



Preliminary 2H2020 outlook

August 2020



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REPORT CONTENT

MACROECONOMIC OUTLOOK

STOCK MARKET OUTLOOK

SECTORS REVIEW & OUTLOOK

MACRO OUTLOOK: A BUMPY ROAD

- ❖ Vietnam's GDP growth is revised down to 2% yoy for 2020 as the recurrent episodes of the pandemic have been made the economic recovery painful. Vietnam and other EMDEs are weathering the storm, caused by diminishing external forces such as disruptions to global value chains, collapse in exports, plummeting commodity prices and retrenchment in capital inflows.
- ❖ In 2H2020, there are still positive forces powering the economy. Firstly, Vietnam will record a all-time trade surplus, which is strongly supportive for macro stability. Secondly, exports to the EU are expected to rebound as the EURVND is moving up and the EVFTA has taken effect. Lastly, the government is committed to support the economic recovery via surging public investments.
- ❖ There are important policy trade-offs in the midst of the pandemic. The near-term is between public health and economic activity. The other trade-off is between the short-term stimulus and long-term macro stability. The government must balance state resources and the ultimate need of bridge financing, especially assistance to large firms. Meanwhile, the central bank is required to address the credit default risk as well as long-term financial stability under circumstances of high debt levels.
- ❖ Credit default risk is mounting and credit losses could be materialized, particularly after the payment holiday period ends. Two model-based indicators measuring Vietnam's Probability of Default in one year and value-weighted Corporate Vulnerability Index are the highest in ASEAN.

MARKET OUTLOOK: RISING GRADUALLY ON THE BACK OF AMPLE LIQUIDITY

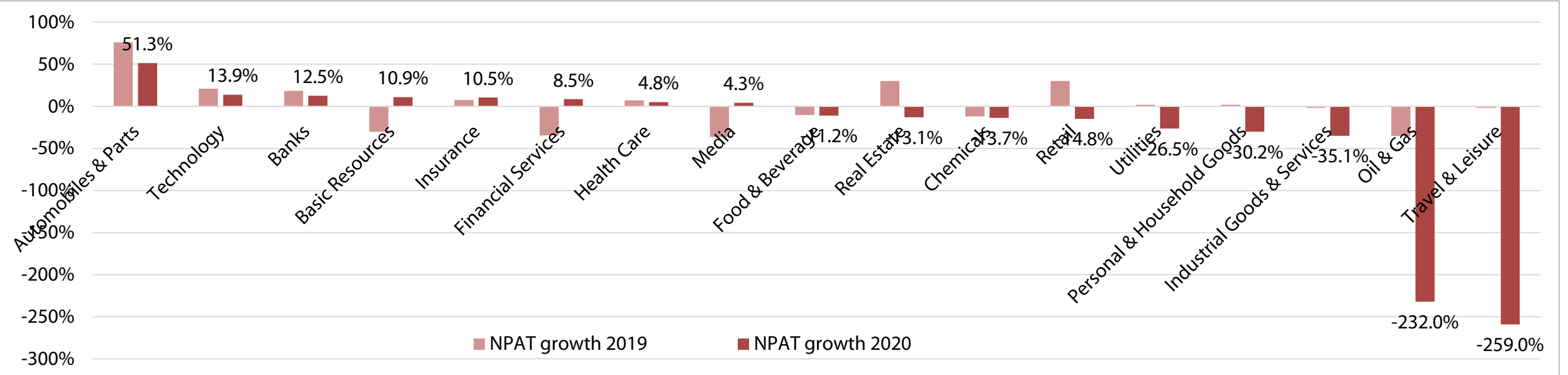
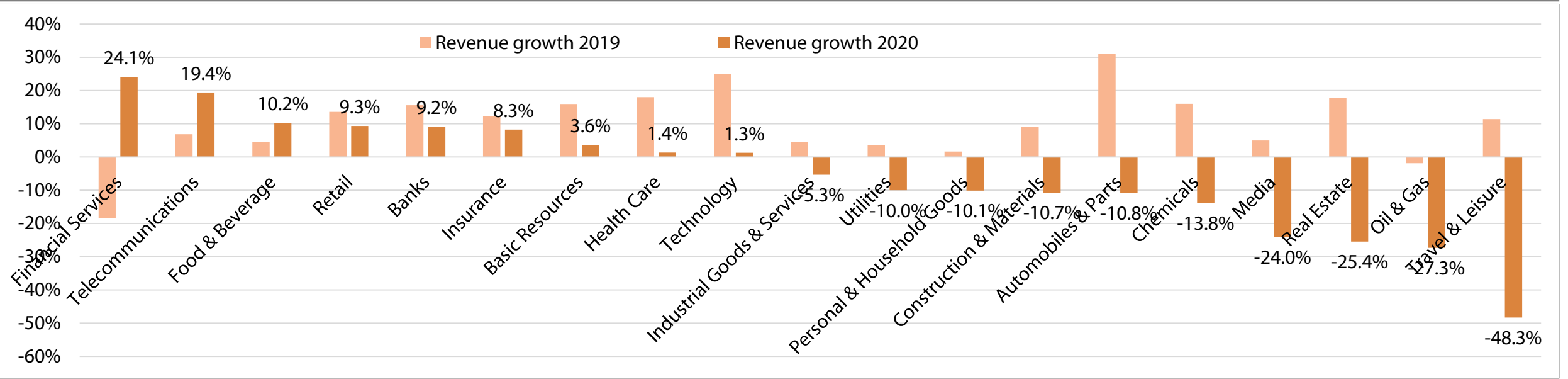
Supportive factors

- The large gap between monthly money supply and credit growth will remain for the rest of 2020.
 - In that context, real estate assets are not really attractive at this time due to high selling prices
 - Gold price has increased sharply YTD but risk-on, reflected by the all-time high on the S&P 500 Index, has caused the price to drop lately.
 - The new decree in corporate bond issuance will lower new issuance in 4Q2020.
- Market will not experience another strong sell-off in the following months of 2020
 - Supportive Fed will keep the US dollar weak.
 - MSCI will increase Vietnam's weight in the Frontier Market Index in November.
- VNIndex is cheap relatively to its past but is, currently, at a fair price against its peers. We think the market may reflect current expectations. We expect that the VNIndex could close around 900 at a 2020 PE of 16.5x by year-end.

Risk

- How fast the economy can recover in the remaining months of 2020 in part because of the second Covid wave and the delay of reopening commercial international flights.

1H 2020: MOST SECTORS WERE EFFECTED BY THE COVID-19



Source: Fiiipro, Rong Viet Securities

SECTOR OUTLOOK

- ❖ Most sectors reported a poor performance in 1H 2020. Financial services, telecommunication, and F&B recorded revenue growth higher than last year, mostly due to a low base in 2019, while other sectors' revenues decreased.
- ❖ For the sector outlook in the 2H 2020, most of our analysts believe that the pandemic will continue to negatively impact supply and demand. Some sectors, such as technology, industrial parks, power, insurance and securities, have a positive outlook.
- ❖ Price of many commodities have been decreasing, mostly due to a drop in demand. We, however, believe that it is a short-term driver for gross profit margin.
- ❖ Meanwhile, we are still confident on the long-term outlook for most sectors, especially with legal reform occurring in many areas.
- ❖ We are positive on technology, industrial parks, pharmaceutical, and power. We are, however, negative on textile and natural rubber.

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

Subsector	2020 Supply - Demand	Input price	Legal Environment	Long-term Growth Potential	Technological Development	Competition	View	Stock Picks	Watch List
Technology	+		+	++	++	-	Positive	FPT	
Retails	--	++	+	++	++	+	Positive	MWG, PNJ	FRT
RE - Industrial park	+	-		++		+	Good	KBC	SZC
Pharmaceutical	-	-	+	++	+		Good	IMP	PME
Power	+	+		++		-	Good	HND, REE, NT2, PPC	
Automotive - Spare parts	-	+	+++	++		--	Good	HAX	DRC, PAC
Steel	-			++		-	Neutral	HPG, SMC	HSG, NKG
Insurance	+		+	+		--	Neutral	PGI	BVH, BMI
RE - Residential	-	-	-	++		+	Neutral	NLG, KDH	
Securities	+	+				--	Neutral		
Oil & Gas	-		+				Neutral	PVT	PVS, PLC, GAS
Logistics	-	-	+	++		-	Neutral	SCS, GMD	
Fishery	-	+		+		-	Neutral	VHC	MPC, FMC
Bank	--	+	+	+	+	--	Neutral	VPB, TCB	ACB, HDB, MBB, VCB
Chemicals - Agochemicals	--	+		--		+	Neutral	LTG	DPM, BFC
F&B (Beer, milk)	-	-	--	+	+	++	Neutral	VNM, QNS	SMB
Aviation	---		+	++		-	Neutral	ACV	
Construction	--			+		-	Neutral	PC1	LCG, TV2
Textile	---			+		+	Slightly negative	STK, TCM	MSH
Chemicals - Natural rubber	---			+			Slightly negative		PHR

Source: Rong Viet Securities

OUR FAVOURITE STOCKS

Ticker	Exchange	Market cap (USD mn)	Target price (VND)	Current price (VND)	Total Return (%)	Rating	2019		2020F		2021F		PER Trailing (x)	PER 2020F (x)	PBR Cur. (x)	Div Yield (%)	+/- Price 1y (%)	3-month avg. daily turnover (USD thousand)	Foreign remaining room (%)
							+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)							
PC1	HOSE	120	29,900	17,500	70.9	Buy	14.9	-23.8	13.5	4.7	1.0	34.3	8.1	5.6	0.7	0.0	11.5	826	32.4
NT2	HOSE	270	25,600	21,850	28.6	Buy	-0.2	-2.9	-13.6	1.3	10.2	-10.7	7.9	9.6	1.4	11.4	1.3	365	30.6
SMC	HOSE	26	11,600	9,800	28.6	Buy	2.2	-46.6	-11.8	0.9	12.1	90.1	7.5	3.4	0.4	10.2	-18.5	53	15.9
LHG	HOSE	46	27,000	21,300	26.8	Buy	-30.4	6.1	14.3	73.1	4.8	12.1	6.6	4.1	0.9	0.0	24.2	365	43.6
REE	HOSE	461	41,700	34,600	25.7	Buy	-4.1	-8.1	6.3	2.9	2.1	3.9	7.2	6.1	1.0	5.2	13.8	778	0.0
LTG	UPCOM	65	22,400	18,670	25.3	Buy	-8.0	-19.7	-7.4	32.2	12.1	11.9	7.7	3.6	0.6	5.4	-12.8	165	4.7
VPB	HOSE	2,226	26,500	21,250	24.7	Buy	17.0	12.4	10.0	15.7	15.1	25.1	5.2	4.3	1.1	0.0	13.3	5,634	-0.1
SCS	HOSE	240	130,000	110,100	24.4	Buy	10.8	15.0	-10.6	-8.9	9.4	10.2	13.1	12.9	5.9	6.4	-25.3	172	23.9
HDG	HOSE	136	24,500	20,500	24.4	Buy	34.3	33.0	13.4	27.7	-9.6	-3.6	3.2	2.1	1.1	4.9	-24.4	802	39.9
FPT	HOSE	1,587	55,000	46,116	23.6	Buy	19.4	19.7	12.3	12.1	18.4	21.4	11.0	8.5	2.5	4.3	13.0	4,267	0.0
HND	UPCOM	384	20,800	17,866	23.1	Buy	18.6	183.2	3.1	5.7	-16.8	-38.8	6.2	11.6	1.4	6.7	27.4	142	48.9
MBB	HOSE	1,689	20,000	16,300	22.7	Buy	26.2	29.2	13.3	6.4	18.6	26.1	4.7	4.0	0.9	0.0	-17.3	4,628	-3.0
NLG	HOSE	277	31,000	25,850	21.9	Buy	-26.8	25.8	-22.1	-18.2	4.1	55.9	7.4	5.5	1.3	1.9	-4.8	1,405	0.7
ACV	UPCOM	4,995	65,000	53,395	21.7	Buy	13.7	35.8	-52.8	-73.2	46.7	87.1	19.9	27.9	3.1	0.0	-35.5	844	45.7
KDH	HOSE	553	29,300	24,550	21.4	Buy	-3.5	13.2	32.6	24.0	-3.1	17.7	12.0	10.0	1.7	2.0	7.0	1,244	5.3
DPM	HOSE	228	15,000	13,550	19.6	Accumulate	-15.8	-49.6	6.7	61.9	3.5	-14.2	7.6	11.9	0.7	8.9	8.8	1,906	38.4
PTB	HOSE	91	51,971	46,100	19.2	Accumulate	17.6	13.3	-1.0	-26.7	5.3	61.1	5.6	4.2	1.2	6.5	-27.8	367	30.3
HDB	HOSE	1,081	31,000	26,050	19.0	Accumulate	23.6	26.2	13.2	18.3	18.6	24.9	6.2	4.8	1.2	0.0	4.2	1,240	9.4
IMP	HOSE	121	49,600	43,950	17.4	Accumulate	18.4	17.1	20.6	17.0	18.0	17.9	15.5	11.0	1.8	4.6	21.1	138	0.0
ACB	HNX	1,693	27,500	23,700	16.0	Accumulate	14.7	16.7	11.1	12.7	16.6	25.1	6.3	4.7	1.3	0.0	9.7	4,112	0.0
PPC	HOSE	320	24,400	23,200	14.7	Accumulate	15.0	12.9	11.3	-13.2	0.5	-1.5	6.8	7.0	1.2	9.5	4.4	171	32.5
QNS	UPCOM	481	33,000	31,331	13.3	Accumulate	-4.4	3.2	-6.6	-18.7	13.9	19.5	9.4	7.7	1.8	8.0	17.8	1,023	32.3
VNM	HOSE	8,643	126,000	115,500	13.0	Accumulate	7.1	3.5	8.5	5.6	4.5	2.0	18.7	19.6	6.7	3.9	-0.8	7,028	41.3
VHC	HOSE	287	39,700	36,700	12.3	Accumulate	-15.1	-18.2	3.2	-20.5	12.5	-2.1	8.2	7.4	1.3	4.1	-11.2	1,029	67.6
BMP	HOSE	183	52,800	51,900	11.4	Accumulate	10.7	-1.1	6.4	11.4	7.2	-5.9	9.0	10.5	1.7	9.6	16.9	407	17.8
CVT	HOSE	31	19,985	19,450	10.5	Accumulate	1.1	-1.0	-26.6	-44.1	33.4	52.7	4.7	5.0	1.0	7.7	2.1	224	37.3

Source: Rong Viet Securities; Price as of Aug 7th, 2020.

VIETNAM ECONOMY

Tu Vu - tu.va@vdsc.com.vn

PLUMMETING EXTERNAL DEMAND

Emerging markets recovering at a slower pace than Advanced economies

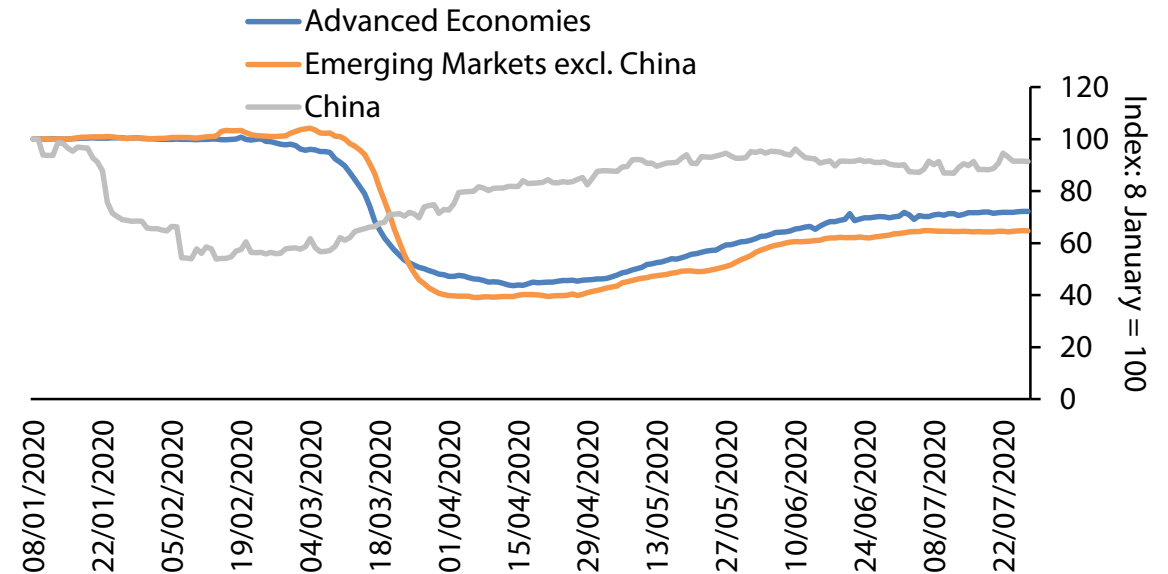
- World trade declined in 2020 up till May was 17% ytd, so did industrial production
- Although the world is reopening, total demand is still a far cry from the pre-pandemic level
- Emerging markets, especially export-driven ones, experience slower recovery than Advanced economies'
- PMI surveys in ASEAN show no signs of rebounding. Backlog jobs keep decreasing
- According to AMRO, the spillover effect, caused by a negative 1% shock to the EU and the US dragged ASEAN's annual growth down by 0.2-2% in 2020

Figure 1: Merchandise world trade volume, 2010=100



Source: AMRO, CPB, Bloomberg, Rong Viet Securities

Figure 2: Daily activity indicators

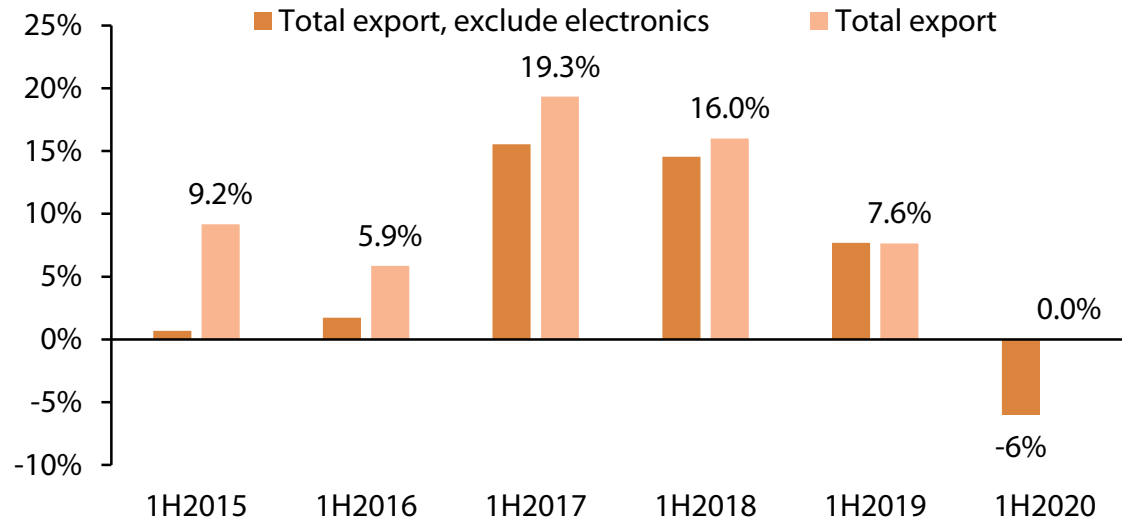


PLUMMETING EXTERNAL DEMAND

Impact of global recession on Vietnam's FDI-driven economy

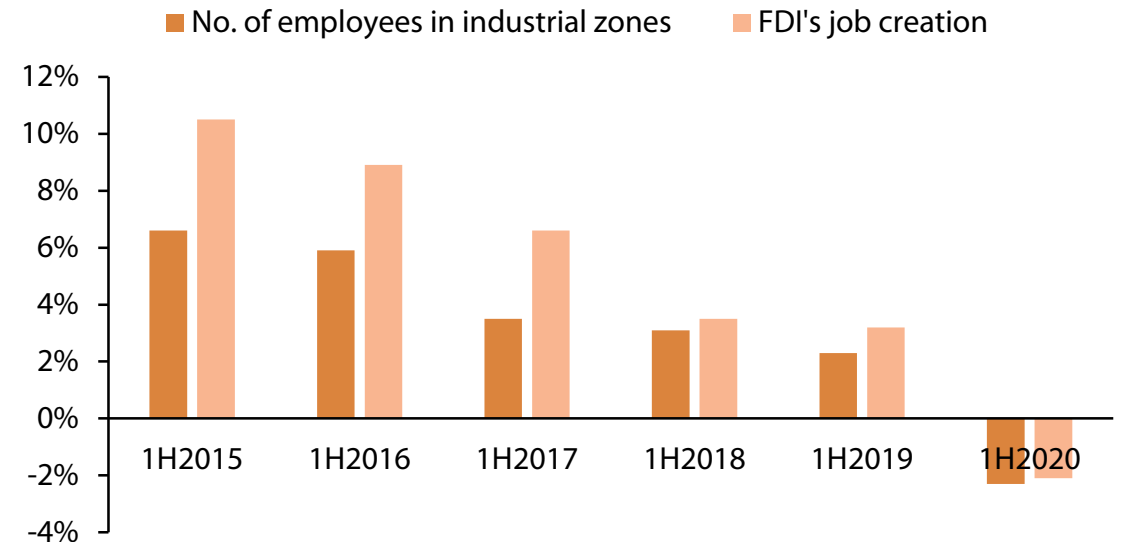
- Total ex-electronics exports dropped 6% yoy in 1H2020 while new export orders sharply contracted
- Employment in industry decreased for the first time since 2015, leading to widespread income loss
- Work from home and expectations of a recovery of export to the EU could likely boost export growth in positive territory by the end of 2020
- Ex-energy FDI plunged 30% yoy in 1H2020 while investment in the manufacturing sector was down 15%
- A negative 1% shock to G2 results in a 0.8-1.1% drop in Vietnam's annual growth

Figure 3: Vietnam's export growth, % yoy



Source: AMRO, Customs, Rong Viet Securities

Figure 4: Vietnam's employment, % yoy

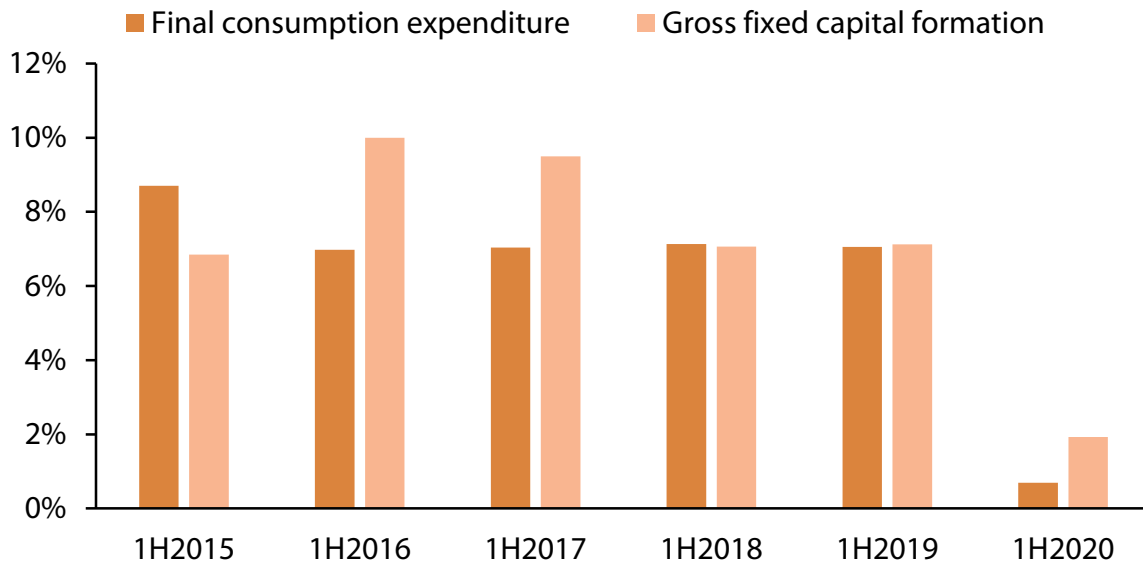


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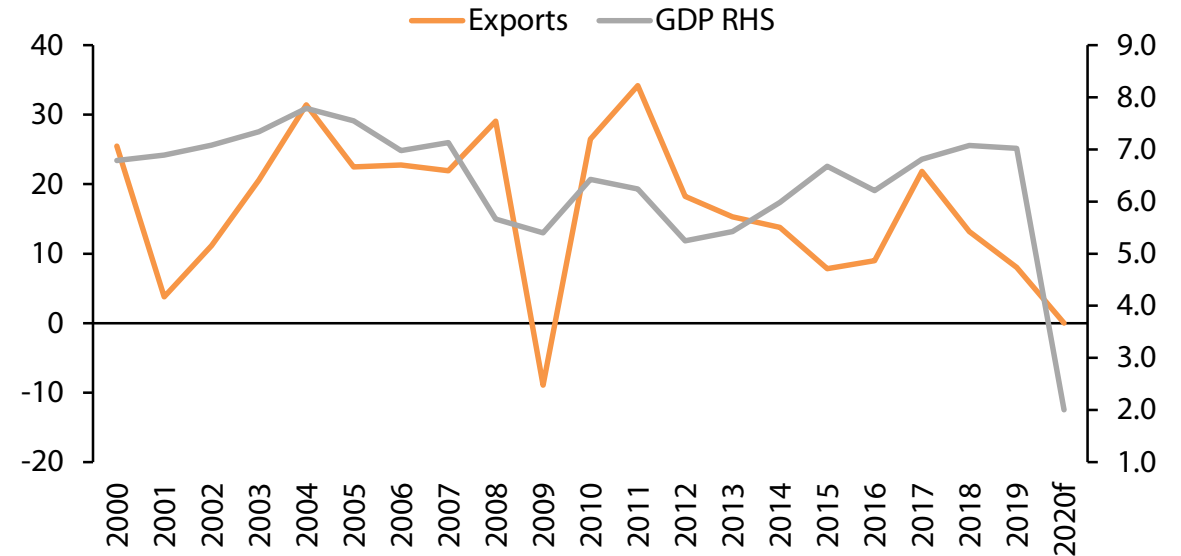
- In 1H2020, Vietnam's final consumption expenditures only grew at an annual pace of 0.7%
- As the national social distancing orders went through, many tier-1 and tier-2 cities saw a weak recovery in consumption
- The gross fixed capital formation rose 1.9% yoy in 1H2020 due to state investments rising while private investment scaled back
- We forecast that GDP growth will be around 2% yoy in 2020

Figure 5: Vietnam's consumption and investment, % yoy



Source: GSO, Customs, Rong Viet Securities

Figure 6: Vietnam's export and GDP, % yoy



POLICY TRADE-OFF: POLICIES, POLITICS AND PANDEMICS

Balance public health and economic considerations

- The recurrent episodes of the pandemic make the economic recovery fragile
- Localized social distancing orders are being applied to keep domestic consumption buoyant
- A trade-off between the gov't resources and ultimate needs of bridge financing to tackle the health emergency, easing residents' income shortfalls, and restoring business confidence
- Public deficit and debt are expected at 5% and 59% of GDP, above 3.5% and 57% of GDP as planned

Figure 7: Vietnam stringency index and confirmed cases

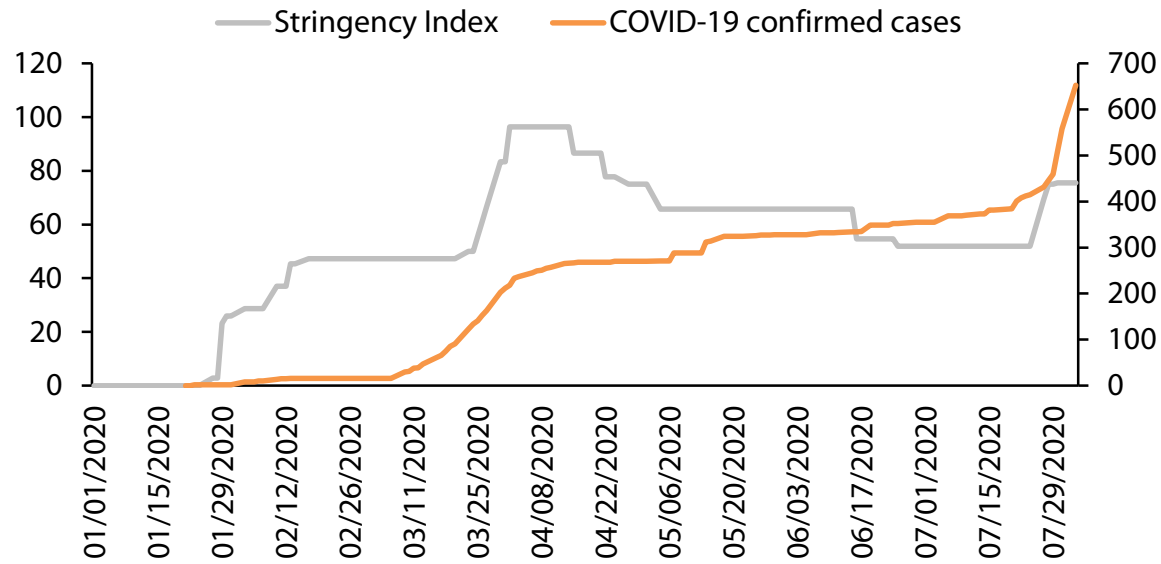
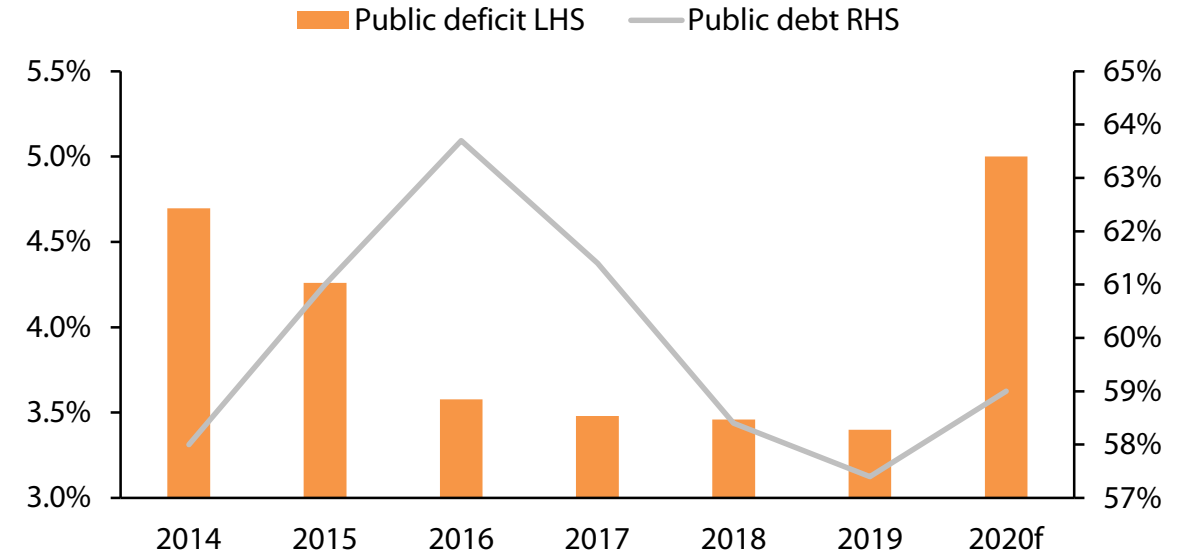


Figure 8: Vietnam's public finance indicators, % of GDP

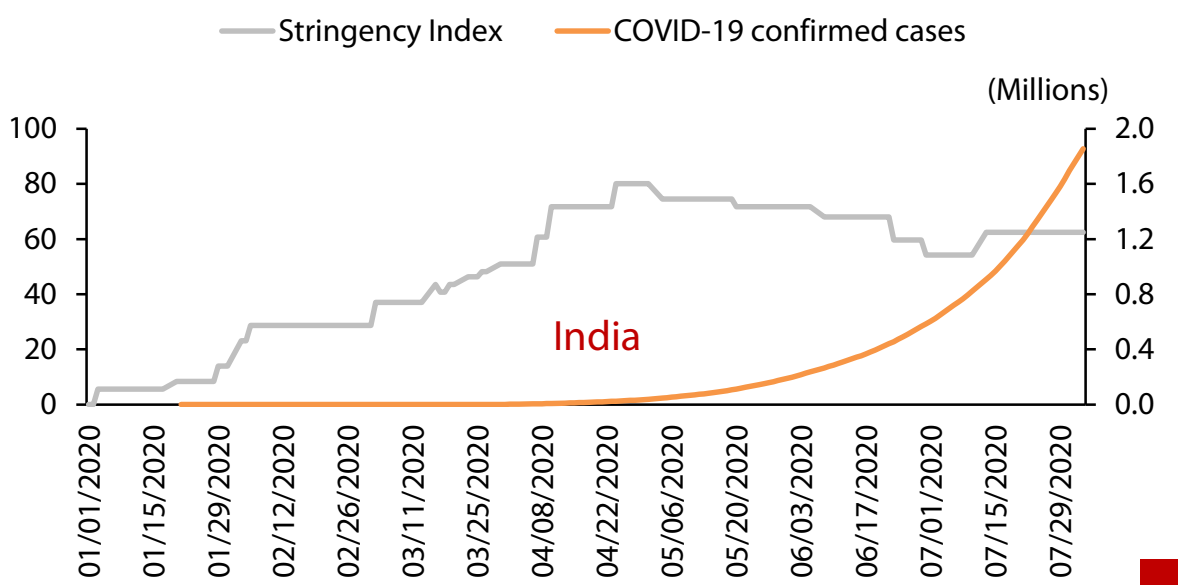
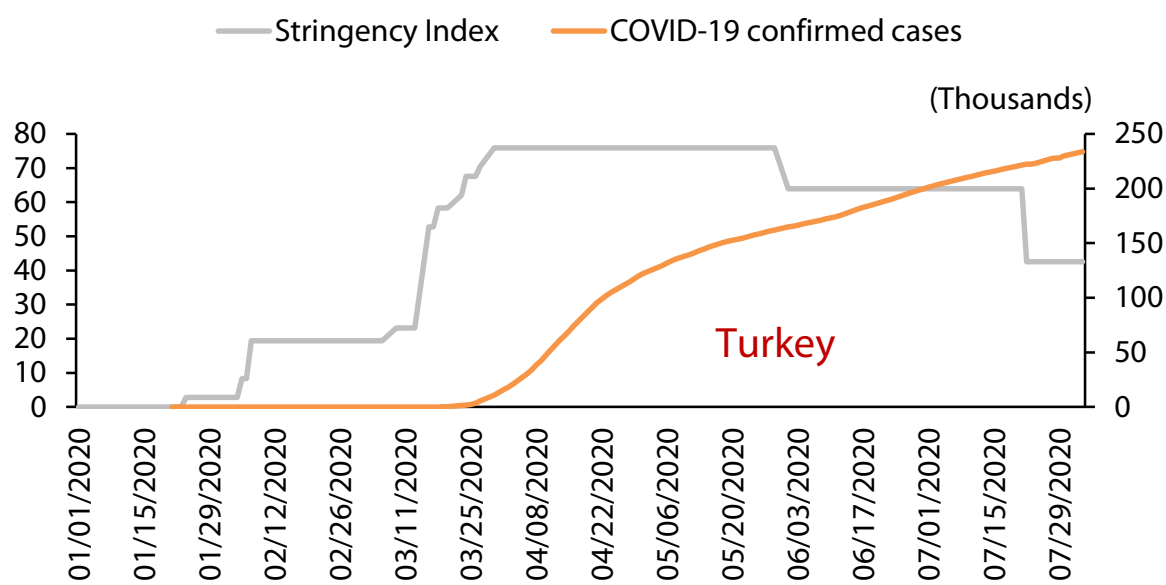
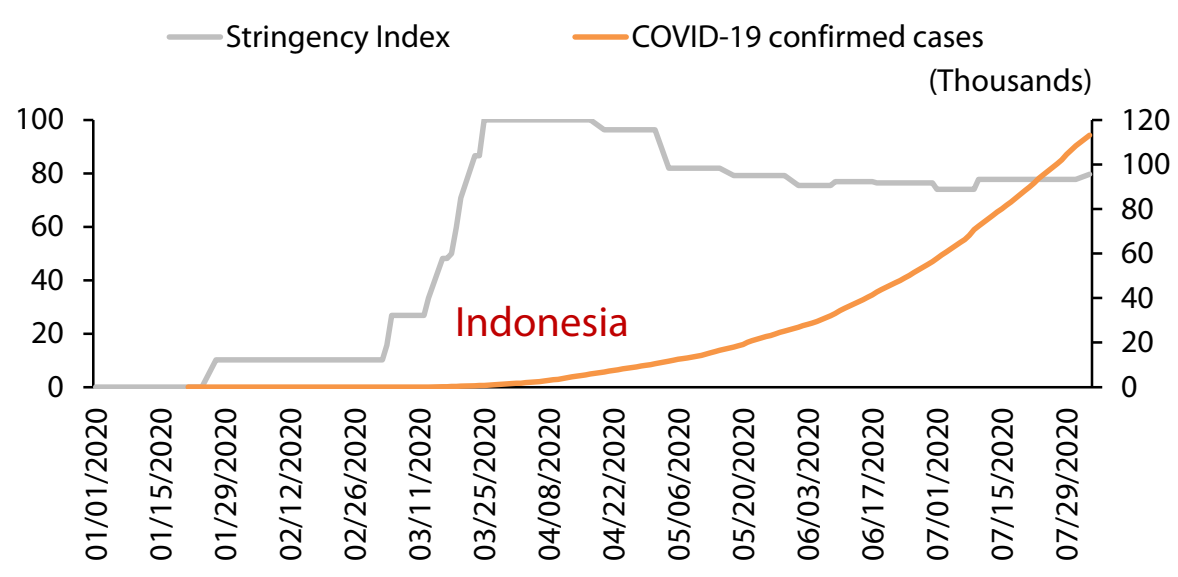
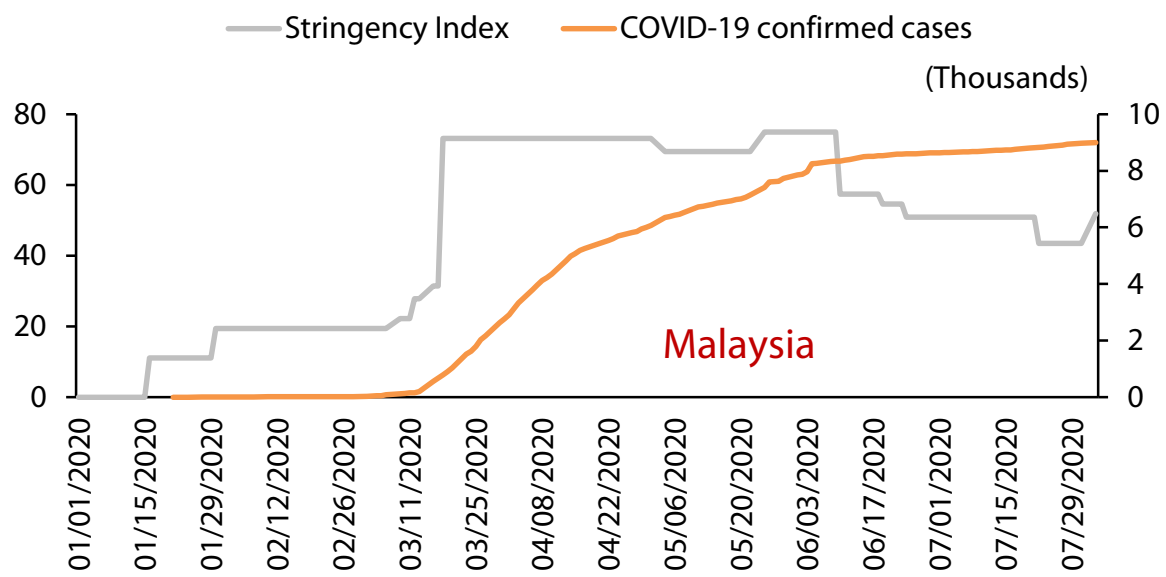


Source: Bloomberg, MOF, Rong Viet Securities

* Stringency Index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest response)

POLICY TRADE-OFF: POLICIES, POLITICS AND PANDEMICS

Emerging markets reopening despite surging positive cases



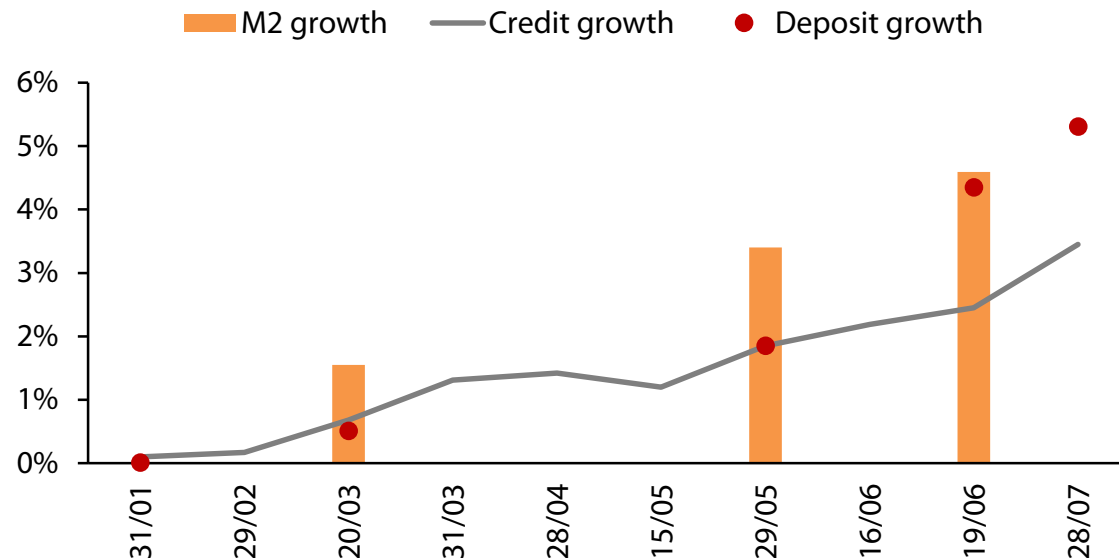
Source: Bloomberg, Rong Viet Securities

POLICY TRADE-OFF: POLICIES, POLITICS AND PANDEMICS

Balance short-term stimulus and long-term financial stability

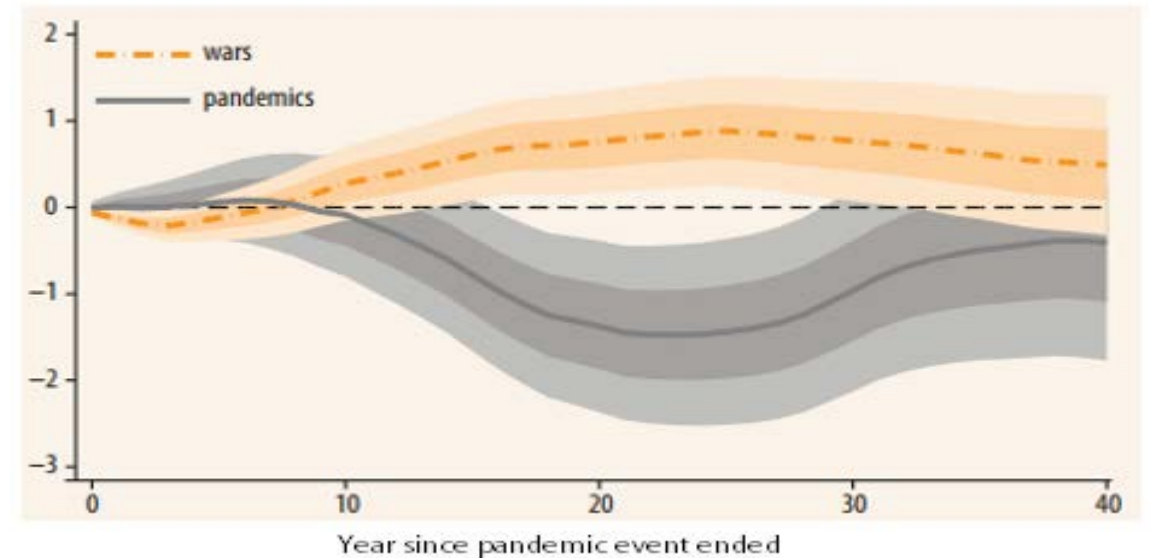
- Real interest rates stay lower for longer following a pandemic
- Temporary relief measures remain as long as the pandemic's fallout continues
- However, the key question is how and when to exit from the exceptional regulatory relief measures
- SBV's policy has likely normalized. Pace of easing will slow, especially since Vietnam's credit level is fragile
- We expect further rate cuts despite food inflation and SBV continues to ask commercial banks to share corporates' burden
- There will be no aggressive credit expansion and no loosening of prudential policies

Figure 9: Vietnam's credit expansion



Source: GSO, SBV, Rong Viet Securities

Figure 10: Response of real interest rates to a pandemic, %



Source: Jordà, Singh, and Taylor (2020)

POLICY TRADE-OFF: POLICIES, POLITICS AND PANDEMICS

Main policy measures to address the pandemic

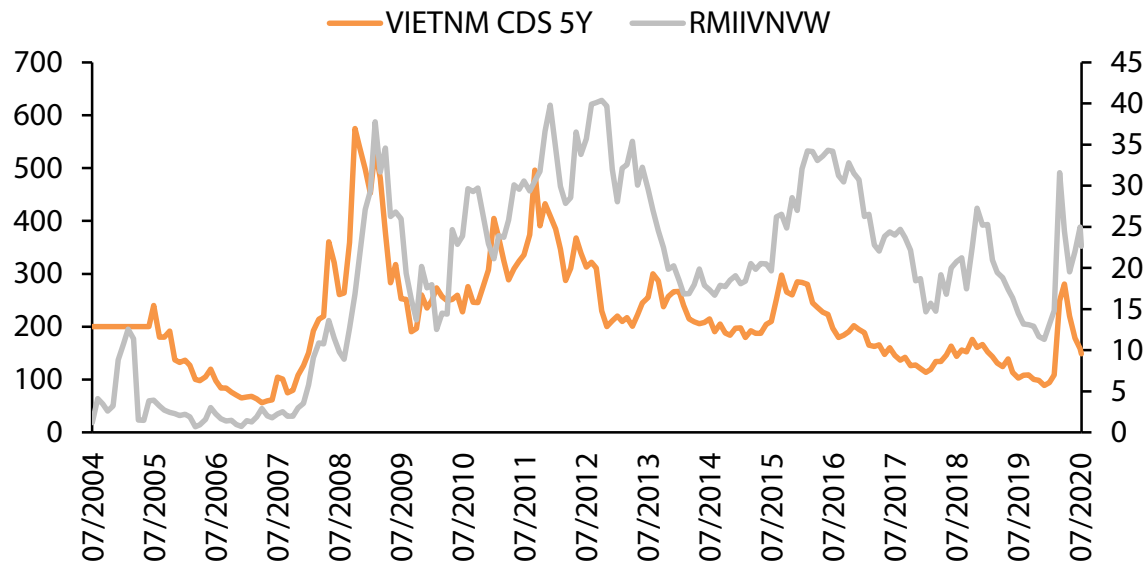
Policy measures		CN	ID	JP	KR	MY	PH	SG	TH	VN
Fiscal	Enhance health system	•	•	•	•	•	•	•	•	•
	Cash transfers	•	•	•	•	•	•	•	•	•
	Support for Households									
	Expanded unemployment benefits, subsidies	•	•		•	•				•
	Tax breaks/Deferment	•	•		•				•	•
	Support for Firms		•		•	•	•	•	•	
Monetary	Direct cash transfer to firms, others			•	•			•		
	Policy rate easing	•	•		•	•	•		•	•
	RRR easing	•	•			•	•			
	Expansion/Intro of new lending windows for banks	•	•		•		•		•	•
	Central Bank purchase gov't bonds		•	•			•		•	
	Non-Conventional									
Financial	Central Bank purchase of corporate bonds			•					•	
	Loosen Capital or Liquidity Req't		•		•	•				•
	Regulatory Forbearance/Ease		•	•					•	•
	Macro Prudential measures									
	Debt relief/restructuring	•	•			•		•	•	•
	Others	•	•	•	•					

TESTING INTERNAL RESISTANCE

Credit risk is mounting

- Introducing the payment deferral program temporarily masks the banking system's health
- But, credit losses would be materialized, particularly after the payment holiday periods end
- According to State Bank of Vietnam (SBV), the balance-sheet bad debts will be at 2.2-2.4% of total credit in 2020, 0.5-0.8% higher than 2019's
- According to NUS, Vietnam's model-based probability of default (PD) in one year is the highest in ASEAN, so does Vietnam's value-weighted Corporate Vulnerability Index (CVI)
- Vietnam CDS 5Y, a market-based measure, remains low in a downtrend

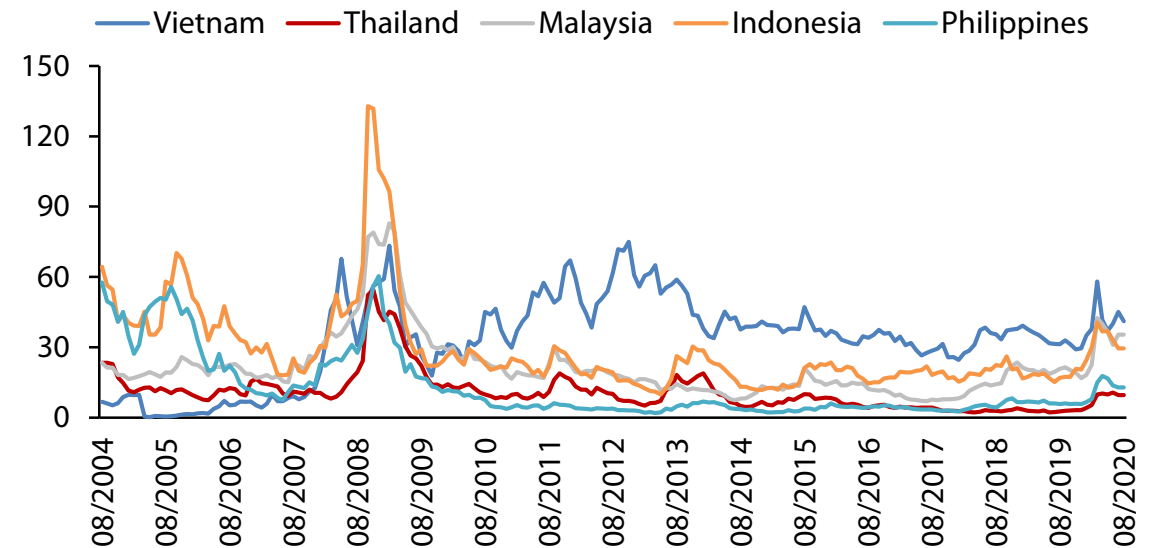
Figure 11: Vietnam CDS 5Y and Corporate Vulnerability Index



Source: NUS, GSO, SBV, Rong Viet Securities

Note: National University of Singapore(NUS)

Figure 12: ASEAN's Probability of Default, bps



Note: PD and VCI are the median value of the individuals PDs & VCIs across all listed firms

Macroeconomic indicators

Table 1: Macroeconomic indicators

	2015	2016	2017	2018	2019	2020F
GDP GROWTH (%)	6.7	6.3	6.8	7.1	7.0	2.0
TRADE BALANCE (BILLION USD)	-4.1	+1.5	+2.9	+7.2	+10.8	+16.7
EXPORT GROWTH (%)	8.1	9.0	21.2	13.8	7.9	1.0
IMPORT GROWTH (%)	12.0	5.3	20.8	11.5	6.6	-1.0
INFLATION (%)	0.6	4.7	3.5	3.5	2.0	4.0
REFINANCING RATE (%)	6.5	6.5	6.25	6.25	6.0	4.5
OMO INTEREST RATE (%)	5.0	5.0	5.0	4.75	4.0	3.5
MONEY SUPPLY GROWTH (%)	16.2	18.3	14.9	12.4	14.8	9-10
CREDIT GROWTH (%)	17.3	18.2	18.2	13.9	13.7	8-10
BUDGET DEFICIT TO GDP (%)	4.6	3.9	3.5	3.5	3.4	5.0
EXCHANGE RATE (VND)	22,485	22,761	22,745	23,245	23,230	23,270

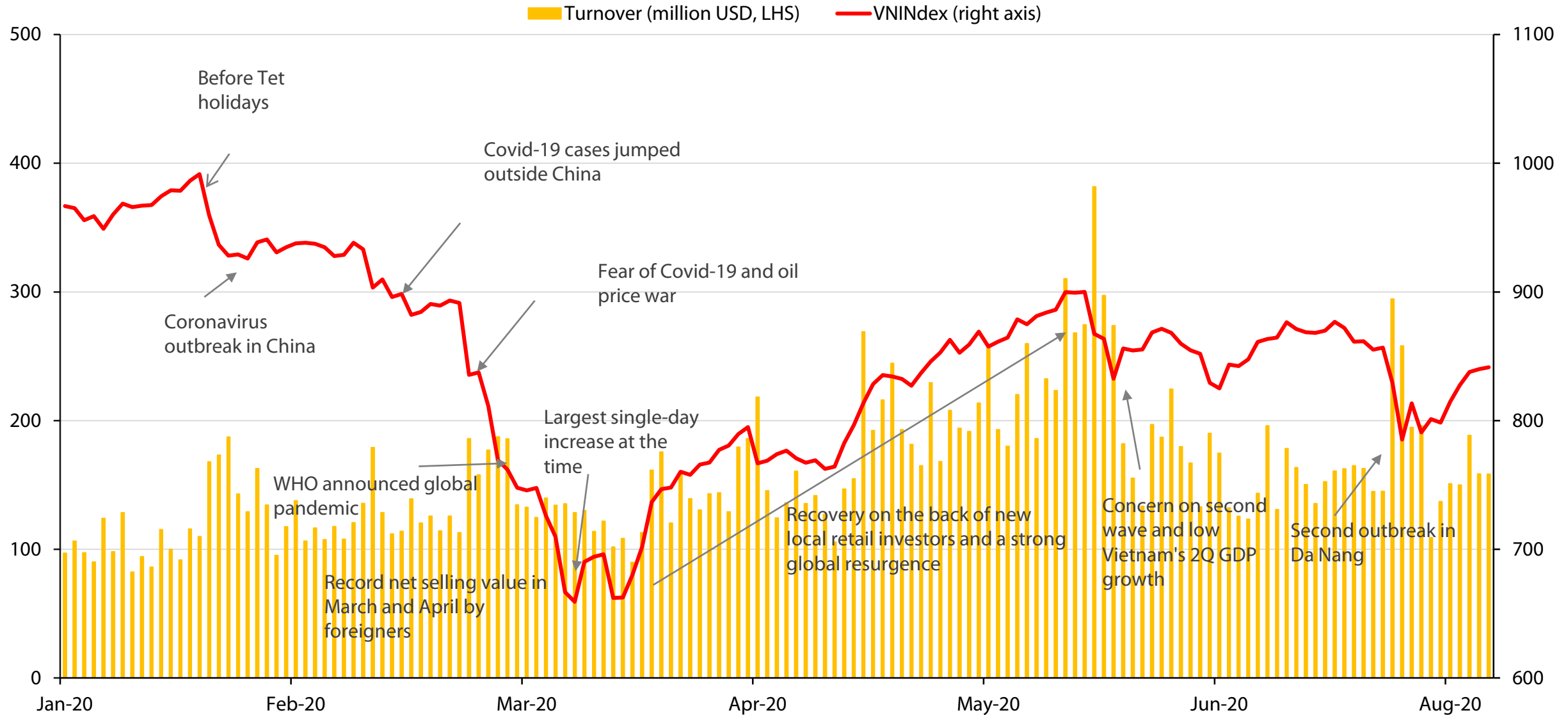
Source: Rong Viet Securities

Market Outlook: Rising gradually on the back of ample liquidity

Hoang Nguyen - hoang.nt@vdsc.com.vn

MARKET REVIEW

A sharp fall, following by a fast recovery



Source: Fiinpro, Rong Viet Securities (Data as of August 7th)

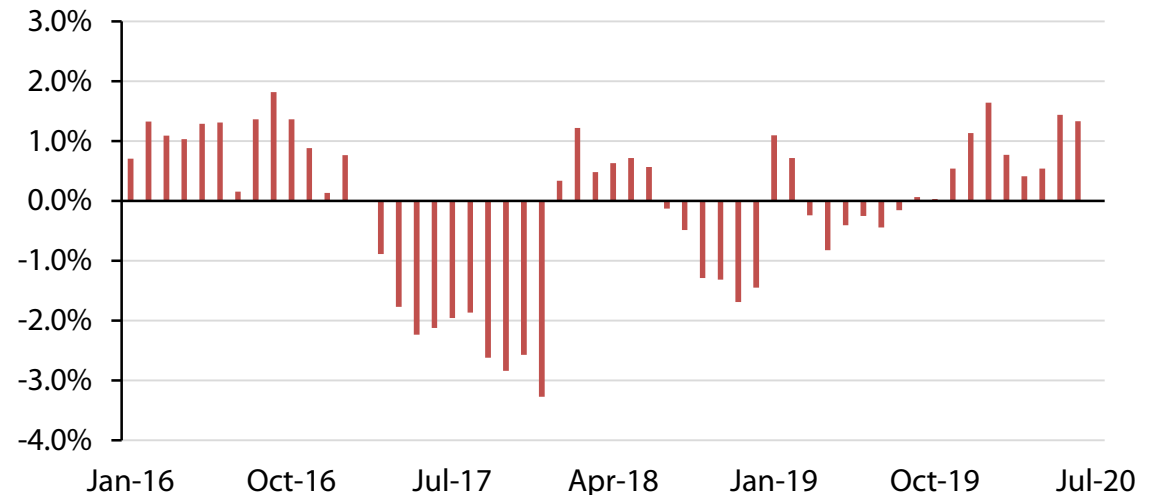
MARKET OUTLOOK FOR THE REMAINING OF 2020

Liquidity

Abundant domestic liquidity

- Although money supply YTD's growth for the first six months dropped significantly compared to last year, from 6.05% to 4.59%, credit YTD's growth rate halved to 3.26%, bringing the monthly gap between money supply and credit to a high level. We think this trend is likely to remain for the rest of 2020 for the following reasons.
 - The State Bank of Vietnam has enhanced its US dollar reserves in the first seven months of 2020 due to a rising trade surplus and a slight decrease in FDI disbursements. We expect that the trade surplus can continue to rise because enterprises are reluctant to import goods and exports are likely to be flat. Additionally, although public infrastructure disbursements increased 27% YoY in 7M2020, the government has completed only 43% of its yearly plan. The remaining public disbursements should add to money supply.
 - Even though the government targets 9 to 10% credit growth rate for 2020, demand for credit will not improve much for the rest of 2020 due to low consumption demand on both domestic and main export markets.
 - Moreover, credit demand in the real estate sector is also low. While apartment supplies in Ha Noi and HCMC declined YoY, the absorption rate also fell. Real estate roadshows in the next few months will continue to be affected by the fear of Covid-19 and a lack of foreign participation.

Figure 1: Monthly difference between money supply and credit growth



Source: SBV, Rong Viet Securities,
Money supply and credit growth YTD at the end of each month

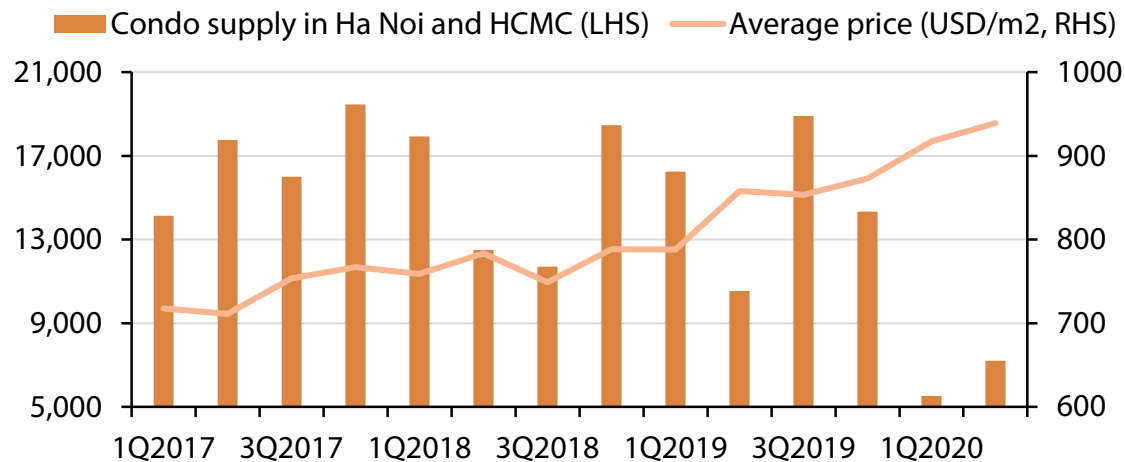
MARKET OUTLOOK FOR THE REMAINING OF 2020

Liquidity

Abundant domestic liquidity with limited investment channels

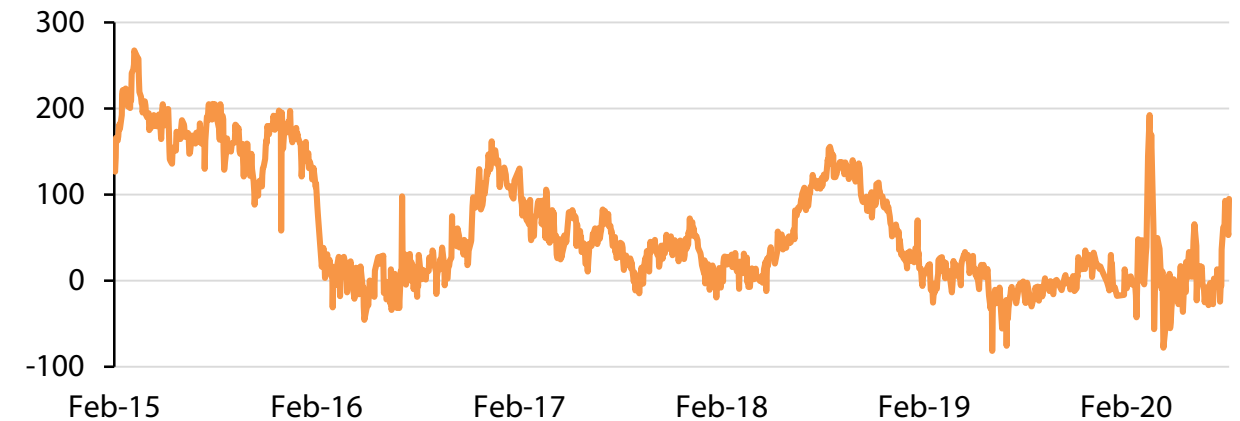
- In the context of ample liquidity in the economy, there are limited investment channels.
 - With regard to real estate, although the leasing apartment fee has recently decreased, average prices in Ha Noi and HCMC were up slightly.
 - Meanwhile although the domestic gold price has risen strongly so far this year and outperformed almost other assets, the recent progress on Covid-19 vaccine has caused the price to drop.
 - The new decree about issuing corporate bond that will come into effect in September 2020 will restraint new corporate bond issuance in 4Q2020 because of the six month gap between the two consecutive issuances. According to the Ministry of Finance, the local retail investors participated actively in the corporate bond market with ownership of 27% of total corporate bonds outstanding, an increase from 9% in 2019.
 - Banks have lowered deposit interest rates due to sluggish credit growth.

Figure 2: Average price of condos continues to rise



Source: CBRE, Rong Viet Securities

Figure 3: The gap between domestic and world gold price (USD)



Source: Bloomberg, Fiinpro, Rong Viet Securities,

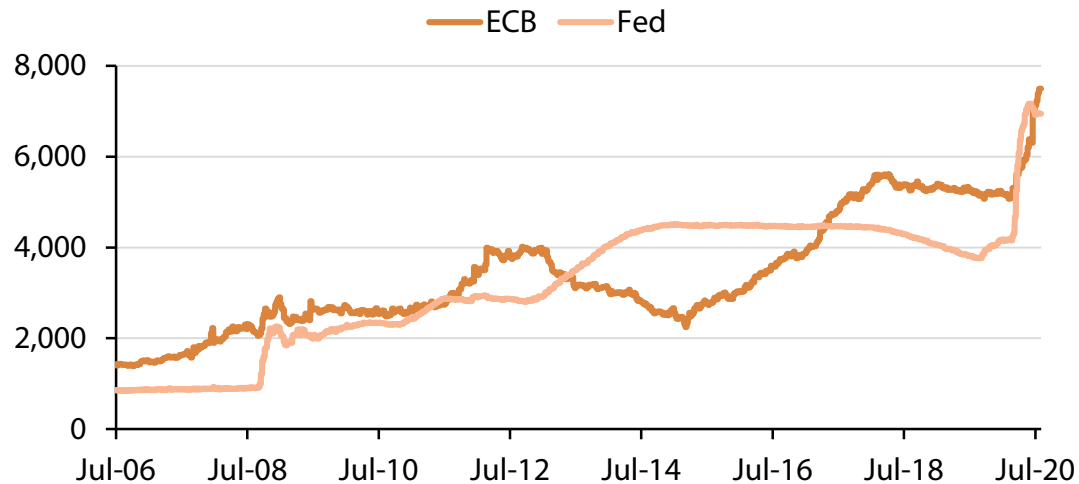
MARKET OUTLOOK FOR THE REMAINING OF 2020

Liquidity

Low chances of another strong withdrawal from foreigners

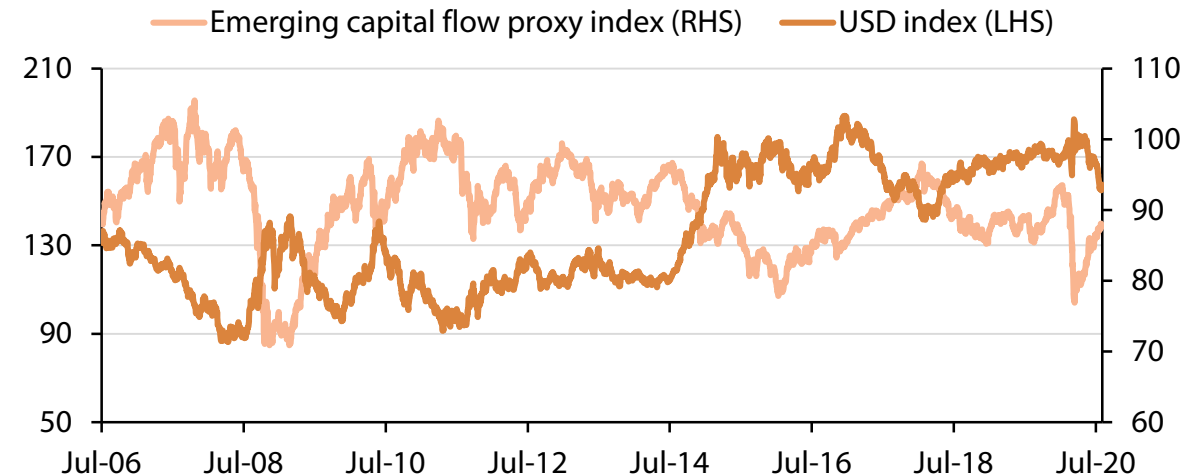
- We think that the strong net selling value by foreigners in March and April is behind and the Vietnam's stock market will not experience another sell-off. The main reason that the sell-off occurred was an apprehension about liquidity. However, this will no longer cause another exodus thanks to strong liquidity support by the Fed and other central banks.
- The flood of US dollar will support emerging markets. From historical data, we notice that emerging capital fund flows have a negative relationship with the US dollar. Bloomberg has recently recorded a comeback of foreign investors via ETFs in some emerging markets, including Vietnam in the last three months. The Vaneck ETF and the FTSE Vietnam ETF have drawn USD 11 mn and USD 6 mn in July instead of withdrawals of USD 26 mn and USD 19 mn in March, respectively.

Figure 4: Total assets of ECB and Fed have skyrocketed (billion USD)



Source: Bloomberg

Figure 5: US dollars and emerging market capital flow



Source: Bloomberg

MARKET OUTLOOK FOR THE REMAINING OF 2020

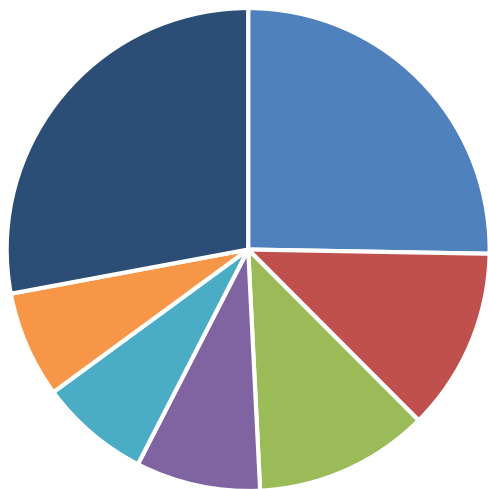
Liquidity

Low chances of another strong withdrawal from foreigners (cont)

- New local ETFs attracted foreign capital as FUEVFNVD ETF and FUESSVFL added USD 71 mn and USD 22 mn in 2020 (data as of August 7th 2020). Even though inflows in these two ETFs have slowed down in recent weeks, we think they can continue to draw money.
- Strong inflows from MSCI Frontier funds were disrupted by the delay of Kuwait's inclusion into the MSCI Emerging Market Index from May 2020 to November 2020. Thus, the I-Share MSCI Frontier 100 ETF that mimics the MSCI Frontier Market 100 Index is likely to pour more than USD 60 mn into Vietnam's Stock market, based on estimated weights increase. Additionally, the MSCI Frontier Market Index also increased Vietnam's weights to 25% from around 12% now.

Figure 6: Asset allocation in the I-Share MSCI Frontier 100 ETF

■ Kuwait ■ Vietnam ■ Morocco ■ Romania ■ Kenya ■ Bahrain ■ Others



Source: Bloomberg, data as of August 7th

Figure 7: Schroder Frontier Market Fund vs MSCI Frontier Market Index



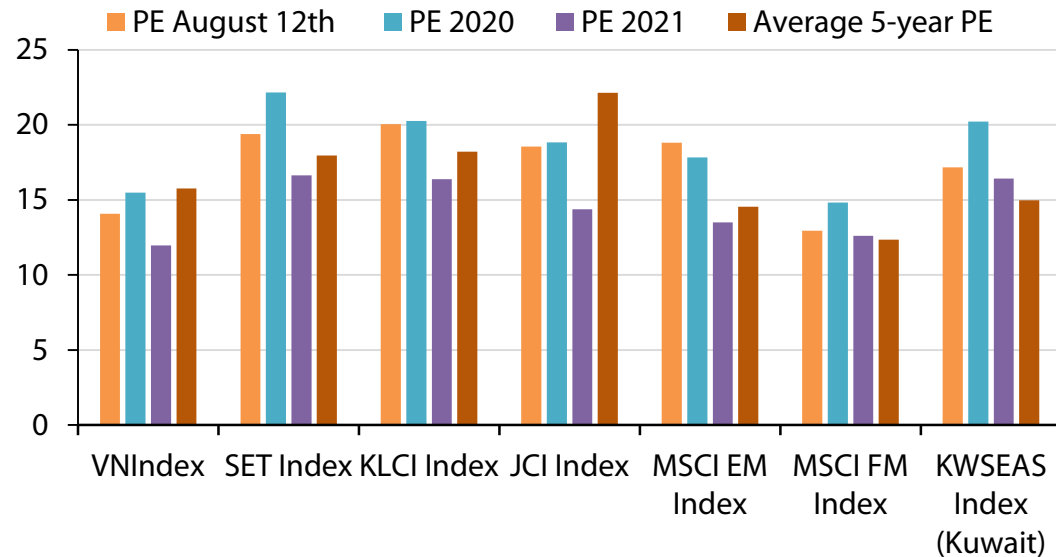
Source: Bloomberg, data as of August 7th

MARKET OUTLOOK FOR THE REMAINING OF 2020

VNIndex is cheap relatively to its past but is, currently, at a fair price against its peers

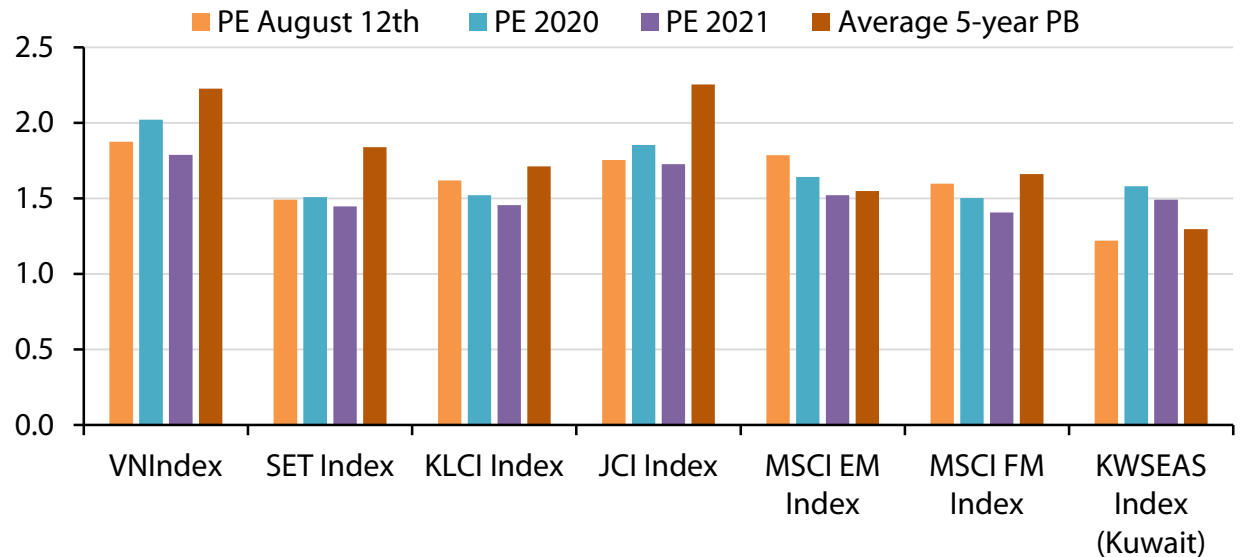
- Based on Bloomberg consensus, the VNIndex is quite cheap relatively to its past. Indeed, the VNIndex forward 2020 PE is estimated to be 15.5x, slightly lower than the average five-year PE of 15.8x. The number for 2021 is expected to be 12.0x, 24% lower than the average PE.
- Meanwhile, the forward 2020 PE is comparably fair against its peers as it is lower than Emerging Markets and slightly higher than Frontier Markets. In 2021, the VNIndex PE is estimated to slide below both emerging and frontier markets.
- According to Bloomberg the weighted EPS 2020 of the VNIndex will go down 14% YoY, correcting from the early year prediction of a 11% increase. The VNIndex has declined nearly 13% YTD. Thus, we think the market may reflect the current expectations for 2020 EPS. The EPS for 2021 is expected to recover sharply by 29% YoY.
- We expect that the VNIndex could close around 900 at a 2020 PE of 16.5x by year-end.

Figure 8: PE comparable



Source: Bloomberg, data as of August 12th

Figure 9: PB comparable



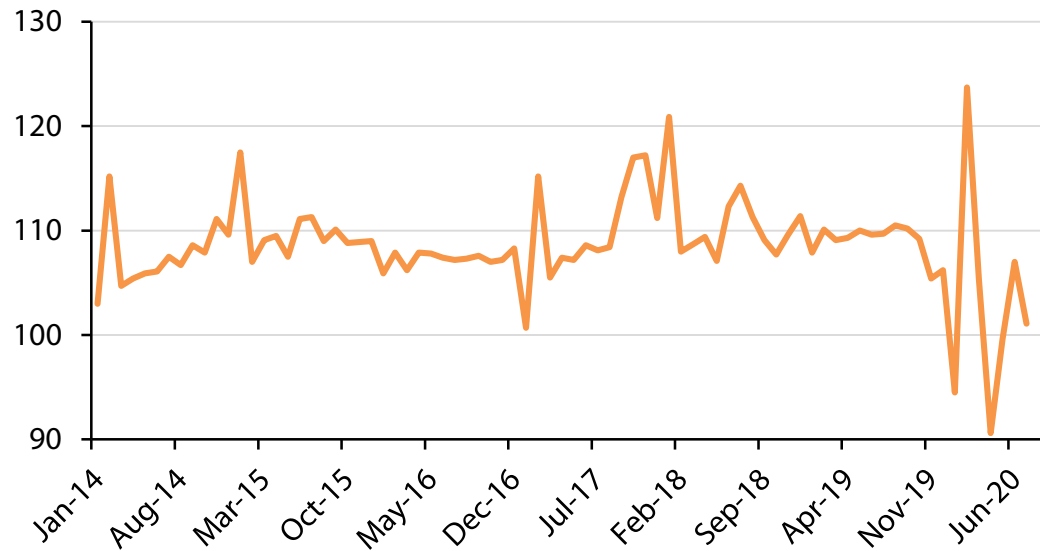
Source: Bloomberg, data as of August 12th

MARKET OUTLOOK FOR THE REMAINING OF 2020

Risk of slower than expected recovery

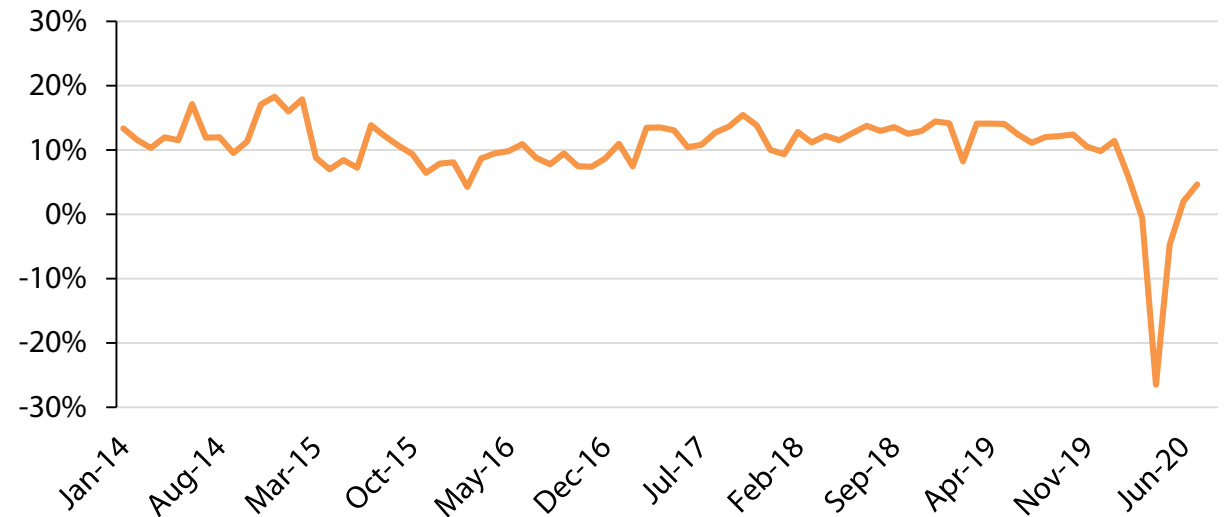
- Despite the sharp recovery of the stock market, Vietnam's economy is not rebounding as fast as expected. Indicators do not reflect it as industrial production and total sales of goods and services YoY rose lightly. Furthermore, the second outbreak in Central Vietnam could cause the economy to take more time to be back to a normal pace. Besides that, reopening commercial international flights may have to be delayed.
- In that context, a slower than expected recovery would result in lower earning expectations for 2020 and 2021 and restrain the stock market from moving higher.

Figure 10: Slow industrial production recovery (YoY)



Source: GSO, Rong Viet Securities

Figure 11: Slow total sales of goods and services recovery (YoY)



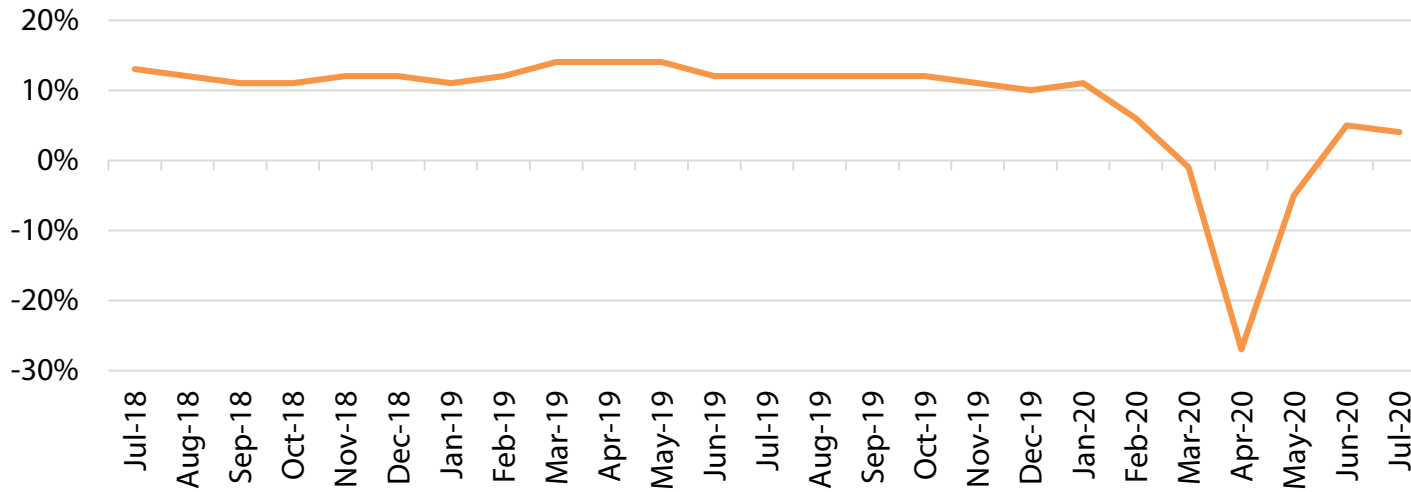
Source: GSO, Rong Viet Securities

Retail and Consumer: Adapt to new changes

Khoa Ngo – khoa.nc@vdsc.com.vn

Negative impacts of Covid19 dented retail sales growth

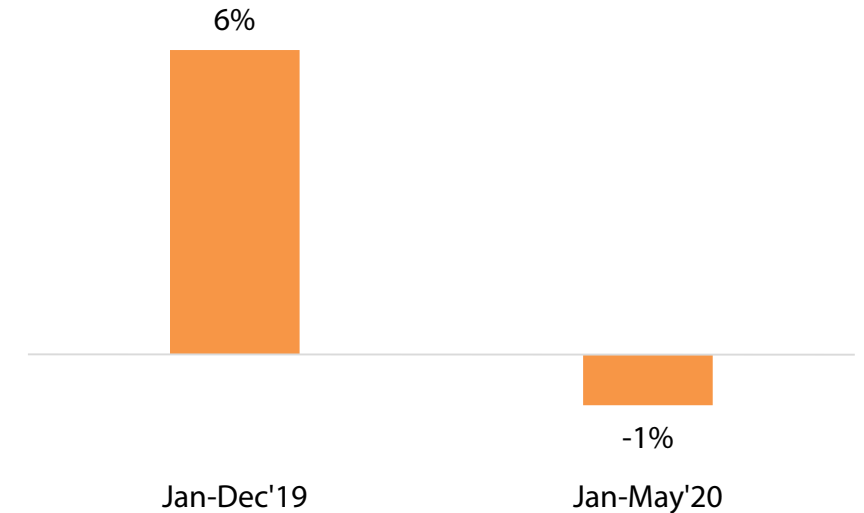
Figure 1: Monthly retail sales growth in Vietnam (YoY %)



Source: GSO, RongViet Securities

- For the first time in many years, Vietnam retail sales recorded negative growth in March-2020 as Covid19 began to spread within community. Following that, lockdown orders has enforced by Government, which depressed retail sales growth to its lowest level of -27% YoY in April. Since then, consumer spending started to recover but still behind pre-Covid19's level.
- For 7M2020, accumulated retail sales reached 2,799 trillion dong (+4.3% YoY). Of which :
 - Trade grew slightly by 7% YoY which is underpinned by resilient demand for essential goods during pandemic.
 - Hotel & Restaurant declined by 4.4% while Tourism plunged by 60% which is due to (1) the fact consumer prefer at-home recreation and (2) lower tourism traffics.

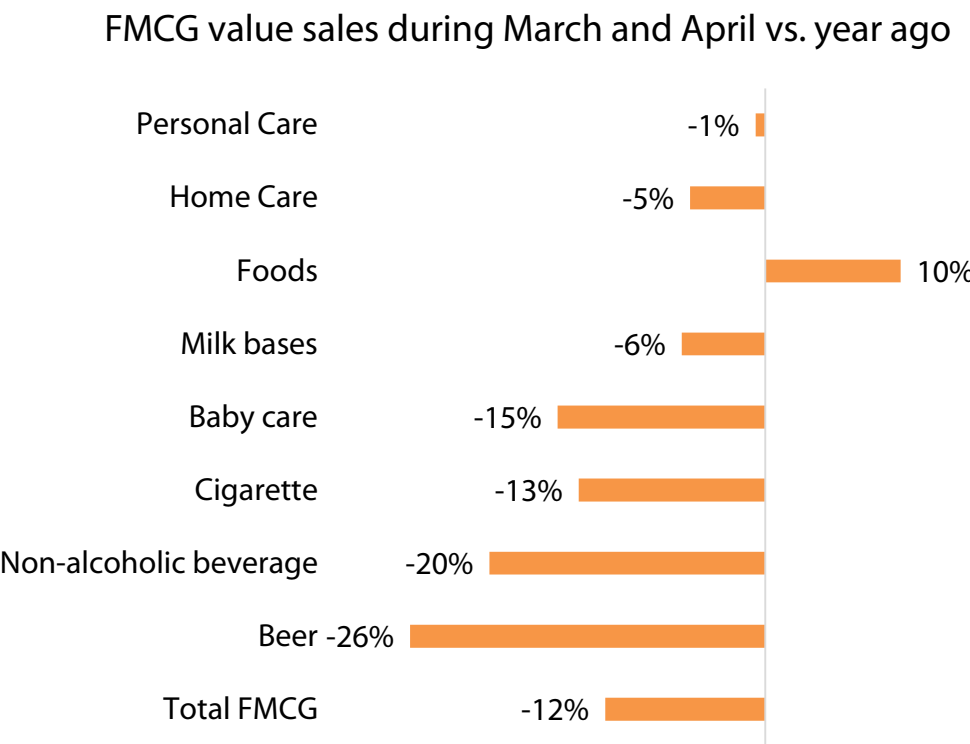
Figure 2: Vietnam FMCG Value growth over previous year



Source: Nielsen, RongViet Securities

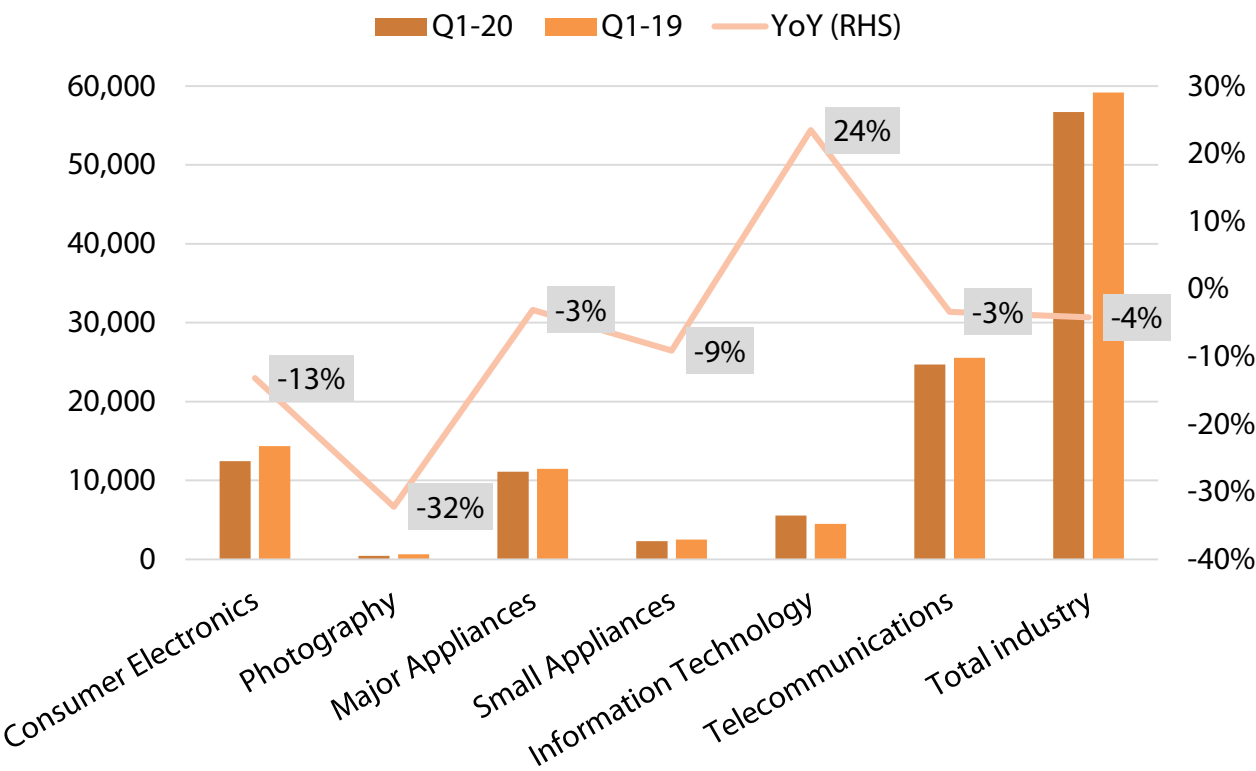
Austerities were taken during the lockdown by consumer

Figure 3: During Covid19, essential products like foods, milk, personal care are preferred instead of beer, beverage and cigarette.



Source: Nielsen, RongViet Securites

Figure 4: Many categories of technical consumer product saw less demand as consumer spending deteriorated (VND bn, % YoY).



Source: GFK, RongVietSecurities

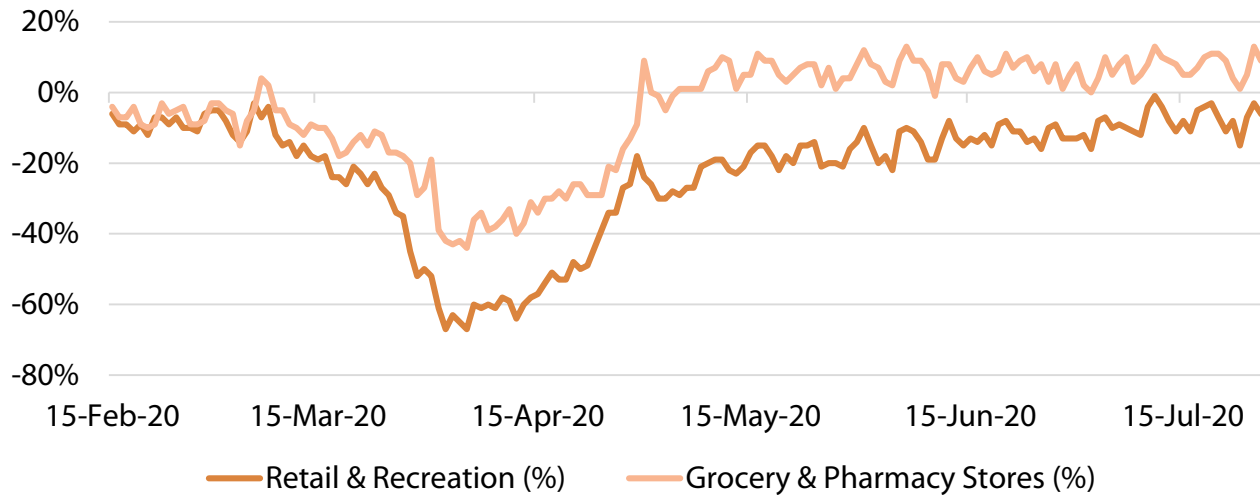
RETAIL & CONSUMER REVIEW

Post-lockdown trend: Continue focus on essential need and down-trading

Lower income and unemployment will force consumer to:

- Cut their spending on non-essential (which will affect jewelry selling of PNJ).
- Down-trading (which will slowdown premiumization progress in milk industry of VNM and QNS while help enhance private label segment of MWG).

Figure 5: Grocery & Pharmacy grew strongly while Retail & Recreation failed to recover.



Source: Google, RongViet Securities

- This interactive chart shows how the number of visitors to places of retail and recreation has changed relative to the period before the pandemic.
- Retail & Recreation include places like restaurants, cafes, shopping centers, theme parks, museums, libraries, and movie theaters
- Grocery & Pharmacy includes places like grocery markets, food warehouses, farmers markets, specialty food shops, drug stores, and pharmacies.

Figure 6: Income drops and heightened awareness of price and pack sizes will encourage customer to down-trading and select of private label over brands.

Private label in Vietnam



BHX grocery chain is rapidly expanding its private label offerings.



Source: Kantar World Panel, Rong Viet Securities

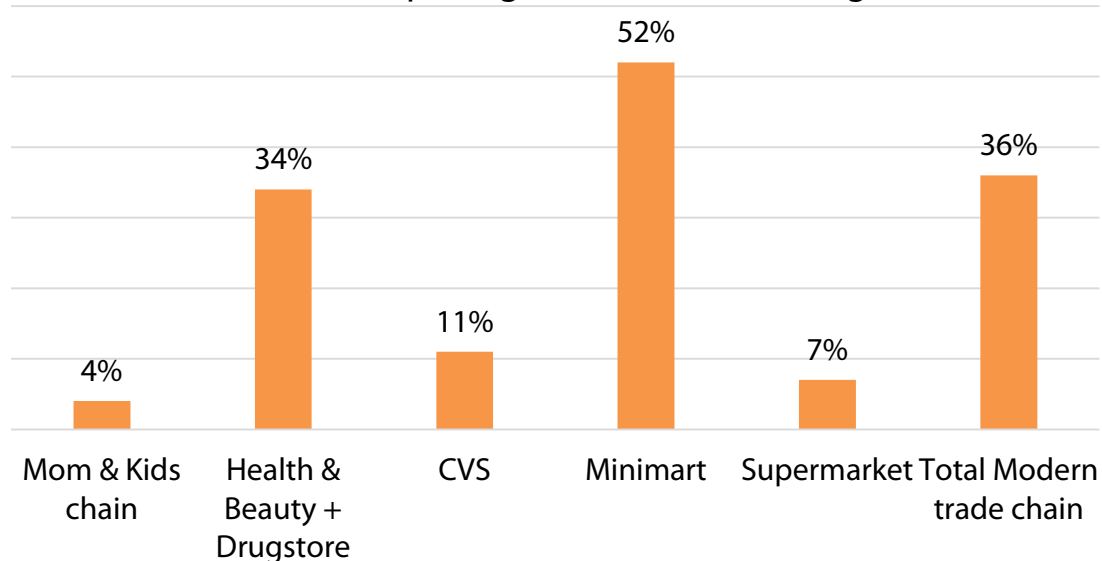
RETAIL & CONSUMER REVIEW

Post lockdown trend: Online shopping and modern trade over traditional trade; In-home over out-of home

- Due to fear of Covid19's infection, consumers are reluctant to shopping and entertain in crowded places such as mall and shopping center (as a result, PNJ is closing many stores located in mall).
- Further, Covid19 has speed up current retail trend, which includes modern trade (i.e customer switching from wet market to minimart like BHX and Vinmart+), online shopping and home-delivery (ie. 1H2020 has seen many online food shopping platform emerge such as BHX-Đi cho ho, Grabmart, Be di cho, Nowfresh, Chopp.vn, Lomart).

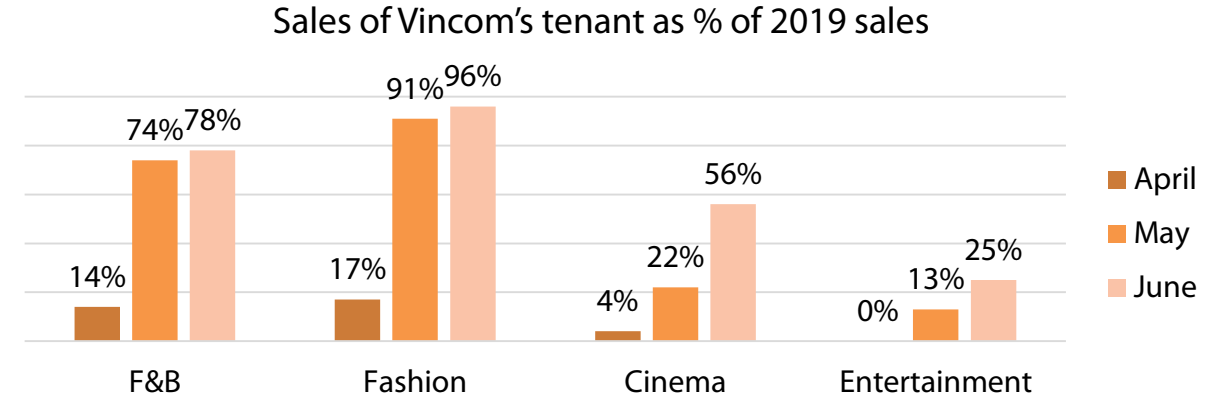
Figure 7: Thanks to convenience, competitive pricing and reliable good supply, modern trade are expanding quickly and winning more market share over traditional trade

New store opening in 6M2020 vs. Year ago



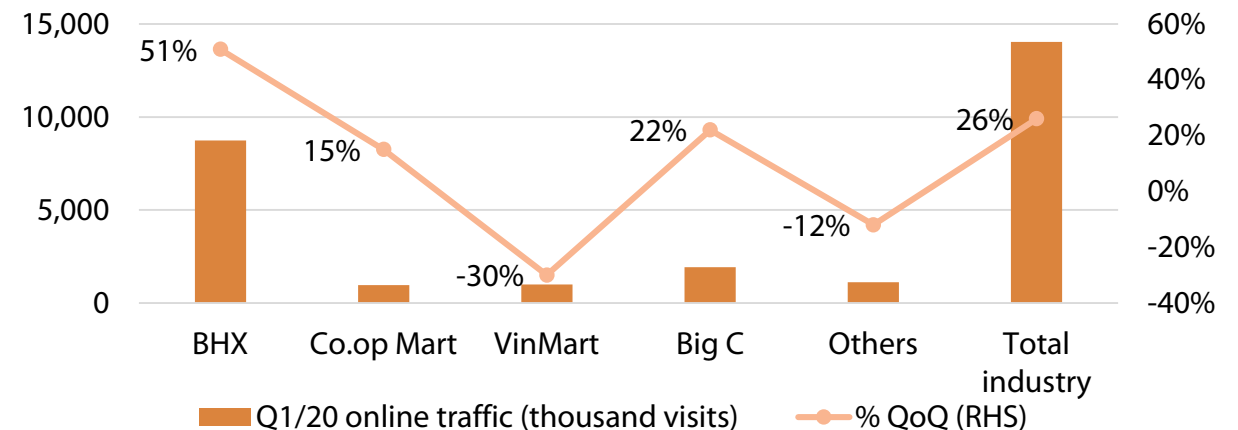
Source: Nielsen, Rong Viet Securities

Figure 8: Consumer prefer in-home cooking and recreation, as sales of many retailers in mall and shopping center is still far below pre-Covid's level.



Source: VRE, Rong Viet Securities

Figure 9: As a result, shopping online and home-delivery are expanding quicker than ever.



Source: YOUNET, Rong Viet Securities

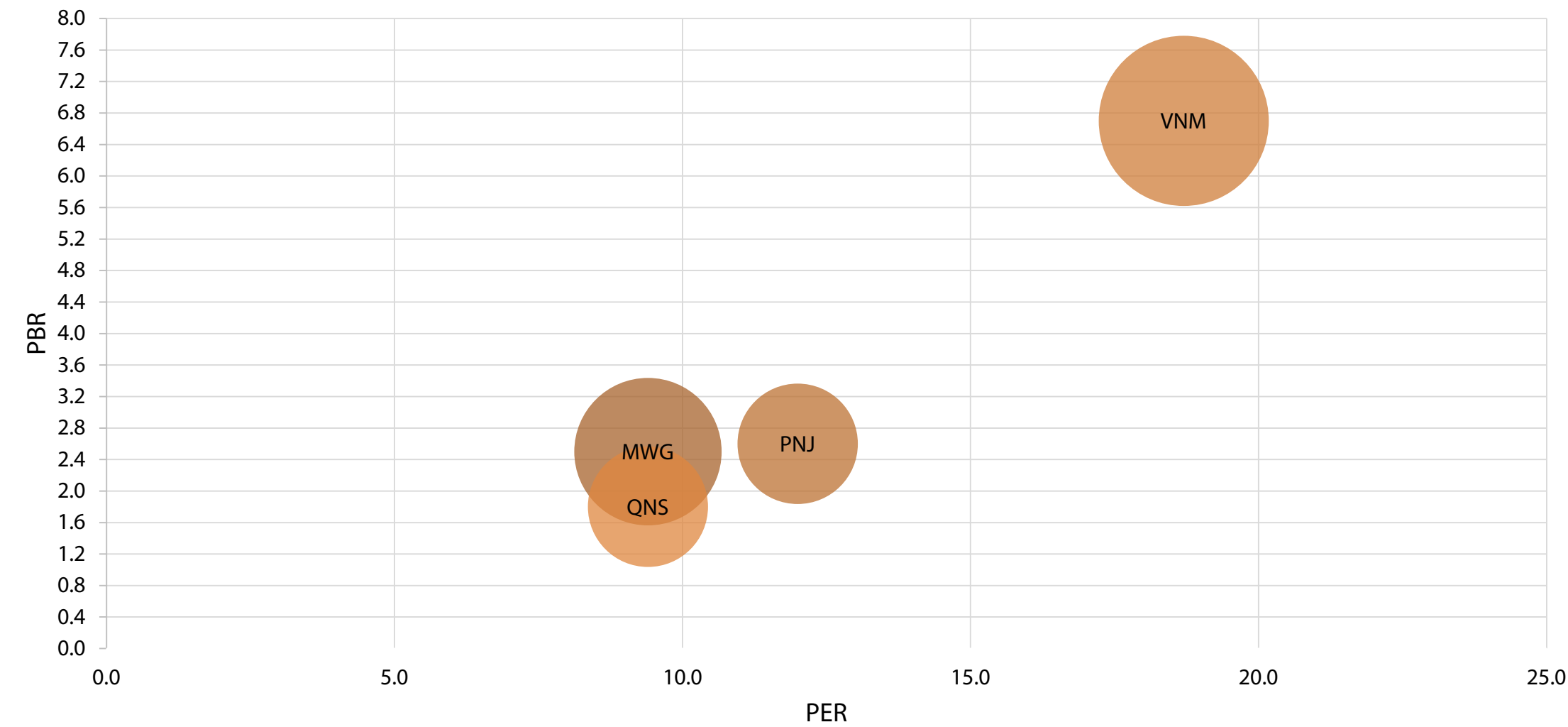
RETAIL & CONSUMER

Industry comparable: 1H2020 financials

Ticker	Market cap (USD mn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
MWG	1,536.3	131,000	7.8	13.5	6.9	5.1	-4.4	3.6	10.0	29.3	0.0	9.4	2.5
PNJ	536.4	73,000	0.0	-18.6	8.7	8.3	-26.4	5.7	12.6	22.5	0.0	12.0	2.6
VNM	8,681.7	126,000	6.7	2.4	26.0	22.2	2.6	19.7	23.8	35.1	1.7	18.7	6.7
QNS	482.7	33,000	-20.2	-12.4	26.9	15.5	-16.0	13.5	13.7	19.3	0.0	9.4	1.8

Source: Bloomberg, RongViet Securities. Share price as of 07 Aug 2020.

Industry comparable



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 07 Aug 2020.

MWG – Despite recent weakness in TGDD+DMX, MWG's profit will reclaim its high growing pace due to a more efficient BHX

INVESTMENT RATIONALE

Consumer electronic chain continues to consolidate and improve its profit margin

- DMX's market share is expect to double in the medium term.
- Rolling out private label, OEM, watches and accessories to bolster profit margin.
- Expanding to regional market and developing a "Super App" which is expected to be an e-commerce, customer service and loyalty mobile application.

Grocery chain will begin to drive MWG's earning growth from 2021 on

- Improving revenue of current stores by continuing to optimize product mix and upgrading models.
- Increasing store penetration in current area and expanding to the North.
- Room for widening gross margin.
- BHX is the no.1 online shopping channel for fresh and FMCG .

Attractive valuation

- One of a few blue chips that can achieve strong earning growth of CAGR 20% for the next five years.
- PER is close to its historical bottom.

RISKS TO OUR CALL

- Slower than expected progress in BHX's profitability.
- Covid19 re-emergence that will force store closure and hurt consumer spending.

BUY

+69%

CMP (VND)	78,600
Target price (VND)	131,000

Cash dividend in 12 months 1,500

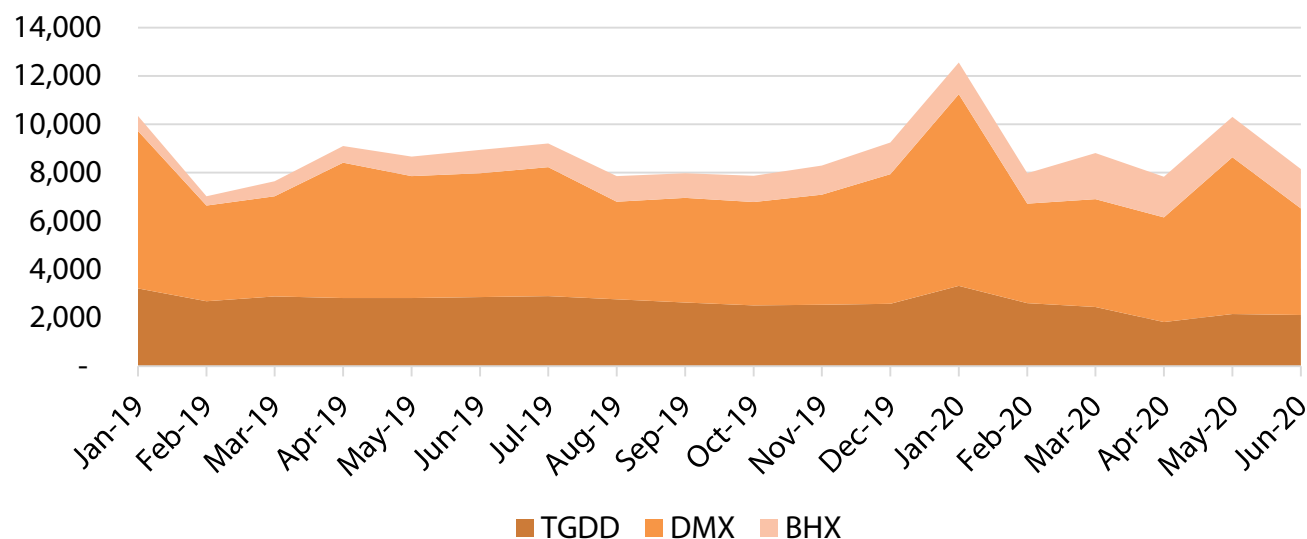
STOCK INFO

Sector	Consumer Services
Market Cap (\$ mn)	1,536.3
Current Shares O/S (mn shares)	452.8
3M Avg. Volume (K)	1,169.4
3M Avg. Trading Value (\$ mn)	4.2
Remaining foreign room (%)	0.0
52-week range ('000 VND)	56.3-129.5

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	86,516	102,174	114,597	140,554
Growth (%)	30.4	18.1	12.2	22.7
NPATMI (VND bn)	2,879	3,834	3,929	4,959
Growth (%)	30.5	33.2	2.5	26.2
ROA (%)	10.2	9.2	9.2	9.9
ROE (%)	34.2	33.1	26.3	25.8
EPS (VND)	6,343	8,449	8,460	10,652
Book Value (VND)	19,011	25,519	32,191	41,326
Cash dividend (VND)	1,500	1,500	1,500	1,500
P/E (x) (*)	13	13	8.9	7.0
P/B (x) (*)	4.3	4.2	2.3	1.8

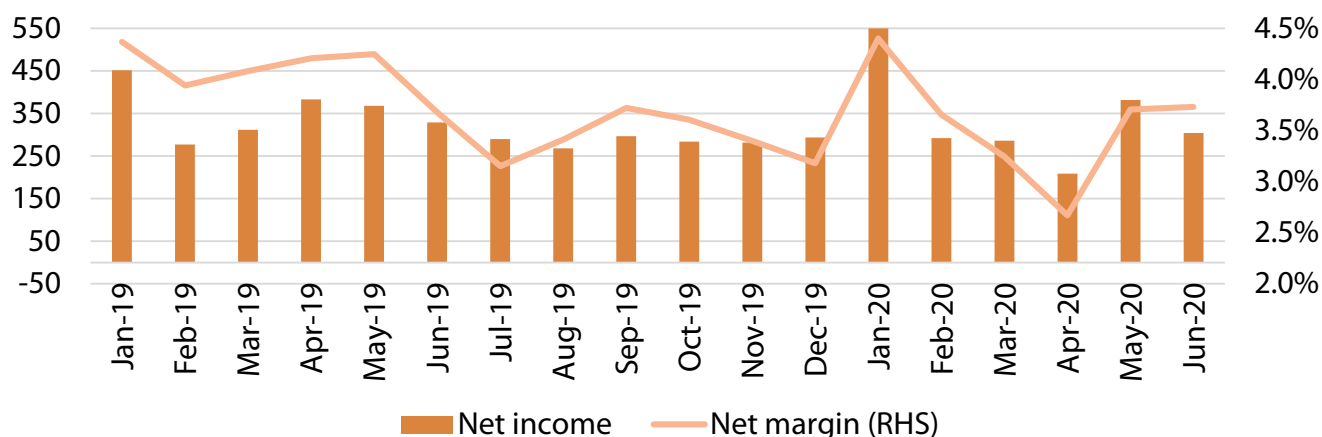
(*) Share price as of Aug 7th, 2020.

Figure 1: Revenue breakdown by VND bn



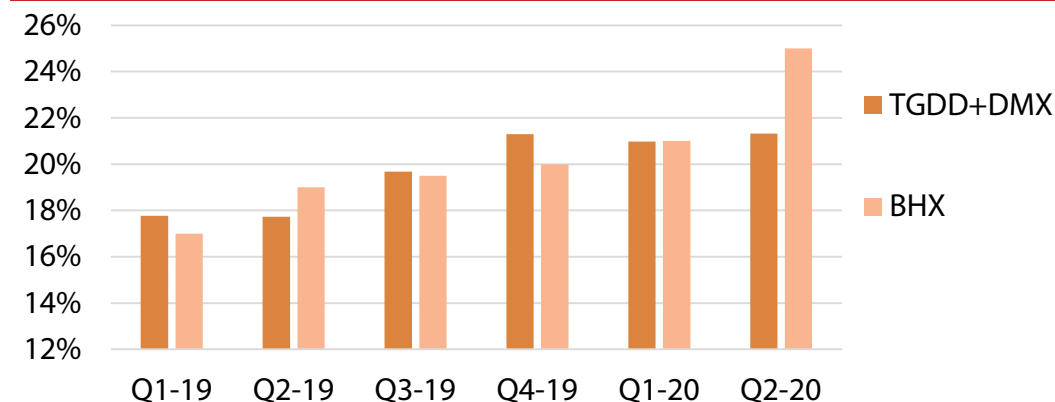
Source: MWG, Rong Viet Securities

Figure 3: NPAT (VND bn) and margin



Source: MWG, Rong Viet Securities

Figure 2: Gross profit margin



For 1H2020, revenue grew 8% YoY while NPAT declined 4% YoY

Moderate revenue growth was fueled by BHX

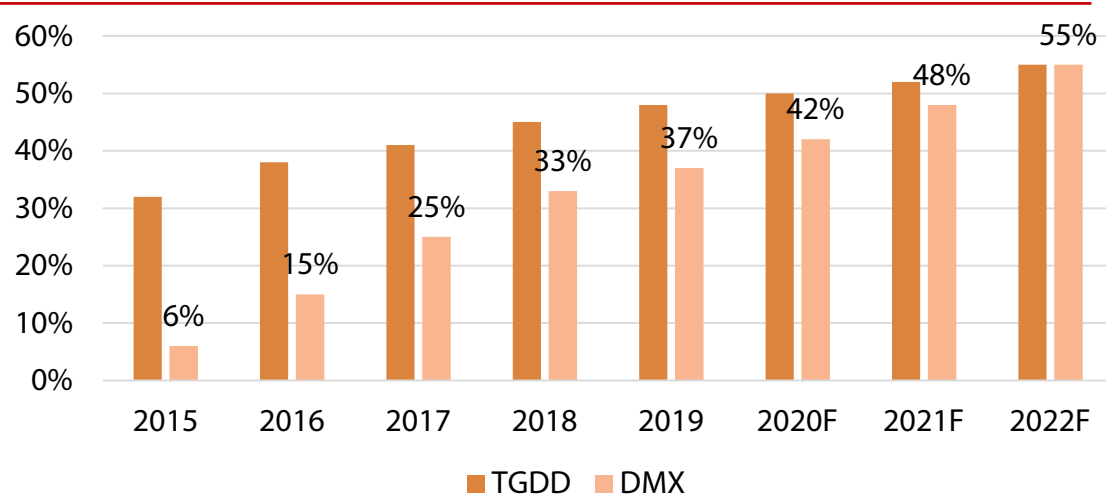
In April, TGDD+DMX's revenue slumped by 26% due to the lockdown measures by the Government. Meanwhile, BHX's revenue rocketed thanks to stock-up demand.

After the removal of the lockdown measures, TGDD+DMX enjoyed strong growth in sales of 10% YoY in May thanks to pent-up demand and the air-conditioner season. However, sales plunged by 18% in June, which indicates a contraction in consumer spending.

GPM expanded in all chains thank to better scale and product mix

While net margin contracted by 50 bps YoY due to (1) BHX's rapid expansion continue to weigh down on the company's profit and (2) weaker sale of TGDD+DMX

Figure 4: DMX to reach half of market share in 2021 by ...



Source: MWG Rong Viet Securities

Picture 1: Rolling out new household appliances, private label and OEM products which will further enhance profit margin



ONLINE GIẢM SỐC

Máy sấy trái cây Mishio MK-172



ONLINE GIẢM SỐC

Máy tiệt trùng bình sữa 3 trong 1
Philips Avent SCF284/02



Máy xịt rửa áp lực cao Kachi
MK-164 1400W

Figure 5: Opening new Super-mini DMX store, which aims to penetrate less covered areas

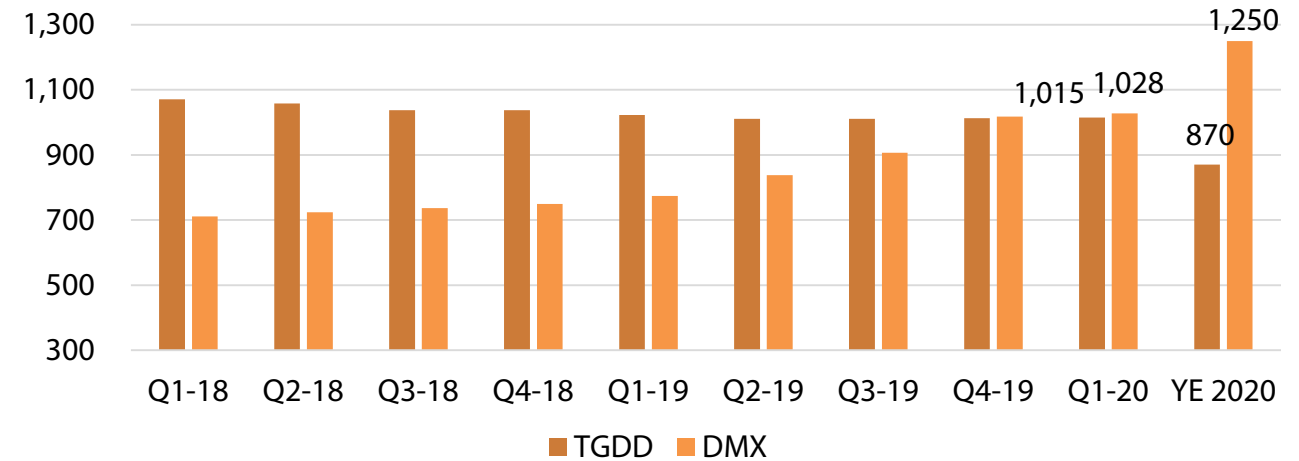
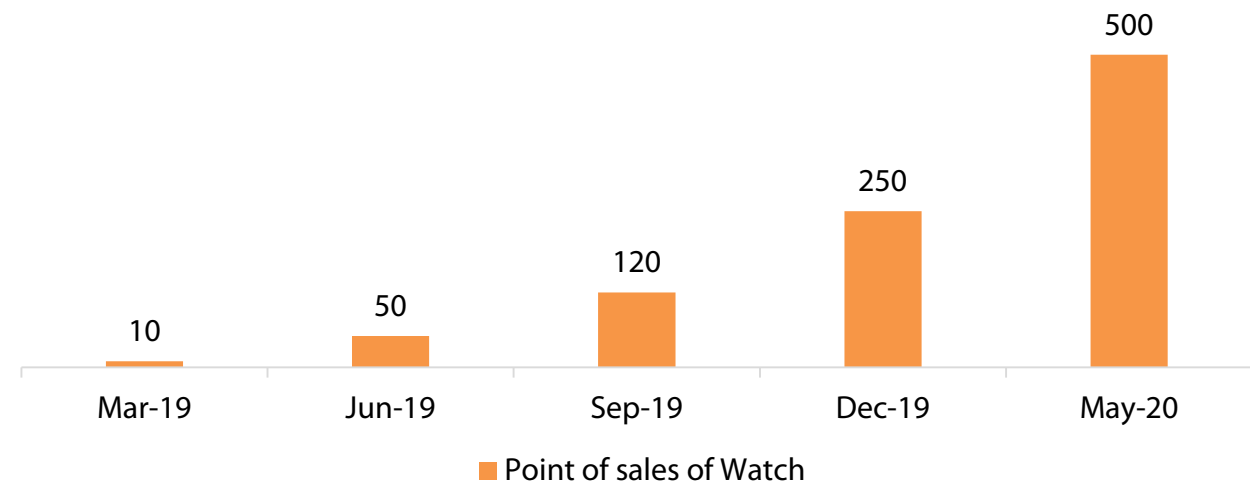
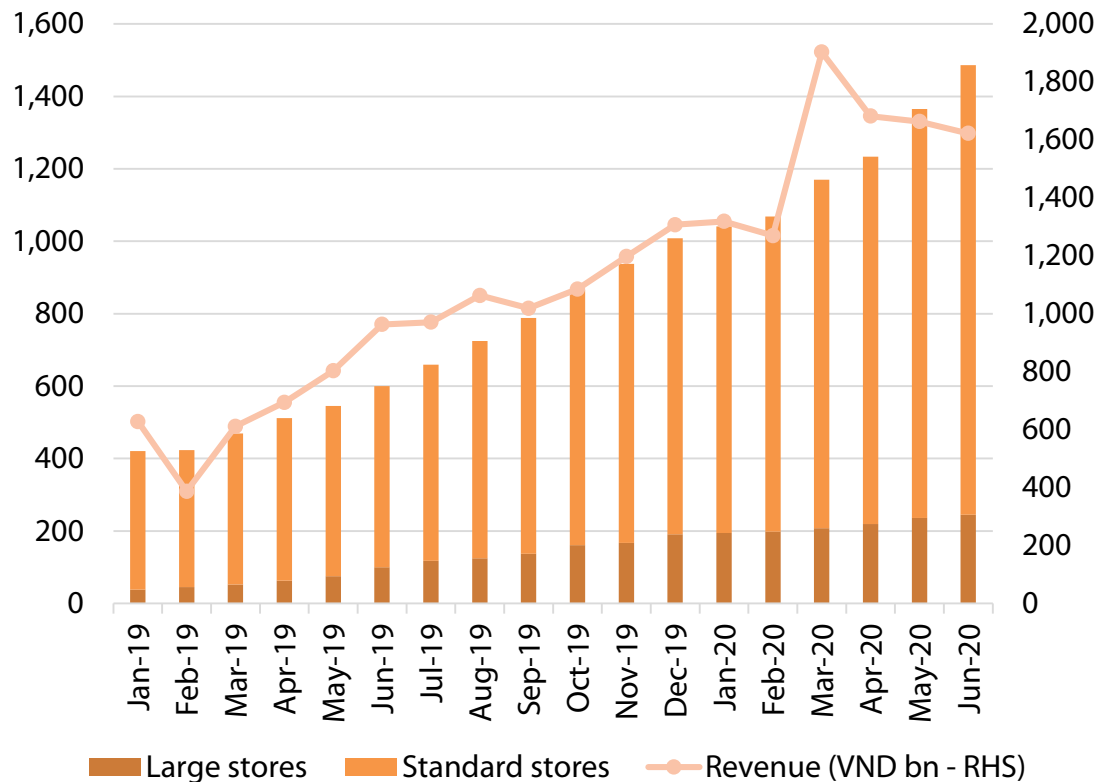


Figure 6: In addition, increase watch's sales and ...



Source: MWG Rong Viet Securities

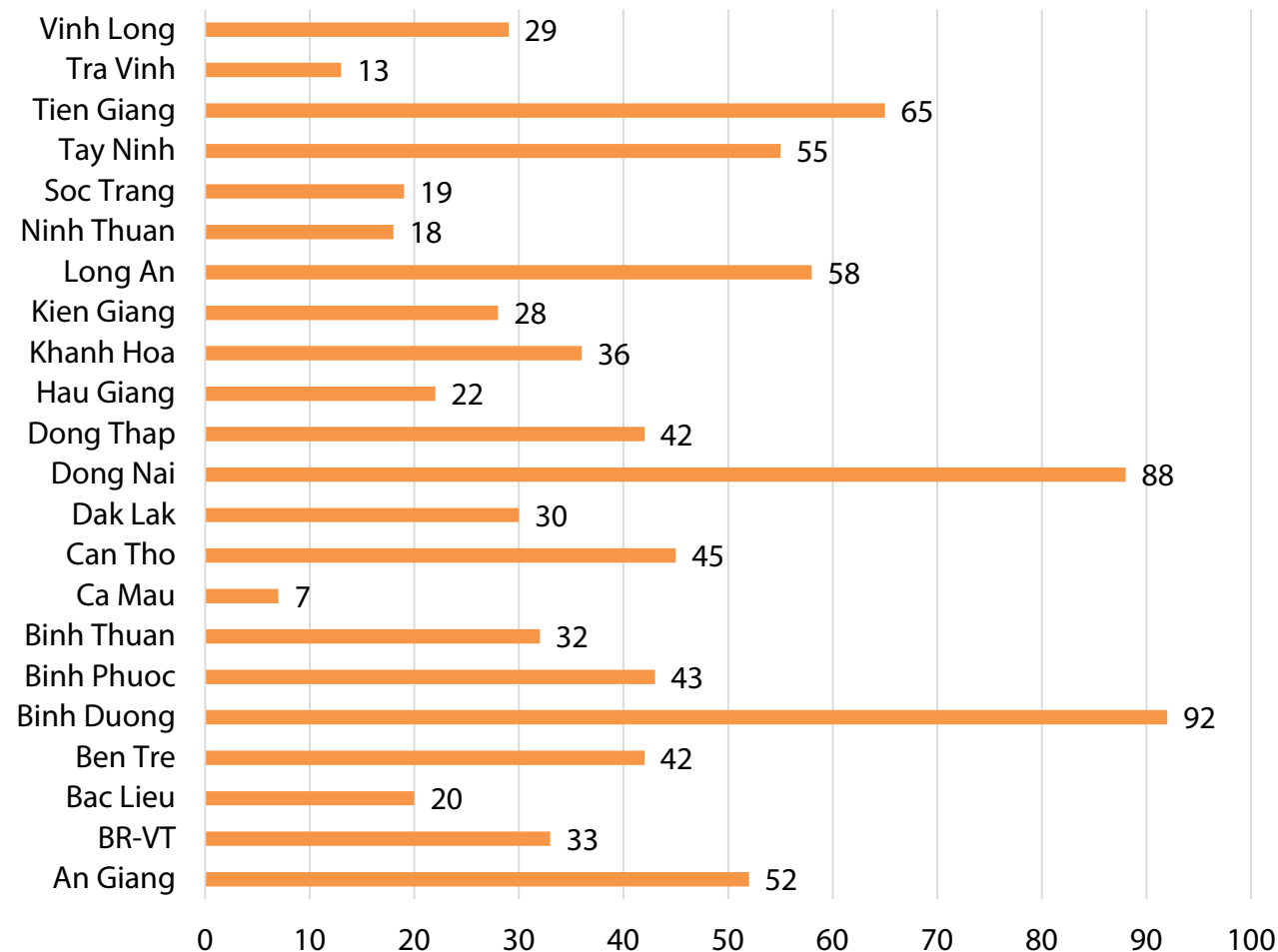
Figure 7: Enhance revenue growth by upgrading well-performing standard stores to ones



Source: MWG Rong Viet Securities

Figure8: Initiating tailor-made promotion and price discount for provincial stores

As of June 20th, total provincial stores reach 869, accounted for 65% total stores



Picture 2: New store format with larger retail area (also incorporating the An Khang pharmacy) and more diversified product offerings, especially fresh food, which offer ample profit margin



Source: Rong Viet Securities

PNJ – The trough is behind

INVESTMENT RATIONALE

Consolidating opportunities are more obvious than ever

- On going trend as many retailers (namely Precita) are likely to either shutdown operations or scale down.
- Meanwhile, PNJ is taking advantage of its healthy financial position to open 16 new stores in 2H2020 (already opened 14 new ones in 1H2020).

Cementing its competitive advantage while others seem to be barely active amid weakening demand

- Despite the strong recovery post-lockdown, jewelry demand remains weak as pent-up demand dried up and consumer spending deteriorated. However, we expect demand to recover in 2021 as the long-term prospect of Vietnam's jewelry industry remains intact.
- For 2H2020, PNJ will focus on investing heavily in IT infrastructure, human resources and production capability.

An attractive valuation for an upcoming business recovery

- We expect PNJ to record NPAT-MI growth of 25% YoY in 2021, fueled by the recovery in the retail segment. In addition, we expect more product launches in 2021.
- Currently, PNJ is trading at a PER 2021 of 11.5, which is attractive considering its leading position in Vietnam jewelry industry in the future, which is substantially potential going forward owing to Vietnam's fast-rising middle class

RISKS TO OUR CALL

- Slower than expected recovery of jewelry demand.
- Covid19's re-emergence.

BUY

+36%

CMP (VND)	55,200
Target price (VND)	73,000

Cash dividend in 12 months 1,800

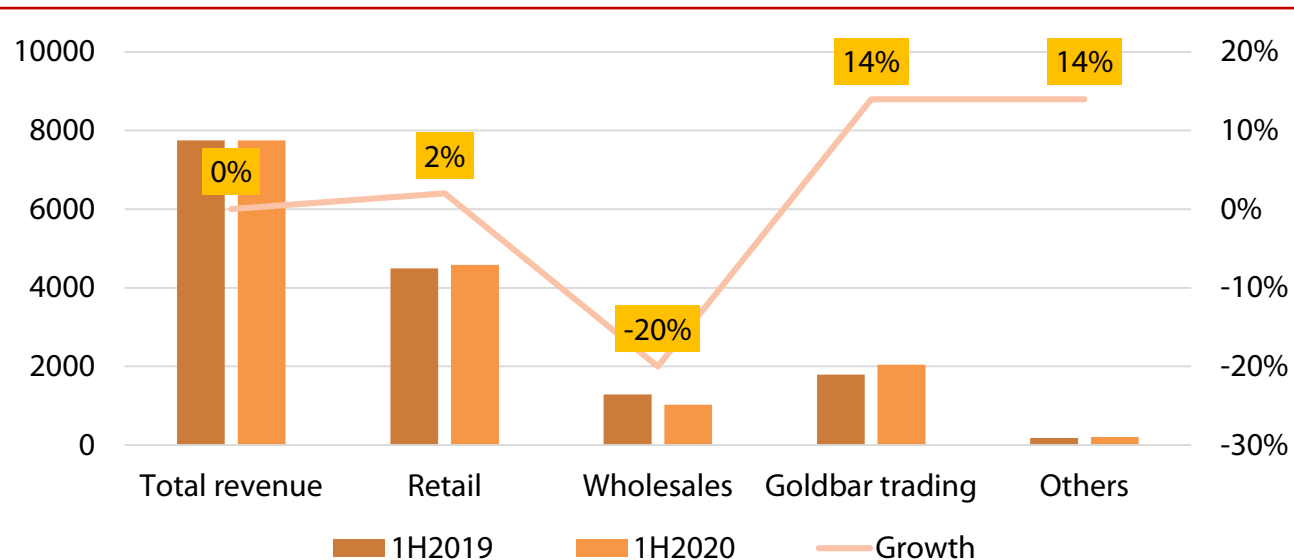
STOCK INFO

Sector	Consumer Goods
Market Cap (\$ mn)	536.4
Current Shares O/S (mn shares)	225.1
3M Avg. Volume (K)	882.8
3M Avg. Trading Value (\$ mn)	2.3
Remaining foreign room (%)	0.0
52-week range ('000 VND)	44.0-90.5

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	14,573	17,001	15,470	18,547
Growth (%)	32.8	16.7	-9.0	19.9
NPATMI (VND bn)	960	1,191	896	1,115
Growth (%)	32.5	24.0	-24.7	24.4
ROA (%)	14.9	13.8	10.5	11.8
ROE (%)	34.1	33.0	21.9	23.4
EPS (VND)	4,262	5,285	3,677	4,645
Book Value (VND)	16,884	16,006	17,984	20,648
Cash dividend (VND)	1,800	1,800	1,800	1,800
P/E (x) (*)	16.2	16.3	14.1	11.2
P/B (x) (*)	4.2	4.2	2.9	2.5

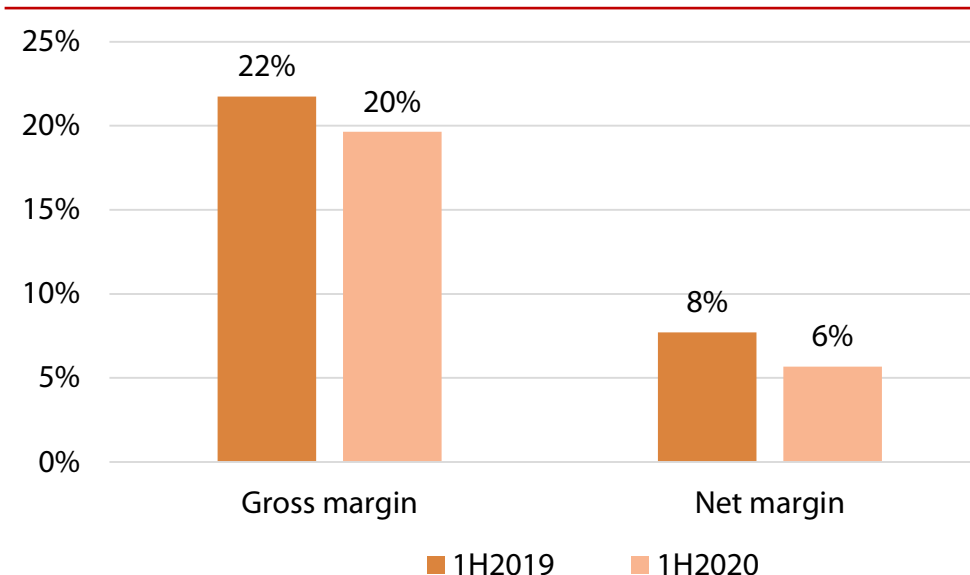
(*) Share price as of Aug 7th, 2020.

Figure 1: Revenue breakdown by segment (VND bn)



Source: PNJ, RongViet Securities

Figure 2: Profitability



Source: PNJ, RongViet Securities

1H overview: Jewelry consumption is shrinking, however, PNJ is gaining market share

The wholesales segment, which sells in-house jewelry to other retailers and mom-and-pop shops, saw revenue declining by 30% YoY in 4M2020 and failed to recover in May and June as revenue kept falling by 11% YoY, which indicates an overall weakening in jewelry demand.

In the meantime, the retail segment experienced a strong bounce back after lockdowns were lifted, which grew by 20% YoY and 25% YoY in May and June, respectively. Besides the pent-up demand and the low-base comparison, we attribute this swift turn-around of the retail segment to various customer-centric initiatives taken by PNJ. For example, the company is now targeting specific groups of customers that maintain their spending amid Covid19, alongside with launching mass marketing and a promotion campaign. In addition, PNJ gradually changed its product mix as customers prefer high-gold content jewelries to gem and diamond products.

Despite accelerating sales, the abovementioned initiatives taken by PNJ dampened gross margin as (1) more promotion costs and (2) high-gold content jewelry usually has low margin. On the other hand, intensive investment in store network and digital transformation heightened SGA expenses in 1H2020.

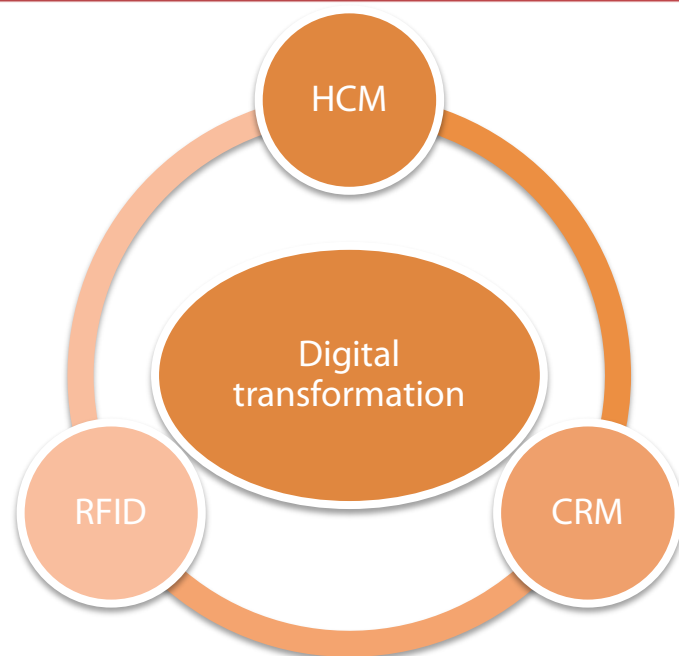


Table 1: Digital transformation investment of PNJ in 2020

Digital transformation task	Description
HCM	Human Capital Management: a comprehensive set of practices for recruiting, managing, developing and optimizing the human resources of an organization
CRM	Customer Relationship Management: helps keep track of (that's the "management" part) everything a retailer do (the "relationship" part) with your existing and potential customers
RFID	Radio Frequency Identification in retail can be used to prevent theft and track items that are frequently moved and often misplaced. RFID technology allows retailers to track their inventory throughout the retail supply chain, from the warehouse shelves all the way to the sales floor

Source: PNJ, RongViet Securities

PNJ will open 16 new stores in 2H2020 (already opened 14 new stores in 1H2020), which will mostly be standalone model located in Tier 2 and Tier 3 cities. We believe that the jewelry market is consolidating, an ongoing trend as many retailers (namely Precita) are likely to either shutdown operations or scale down, which in turn will help big players like PNJ gain more market share. Meanwhile, PNJ is aggressively closing down underperforming stores, which are mostly shop-in-shop formats

PNJ will continue to deploy its digital transformation strategy (DX) over the next few years following the impact positive effects resulting from technology investments. Since the ERP's launch in April-FY19, PNJ is now able to improve its jewelry inventory days while not hurting sales. In addition, data analytics has been helping the marketing team to better target customer group's demand. Thanks to this leverage from technology and continued investment in DX going forward, we expect that PNJ's operations will become more inclined towards a more customer-centric approach.

New factory and more new product launches: PNJ invested new factory in Long An, which will have capacity of 500,000 tons in the first phase. In addition, thanks to relentless R&D effort, PNJP expects to self-produce more products (e.g Platinum), which were mostly imported before. Thus helping improve overall gross margin.

QNS – Solid soymilk business helps sustain attractive dividend payout

INVESTMENT RATIONALE

Expanding the pie of soymilk while strengthening raw material supply

- Heightening concern on health and hygiene, which will require new product offering. QNS plans to launch two new product lines in Q3 which will be sugar-light ones.
- Owning 1,580 precious genes of soybean enables Vinasoy to develop new varieties with high productivity, thus strengthening domestic material supply.
- Expanding to China, which is a huge, fragmented and constantly growing market.

Expecting Refined extra sugar (RE sugar) to gradually provide stable profit

- Sugar prices recovered since the plunge in April. Shortage in production from both domestic and global suppliers (especially Thailand) will further drive sugar prices up in 2H2020.
- Refined extra (RE volume expected to increase gradually in 2H2020 thanks to QNS's distribution capability and available of raw sugar material supply.

Attractive dividend yield

- Given no near-term plan for capex, we believed QNS can maintain a dividend payment of VND 2,500-3,000 per share, which is equivalent to a payout ratio of 75%.

RISKS TO OUR CALL

- Sugar prices may trend down next year as global sugar surplus increase.
- Lower than expected sales in China as QNS has to build up distribution channel and budget for marketing.

ACCUMULATE

+13%

CMP (VND)	31,300
Target price (VND)	33,000

Cash dividend in 12 months 2,500

STOCK INFO

Sector	Consumer Goods
Market Cap (\$ mn)	482.7
Current Shares O/S (mn shares)	356.9
3M Avg. Volume (K)	827.9
3M Avg. Trading Value (\$ mn)	1.0
Remaining foreign room (%)	32.3
52-week range ('000 VND)	18.7-32.6

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	8,031	7,681	7,177	8,175
Growth (%)	5.2	-4.4	-6.6	13.9
NPATMI (VND bn)	1,240	1,292	1,041	1,244
Growth (%)	20.8	4.1	-19.4	19.5
ROA (%)	15.5	14.3	11.2	13.2
ROE (%)	23.2	20.0	15.3	17.5
EPS (VND)	4,115	4,286	3,385	4,043
Book Value (VND)	21,733	21,465	22,543	23,587
Cash dividend (VND)	1,500	3,000	2,500	3,000
P/E (x) (*)	8.3	6.3	9.5	7.9
P/B (x) (*)	1.9	1.3	1.4	1.4

(*) Share price as of Aug 7th, 2020.

Figure 1: Revenue by segment in VND bn

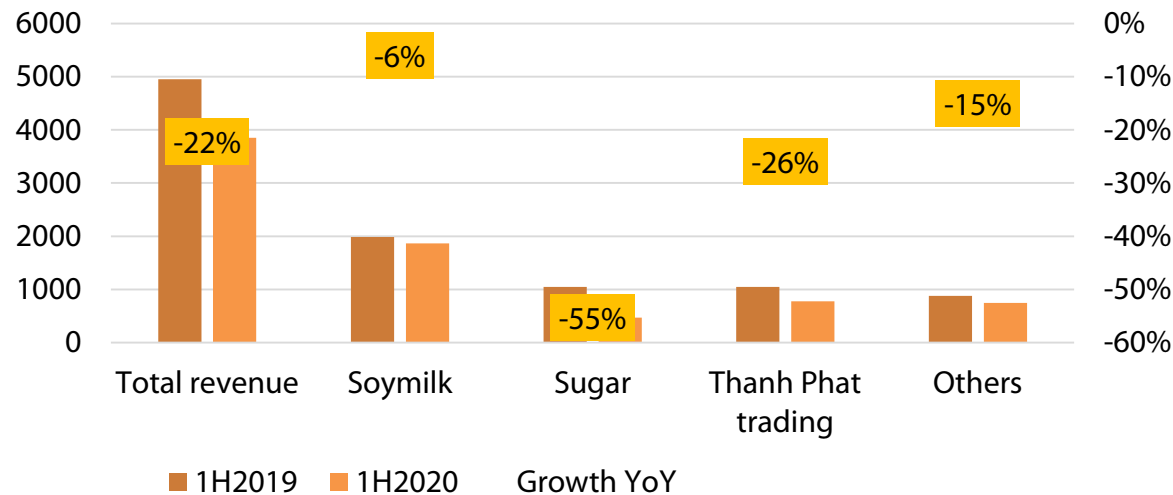
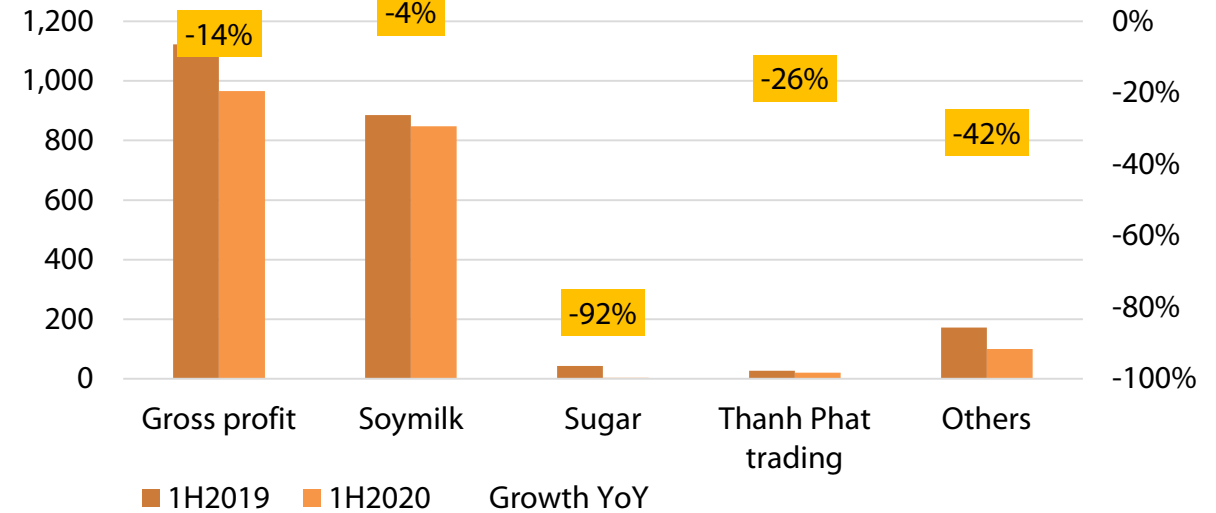


Figure 2: Gross profit by segment in VND bn



Source: QNS, Rong Viet Securities

For 1H2020, consolidated revenue and NPAT declined to VND 3248 bn (-20% YoY) and VND 437 bn (-16% YoY).

Soymilk

- Soymilk consumption was hurt by Covid-19 as it is not considered an important product like dairy. Per management, industry wide consumption dropped by 10% in 1H2020, which is equivalent to the drop in selling volume of QNS. Nevertheless the company's market share increase slightly to above 85% from 84% by YE2019.
- For 1H2020, gross profit margin rose to 45.4% vs. 44.6% in 1H2019 while ASP went up by 3% YoY thanks to (1) price hike in late 2019 and (2) higher contribution from Fami Canxi and Fami Light Sugar.

Sugar

- Revenue of the sugar segment plunged by -55% in 1H2020. Total refined sugar (RS) output declined by 41% to 86,000 tons due to less sugarcane harvested by 850,000 ton, down 39% YoY. The Vietnam's sugar industry is hit hard by (1) unfavorable weather, (2) harsh competition from cheap smuggled sugar for years and (3) weak demand from F&B producers. Nevertheless, sugar prices have increased by 8-10% YoY in 1H2020.
- Gross profit recovered in Q2 from a loss in Q1 due to low selling volume and high depreciation allocation. Meanwhile, QNS has finished the trial run of the RE production line and will commercial operations in 2H2020. We expect QNS to sell 25,000 tons of RE and record gross profit of approx. VND25 bn in 2H2020

Other business (including beverage, confectionary and biomass): For 1H2020, Beverage and confectionary sales decreased 10% YoY due to Covid19 impacts (i.e volume of Biscafun dropped by 4% YoY) while biomass sales plunged approx. 50% YoY due to less bagasse volume.

Picture 1: VINASOY 02-NS soybean variety planted in Quang Ngai



Source: QNS, Rong Viet Securities

Picture: 2 Fami soymilk exports to China



Source: QNS, Rong Viet Securities

Soymilk: Expanding the pie

- We expect soymilk revenue to growth 5% YoY in 2H2020 after being hurt by Covid19.
- Heightening the concern on healthy and hygiene will also encourage sales of premium and quality products. Therefore, QNS plans to launch two new product in Q3, which are light-sugar ones.
- Vinasoy Soybean Application Research Center has successfully created two new soybean varieties which have been granted a plant variety protection certificate by the Ministry of Agriculture. The VINASOY 02-NS soybean variety has a higher productivity and quality (productivity of 25-35 quintals / ha, 1.5-2 times higher than traditional soybean varieties).
- China looks like a potential market but fragmented, which will require QNS to make further investment in marketing and distribution channels. We expect QNS to export 1.7 million litres to China this year, accounting for 2% of total soy milk revenue.

Sugar: Refined Extra sugar (RE) expects to well compete against Thailand's while does not exposure to risk of material shortages thanks to ATIGA.

- Refined sugar (RS) prices are expecting to rise in 2H2020 as demand from F&B production recovers. However, the 2021 outlook remains skeptical as (1) domestic sugar cannot compete with imported ones and (2) global production (especially Thailand and Brazil) will ramp up.
- We expect QNS to sell 25,000 tons of RE. Because it can be stored for a short period of time, we believe domestic player – like QNS – can compete with smuggled and import RE thanks to in-place storage and production lines. Further, ATIGA will allow QNS to import cheap raw sugar from Thailand to produce high value-added RE, thus leveraging profit that will eliminate the risk of material shortages.

VNM – Stable earning growth despite Covid-19

INVESTMENT RATIONALE

Stable organic dairy growth

- The dairy industry remains intact from the Covid-19 pandemic. For VNM, domestic revenue was up 9% YoY while exports advanced 13% YoY in 1H2020.
- Health consciousness will drive spending on organic and fresh milk products.

New projects promise future growth

- VNM created a new business Hi-Café, which aim to serve takaways coffee via Giac Mo Sua Viet shops.
- VNM and KDC created a joint venture named Vibev, which will produce beverage and frozen products.
- VNM will raise its ownership in MCM. In addition, we expect capacity expansion and operation improvement to help lift MCM's profits.

Continue to rise the number of cow milks that are more self-sufficient

- It can control the quality of raw milk inputs, and improve the quality of output milk to meet the strict demand of both domestic and international markets.
- Reducing the dependence on the price and volatility of milk powder materials.

RISKS TO OUR CALL

- Overseas' consumption may be in trouble due to the Covid19 impact.

ACCUMULATE

+14%

CMP (VND)	115,000
Target price (VND)	126,000

Cash dividend in 12 months 5,000

STOCK INFO

Sector	Consumer Goods
Market Cap (\$ mn)	8,681.7
Current Shares O/S (mn shares)	1,741.4
3M Avg. Volume (K)	1,436.0
3M Avg. Trading Value (\$ mn)	7.1
Remaining foreign room (%)	41.3
52-week range ('000 VND)	82.6-132.6

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	52,562	56,318	61,654	67,496
Growth (%)	3.0	7.1	9.5	9.5
NPATMI (VND bn)	10,227	10,581	10,744	11,989
Growth (%)	-0.7	3.5	1.5	11.6
ROA (%)	27.5	23.8	23.0	25.0
ROE (%)	39.7	38.5	36.6	37.1
EPS (VND)	5,296	5,295	5,478	5,552
Book Value (VND)	16,105	14,802	15,792	16,844
Cash dividend (VND)	5,000	4,500	5,000	5,000
P/E (x) (*)	32.8	22.7	19.7	19.5
P/B (x) (*)	12.7	8.8	6.8	6.4

(*) Share price as of Aug 7th, 2020.

Figure 1: Domestic revenue (VND bn)

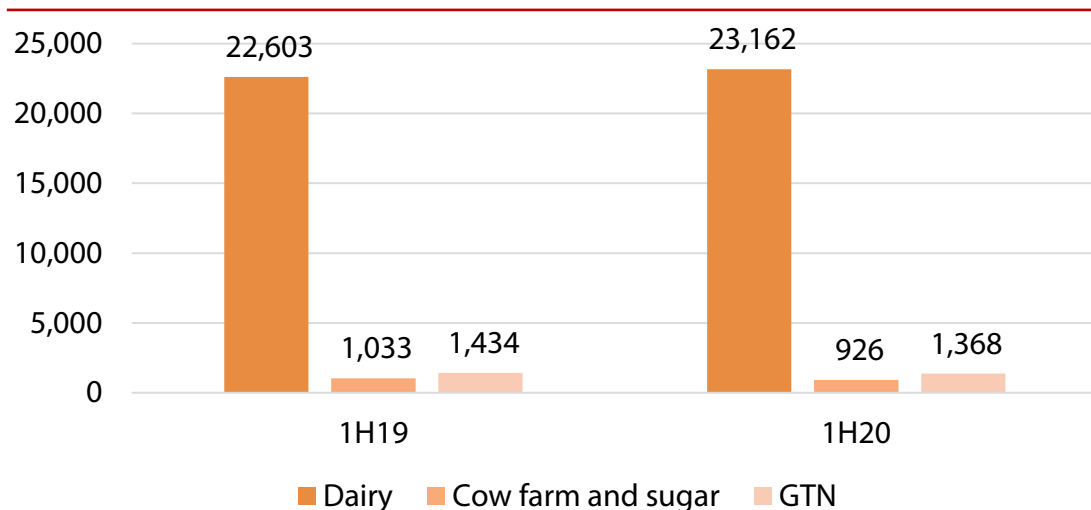
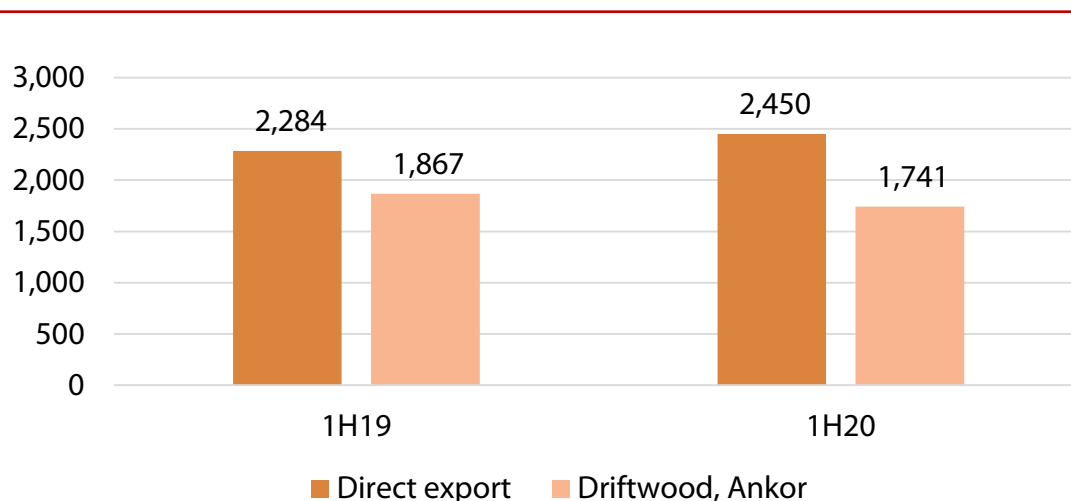


Figure 2: International (VND bn)



Source: VNM, Rong Viet Securities

For 1H2020, consolidated revenue and NPAT-MI grew slightly by 6.8% YoY and 2.8% YoY, respectively.

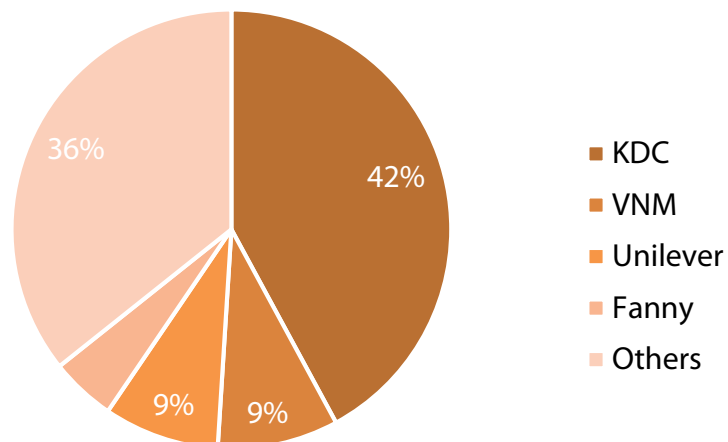
Revenue remain strong thanks to solid dairy consumption

- Domestic dairy sales recovered and grew 3.7% YoY in Q2-2020 since the removal of social distancing orders from April 22th.
- Export sales rose slightly 7.2% YoY thanks to resilient demand in the Middle East. Also, Cambodia's subsidiary Ankor recorded sales growth over 20% YoY while the US subsidiary Driftwood's business operations were affected as school closed down.
- For GTN/MCM, revenue went down 5% YoY due to rearrangements and divestments at subsidiaries. For MCM alone, net sales of 6M2020 was VND 1.367 billion, increased by 8% YoY.

GPM narrowed but optimizing operations helped lifting net profit

- For 1H2020, consolidated NPAT-MI reached VND 5,836 bn (+2.8% YoY).
- For domestic dairy, ASP increased by 2-3% YoY while imported milk powder prices soared. Therefore, GPM declined 210 bps YoY to 47.2% in Q2-2020.
- For GTN/MCM, thanks to restructuring efforts taken by VNM, NPAT of GTN and MCM reached VND 88 bn (+146% YoY) and VND 106 bn (+41% YoY).

Figure 3: Ice cream and Frozen dessert market share



Source:Euromonitor, Rong Viet Securities

Vibev – New JV promise more market share

VNM and KDC will establish a joint venture name Vibev, in which VNM and KDC's ownership will be 51% and 49%, respectively. Vibev will produce and sell beverage, ice cream and other frozen food. VNM and KDC will contribute their brands and production facility into the JVs.

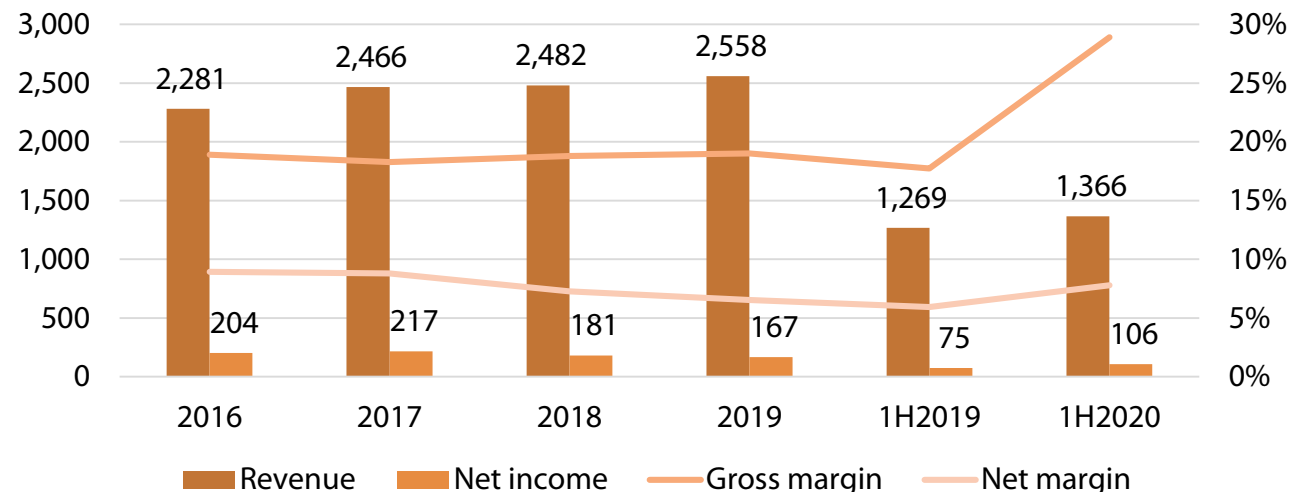
Currently, KDC and VNM have a 42% and 9% market share, respectively. Both sides expect Vibev to cement their leading position in the Vietnam ice cream industry.

MCM – Earning growth thanks to optimize operations and expand production

Recently, MCM approved an equity raising plan to fund a VND 1600 bn investment project in cow farm and a new factory. Accordingly, VNM and GTN are chosen as strategic partners. We expect that VNM will raise its interest in MCM from 28% to 51% afterwards.

Since VNM's inception, MCM gradually optimized its operations by re-organizing its distribution network, adjusting selling policy as well as applying ERP. Therefore, MCM's profitability improved significantly in 1H2020. We expect further positive results as (1) headroom for optimization is still large and (2) new factory will lift selling volume, which is currently constrained by low production capacity.

Figure 4: MCM business result (VND bn, %)



Source:MCM, Rong Viet securities



INDUSTRIAL REAL ESTATE

Duong Lai – duong.ld@vdsc.com.vn

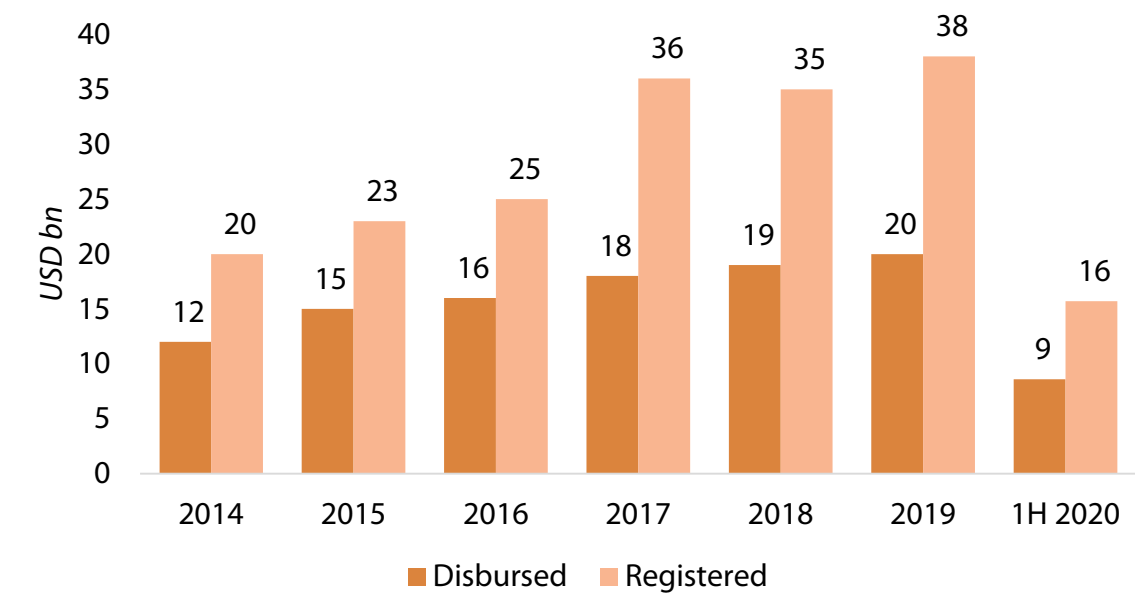
INDUSTRIAL REAL ESTATE INDUSTRY - REVIEW

FDI inflows

- o 1H 2020 recorded disbursed FDI of USD 9 bn (flat YoY) and registered FDI of VND 16 bn (-15% YoY).
- o BR-VT and Hai Phong saw an 186% and 41% increase YoY in FDI inflows while other provinces witnessed a decrease YoY during 1H.

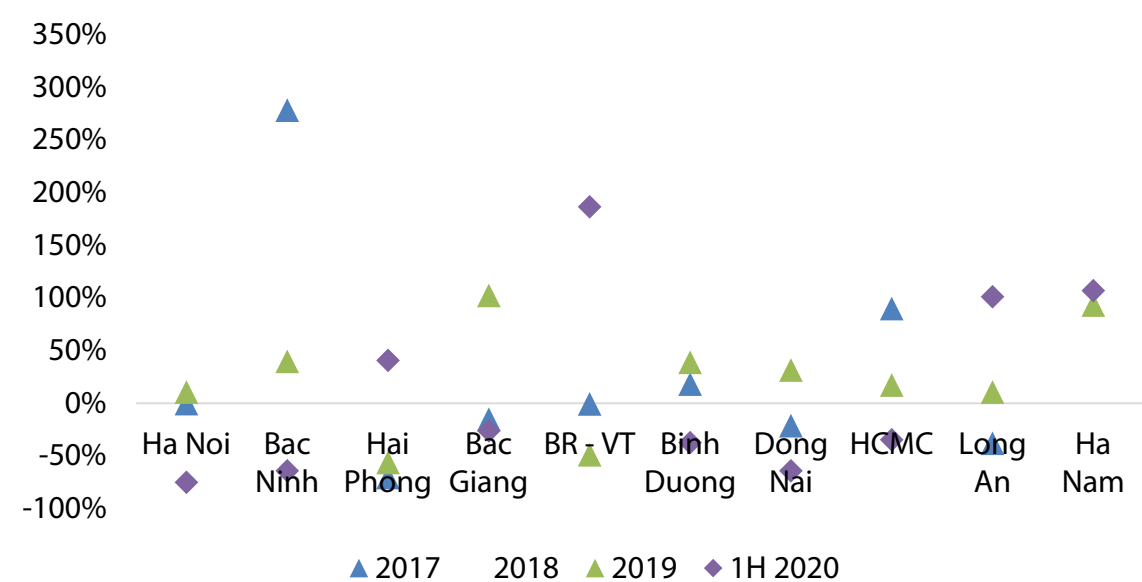
Flat FDI inflows, leading by the manufacturing sectors, accounting for 71% in 1H. A major part of inflows should go to Ha noi and Bac Ninh in the north and Ho Chi Minh, Dong Nai and Binh Duong in the south.

Figure 1: FDI inflow (USD bn)



Source: MPI, RongViet Securities

Figure 2: FDI growth, by province (%)



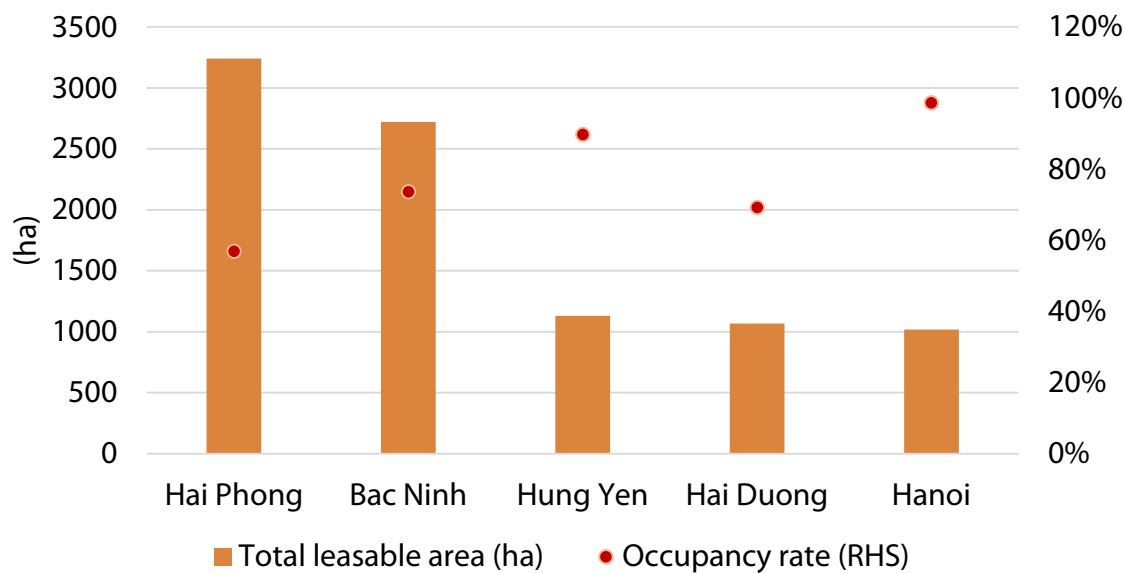
Source: MPI, RongViet Securities

INDUSTRIAL REAL ESTATE INDUSTRY - REVIEW

Northern industrial market

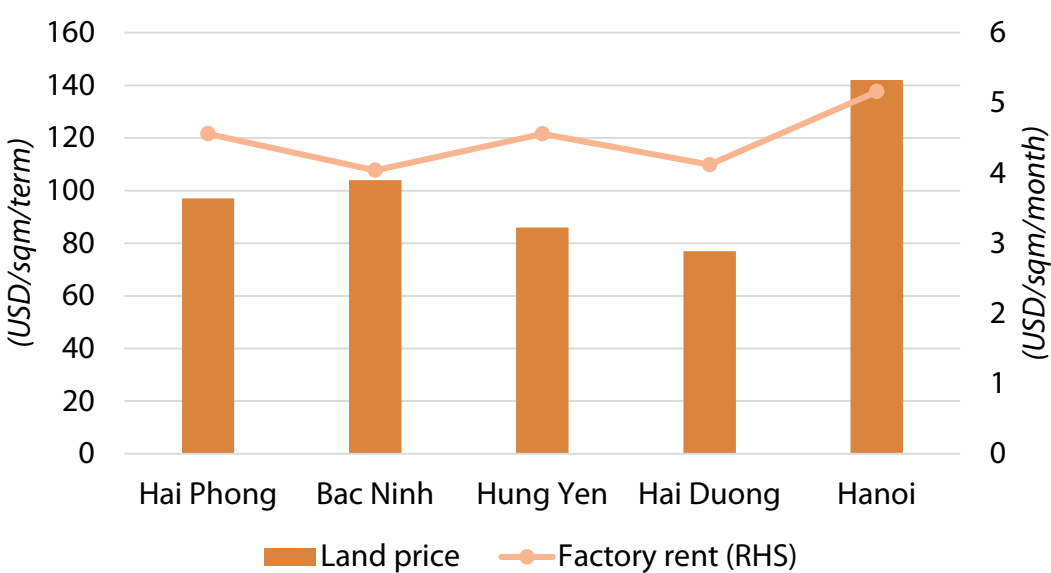
- o Since February 2020 when the Covid-19 pandemic began spreading, traffic has been suspended, making it difficult for investors – especially foreigners – to either implement site inspection or directly work with industrial park (IP) developers. The market is likely to recover and grow rapidly after the epidemic is well under control.
- o The average land prices in the first quarter (Q1) of this year reached USD 99 per square meter per lease term, up 6.5% YoY.
- o Bac Ninh and Haiphong were still notable industrial markets in the North, thanks to their massive supply.

Figure 3: Total Stock and Occupancy Rate



Source: JLL, RongViet Securities

Figure 4: Average Land and Factory Rents



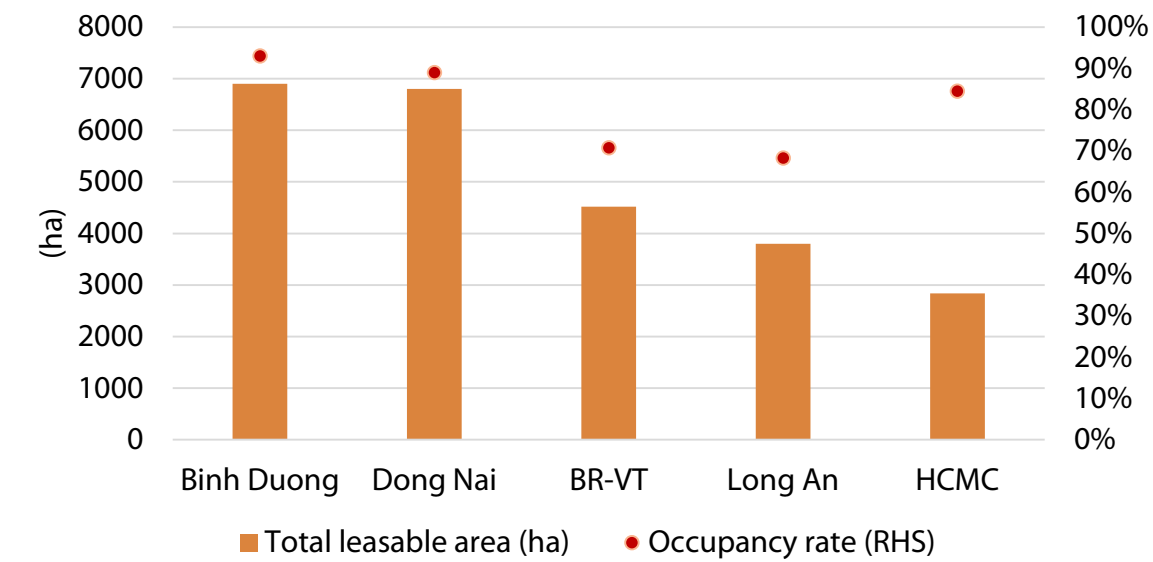
Source: JLL, RongViet Securities

INDUSTRIAL REAL ESTATE INDUSTRY - REVIEW

Southern industrial market

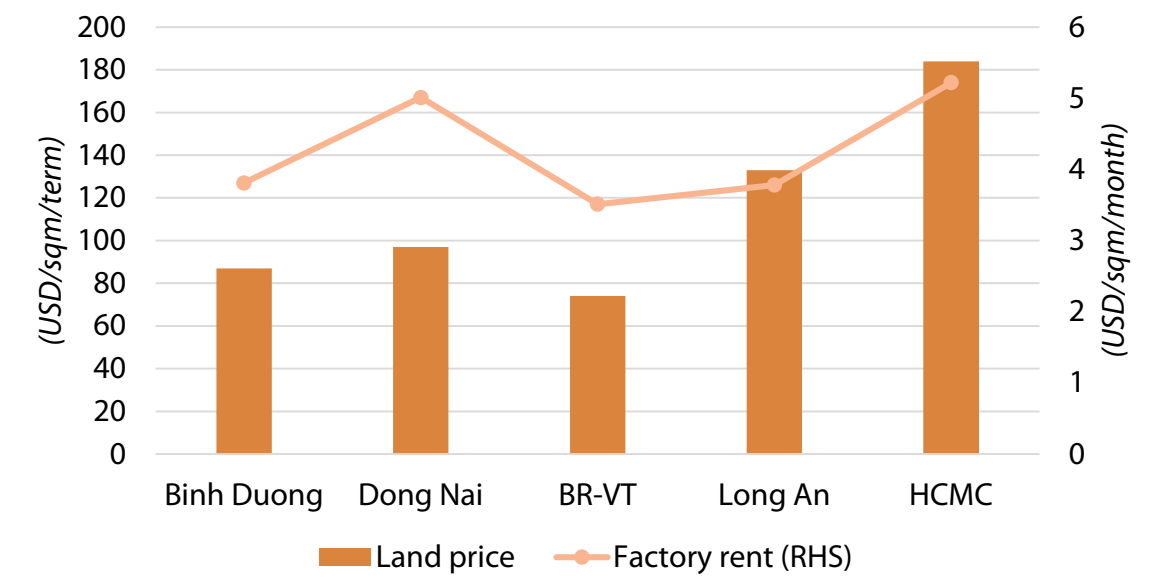
- o The shortage of available land has become an issue due to high current occupancy rates while supply has been limited.
- o Buoyed by strong fundamentals, Vietnam has attracted interest from investors, who are actively looking into joint ventures with local industrial developers or to acquire land bank and operating assets.
- o Although Covid-19 may be causing temporary difficulties, there is still a strong demand for industrial space. The average price for industrial land in Southern Vietnam is at US\$106 per square meter per lease term, up 9.7% YoY, according to a JLL report.

Figure 5: Total Stock and Occupancy Rate



Source: JLL, RongViet Securities

Figure 6: Average Land and Factory Rents



Source: JLL, RongViet Securities

INDUSTRIAL REAL ESTATE INDUSTRY - REVIEW

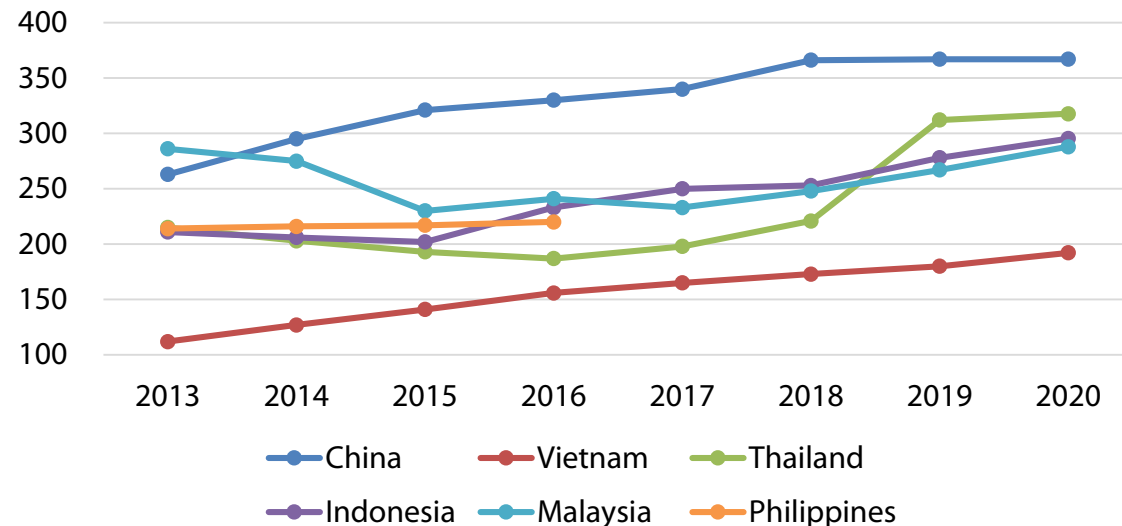
Vietnam's business environment looks attractive

Some of the advantages we have seen:

- o Relatively lower labor costs. Estimated Vietnam's labor cost is equal to 52% and 64% that of China and three Asean competitors', including Thailand, Indonesia and Malaysia, average.
- o Business environment is still improving, ranked 70th in 2019, following behind Malaysia, Thailand and China. We think Indonesia, whose ranked 73rd, should be Vietnam's main competitor in attracting FDI firms.

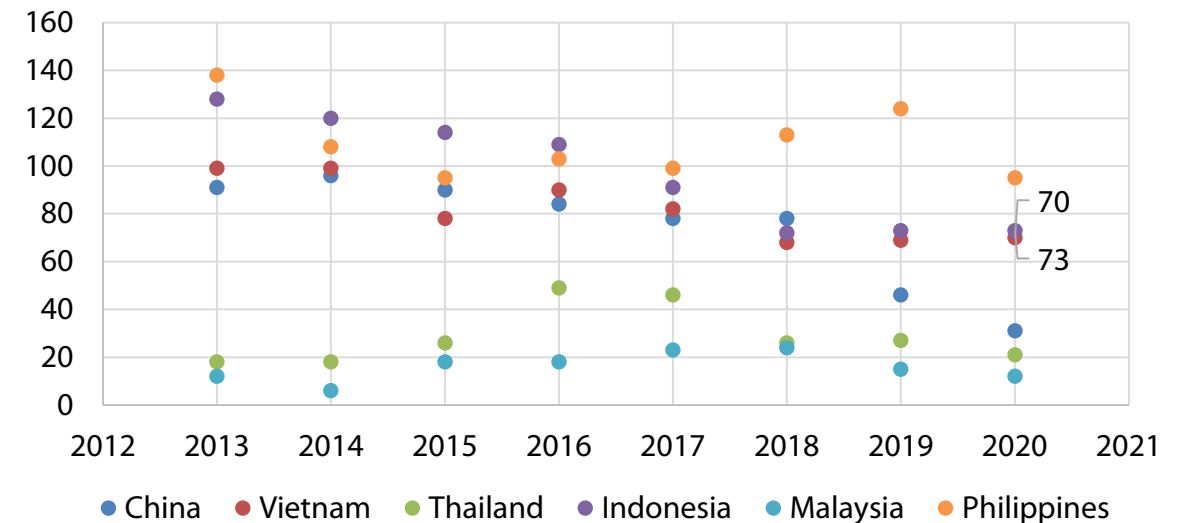
=> The market, however, is expected to quickly rebound as soon as the situation is well under control. One can assume that the business environment in Vietnam is excellent for foreign investors and more attractive than that of some other countries in the region, with low labor costs and a stable political situation.

Figure 7 : Monthly minimum wages (USD per month)



Source: Trading economics, RongViet Securities

Figure 8: The ease of doing business (ranking)



Source: World Bank

INDUSTRIAL REAL ESTATE INDUSTRY

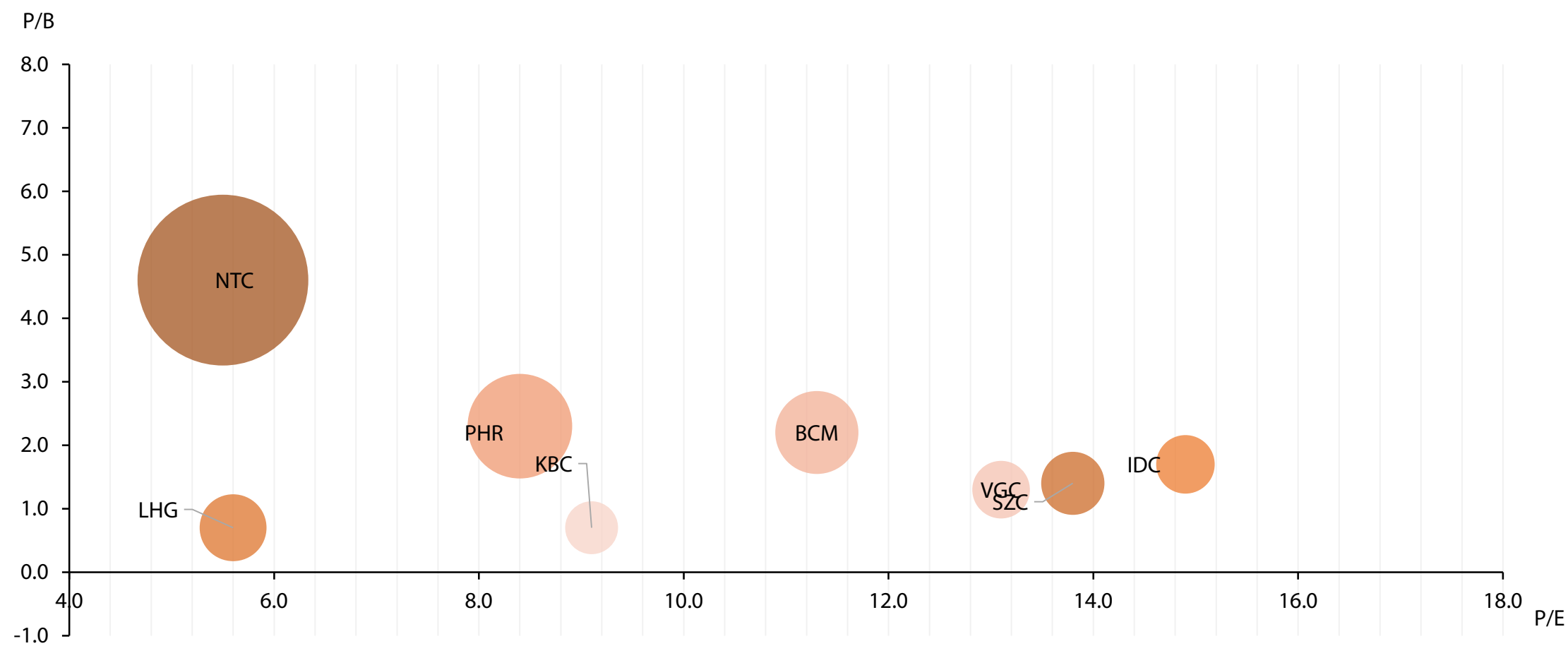
Industry comparable: 1H2020 financials

Ticker	Market cap (USD mn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
KBC	269.7	14,700	-53.7	-63.6	37.5	31.8	-85.8	7.6	2.9	5.0	0.0	12.0	0.7
LHG	46.0	27,000	38.2	34.5	38.8	32.4	35.2	27.6	7.0	13.5	0.0	6.6	0.9
PHR	309.4	54,000	-13.0	93.2	31.5	21.2	224.0	108.3	14.6	29.0	0.0	8.5	2.4
BCM	1,264.70	#N/A	-26.6	-30.1	29.6	24.9	-54.9	21.5	4.3	12.4	0	15.6	2
IDC	244.7	#N/A	-7.4	0.9	21.1	11.4	-13.0	5.5	2.8	9.5	0.0	14.2	1.7
VGC	416.1	#N/A	0.1	-4.1	16.6	10.4	-11.5	6.5	3.0	8.6	0.0	15.8	1.5

Source: Bloomberg, RongViet Securities. Share price as of 07 Aug 2020.

INDUSTRIAL REAL ESTATE INDUSTRY

Industry comparable



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 07 Aug 2020.

LHG – AWAITING FOR LAUNCHES OF LH3 INDUSTRIAL PARK

INVESTMENT RATIONALE

Exploiting the Long Hau phase-3 industrial park

- 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. Currently, total land area being leveled was 65ha and the total commercial land area that can be handed over and recorded is 30ha, which has been already deposited by customers.
- 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. According to LHG, selling price continued to surge from 120 USD/sqm in 1H to 150 USD/sqm in 2H 2019, and more 10% since the beginning of this year, suggesting another 35% increase. However, the increase in selling price also offsets for upward trend in compensation cost. Conclusionly, the overall margin has been slightly changed.

RISKS TO OUR CALL

- **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.
- **Higher potential liability relating to compensation price for resettlement area for Long Hau 1.** Current potential liability of VND 328 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

27%

CMP (VND)	21,300
Target Price (VND)	27,000

Cash Dividend (VND)* 0

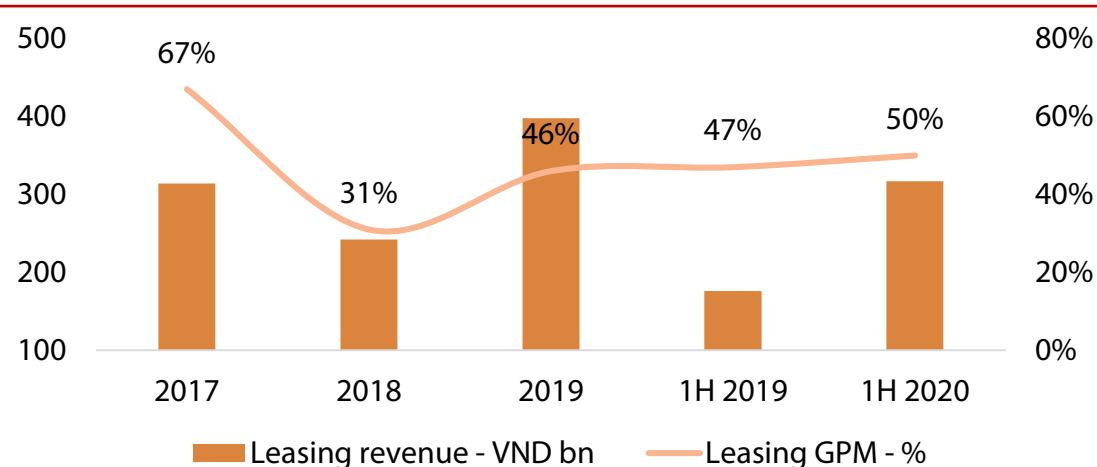
STOCK INFO

Sector	Industrials
Market Cap (\$ mn)	46
Current Shares O/S (mn shares)	50
3M Avg. Volume (K)	449
3M Avg. Trading Value (\$ mn)	0.4
Remaining foreign room (%)	43.6
52-week range ('000 VND)	10.2-21.5

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	430	599	684	717
Growth (%)	-11.8	39.3	14.2	4.8
NPATMI (VND bn)	176	134	231	259
Growth (%)	6.1	-23.9	72.4	12.1
ROA (%)	8.57	6.2	8.9	8.3
ROE (%)	15.72	11.4	18.3	16.6
EPS (VND)	3,378	2,672	4,625	5,184
Book Value (VND)	22,922	23,640	28,647	33,830
Cash dividend (VND)	1,600	1,600	1,900	1,500
P/E (x) (*)	6.3	7.8	4.6	4.1
P/B (x) (*)	0.9	0.9	0.7	0.6

(*) Share price as of Aug 7th, 2020.

Figure 1: Leasing revenue (VND bn) & GPM (%)

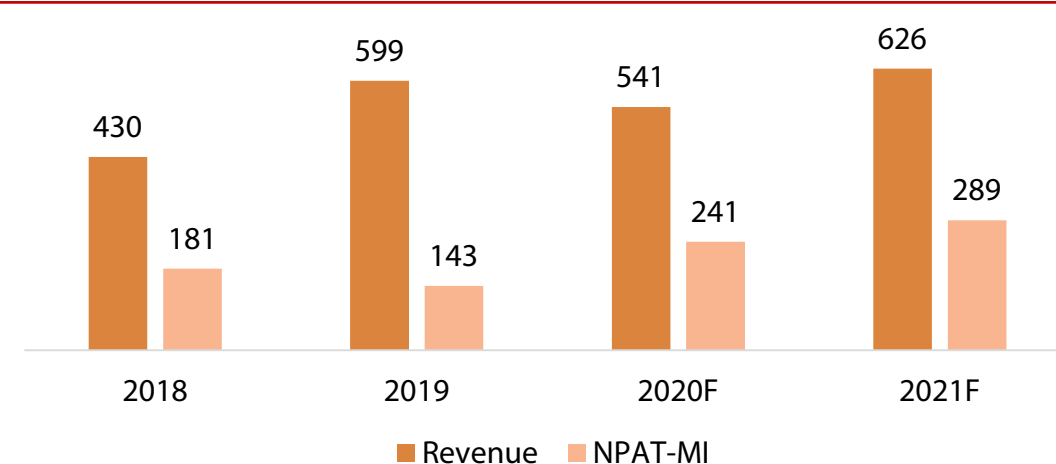


Source: LHG, RongViet Securities

Start recognizing profit from hand-over of the Long Hau 3 industrial park

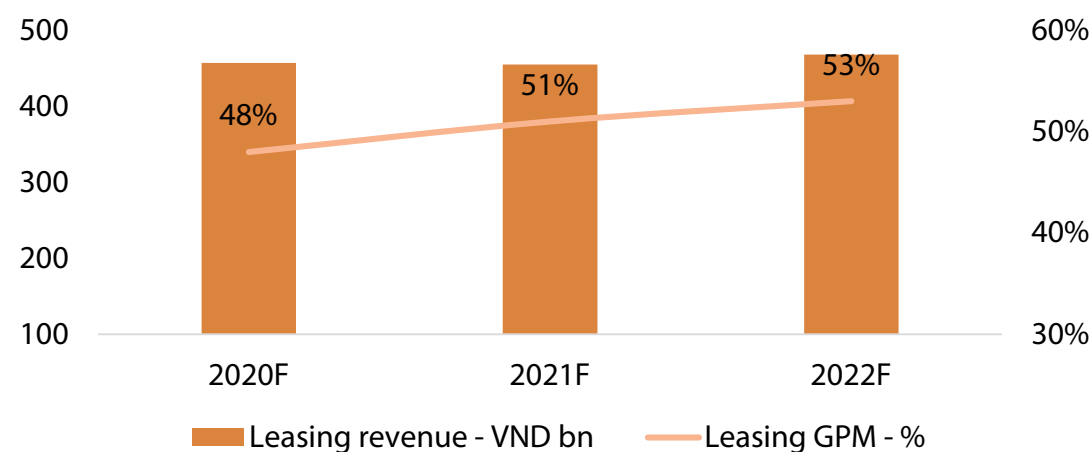
- The income from subleasing activities was completed in 2019 and would no longer be recognized as profits in the next few years.
- Started to hand over Long Hau phase-3 industrial park since 2019, however, compensation progress of the Long Hau 3 industrial park has been continuously delayed. As of result, the company has only completed 42% of the total planned investment cost of VND 939 billion in 2019.
- Currently, total land area being leveled was 65ha and the total commercial land area that can be handed over and recorded is 30ha, which has been deposited by customers.

Figure 2: Forecasted revenue & NPATMI (VND bn)



Source: LHG, Rong Viet Securities.

Figure 3: Forecasted leasing revenue & GPM (%)



Source: RongViet Securities

PHR – PROFIT IS SECURED BY LAND TRANSFERED MONEY

INVESTMENT RATIONALE

Dividends will be high in 2020 and 2021

- 346 ha and 691 ha will be handed over to NTC and VSIP, respectively. PHR will receive USD 37.3 million in compensation from NTC and book all of that in 2020. In the case of VSIP, PHR will receive at least USD 74.6 million in compensation. The payment will depend on the rental progress. The company may book USD 4.3-6.5 million received from VSIP in 2020 if the legal procedure is completed soon. The land compensation will help PHR ensure to pay a minimum dividend payout of 40% in 2020 and 2021.

Put into operation Tan Lap 1 IP and expanded Tan Binh IP

- The company is trying to complete the procedures of Tan Lap 1 IP (202 ha) in 2020. This IP aims to develop the wood industry of Binh Duong province. According to the plan, PHR holds 51%, the rest 49% is shared with other partners, in which one partner specializing in wood is Kaiser.
- The existing Tan Binh IP is 83% full, so the company is registering to expand another 1,055 hectares into the 2021-2025 plan of to attract more FDI into the province.

Large land bank is located in a favorable location

- The company manages more than 15,000 hectares of rubber. According to the 2021-2025 plan, apart from 5,000 ha of rubber trees, the remaining 10,000 ha will be used to develop IPs and other projects. This land is close to Ho Chi Minh City (60 km away) and Binh Duong transportation infrastructure is well developed, hence PHR's IPs have many opportunities.

RISKS TO OUR CALL

- Legal procedures of VSIP IP, causing the company not to receive compensation.
- Lower than expected demand for IP may affect occupancy rates and rental prices.
- Not getting approval for future IP projects from Binh Duong province will limit the company's growth.

ACCUMLULATE

+11%

CMP (VND)	52,900
Target price (VND)	54,000

Cash dividend in 12 months 4,500

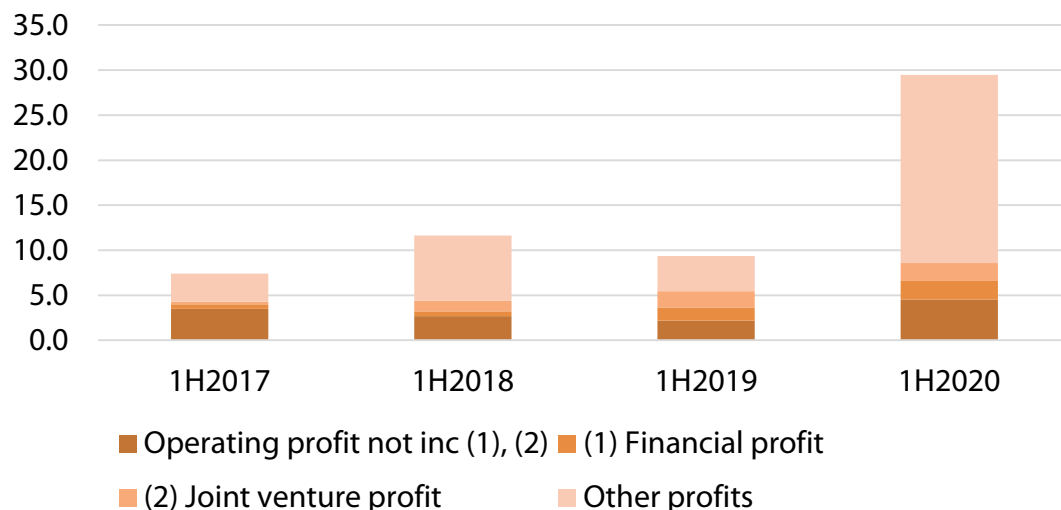
STOCK INFO

Sector	Basic Materials
Market Cap (\$ mn)	309
Current Shares O/S (mn shares)	135
3M Avg. Volume (K)	1,532
3M Avg. Trading Value (\$ mn)	3.3
Remaining foreign room (%)	37.8
52-week range ('000 VND)	32-69.7

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	1,558	1,633	1,362	1,923
Growth (%)	-5.8	4.8	-16.6	41.2
NPATMI (VND bn)	628	475	1,108	1,255
Growth (%)	94.0	-24.3	133.1	13.3
ROA (%)	12.4	8.1	19.2	19.5
ROE (%)	24	18.6	39.2	38.3
EPS (VND)	3,788	2,866	6,681	7,568
Book Value (VND)	19,710	19,294	21,308	24,728
Cash dividend (VND)	2,000	3,000	4,500	4,500
P/E (x) (*)	14.2	18.7	8	7.1
P/B (x) (*)	1.6	1.7	2.5	2.2

(*) Share price as of Aug 7th, 2020.

Figure 1: Structure of PBT (USD million)



Source: PHR, Rong Viet Securities

Table 1: Profit planned for 2020 (USD million)

Source of profit	Amount	Proportion (%)
Land compensation money from Nam Tan Uyen	37.3	75.3
Liquidation of rubber wood	3	6.1
Dividends from subsidiaries and affiliates	4.9	9.9
Other	4.3	8.6
Total	49.6	

Source: PHR, Rong Viet Securities

Tan Binh IP increased PHR's gross profit while the core business was declining

- Rubber: revenue decreased by 23% YoY, to USD 16.4 million. The decline in production was due to the impact of the China-US trade war and the Covid-19 causing sales volume to drop by 22.5% YoY, to 9,879 tons. The selling price decreased by 4% YoY, to USD 1,389/ton.
- Liquidation of wood: 1H2020, the company liquidated wood on 185 hectares with a price of USD 6,906/ha. The profit was USD 1.3 million (-66% YoY).
- Tan Binh IP: No new lease in 1H2020. There are 202.6 ha leased, accounting for 83% of the commercial land. Revenue and gross profit reached USD 5 million (+52% YoY) and USD 3.5 million (+78% YoY), respectively.
- Consolidated revenue reached USD 21.4 million (-13% YoY) and gross profit reached USD 6.3 million (+54% YoY).

PAT increased sharply thanks to land compensation

- Other income increased 5.3x, to USD 20.9 million, mainly coming from land compensation (USD 19.7 million) received from NTC. PAT was USD 24 million, up 3.1x.
- The remaining USD 17.7 million from NTC is expected to be booked in 3Q (USD 12.9 million) and 4Q (USD 4.7 million). In addition, when the VSIP completes the project's legal procedures, PHR may book a part of compensation which is about USD 4.3-6.5 million in 2020.

Table 2: Plan for 2021-2025

Project	Area (ha)	Comment
IP projects (Industrial Park)	5,000	1,000 ha for VSIP III and Nam Tan Uyen, 1,500 ha for Tan Binh expansion (2,3), the rest for Tan Lap and other IPs.
High tech agriculture	2,450	
Residential area	1,360	
Hazardous waste treatment and cemetery	500	In co-operation with Biwase.PHR will be the main investor.
Bac Tan Uyen administrative center	370	
Hand over to Binh Duong	100	
Other	520	
Total	10,300	

Source: PHR, Rong Viet Securities

Profits in 2020 and 2021 will mostly come from receiving land compensation

- In 2020, 75% of the planned profit will come from NTC's land compensation (USD 37.3 million). PHR will be able to pay the minimum dividend payout ratio of 40% as planned.
- In 2021, we expect the company's PBT to reach USD 71.2 million. 65% will come from VSIP's compensation. Currently, VSIP has not completed the legal procedures for the project. PBT will be only USD 25.3 million if PHR cannot book the compensation money. Dividend payout could be reduced to only 15-20%.

Benefit from the new FDI

- During the period 2015-2019, Vietnam's FDI had an average growth of 5.7%/year. As an ideal destination for FDI, many companies are moving their factories out of China. Vietnam's strengths include: stable politics, large consumer market, innovative Government and an affordable workforce.
- Phuoc Hoa has the advantage of being located in Binh Duong province which is close to Ho Chi Minh city (60km away) and has a developed transportation infrastructure. Therefore, PHR is trying to complete legal procedures and put Tan Lap 1 IP into use in 2020. The value of both Tan Lap 1 IP and expanded Tan Lap 1 IP is about USD 77.4 million.
- In the period of 2021-2025, the company will register and develop 3 IP, including: expanded Tan Binh IP (1,055 ha), Binh My IP (1,002 ha) and Hoi Nghia IP (715 ha).

KBC – LEASES REMAIN STABLE

INVESTMENT RATIONALE

Expecting the launch of Nam Son Hap Linh

- Land & infrastructure leases to reach 87 ha (-19% YoY), bringing VND 1,703 billion in revenue, down 26% YoY. Estimated gross profit margin decreases to 52% compared to 53% in 2019. The average rental price will be USD 85 / m2 (-8% YoY). The reason for the decrease in the average rental price is due to the rental rate in Nam Son Hap Linh which is lower than the average rental price in 2019. FY2020 no longer contributes from high-rental-rate areas like Trang Due or Que Vo.
- Leasing area include (1) 36 ha in Quang Chau, (2) 32 ha in Nam Son Hap Linh and (3) 19 ha in Tan Phu Trung. We assume that Nam Son Hap Linh, estimated at 213 ha of commercial land, will begin construction work from 3Q. According to KBC, there are about 100 ha of land area compensated and 66 ha available for sale in Nam Son Hap Linh. We believe this industrial park will contribute in terms of rental area from 2020 onwards.

Notable handover amount from Trang Due urban area

- Handover of 6 ha land commercial in the Trang Due urban area, equivalent to VND 600 billion in revenue. Gross profit margin is estimated at 50%. Currently 12 ha/17 ha of clean commercial land have been sold and wait for handover. The remaining total of 12 ha, equivalent to VND 1,200 billion, will gradually be recorded as revenue in 2020-2021.
- For the Phuc Ninh urban area, we have not included the handover plan in 2020 due to the risk of prolonged legal process.

RISKS TO OUR CALL

- Delay in legal procedures of Nam Son Hap Linh industrial park.

ACCUMULATE

11%

CMP (VND)	13,300
Target Price (VND)	14,700

Cash Dividend (VND)* 0

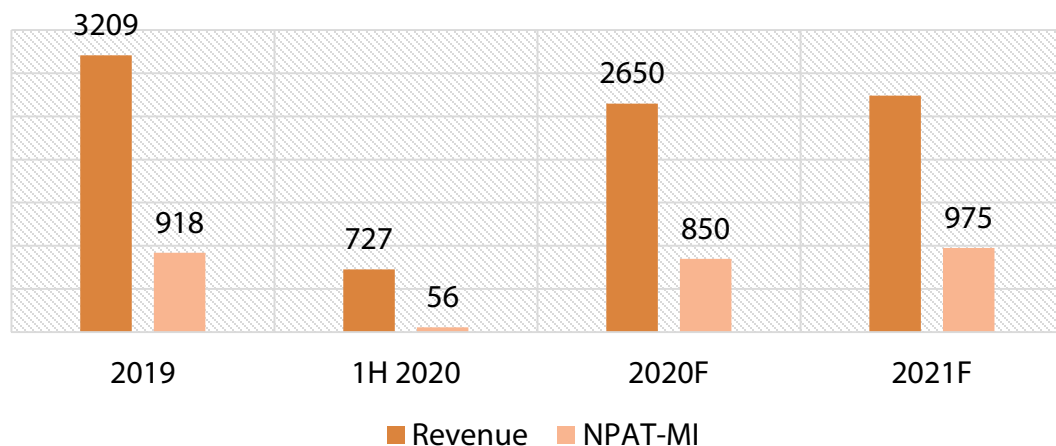
STOCK INFO

Sector	Industrials
Market Cap (\$ mn)	270
Current Shares O/S (mn shares)	470
3M Avg. Volume (K)	2,967
3M Avg. Trading Value (\$ mn)	1.8
Remaining foreign room (%)	28.0
52-week range ('000 VND)	10-16.9

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	2,491	3,250	2,690	2,822
Growth (%)	97.7	30.5	-17.2	4.9
NPATMI (VND bn)	746	855	835	936
Growth (%)	27.7	14.6	-2.3	12.1
ROA (%)	4.57	5.1	5	5.3
ROE (%)	7.91	9.3	8.5	8.7
EPS (VND)	1,569	1,820	1,781	1,997
Book Value (VND)	18,992	22,218	21,557	23,526
Cash dividend (VND)	500	500	500	500
P/E (x) (*)	8.5	6.9	7.5	6.7
P/B (x) (*)	0.7	0.7	0.6	0.6

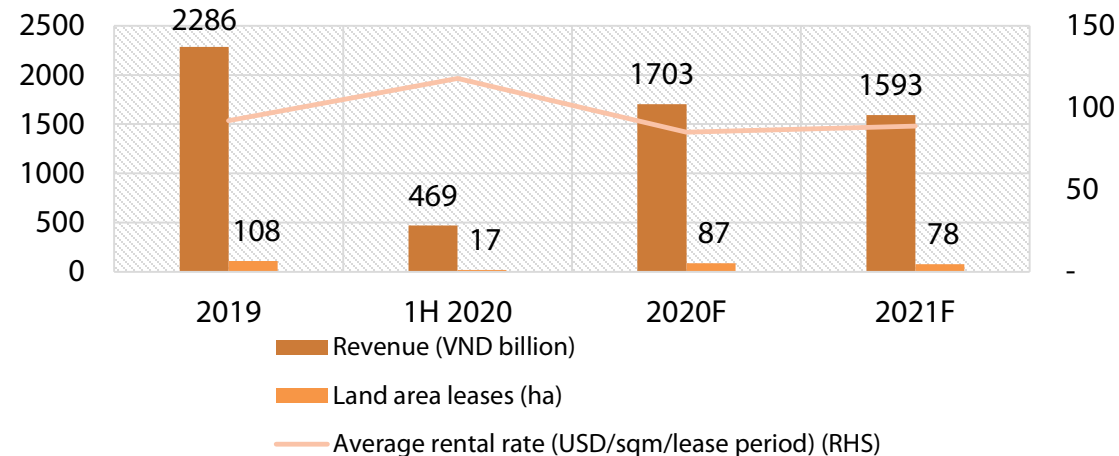
(*) Share price as of Aug 7th, 2020.

Figure 1: Forecasted revenue and NPATMI (VND billion)



Source: RongViet Securities

Figure 2: Revenue and land leasing by industrial parks



Source: Rong Viet Securities.

Figure 3: Leasing status of KBC's industrial parks at the end of June 2020

	Total area	Total leasable area	Leased land		Occupancy	Remaining leasable land
	(ha)	(ha)	FY 2019	+/- YoY	(%)	(ha)
Que Vo 2	300	171	8	-85%	100	-
Quang Chau	426	276	68	362%	77	59
Trang Due 2	214	133	4	-84%	100	-
Nam Son Hap Linh	332	213	-	-	0	213
Tan Phu Trung	543	314	27	59%	40	157
Trang Due 3	687	456	-	-	0	456
Total	3,001	1,884	107	-3%	17	885

Source: KBC, RongViet Securities

SZC – HUGE AVAILABLE LAND BANK TO CAPTURE DEMAND

OPPORTUNITIES

Growth momentum thanks to huge and available land bank in Chau Duc industrial park

- Compensation progress: By the end of 2019, SZC compensated for 70% of the total industrial park land area, with a total value of VND 1,543 billion. During last year, SZC paid a compensation cost of VND 121 billion for a 50ha land area. For 2020, SZC targets to spend VND 700 billion on land compensation, equivalent to 270ha land area.
- Lease progress: Total accumulative land leased was 394ha, equivalent to an occupancy rate of 31%. In 2019, SZC signed 16 lease contracts with a land area of 56ha. In 2020, SZC targets to sign 50ha land lease and and book a 23ha land lease, recognizing revenue of VND 282 billion.

Launching the Huu Phuoc residential area

- Total phase-1 site area is 40ha, and SZC plan to launch the first batch of 23ha land area by the end of 2020. As of management, there is VND 5 billion in revenue expecting to recognize in 2020.

Past financial performance was not good, but gradually improved

- Financial ratios of SZC has been gradually improved over recent years, mainly due to the acceleration of profit growth (CAGR of 45%). Meanwhile, the D/E leverage ratio also increased sharply during this period (from 0.7 times in 2016 to 1.6 times in 2019). However, equity capital only saw a slight increase. This shows that SZC has focused on enhancing the efficiency of existing assets and raising fund from bank loans.

RISKS

- Slow absorption rate of Chau Duc industrial park.

N/A

N/A

CMP (VND)	26,800
Target price (VND)	N/A

Cash dividend in 12 months 0

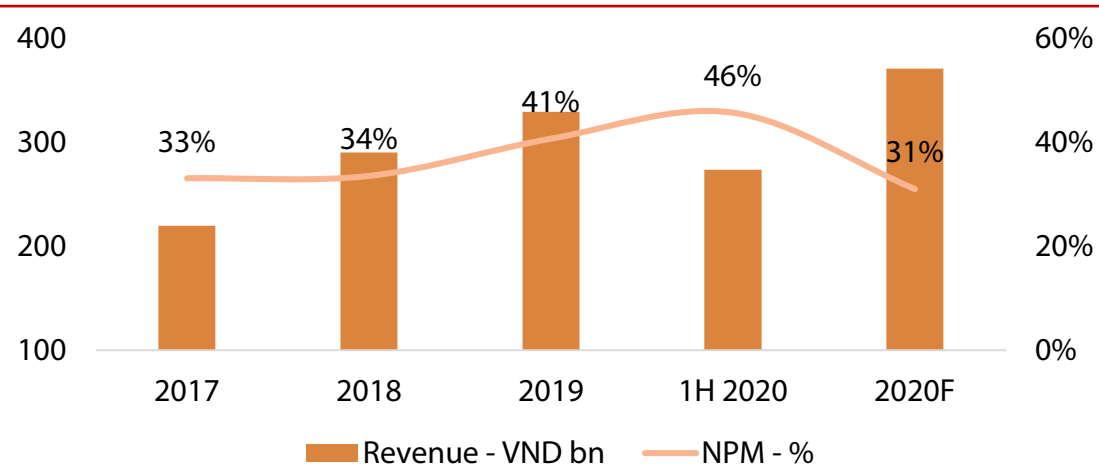
STOCK INFO

Sector	Industrials
Market Cap (\$ mn)	116
Current Shares O/S (mn shares)	100
3M Avg. Volume (K)	1,369
3M Avg. Trading Value (\$ mn)	1.3
Remaining foreign room (%)	48.3
52-week range ('000 VND)	11.9-27.3

FINANCIALS	2016A	2017A	2018A	2019A
Revenue (VND bn)	101	220	290	329
Growth (%)	N/A	116.7%	32.1%	13.5%
NPATMI (VND bn)	44	73	97	134
Growth (%)	N/A	65.9%	32.9%	38.1%
ROA (%)	2.2%	3.6%	4.1%	4.7%
ROE (%)	4.0%	6.6%	8.5%	11.4%
EPS (VND)	440	730	970	1,340
Book Value (VND)	10,897	11,182	11,564	11,959
Cash dividend (VND)	-	-	-	800
P/E (x) (*)	N/A	N/A	N/A	13.2
P/B (x) (*)	N/A	N/A	N/A	1.5

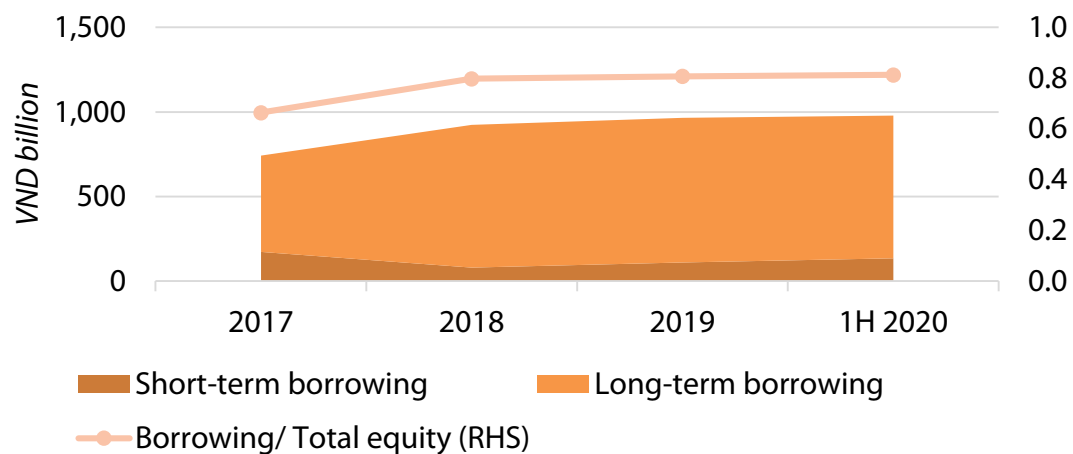
(*) Share price as of Aug 7th, 2020.

Figure 1: Revenue (VND bn) and net profit margin (%)



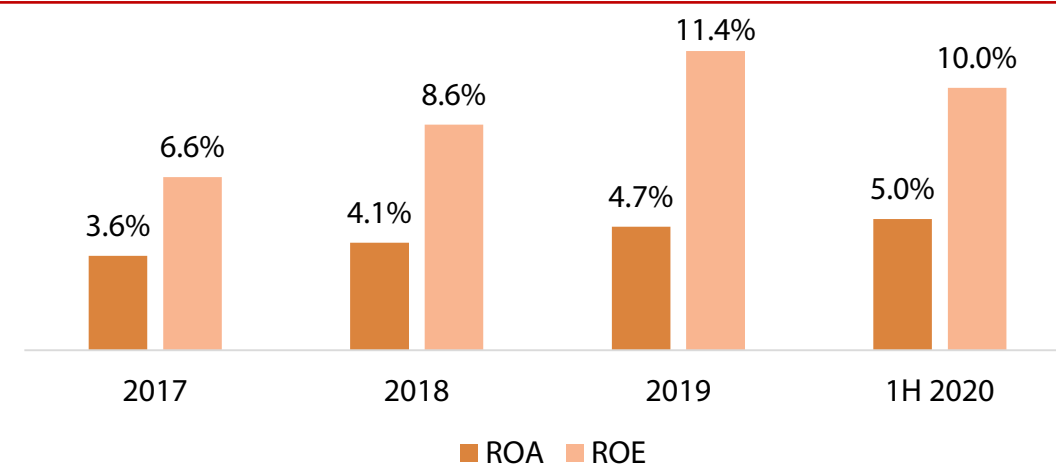
Source: SZC, RongViet Securities

Figure 3: Debt structure



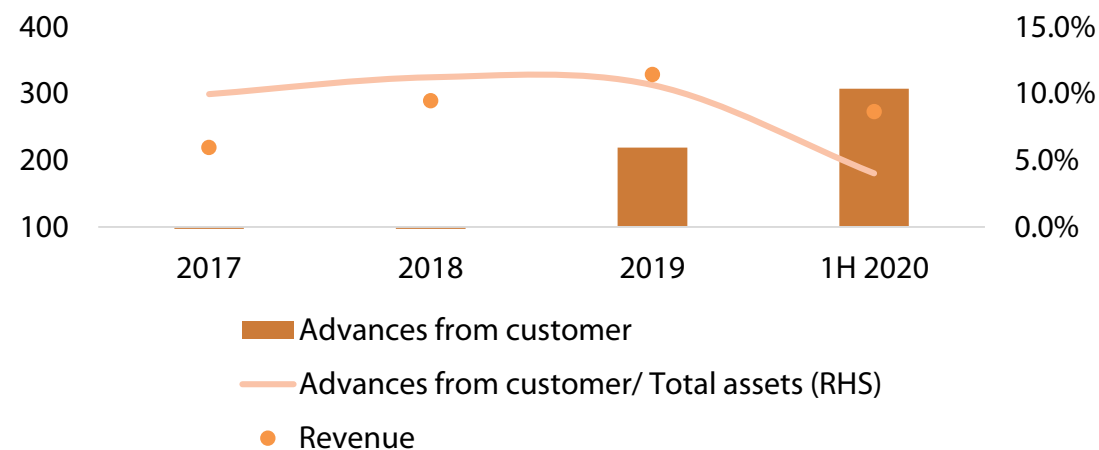
Source: SZC, RongViet Securities

Figure 2: ROA and ROE to be improved



Source: SZC, RongViet Securities

Figure 4: Advances from customer



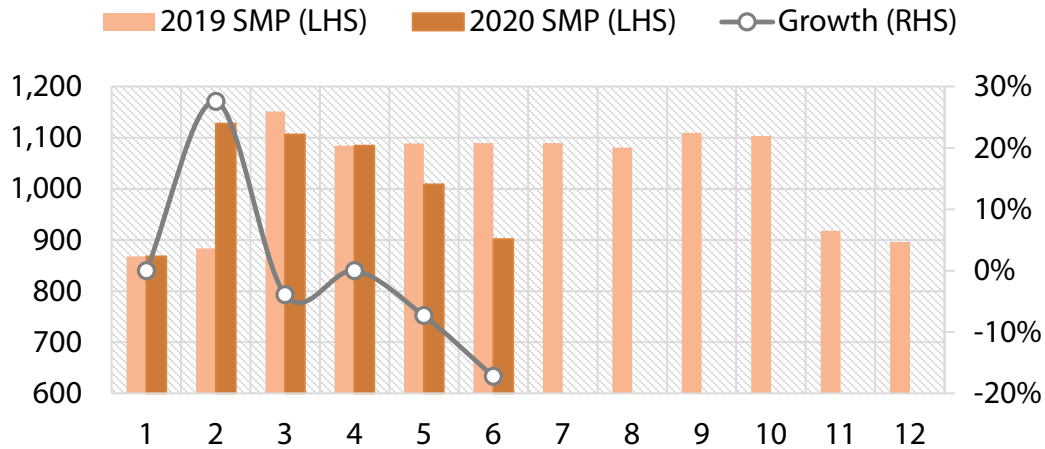
Source: SZC, RongViet Securities

POWER INDUSTRY: Full potential

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

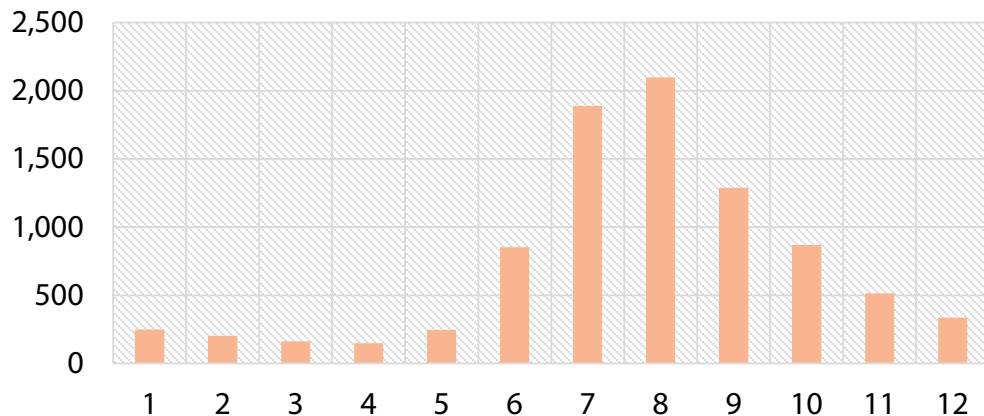
Prolonged droughts have ended

Figure 1: SMP (VND per kWh)



Source: RongViet Securities

Figure 2: 54 CGM participating HPPs' total water level (m3/s)



Source: A0, RongViet Securities

1H2020 electricity demand only grew slightly by 1.74% YoY due to COVID-19's impact.

Hydropower is coming back

- 1Q2020 was the worst performing quarter for most hydropower plants.
- Water level has gradually come back since May:
 - By the end of July, 36 out of 54 CGM participating HPPs have higher water level than at the beginning of 2020.
 - It is forecasted by A0 that the monthly average water level in 2H2020 will be 2.8x higher than it was at the beginning of the year.

Thermal power saw high utilization, but profitability did not improve

- Severe droughts put a burden on thermal power plants, as many coal-fired and gas-fired plans saw output up nearly 10% YoY (PPC, HND).
- However, both CAN and SMP went down YoY in 1H2020, meaning that the CGM was not profitable for participants.

Efforts to diversify are yet to happen

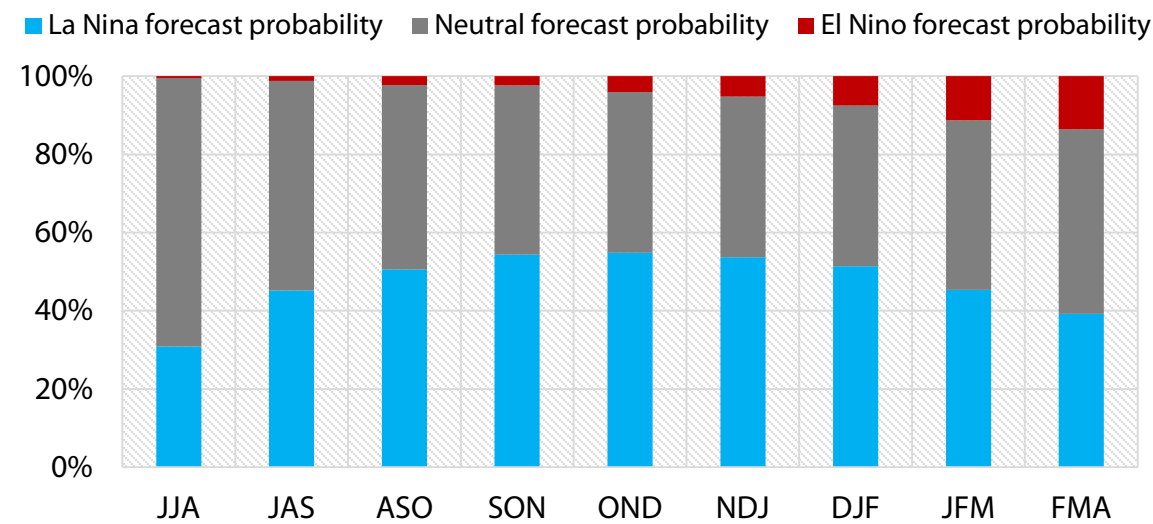
- Solar power did not considerably ease the shortage while wind power remains in a initial phase due to COVID.
- Overload problem has just been solved.

Hydropower’s turnaround is imminent, while opportunities still exist for thermal power plants

Hydropower plants are going to have a remarkable turnaround in 2H2020

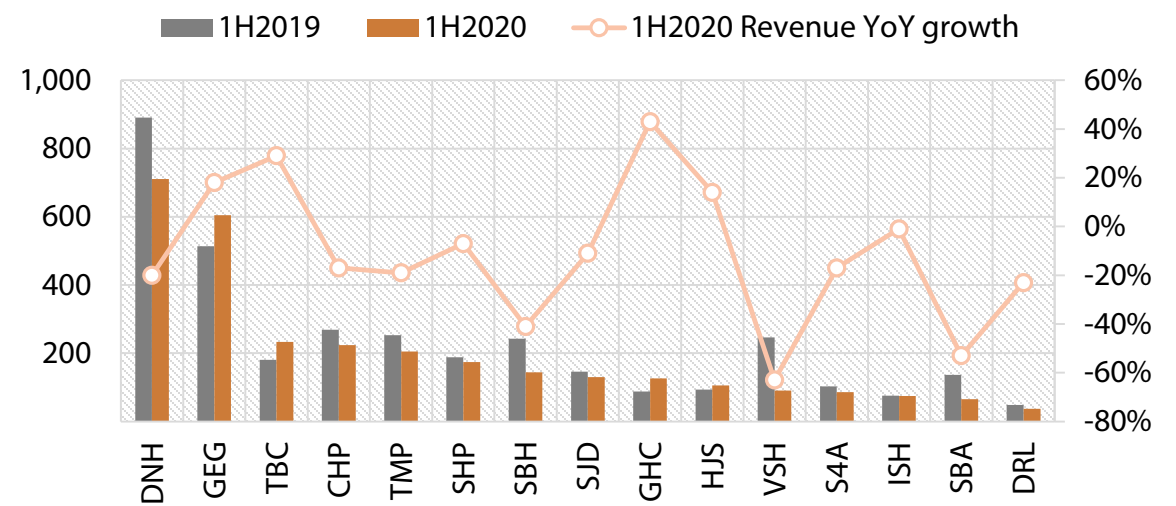
- We may see strong growth in 2H2020 compared to the same period last year because (1) water level is going up quickly, (2) low base in 2H2019.
- Considering the stable nature of HPPs, stocks with high EPS growth and low P/E are preferred.
- Large HPPs that can benefit from the trend include CHP, TMP, SHP, and VSH.
- Among small HPP investors, we favor PC1 because of (1) its ability to build and operate small-scale HPPs quickly and efficiently, (2) performance has bounced back very early, as seen in 2Q results (2Q revenue and net profit doubled vs 1Q). Besides, PC1 has the real estate segment as a one-off bonus, handing over one apartment block and two others in the pipeline.

Figure 3: Probabilistic ENSO forecasts



Source: NOAA, RongViet Securities

Figure 4: Listed HPPs’ 1H revenue



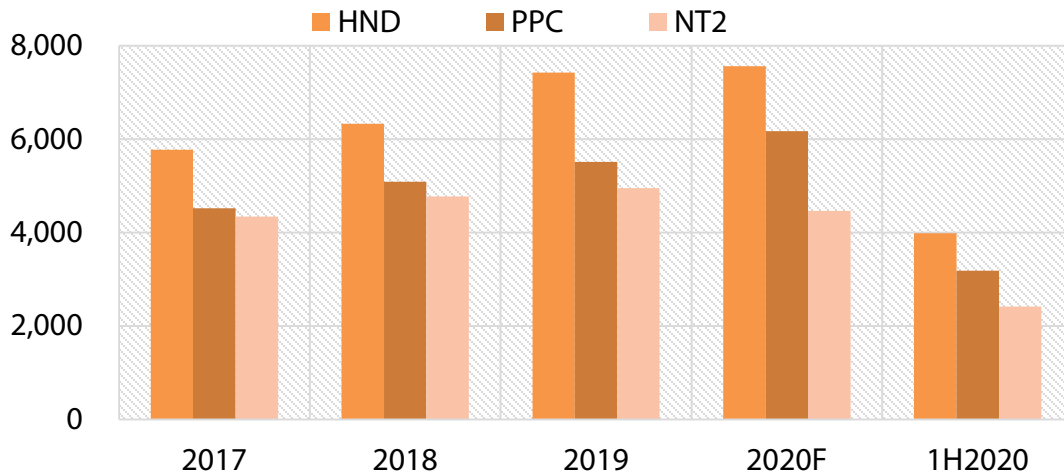
Source: Fiinpro, RongViet Securities

Hydropower's turnaround is imminent, while opportunities still exist for thermal power plants

Thermal power plants still have opportunities being the most important power source of the national grid

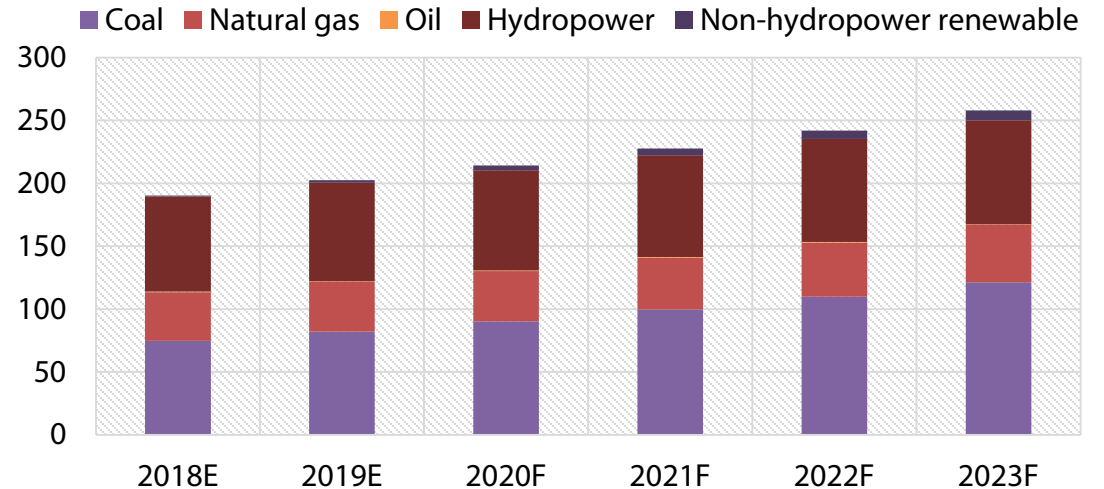
- Thermal power plants located near economic zones will still be utilized at a very high rate because of the demand for stable power sources. PPC, HND and NT2 are examples as they have been running at nearly maximum capacity regardless of weather conditions.
- Younger facilities are offering promising growth as they are able to pay off debt, making future cash flows abundant, hence attractive upside. HND is our favorite pick while QTP fits into this category as well.
- Gas-turbine power plants can benefit from the depressed gas price. Because of COVID-19, economic activities are dampened, keeping commodity prices low. We pick NT2 as it has benefited from the low gas price to grow the 1H bottom-line by 10.6% and will continue to do so in 2H.

Figure 5: Thermal power companies' 1H output



Source: RongViet Securities

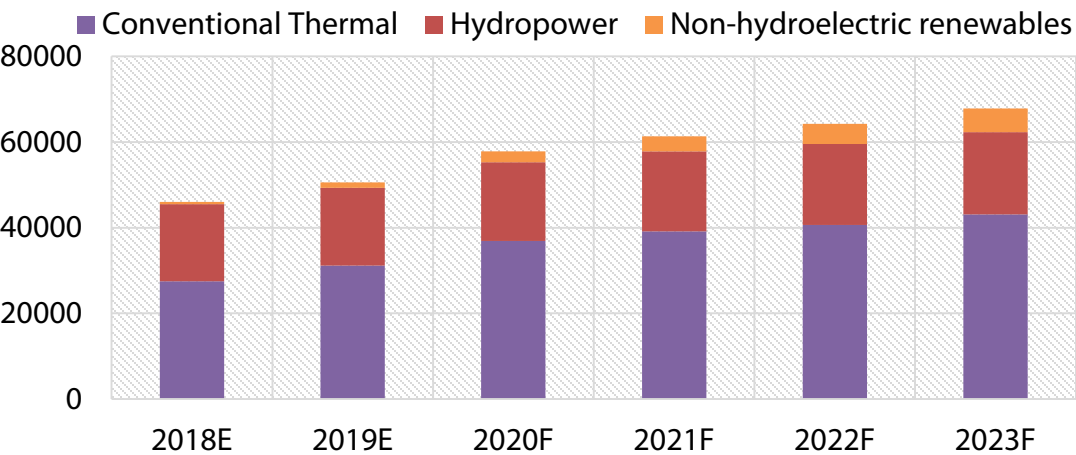
Figure 6: Power generation structure per input (billion kWh)



Source: Renewable Energy Potential in Vietnam Report, Rong Viet Securities

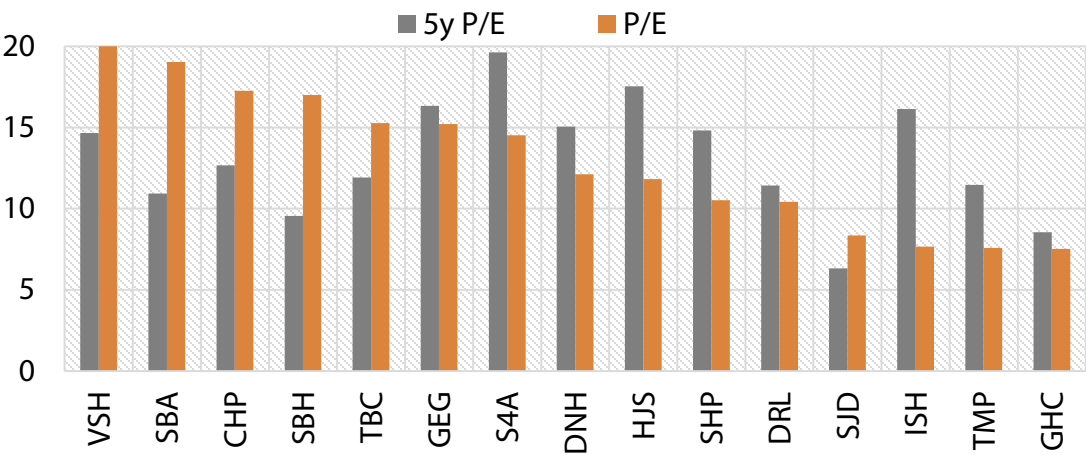
Appendix

Figure 7: Power generation structure (MWs)



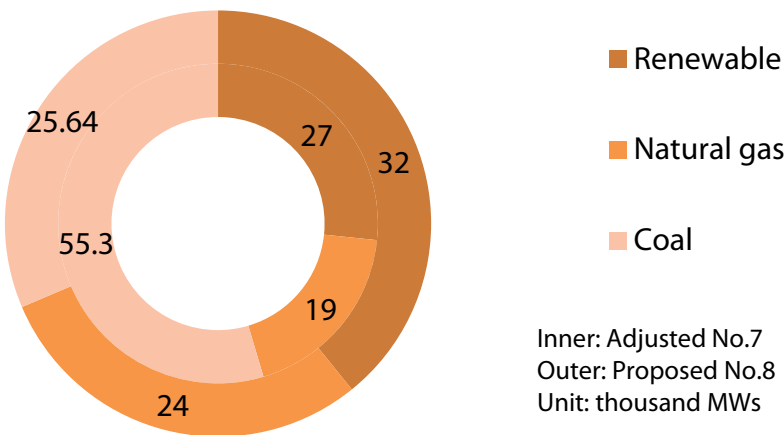
Source: Renewable Energy Potential in Vietnam Report, Rong Viet Securities

Figure 9: Listed HPP’s P/E



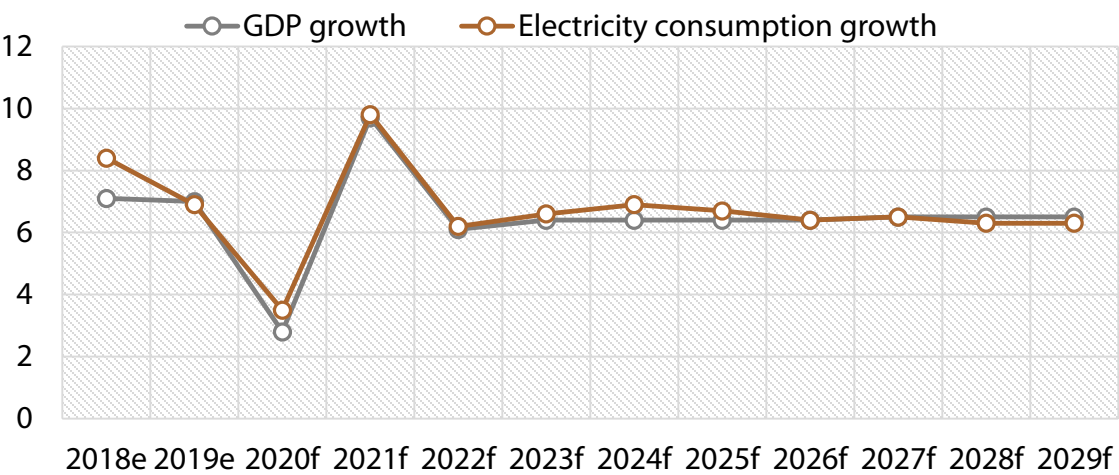
Source: Fiinpro, RongViet Securities

Figure 8: Master Plan No.8’s on power generation structure



Source: MoIT, RongViet Securities

Figure 10: Forecasted electricity demand growth (%)



Source: BMI, RongViet Securities

POWER INDUSTRY

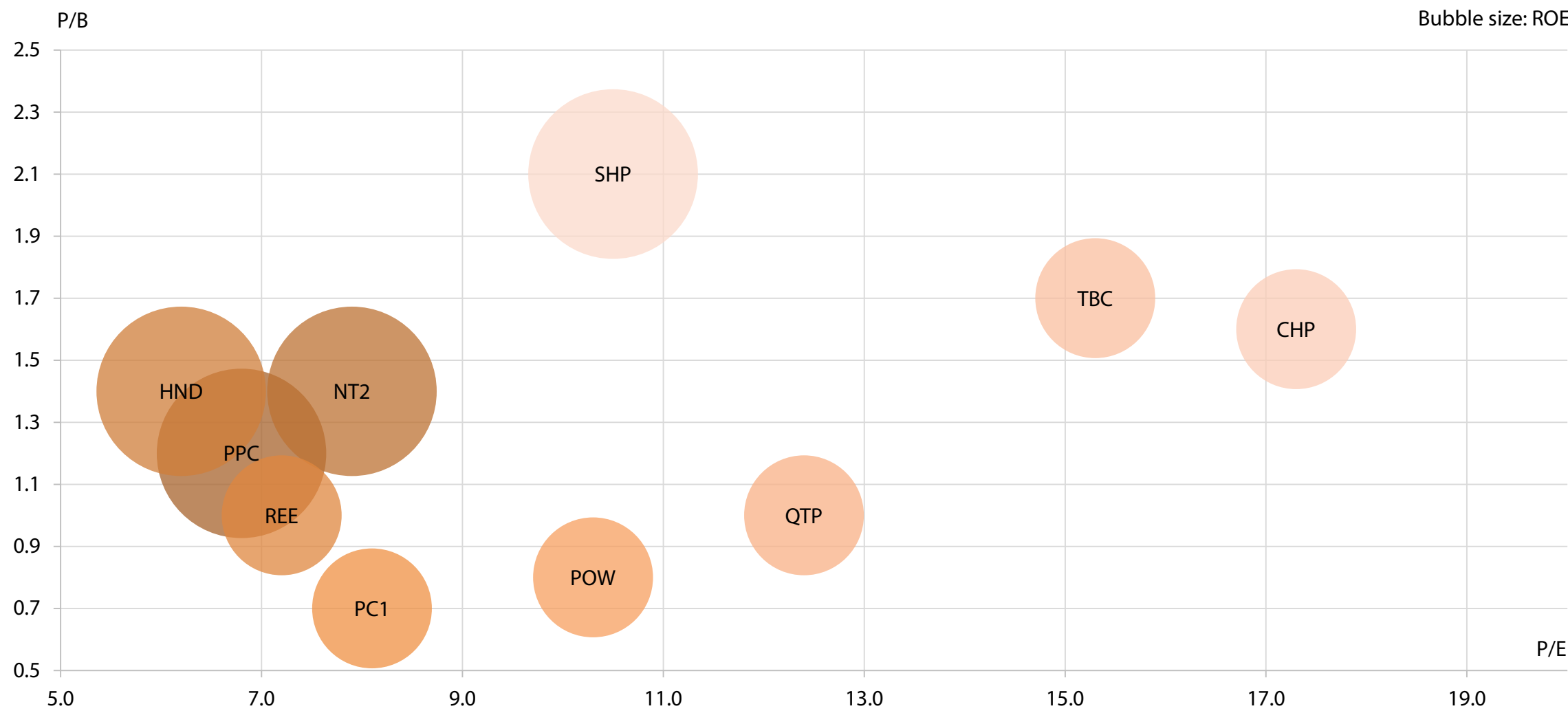
Industry comparable: 1H2020 financials

Ticker	Market cap (USD mn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
PPC	321.07	24,400	13.9	-45.3	7.0	6.6	-28.9	9.2	15.6	18.3	11.6	6.8	1.2
NT2	271.51	25,600	-10.4	5.9	23.7	14.1	10.7	11.9	10.3	18.6	0.0	7.9	1.4
HND	385.59	20,800	6.9	9.0	29.7	15.2	44.9	12.1	11.4	23.1	7.0	6.2	1.4
REE	463.06	41,700	5.7	24.3	30.5	24.0	-19.9	25.5	7.7	13.6	5.2	7.2	1.0
PC1	120.35	27,200	-15.9	11.3	18.6	14.6	-4.8	8.4	4.0	9.0	0.0	8.1	0.7
POW	950.21	#N/A	-14.4	-18.1	20.7	11.7	-22.6	7.5	3.7	7.2	0.0	10.3	0.8
QTP	215.72	#N/A	-2.4	-26.3	22.8	3.8	-92.2	0.4	3.8	8.5	0.0	12.4	1.0
TBC	68.39	#N/A	28.7	35.2	74.6	52.4	-25.3	32.6	6.9	9.7	2.0	15.3	1.7
CHP	110.98	#N/A	-16.7	-19.1	73.1	25.5	-116.6	-4.3	4.2	8.9	8.1	17.3	1.6
SHP	96.27	#N/A	-7.6	-12.6	68.8	16.8	-93.0	0.2	10.2	17.9	8.4	10.5	2.1
VSH	148.67	#N/A	-63.0	-76.8	42.3	-3.2	-102.9	-3.5	0.5	1.4	0.0	78.3	1.1

Source: Bloomberg, RongViet Securities. Share price as of 07 Aug 2020.

POWER INDUSTRY

Industry comparable



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 07 Aug 2020.

PC1 – HYDROPOWER PORTFOLIO TURNING AROUND

INVESTMENT RATIONALE

- **Benefiting from the disbursements into the power industry from both public and private investors.**
 - o EVN is obliged to disburse due to the critical power shortage.
 - o The cash flows into the wind power sector has just started while several solar farms restart construction, which is expected to boost growth for the power construction industry.
- **Three new hydropower plants pave ways for growth.**
 - o Started operating Mong An HPP in 1Q/2020 to cushion electricity segment's performance.
 - o Bao Lac B and Song Nhiem 4 HPPs are scheduled to start operating in 3Q2020.
- **Consolidated results peak owing to PCC1 Thanh Xuan handover**
 - o Sold 90% of the flats, handover and booking concentrate in 9M2020.
 - o Strong growth due to low base while high net margin boosts consolidated growth.

RISKS TO OUR CALL

- The majority of revenue depends on EVN's disbursement progress.
- Future projects depend on the government subsidy in terms of sales price and profitability.
- Real estate projects' progress might be sluggish, impacting NAV.

BUY

+55%

CMP (VND)	17,500
Target price (VND)	27,200

Cash dividend in 12 months -

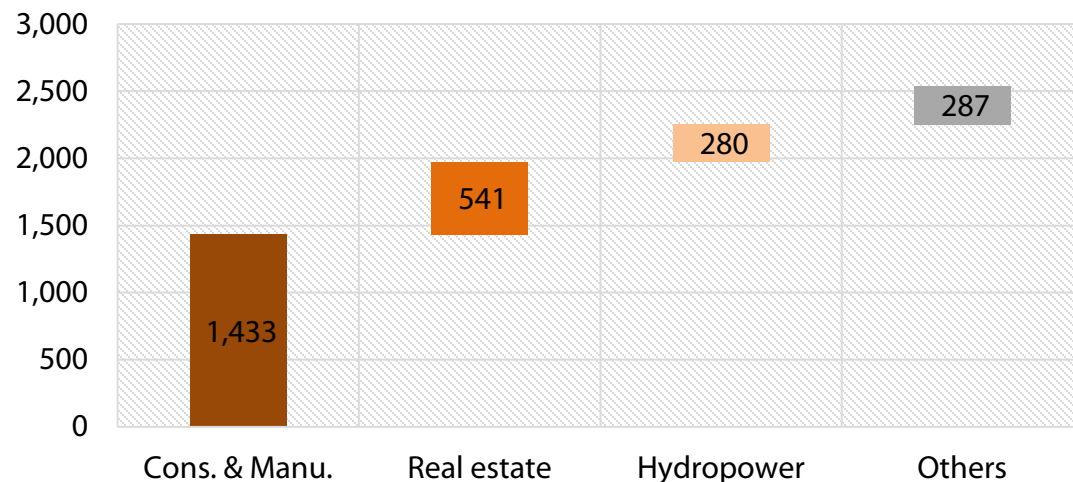
STOCK INFO

Sector	Industrials
Market Cap (\$ mn)	120.4
Current Shares O/S (mn shares)	159.3
3M Avg. Volume (K)	1086
3M Avg. Trading Value (\$ mn)	0.8
Remaining foreign room (%)	32.4
52-week range ('000 VND)	10-21.7

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	5,084	5,842	6,883	6,606
Growth (%)	60.9	14.9	17.8	-4.0
NPATMI (VND bn)	467	356	506	539
Growth (%)	97.1	-23.6	42.0	6.6
ROA (%)	4.8	7.7	4.8	5.6
ROE (%)	9.1	15.0	10.4	12.9
EPS (VND)	3,514	2,236	2,858	3,046
Book Value (VND)	19,578	21,577	24,531	27,679
Cash dividend (VND)	0	0	0	0
P/E (x) (*)	7.1	9.5	6.0	5.6
P/B (x) (*)	1.0	0.9	0.7	0.6

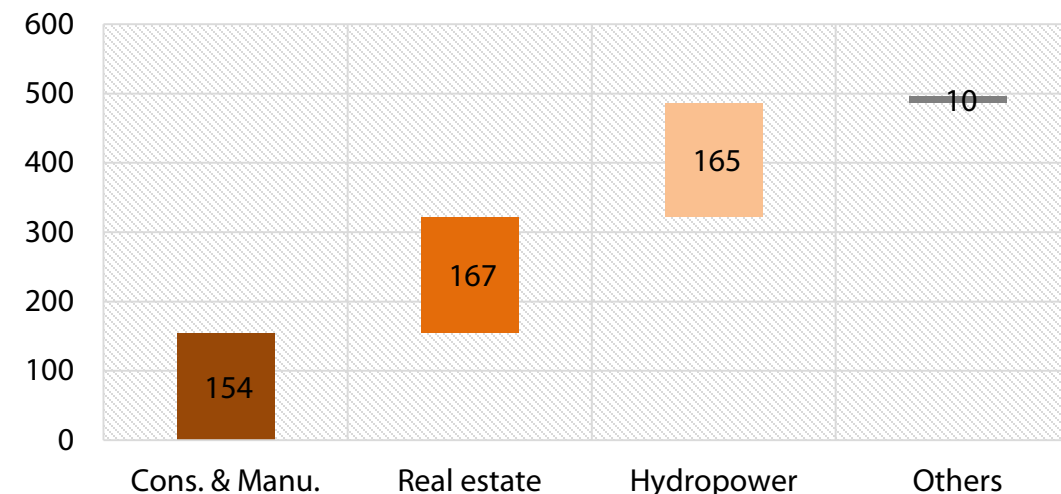
(*) Share price as of Aug 7th, 2020.

Figure 1: 1H 2020 Revenue (VND billion)



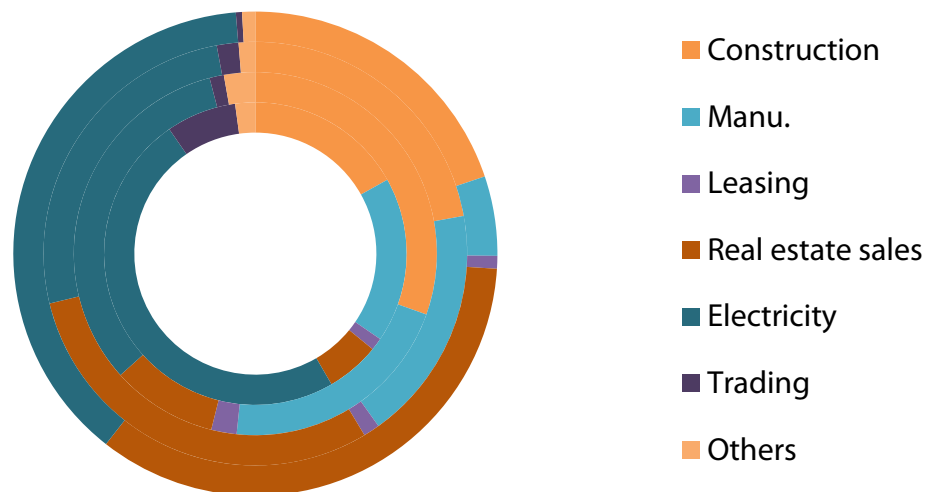
Source: PC1, RongViet Securities

Figure 2: 1H 2020 Gross profit (VND billion)



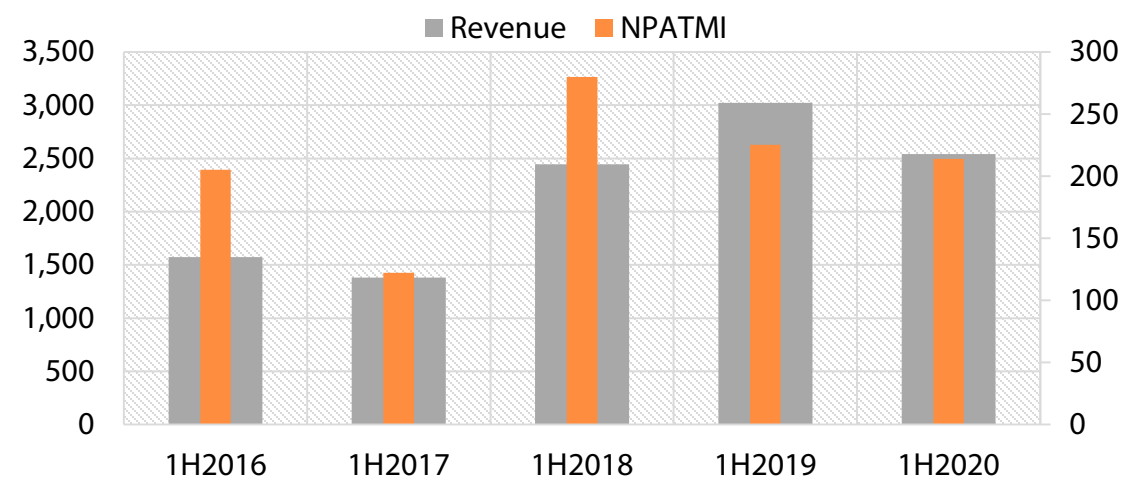
Source: PC1, Rong Viet Securities

Figure 3: Quarterly gross profit breakdown



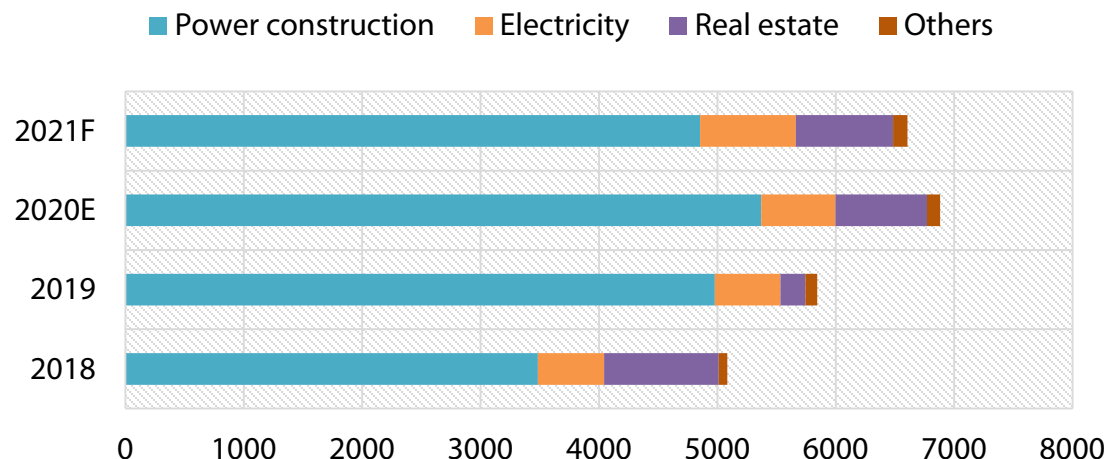
Source: PC1, RongViet Securities. From inside out: 3Q-FY19 to 2Q-FY20

Figure 4: 1H Results (VND billion)



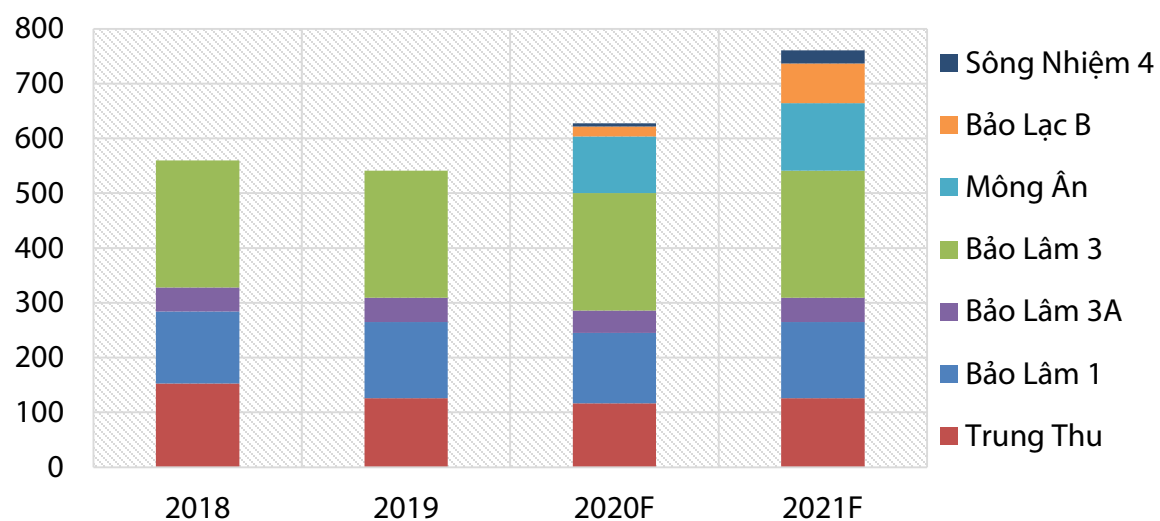
Source: PC1, RongViet Securities

Figure 5: 2020 and 2021 revenue forecast (VND billion)



Source: Rong Viet Securities

Figure 6: Forecasted electricity revenue (VND billion)



Source: Rong Viet Securities

PC1 is transforming itself into a power company

- Despite being a leading contractor in the power construction industry, PC1 puts in great efforts to diversify away from the sector because of the short cycle and low profitability.
- PC1 has advantages in developing small-scale HPPs and is making use of that. Its expanding hydropower portfolio is contributing both growth and stability to the group.

La Nina comes back, giving PC1 more power for growth

- Two new power plants will come online in 3Q, poised to grow strongly in 2021 - fforecasted revenue growth +29%.
- PC1 is able to maintain a 50% gross margin. With La Nina coming back, high output will bring about stable cash flows.

PCC1 Thanh Xuan's handover is the one-off item that stabilizes business results

- PC1 has sold nearly all the units and will be eligible to book 100% of the value in 2020. This will contribute 11% to revenue and 25% to gross profit.
- The segment can compensate for the construction's low seasons and provide growth in 2020.

Figure 7: 2021F Revenue breakdown (VND billion)

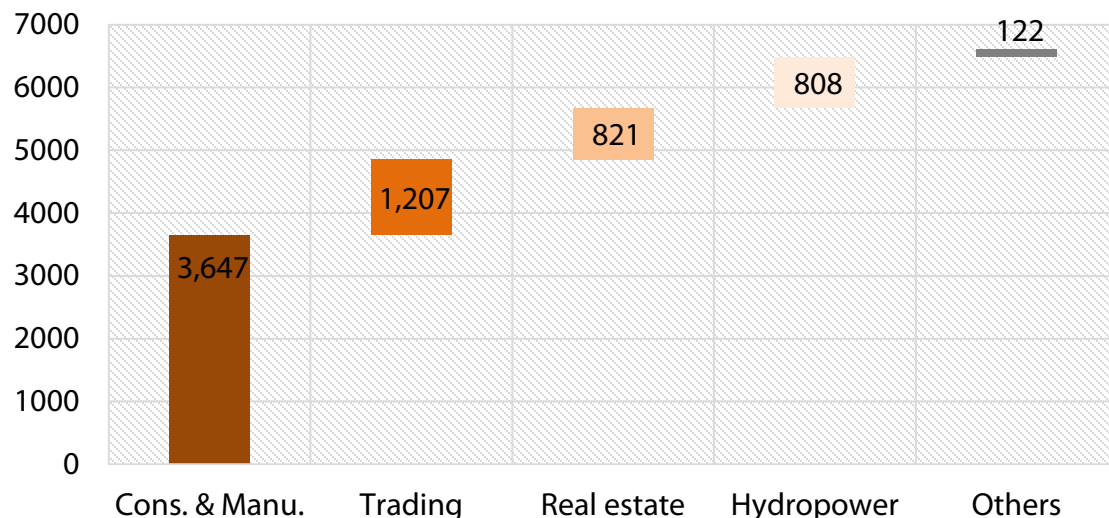
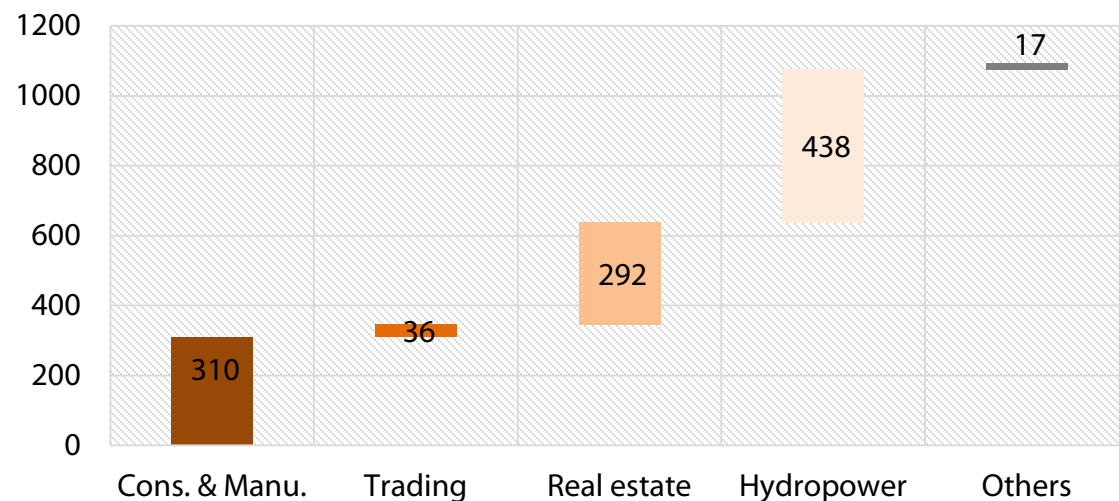


Figure 8: 2021F Gross profit breakdown (VND billion)



Source: Rong Viet Securities

2021 is expected to be the year as all segments achieve full potential

- Construction, manufacturing and trading will benefit from capital flows into wind power to meet the deadline for FIT subsidiary (November 2021).
- Electricity will become the main pillar in PC1's performance, contributing the most in terms of gross profit. This forecast does not include three wind power projects scheduled to operate in late-2021.
- PCC1 Vinh Hung's handover can support results.

Wind power: Promising but financially challenging

- Lien Lap Wind Power is located in Quang Tri, has 48 MW in designed capacity, VND 1,678 billion in investment outlay with a 70% debt ratio. PC1 owns 60% of this project while the remaining is held by RENOVA, a Japanese renewable energy developer. Lien Lap Wind Power is going to start construction in 4Q 2020 and is scheduled to operate in October 2021. Its electricity sale price will be 8.5 cent per kWh, subsidized by the government. Our estimates include an NPV of VND 705 billion, an IRR of 17%, assuming a 9.5% cost of debt and a 10.1% discount rate for FCFE. Once running at full capacity, the wind power plant can bring about VND 284 billion in turnover for PC1's consolidated performance.
- Two other wind power projects with similar structure and with the same timeline as Lien Lap's.

NT2 – PAYING OFF DEBT UNLOCKS A PROSPEROUS FUTURE

INVESTMENT RATIONALE

Sustainable efficiency has been the key advantage to profit

- Located in the most vibrant economic zone in the country, NT2 enjoys high utilization because of electricity demand nearly regardless of weather conditions.
- NT2's ability to operate stably and profitably has granted itself priority in terms of gas supply.

Paying off debt opens the door to shareholders' wealth

- NT2 will have paid off all debt by 2Q2021. Interest expenses are going to keep shrinking to boost the bottom-line.
- Paying off debt means an annual net cash flow of VND 800 billion given normal market conditions, which would mostly be paid out as cash dividend, equivalent to VND 2,700 per share annually.

Becoming one of the most notable defensive stocks

- "PPC 2.0" has a certain industry power, remarkable profitability, solid consistency, healthy cash hoard.

RISKS TO OUR CALL

- Considering the new gas well pipeline, gas shortage might become critical in the medium term, causing utilization rate to drop, impacting NT2's profit and cash dividend during the year. This is an uncontrollable risk, which needs close monitoring in order to hold NT2 in the long term.

BUY

+36%

CMP (VND)	21,850
Target price (VND)	25,600

Cash dividend in 12 months 2,500

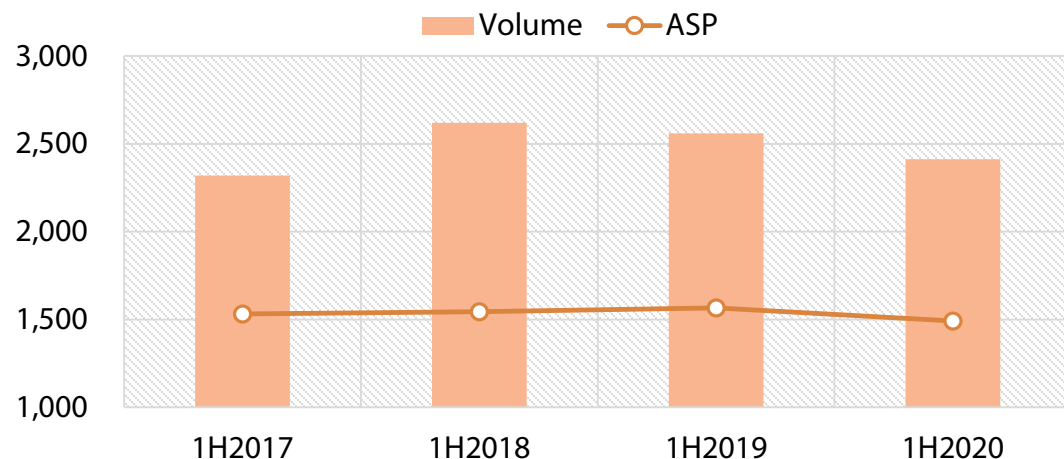
STOCK INFO

Sector	Utilities
Market Cap (\$ mn)	271.5
Current Shares O/S (mn shares)	287.9
3M Avg. Volume (K)	398.6
3M Avg. Trading Value (\$ mn)	0.4
Remaining foreign room (%)	30.6
52-week range ('000 VND)	15-22.9

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	7,670	7,654	6,615	7,290
Growth (%)	13.4	-0.2	-13.6	10.2
NPATMI (VND bn)	782	754	769	687
Growth (%)	-3.5	-3.6	2.0	-10.7
ROA (%)	8.8	10.0	11.9	11.4
ROE (%)	21.2	18.3	18.4	16.2
EPS (VND)	3,383	2,351	2,571	2,278
Book Value (VND)	12,795	14,336	14,518	14,698
Cash dividend (VND)	6,286	899	2,442	2,164
P/E (x) (*)	9.4	8.1	10.4	11.7
P/B (x) (*)	1.9	1.5	1.8	1.8

(*) Share price as of Aug 7th, 2020.

Figure 1: 1H 2020 volume (million kWh) and ASP (VND per kWh)



Source: NT2, RongViet Securities

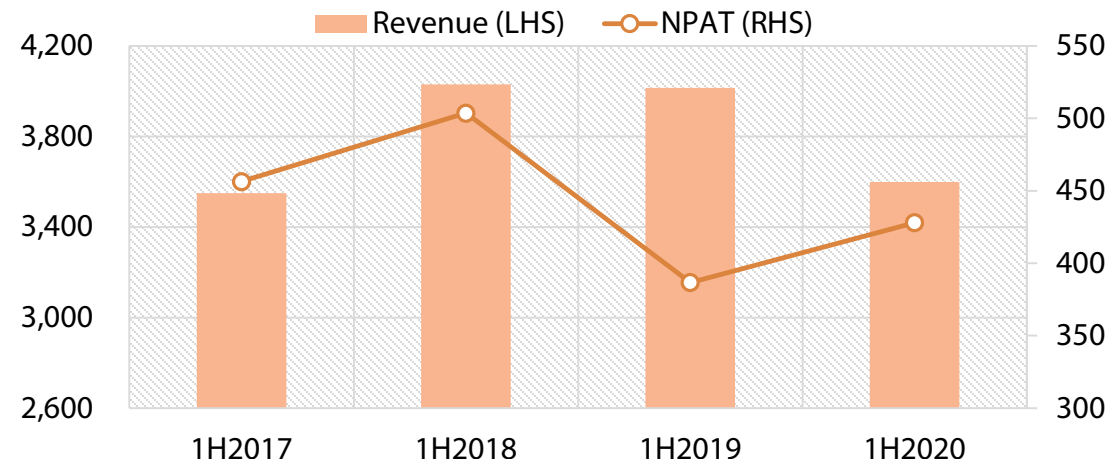
Operating numbers remain stable as capacity has been maximized

- NT2 has been utilized at a very high rate (>85%) since El Nino came back in late-2018. Moreover, gas shortage caused decreasing output to the gas-fired power plants. NT2's 1H revenue went down by 10% YoY.

Lowered expenses boosted 1H NPAT by 10.6% YoY

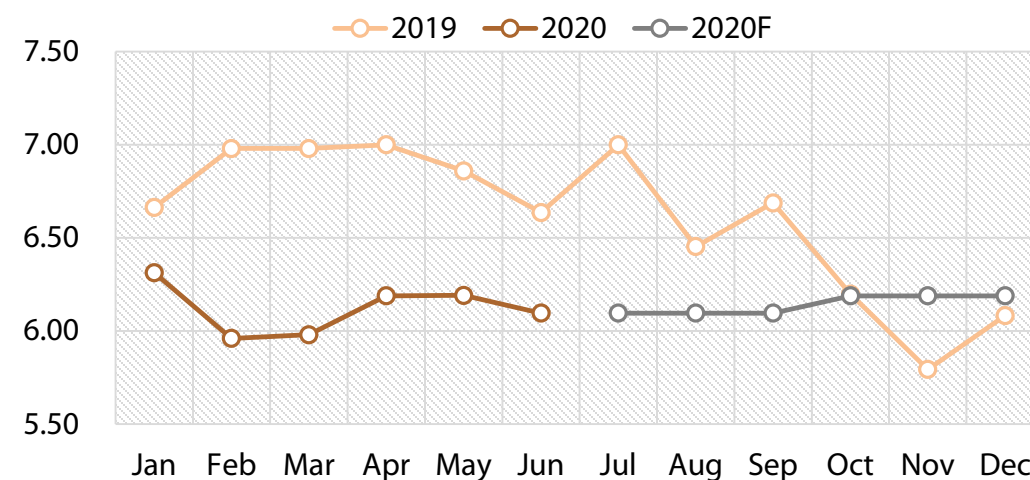
- Gas price was 10.7% lower YoY, improving gross margin to 15.1% (12.5% in 1H2019).
- NT2 is making the last payments, which means interest expenses are reduced strongly quarter after quarter. 1H2020's NPAT grew by VND 41 billion YoY and interest expenses dropped by VND 22 billion.

Figure 2: 1H 2020 revenue and NPAT (VND billion)



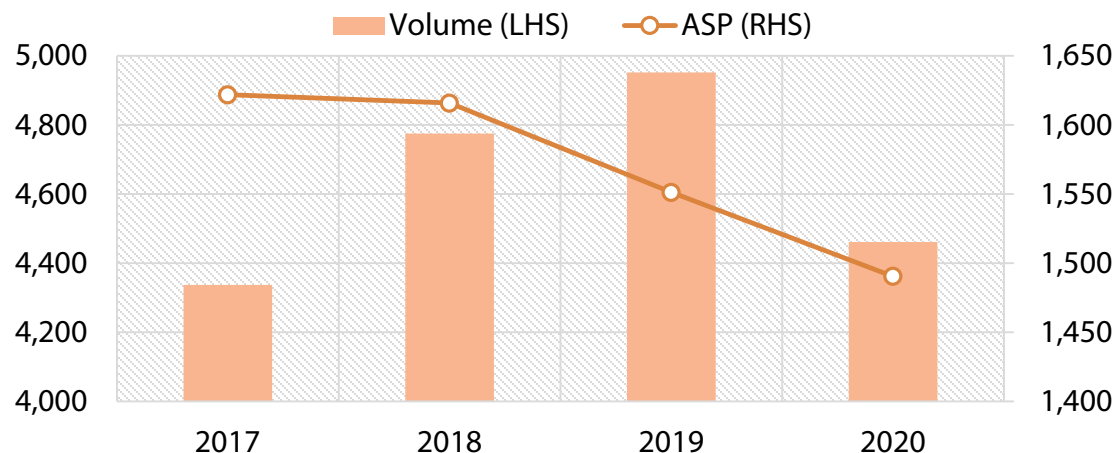
Source: NT2, Rong Viet Securities

Figure 3: Gas price (USD per mmBTU)



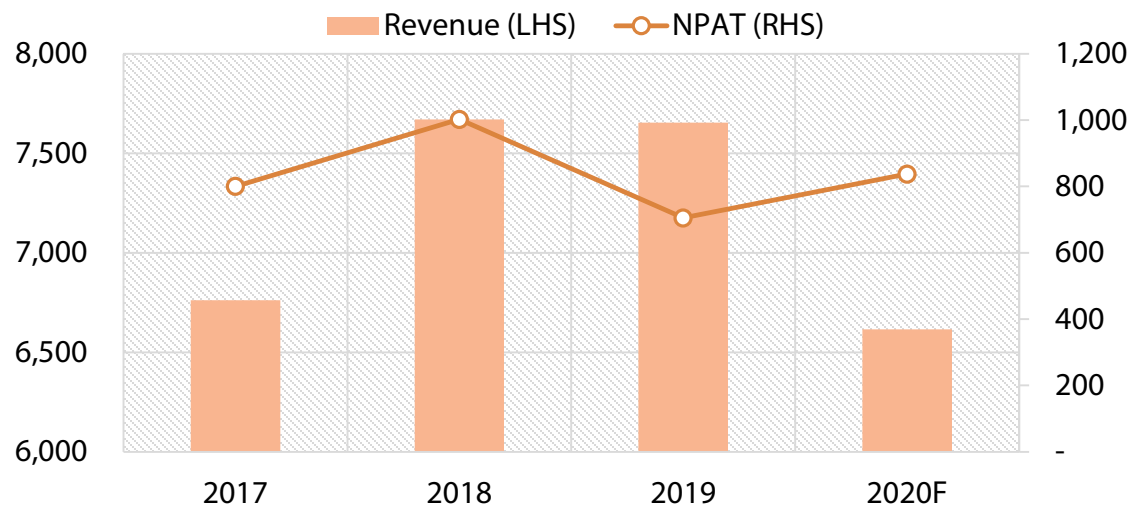
Source: NT2, RongViet Securities

Figure 4: 2020F volume (million kWh) and ASP (VND per kWh)



Source: Rong Viet Securities

Figure 5: 2020F revenue and NPAT (VND billion)



Source: Rong Viet Securities

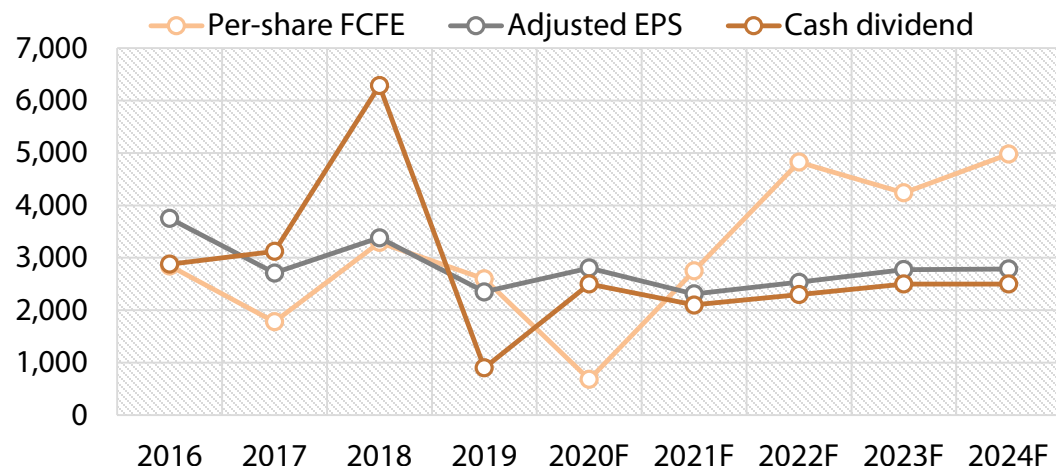
NT2 is going to continue benefiting from low gas price

- Gas prices stay low throughout 2020 because of COVID which will reduce input costs. We forecast that NT2's natural gas price for 2020 will average USD 6.13 per mmBTU, -7.2% YoY.
- Gross margin will improve to 16.1% in 2H2020.
- Financial expense is estimated at VND 122 billion, -27.3% YoY.
- 2020 NPAT is forecasted at +18.7% YoY.

We think the most important element in NT2's potential underlies in its new Pc

- NT2 is expected to announce new Pc in 3Q2020, which is likely to be lowered. On a preliminary assessment, it will reduce ROE for the remaining of the generator cycle.
- We estimate that Pc might be reduced by VND 25 per kWh. In the short-term, it is outweighed by a lower cost of production.

Figure 6: Net cash flow and forecasted dividend (VND per share)



Source: Rong Viet Securities

Figure 7: Valuation

Method	Valuation	Weight	Target price
DDM	21,030	30%	6,342
PE	22,690	40%	9,076
FCFF	33,595	30%	10,137
Target price			25,600

Source: Rong Viet Securities

We want to emphasize stability as NT2's strongest rationale, not growth

- Becoming debt-free means that almost all of the net cash flow will turn into cash dividend. Annual cash flow is estimated at more than VND 1,300 billion per year in 2022-2024, equivalent to VND 4,600 FCFE per share.
- The cash hoard might become increasingly profitable. We forecast that NT2's interest income will be VND 32 billion in 2022, increasing in the following years.
- The hydrological cycle might impact NT2's utilization rate at a very low level given its superior efficiency compared to local peers. As a result, a stable output will ensure a certain level of net profit and net cash flow, hence stable dividend.

NT2 is finding its way to the "cash cow" basket

- Cash cows on the Vietnamese stock market are industry leaders with certain market power, transparent management, sustainable bottom-line, strong cash flow to guarantee annual dividend. NT2 is becoming one of them.
- We value NT2 as a leading stock among this group because of the industry characteristic, which monopsony and Power Purchase Agreement can drive profitability of market participants, such as PPC. As it can minimize the exposure on input price fluctuation, NT2 stands out as one of the top defensive items for one's portfolio.

REE – GRITTING ITS TEETH

INVESTMENT RATIONALE

REE has accumulated itself a well-thought utilities portfolio where many individual companies have their own turnaround stories.

- Hydro power: After two bare years, most operating HPPs are expecting sustainable water levels to start under a new La Nina phase. VSH's turnaround story unfolds with the new plant Thuong Kon Tum's operation in 3Q2020, which will be the key growth driver for REE in the long-term as ownership has been just under 50%.
- Thermal power: PPC proves itself a worthy pillar while its affiliates are concluding their payback period (QTP, HND...). Particularly, QTP has just started paying out a cash dividend for the first time during REE's 10 years holding.
- Water supply: water companies thrive on a strongly developing economy and return a remarkable dividend yield, helping to stabilize REE's cash flows.

Office leasing faces short-term difficulties because of COVID-19, but long-term potential stays solid.

- REE cut lease prices for tenants during 2Q but re-adjusted to normal levels as the COVID situation in Vietnam has been under control and the majority of clients are large, sustainable businesses.
- We think the overall market demand for working space is going to keep declining as the government maintains international flight bans. Hence, lease price is forecasted to be reduced slightly in 2020 and 2021 for premium venues. Nevertheless, cash flows to REE will remain sufficient to fund its investment.

RISKS TO OUR CALL

- Office leasing, the bread winner among REE's segments, has the most exposure to COVID. If the situation worsens either in Vietnam or around the globe, leasing demand is going to be hit, further depressing prices.

BUY

+28%

CMP (VND)	32,500
Target price (VND)	41,700

Cash dividend in 12 months 1,800

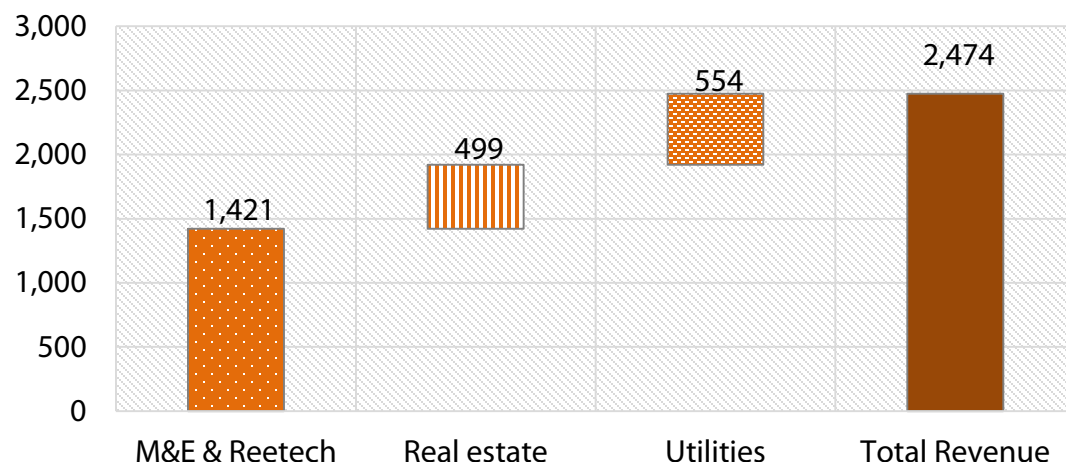
STOCK INFO

Sector	Industrials
Market Cap (\$ mn)	463.1
Current Shares O/S (mn shares)	310.1
3M Avg. Volume (K)	569.4
3M Avg. Trading Value (\$ mn)	0.8
Remaining foreign room (%)	0
52-week range ('000 VND)	26.1-38.3

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	5,101	4,890	5,197	5,307
Growth (%)	2.1	-4.1	6.3	2.1
NPATMI (VND bn)	1,784	1,639	1,686	1,751
Growth (%)	29.5	-8.1	2.9	3.8
ROA (%)	9.0	8.1	7.8	7.7
ROE (%)	15.5	12.9	12.0	11.3
EPS (VND)	5,286	5,286	5,430	5,639
Book Value (VND)	30,056	33,533	37,164	41,002
Cash dividend (VND)	1,600	1,800	1,800	1,800
P/E (x) (*)	5.4	5.8	6.0	5.8
P/B (x) (*)	1.0	1.0	0.9	0.8

(*) Share price as of Aug 7th, 2020.

Figure 1: 1H 2020 revenue per segment (VND bn)



Source: REE, RongViet Securities

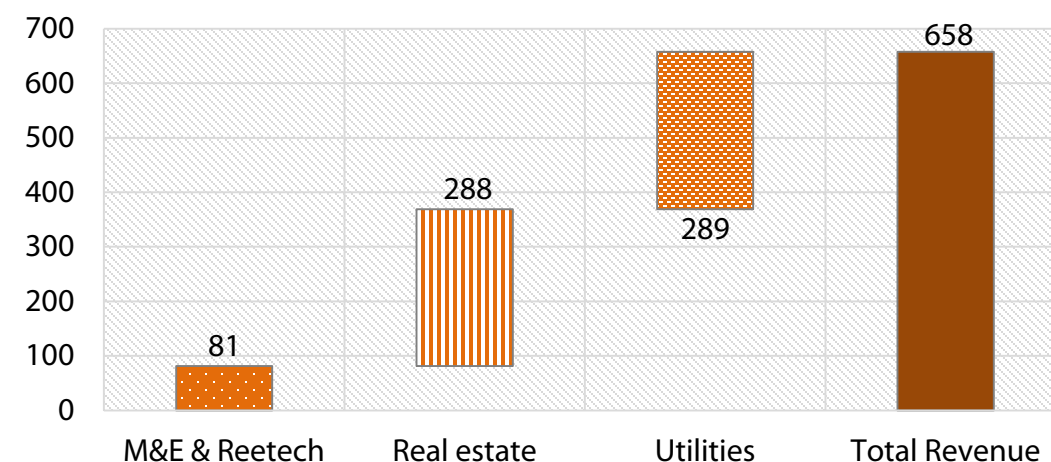
M&E and electricity decreased YoY

- The slowdown in the real estate market caused M&E profit to drop considerably, which is expected to last in the short term.
- The majority of REE's power portfolio is hydropower plants, who generally had a bad 1H2020 in terms of output, revenue and profit due to El Nino.

Silver lining was office leasing and water

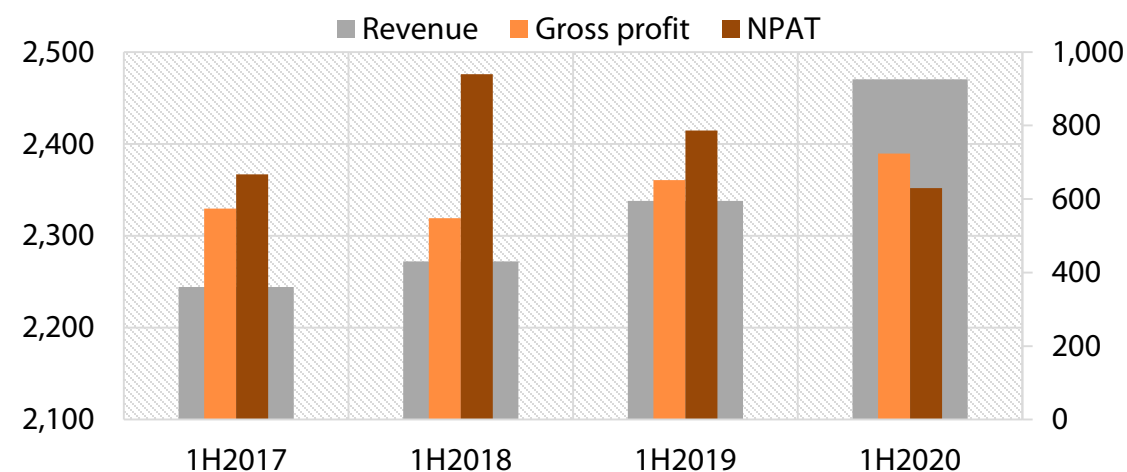
- Office leasing still had YoY growth because of the new lease area despite price cuts in Q2.
- Water companies performed stably as expected thanks to the solid water demand.

Figure2: 1H 2020 NPAT per segment (VND bn)



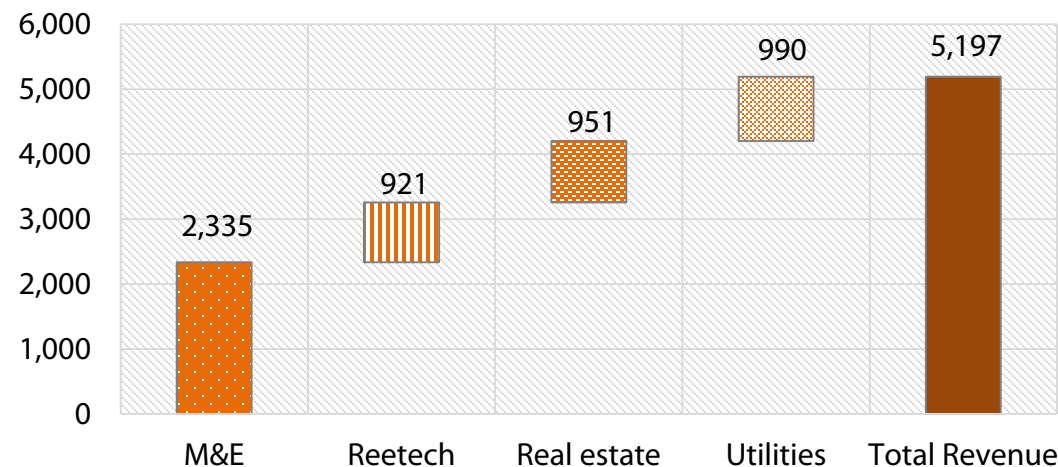
Source: REE, Rong Viet Securities.

Figure 3: 1H 2020 Revenue, Gross profit and NPAT (VND bn)



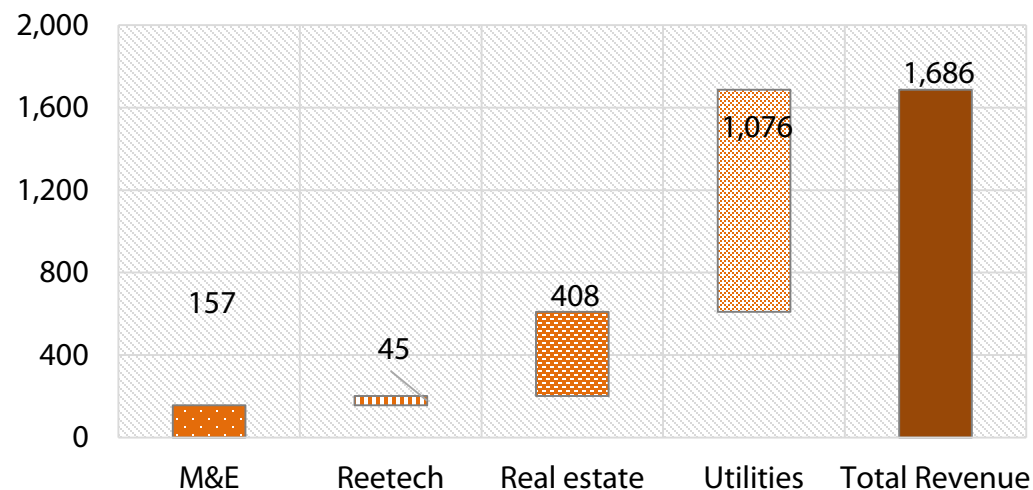
Source: REE, RongViet Securities

Figure 4: 2020 Revenue forecast per segment (VND billion)



Source: Rong Viet Securities

Figure 5: 2020 NPAT forecast per segment (VND billion)



Source: Rong Viet Securities

Stability in profit will be provided by office leasing

- Despite the lease price cut in 2Q, office leasing' revenue for 2020 can still increase by 7.6% YoY because of eTown 5's new lease area.
- Office leasing's NPAT is forecasted to stay flat YoY (VND 370 billion).
- REE is predicted to suffer very little from the leasing demand slowdown thanks to its reputation and price competitiveness.

VSH's performance will not outweigh other electricity and water investments' return

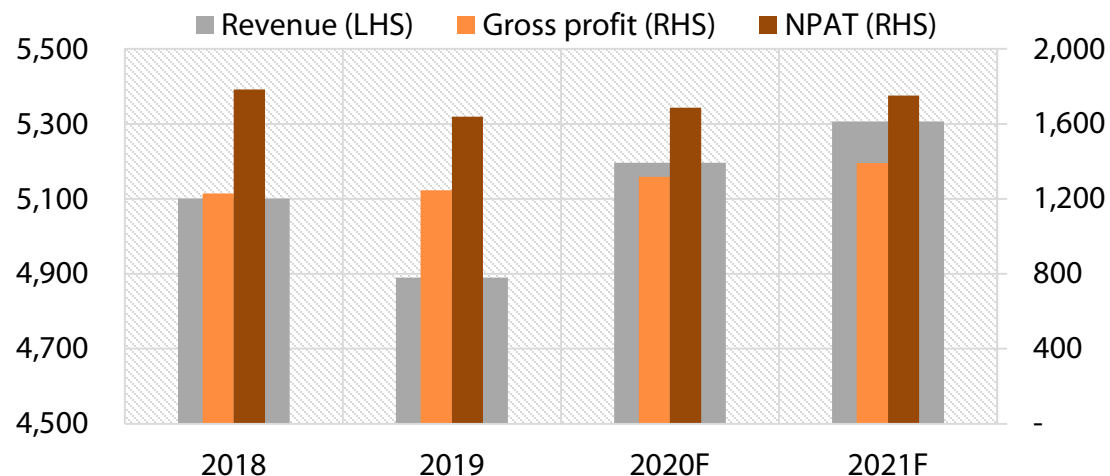
- Even though VSH can put its new plant Thuong Kon Tum into operation in late-2020, the company will still see its bottom-line cut by half, slightly affecting REE's utilities segment income.
- Utilities segment's NPAT can still grow at 14.8% YoY (VND 1,121 billion) thanks to thermal power plants, TBC and water supply investments.

Table 1: 2020 forecast per segment

(VND billion)	Revenue	YoY	NPAT	YoY
M&E	2,335	0%	157	-31%
Reetech	921	10%	45	20%
Real estates	951	7%	408	-5%
Utilities	990	25%	1,076	14%

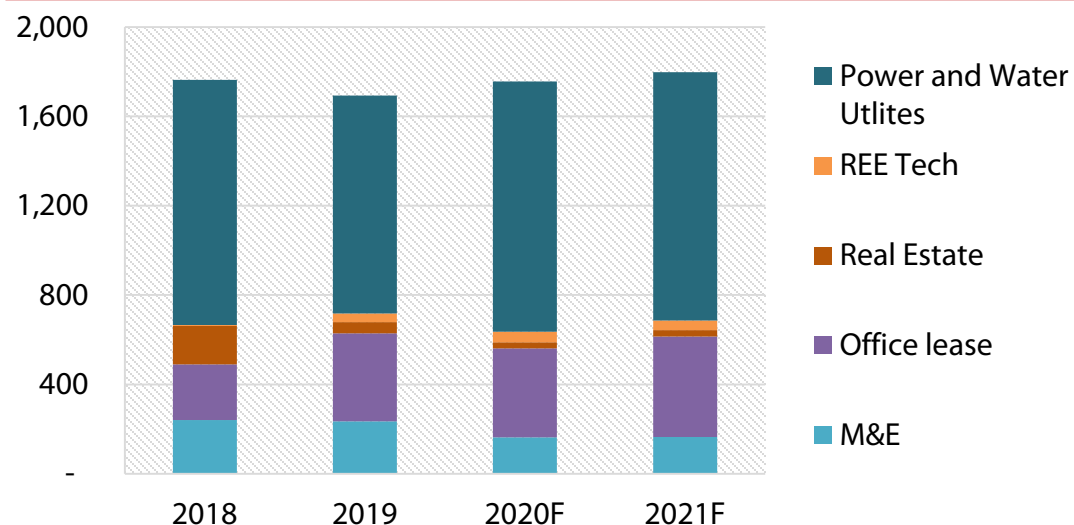
Source: Rong Viet Securities

Figure 6: 2021 forecasts (VND billion)



Source: Rong Viet Securities

Figure 7: Profit contribution per segment



Source: Rong Viet Securities

Industry characteristics allow REE to enjoy stability in the long-term

- The most COVID-19 exposed segment is office leasing, which has return to its normal level in terms of price. Stable demand from clients will allow REE to enjoy consistent cash flows.
- REE's electricity portfolio consists of both thermal power and hydropower plants, which will in turn provide growth drivers irrespective of the weather conditions (La Nina or El Nino).
- The water business, currently heavily monitored by the government, is capable of providing stable profitability. Besides, water demand is expected to grow given the demographics and the economy.
- M&E's and air conditioning contributions will increase slowly because of the real estate market slowdown, which will be replaced by the booming renewable energy sector.

The highly anticipated VSH's turnaround story is expected beyond 2021

- Operating Thuong Kon Tum in September 2020 is good news.
- However, we expect VSH to occur a loss in 2021 because of overwhelming financial obligations.
- Thuong Kon Tum's long-term potential depends heavily on its PPA.

HND – PATIENCE PAYS OFF

INVESTMENT RATIONALE

The modern plant is capable of keeping profitability in the long-run

- HND is one of the most modern and stably-operating coal-fired power plants in the country.
- HND is able to keep its material usage efficient and control its fixed overhead costs.

HND is entering the second half of the plant cycle

- Firstly, it means that HND is paying off its debt, thus reducing financial expenses.
- Secondly, depreciation will also be revised down. Even though Pc is also likely to be reduced, fixed costs will decrease substantially, cushioning profit during tough years.

Valuation is attractive considering the long-term cash generation capacity

- Cash flows after debt payment are forecasted at VND 650 billion during 2020-2024. After paying off debt, FCFF will be nearly VND 1,500 billion annually.
- HND is capable of paying at least VND 2,000 per share in cash dividend from 2022 onwards.

RISKS TO OUR CALL

- Prospects for 2021 - 2022 are forecasted to be less positive due to the high probability of La Nina coming back. NPAT is expected to decline sharply in 2021, which may have a temporary impact on the stock price..

BUY

+23%

CMP (VND)	17,866
Target price (VND)	20,800

Cash dividend in 12 months 1,200

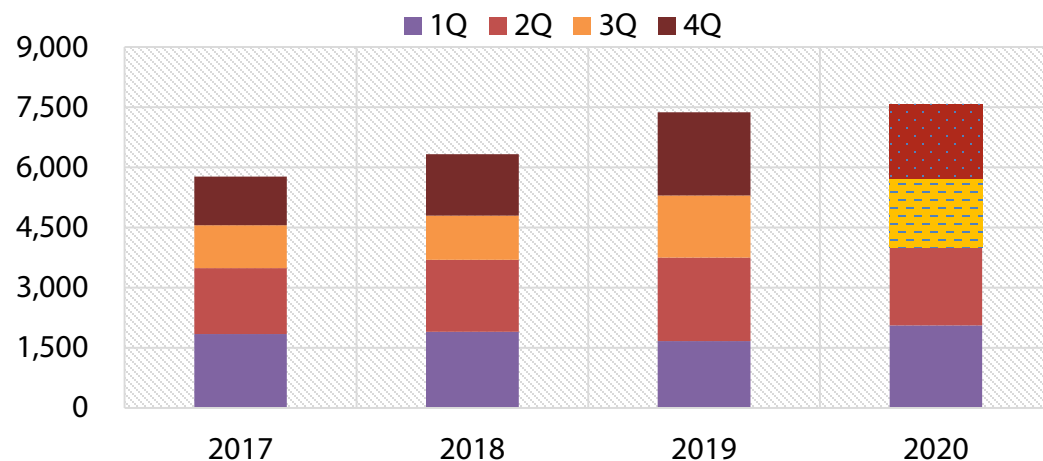
STOCK INFO

Sector	Utilities
Market Cap (\$ mn)	385.6
Current Shares O/S (mn shares)	500
3M Avg. Volume (K)	181.8
3M Avg. Trading Value (\$ mn)	0.1
Remaining foreign room (%)	48.9
52-week range ('000 VND)	11.8-19.5

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	9,527	11,301	11,653	9,699
Growth (%)	4.7	18.6	3.1	-16.8
NPATMI (VND bn)	425	1,203	1,272	779
Growth (%)	7.4	183.2	5.8	-38.7
ROA (%)	2.9	9.1	10.4	7.1
ROE (%)	15.3	19.0	17.1	10.2
EPS (VND)	1,691	2,467	2,520	1,544
Book Value (VND)	11,385	12,459	14,349	14,330
Cash dividend (VND)	650	700	1,200	1,500
P/E (x) (*)	4.3	7.5	7.2	11.8
P/B (x) (*)	0.9	1.7	1.5	1.5

(*) Share price as of Aug 7th, 2020.

Figure 1: Output (million kWh)



Source: HND, RongViet Securities | Q3, Q4 2020's volume is a forecast

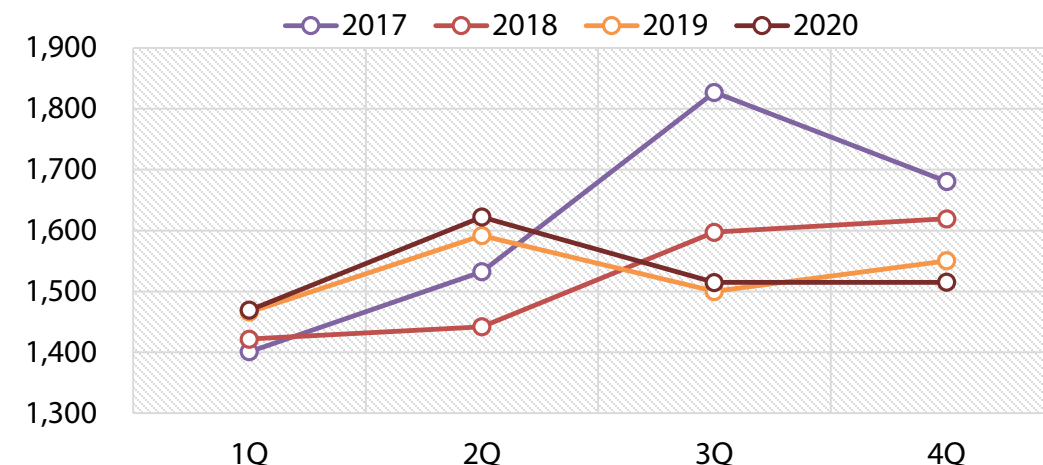
Record-high volume because of El Nino

- HND's 1H2020 output nearly reached 4 billion kWh (+6.4% YoY) because of the prolong droughts and despite the impact of the social distancing period.

Record-high quarterly NPAT

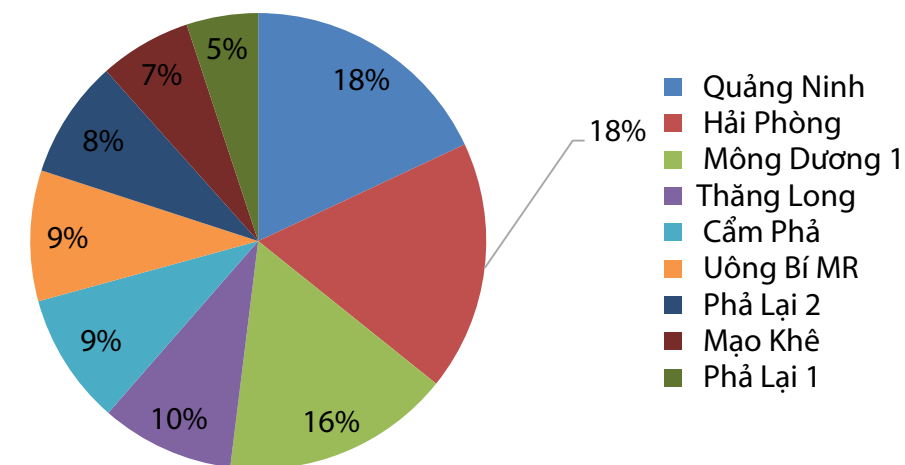
- ASP exceeded VND 1,500 per kWh in 1H2020, highest in recent years. Estimated core business's gross margin was 14%.
- Interest expenses decreased by 27.5% YoY.
- HND also benefited from booking FX fluctuation revenue.

Figure 2: ASP (VND per kWh)



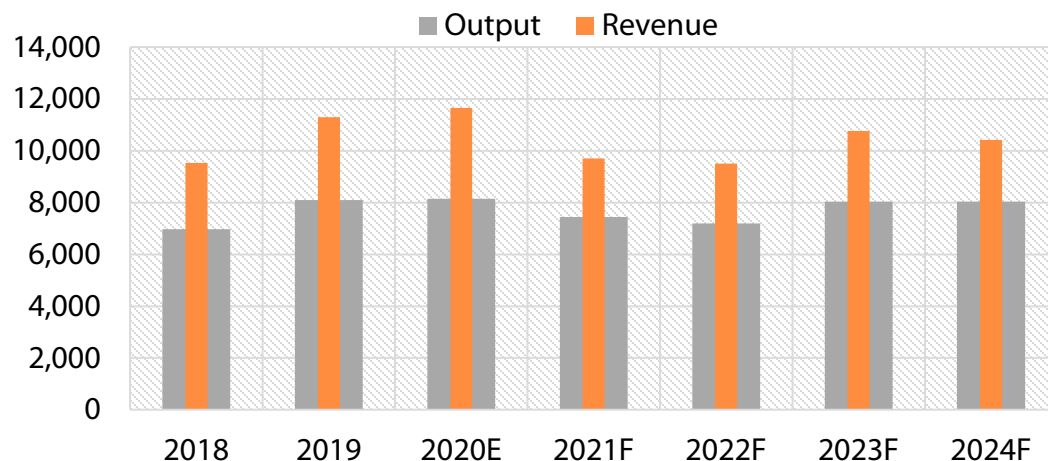
Source: HND, Rong Viet Securities | ASP in Q3, Q4 2020 is estimated ASP

Figure 3: Regional output contribution



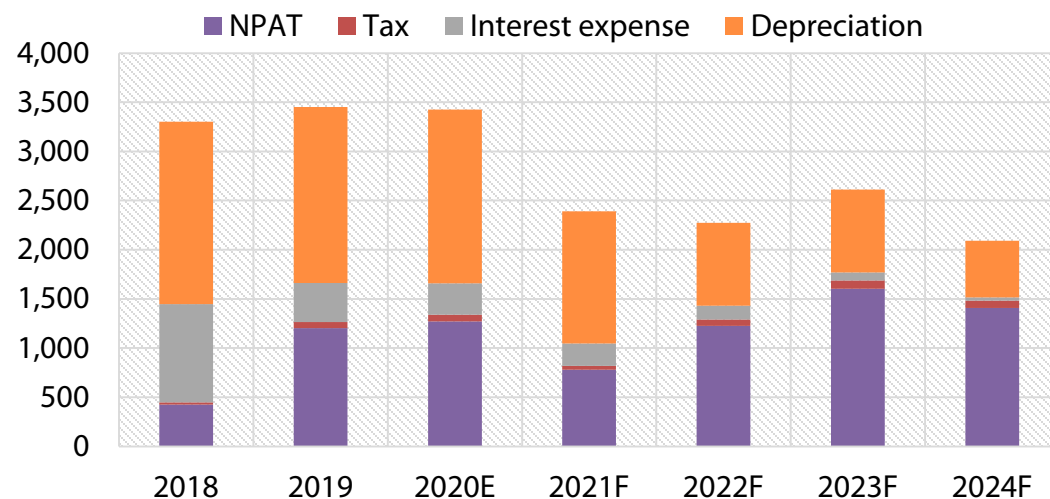
Source: RongViet Securities

Figure 4: 2020 output (million kWh) and revenue (VND billion)



Source: Rong Viet Securities

Figure 5: EBITDA composition (VND billion)



Source: Rong Viet Securities

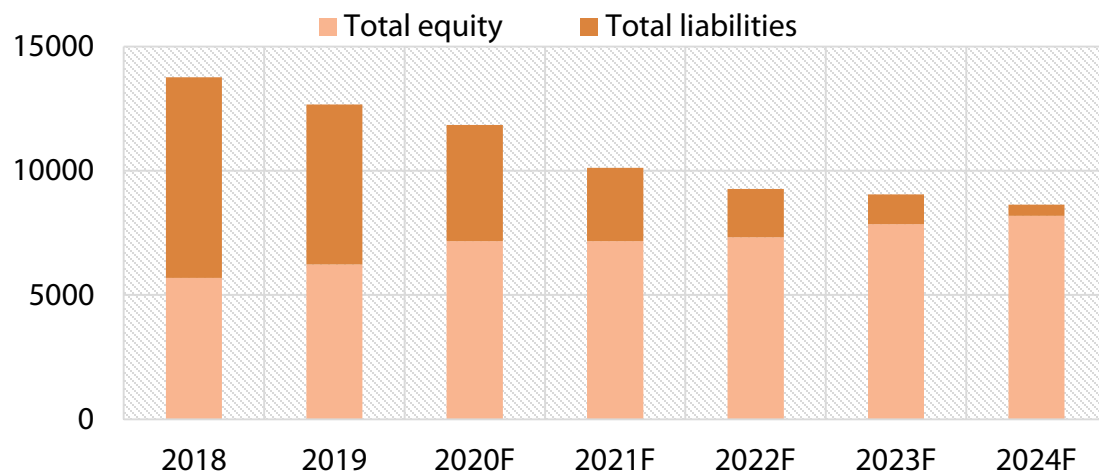
HND's bottom-line is expected to peak in 2020

- Favorable market condition enables HND to have abnormal profit from the CGM.
- However, as capacity has been maximized, output growth will be minimal. Besides, COVID-19 can impact electricity demand as it already did in April.
- 2H2020 will see output and revenue decline because La Nina has come back, causing hydropower plants to operate at high utilization. Accordingly, we expect the CGM might not be as profitable as in 1H.
- Nevertheless, HND's NPAT will still grow by 5.8% because of lowered interest expenses.

HND is going to improve continuously as it enters the second half of the generator life cycle.

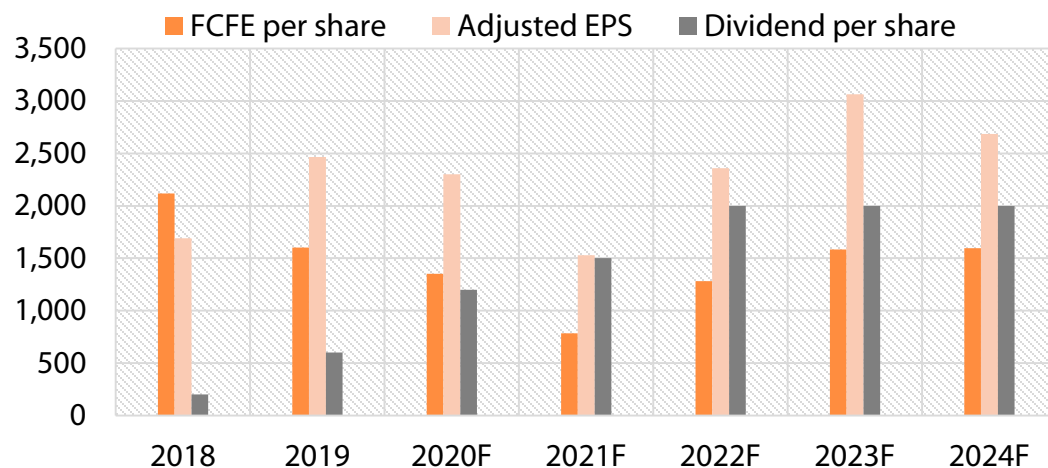
- HND is going to lower depreciation for its two plants, one by one, starting in 2021.
- EBITDA composition will change vastly, of which the major contribution will be earnings as cash flows will be freed because of debt being paid off.

Figure 6: Capital structure



Source: Rong Viet Securities

Figure 7: Per-share key figures (VND)



Source: Rong Viet Securities

HND is an underdog that should be on the watch-list for the long-term

- On the one hand, we admit that HND's has a high dependence on EVN in terms of output, which we have factored in the valuation. Unfortunately, the 2021 potential does not offer much.
- On the other hand, HND's long-term potential is undeniable. HND will eventually get to the point (particularly 2024) where it pays off its debt and cash flows should be paid out mostly as cash dividend, same as other mature power plant we see in the market. HND's capacity and efficiency are going to ensure that the cash flows will remain stable year over year.

Table 1: Valuation

Method	Valuation	Weight	Weighted average
EV/EBITDA	22,848	20%	4,570
FCFF	23,978	40%	9,591
P/E	16,699	40%	6,680
Total		100%	20,800

Source: Rong Viet Securities

PPC – FAIR VALUATION, BUT WORTH ACCUMULATING

INVESTMENT RATIONALE

Business performance has been solid

- PPC is equipped to take advantage of weather conditions when there is an opportunity.
- Share price performance and business results during the last year have been fairly correlated.

PPC is currently in its mature phase as room for growth is only minimal

- 2019 could have been the peak in terms of profit and cash dividend.
- Setting aside one-off items, sustainable elements in PPC's business performance include stable output and operating cash flow, topped up by financial income brought about by its large cash hoard.

The main rationale to hold PPC in the long-term would be cash dividend-related

- PPC is capable of maintaining a cash dividend above VND 2,000 annually, equivalent to ~8.7% dividend yield at the current market price.
- PPC's solid financials and cash dividend policy is suitable for conservative investors.

RISKS TO OUR CALL

- Pha Lai 1's operation should be monitored closely. The old plant might not contribute a large part into PPC's bottom-line but unfavorable news could affect PPC's output and share price performance.

ACCUMULATE

+12%

CMP (VND)	23,200
Target price (VND)	24,400

Cash dividend in 12 months 2,200

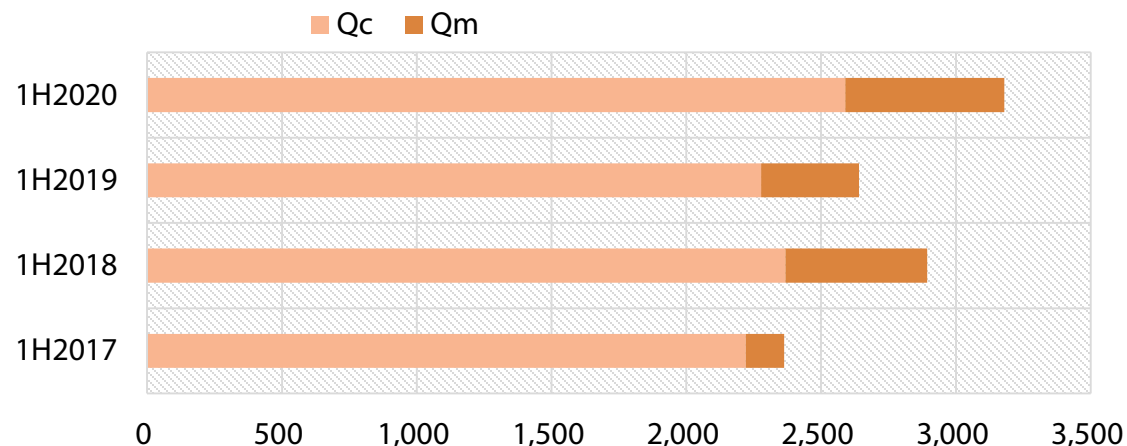
STOCK INFO

Sector	Utilities
Market Cap (\$ mn)	321.1
Current Shares O/S (mn shares)	320.6
3M Avg. Volume (K)	162
3M Avg. Trading Value (\$ mn)	0.2
Remaining foreign room (%)	32.5
52-week range ('000 VND)	19.7-27.8

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	7,117	8,183	9,110	9,160
Growth (%)	14.1	15.0	11.3	0.5
NPATMI (VND bn)	1,122	1,268	1,100	1,084
Growth (%)	31.4	12.9	-13.2	-1.5
ROA (%)	16.1	17.5	15.4	14.4
ROE (%)	15.7	15.9	12.5	11.2
EPS (VND)	2,680	3,501	3,792	3,292
Book Value (VND)	17,215	17,622	18,484	19,251
Cash dividend (VND)	2,820	2,700	2,500	2,500
P/E (x) (*)	5.2	7.7	6.1	7.0
P/B (x) (*)	1.3	1.3	1.2	1.2

(*) Share price as of Aug 7th, 2020.

Figure 1: 1H volume (million kWh)



Source: PPC, RongViet Securities

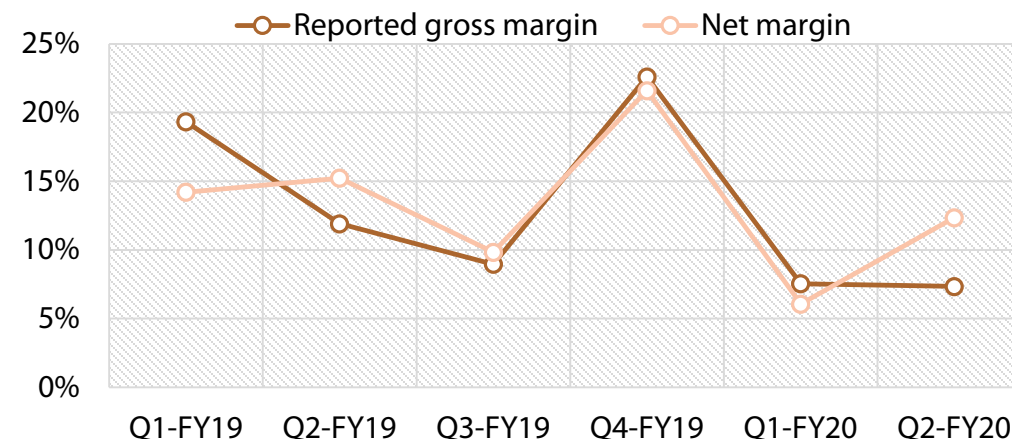
1H benefited from the dry season, but could have been better without COVID

- 1Q output went up by 43% YoY, 2Q only increased by 4% YoY due to social distancing. 1H2020 output reached 3.2 billion kWh, +20% YoY.

Gross margin went down considerably to 7.4% in 1H (1H2019 15.4%)

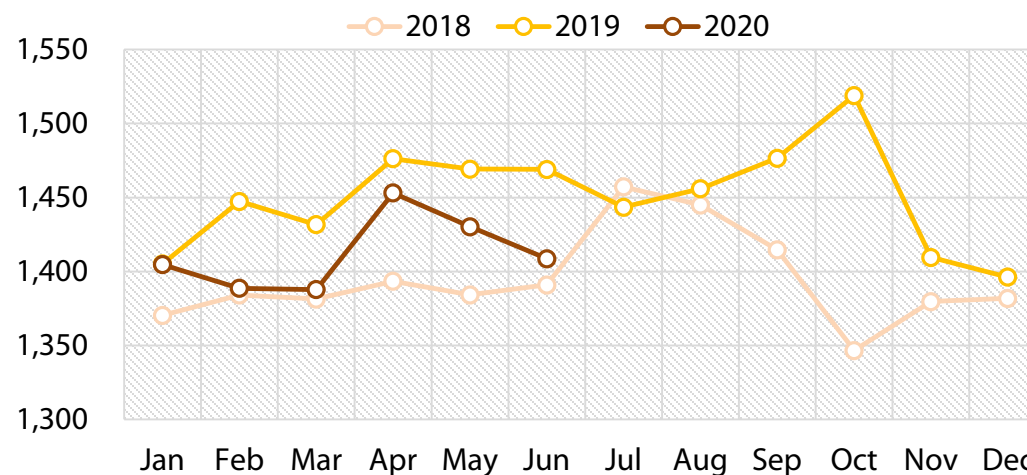
- Core gross margin is estimated at 7.1% in 1H2020 (taking apart FX revenue), 1H2019 12.5%. Possible reasons (1) high coal price, (2) weak CGM market, (3) lowered CAN price, (4) higher maintenance allocation per kWh.

Figure 2: 1H 2020 revenue and NPAT (VND billion)



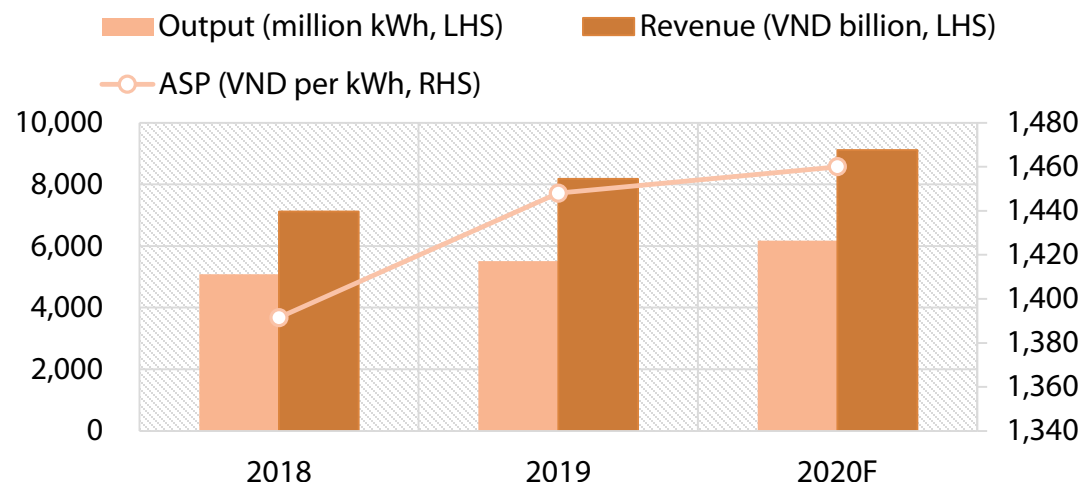
Source: PPC, Rong Viet Securities

Figure 3: ASP (VND per kWh)



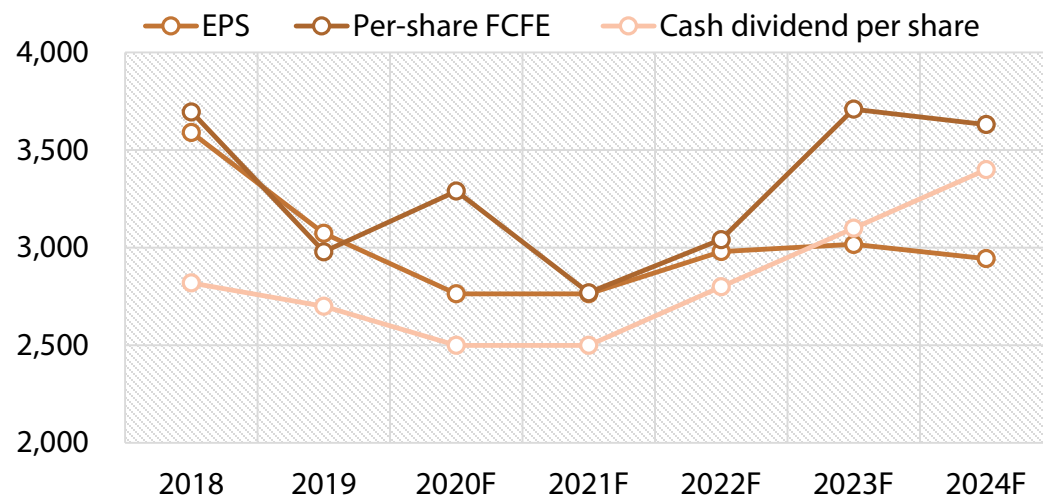
Source: PPC, RongViet Securities

Figure 4: 2020 forecasts



Source: Rong Viet Securities

Figure 5: 5-year per-share forecasts (VND)



Source: Rong Viet Securities

Making the most out of the CGM in 2H

- PPC is going to postpone maintenance for generator no.5 until next year, to take advantage of the last months of the dry season. 2H2020 will grow by 4% YoY, which is substantial because the rainy season has enabled hydropower plants to raise output.
- 2020 output can exceed 6 billion kWh, +12% YoY.
- PPC will gain a stable amount of financial income, including interest and dividend income (from HND, who has been performing exceptionally since 2019).
- Other income contributors may be reversals of maintenance allocations and FX revenue, normally booked in 4Q.

A typical defensive stock, with a bonus due to industry characteristics

- Located in an important electricity node, PPC has been almost always utilized at a very high rate, regardless of weather conditions.
- Pha Lai 2 plant is the breadwinner and the fact that it is a “young” plant ensures long-term stability.
- Stable output, stable price imply stable income, stable cash flow. It means PPC is capable of an annual cash dividend (at least VND 2,000 per year). The attractive dividend yield should come in handy during turbulent market conditions.



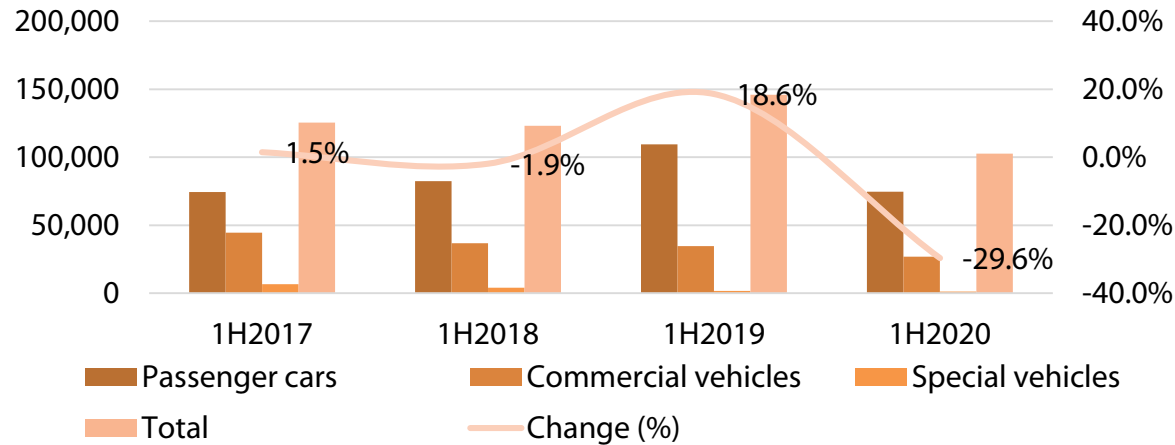
**AUTOMOBILE INDUSTRY: Many policies support
the industry to recover in 2H2020**

Hoang Bui - hoang.bh@vdsc.com.vn

AUTOMOBILE INDUSTRY

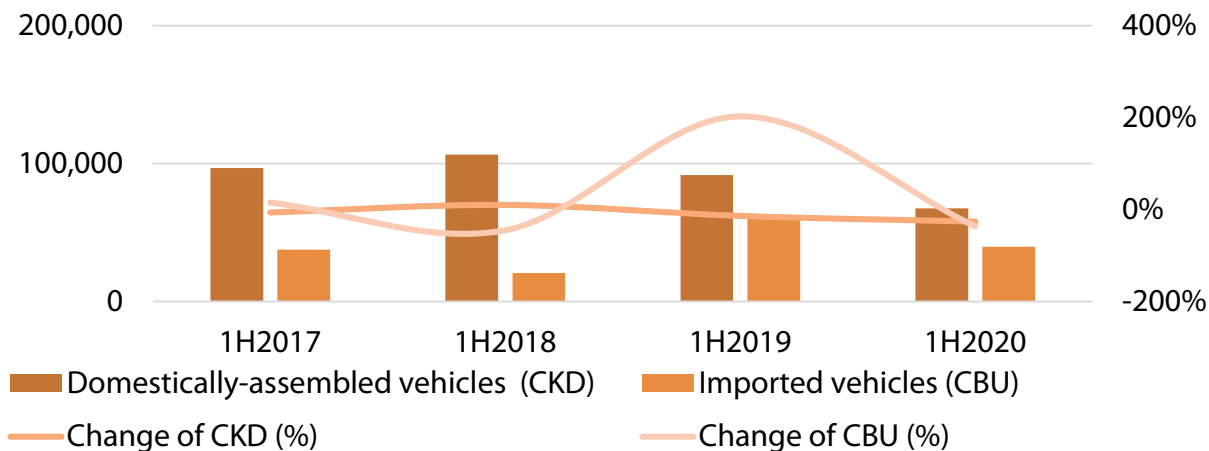
Many difficulties in the first half of the year due to Covid-19

Figure 1: VAMA sales by type (units)



Source: VAMA, Rong Viet Securities

Figure 2: VAMA sales by vehicle origin (units)



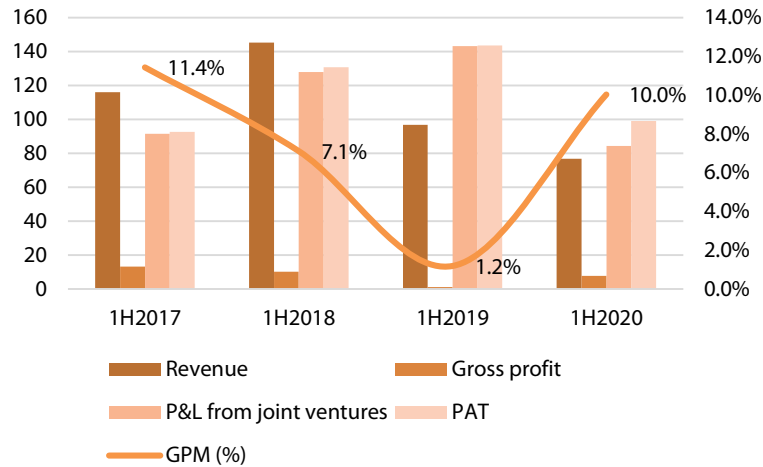
Source: VAMA, Rong Viet Securities

- VAMA's 1H2020 sales fell by 30% YoY, to 102,720 units.
 - i. Passenger cars: sales fell by 32% YoY, to 74,638 units. This is due to (1) the effect of the Covid-19 on the income and consumption behavior of the buyers, (2) the buyers waiting for the reduction of the registration fee.
 - ii. Commercial vehicles and special vehicles sales decreased by 23% YoY (to 26,826 units) and 30% YoY (to 1,256 units) because production and mining industries are limited due to Covid-19.
- By origin, the volume of domestically assembled vehicles decreased by 26% YoY (to 67,516 units), while the number of imported vehicles decreased by 37% YoY (to 39,667 units). Cars imported from Thailand plummeted 61% YoY, to only 17,620 units. Cars imported from Indonesia decreased by 22% YoY, down to 16,421 units. In general, the Covid-19 has made people prioritize consumption for vital things instead of buying cars.
- By market share, THACO continued to dominate with 33.3%. Followed by brands from Japan such as Toyota (24.5%), Honda (11.7%), Mitsubishi (10%). Ford – the “king” of pickup trucks – ranked at 5th with 8.2%.

AUTOMOBILE INDUSTRY

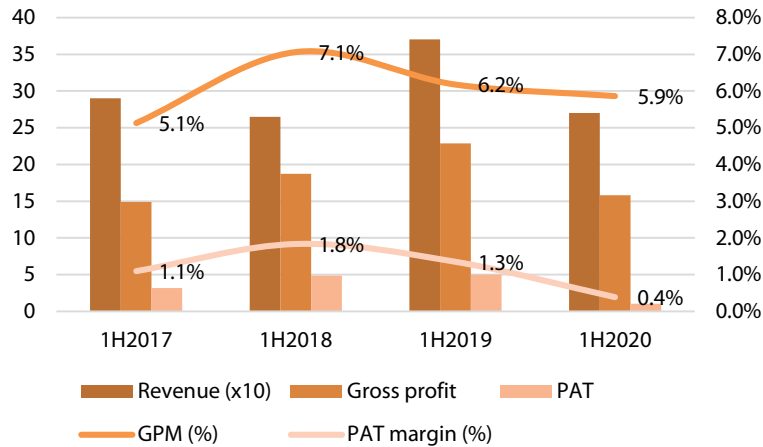
Results of automobile companies declined

Figure 3: VEA business results (USD million)



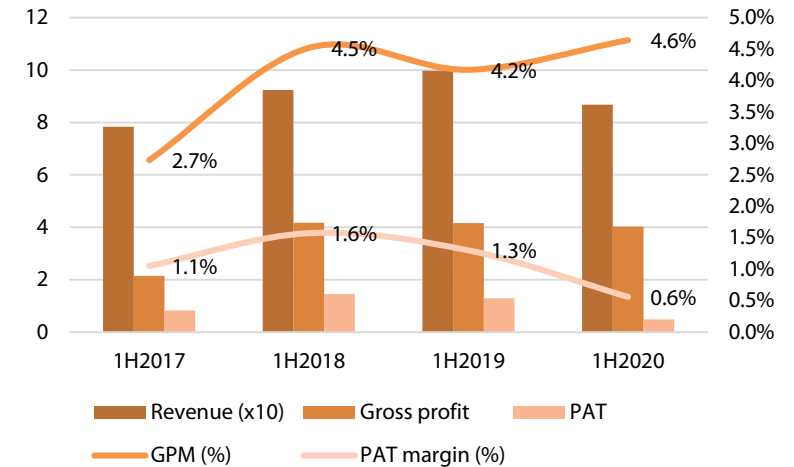
Source: VEA, Rong Viet Securities

Figure 4: SVC business results (USD million)



Source: SVC, Rong Viet Securities

Figure 5: HAX business results (USD million)



Source: HAX, Rong Viet Securities

- Covid-19 has a negative impact on automobile sales. As a result, revenue of auto companies decreased. For example, SVC's sales dropped by 27% YoY to USD 27 million, VEA's sales dropped by 21% YoY to USD 76.8 million or HAX's sales declined less with 13% YoY to USD 8.7 million thanks to the lower decrease of Mec compared to the decline of the industry. Due to the different business mix, the fluctuation of gross profit is different. HAX's growth in repairing and selling spare parts helped its gross profit to drop slightly by 3% YoY (to USD 4 million). SVC's gross profit decreased by 31% YoY (to USD 15.8 million), this decrease is stronger than the decrease in revenue due to lower selling prices. In contrast, gross profit of VEA increased strongly by 566% YoY (to USD 7.7 million), mainly due to the very low results of 1H2019.
- Selling and G&A expenses decreased along with the decline of business activity.
- The PAT of auto companies decreased. Specifically, the PAT of HAX and SVC were USD 0.5 million (-62% YoY) and USD 1 million (-79% YoY), respectively. VEA's profits mainly come from dividends paid by its joint ventures. In 1H2020, the dividend received by VEA decreased by 41% YoY, to USD 84.4 million, but thanks to the strong improvement of the main business (+566% YoY), the PAT only decreased 31% YoY, to USD 99.1 million.

2H2020 – More opportunities than challenges

Opportunities

- Decree 70/2020/ND-CP about 50% reduction of the registration fee applied for domestically produced and assembled cars (June 28, 2020 to December 31, 2020) helps reduce the cost of buying a car. This policy helps to reduce COGS compared to 1H2020. Moreover, from July 10, 2020, Decree 57/2020/ND-CP officially allows domestic automobile manufacturers and assemblers to benefit from a 0% import tax on raw materials, components and supplies which cannot domestically produced. This helps reduce production costs by 2-5% and boost demand. Besides, the Government extended the time of paying the special consumption tax on cars manufactured or assembled domestically from March to December. This supports the cash flow management of companies.
- In addition, a steady growth in personal income and a low number of vehicles per capita compared to other countries having similar income will offer automobile industry lots of opportunities to grow.

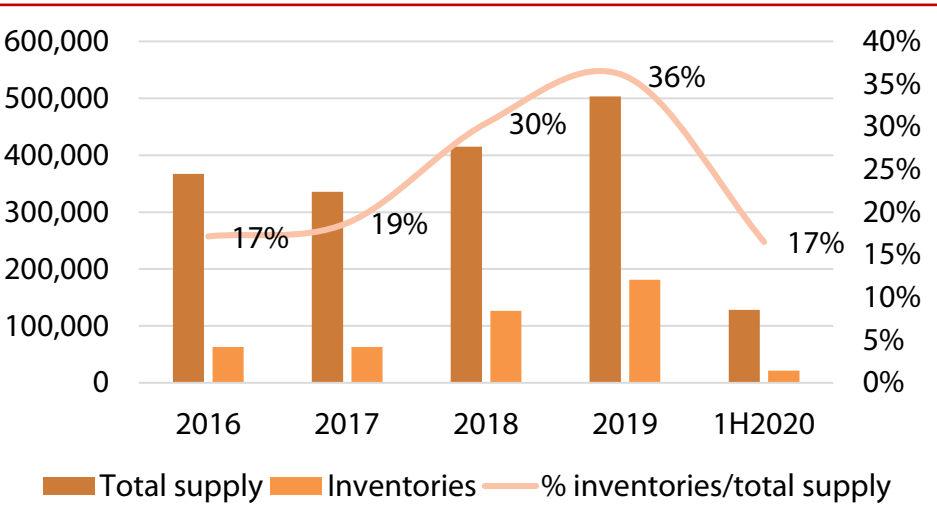
Challenges

- Inventory pressure leads to competition in selling price, reducing GPM. In 1H2020, there were 21,205 units in inventories, accounting for 17% of total supply. This is a relatively low number and is acceptable compared to previous years. However, inventories of 2019 is "extremely large" up to 180,905 units, accounting for 36% of the 2019 total supply. Therefore, the pressure to liquidate 2019 inventories may force companies to lower their selling price.
- Covid-19 made people's income lower than expected. Consumers may shift to middle class and low class cars instead of luxury cars. In addition, transportation infrastructure is not good enough. The traffic area is only 6-8%, lower than the standard of 20%.

Conclusion

Sales will recover in 2H2020 versus 1H2020, thanks to a better economic outlook and government support. So, although GPM is likely to decline, gross profit still grows thanks to increased sales. Therefore, we think the industry's 2H2020 PBT will be higher than 1H2020.

Figure 6: Supply exceeds demand (units)



Source: Ministry of Industry and Trade, General Department of Customs, VAMA, Rong Viet Securities

AUTOMOBILE INDUSTRY

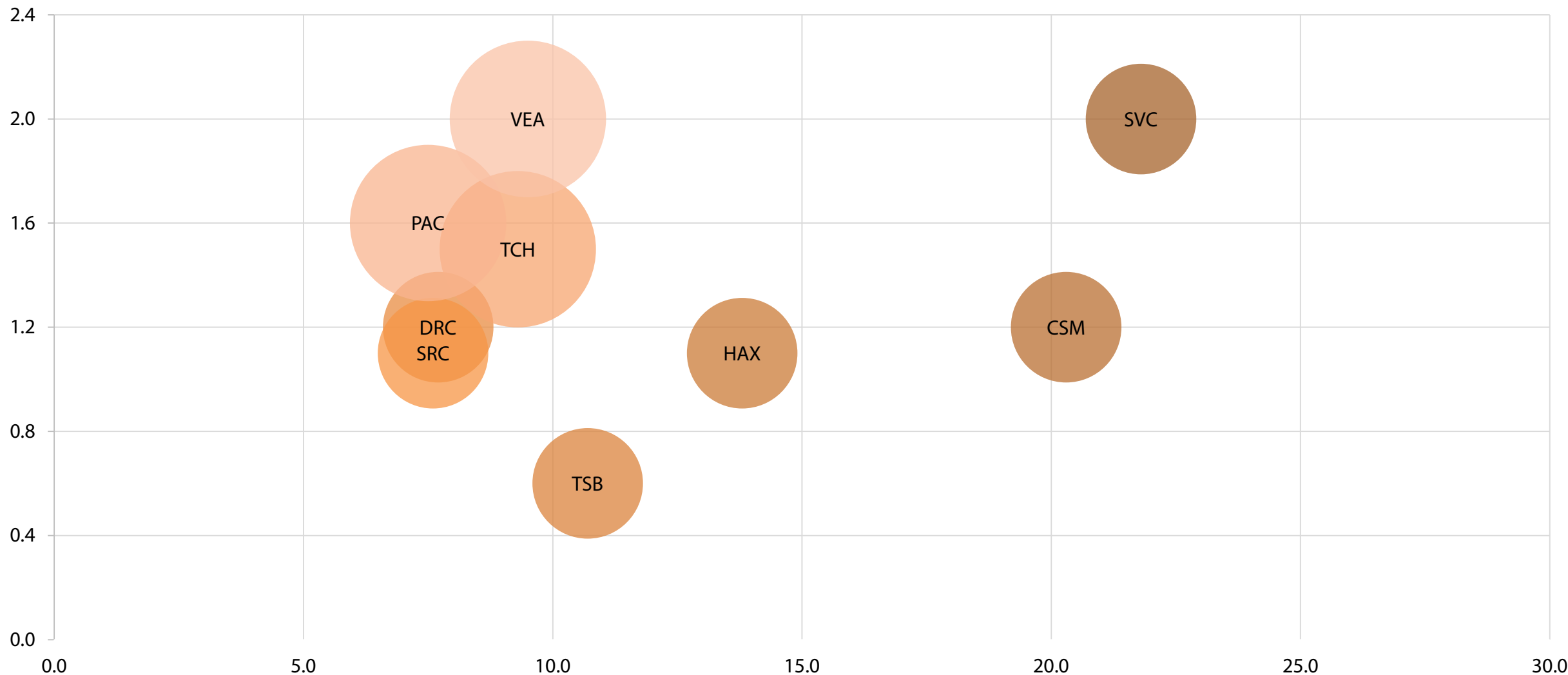
Industry comparable: 1H2020 financials

Ticker	Market cap (USD mn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
HAX	19.5	12,900	-13.0	19.7	2.2	1.2	-60.9	0.6	2.0	7.2	0.0	13.8	1.1
VEA	2,543.3	N/A	-20.6	-302.7	6.9	-2.3	-31.1	128.1	20.0	21.7	0.0	9.5	2.0
SVC	98.6	N/A	-27.1	-68.9	0.7	0.0	-68.4	0.3	2.3	6.6	0.0	21.8	2.0
DRC	80.8	18,700	-17.1	-11.5	8.3	8.3	-8.3	5.1	9.2	15.0	0.0	7.7	1.2
PAC	47.1	23,700	-5.1	-17.4	8.4	5.7	-30.9	3.7	6.2	21.4	0.0	7.5	1.6

Source: Bloomberg, RongViet Securities. Share price as of 07 Aug 2020.

AUTOMOBILE INDUSTRY

Industry comparable



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 07 Aug 2020.

DRC – COMPETITION IS INCREASING SIGNIFICANTLY

INVESTMENT RATIONALE

GPM and gross profit of radial segment have many opportunities to grow

- Radial factory ran at 85% capacity in 2019 and only 68% in 1H2020 due to the impact of Covid-19. We expect that DRC can operate at higher capacity when the epidemic is under control.
- If the disease is controlled in 2021, the company's export volume is expected to recover, along with the reduction of USD 6.7 million in the depreciation of machines and equipment. From 2021 it will help to improve GPM. Expected GPM of 2020 and 2021 will be 9.9% and 18.7%, respectively, higher than 9.5% in 2019.

Plan to expand the radial factory from 600,000 tires/year to 1,200,000 tires/year

- Bias segment will certainly continue to decline, so the radial plant expansion is the only growth force. Initially, it was expected to start in 2020 but has not yet been approved by Vinachem.
- When operating at its highest capacity (1.2 million tires/year), radial revenue and gross profit can reach USD 202.1 million (+144%) and USD 45.7 million (+480%) compared to 2019.

Bias tire results continue to decline

- The market prefers radial tires than bias ones. In the 2015-2019 period, revenue and gross profit of the bias segment had a CAGR of -10% and -18%, respectively.
- It is expected to decrease with CAGR of -9% (revenue) and -18% (profit) for the 2020-2024 period.

RISKS TO OUR CALL

- Raw material prices increased while selling prices affected the gross margin.
- If Vinachem postpones the approval to the expand radial plant while the bias segment is decreasing continuously there is the risk of negative growth.

BUY

+25%

CMP (VND)	15,750
Target price (VND)	18,700

Cash dividend in 12 months 1,000

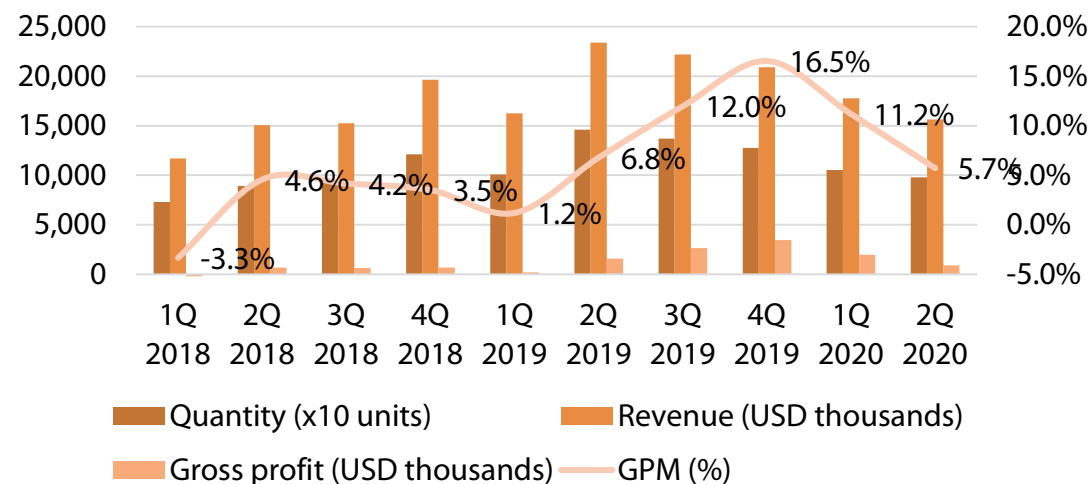
STOCK INFO

Sector	Consumer Goods
Market Cap (\$ mn)	81
Current Shares O/S (mn shares)	119
3M Avg. Volume (K)	558
3M Avg. Trading Value (\$ mn)	0.5
Remaining foreign room (%)	29.2
52-week range ('000 VND)	13.8-25.3

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	3,551	3,858	3,241	3,610
Growth (%)	-3.2	8.6	-16	11.4
NPATMI (VND bn)	139	250	180	310
Growth (%)	-16.5	80.7	-27.9	71.6
ROA (%)	4.9	9.2	7.0	9.7
ROE (%)	9.1	15.3	10.8	17.1
EPS (VND)	1,073	1,918	1,382	2,372
Book Value (VND)	12,819	13,738	14,082	15,200
Cash dividend (VND)	1,100	1,500	1,000	1,000
P/E (x) (*)	18.4	10.2	16.6	9.7
P/B (x) (*)	1.7	1.6	1.6	1.5

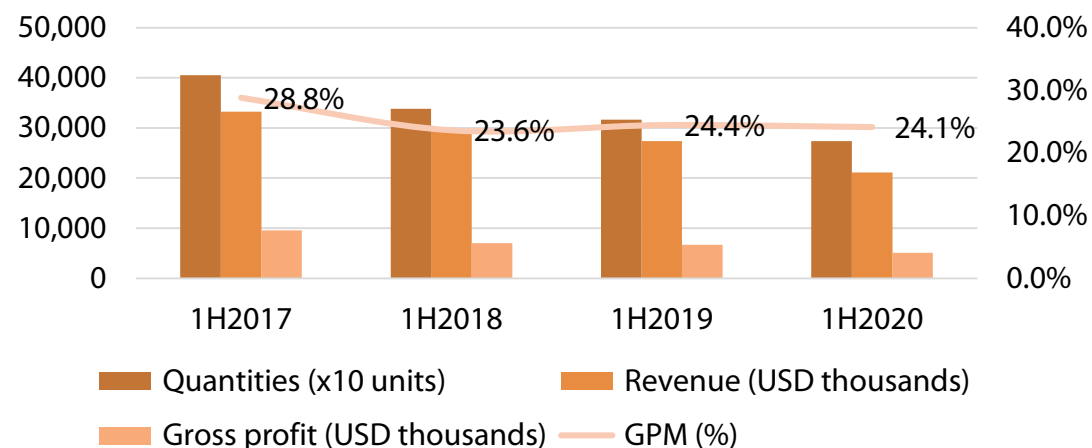
(*) Share price as of Aug 7th, 2020.

Figure 1: Radial segment results



Source: DRC, Rong Viet Securities

Figure 2: Bias segment results



Source: DRC, Rong Viet Securities

Revenue and profit suddenly dropped

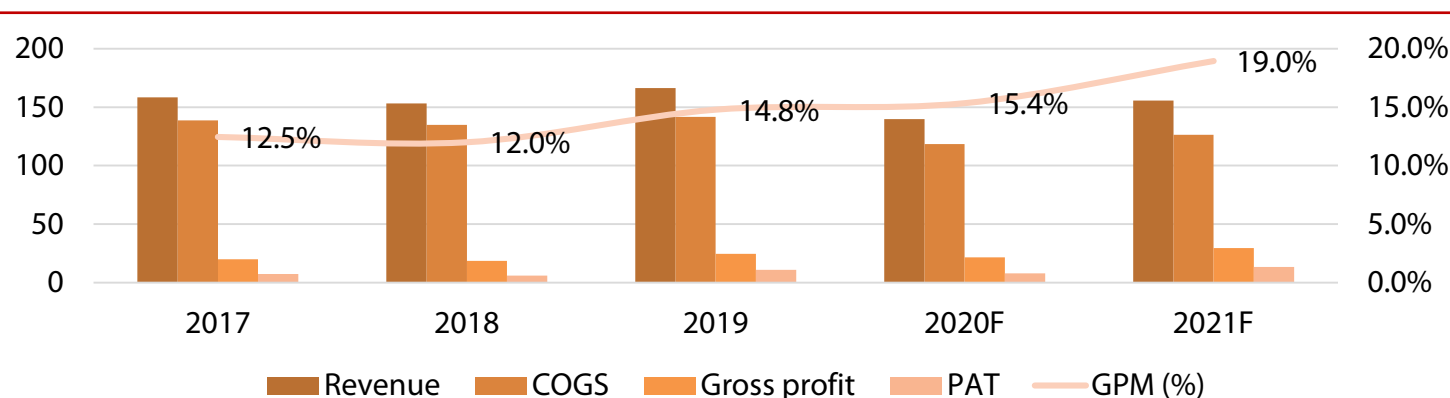
- Revenue decreased by 17% YoY, to USD 68.7 million. Radial tire sales decreased by 16% YoY, to USD 33.4 million due to the impact of Covid-19 on demand and increased competition from Chinese companies, resulting in a 15% YoY drop in exported quantity and down by 23% YoY in domestic quantity. Prices increased slightly by 2% YoY. Meanwhile, bias tire sales decreased by 23% YoY, to USD 21.1 million. The quantity went down by 14% YoY due to the trend of using radial tires instead of bias tires. In addition, the price decreased by 11% YoY due to the increase in light truck tire sales.
- GPM was 14.8%, higher than 12.4% (1H2019) thanks to lower raw material prices. Gross profit reached USD 10.2 million, down slightly by 1.3% YoY.
- Selling expenses increased by 19% YoY, to USD 3.3 million as the company attempted to boost sales in the context of declining demand and rising industry competition. Overall, the PAT was USD 3.5 million, down by 8% YoY.

Table 1: Bus and truck tires imported by the US and Brazil (thousand USD)

	1Q2020	Change YoY (%)	2Q2020	Change YoY (%)
The US imports from the world	1,144,948	-5%	828,471	-29%
The US imports from Vietnam	69,906	+30%	61,546	+23%
The US imports from China	38,597	-81%	51,261	-52%
Brazil imports from the world	53,135	-21%	26,991	-58%
Brazil imports from Vietnam	8,073	+15%	5,239	-38%
Brazil imports from China	9,525	-9%	6,785	-26%

Source: trademap.org, Rong Viet Securities

Figure 3: Forecasts (USD million)



Source: Rong Viet Securities

2020: Business results decline due to Covid-19 and competition increases

- DRC is expected to sell 424,000 radial tires (-17% YoY) and 533,000 bias tires (-15% YoY) due to the impact of the epidemic on the demand and Chinese companies increase exporting to the US and Brazil under the label of "Made in Vietnam". Radial tires price will increase slightly by 1% due to the increase in the proportion of domestic sales when the export channel encountered many obstacles. While the average selling price of bias tires decreased by 7.9% due to the increase in the proportion of light truck tire sales. Revenue in 2020 will reach USD 139.9 million (-16% YoY). Despite a decrease in quantity, radial tire GPM still improved slightly from 9.5% to 9.9% thanks to the decrease in raw material price and the decrease in depreciation of machinery and equipment by USD 1.7 million. GPM of bias tires reached 24.6%, not much change compared to the previous period (2019: 24.4%). Gross profit of 2020 will reach USD 21.5 million (-13% YoY).
- Interest expense decreased by 5% YoY, to USD 3.4 million along with the decline in business activities. Selling expenses increased by 19% YoY, to USD 6.5 million when the company tries to boost its sales in the context of higher competition. PAT will reach USD 7.8 million, down by 28% YoY.

2021: Growth returns

- Revenue and profit are expected to grow by 11% YoY (due to the recovery of exported markets) and 72% YoY (due to a decrease in depreciation of USD 6.7 million).

HAX – KEY PLAYER IN MERCEDES-BENZ DISTRIBUTION

INVESTMENT RATIONALE

Maintaining growth thanks to its position in the luxury car segment

- In the period 2015-2019, MBV's sales reached a CAGR of 12% and HAX is one of the two largest Mec car distributors, with a market share of 37% (up from 20.5% in 2015). It helped the sales of the company to achieve a CAGR of 29% during 2015-2019.
- 1.5 million Vietnamese will join the global middle class every year (33 million people in 2022) and the super rich class will grow 200% in the 2017-2027 period. Selling prices are low compared to other luxury cars (that's why Mec had over 70% market share of luxury cars in 1H2020) and it will ensuring sales growth for HAX in the future.

Benefit from Government policies

- The policies of "50% reduction of registration fee for domestically manufactured and assembled cars" (June 28, 2020 to December 31, 2020) and "0% import tax for raw materials, components and supplies which can not be produced domestically" will reduce the cost of buying a car and increase demand.

Diversify business segments

- Soon, HAX will distribute MG (Morris Garages) - a fast growing car brand in the UK, Australia, Thailand and Chile (CAGR of sales for the period 2015-2019 was 44%).
- Developing the repairing and selling spare parts segment (high GPM of 12.1% in 1H2020, higher than 7.2% of 1H2019) as the revenue and profit' CAGR was 26% and 79%, respectively for 2015 - 2019.

RISKS TO OUR CALL

- Other luxury car manufacturers cut prices to compete → lowed the growth rate of MBV and HAX.
- Other Mec distributors such as Vietnam Star and An Du boosting the repairing and selling spare parts by lowering prices, causing the GPM to decline.

ACCUMLULATE

+17%

CMP (VND)	12,350
Target price (VND)	12,900

Cash dividend in 12 months 1,500

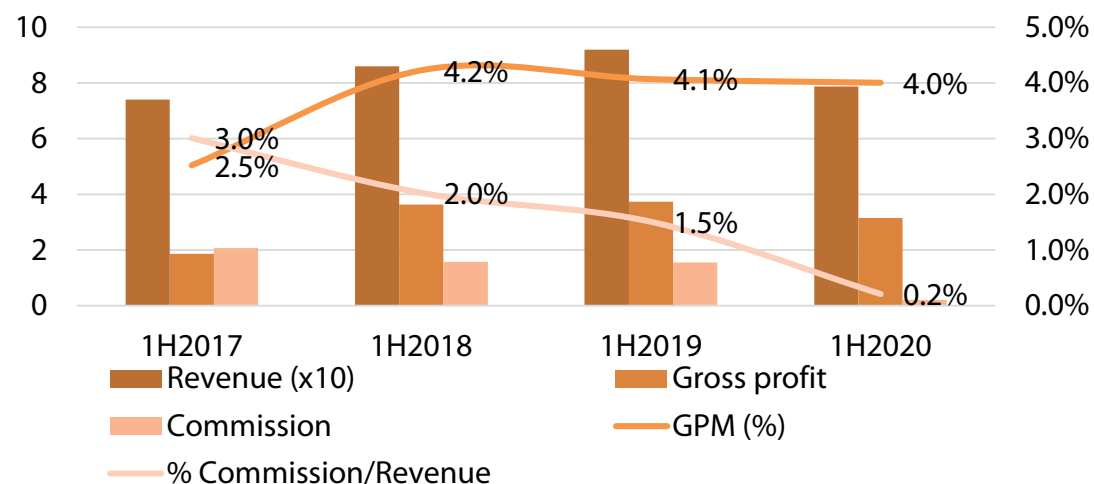
STOCK INFO

Sector	Consumer Goods
Market Cap (\$ mn)	20
Current Shares O/S (mn shares)	37
3M Avg. Volume (K)	202
3M Avg. Trading Value (VND Bn)	0.1
Remaining foreign room (%)	42.3
52-week range ('000 VND)	8.2-21.7

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	4,756	5,153	5,187	5,751
Growth (%)	24.1	8.3	0.7	10.9
NPATMI (VND bn)	84	99	51	52
Growth (%)	16.4	17	-48.2	2.8
ROA (%)	5.4	3.1	3.3	3.8
ROE (%)	21.9	11.1	11.4	14
EPS (VND)	2,816	1,394	1,433	1,790
Book Value (VND)	12,832	12,273	12,525	12,809
Cash dividend (VND)	1,500	1,500	1,500	1,500
P/E (x) (*)	6.3	12.2	7.2	5.8
P/B (x) (*)	1.3	1.3	0.8	0.8

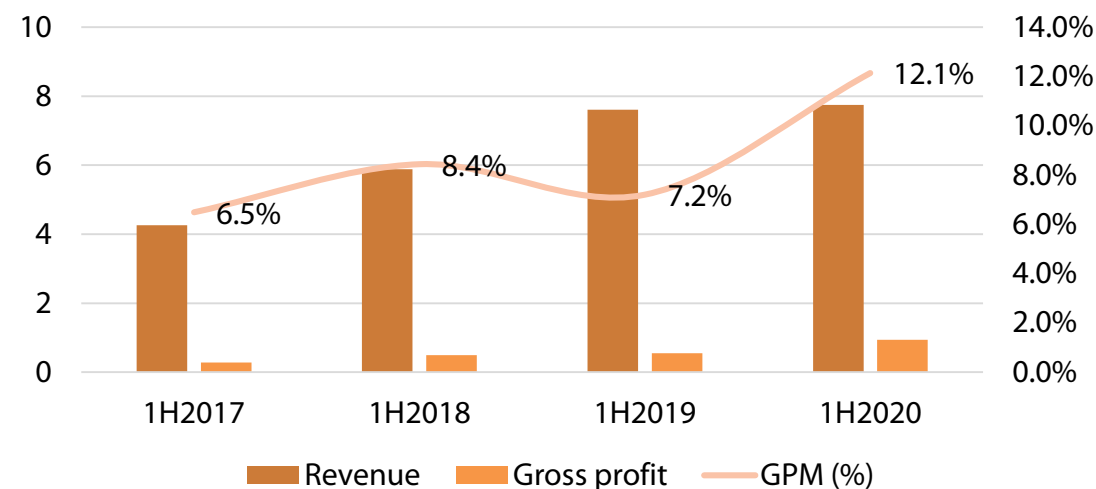
(*) Share price as of Aug 7th, 2020.

Figure 1: Car distribution results (USD million)



Source: HAX, Rong Viet Securities

Figure 2: Repair and spare parts sales results (USD million)



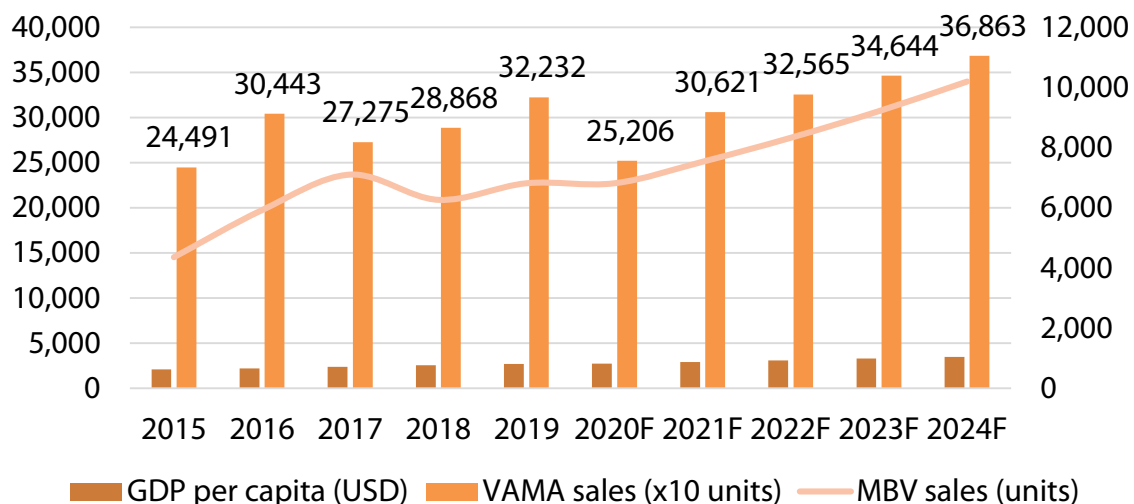
Source: HAX, Rong Viet Securities

Revenue and commissions of distributing car fell sharply while the repair and spare parts results were positive

- Distributing cars: revenue decreased by 14% YoY, to USD 78.8 million, mainly due to a 10% YoY drop in quantity (estimated number). Covid-19 affected buyer's income and people also waited for the policy of 50% reduction in registration fee. Thus, those have challenged HAX's sales performance. GPM remained unchanged at 4% and gross profit was USD 3.2 million (-16% YoY). Sales commission was only USD 0.2 million (-87% YoY) and the commission/revenue ratio was really low at only 0.2% (compared to 1.5% in 1H2019). The reason is that HAX kept a portion of commissions to book in the last quarters of the year.
- Repairing and selling spare parts: revenue increased slightly by 2% YoY, to USD 7.8 million. However, gross profit increased strongly by 72% YoY to USD 0.9 million thanks to the improved GPM from 7.2% (1H2019) to 12.1%. GPM improved thanks to lower general costs as quantity increased.

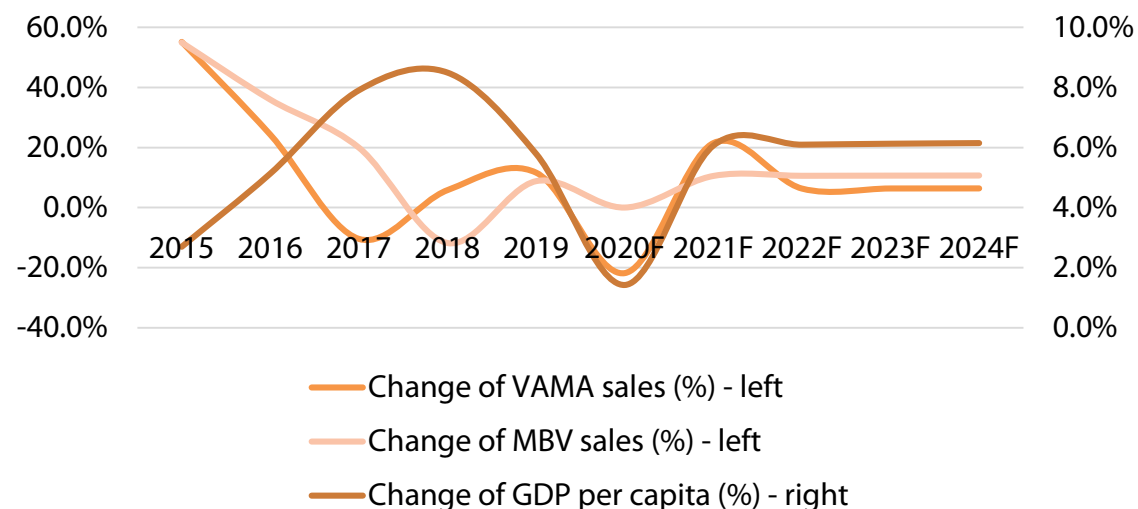
In general, the company tried to reduce expenses (selling expense decreased by 17.8% YoY to USD 2 million and G&A expense decreased by 4.7% YoY to USD 1 million) but was not that much to offset the decline in total gross profit (down slightly by 3.2% YoY, to USD 4 million) and other income (down sharply by 64.6% YoY, to USD 0.7 million). As a result, PAT was only USD 0.5 million (-62.3% YoY).

Figure 3: Growth of the auto industry 2015-2024F - absolute



Source: Rong Viet Securities

Figure 4: Growth of the auto industry 2015-2024F - relative number



Source: Rong Viet Securities

Assumptions

- Car distribution: 1H2020, car sales decreased approximately 10% YoY. However, thanks to the supportive policies from the Government, it is expected that sales of 2H2020 will increase compared to 1H2020. Car sales in 2020 will not decrease compared to 2019. In 2021, GDP per capita growth is forecasted at 6.1%. Thus, car sales are expected to increase by 10.5%. Therefore, the expected quantity of 2020 and 2021 will be 2,509 units (+0.2% YoY) and 2,773 units (+10.5% YoY), respectively. GPM will not fluctuate much and remain around 2.7%.
- Repairing and selling spare parts: quantity is expected to grow along with the company's car sales growth. GPM will fluctuate around 12.1%.
- The commission will remain at 1.6% of car sales.
- PBT 2020 will reach USD 2.8 million (-1% YoY). PBT 2021 will reach USD 3.5 million (+25% YoY).

PAC – KEY PLAYER IN STORAGE BATTERY MANUFACTURING

INVESTMENT RATIONALE

Growing with the automobile industry

- Currently, the number of cars owned per capita in Vietnam (23 units/1,000 people) is lower than that of other countries in ASEAN. The density will increase rapidly (reaching 50 units/1,000 people) when GDP per capita exceeds USD 3,000/year. As a result, the auto industry has huge potential to grow.
- PAC has a large market share in storage batteries (40%), so this is an opportunity for PAC to improve its activities in the replacement and assembly markets.

Moving storage battery factory to An Phuoc IP

- PAC has to relocate its Dong Nai factory in Dong Nai 1 IP to An Phuoc IP before 2023.
- The new factory relocation will be in two phases (cost USD 30.2-34.5 million) and expansion (cost USD 30.2-34.5 million). The new factory's maximum capacity could reach 3.6 million kWh (+80%).

Vinachem stopped its divestment plan

- Furukawa – the strategic shareholder and technology supporter - wants to buy divested share of Vinachem. However, Vinachem has now postponed that, which will affect the company's initiative with its future plans.

RISKS TO OUR CALL

- If Vinachem does not approve the plan to relocate the factory to An Phuoc IP soon, this makes the company unable to initiate production.
- Price of lead and zinc (main raw materials) increase while the selling price does not rise due to increasing competition. That may reduce GPM.

ACCUMULATE

+7%

CMP (VND)	23,500
Target price (VND)	23,700

Cash dividend in 12 months 1,500

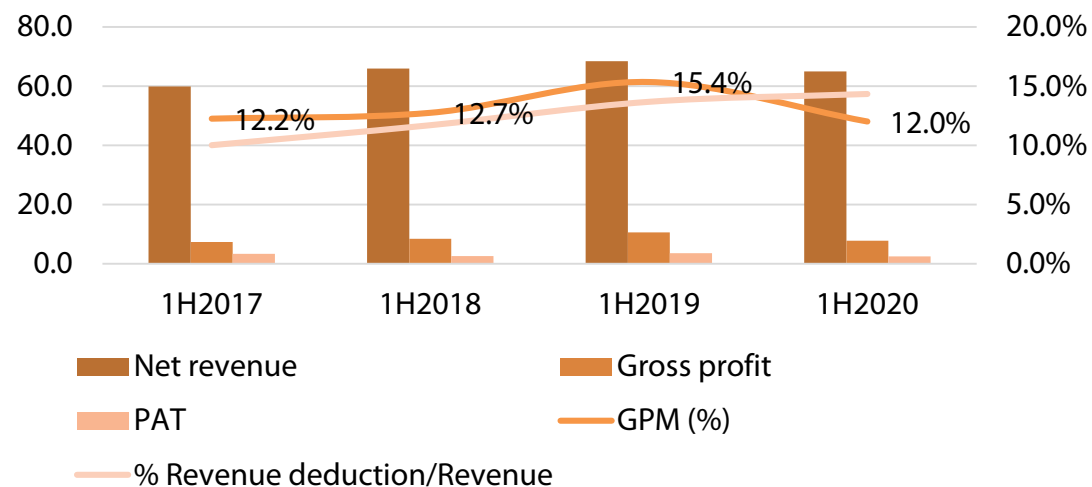
STOCK INFO

Sector	Industrials
Market Cap (\$ mn)	47
Current Shares O/S (mn shares)	46
3M Avg. Volume (K)	86
3M Avg. Trading Value (\$ mn)	0.1
Remaining foreign room (%)	29.4
52-week range ('000 VND)	16-28.5

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	2,965	3,071	3,181	3,454
Growth (%)	13.5	3.6	3.6	8.6
NPATMI (VND bn)	158	172	158	195
Growth (%)	16.3	8.7	-7.9	23.4
ROA (%)	6.9	6.9	7.1	8.4
ROE (%)	26.3	25.3	21.1	22.8
EPS (VND)	2,922	3,323	3,060	3,777
Book Value (VND)	14,423	12,906	14,578	16,133
Cash dividend (VND)	2,000	2,000	1,500	1,500
P/E (x) (*)	9.7	15.2	12.7	10.3
P/B (x) (*)	2.0	3.4	2.7	2.4

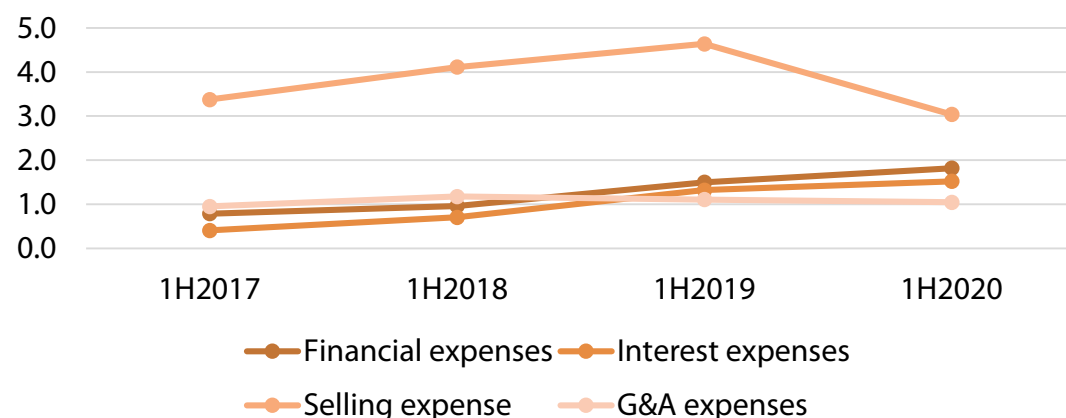
(*) Share price as of Aug 7th, 2020.

Figure 1: Results (USD million)



Source: PAC, Rong Viet Securities

Figure 2: Expenses (USD million)



Source: PAC, Rong Viet Securities

Covid-19 affected demand, causing the company to increase its discount to boost consumption

- 1H2020's revenue was USD 75.9 million (-4% YoY). However, sales faced many difficulties in 2Q due to the impact on the demand for dry cell and storage battery replacement. Therefore, the company has applied many promotions to stimulate demand, making 2Q sales discount to sharply increase by 42% YoY (to USD 7.3 million). Therefore, although revenue decreased, revenue deduction in 1H2020 remained unchanged compared to the previous period, still at USD 10.9 million.
- Net revenue decreased by 5% YoY, to USD 65 million. GPM decreased from 15.4% (1H2019) to 12%. Gross profit decreased by 26% YoY, to USD 7.8 million. Selling expenses plummeted by 35% YoY, to USD 3 million. Overall, PAT reached USD 2.4 million, down by 31% YoY.
- Therefore, after half of the year, the company has completed 48% (revenue) and 36% (PBT) of the 2020 plan. We think that the company can achieve the planned revenue and profit plan for the year.

Growth depends on factory relocation

- Factories are operating at a capacity of 97%. Therefore, there will be not much to grow in the short term. PAC is planning to relocate its Dong Nai factory to An Phuoc IP and will invest in additional machinery to rise the capacity to 3.6 million kWh (+80%). The new factory is expected to be used from 2023 and generate growth for the company.

STEEL INDUSTRY: Competition and Opportunities

Tu Pham – tu.pm@vdsc.com.vn

STEEL INDUSTRY: REVIEW

The industry was hit strongly by COVID-19

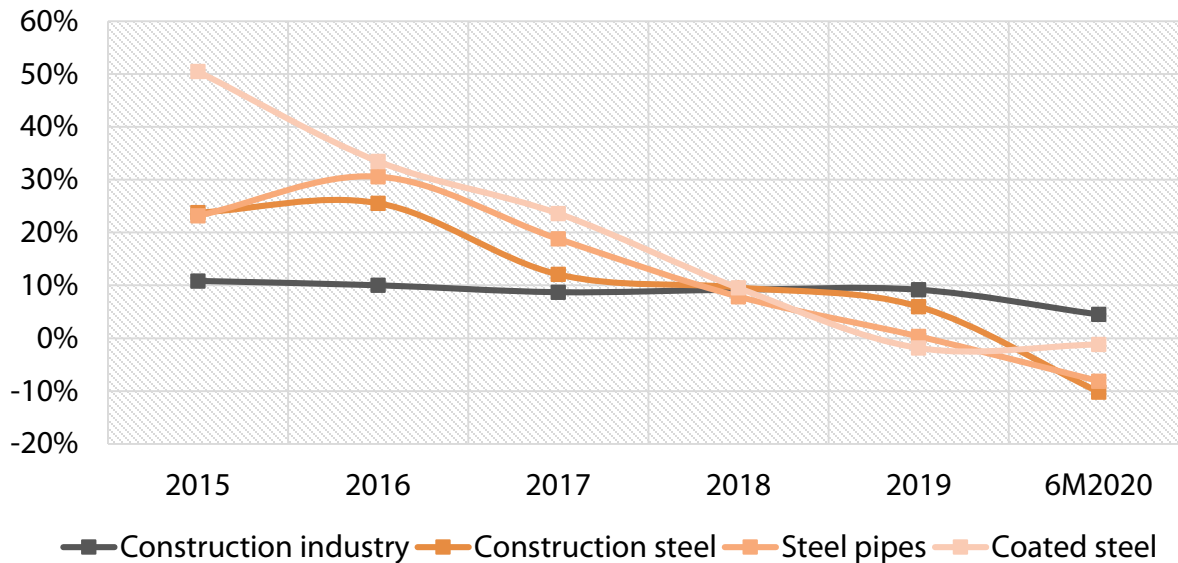
COVID-19's impact is more extreme in the construction and steel pipe segments

- The construction industry grew by 4.5% in 6M2020 (6M2019: 7.8%), which was higher than the GDP growth rate of 1.8%.
- Construction steel and steel pipe selling volume decreased by 8.1% and 6.8% respectively, while that of coated steel fell by just 1.2% owing to strong domestic demand.

Export activities were still facing difficulties

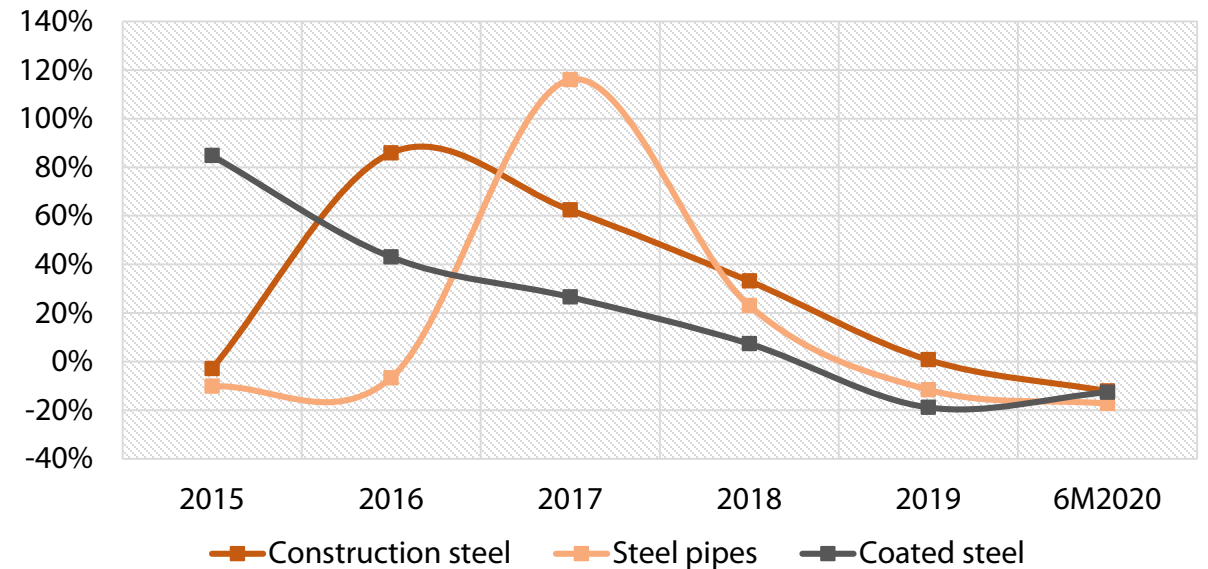
- Due to weak demand and social distancing, finished product export volume decreased by 12.8%.
- Coated steel and construction steel export volume fell by 12.1% and 12.6% respectively.

Figure 1: Steel industry growth rate, by segments



Source: VSA, Rong Viet Securities

Figure 2: Export volume growth



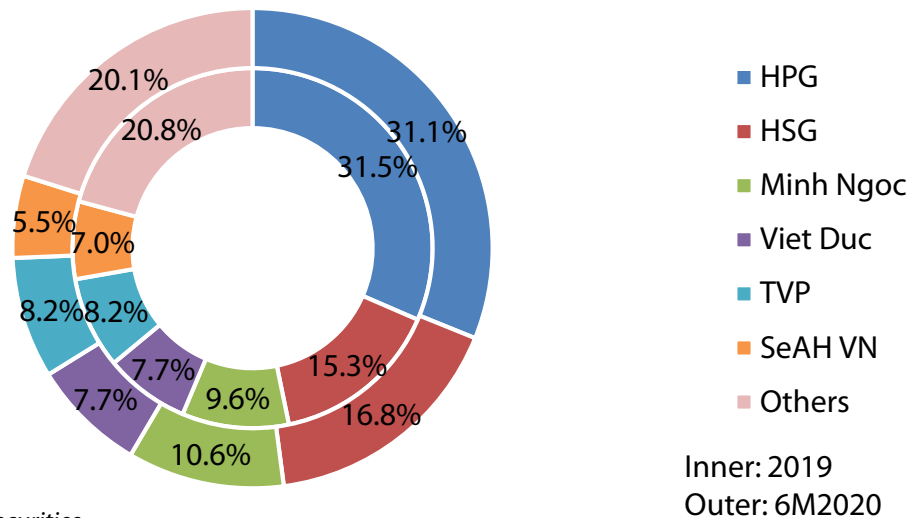
Source: VSA, Rong Viet Securities

STEEL INDUSTRY - REVIEW

Market leaders' dominance remains strong

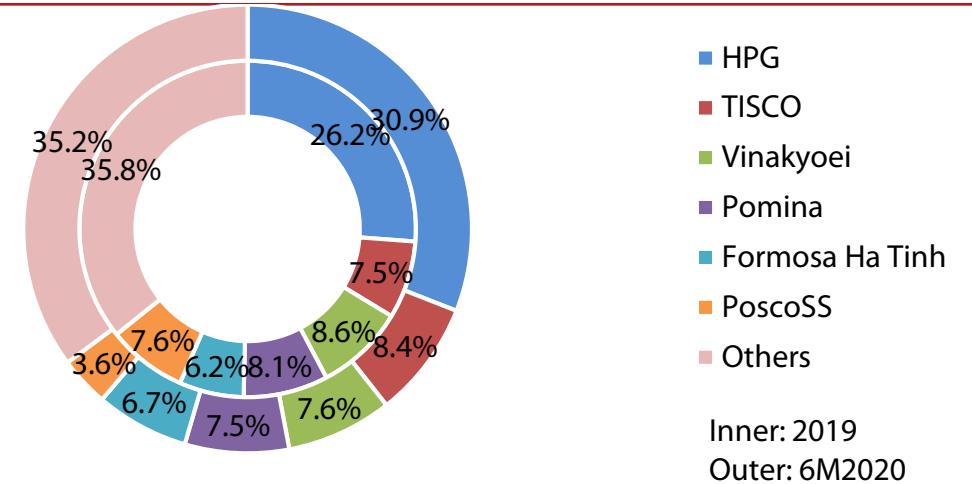
- HPG gained market share in the Southern and Central markets, while Vinakyoei was under high pressure and Posco SS left the rebar segment.
- HPG is still by far the market leader in the steel pipe segment. The company is likely to open a new factory as its utilization rate reached roughly 87%.
- In the coated steel segment, TVP's market share continued to increase from 5.5% in 2019 to 7.4% in 2019 and 10.6% in 6M2020.

Figure 4: Steel pipe segment



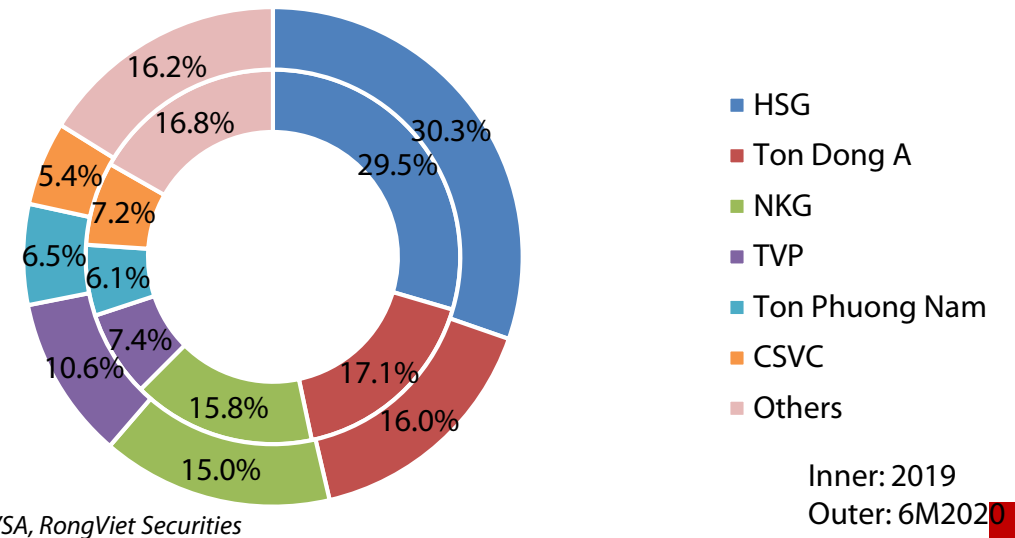
Source: VSA, RongViet Securities

Figure 3: Construction steel segment



Source: VSA, RongViet Securities

Figure 5: Coated steel segment



Source: VSA, RongViet Securities

STEEL INDUSTRY: REVIEW

Lower material prices did not benefit manufacturers

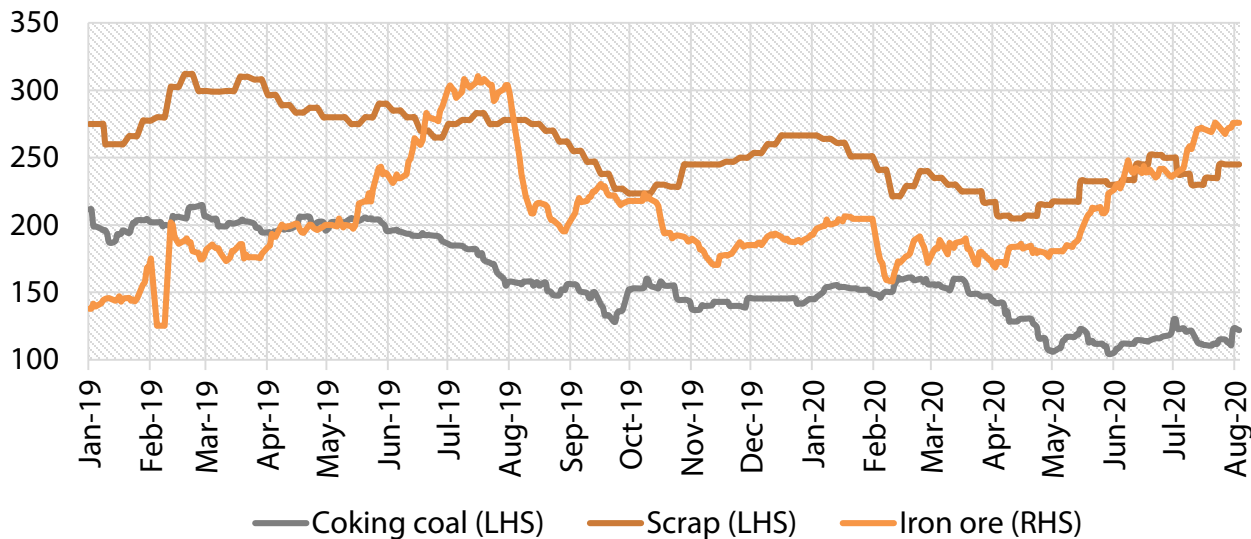
Steel production cost were lower owing to coking coal and steel scrap prices' movement

- In 1H2020, coking coal, steel scrap and iron ore average prices fell by 23%, 14% and 3%, respectively.
- Production costs for steel billet by BOF or EAF both decreased by 10%.

Race of cutting prices to compete

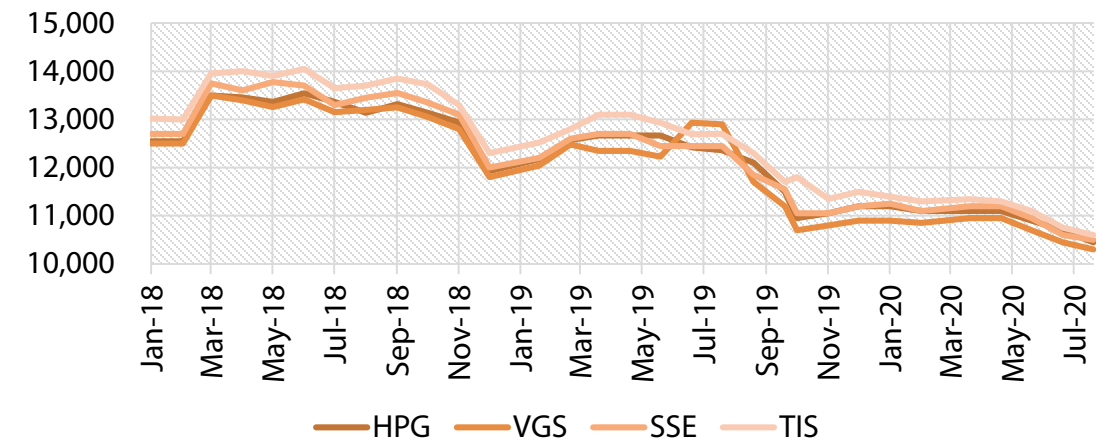
- Weak demand caused by COVID-19 led steel manufacturers to reduce their selling prices to maintain sales.
- Average construction steel prices decreased by 10% in the North and 8% in the South.

Figure 7: Material prices (USD/ton)



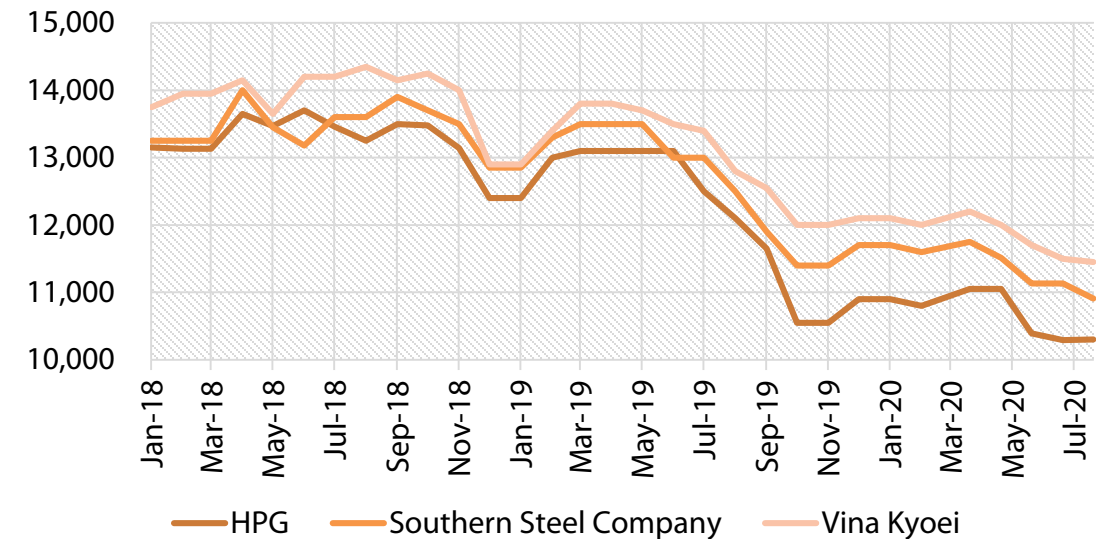
Source: VSA, Rong Viet Securities

Figure 6: Construction steel prices in the North (VND/kg)



Source: VSA, Rong Viet Securities

Figure 8: Construction steel prices in the South (VND/kg)



Source: VSA, Rong Viet Securities

STEEL INDUSTRY: OUTLOOK

Possible opportunity from public investment and FDI inflows

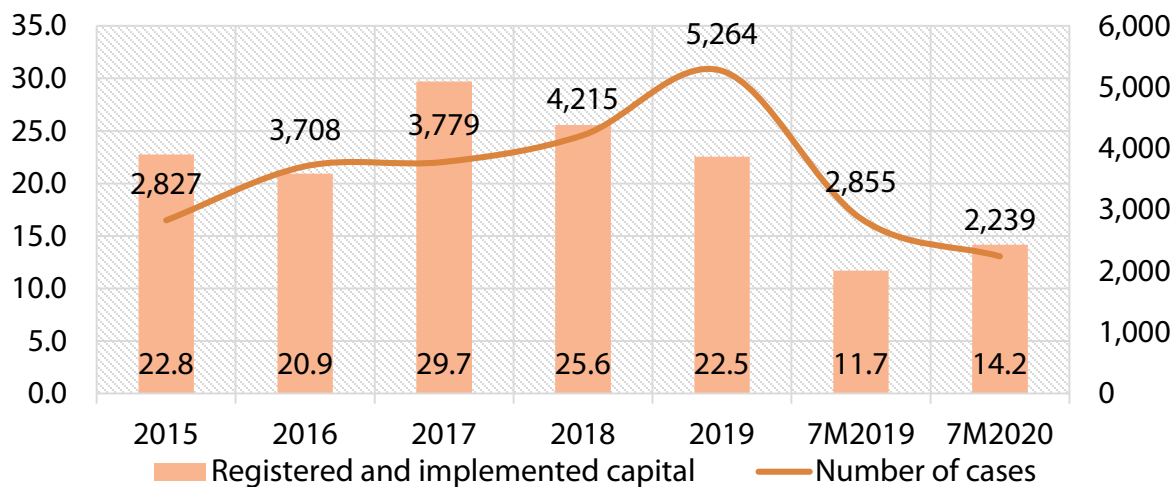
The steel industry can benefit from large public investments in infrastructure. However, the disbursement progress is still facing obstacles.

- 22% of the public investment budget, VND 700 trillion, will be spent in major transport projects. However, the pace of disbursement is still slow as just 22% of the investment plan was spent in 1H.

The shift of manufacturers from China can boost the demand for steel pipes and coated steel, but the restructuring of the production base is still at the planning stage.

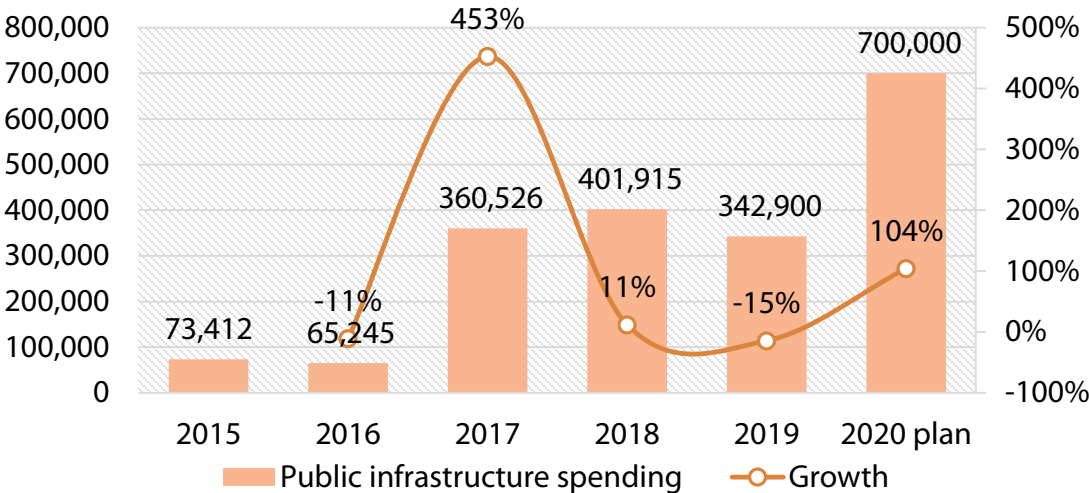
- Vietnam has competitive advantages to attract FDI, including the ability to control COVID-19, FTAs, a large consumption market and low labor costs.
- Vietnam is one of Japanese companies' favorite country to expand business. 15 in 30 Japanese companies, which were financed by the Government of Japan to move out of China, chose Vietnam to open new factories.
- The shift of manufacturers is still in a planning stage as of 7M2020. The production number of FDI projects decreased by 22% YoY. Although the registered and implemented capital from FDI increase by 21% YoY to USD 14.2 billion, only LNG Bac Lieu project contributed USD 4 billion.

Figure 9: Vietnam's FDI inflows (USD bn, LHS) & number of projects (RHS)



Source: General Statistics Office Of Vietnam

Figure 10: Vietnam's public investment (VND bn)



Source: General Statistics Office Of Vietnam

STEEL INDUSTRY: OUTLOOK

Competition in the industry is harsh

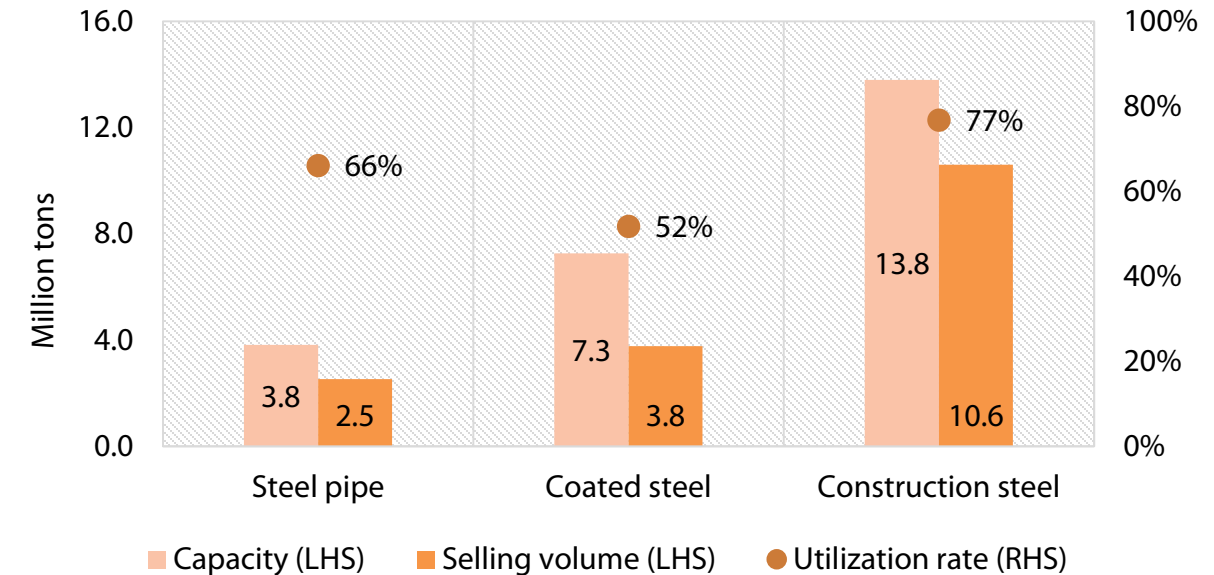
New capacity leads to oversupply

- Main steel segments were already heavily oversupplied, especially in the coated steel segment.
- Long steel: capacity increased by 20% from 12.3 million tons per year in 2018 to 15.8 million tons per year in 2020. In late-2020, Pomina plans to run commercially its new BOF, which has a capacity of one million tons per year.
- Flat steel: HPG is likely to open a new steel pipe factories in the South.

Gross margin could go down in the steel pipe and construction steel segments

- Higher competition forces manufacturers to cut their margin to maintain sales in the construction steel segment.
- Running HRC production lines commercially helps HPG to become the only domestic manufacturer that completed value chain in flat steel segment. This company could eliminate competitors by lowering margin in steel pipe and coated steel segments.

Figure 11: Design capacity and utilization rate in main steel segments (2019)



Source: Rong Viet Securities

STEEL INDUSTRY: OUTLOOK

Construction steel prices are likely to increase throughout 2H2020, but HRC prices may not

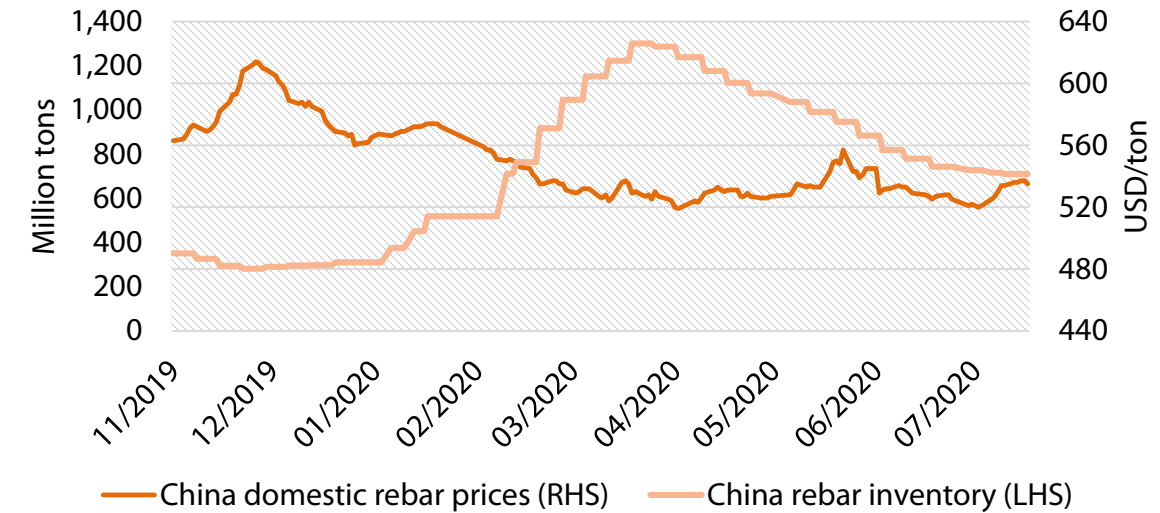
BOF production costs are increasing at higher pace than EAF, but only in the short-term

- Iron ore surged to 105 USD/ton in July due to concerns on the serious coronavirus situation in Brazil. Meanwhile, steel scrap increased by just 3%. Higher iron ore prices put pressure on BOF manufacturers' margin and harm their competitive advantages.
- In 2021, China could allow scrap import to help domestic steel manufacturers. This will boost Vietnam's steel scrap prices and harm EAF manufacturers' margin.

Construction steel prices are likely to increase, but HRC prices are hard to predict

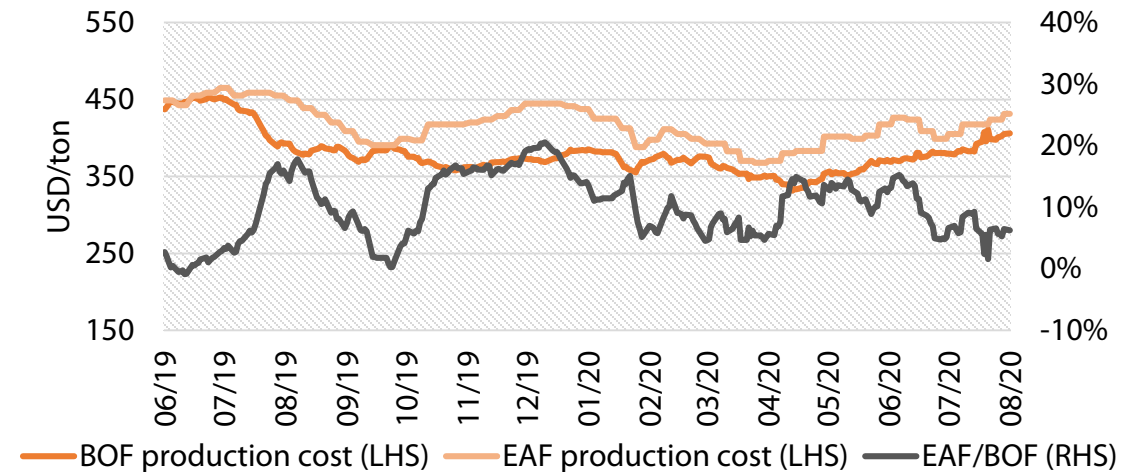
- HPG, the largest domestic construction steel manufacturer, plans to increase prices in 2H2020 due to higher production costs. In the short term, EAF manufacturers can benefit from increasing prices.
- Demand for rebar is strong due to the large investment on infrastructure not only in Vietnam, but also in other Asian countries. We expect that construction steel producers will earn higher gross margin from late-2020.
- In the short term, strong HRC prices are going to benefit flat steel manufacturers, such as HSG, NKG, SMC.
- In the intermediate term, the demand for HRC could be weak globally because of the low spending on automobiles and machineries. In the domestic market, strong industrial construction growth could boost HRC consumption.

Figure 12: High demand for rebar in China



Source: Bloomberg, Rong Viet Securities

Figure 13: Steel billet production costs are increasing



Source: Bloomberg, Rong Viet Securities

STEEL INDUSTRY

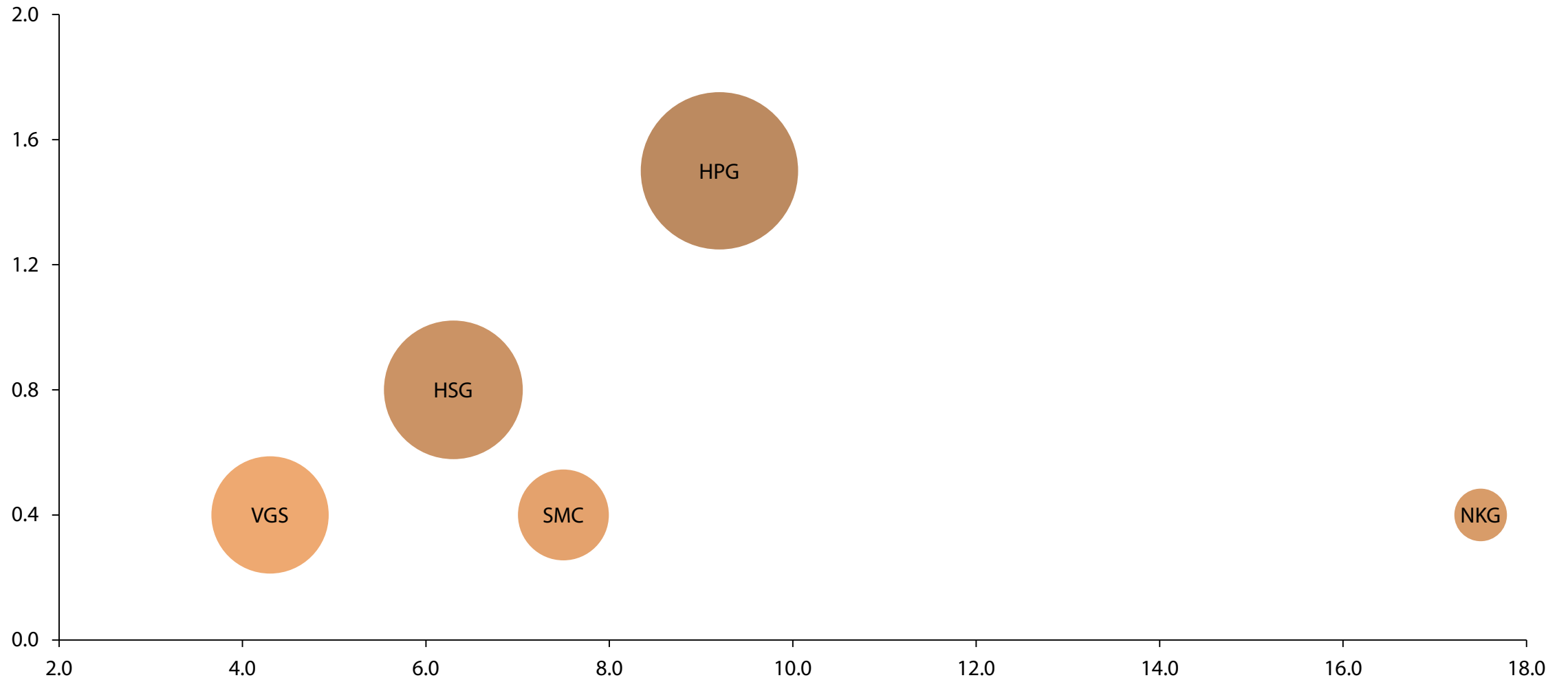
Industry comparable: 1H2020 financials

Ticker	Market cap (USD mn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
HPG	3,461.00	29,400	29.60	44.50	22.40	16.80	31.10	12.70	8.30	17.70	0.00	9.20	1.50
HSG	214.80	N/A	-10.80	-25.00	7.20	7.20	139.60	4.10	4.70	13.70	0.00	6.30	0.80
NKG	51.60	N/A	-19.30	78.80	7.50	3.50	73.10	1.20	0.90	2.40	0.00	17.50	0.40
SMC	25.80	N/A	-18.30	-35.30	2.10	1.80	-25.30	0.70	1.50	5.80	0.00	7.50	0.40
VGS	12.70	N/A	-4.60	-7.50	1.70	1.30	-24.50	0.60	4.00	9.90	0.00	4.30	0.40
TVN	154.10	N/A	25.00	23.50	4.20	2.50	-88.80	0.30	0.60	1.10	0.00	33.70	0.40

Source: Bloomberg, RongViet Securities. Share price as of 07 Aug 2020.

STEEL INDUSTRY

Industry comparable



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 07 Aug 2020.

HPG – AN EXPRESS TRAIN DURING COVID-19

INVESTMENT RATIONALE

High capacity can be transformed into high profit growth

- HPG can gain additional capacity in the South as its market share is just 24%.
- High billet volume allows HPG to export and prepare for the rising demand from domestic demand.

HPG's HRC production lines are going to change Vietnam's flat steel segment

- Demand for construction steel is surging in not only Vietnam, but also in Asian countries owing to public investment in infrastructure.
- Accelerating public investment disbursement in Vietnam is a promising sign. In addition, there are possible opportunity from FDI inflows, as Vietnam is one of the most favorite countries to see production shifting from China.
- China's steel industry is losing its competitive advantages due to environmental policies.

HPG's HRC production lines are going to change Vietnam's flat steel segment

- The complete value chain in this segment is the key advantage to dominate the steel pipe and coated steel segments.

RISKS TO OUR CALL

- Material and steel prices could change unfavorably.
- USD/VND rate's movement could affect HPG's net income negatively as in 1Q2020.
- HPG's HRC segment could meet operating and market difficulties.

BUY

+22%

CMP (VND)	24,100
Target price (VND)	29,400

Cash dividend in 12 months 0

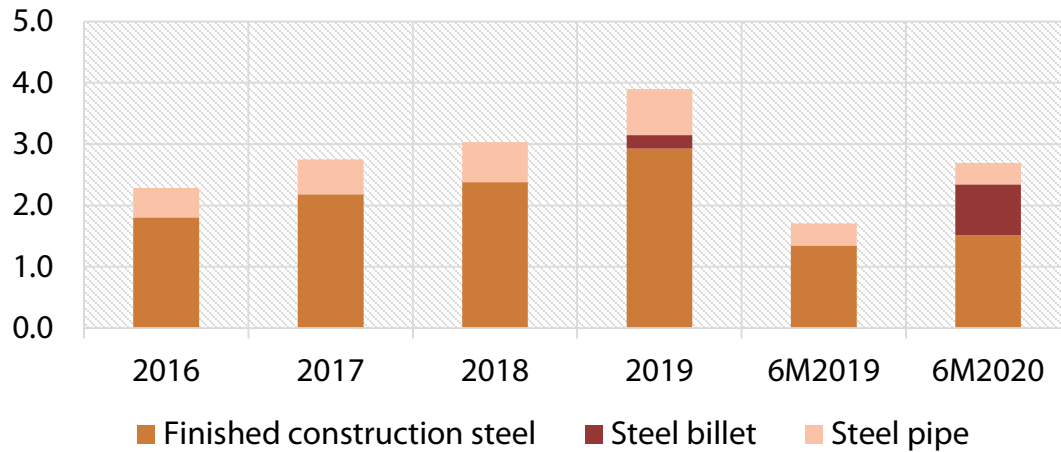
STOCK INFO

Sector	Basic Materials
Market Cap (\$ mn)	3,461
Current Shares O/S (mn shares)	3,313
3M Avg. Volume (K)	13,069
3M Avg. Trading Value (\$ mn)	14.9
Remaining foreign room (%)	13.2
52-week range ('000 VND)	12.5-24.4

FORECAST	2018A	2019A	2020E	2021F
Revenue (VND bn)	55,836	63,658	88,790	97,376
Growth (%)	21.0	14.0	39.5	9.7
NPATMI (VND bn)	8,573	7,508	10,585	13,089
Growth (%)	7.3	-12.4	41.0	23.7
ROA (%)	11.0	7.4	9.8	11.4
ROE (%)	21.2	15.8	18.8	20.1
EPS (VND)	2,452	2,130	3,604	4,456
Book Value (VND)	14,661	17,241	20,342	23,598
Cash dividend (VND)	0	0	500	1,000
P/E (x) (*)	7.7	6.6	8.0	6.5
P/B (x) (*)	1.6	1.4	1.2	1.0

(*) Share price as of Aug 7th, 2020.

Figure 1: HPG's selling volume (million tons)



Source: HPG, RongViet Securities

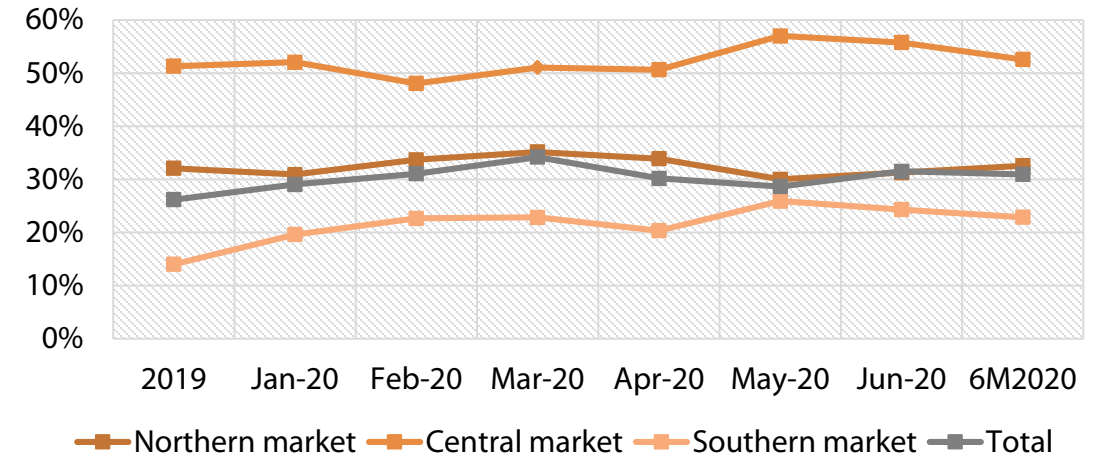
Profit met our expectations, while selling volume was better

- Despite the COVID-19 impact, net profit increased by 31% YoY in 1H2020.
- HPG's market share in the South surged from 14% in 2019 to 23% in 1H2020. Steel billet exports reached 831 thousand tons.
- High hog prices still supported the company's profit.

Gross margin did not improve significantly

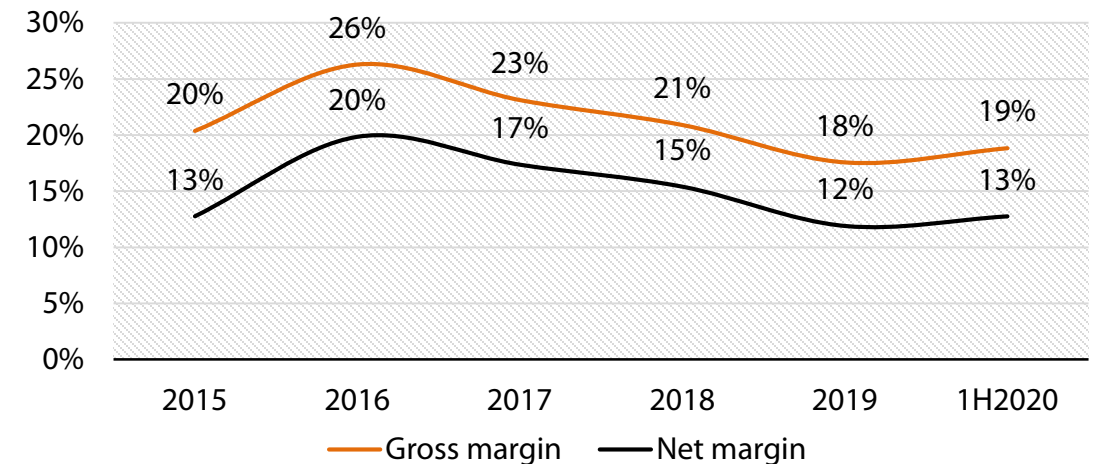
- Lower coking coal prices allowed HPG to maintain low price in the South to gain market share.

Figure 2: HPG's market share



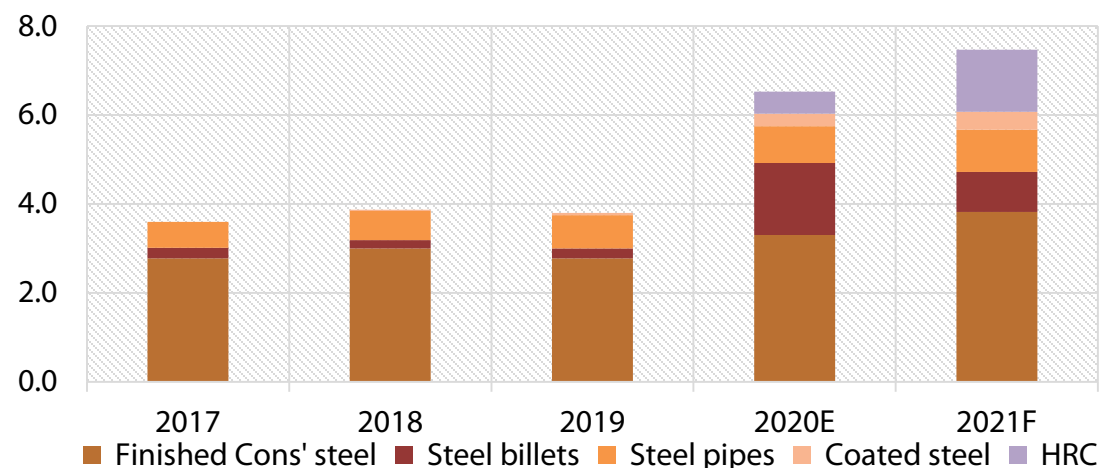
Source: HPG, Rong Viet Securities

Figure 3: HPG's margin



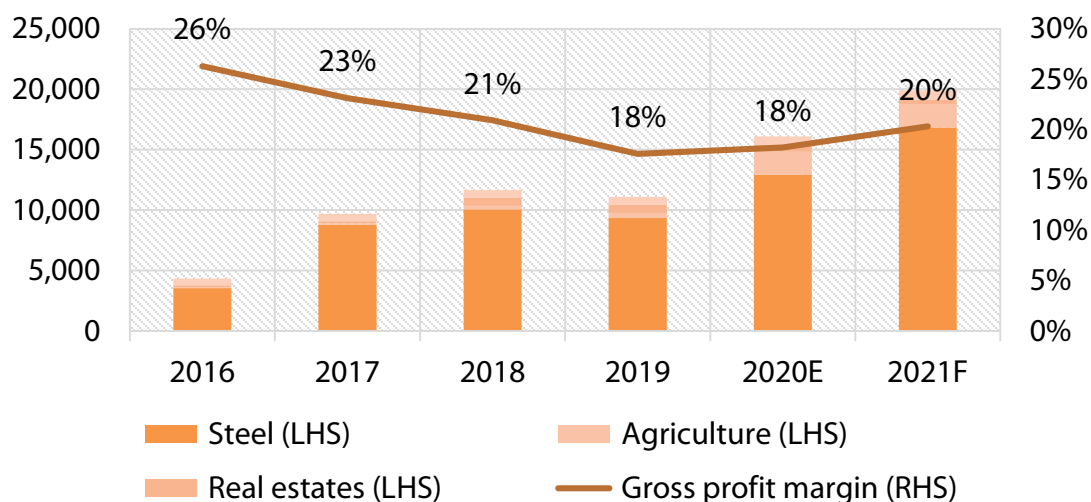
Source: HPG, RongViet Securities

Figure 4: Steel selling volume forecast (million tons)



Source: HPG, Rong Viet Securities

Figure 5: Gross margin (%) and gross profit (VND bn) forecast



Source: HPG, Rong Viet Securities

Steel segment: Increased iron ore prices will harm margins in the short term. Public investment disbursement accelerated in July.

- We assume: Rebar prices will rise steadily to VND 11,600/kg at the end of 2020. HRC prices of USD 430/ton in 2020 and 2021.
- Increasing competition from Pomina is a threat to HPG's margin.
- Iron ore prices reached 107 USD/ton. BOF's production cost is just 6-8% lower than EAF's. Hence, HPG is under pressure to increase selling prices, hence, its market share could not increase as fast as in 1H2020.
- Steel selling volume is forecasted to increase by 65% YoY in 2020 to 6 million tons, owing to new capacity from the Dung Quat plant.

Agriculture and other segments.

- Hog production is recovering and the supply is expected to meet demand in 4Q. Hence, lower hog prices could lead net income from the agriculture segment to decrease from VND 840 billion in 1H to VND 550 billion in 2H. Other segments will be stable.

Key forecasts:

- In 2020, revenue is expected to grow by 39% to VND 89,000 billion.
- Net income is forecasted to increase by 41% in 2020 and 24% in 2021, mainly from the construction steel segment.
- The HRC segment could face difficulties as global demand is weak. COVID-19 has a negative effect on the automobile and machinery industry. However, domestic demand from industrial construction can support HPG's margin in this segment.

SMC – The worst is over and the turning point is coming

INVESTMENT RATIONALE

SMC has advantages to take opportunities from the industry's growth

- Vietnam's infrastructure development requires large amount of steel, which benefit SMC's trading and steel pipe segments. In addition, the shift of production lines to Vietnam can boost the demand for steel pipe and coil processing services.
- The company has a strong competitive ability owing to well-developed relationships with suppliers and customers, diverse products, additional services, and presence in key areas.
- Selling volume growth is recovering despite tough market conditions.

New coil centers in Da Nang and a steel pipe factory are SMC's growth engines

- In 2020, coil processing and steel pipe capacity increases by 30% and 14.3%, respectively.
- Steel pipe segment grew fast and has been more profitable due to its proper selling ability.

SMC maintains an attractive dividend policy

- In the steel industry, SMC is a rare company that paid a high cash dividend on a yearly basis.
- For 2020, it expects to pay a 10% dividend by cash, equivalent to a yield of 9.1%.

RISKS TO OUR CALL

- HRC prices could fluctuate widely and be in a downtrend.
- Foreign exchange rate movements have a significant impact on SMC's profit.

BUY

+22%

CMP (VND)	9,950
Target price (VND)	11,100

Cash dividend in 12 months 1,000

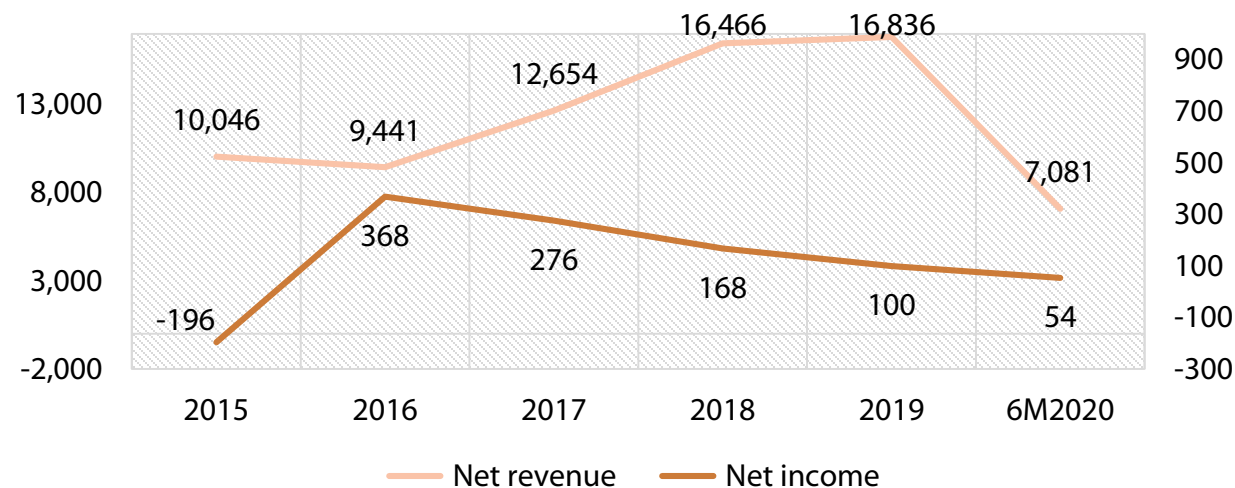
STOCK INFO

Sector	Basic Materials
Market Cap (\$ mn)	26
Current Shares O/S (mn shares)	61
3M Avg. Volume (K)	116
3M Avg. Trading Value (\$ mn)	0.1
Remaining foreign room (%)	15.9
52-week range ('000 VND)	9.5-12.7

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	16,466	16,836	16,300	18,213
Growth (%)	30.1	2.2	-3.2	11.7
NPATMI (VND bn)	172	92	109	161
Growth (%)	-39.2	-46.6	19.4	47.4
ROA (%)	3.4	1.8	2.0	2.9
ROE (%)	13.7	7.1	6.9	9.6
EPS (VND)	3,121	1,595	1,776	2,618
Book Value (VND)	22,717	21,026	25,949	27,567
Cash dividend (VND)	1,000	1,000	1,000	1,000
P/E (x) (*)	11.1	21.8	5.6	3.8
P/B (x) (*)	1.5	1.6	0.4	0.4

(*) Share price as of Aug 7th, 2020.

Figure 1: SMC's revenue and net income (VND bn)



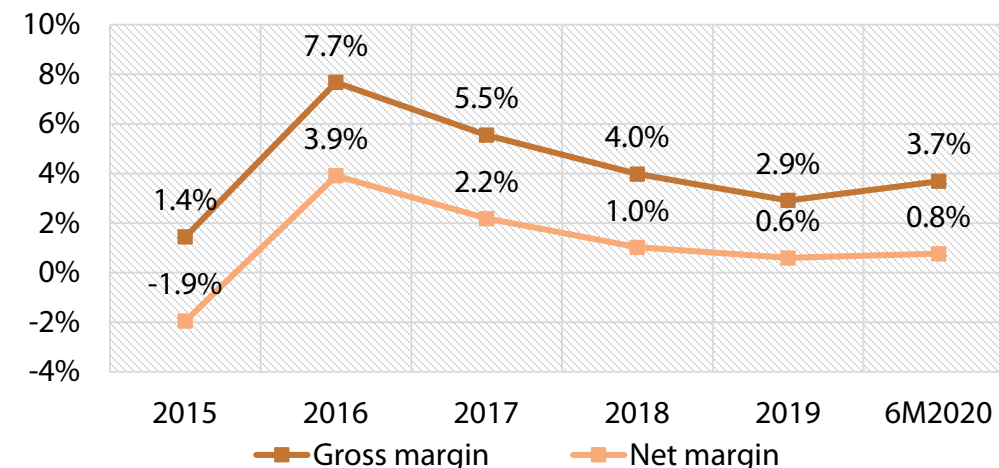
Source: SMC Rong Viet Securities.

SMC's business became more profitable despite tough market conditions

- In 6M2020, selling volume decreased by 5% YoY due to weak demand during COVID-19. Meanwhile, HRC prices fell by 15% YoY, leading to 14% YoY lower average selling prices.
- Gross margin improved from 2.9% in 2019 to 3.7% in 1H2020 due to surged HRC prices in 1Q and good working capital management. Net profit was equivalent to 40% of annual target.
- Interest expenses decreased by 20% YoY owing to lower total borrowings, falling by 15% YoY. Sales activities in June are becoming more dynamic, leading to higher receivables, inventory.

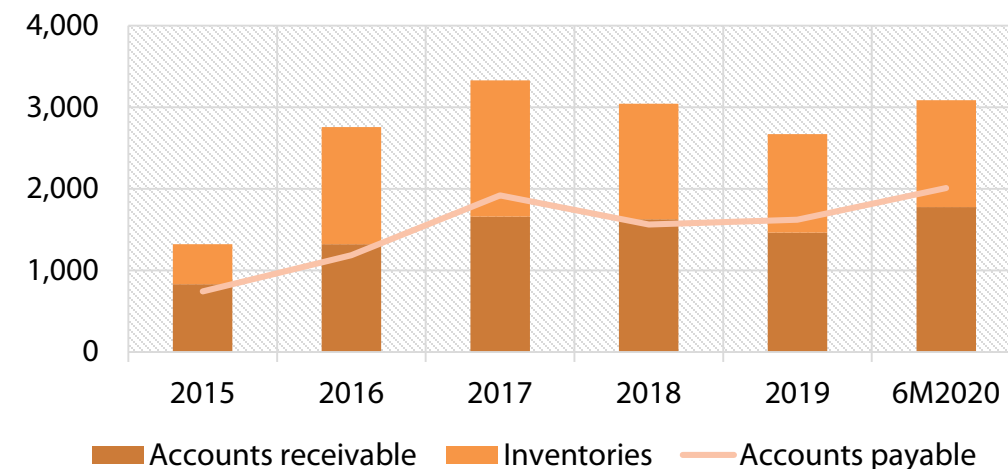
Steel pipe segment performed well as SMC sold roughly 96 thousand tons, which increased by 14% and was equivalent to 60% of its target. Meanwhile, Vietnam's steel pipe consumption fell by 8%.

Figure 2: SMC's margins



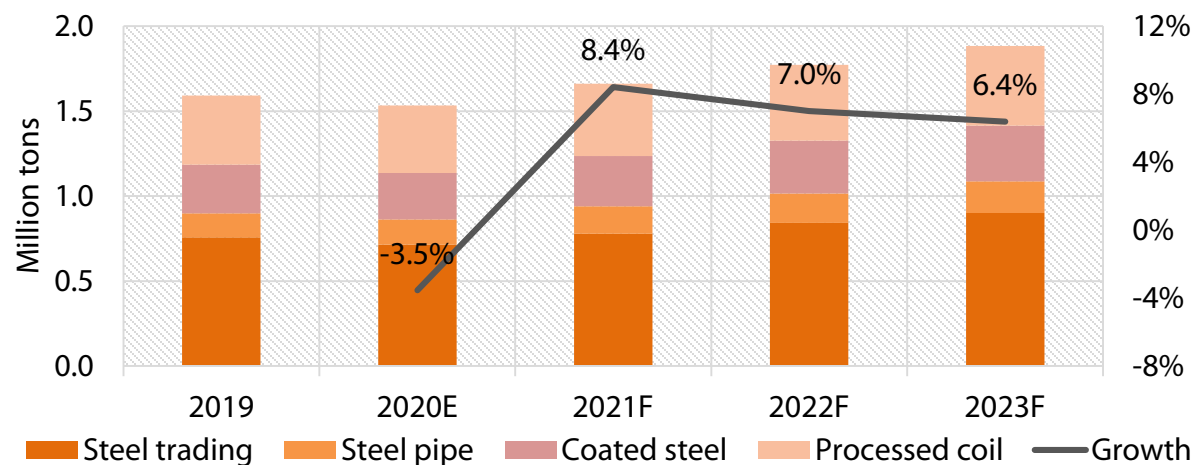
Source: SMC Rong Viet Securities.

Figure 3: SMC's working capital (VND bn)



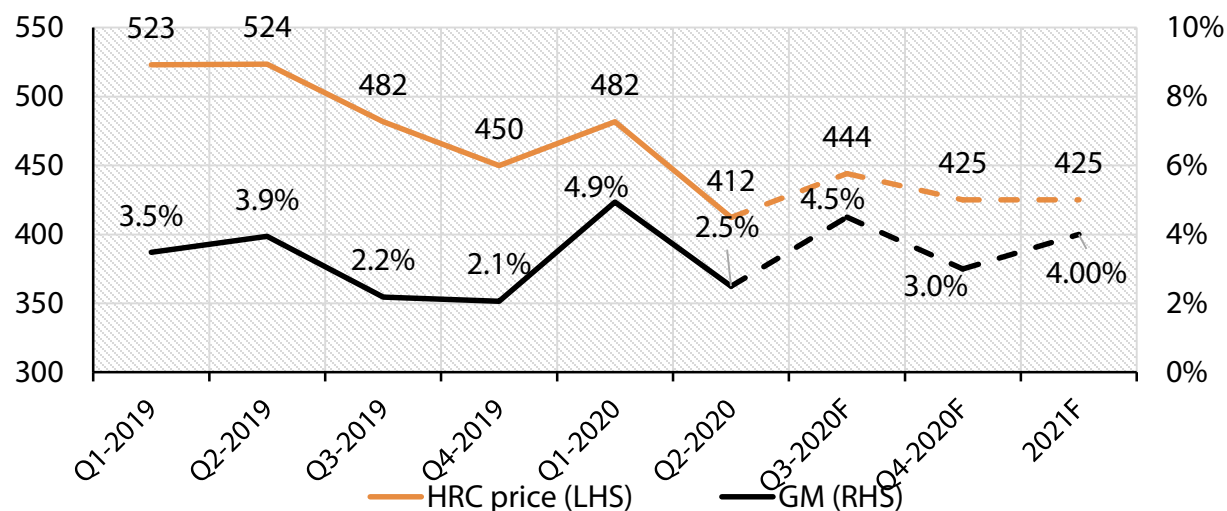
Source: SMC, RongViet Securities

Figure 4: Steel selling volume forecast



Source: SMC, Rong Viet Securities

Figure 5: Gross margin (%) and HRC prices (USD/ton) forecast



Source: SMC, Rong Viet Securities

Rising HRC prices are likely to support SMC's net profit in late-2020.

- After hit the bottom in 2Q2020 due to concerns about COVID-19's impact, HRC is rising steadily thanks to the recovery in production.
- Steel production cost has increased as iron ore prices surged by 22% from USD 87/ton in 1H2020 to USD 106/ton in July.
- Increasing steel prices allows SMC enjoy better gross margin from inventory that bought in low price.

Waiting for favorable opportunities in 2021:

- The shift of manufacturers from overseas to Vietnam can benefit SMC's steel pipe and coil processing segments.
- Disbursement of large public investments in infrastructure is expected to boost the demand for construction steel.

Key forecasts:

- We expect SMC's selling volume to recover by 8.4% in 2021, after decreasing by 3.5% in 2020.
- High domestic demand from industrial construction can support SMC's margin. We forecast its gross margin will increase from 2.9% in 2019 to 3.6% in 2020 and 4.0% in 2021.
- In 2020, revenue is expected to fall by 3.2% to VND 16,300 billion. Net income is forecasted to increase by 19.4% in 2020 due to favorable HRC price movements and 47% in 2021 due to recovery in selling volume and higher margin.

HSG – OVERCAME OBSTACLES

OPPORTUNITIES

HSG has competitive advantages to benefit from high demand for coated steel and steel pipes

- HSG operates over 500 retailers and has production plants nationwide. It is one of the few steel manufacturers that developed its own retail system successfully. HSG is planning to expand the product range of its retail system.
- Having a well-known brand name for coated steel sheets, steel pipes, and plastic pipes, HSG enjoys higher margins because of its pricing power against both consumers and suppliers.
- Owing to its plentiful capacity, HSG can maintain growth and seize opportunities.

The business became more profitable owing to a better financial position

- Total debt decreased steadily, leading to lower interest expenses.
- Maintaining low inventory helps HSG to still be profitable despite lower HRC prices.

RISKS

HSG's profit is highly dependent on HRC prices

- HRC price fluctuations are often fully reflected in HSG's margin without passthrough.

COVID-19 outbreak could have a negative effect on sales

- The fresh outbreak in Da Nang City could harm the demand for steel and slow down the shift of production lines to Vietnam.

N/A

N/A

CMP (VND)	11,200
Target price (VND)	N/A

Cash dividend in 12 months 0

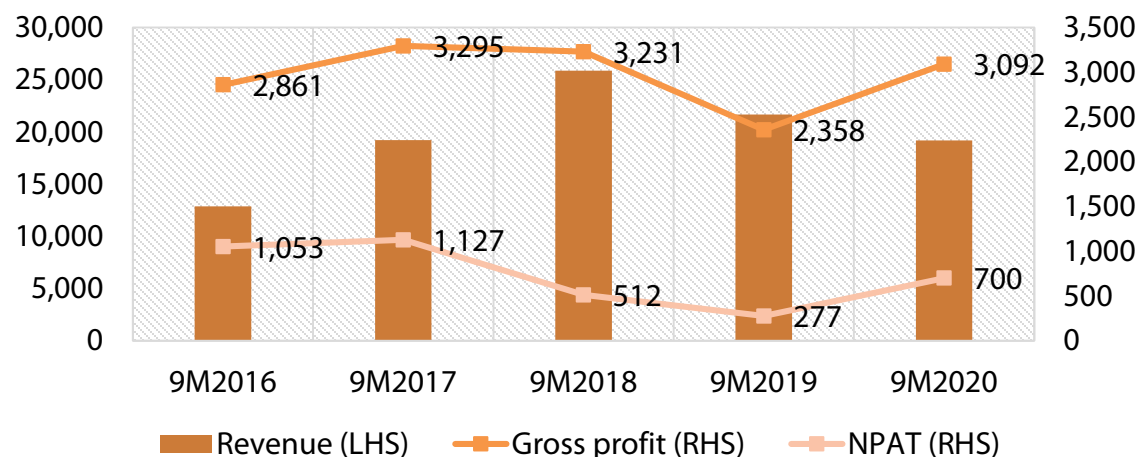
STOCK INFO

Sector	Basic Materials
Market Cap (\$ mn)	215
Current Shares O/S (mn shares)	444
3M Avg. Volume (K)	12,184
3M Avg. Trading Value (\$ mn)	5.6
Remaining foreign room (%)	38.8
52-week range ('000 VND)	4.2-12.8

FINANCIALS	2016A	2017A	2018A	2019A
Revenue (VND bn)	17,886	26,148	34,441	27,074
Growth (%)	2.5	46.2	31.7	-21.4
NPATMI (VND bn)	1,501	1,331	410	490
Growth (%)	129.9	-11.3	-69.2	19.4
ROA (%)	12.2	6.2	1.9	2.9
ROE (%)	36.4	26.1	8.0	8.8
EPS (VND)	5,224	5,224	5,224	5,224
Book Value (VND)	20,996	14,563	13,288	13,170
Cash dividend (VND)	2,500	1,000	0	0
P/E (x) (*)	12.4	8.0	10.5	9.7
P/B (x) (*)	2.1	1.7	0.8	0.9

(*) Share price as of Aug 7th, 2020.

Figure 1: Revenue, gross profit and NPAT (VND billion)



Source: HSG, RongViet Securities

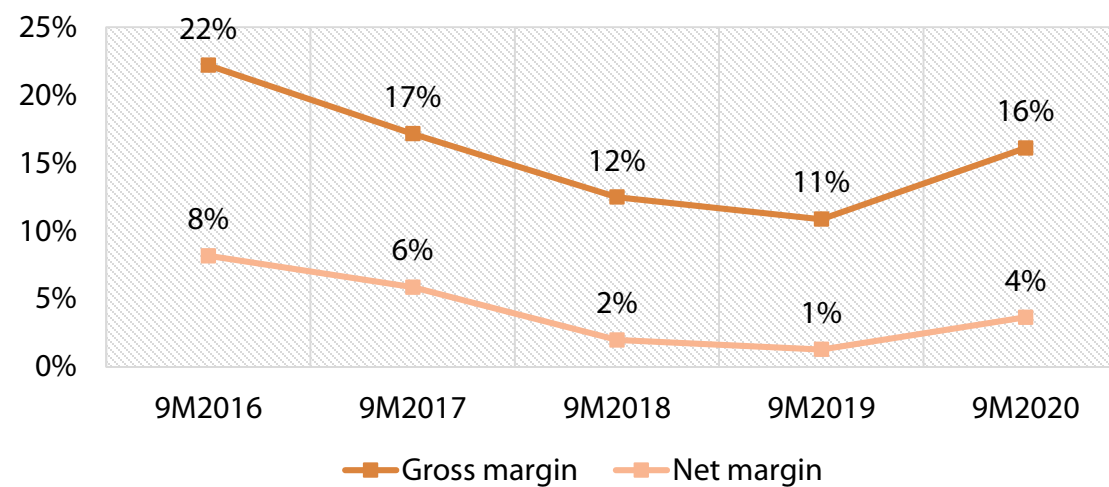
Selling volume was flat

- In 9M/FY19-20, HSG's selling volume decreased by just 3%. In the steel pipe segment, its market share increased from 15.3% in 2019 to 16.8% in 6M2020. Meanwhile, HSG's market share in the coated steel segment was stable.

Despite the pandemic, NPAT and margins improved

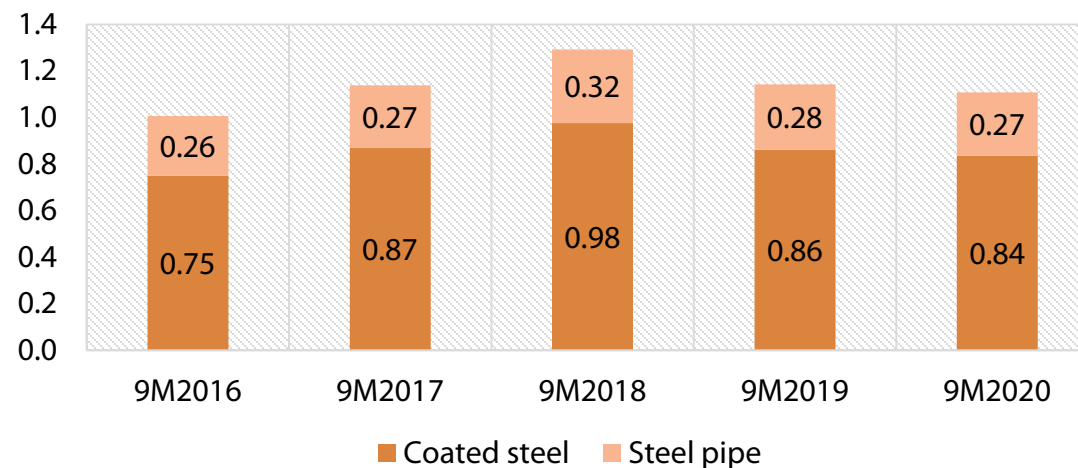
- HSG focused on improving net margin in 9M/FY19-20 and got good results.
- A well-known brand and strong retail system helped maintain a high gross margin of 15.6%, even as HRC prices dropped significantly.
- We expect its net income to increase in 4Q due to surging HRC prices.

Figure 2: Gross and net margins



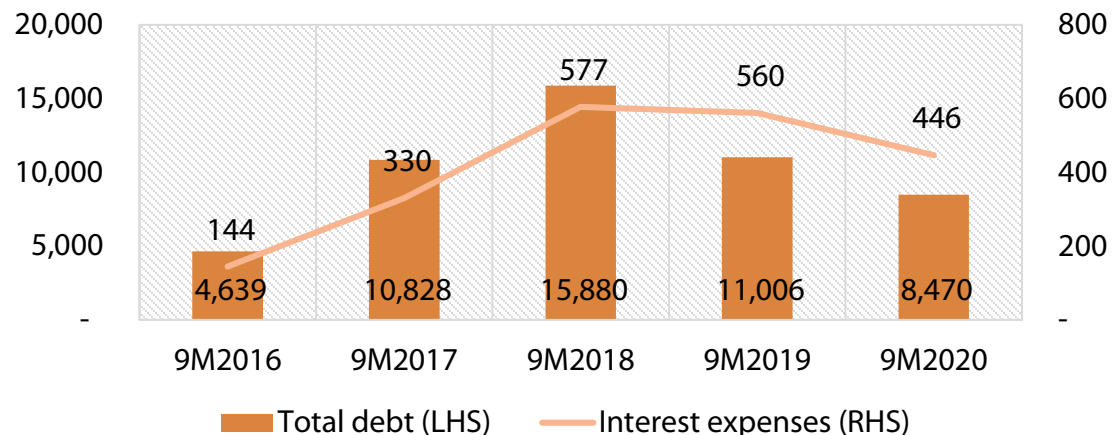
Source: HSG, Rong Viet Securities

Figure 3: Steel selling volume (million tons)



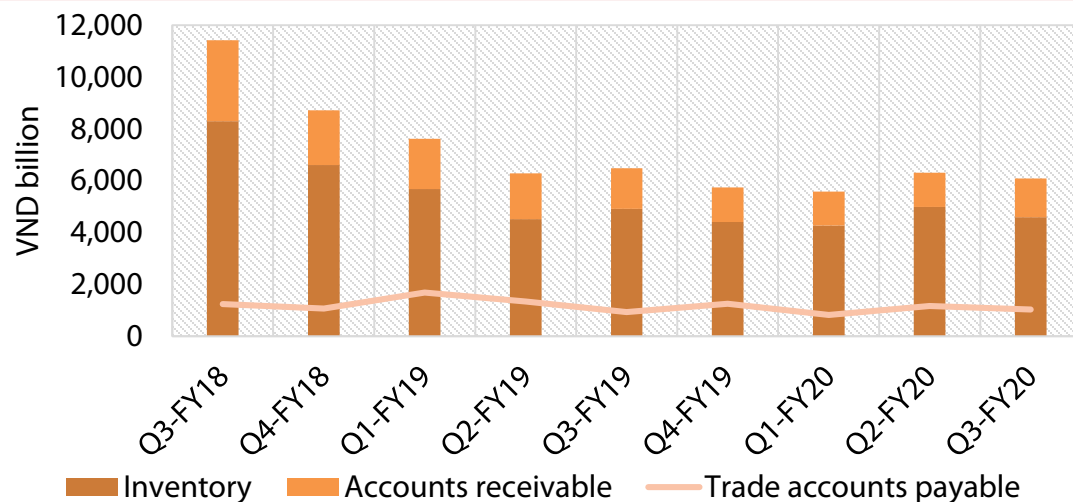
Source: HSG, RongViet Securities

Figure 4: Debt and interest expenses (VND billion) decreased steadily



Source: HSG, Rong Viet Securities

Figure 5: Working capital was stable over the last two years



Source: HSG, Rong Viet Securities

Completed financial restructuring will be the foundation for sustainable growth

- Working capital was well managed over the last two years after using ERP systems and maintaining low inventories. It reduced HSG's exposure to HRC prices and offered a more stable gross margin.
- Low working capital reduced the financial leverage and expenses. Hence, total debt decreased steadily from roughly VND 16,000 billion in 9M/FY-17-18 to just a half, VND 8,500 billion, in 9M/FY19-20.
- Interest expenses have decreased by VND 114 billion, equivalent to 16.3% of net income in 9M/FY19-20.

NKG – MARGIN IMPROVED, BUT SALES WERE WEAK

OPPORTUNITIES

NKG has competitive advantages to benefit from high demand for coated steel and steel pipe

- NKG is the third largest coated steel manufacturer in terms of design capacity. It also produces high-quality products, including thick Zinc coated steel, which is preferred for use in a high erosive environment.
- The shift of production lines to Vietnam, from China, can boost the demand for steel pipe and coil processing services.

New steel pipe factory in Chu Lai can support sales growth

- This factory has capacity of 150,000 tons per year, which allows NKG to seize opportunities as other steel pipe factories are running at full capacity.
- It is also has a coated steel warehouse that helps NKG's products become more competitive in the North and Central markets as it reduces transportation time and cost for customers.

More stable margins due to low inventories

- HRC prices have less impact on profitability as NKG stores its inventory to produce in the next 2 months (from 3.3 months in 2017-2018 period).

RISKS

NKG's profit is highly dependent on HRC prices

- HRC price fluctuations are often reflected in NKG's margin.

COVID-19 outbreak could have a negative impact on NKG's sales.

- The fresh outbreak in Da Nang City could be a threat to the demand for steel and Chu Lai factory's progress in the short-term.

N/A

N/A

CMP (VND)	6,950
Target price (VND)	N/A

Cash dividend in 12 months 0

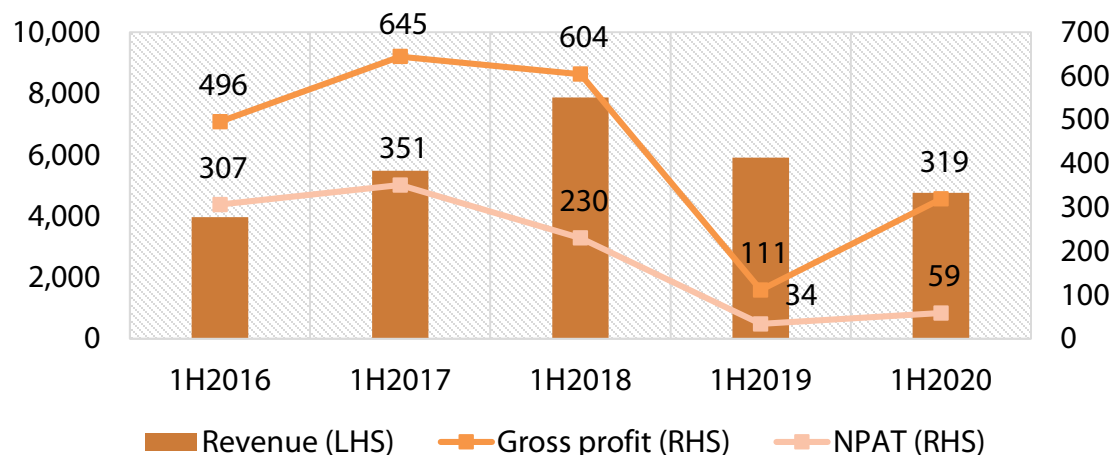
STOCK INFO

Sector	Basic Materials
Market Cap (\$ mn)	52
Current Shares O/S (mn shares)	172
3M Avg. Volume (K)	2,189
3M Avg. Trading Value (\$ mn)	0.7
Remaining foreign room (%)	79.0
52-week range ('000 VND)	4.4-10

FINANCIALS	2016A	2017A	2018A	2019A
Revenue (VND bn)	8,936	12,619	14,812	12,177
Growth (%)	55.4	41.2	17.4	-18.8
NPATMI (VND bn)	518	708	57	47
Growth (%)	311.7	37.6	-92.9	-17.4
ROA (%)	8.1	7.0	0.7	0.6
ROE (%)	32.8	24.1	1.9	1.6
EPS (VND)	7,841	5,442	315	260
Book Value (VND)	8,667	16,156	16,325	16,576
Cash dividend (VND)	0	0	0	0
P/E (x) (*)	3.0	2.1	52.9	26.7
P/B (x) (*)	1.0	1.0	1.4	0.4

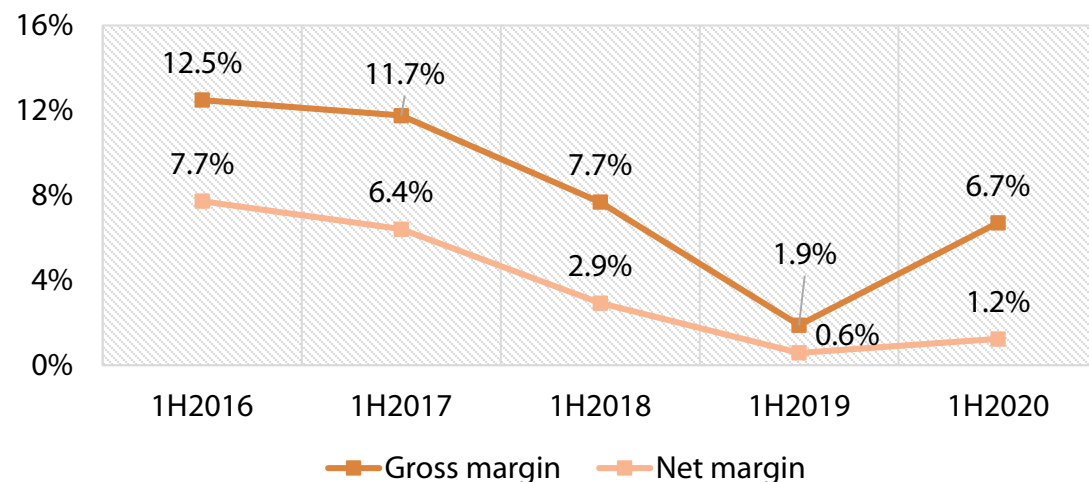
(*) Share price as of Aug 7th, 2020.

Figure 1: Revenue, gross profit and NPAT (VND billion)



Source: NKG, Rong Viet Securities

Figure 2: Gross and net margins



Source: NKG, Rong Viet Securities

The gross margin improved despite HRC prices' wide fluctuations

- Despite HRC prices' movement, NKG's gross margin increased significantly 1.9% in 1H2019 to 6.7% in 1H2020.
- Due to low inventory, NKG was not exposed significantly to HRC prices and it avoided a large loss in 2Q. In addition, the strong demand for coated steel supported its margin.

Net income was affected strongly by HRC prices and foreign exchange rate

- HRC prices changed significantly during 1H, as it reached USD 480/ton in 1Q2020, then hit a bottom at USD 390/ton in April.
- NKG's net income was VND 47 billion in 1Q2020, and then decreased to VND 17 billion in 2Q2020.
- As HRC prices are surging, we expect NKG's net income will increase in 3Q. HRC prices' movements are hard to predict as the downstream demand is still weak, while increasing iron prices lead to higher production costs.

Selling volume and market share decreased

- In 1H2020, NKG sold 296 thousand tons of products, decreasing by 11% YoY. NKG's market share decreased slightly from 11.1% in 1H2019 to 10.3% in 1H2020.
- NKG was a bit underperformed the industry, especially in domestic market as its selling volume -14%YoY. Meanwhile, export was outperformed fell by just 4%.
- Despite its better sales in July, NKG's selling volume could be flat or lower in 2H due to the fresh COVID-19 outbreak.

The company's financial position was stable as the current ratio and total debt/equity ratio were flat at 1.1 and 1.2, respectively.



INSURANCE INDUSTRY: Non-life sector to outpace life sector post-pandemic

Tam Pham – tam.ptt@vdsc.com.vn

LIFE INSURANCE SECTOR - REVIEW

Covid-19 to add pressure on declining growth

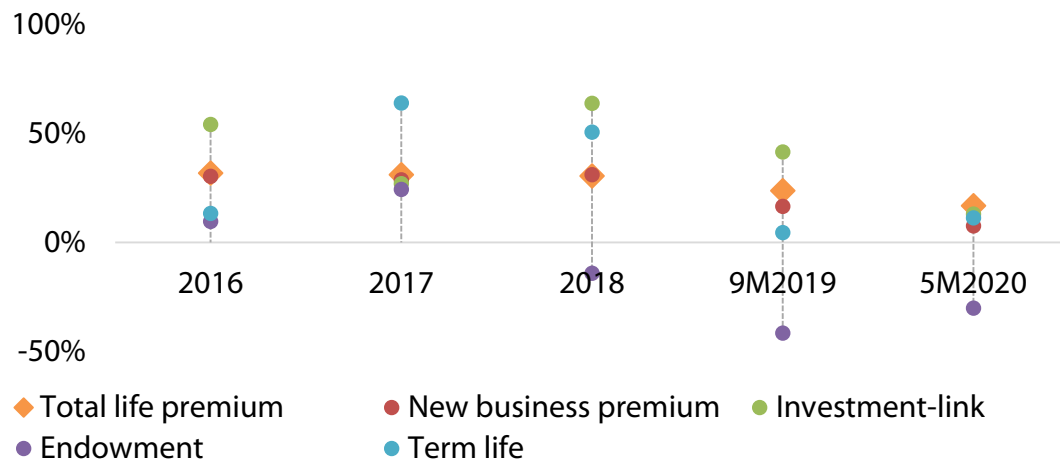
Slowing down growth

- Total direct written premiums in 4M2020 were VND 33,475 bn (+17% YoY), lower than the growth rate of 2x-3x% of in the last consecutive seven years. Sales grew weakly as companies had to canceled new consultant recruitment and training activities, sale events and marketing programs due to social distancing orders. Disruptions in business also reduced clients' income, leading to delays in premium payments. The pandemic has added pressures on the declining growth of new business premiums. Since 2H2018 top players have changed their strategy towards profitability rather than market share. This signals slower growth of total premiums in the coming years.

Investment-link insurance continues to dominate sales

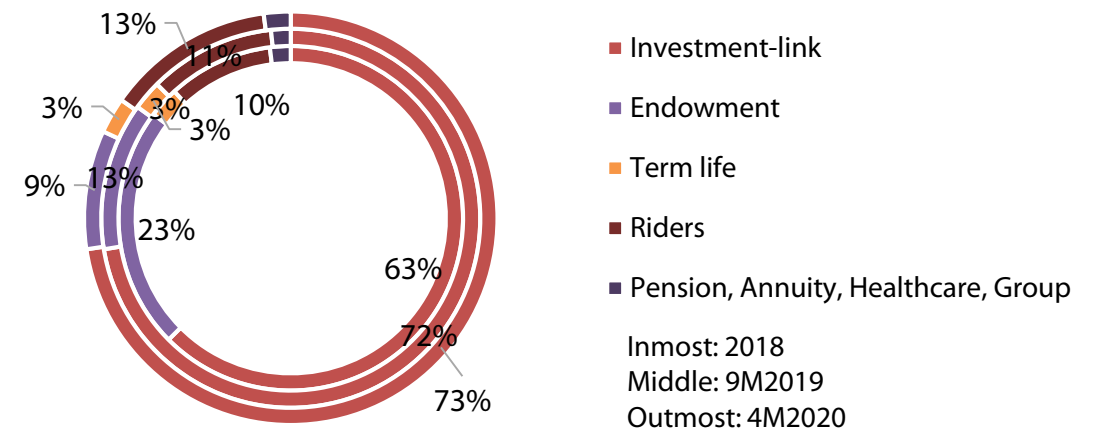
- New business premiums in 4M2020 were VND 10,012 bn, growing 8% YoY (4M2019: 20% YoY), the lowest growth rate in the last seven years. Investment-link insurance products registered a growth rate of 13% YoY as government bond yields bottomed out in 1H2020. New business premium of endowment plummeted 30% YoY. As this product has interest-sharing term, decreasing sales of this product can reduce mathematical provision expense.

Figure 1: 4M2020 sector growth



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

Figure 2: Product mix of new business premiums



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

NON-LIFE INSURANCE SECTOR - REVIEW

Healthcare insurance thrived on the anxiety about health problems

Non-life direct written premiums in 4M2020 came at VND 17,920 bn, +9% YoY, of which healthcare insurance surged 19.5% YoY, boosted by the rising concerns of the pandemic. We believe this will be the major trend for the non-life insurance sector in the future.

Meanwhile, premiums of other major products fell or grew weakly following disruptions in social-economic activities. Motor vehicle insurance minus 2.2% YoY, cargo transportation insurance slumped 14.6% while asset and damage insurance and fire and explosion insurance increased marginally 9.5% and 6.8%, respectively.

In 2H2020, sales of these products could recover substantially as (1) the pandemic is being strictly-controlled in Vietnam and social-economic activities are returning to normal, (2) investments are flowing into the domestic economy from the government’s public investment programs as well as the wave of shifting processing and manufacturing centers of multinational corporations from China to Vietnam, (3) Decree No. 70/2020 / ND-CP on reduction of 50% of registration fee for cars, trailers or semi-trailers; and Decree 57/2020/ND-CP on exemption of import tax for auto parts that cannot be domestically produced.

Market shares of top 5 companies continued to shrink.

Figure 3: 4M2020 sector growth

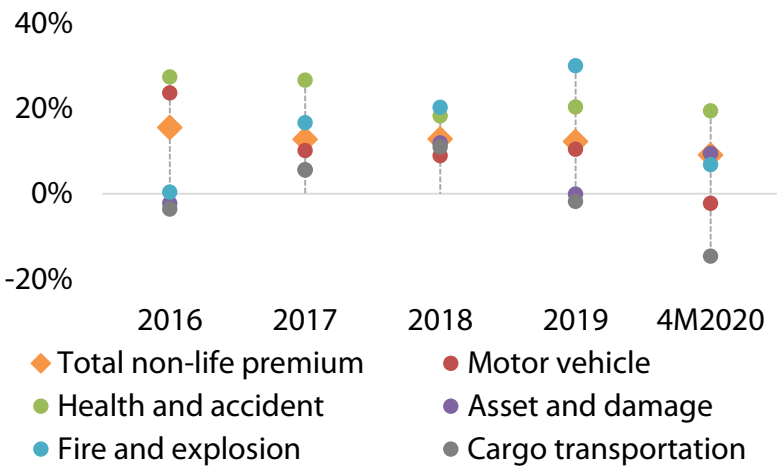


Figure 4: Product mix

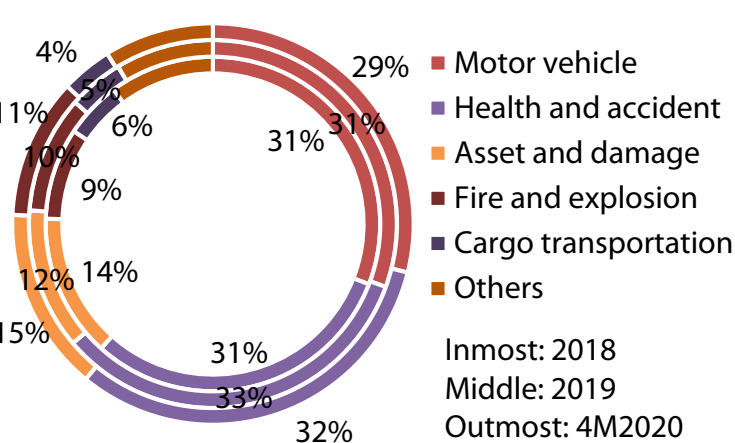
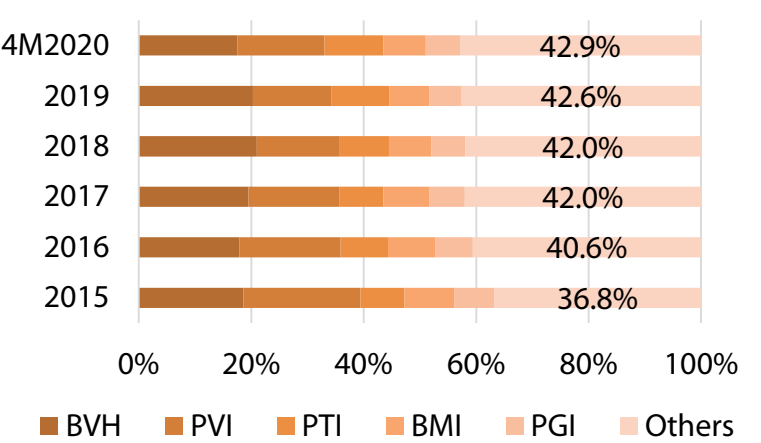


Figure 5: Market shares of 5 largest players are shrinking

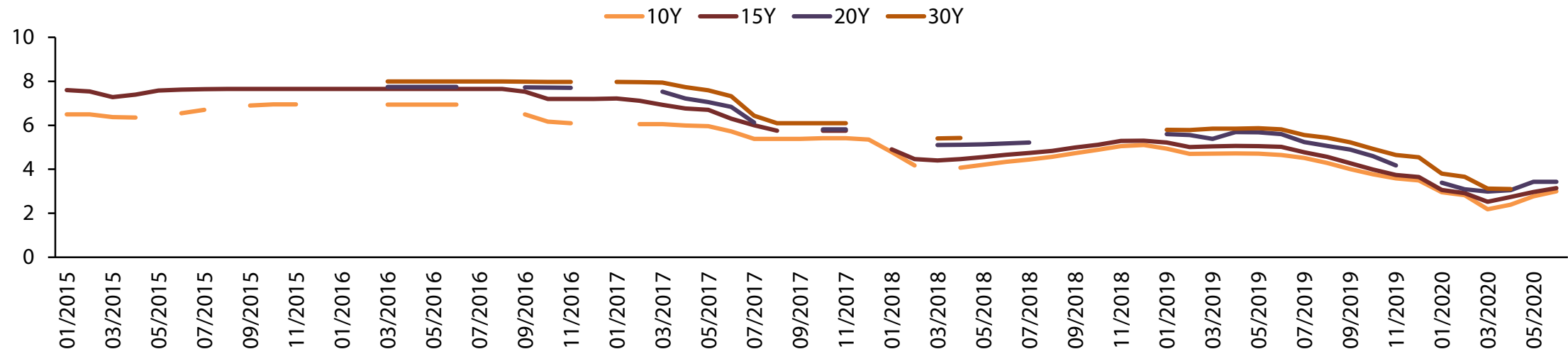


INSURANCE SECTOR - PROSPECTS

Post-pandemic, non-life insurance to outpace life insurance in profitability

- Companies (both life and non-life insurers) are struggling with investment activities, which traditionally is the major profit generator. Low deposit interest rates and bond yields, and a less supportive stock market are factors that drive down investment yields.
- A recent research by the US National Bureau of Economic Research (NBER) found that real interest rates post pandemics “substantially depress” returns for decades, before returning back to the pre-pandemic levels, due to the relative lack of labor and higher savings. This leads us to expect that life insurers are highly likely to see a low growth of life insurance premiums in the coming years. A substantial proportion are investment-linked products, in order to minimize the mismatch effect between investment interest received in the future and interest committed to clients pre-COVID-19.
- For non-life insurers, the situation could be more comfortable: Sales of non-life insurance will recover once economic activities return to normal. In addition, as most of non-life insurance policies only last for one year and they do not contain interest sharing terms, the risk of mismatch is near zero. As a result, non-life insurers could boost growth of the insurance business to compensate for the low investment yield.

Figure 6: Vietnam government bond yields (%/year)



INSURANCE INDUSTRY

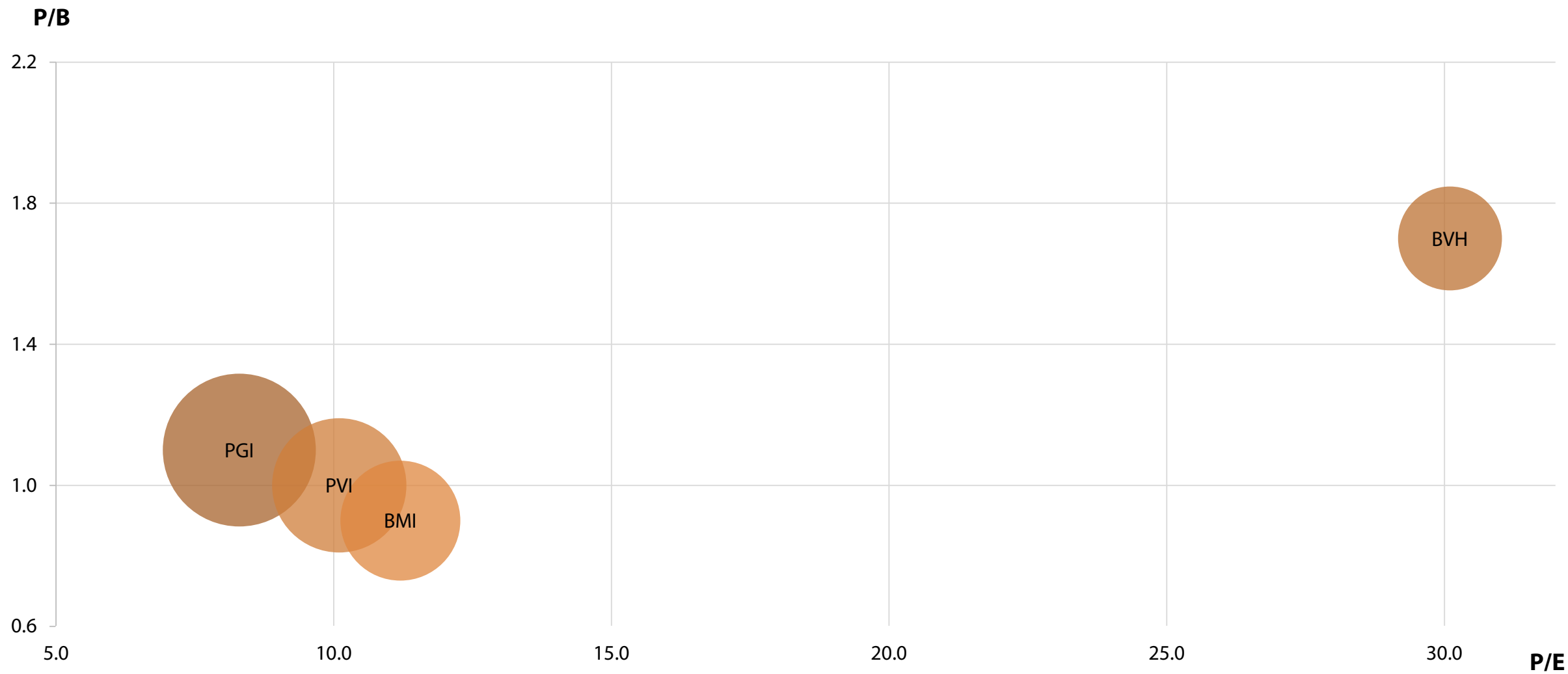
Industry comparables (TTM)

Ticker	Market cap (USD mn)	Target price (VND)	Sales growth(% YoY)	EBITDA growth(% YoY)	EBITDA margin (%)	Operating income margin (%)	Net income growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
PGI	71	19,600	13.6	15.1	8.9	6.3	26.3	6.2	3.3	13.1	6.5	8.3	1.1
BVH	1,439	N/A	9.6	30.5	7.9	4.0	-6.1	3.3	0.8	5.6	1.8	30.1	1.7
PVI	298	N/A	-33.0	-17.5	19.2	7.5	-3.2	17.5	3.1	9.8	7.5	10.1	1.0
BMI	108	N/A	18.1	20.1	5.2	1.8	-5.9	4.4	3.0	7.9	4.5	11.2	0.9

Source: Bloomberg, RongViet Securities. Share price as of Aug 7, 2020.

INSURANCE INDUSTRY

Industry comparables



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 07 Aug 2020.

PGI – HEALTH INSURANCE TO BE THE NEW GROWTH DRIVER

INVESTMENT RATIONALE

- **Health insurance to be the new growth driver**
 - o Concerns of health problems rise in and post the pandemic boosted sales of health insurance (+190% YoY in 1H2020). Health insurance will be the major trend of the non-life insurance sector in the future. Other products will rally quickly in 2H2020, following the recovery of the economy.
 - o Health insurance has the highest underwriting expense among all the product lines. As a result, the expense ratio will increase.
 - o Insurance premiums growth is likely to be kept high in the coming years to make up for the fall in investment income.
- **Good credit rating of B+ and business relation with PLX (the largest shareholder) with large corporations assure sales of asset and damage insurance**
- **Healthy and safe investment portfolio ensures timely claim settlement but long-lasting low deposit interest rates may lead to lower investment yields**
 - o 85-86% in short term bank deposits, higher than the industry average (70%). 5-6% in stocks that have strong fundamentals.
 - o Low deposit interest rates and lower stock market amid the gloomy macro-economy are factors that drive down investment yield.

RISKS TO OUR CALL

- Natural disasters that are more severe than expected.
- The pandemic becomes more complicated than expected, resulting to lockdowns globally

ACCUMULATE

+13%

CMP (VND)	18,450
Target price (VND)	19,600

Cash dividend in 12 months 1,300

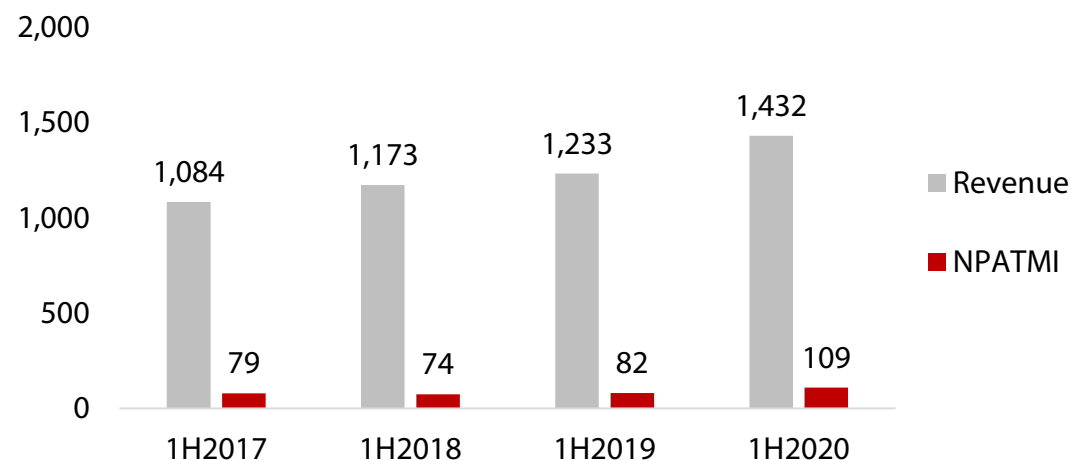
STOCK INFO

Sector	Financials
Market Cap (\$ mn)	71
Current Shares O/S (mn shares)	89
3M Avg. Volume (K)	5
3M Avg. Trading Value (\$ mn)	0.0
Foreign Ownership (%)	28.3
State Ownership (%)	13.6-20.3

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	2,413	2,606	3,110	3,651
Growth (%)	3.4	8.0	19.3	17.4
NPATMI (VND bn)	142	166	168	197
Growth (%)	22.1	17.2	0.9	17.5
ROA (%)	2.7	3.0	2.7	2.8
ROE (%)	9.6	11.0	10.7	12.1
EPS (VND)	1,468	1,721	1,738	2,041
Book Value (VND)	16,792	17,369	17,956	18,842
Cash dividend (VND)	1,200	1,300	1,300	1,300
P/E (x) (*)	11.6	9.9	10.6	8.3
P/B (x) (*)	1.0	1.0	1.0	1.0

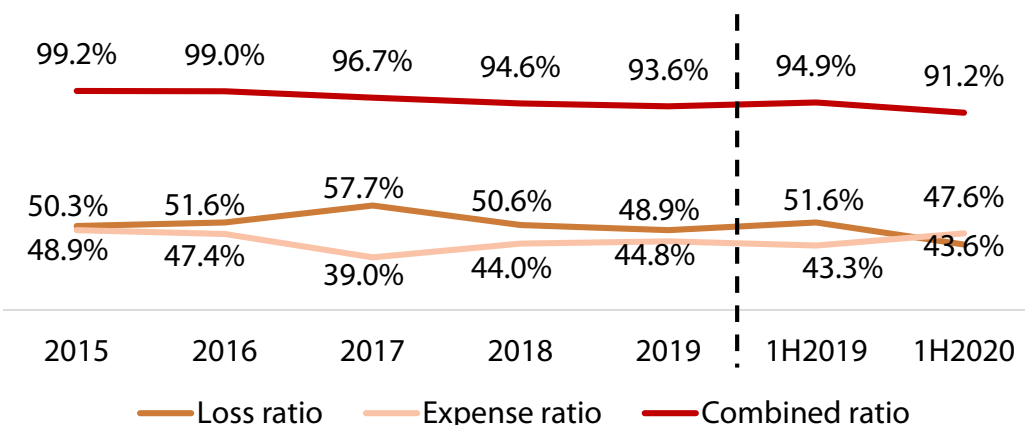
(*) Share price as of Aug 7th, 2020.

Figure 1: 1H2020 revenue and NPATMI (VND bn)



Source: PGI, Rong Viet Securities

Figure 2: Loss ratio, expenses and combined ratio



Source: PGI, Rong Viet Securities

1H2020: The pandemic has caused divergence in product lines. Combined ratio reduced thanks to high premium growth. Investment business was stable.

- o Health insurance sales rocketed 191% YoY, driven by the rising concerns of severe and unpredictable health problems. Asset and damage insurance maintained a growth of 20% YoY due to the company's good credit rating (B+) and the business relations of the largest shareholder (PLX) with corporations. Cargo transportation insurance and fire and explosion insurance sales fell deeply by 23% and 18% YoY, respectively, because of quarantine measures in April and weak exports.
- o The surge in premiums led to the temporary improvement of the loss ratio from 48.9% in 2019 to 43.6%, besides the slight drop of 3% in claim payment. However, the expense ratio climbed from 44.8% to 47.6% as health insurance is the product that has the highest underwriting expense.
- o The investment portfolio structure remained unchanged from last year. Investment yield: 7.2%/year. Excluding the reversal of provisions for investment in subsidiaries of USD 0.3 mn, the investment yield was 6.7%/year (1H2019: 6.6%/year)

2H2020: Health insurance to be the new growth driver. Investment yield is likely to be lower than in 1H, driven down by declining deposit interest rates and the gloomy macro-economic situation.

- o For 2020, we forecast gross written premiums at VND 3,110 bn (+19.3% YoY), NPATMI VND 168 bn (+0.9% YoY). The combined ratio should reach 94%, slightly rising from 93.6% in 2019. The investment yield will fall to 5.8%/year (2019: 6.9%/year).

REAL ESTATE INDUSTRY: Prices keep rising

Duong Lai- duong.ld@vdsc.com.vn

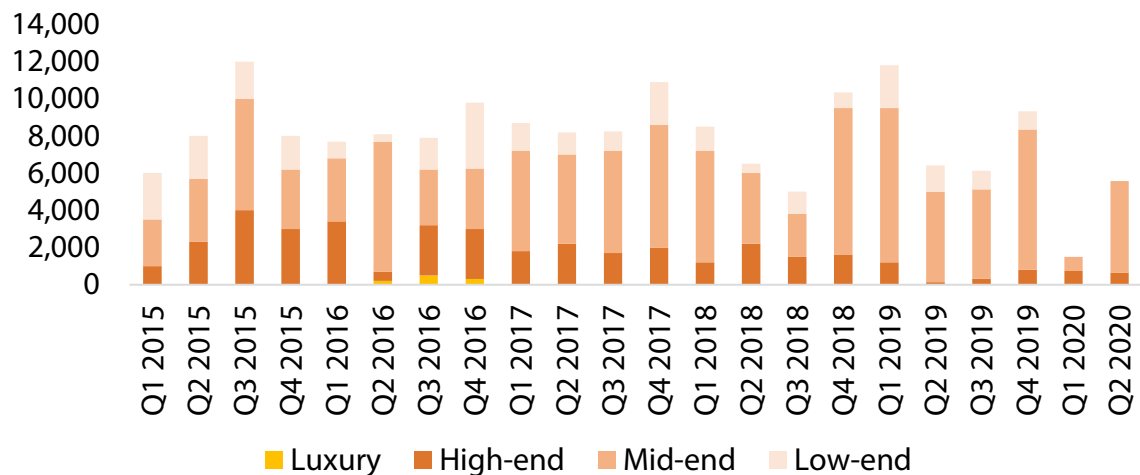
Hanoi condominium market

- The market was vibrant in Q2 2020: Supply nearly tripled compared to the previous quarter.
↑ 272% QoQ ↓ 13% YoY
- Sales rebounded in Q2, and the absorption rate was at around 50%. 5,100 units were sold, double compared to the previous quarter.
↑ 94% QoQ ↓ 13% YoY 50%

Sold units

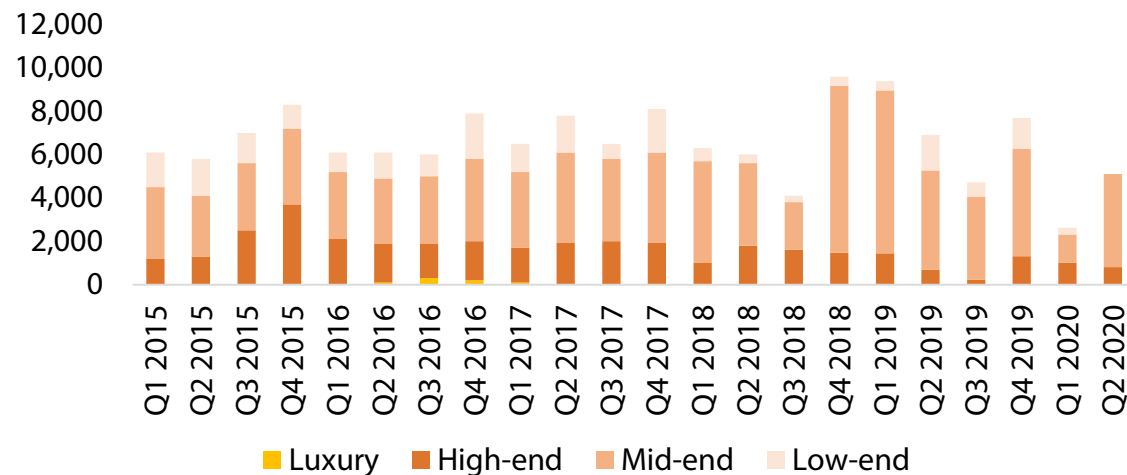
Absorption rate

Figure 1: Hanoi market new launches



Source: CBRE, RongViet Securities

Figure 2: Hanoi market units sold



Source: CBRE, RongViet Securities

HCMC condominium market

- New launch supply in HCMC in Q2 was the lowest during the last five years.

↓ 59% QoQ

↓ 60% YoY
- Demand dropped due to high selling prices and the impacts of COVID-19 in Q2 2020. For H1 2020, total sold units were 5,338, a decrease of 49% YoY. the absorption rate reached 72%, a decrease of 10-15 pts QoQ and 20 pts YoY.

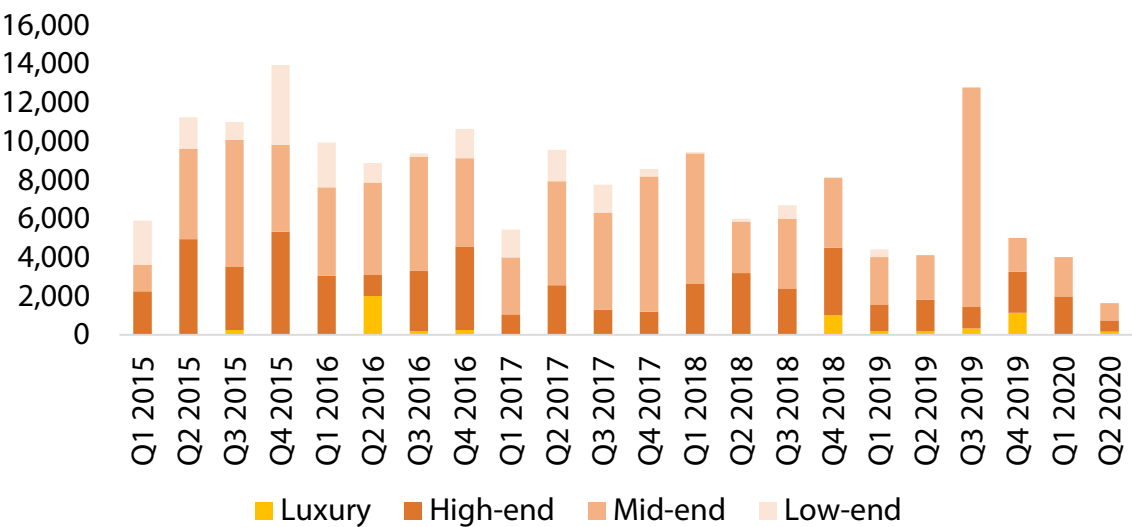
↓ 58% QoQ

↓ 65% YoY

72%

Sold units

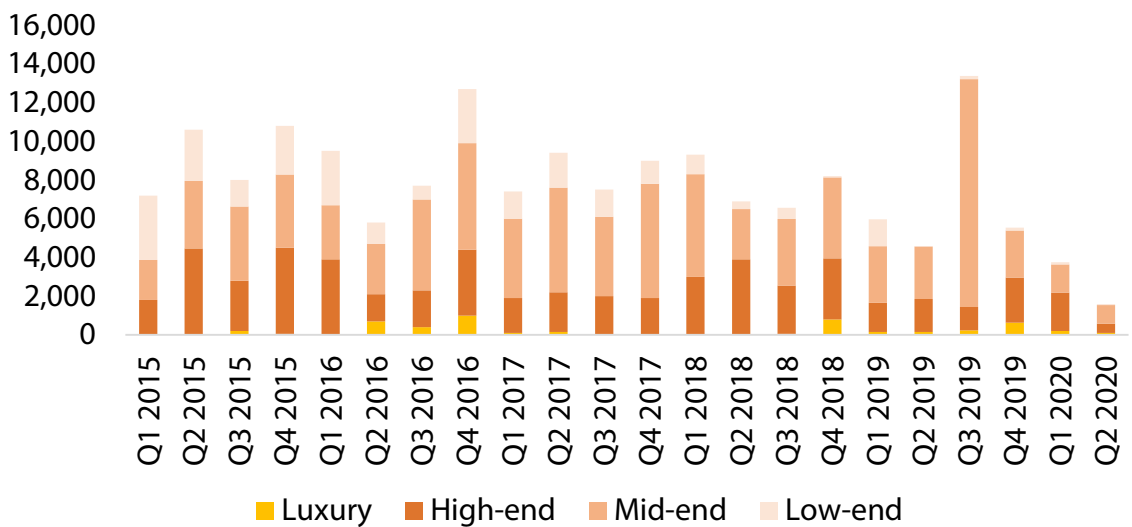
Figure 3: HCMC market new launches (units)



Source: CBRE, RongViet Securities

Absorption rate

Figure 4: HCMC market sold units (units)



Source: CBRE, RongViet Securities

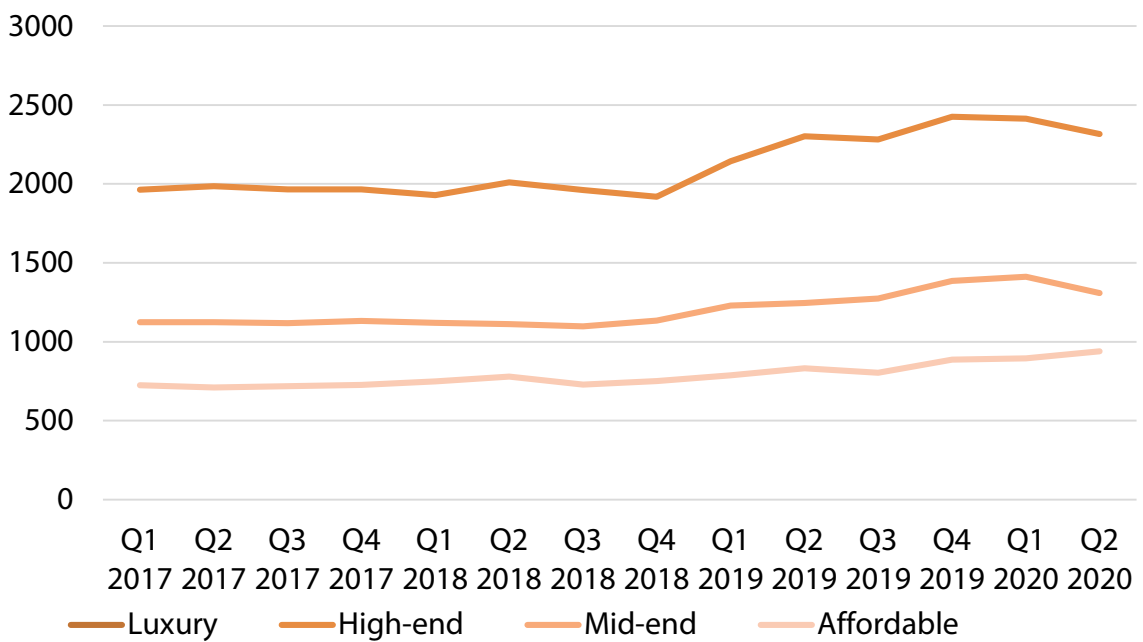
REAL ESTATE INDUSTRY - REVIEW

Selling price to increase across segments

Hanoi:

- Selling price for the primary market has increased across segments. However, affordable housing was the best performer, due to low price level (+13% YoY).

Figure 5: Hanoi Condominium primary price (USD/sqm)

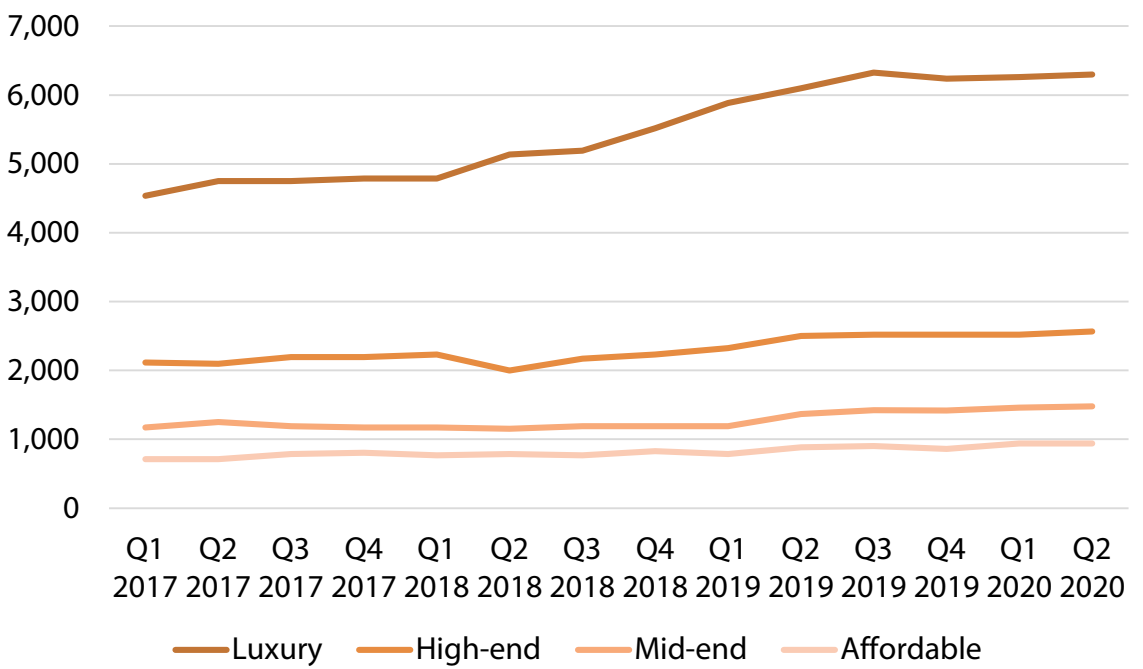


Source: CBRE, RongViet Securities

HCMC:

- The average selling price for the primary market remained stable compared to the previous quarter, and up by 4% YoY. Mid-end segment has achieved highest growth YoY (+8% YoY).

Figure 6: HCMC Condominium primary price (USD/sqm)

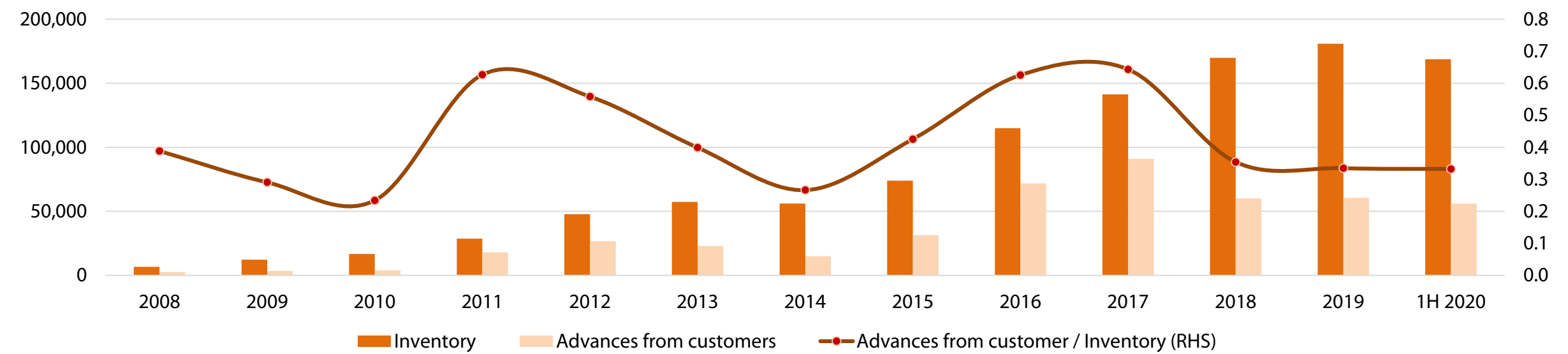


Source: CBRE, RongViet Securities

Advances from customer to inventory ratio remains flat

- 2018 was a turning point: the 2014 – 2018 period was considered to be an accumulation period for acquiring land bank and developing residential projects. Developers registered high net profit growth in 2018.
- 2018 - 2020: Development progress is showing signs of slowing down.
- 1H 2020: The first time since 2014 that the value of inventory saw a decrease. It means that: 1) Legal process tightening made developers it difficult from accumulating new land bank and 2) The business strategy has changed as developers have been also more conservative in acquiring projects.

Figure 7: Advances from customer to inventory ratio



Source: FiinPro, RongViet Securities

Bond market continues to be vibrant

VND 45,6 trillion

Value of bonds
issued

29%

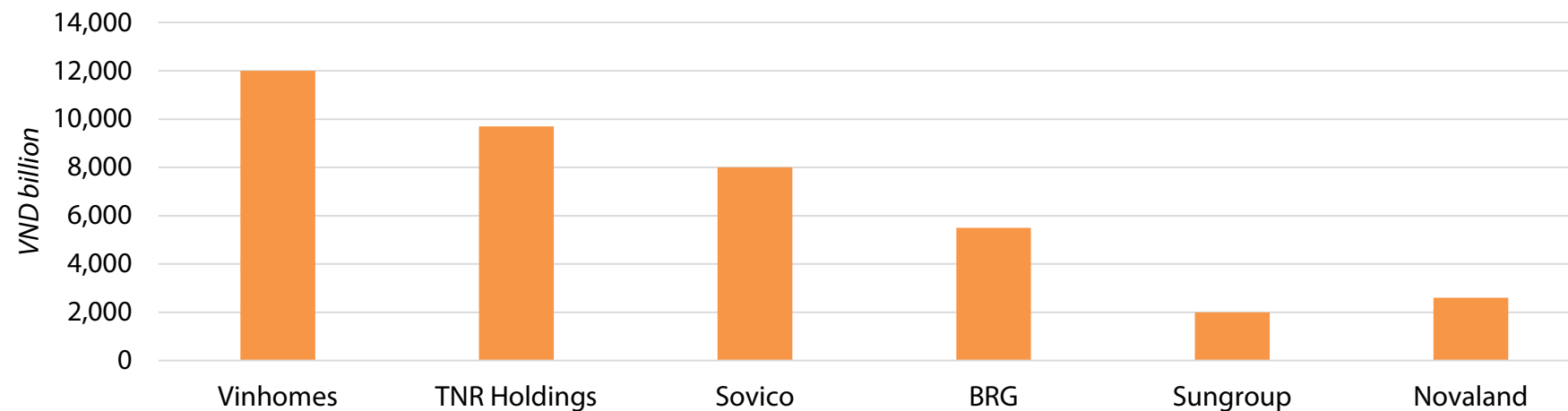
Of total value of bonds
issued in 1H 2020.

12.0 -14.0%

Average
coupon rate

Source: HNX, SSC

Figure 8: Bond issuance in 1H 2020



Source: HNX, SSC

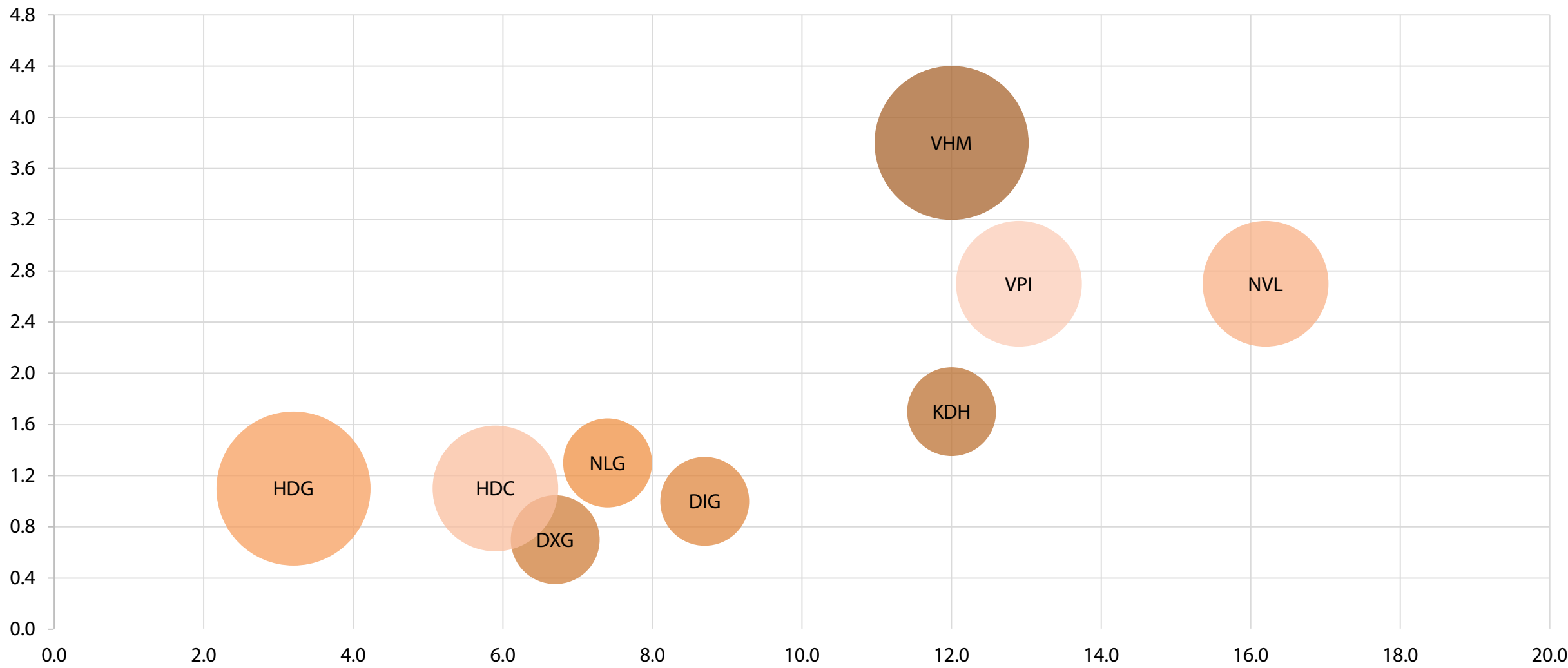
REAL ESTATE INDUSTRY

Industry comparable: 1H2020 financials

Ticker	Market cap (USD mn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
KDH	555.9	29,300	18.9	70.5	39.3	38.9	89.9	27.4	8.5	14.6	0.0	12.0	1.7
NLG	278.6	31,000	-29.6	-18.7	20.1	18.5	-32.8	27.1	8.0	14.3	0.0	7.4	1.3
DXG	210.9	14,800	-53.9	-52.7	32.5	30.3	-93.2	3.5	3.5	7.9	0.0	6.7	0.7
DIG	163.5	16,000	30.2	30.6	11.2	11.2	38.4	6.2	5.6	11.3	0.0	8.7	1.0
HDG	136.5	24,500	55.2	35.9	38.8	35.6	42.3	19.4	7.4	29.6	0.0	3.2	1.1
VHM	11,302.5	N/A	-14.4	-14.8	34.9	34.0	7.6	46.3	11.2	31.9	0.0	12.0	3.8

Source: Bloomberg, RongViet Securities. Share price as of 07 Aug 2020.

Industry comparable



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 07 Aug 2020.

DXG – UNLOCK THE GEM SKY WORLD PROJECT

INVESTMENT RATIONALE

Real estate development: Awaiting for the success of the Gem Sky World

- The Gem Sky World will contribute a major profit as well as cash inflow in 2020.
 - Phase-1: 1,000 land lots launched, with absorption rate of 70%. Average selling price of VND 20 million/sqm, not including discount. SPA contract to be signed by early-August. Gross margin will be from 50%.
 - DXG targets 3,000-4,000 units in total launching to market in 2020. Phase-2 will open in Q3.
 - Profit recognized in 2020 is estimated at VND 700 billion.
- DXG also exploits other land banks, namely Opal Skyview (HCMC) and Opal Skyline (Binh Duong). Total scale will be 170 units and 1,300 units, respectively.
- Total unbilled contracted sales value is estimated at VND 8,000 billion by the end of 2020, but 65% from the Gem Riverside's value.

Brokerage segment: Decline due to the effects of Covid-19

- Total transaction units in 2020 will be 21,000 units, down 30% compared to 2019's result.
- Spinoff of DXS. DXG is a leading broker of mid-end and affordable housing with an estimated market share of 20-25%. The pre-IPO deal is expected to be finalized in 2020.

Attractive valuation

- P/E and P/B forward 2020 are 4.8 times and 0.5 times, looking attractive.

RISKS TO OUR CALL

- Delayed development progress of the Gem Riverside and absorption rate of the Gem Sky World projects.
- Recognizing loss as divestment of LDG, being estimated at VND 500 billion.

BUY

57%

CMP (VND)	9,420
Target Price (VND)	14,800

Cash Dividend (VND)* 0

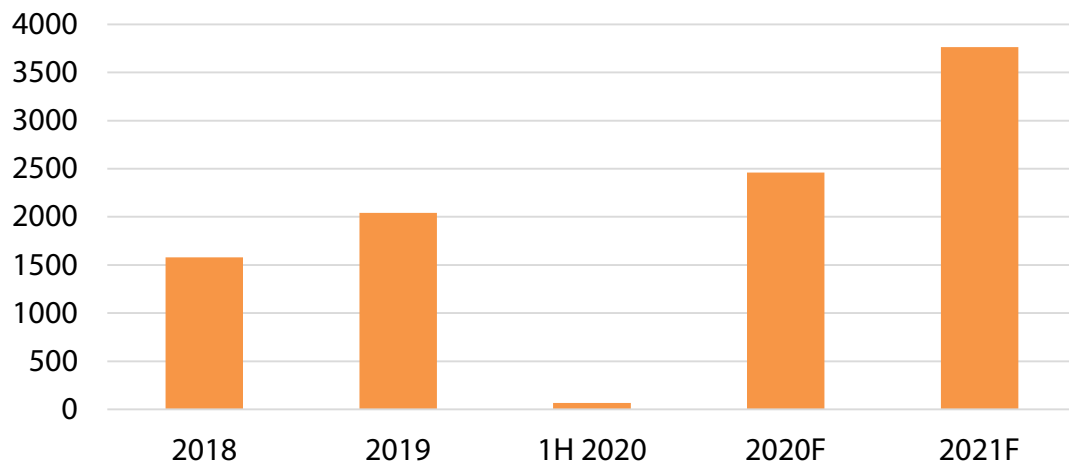
STOCK INFO

Sector	Financials
Market Cap (\$ mn)	211
Current Shares O/S (mn shares)	519
3M Avg. Volume (K)	4,513
3M Avg. Trading Value (\$ mn)	2.1
Remaining foreign room (%)	10.7
52-week range ('000 VND)	7.2-17.8

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	4,645	5,814	5,281	5,915
Growth (%)	61.3	25.2	-9.2	12.0
NPATMI (VND bn)	1,178	1,217	1,009	1,386
Growth (%)	56.9	3.3	-17.1	37.4
ROA (%)	9.82	7.2	5.6	6.9
ROE (%)	21.72	15.9	11.3	12.2
EPS (VND)	3,265	2,661	1,943	2,671
Book Value (VND)	14,282	17,756	20,643	23,115
Cash dividend (VND)	0	0	0	0
P/E (x) (*)	2.9	4.2	4.8	3.5
P/B (x) (*)	0.7	0.7	0.5	0.4

(*) Share price as of Aug 7th, 2020.

Figure 1: Revenue from real estate development



Source: RongViet Securities

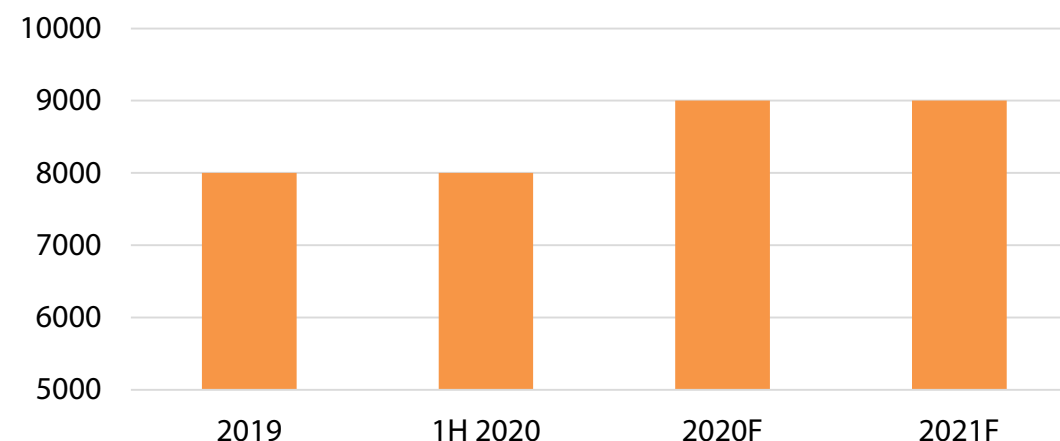
The Gem Sky World will be a key profit driver in 2020-2021

- 700/1000 land plots were booked during the 1st phase, with ASP of around VND 18-20 million/sqm, not including discounts. GPM was 50% on average.
- Phase 2 will be launched next month, and selling price may be slightly higher.
- For the whole year, DXG plans to launch 3000-4000 land plots, and recognize VND 700 billion gross profit only from this project.

Brokerage segment sees poor results compared to 2019's

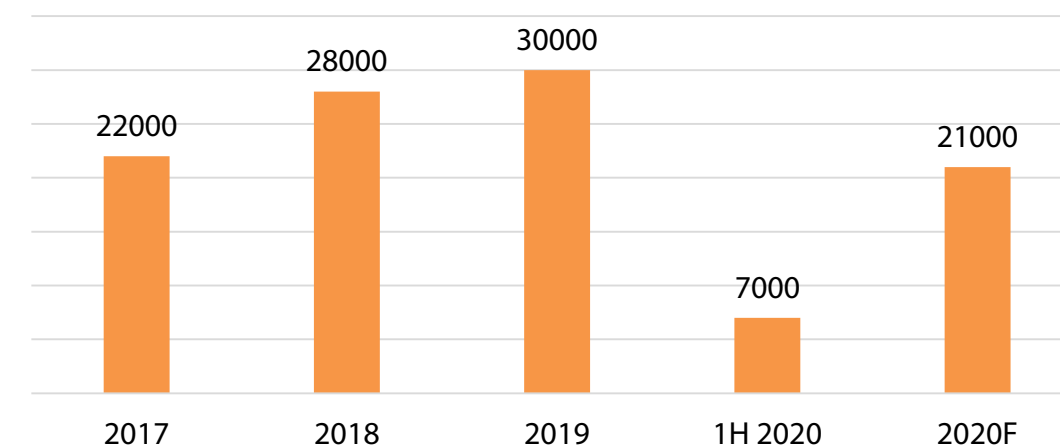
- Total transaction units will be down 30% YoY, reaching 21,000 units.
- IPO of DXS becomes key catalyst. Pre-IPO will be deployed in late-2020.

Figure 2: Contracted sales value (VND billion) *



Source: Rong Viet Securities. *including Gem Riverside's contract sales value.

Figure 3: Transaction units (units)



Source: DXG, RongViet Securities

VRE – PIVOTAL YEAR FOR THE DEVELOPMENT OF VINCOM MEGAMALLS

INVESTMENT RATIONALE

Nationwide expansion strategy with lease plan of three new Vincom megamalls in 2020

- Delay the launch of 7 out of 10 malls originally scheduled to open in 2020 to 2021, due to the effect of the Covid-19 pandemic.
- Vincom Retail targets to open 3 new malls, adding 170,000 sqm of GFA. As a result, there will be 82 shopping malls under Vincom Retail's network, equivalent to nearly 1.8 million GFA sqm, by the end of 2020.

Operational performance declines due to Vinpro's closure and stimulus package for tenants

- Average occupancy rate has decreased by 4.5%, compared to 2019, due to the closure of VinPro. However, there is no material tenant contract termination during this period. Per management, 65% of total Vinpro's leasing area will be filled by 2021.
- Average rental rate also see a slight decrease by 10%, compared to 2019 due to large stimulus and promotional campaign offering by Vincom Retail to its tenants. However, it is likely a short-term effect. We estimate the average rental rate will be USD 20.2/ NLA sqm/ month (-10% YoY) in 2021,

RISKS TO OUR CALL

- Rising influence of e-commerce to compete with the shopping mall business model.

BUY

31%

CMP (VND)	26,400
Target Price (VND)	34,700

Cash Dividend (VND)* 0

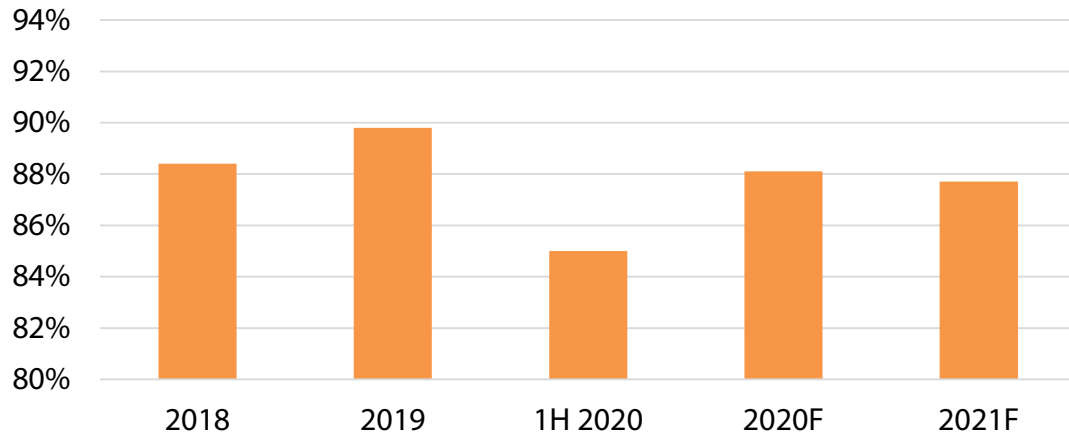
STOCK INFO

Sector	Financials
Market Cap (\$ mn)	2,589
Current Shares O/S (mn shares)	2,272
3M Avg. Volume (K)	3,307
3M Avg. Trading Value (\$ mn)	3.8
Remaining foreign room (%)	18.1
52-week range ('000 VND)	16.9-36.3

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	9,124	9,259	9,392	10,316
Growth (%)	65.3	1.5	1.4	9.8
NPATMI (VND bn)	2,404	2,848	2,679	3,130
Growth (%)	18.6	18.5	-5.9	16.8
ROA (%)	6.26	7.6	6.5	6.9
ROE (%)	8.81	10.3	8.2	8.8
EPS (VND)	1,032	1,254	1,179	1,378
Book Value (VND)	12,224	11,862	14,952	16,327
Cash dividend (VND)	1,050	1,050	0	0
P/E (x) (*)	25.6	21.6	22.4	19.2
P/B (x) (*)	2.2	2.3	1.8	1.6

(*) Share price as of Aug 7th, 2020.

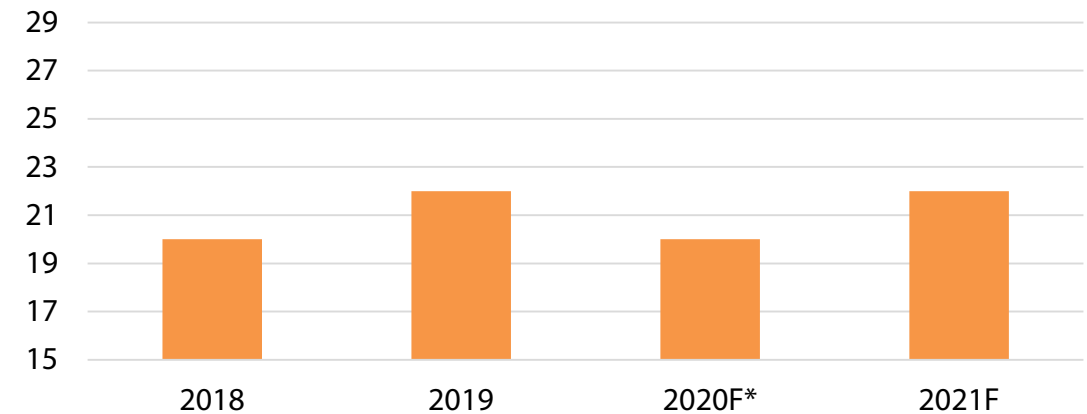
Figure 1: Overall average occupancy



Source: RongViet Securities

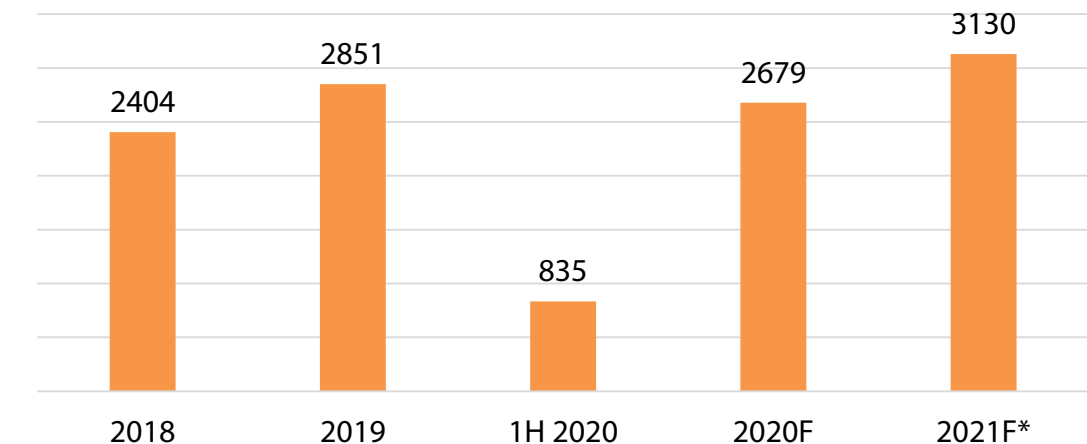
We remain positive on VRE's core business given its (1) ample room for growth in the coming years as part of the Vinhomes' residential complex and (2) performance can be improved. Vincom Retail dominates Vietnam's retail leasing market, with an estimated market share of 45%. Catalyst for 2020-2021 will come from the opening of the new Vincom Megamalls.

Figure 2: Average gross rental rates (USD/sqm/mon)



Source: Rong Viet Securities. (*) Adjusted for supported packages for tenants.

Figure 3: Net profit projection (VND billion)



Source: VRE, RongViet Securities

DIG – HUGE LAND BANK AT A LOW COST

INVESTMENT RATIONALE

Profit growth

- Net profit for 2020 is estimated at VND 598 billion (+53% YoY), resulting in a forward P/E ratio of 6.7 times. We think that the company should be more aggressive in project development.
 - Gateway: Profit driver in 2020, with contribution of around VND 400 billion to total profit.
 - Nam Vinh Yen phase 2. The project has completed almost all legal procedures and is ready to be exploited. Total land area is 74ha, of which 30ha is commercial land. Management is positive on the absorption rate.

Huge land bank and good asset quality

- Dai Phuoc and Long Tan will be the next catalysts.
 - Dai Phuoc: DIG owns 15ha commercial land in Dai Phuoc island. There has not been any updates about the development plan. It is considered to be a “reserved asset”, because it is a clean land bank.
 - Long Tan project has land site of over 300ha and will be able to benefit from upcoming infrastructure improvements. However, the compensation progress has been slower than our expectations. Currently, only 100ha has been compensated.
- The company plans to divest its stake from the Pullman hotel project in Vung Tau. It is a big deal, which will be a short-term catalyst to the company's value and improve its consolidated business results.
- The company's current valuation is looking quite attractive, with a current P/B of only 0.9 times.

RISKS TO OUR CALL

- Delay compensation progress of Long Tan project.

BUY

30%

CMP (VND)	12,350
Target Price (VND)	16,000

Cash Dividend (VND)* 0

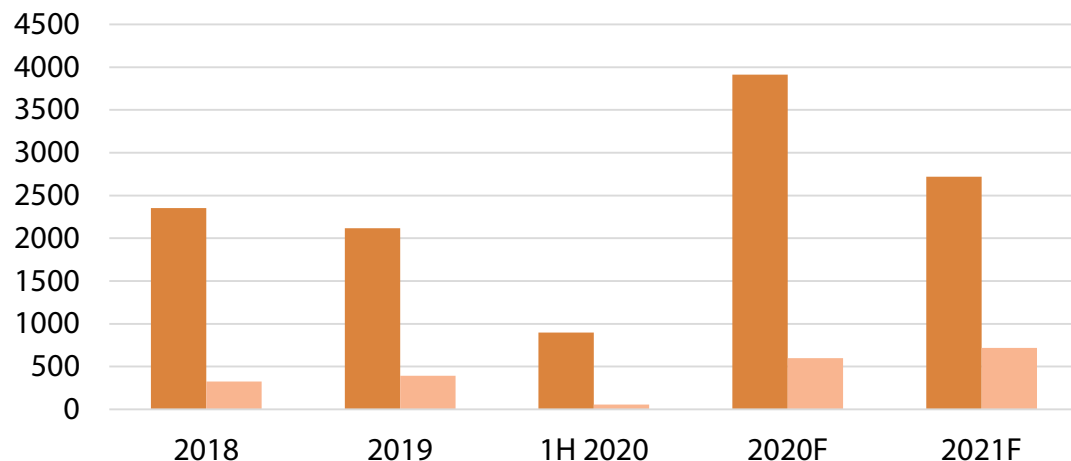
STOCK INFO

Sector	Financials
Market Cap (\$ mn)	163
Current Shares O/S (mn shares)	307
3M Avg. Volume (K)	2,439
3M Avg. Trading Value (\$ mn)	1.3
Remaining foreign room (%)	15.0
52-week range ('000 VND)	9.8-15.3

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	2,345	2,139	3,912	2,719
Growth (%)	47.1	-8.8	82.9	-30.5
NPATMI (VND bn)	324	422	598	720
Growth (%)	65.1	30.2	41.7	20.4
ROA (%)	5.02	5.6	6.9	8.5
ROE (%)	10.61	11.6	14.7	15.2
EPS (VND)	1,283	1,340	1,898	2,286
Book Value (VND)	12,406	12,902	13,889	16,153
Cash dividend (VND)	700	700	0	0
P/E (x) (*)	9.6	10.6	6.5	5.4
P/B (x) (*)	1.0	1.0	0.9	0.8

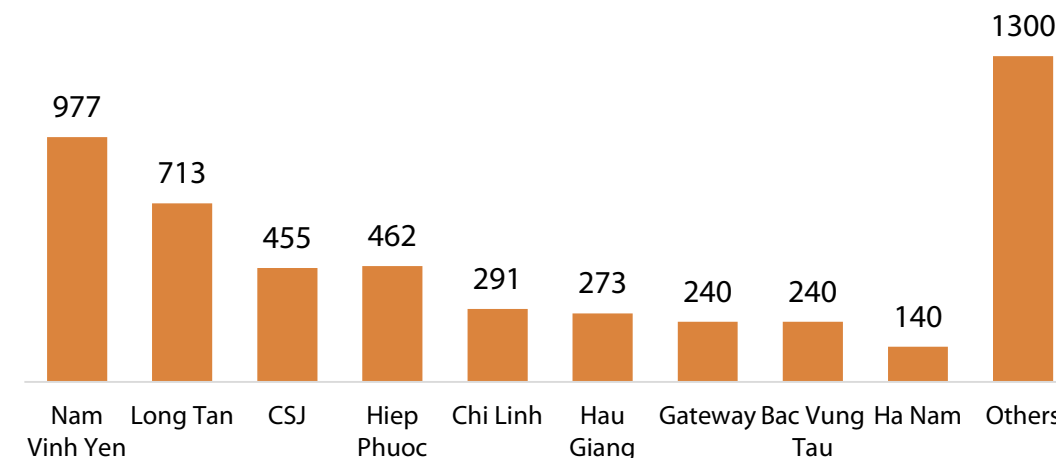
(*) Share price as of Aug 7th, 2020.

Figure 1: Revenue and net profit projection (VND billion)



Source: DIG, RongViet Securities

Figure 2: Capex breakdown by projects in 2020 (VND billion)



Source: DIG

Total investment capex for residential projects in 2020 will be VND 5,000 billion

- CSJ project: Plans to complete legal and construction work to prepare for sale.
- Long Tan project: The company sets 700 billion VND for the compensation and infrastructure construction. Currently, the compensation progress has been relatively slow, with only 100ha been compensated. It has not changed much compared to last year. The compensation will be the key point, especially when infrastructure conditions in this area improve in the next 2-3 years.
- Nam Vinh Yen: Land use fee payment of VND 700 billion.

2021's prospect depends on new launches

- Nam Vinh Yen phase 2, Lam Ha, Vi Thanh and CJS projects will drive earnings next year. Gross margin will also improve, 43% vs 30% in 2020, thanks to contribution of higher margin products from low-rise residential projects.

HDG – ENERGY EXPANSION

INVESTMENT RATIONALE

Real Estate: Launching Charm Villas

- Revenue and profit for 2020 are quite certain:
 - The remaining revenue and profit after tax are VND 4,014 billion and VND 1,034 billion, respectively. We project that HDG will hand over 70% and 30% of the remaining units in 2020 and 2021 respectively.
 - Profit growth in 2021 will depend on sales of new launches this year, including the Charm Villas and Noongtha projects.
- HDG owns land banks at relatively favorable locations, however, the Charm Villas is the only one that possesses the most favorable factors bringing significant cash flow to the company.
 - Total remaining units for sale are 376 low-rise units, corresponding to an expected revenue and after-tax profit of VND 3,200 billion and VND 1,300 billion, respectively.

Growth drivers from the energy sector

- For 2020-2021, HDG plans to put into operation four new projects, with a total designed capacity of 285MW. Specifically, there are two hydropower, a solar power and a wind power plant.
- In 2020, the total output is estimated at 450 million kWh (+20% YoY). Accordingly, we project that gross profit of the energy segment will be VND 523 billion (+23% YoY).

High debt level but not too much pressure - healthy cash flow

- The financial leverage is high, but the majority of borrowings are used for energy projects with long duration (normally 10 years).
- The remaining receivables from customers in the Centrosa Garden project is VND 1,600 billion, partly offsetting the debt repayment of VND 1,700 billion during the period of 2020-2021.

RISKS TO OUR CALLS

- Legal reviews to affect the development progress.

BUY

24%

CMP (VND)	20,500
Target Price (VND)	24,500

Cash Dividend (VND)* 1,000

STOCK INFO

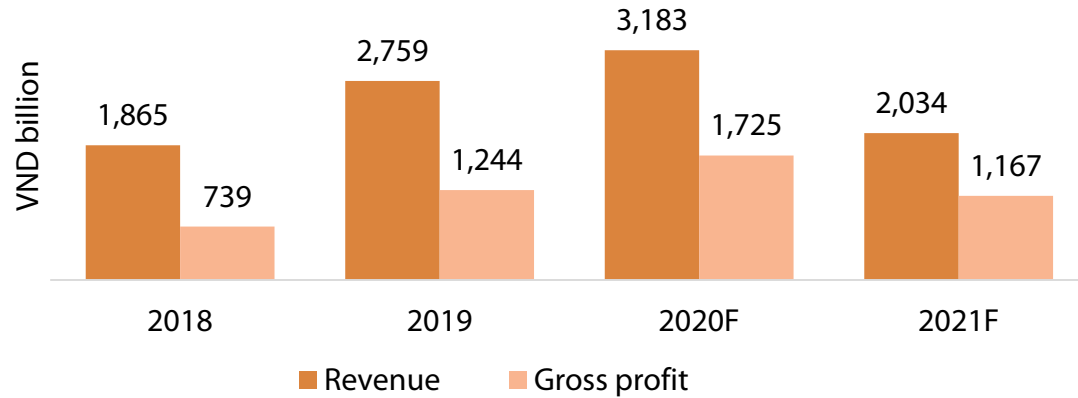
Sector	Financials
Market Cap (\$ mn)	136
Current Shares O/S (mn shares)	154
3M Avg. Volume (K)	839
3M Avg. Trading Value (\$ mn)	0.8
Remaining foreign room (%)	39.9
52-week range ('000 VND)	12.3-27.8

FORECAST

	2018A	2019A	2020F	2021F
Revenue (VND bn)	3,221	4,343	4,925	4,454
Growth (%)	40.2	34.8	13.4	-9.6
NPATMI (VND bn)	633	932	1,190	1,148
Growth (%)	255.1	47.2	27.7	-3.5
ROA (%)	6.5	7.5	11.4	9.5
ROE (%)	26.53	31.5	29.3	24.1
EPS (VND)	6,560	5,119	10,026	9,670
Book Value (VND)	19,314	22,129	28,559	37,232
Cash dividend (VND)	1,000	1,000	1,000	1,000
P/E (x) (*)	3.1	2.7	2.0	2.1
P/B (x) (*)	1.1	1.0	0.7	0.6

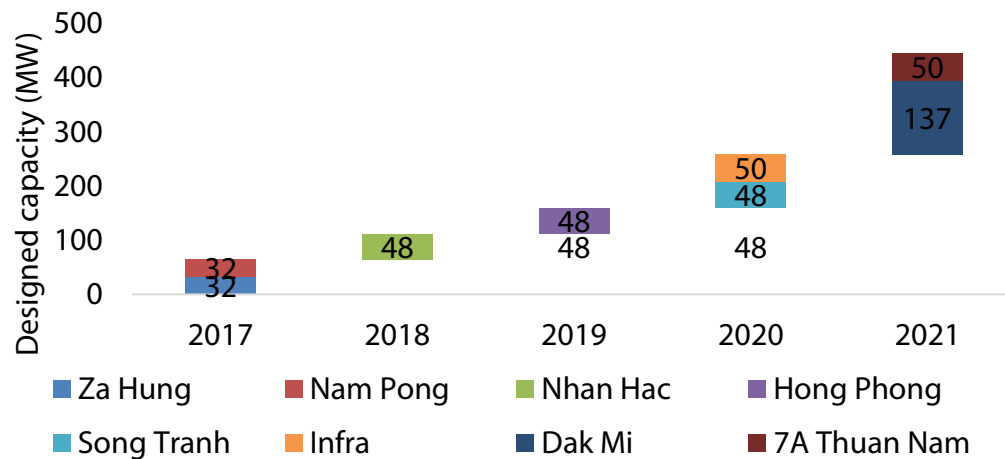
(*) Share price as of Aug 7th, 2020.

Figure 1: Revenue and gross profit of the real estate segment



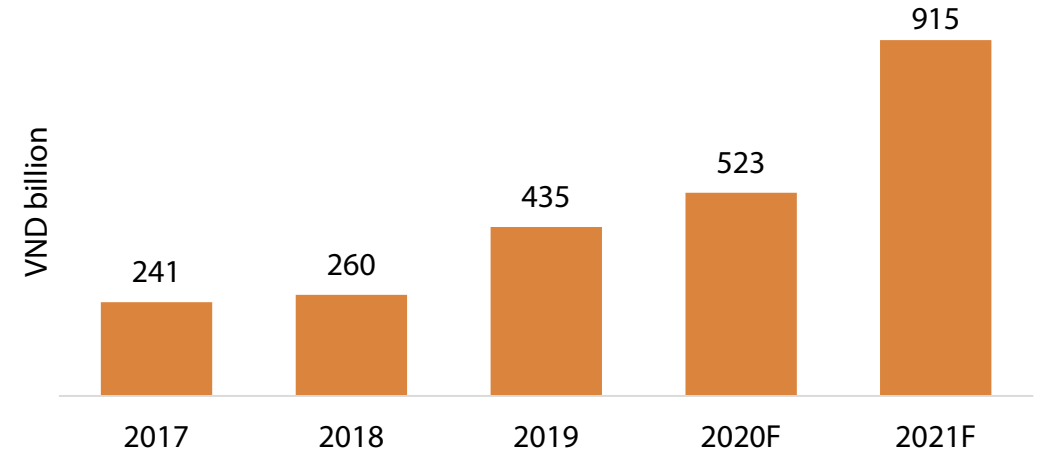
Source: RongViet Securities

Figure 3: Expanding total capacity (MWp)



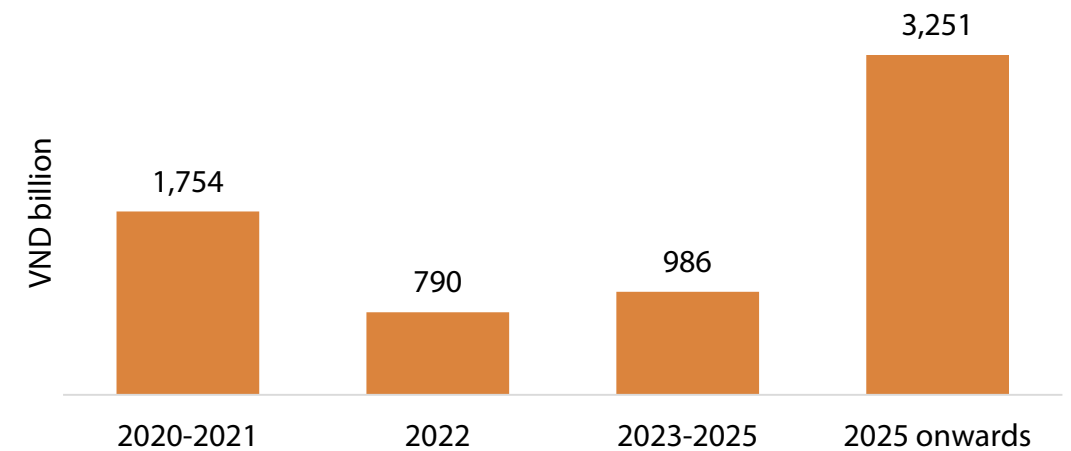
Source: HDG, RongViet Securities

Figure 2: Gross profit projections for the energy business



Source: Rong Viet Securities.

Figure 4: Debt maturity schedule* (31/12/2019)



Source: HDG, RongViet Securities

NLG – LAND BANK MONETIZATION

INVESTMENT RATIONALE

Project launching: waiting for the next phase

- Launches the next stage of sales in existing projects, including Mizuki Park, Waterpoint and Akari City.
- Total number units to be launched under the base case scenario will be 1,500 units, including 400 units of Mizuki Park, 500 units of Waterpoint, and 200 units of Akari City.
- Total new contract sales value is estimated at VND 3,800 billion.

Revenue recognition: project backlog to enable Nam Long to meet its profit target from 2021 onwards

- Current backlog is worth VND 5,958 billion, equivalent to 2,474 units of Flora and Valora, which will be delivered in 2020 – 2022. This will keep the company cash flow strong.
- Under our base case scenario, the launch of 1,500 units in 2020 will generate more than VND 3,800 billion to its total backlogs, which will gradually be recorded as revenue over the next 2-3 years.
- Construction progress of the Waterpoint, Mizuki Park and Akari City has been on track.

Valuation

- P/E and P/B forward 2020 is 8.6 times and 1.1 times respectively, which is attractive.

RISKS TO OUR CALL

- Slowdown of overall residential market, causing negative sentiment.

BUY

22%

CMP (VND)	25,850
Target Price (VND)	31,000

Cash Dividend (VND)* 500

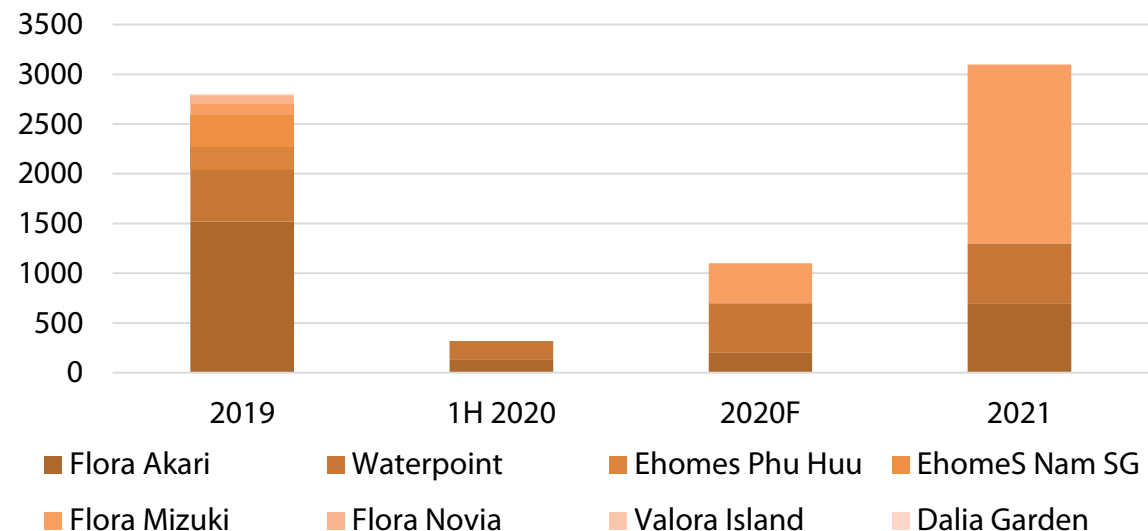
STOCK INFO

Sector	Financials
Market Cap (\$ mn)	279
Current Shares O/S (mn shares)	250
3M Avg. Volume (K)	1,331
3M Avg. Trading Value (\$ mn)	1.4
Remaining foreign room (%)	0.7
52-week range ('000 VND)	17.4-28.8

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	3,480	2,546	1,982	2,064
Growth (%)	10.1	-26.8	-22.2	4.1
NPATMI (VND bn)	763	960	785	1,224
Growth (%)	42.7	25.8	-18.2	55.9
ROA (%)	8.74	9.3	7.0	9.7
ROE (%)	16.95	18.1	12.6	18.2
EPS (VND)	3,023	3,834	3,022	4,713
Book Value (VND)	19,237	24,756	24,039	27,752
Cash dividend (VND)	197	770	500	500
P/E (x) (*)	8.6	7.4	8.6	5.5
P/B (x) (*)	1.3	1.3	1.1	0.9

(*) Share price as of Aug 7th, 2020.

Figure 1: Units sold (units)



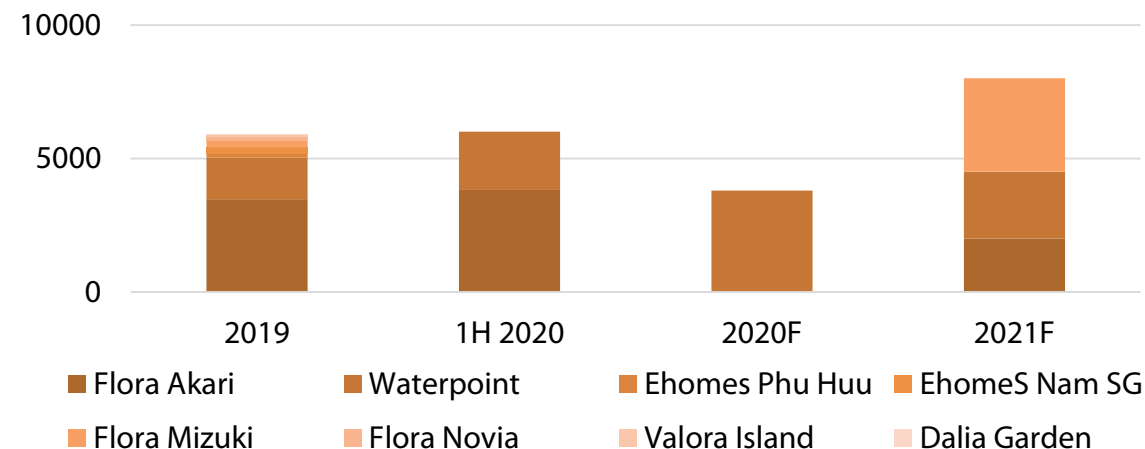
Source: RongViet Securities

2020 will be a year of shortage in project deliveries, but 2021 prospects will get brighter

- As of 31/03/2020, the company's project backlog is worth VND 5,958 billion, which will be delivered in 2020 – 2022.
- The launch of 1,500 units in 2020 will generate more than VND 3,800 billion to its total backlogs, which will gradually be recorded as revenue over the next 2-3 years.

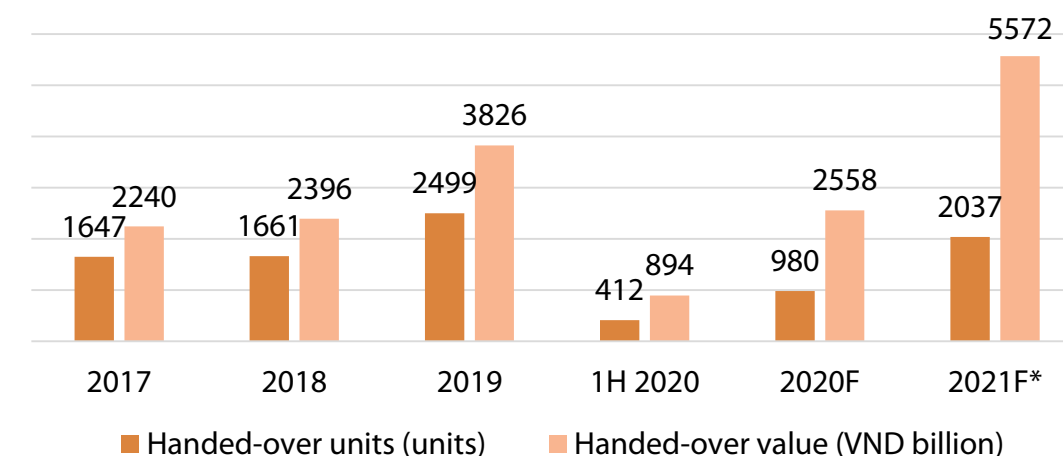
Project construction progress is on track: The Waterpoint, Mizuki Park and Akari City have been on track with the company's plan.

Figure 2: Contracted sales value (VND billion)



Source: Rong Viet Securities.

Figure 3: Project deliveries



Source: NLG, RongViet Securities

KDH – SOLID GROWTH MOMENTUM

INVESTMENT RATIONALE

Profit growth is likely certain for the next three years

- The two on-going construction and development projects are the Verosa Park and the Clarita, with a scale of 296 and 159 low-rise units, respectively, located in District 9, HCMC. These location are at the center of Ho Chi Minh, with a well-developed infrastructure.
- The Verosa Park project has achieved a good absorption rate of nearly 90%, with 300 units in total.
- The Clarita project, with 160 units, is expected to launch the first sale in H2 2020, and start to be handed over from 2021.
- Additionally, KDH plan to launch another project in Phu Huu, Dist. 9, HCMC, with a land site area of 4.3ha.
- The pre-sales value by the end of 2020 is estimated at nearly VND 4,000 billion.
- We project that NPAT-MI in 2020 will be VND 1,138 billion (+25% YoY), mainly driven from two projects, Verosa Park and Safira.

Low development risks

- The upcoming development projects of KDH are low-rise projects, therefore, the timeline to deploy will be short. In addition, the company is also known as one of the reliable developer in terms of the legal process, ensuring the trust of customers. The Clarita project has completed the legal procedures and is ready to launch.

RISKS TO OUR CALL

- Pending the development progress of the large-scale Tan Tao project.

BUY

21%

CMP (VND)	24,550
Target Price (VND)	29,300

Cash Dividend (VND)* 500

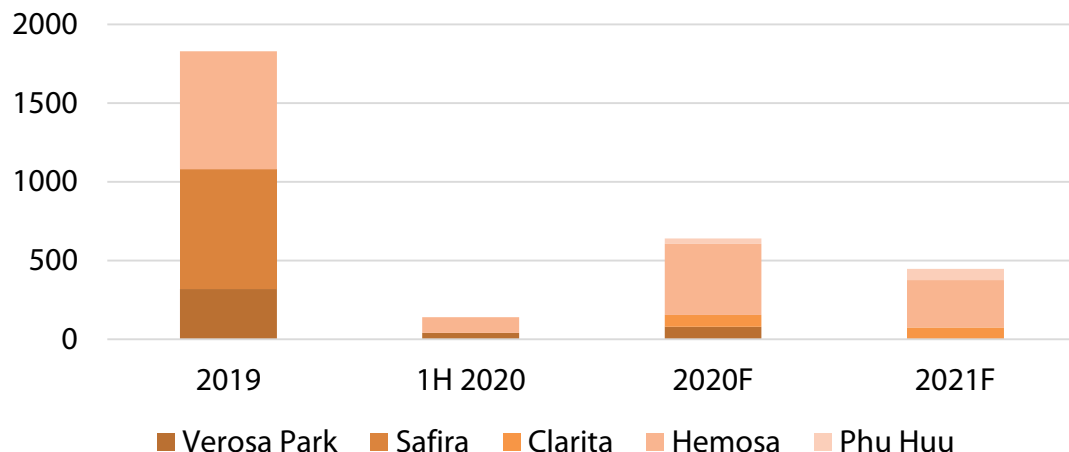
STOCK INFO

Sector	Financials
Market Cap (\$ mn)	556
Current Shares O/S (mn shares)	525
3M Avg. Volume (K)	1,258
3M Avg. Trading Value (\$ mn)	1.2
Remaining foreign room (%)	5.3
52-week range ('000 VND)	17.5-27.4

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	2,917	2,813	3,731	3,617
Growth (%)	-4.5	-3.6	32.6	-3.1
NPATMI (VND bn)	808	915	1,135	1,336
Growth (%)	60.9	13.2	24.0	17.7
ROA (%)	8.1	7.8	9.3	10.5
ROE (%)	12.35	11.5	13.0	14.6
EPS (VND)	1,854	1,681	2,085	2,454
Book Value (VND)	16,579	14,078	15,712	17,808
Cash dividend (VND)	500	500	500	500
P/E (x) (*)	13.2	15.4	11.8	10.0
P/B (x) (*)	1.5	1.8	1.6	1.4

(*) Share price as of Aug 7th, 2020.

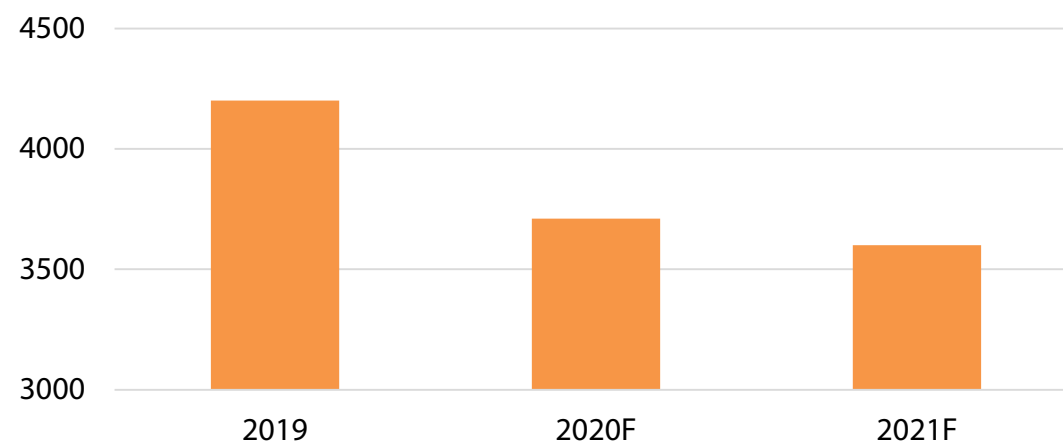
Figure 1: Units sold



Source: RongViet Securities

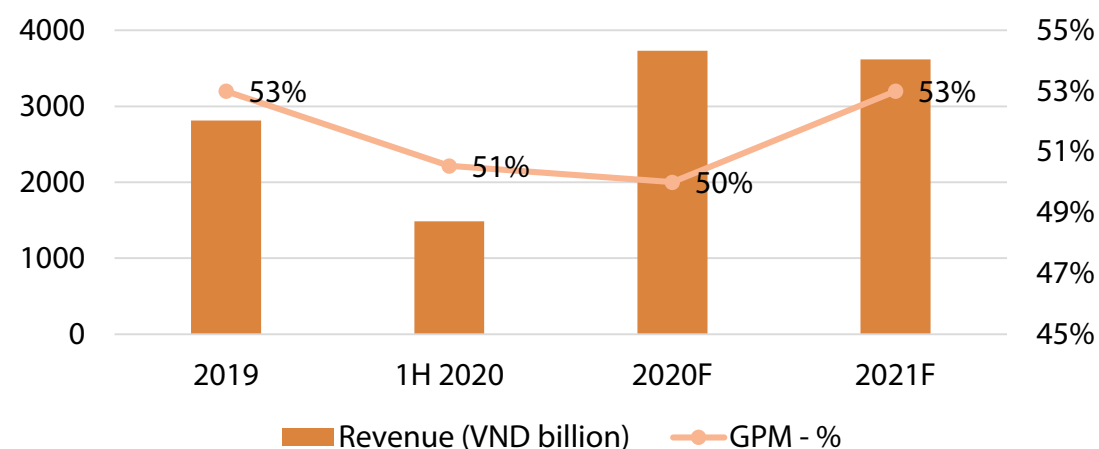
To launch two new low-rise projects in 2020. The Clarita and Phu Huu's deloying will drive KDH's earnings in 2021-2022, after completing the hand-over of the Verosa and Safira in 2020-2021. Two new projects located in quite a premium location, District 9, HCMC. As a results, we believe that the demand for these projects will be good, being less affected by market factors. KDH face low risks in project development. Among residential listed company, we see KDH as a good company for investment during the downtrend in the market.

Figure 2: Unbilled booking sales value (VND billion)



Source: Rong Viet Securities.

Figure 3: Project deliveries



Source: KDH, RongViet Securities

OIL&GAS SECTOR: No catalyst in second half

Vu Tran - vu.thx@vdsc.com.vn

Two shocks in 1H2020

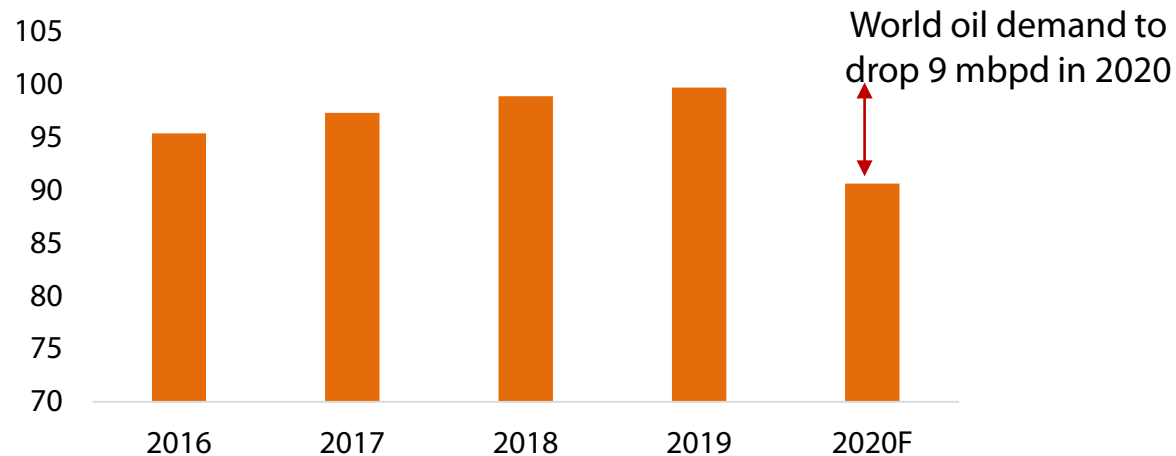
Oil price war between Saudi Arabia and Russia

- Saudi Arabia and Russia did not come to the final deal cut agreement in March as Saudi Arabia recommended a deeper cut (3.2 mbpd) while Russia preferred to keep the current cut (1.7 mbpd).
- As a result, Saudi Arabia and other OPEC's members increased the production volume and decreased the selling price.

COVID-19 hit the world oil demand

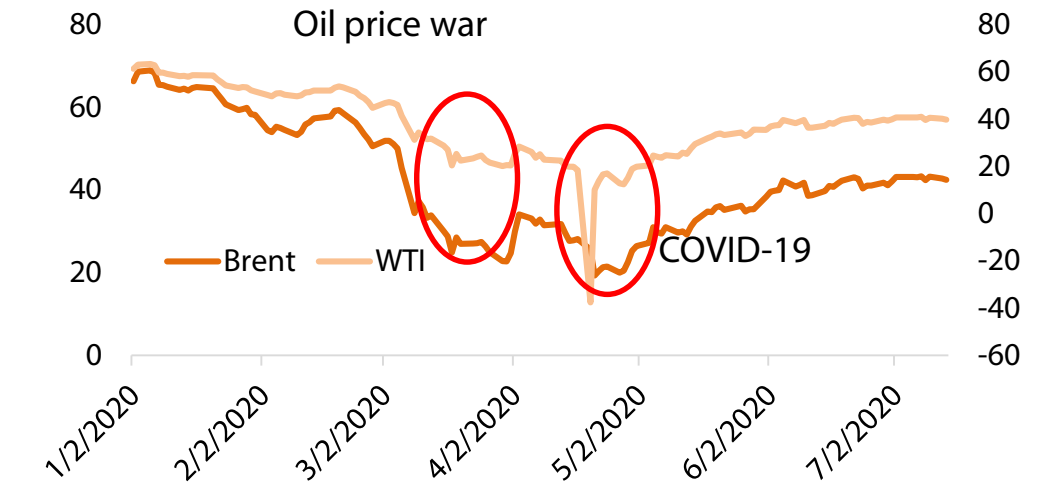
- World oil demand was estimated to fall from 100 mbpd to 75 mbpd in April as China, EU, US locked down to prevent the virus spread.
- Brent dropped to 19 USD/barrel and WTI recorded -37 USD/barrel in April.

Figure 1: World oil demand (Unit: mbpd)



Source: OPEC

Figure 2: Brent price (LHS) and WTI price (RHS) (Unit: USD/barrel)



Source: Bloomberg

Impact to major oil producers in the world

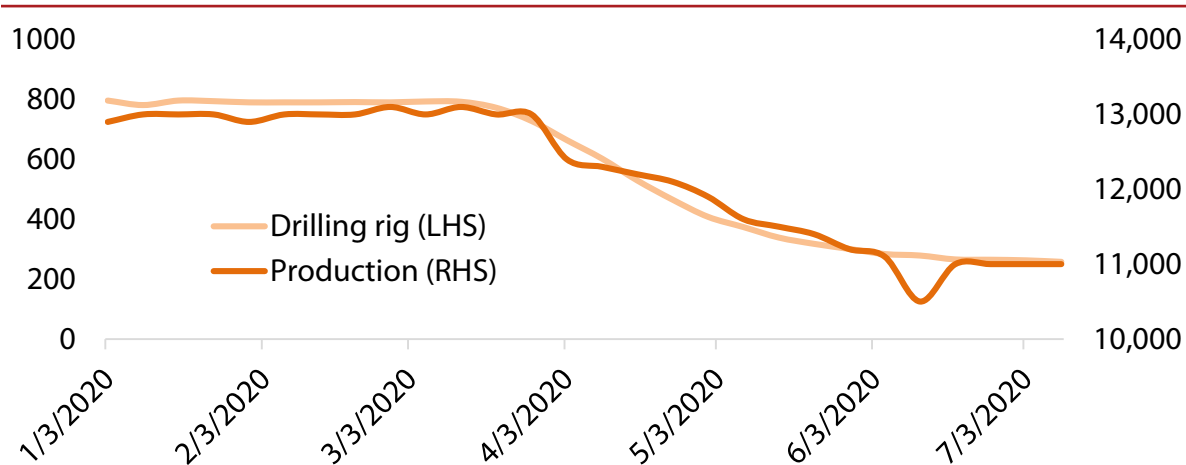
US shales oil companies to face the financial distress

- With the high production cost (above 40USD/barrel), shale oil companies had to stop their operations in the context of low oil price. From March 2020, the total drilling rig has decreased by 70% and the US oil production has declined 20%.
- Deloitte say that 30% of the US shales oil companies will face the financial distress if the oil price keeps staying at this level ~ 40USD/barrel.

OPEC and Russia strongly cut the output

- OPEC and Russia agreed to cut 9.7 mbpd from the production level of February 2020 till July 2020 to support the oil price. Saudi Arabia decided to curb 3.5 mbpd while Russia slashed its output by 2.5 mbpd.
- Till June, Saudi Arabia and Russia have complied the commitment.

Figure 3: US drilling rigs and US oil production (Unit: thousand bpd)



Source: OPEC

Figure 4: OPEC and Nga oil production (Unit: thousand bpd)



Source: Bloomberg

Vietnamese Oil&Gas companies also to be hurt

Table 1: NPAT of some Oil&Gas companies (Unit: VND bn)

	Ticker	1H2019	1H2020
Upstream	PVD	9	70
	PVS	553	392
Midstream	GAS	6,131	4,063
	PVT	418	322
Downstream	PLX	2,635	-1,080
	OIL	271	-354
	BSR	704	-4,255

Source: Rong Viet Securities

Double hits for downstream companies (distributor and oil refinery)

- Gasoline distributors and refinery plants have been impacted by the fall in inventories value (crude oil, oil products) and low consumption due to the pandemic and low oil price.
- Downstream companies recorded loss in 1H2020 instead of posting profit in 1H2019.

Upstream and midstream companies still have profit but less

- For upstream, the pandemic has prevented the oil operators from doing E&P as well as the M&C. Then impact on booking projects.
- For midstream, low transportation demand and the slump in oil price are the two main reasons that take effect on the business results.

No catalyst in the rest of this year

Brent is forecasted to be at 38USD/barrel in 2020

- In June report, EIA believes that Brent crude oil price will be around 38 USD/barrel, down 41% YoY.
- And this price level will not be the motivation for the oil&gas project commencement.

Domestic gasoline consumption will decline in 2020 but the demand tends to improve in 2H2020 in case of no more outbreaks

- The total sales volume of Petrolimex and PVOil will decrease by 17% and 8%-10%, respectively, basing on their 2020 guideline.

Not so many positive signals from new offshore projects

- Block B and Ca Voi Xanh progress are still slow because of the thermal power's input gas price agreement as well as the synchronization between upstream and downstream.
- For others, low oil price and the tension in South China Sea will be an obstacle.
- The oil&gas sector will depend on previous projects like Nam Con Son 2 Phase 2, Sao Vang Dai Nguyet, Long Son Refinery, LNG Thi Vai.
- The onshore projects will be the new hopes such as LNG Thi Vai Phase 2, Nhon Trach 3 Power plant, Nhon Trach 4 Power plant. LNG Son My or other LNG Terminals can be expected but for long term.

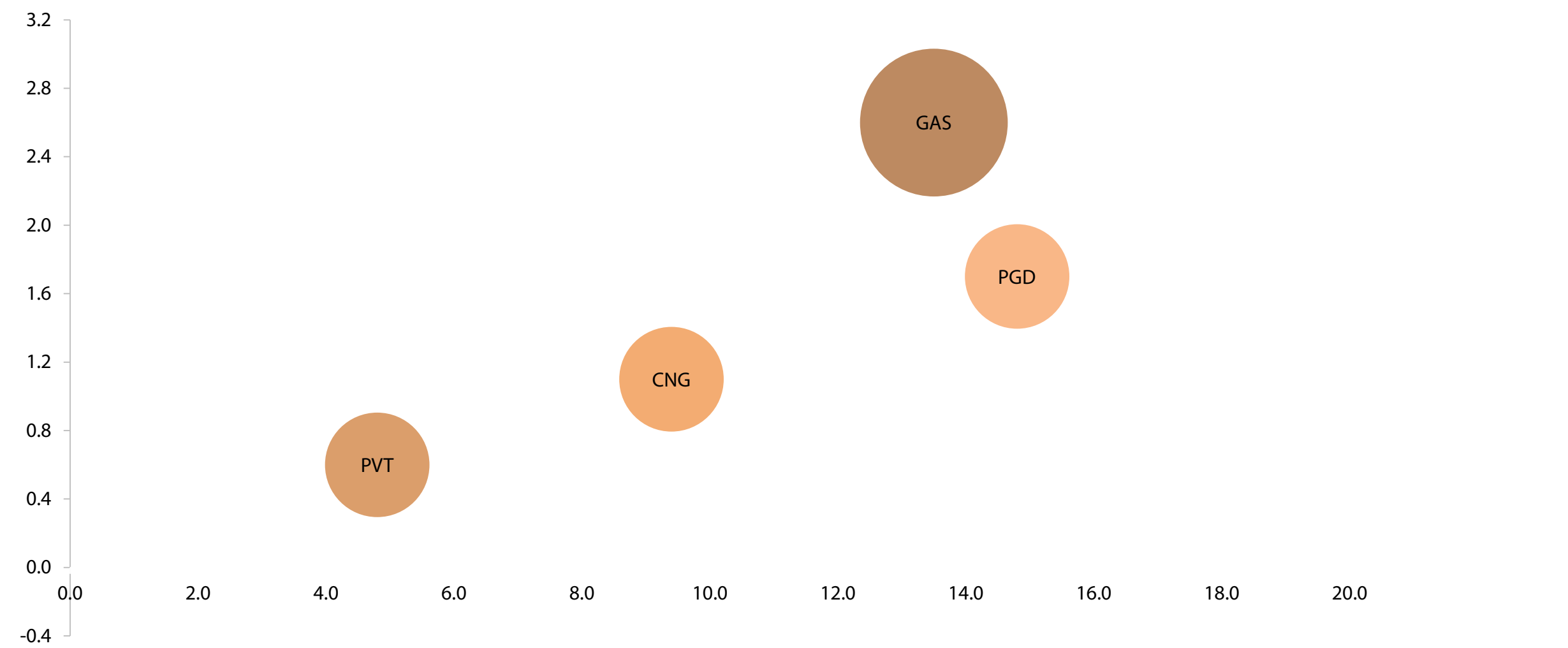
OIL&GAS SECTOR

Industry comparable: 1H2020 financials

Ticker	Market cap (USD mn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
GAS	5,799	N/A	-16.1	-32.5	17.5	13.7	-33.1	12.4	15.4	19.6	0.0	13.5	2.6
PVD	183	11,000	64.0	26.0	10.6	1.6	289.5	2.7	1.2	1.8	0.0	16.9	0.3
PVS	247	13,800	-2.3	6.9	6.9	3.3	-38.8	4.1	1.9	3.9	0.0	11.4	0.5
PVT	123	11,890	-16.5	-4.0	23.0	10.6	-23.8	7.9	5.4	10.5	0.0	4.8	0.6
OIL	333	N/A	-24.0	-130.6	-0.5	-1.1	-226.9	-0.8	-0.9	-2.1	0.0	-34.5	0.8
PLX	2,321	N/A	-28.9	-103.6	-0.2	-1.9	-151.1	-1.9	1.2	3.0	0.0	73.9	2.8

Source: Bloomberg, RongViet Securities. Share price as of 07 Aug 2020.

Industry comparable



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 07 Aug 2020.

PVS – LESS M&C BOOKING FROM 2021

INVESTMENT RATIONALES

2020 is the highlight for M&C bookings but will be less so in 2021

- 2020 will be the highlight for booking projects such as CPP Sao Vang, Gallaf, Nam Con Son 2 Phase 2 pipeline, Sao Vang Dai Nguyet pipeline and a part of LNG Thi Vai, Long Son. However, we revise down the M&C revenue due to the impact of COVID 19. So we forecast that PVS will book VND9,951 (USD432.6mn) in revenue. The gross profit will be at VND469bn (USD20.4mn), 2.6x higher than last year.
- As PVS has not won any new contracts recently, we think that M&C revenue will gradually slow down until potential projects like Su Tu Trang Phase 2, Block B, Ca Voi Xanh show any benefits. And PVS is likely to win the valuable contracts thanks to its leading position in M&C segment.

JV's profit will be hurt in 2020 but will improve from 2021 thanks to FSO Sao Vang

- In 2020, the profit of FPSO Lam Son will be negative as it will keep booking provisions for PVEP. Besides, FSO MV12 may book provisions which related to the issues of block 11.2.
- From 2021, FSO Sao Vang will contribute to the JV's profit.

2020 profit will be ensure

- Despite being impacted by the virus, PVS can fulfill its 2020 plan thanks to the warranty of construction work as well as the abnormal profit from FPSO Ruby.

RISKS TO OUR CALLS

- Oil price fall deeply.
- Tension between Vietnam and China will impact on the E&P activities.

BUY

+23.3%

CMP (VND)	12,000
Target price (VND)	13,800

Cash dividend in 12 months 1,000

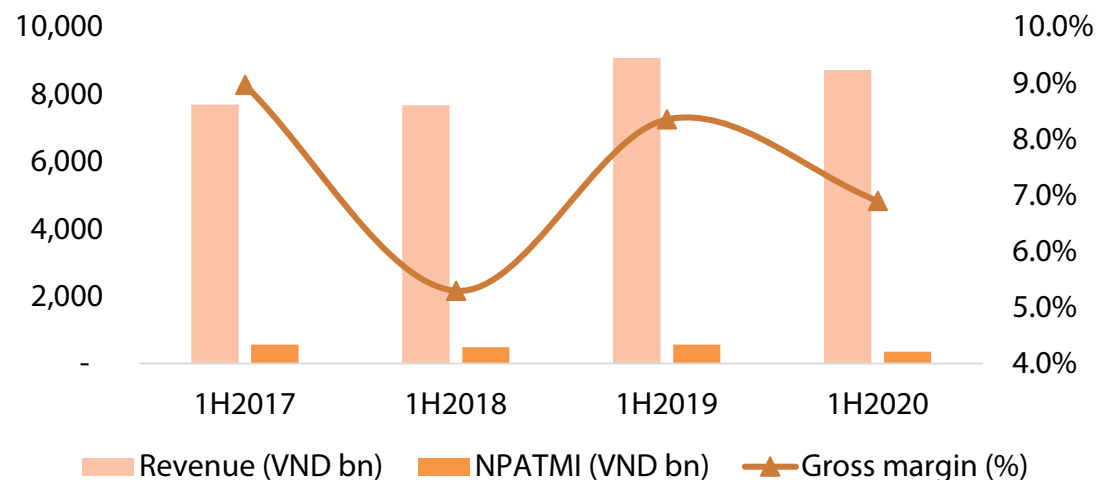
STOCK INFO

Sector	Oil & Gas
Market Cap (\$ mn)	248
Current Shares O/S (mn shares)	478
3M Avg. Volume (K)	4,421
3M Avg. Trading Value (\$ mn)	2.4
Remaining foreign room (%)	37.5
52-week range ('000 VND)	8.1-21.2

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	14,638	16,968	16,371	12,801
Growth (%)	-12.9	15.9	-3.5	-21.8
NPATMI (VND bn)	1,047	849	831	773
Growth (%)	-26.7	-18.9	-2.1	-7.1
ROA (%)	4.5	3.3	3.3	2.9
ROE (%)	8.8	7.0	6.7	6.1
EPS (VND)	2,028	1,602	1,566	1,455
Book Value (VND)	24,839	25,253	26,112	26,559
Cash dividend (VND)	500	700	700	1,000
P/E (x) (*)	8.7	10.9	7.7	8.2
P/B (x) (*)	0.7	0.7	0.5	0.5

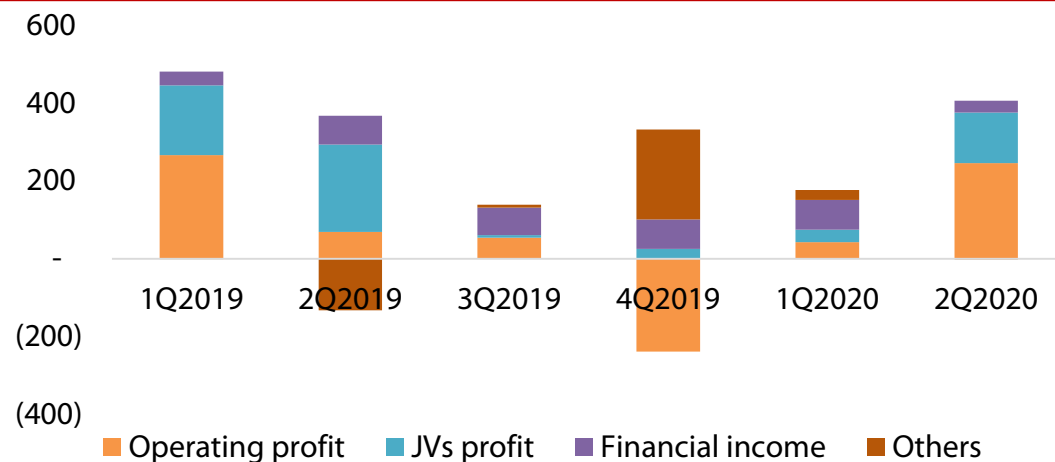
(*) Share price as of 07 Aug 2020.

Figure 1: Revenue, profit (LHS) and gross margin (RHS) in 1H



Source: Rong Viet Securities

Figure 2: Profit breakdown (Unit: VND bn)



Source: Rong Viet Securities

A fall in 1H2020 profit

- Revenue posted VND8,714bn (USD378.9mn), down 4,0% YoY as the M&C segment was impacted due to the slow progress of current projects while other segments remained stable.
- But the overall gross margin fell.
- JV's profit was VND162bn (USD7.0mn) in 1H2020, down 60% YoY as FSO MV12 booked provision.
- NPATMI recorded VND359bn (USD15.6mn), down 38% YoY.

Table 1: Projects for 2020

	Project
Offshore	+ Sao Vang Dai Nguyet. + Nam Con Son 2 Phase 2 pipeline. + Sao Vang Dai Nguyet pipeline. + Gallaf.
Onshore	+ LNG Thi Vai Phase 1. + Long Son.

Source: Rong Viet Securities

Table 2: Potential projects

	Project
Offshore	+ Block B + Su Tu Trang Phase 2 + Ca Voi Xanh + Nam Du U Minh
Onshore	+ LNG Thi Vai Phase 2 + GPP 2 + Nhon Trach 3, 4 Power Plant

Source: Rong Viet Securities

Table 3: Warranty of construction work value (Unit: USD mn)

Project	2015	2016	2017	2018	2019	2Q2020
Bien Dong	525	525	361	361	-	-
SuuTu Nau	306	306	306	306	306	306
Su Tu Vang 6x	85	85	85	85	85	85
Su Tu Trang Fullfield	30	46	275	275	275	275
Maharaja Lela South	-	132	117	117	117	117
H05 Topside	-	96	96	96	96	96

Source: Rong Viet Securities

Profit will be better in 2H2020 thanks to the abnormal amount

- The progress of some projects will be slow that will impact the M&C segment. So we forecast that the company will book VND9,951bn (USD432.6mn) in revenue for M&C, down from VND10,184bn (USD442.8mn).
- JV's profit is expected to decrease by 39.5% to VND351bn (USD15.3mn).
- PVS will book the abnormal profit from FPSO Ruby and warranty of construction work reversal (VND306bn ~ USD13.3mn) to fulfill the 2020 plan.
- Revenue and NPATMI will be at VND16,371bn (USD711.8mn) (down 3.5% YoY) and VND831bn (USD36.1mn) (down 2.2% YoY).

PVT – IMPROVING FROM 2Q2020

INVESTMENT RATIONALES

The worst was over in 1Q2020 and improving from 2Q2020

- The 1Q2020 profit hit the lowest level in several quarters among 3 years with VND67bn (USD2.9mn) as the input material stayed in the high level (due to IMO 2020) and FX loss of (VND28bn) USD1.2mn.
- From 2Q2020, as the very low sulphur fuel oil (VLSFO) price went down deeply and no more FX loss, the NPATMI posted VND201 (USD8.7mn), 2.9x higher compared to 1Q2020.

Chance to buy low cost vessels

- PVT is likely not to invest new vessels in this years due to the COVID-19. The company will have chance to expand its fleets with a lower cost in 2021.
- In recent years, new fleets contribute a lot for PVT's business so the company will continue to buy more vessels to keep growing.

Cheap valuation with the growth story

- PVT is being traded at P/E of 3.5x, very low compared to the 2 year average level – 7.5x.

RISKS TO OUR CALLS

- Very low sulphur fuel oil hike, lowering the gross margin.
- Abnormal income in case of selling Athena vessel.

ACCUMULATE

+17.1%

CMP (VND)	10,150
Target price (VND)	11,890

Cash dividend in 12 months

N/A

STOCK INFO

Sector	Industrials
Market Cap (\$ mn)	123
Current Shares O/S (mn shares)	281
3M Avg. Volume (K)	1,447
3M Avg. Trading Value (\$ mn)	0.7
Remaining foreign room (%)	26.6
52-week range ('000 VND)	7.3-18.6

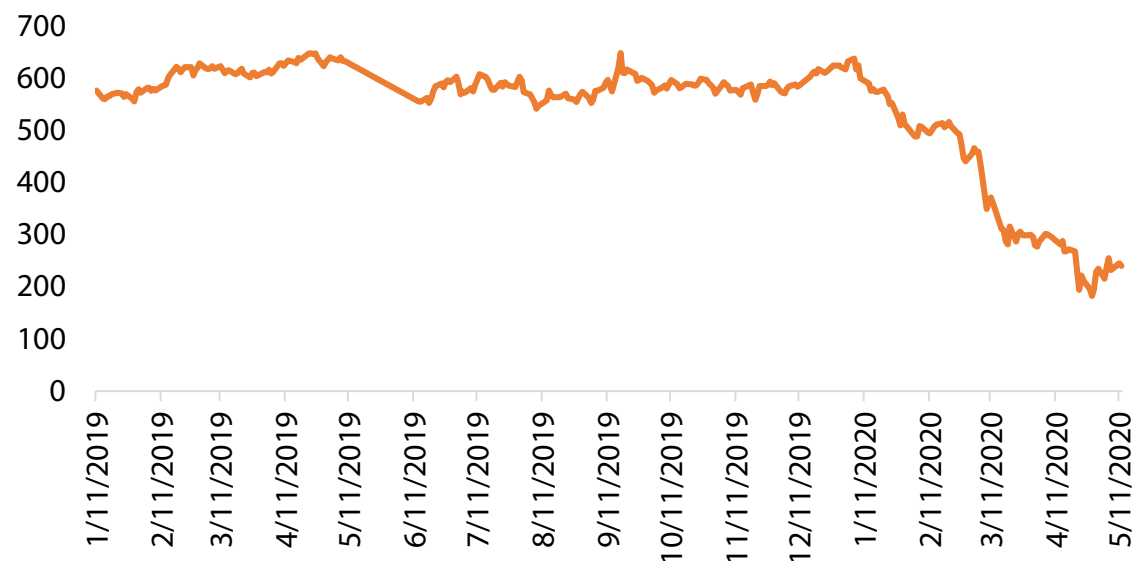
FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	7,523	7,758	7,012	8,221
Growth (%)	22.4	3.1	-9.6	17.2
NPATMI (VND bn)	652	690	440	606
Growth (%)	44.9	5.8	-36.2	37.7
ROA (%)	6.7	5.9	3.7	4.6
ROE (%)	13.3	14.8	9.2	11.6
EPS (VND)	2,317	2,320	1,336	1,673
Book Value (VND)	14,293	15,567	15,488	15,708
Cash dividend (VND)	1,000	1,000	0	500
P/E (x) (*)	4.4	4.3	7.6	6.1
P/B (x) (*)	0.7	0.7	0.7	0.6

(*) Share price as of 07 Aug 2020.

High VLSFO price hurt the bottom line in 1Q2020 but will be less from 2Q2020

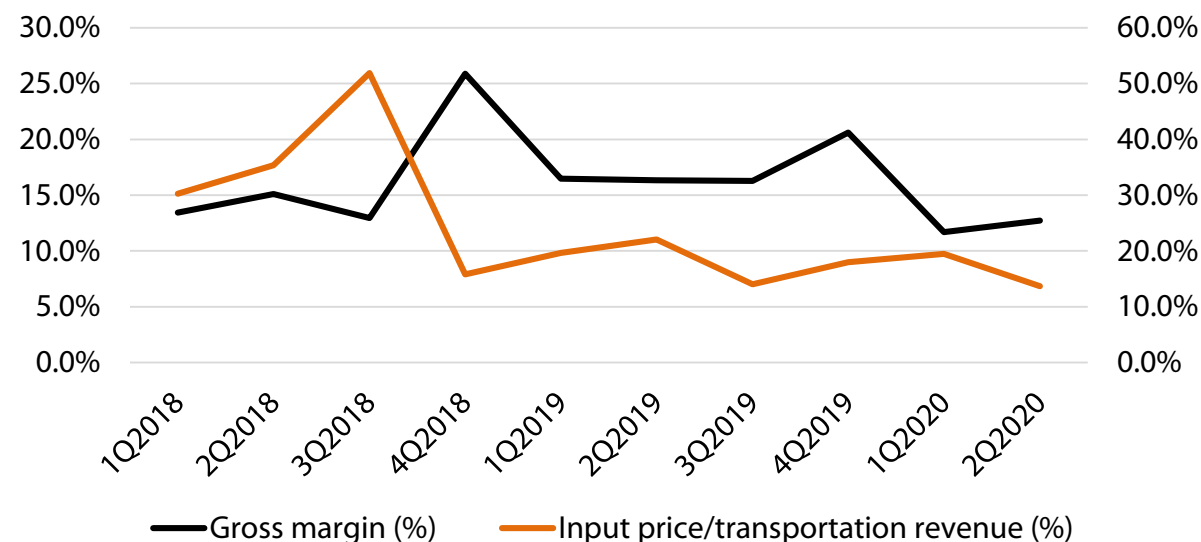
- Following the IMO 2020, PVT has switched to VLSFO – higher price compared to the previous fuel, since 4Q2019. As a result, the gross margin of transportation segment dropped to 11.7% in 1Q2020, the lowest level among 3 years.
- But the input price has cooled down thanks to the COVID-19, which improved the gross margin of transportation segment from 11.7% (1Q2020) to 12.7% (2Q2020). 2Q2020 NPATMI reached VND201bn (USD8.7mn), 2.9x higher than 1Q2020 number. Totally, the company posted VND268bn (USD11.6mn) in NPATMI, down 27.8% YoY.

Figure 1: VLSFO price (Unit: USD/ton)



Source: Bloomberg

Figure 2: Input price/sales (RHS) and transportation gross margin (LHS)



Source: Rong Viet Securities

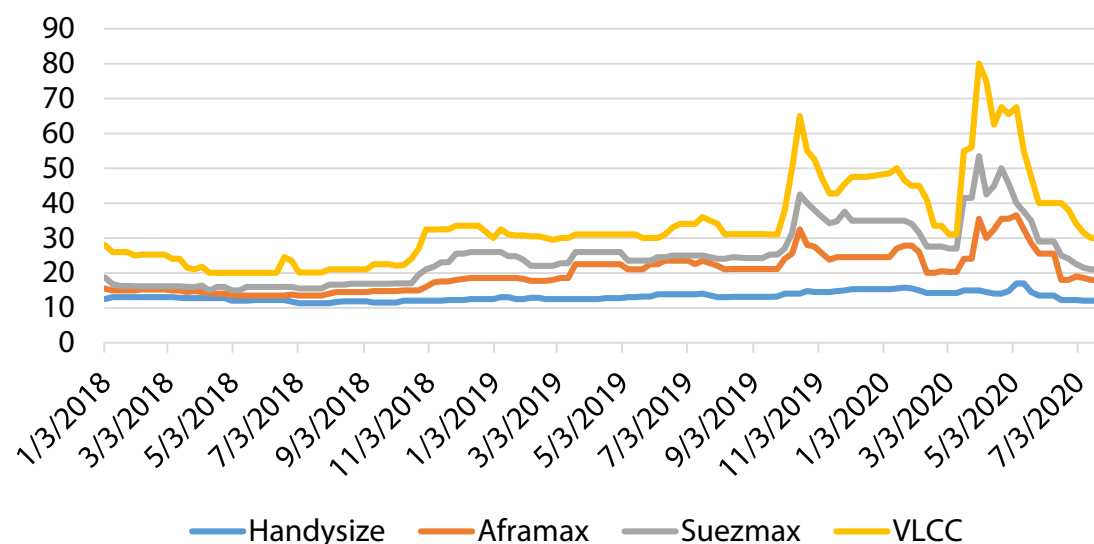
To be stable in 2H2020 in case of not selling Athena

- In 2H2020, we believe that NPATMI of PVT may post VND244bn (USD10.6mn), pushing the total profit for 2020 to VND512bn (USD22.2mn), down 25.8% YoY. In case of selling Athena, the bottom line could be added more VND90bn (USD3.9mn).

In the long term, the explosion of LNG Power Plant and the stability of refinery plants will ensure the domestic workload for PVT

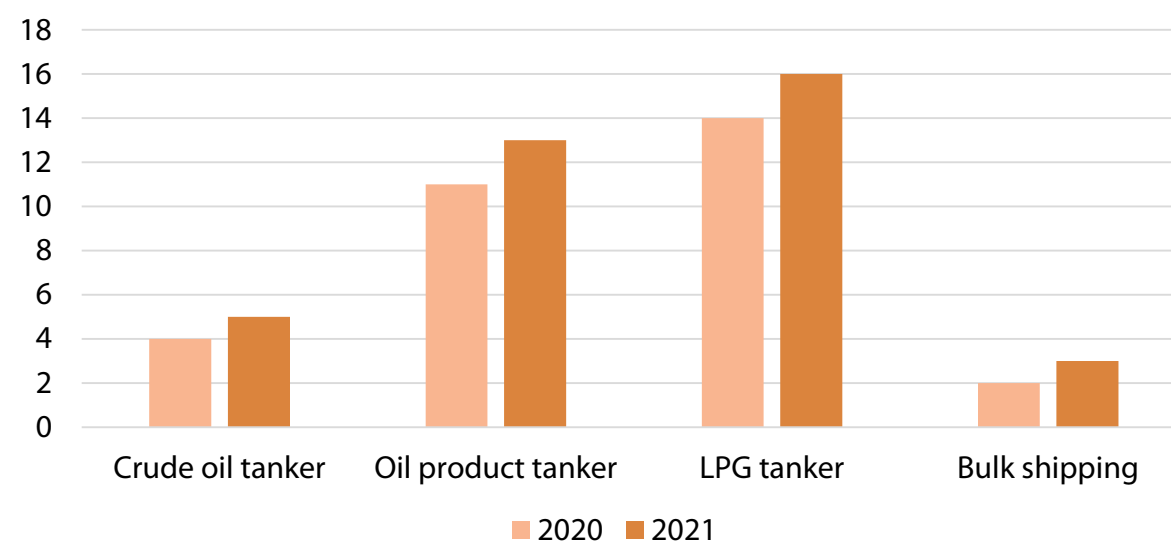
- PVT will focus on chemical vessels as well as one VLCC (for Nghi Son) and two – three VLGC or LNG vessels to enjoy the explosion of LNG Power Plant or the stable operation of Nghi Son refinery plant and expansion of Dung Quat. Thanks to these projects, PVT will be guaranteed the domestic workload in case the international markets go down.

Figure 3: 1 year charter rate (Unit: USD/day)



Source: Rong Viet Securities

Figure 4: The fleets of PVT in 2020, 2021



Source: Rong Viet Securities

PVD – UNCLEAR 2021 PROSPECT DUE TO THE PANDEMIC

INVESTMENT RATIONALES

Less operating day as the 2020 drilling campaign has changed

- The impact of COVID-19 has lowered the operating day of PVD in 2020, mainly in 2H2020. Following that, the drilling plan of PVD II and PVD III have changed, especially for 3Q2020.
- With the new plan, the utilization rate is forecasted to decrease from 90% (2019) to 80% (2020).
- The rig day rate for 2020 is expected to drop to 51,500 USD, down 11.4% YoY.

Provision reversal from PVEP

- Previously, PVEP agrees to pay PVD VND200bn (USD8.7mn) in 2020. As this happens, PVD can revert all the provision, supporting the profit which will be hurt in 2H2020.

PVD V long term contract will generate cash flow to pay its debt

- PVD is preparing to re-start the PVD V and will install DES before moving to Brunei. This long term contract can help company generate more cash flow to pay its debt as well as find more jobs in the future.

RISKS TO OUR CALLS

- Oil price fall deeply.
- Tension between Vietnam and China will impact on the E&P activities.

ACCUMULATE

+8.9%

CMP (VND)	10,100
Target price (VND)	11,000

Cash dividend in 12 months

N/A

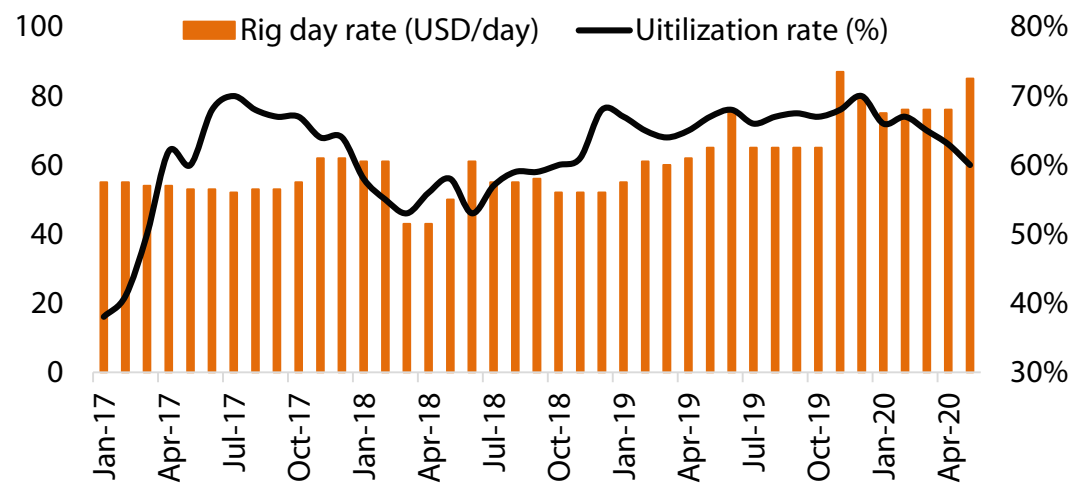
STOCK INFO

Sector	Oil & Gas
Market Cap (\$ mn)	184
Current Shares O/S (mn shares)	421
3M Avg. Volume (K)	4,843
3M Avg. Trading Value (\$ mn)	2.2
Remaining foreign room (%)	37.0
52-week range ('000 VND)	6.7-19

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	5,500	4,368	5,477	6,365
Growth (%)	40.9	-20.6	25.4	15.4
NPATMI (VND bn)	197	184	92	389
Growth (%)	1377.3	-6.3	-42.6	322.8
ROA (%)	0.9	0.9	0.5	1.8
ROE (%)	1.4	1.3	0.8	2.7
EPS (VND)	396	304	251	913
Book Value (VND)	35,467	32,551	32,802	33,968
Cash dividend (VND)	0	0	0	0
P/E (x) (*)	36.9	49.5	46.1	11.1
P/B (x) (*)	0.4	0.5	0.3	0.3

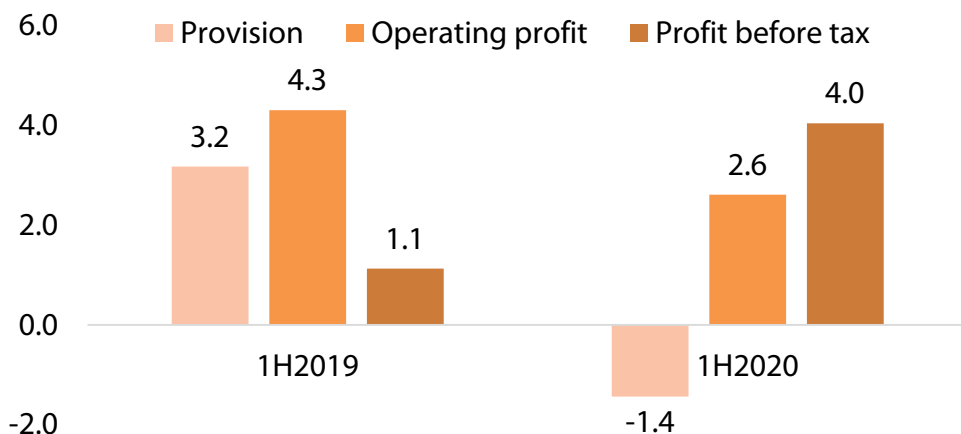
(*) Share price as of 07 Aug 2020.

Figure 1: Day rates (RHS) and utilization rate in SEA (LHS)



Source: IHS, Rong Viet Securities

Figure 2: PVD profit breakdown (Unit: USD mn)



Source: Rong Viet Securities

Drilling segment to grow in 1H2020

- Compared to last year, the rig day rate increased by 10% and the utilization rate increased from 84% to 89%.
- PVD also recorded revenue from hired rigs in 1H2020 while there was no contribution in 1H2019. The total revenue of hired rigs is estimated at VND1,000bn (USD 43.5mn) in the first six months.
- Revenue of drilling segment posted VND1,906bn (USD82.9mn), 2.1x higher compared to last year. Nevertheless, the pandemic has reduced the utilization rate since 2Q2020.

Provision reversal in the first six months

- In 1H2019, PVD booked VND73mn (USD3.2mn) for PVEP's provision while the company reverted VND30bn (USD1.3mn) in 1H2020.

NPATMI posted VND85bn (USD3.7mn) in 1H2020

- Revenue increased by 64% thanks to the higher revenue of drilling segment. Besides, the company reverted VND30bn (USD1.3mn) and JV's profit grew 65% YoY to VND82bn (USD3.6mn) that pushed NPATMI to VND85bn (USD3.7mn), 4x higher than last year.

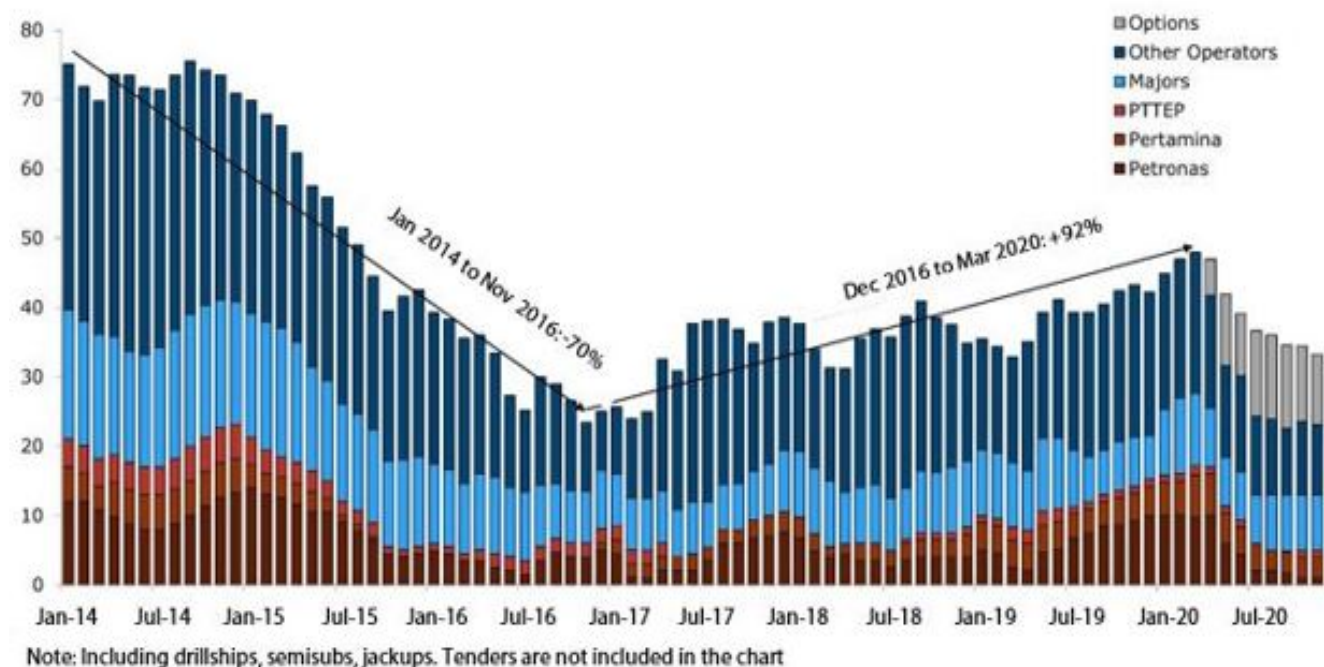
Demand for drilling rig to fall instead of rising in 2020 due to COVID-19

- In the region, some contracts from other contractors, with the option to extend operations, may not be exercised due to low oil price and prolonged pandemic (such as Petronas in Malaysia). So the utilization will drop in the region, leading to a drop in drilling rig demand instead of posting a 20% growth in Rystad Energy early forecast.
- Besides, the well services will also experience a price decline in 2H2020.

2021 bidding plan to hold

- Bidding activities in SEA are delayed until the end of 4Q2020 or early 2021 in the worst case.

Figure 3: Contracted rigs with options in South East Asia



Source: Rystad Energy

Figure 1: PVD drilling schedule

	Before the pandemic	After the pandemic
PVD I	+ Petronas (Malaysia) + Hibiscus (Malaysia): till the end of 2020	+ Petronas (Malaysia) + Hibiscus (Malaysia): till Nov/2020
PVD II	+ Petronas (Malaysia): till Oct/2020 + Another customer: from Oct/2020 to the end of 2020	+ Petronas (Malaysia): till Jul/2020 + Bidding for Vietsovpetro and PVEP
PVD III	+ Repsol (Malaysia): Full year 2020	+ Repsol (Malaysia): Till May/2020 + Customer (Campuchia): From Aug/2020
PVD VI	+ Sapura (Malaysia): till Mar/2020 + Rosneft (Vietnam): waiting for the campaign	+ Sapura (Malaysia): till Jun/2020 + Rosneft (Viet Nam): from Jun/2020 to Apr/2021
PVD 11	+ Waiting for GBRs's contract	+ Expect to return from Sep/2020
Hired rigs	+ Idenmitsu (Vietnam): Rent Hakuryu 11 from JDC to drill for Sao Vang Dai Nguyet Project till Jul/2020. + Hoang Long JOC: Rent IDUN from Borr Drilling to drill till Apr/2020. + Eni (Vietnam): Rent SAGA to drill till late Apr/2020.	+ Idenmitsu (Vietnam): Rent Hakuryu 11 from JDC to drill for Sao Vang Dai Nguyet Project till July/2020. From May/2020, rent IDUN to drill for Sao Vang Dai Nguyet + Hoang Long JOC: Rent IDUN from Borr Drilling to drill till Apr/2020. + Eni (Vietnam): Rent SAGA to drill till late Apr/2020.

Source: PVD

Changing the drilling schedule will impact on the 2H2020 business results

- The core business is projected to be loss VND15bn (USD0.6mn) in 3Q2020 as PVD II and PVD III have no jobs. Moreover, the well services will experience a fall in the service fee as the spending for E&P activities is likely to be cut by the oil operators. In case of receiving money from PVEP, the 2H2020 results will be better.
- Assuming no change in the current drilling plan, we forecast that revenue and NPATMI will be VND5,515bn (USD239.8mn) and VND92 (USD4.0mn), respectively, including the reversal of VND100bn (USD4.3mn). While the previous forecast was VND5.792bn (USD251.8mn) in revenue and VND213bn (USD9.3mn).

PLC – PUBLIC INVESTMENT BENEFICERY

INVESTMENT RATIONALES

PLC is the leading in asphalt segment

- PLC has been expanding the storages as well as factories in Binh Dinh and Khanh Hoa, completing its distribution network from North to South.
- PLC is holding 30% market share of asphalt with the total capacity of 300,000 tons/year.

The asphalt segment will benefit from the public investment expansion

- The Government has been pushing the public investment to support the economy as the pandemic has effected other growth factors. So the demand for asphalt will strongly grow as the infrastructure projects starts such as North-South Expressway, Ring Road or Long Thanh Airport.
- The company expects that the total asphalt demand during 2019-2023 will see 50% growth compared to 2014-2018, equivalent to 400,000 tons to 450,000 tons per year.

The gross margin to improve as the oil price fall

- The input material of PLC is crude oil based products so the gross margin of the company tends to increase during the downtrend of the oil price. So we believe that the 2H2020 gross margin will experience an improvement, compared to 1H2020 as the oil price has fallen since March.

RISKS TO OUR CALLS

- Slow public investment disbarment will impact on the asphalt demand.
- The oil price goes up that will hit the gross margin of PLC.

N/A

N/A

CMP (VND)	17,300
Target price (VND)	N/A

Cash dividend in 12 months N/A

STOCK INFO

Sector	Basic Materials
Market Cap (\$ mn)	60
Current Shares O/S (mn shares)	81
3M Avg. Volume (K)	330
3M Avg. Trading Value (\$ mn)	0.2
Remaining foreign room (%)	47.8
52-week range ('000 VND)	9.3-17.5

FORECAST	2016A	2017A	2018A	2019A
Revenue (VND bn)	4,805	5,046	6,434	6,160
Growth (%)	-30.5	5.0	27.5	-4.3
NPATMI (VND bn)	205	171	153	145
Growth (%)	-37.7	-16.3	-10.7	-5.1
ROA (%)	6.1	4.4	3.2	3.3
ROE (%)	15.2	12.8	11.5	11.0
EPS (VND)	2,535	2,121	1,766	1,599
Book Value (VND)	16,725	16,630	16,395	16,359
Cash dividend (VND)	0	2,000	2,000	1,600
P/E (x) (*)	10.9	11.8	9.5	7.1
P/B (x) (*)	1.7	1.5	1.0	0.7

(*) Share price as of 07 Aug 2020.

The revenue of asphalt grew, compensating for the fall in chemicals

- Revenue posted VND2,569bn (USD111.7mn), down 18.9% YoY because of the chemicals. While the asphalt saw a 22.7% growth in 1H2020 revenue to VND1,216bn (USD52.8mn). The gross margin improved from 13.4% (1H2019) to 17.1% (1H2020) as all the segments experienced a better margin. Then the gross profit slightly increased by 3.3% to VND439bn (USD19.1mn) in 1H2020.
- But the provision for receivables (USD0.6mn) and no contribution from other income made the bottom line to be down 6.9% YoY to VND81bn (USD3.5mn). And the public investment disbursement of ministry of transport will support the asphalt segment in the rest of this year.

Figure 1: PLC's asphalt price (LHS) and oil price (RHS)

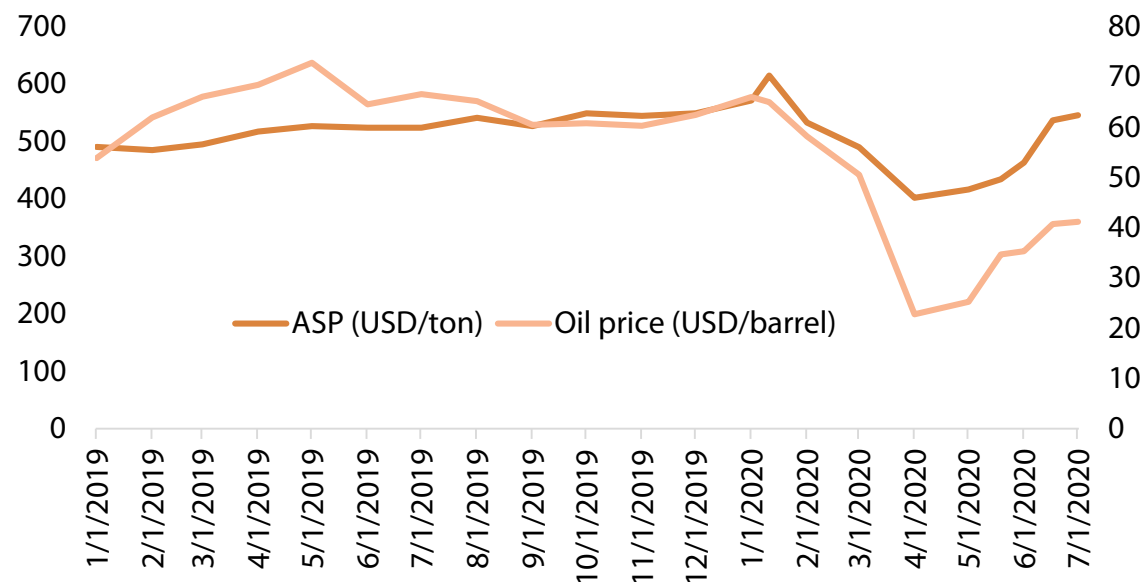


Figure 2: The growth of public investment disbursement

	2016	2017	2018	2019	2Q2020
Central state	14.9%	3.9%	-6.1%	-12.0%	48.8%
Ministry of transport	21.5%	31.0%	-44.2%	-16.6%	72.2%
Ministry of health	17.1%	32.3%	-37.4%	44.4%	29.0%
Local government	15.2%	8.2%	17.7%	9.8%	15.0%

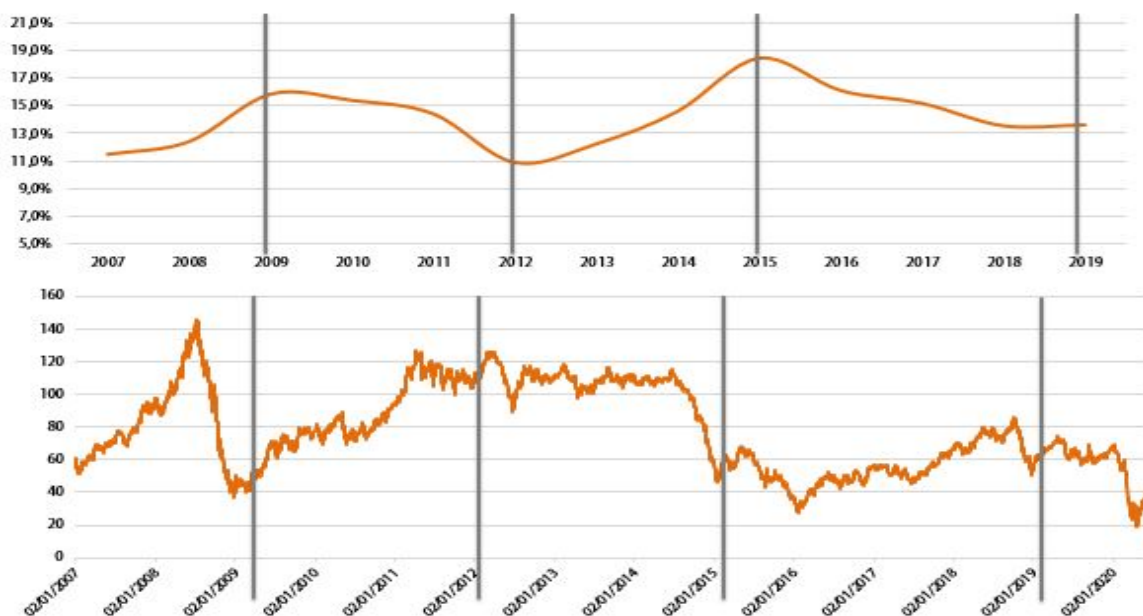
Source: Rong Viet Securities

Source: PLC, Rong Viet Securities

Asphalt sales volume can increase by 30%

- The asphalt segment is expected to keep growing in 2H2020 thanks to expressway projects like Cam Lo - La Son, Trung Luong – My Thuan, Ben Luc - Long Thanh or the upgrade of runway in Tan Son Nhat and Noi Bai airport. The total sale volume of asphalt could reach to 200,000 tons, up 30%.
- And the gross margin can improve thanks to the downtrend of the oil price.

Figure 3: The correlation between PLC's gross margin and oil price



Source: PLC, Rong Viet Securities

Figure 4: Potential projects

	Total investment (USD mn)	Length (km)	Start day
Mai Son – Highway 45	562	63	3Q2020
Phan Thiet – Dau Giay	624	99	3Q2020
Vinh Hao – Phan Thiet	558	106	3Q2020

Source: Rong Viet Securities

LOGISTICS INDUSTRY: Coping with uncertain demand and supply

Tung Do – tung.dt@vdsc.com.vn

Seaport: Weaker Demand And Shipping Capacity Cut Dampened Volume Throughput

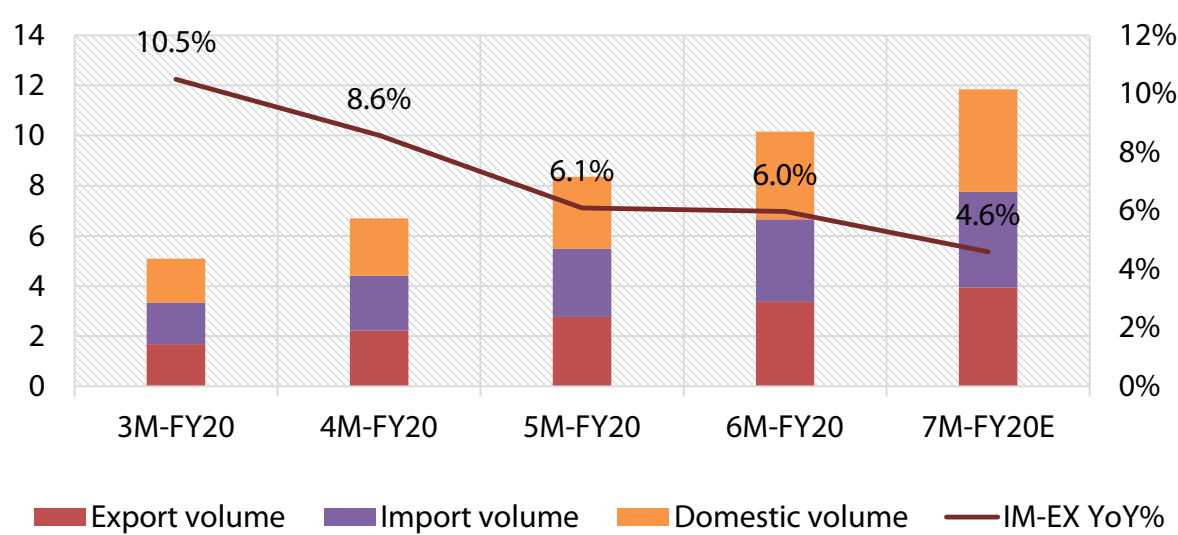
Per Vinamarine’s statistics, YTD nationwide Im-Ex container volume growth rate stood at 4.6% YoY.

- Country lockdowns have put huge pressure on global consumption demand, trade flow, and disrupted supply chain, which triggered a massive wave of blank sailings from international container lines in order to stabilize freight rates. All of those factors badly compromised Vietnam trade flow and container volume throughput.

All regions have shown signs of deceleration amid Covid-19 yet volume growth rates between regions largely diverged.

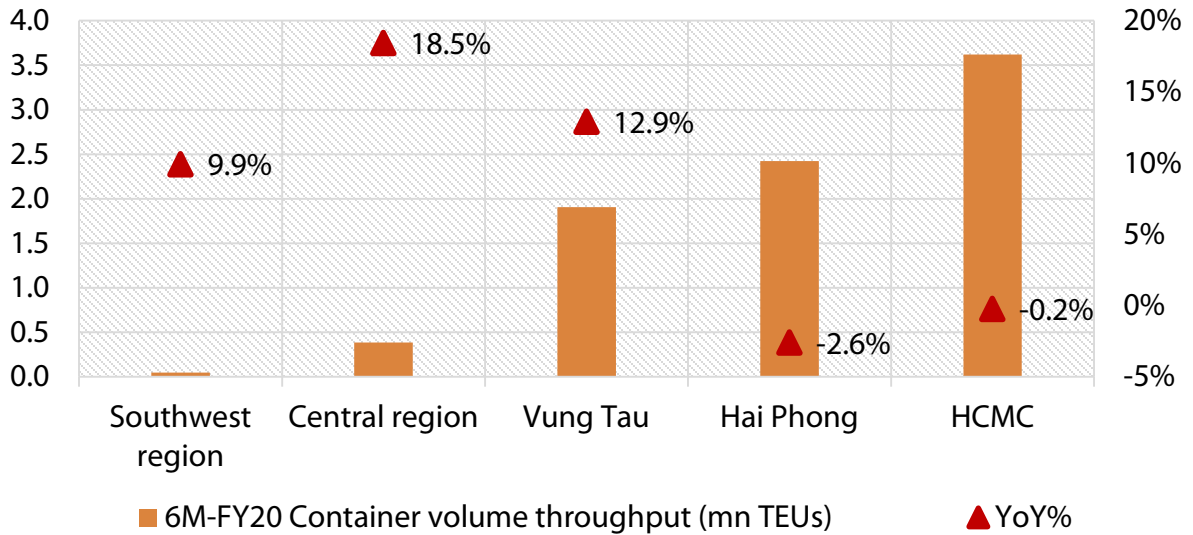
- Port operators in Vung Tau continued enjoying double-digit growth rate in terms of volume throughput thanks to the contribution of many newly established long-haul services from global shipping lines in the past few years, though the growth rate has slowed quite a bit from 29% in 2M-FY20 to 13% by the end of Q2-FY20.
- In the mean time, that of HCMC stayed flat and container demand growth in Hai Phong unprecedentedly stood in negative territory.

Figure 1: Nationwide Im-Ex container volume throughput (million TEUs) growth has decelerated in accordance with weaker trade flow...



Source: Vinamarine, Rong Viet Securities

Figure 2:..., however, performance largely diverged between key regions



Source: VPA, Rong Viet Securities

Seaport: Deep water Ports Continued To Outperform

Container terminals for feeder vessels in Hai Phong are losing market share as expected.

- Volume at HICT more than doubled in 1H-FY20 as many intra-Asia and long-haul services to North America have been established at the terminal since last year.
- MIPEC Terminal started technical test run in June, followed by a commercial operation in Q3-FY20. Hai Phong market remained oversupplied with an estimated excess capacity of 2.3mn TEU this year.

Deep sea ports at Cai Mep – Thi Vai (Vung Tau) thrived.

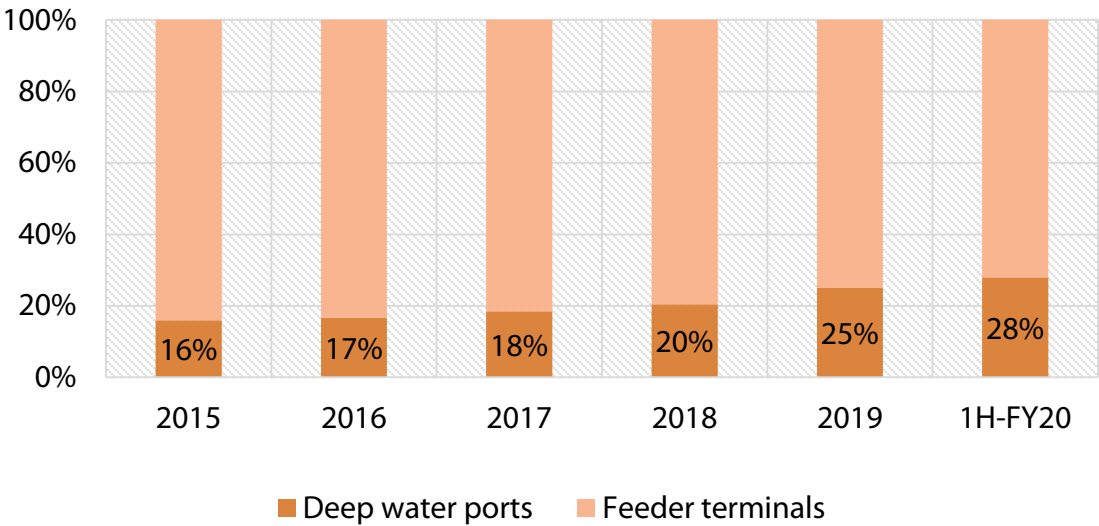
- Estimated utilization rate stood at 75% with SSIT being the only terminal which has available capacity in the region. Opportunities for new player namely Gemalink, planned to commence operation by FY21, to catch the high growth demand.

Table 1: Hai Phong container market saw HICT, the only deep sea terminal in the Northern Vietnam, consolidating market share

Terminal	Estimated volume 6M-FY20 ('000 TEUs)	YoY %	Market share	Change %
Upstream feeder terminals	632	-11.3%	26.1%	-2.6%
Downstream feeder terminals	1,517	-8.1%	62.6%	-3.8%
HICT	275	122.3%	11.4%	+6.4%
Total	2,424	-2.6%	100%	

Source: VPA, Rong Viet Securities estimates

Figure 3: Deep water ports’ market share has surged over the past few years



Source: VPA, Rong Viet Securities

Air Freight: Cargo Capacity Crunch Capped The Unusual High Demand Amid Pandemic

In 6M-FY20, accumulated cargo shipped through airports dropped by 19.9% YoY, in which int’l cargo volume throughput declined by -15.6% YoY, much worse than the last annual decrease seen in 2009 of -1.3% YoY following the financial crisis.

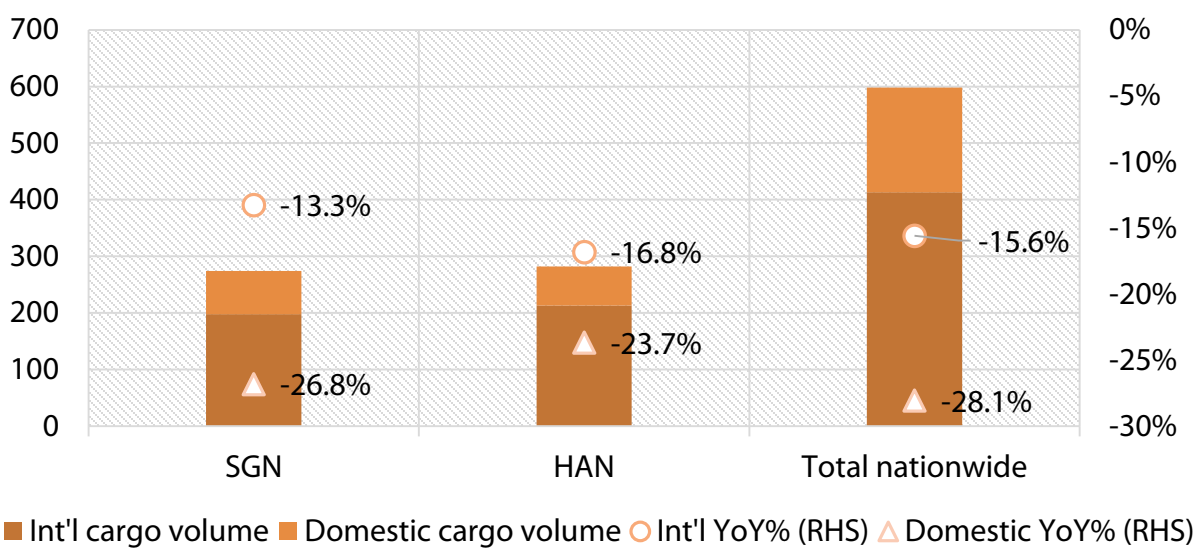
- Demand for air freight suddenly surged since late Feb due to the massive orders of personal protective equipment, medical device as well as “work from home” electronic products. Another reason is that the disrupted ocean shipping operation, following various Chinese seaports’ temporary closure and blank sailings, has caused shippers to change the way their cargoes being shipped: from via sea to via air, inspire of much more costly freight rates.
- However, a large chunk of belly capacity, which usually contributes the majority portion to industry’s shipping capacity, has vaped since most int’l passenger flights were cancelled due to travel bans. Overall cargo volume has been compromised as a result.

Figure 4: Air cargo capacity on routes connecting Vietnam and major destinations are heavily impacted by the passenger flight cancellations

Destination	% Capacity Impacted by Passenger Flight Cancellations	% Capacity Impacted by Freighter Cancellations
China	40-50% cargo capacity reduction	1-10% capacity reduction
Europe	30-40% cargo capacity reduction	30-40% capacity reduction
Japan	30-40% cargo capacity reduction	40-50% capacity reduction
Malaysia	40-50% cargo capacity reduction	10-20% capacity reduction
Philippines	40-50% cargo capacity reduction	1-10% capacity reduction
Thailand	30-40% cargo capacity reduction	1-10% capacity reduction
US	30-40% cargo capacity reduction	40-50% capacity reduction

Source: Agility, Rong Viet Securities; Data as of July 27, 2020

Figure 5: Air cargoes volume traffic (thousand tons) at key airports faced double-digit decrease in 1H-FY20



Source: ACV, Rong Viet Securities

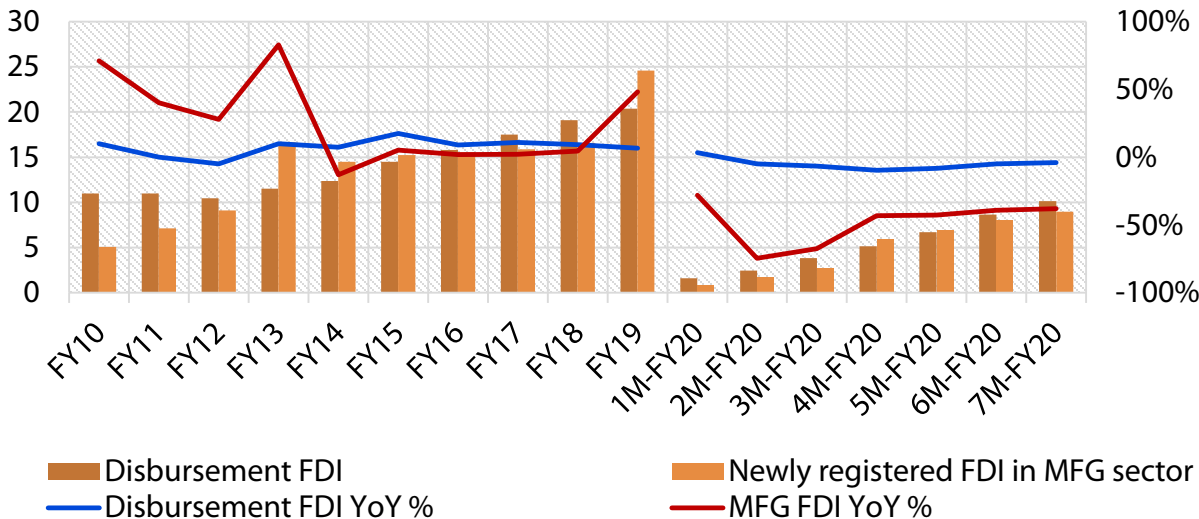
Cargo Flow Recovery Will Be A Bumpy Ride

Leading indicators of the demand for cargo transportation remained negative.

- Accumulated newly registered FDI on manufacturing sector and disbursement FDI in 7M-FY20 were 38.0% and 4.1% lower than last year's figure, respectively. New investments and current projects expansion have been delayed amid the pandemic, deteriorating trading flow of Vietnam going forward.
- Vietnam's new export orders component of the manufacturing PMI extended its decline in July-FY20. Falling demand in Vietnam's export markets, travel restrictions and supply-chain disruptions remained the biggest obstacles undermining the recovery in IM-EX activities. Worse still, Vietnam's Jul-FY20 manufacturing PMI dropped to contractionary zone at 47.6.

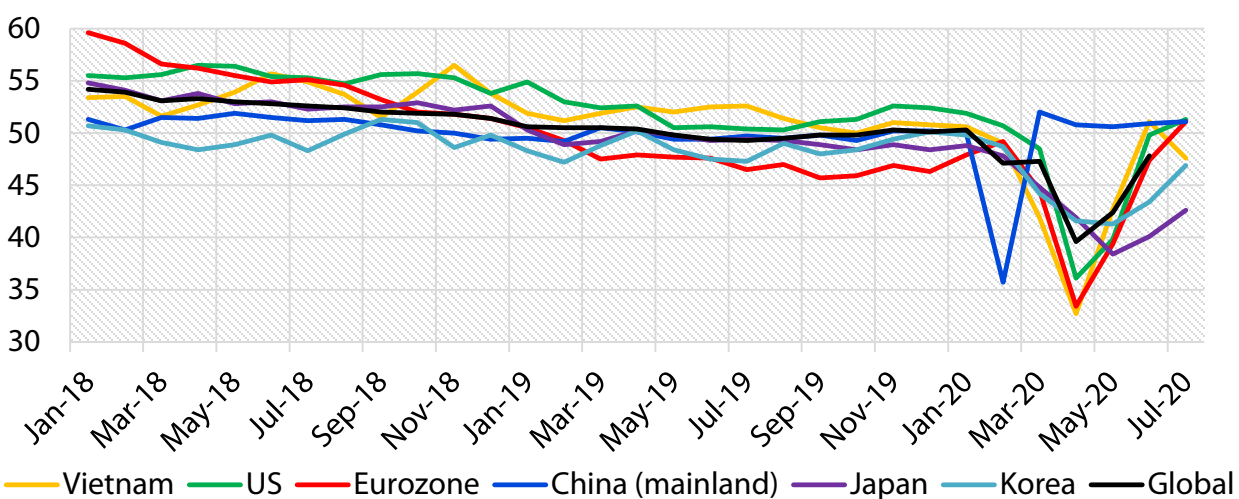
Cargo volume are picking up as more developed countries ease strict lockdowns, resume manufacturing activities, and restore logistics services, but a significant upturn could remain elusive. The recovery was widespread across numerous key economies, including the US and the EU, as evident in July PMI). However, the sustainability of this trend is still in question as these economies may re-implement the restrictive measures to cope with the second wave of the coronavirus.

Figure 6: Covid-19 have taken a large toll on newly registered FDI influx to manufacturing (MFG) sector (USD Bn)



Source: MPI, Rong Viet Securities

Figure 7: Mixed results in developed markets' PMI after some restrictions were eased, underscoring the uncertain economic environment



Source: Markit, JP Morgan, Jibun Bank, Rong Viet Securities

Soft Air Freight Volume As Cargo Spaces Remain Tight Throughout The Pandemic

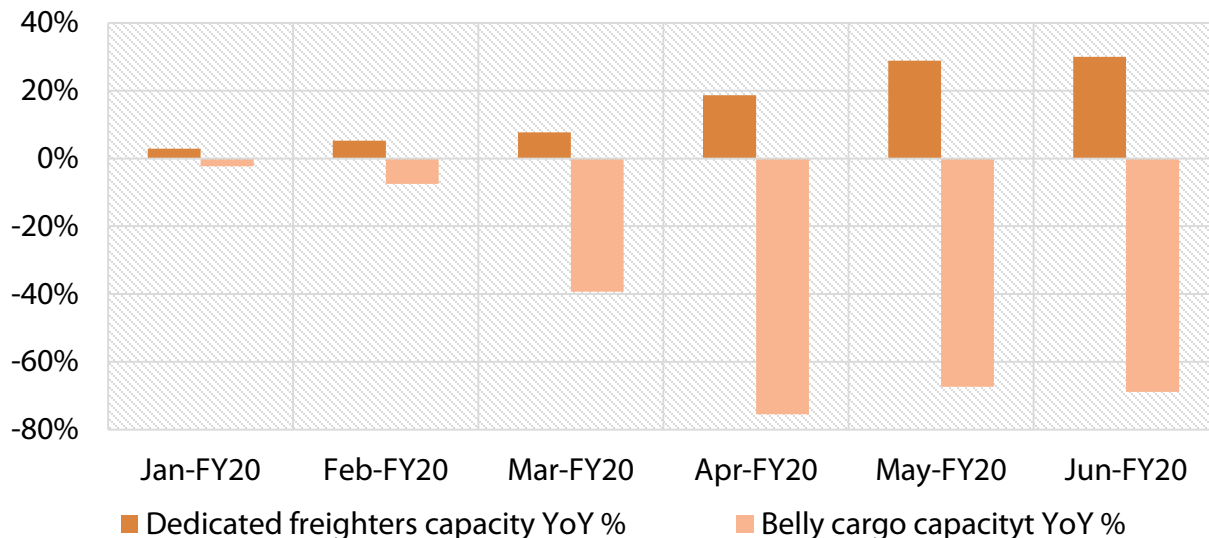
Restrictions on scheduled international passenger flights are still in place, and are unlikely to be lifted soon especially due to recent wave of covid-19 outbreak.

- Air freight will continue to be transshipped by dedicated freighters and charter cargo flights, along with some outbound volume on international passenger flights which several international carriers have reinstated since Jun-FY20. Overall available cargo spaces on international routes, nevertheless, are expected to remain depressed towards end-FY20 without belly capacity on regular scheduled passenger flights.
- We expect volume throughput at key cargo terminals in SGN and HAN airports to be lower by 10-20% YoY in 2H-FY20 as a result of this shipping capacity crunch.

Shippers are returning to cheaper but slower shipping modal, resulting in air freight losing market share of total world trade in recent months.

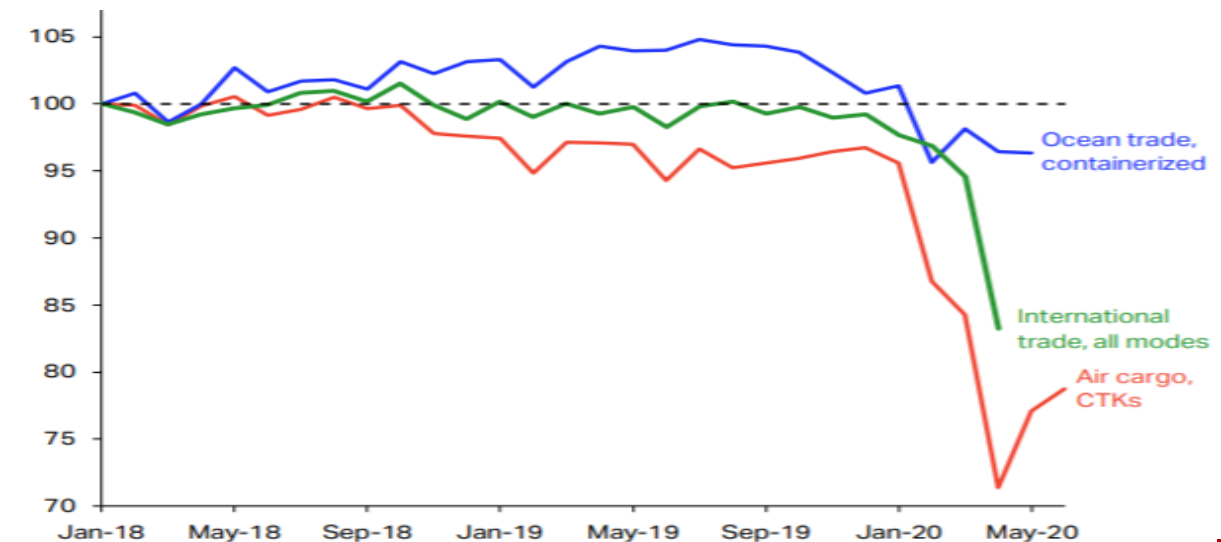
- Importers have generally turned to ocean and rail transport, following an initial rush towards air freight for urgent PPE, medical shipments seen in late Feb-Apr.
- Per Alphaliner, the inactive containership fleet reached a peak in end-May and the rising trend has now been reversed. The downward trend is expected to continue as maritime alliances have announced reinstatements on previously suspended voyages. An anticipated increase in ocean freight capacity may support the trend of shifting towards sea shipping from air freight in the coming months.

Figure 8: International belly cargo and freighter capacity growth



Source: IATA, Rong Viet Securities

Figure 9: Market share of air transport in world trade



Source: IATA, Rong Viet Securities, indexed to equal 100 in Jan-FY18

Seaports Throughput Volume May Struggle To Rise In The Foreseeable Future

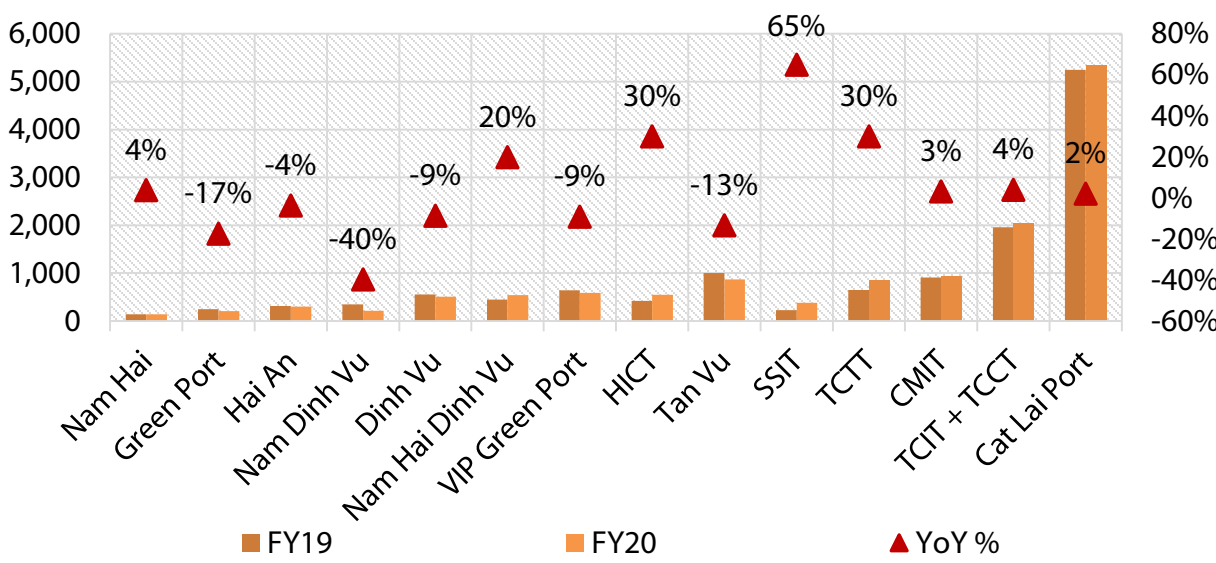
EVFTA may have little positive effect on Vietnam trade flow in the near-term.

- Technical barriers including “rules of origin” may hinder certain products to qualify for tariff reductions, not to mention a major portion of trading value of goods, which are expected to benefit from the trade pact, is not subject to immediate customs duty exemption.
- Possibility of another round of restrictive measures in several European nations will compromise the consumption demand and trade flow with Vietnam.

We forecast that overall throughput at Vietnam Seaports will stay flat this year mainly on the back of double-digit growth in Vung Tau while Hai Phong and HCMC to brace for low single-digit declines. Recovery towards pre-Covid 19 will start in FY21.

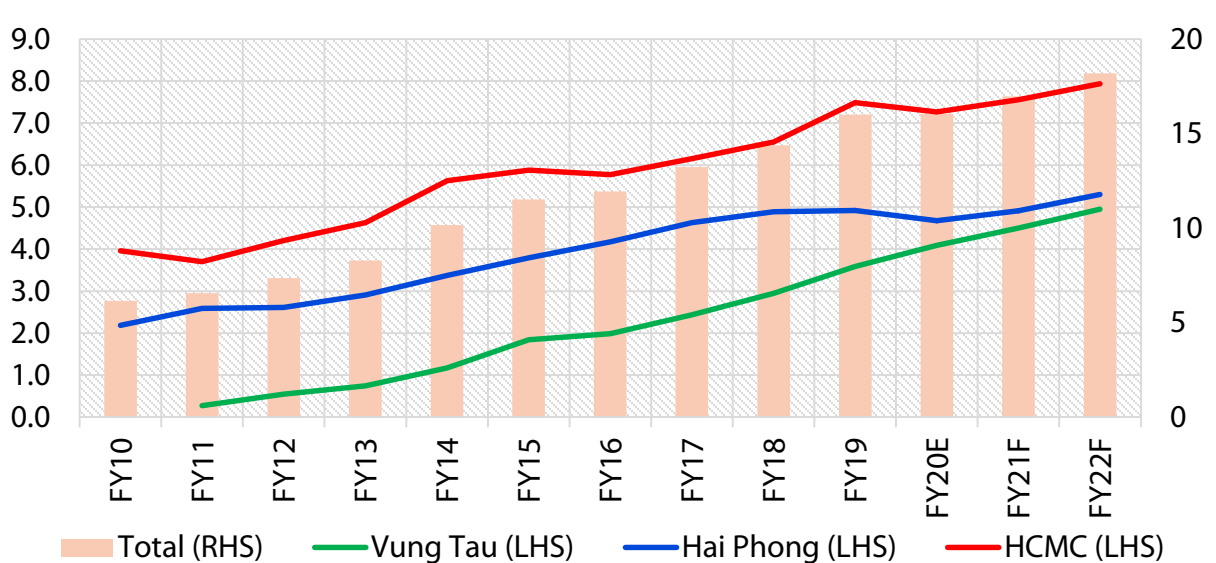
- Some players will be hit harder than others. Domestic cargo oriented terminals are likely to fare better through the covid-19 woes than international ports. Throughput at terminals serving domestic shipping, such as Hai An, Nam Hai in Hai Phong, will be more resilient owing to their low exposure to international trade.
- Feeder international container terminals are poised to see double-digit drop this year, except for deep-water ports.

Figure 10: Key container terminals’ throughput (‘000 TEUs): FY20 forecast



Source: Rong Viet Securities estimate

Figure 11: Vietnam seaports throughput (‘000 TEUs) forecast by region



Source: VPA, company filing, Rong Viet Securities estimates

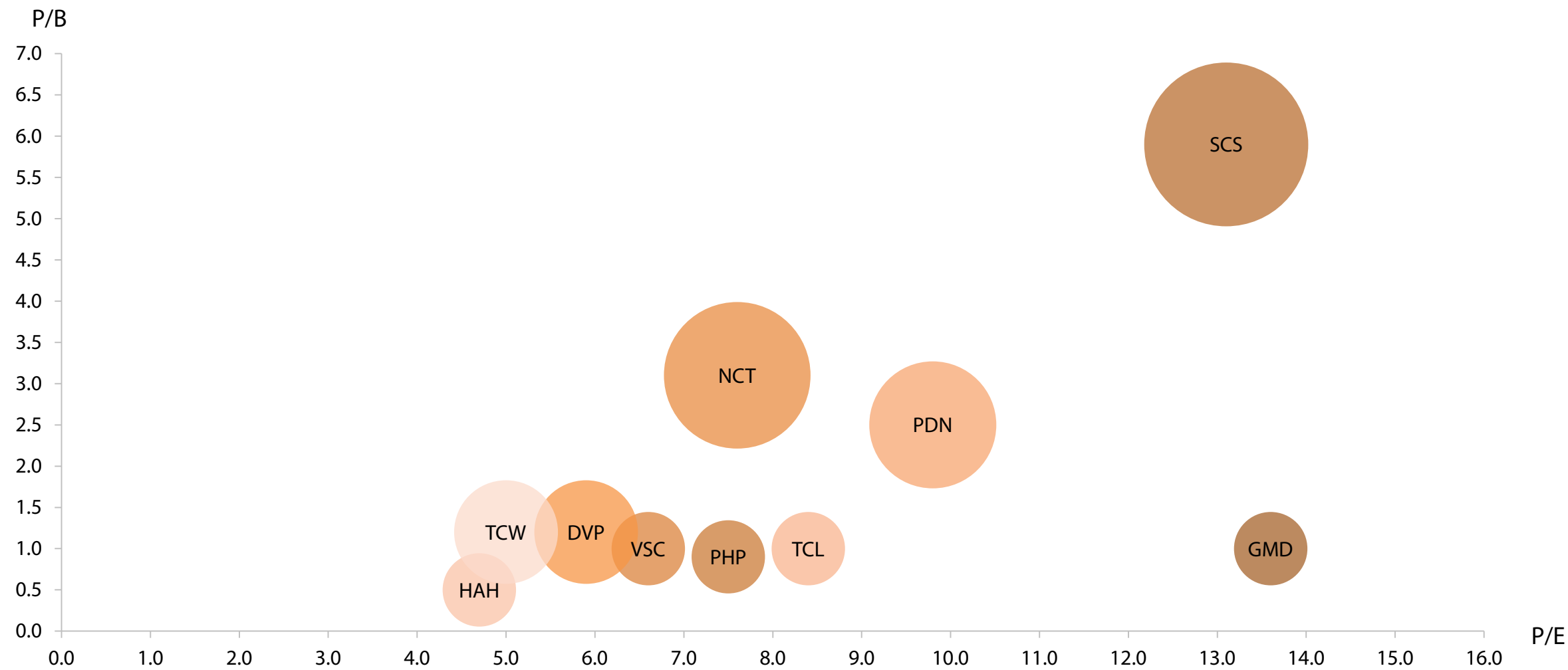
LOGISTICS INDUSTRY

Industry comparables: 1H2020 financials

Ticker	Market cap (USD mn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
GMD	259.5	22,000	-6.9	-1.7	39.5	22.8	-25.1	17.9	4.4	6.6	0.0	13.6	1.0
SCS	241.2	130,000	-9.4	-19.1	69.1	69.1	-9.8	67.5	41.6	47.1	0.0	13.1	5.9
PHP	136.9	N/A	-11.6	-17.9	41.1	29.0	18.9	23.1	7.4	9.6	0.0	7.5	0.9
VSC	75.7	30,000	-10.7	-2.9	33.3	18.7	35.6	14.1	10.9	12.6	0.0	6.6	1.0
NCT	67.3	N/A	-8.9	-13.4	41.5	36.1	-13.6	32.9	35.4	40.1	0.0	7.6	3.1
DVP	62.7	N/A	-17.9	-11.6	62.5	48.1	-1.0	58.8	18.9	20.7	0.0	5.9	1.2
PDN	59.4	N/A	-1.7	-25.4	22.9	22.9	5.1	20.0	15.1	25.3	0.0	9.8	2.5
TCL	32.3	N/A	14.0	10.9	14.7	8.5	-9.8	8.2	8.3	11.9	0.0	8.4	1.0
HAH	22.1	N/A	3.3	0.4	26.5	14.9	-2.1	11.9	6.4	9.5	0.0	4.7	0.5
ILB	16.4	N/A	6.9	8.4	39.3	25.6	0.1	13.2	4.1	14.3	0.0	6.3	1.0
TCW	16.0	N/A	10.1	10.5	23.2	14.1	32.9	10.4	12.0	21.1	0.0	5.0	1.2

Source: Bloomberg, Rong Viet Securities. Share price as of 07 Aug 2020.

Industry comparable



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 07 Aug 2020.

SCS – A BRIGHTER FUTURE

INVESTMENT RATIONALE

Hardest times are behind.

- After the sudden drop in cargo capacity in April, which made the int'l cargo volume throughput hit rock-bottom, SCS's int'l monthly volume has recovered since then. July inbound/outbound int'l freight volume stood at 4.8/7.2 thousand tons, up by 22%/55% from April, though still lower than last year's monthly average of 6.0/7.8 thousand tons.
- Towards the end of FY20, we expect average monthly throughput for int'l cargo to be maintained at recent levels of approximately 12 thousand tons. This is based on the assumption that shipping capacity from freighters will remain unscathed while belly capacity may see a gradual recovery going forward thanks to easing of some international travel bans.

Stronger volume in coming years on the back of expanding international cargo market share and healthy air cargo demand.

- SCS' competitive advantages of ample headroom in cargo handling capacity and cutting-edge logistics facilities have materialized in recent new customer acquisitions even amid the pandemic. While some of them are charter cargo airlines stemming from the sudden shock in belly-hold capacity, SCS has signed contract with UPS Air Cargo, the fourth-largest cargo airline worldwide. As a result, SCS's market share for IM-EX freight rose by 1.7% over 6M-FY20.
- Post Covid, we expect that booming E-commerce and the EVFTA will give a long-term boost to air cargo demand, which will help SCS maintain double-digit growth in freight throughput and NPAT from FY20-24F.

Solid financial health to cope with uncertainty with a net cash position of VND393bn (~USD17mn) while liquid assets accounted for 30.5% total assets at the end of Q2-FY20.

RISKS TO OUR CALL

- Weaker-than-expected global consumption demand.
- SCS's passenger airline customers go bankrupt.

BUY

24.4%

CMP (VND)	110,100
Target price (VND)	130,000

Cash dividend in 12 months 7,000

STOCK INFO

Sector	Industrials
Market Cap (\$ mn)	241
Current Shares O/S (mn shares)	51
3M Avg. Volume (K)	34
3M Avg. Trading Value (\$ mn)	0.2
Remaining foreign room (%)	23.9
52-week range ('000 VND)	82.7-159.6

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	675	748	668	731
Growth (%)	14.8	10.8	-10.7	9.4
NPATMI (VND bn)	437	503	458	505
Growth (%)	26.9	15.1	-8.9	10.3
ROA (%)	44.6	46.8	43.3	46
ROE (%)	48.6	50.0	46.3	49.4
EPS (VND)	7,282	9,979	7,681	8,538
Book Value (VND)	15,478	19,947	19,470	20,132
Cash dividend (VND)	3,500	8,000	7,000	7,000
P/E (x) (*)	15.1	13.3	14.3	12.9
P/B (x) (*)	7.1	6.3	5.7	5.5

(*) Share price as of Aug 7th, 2020.

GMD – LONG-TERM PLAY ON VIETNAM'S TRADE FLOWS

INVESTMENT RATIONALE

GMD will benefit from trade flows as one of the leading private logistics operators that has a integrated logistics system and nationwide port network.

- GMD operates six ports spanning across Vietnam's key trading gateways. It is now developing Gemalink (GML), which is one of the largest deep-sea container ports and about to go online by early FY21. By the time GML commences operation, the total container handling capacity of GMD's ports will reach approximately 3.4 million TEUs per annum, jumping by 77% compared to the current capabilities, creating ample capacity headroom to address the growing demand for many years to come.
- The group, through its JVs, operates a comprehensive system of logistics facilities located in key economic areas, including air cargo terminals, distribution centers, out-of-gauge cargo transport, ocean freight ships, cold chains logistics and automotive logistics.

All eyes on the Gemalink project in Cai Mep, the fastest growing port cluster in Vietnam.

- Cai Mep has emerged as the hot spot for handling IM-EX containers, with its unique competitive advantage of accommodating mother container carriers, with a 5Y CAGR in container volume throughput of 25.1% from FY14-19.
- GML will likely bring in the opportunities to cooperate with new major shipping lines, besides the terminal's shareholder CMA-CGM, due to the fact that the Group will tap into a whole new market segment of serving mother vessels.
- We project that GML will be profitable after two years of commercial operations (FY23), and its PAT will grow at a 3Y CAGR of 21.2% over FY23-26F.

We expect GMD revenue to post a 5.1% CAGR in FY20-23F, mainly driven by port operation, while PBT is expected to achieve a robust 20.0% CAGR over the same period thanks to the profit from GML.

RISKS TO OUR CALL

- Divestment of profitable JV or non-core assets.
- Higher-than-expected losses from non-core assets and/or GML.

ACCUMULATE

18.5%

CMP (VND)	20,250
Target price (VND)	23,000

Cash dividend in 12 months 1,000

STOCK INFO

Sector	Industrials
Market Cap (\$ mn)	260
Current Shares O/S (mn shares)	297
3M Avg. Volume (K)	537
3M Avg. Trading Value (\$ mn)	0.4
Remaining foreign room (%)	0.0
52-week range ('000 VND)	14.1-27.5

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	2,708	2,641	2,377	2,631
Growth (%)	-32.0	-2.5	-10.0	10.7
NPATMI (VND bn)	1,848	515	464	408
Growth (%)	263.8	-72.1	-9.9	-12.1
ROA (%)	17.4	5.1	4.6	4.0
ROE (%)	27.1	8.8	7.7	6.6
EPS (VND)	5,929	1,734	1,439	1,266
Book Value (VND)	19,804	22,088	20,404	20,835
Cash dividend (VND)	6,500	1,500	1,000	1,000
P/E (x) (*)	3.4	12.4	14.1	16.0
P/B (x) (*)	1.0	1.0	1.0	1.0

(*) Share price as of Aug 7th, 2020.



FISHERIES INDUSTRY: Complicated from COVID-19

Tam Pham – tam.ptt@vdsc.com.vn

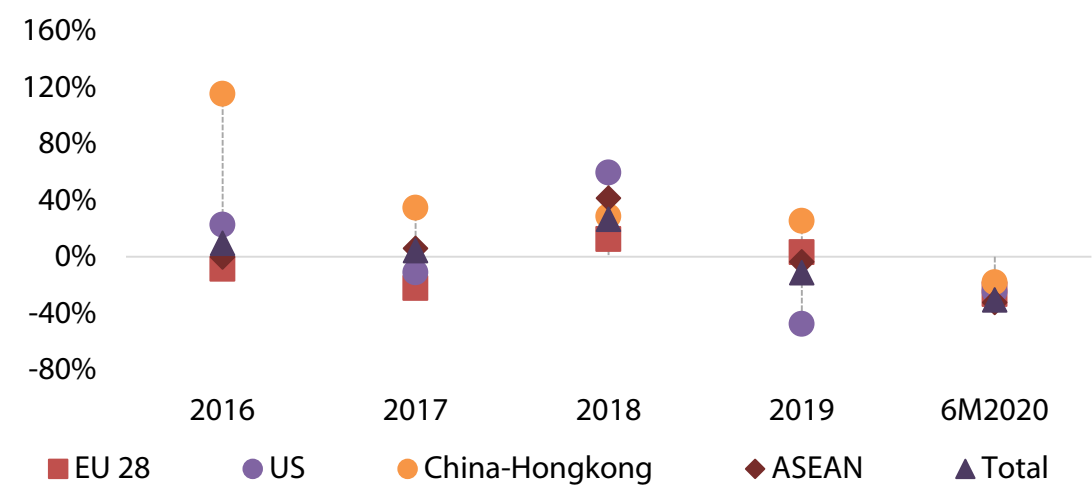
PANGASIOUS SECTOR - REVIEW

Exports tumbled due to COVID-19

Imports were disrupted during quarantine

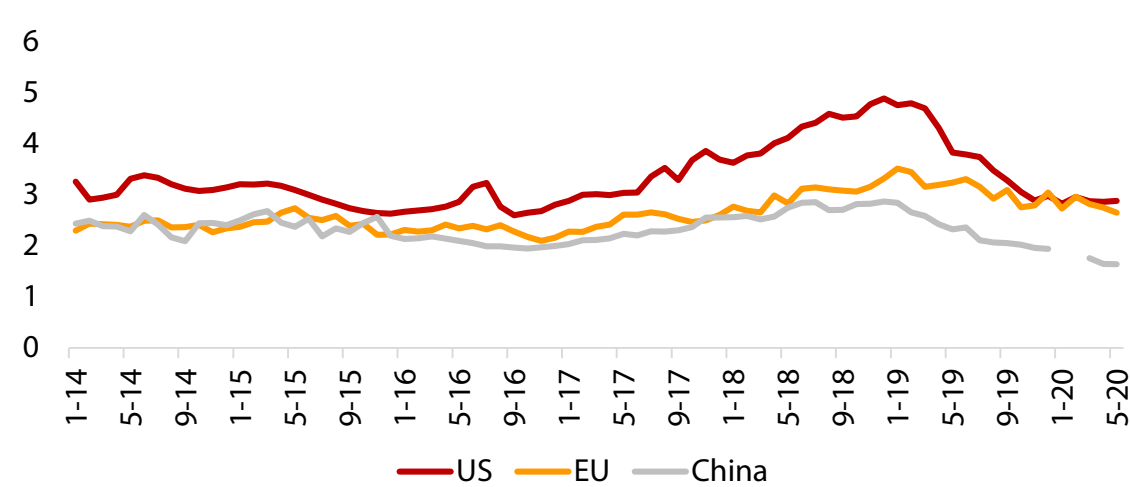
- Export value came at USD 667.5 mn, falling sharply 31% YoY, with exports to the US dropped 25% YoY, to China – Hongkong down 18% YoY and to the EU slumped 26% YoY. Exports to other smaller markets fell more deeply: to ASEAN -32%, to Brazil -39%, to Mexico -61% and to Colombia -45%. According to the Ministry of Industry and Trade (MoIT), ASP of 6M2020 plunged 20% YoY while volume was reduced by 12% YoY.
- Demand for easy-to-cook products (breaded, seasoned, pre-cooked) has increased as customers eat out less and cook at home more. Although processed pangasius exports surged 102% (in value) in 6M2020, the proportion of that in total exports only rose from 1.0% to 2.7%.
- Export volumes have been recovering after quarantine measures were loosened but export prices kept going down. In 2H, export prices are not likely to recover, as buyers are placing small orders to wait for the developments of COVID-19 and the buying power of consumers is worsening.
- Small companies are struggling to cover costs and expenses. Some even went bankrupt. Slow consumption and delayed orders are causing inventories to rise.

Figure 1: Sector growth



Source: VASEP, Rong Viet Securities

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

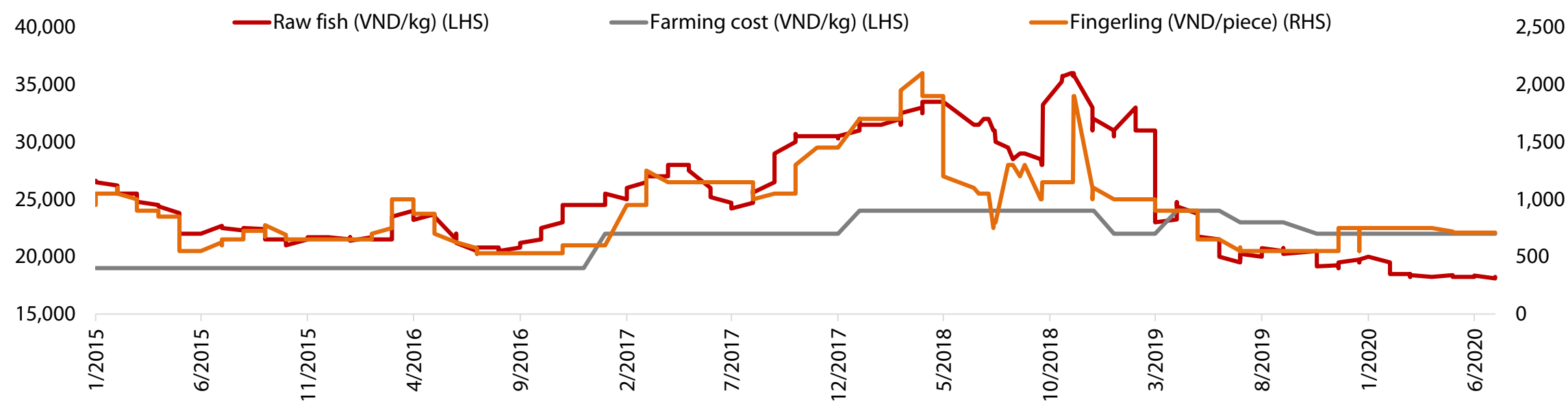


Source: International Trade Center (ITC), Rong Viet Securities

Low material prices are hurting farmers

- As inventory of finished products piles up, processing companies are using mostly self-farmed fish and fish of associated farmers. This has led to lower demand for material fish from outside farmers.
- Material fish prices sank more in 1H, well below production costs. This gloomy situation has persisted since 2Q2019.
- Losses made farmers hesitate in seeding new crops or feeding, to wait for the recovery of export prices. However, the longer farmers wait, the size of a fish can become larger than the preferable size for export, and then may be degraded.
- The recovery of material fish prices in 2H depends on the pandemic containment in markets.

Figure 3: Material fish and fingerling prices and farming cost



Source: VASEP, RongViet Securities

EVFTA – Lower tariffs can accelerate pangasious consumption in the EU

Table 1: Tariffs of main pangasious products exported to the EU from main suppliers

HS code	Vietnam			Indonesia	
	Base rate	GSP	EVFTA	Base rate	GSP
030324	8	4.5	B3	8	4.5
030272	8	4.5	B3	8	4.5
030432	9	5.5	B3	9	5.5
030462	5.5	5.5	B3	9	5.5

GSP (General System of Preference) tariff: tariff that the EU applied for developing countries

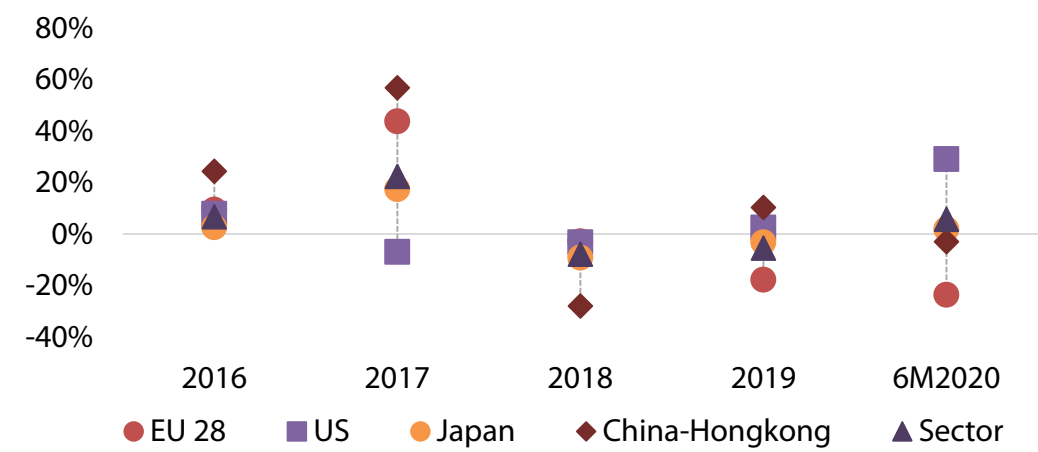
B3: reduced to 0% within 4 years

Source: European Commission (EC), VASEP, Rong Viet Securities

- EVFTA comes into effect from Aug 1st, 2020.
- Vietnam is enjoying the GSP tax when exporting to the EU.
- Tariffs for most of material pangasious (fresh, frozen, chilled) will be reduced from 5.5% to 0% within four years. Although Vietnam mainly exports material pangasious (99% of 2019 export value), the tariff reduction each year is small (1.8%), so the benefit may not be significant.
- Tariffs for processed pangasious will be reduced from 7% to 0% within eight years.
- Vietnam accounts for more than 90% of the global pangasious market share. Therefore, the reduced tariff does not enhance the competitiveness of Vietnam over other countries.

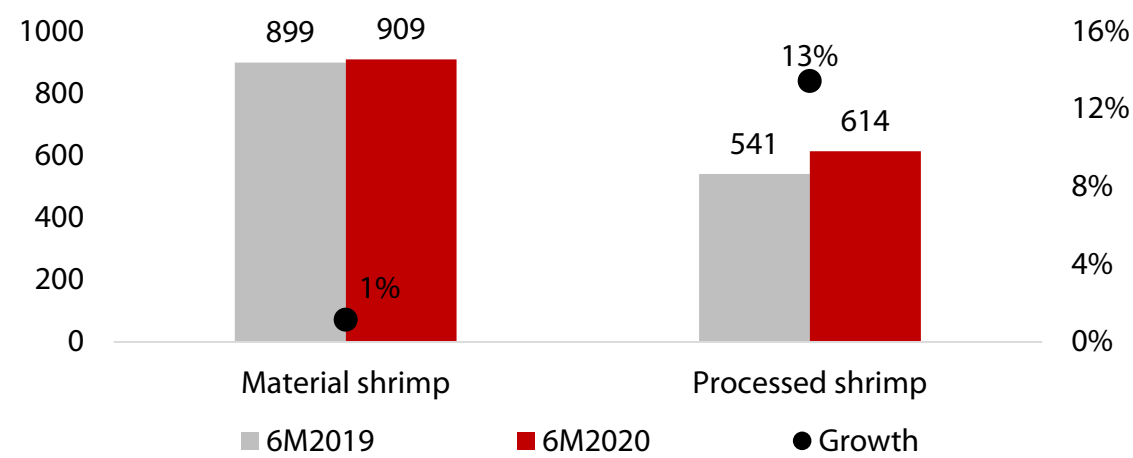
Sophisticated processing skills supported growth

Figure 4: Sector growth in 6M2020



Source: VASEP, ITC, RongViet Securities

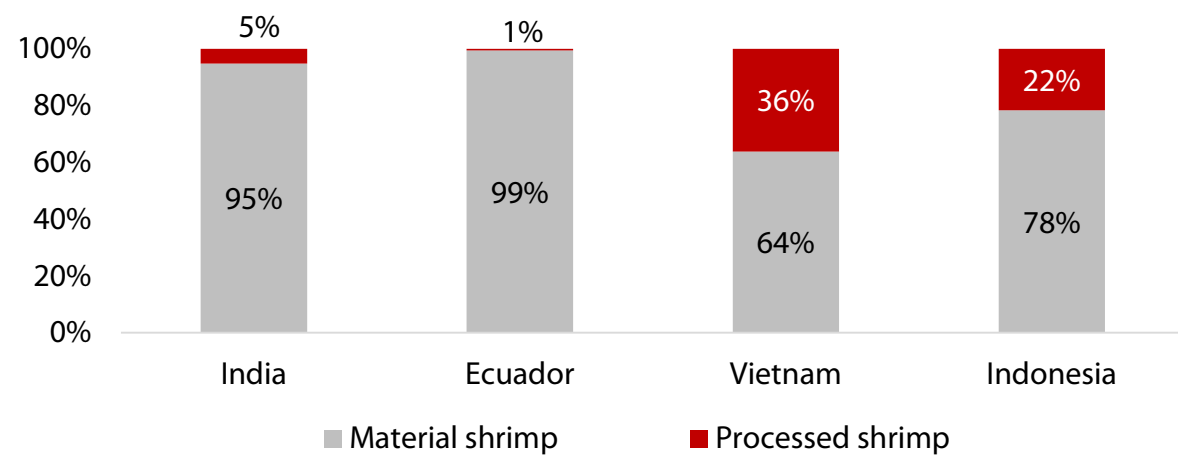
Figure 5: Vietnam's shrimp export in 6M2020 (USD mn)



Source: VASEP, RongViet Securities

- Export value in 1H2020 reached USD 1.52 bn, 6% higher than that in 1H2019. Exports to the US surged 29% YoY, to the EU plunged 24% YoY. Exports to Japan increased slightly 2% YoY and to China-Hongkong came down a little 3% YoY. According to MoIT, ASP was flat while volume increased 6% YoY.
- Consumers cook more at home, resulting in higher demand for easy-to-cook food. Vietnam is benefiting from this as it is more sophisticated in processing shrimp compared to competitors.
- Export prices stayed at a low level, although there were supply shortages in large shrimp production countries like India and Ecuador.

Figure 6: Processed /material shrimp (in volume) of the major suppliers



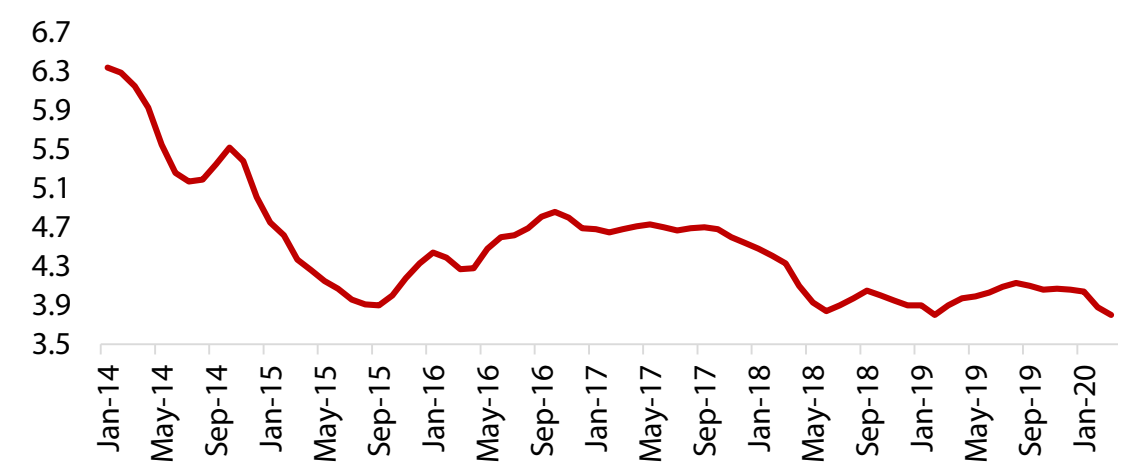
Source: ITC, RongViet Securities

SHRIMP SECTOR – PROSPECT

Market continues to opt for vannamei while selling price may drop due to the China – Ecuador issue

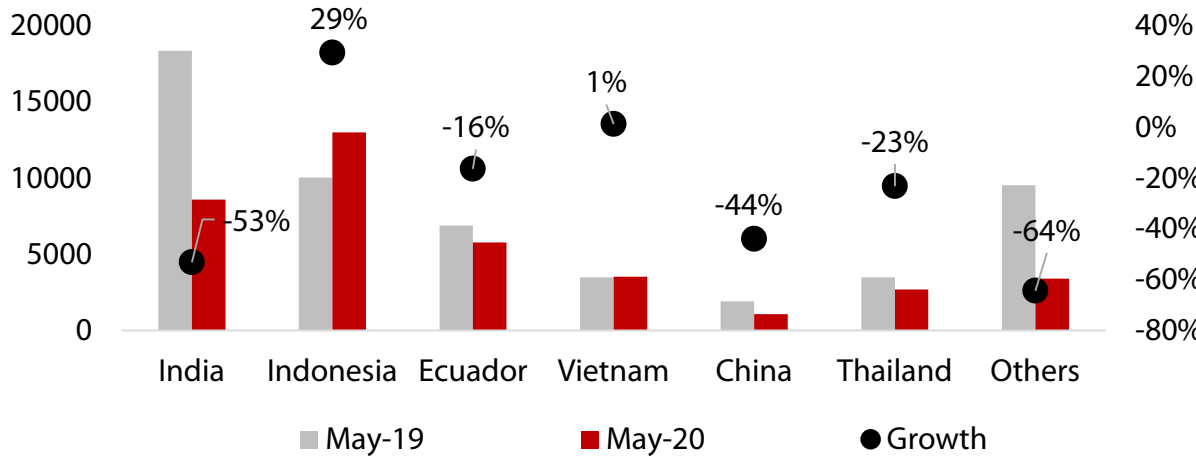
- Due to the lower price of vannamei compared to monodon, demand for vannamei has risen while that of monodon fell. Export value of vannamei increased 11% YoY and that of monodon was reduced by 15% YoY in 6M2020 (per MoIT).
- Selling prices are likely to continue undergoing downward pressure after China found coronavirus in some shipments of shrimp from three Ecuadorean companies in early July. Many Chinese buyers have suspended imports from Ecuador. Given that Ecuador is the world’s second largest shrimp producer and China is the largest buyer of Ecuadorian shrimp (70% of Ecuador’s exports), Ecuador has had to offer lower prices in other markets to solve the output problem. Material shrimp will be affected more by this situation.
- After COVID-19, prices could take years to recover because supply has shown signs of recovery but demand may take a long time to get back to normal.
- Vietnam is expected to gain market share from India and Ecuador, the two main competitors, due to difficulties of pandemic containment these two countries are facing. The situation has caused shortages of labor and raw materials from April to July in these two countries. In fact, Indonesia and Vietnam are the two beneficiaries in the US market since May, according to NOAA data. Vietnam can benefit from the situation in 3Q.

Figure 7: Urner Barry shrimp price index (USD/lb)



Source: Wells Fargo, RongViet Securities

Figure 8: In the US, Vietnam is among the two beneficiaries of the Indian and Ecuadorian shrimp shortage situation (tons)



Source: NOAA, RongViet Securities

EVFTA – Tariff reduction may boost shrimp exports to the EU

Table 2: Tariffs on shrimp imported into EU by main suppliers

HS code	Vietnam			India		Ecuador	
	Base rate	GSP	EVFTA	Base rate	GSP	Base rate	EU-Ecuador FTA
03061710	20	4.2	A	12	4.2	12	A
03061791	12	4.2	A	12	4.2	12	A
03061792	12	4.2	A	12	4.2	12	A
03061793	12	4.2	A	12	4.2	12	A
03061799	12	4.2	A	12	4.2	12	A
16052110	20	7	B7	20	7	20	A
16052190	20	7	B7	20	7	20	A
16052900	20	7	B7	20	7	20	A

GSP (General System of Preference) tariff: tariff that the EU applied for developing countries

A: 0% immediately after EVFTA comes into effect

B7: reduced to 0% within 8 years

Source: European Commission (EC), VASEP, Rong Viet Securities

- EVFTA comes into effect from Aug 1st, 2020
- Vietnam is enjoying the GSP tax when exporting to the EU
- Tariffs on most of material shrimp (fresh, frozen, chilled) will be reduced from 4.2% to 0% immediately after EVFTA comes into effect. Main competitors of Vietnamese material shrimp (vannamei and monodon) are Ecuador and India. Indian shrimps are granted GSP tariffs but consumption is facing difficulties due to antibiotic residues inspection at 50% of shipments and the scale could be raised to 100%. Ecuador shrimps are fully exempted from the EU tariffs. Therefore, material shrimp will be the major beneficiary of EVFTA.
- Tariffs on processed shrimp will be reduced from 7% to 0% within 8 years. However, the product will be able to enjoy the tariff incentive no sooner than 2024 as annual tariff under EVFTA before 2024 is still higher than the current GSP tariff. Vietnam has taken the largest market share of processed shrimp imports by the EU (22% in volume and 18% in value). As a result, processed shrimp may not benefit significantly.

FISHERIES INDUSTRY

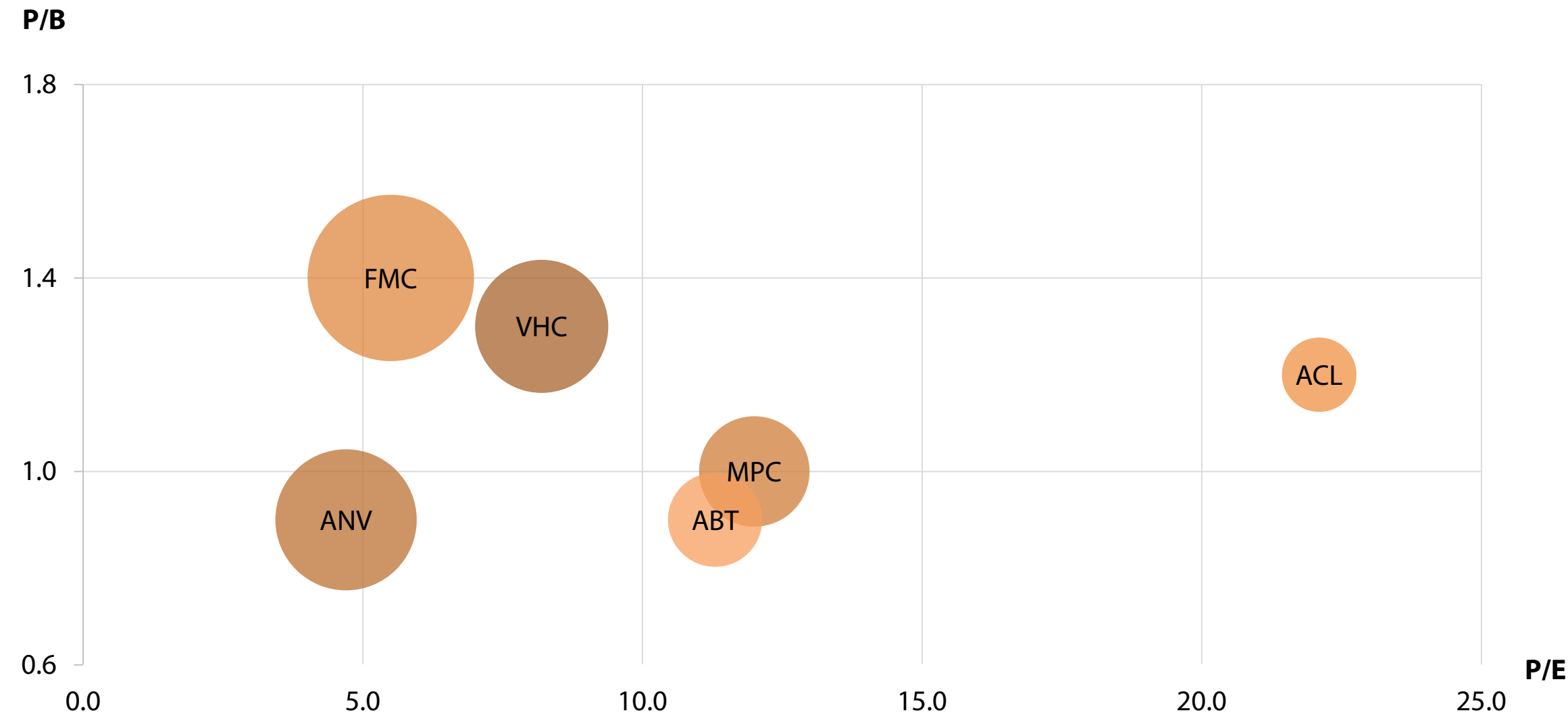
Industry comparable (TTM)

Ticker	Market cap (USD mn)	Target price (VND)	Sales growth(% YoY)	EBITDA growth(% YoY)	EBITDA margin (%)	Operating income margin (%)	Net income growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
VHC	288.2	39,700	-14.4	-36.3	14.6	11.7	-49.5	11.3	12.5	16.5	4.1	8.2	1.3
ANV	86.2	12,500	-14.2	-78.1	5.6	5.6	-78.6	4.5	10.5	18.2	12.7	4.7	0.9
MPC	224.2	N/A	-25.8	-22.7	4.7	4.6	50.7	4.2	5.5	10.8	5.7	11.8	1.1
FMC	57.2	N/A	-2.7	-6.8	8.0	5.7	0.7	5.8	14.5	25.0	9.3	5.5	1.4
ACL	35.0	N/A	-41.9	-70.5	10.3	5.7	-95.5	1.1	2.6	5.4	3.1	22.1	1.2
ABT	15.9	N/A	-23.4	-79.9	4.0	1.9	-60.9	6.3	6.3	8.0	6.3	11.3	0.9

Source: Bloomberg, RongViet Securities. Share price as of Aug 7, 2020.

FISHERIES INDUSTRY

Industry comparable



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 07 Aug 2020.

VHC –PANGASIUS SELLING PRICE UNDER PRESSURE; COLLAGEN DEMAND IS STILL HIGH

INVESTMENT RATIONALE

- **Low purchasing power puts pressure on pangasius selling prices**
 - Export prices are likely to remain low due to the weak demand in the foodservice segment.
 - US, the main export market, is on the way to recover in volume after 2019's weak imports because of high-priced inventories.
 - Weak consumption in the foodservice in China.
 - Pangasius selling prices in 2021 may continue to decline due to the weak purchasing power amid the economic slowdown.
- **Collagen demand rose strongly because of the pandemic**
 - Higher demand for functional foods and pharmaceuticals supports collagen sales.
 - 1H2020 Collagen – gelatin revenue surged 35% YoY. We forecast 2020 revenue to grow 37%, reaching USD 29.9 mn.
 - Capacity increase was delayed two months. VHC has successfully developed premium products: nano collagen and collagen tripeptide with higher price than traditional ones.
- **The result of the POR 15 anti-dumping tax does not bring significant competition**
 - NTFS and CASEAMEX: 15 cent/kg (POR14: NTFS 1.37 USD/kg and CASEAMEX 2.39 USD/kg). VHC: 0 USD/kg, unchanged.
 - The competition from NTFS and CASEAMEX should not be a problem for VHC at least until the final POR16 result, given VHC's long-term relationship with importers and its product differentiation.

RISKS TO OUR CALL

- Complicated by COVID-19 which may cause countries to postpone lifting or tighten quarantines again.

ACCUMULATE

+12%

CMP (VND)	36,700
Target price (VND)	39,700

Cash dividend in 12 months 1,500

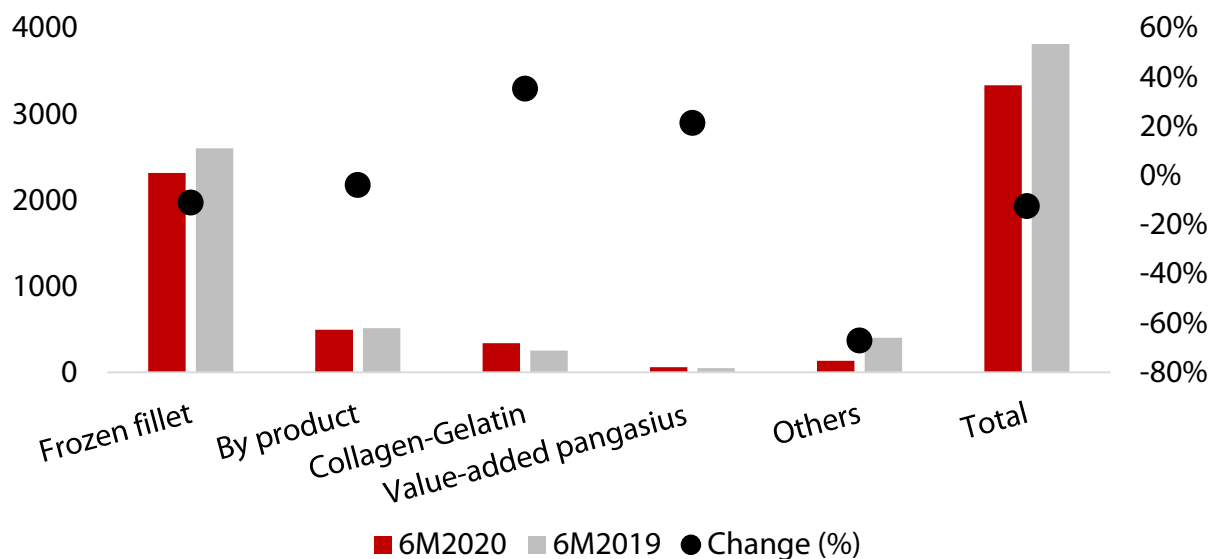
STOCK INFO

Sector	Consumer Goods
Market Cap (\$ mn)	288
Current Shares O/S (mn shares)	182
3M Avg. Volume (K)	669
3M Avg. Trading Value (\$ mn)	1.0
Remaining foreign room (%)	67.6
State own room (%)	20.1-42.8

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	9,271	7,867	8,115	9,127
Growth (%)	13.7	-15.1	3.2	12.5
NPATMI (VND bn)	1,442	1,180	938	918
Growth (%)	138.5	-18.2	-20.6	-2.0
ROA (%)	22.9	17.8	12.2	11.1
ROE (%)	35.9	24.2	16.1	14.3
EPS (VND)	15,489	6,437	5,072	4,969
Book Value (VND)	43,452	26,593	31,665	34,950
Cash dividend (VND)	2,000	0	1,500	2,000
P/E (x) (*)	6.1	6.2	6.8	6.9
P/B (x) (*)	2.2	1.5	1.1	1.0

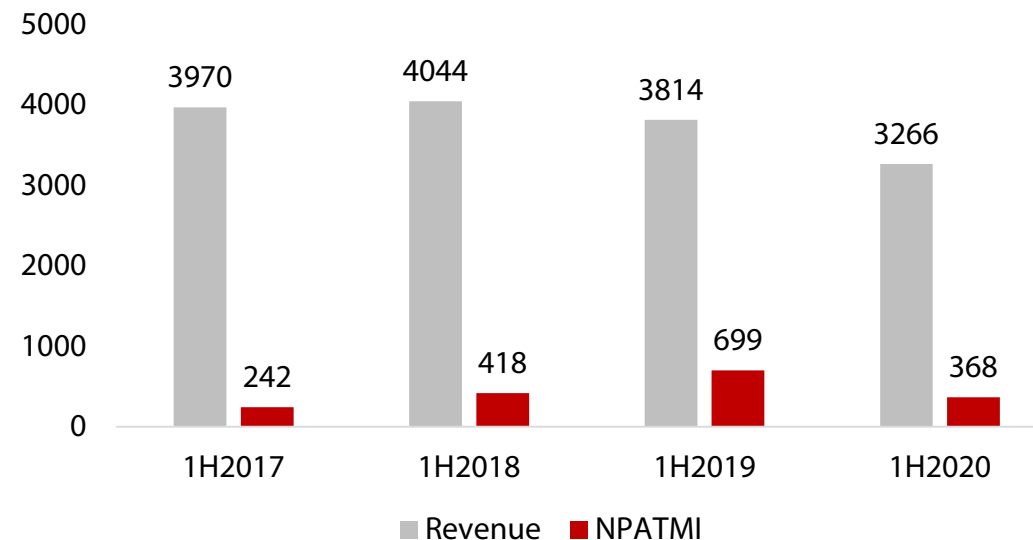
(*) Share price as of Aug 7th, 2020.

Figure 1: Revenue by product (VND bn)



Source: VHC, Rong Viet Securities

Figure 2: 6M2020 revenue and NPATMI (VND bn)



Source: VHC, Rong Viet Securities

1H2020: Pangasius selling price fell to the lowest level of the last five years. Consumers cook more at home and increase the usage of functional foods and pharmaceuticals. That stimulates the growth of value added pangasius and collagen.

- o Pangasius export value was VND 2,371 bn(-10.5% YoY), revenue reached VND 3,334 bn (-12.6% YoY); NPATMI was VND 368 bn (-47.4% YoY). Of which, revenue of value added pangasius and collagen-gelatin surged strongly by 21% YoY and 35% YoY, respectively.
- o GPM still dropped sharply to 16.4% (1H2019: 22.2%) due to the plunge of pangasius fillet prices and VND 71 bn for inventory devaluation.

2H2020: Pangasius selling price is likely to remain low due to economic difficulties and low demand of the foodservice segment.

- o Pangasius selling price fluctuates around 2.8 - 2.9 USD/kg. The self-supply rate of material fish reached 65% and material fish selling price on the market fluctuates between VND 18,000 – 18,500/kg.

ANV – EXPORTS FACE HEADWINDS; TEMPORARILY SWITCH TO THE DOMESTIC MARKET

INVESTMENT RATIONALE

- **Exports were temporarily reduced by the pandemic**
 - o Low consumption in the foodservice segment due to lockdown in many countries. Low demand caused export prices to fall deeply. The export price in 2H2020 seems to remain low because of unpredictable developments of the pandemic.
 - o The company had to boost domestic sales in 2Q2020 to support revenue.
 - o Gross profit margin in 1H2020 was 12.5% (1H2019: 25.4%). In 2021, the gross profit margin will be better thanks to the recovery of exports.
- **Ready-to-eat pangasius products with higher profitability than pangasius fillets** will be launched to the market in 4Q2020. We do not include this in our valuation because of insufficient information.
- **Solar power generated from the factory roofs and farms, from September 2020**
 - o Expected output: 23 MW from 2020 and 100 MW from 2021.
 - o Gross profit margin of solar power projects is usually very high, around 50-60%..
 - o ANV cautiously estimates the break-even period in five years
 - o We do not include this in our valuation because of insufficient information.

RISKS TO OUR CALL

- Complicated COVID-19 may cause countries to postpone lifting or tighten quarantines again.

REDUCE

-20%

CMP (VND)	15,700
Target price (VND)	12,500

Cash dividend in 12 months 2,000

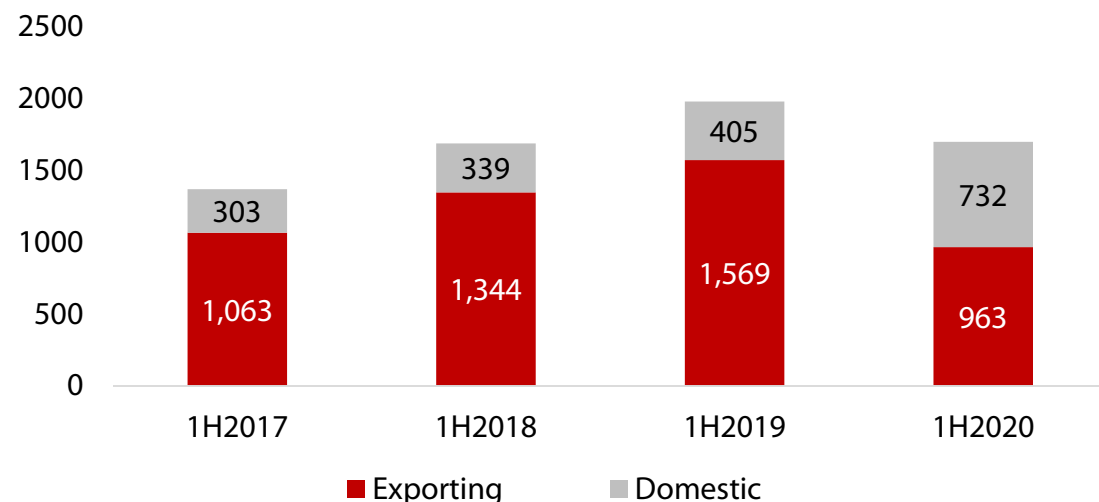
STOCK INFO

Sector	Consumer Goods
Market Cap (\$ mn)	86
Current Shares O/S (mn shares)	127
3M Avg. Volume (K)	280
3M Avg. Trading Value (\$ mn)	0.2
Remaining foreign room (%)	47.7
52-week range ('000 VND)	11.1-25.7

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	4,118	4,481	3,406	4,138
Growth (%)	39.6	8.8	-24.0	21.5
NPATMI (VND bn)	555	704	152	421
Growth (%)	319	26.9	-78.4	176.3
ROA (%)	16.2	17.0	3.8	10.0
ROE (%)	30.0	29.5	6.3	16.4
EPS (VND)	4,787	5,502	1,197	3,307
Book Value (VND)	14,534	18,766	18,944	20,211
Cash dividend (VND)	1,500	2,000	1,000	2,000
P/E (x) (*)	6.0	4.2	12.4	4.5
P/B (x) (*)	1.9	1.2	0.8	0.7

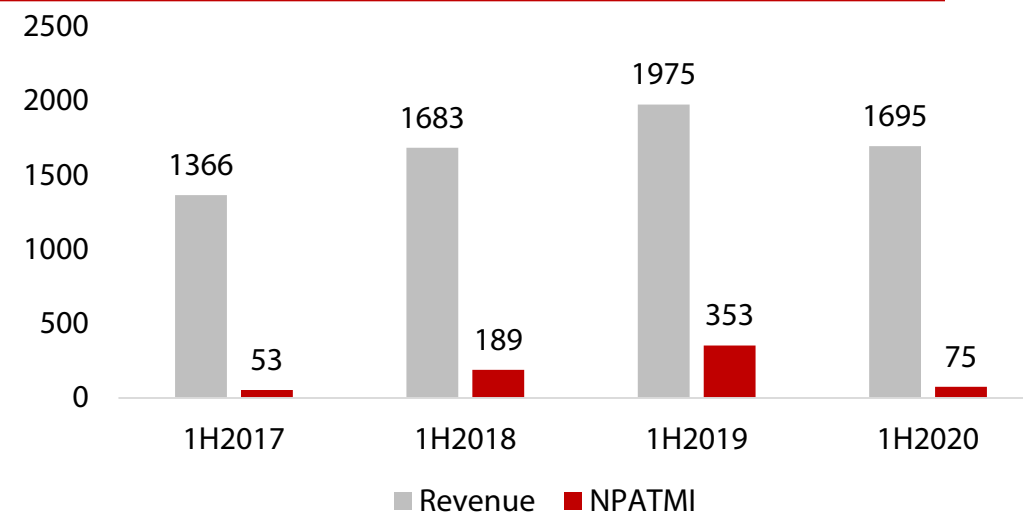
(*) Share price as of Aug 7th, 2020.

Figure 1: Revenue by region (VND bn)



Source: ANV, Rong Viet Securities

Figure 2: 6M2020 revenue and NPATMI (VND bn)



Source: ANV, Rong Viet Securities

1H2020: Underperforming exports due to low consumption in the food service segment. Temporarily switch to the domestic market with low profit margin

- Revenue reached VND 1,695 bn (-14.1% YoY); NPAT was VND 75 bn (-78.7% YoY). Low demand caused export prices to fall deeply. Domestic sales in Q2 increased by 114% YoY, accounting for 55% of total revenue thanks to selling pangasius products to Vinmart with much lower price than the export price. The company also sold material fish from self-farming areas to lower inventories. GPM in Q2 dropped sharply to 10.2% (Q2/2019: 21.1%). GPM in 1H2020 reached 12.5% (1H2019: 25.4%).
- The weight of selling expenses/revenue increased sharply to 5.4% (1H2019: 4.5%) as spending rose to expand the customer base.

2H2020: Export volume has not increased much and selling price seems to be low due to the unpredictable pandemic

- Exports may recover slightly versus 1H's. Domestic market still weighs significantly in total sales.
- Gross profit margin for the whole year will reach 13.2%. The company's ability to complete NPAT plan of VND 200 bn is very low.

MPC –IMPORTANT INVESTMENT PLANS ARE BEHIND SCHEDULE

INVESTMENT RATIONALE

- **New farming technology is highly efficient but slow to implement**
 - o 2-3-4 technology combined with sensors: the number of crops increase from 1-2 crops/year to 3-5 crops/year. Output is 10 times higher than the old technology, meeting 30% of material shrimp demand in 2020 (2019: 15%) and 50% by 2023. The cost of shrimp farming is reduced by 30% compared to the current technology.
 - o The weather, unfavorable for construction, the pandemic and the lack of capital have slowed down the investment progress from 2019 until now. MPC plans to complete 2-3-4 technology investment in 2022 on the entire 900 ha of its own farms.
- **Investments in processing capacity have been delayed**
 - o Plan to increase the processing capacity from 86,000 tons/year to 116,000 tons/year in 2020, 156,000 tons/year in 2022 and 200,000 tons/year in 2025.
 - o The concentration of human and financial resources in the lawsuit in the US has forced the company to delay the commencement time from 2019 to August or September 2020.
- **Benefiting from EVFTA with cookedshrimp products**
 - o Cooked shrimps are subject to a 15% import tax in the EU. This tax will be reduced to 0% within eight years from 2020.
 - o The weight of the EU in total revenue is planned to gradually increase from 12% now to 14-15% by 2020 end and to 20-25% when the import tax will be 0%.
- **Permanently enjoy 0% anti-dumping duty in the US.** For many years, this market has accounted for 40% of sales.

RISKS TO OUR CALL

- **The result of anti-dumping duty evasion investigation in the US is unfavorable.** The company was accused of importing Indian shrimps. Minimally processing them and then exporting to US with a "Made in Vietnam" label. The US Customs and Border Protection Department (CBP) will verify the MPC's production documents in October 2020. The results of this investigation are planned to be announced in early 2021.

N/A

N/A

CMP (VND)	26,170
Target price (VND)	-

Cash dividend in 12 months 1.500

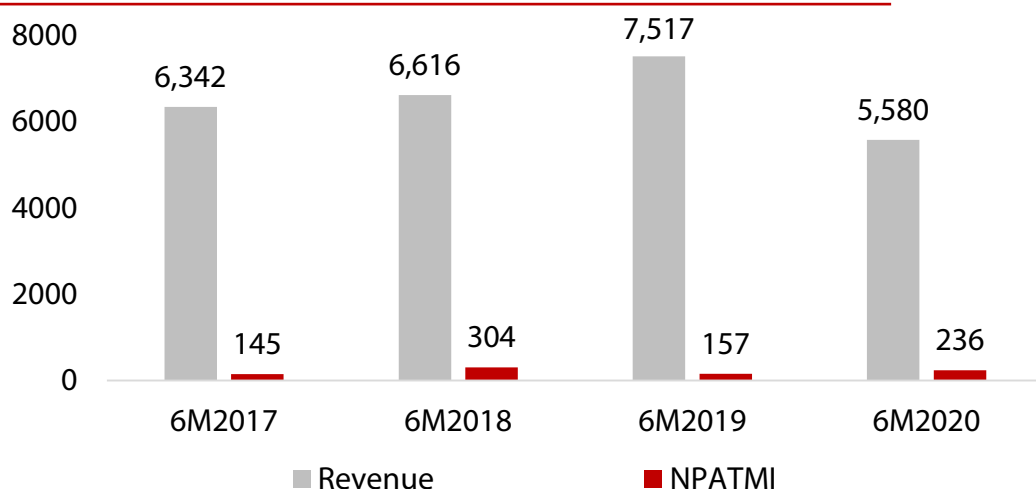
STOCK INFO

Sector	Consumer Goods
Market Cap (\$ mn)	224
Current Shares O/S (mn shares)	198
3M Avg. Volume (K)	123
3M Avg. Trading Value (\$ mn)	0.1
Remaining foreign room (%)	11.6
52-week range ('000 VND)	16.2-32.9

FORECAST	2016A	2017A	2018A	2019A
Revenue (VND bn)	11,973	15,665	16,925	16,998
Growth (%)	-2.5	30.8	8.0	0.4
NPATMI (VND bn)	82	714	810	445
Growth (%)	-1278.3	772.1	13.5	-45.1
ROA (%)	0.9	8.1	8.7	5.2
ROE (%)	4.0	29.8	24.1	10.2
EPS (VND)	1,030	9,129	5,020	2,204
Book Value (VND)	25,747	42,738	26,604	25,110
Cash dividend (VND)	0	0	5,000	1,500
P/E (x) (*)	N/A	5.9	7.9	9.1
P/B (x) (*)	N/A	1.3	1.5	0.8

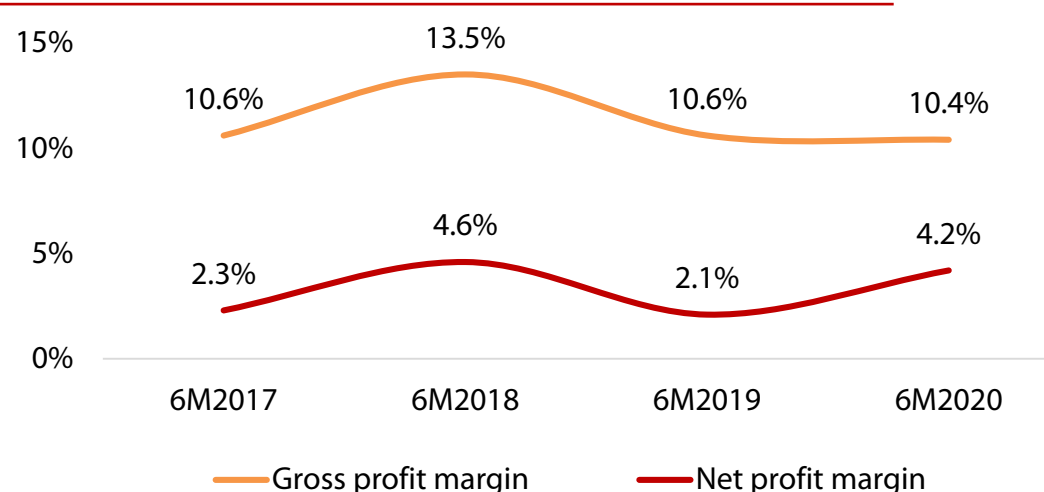
(*) Share price as of Aug 7th, 2020.

Figure 1: 6M2020 revenue and NPATMI (VND bn)



Source: MPC, Rong Viet Securities

Figure 2: Gross profit margin and net profit margin



Source: MPC, Rong Viet Securities

1H2020: Sales fell sharply due to weak consumption in the food service segment. Profits soared thanks to financial revenue and cost cutting

- Revenue was VND 5,580 bn, -26% YoY due to a decrease in volume. Material shrimp accounts for 60% of MPC's annual revenue and consumption of this segment has plummeted as restaurants, hotels, casinos, etc. were forced to suspend business in April and May in many countries. Gross profit margin was equivalent to the same period in 2019 at 10.4%.
- Financial income increased 92% YoY, financial expenses dropped 45% YoY and selling expenses decreased 40% YoY. As a result, NPATMI reached VND 236 bn, up 50% YoY.

2H2020: Export prices may come under pressure due to the recovery of global shrimp suppliers, but consumption is still low due to the complicated and unpredictable pandemic

- The company has received enough orders for production until the year end but exports will depend on the pandemic situation.
- Shrimp material is not as plentiful as in 1H. Shrimp diseases are becoming complicated, resulting in longer farming time, more feed costs and low profits. Therefore, the price of material shrimp is likely to increase from the end of 3Q. The application of new farming technology has not progressed much.

FMC – INCREASE PROFITABILITY VIA EXPANDING FARMING AREAS

INVESTMENT RATIONALE

- **Increasing shrimp farming area and changing product structure to expand profit margin**
 - o The farming area will increase from 190 hectare to 280 hectare in 2020, equivalent to the rate of self-supply material increasing from 15% to 30%. By 2025, the farming area will reach 400-500 hectare, equivalent to 50% of self-supply.
 - o The success rate is more than 90%, compared with 50-60% for the majority of farmers, thanks to own microbiological research and production. High success rate helps to reduce costs.
 - o Changing product structure: Increasing the proportion of steamed shrimp, instant fried shrimp, processed vegetables for higher selling prices.
- **Opportunities to increase sales in EU thanks to EVFTA**
 - o FMC is subject to a 10% import tax by the EU.
 - o The import tax reduction roadmap to 0% is eight years.
 - o EU market will account for up to 50% of FMC sales versus 30% now.
- **Chances to increase sales in the US due to 0% anti-dumping duty in POR 13 and US-China trade war**
 - o US market accounts for 20% of 2019 revenue. Anti-dumping duty dropped sharply (POR 12: 4.35%).
 - o Breaded shrimp capacity has increased from 3,000 tons/year to 5,000 tons/year in 2019. Breaded shrimp are exempt from anti-dumping duty in the US.
 - o US is imposing 25% import tax on Chinese breaded shrimps.

RISKS TO OUR CALL

- Oversupply from major shrimp production countries reduces export prices
- Taxes and technical barriers in markets change negatively
- Global economic crisis reduces demand

N/A

N/A

CMP (VND)	27,000
Target price (VND)	-

Cash dividend in 12 months 2,500

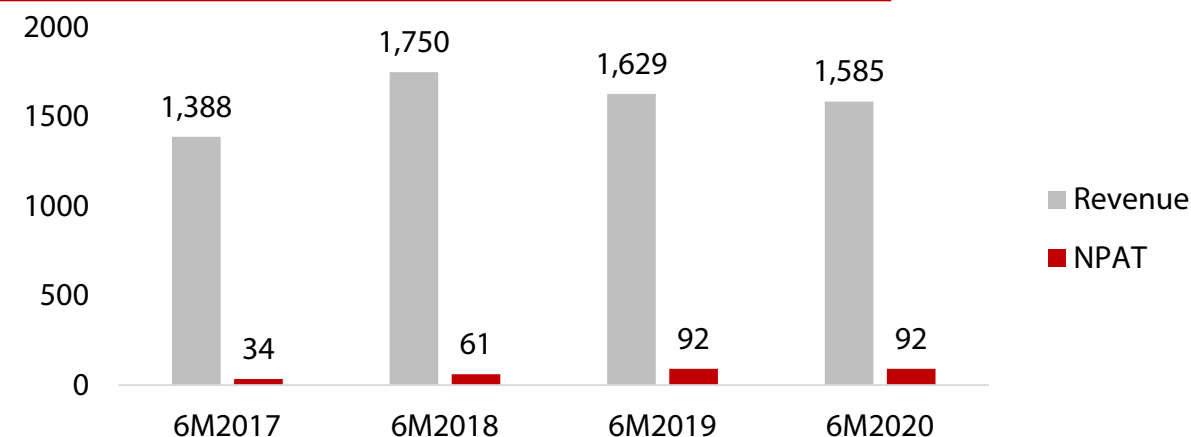
STOCK INFO

Sector	Consumer Goods
Market Cap (\$ mn)	57
Current Shares O/S (mn shares)	49
3M Avg. Volume (K)	154
3M Avg. Trading Value (\$ mn)	0.2
Remaining foreign room (%)	39.8
52-week range ('000 VND)	14.6-30.6

FORECAST	2016A	2017A	2018A	2019A
Revenue (VND bn)	3,079	3,498	3,807	3,710
Growth (%)	7.0	13.6	8.8	-2.5
NPATMI (VND bn)	102	112	180	230
Growth (%)	5.5	9.3	60.6	27.3
ROA (%)	7.6	7.4	11.5	15.2
ROE (%)	25.0	21.4	28.6	28.2
EPS (VND)	3,425	2,881	4,490	4,685
Book Value (VND)	15,855	14,723	17,138	19,141
Cash dividend (VND)	1,800	4,500	2,000	2,500
P/E (x) (*)	5.6	7.9	6.5	5.2
P/B (x) (*)	1.2	1.5	1.7	1.3

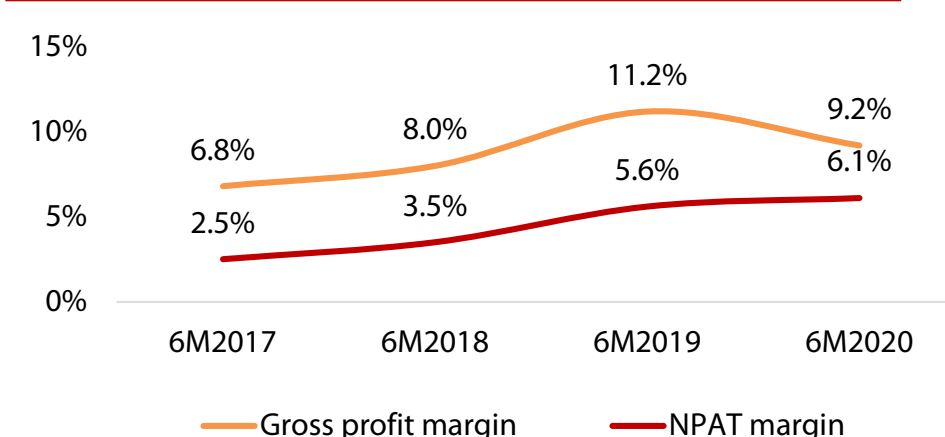
(*) Share price as of Aug 7th, 2020.

Figure 1: 6M2020 revenue and NPAT (VND bn)



Source: FMC, Rong Viet Securities

Figure 2: Gross profit and net profit margins



Source: FMC, Rong Viet Securities

1H2020: Sales were affected insignificantly by COVID-19

- o Export turnover reached USD 68.4 mn (-3.3% YoY). Net revenue was VND 1,585 bn (-2.7% YoY) and NPAT stayed flat at VND 92 bn. Shrimp and processed vegetables exports fell by 5% and 17% YoY, respectively. Selling prices gained 3% and 7% YoY, respectively. Volume did not decline much and the selling price increased as the company mostly sells to the retail channel.
- o GPM declined from 11.2% (1H2019) to 9.2% because (1) the volume of vegetables, which has higher profit margin, fell more than shrimp volume and (2) material shrimp prices rose due to hot weather and salinization in March and April. Shrimp's GPM dropped from 9.4% to 7.5%. GPM of vegetables was stable at 50%.

2H2019: Selling price is likely to fell, material shrimp price increases in the off-season 2H of the year. The proportion of self-supply material rises thanks to the new farm

- o Shrimp material is not as plentiful as in 1H. Shrimp diseases are becoming complicated, resulting in longer farming time, more feed costs and low profits. Therefore, the price of shrimp material is likely to increase from the end of Q3.
- o The company has received enough orders for production until the end of 2020 but export will depend on the pandemic situation

**BANKING INDUSTRY: Outlook hampered by the epidemic,
yet to remain constructive**

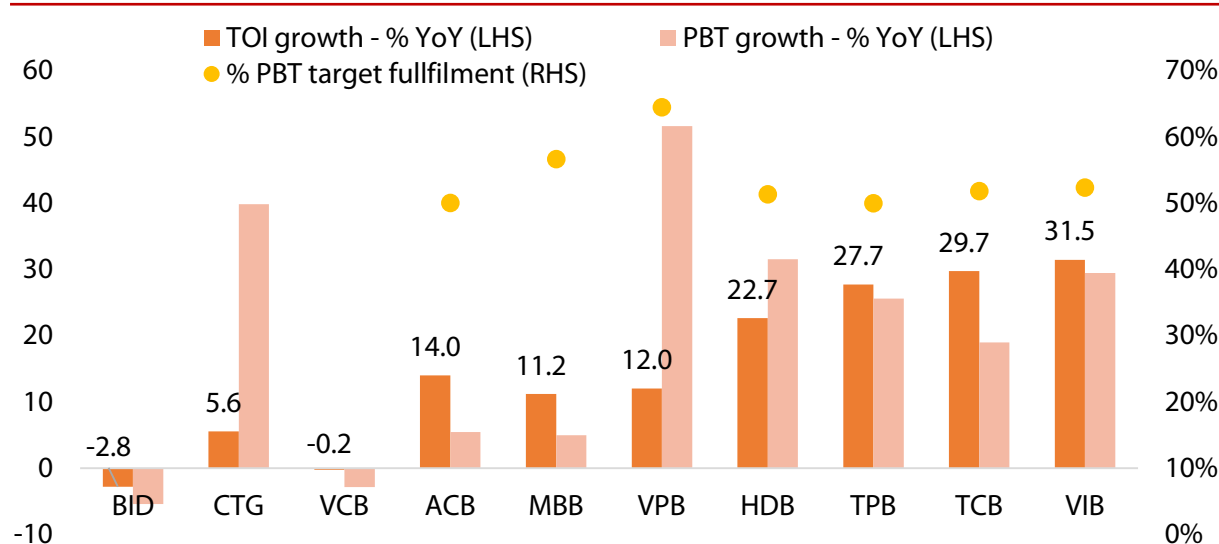
Anh Nguyen – anh2.ntt@vdsc.com.vn

Lower TOI and PBT growth

1H2020: Covid-19 has hampered growth, yet the impact is moderated...

- TOI growth at listed bank is 9.1% YoY, lower than 1H2019 (16.1% YoY). TOI was -9.6% YoY in 2Q, after a 15.2% YoY growth in 1Q. PBT growth reached 15.6% YoY, much lower than 18.4% in 1H2019. 2Q earnings grew by 15.6%, lower than 26% in 2Q2019 but much improved from 3.1% in 1Q.
- We can see that the advance booking of provision expenses in 1Q and the subsequent easing in 2Q enabled a higher 2Q PBT growth despite the downtrend in TOI.

Figure 1: YoY PBT growth of some listed banks (%)



Source: Banks' FS, Rong Viet Securities. State-owned banks' guidance are yet to be finalized/updated.

... and the influence on each bank is quite diverse so far.

- State-owned banks achieved much lower, even negative, TOI and PBT growth YoY, which is mainly attributed to weak credit expansion (see Figure 3), higher portion of corporate lending (seems to be impacted earlier and more significantly by the virus situation), and more active lending at discount rates to support distressed customers.
- Private banks still saw a moderate to high TOI and PBT YoY growth. VPB, MBB (those trying to be less aggressive than they used to be), and ACB who is a traditionally a conservative bank, saw moderate TOI and PBT growth. HDB, TPB, TCB, VIB, on the other hand showed their resilience with >20% YoY in TOI and PBT by adapting their existing strategies.
- CTG, VPB secured a leading PBT growth of 40-50% YoY, much higher than TOI's due to the saving on both OPEX and provision costs. Meanwhile, some banks such as ACB, VCB and TCB raised provisions to prepare for potential bad debt.
- All private banks in our list have fulfilled at least 50% of this year's guidance, while state-owned banks' guidance is yet to be finalized under epidemic uncertainties.

Weakening credit demand

Figure 2: Sector credit and mobilization growth (% YTD)

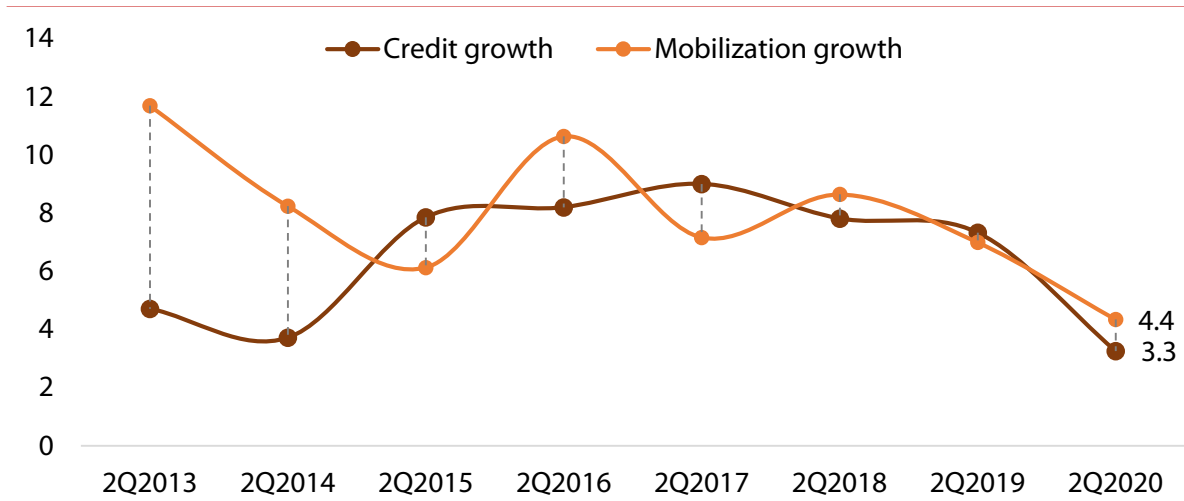
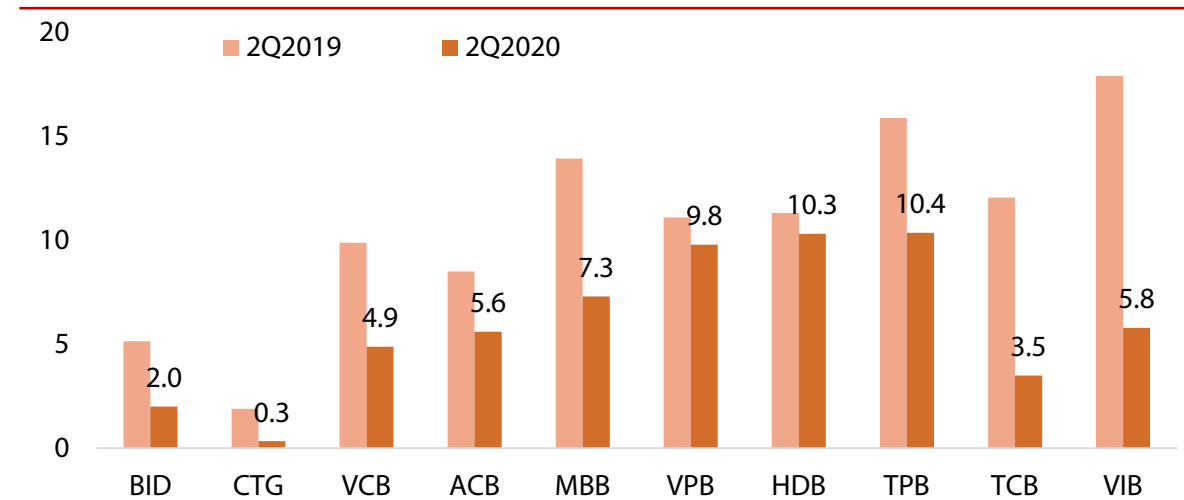


Figure 3: Credit growth at some listed banks (% YTD)



Source: Banks' FS, Rong Viet Securities.

- Upon the outbreak, the government urged banks to implement relief programs for distressed customers such as lending rate cuts and debt extension (Cir. 01/2020/TT-NHNN). It was followed by supporting measures such as extension of scope and time, policy rate cut, and credit quota top-up for banks.
- Sector credit growth in 1H2020 reached 3.26% YTD, the lowest level in recent years though somehow recovered from 1Q. As of 28 July, sector credit growth is 3.45% YTD, versus 7.13% in the same period last year.
- All banks in our list achieved a lower credit growth level than 1H2019. However, the gap at each single bank is quite diverse.
- BID and CTG came as the banks with the lowest credit growth, which might be partly due to their capital constraint and low penetration of retail lending.
- Meanwhile, VCB and private counterparts achieved decent customer lending growth ranging from 5-6% YTD. VPB, TPB, MBB saw an above-average growth owing to the strong expansion in corporate bonds. Two exceptional banks are HDB who achieved c. 10% growth in both customer loans and total credit, and TCB whose credit growth was virtually pushed entirely by corporate bonds.

BANKING INDUSTRY

Likely a credit recovery in 2H, though not too significant

Figure 4: LDR, SML and CAR of some listed banks as of YE2019 (%)

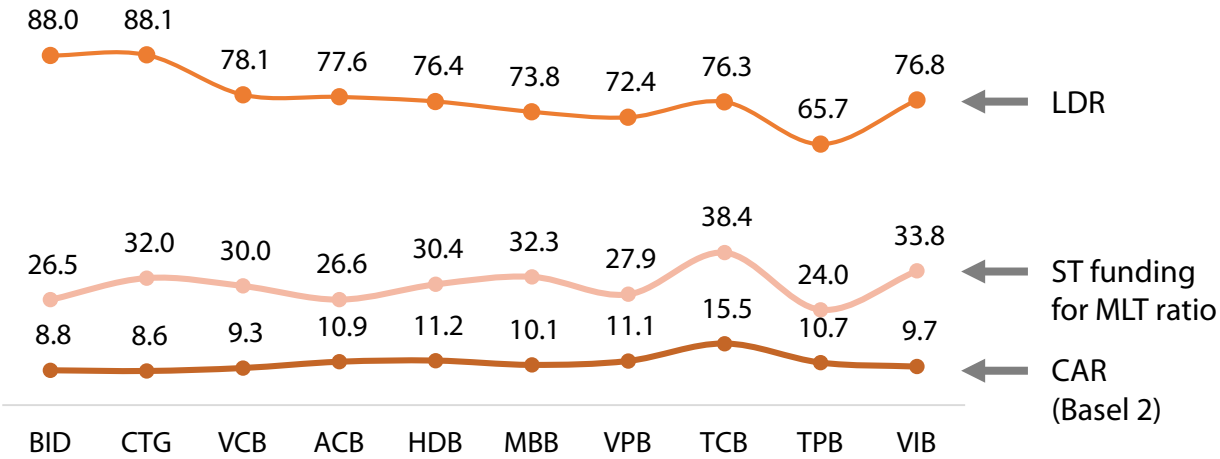
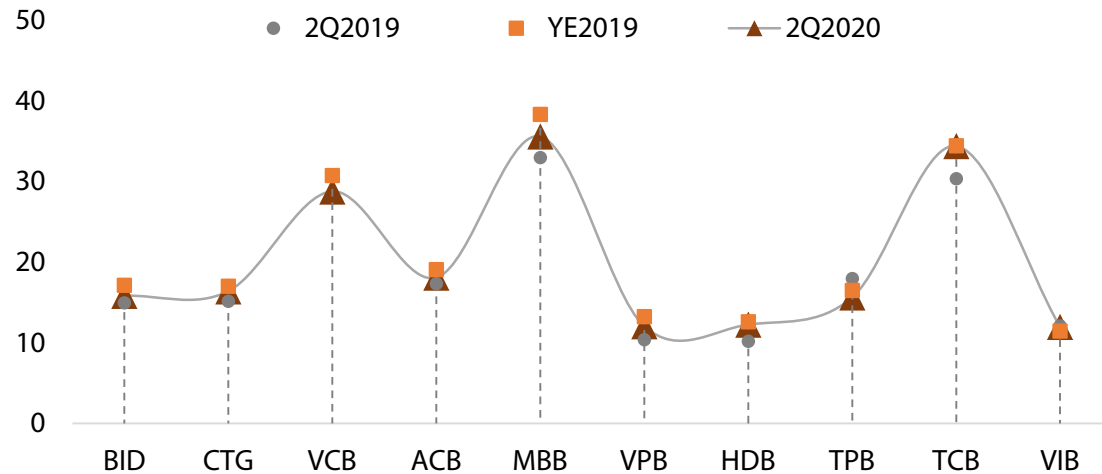


Figure 5: CASA ratio of some listed banks (%)



Source: Banks' FS, Rong Viet Securities.

Healthy liquidity reserves and capital buffers.

- Most banks, except for CTG and BID, are maintaining healthy capital adequacy and liquidity as their CAR, LDR and the ratio of ST funding for MLT as of YE2019 have well complied to SBV's requirements.
- In 2Q2020, these safety ratios even improved for many banks, such as HDB, VPB, TCB and VIB. Meanwhile, CTG and BID are having plans to raise capital and are given some more time to migrate their LDR to 85%.

An expected credit recovery in 2H, though not too significant.

- As of July, the SBV has granted additional credit limit to some private banks that already saw strong credit growth in 1H. VPB, HDB, TPB, TCB, and VIB were given c.20% as new total credit quota.
- While state-owned banks are likely to maintain a modest to moderate credit growth, credit demand can be redirected towards private banks who have prepared well to accommodate the expected credit recovery during 2H in terms of liquidity and credit quota.
- In base case, should the epidemic is confined to a cluster of provinces but not Hanoi and HCMC, or is contained within 3Q, a credit recovery in 2H can be expected. Yet we think the recovery would not be too significant and it should be challenging to achieve the target of 10% growth for the entire sector.

Pressure on net interest margin

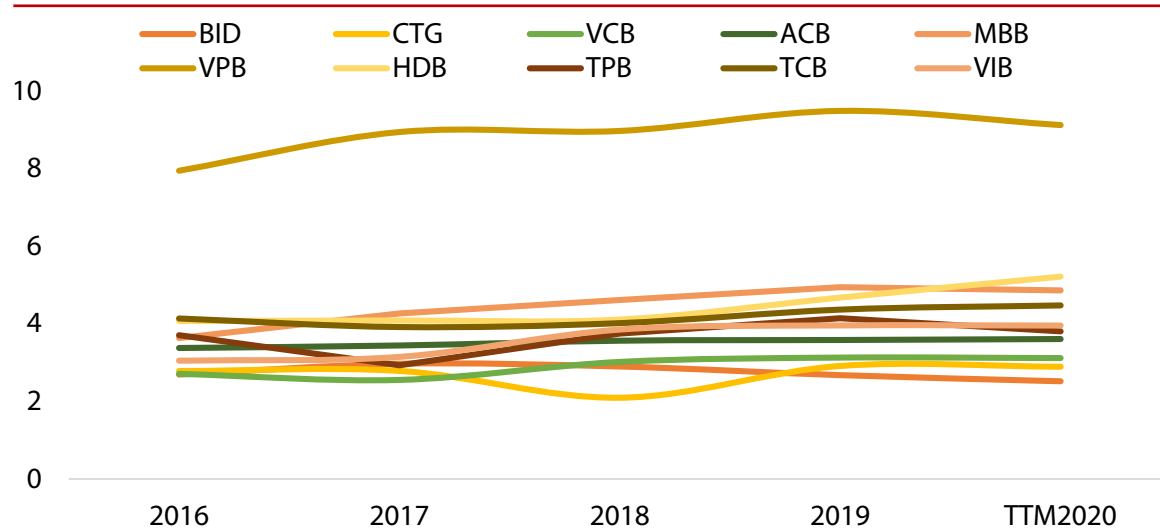
1H2020: Most banks saw their NIM flatten.

- NIM has been undermined by (1) bank's discounted interest rates to support credit demand, applied to both existing and new loans, and (2) loan restructuring for certain distressed customers leading to delay in the recognition of NII.
- The downside has been moderated by the policy rate cut of 1.0-1.5ppt and lower short-term deposit ceiling rates of 0.75ppt since Jan.

We forecast NIM 2020 to go sideways or slightly decline for most banks, mainly due to a stronger downside caused by loan forbearances than the potential upside by policy rate cuts.

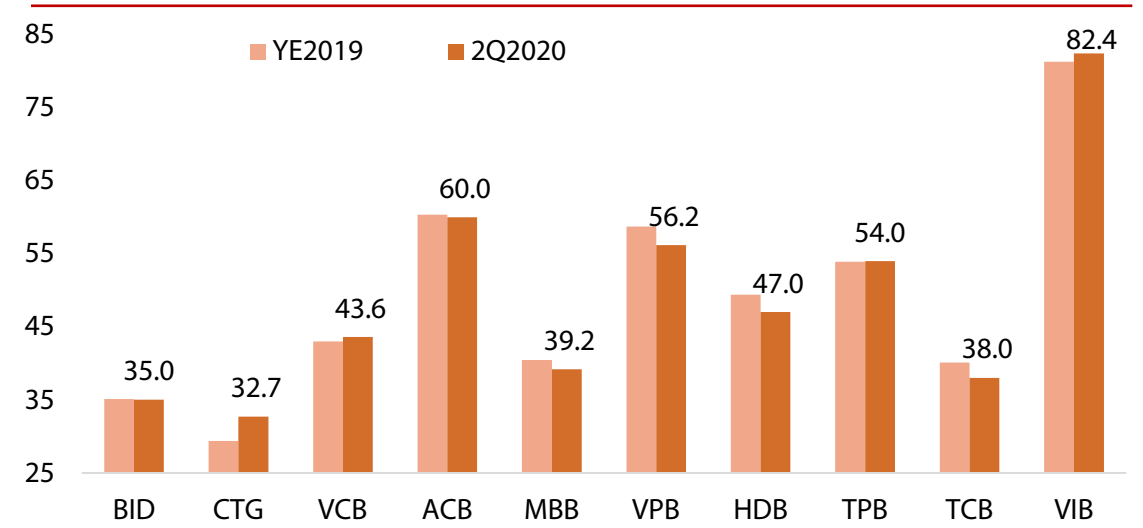
- The impact should be relatively stronger in VPB and MBB (upon their switch to defensive mode) and BID (due to the dependency on long-term bonds), yet less intensive in VCB, ACB and VIB due to their strong liquidity and the potential to improve asset allocation especially in retail segment.
- We expect some banks should still be able to increase NIM versus 2019 such as HDB (with strong asset yields expansion momentum) and TCB (with the ability to save funding cost owing to CASA strong uptrend).

Figure 6: NIM of some listed banks (%)



Source: Banks' FS, Rong Viet Securities.

Figure 7: Retail lending portion of total loan book (%)

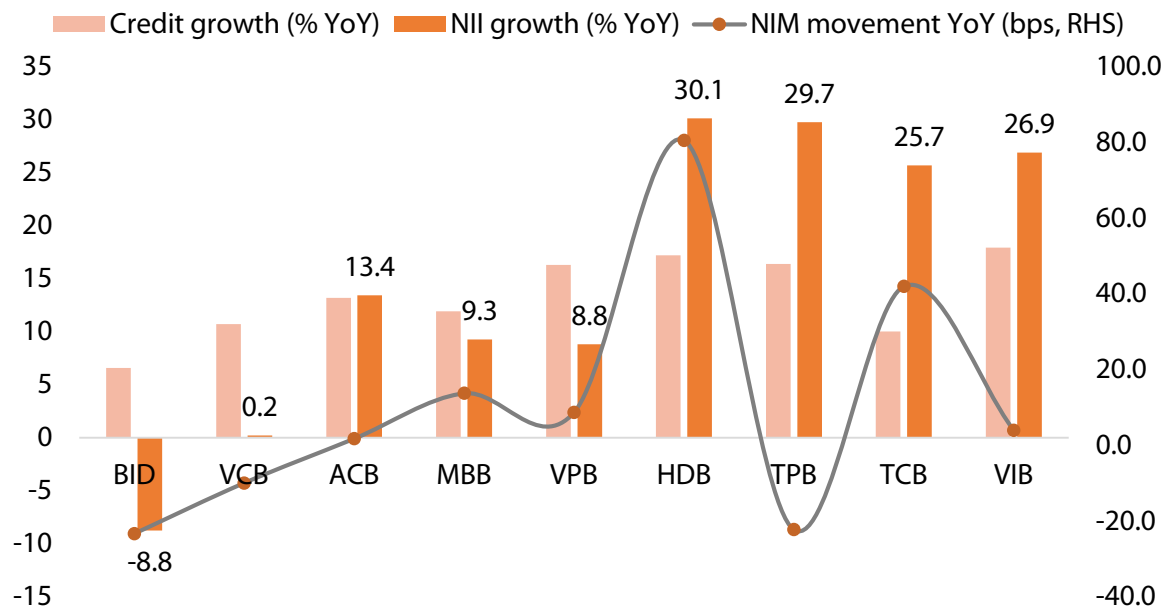


Limitation on NII growth due to slow credit growth and NIM

1H2020: NII growth has been undermined.

- Amongst listed banks, NII growth in 1H2020 has fallen to 7.2% YoY against 18.9% YoY in 1H2019. It contributed to ~76.9% of operating income (1H 2019: 78.3%) .
- Banks with strong credit growth and/or NIM movement, including HDB, TPB, TCB and VIB, still maintained a desirable NII growth momentum.

Figure 8: 1H2020 NII growth in some banks (% YoY)

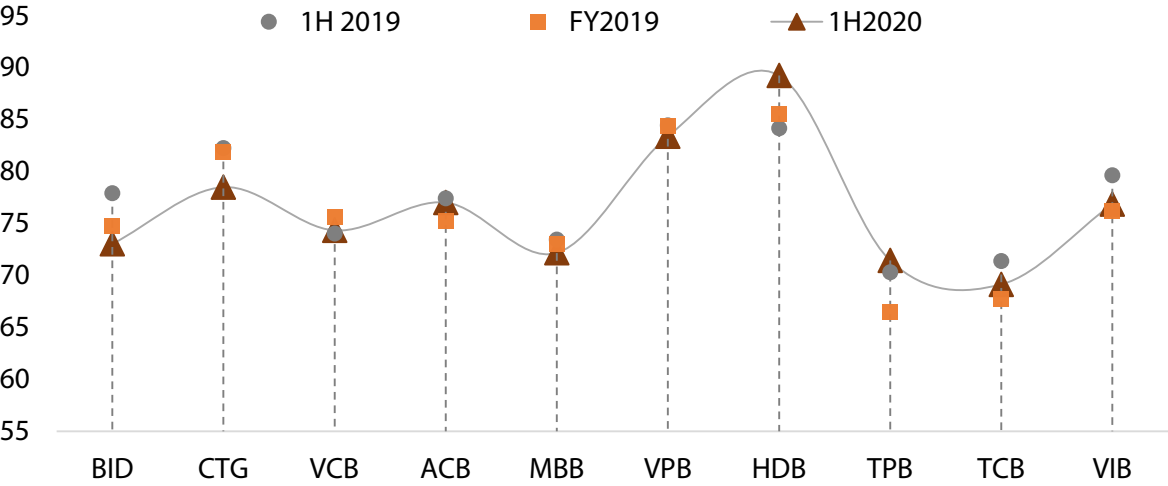


Source: Banks' FS, Rong Viet Securities.

Overall, we expect the slowdown trend to persist in 2H2020.

- State-owned banks are likely to witness a stronger pressure on NII than their private counterparts, due to lower credit growth and their more proactive roles in customer relief programs, as requested by SBV.
- Private banks should still see a decent NII growth throughout 2020 as they leverage current liquidity to accommodate a credit recovery in 2H.

Figure 9: NII's contribution to TOI (%)



Weak performance of service income

Figure 10: Service income growth (% YoY)

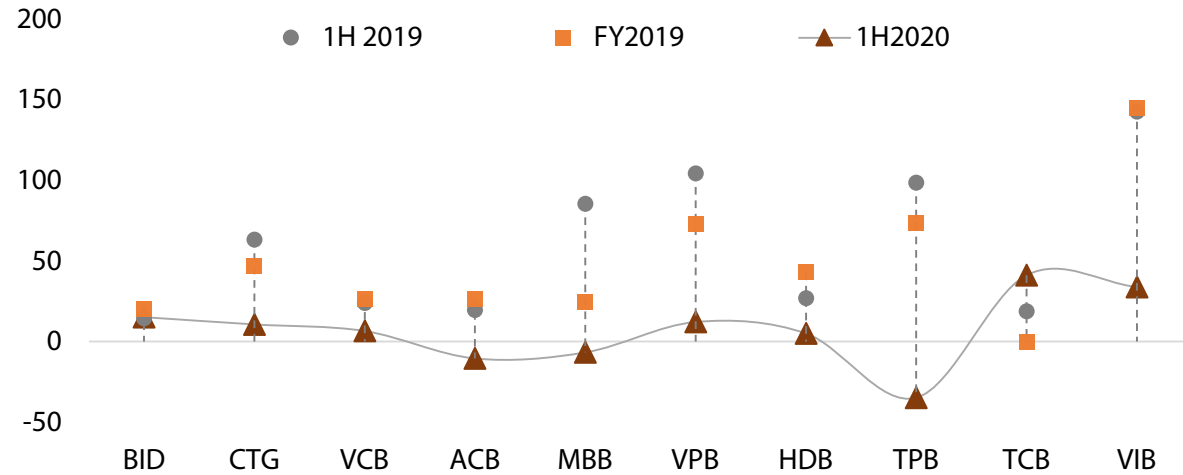
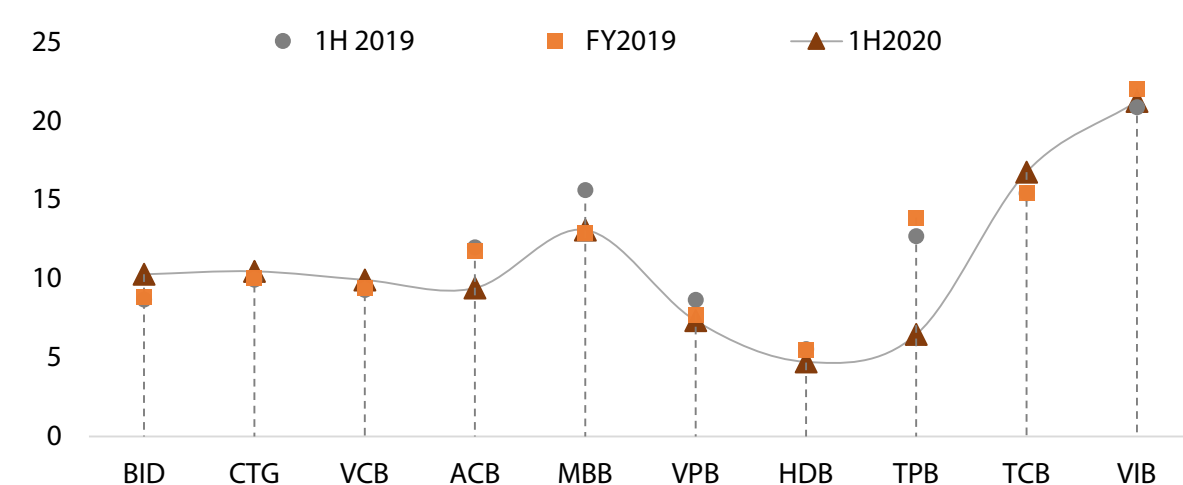


Figure 11: Service income contribution to TOI (%)



Source: Banks' FS, Rong Viet Securities.

1H2020: Service income performance has been temporarily hampered...

- Weak credit demand impact banking services thru many channels, particularly payment, insurance, trade service fee and FX gains. Net payment fee slowed down upon tariff discount, while bancassurance fee slowed down upon decline in customer traffic on counters.
- Service income in listed banks increased by 9.9% YoY, much lower than 42.1% in 1H2019, contributing to 10.6% of operating income (similar to 1H2019).
- Banks with more diverse service income structure (VPB and TCB) still successfully maintained 1H2020 fee growth of more than 40% YoY.

... yet there is still large growth potential in the long term

- Payment income is expected to grow strongly as banks focus on the retail segment and invest on digital transformation.
- Bancassurance fees should continue to see solid growth upon stronger penetration of insurance and the contribution of banca channel on total insurance premiums (especially life-insurance). See Figure 12.
- Service fee streams should become more diverse. The proportion of card service and bond service fees are expected to contribute more upon retail banking strategy and the rising importance of the bond market.

Weak performance of service income

Figure 12: YoY growth rate of banca life premiums and the contribution to total life market premium

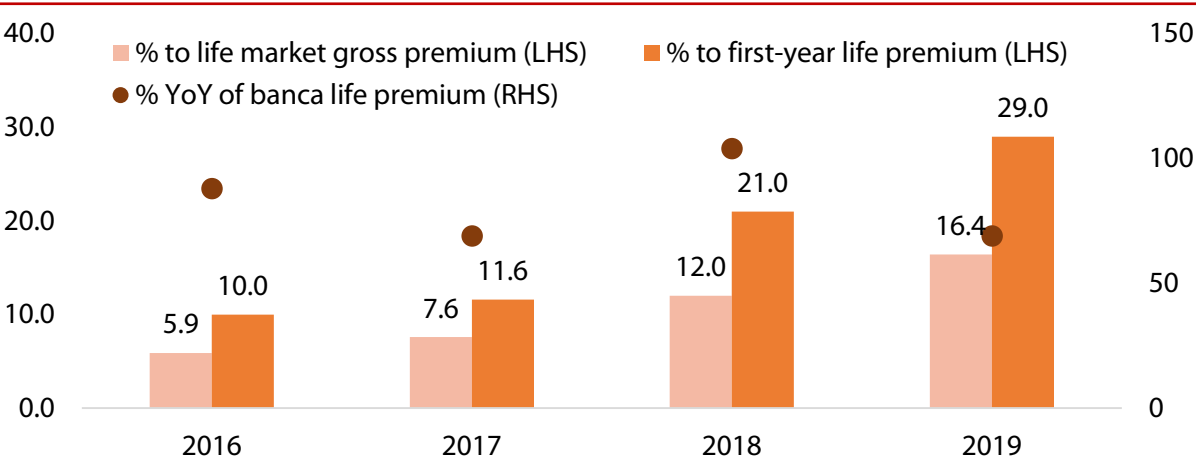
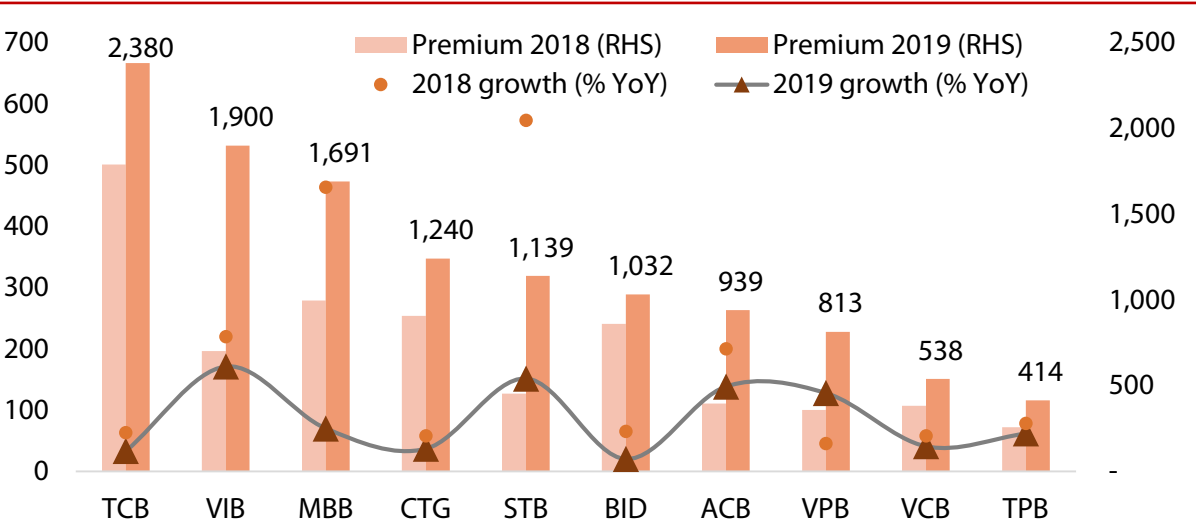
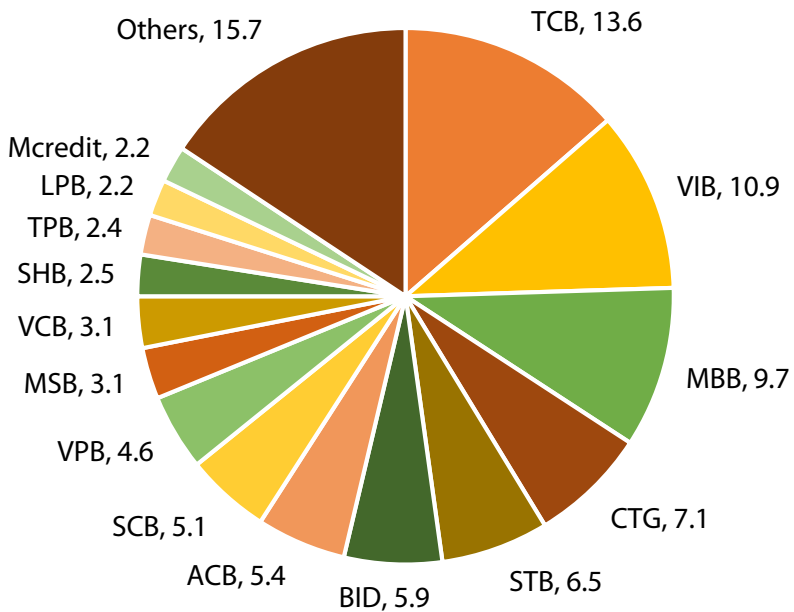


Figure 14: Banca life premiums (VNDbn) and YoY growth in some banks



Source: Vietnam Insurance Association, Rong Viet Securities.

Figure 13: Banca premium market share FY2019 (%)

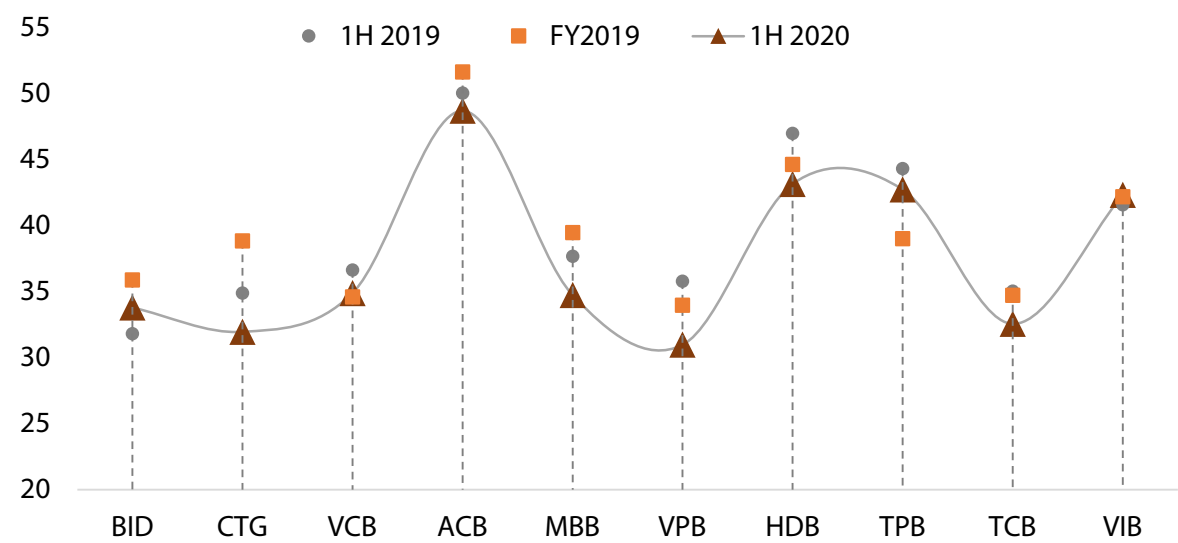


- VCB, ACB should be the next banks to post a solid bancassurance fee growth thanks to their newly signed banca agreements on the back of their large/loyal customer base. Banca fees should remain as the primary income source for these two.
- Banks seeking exclusive insurance partnerships (ACB, HDB and BID) should be able to earn a substantial up-front fee for such agreements.

Operating efficiency improvement

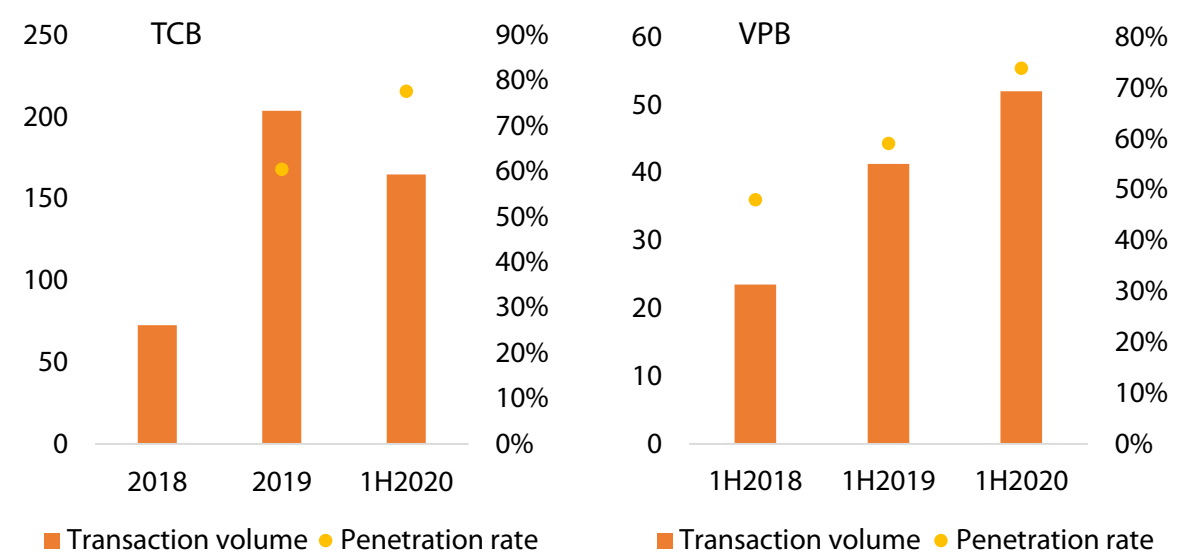
- Behavioral shift towards digital banking. The penetration of digital banking has reached a substantially higher level with the improvement most clearly seen in digital pioneers such as TCB and VPB.
- Average CIR of listed banks was reduced from 39.6% in 1H2019 to 37.8% in 1H2020 with 8/10 banks in our list seeing either stable or CIR improvement versus both FY2019 and 1H2019, implying more effective operations. We expect this trend to continue in 2020, but the improvement is unlikely to be too significant as banks still need to keep investing in digital banking to capture the expansion of CASA and non-cash payment. For the case of BID, the bank is in need to upgrade its core banking system, which is expected to weigh on the bank's CIR for at least two years before normalization.
- We expect the positive impact on operating expenses to become more significant in the long-term upon customer acquisition and behavioral shift, starting with heavy investors in digital transformation, including VPB, TCB, TPB and ACB.

Figure 15: CIR at some listed banks (%)



Source: Banks' FS, Rong Viet Securities.

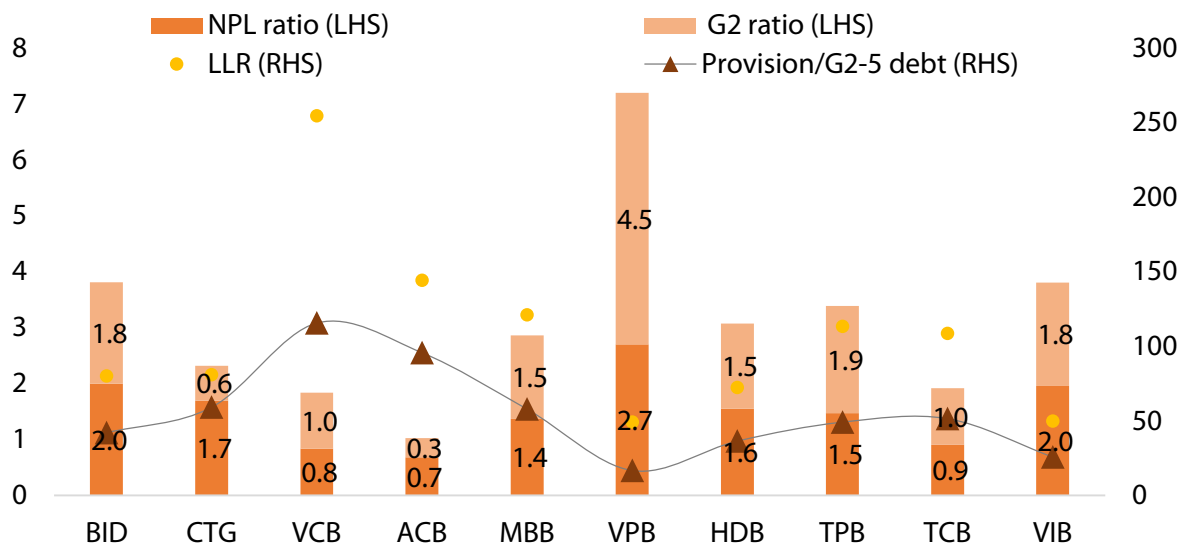
Figure 16: E-banking volume and penetration rate at TCB and VPB (%)



Covid-19 impact has been partly reflected in asset quality

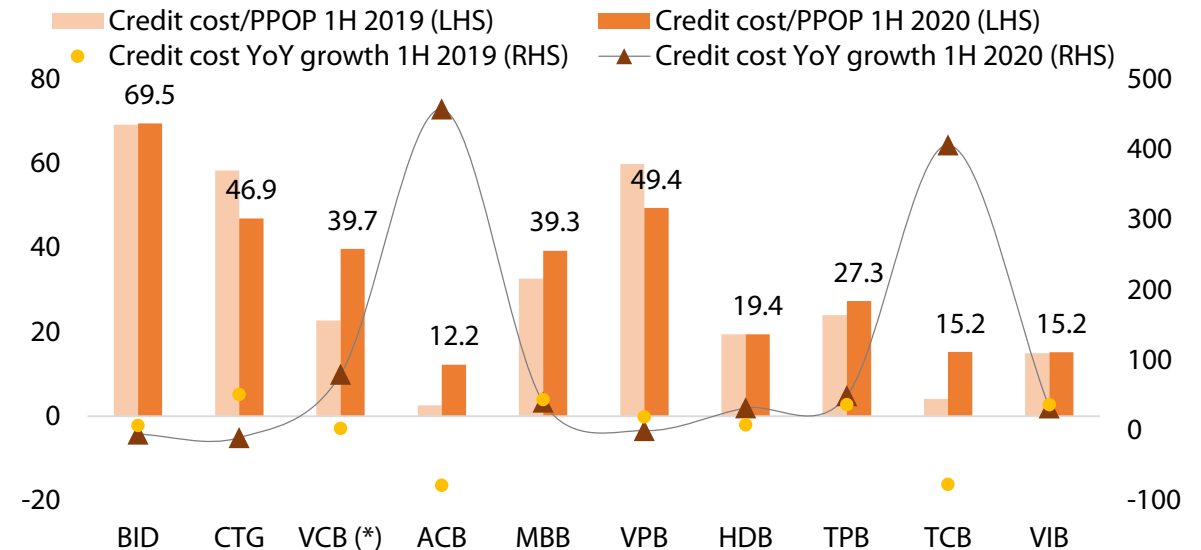
- As of June, restructured loans due to Covid-19 were worth 2% of total loans for the sector. Most banks in our list announced this portion ranging from 3-4%; only VPB reported the a higher portion of 10.4%.
- The initial impact of Covid-19 on asset quality can be seen in the average NPL ratio of listed banks which has moved up from 1.7% at YE2019 to 2.0% at 2Q2020 and Group 2/gross loans ratio from 1.5% to 1.7%. However, these banks only increased provision expenses by 11.2% YoY (vs 15% YoY in 1H2019) with the strongest YoY surge most clearly at ACB, TCB (+c. 400%) and VCB (+c. 80%). Average LLR improved from 83.1% to 87.5%.
- Provision costs in 2H are likely to ease at TCB (with much more room for NPL and LLR accumulated during 1H), ACB and VCB (with an exceptional LLR level). However, we expect the burden to escalate for the remaining banks, where the impact is delayed owing to loan extension instructions. Our expectation is that VIB, CTG and MBB - those seeing the most unfavorable movement in asset quality during 1H - will see their provision cost in 2H2020 affected the most.

Figure 17: NPL + G2 ratio and provision coverage (%)



Source: Banks' FS, Rong Viet Securities. (*) excluding VND1.9Tn (USD 85mn) provision reversal of VCB in 1H2020

Figure 18: YoY growth of provision expense (%)



Capital raising/listing plans

Capital raising plans:

- BID has a plan to make public offering/private placements of up to 8.5% capital to foreign investors in 2020/2021.
- CTG has a plan to raise capital by stock dividends, yet this must wait until the relevant regulation amendment is finished.
- SBV has asked banks to delay cash dividends so that they would have more resources to support distressed customers. As such, most of other banks also have capital raising plan from bonus share/stock dividends.

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.
- ACB, VIB and LPB have announced their plan to transfer their listings to HSX by late 2020/early 2021. Other banks who also have listing plans are OCB, An Binh, Maritime, and Nam A Bank.
- Agribank is to be equitized by 2020, yet some procedures are still pending.

	2019 Charter capital (VND bn)	% of capital raising	2020E charter capital (VND bn)	2020 capital raising plan
VCB	37,088	24.5%	46,175	18% through stock dividend, 6.5% through private placement
BID	40,220	13.2%	45,549	7% through stock dividend, 8.5% through public offering/private placement
CTG	37,234	16.2%	43,275	Through stock dividend or retaining earnings
TCB	35,001	0.14%	35,049	0.14% through ESOP issuance, face value VND10,000
MBB	23,727	18.0%	27,988	15% through stock dividend
VPB	25,299	0.67%	25,470	0.672% through ESOP issuance
ACB	16,627	30.0%	21,615	30% through stock dividend from undistributed earnings in Aug
HDB	9,810	65.0%	16,187	30% through stock dividend from undistributed earnings, 15% through bonus shares from equity surplus
VIB	9,245	20.0%	11,094	20% through stock dividend
TPB	8,566	19.1%	10,199	20% through stock dividend

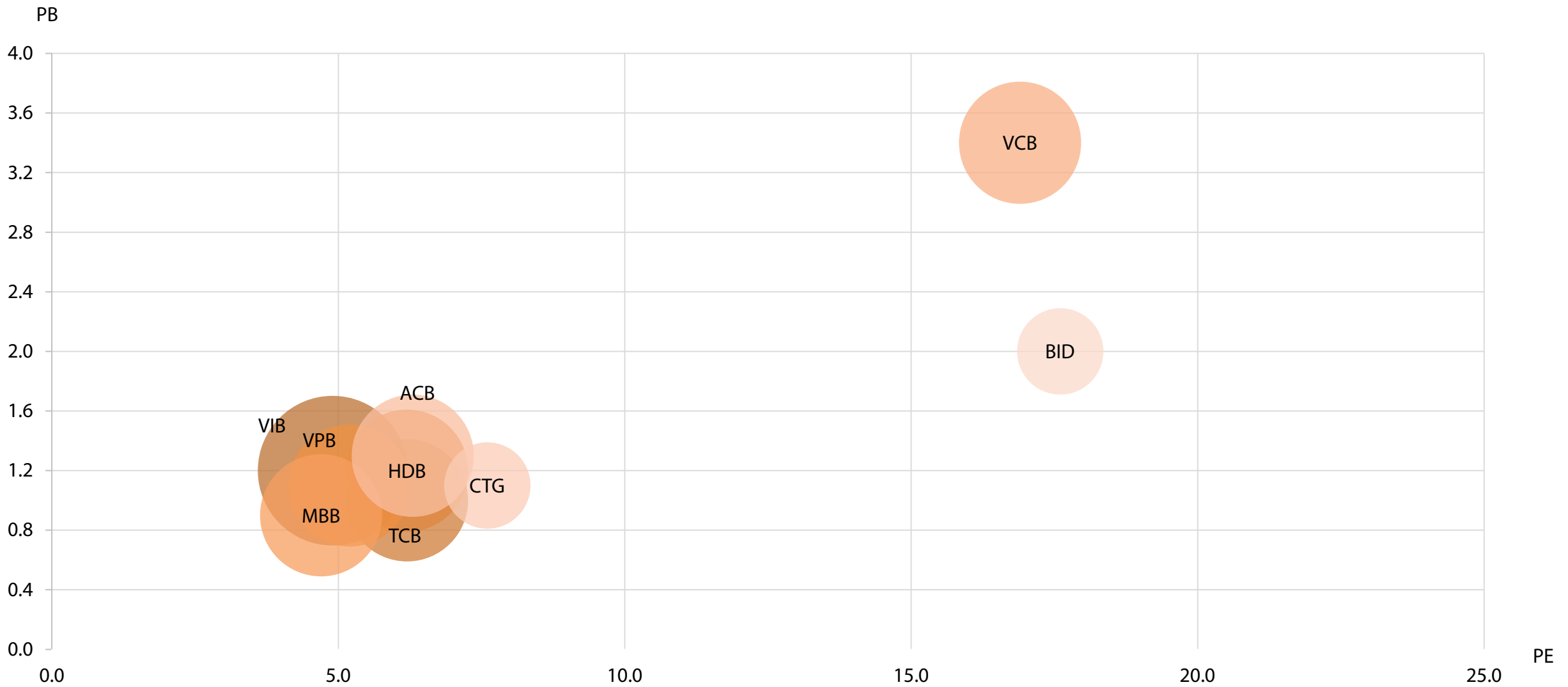
BANKING INDUSTRY

Industry comparable (1H 2020)

Ticker	Credit growth (% YTD)	Net interest Income Growth (% YoY)	Net Interest Margin (TTM - %)	Service Income Growth (% YoY)	CIR (%)	Provision Expense Growth (% YoY)	NPL ratio (%)	TOI Growth (% YoY)	PBT growth (% YoY)	Return on Assets (TTM - %)	Return on Equity (TTM - %)	Trailing PE (x)	Trailing PB (x)	Trailing DY (%)
ACB	5.6	13.4	3.6	-10.6	48.7	457.3	0.7	14.0	5.4	1.6	21.7	6.9	1.3	0.0
BID	2.0	-8.8	2.5	15.0	33.8	-5.6	2.0	-2.8	-5.4	0.6	11.2	17.6	2.0	0.0
CTG	0.3	0.2	2.9	10.5	31.9	-10.6	1.7	5.6	39.8	0.9	14.3	7.6	1.1	0.0
MBB	7.3	9.3	4.9	-6.8	34.7	40.0	1.4	11.2	5.0	0.7	19.3	4.7	0.9	3.7
VCB	4.9	0.2	3.1	6.4	34.9	20.9	0.8	-0.2	-2.8	1.5	21.3	16.9	3.4	1.0
VPB	9.8	7.0	9.1	36.9	31.0	-0.6	2.7	12.0	51.6	2.6	23.0	5.2	1.1	0.0
HDB	10.3	30.1	5.2	4.9	43.1	31.6	1.6	22.7	31.5	1.8	19.6	6.2	1.2	0.0
TPB	10.4	29.7	3.8	-34.9	42.7	49.1	1.5	27.7	25.6	2.0	25.7	5.1	1.2	0.0
TCB	3.5	25.7	4.5	41.1	32.5	406.1	0.9	29.7	19.0	2.8	17.2	6.2	1.0	0.0
VIB	5.8	26.9	4.0	33.7	42.3	31.7	2.0	31.5	29.5	2.0	26.7	4.9	1.2	2.9

Source: Banks' FS, Rong Viet Securities.

Industry comparable



Source: FiinGroup, Rong Viet Securities. Size of the bubbles: ROE.

VPB – A HIGH RISK APPETITE RETAIL BANK

INVESTMENT RATIONALE

The ability to maintain a desirable NII growth especially upon the virus containment

- VPB should be able to maintain a sector-leading credit expansion owing to its low leverage, strong capital and early adoption of all three Basel 2 Tiers.
- It also has ample room to improve NIM owing to a healthy liquidity (LDR at <75% and the ratio of ST fund for MLT loans at <30%, both quite far below regulatory thresholds).
- FE Credit (FEC) with a focus to shift to credit card lending, should be able to lower direct disbursement ratio to satisfy Circular 18/2019/TT-NHNN, though both lending and margin growth can slowdown. We expect FEC's loan growth to recover to >10%/year upon the virus containment.

A diversified service fee structure for more sustainable growth

- The current service fee structure of VPB is quite diverse with equally significant contribution from payment fees, insurance commissions, card fees and other income.

A leading bank in terms of operation efficiency

- VPB launched its digital projects quite soon compared to peers. It has set a vision to become the most consumer friendly bank through technology by 2022.
- With a decent investment in technology, VPB holds the most desirable CIR amongst banks in our coverage. We expect that the bank would be able to continue its CIR improvement thanks to intensive digital transformation efforts.

RISK TO OUR CALL

- Downside risks include (1) worsen situation of Covid-19 that hampers the economic recovery, leading to unpredicted high NPLs and credit costs, (2) the reduction of cash loan proportion (due to Circular 18) that affects FEC's loans growth and NIM more negatively than expected.
- Upside risks include the plan of IPO/strategic placement of FEC (which would not be earlier than in 2Q2021).

BUY

+25%

CMP (VND)	21,250
Target price (VND)	26,500

Cash dividend in 12 months 0

STOCK INFO

Sector	Banks
Market Cap (\$ mn)	2,236
Current Shares O/S (mn shares)	2,438
3M Avg. Volume (K)	5,759
3M Avg. Trading Value (\$ mn)	5.7
Remaining foreign room (%)	0.0
52-week range ('000 VND)	16-29.3

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	31,086	36,356	40,007	46,066
Growth (%)	24.2	17.0	10.0	15.1
NPATMI (VND bn)	7,356	8,260	9,568	11,971
Growth (%)	14.2	12.3	15.8	25.1
ROA (%)	2.4	2.4	2.3	2.5
ROE (%)	22.8	21.5	19.7	19.4
EPS (VND)	3,025	3,397	3,925	4,911
Book Value (VND)	14,289	17,357	22,542	28,024
Cash dividend (VND)	0	0	0	500
P/E (x) (*)	6.6	5.9	5.4	4.3
P/B (x) (*)	1.4	1.2	0.9	0.8

(*) Share price as of Aug 7th, 2020.

Figure 1: Lending structure - VPB parent

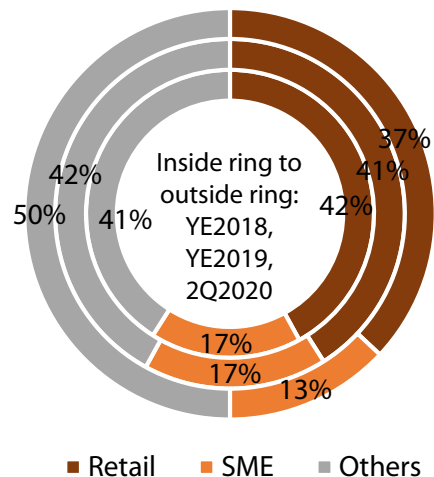


Figure 2: Lending structure - FE Credit as of 2Q2020

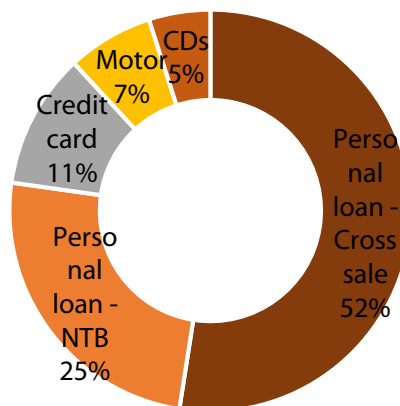
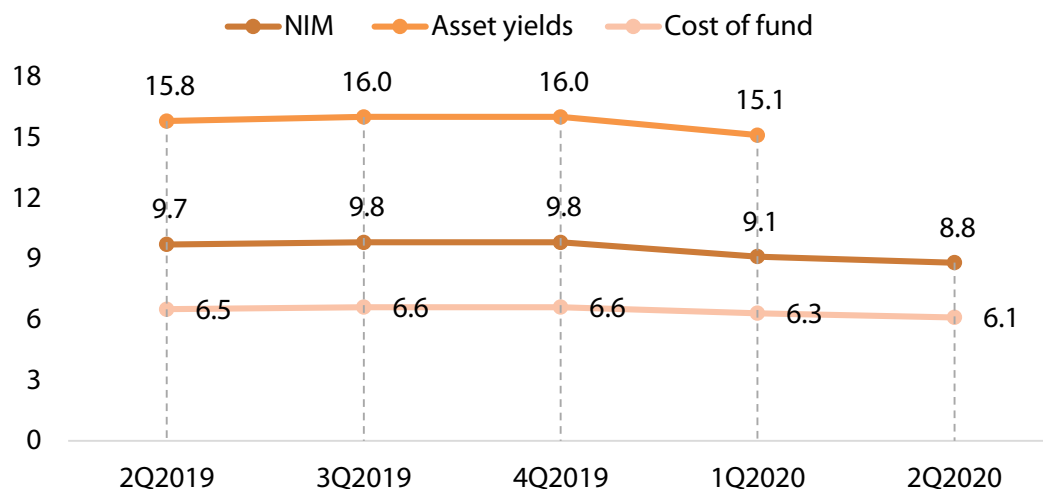


Figure 3: Consolidated NIM, IAE yields & funding cost (% TTM)



Source: VPB, Rong Viet Securities

VPB reported solid results in 1H2020 with PBT of VND 5.3Tn (USD 230mn, +51.7% YoY), of which FEC only contributed 37% (vs. 45% in 1H2019). The strong consolidated earnings growth was driven by the containment of both OPEX (-3.0% YoY) and provision charges (-0.6% YoY) while TOI rose by 12% YoY with the support of both NII and non-NII.

Tightened disbursement and forbearance measures decelerated NII (+8.8% YoY)

- Consolidated loan growth reached 5.0% YTD (+9.1% YoY), driven by respectively +7.0% and -0.5% growth in the parent bank and FC. A surge of 95.5% YTD in corporate bonds balance lifted consolidated credit growth to 9.8% YTD (+16.2% YoY).
- FEC's loan book was VND60Tn (USD 2.6bn, 20% of consolidated loans), mostly flat YTD likely upon the effort to reduce exposure to the new-to-bank segment. The regulatory direct disbursement ratio is currently 61%, well below the threshold (70%). As per VPB, the credit mix is still on track to lower this ratio to less than 30% by 2023.
- NIM moved down to 8.8% (FY2019: 9.7%) because of customer relief measures as well as the step back in unsecured lending. It seems that the policy rate cut had a meaningful impact on the cost of fund as it declined to 6.1% (-40bps YoY, -20bps QoQ).

NIM is likely to drop in 2020 as (1) Covid-19 forbearance measures and (2) the more prudent approach applied during the virus situation. This should be moderated by the parent bank's ability to maintain its sector-leading credit growth, especially upon a credit quota lift to 21.5% vs the initial one of 13%.

We expect NIM to bounce back after the outbreak. Once the virus impact is over, we believe VPB would still be able to (1) maintain a strong credit expansion owing to strong capital, and (2) have ample room to turn NIM around with a healthy liquidity (LDR at 70.8% and the ratio of ST funding for MLT loans at 26.4%).

Figure 4: Parent bank's fee income components 1H2020 (VND bn)

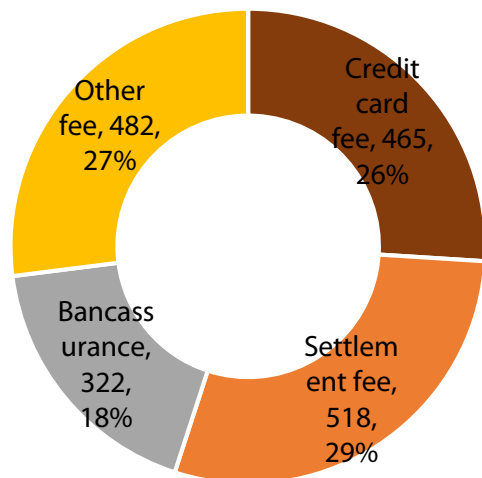
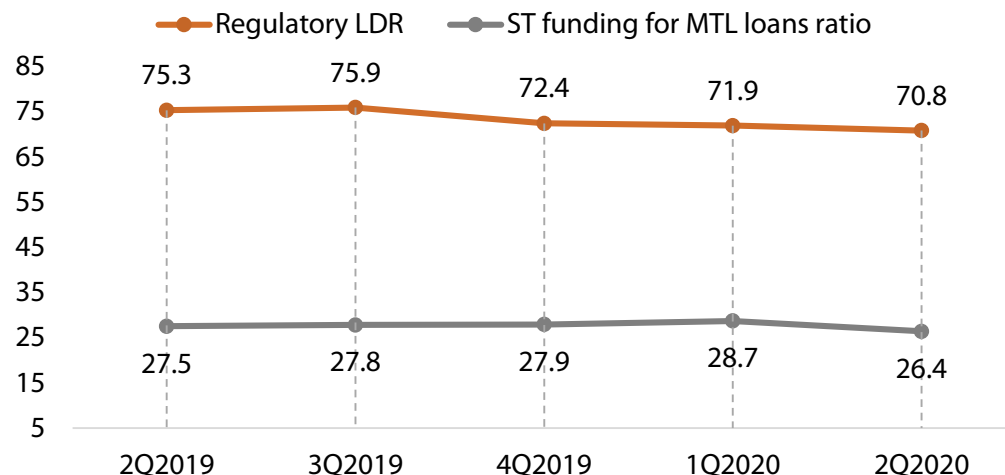


Figure 5: LDR and ST funding MTL loans ratio – parent bank (%)



Source: VPB, Rong Viet Securities

Non-NII showed resilience in most activities.

- The expansion trend in bancassurance fee was interrupted by a decline of 13.1% YoY in 1H. In particular, the drop of 20.1% YoY in FC's banca fee has outweighed the expansion of 13.9% YoY at the parent bank. This drop can be attributed to lower consumer loan disbursement at FEC by -36.3% YoY in 1H.
- Nevertheless, a substantial expansion in payment (+85.2% YoY) and other service fees (+33.2% YoY) have secured total net fees of VND 1,383bn (USD 60mn, +12.0% YoY, driven by the parent bank). We expect payment fees to grow significantly in 2020 though it would level off under transfer fee forbearance.
- Non-NII was also pushed by a surge of 156.6% YoY in securities trading gains and 36.9% YoY in recovery income.

We hold the view that service income outlook is still strong in the long term given the bank's current diverse fee structure amongst proactive digitalization exercises.

Efficiency to stay high, CIR remained as the lowest amongst our coverage.

- 1H2020 CIR was dragged to 31.0% (-4.8ppt YoY) as OPEX reduced by 3.0% YoY, with most of the cost items staying flat. Higher efficiency was achieved by both the parent bank (normalized CIR -8.7ppt YoY) and to a greater extent at FEC (CIR -1.3ppt YoY).
- VPB has a vision to become the most consumer friendly bank through technology by 2022 with a digital transformation. The ratio of digital transaction penetration has constantly climbed to 73.9% 1H2020. We expect the bank's operating efficiency to benefit from both the internal leaner processes and customer behavior transition towards online channels. As such, CIR should stay at a desirable level in the sector.

Figure 6: NPL and LLR ratio (%)

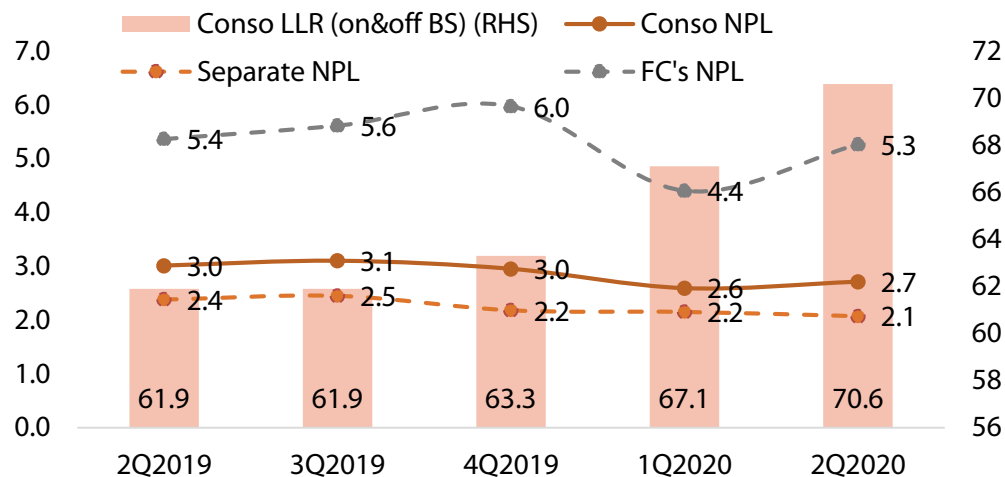
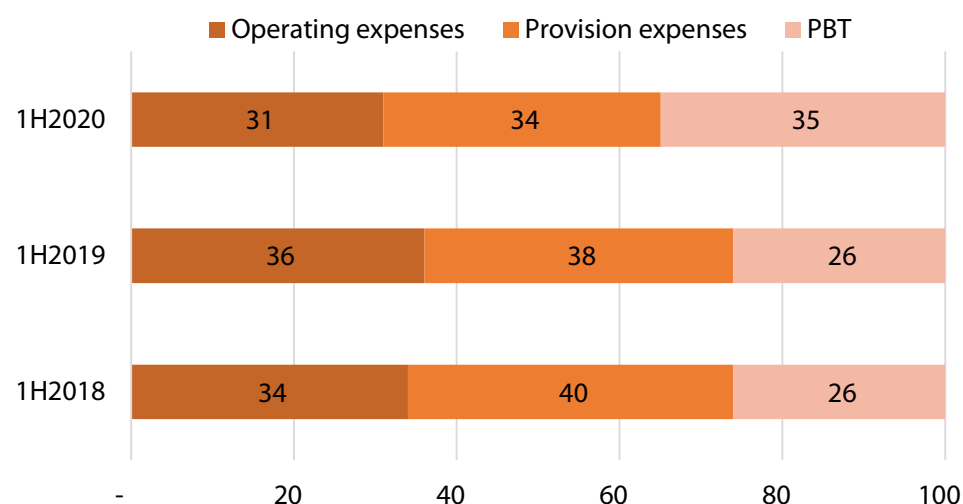


Figure 7: Consolidated TOI components (%)



Source: VPB, Rong Viet Securities

Asset quality remains stable in 1H, which reduced worries on VPB's vulnerability

- Overall, credit quality metrics were contained during 1H. Consolidated NPL dropped to 2.7% (-24bps YTD). The NPL ratio was down -11bps YTD to 2.1%. FEC's NPL ratio stayed at 5.3%, flat vs. 2Q2019 but improved from 6.0% at YE2019.
- LLR (added back write-off) stayed at 70.6%, down vs YE2019 but improved vs. 1H2019. The annualized consolidated write-off ratio was at 4.6%, unchanged vs. 1H2019 but decelerated vs. 4.9% in FY2019 and 5.5% in 1Q2020.
- 1H2020 consolidated credit costs net recovery eased to 2.71% vs. 3.0% at 1H2019 & FY2019. The pattern was similar at the parent bank.
- VPB has accumulated some more room for NPL and LLR against probable asset quality deterioration in the upcoming quarters. The only red flag was a 116-bps increase in the ratio of consolidated G2 debt/gross loans, of which, per VPB, a substantial part should be reverted to standard loans upon schedule compliance.
- We still note that as a bank with higher Covid-19 restructuring portion so far (10.4% loan book), of which only 41% is secured, VPB is still under a higher risk of severe Covid-19 impacts than peers. We expect the bank to accumulate more provision buffer till year end; however, the impact on provision cost vs. FY2019 should not be significant owing to the absence of VAMC provisions (worth VND 1Tn in 2019).

Overall, high growth outlook is still intact. The steadiness in the bank's activities, coupled with low leverage (asset leverage of 8.9x) and strong capital (CAR Basel II at 11.3%) should allow VPB to withstand the epidemic situation. Longer term, we expect that the overall growth outlook should remain positive when the pandemic impact is over, and VPB would still be able to achieve a higher growth than the sector's average.

TCB – A SOLID MODEL

INVESTMENT RATIONALE

A clear strategy and exceptional capitalization to capture growth.

- TCB implemented 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. It has successfully built a solid balance sheet, with a focus on lower risk segments, such as high-income group, working capital borrowers, and collateralization.
- With the highest CAR in the sector (16.9%) and healthy liquidity, TCB possesses a very strong capital base to accommodate potential growth opportunities.

The most diversified service income stream, which provides a sustainable fee growth.

- TCB has successfully build its market leader position in several areas of retail banking for years: banca premiums (13.6% market share in 2019, #1 since 2016), retail bond brokerage (80% market share) and Visa card transaction volume, which contribute to significant fee growth potential.
- Service fees contribute to more than 15% of TOI, highest amongst the industry.

Focus on enhancing digital experience.

- Thanks to the Zero fee and 1% unlimited cash back policy, CASA improved constantly to 34% since 2016 (22.7%), which supported funding cost improvement.
- This might limit net payment fee growth in the short term yet in long-term would provide benefits including (1) the shift of customers to digital banking, (2) saving on OPEX and (3) customer loyalty reinforcement.

RISK TO OUR CALL

- Downside risks included the dependency on some large clients (especially in real estate) as well as related mortgage loans.
- Upside risk includes ROE improvement thru shares buy back or cash dividends.

BUY

+23%

CMP (VND)	19,150
Target price (VND)	23,500

Cash dividend in 12 months 0

STOCK INFO

Sector	Banks
Market Cap (\$ mn)	2,893
Current Shares O/S (mn shares)	3,500
3M Avg. Volume (K)	4,507
3M Avg. Trading Value (\$ mn)	4.0
Remaining foreign room (%)	0.0
52-week range ('000 VND)	14-25.5

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	21,068	25,408	29,738	34,272
Growth (%)	14.8	20.6	17.0	15.2
NPATMI (VND bn)	10,075	11,905	14,817	17,350
Growth (%)	19.1	18.2	24.5	17.1
ROA (%)	2.9	3.0	3.4	3.5
ROE (%)	17.7	17.5	18.3	17.9
EPS (VND)	2,836	3,358	4,190	4,914
Book Value (VND)	17,734	21,052	25,285	30,242
Cash dividend (VND)	0	0	0	0
P/E (x) (*)	8.3	6.3	5.0	4.3
P/B (x) (*)	1.2	1.0	0.8	0.7

(*) Share price as of Aug 7th, 2020.

Figure 1: Loan structure

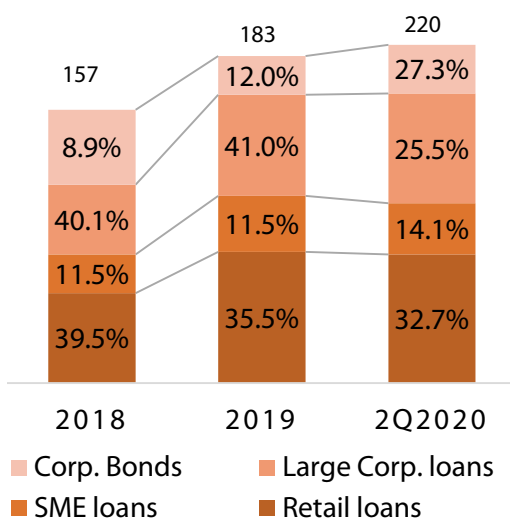


Figure 2: Retail loan structure

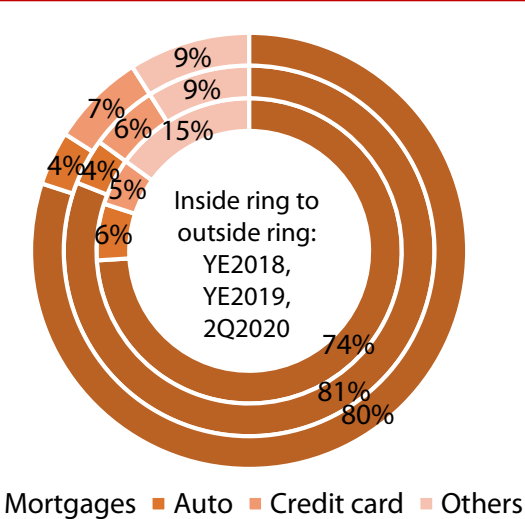
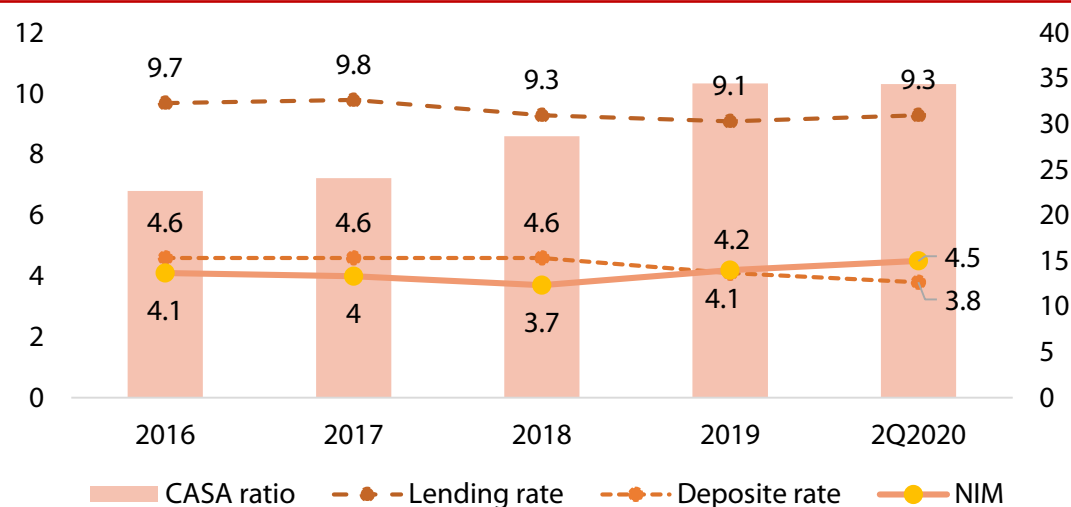


Figure 3: TCB's lending rate, deposit rate, NIM and CASA (%)



Source: TCB, Rong Viet Securities

TCB reported a solid TOI expansion of +29.7% YoY owing to a +25.7% YoY growth in NII and a +39.9% YoY in fee income. Provision expenses rose by +406.1% YoY and OPEX +20.6% YoY, leading to a +19.0% YoY growth in PBT.

NII achieved strong growth in 1H (+25.7% YoY) owing to NIM expansion from 4.2% (2019) to 4.5% (1H2020). Lending rate reached 9.3% (vs. 9.1% in FY2019), while the deposit rate was reduced to 3.8% (from 4.1% in FY2019).

- Wholesale loans grew by +3% YTD while SME loans -7.8% YTD and retail loans -1.9% YTD, mostly flattening total customer loans (+0.4% YTD). Retail loans are primarily constituted by mortgages (80%) and affluent segment (63.5%). The SME loans continues to focus on working capital (83% portion). Meanwhile, total credit growth reached 3.5% YTD due to a 25% YTD increase in corporates bonds balance.
- Total mobilization expanded by 9.9% YTD, outpacing credit, to prepare for the bank's expected credit recovery in 2H upon the resume of housing projects launches. The CASA ratio bounced back to 34.4% (same level with YE2019) after a decline to 32.2% in 1Q. Our estimates showed that TCB (along with MBB) are the only banks in our coverage that can lower funding costs in 1H2020 vs. FY2019.

NII growth to remain decent in 2020.

- TCB belongs to a group that has received the most generous credit top-up by SBV, which means the new quota should be at least 20%. This should provides more flexibility to cope with the expected credit recovery in 2H, though actual credit growth should still depend on Covid-19 containment.
- We expect NIM to improve slightly vs. FY2019 considering current liquidity advantages as lower funding costs will likely override lower lending rates.

Figure 4: Fee income & FX income components 1H2020 (VND bn)

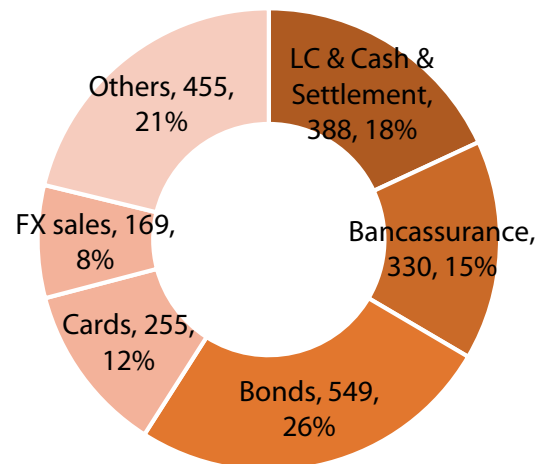
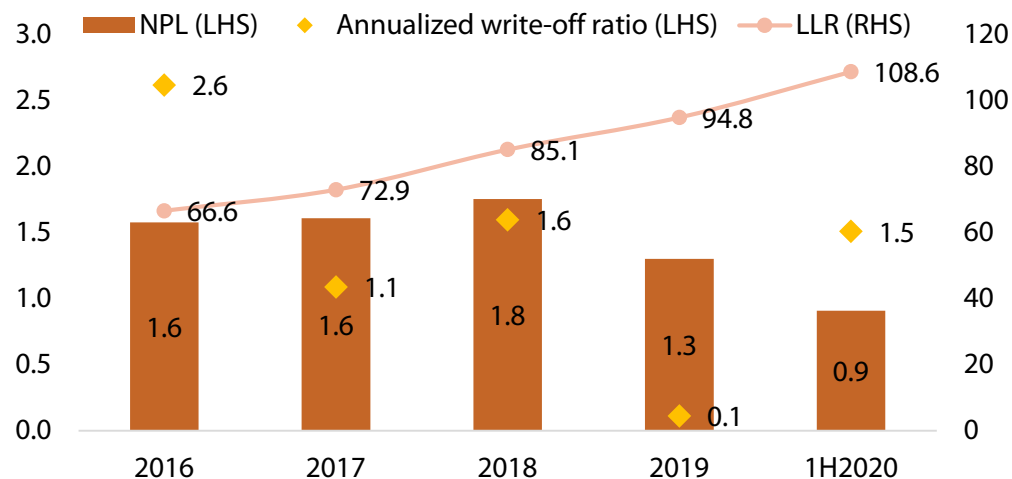


Figure 5: NPL, LLR and annualized write-off ratio 1H2020 (%)



Source: TCB, Rong Viet Securities

Net fee income (including FX income) was up 47% YoY, pushed by bond services (+146% YoY), LC & cash & settlement service (39% YoY) and other fees (+237% YoY). The underperforming items were banca and cards fees, both declining by -16% YoY. It is expected that the banca momentum would bounce back in 2H should there is no more of social-distancing measures.

TCB remains at the forefront in terms of operating efficiency. OPEX expanded at a lower space vs. TOI, at 20.6% YoY, as such, CIR reduced to 32.5% (-2.2ppt vs FY2019 and -2.5% vs. 1H2019). This CIR, along with VPB's, is the top lowest amongst our coverage. We do not anticipate further improvement in the short-term as the CIR ratio might increase for additional IT capex.

Provision expenses surged (+306.1% YoY) to accumulate some room for NPL ratio.

- LLR improved to 108.6% from 94.8% at YE2019. NPL was reduced from 1.3% at YE2019 to an all-time low level of 0.9%, while the G2 ratio remains unchanged.
- This improvement in the NPL ratio was supported by an annualized write-off ratio of 1.5%, from 0.1% in FY2019. As such, provision expenses quadrupled from a low base in 1H2019.
- TCB expects that should the pandemic is confined to central VN, the restructuring ratio should remain at 3.6%, and it should not exceed 7% even in the worst case.

For the entire year, we expect TCB to realize a strong earnings growth as TOI maintains its solid expansion to cover a surge in credit costs. The bank has accumulated more room for NPL and LLR, in precaution for probable bad debt formation. We think TCB will show a strong resilience to this crisis and be able to recover strongly upon the end of the pandemic.

MBB – HOLDING THE HORSES

INVESTMENT RATIONALE

Potential to grow NII with the expansion into retail lending, including consumer finance

- Well-controlled mobilization growth and high CASA (of >30%) helped maintain low average funding costs. The bank is facing more intense competition in CASA attraction from transaction banking oriented banks.
- The penetration in retail lending (including consumer finance) has expanded constantly during recent years, reaching ~40%. There is still ample room for MBB to continue to expand.
- Consumer finance lending growth and NIM likely to step slow down during the restructuring period, yet should be able to recover upon completion.

Asset quality will improve alongside with the restructuring process

- Asset quality was maintained with improvement in the NPL ratio, written-off ratio and provision coverage after some less positive movements in 1Q2020. The burden of provision expenses should ease upon the completion of the restructuring process.

Operating its own life-insurance company

- Service income grew strongly and contributed more to TOI, mainly pushed by income from insurance, whose proportion on service fees has expanded dramatically in the last four years to >80%.
- With the commitment to MB Ageas Life, MBB is more likely to achieve a more sustainable service income growth in the long-term rather than resorting on extraordinary income.

RISKS TO OUR CALL

- Downside risks include challenges to maintain CASA levels and increasing competition in retail lending, along with the prolonged impact of Covid-19 which is stronger than expected.
- Upside risk includes the ability to recover consumer finance and life-insurance businesses.

BUY

+23%

CMP (VND)	16,300
Target price (VND)	20,000

Cash dividend in 12 months 0

STOCK INFO

Sector	Banks
Market Cap (\$ mn)	1,697
Current Shares O/S (mn shares)	2,411
3M Avg. Volume (K)	6,234
3M Avg. Trading Value (\$ mn)	4.6
Remaining foreign room (%)	0.0
52-week range ('000 VND)	13.2-23.9

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	19,539	24,650	27,926	33,134
Growth (%)	40.9	26.2	13.3	18.6
NPATMI (VND bn)	6,148	7,823	8,322	10,497
Growth (%)	74.7	27.2	6.4	26.1
ROA (%)	1.8	2.0	1.9	2.1
ROE (%)	19.3	21.1	18.8	19.4
EPS (VND)	3,003	3,329	3,265	4,118
Book Value (VND)	14,646	16,810	19,870	24,139
Cash dividend (VND)	600	600	0	0
P/E (x) (*)	-	6.5	4.9	3.8
P/B (x) (*)	-	1.2	0.8	0.7

(*) Share price as of Aug 7th, 2020.

Figure 1: Loan portfolio structure

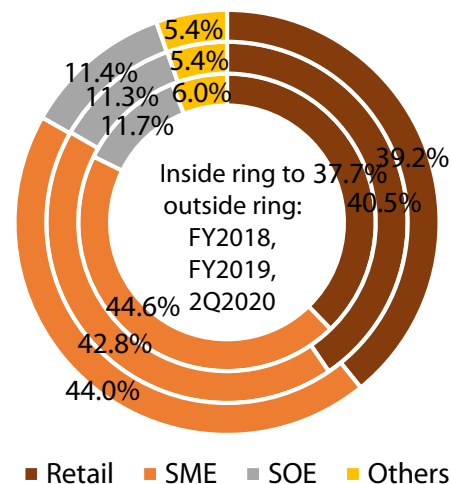


Figure 2: Banca fee portion of service income (%)

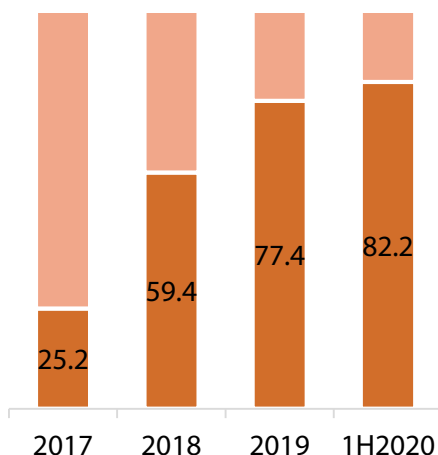
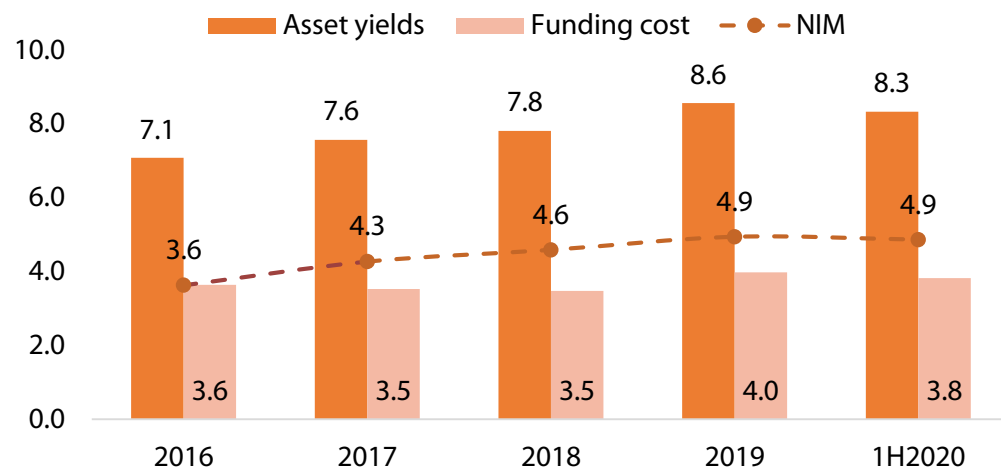


Figure 3: MBB's asset yield, funding cost and NIM (% - TTM)



Source: MBB, Rong Viet Securities

MBB showed a recovery from 1Q when achieving 1H consolidated PBT of VND4.2Tn (USD 179mn, +6.1% YoY), due to provision escalation while 1H2020 NII and TOI expanded moderately by 9.3% and 11.2% YoY.

NIM ceased to expand upon a step back in retail lending including consumer loans.

- 1H2020 consolidated credit growth was 7.5% YTD, while customer lending expanded by 4.4% YTD. The respective growth rate at the parent bank was 8.2% and 5.0%. Credit growth was pushed by a rise of 55.0% YTD in corporate bonds balance.
- The retail portion on the consolidated loan book inched down by 1.3ppt YTD to 39.2%. This was because (1) Parent bank's retail loans only expanded by 1.9% YTD, and (2) Mcredit's loan book shrank by -8% YTD to VND 7,870mn (USD 342mn).
- MBB estimates that 25-30% of its loan portfolio is impacted by Covid-19, and has reduced lending rate by 0.5-2ppt to support distressed clients. This, along with the step back in retail lending likely led to a -23bps decline in asset yields vs. FY2019, which overrides the smaller decline of -15bps in funding costs (owing to a reduction in deposit balance and rate cap). As such, NIM compressed marginally to 4.9%. The impact was stronger in 2Q than in 1Q.

The pressure on NIM is likely to persist, due to (1) fiercer rivalry in CASA attraction, and (2) the effort to restructure MCredit after an aggressive growth period, with a target to reduce cash loan mix (to 40-50%). We forecast that this will hold back consumer lending growth and NIM momentum, yet allow a closer control over credit cost.

For 2020, MBB plans 12% of credit growth, which is close to SBV's initial limit (11.75%), but much lower than in FY2019 (18.6%). The bank is seeking approval for credit limit top-up to 20%, yet actual utilization should depend on economic recovery.

Figure 4: Consolidated NPL, NPL + G2 and LLR ratio (%)

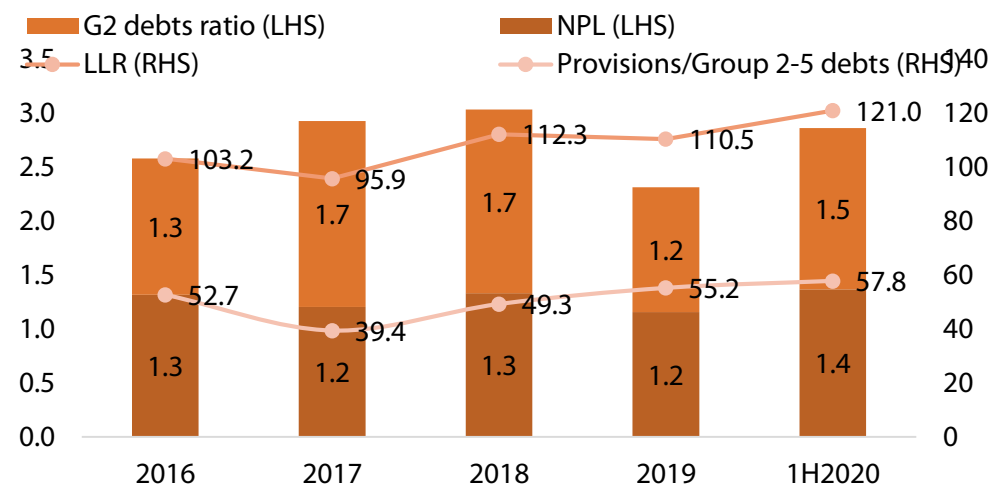
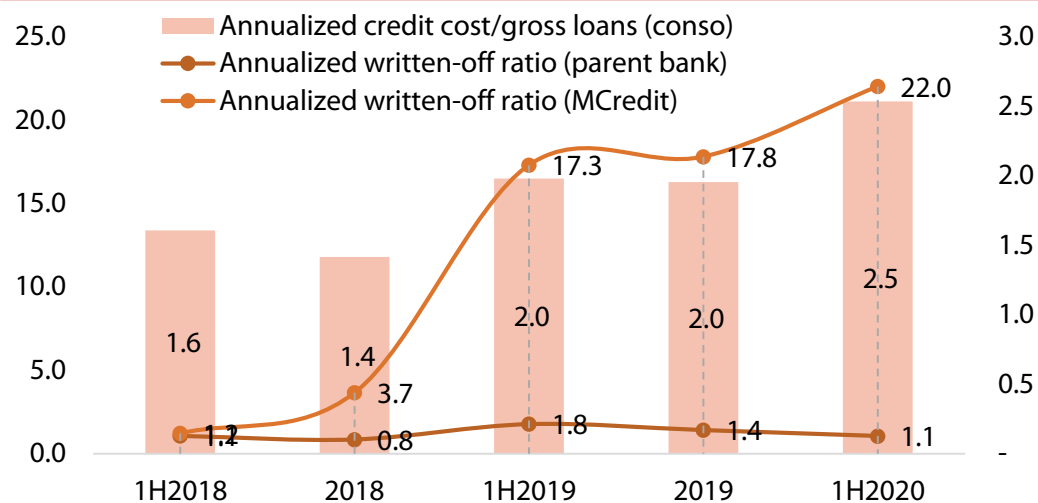


Figure 5 : Annualized write-off ratio and provision cost/gross loans (%)



Source: MBB, Rong Viet Securities

Service income was impacted more strongly than expected as 1H fees were reduced by -6.8% YoY (vs. -1.8% YoY in 1Q). The surge in expenses (of 74% YoY, with banca expenses being the main reason) is a challenge for MBB to turn around fee income growth. Gains from securities trading (+173% YoY) was the only highlight in 1H non-NII.

Provision expenses were still a burden, yet easing vs. 1Q.

- After some red flags raised in 1Q including a rise in the NPL ratio as well as the G2 ratio to their 3-year high of respectively 1.6% and 1.9%, asset quality was overall strengthened in 2Q upon a reduction in the NPL ratio to 1.4% and G2 ratio to 1.5%. LLR also climbed to its highest-ever level of 121% vs 110% in FY2019. 1H2020 annualized write-off ratio was 1.7%, easing from 1H2019 and FY2019's of 2.0%.
- Provision charges in 1H reached VND 3,310bn (USD 144mn, +40.0% YoY, accounting for 39.3% of PPOP). This is actually an easing vs. +117% YoY in 1Q upon lower NPL and write-off ratios.
- Until the end of June, the bank has restructured nearly VND7Tn (US 304mn, 2.7% of the loan book). Most of the restructured loans belongs to SMEs and retail segment.

Better control on operating expenses. MBB aims to reduce 2020 CIR to 35.5-36.5% (from 39.4% in 2019). The bank would prioritize digitalization over physical transaction network expansion. MCredit has cut 500 staffs to save on operating costs.

In our view, **MBB's short-term outlook is likely to be dampened** by the pressure of the restructuring plan for bank loans and Mcredit, which coincides with the Covid-19 situation. We only expect a modest earnings growth in 2020 and possibly early 2021. Though the current PB 2020F of 0.8x looks undemanding, we recommend to wait until more clear signs of growth bounce back are affirmed.

VIB – STRONG GROWTH OUTLOOK, CATALYST FROM EXCHANGE TRANSFER

INVESTMENT RATIONALE

The most intensive retail lender with impressive credit growth and NIM improvement

- Since 2016, VIB has consistently maintained very high credit growth, by the push of mortgage and auto loans. As one of first banks to adopt Cir. 41 and then all three tiers of Basel 2, VIB is eligible for higher credit growth than peers.
- This is the bank with the highest portion of retail lending on loan portfolio (of >80%). Along with this strong penetration, NIM expanded significantly from ~3.0% (2016-2017) to 4.0% since 2019, securing VIB's top position in terms of NII growth.

Strong service income growth momentum owing to bancassurance fee

- VIB has successfully leveraged insurance cross-selling activities based on its significant credit expansion ability. Income from insurance commission took off significantly when the bank promotes the exclusive bancassurance partnership with Prudential.
- The bank currently ranked 2nd in terms of bancassurance premium with the contribution to 75% of Prudential's insurance premiums through banca channel.

Strong operating efficiency

- VIB prioritizes to build excellent operations. While sale is pushed towards retail segment, cost is controlled closely and CIR has improved constantly towards the lower end of listed banks. VIB aims to lower CIR further to 40% in the next years by promoting digital transformation.

The bank plans to transfer to HSX, expected by late 2020, after paying 20% bonus stocks.

RISKS TO OUR CALL

- Current asset quality seems to lag behind peers with NPL of ~2% and low provision buffer, which would make credit cost more sensitive to economic conditions.
- 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.

BUY

+22%

CMP (VND)	19,400
Target price (VND)	23,700

Cash dividend in 12 months 0

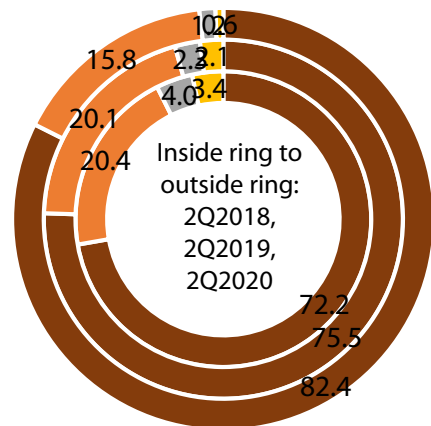
STOCK INFO

Sector	Banks
Market Cap (\$ mn)	779
Current Shares O/S (mn shares)	924
3M Avg. Volume (K)	1,241
3M Avg. Trading Value (\$ mn)	0.9
Remaining foreign room (%)	0.0
52-week range ('000 VND)	12.4-22

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	6,086	8,152	10,646	13,180
Growth (%)	48.8	34.0	30.6	23.8
NPATMI (VND bn)	2,194	3,266	4,020	5,337
Growth (%)	95.1	48.9	23.1	32.7
ROA (%)	1.7	2.0	2.1	2.4
ROE (%)	22.6	27.1	26.0	26.8
EPS (VND)	2,409	3,533	4,348	5,772
Book Value (VND)	14,194	14,527	18,875	24,147
Cash dividend (VND)	498	567	0	500
P/E (x) (*)	-	4.9	4.2	3.2
P/B (x) (*)	-	1.2	1.0	0.8

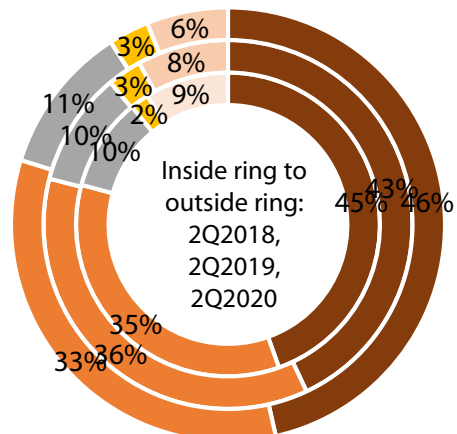
(*) Share price as of Aug 7th, 2020.

Figure 1: Total loan structure



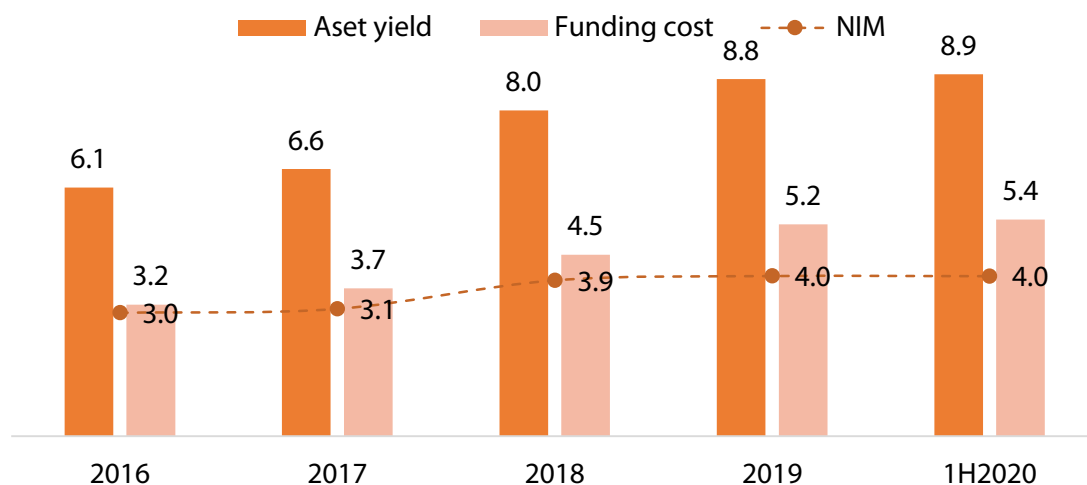
■ Retail ■ Corporate ■ SOE ■ Others

Figure 2: Retail lending structure



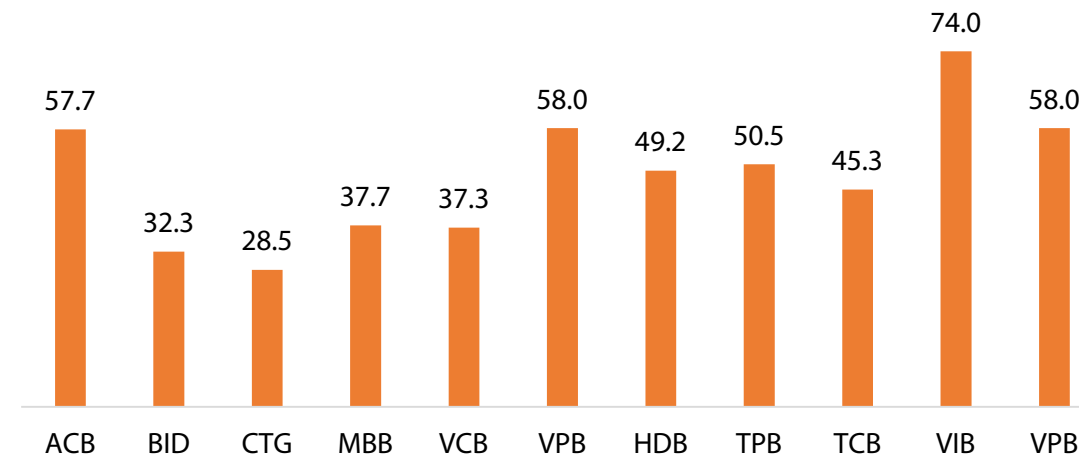
■ Mortgage ■ Auto ■ Business
■ Credit card ■ Other

Figure 4: VIB's asset yield, funding cost and NIM (% - TTM)



Source: VIB, Rong Viet Securities

Figure 3: The proportion of retail lending at YE2019 (%)

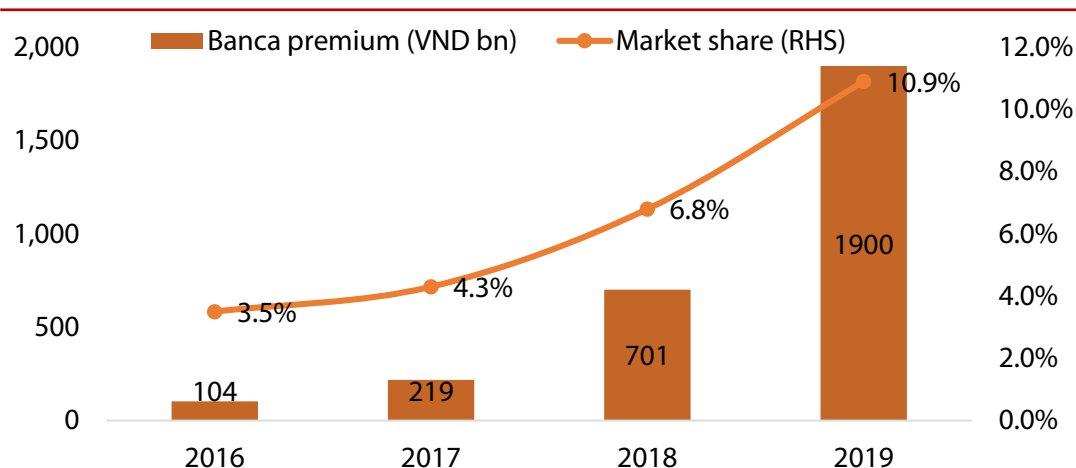


Source: Banks' FS, Rong Viet Securities

The ability to expand NII more strongly than peers (+28.8% YoY).

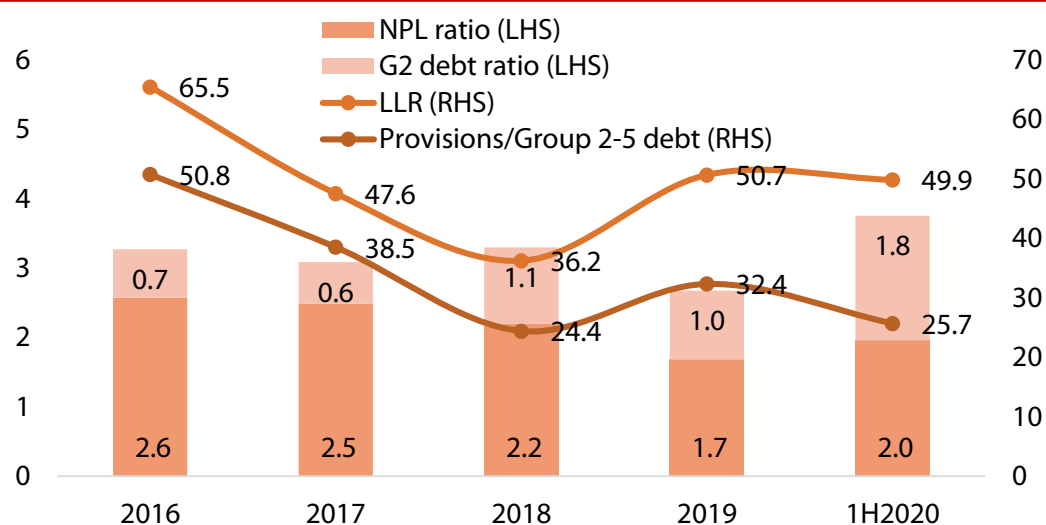
- VIB has utilized 5.8% YTD credit growth in 1H2020 (higher than the industry average of 3.2% YTD). NIM inched up to 4.0%, translating to a NII growth of 36.9% YoY, much better than peers'.
- The credit growth quota given to VIB for 2020 was initially 10.5%, then lifted to >20% upon a recent credit limit top-up. For 2020, VIB set a credit growth target of 24%, aiming to expand its retail lending, especially mortgages, auto, household, secured consumer, and credit cards.
- The bank's relatively strong capital adequacy and liquidity should facilitate the utilization of this generous quota. As of 30 June, CAR was maintained at 10.0%, LDR at 74.6% and the short-term funding for medium/long term loans ratio at 34.4%.

Figure 1: VIB's banca premium and market share 2016-2019



Source: Insurance Association of Vietnam, Rong Viet Securities

Figure 2: NPL ratio, G2 debt ratio, LLR, and Provision/G2-5 debt (%)



Source: VIB, Rong Viet Securities

Bancassurance successfully maintains a remarkable expansion momentum.

- According to the Insurance Association of Vietnam, VIB has gradually climbed from 5th position in terms of life sector's bancassurance premium in 2018 to 2nd position in 2019. The bank collected total premiums of VND 1,900bn (USD 83mn), equivalent to a market share of 10.9% last year.
- With the impressive banca activities, insurance income contribution to service fee has surged from 32.7% in 2018 to 61.9% in FY2019 and 52.4% in 1H2020. This played an important role in pushing service fees' growth of 62.8% YoY in 1H.
- Though the insurance activity seems to slowdown in 1H, we expect it to recover upon improved economic conditions and continue to act as a growth driver, especially when other income sources from foreign exchange, securities trading and other activities are quite limited.

High growth trajectory should be able to moderate the impacts of Covid-19.

- Upon the epidemic, VIB has restructured VND500bn (USD 22mn, or 0.38% total bank loans) until end of June. Management estimates that VND2.6Tn (USD 113mn, or 1.9% of total bank loans) would need to be restructured.
- 1H asset quality started to be impacted by the virus situation. NPL ratio climbed from 1.7% at end-2020 to 2.0%. The ratio of Group 2 debts also moved up from 1.0% to 1.8%. We expect VIB to double its provision cost in 2020 to accumulate for potential bad debts.
- The provision escalation should be facilitated by the high growth in both NII and non-NII. We hold the view that VIB would still be able to secure a desirable PBT growth of at least 20% in 2020-2021.

HDB – LIMITED IMPACTS BY COVID-19

INVESTMENT RATIONALE

The parent bank is expanding loans while maintaining healthy asset quality,

- The diverse ecosystem of retail-oriented companies supports the parent bank to exploit a large customer base for lending expansion.
- Asset quality at the parent bank is healthy with a stable NPL ratio of 1.1% in the last three years despite near-zero write-offs. As such, separate credit costs stayed at a very low level (c. 0.2%), comparable to ACB's. HDBank fully cleared its VAMC debt as of June 2020.

Consumer finance arm is resilient.

- With an extensive distribution network of >18k POS by 1H2020, HD Saison (HDS) has persistently expanded lending even under the sector difficulties. HDS's credit cost is at a lower level vs. main players in the consumer lending sector owing to its non-cash loan dominance (>65% of loan portfolio).
- With direct disbursement ratio as defined by SBV at 25.8%, HD Saison is virtually unaffected by Circular 18/2019-TT-NHNN, yet the regulation might drive other competitors to expand into motorbike and consumer durable lending, posing a threat to HD Saison's market share and NIM.

The official approval for a merger with PGBank is still pending.

- If the merger goes through, HDB is likely to benefit from higher CASA, higher credit quota and service income growth from Petrolimex and associates. However, near-term performance of the post-merger bank should be affected by PG Bank's high NPL and VAMC special bond.

RISKS TO OUR CALL

- Downside risks include (1) Challenges to expand NIM due to increasing competition in retail lending and consumer finance, (2) asset quality deterioration upon a shift into higher-margin segments.

ACCUMULATE

+19%

CMP (VND)	26,050
Target price (VND)	31,000

Cash dividend in 12 months 0

STOCK INFO

Sector	Banks
Market Cap (\$ mn)	1,086
Current Shares O/S (mn shares)	966
3M Avg. Volume (K)	1,134
3M Avg. Trading Value (\$ mn)	1.2
Remaining foreign room (%)	9.4
52-week range ('000 VND)	16.1-30.1

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	9,440	11,388	13,208	15,658
Growth (%)	25.8	20.6	16.0	18.6
NPATMI (VND bn)	2,842	3,605	4,265	5,327
Growth (%)	62.7	26.8	18.3	24.9
ROA (%)	1.4	1.6	1.8	1.9
ROE (%)	19.1	20.8	20.7	22.1
EPS (VND)	2,894	3,694	4,371	5,460
Book Value (VND)	17,154	20,902	23,957	28,154
Cash dividend (VND)	0	0	0	0
P/E (x) (*)	-	7.5	6.0	4.8
P/B (x) (*)	-	1.3	1.1	0.9

(*) Share price as of Aug 7th, 2020.

Figure 1: Consolidated total lending structure

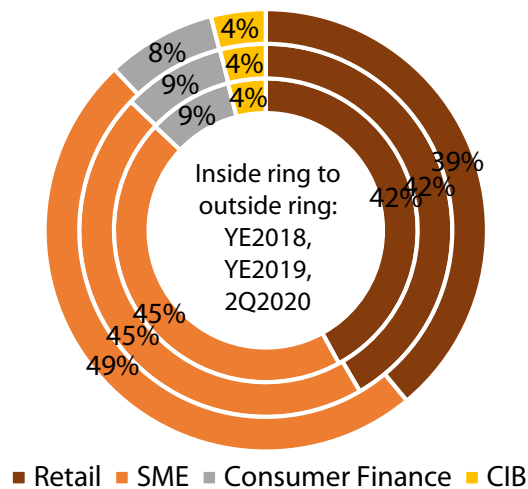


Figure 2: Parent bank's retail lending structure (2Q2020)

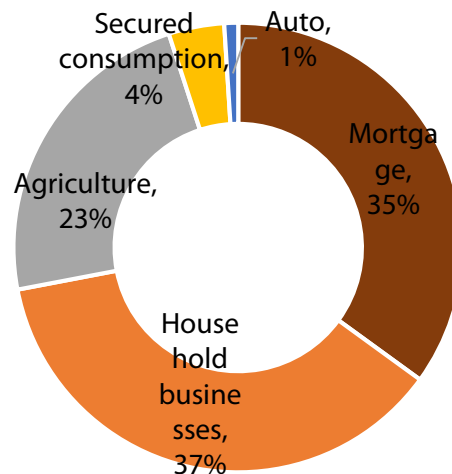
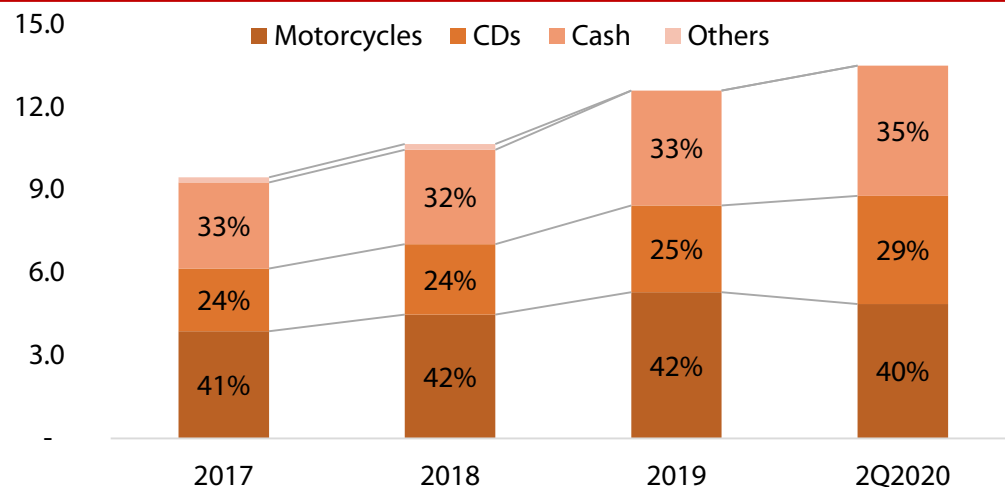


Figure 3: HD Saison's lending structure (%)



Source: HDB, Rong Viet Securities

HDB posted solid 1H2020 consolidated results with PBT of VND 2.9Tn (USD 126mn; +31.5% YoY). TOI expanded by 22.7% YoY (led by NII expansion of 30.1% YoY) while the closely control of OPEX (+12.7% YoY) enabled such a strong earnings growth.

NII achieved the highest growth in our coverage with an impressive NIM expansion.

- 1H2020 consolidated credit growth was 10.3% YTD, supported by a growth of +9.6% YTD in customer loan and +26% YTD in corporate bonds. The parent bank's credit expansion was 9.8% YTD, led by SME (+16.8% YTD, pushed by supply chain finance and green finance products). HDS's lending still grew by 7.2% YTD in 1H, with the fastest expansion in CDs (+22.8% YTD).
- Consolidated NIM climbed to 5.2% vs 4.8% at FY2019, though it cooled down from 1Q. This was mainly supported by the parent bank's NIM (up from 3.3% in FY2019 to 3.7%) while that at HDS was down from 26.6% to 26.4%.
- NIM improvement came from (1) the end of the subsidiary period for a decent portion of lending and (2) the expansion into green credit projects with longer tenure and better loan yields (which account for c.4% of total loan book).

2020 NIM is unlikely to improve further, but should be kept a higher level than 2019.

- Current credit limits given by SBV is 20% for the parent bank and 10% for HD Saison. With relatively strong capital and healthy liquidity (CAR at 11.5%, LDR at 75.1%, SML ratio at 21.0%), we believe HDB can make the most of this top tier credit quota.
- Coupled with the expanding asset yields momentum and the ability to control funding costs upon policy rate cut, we expect the current NIM trajectory to override the downside impact of Covid-19. This should be led by the parent bank, while HDS's NIM is likely to slowdown a bit vs. 2019.

Figure 4: HDB's CIR (%)

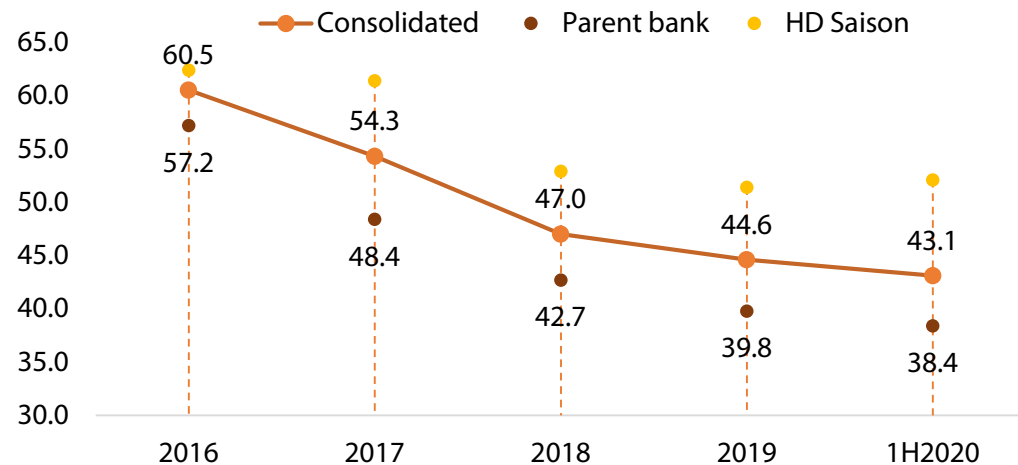
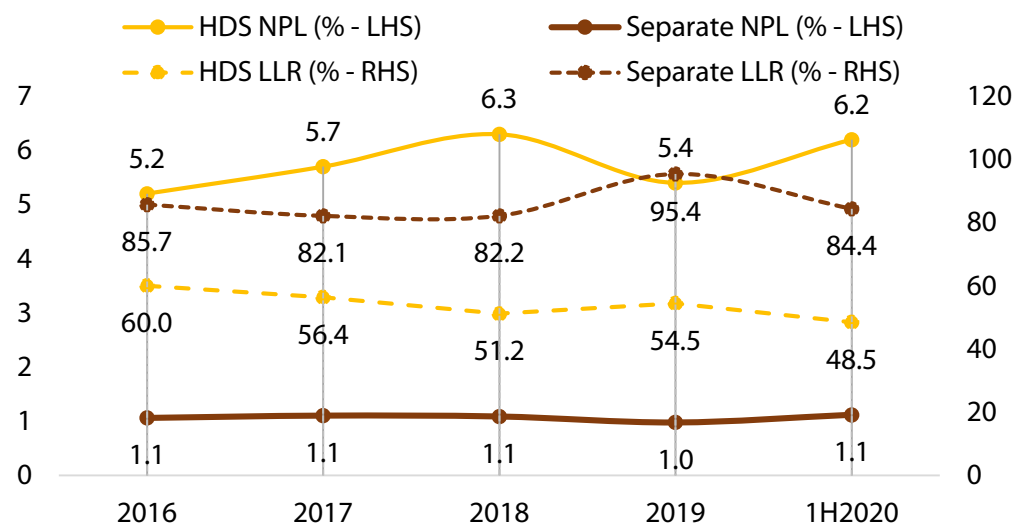


Figure 5: HDB's NPL ratio and LLR (%)



Source: HDB, Rong Viet Securities

Non-interest income remained weak, but has ample room for improvement. In 1H2020, net fee income trended up slightly by 4.9% YoY, still driven by HDS's banca as the parent bank saw a dramatic decline of -57.8% YoY, which was due to weak performance of payment, trade service and life-insurance fees. Meanwhile, FX income plummeted by -75.0% YoY, causing total non-NII contraction of -16.7% YoY.

Contained asset quality, provision cost increased reasonably from a low base.

- HDB accelerated provisions bookings in 1H2020 (+31.6% YoY), mainly at the parent bank (+71.3% YoY) to fully provision for its VAMC balance as of 2Q2020.
- There was an upward trend in NPL ratio at the parent bank (from 1.0% as of YE2019 to 1.1%), and to a greater extent, at HDS (from 5.4% to 6.2%). LLR trended down to 72.2% (-9.2ppt YTD). We see these movements as largely controllable as other metrics remained very stable, such as Group 2 ratio (stayed 1.5%) and annualized write-off ratio (0.55%, mostly flat during several recent years) upon a decline in accrued interest.
- With such a stable asset quality and desirable annualized credit cost (of c. 0.9%), we expect that the provision burden should not be too significant in 2H.
- HDB estimates that as of June, 15% of its loan book is impacted by the pandemic. The bank has restructured VND5.5Tn (3.4% of total loans). It expects overall exposure to vulnerable loans segments will be kept at under 6.8%.

For 2020, we expect net interest income growth to remain strong with the positive momentum in both credit and NIM. Service income will still be modest at least until the exclusive bancassurance agreement is finalized. We also expect that the bank will be able to handle the impact of the virus on asset quality in the subsequent quarters while maintaining a stable performance.

ACB – MORE STORIES AWAITING

INVESTMENT RATIONALE

A healthy strategic focus on retail banking with low risk appetite

- ACB's lending structure continues to shift towards retail and SME lending, which is a traditional strength of the bank. These segments consistently accounted for over 90% of total lending, with a relatively moderate portion of mortgage loans (about 20%), insignificant lending to real estate developers (at less than 3%) and no corporate bonds.
- Asset yields is likely to improve further with the plan to expand lending for mortgages, yet prudently to control CAR, liquidity ratios and average funding costs.

Maintain a strong assets quality and liquidity reserves

- ACB has successfully maintained abundant liquidity with a LDR ratio of ~80% and the ratio of short-term funding for medium/long-term loans at ~30%.
- ACB's prudence secured its top asset quality position amongst listed banks with the lowest NPL ratio (of 0.8%) and second highest provision coverage (of ~150%). Provision burden is minimal as credit costs stayed as the lowest amongst listed banks (at ~1% of gross loans).

Service income is set to grow strongly upon new bancassurance agreements

- ACB's life insurance segment has great potential and will be further promoted by the newly signed non-exclusive agreements with Manulife and FWD. This can be supported by an exclusive agreement to be finalized in late 2020-early 2021. As such, service fees are expected to act as the growth driver with a CAGR of at least 30% in the next three years.

The bank plans to transfer its listing exchange to HSX, expected by late 2020-early 2021.

RISKS TO OUR CALL

- Downside risks include challenges to maintain NIM under rising competition in the retail segment and the more prolonged impact of Covid-19 on asset quality.
- Upside risks include one-off income from an exclusive bancassurance contract, ACBS divestment, as well as the collection of G6 legacy debt, which is likely to be realized in 2021.

ACCUMULATE

+16%

CMP (VND)	23,700
Target price (VND)	27,500

Cash dividend in 12 months 0

STOCK INFO

Sector	Banks
Market Cap (\$ mn)	1,701
Current Shares O/S (mn shares)	1,663
3M Avg. Volume (K)	4,056
3M Avg. Trading Value (\$ mn)	4.1
Remaining foreign room (%)	0.0
52-week range ('000 VND)	16.1-27.1

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	14,033	16,097	17,890	20,869
Growth (%)	22.7	14.7	11.1	16.6
NPATMI (VND bn)	5,137	6,010	6,760	8,455
Growth (%)	142.5	17.0	12.5	25.1
ROA (%)	1.7	1.7	1.7	1.8
ROE (%)	27.7	24.6	21.7	22.3
EPS (VND)	3,156	3,538	3,990	5,014
Book Value (VND)	12,963	16,761	20,805	24,909
Cash dividend (VND)	0	0	0	1000
P/E (x) (*)	-	6.4	5.6	4.4
P/B (x) (*)	-	1.3	1.1	0.9

(*) Share price as of Aug 7th, 2020.

Figure 1: Total loan structure

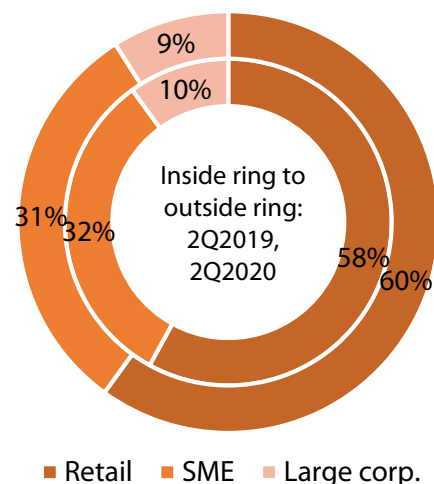


Figure 2: Retail loan structure

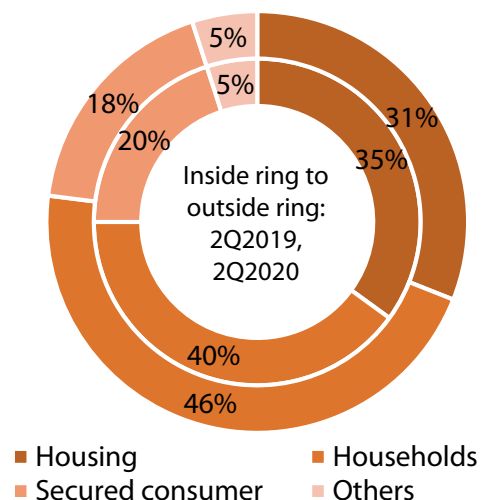
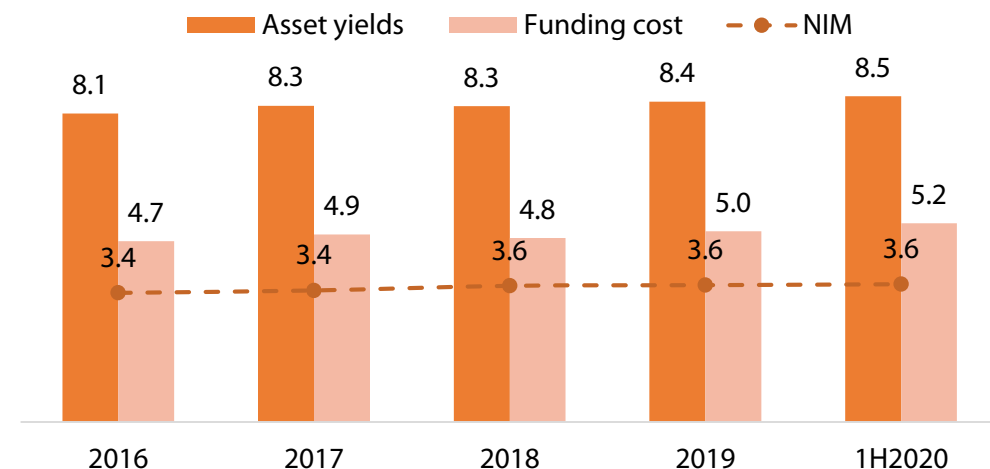


Figure 3: ACB's asset yields, funding cost and NIM (% - TTM)



Source: ACB, Rong Viet Securities

ACB maintained a stable income growth, with NII and TOI expanding by respectively 13.4% and 14% YoY in 1H2020. Meanwhile, due to provisions escalation, PBT only rose by 5% YoY to VND3,820bn (USD 166mn), fulfilling half of the year's guidance.

Credit growth slowed down in 1H, yet the bank expects a recovery in 2H

- Total credit expanded by 5.6% YTD (vs. 8.5% in 1H2019), lower than mobilization growth (7.5% YTD). ACB does not hold any corporate bonds. Retail and SME loans account for 91% of the total portfolio.
- ACB was given a 11.75% credit growth limit by SBV. The bank will ask for quota top-up by 4Q, targeting 15% growth for the whole year.

NIM 2020 is likely to see a small reduction as new loans are disbursed with an interest rate of 1ppt/year lower than previous rates. However, we expect that **upon the virus containment, NIM would stay stable or move up slightly as:**

- The bank's lending focus would shift to mortgage loans and less-impacted sectors such as those serving domestic consumption.
- CASA is to improve further (targeting 25% by 2022) with the launch of the transactional banking platform in July.
- Capital remained strong and liquidity stayed healthy. CAR Basel 2 was kept at 10.7%, LDR was at 79.5%, quite lower than the 85% threshold.

Banca fee acted as a growth driver for service income (+13% YoY), moderating the temporary impact by the virus situation

- Banca fees saw a significant jump to 100bn in June, and are targeted to reach at least 900bn (+60% YoY) in 2020. As such, we expect service fees growth to bounce back in 2H (and in 2021) with the leading role of bancassurance fees.

Figure 4: ACB's TOI structure (%)

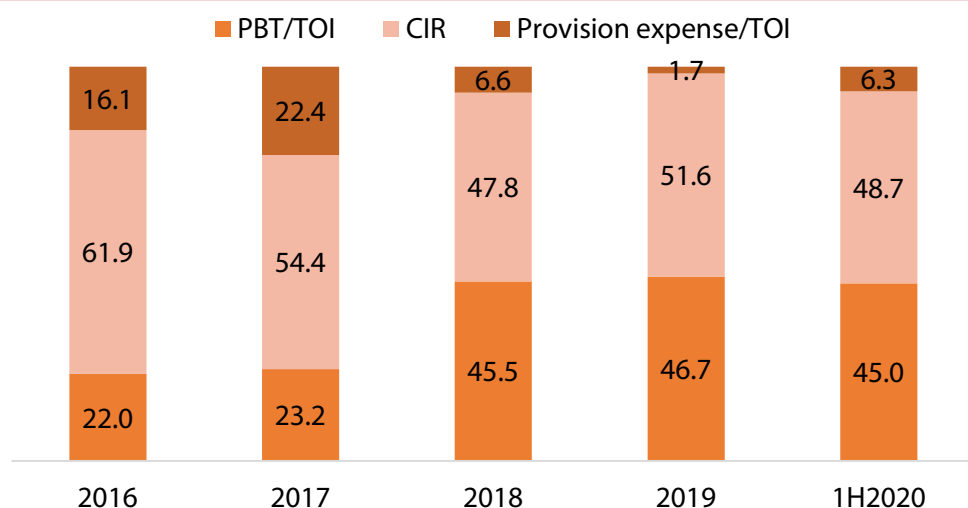
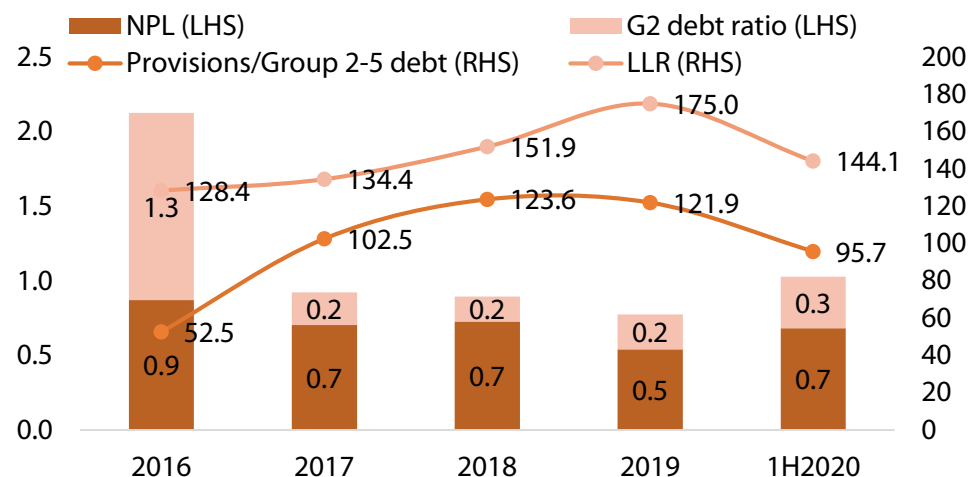


Figure 5: NPL ratio, G2 debt ratio, LLR, and Provision/G2-5 debt (%)



Source: ACB, Rong Viet Securities.

The deep decline of -83.3% YoY in income from other activities were compensated by a surge in FX income by 98.1% YoY to VND 296bn (USD 13mn) and securities trading gains from a loss to VND 662bn (USD 29mn). ACB secured a 14.0% YoY increase in 1H TOI.

CIR is unlikely to improve significantly in the medium term. Staff cost saw the strongest expansion (+35.0% YoY) as ACB booked provisions for staff bonus in advance in 1H. For the next quarters staff cost will decelerate, but the plan to accelerate investment in technology, including a new core banking system, should not allow CIR to improve significantly in the next three years. We hold the view that the 'digital transformation' could help ACB improve its efficiency and reduce CIR gradually to 45%.

Asset quality remains healthy.

- NPL was up by 14bps to 0.68%, so LLR dropped to 144%. Written-off debt was negligible. 1H provision cost surged by 457% YoY from a low base to VND 541bn (USD 24bn).
- Total restructured debt is VND 9Tn (USD 391mn, 3.2% of lending). ACB expects no more debt will need to be restructured, and is confident in its recovery ability. As such, the burden from provisions should not become significant.

Overall, we believe that the 2H outlook will be supported by (1) credit growth recovery, (2) collection of Cir. 01 restructuring debts, and especially (3) the dramatic expansion momentum of bancassurance fees, with downside risk being the impact of the second wave of Covid-19 which constraints recovery and the easing of credit costs.

Earnings growth should also be supported by income from the exclusive bancassurance agreement and the divestment in ACBS, as well as the collection of G6 legacy debt. We do not anticipate these income sources to be realized soon within 2020. The transfer to HSX expected by late 2020-early 2021 is also a short-term catalyst for the stock.

BID – CAPITAL CONSTRAINT REMAINS

INVESTMENT RATIONALE

The strategic placement is likely to improve BID's fundamentals and growth prospect, yet capital is still need to be strengthened.

- Competitive competency in retail/SME/FDI banking, digital banking and asset quality management is likely to improve with the involvement of Keb Hana (KHB).
- Upon the strategic placement to KHB, BID's capital strength is enhanced with Basel 2 CAR reaching 8.7% by YE2019. Yet this seems insufficient to allow a comfortable credit growth or relieve the bank from long-term bonds issuance. As such, NIM is still under pressure.
- BID is planning for a private placements of up to 8.5% of its capital starting in 2020 to improve capital adequacy. This has been approved at the 2020 AGM.

Provision pressure on earnings is expected to drop upon legacy bad debt clearance.

- BID is still on track to improve asset quality, especially legacy bad debt. It has set the plan to finish restructuring within 2020 as well as investing more resources on core banking and digital projects. BID fully provisioned its remaining VAMC debt by 1Q2020.
- On the other hand, we estimate that the provision burden will ease moderately in 2021, which is likely to boost earnings from next year on.

RISKS TO OUR CALL

- Challenge in expanding margins due to increasing competition in retail lending.
- The failure to raise capital from the private placement which constrains future credit growth.
- Unexpectedly high provision expenses during the epidemic or bad debt clean-up.
- A large one-off fee from an exclusive bancassurance contract/BIDV Metlife divestment

ACCUMULATE

+10%

CMP (VND)	38,100
Target price (VND)	42,000

Cash dividend in 12 months 0

STOCK INFO

Sector	Banks
Market Cap (\$ mn)	6,615
Current Shares O/S (mn shares)	4,022
3M Avg. Volume (K)	1,221
3M Avg. Trading Value (\$ mn)	2.1
Remaining foreign room (%)	12.3
52-week range ('000 VND)	29.5-55.8

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	44,483	48,121	46,037	52,279
Growth (%)	14.0	8.2	-4.3	13.6
NPATMI (VND bn)	7,358	8,368	7,805	10,170
Growth (%)	8.4	13.7	-6.7	30.3
ROA (%)	0.6	0.6	0.5	0.6
ROE (%)	14.2	12.7	9.8	11.8
EPS (VND)	1,865	1,708	1,593	2,076
Book Value (VND)	15,957	19,307	20,465	22,299
Cash dividend (VND)	700	0	0	700
P/E (x) (*)	-	27.0	24.2	18.5
P/B (x) (*)	-	2.4	1.9	1.7

(*) Share price as of Aug 7th, 2020.

Figure 1: Loan structure

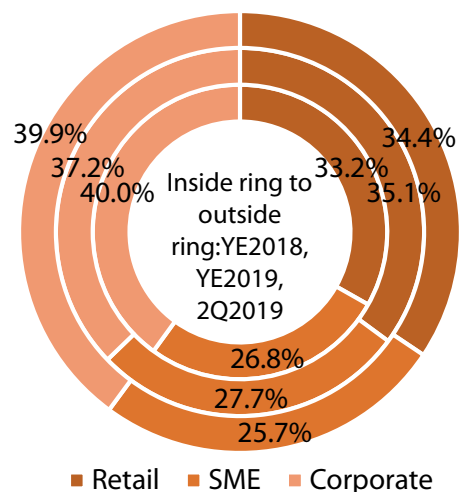


Figure 2: Retail loan structure

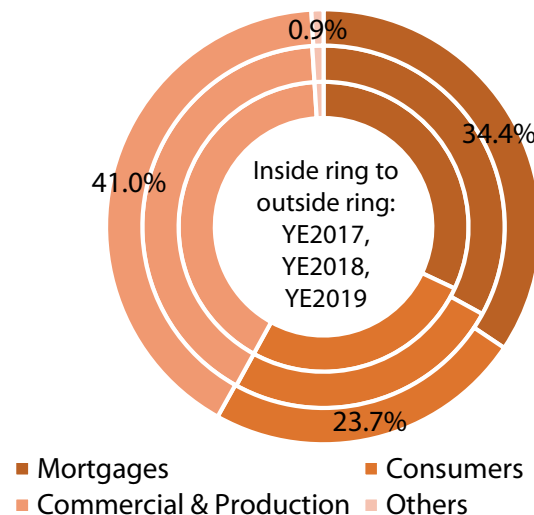
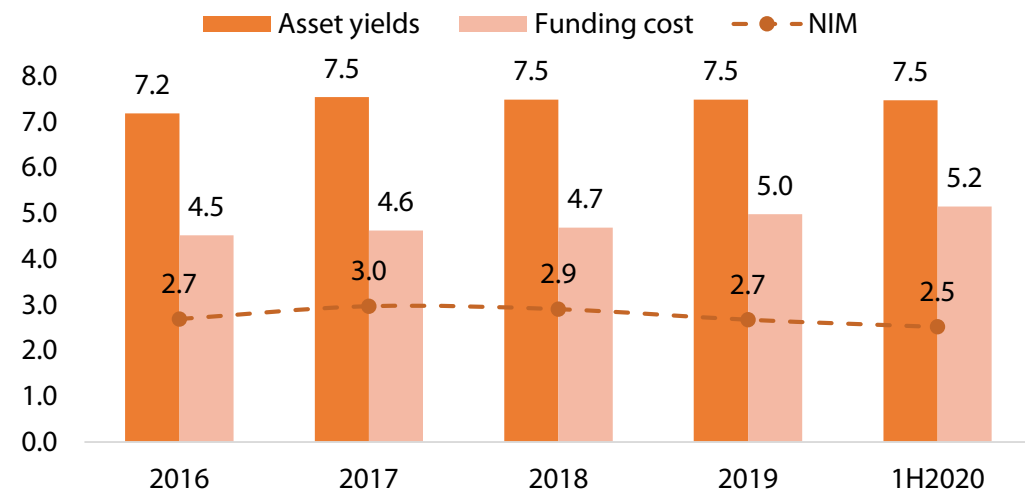


Figure 3: BID's asset yield, funding cost and NIM (% - TTM)



Source: BID, Rong Viet Securities

BID achieved the lowest-performing results under the epidemic amongst three listed state-owned banks. 1H2020 PBT of VND4,454tn (USD 194mn; -5.4% YoY), mainly due to NII contraction of -8.8% YoY despite a close control on OPEX (+3.2% YoY) and saving on provision costs (-5.6% YoY).

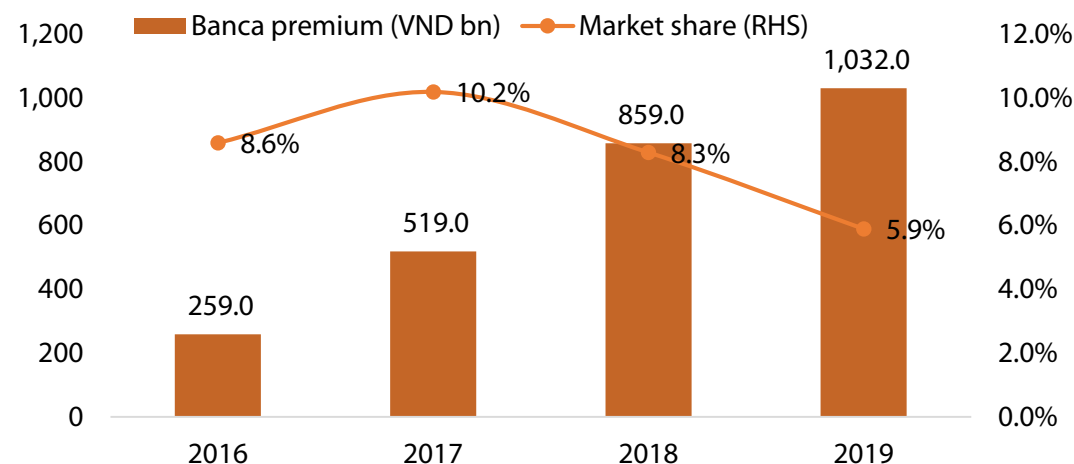
Unsatisfactory result of NII (-8.8% YoY).

- In 2Q2020, customer loan growth recovered from -1.0 YTD in 1Q to +2.0% YTD while credit growth was a bit higher, at 2.3% YTD. We think this modest expansion was attributable to weak credit demand and capital regulatory constraints. BID reported Basel 2 CAR at 8.52% (separate) and 8.74% (consolidated) in 2019, slightly higher than required despite the recent strategic placement.
- NIM dropped from 2.7% in FY2019 to 2.5% - the lowest-ever level. This was mainly due to a 17-bp YTD increase in funding costs, caused by a 34.6% YTD rise in valuable papers to supplement Tier-2 capital, which canceled out any support from lower deposit rates during 1H.

We expect NII outlook to remain weak on the back of modest credit growth (expected to reach only 5% in 2020). NIM is very likely to go down as the pressure on funding costs could persist while asset yields are unlikely to expand upon a series of customer relief measures and the sub-optimal asset portfolio structure.

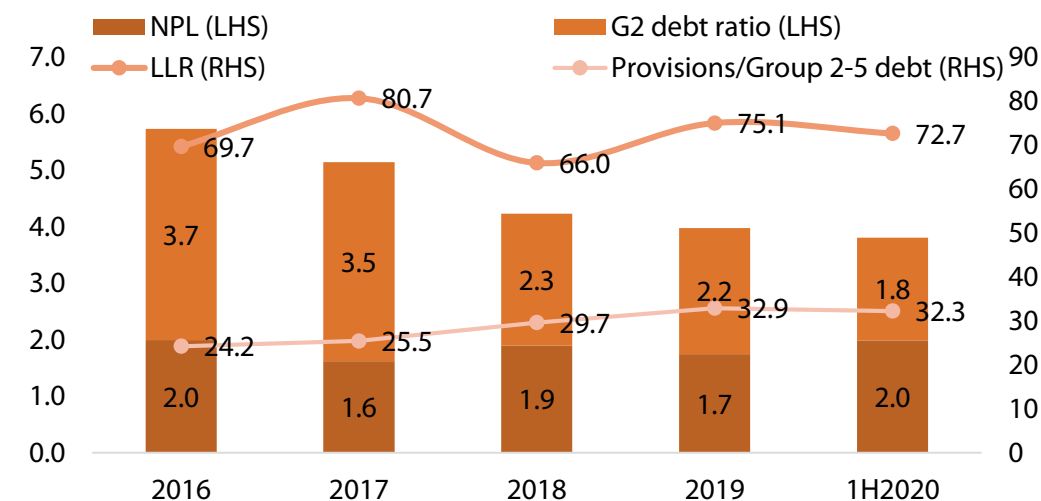
Service fees kept a moderate growth of 15.0% YoY from a low base in 1H2019. However, we hold the view that BID's fee streams are somehow lacking growth catalysts especially bancassurance income. This could improve should an exclusive bancassurance agreement is finalized and a new core banking along with digital projects are launch.

Figure 4: BID's banca premium and market share



Source: Vietnam Insurance Association, Rong Viet Securities

Figure 5: NPL ratio, G2 debt ratio, LLR, and Provision/G2-5 debt (%)



Source: BID, Rong Viet Securities

Non-NII is highlighted by securities gains. The stable YoY growth in fee income and FX income (+13.3% YoY) compensated for a -28.8% YoY decline in recovery income. A spectacular reversal in securities gains (from a loss of >VND 1Tn or USD 47mn) partly offset the NII downturn, leading to a -2.8% YoY decline in TOI.

Saving on OPEX (+3.0%) and provision costs (-5.6% YoY).

- OPEX moved up by 3.2% YoY, as such, CIR 1H2020 reached 33.8% (+2.0ppt YoY), still amongst the most efficient banks under our watch list. However, it should be noted that 1H OPEX has yet to include the cost of core banking upgrades (and possibly other digital banking projects) that the bank is planning. As such, we expect that OPEX could expand considerably in the near future to reflect this investment.
- Asset quality metrics saw some improvement, except for the NPL ratio which rose to 2.0% from 1.7% in YE2019 and 1Q2020. The G2 ratio improved significantly to 1.8% from 2.3% at YE2019. Annualized write-off/gross loans was 0.8%, easing vs. 2.9% in FY2019 and 1.3% in 1H2019. Annualized credit cost/gross loans stayed at 1.8% vs 3.6% in FY2019 and 2.0% in 1H2019. LLR thickened to 80.0% (+7.3ppt YoY). BID cleared all VAMC balance in Q1 2020.

Under Covid-19, another lackluster year should be expected. BID is still on track to improve asset quality, especially legacy bad debt. It has set the plan to finish restructuring within 2020 as well as investing more resources on core banking and digital projects. On the other hand, we estimate that the provision burden would ease moderately in 2021, which is likely to facilitate an earnings recovery from next year on. The mid-term outlook should also be supported by the involvement of the strategic partner.

VCB – POSITIVE OUTLOOK IS STILL INTACT

INVESTMENT RATIONALE

Healthy asset quality and liquidity

- VCB has successfully balanced its asset book restructuring and asset quality control. It is maintaining a low and stable NPL ratio of <1% coupled with strong LLR of >200%.
- The bank also has healthy liquidity with relatively low LDR (of <80%), well-controlled short-term capital financing and a medium/long-term loans ratio (of <30%). It has a substantial portion of government bonds as a percent of total asset (8% in 2Q2020).

NIM has room to expand further, though likely to be limited

- The strong active expansion into retail lending and financial institution bonds allowed NIM improvement. VCB targets to raise the portion of retail lending from 51% to 55% in the next 2-3 years.
- CASA ratio stayed at nearly 30%, at 3rd place within our watch list, which guarantees a lower funding cost than peers' and stronger immunity to funding pressure.

Potential for high service income growth

- VCB has a potential to emerge as a leading bancassurance distributor owing to its reputation and huge customer base, upon the exclusive banca agreement with FWD. Service fee is likely to expand by >20%/year in the next five years.
- VCB has finished upgrading its core banking and will continue to push towards digital, which is expected to help improve efficiency and offer better services to retail clients.

The bank plans to make a private placement of up to 6.5% of its charter capital.

RISKS TO OUR CALL

- Downside risks include a prolonged impact from Covid-19 on asset quality and the failure to raise capital via a private placement which would constraint credit growth.
- Upside risks include a larger bancassurance upfront-fee than estimated and the ETFs cash flow fluctuation which affects market price.

ACCUMULATE

+9%

CMP (VND)	82,900
Target price (VND)	90,000

Cash dividend in 12 months 0

STOCK INFO

Sector	Banks
Market Cap (\$ mn)	13,272
Current Shares O/S (mn shares)	3,709
3M Avg. Volume (K)	1,168
3M Avg. Trading Value (\$ mn)	4.1
Remaining foreign room (%)	6.3
52-week range ('000 VND)	56.6-95

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	39,278	45,730	52,287	62,994
Growth (%)	33.6	16.4	14.3	20.5
NPATMI (VND bn)	14,606	18,511	20,874	25,758
Growth (%)	60.7	26.7	12.8	23.4
ROA (%)	1.4	1.6	1.7	1.9
ROE (%)	25.5	25.9	22.9	22.8
EPS (VND)	3,666	4,580	5,165	6,373
Book Value (VND)	17,283	21,808	27,414	33,559
Cash dividend (VND)	800	800	0	800
P/E (x) (*)	-	19.7	14.6	11.9
P/B (x) (*)	-	4.1	2.8	2.3

(*) Share price as of Aug 7th, 2020.

Figure 1: VCB's lending structure (%)

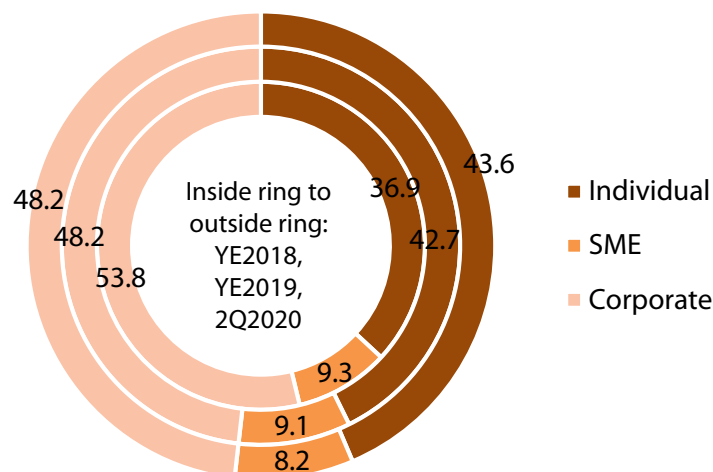
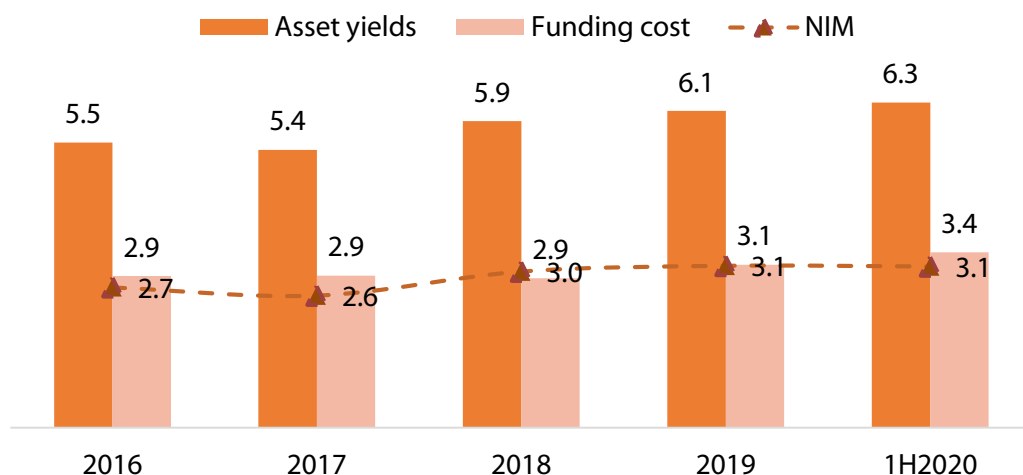


Figure 2: VCB's asset yields, funding cost and NIM (% - TTM)



Source: VCB, Rong Viet Securities

VCB achieved mostly flat income and earnings vs. 1H 2019 with 1H2020 TOI and PBT of respectively VND 23 Tn (USD 1bn) and VND 11.0 Tn (USD 478bn). The bank has not provided 2020 PBT guidance, citing macro and policy risks.

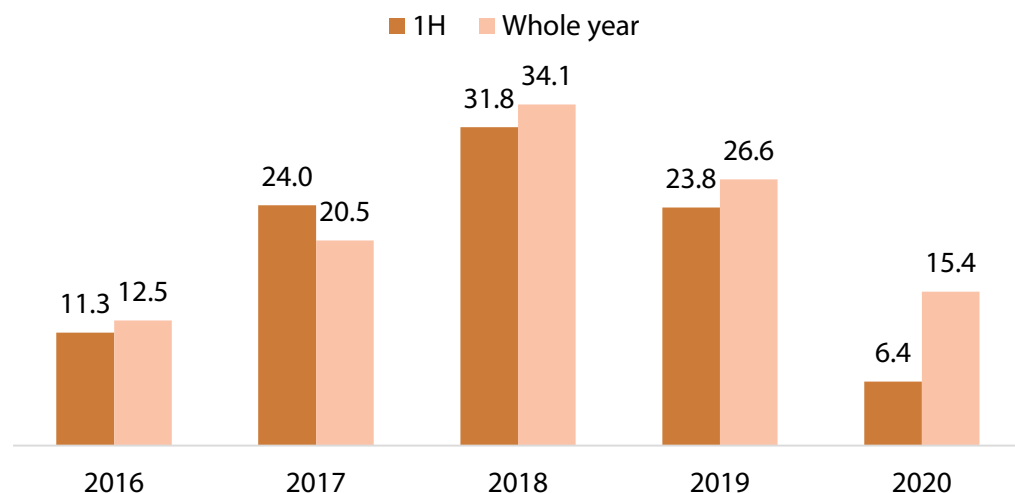
NII slowed down due to lower credit growth and NIM compression.

- Credit expanded by 4.9% YTD (vs. 9.9% in 1H2019). Despite the slowdown, lending was still positive versus a stagnation in other state-owned banks.
- Loan growth was helped by retail lending (+7.5% YTD, 43.6% of total lending), especially mortgage lending (+12% YTD, 58% of retail lending). This was sufficient to override the impact of lending rate forbearances on asset yields. However it was still outweighed by a rise in funding costs (likely due to CASA drop of 2.0ppt YTD).
- Overall, NIM decreased slightly to 3.0%, flattening NII vs. 1H2019.

We expect the bank to gain back its credit expansion momentum.

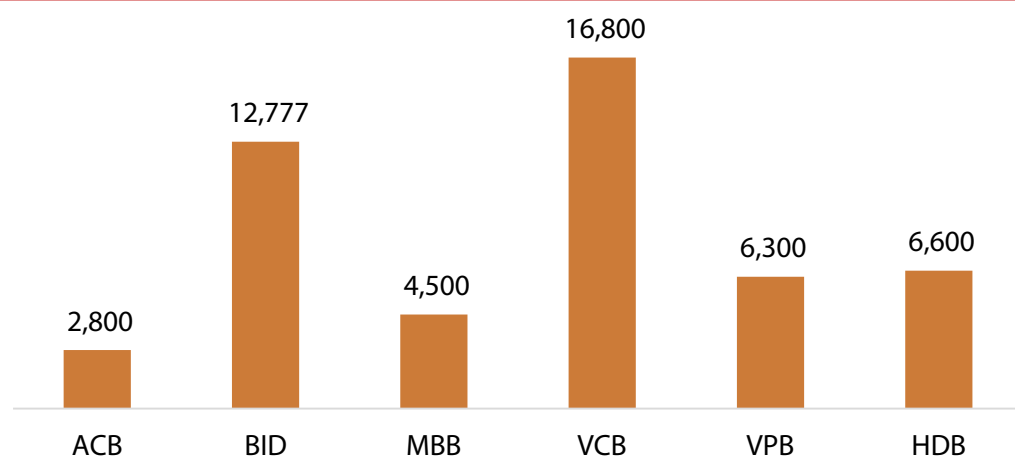
- We expect credit growth to recover in 2H, though the final growth in 2020 should be lower than that in 2019. We keep our 2020 credit growth forecast at 13% YoY (3ppt higher than current credit quota).
- As a state-owned bank, VCB should see its NIM impacted more strongly by Covid-19 than private counterparts. Yet we expect that the downside would not be significant owing to the bank's ability to expand asset yields.
- We forecast 2020 NIM to decline by 4bps. This would allow a NII growth to bounce back to 10.6% YoY (much lower than the 21.7% growth in 2019).
- In the longer term, we maintain our view that VCB still has ample room to improve NIM and expand NII based on a low-cost funding advantage, the transition towards retail banking as well as a more effective allocation of interest earning assets.

Figure 3: VCB's service income growth (% YoY)



Source: VCB, Rong Viet Securities. 2020 is a forecast number.

Figure 4: Estimated customer base at YE2019 (thousands)



Source: VCB, Rong Viet Securities

Service income appeared to be impacted temporarily by the virus situation, but long-term growth potential remains intact.

- Service income only expanded modestly by 6.4% YoY in 1H2020, against the consistent growth of at least 20% YoY in 1H over the last three years.
- The exclusive bancassurance contract with FWD was kick started in 2Q2020. In the short term, the demand for bancassurance is likely to be impacted (yet not too severe) by the less favorable economic conditions. Banca fees should be reflected more clearly in the service income from 2021 on.
- We forecast a 15.4% YoY growth in the 2020 service income on the back of flat settlement income and the pick up of bancassurance fees in 2H. This should be sufficient to lead the overall growth in the context of slowing down NII and other income whilst soaring provision expenses.
- Longer-term, we still expect VCB to emerge as a top bancassurance distributor owing to its reputation and having the largest customer base amongst listed banks. We expect service fees to grow at a CAGR of 26.5%/year and contribute ~12% to total income by 2022.

The remaining activities saw a slight reduction of -5.8% YoY in 1H2020. Income from other activities was reduced by -31.5% YoY and trading securities incurred a loss of -21bn, while dividend income doubled and FX income rose by 18.5% YoY.

We expect that in 2020, VCB will start to recognize a tranche of its upfront fees from the FWD agreement, which is likely to spread evenly over a period of several years. This will help it to secure a desirable overall earnings growth and moderate the Covid-19 impact on 2020's performance.

Figure 5: VCB's total and customer loan provision growth (% YoY)

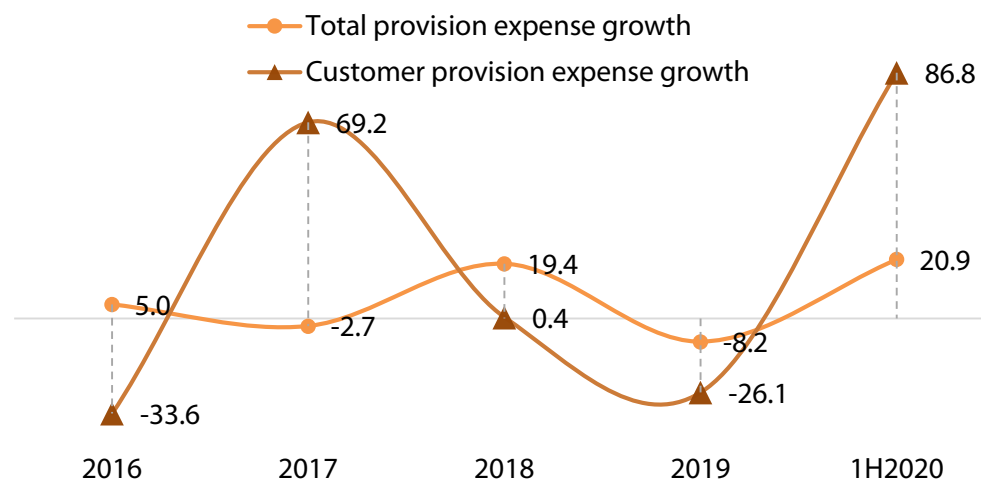
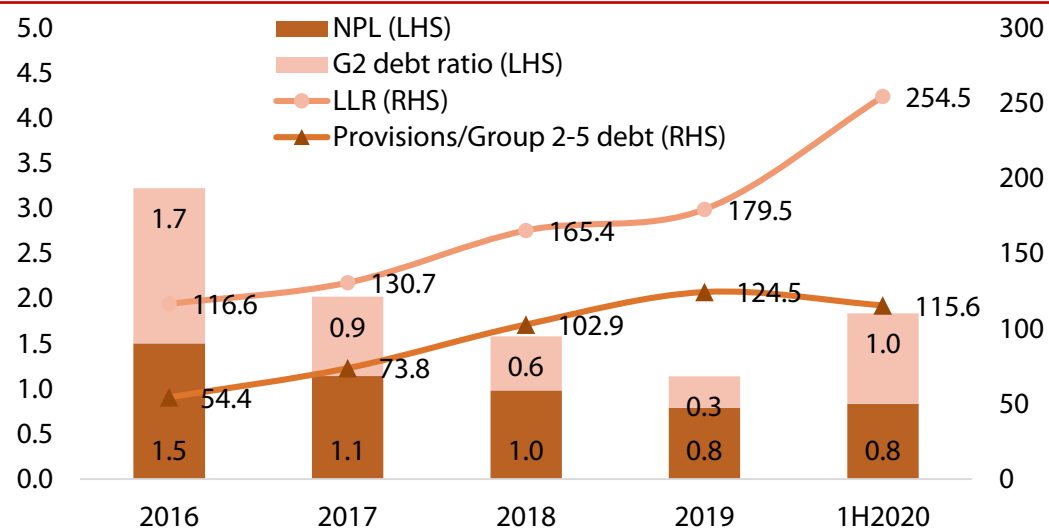


Figure 6: NPL ratio, G2 debt ratio, LLR, and Provision/G2-5 debt (%)



Source: VCB, Rong Viet Securities

CIR was normalized to 34.9% in 1H owing to the bank's efforts to control operating costs with all expense items mostly unchanged. 2020 CIR is expected to stay at 35.8% (-1.5ppt YoY).

Asset quality has already been impacted by Covid-19.

- While the bank did not write off any debts in 1H, the NPL ratio remained mostly unchanged at 0.8% and LLR improved 75.0 ppt since YE2019 to the highest ever level of >250%. By end of June, VCB estimated that the portion of the Covid-impacted debt extension requirements should be as low as 3.1% of total loans.
- The impact of Covid-19 might take some time to be reflected fully on NPLs, especially when the Group 2 ratio was on a constant uptrend (from 0.33% to 0.67% at 1Q and 1.0% at 2Q), pushing the ratio of provision/Group 2-5 debt down to 115.6% (-8.9 ppt since YE2019).

Yet we think VCB would be able to swing back from the pandemic impact.

- To prepare for probable bad debts, VCB booked nearly 5.6Tn of specific provisions in 1Q (+140% YoY). This caused a rise of 86.7% YoY in customer loan provision expenses, quite in line with the bank's traditionally prudent approach.
- Nevertheless, we expect total provision charges not to increase significantly owing to the moderation impact of VND 2 Tn provision reversal for lending to other banks.

Overall, we expect VCB's growth to recover quickly upon the virus containment due to its conservative advance booking of provisions. Longer term, we believe that VCB, with its sector-leading position, solid balance sheet and exceptional provision buffers, will be able to secure a positive earnings outlook.

CTG – SAVING COSTS TO BOOST EARNINGS GROWTH

INVESTMENT RATIONALE

Asset quality has been improving following the effort to clear VAMC bond.

- After one and a half year it sold its bad debt to VAMC, CTG bought back more than 50% (out of VND 13.4Tn VAMC outstanding bond value) and made provision for 50% of the remaining value. We believe that CTG will mostly clear all of its burden with VAMC by the end of 2020.
- The rise of the NPL ratio in 1H 2020 has reduced LLR to lower than 100% (which CTG reached by YE2019). We, however, believe that LLR would bounce back in 2021 as the bank has fully bought back VAMC bonds and pay more attention on managing the quality of on-balance sheet debt.

Credit growth to slow down in the deleveraging process.

- By end-June 2020, CTG's CAR (Basel II) is 8.5%, a little bit higher than the required ratio (8%). In the short-term, we find it difficult for the bank to raise its Tier 1 capital given that the State may not reduce its ownership in State-owned banks to 51% before 2022.
- In addition, its LDR (Circular 22) is 87%, which is higher than the limit ratio of 85%. The bank will manage to reduce the ratio to 85% by end 2021.
- Due to the limited of capital adequacy as well as liquidity ratio, there is some small room for CTG's credit growth. The bank achieved <10% credit growth in 2017/2018 and targets 4.0-8.5% in 2020. We expect CTG's customer lending growth this year will be at 5% YoY.

Attractive price-to-book multiple and ample room for foreigners. CTG is trading at a forward 2020 and 2021 PBR of 1.0x and 0.8x respectively, looking attractive compared to its peers as well as its ability to improve ROE in upcoming years.

RISK TO OUR CALL

- Given its high weight in the VN30 index, CTG could attract cash flow from the ETFs, causing market price fluctuation which is unmatched to its fundamentals.

ACCUMULATE

+3%

CMP (VND)	22,750
Target price (VND)	23,500

Cash dividend in 12 months 0

STOCK INFO

Sector	Banks
Market Cap (\$ mn)	3,656
Current Shares O/S (mn shares)	3,723
3M Avg. Volume (K)	5,323
3M Avg. Trading Value (\$ mn)	5.2
Remaining foreign room (%)	0.0
52-week range ('000 VND)	16.6-28.5

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	28,738	40,519	43,052	47,151
Growth (%)	-11.9	41.0	6.3	9.5
NPATMI (VND bn)	5,414	9,461	12,049	17,019
Growth (%)	-27.2	74.8	27.3	41.3
ROA (%)	0.5	0.8	0.9	1.2
ROE (%)	8.3	13.1	14.6	17.7
EPS (VND)	1,004	2,138	2,723	3,847
Book Value (VND)	18,037	20,625	23,473	28,044
Cash dividend (VND)	0	0	0	0
P/E (x) (*)	-	19.2	8.2	5.8
P/B (x) (*)	-	1.0	1.0	0.8

(*) Share price as of Aug 7th, 2020.

Figure 1: CTG's lending structure (%)

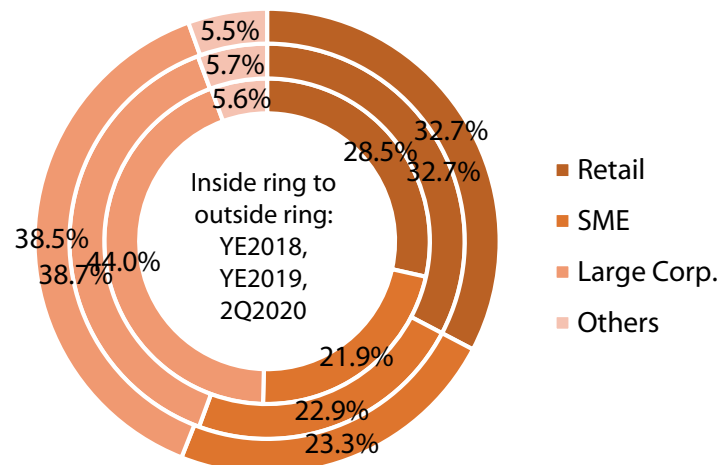
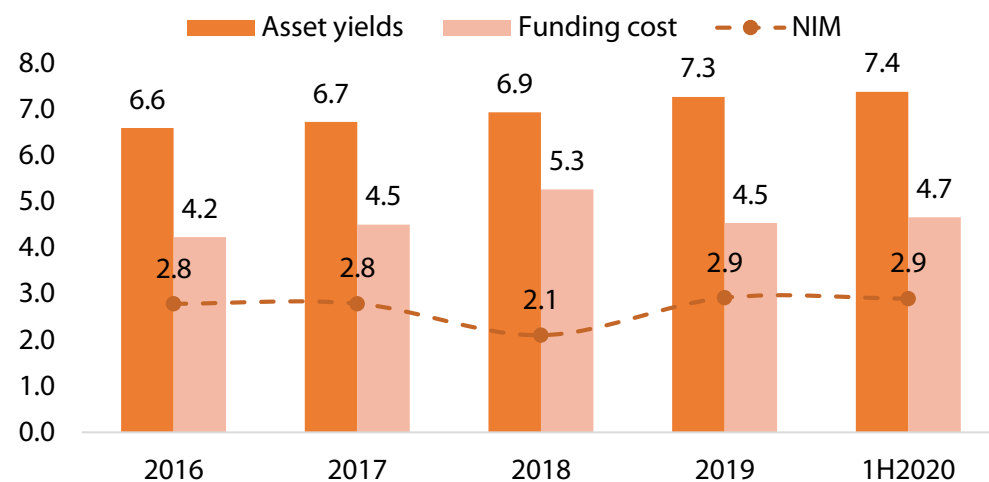


Figure 2: CTG's asset yield, funding cost and NIM (% - TTM)



Source: CTG, Rong Viet Securities

In 1H 2020, CTG reported its TOI and PBT growth respectively at 5% and 40% YoY. The high growth of PBT was mostly due to lower provision expenses (-12% YoY). CIR was also reduced to 31.9% in 1H 2020, from 35.0% in 1H2019.

Covid-19 heavily affected interest and services income growth.

Being a state-owned banks, CTG is impacted by Covid-19 much more than its private counterparts, in terms of lending interest rates as well as service fees.

- In 1H2020, though deposits grew at 2.3% YTD, mostly flat compared to the growth in 1H2019, gross loan showed a growth of only 0.7% YTD. Besides disbursement to manufacturing and priority sectors, loan growth was also driven by SME and retail, which accounted for 56% of total loan outstanding by the end of June.
- The bank expect credit to grow by 4–8% in 2020. In our point of view, we believe credit growth to recover in 2H yet the final growth in 2020 should be lower than that in 2019. As such, we estimate CTG's gross loan will increase 5% YoY for the whole year.
- Though CTG has been trying to restructure its funding structure as well as boost CASA, we think those may not be enough to keep NIM stable. For 2020, we forecast NIM to drop by 14bps to 2.8%. We see limited room for CTG to improve NIM in the upcoming years.
- For 2020, NII is likely to grow by 2% YoY and account for c. 79% of TOI, much lower than it was in 2019.
- Services income expanded by c. 11% YoY in 1H2020, against the high growth of more than 30% YoY in 1H during the last two years. Settlement fees will remain a key contributor, which accounts for c. 50% of total income. Banca fees contributed 2-3% in service income.
- We forecast a 12% YoY growth in 2020 service income on the back of settlement income and bancassurance fees recovery in 2H.

Figure 3: CTG's TOI components (% YoY)

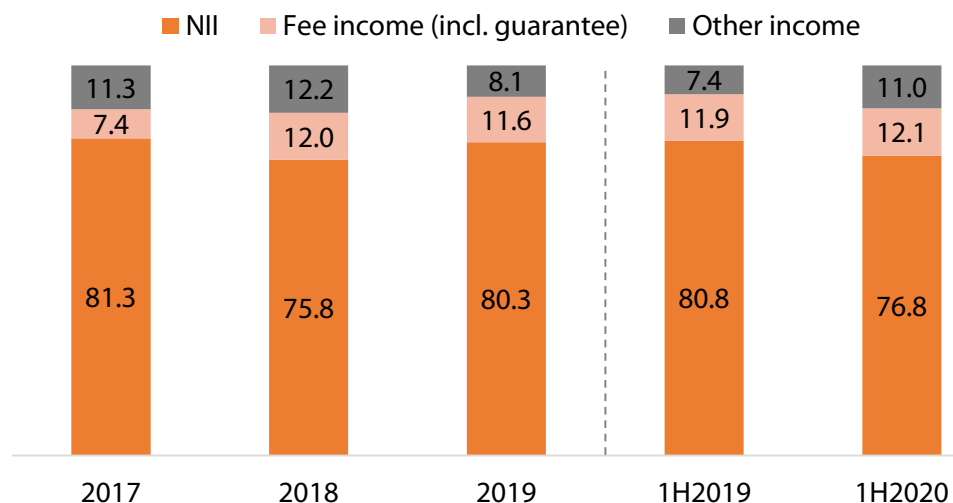
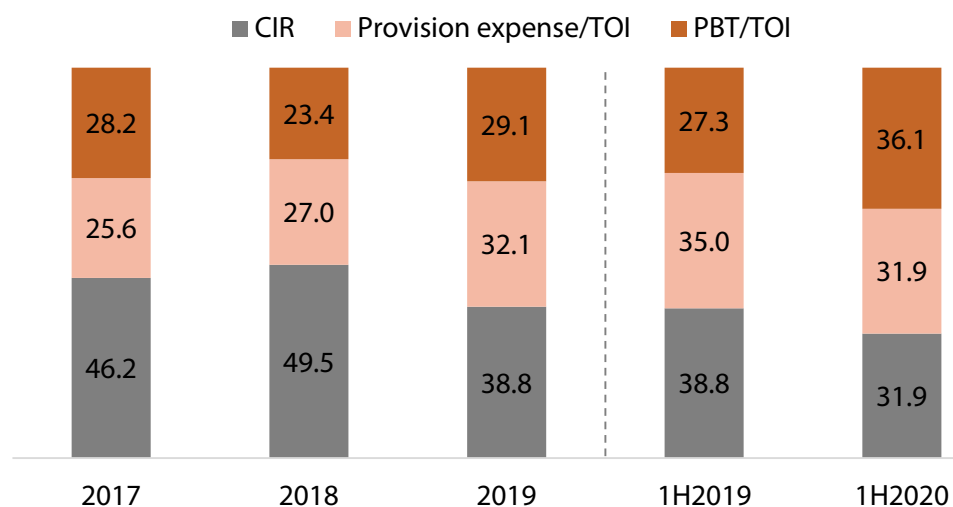


Figure 4: CTG's expense and PBT contribution to TOI (%)



Source: CTG, Rong Viet Securities

Activities excluding lending and services grew by more than 48% YoY in 1H2020.

- Favorable foreign exchange rate and decreasing government bond yields gave CTG a chance to boost FX trading income (c. +32% YoY) as well as realizing earnings from Government bonds (trading securities gains: +186% YoY). Provision reversal from corporate bonds and bad debt collection brought positive income to investment securities (1H 2019: reported loss) and a 36% YoY increase of other income.
- We believe that FX trading will continue to be a driver for these activities in the 2H 2020, with a growth of 31% YoY for the full year. Other activities, meanwhile, will grow at a lower pace than in 1H. Government bond yields may not go further from this low level by end-June, resulting in income from trading securities to grow 20% YoY for the whole year.
- Provision reversal from corporate bonds should be a one-off income, yet we do not expect income from this activity in the 2H. Income from other activities (mostly contributed by bad debt collection) usually fall in the last quarter of the year and is expect to grow 2.5% YoY (2019: -20% YoY).
- To sum up**, we estimate 2020 TOI to grow by 6.3% YoY driven by non-NII growth.

Figure 5: CTG's outstanding VAMC balance (VND bn)

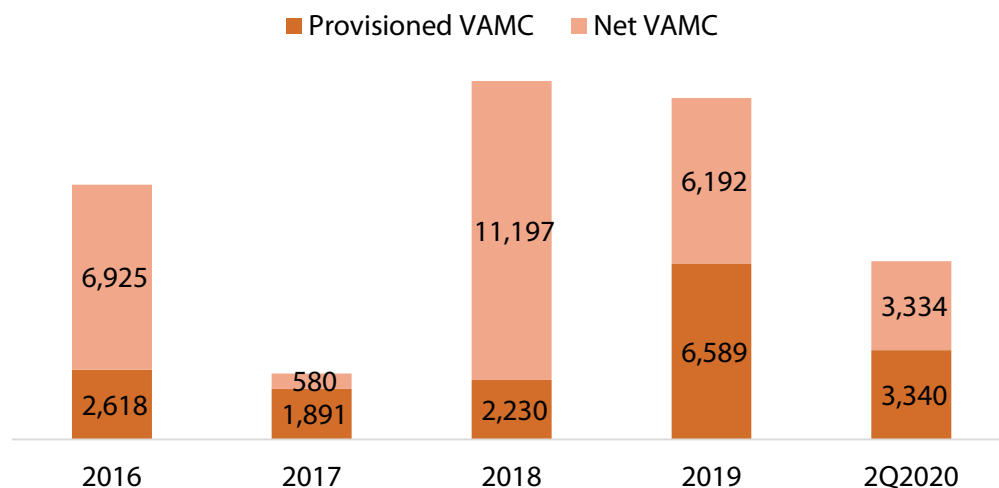
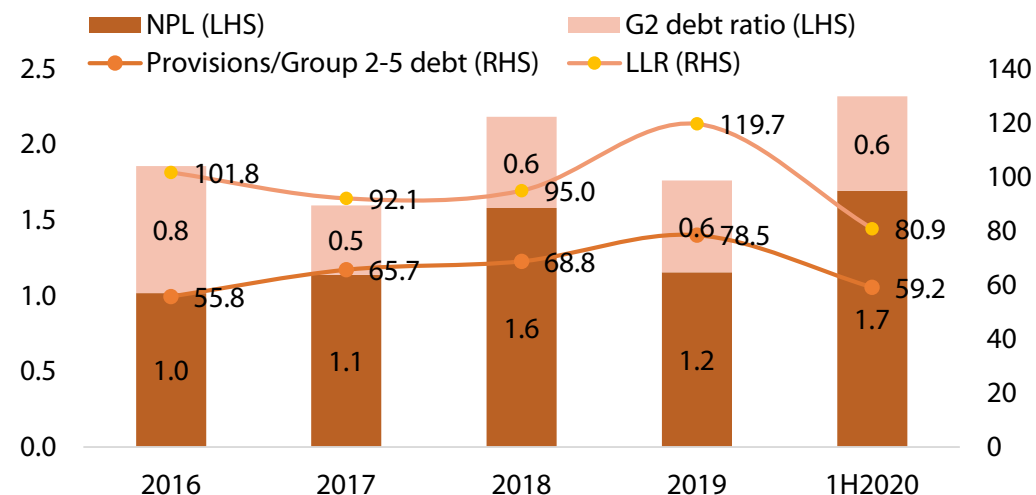


Figure 6: NPL, LLR and Provisions/Group 2-5 debt ratio (%)



Source: CTG, Rong Viet Securities

Operating expenses slightly decreased (-4% YoY) in 1H, mostly due to the decrease of staff expenses, as an effort to control costs. Yet CIR continued to improve to 32% (1H 2019: 35%) as TOI kept growing.

Aggressively focusing on clearing VAMC bond, yet should keep an eye on potential on-balance sheet bad debt.

- CTG sold VND 13.4Tn more of its bad debt to VAMC in 2018. After one and a half year, the bank bought back 50% of the total outstanding amount at that time, and made 50% provisions for the remaining amount. We expect CTG to fully clear its burden with VAMC by the end of this year. The bank will not sell more bad debt to VAMC unless its NPL ratio rises to over 3%.
- Regarding on-balance sheet bad debt, in 1H, CTG wrote off approximately VND 4 Tn of it yet the NPL ratio still rose to 1.7% and the NPL formation rate increased to 1% (1H 2019: 0.3%). Group 3 and group 4 loan rallied, 247% and 84% respectively. The bank targets to keep its NPL ratio at lower than 2% this year.
- For 2020, we believe that CTG will focus on clearing VAMC bond first. As such, its impairment charges to on-balance sheet bad debts will slightly decrease compared to last year. The LLR is expected to drop to about 89% (2019: 120%), before picking up in 2021, after CTG fully bought back VAMC bond.

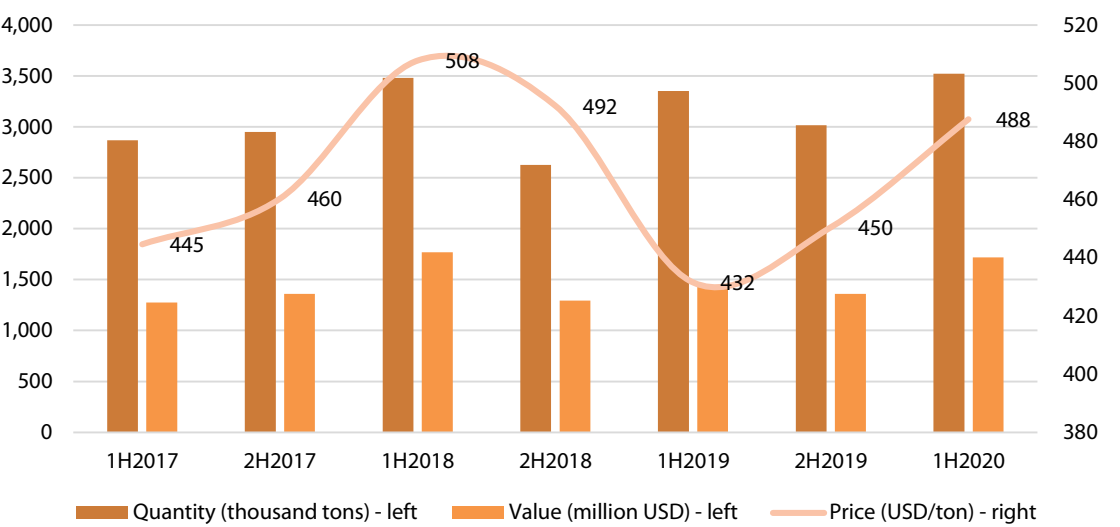
Though TOI is forecasted to grow by merely 6.3% YoY, lower CIR (estimated at 35% vs c. 39% in 2019) and flat impairment charges should boost the whole year PBT growth to 27.3% YoY.

AGRICULTURE INDUSTRY: Expected to recover

Vu Tran – vu.thx@vdsc.com.vn

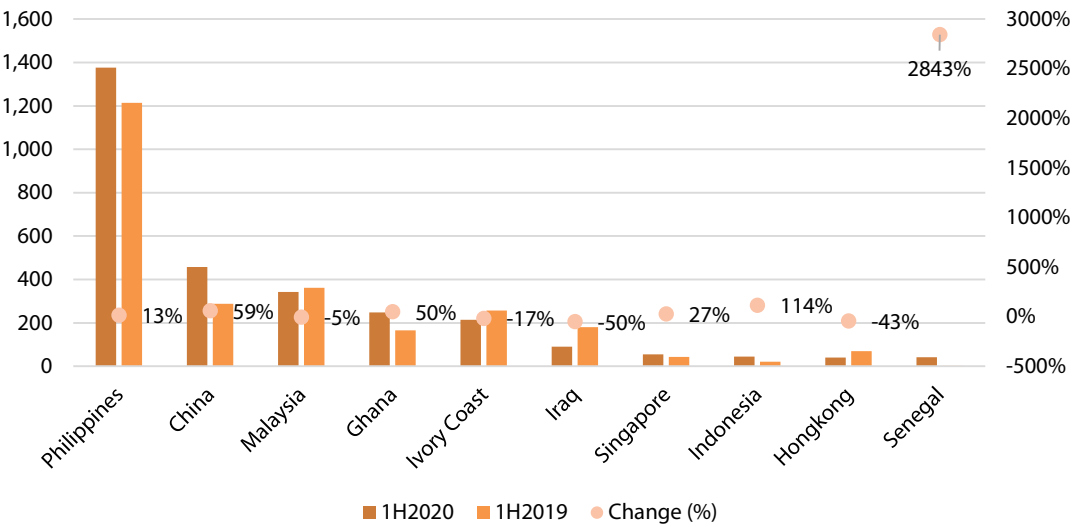
Hoang Bui – hoang.bh@vdsc.com.vn

Figure 1: Rice export performance



Source: General Department of Customs, Rong Viet Securities

Figure 2: Export markets of Vietnamese rice (thousand tons)



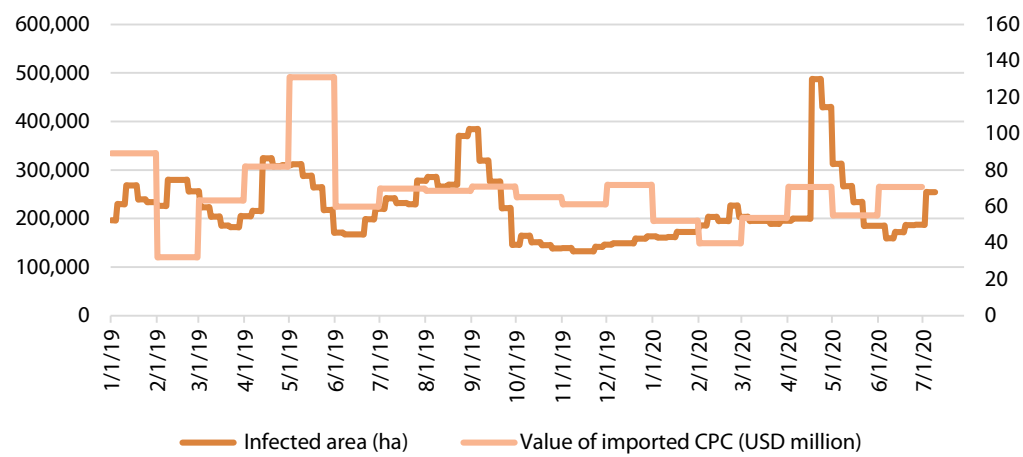
Source: General Department of Customs, Rong Viet Securities

Rice exports reached USD 1,717 million, up by 19% YoY thanks to the increased quantity and increased selling price

- Export volume grew strongly in 1Q before falling slightly in 2Q. In 1H2020, quantity recorded a 5% growth, reaching 3.5 million tons thanks to increased demand by the Philippines and China while biggest rice exporting countries like India or Thailand faced many difficulties.
- Vietnamese rice prices were also better than the previous period, reaching USD 488/ton, up by 13% YoY thanks to (1) high demand for stocking food due to Covid-19 while supplies from Thailand and India were low, (2) Vietnam gradually increased the proportion of high-quality rice in total export. Currently, the proportion of high-quality rice accounts for 60% of the total export volume compared to the previous rate of 10%.

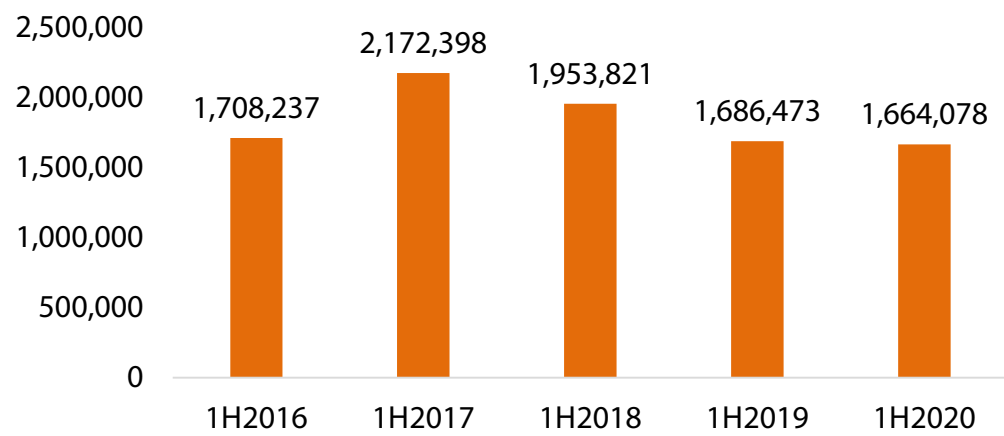
Update 1H2020 - Agricultural materials sales decline

Figure 3: Pesticide imports (by month)



Source: Plant Protection Department, General Department of Customs, Rong Viet Securities

Figure 4: Fertilizer imports in 6 months (tons)



Source: GSO

In 1H2020, Vietnam imported USD 346.8 million of pesticides, down by 24% YoY

- The cultivated area decreased by 11.8% YoY due to salinity, so the area affected by pests and diseases decreased by 9%. Since then, the demand for pesticides decreased.
- Falling agricultural prices also makes farmers' incomes low. Therefore, farmers must save all kinds of costs of cultivation, including pesticides.
- Imports were affected when China imposed a blockade.

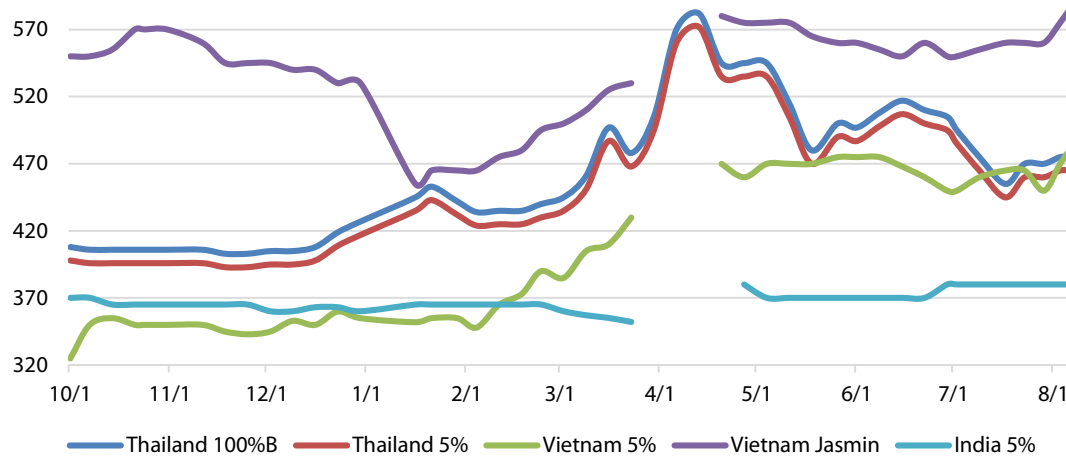
Fertilizer imports in the first half of the year also decreased

- In the first 6 months of 2020, Vietnam imported about 1.66 million tons of fertilizers (urea, NPK, SA, potassium, and DAP), down by 1.4% YoY. In detail, Urea and NPK were the 2 products that had the biggest drop in quantity.
- Similar to pesticides situation, the decreased cultivated area and the unfavorable prices of agricultural products made the domestic demand for fertilizers low.
- The effect of Covid-19 from March onwards has made the import also difficult.

AGRICULTURE INDUSTRY

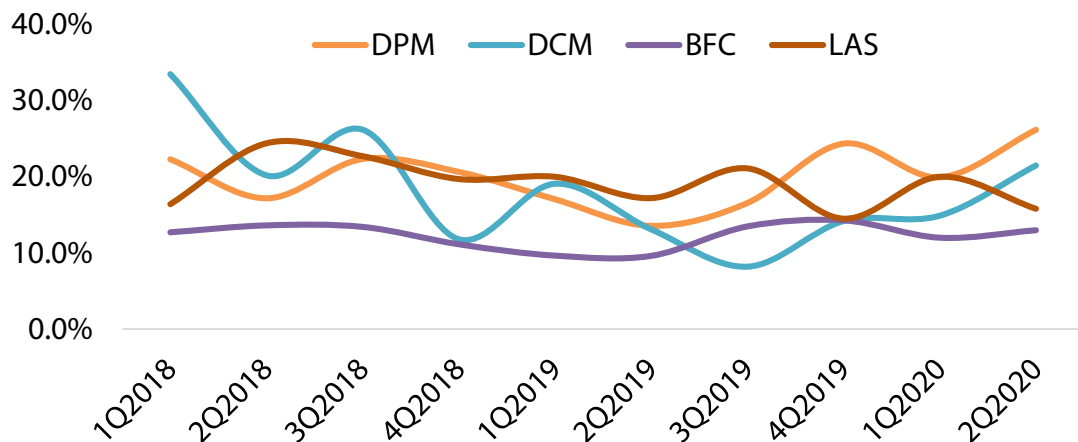
2H2020 - Supported by favorable weather

Figure 5: Export rice prices (USD/ton, FOB)



Source: Rong Viet Securities

Figure 6: GPM of large fertilizer companies



Source: Rong Viet Securities

World demand for rice storage remains high, but competition is gradually increasing

- Other countries continue to store rice during the outbreak of Covid-19 to ensure local supply. Currently, the Philippines (needs 300,000 tons of rice), Bangladesh (200,000 tons of rice), China and Indonesia also need to import more rice to support the domestic supply. However, the competition also increased as rice exports from India and Thailand recovered.
- In addition, the salinity damage has been reduced and the weather is favorable in 2H2020 which will support rice cultivation.

Better farming activities in 2H2020 can support the fertilizer and agricultural materials sector

- Favorable rice cultivation together with high rice export demand will help.
- For LTG, the pesticide segment is expected to recover as farmers' income is expected to improve when natural disasters no longer damage crops as in 1H2020. Therefore, farmers will actively invest in agricultural materials to improve the quality of agricultural products.
- Large fertilizer companies such as DPM, DCM are forecasted to stay profitable.

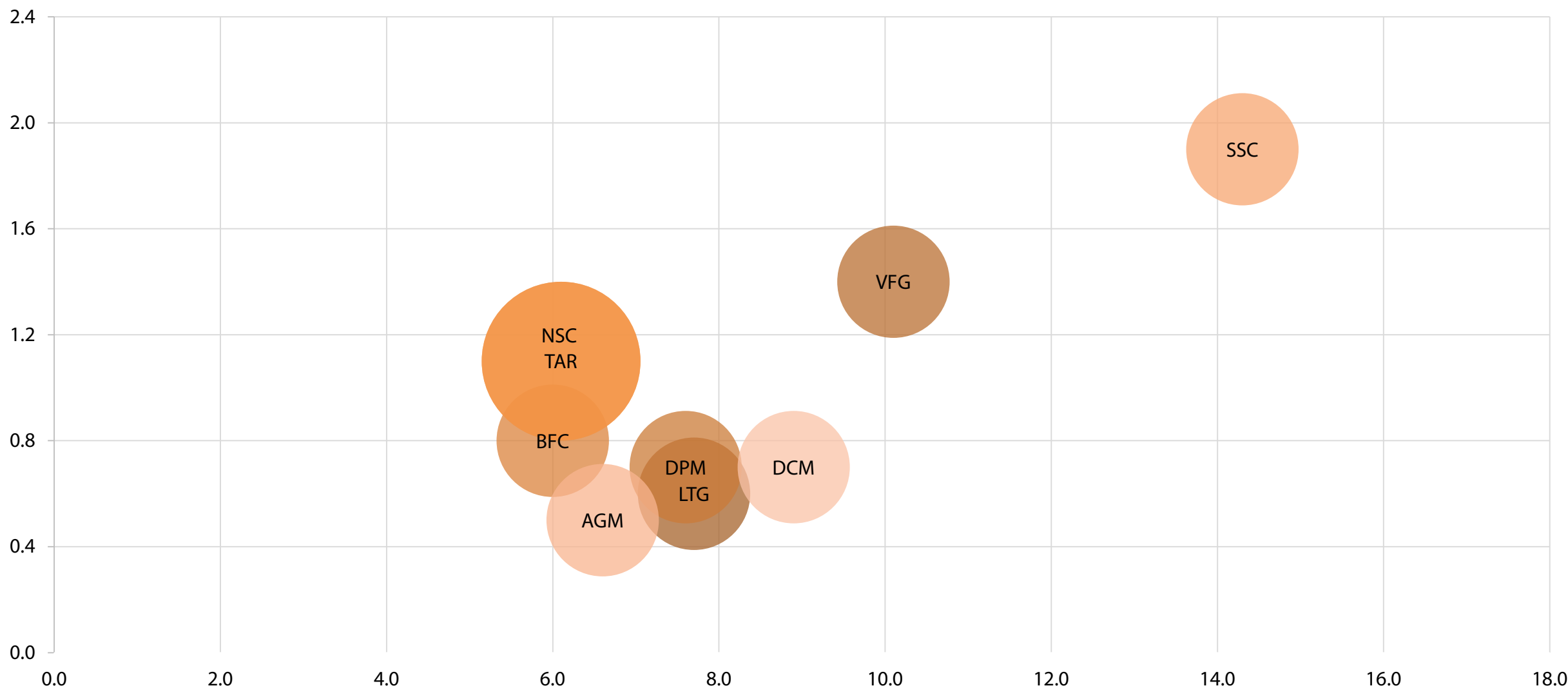
AGRICULTURE INDUSTRY

Industry comparable: 1H2020 financials

Ticker	Market cap (USD mn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
LTG	64.9	23,300	-49.8	-43.6	12.7	8.9	-54.1	5.2	3.2	7.6	0.0	7.7	0.6
TAR	26.7	N/A	93.3	156.5	7.2	6.3	398.1	3.8	7.6	20.4	0.0	6.1	1.1
BFC	31.1	10,000	-15.8	40.0	7.3	5.7	565.5	2.4	3.5	10.4	0.0	6.0	0.8
DPM	228.9	15,000	10.6	92.2	19.2	12.1	390.3	10.5	6.1	8.6	0.0	7.6	0.7
VFG	55.4	N/A	-20.1	-15.8	10.5	9.2	-18.1	7.2	6.8	14.1	0.0	10.1	1.4

Source: Bloomberg, RongViet Securities. Share price as of 07 Aug 2020.

Industry comparable



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 07 Aug 2020.

LTG – CONTINUOUS RESTRUCTURING

INVESTMENT RATIONALE

Stable income from pesticides

- The pesticide industry is in a saturated phase, there is no growth prospects as (1) CPC residues on Vietnamese agricultural products are three times higher than standards, (2) to target high-end markets such as Europe, the US and Japan, “clean” products are needed, (3) domestic consumers increasingly prefer organic products.
- However, farmers' habit of using pesticides cannot be changed in the short term and LTG is the industry leader (market share of 20%), so the revenue and profitability are still guaranteed for the coming years. Segment's revenue did not change much in the 2016-2019 period (CAGR = -0.5%).

Restructuring working capital to minimize financial risks

- Stopped selling unbranded rice to reduce the inventories burden. At the same time, purifying the pesticide distributor helps reduce accounts receivable (decreased 69% YoY in 1H2020). The accounts receivable turnover has only been improved for the first time in 2Q2020. Debt and interest expenses decreased, reducing the financial leverage risk.
- At the same time, smaller inventories and accounts receivable helped low down expenses.

New potential business

- The company is implementing an agricultural services segment with a relatively high expected GPM (26.5%) to create growth and offset the decline of the pesticide segment in the future.

RISKS TO OUR CALL

- The Government issue policies to limit the use of chemical pesticides.
- The agricultural services segment cannot perform as expected.

BUY

+31%

CMP (VND)	18,600
Target price (VND)	23,300

Cash dividend in 12 months 1,000

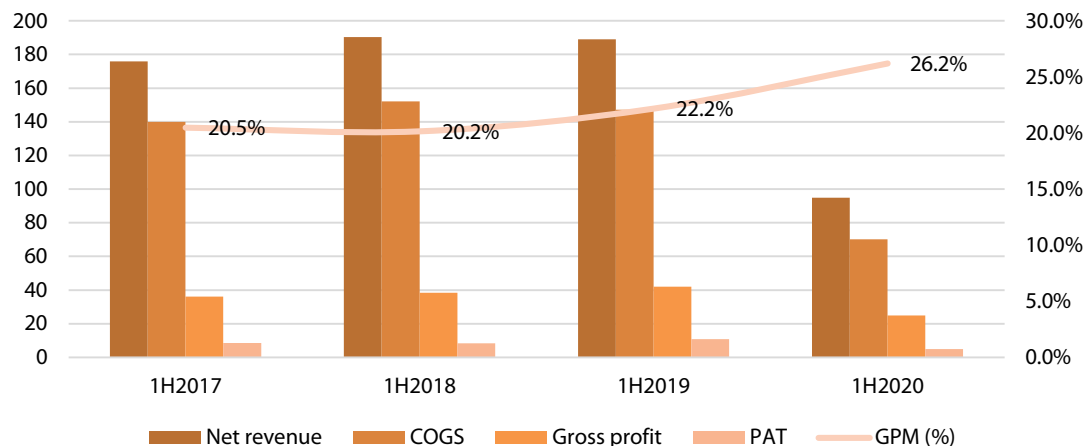
STOCK INFO

Sector	Basic Materials
Market Cap (\$ mn)	65
Current Shares O/S (mn shares)	81
3M Avg. Volume (K)	189
3M Avg. Trading Value (\$ mn)	0.2
Remaining foreign room (%)	4.7
52-week range ('000 VND)	12.3-24

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	9,031	8,310	6,159	6,806
Growth (%)	4.0	-8.0	-25.9	10.5
NPATMI (VND bn)	412	331	304	395
Growth (%)	-0.1	-19.7	-8.1	30.0
ROA (%)	5.3	5.1	5.0	6.1
ROE (%)	16.5	12.7	11	13.2%
EPS (VND)	4,341	3,486	3,206	4,167
Book Value (VND)	31,207	32,580	34,410	37,077
Cash dividend (VND)	2,000	1,600	1,000	1,500
P/E (x) (*)	6.3	7.8	5.8	4.5
P/B (x) (*)	0.9	0.8	0.5	0.5

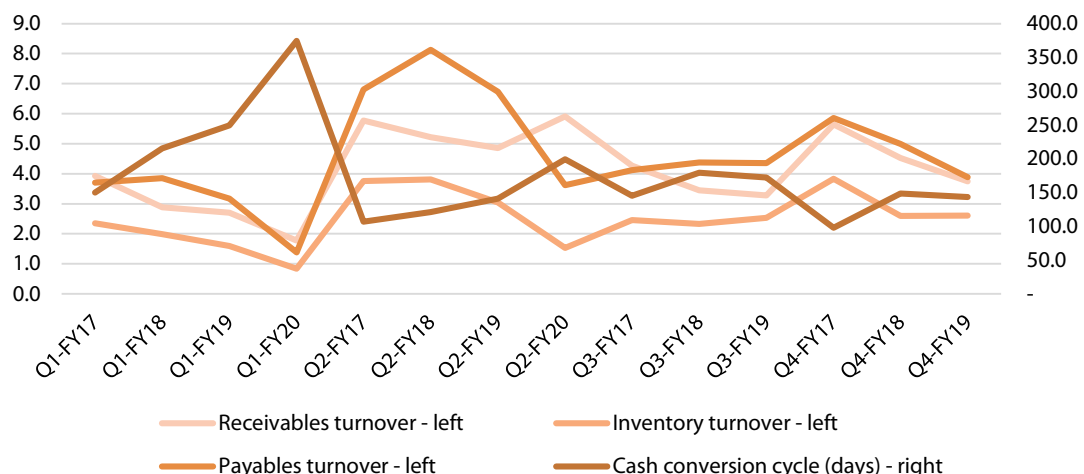
(*) Share price as of Aug 7th, 2020.

Figure 1: Business results (USD million)



Source: LTG, Rong Viet Securities

Figure 2: Working capital change (times)



Source: LTG, Rong Viet Securities

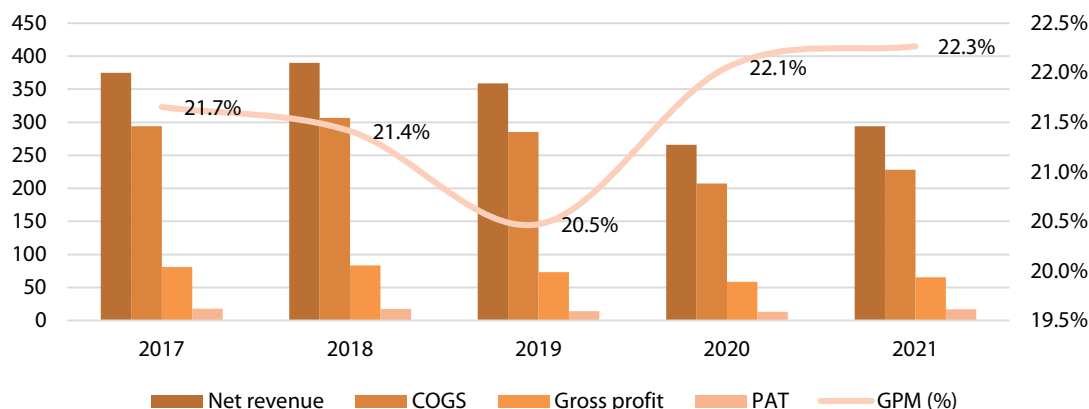
Revenue and profit dropped sharply

- Revenue decreased by 50% YoY, to USD 95 million. Revenue decreased mainly in the pesticide (-54% YoY, to USD 53.4 million) and rice segments (-56% YoY, to USD 22.7 million). Drought and salinity damaged crops in the Mekong Delta (the main market of the company) and Covid-19 restricted trading between China and Vietnam in 1Q. This led to a decline in farmers' income, thereby they limited spending on pesticides. Rice sales decreased because LTG has stopped selling non-branded rice since Q3-2019.
- GPM improved from 22.2% (1H2019) to 26.2% thanks to the improvement in the pesticide and rice segments. However, gross profit was only USD 24.9 million, down 41% YoY. PAT dropped sharply by 54% YoY, to USD 5 million.

Restructuring to optimize working capital management and reduce expenses

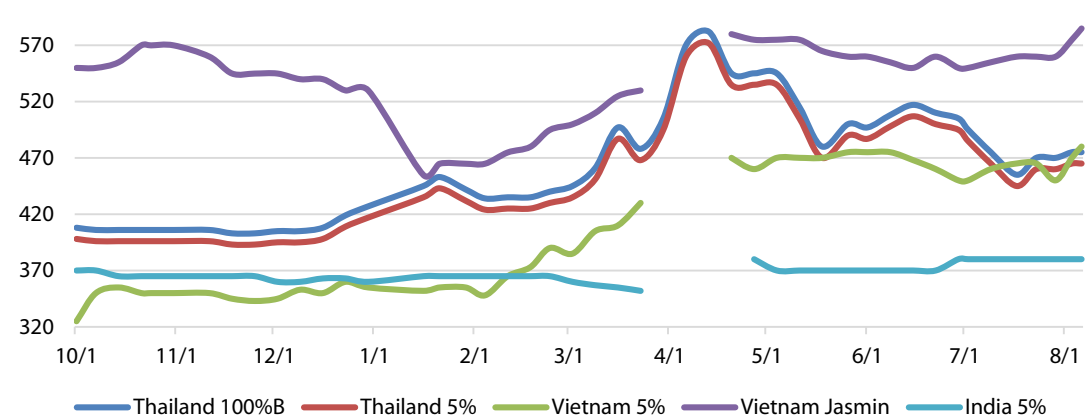
- LTG has reviewed the pesticide distributor since 2019 (currently only 400 agents instead of 1,300 as at the end of 2018), helping to reduce the burden of accounts receivable. As a result, accounts receivable were only USD 34.4 million, down by 69% YoY. However, the turnover has not improved as it decreased continuously from 2017 to 1Q2020 and only improved for the first time in 2Q2020 when it increased from 4.9x (2Q2019) to 5.9x.
- Efforts to control working capital helped reduce the dependence on short-term debt thereby reducing interest expenses. These were USD 2 million, down 51% YoY in 1H2020 was. At the same time, the financial leverage decreased from 1.8x to 1.2x.

Figure 3: Results (USD million)



Source: LTG, Rong Viet Securities

Figure 4: Price of exported rice (USD/ton, FOB)



Source: Vietnam Food Association, Rong Viet Securities

2020: Gradual recovery from 3Q

- As drought and salinity have been contained and the country has entered the rainy season, this has encouraged farmers to increase activities. Exported rice prices have increased (due to the decrease in supply of Thailand and India while the demand increased in many countries. Although the second wave of Covid-19 in Vietnam is challenging many industries. However, the agricultural sector does not face many obstacles as there are no cases in the Mekong Delta. Other countries still want to store more food. The Philippines needs 300,000 tons of rice, Bangladesh 200,000 tons while China and Indonesia are also looking for more supplies. This will ensure export opportunities for Vietnamese agricultural products and a chance for agricultural materials to recover and rice exports to grow. At the same time, the company officially put into operation the agricultural service segment in 2H2020 with a revenue target of USD 11.1 million and a gross profit of USD 3 million. Although revenue and PBT dropped by 50% YoY and 62% YoY, respectively in 1H2020. However, better results in 2H2020 and reduction in expenses will help the forecasted revenue and PBT in 2020 to only decline by 26% YoY (reaching USD 265.9 million) and 8% YoY (reaching USD 18.4 million).

2021: Grow back

- Revenue and PBT are expected to grow 11% YoY and 30% YoY, respectively thanks to the recovery of the pesticide segment and the growth of the rice segment.

DPM – HIGH PROFIT IN 2020 BUT NOT SUSTAINABLE

INVESTMENT RATIONALE

Significant growth in 2020 thanks to low input gas price and the improvement in sales volume

- From the low base in 1H2019, DPM experienced a strong recovery in sales volume with 418 thousand tons in 1H2020, up 60% YoY. We expect that the company can sell 780 thousand tons of Urea, increasing by 12.8% YoY.
- Thanks to a huge drop in FO price, the gross margin hike from 15% to 23.1% pushed profit to increase 4.9x. For 2020, we forecast that DPM can reach VND612bn (USD26.6mn) in profit, up 62% YoY.

Insurance claim and VAT policy will support profits

- DPM will receive a total of VND202bn (USD8.8mn) to (1) facility insurance – VND30bn (USD1.3mn) and DPM has already booked in advance VND12bn (USD0.5mn) (2) business loss due to unexpected stop of Urea plant – VND172bn (USD7.5mn). The company expects to book these in 2H2020.
- Authorities plan to change the VAT law for fertilizer products from VAT exemption to VAT 5%. If this takes place, DPM's profit could improve from VND150bn (USD6.5mn) to VND200bn (USD8.7mn). But the VAT policy has not been approved for years.

Stable cash dividend

- DPM will maintain a stable cash dividend – VND1,000 or higher, depending on results.

RISKS TO OUR CALL

- FO price or tariff to rise, impacting the gross margin.
- Low fertilizer demand.

ACCUMULATE

+19.6%

CMP (VND)	13,550
Target price (VND)	15,000

Cash dividend in 12 months 1,200

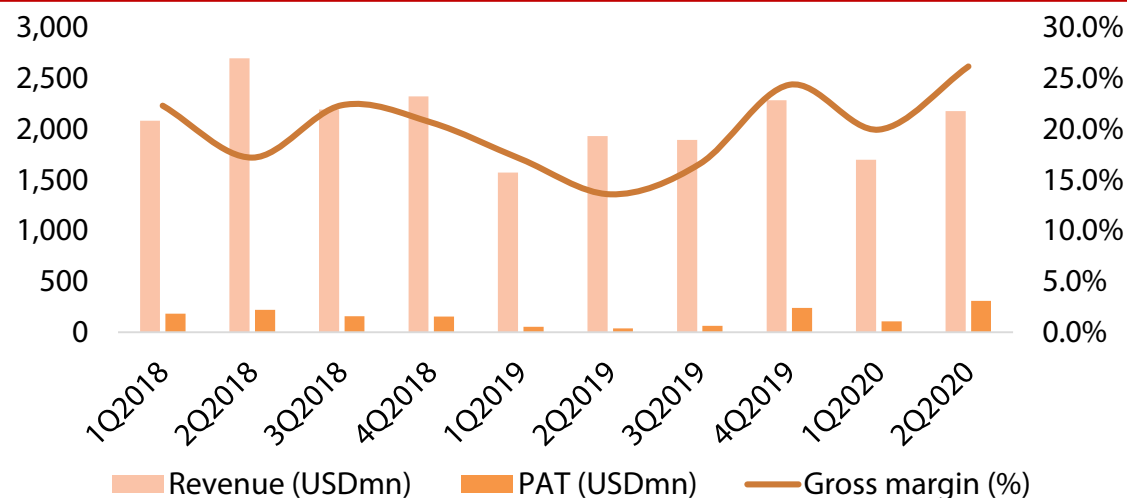
STOCK INFO

Sector	Basic Materials
Market Cap (\$ mn)	229
Current Shares O/S (mn shares)	391
3M Avg. Volume (K)	3,054
3M Avg. Trading Value (\$ mn)	1.9
Remaining foreign room (%)	38.4
52-week range ('000 VND)	9.6-15

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	9,297	7,684	8,196	8,481
Growth (%)	16.3	-17.3	6.7	3.5
NPATMI (VND bn)	700	378	612	525
Growth (%)	0.7	-46.0	61.9	-14.2
ROA (%)	6.5	3.2	5.4	4.8
ROE (%)	8.6	4.4	7.5	6.4
EPS (VND)	1,787	863	1,328	1,141
Book Value (VND)	20,662	20,429	20,752	20,888
Cash dividend (VND)	500	1,200	1,200	1,000
P/E (x) (*)	7.6	17.5	10.2	11.9
P/B (x) (*)	0.7	0.7	0.7	0.6

(*) Share price as of Aug 7th, 2020.

Figure 1: Revenue, PAT (LHS) and gross margin (RHS) of DPM



Source: Rong Viet Securities

Figure 2: FO price movement (Unit: USD/ton)

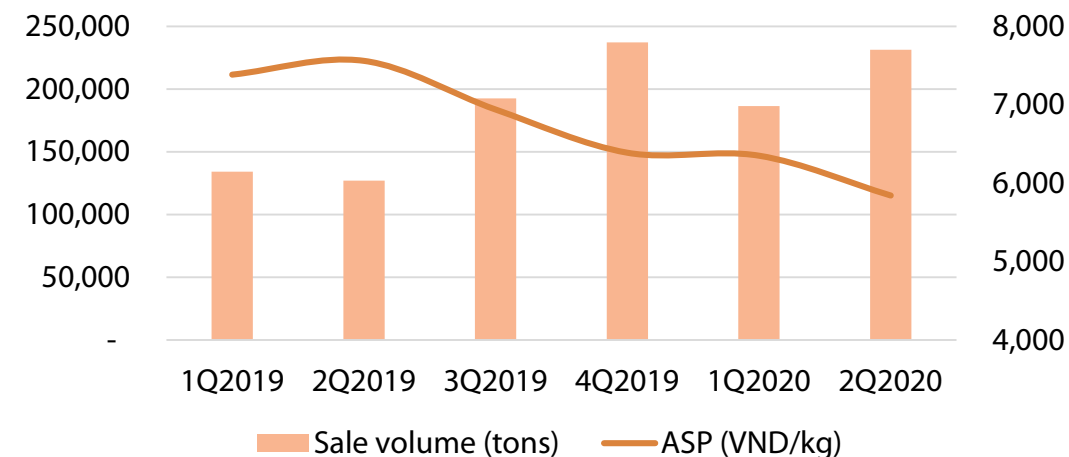


Source: Rong Viet Securities

Low base in 1H2019 makes the 1H2020 results significant

- Revenue increased by 11.3% to VND3,929bn (USD 170.8mn) owing to the improvement in Urea sales volume. The Urea sales volume increased by 60% to 418,000 tons as the Urea plant ran smoothly. But this sales number is quite low, compared to several years when the domestic demand is weak.
- Gross margin in 1H2020 to improve from 15.1% to 23.4% when the FO price plunged due to COVID-19.
- 1H2020 NPATMI was 4.9x higher than last year with VND407bn (USD17.7mn).

Figure 3: Sales volume (LHS) and ASP (RHS) of Urea



Source: Rong Viet Securities

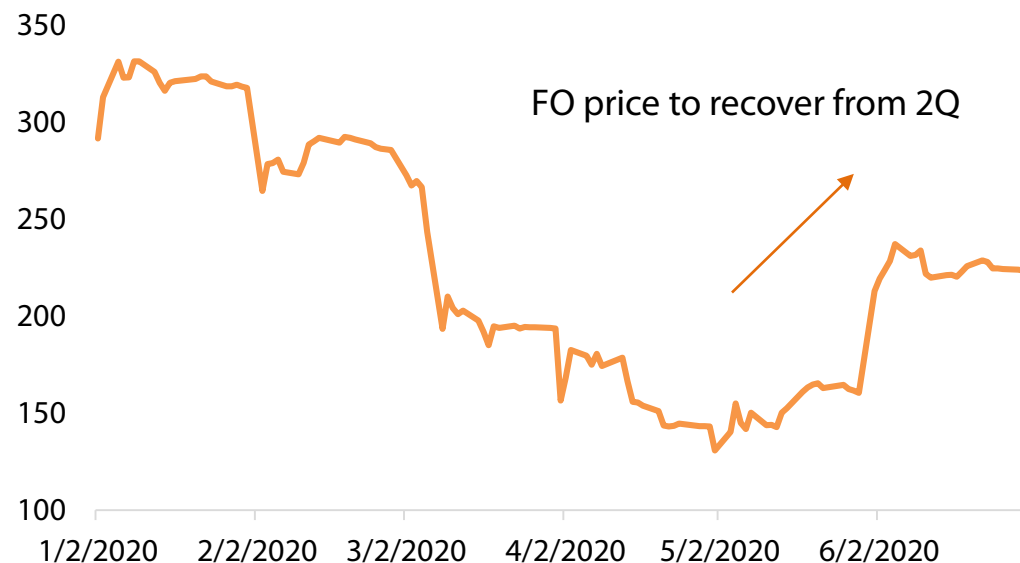
Dry gas is not likely to drop deeply so there will be no surprise in earnings

- FO price is recovering and is likely to maintain at this level. So the company can not enjoy such a low dry gas as it did in 1H2020. Besides, the Urea selling price is going down that will lower the gross margin of DPM in 2H2020.
- For 2020, we forecast that revenue and NPATMI will reach VND8,196bn (USD356.3mn) (+6.7% YoY) and VND612bn (USD26.6mn) (+61.9% YoY), respectively.

The insurance claimed could be the extraordinary income

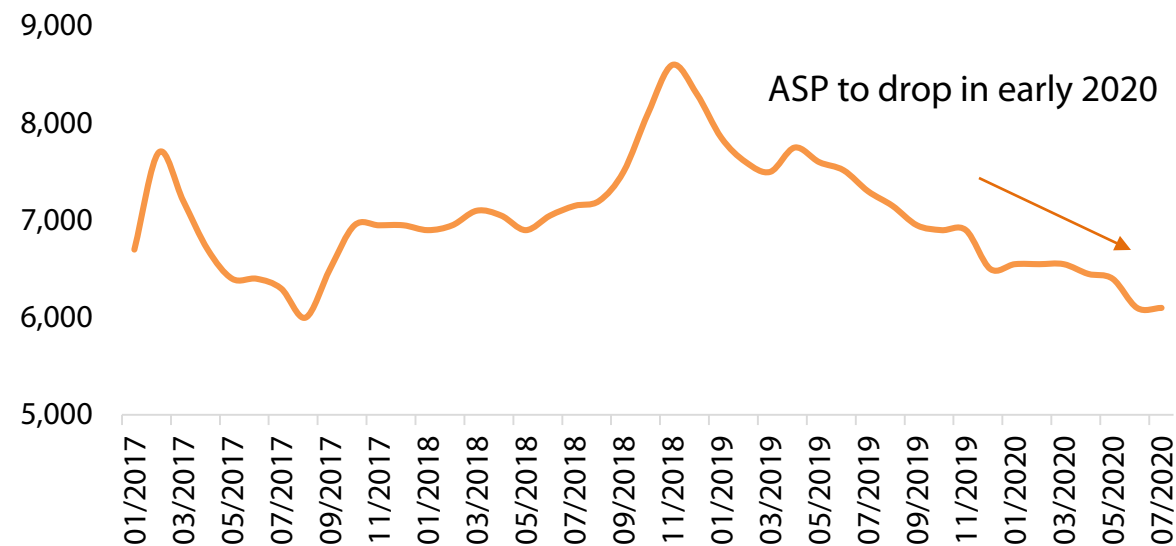
- DPM is still be able to get VND202bn (USD8.8mn) the insurance claimed, related to Urea plant issue in 2019. And if the company can book it in the rest of this year, the profit could be surprised than expectation.

Figure 4: FO price YTD (Unit: USD/ton)



Source: Bloomberg

Figure 5: Urea Phu My selling price (Unit: VND/kg)



Source: Rong Viet Securities

BFC – FIERCE COMPETITION IN NPK MARKET

INVESTMENT RATIONALE

Profit is expected to improve thanks to the drop in raw material

- In 2Q2020, sale volume fell 15% YoY and stayed at its the lowest level for years.
- However, the strong decline in raw material pushed the gross margin from 9.8% (2Q2019) to 14.0% (2Q2020) and we believe that BFC will benefit from the low material price in 2H2020. So we project that the gross margin will be 12.8% in 2020 and the NPATMI will be VND124bn (USD5.4mn), up 67.5% YoY.

Higher cash dividend for 2020 if results are better than the guideline

- In 2019, the company paid a cash dividend of VND1.000 although the business was not in a favorable condition. With a better result in 2020, we think that BFC can pay a higher cash dividend compared to its plan (VND1,000) as the parent company – Vinachem needs money.

RISKS TO OUR CALL

- Higher input price hurt the gross margin.
- More competition in NPK market will drag down sales.

SELL

-11.1%

CMP (VND)	12,600
Target price (VND)	10,000

Cash dividend in 12 months 1,200

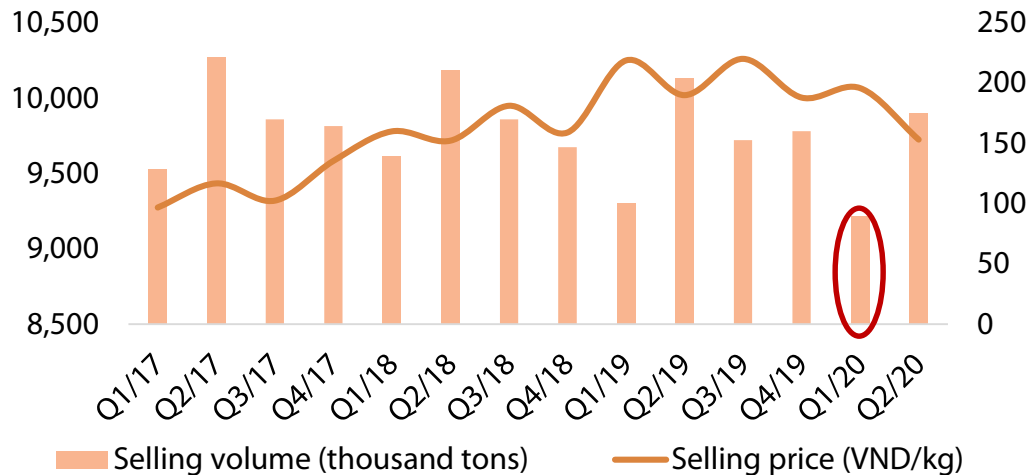
STOCK INFO

Sector	Basic Materials
Market Cap (\$ mn)	31
Current Shares O/S (mn shares)	57
3M Avg. Volume (K)	525
3M Avg. Trading Value (\$ mn)	0.3
Remaining foreign room (%)	45.0
52-week range ('000 VND)	8.8-14.6

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	6,382	6,122	5,456	6,035
Growth (%)	1.2	-4.1	-4.7	3.5
NPATMI (VND bn)	193	84	124	151
Growth (%)	-30.2	-56.5	51.2	21.7
ROA (%)	5.1	2.1	3.8	3.3
ROE (%)	16.1	7.5	13.1	10.7
EPS (VND)	3,135	1,086	2,044	2,473
Book Value (VND)	16.324	16.473	16.987	17.726
Cash dividend (VND)	2,000	1,200	1,200	1,000
P/E (x) (*)	4.0	10.9	6.2	5.1
P/B (x) (*)	0.8	0.8	0.7	0.7

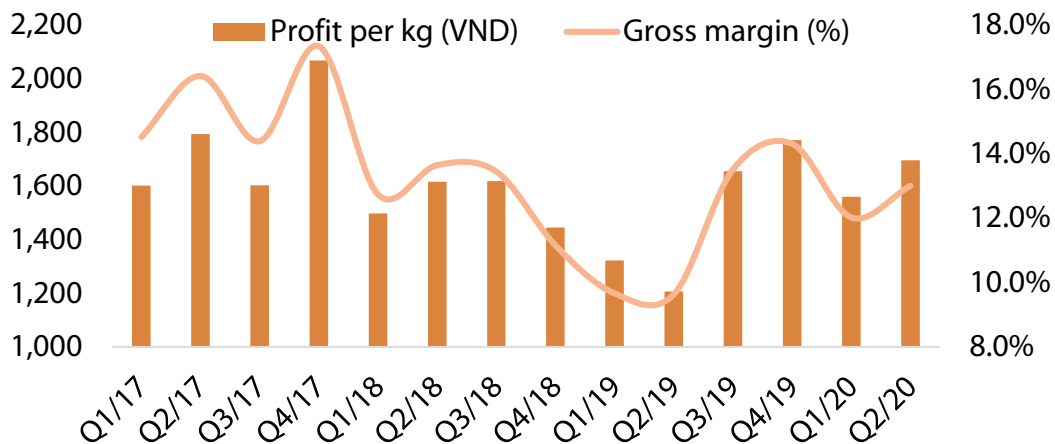
(*) Share price as of Aug 7th, 2020.

Figure 1: Sales volume (RHS) and ASP (LHS)



Source: BFC, Rong Viet Securities

Figure 2: PVD profit breakdown (Unit: USD mn)



Source: Rong Viet Securities

Low sales in the peak season

- In 2Q2020, sales fell 15% YoY and stayed at the lowest level for several years in spite of the peak season due to the low demand and fierce competition. The total sales volume reached 264 thousand tons in 1H2020 and the net revenue dropped 15.8% to VND2,544bn (USD110.6mn).

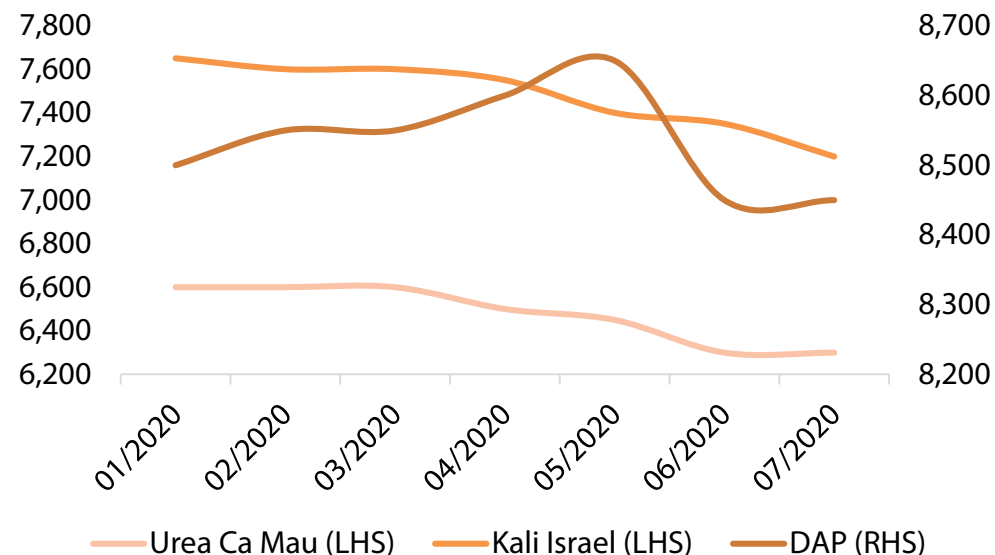
Raw material to fall in 1H2020

- The strong decline in raw material pushed the gross margin from 9.8% (2Q2019) to 14.0% (2Q2020).

Selling and interest expenses

- Selling expenses experienced a strong decline of 34.7% YoY to VND66bn (USD2.8mn).
- Interest expenses decreased from VND58bn (USD2.5mn) to VND44bn (USD1.9mn) in 1H2020 as BFC reduced inventories.
- NPATMI was VND53bn (USD2.3mn) in 2Q2020 (7.7x higher than the same period last year) and VND60bn (USD2.6mn) in 1H2020 (6.6x higher than the same period last year).

Figure 3: Raw material price (VND/kg)



Source: Rong Viet Securities

Table 1: 2020 and 2021 forecast

	2019	2020F	2021F
Net revenue	6,132	5,456	6,035
<i>NPK sales volume (thousand ton)</i>	615	560	621
<i>ASP (VND/kg)</i>	9,974	9,875	9,875
Gross profit	736	696	834
PBT	137	176	248
NPATMI	74	124	151

Source: Rong Viet Securities forecast

Sales volume kept dropping in 2H2020

- We forecast that BFC will experience a drop of 10% in its sales volume for the last six months in 2020. But the low input material will keep the gross margin at 13%.
- We forecast that net revenue and NPATMI will be VND5,456bn (USD237.2mn) and VND124bn (USD5.4mn) respectively in 2020.



AVIATION INDUSTRY: FACING STRUCTURAL CHANGES

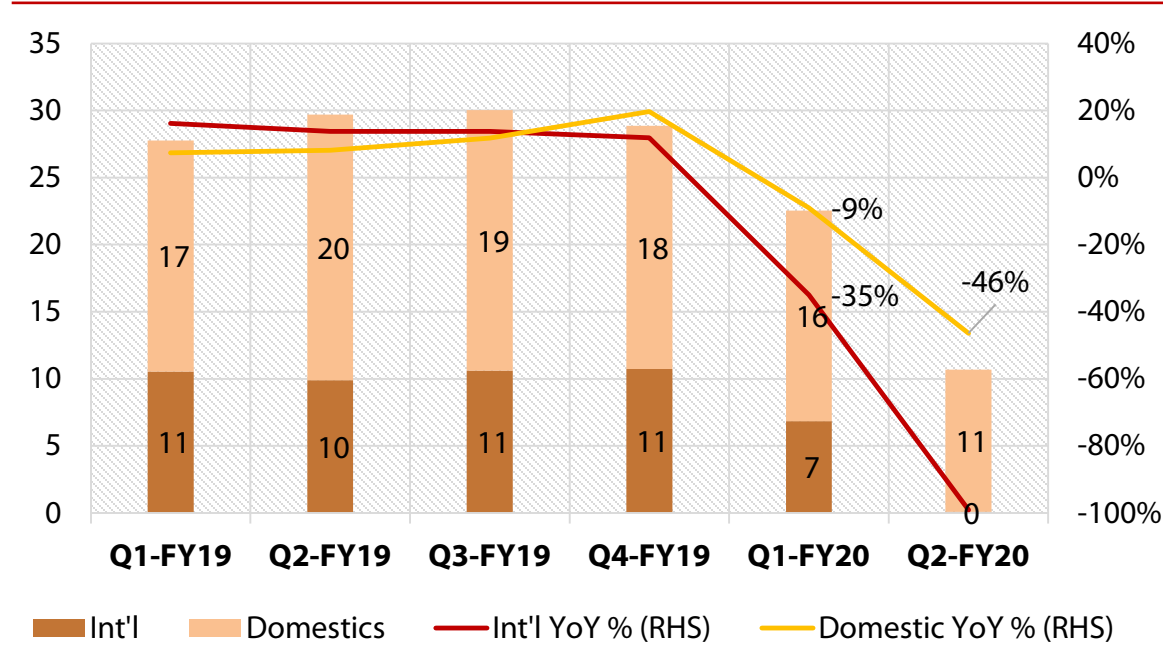
Tung Do – tung.dt@vdsc.com.vn

Passenger volume traffic collapsed

Per ACV, accumulated passenger volume traffic in 1H-FY20 plummeted unprecedentedly by 42% YoY to 33 million pax.

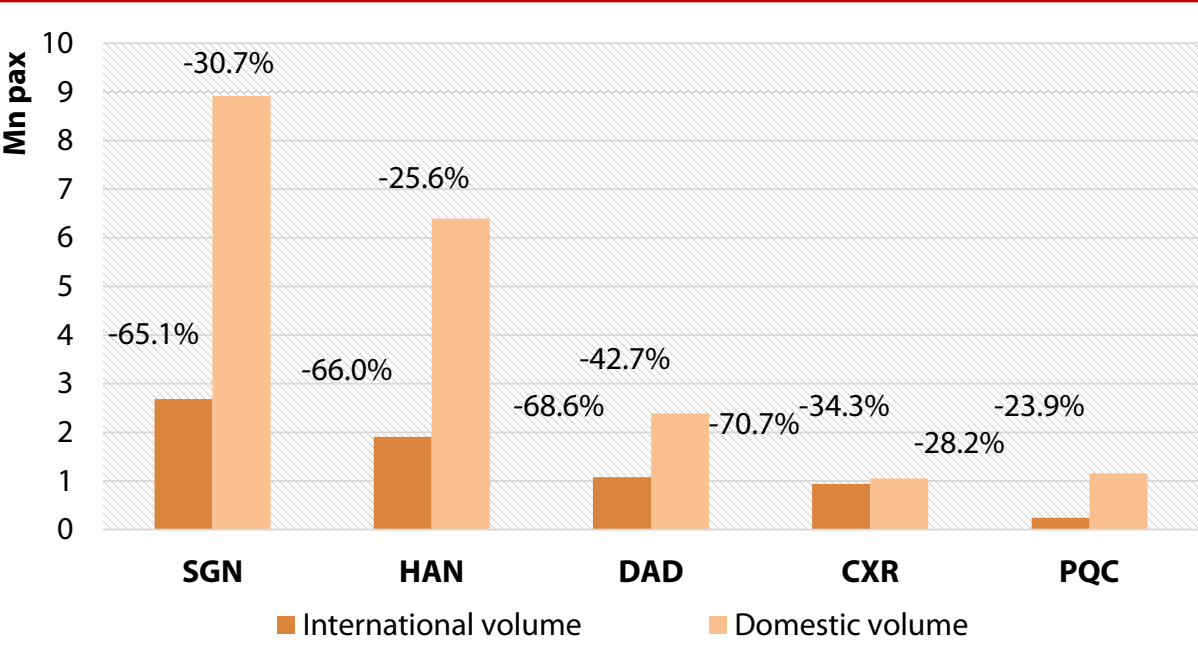
- International air traveler throughput stood at 7 mn pax, down by 66% YoY.
- Domestic flyers throughput at passenger terminals deduced by 29% YoY to 26 mn pax.

Figure 1: Passenger volume traffic (mn pax)



Source: ACV, Rong Viet Securities

Figure 2: Volume traffic at major airports in 1H-FY20



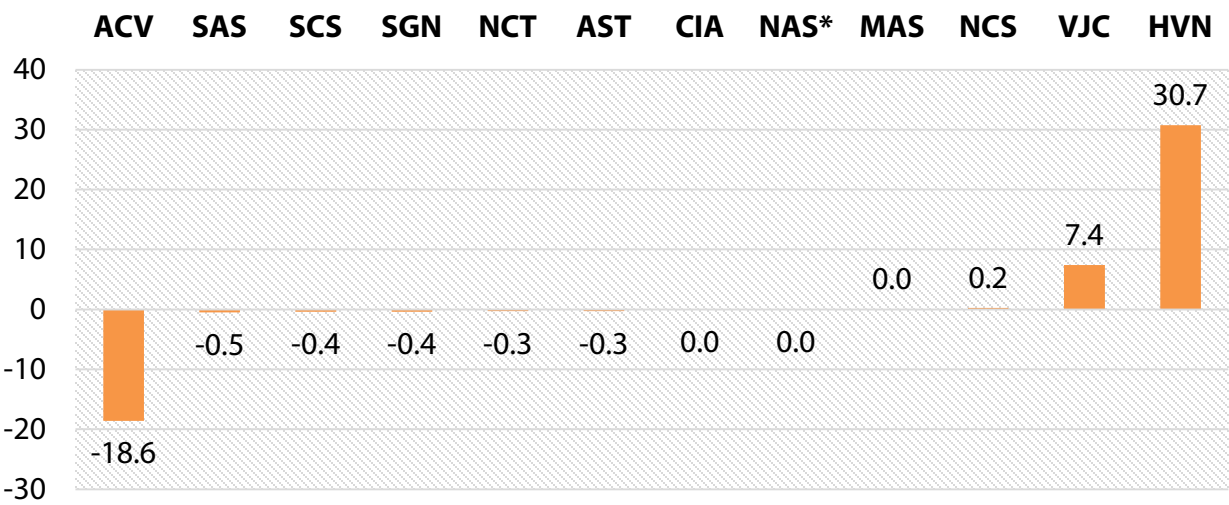
Source: ACV, Rong Viet Securities

1H-FY20 REVIEW: AN OVERVIEW ON INDUTRY PLAYERS' FINANCIAL RESULTS

Most of the companies' profit headed to the negative territory

- Listed airline carriers, VJC and HVN, have the highest net debt position in the industry due to the capital intensive nature of the airlines business, and are facing a great deal of liquidity risks. This group's profitability suffered the most due to the fact that their profits are highly sensitive to revenue, which plummeted after the collapse in the number of air travelers.
- Operating profits (EBIT) for non-aeronautical as well as aeronautical businesses, which are heavily dependent on revenue stream from international passengers / flights, suffer less compared to airlines yet significant with an average decline of respectively 131.7% YoY and 78.6% YoY in the first half of 2020.
- The group of air cargo terminal operators, represented by SCS and NCT, suffered the least as cargo flows were maintained though softer than pre-covid times.
- Most of the other firms, except for airlines, don't have net debt position.

Figure 3: Net debt position at end-Q2-FY20 (VND Tn)



Source: Companies filing, Rong Viet Securities *FY19 figures.

Figure 4: Covid's impacts on aviation related firms' 1H-FY20 results

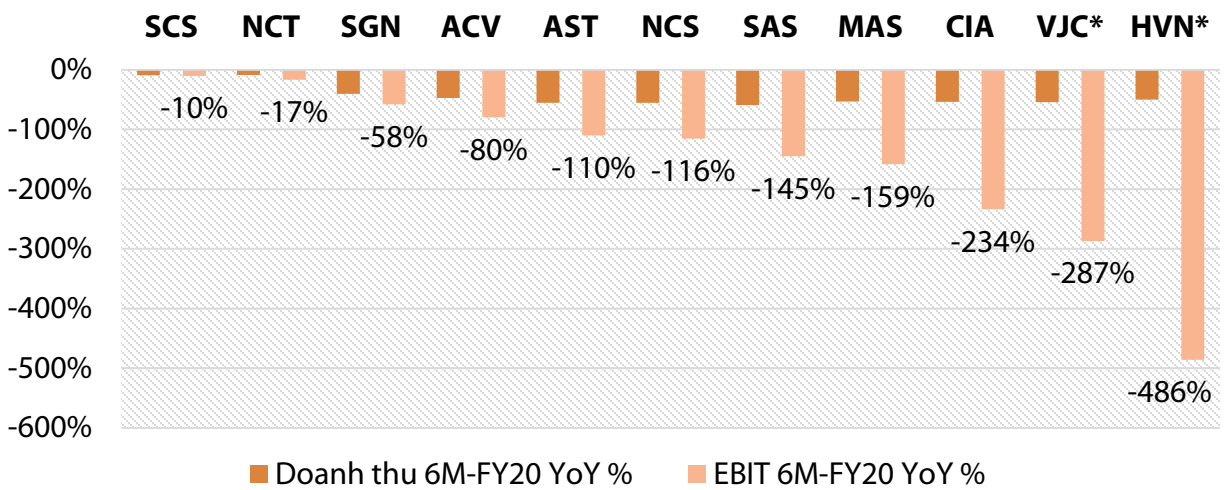


Figure: Companies filing, Rong Viet Securities * Parent companies' figures

DOMESTIC AVIATION MARKET OUTLOOK

Attempts to contain Covid-19 have brought about initial positive results for the domestic market

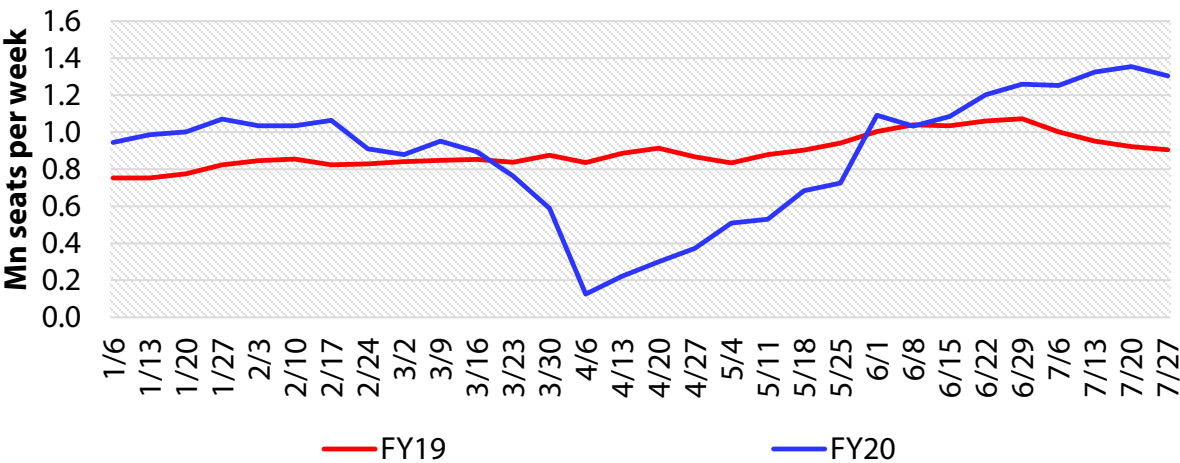
Vietnam led the world in terms of weekly seat supply recovery thanks to its domestic market.

- Since the social distancing and domestic flight frequency limits were removed in late April and early May respectively, domestic airlines have tried to optimize their fleets with the only viable option which is fully exploiting the domestic market. In addition to newly-established domestic routes to tap into niche markets, many promotions have been launched, helping the carriers with more cash flows. The weekly seat supplied exceeded 2019's levels since early June and was 25% higher than the same period in 2019 in the first week of July, as shown in the below figure.
- Regarding market share in terms of flight numbers, by end-July FY20, HVN's increased by 3% and Bamboo Airways' increased 6% while Vietjet Air's and Pacific Airlines' fell 5% and 4%, respectively, compared to end-FY19. This implies an aggressive move of Bamboo Airways in gaining market share.

However, a potential outbreak will hamper the stable domestic operation during the peak season in this summer as well as in the last months of the year.

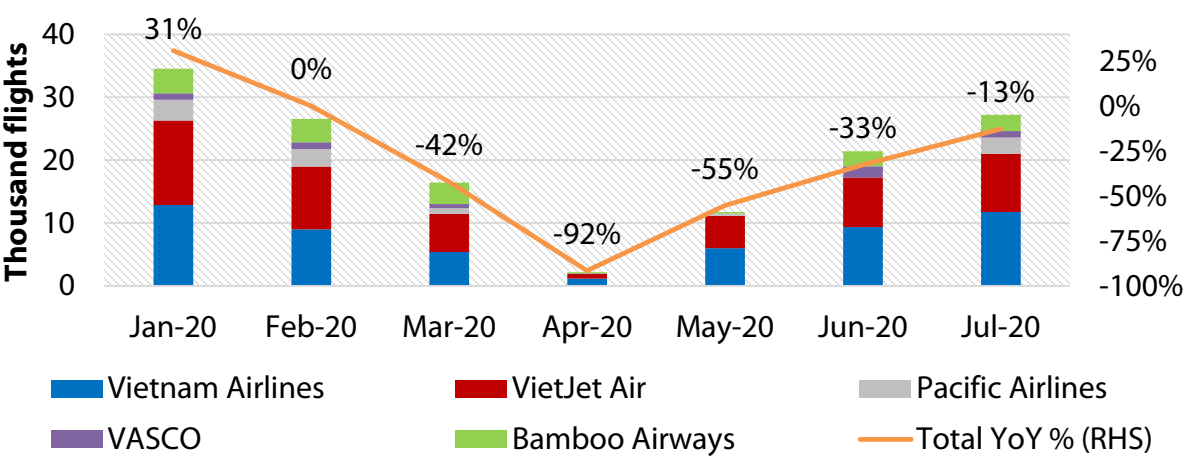
- The seat capacity in the first week following the Covid-19 outbreak in Da Nang decreased by 3.6% week-on-week. It is expected that the downward trend will continue in the coming times as routes to / from Da Nang will be canceled, including 2 routes in the top 3 in terms of passenger volume: HAN-DAD and SGN-DAD.

Figure 5: Current weekly seat availability hovers at 1.3 million, after bottoming out in the first week April when social quarantine started



Source: OAG, Rong Viet Securities

Figure 6: The number of flights recovered after airlines launched many domestic travel stimulus programs and opened new domestic routes



Source: CAAV, Rong Viet Securities

1H-FY20 REVIEW: INTERNATIONAL MARKETS

Plans to resume international flights repeatedly delayed due to complicated developments of Covid

Late May-FY20

- Ministries studied the plan to gradually relax entry restrictions, and resume some international routes.
- Only repatriated flights were allowed to enter Vietnam.

June-FY20

- CAAV studied the plan to resume international flights on a bilateral basis.
- There were some regular international passenger flights but outbound only.
- Charter flights continue to repatriate Vietnamese citizens and carry some specially-approved personnel into Vietnam.

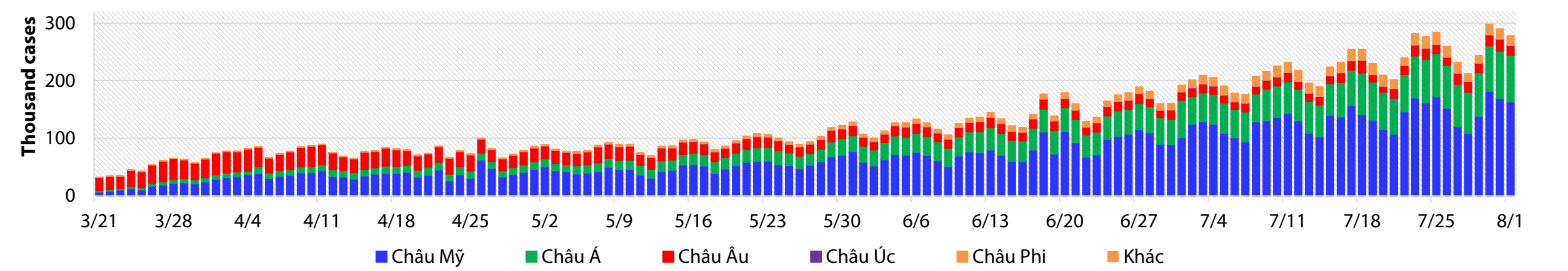
July-FY20

- Some Asian airlines are reinstate outbound flights from Vietnam.
- Inbound passengers are centrally isolated according to regulations.
- Rehabilitation project of two runways at SGN, HAN Airports began, lowering the Landing/Take-off slots.

August-FY20

- The Government planned to relax travel bans with one international flight per week connecting Vietnam with five priority regions (see next page) operated by Vietnam Airlines.
- Estimated monthly arrivals is about 10-12,000 pax.

Figure 7: The number of new cases continues its increase in America and Asia, affecting the plan to reopen international flights



INTERNATIONAL FLIGHTS OUTLOOK

Anticipating “Corridor travelling” Model

Figure 8: International routes that are expected to resume in August-FY20



Source: Rong Viet Securities

In mid-July, the Prime Minister agreed to restore air transportation between Vietnam and China, paving the way for the “travel bubble” model to be deployed between Vietnam and other countries. like Korea, Japan, Taiwan.

Per our observations, Vietnamese carriers have allowed booking on some international routes, except for flights to/from Da Nang, which are part of the reopening plan, with relatively high flight frequencies as follows:

- Taipei - HCMC: VJC opens bookings for flights with flight date from September 16.
- Tokyo - Noi Bai: HVN, VJC open bookings for flights with flight date from September 1 and September 16, respectively.
- Seoul - Noi Bai: HVN, Bamboo Airways, VJC open bookings for flights with flight date from September 2 through September 16.

However, the recent Covid-19 outbreak originated in Da Nang in late July 2020 could compromise the plan. Furthermore, runway upgrades at SGN and HAN Airports will limit the ability to accommodate a large number of international flights, leaving these flights at risk of cancellation.

In our opinion, regular inbound international flights to Vietnam in the 2H-FY20, if any, are likely to have marginal impacts as:

- These flights will mainly carry Vietnamese citizens together with foreign experts.
- Entry and quarantine regulations will be major obstacles for holidaymakers intending to travel to Vietnam. However, these requirements are at least necessary to avoid the risk of public infection and to ensure that the domestic aviation market can operate stably.

INTERNATIONAL FLIGHTS OUTLOOK

Vaccine is a must for a truly full recovery

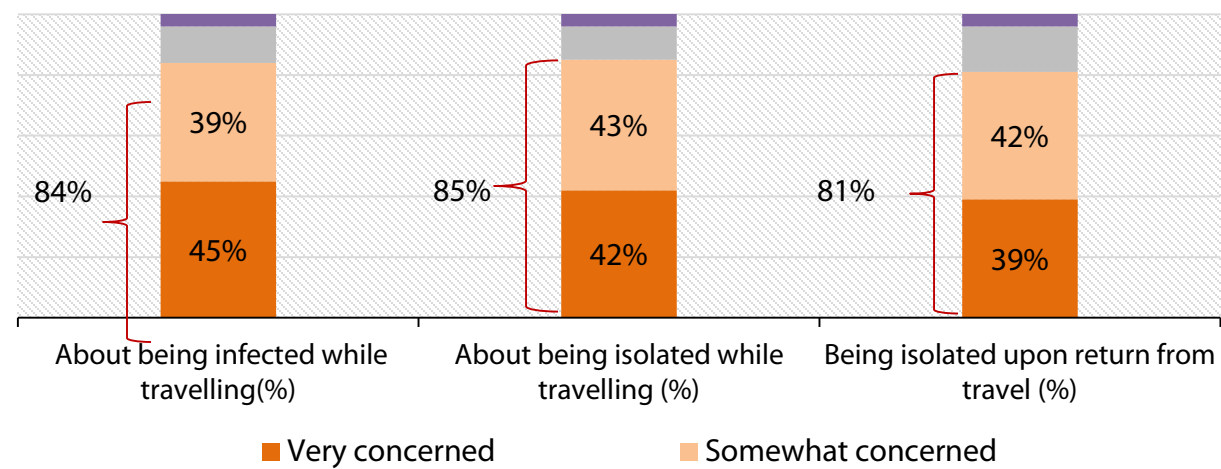
In addition to the ability to control disease and travel bans easing, travelers' confidence is the vital factor affecting the speed of international market recovery in the post-covid period. However, this factor currently does not support a reliable recovery.

- Most tourists are concerned about the risk of Covid infection and being quarantined during / after the travel.

True recovery occurs only when the vaccine is successfully manufactured or there is an effective treatment for Covid-19.

- Currently, more than 23 COVID-19 vaccines are being tested in clinical trials, of which 3 candidates are undergoing phase 3, final stage clinical trial before being approved and put into mass production.
- Although the time to successfully develop the vaccine is somewhat unpredictable, the first doses of the vaccine may hit the market by the end of FY20 / early FY21 after the US government implemented "Warp speed" campaign to accelerate the experimental process. Many pharma companies are researching vaccines in parallel with the constructions of production facilities to speed up clinical trials phase as well as shorten the time to release the vaccines following approval.

Figure 9: Most of asked tourists were concerned about the risks of Covid infection and being isolated while/after traveling



Source: IATA survey in Jun-FY20, Rong Viet Securities

Table1: Three potential Covid-19 vaccine candidates have entered the final stage of clinical trials

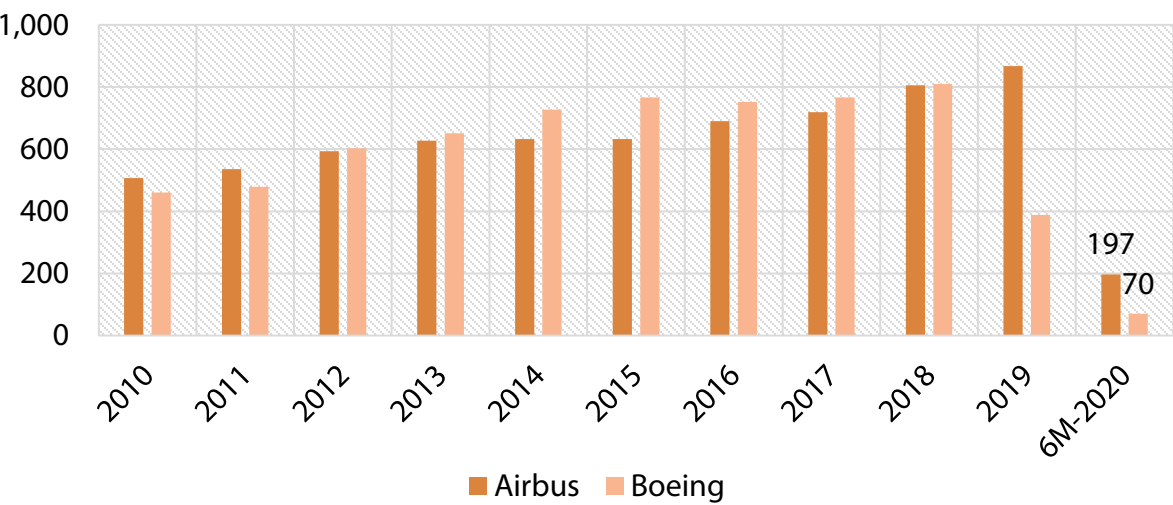
Developer	Type of vaccine	Current stage of clinical trial
University of Oxford/ AstraZeneca	Non-Replicating Viral Vector	3
Sinovac	Inactivated	3
Moderna	RNA	3
CanSino Biological Inc.	Non-Replicating Viral Vector	2
Inovio Pharmaceuticals	DNA	2
Novavax	Protein Subunit	2
BioNTech/ Fosun Pharma/ Pfizer	RNA	2
Sinopharm	Inactivated	1

Source: Rong Viet Securities

Aircraft deliveries speed will slow down significantly

- In 1H-FY20, only three airlines, HVN, VJC and Bamboo Airways, were active in expanding their fleet through lease transactions, mainly arising in January 2020 to meet the high demand of the Lunar New Year. From March to the end of June, no airlines have received any aircrafts.
- Airbus and Boeing respectively delivered 197 and 70 commercial aircrafts worldwide in 6M-2020, down sharply from 389 and 239 in the same period in 2019. The two aircraft manufacturers are all facing difficulties in delivering planes as there are orders being canceled / delayed in addition to production disruption issues.
- VJC may record profit from the sale and lease back transactions after receiving 4 new 240-seat A321s ACF in 2H-FY20. Two of which have been fully constructed and may soon be delivered. Meanwhile, Airbus’ Covid-induced production issue could affect the progress of assembly and delivery of the remaining two. Additionally, a Boeing 737 Max 8 is also on the list, but the delivery time remains uncertain as the aircraft itself has not yet received flight approvals from the FAA.

Figure 10: The world's two largest aircraft manufacturers cut the number of aircraft delivery in 1H-FY20



Source: Airbus, Boeing, Rong Viet Securities

Table 2: Number of aircraft delivered in 1H-FY20 to Vietnamese airlines vs same period last year

Carrier	Number of delivery		Fleet size @ June-FY20	Average fleet age (years)
	1H-FY20	1H-FY19		
Vietnam Airlines	3	10	101	5.9
Vietjet Air	4	3	75	4.1
Bamboo Airways	2	5	22	6.0
Pacific Airlines	0	0	15	5.5
Vasco	0	0	5	10.7
Total	9	18	218	5.4

Source: Planespotters, Rong Viet Securities

AIR PASSENGER VOLUME PROJECTION

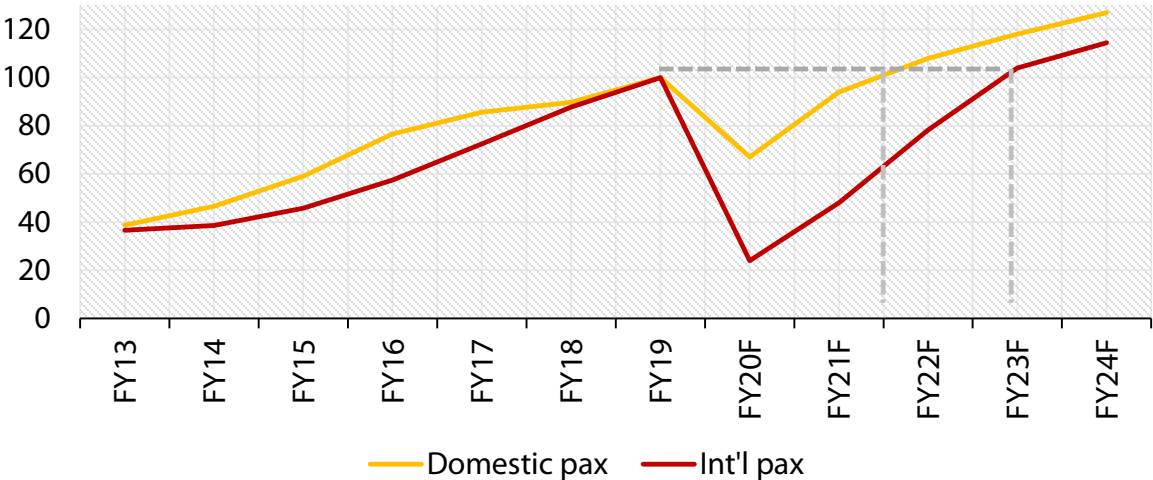
The outlook is less optimistic for the international market in short-term

Base case scenario:

- The number of new infections worldwide to peak in Q3-FY20.
- Flights to / from Da Nang would be reinstated in Q3-FY20.
- International flights in the “reopen plan” are operated on schedule (starting in September-FY20) with no cancellations.
- Gradual relax on requirements upon entry and isolation regulations, which leads to increasing international flight frequencies from mid Q3-FY20.

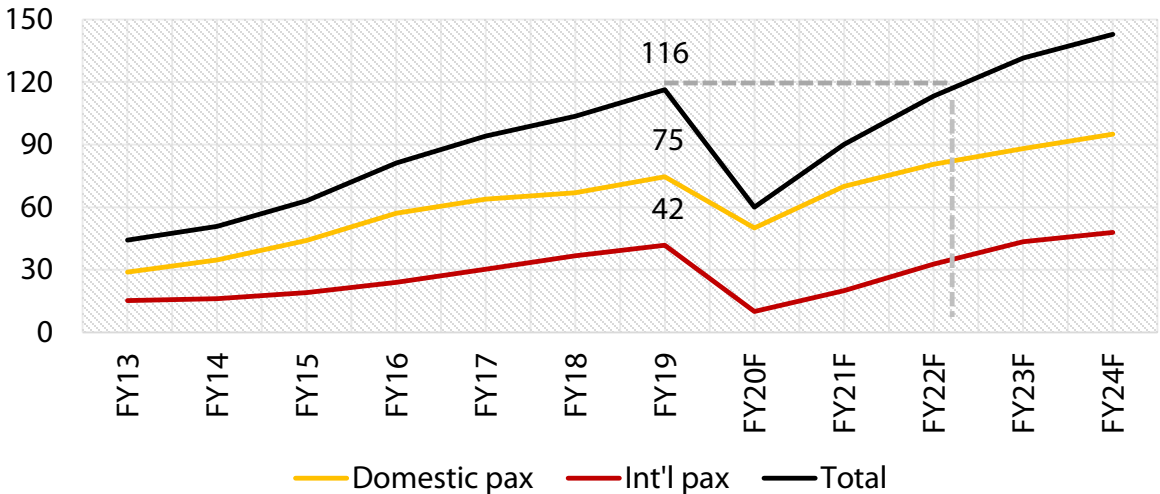
In the most positive scenario, the domestic market will take almost 2 years to return to 2019 levels. Meanwhile, international arrivals will likely take at least 3 years to fully recover as we are less optimistic about the international air travel demand before consumer confidence returns.

Figure 11: The domestic market is expected to recover faster



Source: ACV, Rong Viet Securities, FY19= 100

Figure 12: Estimated total passenger volume



Source: ACV, Rong Viet Securities

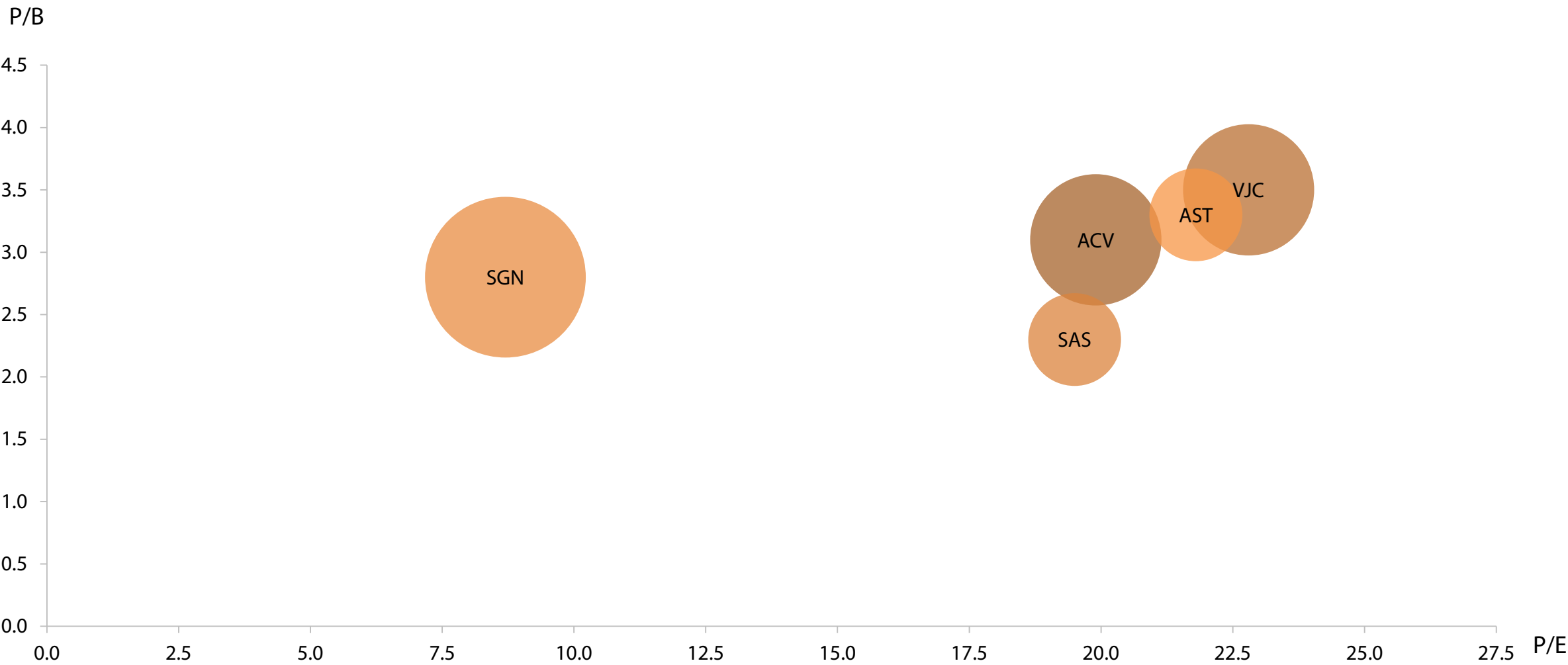
AVIATION INDUSTRY

Industry comparables: 1H2020 financials

Ticker	Market cap (USD mn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
ACV	116,240.8	65,000	-47.5	-59.8	51.3	17.2	-67.7	25.5	9.9	16.0	0.0	19.9	3.1
VJC	52,541.0	100,000	-50.3	-152.3	-11.9	-12.7	-96.3	0.6	5.0	15.7	0.0	22.8	3.5
HVN	33,542.6	N/A	-50.1	-180.9	-16.1	-26.5	-612.1	-26.3	-7.5	-34.0	0.0	-6.1	2.9
SAS	3,267.3	N/A	-59.3	-126.4	-8.5	-12.5	-79.7	9.0	7.5	10.8	0.0	19.5	2.3
SGN	2,280.3	N/A	-40.4	-40.6	33.0	19.5	-50.9	17.0	21.4	28.3	0.0	8.7	2.8
AST	1,926.0	50,000	-55.5	-93.5	3.7	-4.9	-99.5	0.2	11.2	13.4	0.0	21.8	3.3
NCS	323.1	N/A	-55.7	-74.8	10.6	-4.4	-174.0	-12.3	-1.1	-3.0	0.0	-51.5	1.9
NAS	249.5	N/A	0.0	N/A	N/A	N/A	N/A	N/A	0.0	0.0	0.0	7.9	1.6
CIA	207.0	N/A	-53.7	-137.8	-13.1	-28.7	-248.1	-23.9	-0.4	-0.4	0.0	-120.0	0.6
MAS	131.0	N/A	-53.5	-86.3	4.4	-10.0	-194.9	-12.2	0.9	2.1	0.0	12.9	2.3

Source: Bloomberg, Rong Viet Securities. Share price as of 07 Aug 2020.

Industry comparable



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 07 Aug 2020.

ACV – OPPORTUNITY IN THE CHAOS

INVESTMENT RATIONALE

The recent Covid-19 outbreak in Da Nang drove the valuation to relatively attractive levels, again, for a sole operator of nearly all airports in Vietnam.

- ACV is trading at a trailing EV/EBITDA of 11.6x while FY21F forward EV/EBITDA stands at 12.2x. Both metrics are lower than historical 3Y average of 17.0x as well as its peers' average of 17.5x.

As things are unlikely to get worse from here, potential catalysts will trigger a value bounce in near-term.

- Announcement on international passenger flight routes resumptions and/or Successful development/approval of vaccines.
- The Government's official approval on the mechanism of Investment and managing aerodrome assets at airports including airstrips and taxiways, which helps ACV meet the requirement to be listed on HSX. We expect this to materialize in 1H-FY21 following the Poliburo meeting in early FY21.

Long-term outlook remains intact as demand for air travelling is inevitable.

- We expect passenger traffic volume to get back on the growing track from FY21 onwards despite some potential fluctuations along the recovery path. Total pax throughput's CAGR from FY20-24F is estimated at 14.9% (domestic 9.8%, international 43.2%).
- In our base case scenario, we expect domestic pax throughput to recover to pre-Covid levels by late FY21, while international pax throughput may not reach FY19 levels until FY23.

Solid financial position. Net cash position of USD800mn by the end of Q2-FY20. The company even managed to increase its term deposit by nearly USD41mn during in the hard-hit Q2-FY20.

RISKS TO OUR CALL

- Prolonged pandemic will hinder tourism, depressing international pax throughput worse than expected.
- Lower-than-expected landing/take-off frequency at HAN Airport amid the upgrading construction of the runway (11L/29R) slated to start in early FY21.

BUY

+21.7%

CMP (VND)	53,400
Target price (VND)	65,000

Cash dividend in 12 months 0

STOCK INFO

Sector	Industrials
Market Cap (\$ mn)	5,018
Current Shares O/S (mn shares)	2,177
3M Avg. Volume (K)	328
3M Avg. Trading Value (\$ mn)	0.8
Remaining foreign room (%)	45.7
52-week range ('000 VND)	41.8-84.3

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	16,123	18,293	8,642	12,681
Growth (%)	16.6	13.5	-52.8	46.7
NPATMI (VND bn)	6,173	8,330	2,230	4,173
Growth (%)	50.5	34.9	-73.2	87.1
ROA (%)	12.01	14.1	3.9	6.9
ROE (%)	21.2	22.3	6.0	10.7
EPS (VND)	2,521	3,826	1,024	1,917
Book Value (VND)	14,116	16,918	16,982	17,896
Cash dividend (VND)	900	900	0	0
P/E (x) (*)	21.2	15.8	52.1	27.9
P/B (x) (*)	3.8	3.2	3.1	3.0

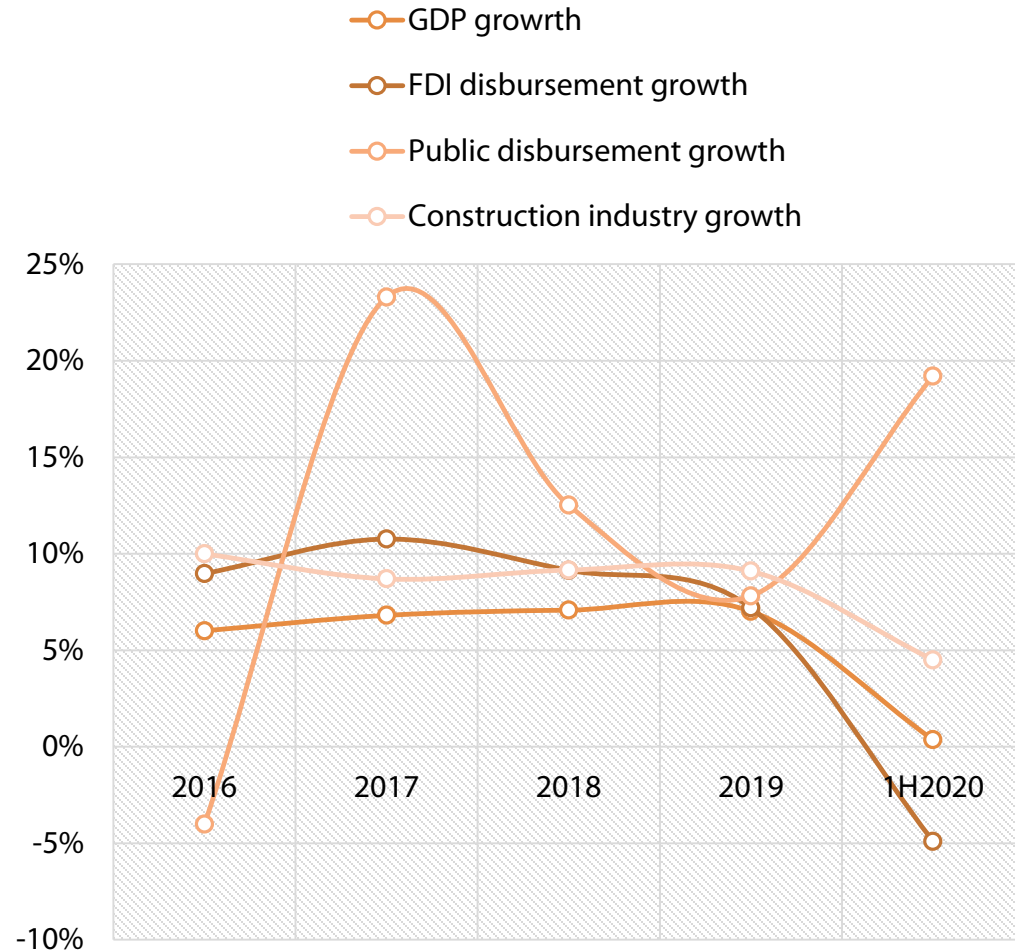
(*) Share price as of Aug 7th, 2020.

CONSTRUCTION INDUSTRY: Longing for new motivation

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

Struggling with development as the residential segment is no longer the main growth driver

Figure 1: Construction industry value



Source: CBRE, RongViet Securities

The real estate market is lacking new residential projects

- New launches in HCMC went down by 60% YoY in 2Q2020, while that in Hanoi. The two large urban area launched a total of 18 projects during the quarter, a record low figure.

Commercial and industrial construction activities suffered from the COVID

- We expected these segments to spike to take over the residential's spot light, but it has turned out the opposite because of the pandemic.
- While current projects are being delayed, future projects might also get called off because of weak demand following the travel ban happening globally.

The last hope is in public investments into infrastructure

- Transportation infrastructure is practically the most potential growth driver, but large projects have just started their bidding process.
- Power construction has been blooming during the last few years and is continuing.
 - Lack of generation & transmission capacity means pressures on EVN's disbursements.
 - Renewable energy is attracting capital flows from public, private, local and global investors.

Not many choices, but some niche markets still offer opportunities

Power construction was going under the radar, but deserves more credits because of the consistent push from all sectors

- Fitch Solutions forecasts that despite COVID-19 impacting 2020’s electricity demand, 2021-2029 demand has the potential to grow at a minimum 6% p.a. This means critical pressures on EVN’s disbursement progress.
- The draft of Electricity Master Plan No.8 suggests a higher capacity from the renewable sector (32 GWs, +5GWs from the last master plan, 39% of total generation capacity). Subsidiary policies to the renewable energy sector have attracted investors. It is estimated that nearly VND 100 trillion is waiting to be disbursed in the next five years.
- We think power construction contractors will benefit the most from this trend. Our picks include PC1 and TV2.

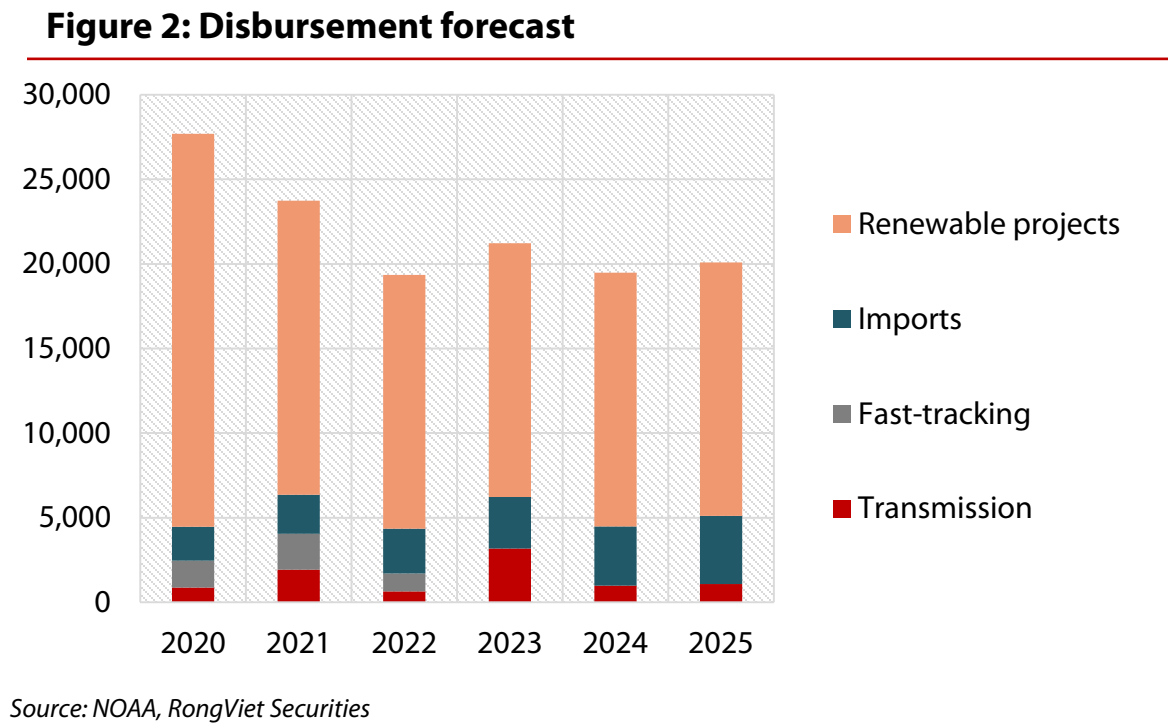


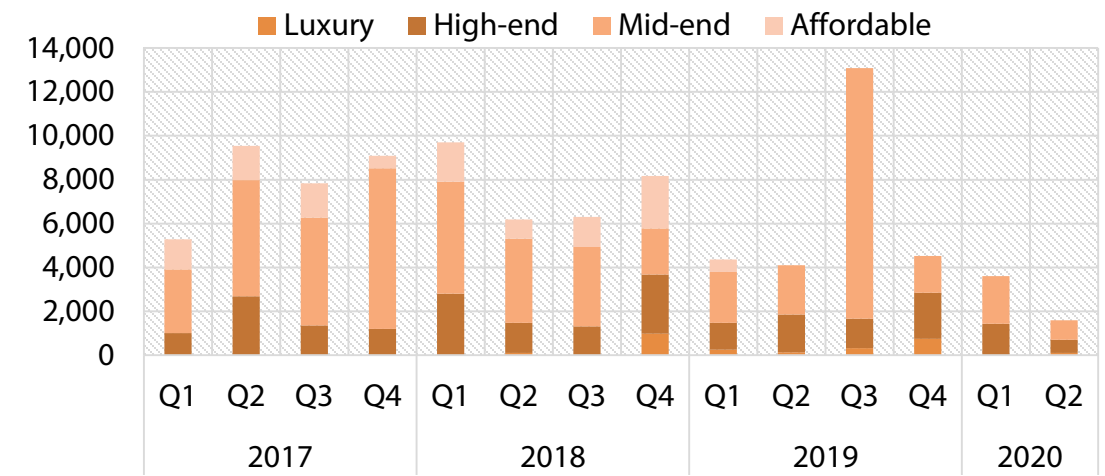
Table 1: EVN’s project pipeline until 2025

	Project	Capacity (MW)	COD
1	TPP Duyên Hải 3 Expansion	1x660	2019
2	TPP Vĩnh Tân 4 Expansion	1x660	2019
3	ĐMT Sê San 4	49	2020
4	ĐMT Phước Thái 1	50	2021
5	HPP Ialy Expansion	2x180	2023
6	HPP Hòa Bình Expansion	2x240	2023
7	TPP Quảng Trạch 1	2x260	2023
8	Gas-Fired Combustion Ô Môn 4	1050	2023
9	Gas-Fired Combustion Dung Quất 1	750	2023
10	Gas-Fired Combustion Dung Quất 3	750	2024
11	Gas-Fired Combustion Ô Môn 3	1050	2025
12	HPP Trị An Expansion	200	2025
13	TPP Quảng Trạch 2	2x600	2025

Source: EVN, RongViet Securities

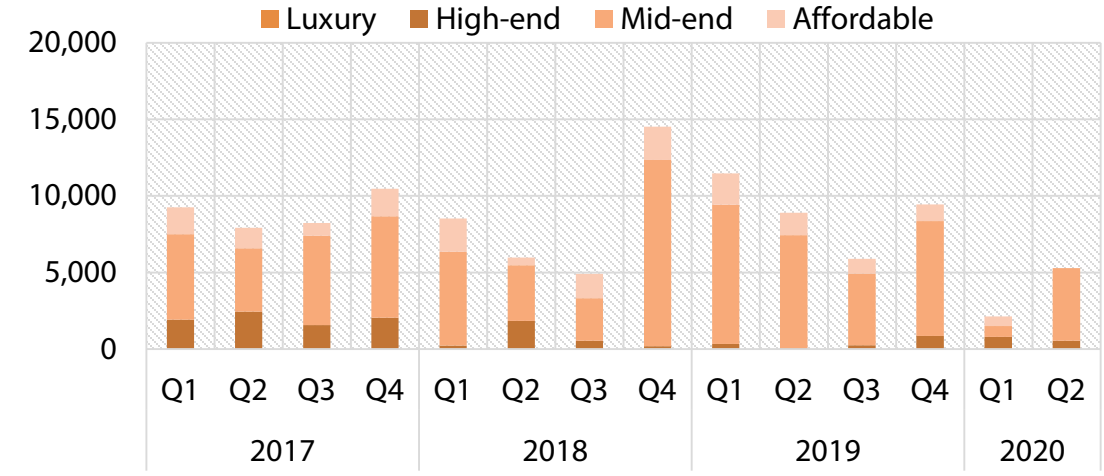
CONSTRUCTION INDUSTRY

Figure 3: HCMC condo new launches



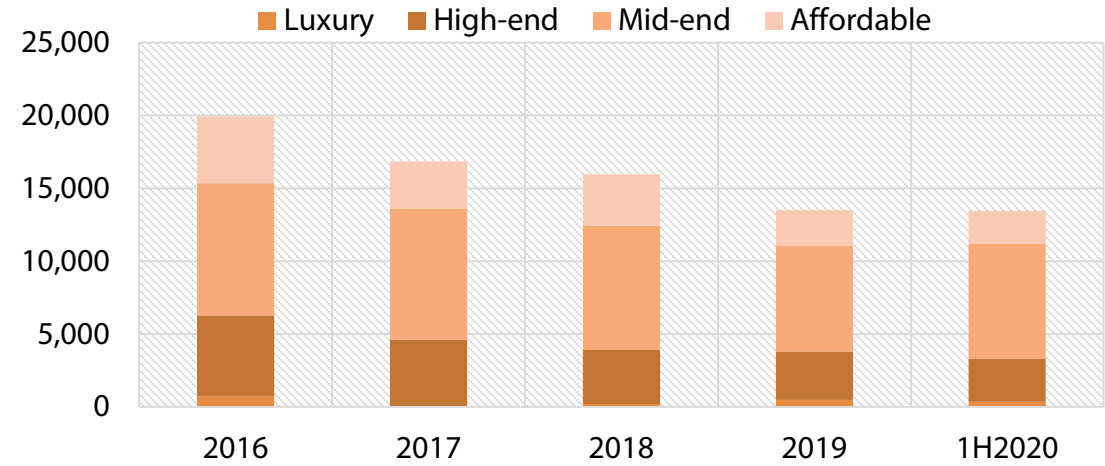
Source: CBRE, Rong Viet Securities

Figure 4: Hanoi condo new launches



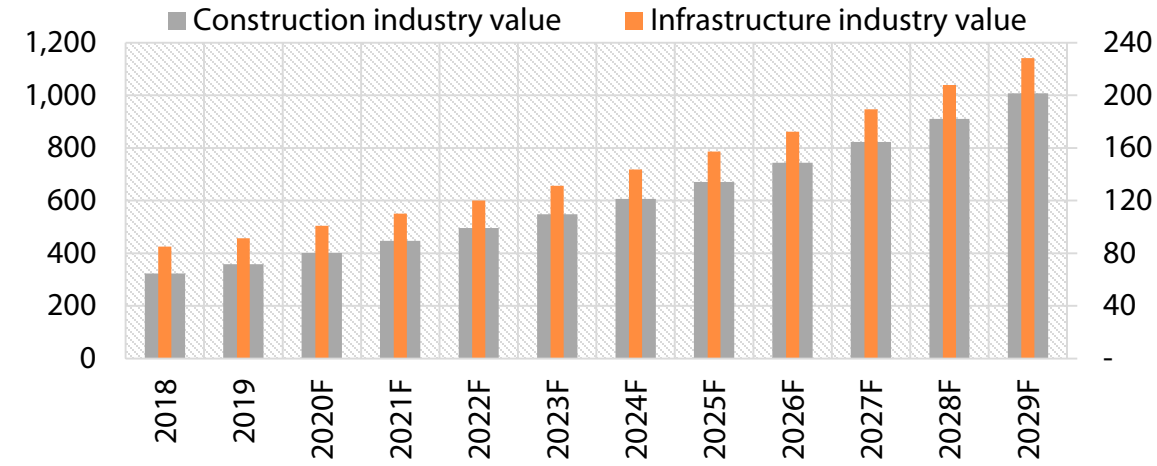
Source: CBRE, Rong Viet Securities

Figure 5: HCMC condo inventory



Source: CBRE, Rong Viet Securities

Figure 6: Construction & infrastructure industry value



Source: CBE, Rong Viet Securities

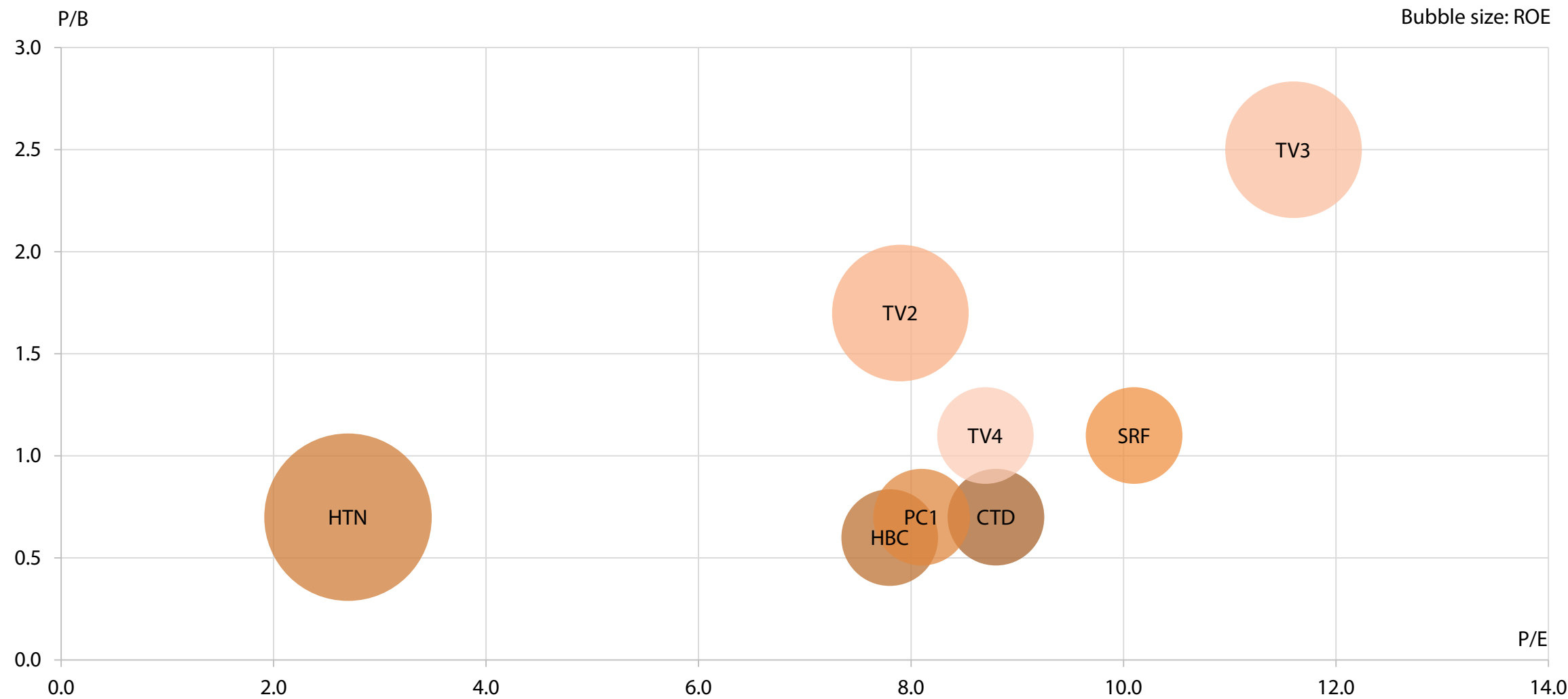
CONSTRUCTION INDUSTRY

Industry comparable: 1H2020 financials

Ticker	Market cap (USD mn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
CTD	258.84	#N/A	-25.0	8.3	4.1	3.4	-9.9	3.7	4.5	8.1	0.0	8.8	0.7
HBC	91.09	#N/A	-40.3	-40.4	5.6	3.3	-95.9	0.1	1.7	7.0	3.3	7.8	0.6
HTN	26.47	#N/A	3.6	58.2	12.3	11.9	54.9	6.7	4.3	29.7	8.1	2.7	0.7
PC1	120.35	27,200	-15.9	11.3	18.6	14.6	-4.8	8.4	4.0	9.0	0.0	8.1	0.7
SRF	19.75	#N/A	-8.7	-36.8	4.2	3.2	-79.6	0.9	2.5	9.0	14.8	10.1	1.1
TV1	11.41	#N/A	-20.5	1.4	19.3	5.2	-25.6	-21.3	-0.4	-2.4	0.0	-40.4	1.0
TV2	71.41	#N/A	-54.8	-23.6	11.2	9.9	-32.8	9.2	9.4	22.3	0.0	7.9	1.7
TV3	11.07	#N/A	25.8	98.4	4.0	2.1	272.1	4.9	8.2	20.8	3.2	11.6	2.5
TV4	8.03	#N/A	93.6	74.1	9.4	7.8	118.6	8.4	7.9	12.3	11.9	8.7	1.1

Source: Bloomberg, RongViet Securities. Share price as of 07 Aug 2020.

Industry comparable



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 07 Aug 2020.

CTD – IT TAKES TIME TO REBUILD

OPPORTUNITIES

CTD remains the leader in the domestic civil construction market.

- Well-perceived reputation allows the company to win large bids from credible developers.
- The Cotecons 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 debt.

- CTD has zero debt, an 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

Recent conflicts between board members led to corporate governance risk.

- The unexpectedly turned down resolution to merge with Ricons (14% 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

N/A

CMP (VND)	78,600
Target price (VND)	N/A

Cash dividend in 12 months 0

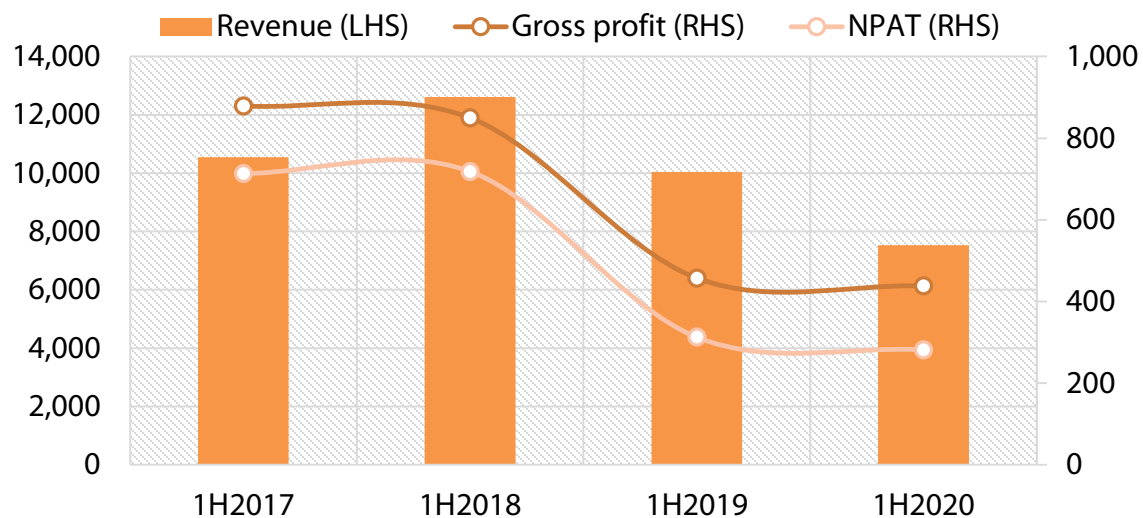
STOCK INFO

Sector	Industrials
Market Cap (\$ mn)	258.8
Current Shares O/S (mn shares)	76.3
3M Avg. Volume (K)	680.9
3M Avg. Trading Value (\$ mn)	2.2
Remaining foreign room (%)	2.4
52-week range ('000 VND)	44-103.8

FINANCIALS	2016A	2017A	2018A	2019A
Revenue (VND bn)	20,783	27,153	28,561	28,574
Growth (%)	52.0	30.7	5.2	0.0
NPATMI (VND bn)	1,422	1,653	1,510	1,612
Growth (%)	94.1	16.2	-8.6	6.7
ROA (%)	12.1	10.3	9.0	9.0
ROE (%)	22.8	22.6	19.0	17.7
EPS (VND)	16,248	18,882	17,017	18,411
Book Value (VND)	80,673	94,560	103,053	117,719
Cash dividend (VND)	5,500	5,000	5,000	5,000
P/E (x) (*)	9.1	9.9	7.9	5.6
P/B (x) (*)	2.1	2.2	1.5	0.5

(*) Share price as of Aug 7th, 2020.

Figure 1: 1H2020 performance (VND bn)



Source: CTD, Rong Viet Securities

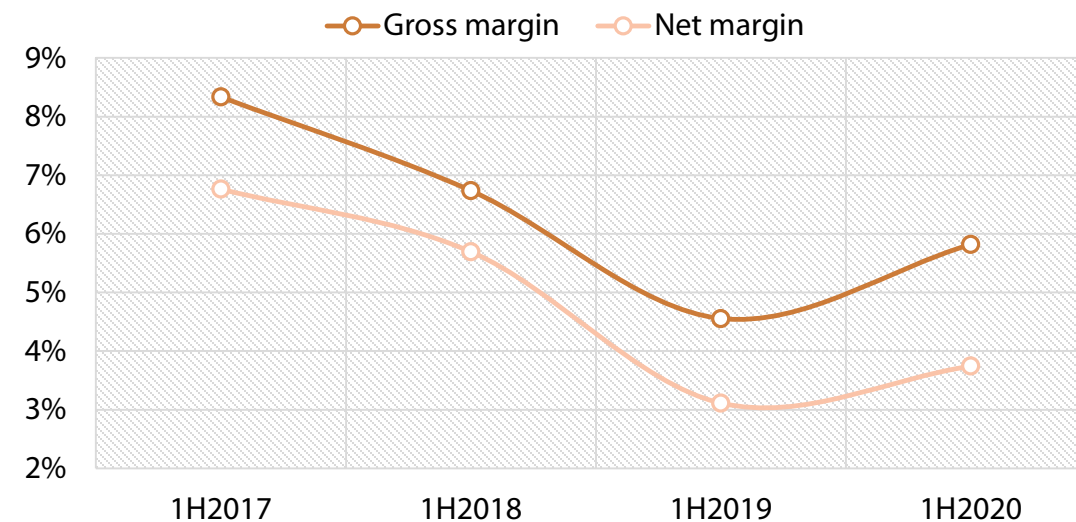
The housing market has yet to recover while resort real estate faces consequences from COVID

- More than half of CTD's jobs still derive from the housing and resort markets, thus the downward trend in revenue continued in 1H2020 (-25% YoY).

Profitability has bottomed out

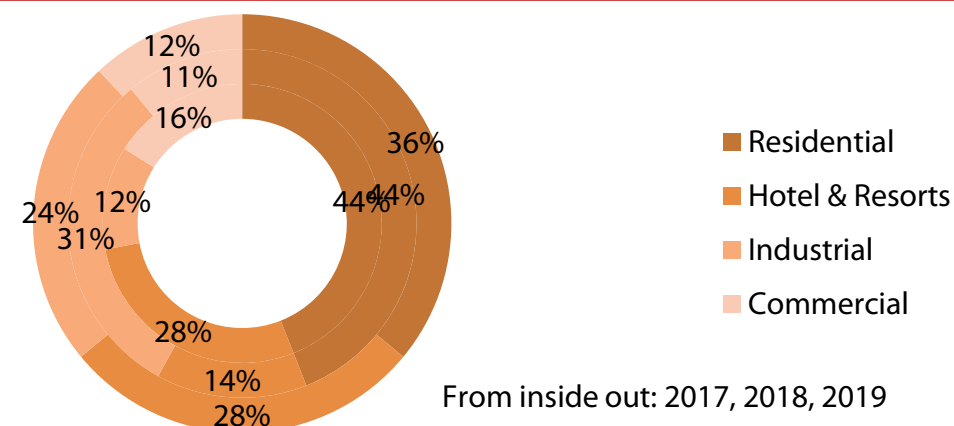
- After hitting bottom in 2Q2019, both gross and margin gradually picked up. After improving for the 4th consecutive quarters, 2Q2020 gross margin was 6.1% and net margin reached 4.0%, which we deem as the normal level.

Figure 2: Gross and net margins



Source: CTD, Rong Viet Securities

Figure 3: Revenue breakdown per segment



From inside out: 2017, 2018, 2019

Source: CTD, Rong Viet Securities

HBC- STILL BURNING CASH

OPPORTUNITIES

- **HBC remains among the top firms in the civil construction market.**
 - o HBC has experience in large, complicated projects and has worked with numerous prestigious real estate developers.
 - o HBC has the capacity and mindset to recover in terms of revenue once the real estate market bounces back.

RISKS

- **Unhealthy operating cash flows.**
 - o Receivables have remained very high for the last two years, harming HBC's working capital. While revenue is decreasing, receivables are not doing the same, posing a high financial risk.
 - o HBC's short and long term borrowings lead to higher interest expenses.
- **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

N/A

CMP (VND)	9,140
Target price (VND)	N/A

Cash dividend in 12 months 0

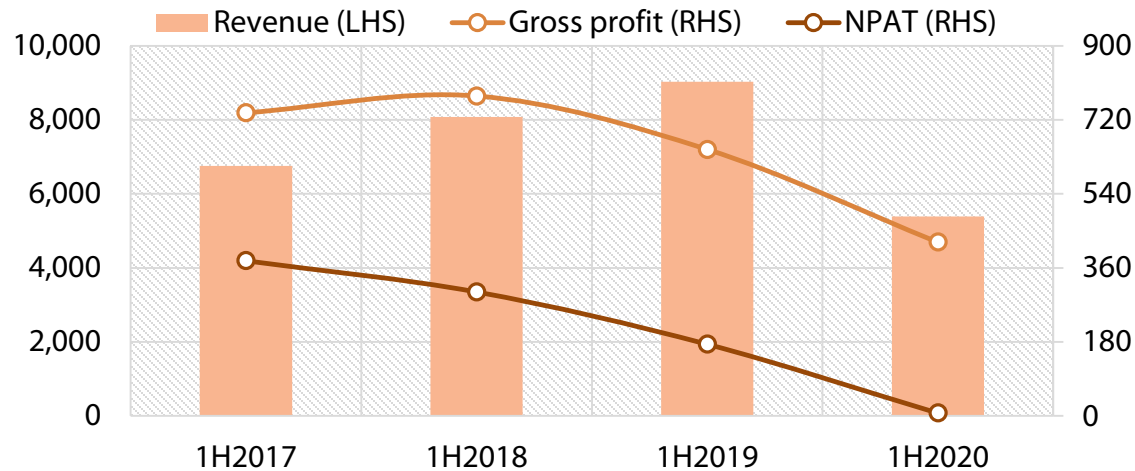
STOCK INFO

Sector	Industrials
Market Cap (\$ mn)	91.1
Current Shares O/S (mn shares)	230.9
3M Avg. Volume (K)	5512.8
3M Avg. Trading Value (\$ mn)	2.5
Remaining foreign room (%)	30.5
52-week range ('000 VND)	5.8-14.8

FORECAST	2016A	2017A	2018A	2019A
Revenue (VND bn)	10,766	16,037	18,299	18,308
Growth (%)	112.0	49.0	14.1	0.0
NPATMI (VND bn)	567	859	630	1,040
Growth (%)	585.7	51.5	-27.9	65.1
ROA (%)	5.0	6.1	4.0	6.4
ROE (%)	35.1	38.2	23.2	37.7
EPS (VND)	4,230	6,410	7,097	7,755
Book Value (VND)	16,937	17,316	13,850	13,897
Cash dividend (VND)	0	1,000	500	5,000
P/E (x) (*)	3.1	4.1	3.3	3.3
P/B (x) (*)	0.7	1.4	1.1	0.6

(*) Share price as of Aug 7th, 2020.

Figure 1: 1H2020 performance (VND billion)



Source: HBC, Rong Viet Securities

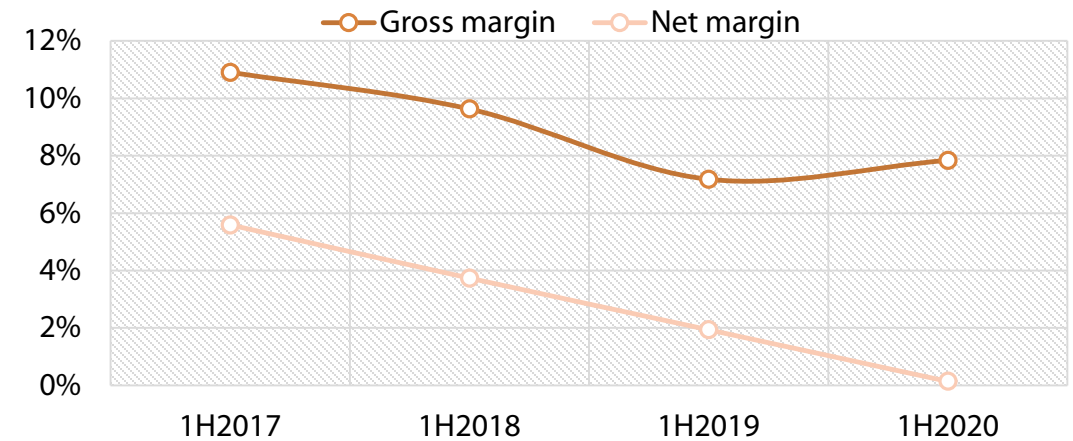
Both scale and profitability dropped

- Revenue decreased strongly by 40%, understandable because of the slowdown in the real estate market.
- Even though gross margin is not low, EBIT barely covered interest expenses as net margin is on a decreasing trend, reaching 0% in the last quarter.

Cash generation remains a critical problem

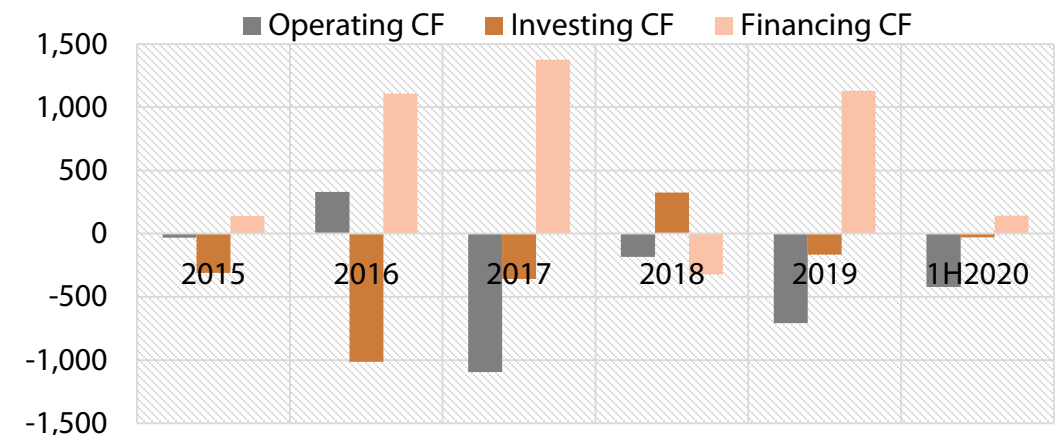
- HBC has pursued an aggressive business strategy, thus ended up having negative OCF most of the time, only compensating by taking up more loans. We have been maintaining our view for the past few years that this is the critical issue that needs to be addressed, in order to ensure the continuity of the business.

Figure 2: Gross and net margins



Source: HBC, Rong Viet Securities

Figure 3: Cash flows (VND billion)



Source: HBC, Rong Viet Securities

TV2 – IN A GROWTH PHASE

INVESTMENT RATIONALE

- **TV2 benefits from growing investments in the electricity industry.** In order to add nearly 10,000 MW until 2030, EVN needs to disburse a total capex of up to USD 22 billion.
- **TV2's wide variety of service is the key advantage.** TV2 has the experience and capacity to join as a consultant for most of the projects in the pipeline. Besides, it also has EPC capacity, which allows the company to seize opportunities to scale up even further.
- **Strong financials distinguish TV2 from the rest.** TV2 has a sufficient amount of cash. It also brings about some financial income to improve the bottom-line.

RISKS TO OUR CALL

- Major risks to TV2 include the ability to add more EPC contracts to the current backlog to maintain the revenue level, which it has failed to do once in 1H2020.
- Belonging to the EVN's value chain, TV2 is highly dependent on EVN's disbursement progress.

N/A

N/A

CMP (VND)	45,940
Target price (VND)	N/A

Cash dividend in 12 months 0

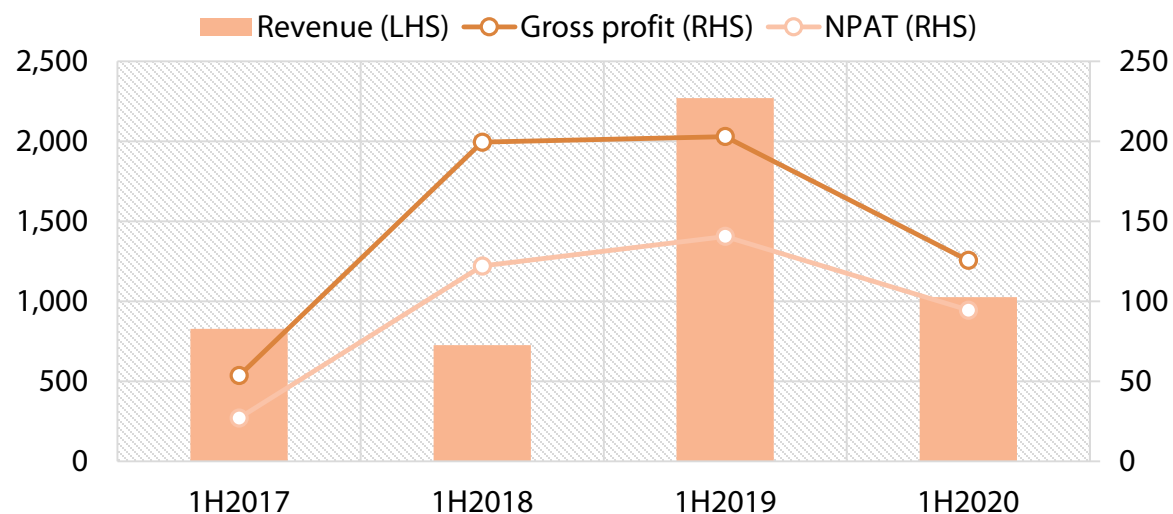
STOCK INFO

Sector	Industrials
Market Cap (\$ mn)	71.4
Current Shares O/S (mn shares)	24
3M Avg. Volume (K)	97.9
3M Avg. Trading Value (\$ mn)	0.3
Remaining foreign room (%)	0.7
52-week range ('000 VND)	45-96

FORECAST	2016A	2017A	2018A	2019A
Revenue (VND bn)	1,647	1,647	1,647	1,647
Growth (%)	132.4	11.6	0.1	80.5
NPATMI (VND bn)	99	214	224	255
Growth (%)	74.3	115.7	4.5	13.8
ROA (%)	6.8	13.7	10.2	6.8
ROE (%)	32.9	42.7	32.1	32.9
EPS (VND)	4,142	8,932	9,335	7,084
Book Value (VND)	8,404	13,929	19,382	25,854
Cash dividend (VND)	1,000	1,000	1,000	0
P/E (x) (*)	10.6	3.9	7.9	7.3
P/B (x) (*)	3.4	1.6	2.3	2.0

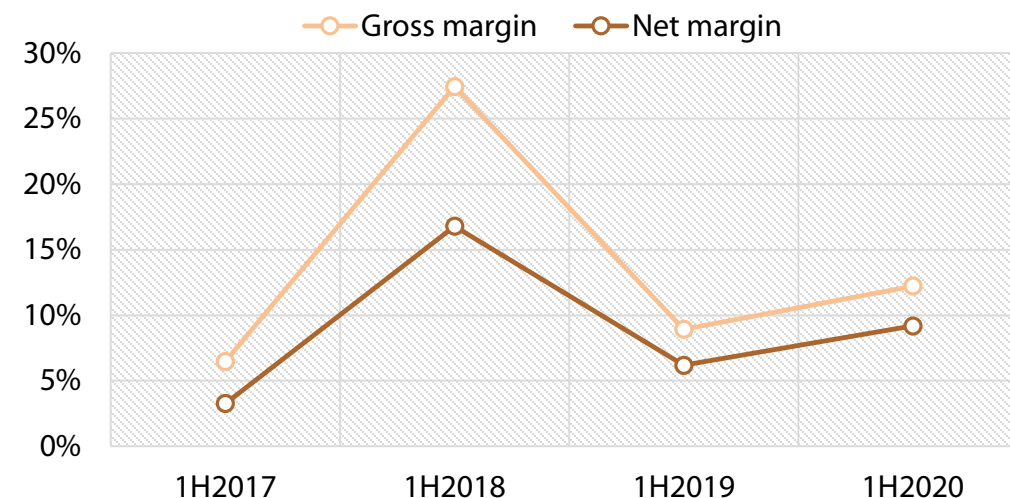
(*) Share price as of Aug 7th, 2020.

Figure 1: 1H2020 performance (VND billion)



Source: TV2, Rong Viet Securities

Figure 2: Gross and net margins



Source: TV2, Rong Viet Securities

Revenue slowed down compared to 2019

- 1H2019 was an exceptional period because of the surging solar power construction. Taking that aside, TV2 achieved a 5-year CAGR of nearly 50%, which was the highest among peers.
- TV2 dominates the consultancy field, participating in many of EVN's large projects.

TV2 is among the first beneficiaries and a leading indicator of the power construction industry

- Having established a certain level of market power, TV2 has taken advantage of the strong capital inflows into the electricity industry. Now that the company continuously expands its business line toward more complicated works (including EPC capacity), it is fully equipped to keep benefiting from the disbursements of both the private and public sectors into electricity projects.

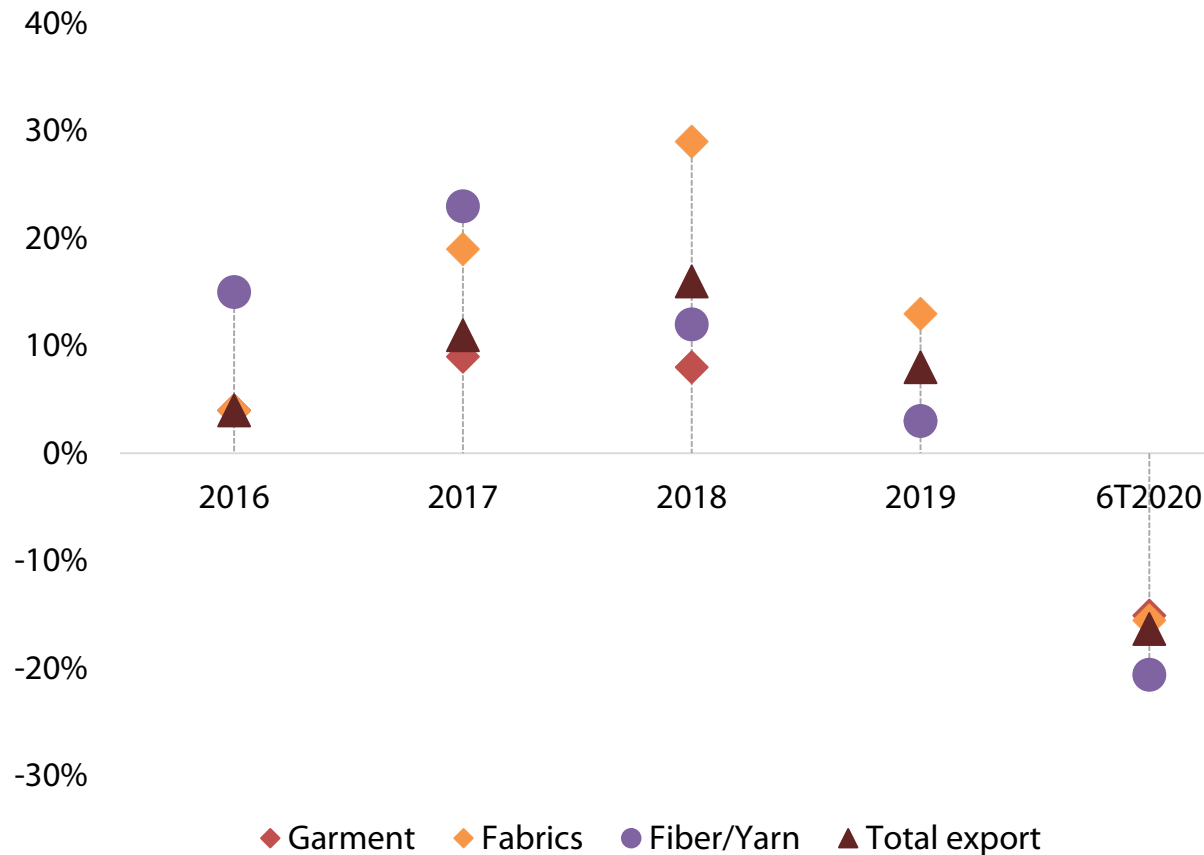
TEXTILE & GARMENT INDUSTRY: Nightmare is not over

Tam Pham – tam.ptt@vdsc.com.vn

TEXTILE & GARMENT INDUSTRY – REVIEW

Demand shock follows supply shock

Figure 1: Vietnam's textile and garment export growth



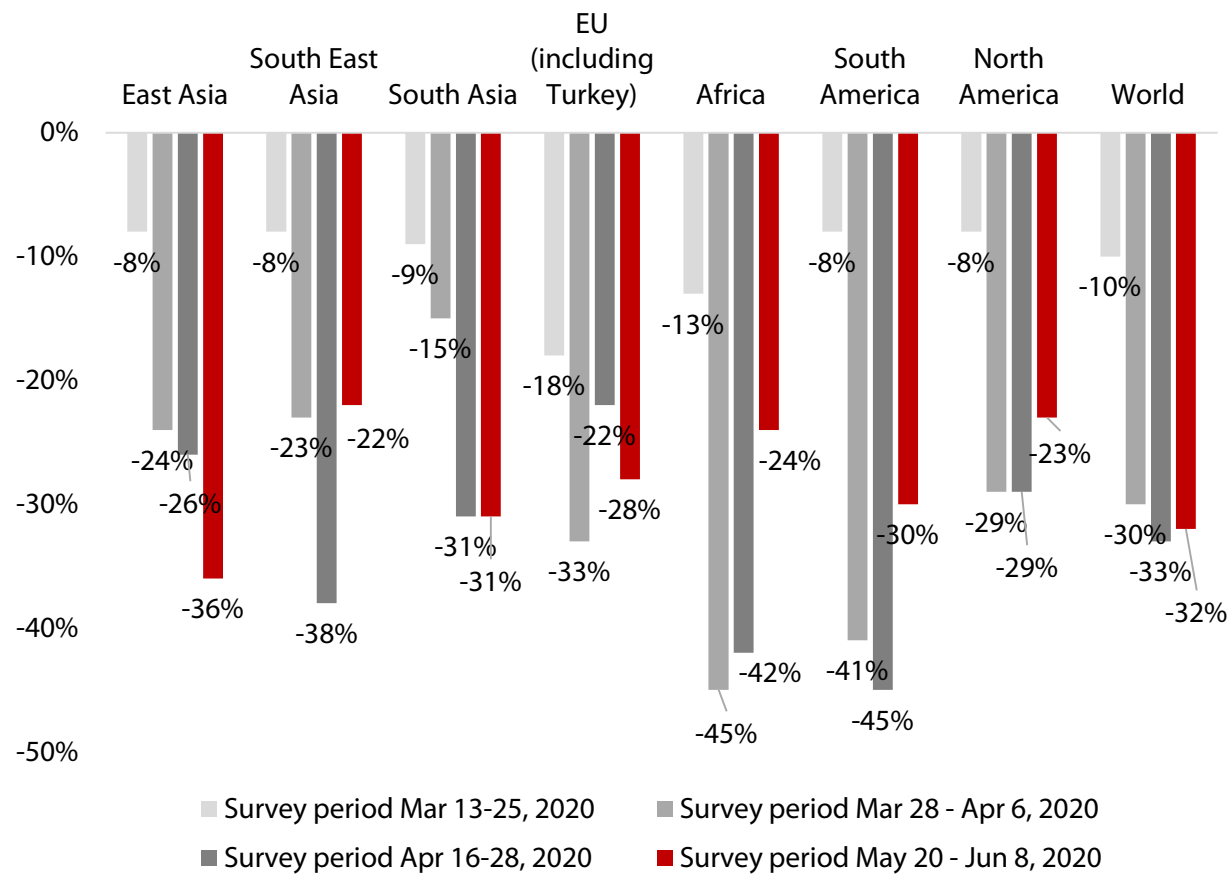
Source: VITAS, Rong Viet Securities

- Covid-19 has made textile and apparel trade stagnant as governments implemented social distancing to lower contagion. The whole industry's export value reached USD15.03 bn, a decrease of 16% YoY.
- The supply of materials from China was interrupted in 1Q2020 due to the first outbreak. China is the supplier of 60% of textile and apparel materials for Vietnam.
- Orders were massively canceled or postponed in the EU and the US when Covid-19 started to spread in late March. Orders have increased gradually in July. In 5M2020, exports to the US were down 15% YoY and the EU 19% YoY, two markets accounting for 60% of total annual turnover.
- Many customers have required to extend payment periods. Some others who are large fashion retailers declared bankruptcy. This put tremendous pressure on some companies. Finished product inventory increased. Companies have had to restructure operations, cut working hours or lay off workers to survive.
- Masks and medical protective clothing production has become a temporary solution, but competition is becoming fiercer with increasing costs of materials and machinery, beside huge inventories.

TEXTILE & GARMENT INDUSTRY – RECOVERY OUTLOOK

Slow recovery

Figure 2: The expected revenue of global textile companies in 2020 compared to 2019



Source: International Textile Manufacturers Federation (ITMF)

- Selling prices will be under pressure due to lower demand for garments and fierce competition among suppliers. This will lead to lower economic efficiency in 2H2020 and in mid term.
- Orders will rise from the end of 3Q2020 if countries do not lockdown again. For the entire 2020, the turnover of textile and garment companies globally may decrease by 33% YoY (according to ITMF).
- Masks and medical protective clothing are no longer the saviors. The situation of oversupply has led to these items being no longer easy to be sold.
- Vietnam could receive more orders than other countries thanks to its better ability to contain the pandemic.
- In the upcoming years, the industry's recovery progress will go in tandem with the prospects of the world economic recovery, namely employment rates in the EU and the US.

New trends

- Low income and a dreary economic outlook have made consumers reduce sharply their spending on clothes. VINATEX forecasts that global demand for textile and garment would return to the level of 2019 in 2022.
- The demand for low-priced basic clothes (denim/ knitted shirts, jackets) will rise while demand for office and high-class fashion drops because people work more at home and reduce social interaction to prevent contagion.
- Online shopping accelerates while buying at mortar-and-brick stores drops.
- Consumers opt for "green fashion": gradually replacing non-recycled products or polluting manufacturing processes with products made from recycled/ natural fibers and produced in an eco-friendly process.
- Vietnam's garment industry is redirected to the domestic materials market to reduce dependence on China as well as to take advantage from trade agreements. This will create opportunities for the domestic textile chain development, especially in the dyeing and weaving stage, which is currently the bottleneck.

Figure 3: Factors driving the textile industry recovery process



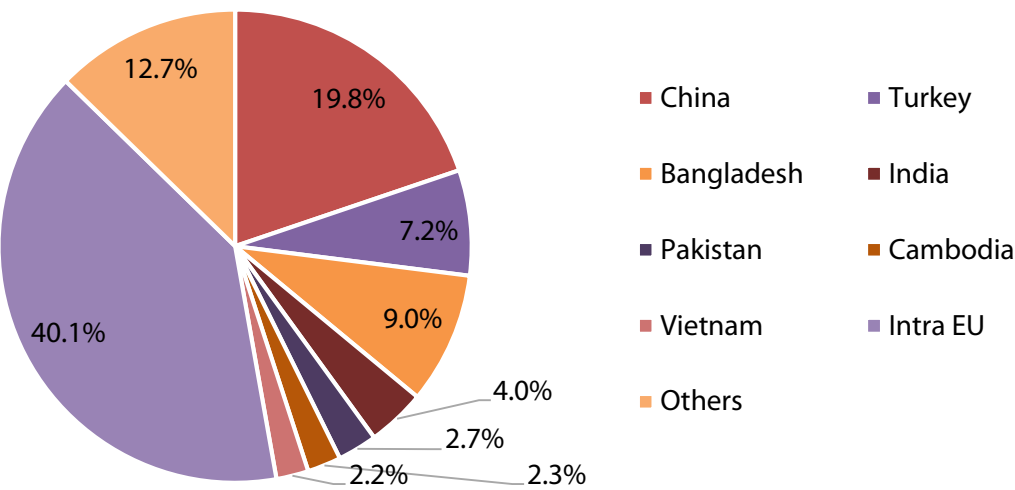
Source:VINATEX

TEXTILE & GARMENT INDUSTRY – VIETNAM & EUROPE FREE TRADE AGREEMENT(EVFTA)

Room for growth in the EU is abundant...

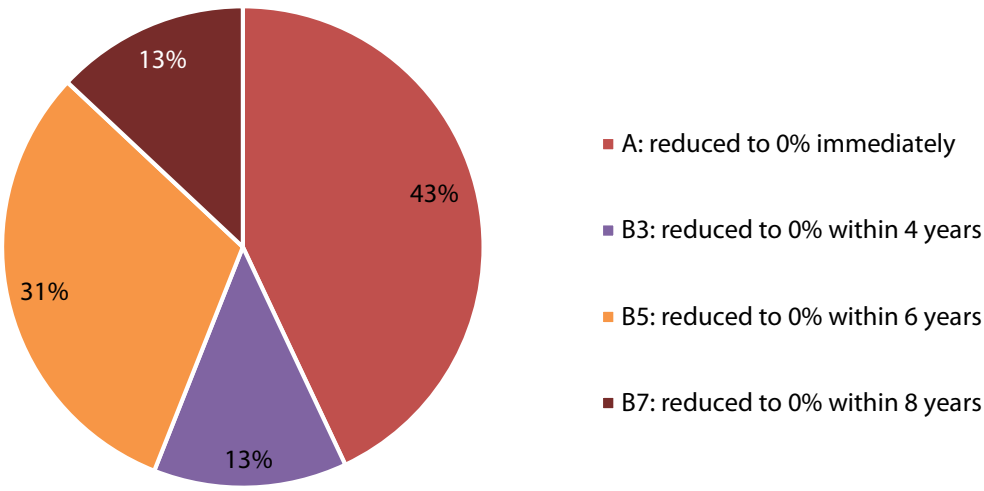
- The EU accounts for 34% of the world's total textile and garment imports with demand increasing 3% per year. Vietnam’s export to this market currently only accounts for 2.2% of the market. We do not think BREXIT is likely to cause disruptions in trade between Vietnam and the EU, as EVFTA is applied for the UK until the end of 2020 and Vietnam and the UK is negotiating a bilateral FTA.
- Vietnam’s main rivals in the EU are benefiting from preferential tariffs: Bangladesh and Cambodia are exempted from tariff under the EBA program (Everything but Arms), Pakistan is exempted from tariff under GSP+. Vietnam is enjoying the standard GSP tariff: 2-6.4% for yarn and fabric and 9.6% for apparel, like India. China, despite being the largest competitor, is subject to MFN tariff and is reducing its production to protect the country’s environment.
- According to EVFTA, 42.5% of textile and apparel products will be free from tariff immediately when EVFTA comes into effect. Tariffs for the rest will be reduced to 0% within 4, 6 or 8 years.
- The EU is the second largest market for Vietnam's textile and apparel industry, accounting for 16.3% of the industry's total export turnover in 2019. 90% of the industry’s export value to the EU is garment products.

Figure 4: Market share of textile suppliers to the EU



Source: VINATEX, Rong Viet Securities

Figure 5: Textile classification based on tariff reduction roadmap



Source: European Union EC,Rong Viet Securities

TEXTILE & GARMENT INDUSTRY – VIETNAM & EUROPE FREE TRADE AGREEMENT(EVFTA)

...but will not benefit immediately

Table 1: Roadmap for reducing import tariff on apparels to the EU

Group	Basic rate	Aug 1, 2020	Jan 1, 2021	Jan 1, 2022	Jan 1, 2023	Jan 1, 2024	Jan 1, 2025	Jan 1, 2026	Jan 1, 2027
A	12%	0%	0%	0%	0%	0%	0%	0%	0%
B3	12%	9.0%	6.0%	3.0%	0%	0%	0%	0%	0%
B5	12%	10.0%	8.0%	6.0%	4.0%	2.0%	0%	0%	0%
B7	12%	10.5%	9.0%	7.5%	6.0%	4.5%	3.0%	1.5%	0%

Source: EC, Rong Viet Securities

Table 2: Weight of apparel value according to the EVFTA tariff reduction roadmap (72% of total textile and garment export turnover from Vietnam to EU in 2019)

Group	Export value (USD mn)	Weight
A	802.6	18%
B3	254.8	6%
B5	2,480.7	56%
B7	920.9	21%

Source: VINATEX, Rong Viet Securities

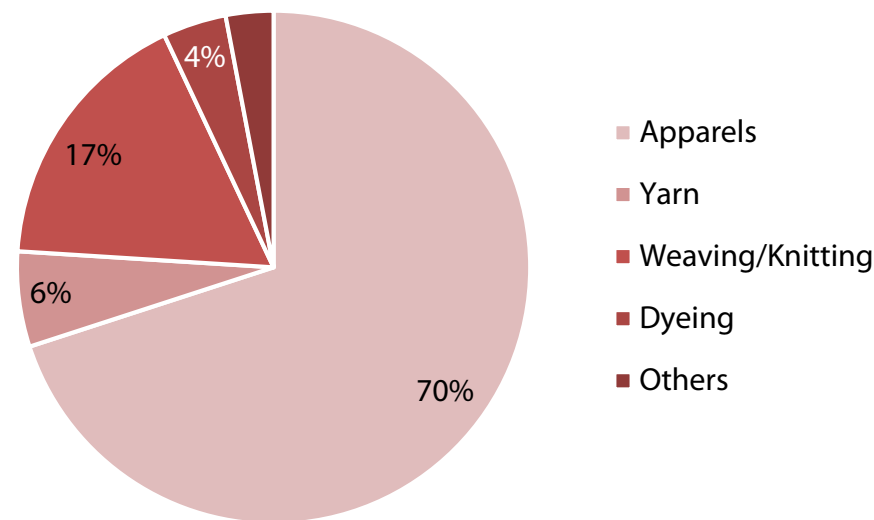
- Yarn and fabric products are reduced to 0% right after EVFTA takes effect. However, as this group only weighed 4% in the total industry's export turnover to the EU, the tax benefits for the whole industry are negligible.
- Garment, which accounts for 90% of the industry's exports to the EU, has a long tariff reduction roadmap, mainly in groups B5 and B7. Once EVFTA takes effect, tariffs on group B5 and B7 under EVFTA will be higher than 9.6% under GSP in 2020. Therefore, these groups will continue to enjoy GSP tariff in 2020 and start to benefit from EVFTA from 2021.
- B3 group will enjoy lower tariff immediately, but the tariff benefits for the whole industry are negligible as B3 only accounts for 6% of total garment exports.

TEXTILE & GARMENT INDUSTRY – LOW SELF SUPPLY OF RAW MATERIALS

Low self supply of raw materials owing to the bottleneck of weaving and dyeing

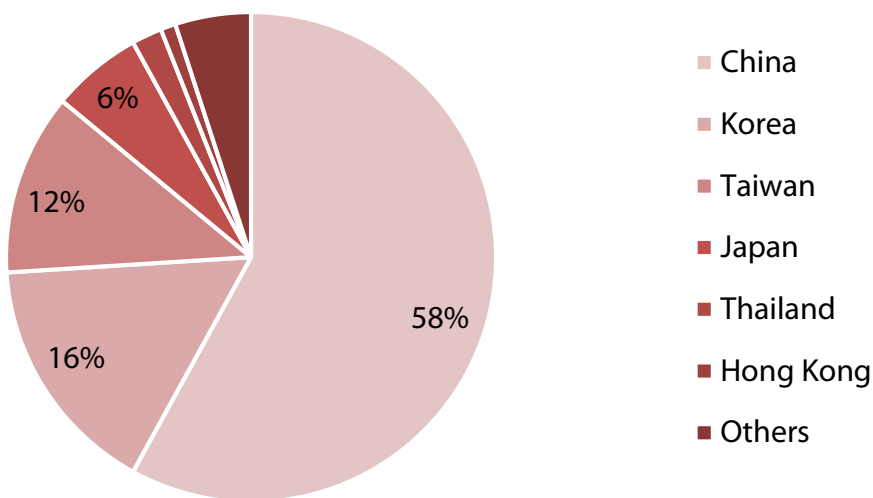
- The so-called origin standard "fabric onwards": Garment manufactured in Vietnam must use fabrics produced in Vietnam or EU countries or countries that have free trade agreements (FTA) with both Vietnam and the EU such as Korea, Japan and some other ASEAN countries.
- Vietnam's current weaving and dyeing capacity is not sufficient to meet domestic demand: (1) local authorities are concerned about environmental pollution and hesitate in allowing projects that have a dying part, (2) the capacity of designing, printing, dyeing and finishing is not high. As a result, garment companies need to import more than 65% of their input while 2/3 yarn produced in Vietnam has to be exported. China is the main source of fabrics (58%) due to its ability to offer large quantities at low prices and diversified designs.
- The total investment for weaving and dyeing reached 200,000 USD/employee, many times higher than the investment for garment (3,000 USD/employee) (VCOSA), because of intensive investments for production technology and wastewater treatment systems. Dying companies only account for 4% of the total number of textile and apparel companies.

Figure 6: Proportion of Vietnam’s textile companies in the value chain



Source: VITAS, Rong Viet Securities

Figure 7: Material import by suppliers of Vietnam



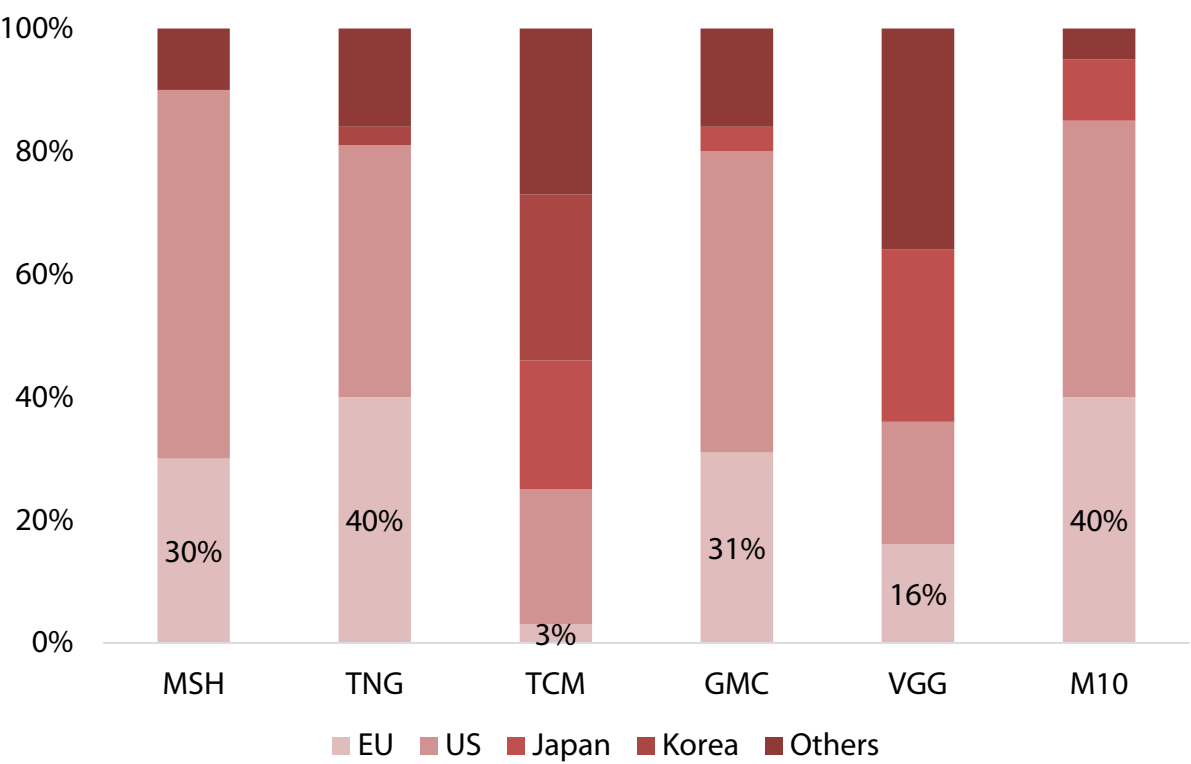
Source: VITAS, Rong Viet Securities

TEXTILE & GARMENT INDUSTRY – LOW SELF SUPPLY OF RAW MATERIALS

Low capability of raw materials owing to bottlenecks from weaving and dyeing

- The ability to take advantage of EVFTA's tariff incentives depends on the ability to change suppliers of raw materials from China to Vietnam or Korea, Japan.
- However, suppliers that meets requirements of price, design, quality, quantity and time are not easy to find. Meanwhile, Vietnam's fabric is still poor in quality, design and output. Korea and Japan's capacity are not sufficient in scale and prices.
- The challenge of origin standards is the driver of restructuring: textile companies cooperate with each other to build production chains of Yarn – Weaving - Dyeing - Sewing to meet origin standards, ensuring consumption and increasing the competitiveness with other major textile and garment countries. In fact, this trend of restructuring has happened in recent years.
- The garment companies that export a large part of their products to the EU (MSH, TNG, GMC, M10) and/or have their own full supply chain (TCM, PPH) will be able to benefit the most from EVFTA.

Figure 8: Exports of some listed garment companies



Source: Rong Viet Securities compiled

TEXTILE & GARMENT INDUSTRY

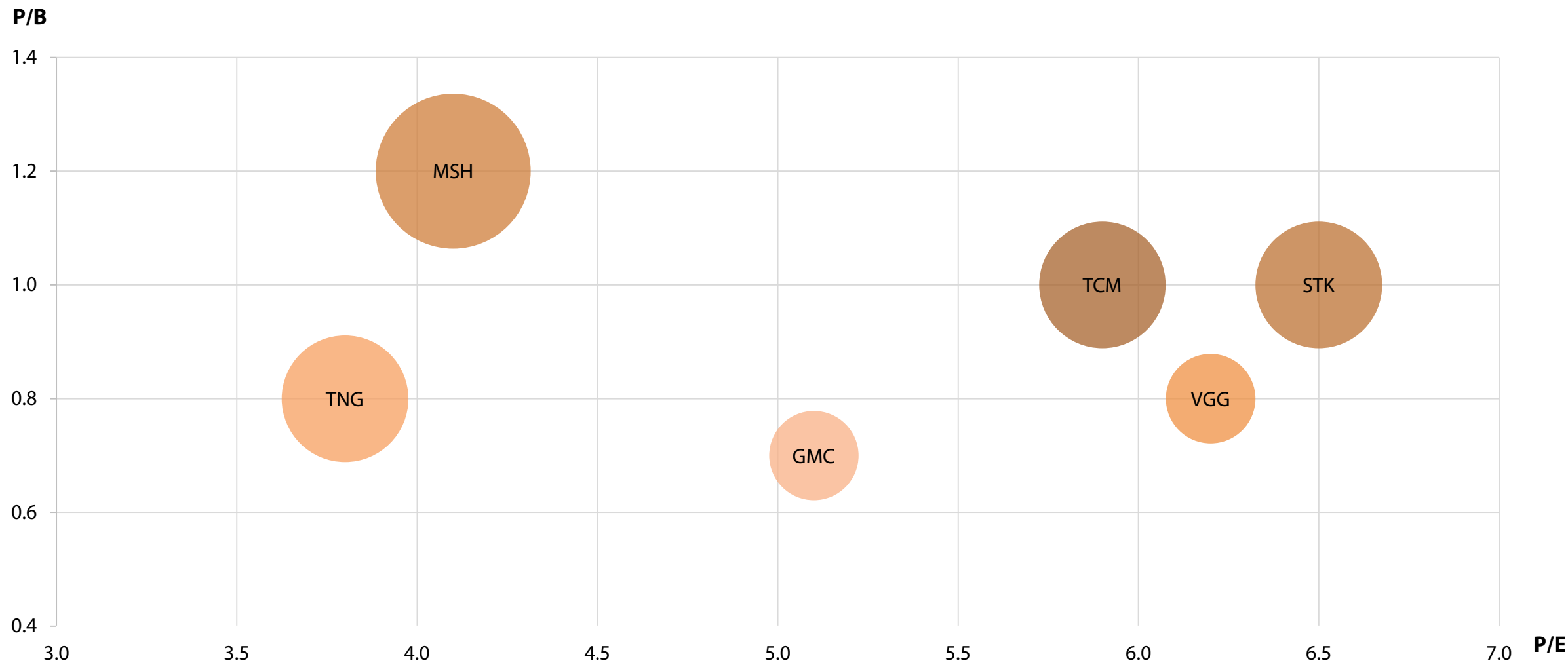
Industry comparables (TTM)

Ticker	Market cap (USD mn)	Target price (VND)	Sales growth (% YoY)	EBITDA growth(% YoY)	EBITDA margin (%)	Operating income margin (%)	Net income growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
STK	43.6	16,500	-21.0	-33.2	16.1	8.5	-49.9	6.3	7.9	15.1	10.1	6.5	1.0
TCM	59.5	24,000	-1.8	9.1	12.0	8.6	21.1	6.6	8.0	16.7	2.2	5.9	1.0
MSH	62.6	31,700	-12.2	-35.7	10.5	7.1	-45.3	6.3	13.7	26.9	12.1	4.1	1.2
VGT	155.5	N/A	-24.5	-7.7	7.7	1.6	-15.5	2.5	1.9	4.6	N/A	9.9	0.6
VGG	69.8	N/A	-17.2	-93.4	0.4	0.4	-83.4	0.9	5.2	13.5	0.0	6.2	0.8
TNG	34.4	N/A	-9.9	-40.7	7.8	7.8	-29.4	3.6	6.1	19.7	6.9	3.8	0.8
GMC	18.9	N/A	-19.6	-53.1	5.8	3.8	-64.7	2.7	6.6	12.9	3.0	5.1	0.7

Source: Bloomberg, RongViet Securities. Share price as of Aug 7, 2020.

TEXTILE & GARMENT INDUSTRY

Industry comparables



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 07 Aug 2020.

STK – RECYCLED YARN TO MINIMISE IMPACT OF THE PANDEMIC

INVESTMENT RATIONALE

- **Recycled yarn demand is less affected than virgin yarn**
 - o Low global supply, major fashion brands (Nike, Adidas, Puma, Decathlon ...) committed to increase using recycled materials and the acceleration of the "green fashion" trend post COVID -19 will be the growth drivers for STK's recycled yarn.
 - o STK's recycled yarn meets Global Recycling Standard GRS, satisfied international quality requirements.
 - o Easily converting from virgin yarn production to recycled yarn due to the chip spinning technology.
 - o The pandemic cause reduction in yarn demand but recycled yarn output decreased less than that of virgin yarn and selling prices and raw material prices of recycled yarn was more stable.
- **Indirectly benefiting from EVFTA** through selling yarn to domestic fabric companies
- **High quality yarn increases economic efficiency and creates competitive advantage in the future**
 - o Cooperating with UNIFI, the company is developing and selling a wide range of apparel yarns with special features (UV protection, anti-wrinkle, hygroscopic, dye, elastic, effects on fabric, etc.).
 - o The company has signed a contract to supply industrial yarn for automobile headliner to a US customer, with an output of 200 tons / month, from April 2020 to the end of 2021. In the next 2-3 years, the output expected is around 1,000- 1,200 tons / month as expanding customer base. Gross profit margin is 21-30% (apparel yarn: 16-22%).

RISK TO OUR CALL

- Severer pandemic developments than expected may cause a deep drop in global yarn demand.
- Crude oil price and virgin fiber selling prices fluctuated stronger than expected.
- In case of many garment retailers go bankrupt, STK may suffer indirectly in terms of cash flow and bad debt provision

ACCUMULATE

+18%

CMP (VND)	14,800
Target price (VND)	15,900

Cash dividend in 12 months 1.500

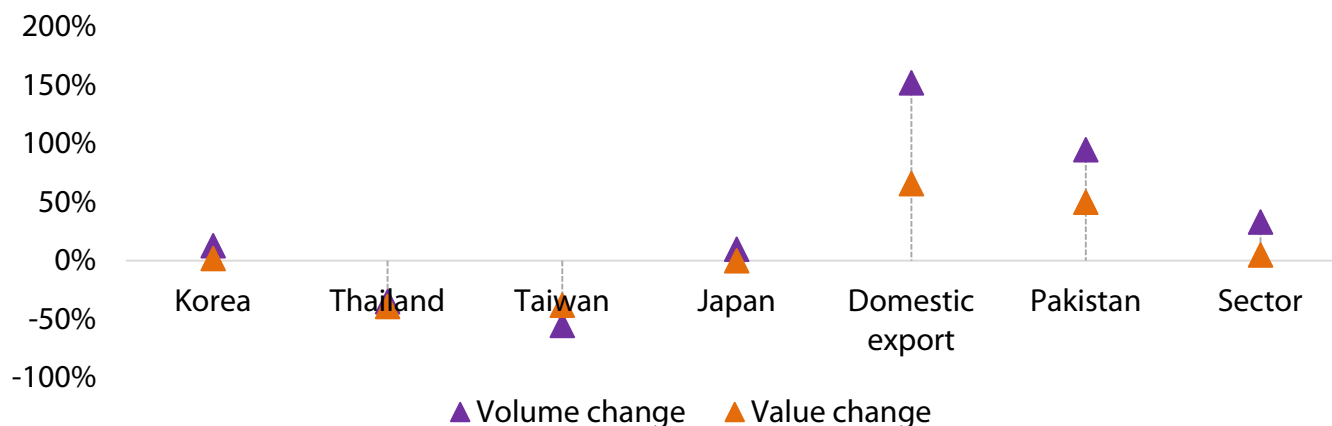
STOCK INFO

Sector	Consumer Goods
Market Cap (\$ mn)	44
Current Shares O/S (mn shares)	68
3M Avg. Volume (K)	149
3M Avg. Trading Value (\$ mn)	0.1
Remaining foreign room (%)	42.4
52-week range ('000 VND)	12-20.5

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	2,408	2,229	1,433	1,827
Growth (%)	21.0	-7.4	-35.7	27.5
NPATMI (VND bn)	178	215	80	112
Growth (%)	79.0	20.8	-62.9	40.2
ROA (%)	8.7	10.4	4.5	6.2
ROE (%)	21.1	19.8	7.6	10.6
EPS (VND)	2,976	3,034	1,126	1,579
Book Value (VND)	15,167	15,316	14,868	14,872
Cash dividend (VND)	1,500	1,500	1,500	1,500
P/E (x) (*)	5.0	4.9	13.1	9.3
P/B (x) (*)	1.0	1.0	1.0	1.0

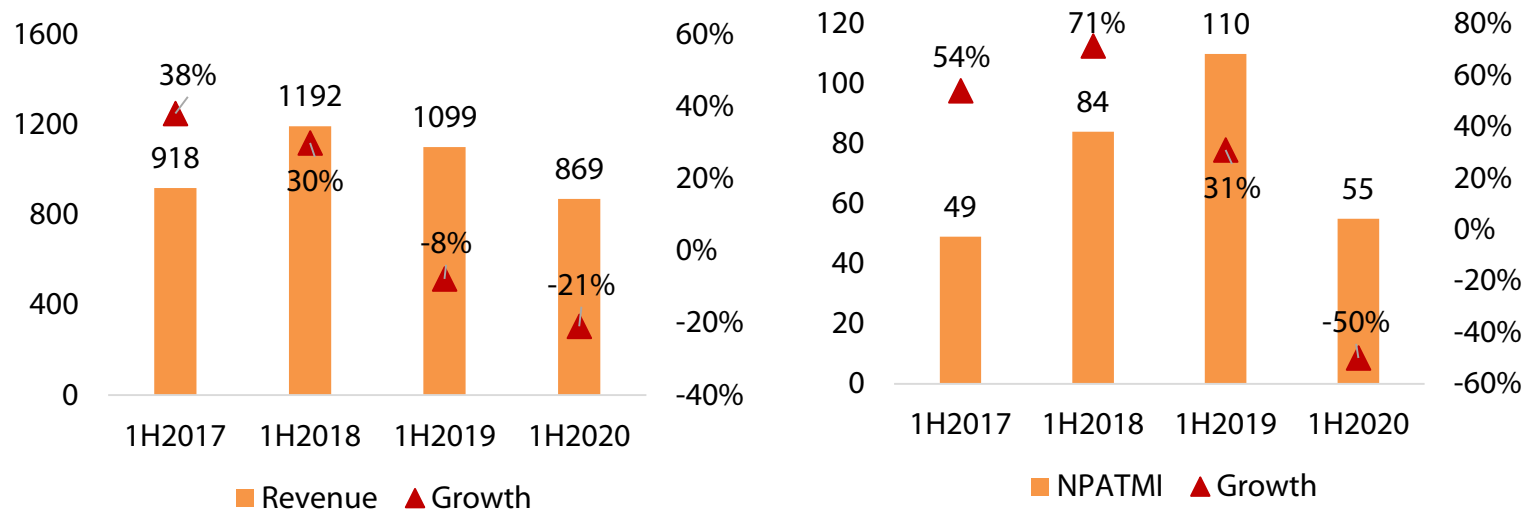
(*) Share price as of Aug 7th, 2020.

Figure 1: Vietnamese polyester filament export growth 6M2020



Source: STK, Rong Viet Securities

Figure 2: 6M2020 performance (VND mn)

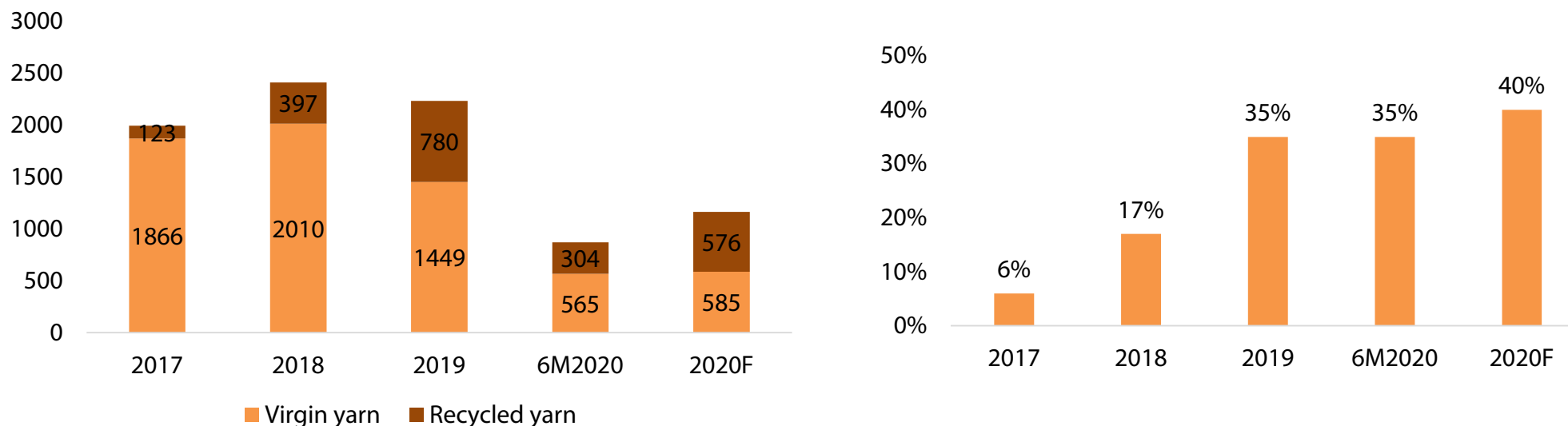


Source: STK, Rong Viet Securities

1H2020 - Pandemic reduces yarn demand but recycled yarn is less affected than virgin yarn

- o Social distancing measures in markets led to weak garment consumption, and indirectly reduced yarn consumption.
- o Revenue reached VND 869 bn, down 21% YoY. NPATMI reached VND 55 bn, down 50% YoY.
 - Selling volume of virgin yarn plummeted 15% YoY. Recycled yarn volume decreased slightly by 4% YoY.
 - The selling price of virgin yarn dropped sharply by 16% YoY, while the recycled yarn price increased by 3% YoY
 - Contribution of recycled yarn to revenue increased to 35% (1H2019: 28%).
 - The company reduced production in 2Q but still recorded depreciation as usual, leading 2Q's gross margin dropped sharply to 8% (2Q2019: 19.2%).
 - Gross profit margin in 1H2020 reached 13.3%, lower than 16.2% of 1H2019.

Figure 3: Forecast of revenue (VND bn) (left) and share of recycled yarn on revenue (right) in 2020



Source: STK, Rong Viet Securities

2H2020 - Global yarn demand recovers slowly.

- o Customers are still conservatively placing orders, concerned that governments will apply social distancing orders again.
- o Virgin yarn's ASP are likely to decline further as China continues to dump when its production is back to normal. The selling price of recycled yarn is stable.
- o Similarly to 2Q, the company produces at lower capacity than usual but still fully records depreciation. This will cause gross profit margin to decrease sharply compared to 2H2019.
- o For the whole year 2020, virgin yarn revenue may drop 40.7% YoY to VND 585 bn. Revenue from recycled yarn reached VND 576 bn, equivalent to a decrease of 26.2% YoY. The contribution of recycled yarn in revenue is about 40%. Gross profit margin reached 13.4% (2019: 15.9%).

TCM – PPE IS THE TEMPORARY SAVIOR

INVESTMENT RATIONALE

- **Temporarily benefited from strong PPE demand, which made up for shortages in traditional orders**
 - o Exported antibacterial masks and medical protective clothing (PPE) to the US in May and June. Thanks to self-produced antibacterial fabric, PPE products achieved higher profit margin than traditional products. GPM in 2Q increased sharply to 19.8% (2Q 2019: 16.3%). However, PPE demand in 2H depends on the development of the pandemic. Economic efficiency in 2H may reduce as selling prices decrease rapidly due to fierce competition.
 - o Consumption of traditional products in 2H2020 is expected to recover slowly due to complicated pandemic development and economic difficulties.
- **Closed supply chain**
 - o The closed production chain from yarn to garment can help TCM to take advantage of opportunities from FTAs. However, revenue from CPTPP and EVFTA country members only accounts for around 29% of total revenue.
 - o Indirectly benefiting from FTAs: selling fabric to domestic apparel companies. 2021-2022, investing in knitting and dyeing at the plant in Vinh Long, increasing supply capacity for the domestic market and reducing dependence on Chinese fabric. Capacity is expected around 8,000 tons of finished fabric/ year.
- **Diversifying distribution channels to catch up with the accelerating e-commerce trend**
 - o The company is in negotiation with Amazon to distribute fabrics and garments.
 - o Online shopping is an inevitable and increasing trend during and after COVID-19
- **Increasing capacity of T-shirt segment, in line with the post-COVID-19 consumption trend**
 - o In 4Q2020, TCM plans to build No. 2 garment plant in Vinh Long, the construction time is around 6-8 months. Capacity is 12 million products / year, increasing the total capacity to 36 million products / year
 - o Increasing demand for low-cost garments (T-shirts, denim shirts, jackets) after COVID-19

RISK TO OUR CALL

- Raw cotton price fluctuates stronger than expected.
- The pandemic gets more severe and prolonged than expected, causing deep falls in the global demand for textiles and garments.

ACCUMULATE

+10%

CMP (VND)	22,250
Target price (VND)	24,000

Cash dividend in 12 months 500

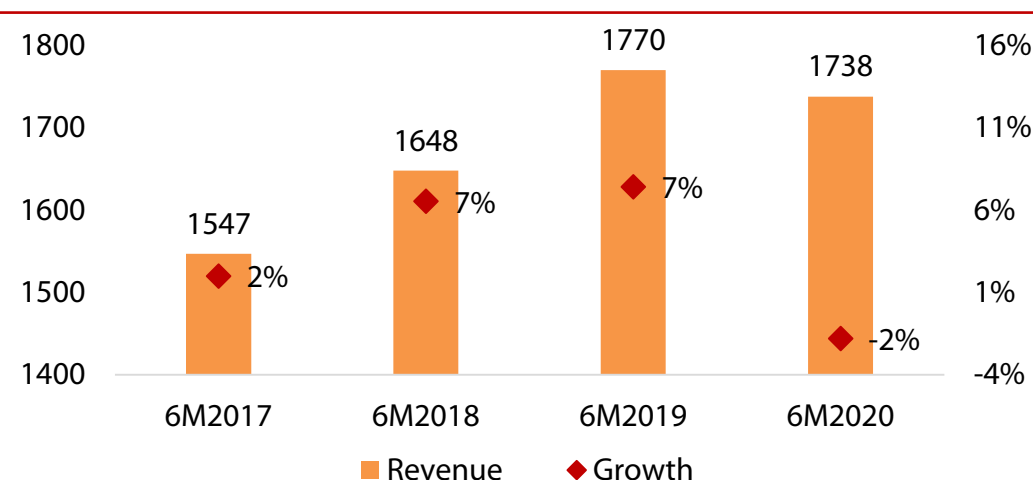
STOCK INFO

Sector	Consumer Goods
Market Cap (\$ mn)	60
Current Shares O/S (mn shares)	62
3M Avg. Volume (K)	1,017
3M Avg. Trading Value (\$ mn)	0.9
Remaining foreign room (%)	0.1
52-week range ('000 VND)	10.4-23.2

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	3,662	3,644	3,328	3,519
Growth (%)	14.1	-0.5	-8.7	5.7
NPATMI (VND bn)	259	216	171	191
Growth (%)	35.2	-16.6	-20.7	11.6
ROA (%)	8.0	7.4	5.4	5.8
ROE (%)	20.4	15.2	11.1	11.4
EPS (VND)	4,069	3,166	2,656	2,964
Book Value (VND)	23,380	24,424	26,560	29,004
Cash dividend (VND)	500	500	500	500
P/E (x) (*)	7.0	5.9	8.3	7.4
P/B (x) (*)	1.2	0.8	0.8	0.8

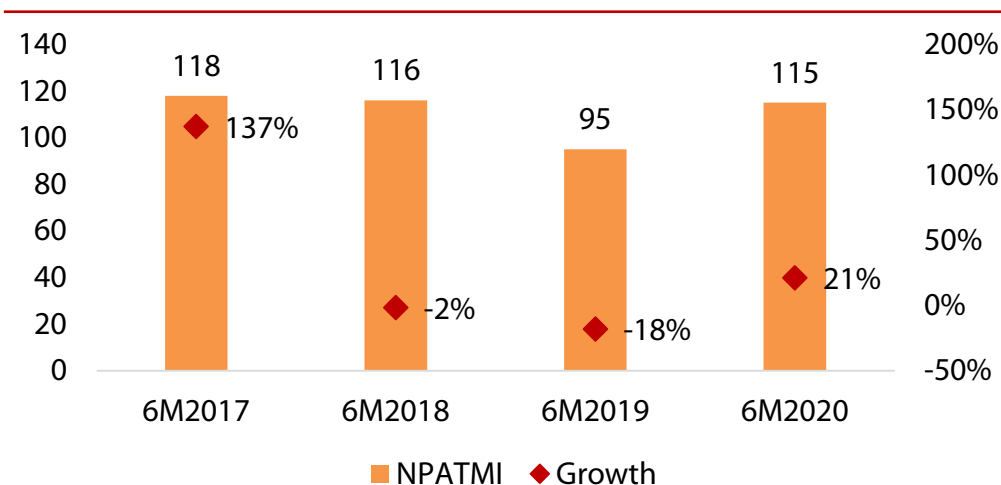
(*) Share price as of Aug 7th, 2020.

Figure 1: Revenue growth in 1H2020 (VND bn)



Source: TCM, Rong Viet Securities

Figure 2: NPATMI growth in 1H2020 (VND bn)



Source: TCM, Rong Viet Securities

1H2020 - Medical products made up for the shortages in traditional product orders

o Revenue decreased 2% YoY to VND 1,738 bn; NPATMI increased 21% YoY to VND 115 bn.

- Exports of antibacterial masks and medical protective clothing gave high profits in May and June.
- Exports of traditional products faced difficulties as markets closed for quarantine.

o Gross profit margin in 2Q increased sharply to 19.8% (2Q 2019: 16.3%). Gross profit margin in 1H2020 increased to 17.3% (1H2019: 15.5%).

2H2020 - Profits are likely to decline significantly. Consumption of traditional products recovers slowly in the context of the pandemic and economic difficulties

o Export of medical products (if any) decreases in efficiency due to fierce competition. For the whole year, GPM is expected to reach 14.9% (2019: 15.9%)

o The company plans to recover VND 20 bn of bad debt from Sears in 2H2020. However, we do not include this amount in our valuation model.

MSH – THE BIG SHOCK

INVESTMENT RATIONALE

- **Consumption of traditional products plummeted due to pandemic**
 - o Consumption of garments and bedding in 1H2020 was weak due to social distancing in markets to prevent the pandemic contagion. Consumption 2H is expected to recover slowly due to complicated pandemic development in the US and EU (accounting for 90% of MSH's revenue in 2019).
 - o Export of medical products is only a temporary measure, the demand depends on unpredictable developments of the pandemic while economic efficiency is decreasing due to rising raw material prices and rapidly declining selling prices. Oversupply globally leads to fierce competition.
- **Large burden on cash flow and profit as customers are facing financial difficulties**
 - o RTW Retailwinds, the parent company of MSH's major customers New York & Co. (15% of MSH's annual revenue), has filed for bankruptcy. Receivables of NY & Co. worth USD 9.5 mn at the end of 2Q2020, accounting for 31% of MSH's liabilities and 7% of total assets. Unclear possibility of collecting because it depends on the customer's restructuring and the US court's decision may take several years.
 - o Other customers required to extend payment time. The company have set up receivables supervision board and provision for doubtful debts from 1Q. If customers goes bankrupt in series, we are concerned about the company's ability to maintain its operation.
- **Song Hong 10 project has temporarily suspended**
 - o Investment procedure and land clearance have completed but the company has to delay construction to wait for the recovery of market demand.

RISK TO OUR CALL

- More severe and prolonged pandemic development than expected causes a deep fall in global apparel demand.
- Fabric prices and garment's selling prices fluctuate more strongly than expected

MONITOR

N/A

CMP (VND)	29,000
Target price (VND)	-

Cash dividend in 12 months 3.500

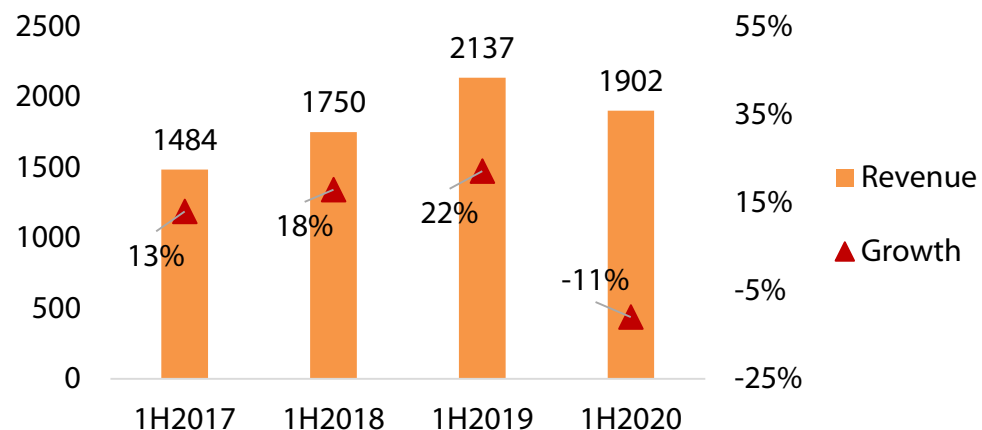
STOCK INFO

Sector	Consumer Goods
Market Cap (\$ mn)	63
Current Shares O/S (mn shares)	50
3M Avg. Volume (K)	229
3M Avg. Trading Value (\$ mn)	0.3
Remaining foreign room (%)	45.5
52-week range ('000 VND)	23.3-59.1

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	3,951	4,411	3,268	4,279
Growth (%)	20.4	11.6	-25.9	30.9
NPATMI (VND bn)	370	450	51	254
Growth (%)	84.6	21.6	-88.7	398.0
ROA (%)	15.09	17.8	2.2	9.7
ROE (%)	43.8	38.7	5.0	24.5
EPS (VND)	7,377	9,113	922	4,563
Book Value (VND)	19,601	23,235	20,658	20,721
Cash dividend (VND)	4,000	4,500	3,000	3,000
P/E (x) (*)	3.9	3.2	31.5	6.4
P/B (x) (*)	1.5	1.3	1.4	1.4

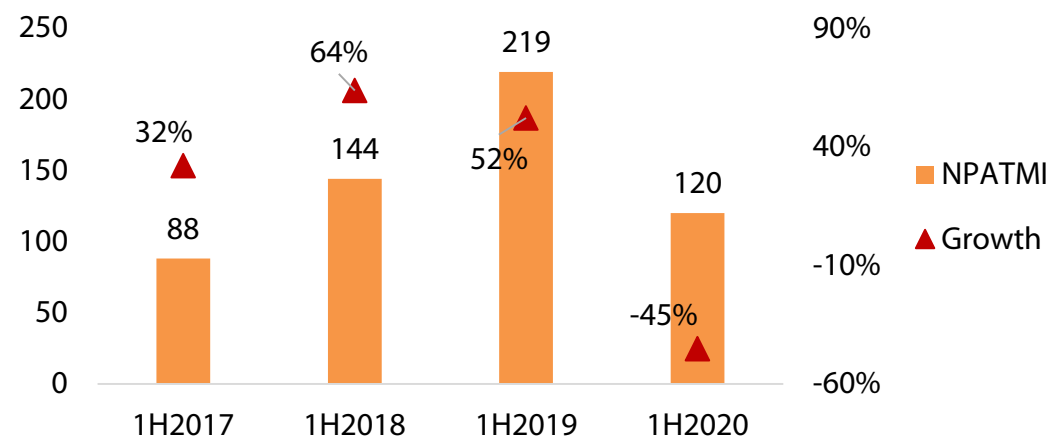
(*) Share price as of Aug 7th, 2020.

Figure 1: 1H2020 revenue (VND bn)



Source: MSH, Rong Viet Securities

Figure 2: NPATMI 1H2020 (VND bn)



Source: MSH, Rong Viet Securities

1H 2020 – Medical products offset the decline in traditional orders. Many customers required to expand payment time or go bankrupt

Net revenue reached VND 1,902 bn, down 11% YoY. NPATMI is VND 120 bn, down by 45% YoY.

- o Consumption of traditional products was difficult due to social distancing in markets. The US and Europe, the pandemic hotspots, account for 90% of 2019 sales.
- o Producing and selling medical products (30 million antibacterial masks and 10 million medical protective suits) to maintain jobs for workers. The economic efficiency was not high because China continuously increases the price of raw materials and equipments. Gross profit margin fell sharply to 16.7% from 20.5% in the same period last year, due to the decrease in FOB revenue while CMT increased.
- o Accounts receivable from customers increased sharply by 83% compared to the end of 2019, mainly from New York & Co. and Walmart.

2H 2020 – Demand for traditional products recovers slowly in the context of complicated developments of the pandemic and economic difficulties. Making provision for bad debts from New York & Co.

- o Selling medical products (if any) reduces efficiency due to fierce competition. For the whole year 2020, gross profit margin is expected to reach 17.4% (2019: 21%).
- o Since New York & Co. has announced bankruptcy, the company would have to estimate the extent of irrecoverable losses to make a provision. This will affect the company's financial position in the short term



OTHER STOCKS

FPT – RESILIENT PERFORMANCE AMID PANDEMIC

INVESTMENT RATIONALE

Key growth engines' long-term potential in good shape despite short-term hiccup

- Anticipated higher contribution from Digital transformation (DX) services will help FPT's core business of **Software outsourcing** (SO) weather the covid storm and sustain healthy double-digit growth rate going forward. Evidently, SO's 6M-FY20 PBT bode well with double-digit growth of 20.8% YoY even amid the pandemic, though decelerated from a 3Y CAGR of 26.3% due to severe covid's impacts on FPT's key accounts, thanks to the robust expansion in highly profitable DX services (+65% YoY in revenue). Leveraged by Vietnam's labor cost advantage, ramping up onsite and offshore workforce's productivity and in-house products, FPT's SO business is expected to remain competitive on global scale. This, coupled with worldwide accelerating DX demand, will bring FPT right back to the fast-growing track when the pandemic is contained.
- Telecom segment** to sustain mid-teen growth on the back of increasing broadband internet subscription, along with various value-added products attached to the internet connection, following wider penetration into untapped tier 2-3 areas. Meanwhile, data center infrastructure expansions will help the Group capture the broadening demand of global corporates from the ongoing wave of relocation to Vietnam.

Compelling valuation with a 3Y PEG of 0.7x.

- FY20E NPAT-MI growth will soften as a result of covid, yet remain positive at 12.1% YoY, while we expect that of FY21F to rise by 21.4% YoY when global IT spending recovers post-covid.
- We project that the company will achieve a 3Y CAGR of 14.8% over FY20-23F.

RISK TO OUR CALL

- Protracted covid outbreak in the developed economies to undermine international IT revenue.
- Softer broadband services' operation efficiency due to expansion to lower tier regions.

BUY

+21%

CMP (VND)	47,100
Target price (VND)	55,000

Cash dividend in 12 months 2,000

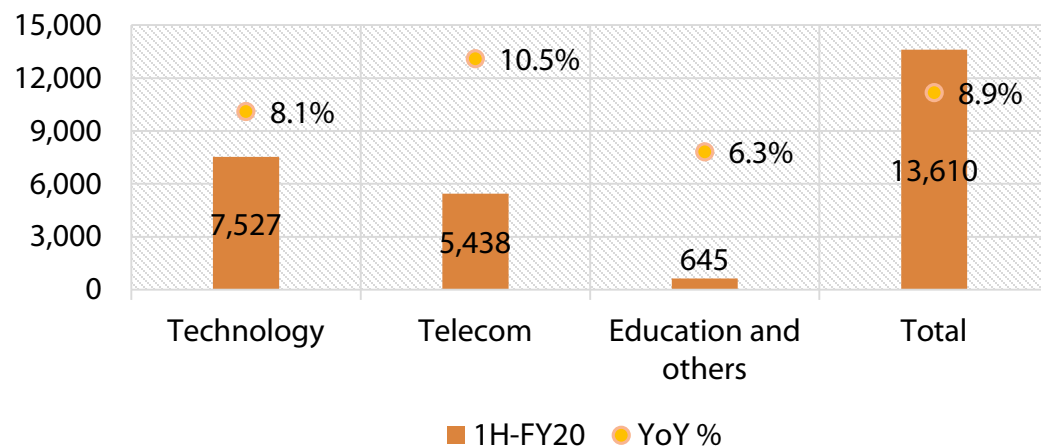
STOCK INFO

Sector	Technology
Market Cap (\$ mn)	1,594
Current Shares O/S (mn shares)	784
3M Avg. Volume (K)	2,062
3M Avg. Trading Value (\$ mn)	4.3
Remaining foreign room (%)	0.0
52-week range ('000 VND)	34.2-52.3

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	23,214	27,717	31,140	36,882
Growth (%)	-45.6	19.4	12.3	18.4
NPATMI (VND bn)	2,620	3,135	3,515	4,265
Growth (%)	-10.6	19.7	12.1	21.3
ROA (%)	9.57	10.5	9	9.5
ROE (%)	18.71	21.5	20.5	21.5
EPS (VND)	3,897	4,220	4,465	5,419
Book Value (VND)	20,322	20,693	21,834	25,249
Cash dividend (VND)	1,000	2,000	2,000	2,000
P/E (x) (*)	12.1	11.2	10.5	8.7
P/B (x) (*)	2.3	2.3	2.2	1.9

(*) Share price as of Aug 7th, 2020.

Figure 1: 1H-FY20 Revenue by segment (VND bn)



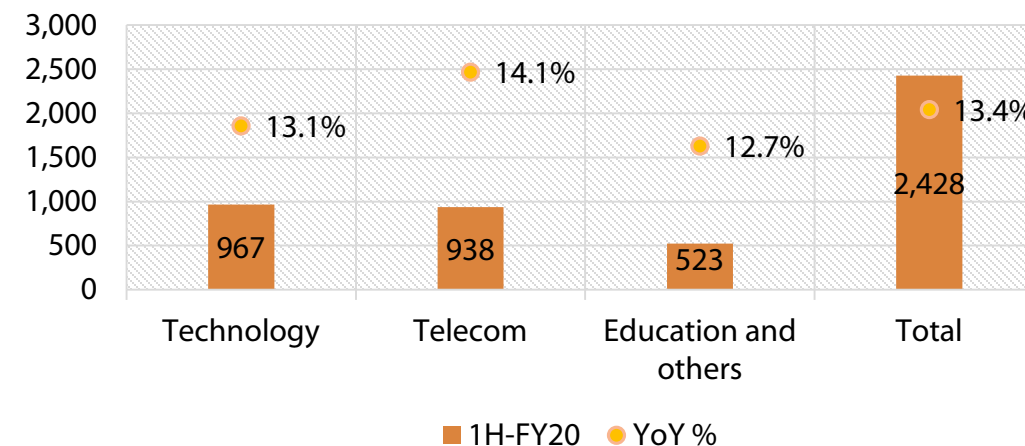
Source: FPT, RongViet Securities

Global IT services kept up with the high growth. Profit from this major business line accounted for 36.9% of total PBT, and sustained the high growth of 20.8% YoY, with vigorous contribution from Digital Transformation services as a result of increasing demand for new digital technology.

Telecom sustained double-digit growth in PBT on the back of approx. 15% YoY increase in broadband internet subscription.

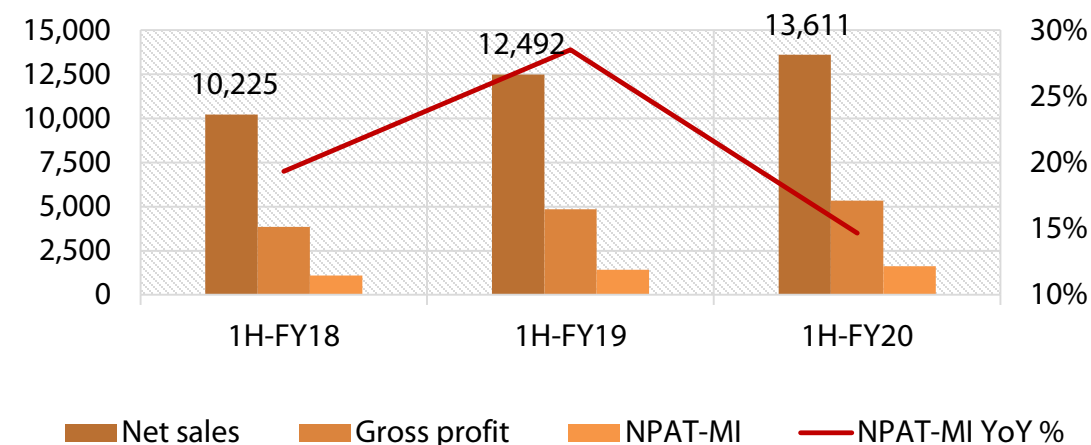
FPT's Education sector saw strong growth new enrollments of 37.5% YoY by the end of 1H-FY20, recording a total number of 44,497 students.

Figure 2: 1H-FY20 PBT by segment (VND bn)



Source: FPT, Rong Viet Securities

Figure 3: 1H-FY20 Revenue and NPAT (VND bn)



Source: FPT, RongViet Securities

IMP – STRONG GROWTH AHEAD

INVESTMENT RATIONALE

ETC-focused companies benefit from favorable policies

- According to Circular 15/2019, non-ICH PIC/S-GMP drugs can no longer bid into Tier 2. This policy favors IMP as it reduces the competition with low-cost foreign manufacturers, mainly from India.
- Vietnam's ETC sales grew at a pace of 18% as the government promotes social insurance and Circular 02/2018 limits prescription drug abuse and unknown origin drugs in the OTC channel.

ETC sales are likely to grow at a high pace owing to positive bidding results

- ETC sales are forecasted to grow by roughly 55% owing to a new large order backlog. In 6M2020, IMP's winning bid was VND 551 billion, increasing by roughly 60% YoY.

Two EU-GMP factories are the key growth engines in the next 3-5 years

- IMP2 factory is running at a low utilization rate, roughly 25%. Meanwhile, IMP4 factory, which is coming up in 2021, has large potential as it produces special medicines, which have a high gross margin.

RISKS TO OUR CALL

- Social distancing to control the fresh COVID-19 outbreak could affect negatively IMP's sales.
- The material supply can be disrupted by the pandemic.

BUY

+23%

CMP (VND)	43,950
Target price (VND)	52,500

Cash dividend in 12 months 1,500

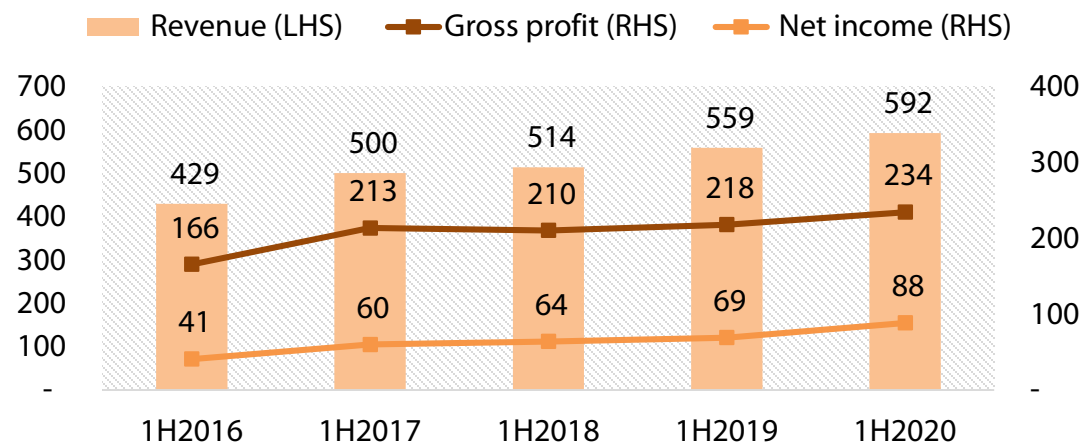
STOCK INFO

Sector	Health Care
Market Cap (VND bn)	122
Current Shares O/S (mn shares)	64
3M Avg. Volume (K)	61
3M Avg. Trading Value (\$ mn)	0.1
Remaining Foreign Room (%)	0.0
52 – week range ('000 VND)	29.6-49.1

FORECAST	2018A	2019A	2020E	2021F
Revenue (VND bn)	1,185	1,402	1,603	1,944
Growth (%)	1.7	18.4	14.3	21.3
NPATMI (VND bn)	139	162	220	237
Growth (%)	18.2	17.1	35.6	7.8
ROA (%)	7.8	8.8	10.3	10.2
ROE (%)	9.2	10.4	12.2	12.4
EPS (VND)	2,469	2,891	3,016	3,250
Book Value (VND)	30,445	31,543	28,105	29,887
Cash dividend (VND)	2,000	2,000	1,000	1,500
P/E (x) (*)	24.7	21.1	14.6	13.5
P/B (x) (*)	2.0	1.9	1.6	1.5

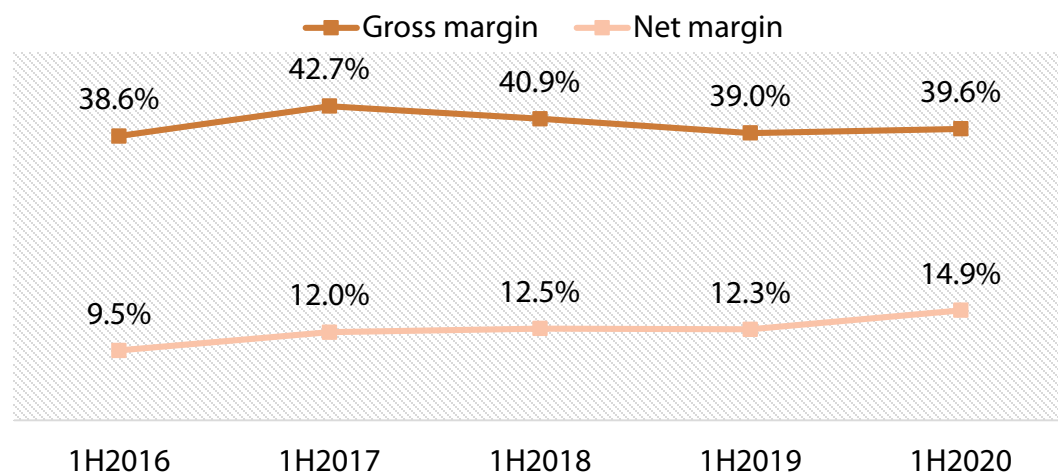
(*) Share price as of Aug 7th, 2020.

Figure 1: Revenue, gross profit and net income (VND billion)



Source: IMP, Rong Viet Securities

Figure 2: Gross and net margins



Source: IMP, Rong Viet Securities

High net income growth

- In 6M2020, IMP's net revenue increased by 5.9% YoY and was equivalent to 34.1% of its target for the year.
- Net income grew by 28.3% YoY from VND 68.9 billion in 6M2019 to VND 88.4 billion due to cost-cutting. Because of COVID-19, IMP reduced its expenses for selling activities and promotion by roughly VND 25 billion.
- Net margin also improved from 12.3% in 1H2019 to 14.9% in 1H2020.

ETC sales surged strongly, while OTC sales were hit by COVID-19

- In 1H2020, IMP's ETC sales increased by roughly 80% YoY while its OTC sales decreased by 9% YoY.
- IMP outperformed the industry in terms of ETC sales. According to IQVIA, Vietnam's ETC sales increased by just 18% YoY.
- COVID-19 had a negative impact on both channels as people avoided going to hospitals and spent less on healthcare services due to lower income.

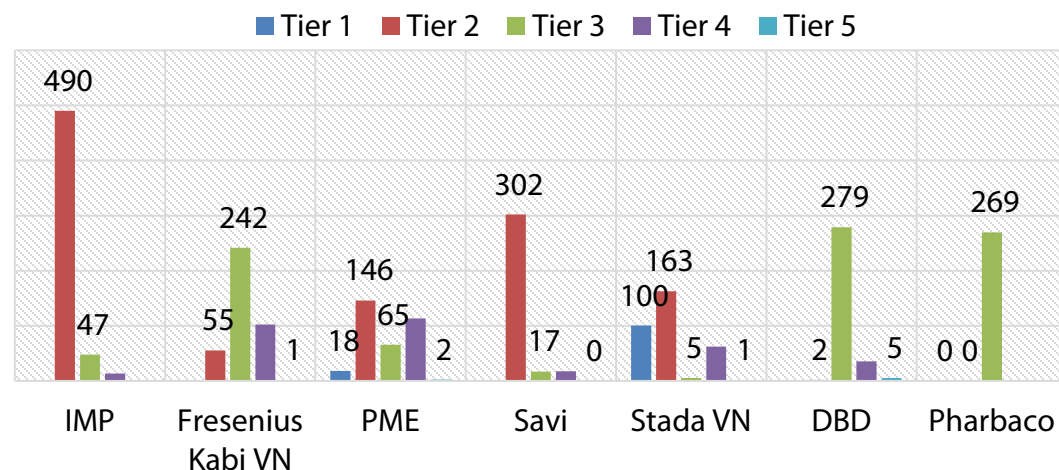
In 6M2020, IMP proved its good competitive strength in Tier 2 as it was the most successful domestic pharmaceutical company in terms of bidding results.

- The company won bidding value of VND 551 billion (89% was Tier 2 drugs), increasing by roughly 60% YoY in 1H2020.

Update on factories:

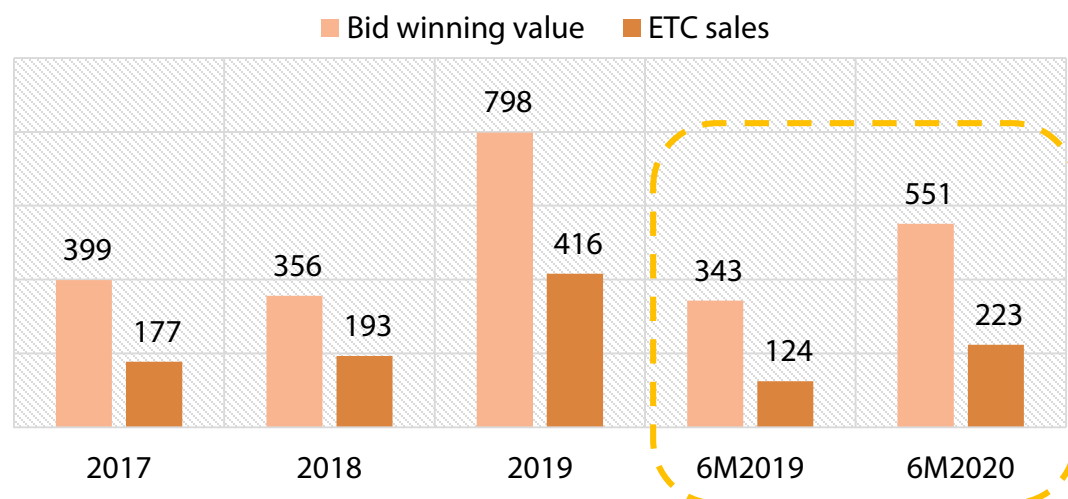
- IMP4 factory's EU-GMP inspection was postponed due to COVID-19.
- IMP3 factory is running at a high utilization rate of roughly 90% after retesting.
- IMP2 factory's utilization rate increased steadily from 5% in 2019 to 25% in 6M2020.

Figure 3: Leading companies' bidding results (VND billion)



Source: Drug Administration of Vietnam, Rong Viet Securities

Figure 4: IMP's bid winning value and ETC sales (VND billion)



Source: Drug Administration of Vietnam, Rong Viet Securities

ETC sales are expected to grow strongly in 2H owing to new large contracts

- We expect IMP's ETC sales to increase by 65% YoY in 2020.
- The company is likely to book revenues from new drug contracts in 2H2020 as most of the contracts in ETC channels are effective in 12-18 months.

IMP2 and IMP4 factories are the growth drivers for the next three years

- IMP4 will produce special medicines, supplied mainly by foreign companies in Tier 2. We believe its lower production cost is the key advantage to replace foreign drugs.
- IMP4 factory's gross margin could be 55%-57%, 5% higher compared to IMP2 or IMP3, due to the lower competition from domestic companies.
- IMP2, which is running at a utilization rate of 25%, can help IMP increase sales in the next three years.

Key forecasts:

- In 2020, revenue is expected to grow by 14.3% to VND 1,600 billion, mainly from ETC sale activities.
- Net income is forecasted to increase by 35.6% in 2020 and 7.8% in 2021. In 2020, because IMP will not spend VND 20 billion on Technology and Science development Fund, its G&A expenses will decrease by 8.4% YoY.
- IMP's gross margin is expected to increase from 37.6% in 2019 to 38.4% in 2020 due to its lower spending on promotion products.

PME – FACING DIFFICULTIES IN THE SHORT-TERM

INVESTMENT RATIONALE

ETC-focused companies benefit from favorable policies

- According to Circular 15/2019, non-ICH PIC/S-GMP drugs can no longer bid into Tier 2. This policy favors PME as it reduces the competition with low-cost foreign manufacturers, mainly from India.
- Vietnam's ETC sales still grow at a high pace of 18% as the government promotes social insurance and Circular 02/2018 limits prescription drug abuse and unknown origin drugs in the OTC channel.

New EU-GMP drug factory can support PME's sales growth

- The new non-beta capsule factory, expected to receive EU-GMP in early 2021, will strengthen PME's abilities to bid into the ETC channel for high-quality non-beta drugs.

The transfer of products from Stada Group can accelerate in 2021

- We expect Stada to transfer more products to PME after increasing its ownership in PME and divesting from Stada Vietnam JV in 2019. The support from Stada Group can help PME to win more bids of high-quality drugs.

RISKS TO OUR CALL

COVID-19 outbreak could harm PME's short-term business results

- Social distancing to control the fresh COVID-19 outbreak could affect negatively PME's sales.
- Material supply can be disrupted by the pandemic.
- EU-GMP inspection of the new factory can be delayed for a long time.

ACCUMULATE

+8.7%

CMP (VND)	63,500
Target price (VND)	67,000

Cash dividend in 12 months 2,000

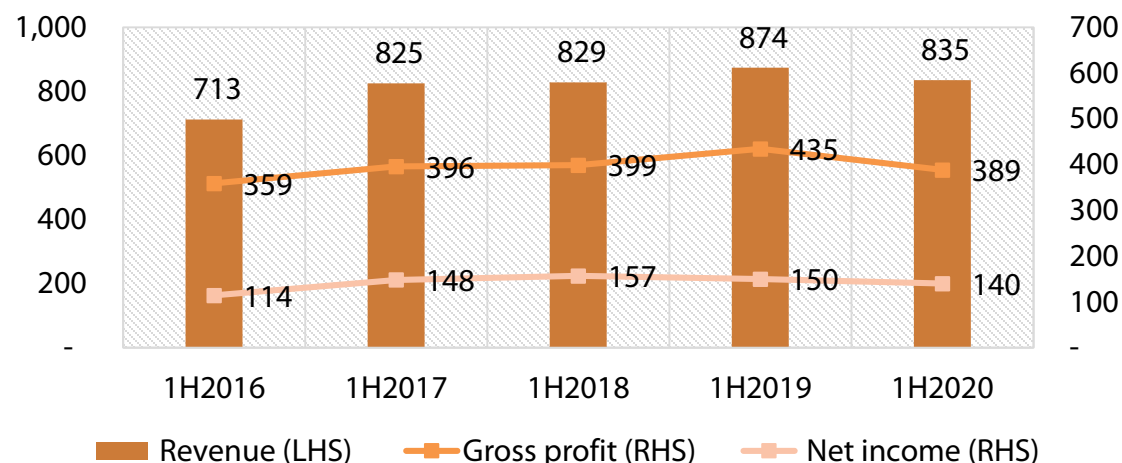
STOCK INFO

Sector	Health Care
Market Cap (\$ mn)	206
Current Shares O/S (mn shares)	75
3M Avg. Volume (K)	20
3M Avg. Trading Value (\$ mn)	0.1
Remaining foreign room (%)	37.9
52-week range ('000 VND)	47.5-65

FINANCIALS	2018A	2019A	2020E	2021F
Revenue (VND bn)	1,675	1,847	1,845	2,154
Growth (%)	3.2	10.3	-0.1	16.7
NPATMI (VND bn)	309	321	355	378
Growth (%)	8.0	3.7	10.7	6.5
ROA (%)	14.5	13.9	15.5	15.0
ROE (%)	17.3	16.4	18.0	17.8
EPS (VND)	4,124	4,279	4,709	4,996
Book Value (VND)	23,803	26,056	26,265	28,261
Cash dividend (VND)	2,000	3,000	2,000	2,500
P/E (x) (*)	15.4	12.6	13.5	12.7
P/B (x) (*)	2.7	2.1	2.4	2.2

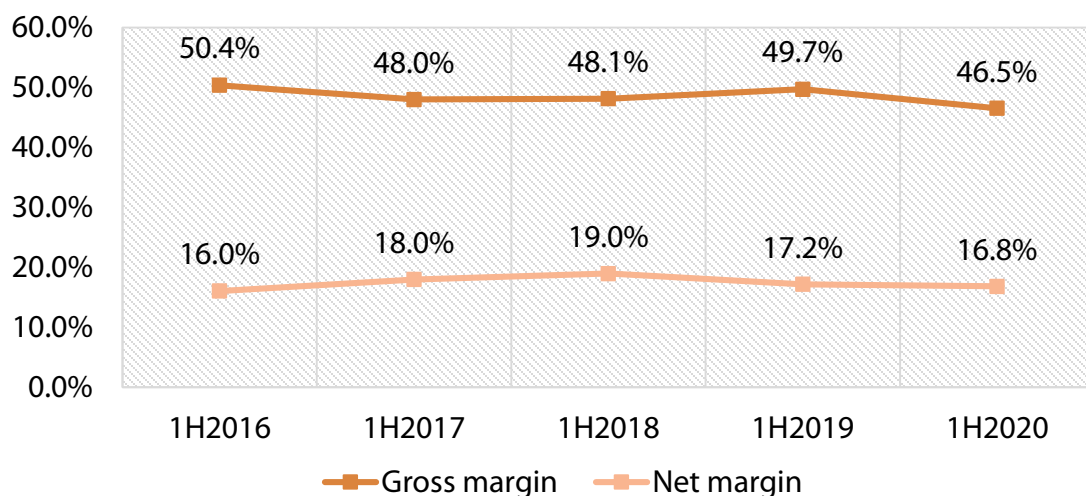
(*) Share price as of Aug 7th, 2020.

Figure 1: Revenue, gross profit and NPAT (VND billion)



Source: PME, Rong Viet Securities

Figure 2: Gross and net margins



Source: PME, Rong Viet Securities

1H2020: Although gross margin dropped, net profit decreased slightly due to cost cutting

- PME's gross margin in 1H2020 decreased from 49.7% YoY in 1H2019 to 46.5% YoY, the lowest over the last five years. This led its gross profit falling by 11% YoY.
- Net profit decreased at a slower pace of 6% YoY because PME's selling expenses were reduced by VND 41 billion.
- COVID-19 harmed ETC and OTC channels as people avoided going to hospitals and spent less on healthcare services due to lower incomes.

2H2020 & 2021 outlook: Revenue could grow slowly as PME's bidding results were not positive and COVID-19 has negative impact

- In 6M2020, PME's bid winning value decreased by roughly 53% YoY to VND 342 billion, of which only 48% was in Tier 1 and Tier 2. After many years of being the most successful domestic company in terms of bidding results, PME fell behind IMP and Fresenius Kabi Vietnam.
- The fresh COVID-19 pandemic in several provinces and large cities in Vietnam will harm ETC sales, and the progress of new factory's EU-GMP inspection.
- We expect PME's sales will be flat in 2020, while net income improves owing to lower selling expense. New EU-GMP factory, which is expected to run in 2021, will boost PME's revenue to increase by 17%.

BMP – “A SHELTER DURING THE STORM”

INVESTMENT RATIONALE

The market seem to have consolidated, hence stabilizing profitability

- Amid the construction market’s slowdown, material producers have suspended capacity expansion. Therefore, BMP benefits from easing competition and can keep its margin stable.
- Less aggressive discounts from competitors also contribute to profitability stability.

Changing credit policy resulted in healthier receivables

- Even though BMP is debt-free, it could still improve working capital by controlling its receivables. As a result, BMP can add some financial income to its bottom-line and would provide shareholders getting a higher cash dividend.

Pursuing a conservative strategy to maintain financial health, BMP has become a defensive stock

- BMP is going to prioritize maintaining a healthy operating cash flow because of its advantage as a well-perceived brand name.
- BMP is capable of an annual cash dividend VND ~5,000 per share.

RISKS TO OUR CALL

- The largest concern is corporate governance in terms of input as half of BMP’s plastic resin is purchased from a brother company. Despite BMP’s independent purchasing policy at the moment, this aspect needs closely monitoring to detect risk as early as possible.

ACCUMULATE

+11%

CMP (VND)	51,900
Target price (VND)	52,800

Cash dividend in 12 months 5,000

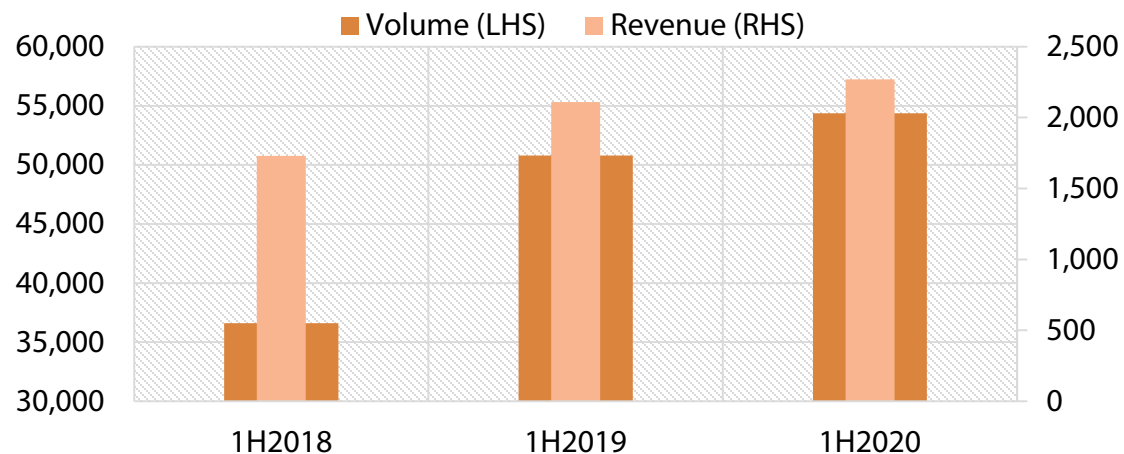
STOCK INFO

Sector	Industrials
Market Cap (\$ mn)	183.4
Current Shares O/S (mn shares)	81.9
3M Avg. Volume (K)	188.7
3M Avg. Trading Value (VND Bn)	0.4
Remaining foreign room (%)	17.8
52-week range ('000 VND)	31-55.5

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	3,919.6	4,337.3	4,615.4	4,947.8
Growth (%)	2.5	10.7	6.4	7.2
NPATMI (VND bn)	427.6	422.8	470.6	442.9
Growth (%)	-8.0	-1.1	11.3	-5.9
ROA (%)	15.2	14.8	16.5	15.2
ROE (%)	17.4	17.1	18.9	17.8
EPS (VND)	5,224	4,700	5,231	4,924
Book Value (VND)	29,973	30,164	30,396	30,319
Cash dividend (VND)	4,000	4,500	5,000	5,000
P/E (x)	10.1	8.8	9.3	9.9
P/B (x)	1.8	1.5	1.6	1.6

(*) Share price as of Aug 7th, 2020.

Figure 1: 1H 2020 volume (tons) and Revenue (VND billion)



Source: BMP, RongViet Securities

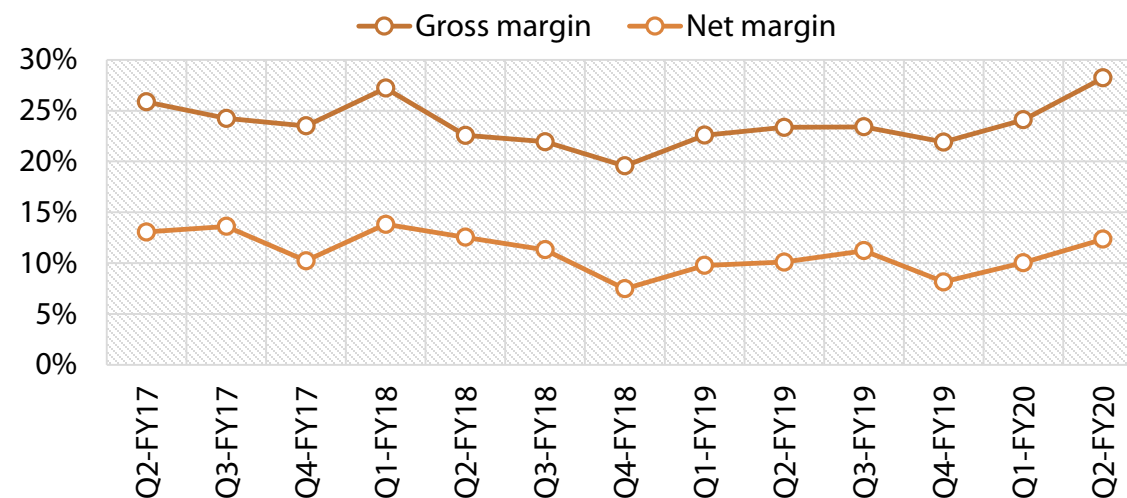
Sale capacity during distancing

- 1H2020 volume grew by 6.5% in spite of the social distancing because of new markets (agriculture). This strengthens BMP's brand power.

2Q2020 profitability went up because of dropping PVC resin prices

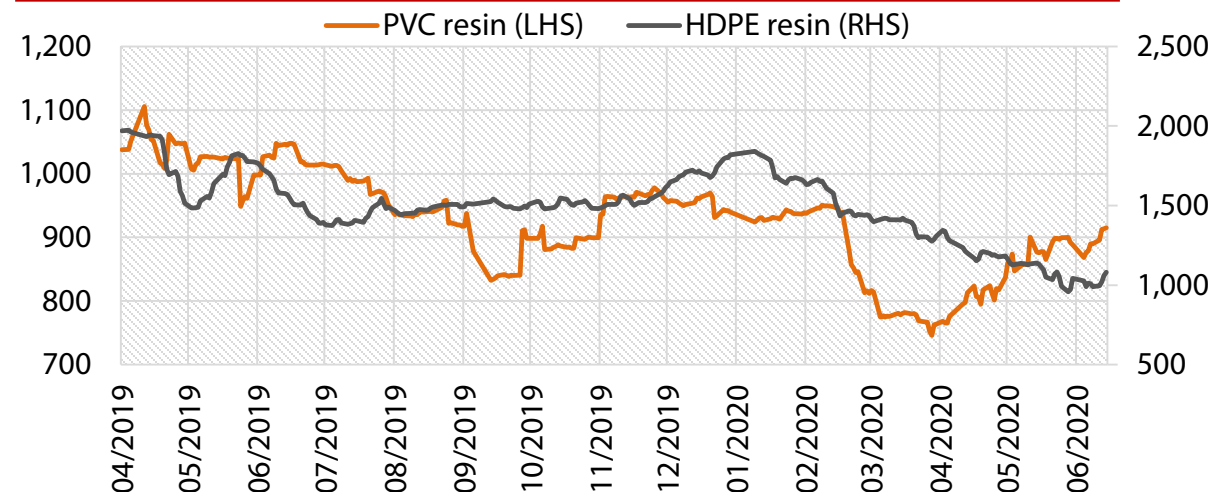
- BMP seized the chance to purchase input for 2Q at low cost.
- Financial income went up and contributed more to the bottom-line because of a larger cash hoard. (Financial income VND 38 billion, x3 YoY, 12% of PBT).

Figure 2: Quarterly profit margin



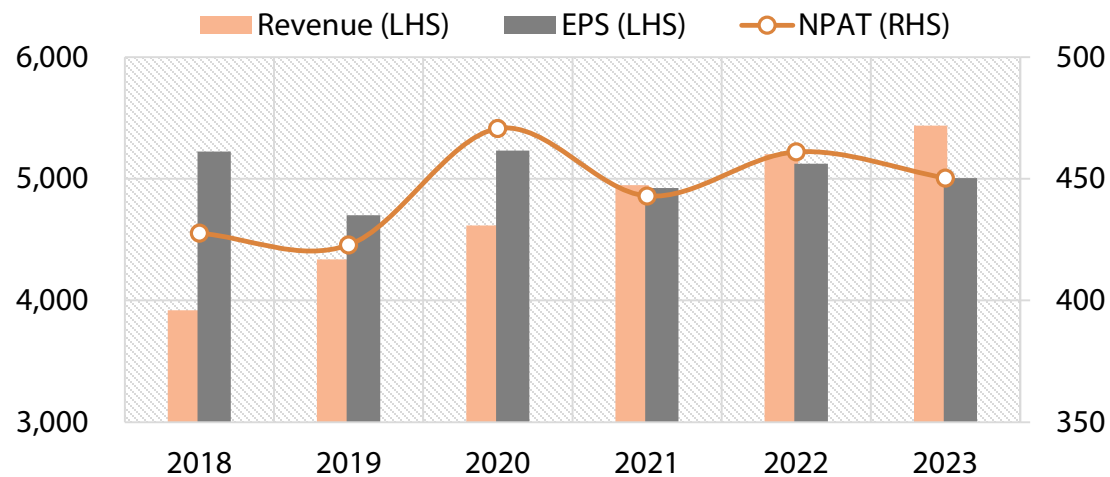
Source: BMP, Rong Viet Securities

Figure 3: Plastic resin price (USD per ton)



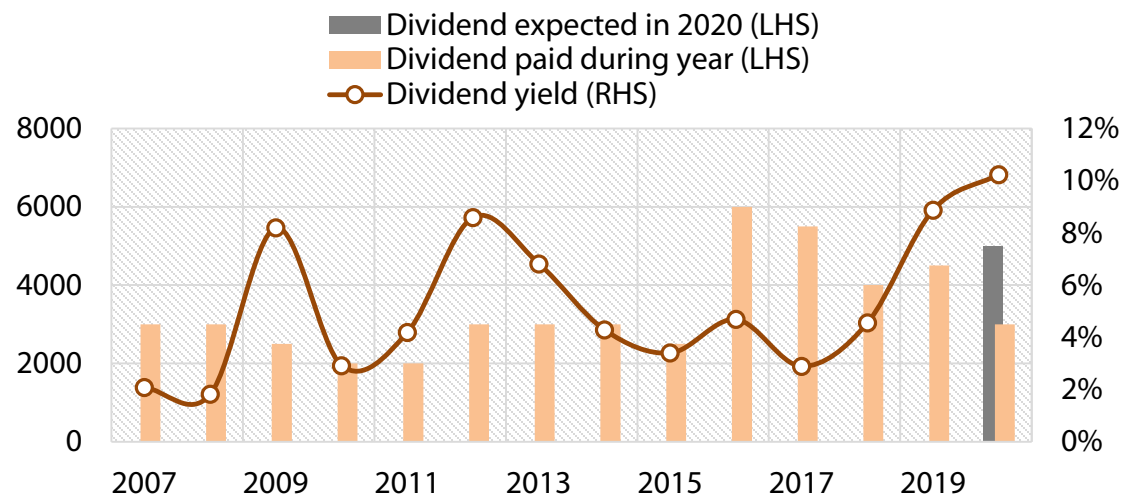
Source: BMP, RongViet Securities

Figure 4: Forecasted revenue and NPAT (VND billion) and EPS (VND)



Source: Rong Viet Securities

Figure 5: Dividend (VND per share)



Source: Rong Viet Securities

BMP is capable of maintaining strong results

- Taking advantage of its strong brand name, BMP can ensure maximum utilization of machinery. Hence, it can continue to enjoy sustainable profit and healthy operating cash flow.
- As mentioned before, we believe that BMP's profitability is going to stabilize at this level as the market has consolidated, with BMP keeping its "market leader" title.
- With a merely unchanged production capacity, sales and bottom-line consequently will be constant for the next few years.

BMP maintains its attractive dividend policy, Making it an outstanding defensive choice

- BMP is known to pay out almost all of its earnings as cash dividend because there is no need for Capex. This policy has been supported by the new parent company.
- BMP has been one of our top picks for its solid fundamentals. Nowadays, BMP is one of our top choice considering the current market environment. Its market price makes the dividend yield remarkably attractive.

PTB – STRONG STORY

INVESTMENT RATIONALE

Furniture export to the US continues to benefit from the trade war, despite the spread of Covid-19

- Net sales increased by 34.5% thanks to a 49.4% YoY increase in exports. Notably, GPM of the segment jumped 567 bps YoY. The main export market was still the US, with major clients like Walmart.
- PTB has raised its market shares in furniture export among local enterprises. During 1H 2020, PTB had a 1.8% market share of total furniture domestic enterprises, vs only 1.5% in 2019. We expect this business could drive PTB's earnings in 2H.

Large reserve for natural stone production, but facing headwinds in the short-term

- PTB currently owns large reserve of granite, marbles, and basalt stones with long-term mining licenses. Total consumption output in 1H was 3.1 million m2, fulfilling 44% of the yearly target. However, gross profit margin of the stone segment dropped 875bps YoY, due to lowering the selling price to collect cash immediately.
- Besides natural stone products, the company has built a quartz stone factory in Dong Nai province with a capacity of 40,000 m2 per year, nearly a fifth of the biggest Vietnam quartz stone exporter. The factory is expected to operate from the end of 3Q2020.

Likely completing the profit guidance for 2020

- Second half contributes around 60% of yearly net profit. The company also set a prudent target for this year, with negative growth in earnings, -18% YoY. As a result, the 2020 forward P/E is 5.8 times, equal to the average P/E of the past two years.

RISKS TO OUR CALL

- A slow recovery of domestic construction activity may affect the stone segment, which is the main contributor of PTB's profit.
- Main export markets for stone and furniture fail to contain the Covid-19.

ACCUMULATE

+19.2%

CMP (VND)	46,100
Target Price (VND)	51,971

Cash Dividend (VND)* 3,000

STOCK INFO

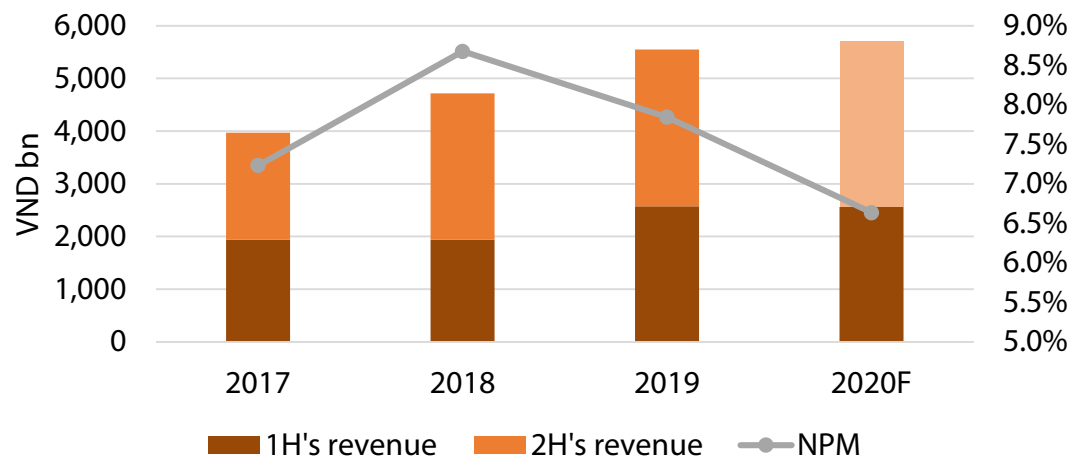
Sector	Industrials
Market Cap (\$ mn)	92
Current Shares O/S (mn shares)	46
3M Avg. Volume (K)	175
3M Avg. Trading Value (\$ mn)	0.4
Remaining foreign room (%)	30.3
52-week range ('000 VND)	30.5-71.9

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	4,719	5,552	5,498	5,790
Growth (%)	18.8	17.7	-1.0	5.3
NPATMI (VND bn)	385	435	319	514
Growth (%)	11.6	13.0	-26.7	61.1
ROA (%)	12.9	11.3	6.8	9.6
ROE (%)	27.9	25.7	17.8	24.6
EPS (VND)	7,534	9,130	6,748	10,873
Book Value (VND)	33,071	39,110	38,007	44,223
Cash dividend (VND)	3,200	2,500	3,000	3,000
P/E (x) (*)	6.1	5.4	6.8	4.2
P/B (x) (*)	1.4	1.3	1.2	1.0

(*) Share price as of Aug 7th, 2020.

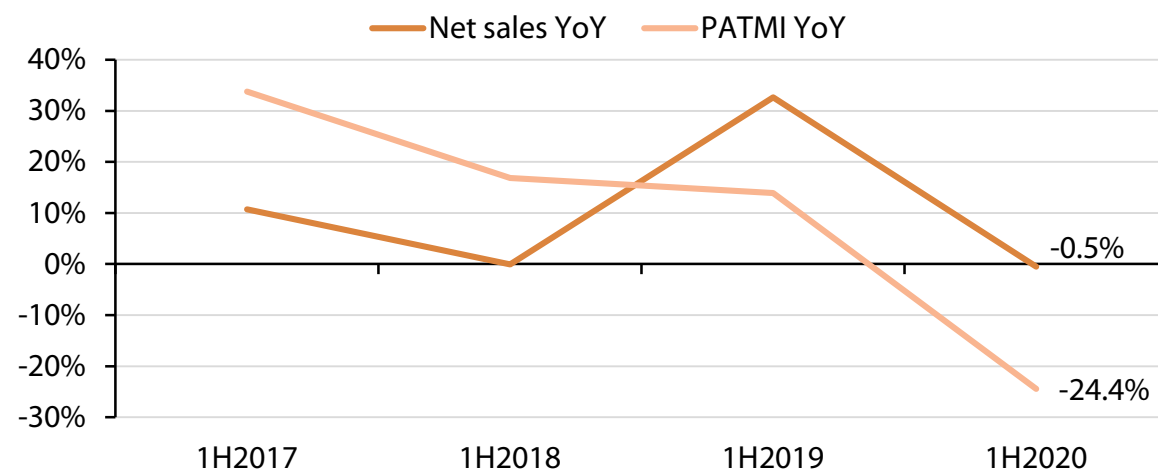
- Covid-19 has hit PTB' earning results as 1H's net revenue and NPATMI declined by 0.5% and 24.4% respectively.
- Export activities have performed well. Both key segments, namely stone and furniture, achieved impressive growth during 1H, 47% and 49% YoY respectively. The good performance of foreign markets compensated for the low consumption domestically. The export business has continuously been a bright spot lately due to the tension between the US and China.
- Looking ahead the prospects for granite and furniture look promising thanks to the good performance of export activities and long-term growth of the stone segment due to ample reserve material.
- During 1H, PTB has fulfilled 49.6% and 38.1% of its yearly revenue and profit guidance, respectively. However, the second half contributes around 60% of yearly net profit in the recent five years. We expect a recovery in 2H after the epidemic is somehow under control. Based on historical statistic, I think PTB will complete the yearly plan.

Figure 1: Revenue and profit guidance



Source: PTB, RongViet Securities

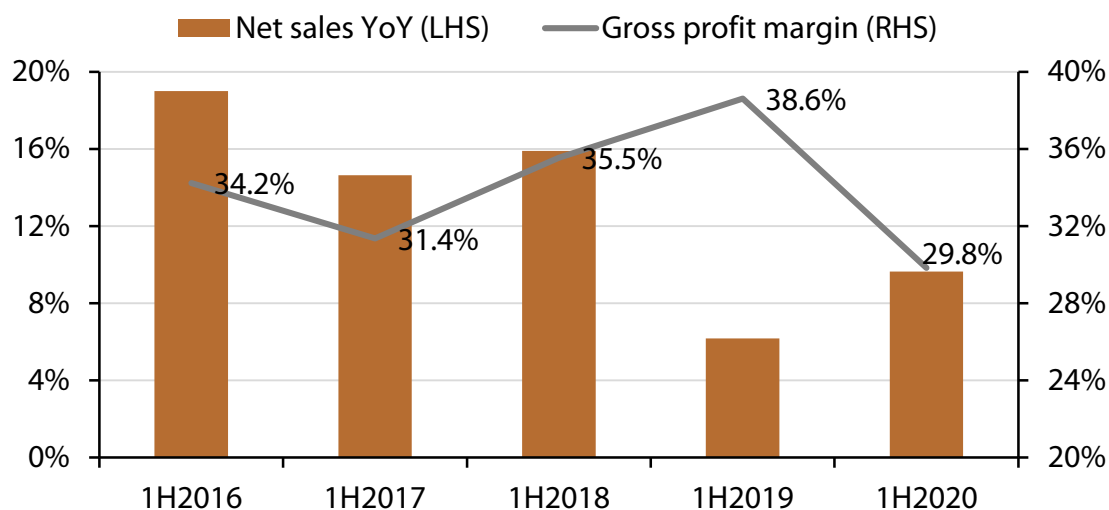
Figure 2: The second half contributes around 60% of yearly net sales



Source: Vietnam Custom, PTB, RongViet Securities

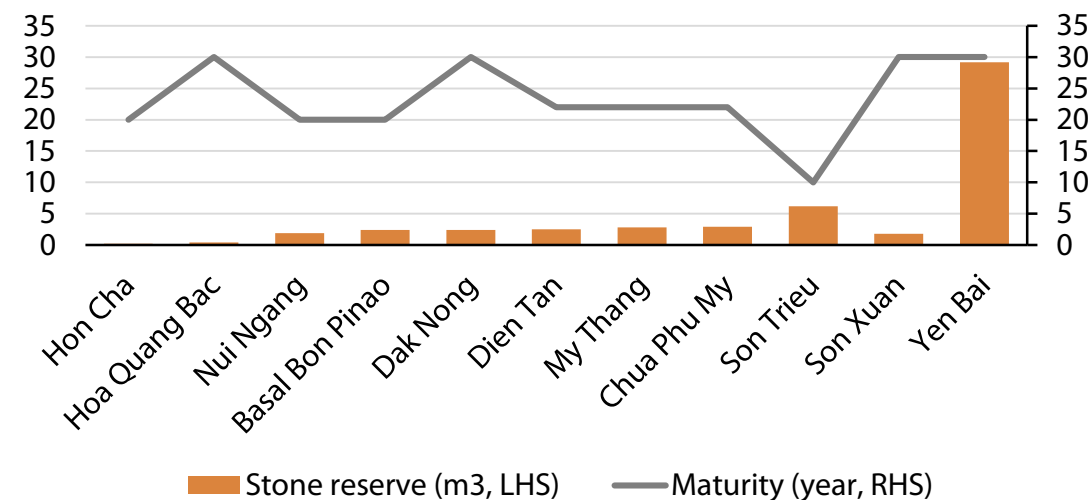
- Although net revenue of the stone segment increased 9.6% YoY, gross profit dropped 15.2% YoY due to lowering selling price to collect cash immediately. There was a sharp rise in stone exports (47.2% YoY) while a slight fall in domestic consumption (-5.2% YoY).
- Total consumption output was 3.1 million m2, fulfilling 44% of the yearly target.
- Net sales of the furniture segment increased by 34.5% thanks to a 49.4% YoY increase in exports. Notably, GPM of the segment jumped 567 bps YoY.
- With the current processing stone factory capacity of over 7 million m2 per year and the compound average growth rate of 16.7% per year in tiles volume for the last four years, the current reserve materials are abundant for years. Additionally, PTB is preparing documents to apply for licenses in other mines that they have acquired.
- Beside natural stone products, the company has built a quartz stone factory with a capacity of 40,000 m2 per year. The factory is expected to operate from the end of 3Q2020.

Figure 3: Sales rose but prices lower in the stone segment



Source: PTB, RongViet Securities

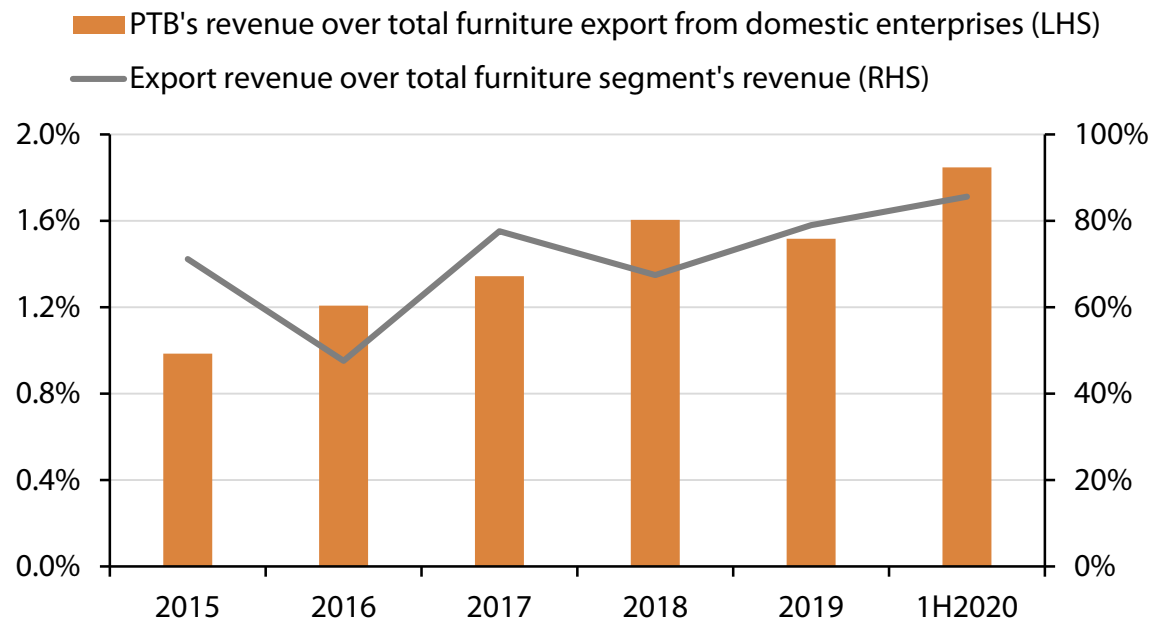
Figure 4: Ample reserve material for stone segment



Source: PTB, RongViet Securities

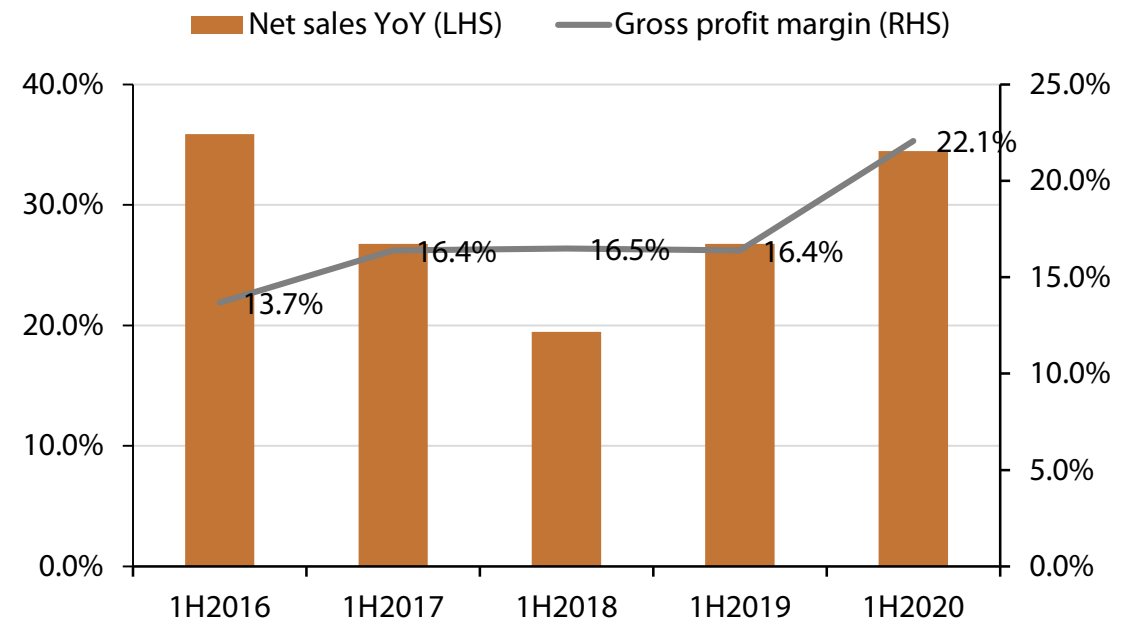
- Net sales of the furniture segment increased by 34.5% thanks to a 49.4% YoY increase in exports. Notably, GPM of the segment jumped 567 bps YoY.
- The tension between US and China has lingered for two years and the epidemic has just worsened the relationship. The 25% tariff on Chinese furniture is likely to remain in place in the near future. Vietnam in general and PTB in particular have the opportunity to gain market share from Chinese companies, which accounted for 43.4% of total US furniture imports in 2019, down from 52.8% in 2018.
- Although the EU applies low tariffs on Vietnamese furniture imports, the EVFTA that comes into effect in August will reduce the figure to zero percent. Furniture exports to the EU accounted for less than 1% of total EU imports in 2019.

Figure 5: PTB's export business



Source: PTB, RongViet Securities

Figure 6: Furniture continued to shine in 1H2020



Source: PTB, RongViet Securities

CVT – COVID-19 HAS WIDENED THE DEMAND-SUPPLY GAP

INVESTMENT RATIONALE

Oversupply has occurred for years

- According to data from Vietnam Ceramic Building Association, domestic supply for tile has passed domestic demand for that last ten years; and the gap has widened from four million m2 in 2009 to 93 mn m2 in 2019. When comparing the average growth rate of domestic consumption and capacity for the past ten years, it is hard for the gap to narrow anytime soon.
- We also notice a downtrend in inventory turnover of CVT from 3.3 in 2016 to 2.4 in 2019, the lowest figure since 2012.

Covid-19 has impacted both production and consumption

- CVT has lost one quarter of production in the 1H2020 because of the Covid-19, pulling down more than 20% production volume in 2020 compared to 2019. Selling volume dropped 39% YoY after six months while price dip 5% to 15%.

Ability to raise cash dividend to 20% from 2021 and onward

- CVT has reduced long-term borrowing from VND 258 bn in 2015, that was financed to build CMC2 factory, to VND 10 bn in 2019.
- Average of payout ratio during 2012 and 2015 was 61% , before dropping to 32% in 2016-2019 due to building CMC2 factory. However, we notice that they are increasing the figure in recent years. We forecast CVT will pay 1,500 cash dividend for 2020 equivalent to dividend yield of 7.7% at price as of August 7th .

RISKS TO OUR CALL

- A surge in consumption of CVT's product despite the big discrepancy between supply and domestic demand would be our upside risks.

ACCUMULATE

11%

CMP (VND)	19,450
Target price (VND)	19,985

Cash dividend in 12 months 1,500

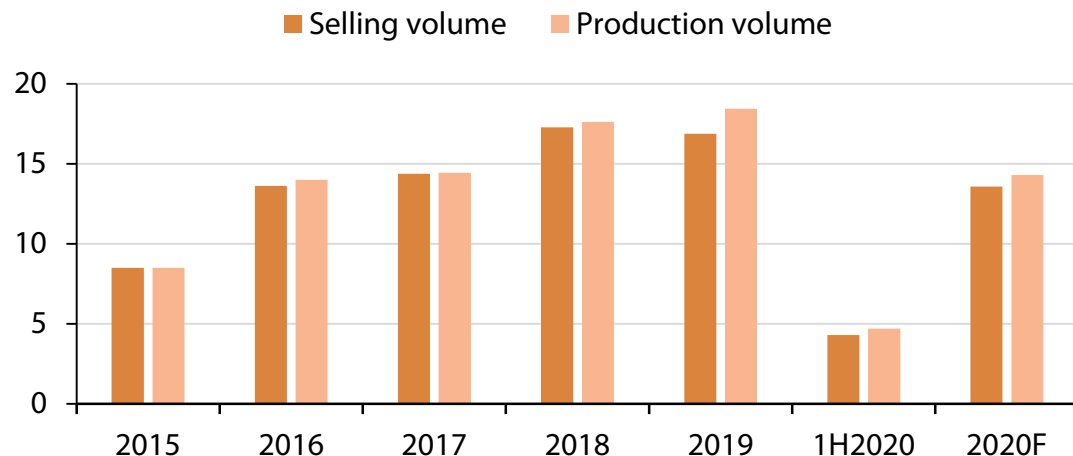
STOCK INFO

Sector	Industrials
Market Cap (\$ mn)	31
Current Shares O/S (mn shares)	37
3M Avg. Volume (K)	290
3M Avg. Trading Value (VND Bn)	0.2
Remaining foreign room (%)	88.3
52-week range ('000 VND)	14.4-24.3

FORECAST	2018A	2019A	2020F	2021F
Revenue (VND bn)	1,451	1,464	1,075	1,434
Growth (%)	22.8	0.9	-26.6	33.4
NPATMI (VND bn)	162	167	93	142
Growth (%)	-6.8	3.1	-44.3	52.7
ROA (%)	12.6	13.0	7.1	10.4
ROE (%)	27.6	25.9	12.8	18.6
EPS (VND)	4,194	4,539	2,474	3,878
Book Value (VND)	17,127	19,052	19,733	20,823
Cash dividend (VND)	2,500	2,500	1,500	2,500
P/E (x) (*)	4.6	4.6	7.9	5.0
P/B (x) (*)	1.1	1.0	1.0	0.9

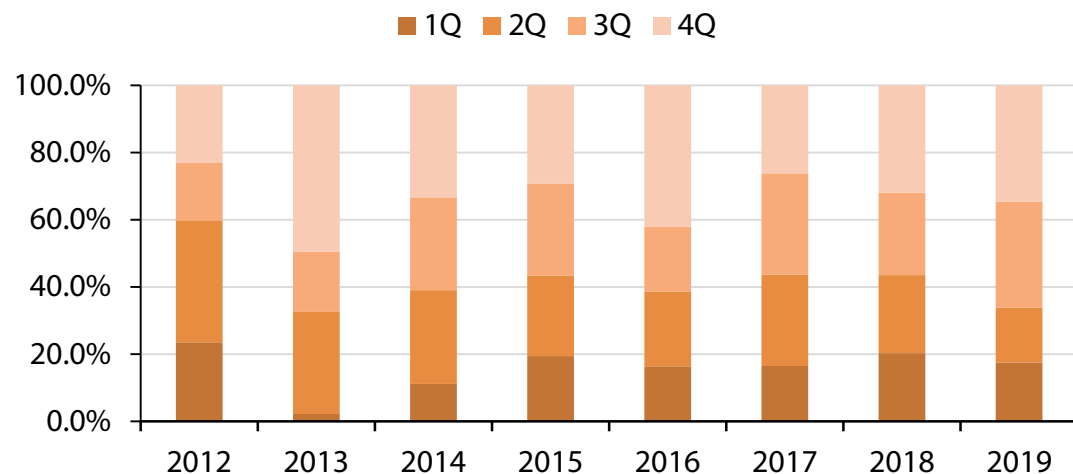
(*) Share price as of Aug 7th, 2020.

Figure 1: Production and consumption volume (million m2)



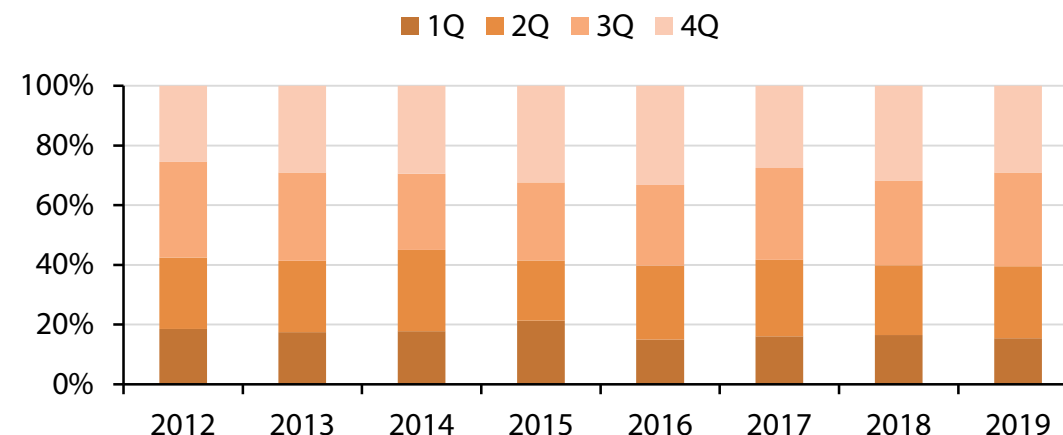
Source: CVT, RongViet Securities

Figure 3: Second half contributes around 60% of yearly PBT



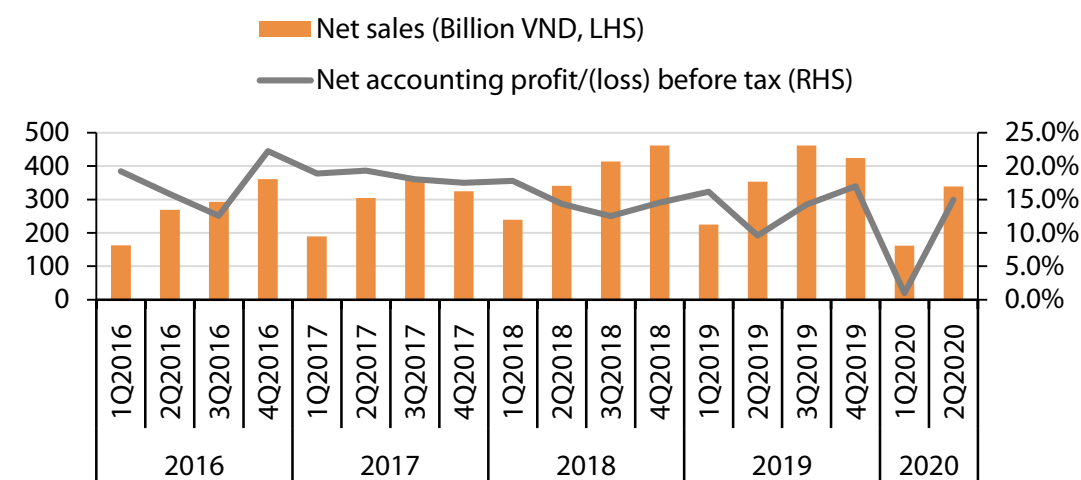
Source: CVT, RongViet Securities

Figure 2: Second half contributes around 60% of yearly net sales



Source: CVT, RongViet Securities

Figure 4: Net sales and PBT is expected to improve in 2H2020



Source: CVT, RongViet Securities

Lam Nguyen

Head of Research

P. + 84 28 6299 2006 (Ext: 1313)

E. lam.ntp@vdsc.com.vn

Van Pham

Manager of Institutional Sales

P. + 84 8 6299 2006 (Ext: 1249)

E. van.pc@vdsc.com.vn

Viet Dragon Securities Corporation

Viet Dragon Tower, 141 Nguyen Du Street.,

Dist.1, HCMC, Vietnam

www.vdsc.com.vn