RONG VIET SECURITIES

A First Look at 2018

December 2017

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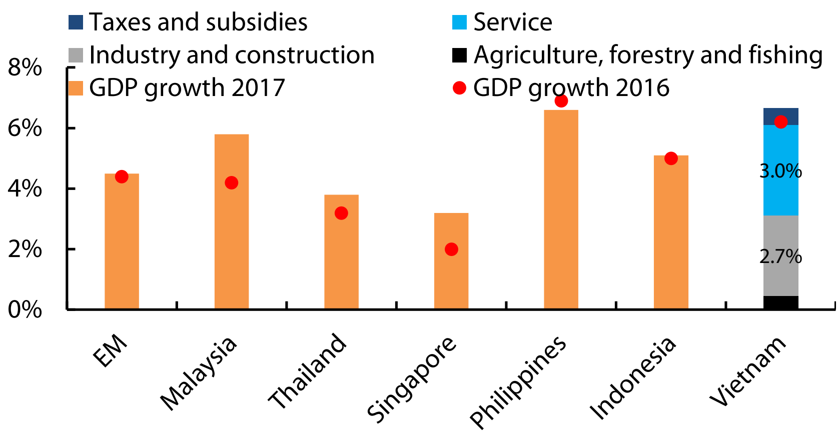
REPORT CONTENT

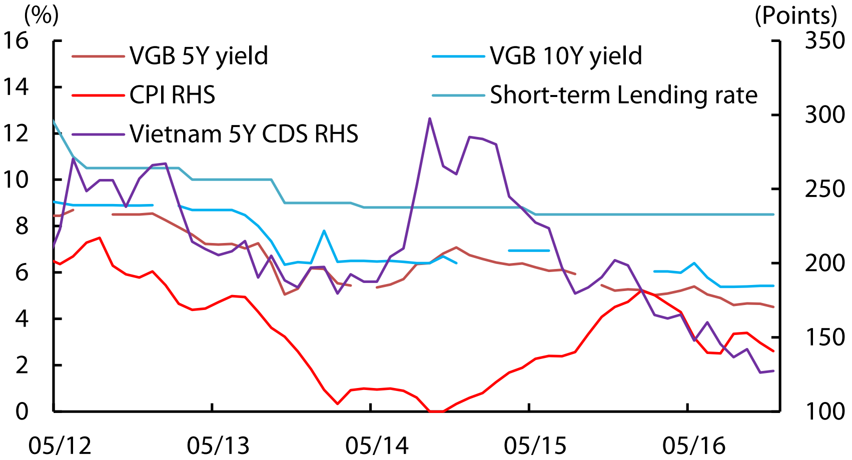
MACRO ECONOMICS

2017: Impressive Performance

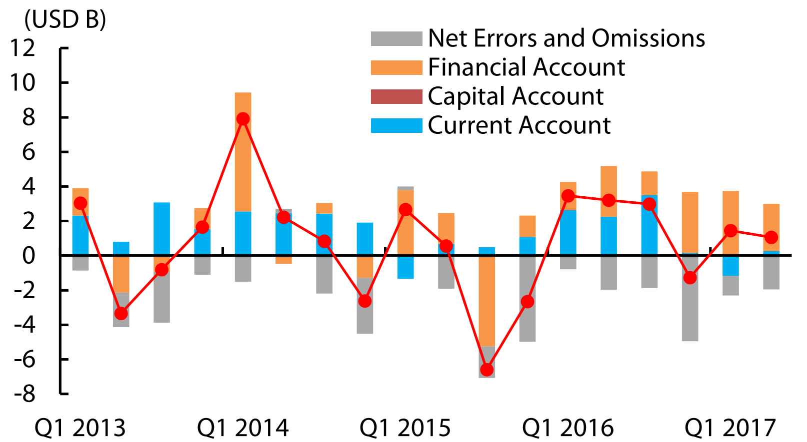
Vietnam's GDP growth was at the top of Asia



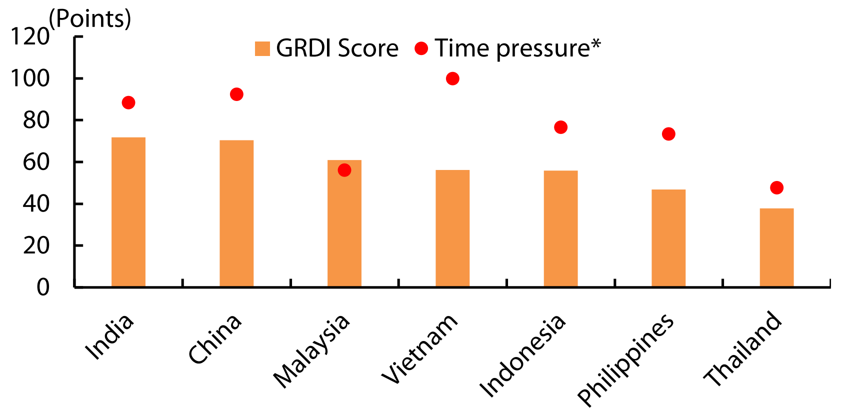
Interest rate's gradual drop and a newly low platform



Foreign capital still flowed into Vietnam



Vietnam's retail market: sweet fruit



Source: Bloomberg, A.T. Kearney, RongViet Research

Note: 1) High time pressure means it is urgent to enter the country and capture the growth opportunity
2) Vietnam's lower 5Y CDS illustrates a sorter mid-term risk

2018 economic outlook: Identifying the prospects

2018 business environment:

- According to RongViet Research's forecast, the 2018 economic growth will reach 6.70% YoY (basic scenario) and 7.0% YoY (positive scenario), thanks to 2 drivers, including consumption and investment
- Interest rate burden put on prioritized sectors is likely to decline in the context of VGBs' low yield
- SBV stands keeps loosening monetary policy which is expected to ease negative effects on domestic commodity prices
- Basic commodity prices will rally gradually
- FX risk is low in H1 2018

Hope for turning points:

- Investment opportunities stemming from the state divestment plan in the hope of higher business efficiency of divested companies
- Strengthening of public revenue via consumption tax's hikes
- Identifying long-term momentum of the economy, including 3 SEZs named Van Don, North Van Phong, and Phu Quoc
- Completely reducing 1/3–1/2 of business registration documents
- Renegotiating lots of trading agreements, such as CPTPP, RCEP, and EVFTA

2018 themes:

Theme 1 : 2018 – switching points of state divestment plan

Theme 2 : Restructuring public revenue

Theme 3 : Consumer financing – opening a door for credit growth

Theme 4 : SEZs – hope for new momentum?

2018 Forecast

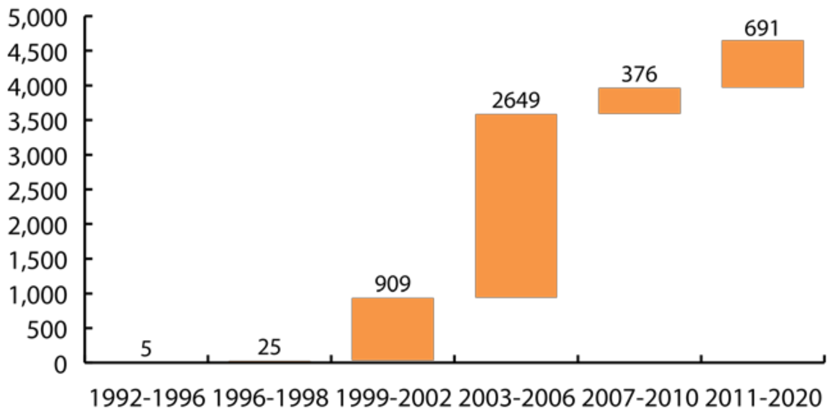
	2015	2016	2017E	2018F
GDP growth	6.68%	6.21%	6.65%	6.7%-7.0%
Trade balance (USD B)	-4.1	+1.78	+2.0	+1.8
Export growth	7.9%	9.0%	18.9%	13.8%
Import growth	12.0%	5.6%	19.2%	14.0%
Inflation	0.6%	2.66%	3.62%	3.71%
Refinancing interest rates	6.5%	6.50%	6.25%	6.25%
M2 growth	14.5%	18.4%	17.5%	17.0%
Credit growth	17.3%	18.2%	19.0%	18.0%
Public deficit	4.6%	3.64%	3.5%	3.7%
Trading USD/VND rate	22,485	22,761	22,715	23,014

Source: RongViet Research

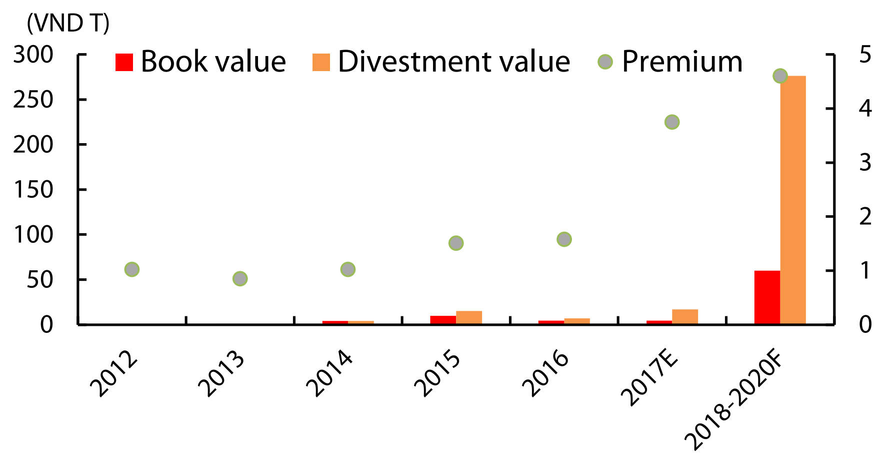
Theme 1: 2018 – Switching point for state divestment plan

An engine behind significant state divestment effort

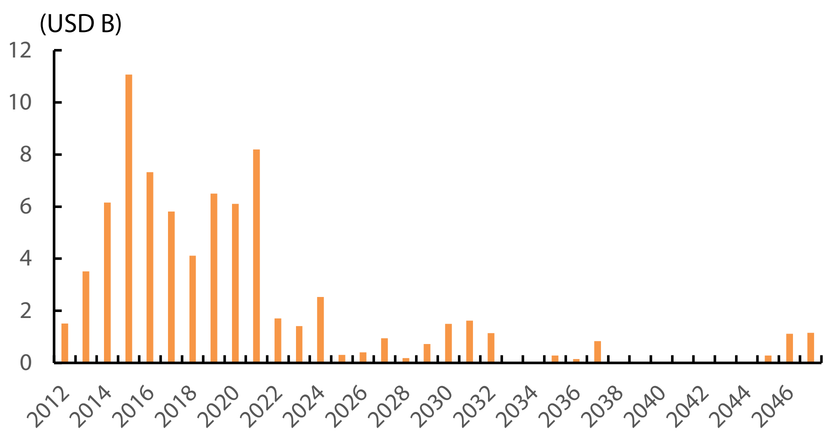
Completing most of the equitization plan



Slow state divestment



~60% of domestic-denominated bond dues in 2018-2021



Comments:

- There will be 89 SOE equitization in 2018-2020. After 30 years, Vietnam expectedly completes the equitization plan on 4,655 state-owned companies
- However, state ownership ratio remains high due to extremely low state divestment
- 2018 is willing to be a switching point of state divestment plan as there are 181 companies, 70% of a 3-year plan in 2018-2020

Note: 2017's divestment value excludes Sabeco's USD4.8B value deal

Source: GSO, HNX, Fin Pro, RongViet Research

Theme 1: 2018 – Switching point for state divestment plan

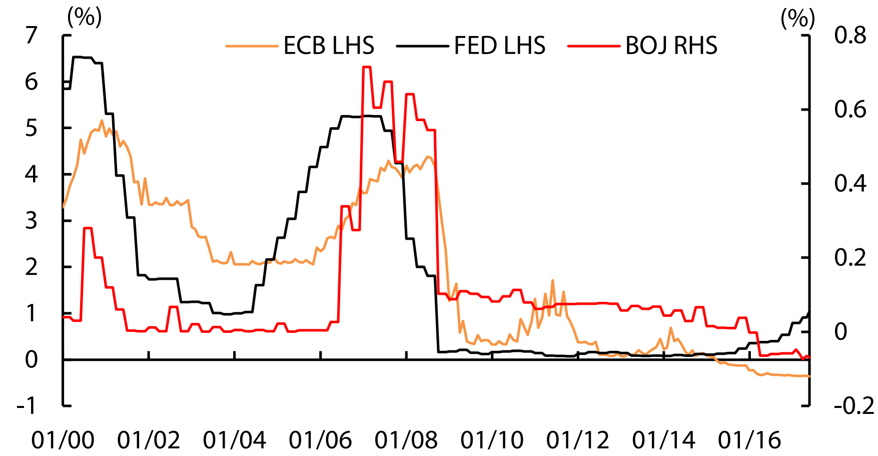
Encouraging environment and the government's action

The government removes administrative obstacles

Regarding SOE equitization, Decree No.126/2017/ND-CP:

- Supporting potentially strategic investors as the non-transferable time will be cut down to 3 years from 5 years
- Pushing listing/registering after equitization
- Diversifying valuation methods by adding book building method
- Land ownership right's revaluation is based on market value
- Guidelines of calculating goodwill value

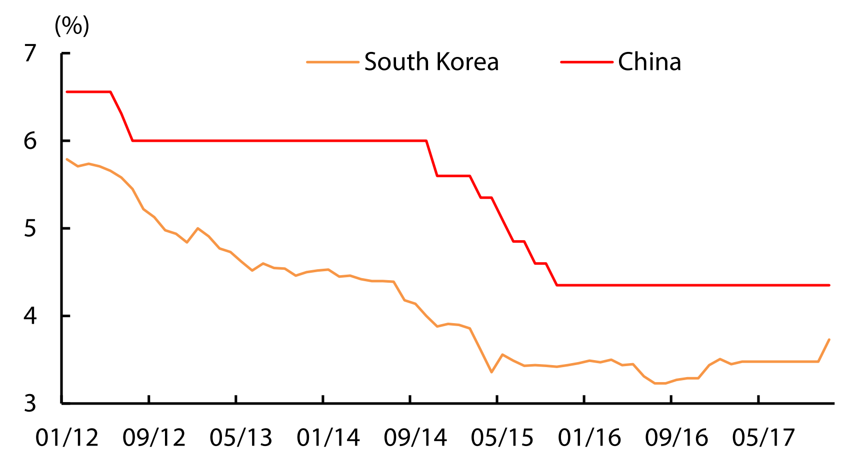
Tightening cycle is at the beginning



Regarding the state divestment, draft decree amending and supplementing some articles of Government's Decree No 91/2015/NĐ-CP:

- Rebuilding a 2-step divestment process, consisting of public offering auction and put-through transactions, of which, public offering auction includes normal auction and large-size auction
- Legalizing unregistered state ownership public offering auction
- Accepting a lower divestment value compared with its book value

Interest rates of South Korea and China

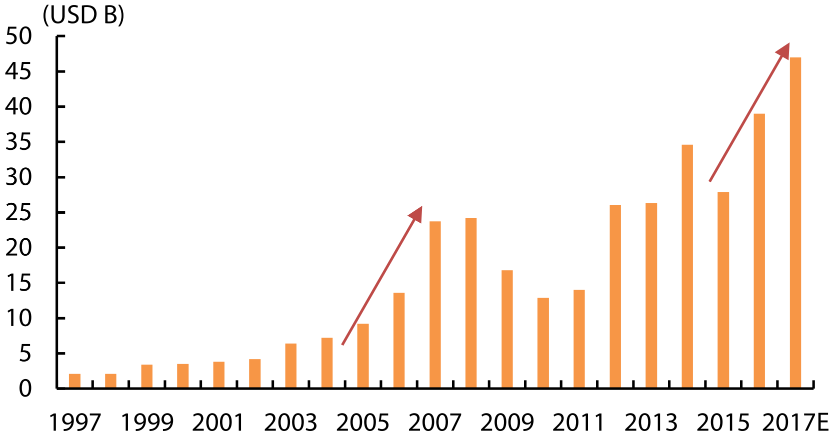


Source: Bloomberg, HNX, RongViet Research

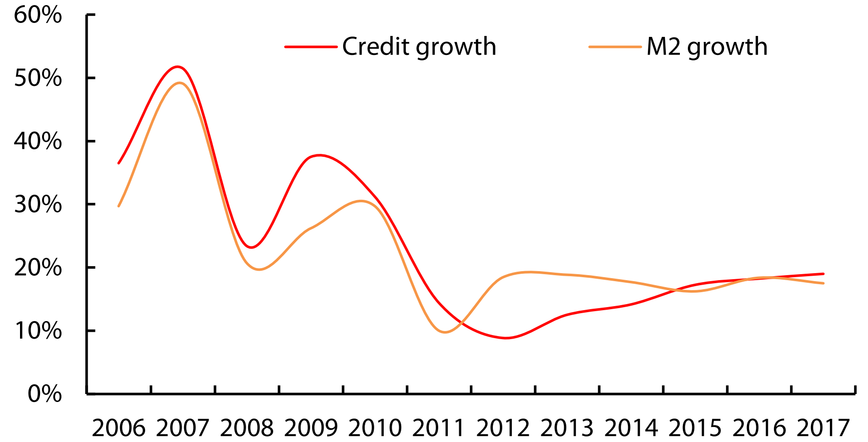
Theme 1: 2018 – Switching point for state divestment plan

SBV policies to adapt to a new environment

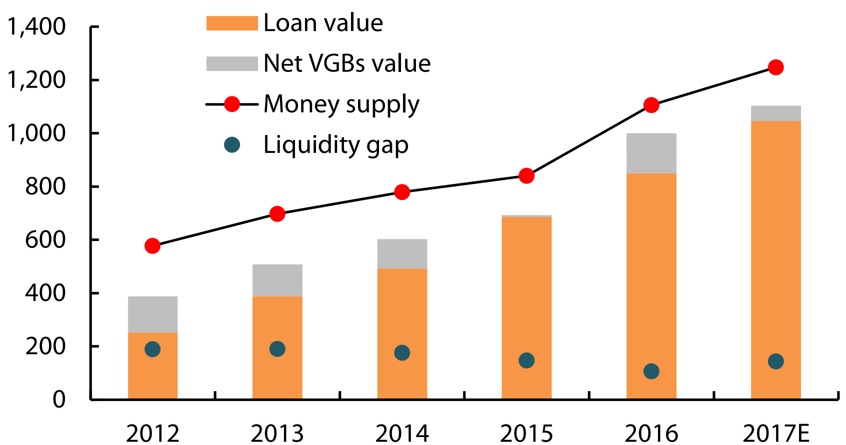
FX reserve: Will the 10-year-ago event recur?



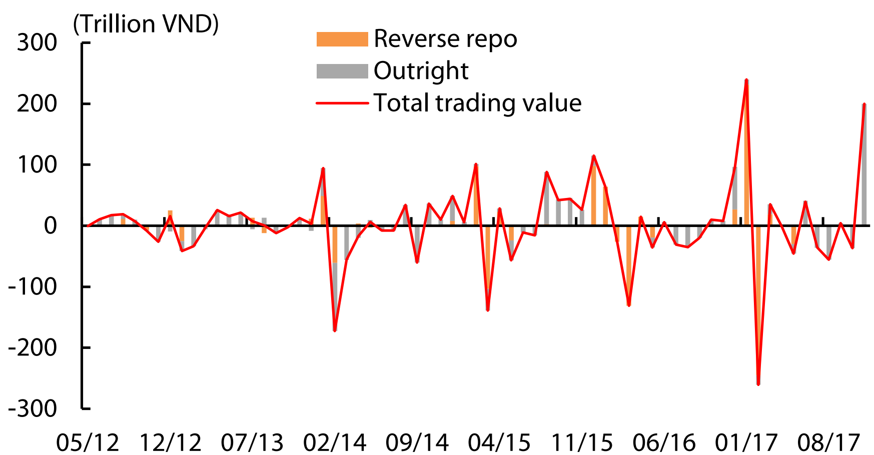
Considerate M2 growth



Controlling floating money



Adjusting short-term money via OMO channels



Source: Bloomberg, HNX, RongViet Research

Theme 1: 2018 – Switching point of state divestment plan

IPO – State divestment in 2018

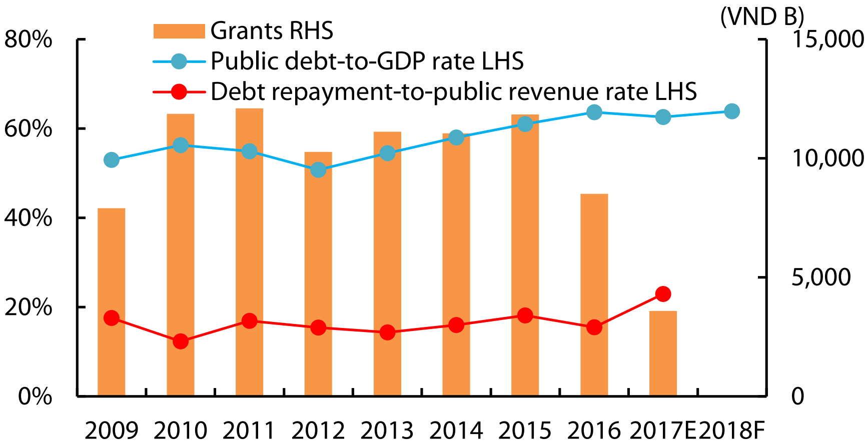
IPO	Natural Rubber	Oil&Gas	Utility	Industry
Agriculture	Oil&Gas	Utility	Cement	
State Divestment	Aviation	Pharmacy	Textile	Construction material

Source: RongViet Research compiles

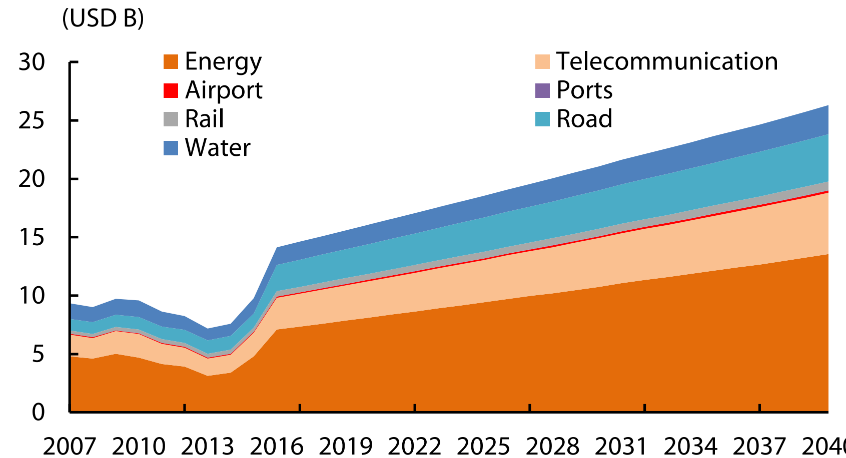
Theme 2: Restructuring public revenue

Fiscal "wheel" wears out

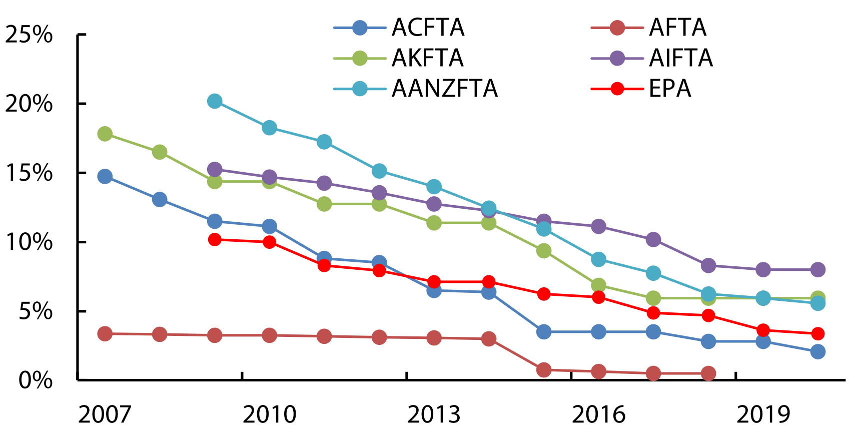
Public debt-to-GDP rate close to the roof of 65%



40% gap of capital for infrastructure investment



A massive loss caused by lower export-import taxes



Comments:

- Restructuring public budget plays an important role
- Significant revenue like export-import tax, grants and priority loans will drop, resulting in changes in revenue structure
- Lack of infrastructure investment calls for private sectors' participation

Source: Bloomberg, RongViet Research

Theme 2: Restructuring public revenue

Public budget structure

Public revenue structure

(1) Income and consumption taxes account for the biggest percentage of total revenue, 26.3% and 37.4%, respectively

(2) Fees, charges and non-tax surges 20.6% YoY, accounting for 17% of total revenue

(3) Environmental protection tax grows at an annual 22 pace on average and accounts for 3.9% of total revenue

(4) Revenue from Lottery was added

Public expense structure*

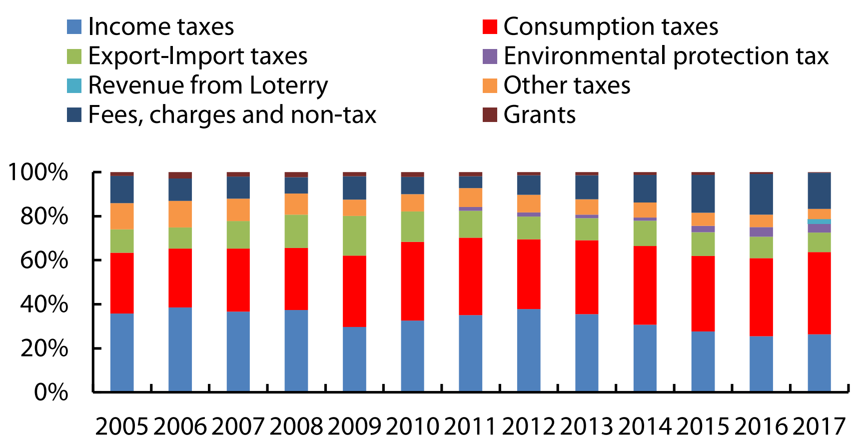
(1) Regular expenditures climb 13,1% YoY in 10 years and accounts for 74% of total expense

(2) Investment expenditures increase only 8,7% YoY and its percentage drops to 26% of total expense

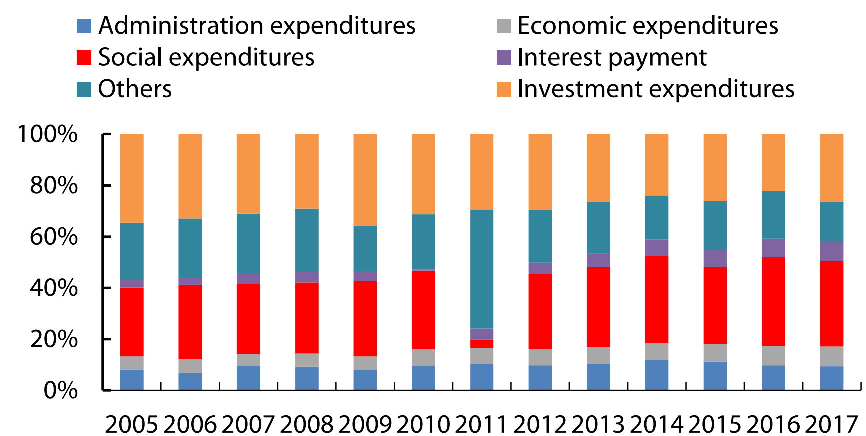
(3) According to the financial restructure plan, the government prioritizes debt repayment in 2016-2020

* Note: Public expenditures exclude principal repayment

Public revenue structure



Public expense structure



Source: MOF, RongViet Research

Theme 2: Restructuring public revenue

Tax reform

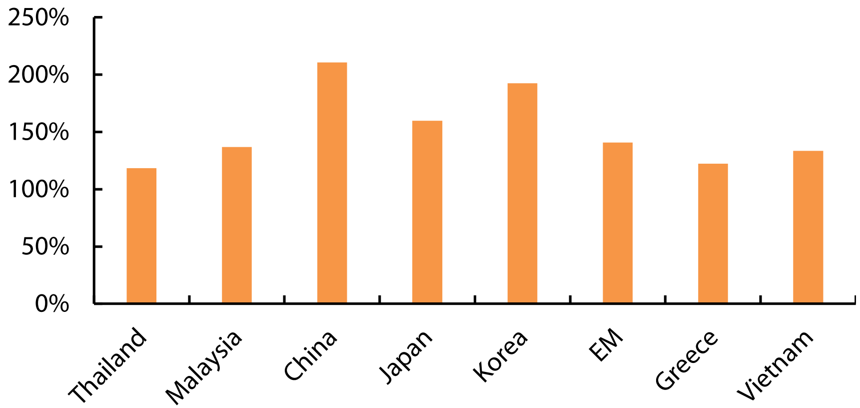
Type	Impact
Value-Added Tax (VAT)	1) The MoF estimates the VAT increase could add 0.06-0.39% to CPI 2) RongViet Research estimates budget revenue could be added by VND70,000 billion-VND90,000 billion 3) Vietnam's shadow economy, equivalent to 15.1% of GDP, may increase 4) Strongly impacted sectors: Consumer; Real Estate; Agriculture
Special Sale Tax	1) Special Sales Tax contributes to 7-8% of total budget revenue. The increase of SST for soft drinks and cigarettes could boost budget revenue in the medium term 2) Allow domestic car manufacturers to better compete with imported cars
Corporate Income Tax	1) SMEs make up 95% of all companies operating in Vietnam. Therefore, tax reduction will enhance such businesses 2) CIT from SMEs contributes less than 1% to total budget revenue. So we think the tax cuts will impact insignificantly to budget revenue 3) Limit corporate leverage, especially state-owned corporation 4) Weakening the momentum of price transferring
Personal Income Tax	1) Supporting medium-income class 2) Encouraging employees in the prioritized sectors 3) Rising public revenue via tax burden put on lottery income

Source: MOF, RongViet Research

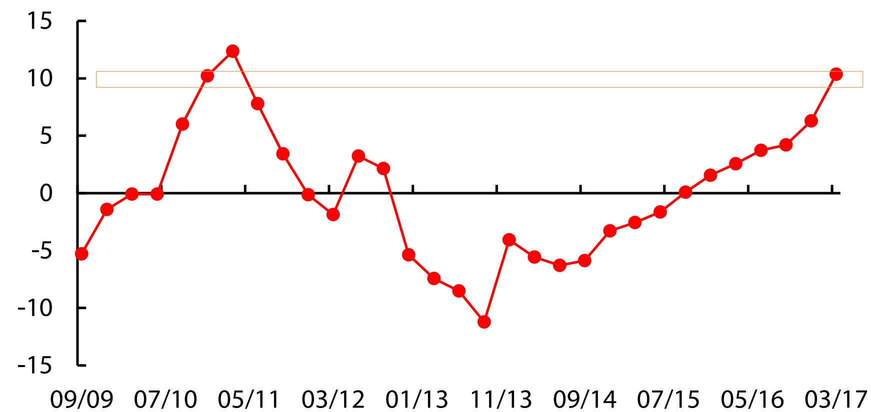
Theme 3: Consumer financing – opening a door for credit growth

Expansion of household debt

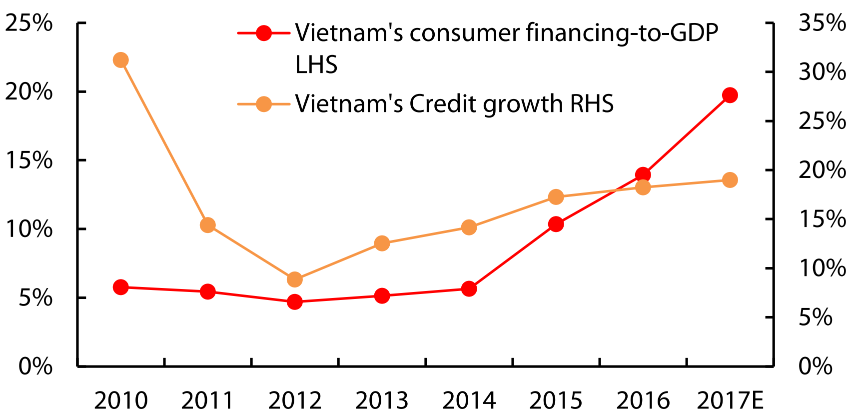
Total credit to non-financial sector (% of GDP)



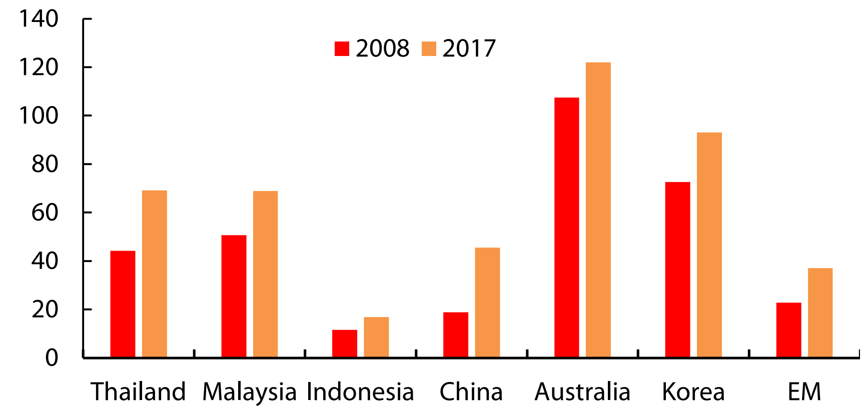
Credit-to-GDP gap*



Big gap for consumer financing development



Global trend related to household debts



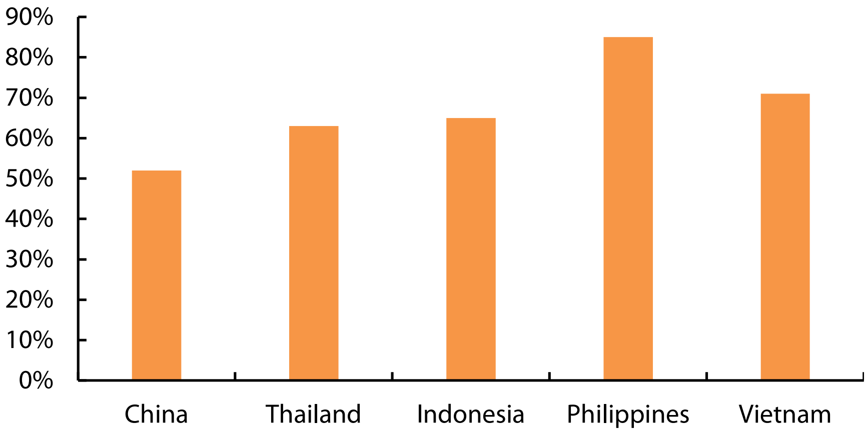
Source: Bloomberg, NFSC, RongViet Research

Note: Over 10% credit-to-GDP gap warns of financial crisis in next 3 years

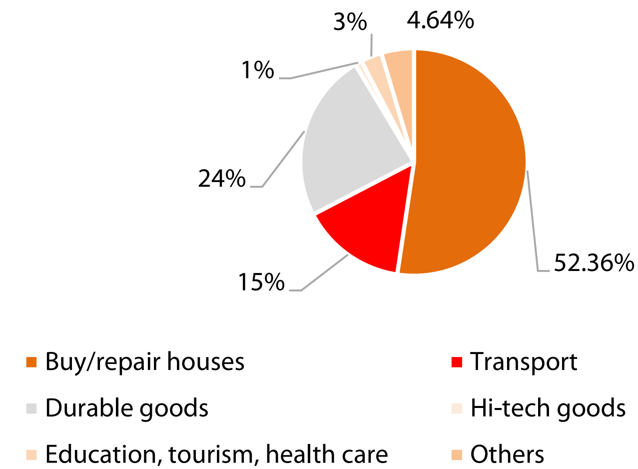
Theme 3: Consumer financing – opening a door for credit growth

Spread-out effects on the economy

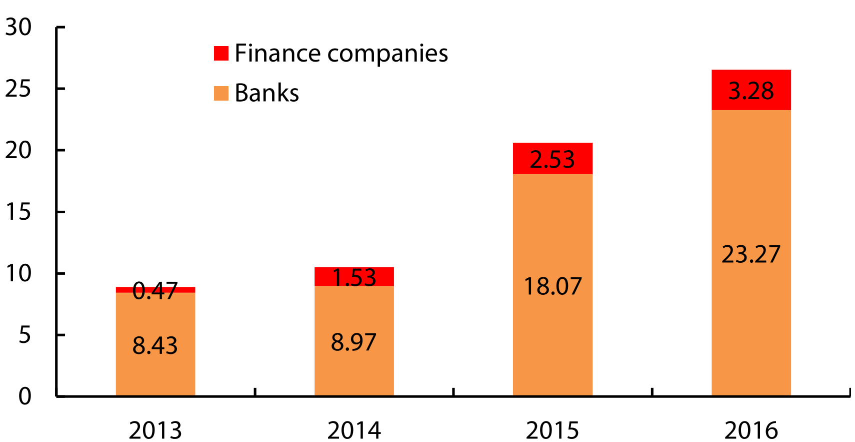
Consumption contribution to GDP



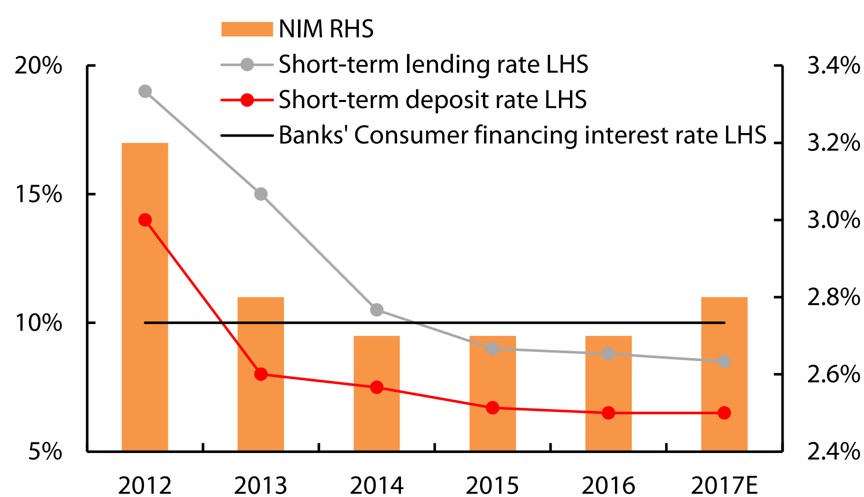
Consumer financing structure



Banks take the driving role



Low net-interest margin

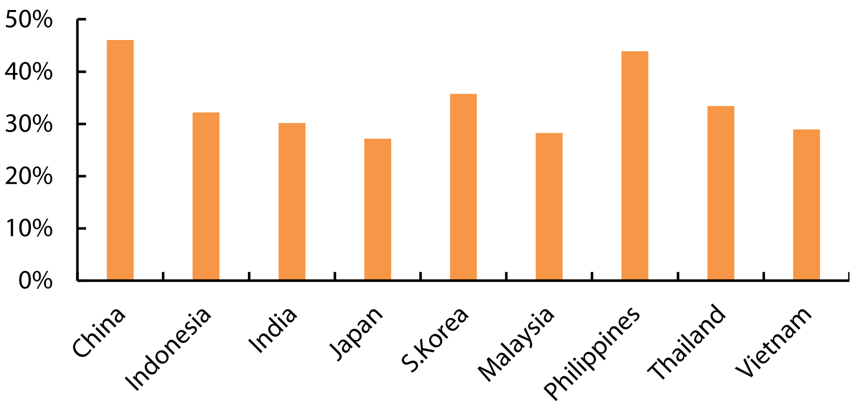


Source: Bloomberg, NFSC, RongViet Research

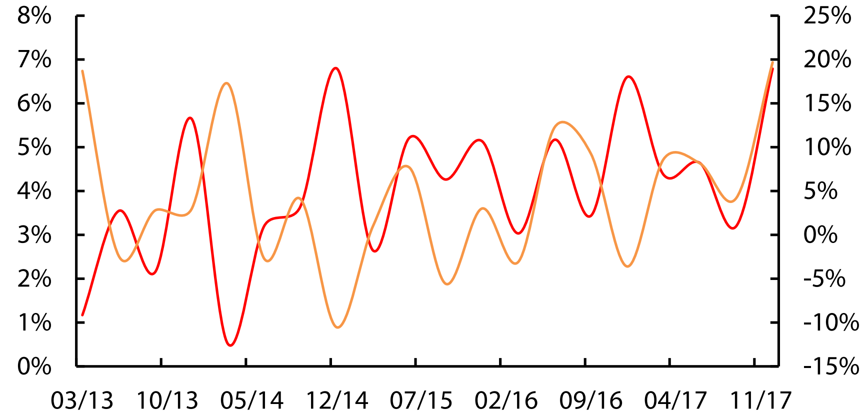
Theme 3: Consumer financing – opening a door for credit growth

Potential risks from surging consumer financing growth

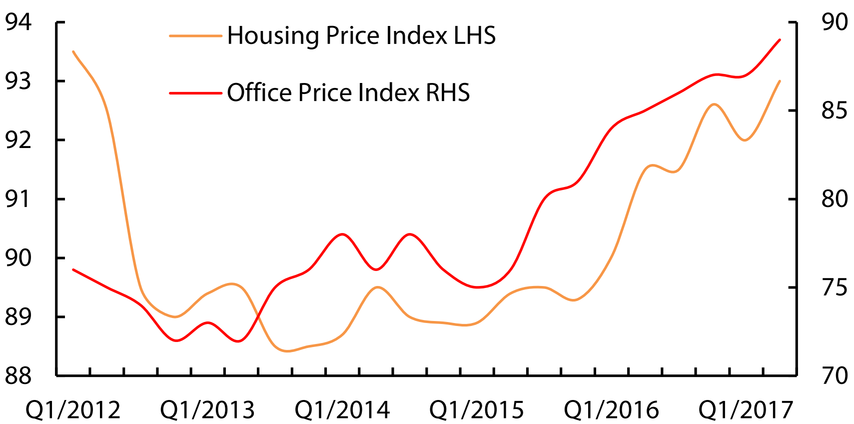
Saving/GDP rates of Asian nations



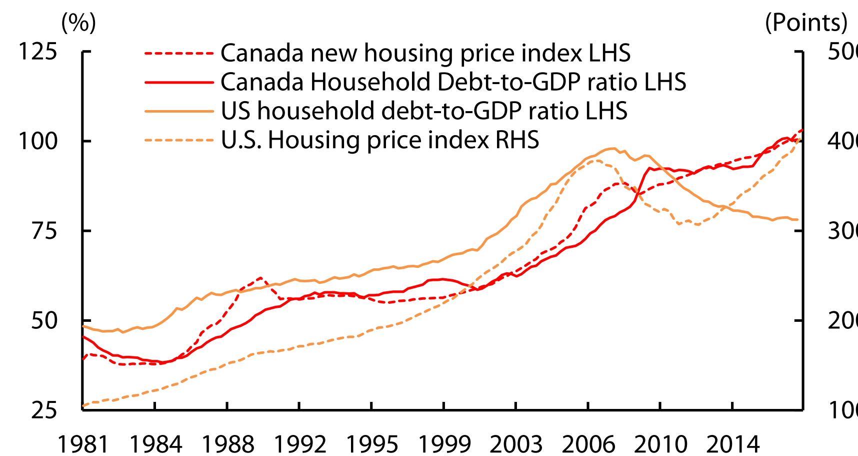
Stock market movement



Real estate prices climb in Ho Chi Minh city



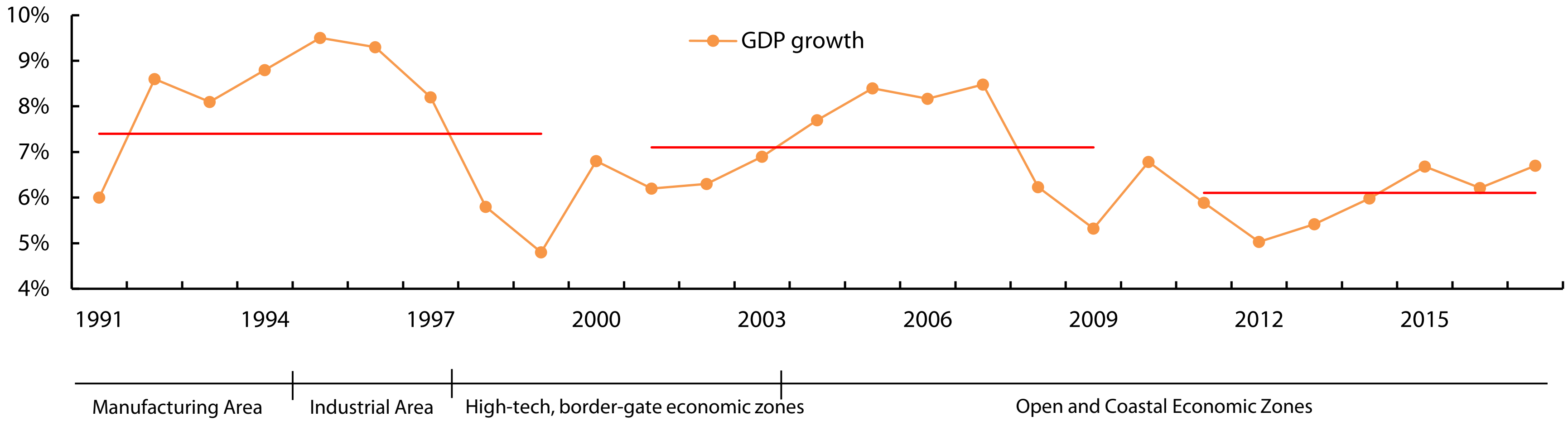
Lesson from other countries



Source: Bloomberg, Savills, RongViet Research

Theme 4: SEZs – hope for a new momentum?

The economy's momentum is weakening



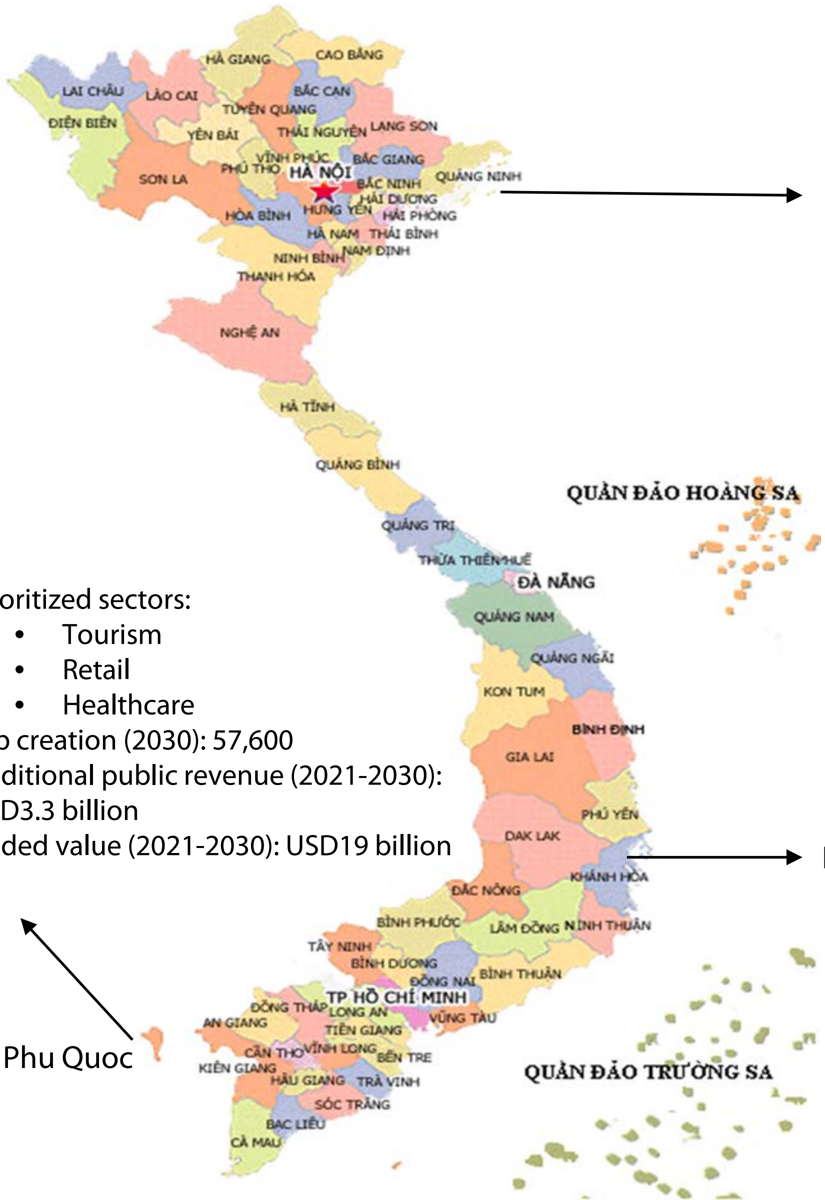
Lessons from other countries

Contents	China	India
Results	SEZs account for 22% of China's GDP growth, creating 30 million jobs; taking 45% of FDI	Upto 2014, only 164/564 SEZs are alive
Size	Very big. Typically in hundreds of hectares	Over 10 hectares
Position	Well thought out and located only on coasts to facilitate exports and imports easily.	Anywhere. No restriction
Number	Only 6 SEZs: Shenzhen, Zhuhai, Shantou, Xiamen, Hainan and Pudong	Any number
Policy regime	Experimentation of liberal policies in the specified areas	Based on fiscal sops.
Labor law	Relaxed in the SEZs	Flexibility is totally absent
Investors	Basically foreigners who are wooed with sops and promises of stability in policy	Basically local not foreign investor driven; which should have been the case.

Source: GSO, RongViet Research

Theme 4: SEZs – hope for a new momentum?

SEZs' Impact



Van Don

1) Prioritized sectors:
   - Hi-tech projects
   - Supporting industry
   - Tourism
   - Logistics
2) Job creation (2030): 132,000
3) Additional public revenue (2021-2030): USD4 billion
4) Added value (2021-2030): USD9.7 billion

Phu Quoc

1) Prioritized sectors:
   - Tourism
   - Retail
   - Healthcare
2) Job creation (2030): 57,600
3) Additional public revenue (2021-2030): USD3.3 billion
4) Added value (2021-2030): USD19 billion

North Van Phong

1) Prioritized sectors:
   - Information technology
   - Electricity
   - Exact mechanics
   - Ports and logistics
   - Defense
   - Tourism
   - Commerce–finance
2) Job creation (2030): 65,000
3) Additional public revenue (2021-2030): USD2.2 billion
4) Added value (2021-2030): USD10 billion

Theme 4: SEZs – hope for a new momentum?

SEZs development process

Preliminary Period | Stage 1 | Stage 2 | Stage 3
2018 | 2022 | 2026 | 2030

Van Don

Stage 1 (2018–2022):
- Entertainment casino
- Port and airline services
- Shopping center
- Creative technology; entrepreneur center

Stage 2 (2022–2026):
- Seafood processing
- Logistic services
- Education; Health services
- Finance services

Stage 3 (2026–2030):
- Bioengineering
- Green technology
- High technology,…

Preliminary Period:
- Complete legal formalities, planning, arrange management system
- Build main infrastructure

Stage 1–2:
- Complete synchronized substruction and legal system
- Attract investment and main sectors

Stage 3:
- Deep investment to establish international city status
- Create spillover effect

Preliminary Period | Stage 1 | Stage 2
2018 | 2025 | 2030

Bac Van Phong

Stage 1 (2018–2025):
- Build cargo port, international airline port
- Build shopping center – finance
- Build urban area
- Develop model: high-tech area, high-tech center

Stage 2 (2025–2030):
- Transport by international airline; develop port service
- Build finance - banking; attract international funds
- Build yacht port; Education; Health services
- Develop high technology for national defence, new building material technology; biology technology,….

After 2030:
- Develop and optimize port services
- Develop finance forms, securities, venture capital,….
- Develop services, traveling,….
- Develop R&D activities

Preliminary Period:
- Complete legal formalities, planning, arrange management system
- Build main infrastructure

Stage 1–2:
- Complete synchro substruction and legal system
- Attract investment and main sectors

After 2030:
- Create spillover to Kien Giang and national economy
- Expand pilot with opener regulars

Start | Acceleration | Develop and disseminate
2018 | 2021 | 2025

Phu Quoc

Develop main sectors:
- Traveling
- Shopping center and exhibition
- Study and development

Develop momentum sectors:
- Processing
- Communication and logistics
- Universal education and finance services
- Health services,…

Develop other sectors:
- Bio-engineering, green technology
- High-tech appliance center, AI
- Advanced telecommunication services
- Investment funds

List of potential risks

No	Risk	Impact	Level	Probability
1	Unreal bad debts solved	Direct		
2	Delay of IPOs & state divestment	Direct		
3	Negative effects of consumption tax hikes	Direct		
4	Foreign outflow	Direct		
5	Commodity prices	Direct		
6	China's economic policies	Direct		
7	China-US relationship worsens	Indirect		
8	Political risks	Indirect		

Note: Probability-Impact Assessment

Very high	**High**	**Medium**	**Low**	**Very low**

Appendix: Some projects in SEZs

	Name	Sector	Size (VND B)	Investors	Status
Van Don	Van Don International Airport	Infrastructure	7,500	Sun Group	Operation in 2018
	Ha Long - Hai Phong Highway	Infrastructure	13,600	CIENCO 4	Operation in 2018
	Ha Long – Van Don Highway	Infrastructure	13,988	BOT Bien Cuong JSC.	Operation in 2018
	Van Don – Mong Cai Highway	Infrastructure	16,014	N/A	Start in 2017
	Bac Cai Bau seaport	Infrastructure	2,200	MBLand Hoildings	Studying
	Van Don Heritage Road	Tourism	5,000	Van Don Heritage Road JSC.	Studying
	Sonasea Dragon Bay	Tourism	4,950	CEO group	Studying
	Furama Ha Long Viet Nam Resort & Villas	Tourism	1,120	Viglacera corporation	Pending
	Eco-tourism area Ngoc Vung, Van Canh	Tourism	46,000	FLC group	Studying
	Non-tariff, clean industrial zone	Industrial area	31,500	N/A	N/A
Van Phong	Van Phong 1 Thermal Power Project	Energy	58,721	Sumitomo corporation (Japan)	Licensed
	Nam van phong petrochemical refinery complex	Energy	109,248	Petrolimex and Nippon Oil Energy (Japan)	Licensed
Phu Quoc	Phu Quoc International Passenger Port	Infrastructure	1,600	Vingroup	Operation in 2018
	The Phu Quoc Cable Car	Tourism	10,000	Sun Group	Operation in 2018
	Safari Park	Infrastructure	3,150	Vingroup	Pending
	Deep Water Port	Infrastructure	2,000	PVN	Pending
	Sun World Hon Thom Natural Park	Tourism	10,000	Sun Group	Pending
	Expansion of International Airport	Infrastructure	2,000	Airport Corporation of Vietnam	Operation in 2018
	Sonasea Villas & Resort	Tourism	4,500	CEO group	N/A
	Phu Quoc Marina	Tourism	N/A	BIM group	N/A
	Condotel Premier Residences	Tourism	N/A	Sun group	N/A
	The Coast Villas	Tourism	N/A	Nam Land	N/A
	Grand Word	Tourism	7,500	LDG Group	Pending

Source: RongViet Research

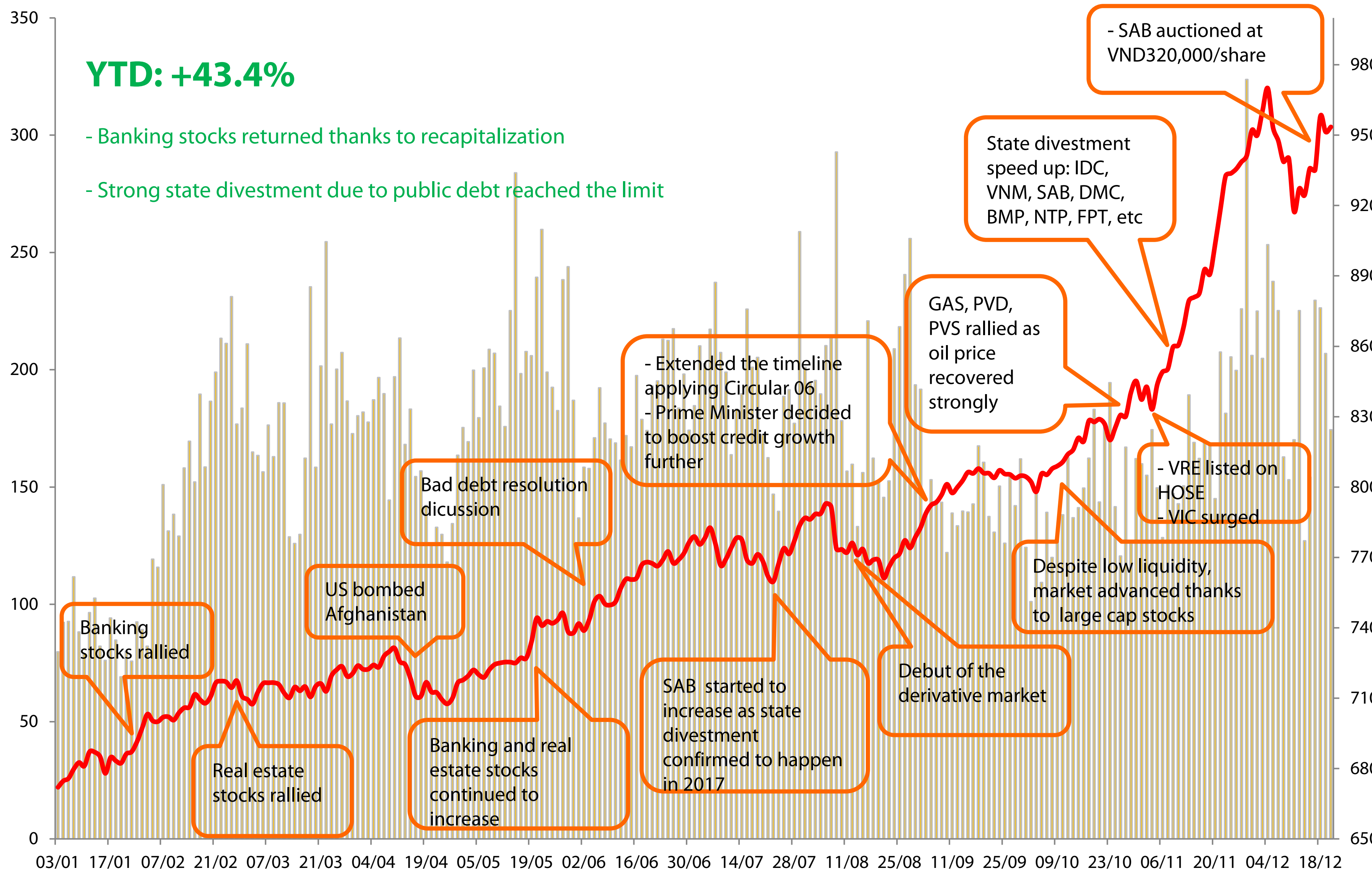
Appendix: Tax reform

Types	Key changes	Impact
Value-Added Tax (VAT)	1) Increase the current standard VAT rate to 12% from 10%. 2) Transfer of land use rights is proposed to be changed from VAT exempt to taxable At the standard VAT rate. 3) Remove the role of subtracting land-use-right transfer price/land rent out of real estate prices used to calculate VAT 4) Transfer of fertilizers, agricultural machines, off-shore fishing boats from VAT exempt to taxable. 5) Threshold for payment by bank for both VAT and CIT purposes is proposed to be reduced from VND20 million to VND10 million 6) The draft law removes a number of goods/services entitled to 5% VAT rate, moving them to the standard tax rate (water, medical and educational equipment used for multiple purposes, sporting and entertaining activities, books)	1) The MOF estimates the VAT increase could add 0.06%-0.39% to CPI. 2) RongViet Research estimates public revenue could be added VND70,000 billion – VND90,000 billion. 3) Vietnam's shadow economy, currently equivalent to 15.1% of GDP, may grow. 4) Significantly under-impacted sectors: Consumer; Real Estate; Agriculture; etc.
Special sale tax (SST)	1) Introduce SST on soft drinks at either 10% or 20% from 01 Jan 2019. 2) Increase taxes for cigarettes and cigars: • Add a fixed SST charge of VND1,000 per pack of 20 cigarettes and VND1,500 per cigar, effective 01 January 2020; or • Increase the SST rate from 75% to 80% on cigarettes from 1 January 2020 and to 85% from 1 January 2021. 3) Amend taxable revenue for automobiles with less than 9 seats manufactured in Vietnam to sales price of manufacturer exclusive of the value of spare parts produced domestically. 4) Hike SST on imported pickup trucks: 60% of the rate on sedans with the same engine capacity.	1) Special Sale Tax contributes to 7-8% of total budget revenue. Such hike could boost budget revenue in the medium term. 2) Allow domestic car manufacturers to better compete with imported cars.
Corporate Income Tax (CIT)	1) CIT burden put on SMEs will be down to 15%-17%. 2) Tax on capital/share transfers by non-residents (CAPT): 1% on sales proceeds as opposed to the current 20% on net gain. 3) Proposal to allow offsetting of gains from real estate transfers against losses from operations. 4) Introduction of thin capitalization rules: no tax deduction for interest where debt to equity ratio exceeds 5:1 for manufacturing companies, 4:1 for other industries and 12:1 for banking.	1) SMEs make up 95% of all companies operating in Vietnam. Therefore, facilitating SMEs groups through tax incentives is one of the ways to upgrade growth driver in Vietnam economy. 2) CIT from SMEs contributes less than 1% to total budget revenue. So, the tax cut will impact insignificantly to budget revenue. 3) Discouraging high corporate leverage, especially state-owned companies. 4) Limiting transfer pricing manipulation.
Personal Income Tax (PIT)	1) Reduce the number of tax brackets from 7 to 5 for employment income for tax residents and broaden the tax base for middle income earners. 2) There is 50% reduction of PIT on employment income of individuals working in IT industry, agriculture, and agricultural product processing projects. 3) PIT on both residents and nonresidents for capital transfer is proposed to be 1% on sales proceeds. 4) Amend the tax rate for income from prizes from flat rate of 10% to progressive rates up to 30%.	1) Supporting mid-class income persons. 2) Encouraging employment in prioritized sectors. 3) Increase budget revenue via increase of tax on prizes.

Source: RongViet Research

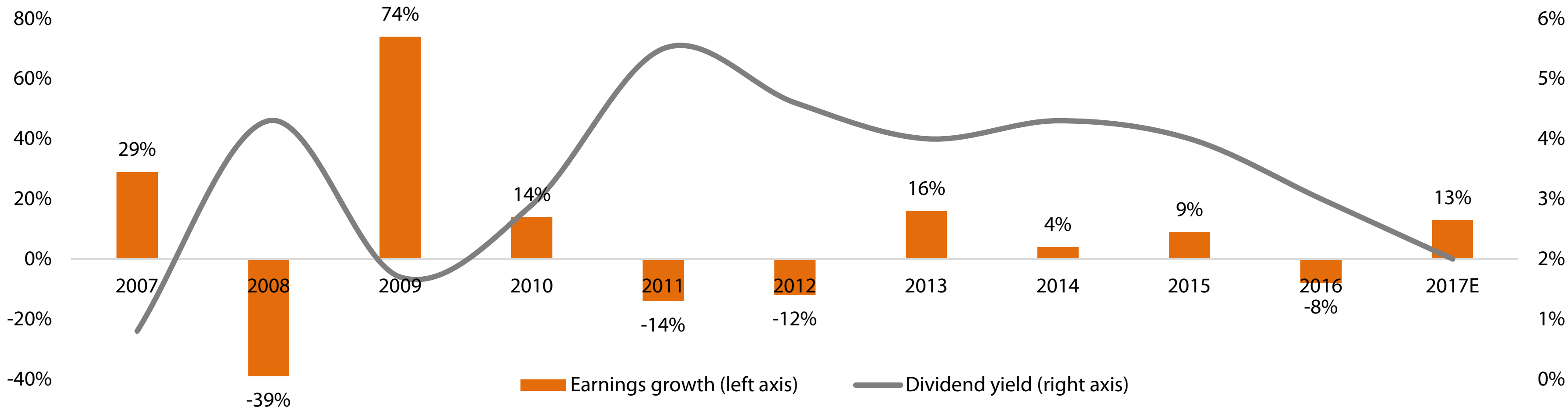
STOCK MARKET OUTLOOKS

Market review: beyond expected

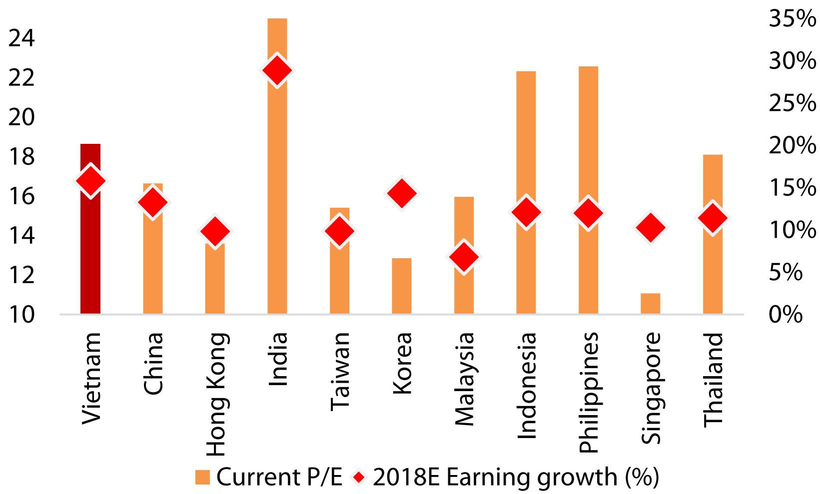


Market review: moderated earnings growth, yet higher P/E

Earnings growth of VNIndex 2007 – 2017

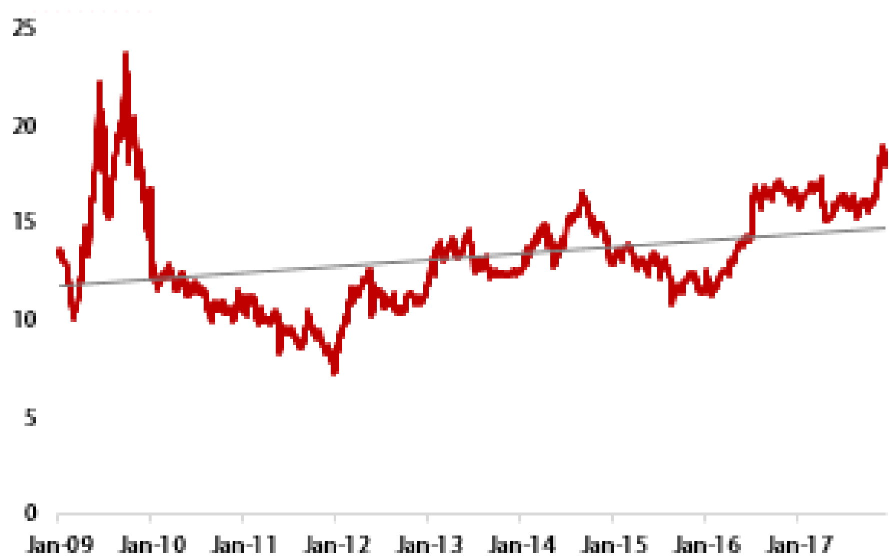


Vietnam stock market relative valuations



Source: Bloomberg, RongvVet Research

Change of market cap over the last 10 years

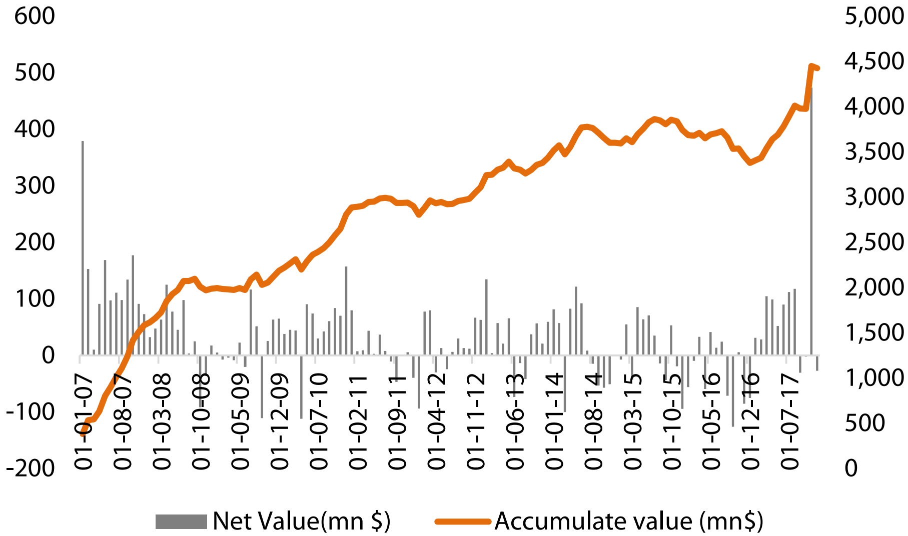


Source: Bloomberg, Rongviet Research

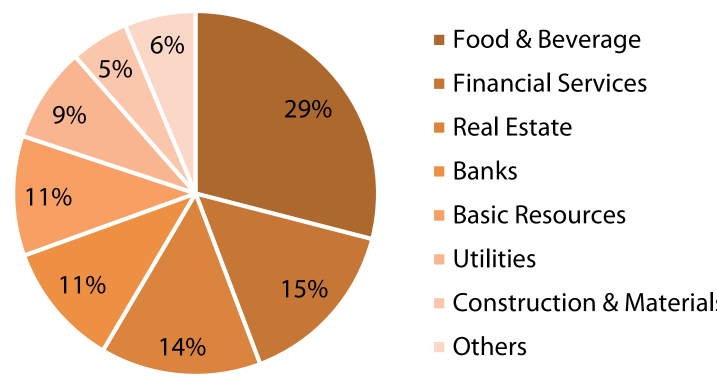
Market review: strong foreign inflows

- 2017 is the most active year of foreign investors
- Net value in 2017: **USD1.07 billion** (VND23,830 billion)
- 10-year accumulated value: USD4.4 billion
- Food & beverage was the most favorite destination of foreign capitals

Foreign investors' accumulated value



Foreign investors' net buying values categorized by sectors

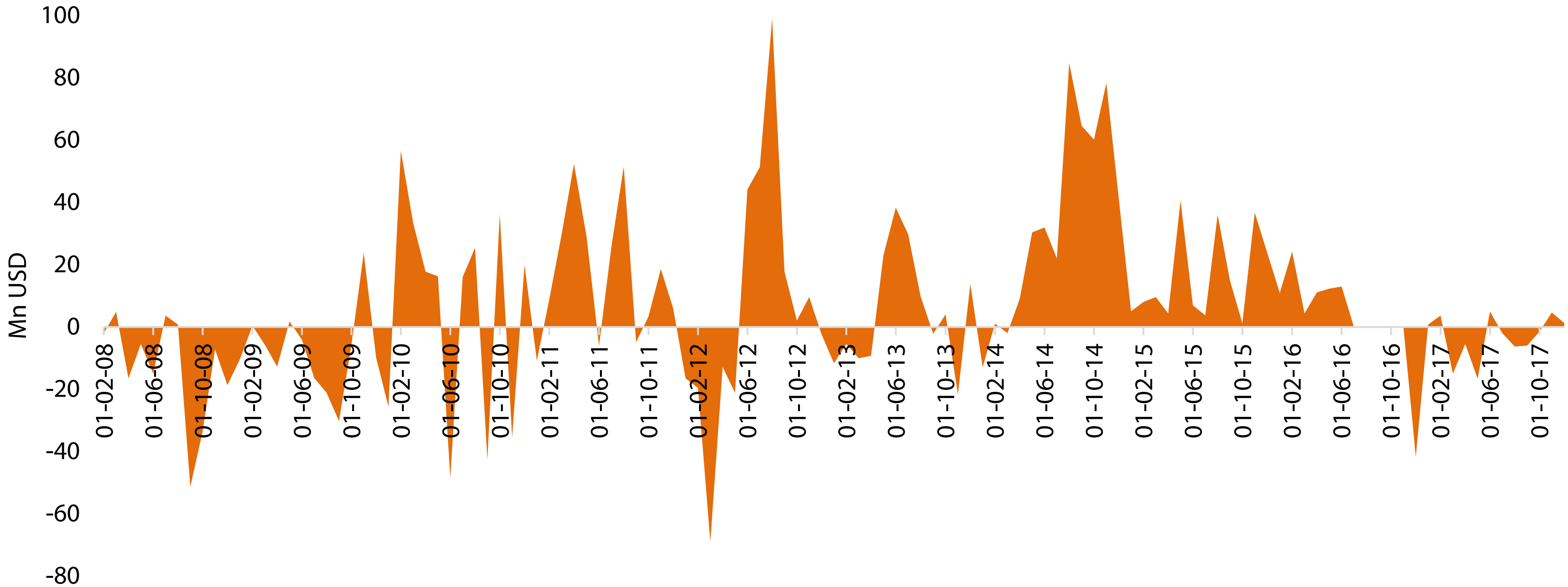


Source: Fiinpro, RongViet Research

Market review: ETFs movement

- Though both foreign ETFs performed quite well in 2017, ETF investors were still net sellers but with smaller amount compared to 2016
- Domestic ETFs gained more than 50% because they bought all shares in VN30 Index and tracked exactly the VN30 Index without constraints on FOL like foreign ETFs are facing

ETFs' net inflows/ outflows since inception

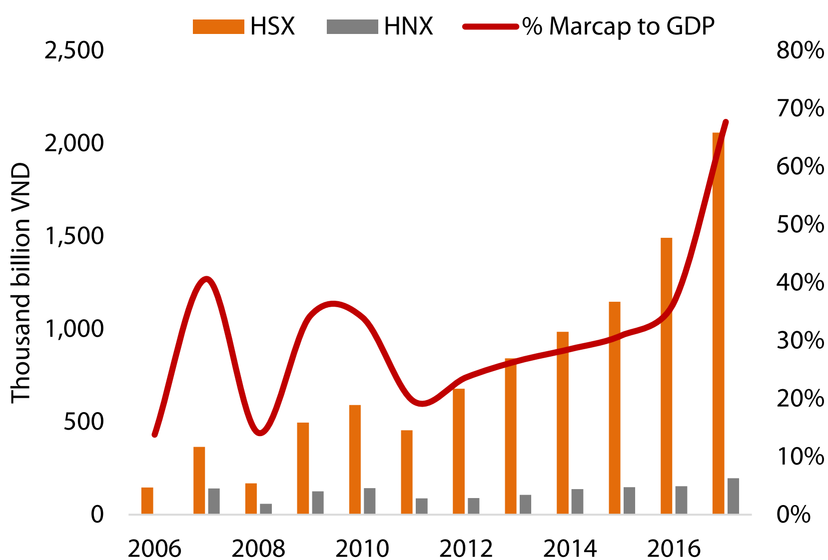


Source: Fiinpro, RongViet Research

Market review: Liquidity surged

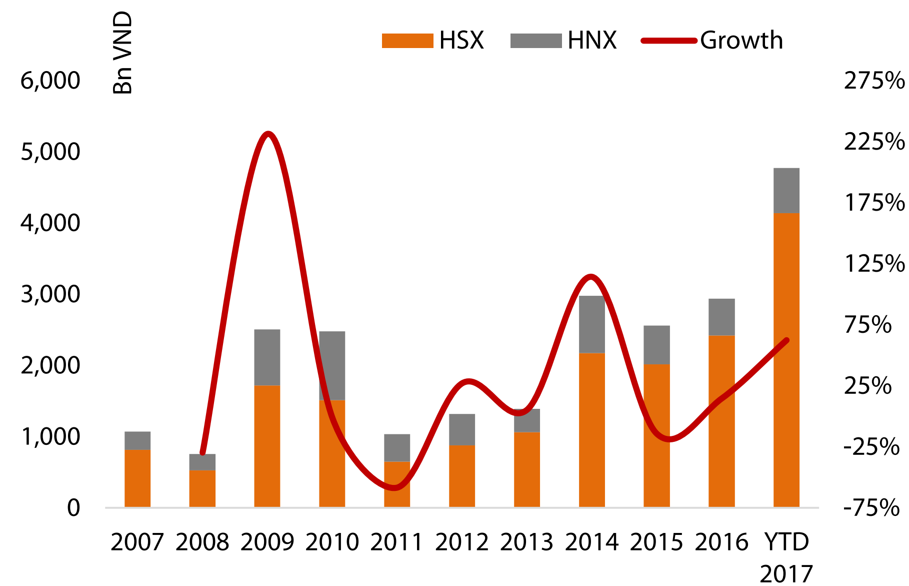
- Market cap has increased gradually and surged to 68% GDP in 2017 thanks to large cap stocks listed
- Average daily turnover in 2017 increased **~63%** compared to that of 2016
- Margin lending has been increasing continuously since 2016, which is a factor that helps boost the liquidity on the market

Change of market cap over the last 10 years



Source: Bloomberg, RongViet Research

Change of turnover over the last 10 years



Source: Bloomberg, Rongviet Research

Outlook: The tide is high…

- More listed firms, more "float" thanks to regulations supporting IPO, state divestment, new listing shares

No.	Ticker	Company	Market cap (Trillion VND)	No.	Ticker	Company	Market cap (Trillion VND)
1	VNM	Vinamilk	293.2	21	NVL	Novaland	38.3
2	VIC	VinGroup	193.9	22	ACB	Asia Commercial Bank	34.3
3	VCB	Vietcombank	176.3	23	VRG	Vietnam Rubber Group	34.0
4	GAS	PetroVietnam Gas	176.2	24	PVPower	PetroVietnam Power Corporation	33.7
5	SAB	SABECO	171.5	25	FPT	FPT Corp	29.9
6	VRE	Vincom Retail	87.1	26	BHN	HABECO	29.5
7	BID	BIDV	83.8	27	HDBANK	HD Bank	25.9
8	CTG	VietinBank	83.6	28	STB	Sacombank	22.6
9	PLX	Petrolimex	81.1	29	VCS	VICOSTONE	19.6
10	MSN	Masan Group	79.7	30	CTD	COTECCONS construction	16.7
11	ROS	FLC FAROS Construction	79.2	31	EIB	Eximbank	15.2
12	THA	Truong Hai Auto Corporation	70.5	32	DHG	Hau Giang Pharmaceutical	14.9
13	HPG	Hoa Phat Group	66.7	33	TPBANK	Tien Phong Bank	14.3
14	VJC	Vietjet Air	64.4	34	PNJ	Phu Nhuan Jewelry	14.2
15	VPB	VPBank	60.4	35	PVOil	PetroVietnam Oil Corporation	13.9
16	TCB	TechcomBank	51.0	36	SSI	SaiGon Securities Inc.	13.7
17	BSR	Binh Son Refining and Petrochemical	45.3	37	REE	Refrigeration Electrical Engineering	13.2
18	MBB	MBBank	45.2	38	GMD	Gemadept	11.6
19	MWG	Mobile World Investment	40.9	39	SBT	Bourbon Tay Ninh	11.5
20	BVH	Bao Viet Group	40.7	40	VGC	Viglacera Corporation	11.2

Source: Various sources and media news

Outlook: The tide is high…

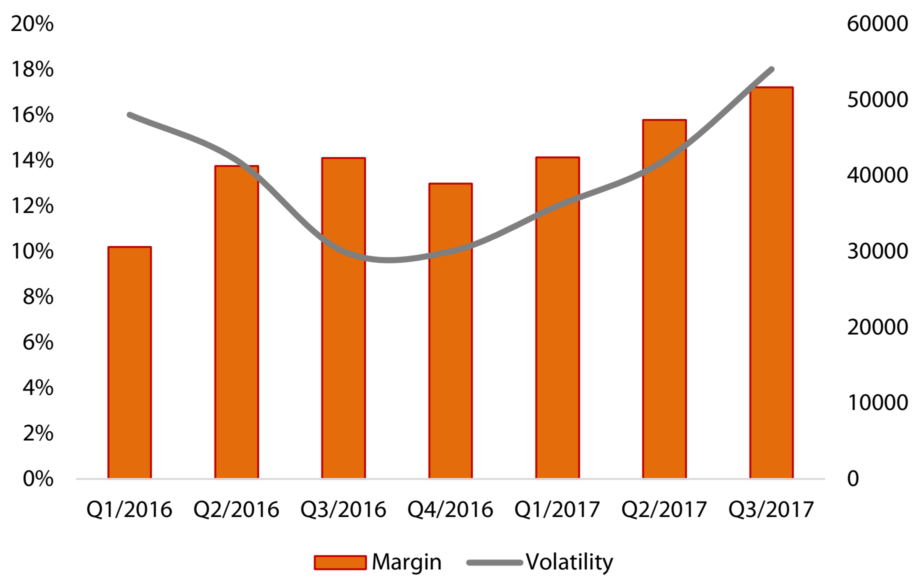
- **Market liquidity can increase** thanks to: (1) more “supply” and “demand”, (2) monetary easing, (3) more product like covered warrant and trading mechanism such as T+0. The average trading value per session can be around VND5,000 billion to VND6,000 billion
- **Earnings growth is still positive.** Here are some assumptions of the estimate:
  - Estimation based on 50 largest stocks representing 87% market cap of the VNIndex
  - VNM +13%, VIC +83%, VCB +34%, VRE +43%, MSN +45%, MWG +27% etc
  - Possible dilution of banking stocks
- Market valuation is acceptable

Normal case	**Getting into msci’s shortlist on June 2018 (unlikely)**
P/E remains	P/E premium: 25% – 40% (see appendix)
Earnings growth: 17% – 19%	Earnings growth: 17% – 19%
VNIndex: + 17% – 19%	Vnindex: + 45% – 67%

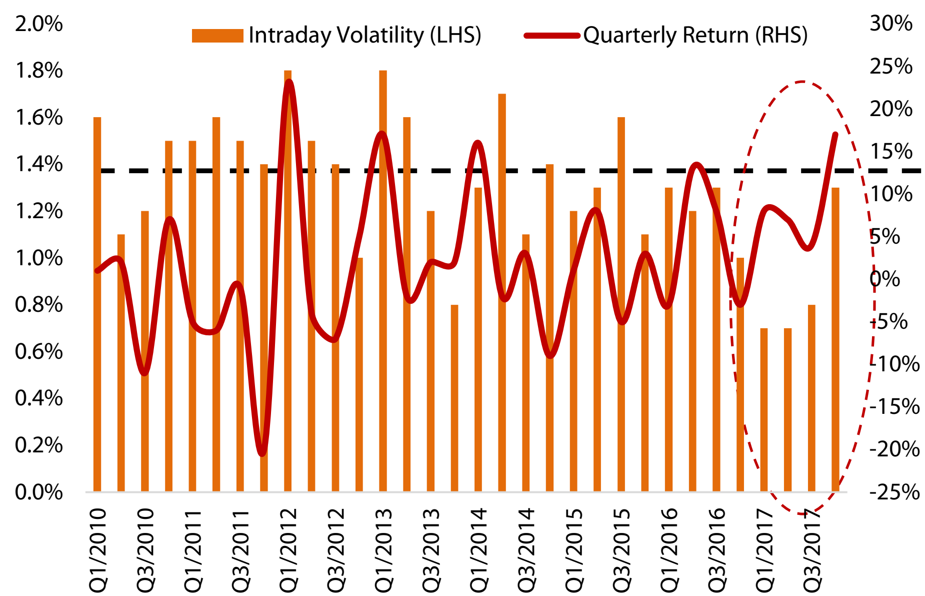
Risk: …but mind the wind

- Unexpected political risks: Arrests of a few VIPs started to "settle a fire" in the last quarter
- Mind the volatility:
  - In the past, there was no clear evidence showing positive correlation between volatility and margin lending. However, these two factors has been moving in a same way since beginning 2017
  - Intraday volatility increased sharply in Q4 2017

Margin and volatility



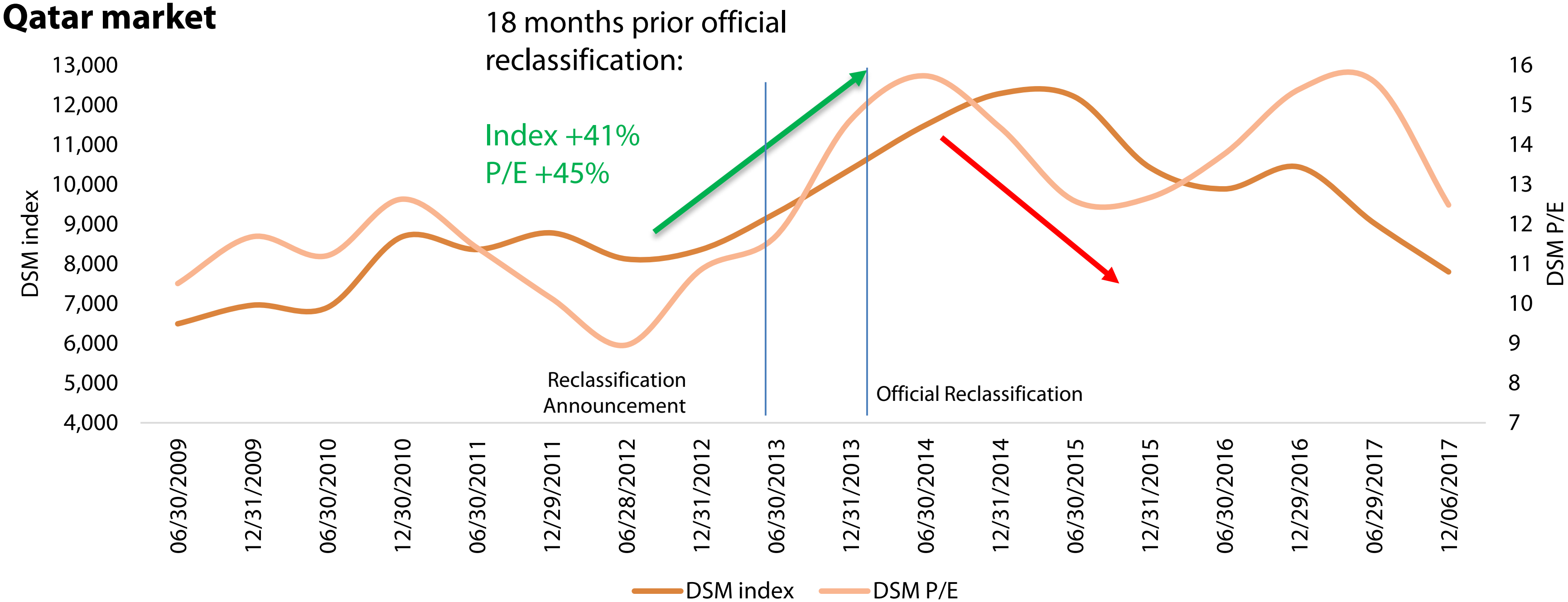
Intraday volatility



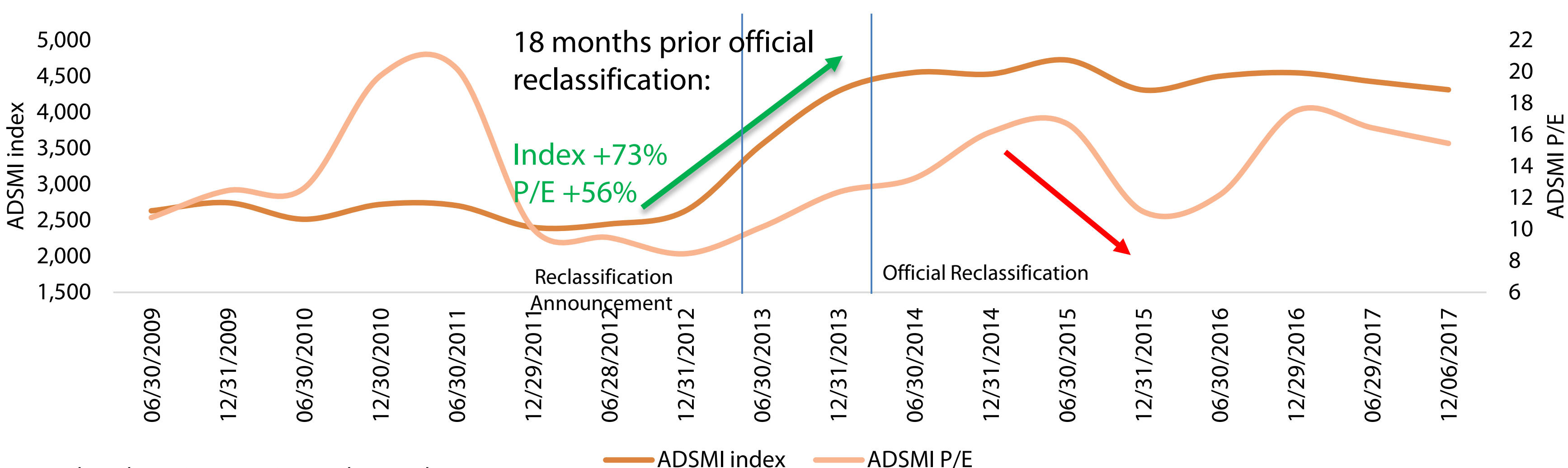
Source: FiinPro, RongViet Research

Appendix: How PE in frontier markets when they were upgraded?

Qatar market



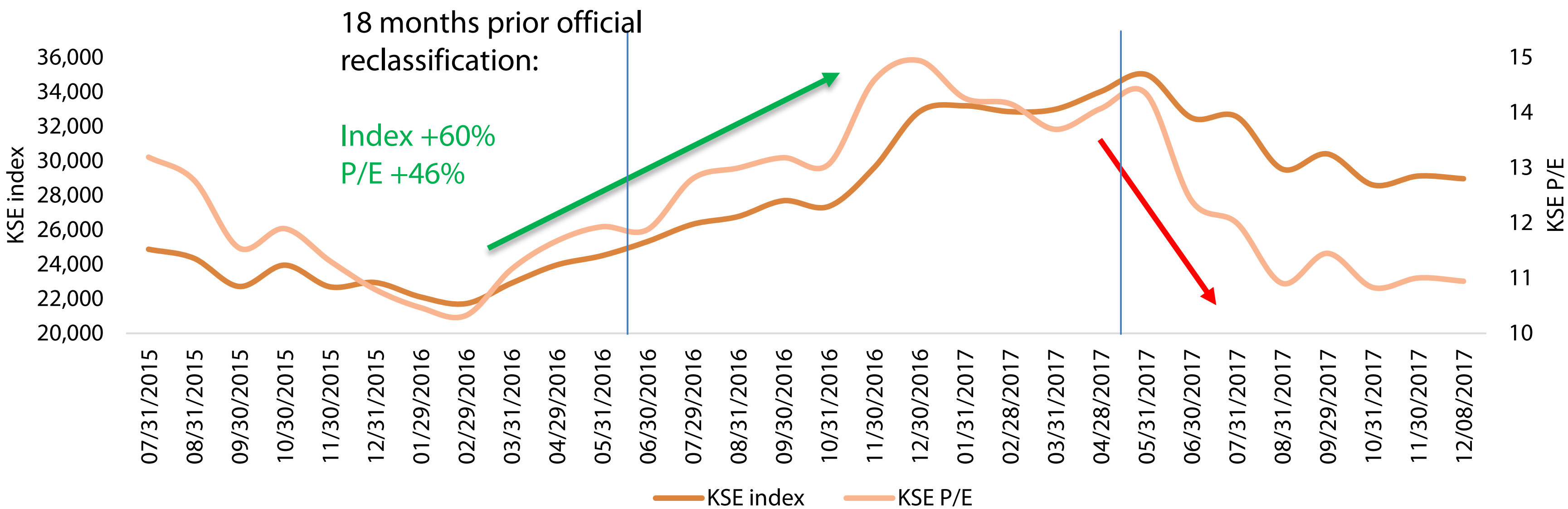
UAE market



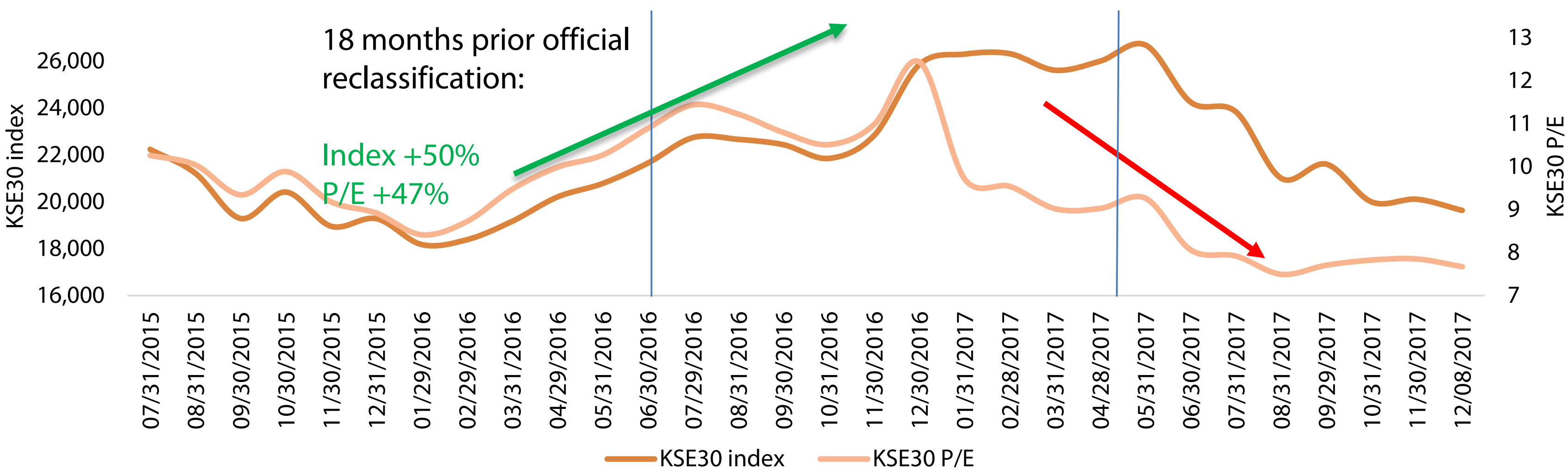
Source: Bloomberg, RongViet Research compiles

Appendix: How PE in frontier markets when they were upgraded?

Pakistan market KSE index



Pakistan market KSE 30 index

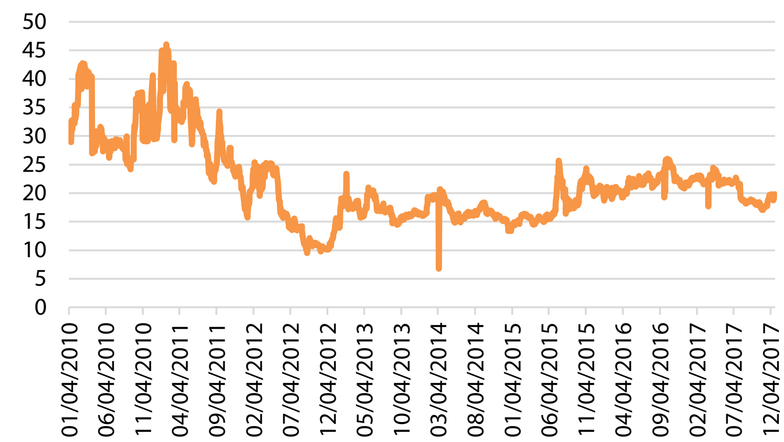


Source: Bloomberg, RongViet Research compiles

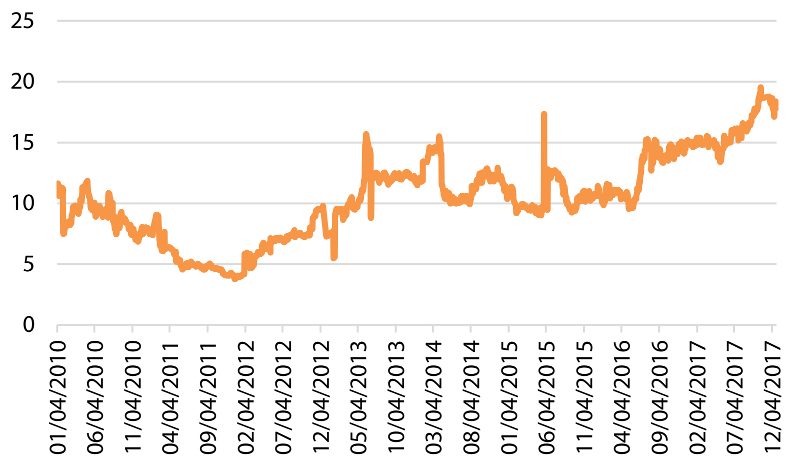
Historical Daily Rolling P/E

Bank

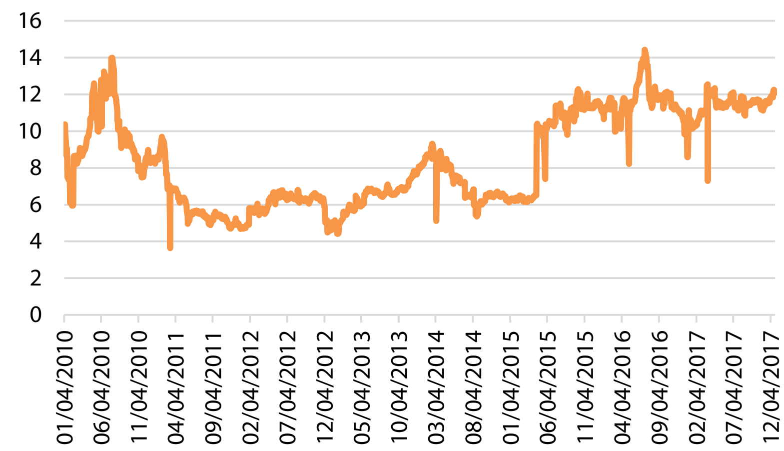
Insurance



Retailing



Personal & Household Goods



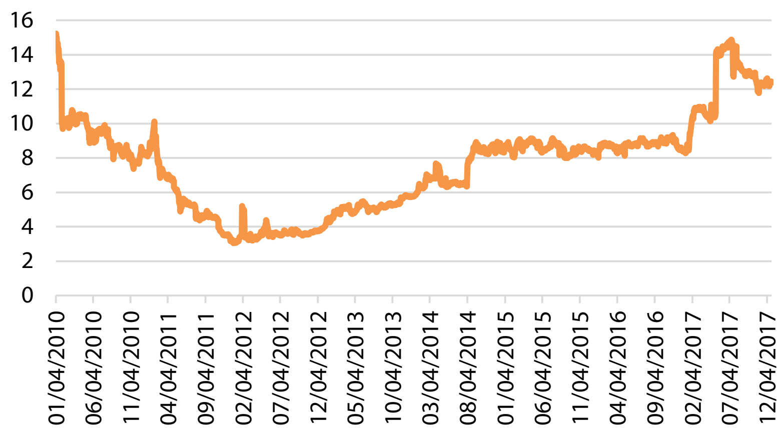
Source: FiinPro, RongViet Research compiles

Historical Daily Rolling P/E

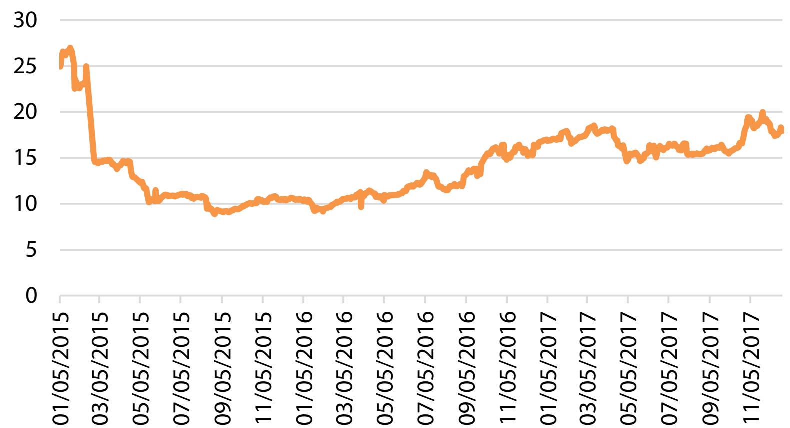
Oil & Gas

Basic Resources

Chemicals



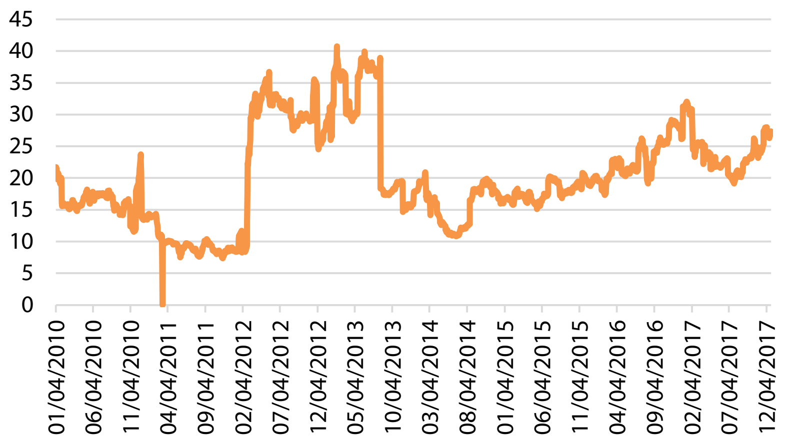
Construction & Materials



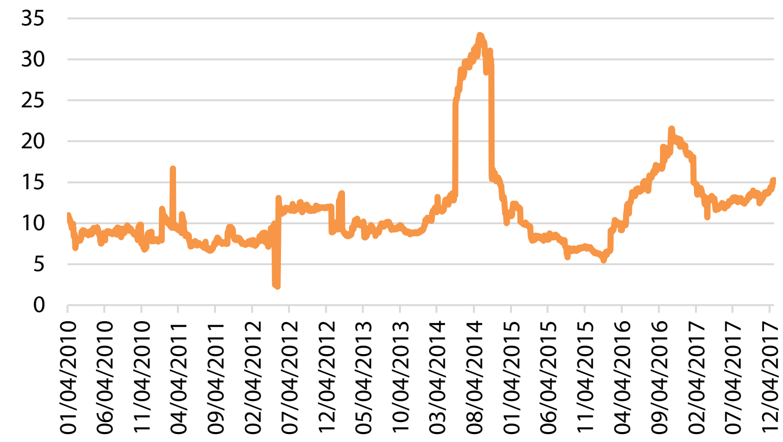
Source: FiinPro, RongViet Research compiles

Historical Daily Rolling P/E

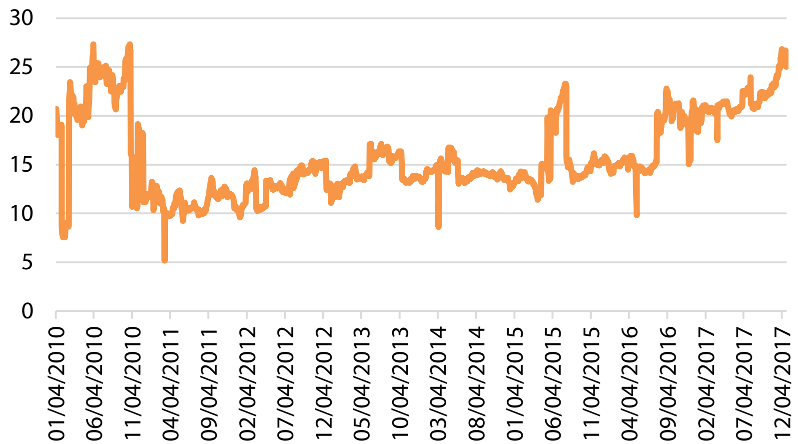
Real Estate



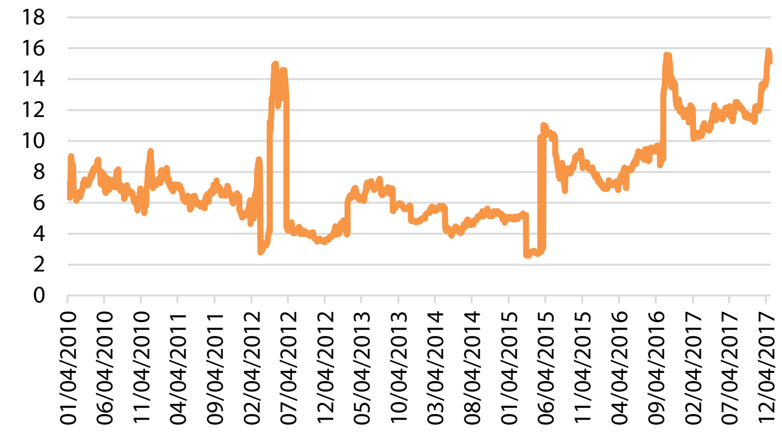
Utilities



Food & Drinks



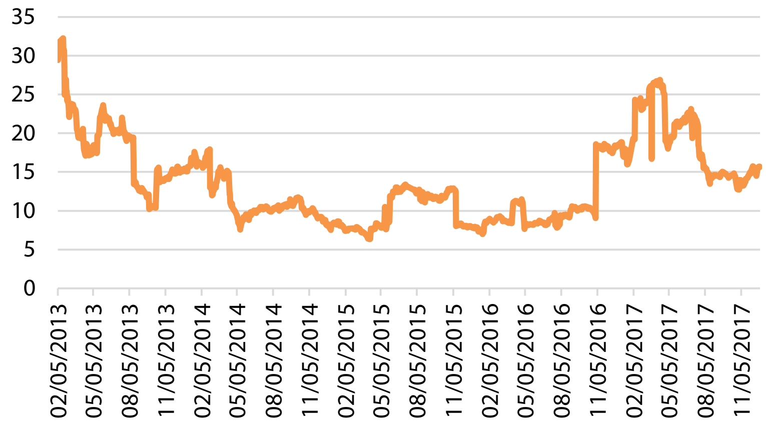
Automobile & Parts



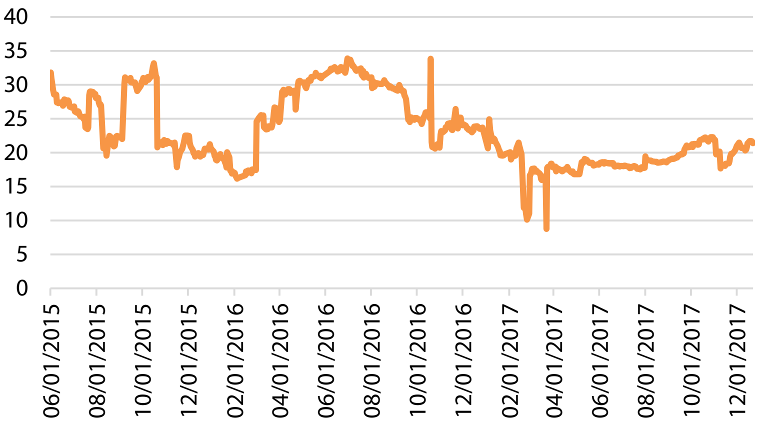
Source: FiinPro, RongViet Research compiles

Historical Daily Rolling P/E

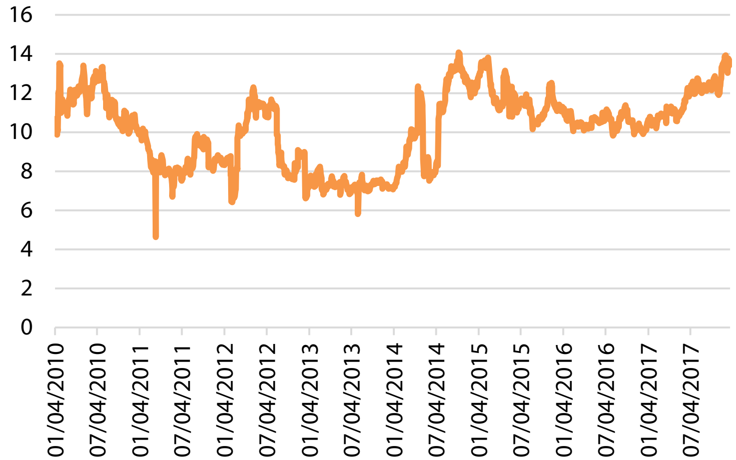
Financial Services



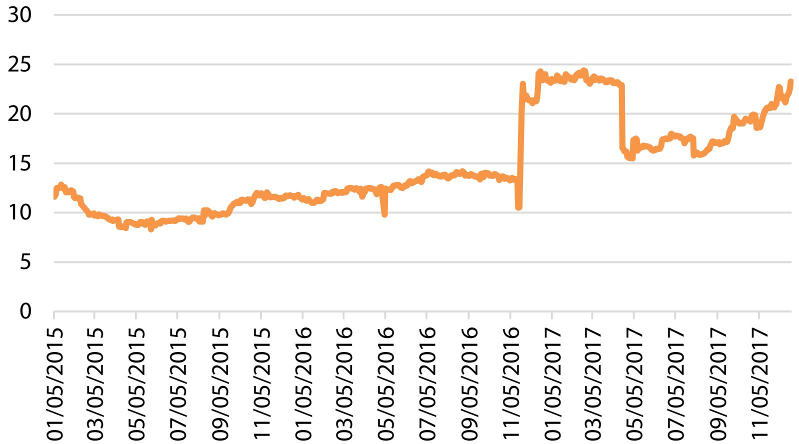
Travel & Tourism



Technology



Industrials



Source: FiinPro, RongViet Research compiles

Our sector rating for 2018

Sectors	2018 Supply - Demand	Input	Legal Environment	Long-term growth potential	Technological development	Competition	Rating
Technology	+			+		+	Positive
Automotive retail	+	-	+	+		--	Positive
F&B (Beer, milk)	++		+	+			Positive
Banking	+	-	+	+	+	-	Positive
Power	+	-	+	+		-	Positive
Aviation	+	-		+			Positive
Real Estate	+	-			+	+	Positive
Automotive - Rubber Tires		+			+	-	Positive
Oil & Gas	++	+	+	-			Positive
Phamarceutical	+		++	+	+	-	Positive
Textile			+			-	Neutral
Port	-	+	+	+	+	-	Neutral
Insurance	+			+		--	Neutral
Steel	+	-	-	+			Neutral
Construction		-			+	+	Neutral
Building materials	-		+		+	-	Neutral
Chemicals - Fertilizers/ Agochemicals		-		-	+	-	Negative
Chemicals - natural rubber	-	-		+			Negative


RONG VIET
SECURITIES
THE BIG GAME FOR ALL STAKEHOLDERS

The Big Game for All Stakeholders

Vietnam has gone through half of the new term and is entering the third year led by Prime Minister Nguyen Xuan Phuc (2016 - 2021). It can be observed that the government is endeavoring to handle the "leftover" issues and paving the way for the future, to which 2018 is an important year. In this particular period of time, each of the participants of the economy seems to be engaged in the "big game" that the government is the "moderator"

- The government strengthens the confidence of the local business community and promotes the image of Vietnam to foreign investors. Two prominent features in this role are drastic reform of administrative procedures and raising the status of the national economy, exemplified by the race to upgrade the Vietnamese stock market

- SBV maintains low interest rates, facilitates the handling of bad debts (that is handling the real estate properties as collateral) and indirectly increases the attractiveness of ongoing divestments from SOEs

- Real estate companies are taking advantage of low interest rates, aggressively increasing supply to the market. At the same time, banks are raising capital, "cleaning" their balance sheets before executing more sustainable business strategies and getting ready to apply Basel 2 in early 2019

- The State's divestments from 181 SOEs in 2018 will continue to be an opportunity for foreign strategic investors who are interested business development in Vietnam, especially in the consumer sector

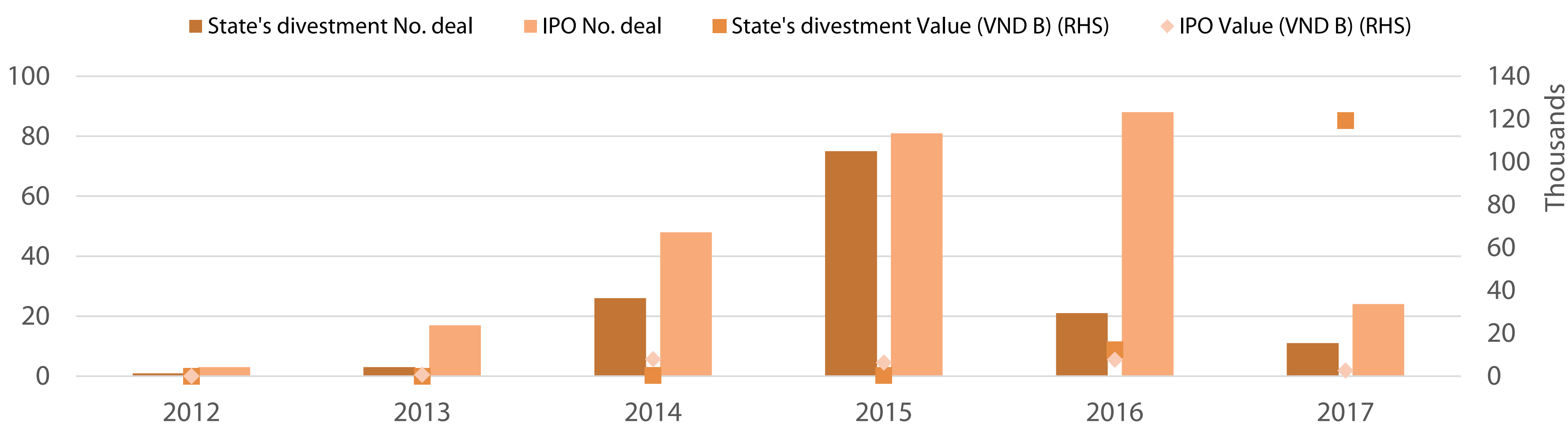
- Finally, the orientation towards on-the-spot export through tourism and services (for the FDI sector) will create incentives for the expansion and development of the big players in the fields of infrastructure, utility, construction, logistics, supporting industries and HoReCa (hotel, restaurant, cafe)


Peak of State’s Divestment and IPOs

Peak of State's divestment and IPOs

- In 2018, there will be 181 companies to be divested, which accounts for 70% of total planned companies to be divested in 2018-2020
- To complete such a challenged plan, the Government has been adjusted many legal frameworks (Decree 126 and Daft on Decree 91) to make it flexible and feasible for investors to participate in bidding progress
- Given 2 big successful deals in 2017, VNM and SAB, we also expect that the officials will have experience to do the State's divestment process on the following big deals (ACV, GAS, PLX, Genco, Sawaco, etc.)

The State's divestment results in 2012 – 2020F

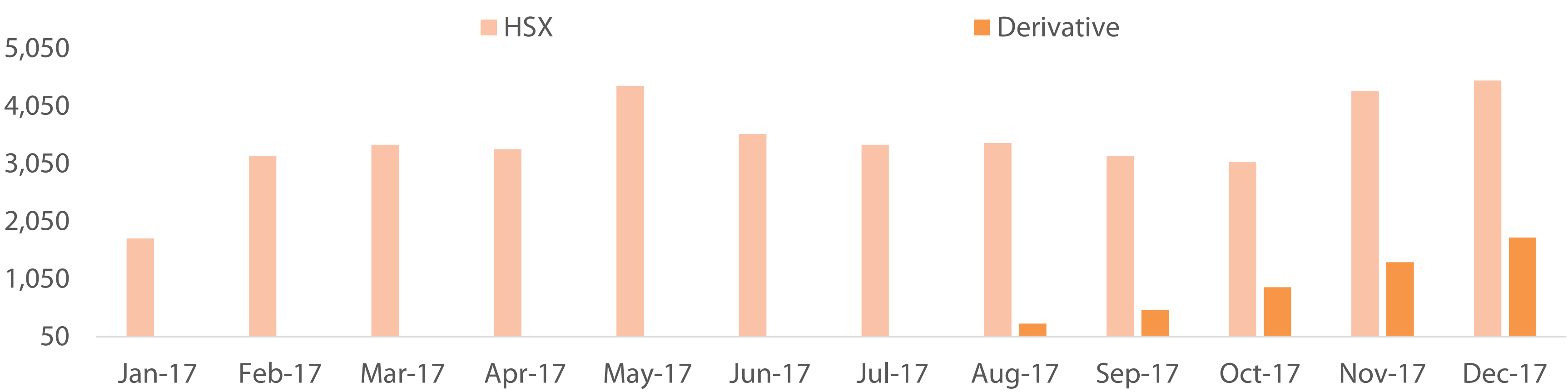


Source: RongViet Research

Peak of State's divestment and IPOs

- The race to emerging market will bring positive impacts on participants of the stock market
  - ✓ The market infrastructure has been improved with some new products: derivatives in 2017 and cover warrant in 2018
  - ✓ Other most important criteria, "the openness to FO", will be accelerated in 2018 such as R&D on intraday (T+0) transaction, services for opened fund, pension fund, etc.
  - ⇒ *The way for Vietnam to be in EM is still long, yet more products and better infrastructure making Vietnam more attractiveness among frontier markets*
  - ⇒ *More products and more qualified listed firms would help to improve the liquidity in the stock market*

Average matching value in the stock and derivative markets (VND B)



Source: FiinPro, RongViet Research

Peak of State's divestment and IPOs

State-owned enterprises to be IPO in 2018

No	Ticker	Name	Charter Capital (VND B)
1	PVOil	PetroVietnam Oil Corporation	10,342
2	PVPower	PetroVietnam Power Corporation	23,419
3	BSR	Binh Son Refining and Petrochemical Ltd	31,005
4	VRG	Vietnam Rubber Group	26,141
5	VNF2	Vinafood 2	2,823
6	VICEM	Vietnam Cement Industry Corporation	12,360
7	MOBIFONE	Mobifone	
8	GENCO 3	EVN Genco 3	

Source: RongViet Research compiles

New listing in 2018

No	Ticker	Name	Charter Capital (VND B)
1	TCB	Techcombank	8,878
2	HDBANK	HDBank	8,100
3	TPBANK	TPBank	5,842
4	VEAM	VEAM Corporation	4,903
5	THA	Thaco	4,145

Source: RongViet Research compiles

State's divestment in 2018

No	Ticker	Name	Listed	Charter Capital (VND B)	Divester	Divested ratio
1	ACV	Airport Corporation of Vietnam	Upcom	26,194	MTVN	20.0%
2	PLX	Vietnam National Petroleum Group	HSX	23,238	MOIT	25.0%
3	VGT	Vietnam Textile and Garment Group	Upcom	7,608	MOIT	53.0%
4	VNP	Vietnam Plastic Corporation	SCIC	131	SCIC	65.0%
5	DVN	Vietnam Pharmaceutical Corporation	Upcom	2,459	MOHVN	30.0%
6	VGC	Viglacera Corporation	HNX	6,405	MOCVN	20.0%
7	DBD	Binh Dinh Phamaceutical and Medical Equipment Jsc.	Upcom	891	Binh Dinh province, People's committee	10.0%

Source: RongViet Research compiles

Peak of State's divestment and IPOs

Circulars/Decrees	Note
126/2017/ND-CP	(1) Reducing the committed period for strategic investors to 3 years from 5 years; (2) Being listed on the stock exchange (HSX, HNX, or UpCOM) not later than 90 days after the IPO; and, (3) Adding "book building" method to define the winning price
Draft on amending Decree 91/2015/ND-CP	(1) Reducing the steps needed to sell the state's shares from three to two; and, (2) Discussing the feasibility of selling the state's shares with a price lower than book value per share

Source: RongViet Research compiles

Our stock picks

Ticker	Target price (VND)	Total return (%)	Rating	2016		2017E		2018F		ROIC (%)	Debt to Equity (x)	ROA (%)	ROE (%)	Div Yield	PER Trailing	PBR Cur.	+/- Price 1y	3-month avg. daily turnover (USD K)	Market cap (USD M)	Foreign remaining room (%)
				+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)			TTM		(%)	(x)	(x)	(%)			
ACV	127,000	32.7	Buy	11.2	-70.1	15.5	-23.9	22.5	45.0	9.4	0.6	10.5	19.8	1.5	43	8.1	105.5	481	9,313.7	45.5
FPT	62,900	15.1	Neutral	4.1	3.1	-50.7	45.1	14.6	-27.8	15.3	0.7	7.5	17.8	3.5	14	2.8	59.1	5,358	1,320.2	0.0
PHR	46,000	14.1	Neutral	-4.0	3.9	32.8	102.9	8.1	77.6	4.9	0.4	9.7	17.0	7.0	9	1.5	74.5	622	148.6	39.1

Price @ 20 Dec 2017

Our watch list

Name	Subsector	Current price (VND)	Mar. cap (VND B)	Shares Outstanding	Trailing PER (x)	PBR Cur. (x)	2016		Trailing 12 months					
							+/-Rev. (%)	+/-PAT (%)	+/-REV (%)	+/- PAT (%)	ROIC (%)	Debt to Equity (x)	ROE (%)	ROA (%)
BMP	Construction & Materials	83,200	6,811	81,860,938	15.8	2.8	18.5	21	5.8	-33.8	15.2	2.5	18.0	15.2
HCM	Financial Services	56,300	7,295	129,570,368	16.3	2.8	39.3	43	48.3	48.8	10.3	17.8	17.8	10.3
NTP	Construction & Materials	72,500	6,470	89,240,302	13.6	3.1	22.4	9	11.3	22.2	12.7	24.5	24.5	12.7
VCI	Financial Services	73,100	8,772	119,996,000	13.4	3.3	26.6	42	60.1	109.2	N/a	N/a	34.6	15.1
VND	Financial Services	23,700	3,579	150,997,785	7.8	1.5	36.9	2	74.7	116.1	6.8	20.7	20.7	6.8

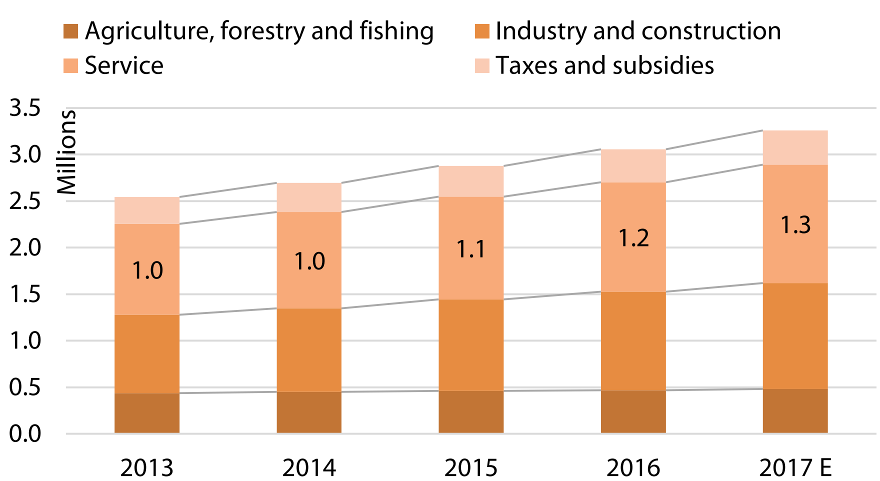
Price @ 20 Dec 2017

The Focus on Growth Engines

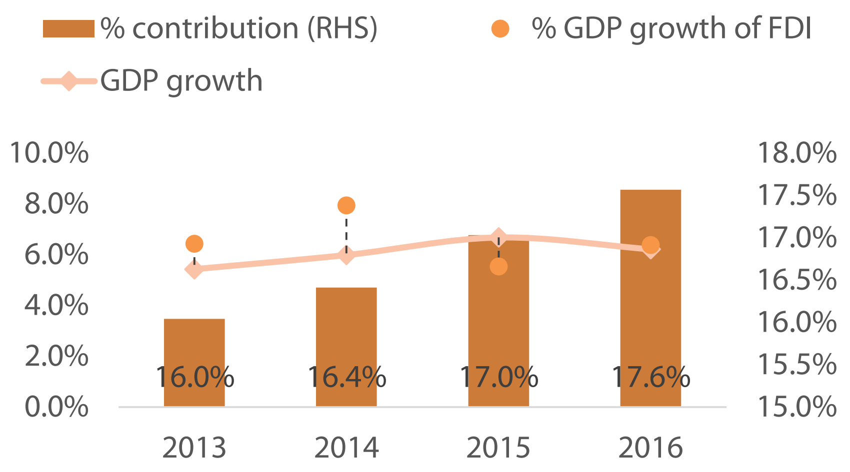
The Focus on Growth Engines

- FDI continues to show their important role as a growth engine of Vietnam's economy in 2017: supporting the growth of construction, domestic building materials, and manufactures
- In 2018, some large FDI projects in steel (Formosa), electricity, electronic and semiconductor sectors will have significant contribution into Vietnam's GDP growth and export value
- Despite of TPP's failure, Vietnam moves on other key FTAs such as CPTPP, RCEP, and EVFTA, which presents the Government's further commitment on trade and investment liberalization
- The development of SEZs (Special Economic Zones), such as Van Don, Bac Van Phong, Phu Quoc, will boost growth of tourism as well as hospitality sector, which will be drivers for service's growth

GDP growth by sectors



GDP growth by foreign investment

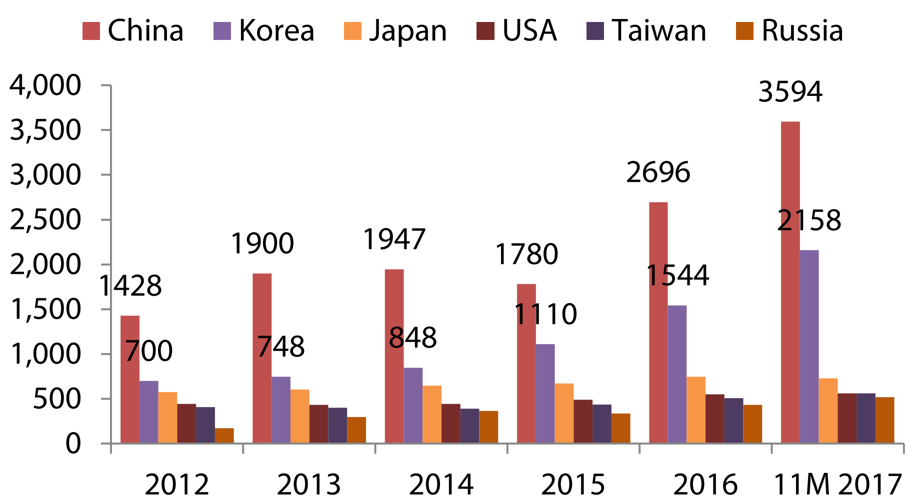


Source: GSO, RongViet Research compiles

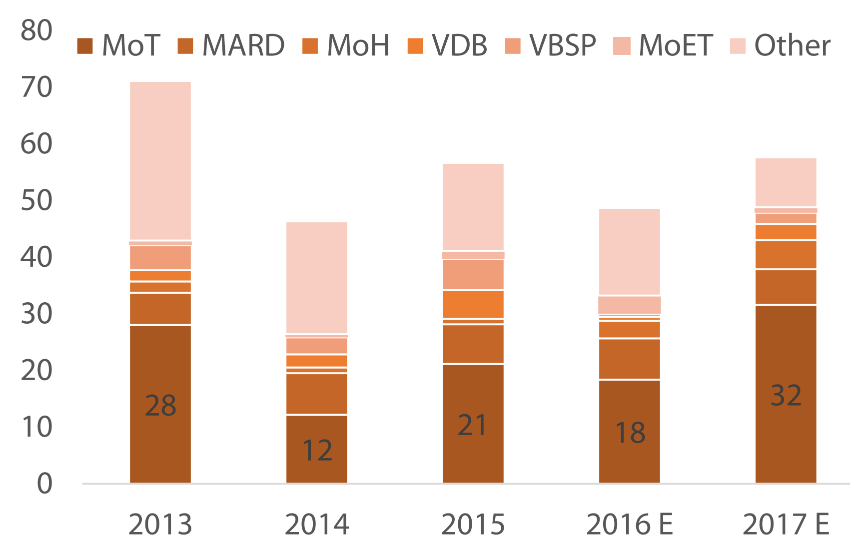
The Focus on Growth Engines

- Disbursement of state budget has faced some obstacles in 2017, and we expect that the difficulties will be solved in 2018
- Investment into soft and hard infrastructure will boost the growth of sectors such as technology, airport, traffic infrastructure, industrial real estate, and supportive sectors (tile-granite, construction stone, etc.)
- Given its strong recovery in 2017, the earnings of steel firms will experience a reasonable growth in 2018
- Electricity price must be increase to attract private investment into this sector

Six countries with the highest number of tourists arrivals to Vietnam (passengers in thousands)



MoT accounted for large proportion of State's investment budget



Source: RongViet Research compiles

The Focus on Growth Engines

List of infrastructure projects by type up to 2020

Name	Total investment (USD M)	Investment model
Dau Giay - Lien Khuong highway	3,520	PPP
Ninh Binh - Thanh Hoa - Nghi Son route of the North-South highway	1,867	PPP
Noi Bai - Ha Long highway	1,762	PPP, BOT
Trung Luong - My Thuan highway	1,381	PPP, ODA
Bien Hoa - Vung Tau highway	1,175	PPP, ODA
Cam Lo - La Son highway	1,095	PPP, BOT
Bien Hoa - Vung Tau railway	5,000	BOT
Upgrading the Hanoi - Ho Chi Minh city railway route	2,300	BOT, ODA
Railway into Hai Phong international port	1,600	PPP, BOT
Hanoi urban railway route 6 (from the center of Hanoi to Noi Bai Airport)	1,356	PPP
Long Thanh international airport (phase 1)	5,620	PPP, BOT
The phase 1 of Van Phong international port	500	FDI/ Joint Venture
Binh Dinh power centre	4,000	PPP
Dung Quat coal-fired thermal plant	140	PPP

Source: RongViet Research compiles

The Focus on Growth Engines

Vietnam's free trade agreements

FTA	Status	Extra notes
Asean - Hong Kong, China FTA	Signed 12 November 2017	
Regional Comprehensive Economic Partnership		First time China, India and Japan
Vietnam-European Free Trade Association FTA	Signed 29 September 2017	
Vietnam-Israel FTA		Venture capital
Vietnam-European Union FTA	Not signed yet	Ambiguous laws
Trans-Pacific Partnership (TPP-11)	Signed 11 Nov 201	Rename CPTPP
Asean Free Trade Area	Signed and in effect	
Asean-Australia and New Zealand FTA	Signed Feb 2009	
Asean-India Comprehensive Economic Corporation Agreement	Signed and in effect	Special goods
Asean-Japan Comprehensive Economic Partnership	Signed 2008	
Asean-People's Republic of China Comprehensive Econic Cooperation Agreement	Signed and in effect	
Asean-Republic of Korea Comprehensive Economic Cooperation Agreement		Replaced by ATIGA
Chile-Vietnam Economic FTA	Signed Jan 2014	Agricultural products
Japan-Vietnam Economic Partnership Agreement	Signed 25 Dec 2008	First Agreement
Vietnam-Eurasian Economic Union FTA	Signed 29 May 2015	Agricultural machine equipment
Republic of Korea-Vietnam FTA	Signed 5 May 2015	Goods, services, investment

Source: RongViet Research compiles

Our stock picks

Ticker	Target price (VND)	Total return (%)	Rating	2016		2017E		2018F		ROIC (%)	Debt to Equity (x)	ROA (%)	ROE (%)	Div Yield	PER Trailing	PBR Cur.	+/- Price 1y	3-month avg. daily turnover (USD K)	Market cap (USD M)	Foreign remaining room (%)
				+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)		TTM			(%)	(x)	(x)	(%)			
ACV	127,000	32.7	Buy	11.2	-70.1	15.5	-23.9	22.5	45.0	9.4	0.6	10.5	19.8	1.5	43	8.1	105.5	480.7	9,313.7	45.5
CHP	31,900	15.8	Neutral	-10.9	-21.5	28.6	54.2	-14.2	-19.0	21.1	0.7	16.3	29.0	2.5	7	2.0	46.5	143.7	156.4	45.7
DRC	28,200	20.5	Buy	1.3	-4.8	8.1	-45.3	4.1	40.3	14.8	0.6	8.6	15.6	7.2	12	1.9	-17.0	582.6	130.4	24.1
FPT	62,900	15.1	Neutral	4.1	3.1	-50.7	45.1	14.6	-27.8	15.3	0.7	7.5	17.8	3.5	14	2.8	59.1	5,358.2	1,320.2	0.0
HPG	53,600	21.5	Buy	21.2	89.4	28.3	23.3	30.6	18.1	21.9	0.4	19.1	32.1	0.0	8	2.2	68.6	7,670.7	2,949.5	8.5
LTG	57,100	38.9	Buy	-0.9	9.2	7.4	23.1	11.4	2.6	12.7	1.3	6.4	17.7	3.6	7	1.3	0.0	64.4	122.9	4.6
NKG	49,400	30.6	Buy	55.4	310.7	62.0	29.0	14.6	10.4	14.0	2.2	8.4	33.9	2.6	6	1.8	66.9	1,104.0	221.3	9.8
NT2	37,600	22.5	Buy	18.6	-4.9	-10.3	-31.3	4.5	41.7	12.4	0.9	6.3	14.5	6.8	13	2.0	26.9	505.6	412.5	26.8
NTC	127,000	42.3	Buy	17.8	121.4	-10.4	-5.5	16.7	3.2	19.6	0.5	7.6	56.2	2.7	8	4.2	383.2	189.6	64.0	48.9
VJC	171,000	24.5	Buy	38.6	113.3	54.4	119.0	21.1	18.1	27.0	0.9	13.9	48.2	2.1	19	7.6	0.0	7,272.0	2,782.1	3.7

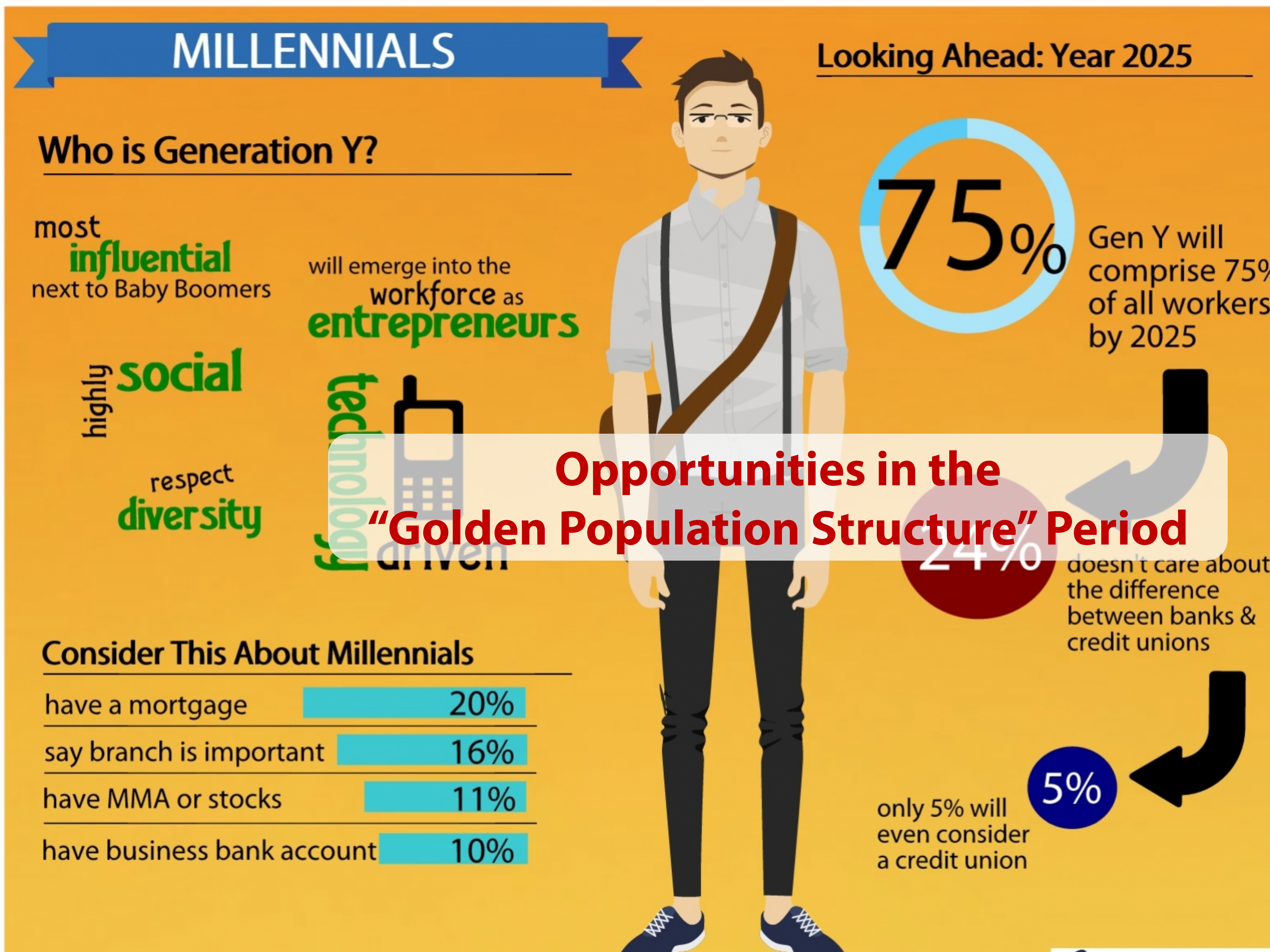
Price @ 20 Dec 2017

Our watch list

Name	Subsector	Current price (VND)	Mar. cap (VND B)	Shares Outstanding	Trailing PER (x)	PBR Cur. (x)	2016		Trailing 12 months					
							+/-Rev. (%)	+/-PAT (%)	+/-REV (%)	+/- PAT (%)	ROIC (%)	Debt to Equity (x)	ROE (%)	ROA (%)
CTI	Construction & Materials	29,400	1,852	62,999,997	11.0	1.6	23.8	58	-2.2	36.7	3.2	11.8	11.8	3.2
HTI	Construction & Materials	16,800	419	24,949,200	5.5	1.0	33.1	9	-11.0	15.0	5.0	18.4	18.4	5.0
HUT	Construction & Materials	11,000	2,762	251,058,913	6.5	0.9	24.1	152	-37.9	-21.6	3.3	12.3	12.3	3.3
LHG	Real Estate	17,000	849	49,939,812	3.1	0.7	106.8	138	38.0	58.4	9.9	24.1	24.1	9.9
PC1	Construction & Materials	38,900	4,491	115,452,410	17.4	1.8	-3.0	24	-1.5	-36.5	4.4	10.5	10.5	4.4
REE	Industrial Goods & Services	42,500	13,177	310,050,926	7.9	1.7	38.4	28	53.3	117.5	13.7	21.1	21.1	13.7
PVT	Industrial Goods & Services	18,450	5,193	281,440,162	13.9	1.5	17.8	12	-2.7	-24.3	4.1	9.0	9.0	4.1

Price @ 20 Dec 2017

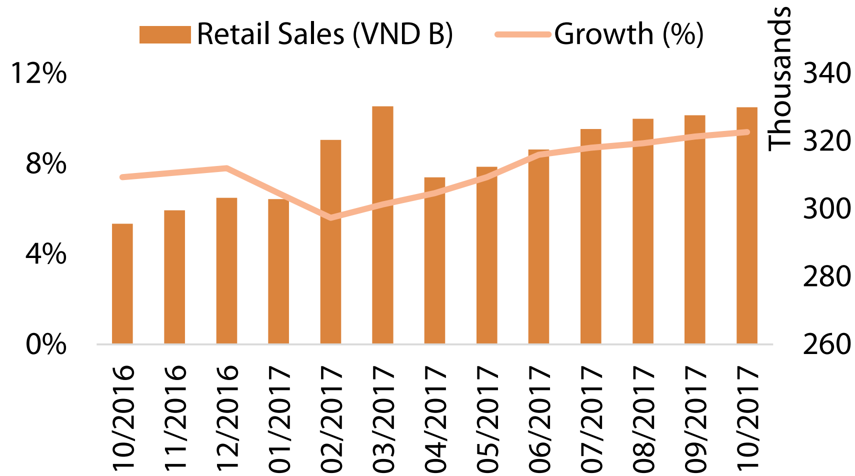
Opportunities in the "Golden Population Structure" Period



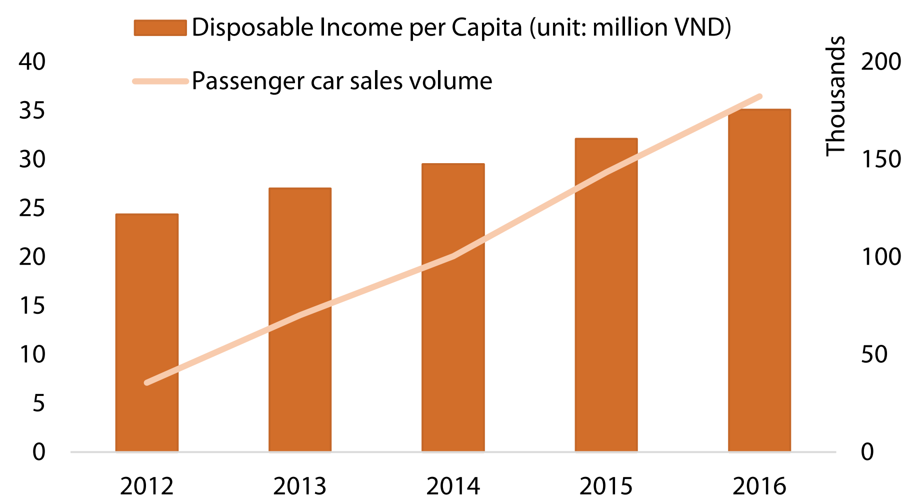
Opportunities in the "Golden Population Structure" Period

- Vietnam's golden population period will prolong in next 10 – 15 years, resulting the fast growth of consumer market during this time
- In 2017, Vietnam moved to No. 6 from No. 11 (out of 30) in Global Retail Development Index (GRDI) and is in the peak attractiveness period
- Domestic pharmaceuticals, who have been investing to upgrade their factories into EU-GMP or PIC/S criteria, will be beneficiaries of Circular 01/2012/TTLT-BYT-BTC
- The higher special sales tax on vehicle with a cylinder capacity of 2,500 – 3,000 ccs unlikely causes negative impacts on high-end cars

Retail sales continues to pick up



The correlation between the average annual disposable income and total vehicle sales volume in Vietnam

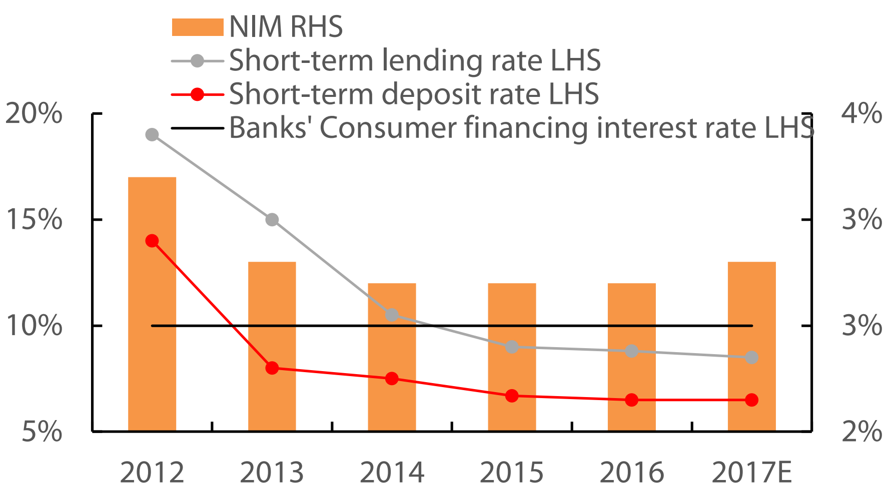


Source: GSO, Euromonitor, RongViet Research compiles

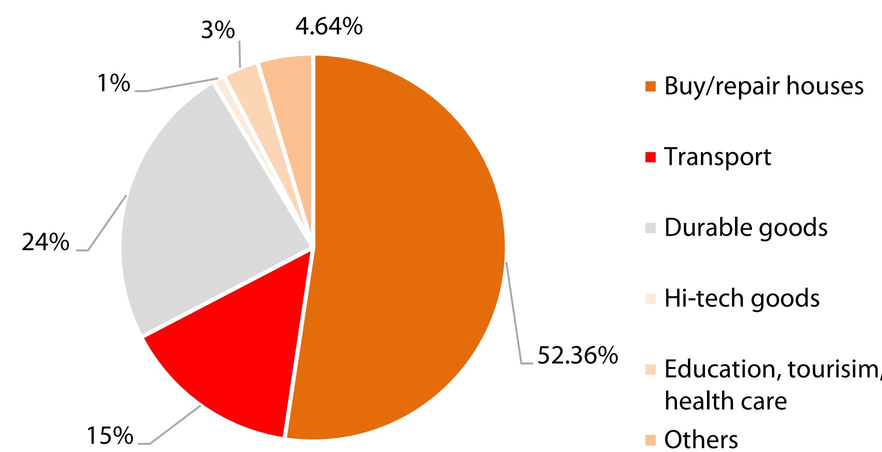
Opportunities in the "Golden Population Structure" Period

- Banking sector's profitability has been improved in 2017 thanks to (1) the supportive policies and abundant monetary liquidity and (2) Higher proportion of retails loan outstanding, which help to increase NIM
- Profitability in 2017 allows banks to enhance their loan loss reserves (LLR) => the better buffer, the safer for banks in case of economic difficulties
- Banks' recent investment on core banking and digital banking will boost growth in services income
- Given the high supply of apartments in 2018-19, affordable housing developers who have clean projects located in fully-invested infrastructure will less likely be hit negative affect

NIM and interest rate



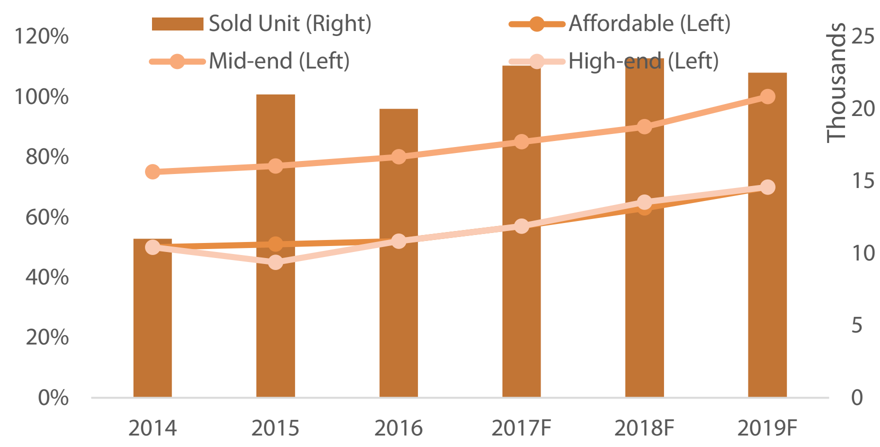
Proportion of consumer lending loan outstanding



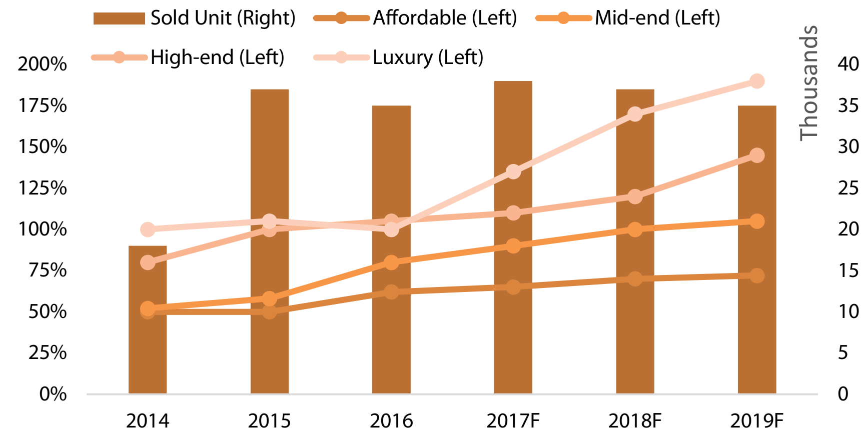
Source: GSO, RongViet Research compiles

Opportunities in the "Golden Population Structure" Period

Ha Noi real estate market

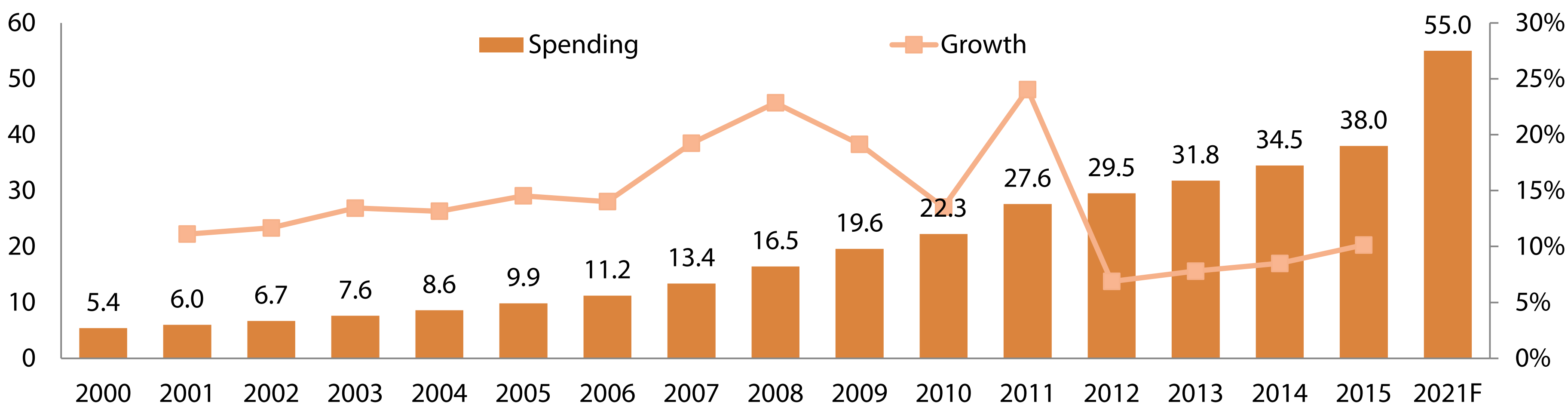


Ho Chi Minh real estate market



Source: CBRE, RongViet Research compiles

Medicine spending per capita in Vietnam (USD)



Source: DAV, RongViet Research compiles

Our stock picks

Ticker	Target price (VND)	Total return (%)	Rating	2016		2017E		2018F		ROIC (%)	Debt to Equity (x)	ROA (%)	ROE (%)	Div Yield	PER Trailing	PBR Cur.	+/- Price 1y	3-month avg. daily turnover (USD K)	Market cap (USD M)	Foreign remaining room (%)
				+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	TTM				(%)	(x)	(x)	(%)			
ACB	42,000	21.0	Buy	21.6	28.9	38.3	62.4	16.1	72.0	0.0	0.0	0.7	12.6	0.0	18	2.6	93.9	4,825.4	1,508.4	0.0
CTG	27,000	25.3	Buy	16.3	20.0	21.1	3.0	9.9	38.4	0.0	0.0	0.7	12.3	3.2	11	1.3	57.2	2,379.7	3,628.2	0.0
HAX	42,300	12.8	Neutral	58.1	170.7	46.9	2.5	22.2	11.9	0.4	2.9	6.4	22.3	0.0	12	2.4	53.8	189.9	38.6	34.3
HDG	39,700	16.9	Neutral	34.4	90.8	5.8	-47.5	63.9	167.4	9.0	1.0	1.8	7.3	1.5	20	2.4	54.1	360.2	115.2	28.2
IMP	80,000	25.3	Buy	4.8	8.9	25.9	36.8	29.2	33.9	11.4	0.0	8.6	10.0	2.8	20	2.0	30.9	212.8	123.7	0.0
MBB	28,700	17.0	Neutral	12.4	16.7	29.0	44.1	18.1	40.5	0.0	0.0	1.4	13.8	2.0	12	1.6	105.4	5,300.4	1,997.2	0.0
NLG	37,200	18.0	Neutral	101.3	67.4	24.7	75.0	8.9	30.5	19.2	0.1	7.6	15.7	1.6	9	1.8	64.6	1,106.3	221.5	0.9
PGI	24,900	13.2	Neutral	0.0	5.2	10.3	55.5	13.2	-13.5	-22.0	0.0	2.7	11.5	0.0	14	1.4	0.0	23.3	86.1	28.1
PME	124,000	52.7	Buy	15.2	15.9	15.0	24.6	20.0	22.8	21.5	0.0	16.0	20.1	2.4	19	3.5	0.0	216.1	237.3	0.0
PNJ	147,200	11.4	Neutral	11.1	496.3	33.1	63.3	26.8	26.8	24.4	0.3	16.1	31.0	0.8	22	5.3	100.1	1,683.0	633.9	0.0
QNS	74,200	37.9	Buy	-10.4	14.6	8.0	-34.5	8.3	41.5	24.9	0.4	19.1	31.5	5.4	11	3.2	-30.8	456.2	604.3	41.5
VCB	55,900	16.9	Neutral	17.3	28.6	18.1	26.8	12.5	26.4	0.0	0.0	1.0	15.8	1.6	21	3.2	41.8	4,204.5	7,693.6	9.3
VGC	30,200	21.9	Buy	4.1	56.4	9.4	62.7	17.3	13.5	11.8	0.4	4.6	12.0	3.9	13	1.8	0.0	946.0	482.0	13.3

Price @ 20 Dec 2017

Our watch list

Name	Subsector	Current price (VND)	Mar. cap (VND B)	Shares Outstanding	Trailing PER (x)	PBR Cur. (x)	2016 +/-Rev. (%)	2016 +/-PAT (%)	Trailing 12 months +/-REV (%)	Trailing 12 months +/- PAT (%)	Trailing 12 months ROIC (%)	Trailing 12 months Debt to Equity (x)	Trailing 12 months ROE (%)	Trailing 12 months ROA (%)
BVH	Insurance	59,800	40,692	680,471,434	27.2	3.0	24.0	0	25.4	19.7	1.9	0.3	10.5	1.9
KDF	Food & Beverage	57,900	3,242	56,000,000	22.7	4.9	30.8	85	88.0	25.2	15.5	29.7	0.0	0.0
THACO	Automobiles & Parts	N/a	N/a	1,658,000,000	N/a	N/a	42.6	13	N/a	N/a	N/a	N/a	41.7	18.6
VEAM	Automobiles & Parts	N/a	N/a	1,328,800,000	N/a	N/a	7.0	3	N/a	N/a	N/a	N/a	26.7	24.2
VNM	Food & Beverage	202,000	293,158	1,451,278,520	28.2	12.2	16.8	20	9.6	10.0	47.0	2.2	43.2	33.5
VNR	Insurance	22,900	3,002	131,075,937	10.8	1.1	-2.8	-1	-0.4	24.8	4.2	10.1	10.1	4.2
VPB	Banks	40,350	60,420	1,497,403,415	9.6	2.3	39.8	64	45.2	78.0	N/a	N/a	28.6	2.5
BID	Banks	24,500	83,759	3,418,715,334	14.5	1.9	23.2	5	25.2	-10.4	0.5	12.5	12.5	0.5

Price @ 20 Dec 2017


The Rebound of Oil Price

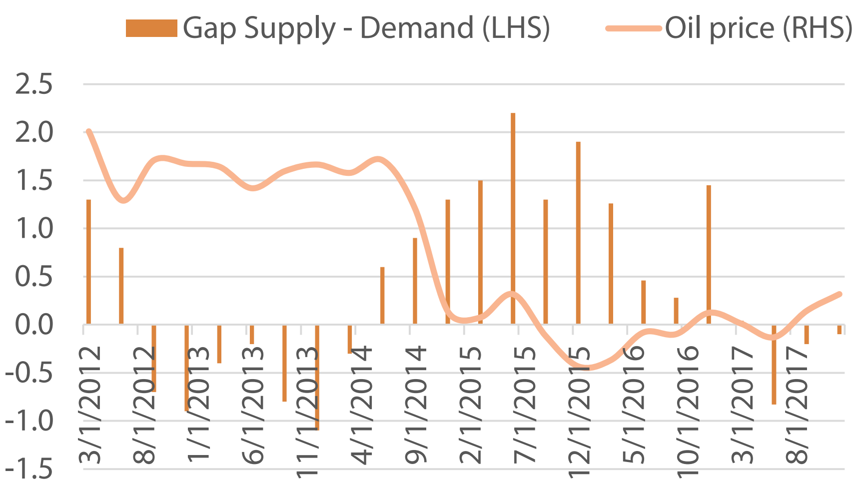
The Rebound of Oil Price

- Most of financial institute forecast that the oil price will continue to recover in the first of 2018 thanks to the production reducing among large oil exporters

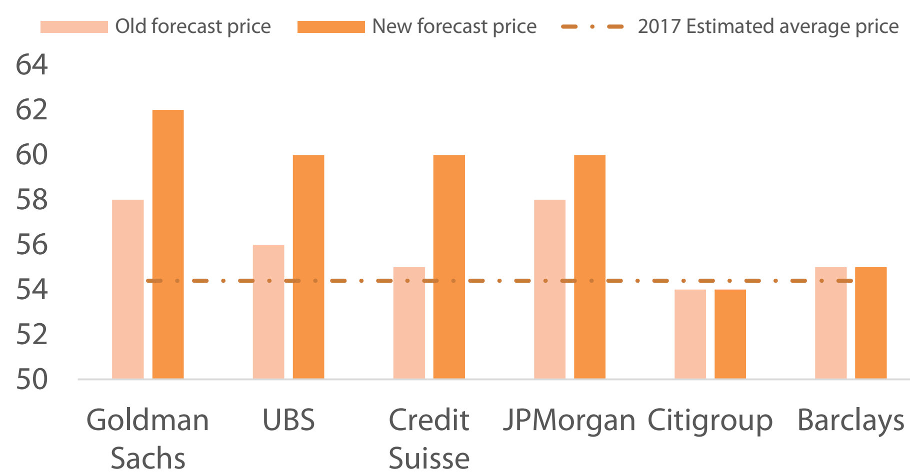
- The recovering of oil price results expectation on restarting some key oil and gas projects in Vietnam, some projects => Upstream firms, who operate in exploring and producing will be the first beneficiaries

- PVN's divestment progress will be peak in 2018 with some big names will be listed, such as BRS, PV Oil, and PV Power

The gap between supply and demand oil



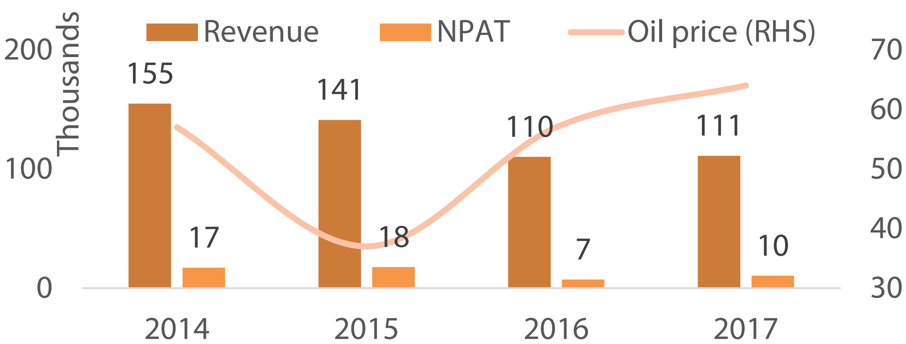
The forecasted oil price in 2018



Source: RongViet Research compiles

The Rebound of Oil Price

Business results in Q3 TTM of up- and mid-stream O&G firms



Source: RongViet Research compiles

Key O&G projects

Name	Scheduled operation	Progress
Nam Con Son No. 2, Phase 2	2019	FS
Red Emperor	2019	FS
White Lion	2019 – 2020	FS
Block B	2021 – 2022	FEED

Divestment plan

Period	Company	Current PVN's ownership (%)	Target ownership (%)
2017-2018	Binh Son Refining and Petrochemical Company Limited *	100	43
	PV Oil*	100	35.1
	PV Power*	100	51
	PV Fertilizer and Chemicals Coperation (HSX:DPM)	61.3	51
	PV Ca Mau Fertilizer Jsc. (HSX:DCM)	75.56	51
	PV Phuoc An Port Investment & Operation Jsc.	79.54	0
	Green Indochina Development Jsc.	29	0
	PV Insurance Corporation (HSX:PVI)	36.85	0
2018-2019	PV Gas (HSX:GAS)	96.72	65
After 2019	PV Trans (HSX:PVT)	51	36

*Source: RongViet Research compiles; * IPO in 2018*

Our watch list

Name	Subsector	Current price (VND)	Mar. cap (VND B)	Shares Outstanding	Trailing PER (x)	PBR Cur. (x)	2016		Trailing 12 months					
							+/-Rev. (%)	+/-PAT (%)	+/-REV (%)	+/- PAT (%)	ROIC (%)	Debt to Equity (x)	ROE (%)	ROA (%)
GAS	Utilities	92,100	176,219	1,913,348,070	19.6	4.4	-8.1	-18	4.0	76.0	15.0	21.6	21.6	15.0
PLX	Oil & Gas	70,000	81,117	1,158,813,235	18.9	4.6	-16.2	52	21.2	9.4	7.3	17.7	17.7	7.3
PVS	Oil & Gas	22,000	9,827	446,700,421	11.6	0.9	-20.0	-32	-12.7	-11.1	3.4	7.1	7.1	3.4
PVD	Oil & Gas	23,700	9,074	382,850,160	-47.0	0.7	-62.9	-92	-48.7	-209.4	-0.9	-1.5	-1.5	-0.9

Price @ 20 Dec 2017

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