SECTOR OUTLOOK IN THE 2H2019

August 2019

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REPORT CONTENT

MACRO OUTLOOK: STABLE GROWTH

- ***GDP growth can be lower in 2019, but key macro indicators are well controlled*.** In which, we assume headline inflation will be lower than four percent. Meanwhile, GDP growth rate can be around 6.8% YoY. Moving on to 2020, contribution from private investment to GDP can reduce slightly. Rising in public investment in big projects such as North-South highway and Long Thanh airport will take the lead.

  Total export to EU can increase by 20% YoY in the first year that EVFTA comes into effect (2021). This will be a support for the economy growth during this period.

- ***US and China trade war has impacted positively and negatively on Vietnam*.** Vietnam's trade surplus with US has increased by 30% YoY after 1H2019. Although Vietnam can participate more deeply into supply chains, exporting to the US, a concern about being of a transit for Chinese goods to the US is rising. We suppose that camera, basic materials, wooden, plastic, other means of transportation and parts, fabric, and animal products are on the list. However, the export value increase in these products to the US accounted for only one to two percent of total value export to the US. Hence, we think this is not a big risk.

- ***Risk of VND depreciation is not big in the 2019.*** While VND dropped sharply following CNY's movement in 2015, VND has not changed much since CNY has broken its psychological level of 7.0 this year. We think the value of VND is kept stable because of (1) Vietnam's trade surplus has reached USD 2.9 bn or 21% YoY as of August 15th and (2) High demand on VND given that total capital from disbursed FDI and equity contribution reached VND 19 Tn (+30% YoY) after 8M2019. Hence, we believe that risk of a sharp depreciation in VND is not likely in 2019.

MARKET OUTLOOK

- The core inflation (excluding the impact of State-controlled goods) is around two percent that is the government's target. Hence, we think the money supply growth could be low in 2H2019. While money supply is limited, yields of other investment channels such as corporate bonds and gold has increased. Therefore, we do not think the VN-Index can soar.

  Corporate bonds continue to offer high yields (11% to 14.5%), making it more attractive than stocks. This is because of money supply to real estate and other businesses needed long-term investment have recently been tightened. Gold is also a safe asset to risk averse investors as risk-off environment due to the escalating of trade war between US and China. Hence, we believe that the liquidity will not go back to its highs in late 2017 and early 2018.

- According to unofficial information, Ho Chi Minh stock exchange is building VN-Diamond Index which will include full room for foreign investors to trade. The index will help domestic investment management companies to create ETFs, helping to solve foreign ownership limit. Potential stocks in will be large market cap and high liquidity. We believe that when index-tracking funds operate, it will be a huge support factor for the market especially when the non-voting shares (NVDR) is unlikely to go online before 2021.

- May the divestment stories back in 2020? Although merely 20% of planned investee companies is divested as the end of June 2019, the government has collected VND 220 Tn from the divestment (mainly from Sabeco deal). The collected amount meets to 88% of required amount used for public investment in 2016-2020. As a result, the government does not need to rush to divest in 2H2019.

- Nevertheless, the pressure of divestment can be back in 2020. We think some big deal may occur in 2020. Big names in IPO and divestment plans are Mobifone, Vinacafe, VNPT, VEA, PLX, etc.

- The market could face challenges in short term due to the limited of money supply and high external risks. We anticipate that VN-Index will not successfully reach 1,000 in 2019. The VN-Index will more likely to fluctuate around the PER of 16.7x.

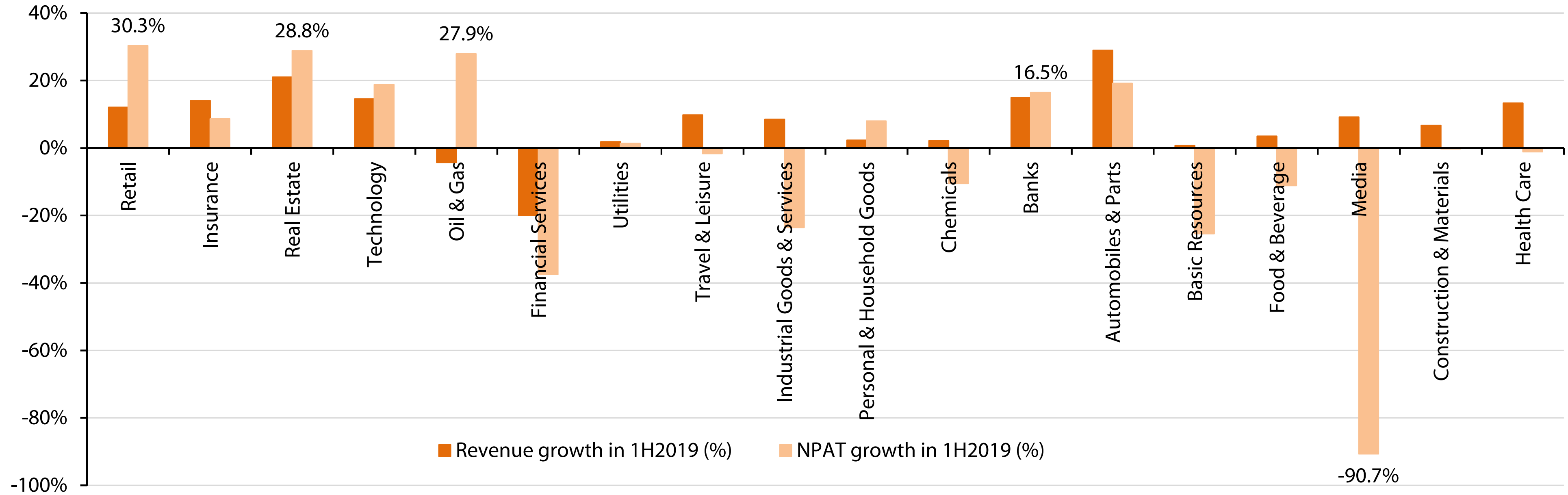
  The government's main target is a stable macroeconomic; and it has succeeded recently. Even though global trade is among uncertainties, we think Vietnam's macroeconomic is still good for domestic companies to do business. Thus, we suppose a short-term sideways of the market will create opportunities for investors to do research and accumulate stocks that are independent with the global trade.

SECTOR OUTLOOK

- Profit growth slowed down for most sectors (YoY). The divergence took place not only on sector level, but also among stocks in each sector. Retail, real estate, oil & gas, automotive parts, technology and banking were the sectors with positive business results.
- It is forecasted that the total net profit of 54 companies (*) in Rong Viet's coverage list will increase by 21% YoY and 31% YoY respectively in 2019 and 2020. Notably, companies in industries related to Personal consumption or Technology development are the ones that can maintain double-digit growth (large) in these two years such as VJC, MWG, FPT, PNJ, AST, VCB, VRE, MBB. , HDB, POW, etc.
- Combining Vietnam's positive macro indicators and favorable business environment, we value from good to positive for sectors that are related directly or indirectly to consumers:
  - We expect growth from core businesses may be slower but more stable and sustainable than the previous period
  - We rate positive for retail, aviation, technology, insurance and pharmaceutical sectors
- We maintain negative rating for sectors whose business activities are highly cyclical, or high contribution of material expenses in production costs, as well as sectors that Vietnam does not has the advantage of scale. These groups include steel, construction, construction materials, chemicals (fertilizers, agricultural chemicals and natural rubber).
- The global trade picture became gloomy after the escalating US-China trade war. Beside positive factors, sectors related to import and export will also face many challenges. Export-related industries not only benefit but also face many difficulties:
  - Our view is Neutral (compared to Positive at the beginning of the year) for the fisheries, textiles and oil & gas sectors.
  - The trend of shifting production from China to other Asian countries is going strong. Therefore, we keep an optimistic view in short and medium term for logistics, transportation/seaport and industrial park sectors.

SECTOR OUTLOOK

Leading sectors had positive results in 1H2019



Source: Fiinpro, Rong Viet Securities

NOTES: SECTOR QUALITATIVE RATINGS

- *Our table of qualitative ratings is based upon six industry-wide criteria's, specifically: 2019 supply-demand outlook, legal environment, long-term growth potential, technological development and competition with ratings from 1 to 5 and different criteria weights across sectors.*
- *Positive sectors are sectors we believe will have growth opportunities and/or optimistic earnings outlook this year. Neutral sectors are driven by favorable factors but also have many external and/or internal risks; we believe these sectors would be more appropriate for investors with moderate-to-high risk tolerance and the ability to follow market fluctuations. For negative sectors, opportunities only open when critical problem(s) are resolved.*

SECTOR RATING

No.	Subsector	2019 Supply - Demand	Input price	Legal Environment	Long-term Growth Potential	Technological Development	Competition	View	Stock Picks	Watch List
1	RE - Industrial park	+	-	-	+		+	Positive	KBC, VGC	SZC, LHG, NTC
2	Logistic	+	-	++	++	+	-	Positive	GMD, HAH	TMS, EMS, VTP, TCW
3	Retails	+			+	+	+	Positive	MWG, PNJ	DGW, FRT
4	Aviation	+		-	+		+	Good	AST	ACV, SAS
5	Technology	+		+	++	+	-	Good	FPT	YEG
6	Automotive retail	+		+	+		-	Good	HAX	SVC, VEA
7	Insurance		-	+	++	+	-	Good	PGI	BVH, BMI
8	Phamarceutical	+	-	+	+		-	Good		PME, MKP, DBD, TRA
9	Fishery	-			+	+	-	Neutral	VHC	FMC, ANV
10	Textile	+	-	-	+	+	-	Neutral	STK, MSH	TCM, TNG
11	Power	+	-	-	+	+		Neutral	REE, POW	HND, CHP, PPC
12	F&B (Beer, milk)	+	-	-	+	+	-	Neutral	VNM, QNS	SAB, MCH
13	Oil & Gas	-		+		-	+	Neutral	PVT	PVD, PXS, PVB, PVS
14	Bank	+	-	-	++	+	-	Neutral	MBB, ACB	TCB, VIB
15	RE - Residential	-		-	++		+	Neutral	NLG, VHM	VIC, NVL, HDG, DIG
16	Automotive - Rubber Tires	+	+				-	Neutral	DRC	CSM
17	Securities	--	-	+	++	+	--	Negative		SSI, VND, HCM
18	Construction	-	-	-	++	+		Negative	PC1	CTD, TV2
19	Building materials	-	-		+	+	-	Negative	BMP	HT1
20	Steel		-	+	+	+	--	Negative		HPG
21	Chemicals - natural rubber	-				-	-	Negative		PHR
22	Chemicals - Fertilizers/ Agrochemicals	-	-		-		-	Negative		LTG, DPM, BFC
23	Others								PTB	BWE

Source: Rong Viet Securities

OUR FAVOURITE STOCKS

Exchange	Ticker	Market cap (USD mn)	3-month avg. daily turnover (USD thousand)	Target price (VND)	Current price (VND)	Total Return (%)	2018		2019F		2020F		PER	PBR Cur. (x)	Foreign ownership (%)
							+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	2019F (x)		
HOSE	POW	1,299	1,570	18,000	12,900	41.9	5.3	107.8	4.4	45.6	18.0	23.6	12.4	1.2	34.2
UPCOM	QNS	462	372	40,500	30,102	39.5	5.2	20.8	-2.7	-6.3	17.4	10.9	8.0	1.4	35.3
HOSE	HAH	31	197	20,000	15,100	39.1	35.5	-8.3	3.7	-5.4	9.6	10.5	5.8	0.8	29.9
HOSE	LHG	39	253	25,000	18,000	38.9	-11.8	6.6	7.0	-8.7	17.6	30.5	5.6	0.8	35.7
HOSE	MBB	2,035	3,874	30,500	22,400	38.8	40.9	68.3	22.7	21.2	22.1	20.4	6.8	1.4	0.0
HOSE	NLG	303	1,463	41,900	30,800	36.0	24.8	55.0	-8.2	27.8	-44.1	12.1	7.6	1.4	0.0
HOSE	MWG	2,232	4,076	151,000	117,300	30.0	30.0	30.5	21.7	35.0	25.2	36.7	13.7	6.2	0.0
HNX	ACB	1,526	1,425	27,000	21,900	27.9	22.7	142.5	12.9	17.5	12.4	17.3	6.0	1.7	0.0
HOSE	REE	500	1,072	46,000	37,550	27.3	36.5	26.0	9.7	-9.7	7.0	19.0	7.2	1.2	0.0
HOSE	FPT	1,516	3,400	63,500	52,000	26.0	17.0	35.0	23.2	26.9	15.1	19.3	10.6	2.6	0.0
HOSE	**DIG**	170	408	19,500	12,550	55.4	68.4	31.7	-9.2	26.5	162.8	37.0	9.4	1.0	12.6
HOSE	PC1	120	118	26,800	17,450	53.6	60.5	90.0	22.2	-11.6	-2.9	17.0	7.6	1.0	11.0
HNX	PVS	419	3,044	25,080	20,400	25.4	-12.9	30.8	17.9	7.9	-12.3	-11.0	8.7	0.8	25.0
HOSE	PVT	212	523	21,300	17,500	24.6	22.4	44.9	8.3	-0.2	0.0	-7.5	8.1	1.2	18.4
HOSE	MSH	131	426	72,000	61,000	23.8	20.4	84.6	13.8	17.0	10.1	9.7	7.5	3.1	41.3
HOSE	VHC	330	852	102,700	83,000	23.7	13.7	138.5	4.6	-14.3	10.7	-5.0	6.3	1.9	64.7
HOSE	PNJ	823	2,518	104,000	86,000	23.0	33.0	32.5	15.6	24.4	19.9	28.2	17.2	5.1	0.0
HOSE	PGI	66	59	20,100	17,400	22.4	3.4	15.6	5.5	7.7	6.2	9.2	11.0	1.0	28.2
HOSE	STK	63	146	24,000	20,700	18.4	21.0	79.0	5.2	20.8	8.4	9.3	7.6	1.4	39.2
HOSE	AST	127	308	75,000	65,600	17.4	31.2	9.2	32.5	23.3	20.0	23.7	14.9	4.3	14.7
HOSE	HDB	1,113	1,730	29,000	26,400	9.8	38.5	136.6	14.7	17.5	13.6	18.7	7.8	1.5	5.6
HOSE	VRE	3,519	5,395	38,550	35,150	9.7	-13.6	-17.2	2.5	21.7	13.3	22.2	28.0	2.9	16.5
HOSE	**SCS**	387	248	160,000	157,500	6.7	14.8	20.7	12.4	14.9	16.5	21.1	17.7	9.6	25.0
HOSE	BID	5,290	1,673	37,000	36,000	4.7	14.0	8.4	21.9	11.1	14.2	33.3	20.5	2.5	26.8

Source: Rong Viet Securities

THE ECONOMY: Growth Stabilizing

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GDP Growth Stabilizing

- GDP growth is stabilizing around 6.8% YoY without inflation risks.
- The impact of private investments on growth is diminishing, it will likely be replaced by public investments in 2020.
- Foreign investment is still resilient. Factories moving from China to Vietnam and M&A deals are rising.
- EVFTA is expected to take effect in 2021. Vietnam's export to the EU will grow at over 20% YoY in the first year.

Figure 1: GDP growth and headline CPI

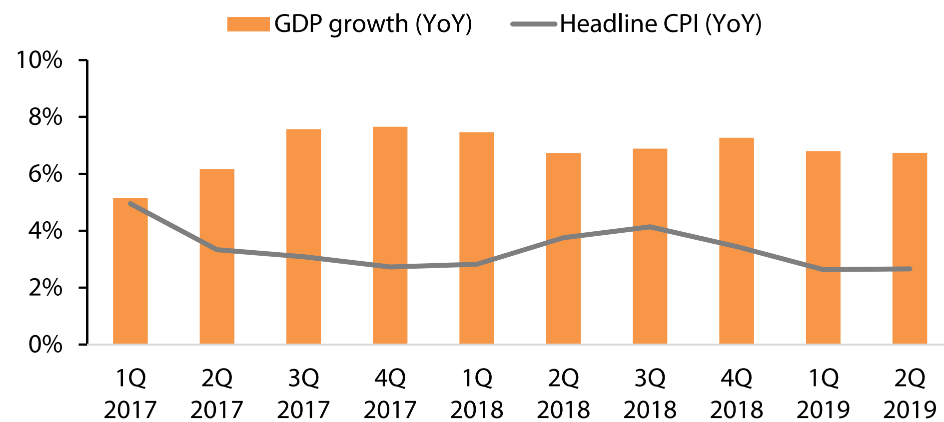
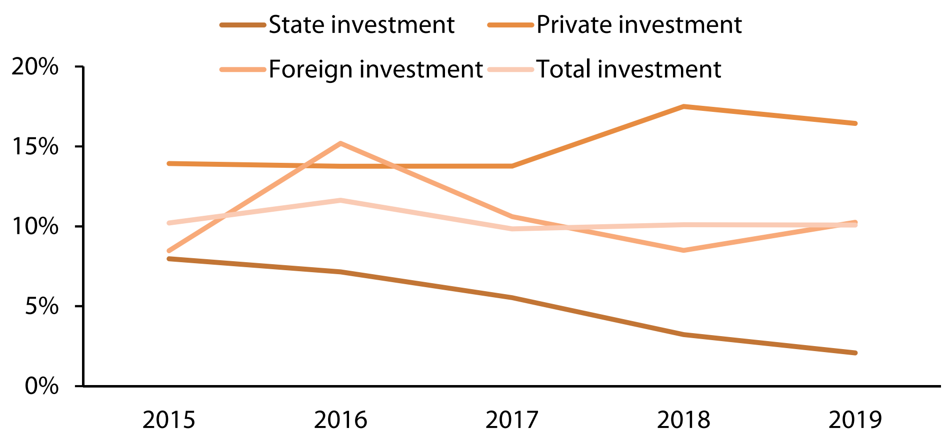
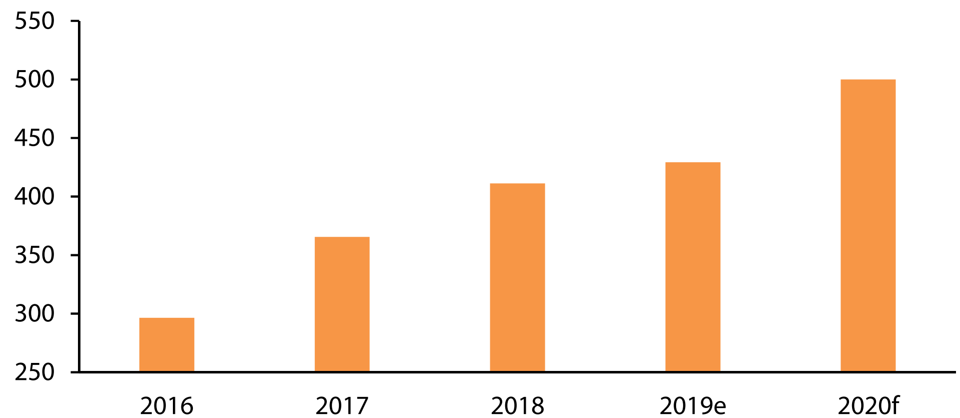


Figure 2: Total investment growth (%. YoY)



Source: GSO, MOF, RongViet Securities

Figure 3: Public investment (Trillion VND)



VIETNAM'S ECONOMY

Trade Tensions

- Trade growth slowed down but just recovered slightly in the second quarter of 2019.
- The US and newly FTA-registered markets performed the best.
- Vietnam's trade surplus with the US rose by 30% YoY in 1H2019, never seen before.
- The advantages are to gradually supply to the US buyers, especially after the further tariff on USD 300 Bln of Chinese goods
- The disadvantages are the threat of becoming transshipments owning to a limited manufacturing capability.

Figure 4: Vietnam's trade growth (%,YoY)

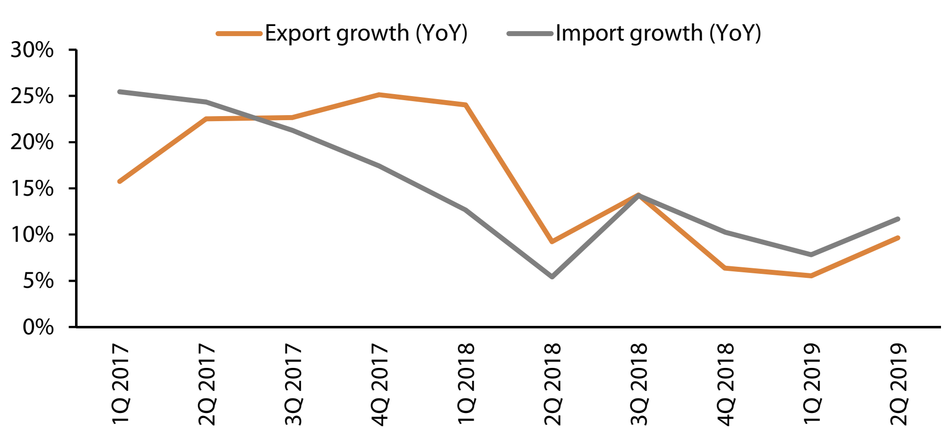
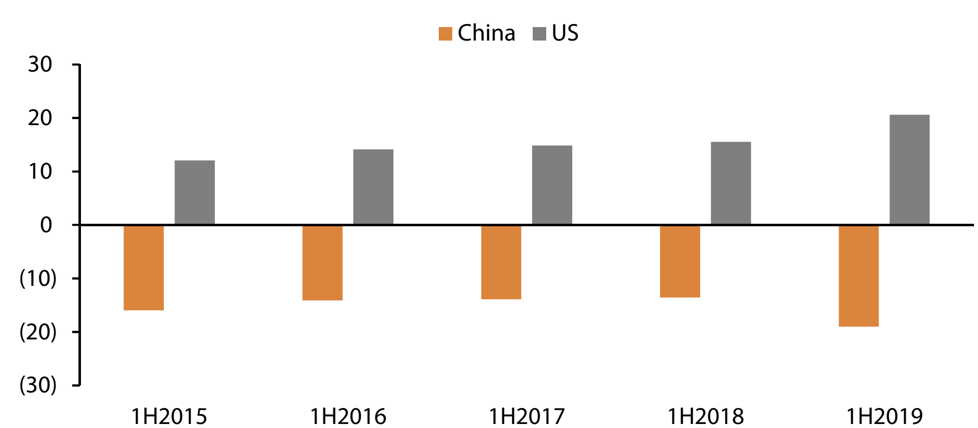


Figure 5: Vietnam's trade balance with China and US (USD Billion)



Source: GSO, Customs, RongViet Securities

Exchange Rate: Be Cautious, Not Pessimistic

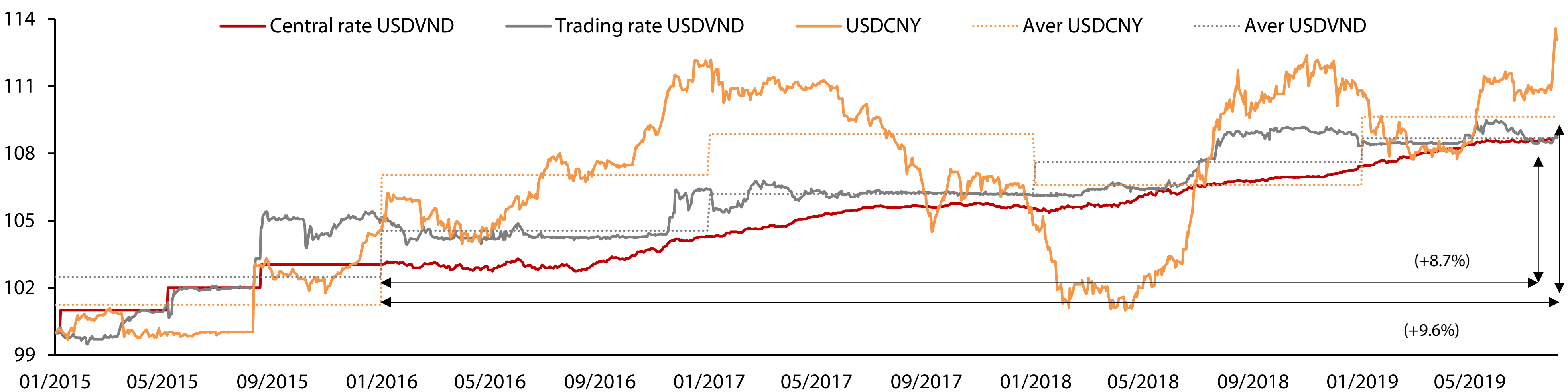
What happened:

- The Yuan, or Renminbi, broke above the 7.0 level against the greenback… but the Dong remains stable.
- Since 2015, the USDVND and USDCNY has risen by 8.7% and 9.6%, respectively.

Our views:

- There are unclearly political signals of the Yuan's drop. It's too early to raise the issue of its possible depreciation.
- The Dong is under no force-pushing pressure as the gap between the average lines is moderate.

Figure 6: USDVND versus USDCNY (2015 = 100)



Source: Bloomberg, RongViet Securities

RONG VIET SECURITIES

Market Outlook

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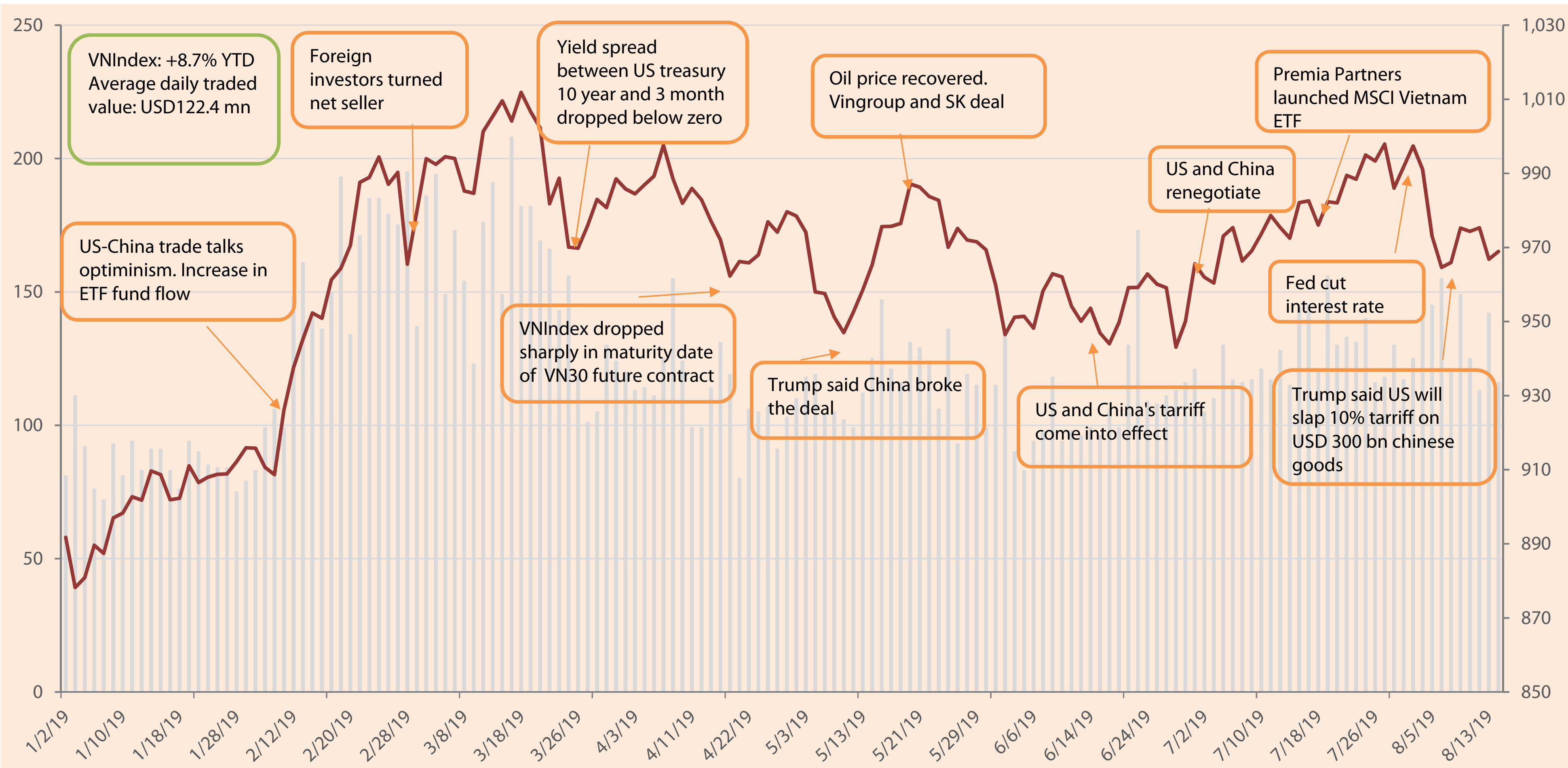
MARKET RECAP

Global events had a strong impact on VNIndex's movement

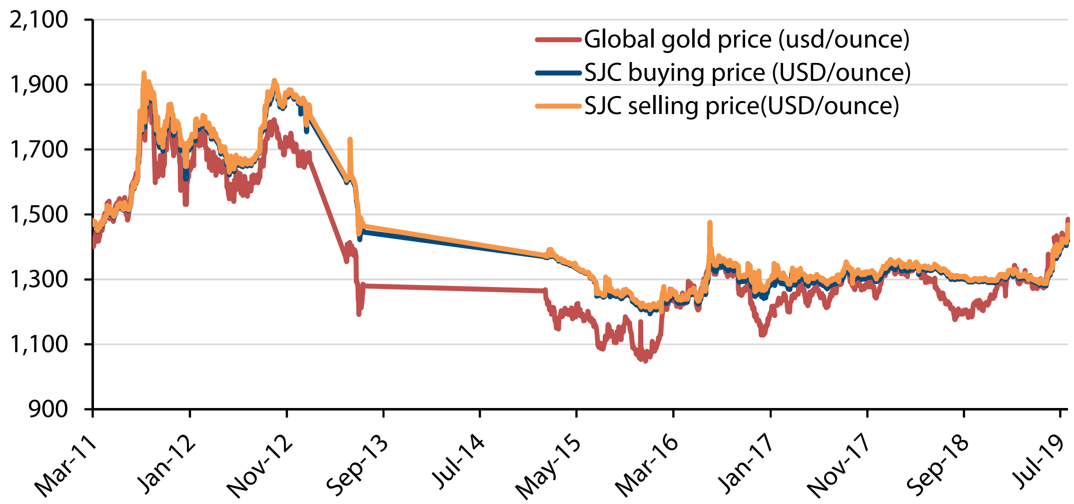


MARKET OUTLOOK

Limited support from domestic factors

- **Domestic cash flow is limited and diverted to other investments**
  - We anticipate that money supply growth will be low in 2H 2019 due to the fact that core inflation is around 2% - the government's threshold.
  - The attractiveness of investments such as corporate bonds and gold is taking money away from equities. Domestic gold prices have risen 10% since June.
- **New securities law will not support the market much this year**
  - Draft securities law can be passed at Assembly's meeting in late October at best, which will help to solve foreign investors' room. However, the new law will not come into effect until 2021. Hence, we do not think the market will move on that this year.

Figure 1: Gold price has recently surged



Source: Rong Viet Securities

Table 1: Corporate bonds continues to offer high yields

Ticker	Interest rate (%)	Issued volume (Billion VND)
PDR	12-14.5	450
KDH	12.0	450
VPI	12.0	80
KBC	10.5	200
SBT	10.5	500
TTB	10.5	300

Source: Rong Viet Securities

MARKET OUTLOOK

Limited support from domestic factors

Table 2: Big names in IPO or divestment lists from now to the end of 2020

Big name in IPO or divesment list of 2020	Listed	Assets as of 2018 (Billion dongs)	Market Capitalization as of 19th August (Billion dongs)
Agribank	No	1,281,596	
ACV	UPCOM		181,784
Genco1 (Jun 2018)	No	120,639	
VEA	UPCOM		79,196
PLX	HOSE		73,293
Vinachem	No	56,757	
HVN	HOSE		55,384
Genco2	No	31,003	
Vicem	No	15,520	
VNPT	No	9,286	
Vinacomin	No	4,904	
Vinacafe	No	2,219	

Source: Rong Viet Securities

- **Will the state divestment stories be back in 2020?**

Little motive for divestment in 2H2019

- Progress of SOE divestment is slow: about 20% of planned investee companies is being divested, bringing the total amount to VND 220 Tn by 1H2019 (mainly from Sabeco's deal)
- The government plans to collect VND 250 Tn from state divestment plans for public spending plan during 2016-2020.

- **What next for 2020?**

- The Prime Minister has recently signed a new decree to boost the IPO plan.
- It will be difficult for the government to complete its plan for IPO and divestment in 2020 because only 20% of the divestment plan and 28% of IPO plan have completed since 2017.
- We think, however, the market can expect some more divestments in 2020 . Many good state-owned companies are on going to see IPOs.

MARKET OUTLOOK

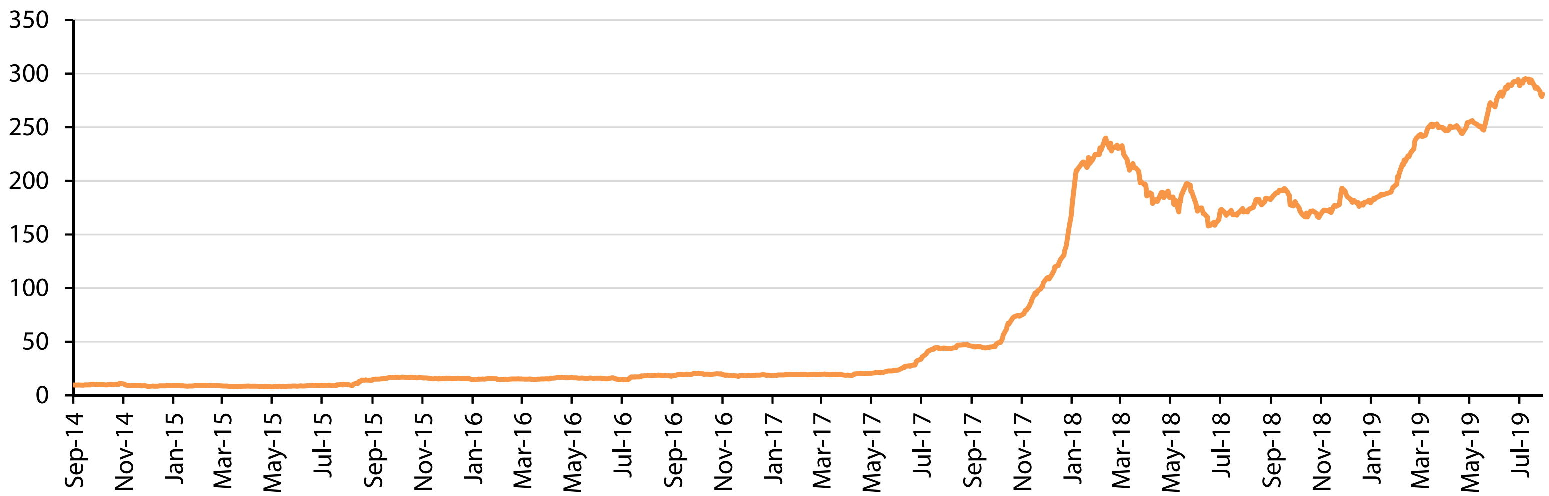
Limited support from domestic factors

- **FOL ETFs: more to come**

The Ho Chi Minh stock exchange is introducing two new indices, the VN-Diamond Index and the VN-Capped Financial Index. These two will help domestic investment management companies to create ETFs, helping to solve foreign ownership limit.

Potential stocks in these two indices are large cap that a high weighing in the VNIndex. Hence, we think this is a good news for the market as it has recently lacked of supported information. More importantly, we think the size of these two ETFs is matter the most. We assume that their sizes will not be big in the beginning, same as VFMVN30 ETF because of external risks remain high. Even VFMVN30 ETF has recently been redeemed due to escalating of US and China tension and inversions of 2-year and 10-year US Treasury yield

Figure 2: VFMVN30 ETF took three years to raise its assets to USD 100 mn



Source: Rong Viet Securities

MARKET OUTLOOK

External factors can help market, but they also bring risks

We expect FTSE to upgrade Vietnam to Secondary Emerging market

- Vietnam has satisfied nine essential criteria for a Secondary Emerging market. FTSE has downgraded some criteria but those are not needed to be promoted. Hence, we expect FTSE to announce its reclassification for Vietnam at the end of September 2019.

Criteria	Secondary Emerging Market's Requirement	Vietnam
Market and Regulatory Environment		
Formal stock market regulatory authorities actively monitor market (e.g., SEC, FSA, SFC)	X	Pass
No objection to or significant restrictions or penalties applied to the investment of capital or the repatriation of capital and income	X	Pass
Custody and Settlement		
Settlement - Rare incidence of failed trades	X	N/A
Custody-Sufficient competition to ensure high quality custodian services	X	Pass
Clearing & Settlement - T+2 / T+ 3	X	Pass
Dealing Landscape		
Brokerage - Sufficient competition to ensure high quality broker services	X	Pass
Liquidity - Sufficient broad market liquidity to support sizeable global investment	X	Pass
Transaction costs - implicit and explicit costs to be reasonable and competitive	X	Pass
Transparency - market depth information / visibility and timely trade reporting process	X	Pass

MARKET OUTLOOK

External factors can help market, but they also bring risks

We expect FTSE to upgrade Vietnam to Secondary Emerging market

- Kuwait and Saudi Arabia were added to FTSE Secondary Emerging Market Index in September 2018 and March 2019 respectively.
- Although Vietnam will get a smaller portion than Kuwait and Saudi Arabia in the Index, hundreds of million dollars could pour into Vietnam's stock market.
- Additionally, active funds and retail investors will start to speculate when FTSE releases announcement.

Positive from Fed

- It becomes more clearly that Fed will cut rate this year. We think the question now is how many times the Fed will cut its rate?
- Moreover, loosen monetary policy from the Fed will create a trend for other developed economies to follow.

Table 5: Funds that benchmark to FTSE Emerging Index as of 9th August

Tickers	Assets (US million)	Kuwait	Saudi Arabia
VWO US Equity	60,307	497	941
SCHE US Equity	5,764	51	103
SSGAEME LN Equity	4,555	33	66
UBSGEBA LN Equity	893	0	0
VMMSX US Equity	637	0	0
Total	**72,156**	**584**	**1,110**

Note: VWO US Equity tracks FTSE Emerging Markets China A Inclusion Indexes which include FTSE Emerging All Cap Index and FTSE China A Index

Source: Bloomberg, Rong Viet Securities

Table 6: Probabilities of Fed fund rate as of 12th August

Meeting date	50-75	75-100	100-125	125-150	150-175	175-200
18/09/2019					11.9%	88.1%
30/10/2019			0.0%	8.5%	66.5%	25.0%
11/12/2019	0.0%	0.0%	3.9%	35.0%	47.5%	13.6%
29/01/2020	0.0%	1.6%	17.0%	40.3%	33.2%	7.9%
18/03/2020	0.4%	5.4%	22.7%	38.6%	27.0%	5.9%
29/04/2020	1.4%	8.9%	25.9%	36.2%	22.7%	4.7%

Source: CME Group

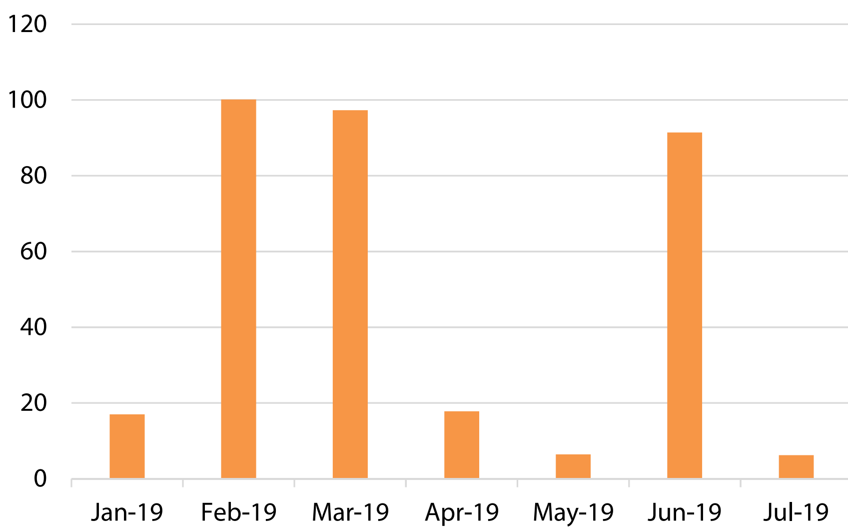
MARKET OUTLOOK

External factors can help market, but they also bring risks

External risks remain high

- The trade war weighs on market sentiment. We do not think US and China can reach a deal soon.
  - ➢ Hence, this will disrupt ETF fund flow to Vietnam equity market.
- Meanwhile, global investors has piled up negative yielding debt, bringing it to the highest level ever.

Figure 3: ETF fund flow losses its momentum (US million)



Source: Bloomberg, Rong Viet Securites

Figure 4: Negative yielding debt has reached the highest level ever (US million)

Source: Bloomberg

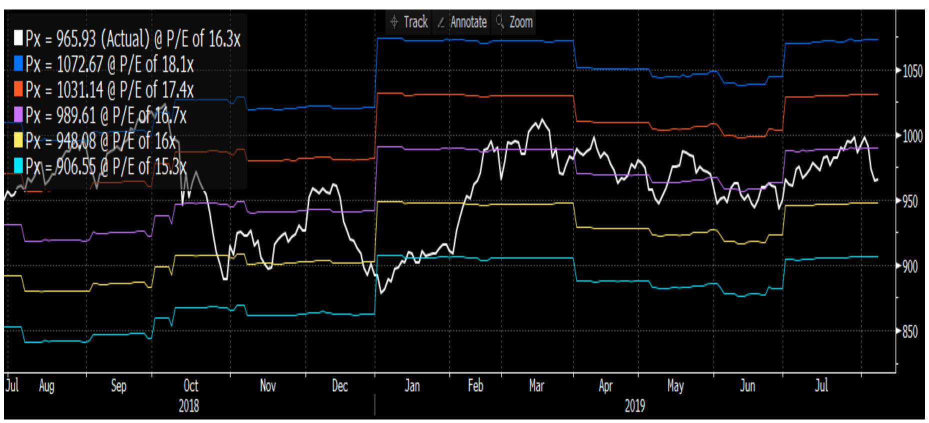
MARKET OUTLOOK

External supports among uncertainties

In short

- We think internal factors will not help the market much, even though state-owned commercial banks have reduced short-term lending rate and the draft securities law may get passed in October. However, external factors will bolster VNIndex for the rest of the year.
- Again, US and China's dispute will continue to weigh on market's sentiment as it takes serious compromise from both side. Thus, ETF fund flow into Vietnam stock market will not soar as it did in the beginning of the year.
- We assume that VNIndex will fluctuate around PE of 16.7x in the 2H 2019

Figure 5: VNIndex will fluctuate around PE of 16.7x



Source: Bloomberg

Figure 6: VNIndex PE is above its 5-year average

Source: Bloomberg


SECTOR REVIEW & OUTLOOK

RONG VIET SECURITIES

INDUSTRIAL REAL ESTATE: All Mixed

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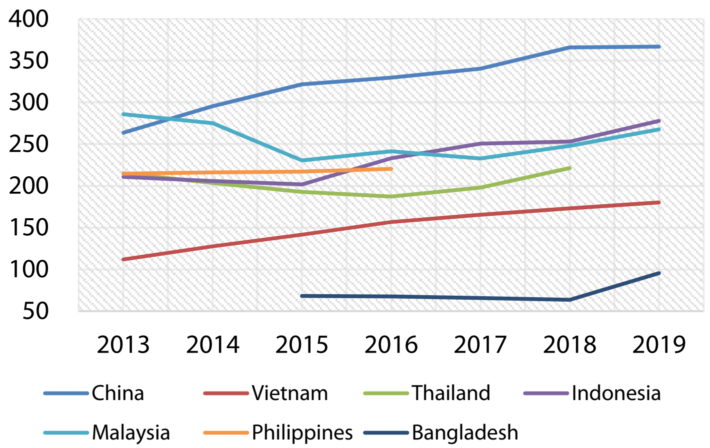
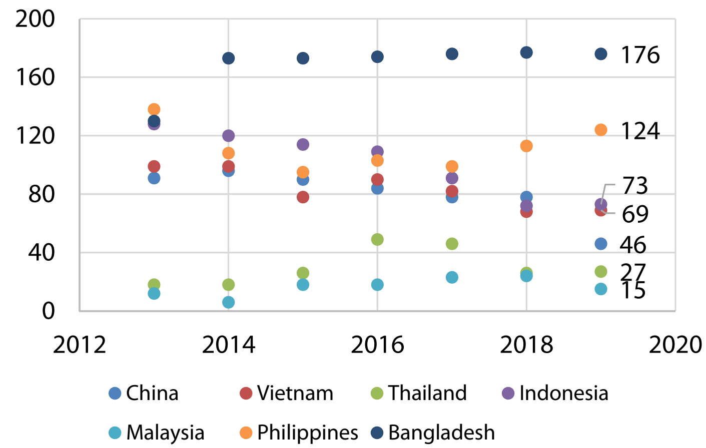
Figure 1: Monthly minimum wages (USD per month)



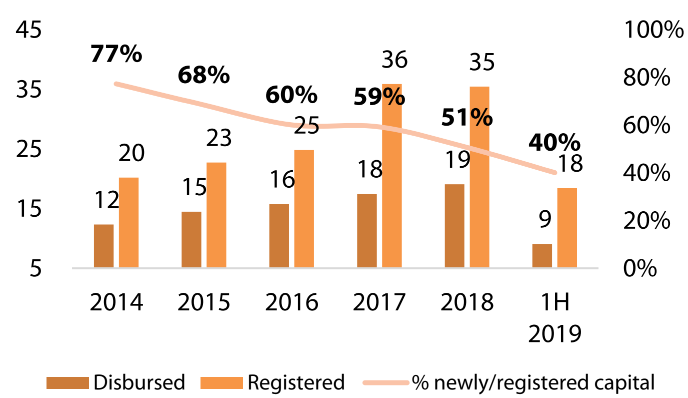
Source: Trading Economics, Rong Viet Securities's estimates.

Figure 2: The ease of doing business (ranking)



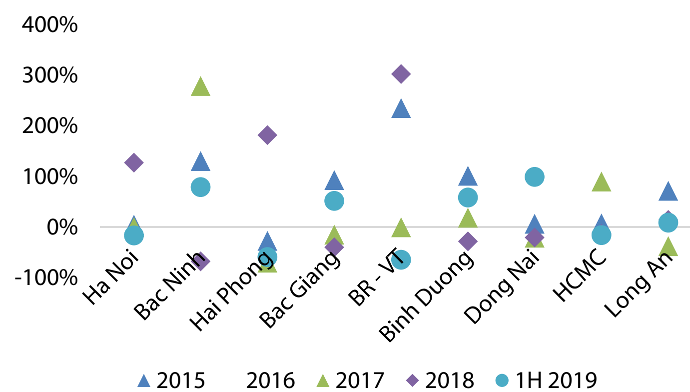
Source: World Bank

Figure 3: FDI inflow (USD bn)



Source: MPI

Figure 4: FDI growth, by province (%)



Source: MPI

Some of the advantages we have seen:

- Relatively lower labor costs. Estimated Vietnam's labor cost is equal to 48% and 77% that of China and Asean's average.
- Business environment is improving, ranked 69th in 2018, behind Malaysia, Thailand and China. We think Indonesia, whose ranked 73rd, should be Vietnam's main competitor in attracting FDI.

FDI inflows:

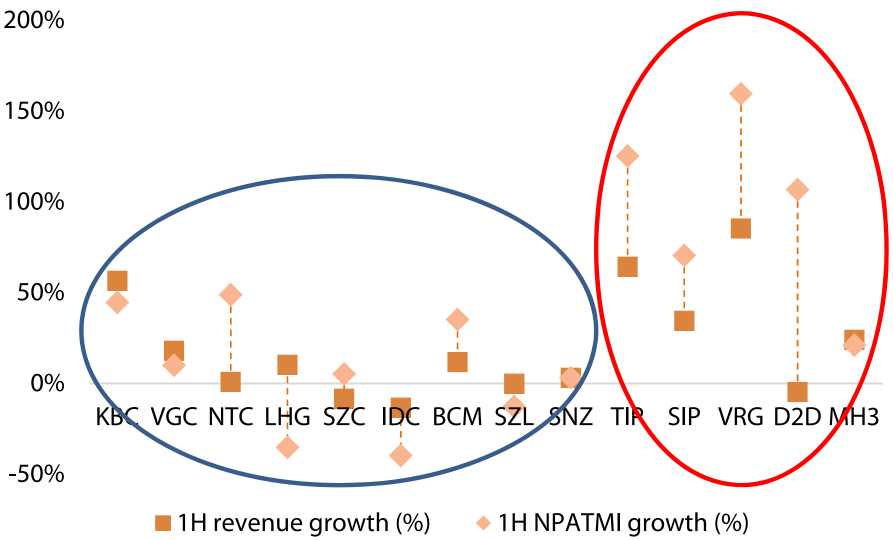
- 1H 2019 the sector recorded disbursed FDI of USD 9 bn (+8% YoY) and registered FDI of VND 18 bn (-9% YoY).
- Bac Ninh and Bac Giang saw 79% and 52% increased FDI inflows while Dong Nai and Binh Duong also witnessed 58% and 99% surge YoY in the South.

FDI inflows will stay flat, leading by the manufacturing sectors, accounting for 71% in 1H. A major part of inflows should go to Bac Ninh, Hai Phong in the north and Dong Nai, Binh Duong in the south.

INDUSTRIAL REAL ESTATE – REVIEW

Business results, in general, were strong.

Figure 5: 1H 2019's business results

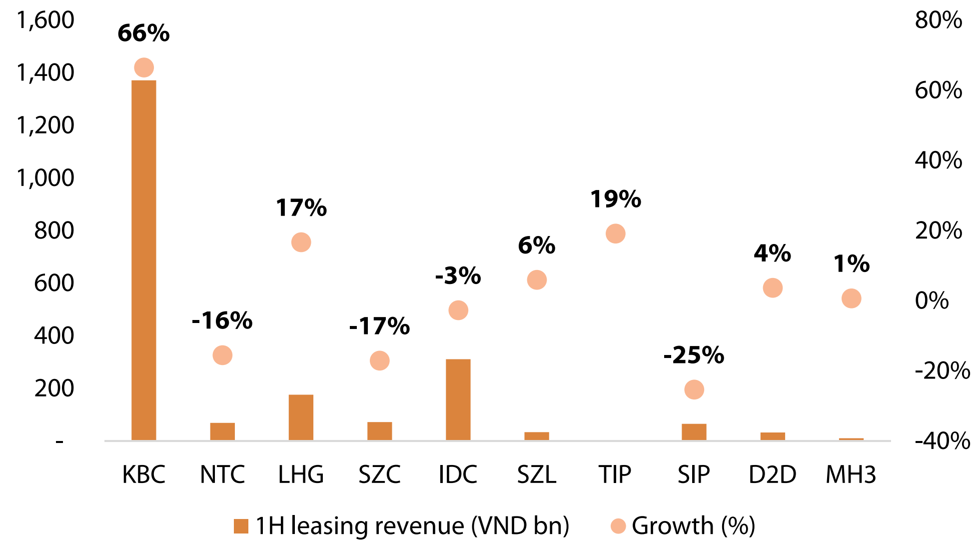


Source: Rong Viet Securities

- Revenue and NPATMI of some popular players increased an average of 20% and 39%, respectively.
- The growth were dominant by smaller-scale developers (TIP, SIP, VRG, D2D). However, we see growth drivers did not come from leasing activities, for this group.

Increase in leasing sales was modest, except for KBC and VGC.

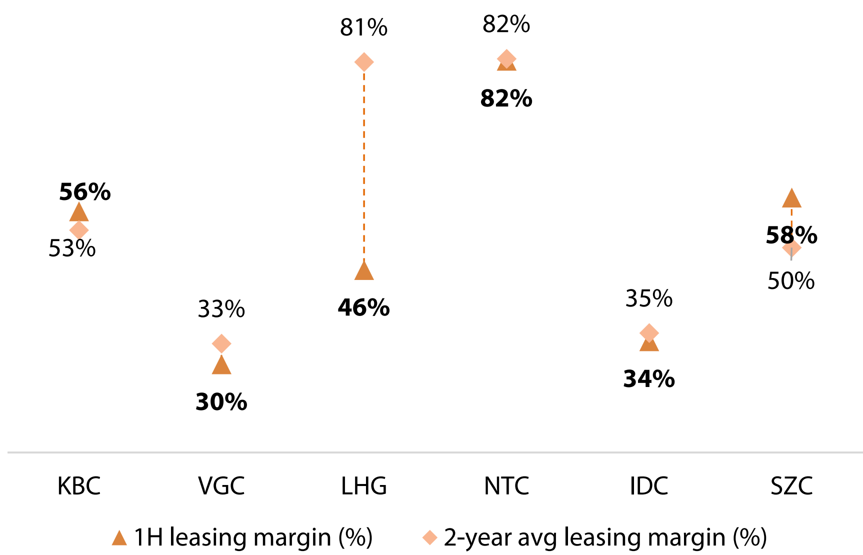
Figure 6: 1H 2019's leasing revenue



Source: Rong Viet Securities. KBC, VGC and LHG conduct one-time sales recognition. VGC's 1Q data.

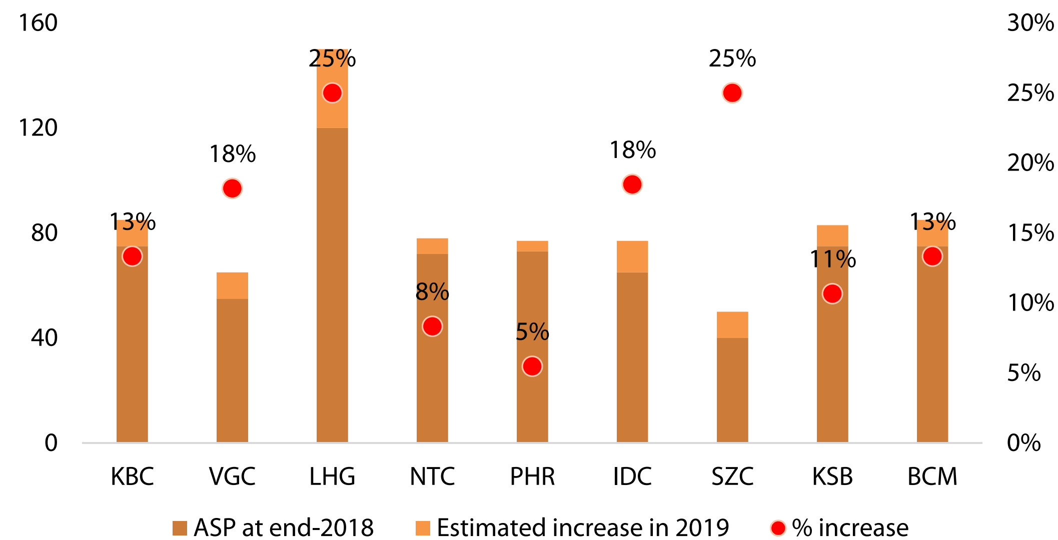
- Southern smaller-scale group (D2D, SZL, TIP) had almost no room left for lease.
- KBC had a 66% hike in leasing sales while VGC got 101,5 ha leased out, up 345% YoY.
- A major part of LHG's earnings, meanwhile, came from re-leasing activities.

Figure 7: Leasing gross margin of some listed players (%)



Source: Rong Viet Securities compiles

Figure 8: Estimated ASP and increase level in 2019 (USD per sqm)

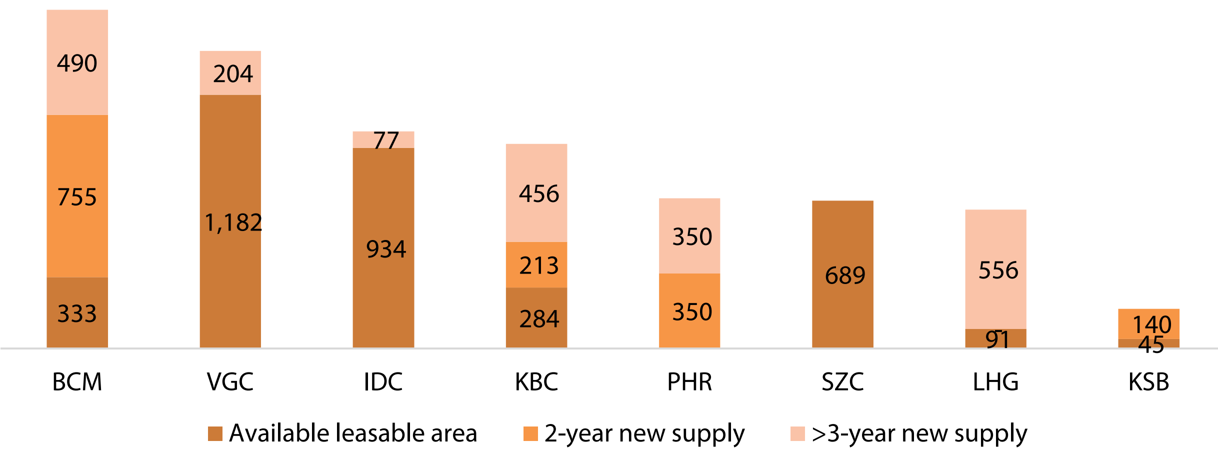


Source: Rong Viet Securities compiles. VGC's 1Q data.

- **Leasing gross margins stayed unchanged in general. Rental price could increase, but somehow offsetted by increasing delopment cost.**
  - o We did not see any significant increase in land leased of NTC, IDC, SZC in 1H 2019.
  - o Our calculation shows a 16% surge in ASP in KBC and VGC's zones.
  - o LHG saw a significant decrease in leasing gross margin, from the 2-year average of 81% to 46%. We however learnt that LHG may see the strongest lift in ASP, from 120 USD/sqm in 1H to 150 USD/sqm in 2H 2019, equal to a 25% hike. This should partly preclude a drop in leasing margin due to escalating compensation cost in Long Hau 3.

We remain our positive outlook on developers that have huge land bank left …

Figure 9: Estimated leasable supply (ha)



Source: Rong Viet Securities's estimates. PHR counts for Tan Binh Expansion only.

- We like the fact that KBC and VGC have huge leasable land bank remained which we arrived 953 ha for KBC and 1,182 ha for VGC. These land bank represents a major part of northen industrial land and possesses favorable standings, mostly in Bac Ninh, Hai Phong. This should help KBC and VGC better capture considerable and more spreading rental demand from electronics and accessories FDI enterprises.

- BCM and PHR are the same in the south, owning such enormous area of industrial land, more than 1,000 ha for each, located in Binh Duong. Major tenants are timber enterprise, including the domestic and FDI. Tenant's backgrounds diverse, namely logistics, electricity, mechanism, timber and consumer goods.

… albeit some setbacks are in place, which may cause development cost to surge and curtail upside potential when rental price increases. This includes:

- **Lingering compensation** (Long Hau 3 zone - LHG; Huu Thanh zone - IDC)
- **Paper issues** relating to land adjustment (Nam Son Hap Linh - KBC) or being await for getting investment license (Trang Due 3 - KBC)
- Others relating to **land availability**, which was the case of Nam Tan Uyen 3 - NTC and VSIP 3
- A stricter and **prolonged approval process** for a new zone to set ground should affect incoming supply
- **Increasing land-used-right cost** for those who bear

Table 1: Industry comparables (%)

Ticker	Sales Growth	EBITDA Growth	EBITDA Margin	Operating Income Margin	Net Income Growth	Net Profit Margin	Capex/Sales	Return on Invested Capital	Return on Assets	Return on Equity
KBC	71.8	99.2	48.5	47.3	100.6	27.8	2.5	8.5	5.2	9.5
VGC	6.0	7.8	15.6	10.6	0.2	6.2	19.9	8.0	3.4	9.1
LHG	-27.3	-45.4	38.9	31.6	-49.5	29.0	16.6	7.6	6.6	11.8
NTC	264.4	545.8	83.5	82.3	230.0	88.3	75.9	62.1	15.1	96.0
SZC	32.1	152.3	76.9	38.2	33.9	33.5	154.8	4.9	4.1	6.8
IDC	4.0	18.9	20.7	12.4	-7.3	6.8	15.9	7.5	2.5	10.6
SZL	1.6	-11.8	30.3	20.3	-0.9	27.9	30.7	10.7	6.2	14.5
MH3	394.8	1,065.0	56.2	53.8	261.2	63.1	1.5	32.4	12.7	51.4
D2D	-5.5	136.8	44.6	38.6	72.0	49.7	8.3	16.4	8.1	27.0

Source: Bloomberg

KBC - LEASES STAY STRONG. AWAITING FOR PHUC NINH

INVESTMENT RATIONALES

- **Ample leasable supply in both short and long term**
  - Remaining leasable area is estimated at 491 ha at end-June 2019; including Quang Chau (97 ha) Tan Phu Trung (180 ha) & Nam Son Hap Linh (213 ha). This should be an adequate supply in at least next 4 years, given a positive leasing scenario of 100 ha per year.
  - Long term supply also comes from Trang Due 3 (456 ha - Hai Phong) and Binh Giang (860 ha - Hai Duong), where manufacturing hubs are taking place. The two incoming zones are applying for investment license and expected to be launched since about 2022.
- **Prime location allows significant increase in price level**
  - US-China trade tension has been escalating factories shift out of China. Vietnam is an option for the relocation in thanks for competitive advantages related to lower-cost labor workforce, increasing investment in infrastructure and preferential policies.
  - Ample FDI and unceasing recruitment from giant tech players like Samsung and LG encourages more FDI enterprises into Vietnam, especially to the north.
- **Upside potentials on better sales of Phuc Ninh and the approval of Trang Due 3 IP**
  - About 4 ha of land plot is expected to be handed over in 4Q 2019. We expect Phuc Ninh to contribute 26% of gross earnings during 2019-23, on average.

RISKS TO OUR CALLS

- Prolonged delay on land area adjustment in Nam Son Hap Linh & handover of Phuc Ninh
- Increasing site clearance cost and slowing FDI flows

ACCUMULATE +8%

CMP (VND)	**15,400**
Target price (VND)	**16,200**
Cash dividend in 12 months	*500*

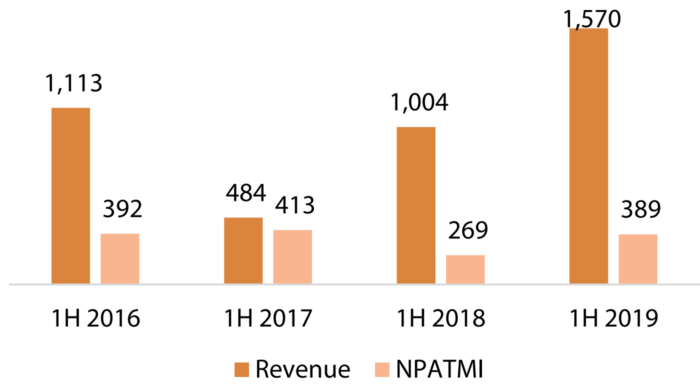
STOCK INFO	
Sector	Real Estate
Market Cap ($ mn)	310
Current Shares O/S (mn shares)	470
3M Avg. Volume (K)	2,472
3M Avg. Trading Value (VND Bn)	37.0
Foreign Ownership (%)	24.2
State Ownership (%)	-

FORECAST	2017A	2018A	2019F	2020F
Revenue	1,260	2,491	2,829	2,539
Growth (%)	*-36.1*	*97.7*	*13.6*	*-10.3*
NPATMI	585	746	847	772
Growth (%)	*4.9*	*27.7*	*13.5*	*-8.8*
ROA (%)	3.8	4.6	5.2	4.6
ROE (%)	6.6	7.9	9.0	7.6
EPS (VND)	1,229	327	1,779	1,622
Book Value (VND)	17,423	18,992	19,786	21,409
Cash dividend (VND)	0	500	0	0
P/E (x)	12.5	9.8	9.1	10.0
P/B (x)	0.9	0.8	0.8	0.8

KBC - Leasing area and rental price skyrocketed thanks to escalating demand

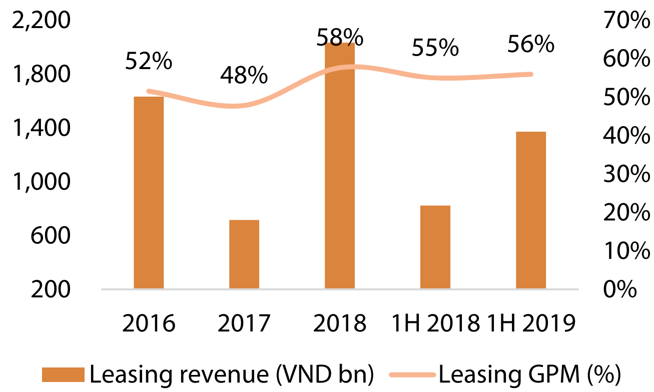
RONGVIET SECURITIES

Figure 1: 1H 2019 revenue and NPATMI (VND bn)



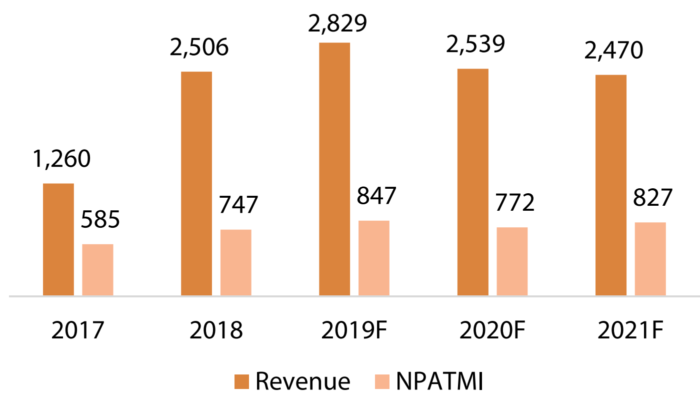
Source: KBC

Figure 2: Estimated leasable supply (VND bn)



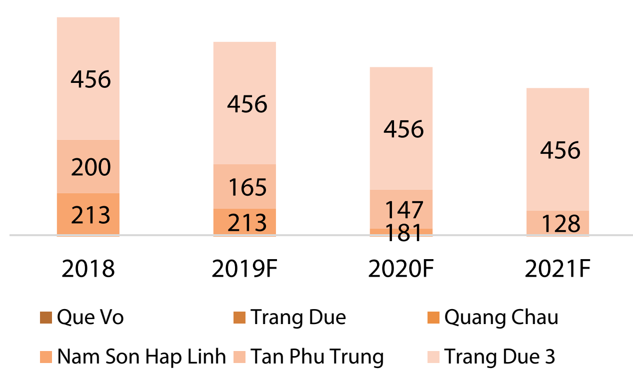
Source: Rong Viet Securities

Figure 3: Forecasted revenue & NPATMI (VND bn)



Source: Rong Viet Securities

Figure 4: Estimated leasable supply (VND bn)



Source: Rong Viet Securities

US-China trade tension has been boosting rental demand, lifting earning in 1H

- 1H2019 reported revenue of VND 1,570 bn (+57% YoY); NPATMI of VND 511 bn (+76% YoY)
  - Leasing 62 ha (+19% YoY), mostly from Quang Chau (32 ha) and Tan Phu Trung (20 ha)
  - ASP increased considerably, 43% in Quang Chau & 27% in Tan Phu Trung

We expect lease to remain strong and Phuc Ninh to be handed over in 2H

- Leasing to stay strong in 2H in Quang Chau; Nam Son Hap Linh to get papers done
- Handing over ~ 4 ha of Phuc Ninh and recording VND 706 bn of revenue

VGC - PROSPECTS MIXED

INVESTMENT RATIONALES

- **Industrial park expects to explode in 2019-21**
  - Owning the largest area available for sale; estimated at 1,182 ha (including the newly Yen Phong II-C) of 10 zones, located in several northern provinces. This allows better capturing the increasing rental demand in the north. Amongst, Yen Phong hub is the most attractive
  - We therefore think VGC is one of the most beneficiaries from the US-China trade tension
  - Low-base rental price in some remote zones suggests a bit more considerable increase in ASP level, while these zones were granted low development costs. An improve in leasing gross margin can be expected.
- **While building materials are temporary the burden**
  - Intense competition in tiles, building glass, sanitary wares - presenting for 67% of gross earnings. We think these segments will be difficult to obtain growth in earnings and likely to experience diminishing margin due to cost-push and price competition.
  - Restructuring, including divesting in underperformed subsidiaries and production optimization, has been conducted, but it surely takes time.
- **Divestment of 39% stake from the MoC can be a catalyst for the stock price.** Development orientation from the incoming partners is still a question.

RISKS TO OUR CALLS

- Worsening competition in the building materials
- Slowing down FDI that may affect leasing activities

ACCUMULATE +8%

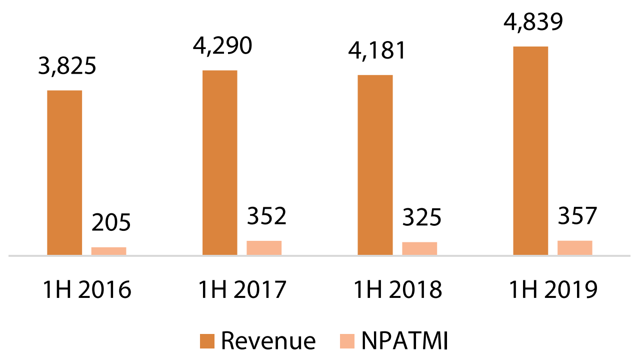
CMP (VND)	**18,600**
Target price (VND)	**20,100**
Cash dividend in 12 months	-

STOCK INFO	
Sector	Construction & Materials
Market Cap ($ mn)	358
Current Shares O/S (mn shares)	448
3M Avg. Volume (K)	1,190
3M Avg. Trading Value (VND Bn)	24.0
Foreign Ownership (%)	13.1
State Ownership (%)	39.0

FORECAST	2017A	2018A	2019F	2020F
Revenue	9,197	8,812	8,732	8,934
Growth (%)	*13.0*	*-4.2*	*-0.9*	*2.3*
NPATMI	600	565	620	667
Growth (%)	*16.8*	*-5.8*	*9.6*	*7.6*
ROA (%)	4.1	3.5	3.8	4.1
ROE (%)	10.8	8.3	9.2	9.9
EPS (VND)	1,316	3,722	1,382	1,487
Book Value (VND)	13,769	13,833	15,002	15,010
Cash dividend (VND)	950	1,000	950	950
P/E (x)	14.2	15.8	14.5	13.5
P/B (x)	1.4	1.4	1.3	1.3

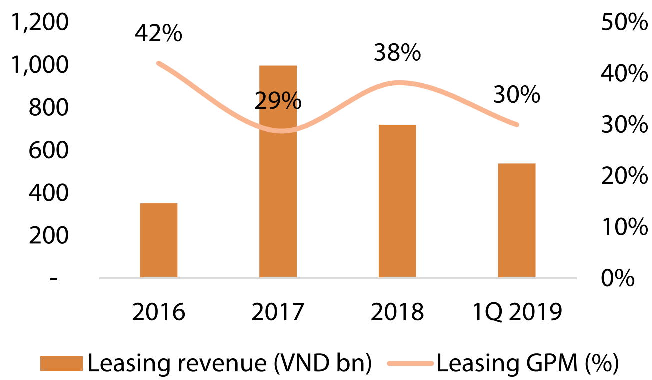
VGC - Leaning on industrial park lease

Figure 1: 1H revenue & NPATMI (VND bn)



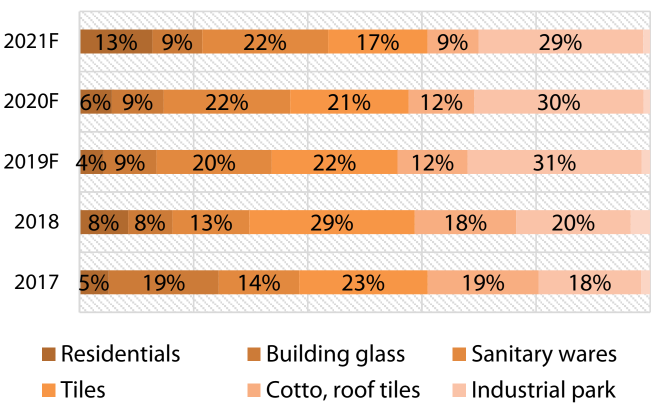
Source: VGC

Figure 2: Leasing revenue (VND bn) & GPM (%)



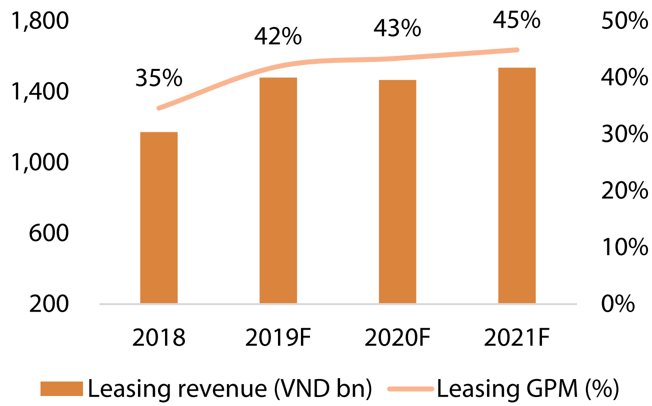
Source: VGC, Rong Viet Securities compiles

Figure 3: Forecasted GP contribution



Source: Rong Viet Securities

Figure 4: Forecasted leasing revenue & GPM (%)



Source: Rong Viet Securities

Buiding materials were still facing hardship while industrial park lease stayed flourished

- 1H2019 reported revenue of VND 4,839 bn (+16% YoY); NPATMI of VND 357 bn (+10% YoY).
  - We believe the increase in both the top and bottom line was thanks to the escalating lease in industrial park, which was reported at 101,5 ha (+346% YoY). Some remote zones, including Dong Van IV & Dong Mai, recorded strong hikes in rental price (~16%) and leased area, as our estimates.
  - Building materials stayed flat in revenue and margins while residential petered out as no significant project left.

Outlook leans on industrial parks while expecting no more depress on materials

- We estimate profit contribution from IP will widen from 2016-18 average of 16% to 30% during 2019-21.
- Building materials to stay flat in the mid-term.

We expect some fresh air from the new comers.

LHG - MUCH DEPEND ON BETTER COMPENSATION PROGRESS

INVESTMENT RATIONALES

- **Favorable location**. Long Hau hubs possess a strategic location given close proximity to HCMC (25 km to the center) or Cat Lai (25 km) and Tan Cang - Hiep Phuoc Ports 3km). Long Hau 3 is getting much attractive given new supply in HCMC and its outskirts are dried out.
- **Upside potential though increasing rental price level.** Scanty supply in the southern has been lifting the average rental price. Long Hau zone saw an average increase of 20% during 2017-18. According to LHG, selling price continued to surge from 120 USD/sqm in 1H to 150 USD/sqm in 2H 2019, suggesting another 25% increase.
- **Remaining huge land bank.** The whole Long Hau 3 has a total area of 891 ha, in which phase 1 has 124 ha and phase 2 has 90 ha. We think this should bring a great upside once the compensation issue is solved.

RISKS TO OUR CALLS

- **Compensation standstill in Long Hau 3 is the biggest risk.** The clearance process has been presenting for about 3 years and is showing no sign of a more positive progress. This suggests higher development costs and slow absorption to such unceasing demand. Should the process not get any better, it will drag our DCF value and hurt the latter valuation.
- **Higher potential liability relating to compensation price for resettlement area for Long Hau 1.** Current potential liability of VND 330 bn (in which, VND 65 bn was prepaid) was factored into our valuation calculation. We however see any upsurge for this obligation unforeseeable; and if there is any, will drag our arrived fair value down.

BUY **+39%**

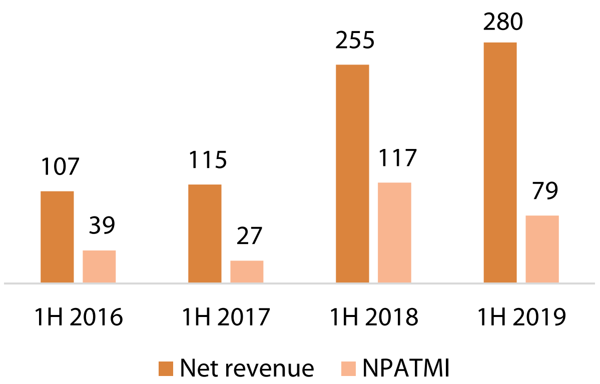
CMP (VND)	**25,000**
Target price (VND)	**18,000**
Cash dividend in 12 months	-

STOCK INFO	
Sector	Real Estate
Market Cap ($ mn)	39
Current Shares O/S (mn shares)	50
3M Avg. Volume (K)	309
3M Avg. Trading Value (VND Bn)	5.9
Foreign Ownership (%)	13.3
State Ownership (%)	-

FORECAST	2017A	2018A	2019F	2020F
Revenue	488	430	460	541
Growth (%)	*1.6*	*-11.8*	*7.0*	*17.6*
NPATMI	166	176	161	211
Growth (%)	*0.2*	*6.1*	*-8.3*	*30.5*
ROA (%)	9.4	8.6	6.6	7.5
ROE (%)	18.8	15.7	12.3	13.9
EPS (VND)	3,183	1,984	3,228	4,214
Book Value (VND)	21,822	22,922	26,151	30,366
Cash dividend (VND)	1,500	1,600	1,600	0
P/E (x)	5.7	5.4	7.7	5.9
P/B (x)	0.8	0.8	1.0	0.8

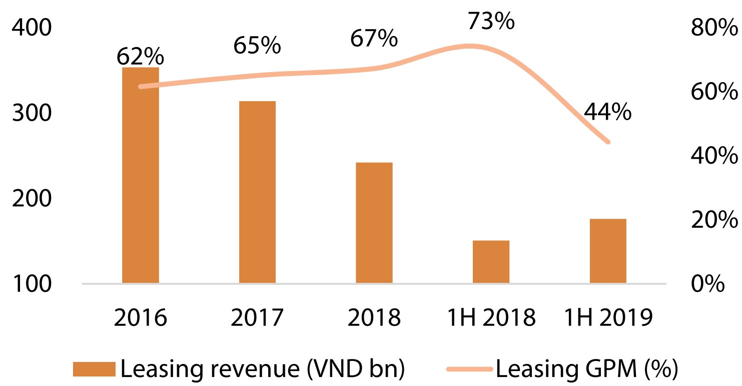
LHG - A major part of earnings came from re-leasing

Figure 1: 1H revenue & NPATMI (VND bn)



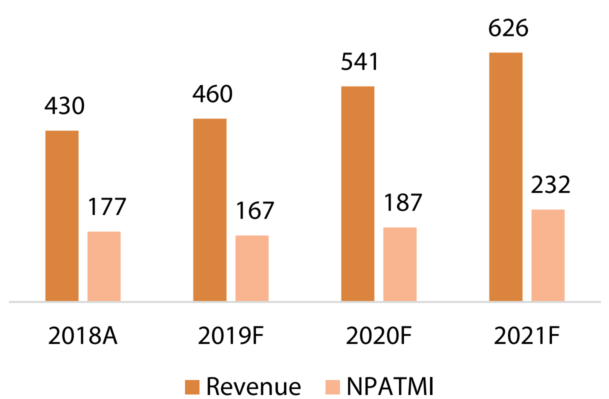
Source: LHG

Figure 2: Leasing revenue (VND bn) & GPM (%)



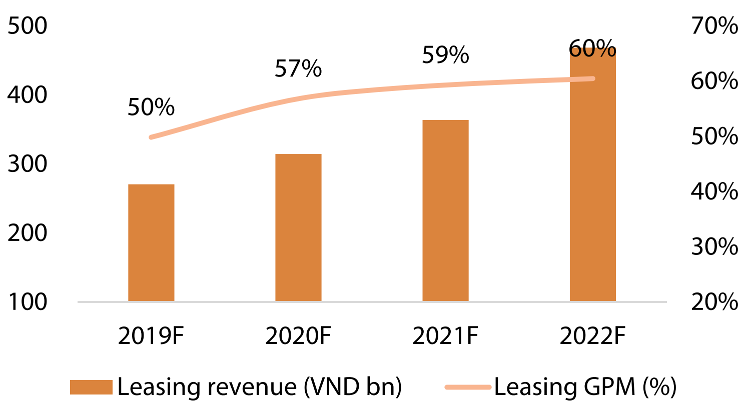
Source: LHG, Rong Viet Securities compiles

Figure 3: Forecasted revenue & NPATMI (VND bn)



Source: Rong Viet Securities

Figure 4: Forecasted leasing revenue & GPM (%)



Source: Rong Viet Securities, forecasted revenue does not include any releasing income

Hindrance in compensation of Long Hau 3 during 2017-19 caused modest new supply for lease.

- 1H2019 reported revenue of VND 280 bn (+10% YoY); NPATMI of VND 79 bn (-33% YoY).
  - The drop in bottom line was due to a relatively low gross margin, of 46%, compared to the 2017-18's average of 65%.
  - Long Hau 3 has not yet been leased. Though several contracts were signed and infrastructure works are being conducted.

Better outlook attached to the ability to increase ASP level and compensation process.

- Increasing warehouse leased area is a plus.
- Long Hau 3's GPM is estimated at 50 - 60% given the ASP ranging 120 - 150 USD/sqm.

NTC - NAM TAN UYEN 3 IS ABOUT TO SET GROUND

INVESTMENT RATIONALES

- **Nam Tan Uyen 3 is showing signs of being soon deployed.** The zone has a total area of 346 ha; in which 255 ha are leasable. 2019 AGM approved its capital raising plan, in order to meet the minimum amount of charter capital for NTU3. Its major (32%) shareholder, PHR, announced its plan of transferring development plan for NTU3 in 2H 2019.
- **Healthy financials allow attractive cash dividend.** Business model with no non-core investment allows an ample cash position, of VND 1,432 bn, accounting for 41% of total assets at end-June 2019. This has been bringing a major amount of financial income for NTC during 2016-19. Coupled with increasing dividend from associates, NTC has maintained its attractive cash dividend, which is 60%/200%/50% in 2017/2018/2019E.

  A gush for land-used-right and compensation of NTU3 may cause current cash position to dwindle, leading to a lower level of cash deposit and financial income when NTU3 is launched.
- **Forthcoming change in shareholding structure, in our view, is positive.** The divestment of either GVR or PHR in NTC must be sooner or latter executed, due to the disallowance in cross-holding structure of GVR and PHR. When this is solved, NTU3 will be released.

RISKS TO OUR CALLS

- **Lingering delay in solving shareholding issue and thus NTU3 timeline**
- **Increasing development cost of NTU3**

SELL - 27%

CMP (VND)	**179,830**
Target price (VND)	**127,000**

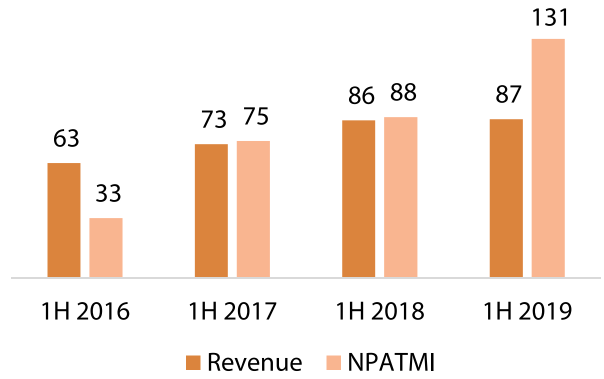
STOCK INFO	
Sector	Real Estate
Market Cap ($ mn)	123
Current Shares O/S (mn shares)	16
3M Avg. Volume (K)	147
3M Avg. Trading Value (VND Bn)	22.4
Foreign Ownership (%)	3.0
State Ownership (%)	20.4

FORECAST	2017A	2018A	2019F	2020F
Revenue	146	532	231	251
Growth (%)	*-0.8*	*264.4*	*-56.6*	*8.7*
NPATMI	142	470	221	227
Growth (%)	*8.6*	*229.7*	*-53.0*	*3.0*
ROA (%)	5.8	15.1	6.2	5.4
ROE (%)	41.8	97.0	30.7	24.7
EPS (VND)	8,639	0	10,502	10,821
Book Value (VND)	23,720	36,810	34,190	43,875
Cash dividend (VND)	6,000	10,000	5,000	0
P/E (x)	21.7	6.4	12.1	11.7
P/B (x)	7.9	5.1	3.7	2.9

NTC – Financial income plays an important role when NTU3 is pending

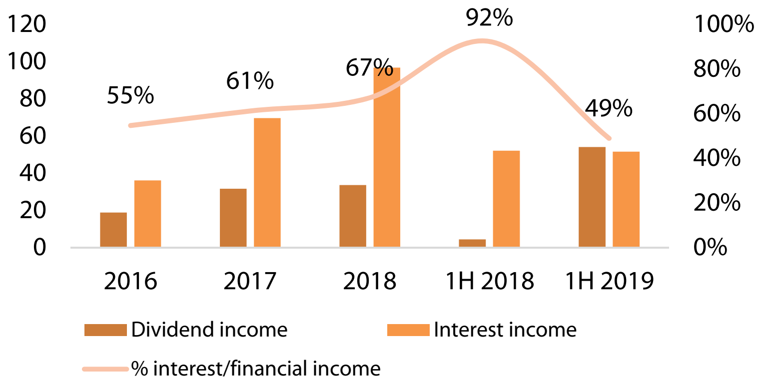
RONGVIET SECURITIES

Figure 1: 1H revenue & NPATMI (VND bn)



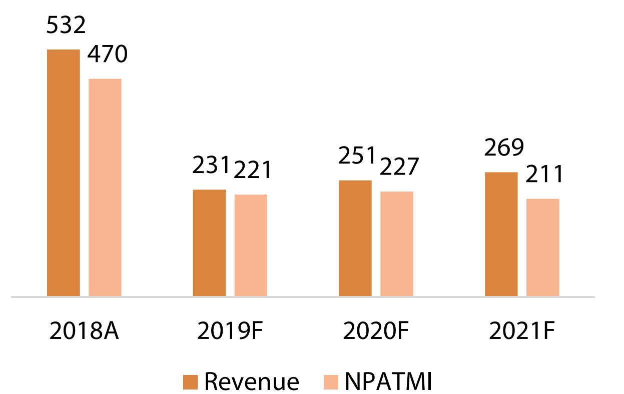
Source: NTC

Figure 2: Dividend & interest income (VND bn)



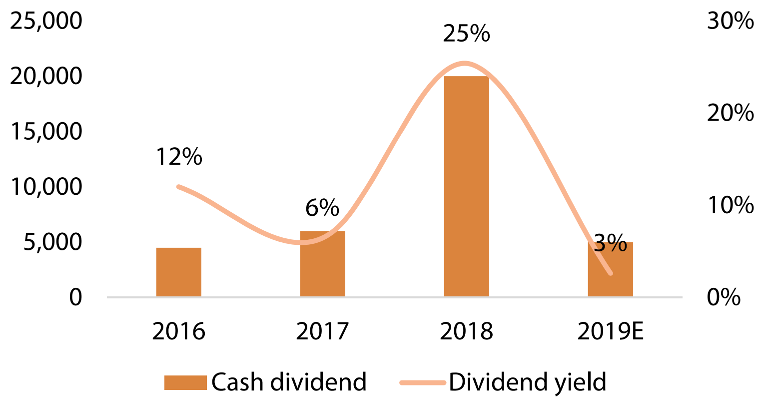
Source: NTC, Rong Viet Securities compiles

Figure 3: Forecasted revenue & NPATMI (VND bn)



Source: Rong Viet Securities

Figure 4: Cash dividend paid & dividend yield



Source: Rong Viet Securities

NTU3 should become less attractive due to soaring development costs

- 1H2019 reported revenue of VND 87 bn (+1% YoY); NPAT of VND 131 bn (+49% YoY).
  - Bottom line broadened in thanks of significant increase in dividend income, which was VND 54 bn, 12x higher than that of 1H 2018.

Higher upside depends much on the ability to increase rental price

- Our base case assumes ASP of 85 USD/sqm and arrives an average gross margin of 48% for incoming NTU3.
- We think financial income will start to shrink when NTU3 is put into operation.

RONG VIET SECURITIES

LOGISTICS: Mixed Picture

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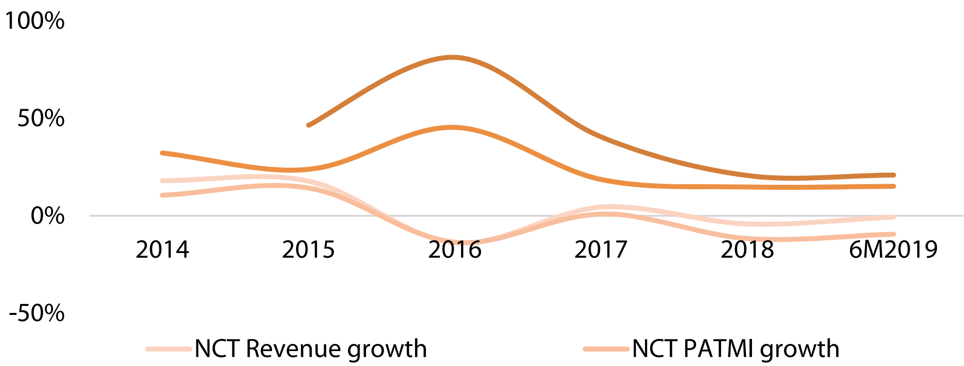
AIR CARGO TERMINAL SEGMENT

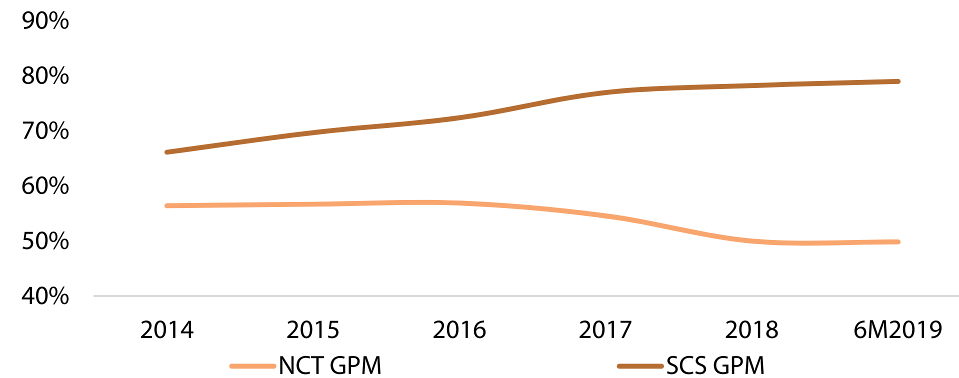
Different Market Dynamic Led To Strong Divergence In Two Listed Players

Figure 1: Revenue, NPAT growth



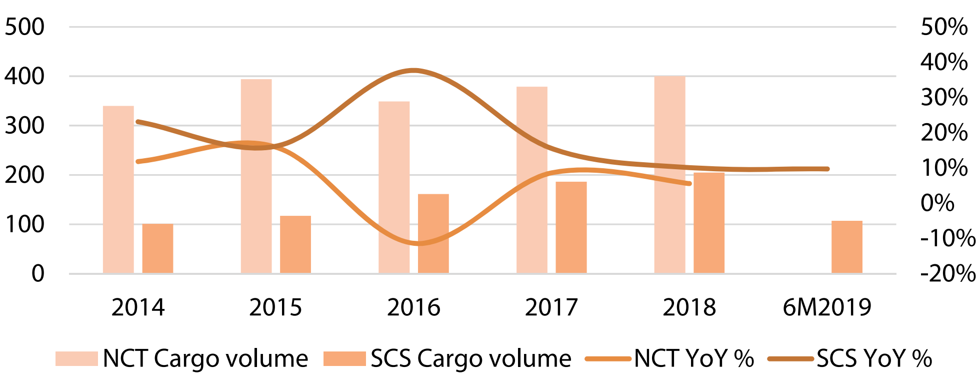
Source: Company filing, Rong Viet Securities

Figure 2: Gross margin



Source: Company filing, Rong Viet Securities

Figure 3: Cargo volume (Ton)



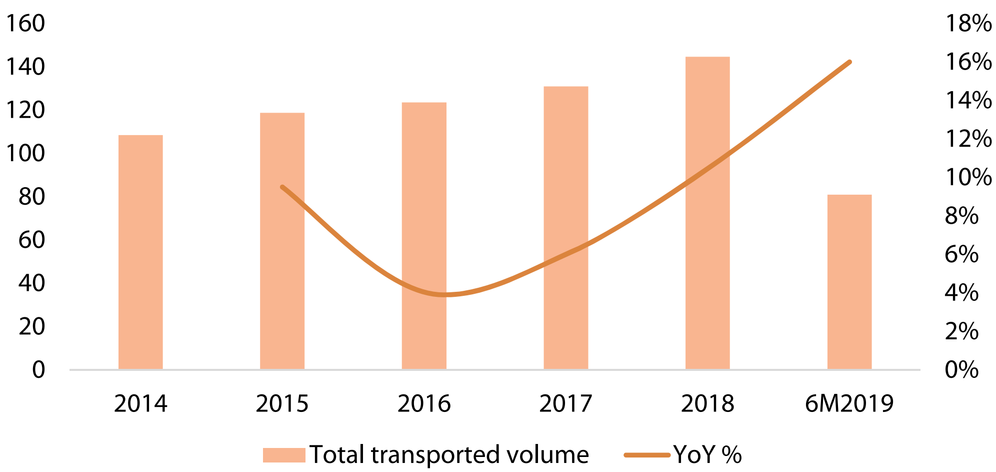
Source: Company filing, Rong Viet Securities

- NCT and SCS are strongly diverged in business results as two companies are located in very different competitive landscape. Air cargo market in the North mainly relies on Samsung's demand while it's more diversified in customer base and cargo type as well in the South.
- Located in Noi Bai Airport, NCT's negative revenue growth trend continued in 6M2019 as affected from Samsung demand. GPM lower by 266 bps in 1H2019 as well.
- Meanwhile, SCS sustained its growth in both revenue and net profit thanks to steady increase in cargo volume (10% YoY) and a new client, Japan Airline. However, SCS witnessed a slight GPM reduction of 60 bps YoY.

DOMESTIC OCEAN FREIGHT SEGMENT

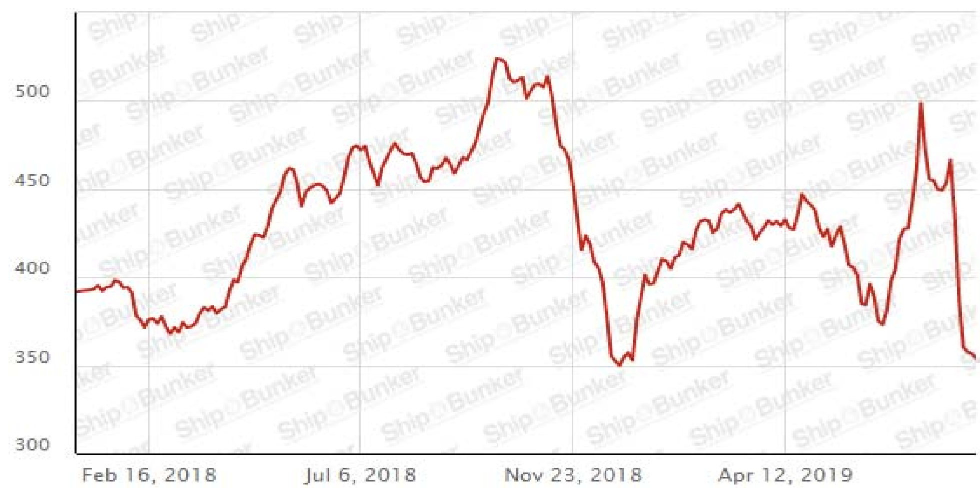
Difficulties Will Pass Away

Figure 4: Domestic container volume (Ton Mn)



Source: Vinamarine, Rong Viet Securities

Figure 5: HSFO (red) plummeted vs VLSFO (silver) before IMO 2020 (USD/metric ton)



Source: Ship and Bunker

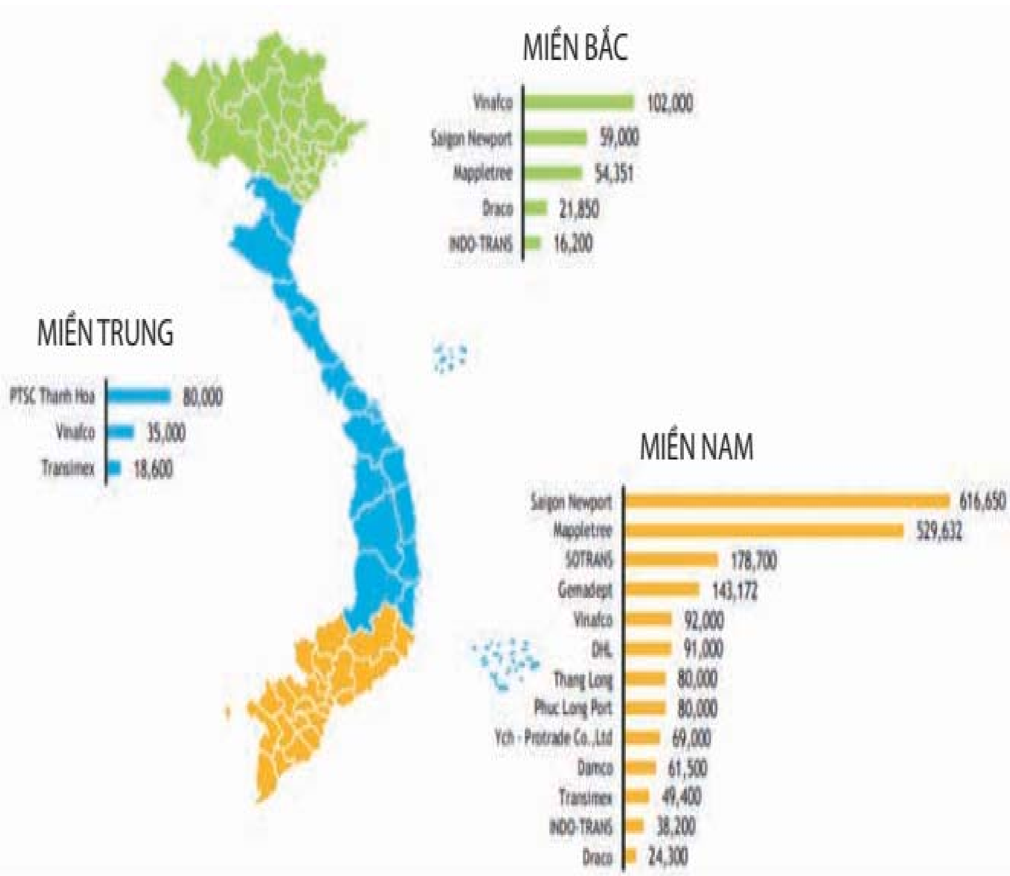
Supporting factors

- Containerization of commodities goods in Vietnam, such as coal, agriculture products, leading to sustainable growth in cargo volume.
- Ocean shipping is the cheapest modals in transportation for long-haul route. 70% cargo volume in North<->South route was transported in marine container vessels.
- Lower HSFO price (3.5% sulphur content) as IMO requires international to use VLSO (0.5% sulphur content) from 2020. We expect Vietnam's Marine authority to delay in applying IMO 2020 on domestic ocean shipping routes. Therefore, domestic liners will enjoy favorable profit margin.
- The Government to implement policies to cut costs and CIT rate for marine shipping players.

WAREHOUSE SEGMENT

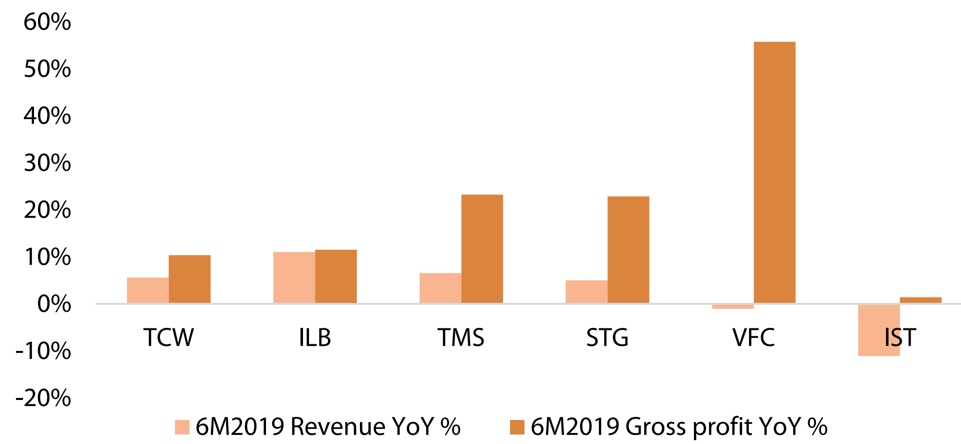
Benefit From Global Supply Chain Shift And Surging Demand From E-commerce

Figure 6: Warehouse acreage by region (m2)



Source: StoxPlus

Figure 7: Revenue, gross profit growth of some key players



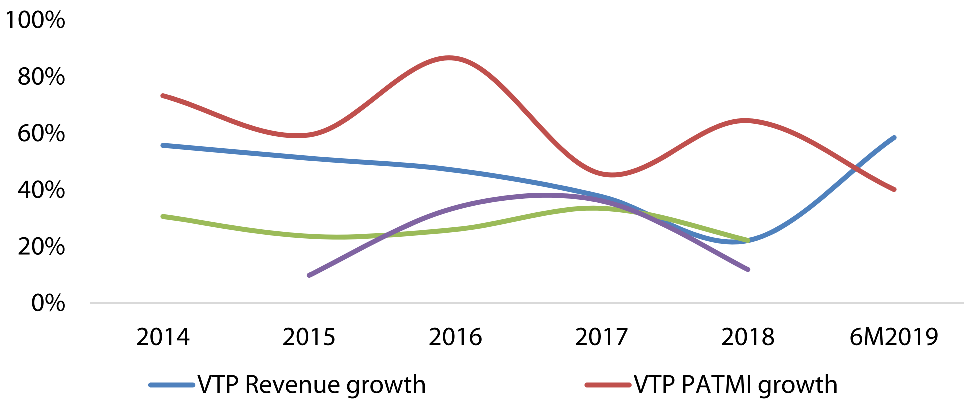
Source: Company filing, Rong Viet Securities

- More than 70% warehouse area is located in the South with broadly-offered services from common warehouses, bonded warehouses, distribution centers and cold storages. Hence, the clients type are diversified in nature from retailers, importers/exporters to (FDI) manufacturers.
- We expect the demand for warehousing services to stay strong in the next couple of years as (1) the trend of shifting global supply chain, in which Vietnam is one of the beneficiaries, is expected to continue and (2) booming of e-commerce.
- Companies with competitive advantages in available warehouse spaces, logistics facilities, well-located near the urban zone and industrial parks will be the notable ones, such as ILB, TMS, STG.

E-LOGISTICS SEGMENT

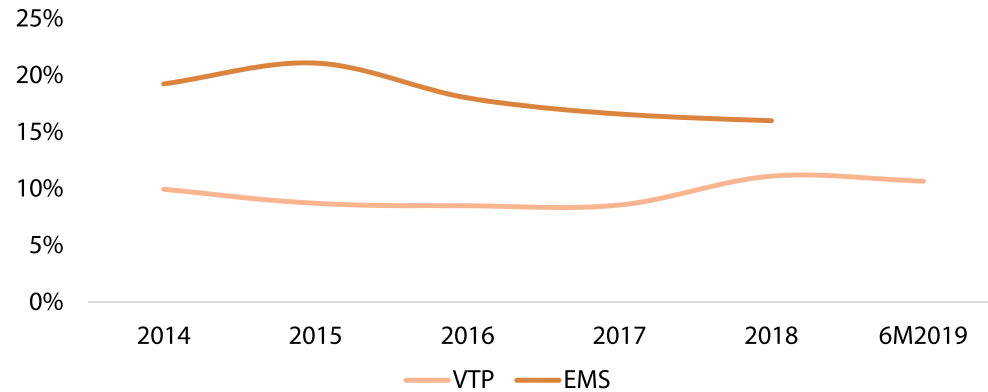
Booming Of E-commerce To Drive Couriers' Profit Growth

Figure 8: Revenue, NPAT growth



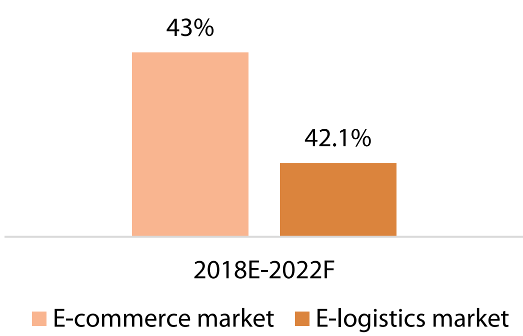
Source: Company filing, Rong Viet Securities

Figure 9: Gross margin



Source: Company filing, Rong Viet Securities

Figure 10: CAGR of e-commerce and e-logistics market



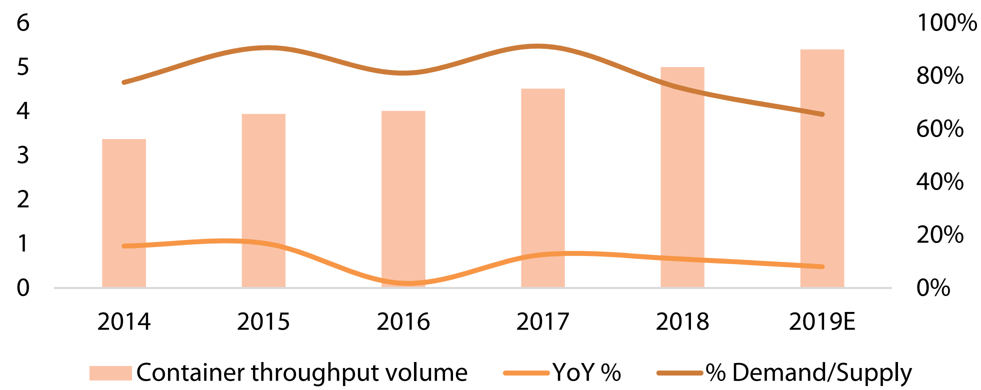
Source: Google, TEMASEK, Ken Research, Ipsos Business Consulting analysis

- Driving force of the industry's demand is gigantic, easing the heat from the competition. The competitive logistics landscape is crowded though, with over 50 providers as of 2017, from traditional express services (e.g., Viettel, EMS, and VNPost) to start-ups (e.g., GHN, GHTK, Nhat Tin Logistics) and international players (e.g., DHL eCommerce, Grab Express, and Lazada Express).
- However, we still see a strong divergence in business results of the two listed companies (EMS and VTP) due to its different corporate culture (relating to execution process speed), customer base and strategy.
- VTP continued to post strong bottom line growth while EMS have been much more sluggish in its NPAT growth.
- The big question now is will the industry growth continue to materialize in VTP's profit growth and justify its high valuation metrics (Trailing 12M P/E of 25x)?

SEAPORT SEGMENT IN HAI PHONG

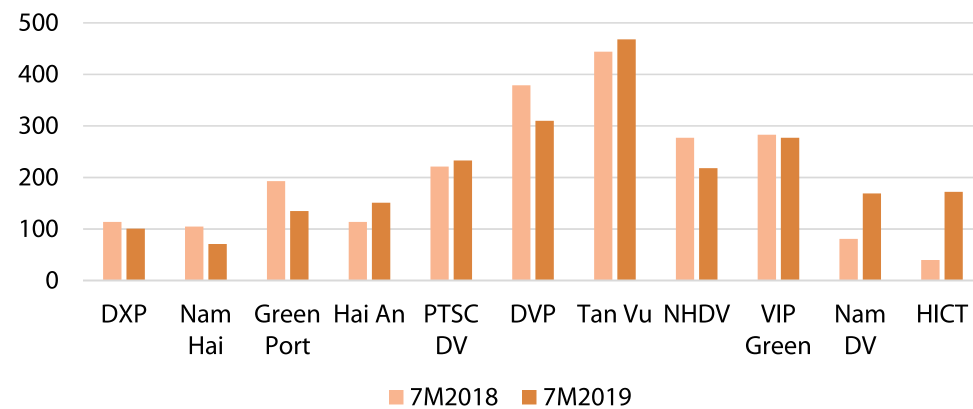
Handling Supply To Surge Amid Slower Demand Growth

Figure 11: Container throughput growth to decelarate (TEU Mn)



Source: Comanies filing, Rong Viet Securities

Figure 12: Vessel calls number at some key ports in Hai Phong



Source: Hai Phong Matitime Administration, Rong Viet Securities

Figure 13: Direct route to the US West Coast from HICT port, the main disruptive factor

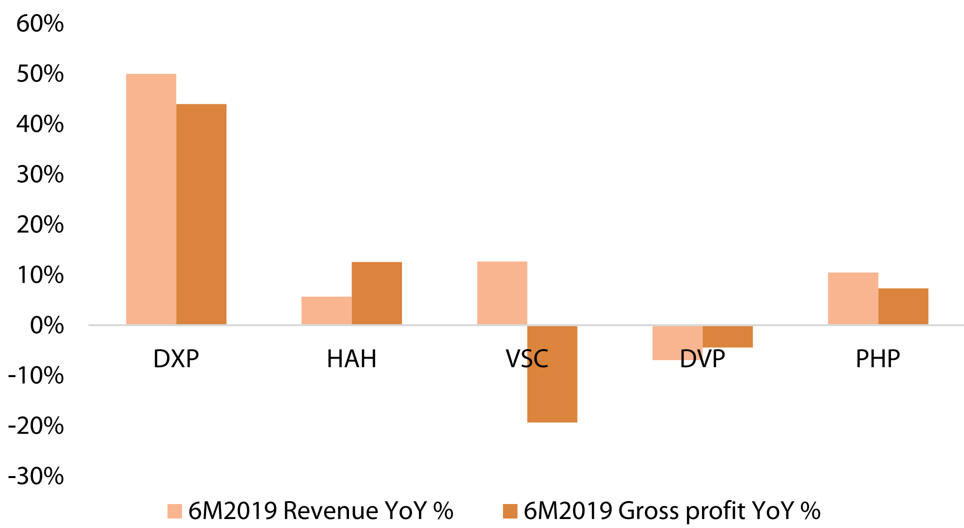
Source: Wan Hai Line

- In 1H2019, total throughput decline by 1% YoY, according to the Vinamarine
- Import-export container market will be tougher than ever as (1) deep seaport HICT had offered long-haul service to the US directly, (2) Two more downstream ports will operate by the end of 2019 and add more nearly 1 Mn TEU handling capacity, worsen the overacapacity issue in Hai Phong.
- Domestic container market to be the savior of upstream ports as these players had losed favor of international shipping lines due to technical reasons (lower draft, longer docking time, longer sailling time).
- Upstream ports who have in-house source of domestic cargo volume will be the winners

SEAPORT SEGMENT IN HAI PHONG

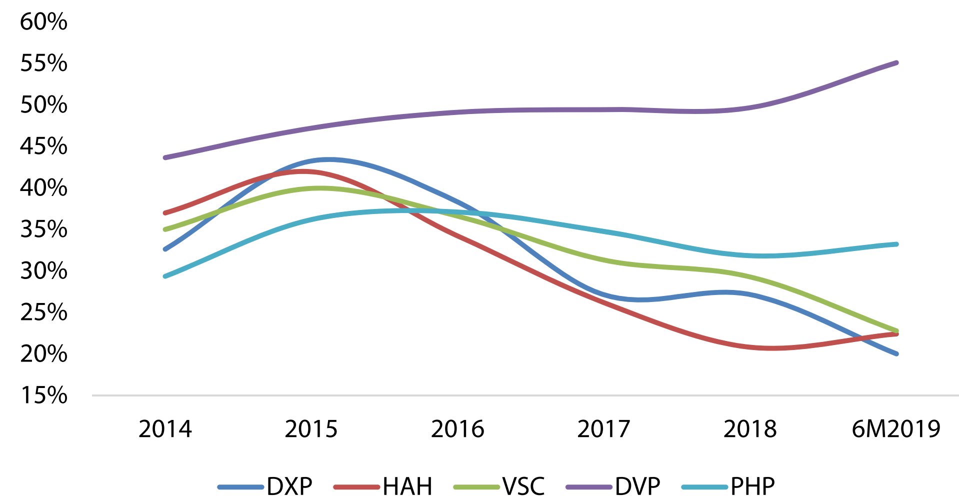
Handling Supply To Surge Amid Slower Demand Growth

Figure 14: Revenue, gross profit growth of some key players



Source: Company filing, Rong Viet Securities

Figure 15: Gross margins



Source: Company filing, Rong Viet Securities

- Upstream ports like DXP saw a positive growth in business results mainly due to low base in 1H2018. we believe its domestic container volume growth outpaced bulk cargoes' growth in the 1H2019.
- We expect HAH to continue to outperform and post a higher growth in profit for the rest of 2019 as this company will have additional source of profit from leasing container vessels (newly-contributed from Dec 2018) and higher growth from container shipping segment besides its current port operation.
- VSC and DVP will struggle in 2019 as they are losing vessels calls from international shipping lines to another downstream ports, including Tan Vu Port (PHP).

LOGISTICS INDUSTRY - REVIEW

Industry comparables (%, TTM)

Ticker	Sales Growth	EBITDA Growth	EBITDA Margin	Operating Income Margin	Net Income Growth	Net Profit Margin	Capex/Sales	Return on Invested Capital	Return on Assets	Return on Equity
SCS	8.3	9.0	32.5	23.5	10.5	20.2	12.9	19.0	15.4	23.6
NCT	14.8	16.7	75.5	68.3	20.6	61.5	0.5	46.1	43.6	48.6
VTP	-4.6	-11.4	42.4	38.7	-17.3	33.3	9.4	49.5	47.0	55.0
EMS	22.1	58.2	7.5	6.4	64.2	5.6	0.7	26.8	12.1	43.8
HAH	22.1	0.9	4.7	3.7	-9.1	3.0	1.2	20.6	9.0	21.8
STG	10.1	8.3	25.6	16.3	0.7	11.9	29.9	10.6	8.1	12.9
TCW	15.3	22.5	12.2	7.8	74.3	7.7	9.3	6.5	6.1	10.4
ILB	-2.9	-3.3	23.7	12.7	-1.8	8.7	2.4	12.4	8.9	15.4
GMD	12.8	5.0	35.7	25.2	8.2	15.0	17.6	11.9	5.5	15.7
DVP	-20.8	10.0	35.5	21.8	-15.8	19.2	32.4	4.8	5.2	7.9
PHP	0.3	0.1	52.4	39.0	8.0	47.8	25.9	19.2	23.8	27.6
VSC	9.5	3.9	41.7	21.9	10.0	15.7	15.8	6.8	6.1	9.5

Source: Bloomberg, RongViet Securities

HAH – TURNAROUND YEAR

INVESTMENT RATIONALES

- **Back to the growth track with the container shipping segment to be the propeller**
  - **Port segment's earnings to bottom out.**
  - **Container shipping to drive earnings** with new source of profit from vessels leasing activities and steady of domestic ocean freight cargo volume. HAH is the market leader in domestic ocean freight industry thanks to highly competitive advantaged fleet: (1) Highest average Dead Weight Tonnage, (2) simultaneously owns international and Vietnam registration class, (3) fully upgraded fuel tanks to comply IMO 2020.
  - **Supportive policies** are expected to take place in 2020, including: (1) reduce operating costs (port services charges, maritime fees, registration costs, etc…); (2) reduce CIT to preferential rate of 10% from current rate of 20%. These policies will further increase consolidated NPAT.
  - **Two major categories of customers:** (1) Transshipping for Int'l shipping lines, namely Hapag Lloyd, ONE, Yang Ming, Hyundai; (2) Domestic manufacturers, (3) importers and exporters.
- **Depot and CFS services to fulfil logistics services chain and sustain the competitive edge**
  - Services chain: Shipping <–> Seaport <–> (Depot for empty containers and CFS) <–> Shipping.
  - Major customers of depot yard (since 2018) are also the clients of shipping segment, including above-mentioned int'l shipping lines.
  - Global-industry-standard CFS warehouses to commence in 2020. Promising demand from FDI manufacturers in Hai Phong.

RISKS TO OUR CALLS

- SM Line to stop calling at Hai An Port.
- HAH can't pass the increasing fuel oil price to its clients.

BUY +28%

CMP (VND)	**14,900**
Target price (VND)	**18,000**
Cash dividend in 12 months	*1,000*

STOCK INFO	
Sector	Industrial Goods & Services
Market Cap ($ mn)	31
Current Shares O/S (mn shares)	48
3M Avg. Volume (K)	339
3M Avg. Trading Value (VND Bn)	4.6
Foreign Ownership (%)	19.1
State Ownership (%)	0.0

FORECAST	2017A	2018A	2019F	2020F
Revenue	778	1,054	1,093	1,198
Growth (%)	*59.5*	*35.5*	*4*	*10*
NPATMI	147	135	128	141
Growth (%)	*10.1*	*-8.2*	*-5.4*	*10.5*
ROA (%)	12.9	9.1	6.6	7.0
ROE (%)	20.9	13.2	12.3	12.2
EPS (VND)	4,108	2,768	2,619	2,900
Book Value (VND)	19,278	19,606	21,210	23,271
Cash dividend (VND)	1,000	1,500	1,000	1,000
P/E (x)	3.8	4.3	5.7	5.1
P/B (x)	0.7	0.5	0.7	0.6

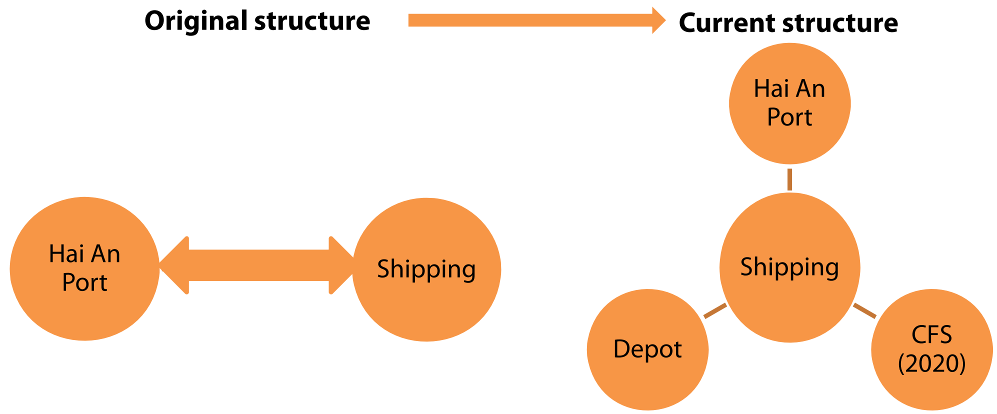
HAH – TURNAROUND YEAR

RONGVIET SECURITIES

Figure 1: HAH Fleet is operating 4 weekly services, including 3 domestic and 1 international to Hong Kong.

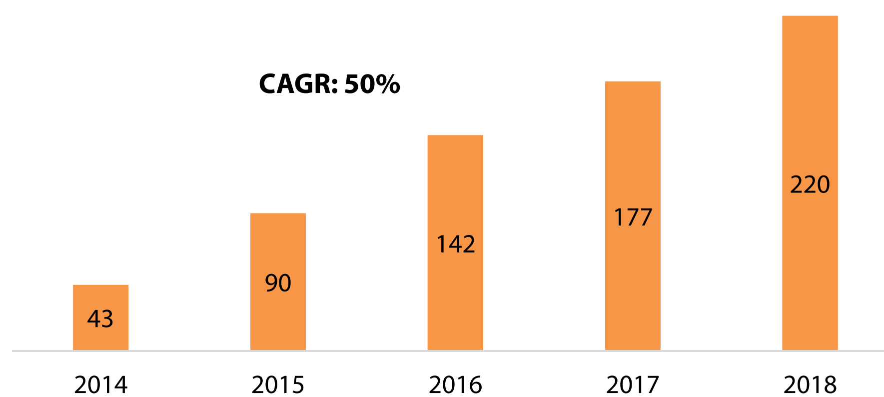
Source: HAH, Rong Viet Securities

Figure 2: Strategic business shift with shipping is the new core



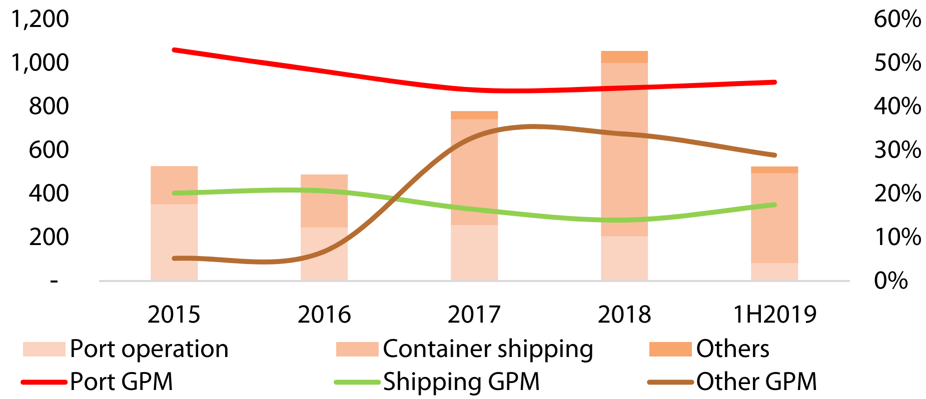
Source: Rong Viet Securities

Figure 3: Shipping volume has shown steady growth (Thousand TEU)



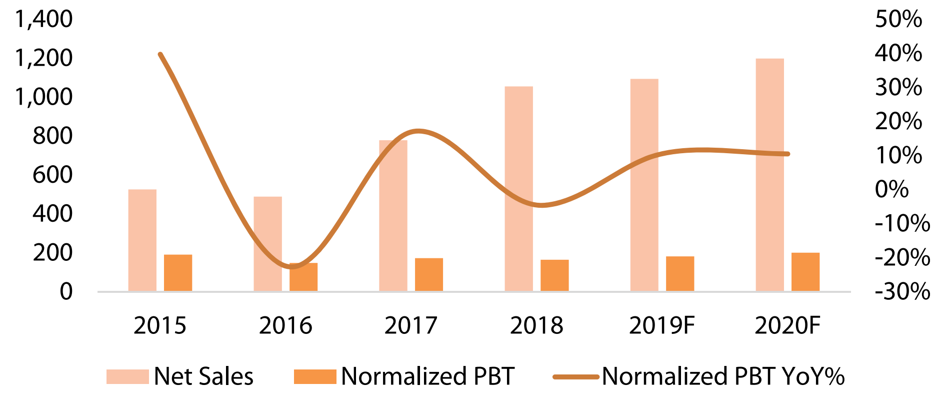
Source: HAH, Rong Viet Securities

Figure 4: Revenue breakdown and GPM by segment (VND bn)



Source: HAH, Rong Viet Securities

Figure 5: Forecasted results (VND Bn)



Source: HAH, Rong Viet Securities

- 2019 NPATMI of VND 128 Bn (+7% YoY normalized net earnings), 2020 NPATMI of VND 141 Bn (+11% YoY).
- 2020 EPS: VND 2,900.
- 2Y Core NPATMI annualized growth rate of 10%. Target P/E multiple of 7x, equivalent to PEG ratio of only 0.7.

Target price: VND 20,000/share.

RONG VIET SECURITIES

RETAIL INDUSTRY: Conquer the No Man’s land

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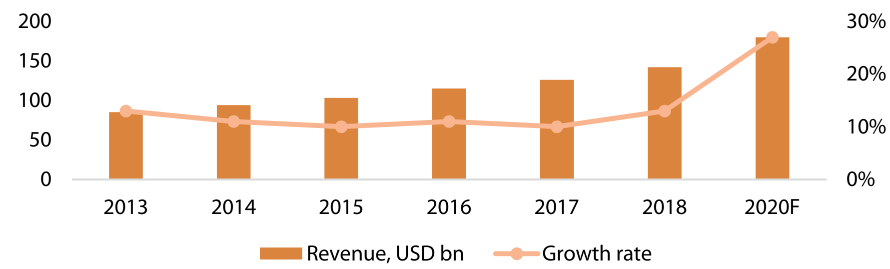
RETAIL INDUSTRY - REVIEW

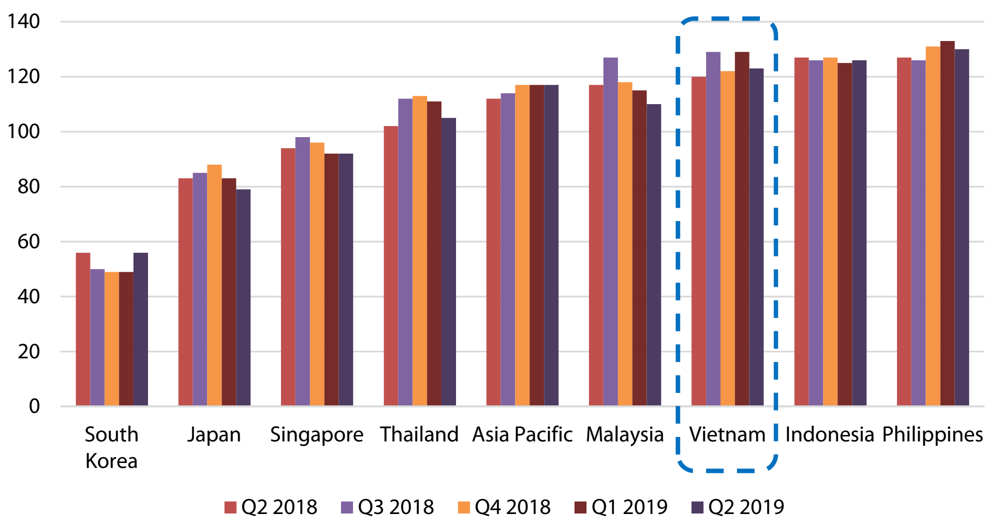
- In 6M 2019, total retail sales of goods and services in Vietnam grew 11.5% YoY, of which retail sales of goods posted a 12.5% growth. Breaking down: Foods (+13%), household goods (+12.1%), clothing (+11.1%) had the highest growth.
- Even though there was a slight fall in Consumer Confidence index in Q2, Vietnam is still the world's third most optimistic nation with all key drivers of the index, including job prospects, financial security and spending ready, significantly increased.
- Vietnam's retail revenue is projected to maintain annual growth of above 10% for the coming years, supported by the rising of middle class, young population and changes in consumer behavior.

Figure 1: Retail revenue and growth in Vietnam (2013-2020)



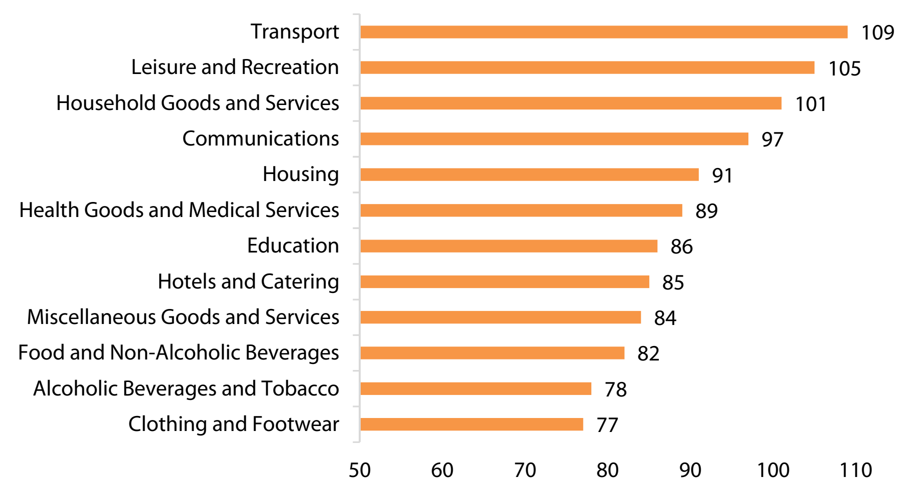
Sources: General Statistics Office, Rong Viet Securities

Figure 2: Consumer Confidence Index



Sources: The Conference Board® Global Consumer Confidence Survey in collaboration with Nielsen

Figure 3: Forecast Growth (%) in Consumer Expenditure by Category 2019 - 2030



Source: Euromonitor

RETAIL INDUSTRY - REVIEW

Most markets are still very fragmented

- Beside the smartphone market, which is already saturated and consolidated by two giant retailers (MWG and FRT), others are still very fragmented.
- Mid-small street shops are favorite shopping places for Vietnamese due to convenience and competitive pricing.
- Two largest ICT retailers, MWG and FRT, are expanding their footprints to other segments (FMCG, food and pharmaceutical) while some other players such as PNJ, Vinmart, Coop Food, Satra Food and Pharmacity are scaling up to consolidate their current markets.

Figure 4: FMCG market share in major cities

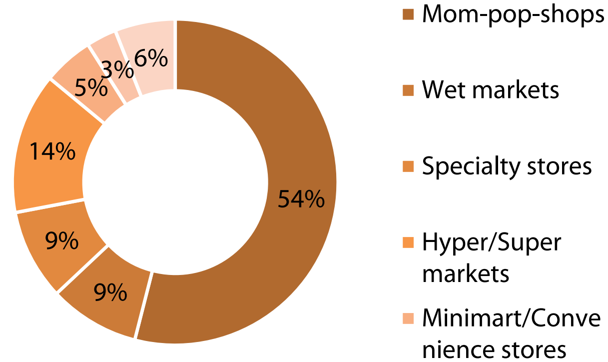


Figure 5: Smartphone & feature phone market share

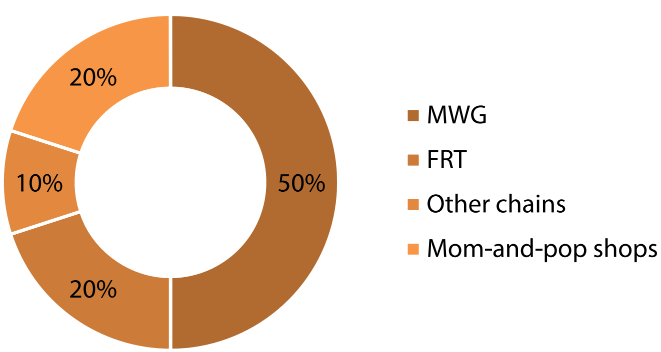


Figure 6: Consumer electronics market share

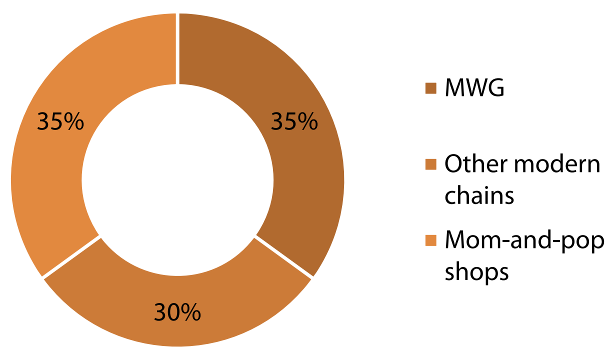
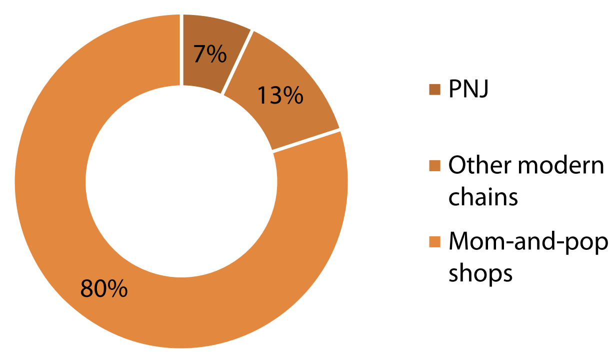


Figure 7: Gold jewelries market share



Sources: Kantar Worldpanel, MWG, PNJ, Rong Viet Securities

RETAIL INDUSTRY – REVIEW

Timeline of regulations

New Law on Investment to increase the ease of doing business in Vietnam for foreign investors

Foreigner retailers are allowed to establish 100% owned business in Vietnam, as part of commitment to WTO

Decision No.1563/QD-TTg was made to approve the e-commerce development plan for the 2016-2020 period

Decree 09/2018/ND-CP was issued to incorporate several favourable changes for retailers establishing or expanding their businesses in areas pertaining to the trading of goods by foreign investors and enterprises

As part of commitment to CPTPP, foreign retailers will not be subjected to Economic needs testing (ENT) from 2024

2014 **2015** **2016** **2018** **2024**

Favorable environment results at foreign investors increasing their foothold in Vietnam through M&A, franchising or partnership

- Most of foreign retailers in Vietnam are from Japan, Korea, Thailand: Central Group (Thailand), 7-Eleven (Japan), Lotte (Korea)…
- Though, retail in Vietnam is not a sure-win business as many foreigners had withdrawn because of not understanding local customers or could not endure the losses: Metro, Auchan, Shop&Go…

Vietnam to remove Economic needs testing (ENT) from 2024, five years after CPTPP

- ENT has been limiting foreigners' abilities to establish second and subsequent retail outlets. It does not apply for retail outlets less than 500 sqm, located at commercial centers and not categorized as mini-supermarket or convenience store.
- With future ENT removal, Vietnamese retailers, especially those operate in convenience stores, minimarts, specialist stores models, will face tougher competition -> Demand for changes and self improvement from local retailers.

RETAIL INDUSTRY - REVIEW

Listed companies have different stories

Revenue growth are in downtrend for retailers, but volatile for distributors

- Due to the ICT market's saturation, MWG and FRT's sales growth have been going down since 2016, while PNJ still had healthy growth from gold jewelries until a technical issue related to the new ERP system happened in Q2 2019.
- DGW, an ICT distributor, found rescue by the exclusive contract with Xiaomi from 2017. On the other hand, PSD is struggling with an obsolete distribution model.

Profitwise, only industry leaders see improvement

- MWG and PNJ's profit pick up due to self optimization: better SSSG for MWG from store conversion and higher gross margin for PNJ from change in sales structure.
- FRT's margin suffered due to iPhone clearance in 6M 2019 while DGW is heavily dependent on big-sales-but-thin-margin contracts with Xiaomi and Nokia.

Figure 8: Revenue growth YoY

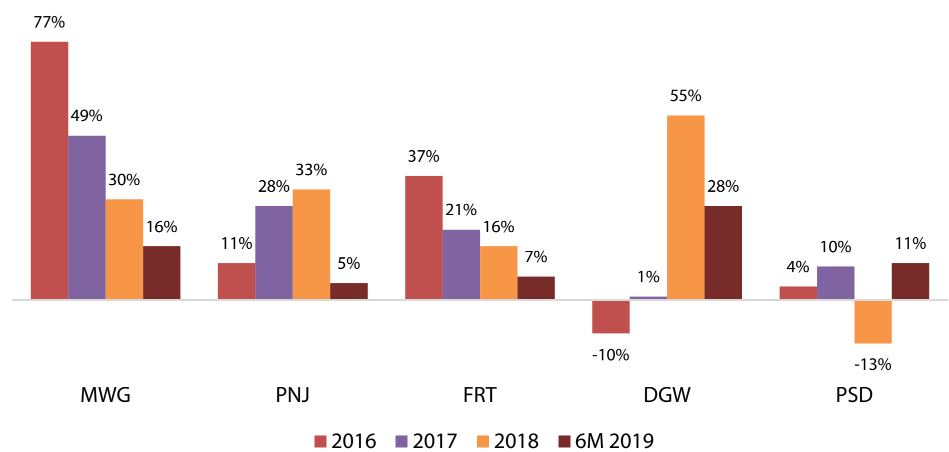
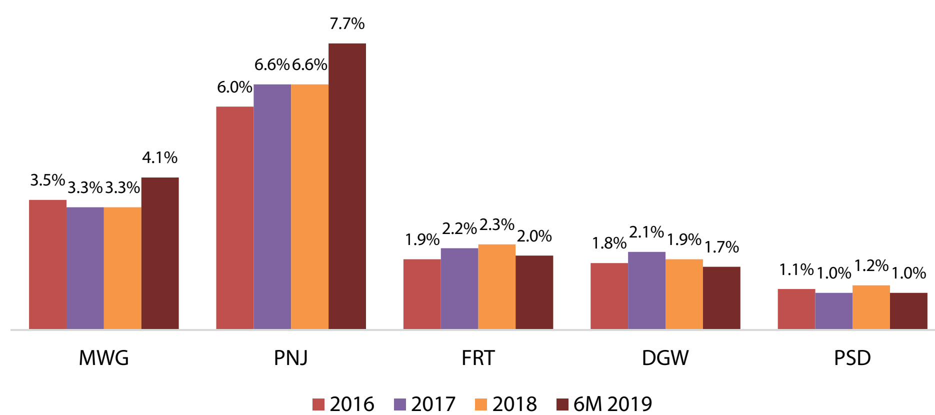


Figure 9: Profit margin



Sources: Fiinpro, RongViet Securities

RETAIL INDUSTRY - REVIEW

Industry comparables (TTM)

Ticker	Market cap (VND bn)	Sales Growth (%)	EBITDA Growth (%)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (%)	Net Profit Margin (%)	Return on Invested Capital (%)	Return on Assets (%)	Return on Equity (%)	P/E (%)	P/B (%)
MWG	52,193	17.4	31.0	6.2	4.8	29.3	3.7	18.8	12.1	38.6	14.9	5.0
PNJ	18,904	16.3	24.9	9.7	9.3	20.6	7.0	22.1	17.8	27.9	18.2	4.7
FRT	3,945	16.4	27.1	3.0	3.0	20.0	2.3	12.0	7.7	35.0	11.5	3.4
DGW	974	36.1	41.0	2.5	2.4	38.9	1.9	8.4	7.2	16.9	7.4	1.2
PSD	386	-5.4	5.5	1.9	1.8	10.6	1.2	5.7	3.3	21.2	5.7	1.1

Sources: Bloomberg, Rong Viet Securities

MWG – PROMISING FUTURE AHEAD

INVESTMENT RATIONALES

- **Solid growth in Consumer Electronics and Accessorries**
  - Healthy organic growth in the CE market in conjuction with potential consolidation from nearly 40% market share of mom-and-pop shops.
  - SSSG improvement: Store layout optimization in The Gioi Di Dong and Dien May Xanh makes room for more SKUs along with adding kitchenware, wrist watches and sunglasses to product mix => Increase efficiency: strengthen gross margin and lower SG&A expenses/sales ratio.
  - Expansion of Dien May Xanh: both new opening and store conversion from The Gioi Di Dong => Expect to have 900 and 1,000 DMX by the end of 2019 and 2020 respectively.
- **The grocery chain is taking off**
  - Accelerating store opening, expected 950 store (+236% yoy) at 2019 end, with total sales of VND 11,400 bn (+164% yoy). Positive customer acceptance and less competition from other minimarts in other regions (218/600 stores located outside of HCMC at June's end).
  - Average monthly sales is going up dramatically, reaching VND 1.5 bn in June (+70% yoy). Profitwise, better gross margin from direct import of fresh produces and more discount from FMCG supplier, along with optimizing logistic and minimizing wasted rate => Expect to break even at the end of 2019.
- **An attractive valuation**
  - 2019's forward PEG at 0.4, undervalued for an industry leader that just entered a new growing stage.

RISKS TO OUR CALLS

- Obstacles in logistic and supply while expanding to new regions could slow down Bach Hoa Xanh.

BUY **+30%**

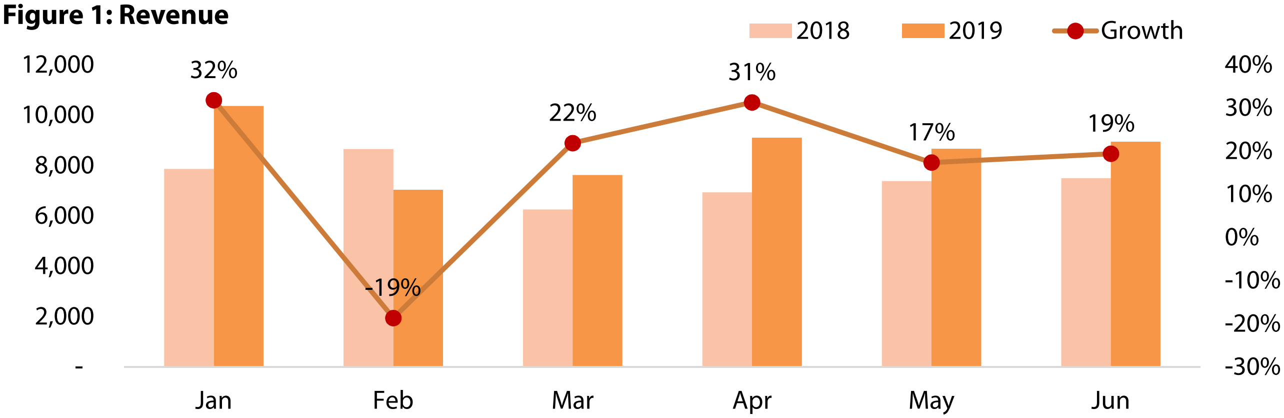
CMP (VND)	**117,300**
Target price (VND)	**151,000**
Cash dividend in 12 months	*1,500*

STOCK INFO	
Sector	Retail
Market Cap ($ mn)	2,229
Current Shares O/S (mn shares)	443
3M Avg. Volume (K)	940
3M Avg. Trading Value (VND Bn)	95
Foreign Ownership (%)	49.0
State Ownership (%)	0.0

FORECAST	2017A	2018A	2019F	2020F
Revenue	**66,340**	**86,516**	**105,327**	**131,836**
Growth (%)	48.7	30.4	21.7	25.2
NPATMI	**2,206**	**2,879**	**3,888**	**5,314**
Growth (%)	39.8	30.5	35.1	36.7
ROA (%)	11.7	11.3	12.3	13.6
ROE (%)	45.2	38.7	32.9	32.0
EPS (VND)	6,958	4,227	8,564	11,304
Book Value (VND)	18,632	20,241	26,012	35,297
Cash dividend (VND)	1500	1500	1,500	1500
P/E (x)	20.2	13.0	13.7	10.4
P/B (x)	7.0	4.3	4.5	3.3

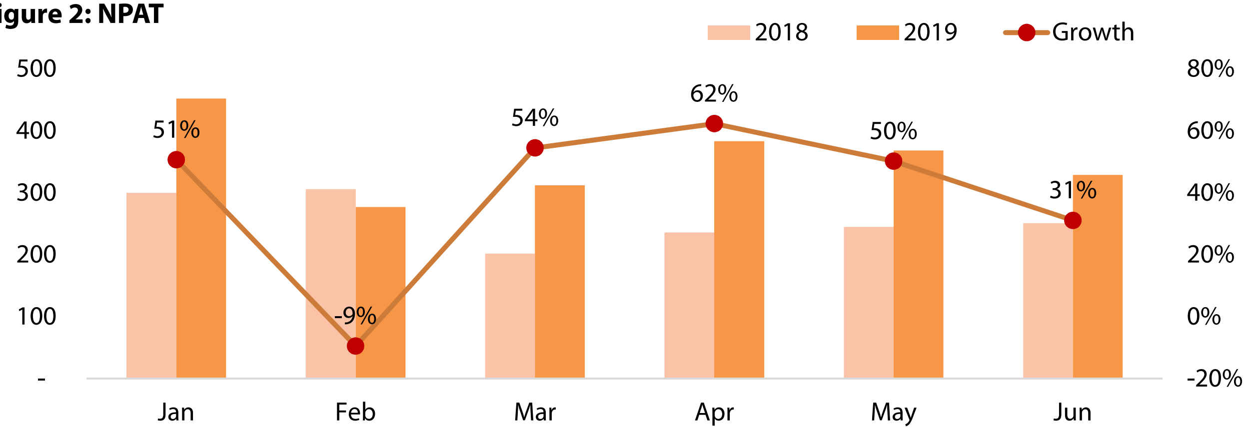
MWG – Growth in revenue and profit in 6M 2019

Figure 1: Revenue



Sources: MWG, Rong Viet Securities

Figure 2: NPAT



Source:s MWG, Rong Viet Securities

Continuing store expansion & conversion

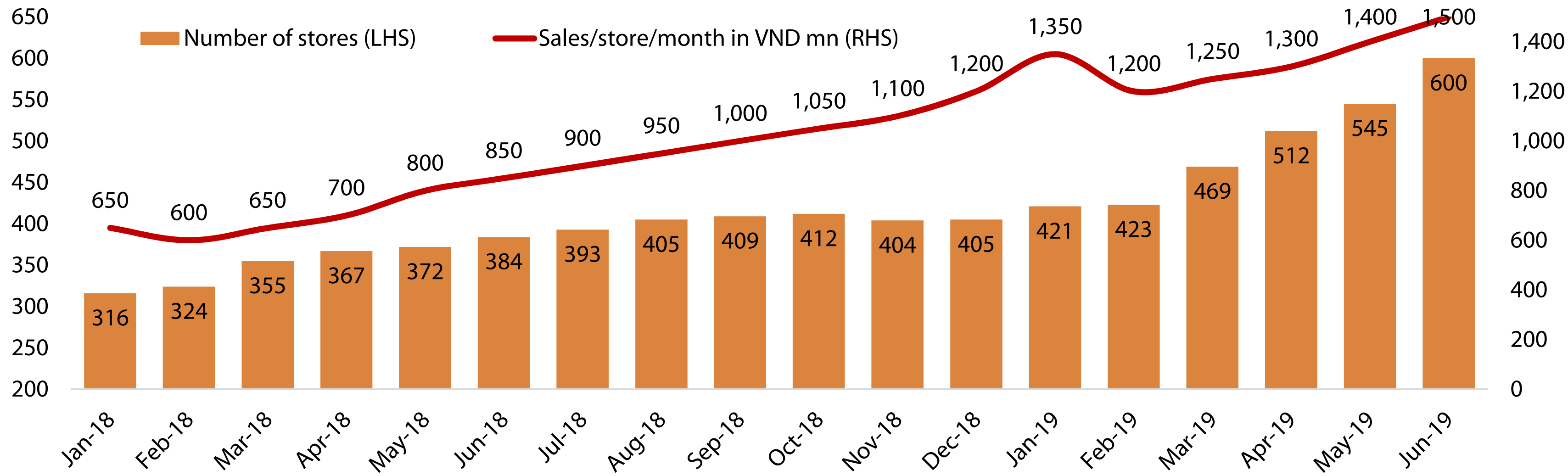
- 114 new DMX, of which 47 were converted from TGDD.
- Finished layout optimization for 210 DMX mini, with ~30% increase in sales/store, plans for another 276 stores in 2H 2019.
- 195 new Bach Hoa Xanh stores in 6M, 36% (of total 600 stores) locate in other Southwest and Southeast provinces.

Net margin surged to 4.1% (+60 basis point yoy)

- SSSG of 7% for TGDD & DMX stores and expenses optimizing help improve margin.
- BHX's gross margin reached 19%, compared to 18% at Dec/2018. Still recording net loss of -9%/total sales (VND 367 bn) but we're confident it will reach break-even at **store & DC level** at the end of 2019 (net profit of ~ -2 to -3% to total sales).

MWG – Bach Hoa Xanh's snapshot

Figure 3: Number of stores and average monthly revenue per store *(for shops operate more than 30 days)*



Sources: MWG, RongViet Securities

FIGURE 4: BY LOCATION

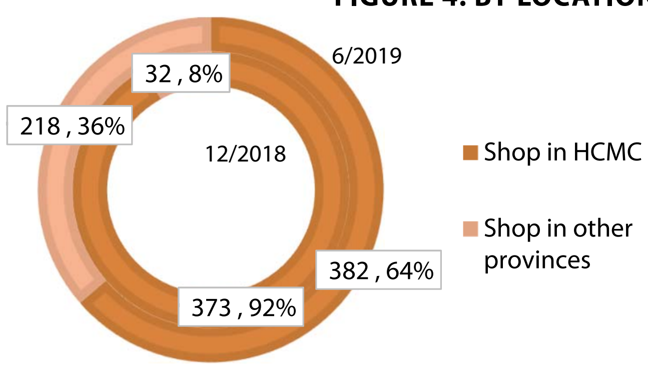
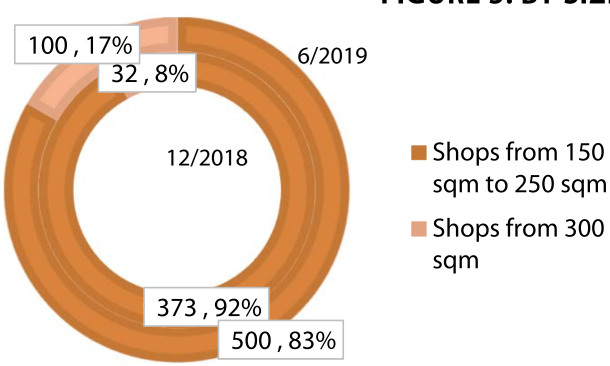


FIGURE 5: BY SIZE



PNJ – STRENGTHEN LEADER POSITION

INVESTMENT RATIONALES

- **Huge market consolidation opportunities from the fragmented jewelry market**
  - The jewelry market is growing at ~10% rate per year. Gold jewelry consumption/capital is among the lowest of Asian countries. Within the sector, branded jewelries account for only a quarter of the market share, indicating enormous potential for modern retailers.
  - Established reputation and leading production capability allow PNJ not only to supply itself but also do jewelry outsourcing which provides great return on capital (mainly labor cost).
  - Advantages from the biggest store network among jewelry chains, with a far more advanced ERP system compared to others.
- **Temporary technical issue does not hit PNJ's long-term prospect**
  - The issue related to the implementation of the new ERP happened in April and significantly hit PNJ's turnover. However that is mostly solved, with the factory was working at 90% capacity in June.
- **Demand slowdown in tier 1 markets is worrisome**
  - Growth in HCMC, the most important region, is no longer abundant and the "cannibalization" effect is starting to happen, resulting in lower SSSG. Even though tier 2 and 3 markets are starting to pick up, it takes time to change consumer's behavior.

RISKS TO OUR CALLS

- Luxury jewelries are highly exposed to economic cycle.

BUY **+23%**

CMP (VND)	**86,000**
Target price (VND)	**104,000**
Cash dividend in 12 months	*1,800*

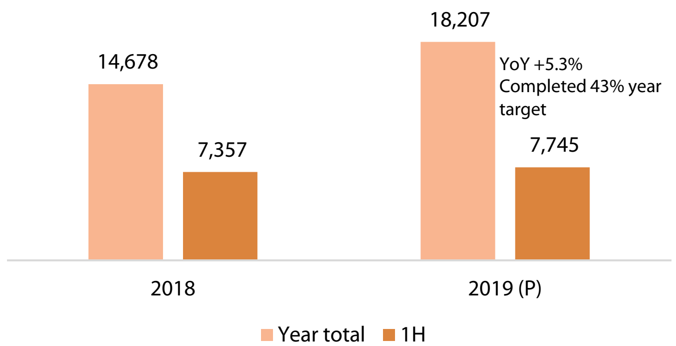
STOCK INFO	
Sector	Retail
Market Cap ($ mn)	822
Current Shares O/S (mn shares)	223
3M Avg. Volume (K)	672
3M Avg. Trading Value (VND Bn)	58.6
Foreign Ownership (%)	49.0
State Ownership (%)	0.0

FORECAST	2017A	2018A	2019F	2020F
Revenue	**10,977**	**14,571**	**16,848**	**20,198**
Growth (%)	28.2	32.7	15.6	19.9
NPATMI	**725**	**960**	**1,194**	**1,531**
Growth (%)	60.9	32.4	24.4	28.2
ROA (%)	17.9	17.6	18.3	20.0
ROE (%)	32.6	28.7	28.0	28.6
EPS (VND)	6,370	13,249	4,997	6,228
Book Value (VND)	27,285	22,425	18,585	22,656
Cash dividend (VND)	1000	1000	1,800	1800
P/E (x)	23.8	16.2	16.8	13.5
P/B (x)	5.0	4.2	4.5	3.7

PNJ – Slowdown in turnover but more efficiency

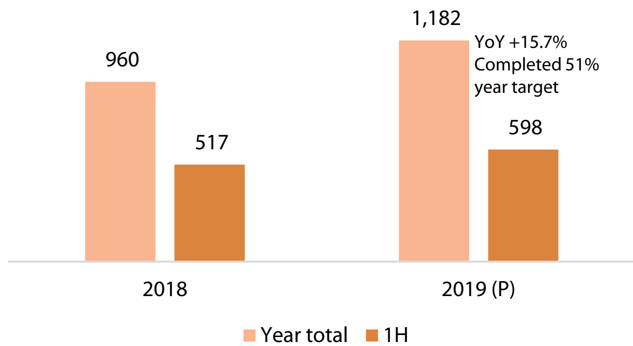
RONGVIET SECURITIES

Figure 1: Revenue (VND bn)



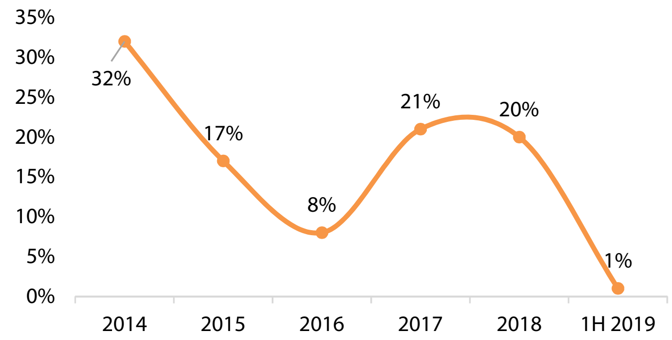
Source: PNJ

Figure 2: After-tax-profit (VND bn)



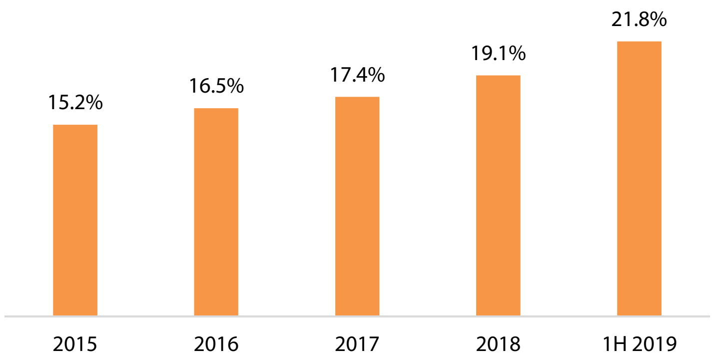
Source: PNJ

Figure 3: PNJ Gold's same store sales growth



Source: PNJ

Figure 4: Gross margin



Source: PNJ

- ERP issue and demand slowdown in Q2 dragged SSSG down to ~1%. We forecast that of ~10% in 2H, post ERP crisis.
- Due to shortfall in production, wholesale's revenue decreased 24% in Q2, thus overall gross margin saw a huge leap. We expect it to nomarlise in 2H. Nevertheless, we should see an uptrend in PNJ's margin because of the higher contribution of gold jewelry retail and better cost management.

FRT – A RATHER LONG-TERM PROSPECT

INVESTMENT RATIONALES

- **Flat growth in smartphone market, seek opportunities in accessories and added services**
  - Beside the saturated smartphone market, iPhone's unsuccessful launch last year also hit FRT's business result, which heavily depends on iPhone sales.
  - Better pricing in accessories due to direct import from Chinese suppliers improves profit margin while F.friends and Subsidy programs help maintain SSSG but the potential is not much.
  - Contracts with ecommerce websites are still in pilot with no clear plans being revealed.
- **Long Chau Pharmacy could be the growth driver, but not anytime soon**
  - An extremely fragmented retail market for medicines and suppliments. However, the OTC's market size of ~USD 1.6 bn with fiere competition from mom-and-pop pharmacies is challenging.
  - FRT's retail expertise and technical support from FPT Corporation are Long Chau's advantages.
  - Long Chau begins to scale up in HCMC and pilot in other provinces.

RISKS TO OUR CALLS

- New iPhones' success is very unpredictable and has huge impact on FRT's results.
- Long Chau's expansion might face difficulties.

ACCUMULATE +7%

CMP (VND)	**49,600**
Target price (VND)	**52,000**
Cash dividend in 12 months	*1,000*

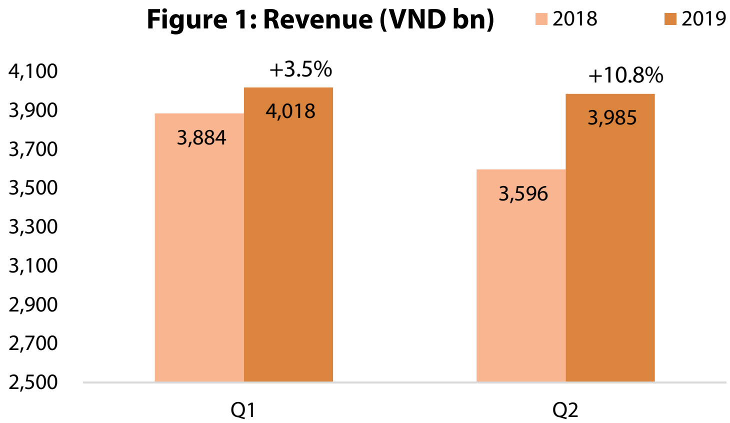
STOCK INFO	
Sector	Retail
Market Cap ($ mn)	168
Current Shares O/S (mn shares)	79
3M Avg. Volume (K)	101
3M Avg. Trading Value (VND Bn)	5.4
Foreign Ownership (%)	48.6
State Ownership (%)	0.0

FORECAST	2017A	2018A	2019F	2020F
Revenue	**13,147**	**15,298**	**17,195**	**18,875**
Growth (%)	21.1	16.4	12.4	9.8
NPATMI	**290**	**348**	**385**	**443**
Growth (%)	39.7	20.0	10.7	15.1
ROA (%)	6.8	7.7	5.9	6.2
ROE (%)	44.2	35.6	24.7	23.0
EPS (VND)	7,247	4,270	4,714	5,321
Book Value (VND)	19,911	16,673	19,539	23,675
Cash dividend (VND)	0	1000	1,000	1000
P/E (x)	N/A	14.5	10.6	9.4
P/B (x)	N/A	4.2	2.6	2.1

FRT – 6M 2019 review and forecast

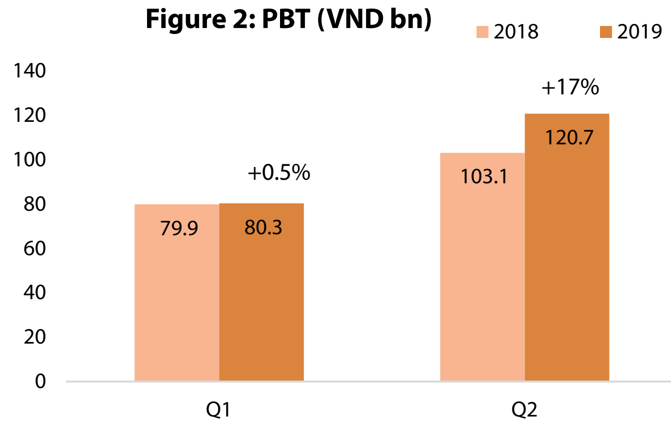
RONGVIET SECURITIES

Figure 1: Revenue (VND bn)



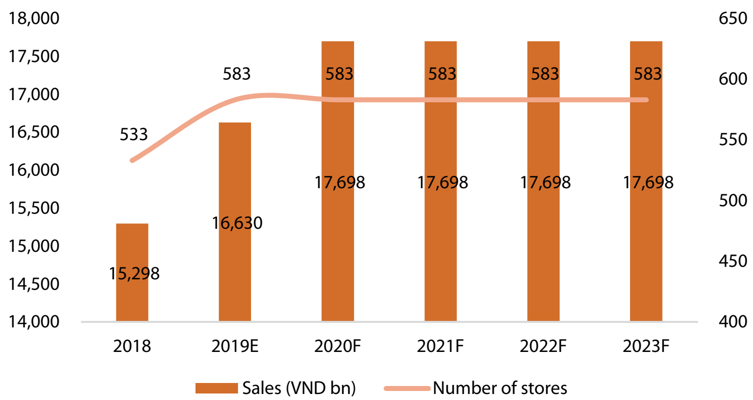
Source: FRT

Figure 2: PBT (VND bn)



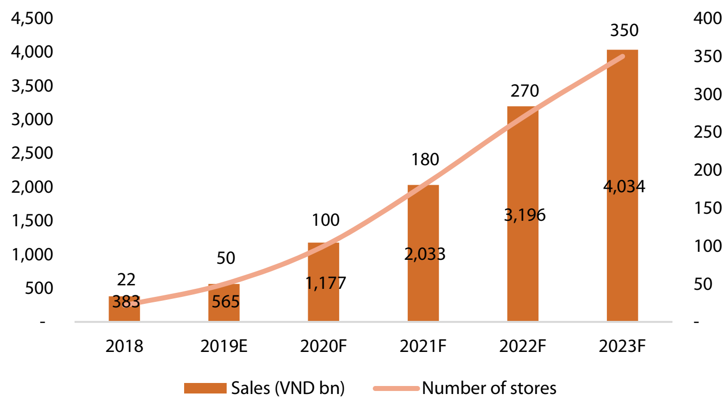
Source: FRT

Figure 3: FPT Shop's forecast



Source: Rong Viet Securities

Figure 4: Long Chau's forecast



Source: Rong Viet Securities

- In Q2, Apple's support policies in reducing price helped FRT to clear iPhone stock with a better margin.
- Also from April, FRT finished clearing inventory of old accessory that had high COGS, thus enjoyed higher gross margin in Q2.
- Only 25 new FPT Shops in 6M, behind the target of 100 new stores in 2019.
- In our base scenario, in 2023, Long Chau will have accounted for ~20% of FRT's revenue.

FPT – THRIVED FORWARD BY TECHNOLOGY

INVESTMENT RATIONALES

- **Fast-paced growth from Software outsourcing and Digital transformation (DT)**
  - Overseas market is the growth driver, leading by increasing demand for software outsourcing and DT, especially from developed countries those have high labor cost.
  - Synergy with Intellinet (acquired in 2018) enhanced FPT's abilities to provide all-in-one contracts, from DT implementing to consulting, which results in a higher profit margin.
  - Increasing in number of big clients helps strengthen FPT's profile. In conjuction, Vietnam's low labor cost and FPT's education system are advantages to maintain price competitive in software services.
- **Stable growth of Telecom services and potential from the Education segment.**
  - Number of broadband subscriptions just reaches 55% that of Vietnamese households -> room from the remaining. Additionally, reducing loss in Pay TV thanks to economy of scale.
  - FPT's Education delivers high profit margin and is growing fast, supporting by FPT Software for real-life practices and career opportunities.
- **Valuation rerating due to changes in profit structure**
  - Software outsourcing and DT are forecasted contribute nearly 43% total PBT in 2020, from just 25% in 2017. The volatile in earnings from FPT IS and FPT Trading is no longer significant. Hence, current P/E is undervalued, considering a better profit structure and the high growth.

RISKS TO OUR CALLS

- As the company is more dependent on global clients, unfavorable changes in international geo-politics are considerable risks
- Fierer competition from domestic telecoms could slow down FPT Telecom's growth.

BUY	**+26%**
CMP (VND)	**52,000**
Target price (VND)	**63,500**
Cash dividend in 12 months	*2,000*

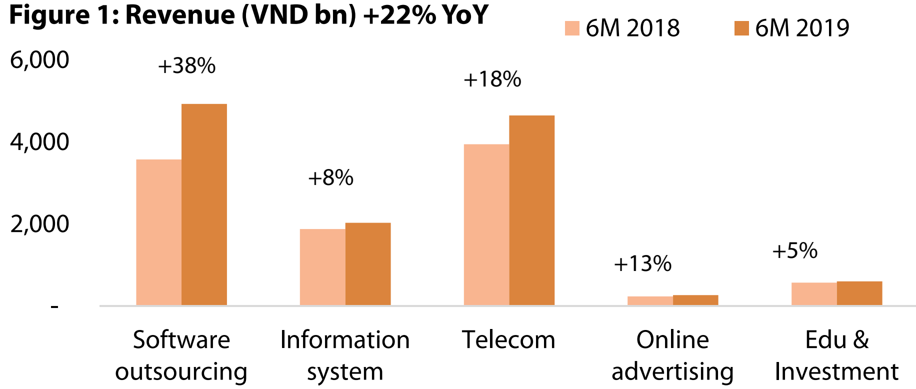
STOCK INFO	
Sector	Technology
Market Cap ($ mn)	1,514
Current Shares O/S (mn shares)	678
3M Avg. Volume (K)	1,648
3M Avg. Trading Value (VND Bn)	79.1
Foreign Ownership (%)	49.0
State Ownership (%)	5.4

FORECAST	2017A	2018A	2019F	2020F
Revenue	**42,659**	**23,214**	**28,598**	**32,927**
Growth (%)	7.9	(45.6)	23.2	15.1
NPATMI	**2,932**	**2,620**	**3,319**	**3,958**
Growth (%)	47.3	(10.6)	26.7	19.3
ROA (%)	10.7	9.6	10.7	11.4
ROE (%)	23.8	18.7	21.9	22.3
EPS (VND)	5,521	3,899	4,894	5,836
Book Value (VND)	21,520	20,322	22,424	26,245
Cash dividend (VND)	1000	1000	2,000	2000
P/E (x)	10.3	9.9	10.8	9.1
P/B (x)	2.3	1.8	2.4	2.0

FPT – Software services taking the lead

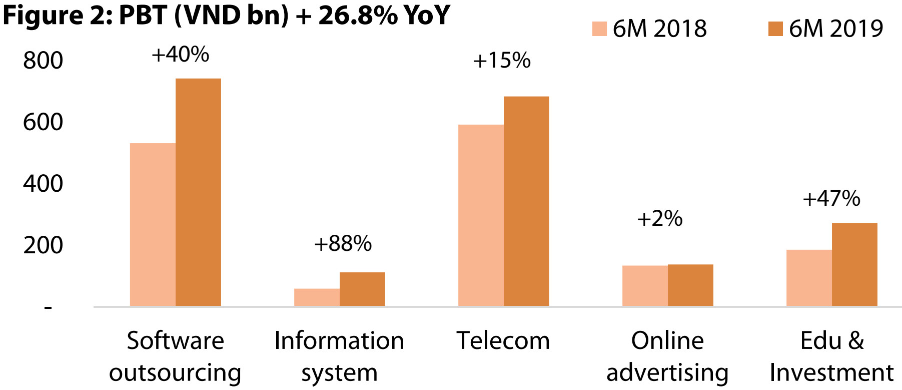
RONGVIET SECURITIES

Figure 1: Revenue (VND bn) +22% YoY



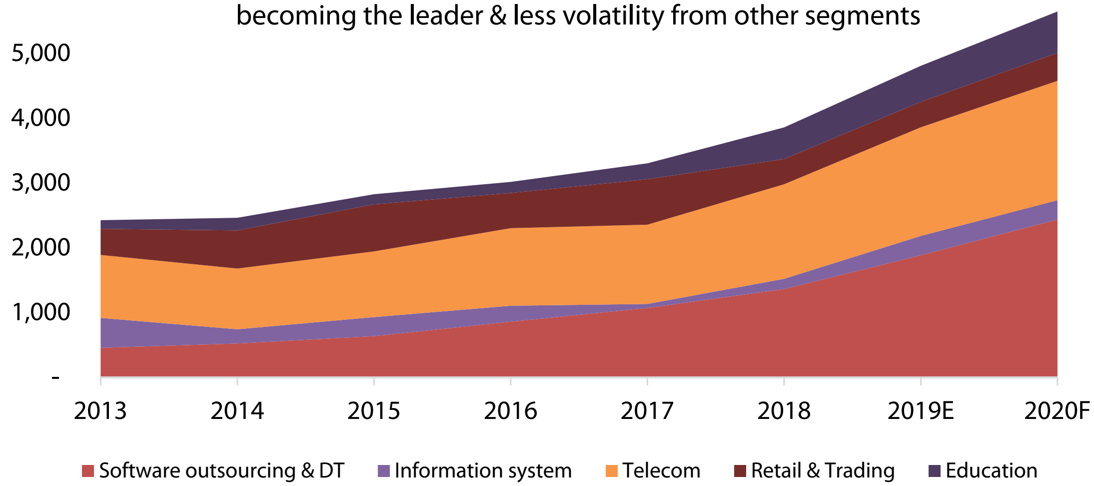
Source: FPT

Figure 2: PBT (VND bn) + 26.8% YoY



Source: FPT

Figure 3: Profit-before-tax structure (VND bn) – Software services becoming the leader & less volatility from other segments



Sources: FPT, Rong Viet Securities

**Adjusted out 2017's one-off income from FPT retail & FPT trading divestments*

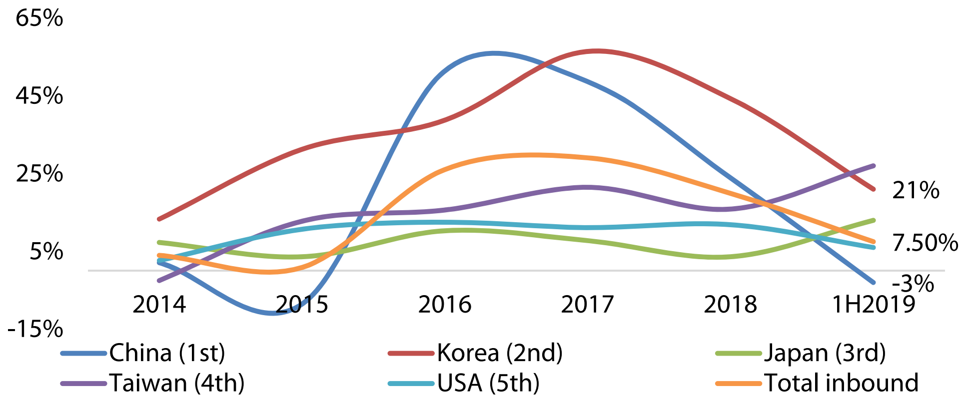
AVIATION INDUSTRY: Slowing Down

Tung Do – tung.dt@vdsc.com.vn

AVIATION INDUSTRY - REVIEW

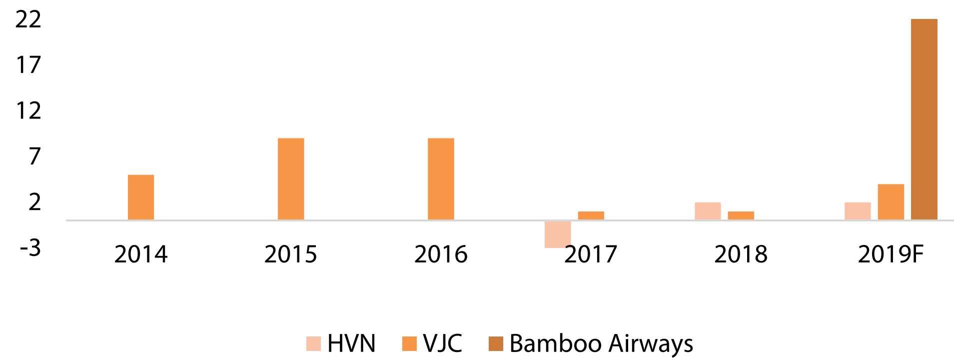
Pleasing Passenger Growth Amid Slowing Tourism Arrivals

Figure 1: Top 5 nations travel to Vietnam growth (YoY %)



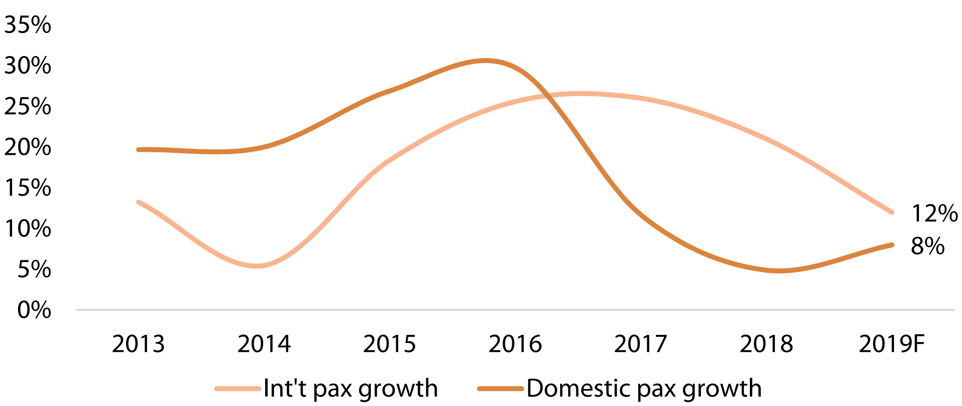
Source: GSO, Rong Viet Securities

Figure 2: Changes in domestic routes each year



Source: Company filing, Rong Viet Securities

Figure 3: Passenger growth (YoY %)



Source: ACV, Rong Viet Securities

In 6M2019, int'l pax growth maintained at around 14.0% YoY while domestic's was 7.6% YoY. Total passenger grew 9.6% YoY.

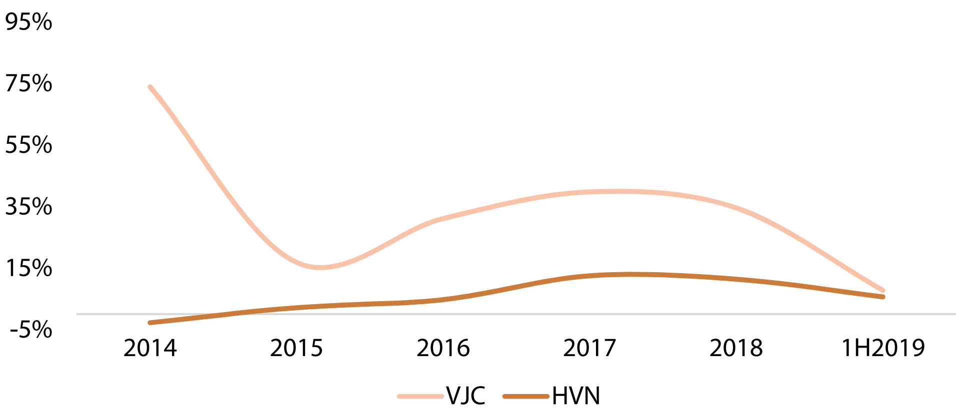
In 1H2019, Chinese travelers dropped 3% YoY but this decline was offset by Korean arrivals (+21% YoY). For 2019, we think that int'l passenger growth is unlikely to recur last year's strength (+21% YoY) due to weaker Chinese arrivals (29% foreign travelers to Vietnam).

Though domestic aviation market has decelerated in recent years as airlines prioritized international routes, we expect domestic passenger growth to pick up in the 2H thanks to additional capacity from newcomer Bamboo Airways with more new 20 domestic routes opened by May 2019.

AVIATION INDUSTRY - REVIEW

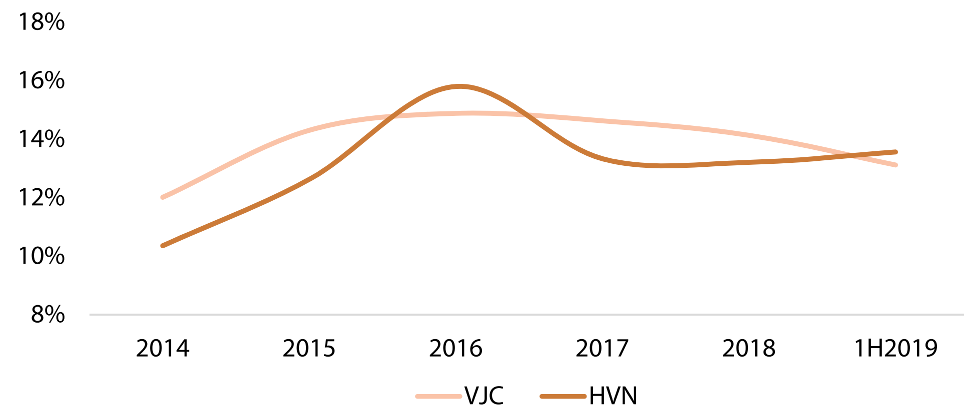
Industry Dynamic Is Changing

Figure 4: Airliners' transport revenue growth (YoY %)



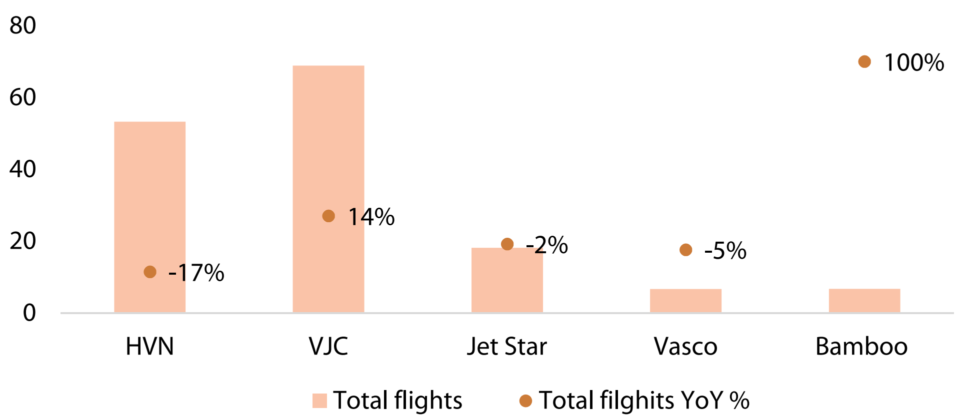
Source: Parent company filing, Rong Viet Securities

Figure 5: Airliners' GPM



Source: Parent company filing, Rong Viet Securities

Figure 6: Total flights exploited by airliners in 6M2019 (thousand)



The new entrant, Bamboo Airways, has started to heat up the competition by offering the lowest price domestic for domestic routes.

The two current key players have experienced slower growth in transportation revenue.

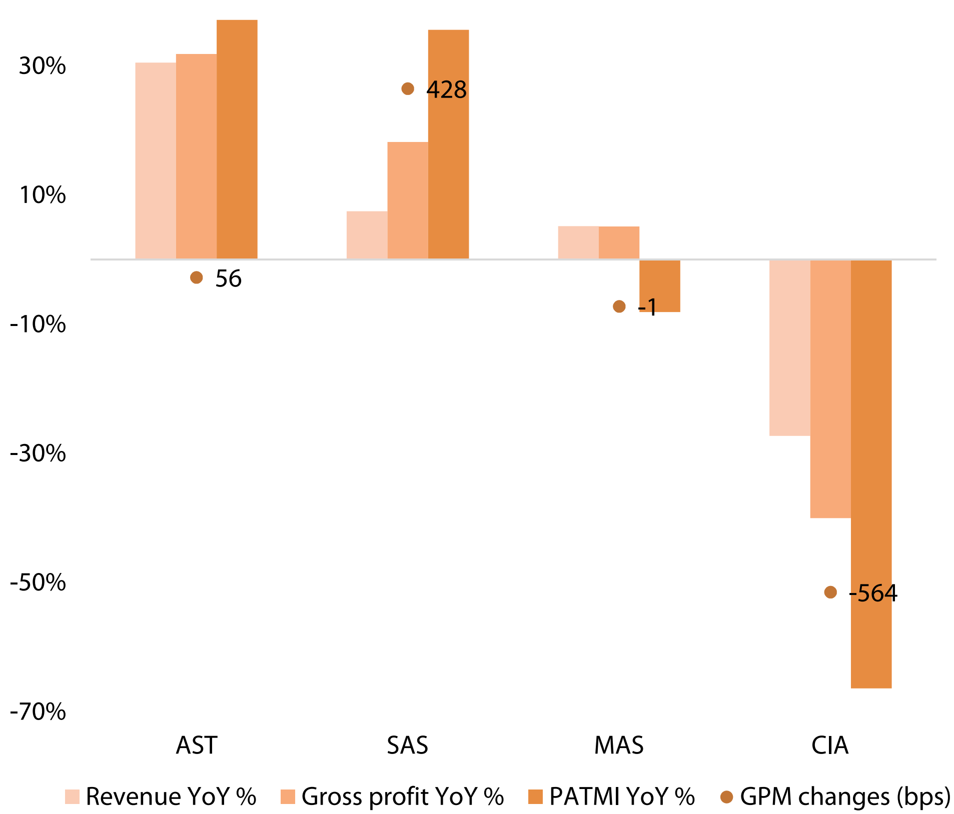
VJC's and HVN's GPM contracted by 28 bps YoY and 93 bps YoY despite of lower average jet fuel in 1H2019 compared to last year (-5% YoY).

Bamboo Airways, is operating 10 aircrafts (approved fleet size of 30 aircrafts) in 24 domestic routes. The company is ordering 24 A321-Neo and 20 B787-9. It is expected that Bamboo will open international routes by the end of 2019.

AIRPORT RETAILING SEGMENT - REVIEW

Mixed results

Figure 7: 6M2019 Revenue, gross profit and PATMI growth



Source: Company filing, Rong Viet Securities

- **AST:** Retail segment (selling general goods, fastfood and restaurants at airports) grew well and better than our expectation. This segment's revenue and gross profit surged 33% YoY and 52% YoY, respectively. This was mainly thanks to some Point-of-Sales (POS) were renovated in 2Q2018. Besides, newly-acquired high margin segment, duty-free shops, started to contribute profit to the company. These two segments mitigated the depreciation in A la Carte Da Nang Hotel (-61% YoY in gross profit) as the hotel industry in Da Nang gets more competitive.

- **SAS** (main businesses are duty-free and CIP lounges at Tan Son Nhat and Cam Ranh Airport): CIP Lounge segment lifted business results with a growth +25% YoY in gross profit as the new CIP Lounge in Cam Ranh Airport (since July 2018) began to contribute profit to the company. Duty-free segment's gross profit also experienced positive growth of 11%.

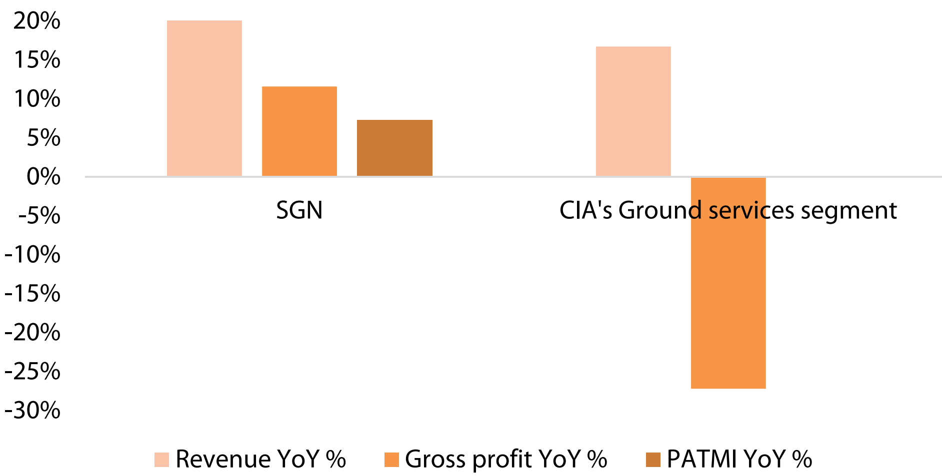
- **MAS** (operates airlines catering services and retailing in Da Nang and Cam Ranh Airport) Revenue growth stayed nearly flat of 5% YoY but SG&A expenses climbed 11% YoY (additional costs from Da Nang air meals production plant upgrade) led to a drop of 8% in PAT.

- **CIA** (Airport retailer at Cam Ranh Airport) is no longer record duty-free sales, the former largest profit generating segment, from June 2018. This segment was ceased to operate due to CIA wasn't able to lease selling space in the new international terminal at Cam Ranh Airport (which is operated by the company under the same group with SAS above). Its 2 other segments are restaurants and ground handling also declined 1% YoY and 27% YoY in gross profit, respectively. These downturn in business led to a plummet of 66% in PATMI for 1H2019.

GROUND HANDLING SEGMENT - REVIEW

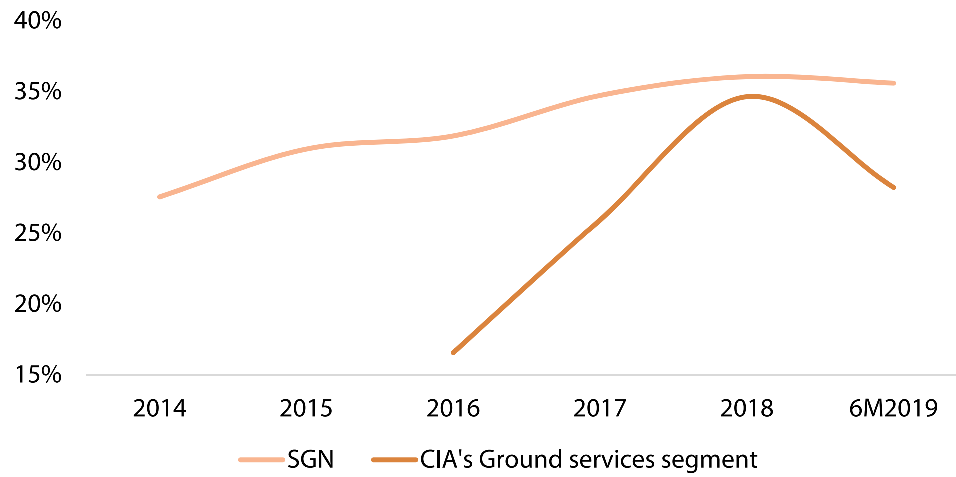
Revenue maintained strong growth, but profit did not

Figure 8: 6M2019 Revenue, gross profit, PATMI growth



Source: Company filing, Rong Viet Securities

Figure 9: 6M2019 Revenue, gross profit and PATMI growth



Source: Company filing, Rong Viet Securities

- SGN and CIA share Cam Ranh market. SGN's market is more diversified with the presence in Tan Son Nhat and Da Nang Airport.
- Contrary to a looming picture of int'l tourist arrivals, attractive tourism market like Cam Ranh, Da Nang still saw a pleasing growth in int'l flights and passengers growth of 13-15% YoY. This explained the hike in the top line of these two players.
- CIA's ground services witnessed a 27% drop in gross profit mostly due to higher of input costs (facilities leasing) in new international terminal (since July 2018).
- Thanks to a broader market exposure, SGN still saw a positive growth in earnings but at lower pace than previous years' results (PATMI's 2Y CAGR of 23%).

AVIATION INDUSTRY - REVIEW

Industry comparables (TTM)

Ticker	Sales Growth (%)	EBITDA Growth (%)	EBITDA Margin	Operating Income Margin	Net Income Growth (%)	Net Profit Margin	Capex/Sales (%)	Return on Invested Capital	Return on Assets	Return on Equity
ACV	16.3	21.1	65.6	40.9	50.3	38.1	12.6	12.2	12.0	19.7
VJC	26.7	13.5	12.4	12.1	4.9	9.9	1.5	30.8	15.0	43.2
HVN	16.7	14.3	10.2	5.0	-29.2	1.7	1.1	5.1	1.9	9.5
AST	27.7	23.6	25.3	22.2	33.6	19.5	4.1	30.4	26.4	36.5
SAS	12.2	20.4	11.5	9.7	11.1	12.3	2.1	11.8	14.9	18.7
MAS	0.4	3.9	15.2	8.2	14.5	5.7	7.0	16.2	9.7	20.3
CIA	-42.5	-61.7	13.8	7.4	-75.5	5.4	8.3	5.0	3.5	5.3
NAS	9.0	14.4	7.2	3.3	20.0	4.7	3.3	6.8	8.0	18.5
SGN	15.4	22.7	33.5	28.1	26.3	20.6	5.4	47.0	31.7	47.4
NCS	3.2	-23.7	14.2	10.3	-44.2	7.3	21.3	12.1	8.2	17.7

Source: Bloomberg, RongViet Securities

AST – THE MOST OUTPERFORMING AIRPORT RETAILER

INVESTMENT RATIONALES

- **All-rounder player in the market with an expanding profit margin**
  - Business network spans across 7 airports throughout Vietnam with a system of general goods, souvenir stores; F&B point-of-sales; restaurants; duty-free shops. Though its JV, AST also participate in air meals production.
  - Dominant airport retailer in Da Nang with support from mother group as an operator of Da Nang International terminal.
  - We expect the GPM to rise in 2019-2020 thanks to (1) the new source of profit from duty-free segment, (2) higher utilization of current sale points backed by resilient pax growth.
- **New Point-of-Sales to maintain long-term growth track**
  - 2 POSs in Tan Son Nhat, 4 more POSs in Phu Quoc in 3Q2019.
  - One business lounge in Noi Bai domestic terminal and another one in Da Nang Int'l Terminal in 4Q2019.
- **Airlines catering JV, VinaCS, is now a profit contributor**
  - Thanks to new clients in 2019 (VJC, Bamboo airways, Philippines Airlines), this entity turned profitable in 2Q2019, after 2 years of operation.

RISKS TO OUR CALLS

- Lower-than-expected retail sales growth.
- Low efficiency from non-relating business investment.

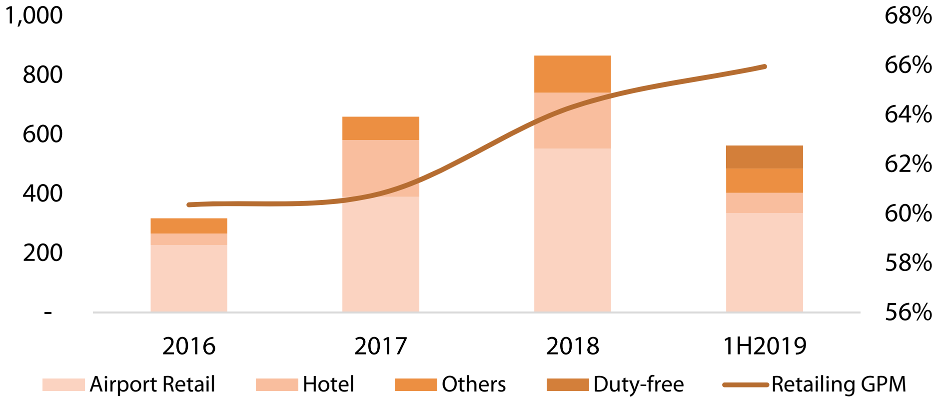
ACCUMULATE +17%

CMP (VND)	**65,600**
Target price (VND)	**75,000**
Cash dividend in 12 months	*2,000*

STOCK INFO	
Sector	Industrial Goods & Services
Market Cap ($ mn)	127
Current Shares O/S (mn shares)	45
3M Avg. Volume (K)	113
3M Avg. Trading Value (VND Bn)	7.2
Foreign Ownership (%)	34.3
State Ownership (%)	0.0

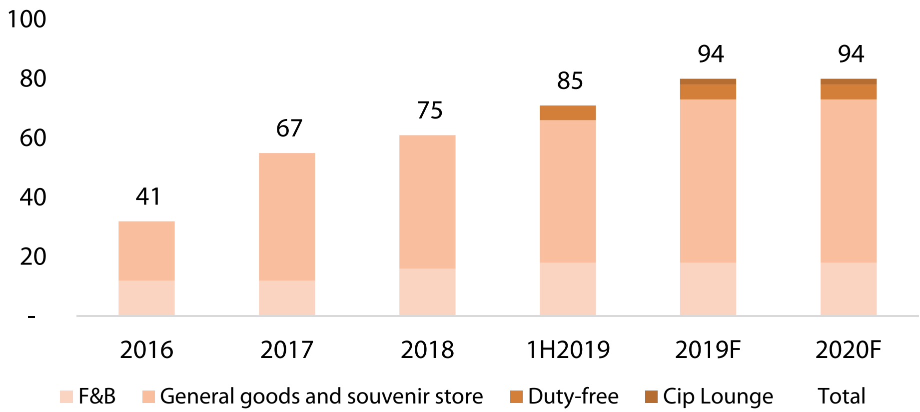
FORECAST	2017A	2018A	2019F	2020F
Revenue	659	865	1,146	1,375
Growth (%)	*108.0*	*31.2*	*32.5*	*20.0*
NPATMI	147	161	198	234
Growth (%)	*236.1*	*9.2*	*23.3*	*18.1*
ROA (%)	29.6	24.9	21.2	21.5
ROE (%)	43.9	31.4	25.9	26.7
EPS (VND)	3,970	1,525	4,411	5,211
Book Value (VND)	12,924	15,253	17,013	20,468
Cash dividend (VND)	2,500	1,500	2,000	2,000
P/E (x)	16.6	15.2	14.9	12.6
P/B (x)	5.1	4.3	4.4	3.7

Figure 1: 1H2019 Results (VND Bn)



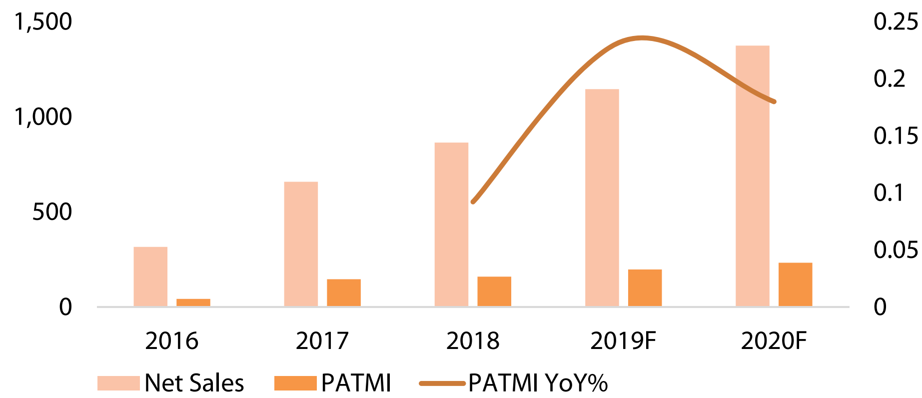
Source: AST, Rong Viet Securities

Figure 3: Total point-of-sales by type



Source: AST, Rong Viet Securities

Figure 2: Forecasted results (VND Bn)



Source: AST, Rong Viet Securities

- 2020 NPATMI of VND 234 Bn (+18% YoY), 2020 EPS: VND 5,211.
- 2Y Core NPATMI annualized growth rate of 20 %. Target P/E multiple of 14x, equivalent to PEG ratio of 0.7.
- **Target price: VND 75,000/share.**

RONG VIET SECURITIES

AUTOMOBILE INDUSTRY: Brighter But More Competitive

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AUTOMOBILE INDUSTRY - REVIEW

Automobile supply recovered substantially in 1H 2019

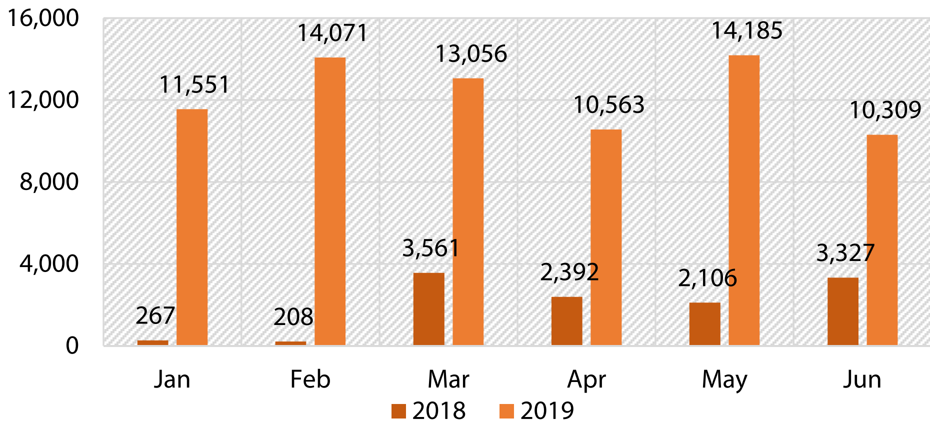
Auto supply in 2018 was weak

- In 8M 2018, the auto market faced difficulties in importing Completely Built-Up (CBU) cars due to the requirement of Vehicle Type Approval (VTA) certification under Decree 116, resulting in a fall of 13% YoY in 2018 CBU car supplies.

The auto industry witnessed an upsurge in car supply in 1H 2019

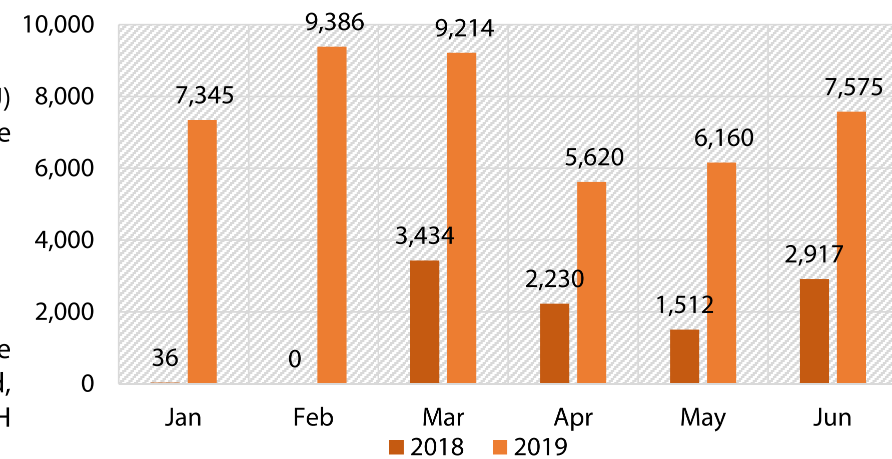
- Since late 2018, most producers that export cars to Vietnam met the requirements.
- Thanks to a removal of tariffs under ASEAN Trade in Goods Agreement (ATIGA), the number of cars imported from ASEAN nations, especially Indonesia and Thailand, witnessed a surge, intensifying the improvement in auto supply of total market in 1H 2019.

Figure 1: The number of imported cars in 1H 2018-2019



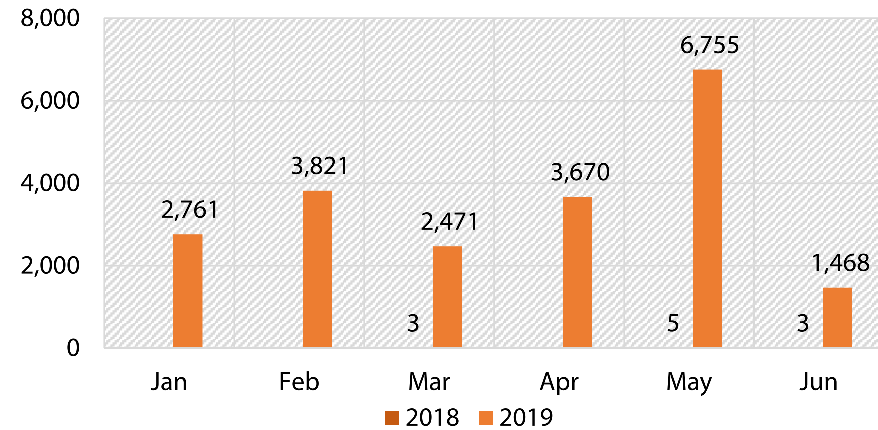
Source: Department of Customs, Rong Viet Securities

Figure 2: The number of imported cars from Thailand in 1H 2018-2019 *(unit)*



Source: Department of Customs, Rong Viet Securities

Figure 3: The number of imported cars from Indonesia in 1H 2018-2019 *(unit)*



Source: Department of Customs, Rong Viet Securities

AUTOMOBILE INDUSTRY - REVIEW

High demand and the decline in selling price boosted sales volume of auto market in 1H 2019

Demand for autos remains strong

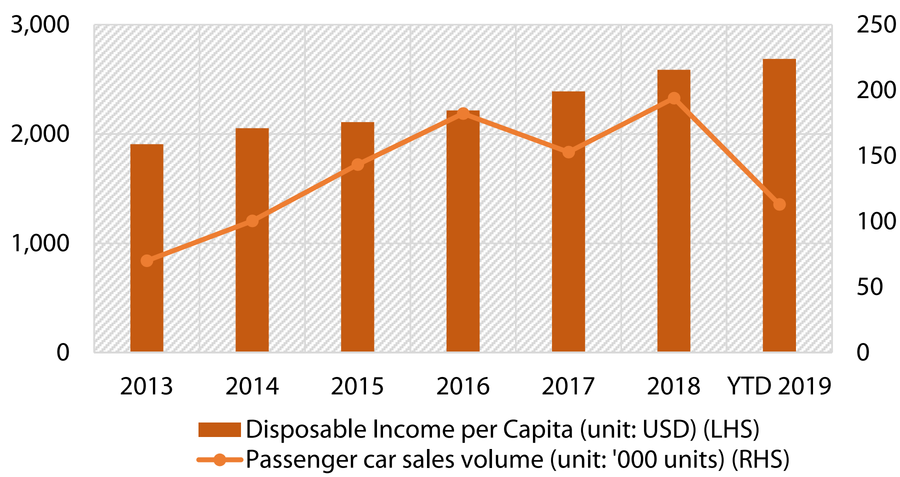
- 2018 weak car supply did not meet high demand, increasing the need of automobiles in 2019.
- Vietnam's disposable income per capita has improved quickly over the last five years and the trend may be ongoing from 2019 onwards.

Selling price of auto witnessed a strong decline in 1H 2019

- After the removal of tariffs under ATIGA, prices of autos coming from Indonesia and Thailand, ranging from VND 300 to 500 million, are suitable for income of most domestic residents. In addition, customers may have more choices due to a wide diversity of models from Indonesia and Thailand.
- The automotive outlook for the market in 1H 2019 was brighter but more competitive. Therefore, car dealers approached big promotions and decreased selling prices.

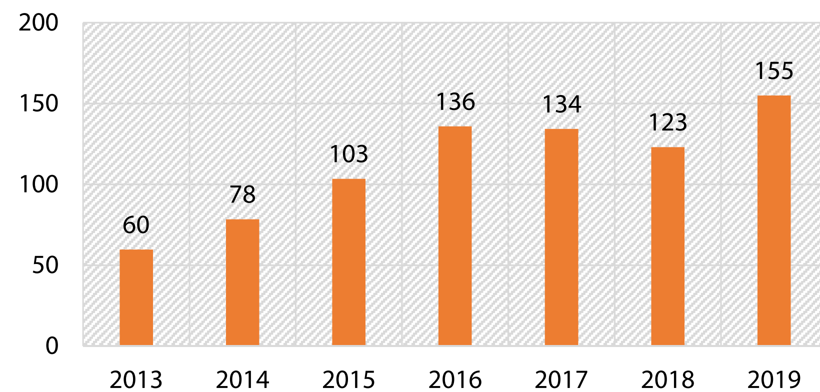
=> Sales volume of automotive market witnessed a surge of 21% to 154 thousand units in 1H 2019.

Figure 4: Disposable income growth



Source: VAMA, GSO, Rong Viet Securities

Figure 5: Total sales volume in the 1H of the 2013-2019 period *('000 units)*



Source: VAMA, Rong Viet Securities

AUTOMOBILE INDUSTRY - REVIEW

Stiff competition in the auto market has dragged gross profit margin (GPM) of car dealers down in 1H 2019

- In 1H 2019, revenue of most car dealers witnessed an increase thanks to high demand and supply in the auto market.
- However, high supply made competition in the market stiffer. Hence, many car dealers decreased selling prices in order to maintain market share and avoid high inventory levels, resulting in a fall in their GPM.

Turning to 2H 2019, we believe that competition remains fierce and even increase. However, we believe that middle-car dealers may face more intense competition than luxury car dealerships, as:

o High-end car class targets affluent customers, who often prioritize their favorite brands over selling price.

o Luxury auto customers have fewer choices than middle-class ones in terms of car dealerships and models.

Figure 6: Revenue from auto business of car dealers in 1H 2018-2019 *(billion VND)*

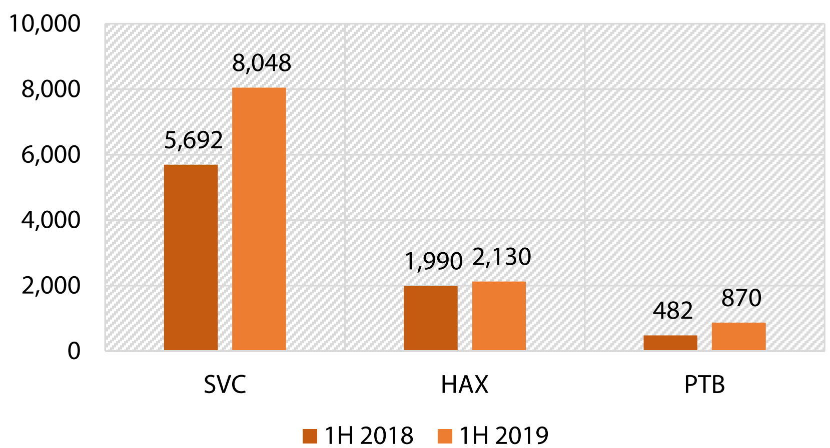
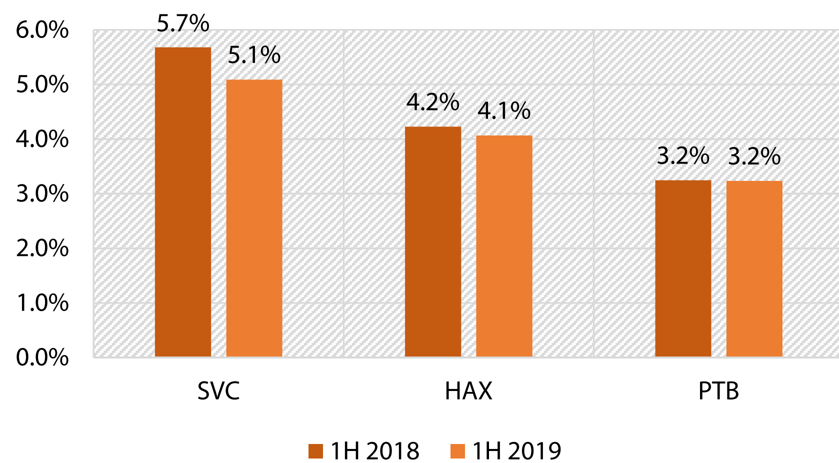


Figure 7: GPM of car business in 1H 2018-2019



Source: Rong Viet Securities

AUTOMOBILE INDUSTRY - REVIEW

Industry comparables (TTM)

Ticker	Sales Growth (%)	EBITDA Growth (%)	EBITDA Margin	Operating Income Margin	Net Income Growth (%)	Net Profit Margin	Capex/Sales (%)	Return on Invested Capital	Return on Assets	Return on Equity
HAX	18.5	15.3	2.2	1.3	2.1	1.9	7.5	3.5	5.7	23.4
SVC	31.1	105.8	2.0	1.6	98.0	1.1	1.2	8.2	4.6	18.3
HHS	-33.0	80.1	13.8	13.3	19.4	22.6	0.2	2.7	5.1	5.7
HTL	-1.0	-13.7	2.6	1.7	-29.2	2.2	0.3	3.5	4.0	9.0

HAX – Current valuation is relatively fair

INVESTMENT RATIONALES

- **Sales volume of HAX has benefited from strong position of MBV**
  - Since early 2019, Lexus and Audi import rebound, and BMW returned to auto industry. However, competitive advantages of MBV over its competitors such as sales policy and distribution system made competition pressure on MBV low. In 1H 2019, MBV still remains the leading player in the luxury automobile industry.
- **The recovery in auto supply and high demand are expected to boost 2019 sales volume of HAX.**
  - Car supply recovered in 1H 2019. In addition, demand in 2019 still remains strong as: (1) limited supply in 2018 has not met the high demand for luxury cars, (2) 'affluent' population is growing strongly. We estimate that sales volume of HAX in 2019 will reach around 2,700 units (+15% YoY).
- **Market share of HAX remained stable thanks to its competitive advantages**
  - Firstly, HAX owns showrooms at favorable locations. In addition, the firm has better human resource management policy than its competitors.
  - HAX got a significant expansion in market share to 38% from only 27% in 2017 and remained stable at 38% in 1H 2019.
- **Current valuation is relatively fair**
  - At current market price, HAX is trading at a P/E forward ratio of 7.0x, which we consider quite fair despite its business prospect.

RISKS TO OUR CALLS

- The unpredictable amount of incentives makes quarterly earnings of HAX highly volatile.
- The competition in the high-end auto market could be fiercer than expected, resulting in lower GPM than our forecast.

NEUTRAL +2%

CMP (VND)	**20,600**
Target price (VND)	**19,600**
Cash dividend in 12 months	*1,500*

STOCK INFO	
Sector	Automobiles & Parts
Market Cap ($ mn)	33
Current Shares O/S (mn shares)	37
3M Avg. Volume (K)	121
3M Avg. Trading Value (VND Bn)	2.0
Foreign Ownership (%)	9.1
State Ownership (%)	0.0

FORECAST	2017A	2018A	2019F	2020F
Revenue	3,833	4,756	5,328	5,877
Growth (%)	33.1	24.1	12.0	10.3
NPAT	84	99	108	120
Growth (%)	8.1	17.0	9.6	11.4
ROA (%)	5.7	5.4	6.1	6.8
ROE (%)	21.8	21.9	21.4	21.0
EPS (VND)	3,611	2,815	2,952	3,289
Book Value (VND)	11,017	12,832	13,790	15,644
Cash dividend (VND)	-	1,500	1,500	1,500
P/E (x)	9.7	7.3	7.0	6.3
P/B (x)	1.4	1.6	1.5	1.3

HAX – Gross profit margin (GPM) has declined slightly due to high competition

RONGVIET SECURITIES

Revenue and earnings saw a divergence in 1H 2019

- Thanks to high demand and supply, sales volume of HAX witnessed an increase of 10%YoY to 1,150 units in 1H 2019, resulting tin a 10% improvement in revenue.
- A strong increase in car supply intensified the competition in the market, leading to a slight decline in 1H 2019 gross profit margin of HAX's automobile business from the high base of 1H 2018.

This situation will still happen in 2H 2019

- For 2H 2019, despite an improvement in sales volume, we believe that the competition remain high, dragging GPM of the company in 2H 2019 from the high base of 2H 2018.

Figure 1: Sales volume of HAX in 1H in the 2018-2019 period *(cars)*

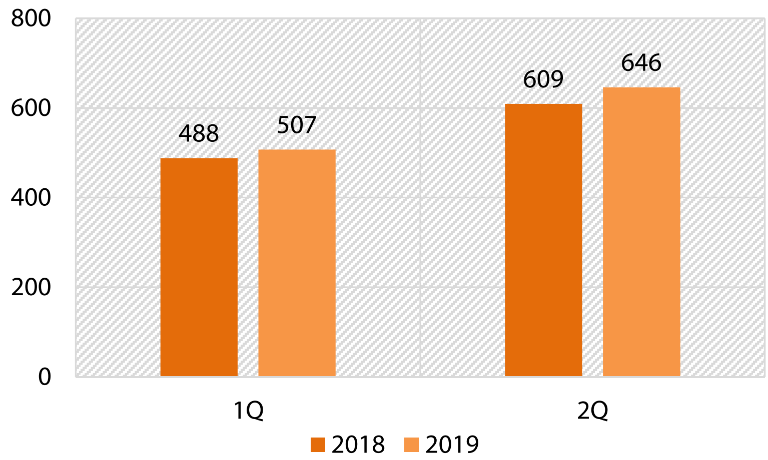
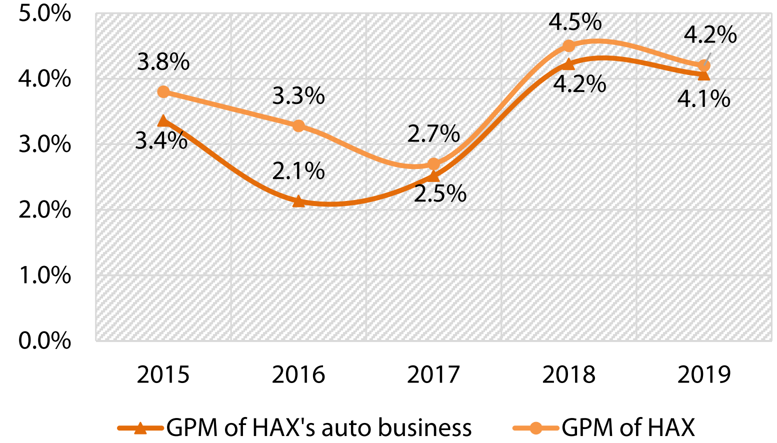


Figure 2: GPM of HAX's car business and the company in 1H of 2015-2019



Source: HAX, Rong Viet Securities

DRC – Expansion in export market boosts sales volume

INVESTMENT RATIONALES

- **Sales volume of radial tires is supported by expansion of export markets**
  - Sales volume from current export markets is stable. DRC is supplying 20 thousand tires/months to Brazilian market and 7-10 thousand tires/month to Asian market.
  - Since 2Q 2019, DRC started to export to US market with volume of 8-10 thousand tires/ month, contributing to 20% of 2019 forecasted sales volume of radial tires.
- **The decrease in sales volume of bias ties is expected to be slight**
  - Competition in bias tire market is low.
  - The shift from bias tires to radial ones is moderate in the short and middle term.
- **DRC's prospect from 2021 onward to enhance significantly**
  - By 2020, equipment of phase 1 of radial factory will be fully depreciated. Hence, from 2021onward, in our estimation, depreciation expense would decline VND 150 billion per year, resulting in a 30% CAGR of earnings in 2018 – 2021 period.
  - The company has some loans coming due in 2019 - 2020, resulting in lower debt repayment pressure from 2021 onwards. Hence, we believe that FCFE from 2021 will expand significantly, enabling the company to pay high cash dividend to shareholders.

RISK TO OUR CALLS

- Uncertainty remains over whether Brazil's anti-dumping duties on Chinese tires, overdue at the end of 2019, will be extended. DRC may face fierce competition from Chinese tires.

ACCUMULATE +13%

CMP (VND)	**21,600**
Target price (VND)	**23,600**
Cash dividend in 12 months	*1,000*

STOCK INFO	
Sector	Automobile & Parts
Market Cap ($ mn)	110
Current Shares O/S (mn shares)	119
3M Avg. Volume (K)	293
3M Avg. Trading Value (VND Bn)	6.0
Foreign Ownership (%)	23.3
State Ownership (%)	50.5

FORECAST	2017A	2018A	2019F	2020F
Revenue	**3,669**	**3,551**	**3,875**	**4,101**
Growth (%)	9.2	-3.2	9.1	5.8
NPAT	**166**	**139**	**155**	**181**
Growth (%)	-58.0	-16.5	11.9	16.7
ROA (%)	5.9	4.9	5.5	7.0
ROE (%)	10.9	9.1	10.1	11.5
EPS (VND)	1,286	1,085	1,214	1,416
Book Value (VND)	12,853	12,819	12,938	13,193
Cash dividend (VND)	1,300	900	1,000	1,000
P/E (x)	18.8	19.8	17.0	14.5
P/B (x)	1.9	1.7	1.6	1.6

DRC – The increase in selling price and expansion in export market boosted sales volume

RONGVIET SECURITIES

Figure 1: Sales Volume of Radial and Bias tires (thousand tires)

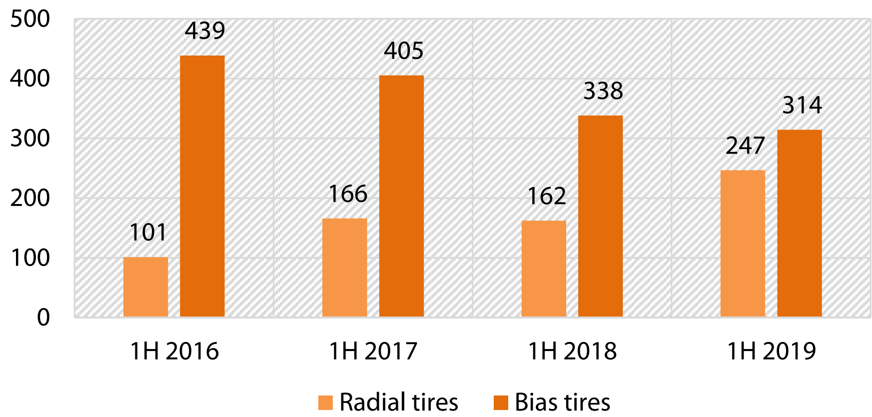
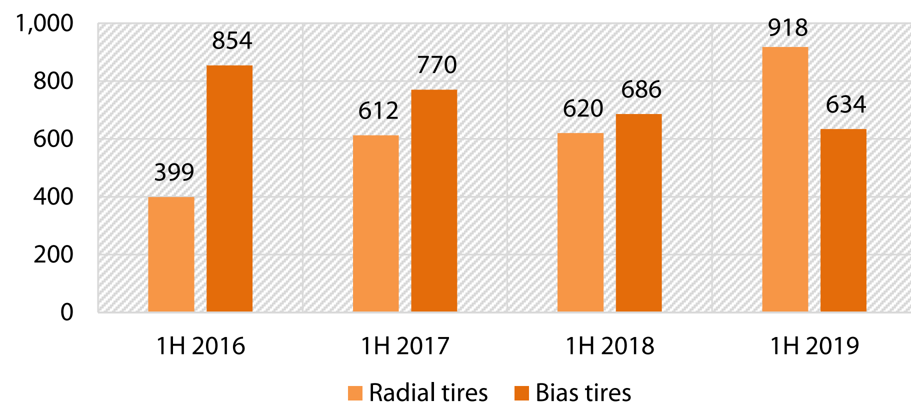


Figure 2 : Revenue of Radial and Bias tires (VND bn)



Source: DRC, Rong Viet Securities

In 1H 2019, DRC reported revenue of VND 1,920 bn (+16% YoY); NPAT of VND 139 bn (+17% YoY)

- Selling volume of radial tires saw a strong improvement of 52% YoY to 246 thousand tires as:
    - Capacity of radial factory doubled to 600 thousand tires/year since July 2018
    - The 5% increase in selling price in April 2019 made distributors accumulate a large number of tires
    - Since March 2019, DRC started to export to US market with volume of 8-10 thousand tires/ month, contributing to 16% of 1H sales volume of radial tires
- Sales volume of bias tires reached 314 thousand tires (-7% YoY) due to the trend of shift to radial tires. However, as a 5% increase in selling price of bias tires in March 2019 made distributors accumulate a large number of tires, the decline in 1H sales volume was slight.

DRC – We expect relative stability in 2H 2019 performance

We expect relative stability in 2H 2019 performance

- Compared to 1H 2019, sales volume of 2H 2019 is forecasted to decrease slightly as distributors accumulated a large number of tires in 1H 2019.
- Exports in 2H 2019 is expected to remain stable.

Despite stiff competition in domestic market, we still expect a growth in 2019 performance thanks to expansion in export markets and increase in selling price

- We forecast 2019 revenue and NPAT will reach 3,875 billion (+9%) and 155 billion (+12% YoY).

Table 1: Forecasted sales volume of DRC's core products *(in thousand units)*

Types	2017	2018	2019F	Change YoY	Note
Heavy truck bias tires	168	162	154	-5%	• A moderate short-term shift from bias tires to radial ones • Low competition in bias tire market • Their ability to tackle rough roads in rural areas in Vietnam
Heavy truck radial tires	333	376	469	25%	• Export: 70%, Domestic market: 30%
Light truck bias tires	664	493	458	-7%	• 12% lower prices compared to LTRs => Slight switch to LTRs
Light truck radial tires (LTRs)		0.7	1.1		• No OEM deal is expected to sign

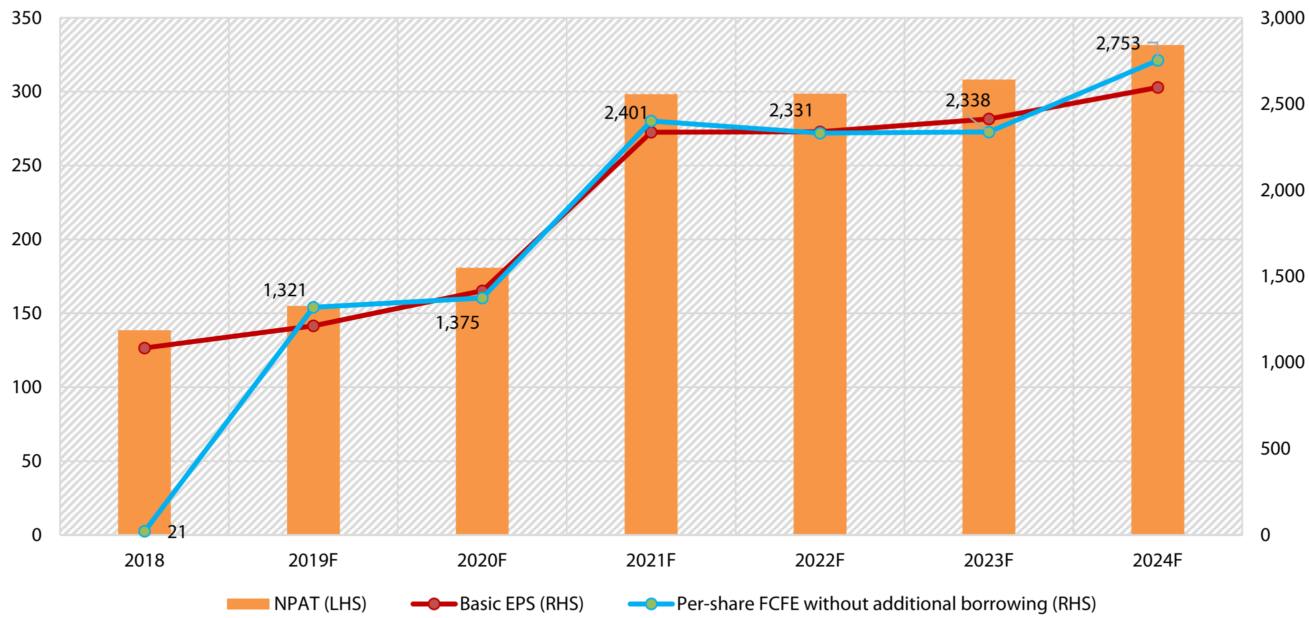
Source: Rong Viet Securities forecasts

DRC – Positive outlook from 2021 onwards

RONGVIET SECURITIES

- **Impressive growth in 2021 earnings**
  - By 2020, depreciation expense would decline VND 150 billion/year resulting in a 30% CAGR of earnings in 2018 – 2021 period.
- **Free cash flow from 2021 would be high**
  - DRC has some loans coming due in 2019 - 2020, resulting in lower debt repayment pressure from 2021 onward. Hence, we believe that FCFE from 2021 will expand significantly, enabling the company to pay high cash dividend to shareholders.

Figure 3: DRC's per-share FCFE and per-share earnings



Source: DRC, Rong Viet Securities forecasts

INSURANCE INDUSTRY: Conservative Growth

Tam Pham – tam.ptt@vdsc.com.vn

LIFE INSURANCE SECTOR - REVIEW

Product mix is adjusted to adapt to low G-bond yield environment

Sector's life insurance premium growth is slowing down, affected by the biggest player, BVH

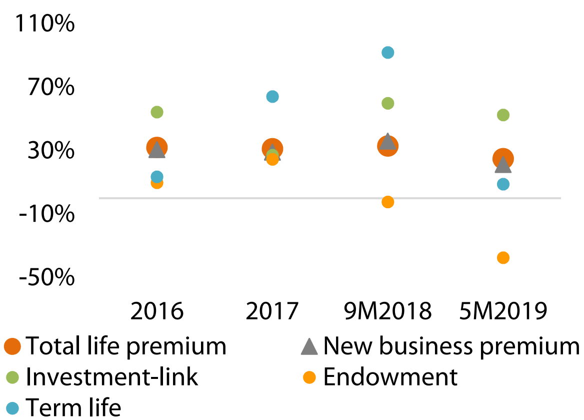
- Total gross premium in 5M2019 posted VND 36,853 bn (+25% YoY). The growth rate was dragged down by BVH's cautious growth (+18% YoY).

Changes in product mix of new business premium

- New business premium was VND 12,066 bn (+21% YoY). Universal life kept the role of the key growth driver of new business insurance with a growth rate of 52% YoY. This is mainly because of the effect of Decree 151/2018 (see next slide), beside the market demand.

- New business premium of endowment plummeted 38% YoY. As this product has interest-sharing term, decreasing sales of this product can reduce new mathematical provision expense in a declining G-bond winning yield environment.

Figure 1: 5M2019 Industry growth



Source: Insurance Supersision Agency (ISA), Rong Viet Securities

Figure 2: Product mix of new business premium

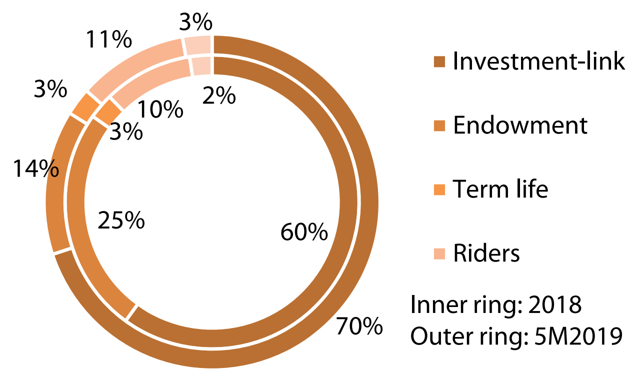
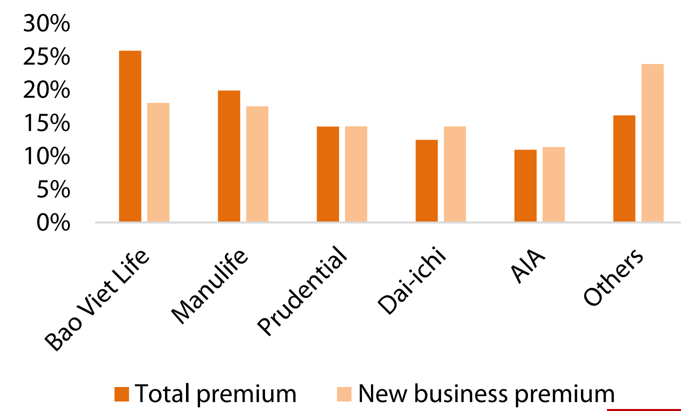


Figure 3: Market share of life insurers



Product mix is adjusted to adapt to low G-bond yield environment

Changes in regulation facilitate business

- ***Circular 01/2019/TT-BTC***, amended some articles of Circular 50/2017/TT-BTC, lessens mathematical provision burden of life insurers: the formula of the discount rate in mathematical provision calculation (the higher the discount rate the lower mathematical provision), has been changed:
    - Circular 50/2017/TT-BTC: Discount rate = Average interest rate of G-bonds of the terms of 10 years or more issued within the last 6 months x 70%
    - Circular 01/2019/TT-BTC: Discount rate = Average interest rate of G-bonds of the terms of 10 years or more issued within the last 24 months x 80%
    - Given G-bond's winning yields has declined remarkably since the beginning of 2018, the adjustment in the averaging period from 6 months to 24 months could prevent large fluctuations in profit.
- ***Decree 151/2018/ ND-CP***, effective from Nov 2018, amended some articles of Decree 73/2016/ ND-CP and Decree 67/2014/ND-CP, revoked the requirement that agents must have experience in insurance advising or working in the finance, banking and insurance industry, to be qualified for universal life advising. This has supported the surge in 5M2019 new business premium of investment-link product.
- ***2019 Amended Law of Insurance Business***, effective from Nov 2019, promulgated legal framework for insurance supporting services (consultancy, actuary, risk assessment, loss assessment, etc.)

NON-LIFE INSURANCE SECTOR - REVIEW

Diverged business strategy in an aggressively competitive market

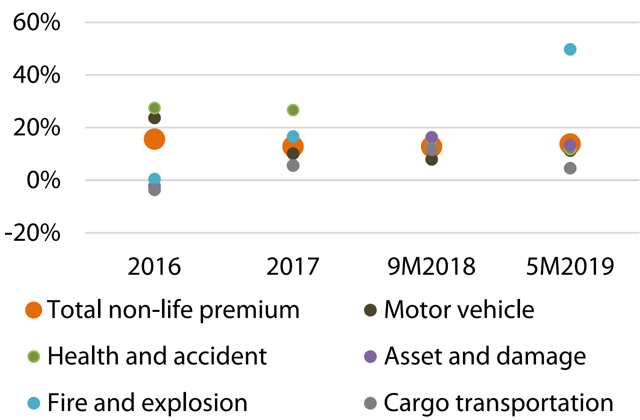
Non-life premium came at VND 20,483 bn, +13.8% YoY, of which fire and explosion premium shot up 50% YoY thanks to Decree 23/2018/ND-CP on obligatory insurance for apartment buildings.

Market shares of top 5 companies are shrinking. While new and small companies compete for market share by boosting sales and ignoring risks, thus suffer large losses, large companies have been restructuring product mix and selecting customers for profit orientation.

State divestment is arousing M&A activities

- Non-life insurance products are virtually similar in all domestic companies. Foreign insurers, who can offer distinctive products for better profits, are eyeing the Vietnam market. The young and fiercely competitive market makes the partnership model with a local insurers the fastest way for foreign insurers to enter the market.
- Potential deals in 2019: HDI Global could buy major stake at PVI from PVN and BMI is attractive to foreign insurers when SCIC and AXA want to sell their stakes. Historically, foreign insurers usually paid a premium to become minor shareholders in Vietnamese non-life insurance companies.

Figure 4: 5M2019 Industry growth



Source: ISA, RongViet Securities

Figure 5: Product mix

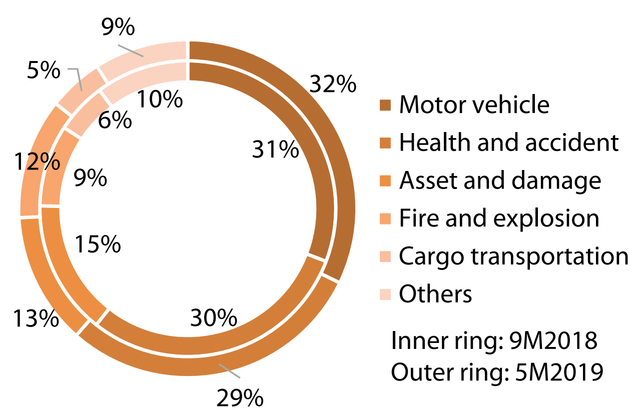
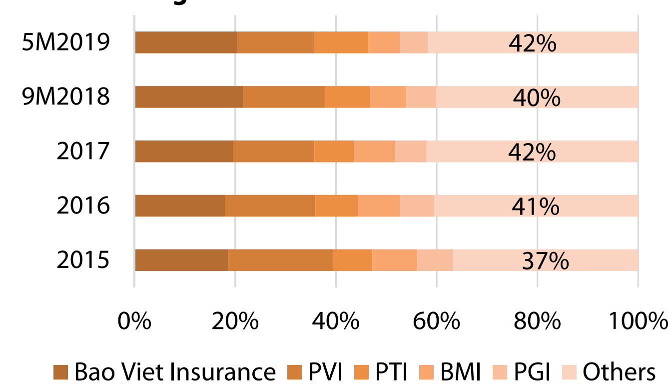


Figure 6: Market shares of 5 largest players are shrinking



INSURANCE INDUSTRY - REVIEW

Industry comparables (TTM)

Ticker	Sales Growth (%)	EBITDA Growth (%)	EBITDA Margin	Operating Income Margin	Net Income Growth (%)	Net Profit Margin	Capex/Sales (%)	Return on Invested Capital	Return on Assets	Return on Equity
BVH	16.2	-21.9	-13.5	5.5	-19.9	2.8	0.4	15.8	0.9	6.8
PVI	38.3	69.1	15.6	15.8	59.1	10.6	0.0	10.2	3.5	10.7
BMI	-1.9	-32.2	12.1	5.9	-37.9	3.9	0.2	-4.7	2.2	5.6
PGI	2.1	22.4	8.8	8.0	21.9	5.8	1.7	12.8	2.8	10.4
PTI	23.1	-97.1	0.1	-1.6	-92.0	0.3	5.6	19.7	0.2	0.6

Source: Bloomberg, RongViet Securities

PGI – STABLE OUTLOOK

INVESTMENT RATIONALES

- **Prudent revenue growth to ensure profitability and maintain market share**
  - Product restructuring: focusing on products with low loss ratio (personal insurance, cargo transportation insurance) and limiting the growth of high loss products (motor vehicle insurance, hull and P&I insurance)
  - Loss ratio 50.24% (2018: 50.64%)
- **Good credit rating of B+ enhance PGI's negotiation strength to reinsurers and customers**
  - Using more obligatory reinsurance contracts, reducing reinsurance via facultative contracts
  - Thereby reducing time and costs while still being able to control claim settlement expenses
- **The digital system will make it more efficient in distribution and management in long term**
  - Large investment in short term in telesale and advertisement to get customers familiar with the system.
  - Expense ratio 44.8%, compared to an average of 43.47% in the last 3 years
- **Healthy and safe investment portfolio ensures timely claim settlement**
  - 85-86% in short term bank deposits, higher than the industry average (70%)
  - 5-6% in stocks that have strong fundamentals

RISKS TO OUR CALLS

- Natural disasters that are more severe than expected.

BUY +22%

CMP (VND)	**17,400**
Target price (VND)	**20,100**
Cash dividend in 12 months	*1,200*

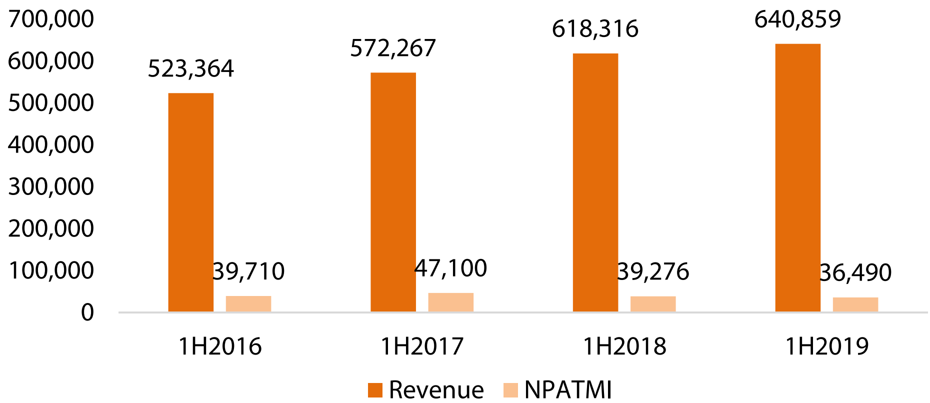
STOCK INFO	
Sector	Insurance
Market Cap ($ mn)	66
Current Shares O/S (mn shares)	89
3M Avg. Volume (K)	77
3M Avg. Trading Value (VND Bn)	1.4
Foreign Ownership (%)	20.8
State Ownership (%)	44.6

FORECAST	2017A	2018A	2019F	2020F
Revenue	2,335	2,413	2,545	2,703
Growth (%)	*13.0*	*3.4*	*5.5*	*6.2*
NPATMI	127	142	153	167
Growth (%)	*24.9*	*11.2*	*8.0*	*9.2*
ROA (%)	2.7	2.7	2.8	2.9
ROE (%)	10.7	9.6	10.2	10.8
EPS (VND)	1,436	2,527	1,584	1,728
Book Value (VND)	16,546	16,792	17,042	17,711
Cash dividend (VND)	1,200	1,200	1,200	1,200
P/E (x)	12.1	11.8	12.7	11.6
P/B (x)	1.1	1.0	1.2	1.1

PGI – Stable outlook

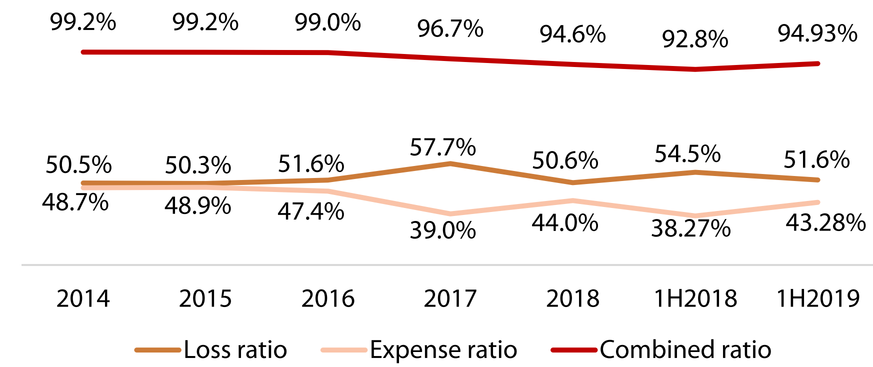
RONGVIET SECURITIES

Figure 1: 1H 2019 revenue and NPATMI (VND mn)



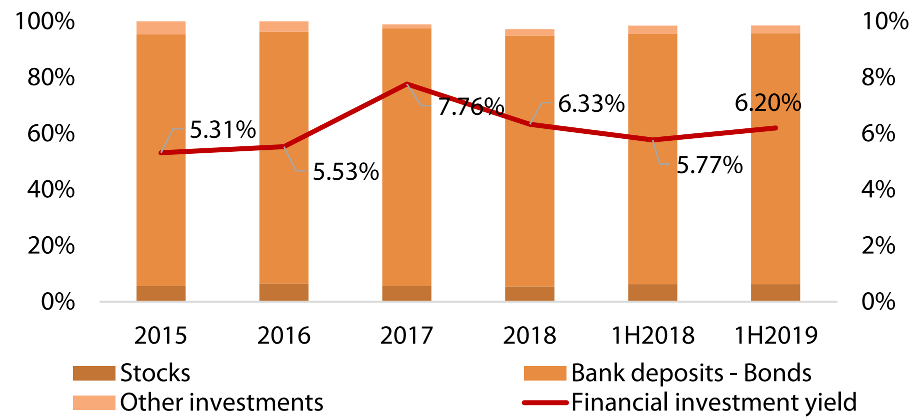
Source: PGI, Rong Viet Securities

Figure 2: Combined ratio



Source: PGI, Rong Viet Securities

Figure 3: Investment structure



Source: PGI, Rong Viet Securities

Better loss control by limiting premium assumed while increasing premium ceded

- Retention ratio reduced to 73.2%, from 77% in 1H2018, leading to a lower loss ratio 51.6% (1H2018: 54.5%).

Investment benefits from higher interest rate

- Share of bank deposits rose slightly from 85.7% to 86.1% and average deposit interest rate increased from 6.4%/year to 6.5%.
- Investment yield reached 6.2% from 5.8% of 1H2018

FISHERY INDUSTRY: Contrasting Effects From the Trade War

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PANGASIUS SECTOR - REVIEW

Export slowing down amid the geopolitical uncertainties

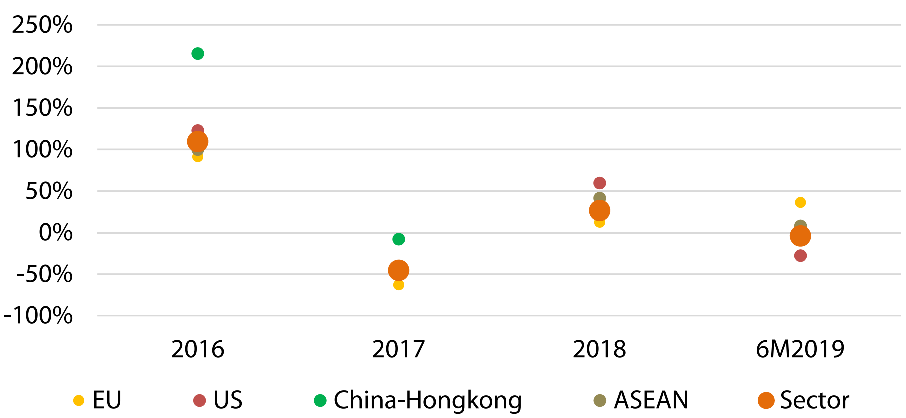
Trade tensions between the US and China hindered pangasius exports into these top markets

- Export value came at USD 962 mn, fell slightly 4% YoY, with export to the US tumbled 28% YoY, to China inched up 1% YoY and to the EU boomed 36% YoY.
- The situation could be attributed to that Chinese seafood were dumped into the US before the effective dates of new high tariff and vice versa; the shortage of pelagic fish in the EU.
- Potential competition from cod and pollock in 2H if US importers pile up stocks of these fishes to avoid high tariffs before the effective date Dec 15, 2019.

Selling prices are under pressured due to weak global demand

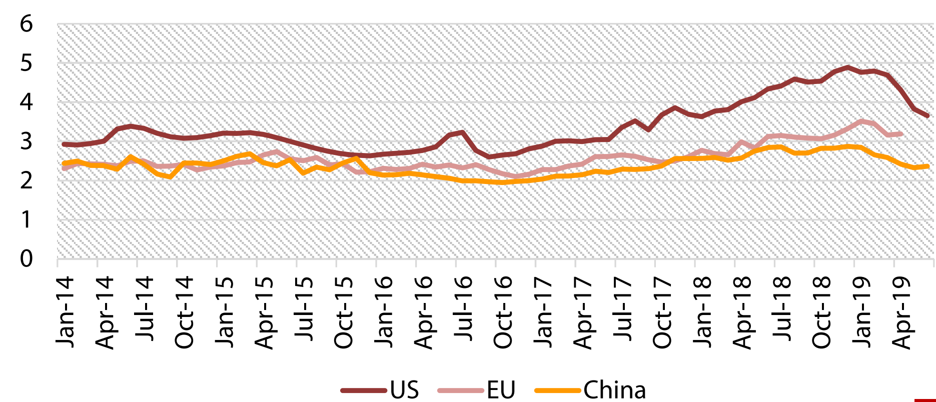
- Prices has risen dramatically in 2017 and 2018 due to the lack of pelagic fish, high demand in China and material fish shortages.
- Weak demand in major markets (the US and China) pushed selling prices down in 1H. Selling prices are likely to recover slightly in 2H, the main export season.

Figure 1: Industry growth



Source: VASEP, Rong Viet Securities

Figure 2: Frozen fillet import prices (USD/kg)

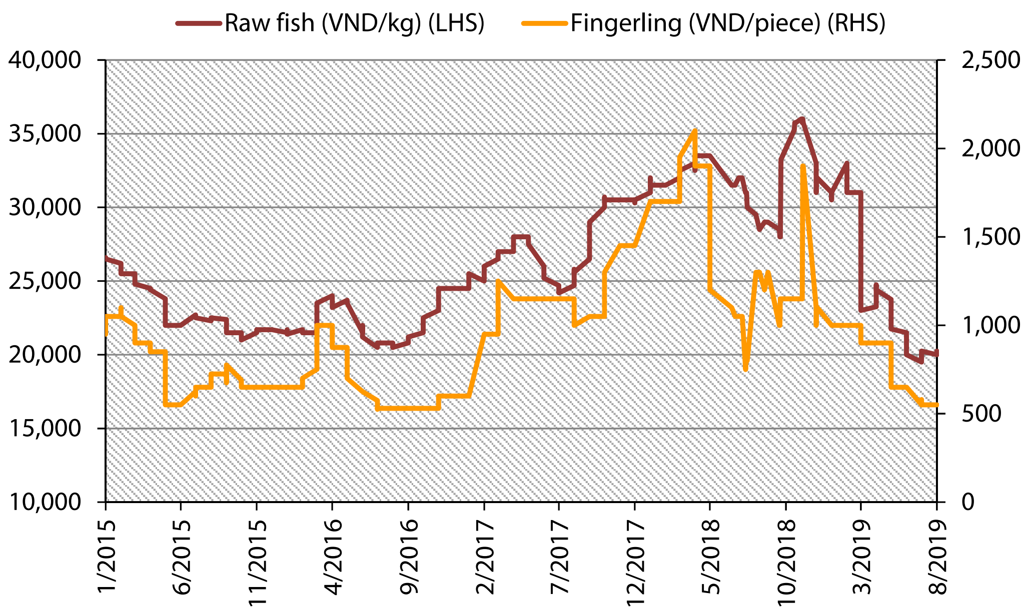


Source: International Trade Center (ITC), Rong Viet Securities

PANGASIUS SECTOR- REVIEW

Abundant material supply and low demand caused drastic falls in material prices

Figure 3: Market material fish and fingerling prices



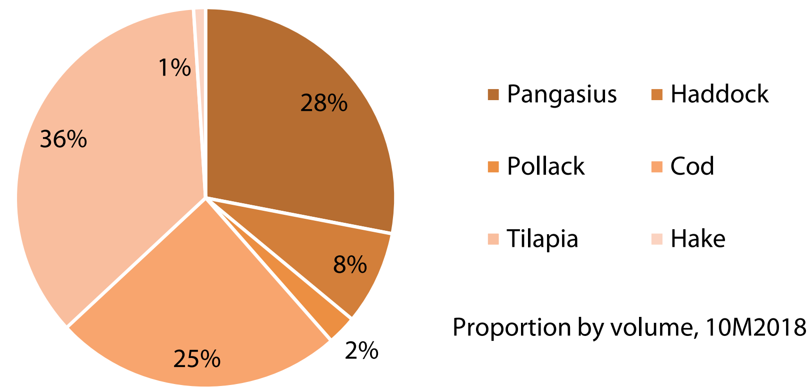
- Companies use mostly self-farmed fish and fish of associated farmers.
- Market material fish prices fell sharply in 1H, below production costs.
- Losses made farmers hesitate seeding new crop, causing plunges in fingerling prices.
- Lack of fish supply for processing will result to higher material fish prices in 2H.

Source: VASEP, RongViet Securities

Mexican tilapia is replacing Chinese tilapia to compete with Vietnamese pangasius in the US

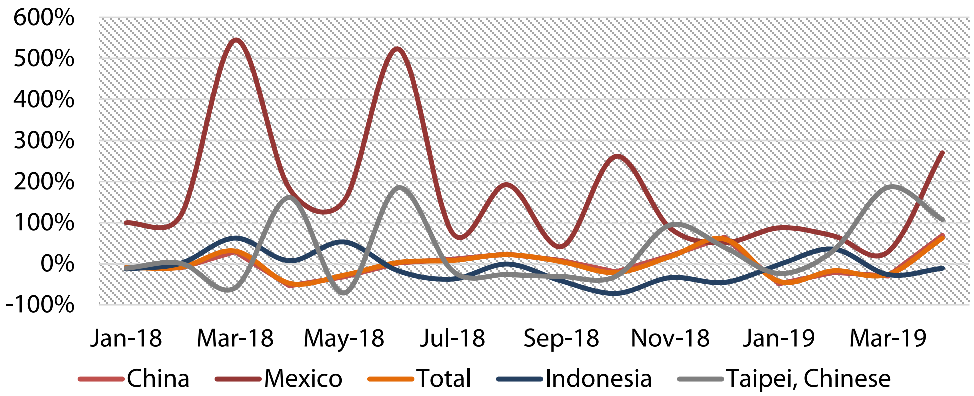
- While US tilapia import volume fluctuates over time, import from Mexico has continuously shown strong and positive growth since Jan 2018.
- Mexico is quickly gaining market share from China, thanks to its low prices and geographic position
- Vietnamese pangasius might not have much chance to fill the gap that could leave by Chinese tilapia as a result of the new high tariff.

Figure 4: US import of white fish by species



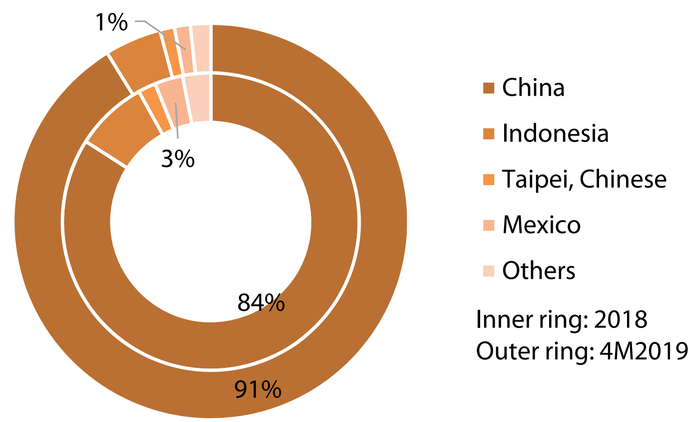
Source: ITC, RongViet Securities

Figure 5: Volume growth YoY of frozen tilapia fillet import by exporter



Source: ITC, RongViet Securities

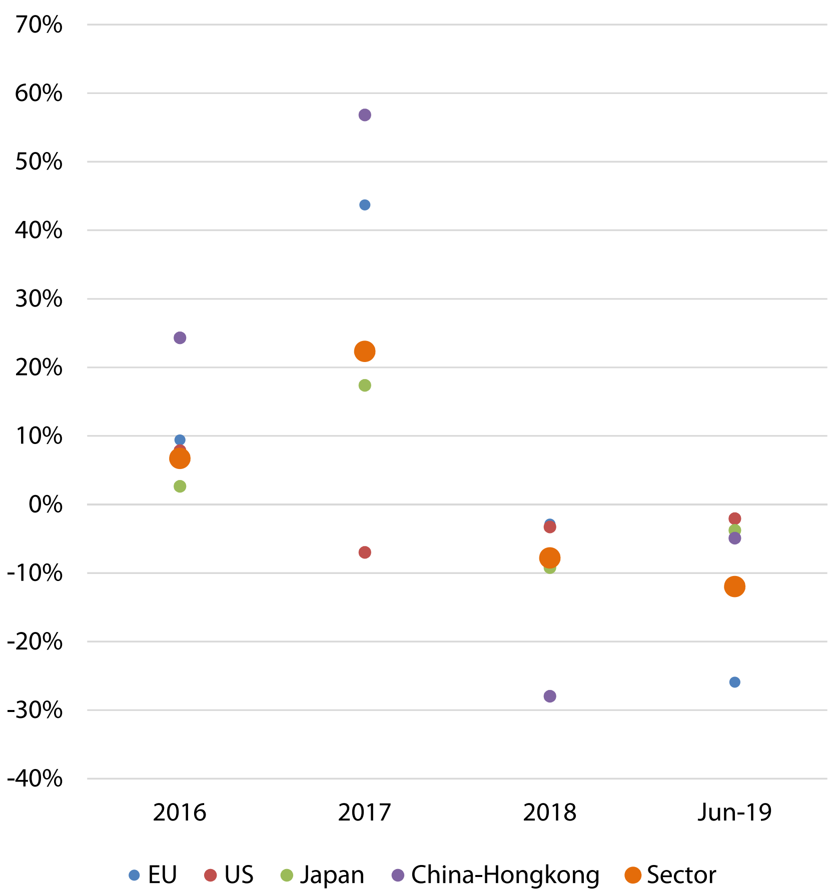
Figure 6: Market share of Mexican tilapia



Source: ITC, RongViet Securities

Abundant supply continues to drive down selling prices

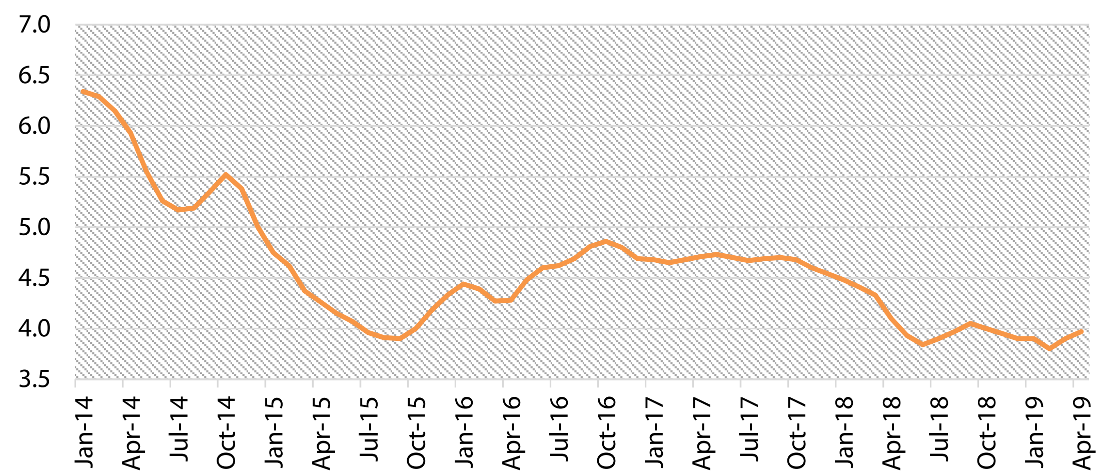
Figure 7: Sector export value growth



Source: VASEP, ITC, RongViet Securities

- Export value in 1H2019 reached USD 1.44 bn, 12% lower than 1H2018. Export to the EU tumbled 26% YoY, other major markets posted slight declines: the US (-2% YoY), Japan (-4% YoY) and China-Hongkong (-5%).
- India, Ecuador, Indonesia and Vietnam compete for market share by boosting production.
- Global export prices have been driven down to a record low level in the end of 2018 and 1H2019. Low prices in 1H has reduced seeding for new crop in 2H but prices are likely to rally modestly as warm weather is favorable for shrimp development.

Figure 8: Urner Barry shrimp price index (USD/lb)



Source: Wells Fargo, RongViet Securities

Low selling prices are likely to prolong

Innovative and technology advancements in shrimp aquaculture are driving large increase in productivity

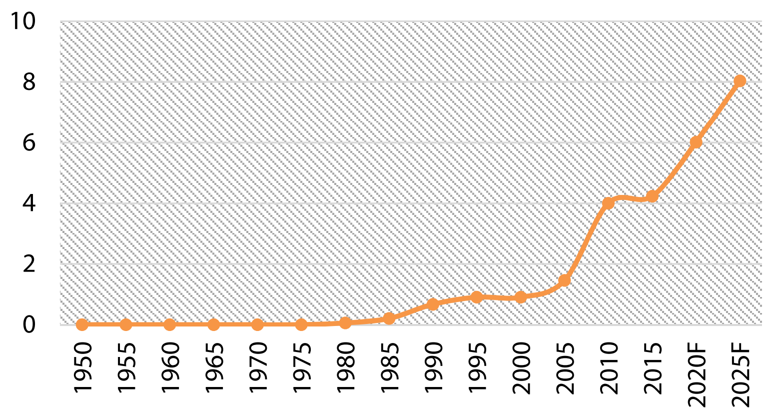
- Advancements of all stages: improved genetics of broodstock, live feed replacements for shrimp larvae in hatcheries, biosecurity and intensive farming systems management, especially in Ecuador and Mexico. The Global Aquaculture Alliance (GAA) estimates global farmed shrimp production could leap to 8 mn tons by 2025, a CAGR 8.5%/year from 4.5 mn tons of 2018, while FAO projects global demand for shrimp grows at 3.8%/year.

US-China trade tensions, the regulatory pressure on a large Southeast Asian shrimp processor and the intensified production in Ecuador are redirecting conventional shrimp trade flows

- Traditionally low price shrimp of India (the largest supplier of the US) are dumping (+14% YoY in 4M2019) in the US (the world's largets shrimp importer) when (1) the high US tariff has discouraged Chinese import of raw shrimp for re-processing before exporting to the US, and (2) Vietnam biggest shrimp processor (21% of Vietnam's shrimp export in 2018) has reduced their Indian shrimp import 82% in 4M2019.

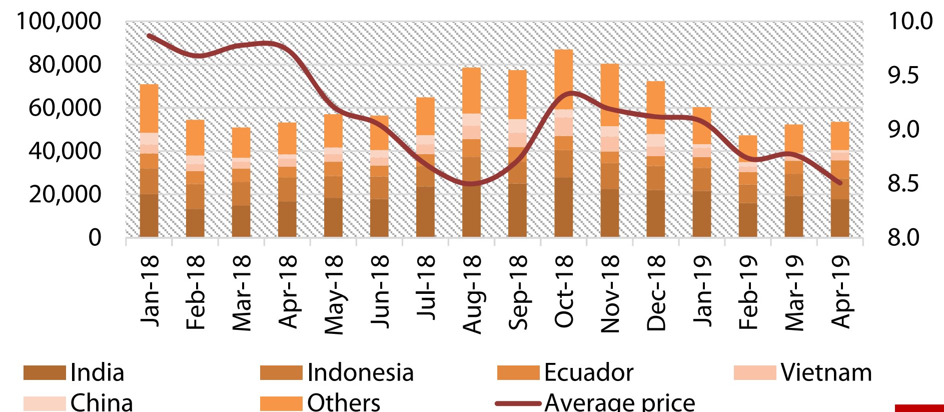
- Renminbi depreciation against US dollar could mean Chinese import demand may ease, canceling out the positive effect of shrimp tariff deduction from 5% to 2% and stringent "grey trade" control in China.

Figure 9: Global shrimp aquaculture evolution (mn tons)



Source: Global Aquaculture Alliance (GAA), RongViet Securities

Figure 10: US shrimp import (tons) and average price (USD/kg)



Source: ITC, RongViet Securities

Breaded shrimp in the US – Vietnam has shown signs of gaining market share from China's

Figure 11: Average importing prices of breaded shrimp in the US (USD/kg)

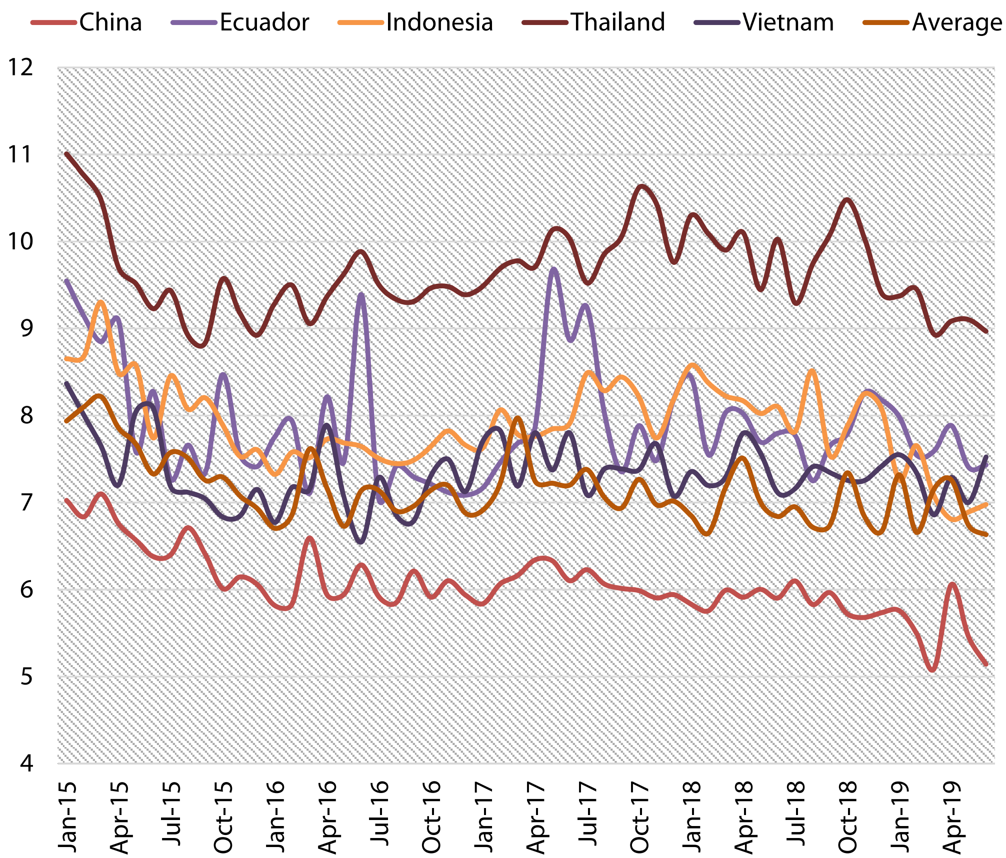
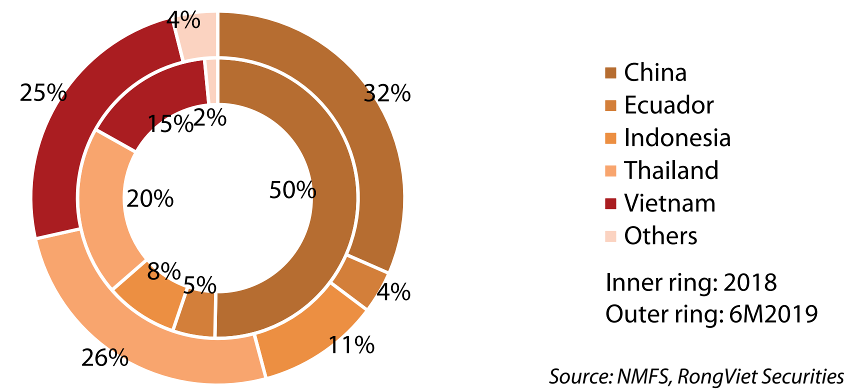


Figure 12: US breaded shrimp import



Source: NMFS, RongViet Securities

- Chinese breaded shrimp imported into the US have been subject to a 10% tariff since Sep 24, 2018. The tariff has been raised to 25% since May 10, 2019.
- Among breaded shrimp suppliers in the US market, China's product is the most desirable and cheapest. The average selling price of Chinese breaded shrimp is the lowest among suppliers.
- However, due to the high tariff, US importers are finding alternatives to replace Chinese suppliers.
- Vietnam is seen as the potential beneficiary because it can offer breaded shrimp at the price that is second lowest after China's.
- In fact, Vietnam's market share in 1H2019 has expanded the most prominently among China's competitors, from 15% to 25%.

FISHERY INDUSTRY - REVIEW

Industry comparables (TTM)

Ticker	Sales Growth (%)	EBITDA Growth (%)	EBITDA Margin	Operating Income Margin	Net Income Growth (%)	Net Profit Margin	Capex/Sales (%)	Return on Invested Capital	Return on Assets	Return on Equity
VHC	9.9	67.9	21.7	20.0	100.8	18.6	7.7	30.2	29.4	43.7
ANV	35.0	124.5	21.6	19.8	174.2	17.3	10.5	23.3	21.5	43.9
FMC	1.2	41.2	8.3	6.6	50.9	5.7	2.0	16.6	13.9	32.2
MPC	8.0	17.0	7.5	6.5	10.1	4.1	1.1	11.7	7.5	24.4

Source: Bloomberg, RongViet Securities

VHC – AFFECTED IN SHORT-TERM BY US-CHINA TRADE TENSIONS

INVESTMENT RATIONALES

- **Low demand in short-term due to trade tension**
  - Input prices reduce due to abundant supply of material fish
  - Low demand in the US due to Chinese seafood inventory
  - Gross profit margin 18.4% (2018: 22%)
- **Fingerling project improves product quality and reduce costs**
  - High technology and experience learned from Norway: lower mortality rate, less/no use of antibiotics
- **Stronger competitive advantage in China via Alibaba**
  - Higher efficiency: cutting rental fees for selling booths, advertising costs; contact directly with customers.
  - Supporting e-commerce policies of Chinese government: 0% import tax and 70% of common VAT and consumption tax rates
- **Processing capacity expansion**
  - Fillet capacity: 1,100 tons/day by end 2019, 1,250 tons/day by end 2020 (880 tons/ day end 2018)
  - Collagen-gelatin capacity: 3,500 tons/year by year end (2,000 tons/year end 2018)

RISKS TO OUR CALL

- Demand may fall more strongly than expected, which results to lower export volume and selling prices
- Volatility of exchange rates

BUY **+20%**

CMP (VND)	**85,300**
Target price (VND)	**102,600**
Cash dividend in 12 months	-

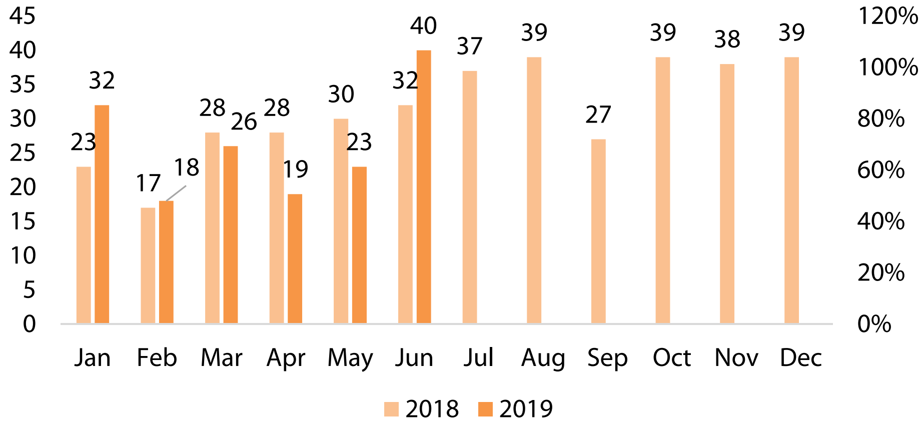
STOCK INFO	
Sector	F&B
Market Cap ($ mn)	7,882
Current Shares O/S (mn shares)	92.4
3M Avg. Volume (K)	176.0
3M Avg. Trading Value (VND Bn)	21.3
Foreign Ownership (%)	64.8
State Ownership (%)	-

FORECAST	2017A	2018A	2019F	2020F
Revenue	**8,152**	**9,271.3**	**9,702**	**10,737**
Growth (%)	0.0	13.7	4.6	10.7
NPATMI	**605**	**1,442**	**1,236**	**1,174**
Growth (%)	6.9	138.5	-14.3	-5.0
ROA (%)	12.0	22.9	16.3	13.4
ROE (%)	20.5	35.9	24.7	19.7
EPS (VND)	6,433	15,489	13,265	12,601
Book Value (VND)	31,883	43,452	54,233	64,350
Cash dividend (VND)	2,000	2,000	2,000	0
P/E (x)	8.3	6.1	6.4	6.7
P/B (x)	1.7	2.2	1.6	1.3

VHC – Affected in short-term by US-China trade tensions

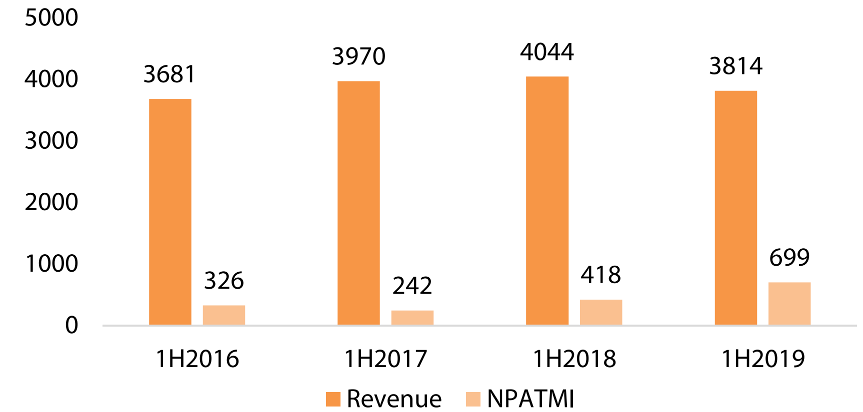
RONGVIET SECURITIES

Figure 1: Export value (USD mn)



Source: VHC

Figure 2: 1H 2019 revenue and NPATMI (VND bn)



Source: VHC, Rong Viet Securities

1H: High selling prices of contracts closed at end 2018 and the divestment from Van Duc Tien Giang gave a surge in profits amid the slight fall in pangasius export value

- 1H2019 pangasius export value posted USD 158 mn (+0% YoY), revenue came at VND 3,814 bn (-6% YoY); NPATMI of VND 699 bn (+67% YoY).
- Gross profit margin 22% (1H2018: 18%)

2H: export volume and selling prices to recover in peak export season of the year

- Selling prices will recover from the low level of June but remain significantly lower YoY
- Material prices rally following rising demand

TEXTILE & GARMENT INDUSTRY: Two Sides of a Coin

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TEXTILE & GARMENT INDUSTRY - REVIEW

Growth momentum to be slowed down

- Vietnam's textile & garment export value reached USD 18 bn in 1H2019, up 9% YoY. However, the growth momentum had been slowed down mainly due to the escalation of US-China trade war causing the industry to fall into defense state and negatively affecting to the production and consumption in its main export markets.
- Differentiated growth rate in each segment: (1) Fabric showed the highest growth rate of 27% YoY, (2) Apparel rose by 9% YoY, mainly driven by the increasing demand from the US market (+10% YoY), (3) Yarn faced difficulty, slightly up by 2% YoY compared to double-digit growth of the previous years due to selling price dumping from China, India and delayed purchasing from customers.

Figure: 1 Total export turnover (VND Bn)

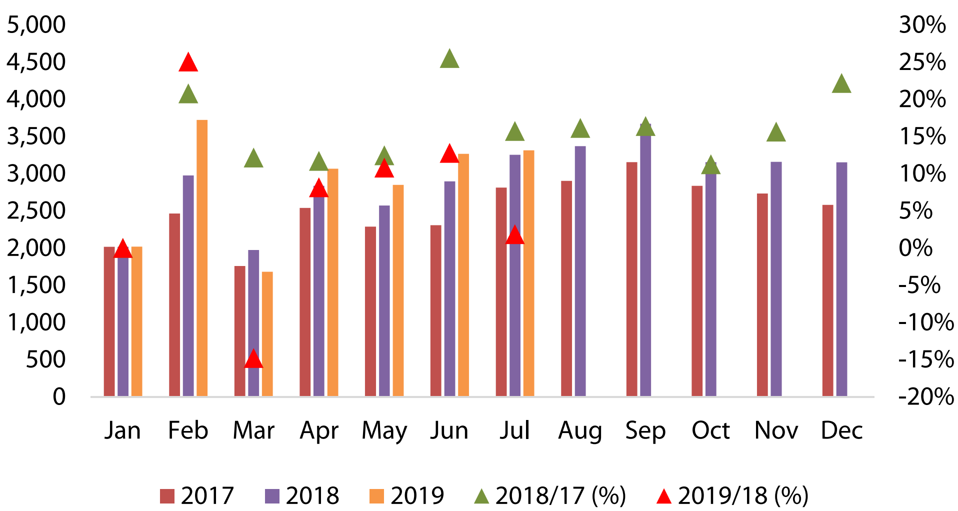
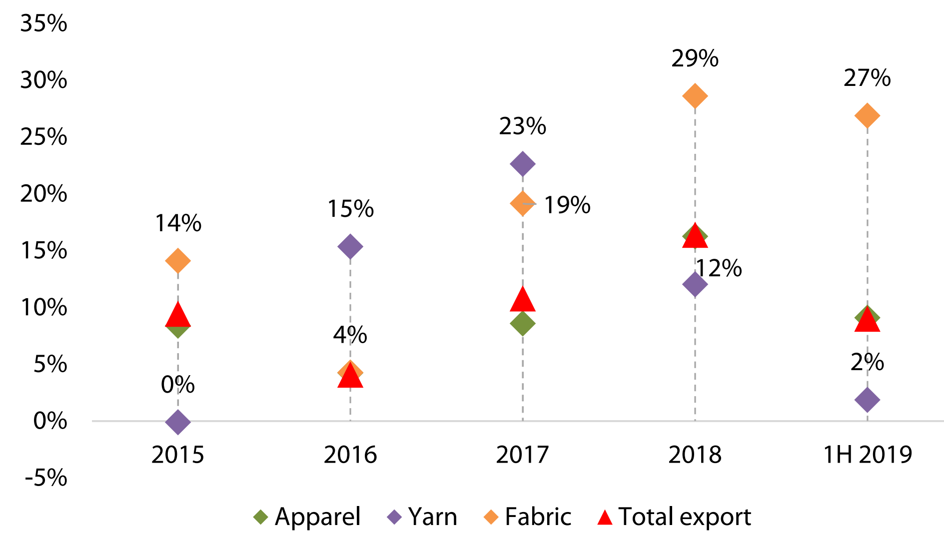


Figure 2: Export turnover growth (%)



Source: Vietnam Customs, VITAS, Rong Viet Securities

But Vietnam still led the export growth compared to its rivals

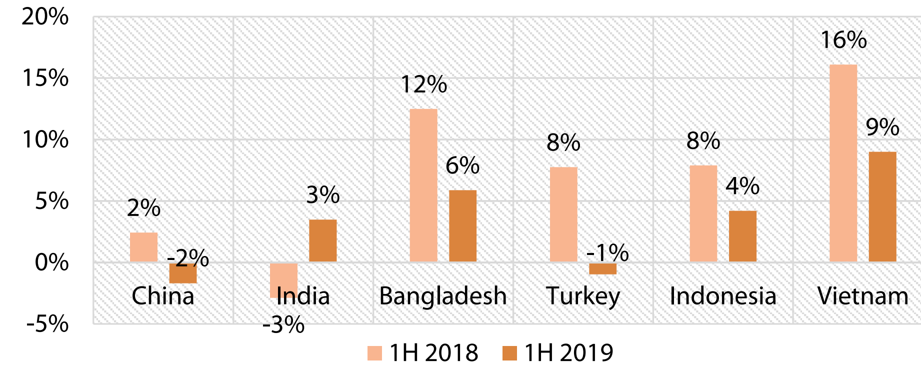
Decline in global demand

- Global import value fell by 2% YoY, at USD 303 bn in 1H 2019.
- The main exporters such as China, Turkey saw a negative growth rate while the remaining countries grew as a lower rate compared to same period last year.

Vietnam, meanwhile, led the export growth rate

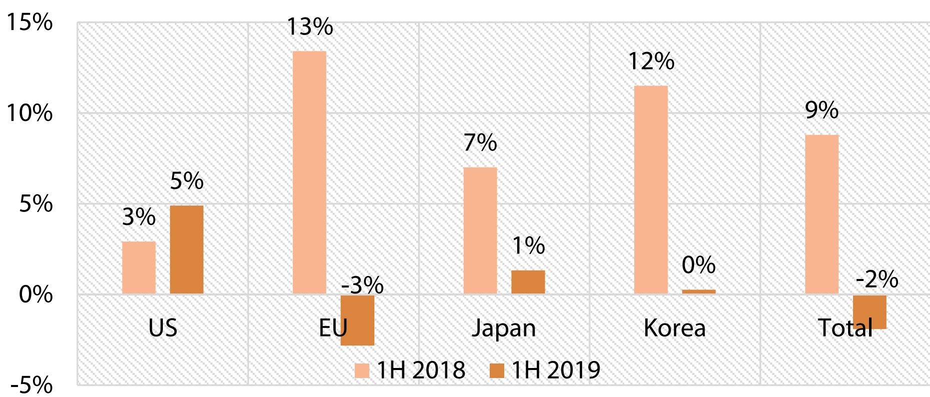
- Generally, main markets such as the US, the EU, Japan and Korea saw a higher import growth rate from Vietnam than the industry average.

Figure 3: Export turnover growth in major countries (%)



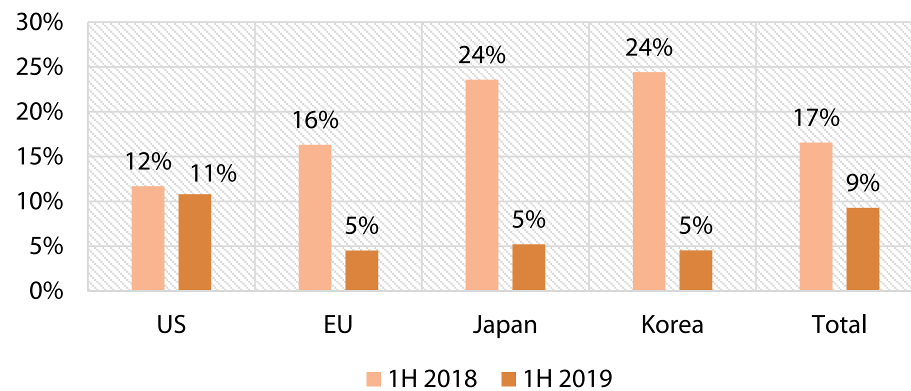
Source: Trademap, Vietnam Customs, Rong Viet Securities

Figure 4: Import turnover growth in major countries (%)



Source: Trademap, Vietnam Customs, Rong Viet Securities

Figure 5: Vietnam's export turnover growth in major countries (%)



TEXTILE & GARMENT INDUSTRY - REVIEW

Trade war effect is a key driver in the short run

Shifting of orders from China to Vietnam continues to increase

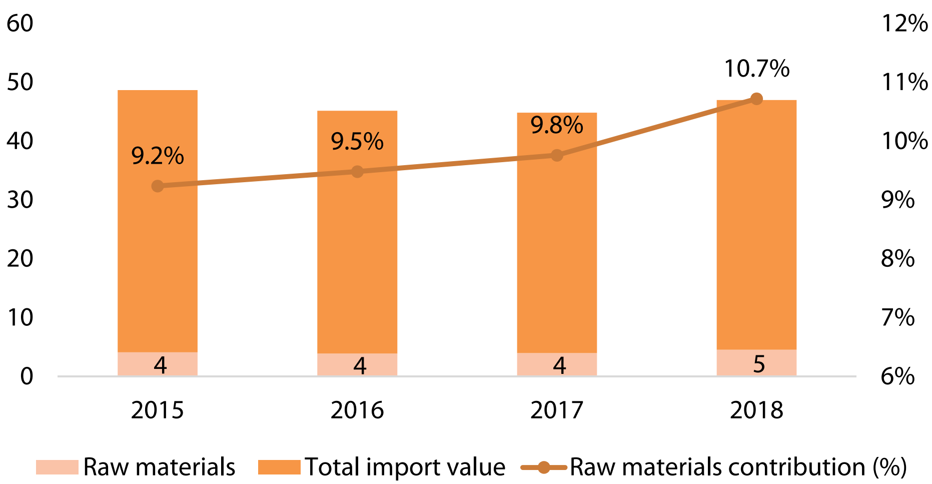
- Although USD 200 bn tax package has not yet struck up Chinese apparel, the fashion retailers already shifted its apparel orders to Vietnam and neighboring countries. We believe that it becomes more and more pronounced once remaining USD 300 bn tax package takes effect.

But there are still risks

- China is playing an increasingly critical role as a textile supplier for many apparel exporting countries, including Vietnam. Therefore, we cannot exclude the possibility that China could raise its export taxes on fabric products to our country.

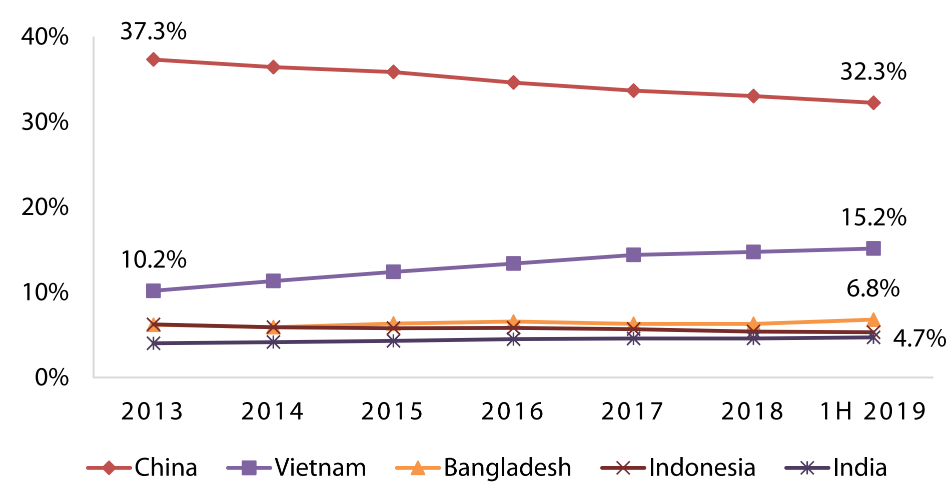
- The US may conduct traceability of textile & garment products manufactured in Vietnam to restrict originating materials from China.

Figure 6: Chinese textile & garment import value in the US market (USD bn)



Source: ITC, Rong Viet Securities

Figure 7: Apparel market shares of major exporters in the US market (%)



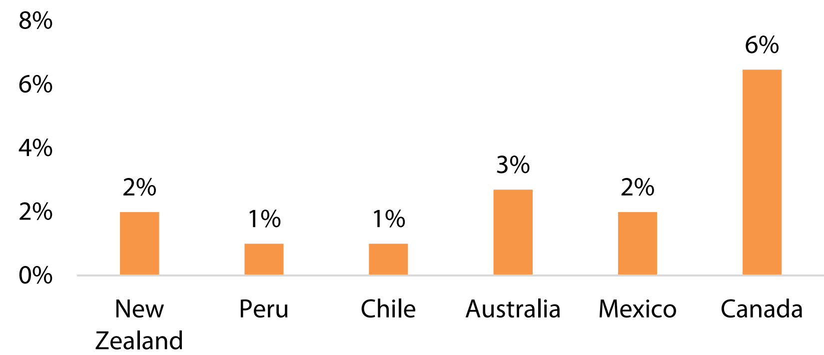
Source: OTEXA, Rong Viet Securities

TEXTILE & GARMENT INDUSTRY - REVIEW

Meeting the rule of origin from FTAs remains a challenge

- The US, the EU and Japan are major export markets of Vietnamese apparel products, accounting for 72% of total export value.
- However, Vietnam has to import most of fabric materials from China (58% of total fabric import value). This will be a big challenge for us to meet the rule of origin from CPTPP (from yarn onwards) and EVFTA (from fabric onwards).
- Canada is considered a potential market among CPTPP's member countries. In 2018, its total import value was USD 14.4 bn, Vietnam only accounted for 6% of total value.

Figure 8: Vietnam's market shares in total import value of CPTPP members



Source: ITC, Rong Viet Securities

Figure 9: Vietnam's apparel export by market in 1H 2019 (%)

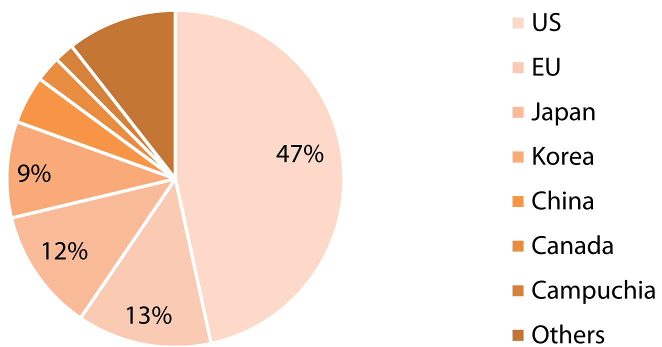
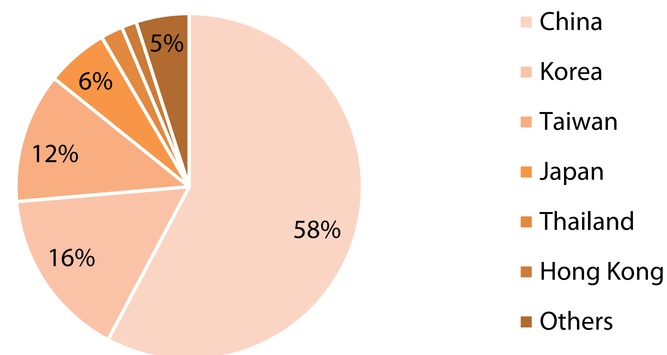


Figure 10: Vietnam's fabric import by market in 1H 2019 (%)

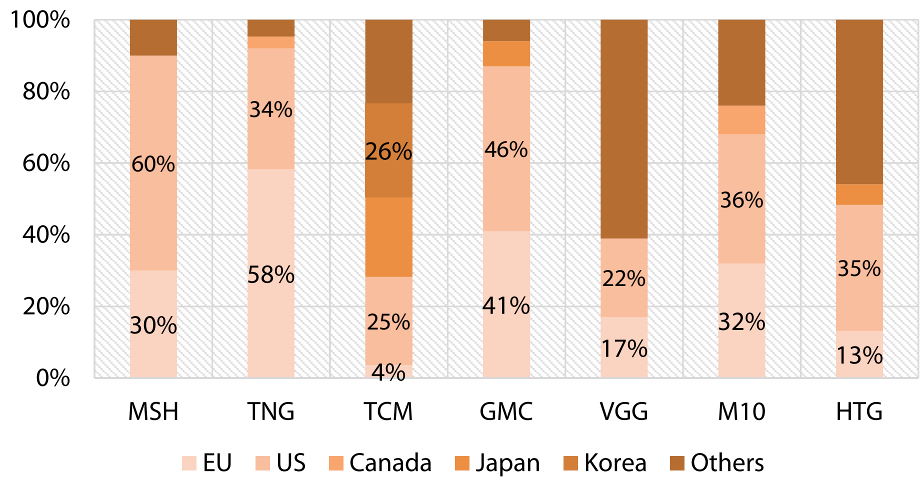


Source: VITAS, Rong Viet Securities

Meeting the rule of origin from FTAs remains a challenge

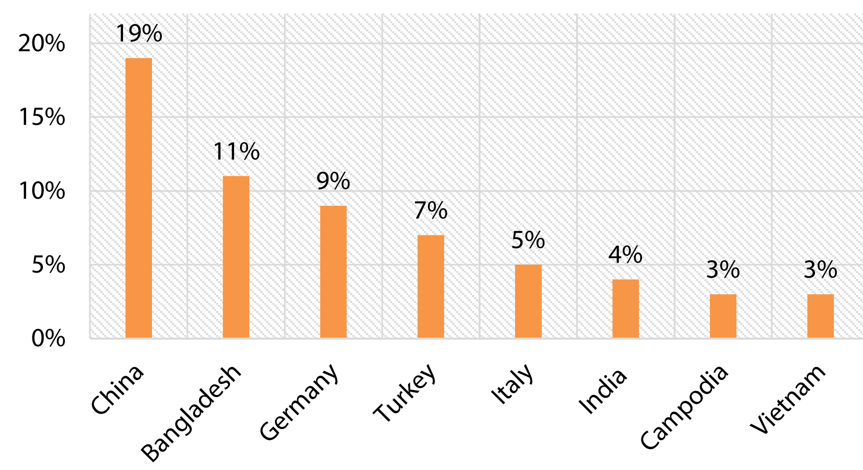
- The EU will eliminate duties for Vietnam's textile sector. In which, 42.5% of tariff lines will be eliminated immediately once the agreement comes into effect, the others will be over a 3-7 year period, with a fabric-forward rule (EU allows Vietnam to import fabrics from Korea).
- Currently, Vietnam enjoys GSP incentives (Generalized System of Preference) at around 9.6%. According to GSP Regulation, once EVFTA enters into force, specified beneficiary country will be removed from the list **two years after the date of application of a preferential market access agreement**. Therefore, enterprises can apply the origin requirements under both GSP and EVFTA may choose to apply better tax incentives in the first 2 years.
- We believe that not many garment companies now meet the origin requirements from EVFTA agreement. However, this is a catalyst to boost orders from the EU to Vietnam, especially those firms already had large orders in that places.

Figure 11: Export structure of listed garment companies (%)



Source: Rong Viet Securities compiled

Figure 12: Vietnam's market shares in total import value of the EU (%)



Source: VITAS, Rong Viet Securities

Industry comparables

Figure 13: Revenue growth of listed textile & garment companies

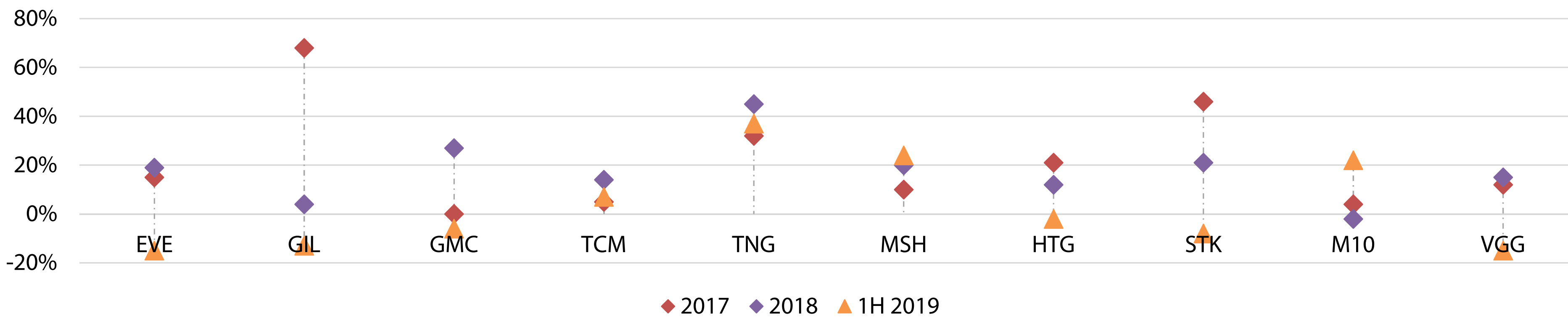
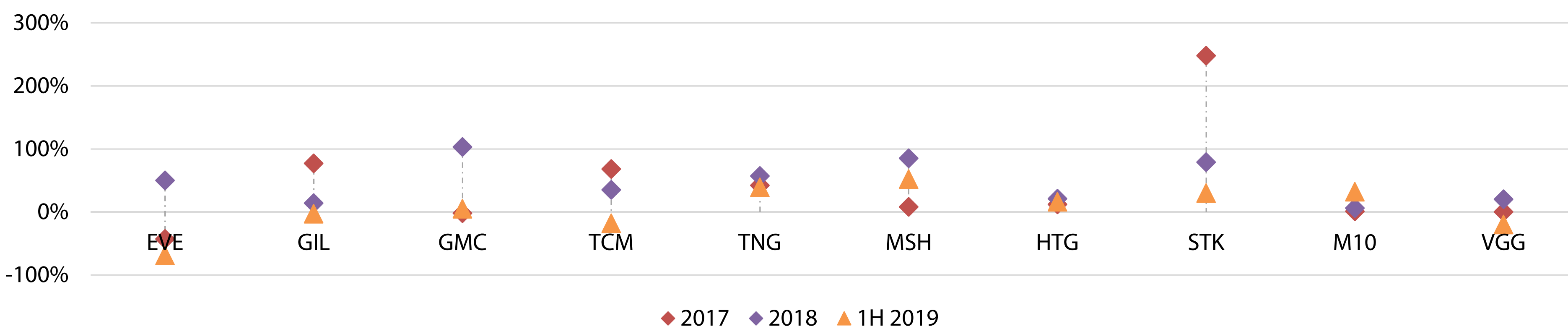


Figure 14: NPAT-MI growth of listed textile & garment companies



Source: FiinGroup, Rong Viet Securities

TEXTILE & GARMENT INDUSTRY - REVIEW

Industry comparables (TTM)

Ticker	Marlet Cap (VND bn)	P/E	Sales Growth (%)	Gross Margin	Operating Profit Margin	Net Income Growth (%)	Net Profit Margin	EV/EBITDA	Return on Assets	Return on Equity
TNG	1,131	5	40	18	9	47	5	5	7	25
MSH	3,051	4	20	20	11	85	9	4	15	44
VGG	2,425	6	15	12	5	20	5	2	10	24
TCM	1,407	6	14	19	8	25	7	5	8	19
GMC	504	4	11	18	7	94	6	4	13	35
VGT	4,550	14	9	9	2	14	2	12	2	6
STK	1,464	5	2	14	10	51	7	4	9	21

Source: Bloomberg, RongViet Securities

MSH – Keep Going Ahead

INVESTMENT RATIONALES

- **Outperform in profitability compared to other rivals.**
  - MSH continued to improve its profitability in 1H 2019 with impressive gross margin and net margin of 20.5% and 10.3%, respectively (peers: 15% and 5%).
  - 2H is considered a peak season for revenue and profit thanks to the increasing demand of bedding segment. This may help the company to enhance its performance.
- **There is still room to shift its production chain from CMT to FOB.**
  - Benefiting from the escalation of US-China trade war, the orders of its main market, US could move continuously into Vietnam.
  - In 1H 2019, we estimate that it grew the contribution of FOB orders to 80% of its total revenue. Still having room to shift the entire production chain into FOB method in order to enhance its competitiveness.
- **Song Hong No. 10 factory will be a catalyst for growth.**
  - It already established a subsidiary, Song Hong – Nghia Hung Garment JSC, contributing VND 76.5 bn of total chartered capital (equivalent to 51% of ownership).
  - It is expected to go into trial production in Q3 2020, before officially operating in 2021.

RISKS TO OUR CALLS

- Global economic downturn leading to a decline in demand of apparel products.
- Unexpected fluctuation in fabric materials price.
- A sharp increase in labor costs.

BUY **+24%**

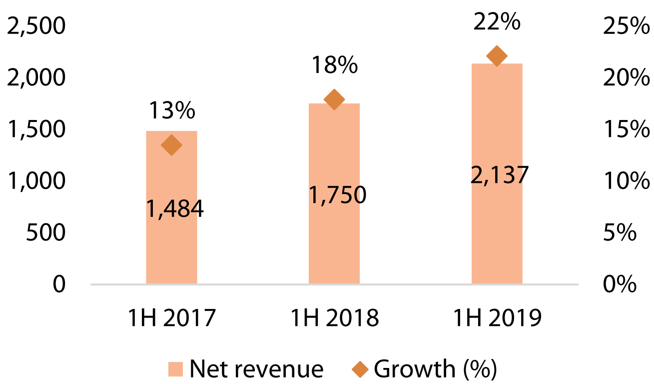
CMP (VND)	**61,000**
Target price (VND)	**72,000**
Cash dividend in 12 months	*3,500*

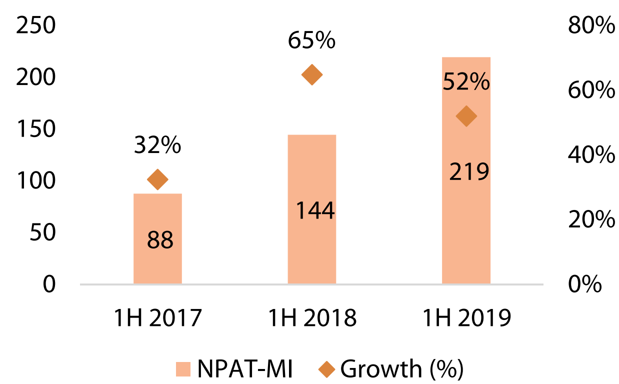
STOCK INFO	
Sector	Textile
Market Cap ($ mn)	131
Current Shares O/S (mn shares)	50
3M Avg. Volume (K)	162
3M Avg. Trading Value (VND Bn)	10
Foreign Ownership (%)	7.7
State Ownership (%)	-

FORECAST	2017A	2018A	2019F	2020F
Revenue	**3,282**	**3,951**	**4,497**	**4,950**
Growth (%)	9.7	20.4	13.8	10.1
NPATMI	**200**	**370**	**433**	**475**
Growth (%)	8.4	84.6	17.0	9.7
ROA (%)	8.8	15.1	15.6	14.7
ROE (%)	28.5	43.8	36.7	33.0
EPS (VND)	4,125	9,745	8,175	8,972
Book Value (VND)	31,711	19,601	24,776	30,248
Cash dividend (VND)	4,500	4,000	3,500	3,500
P/E (x)	N/A	4.2	7.5	6.8
P/B (x)	N/A	3.1	2.5	2.0

MSH – Shifting continuously its production chain to FOB

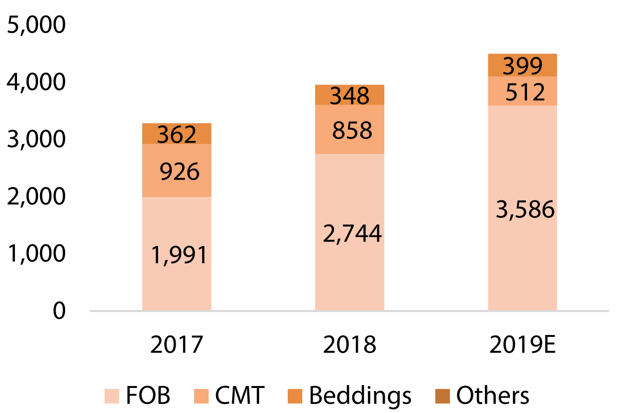
Figure: 1H's Business Results (VND bn)

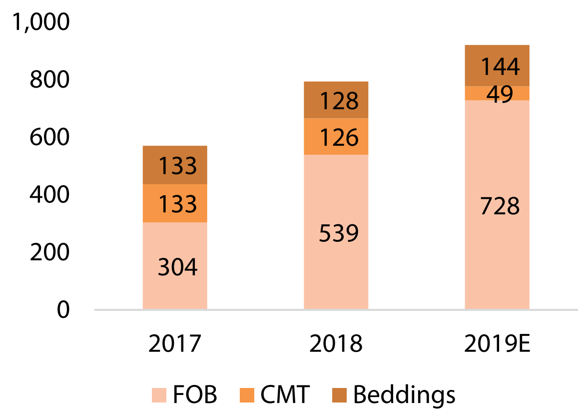




Source: MSH, Rong Viet Securities

Figure: Estimated revenue (LHS) and gross profit (RHS) of each segment in 2019 (VND bn)





Source: MSH, Rong Viet Securities

1H 2019 – Impressive growth rate

- Net revenue and NPAT-MI grew by 22% and 52%, respectively.
- Gross margin improved by 124 bps, up to 20.5%.
- Non-operating profit had the significant improvement, contributing VND 15 bn in net financial income compared to a loss of VND 12.3 bn in net financial expenses over the same period.

2H 2019 – Peak season for growth

- 2H's total gross margin is expected to achieve 20.6%.
- For 2019, we forecast that:
  - CMT's revenue drop by 40% YoY, at VND 512 bn.
  - FOB's revenue keeps growing by 31%, contributing 80% of total revenue.
  - Luen Thai, its new customer, accounts for 5% of its total revenue.

STK – Recycled Yarn is a Bright Spot

INVESTMENT RATIONALES

- **Increasing demand in recycled yarns is way to grow**
  - We believe that the growth of recycled yarns should be quite large due to lacking of global supply. In addition, most of international fashion brand names such as Nike, Adidas, Puma, Decathlon, etc already committed to rise the use of recycled materials in the near future. This will help to boost the demand for recycled yarn products.
  - STK's recycled polyester yarns were already certified by the Global Recycled Standard (GRS), meeting the global quality standard from famous brand names. Besides, its current spinning technology can completely switch to produce 100% recycled orders instead of regular ones.
  - In 1H 2019, it lifted up the contribution of recycled yarn to revenue to 28% vs. 11% over the same period last year.
- **High-quality product development projects continue to be implemented**
  - Dope dyed yarns and recycled color yarns are expected to be put into production in Q3, with a capacity of 4,000 tons/year.
  - It is testing the high-purity yarns to maximize its selling price.

RISKS TO OUR CALLS

- Decline in global demand for yarn materials.
- Chinese manufacturers continue to dump its yarn products.
- Negative volatility in crude oil prices.

ACCUMULATE +18%

CMP (VND)	**20,700**
Target price (VND)	**24,000**
Cash dividend in 12 months	*500*

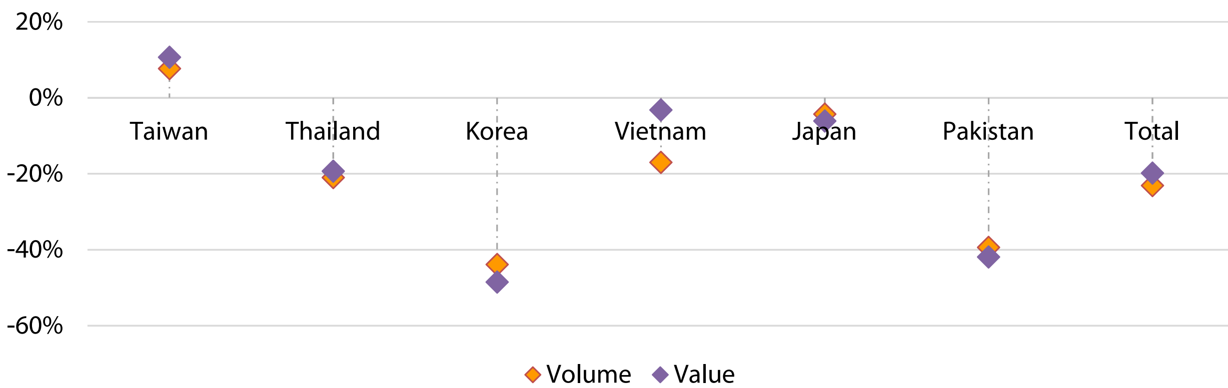
STOCK INFO	
Sector	Textile
Market Cap ($ mn)	63
Current Shares O/S (mn shares)	71
3M Avg. Volume (K)	143
3M Avg. Trading Value (VND Bn)	3
Foreign Ownership (%)	9.8
State Ownership (%)	-

FORECAST	2017A	2018A	2019F	2020F
Revenue	**1,989**	**2,408**	**2,533**	**2,745**
Growth (%)	46.4	21.0	5.2	8.4
NPATMI	**100**	**178**	**215**	**235**
Growth (%)	248.3	79.0	20.3	9.7
ROA (%)	5.0	8.7	9.9	10.8
ROE (%)	13.5	21.1	19.2	18.7
EPS (VND)	1,408	2,522	2,730	2,994
Book Value (VND)	12,991	15,167	15,809	17,803
Cash dividend (VND)	800	1,500	500	500
P/E (x)	10.5	5.9	7.6	6.9
P/B (x)	1.3	1.2	1,3	1,2

STK – Positive earnings growth thanks to increasing trend of recycled yarn products

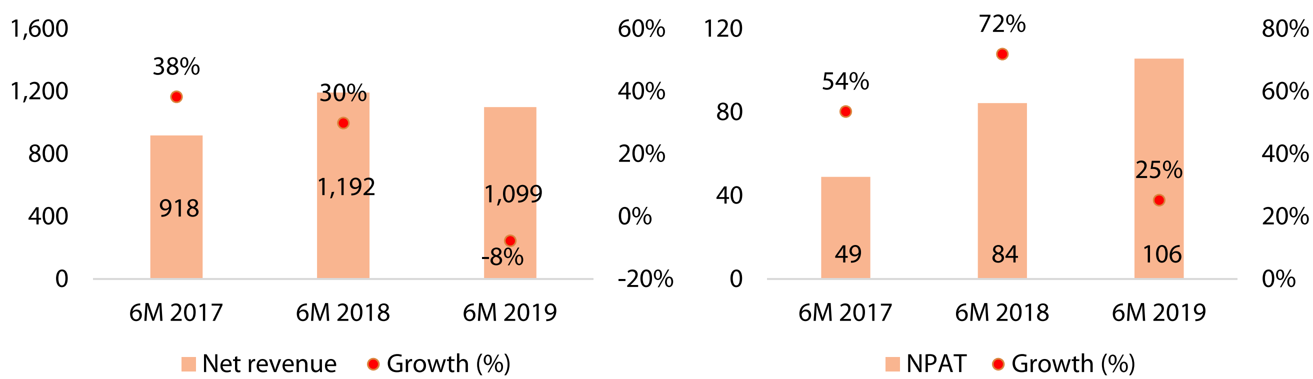
RONGVIET SECURITIES

Figure 1: Vietnam's yarn export turnover growth in several markets (%)



Source: Vietnam Customs, STK, Rong Viet Securities

Figure 2: 1H's Business Results (VND bn)

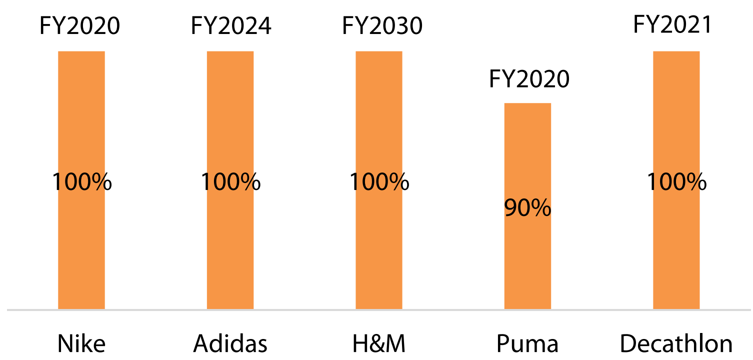


Source: STK, Rong Viet Securities

1H 2019 – A decline in revenue, but double-digit growth in NPAT-MI

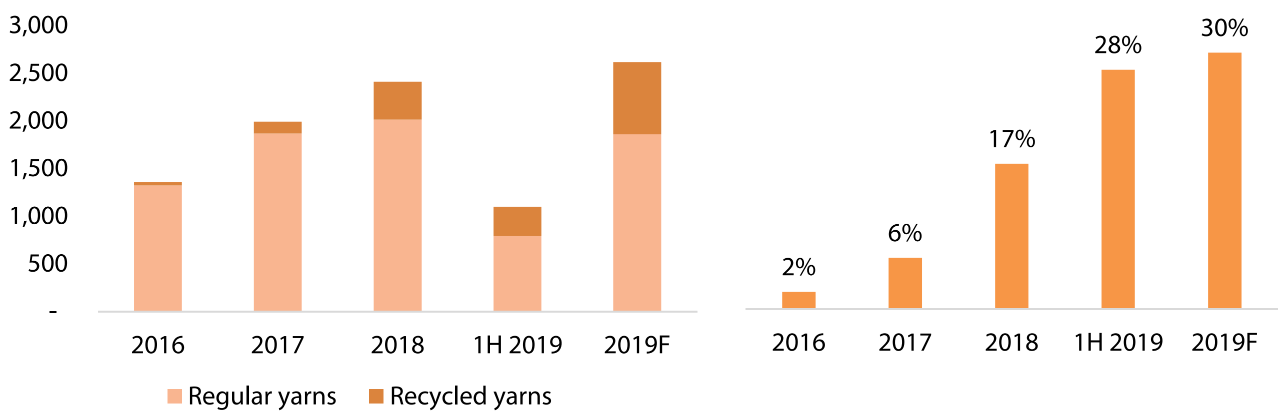
- Yarns to be among first products affected by US-China trade tension, having a significant decrease in demand.
- It already invested VND 5 bn to buy dyed yarn machineries.
- Revenue reduced by 8% YoY but NPAT-MI went up by 25% YoY.
  - Traditional yarn products (such as DTY, FDY) consumption volume went down sharply (-27% YoY).
  - Recycled yarn volume rose by 118% YoY.
  - Raising the contribution of recycled yarns to revenue to 28% vs. 11% over the same period last year.
  - Gross margin improved by 262bps, up to 16.2%.

Figure 3: Sustainable commitment of using recycled materials from international fashion brands



Source: STK, Rong Viet Securities

Figure 4: Estimated revenue (left) and contribution of recycled yarns to revenue (right) in 2019



Source: STK, Rong Viet Securities

2H 2019 – Recycled yarn is expected to climb continuously its contribution to revenue

- Although declining in demand of regular polyester yarns, the impact on recycled yarns is considered to be negligible as this is not alternative products.
- According to Textile Change, recycled polyester yarns account for 14% of total polyester yarn consumption. As it is under increasing demand of international fashion brands (Nike, Adidas, Decathlon, etc), we expect that till having room for STK to shift its product mix to recycled high-quality yarns.
- For 2019, we forecast that:
  - Regular yarns' revenue drop by 11% YoY, at VND 1,783 bn.
  - Recycled yarns' revenue climb to VND 750 bn, up 89% YoY.
  - Contribution of recycled yarns to revenue rises up to 30%.

TCM – Facing Difficulties in the Short Run

INVESTMENT RATIONALES

- **Advantages from its closed supply chain meet rule of origin requirement from FTAs.**
  - TCM already adapts the vertical integration from yarns to sewing production, so it directly benefits from the preferential tariffs of FTAs.
  - However, the contribution to revenue of CPTPP and EVFTA member countries are only 29%, it should develop more orders from these markets.
- **Slow down demand in yarn segment due to escalation of US-China trade war.**
  - Yarn's selling prices were decelerated more than raw cotton prices.
  - In 1H 2019, its main market, China already declined the demand for yarn materials, making its yarn revenue down by 21% over the same period, at only 2% of gross margin.
- **Fabric segment, meanwhile, is a bring spot.**
  - It raised the capacity of woven fabrics by 20%, helping to increase 2.4 mn woven products thanks to the increasing demand of Japanese customers.
  - This is the segment that brings the highest profit margin for the company, at around 21%.
- **Garment segment maintains its growth despite sales decline of Sears' customer.**
  - It has developed new orders with US market to replace the shortage of Sears' revenue.
  - Eland Group, its largest garment customer, also raised the demand for apparel in 1H.

RISKS TO OUR CALLS

- Unexpected fluctuation in cotton materials price.
- Demand for yarn materials continue to decelerate.
- Declining in fabric and apparels demand of its main export markets.

ACCUMULATE +17%

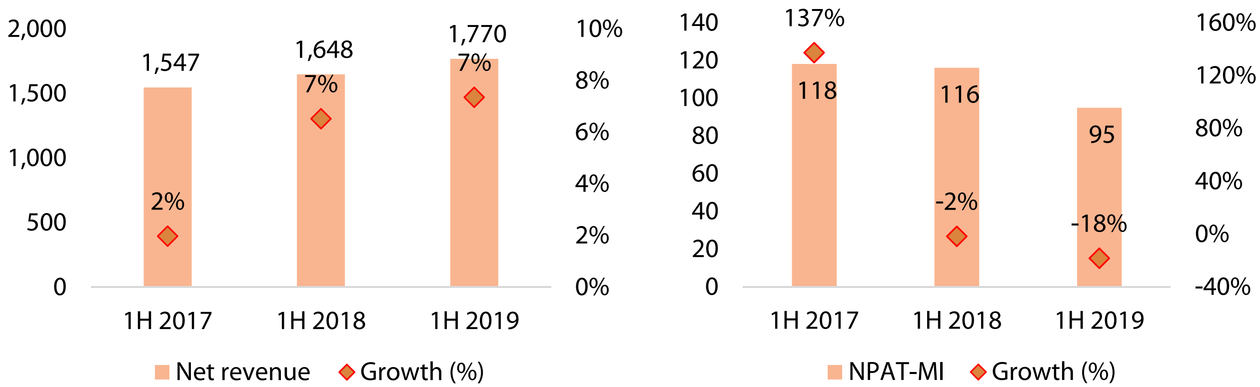
CMP (VND)	**24,300**
Target price (VND)	**28,000**
Cash dividend in 12 months	*500*

STOCK INFO	
Sector	Textile
Market Cap ($ mn)	60
Current Shares O/S (mn shares)	58
3M Avg. Volume (K)	823
3M Avg. Trading Value (VND Bn)	23
Foreign Ownership (%)	49.0
State Ownership (%)	-

FORECAST	2017A	2018A	2019F	2020F
Revenue	**3,209**	**3,662**	**3,750**	**4,010**
Growth (%)	4.5	14.1	2.4	6.9
NPATMI	**192**	**259**	**229**	**284**
Growth (%)	67.8	35.1	-11.8	24.4
ROA (%)	6.5	8.2	6.8	8.2
ROE (%)	19.3	22.1	15.7	16.9
EPS (VND)	3,713	3,937	3,554	4,422
Book Value (VND)	20,595	23,380	25,168	29,090
Cash dividend (VND)	500	500	500	500
P/E (x)	6.5	5.1	6.8	5.5
P/B (x)	1.2	1.0	1.0	0.8

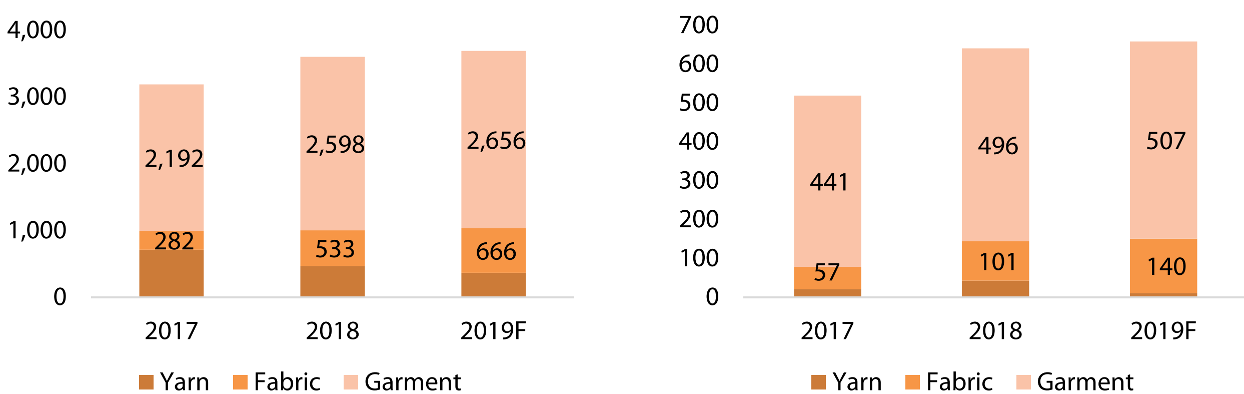
TCM – Lower profit outlook due to yarn segment

Figure 1: 1H's Business Results (VND bn)



Source: TCM, Rong Viet Securities

Figure 2: Estimated revenue (LHS) and gross profit (RHS) of each segment in 2019 (VND bn)



Source: TCM, Rong Viet Securities

1H 2019 – Sales growth but declining in its profit

- Revenue went up by 7% YoY, whereas NPAT-MI was down by 18% YoY.
  - Garment and fabric revenue grew by 10% YoY and 15% YoY, respectively.
  - Yarn revenue was down by 21% YoY as its main market, China, has reduced the demand for yarn imports.
- Gross margin declined by 220bps, mainly influenced by yarn segment, only 2% vs. 9% in 1H 2018.

2H 2019 – Challenge to fulfill its guidance

- 2H's gross margin is expected to achieve 17.6%.
- It considers to record the remaining VND 20 bn provision for Sear's bad debt in 2H.
- For 2019, we forecast that:
  - Revenue slightly rises by 2% YoY, at VND 3,750 bn.
  - NPAT-MI declines by 12%, at VND 229 bn.

POWER INDUSTRY: 2H 2019 Outlook Supports Thermal Power Plants

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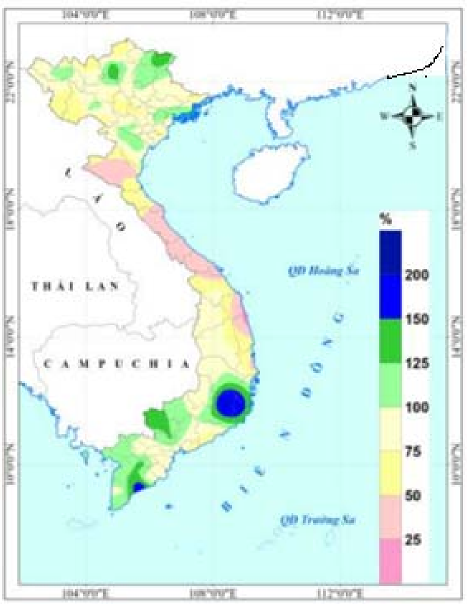
POWER INDUSTRY - REVIEW

Weak hydropower supply, but market price remained flat in 1H 2019

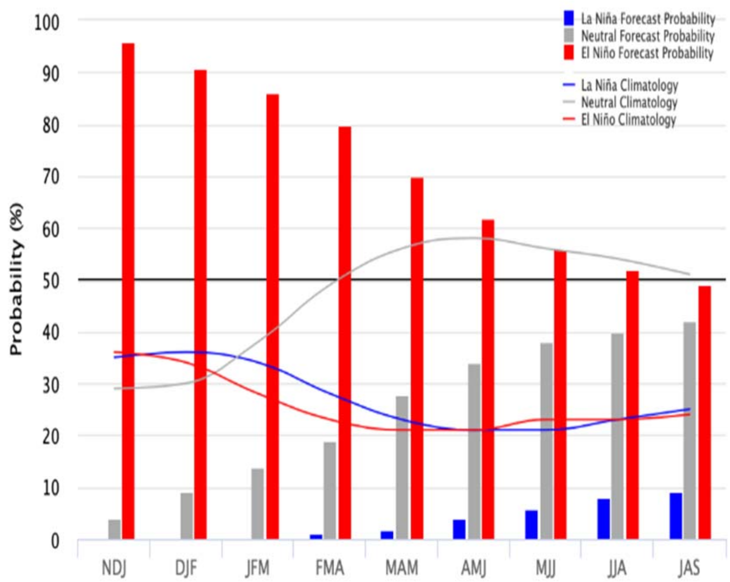
- **Hydropower was weak in 1H 2019** as:
  - Gas and coal shortage in late 4Q 2018 forced EVN to mobilize heavily in hydropower groups, resulting in low level of water reserve at the beginning of 2019.
  - Due to impact from El Nino conditions, the amount of rainfall was below multi-year average level, especially in 2Q 2019.
- However, the change in policies related to competitive market price (CGM) made it remain flat in 1H 2019. Therefore, **thermal power did not benefit from low hydropower supply**; some thermal power plants (PPC, PGV, NT2, HND) even witnessed a decline in sales volume.

Figure 1: The amount of rainfall in 1H 2019 compared to multi-year average level



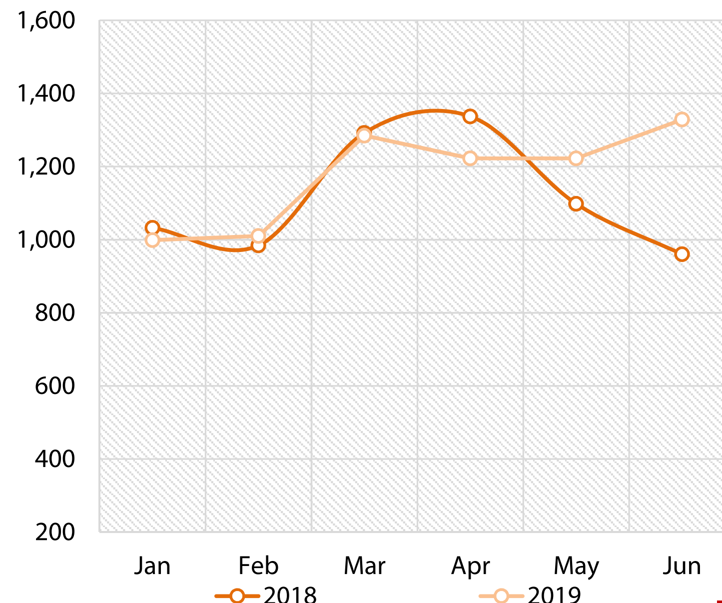
Source: Vietnam National Centre for Hydrometeorological Forecasting

Figure 2: Probabilistic ENSO forecasts from December 2018



Source: NOAA, Rong Viet Securities

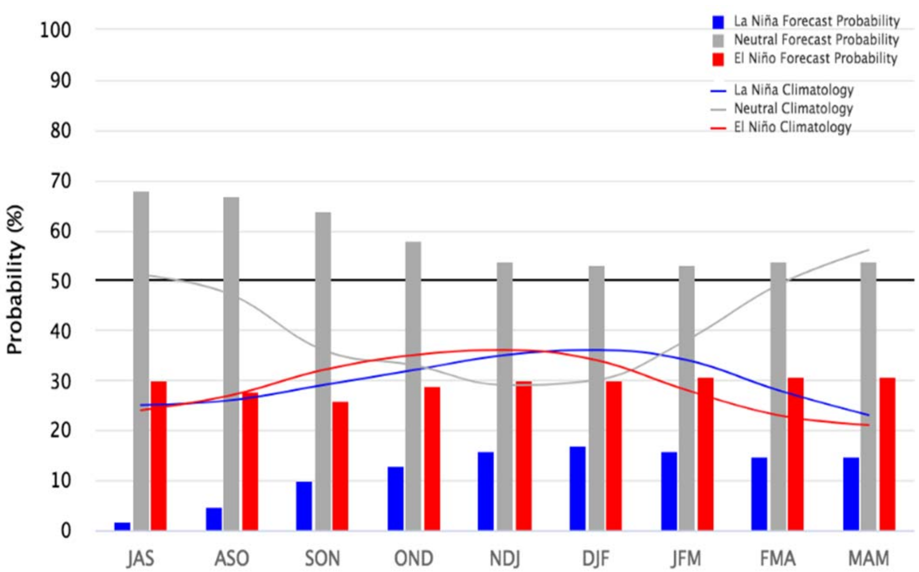
Figure 3: Competitive market (CGM) price in 1H 2018-2019 *(VND/kWh)*



Source: EVN, Rong Viet Securities

Limited power supply despite large new additional capacity of solar power in the recent periods will support CGM price in 2H 2019

Figure 4: Probabilistic ENSO forecasts from Aug 2019 onwards



Source: NOAA, Rong Viet Securities

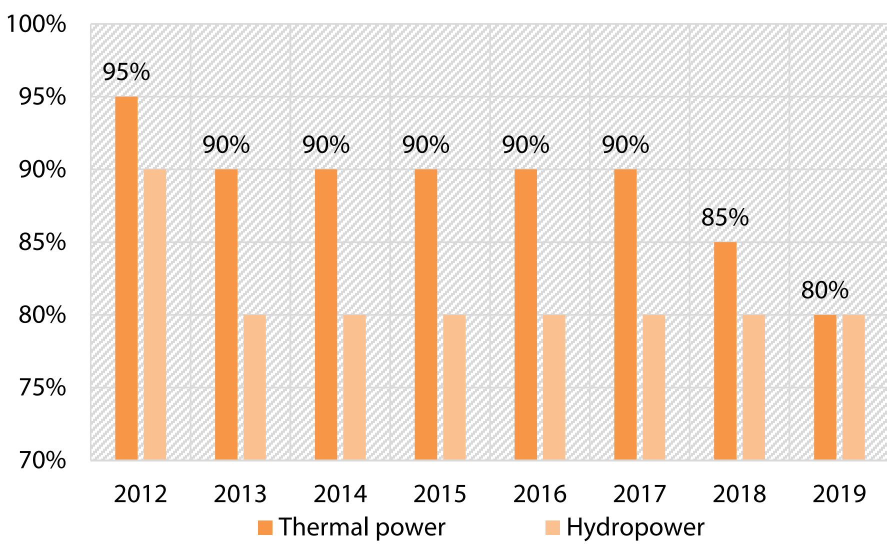
- **Hydropower and gas supply in 2H 2019 is expected to remain limited**
  - According to National Ocean Atmosphere Administration (NOAA), probability of neutral climate is over 50% in the following year from early August 2019. Therefore, in 2H 2019, weather will be neutral.
  - According to EVN, the total amount of water reserve in hydropower plants at the end of 2Q 2019 was 80% lower than normal level, equivalent to 12.49 billion kWh.
  - According to EVN, gas supply to Ca Mau power plant, a major power generator in the South, will witness a strong decline in 4Q 2019, resulting in another constrain in power supply in the region.
- **In addition, solar power still contributes marginal share to National power supply (2.3%),** and thus cannot compensate for the shortfall of hydropower and gas-fired power supply.
- **Limited power supply strongly supports CGM price in 2H 2019**
  - Power plants, which have adequate input supply, will be able to capitalize on favorable market conditions. Most thermal power plants that we follow, except for Vung Ang 1 TPP, have arranged adequate coal supply for 2H 2019 production, implying positive outlook on 2H 2019 core earnings.

Lower contract volume (Qc) and the increase in input price put huge pressure on earnings of thermal power group in 1H 2019.

- As a result of electricity liberalization progress, Qc ratio (alpha) reduced from 95% in 2012 to 80% in 2019, and keep decreasing to 60% in the long term, leading to a downtrend in contract volume (Qc) of thermal power plants. This situation has negatively affected thermal power plants as their PPA prices are usually higher than CGM prices.

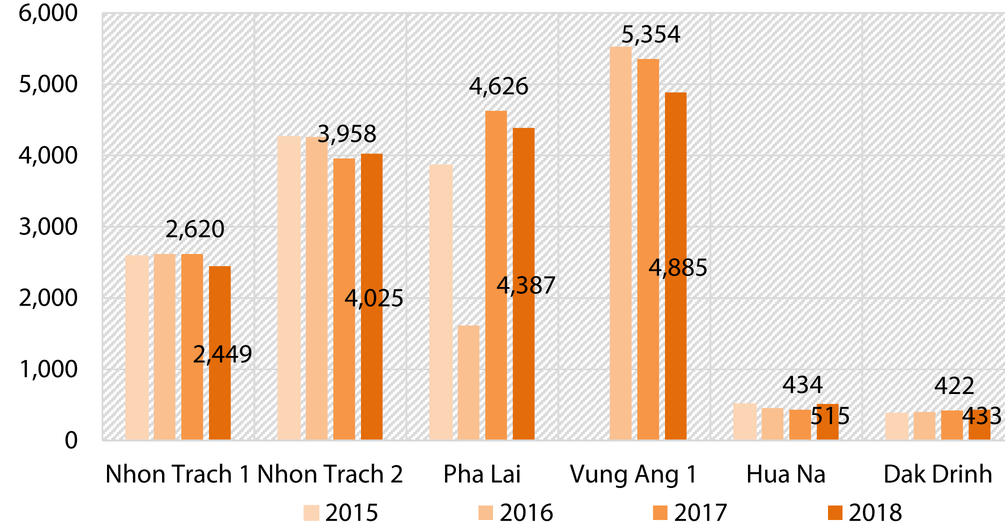
- In addition to the a 5% increase in 1H 2019 domestic coal price, there was also a coal shortage extended from 4Q 2018 to 1H 2019. As a result, the larger proportion of imported coal, which has higher price than domestic coal, even intensify the rise in coal price for thermal power plants. For example: PPC (+10%), HND (+14%).

Figure 5: Qc ratio (%) in 2012-2019



Source: EVN, Rong Viet Securities

Figure 6: Contract volume (Qc) in 2015-2018 *(million kWh)*



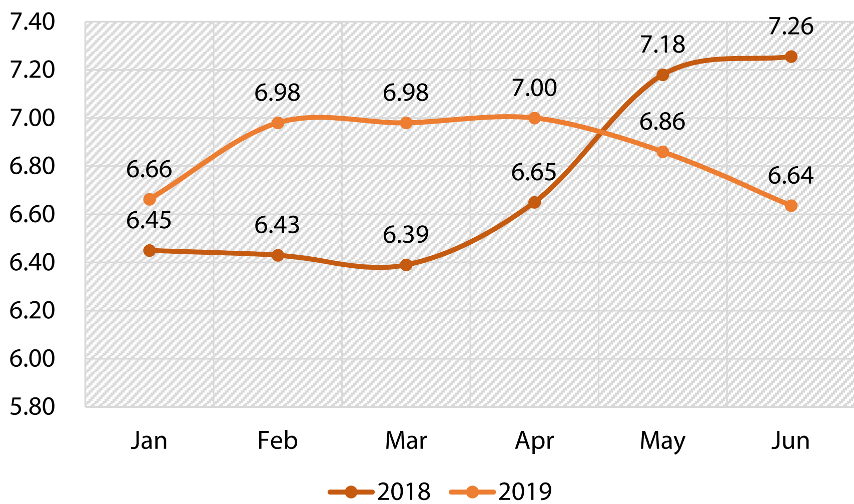
Source: EVN, Rong Viet Securities complied

Lower contract volume (Qc) and the increase in input price put huge pressure on earnings of thermal power group in 1H 2019

- In addition, gas supply in the Southeast regions also witnessed a slight increase in 1H 2019. Gas supply from old gas fields with low price goes down, the Southeast area has to purchase gas from gas fields with higher price

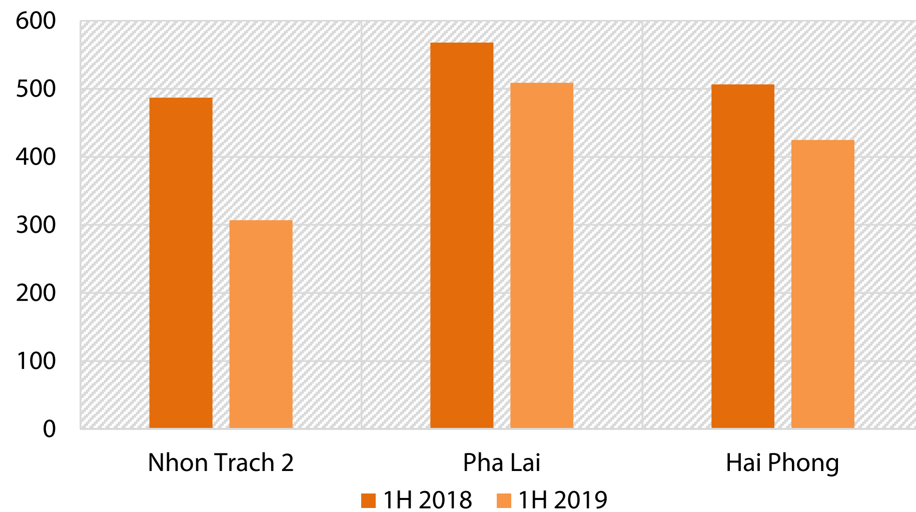
=> From three above-mentioned reasons, 1H 2019 core earnings of most thermal power plants witnessed a decline.

Figure 7: Gas price of NT2 in 1H 2019 *(USD/mmBTU)*



Source: NT2, Rong Viet Securities

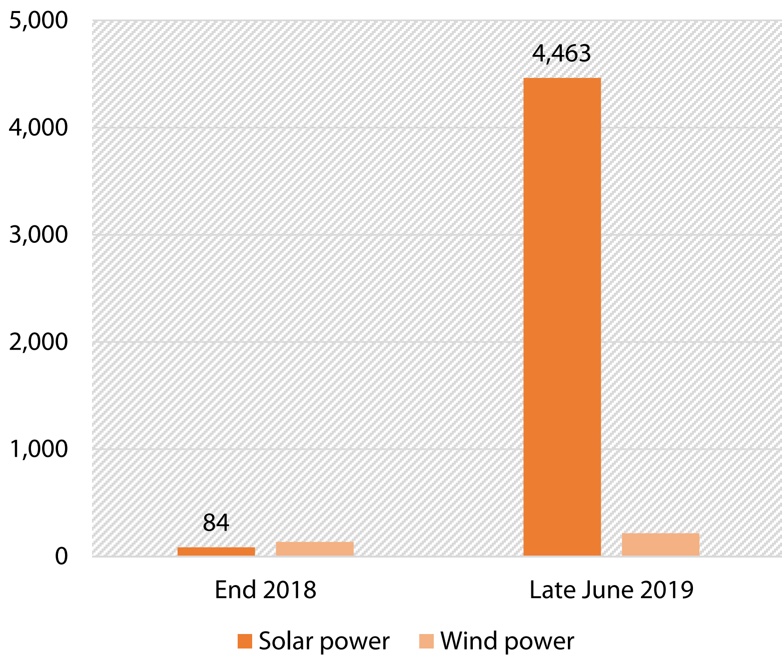
Figure 8: Core earnings of thermal power plants in 1H 2018 and 1H 2019 *(billion VND)*



Source: Rong Viet Securities

POWER INDUSTRY - REVIEW

Figure 9: Capacity of renewable power in end of 2018 and late June 2019 (MW)



Source: Rong Viet Securities

Solar power was "hot" in 1H 2019 but will cool down in 2H 2019

The market witnessed the participation of a large number of solar power plants in 1H 2019

- As solar farms coming online before June 2019 were eligible to enjoy favorable feed-in-tariff (FiT) mechanism, 87 out of 89 new renewable plants coming into operation in 1H 2019 were solar farms.
- Total capacity and daily output of solar power at the end of June 2019 reached 4,463 MW and 16,4 million kWh, accounting for 8.3% and 2.3% of figures of National Power System, respectively.

We expect small number of solar power plants, will come into commercial operation in 2H 2019 as:

- The new FiT mechanism for solar power plants after 30 June 2019 has yet been finalized. Therefore, solar power projects are pending to wait for official price.
- The new 2017 Planning Law has fundamental changes in planning approval procedures. As a result, no new power projects were added to the National Power Development Plan in 1H 2019. As we expect that the issue will not be solved soon in 2019, new power projects that are still out of the Plan will continue pending in 2H 2019.

The overload in transmission grid line that limits operation capacity of some renewable power projects is unrepresentative of overall situations of renewable energy.

- The over capacity only happened in some specific units in transmission grid lines of Ninh Thuan and Binh Thuan provinces.
- Among companies in our coverage list, Cu Jut solar power plant of CHP is located in Dak Nong. Meanwhile, GEG only has one solar power plant in Binh Thuan, but the plant is not affected by the above-mentioned units.

POWER INDUSTRY - REVIEW

Industry comparables (TTM)

Ticker	Sales Growth (%)	EBITDA Growth (%)	EBITDA Margin	Operating Income Margin	Net Income Growth (%)	Net Profit Margin	Capex/Sales (%)	Return on Invested Capital	Return on Assets	Return on Equity
POW	9.9	-9.7	23.3	11.3	-15.5	5.8	0.7	6.7	3.2	7.6
NT2	5.7	-16.9	19.6	10.5	-22.5	8.7	0.0	11.2	7.4	16.9
PPC	-0.6	25.1	15.2	14.7	1.5	14.0	0.5	12.4	13.2	17.2
CHP	-3.3	1.3	75.1	46.0	-11.4	29.4	45.7	8.3	5.2	9.9
REE	2.9	-7.6	20.9	19.6	5.1	31.6	6.7	6.5	10.1	18.1
VSH	-35.6	-45.3	61.7	41.2	-55.3	39.2	276.6	2.0	2.0	5.2
HND	4.7	-4.1	34.4	14.9	7.4	4.5	0.1	9.9	2.9	7.8
SHP	-1.3	-1.9	75.9	44.8	-3.9	29.3	2.2	12.1	7.7	15.7

POW – Long-term Outlook remains attractive

INVESTMENT RATIONALES

- **Stable growth in power demand and limited new supply are supporting factors for existing power plants in the middle term**
  - Power consumption is expected to maintain double digit growth in 2019-2030 period. Meanwhile, many power projects in the national PDP are still behind the schedule. Therefore, there would be a rising electricity shortage of about 3.7 billion kWh in 2021 to a peak of nearly 12 billion kWh in 2023.
- **POW owns huge plants portfolio concentrated in the key economic region in the South**
  - Most above-mentioned electricity shortage is expected to occur in the South, while 64% of POW's total capacity is located there. Hence, these power plants would be in the top priority to be mobilized at the high level and even face low competition pressure in the rainy season.
- **Young plant fleet with advanced technology ensures stable operation**
  - All four gas-fired power plants of POW use modern combined-cycle gas turbine with high power generation efficiency and low heat rate.
- **Low investment capex and strong cash flows help POW strengthen financial soundness for new projects; while the firm still pays cash dividend**
  - Average capex per MW capacity of POW's portfolio is only 0.8 mn USD/MW.
  - Thanks to large reduction in depreciation expense and completion of debt payment (Ca Mau, NT1), POW would witness a significant improvement in both earnings and cash flows in 2019-2020.

RISK TO OUR CALLS

- Risks of changes in regulation and policies
- Risks of input materials supply for thermal power plants
- Risks of volatility in exchange rate

BUY 42%

CMP (VND)	**12,900**
Target price (VND)	**18,000**
Cash dividend in 12 months	*300*

STOCK INFO	
Sector	Utilities
Market Cap ($ mn)	1,297
Current Shares O/S (mn shares)	2,342
3M Avg. Volume (K)	2,411
3M Avg. Trading Value (VND Bn)	36.5
Foreign Ownership (%)	14.9
State Ownership (%)	79.9

FORECAST	2017A	2018A	2019F	2020F
Revenue	29,710	32,663	34,111	40,249
Growth (%)	5.3	9.9	4.4	18.0
NPATMI	2,233	1,676	2,441	3,016
Growth (%)	107.8	-25.0	45.7	23.5
ROA (%)	3.7	2.9	4.6	5.7
ROE (%)	9.0	6.8	9.3	10.6
EPS (VND)	1,014	749	1,038	1,282
Book Value (VND)	11,437	10,474	11,169	12,098
Cash dividend (VND)	0	0	300	300
P/E (x)	14.2	21.4	12.9	10.4
P/B (x)	1.1	1.4	1.2	1.1

POW – Ca Mau 1&2 power plant was "savior" of 1H 2019 earnings

RONGVIET SECURITIES

- 1H 2019 NPATMI grew by 26% YoY, mainly driven by the VND 375 billion reduction in depreciation expense of Ca Mau 1&2 power plant.
- Vung Ang 1, Hua Na and Dakdrinh power plants witnessed a decline in 1H 2019 sales volume as:
  - o Coal shortage decreased sales volume of Vung Ang 1 power plant to 2,770 billion kWh.
  - o Unfavorable hydrological conditions made sales volume of Dakdrinh and Hua Na power plants decrease.

Figure 1: Sales volume of POW's power plants *(million kWh)*

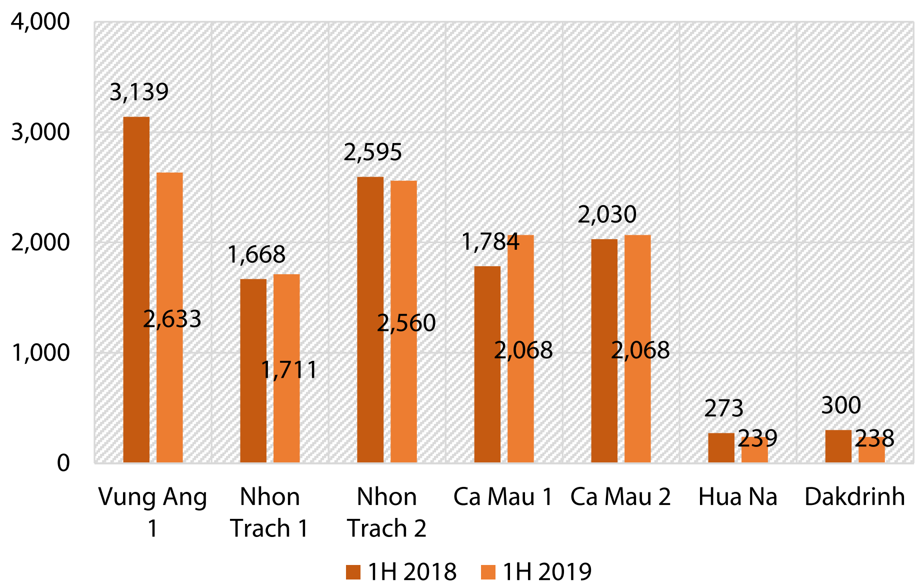
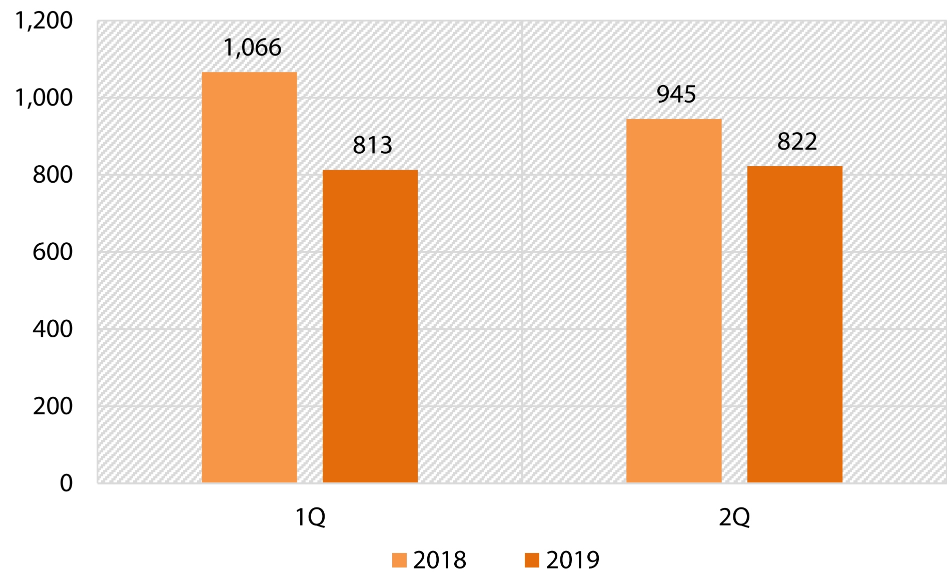


Figure 2: Depreciation expense of POW *(billion VND)*



Source: POW, Rong Viet Securities

POW – Besides the reduction on depreciation expense, an increase in sales volume would be another catalyst for 2H 2019 POW's performance

Figure 3: Sales volume of POW's power plants *(million kWh)*

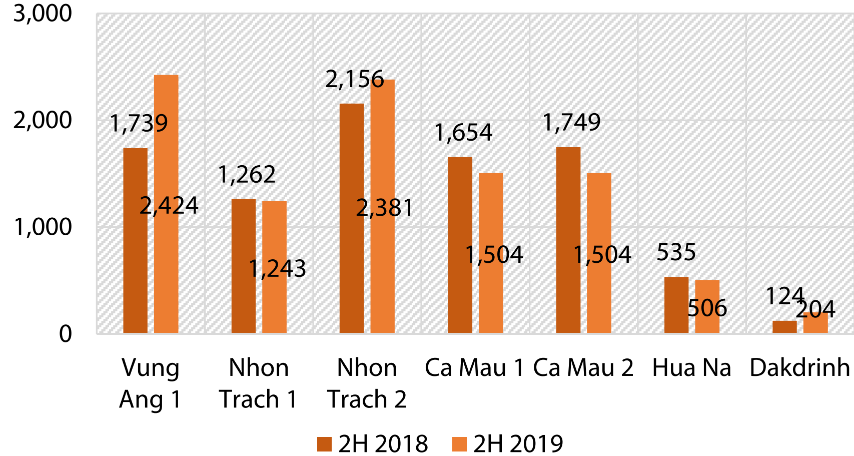
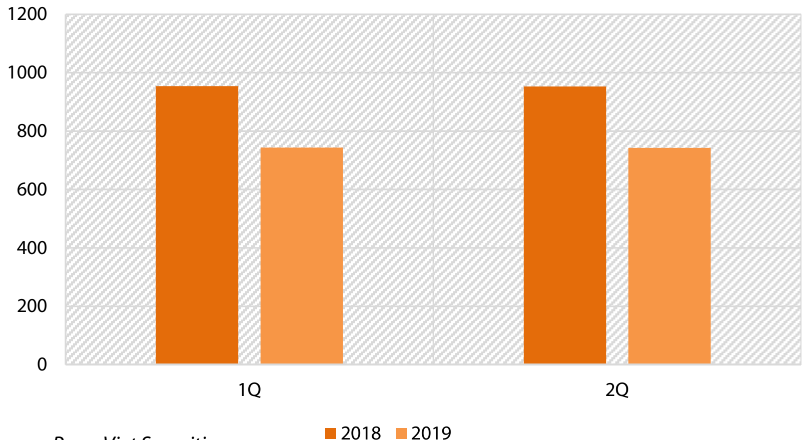


Figure 4: Depreciation expense of POW *(billion VND)*



Source: Rong Viet Securities

- **The improvement in sales volume of key power plants would support POW's operating profits in 2H 2019**
  - Sales volume of Vung Ang 1 power plant is expected to increase from the low base in 1H 2018, when the plant had intermediate overhaul and an 51% increase in 2H 2019 Qc
  - Sales volume of Nhon Trach 2 power plant would increase due to strong demand from the system, higher CGM price and higher Qc.
  - Sales volume of Ca Mau 1&2 power plant would decrease due to reduction in gas supply from PM3CAA lot of Cuu Long basin. However, due to special power purchasing mechanism of this plant, its earnings will face marginal impact from sales volume reduction.
  - As Dakdrinh hydropower plant stopped operation in November and December last year, we expect that normal operation of the plant in 2H 2019 will support its sales volume to improve.
- **Lower depreciation expense in Ca Mau 1&2 and Nhon Trach 1 power plants continues to be the catalyst in the 2H 2019**
  - We forecast that depreciation expense in Ca Mau 1&2 power plant would decline by VND 280 billion in 2H 2019, directly supporting bottom line of POW**.**
  - In addition, we also expect that machinery part of Nhon Trach 1 will be fully depreciated from 3Q 2019, increasing earnings of POW.
- **In 2H 2019, we forecast that revenue and NPATMI will reach VND 15,794 billion (+6% YoY) and VND 879 billion (+103% YoY), respectively.**

REE – VALUATION IS STILL ATTRACTIVE

INVESTMENT RATIONALES

- **REE holds a potential power and water portfolio**
  - REE owns a power and water portfolio of high-quality assets, which generates sustainable cash dividend with annual yield of 9% - 10% for the company and contributes up to 61% of REE's total NPAT.
  - In the coming years, many power and water firms still have ample earnings growth potential, as some of them are raising their operating capacities while some others are reducing financial leverage, thus improving net financial income.
- **Office-leasing segment is huge "cash-cow" of the holding**
  - Accounting for over 20% of REE's annual profits, the segment is having a massive expansion plan with 22% CAGR of total leasable area in 2017 – 2022 period, corresponding for 30,000 sqm annually.
  - REE's office business also has a strong sales track record when it takes REE less than a year for a new building to be fully occupied.
- **Stock price is underperforming**
  - REE stock currently is trading at 0.97x forward P/B ratio, which we consider quite "cheap" for its high-quality assets. In fact, utilities segment and office leasing segment, with 2018 earnings yields of 15.6% and 23.8% respectively, are the strongest evidence for our belief that book value of the company is still far below the intrinsic value of REE.

RISK TO OUR CALLS

- Real estate performance in the coming years may take longer time to recover than our expectation, affecting even M&E segment.
- Performance of VSH can be lower than our forecast due to legal issues and performance of Thuong Kon Tum (TKT) project.

BUY 27%

CMP (VND)	**37,550**
Target price (VND)	**46,000**
Cash dividend in 12 months	*1,800*

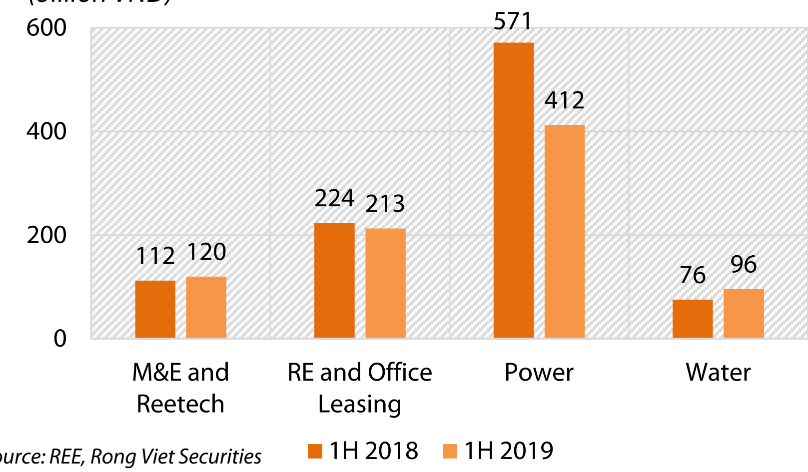
STOCK INFO	
Sector	Industrial Goods & Services
Market Cap ($ mn)	500
Current Shares O/S (mn shares)	310
3M Avg. Volume (K)	740
3M Avg. Trading Value (VND Bn)	24.9
Foreign Ownership (%)	49.0
State Ownership (%)	5.3

FORECAST	2017A	2018A	2019F	2020F
Revenue	4,995	5,101	5,595	5,989
Growth (%)	37	2	10	7
NPATMI	1,377	1,784	1,611	1,917
Growth (%)	26	30	-10	19
ROA (%)	9	9	8	9
ROE (%)	15	17	14	14
EPS (VND)	4,441	5,754	5,191	6,179
Book Value (VND)	25,912	30,055	33,446	37,825
Cash dividend (VND)	1,600	1,800	1,800	1,800
P/E (x)	9.3	5.4	6.3	5.3
P/B (x)	1.5	1.0	0.97	0.86

Weak performance of power segment dragged REE's 1H 2019 earnings down

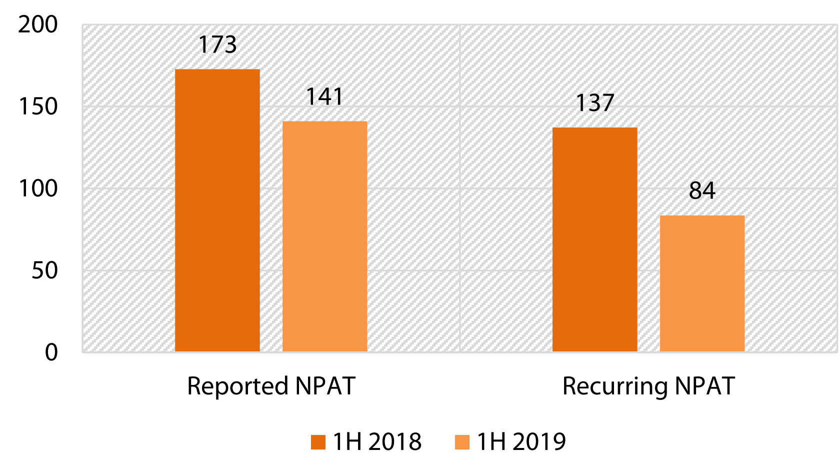
- REE M&E witnessed a slight increase of 7% YoY in 1H 2019 NPAT, an achievement of REE in the context of slow process to get investment licenses for many real estate projects
- Office leasing and real estate segments in 1H 2019 saw a 5% decline in 1H 2019 NPAT as in 1H 2018, REE booked an VND 96 billion one-off profit from disposal of real estate project on No Trang Long street. Excluding these earnings, office leasing and real estate segment increased by 74% YoY in 1H 2019. This strong performance was attributable to office leasing business thanks to Etown Central office building, which has been fully occupied from early 2019.
- Although two above-mentioned segments performed well, power utilities segment of REE was weak results in 1H 2019:
  - o Most hydropower plants had poor performance due to unfavorable hydrological conditions.
  - o Thermal power also witnessed weak results in both core and non-core operating earnings:
    - ➢ Core operating performance of thermal power plants went down due to the decline in sales volume and the rise in coal price in 1H 2019.
    - ➢ One-off income intensified weak core operating earnings of thermal power plants.

Figure 1: Operating earnings of REE's core segments 1H 2019 *(billion VND)*



Source: REE, Rong Viet Securities

Figure 2: Core and Non-core operating earnings of PPC *(billion VND)*



Weak performance of power segment would continue decreasing REE's 2H 2019 NPAT despite the growth in office leasing and water businesses

- Real estate, office leasing and water businesses is expected to remain positive in 2H 2019. Meanwhile, power segment would be weak in 2H 2019 due to unfavorable hydrological conditions, decreasing 2H 2019 REE's total forecasted NPAT to VND 850 billion.

Table 1 : REE's 2019 forecasted earnings by business segment

VND Billion	2H 2019 earnings	% change YoY	2019 earnings	% change YoY	Comment
M&E and ReeTech	155	18%	275	13%	• In 2H 2018, VND 30 billion provision expense dragged earnings down. • Excluding the impact from the provision, we expect that 2019 NPAT from the segment would remain flat and achieve 2019 guidance of VND 275 billion.
Real Estate & Office Leasing	264	25%	477	13%	• The growth of the segment would be driven by Etown Central and Etown 5, which came into operation in late June 2019 but has been fully occupied.
Power	334	-27%	334	-28%	• Due to unfavorable hydrological conditions
Water	96	23%	192	25%	• Operating capacity Tan Hiep 2 water plant keeps improving, from 85% at the end of 2018 to 100% in mid-2019. • Earnings of water segment would be contributed from Khanh Hoa water plant in 2H 2019
Total	**850**	**-4%**	**1,690**	**-5%**	

Source: Rong Viet Securities forecasts

Progress in M&A activity brighten long term outlook

- Currently, REE is progressing to complete three acquisitions:

Table 2: Acquisitions of REE in the recent time

Acquisition Deal	Comment
Khanh Hoa water plant (KHW)	• REE targets to buy more 5.46 million shares of Khanh Hoa water plant (KHW), increasing its ownership from 24.85% to 45.85%.
Hydropower plant	• Location: The North • Capacity: 34.8 MW • Total equity value: VND 550 billion • REE and TBC, a subsidiary of REE will hold 49% and 51% stake, respectively. • Sales volume: 160 million kWh • Selling price: 1,100 VND/kWh • NPAT: VND 60-70 billion
Wind project	• Location: Soc Trang Province • Capacity: 48 MW • Total capex: VND 2,000 billion. 30% of investment capital will be financed by equity • Sales volume: 180-190 million kWh • Selling price: 9.8 cents/kWh • The project will break ground in October 2019 and come online in late 2020

Source: REE, Rong Viet Securities

=> Therefore, we believe that these acquisitions will enhance intermediate term outlook of the company.

- Besides three above-mentioned deals, the management of REE also shows positive view on disburse capital in the coming periods. Since the company has adjusted its M&A strategy to acquire new power projects to implement on its own, we expect that REE will be able to accelerate disbursement progress. However, with the new M&A method, we believe that cash flow and earnings generated by new projects in the first years may be low, thus putting more challenge for REE to improve its ROE in the intermediate term.

DAIRY INDUSTRY: A Recovery in Domestic Demand

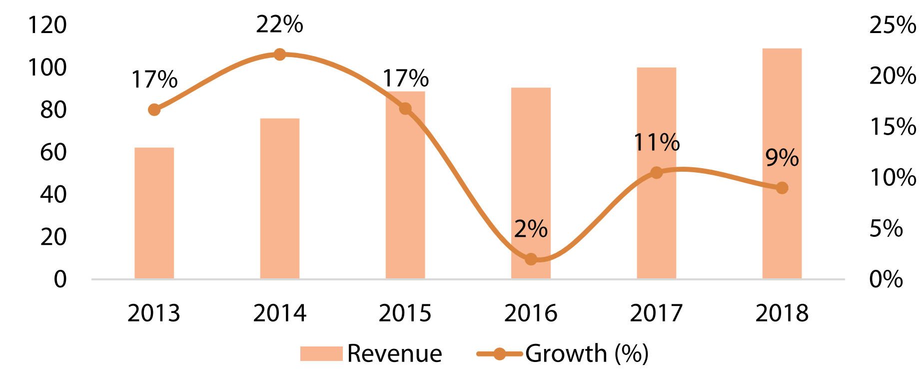
Thao Dang - thao.dtp@vdsc.com.vn

DAIRY INDUSTRY - REVIEW

Long-term growth remains positive

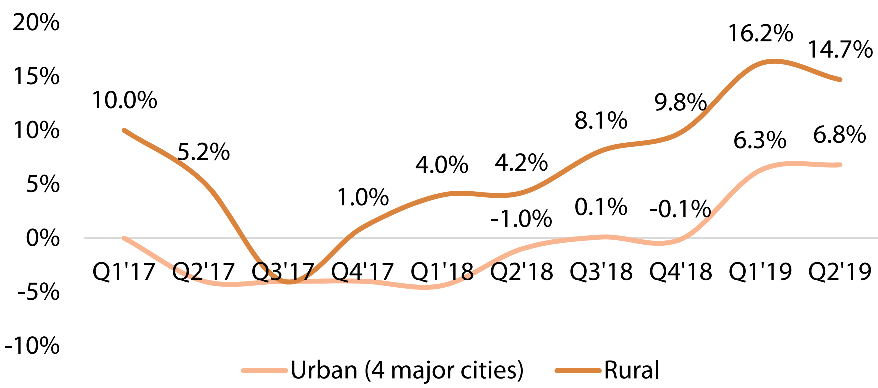
- After a period of slow down in the growth of domestic demand for dairy products (especially in urban areas), we believe that the first half of this year has seen positive changes.
- According to Kantar Worldpanel, in Q2 2019, dairy and its related products continue to be the leading FMCG sector with an impressive value growth of 14.7% and 6.8% in rural and urban areas (4 major cities), respectively. This shows that demand for dairy products has recovered.
- Favorable demographic factors such as large population with rapid growth rate, young population structure and a growing middle-class income will help to boost the demand for long-term dairy consumption.

Figure 1: Total revenue in the period of 2013 – 2018 (VND tn)



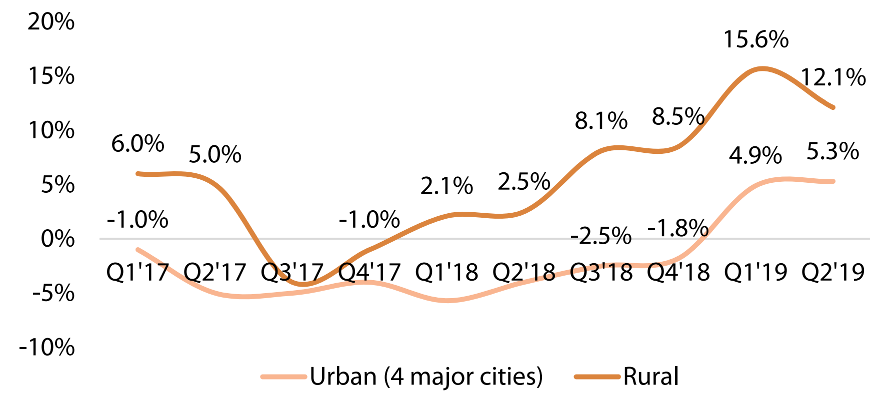
Source: GSO, RongViet Securities

Figure 2: Value growth of domestic dairy (%)



Source: Kantar Worldpanel, RongViet Securities

Figure 3: Volume growth of domestic dairy (%)

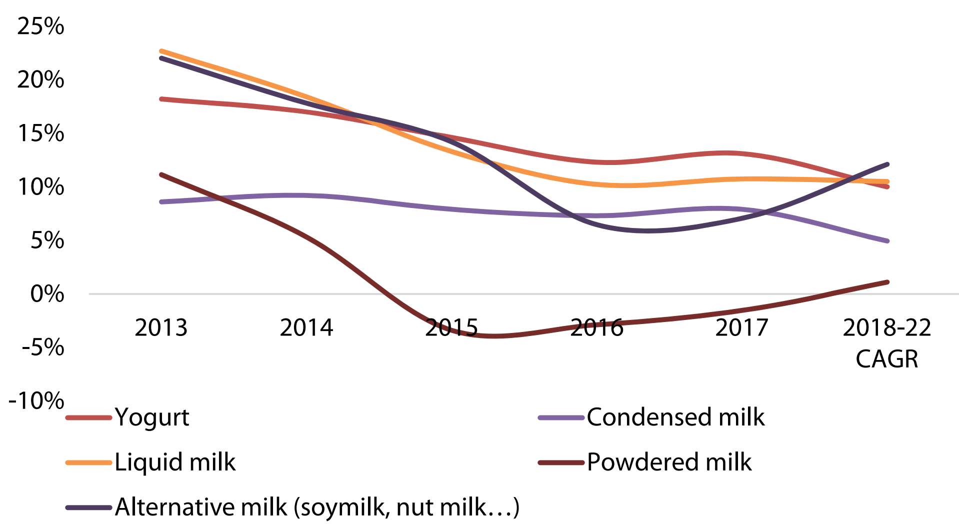


DAIRY INDUSTRY - REVIEW

Changing consumer habits through premiumization strategies

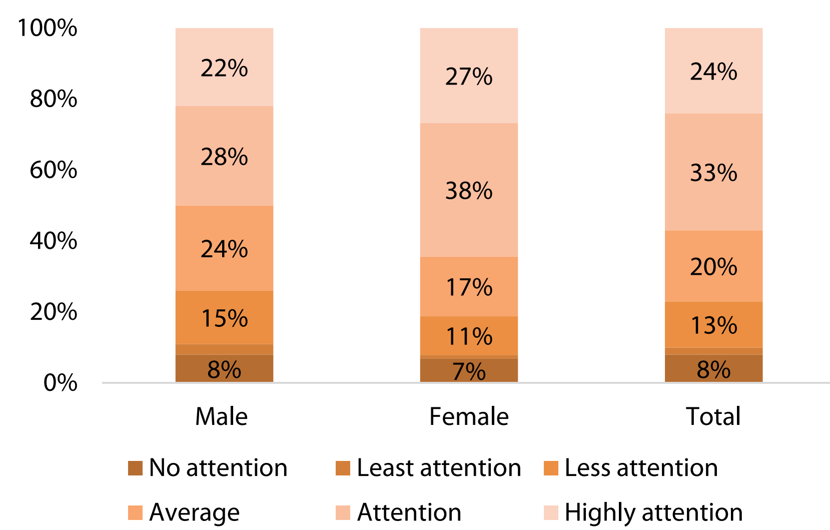
- Consumers become more concerned about their health, switch to high-nutrient, healthy products with more stringent quality standards. Therefore, the demand for high-quality liquid milk (organic milk, A2 milk, etc), yogurts and alternative products from plants (soymilk, nut milk, etc) is increasing.
- This is an advantage for companies able to capture consumption trend changes. Pioneering companies such as VNM, TH True Milk will benefit over other competitors as they already had a production system adapted to international standards and launch new products rapidly according to market demand.
- Besides, alternative milk products are forecasted to lead the dairy growth in the period of 2018-2022, according to Euromonitor. This will benefit QNS, a leading player in soymilk sector. As the soymilk consumption per capita in Vietnam is still low, still having a huge market for the company to exploit.

Figure 4: Alternative milk is expected to lead growth in the coming years



Source: Euromonitor, RongViet Securities

Figure 5: A scale of consumer interest in organic milk (%)



Source: Q&Me, RongViet Securities

DAIRY INDUSTRY - REVIEW

Industry comparables

Ticker	Marlet Cap (VND bn)	P/E	Sales Growth (%)	Gross Margin	Operating Profit Margin	Net Income Growth (%)	Net Profit Margin	EV/EBITDA	Return on Assets	Return on Equity
VNM	208,969	23	3	47	21	-1	19	16	28	38
QNS	10,320	8	5	29	17	21	15	5	17	25
GTN	2,575	572	-20	16	0	-80	0	14	0	0

Source: Bloomberg, RongViet Securities

VNM – A bright prospect for high-quality products

INVESTMENT RATIONALES

- **Strong domestic growth helps to gain more market shares.**
  - In 1H 2019, its market shares rose by 0.9% over the same period last year and by 0.4% since the beginning of this year thanks to positive growth of domestic revenue and the increasing contribution of its POS from 250,000 to 270,000.
- **Transferring to high-end products adapts the customer needs.**
  - The consumption trend is shifting to high-grade liquid milk, yogurt and alternative milk.
  - The launch of 17 new product lines in Q2, including organic powder milks, yogurts and soymilk with various flavors will boost the dairy consumption demand for the rest 6 months of this year.
- **Continue to rise the number of cow milks that are more self-sufficiency.**
  - It can control the quality of raw milk inputs, and improve the quality of output milk to meet the strict demand of the market.
  - Reducing the dependence on the price and volatility of milk powder materials.

RISKS TO OUR CALLS

- Significant increase in skim milk & whole milk powders.
- The demand for dairy products continue to decelerate.
- Its main export market, the Middle East, suffers political instability.

ACCUMULATE +12%

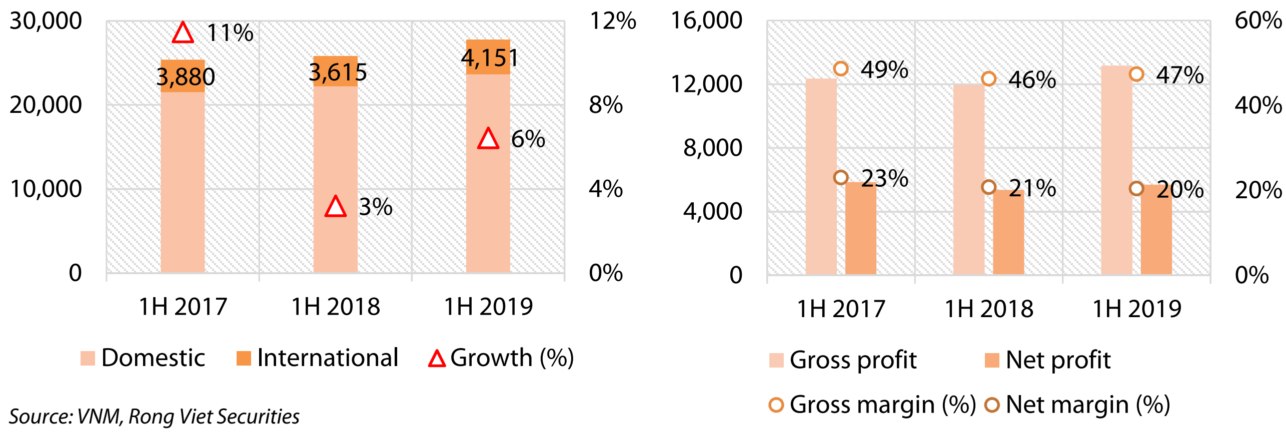
CMP (VND)	**124,100**
Target price (VND)	**134,000**
Cash dividend in 12 months	*5,000*

STOCK INFO	
Sector	Food & Beverage
Market Cap ($ mn)	9,275
Current Shares O/S (mn shares)	1,741
3M Avg. Volume (K)	1,166
3M Avg. Trading Value (VND Bn)	145
Foreign Ownership (%)	58.9
State Ownership (%)	36.0

FORECAST	2017A	2018A	2019F	2020F
Revenue	**51,041**	**52,562**	**56,823**	**60,832**
Growth (%)	9.1	3.0	8.1	7.1
NPATMI	**10,296**	**10,227**	**10,787**	**11,752**
Growth (%)	10.1	-0.7	5.5	8.9
ROA (%)	32.2	28.4	28.0	28.5
ROE (%)	44.5	40.8	40.3	41.0
EPS (VND)	6,355	5,295	5,574	6,073
Book Value (VND)	16,105	14,802	15,376	16,449
Cash dividend (VND)	5,000	4,500	5,000	5,000
P/E (x)	32.8	22.7	24.2	22.2
P/B (x)	12.7	8.0	8.8	8.2

VNM – Recovery in both Domestic & Foreign Markets

Figure 1: 1H's revenue (LHS) and profit (RHS) results (VND bn)



Source: VNM, Rong Viet Securities

Figure 2: Some new products launched in 1H 2019

Source: VNM, Rong Viet Securities

1H – Positive business result

- Net revenue and NPAT-MI grew by 7% YoY and 9% YoY, respectively.
  - Domestic sales grew by 6% YoY.
  - Export revenue was up by 15% YoY.
  - ASP raised by 2% YoY at the beginning of Q2.
- Gross margin improved by 109 bps, to 47.4% thanks to the price increase and improvement of Vietsugar and cow farm's operational efficiency.

2H - Expecting to maintain the growth momentum

- The launching of 17 new product lines are expected to boost its domestic revenue in 2H.
- Continue to rise its self-sufficiency of milk materials by building up new farm in Quang Ngai province, raising up the number of cows in Hau River farm to 4,000 – 8,000 cows.

QNS – An Attractive Valuation

INVESTMENT RATIONALES

- **Expanding the pie of soymilk segment.**
  - Increasing the proportion of branded soymilk products on the market. Branded soymilk currently only accounts for 45% of total domestic supply vs. 70% in Thailand.
  - Developing new nutritional products from soybeans such as soybean oil, margarine, etc.
  - Launching four new products in Q2 & Q3, including low sugar and high-protein products to meet the health conscience from customers.
- **Sugar's gross margin can be improved thanks to the increase of domestic selling price.**
  - From this May, sugar prices already recovered. Now is around VND 12,000/kg from a low level of around VND 10,400/kg in the first 4 months.
  - However, its sugar output volume is estimated to have a significant decrease of around 70% in 2H. This will affect negatively to the contribution of this segment into business performance.
  - Its sugar's depreciation, meanwhile, is mainly allocated in the first 2 quarters. That could compensate partially for the sharp decline of sugar volume in 2H.
- **An attractive valuation**
  - 8x forward P/E is quite attractive for a leading soymilk firm.

RISKS TO OUR CALLS

- Soymilk demand continue to slow down.
- Sugar prices fall to the lower level.
- Increase in soybean material prices.

BUY **+40%**

CMP (VND)	**30,100**
Target price (VND)	**40,500**
Cash dividend in 12 months	*1,500*

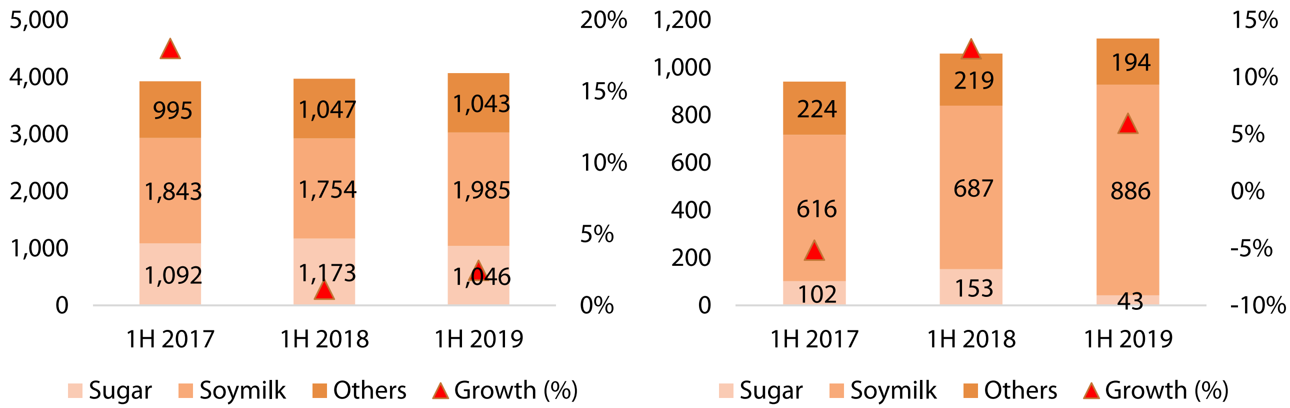
STOCK INFO	
Sector	Food & Beverage
Market Cap ($ mn)	461
Current Shares O/S (mn shares)	357
3M Avg. Volume (K)	282
3M Avg. Trading Value (VND Bn)	9
Foreign Ownership (%)	13.7
State Ownership (%)	-

FORECAST	2017A	2018A	2019F	2020F
Revenue	**7,633**	**8,031**	**7,818**	**9,176**
Growth (%)	9.5	5.2	-2.6	17.4
NPATMI	**1,027**	**1,240**	**1,162**	**1,289**
Growth (%)	-27.2	20.8	-6.3	10.9
ROA (%)	14.7	15.5	15.3	14.6
ROE (%)	22.9	23.2	18.2	17.3
EPS (VND)	3,407	4,155	3,779	4,192
Book Value (VND)	21,829	21,733	21,154	24,704
Cash dividend (VND)	1,500	1,500	1,500	1,500
P/E (x)	9.1	8.3	8.0	7.2
P/B (x)	2.4	2.3	1.4	1.2

QNS – Expecting a Recovery of Sugar Segment

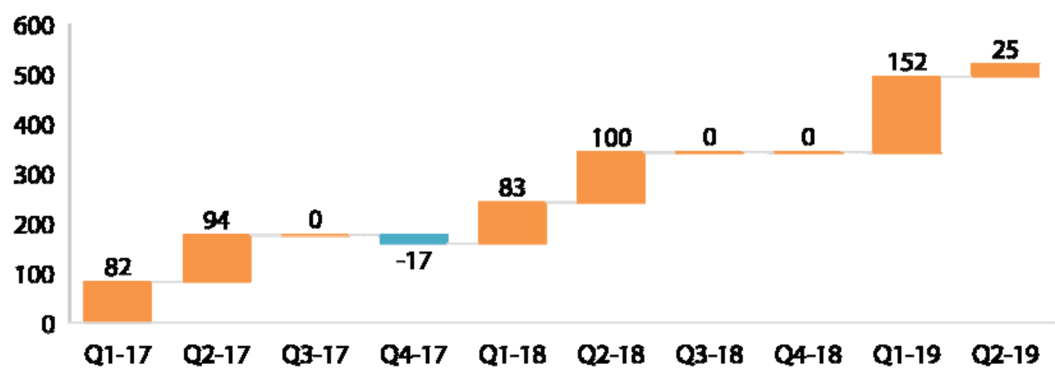
RONGVIET SECURITIES

Figure 1: 1H's revenue (LHS) and gross profit (RHS) by segment (VND bn)



Source: QNS, Rong Viet Securities

Figure 2: Sugar segment's depreciation is mainly allocated in the first 2 quarters (VND bn)



Source: QNS, Rong Viet Securities

1H – Lower profitability due to sugar segment

- Net revenue grew by 2% YoY and NPAT-MI fell by 7% YoY, respectively.
  - Soymilk segment contributed 49% of revenue and 79% of gross profit.
  - Whereas, sugar segment accounted for 26% of revenue and 4% of gross profit.
- Gross margin rose 91bps to 27.6% from 26.7% in 1H 2018.
- No extraordinary income vs. VND 26 bn in the same period last year. If excluding that transaction, its NPAT-MI was down by 3% YoY.

2H – Growth prospect for soymilk, but declining output volume of sugar segment significantly

- Soymilk segment is estimated to maintain its positive performance thanks to new product launch in Q2, Q3 and the recovery of dairy sector.
- Sugar prices have shown signs of recovery, we expect that it could compensate partially for the sharp decline of sugar output volume.

RONG VIET SECURITIES

OIL&GAS INDUSTRY: Blow in The "Oil"

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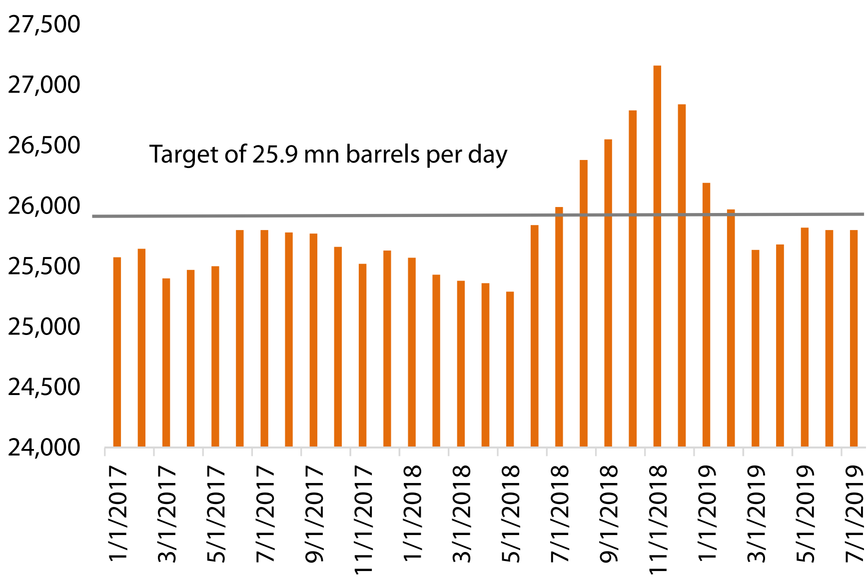
OPEC+ deal cut props up the oil price

+ OPEC and its allies extends the deal cut 1.2 mn barrels per day for further 9 months, starting from June 2019. In which, OPEC will trim its production by 0.81 mn barrels per day.

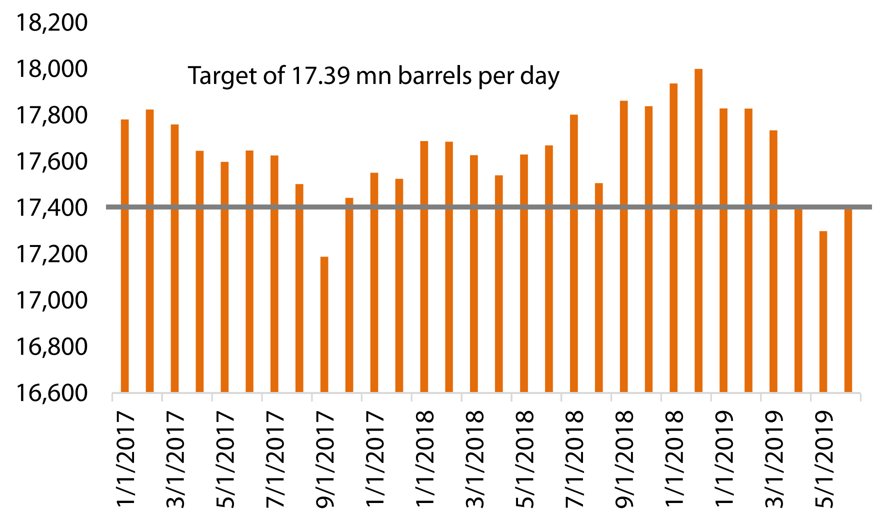
+ Saudi Arabia is still the most active in curbing the output with 148% target.

Figure 1 : OPEC production vs target production



Source: RongViet Securities complied

Figure 2 : Non-OPEC production vs target production



Source: RongViet Securities complied

+ Non – OPEC will curb 0.39 mn barrels per day.

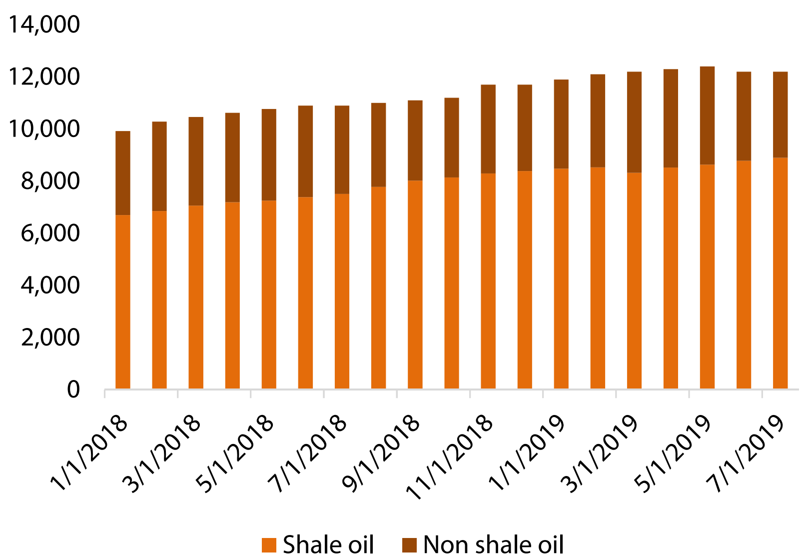
+ However, the Non – OPEC is lack of compliance with the deal. And the low production is a result of some technical issues.

OIL&GAS INDUSTRY - REVIEW

But the trade war and US have held the oil price back

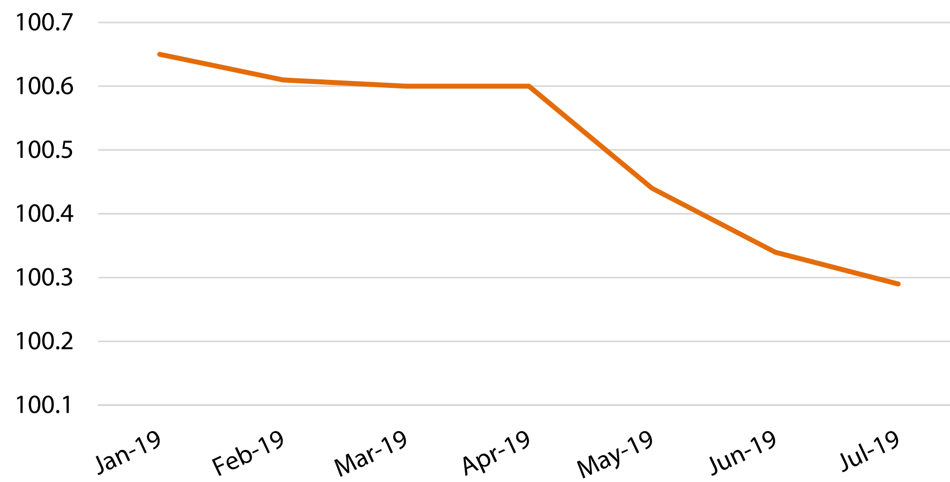
+ US shale oil has touched the highest level of all time since May 2019 with 12.4 mbpd and is forecasted to reach 13.2 mbpd in 2020 by EIA.

Figure 3: Oil production in US (thousand barrel per day)



Source: RongViet Securities complied

Figure 4: 2019 world oil demand forecast (mn barrel per day)



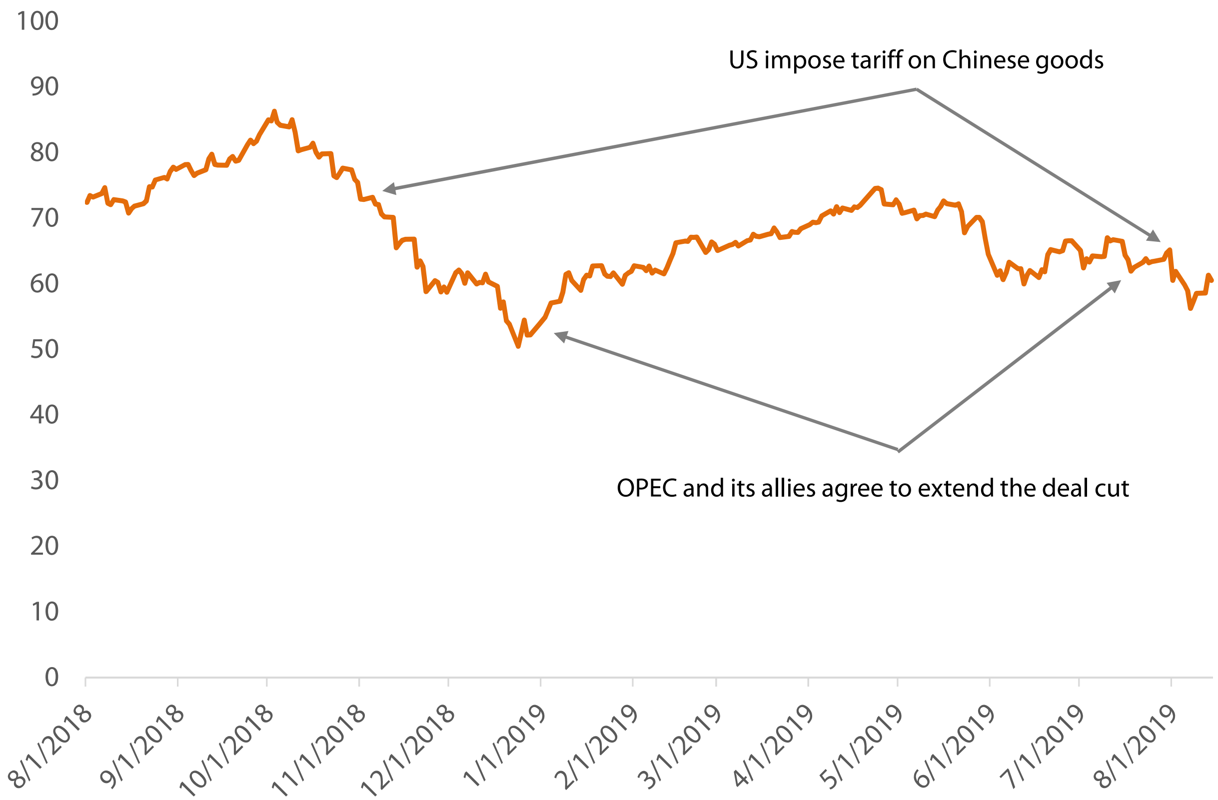
Source: IEA, RongViet Securities complied

+ Trade war hit the oil demand outlook. IEA continuously lower the forecast for the world oil demand from 100.6 mbpd to 100.3 mbpd.

OIL&GAS INDUSTRY - REVIEW

Oil price movement

Figure 5: YTD Oil price movement and main events



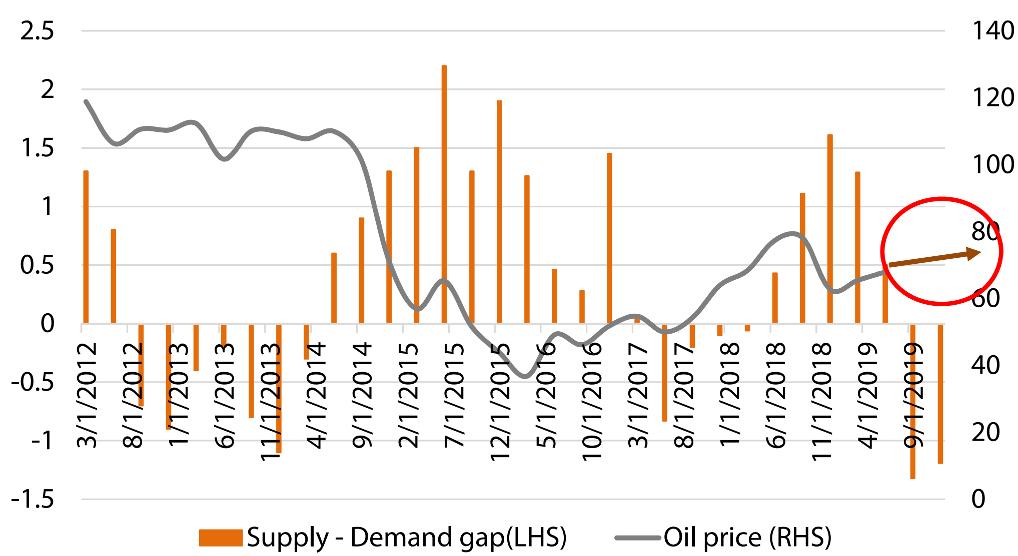
Source: Bloomberg, RongViet Securities

The oil price rallies among the good and bad news within 1 year.

OIL&GAS INDUSTRY - REVIEW

Oil price forecast

Figure 6: Supply – Demand gap (mbpd) and Brent price movement (USD/barrel)



Source: RongViet Securities complied

Table 1: Brent price forecast in July(USD/barrel)

Institutional	2019	2020
Barclays	71	75
BNP Paribas	71	68
Bank of America	70	65
Credit Suisse	66	67
Deutsche Bank	67	65
JP Morgan	71	63
Morgan Stanley	73	67

Source: RongViet Securities complied

Oil & Gas Projects in Vietnam

Table 1: Existing Oil&Gas Projects in Vietnam

	Number of projects	Notable Projects
Exploration	24	Block 05.3/11 (Rosneft 100%), Block 135 & 136/3 (Repsol 40%).
Appraisal	3	Lac Da Vang (PVEP 40%, Murphy Oil 40%).
Discovery	7	Sturgeon (Vietsovpetro 100%), Nam Du/U Minh (Jadestone Energy 100%), Block B (PVEP 66%), White Lion phase 2 (PVEP 50%), **Blue Whale** (Exxon Mobil 64%), Red Emperor (Repsol 55%), Bao Vang – Bao Den (PVN 50%, Gazprom 50%).
Development	4	Block 52/97 (PVN 43%), Sao Vang – Dai Nguyet (JX Nippon Oil 35%), Wild Orchid (ONGC 45%).
Production	18	White Tiger (Vietsovpetro 100%); Lan Tay - Lan Do (ONGC 45%).

Source: RongViet Securities complied

Industry comparison

Ticker	MC (VND Bn)	Dividend Yield (%)	Target price (VND)	TTM 2019			Revenue growth (%)			NPAT growth (%)			PER		PBR	
				D/E (x)	ROE (%)	ROA (%)	2018	2019E	2020F	2018	2019E	2020F	2018	TTM2019	2018	TTM2019
PVS	9,750	2.4	25,080	0.1	8.9	4.7	-12.9	20.7	-14.3	30.8	7.9	-11.0	8.7	8.7	0.7	0.8
PVD	6,759	0	N/A	0.3	3.8	2.5	2.1	-15.5	N/A	-45.7	-67.0	N/A	36.9	12.9	0.4	0.5
GAS	193,117	3.9	N/A	0.1	27.1	19.9	-0.3	N/A	N/A	3.5	N/a	N/a	14.7	14.7	3.5	4.3
PVT	4,925	2.8	21,300	0.6	13.7	6.7	22.4	8.3	1.0	44.9	-0.2	-7.5	7.2	7.2	0.9	1.2
PXS	363	0	N/A	0.4	N/A	N/A	-15.3	N/A	N/A	-25.3	N/A	N/A	N/A	N/A	0.5	0.6

Source: FiinPro, Rong Viet Securities

PVT – HIGHER CAPACITY FROM NEW FLEETS

INVESTMENT RATIONALES

- **Transportation segment is expected to keep growing during 2019-2022**
  - PVT is increasing its fleets, which will push the transportation's revenue to achieve the CAGR of 7% during 2019-2022.
  - New fleets will deliver service for Nghi Son, Long Son and expand more to the international market (LPG segment).
  - Due to the IMO 2020, the charter rate is forecasted to continue its upward momentum.
- **Stable cash flow from FSO Dai Hung Queen**
  - Thanks to a long term contract, FSO Dai Hung Queen is generating a stable cash flow.
  - PVT is on the way to broaden the O&M business by signing more contracts like O&M for CPP Sao Vang.
- **Divestment**
  - PVN will decrease its ownership from 51% to 35%.

RISKS TO OUR CALLS

- Nghi Son may run below its designed capacity and Long Son may be delayed.
- Lower charter rate than expectation.

BUY +25%

CMP (VND)	**17,500**
Target price (VND)	**21,300**
Cash dividend in 12 months	*500*

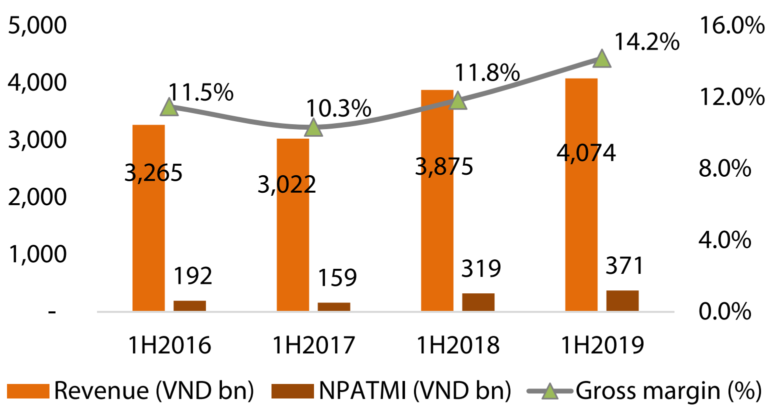
STOCK INFO	
Sector	Industrial Goods & Services
Market Cap ($ mn)	211
Current Shares O/S (mn shares)	281
3M Avg. Volume (K)	712
3M Avg. Trading Value (VND Bn)	12.2
Foreign Ownership (%)	30.6
State Ownership (%)	51

FORECAST	2017A	2018A	2019F	2020F
Revenue	**6,148**	**7,523**	**8,146**	**8,147**
Growth (%)	*-8.7*	*22.4*	*8.3*	*0.0*
NPATMI	**450**	**652**	**651**	**602**
Growth (%)	*8.3*	*44.9*	*-0.2*	*-7.5*
ROA (%)	4.9	6.7	5.6	5.0
ROE (%)	10.0	13.3	14.9	12.6
EPS (VND)	1,516	513	2,173	2,011
Book Value (VND)	13,102	14,293	15,467	16.977
Cash dividend (VND)	1,000	1,000	500	700
P/E (x)	11.4	7.5	9.8	10.6
P/B (x)	1.3	1.2	1.4	1.3

PVT – Significant growth in the bottom line without any abnormal profit

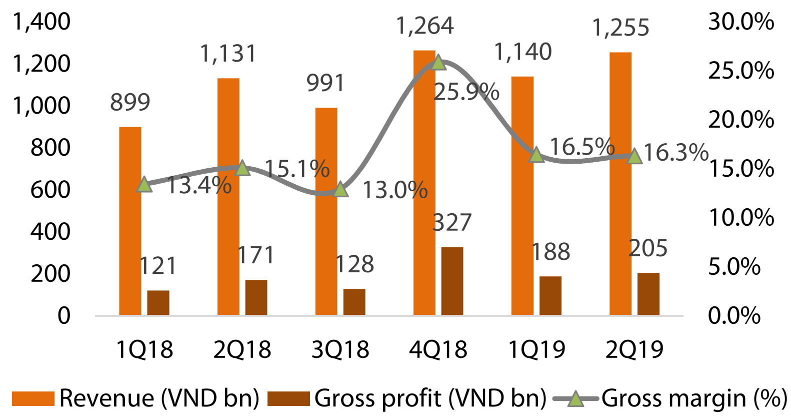
RONG VIET SECURITIES

Figure 1: 1H result during 2016-2019



Source: PVT

Figure 2: Transportation performance by quarter

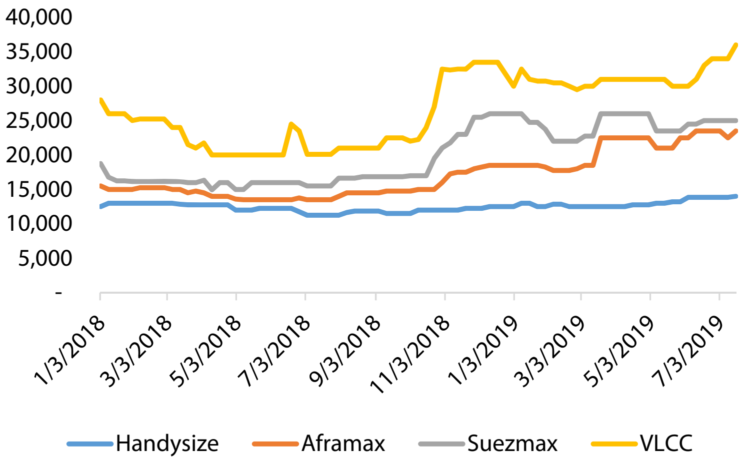


Source: PVT

New fleets bring growth

- 1H2019 reported revenue of VND 2,212 bn (+5.6% YoY); NPATMI of VND 225 bn (+17.2% YoY)
  - Since 2H2018, PVT has rejuvenated its fleets with 1 crude oil tanker, 1 oil product, 1 bulk shipping and 4 LPG tankers. The gross margin of transportation segment improved from 13% to 16.3%.
  - The addition of O&M contracts for CPP Sao Vang together with a better revenue from O&M for FPSO Leweak Emas have also supported the revenue as well as the gross profit margin.
  - G&A expense was remained low.

Figure 3: 1 year - time charter estimates (USD/day)



Source: Rong Viet Securities complied

Table 1: PVT fleets at the end of 2019

Segment	Number of vessel	Total capacity
Crude oil	5	75
Oil product	11	68
LPG	16	65
Bulk shipping	2	67

Source: Rong Viet Securities complied

Adding more capacity to the current fleets

- PVT will purchase 1 VLCC, 3 LPG tankers and 2 oil product tankers in 2019 and continues its investment in 2020 with 1 VLGC and some LPG tankers more.

We expect the earnings to be flat despite no one – off item in 2019

- The total revenue is forecasted at VND8,146 bn (+8.3% YoY), in which the transportation segment is expected to post a growth of 18.5%. While the NPATMI is likely to be flat at VND 651 bn.

2020 result may be impacted by the Dung Quat turn around but compensated by the abnormal income

- Dung Quat Refinery plant will be in the maintenance mode in 2020 which will be likely to impact on the business of PVT
- However, PVT can fill the "gap" with the abnormal income from selling PVT Mercury and some LPG tankers.

PVS – BENEFIT FROM MAJOR OIL&GAS PROJECTS

INVESTMENT RATIONALES

- **Expected to win other M&C contracts**
  - With the leading position in M&C segment, PVS is expected to win other EPC contracts in the future and Nam Du – U Minh can be the next one.
- **Hope there will be no more expense from PTSC-CGGV**
  - After recording VND736 bn from re-evaluating the asset, we expect there will be no more expense from PTSC-CGGV.
  - Dissolving the PTSC-CGGV will improve the overall gross margin.
- **More cash flow from new potential FSO/FPSO**
  - New Oil&Gas projects go online, equivalent to a high demand for FSO/FPSO, such as FSO Block B, FPSO Nam Du – U Minh or FPSO Lac Da Vang.

RISKS TO OUR CALLS

- Tension with China in the South China Sea.
- The slump in the oil price.
- Low progress from major Oil & Gas projects.

BUY +25%

CMP (VND)	**20,400**
Target price (VND)	**25,080**
Cash dividend in 12 months	*500*

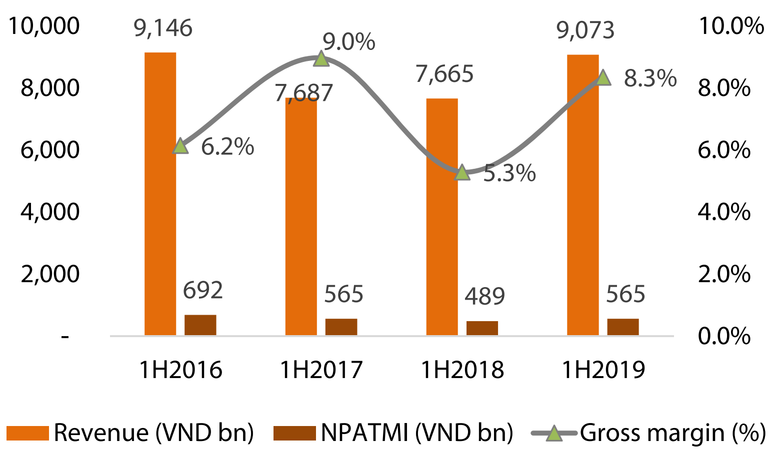
STOCK INFO	
Sector	Oil & Gas
Market Cap ($ mn)	418
Current Shares O/S (mn shares)	478
3M Avg. Volume (K)	3,101
3M Avg. Trading Value (VND Bn)	70.8
Foreign Ownership (%)	24
State Ownership (%)	51.4

FORECAST	2017A	2018A	2019F	2020F
Revenue	**16,921**	**14,638**	**17,258**	**15,140**
Growth (%)	*-9.4*	*-13.5*	*17.9*	*-12.3*
NPATMI	**1,007**	**1,047**	**1,130**	**1,006**
Growth (%)	*-3.1*	*4.0*	*7.9*	*-11.0*
ROA (%)	4.0	4.4	4.7	3.9
ROE (%)	8.1	8.1	8.9	7.4
EPS (VND)	2,112	484	2,346	2,088
Book Value (VND)	26,260	24,839	26,681	28,265
Cash dividend (VND)	500	0	500	500
P/E (x)	9.6	9.9	10.7	12.0
P/B (x)	0.8	0.8	0.9	0.9

PVS – M&C is the main growth engine

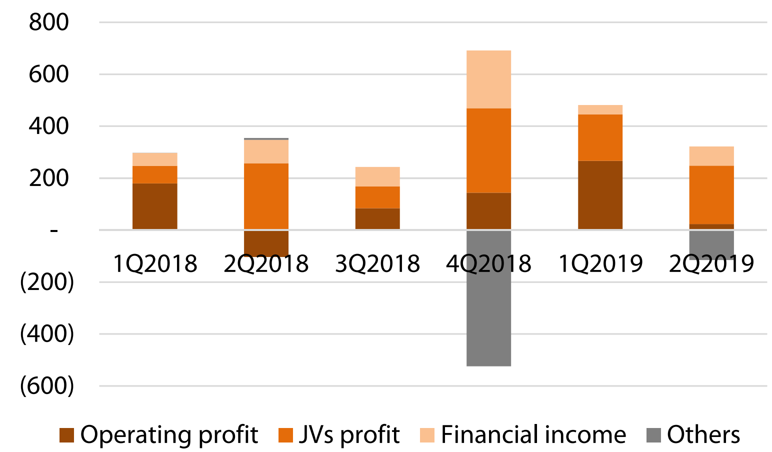
RONGVIET SECURITIES

Figure 1: 1H result during 2016-2019



Source: PVS

Figure 2: PBT breakdown by quarter (VND bn)



Source: PVS

M&C growth, ROV less loss, JV remain high profit

- 1H2019 reported revenue of VND 9,073 bn (+18.3% YoY); NPATMI of VND 565 bn (+15.6% YoY)
  - M&C is the main contribution to the overall growth with the revenue of VND 5,391 (+29.8% YoY).
  - Lower loss of ROV, seismic segment improved the overall gross margin from 5% to 8.3%. As a result, the 1H gross profit increased by 97.9% to VND758 bn.
  - Continue to book VND114 bn from re-evaluating asset from PTSC-CGGV. However, the JV profit partly covered it.

PVS – M&C is the main growth engine

Table 1: 2019 segment forecast (VND bn)

Segment	Revenue	+/- YoY	Gross profit	+/- YoY
Marine Service	1,913	*2.0%*	191	*-8.6%*
FSO/FPSO	1,671	*0%*	167	*38.1%*
ROV	557	*-32%*	28	*N/A*
Supply Base	1,671	*5.0%*	334	*-4.0%*
M&C	10,465	*42.5%*	679	*-7.8%*
O&M	1,026	*5.0%*	72	*-14.3%*
Others	362	*0%*	14	*0%*

Source: Rong Viet Securities forecast

JV profit

- JV profit remains high in 2019 thanks to the FSO Ruby.

We expect the earnings to be flat

- The total revenue is forecasted at VND17,665 bn (+20.7% YoY)
- Dissolution the JV with CGGV will lift the gross margin from 7.6% to 8.4%, pushing the gross profit to increase by 36.7% to VND1,530 bn.
- In term of net profit after tax (minus the minority), PVS can achieve VND1,130 bn, up 7.9%, equivalent to an EPS of VND2,346.

2020 result may be supported by other profit

- PVS has not been rewarded any significant projects yet but the NPATMI could be supported by other profit.

PVD – HEADING TO A BRIGHTER OUTLOOK

INVESTMENT RATIONALES

- **Core business to generate profit in 2020**
  - Thanks to a full year contract, the adjustment in depreciation time and the recovery in rig day rate, PVD is expected to generate profit in the drilling activity from 2020.
- **Collecting money from PVEP**
  - In the worst scenario, PVD will only book VND20bn provision for the PVEP receivables in 2H2019 and there will be no provision in the future from PVEP.
  - However, BOD expects to collect VND100 bn in 2H2019.
- **Divestment**
  - In the future, PVN plans to decrease the ownership to 35%.

RISKS TO OUR CALLS

- Tension with China in the South China Sea.
- The slump in the oil price.
- Low progress from major Oil&Gas projects.

N/A

CMP (VND)	**16,050**
Target price (VND)	**N/A**
Cash dividend in 12 months	*0*

STOCK INFO	
Sector	Oil & Gas
Market Cap ($ mn)	290
Current Shares O/S (mn shares)	421
3M Avg. Volume (K)	2,925
3M Avg. Trading Value (VND Bn)	54.7
Foreign Ownership (%)	21.8
State Ownership (%)	50.4

FORECAST	2016A	2017A	2018F	2019F
Revenue	**5,360**	**3,891**	**5,500**	**4,649**
Growth (%)	*-62.9*	*-27.4*	*41.4*	*-15.5*
NPATMI	**129**	**45**	**197**	**41**
Growth (%)	*-92.2*	*-65.0*	*334.6*	*-67.0*
ROA (%)	0.5	0.2	0.9	0.2
ROE (%)	1.0	0.3	1.4	0.3
EPS (VND)	338	118	396	107
Book Value (VND)	34,457	34,463	35,467	35,547
Cash dividend (VND)	-	-	-	-
P/E (x)	92.4	315.5	36.9	150.1
P/B (x)	0.6	0.7	0.4	0.5

PVD – Drilling activity to post positive gross profit in 2Q2019

Table 1: Jack Up Contract in 2019 (VND bn)

Rig	Contract	Operating day
PVD I	+ VSP: 1/1/2019 to 25/2/2019 + Murphy oil: 4/3/2019 to 30/4/2019 + Hibiscus (Malaysia): 24/5/2019 to 31/12/2019	336 days
PVD II	+ Sapura (Malaysia): 7/3/2019 to 21/7/2019 + JVPC: 4/8/2019 to 27/10/2019 + Petronas: 10/11/2019 to 31/12/2019	274 days
PVD III	+ Repsol: 1/1/2019 to 31/3/2020	350 days
PVD VI	+ VSP: 1/1/2019 to 12/4/2019 + ENI: 1/5/2019 to 24/7/2019 + Sapura (Malaysia): 7/8/2019 to 3/2020	334 days
PVD 11	+ Only operating in 3Q2019	27 days
Hired rigs	+ Idenmitsu: Rent Hakyryu 11 from JDC in 4Q2019 for Sao Vang Dai Nguyet Project	92 days

Source: PVD

Gross profit of drilling activity turn to positive from 2Q2019

- In 2Q2019, PVD's Jack Up rig has operated more days, especially PVD II, leading to a higher revenue despite no significant change in COGS.

We expect the earnings keep positive but not from core business

- The total revenue is forecasted at VND4,649 bn (-16% YoY) due to the drop in well service's revenue while NPATMI is estimated at VND 41 bn in case of unable to collect money from PVEP (provision of VND90 bn for all year). If PVEP can pay VND100 bn in 2H2019 (as BOD expectation), NPATMI could be higher than VND41 bn.

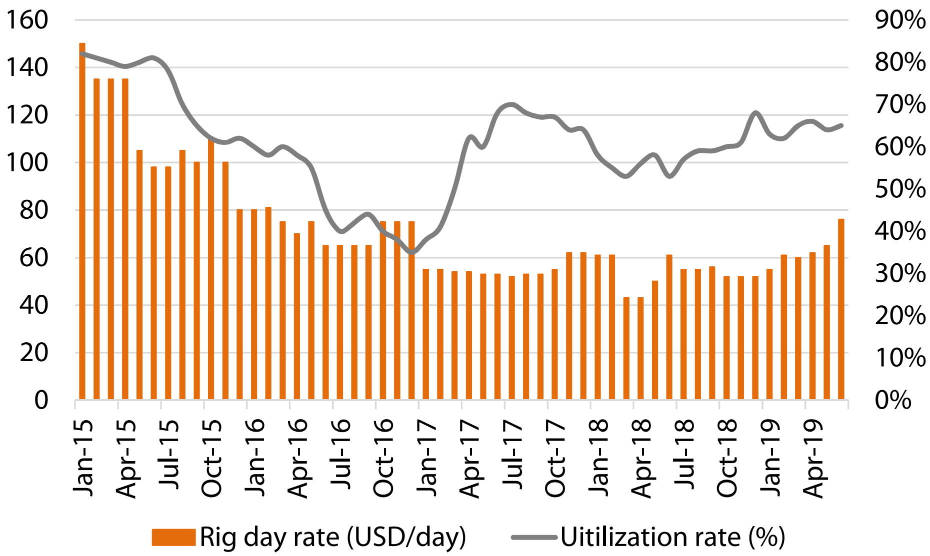
Jack Up fleets can reach the break even point in 2020 thanks to a higher rig day rate

- From 2020, the day rate is expected to rise at USD65,000/day before reaching to USD75,000/day in 2021 when the E&P activities are forecasted to be more exciting.

PVD – Drilling activity to post positive gross profit in 2Q2019

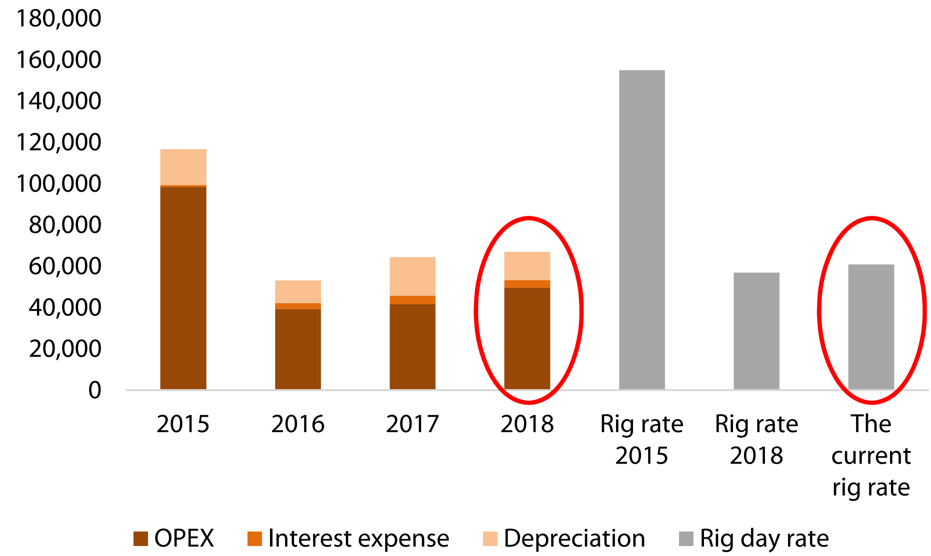
RONGVIET SECURITIES

Figure 1: Jack Up Rig day rate and Utilization rate in SEA



Source: Rong Viet Securities complied

Figure 2: The break-even point of PVD's Jack Up Rigs (USD/day)



Source: Rong Viet Securities estimate

Rig day rate hike in SEA region

- Rig day rate has experienced a higher level recently thanks to the recovery of E&P activity.

However, the PVD day rate is still low, even lower its break – even point

- Most of the Jack Up rig are operating in the international market so the day rate of PVD is lower than the region's current level to compete with other peers.

BANKING INDUSTRY: A More Sustainable Growth Underpins Stable Outlook

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Credit and earnings growth slowed down

Figure 1: Sector credit and mobilization growth (%)

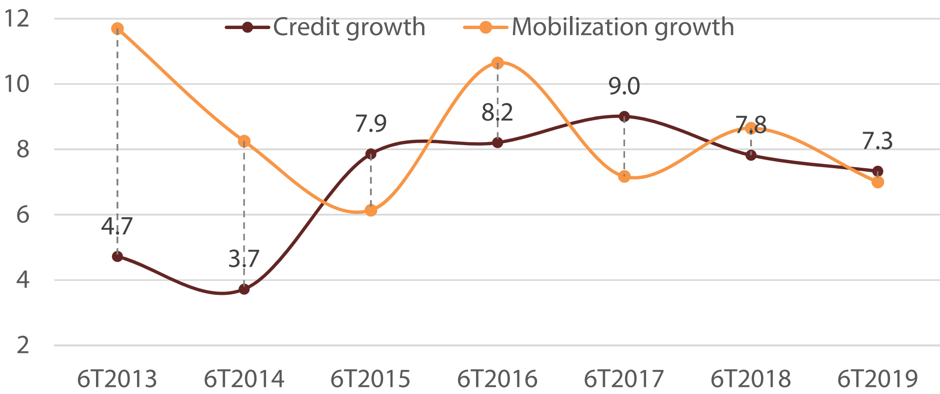


Figure 2: Credit growth in some listed banks (% YTD)

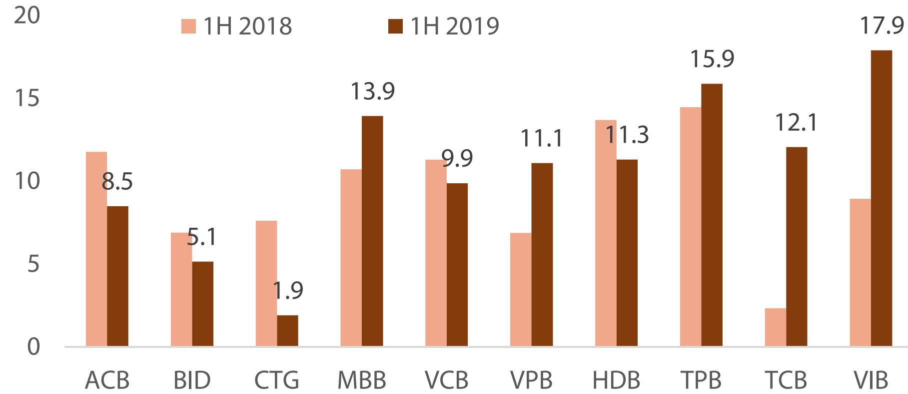
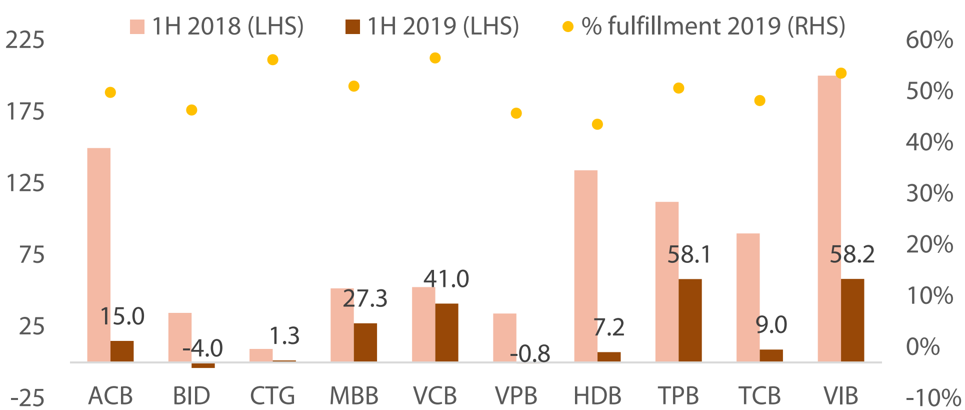


Figure 3: YoY PBT growth of some listed banks (%)



Source: Banks' FS, Rong Viet Securities

- Sector credit growth in 1H 2019 reached 7.33%, slightly lower than that in the same period last year (7.8%)
- Banks approved to comply with Circular 41 are assigned higher credit limits (commonly at 15-17%), while unapproved banks have lower credit growth limits
- YoY earnings growth cooled down but is still largely in line with most banks' expectation

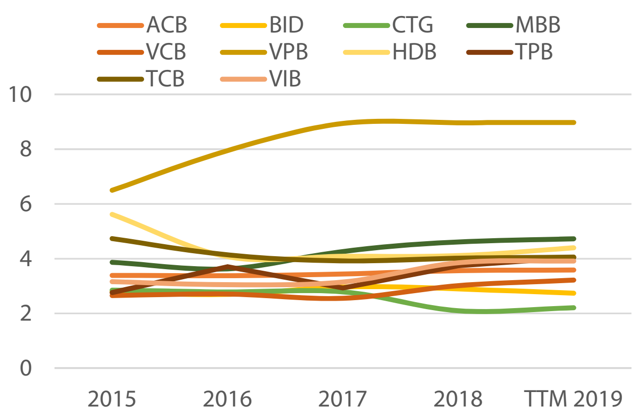
Net interest margin movements to diverge

Room to expand NIM becomes limited due to: Pressure on mid/long term fund mobilization; High proportion of retail lending on lending portfolio and increasing competition in this segment; High LDR which is close to threshold at most banks; Challenges in consumer finance sector.

NIM movements are likely to diverge between banks as lending/mobilization situation and liquidity pressure differs:

- Continue to increase positively in banks such as VCB, MBB, ACB, VIB, TPB (those pushing towards retail loans). In particular, MBB, VCB and TCB (with high CASA ratio) would be better immune to rising mobilization pressure
- Move sideway or down slightly in HDB and VPB (due to the impact of the consumer finance segment)
- Move down to a higher extent at BID due to current funding pressure and slow expansion into retail lending
- In a special case, CTG's NIM is forecast to increase as the bank expects no more credit costs to be booked under net interest income

Figure 4: NIM of some listed banks (%)



Source: Banks' FS, Rong Viet Securities.

Figure 5: LDR of some listed banks (%)

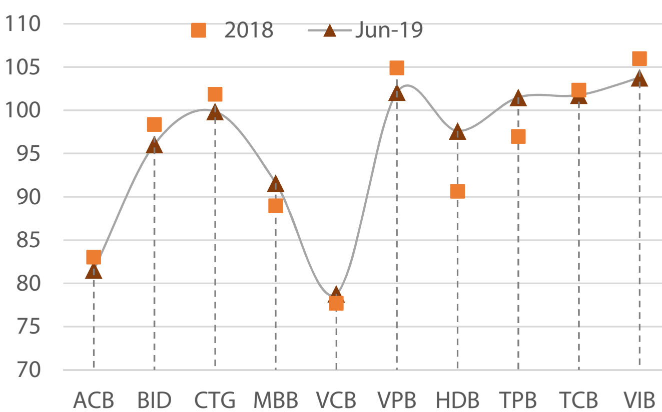
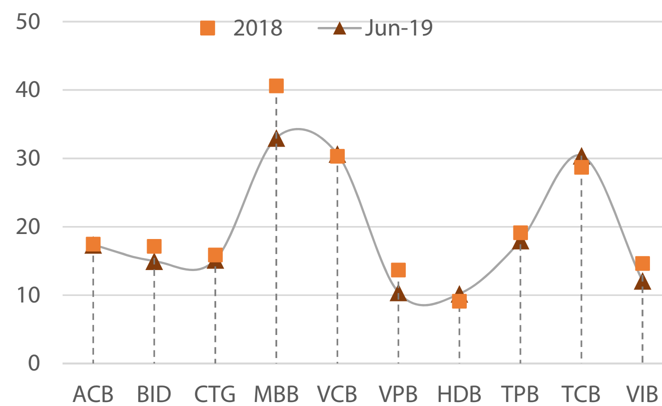


Figure 6: CASA ratio of some listed banks (%)



Growth is led by both net interest income and service fee

A more diverse and sustainable income structure

- In 1H 2019, total operating income of 10 banks under our watch list reached VND 123Tn (+14.8% YoY).
- The proportion of both interest income and service income continued to expand. In which, interest income increased by 17.3% YoY and contributed ~78% of operating income (1H 2018: 76.2%) while service income increased by 47.2% YoY and contributed 10.7% of operating income (1H 2018: 8.3%).
- Income structure becomes more sustainable when banks boost service activities including card, insurance, payment, guarantee and bond services. For these 10 banks, settlement income and insurance income constitute major parts of service income in 2018 (38.4% and 25.2%, respectively).

Figure 7: Interest income growth (% YoY)

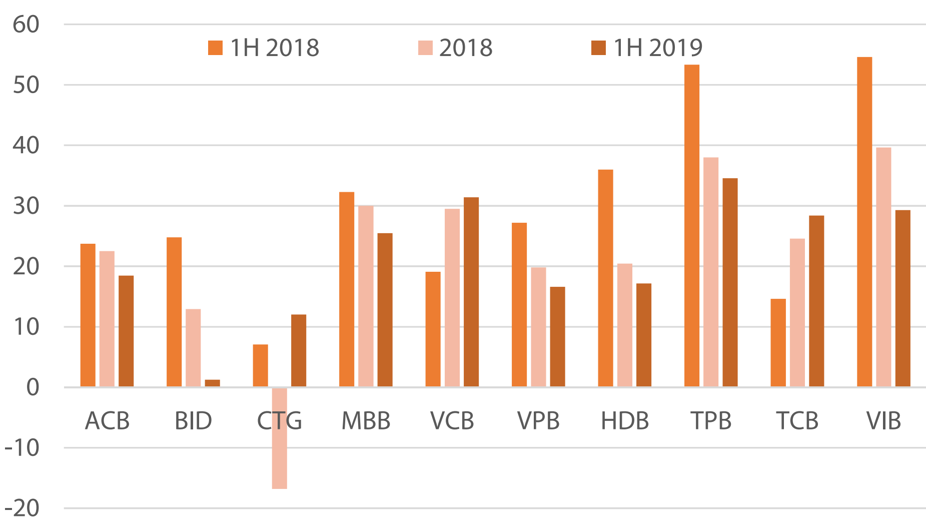
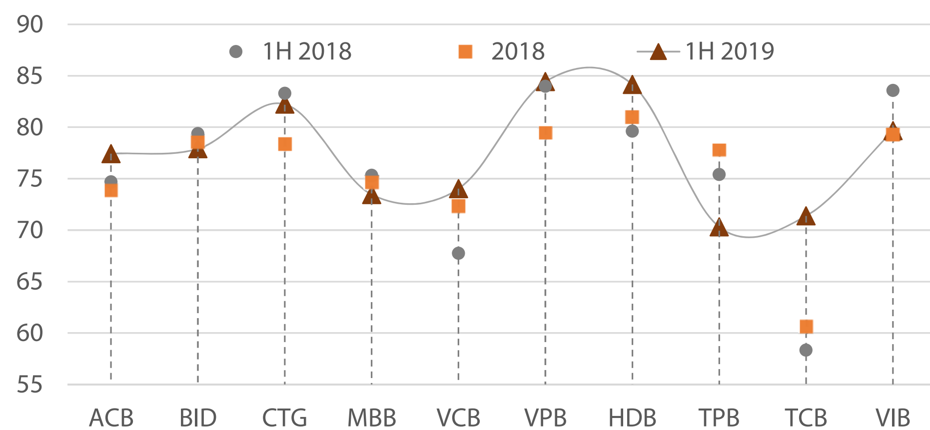


Figure 8: Interest income contribution to TOI (%)



Source: Banks' FS, Rong Viet Securities.

Growth is led by both net interest income and service fee

Figure 9: Service income growth (% YoY)

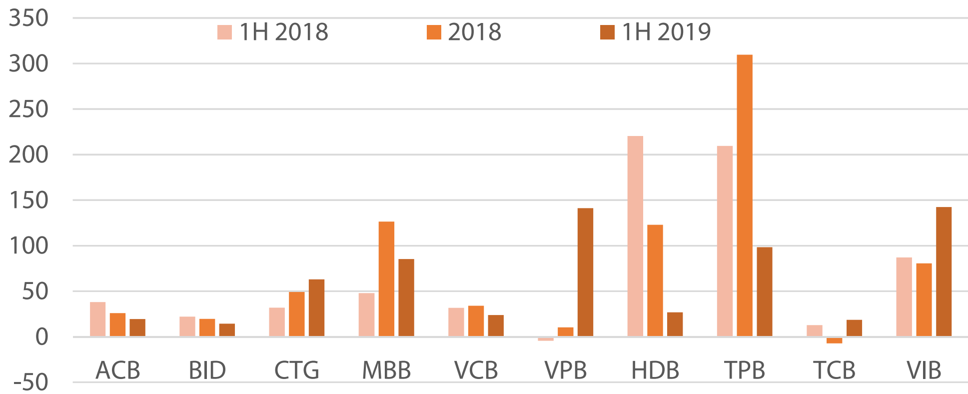
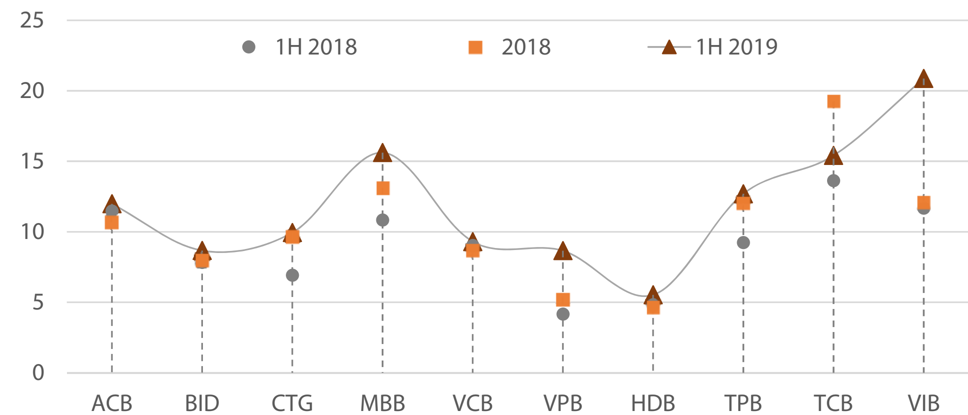


Figure 10: Service income contribution to TOI (%)



Source: Banks' FS, Rong Viet Securities.

Large potential for service income growth

- Settlement income is expected to grow strongly as banks focus on retail segment and invest on digital transformation
- Bancassurance will continue to serve as the main growth driver of service income:
  - In 2018, the new insurance premium via bancassurance channel accounted for 20% of total new premium in Vietnam, a lower rate than peers'
  - MBB, VPB, TPB and VIB are expected to boast highest growth of insurance commission income
  - Banks available for an exclusive insurance partnership (VCB, BID and ACB) are able to earn high one-off fee for such agreements
- The proportion of card service fee and bond service fee are expected to gain more significant contribution under the retail banking strategy and the escalation of corporate bond market

Provision pressure is significant at banks with VAMC debts and high new NPL formation

Asset quality seemed to improve in certain banks

- NPL ratio and provision coverage bettered off or unchanged at most banks. Sector-wide NPL ratio is estimated at 1.9% by June 2019 (same with that by end of 2018), in line with SBV's target to keep it at under 2%.
- In 1H 2019, more than VND 38Tn of debts has been handled by VAMC. Thus, the accumulated debts handled reached 190Tn, equivalent to 56% of the total VAMC debts sold by banks so far.

The provisioning burden is likely to differ between banks

- Banks with good asset quality (ACB, VCB, TCB) would see lower provision expense growth and less significant erosion effect on earnings
- Provision expense is expected to increase rapidly in banks with (1) outstanding balance of VAMC (BID, CTG, VPB, TPB, HDB) or (2) an increasing trend of NPL formation such as TPB (NPL ratio up from 1.1% in 2018 to 1.5%) and MBB (ratio of write-off debts up from 1.1% in 2018 to 1.8% TTM 2019)

Figure 11: NPL ratio and provision coverage (%)

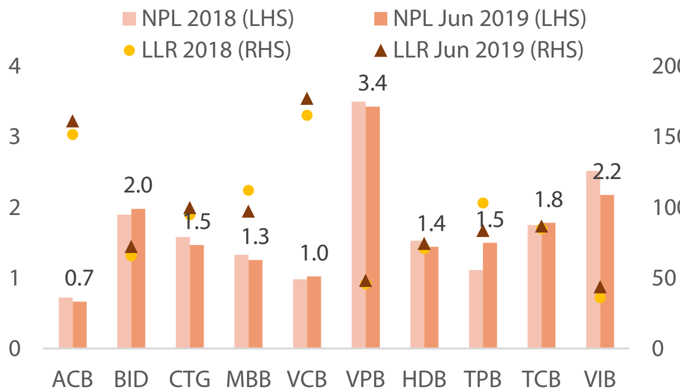


Figure 12: VAMC handling progress (VNDBn)

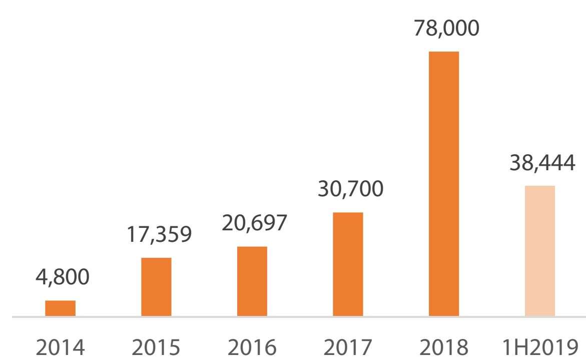
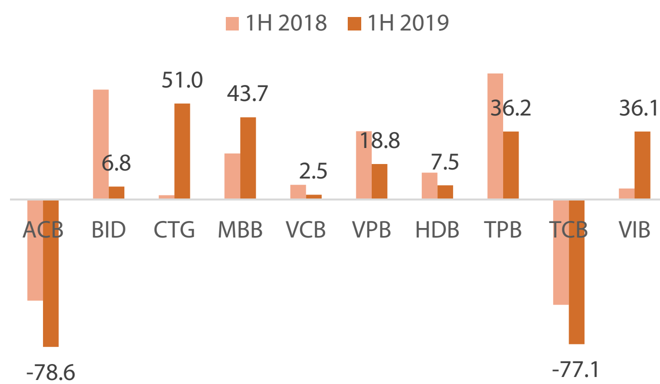


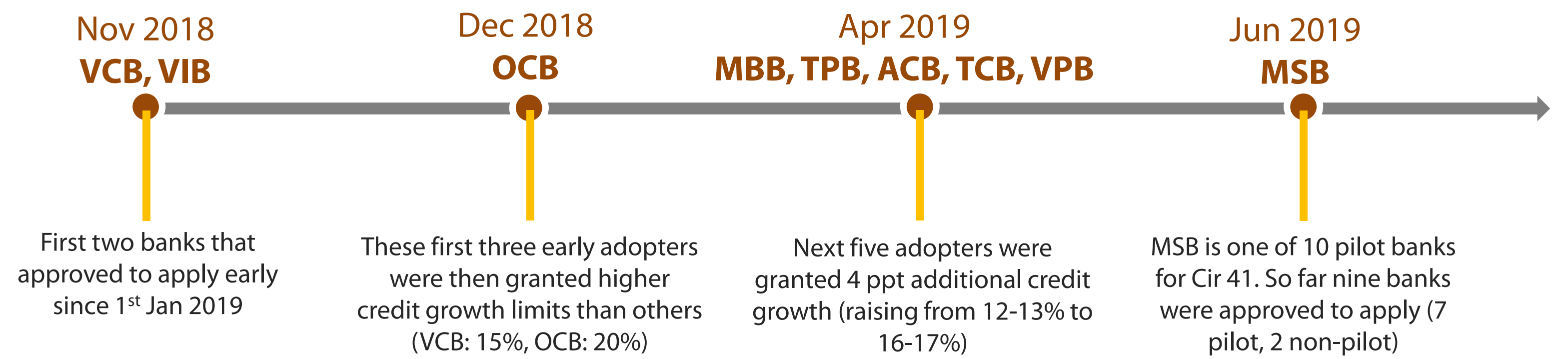
Figure 13: YoY growth of provision expense (%)



Source: Banks' FS, Rong Viet Securities.

Basel 2 compliance progress and capital raising/listing plan

Figure 14: Circular 41 (Basel 2 capital requirement) compliance progress



- **Basel 2 compliance and capital raising plan:**
  - BID has announced the strategic placement of 17.6% to KEB Hana Bank (price of VND 33,600 - expected to be done in Q4 2019), thereby likely to be eligible for Circular 41 compliance in 2020
  - MBB has a plan to make a 7.5% private placement to foreign investors within this year
  - Most of other banks also have capital raising plan from bonus share/stock dividend
  - Due to certain bindings and difficulties, CTG is unlikely to raise sufficient capital and adopt Circular 41 before deadline

- **Listing/equitizing plan:**
  - The "Development strategy of Vietnam banking sector to 2025, with orientations to 2030" and the "Project of restructuring the securities market and the insurance market until 2020 with orientation to 2025" require all commercial banks to list by the end of 2020
  - Banks who have announced listing/transfer plan: VIB, LPB, OCB, An Binh, Maritime, and Nam A Bank
  - Agribank is in the list of enterprises to be equitized by 2020

Summary: Stable outlook underpinned by a more sustainable growth

Earnings growth to go back to a lower but more stable level

- Interest income to slow down. NIM to improve selectively in some banks.
- One-off earnings (from exclusive bancassurance agreement, divestments ...) is less common. Income structure to become more sustainable.
- Banks to spend more on digital push.
- Provisioning burden to rise in certain banks, especially those with outstanding VAMC debts or has high NPL formation.
- Overall, earnings growth to diverge. Those exposed to capital raising pressure and sector policy risks (eg. consumer finance) are forecast to have lower growth than peers. Growth will remain positive in banks focusing on core business activities and good asset quality.

Risk:

- A closer control over credit growth, as well as strict regulations on capital (ratio of short-term capital funding medium/long-term loans, Basel 2 capital requirement) might affect net interest margin and interest income growth more than expected.
- Housing loans constitute largest part among retail lending in most banks, posing a threat of the real estate sector falls into downward cycle.
- Difficulties in the consumer finance sector: the saturation in motorbike and CDs market demand that makes loan growth become difficult, more intensive competition due to many new entrants, and tightening regulations on lending procedure and cash loan.

Some draft regulations that are planned for issuance:

- The draft amendments to Circular 36 reducing the maximum ratio of short-term capital financing mid/long-term loans to 30% with a three-phase roadmap to 2022
- The draft amendments to Circular 36 stipulating an increase in the risk weighted factor applied for mortgage loans (original value of over 3Bn: 150%, from 1.5 to 3Bn: 100%).
- The draft regulations on consumer credit and maximum proportion of cash loans in consumer finance companies (30%).

Industry comparables (1H 2019)

Ticker	TOI Growth (% YoY)	Net interest Income Growth (% YoY)	Net Interest Margin (TTM - %)	Service Income Growth (% YoY)	CIR (%)	Provision Expense Growth (% YoY)	NPL ratio (%)	PBT growth (% YoY)	Return on Assets (TTM – %)	Return on Equity (TTM - %)
ACB	14.3	18.5	3.6	19.4	50.0	-78.6	0.7	15.0	25.7	1.7
BID	3.2	1.2	2.7	14.4	31.8	6.8	2.0	-4.0	12.9	0.5
CTG	13.5	12.0	2.2	63.0	34.9	51.0	1.5	1.3	7.8	0.5
MBB	28.7	25.5	4.7	85.4	37.7	43.7	1.3	27.3	20.4	1.9
VCB	20.3	31.4	3.2	23.8	36.6	2.5	1.0	41.0	25.1	1.6
VPB	16.0	16.6	9.0	141.2	35.8	18.8	3.4	-0.8	20.8	2.3
HDB	10.8	17.2	4.4	26.9	47.0	7.5	1.4	7.2	17.0	1.4
TPB	44.3	34.6	4.0	98.5	44.3	36.2	1.5	58.1	21.0	1.7
TCB	4.9	28.4	4.1	18.7	35.0	-77.1	1.8	9.0	16.7	2.7
VIB	35.7	29.3	3.9	142.6	41.6	36.1	2.2	58.2	25.0	1.8

Source: Banks' FS, Rong Viet Securities.

MBB – BOASTING A SOLID EARNINGS GROWTH

INVESTMENT RATIONALES

- **Strong growing NIM with the expansion into retail lending (including consumer finance)**
  - Well-controlled mobilization growth and high CASA (33.0% by 1H2019) help maintain a low average funding cost.
  - Since 2Q2018, the percentage in loan portfolio of retail lending has expanded from 34.4% to 39.2% (consumer finance from 1.3% to 3.0%).
- **Service income growing at a faster rate than other banks**
  - Service income grew strongly and contributed more to TOI mainly due to a surge in income from insurance.
  - With the commitment to MB Ageas Life, MBB is more likely to achieve a sustainable service income growth in the long-term rather than resorting on extraordinary income.
- **Healthy asset quality amongst commercial banks**
  - MBB's asset quality is well-controlled, with a stable low NPL ratio at 1.3% and provisions coverage kept at around 100%.
  - A strong growth of TOI enables MBB to make high provision, write off bad debts and maintain a healthy asset book.
- **The plan to make 7.5% private placement to overseas investors within 2019**
  - If successful, the bank is likely to acquire at least 4Tn and will get sufficient capital buffers for comfortable growth in several years. This is also a catalyst for the stock price in short-term.

RISKS TO OUR CALLS

- Downside risks include (1) challenges to maintain CASA level, increasing competition on retail banking and tighten control on consumer finance that limits NIM to a lower level than our expectation
- (2) Higher risk appetite with the boost in retail lending, consumer finance, corporate bonds and securities brokerage.

BUY +39%

CMP (VND)	**22,400**
Target price (VND)	**30,500**
Cash dividend in 12 months	*600*

STOCK INFO	
Sector	Banks
Market Cap ($ mn)	2,032
Current Shares O/S (mn shares)	2,113
3M Avg. Volume (K)	4,110
3M Avg. Trading Value (VND Bn)	90.1
Foreign Ownership (%)	20.0
State Ownership (%)	27.0

FORECAST	2017A	2018A	2019F	2020F
Revenue	13,867	19,537	23,975	29,278
Growth (%)	*40.7*	*40.9*	*22.7*	*22.1*
NPATMI	3,520	6,113	7,453	8,977
Growth (%)	*20.9*	*73.7*	*21.9*	*20.4*
ROA (%)	1.2	1.8	1.9	2.0
ROE (%)	12.4	19.4	20.4	21.1
EPS (VND)	1,797	-211	3,294	3,967
Book Value (VND)	15,516	15,109	17,959	21,515
Cash dividend (VND)	600	600	600	500
P/E (x)	12.4	8.3	9.3	7.7
P/B (x)	1.4	1.5	1.7	1.4

MBB – Strong growth in both traditional and non-traditional banking activities

Figure 1: Loan portfolio structure and service income structure

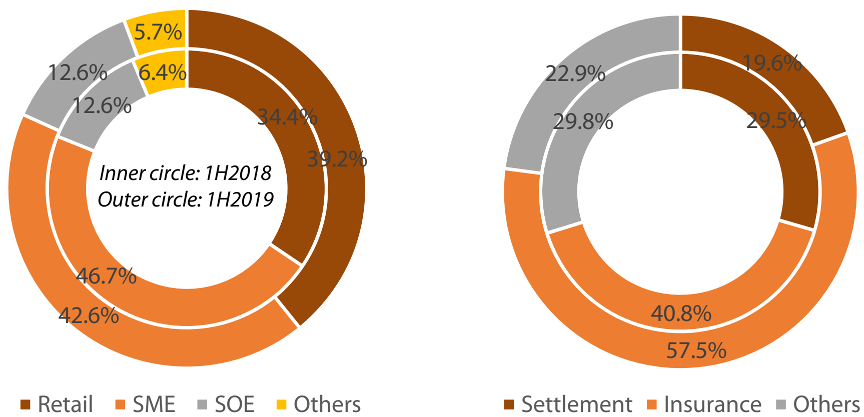
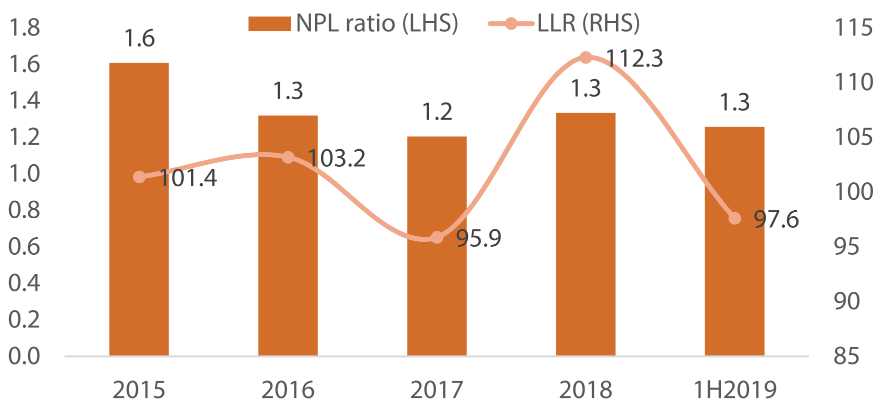


Figure 2: Consolidated NPL and LLR ratio (%)



Source: MBB, Rong Viet Securities

MBB's 1H 2019 PBT reached 4,875bn (+27.3% YoY), fulfilling 51.3% of the full year guidance. TOI reached 9,024bn (+28.7% YoY). The growth was driven by both service and net interest income, and is higher at the associates.

Net interest income (+25.5% YoY) was driven by strong credit expansion and NIM improvement.

- So far, credit growth limit given to parent bank was 17% and MCredit was 37%. Actual credit growth in 1H was +13.3% YTD and +31.8% YTD, respectively.
- Retail lending saw a stronger expansion than overall portfolio (+15.6% YTD versus 11.3% YTD). Corporate bonds also surged by +78.7% YTD.
- NIM (TTM) rose 21bps to 4.7%, despite a 6 ppts decline in CASA since 1H 2018.

Service income (+85.4% YoY) accounted for 15.6% of TOI (vs 10.8% in 1H 2018).

- Insurance income (contributed by MIC and MB Ageas Life) increased by 161.6% YoY and accounts for 60.5% of total service income.
- Settlement fee (contributed by parent bank) increased by 24.1% YoY and accounts for 19.8% of total service income.

For 2H, we expect the bank will continue to achieve strong growth in both traditional and non-traditional activities. At the same time, provision pressure is expected to increase considering the trend of impaired loan formation (the ratio of written-off bad debts on gross loans was 1.8% TTM2019 vs 1.1% in 2018).

ACB – KEEPING LASER FOCUSED ON TRADITIONAL STRENGTHS

INVESTMENT RATIONALES

- **Stay focus on retail banking**
  - While taking care of its old legacy issues, ACB has put its resources into the retail and small business segments and achieve consecutive NIM expansion from 2013 until now.
  - By 1H2019, the bank's loans portfolio comprises of a substantial portion of lending to households (~23%) while mortgage lending is kept at ~20%, lower than other banks'.
  - ACB prioritizes investments, including three pillars: (1) technology, branding, and HR, (2) digitalization, and (3) big data. We expect these investments will keep ACB competitive in the retail segment where the competition has become more fierce in recently years.
- **Maintain a strong assets quality and liquidity reserves**
  - By the end of 2018, ACB's consolidated CAR was 12.8% and the ratio of short-term funds to finance mid- and long-term loans were at 32.6%. Strong liquidity is also supported a large portion of g-bonds (~50 Tn, 14% of total assets).
  - Despite high growth in retail loans, the prudent approach ensure top asset quality amongst listed banks with lowest NPL (0.7%) and 2nd highest LLR (161.5%) by 1H 2018.
- **Potential for high service income growth**
  - ACB has boosted its service income by pushing many activities such as transaction, payment, insurance, guarantee, securities brokerage and others.
  - The bank is also amongst few remaining banks that have potential to earn high one-off fee upon an exclusive bancassurance agreement.

RISKS TO OUR CALLS

- Downside risks include challenges to maintain NIM under rising competition in retail segment
- Upside risks include a large one-off fee from an exclusive bancassurance contract

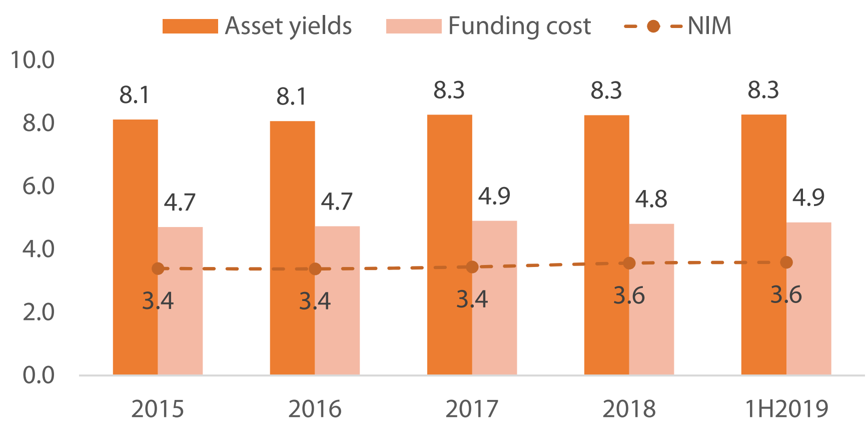
BUY **+28%**

CMP (VND)	**21,900**
Target price (VND)	**27,000**
Cash dividend in 12 months	*1,000*

STOCK INFO	
Sector	Banks
Market Cap ($ mn)	1,524
Current Shares O/S (mn shares)	1,621
3M Avg. Volume (K)	1,203
3M Avg. Trading Value (VND Bn)	33.1
Foreign Ownership (%)	30.0
State Ownership (%)	0.0

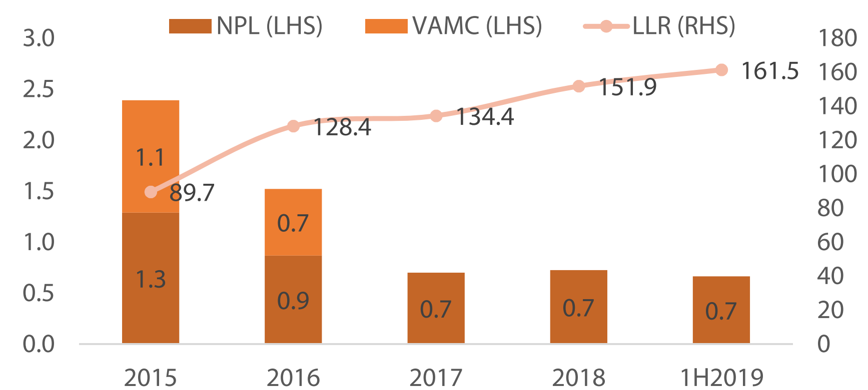
FORECAST	**2017A**	**2018A**	**2019F**	**2020F**
Revenue	11,439	14,033	15,843	17,809
Growth (%)	*51.3*	*22.7*	*12.9*	*12.4*
NPATMI	2,118	5,137	6,038	7,082
Growth (%)	*59.8*	*142.5*	*17.5*	*17.3*
ROA (%)	0.8	1.7	1.7	1.7
ROE (%)	14.1	27.7	25.2	24.0
EPS (VND)	2,013	2,376	3,631	4,275
Book Value (VND)	15,604	16,311	16,588	19,800
Cash dividend (VND)	0	0	1,000	1,000
P/E (x)	10.8	5.4	7.4	6.3
P/B (x)	1.4	1.3	1.6	1.4

Figure 17: ACB's asset yields, funding cost and NIM (% - TTM)



Source: ACB, Rong Viet Securities.

Figure 18: NPL plus VAMC and LLR ratio (% - TTM)



Source: ACB, Rong Viet Securities

ACB's TOI and PBT growth moderately in 1H2019 (both of around 15% YoY). The bank has fulfilled 49.8% of the year guidance.

NIM continued to move up a little but still lag behind our expectations

- Unlike many other banks, ACB did not invest in corporate bonds but focuses to expand credit by pushing customer lending, thereby keeping a lower 1H credit growth than most other banks in our watch list.
- Total credit expanded 8.5% YTD, lower than mobilization growth (10.5% YTD), keeping regulatory LDR at 78%. The deposit rate rise and doubled bond issuance YTD caused a slight increase in average funding cost, which off-set average asset yields improvement and led to a minor NIM expansion only.

Both net interest income and service income grew by ~19% YoY, while a 12.5% decrease in other incomes dragged TOI's growth to 14.3%.

CIR rose to 50% as operating expense grew faster than TOI's (27.8% vs 14.3%). This is due to a write-back of provision for long-term investment & doubtful debt in 1H 2018.

Provisioning burden eased with only 95Bn booked in 1H (-78.6% YoY) thanks to healthy asset quality, securing a 15% growth YoY in PBT.

For 2H, we expect the bank will be able to achieve stronger NIM expansion by leveraging LDR and serving peak season in the last quarter.

We hold the view that ACB will need more drivers to maintain the boost of core income and earnings afterwards. At least, the low provisioning burden and recovery income are likely to serve as advantages to secure the bank's bottom line growth.

HDB – PARENT BANK TO LEAD GROWTH IN NEAR TERM

INVESTMENT RATIONALES

- **A large retail and SME customer ecosystem**
  - Diverse ecosystem of retail-oriented companies which serves a huge customer base
  - Extensive distribution network (285 TOs of HDBank, 14,869 POS of HD Saison by 1H2019)
  - This allows HDB to expand lending while managing asset quality closely, especially in the parent bank
- **HD Saison: challenges in expanding credit and NIM**
  - HD Saison saw challenges to expand lending and NIM due to (1) the increasing competition in consumer finance, (2) the stagnation of motorbikes and CDs consumptions, which constitute major parts of its lending
  - The company's focus on non-cash loans is encouraging in the context of SBV's intention to tighten control on cash loans.
- **The merger with PGBank is still on hold**
  - If the merger go through, HDB can be benefited from (1) network and customer base expansion that support the bank's retail lending strategy, (2) the close relationship with Petrolimex, subsidiaries and associates, and (3) improved CASA and funding cost.

RISKS TO OUR CALLS

- Downside risks include (1) Challenges to expand NIM due to increasing competition in retail lending and consumer finance, as well as tightening regulations on funding
- (2) the continuous stagnation of consumer finance which leads to very low or negative growth rate of HD Saison's lending.

ACCUMULATE +10%

CMP (VND)	**26,400**
Target price (VND)	**29,000**
Cash dividend in 12 months	*0*

STOCK INFO	
Sector	Banks
Market Cap ($ mn)	1,112
Current Shares O/S (mn shares)	981
3M Avg. Volume (K)	1,528
3M Avg. Trading Value (VND Bn)	40.2
Foreign Ownership (%)	24.4
State Ownership (%)	3.1

FORECAST	2017A	2018A	2019F	2020F
Revenue	7,506	9,440	10,828	12,304
Growth (%)	*38.5*	*25.8*	*14.7*	*13.6*
NPATMI	1,746	2,842	3,340	3,966
Growth (%)	*136.6*	*62.7*	*17.5*	*18.7*
ROA (%)	1.2	1.6	1.6	1.6
ROE (%)	16.2	20.3	18.2	18.5
EPS (VND)	1,777	4,945	3,402	4,040
Book Value (VND)	14,348	15,938	20,282	23,386
Cash dividend (VND)	1,300	0	0	0
P/E (x)	14.8	9.1	8.2	6.9
P/B (x)	1.8	1.7	1.4	1.2

HDB – An aggressive growth target for this year

RONGVIET SECURITIES

Figure 1: Loan structure of HDB

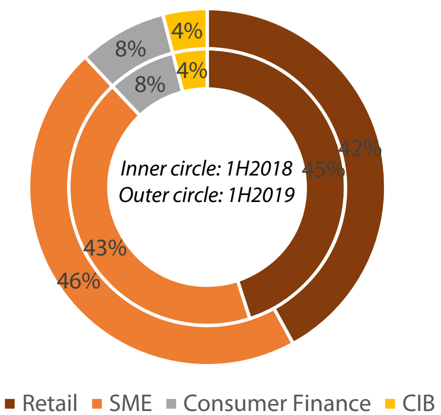


Figure 2: Loan structure of HD Saison 1H2019

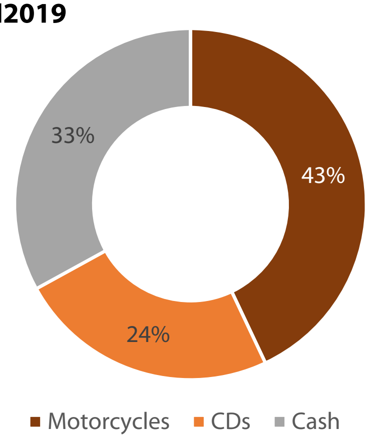
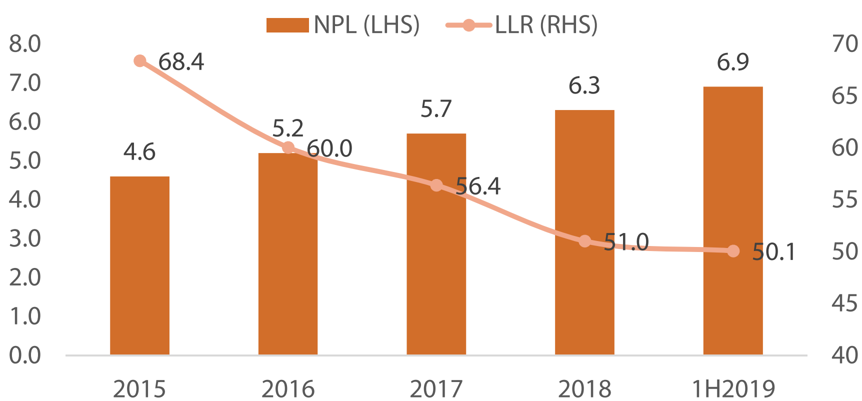


Figure 3: HD Saison's NPL and LLR ratio (%)



Source: HDB, Rong Viet Securities

HDB's 1H 2019 PBT reached 2,211bn (+7.2% YoY), while TOI reached 5,173bn (+10.8% YoY). The bank is lagging behind this year's guidance with 43.5% fulfillment.

Interest income (+17.2% YoY) was driven by the parent bank

- Credit growth 1H 2019 was 12.4% YTD in the parent bank (versus recently given SBV cap of nearly 16%). NIM (TTM) stayed at 4.4%, with both asset yields and funding cost rising at the same pace.
- HD Saison saw a negative credit growth of -1.2% YTD (versus SBV cap of 15%) while NIM slightly improved to 28.9% from 28.5% in 2018.

Service income growth (+26.9% YoY) depends virtually on HD Saison. Service fee and non-interest income accounted for 5.5% and 10.3% of consolidated TOI, respectively, much lower than the respective ratios in other listed banks.

Asset quality is well-managed at the parent bank with stable NPL and LLR despite zero write-off. However, provision expenses pressure persists as HD Saison's asset quality is seeing less positive moves with NPL ratio rising to nearly 7.0% and LLR declining to 50%. Despite of that, the company's focus on non-cash loan is encouraging.

The target of 27% growth YoY for 2019 is aggressive. For 2H, we still see challenges to maintain current NIM level, considering at-threshold LDR, deposit rate rise, and consumer finance stagnation. The moderate growth of TOI is likely to constraint the bank's network expansion and VAMC clearance progress in this year.

BID – BOTTLENECK FINALLY REMOVED

INVESTMENT RATIONALES

- **The strategic placement to KEB Hana Bank has been finalized.** Upon the deal, BID will be able to collect VND 20.3Tn and earn long-term support in management, which will help:
  - Improve BID's capital buffer, so the bank is more likely to satisfy Circular 41 (Basel 2)
  - Facilitate higher credit growth and relieve funding pressure, which will have positive impact on interest income growth
  - Strengthen BID's competitive advantages in retail, SME and FDI segments. KEB Hana is a leading Korean bank in terms of assets, reputation and has advantages regarding innovative banking services.
- **Provision pressure on earnings is expected to reduce after VAMC clearance**
  - BID is prioritizing the cleaning of its asset book, both on-balance sheet and VAMC debts, resulting in low earnings growth.
  - The remaining net VAMC debts currently accounts for 0.5% of gross loans (from 0.6% by end of 2018). Given the plan to clear all VAMC bonds within this year, we expect a lower provisioning burden and earnings growth acceleration since 2020.

RISKS TO OUR CALLS

- Downside risks include the challenged to maintain NIM due to increasing competition in retail lending, and the increase in provision burden from legacy bad debts which might erode earnings more than our expectations
- Upside risks include a large one-off fee from an exclusive bancassurance contract/BIDV Metlife divestment, and the possibility to draw cash flow from the ETFs given the bank's presence in VN30, causing unprecedented stock rise which is not driven by its fundamentals.

ACCUMULATE +5%

CMP (VND)	**36,000**
Target price (VND)	**37,000**
Cash dividend in 12 months	*700*

STOCK INFO	
Sector	Banks
Market Cap ($ mn)	5,282
Current Shares O/S (mn shares)	3,419
3M Avg. Volume (K)	1,151
3M Avg. Trading Value (VND Bn)	38.9
Foreign Ownership (%)	3.2
State Ownership (%)	95.3

FORECAST	**2017A**	**2018A**	**2019F**	**2020F**
Revenue	39,017	44,483	47,543	54,284
Growth (%)	*28.2*	*14.0*	*6.9*	*14.2*
NPATMI	6,787	7,358	7,540	10,052
Growth (%)	*10.6*	*8.4*	*2.5*	*33.3*
ROA (%)	0.6	0.6	0.5	0.7
ROE (%)	14.9	14.6	13.6	16.6
EPS (VND)	1,463	988	1,756	2,341
Book Value (VND)	13,444	15,068	16,537	18,792
Cash dividend (VND)	0	0	700	700
P/E (x)	24.0	21.4	19.9	14.9
P/B (x)	2.6	2.3	2.1	1.9

BID – 2019 will still be a difficult year before fundamentals can actually improve

RONGVIET SECURITIES

Figure 1: Loan structure of BID in 2017 and 2018

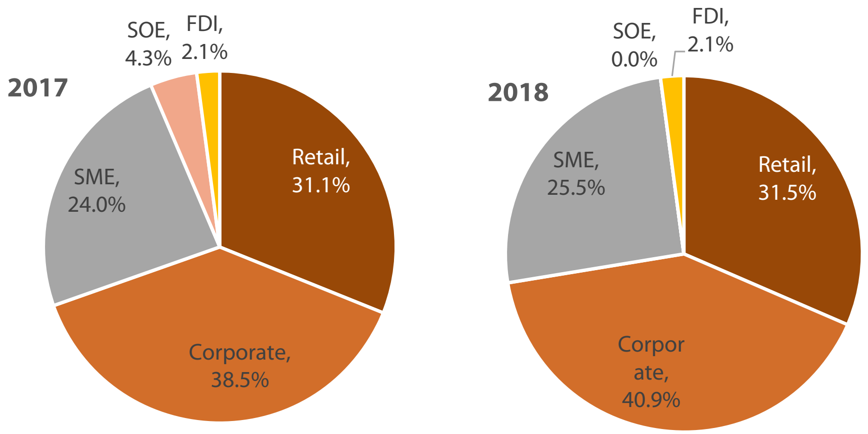
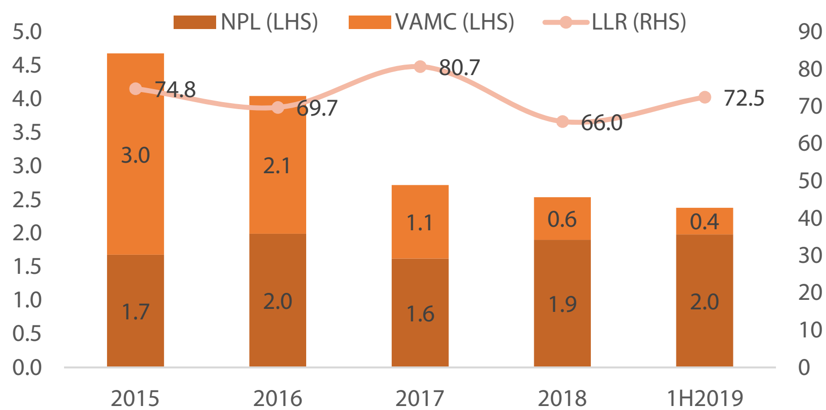


Figure 2: NPL plus VAMC and LLR ratio (%)



Source: BID, Rong Viet Securities

While BID's TOI rose modestly by 3.2% YoY in 1H 2019, PBT saw a slight reduction of 4.0% YoY, fulfilling 46.3% of the year guidance.

NIM compression limited net interest income growth to 1.2% YoY. Lending to customers grow 7.7% YTD while total mobilization grew 7.1% YTD. Our estimate is that NIM (TTM) squeezed to 2.74% in 2Q 2019 from 2.90% in 2018, due to a modest decrease in asset yields coupled with a slight increase in funding costs. Funding cost was under pressure due to very high LDR and declining CASA.

Operating expense mostly unchanged, and CIR was kept at as low as 31.8%. Note this yet to include the expenses associated with the core banking, digital banking and Basel 2 projects.

Asset quality remains big concern with on-balance sheet NPL staying at 2.0% and LLR at 72.5% (vs 1.5% and 85% in 1H 2018). The remaining net VAMC debts worth nearly VND 5Tn (reducing from 6.5 Tn by end of 2018).

We expect that BID will only be able to achieve a modest growth in 2019. We believe the bank will find it hard to maintain current NIM due to continuing pressure on both asset yields and funding costs. Therefore, net interest income growth is forecast to be modest while we see few non-interest income growth drivers. Meanwhile, operating and provisioning burden are likely to persist.

As per BID, the placement deal should be done in late 2019. As such, we expect it will have positive impact to improve the bank's fundamentals starting next year.

CTG – CONCERNING ON CREDIT CHARGES

INVESTMENT RATIONALES

- **The advantage of high lending market share.** CTG's lending segment accounts for more than 10% of the entire industry's total lending amount. Hence, despite credit grew 2.4% YTD (1H2018: 9.7% YTD), not only net interest income but also services income drove the TOI's growth. These two business lines increased 12% YoY and 63% YoY respectively in 1H 2019. We expect services income's CAGR growth will reach 30% over the next three years due to higher fees from services, bankcards, insurance, transaction and securities.
- **Provision expenses unlikely to decrease**
  - NPL decreased by 0.5% YTD by Jun 2019 mostly due to a large amount of group 5 loans were write-off.
  - The NPL ratio and new bad debt formation rate stood at 1.5% and 0.4% respectively, the high ratio compared to they were in 2017 and before. Adding un-provisioned VAMC bond, the NPL ratio actually approached 2.3%.
- **Growth to slow down in the deleveraging process**
  - CTG's restructure plan will take place in 2018-2020. During this period, we expect CTG will boost clearing bad assets and limit its lending growth as well.
  - Decision 986 in August 2018, approving the development strategy of the Vietnamese banking sector, mentions that the Government's plan to reduce its ownership in state-owned banks to 51%. Though we think that this will not happen until 2020 or later.

RISKS TO OUR CALLS

- The bank may not meet its 2019 business plan due to unexpected high credit cost
- Given its high weighted in the VN30 index, CTG could draw cash flow from the ETF making its market price goes unparalleled with its fundamentals.

NEUTRAL +4%

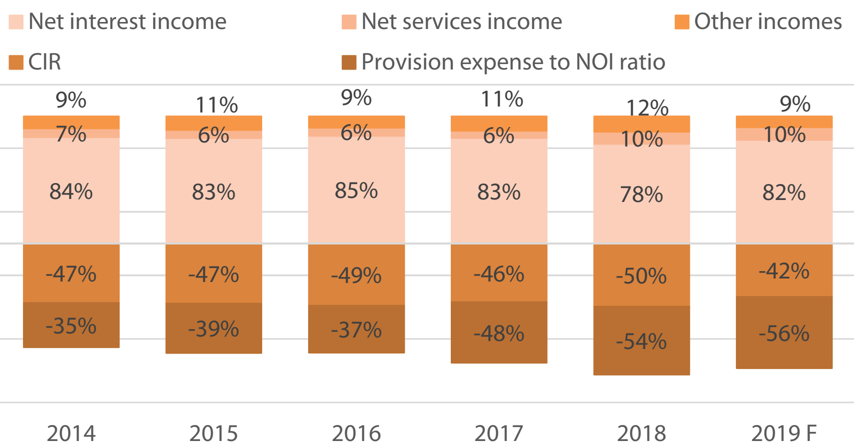
CMP (VND)	**20,500**
Target price (VND)	**21,300**
Cash dividend in 12 months	*0*

STOCK INFO	
Sector	Banks
Market Cap ($ mn)	3,276
Current Shares O/S (mn shares)	3,723
3M Avg. Volume (K)	2,969
3M Avg. Trading Value (VND Bn)	62.3
Foreign Ownership (%)	30.0
State Ownership (%)	64.5

FORECAST	2017A	2018A	2019F	2020F
Revenue	32,620	28,738	39,269	41,744
Growth (%)	*23.3*	*-11.9*	*36.6*	*6.3*
NPATMI	7,432	5,414	8,002	8,819
Growth (%)	*8.7*	*-27.2*	*47.8*	*10.2*
ROA (%)	0.7	0.5	0.7	0.7
ROE (%)	12.0	8.3	11.3	11.2
EPS (VND)	1,546	3,017	1,554	1,713
Book Value (VND)	17,046	18,037	20,000	22,369
Cash dividend (VND)	0	0	0	0
P/E (x)	13.2	19.0	13.7	12.4
P/B (x)	1.2	1.1	1.1	1.0

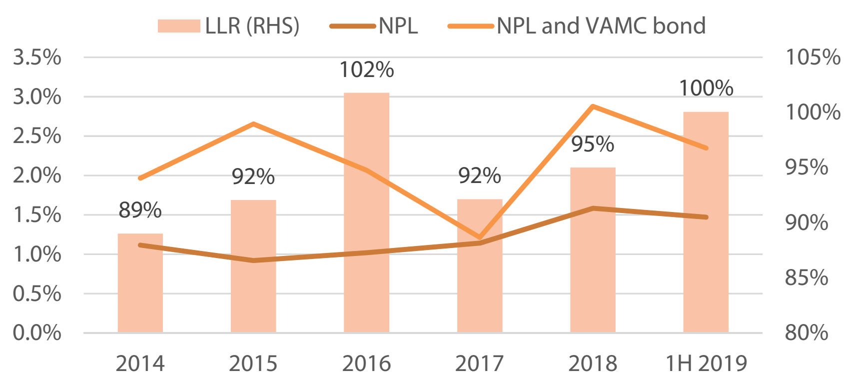
CTG – Concerning on Credit Charges

Figure 1: Income and cost structure of CTG



Source: CTG, Rong Viet Securities

Figure 2: NPL plus VAMC and LLR ratio (%)



Source: CTG, Rong Viet Securities

Net income from interest and services drove TOI growth. In 1H2019, customer loan and deposit grew 2.4% and 2.5% YTD respectively. CTG's lending market share slightly decreased to 11%, still among top 3 banks with the highest market share in banking industry. Net income from interest and services grew 12% YoY and 63% YoY and TOI grew 13% YoY at the same time.

High provision expense making CTG's PBT to slow down. While operating expense was controlled to decrease, impairment charge increased 51% YoY mostly due to VAMC bond provision. Particularly, we estimated that expenses for VAMC bond accounted for 45%, fifth times higher than 1H2018, while provision for on-balance sheet bad debt flatted. Therefore, CTG's PBT grew merely 1.3% YoY.

Scenario of fulfilling its 2019 business guidance depends on clearing bad assets processing. In the 4Q2018, CTG surprisingly sold more than VND 13 Tn bad debt to VAMC and written-off accrued interest through P&L. Hence, its accrued interest decreased by more than a half and accounted for 0.6% of its total assets (2014: 1.9%, 2017: 1.32%). Due to we lack of evidence that the bank will continue to do that in the 2H 2019, we assume such one-off expense will not recur.

Given its weak capital adequacy (shortfall under Basel II criteria) and thin liquidity, we expect CTG's lending growth will experience a slow pace, at 7% YoY. NIM will expand to 2.8%, results NII to grow 42% YoY (from low base in 2018). Its TOI will grow 37% YoY.

CIR will be controlled at around 42% and provision expense is expected to significant increase. Therefore, CTG's 2019 PBT will increase 49% YoY, 5% higher than its guidance for 2019.

VCB – STAYING FIRMLY ON TOP POSITION

INVESTMENT RATIONALES

- **Healthy asset quality and liquidity**
  - Being a State-owned commercial bank, VCB has always maintains good asset and earning quality: (1) Low NPL ratio with high provision coverage (respectively 1.0% and 177.5% by Jun 2019); (2) High liquidity with relatively low LDR and well-controlled short-term capital financing mid/long-term loans; (3) The first bank qualified for Circular 41.
- **NIM has room to expand further**
  - VCB possesses the second highest CASA ratio within our watch list, which can translate to better immunity to rising funding pressure and deposit rate than peers.
  - Also, the strong constant expansion into retail lending coupled with a low LDR implies that VCB still has more room to improve current NIM.
- **Potential for high service income growth**
  - VCB has finished upgrading its core banking and will continue to push towards digital, which expects to help it improve efficiency and offer better services to retail clients.
  - VCB is seeking a partner for an exclusive bancassurance agreement. Upon the deal is finalized, VCB can earn a huge extraordinary income as well as strong annual commission growth. This is likely to contribute significantly to the bank's bottom line.

RISKS TO OUR CALLS

- Downside risks include limited room for NIM expansion due to increasing competition in retail lending, and the failure to fully increase its charter capital by 10% via a private placement, which would weigh heavily on the bank's potential growth.
- Upside risks include a large one-off fee from an exclusive bancassurance contract, and the possibility to draw cash flow from the ETFs given the bank's hight weight in VN30, causing market price rise which is not matched with its fundamentals.

NEUTRAL -3%

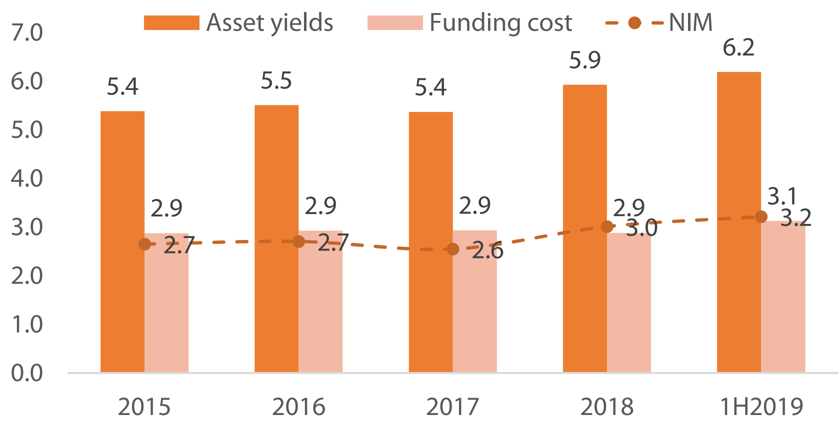
CMP (VND)	**77,900**
Target price (VND)	**75,000**
Cash dividend in 12 months	*800*

STOCK INFO	
Sector	Banks
Market Cap ($ mn)	12,400
Current Shares O/S (mn shares)	3,709
3M Avg. Volume (K)	935
3M Avg. Trading Value (VND Bn)	68.0
Foreign Ownership (%)	23.9
State Ownership (%)	74.8

FORECAST	**2017A**	**2018A**	**2019F**	**2020F**
Revenue	29,406	39,278	45,855	52,226
Growth (%)	*18.2*	*33.6*	*16.7*	*13.9*
NPATMI	9,091	14,606	18,051	20,848
Growth (%)	*32.2*	*60.7*	*23.6*	*15.5*
ROA (%)	1.0	1.4	1.6	1.7
ROE (%)	18.1	25.5	24.8	22.6
EPS (VND)	2,001	1,154	4,359	5,035
Book Value (VND)	14,584	17,264	22,484	27,305
Cash dividend (VND)	800	800	800	800
P/E (x)	39.5	23.7	17.2	14.9
P/B (x)	5.4	4.6	3.3	2.7

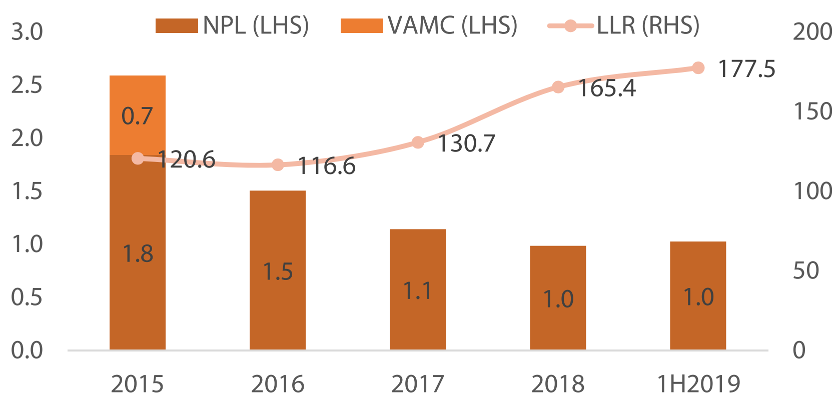
VCB – Interest income is driving growth but service income also has great potential to jump

Figure 1: VCB's asset yields, funding cost and NIM (% - TTM)



Source: VCB, Rong Viet Securities.

Figure 2: NPL plus VAMC and LLR ratio (%)



Source: TCB, Rong Viet Securities

With 11.3Tn PBT (+41% YoY) in 1H 2019, VCB fulfilled 58% of this year's guidance, ahead of all other banks in our watch list.

NIM expanded even more strongly than expected. 1H earning growth was driven by net interest income (+31.4% YoY).

- With decent credit growth quota given by SBV (15%), this year VCB's lending is likely to continue a positive expansion.
- At the same time, VCB continued to restructure its loan book towards higher margin segment, by shifting towards retail segment. As such, NIM stepped up to 3.2%.

Service income also grew positively by 23.8% YoY, but a 13.6% decrease in other incomes dragged TOI's growth to 20.3%.

CIR kept at a highly efficient level of 36.6% (vs 41.3% in 1H 2018). We see a close control on all cost items, including staff cost, facilitated a modest growth in operating costs (+6.6% YoY).

Write-offs in 1H stayed at only VND 823bn (0.1% of gross loan), while NPL ratio unchanged and LLR improved 12 ppts since end of 2018. As such, provision charges only rose insignificantly YoY, and the entire growth in pre-provision earnings translated into PBT improvement (+41% YoY).

For 2H, we expect NIM to expand further to 3.3%. PBT is most likely to expand much faster than TOI thanks to easing operating and provisioning burden. Despite the absence of extraordinary income this year, we expect VCB can attain 23% growth in bottom line, exceeding guidance by 15%.

TCB – TAKING A DIFFERENT PATH FROM OTHERS

OPPORTUNITIES/STRENGTHS

- **A clear strategy with ecosystem approach**
  - TCB implements an inclusive ecosystem approach targeting the entire value chain in certain sectors. The bank focuses on selective partners/customer segments to drive profitability while controlling risk. As a result, TCB builds a strong affluent customer base, and its efficiency is amongst the highest in the industry.
- **A diversified service income stream**
  - TCB declared its market leader position in several areas of retail banking: insurance premiums (21% market share), retail bond brokerage (81% of market share) and Visa card transaction volume, which contribute to significant growth potential.
- **The focus on enhancing digital experience**
  - Thanks to the Zero fee and 1% unlimited cash back policy, CASA improved constantly to 30.4% since 2016 (22.7%), which supported funding cost improvement.
  - Long-term benefits includes (1) the shift of customers to digital banking (2) saving on operating costs and (3) customer loyalty reinforcement.
- **Advanced management practices**
  - TCB employs many advanced initiatives in branding, customer relation, employee management, etc. which are in line with their overall organizational strategy and set the bank apart from peers.

RISKS

- Dependency on some large clients (especially in real estate) as well as related mortgage loans.
- The over-capitalization that dilutes ROE to a lower level than the sustainable ratio communicated by TCB (20%).

2019 Guidance

NPAT growth	**+10%**
NPAT growth (exclude one-off)	**+20%**
CMP (VND)	*21,900*

STOCK INFO	
Sector	Banks
Market Cap ($ mn)	3,286
Current Shares O/S (mn shares)	3,497
3M Avg. Volume (K)	3,624
3M Avg. Trading Value (VND Bn)	76.8
Foreign Ownership (%)	22.5
State Ownership (%)	0.0

FORECAST	2015A	2016A	2017A	2018A
Revenue	9,344	11,919	16,458	18,350
Growth (%)	*33.3*	*27.6*	*38.1*	*11.5*
NPATMI	1,529	3,149	6,446	8,463
Growth (%)	*41.3*	*105.9*	*104.7*	*31.3*
ROA (%)	0.8	1.5	2.6	2.9
ROE (%)	9.7	17.5	27.7	21.5
EPS (VND)	1,722	3,525	5,530	3,182
Book Value (VND)	18,537	22,062	23,106	14,790
Cash dividend (VND)	-	-	-	-
P/E (x)	12.2	6.0	3.8	8.7
P/B (x)	1.1	1.0	0.9	1.4

TCB – Taking a different path from others

RONGVIET SECURITIES

Figure 1: TCB's customer lending structure 2Q 2019 (VND Tn)

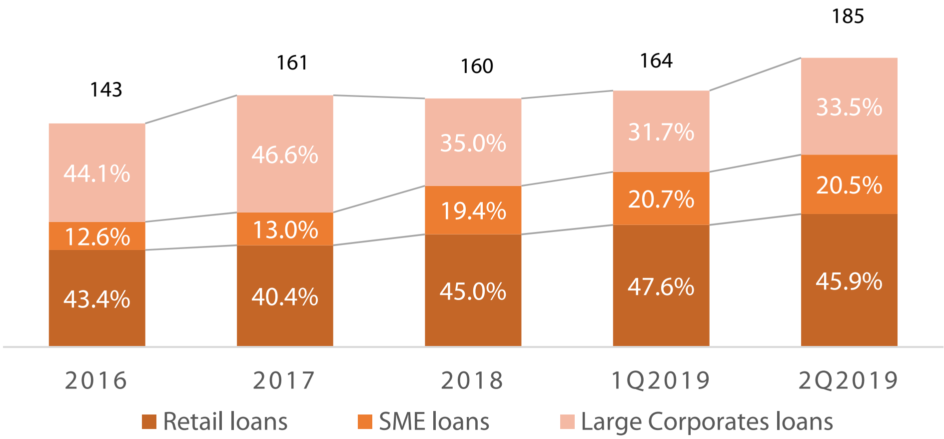


Figure 2: TCB's customer deposit structure 2Q 2019 (VND Tn)

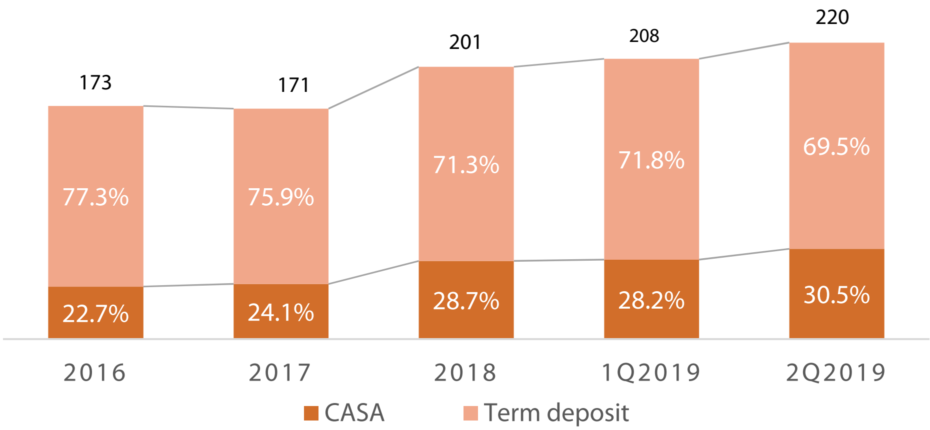


Figure 3: TCB's TOI structure 1H 2019 (VND Bn)

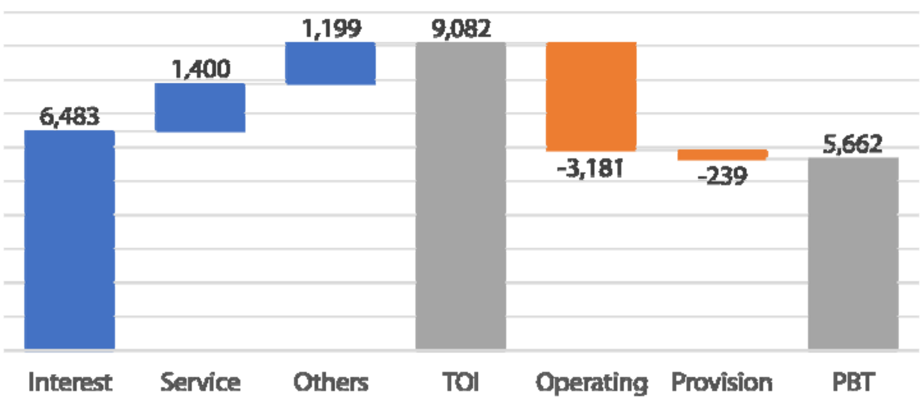
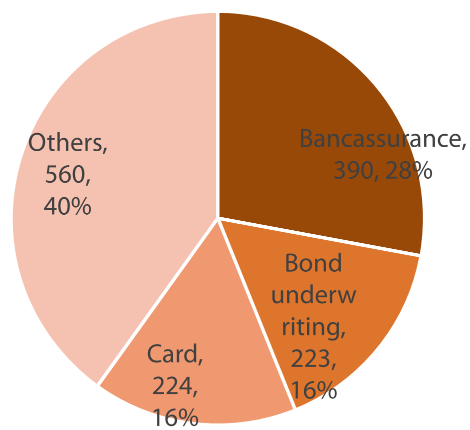


Figure 4: TCB's service income 1H 2019 (VND Bn)



Source: VCB, Rong Viet Securities

VIB – RETAIL BANKING AT THE HEART

OPPORTUNITIES/STRENGTHS

- **The most intensive retail lender in our watch list with an impressive NIM improvement**
  - Since 2016, VIB has consistently maintained very high credit growth, by the push of auto and mortgage loans. As one of first banks to adopt Circular 41, VIB is eligible for higher credit growth than peers. In 1H 2019, actual credit growth was 17.9%, and the portion of retail loans jumped to 75.5% (1H 2019), both highest amongst our watch list.
  - Along with the jump in retail lending proportion, NIM expanded significantly from 3.1% (2017) to 3.9% in 2018 and 1H 2019, making VIB at the forefront of earnings growth.
- **Strong operating efficiency**
  - VIB prioritizes to build excellent operations. While sale is pushed towards retail segment, cost is controlled closely and only expanded 15% in 2018 and 1H2019. As such, CIR has improved constantly to 41.6%. In the next 5 years, VIB aims to lower CIR further by expanding network carefully and promoting digital banking through website and app.
- **High bancassurance fee growth potential**
  - Income from insurance commission took off significantly when the bank promotes the exclusive bancassurance partnership with Prudential.
  - As per VIB, the bank is currently among the top three banks in terms of bancassurance sales and is also the leading bank in bancassuance sales efficiency per branch.

RISKS

- Current asset quality lags behind peers with NPL of higher than 2% and LLR of less than 50%. The bank will needs to spare more resources to improve its current book.
- The boosting of retail lending on the back of mortgage loans poses a risk in case the real estate sector falls into a downward cycle.

2019 Guidance

NPAT growth	**+24%**
NPAT growth (exclude one-off)	**+44%**
CMP (VND)	*18,400*

STOCK INFO	
Sector	Banks
Market Cap ($ mn)	729
Current Shares O/S (mn shares)	924
3M Avg. Volume (K)	648
3M Avg. Trading Value (VND Bn)	11.6
Foreign Ownership (%)	20.5
State Ownership (%)	0.0

FORECAST	2015A	2016A	2017A	2018A
Revenue	2,929	3,401	4,089	6,086
Growth (%)	*-15.6*	*16.1*	*20.2*	*48.8*
NPATMI	521	562	1,124	2,194
Growth (%)	*-0.3*	*7.8*	*100.1*	*95.1*
ROA (%)	0.6	0.6	1.0	1.7
ROE (%)	6.1	6.5	12.8	22.6
EPS (VND)	1,039	961	1,912	2,687
Book Value (VND)	17,773	15,489	15,568	13,616
Cash dividend (VND)	850	500	498	567
P/E (x)	16.8	18.2	9.1	6.2
P/B (x)	1.0	1.1	1.1	1.3

Figure 1: VIB's lending structure (%)

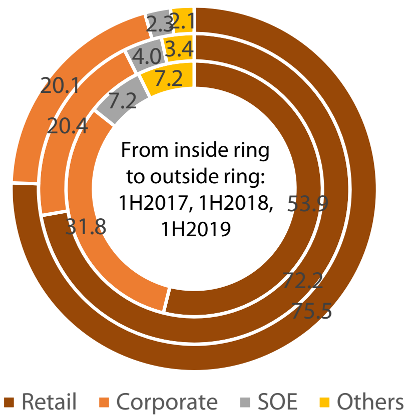


Figure 33: Retail lending structure 1H 2019 (%)

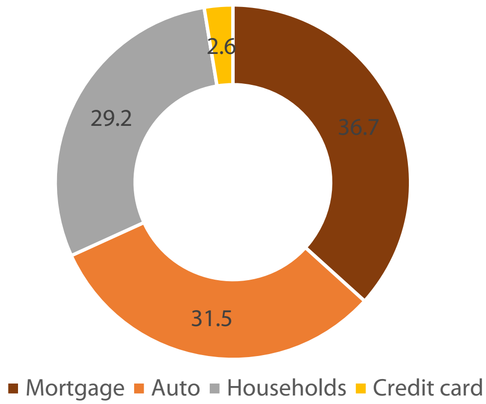


Figure 2: The proportion of retail lending at some listed banks 2018 (%)

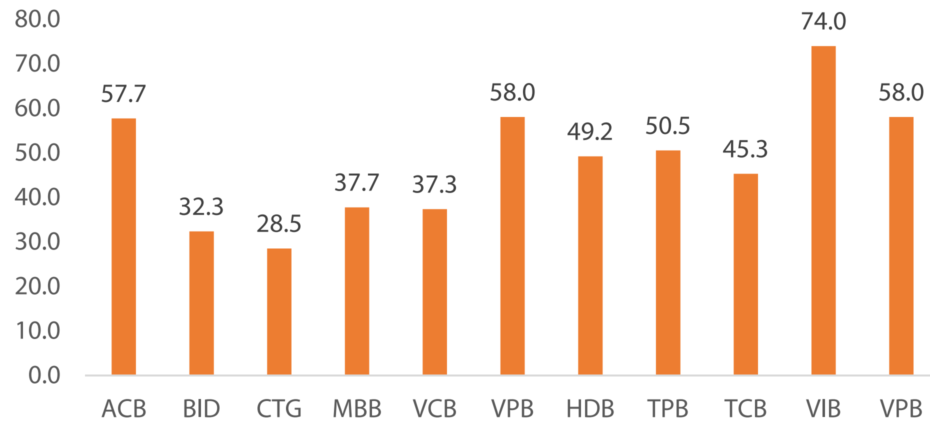


Figure 3: VIB's asset yield, funding cost and NIM 2015 – 1H2019 (% - TTM)

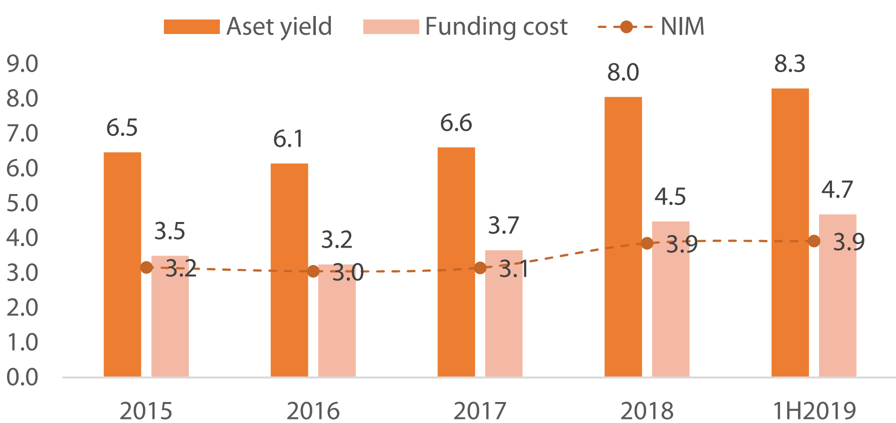
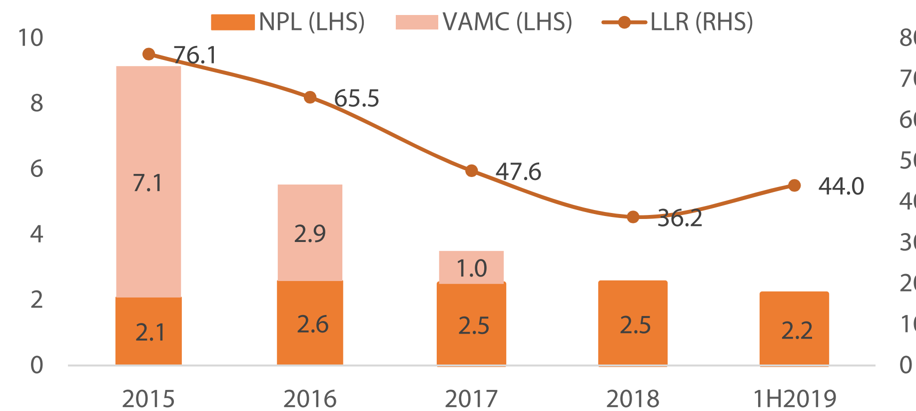


Figure 4: VIB's NPL, VAMC and LLR ratio 2015 - 1H 2019 (%)



Source: Banks' FS, Rong Viet Securities

TPB – NEED MORE TO PLAY THE LONG GAME

OPPORTUNITIES/STRENGTHS

- **A small bank with strong growth trajectory in both net interest and service income**
  - TPB's earnings growth is leading in our watch list (87% in 2018 and 58% in 1H 2019), driven by a focus on mortgage and auto loans as well as bancassurance activities.
  - The contribution of retail lending rose from 40.7% in 2017 to 50.5% in 2018 while NIM jumped from 2.9% to 3.7%. The margin improvement trend continued in 1H 2019 with NIM reaching 4.0%.
- **Well-positioned as a digitally-focused bank**
  - In the digital era, the trend of undertaking digital journey to meet more complex and diverse customer needs is inevitable.
  - TPB has successfully positioned itself as a digitally-focused bank that uses advanced technology and automation in serving customers. Advantages may not be obvious in short-term but are expected to benefit in long-term.

RISKS

- Asset quality saw less desirable moves with NPL up to 1.5% and LLR down to 84% in 1H 2019.
- The boosting of retail lending on the back of mortgage loans poses a risk in case the real estate sector falls into a downward cycle.
- The plan to launch a consumer finance business could support NIM growth but at the same time put more pressure on both operating and provision expenses.
- Although LiveBank achieved certain recognition as the first of its kind, other digital products of TPB such as online banking apps, QR code payment and electronic wallets are facing intensive competition from other banks as well as fin-tech. In order to retain its leading position in digital banking, TPB will likely need to spend more going forward.

2019 Guidance

NPAT growth	**+42%**
Credit growth	**+20%**
CMP (VND)	*18,400*

STOCK INFO	
Sector	Banks
Market Cap ($ mn)	796
Current Shares O/S (mn shares)	827
3M Avg. Volume (K)	1,416
3M Avg. Trading Value (VND Bn)	33.5
Foreign Ownership (%)	30.0
State Ownership (%)	4.2

FORECAST	2015A	2016A	2017A	2018A
Revenue	1,555	2,309	3,610	5,627
Growth (%)	*35.1*	*48.5*	*56.3*	*55.9*
NPATMI	562	565	964	1,805
Growth (%)	*4.9*	*0.5*	*70.5*	*87.3*
ROA (%)	0.9	0.6	0.8	1.4
ROE (%)	12.4	10.8	15.6	20.9
EPS (VND)	1,013	967	1,649	2,107
Book Value (VND)	8,646	9,725	11,429	12,400
Cash dividend (VND)	-	-	-	-
P/E (x)	22.1	23.2	13.6	10.6
P/B (x)	2.6	2.3	2.0	1.8

RONGVIET SECURITIES

Figure 1: TPB's lending structure (%)

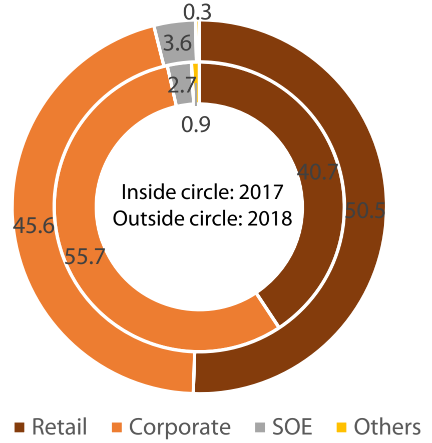


Figure 2: TPB's TOI structure 1H 2019 (VND Bn)

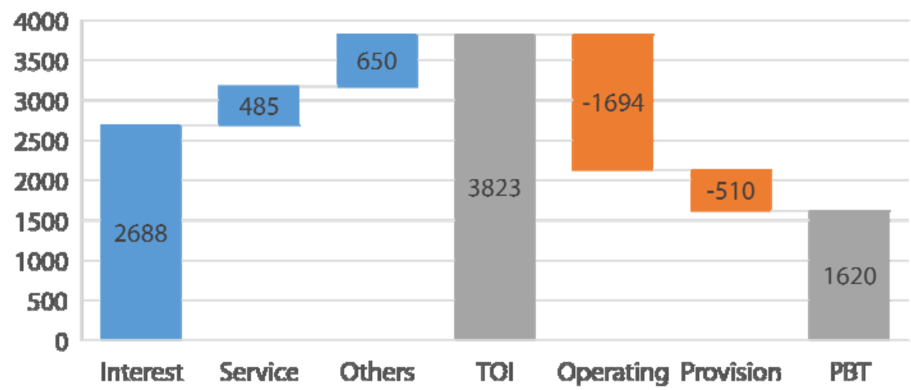


Figure 3: TPB's asset yield, funding cost and NIM 2015 – 1H2019 (% - TTM)

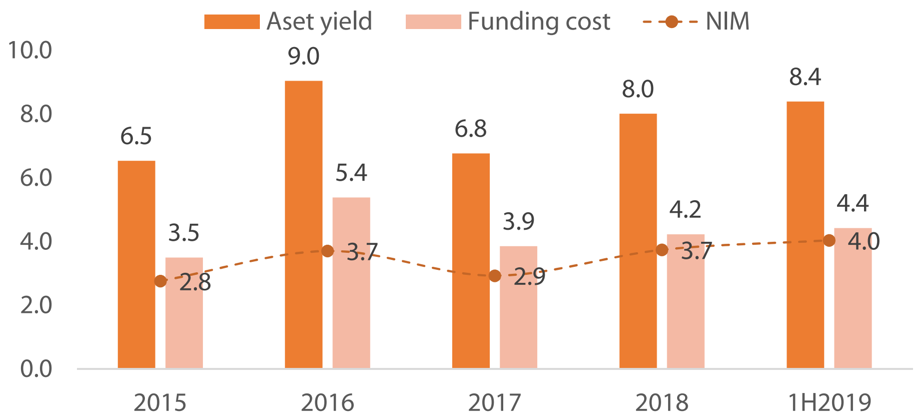
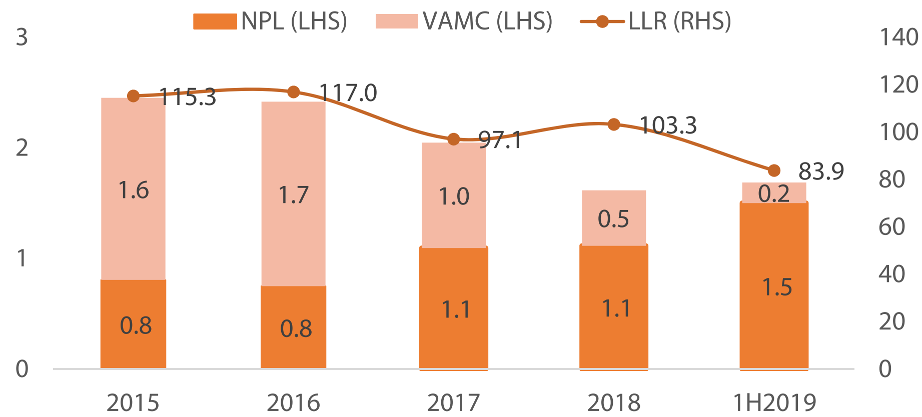


Figure 4: TPB's NPL, VAMC and LLR ratio 2015 - 1H 2019 (%)



Source: TPB, Rong Viet Securities

REAL ESTATE INDUSTRY: EVERY CLOUD HAS A SILVER LINING

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REAL ESTATE INDUSTRY - SUMMARY

1. **Market Review**
   - HCMC: Apartment launch to drop to lowest level in the last five years
   - Hanoi: Sold units exceeded new launch for the first time since 2Q 2017
2. **Market Trends and Factors**
   - Legal procedures still on hold
   - Shifting focus towards tier-2 & 3 provinces to capture infrastructure improvement
   - New channels to raise capital instead of borrowing from banks
   - Market risks: Surging land price and Speculation rate
3. **Industry Valuation and Stock Recommendations**
   - NLG, HDG, DXG, VRE

REAL ESTATE INDUSTRY - REVIEW

HCMC condominium market

- **Lowest number of new launch in 1H 2019 in the last five years**

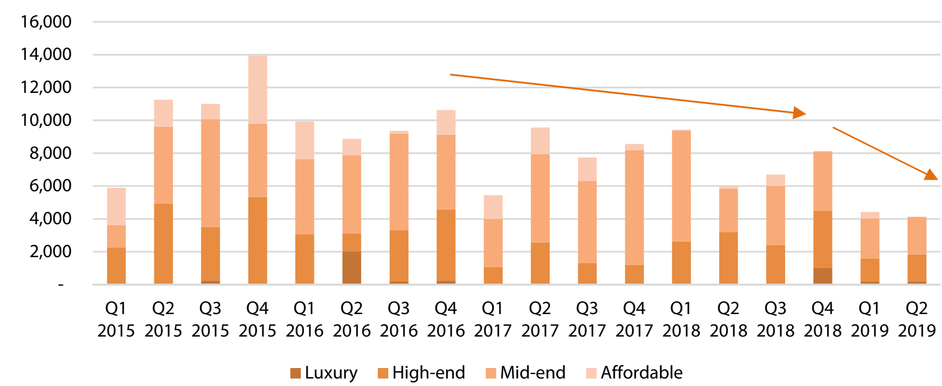
7% QoQ 34% YoY

- **Demand is still good with impressively high absorption rate**

23% QoQ 37% YoY 90%

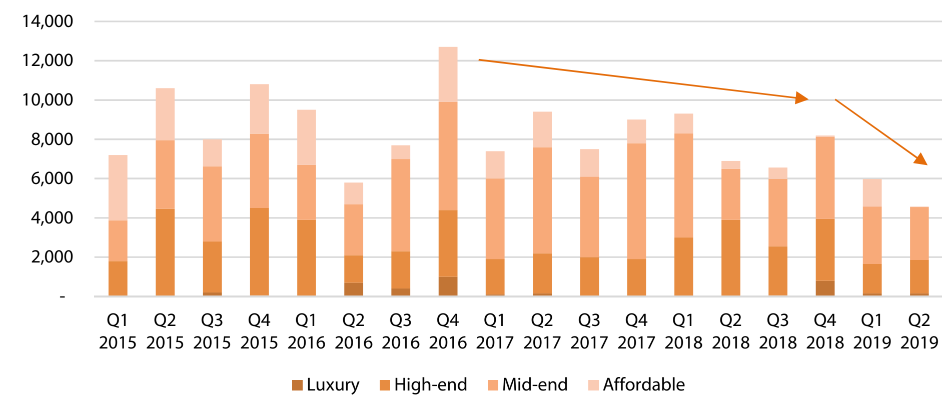
Sold units **Absorption rate**

Figure 1: HCMC market's new launches (units)



Source: CBRE, RongViet Securities

Figure 2: HCMC market's sold units (units)



Source: CBRE, RongViet Securities

REAL ESTATE INDUSTRY - REVIEW

Hanoi condominium market

- **Good performance during the 1H 2019, thanks to large-scale projects**

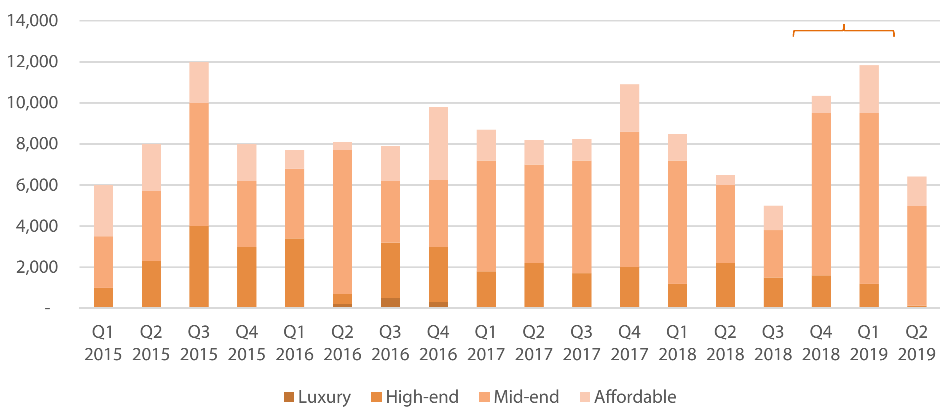
19% QoQ 20% YoY

- **Absorption rate of new launch is not high compared to HCMC's market**

19% QoQ 32% YoY 50%

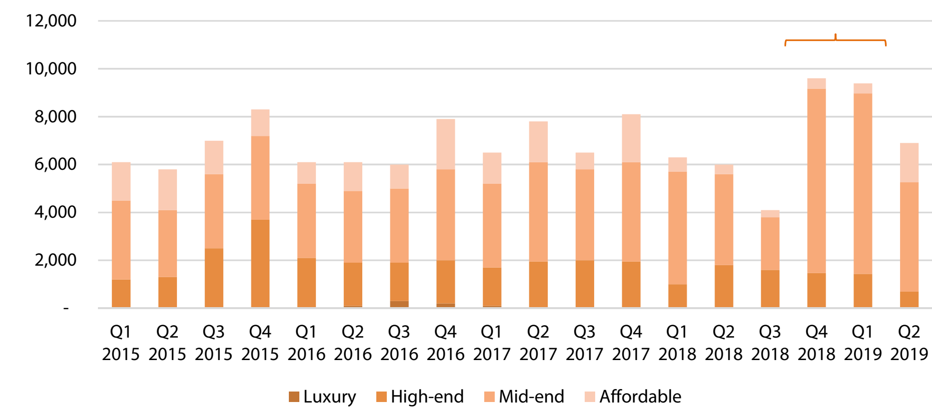
Sold units **Absorption rate**

Figure 3: Hanoi market's new launches



Source: CBRE, RongViet Securities

Figure 4: Hanoi market's sold units



Source: CBRE, RongViet Securities

REAL ESTATE INDUSTRY - REVIEW

Selling price to increase across segments

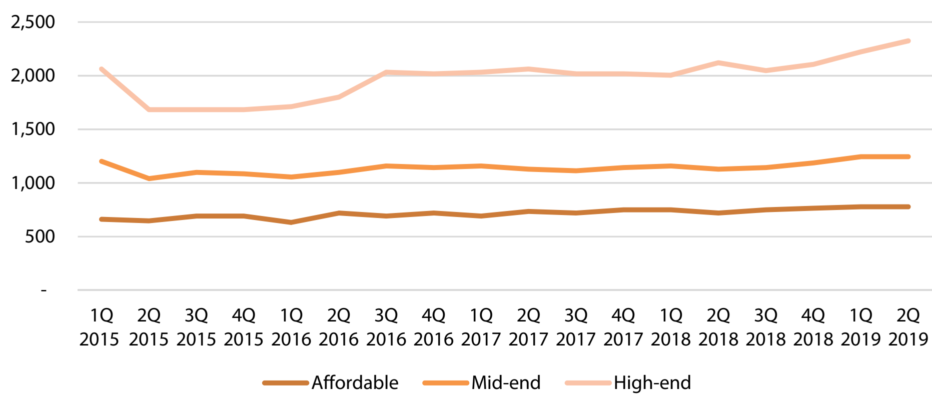
Hanoi:

- High-end segment achieved the highest pricing level over the past five years: US$ 2,345 psm, up 20% vs US$ 1,955 on average.

HCMC:

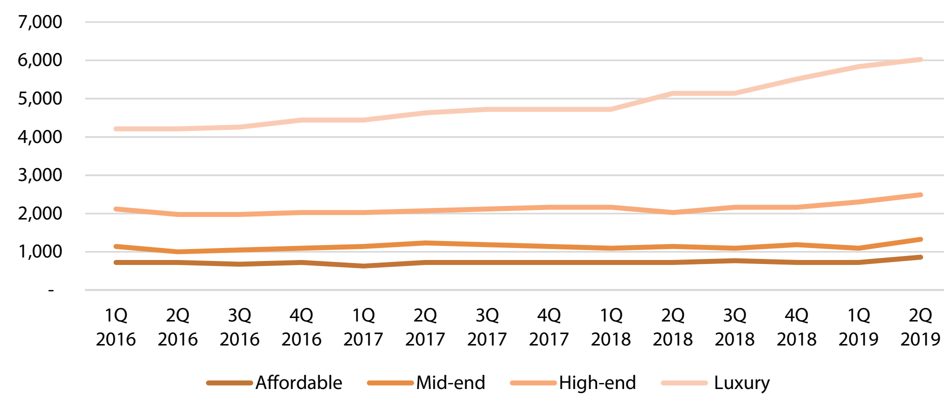
- High-end and luxury segments were the best performance during 1H 2019, in term of ASP's growth, up 23% and 15% YoY, respectively.

Figure 5: Hanoi Condominium primary price



Source: CBRE, RongViet Securities

Figure 6: HCMC Condominium primary price



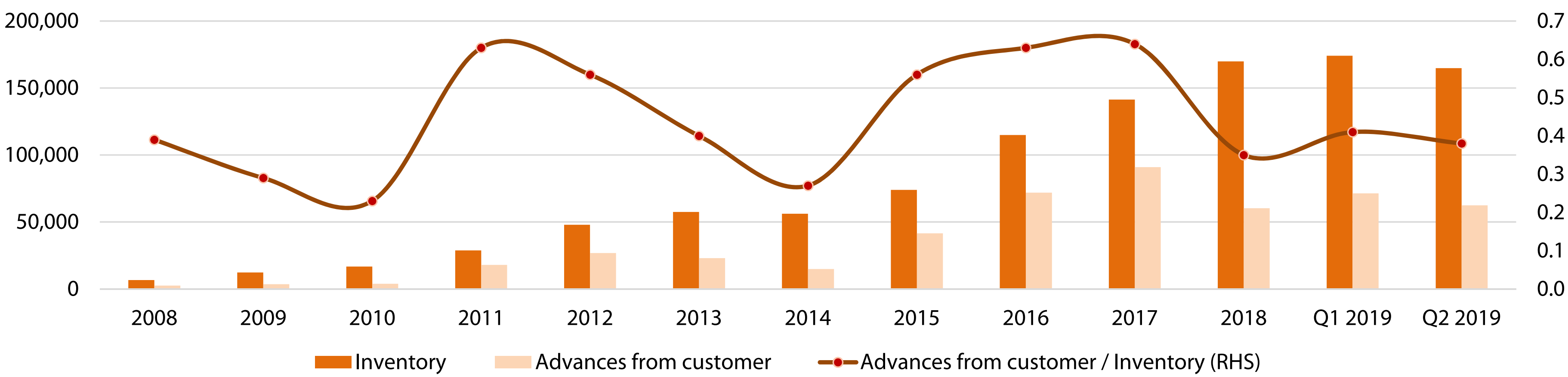
Source: CBRE, RongViet Securities

REAL ESTATE INDUSTRY - REVIEW

Advances from customer to inventory ratio to decrease: 2019 and 2020's core profit to decline?

- 2018 was turning point: 2014 – 2018 period was considered to be an accumulation period for acquiring land bank and developing residential projects. Almost developers recognized high net profit's growth in 2018.
- Development progress is showing signs of slowdown.

Figure 7: Advances from customer to inventory ratio



Source: FiinPro, RongViet Securities

REAL ESTATE INDUSTRY – TRENDS AND FACTORS

HCMC market: Legal procedures still on hold

03 projects (-84% YoY)	10 projects (-82% YoY)	24 projects (-29% YoY)
No. of new projects the Department of Construction has proposed to the HCMC People's Committee for investment acceptance.	No. of projects the Department of Construction has proposed to the HCMC People's Committee to approve Investment Certificate.	No. of projects that meet requirements to be able to sell units to customers.

Source: Horea, RongViet Securities

-> Legal risks cause negative effects on developers' planning

REAL ESTATE INDUSTRY – TRENDS AND FACTORS

Shifting focus towards neighbor provinces

Many developers to acquire land bank in provinces which are key beneficiary of upcoming infrastructure developments:

- Vinhomes: Besides Hanoi and HCMC, 32% of residential GFA is located in Quang Ninh provinces.
- Nam Long plans to launch residential projects in Long An, Dong Nai and Hai Phong provinces.
- Dat Xanh to acquire land bank in Binh Duong province to develop high-rise projects.
- Van Phu to acquire land bank in Hue and Can Tho provinces.
- Novaland to expands its business into hospitality to capture booming in resort destinations.
- Phat Dat to take profit in residential market in Binh Dinh and Quang Ngai provinces.
- Developers owning available land banks at tier-2 & 3 provinces should benefit from these trends: NTL, HDC, DIG, NDN.

Source: VSA, GSO, RongViet Securities

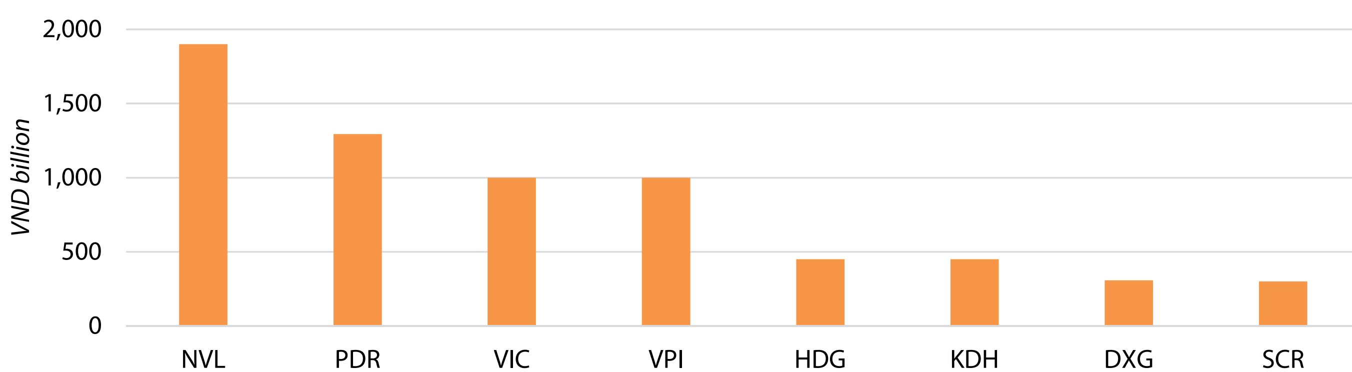
New channel to raise capital

Tightening credit policy to make developers seek capital in bond market

VND 6,500 billion Value of bonds The listed real estate companies issued	**VND 22,122 billion** Value of bonds The overall real estate companies issued	**11.0 -12.0%** Average Coupon rate

Source: FiinPro, RongViet Securities

Figure 8: Bond issuance in 1H 2019



Source: FiinPro, RongViet Securities

REAL ESTATE INDUSTRY – TRENDS AND FACTORS

Market risks

1. **Surging land price**
    - Land prices skyrocketed across the country by 50% - 300% to capture long-term prospect.
    - Liquidity began to decline in some areas.

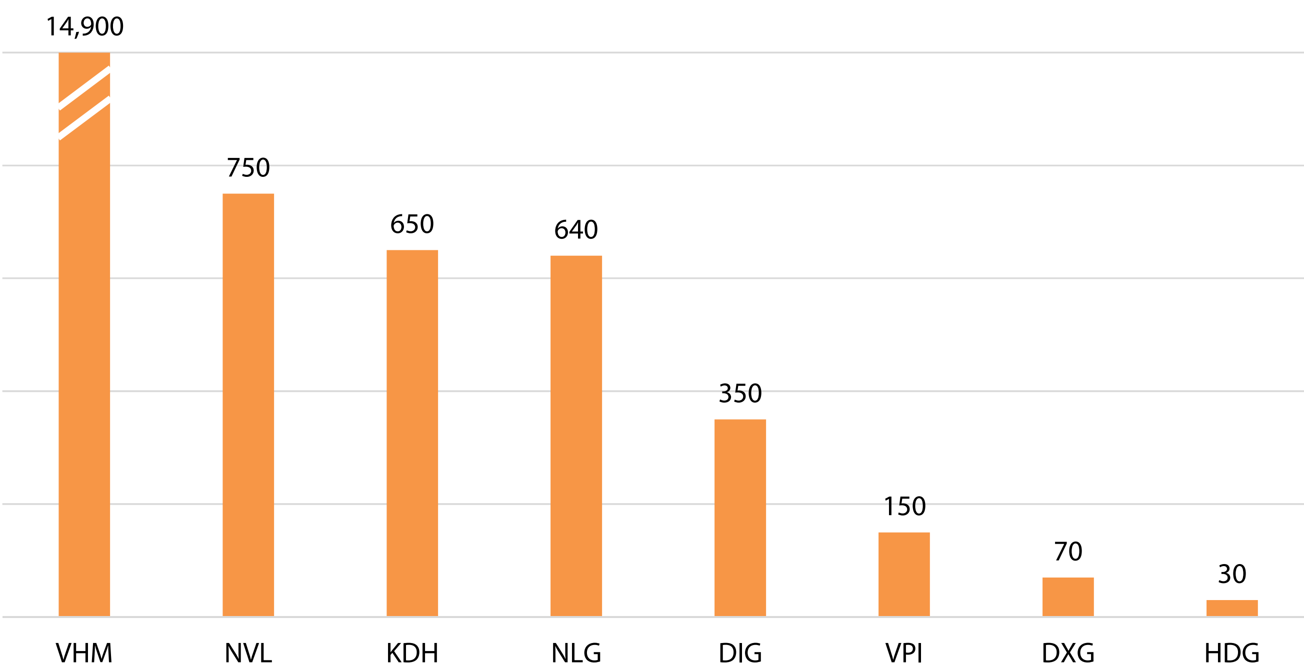
2. **Speculation**
    - The percentage of investors and speculators over a high-rise project in Hanoi and HCMC markets is around 50% (Savills). For a project in neighboring provinces, we believe the level is higher.

-> Significant influence on absorption rate in case of fluctuations in macro and economic volatility.

Source: VSA, GSO, RongViet Securities

Land bank across developers

Figure 9: Land bank (ha)



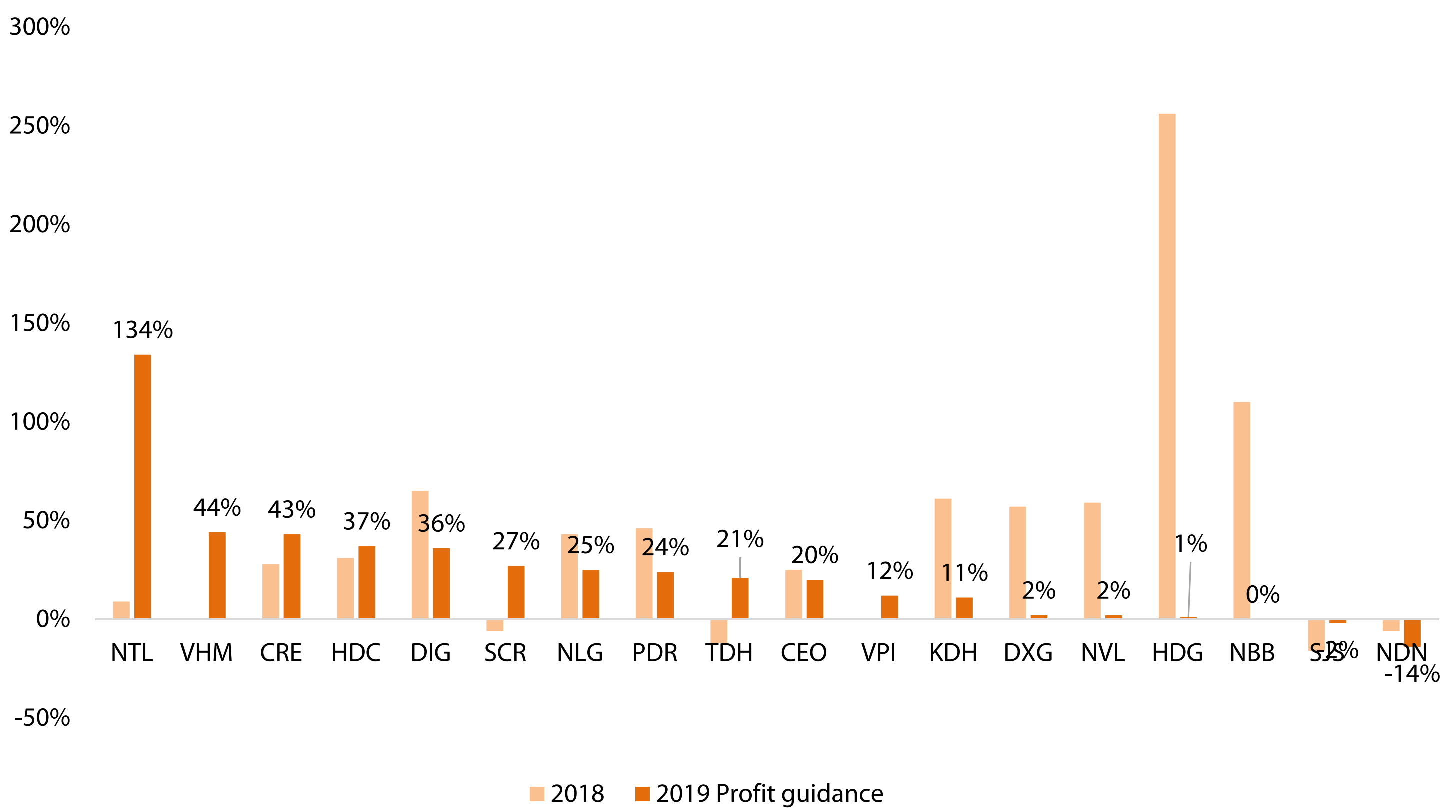
Source: RongViet Securities

- VHM to dominate the market, with 50% land bank located in Hanoi and HCMC and the remaining is in hot-spot places like Quang Ninh.
- Nam Long is one of the most active developers among real estate universes, with new addition land bank of 230ha.
- KDH: Land bank accumulated through acquisition of BCCI in end-2017.

REAL ESTATE - INDUSTRY VALUATION

2019's profit guidance

Figure 10: 2018 and 2019 profit growth



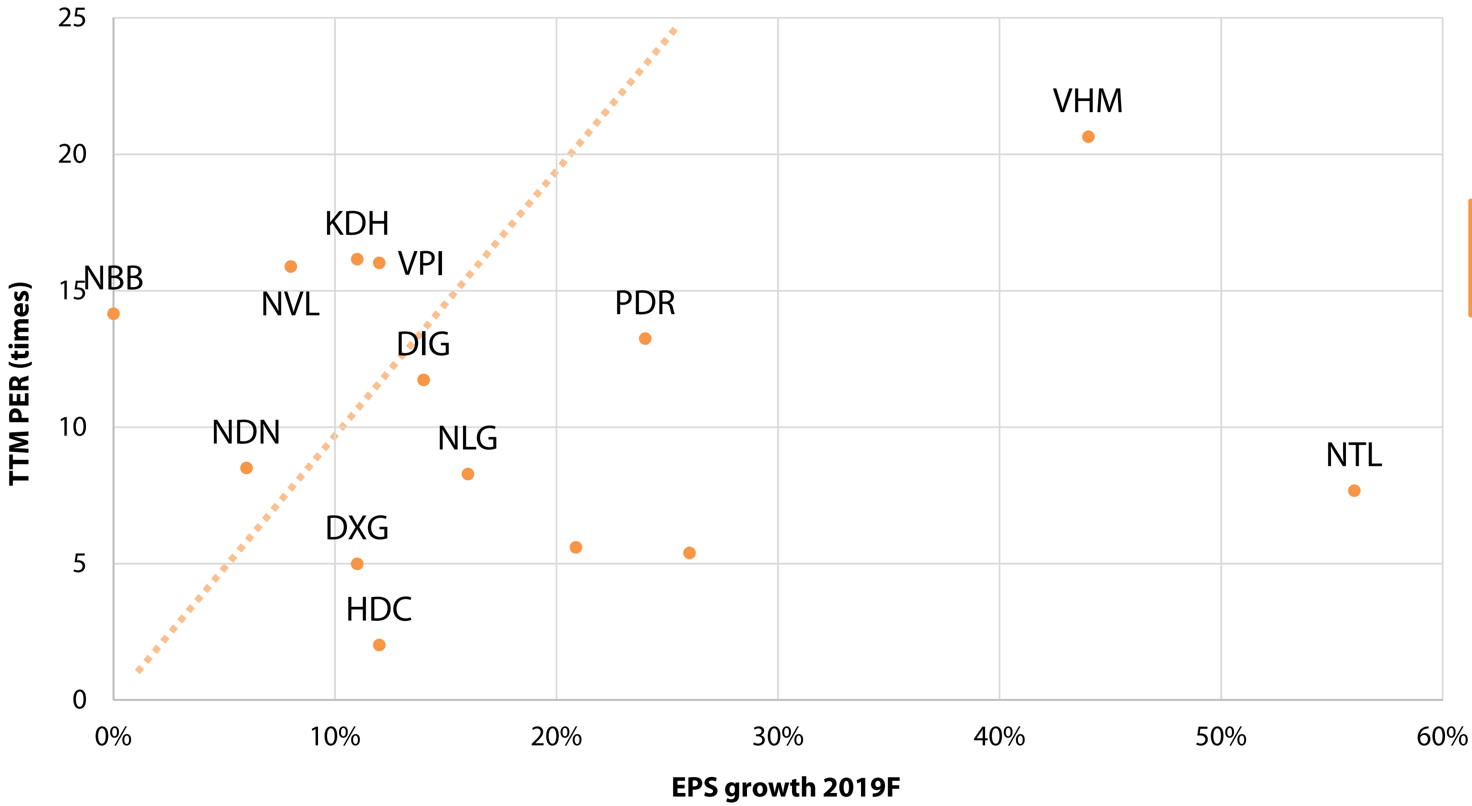
Source: RongViet Securities

- 2018 is considered to be the peak in profit growth for real estate companies.
- 2019: Companies set a more conservative profit guidance, and we think the almost companies can achieve its target.

REAL ESTATE - INDUSTRY VALUATION

PE forward

Figure 11: P/E table



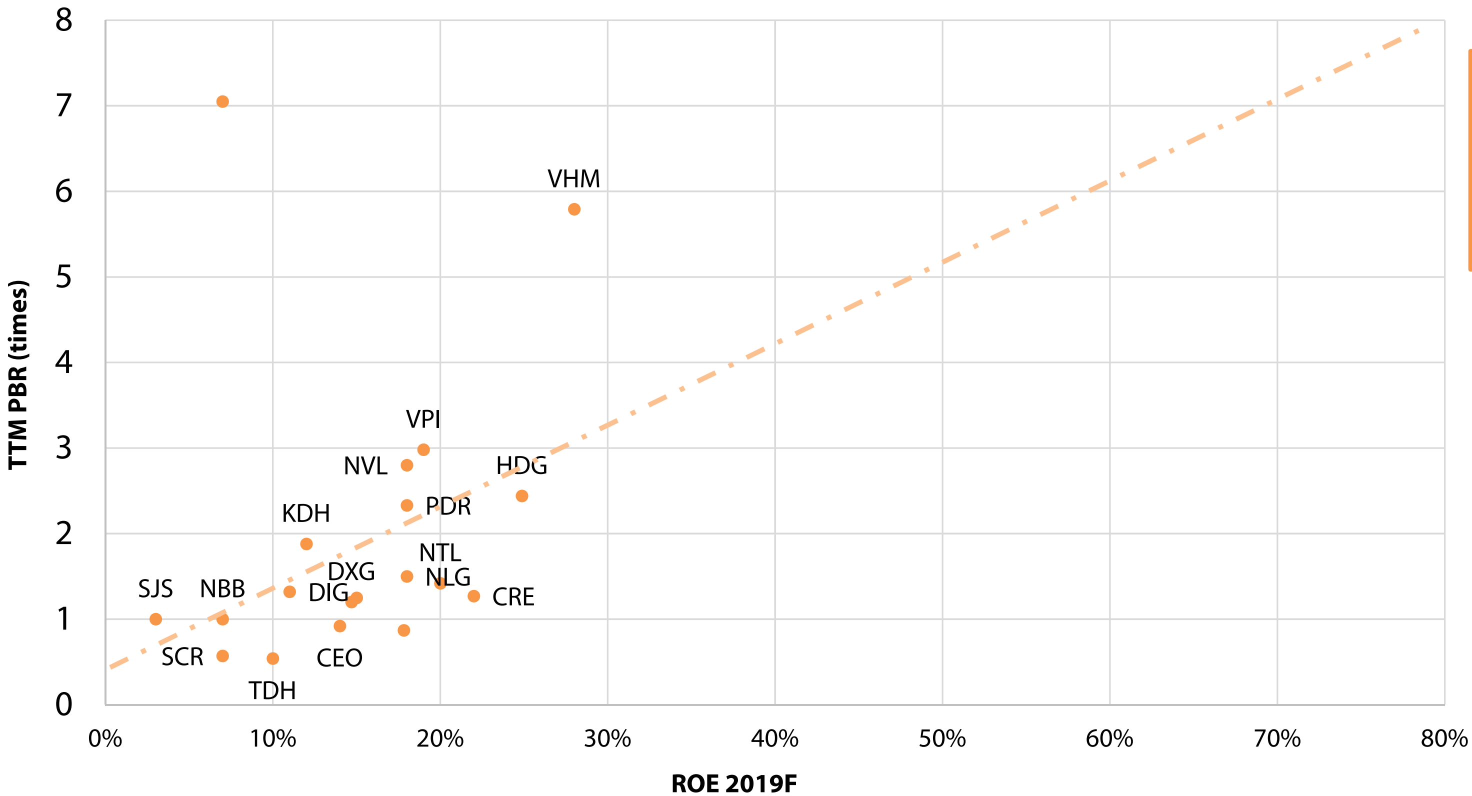
Short-term investors should pick the high profit growth companies in 2019

Source: RongViet Securities

REAL ESTATE - INDUSTRY VALUATION

PB forward

Figure 12: P/B table



Long-term investors should consider the stock with low P/B ratio, coupled with high book value (land bank), as well as the ability to monetize its land bank in next period.

Source: RongViet Securities

NLG – LAND BANK MONETIZATION

INVESTMENT RATIONALES

- **Acquiring huge land bank in favorable location**
  - Total new acquiring land bank is over 230ha, located in favorable locations like Dong Nai and Hai Phong, owning huge potential growth in mid-term period thanks to the improvement of infrastructure conditions. Legal procedures are nearly completed, guaranteeing the mid-term cash inflow.
- **Project launching to support profit recognition**
  - Akari City: Phase 1 will be exploited, with land area of 4.0ha, offering 1,200 units to the market. The ASP is estimated at VND 31 million/sqm. Up to date, total launching units have been nearly sold out.
  - Waterpoint: The legal procedures have been completed and the project is ready to develop. Nam Long plans to sell 800 and 1,000 units in 2019 and 2020, respectively.
- **Attractive valuation:** P/E and P/B forward 2019 is 7.8x and 1.5x, which is attractive with a residential company owning huge and favorable land bank.

RISKS TO OUR CALLS

- Prolonged delay on legal procedures.
- Slowdown of overall residential market, causing negative sentiment on launching products

BUY +36%

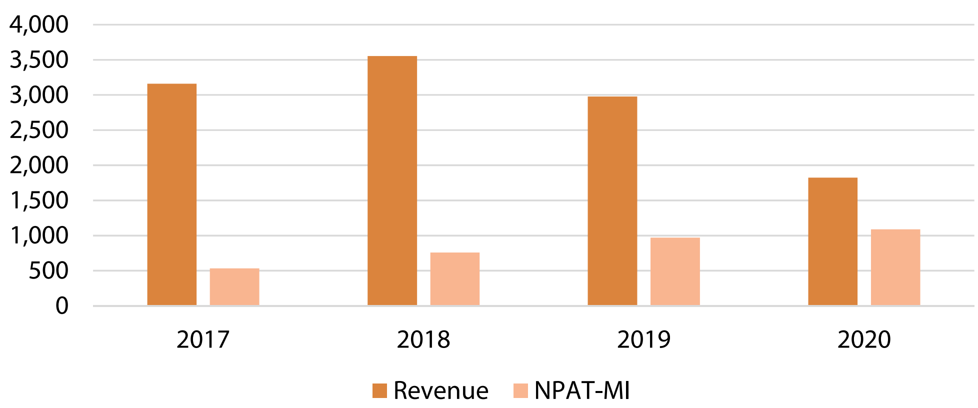
CMP (VND)	**30,800**
Target price (VND)	**41,900**
Cash dividend in 12 months	-

STOCK INFO	
Sector	Real Estate
Market Cap ($ mn)	303
Current Shares O/S (mn shares)	229
3M Avg. Volume (K)	1,127
3M Avg. Trading Value (VND Bn)	34.0
Foreign Ownership (%)	49.0
State Ownership (%)	0.0

FORECAST	2017A	2018A	2019F	2020F
Revenue	3,161	3,480	3,263	1,823
Growth (%)	*24.8*	*10.1*	*-6.2*	*-44.1*
NPATMI	535	763	972	1,090
Growth (%)	*55.0*	*42.7*	*27.4*	*12.1*
ROA (%)	7.6	8.7	11.8	11.4
ROE (%)	15.6	17.0	18.7	19.4
EPS (VND)	3,165	315	4,067	4,561
Book Value (VND)	18,573	19,237	21,466	25,460
Cash dividend (VND)	225	197	0	0
P/E (x)	9.9	10.3	10.3	9.2
P/B (x)	1.7	1.6	2.0	1.6

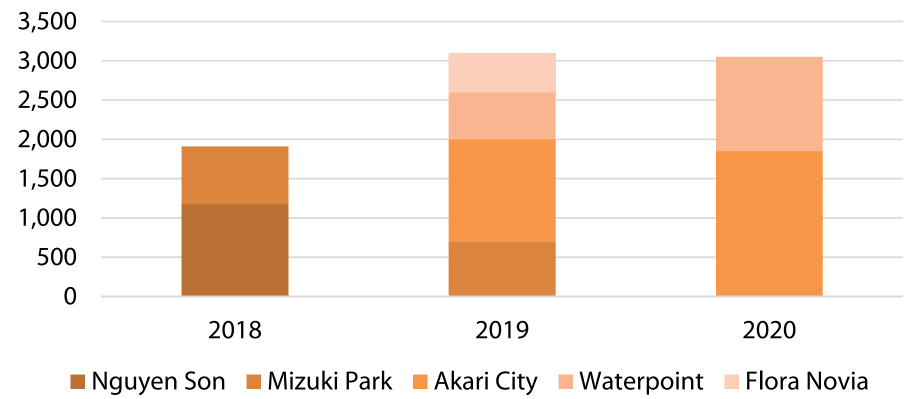
NLG – Land bank ready to launch

Figure 1: Business results projection (VND bn)



Source: Rong Viet Securities

Figure 2: Estimated sold units (units)



Source: Rong Viet Securities

Table 1: Project Pipeline

Project	Nam Long Hai Phong	Paragon Dai Phuoc	Dong Nai Waterfront City
Location	Thuy Nguyen, Hai Phong provinces	Nhon Trach, Dong Nai province	Bien Hoa, Dong Nai province
Scale	21ha, with 850 low-rise units and 2,200 high-rise units	45ha, comprising low-rise component.	170 ha, with 4,000 villas units and 3,000 high-rise units
Stake	50%	100%	70%
Notes	The project was acquired from VSIP, located in favourable place thanks to the improvement of infrastructure condition in Hai Phong province.	The project was acquired from VSIP, located in Dai Phuoc island.	The project was acquired from Keppel Land.

Source: NLG

DXG – ATTRACTIVE VALUATION

INVESTMENT RATIONALES

- **Legal reviews to affect the development progress.**
  - The construction has been delayed. Besides, the rumors about the legal status of its projects started in 2018, causing a slump in the stock price. We suppose that the current negative news have been partly priced in. The risk is that legal reviews may take more time than expectation.
- **Launching and acquisition plans.**
  - Gem Riverside will still be the most contributor to DXG's valuation, to which investor should pay attention. Besides, DXG intends to develop three small-scale projects located in HCMC, which missed the 2018's launching target. We are cautious perspective on this due to the legal status situation.
  - DXG plans to acquire 3-4 ha land bank in Binh Duong provinces to develop high-rise projects, after success launch in Opal Boulevard project.
- **Spin-off of the brokerage segment.**
  - DXG is a leading broker of mid-end and affordable housing with an estimated market share of 20-25% in FY2018. The company has restructured its brokerage services business and prepared for the spin-off plan.
- **Raise fund to finance pipelines.**
  - DXG to issue straight bonds and 4:1 rights issue. The additional issuance is also a reason for recent drop in stock price. However, it is good catalyst in long-term.

RISKS TO OUR CALLS

- **Sales launch of key projects:** Execution is also key to watch.

BUY +56%

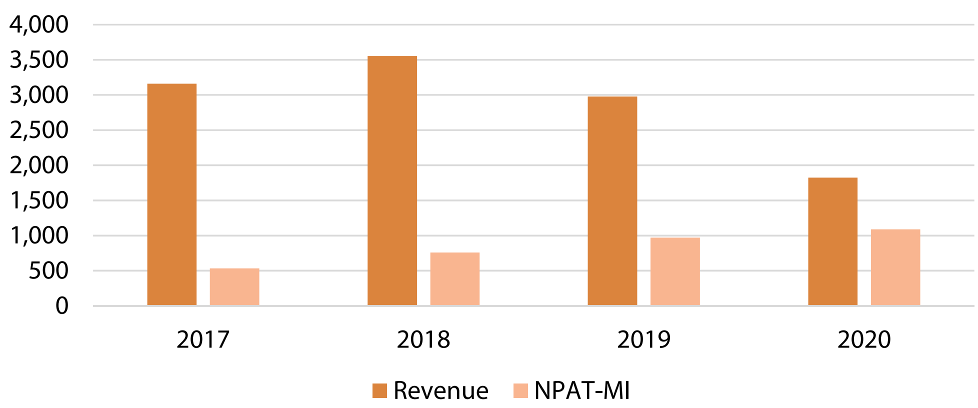
CMP (VND)	**14,100**
Target price (VND)	**22,000**
Cash dividend in 12 months	-

STOCK INFO	
Sector	Real Estate
Market Cap ($ mn)	311
Current Shares O/S (mn shares)	514
3M Avg. Volume (K)	1,045
3M Avg. Trading Value (VND Bn)	18.1
Foreign Ownership (%)	47.8
State Ownership (%)	0.0

FORECAST	2017A	2018A	2019F	2020F
Revenue	2,879	4,645	4,439	4,439
Growth (%)	*14.9*	*61.3*	*-4.5*	*0.0*
NPATMI	751	1,178	1,230	1,311
Growth (%)	*39.8*	*56.9*	*4.3*	*6.6*
ROA (%)	9.5	9.8	13.4	10.6
ROE (%)	18.3	21.7	21.2	18.6
EPS (VND)	2,402	3,440	2,391	2,549
Book Value (VND)	12,578	14,282	14,943	20,395
Cash dividend (VND)	0	0	0	0
P/E (x)	7.7	6.9	9.2	8.6
P/B (x)	1.1	1.0	1.5	1.1

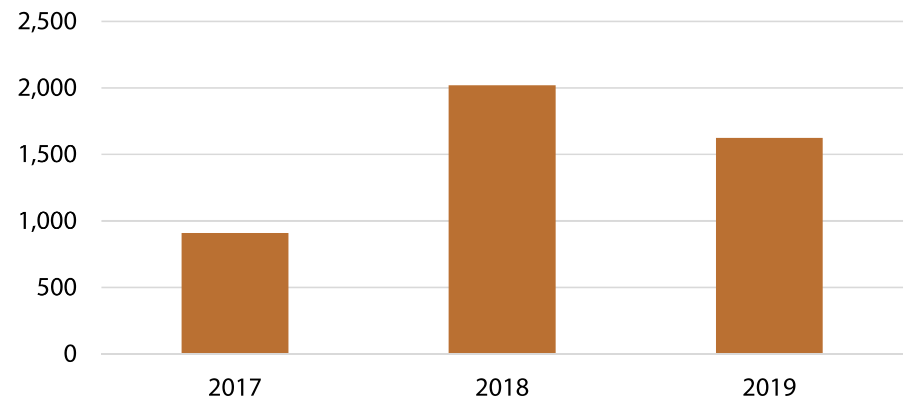
DXG – Borkerage business to drive results

Figure 1: Business results projection (VND bn)



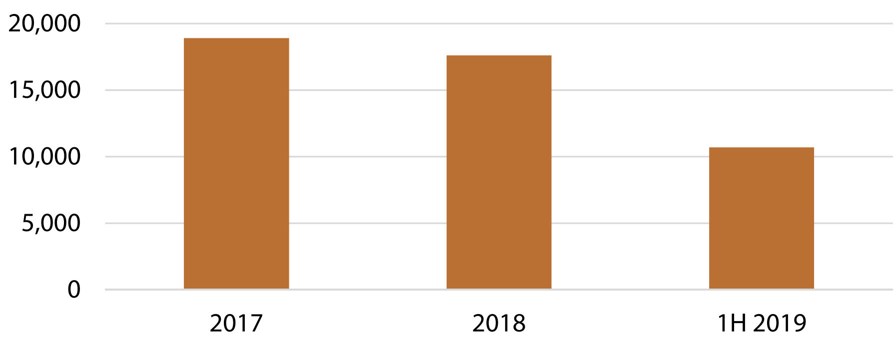
Source: Rong Viet Securities

Figure 2: DXG pre-sale units (VND bn)



Source: Rong Viet Securities

Figure 3: DXG total broker units)



Source: DXG

HDG – ENERGY EXPANSION

INVESTMENT RATIONALES

- **Real estate: Dragon City project to launch.**
  - Hado Dragon City (Hanoi) is key project to watch. HDG re-scheduled the sale launch to 2H 2019 due to site planning adjustments. There are 370 low-rise units remaining, equivalent to total revenue of VND 3,200 billion, +18% compared to initial plan thanks to higher selling price.
  - Other projects are in progress of site planning, which will launch to the market since 2020 onwards.
- **Energy: Growth momentum.**
  - Renewable energy is one of HDG's key pillars in coming years. HDG has increased its stake in energy projects, as well as is on track to manage the construction. There are two hydropower plants under construction with total capacity of 150 MW, which are expected to operate in 3Q 2020.
- **Issuing bonds to fund development.**
  - The company recently issued a 2-year straight bond, total face value of VND 500 billion with a coupon rate of 10.5-11.0% and may have more bond issuances in the near future. In addition, HDG plans to issue a 3-year VND 1,500 billion equity warrant bond in 2Q 2019, however, the timeline could be extended.
  - HDG to accelerate spending on renewables to capture opportunities. Capex guidance in 2019 and 2029 will be VND 6,500 billion and VND 10,500 billion, of which energy business accounts for 60% the total.

RISKS TO OUR CALLS

- Policy risks in renewable industry.

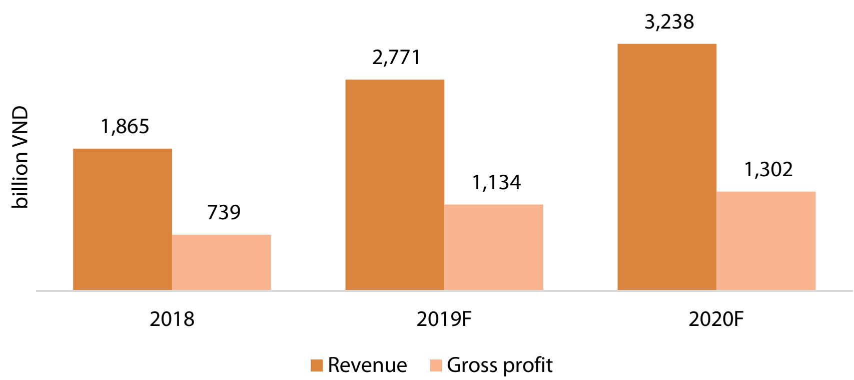
ACCUMULATE 3%

CMP (VND)	**36,200**
Target price (VND)	**37,200**
Cash dividend in 12 months	-

STOCK INFO	
Sector	Real Estate
Market Cap ($ mn)	184
Current Shares O/S (mn shares)	119
3M Avg. Volume (K)	533
3M Avg. Trading Value (VND Bn)	19.1
Foreign Ownership (%)	15.9
State Ownership (%)	0.0

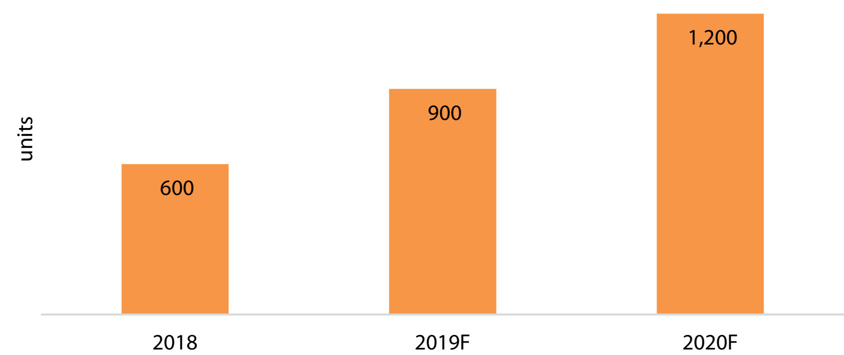
FORECAST	2017A	2018A	2019F	2020F
Revenue	2,297	3,221	4,744	6,049
Growth (%)	*15.5*	*40.2*	*47.3*	*27.5*
NPATMI	178	633	654	801
Growth (%)	*-24.3*	*255.1*	*3.2*	*22.5*
ROA (%)	2.4	6.5	5.5	6.5
ROE (%)	9.1	26.5	19.6	18.8
EPS (VND)	2,277	1,870	5,509	6,751
Book Value (VND)	16,760	19,314	28,149	34,670
Cash dividend (VND)	500	1,000	0	0
P/E (x)	15.9	5.5	6.8	5.5
P/B (x)	2.2	1.9	1.3	1.1

Figure 1: Real estate business results projection



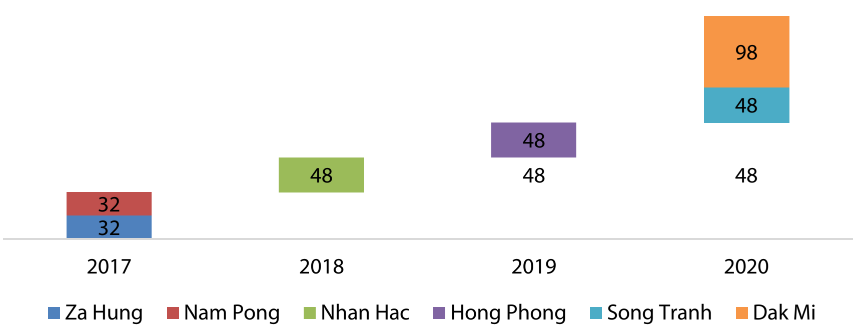
Source: Rong Viet Securities

Figure 2: Hand-over units



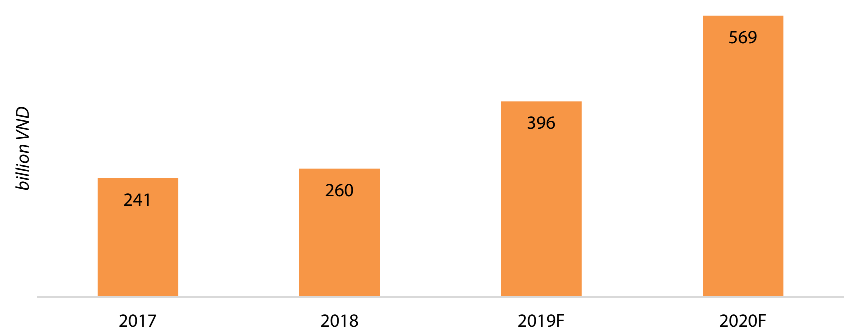
Source: Rong Viet Securities

Figure 3: Energy Capacity expansion (MW)



Source: Rong Viet Securities

Figure 4: Energy's Gross profit projection



Source: Rong Viet Securities

VRE – FURTHER EXPANSION

INVESTMENT RATIONALES

- **Further expansion**
  - Planning to source for anchor tenants for the three Vincom Megamalls projects, namely Ocean Park, Smart City and Grand Park. It is expected that Vinhomes will start handing over units, including Vinhomes Grand Park, Vinhomes Ocean Park and Vinhomes Sportia from 2019 (for low-rise) and 2020 (for high-rise). Three Vincom Megamalls will be put into operation in 2020-2021.
  - 10 malls expected to launch in 2H2019, further expanding our Vietnam footprint by ~ 91,000 sqm. VRE continues to expand the coverage into new provinces under Vincom Plaza and Plus formats like Nam Dinh, Dong Thap, Dien Bien, Kon Tum, My Tho, Bac Lieu, Soc Trang and Binh Duong. After that, VRE will be present in 42 provinces and cities.
- **Performance to be improved.**
  - Occupancy to see improvement across all segments. By the end of 2019, we assume the average occupancy rate will be at around 92.5% (+250 bps YoY).
  - Slight increase in rental rate thanks to new anchor tenants. We forecast the average annual rental rate in 2019 will be around USD 22/sqm/month (+ 10% YoY).
  - Upgrade tenant mix towards increasing the contribution from the anchor F&B, entertainment and services sectors.

RISKS TO OUR CALLS

- Rising influence of e-commerce.
- Expansion plan in tier-2 and 3 provinces to run ahead the development of modern retail.

ACCUMULATE +10%

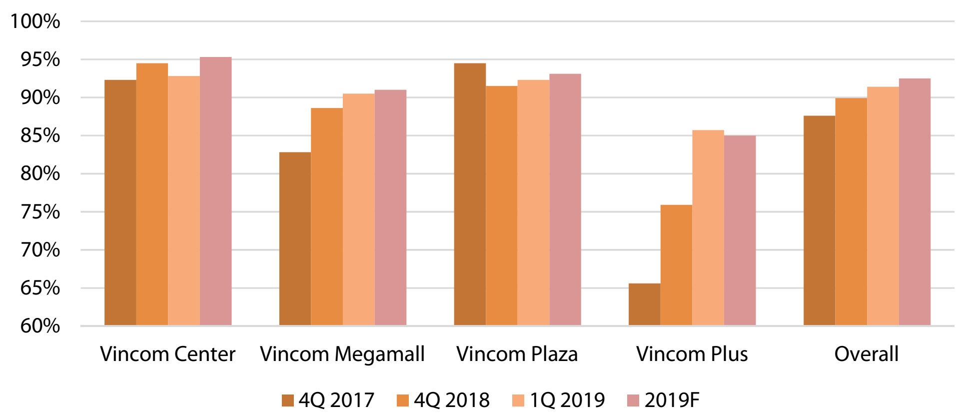
CMP (VND)	**35,150**
Target price (VND)	**38,550**
Cash dividend in 12 months	-

STOCK INFO	
Sector	Real Estate
Market Cap ($ mn)	3,513
Current Shares O/S (mn shares)	2,329
3M Avg. Volume (K)	3,558
3M Avg. Trading Value (VND Bn)	125.5
Foreign Ownership (%)	32.5
State Ownership (%)	0.0

FORECAST	2017A	2018A	2019F	2020F
Revenue	5,518	9,124	9,276	10,513
Growth (%)	*-13.6*	*65.3*	*1.7*	*13.3*
NPATMI	2,027	2,404	2,927	3,578
Growth (%)	*-16.8*	*18.6*	*21.7*	*22.2*
ROA (%)	5.6	6.3	7.5	8.6
ROE (%)	8.0	8.8	9.8	10.8
EPS (VND)	1,066	5,485	1,257	1,536
Book Value (VND)	13,710	12,224	13,472	15,013
Cash dividend (VND)	0	1,050	0	0
P/E (x)	33.2	34.3	30.7	25.1
P/B (x)	2.6	2.9	2.9	2.6

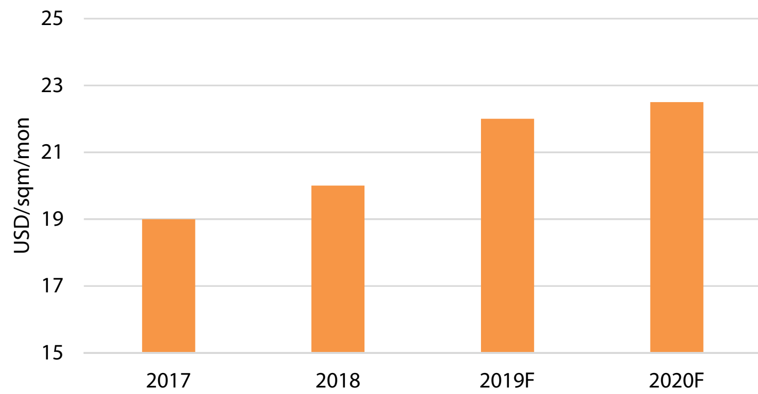
VRE – Performance to be improved

Figure 1: Occupancy rate



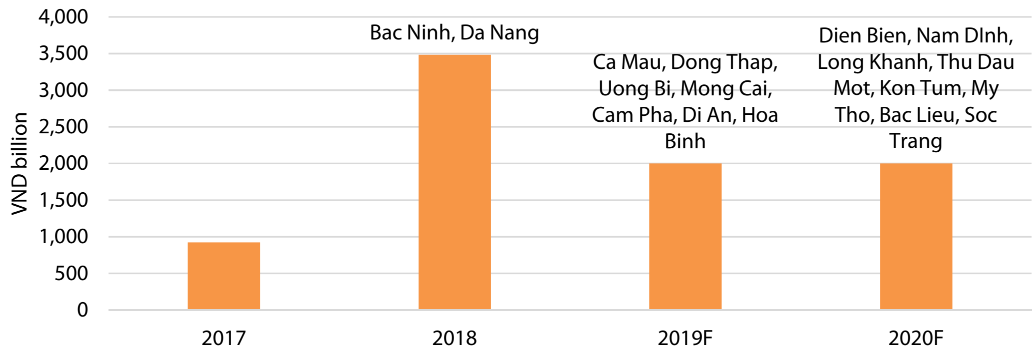
Source: Rong Viet Securities

Figure 2: Rental rate projection



Source: Rong Viet Securities

Figure 3: Residential projection



Source: Rong Viet Securities

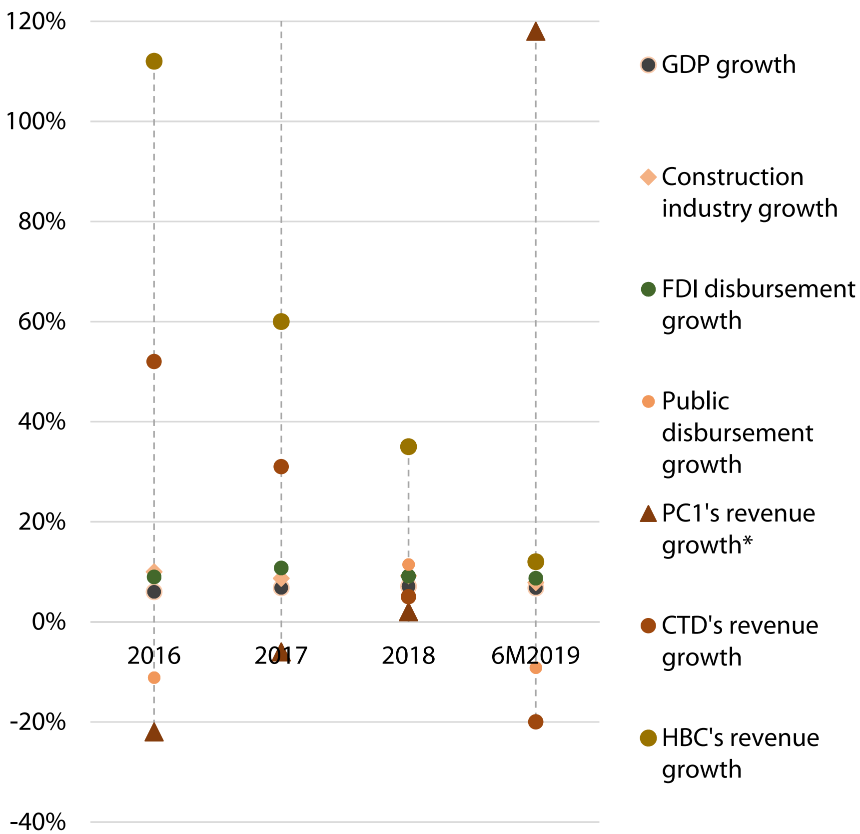
CONSTRUCTION: Facing Difficulties

Trinh Nguyen - trinh.nh@vdsc.com.vn

CONSTRUCTION INDUSTRY - REVIEW

Cooling down

Figure 1: Industry growth



Source: GSO, RongViet Securities compiled
(*) PC1's revenue growth is calculated using Construction segment's revenue

- Construction value growth slowed down to 7.9% in 6M2019, directly affected construction contractors' revenue growth.
  - ➢ Civil construction activities might have been the most affected due to slow progress of new project approvals in large urban areas. CTD, the most well-known general contractor for residential projects saw a drop of 20% in 6M2019 revenue. HBC also experienced slowdown in 6M revenue growth.
  - ➢ FDI disbursement remained steady at 8.7%, which is supposed to be the main factor to compensate the reduction in civil construction demand. Those who anticipate this macroeconomic trend had opportunities to boost growth.
  - ➢ Public disbursement's growth was negative in 1H2019. However, the pace varied for different sectors, which benefited certain contractors. For instance, PC1 and TV2's construction revenue growth doubled in 6M2019 yoy because of improved progress at electricity projects' disbursement.

CONSTRUCTION INDUSTRY - REVIEW

Expecting an improvement in the intermediate term

2H2019 can be more promising for the civil construction segment as feasible measures are being taken to tackle the delay problems in large cities.

- Drastic measures are being taken to resume progress at delayed/slow projects in the urban areas, leaded by HCMC.
- A growing population with a blooming middle-income group will require an increasing supply of housing in the future. Therefore, we believe that the long-term potential remains ample for the construction industry.

Disbursement from the public and foreign sectors are predicted to keep stable, supporting the overall construction demand

- The Vietnamese government targets to disburse VND 420 trillion in 2019, 32% of which was done in the first half. Therefore, there is a motivation to boost progress in 2019.
- Registered FDI reached USD 35.8 billion in 2018, which is also an important factor in the future construction demand.
- The global trend of moving production plants to South East Asia is going to benefit Vietnamese's reputable construction contractors.

Figure 2: Public disbursement on infrastructure (VND trillion)

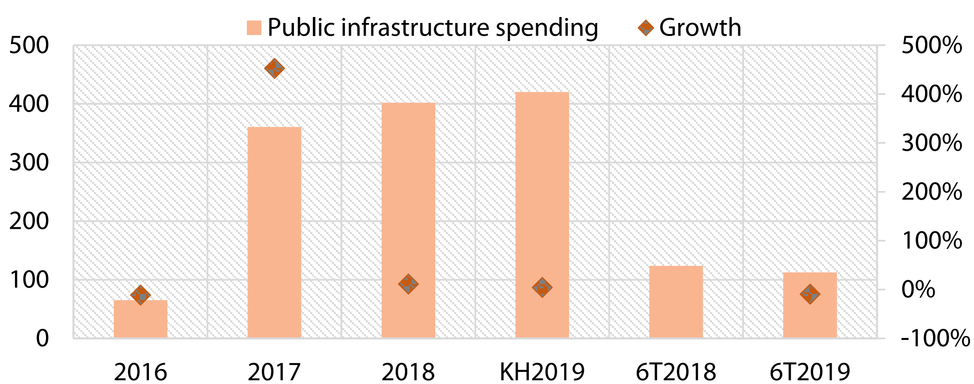
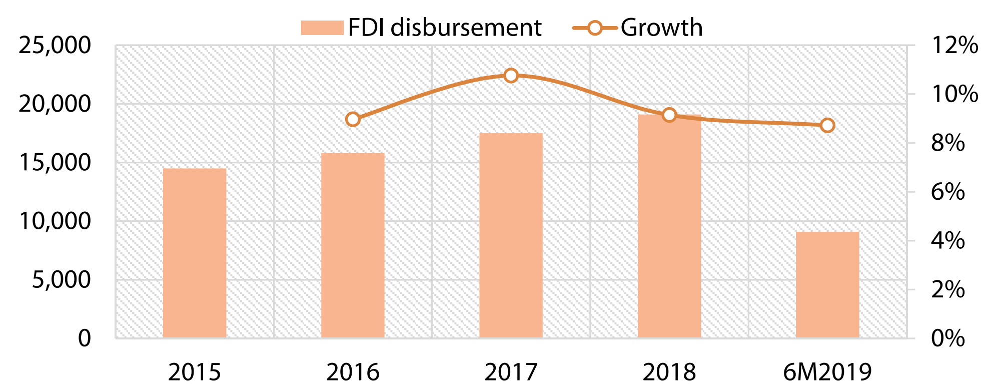


Figure 3: FDI disbursement (USD million)



Source: GSO, RongViet Securities

CONSTRUCTION INDUSTRY - REVIEW

Industry comparables (TTM)

Ticker	Sales Growth (%)	EBITDA Growth (%)	EBITDA Margin	Operating Income Margin	Net Income Growth (%)	Net Profit Margin	Capex/Sales (%)	Return on Invested Capital	Return on Assets	Return on Equity
CTD	-11.2	-34.7	4.1	3.7	-33.3	4.2	0.5	9.5	7.1	13.4
HBC	10.9	-11.9	6.2	4.9	-33.4	2.6	1.6	8.5	3.3	16.0
PC1	34.0	14.4	13.7	11.1	4.0	7.3	10.5	9.0	5.6	13.2
TV2	94.7	-28.3	8.0	7.3	-30.3	7.2	1.2	25.5	11.6	34.5
DPG	11.5	16.9	24.4	18.7	-12.7	8.8	60.2	7.4	3.2	19.6
FCN	16.0	15.9	11.4	9.1	-7.7	5.2	8.1	3.7	3.5	8.6
TV4	23.1	53.7	8.7	7.5	18.5	11.3	0.3	7.9	10.4	15.0
TV3	4.9	-3.8	6.3	5.0	-5.6	4.5	0.5	13.3	6.8	16.4
TA9	-28.2	-16.2	6.2	3.3	-27.3	1.8	0.5	6.4	1.5	16.3

Source: Bloomberg, RongViet Securities

PC1 - ROBUST POWER CONSTRUCTION ACTIVITIES

INVESTMENT RATIONALES

- **Market leader in the power construction industry, which is still growing quickly.**
  - PC1 is among the largest beneficiary of the 500kV grid No 3.
  - EVN is pushing progress at the grid project to finish by March 2020.
- **Increasing contribution from hydropower helps improve its stability and profitability considering PC1's adherence to timeline.**
  - 4 operating hydropower plants, 3 under construction.
  - Higher contribution will be seen in 2020 because of new capacity (162 MW in 2019, 268 MW in 2020, 329 MW in 2023).
- **Real estate segment will contribute to 2020 growth.**
  - 2019 is going to be low-based while 2020-2021 will see two project handovers, PCC1 Thanh Xuân & PCC1 Vĩnh Hưng, contributing VND 659 and 887 billion in revenue, accompanied by high gross margin.
- **Stock price is underperforming despite stable core business.**
  - P/E was lowest during November 2018 (5.8x)
  - Average P/E since listing is 11x

RISKS TO OUR CALLS

- EVN's disbursement can affect PC1's business results and cash flows.
- PC1's hydropower plants' performance is dependent on weather conditions.
- The first solar power plant has a significantly larger size compared to HPPs, but contribution into PC1's earnings depends on the government's policy to solar energy.
- Residential projects have risks regarding procedures and progress.

BUY +60%

CMP (VND)	**16,800**
Target price (VND)	**26,800**

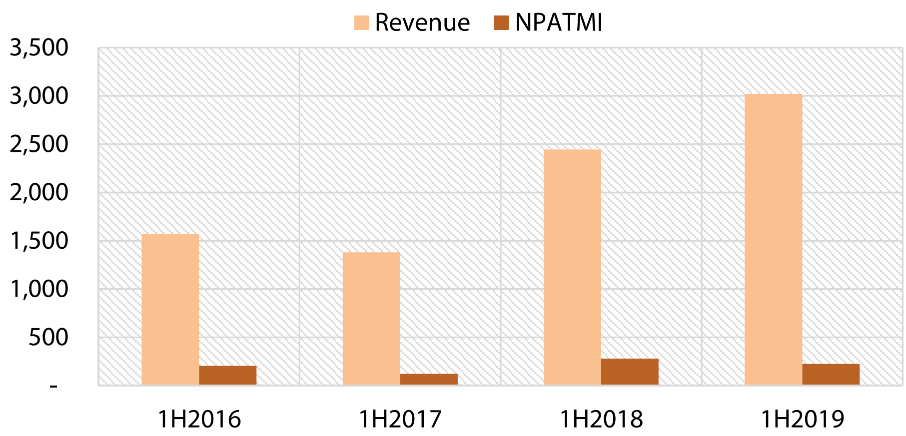
STOCK INFO	
Sector	Construction
Market Cap ($ mn)	119.3
Current Shares O/S (mn shares)	159.3
3M Avg. Volume (K)	141.9
3M Avg. Trading Value (VND Bn)	2.7
Foreign Ownership (%)	38.0
State Ownership (%)	-

FORECAST	2017A	2018A	2019F	2020F
Revenue	3,161	5,084	6,197	6,018
Growth (%)	5.1	60.9	21.9	-2.9
NPATMI	237	467	407	476
Growth (%)	-22.3	97.1	-12.8	17.0
ROA (%)	7.8	4.8	7.3	5.2
ROE (%)	14.8	9.1	15.0	11.6
EPS (VND)	1,402	2,908	2,397	2,805
Book Value (VND)	17,579	20,429	22,906	25,804
Cash dividend (VND)	0	0	0	0
P/E (x)	14.7	7.1	7.0	5.8
P/B (x)	1.1	1.0	0.7	0.7

PC1 – Solid 6M2019

RONGVIET SECURITIES

Figure 1: 1H 2019 revenue and NPATMI (VND bn)



Source: PC1, Rong Viet Securities

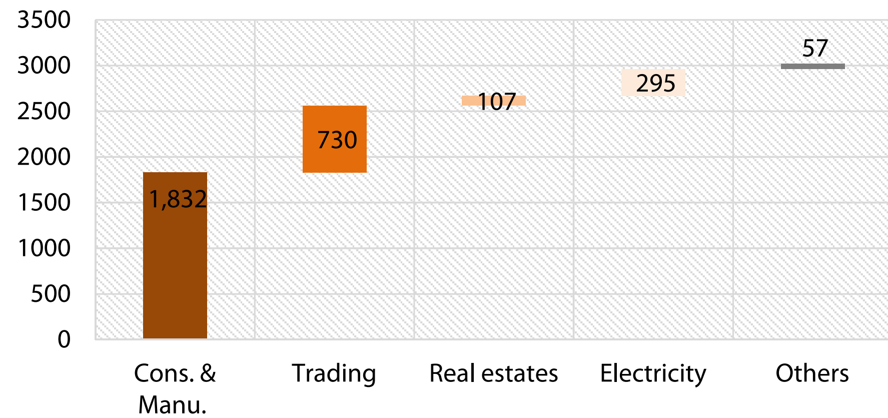
EVN's strong disbursement was the major factor

- Construction and manufacturing revenue doubled in 1H2019 yoy.
- Progress at 500kV No.3 is being boosted, favoring PC1's growth in 2019.

Power generation contributed a solid part owing to stable gross margin

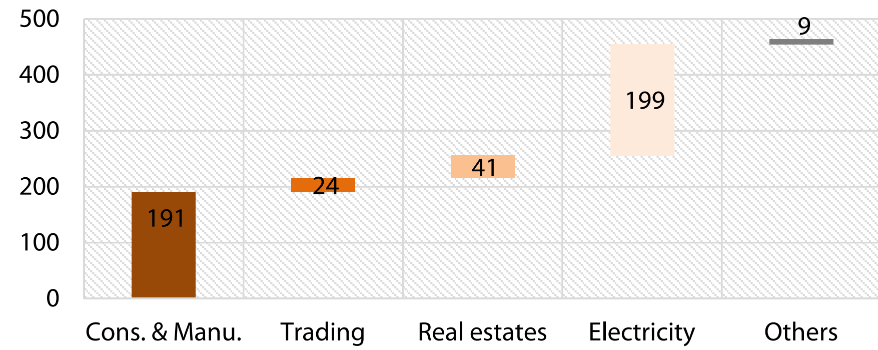
- New hydropower plants, Mong An and Bao Lac B grew the segment's revenue by 11%.
- Gross margin stabilized at 67%, the highest among PC1's business segments.

Figure 2: Revenue contribution (VND bn)



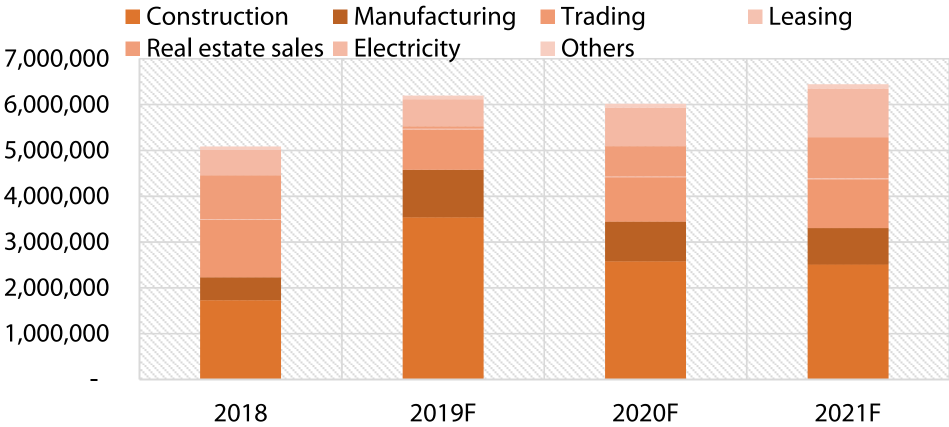
Source: PC1, Rong Viet Securities

Figure 3: Gross profit contribution (VND bn)



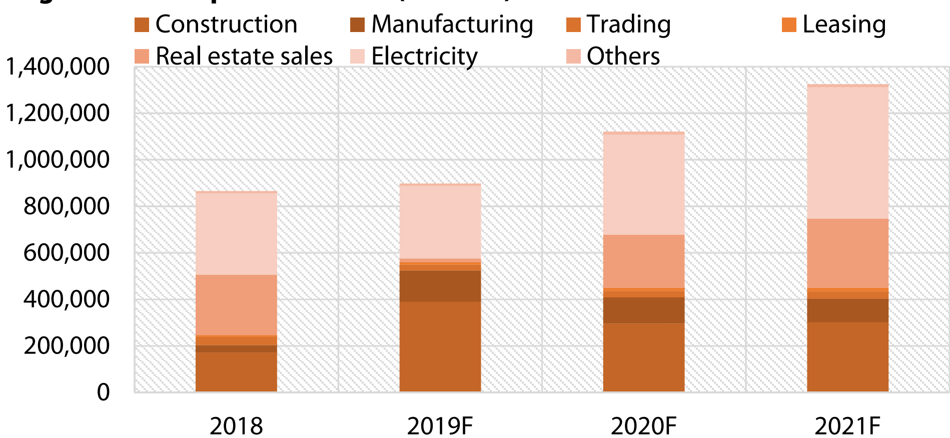
Source: PC1, Rong Viet Securities

Figure 4: Revenue forecast (VND bn)



Source: Rong Viet Securities

Figure 5: Gross profit forecast (VND bn)



Source: Rong Viet Securities

Construction activities might slow down in 2020, but can be compensated by real estate and electricity revenue

- Construction revenue will reduce by 29%, manufacturing will also decrease by 17% yoy in 2020 as 500kV grid No.3 concludes in March 2020.

Electricity generation gradually becomes the major contributor into PC1's profit

- Higher contribution will be seen in 2020 because of new capacity (162 MW in 2019, 268 MW in 2020, 329 MW in 2023)
- The segment is forecasted to contribute 20% revenue and 50% gross profit in 2023

2020 bottom-line growth comes from the real estate segment

- Two residential projects in the pipe line will bring about VND 659 and VND 887 billion in revenue for the next two years
- Gross margin can keep stable above 30%, contributing solid gross profits to PC1's 2020 and 2021 growth

CTD – CORPORATE GOVERNANCE SHROUDS STRONG FINANCIALS

INVESTMENT RATIONALES

- **Nevertheless, CTD remains the leadership in the domestic civil construction market.**
  - CTD's well-perceived reputation allows the company to win large bids from credible developers.
  - The Coteccons Group (including Ricons) can expand their activities towards office buildings, factories, resorts and hotels to diversify from the housing market.
  - CTD is able to maintain its backlog over USD 1 billion, one of the largest among rivals.
- **CTD is the only listed construction contractor to have zero debts.**
  - CTD has zero debts, abundant cash hoard and strong operating cash inflows. It is able to pay annual cash dividends around VND 5,000 per share, which very few companies in the same industry can achieve.
  - Ricons has the same financing structure.

RISKS TO OUR CALLS

- **Recent conflicts between board members led to corporate governance risk.**
  - The unexpectedly turned down resolution to merge with Ricons (15% affiliate) tensed up the conflict.
  - Similar issues happened in the past at CTD. Therefore, investors should also be concerned on future reoccurrence.
- **CTD's performance is slow since many large projects at prime locations got suspended.**
  - The situation is not for the company to control, thus is one of the major concerns.

N/A

CMP (VND)	**102,000**
Target price (VND)	**N/A**

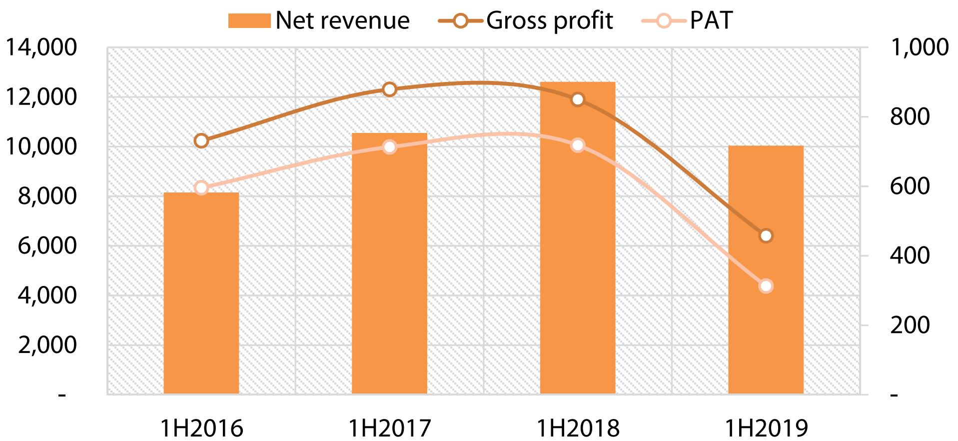
STOCK INFO	
Sector	Construction
Market Cap ($ mn)	334
Current Shares O/S (mn shares)	76
3M Avg. Volume (K)	252
3M Avg. Trading Value (VND Bn)	29
Foreign Ownership (%)	49.0
State Ownership (%)	0.0

FINANCIALS	2015A	2016A	2017A	2018A
Revenue	27,177	28,561	30,078	30,965
Growth (%)	30.8	5.1	5.3	2.9
NPATMI	1,653	1,510	1,546	1,591
Growth (%)	16.2	-8.6	2.4	2.9
ROA (%)	12.0	9.2	9.0	8.6
ROE (%)	24.4	19.8	18.6	16.8
EPS (VND)	20,367	5,247	17,633	18,138
Book Value (VND)	94,830	101,621	120,888	132,500
Cash dividend (VND)	4,125	4,125	5,000	5,000
P/E (x)	5.0	5.6	5.8	5.6
P/B (x)	1.1	1.0	0.8	0.8

CTD – 1H2019 slowed down due to the housing market

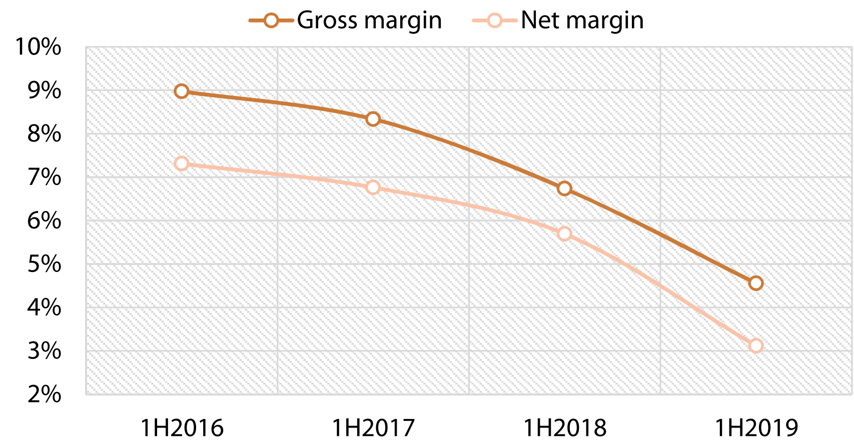
RONGVIET SECURITIES

Figure 1: 1H 2019 revenue (LHS) and Gross profit & NPATMI (RHS) in VND bn



Source: CTD, Rong Viet Securities

Figure 2: Gross and net margins



Source: CTD, Rong Viet Securities

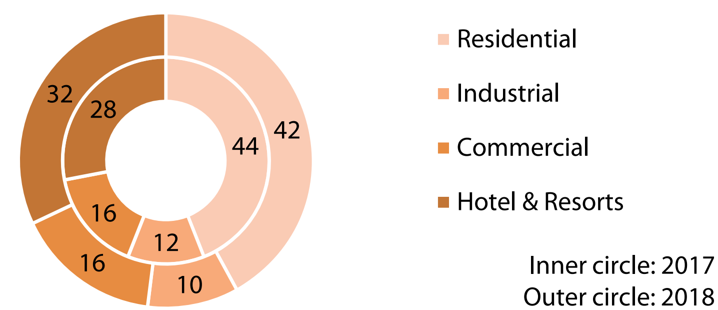
1H2019 performance slowed down due to delayed projects

- Revenue went down by 20%, NPAT went down by 56% since ~30% projects were suspended/slow (updated May 2019).
- Profitability has been on a downward trend because of competition and pressure from real estate developers.

CTD is trying to diversify from the housing market

- Revenue from the residential segment reduced slightly in terms of proportion. However, the increase in commercial, hotel & resorts construction did not manage to offset the decrease in revenue.

Figure 3: Revenue per segment (%)



Source: CTD, Rong Viet Securities

HBC – 1ST PRIORITY REMAINS WORKING CAPITAL MANAGEMENT

INVESTMENT RATIONALES

- **HBC is one of the largest general contractor in the domestic construction market.**
    - HBC has well-known experience in large, complicated projects and has worked with numerous prestigious real estate developers.
- **HBC has the capacity and mindset to boost revenue growth in the future.**
    - We appreciate HBC's effort to expand its geographical market to diversify from the Vietnamese construction demand.

RISKS TO OUR CALL

- **Unhealthy operating cash flows impact financial health.**
    - Surging receivables put pressure on working capital. As a result, HBC's net operating cash flows are often dissimilar to its net profit.
    - HBC's short and long term borrowings lead to higher interest expense, deteriorating its bottom-line.
- **Real estate business, even though operated by subsidiaries and affiliates, causes HBC to be more dependent on the real estate market, which is highly cyclical.**

N/A

CMP (VND)	**102,000**
Target price (VND)	**N/A**

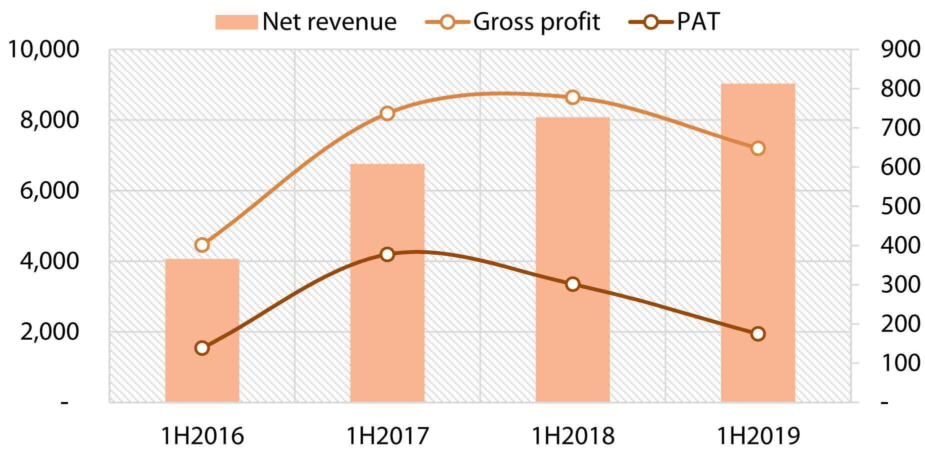
STOCK INFO	
Sector	Construction
Market Cap ($ mn)	134.8
Current Shares O/S (mn shares)	230.9
3M Avg. Volume (K)	2,005.8
3M Avg. Trading Value (VND Bn)	30.4
Foreign Ownership (%)	23.2
State Ownership (%)	0.0

FINANCIALS	2015A	2016A	2017A	2018A
Revenue	5,078	10,766	16,037	18,299
Growth (%)	44.3	112.0	49.0	14.1
NPATMI	83	567	859	630
Growth (%)	17.7	579.3	51.5	-26.7
ROA (%)	1.3	6.1	6.8	4.2
ROE (%)	8.1	39.0	40.0	23.4
EPS (VND)	1,105	5,941	6,617	2,815
Book Value (VND)	14,202	16,937	17,316	13,850
Cash dividend (VND)	0	1,000	500	300
P/E (x)	12.4	2.3	2.1	4.3
P/B (x)	1.0	0.8	0.8	1.0

HBC – 1H2019 saw revenue growing but NPAT remained under pressure

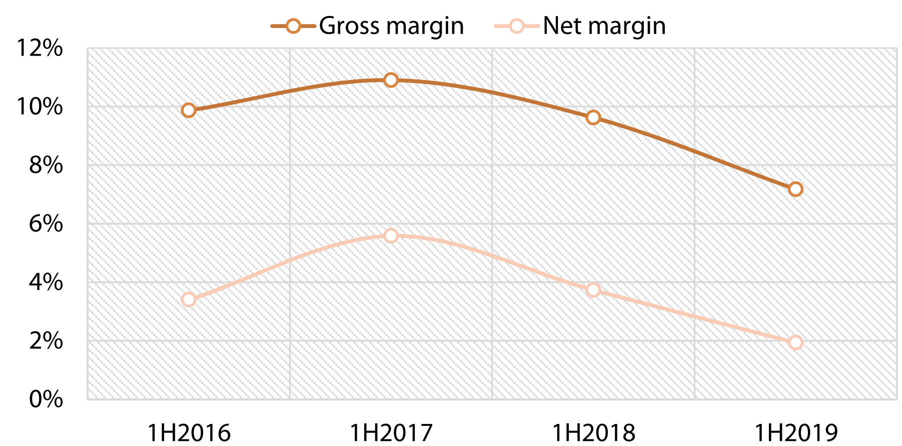
RONGVIET SECURITIES

Figure 1: 1H 2019 revenue (LHS) and gross profit & NPATMI (RHS) in VND bn



Source: HBC, Rong Viet Securities

Figure 2: Gross and net margins



Source: HBC, Rong Viet Securities

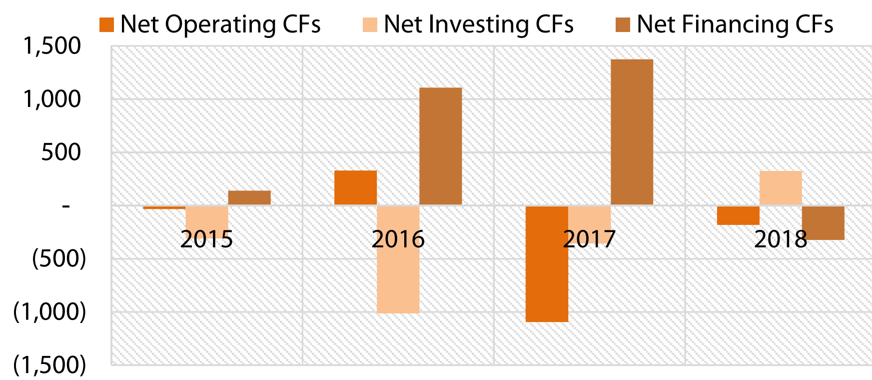
1H2019 saw revenue growing but NPAT remained under pressure

- HBC was among very few firms in the industry able to grow its revenue by 10%. In contrast, NPAT continued to decline because of lowered profitability.

It should be re-emphasized that HBC's major issue is cash flow management

- Pressures on HBC's working capital result from increasing receivables. The issue has existed for a long time, affecting HBC's financial strengths.
- Without a matching increase in payables, HBC has to borrow from banks, which means higher interest expense and lower net profit.

Figure 3: Annual cash flows



Source: HBC, Rong Viet Securities

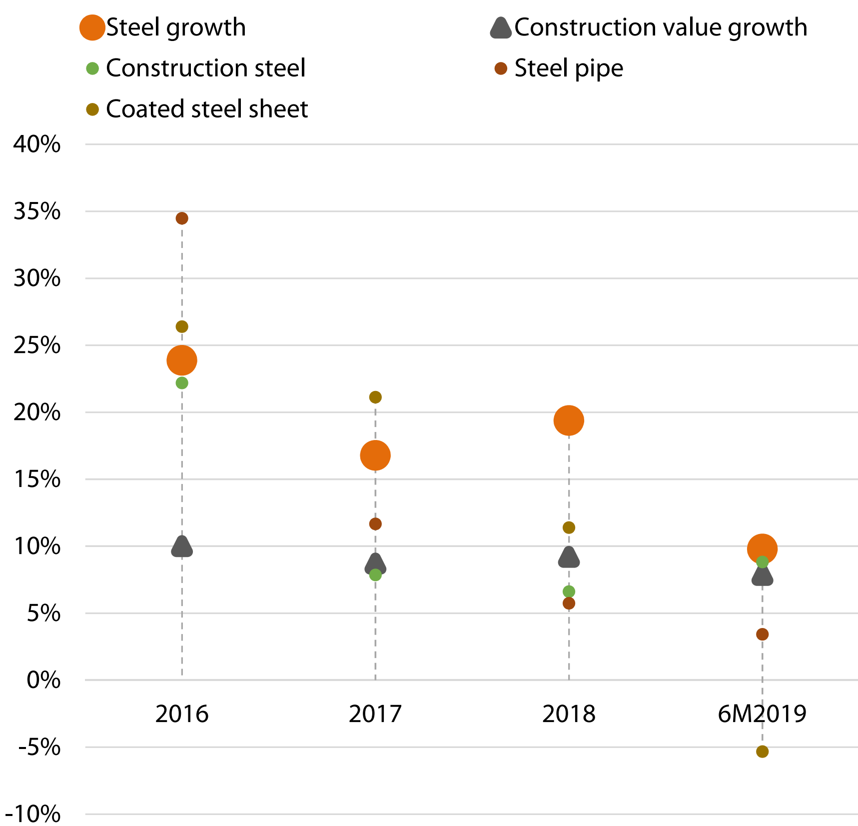
STEEL INDUSTRY: Industry Restructuring Ahead

Trinh Nguyen - trinh.nh@vdsc.com.vn

STEEL INDUSTRY - REVIEW

Unfavorable conditions from the construction industry

Figure 1: Industry growth



Source: VSA, GSO, RongViet Securities

- Construction value growth slowed down to 7.9% in 6M2019 and affected steel demand.
- The steel industry sold 11.6 million tons in 1H2019, 9.8% higher YoY. However, the main growth driver was HRC sales due to low based 6M2018. Construction steel and steel pipe grew at a moderate pace while coated steel sheet products saw a negative -5%.
- Growth rates differentiated among product groups:
  - ➢ Construction steel followed the construction industry's growth closely.
  - ➢ Steel pipe grew at a lower rate.
  - ➢ Coated steel sheet faced difficulty, seeing a negative growth of 5%, mostly due to a 19% reduction in exports.
- Hot rolled coils grew 45% YoY owing to Formosa Ha Tinh. The Taiwanese FDI is currently running two BOFs and capable of around 6 million tons of HRC per annum. The supplier will be joined by HPG, who is setting up 2 BOFs for HRC production, total 3.5 million tpy.

STEEL INDUSTRY - REVIEW

Hiking iron ore price puts pressure on profit margin

Iron ore's surge has yet to cool down

- Iron ore price has gained 91% YoY due to the mining incident in Brazil. The price averaged USD 66 per ton in 2018 but peaked at USD 125 per ton in July, the 5-year high.
- Iron ore makes up one-third of BOF's production cost. The price hike created pressure on BOF profitability including most Chinese producers and HPG.

Sale prices, meanwhile are under pressured due to weak global demand

- Weak global demand prevents steel prices, especially HRC, from recovering.
- Mid- and down-stream producers bear the most impact. Most Vietnamese producers are operating down-stream and suffered from loss during the last few quarters.
- Long steel prices have been weak as well, impacting almost every steel companies' profit.

Figure 2: Global steel prices

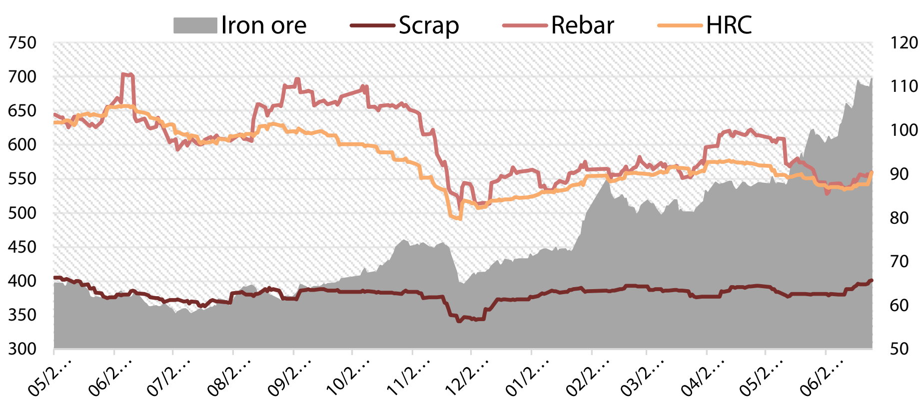
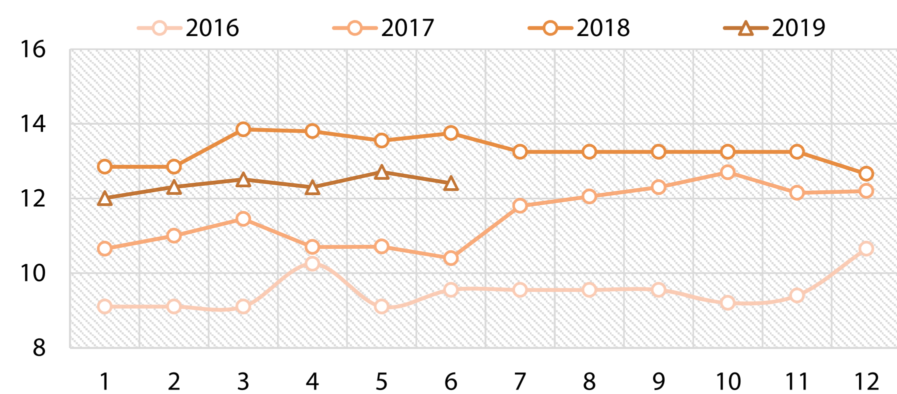


Figure 3: Vietnam wire rod price



Source: VSA, GSO, RongViet Securities

Markets become highly concentrated

- Construction steel segment sees HPG's dominance, which is expected to continue when Dung Quat starts operation.
- HPG also leads the steel pipe market while HSG falls behind.
- Ton Dong A is accelerating in the coated steel sheet market, surpassing NKG while HSG maintains sole leadership in retailing.

Figure 4: Construction steel

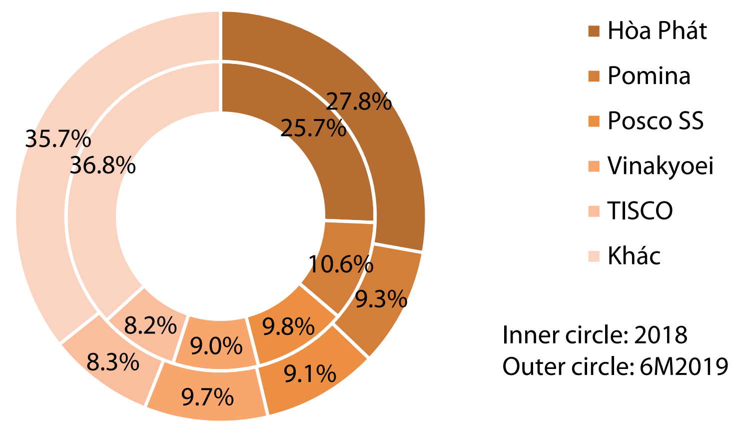


Figure 5: Steel pipe

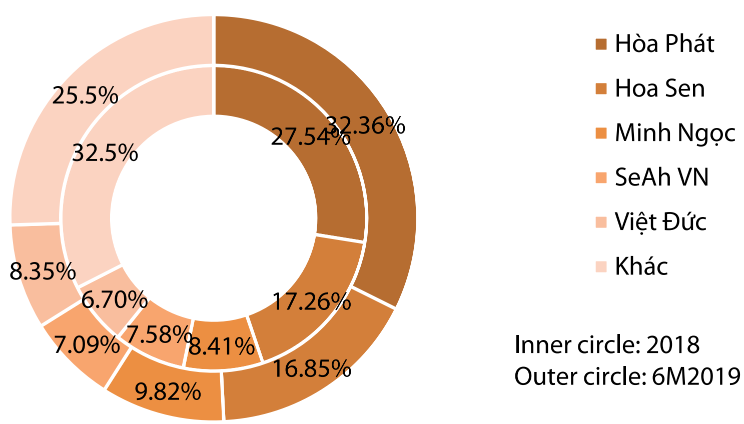
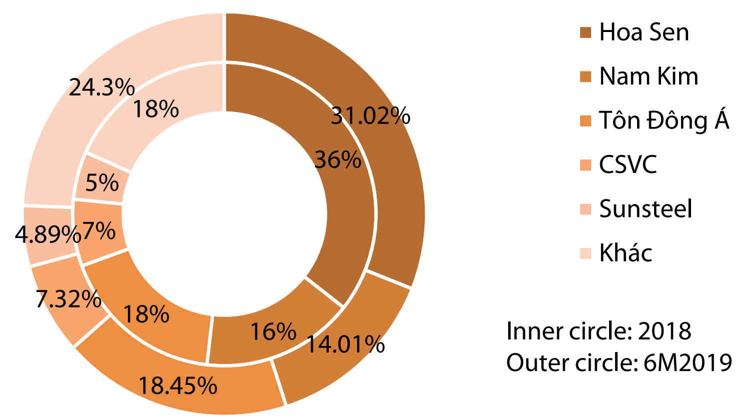


Figure 6: Coal steel



Source: VSA, RongViet Securities

2019 might be another restructuring year

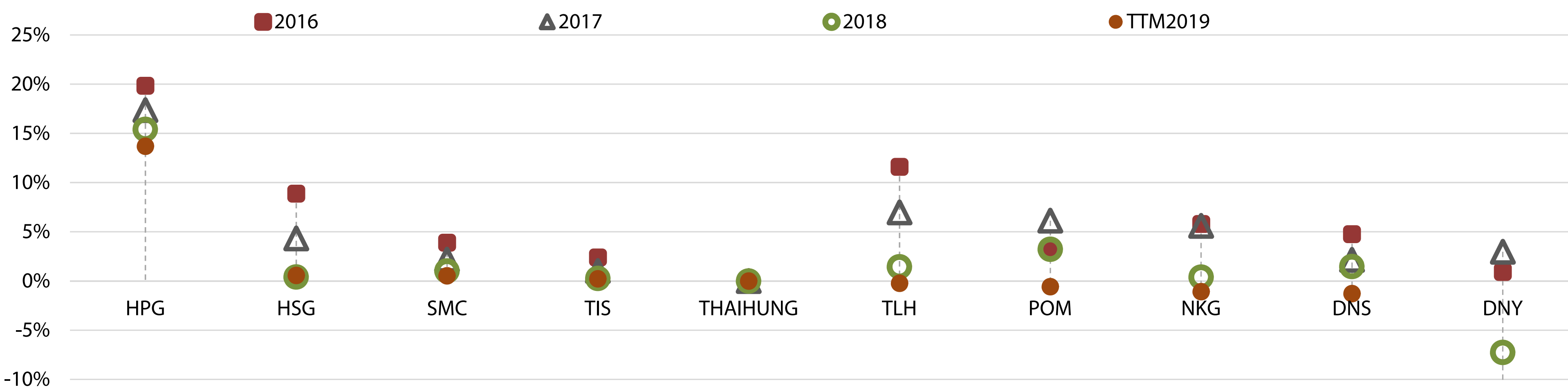
Deteriorating margins are the main concern

- Weak prices are causing problems to all market participants, even large firms suffer.
- Inefficient steel mills might be driven out of business if the situation prolongs.

Pressures from banks limit speculative activities

- Speculating is discouraged to firms with already high leverage.

Figure 7: Major steel companies' net margins

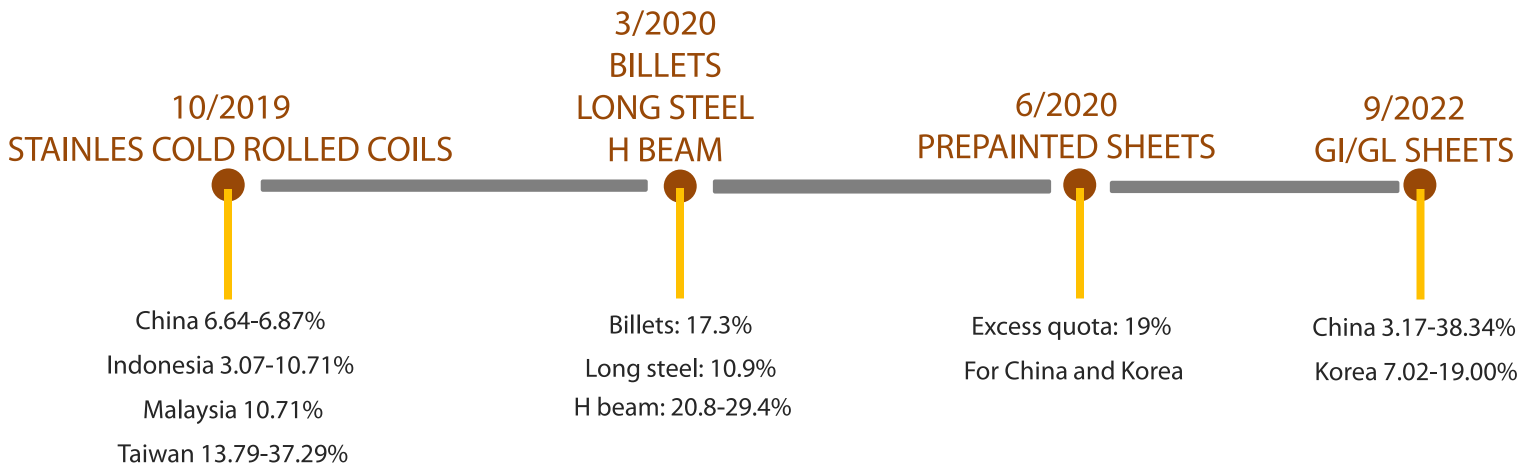


Source: VSA, GSO, RongViet Securities

STEEL INDUSTRY - REVIEW

Trade policies continue to be an important factor

Figure 8: Antidumping and Countervailing review timeline



The continuity of trade protection is critical to local firms' profitability

- Generally all duties are expected to be renewed. Trade protection is likely to continue until China resolves its oversupply problems.
- Tariff is considered crucial especially for downstream producers.

HRC tariff might be initiated, following global trend

- Formosa & HPG' capacity altogether will be sufficient for domestic consumption by 2021. As the domestic flat steel market is self-sufficient, the government is going to impose tariff to protect the local supply side, which is precedented by the AD duties on billets and rebar in 2016.
- In short, Vietnamese steel producers will continue to benefit from the protection trends, especially those who focus on the domestic market.

Source: RongViet Securities

STEEL INDUSTRY - REVIEW

Domestic market will be the main growth driver, given difficulties in export markets

Table 1: Antidumping and Countervailing on Vietnamese steel

Country	Product	Duty	Proportion in Vietnam's export value 2018	Duration
Thailand	Prepainted sheets Galvalume sheets	4.3% - 60.26% 6.2% – 40.49%	4%	2017-2022
Indonesia	Prepainted sheets	12.01%-28.49%	7%	2018- terminated
Malaysia	Galvanized sheets Cold rolled coils	2.66%-15.69% (Hoa Sen 0%. Nam Kim 2.66%)	9%	2019-2024
EU	Cold rolled coils GI/GL Stainless cold rolled coils	25% for exceeding quota	11%	2018-2019
Canada	Carbon steel pipe	3%-54.2%	1%	2018-2019
Brazil	Stainless steel pipe	17.72%-53.92%	4%	N/A
Australia	Rod in coils	Negative dumping	2%	None
U.S.	Stainless steel from China Cold rolled coils	199.76% + 256.44% 199.43% + 39.05%	7%	N/A

Source: VSA, GSO, RongViet Securities

The continuity of trade protection is critical to local firms' profitability

- 45% export volume is subjected to trade protections.
- Many exporters aim to shift focus back to the local market where room to growth is still ample.

Industry comparables (TTM)

Ticker	Sales Growth (%)	EBITDA Growth (%)	EBITDA Margin	Operating Income Margin	Net Income Growth (%)	Net Profit Margin	Capex/Sales (%)	Return on Invested Capital	Return on Assets	Return on Equity
HPG	11,6	-3,6	21,3	17,3	-10,2	13,7	49,4	12,9	10,4	19,9
HSG	-7,8	-25,8	6,3	2,5	-95,0	0,1	7,9	2,4	0,2	0,7
POM	0,9	-69,2	3,1	1,4	-80,9	-0,6	15,5	1,7	-0,8	-2,1
NKG	-14,4	-70,6	3,1	-0,3	N/A	-1,1	2,9	-0,9	-1,5	-4,5
SMC	15,8	N/A	N/A	1,5	-60,2	0,6	1,7	5,2	1,8	7,7
TLH	-5,5	-80,1	1,8	1,2	-92,8	-0,2	0,4	1,7	-0,2	-0,5
VGS	5,3	-43,6	1,4	1,1	-51,9	0,5	0,5	4,6	2,2	5,9
DNY	-69,5	-86,5	-13,7	-33,9	N/A	-40,4	4,1	-18,8	-16,6	-113,4

Source: Bloomberg, RongViet Securities

HPG – 2019 IS A STEPPING STONE TO LONG-TERM PROSPERITY

INVESTMENT RATIONALES

- **Remarkable growth potential in 2020-2021 is derived from internal development**
  - HPG' s steel output is forecasted to increase by 25% in 2019 and 30% in 2020, capable of taking over 30% domestic market share for construction steel owing to new mill Dung Quat
  - When operating at full capacity, Dung Quat can achieve higher efficient than HPG's current steel mill. Therefore, HPG can strengthen its overall profitability and pricing power.
  - New product line- HRC is going to add substantial value to HPG's flat steel business (steep pipe & coated steel sheet). We also anticipate a feasible trade protection as soon as Vietnam become HRC self-sufficient (Formosa & HPG' capacity surpasses 10 million tpy).
- **Short-term input price fluctuations create a low base**
  - Iron ore price rallied, which is disproportionate to the actual impact of the change in supply. Therefore, we expect iron ore price to go south in the future, given the current demand.
  - In exchange of the rising iron ore price, coking coal price remained low, partially offsetting the iron ore hike's impact.
- **Despite heavy Capex demand, HPG maintains its healthy financials**
  - Construction in progress for Dung Quat can be fully disbursed in 2019. It implies that HPG can start debt payment since 2020.
  - Cash dividend might be available in 2020 even though Dung Quat will not have operated fully by then. This shows HPG's stable operating cash flows provided by the existing mills.

RISKS TO OUR CALLS

- Stronger input price changes with unmatched sale price adjustments.
- Possible oversupply of the coated steel sheet market, which is highly dependent on exports.

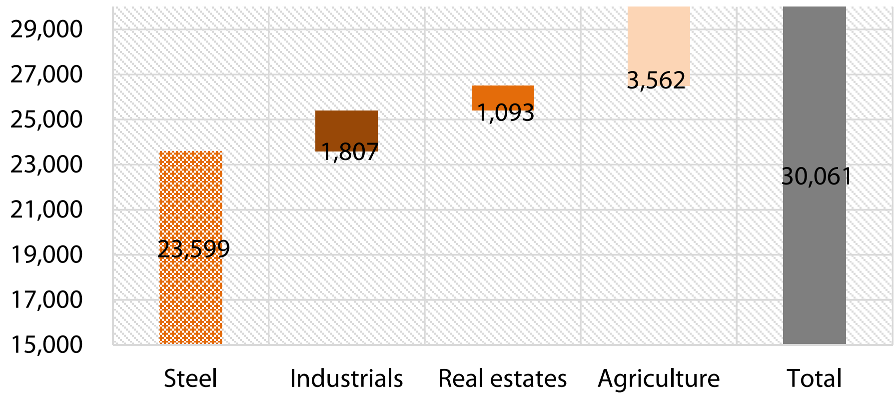
BUY	+29%
CMP (VND)	**23,050**
Target price (VND)	**29,700**
Cash dividend in 12 months	*1,000*

STOCK INFO	
Sector	Materials
Market Cap ($ mn)	2,731.4
Current Shares O/S (mn shares)	2,761.1
3M Avg. Volume (K)	5,773.5
3M Avg. Trading Value (VND Bn)	136.8
Foreign Ownership (%)	38.3
State Ownership (%)	-

FORECAST	2017A	2018A	2019F	2020F
Revenue	46,162	55,836	67,968	88,537
Growth (%)	38.7	21.0	21.7	30.3
NPATMI	8,007	8,573	8,612	12,876
Growth (%)	21.3	7.1	0.5	49.5
ROA (%)	15.3	11.0	10.0	12.9
ROE (%)	24.8	21.2	20.4	23.7
EPS (VND)	2,714	2,919	2,932	4,384
Book Value (VND)	21,282	19,060	15,282	19,666
Cash dividend (VND)	0	1,500	0	1,000
P/E (x)	8.9	7.7	7.9	5.3
P/B (x)	1.6	1.6	1.5	1.2

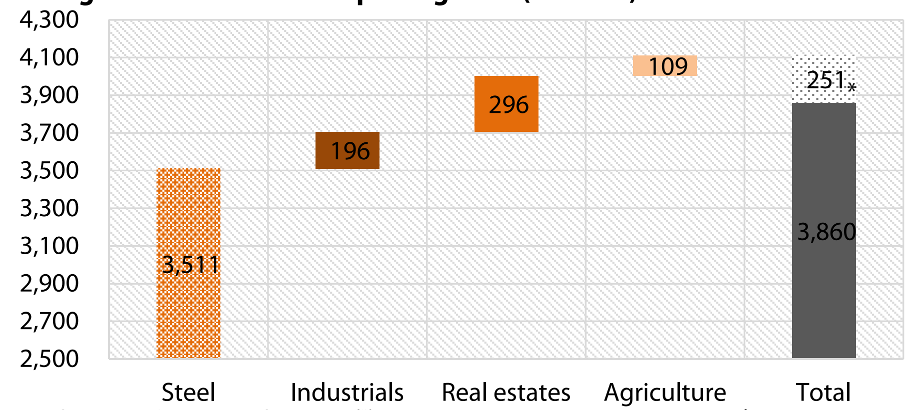
HPG – 1H2019 net profit impacted by surging iron ore price

Figure 1: 1H 2019 revenue per segment (VND bn)



Source: HPG, RongViet Securities

Figure 2: 1H 2019 NPAT per segment (VND bn)



Source: HPG, Rong Viet Securities. (*) is Parent company minus Intercompany elimination

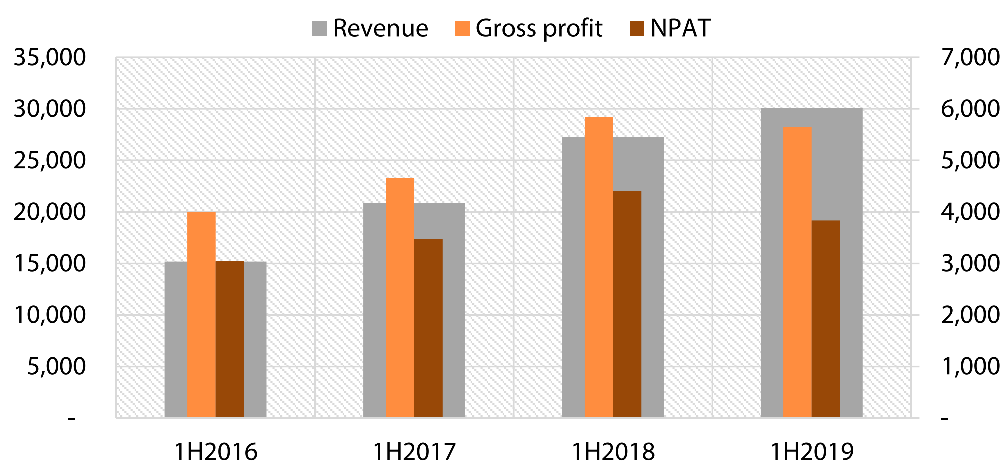
Sales met expectations, but profit did not due to iron ore price hike

- Construction steel volume +23% yoy, steel pipe volume +16% yoy. HPG are leading both industries in terms of market shares.
- HPG's used iron ore price averaged USD 90 per ton during 6M2019 (planned price USD 75 per ton), impacting gross margin.

Dung Quat's construction keeps on track

- The first BOF operated in July.
- HRC line is scheduled to start operation in March 2020.

Figure 3: 1H 2019 Revenue and NPAT (VND bn)

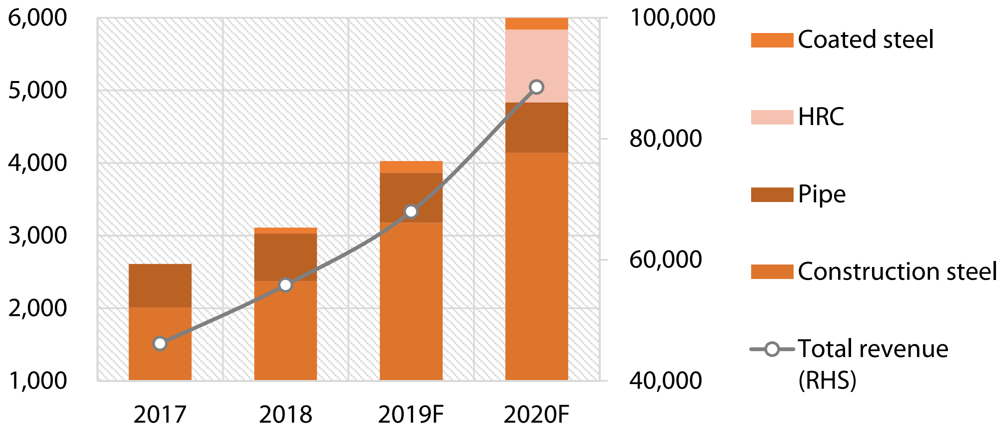


Source: HPG, RongViet Securities

HPG – New BOF's contribution versus Iron ore price trajectory

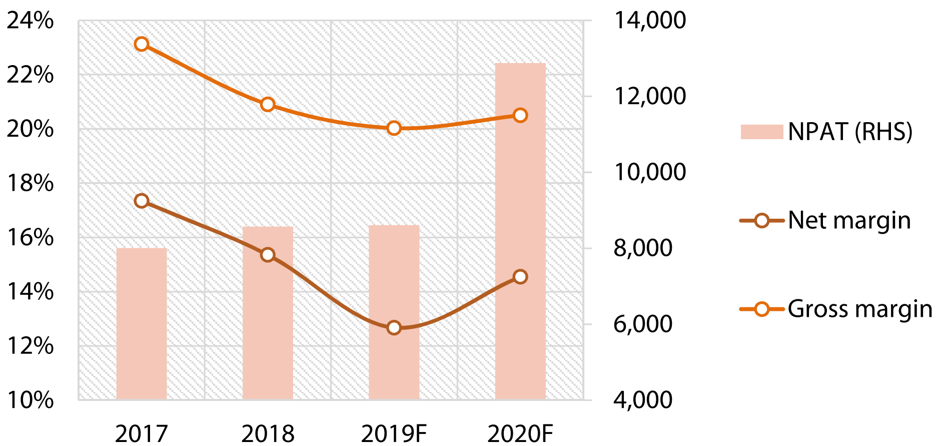
RONGVIET SECURITIES

Figure 4: Volume (thousand tons) and revenue (VND bn) forecast



Source: Rong Viet Securities

Figure 5: Profitability and net profit (VND bn) forecast



Source: Rong Viet Securities

2H2019 may continue to suffer the impact of the hiking iron ore price

- Main assumptions include: local rebar price VND 12,600 per kg, HRC price USD 526 per ton, iron ore USD 94 per ton.
- Volume is forecasted at +29% yoy, mostly from the construction steel segment.
- Gross margin is forecasted to reduce to 20% while net margin might bottom at 12.7% because of higher interest expense. The bottom-line figure is estimated at VND 8,612 billion, flat compared to 2018.

Other segments can stabilize their performances. However, their contributions to the consolidated are increasingly minimalized due to the strong expansion of the steel business

- Agriculture and industrial parks have been growing strongly with promising potentials in 2020-2021. However, because the steel business is going to expand by several times in size, the other segments' contribution becomes increasingly unimportant.
- We expect that HPG might establish new businesses that support its steel value chain, e.g. cargo transport.

HSG – HRC PRICE FLUCTUATIONS IMPACT PROFITABILITY

INVESTMENT RATIONALES

- **Nevertheless, HSG has the ultimate advantage in retailing as the leader of the coated steel industry.**
  - HSG operates over 500 retailers and has production plants nationwide.
  - Having a well-perceived brand name for coated steel sheets, steel pipes and plastic pipes, HSG can enjoy higher margins because of its pricing power against both consumers and rivals.
  - HSG has the capacity to seize opportunities both at home and overseas.
- **A turnaround story is feasible.**
  - Should HSG focuses on improving its core business and restraining speculative activities, its profitability can be stabilized.
  - We reckon that HSG's major weakness is financials. Since its core business has an established advantage, revamping financial health is going to elevate the market sentiment on the stock.

RISKS TO OUR CALLS

- **Corporate governance overshadows potential.**
  - Transactions with related parties takes up xx% of total revenue, causing concern.
  - Speculative activities are difficult to track.
- **HRC price fluctuations impact HSG's gross margin significantly.**
- **Excessive borrowings incur burdening interest expense, harming the bottom-line.**

2019FY Guidance

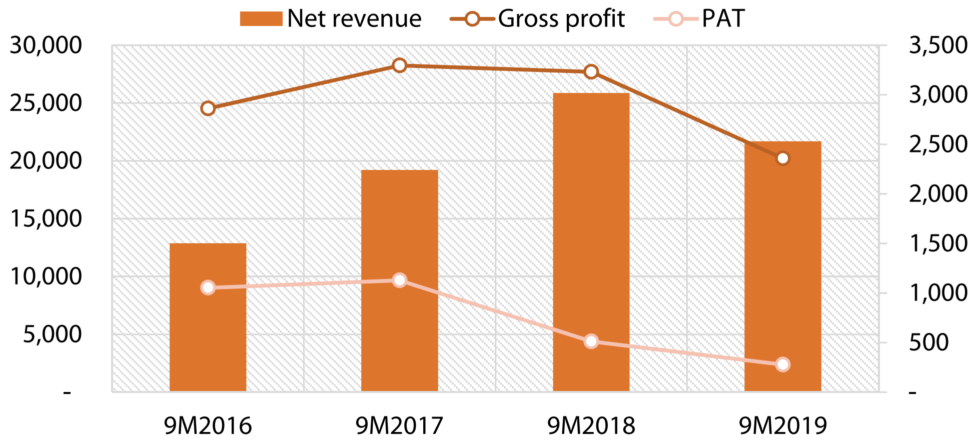
Revenue growth	**+9%**
Profit growth	**+22%**

STOCK INFO	
Sector	Materials
Market Cap ($ mn)	120.6
Current Shares O/S (mn shares)	423.3
3M Avg. Volume (K)	2,272.2
3M Avg. Trading Value (VND Bn)	17.5
Foreign Ownership (%)	17.5
State Ownership (%)	0.0

FINANCIALS	2015A	2016A	2017A	2018A
Revenue	17,447	17,886	26,148	34,441
Growth (%)	16.4	2.5	46.2	31.7
NPATMI	653	1,501	1,331	410
Growth (%)	59.1	129.9	-11.3	-69.2
ROA (%)	6.9	12.2	6.2	1.9
ROE (%)	22.4	36.4	26.1	8.0
EPS (VND)	1,696	3,546	3,144	969
Book Value (VND)	6,876	9,748	12,041	12,085
Cash dividend (VND)	357	595	464	413
P/E (x)	23.7	11.3	7.2	6.2
P/B (x)	1.4	2.1	1.7	0.5

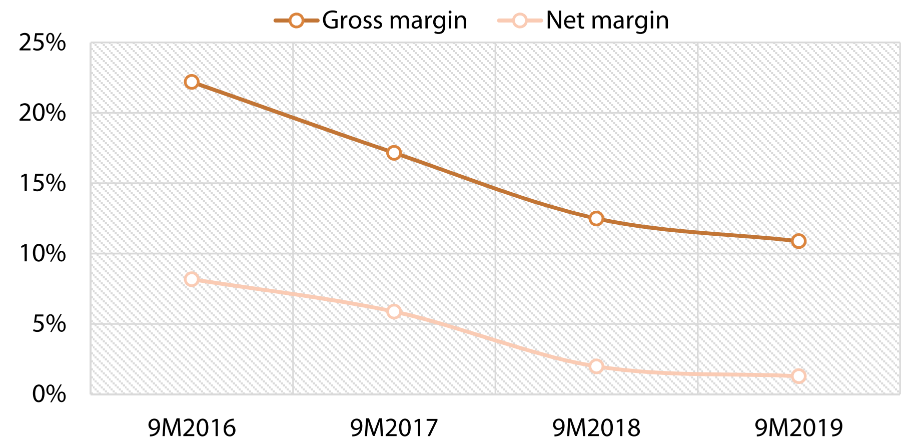
HSG – 9M2019FY have just broken even

Figure 1: 1H 2019 revenue (LHS) and gross profit & NPATMI (RHS) in VND bn



Source: HSG, Rong Viet Securities

Figure 2: Gross and net margins



Source: HSG, Rong Viet Securities

9M2019FY was strongly hit because of the drop in HRC price

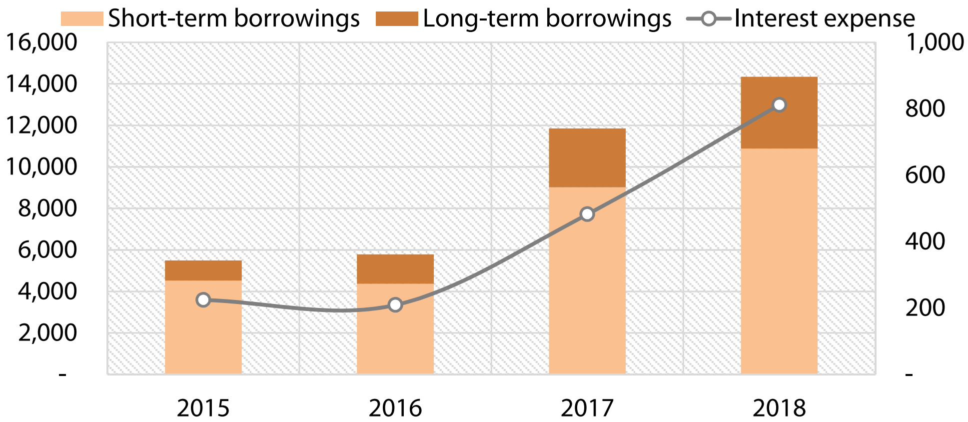
- Sale volume was 861,000 tons of coated steel sheets, -12% yoy; 281,000 tons of steel pipe, -11% yoy. Gross margin reduced to 10.9% because HRC price fluctuated strongly during the period.
- 9M2019FY would have just broken even without one-off incomes from selling land use rights (VND 258 billion pretax profit).
- Quarterly interest expense reduced because of lowered debt levels, but still puts pressures on the bottom-line. TTM interest coverage ration shrank to <1x.

The rest of the financial year is still highly uncertain as HRC price remains weak.

- HRC went from ~USD 520 per ton to ~USD 480 during July and August, which is going to affect 4Q's profitability.
- Reducing debts remains one of the major solutions for HSG to revamp financial health.

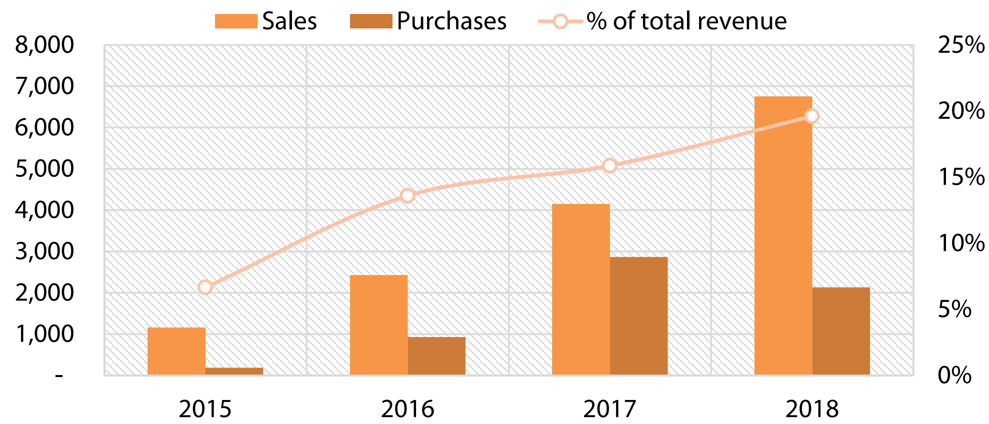
HSG – 9M2019FY have just broken even

Figure 3: Debts and interest expense (VND bn)



Source: HSG, Rong Viet Securities

Figure 4: Transactions with related parties



Source: HSG, Rong Viet Securities

Restraining transactions with related parties is one of the key plan to revamp corporate governance.

- Transactions with Chairman's companies accounted for 20% of HSG's total revenue, which ignites our concern over HSG's corporate governance.
- Even though HSG's management announced that they are restricting these transactions, investors should look into the issue to understand fully HSG's business structure.

We expect HSG to focus more on reducing inventory, paying debts and improving the bottom-line in the intermediate term.

NKG – GROWTH VERSUS SUSTAINABILITY

INVESTMENT RATIONALES

- **NKG is among leading coated steel firms with large capacity and high value-added.**
  - NKG's total capacity exceeds 1 million tpy of coated steel sheets and more than 200,000 tpy of steel pipe.
  - NKG's cold-rolling capacity is self-sufficient, which means it has higher added value than most rivals.
  - NKG can seize opportunities to export owing to high-quality production lines, becoming less dependent on the domestic market.

RISKS TO OUR CALLS

- **NKG's profit is highly dependent on HRC price.**
  - NKG mostly trades with wholesalers, which mean it has to accept lower margins and be constantly under negotiation pressures from buyers.
  - HRC price fluctuations are often fully reflected in NKG's margin without passthrough. Therefore, unfavorable input price conditions can cause losses to the firm .
- **NKG has excessive debts, both short and long-term, impacting the bottom-line.**

2019FY Guidance

Revenue growth	**+4%**
Profit growth (*)	**+418%**

(*) including one-off incomes.

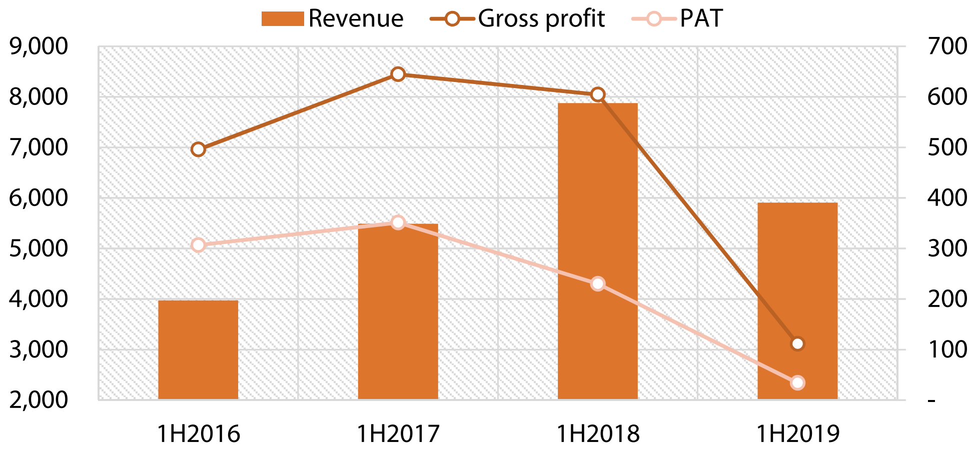
STOCK INFO	
Sector	Materials
Market Cap ($ mn)	49.7
Current Shares O/S (mn shares)	182.0
3M Avg. Volume (K)	777.3
3M Avg. Trading Value (VND Bn)	4.7
Foreign Ownership (%)	40.7
State Ownership (%)	-

FINANCIALS	2015A	2016A	2017A	2018A
Revenue	5,751	8,936	12,619	14,812
Growth (%)	-1.5	55.4	41.2	17.4
NPATMI	126	518	708	57
Growth (%)	64.5	310.7	36.6	-91.9
ROA (%)	3.9	10.4	8.5	0.6
ROE (%)	22.0	46.6	31.3	1.9
EPS (VND)	2.728	1.192	1.759	214
Book Value (VND)	3.515	8.667	16.156	16.325
Cash dividend (VND)	0	0	714	0
P/E (x)	2,6	3,0	2,1	52,9
P/B (x)	0,5	1,0	1,0	1,4

NKG- Gross margin slashed by fluctuating HRC price

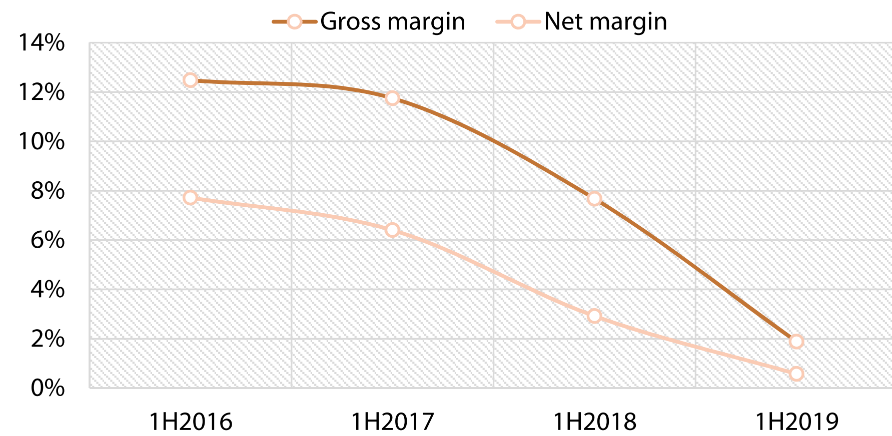
RONGVIET SECURITIES

Figure 1: 1H 2019 revenue (LHS) and gross profit & NPATMI (RHS) in VND bn



Source: NKG, Rong Viet Securities

Figure 2: Gross and net margins



Source: NK, Rong Viet Securities

The decreasing HRC price impacted strongly 1H2019 profit

- Sale volume was 249,931 tons of coated steel sheets, -17.3% yoy; 82,789 tons of steel pipe, +4.5% yoy. Gross margin reduced to 1.9% because HRC price fluctuated strongly during the period.
- Gross profit was only VND 111 billion in 1H2019, but interest expense was VND 115 billion. It should be remarked that the interest expense in 1H2019 was 30% lowered yoy due to strong reduction in borrowings at the end of 2018. NKG would have made loss in 1H2019 without the one-off income.

NKG's financial health is at critical conditions.

- HRC went from ~USD 520 per ton to ~USD 480 during July and August, which is going to affect 2H's profitability.
- NKG is currently under pressure to reduce both short and long-term borrowings further because of its risky leverage. It means that the company might have to reduce its business size. In fact, NKG has just sold one of its plants (Nam Kim 1) and ownerships at several projects (Nam Kim Corea, Nam Kim 6).

AGRICULTURE INDUSTRY: Headwinds

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AGRICULTURE INDUSTRY - REVIEW

Unfavorable weather

Figure 1 : Rainfall volume in 1Q2019 (mm)

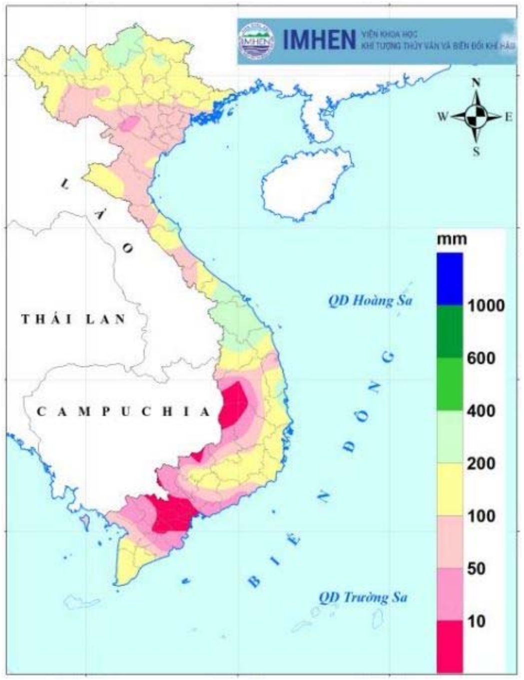


Figure 2 : Rainfall volume in Apr 2019 (mm)

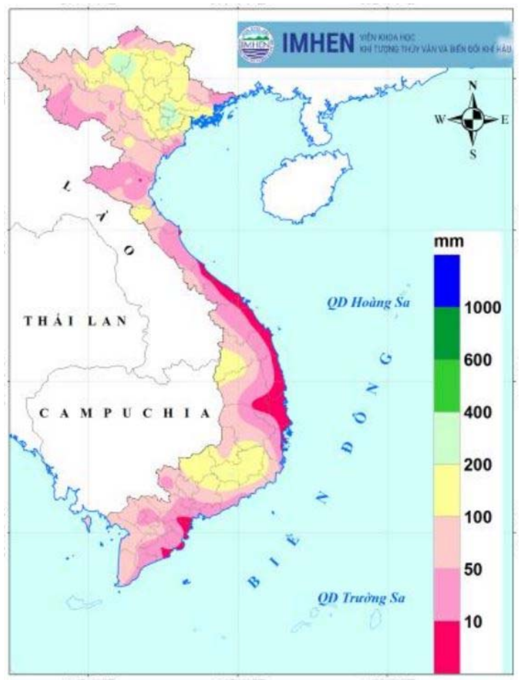
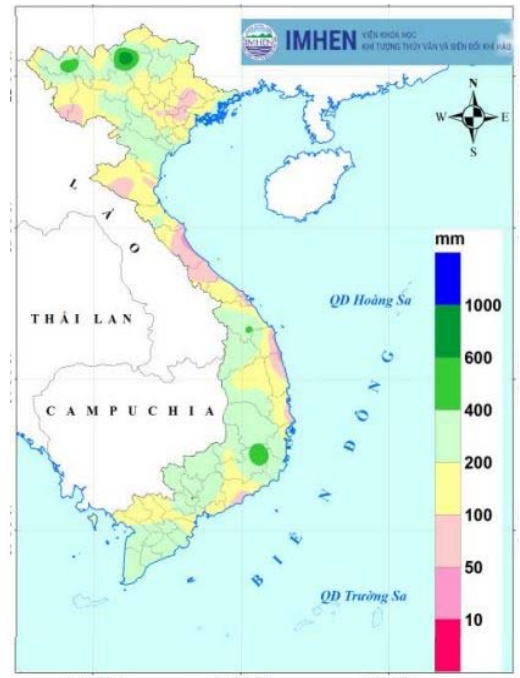


Figure 3 : Rainfall volume in May 2019 (mm)



Source: Viet Nam Institute of meteorology, hydrology and climate change

Low rainfall in 1Q2019 but slightly improvement in May.

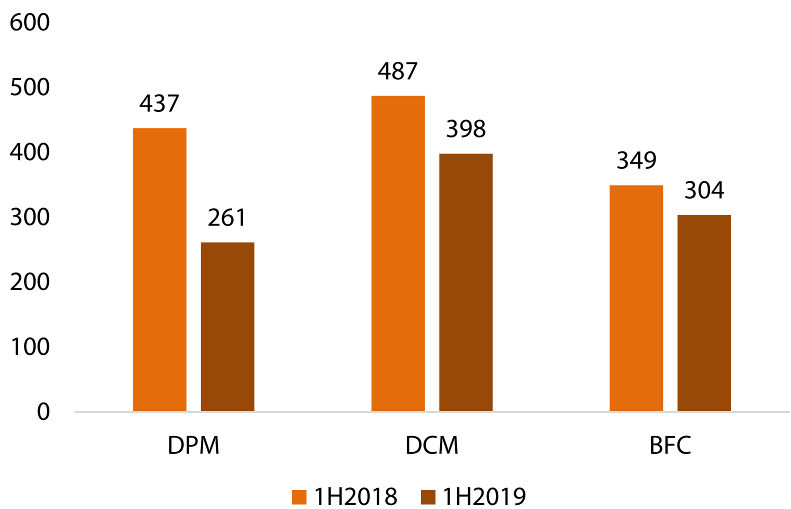
+ El Nino was responsible for lower rainfall volume from January to April, which impacted crops.

+ However, May saw the rain coming back.

AGRICULTURE INDUSTRY - REVIEW

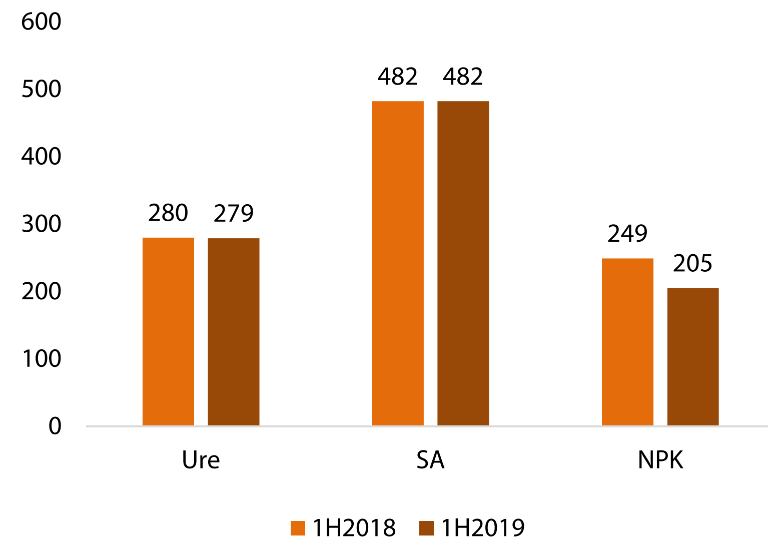
Low fertilizer demand in 1H2019

Figure 4 : Sales volume of fertilizer in 1H2019 vs 1H2018 (tons)



Source: RongViet Securities

Figure 5 : Imported volume of fertilizer in 1H2019 vs 1H2018 (thousand tons)



Source: Ministry of Agriculture and Rural Development

Fierce competition and unfavorable weather hurt fertilizer demand, especially in 1Q2019.

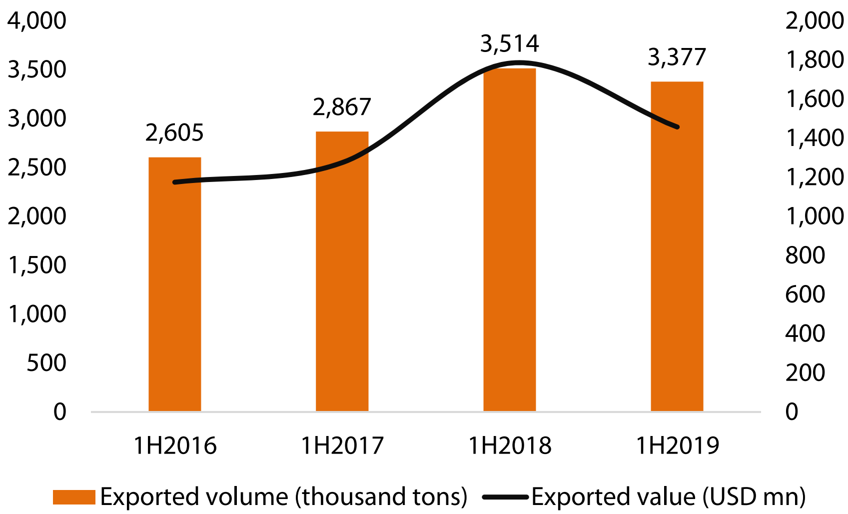
+ In the first half of the year prices of coffee (-12%), pepper (-26%), cashew nut (-22%) dropped on a year over year basis. As a result demand for fertilizer went down as farmers cut costs.

+ Imported volume of fertilizer remained high in some main products like Urea, NPK.

AGRICULTURE INDUSTRY - REVIEW

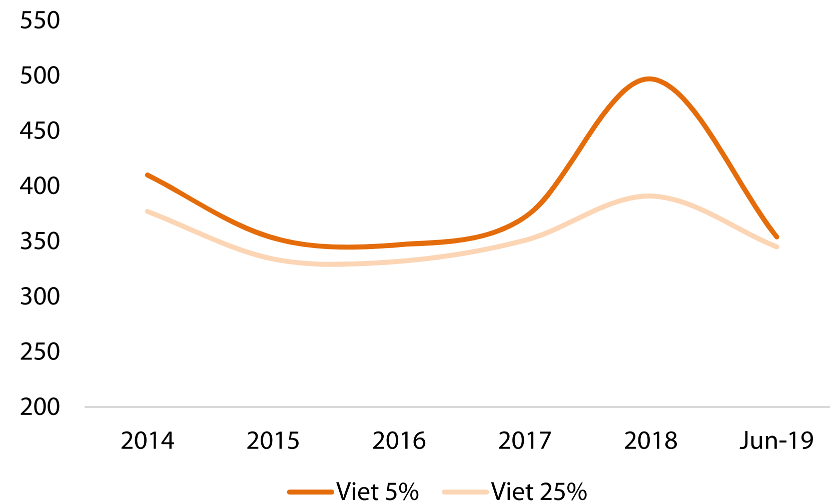
Rice exports are down

Figure 6: Exports of rice, in volume (LHS) and value (RHS)



Source: RongViet Securities

Figure 7: Vietnam rice exported price (USD/ton)



Source: FAO

Not too many supporting factors for the rice sector

+ Vietnam faced difficulties in exporting rice as China reduced the rice's imports. Moreover, China also accelerated its exports.

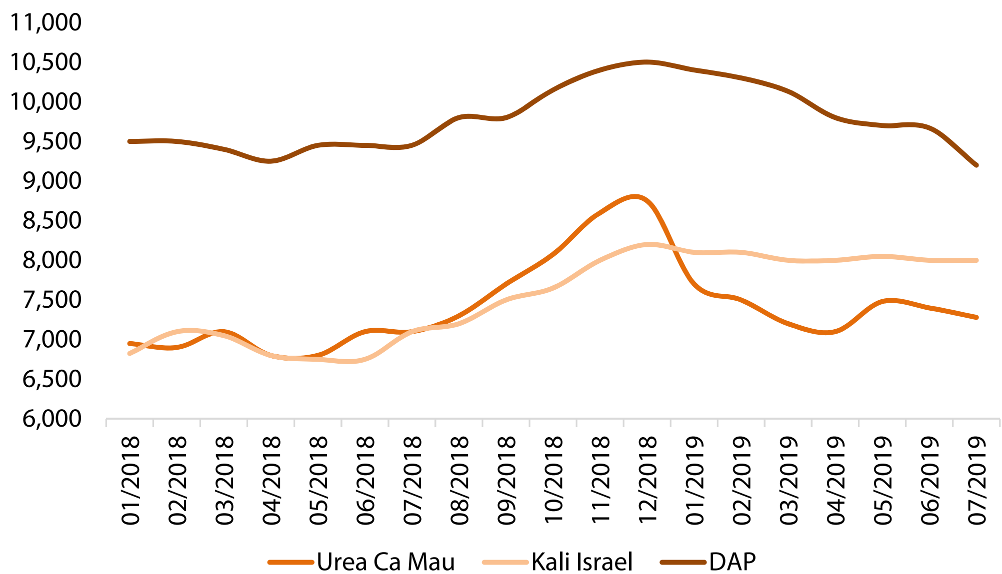
+ After experiencing a high selling price in 1H2018, Vietnamese rice export dropped in 1H2019.

+ Rice productivity decreased from 6.89 tons/ha to 6.75 tons/ha in the Mekong Delta Area for the Winter – Spring Harvest.

AGRICULTURE INDUSTRY - REVIEW

Profit margins under pressure

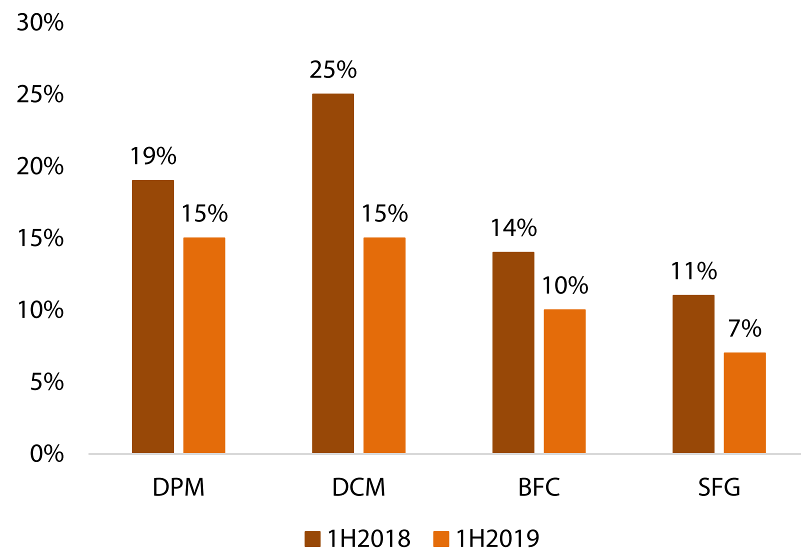
Figure 8: Raw material price for NPK production (VND/kg)



Source: RongViet Securities

+ Raw material prices are still high. Coupled with intense competition, producers are unable to increase their selling price.

Figure 9: Gross margins in 1H2019 vs 1H2018 (%)



Source: RongViet Securities

+ As a result, gross margins fell in 1H2019.

AGRICULTURE INDUSTRY - REVIEW

Industry Comparables (TTM)

Ticker	MC (VND Bn)	Dividend Yield (%)	Target price (VND)	TTM 2019			Revenue growth (%)			NPAT growth (%)			PER		PBR	
				D/E (x)	ROE (%)	ROA (%)	2018	2019E	2020F	2018	2019E	2020F	2018	TTM2019	2018	TTM2019
DPM	5,400	7.2	16,400	0.2	4.7	3.4	16.3	-22.2	18.4	0.7	-52.9	9.6	14.4	14.1	1.1	0.7
DCM	4,309	9.8	N/A	0.8	9.0	4.9	16.3	N/A	N/A	2.9	N/A	N/A	9.2	8.7	1.1	0.7
BFC	903	9.5	15,900	1.7	8.1	2.5	1.6	-4.4	-0.6	-30.1	-67.2	21.7	8.4	9.4	1.2	1.0
SFG	435	11.0	N/A	0.9	3.4	1.6	-5.9	N/A	N/A	-27.6	N/A	N/A	9.7	21.7	0.7	0.8
LTG	1,926	6.7	24,200	1.2	18.9	6.4	4.0	-4.9	1.5	-0.8	24.9	12.6	6.3	10.6	4.1	0.8

Source: FiinPro, Rong Viet Securities

DPM – EXPECTING A BETTER 2020

INVESTMENT RATIONALES

- **Fertilizer sector is likely to be better next year**
    - The Urea plants are expected to run at a higher capacity in 2020 due to no maintenance expenditures required like it did in 1H2019. As a result, total Urea sales volume will be back to its normal level.
    - NPK will improve.
- **Lower tariff**
    - Currently, DPM is paying a tariff of 1.4 USD/MMBTU in 1H2019 but PVN can apply a lower tariff of 1USD/MMBTU for DPM at the end of this year. With 1USD/MMBTU in tariff, the NPATMI will be VND 329 bn (-52.9% YoY). If not, NPATMI will be at VND 221 bn (-68.4% YoY).
- **PVN's divestment**
    - PVN plans to reduce its ownership from 59% to below 36%.

RISKS TO OUR CALL

- NPK's result worst than expectations.
- Unfavorable weather.
- Unchanged tariff.

BUY +26.1%

CMP (VND)	**13,800**
Target price (VND)	**16,400**
Cash dividend in 12 months	*1,000*

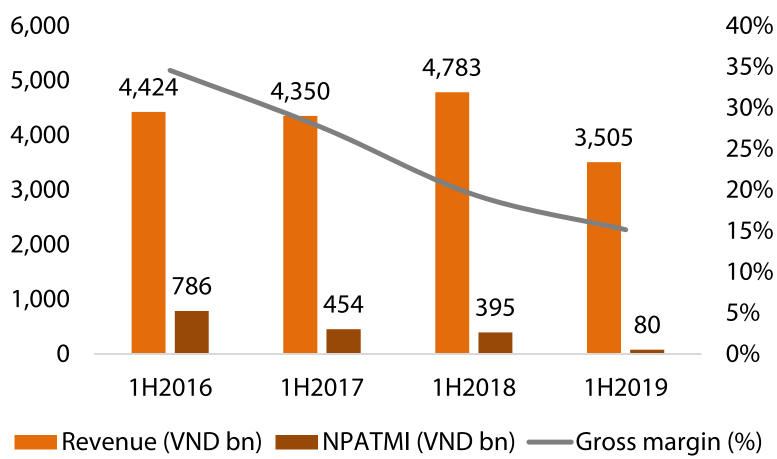
STOCK INFO	
Sector	Chemicals
Market Cap ($ mn)	83
Current Shares O/S (mn shares)	81
3M Avg. Volume (K)	128
3M Avg. Trading Value (VND Bn)	3.0
Foreign Ownership (%)	44.2
State Ownership (%)	24.2

FORECAST	2017A	2018A	2019F	2020F
Revenue	**7,996**	**9,297**	**7,229**	**9,294**
Growth (%)	*0.9*	*16.3*	*-22.2*	*28.6*
NPATMI	**694**	**700**	**329**	**664**
Growth (%)	*-39.1*	*0.7*	*-53.0*	*101.8*
ROA (%)	7.0	6.5	3.1	5.0
ROE (%)	8.5	8.6	4.2	8.2
EPS (VND)	1,552	1,551	715	1,442
Book Value (VND)	20,113	20,662	20,372	20,809
Cash dividend (VND)	1,000	500	1,000	1,000
P/E (x)	14.0	14.4	22.9	11.4
P/B (x)	1.0	1.1	0.8	0.8

DPM – High depreciation and tariff hit 1H2019 profitability

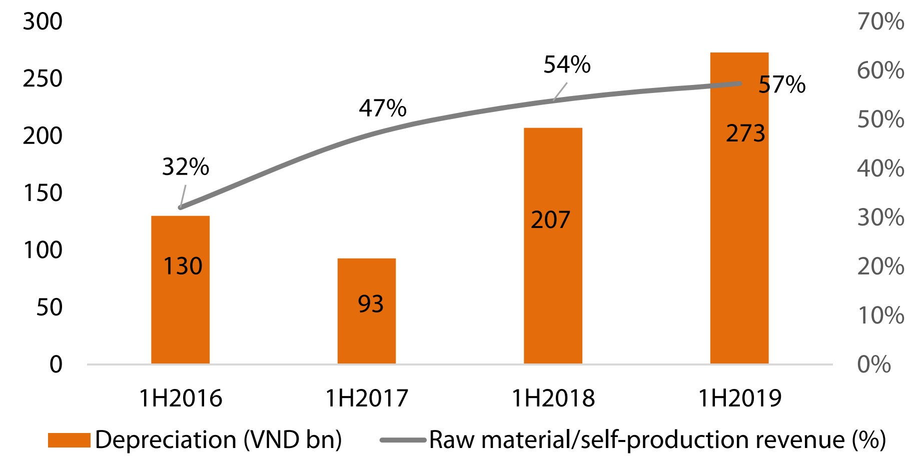
RONGVIET SECURITIES

Figure 1: Sales volume (LHS) and selling price (RHS) in 1H



Source: DPM

Figure 2: Depreciation (LHS) and raw material/self production revenue (RHS)



Source: Rong Viet Securities complied

Low demand, high depreciation and tariff hurt 1H2019 results

- 1H2019 reported revenue of VND 3,528 bn (-26.7% YoY); NPATMI of VND 80 bn (-79.7% YoY)
  - Total Urea sales volume of 261 thousand tons, down 40.3% YoY while the NPK sales volume only reached 41 thousand tons, lower than the NPK's designed capacity of 250 thousand tons
  - The gross margin fell from 19.2% to 15.1% in 1H2019 due to a higher depreciation from NH3 – NPK plants and a greater temporary tariff of 1.4 USD/MMBTU. Raw material accounted of 57% total self – product revenue.

Table 1: 2019 and 2020 forecast

	2018	2019F	2020F
Net revenue (VND bn)	**9,297**	**7,229**	**9,294**
Urea volume (thousand tons)	*804*	*500*	*700*
NPK volume (thousand tons)	*0*	*100*	*158*
Gross profit (VND bn)	**1,899**	**1,175**	**2,020**
PBT (VND bn)	**871**	**404**	**814**
NPATMI (VND bn)	**700**	**329**	**664**

Source: Rong Viet Securities forecast

Table 2: NPK forecast

	2018	2019F	2020F
Net revenue (VND bn)	**321**	**889**	**1,414**
Gross profit (VND bn)	**12**	**-80**	**3**
GPM (%)	*3.6*	*N/A*	*0.2*
PBT (VND bn)	**-44**	**-194**	**-157**
PAT (VND bn)	**-44**	**-194**	**-157**

Source: Rong Viet Securities forecast

We expect a recovery in 2020

- For 2019, we forecast that DPM will post VND7,229 bn in revenue (-22.2% YoY) and VND329 bn in NPATMI (-52,9% YoY).
- The Urea plants are expected to run at a higher capacity in 2020 due to no required maintenance. As a result, Urea's sales volume is likely to post growth of 40% to 700 thousand tons.
- Raw material prices, mainly the gas price, is forecasted to be lower. And the tariff is projected at 1.02 USD/MMBTU. However, PVN could apply a higher tariff.
- For 2020, we forecast that DPM will post VND9,294 bn in revenue (28.6% YoY) and VND664 bn in NPATMI (+101,6% YoY).

BFC – A BAD YEAR

INVESTMENT RATIONALES

- **Ninh Binh Phase 2 is expected to come online in 4Q2019**
  - o Northern Market is seen as a potential plus, compared to the South, because where there is less competition and high demand for high quality NPK.
- **Despite a bad year, BFC is likely to pay a cash dividend of 12% to 15% for 2019**
  - o For 2019, BFC will pay a 12%-15% cash dividend, equivalent to a dividend yield of 7.6% to 9.5%
  - o After that, BFC will try to maintain the cash dividend at 10%.
- **Vinachem's divestment**
  - o Vinachem plans to reduce its ownership from 65% to below 51%.

RISKS TO OUR CALL

- More competition in the NPK segment.
- Unfavorable weather.
- Ninh Binh Phase 2 may operate later than plan.

ACCUMULATE +10%

CMP (VND)	**15,800**
Target price (VND)	**15,900**
Cash dividend in 12 months	*1,500*

STOCK INFO	
Sector	Chemicals
Market Cap ($ mn)	39
Current Shares O/S (mn shares)	57
3M Avg. Volume (K)	80
3M Avg. Trading Value (VND Bn)	1.5
Foreign Ownership (%)	13.8
State Ownership (%)	65.0

FORECAST	**2017A**	**2018A**	**2019F**	**2020F**
Revenue	**6,306**	**6,382**	**6,122**	**6,085**
Growth (%)	*6.1*	*1.2*	*-4.1*	*-0.6*
NPATMI	**277**	**193**	**63**	**77**
Growth (%)	*-0.1*	*-30.2*	*-67.4*	*22.2*
ROA (%)	7.6	5.1	1.8	2.3
ROE (%)	23.6	16.0	7.2	9.6
EPS (VND)	4,845	-147	1,022	1,243
Book Value (VND)	17,049	16,324	15,351	13,746
Cash dividend (VND)	2,000	2,000	1,500	1,000
P/E (x)	7.5	8.4	15.6	12.8
P/B (x)	1.6	1.2	1.0	1.2

BFC – Poor results in 1H2019 due to low demand as well as depressed gross margin

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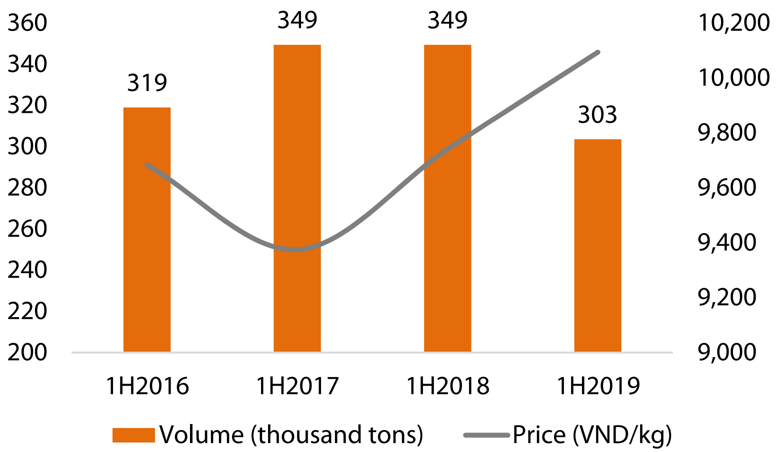
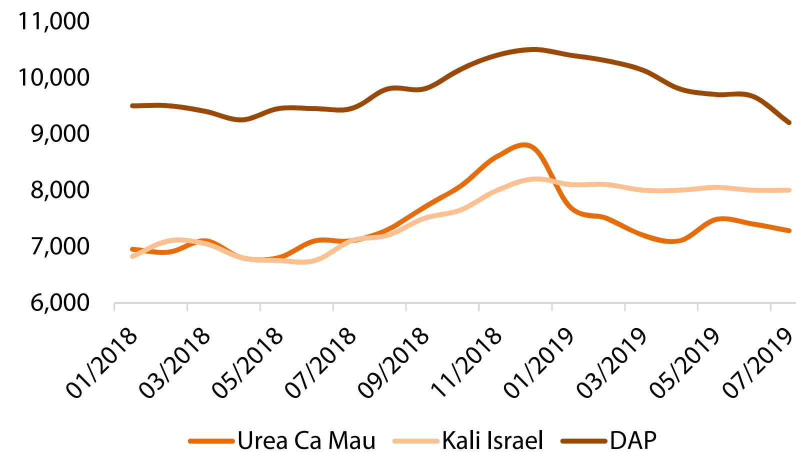
Figure 1: Sales volume (LHS) and selling price (RHS) in 1H



Source: BFC

Figure 2: Raw materials price (VND/kg)



Source: Rong Viet Securities

Fierce competition and low demand hurt 1H2019 results

- 1H2019 reported revenue of VND 3,021 bn (-9.6% YoY); NPATMI of VND 9 bn (-91.5% YoY)
  - Total sales volume of 303 thousand tons, down 13.1% YoY
  - ASP increased by 4%, cannot cover higher input prices. Gross margin fell from 13.5% to 9.7% in 1H2019.

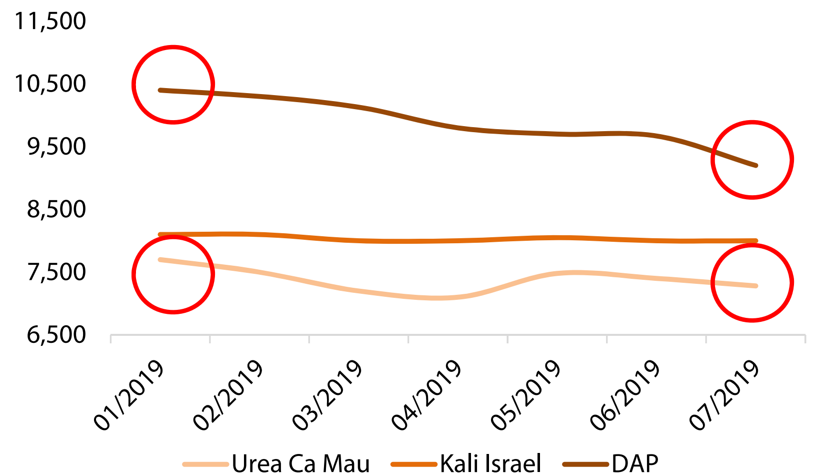
BFC – Better in 2H2019

Table 1: Business result in 2H2019

	1H2019	2H2019	2019
Revenue (VND bn)	**3,021**	**3,100**	**6,122**
Volume (thousand ton)	*303*	*311*	*614*
Gross profit (VND bn)	**295**	**318**	**613**
PBT (VND bn)	**24**	**75**	**99**
NPATMI (VND bn)	**9**	**54**	**63**

Source: Rong Viet Securities forecast

Figure 3: YTD raw materials price (VND/kg)



Source: Rong Viet Securities complied

We expect a recovery in 2H2019

- Sales volume of 311 thousand tons in 2H2019, equivalent to a total of 614 thousand tons in 2019.
- Raw materials price are cooling down, improving the gross margin.
- For 2019, we forecast that BFC will post VND6,122 bn in revenue (-4.4% YoY) and VND63 bn in NPATMI (-67,5% YoY).

LTG – REFRESHING ITSELF

INVESTMENT RATIONALE

- **Restructuring the distribution channels in the CPC segment**
  - To reduce its receivables, LTG is changing its policy by stopping to sell to distributors that are more than 60 days behind.
  - LTG will try to control the receivables, rather than to push sales by entering into long-term agreements.
- **Expanding the rice segment**
  - Continues to build the brand name for Hat Ngoc Troi and target the general trade (GT) and modern trade (MT) to increase its market share.
  - Emphasis on premium products with a higher margin.
- **Management changing**
  - Apply KPI to justify the quality of work.
  - Appoint external people to important positions instead of internal promotions.

RISKS TO OUR CALL

- More competition in the Vietnamese rice market.
- Unfavorable weather.

ACCUMULATE +7.9%

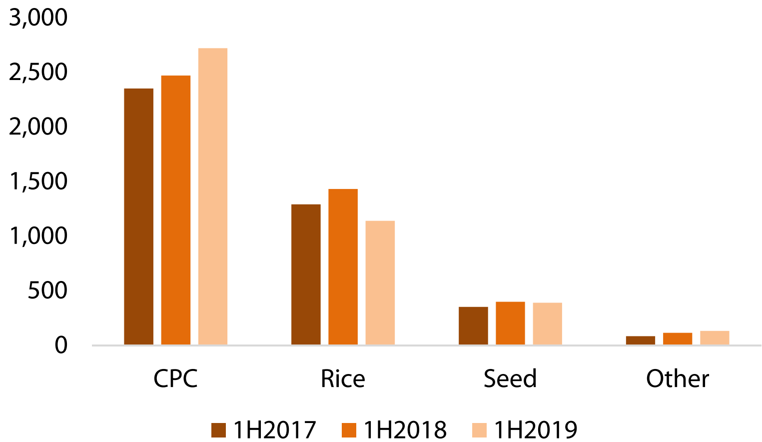
CMP (VND)	**23,890**
Target price (VND)	**24,200**
Cash dividend in 12 months	*1,600*

STOCK INFO	
Sector	Chemicals
Market Cap ($ mn)	83
Current Shares O/S (mn shares)	81
3M Avg. Volume (K)	128
3M Avg. Trading Value (VND Bn)	3.0
Foreign Ownership (%)	44.2
State Ownership (%)	24.2

FORECAST	2017A	2018A	2019F	2020F
Revenue	**8,687**	**9,031**	**8,592**	**8,718**
Growth (%)	*11.6*	*4.0*	*-4.9*	*1.5*
NPATMI	**446**	**412**	**514**	**449**
Growth (%)	*28.5*	*-7.7*	*24.9*	*-12.6*
ROA (%)	7.0	5.8	6.8	5.7
ROE (%)	19.7	16.9	18.4	14.5
EPS (VND)	5,716	4,341	5,424	4,738
Book Value (VND)	34,520	30,885	34,698	38,435
Cash dividend (VND)	2,000	0	1,600	0
P/E (x)	10.3	6.3	4.5	5.1
P/B (x)	1.6	0.9	0.7	0.6

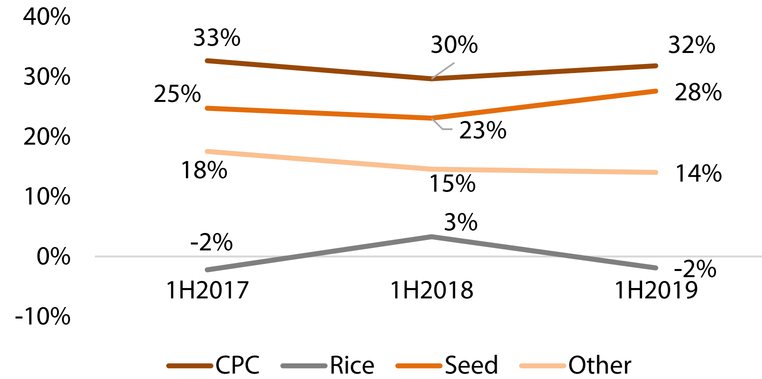
LTG – Stable revenue but gross profit to improve in 2Q2019

Figure 1: 1H revenue by segment (VND bn)



Source: LTG

Figure 2: 1H gross margin by segment (%)



Source: Rong Viet Securities complied

Motivation from CPC in 1H2019

- 1H2019 reported revenue of VND 4,379 bn, equal to 1H2018 number; NPATMI of VND 252 bn (+33% YoY)
    - 1H2019 gross margin reached to 22.2%, higher than the level of 20.1% in 1H2018 thanks to a greater margin by the CPC segment.
    - SG&A expense was well controlled with VND 547 bn, compared to VND 566 bn in 1H2018
    - LTG also posted VND20 bn in other profit.

LTG – Earnings growth will depend on asset sales in 2019

Table 1: 2019 business plan

Unit: VND bn	2019 plan	2018	+/- YoY
Net revenue	**8,678**	**9,031**	**-3.9%**
PBT	**656**	**549**	**+19.4%**
Core business	*494*	*544*	*-9.2%*
Other	*162*	*5*	*+3.306%*
PAT	**521**	**414**	**25.9%**

Source: LTG

Table 2: 2019 forecast

Unit: VND bn	2018	2019F	+/- YoY
Net revenue	**9,091**	**8,648**	**-4.8%**
CPC	*4,740*	*5,135*	*+8.3%*
Rice	*3,313*	*2,371*	*-28.4%*
Seed	*790*	*895*	*+13.2%*
Other	*248*	*247*	*0%*
Gross profit	**1,934**	**1,855**	**-4.5%**
CPC	*1,586*	*1,643*	*+3.5%*
Rice	*123*	*-47*	*N/A*
Seed	*196*	*220*	*12.2%*
Other	*29*	*39*	*34.4%*

Source: Rong Viet Securities forecast

Revenue is expected to slightly decrease by 4.8% to VND 8,648 bn and NPATMI is forecasted at VND 514 bn, up 24.7%

- CPC is still the main pillar, contributing to 88.5% of total gross profit in 2019 while the rice segment is forecasted to underperform, compared to last year. However, earnings will still grow.
- LTG will get VND162bn from selling assets. Excluding this, 2019 earnings would decrease by -5.5% .

FURNITURE & MATERIALS: Brighter Long-term Outlook

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PTB – TIMBER EXPORTS TO DRIVE GROWTH

INVESTMENT RATIONALE

- **Timber export should drive growth for now**
  - US-China trade tensions have been shifting US orders to Vietnam. PTB's average growth on timber was 5% during 2015-17 and escalated to 47% in 2018 after trade tensions took place. Vietnam has been the US's second largest timber importer, following China
  - EU is the potential long-term market, given the VPA/FLEGT and the forthcoming EVFTA that should create a sustainable conduit for exports. We see the UK as one of the potential biggest importer
- **Restructuring in stone amid slowing demand**
  - Ample stone reserve of 52 mil m^3 (2019) should favor long term growth
  - Restructuring efforts, including better product mix and boosting exports, are expected to keep margin and sales stable amid slowing domestic demand
- **Healthy financials versus stable business performance**
  - Improved D/E from 1.86x (2012) to 0.98x (2019) while increasing debt financing for M&A and assets investment, though a major part is short term debt funding for working capital
  - Increasing cash dividend, 32%/30% in 2018-19E, is also a plus
- **Toyota's major market share, of ~25%, and increasing middle class income suggests stable demand.** PTB's market share in the central region is estimated at 29%

RISKS TO OUR CALL

- **Labor scarcity that may lead to more heavily labor intensive**
- **Intense competition from China-originated timber exporting to the US**

ACCUMULATE +17%

CMP (VND)	**71,400**
Target price (VND)	**83,800**

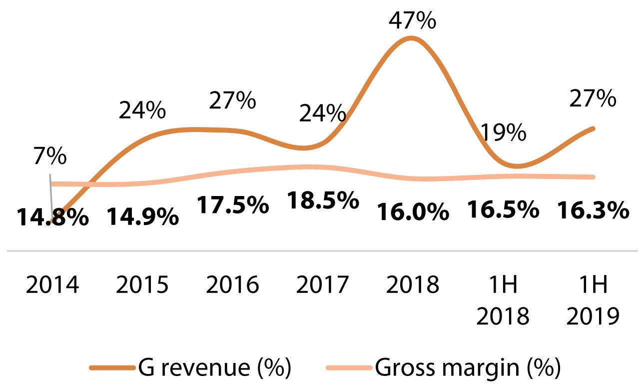
STOCK INFO	
Sector	Construction & Materials
Market Cap ($ mn)	145
Current Shares O/S (mn shares)	47
3M Avg. Volume (K)	177
3M Avg. Trading Value (VND Bn)	12.0
Foreign Ownership (%)	20.0
State Ownership (%)	0.0

FORECAST	2017A	2018A	2019F	2020F
Revenue	3,971	4,719	5,467	5,920
Growth (%)	*8.5*	*18.8*	*15.8*	*8.3*
NPATMI	345	385	468	537
Growth (%)	*30.1*	*11.6*	*21.7*	*14.8*
ROA (%)	15.7	12.9	12.7	12.3
ROE (%)	36.4	27.9	26.4	25.6
EPS (VND)	12,669	3,272	9,892	11,352
Book Value (VND)	40,411	33,071	37,506	44,357
Cash dividend (VND)	1,000	3,200	3,000	0
P/E (x)	5.5	9.2	8.5	7.4
P/B (x)	1.7	2.1	2.2	1.9

PTB - Timber sales surged while stone's gross margin improved in 1H 2019

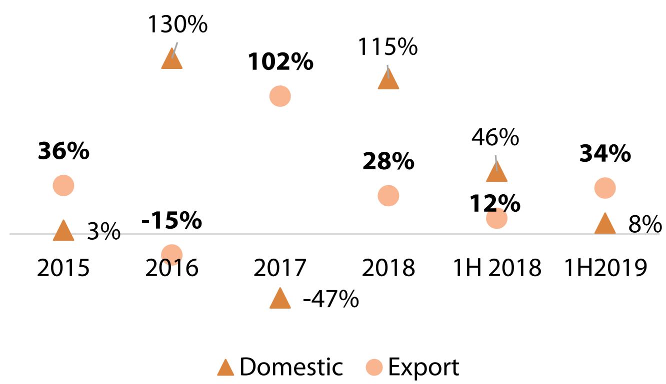
RONGVIET SECURITIES

Figure 1: Timber revenue growth & GPM



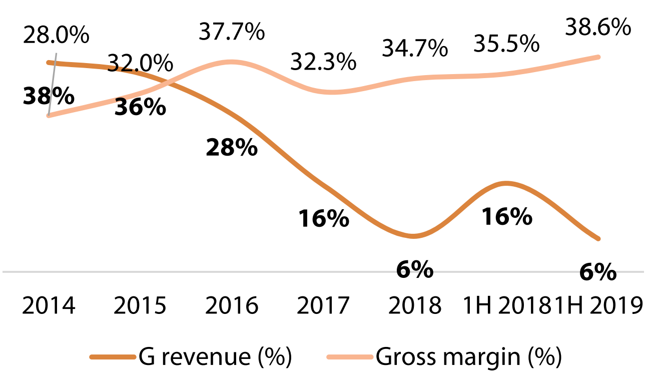
Source: PTB

Figure 2: Timber's export & domestic growth (%)



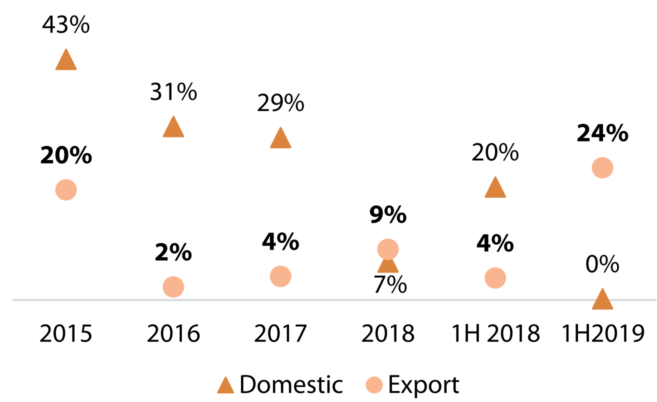
Source: PTB

Figure 3: Stone revenue growth & GPM



Source: PTB

Figure 4: Stone's export & domestic growth (%)



Source: PTB

Timber sales continued to surge while stone gross margins improved.

- 1H2019 reported revenue of VND 2,576 bn (+33% YoY); NPATMI of VND 189 bn (+14% YoY).
  - Stone sales stayed flat while its margin increased from 33.9% (2018) to 38.6% in 1H 2019 in thanks of better product mix and a 23% YoY increase in exports sale.
  - Timber recorded a 27% jump in sales. Exports itself jumped 34% and made up 77% of timber revenue. More orders from the UK and US were the driver. Gross margin stay the same at 16.5%.

We think 2H result will stay strong, given:

- Peak season for timber orders fall in 2H.
- Stone export expanding to other EU market such as Germany, Poland & Hungary, other than Turkey only. We expect gross margin to maintain at 37.5 - 38.5%.
- Rising auto sales thanks to improved market share of Toyota from 23.8% (2018_ to 25.4% in 1H 2019

PTB - Mid-term outlook is still promising, albeit challenging

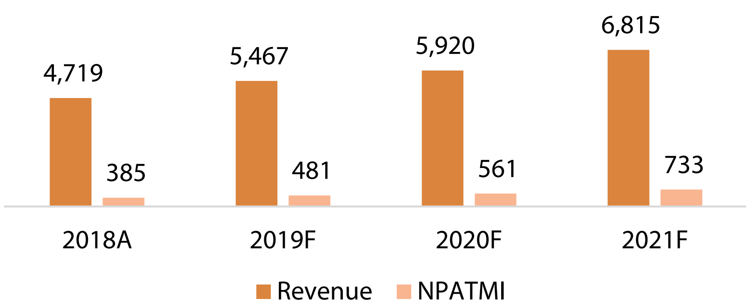
Incoming Phu Tai residence is a new non-core residential project and may be interesting, though not much contribution to the bottom line in our view.

Table 2: Phu Tai residence timeline

Phu Tai Residence			
Total area	5,830 sqm		
Total GFA	79,775 sqm		
Total NLA	49,670 sqm		
Size	622 apartments, 12 shophouses		
Timeline			
	2019	**2020**	**Since 2021E**
Sale launch			
Construction			
Handover			

Source: PTB, Rong Viet Securities

Figure 5: Forecasted revenue & NPATMI (VND bn)



Source: Rong Viet Securities

Table 3: Forecasted revenue & NPATMI (VND bn)

	2019F		**2020F**	
	(VND bn)	**+/- YoY**	**(VND bn)**	**+/- YoY**
Stone	1,481	13%	1,627	10%
Timber	2,178	19%	2,391	10%
Automotive(*)	1,595	13%	1,684	6%
Total revenue	**5,467**	**16%**	**5,290**	**8%**

(*) not including servicing revenue

Source: Rong Viet Securities

We assume:

- Residential project to start contributing revenue and profit since 2021, though the contribution is small, of 14.8% of gross earning and 4.4% in our valuation
- Increasing gross profit contribution from 29.7% in 2014-18 to 34.2% in 2019-23, on average
- Avg. revenue growth of 7.9% and 8.9% for stone and timber segment during 2019-23
- A NPATMI CARG of 9.9% during 2019-23

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