in 2017, a +1.5% YoY and equivalent to an increase of 1 million barrels/day. However, this is still a modest number due to the pressure from (1) slow global growth rate and (2) the economic slowdown from countries in Organization for Economic Co-operation and Development (OECD), especially China. Moreover, OPEC also pointed out that demand for crude oil of this group will remain at 32.6 million barrels/day. Therefore, the first 6 months of 2017 will experience a positive balance between supply and demand, with the agreement to maintain the low output of 32.5 million barrels/day. By the end of Q2 2017, crude demand will exceed the supply by 400,000 barrels/day in 2017. As a result, RongViet Research believes that this will be a base for the strong rally of oil prices in H2 2017.

Oil prices will continue its coarse of stable recovery. RongViet Research forecasts that the price of oil will average at USD57/barrel and remain at a stable level above USD60/barrel during H2 2017. This will be the positive momentum for the oil & gas industry's prospects. Furthermore, many oil & gas fields in Vietnam will operate above the break-even point if oil prices rise above USD60/barrel. As a result, there will be improvement in demand for exploitation, exploration and services.

Construction segment - The return of energy projects. There will not be large amount of construction projects during the first half of this year. At the end of 2017, several expected projects such as Long Son, Song Hau 1 or Nghi son will bring a substantial workload. There has also been information released regarding the successful deal with SCG to invest in Long Son petrochemical refinery (79% capital contribution) to replace an investor from Qatar. This will be the signal for the future improvement in the construction segment. As a result, H2 2017 will be the initial phase for the return of energy projects and increasing workload for oil & gas companies.

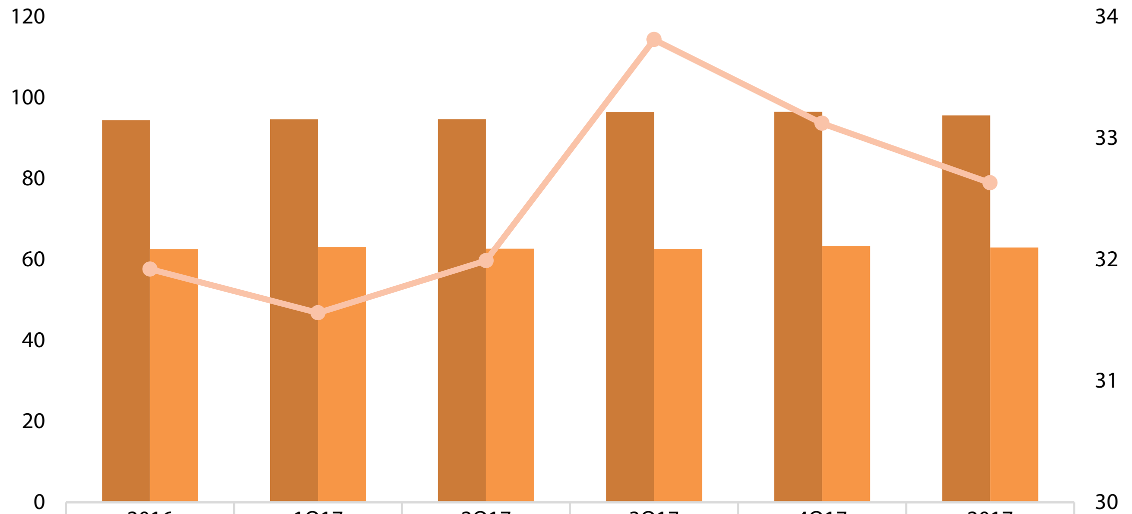
Upstream activities still need more time for recovery. In 2016, there are 4 oil & gas fields that had the best resistance against the drop in oil prices including Bach Ho, Block 09-1 of Cuu Long (account for 40% of total gas output of Vietsovepetrov), fields of Cuu Long, Hoang Long – Hoan Vu and Rang Dong from JVPC. According to our research, these oil & gas fields break even point is below USD35/barrel, and they could consequently maintain operations for the full year of 2016. Meanwhile, several fields had to temporarily close, including Thang Long – Dong Do (block 01 and 02/97) and Doi Moi (block 09-03). At the end of 2016, exploration activities became much more stable when the price of oil averaged at USD55/barrel.

We project that PVD, a notable upstream company, will have negative business results this year. Only 2 out of 6 of PVD's drilling rigs are currently in operation. Revenue and projects are facing difficulties to recover in the short-term until there are clearer signals from day rates, drilling demand and operation of oil fields. Even though recovery prospects are not obvious, this could be a potential accumulating period as stock prices have reached a 5-year low.

Risks

- Total shale oil output could increase, leading to the prolonged over supply.
- Energy projects in Vietnam such as Block B – O Mon or Ca Voi Xanh continue to face issues about investment capital and project progress.
- Demand for oil & gas services (drilling, ships, and seaports) will be gloomy over the first half of 2017 due to the late return of exploitation activities.

Figure 49: 2017 Demand/Supply According to OPEC's Forecasts (Unit: million barrels/day)



	2016	1Q17	2Q17	3Q17	4Q17	2017
Global Demand	94.41	94.61	94.67	96.45	96.48	95.56
Non-OPEC supply	62.49	63.05	62.68	62.64	63.36	62.93
Demand for OPEC's crude	31.92	31.56	31.99	33.81	33.12	32.63

Source: OPEC, RongViet Research

Figure 50: Brent Oil Price in 2016 (unit: USD/barrel)

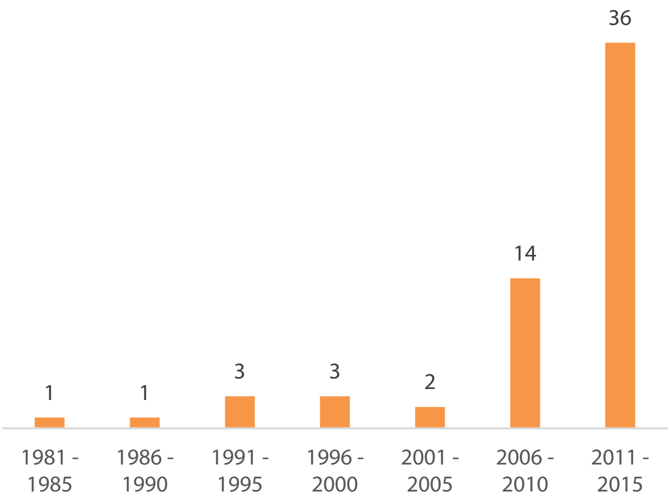
Source: OPEC, RongViet Research

Table 9: Summary of Crude Oil Price Forecast (Brent) of Several Major Institutions (unit: USD/barrel)

	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
Median	50.0	51.5	54.0	57.5	59.0
Average	53.3	53.3	54.6	57.5	59.6

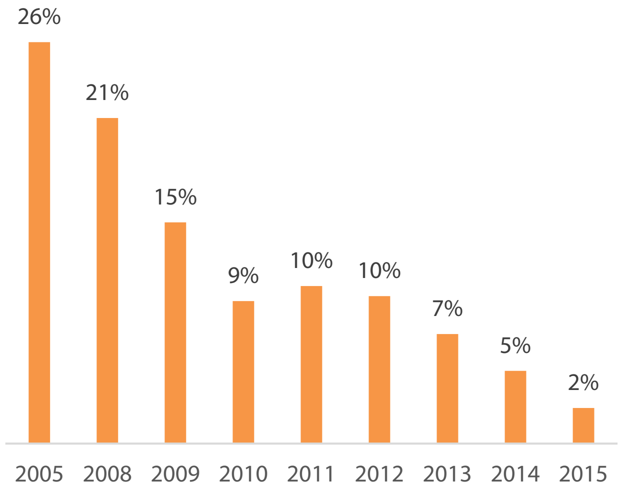
Source: RongViet Research

Figure 51: Oil & Gas Fields that have been put into Operation



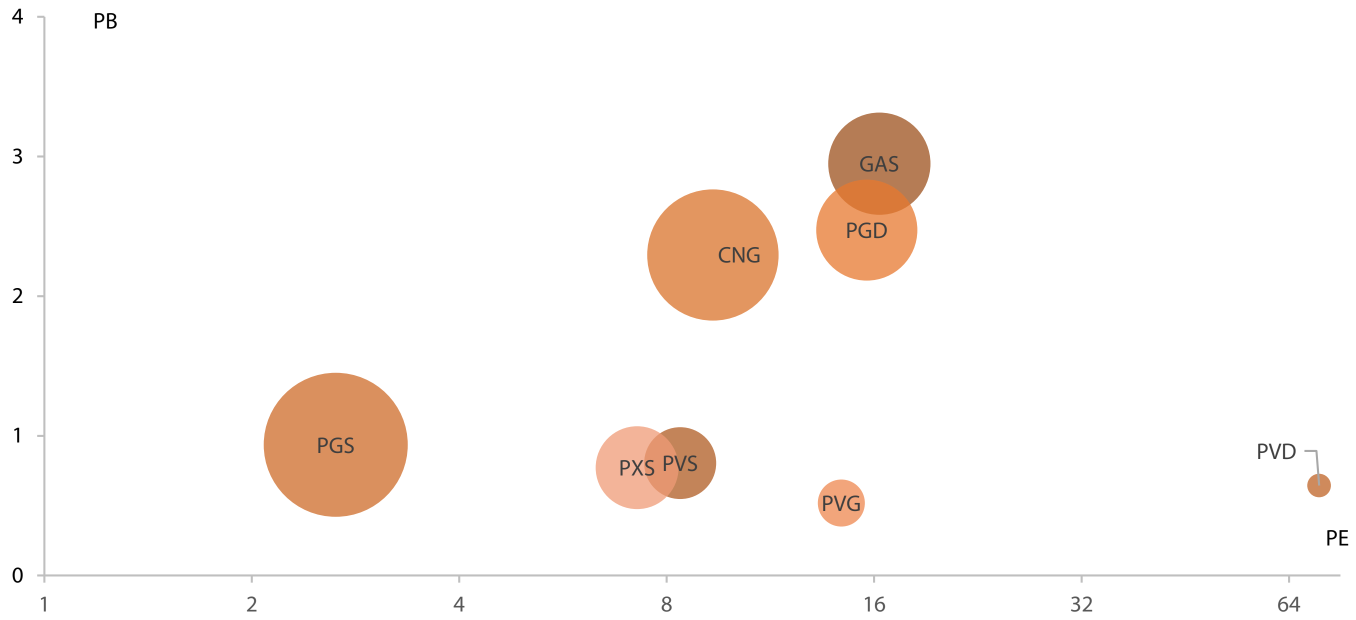
Source: PVN, RongViet Research

Figure 52: Crude accounts for a much lower proportion of Vietnam's exports and has reached a4 record low



Source: PVN, RongViet Research

Figure 53: ROE, PE, PB of Companies in Oil & Gas Industry



Source: Fiinpro, RongViet Research, Size of bubble: ROE

Maintain Stable Growth

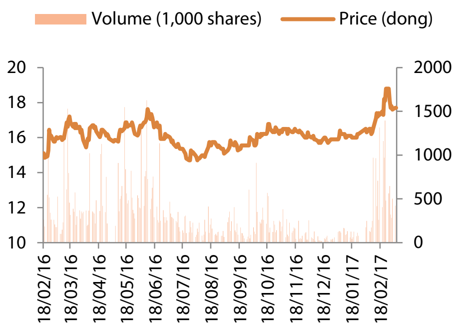
ACCUMULATE	+15%
CMP (VND)	18,100
Target price (VND)	20,900
Investment period	Intermediate-term

Company Description

Southern Gas Joint Stock Company is the leading distributor of liquefied petroleum gas (LPG) and compressed natural gas (CNG). The main markets of PGS are cities and provinces in the southern area. At this moment, PGS possesses the highest market share in Ho Chi Minh City, accounting for ~35% of the total demand. With fierce competition, PGS's growth rate over the last few years has been on par with the industry's growth.

GAS plans to increase its ownership in PGS from 35% to 51%. However, the detailed plan has not yet been announced.

Price Performance



%	YTD	1M	3M	12M
PGS	13.8	13.1	11.0	21.9
VNIndex	6.9	3.4	5.4	31.9

PGS operates in the down-stream segment of the oil & gas value chain, and has been able to maintain stability under the pressure of low oil prices. The company is positioned to uphold this position in 2017 amid the current environment. PGS is currently using the capital from its divestment from CNG to develop its LPG retail market. Furthermore, GAS plans to increase its ownership in PGS, which demonstrates its effort to focus on developing the LPG segment in the long-term and to reshape the market. PGS will be able to increase its market share and its position in the gas distribution segment for civil consumption, along with a developing a more methodical and concentrated market.

Investment Rationales

- **The price of oil will maintain its recovery in the long-run.** RongViet Research forecasts that the price of oil will average at USD57/barrel, equivalent to an increase of 27%. An improvement in oil prices will lead to a recovery in revenue.
- **Stable earnings with a leading position in the Southern region.** At this moment, PGS accounts for 35% of the total output in the HCM market. PGS does not distribute CNG in the Northern region, which allows it to avoid the negative situation that PVG and CNG are facing.
- **The company's financial situation has improved.** After completing its divestment from CNG, PGS recorded nearly VND300 billion in profit. Accordingly, PGS could obtain a much more reasonable financial balance due to this divestment. This deal also brings abundant cash flow for PGS, which will allow it to increase its brand awareness, marketing plan and be ready for any M&A activities.
- **GAS announced its plan to increase its holding in PGS.** Recently, GAS plans to increase the ownership of PGS from 35% to 51%. This will lead to a more developed and concentrated document market. Therefore, PGS could benefit from GAS's support in term of market development and market share improvement in the near future.

2017 Forecast

- We project that the company's revenue and profit after tax in 2017 will be VND6,067 billion (+22.4% YoY) and VND118 billion (-65.6% YoY).
- We project that its profit after tax will grow by 30.5% YoY, if excluding its extraordinary profit in 2016
- We project that the company's gross profit margin will drop from 19% in 2016 to 18% due to the adjustment in input prices from GAS.
- We expect that total LPG and CNG output could reach 176,219 tons (+7.0% YoY) and 113.7 million m^3 (+8.0% YoY).
- Retail prices will be VND18 million/ton for LPG and VND9,229/m^3 for CNG.

Potential Catalysts

- GAS officially registers to increase its ownership in PGS in 2017.

Risks to Our Call

- M&A deals do not improve its business efficiency and the increasing competition from existing distributors.
- Unfavorable adjustment for the input price from GAS.

Stock Info

Sector	Utilities
Market Cap (VND B)	795
Current Shares O/S	50
Beta	0.72
Free float (%)	59
52 week High	18,800
52 week Low	14,703
1 Month Avg. Volume (K)	584
Foreign Ownership (%)	20
State Ownership (%)	27

Source: RongViet Research

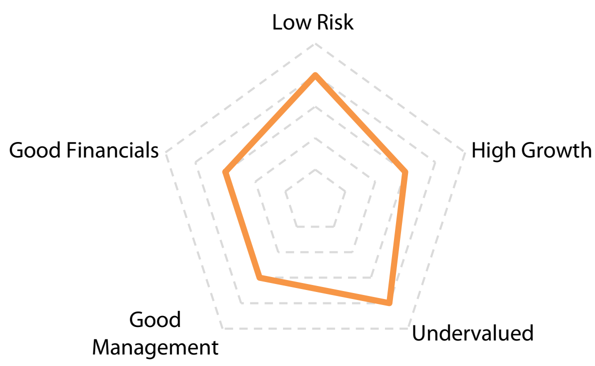
Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	7,487.7	5,956.3	4,957.1	6,125.0	6,718.0
% growth YoY	8.5	-20.5	-16.8	23.6	9.7
PAT	140.3	111.4	341.8	118.0	129.0
% growth YoY	-21.7	-20.6	206.8	30.5*	9.3
ROA (%)	4.5	3.8	13.9	5.5	5.4
ROE (%)	13.7	10.1	33.6	9.1	8.8
EPS (VND)	3,691	1,722	6,837	2,347	2,573
BV (VND)	24,779	17,798	19,339	20,050	20,986
Dividend (VND)	1,500	1,500	3,000	1,500	1,500
P/E	4.6	9.9	2.5	7.7	7.0
P/B	0.7	1.0	0.9	0.9	0.9

** growth after excluding extraordinary profit from CNG divestment*

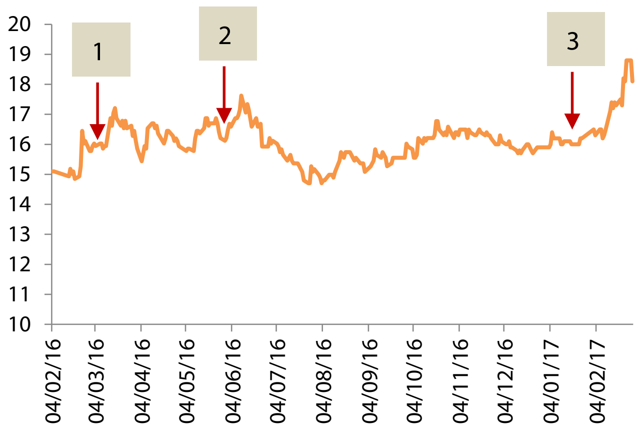
Company Overview



- Improvement in its growth rate thanks to the recovery in retail prices along with it pushing brand awareness and marketing activities.
- Positive improvement in its financial situation due to the divestment from CNG.
- PGS's risks are low because of (1) floating input and output prices, (2) high market share and proven stability over the years and (3) stability in demand and consumption of LPG.

Source: RongViet Research

Price Drivers



1. Dividend from extraordinary profit in 2016.
2. CP Aramco price started to improve, leading to the increase in the domestic selling price.
3. GAS announced its plan to increase the ownership of PGS.

Source: Bloomberg, RongViet Research

Consistency Amid Industry Volatility

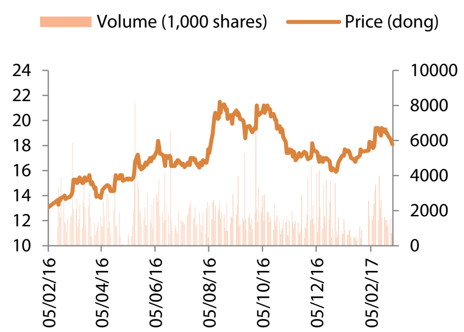
ACCUMULATE	+20%
CMP (VND)	18,500
Target price (VND)	22,200
Investment period	Long-term

Company Description

Petrovietnam Technical Services Corporation is the leading company in providing oil & gas services in Vietnam including support vessels, port & supply base, GEO survey and ROV. Moreover, PVS is also highly qualified in the construction segment, especially for energy projects. Accordingly, EPCI for offshore facilities and EPC for industrial plants are the focus of PVS's core businesses. Furthermore, floating storages also maintain the stable income for the company under negative volatility of the industry over the last few years.

PVS's stock has not been actively traded, and has been very volatile due to the up & down of oil & gas prospects. In term of ownership structure, PVS has been under the influence of PVN, which has 51% ownership.

Price Performance



%	YTD	1M	3M	12M
PVS	12.8	8.8	7.5	46.4
VNIndex	6.9	3.4	5.4	31.9

Given the recent recovery of oil prices, RongViet Research believes that PVS's future prospects will improve, especially during H2 2017 when oil & gas activities become more active. In addition to this, the return of several energy projects such as Long Phu 1 or Long Son will create a substantial workload for PVS in the future.

Overall, we have evaluated PVS under the assumption that oil prices will continue to increase in the long-run. Therefore, we believe that this could be an appropriate period to accumulate stocks in order to benefit from potential improvements in the future.

Investment Rationales

- **Oil prices will continue to recover in the long term.** RongViet Research forecasts that oil prices will average at USD57/barrel, equivalent to an increase of 27%. The improvement in oil prices will provide income for the government. which is dealing with high public debt and tight budgets. We believe that crude output will increase by 1 million tons. Therefore, this will be the firm base for growth in oil & gas services demand during Q2 2017.
- **FSO/FPSO segment will be stable**. Accordingly, its floating storage demonstrates the strong resistance against the negative impacts of oil prices. This will provide stable income for PVS in the long-term. Furthermore, FPSO Ca Rong Do project, which we expect will be initiated in Q2 2017, will improve the workload and construction prospects this year.
- **Energy projects will increase**. During H1 2017, several major projects such as Long Phu or Long Son will step into the construction and mechanical phases. This will be the stepping stone for the abundant workload for oil & gas construction companies. In the long term, projects such as Sao Vang – Dai Nguyet, Kinh Ngu Trang, Kinh Ngu Vang and Block B – O Mon will bring constant and overlapping work.

2017 Forecast

- We forecast that revenue and NPAT of PVS for 2017 will be VND17,154 billion (-8.2% YoY) and VND1,045 billion (+5.9% YoY) respectively.
- The company's profit margin could drop to ~4.1% in 2017 because the contract value of the M&C segment will be reduced and PVS could not cut cost further.
- Profit from joint-ventures (mostly for floating service segment) will be stable at around VND500 – 600 billion.
- We project that the company's 2017 EPS will be VND2,338.

Potential Catalysts

- Strong rally in oil prices will create positive sentiments for the industry, and specifically for PVS.
- H1 2017 business results will be negative and start to pick up during H2 2017, which could impact the stock price.

Risks to Our Call

- Another drop in oil prices would negatively affects PVS's core businesses.
- Major projects are behind schedule and face challenging investment capital issues.

Stock Info

Sector	Oil & Gas
Market Cap (VND B)	7,326
Current Shares O/S	447
Beta	1.32
Free float (%)	38
52 week High	21,490
52 week Low	13,821
1 Month Avg. Volume (K)	1,921
Foreign Ownership (%)	28
State Ownership (%)	51

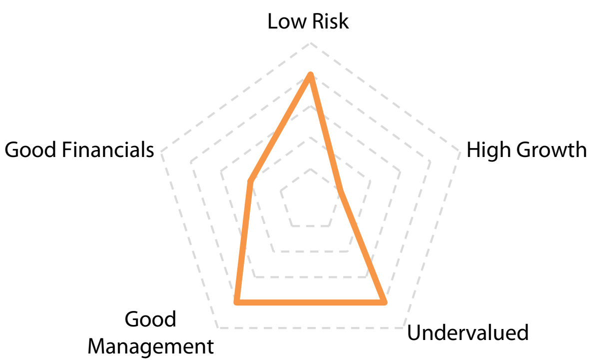
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	**2014**	**2015**	**2016**	**2017F**	**2018F**
Revenue	31,704.0	23,356.9	18,719.6	17,184.0	19,825.0
% growth YoY	24.7	-26.3	-19.9	-8.2	15.4
PAT	1,974.8	1,517.4	987.3	1,045.0	1,347.0
% growth YoY	25.3	-23.2	-34.9	5.8	28.9
ROA (%)	7.8	5.7	3.8	4.6	4.9
ROE (%)	20.5	13.3	8.4	8.2	9.0
EPS (VND)	4,421	3,397	2,210	2,338	3,016
BV (VND)	21,296	22,949	22,991	23,900	25,039
Dividend (VND)	1,200	1,200	1,200	700	1,000
P/E	4.4	5.7	8.8	7.9	6.1
P/B	0.9	0.8	0.8	0.8	0.7

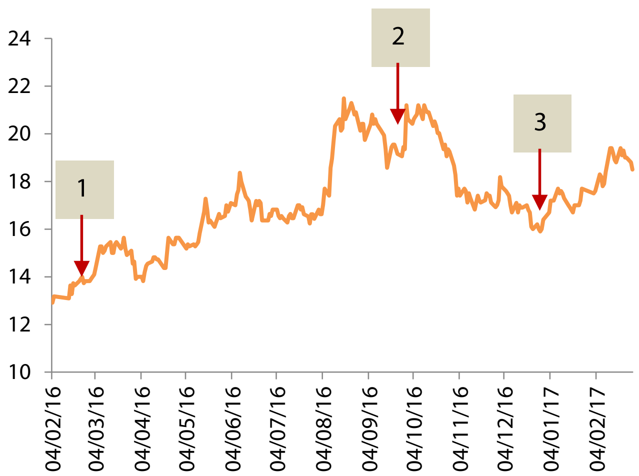
Company Overview



- PVS is the leading oil & gas service company with the largest scale in Vietnam. Services from PVS include service vessels (towage, salvage, and firefighting), floating storage (FSO/FPSO), survey, repair/maintenance and construction.
- We anticipate that its growth rate will remain low and that there are not major prospects for significant improvement. In the long term, PVS still has room for future growth, driven by the positive outlook from major energy projects and further oil & gas exploitation.
- Risk about its provision also brings major concern for investors, even though we believe that PVS has good fundamental aspects along with proper management from the board.

Source: RongViet Research

Price Drivers



1. Oil prices rallied over several sessions, creating positive sentiment.
2. Announcing negative business results.
3. Selling activities from foreign funds.

Source: Bloomberg, RongViet Research

PETROVIETNAM TRANSPORTATION CORPORATION JSC Bloomberg: PVT VN

A Turning Year

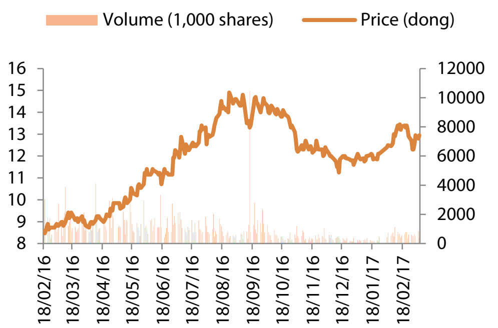
ACCUMULATE	+25%
CMP (VND)	12,300
Target Price (VND)	15,400
Investment Period	Long-term

Company Description

PVTrans (PVT-HSX) is a subsidiary of PetroVietnam. The firm is a provider of oil and gas shipping services, FSO/FPSO and other shipping related services (brokerage and fuel trading).

Oil shipping contributes to the majority of PVT's total revenue and profit. PVT has been able to stand strong amid the slumping shipping business environment, as a result of the rising demand for gasoline and having its mother firm as an anchor. New energy projects in Vietnam will be the main source of the company's growth moving forward.

Price Performance



%	YTD	1M	3M	12M
PVT	6.0	3.8	0.0	49.8
VNIndex	6.9	3.4	5.4	31.9

PVT has been able to escape some of the gloomy conditions facing the global shipping industry, by having oil transport as its core business. In fact, the firm still witnessed relatively higher demand, indirectly driven by gasoline consumption for personal and industrial use. The firm is working on improving its business efficiency and increasing the amount of non-Petro Vietnam projects that it undertakes.

Investment Rationales

- **The company's large vessel capability and dominating domestic market share allows it to be extremely competitive in this industry.** The firm operates Vietnam 's largest oil shipping fleet of 450 thousand DWT. It currently holds nearly 90% of the LPG domestic sea transport contract and is the only provider of crude tanker services in Vietnam.
- **The company's growing gasoline consumption and protected domestic shipping sector will support its growth.** We expect that Vietnam's gasoline consumption will grow by 5-6% annually, driven by the rise of incomes and FDI investments.
- **Benefit from PetroVietnam's new energy investment projects**: PVT plans to acquire 1 VLCC to service the input transport for Nghi Son refinery, which will run in late 2017. This project, at a total cost of USD65 million, could be a huge turning point for PVT. The firm's business could experience further growth from transporting coal inputs for its newly run thermal power plants (Vung Ang and Thai Binh 2), allowing it to capitalize on the relatively cheaper bulk shipping market.
- **The company's FSO business could bounce back as oil prices recover.** If oil price remains steadily above USD50 mark, PVT's FSO leasing rate could return to levels of 2015(rate down by 10% in 2016).

2017 Forecast

- We expect that its vessel revenue will fall by 5%, as Dung Quat Refinery undergoes periodic maintenance in Q2 2017. However, PVT's vessel revenue will remain unchanged, if it is able to find a business replacement outside and to increase its coal volume transport.
- The O&M services that it provides to Lewak Emas FPSO could contribute VND100 billion after PVT dissolves the joint venture and starts recognizing all of the related revenue and costs from Q2 2016.
- If the FSO rate got revised, 2017 PAT (after minority interest) would grow 6.6% YoY. Vessel segment's GPM could decrease to 15% from 17% due to the impact of declining revenue.

Potential Catalysts

- Rising oil prices could improve investor sentiment

Risks to Our Call

- If oil remains below 50 USD/barrel, it would lead to PVT's FSO lease rate further declining.
- Appreciating greenback versus VND could result in unrealized FX loss from USD loans.

Stock Info

Sector	Industrial Transportation
Market Cap (VND B)	3,265
Current Shares O/S	281
Beta	1.33
Free float (%)	49
52 week High	14,900
52 week Low	8,728
1 Month Avg. Volume (K)	642
Foreign Ownership (%)	25
State Ownership (%)	51

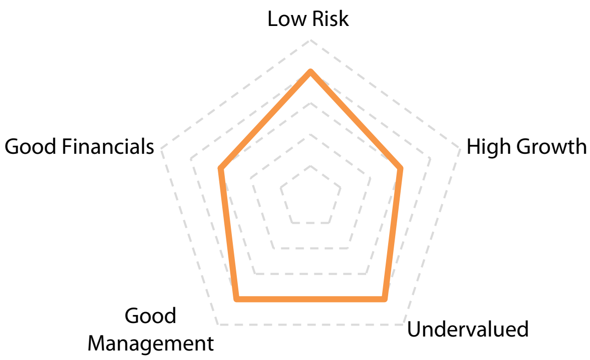
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	**2014**	**2015**	**2016**	**2017F**	**2018F**
Revenue	5,267.6	5,761.5	6,784.7	7,151.0	7,911.0
% growth YoY	6.2	9.4	17.8	5.4	10.6
PAT	341.1	368.1	413.1	421.0	463.0
% growth YoY	42.5	7.9	12.2	1.9	10.0
ROA (%)	3.6	3.9	4.4	4.5	4.8
ROE (%)	11.5	9.9	10.5	10.7	10.6
EPS (VND)	1,333	1,314	1,468	1,405	1,546
BV (VND)	12,236	13,277	12,683	13,915	15,466
Dividend (VND)	-	-	800	800	800
P/E	10.1	10.2	9.1	8.8	8.0
P/B	1.1	1.0	1.1	0.9	0.8

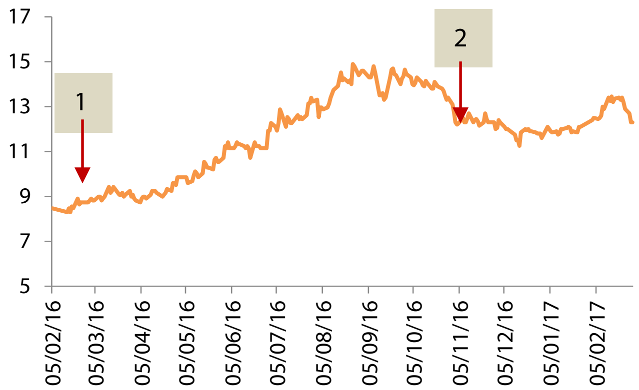
Company Overview



- PVT is Vietnam's leading oil shipping firm on capacity. Its stably growing business is being driven by gasoline consumption and new energy projects.
- The company has a relatively healthier financial structure for a shipping firm with debt financing reduced to 30% of total assets.
- Subsidiaries and financial investments in associates are seeing better efficiency.
- The largest risk continues to be its dependence on PetroVietnam and its subsidiaries. However, the concern is reduced somewhat given its competitive vessel leasing offer rate.

Source: RongViet Research

Price Drivers



1. The recovery of the price of oil in early 2016.
2. News on FSO Dai Hung Queen daily rate cut.

Source: Bloomberg, RongViet Research

FERTILIZER: WAITING FOR NEW OPPORTUNITIES

Diem My Tran (my.ttd@vdsc.com.vn)

Vietnam's fertilizer industry faced many challenges in 2016, including domestic demand decreasing, northern urea producers stopping operations, lower selling prices, increased competition, and the unfavorable tax policies. These non-positive factors have been reflected in the business results of some companies in this industry. In 2017, we expect that the recovery of fertilizer prices and new policies will improve the outlook of this industry.

Investment Opportunities

Favorable weather will help the consumption of Urea, NPK and DAP increase by 5-15% according to Agrimonitor. The droughts experienced in the Mekong Delta and Central Highlands in 2015-2016 decreased the demand for these products. However, agricultural activities throughout the country began to improve in the last half of 2016 due to favorable weather conditions. Moreover, an increase in agricultural commodity prices with higher economic value, such as rubber, coffee, and cashews, also supports the rise of manuring activities for these products.

Investment trend for high-quality NPK. NPK has recently become widely favored due to the convenience of this product. While the input prices like Urea, DAP, SA and Kali decreased significantly, the price of NPK is less volatile, which results in more positive business results. Due to the relatively favorable trends of this product, many businesses have initiated many new high quality NPK projects with two outstanding examples including projects completed by BFC (Binh Dien Tay Ninh Phase 2 and Binh Dinh Ninh Binh Phase 2) and DPM (High-quality NPK project). These projects are expected to create a solid growth base for businesses in this industry.

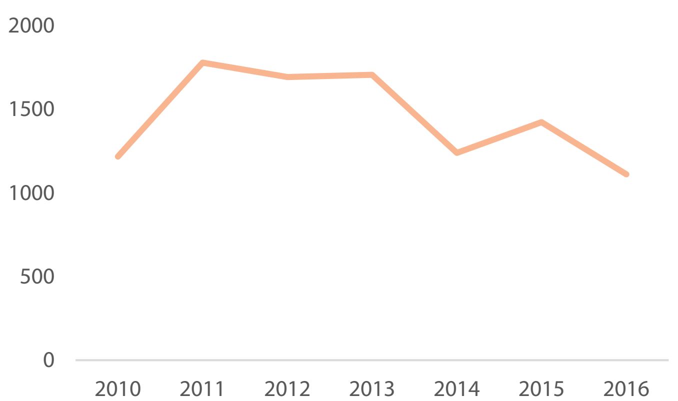
Increased input prices can lower companies' gross margins. Natural gas prices (pegged to oil prices) and fertilizer prices (urea and kali) are increasing, which has resulted in lower gross margins for industry leaders such as DPM and BFC. The ability to hike prices and pass costs on to customers will largely depend on industry positions. We hold the view that DPM and BFC are superior in this aspect.

The proposal for new tax policies will benefit the sector. The proposal to change VAT tax No 71/2014 of the Ministry of Commerce and Fertilizer Association will remove tax burdens for some businesses if it is passed. Many businesses with complete supply chains like DPM and LAS will benefit the most from this policy.

Risks

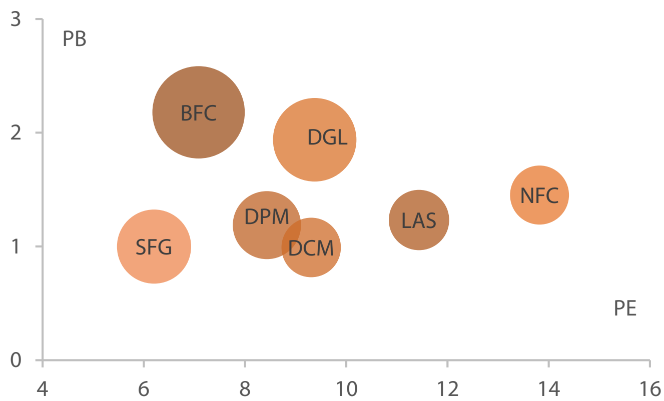
- Fertilizer demand will not increase as expected.
- Rising competition with ASEAN imported products.
- Climate change.
- Lower rate of disbursement in NPK projects.

Figure 54: Annual Fertilizer imported Value (Unit: USD mil)



Source: MARD, RongViet Research

Figure 55: ROE, PE, PB of Companies in the Fertilizer Industry



Source: RongViet Research; Size of bubble: ROE

Improved Weather Conditions Aids the Company

ACCUMULATE	+20%
CMP (VND)	34,300
Target price (VND)	41,000
Investment period	Long-term

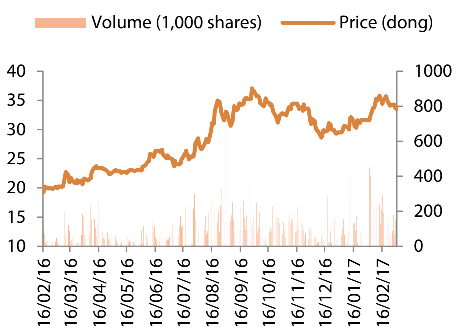
Company Description

Binh Dien is a high-quality NPK producer under the brand name "Dau Trau", with a leading market share all over the country. The business operates on a designed capacity of 925,000 tons/year and 70% capacity in average. The company's strong position and stable market share from its long operation history make the company a leader in the Southern and Highland markets, with a 28% and 30% market share respectively.

In addition to its high-end NPK production business, the company diversifies its operations through other sectors such as organic fertilizer and agrochemical products.

Vietnam National Chemical Group (VINACHEM) is currently the largest shareholder, owning a 65% stake of BFC.

Price Performance



%	YTD	1M	3M	12M
BFC	16.3	10.1	1.4	85.3
VNIndex	6.9	3.4	5.4	31.9

Although the company faced disadvantages from dry weather conditions, BFC has had a positive transformation in the past two years. The company's gross margin improved during 2015-2016, thanks to lower input prices. Additionally, the tax advantages applicable to Binh Dien – Ninh Binh factory has helped to boost its profit remarkably. The company's northern market penetration strategy, as well as its export market expansion, have initially received positive signals.

Investment Rationales

- **"Dau Trau" brand and its expansive distribution systems are the largest assets of the business.** These are two of the most pivotal factors to make Binh Dinh stand out in the industry. The factory system and North-South distribution channels are currently expanding into foreign markets with high fertilizer demand like Cambodia, Laos and Myanmar.
- **Heightened influence in the Northern market**: After the Binh Dien-Ninh Binh factory phase 1 began its normal operations, phase 2 started at the end of 2016 and we expect that it will be complete in Q2 2018. Increasing the capacity of Binh Dien Ninh Binh in the long run helps the business proceed its market expansion into a new area, after leading the Southern and Highland markets over many years.
- **The company's high and stable dividend is attractive to value investors.** BFC maintains a high and stable dividend policy (~VND3,000/share) and is capable of paying a higher yield when its business results are favorable.

2017 Forecast

- We project that the consumption volume will increase by 12% thanks to the positive effects of the recovery of fertilizer consumption.
- We expect that the NPK price will increase moderately by roughly 5% thanks to the agriculture price and consumption demand recovery.
- We expect that the company's gross profit margin will decrease by about 14.7% because of higher input prices.
- We forecast that BFC's revenue and profit growth will be 18% and 23% respectively, equivalent to an EPS of VND5,162.

Potential Catalysts

- VINACHEM divestment.
- Policy changes (VAT, import and export tax).

Risks to Our Call

- Increased competition from cheap global fertilizer prices.
- Consumption demand not as expected.
- Binh Dien – Ninh Binh project being initiated slower than planned.

Stock Info

Sector	Chemicals
Market Cap (VND B)	1,686
Current Shares O/S	57
Beta	0.49
Free float (%)	31
52 week High	37,040
52 week Low	20,607
1 Month Avg. Volume (K)	170
Foreign Ownership (%)	20
State Ownership (%)	65

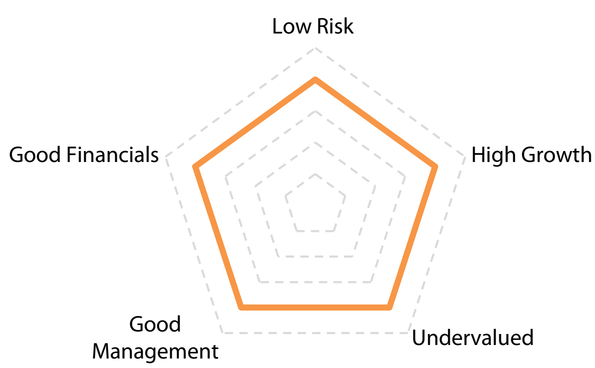
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	**2014**	**2015**	**2016**	**2017F**	**2018F**
Revenue	6,377.2	6,037.9	5,944.3	7,002.0	8,110.0
% growth YoY	-3.2	-5.3	-1.5	17.8	15.8
PAT	229.2	229.0	276.9	328.0	361.0
% growth YoY	8.7	-0.1	20.9	18.5	10.1
ROA (%)	7.7	6.4	8.0	9.0	8.8
ROE (%)	27.2	25.2	30.8	33.9	33.7
EPS (VND)	4,331	4,325	4,359	5,162	6,310
BV (VND)	17,668	19,085	15,739	16,898	18,700
Dividend (VND)	3,000	3,000	3,000	4,000	4,000
P/E	7.4	7.4	7.4	6.6	5.4
P/B	2.0	1.9	2.3	2.0	1.8

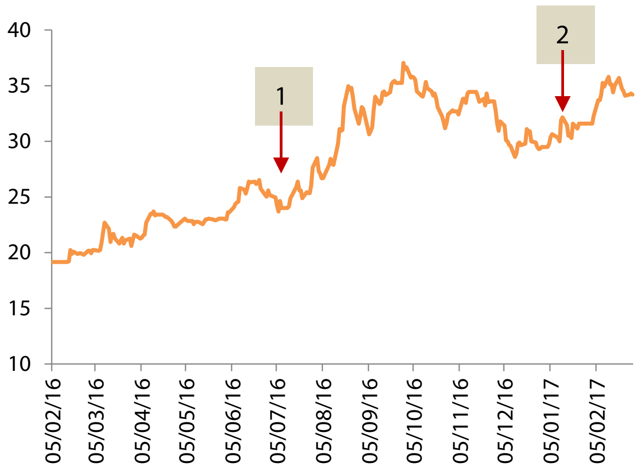
Company Overview



- BFC owns the majority of the market share in key agricultural regions such as the Southeast and Highlands. Therefore, the company has strong prospects as weather conditions have become more favorable.
- The company benefits from its long term business operations, experienced staff, good management practices, sensitivity to market demand and timely project initiation.
- In the 2017-2018 period, Binh Dien – Tay Ninh project phase 2 will continue. However, the ability to pay high dividends persists due to the relatively low investment compared to its business operations.
- Business risks are linked to agricultural production and weather conditions.

Source: RongViet Research

Price Drivers



1. Positive Q2 2016 earnings results.
2. Cash dividend announcement.

Source: Bloomberg, RongViet Research

Challenges are Still Ahead

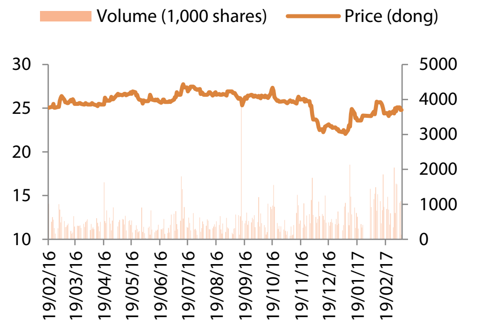
NEUTRAL	**+2%**
CMP (VND)	24,400
Target price (VND)	25,000
Investment period	Long-term

Company Description

DPM, owing the well-known brand name "Phu My Urea", is the leading business in urea production in Vietnam. DPM has a 40% market share and is leading the pivotal agricultural market such as Southeast, Southwest and Central-Highlands. The total capacity is 800,000 tons/year and it has always operated at 100% capacity. Furthermore, the company has also been diversifying its products including imported products like NPK, DAP, SA and potash.

Currently, PetroVietnam is the largest shareholder, owning 59.59%.

Price Performance



%	YTD	1M	3M	12M
DPM	12.4	4.6	-4.1	-3.6
VNIndex	6.9	3.4	5.4	31.9

DPM's business results were not as favorable during 2016, due to the unfavorable weather conditions, high competitive pressure and low urea prices. However, DPM was still able to have stable performance while the domestic industry has been experiencing saturation, due to its strong and favorable position in this industry. Moreover, the improvement of weather conditions during 2017 will help to improve domestic demand.

Investment Rationales

- **Favorable weather conditions will help to improve urea consumption demand.** Urea consumption will increase by 2-3% in 2017 according to Agrimonitor. The improvement of planting activities helps to stimulate total output and to increase expectations for the recovery of urea prices. We expect for domestic urea prices to increase by 18% this year, returning to 2015 levels.
- **NH3-NPK project will create growth momentum for DPM through 2018.** The total investment cost is VND5,000 billion, with a designed capacity of 250,000 tons of NPK per year and 90,000 tons of NH3 per year. The project's rate of disbursement at the end of 2016 reached 44% and is expected to finish at the end of 2017. In the case that most of the domestic NPK production technology is primitive, being a pioneer in applying modern technology is a basic step to help DPM lead the high-end NPK market.
- **The company will still be able to pay high dividends in 2017.** Although the company has to distribute a lot of cash to on-going projects, DPM still has the ability to pay a cash dividend of VND2,000-2,500/share this year if it reaches our forecasted profit.

2017 Forecast

- Phu My Fertilizer plant will stop its operations in Q3 2017 due to maintenance.
- Urea consumption will remain stable, reaching 830,000 tons.
- We expect that urea prices will recover, increasing by 18% YoY.
- We expect that the company's gross margin will reach 28.6%, which represents a gain of 1.6 percent points.
- We expect that revenue and earnings after tax will increase by 16.4% and 6.1% YoY respectively, equivalent to an EPS of VND2,599.

Potential Catalysts

- Tax industry policy change (VAT, import and export tax).
- New ways to resolve the investment in PvTex.

Risks to Our Call

- Fertilizer demand does not grow as expected.
- The price of fertilizer increases slower than expected.
- Policy changes regarding input gas prices.

Stock Info

Sector	Chemicals
Market Cap (VND B)	8,746
Current Shares O/S	391
Beta	0.27
Free float (%)	35
52 week High	27,749
52 week Low	22,050
1 Month Avg. Volume (K)	1,007
Foreign Ownership (%)	20
State Ownership (%)	60

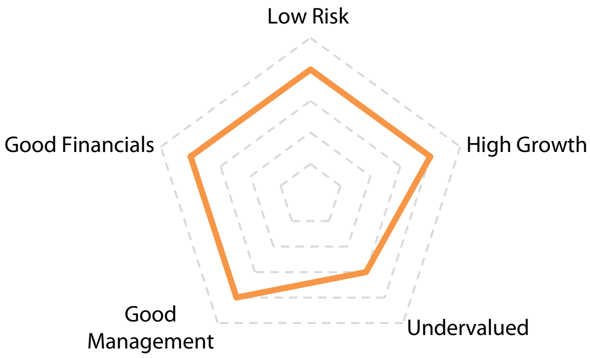
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	**2014**	**2015**	**2016**	**2017F**	**2018F**
Revenue	9,548.8	9,764.9	7,924.8	9,226.0	11,117.0
% growth YoY	-7.9	2.3	-18.8	16.4	20.5
PAT	1,096.3	1,488.2	1,127.7	1,197.0	1,151.0
% growth YoY	-48.8	35.8	-24.2	6.1	-3.8
ROA (%)	11.1	14.4	11.8	9.8	8.8
ROE (%)	12.5	17.8	14.0	14.5	13.3
EPS (VND)	2,539	3,329	2,449	2,599	2,500
BV (VND)	23,127	21,988	20,547	21,135	22,126
Dividend (VND)	3,000	4,000	3,000	2,000	1,500
P/E	8.9	7.7	8.9	9.4	9.8
P/B	1.1	1.2	1.3	1.2	1.1

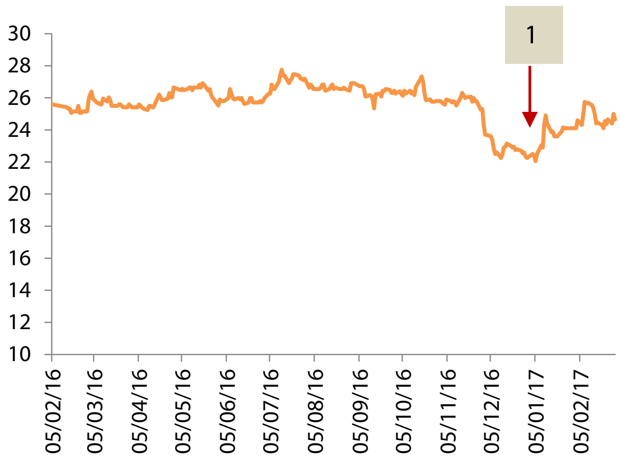
Company Overview



- DPM's production and sales will remain stable in 2017, and the company's business results will benefit from the increase in fertilizer prices.
- Using shareholder's equity to sponsor NH3-NPK has the potential to lower the business' ability to pay a high dividend.
- The company has outstanding operating efficiency compared to its industry peers, and transparent investor relations.

Source: RongViet Research

Price Drivers



1. Information regarding the change in VAT policy.

Source: Bloomberg, RongViet Research

VIETNAM FUMIGATION JSC — Bloomberg: VFG VN

Lucrative Prospects Thanks to its New Plant

ACCUMULATE	+19%
CMP (VND)	76,000
Target price (VND)	90,700
Investment period	Long-term

Agrochemical products plays an important role in the input value chain of agriculture, and the sector depends very heavily on input sources, especially China. In the aftermath of extreme weather conditions, the agriculture industry began to experience symptoms of recovery from the 2nd half of 2016 and first quarter of 2017. Accordingly, we expect VFG's business results to grow remarkably, especially when its Long An agrochemical factory begins operating, allowing the company to catch up with the increase in demand of agrochemical products.

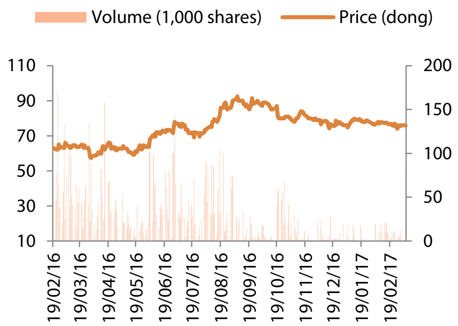
Company Description

VFG is a domestic company with the second largest market share in the agrochemical industry, second to Loc Troi Corporation.

VFG's business is involved in the following four areas:: agrochemical products, fumigation & pest control, seed and disease control service, and office leasing. VFG distributes familiar agrochemical products in Vietnam, including Syngenta, Kumia, Sumimoto, Nipon.

SSI (13.27%) and SSI Vision Fund (13.04%) are the two largest shareholders of VFG.

Price Performance



%	YTD	1M	3M	12M
VFG	-0.3	-3.8	-5.3	36.9
VNIndex	6.9	3.4	5.4	31.9

Investment Rationales

- **The end of dry weather helps to facilitate the recovery of agricultural activities.** Mekong Delta is a pivotal area for VFG, as for many big agrochemical businesses. The Southern market has contributed to more than 75% of revenue and 80% of the profit of the company for many years.
- **The company's expansive distribution network and well established histor**y help promote the company to be a major distributor for various agrochemical global brands.
- **Long An Agrochemical factory operations creates a solid structure for the business starting from 2017.** The designed capacity of the new factory is 9,500 ton/year, three times the capacity of its old factory in Le Anh Xuan industrial park. The new factory will help the company transition from the low added-value segments (distribution and packaging) to self-production.

2017 Forecast

- We expect that the company's revenue will grow at 10% with the major catalyst being its agrochemical products. We expect that Long An agrochemical factory will begin operating in Q2 2017, at an estimated capacity of 50%.
- The company's services business, for fumigation and pest control, will remain stable.
- We expect its GPM to remain high, at 26.4%.
- We project that the company's NPAT will increase by 16%, equivalent to an EPS of VND8,360.

Potential Catalysts

- The dispute resolution process between VFG and Fococev, regarding the ownership of Novotel Nha Trang Hotel.

Risks to Our Call

- Lower demand for agrochemical products.
- Change in weather conditions.
- Syngenta changes the agrochemical distribution policy in Vietnam (self-distribution instead of using a middle man).

Stock Info

Sector	Chemicals
Market Cap (VND B)	1,390
Current Shares O/S	18
Beta	0.58
Free float (%)	78
52 week High	92,500
52 week Low	57,321
1 Month Avg. Volume (K)	9
Foreign Ownership (%)	22
State Ownership (%)	0

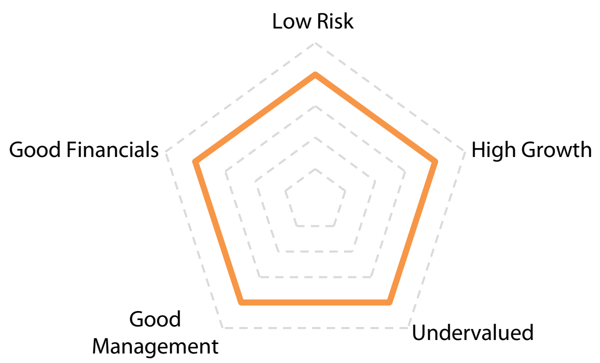
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	1,883.3	2,020.0	2,283.9	2,509.0	2,663.0
% growth YoY	15.6	7.3	13.1	9.9	6.1
PAT	101.5	139.2	146.3	170.0	183.0
% growth YoY	52.0	37.1	5.1	16.2	7.6
ROA (%)	7.9	10.7	9.6	9.5	9.6
ROE (%)	16.6	19.6	19.1	19.9	19.5
EPS (VND)	6,877	7,083	7,200	8,360	8,995
BV (VND)	46,158	40,102	41,809	46,731	51,140
Dividend (VND)	3,500	3,000	3,000	3,000	4,000
P/E	10.1	10.9	9.6	9.1	8.4
P/B	1.7	1.9	1.8	1.6	1.5

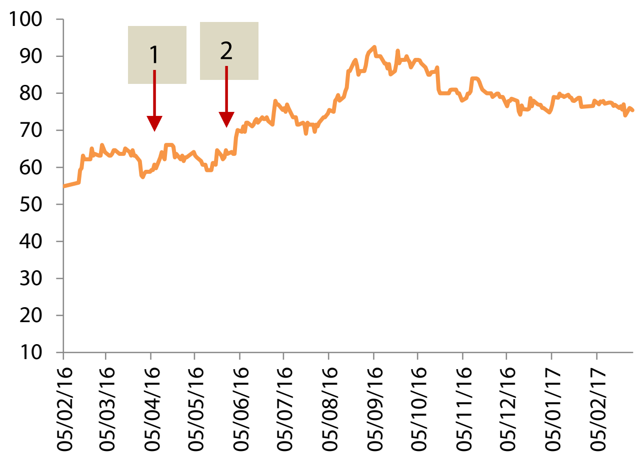
Company Overview



- VFG is the 2nd largest domestic agrochemical company and the leader in fumigation and pest control in Vietnam.
- The company's business efficiency is stronger than its peers. Nonetheless, investor relations are not as strong and information sharing is limited.
- VFG has a lower Debt/Equity ratio compared to the industry.
- Business risks are linked to weather conditions.

Source: RongViet Research

Price Drivers



1. Increased dividend announcement.
2. News about Novotel negotiation process.

Source: Bloomberg, RongViet Research

TEXTILE INDUSTRY: NEEDS MORE INTERNAL STRENGTH

Quang Vo (quang.vv@vdsc.com.vn)

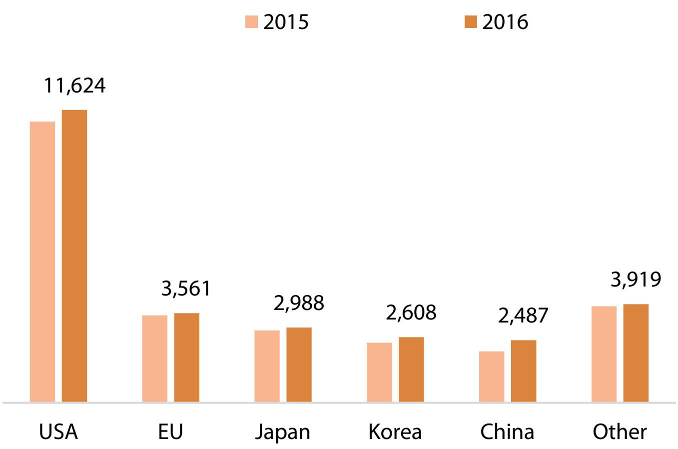
Export turnover growth in Vietnam has suffered a slowdown in growth since 2015, along with the weak global textile demand. The main reasons for this included the following: (1) the slowdown in economic growth in US, Japan and the EU, which are the largest markets for Vietnam's textile products; (2) orders shifting to other rival markets including Cambodia and Bangladesh because of favorable exchange rates and tariffs and (3) the ongoing competition with FDI companies. Moreover, it will also be difficult for weakness including high proportion of textile businesses participating in simple processing (~70%) and "bottleneck" problems present in the fabric production phase to improve. Therefore, we hold the view that investment opportunities in the industry may come from some large companies that have enough financial strength to participate in more value-adding activities, and are able to restructure their products and improve productivity.

Investment Opportunities

Euro Vietnam Free Trade Agreement (EVFTA) will begin in 2018, and is expected to support Vietnam-EU trade and attract more capital flow to fabric manufacturing. This will resolve the "bottleneck" problem present in the fabric production phase. The EU is the largest market for Vietnam's textile products, accounting for 13% of Vietnam's total textile export turnover. In order to benefit from the FTA, Vietnamese companies have to meet fabric-forward rules. This presents an opportunity for Vietnam to develop a fully vertical value supply chain.

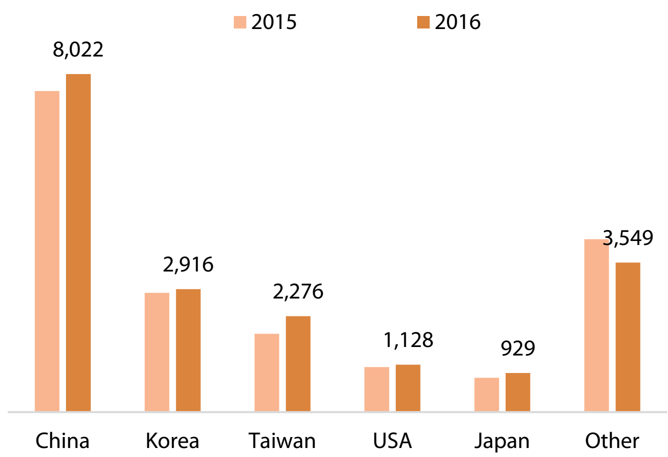
Other FTAs including VN-EAEU FTA (which came into effect on October 05th, 2016) and RCEP (which are being negotiated) will also contribute to the future growth of Vietnam's textile industry. VN-EAEU FTA could raise the bilateral trading value by up to 50% in 2017 and by an average of 20% between 2018-2022. However, the market only accounts for 3% of Vietnam's total textile export turnover and, consequently, gains from the FTA are currently not very significant. RCEP is another story, as ~58% of materials for this industry comes from China and Korea, while the export value to Japan and Korea is roughly 11% and 10% of total exports, respectively. However, the benefit for the long-term from these FTAs is not obvious, as Vietnam does not have to develop a vertical value chain to enjoy the advantages. The Rule of Original of VN-EAEU FTA is relatively easy (cut and trim forward rule), while Vietnam's material supply has already depended on several participants of RCEP for a long time.

Figure 56: Largest Markets for Vietnam's Textile Products in 2015 and 2016 (million USD)



Source: Vietnam Customs, RongViet Research

Figure 57: Largest Material Suppliers for Vietnam's Textile industry in 2015 and 2016 (million USD)



Source: Vietnam Customs, RongViet Research

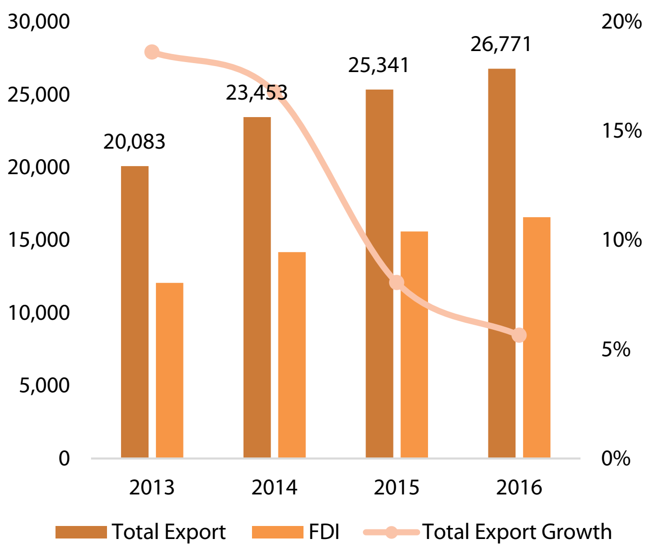
Some large companies are beginning to produce higher quality and value added products. TCM raised its fabric producing capacity by 40% in 2016. This is a considerable benefit for the company, as fabric products have an attractive gross margin of 16-18%. VGT plans to increase its focus on ODM products, raising the proportion of its products using the ODM method from its current level of 8% to 20% by 2020; the gross margin for ODM products can be as high as 30%. TNG is developing its TNG Fashion brand, and plans for its ODM products to account for 25% of its total products, up from its current level of 5%. However, these changes will need considerable time before they begin to be reflected in the business results of these companies.

Expanding foreigner's room is a catalyst for drawing more foreign capital flow. In 2016, EVE and KMR raised foreigner's room to 100%. TNG also approved this at its annual general meeting, while TCM is preparing to submit this plan in its 2017 annual general meeting.

Risks

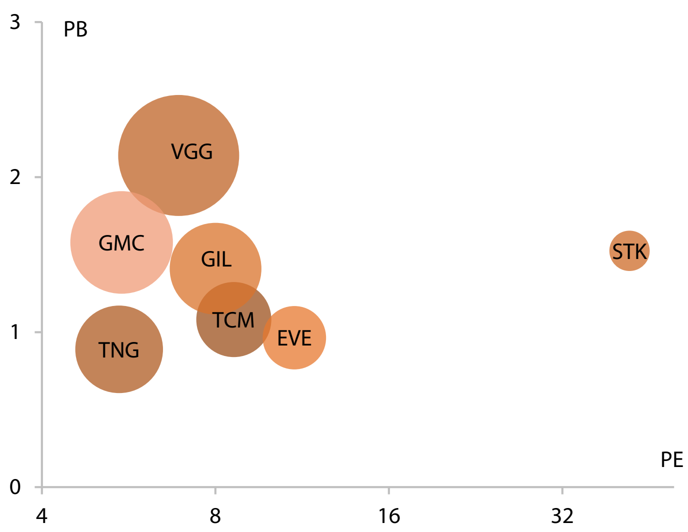
- Economic uncertainty has grown in the US and the EU after Brexit and president Donald Trump's victory.
- Changes in social insurance policy and minimum wages negatively affected the cost of employment in labor-intensive industries, including the textile industry.
- Many CMT orders shifted to other rival markets including Cambodia and Bangladesh because of favorable exchange rates and tariffs.

Figure 58: Vietnam's Textile Export Turnovers (million USD)



Source: Vietnam Customs, RongViet Research

Figure 59: PE, PB, ROE of Some Textile Companies



Source: RongViet Research; Size of bubble: ROE

After Every Storm Comes a Rainbow

NEUTRAL	+12%
CMP (VND)	20,000
Target price (VND)	22,400
Investment period	Long-term

Company Description

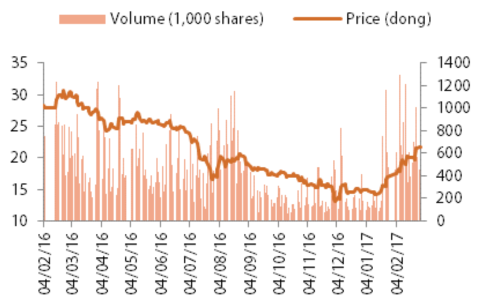
TCM is a leading textile company operating in a fully vertical value chain including yarn, fabric and garment production. In 2016, 26% of TCM's revenue came from yarn while the fabric and garment segments accounted for 8% and 66%, respectively.

At the moment, TCM has the ability to produce 21,000 tons of yarn, 10 million m² woven fabric, 7,000 tons of knitting fabric and 23 million garment units per year.

TCM's business model largely depends on overseas activity, as nearly 95% of its cotton material is imported from the US, Brazil and West African and 90% of its revenue comes from Korea, Japan, the US and the EU.

Eland Asia Holding (one of the leading Korean fashion retailers) is TCM's largest shareholder, holding 43.3% and also the most important customer as revenue coming from Eland accounts for roughly ~30%.

Price Performance



%	YTD	1M	3M	12M
TCM	37.9	41.3	28.2	-26.0
VNIndex	6.9	3.4	5.4	31.9

TCM's business results during 2015 and 2016 were negatively impacted by Vinh Long's low productivity, decreasing yarn prices, and the slowdown in economic growth in its largest market. TCM's profit after tax fell by 9% and 26% during 2015 and 2016. However, TCM displayed its efforts to restructure its product's contribution to revenue and to focus on higher quality and value added products, which resulted in higher profitability and lower vulnerability to market fluctuations. We hold the view that TCM's business results will begin entering a recovery phase in 2017.

Investment Rationales

- **The change in its product structure is positive.** (1) TCM raised its internal yarn proportion from 30% to 40% and liquidated the inefficient yarn factories; (2) TCM increased its fabric capacity from 7 million m² to 10 million m² and (3) TCM is researching high quality and value added yarn and fabric.
- **Vinh Long factory's productivity is close to the break-even point.** The factory's Q416 loss reduced by 42% QoQ, and we expect that the factory will begin being profitable by Q2 2017.
- **The rebound of textile and clothing prices.** Euler Hermes forecasted that the prices of garments in the US and China will increase by 0.5% and 1.5% in 2017 and 2018, respectively.
- **New social insurance policy will insignificantly affect TCM's business result** because TCM's insurance policy is based on real wages instead of basic wages.

2017 Forecast

- We forecast that the company's yarn, fabric and garment revenue will account for 25%, 10% and 65% of its total revenue, as the company will increase its fabric proportion and decrease its yarn proportion.
- The company's yarn segment will no longer record a loss, as both volume and prices will slightly increase by 2%.
- We expect that fabric consumption will be 8.5 million m² (+21% YoY) with a gross margin of 17%, slightly improving over last year.
- Given the possibility that textile and clothing demand will recover in the US and China, garment prices are forecasted to increase by 0.5%. Moreover, we expect that garment production will increase by 5% due to the improvement of Vinh Long factory's productivity.

Potential Catalysts

- The possibility that TCM raises its FOL to 70%.
- Psychological effect during the process of RCEP negotiation.
- The TPP could be ratified without the US.

Risks to Our Call

- Cotton prices can move in the opposite direction as China is expected to auction 10.8 million cotton bales, equaling to 2.3 million tons and accounting for 10% of the total global cotton supply.
- Foreign exchange loss may be larger as the USD is stronger than the VND by more than 2%.

Stock Info

Sector	Personal & Household Goods
Market Cap (VND B)	712
Current Shares O/S	49
Beta	0.84
Free float (%)	50
52 week High	30,610
52 week Low	13,050
1 Month Avg. Volume (K)	606
Foreign Ownership (%)	49
State Ownership (%)	0

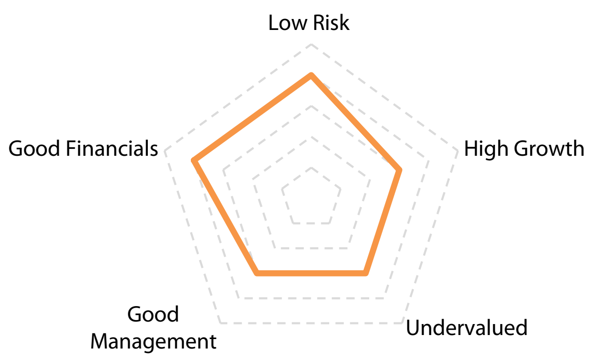
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	2,571.4	2,791.9	3,071.0	3,262.0	3,448.0
% growth YoY	0.7	8.6	10.0	6.2	5.7
PAT	168.4	153.5	114.3	177.8	188.8
% growth YoY	36.3	-8.8	-25.6	55.6	6.2
ROA (%)	8.3	6.7	4.3	6.3	6.6
ROE (%)	21.8	18.0	12.6	18.6	18.1
EPS (VND)	2,572	2,189	1,746	2,710	2,878
BV (VND)	16,406	18,072	18,461	20,214	22,098
Dividend (VND)	1,000	1,200	800	1,000	1,000
P/E	5.1	7.3	7.5	7.4	6.9
P/B	1.1	1.0	0.9	1.0	0.9

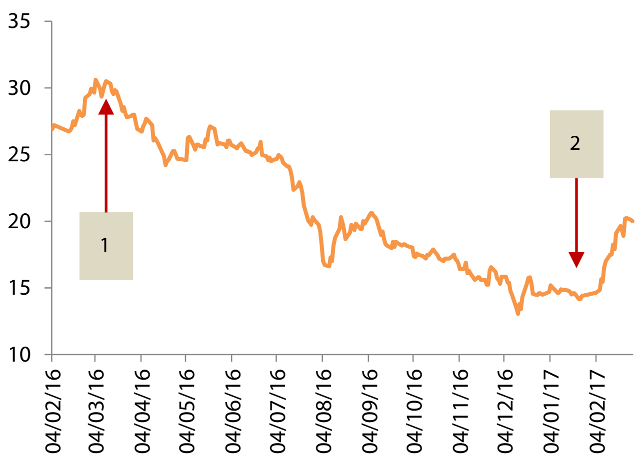
Company Overview



- We expect that global textile demand will recover in 2017. Therefore, we consider that the risk of lack of orders as well as decreasing prices is low. TCM could maintain positive growth in the next coming years.
- The company's debt/equity ratio is currently 1.4x, equivalent to the industry average. TCM's interest expense pressure is low since it has not planned for more expansion in the next 1 or 2 years.
- The important role of Eland is not only TCM's advantage but also a source of concerns due to contradictions from other smaller shareholders.

Source: RongViet Research

Price Drivers



1. The high possibility that TPP would not be ratified in 2016. At that time, investors believed that the TPP would not happen.
2. TCM's gross margin in December was 17%, while at the beginning of 2016, its gross margin was only 14%. This showed that Vinh Long factory's productivity was becoming closer to its break-even point.

Source: Bloomberg, RongViet Research

Growth and Risks Ahead

BUY	+26%
CMP (VND)	13,500
Target price (VND)	17,000
Investment period	Intermediate-term

TNG's second half revenue fell by 9% YoY mainly due to orders shifting to Myanmar and Bangladesh. However, TNG tightened its selling and administrative expenses, and also recorded lower foreign exchange losses this year, so its profit after tax witnessed a positive growth rate of 14.3%. In 2017, positive signals from China will indirectly support TNG's order amount from its customers.

Company Description

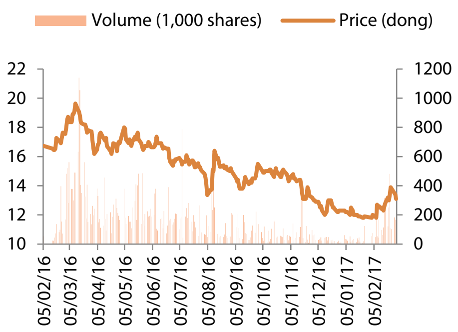
TNG is a large textile company with the main activity of exporting garments, which accounts for nearly 80% of TNG's revenue. TNG has 11 garment factories with 170 lines having the ability to supply ~14 million Jackets and 23 million Cargoshort annually.

Processing contracts from overseas accounts for roughly 80% of TNG's total revenue. Of which, 47% comes from the US and 21% comes from the EU. Decathlon (~25%) and Columbia (~15%) are most important customers. Besides, TNG also has business relationship with TCP, C&A, and Mango.

TNG is investing and planning to expand its domestic market by developing TNG Fashion brand.

Mr. Nguyen Van Thoi and his family members holds nearly 20% of shares. Small funds hold around 7% of the shares.

Price Performance



%	YTD	1M	3M	12M
TNG	9.8	13.4	3.1	-19.3
VNIndex	6.9	3.4	5.4	31.9

Investment Rationales

- **Positive signals at the beginning of 2017**: During the first quarter of this year, the value of orders from Decathlon jumped by ~85% YoY due to the high growth of textile and clothing demand in China.
- **The company will continue to expand its capacity.** TNG plans to add 30 lines in 2017, increasing its total lines to 200.
- **TNG is promoting its products to allow it to penetrate the domestic market and to limit risks from export revenue.** After acquiring TNG Fashion in 2016, TNG plans to open 30 more stores, raising its total stores to 41. TNG's aim to develop this OBM method could not only help TNG to take use of the domestic market potential, but also offset risks from competing with Cambodia, Myanmar or Bangladesh in drawing CMT processing contracts. However, we hold the view that the OBM segment will not bring about obvious benefits in the short term.

2017 Forecast

- We expect that jacket and cargo shorts production will increase by 11%, and that the price of these products will increase by ~0.5%.
- We project that TNG's revenue will be VND208 billion (+17% YoY), and that TNG Fashion will account for ~7% of this revenue.
- TNG's gross margin will remain around 17.5% due to the lack of stability of new lines and new store operations.
- TNG can pay a stock dividend of 16%, instead of paying a cash dividend. TNG may also issue new shares to raise its charter capital.
- We estimate that TNG's profit after tax will be VND94.6 billion (+17% YoY). Consequently, the company's EPS, basing on current outstanding shares, would be VND2,398. In the event that TNG raises its charter capital as planned, its EPS would be VND1,982.

Potential Catalysts

- Weather conditions could be a catalyst for the demand of jackets for TNG's customers.
- The negotiation process of RCEP can create a psychological effect for TNG, and other stocks in this industry.

Risks to Our Call

- The company's foreign exchange losses may increase as the USD is stronger than the VND by more than 2%.
- The efficiency of TNG Fashion .

Stock Info

Sector	Personal & Household Goods
Market Cap (VND B)	421
Current Shares O/S	34
Beta	0.93
Free float (%)	88
52 week High	19,636
52 week Low	11,800
1 Month Avg. Volume (K)	152
Foreign Ownership (%)	21
State Ownership (%)	0

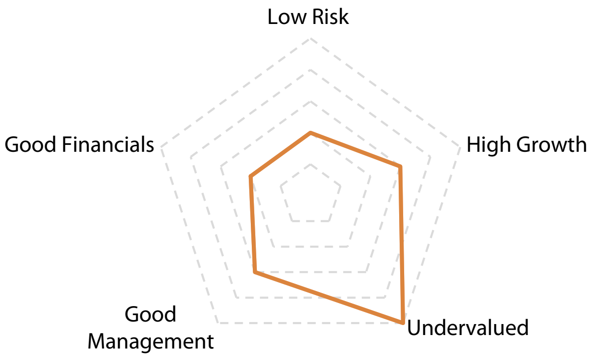
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	1,377.1	1,923.9	1,887.7	2,209.0	2,440.0
% growth YoY	16.7	39.7	-1.9	17.0	10.5
PAT	53.2	71.3	81.5	94.6	105.1
% growth YoY	278.2	34.1	14.3	16.0	11.1
ROA (%)	4.9	5.1	4.7	4.9	5.2
ROE (%)	22.4	20.7	17.2	16.9	17.0
EPS (VND)	2,864	2,122	2,066	2,398	2,665
BV (VND)	16,093	14,520	15,186	17,575	18,629
Dividend (VND)	-	-	-	-	-
P/E	3.9	5.8	5.3	5.6	5.1
P/B	0.8	0.9	0.8	0.8	0.7

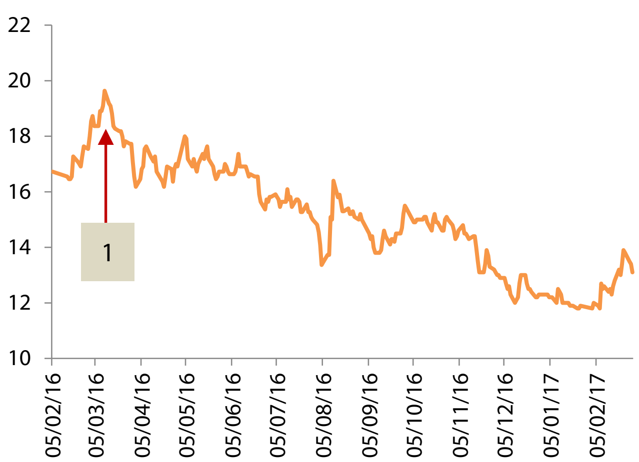
Company Overview



- The rebound in textile and clothing demand in China and the US, along with stable orders from the EU could support TNG's revenue growth. However, TNG may deal with order shortages due to the high degree of competitiveness with Myanmar or Bangladesh.
- The cost of labor will increase under the new social insurance policy and also as a result of the competitive hiring from Samsung factory.
- The company has high general and administrative expenses, which account for ~7% of net sales, while the industry average is ~5%.
- TNG has a high leverage ratio, as compared to its peers.

Source: RongViet Research

Price Drivers



1. The high possibility that TPP would not be ratified in 2016.

Source: Bloomberg, RongViet Research

FOOD AND BEVERAGES: FERTILE MARKET

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We expect for the food and beverages industry to have positive sentiment throughout the 2017 – 2020 period, as demand will maintain a high growth rate of approximately 11% per annum, according to a report by BMI. Moreover, the story of divestment of the government from the industry leaders (SAB, HAB and VNM) will certainly create hype this year. While the overall sentiment for this industry will certainly be favorable, increasing competition and the pressure of lower gross margins due to high input costs will result in differentiation in performance among various companies in this industry.

Investment Opportunities

Vietnamese consumers are generous with their spending on food and beverages. In the last four years, consumption in Vietnam has recorded an average growth rate of 9% per annum. Young demographics and the expansion of the middle-income creates plentiful opportunities for the F&B industry. The growth potential is significant, although the increase of competition in the highly diversified market makes it more difficult to seize the opportunity. Moreover, the demand for a greater variety of products that have higher quality is also growing on the back of improving living standards in Vietnam. This shifting trend of the industry urges companies to increase spending on marketing as well as R&D to capture these trends.

The industry gross margin has decreased due to higher input costs. The global prices of agriculture products (milk, barley, hops, flower, sugar, etc.) has bounced back since the second half of last year, so the gross margin is likely to be lower among many F&B companies in 2017. In order for companies to maintain the same level of profitability, many companies will consider shifting the burden to consumers, although the scale will depend on the market position of each company.

The Dairy industry - An attractive industry with low milk consumption per capita thanks to the increase in health awareness of the Vietnamese population.

- The consumption of milk per capita in Vietnam is 15 liters/person/year, which is only equal to 20-33% of that in other Southeast Asian countries. Therefore, the milk industry in Vietnam still has strong potential for growth and improvement.
- **The high concentration of the dairy industry** (three leading companies - VNM, Friesland Campina and TH Food - accounted for 78% of market share) gives the price control power in the hands of large enterprises.
- **Market share war has been less severe**. VNM continued to be successful in gaining market share in 2016. Accordingly, its market share for liquid milk and powdered milk increased by 3 and 1 percentage points, respectively. Meanwhile, the slower growth of the other two competitors Friesland Campina and TH Food in the past two years shows that the market share war is slowing down.

Beer industry - Trend Shift to High Quality Beer/Craft Beer

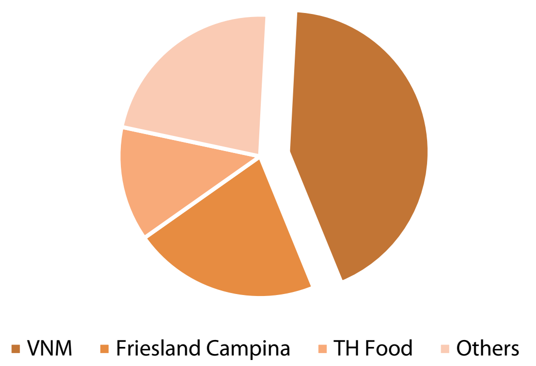
- **The growth of the beer industry will be 6%** annually (in volume) from 2016-2020 (Euromonitor), in which the premium and middle beer segment imports will still have more abundant growth of 7.2% and 7.1% per year, respectively.
- **Competition is increasing as brewers strive to increase capacity**. Specifically, Heineken is expected to increase the capacity of the brewery in Vung Tau from 50 million liters/year to 610 million liters/year. Meanwhile, SABECO plans to establish a new brewery in Ben Tre (capacity 50 million liters, which can later expand to 100 million liters/year). The salience of the beer market will put pressure on advertising budgets and sales to maintain market share in the industry.
- **High-end segmentation and demand differentiation will be a strong focus in the coming years.** In the past three years, the two major domestic beer companies have been focusing on marketing activities, taste enhancement and product repositioning: Saigon Special (SAB changed packaging awareness in 2016) and Truc Bach Beer (BHN changed its appearance in 2014). In addition, the development of beer clubs in major cities has also shaped the trend in the use of these products by high-income consumers.

- **Special consumption taxes will not be a heavy burden for beer industry leaders**. According to excise tax law 27/2008 / QH12, the SCT rate for beer products will be 60% in 2017 and 65% in 2018. However, we believe that an increasing special excise tax rate would only have a minor impact due to the company's ability to pass on the excise tax increase to its customers.

Risks

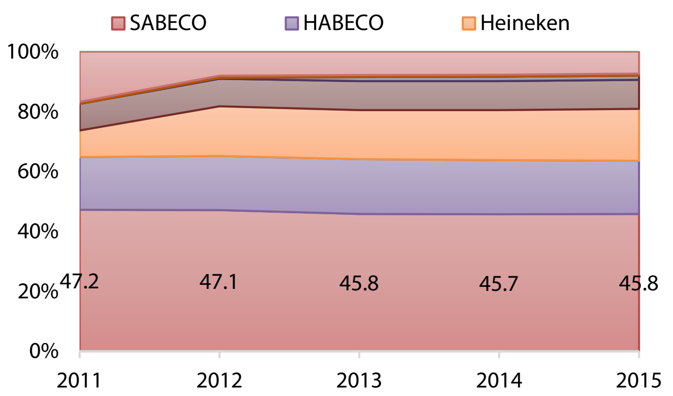
- Increased competition between domestic and imported products.
- Volatility of tax policies.
- Raw material prices continue to rise.

Figure 60: Vietnam's Dairy Industry Market Share



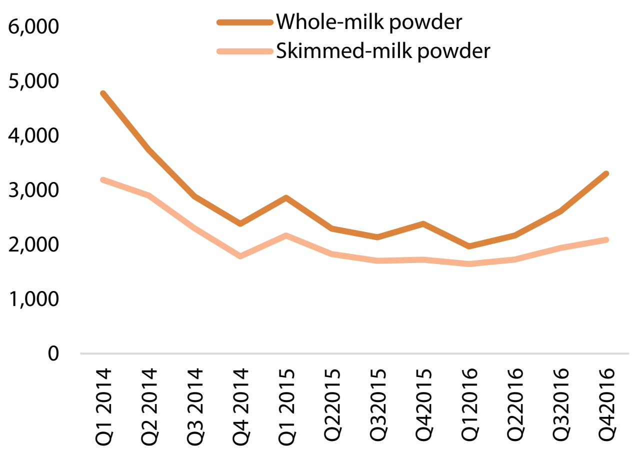
Source: BMI, RongViet Research

Figure 61: Vietnam's Beer Industry Market share



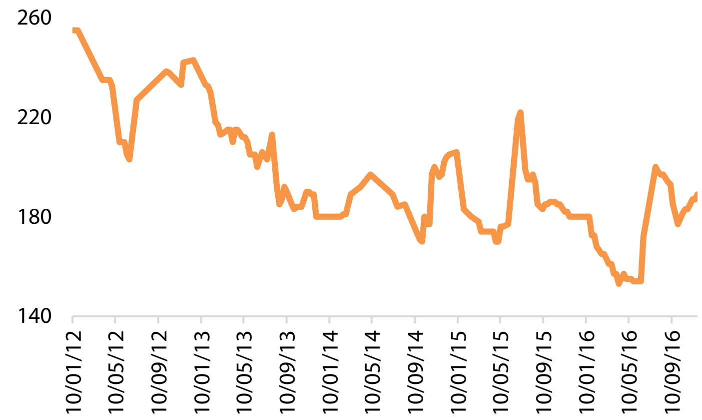
Source: Euromonitor, RongViet Research

Figure 62: Milk Material Prices (Unit: USD/ton)



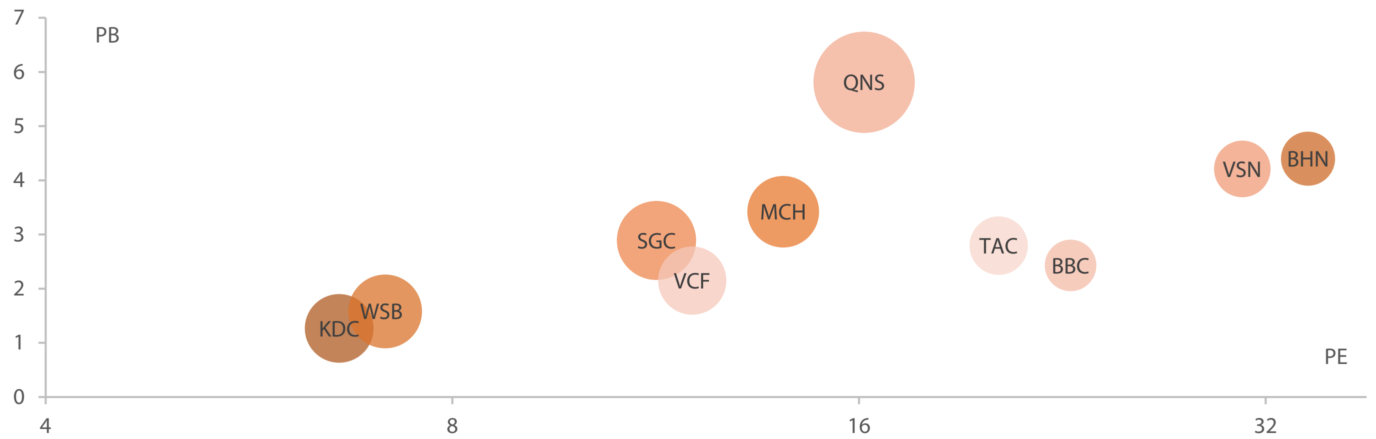
Source: Bloomberg

Figure 63: Malt Price Movement (Unit: USD/ton)



Source: Bloomberg

Figure 64: ROE, PE, PB of Some Companies in Food & Beverage Industry



Source: RongViet Research; Size of bubble: ROE

Hope for a Change in Quality

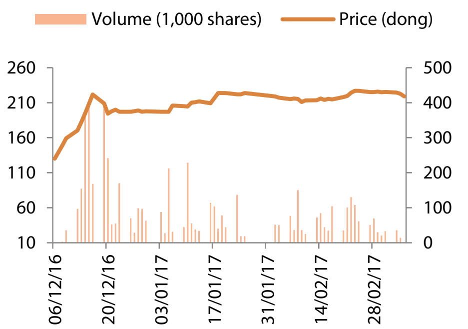
MONITOR	-30%
CMP (VND)	225,100
Target price (VND)	158,400
Investment period	Long-term

Company Description

Saigon Alcohol, Beer and Beverages Corp., was formerly known as Cho Lon Brewery, and is one of the most well established enterprises in Vietnam. After a long history of expansion and development, SABECO has built its network of breweries and distribution channels across the country. The brand "Bia Saigon" was built on a strong foundation and has become very familiar to consumers. Beer is the company's main business, as it contributes to 86% of its revenue and 96% of its gross profit. Apart from this main business, SABECO is also involved in producing soft drinks, alcohol, packaging, materials and real estate.

The Ministry of Commerce and Heineken are currently the largest shareholders, owing 89.59% and 5% of its total shares, respectively, equivalent to 606.59 million shares.

Price Performance



%	YTD	1M	3M	12M
SAB	13.8	0.5	n/a	n/a
VNIndex	6.9	3.4	5.4	31.9

In 2016, SAB reaffirmed its leading position in the beverage industry, as its total beer consumption reached 1.58 billion liters, which is an 8% increase compared to 2015. Although it has the largest market share in the country, SAB is facing huge competitive pressure from foreign competitors like Heineken, Carlsberg and AB InBev. However, its plan to penetrate into the high-end segment with two products like Saigon Special and Saigon Gold, as well as the ability to easily expand capacity, promises to be the long term growth motivation of the company.

Investment Rationales

- **The country's young population coupled with high beer consumption per capita are the highlight spots for Vietnam's beer market and SAB in particular.** SAB's main beer products currently include Beer 333, Sai Gon Lager, Sai Gon Export and Sai Gon Special. The first three main products are a leader in the low-middle end segment (accounting for 45% of the entire country's consumption demand) and contribute a significant amount of SAB profits.
- **The ability to penetrate into the high-end segment.** In 2016, SAB changed its brand name awareness of Sai Gon Special beer product, as well as increased the brand production capacity in the company's subsidiaries. Although it has not contributed much to SAB's business activities, it could be the basic step to help the company improve its business results when this segment has potential to develop as well as improve its gross margin.
- **Gigantic production capacity.** SAB is currently the country's largest beer producer (the total designed capacity of over 1.8 billion liters) with 24 factories spread all over the country. The current factory system hasn't run at the full capacity (82-83%) and the ability to easily expand activity in the local factory will be leverage for its future growth.
- **Changes in its administration team brings motivation to its long-term growth.** SAB's production efficiency is comparable to other beer companies in the region. However, the negative point here is the bulky practice of its business administration. We expect that SAB's operation efficiency will see a more positive transformation under the new supervision of new shareholders after the Ministry of Commerce's divestment. However, it will take around 1-3 year for these changes to reflect into its business results.

2017 Forecast

- Beer consumption volume will remain high; we expect that consumption will increase by 8%. We expect that the gross margin of the beer segment will be around 26.5%, which is a slight decrease from 2016 because of the higher input prices.
- The company's revenue and earnings after tax will increase by 11% and 4.2% YoY, respectively, with an equivalent EPS of VND6,836 and a forward PE of 33x.

Potential Catalysts

- News regarding the state divestment.
- Participation of strategic shareholders.

Risks to Our Call

- Rising competition from foreign brewing companies.
- Changes in special consumption taxes.
- Beer consumption demand is lower than forecasted.

Stock Info

Sector	F&B
Market Cap (VND B)	126,781
Current Shares O/S	641
Beta	0.31
Free float (%)	10
52 week High	227,000
52 week Low	130,020
1 Month Avg. Volume (K)	67
Foreign Ownership (%)	10
State Ownership (%)	90

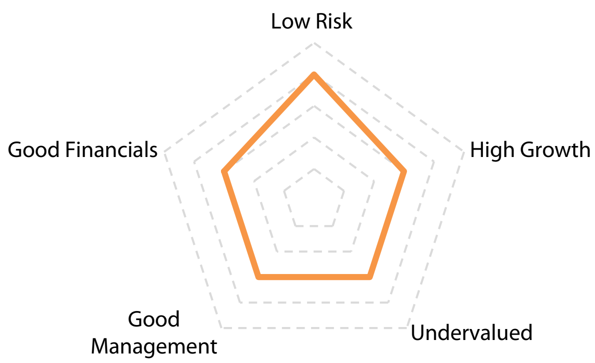
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	24,610.9	27,144.3	30,642.3	33,991.0	38,372.0
% growth YoY	2.5	10.3	12.9	10.9	12.9
PAT	2,627.1	3,410.3	4,474.9	4,664.0	4,860.0
% growth YoY	22.2	29.8	31.2	4.2	4.2
ROA (%)	12.1	15.8	23.2	20.8	18.7
ROE (%)	21.5	26.1	39.5	33.8	29.6
EPS (VND)	3,851	4,999	6,559	6,836	7,124
BV (VND)	19,030	20,380	17,649	21,486	25,610
Dividend (VND)	2,500	3,000	3,000	4,000	4,000
P/E	52.1	40.1	30.6	32.9	31.6
P/B	11.8	10.5	12.1	10.5	8.8

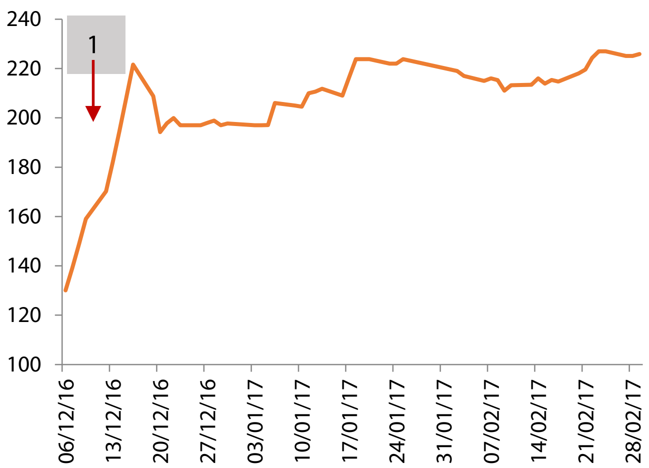
Company Overview



- The leader of beer production in the Vietnam beer market, especially in the low-middle end segment, currently accounts for 45% of the market
- SAB has many penetration strategies into segments that bring higher value and has received positive feedback from consumers after introducing Saigon Special beer.
- Making excise tax provisions in recent year hinders the company's ability to increase its cash dividend payment.

Source: RongViet Research

Price Drivers



1. New listing effects.

Source: Bloomberg, RongViet Research

The Leading Position

NEUTRAL	**+16%**
CMP (VND)	131,400
Target Price (VND)	151,800
Investment Horizon	Long-term

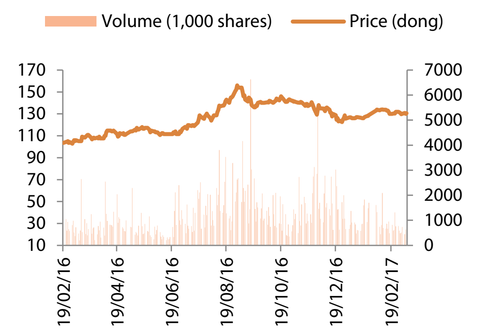
Company Description

Vietnam Dairy JSC (VNM) is the leading dairy producer in Vietnam. The company currently owns over 200 lines of dairy products (liquid milk, powdered milk, yogurt, and ice cream) and has a long well-known brand name in Vietnam. The company currently leads the market in many segments, including the following areas: 56% in liquid milk, 41% in powdered milk, 85% in yogurt, and 80% in condensed milk.

In addition, exports accounts for 12% of the company's revenue structure with the main markets being The Middle East, The Philippines, and Myanmar.

In the Shareholder Structure, SCIC and F&N are current the two largest shareholders, holding about 39.33% and 17.5%, respectively.

Price Performance



%	YTD	1M	3M	12M
VNM	4.1	2.2	-7.0	33.6
VNIndex	6.9	3.4	5.4	31.9

Thanks to the falling price of materials and the impressive growth of Vietnam's dairy industry, the company's growth in revenue and PAT averaged at 16% and 24%, respectively, from 2014 to 2016. The gross profit margin also improved from 32.5% to 47.7%. In spite of facing inevitable difficulties due to the rise of materials costs this year, it is reasonable to say that the company can maintain a stable profit growth rate. In addition, the company continues to invest in its farms to strengthen its product lines, including 100% fresh milk and other premium lines.

Investment Rationales

- **The growth in the next few years will come from the current low milk consumption level and the golden population structure.** The milk industry in Vietnam will record a growth rate of 7% per annum from 2016-2020 thanks to the golden population structure (60% of the population is under the age of 30) and the fast growth of the middle-income class.
- **Vinamilk Grows its Market Share**: In 2016, Vinamilk continued to be the leader in its main segments. Specifically, its market share grew by 3% in liquid milk, 1% in powdered milk, and remained stable in the yogurt and condensed milk segments. Competition in the industry will remain intense, yet the growth of Vinamilk at the expense of Friesland Campina and TH Food proves its superiority.
- **Investment in premium lines to keep up with the consumption trend.** In 2016, Vinamilk introduced product lines that aim for high-income class or specialization. The trend of using fresh and organic products has been rising over the years. Therefore, VNM has been actively investing in farms in order to get more input for these products. The company currently owns 17,000 cows. In Q2-Q3 2017, Thong Nhat (Thanh Hoa Province) phase 1 and Tay Ninh cow farm (Tay Ninh province) will be put into operation with total design capacity of 24,000 units. These two farms will help increase the quantity of cows owned by the company.

2017 Forecast

- The selling price will increase by 3% to make up for the increase of materials prices. The gross profit margin will reach 44% (down by 3.7 ppt compared to that of 2016).
- The ratio of selling and G&A expenses over revenue will be 19.8% and 2.0%, respectively.
- Exports will grow by 10% YoY. Revenue and PAT will grow by 20% and 12.1% YoY, respectively. EPS will reach VND6,500.

Potential Catalysts

- SCIC divestment plan; a decrease in input materials prices.

Risks to Our Call

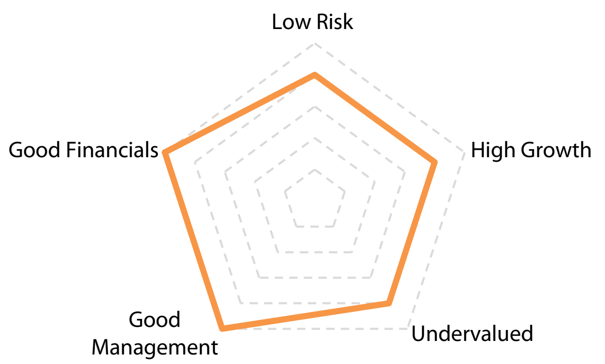
- The price of input materials fluctuates stronger compared to our estimations.
- The ratio of selling expenses to Revenue does not drop as expected.

Stock Info	
Sector	F&B
Market Cap (VND B)	182,299
Current Shares O/S	1,451
Beta	0.92
Free float (%)	57
52 week High	156,000
52 week Low	104,342
1 Month Avg. Volume (K)	49,707
Foreign Ownership (%)	54
State Ownership (%)	45
Source: RongViet Research	
Price as of 28/02/2017	

Key Financials

(VND B)	**2014**	**2015**	**2016**	**2017F**	**2018F**
Revenue	35,072.0	40,080.4	46,794.3	56,116.0	63,637.0
% growth YoY	13.3	14.3	16.8	19.9	13.4
PAT	6,068.8	7,773.4	9,350.3	10,482.0	11,629.0
% growth YoY	-7.1	28.1	20.3	12.1	10.9
ROA (%)	23.6	28.4	32.0	31.6	29.9
ROE (%)	30.8	37.6	42.2	43.3	40.4
EPS (VND)	5,458	5,827	5,798	6,500	7,211
BV (VND)	19,668	17,234	15,273	16,683	19,823
Dividend (VND)	3,000	3,000	4,000	5,000	4,000
P/E	22.1	22.9	20.8	20.2	18.2
P/B	6.8	7.8	8.8	7.9	6.6

Company Overview



- VNM is the leading company in Vietnam's dairy industry in many segments (43% market share according to Euromonitor). We expect that the company will continue to have positive growth in the next five years thanks to its leading position.
- Moreover, the company also emphasizes the expansion of input and continuously introduces new products to the market (fresh organic milk, drinking yogurt, etc.) in order to gain new potential markets.
- The company has a strong financial structure, as the funding for its projects are from its own cash and all projects have been yielding a strong cash flow.

Source: RongViet Research

Price Drivers

1. Foreign room removal announcement.

Source: Bloomberg, RongViet Research

REAL ESTATE: DIVERGING PROSPECTS

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Thanks to the easing policies of administrators, the real estate market has experienced significant recovery in most segments. In order to avoid a bubble and recession, the real estate market devopment policies have been more conservative since 2017. The VND30,000 billion social house support program ending while Circular 06/TT-NHNN is in force and is expected to re-regulate real estate project sponsorship loans. Real home demand is still high, especially concentrating on the afforable and mid end segments, which is significant to note given the strong increase in supply. Although competition will be fierce in most segments, we believe that real estate developers that currently have affordable projetcs available will have the first mover advantages.

Investment Opportunities

Diversifying funds for real estate investment. Circular 06 coming in force will limit investor access to bank loans. However, we believe that the development capital and real estate demand will be maintained by investment funds, foreign investors and Vietnamese overseas remittances. The easing of Housing Laws in 2014 resulted in a higher investment yield for the market and significant foreign capital inflow was attracted into the real estate in 2016. In the 11 months of 2016, the real estate industry attracted 49 new projects and 11 revised capital projects with registered capital of nearly USD741 million, second only to manufacturing.

As a result of this, the government has passed Decision 58/2012/ND-CP & Decision 60/2015/ND-CP to allow the foundation of real estate investment funds and the real estate investment trust (REIT). Early enactment of followed instructive Circulars and investment fund foundations will make significant contribution to the market capital formation in the real estate market.

Rising incomes and the stable macroeconomic environment will support the real estate industry. 2016 was another successful year for Vietnam, in terms of macroeconomic regulations. Although there will be more challenges in 2017, RongViet Research believes that economic growth factors, inflation, gold and foreign exchange market regulations are under administrative control. While investment in gold and USD don't yield high returns, real estate investment can be considered more attractive in 2017. Since urbanization is becoming more fast paced, houses are degrading in most cities. Family members are scaling down and independent living lifestyles are becoming more prevalant, which is resulting in stronger demand for real estate. Accordingly, we expect favorable trends for the demand and pricing of real estate this year.

Balancing Between Different Segments of Housing Projects: After two years of hot trending, the market is on steady correction in which the high-end product proportion is lower while the middle-end proportion is increasing. In the Ho Chi Minh city market, the number of middle-end projects accounted for 45% of the total number of appartments for sale in 2016 (2015: 40%) while the high-end decreased to 33% (2015:38%). Since 2017, the affordable housing segment will experience high growth thanks to participation of large developers (Vingroup, Him lam, and Muong Thanh). With the price ranging from 700 million to 1.5 billion/apartment and capable of meeting large real demand (account for 65% - 70% market demand), these housing segment projects are expected to be hot trades throughout the year

Office leasing: Supply are supplemented from the off-center areas such as Cau Giay, Nam Tu Liem and Dong Da district in Hanoi and district 4, 7, Binh Thanh and Tan Binh in Ho Chi Minh city. In Hanoi, around 20 office projects with more than 300,000 m^2 introduced to the market changed supply-demand mechanism by making the lease fee of A level building slightly decrease by 3% YoY and B level slightly increase by 0.6% YoY. According to Savills valuation, there will be around 460,000 m^2 supplied to the market in 2017. As the result, if the demand doesn't catch up oversupply in A level and B level, it will continue making it difficult to increase the lease price. Aside from that, projects that are far away from center with lower lease price can be better choices. On the contrary, office markets in Ho Chi Minh city are more stable as the demand overruns supply. Although the leasing price can increase at an average of around 1.5% in many years, the B level segment will probably meet more competitive pressure than the A level.

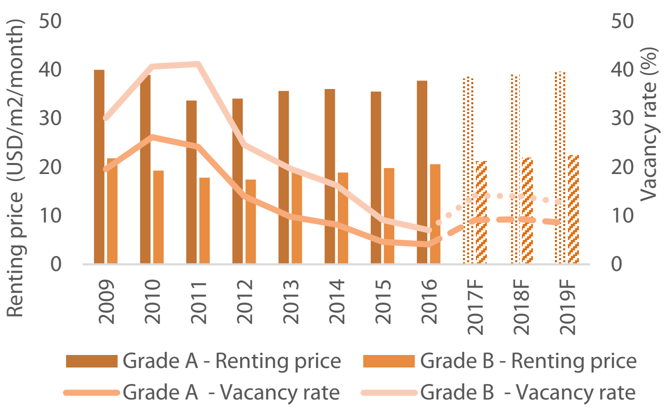
Industrial Real Estate: Vietnam's active integration policies through FTAs saw newly disbursed and registered FDI in 2016 record USD15.8 billion and USD14.3 billion, respectively. Attracting multibillion dollar corporations like Samsung (with total investment of USD15 billion) into Bac Ninh and Thai Nguyen, LG Display and Innotek with USD2 billion (Trang Due industrial park), Chenglong with USD1 billion into Acendas industrial park and Kolon Corporation, which committed to invest USD1 billion into Bau Bang industrial park. Vietnam has consequently gained great trust and attraction from FDI investors.

Catching up with the demand for land leasing, industrial zone infrastructure investment firms proceed on acquiring investment permits and expand many projects VSIP (VSIP3 1,000 ha), Becamex (Bau Bang Industrial Park expanding 1,000 ha), NTC (Nam Tan Uyen Industrial Park expanding 346 ha) or Hongkong-Singapore investor affiliation (Harbor and Dam nha Mac Industrial Park complex of 1,100 ha – Quang Ninh). Industrial park attractiveness comes from many factors apart from its location. Accordingly, infrastructure connection, electricity supply capability, waste water treatment, ICD and development of supportive manufacturing business are also crucial factors. In the overall demand increase, trusted industrial park developers having land bank in good location, connecting road infrastructure to material sources and import-export trading points will be advantageous in land lease price negotiation and attracting high tech projects.

Risks

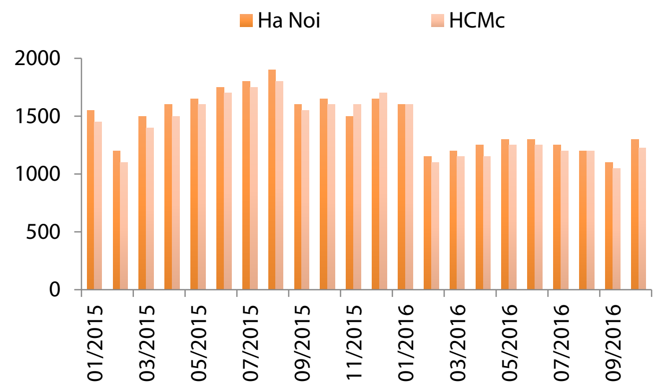
- Tightened credit for real estate since 2017 due to Circular 06/TT-NHNN regulation.
- Fast-paced supply leads to increased competition pressure. Additional supplies come from (1) New projects, (2) real-estate backed loans treament by VAMC and (3) divestment outside the industry in which more than 30% is from real estate and state enterprises.
- High borrowing interest rate can return, affecting the business results of companies in this industry and investors' demand.

Figure 65: Office Leasing Performance



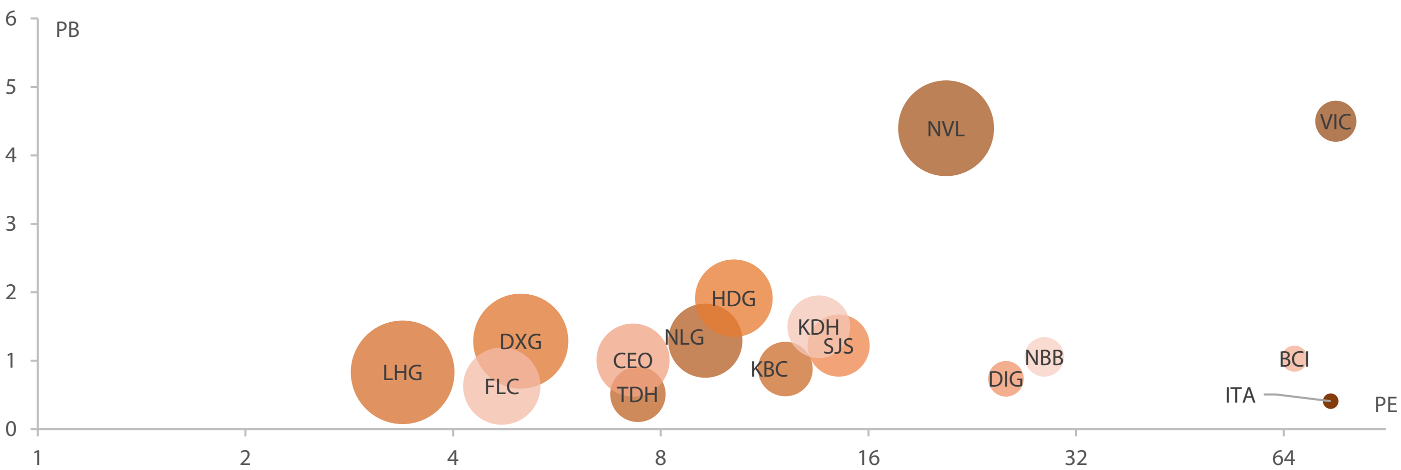
Source: CBRE

Figure 66: Appartment Sales in HCMC and Ha Noi



Source: Ministry of Construction

Figure 67: ROE, PE, PB of Companies in the Real Estate Industry



*Source: Fiinpro, RongViet Research * Size of bubble: ROE*

NAM LONG INVESTMENT JSC — Bloomberg: NLG VN

Reasonable Positioning

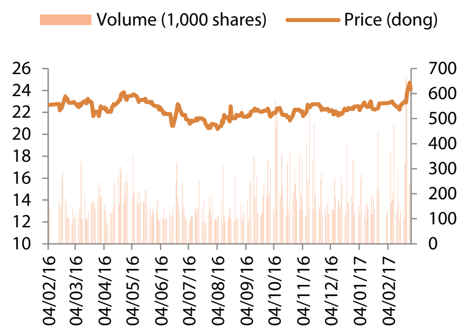
ACCUMULATE	+15%
CMP (VND)	22,600
Target price (VND)	26,100
Invesment period	Long-term

Company Description

Nam Long is a pioneer company in the affordable segment in Vietnam, and has developed products for average income earners; it has been very successful with its Ehome project. After building a solid position in the affordable segment, NLG's strategic shift to the intermediate apartments and villas/ townhouses will begin to improve its margins.

NLG's international strategic partners and shareholders are Nam Viet Ltd (Goldman Sach's subsidiary) and Ibeworth (Keppel Land Corporation). Besides that, Nam Long is also working with international partners to invest in projects such as Hankyu Realty, Nishi Nippon Railroad, Gamuda group, and Indochina Capital .

Price Performance



%	YTD	1M	3M	12M
NLG	1.8	0.4	0.7	-0.3
VNIndex	6.9	3.4	5.4	31.9

From 2016, NLG's strategy is to focus on mid-end apartments and villas/ townhouses, which will be supplied to growing amount of middle class families in Vietnam. This is a wise move for NLG to improve its profit margin, as land bank in urban areas has been limited. NLG is a favorable firm for foreign investors. Thanks to the participation of foreign strategic partners, NLG has a low cost of capital compared to its peers.

Investment Rationales

- **NLG has a large land bank, accumulating year by year for its long-term development.** Nam Long owns 570 ha of land, concentrated in urban areas in HCMC, Can Tho, Long An and Binh Duong. Some major projects that it plans to develop in 2016 – 2019, include Fuji Residence, KiKyo Phu Huu, The Greenhill (Thao Nguyen), Aquamarine (Nguyen Son) and Hoang Nam, will supply 14,400 apartments and villas to the market.
- **The company's profit margin is expected to improve with its new strategy.** Ehomes and affordable apartments helped NLG to build its reputation as well as success in 2013 – 2014 despite the gloomy real estate market. After 2015, NLG quickly shifted its focus to mid-end apartments and villas/ townhouses, due to the more positive prospects of the industry. The estimated net profit margin of this segment is higher than that of Ehome by about 3-8 % points.
- **Healthy capital structure at low cost.** In 2016, NLG issued VND500 billion 4-year convertible bonds (conversion price is VND23,500/share), at 7% interest rate for Ibeworth Pte. Ltd- a subsidiary of Keppel, which is one of the largest real estate groups in Singapore. NLG's debt to equity ratio, was a mere 0.24x at the end of 2016, equal to half of the industry average.
- **Stable cash dividend payment**, at around VND500 – 700 per share.

2017 Forecast

- The main contribution of its business results will come from Fuji Residence, Ehome S, and Kikyo Valora project (total recorded apartments and villas is over 1,000 units) and profits from Camellia project.
- NLG will establish a joint venture to develop Aquamarine (Nguyen Son), which it will have 50% ownership in. Then the Nguyen Son land will be transfered to this joint venture. NLG is expected to record VND1,000 billion and VND250 billion in terms of revenue and NPAT (shareholders of parent company) respectively.
- 2017 revenue and NPAT are expected to grow by 29% and 40% YoY, respectively. In this case, its EPS would be VND2,988.

Potential Catalysts

- Recognize one-off income from transfering Nguyen Son land.
- Specific plan to implement Waterpoint (Long An) project.

Risks to Our Call

- Tight credit in the real estate sector has affected the sales progress of projects which launched in 2017.

Stock Info

Sector	Real Estate
Market Cap (VND B)	3,155
Current Shares O/S	142
Beta	0.27
Free float (%)	44
52 week High	23,833
52 week Low	20,471
1 Month Avg. Volume (K)	204
Foreign Ownership (%)	48
State Ownership (%)	0

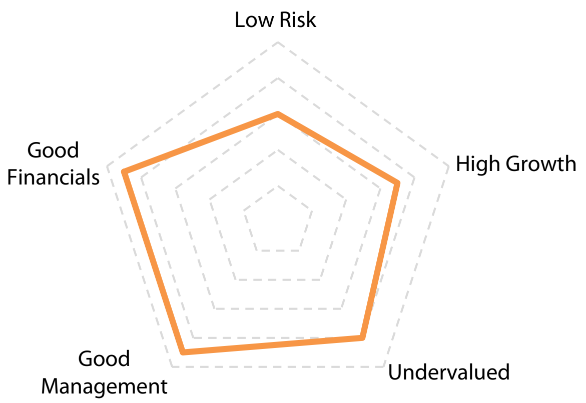
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	**2014**	**2015**	**2016**	**2017F**	**2018F**
Revenue	866.9	1,258.5	2,533.8	3,269.1	2,269.1
% growth YoY	44.1	45.2	101.3	29.0	-30.6
PAT	95.6	206.2	345.2	480.8	320.9
% growth YoY	351.4	115.8	67.4	39.3	-33.3
ROA (%)	2.6	4.6	6.1	6.9	4.2
ROE (%)	5.9	9.5	12.4	17.8	10.6
EPS (VND)	713	1,364	2,429	2,988	1,994
BV (VND)	14,434	15,667	17,477	17,108	19,163
Dividend (VND)	600	692	500	500	500
P/E	32.0	16.8	9.4	7.6	11.3
P/B	1.6	1.5	1.3	1.3	1.2

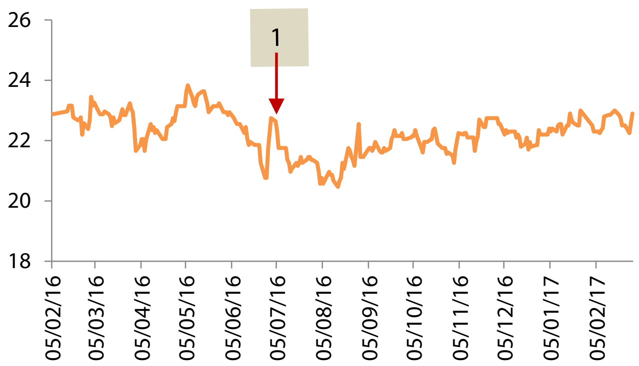
Company Overview



- NLG initially focused on intermediate customers and affordable products which has strong demand. Thanks to its quality and reasonable price, there is a great demand for NLG's projects.
- Most of its project are joint ventures, which partially eases the pressure on capital.
- The company's large land bank across urban areas ensures its sustainable growth and ability to meet the project development requirements for the next 10 years.
- Thanks to strategic foreign shareholders, NLG's development prospects are much more favorable. This approach may help maintain its durability in the long term, but does not take advantage of business opportunities when the market is vibrant.

Source: RongViet Research

Price Drivers



1. Divestment pressure from Mekong Cap, ASPL, and IFC.

Source: Bloomberg, RongViet Research

PHARMACEUTICAL: BARGAIN HUNTING IS DIFFICULT

Hieu Nguyen (hieu.nd@vdsc.com.vn)

Pharmaceutical companies experienced a strong recovery in 2016, following the poor performance of 2015. The pharmaceutical sector caught investors off guard, as this defensive sector becoming one of the strongest performing industries in Vietnam due to improved business performance, FOL removal, and participation of strategic partners.

Although these supporting factors will still be present during 2017, the high valuation will be a big challenge for investors that want to outperform the market by investing in this sector. In general, Investors must accept companies at higher valuation, as accessing this sector at lower valuation has become very difficult.

Investment Opportunities

High growth potential. Pharmaceutical spending of Vietnamese consumers is only 17% of the global average although it is higher than many countries with similar GDP per capita. The country's strongly growing population, growing GDP, and higher consciousness for healthcare will provide a lot of room for growth of the pharmaceutical industry.

Expectation for FOL removal: According to a EIU report on the healthcare market in Southeast Asia, Vietnam is recognized as one of three powerhouses for market growth, along with Indonesia and Philippines. The country's pharmaceutical industry has caught the attention of a great deal of foreign capital in recent years. The case of DMC in 2016 has created some hopes for overseas companies to enter Vietnam through M&A activities with listed pharmaceutical companies.

Changes in pharmaceutical laws (effective on 2017) will provide support for domestic businesses. This will benefit the industry in the following ways: inputs (developing material source), manufacturing (allowance for early registration of generic drug production) and output (prioritize domestic drugs over foreign ones in ETC bidding process).

There will be an increased trend of upgrading factories to EU-GMP or PIC/S standards to (1) improve drug quality to adapt with the increasing habit of high-quality medicine consumption and (2) avoid the Tier 3 bidding group where price competition is fierce.

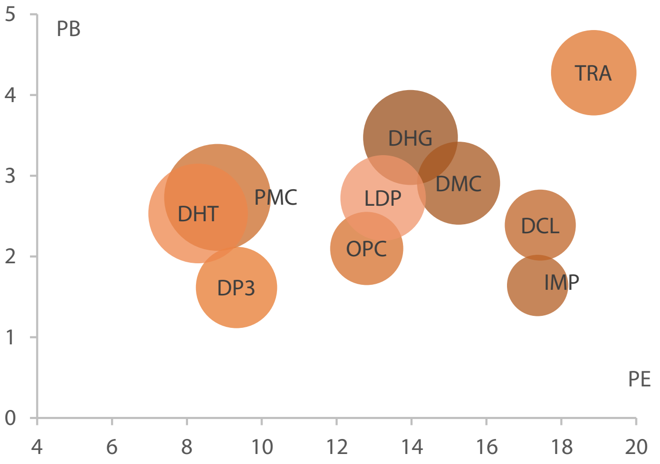
In line with the industry trend, companies such as IMP, DMC, TRA, and DHG have been upgrading factories in order to overtake other competitors in this industry. This is one of the reasons why they are trading at such high valuation, with a P/E of over 16x. We prefer IMP and DHG over DMC because their factories still have extra capacity to cope with higher production demand. We are also optimistic about TRA as it can self-supply most of input materials since it owns the largest medical material plantation in the country.

Most other companies in the industry have a duplicate portfolio banking heavily on anti-fever and antibiotic drugs. To find the hidden gems in this group, it is best to focus on companies possessing a few specialized products with a strong market share. PMC and DHT are two excellent example of this, with its Povidine (PMC) and opioid(DHT) drugs.

Risks

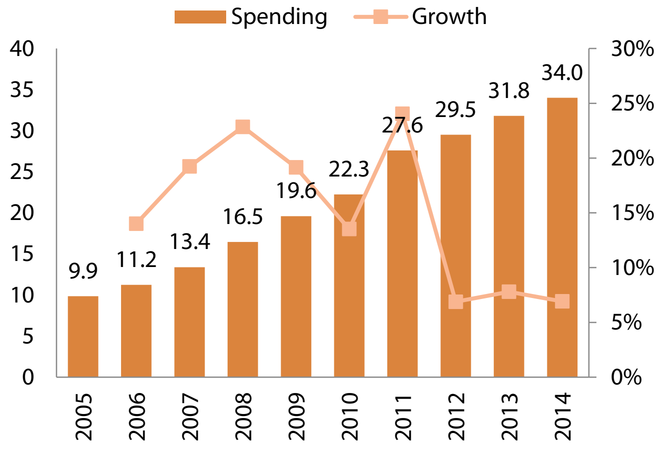
- **Domestic drugs face fierce competition,** considering that European and American drugs have superior quality and brand images, and Chinese and Indian products are priced lower.
- **Antibiotics sales are more heavily regulated** especially since antibiotics are becoming much more prevalent. However, it has been common for medicine in Vietnam to be sold without prescriptions for a very long time, and the current administrative methods are currently unlikely to significantly impact sales.

Figure 68: ROE, P/B, P/E of Pharmaceutical Stocks



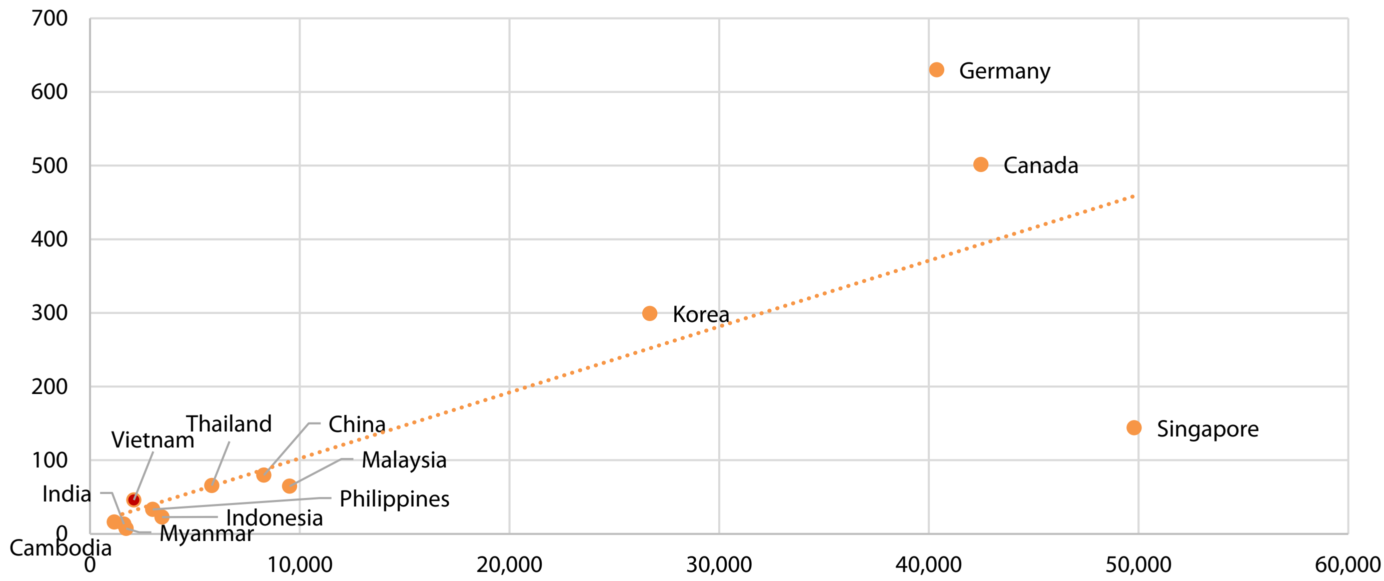
Source: Rongviet Research; ROE is displayed by the size of the bubble

Figure 69: Pharmaceutical Spending Per Person in Vietnam 2005-2014 (USD)



Source: DAV, Rongviet Research

Figure 70: Pharmaceutical Spending Per Person in Several Countries in 2015 (USD)



Source: BMI, tradingeconomic

Table 11: List of Manufacturers with EU-GMP and PIC/S Certifications in Vietnam

Manufacturer	Products	Certification	Bidding Tier
Pymepharco	Nonsterile drugs: cephalosporin antibiotics	EU-GMP	2
	Cefaclor Stada (Cefaclor 500mg)		1
Joint venture Stada-VN	Nonsterile drugs	EU-GMP	2
	Bisoprolol, Pantostad 40, Paracetam 800 & 1200 …		1
Imexpharm	Sterile and nonsterile drugs: beta-lactam antibiotic	EU-GMP	2
Medochemie Far East	Sterile and nonsterile drugs	EU-GMP	2
Tenamyd	Sterile drugs: beta-lactam injections	EU-GMP	2
Sanofi	Nonsterile drugs	PIC/S GMP	2
Korea United	Nonsterile drugs: Metformin HCl 500mg	PIC/S GMP	2

Source: DAV

Positive Restructuring Ahead

NEUTRAL	+10%
CMP (VND)	114,000
Target price (VND)	125,400
Investment period	Long-term

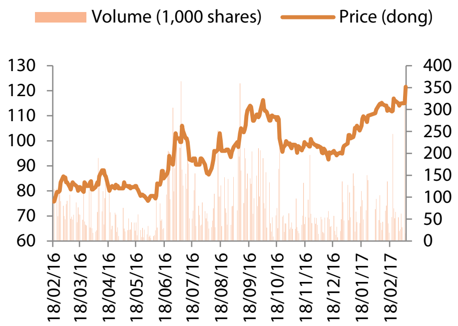
Company Description

DHG is the leading pharmaceutical company in Vietnam in terms of its size and distribution system. 90% of its revenue comes from the OTC channel.

Key products: Hapacol (pain relief) Klamentin, Haginat (antibiotics) Naturenz (Hepatic) Nattoenzym, Apitim (cardio-diabetes) and Spivital, and Unikid (nutrition).

2 largest shareholders are SCIC (43.3%) and Taisho (24.4%). SCIC has not yet shown any intention to divest its capital at DHG.

Price Performance



%	YTD	1M	3M	12M
DHG	16.3	5.1	15.9	62.9
VNIndex	6.9	3.4	5.4	31.9

DHG will be able to deliver strong growth in the future, which will be driven by its traditional pain relief and antibiotic drugs, as well as its efforts to further promote its natural health supplements. We also expect that DHG's operations will improve with the appearance of Taisho, which will assist the company in upgrading its product line and increasing its cooperation with other regional markets.

Investment Rationales

- **Fairly strong growth from key products** due to the increase of non-communicable diseases (hepatic, cardiovascular, diabetes, etc) and the increasing trend of health supplement consumption in Vietnam.
- **Taisho's appearance promises to improve DHG's operations as well as to boost its distribution revenue.** For instance, Taisho's solution for upgrading Hapacol line to PIC/S has substantially reduced its cost from VND200 billion to a few tens of billions.
- **Favorable tax incentives** also assist in increasing shareholder value.

2017 Forecast

- We estimate that the company's revenue will be VND4,250 billion (+12.5%). 5 of its main products with revenue above VND100 billion include Hapacol, Klamentin, Haginat, Apitim and Naturenz.
- Most of the company's production will take place in two tax incentive factories, which will lower its tax rate from 5.8% to around 4%.
- DHG is restructuring its business models, and some of the notable changes include reducing the number of warehouses from 36 to 8 central warehouses and reorganizing its administration system. This should lower its operating costs and guarantee more effective management.
- The company will grow its sales force, and will have higher staff costs during 2017.
- We expect that the upgrade of production lines to PIC/S will be complete at the end of the year.
- DHG will not distribute Taisho's products this year since the negotiations are not yet complete. Taisho has already paid VND2,600 billion to gain access to DHG's distribution system.
- The company's NPAT is VND780 billion, translating to an EPS of VND7,835.

Potential Catalysts

- Information regarding FOL removal or Taisho increasing its stake in DHG is likely to positively impact its stock price, as seen with DMC.

Risks to Our Call

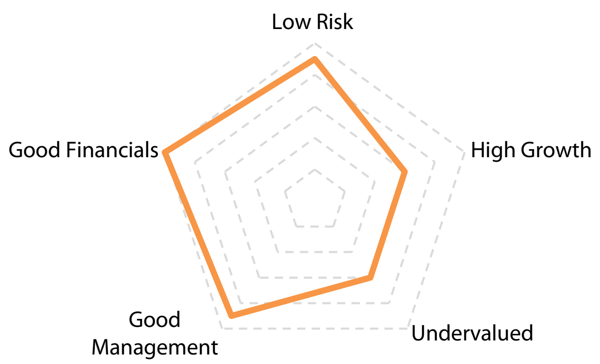
- The initial phase of restructuring might actually result in higher costs, as it will take time to become effective.

Stock Info	
Sector	Healthcare
Market Cap (VND B)	8,542
Current Shares O/S	87
Beta	0.85
Free float (%)	32
52 week High	121,600
52 week Low	76,000
1 Month Avg. Volume (K)	77,829
Foreign Ownership (%)	49
State Ownership (%)	44
Source: RongViet Research	
Price as of 28/02/2017	

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	3,912.5	3,607.8	3,782.1	4,254.6	4,665.0
% growth YoY	10.9	-7.8	4.8	12.5	9.6
PAT	533.3	588.7	710.1	780.5	852.5
% growth YoY	-9.5	10.4	20.6	9.9	9.2
ROA (%)	16.3	17.2	19.4	18.6	18.1
ROE (%)	25.0	24.6	26.5	25.4	24.2
EPS (VND)	6,119	5,748	7,035	7,835	8,558
BV (VND)	30,277	31,332	32,336	37,663	43,100
Dividend (VND)	3,000	3,000	3,500	3,000	3,000
P/E	15.7	11.6	13.9	14.5	13.3
P/B	3.7	2.3	3.0	3.0	2.6

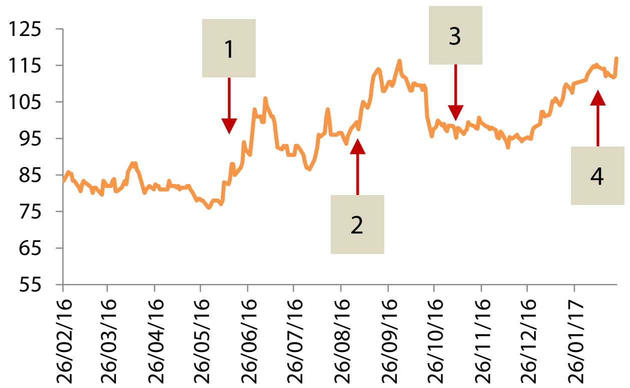
Company Overview



- The firm operates with high transparency and always seeks to improve its selling and management system.
- High and stable cash flow, low leverage, and stable dividend payments of VND3,000-3,500/share per year.
- Exceptional growth rate due to large scale.
- Trading at a P/E discount to other local and regional peers despite having similar or higher profitability.

Source: RongViet Research

Price Drivers



1. Good H1 business results.
2. Rumors about a Japan pharmaceutical company joining the board, which was eventually confirmed as Taisho.
3. Poor Q3 business results.
4. 2016 earnings reached an all-time high.

Source: Bloomberg, RongViet Research

Introduction of New EU-GMP Factories

NEUTRAL	**-5%**
CMP (VND)	57,900
Target price (VND)	54,900
Investment period	Long-term

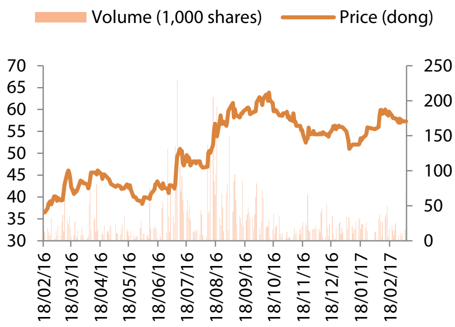
Company Description

Imexpharm JSC specializes in wholesaling, manufacturing, importing and exporting pharmaceutical products, chemical, and medical appliances.

The company's key products are antibiotic and digestive drugs such as Pms-Claminat, Pms-Probio, and parenteral antibiotics, which are all produced with Spain's Enzymatic technology.

The company is one of the five largest domestic pharmaceutical companies and accounts for approximately 3% of the market share, with annual revenue of about VND1,000 billion.

Price Performance



%	YTD	1M	3M	12M
IMP	3.6	7.2	10.4	68.4
VNIndex	6.9	3.4	5.4	31.9

After 5 years of declining growth, IMP will begin to experience a transformation this year. We project that revenue will increase by 25% thanks to the competitive advantages of its ETC channel brought by EU-GMP certified factories. We expect a strong comeback from IMP in this channel, and a stable growth of 10% in the OTC channel.

Investment Rationales

- **The company is a pioneer in operating EU-GMP certified facilities.** While most companies in the industry are in the initial phases of upgrading their factories, IMP already operates 2 EU-GMP factories and expects to complete two more in 2019. Owning such a factory not only brings great advantages in the ETC bidding process but also serves as a guarantee of quality, thus enabling the company to raise its selling price.
- **IMP is one of few companies that has positioned itself as a high-quality manufacturer**. IMP will benefit from the increasing demand for quality drugs over the long term.

2017 Forecasts

- We expect that the revenue from the ETC channel will surge by 70%, equivalent to VND250 billion thanks to (1) lesser competition in Tier 2 bidding group and (2) benefits from changes in pharmaceutical law which prioritize domestic drugs over imported ones. Penicillin and Cephalosporin injection lines would contribute around VND92 billion of its revenue.
- Recovery of franchise revenue. After the abnormal 50% reduction in 2016, franchise revenue will bounce back to normal levels as many products have been successfully re-registered.
- Cephalosporin factory's running capacity will increase from 20% to 50%. The company's gross margin should remain above 40%. Assuming that the company has similar selling and administrative costs structure as 2016, earnings before tax (excluding the Fund for Science and Technology Development) could reach VND180 billion, 12% higher than IMP's target. EPS (deducting a 12% for bonus and welfare funds) would reach VND3,100.
- The company will proceed on disbursement for its high-tech antibiotic factory and Vinh Loc factory, which both follow EU-GMP standards.

Potential Catalysts

- Information regarding FOL removal or participation of strategic partners, similar to the case of DMC (FOL removed) and DHG (Taisho) in 2015.

Risks to Our Call

- The company's ETC revenue not meeting expectations may cause the market to downgrade IMP 's rich valuation of 19x P/E2017.

Stock Info

Sector	Healthcare
Market Cap (VND B)	2,103
Current Shares O/S	38
Beta	0.28
Free float (%)	59
52 week High	63,875
52 week Low	38,420
1 Month Avg. Volume (K)	19,256
Foreign Ownership (%)	49
State Ownership (%)	24

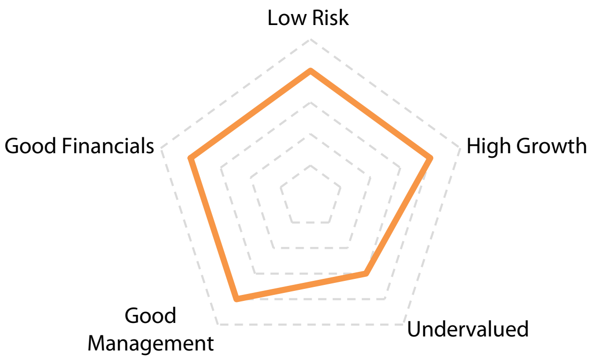
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	**2014**	**2015**	**2016**	**2017F**	**2018F**
Revenue	897.1	964.3	1,010.3	1,258.7	1,491.1
% growth YoY	6.6	7.5	4.8	24.6	18.5
PAT	85.8	92.9	114.3	135.2	159.4
% growth YoY	41.5	8.3	8.7	33.9	17.9
ROA (%)	9.0	8.8	9.0	9.5	9.0
ROE (%)	11.3	10.9	11.0	11.6	11.1
EPS (VND)	3,421	2,729	3,071	3,081	3,590
BV (VND)	30,277	31,332	32,336	35,765	37,689
Dividend (VND)	2,500	1,800	2,000	1,800	2,000
P/E	10.9	15.3	18.2	18.2	18.8
P/B	1.2	1.3	1.7	1.7	1.6

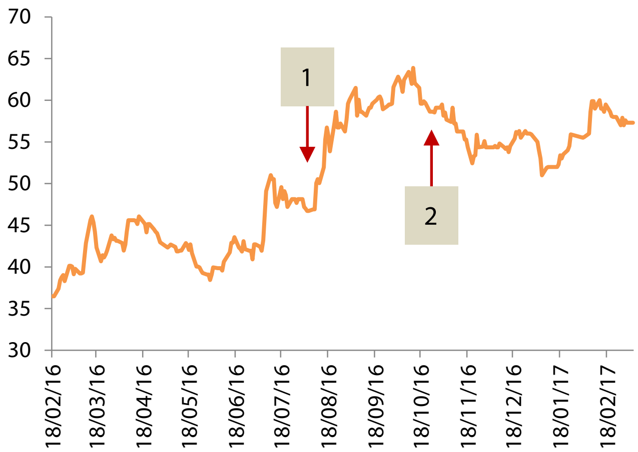
Company Overview



- IMP has high transparency and conservative financial management. The company has a clean balance sheet with no debt, which prevents the company from exploiting low-cost financing.
- Capital is usually occupied in the ETC channel due to slow payment from insurance systems.
- The company's stable operating cash flow, coupled with additional funds from the recent issuance should be enough to fund the construction of two new factories as well as pay an annual dividend of VND1,800-2,000/share. The company has a favorable outlook from 2019 onward, as the production capacity from its four EU-GMP factories will guarantee high growth for IMP.

Source: RongViet Research

Price Drivers



1. Expectation of EU-GMP certification approval of two Binh Duong factories.
2. Rumors regarding failure to find strategic partner.

Source: Bloomberg, RongViet Research

TIRE INDUSTRY: DIFFICULTIES AHEAD

Ha My Tran (my.tth@vdsc.com.vn)

We expect that 2017 will be a tough year for the tire industry. Despite the growing demand for tires, we have also observed that the industry is under intense competitive pressure from both domestic and international markets. Additionally, the increase in the price of inputs is also resulting in the tightening of margins for companies in this industry, which further adds to our concern.

Investment Opportunities

The domestic automobile market's strong growth has resulted in strong demand for tire products. The current high growth rate of the Vietnamese automobile industry in recent years has generated significant demand for replacement tires, which has benefitted tire manufacturing companies. In 2017, Vietnam National Chemical Corporation plans to produce 3.4 million car tires, up 16% compared with 2016.

Import storms of "cheap" products from China is expected to decline in 2017. The business results of many tire companies have suffered enormous pressure during recent periods due to the competition with cheaper products from China. In 2017, RongViet Research expects that this pressure can be reduced gradually thanks to (1) the decrease of inventory for these Chinese products due to the price fluctuation in input materials, (2) China currently restructuring the tire industry towards removing low-power and old plants, and (3) the recovery of growth in demand for global tires.

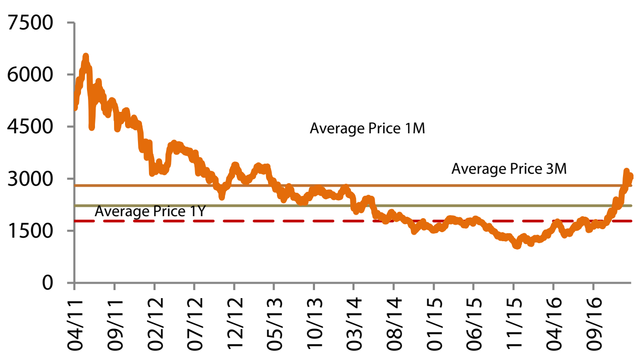
Gross profit margins decreased due to higher input costs. Natural rubber price increases put pressure on cost management for tire manufacturers. Natural rubber prices have increased 39% over the last year. Moreover, the price of synthetic rubber and steel are also on a bullish trend. We expect that tire manufacturers will likely to increase selling prices this year. However, with the rapid growth of the input materials, and increased depreciation due to new plant investments and competitive pressure, we expect gross profit margins to decline this year.

Exports to US markets look less optimistic. In 2017, the Office of US Trade Representative will continue to impose higher anti-dumping tax rates for Chinese tire products. The final anti-subsidy tariff after investigation is 38.61- 65.46%, which is more than double the preliminary tax rate, while the anti-dumping tax rate decreased from 30.36% to 22.57%. Due to this US policy, the export of tires from China to the United States decreased in the past 3 years, particularly tumbling by 30% in 2016. One part of this decline resulted from the advance of other markets, including Vietnam. However, we noticed a strong wave of investment abroad (especially in Thailand) of Chinese tire manufacturing businesses to deal with this US policy. Many factories in Thailand will go into production between 2016-2018. Consequently, Vietnamese enterprises still face competition in foreign market.

Risks

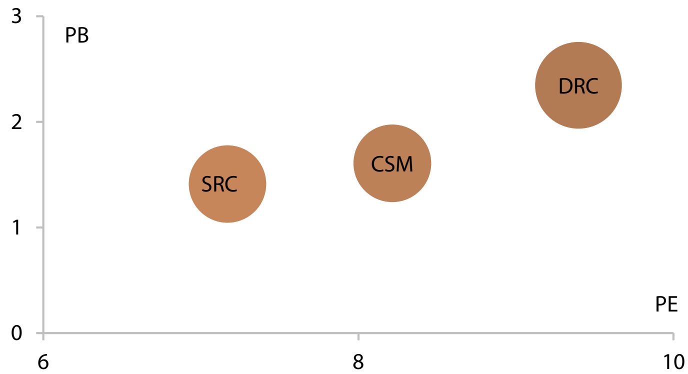
- Rising US trade remedies against Chinese tire products creates fiercer domestic competition.
- Increasingly higher input price levels.

Figure 71: Price Movements of Natural Rubber (USD/ton)



Source: Bloomberg, RongViet Research

Figure 72: ROE, PE, PB of Companies in the Tire Industry



Source: Fiinpro, RongViet Research; Size of bubble: ROE

Challenges Continue

NEUTRAL	**+15%**
CMP (VND)	31,250
Target price (VND)	35,900
Investment period	Long-term

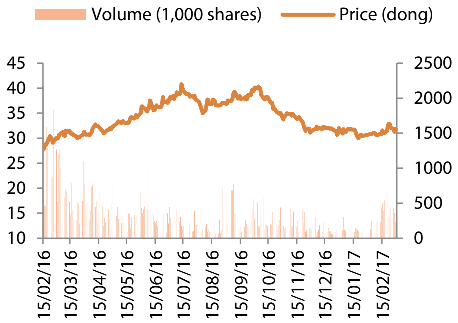
Company Description

Danang Rubber JSC is a prestigious automotive tire manufacturer in Vietnam. In recent years, DRC has continuously faced difficulties competing against tire products imported from China. DRC has to reduce selling prices, and has consequently not been able to achieve significant business growth.

At the same time, the new Radial factory ran into operation during unfavorable business environment, causing losses in radial products segment.

Vietnam Chemical Corporation (Vinachem) is the largest shareholder with 50.51% stake at DRC.

Price Performance



%	YTD	1M	3M	12M
DRC	-2.3	1.8	-5.7	11.5
VNIndex	6.9	3.4	5.4	31.9

Despite the fact that the demand for tire products is very positive and has increased stably during recent years, DRC has still been unable to take advantage of this opportunity due to the fierce competition from imported products. The company's new investment projects (radial tire products) began operating amid many industry difficulties, which resulted in significant challenges for the company. In 2017, the sharp increase of input material prices will be a burden for DRC's business. Based on the price adjustments of Chinese tire manufacturers, we expect that DRC could raise its prices to curb the decline of its gross profit margin. Moreover, the company's Radial Factory Phase 2 might not begin operating this year when market conditions are unfavorable. The investment should continue at a slower pace to ensure the effectiveness of this radial project.

Investment Rationales

- **The demand for automotive tires will continue to grow.** According to our estimates, DRC holds a ~14.5% market share for domestic truck tires. The company has shifted its sales structure, reducing the contribution of bias tires and increasing the volume of radial tires. The company has also actively been expanding its export market to the USA, taking advantage of the Chinese tire products in this market that are subject to anti-subsidies and anti-dumping. However, we are not too optimistic about the sales prospect of DRC in the US since Chinese tire manufacturers have figured out how to deal with high tariffs.
- **Narrowing profit margins.** While participating in a price war helps DRC maintain its market share, it has been negative for the company's margins. As mentioned in the tire sector part, we believe that the storm of cheap imported products from China will ease somewhat and this will help the company increase its selling prices. However, due to the increasing pressure on input prices, DRC's gross margin is likely to drop further in 2017.
- **DRC could reduce its challenges in the short term by delaying the progress of its Radial factory Phase 2.** Completing this new project in a strong competitive period is the biggest challenge that DRC is facing. We expect the company will postpone the completion of Phase 2 in 2017, waiting for the recovery of selling prices.

2017 Forecast

- We estimate that the volume of bias and radial tires will increase by 5% and 21% YoY, respectively.
- We are assuming that its selling prices will recover by 20%, and that natural and synthetic rubber will increase by 40% and 22% YoY, respectively. As a result of this, the company's gross profit margin could decrease to 18.1%.
- We project that the company's PAT will decrease slightly by 1.3%YoY, equivalent to an EPS of VND3,020.

Potential Catalysts

- Competitive pressure reduces, while sales volume and selling prices increase better than expected.
- Policies regarding to the anti-dumping on Chinese tire imports.

Risks to Our Call

- Sharp increase in material input prices.
- Demand for automotive tire products is lower than our forecast.

Stock Info

Sector	Automobile and Parts
Market Cap (VND B)	3,801
Current Shares O/S	119
Beta	0.75
Free float (%)	39
52 Week High	40,782
52 Week Low	30,000
1 Month Avg. Volume (K)	383
Foreign Ownership (%)	31
State Ownership (%)	51

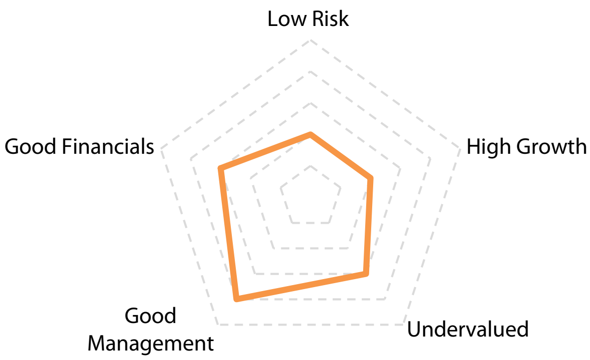
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	3,251.4	3,317.7	3,358.6	3,945.0	4,513.0
% growth YoY	16.0	2.0	1.2	17.5	14.4
PAT	352.7	415.0	395.0	390.0	421.0
% growth YoY	-6.0	17.7	-4.8	-1.3	7.9
ROA (%)	11.2	13.2	13.3	12.8	11.6
ROE (%)	24.2	25.9	24.3	23.6	22.6
EPS (VND)	3,882	4,184	3,056	3,020	3,257
BV (VND)	18,487	18,307	13,317	14,684	16,258
Dividend (VND)	3,000	3,000	3,000	1,500	1,500
P/E	7.3	7.4	9.3	10.3	9.6
P/B	1.7	1.7	2.3	2.1	1.9

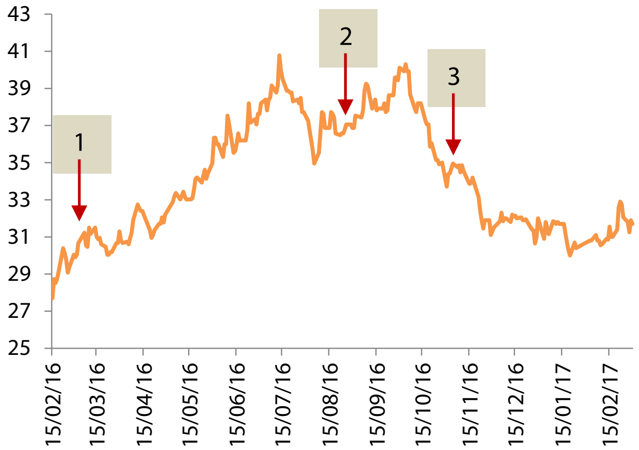
Company Overview



- DRC is in a difficult period of the business cycle due to the pressure of competition, as price competition strategies have created struggles for the company.
- Compared with other companies in the same industry, DRC has an experienced management team and strategic direction in line with the development trend of the industry.
- The company's continuous investment in the radial factory in recent years has induced higher borrowings, causing bigger risks in financial management.

Source: RongViet Research

Price Drivers



1. The high cash dividend and share dividend for FY2015.
2. Advanced cash dividend for FY2016.
3. Bad earning results, as the company could not complete its yearly plan.

Source: Bloomberg, RongViet Research

OTHER STOCK PICKS

Improvement of FPT's Technology-Telecom Segments After Restructuring

BUY	+41%
CMP (VND)	45,850
Target price (VND)	64,800
Investment period	Long-term

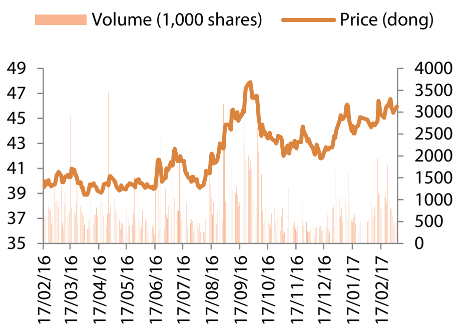
Company Description

FPT provides products and services in mobile phone distribution, system integration, outsourcing, internet and telecommunication. FPT is one of the leading technology companies in Vietnam, and has experienced remarkable growth rates in both revenue and profit. However, with the restructuring of its core businesses, we expect that FPT will achieve further improvement in both its business results and stock price.

At this moment, revenue from distribution accounts for the highest amount, at 56.7% in 2016. However, software and telecom were the largest contributors to the company's profit, at 36.6% and 39.7% respectively. In the future, FPT will focus more on these segments which demonstrate the strength of the company.

The largest shareholder of FPT is still Mr. Truong Gia Binh at 7.1%. SCIC is 2nd with ~6%, which it plans to divest in the future.

Price Performance



%	YTD	1M	3M	12M
FPT	4.6	16.2	16.2	51.7
VNIndex	6.9	3.4	5.4	31.9

The divestment story from the company's retail and distribution segments, along with the ownership increase in FPT Telecom (FOX), have been the center of attention for the last few years. FPT is well regarded as a leader in the outsourcing segment in Vietnam and also for having a strong position in the telecommunications industry. Meanwhile, FPT has been left behind by MWG in term of the retail segment. As a result, it could be wise for the company to focus on the areas with the most promise in the future, and to shift its focus away from the retail segment. After its successful deals, FPT will experience strong growth rates and also better financial statistics and cash flow, which will make the company more attractive for investors.

Investment Rationales

- **The telecommunication segment will make a huge leap in profit this year.** The completed cablization in major cities will be the main and stable sources of profit for FPT in the long-run. Moreover, major costs were recorded in 2016 and RongViet Research expects a significant improvement beginning in 2017 for FOX (+32% YoY in revenue). FPT has the ability to capture the market share and reach the second position in the telecommunications market in near future, due to its high quality and competitive pricing.

- **FPT is the leader in the outsourcing segment with superior scale compared to other companies in the industry.** Vietnam is among the top 5 countries with the highest demand for outsourcing services. The country's low labor costs (equivalent to 10% of US and 70% of India) is the main comparative advantage of FPT, which allows it to exploit the demand from markets such as Japan and US to exceed the industry growth rate (~12% during 2016 – 2020). Furthermore, new segments such as the cloud or Internet of Things offer the company strong potential to be the leader in the future due to its strong capability.

- **Divestment from FPTRetail and FPTTrading and the increase in its ownership of FOX are wise steps.** FPT is prepared for the divestment from distribution and retail companies in 2017. If successful, we estimate that the income will be ~VND4,488 billion and that it could be used for the purchase of FOX stocks from SCIC.

2017 Forecast

- Telecommunications and technology segments will have the strongest 2017 growth rates at 21.2% and 17.1% respectively in revenue.

- FPT's gross margin will remain above 22% in both 2017 and 2018.

Potential Catalysts

- Divestment from FPTRetail and FPTTrading and successful investment in FOX.

- SCIC's divestment.

Risks to Our Call

- Prolonged process of divesting from FPTRetail and FPTTrading, which could create negative sentiment.

Stock Info

Sector	Technology
Market Cap (VND B)	20,211
Current Shares O/S	459
Beta	0.64
Free float (%)	69
52 week High	47,900
52 week Low	38,899
1 Month Avg. Volume (K)	914
Foreign Ownership (%)	49
State Ownership (%)	6

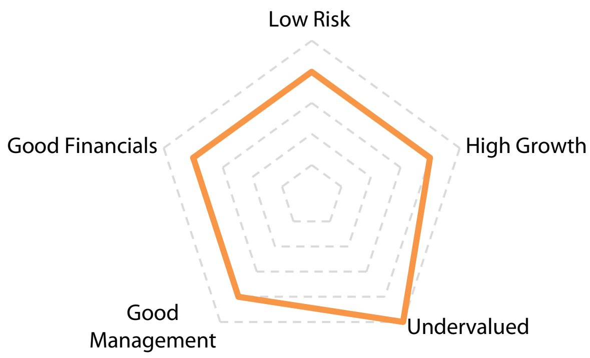
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	**2014**	**2015**	**2016**	**2017F**	**2018F**
Revenue	32,644.7	37,959.7	39,579.9	45,825.0	51,723.0
% growth YoY	20.8	16.3	4.3	15.8	12.9
PAT	1,632.1	1,930.9	1,990.6	2,469.0	2,904.0
% growth YoY	1.5	18.3	3.1	24.0	17.6
ROA (%)	8.1	7.9	7.1	7.9	8.2
ROE (%)	19.8	19.9	18.4	21.1	21.6
EPS (VND)	4,745	4,379	4,333	5,403	6,355
BV (VND)	22,997	21,579	20,727	22,366	22,785
Dividend (VND)	2,000	2,000	2,000	2,000	2,000
P/E	9.4	10.2	10.3	8.5	7.2
P/B	1.9	2.1	2.2	2.0	2.0

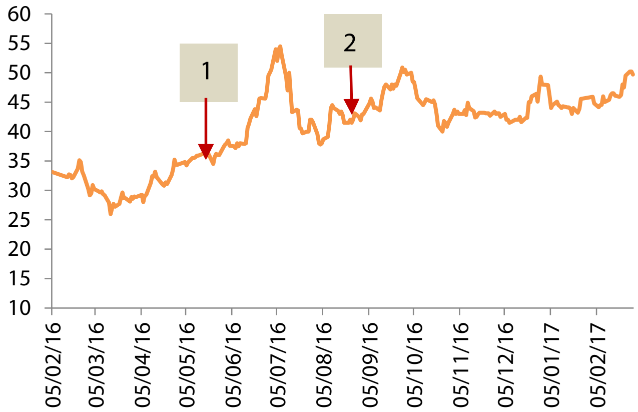
Company Overview



- FPT's growth prospect is expected to improve considerably this year, given its leading position and positive prospects from its business restructuring.
- Furthermore, compare with other companies in the industry, FPT has highly qualified staff and a well-managed internal system.
- After the divestment from FPTRetail and FPTTrading, the financial situation will be better due to the risk from inventory being removed and the decline of its leverage ratio.
- Moreover, FPT also has an active IR department which held quarterly analyst meetings. In addition to this, its monthly business results have been frequently updated with investors, demonstrating the high level of transparency.

Source: RongViet Research

Price Drivers



1. Information on its divestment plan.
2. Dividend and bonus share payments along with an ESOP program.

Source: Bloomberg, RongViet Research

INNOVATIVE TECHNOLOGY DEVELOPMENT CORPORATION   Bloomberg: ITD VN

Development of Transport Infrastructure Provides Growth Momentum

ACCUMULATE	**+15%**
CMP (VND)	29,500
Target price (VND)	33,900
Investment period	Intermediate-term

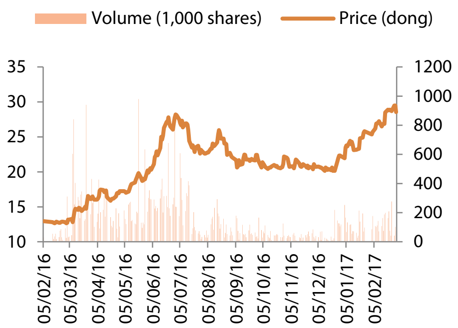
Company Description

ITD is a technology company, providing service for several segments including Intelligent Transportation (ITS), Electrical & Technical Infrastructure (ETI), Information & Communications Technology (ICT) and Electrical, Control & Instrumentation (EC&I). ITD has many years of experience in the ITS sector, especially solutions for automated fare collection. Over the last few years, ITD significant benefits from high demand from abundant technology projects, and has experienced significant improvement in transport infrastructure and its modernized management system.

In addition to this, ITD has the most experience in the ITS sector in Vietnam.

The largest shareholder of ITD at this moment is an individual, Mr. Nguyen Van Hiep with 7.9% ownership.

Price Performance



%	YTD	1M	3M	12M
ITD	32.1	19.0	39.9	134.7
VNIndex	6.9	3.4	5.4	31.9

ITD currently has an 80% market share in the ITS segment in Vietnam. Other competitors such as ELC or Cadpro have a relatively small contribution and do not focus on ITS. ITS accounts for 65% of ITD's revenue, and this segment will consequently be the most significant source of growth for ITD.

Investment Rationales

- **The development of highway systems will be the stepping stone for ITD's future growth.** 21 highways at a total length of 6,411 km will be constructed between 2016 – 2020 based on Decision 326/QD-TT, which will provide a consistent workload for ITD in the long-term. The total scale for ITD will reach up to VND5,700 billion in contract value.
- **ITD also has benefits over other companies as a result of it being located in Ho Chi Minh City.** ITD has strong market knowledge in the Southern region, while other enterprises such as ELC and Cadpro have the strongest standing in the Northern market. The Ho Chi Minh government has USD300 million in investment capital to improve its traffic control center from 2016 to 2020. ITD is consequently fully capable of participating in projects such as ITS for the metro or surveillance camera systems.
- **ITD has a sustainable backlog and strong workload in the future.** We forecast that several projects such as Da Nang – Quang Ngai, surveillance system for HCM, and its contract with TASCO will bring ~VND700 billion of backlog value for 2017. Furthermore, prospects from self-invested projects in the next 1 or 2 year will help ITD to continuously undertake new projects.
- **Restructuring its company model between parent and subsidiaries helps ITD to be more flexible in management.** At this moment, ITD owns 11 subsidiaries, and the financial performance of these subsidiaries has been positive. ITD plans to divest and merge in order to reduce the number of subsidiaries, except for GTL, which had the most positive results.

2017 Forecast

- We project that revenue and profit after tax for 2016 will be VND917 billion (+46.1% YoY) and VND73 billion (+57.5% YoY) respectively.
- ITS segment: The company's backlog value is currently at VND900 billion. Its revenue in 2017 could reach VND630 billion, accounting for ~70% of total revenue. ITD's gross margin still remains high, at ~25%.
- We forecast that other segments such as ICT or EC&I will maintain a negative growth with -20% YoY and -10% YoY respectively.
- EPS for 2016 and 2017 will reach VND4,144 and VND4,251.

Potential Catalysts

- Information on new contracts for the ITS segment.
- Business results could surge in several quarters.

Risks to Our Call

- Schedule risks from transport infrastructure projects, especially highway or the development of traffic control center in HCM.
- Increasing competition from ELC, Cadpro or even Viettel and FPT.

Stock Info

Sector	Technology
Market Cap (VND B)	329
Current Shares O/S	18
Beta	0.66
Free float (%)	64
52 week High	29,500
52 week Low	12,799
1 Month Avg. Volume (K)	127
Foreign Ownership (%)	15
State Ownership (%)	0

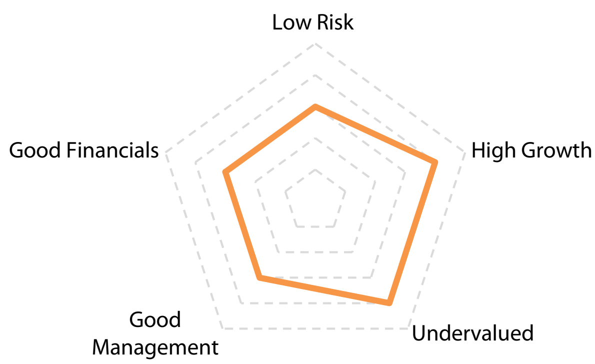
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2013	2014	2015	2016F	2017F
Revenue	641.0	402.5	600.6	946.3	1,135.0
% growth YoY	-11.1	-13.9	49.2	57.5	19.9
PAT	16.0	16.2	33.2	79.0	94.0
% growth YoY	-64.8	66.5	105.4	137.8	19.0
ROA (%)	2.5	3.2	6.1	11.0	12.8
ROE (%)	2.9	7.7	13.6	24.9	29.8
EPS (VND)	1,280	1,266	2,167	4,144	4,251
BV (VND)	15,493	15,990	15,384	16,280	19,399
Dividend (VND)	-	-	-	1,000	1,200
P/E	38.4	21.5	12.6	6.6	6.9
P/B	1.8	1.7	1.8	1.7	1.5

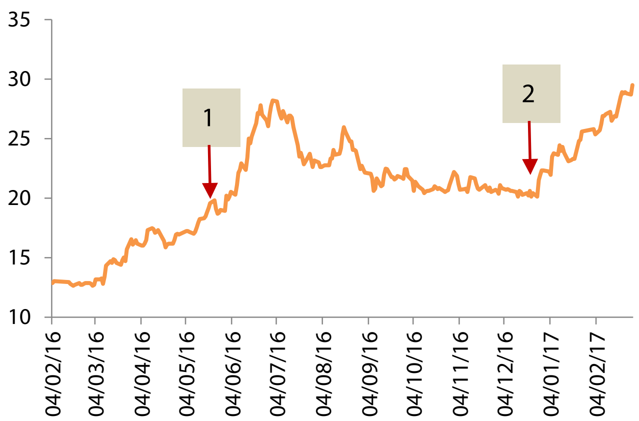
Company Overview



- ITD currently possess the relatively dominant position in the Southern region with over 80% of the market share in the ITS segment. Therefore, the growth prospects of ITD have been positive thanks to the improvement in transport infrastructure.
- With low long-term debt, the financial structure of ITD is relatively safe and its technology projects provide a stable cash flow. Moreover, ITD's receivable have been stable, since project periods are short.
- With over 60% of its total revenue coming from ITS, ITD is heavily dependent on the development of infrastructure, which also does present a potential risk. If any infrastructure projects are behind schedule, it will affect the growth rate and workload of ITD in the near future.

Source: RongViet Research

Price Drivers



1. Dividend payment and ESOP program.
2. Announced significant growth in business results.

Source: Bloomberg, RongViet Research

MOBILE WORLD INVESTMENT CORPORATION — Bloomberg: MWG VN

Waiting for The Ability to Maintain Significant Growth

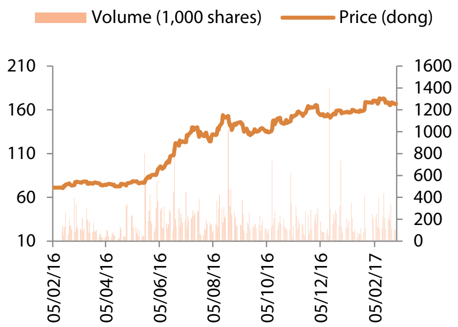
SELL	**-20%**
CMP (VND)	166,500
Target price (VND)	134,500
Investment period	Intermediate-term

Company Description

Mobile World Investment Corporation is the leading company in the retail sector for mobile phones and consumer electronics in Vietnam. MWG has the highest market share in both segments. In addition to this, MWG is also in an experimental phase to develop its convenience store chain, BachhoaXanh. MWG and its board of directors expect this to be the main factor for its long term growth.

In term of business efficiency, MWG outperforms its peers with a high gross profit margin of 14% and net margin of 3.1%. At this moment, Thegioididong is still the main contributor for MWG's revenue at ~67%, while the rest comes from DienmayXanh.

Price Performance



%	YTD	1M	3M	12M
MWG	7.1	5.6	6.8	136.6
VNIndex	6.9	3.4	5.4	31.9

MWG is the leading company in the retail market for both mobile phones and consumer electronics in Vietnam. Its market share for these areas is 38% and 17% respectively. In 2017, Thegioididong is projected to face stagnation in growth and expansion. Conversely, DienmayXanh will be the primary engine for the improvement in the business results of MWG in the next 2 years. In the long-term, BachhoaXanh will be a trump card for MWG in its expansion, as this represents an expansion into a new and highly promising segment. We believe that investors should take a conservative view on BachhoaXanh's prospects and that the upcoming years will be a "stress test" period for MWG. Moreover, investors should also monitor its ESOP in order to have a more appropriate view for the value that MWG creates for shareholders.

Sell Rationales

- **DienmayXanh will not be able to achieve the stellar growth as Thegioididong did in the past.** The expansion pace for both chains will slow down along with the saturation of markets. CAGR of both the mobile phone and consumer electronic markets are projected to decline in the future.
- **BachhoaXanh, its convenience store chain, will not significantly contribute to MWG's business results in the next 2 years.** Furthermore, BachhoaXanh requires MWG to have a better distribution center due to the high-frequently used products and high inventory turnover. This is a challenging issue for MWG that needs to be resolved in 2017. Moreover, the competition will be fierce when existing chains such as VinMart+ and Circle K have more experience with higher financial resistance.
- **ESOP will be one of the major areas of concern** for shareholders, especially at its current price range ~VND170,000/share.
- **MWG's stock has high valuation** as compared to industry.

2017 Forecast

- We project that Thegioididong and DienmayXanh will deliver growth of 31.6% and 122.7% respectively for revenue. DienmayXanh will also open ~100 stores next year.
- BachhoaXanh will open up to 350 stores in 2017, mainly in Binh Tan and Tan Phu districts. However, the expansion will not be guaranteed to be smooth in other places due to existing competitors such as Circle K, Shop&Go, B's Mart and Coop Food.
- We estimate that the adjusted 2017 and 2018 EPS will reach VND8,656 and VND9,004, equivalent to growth of 14.2% YoY and 4.0% YoY.

Potential Catalysts

- Increasing the supply of shares in the market due to the number of unblocked ESOP. The total tradable ESOP stock will reach ~16 million shares by the end of 2017.

Risks to Our Call

- BachhoaXanh is highly competitive and efficient.
- DienmayXanh may be able to expand with same store sales growth rates better than our expectations.

Stock Info

Sector	Retail
Market Cap (VND B)	24,010
Current Shares O/S	154
Beta	0.85
Free float (%)	61
52 week High	173,200
52 week Low	72,586
1 Month Avg. Volume (K)	201
Foreign Ownership (%)	49
State Ownership (%)	0

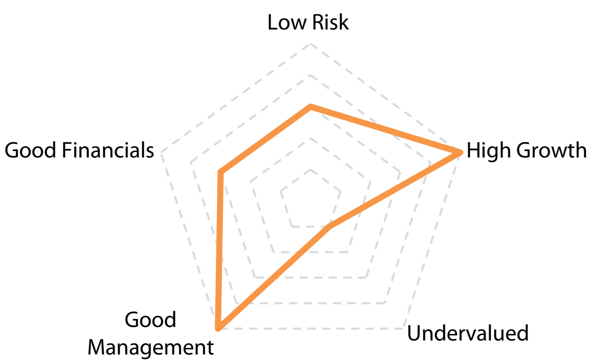
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	15,756.7	25,252.7	44,613.3	72,788.0	98,918.0
% growth YoY	65.9	60.3	76.7	63.2	35.9
PAT	668.1	1,071.9	1,577.4	2,230.0	2,598.0
% growth YoY	161.4	60.4	47.2	41.4	16.5
ROA (%)	23.7	20.1	14.3	16.9	14.3
ROE (%)	58.7	54.2	49.9	36.7	29.6
EPS (VND)	5,968	7,297	10,246	12,131	11,491
BV (VND)	13,174	16,897	24,937	33,371	39,272
Dividend (VND)	-	-	1,500	1,500	1,500
P/E	29.0	23.7	16.9	13.8	14.5
P/B	13.1	10.3	6.9	5.0	4.3

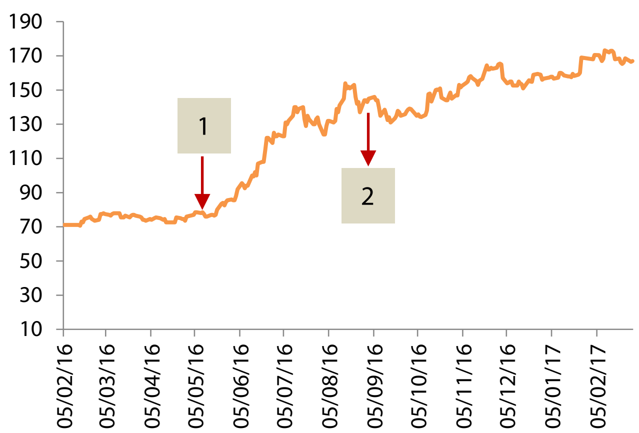
Company Overview



- MWG is one of the companies in Vietnam that has the best ERP, which the company has fully developed. This is one of the comparative advantages of MWG in this industry. ERP helps MWG to improve its business efficiency, cut costs and increase its expansion pace.
- MWG could maintain strong growth in the next 2 years due to its ERP and fast expansion. However, investors should be concerned about the "convenience store" segment that MWG is initiating.
- Until the end of 2016, MWG has had a high leverage ratio of ~2.9x. Furthermore, inventory also increased dramatically by 90.0% YoY, equivalent to VND9,370 billion due to the expansion of DienmayXanh.

Source: RongViet Research

Price Drivers



1. Announced business results.
2. Divestment from major shareholders.

Source: Bloomberg, RongViet Research

Stable

NEUTRAL	**+10%**
CMP (VND)	33,600
Target price (VND)	36,800
Investment period	Intermediate-term

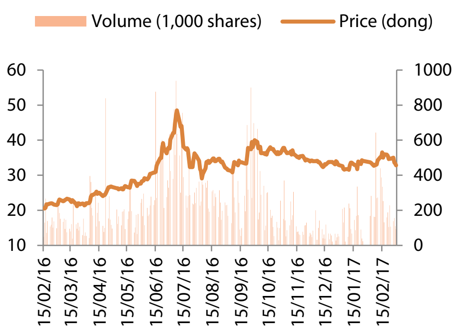
Company Description

Dry Cell & Storage Battery JSC is well-known brand in providing battery products for motorbikes and cars in Vietnam. In recent years, PAC achieved positive growth thanks to the improvement in technology, and the increase in its market share. The company also benefitted from the strong demand of the automotive industry in Vietnam.

At the moment, the maintenance-free battery is the best-selling products of PAC. PAC's market share is approximately 40-45%.

Vietnam Chemical Corporation (Vinachem) owns 51.43% stake in PAC. In 2016, Furukawa Battery – Japan company – bought 4.9 million shares, equivalent to 10.54% stake and became PAC's strategic partner.

Price Performance



%	YTD	1M	3M	12M
PAC	2.1	1.2	-5.4	62.3
VNIndex	6.9	3.4	5.4	31.9

Dry Cell & Storage Battery JSC (PAC-HSX) had a successful year in 2016 as a result of strong demand, low material prices, and the stable exchange rate. Although there is still positive demand ahead in 2017 due to the double digit growth in automobile sales, there are still other factors that will not support PAC's business in the future. The increase of input prices will force PAC to make some adjustments to ensure the stability of its business. On top of this, the Vinachem divestment is unlikely to take place this year. However, information relating to this divestment's probability, as well as the enthusiasm relating to its new strategic partner, can help PAC's valuation remain high (~15x PE).

Investment Rationales

- **PAC is the market leader for dry cell and storage batteries in Vietnam.** The positive demand of these products results from the strong growth of automobile consumption during recent years. As the leading company, PAC will benefit from the demand for replacement battery products.
- **Sales policy (discount rate) can be adjusted flexibly.** We found that PAC usually leaves competitors behind in its sales policies. PAC's competitive strength in the domestic market comes from its strong distribution system and technological improvements. Therefore, the company can change its discount policy if there is a hike in input costs.
- **Applying new technology and developing new products with the participation of strategic partners:** Furukawa Battery is a battery manufacturing company in Japan. The company has invested in PAC in order to develop its overseas business for the period of 2016 – 2018. The participation of Furukawa can bring PAC opportunities to solidify its position in the Vietnam market, as PAC can benefit from its technological expertise.

2017 Forecast

- We estimate that the company's selling volume will increase by 13% over the same period, and that its revenue will increase by 19.4% YoY.
- We project that the average lead price in 2017 will be USD2,325/ton, increased by 29.2% over the average price last year. Assuming the company will slightly increase its selling prices and reduce the discount/sales ratio to 6.21%, we expect that its gross profit margin will be 14.33%.
- The company will receive a compensation of VND25 billion for its factory relocation.
- We estimate that its PAT will increase by 0.5% over the same period, corresponding to an EPS of VND2,414.

Potential Catalysts

- Information relating to Vinachem divestment.
- Lead prices declining back to USD2,000/ton.
- The recovery of earnings in the second half of the year might be an opportunity to accumulate PAC's share.

Risks to Our Call

- Sharp increase in raw material input prices (lead, zinc).
- Demand for battery products can be lower than our forecast.
- Increase in competition from foreign firms.

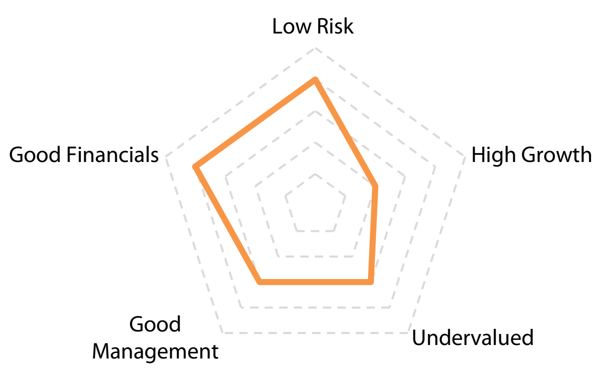
Stock Info	
Sector	Industrials
Market Cap (VND B)	1,529
Current Shares O/S	46
Beta	1.11
Free float (%)	37
52 Week High	48,487
52 Week Low	21,154
1 Month Avg. Volume (K)	231
Foreign Ownership (%)	25
State Ownership (%)	51

Source: RongViet Research
Price as of 28/02/2017

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	2,026.3	2,116.8	2,290.9	2,734.8	3,073.8
% growth YoY	7.8	4.5	8.2	19.4	12.4
PAT	74.4	90.5	121.3	121.9	134.7
% growth YoY	21.2	21.6	34.1	0.5	10.5
ROA (%)	5.5	7.2	8.2	7.1	7.4
ROE (%)	14.7	17.8	22.6	21.1	22.3
EPS (VND)	2,757	2,628	2,611	2,414	2,667
BV (VND)	18,951	16,336	12,238	12,645	13,306
Dividend (VND)	3,000	2,500	2,000	2,000	2,000
P/E	12.8	13.4	13.5	13.9	12.6
P/B	1.9	2.2	2.9	2.7	2.5

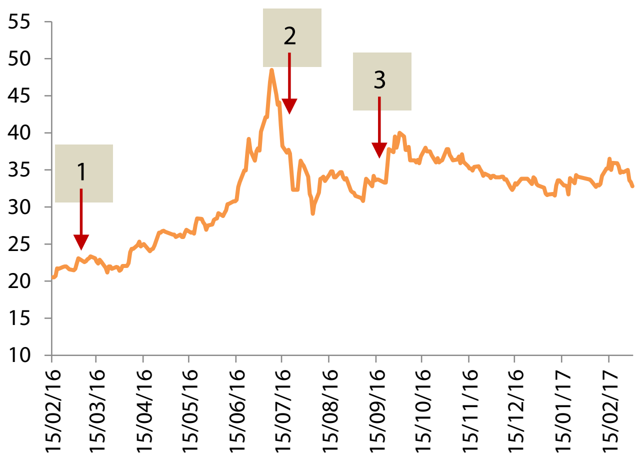
Company Overview



- PAC has positive sales volume but the discount policy has significantly affected the company's profitability.
- PAC is a company with a long history of operations, and we highly appreciate management's ability to change its production technology to regain market share.
- PAC has no long-term debt, and cash and deposit accounts are abundant. The company also has a high dividend payout ratio.

Source: RongViet Research

Price Drivers



1. Rumors on share dividends and the participant of new shareholders.
2. Member of Management Board registered to sell shares.
3. Official news about strategic shareholders (Furukawa).

Source: Bloomberg, RongViet Research

God of Wealth is Knocking

ACCUMULATE	**+21%**
CMP (VND)	75,000
Target Price (VND)	90,900
Investment Period	Long-term

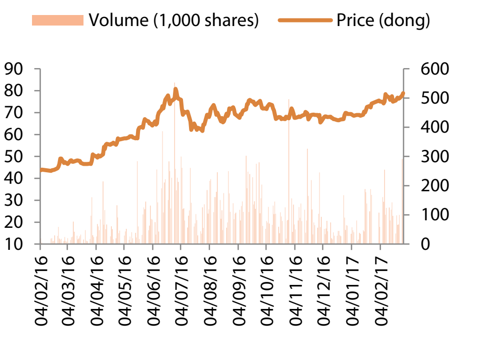
Company Description

Phu Nhuan Jewelry JSC is the dominant company in the gold jewelry sector in Vietnam with a market share of around 28%. Currently, PNJ owns a retail chain of around 220 stores in 50 provinces and cities, which is 1.3 times more than the total number of stores of the big competitors like Doji, SJC and Bao Tin Minh Chau.

The gold jewelry segment accounts for the largest proportion of its revenue (78%) and gross profit (89%) structures. Besides that, PNJ also has other products namely gold bars and silver, representing 19% and 2% of its revenue. Due to its low gross margin (only 0.5-1%), gold bars only contribute to less than 1% of the total profit of PNJ. In contrast, the company's silver segment accounted for ~10% of its gross profit due to its outstanding profit margin (65-70%).

In addition, PNJ is one of the few businesses that has closed room for foreign investors. The largest individual shareholders are mostly company's executives and related people.

Price Performance



%	YTD	1M	3M	12M
PNJ	12.8	8.9	10.0	73.7
VNIndex	6.9	3.4	5.4	31.9

During the first period of restructuring (2012-2016), PNJ was able to improve the performance of its business substantially. For example, its gold jewelry market share rose from 12% to 28% and its profit nearly doubled. During the 5-year period of 2017-2022, PNJ will continue to open new gold shops, develop product lines with higher margins, and restructure its management system.

Investment Rationales

- **The expansion of its retail system will increase PNJ's market share.** In the period of 2017-2019, PNJ plans to open 30-40 stores/year. The new stores may be able to contribute to PNJ's profit after just operating for 1 year; this will support PNJ's market share. In addition, PNJ might integrate some high value products at its available stores.
- **The prospects for branded gold jewelry remains positive.** Nielson believes that Vietnam's middle-class population will grow from 8 million (2012) to 44 million in 2020. With this increase, the tendency to use branded products like PNJ will become more popular.
- **PNJ's gross profit margin is improving by focusing on developing its gold jewelry retail system.** In the period of 2013-2016, the gross margin of PNJ rose from 7.5% to 16.5%. By developing a retail channel, which has the highest GPM (26.5%) compared to exports (14.1%) and wholesales (4%), PNJ will be able to improve its overall margins.

2017 Forecast

- PNJ will add 42 new stores in 2017. The same store growth of 12%. We project that the revenue growth rates of gold jewelry, silver and gold bars will be 16%, 18% and 2%, respectively.
- GPM of gold jewelry will increase from 18.1% (2016) to 18.9% while the GPM of silver and gold bars will remain at 65% and 0.79%, respectively. Overall, PNJ's GPM will be around 16.9% this year.
- The selling expenses/revenue ratio will rise 0.5%, due to the expansion of its distribution channel and marketing promotion.
- PNJ might issue 9.8 million shares. However, if the bid price does not meet PNJ's expectations, PNJ will cancel this method. In the case that the issuance is successful, the profit increase from lower interest expenses and higher interest income might compensate the increase in the number of shares outstanding.

Potential Catalysts

- The ability to open "room" for foreign investors when gold was taken off the list of business limitations.
- The opportunities of investment provisions reversal from investment in Dong A Bank.

Risks to Our Call

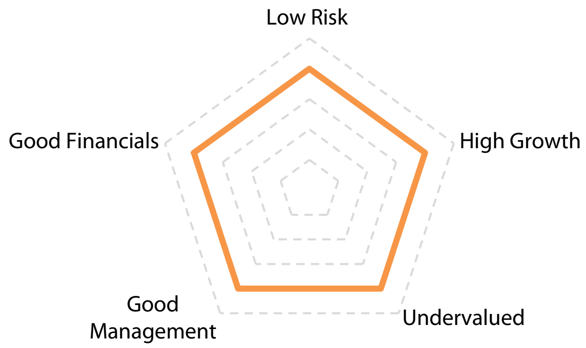
- The company's rivals may increase to expand the scale and advertising system, which will increase competition
- Gold prices rise too fast, which might decrease the demand for gold jewelry.

Stock Info	
Sector	Personal Goods
Market Cap (VND B)	7,538
Current Shares O/S	98
Beta	0.95
Free float (%)	68
52 Week High	80,822
52 Week Low	46,582
1 Month Avg. Volume (K)	131
Foreign Ownership (%)	49
State Ownership (%)	0
Source: RongViet Research	
Price as of 28/02/2017	

Key Financials

(VND B)	2014	2015	2016	2017F	2018F
Revenue	9,199.2	7,708.4	8,564.6	9,873.7	11,046.9
% growth YoY	3.2	-16.2	11.1	15.3	11.9
PAT	242.5	152.3	450.1	627.6	748.1
% growth YoY	48.6	-37.2	195.5	39.4	19.2
ROA (%)	8.4	5.2	13.7	17.5	19.6
ROE (%)	18.5	11.3	31.1	37.2	36.0
EPS (VND)	1,876	1,179	4,008	5,588	6,661
BV (VND)	17,150	14,188	15,269	19,023	23,268
Dividend (VND)	3,200	800	1,000	2,000	3,000
P/E	23.5	54.1	16.5	13.4	11.3
P/B	4.4	5.3	4.9	3.9	3.2

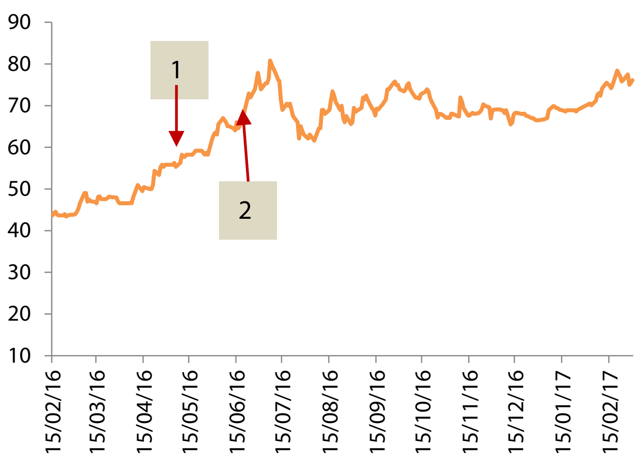
Company Overview



- The jewelry market has had average growth in the past year. In particular, branded jewelry has had a better growth trend and is gaining the market share of small business units (12,000 units, accounting for ~80% of the current market share of gold jewelry).
- PNJ has actively expanded its stores in recent years, laying the foundation to meet the increase in demand of high-income customers, as well as changes in the consumption trends of jewelry.
- Thanks to its expanding experience, the breakeven time of new stores decrease from 18 to 12 months.
- The business model is low risk and the company is currently in a stable financial position after completing the divestment of non-core investments.

Source: RongViet Research

Price Drivers



1. PNJ finished making provision for Dong A bank (Q1/2016).
2. Vietnam Azalea Fund Limited sold 3 million shares.

Source: Bloomberg, RongViet Research

Intensifying Investment in Public Utilities

NEUTRAL	**+13%**
CMP (VND)	25,100
Target price (VND)	28,300
Invesment period	Long-term

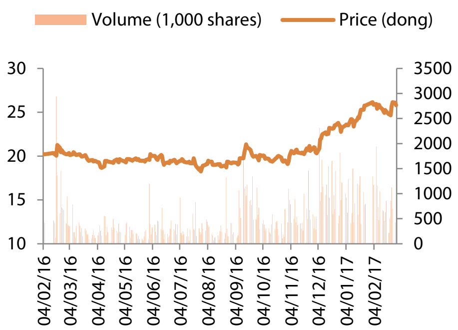
Company Description

Refrigeration Electrical Engineering JSC was established in 1977 and equitized in 1993. REE is a holding organization whose main operations are in M&E, Reetech and electricity/water sector investments.

The Group of REE companies includes: REE M&E company, Electric REE company and REE real estate company. Its real estate company operates REE's office and buildings for rent. REE Land is in charge of developing its real estate projects.

REE's foreign ownershup limitation is still 49%, and it is currently fully held by foreign investors.

Price Performance



%	YTD	1M	3M	12M
REE	8.3	7.4	21.0	26.2
VNIndex	6.9	3.4	5.4	31.9

Thanks to the recovery of its joint venture companies as well as its core business (REE M&E and Reetech), REE's business results were very positive during 2016; this positive sign could continue in 2017. Besides that, its joint venture companies could record large income from the recovery of its associates in the electricity industry as well as the improvement of its water generation capacity, which we forecast will increase by nearly 67%. Moreover, the company's stability in its office leasing operations and decent investments in the electricity and water sector will give REE steady cash flow.

Investment Rationales

- **Stable cash flow from office leasing and high return on financial investments.** REE has high occupancy for its current office buildings, and the progress of its new Etown Central is also in line with its plan. The building will be completed in Q4 2017 and put into operation from 2018. By adding 35,000 m2 of NLA, REE's total NLA will increase by 35% and add 40% growth of revenue in this segment. Moreover, its joint venture company's income has surged in recent years, and its dividend is growing each year with an average return on investment of around 10%.
- **REE has benefitted from the real estate market's recovery.** Thanks to the recovery of real estate market in the past 2 years, M&E's business results have been positive. With over VND3,000 billion backlog by the end 2016, revenue growth for 2017 is guaranteed.
- **Expanding investment in utilities.** In 2016, REE expanded its investment portolio to electricity through its new investments in CHP (14%), SHP (10.66%) and DVT (66.29%) and it also increased its ownership in VSH by above 12%. In the water sector, REE also increased its ownership in NBW by up to 22%. At the moment, its investment portfolio has investments in 6 water supply companies.

2017 Forecast

- We project that the company's revenue growth will be 20% in 2017 due to the positive growth of almost all business segments. REE M&E, Reetech and real estate segments will be the key drivers. The estimated growth rate for these areas will be 15%, 20% and 50%, respectively.
- Net profit margin of REE and M&E will remain at 15%, and Reetech's profit margin will be around 4.3%.
- Office leasing will continue to bring stable cash flow, and will experience revenue growth of around 7.6%, mostly from increasing leasing prices and the benefits of the VND depreciating against USD.
- We forecast that its income from joint venture companies will recover due to (1) electricity companies experiencing recovery after a difficult year (2) water generation capacity will increase by 300,000 m^3/day thanks to the contribution of Thu Duc III and Tan Hiep II water plants.
- The likelihood of its divestment in the coal sector
- We expect that its NPATwill grow by 20% and that its EPS will be VND3,893

Potential Catalysts

- Thanks to the improvement of weather conditions, the business results of electricity companies will improve.
- Lifting the foreign ownership, although REE is not really keen on this.

Risks to Our Call

- Exchange rate fluctuation may affect REE's strategic investment in a thermal power company.

Stock Info

Sector	Industrial Goods & Services
Market Cap (VND B)	7,643
Current Shares O/S	310
Beta	0.62
Free float (%)	46
52 week High	26,143
52 week Low	18,244
1 Month Avg. Volume (K)	873
Foreign Ownership (%)	49
State Ownership (%)	1

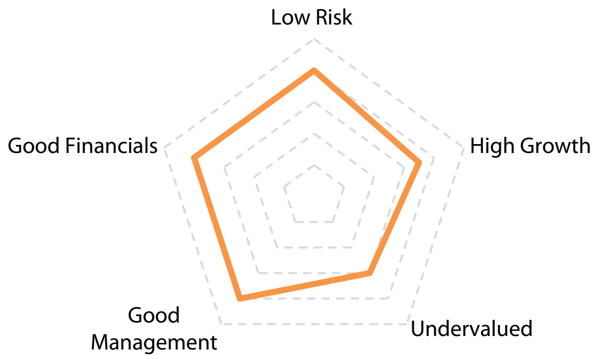
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	**2014**	**2015**	**2016**	**2017F**	**2018F**
Revenue	2,629.4	2,643.4	3,659.3	4,405.7	4,830.4
% growth YoY	8.9	0.5	38.4	20.4	9.6
PAT	1,062.0	853.1	1,109.2	1,327.8	1,611.3
% growth YoY	8.8	-19.7	30.0	19.7	21.3
ROA (%)	13.8	9.5	10.6	11.0	12.3
ROE (%)	18.4	13.1	15.4	17.7	18.9
EPS (VND)	3,947	3,164	3,577	3,893	4,295
BV (VND)	21,965	23,494	23,132	23,289	23,829
Dividend (VND)	1,600	1,600	1,600	1,600	1,600
P/E	7.0	8.8	7.8	6.4	5.8
P/B	1.3	1.2	1.2	1.1	1.1

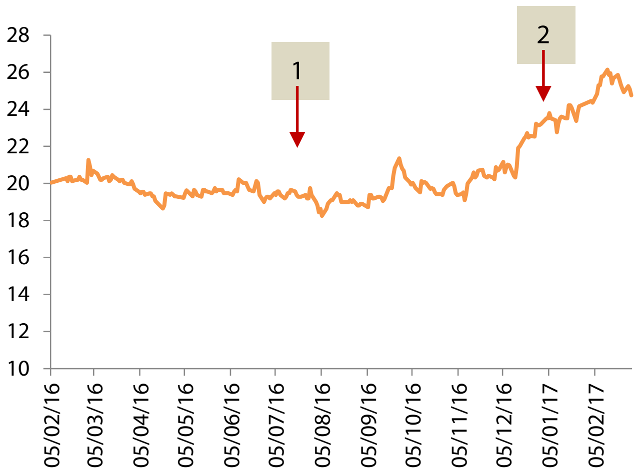
Company Overview



- Has strong administration and healthy financials.
- Owns nearly 100,000 m² of well-located office floors, which has brought the company a stable cash flow. E.town Central Project (District 4, HCMC) will contribute 35,000 m² for leasing.
- Regarding its investment activities, REE owns many joint venture companies in the electricity and water sectors. Besides having a steady dividend in long-term, the electricity and water sectors also have a very favorable growth potential due to liberalization measures of the government.

Source: RongViet Research

Price Drivers



1. Acumulation in most of 2016, while joint venture companies had poor business results.
2. Strong growth in early 2017 thanks to the good business results in Q4/2016.

Source: Bloomberg, RongViet Research

VIETNAM ENGINE & AGRICULTURAL MACHINERY CORPORATION

Expecting a Stronger Restructuring Progress

MONITOR

CMP (VND)	n/a
Target price (VND)	17,500
Invesment period	Intermediate-term

Company Description

Vietnam Engine and Agricultural Machinery Corporation (VEAM) is in the business of engine and agricultural machinery, automobiles and motorbikes as well as supporting industry products. The company is a 51% state owned corporation, and is the state's representative at several important auto and motorbike companies such as Honda Vietnam, Toyota Vietnam and Ford Vietnam.

VEAM had its IPO on August 29th 2016, sold over 149 million shares to the public at VND14,291 per share.

VEAM is a leading company in the mechanical industry in Vietnam. Its ownerships of affiliates such as Honda Vietnam (HVN) and Toyota Vietnam (TMV) has been bringing about considerable financial income, which has especially been supported by the strong growth of the passenger car market. VEAM's core business consists of agricultural machinery, mechanical parts, and truck assembly. The company's distribution has not yet obtained efficiency due to the underdeveloped production process, low localization rates and high SG&A expenditures. However, the company operates in industries that are highly favored by the government, and possess long-term potential. VEAM is also poised to benefit strongly from the reformation progress, which will be undertaken by participating strategic partners.

Investment Rationales

- **The agricultural machinery business offers long-term potential** based on the automation progress encouraged by the government.
- **VEAM has been utilizing opportunities to boost commercial vehicle sales.**
- **Remarkable profits from affiliates** have always been of utmost importance to VEAM's bottom line, particularly HVN and TMV.

2017 Forecast

- Operating loss: VND206 billion.
- Profits from subsidiaries and affiliates: VND4,217 billion.

Potential Catalysts

- VEAM's core business might improve at a faster rate than expected. If its operating profit turns out to be sufficient, the stock price is likely to increase more sharply.
- The two affiliate's annual profits may be higher than our estimates (increasing more than 10% YoY), which will consequently be a catalyst for VEAM's price growth.
- New regulations require that companies must be listed shortly after public offerings, and VEAM was the largest IPO for 2016. The firm's listing event is likely to cause a short-term surge in the share price.

Risks to Our Call

- VEAM's core business could create more losses for the company's operating income, as the SOE is currently under a restructuring progress which might take a few years.
- HVN and TMV could experience a downturn in their profit growth as the motorbike market has shown stagnating signs. Moreover, the automobile industry is also facing obstacles created by ASEAN FTAs.

Stock Info

Sector	Industrials
Market Cap (VND B)	n/a
Current Shares O/S	n/a
Beta	n/a
Free float (%)	n/a
52 week High	n/a
52 week Low	n/a
1 Month Avg. Volume (K)	n/a
Foreign Ownership (%)	n/a
State Ownership (%)	51

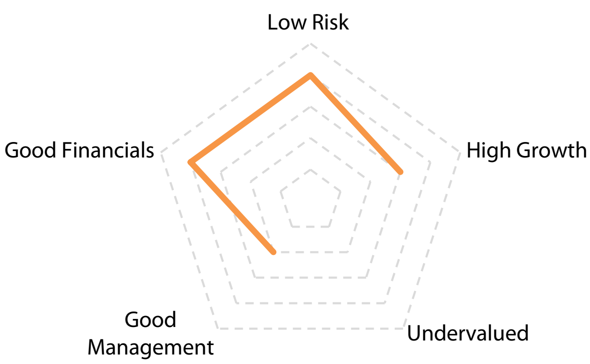
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	2013	2014	2015	2016E	2017F
Revenue	5,741.5	5,086.4	5,893.3	11,315.0	11,870.2
% growth YoY	-8.6	-11.4	15.9	92.0	4.9
PAT	2,387.6	3,329.7	4,247.7	3,647.8	3,979.1
% growth YoY	100.0	39.5	27.6	-14.1	9.1
ROA (%)	20.2	23.2	26.1	15.8	13.1
ROE (%)	-1.2	-1.2	-1.7	-0.6	-0.6
EPS (VND)	5,261	7,336	8,667	2,745	2,994
BV (VND)	24,747	30,111	30,614	20,001	21,395
Dividend (VND)	n/a	n/a	n/a	n/a	1,600
P/E	n/a	n/a	n/a	n/a	n/a
P/B	n/a	n/a	n/a	n/a	n/a

Company Overview



- The agriculture machinery business is encouraged by the government yet has been dominated by Chinese, Japanese and Korean products.
- VEAM has a remarkable cash holding and minimal debt, which means it is financially safe. However, it is incapable of making use of its liquid assets.

Source: RongViet Research

The Battle for Market Share

MONITOR	+13%
CMP (VND)	30,500
Target price (VND)	34,500
Investment period	Intermediate-term

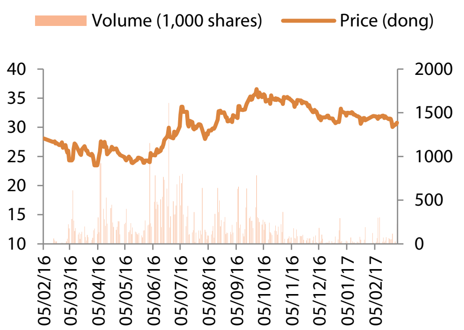
Company Description

Vietnam Sun Corporation provides services for taxi transportation through its brand called Vinasun Taxi. Moreover, VNS also has businesses in tourism such as transportation for tourists and airplane tickets under Vinasun Travel company. VNS operates mainly in the southern region, especially in Ho Chi Minh city and other satellite cities such Vung Tau, Can Tho, and Binh Duong.

The biggest shareholder of VNS is Mr. Dang Phuoc Thanh, Chairman of VNS with about 25% ownership. Overall, VNS's stock price has been relatively stable due to the characteristics of the core businesses and low liquidity in the market.

In the future, the main driver for the stock price and company prospects includes the competition it will face from technology companies, such as Uber and Grab.

Price Performance



%	YTD	1M	3M	12M
VNS	-6.7	-3.5	-10.8	12.0
VNIndex	6.9	3.4	5.4	31.9

VNS's business results and efficiency are being negatively impacted by fierce competition due to the penetration of Uber and Grab over the last two years. The convenience along with cost advantages of technology companies has been forcing traditional taxi companies to make adjustments. VNS has been the leader in this aspect, and has responded by launching Vinasun App and Vcar. In the long-run, RongViet Research believes that VNS may grow slower than the industry average and maintain a stable profit. We believe that traditional taxi companies need to spend aggressively to protect their market share or establish strong boundaries for segments that they want to occupy.

Investment Rationales

- **Positive prospects from the taxi industry in Vietnam**. Average income per capita has continuously increased over the last 5 years. Moreover, the middle-income class in Vietnam is projected to have the strongest growth in the region.
- **VNS is the industry leader in terms of market share and coverage in the southern region, especially Ho Chi Minh city.** VNS has the widest coverage in the traditional taxi segment. Furthermore, VNS also has the highest number of pick-up points with ~1,500 points and most of them cover key areas in Ho Chi Minh city.
- **Healthy Financial Situation**. VNS has maintained a positive cash flow for years.
- **Proactive reaction to increasing competition from technology companies.** VND has created Vcar (high-end cars) and Vinasun App (booking app) to reduce the risks from Uber and Grab and directly compete with e-booking segment.

2017 Forecast

- VNS plans to invest in 600 new taxis in 2017.
- We project that the company's gross profit margin will decline to below 15%, with the assumption that VNS has to adjust the division of benefits with drivers to keep them and compensate for the potential increase of fuel costs.
- We expect the revenue and profit after tax of VNS for 2017 to be VND4,625 billion (+2.3% YoY) and VND325 billion (+4.5% YoY).

Potential Catalysts

- Information about Uber being taxed or any further regulation regarding e-booking applications.
- Vcar will be well received by the market. In addition, investment in Vcar has started to impact its business results.

Risks to Our Call

- Uber and Grab will continuously put pressure on VNS in the future. As a result, VNS has to lose market share and accept the new market structure.
- Vinasun App and Vcar have very limited affects on competition with Uber and Grab.

Stock Info

Sector	Tourist
Market Cap (VND B)	2,253
Current Shares O/S	68
Beta	-0.22
Free float (%)	61
52 week High	36,556
52 week Low	23,482
1 Month Avg. Volume (K)	84
Foreign Ownership (%)	45
State Ownership (%)	0

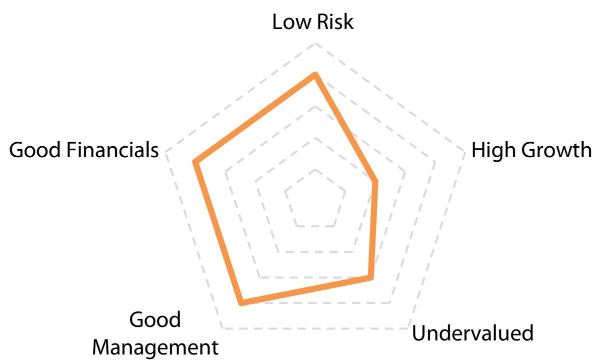
Source: RongViet Research

Price as of 28/02/2017

Key Financials

(VND B)	**2014**	**2015**	**2016**	**2017F**	**2018F**
Revenue	3,770.2	4,252.2	4,519.5	4,625.0	5,161.0
% growth YoY	19.4	12.8	6.3	2.3	11.6
PAT	313.0	328.3	310.9	325.0	357.0
% growth YoY	39.9	4.9	-5.3	4.5	9.8
ROA (%)	14.1	12.6	10.4	12.1	12.3
ROE (%)	25.6	24.0	20.8	22.3	22.2
EPS (VND)	5,535	4,837	4,582	4,747	5,207
BV (VND)	22,927	21,053	22,815	21,519	23,727
Dividend (VND)	4,000	3,000	3,000	3,000	3,000
P/E	5.7	6.6	6.9	6.4	5.9
P/B	1.4	1.5	1.4	1.4	1.3

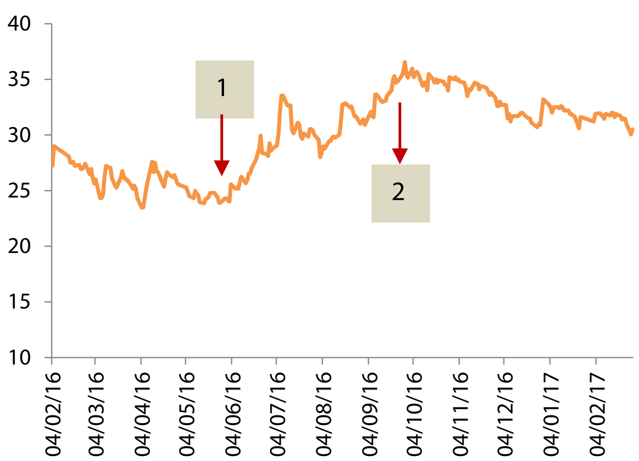
Company Overview



- VNS has the highest number of cars in the traditional taxi market, and the largest market share in Ho Chi Minh City. Furthermore, VNS possesses an effective management system with developed logistics and supporting software from both-ends: service users and service providers. This creates comparative advantages for VNS under the fierce pressure from both internal and external industry factors.
- VNS has maintained a positive and stable cash flow from its taxi business. Therefore, investment capital is never a challenging issue for the Company.
- VNS has a stable annual dividend yield of VND3,000VND, equivalent to a yield of ~10% at the current price.

Source: RongViet Research

Price Drivers



1. Information about the competitors such as Uber or Grab (tax and new services) and positive trading activities from foreign investors.
2. Transactions from the managers or major shareholders.

Source: Bloomberg, RongViet Research

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