

RONG VIET
SECURITIES



PRELIMINARY
2H2021
OUTLOOK



DISCLAIMER:

This report is prepared in order to provide information and analysis to clients of Rong Viet Securities only. It is and should not be construed as an offer to sell or a solicitation of an offer to purchase any securities. No consideration has been given to the investment objectives, financial situation or particular needs of any specific. The readers should be aware that Rong Viet Securities may have a conflict of interest that can compromise the objectivity this research. This research is to be viewed by investors only as a source of reference when making investments. Investors are to take full responsibility of their own decisions. VDSC shall not be liable for any loss, damages, cost or expense incurring or arising from the use or reliance, either full or partial, of the information in this publication.

The opinions expressed in this research report reflect only the analyst's personal views of the subject securities or matters; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or opinions expressed in the report.

The information herein is compiled by or arrived at Rong Viet Securities from sources believed to be reliable. We, however, do not guarantee its accuracy or completeness. Opinions, estimations and projections expressed in this report are deemed valid up to the date of publication of this report and can be subject to change without notice.

This research report is copyrighted by Rong Viet Securities. All rights reserved. Therefore, copy, reproduction, republish or redistribution by any person or party for any purpose is strictly prohibited without the written permission of VDSC. Copyright 2016 Viet Dragon Securities Corporation.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by Viet Dragon Securities Corp. ("VDSC"), a company authorized to engage in securities activities in Vietnam. VDSC is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

Additional Disclosures

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither VDSC nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report.

VDSC may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of VDSC.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by VDSC with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior.

RESEARCH DISCLOSURES

Third Party Research

This is third party research. It was prepared by Rong Viet Securities Corporation (Rong Viet), with headquarters in Ho Chi Minh City, Vietnam. Rong Viet is authorized to engage in securities activities according to its domestic legislation. This research is not a product of Tellimer Markets, Inc., a U.S. registered broker-dealer. Rong Viet has sole control over the contents of this research report. Tellimer Markets, Inc. does not exercise any control over the contents of, or the views expressed in, research reports prepared by Rong Viet.

Rong Viet is not registered as a broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" and other "U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

DISCLAIMER:

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Tellimer Markets, Inc., located at Floor 36, 444 Madison Avenue, Floor 36, New York, NY 10022. A representative of Tellimer Markets, Inc. is contactable on +1 (212) 551 3480. Under no circumstances should any U.S. recipient of this research report effect any transaction to buy or sell securities or related financial instruments through Rong Viet. Tellimer Markets, Inc. accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor.

None of the materials provided in this report may be used, reproduced, or transmitted, in any form or by any means, electronic or mechanical, including recording or the use of any information storage and retrieval system, without written permission from.

Rong Viet is the employer of the research analyst(s) responsible for the content of this report and research analysts preparing this report are resident outside the U.S. and are not associated persons of any U.S. regulated broker-dealer. The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of Tellimer Markets, Inc. and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Tellimer Markets, Inc. or its affiliates has not managed or co-managed a public offering of securities for the subject company in the past 12 months, has not received compensation for investment banking services from the subject company in the past 12 months, and does not expect to receive or intend to seek compensation for investment banking services from the subject company in the next three months. Tellimer Markets, Inc. has never owned any class of equity securities of the subject company. There are no other actual, or potential, material conflicts of interest of Tellimer Markets, Inc. at the time of the publication of this report. As of the publication of this report, Tellimer Markets, Inc. does not make a market in the subject securities.

About Tellimer

Tellimer is a registered trade mark of Exotix Partners LLP. Exotix Partners LLP and its subsidiaries ("Tellimer") provide specialist investment banking services to trading professionals in the wholesale markets. Tellimer draws together liquidity and matches buyers and sellers so that deals can be executed by its customers. Tellimer may at any time, hold a trading position in the securities and financial instruments discussed in this report. Tellimer has procedures in place to identify and manage any potential conflicts of interests that arise in connection with its research.

A copy of Tellimer's conflict of interest policy is available at www.tellimer.com/regulatory-information.

Distribution

This report is not intended for distribution to the public and may not be reproduced, redistributed or published, in whole or in part, for any purpose without the written permission of Tellimer. Tellimer shall accept no liability whatsoever for the actions of third parties in this respect. This report is for distribution only under such circumstances as may be permitted by applicable law.

This report may not be used to create any financial instruments or products or any indices. Neither Tellimer, nor its members, directors, representatives, or employees accept any liability for any direct or consequential loss or damage arising out of the use of all or any part of the information herein.

United Kingdom: Distributed by Exotix Partners LLP only to Eligible Counterparties or Professional Clients (as defined in the FCA Handbook). The information herein does not apply to, and should not be relied upon by, Retail Clients (as defined in the FCA Handbook); neither the FCA's protection rules nor compensation scheme may be applied.

UAE: Distributed in the Dubai International Financial Centre by Exotix Partners LLP (Dubai) which is regulated by the Dubai Financial Services Authority ("DFSA"). Material is intended only for persons who meet the criteria for Professional Clients under the Rules of the DFSA and no other person should act upon it.

Other distribution: The distribution of this report in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restriction.

Disclaimers

Tellimer and/or its members, directors or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities referred to herein. Tellimer may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups of Tellimer.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States. The value of any investment or income from any securities or related financial instruments discussed in this report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Frontier and Emerging Market laws and regulations governing investments in securities markets may not be sufficiently developed or may be subject to inconsistent or arbitrary interpretation or application. Frontier and Emerging Market securities are often not issued in physical form and registration of ownership may not be subject to a centralised system. Registration of ownership of certain types of securities may not be subject to standardised procedures and may even be effected on an ad hoc basis. The value of investments in Frontier and Emerging Market securities may also be affected by fluctuations in available currency rates and exchange control regulations. Not all of these or other risks associated with the relevant company, market or instrument which are the subject matter of the report are necessarily considered.



REPORT CONTENT



**Macroeconomic
outlook**



**Stock market
outlook**



**Sectors review
& outlook**

- Until now, Vietnam has undergone more than 3 months fierce battle with gradually tightening measures from the government to control the outbreak. On the other hand, strict Covid-19 measures are currently posing a threat to the economic recovery. We estimate that economic sectors are running at below 50% capacity due to the fourth outbreak.
- Vietnam has rolled out the vaccination drive since 8 Mar, which is relative late to most of its peers. Based on vaccination of 300k per day, we estimate 70% of the population to be vaccinated at least one shot by Q22022. Currently, vaccine rollout in Covid-19 hotspot HCMC is a crucial step for gradually loosening the lockdown and allowing more economic activities to operate.
- In our view, 2H21 economic outlook will depend on the effectiveness of virus containment and vaccination progress. Our 2021 GDP forecast was cut to 4.0%, reflecting the negative impacts of the fourth outbreak on domestic activities as well as precautionary relaxation of Covid-19 measures. Risks to our view: 1) uncertainty over the future trajectory of Covid-19 & 2) vaccine supply constraints.
- Our 2021 inflation forecast was 3.5%, but risks are to the upside. In addition, near-term inflation pressures could feed into 2022 inflation expectations due to the combination of rebounding demand and constrained supply.
- The monetary policy is expected to remain supportive given the complexity of the Covid-19 outbreak. However, policymakers are likely to retain a cautious policy stance due to rising inflation expectations. We see the possibility of further policy rate cuts if the economy posts negative GDP growth in 3Q21.
- In the near term, we expect USD supply/demand dynamics are less favorable for the VND. We expect the USD/VND to slightly depreciate towards the end of the year.
- We expect there will be only a limited boost from public investment due to the ongoing pandemic, the government might be able to resort public investment spending to allocate more resources for the Covid-19 fight.

1. Market overview 1H 2021- Individual investors led the market

- Vietnam is one of the leading market in terms of return given the strong participation of individual investors in 6M 2021.
- Foreign investors were net sellers.
- VN30 was the main market driver led by banks, steel and securities stocks.
- Earnings of listed companies strongly recovered YoY.

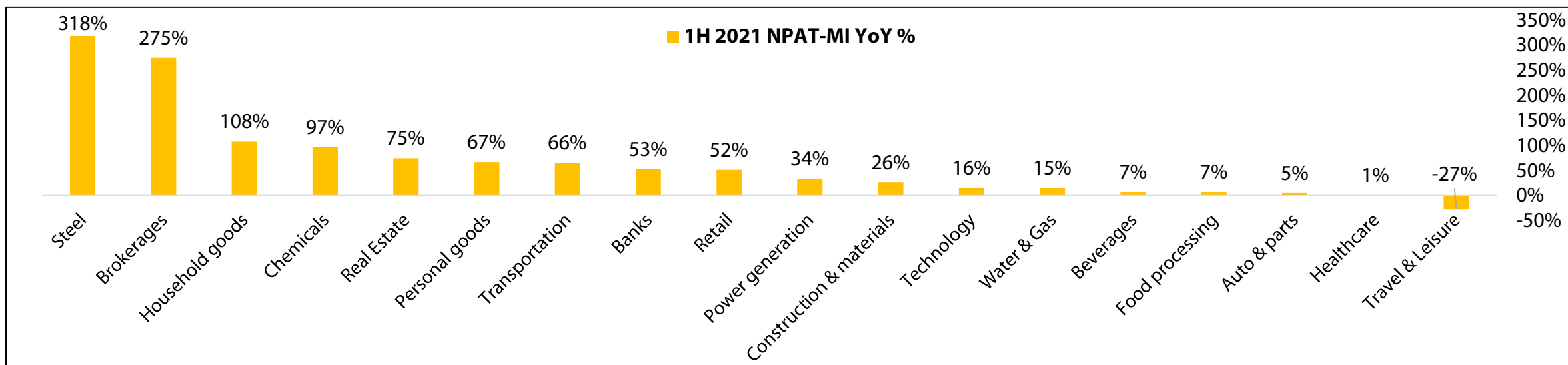
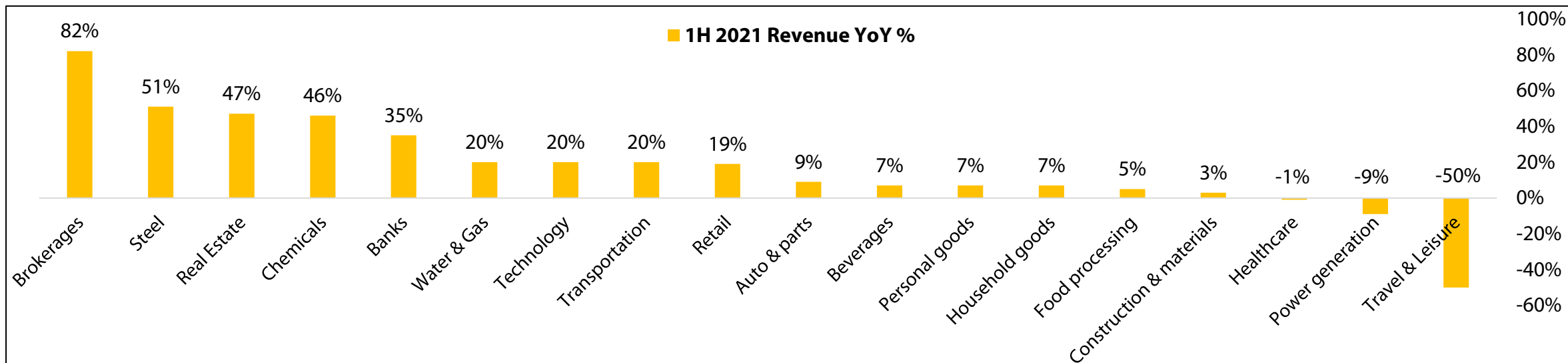
2. Market outlook 2H 2021- VN Index to move in a range of 1,250 – 1,550

Positive factors

- Low interest rate environment.
- The comeback of foreign investors.
- The accelerated vaccination in HCMC is pivotal to boost market sentiment.

Negative factor

- Extended lockdown to impact the recovery progress of business activities.



Source: Fiinpro, Rong Viet Securities

- ❖ Most sectors reported robust growth in both revenue and NPAT in 1H 2021 primarily on the back of last year's low base. Notably, commodities related sectors namely steel sector, chemicals saw its business results skyrocketed as price of many commodities have been surging, due to a surge in recovered demand and disrupted supply chain telecommunication. Also, brokerages firms posted tremendous profit growth owing to massive influx of retail investors to the stock market. On the downside, travel & leisure sector continued to witness a plummet in profit due to resurgences of the pandemic.
- ❖ For the sector outlook, we expect the recovery theme on the global scale, accelerated by the speeding up vaccine rollout, to play an important role in our sector and stock picks. As such, we are optimistic about the prospects of sectors that are geared to global markets such as logistics and aviation. For the domestic market, we believe real estate, retail, F&B, technology sectors will be the main beneficiaries when the stringent social distancing order loosens in the upcoming times. Additionally, prospective extended rally of commodities could further benefit steel producers.
- ❖ On the other hand, we are cautious on the near-term profit outlook of some manufacturers, who will be witnessing its operating costs surge dramatically in an effort of maintaining businesses in the time of the pandemic, in the textile and fisheries. However, those sectors should also enjoy a more vibrant outlook in 2022F, underpinned by strong rebound in exporting demand.

NOTES: SECTOR QUALITATIVE RATINGS

- *Our table of qualitative ratings is based upon six industry-wide criteria's, specifically: 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 in this year and the next. 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.*



Subsector	2022 Supply - Demand	Input price	Legal Environment	Long-term Growth Potential	Technological Development	Competition	View	Stock Picks	Watch List
Technology	++			++	++		Positive	FPT	
Banking	+		+++	+++	++	+	Positive	TCB, VCB, CTG, OCB, MBB	ACB, HDB, VPB
Logistics	++	+	++	++		+	Positive	GMD, HAH, SCS	
Fishery	++	-		++		--	Positive		VHC, FMC
Retails	-			++	+		Good	MWG, PNJ	
RE - Industrial park	-			+++			Good	PHR, KBC	LHG
RE - Residential	++	-	+	++	+		Good	NLG, KDH	HDG, DIG
Construction	+			+			Good	HTN	
F&B	++	-		+		+	Good	MSN	QNS, VNM
Steel	-	+	+	+++			Good	HPG	HSG, NKG, SMC
Aviation			++	+++	+		Good	ACV	
Pharmaceutical	--			+++		-	Good		IMP
Textile	++	-		++	+	-	Good		STK, MSH, TCM
Power	--	+		++		+	Neutral	REE, PC1, GEG, NT2	HND PCC
Securities	++		-		+	--	Neutral		
Chemicals - Natural rubber	-			+			Neutral		
Automotive - Spare parts	--	-		++		-	Neutral		DRC, HAX
Chemicals - Agochemicals	-			+		-	Neutral		BFC, DPM, DGC, LTG
Oil & Gas	--			+			Neutral	PVT	PVD, PVS
Insurance	---			++			Neutral		

Table :2H 2021 forecast (VND bn) and valuation

Sector	2H-2021				2021F P/E	Curr P/B
	Revenue	NPAT	Revenue YoY %	NPAT YoY %		
Oil & Gas	7,612	488	-33%	98%	16.0	2.6
Materials – Steel	127,676	18,889	54%	90%	6.2	2.7
Residential RE	12,555	4,097	25%	69%	11.1	3.6
Logistics	8,401	1,531	15%	53%	6.5	2.4
IT	18,263	2,493	13%	30%	19.8	5.2
Banking	165,991	59,678	11%	29%	11.4	2.4
F&B	88,925	8,142	19%	16%	13.7	6.8
Pharmaceutical	820	137	7%	13%	20.6	2.8
Fertilizer	8,781	387	30%	8%	11.6	1.8
Textile	5,791	336	28%	-6%	15.8	3.0
Fisheries	6,508	413	20%	-9%	12.8	1.5
Retails	66,796	2,108	7%	-16%	19.4	4.4
Agriculture	5,163	198	-2%	-22%	7.6	1.1
Auto dist. & parts	6,687	290	-4%	-23%	11.3	2.2
Industrial parks	3,826	487	36%	-47%	17.0	1.8
Power	18,261	1,359	-3%	-53%	15.9	1.4
Insurance	1,560	29	14%	-56%	10.9	1.4
Materials – Plastic	2,599	71	8%	-73%	24.0	2.0
Aviation	829	-451	-74%	-192%	225.6	4.5
Total	557,046	100,682	18%	29%	11.8	2.9

Table :2022F forecast (VND bn) and valuation

Sector	2022F				2022F P/E	Curr P/B
	Revenue	NPAT	Revenue YoY %	NPAT YoY %		
Industrial parks	14,399	6,542	81%	327%	4.0	1.8
Aviation	9,032	2,143	110%	188%	78.2	4.5
Materials – Plastic	5,936	420	14%	113%	11.3	2.0
Power	40,901	4,748	12%	53%	10.4	1.4
Retails	170,106	8,155	21%	51%	12.9	4.4
Textile	13,020	1,169	19%	44%	11.0	3.0
Fisheries	14,435	1,239	16%	39%	9.2	1.5
Banking	390,554	147,008	16%	24%	9.1	2.4
Pharmaceutical	1,769	280	23%	23%	16.8	2.8
IT	41,063	5,240	19%	19%	16.6	5.2
Logistics	16,552	3,204	6%	16%	5.6	2.4
F&B	180,792	16,853	11%	12%	12.3	6.8
Auto dist. & parts	14,281	669	7%	11%	10.1	2.2
Residential RE	28,909	6,914	17%	9%	10.2	3.6
Agriculture	12,381	450	20%	6%	7.1	1.1
Materials – Steel	266,586	39,033	11%	-3%	6.3	2.7
Insurance	3,231	179	2%	-7%	11.6	1.4
Oil & Gas	15,584	670	17%	-16%	19.0	2.6
Fertilizer	15,709	805	-12%	-41%	19.7	1.8
Total	1,255,240	245,721	15%	21%	9.5	2.9

Source: Rong Viet Securities

Ticker	Exchange	Market cap (USD mn)	Target price (VND)	Current price (VND)	Total Return* (%)	Rating	2021F		2022F		PER Trailing (x)	PER 2021F (x)	PER 2022F (x)	PBR Cur. (x)	Div Yield (%)	+/- Price 1y (%)	Foreign remaining room (%)
							+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)							
DIG	HOSE	451	37,365	25,300	48%	BUY	-8.9	83.0	93.9	-20.6	20.7	8.0	10.0	2.9	0.0	244.5	47.4
TCB	HOSE	7,741	71,000	50,800	40%	BUY	35.6	46.5	25.0	28.0	11.3	9.9	7.7	2.2	0.0	163.6	0.0
KBC	HOSE	706	46,200	34,550	35%	BUY	144.0	243.0	102.0	381.9	21.3	15.9	3.3	1.6	1.4	161.3	30.0
MWG	HOSE	3,511	222,600	169,900	32%	BUY	10.9	6.9	21.3	59.6	17.8	19.3	12.1	4.5	0.9	110.9	0.0
HAH	HOSE	97	61,000	47,200	31%	BUY	90.4	214.5	14.8	21.6	12.8	5.1	4.2	2.3	2.1	394.7	42.2
NT2	HOSE	233	22,900	18,600	31%	BUY	5.4	-51.1	6.1	41.8	16.2	17.5	12.3	1.3	8.1	-9.7	35.4
PVT	HOSE	269	24,100	19,100	29%	BUY	9.5	39.0	3.7	-8.6	9.9	6.6	7.3	1.5	2.6	139.6	33.8
HPG	HOSE	9,189	59,000	47,250	26%	BUY	59.2	143.5	8.0	2.5	8.7	6.5	6.3	2.9	1.1	170.1	22.4
CTG	HOSE	7,052	42,200	33,750	25%	BUY	22.1	44.9	7.9	12.5	10.1	8.2	7.3	1.8	1.5	89.1	5.6
MBB	HOSE	4,731	36,100	28,800	25%	BUY	30.0	45.1	18.0	30.4	10.7	9.1	7.0	2.1	0.0	171.1	-20.7
NKG	HOSE	273	42,500	34,550	24%	BUY	143.7	666.4	3.2	-33.6	4.9	2.8	4.2	1.6	1.4	493.9	85.2
GEG	HOSE	190	20,000	16,100	24%	BUY	3.8	5.6	41.7	17.2	17.5	16.0	13.6	1.5	0.0	19.9	12.9
HTN	HOSE	79	45,200	36,700	23%	BUY	26.2	-34.8	109.5	119.1	4.7	8.1	3.7	1.5	0.0	174.2	48.5
HDG	HOSE	376	63,336	52,800	22%	BUY	-4.3	31.2	6.9	7.5	13.5	6.8	6.3	3.0	1.9	189.6	38.3
MSN	HOSE	6,991	164,000	136,200	21%	BUY	25.0	152.2	13.5	39.1	74.8	51.7	37.1	7.4	0.7	150.5	4.5
REE	HOSE	726	65,300	54,000	21%	BUY	18.9	5.2	23.4	21.1	9.6	9.7	8.0	1.4	0.0	57.8	0.0
ACV	UPCOM	7,104	90,500	74,900	21%	BUY	-44.7	-56.8	109.8	188.4	92.2	219.9	76.2	4.5	0.0	42.7	45.4
VCB	HOSE	15,642	117,000	97,000	21%	BUY	18.8	22.2	16.3	21.2	18.0	16.0	13.2	3.5	0.0	21.0	6.5
SCS	HOSE	300	155,600	135,900	20%	BUY	15.9	22.1	11.6	14.1	15.1	12.2	10.7	7.1	5.9	31.5	22.7
NLG	HOSE	530	49,870	42,700	20%	BUY	124.9	37.5	14.6	0.4	11.3	10.6	10.6	1.9	3.5	82.6	2.7
PHR	HOSE	300	61,300	51,000	20%	BUY	16.1	-78.3	54.2	464.1	10.3	29.5	5.2	2.4	0.0	3.8	37.5
GMD	HOSE	620	55,000	47,300	19%	ACCUMULATE	6.9	51.0	7.8	69.9	33.5	25.8	15.2	2.4	2.5	150.1	7.1
QNS	UPCOM	687	50,000	44,400	18%	ACCUMULATE	16.2	20.9	24.8	23.3	14.6	12.4	10.1	2.5	5.6	56.5	42.9
FPT	HOSE	3,772	108,800	95,600	16%	ACCUMULATE	15.7	24.4	19.0	19.1	22.5	19.7	16.6	5.1	2.1	135.1	0.0
HSG	HOSE	795	43,000	37,400	15%	ACCUMULATE	53.1	184.6	28.0	-18.6	4.9	4.2	5.1	1.9	0.0	261.8	38.5

Source: Rong Viet Securities, *Including dividend yield, data as of Aug 2nd, 2021

RONG VIET
SECURITIES



VIETNAM ECONOMY 2021





VIETNAM'S ECONOMY

**THINGS GET WORSE BEFORE
THEY GET BETTER**



Ha My Tran - my.tth@vdsc.com.vn



- We estimate that economic sectors are running at below 50% capacity.
- As of 07 Aug 2021, 38/63 provinces and cities at very-high-risk or high-risk of Covid-19 transmission are under strict restrictions on non-essential activities, non-essential movements and gatherings following the government's Directive 16+, 16 or 15.
- The persistence of lockdowns may have a devastating economic impact as these localities contributed to more than 80% of national GDP.
- Current lockdown is the most stringent: mobility flows significantly declined during July, which is even lower than the lockdown in Apr 2020.
- At least 70% of manufacturing factories in the South have to suspend their operations during the lockdown. In addition, factories operating under "3 on-site" model have to bear huge operation costs and a 40-50% reduction in their capacity.
- Strict Covid-19 measures are currently posing a threat to logistics and supply chain: rising costs and the time required for truck drivers to transport goods while trucking delays and factory closures also put a massive pressure on port operations.

Figure 1: Map of Covid-19 risk



Source: antoancovid, RongViet Securities

Figure 2: Mobility trend declined to the lowest levels

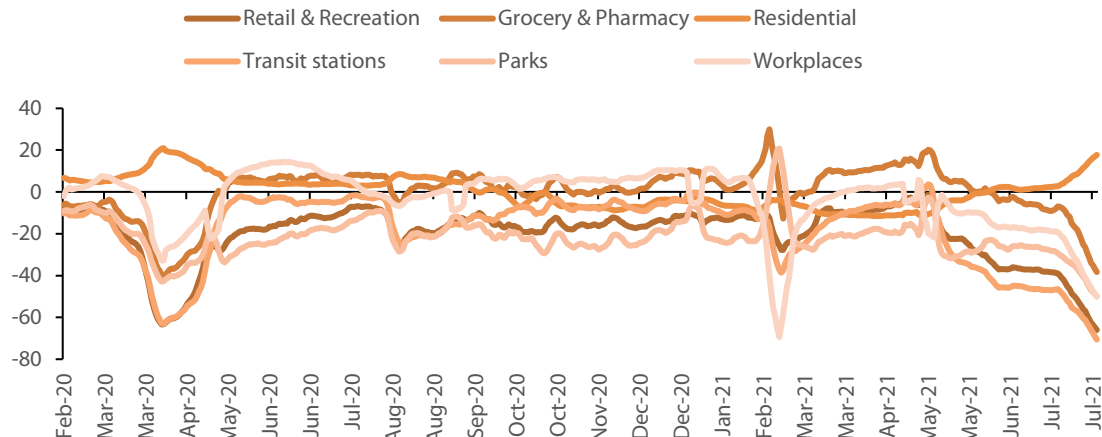


Figure 4: Retail sales contracted again in July

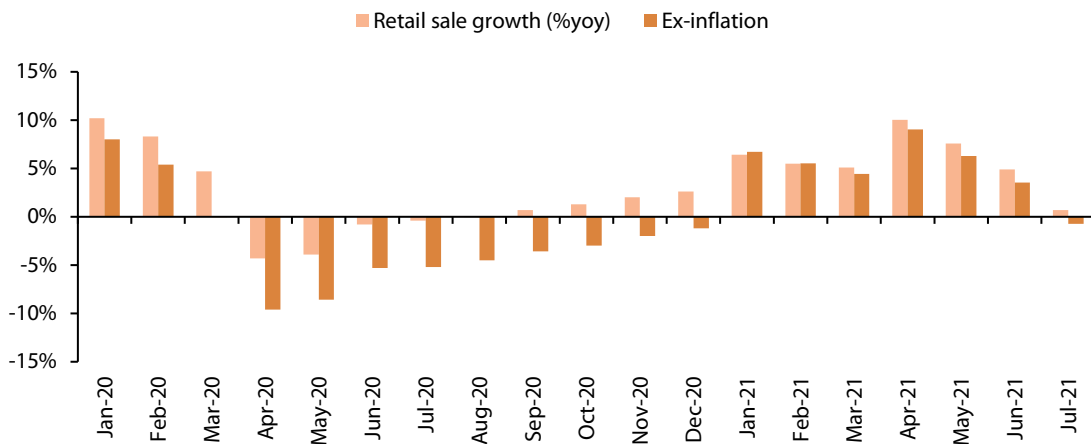


Figure 3: Growth in manufacturing tweaked lower

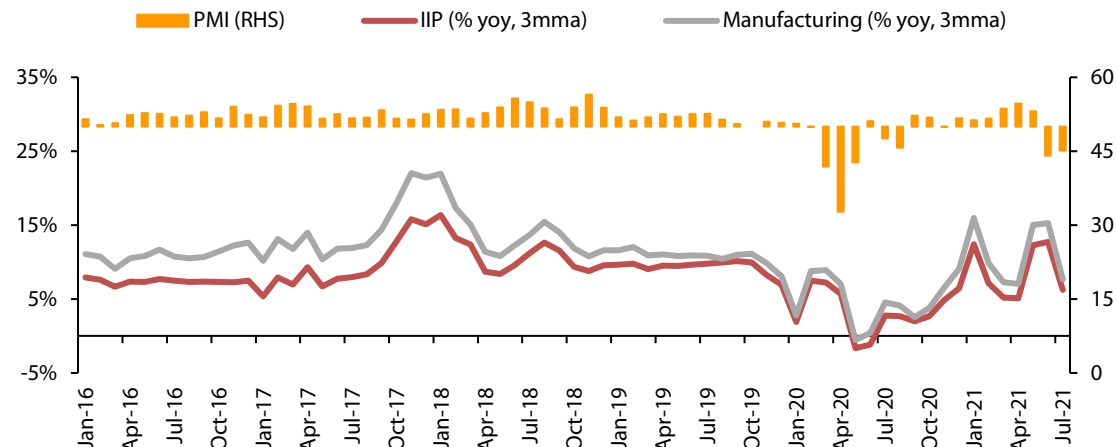
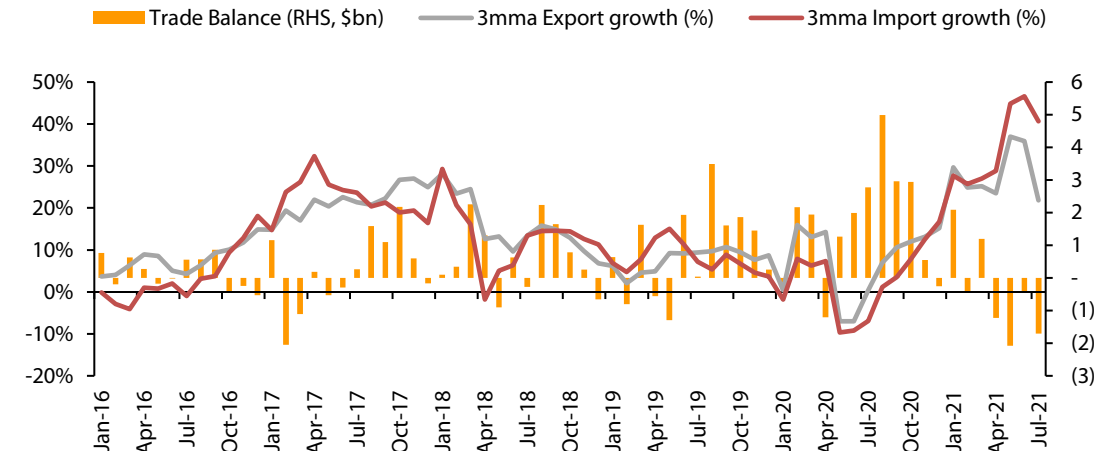


Figure 5: Trade growth is set to weaken from here



- Vietnam has rolled out the vaccination drive since 8 Mar, which is relative late to most of its peers.
- As of 11 Aug 2021, the country had an estimated total of nearly 18.9m doses of Covid-19 vaccines but administered only 10.3m doses. Of which, 13.5% of the population had received at least one dose of Covid-19 vaccines but only 1.5% of the population was fully vaccinated.
- Until now, the government has secured over 170m doses, which is enough to achieve the government's herd immunity target of 70% of the population by Apr 2022.
- Inoculation rate has been accelerated to an average of 361,603 doses in the past 7 days thanks to more vaccine deliveries.
- Based on vaccination rate of 300k per day, we estimate 70% of the population to be vaccinated at least one shot by 2Q22.
- In a more optimistic scenario, if daily injection capability is around 500,000 jabs and vaccine supply is sufficient, Vietnam could reach herd immunity by 1Q22.
- Uncertain delivery schedule might delay any hope of completing herd immunity target.

Figure 6: Daily vaccination (doses)

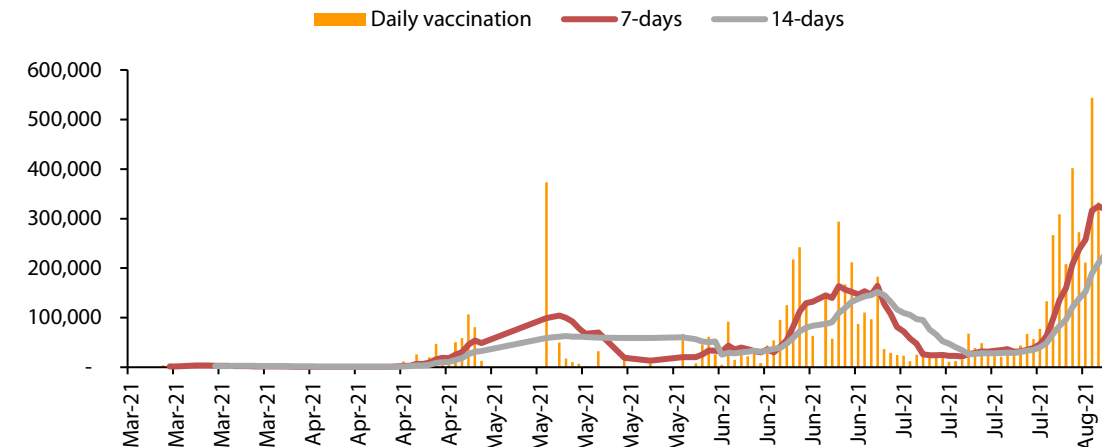


Figure 7: HCMC's vaccination progress

	doses	vs. Herd Immunity Target
Allocation from MoH (Actual)	5,075,270	36.8%
Received from MoH	4,111,040	29.8%
As of 10-Aug-21	3,598,687	26.1%
1-doses	3,497,579	25.4%
2-doses	101,108	0.7%
Daily vaccination	250k-300k/day	

Source: Ourworldindata, HCDC, tiemchungcovid19, RongViet Securities

Figure 8: Vaccine supply and delivery schedule

Vaccine supply	Type	From	doses
24-Feb-21	AstraZeneca	VNVC	117,600
16-Mar-21	Sputnik-V	Donated by Russia Gov	2,000
1-Apr-21	AstraZeneca	COVAX program	811,200
16-May-21	AstraZeneca	COVAX program	1,682,400
25-May-21	AstraZeneca	VNVC	288,000
16-Jun-21	AstraZeneca	Donated by Japan Gov	966,320
20-Jun-21	Sinopharm	China	500,000
7-Jul-21	Pfizer/BioNtech	Bilateral through MoH	194,220
2-Jul-21	AstraZeneca	Donated by Japan Gov	400,000
9-Jul-21	AstraZeneca	Donated by Japan Gov	600,000
9-Jul-21	AstraZeneca	VNVC	580,000
10-Jul-21	Moderna	COVAX program/Donation from US	2,000,040
15-Jul-21	AstraZeneca	VNVC	921,400
16-Jul-21	AstraZeneca	Donated by Japan Gov	1,000,000
23-Jul-21	AstraZeneca	VNVC	1,228,500
24-Jul-21	Moderna	COVAX program/Donation by US Gov	3,000,060
29-Jul-21	AstraZeneca	VNVC	659,900
31-Jul-21	Sinopharm	Bilateral through Sapharco	1,000,000
1-Aug-21	Sputnik-V	Donated by Russia Gov	10,000
2-Aug-21	AstraZeneca	COVAX program	1,188,000
3-Aug-21	AstraZeneca	Donated by UK Gov	415,000
6-Aug-21	AstraZeneca	VNVC	592,100
9-Aug-21	AstraZeneca	COVAX program	494,400
11-Aug-21	Pfizer/BioNtech	Bilateral through MoH	217,620
Total			18,868,760
Delivery Schedule			
3Q2021			30,000,000
4Q2021			100,000,000
Total			130,000,000
Administered vaccine			
As of 10-Aug-21	42% of total supply has been administered		10,305,762
	1 dose (~13.5% population)		9,269,660
	2 doses (~1.5% population)		1,036,102

Purchase Agreement	From	doses
Pfizer/BioNtech	MoH	31,000,000
Pfizer/BioNtech (12-18 age)	MoH	20,000,000
AstraZeneca	VNVC	30,000,000
Moderna	Zuelig Pharma	5,000,000
Sinopharm	Sapharco	5,000,000
Under Negotiation		
Sputnik-V	T&T	40,000,000
Covaxin	MoH	15,000,000
Donation		
AstraZeneca	COVAX Program	38,900,000
Moderna	US	5,060,000
AstraZeneca	Czech	250,000
AstraZeneca	Japan	2,966,320
AstraZeneca	Romania	100,000
AstraZeneca	Australia	1,500,000
AstraZeneca	UK	415,000
Sinopharm	China	500,000
Sputnik-V	Russia	1,000
Total		170,381,320

Figure 9: Confirmed Covid-19 cases and death cases

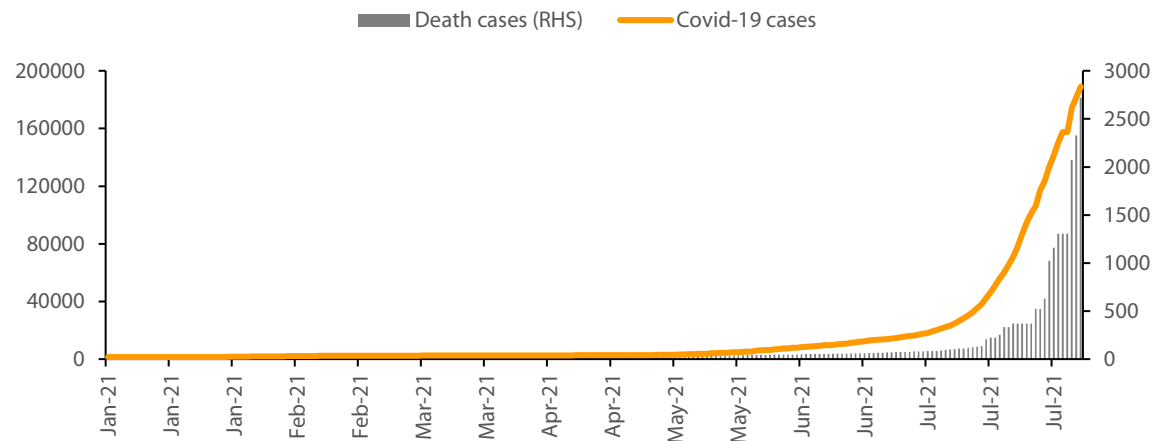
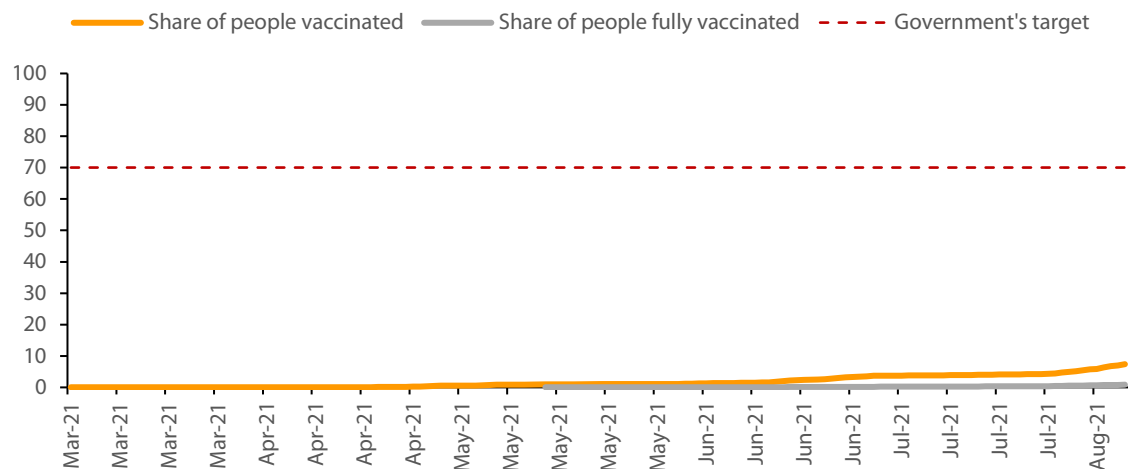


Figure 10: Vietnam's vaccination progress



Source: Ourworldindata, RongViet Securities

- The 2H21 economic outlook will depend on the effectiveness of virus containment and vaccination progress.
- Strict stringent restrictions will be in place in Aug 2021, a ramp-up in vaccinations in HCMC suggests the reopening may be gradual throughout 4Q21.
- In 3Q21, household consumption and the services sectors are likely to contract.
- In 4Q21, without stronger policy supports, the economic recovery will be weak due to pandemic scarring on labor market, supply chain, corporate and household balance sheets.
- Our 2021 GDP forecast was cut to 4.0%, reflecting the negative impacts of the fourth outbreak on domestic activities as well as precautionary relaxation of Covid-19 measures.
- Risks to our view: 1) uncertainty over the future trajectory of Covid-19 & 2) vaccine supply constraints.

Figure 11: Our GDP sensitivity analysis for 2021

	1H21 GDP growth	2H21 GDP growth									
						Base case					Plan
GDP growth	5.8%	-1.2%	-0.3%	0.6%	1.5%	2.5%	3.4%	4.3%	5.2%	6.1%	7.0%
Agriculture	5.6%	-2.3%	-1.7%	-1.1%	-0.4%	0.2%	0.8%	1.4%	2.0%	2.6%	0.4%
Industry & construction	8.4%	-1.8%	-0.5%	0.7%	2.0%	3.2%	4.5%	5.7%	7.0%	8.3%	9.5%
Industrial	8.9%	-2.0%	-0.7%	0.7%	2.0%	3.3%	4.6%	5.9%	7.3%	8.6%	9.9%
Construction	5.6%	-0.7%	0.3%	1.3%	2.2%	3.2%	4.2%	5.2%	6.2%	7.2%	8.2%
Service	4.0%	-0.3%	0.5%	1.3%	2.1%	2.9%	3.7%	4.4%	5.2%	6.0%	6.8%
Taxes & subsidies	4.9%	-0.9%	0.0%	0.8%	1.6%	2.4%	3.2%	4.1%	4.9%	5.7%	6.5%

	2021 GDP growth									
					Base case					Plan
GDP growth	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%
Agriculture	1.3%	1.7%	2.0%	2.3%	2.7%	3.0%	3.3%	3.7%	4.0%	2.8%
Industry & Construction	2.8%	3.5%	4.2%	4.8%	5.5%	6.2%	6.9%	7.6%	8.3%	9.0%
Industrial	2.9%	3.6%	4.4%	5.1%	5.8%	6.5%	7.3%	8.0%	8.7%	9.5%
Construction	2.2%	2.7%	3.2%	3.8%	4.3%	4.8%	5.4%	5.9%	6.5%	7.0%
Service	1.7%	2.1%	2.5%	3.0%	3.4%	3.8%	4.2%	4.6%	5.1%	5.5%
Taxes & subsidies	1.8%	2.2%	2.7%	3.1%	3.6%	4.0%	4.5%	4.9%	5.4%	5.8%

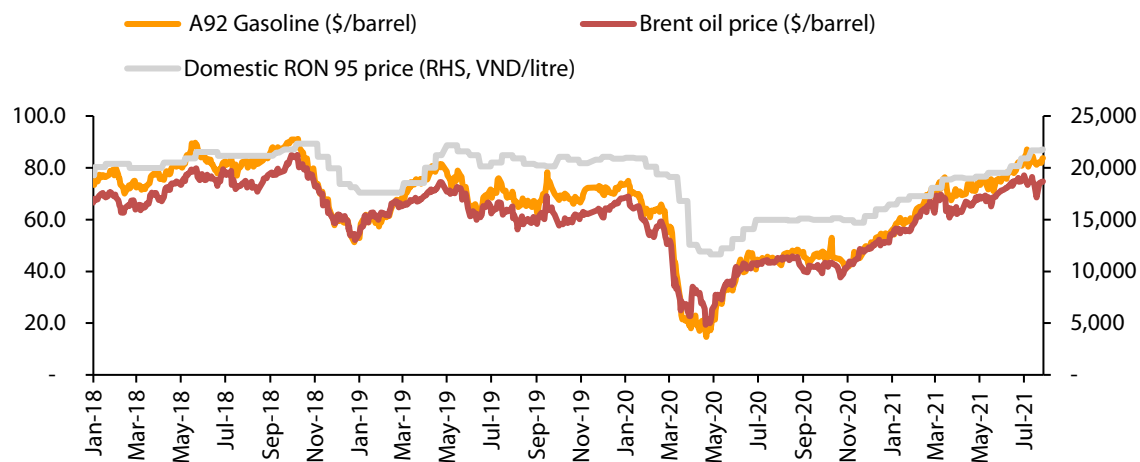
Source: RongViet Securities

2022 economic outlook

- In 2022, we think there will be a low possibility of broad-based lockdowns, which provides the foundation for a better growth outlook.
- We expect most economic sectors to reopen, inter-provincial travel to resume and fewer restrictions on social activities. We forecast Vietnam's GDP to expand 6.5% in 2022, with the rebound in manufacturing and private consumption spending.
- As the possibility of Delta and new-variant waves accompanied by strict Covid-19 restrictions remain a distinct risk in 2022, the recovery will remain bumpy with certain sectors like tourism, travel and retail recovering less quickly.
- Risks to our view remain skewed to the downside due to uncertainty over the trajectory of Covid-19, rising unemployment and supply chain disruptions, lasting economic scars among households and businesses and more limited policy space.

- We expect higher inflation in 2H21 due to following reasons:
 - Higher petrol prices could push inflation higher as the petrol price stabilization fund tool has gradually become ineffective due to sharp increases in global oil prices.
 - Supply chain disruptions due to Covid-19 restrictions are likely to add to near-term inflation pressures.
- Our 2021 inflation forecast was 3.5%, but risks are to the upside. In addition, near-term inflation pressures could feed into 2022 inflation expectations due to the combination of rebounding demand and constrained supply.

Figure 13: Domestic petrol prices are higher than pre-pandemic level



Source: GSO, MoIT, Bloomberg, PLX, RongViet Securities

Figure12: Inflation is picking up

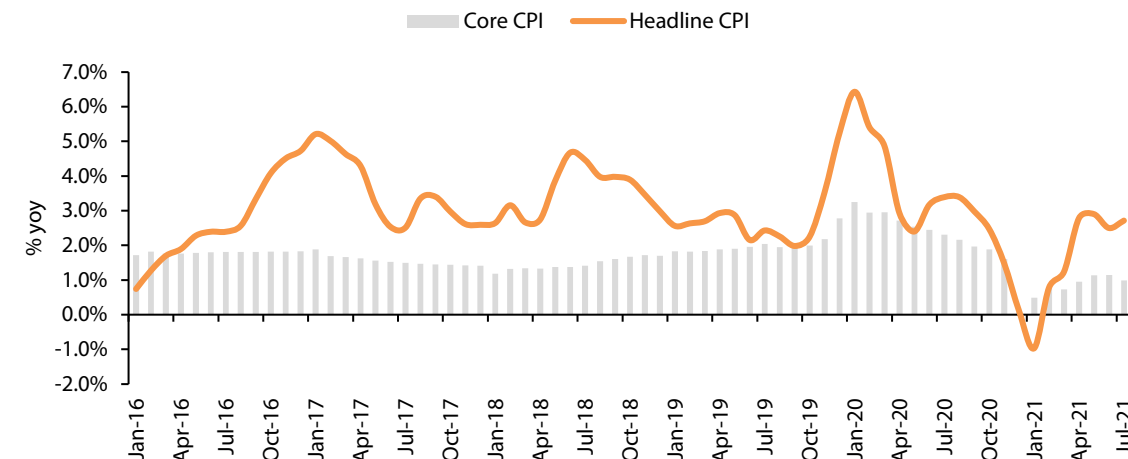
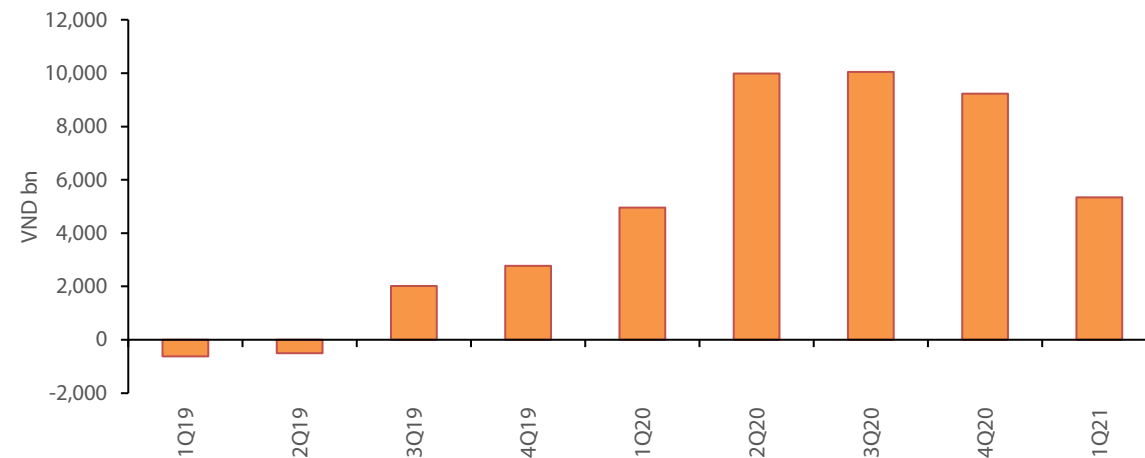


Figure 14: Declining petrol price stabilization fund



- We expect credit growth to moderate due to the impact of the latest outbreak. Slow money supply growth in 1H21 suggests that the SBV has not resorted to broad-based liquidity injection and remains focus on targeted credit expansion.
- The monetary policy is expected to remain supportive given the complexity of the Covid-19 outbreak. However, policymakers are likely to retain a cautious policy stance due to rising inflation expectations.
- We see the possibility of further policy rate cuts if the economy posts negative GDP growth in 3Q21.

Figure 16: Monetary policy responses to Covid-19 in 2021

Date	Circular/Directive	Contents
02-Apr-21	Circular 03/2021/TT-NHNN	Allows banks to reschedule loans, reduce/exempt interest, and provide loan forbearance until Dec 2021.
05-Apr-21	Circular 04/2021/TT-NHNN	Allows banks to gradually provision for loan forbearance until Dec 2023 while normalizing the loan classification in Jan 2024.
12-Jul-21	Meeting between the SBV and banks	Provides refinancing loans worth VND4 trillion for Vietnam Airlines lenders. Reached a consensus with 16 banks on reducing lending rates for businesses hit by the pandemic (total value of the support package is estimated at VND20.3 trillion)
21-Jul-21	Circular 10/2021/TT-NHNN	Provides refinancing loans for the VSPB up to VND7.5 trillion at 0% interest rate.

Source: SBV, GSO, RongVlet Securities

Figure 15: Credit growth in 1H21 recovered but still lower than pre-pandemic level

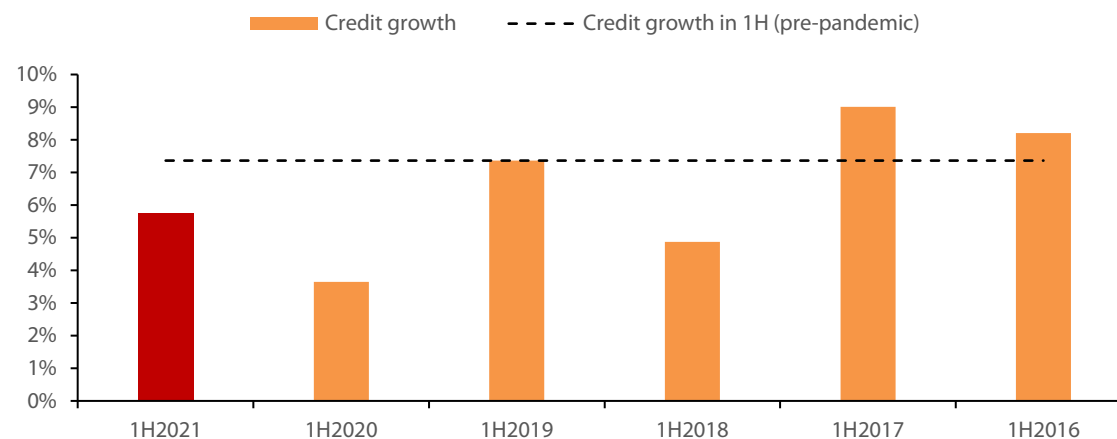
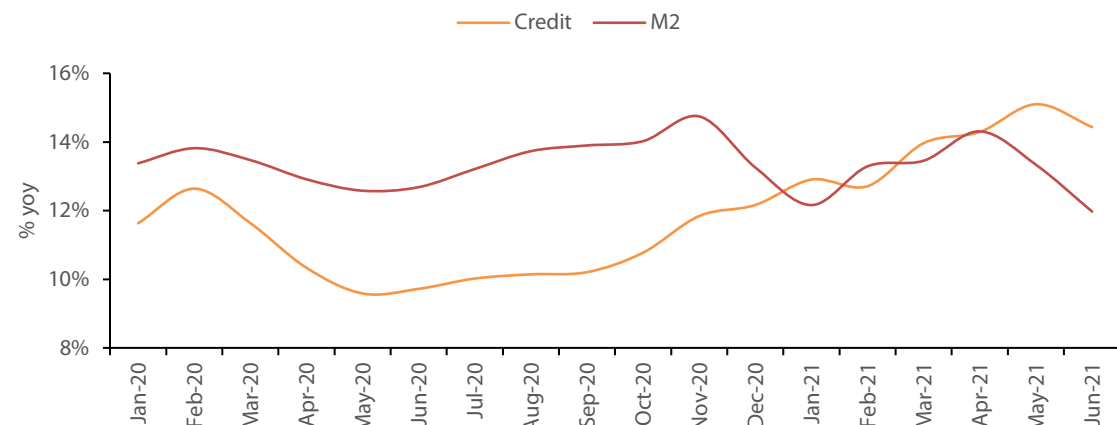
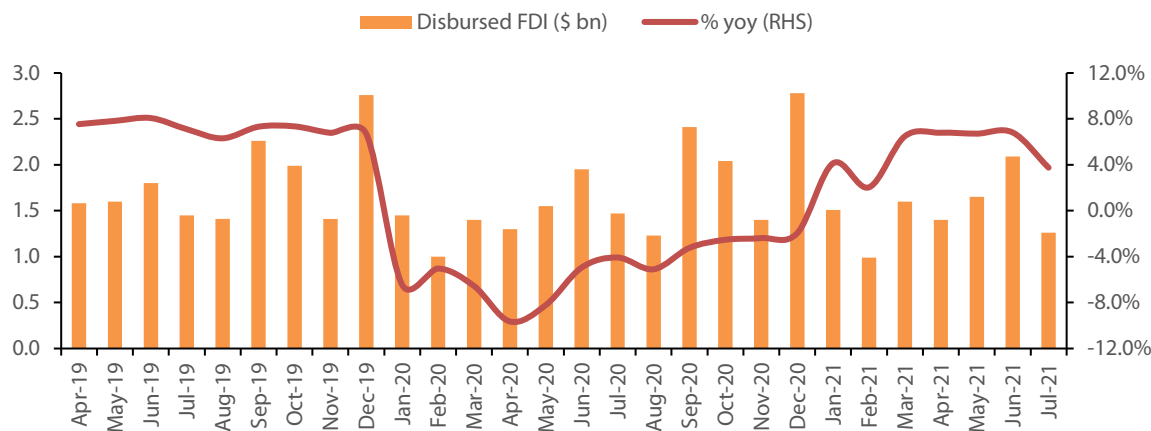


Figure 17: Widening gap between credit growth and M2 growth



- The VND has appreciated 0.5%ytd while most emerging Asia exchange rates have depreciated to multi-month lows.
- A hawkish message from the Fed could boost the strength of the USD. Meanwhile, a worsening trade balance could negatively impact on the USD/VND exchange rate.
- In the near term, we expect USD supply/demand dynamics are less favorable for the VND.
- We expect the USD/VND to slightly depreciate towards the end of the year.

Figure 19: Weak FDI inflow due to the Covid-19 restrictions



Source Bloomberg, GSO, RongViet Securities

Figure 18: Vietnam logs trade deficit for 4th month in a row

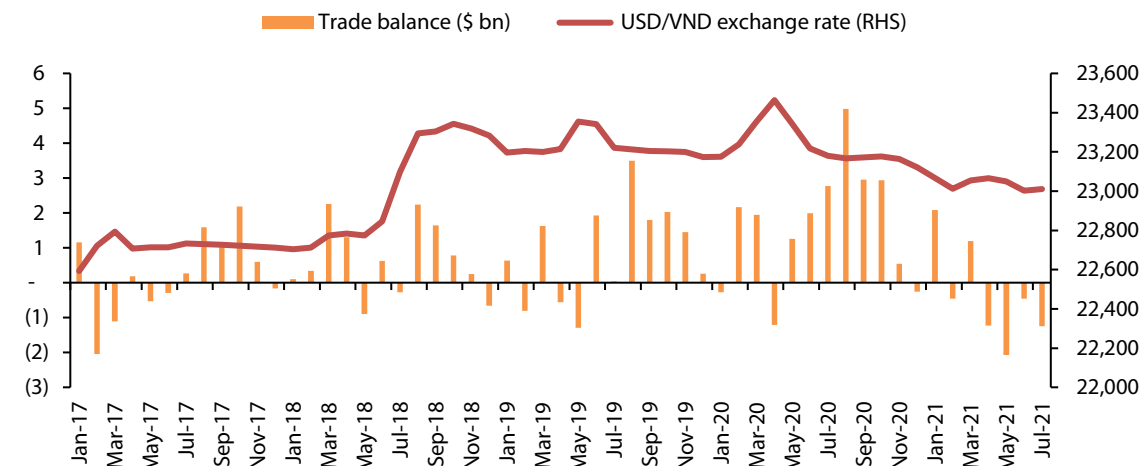
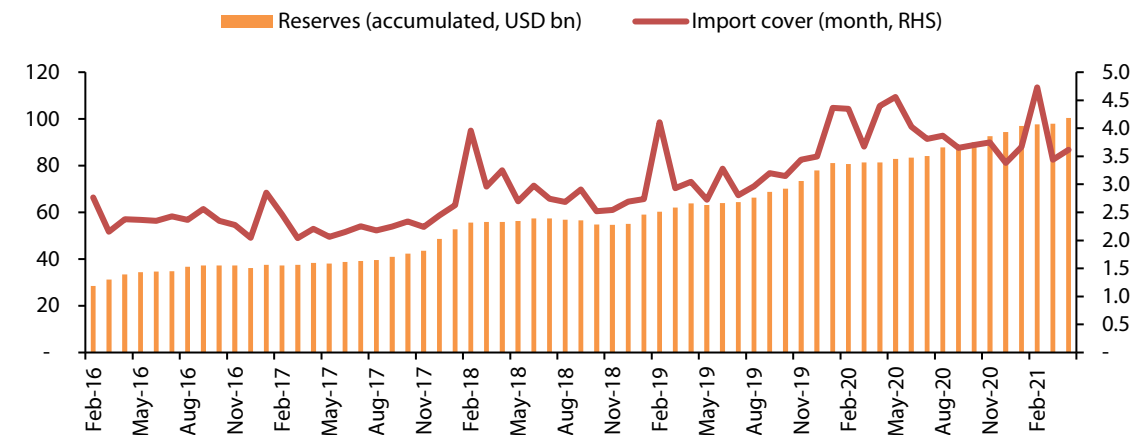


Figure 20: The import cover of reserves declined due to surging imports



- The fiscal spending in 7M21 was conservative at 48.0% of the budget target, whereas the economic recovery in 1H21 boost public revenue collection to 67.9% of the budget target.
- This has helped the fiscal balance turned to a surplus of VND101.5 trillion in 7M21 vs. a deficit of VND75.7 trillion in 7M20.
- The second support package for social assistance amounting to VND26 trillion, just 0.4% of 2020 nominal GDP, announced 1-month after a widespread lockdown across the country.
- We expect there will be only a limited boost from public investment due to the ongoing pandemic, the government might be able to resort public investment spending to allocate more resources for the Covid-19 fight.

Figure 21: Improved fiscal policy stance in 7M21

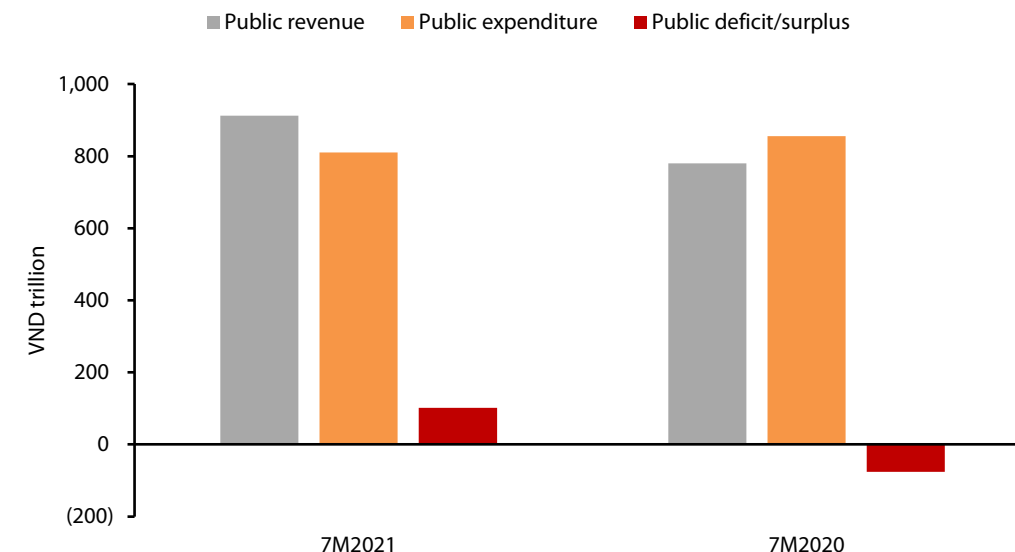


Figure 22: Slow disbursement of both public investment and support package

	7M2021	7M2020	% YoY		Plan	Actual	% Disbursed
Public investment (VND trillion)	169.3	192.0	-11.8%	1st support package (2020, VND bn)			
Plan (VND trillion)	476.9	391.8	21.7%	Income support to vulnerable groups	35,880	13,100	36.5%
% Plan	36%	49%		Loan to firms with 0% interest rate	16,200	41.8	0.3%
				Deffer social insurance contribution to firms	6,500	786	12.1%
				Training support	3,000	na	
				Total	61,580	13,928	22.6%

Source: MoF, Social Committee, RongViet Securities

RONG VIET
SECURITIES



MARKET OUTLOOK





MARKET OUTLOOK

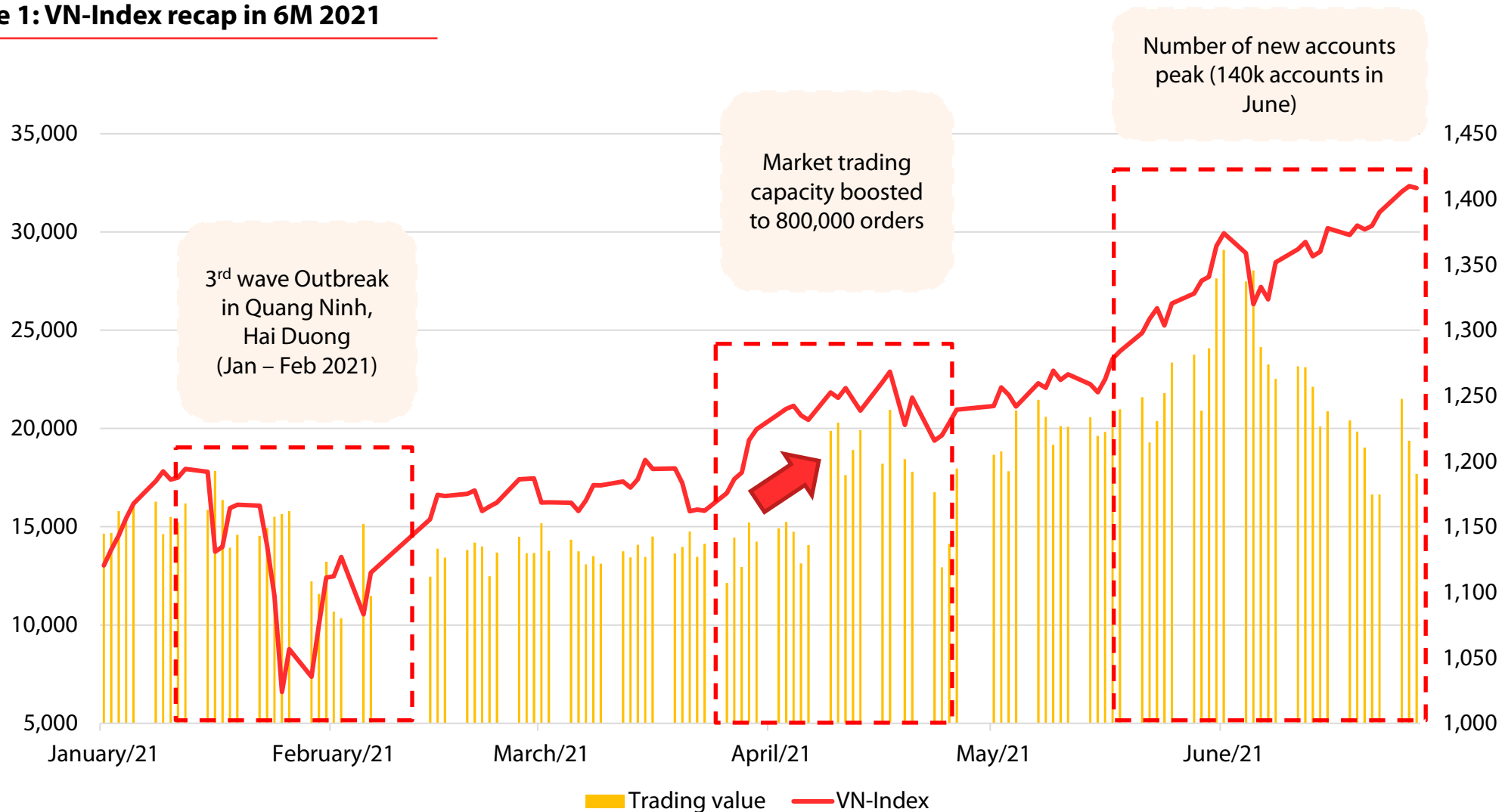
CAUTIOUSLY OPTIMISTIC



Kiet Tran – kiet.tht@vdsc.com.vn

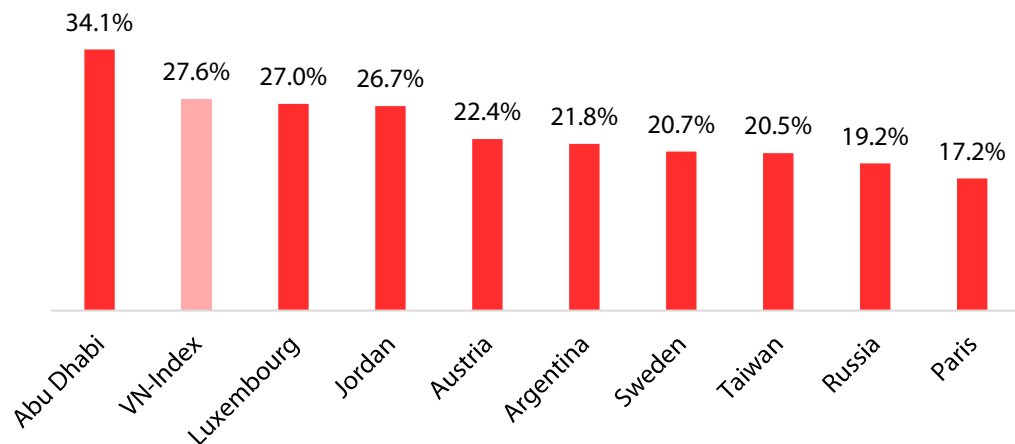


Figure 1: VN-Index recap in 6M 2021



Source: Fiinpro, Rong Viet Securities

Figure 2: VN-Index is one of the leaders in 6M 2021

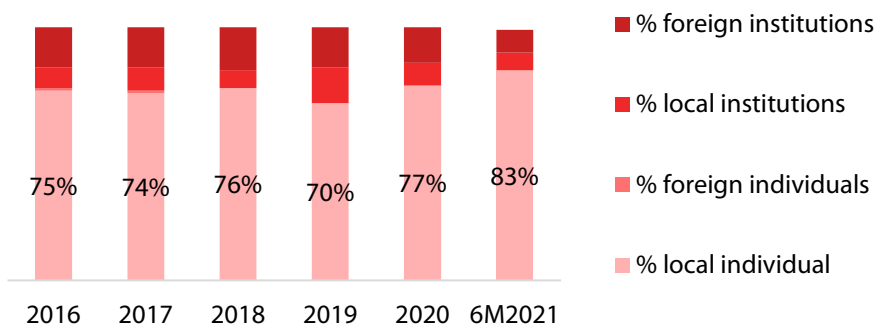


Source: Rong Viet Securities, Investing.com

Vietnam is one of the leading market in terms of return given the strong participation of individual investors

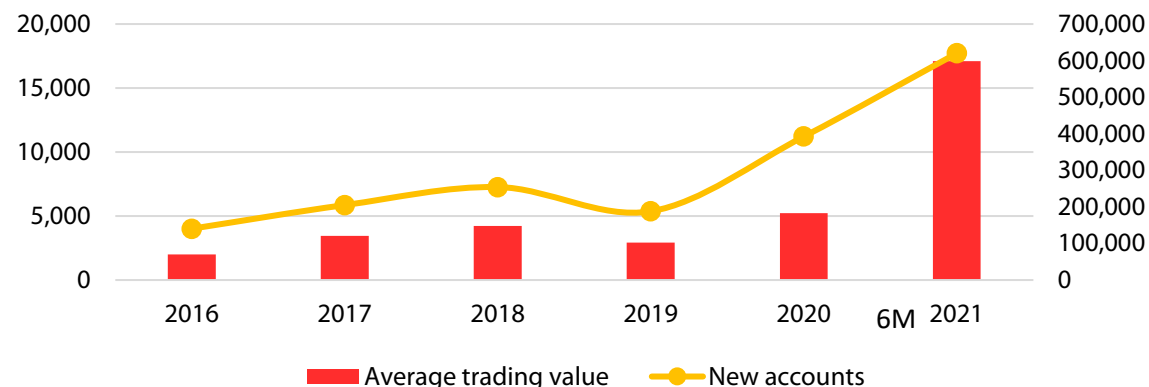
- In 1H2021, the market was ranked #2 of top market gainers with a 27.6% return (Figure 2).
- The strong participation of individual investors, accounting for **over 80% of total trading value** (number of new accounts in 6M 2021 were **1.6x times higher vs FY2020**) was the main driving force (Figure 3).
- Liquidity stayed strong with daily average trading value of VND 17,000 Bn in 6M 2021, **3x larger** than FY2020 (Figure 4).

Figure 3: VN Index trading value proportion (%)



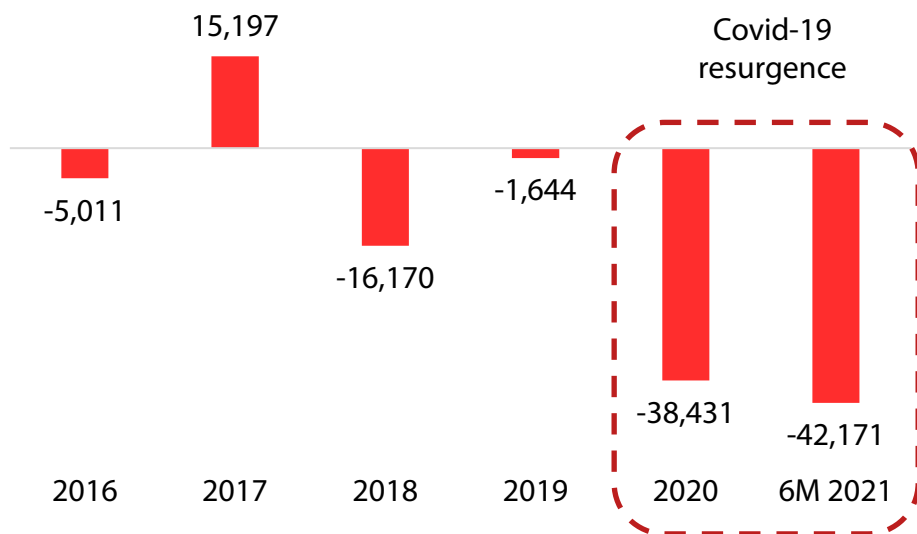
Source: Fiinpro, Rong Viet Securities

Figure 4: Average trading value (LHS, VND Bn) and new accounts (RHS)



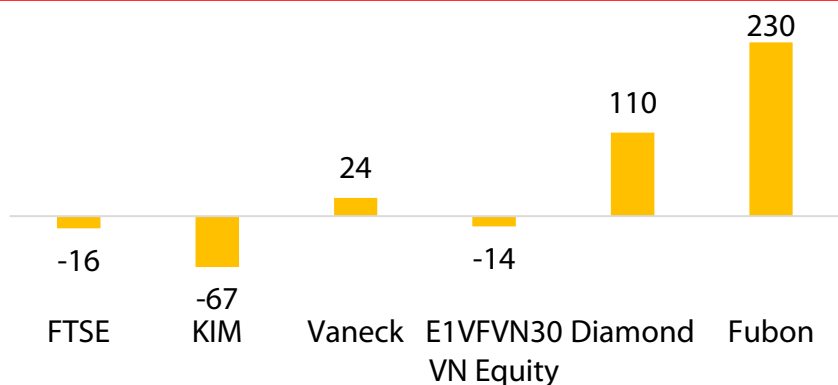
Source: Fiinpro, Rong Viet Securities

Figure 5: Net trading value of foreign investors (VND Bn)



Source: Fiinpro

Figure 6: ETF money flows in 6M 2021 (USD Mn)



Source: Bloomberg, Rong Viet Securities

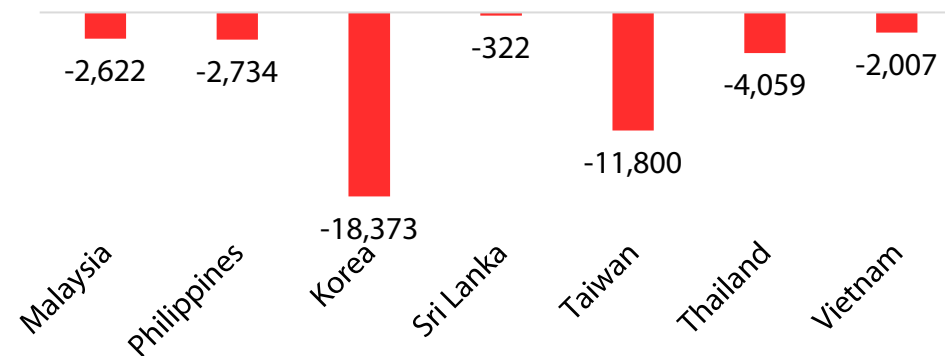
Foreign investors – Sellers

- Foreign investors accelerated their selling activity on HOSE in 2020 and 6M 2021 with total value of VND 80,602 Bn (or USD 3.5 Bn) via matching orders (Figure 5).
- Vietnam's net selling value was still lower than the average of other Asia countries (Figure 7).

ETF flows were mixed, but Fubon was the main buyer

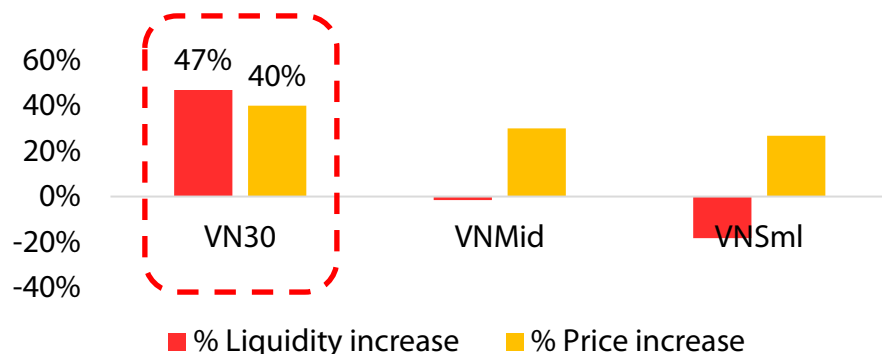
Fubon and Diamond were net buyers at USD 230 Mn and USD 110 M, respectively while Kim recorded net outflows of USD -67 Mn (Figure 6).

Figure 7: Foreign money flows in Asia countries (USD Mn) in last 12 months



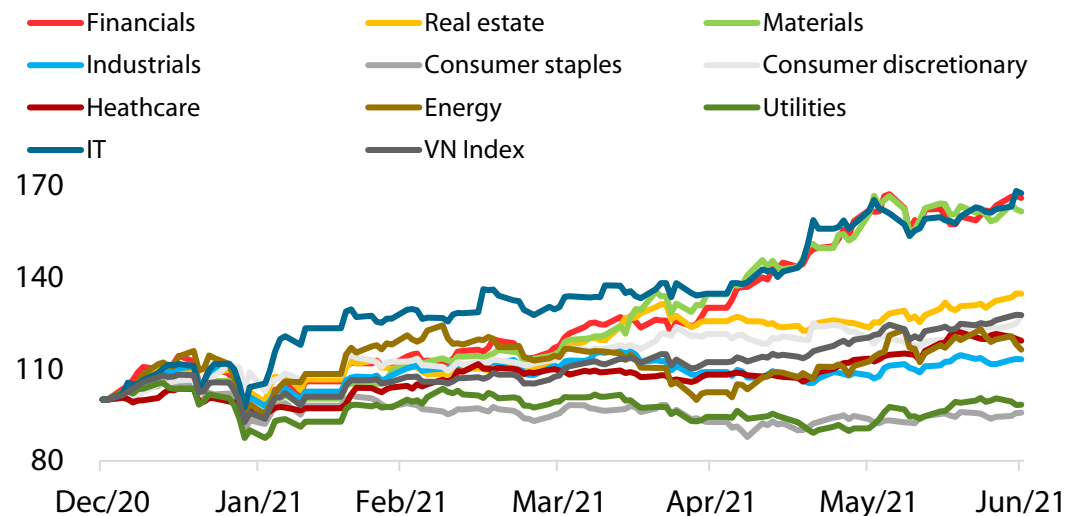
Source: Bloomberg, data as of Aug 4th, 2021.

Figure 8: VN30, VNMid, VNSml performance in 1H 2021



Source: Finpro, Rong Viet Securities compiled

Figure 9: Financials, Materials and IT were key gainers

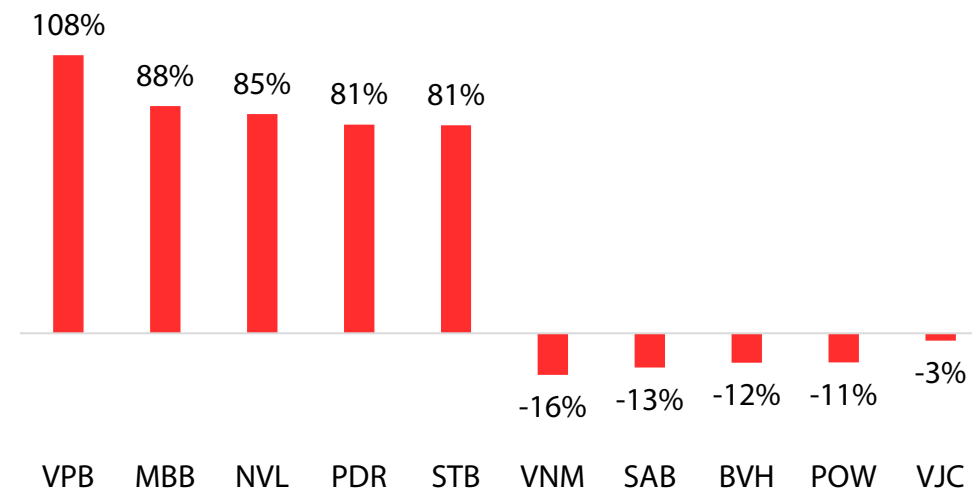


Source: Bloomberg, Rong Viet Securities

VN30 led the market in 6M 2021

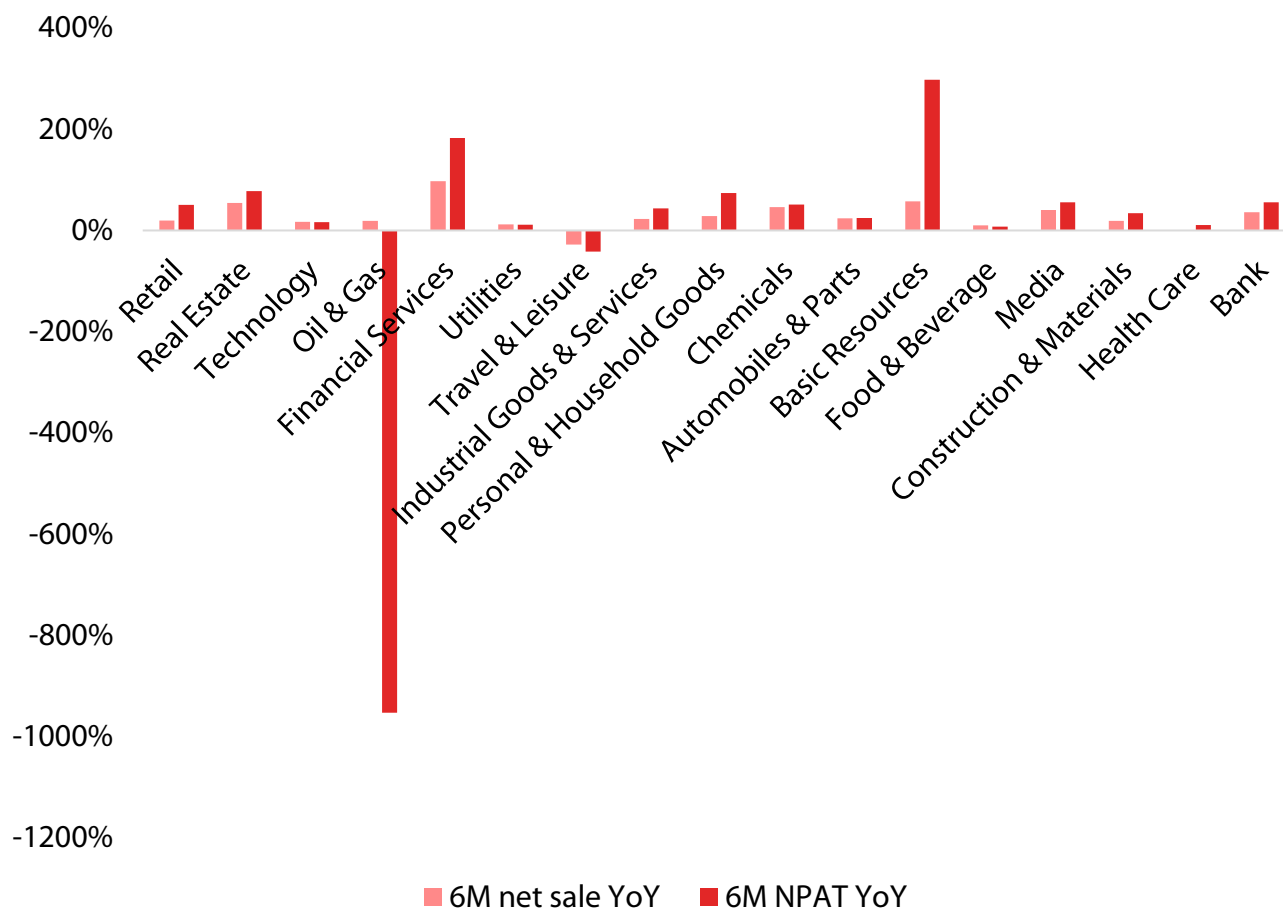
- VN30 experienced the strongest gain on both liquidity and price increase (Figure 8).
- Financials, IT, materials were key gainers thanks to the rally of banking and steel stocks (Figure 9).
- Banking stocks (VPB, MBB, STB) were the leading gainers while VNM, SAB, BVH were key laggards (Figure 10).

Figure 10: Top gainers and laggards in VN30



Source: Finpro

Figure 11: 6M's earning results by sectors

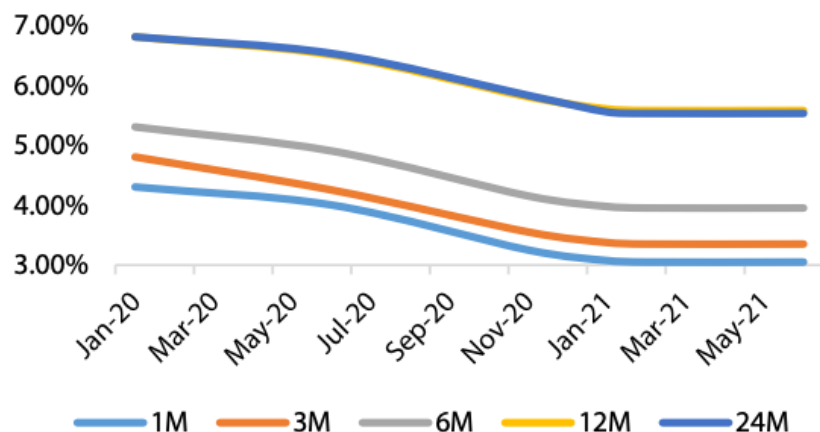


6M's earning results: Strong recovery

- 6M NPAT of the HSX and HNX increased by 66% YoY and 60% YoY, respectively. This performance indicated a strong turnaround of business activities after being hit hard by Covid-19 in 6M 2020.
- 1H NPAT of VN30, VNMI and VNSMI increased 58%, 85% and 118% YoY, respectively.
- Results of the banking group were mainly supported by positive outcomes of **private commercial banks such as TCB, MBB and STB with over 50% profit growth.**
- The surge of the VN-Index was due to the **skyrocketing results of financial services** with 183% NPAT growth YoY. Key leaders including **SSI, VND, HCM, VCI** experienced fruitful results when NPAT growth ranged from 91% to 382% YoY. The **basic resources** group also experienced strong performance thanks to the steel price rally. In which, **HPG and HSG were the earnings leaders.**

Source: Fiinpro, Rong Viet Securities

Figure 12: Average deposit rates by maturities of SOBs

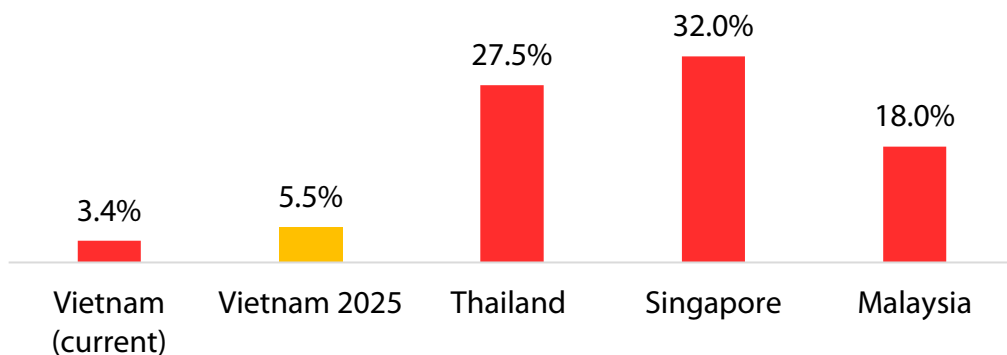


Source: Rong Viet Securities

Low interest rates environment continues to attract flows from individual investors

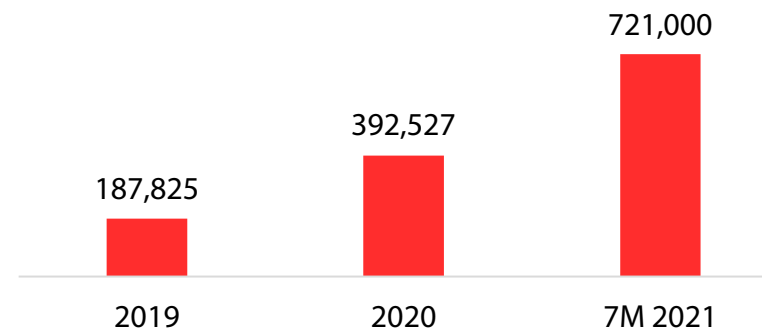
- Stock market is still attractive: in the context that interest rates cannot rise immediately given the Covid-19 fourth wave, it incentivize new investors to join the market (Figure 12).
- As of the end of Q2 2021, total untraded money on stock accounts was VND 86,000 Bn, which is only <1% of total savings in banks. Potential for more money from banks to come in the stock market.
- The no. of new account can further grow in 7M 2021, no. of new open accounts reached 721k, Figure 14 (1.8x vs 2020 and 3.8x vs 2019), but still much lower than regional peers and can be improved (Figure 13).

Figure 13: No. of individual stock accounts over population



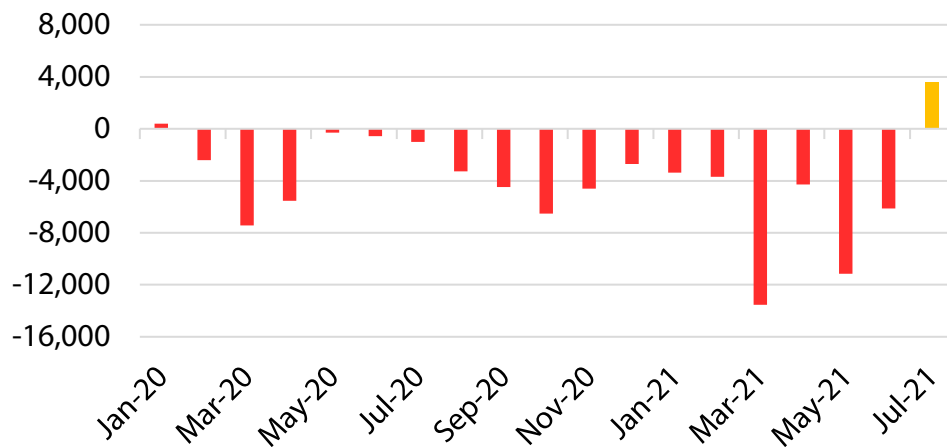
Source: Rong Viet Securities compiled

Figure 14: Number of new open accounts 2019 – 7M 2021



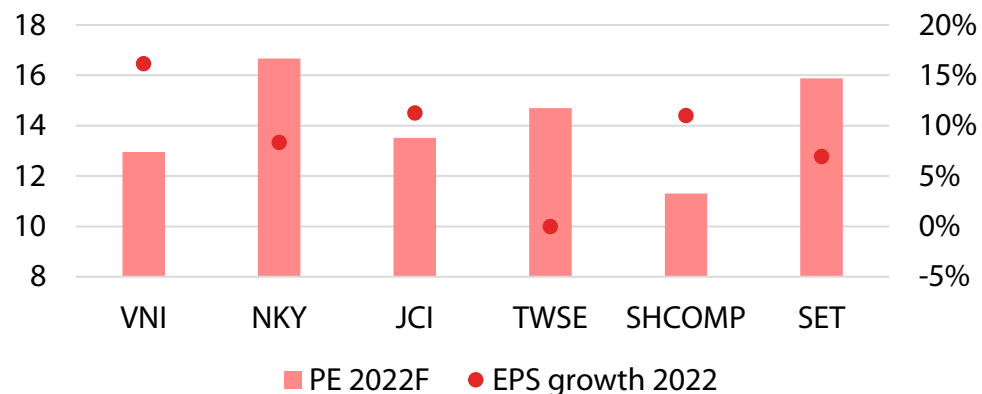
Source: Rong Viet Securities, SSC

Figure 15: Foreign net trading value via matching orders (VND Bn)



Source: Fiinpro, Rong Viet Securities

Figure 16: PE 2022F (LHS) and EPS growth 2022F (RHS)

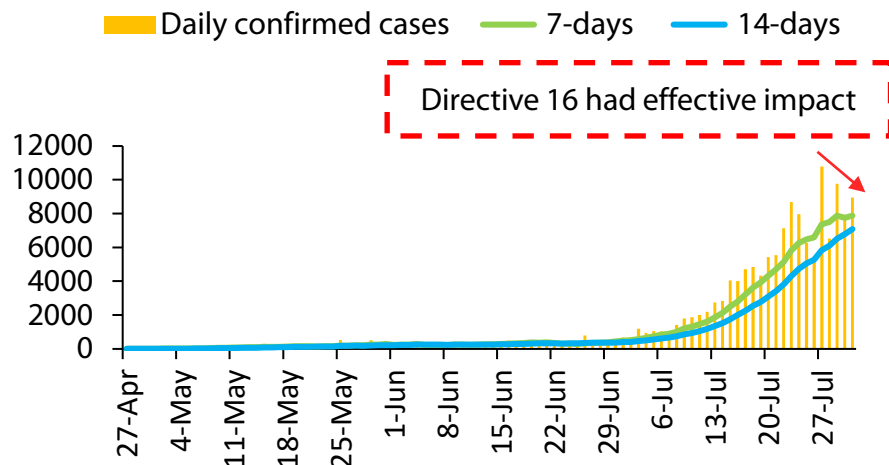


Source: Rong Viet Securities compiled

Net buying by foreign investors is expected to continue from its momentum in July as the market valuation and expected 2022F EPS growth are still attractive.

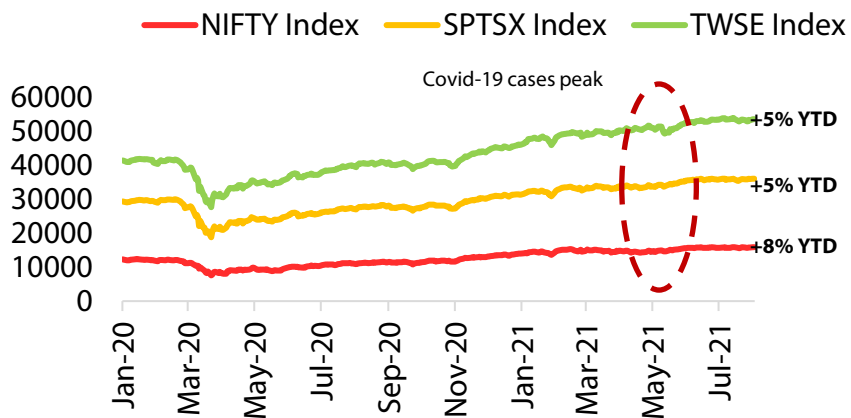
- In July, foreign investors returned as net buyers for the first time since Jan 2020 with total net trading value of VND 3,602 Bn (or USD 155 Mn), Figure 15. In which, Fubon ETF was the main player.
- Per Fubon representatives, they appreciate Vietnam's ability to control Covid-19 and the efforts to develop the stock market (use new trading system to solve the order congestion problem).
- The forward PE 2022F is 12.96x and EPS 2022F growth of 16.16% versus peers per Bloomberg estimation (Figure 16). Therefore, we expect more positive action by foreign investors in the upcoming months.

Figure 17: Vietnam cases went down



Source: Ourworldindata, WHO, Rong Viet Securities

Figure 18: Markets in India, Canada and Taiwan

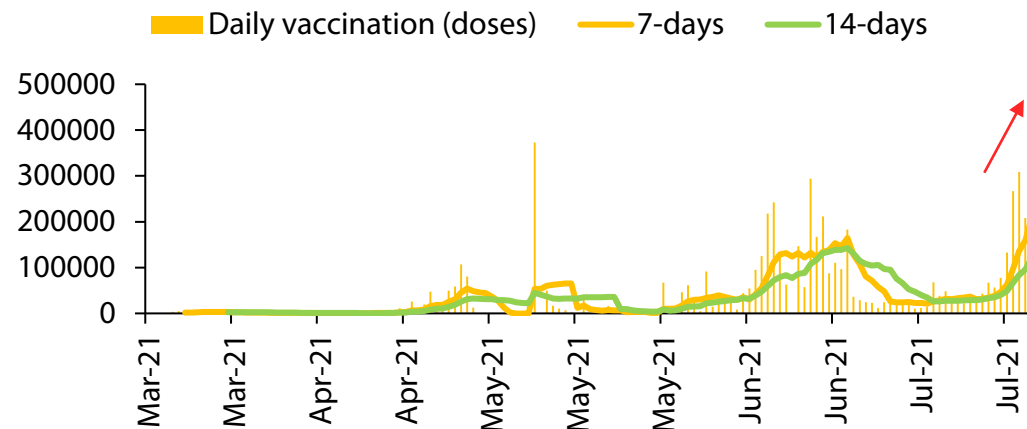


Source: Rong Viet Securities

Ramp-up vaccination in HCMC is likely to support the market

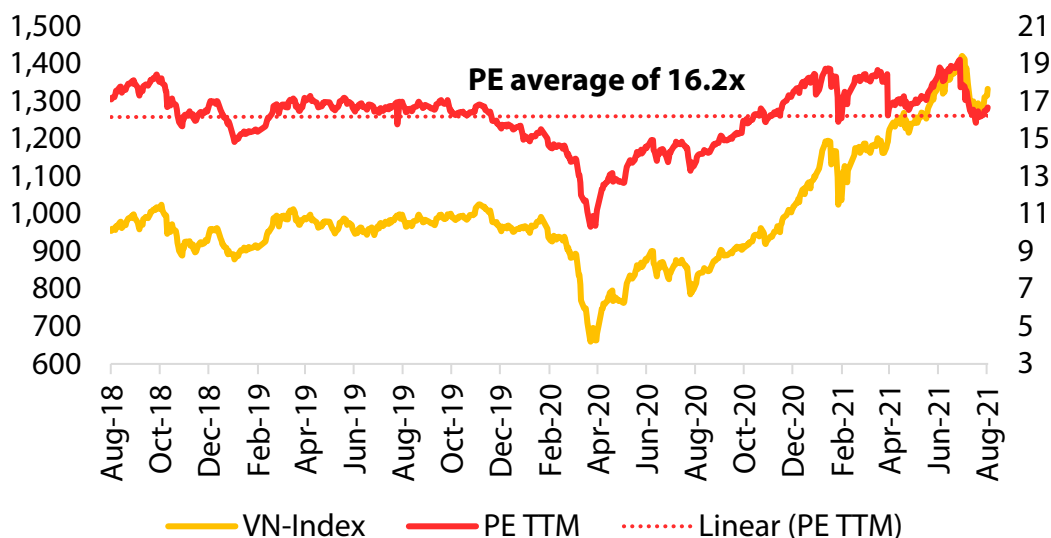
- We believe that HCMC authorities can achieve the target to have at least one shot to 70% of 9m citizens in Aug 2021 (Figure 19).
- The tightened lockdown saw preliminary effectiveness after three months as the number of Covid-19 cases was lower since its peak (Figure 17).
- Market would be more optimistic if the daily cases peak as we consider the movement of some markets including Taiwan, India and Canada (Figure 18).

Figure 19: Daily vaccination (doses)

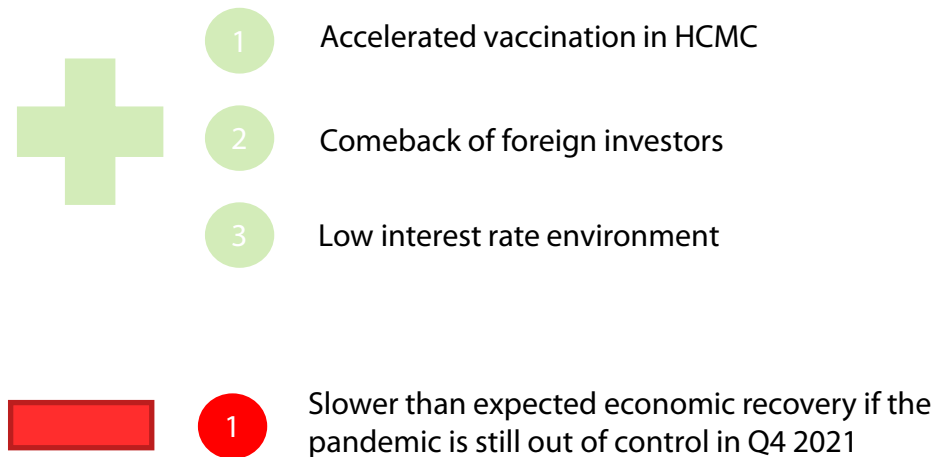


Source: Ourworldindata, WHO, Rong Viet Securities

Figure 20: VN-Index and PE TTM (August 3, 2018 – August 03, 2021)



Source: Bloomberg, Rong Viet Securities



The VN Index would be able to reach over 1,500 points backed by 20% EPS growth and a PE target of 16.2x (three-year average PE) but slower business reopening could drag down market sentiment.

- We expect the ramp-up of vaccinations in HCMC, suggesting the gradual reopening of business activities throughout 4Q21 and come up with a 20% EPS growth YoY. However, if the stringent measures persist beyond August, it will negatively affect sentiment. Therefore, we think that the VN Index will move in a range of **1,250 to 1,550**

Figure 21: Implied 2H-2021 business results by sector

Sector	2H-2021				2021F P/E	Curr P/B
	Revenue	NPAT	Revenue YoY %	NPAT YoY %		
Power	7,612	488	-33%	98%	16.0	2.6
Materials – Steel	127,676	18,889	54%	90%	6.2	2.7
Residential RE	12,555	4,097	25%	69%	11.1	3.6
Logistics	8,401	1,531	15%	53%	6.5	2.4
IT	18,263	2,493	13%	30%	19.8	5.2
Banking	165,991	59,678	11%	29%	11.4	2.4
F&B	88,925	8,142	19%	16%	13.7	6.8
Pharmaceutical	820	137	7%	13%	20.6	2.8
Fertilizer	8,781	387	30%	8%	11.6	1.8
Textile	5,791	336	28%	-6%	15.8	3.0
Fisheries	6,508	413	20%	-9%	12.8	1.5
Retails	66,796	2,108	7%	-16%	19.4	4.4
Agriculture	5,163	198	-2%	-22%	7.6	1.1
Auto dist. & parts	6,687	290	-4%	-23%	11.3	2.2
Industrial parks	3,826	487	36%	-47%	17.0	1.8
Utilities	18,261	1,359	-3%	-53%	15.9	1.4
Insurance	1,560	29	14%	-56%	10.9	1.4
Materials – Plastic	2,599	71	8%	-73%	24.0	2.0
Aviation	829	-451	-74%	-192%	225.6	4.5
Total	557,046	100,682	18%	29%	11.8	2.9

Source: Rong Viet Securities

- We expect consumer stocks including **MSN, MWG** to support the VN Index given the FY 2021 business performance outlook from the rising demand of grocery items in Q2 and Q3 2021. **FPT** has a chance to further grow based on the accelerated pace of digital adoption. For real estate stocks, the story of private placement of mid-cap stocks (**DIG, NLG**), selling treasury stocks (**VHM**), possible IPO of **HT Land** may lead the market at the end of Q3 and Q4 2021.
- For **banking stocks**, we think the strong rally so far this year will be difficult to replicate. We stay neutral on **oil and gas** stocks as the oil price rally in 1H 2021 is expected to slow down in 2H 2021. We stay cautious with **travel and leisure** group given the intense impact of Covid-19 in the first three quarters of 2021.

RONG VIET
SECURITIES



SECTOR OUTLOOK

2021





BANKING

**CAUTIOUSLY OPTIMISTIC
ABOUT THE HEADWINDS**



Tam Pham – tam.ptt@vdsc.com.vn

Thanh Nguyen – thanh.nn@vdsc.com.vn



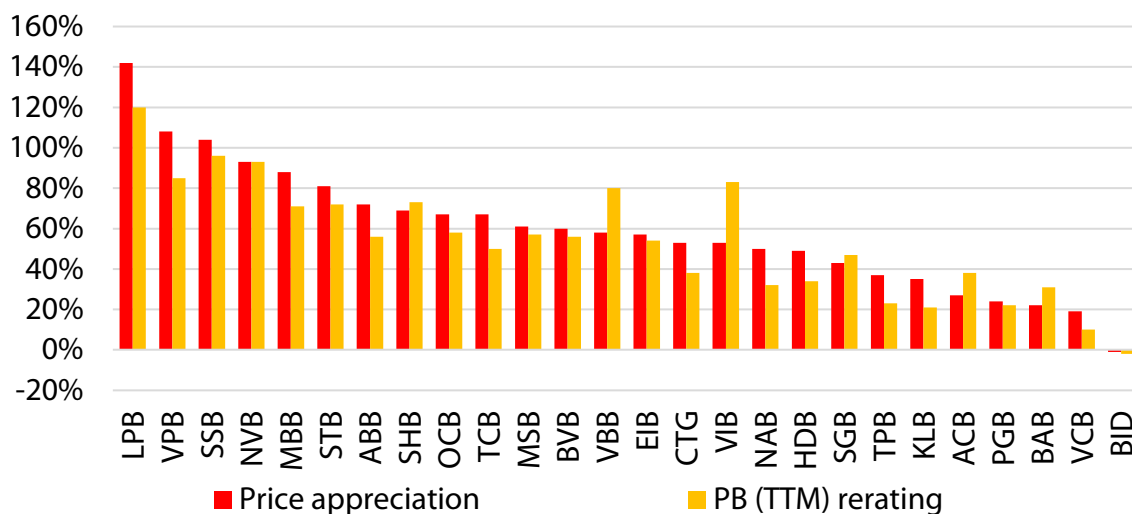
6M2021: unimpacted earnings growth in the context of complicated development of the pandemic...

- Interruptions caused by the pandemic outbreaks did not have a material impact on demand in general: credit and deposit bases expanded robustly, payment transaction rose, and asset markets bloomed. Earnings results show robust growth across the board, with +57% YoY on average in 1H21.

... due to NIM expansion on low base and idiosyncratic drivers

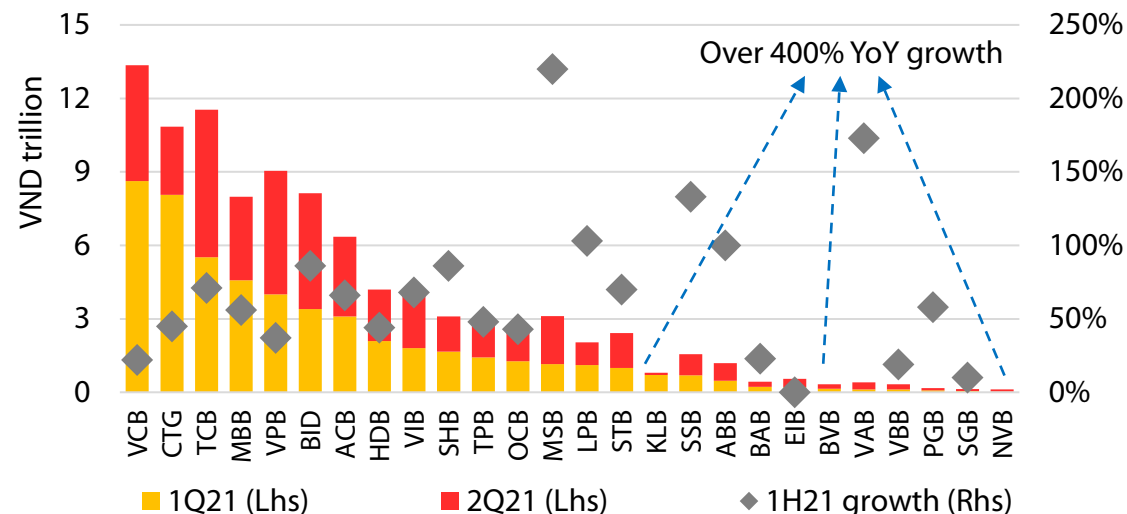
- The driving factors are different among banks. Some were supported by the low comparison base due to the impact of the initial interest rate cut last year, while other experienced robust non-interest income growth in bancassurance, bond trading, and settlement income. Non-recurring items were profit engine at several banks. Most of those experienced strong NIM expansion.
- Repricing gap and structural change in the funding mix widened NIM. It caused the lending-deposit rat gap to extend. Fastened CIR reduction due to digitalization and easing credit costs given the supportive Circular 03 are favorable conditions for PBT growth. Besides, there were catalysts backing up the stock price rally at several banks such as dividend and divestment.

Figure 1: Stock performance of listed banks in 1H2021 (% , YTD)



Source: Fiinpro, RongViet Securities

Figure 2: Quarterly PBT and 1H2021 growth (VND, %YoY)



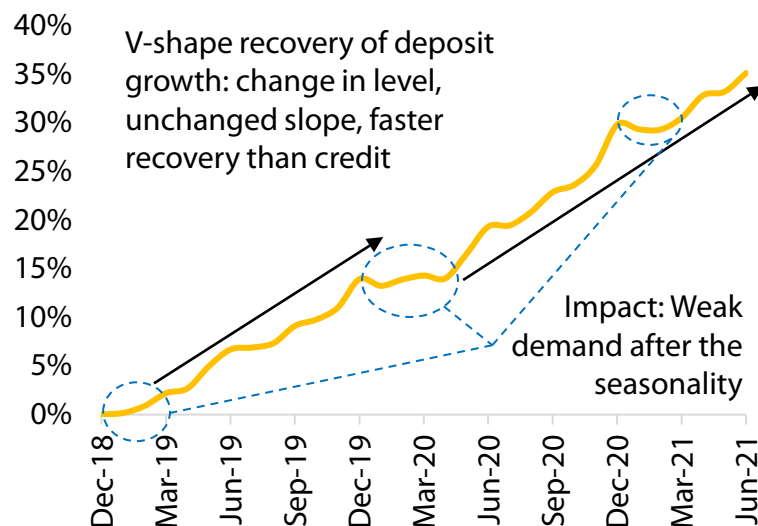
Credit growth accelerated after December 2020, while deposit growth sustained the momentum

- 1H2021 credit growth was at 6.5%, higher than that of 1H2020 (3.7%). Deposit growth in 1H2021 was slightly lower than 1H2020 (4.1% versus 4.7% respectively). Credit demand was resilient despite two major Covid outbreaks. The credit - deposit growth gap turned positive but there was no pressure on liquidity. This meets our expectation posted in the 2021 Strategy Report: the system's liquidity was able to afford a positive gap in 1.0-1.5 years.

Uneven demand across industries concerns authorities, but forward-looking credit growth stays resilient

- There might be a "K-shape" impact: different parts of the economy were hit at different times and magnitudes. This left the demand intact in several regions and sectors where the capital flowed into. Real estate was one of those, where authorities was worried about speculation.
- The macroenvironment was within our scenarios in 1H2021. We maintain the prior forecast of credit (13.1%) and deposit growth (10.8%). The conclusion of Covid-19 to us is uncertain and can not be projected. Therefore, we stay cautiously optimistic on the banking sector given the supportive policies.

Figure 3: Deposit growth (Base = 2018)



Source: SBV, RongViet Securities

Figure 4: Credit growth (Base = 2018)

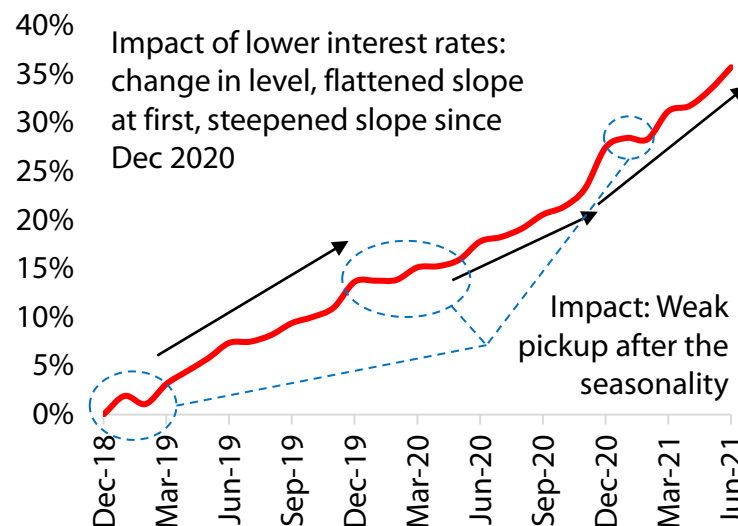


Figure 5: Credit and deposit growth (YoY)

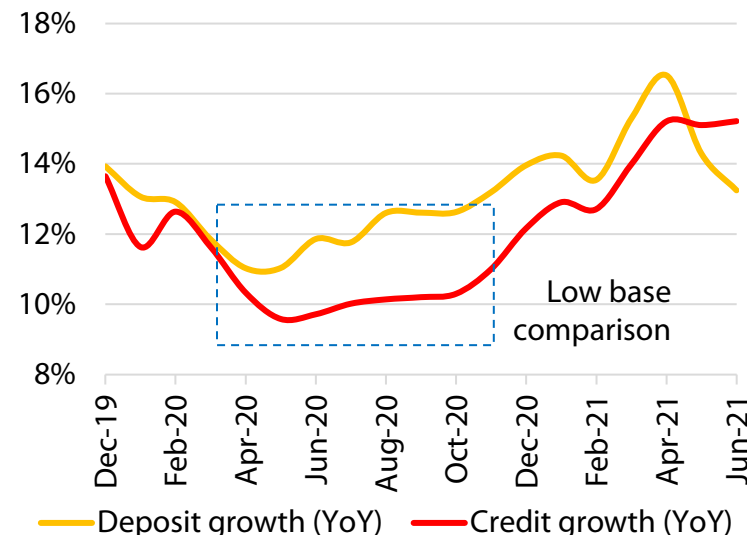


Figure 6: Auctioned government bond in 1H2021 (vertical percentage: winning rate, %; arrow: range of bidding yield, %)

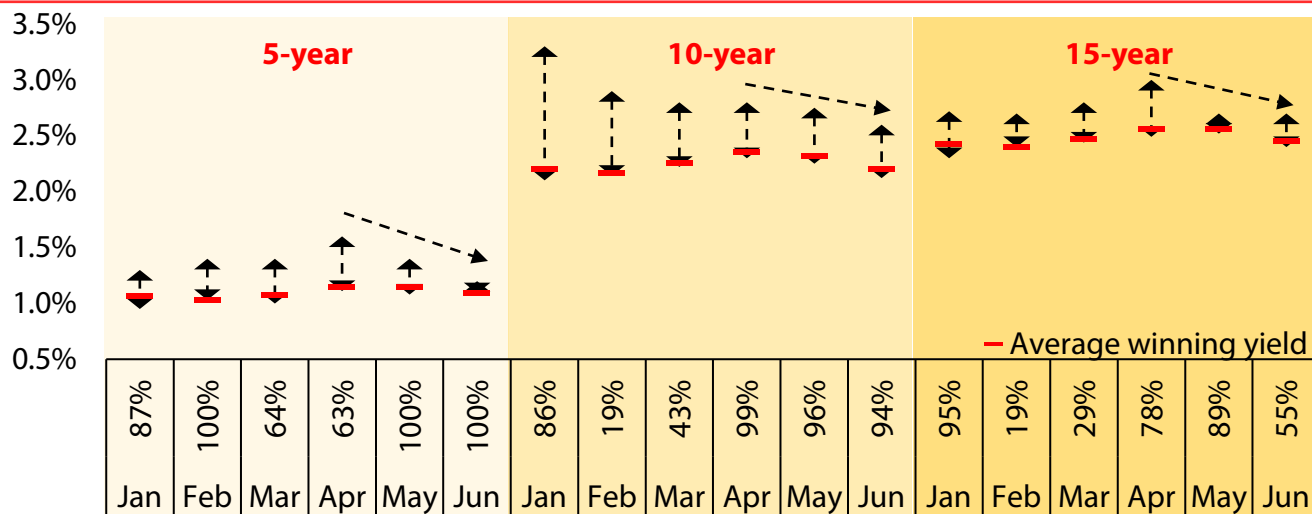
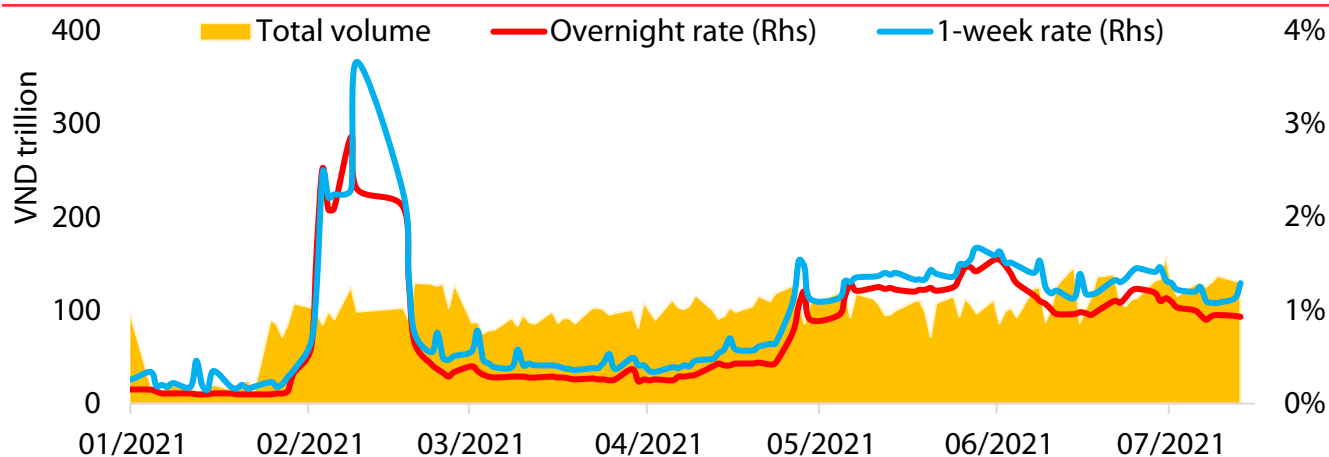


Figure 7: Interbank rate in 1H2021



Source: SBV, Fiinpro, RongViet Securities

Liquidity remained abundant in 1H2021

- Interbank rates stayed low since the mid 2020. It was up during seasonal periods due to local lack of liquidity.
- Generally, ample liquidity directed the bank resources into low yield high quality liquid assets, given negligible interest paid on excessive reserves and interbank loans. Thereby, government bond yields were low. The winning rate increased, and the yield fell toward mid-year, as looking-forward liquidity further improved due to the expiration of the currency forward contracts with SBV.
- Liquidity in 2H2021 is expected to remain bid due to the lower-than-expected credit quota as the SBV is conservative.

Expecting to maintain credit growth momentum backed by firm liquidity buffer in 2H2021

- Given the latest interest rate package, the supportive monetary policy and no liquidity constraint, we are optimistic about the forward credit expansion.

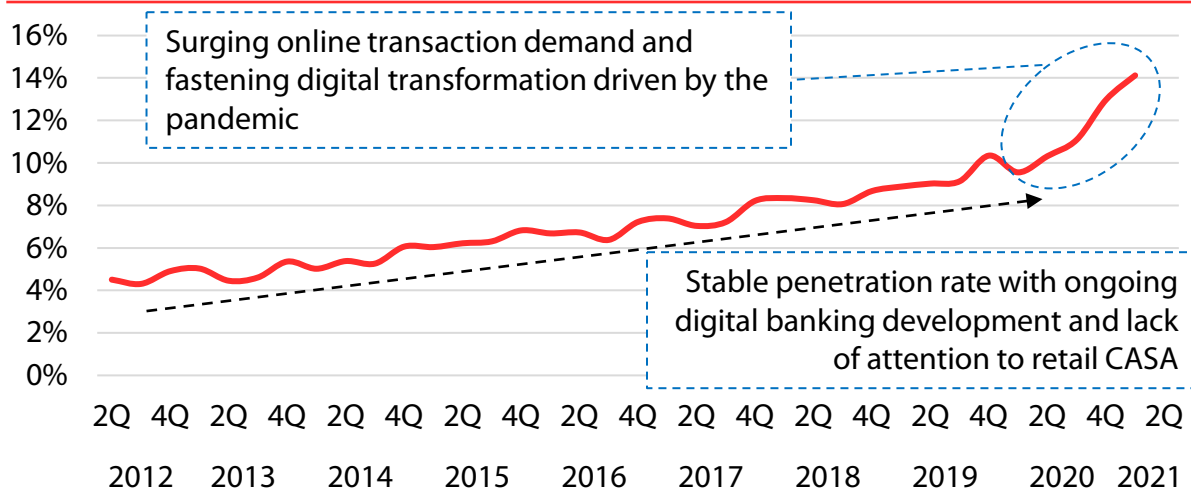
6M2021: NIM thrived on low base as lending-deposit rate gap widened

- Annualized NIM increased since the mid-2020, after the effect of repricing faded out. Deposit rates continuously decreased with better CASA base while lending rates were stagnant.

Possibly higher NIM at some banks towards year end, depending on CASA

- Retail has been the dominant CASA driver as corporate CASA declined due to optimization of cash flow at firms. In 2H2021, the continuous shift into retail banking, retail penetration backed by the cashless payment trend, and digital transformation will make the CASA race more competitive, probably on the fee side, and drive CASA at different pace among banks.

Figure 9: Sector retail CASA ratio (%)



Source: SBV, Banks' FS, RongViet Securities. Corporate CASA is estimated from banking group holding 86-87% of deposit market share. * indicates calculation from banking group holding 72% of market share.

Figure 8: Annualized NIM of listed banks (%)

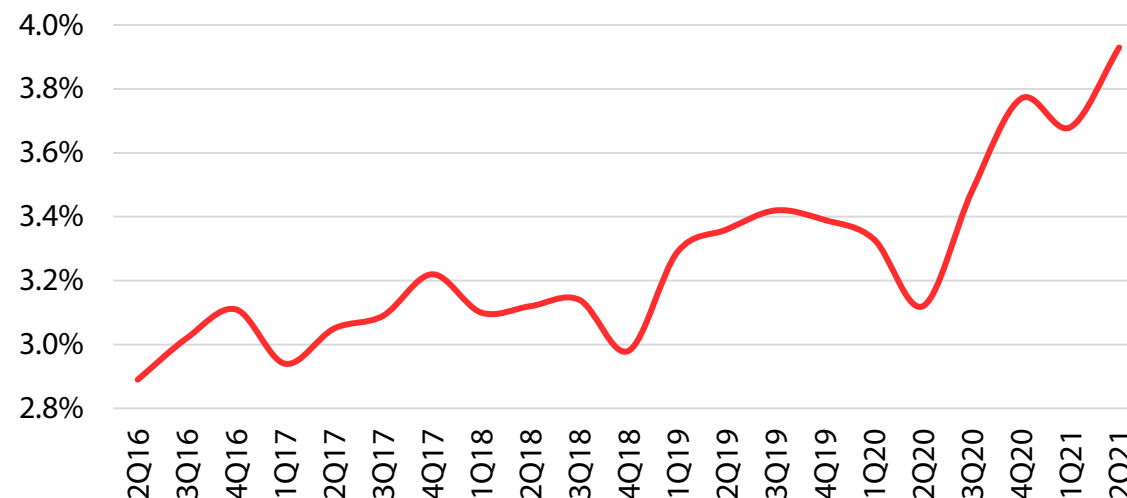


Figure 10: Corporate CASA ratio and sector CASA breakdown (%)

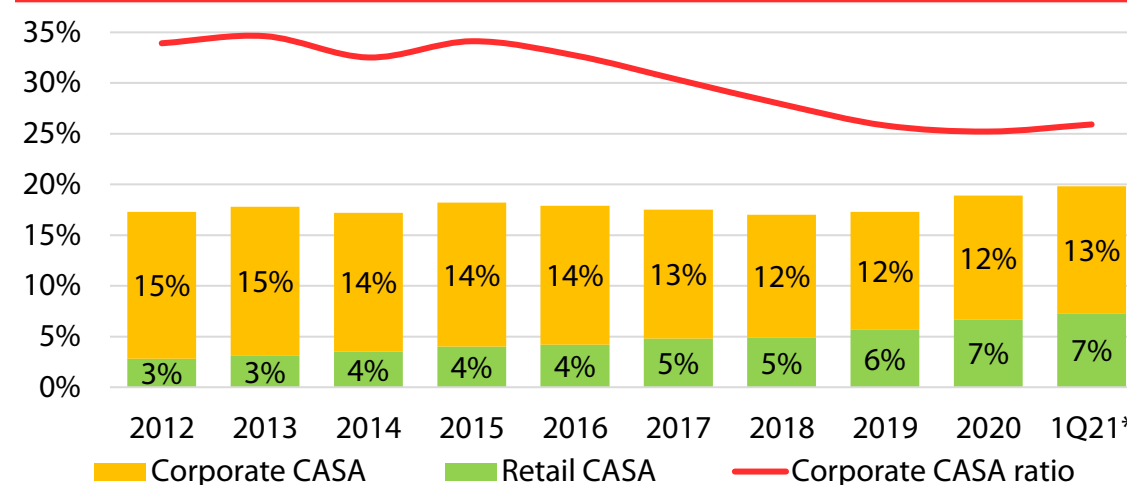
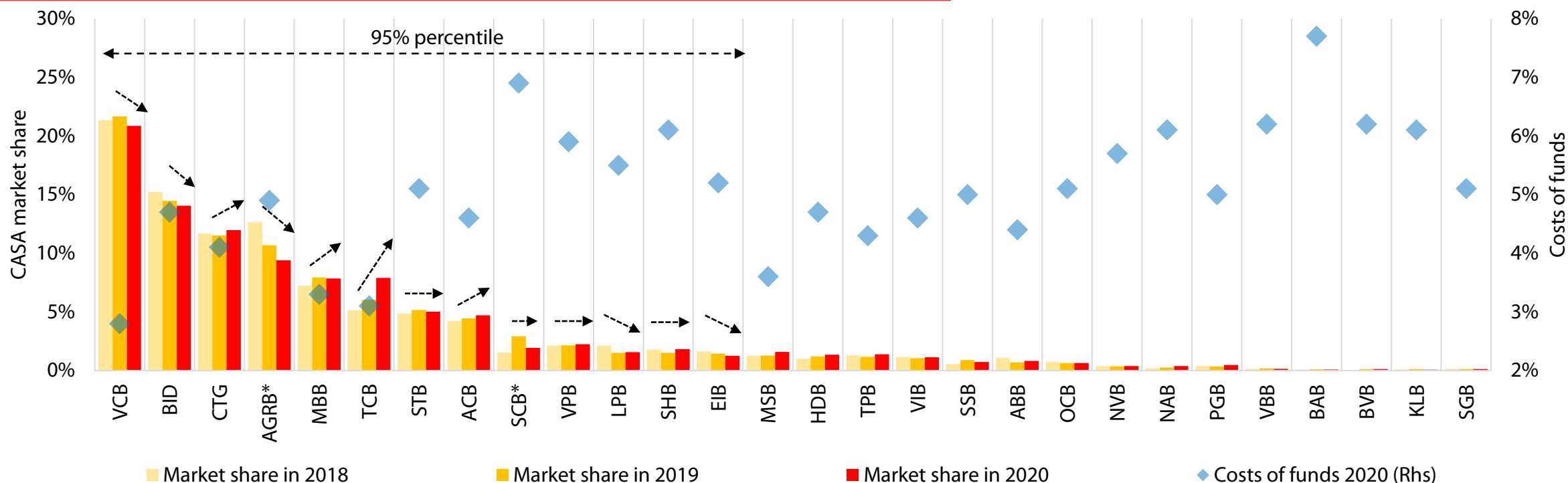


Figure 11: CASA market share in the last three years and 2020 funding costs (%)

Source: SBV, Fiinpro, RongViet Securities. Banks with * are unlisted



The CASA race: severe competition leaves small and traditional banks behind

- In the 95% percentile, CASA market share improved at leading private commercial banks. This interest non-sensitive liability costs low and helps develop a stable funding structure. Larger banks tend to have higher CASA market share and better funding mix, thereby, having lower costs of funds. The funding costs will affect the pricing of lending products at smaller banks, usually leading to riskier loan portfolio and volatile risk-adjusted NIM, which affect profitability and balance sheet growth.
- In the past, retail CASA did not have market's attention due to its low contribution, undeveloped digital banking, and slow-changing consumer behavior, while leading banks with advantage of relationships with large corporates were outstanding due to the high level of corporate CASA. In the future, we expect banks which deliver added-value non-interest products led by convenience, accessibility and agility to have the advantage of retail CASA franchise.

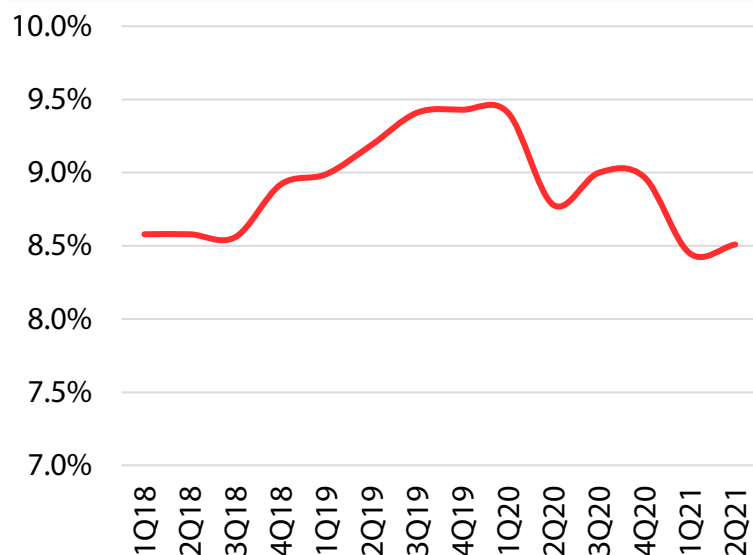
Interest rate packages are headwinds for NIM

- Despite the stickiness due to benchmarking to longer-term interest rates, direct supportive credit packages drove lending yield lower. However, given the different reset and maturity gap, banks experienced inconsistent fall in lending yield regarding level, timing and magnitude, depending on the structure of loan book. It pressures NIM and therefore, affecting the efficiency of balance sheet growth. We expect lending yield to further decline in 2H2021 as extensive packages are released, but the level will be polarized among banks. In 2022, lending rates could pickup if the pandemic outbreak is less severe.

The low yield environment affects the optimization of assets, promoting liquidity position

- Low yield on non-loan assets and insufficient credit quota negatively affect the optimized asset structure and help keeps government bond yield low. It leads to the abundance of liquidity, shift in investment portfolio allocation and higher proportion of interbank deposits and excessive reserves.

Figure 12: Average loan yield (annualized, %)



Source: Fiinpro, RongViet Securities

Figure 13: Average yield on reserves and interbank (annualized, %)

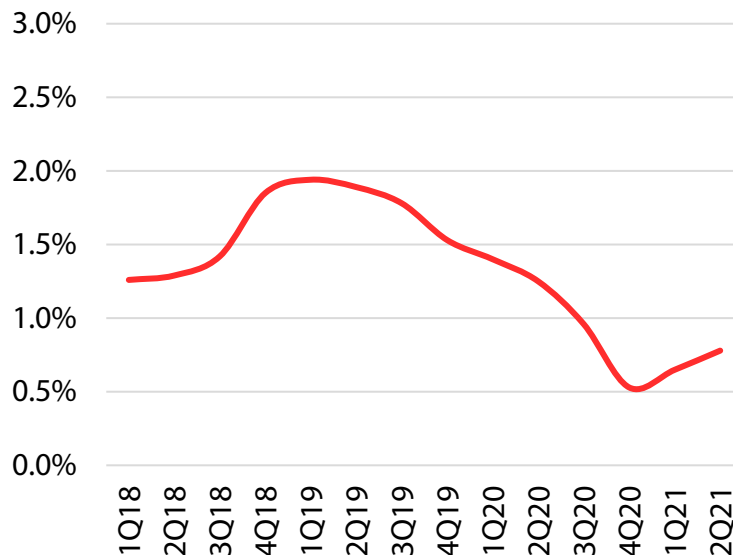
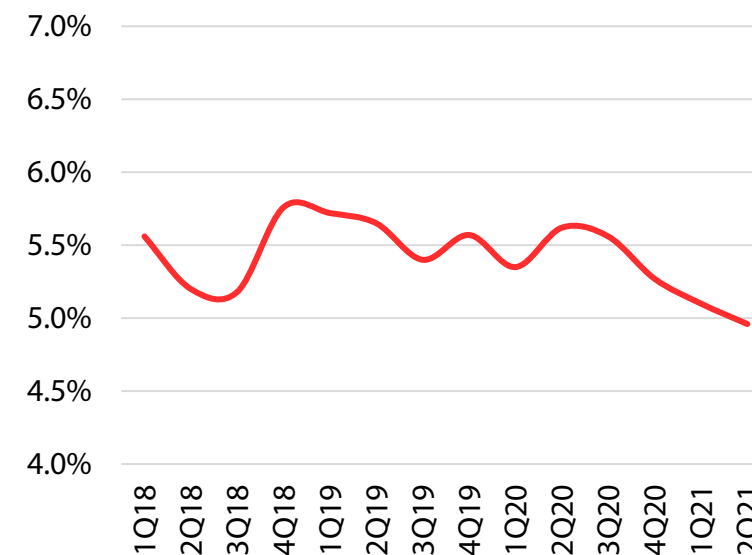


Figure 14: Average yield on debt securities (annualized, %)



Funding structure changed to afford credit growth and meet regulatory limits

- There was a trend of expanding the balance sheet with interbank funds on both side of the balance sheet at several banks approaching the LDR limit, which was enabled by stably low interbank rates. Given the constitutional CASA trend, some banks planned on funding high growth with valued papers to achieve a stable funding base and take advantage of the current low yield environment. The allocation of funding base shifted toward interbank funds (interbank deposit and borrowings) and bonds. We expect the pattern to continue in 2H21 and probably in 1H2022 based on forward interbank rates.

Change in deposit maturity gap and higher CASA ratio secure a competitive funding base

- We estimated a shift in deposit allocation towards shorter time maturities. Combined with the enhanced CASA ratio, the funding base of the sector was strengthened generally. We expect the deposit restructure to end soon, implying a flat annualized yield on term deposits for 2H2021. The further improvement in funding costs and average deposit rates will depend on the CASA ratio development.

Figure 15: Funding mix (%)

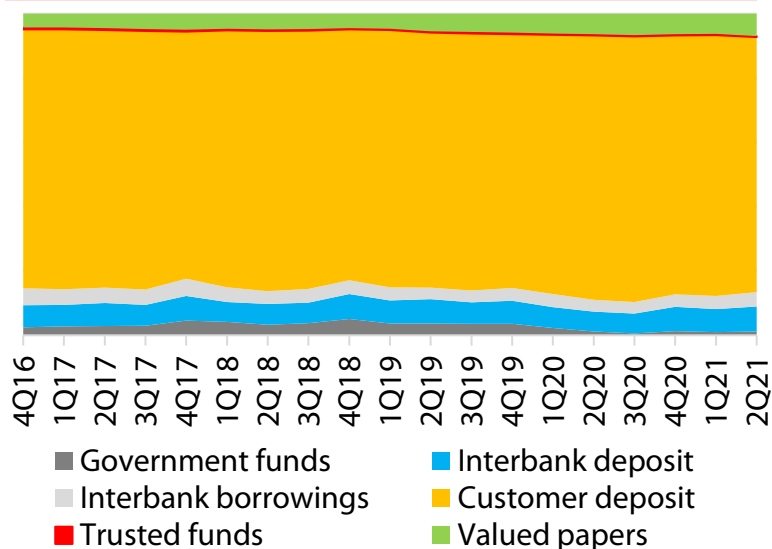


Figure 16: Funding costs (annualized, %)

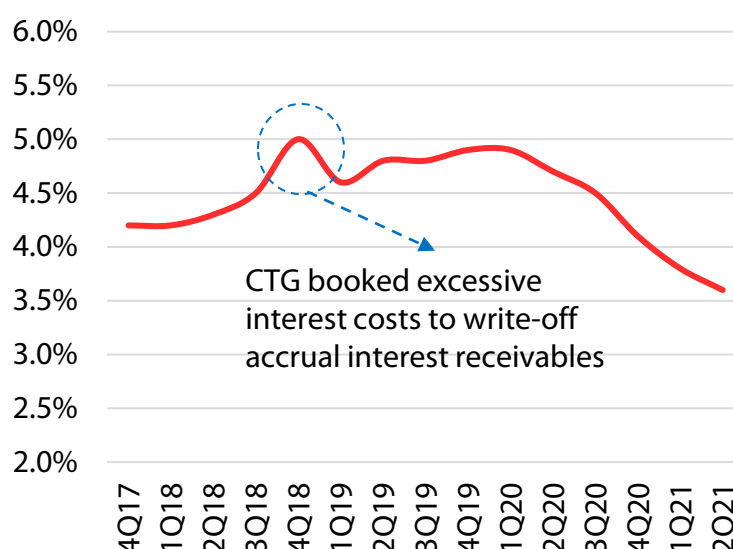
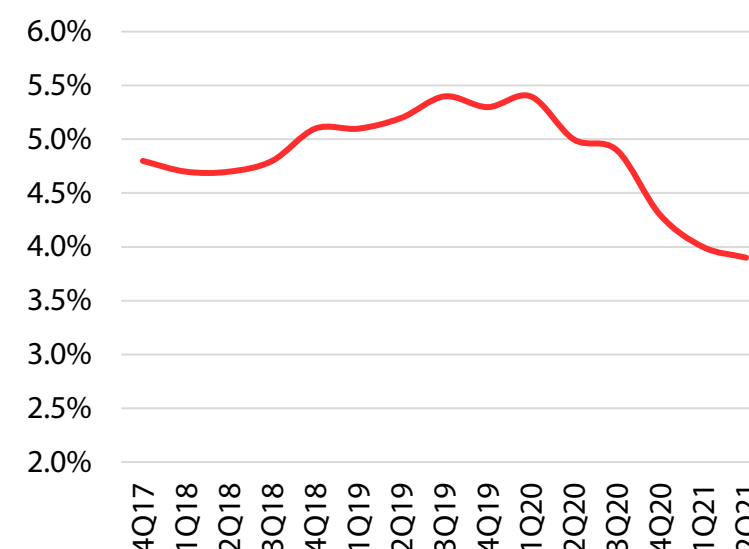


Figure 17: Deposit rate (annualized, %)



Source: Fiinpro, RongViet Securities. * is calculated from banks that already published 2Q21 data.

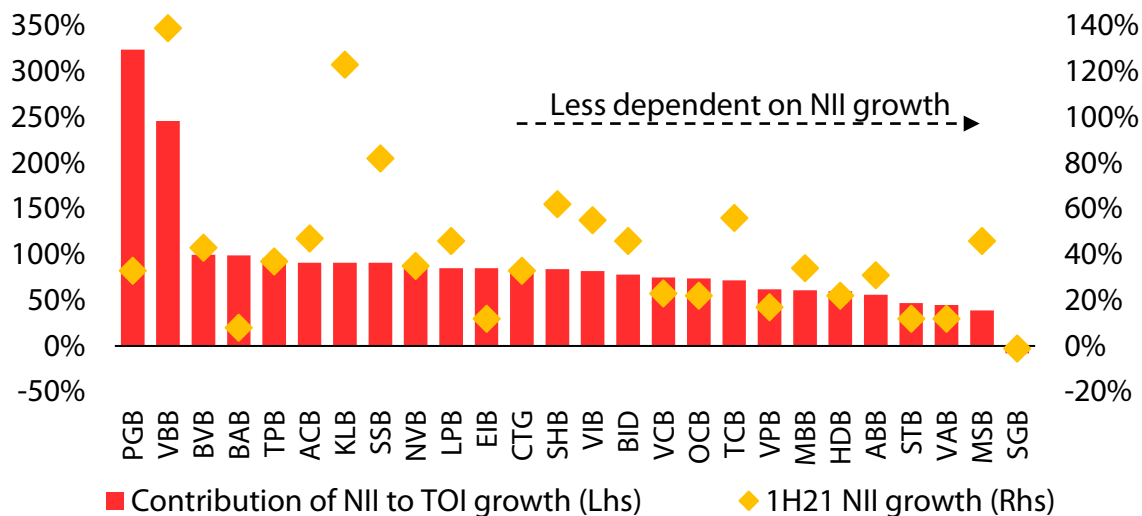
Net interest income was the pivotal growth engine in 1H2021 due to NIM expansion, low comparison base of credit and portfolio shifting

- NIM expanded robustly since 4Q2020, similarly to net interest income. The shift toward retail banking also contributed to the higher NIM. Net interest income was the main total operating income growth driver for most banks.

Expecting lower growth momentum towards year end

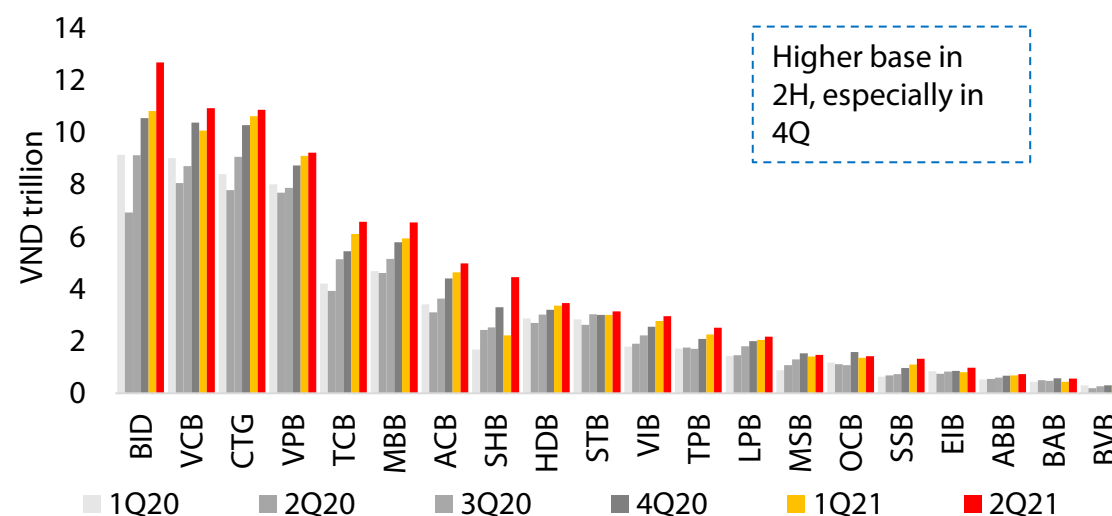
- We think that the favorable comparison base for NII will be sustained in 3Q21 and becomes less supportive in 4Q. This also applies to NIM, credit and balance sheet growth. NIM of banks announcing the new preferential interest rate package will be pressured due to less headroom to adjust deposit rates. We expect SBV to grant higher credit quota as the pandemic impact is severe and banks accept to lower lending rates.
- As forward credit growth is resilient, NIM might be lower modestly and balance sheet expands cautiously, 2H2021 NII is projected to grow slower than 1H. The differentiation factor will be NIM, as banks with more stagnant lending yields and improved CASA ratio will benefit.

Figure 18: NII growth and contribution to TOI growth (% , YoY)



Source: Fiinpro, RongViet Securities

Figure 19: Net interest income of several listed banks (VND)



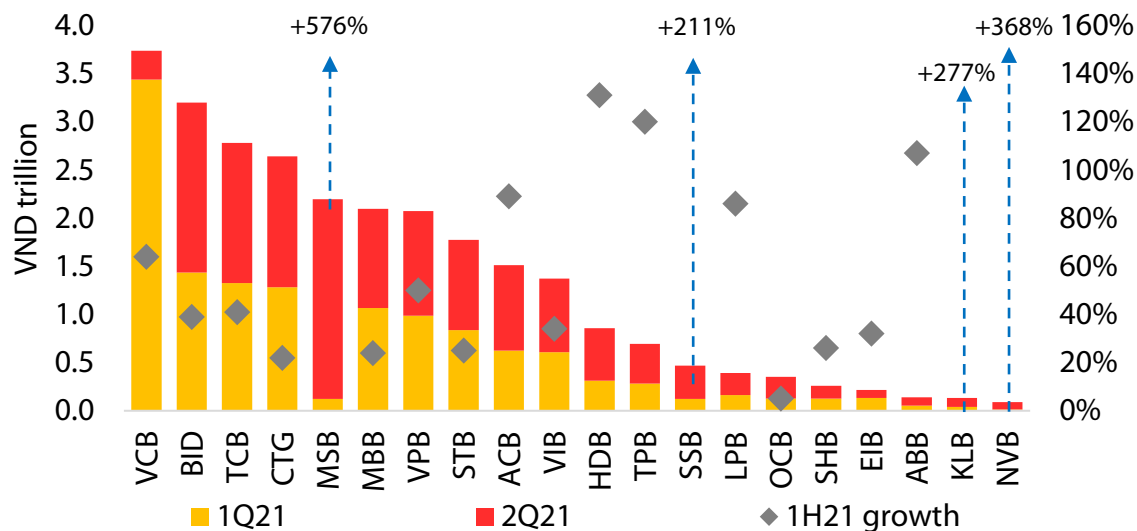
Distorted service income growth due to non-recurring items during the year

- Several banks were equipped with non-recurring items, notably the booking of upfront fee at MSB and VCB. If it had not been for the one-off income, VCB would have ranked fifth or sixth. The case for MSB is similar.
- Beside that, the sector witnessed healthy growth in net service income. The major drivers were payment including card segment and LC/LG UPAS, and bancassurance. Changing customer behavior which favored online transactions and competitive fees also helped.

The increasingly growing bancassurance market backed by the macroenvironment

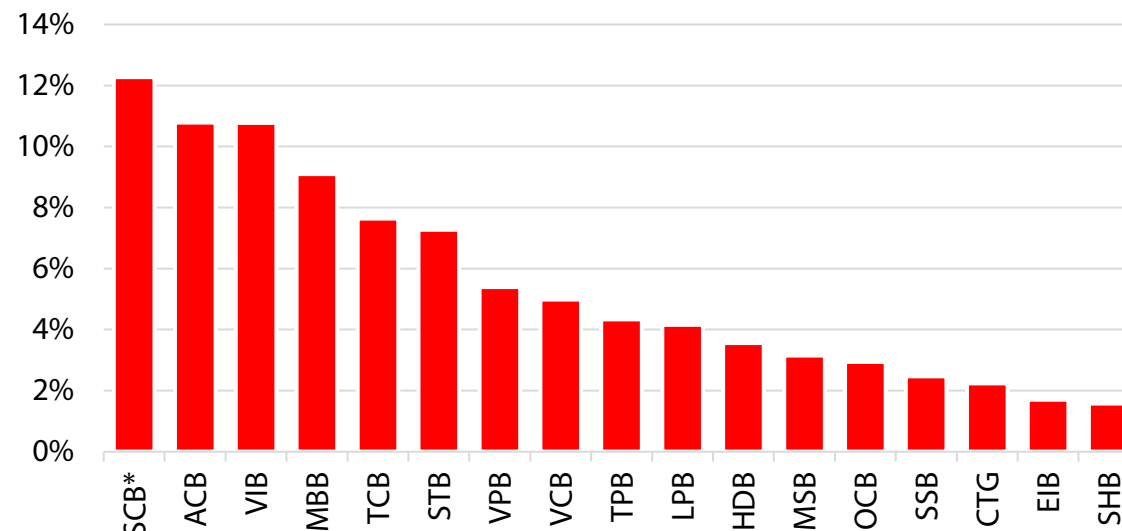
- Bancassurance became popular as a result of the pandemic and higher penetration rate from a low base, therefore, bringing a new potential growth driver. In 2H2021, we expect resilient performance of income from bancassurance as digitalization facilitates and maintains the contract underwriting process without being impacted by the lockdowns. However, the strength of bancassurance franchise differs among banks and insurance partners.

Figure 20: Service income growth of listed banks in 1H21 (% YoY)



Source: Prudential, Fiinpro, RongViet Securities. Banks with * are unlisted

Figure 21: 1H21 bancassurance market share of several banks (%)



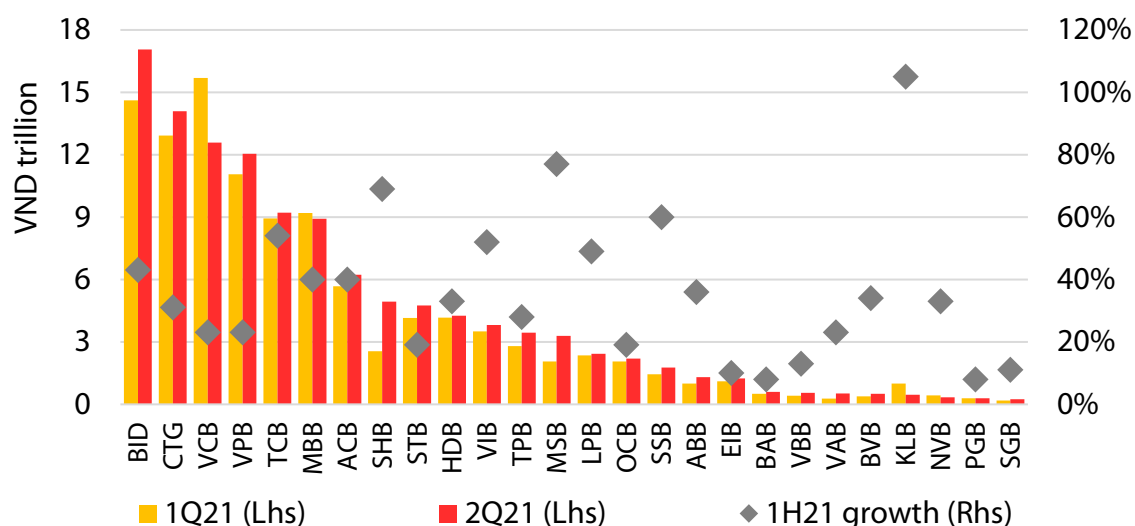
While net interest income with widened NIM and low comparison base drove total operating income in the first half ...

- Overall, total operating income grew robustly in 1H2021. Net interest income continued to lead the growth. Banks that had net interest income growth lagging that of peers also delivered lower than average growth, such as OCB, STB, VPB, VCB. Those results are usually considered healthy (10-25%) which seems to be weak performance in this abnormal time. The consumer finance segment was hit severely, leading to lower-than-average performance of banks focusing on that. Despite booming NII, the income structure witnessed higher contribution of non-II, partially due to non-recurring items.

... growth prospect in 2H2021 is different among banks as SBV becomes conservative and will be determined by non-interest income

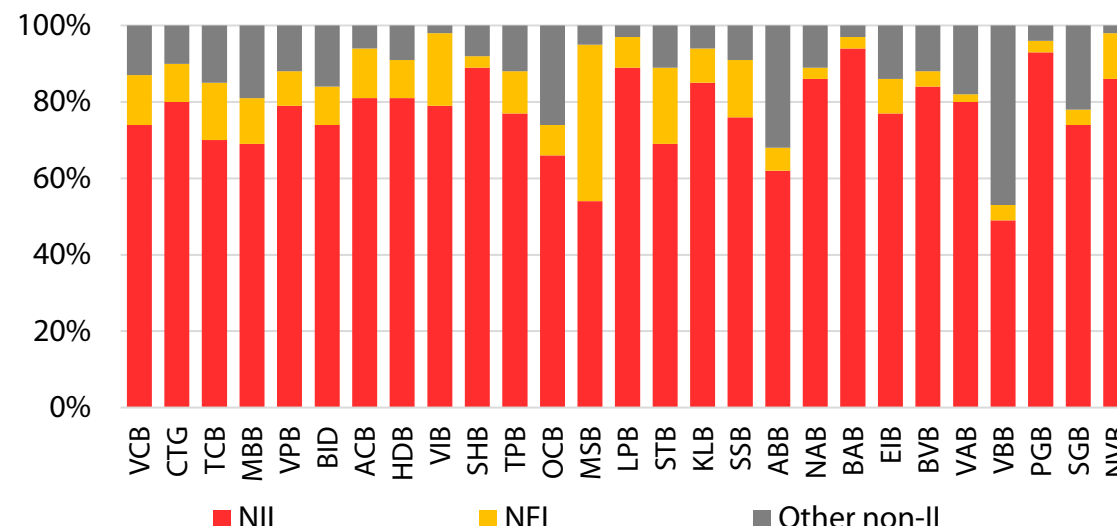
- We forecast that total operating income will continue to deliver good results, but the growth level will be lower than in 1H2021. SBV is conservative in granting credit quota. Despite the expectation of easing quota granting policy ultimately, timing of the next raise of credit growth limit will have an impact on year-on-year balance sheet growth and thus, affecting quarterly total operating income performance. Non-interest income growth will be intact given secular trends of bancassurance and payment, headroom for bond trading and potential bad debt recovery, thereby, becoming the main driver.

Figure 22: Operating income growth of listed banks (% YoY)



Source: Fiinpro, RongViet Securities

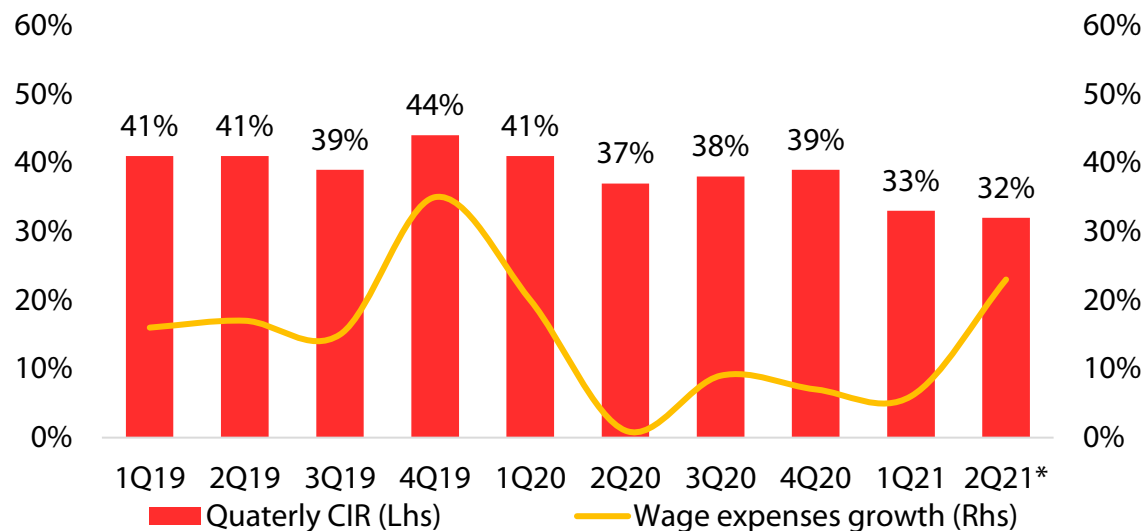
Figure 23: 1H21 income structure of listed banks (%)



Costs saving was an effective method to achieve optimization in growth

- When NIM was strongly and quickly affected, the banking sector decreased CIR sharply in 2Q2020 by having zero wage expenses growth. It dropped again in 1H2021 mostly due to the growth of the numerator (TOI), and the delay of investment projects at several banks such as TCB, ACB as a result of the disruptions caused by the pandemic.
- Wage cuts had an immediate effect on CIR, thereby, helping banks to deal with shocks in NIM. Wage expenses have recovered since 3Q2020. For banks with affected NIM, high base of credit costs and risky lending, the impact was more severe. Therefore, to optimize balance sheet growth with lower NIM and surging provision expenses, staff base was reduced to ensure operating efficiency. Those experiencing negative change in staff base were banks with consumer finance segments such as VPB, STB, MBB, HDB, OCB.
- We do not think the method was sustainable, but it was necessary. We think that those banks will have less headroom to reduce costs by cutting wages or decrease the staff base if the disruptions sustain due to the impact on scale.

Figure 24: CIR and wage expenses growth (% YoY)



Source: Banks' FS, Fiinpro, RongViet Securities

Figure 25: Staff base (people)

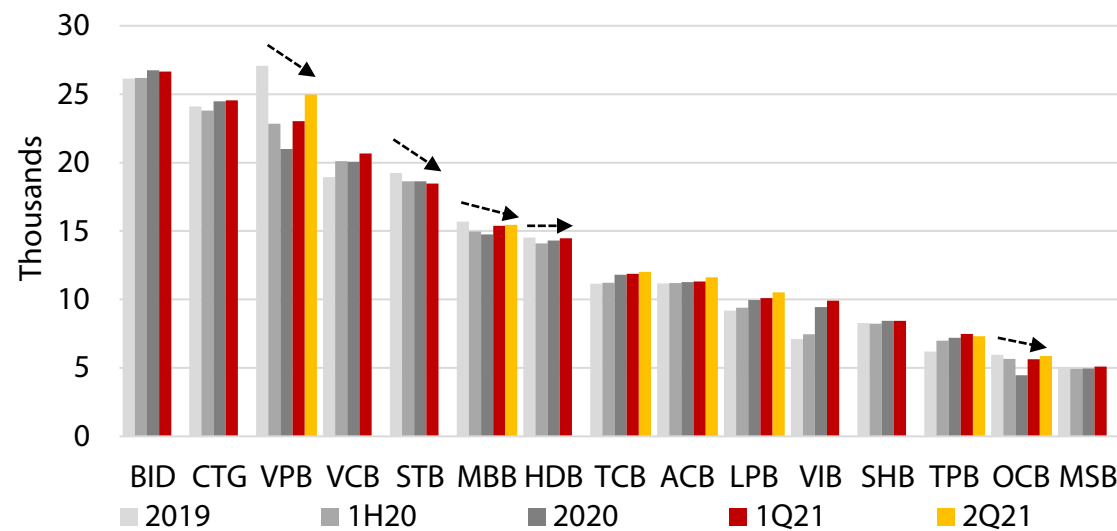


Figure 26: Credit costs (TTM, %, excl. VAMC)

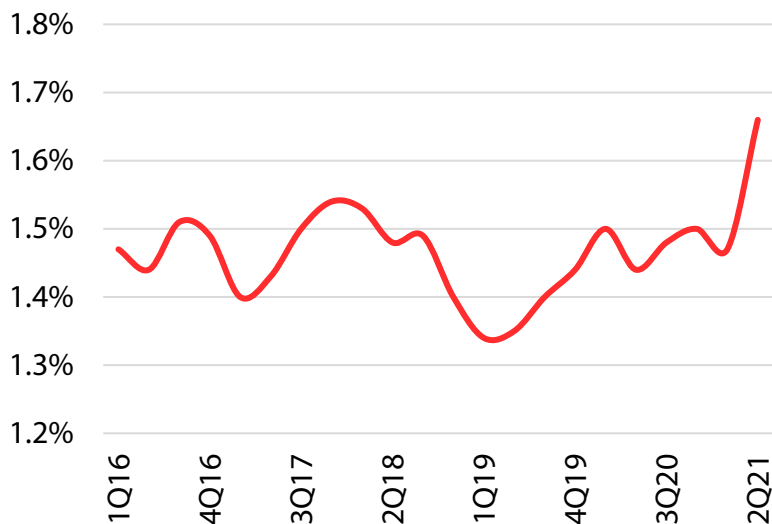


Figure 28: Debt groups and LLR to loans (%)

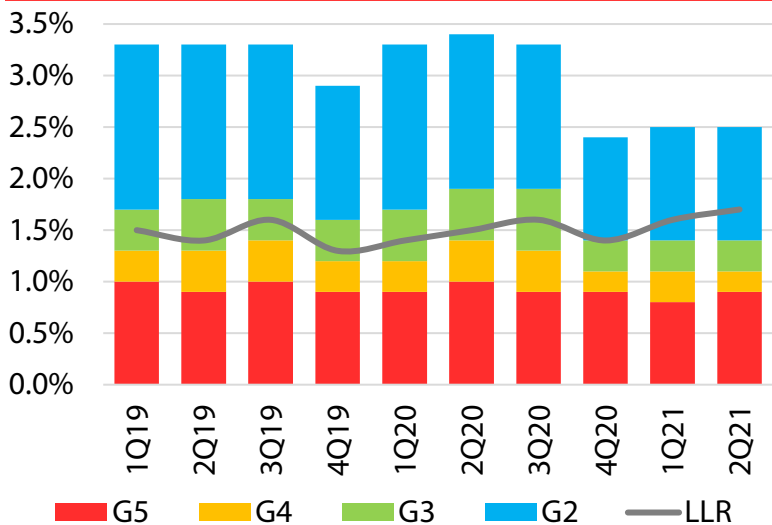


Figure 27: Provision expenses (% YoY)

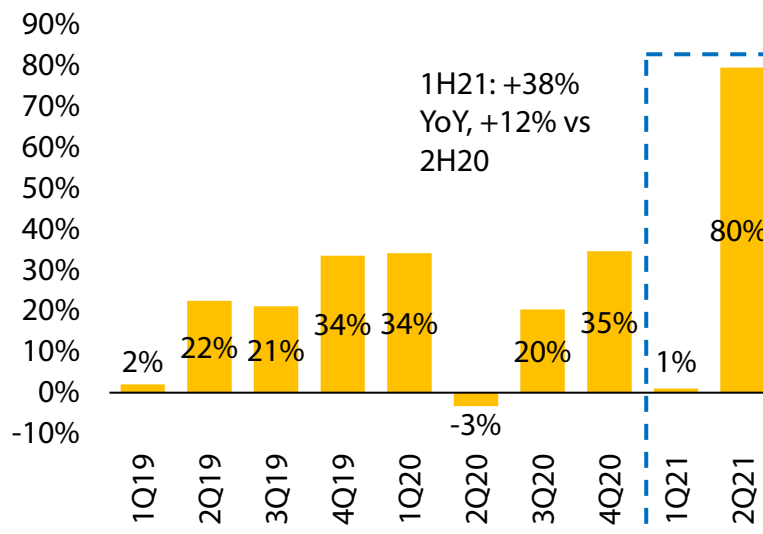
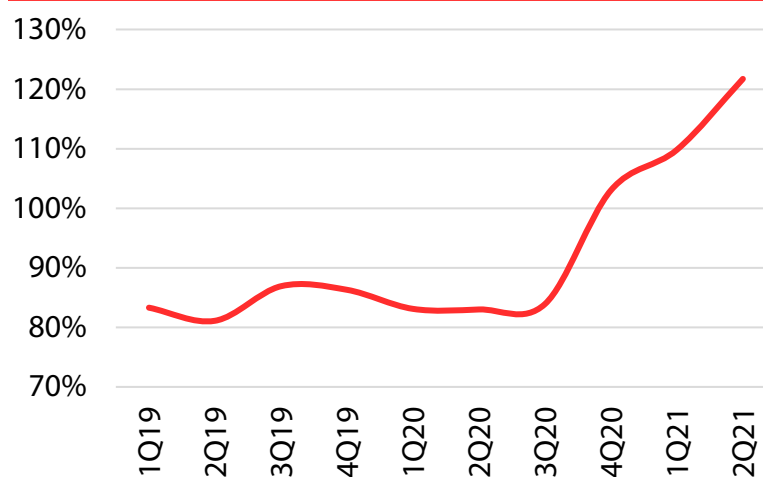


Figure 29: NPL coverage (%)



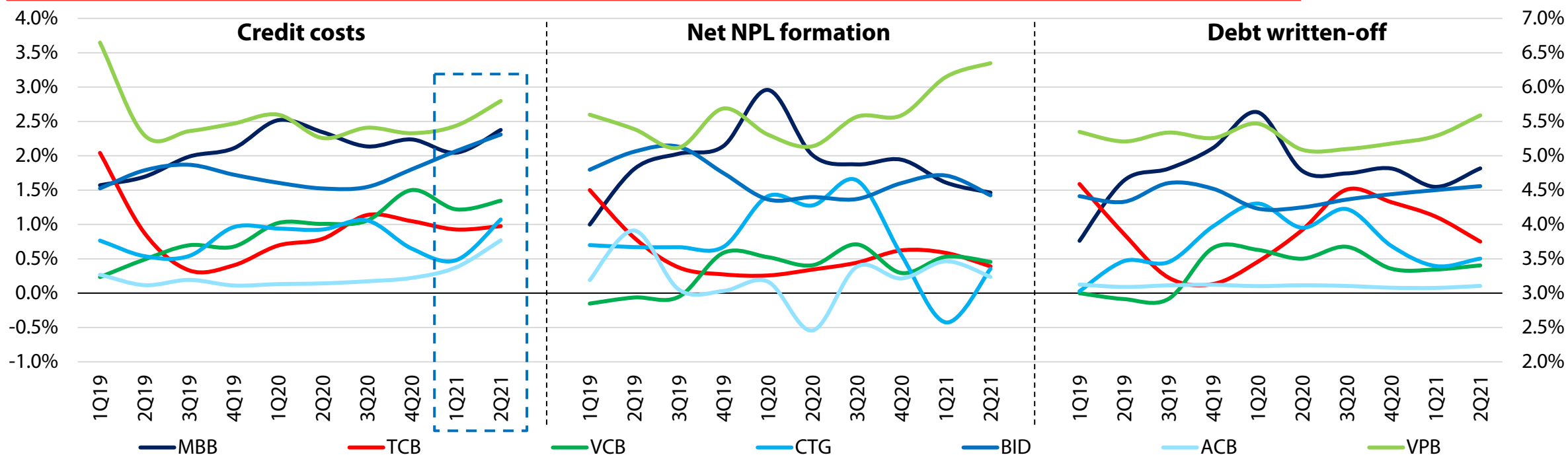
Source: Fiinpro, RongViet Securities

Supportive policies were the key

- Credit costs increased in 1H2021. Provision costs eased in 1Q2021 due to the choice of provision allocation by several banks, before surging in 2Q, coming from large banks.
- NPL coverage rose sharply since 4Q20 due to prudent risk costs, controlled bad debt formation being supported by Circular 03 and write-off activities.
- Given the high base of provision costs, VAMC bonds settlement at several banks, strict provision policy in 2Q21 at BID, CTG, ACB, and conservative approach such as TCB, VCB, MBB, provision expenses will be controlled in the base case, thus, becoming a growth driver in 2H. Credit costs will gradually converge to the 2020's level. If provision expenses are sustained in 2H from the 1H level, YoY growth would be around 12%. If credit costs ease faster, provision expenses might be up at one-digit rate.

Figure 30: Credit costs, NPL formation and debt written-off to loans of the largest listed banks (TTM, %, excl. VAMC)

Source: Fiinpro, RongViet Securities.



Different buffers behind resilient balance sheets

- Among the seven largest banks accounting for a half of the sector lending market share and 60% of the consumer finance market, the provision buffers differs. Aside from VPB and CTG, the others experienced controlled net NPL formation thanks to the Circular 03, relieving pressure on the assets. VPB had large exposure to consumer lending while CTG was prudent with large corporate customers which were reclassified to upper groups. Credit costs rose altogether and mostly stayed higher than the NPL formation.
- We think that ultimately consumer finance will be worse, when lower mass customers have smaller reserves to use during lockdown periods. Banks with high NPL formation rate, moderate level of credit costs, considerable restructured loans and high balance sheet growth will be more vulnerable and sensitive to shocks, such as VPB, BID. Banks making early provisions for restructured debt will have headroom to deal with rising credit risks, such as ACB. Banks with conservative view towards the pandemic, high financial capacity to absorb surging credit costs and low base of bad debt formation are expected to be resilient in the 2H2021, such as VCB, TCB.

Figure 31: ROA of sector's average and listed banks in 2Q21(%, TTM)

Source: Fiinpro, RongViet Securities

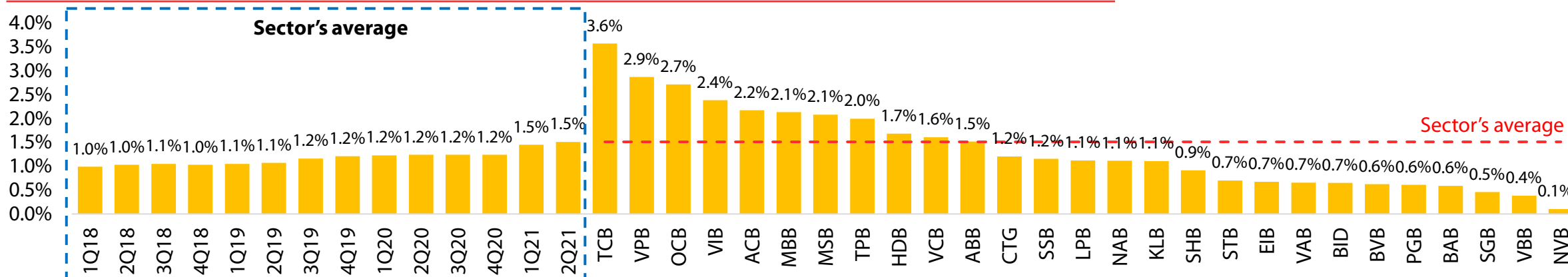
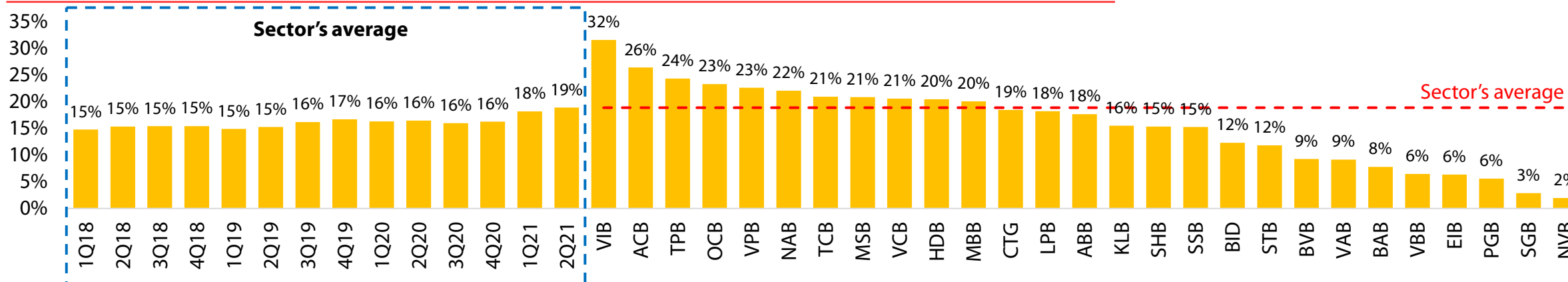


Figure 32: ROE of sector's average and listed banks in 2Q21 (%, TTM, pre-welfare and bonus fund)



- The banking sector has developed steadily in the recent years following the end of restructuring process at banks. ROE and ROA increased as more efficient lending, funding base with higher CASA backed by digitalization and better products, healthier loan book and stronger capital led to improvement in NIM and CIR, lower NPL ratio and higher LLR. However, those ratios of some banks might not be sustainable due to contribution of volatile income, tight provision and supportive cycle.
- Adjusted ROE of the sector is about 17.5-18%. We think the current plausible PB ratio for the sector is 1.8 - 2.1, and 1.4-1.7 in the higher interest rate environment.

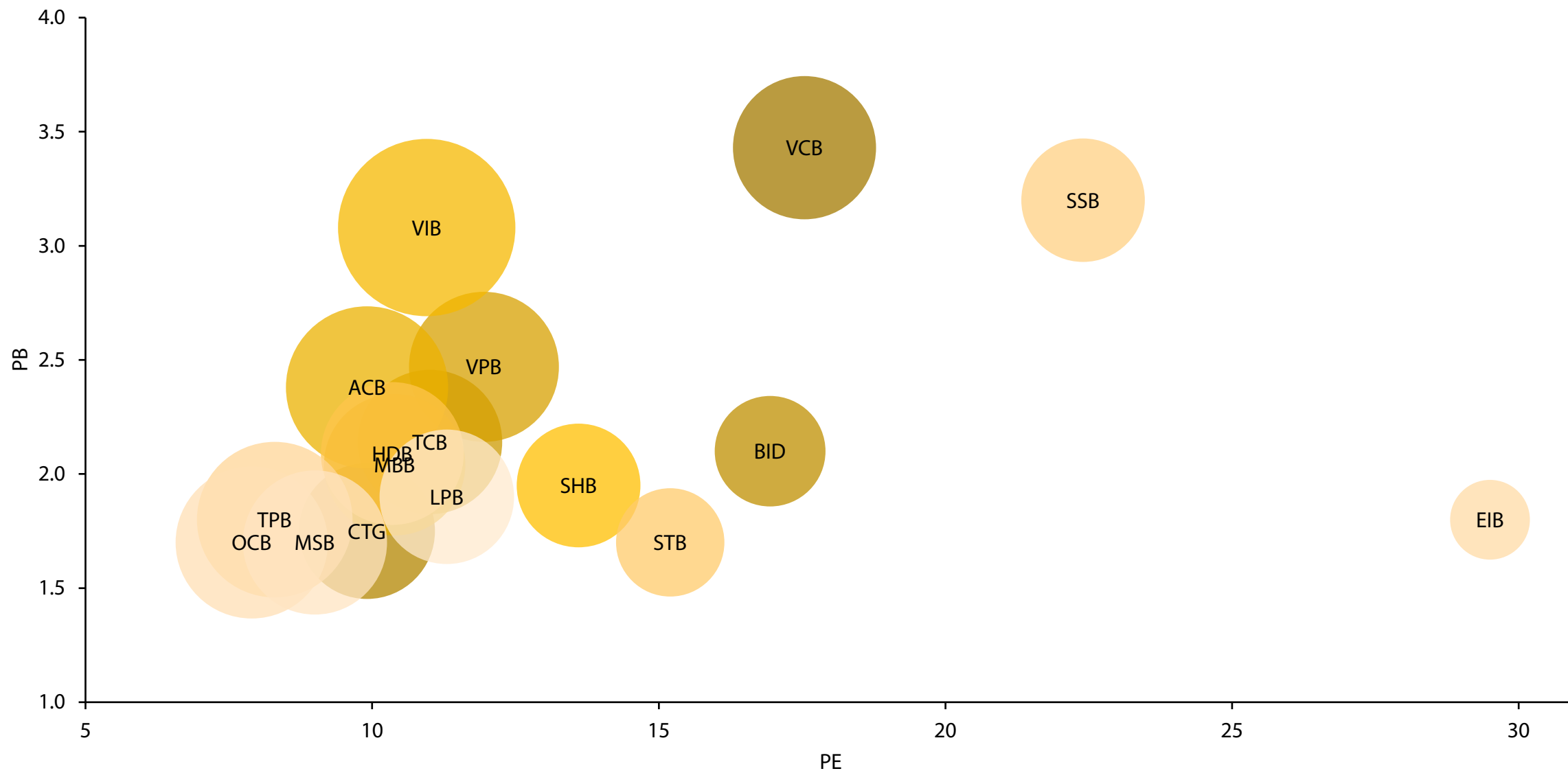
Table 1: 2021 capital raising plan (reds are completed event)

	Cash Dividend	Share Dividend/Bonus	Share Issuance	ESOP
VCB		27.6%	6.5%	
CTG		29.07%		
TCB				0.17%
MBB		35%	2.50%	0.70%
VPB		62.15%	17.85%	0.59%
BID		12.20%	8.50%	
ACB		25%		
HDB		25%		2.51%
VIB		40%	3%	
SHB		10% + 10.5%	28%	
TPB			9.33%	
OCB		25%	6.40%	0.5%
MSB		30%	6%	0.4%
LPB		12%	30.87%	3.26%
KLB		13%		
SSB		9.12%		1.92%
ABB		35%	20%	2%
KLB		13%		

Source: Banks, RongViet Securities

Ticker	Market cap (USD mn)	Target price (VND)	Net interest income growth (TTM, %YoY)	Net service income growth (TTM, %YoY)	Operating income growth (TTM, %YoY)	Net profit growth (TTM, %YoY)	NIM (TTM)	NPL ratio (%)	ROA (%)	ROE (%)	PE (TTM)	PB	Dividend yield (TTM, %)
VCB	15,642	117,000	16.4%	84.2%	19.4%	12.5%	3.2%	0.7%	1.6%	20.6%	17.5	3.4	0.0%
CTG	7,052	40,100	23.0%	13.1%	24.1%	46.9%	3.1%	1.3%	1.2%	18.5%	9.9	1.8	0.0%
BID	7,441	41,400	25.6%	33.5%	24.9%	23.8%	2.9%	1.6%	0.7%	12.3%	16.9	2.1	0.0%
TCB	7,741	71,000	47.8%	25.7%	40.5%	48.4%	5.7%	0.4%	3.6%	21.0%	11.0	2.1	0.0%
VPB	6,446	66,200	10.1%	29.7%	12.8%	22.9%	8.7%	3.5%	2.9%	22.6%	12.0	2.5	0.0%
MBB	4,731	36,100	24.9%	30.0%	25.5%	30.3%	5.1%	0.8%	2.1%	20.1%	10.4	2.0	0.0%
ACB	4,176	37,300	37.2%	33.7%	25.9%	57.5%	4.2%	0.7%	2.2%	26.4%	9.9	2.4	0.0%
VIB	2,819	n/a	50.6%	33.3%	47.9%	60.2%	4.4%	1.7%	2.4%	31.6%	11.0	3.1	0.0%
SHB	2,286	n/a	41.4%	-2.6%	48.9%	52.7%	3.3%	2.0%	0.9%	15.4%	13.6	1.9	0.0%
HDB	2,370	36,800	18.9%	121.4%	26.2%	24.3%	4.6%	1.2%	1.7%	20.5%	10.4	2.1	0.0%
STB	2,298	n/a	19.9%	22.1%	22.8%	42.5%	2.7%	1.6%	0.7%	11.8%	15.2	1.7	0.0%
SSB	2,087	n/a	47.9%	100.1%	4.1%	61.0%	2.5%	1.8%	1.2%	15.3%	22.4	3.2	0.0%

Source: Fiinpro, Rong Viet Securities. Share price as of 02 Aug 2021.



Source: Fiinpro, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 02 Aug 2021.

<BUY: +40%>

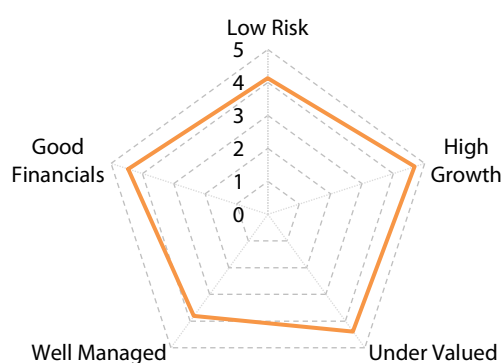
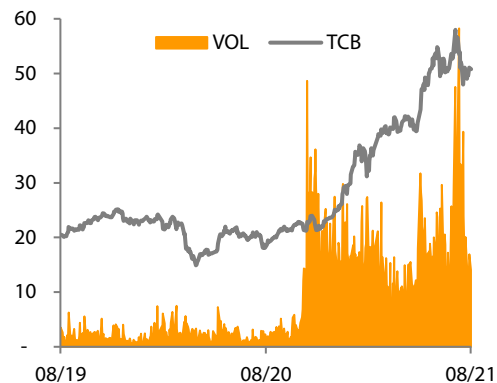
<MP: 50,800>

<TP: 71,000>

STOCK INFO

FINANCIALS

2020A 2021E 2022F



Sector	Banks
Market Cap (\$ mn)	7,741.3
Current Shares O/S (mn shares)	3,504.9
3M Avg. Volume (K)	22,022.8
3M Avg. Trading Value (VND Bn)	1,133.8
Remaining foreign room (%)	-
52-week range ('000 VND)	18.15 - 58

NII (VND bn)	18,751	26,062	32,905
TOI (VND bn)	27,042	36,662	45,825
NPAT (VND bn)	12,325	18,056	23,119
ROA (%)	3.0	3.7	3.8
ROE (%)	18.0	21.7	22.3
Asset growth (%)	14.6	24.8	23.6
Book Value (VND)	21,289	26,302	32,898
P/E (x) (*)	6.8	9.9	7.8
P/B (x) (*)	2.4	1.9	1.5

INVESTMENT RATIONALES

The 2021-2025 strategy marks an acceleration phase capitalizing on competitive advantages: invested infrastructure, thick capital base and strong ecosystem

- We expect TCB to robustly grow its balance sheet in the next five years, supported by strong fundamentals: a leading technology system with a considerable budget securing customer experience at scale, a thick capital buffer to tackle stress scenarios and help receive desirable credit quota, and capability to deliver distinctive services thanks to the in-depth cooperation with conglomerates which creates high switching costs. This will improve ROE which has potentially undermined stock price performance in the 2018-2020 period.

Top tier efficiency will be further boosted by steadily enhanced NIM, diversified non-funded growth and cost excellence

- By holding a leading tech-enabled securities company which is pursuing the WealthTech model and owning a sizeable CASA base driving operating and funding costs lower, TCB is able to widen and stabilize NIM by better pricing lending products, thereby controlling risk costs, and cross-selling non-interest ones. The diverse income sources also ensure growth quality.

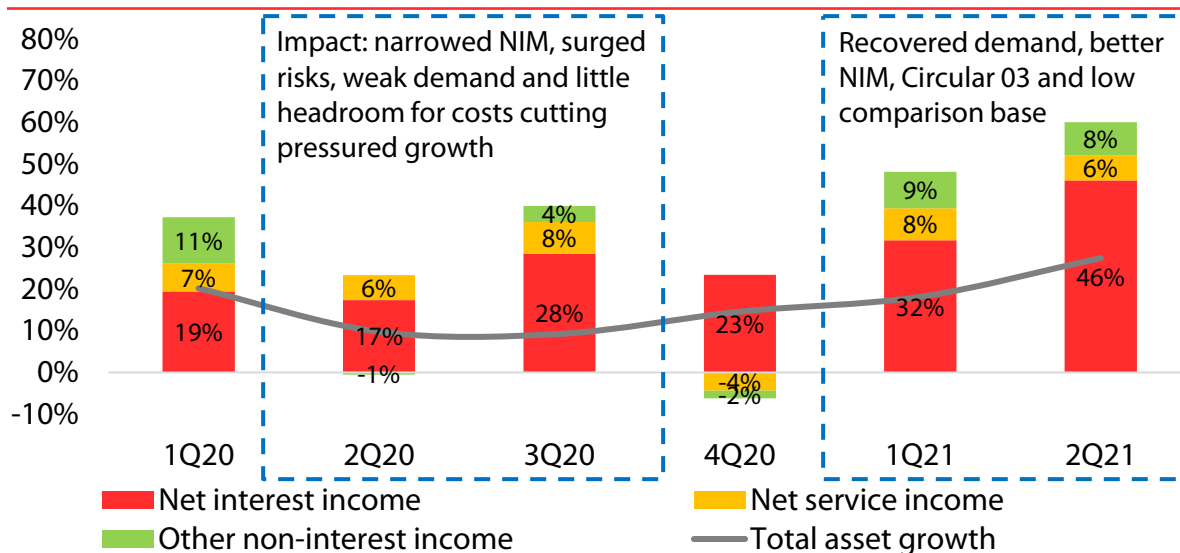
Firmly established funding structure backed by a leading retail franchise focusing on high-profile customers is the foundation for cross-board expansion in various scenarios

- Extensive customer base in fast-growing classes with appropriate risk return balance funds TCB's demand deposit, which is the core advantage of sustaining NIM when expanding the balance sheet due to optimized costs. This will provide resources to improve risk-adjusted returns robustly, especially in a higher-than-current interest rate cycle.

RISKS TO OUR CALL

- Prolonged COVID-19 will ultimately affect less vulnerable entities, thus, raising credit costs. TCB also bears risks relating to real estate, despite its exposure to high-end segments.

Figure 1: TOI growth contribution and asset growth (% YoY)



NIM and low comparison base of credit are the major TOI drivers

- NII continued to be the growth engine due to stably widened NIM and increasing balance sheet expansion, which also propelled non-II. Stagnant output rates and falling funding costs backed by higher CASA ratio widened the gap and NIM in 1H2021. The low base in mid-2020 was due to the repricing gap and drop in LDR, which later pull-backed.
- 1H21 PBT grew 71% YoY, contributed by over 66% growth each quarter.

Maintaining prudent provisions despite improved credit risks

- TCB had conservative approach since 2019 by keeping credit costs significantly higher than net NPL formation despite the recent fall.

Figure 2: NIM, gap, deposit rate and LDR (annualized, %)

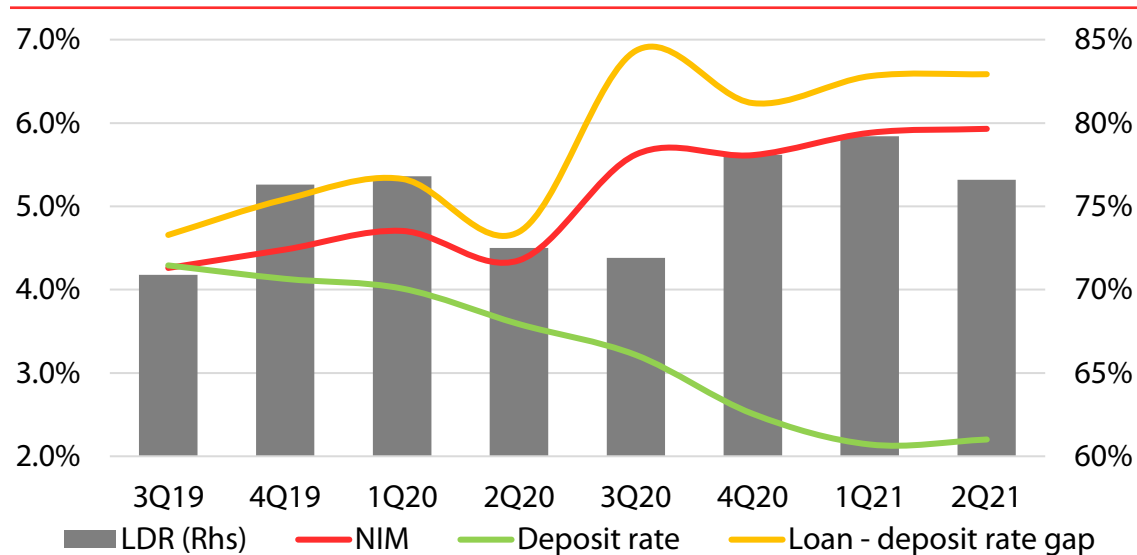
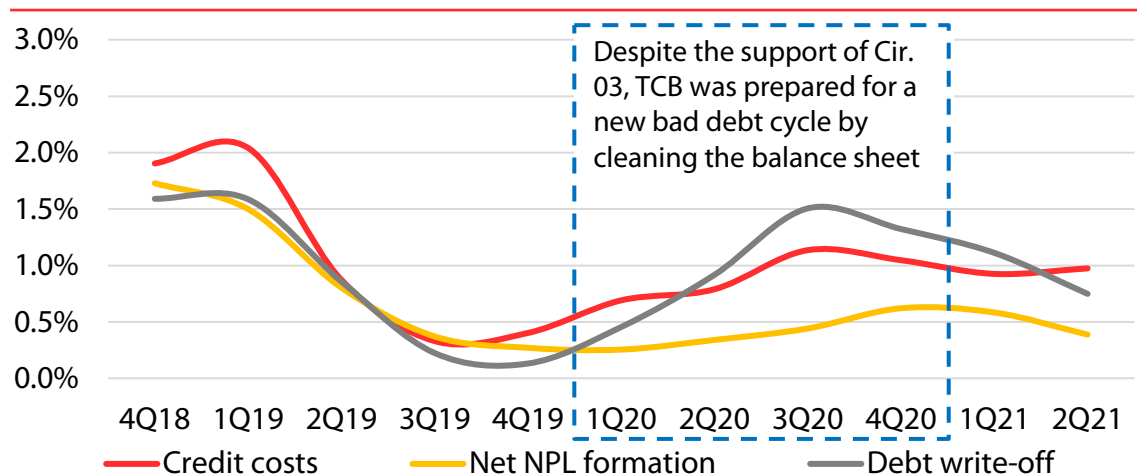


Figure 3: Credit costs, debt write-off and NPL formation (% TTM)



Source: TCB, RongViet Securities

Figure 4: TOI breakdown

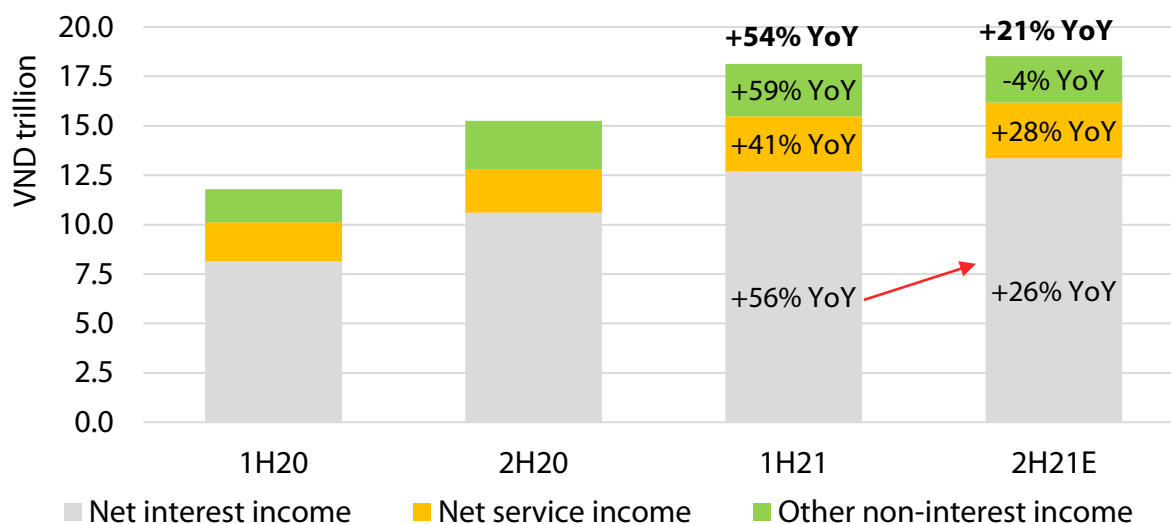


Figure 5: Debt groups and loan loss coverage to total loans (%)

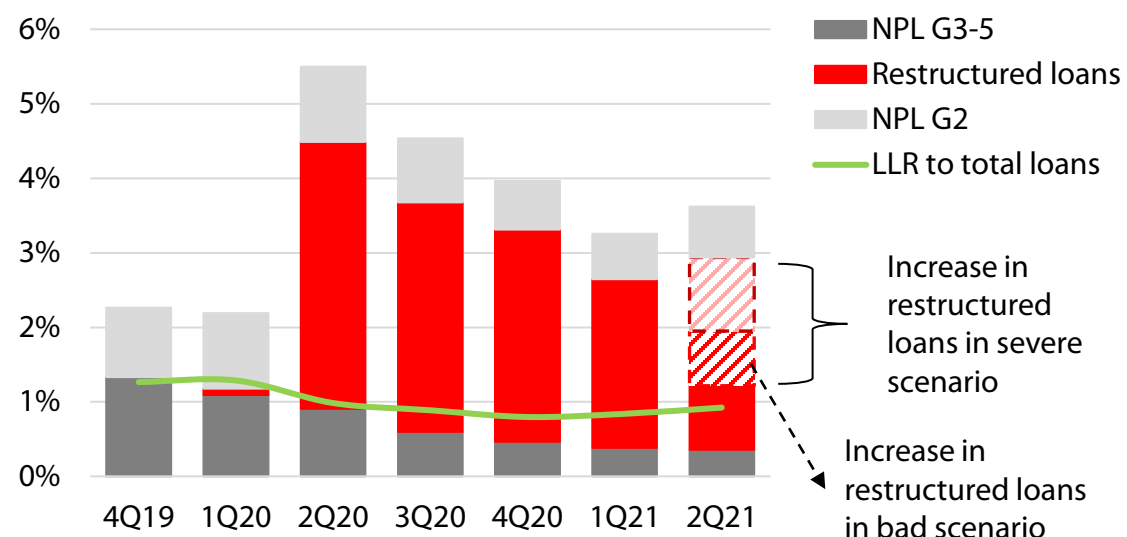
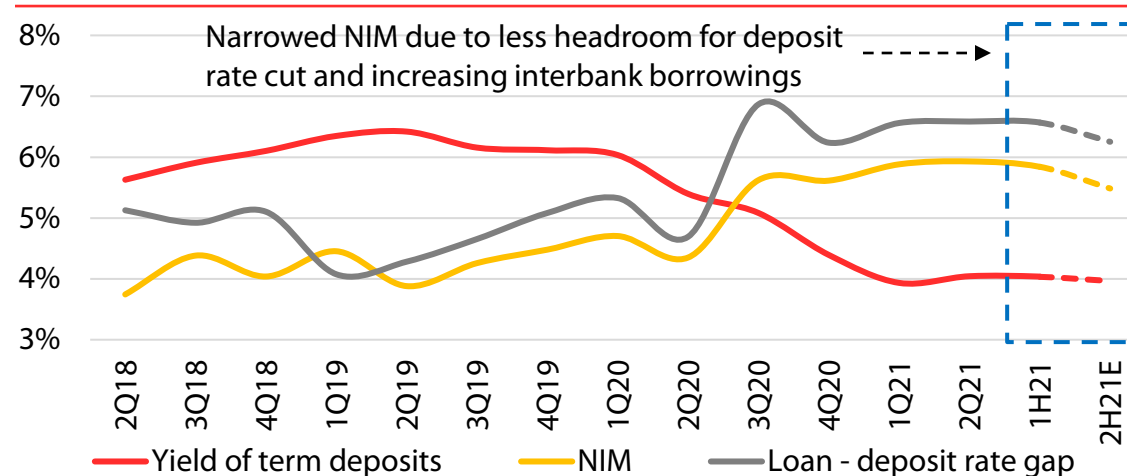


Figure 6: Yield on term deposits, NIM and gap (% annualized)



Source: TCB, RongViet Securities

Looking forward to a billion USD profit as 2H TOI sustains

- We expect TCB to reach roughly a billion USD in 2021 PBT in the base case, driven by a slightly lower NIM, high credit growth and fall in credit costs. 2H2021 NIM is expected to drop to the level of last year, caused mainly by a 0.3-0.4% decrease in average lending rate as a result of the new preferential package while CASA ratio improves and yield on investment portfolio maintains. CIR will increase moderately.
- Credit costs are likely to fall as the current severe disruption by the pandemic is within expectation and the launch of the new loan origination system in 2H will further improve risk governance.

Figure 7: NIM adjustments and assets growth (annualized, YoY, %)

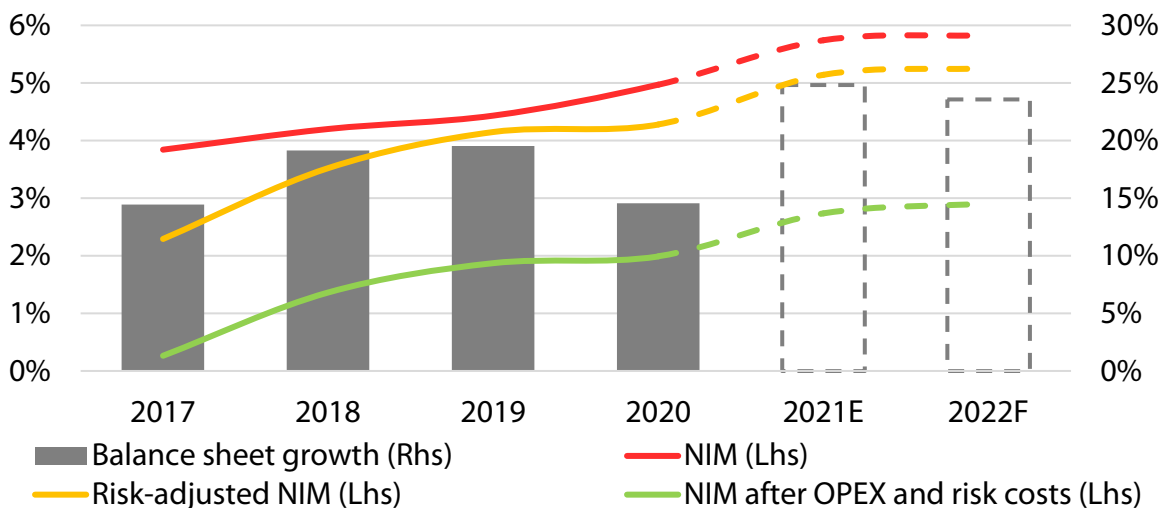
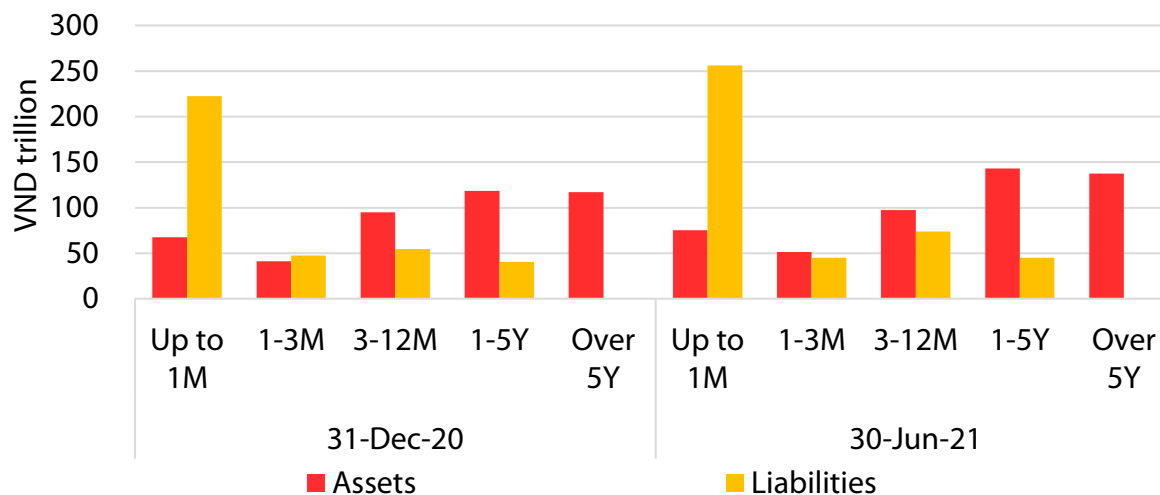


Figure 8: Assets and liabilities allocation by days to maturity bucket



Source: TCB, RongViet Securities

Capitalizing the economic revival with sustainable credit quota, stably improved NIM and negative momentum of risk costs

- We expect a maintained supportive monetary policy and recovery of demand in 2022, granting TCB a high credit limit. The pace of recovery is still uncertain, but the vaccine roll-out is expected to at least ease the disruption in 2H22.
- Housing demand was intact in 1H21 but the paperwork process has been interrupted, which is likely to end in 2022 the latest. Term deposit rate is projected to flatten or pickup modestly. Combining with a larger CASA base which is supported by the resilient payment demand and the termination of preferential package, NIM is widened with stable funding costs and better lending yield. We are cautiously optimistic of the slightly improved forward risk costs, implying a huge upside in the case of community immunity.

TCB benefits the most from a higher yield environment as enhanced efficiency results from accelerating asset growth with controlled NIM

- Aided by the economic recovery, lower customer credit risks, the advantage of competitive and less-sensitive funding costs, the balance sheet is projected to grow effectively and extensively from 2021, resulting in both ROA and ROE improvement. The current maturity gap caused by the sustainable and outstanding demand deposit base will benefit TCB if the yield curve steepens.

<BUY: +21%>

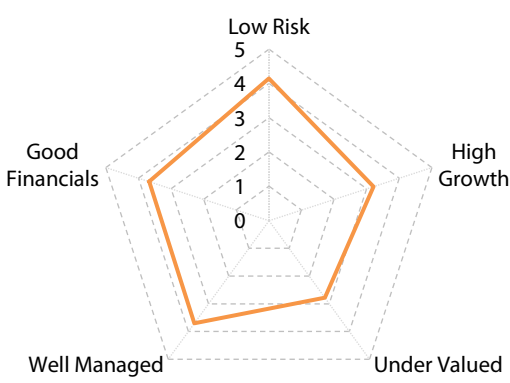
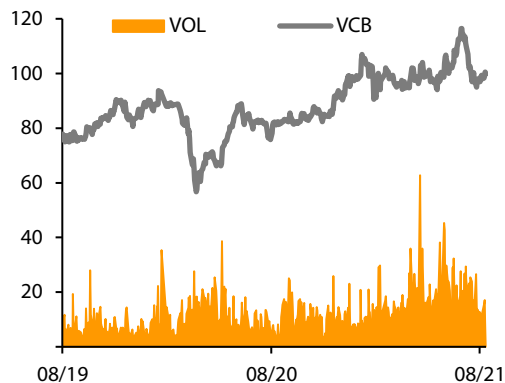
<MP: 97,000>

<TP: 117,000>

STOCK INFO

FINANCIALS

2020A 2021E 2022F



Sector	Banks
Market Cap (\$ mn)	15,641.8
Current Shares O/S (mn shares)	3,708.9
3M Avg. Volume (K)	2,230.5
3M Avg. Trading Value (VND Bn)	230.4
Remaining foreign room (%)	6.4
52-week range ('000 VND)	78.162 - 116.4

NII (VND bn)	36,225	43,121	51,722
TOI (VND bn)	48,999	58,218	67,704
NPAT (VND bn)	18,447	22,547	27,323
ROA (%)	1.4	1.6	1.7
ROE (%)	20.5	20.7	20.4
Asset growth (%)	8.6	13.9	16.0
Book Value (VND)	26,655	32,103	38,797
P/E (x) (*)	18.3	16.1	13.7
P/B (x) (*)	3.6	3.0	2.5

INVESTMENT RATIONALES

Well-known reputation, wide network and quality customer base enhance the advantage of the funding base and non-interest income

- VCB has the lowest costs of funds among the sector mostly due to the substantial weight of short-term customer deposit. The bank also owns large interbank deposit because of its role appointed by the SBV as the only clearing bank for Visa transactions for domestic members. Its multi-currency payment system (VCB-Money) plays a key role in the overall payment system. Those are solid moats allowing VCB to receive low-costs funds from customers and financial institutions in various currencies. Backed by the relationships with the top domestic exporters and importers and the extensive corresponding network, VCB has sustainable advantage in leading non-interest business segments, such as payment, trade financing and FX.

Leading retail banking with excellent management capability drives efficiency

- VCB maintains a stable proportion of retail loan and deposit, helping the bank to hold the largest retail CASA market share and leading CASA ratio. It has a conservative approach regarding lending and provisions, which results in significantly low NPL formation and strong provision buffer. These factors drive the sustainably high efficiency of the bank.

Sustainable growth despite scale bases on adequate capital with headroom and well-managed liquidity

- Based on a thick capital base with a pending equity issuance and strong liquidity position as a large offerer on the interbank market, VCB can sustain a two-digit asset growth at this scale.

RISKS TO OUR CALL

- The downside risks include unknown level of potential NPL formation and higher yield affecting the leading multiple valuation. The upside risks include index tracking and stock dividend.

Figure 1: TOI contribution and PBT growth (VND, %YoY)

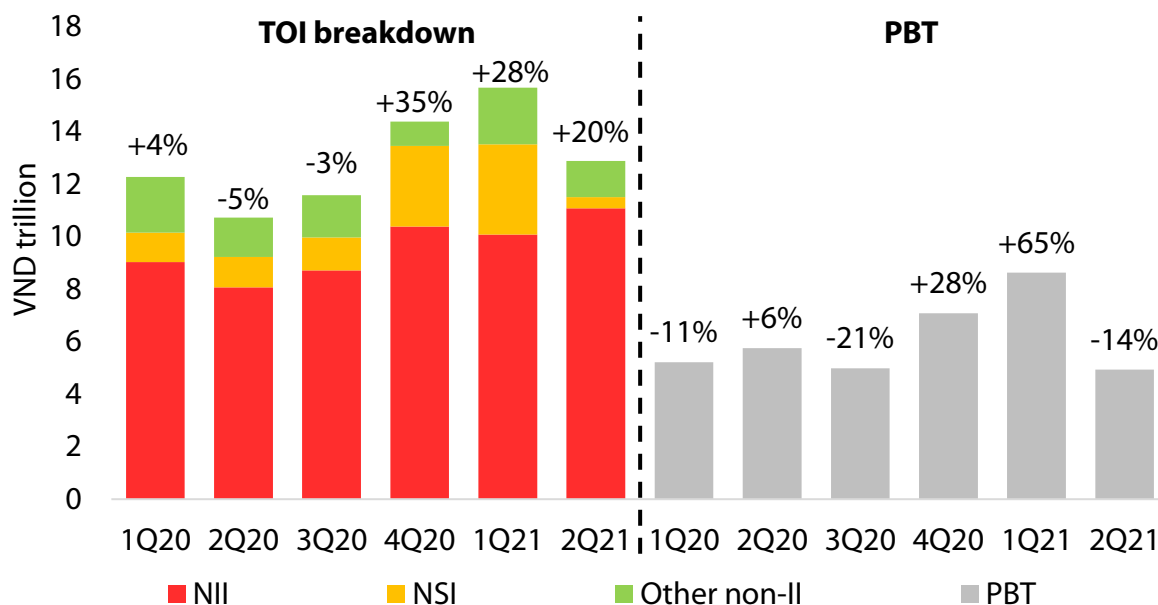
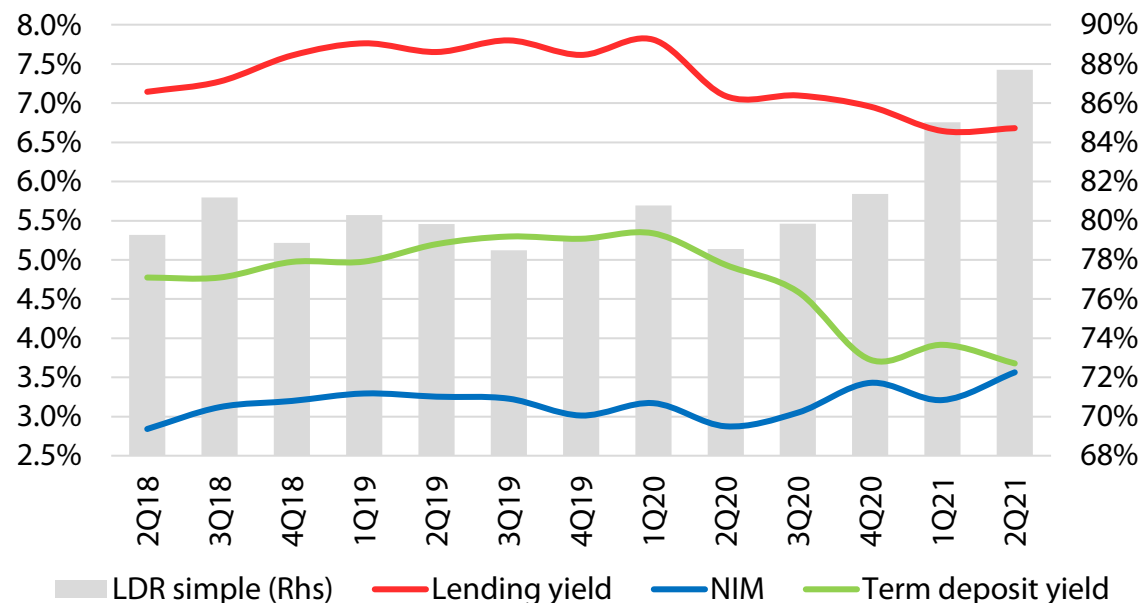


Figure 2: NIM, lending – term deposit rate and LDR (annualized)



Widening lending-deposit rate gap, weak deposit growth and low comparison base drove net interest income

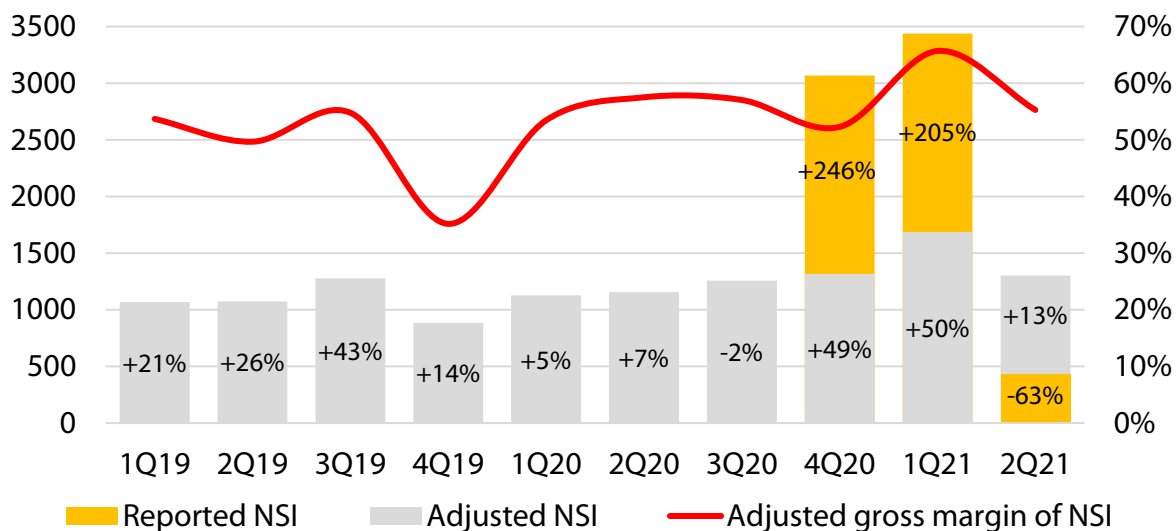
- VCB reported 1H2021 net interest income growth at +24% YoY, while interest earning assets expanded 10% YoY. Increasing NIM (annualized) contributed significantly, reaching 3.6% in 2Q21, highest in the recent years, and 3.3% in 1H21. Lending rate dropped since the beginning of 2021 with a large preferential interest rate package, before being stagnant in 1H2021. CASA fluctuated while yield on term deposit continued to fall to 3.7%, the lowest among the sector and lower than the bank's quoted six-month deposit rate. This indicates the competitive advantage of short-term term deposit.

Upfront fee reallocation and strict provisions had a strong impact on quarterly earnings

- We estimate that 2Q21 and 1H21 PBT growth would be +14% and +38% instead of -14% and +24% respectively if VCB did not revert a part of the upfront fee and followed the planned provision expenses rather than making conservative provision. Beside NIM, the overall performance met our expectation.

Source: VCB, RongViet Securities

Figure 3: Net service income (NSI) and gross margin (VND, %, %YoY)



Core service income is expected to have stable growth

- Adjusted net service income (NSI) was resilient with two-digit growth. We estimate that payment was the driver. Trade financing and domestic payment will remain as service income growth engine in 2H21 and 2022.

Given the solid provision buffer, credit costs will become the driver

- We expect resilient PBT growth in 2H21, at VND 14.6 tn (USD 635 mn, +21% YoY) due to lower risk costs. 2H TOI growth is projected at +14%.
- In 2022, we think the pressure from the pandemic disruption will be less severe. Lending rate will be higher, followed by better NIM. Thereby, PBT will sustain growth with robust TOI and maintained provision expenses.

Source: VCB, RongViet Securities

Figure 4: Debt groups, restructured loans and LLCR to loans (%)

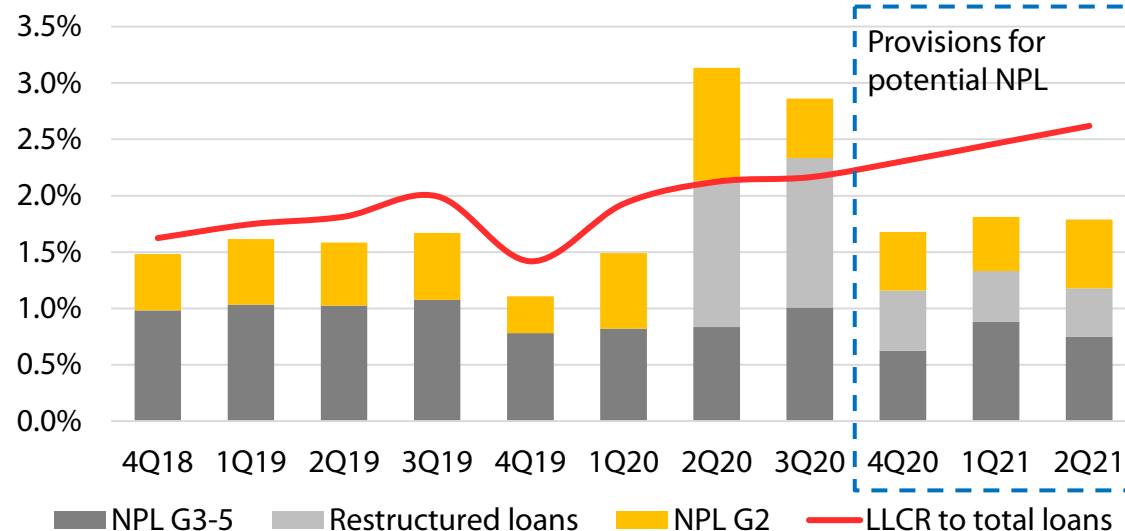
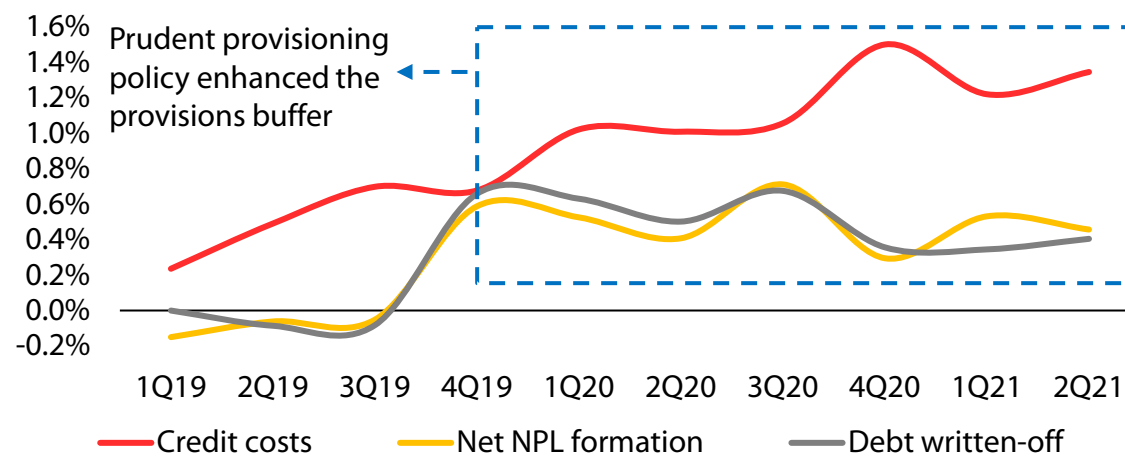


Figure 5: Credit costs, NPL formation and debt write-off (% TTM)



<BUY: +25%>

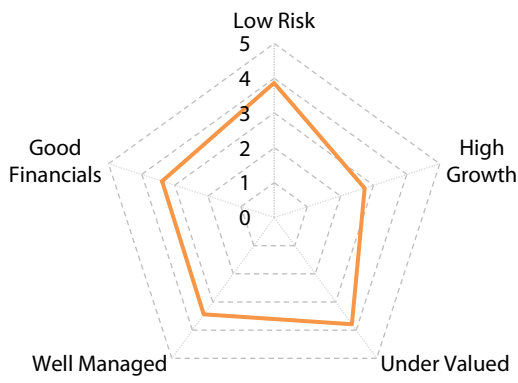
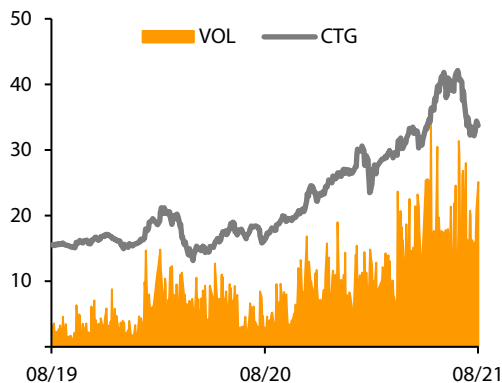
<MP: 33,750>

<TP: 42,200>

STOCK INFO

FINANCIALS

2020A 2021E 2022F



Sector	Banks
Market Cap (\$ mn)	7,051.9
Current Shares O/S (mn shares)	4,805.8
3M Avg. Volume (K)	18,355.6
3M Avg. Trading Value (VND Bn)	838.8
Remaining foreign room (%)	5.5
52-week range ('000 VND)	42.149 – 16.614

NII (VND bn)	35,581	42,001	46,375
TOI (VND bn)	45,280	55,272	59,648
NPAT (VND bn)	13,679	19,821	22,307
ROA (%)	1.1	1.4	1.4
ROE (%)	16.8	21.3	20.7
Asset growth (%)	8.1	10.1	11.9
Book Value (VND)	17,769	20,882	24,025
P/E (x) (*)	11.8	10.4	9.3
P/B (x) (*)	1.9	1.6	1.4

INVESTMENT RATIONALES

Improving asset quality and funding mix backed by the shift towards retail banking and loan book restructuring

- Since the restructuring process, CTG strictly wrote off bad debt and made provisions for VAMC bonds to clean up the balance sheet. By removing non-performing assets, CTG is relieved from the pressure of significant risk costs that make up a majority of earnings, thereby, boosting earnings growth and profitability ratios. The retail banking transformation is expected to further increase the efficiency by promoting non-interest services and CASA ratio with the support of a wide customer base and partnerships with leading companies in various sectors. These drivers will help diversify growth engines and lead to stable and competitive funding costs.

Widened risk-adjusted NIM and ramping up non-interest income growth aided by payment and bad debt recovery boost efficiency ratios

- By investing in technology, combined with the increasing risk-adjusted NIM as costs of funds drops sharply and credit costs are controlled, CTG is capable of growing the balance sheet efficiently despite pressure from the capital base. The upcoming increase in settlement volume and debt collection will contribute to a higher profitability via non-interest income growth.

In the medium-term, combining an appropriate growth strategy with sustainable profitability will help strengthen the capital base

- We expect that the CAR could be at a safer level in 2023-2025 given the modest balance sheet expansion, sustaining profitability, deleveraging strategy and retail banking orientation.

RISKS TO OUR CALL

- Downside risks include the prolonged COVID-19 and yields increasing sooner than expected. Upside risks include the timing and allocation of the upfront fee.

Figure 1: TOI contribution, PBT and growth (VND, %YoY)

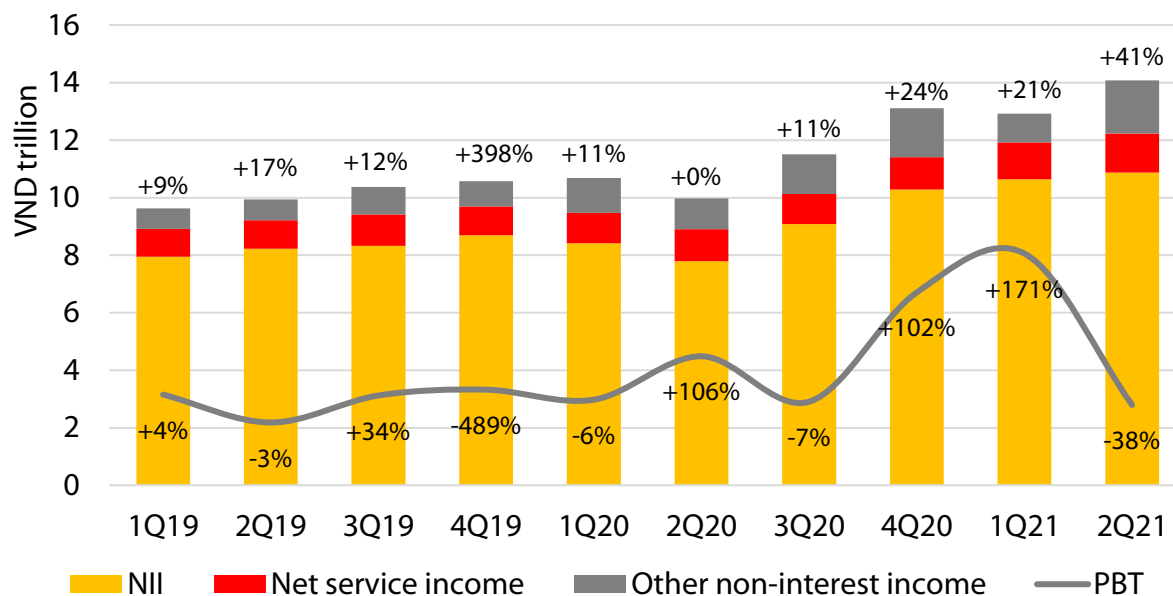
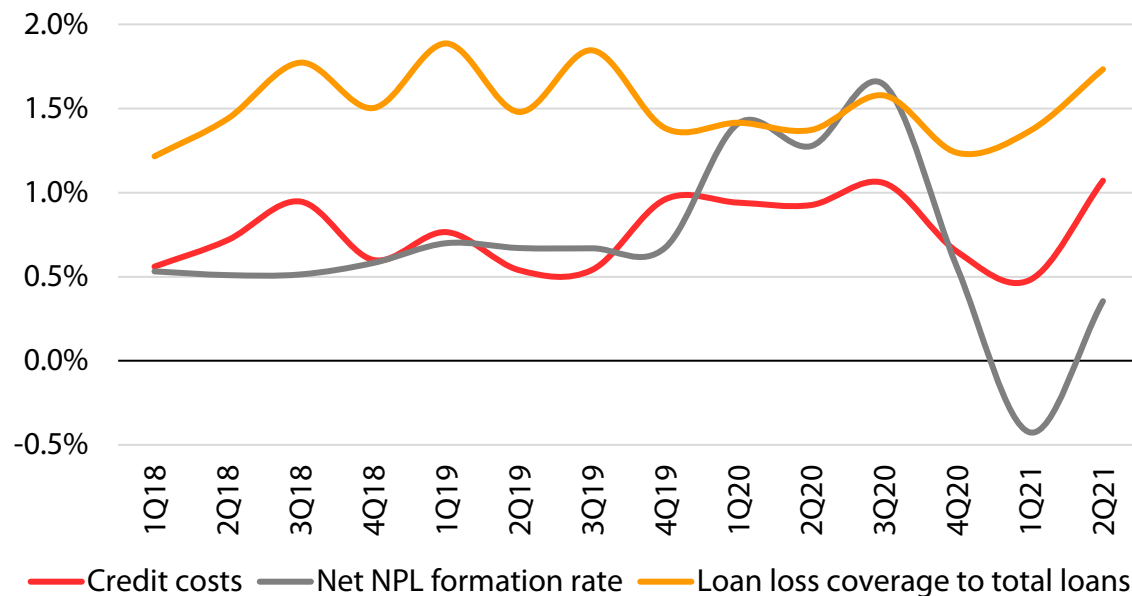


Figure 2: Credit costs, NPL formation and LLR to loans (TTM, %)



Good performance in 1H2021, but quarterly results raised concern

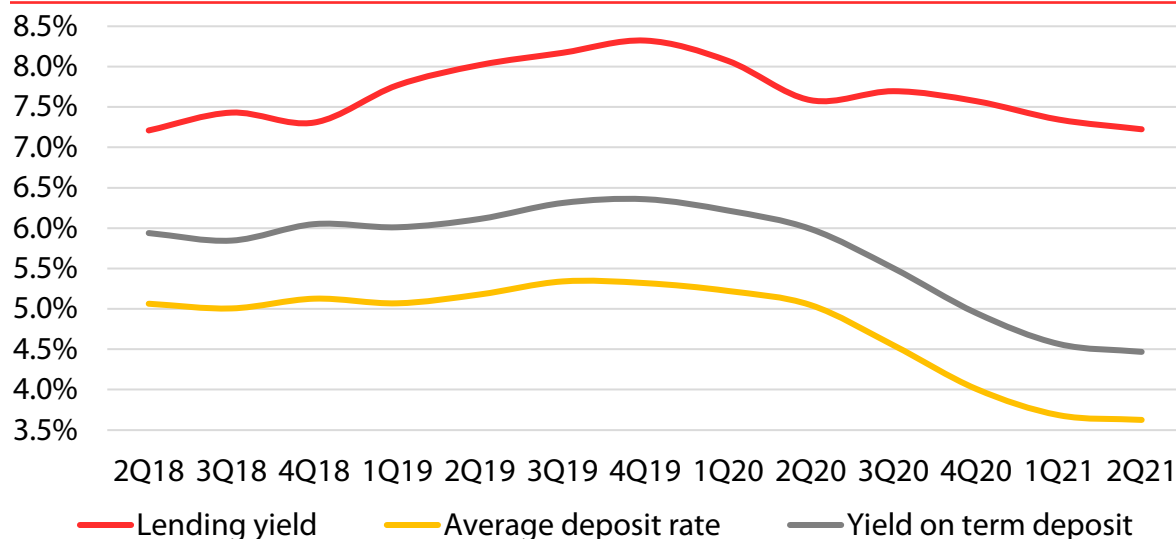
- Contrary to the three-digit growth in 1Q21, CTG missed expectations in 2Q due to surging provisions as a group of loans was restructured according to Circular 02. 2Q21 pre-provision profit grew +48%. NPL ratio increased to 1.3% while credit costs reached a five-year peak. 1H21 PBT growth was +45% YoY.
- Service income remained resilient, growing over 20% each quarter in 1H21. Bancassurance has not yet contributed strongly (23%) due to the inconclusion of the new partnership deal. Settlement was the driver, contributing 49% to net service income. In which, trade financing segment thrived robustly.

Strict provisioning policy strengthen the buffers

- Based on the prudent approach of CTG and the facts that the new bad debt belongs to several leading conglomerates which will recover soon and without those, net NPL formation would have been low (-0.1% compared to the actual 0.4%), we think the loan degradation in 2Q21 is temporary.

Source: CTG, RongViet Securities

Figure 3: Loan yield, deposit and term deposit rates (annualized, %)



NIM falls, credit costs drive earnings growth resilient

- NIM might shrink in 2H given the supportive package leading to lower loan yield. The misalignment of credit and deposit growth due to pressured LDR will also narrow NIM and direct resources into low yield high quality liquid assets. Combined with a limited credit quota, NII growth will be low.
- Credit costs are expected to stay flat at 1.1%, implying annual provision expenses reaching the higher bound of the initial plan. Net NPL formation is projected to fluctuate given the bad debt upgradation after the probation and eased lockdowns. CTG might make further provisions for restructured debt. 2021 PBT will exceed USD 1 bn due to the controlled provisions expenses. We also expect an allocation of upfront fee in 4Q.

Figure 4: Assets yield, funding costs and NIM (annualized, %)

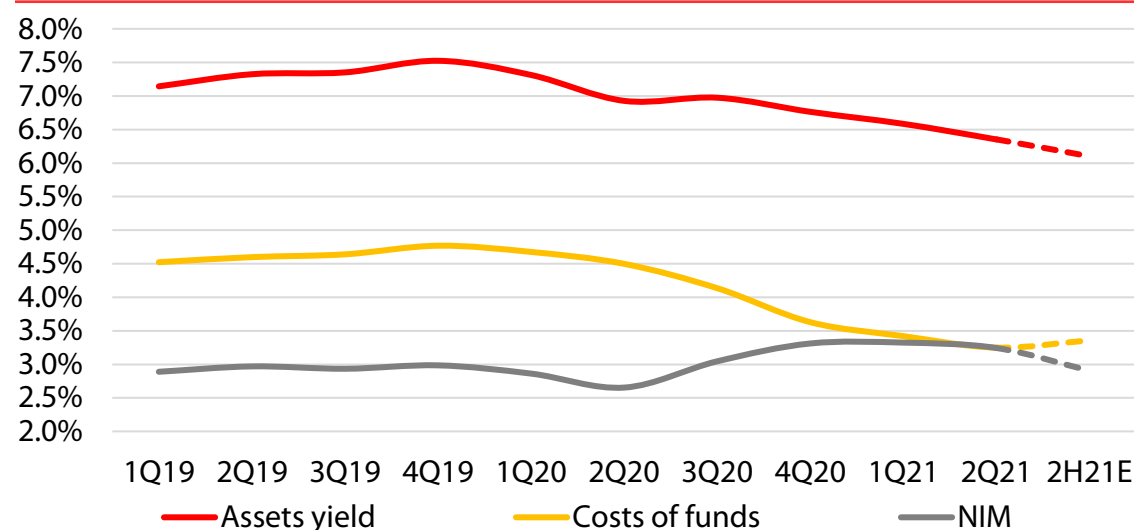


Table 1: Performance and forecasts (VND, %YoY)

Unit: VND bn	2H20A	1H21A	2H21E	%YoY	2021E	%YoY
Net interest income	19,365	21,521	20,480	6%	42,001	18%
Total operating income	24,621	27,006	28,266	15%	55,272	22%
Provision expenses	(5,548)	(8,456)	(3,558)	-36%	(12,014)	-1%
Profit before tax	9,610	10,850	13,892	45%	24,742	45%

Source: CTG, Rong Viet Securities

Figure 5: Credit costs and net NPL formation rate (TTM, %)

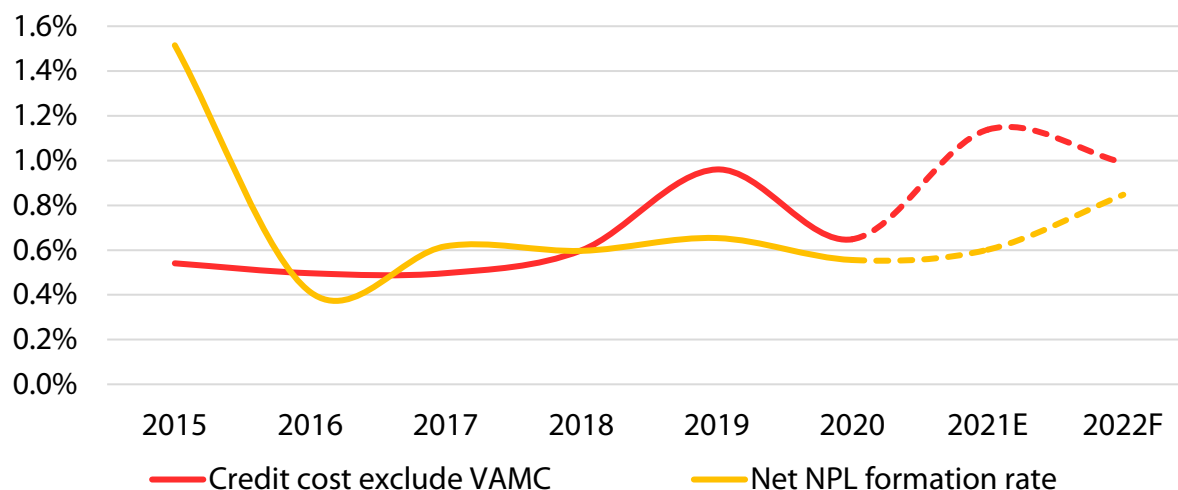
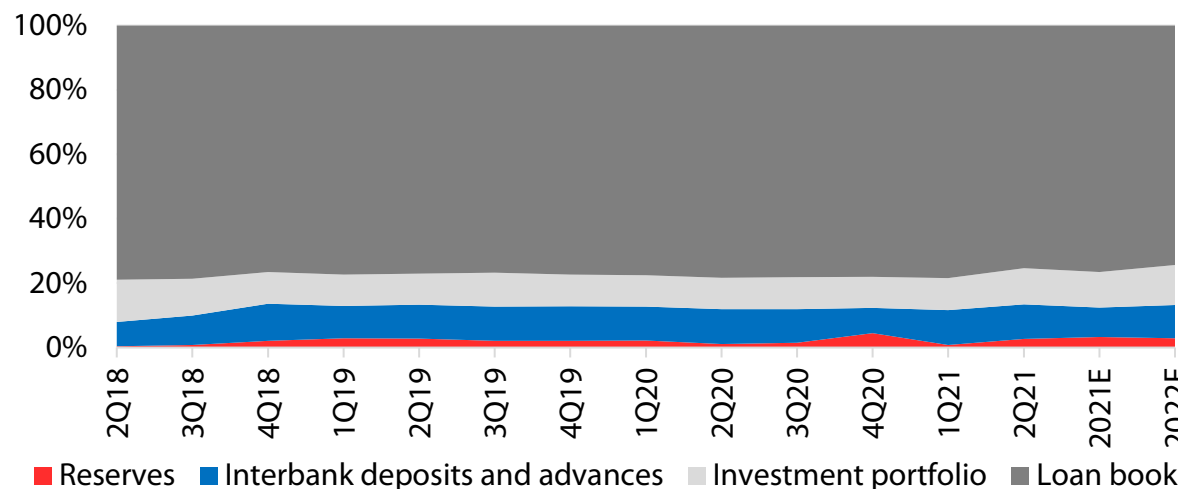


Figure 6: Interest earning assets allocation (%)



Source: CTG, Rong Viet Securities

The conclusion of the pandemic will have a major impact on income

- Despite the low expected net NPL formation in 2021, the recovery pace in 2022 will have a major impact on net profit, given the large customer base (15 million) covering many economic classes. We expect the net NPL formation to trend up, factoring the lag in bad debt formation, but the provision buffer will relieve pressure on credit costs. However, the provisioning policy is still conservative.
- We expect Circular 03 to be amended to support customers, which might lead to the increase in restructured debt. The early booking of additional provisions (currently over 40% and will increase in 2H21) will help. Provision costs are expected to drop slightly, propelling net profit (+13%) at a lower pace than 2021.

Asset reallocation in a low interest rate environment and capital constraint remain concerns

- TOI growth is expected to at one-digit (+8%), mainly due to weak growth of NII (+11%) and fall in other non-II. The asset structure is shifting towards investment portfolio and interbank resources, which are low yielding. The addition of government bond, limited supply of financial institution bond and sustainably low interbank rates will pressure NIM, despite the possibility of a sharp increase in loan yield in 2022 following the termination of some supportive packages.
- Capital is likely to remain an obstacle to balance sheet growth for several years despite the shift to retail lending and retaining capital.

<BUY: 32%>

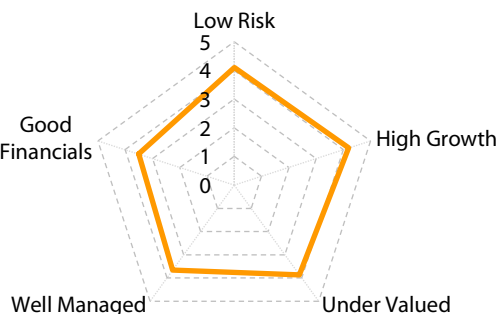
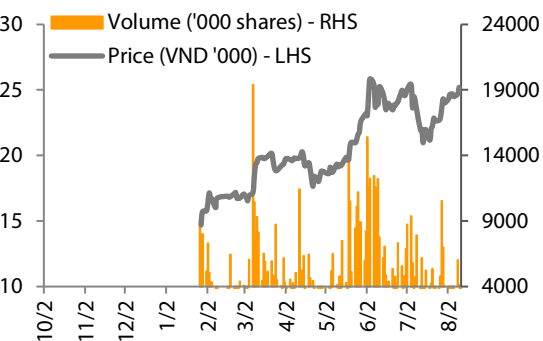
<MP: 24,300>

<TP: 32,100>

STOCK INFO

FINANCIALS

2020A 2021F 2022F



Sector	Banking
Market Cap (\$ mn)	145
Current Shares O/S (mn shares)	1,370
3M Avg. Volume (K)	5,138
3M Avg. Trading Value (VND Bn)	147
Remaining foreign room (%)	0
52-week range ('000 VND)	18.4-32.3

Revenue (VND bn)	8,013	9,718	11,983
NPATMI	3,535	4,420	5,663
ROA (%)	2.6	2.7	2.8
ROE (%)	24.4	22.5	22.9
EPS (VND)	2,471	3,117	4,025
Book Value (VND)	12,728	15,954	20,088
Cash dividend (VND)	0	0	0
P/E (x) (*)	9.5	7.8	6.0
P/B (x) (*)	1.9	1.5	1.2

INVESTMENT RATIONALES

High interest income growth from balance sheet optimization

- Leading capital adequacy and ample liquidity will ensure OCB to continue to be granted a credit growth (over 2x% per year) higher than the industry average as in recent years. In the meantime, reducing cost of funding via attracting more mid- and long-term funds from international financial institutions (IFC, ADB) and valuable papers with cost of equaling a half of that of deposits of the same terms. By personalizing customer experience, OCB focuses on retail lending (including consumer lending), SME and micro-SME, which are high-interest-rate segments with plenty of room for growth. As a result, NIM still has potential to improve from its higher than average currently.

Credit quality is strictly controlled. As the earliest Vietnamese bank to comply with Basel II, risk management is OCB's core competency, which is reflected in the low debt write-off rate and falling NPL ratio from 2.3% (2018) to 1.5% (1H2021). Due to the early adjustment of the loan book since the beginning of the pandemic, the restructured debt only weighted for 1%.

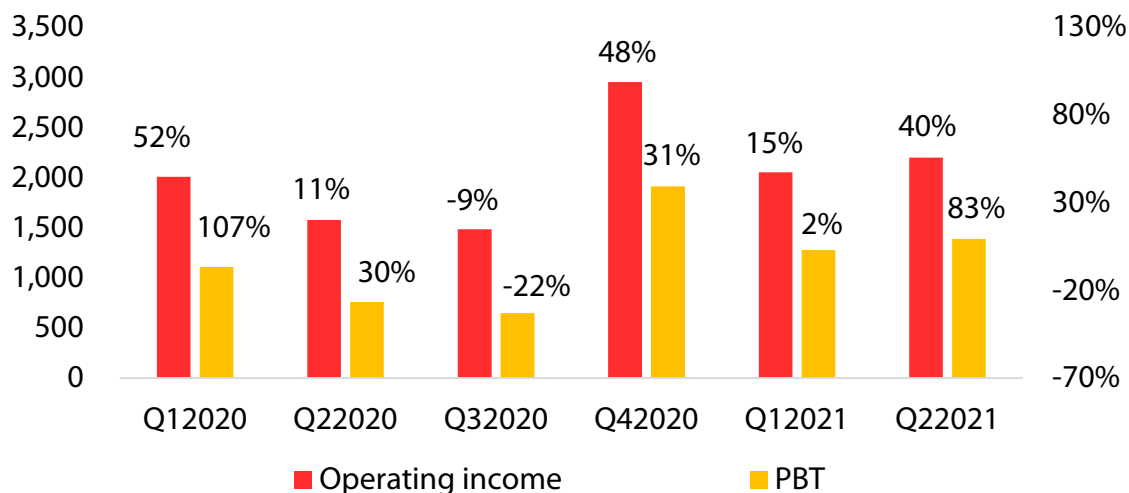
Leading and continuously improving operating effectiveness through digitalization and technology. Since applying centralized management by digitization on the omnichannel platform in 2018, CIR has decreased from over 53% in 2017 to 28% in 1H2021, the lowest figure among listed banks.

Full of potentials for fee income growth. In addition to bancassurance income with Generali accounting for 65-70% of service fee income, from 2021 the bank will promote other service segments including payment, cards and IB consulting services to diversify service income. The renegotiation with Generali will also increase income for the bancassurance segment.

RISKS TO OUR CALL

- Upside risks include positive news on renegotiation with Generali and private placement.
- Downside risks include rising competition in the retail banking segment, stronger and longer-lasting impact of the pandemic than expected.

Figure 1: Operating income, PBT and growth (VND bn, % YoY)



Consolidated PBT surged 42.6% YoY on expanded NIM and reduced provision

- Funding cost fell thanks to increased issuance of low-yielded bonds in Q2. Higher proportion of home and auto loans partially offset asset yield while the bank reduced lending rates to support customers. Asset yield fell less than funding cost, expanding NIM and NII up 21.6% YoY.
- Fee and service income rose 98% YoY (excluding one-time income from extra banca commission in 1H2020): card service +152% and banca +78%.
- CIR fell to 28.4%, the lowest among listed banks.
- Provision plummeted 40.2% YoY because of well-controlled credit quality. NPL ratio decreased from 1.69% at 2020 end to 1.53%. Debt write-off declined 29.2% YoY.

Figure 2: Deposit structure (VND trn), asset yield, cost of capital and NIM (% , TTM)

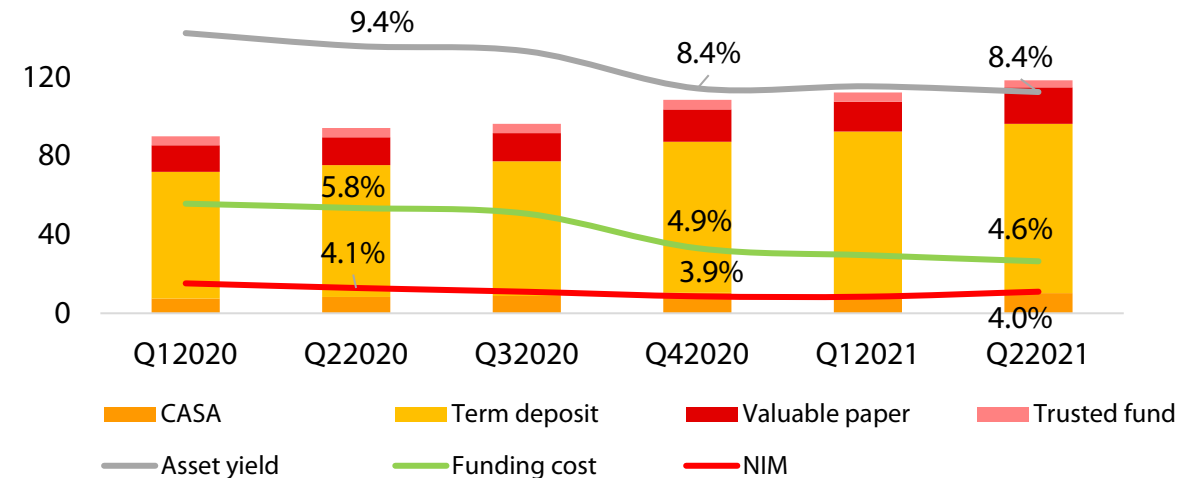
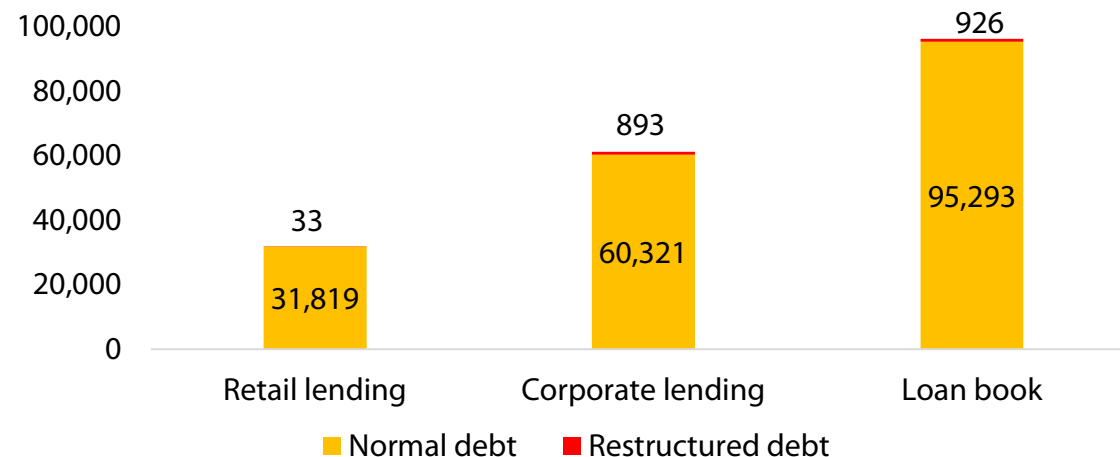


Figure 3: Restructuring debt, end of Q2 2021 (VND bn)



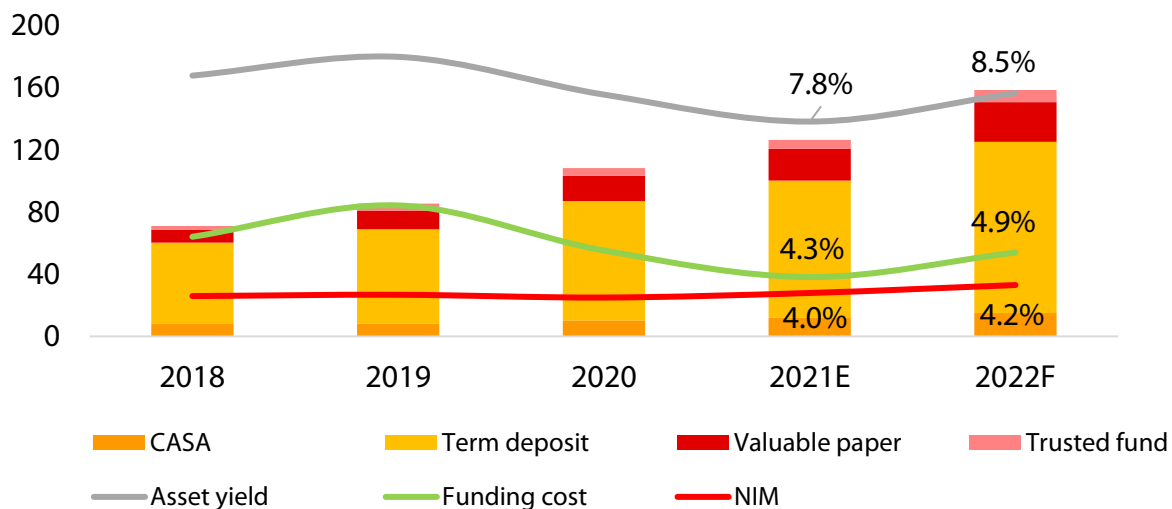
Source: OCB, Rong Viet Securities

Table 1: Results 2020-2021E (VND bn)

	2H20A	1H21A	2H21E	%YoY	2021E	%YoY
Net interest income	2,678	2,800	3,448	+28.8%	6,248	+25.4%
Total operating income	4,431	4,249	5,469	+23.4%	9,718	+21.3%
PBT	2,556	2,661	2,866	+12.1%	5,527	+25.0%

Source: Rong Viet Securities

Figure 4: Deposit structure (VND tn), asset yield, cost of capital and NIM (TTM)



Source: OCB, Rong Viet Securities

2H2021: Growth slows down on high lending base in the same period and strengthened asset quality

- Interest rate incentives for customers in 2H2021 can be partially offset by the funding structure's adjustment towards low-cost long-term sources. NIM TTM for 2021 remains same as 1H2021 (4.0%) but higher than 3.88% of 2020. The fourth pandemic outbreak in 2H2021 causes 2H2020 a high base for loan growth.
- The goal of improving the provisioning buffer compared to 2020 makes provisioning cost increase by 87% YoY.

2022: NIM continues to expand, stable provision

- Lending rates recover and funding cost improves because of higher proportion of low-cost long-term sources (IFC, ADB and bond issuance). High NIM (4.16%) will be the main driver of growth with net profit and TOI advances by 26.9% and 23.3%, respectively.
- CIR drops to 26.7% owing to the efficiency of digital transformation projects.
- Provision expenses rise slightly by 11.5% based on the stable and healthy asset quality.

<BUY: 25%>

<MP: 28.800>

<TP: 36.100>

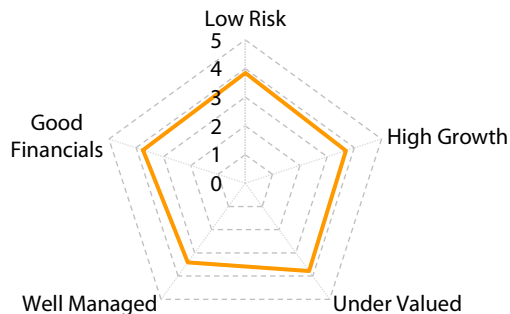
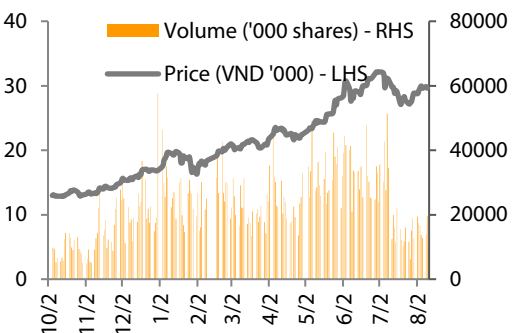
STOCK INFO

FINANCIALS

2020A

2021F

2022F



Sector	Banking
Market Cap (\$ mn)	4,731
Current Shares O/S (mn shares)	3,778
3M Avg. Volume (K)	23,015
3M Avg. Trading Value (VND Bn)	838
Remaining foreign room (%)	1.4
52-week range ('000 VND)	16.2-43.5

Revenue (VND bn)	27,362	35,560	41,959
NPATMI	8,606	11,985	15,628
ROA (%)	1.8	2.2	2.5
ROE (%)	18.4	21.8	23.2
EPS (VND)	2,993	3,194	4,164
Book Value (VND)	13,350	15,891	20,056
Cash dividend (VND)	0.0	0.0	0.0
P/E (x) (*)	10.4	9.0	6.9
P/B (x) (*)	1.7	1.8	1.4

INVESTMENT RATIONALES

Income growth driver comes from retail banking expansion (including consumer finance)

- The high and stable CASA ratio (nearly 40%) and long-standing relationships with large military enterprises such as Viettel, Vinacomin, Saigon Newport and Vietnam Helicopter helps MBB maintain a low funding cost. The proportion of retail lending has continuously increased and will continue to expand into the housing loan segment thanks to the strategic partnership with Novaland from the beginning of 2021. As a result, NIM will remain high. The expanding retail customer base also facilitates non-interest income from cross-selling products such as insurance and credit cards.

Growth focuses on quality

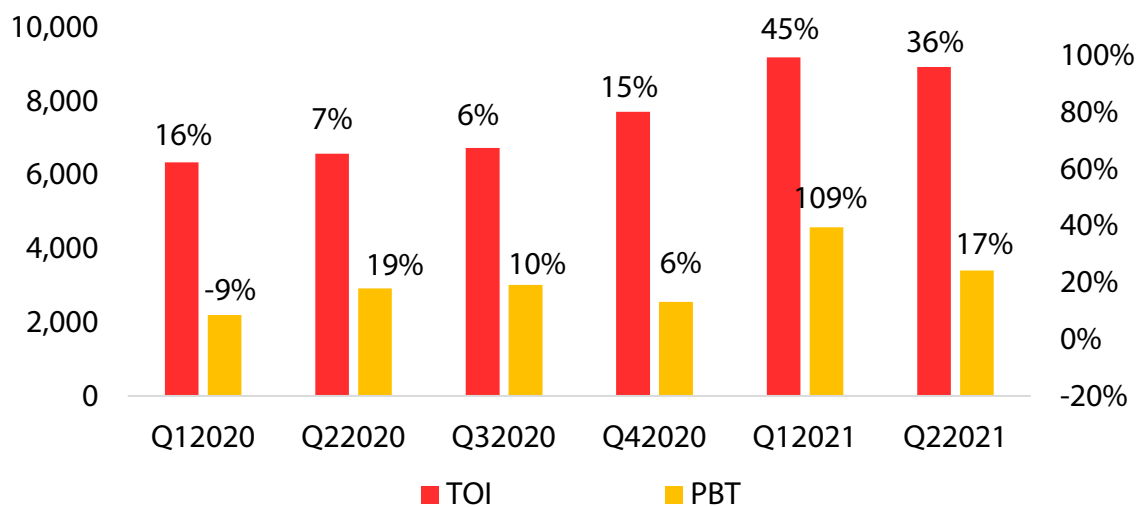
- Low exposure to industries affected by the pandemic and restructuring of MCredit since Q12020, has improved asset quality. The impact of the pandemic on the loan book has been negligible. However, MBB is still carefully building a thick capital buffer and high liquidity to be ready to deal with the prolonged pandemic situation.
- The business strategy for 2021-2026 period focuses on improving asset quality. Compared to the 2016-2020 period, the growth rates of balance sheet, credit, income and profit will all be lower while the rate of mobilization will be higher.

Investing in long-term competitiveness may make it difficult for CIR to improve in the medium term. The agent banking model through Viettel, Vietnam Post and MWG along with MBB's Smart Bank automotive transaction offices both contribute to increase coverage and save operating costs. Rich digital customer experiences will assist in maintaining the CASA ratio. However, large investment in IT and expansion of the southern market may make it difficult for CIR to improve before 2024.

RISKS TO OUR CALL

- Challenges in maintaining CASA, increased competition in retail banking, and the pandemic caused a stronger and longer impact than expected.

Figure 1: Total operating income and PBT (VND bn, % YoY)



Consolidated PBT surged 56% YoY due to strong NIM expansion and written-off debt recovery.

- Short-term deposit rates plunged, and CASA improved in Q2 to reduce funding costs. Rising in medium- and long-term and retail lending supported asset yields. As a result, NIM increased by 56 bps to 5.36%.
- Service income growth decelerated as the insurance segment experienced a stronger increase in expenses than revenue.
- Written-off debt collection doubled that of 1H2020, improved TTM actual CIR. Both quarterly actual CIR and quarterly underlying CIR increased vs Q1 but lower than Q22020.
- Provision expenses doubled in Q2 because the bank reinforced its asset quality to prepare for a less positive outlook in Q3.

Figure 2: Lending rate, deposit rate and NIM (% , TTM)

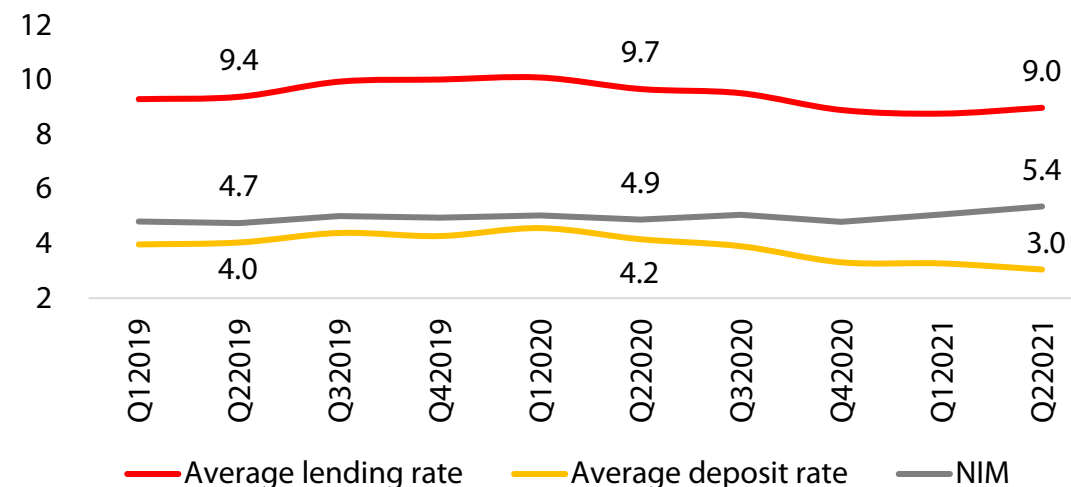
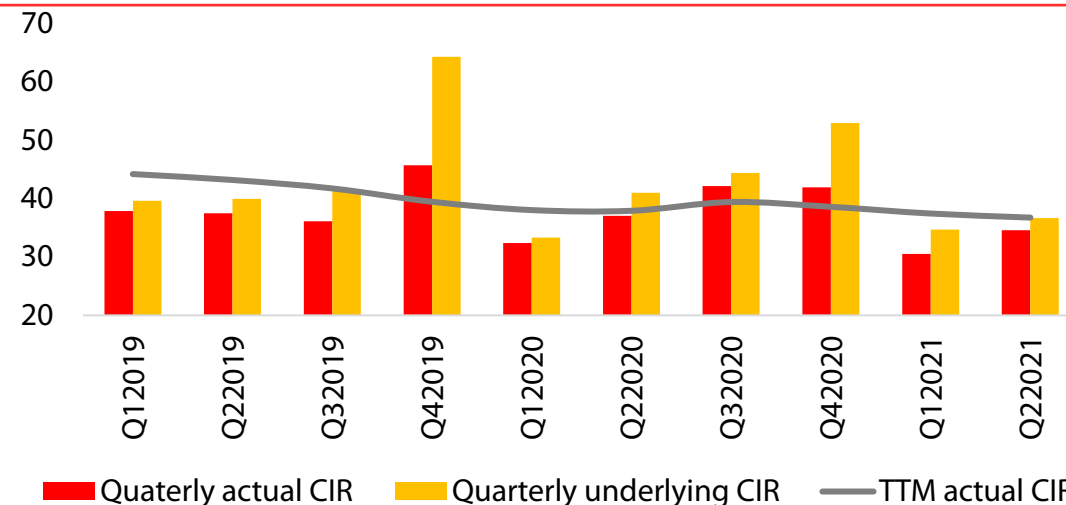


Figure 3: Quarterly underlying CIR, quarterly actual CIR and TTM actual CIR (%)

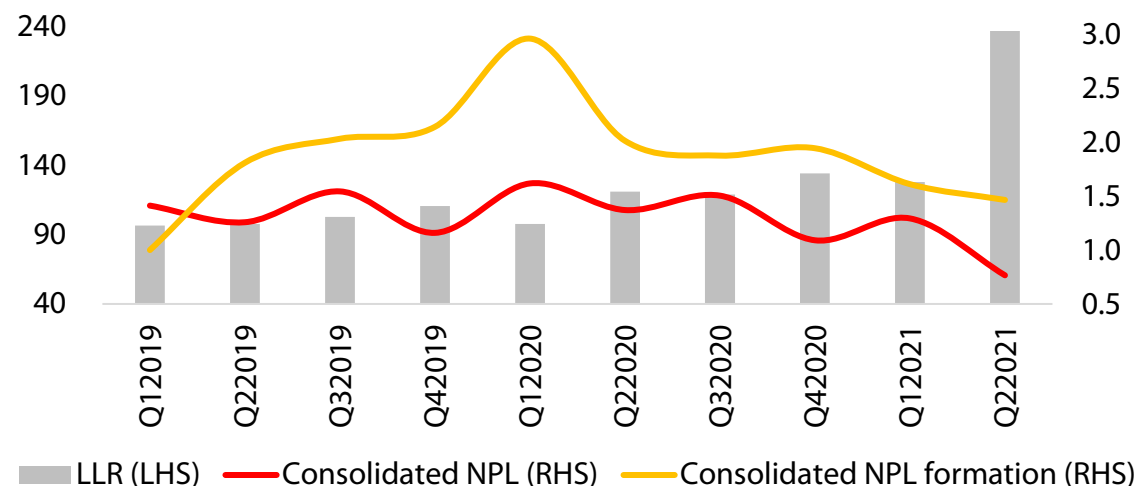


Source: MBB, Rong Viet Securities. Underlying CIR: Actual CIR without one-off incomes

Table 1: 2020-2021E business results (VND bn)

	2H20A	1H21A	2H21E	%YoY	2021E	%YoY
Net interest income	10,959	12,515	13,267	+21.1%	25,782	+27.1%
Total operating income	14,450	18,117	17,443	+20.7%	35,560	+30.0%
PBT	5,570	7,986	7,386	+32.6%	15,372	+43.8%

Source: Rong Viet Securities

Figure 4: NPL ratio, new bad debt formation ratio and loan lost coverage ratio LLR (% , TTM)


Source: MBB, Rong Viet Securities

2H2021: Growth slows down on high comparison base and interest rate support program for customers

- The preferential lending rate for customers in 2H2021 could be partially offset by the adjustment in the deposit structure, the low deposit interest rate as well as the increase in retail lending. Although NIM TTM 2021 narrows compared to 1H, it will still remain high at 5.16% and outperforms 4.8% of 2020. The complicated pandemic in 2H2021 makes 2H2020 a high comparison base of credit growth.
- NPLs may increase in Q3 and gradually decrease in Q4. But thanks to the high provisioning buffer at the end of Q2, provision expenses will not as high as in 1H.

2022: NIM to be maintained and reduce provisions

- Lending and deposit rates recovered to neutralize the rolling yield effect of investment bond and valuable paper. NIM will reach 5.19% and NII will increase 19%.
- It is difficult for the underlying CIR to improve strongly before 2024 owing to the large increase of IT personnel and the expansion in the southern market.
- Thanks to a slowdown in the growth of the balance sheet and a healthier loan portfolio after restructuring, new NPL formation ratio and credit costs fall from a high base of 2021.

<ACCUMULATE: +5%>

<MP: 35,550>

<TP: 37,300>

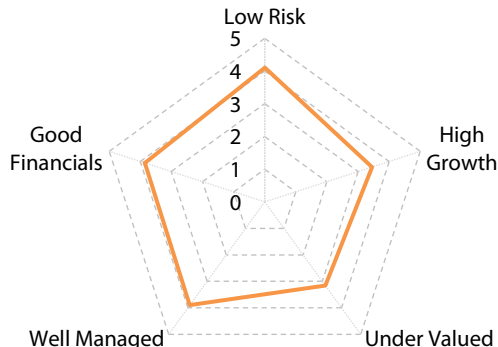
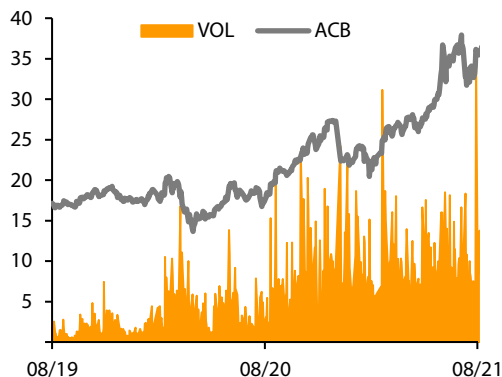
STOCK INFO

FINANCIALS

2020A

2021E

2022F



Sector	Banks
Market Cap (\$ mn)	4,176.3
Current Shares O/S (mn shares)	2,701.9
3M Avg. Volume (K)	11,285.5
3M Avg. Trading Value (VND Bn)	413.0
Remaining foreign room (%)	-
52-week range ('000 VND)	17.845 - 37.95

NII (VND bn)	14,582	18,772	21,451
TOI (VND bn)	18,161	23,581	27,263
NPAT (VND bn)	7,683	10,542	12,836
ROA (%)	1.9	2.2	2.3
ROE (%)	24.3	25.9	24.9
Asset growth (%)	15.9	15.6	14.8
Book Value (VND)	13,119	17,021	21,072
P/E (x) (*)	10.1	9.2	7.6
P/B (x) (*)	2.7	2.1	1.7

INVESTMENT RATIONALES

Stable funding base targeting loyal and fast-growing customers will secure balance sheet growth and cross-selling ability

- ACB owns a strong retail franchise. The steadily growing customer base focusing on middle-and-high profile segments secures a robust funding structure, the core advantage to sustain the stable and efficient NIM. This grants ACB the capability to attain optimal balance sheet growth to suit the risk appetite and enhances cross-selling ability. Leading bancassurance market share and the sustainable growth of active users are the evidences of the strength of payment-based income and income from bancassurance, the two major non-interest income drivers.

Prudent lending approach and controlled operating costs are the fundamentals for sustainable efficiency

- The healthy balance sheet is the result of the conservative lending and the moderate pace of expansion. This will give ACB the ability to control risk costs and stay resilient in various macro environment. Combined with the improving CIR ratio by investing in digitization and automation and the sustainable NIM, ACB is expected to maintain good efficiency ratios.

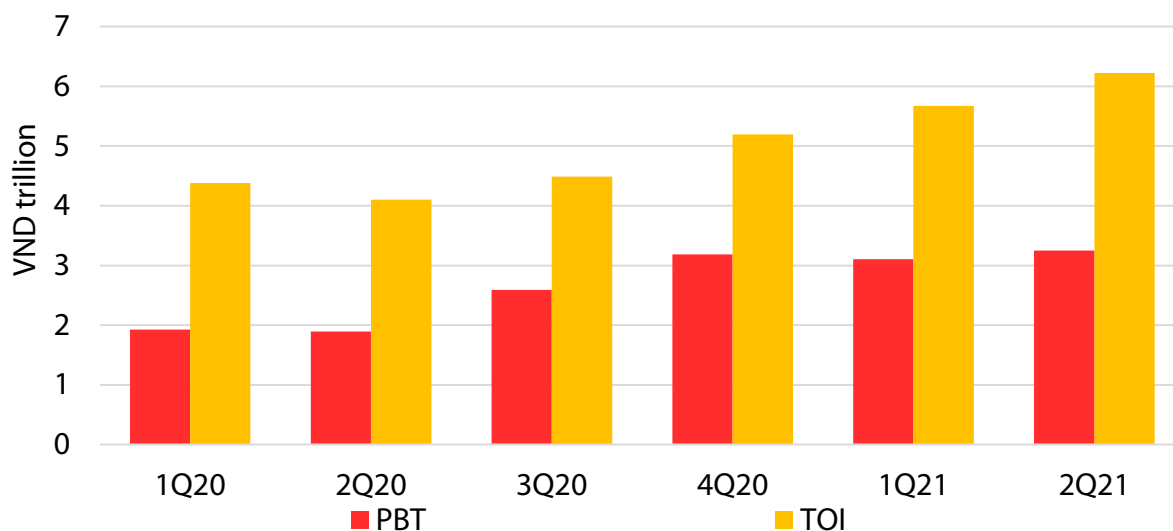
Intact growth expectation during the pandemic based on adequate capital base and excessive liquidity buffer

- ACB possesses a well-balanced buffer with sufficient capital and liquidity position. This ensures the bank's steady growth rate by helping to receive desirable credit quota.

RISKS TO OUR CALL

- The uncertain development of the pandemic might lead to surging provision costs. The prolonged low yield environment will pressure on the high-quality liquid assets when rolling.

Figure 1: Profit before tax and total operating income (VND, % YoY)



1H21: High growth due to widened NIM, bancassurance and reversal

- ACB posted strong PBT result in 1H21 (+66% YoY) driven mostly by a stably widened NIM (annualized) on a low comparison base, robust net service income growth and improvement in CIR.
- Sharp drop in yield of term deposit, slightly higher CASA ratio and newly issued valued papers with low interest rate helped improve funding costs, while average lending yield fell modestly due to repricing. As a result, 1H21 NIM expanded by 39 bps from 2H20.
- Bancassurance was the main service income driver as growing 60% YoY. With the non-recurring item, the enhancement in CIR helped neutralize the surging credit costs due to full provision of the restructured loans.

Figure 2: Net service income (NSI) to assets and TOI (TTM, %)

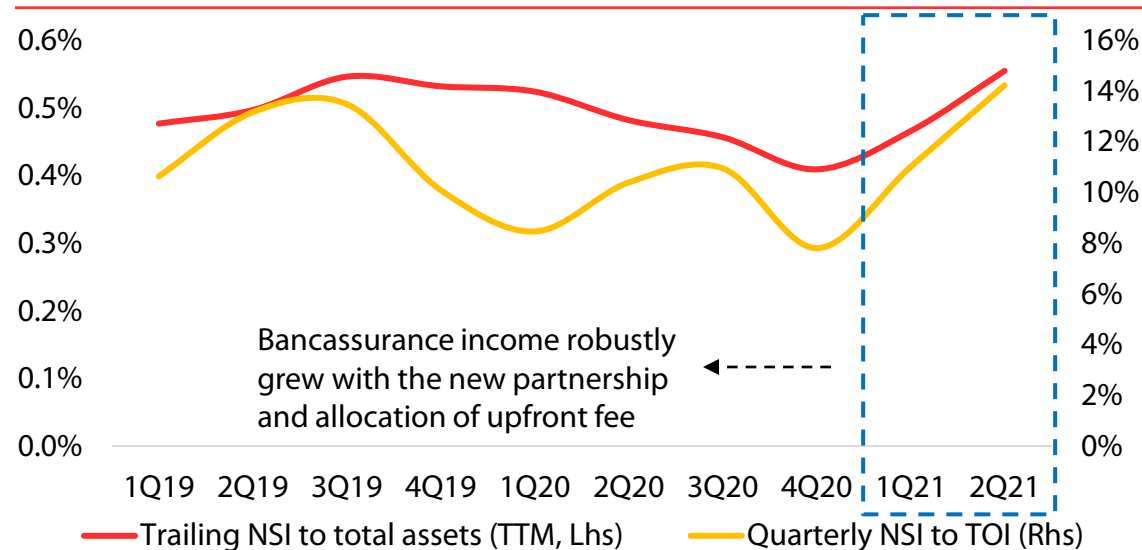
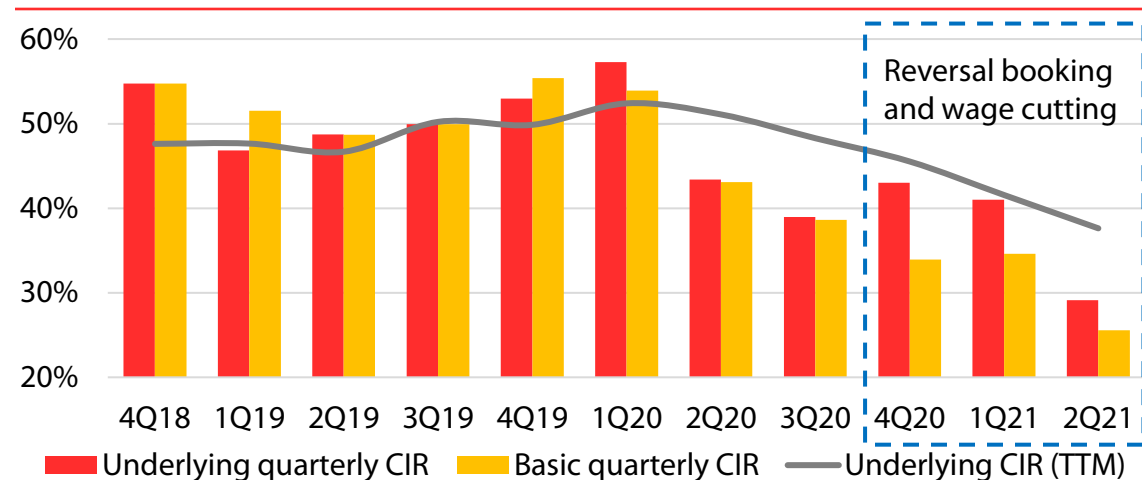


Figure 3: Basic, underlying and trailing quarterly CIRs (%)



Source: ACB, RongViet Securities

Expecting slower growth in 2H2021 based on less supportive comparison base and substantial interest rate reduction package

- 2H2021 PBT is forecasted to increase 18% YoY, down from 66% growth of 1H2021. Net interest income (NII) is the major cause.
- The interest rate cut will have impact on over 90% of the existing customer loans, driving 2H2021 NIM 0.5% lower than 1H2021. The average lending yield is projected to drop by 0.7%, following the up to 0.8% rate deduction for short-term loans and the up to 1.0% rate deduction for medium-and-long-term loans. 2H2021 deposit rate is expected to stay flat, as CASA ratio is projected to increase slightly while the yield on term deposit fluctuates. The comparison base for NIM and credit growth will also be higher in 2H2021.

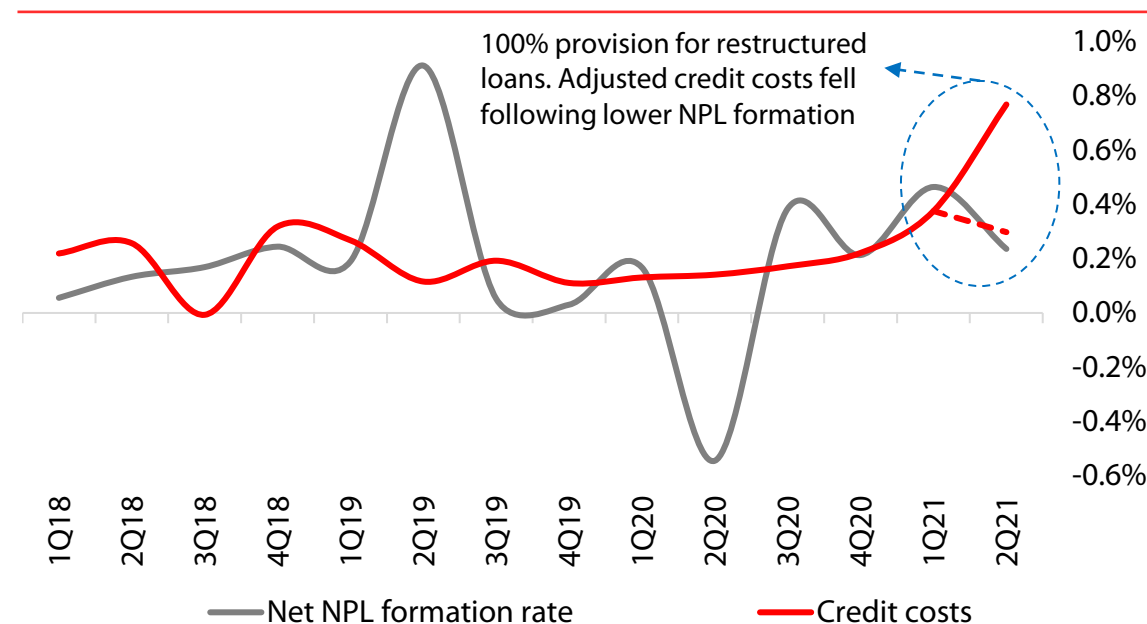
Bancassurance and credit costs continue to be the main driver while CIR will be less encouraging

- CIR is expected to be higher in 2H21, at 38%, compared to 30% of 1H21 and 36% of 2H20, indicating no supportive comparison base.
- Since ACB took advantage of the reversal to make full provision for the restructured loans, credit costs will be relieved in the 2H21. Given the slowdown in balance sheet expansion to focus on customer base and the healthy loan book, the NPL formation and the adjusted credit costs will be resilient to the pandemic outbreak and remain at low level.
- Bancassurance will remain an income driver aided by the upfront fee.

Table 1: 2020-2021 performance and forecasts (%)

Unit: VND billion	2H20A	1H21A	2H21E	%YoY	2021E	%YoY
Net interest income	8,051	9,630	9,142	14%	18,772	29%
Total operating income	9,681	11,903	11,679	21%	23,581	30%
Profit before tax	5,776	6,353	6,801	18%	13,153	37%

Figure 4: Credit costs and net NPL formation rate (% , TTM)



Source: ACB, RongViet Securities

Figure 5: Term deposit yield and deposit growth (% annualized, YoY)

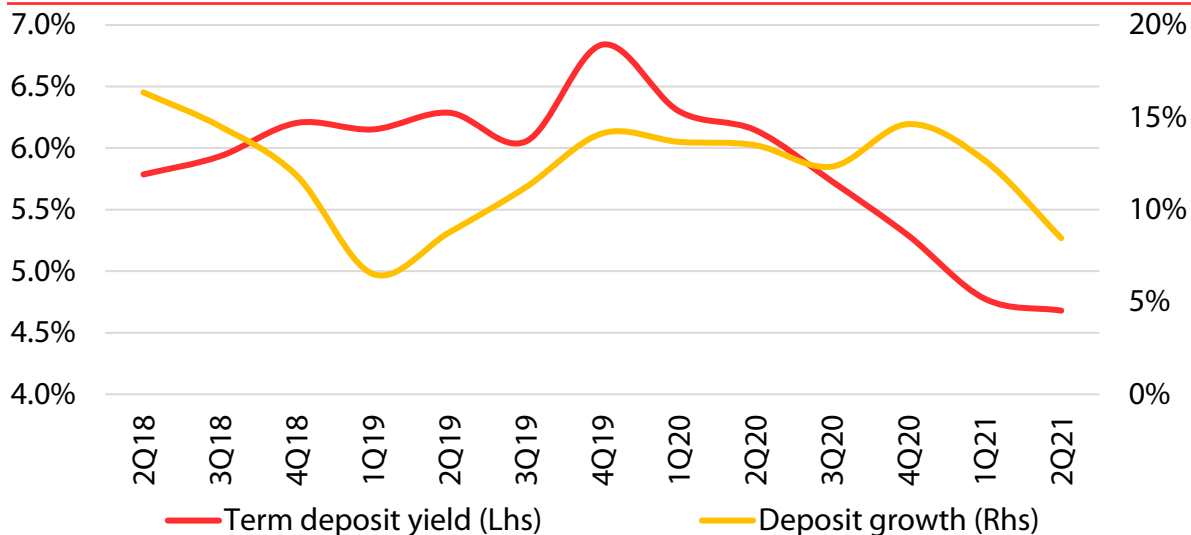


Figure 6: NIM, asset yield and funding costs (annualized, %)

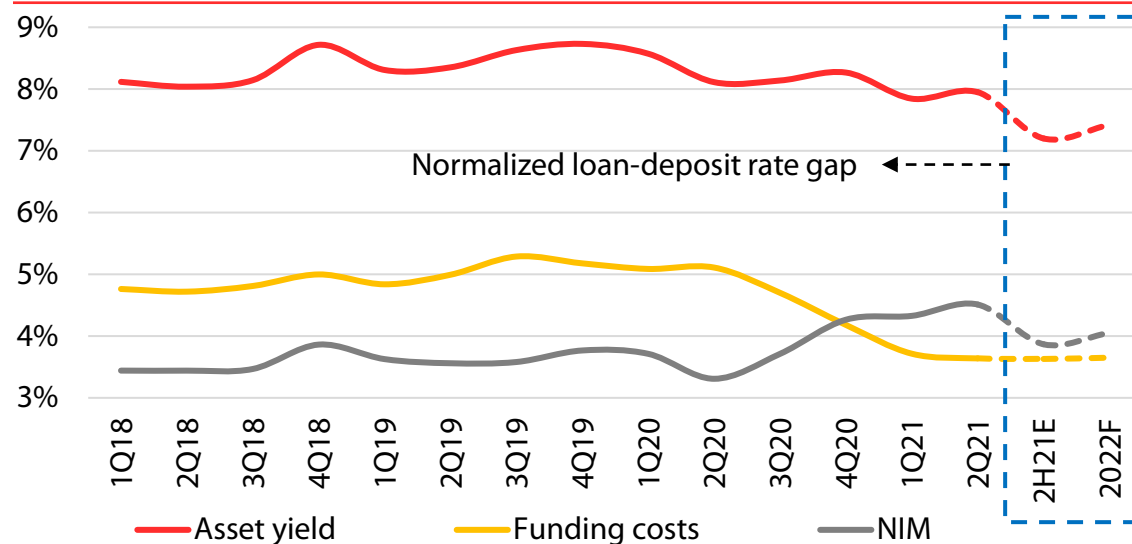
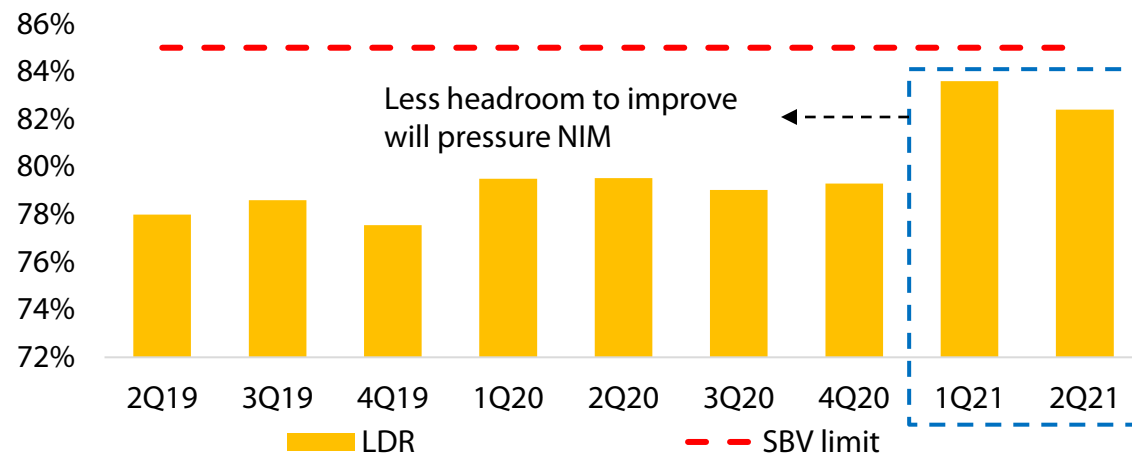


Figure 7: LDR (%)



Source: ACB, RongViet Securities

Sustained NIM and high base of non-II normalizes TOI and PBT growths

- The yield on term deposit is expected to fluctuate around the current level given the low need for balance sheet growth and higher deposit demand from a larger customer base. This will help control NIM when lending yield recovers after the end of the preferential interest rate period and yield on investment portfolio drops as repricing and rolling. Non-interest income is expected to grow slower as the effect of upfront fee fades out. TOI is projected to expand 16% YoY.
- CIR is expected to rise as we do not think a decreasing wage is sustainable, but the risk costs will be lower given less pressure from the provision for Circular 03. PBT will grow by 22%, equaled to that of TOI.

<ACCUMULATE: +8%>

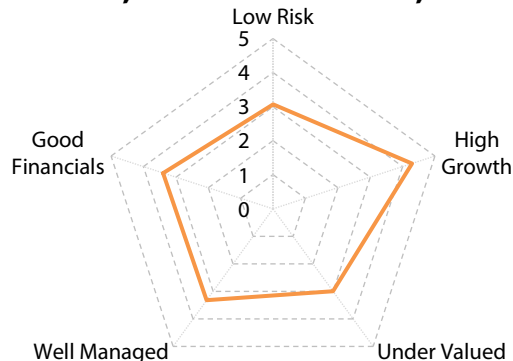
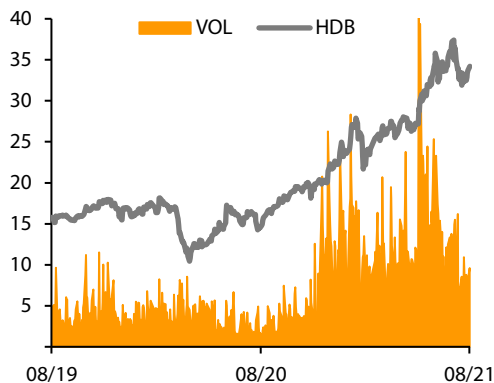
<MP: 34,200>

<TP: 36,800>

STOCK INFO

FINANCIALS

2020A 2021E 2022F



Sector	Banks
Market Cap (\$ mn)	2,369.9
Current Shares O/S (mn shares)	1,593.8
3M Avg. Volume (K)	5,695.9
3M Avg. Trading Value (VND Bn)	186.6
Remaining foreign room (%)	3.6
52-week range ('000 VND)	14.788 – 37.4

NII (VND bn)	11,898	14,551	18,551
TOI (VND bn)	13,779	17,500	22,171
NPAT (VND bn)	4,249	6,100	7,885
ROA (%)	1.5	1.7	1.8
ROE (%)	18.8	22.8	24.3
Asset growth (%)	39.1	24.5	24.9
Book Value (VND)	14,430	18,033	22,625
P/E (x) (*)	9.2	9.2	7.0
P/B (x) (*)	2.4	1.9	1.5

INVESTMENT RATIONALES

Good profitability driven by effective high-yield lending and improving operating costs

- HDB has the capability to well maintain efficiency ratios due to robust risk-adjusted NIM as a result of risk management, appropriate lending yield and stably high balance sheet growth. We expect the bank to further enhance the ROA as technology application helps improve productivity, thereby, driving CIR lower and boosting net profit margin.

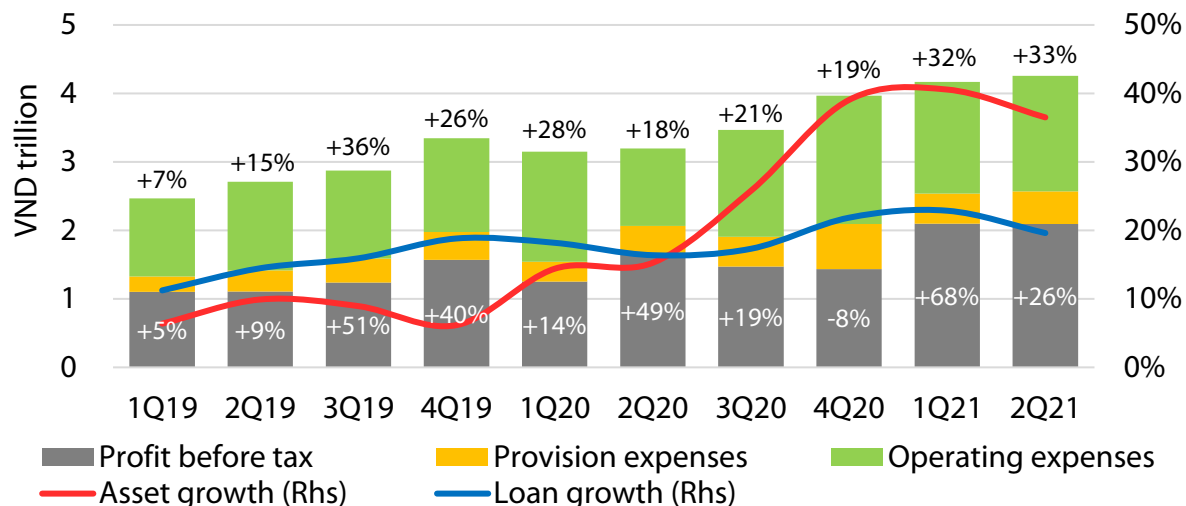
Sustainable lending market share in middle segments with resilient growth backed by a leading consumer finance company, a long-term funding structure and sufficient capital

- HDSaison is among the largest institutions in the consumer lending segment, which promotes the bank's ecosystem and gives it advantages in approaching early-staged customers who will later thrive to upper classes as the economy evolves and become loyal customer of the parent bank. We appreciate the wide ecosystem with value chain lending approach in middle segments, and therefore, expect stable loan growth and intact market share given the fast-growing demand and the bank's favorable position.
- The stable funding mix with long-term deposits and valued papers is the foundation to deliver stable liquidity and pursue high-yield lending. Combined with the resilient capital base with headroom to develop via equity issuance, we expect HDB to achieve high credit quota in the upcoming period.

RISKS TO OUR CALL

- A pro-cycle business segment is vulnerable to the pandemic, thus, having unanticipated NPL formation. The prolonged pandemic will also affect risky lending segments and hamper balance sheet growth. We also think that the delicate provision buffer makes HDB exposed to any bad debt cycle.

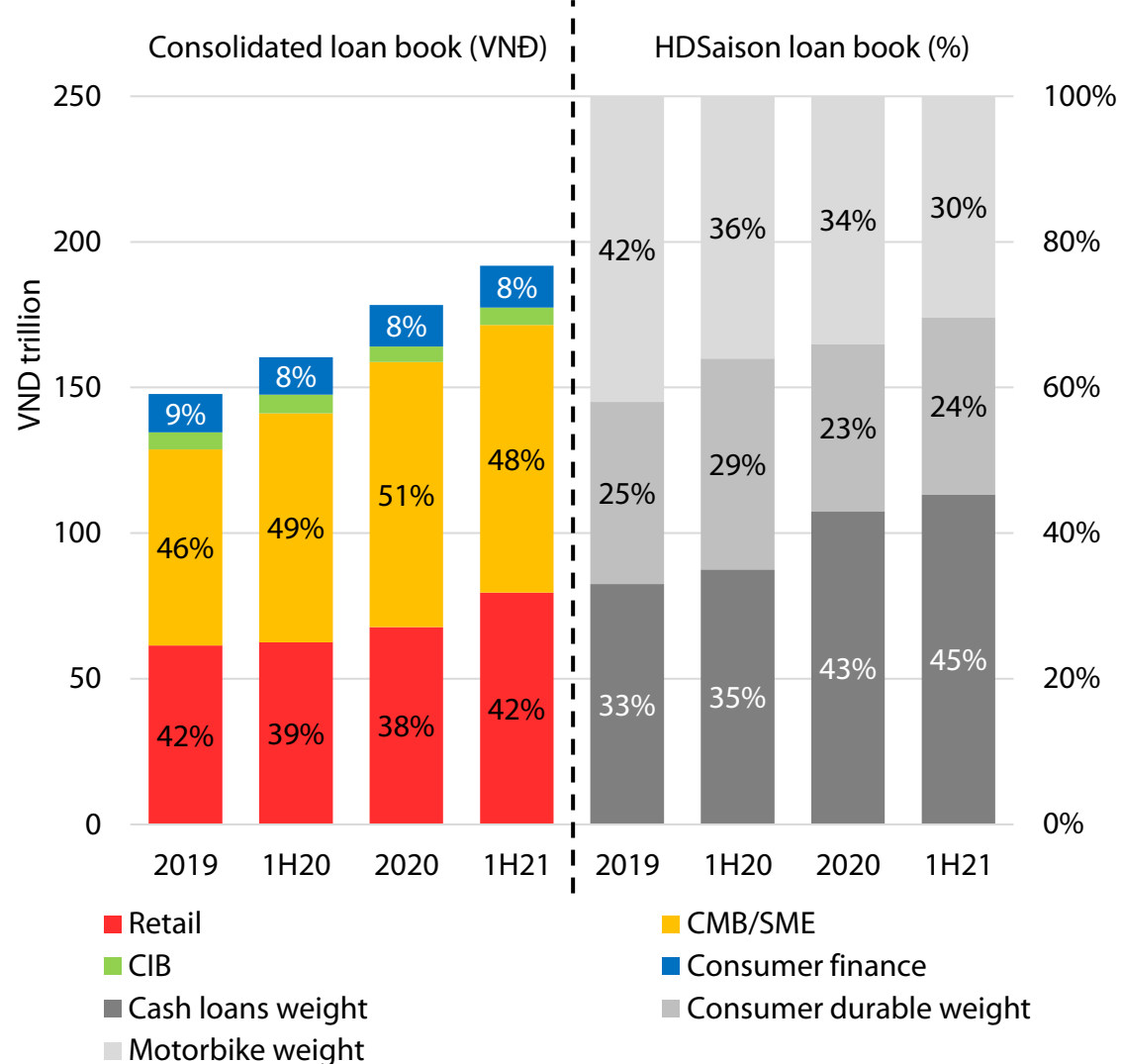
Figure 1: TOI allocation and asset and credit growth (% YoY)



High balance sheet growth, low quota granted pressured performance

- Deposit expanded robustly (+14% YTD, +39% YoY), driving balance sheet growth and relieving pressure on interbank funding. However, low quota granted directed the resources into reserves and interbank lending which were yielding low and increased the liquidity, thereby, hindering NIM.
- Credit grew (+8% YTD, +19% YoY) with lower contribution from HDSaison due to limited operations during the pandemic. Loan book shifted to moderate risk, fast-growing segments (business households, mortgage, manufacturing). Retail contribution on both lending and funding sides indicated efficient retail banking. However, CASA could not follow.
- HDB's NIM diverged from uptrend of sector's NIM. CIR falling sharply due to productivity was the main profit driver in 1H21 (+44% YoY).

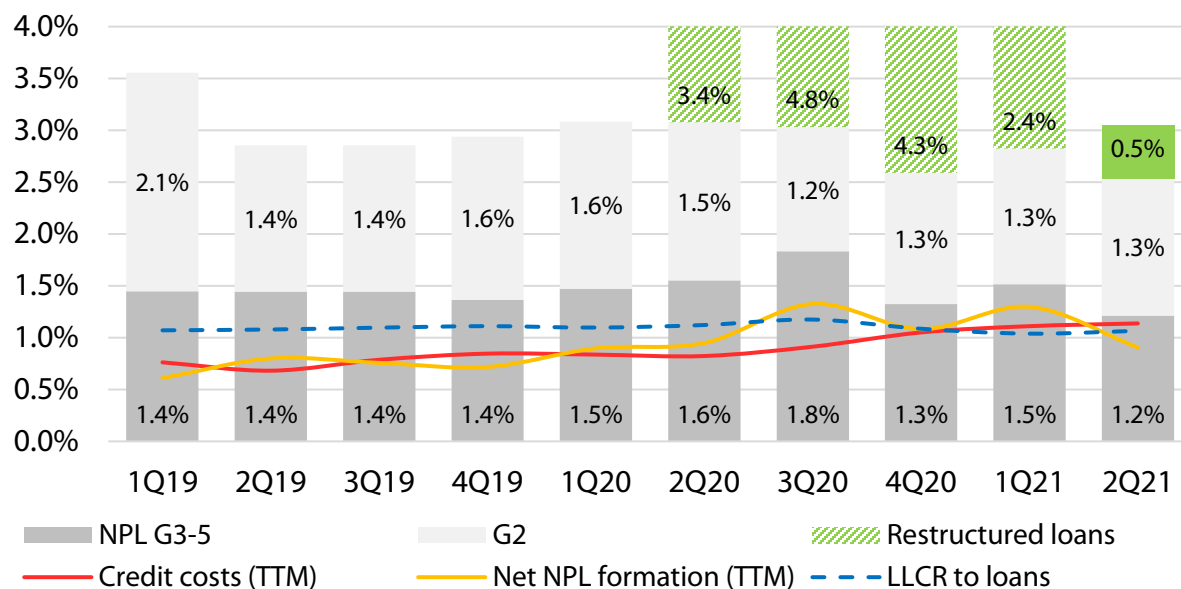
Figure 2: Loan book, consolidated and HDSaison (%)



Source: HDB, RongViet Securities

Figure 3: Performance and forecasts (VND, %, YoY)

Unit: VND billion	2H20A	1H21A	2H21E	%YoY	2021E %YoY	2022F %YoY
Net interest income	6,234	6,832	7,719	+14%	+22%	+27%
Total operating income	7,433	8,422	9,078	+21%	+27%	+27%
Profit before tax	2,911	4,193	3,932	+18%	+40%	+27%

Figure 4: Debt groups, coverage, credit costs and NPL formation (%)


Source: HDB, RongViet Securities

2H2021: lower momentum from total operating income

- We expect the profit in 2H21 to be sustained from the level of 1H as TOI grew following higher lending quota while CIR picks up.
- We think NIM will fluctuate in 2H. We expect the lending rate to trend lower due to the interest rate package. With higher credit quota and good liquidity, resources will be redirected to loans from low-yield high quality liquid assets, thus, driving assets yield. CASA ratio might be better due to less pressure from assets growth. Low CASA base and sustained term deposit yield will lead to stagnant deposit rate.
- By reallocating the loan book and given the supportive Circular 03, net NPL formation decreased in 2Q21. However, we think that the current level of credit costs is thin, making the provision buffer delicate. Credit costs of the parent bank in 1H only equaled to 22% of NPL formation rate while the target customers are low to middle classes and the pandemic is becoming severe. Therefore, despite expecting sustained credit costs in 2H21 based on the provisioning policy, we think HDB does not have a good counter-cycle buffer.

2022 outlook: counting on recovery and supportive policy

- We expect NIM to recover slowly given the proportion of priority sectors in the loan book. CIR will pickup following the ramping up operations of HDSaison. Credit costs are not likely to fall due to weak provisions buffer unless the economy recovers strongly. Thus, PBT is projected to grow 27%, lower than the balance sheet growth.

<ACCUMULATE: 11%>

<MP: 60,400>

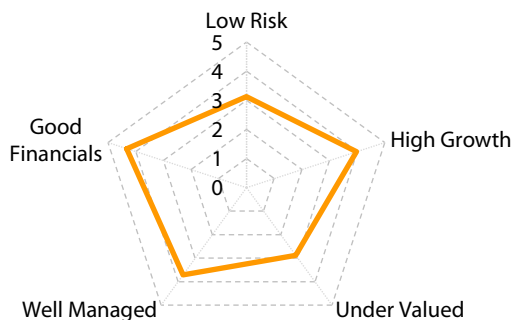
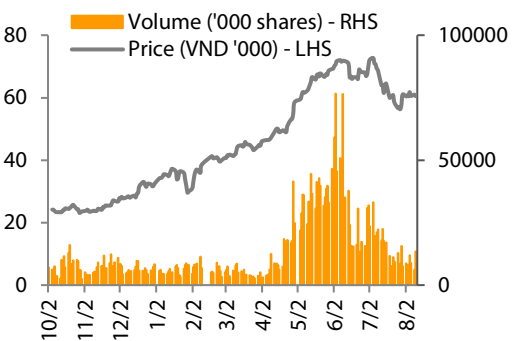
<TP: 67,000>

STOCK INFO

Sector	Bank
Market Cap (\$ mn)	644.5
Current Shares O/S (mn shares)	2,454.7
3M Avg. Volume (K)	27,672.8
3M Avg. Trading Value (VND Bn)	1,849.5
Remaining foreign room (%)	0.0
52-week range ('000 VND)	20.9-72.7

FINANCIALS

	2020A	2021F	2022F
Revenue (VND bn)	39,033	46,455	54,617
NPATMI	10,414	11,947	16,022
ROA (%)	2.6	2.7	3.2
ROE (%)	21.9	19.6	20.7
EPS (VND)	4,282	4,867	6,527
Book Value (VND)	21,709	28,211	34,947
Cash dividend (VND)	0	0	0
P/E (x) (*)	4.7	12.4	9.3
P/B (x) (*)	0.9	2.1	1.7



INVESTMENT RATIONALES

Maintaining high income growth with SMBC's participation

- The new capital flow from FE Credit (FEC) 49% divestment to SMBC and the upcoming "huge" capital increase plan will add liquidity and capital buffer, maintaining a credit growth rate that outperforms many other banks. At the same time, the ability to utilize low-cost international funding sources (SMBC, IFC, ADB, Proparco) provides a base for NIM expansion by reducing funding costs.
- The diversified fee income structure creates a foundation for sustainable growth. The bank is also promoting the bancassurance segment on the basis of improving online sales and a strategy to exclusively reach high-end customers. Renegotiating bancassurance with AIA, if successful, will be a strong catalyst for bancassurance growth.
- High credit risk in the 2H of the consumer finance segment (accounting for 20% of VPB's loan portfolio) could cause credit costs to rise in Q3 before improving in Q4.

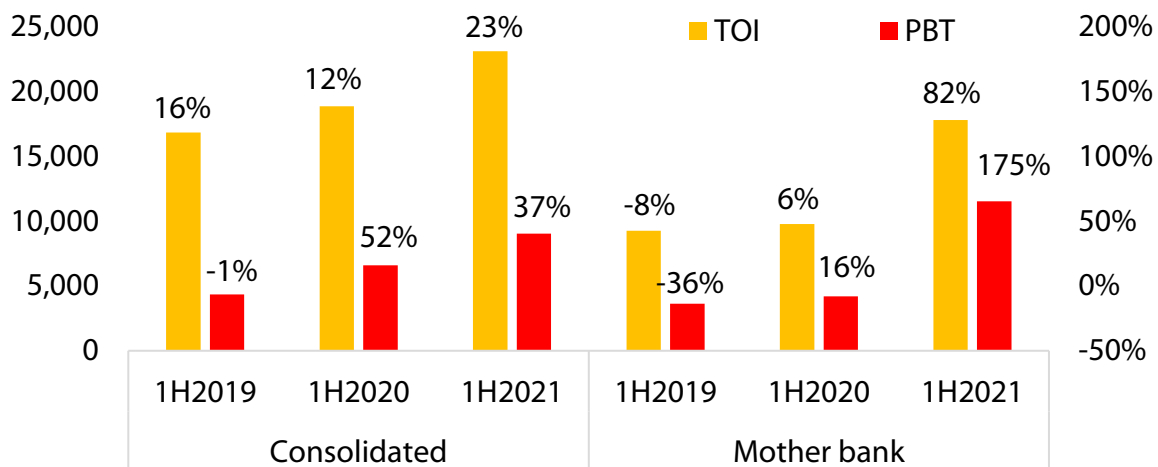
Continue to lead in operational efficiency. Early and continuous investment in technology secures the bank's leading position in operational efficiency. However, CIR's strong improvement in 1H2021 was on staff cutting at FE Credit. Therefore, CIR may increase in 2H2021 (as FE Credit will boost lending in Q4) before improving from 2022.

Plenty of room for stock price appreciation in the short-term: Although the FEC deal has been completed and is likely to bring VND30 tn (USD1.3bn) to the mother bank in Q3, information on the other components of the capital raising plan from VND53 tn (USD2.3 bn, 2020 end) to more than VND 90 tn (USD3.9 bn, in early 2022) including 75 mn treasury shares, 80% stock dividend and 15% private placement will still be strong drivers for higher valuation in the short term which we have not reflected in our model.

RISKS TO OUR CALL

- Upside risks: FEC being less affected by the pandemic and recovering stronger than expected.
- Downside risks: the fourth outbreak lasts longer than expected, causing a slow recovery of the consumer credit segment and a higher-than-expected bad debt.

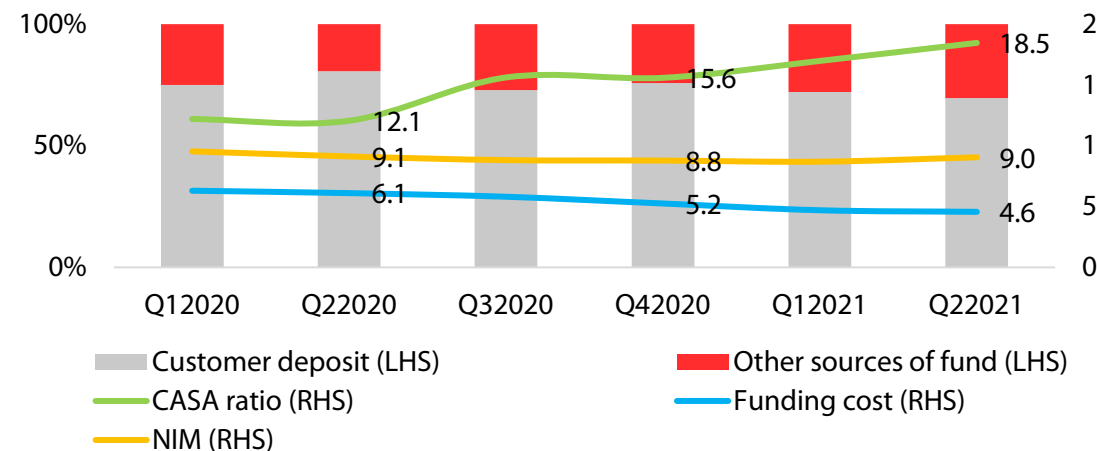
Figure 1: Consolidated and parent bank result and growth (VND bn, % YoY)



Consolidated PBT rose 37% YoY due to the improvement in business and operational efficiency. Credit quality was under control.

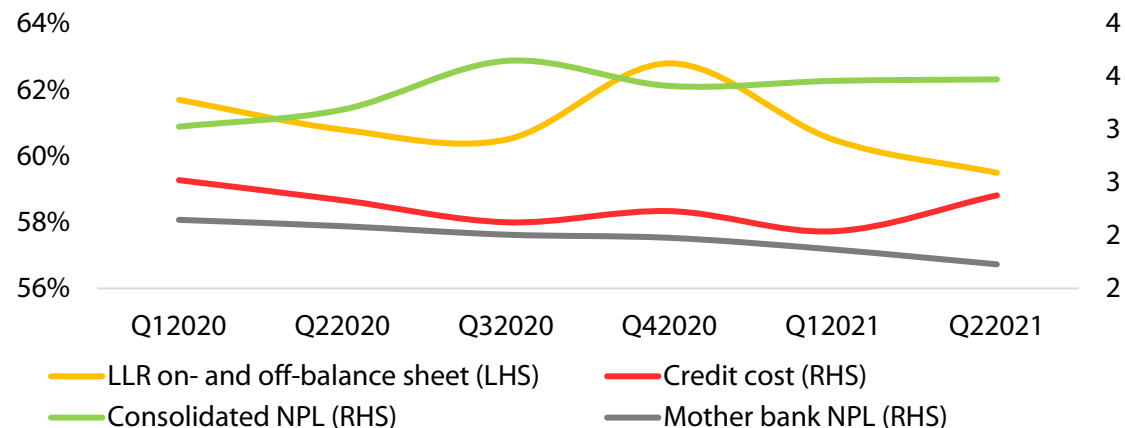
- More conservative credit growth was at FEC (-7.1% Ytd) compared to +7.5% Ytd at the parent bank and lower lending rates to support customers caused asset yield to drop but thanks to the continued balance sheet optimization, the funding cost fell faster than the asset yield. NIM increased to 9.05% from 8.79% at the end of 2020.
- CIR plummeted to 25.3% (2020: 29.3%) due to a 3.2% reduction in FEC staff.
- Consolidated provision expenses increased 35% YoY, mainly at FEC while were flat at the parent bank. Although FEC's debt write-off ratio grew faster than the parent bank's, FEC's NPL ratio still increased. These indicators all improved at the parent bank.

Figure 2: Parent bank's capital structure, CASA ratio, funding cost and NIM (% , TTM)



Other sources of fund: money market, UPAS LC, domestic and international bonds, long-term loans

Figure 3: Credit cost, LLR on- and off-balance sheet, consolidated NPL, parent bank NPL (% , TTM)

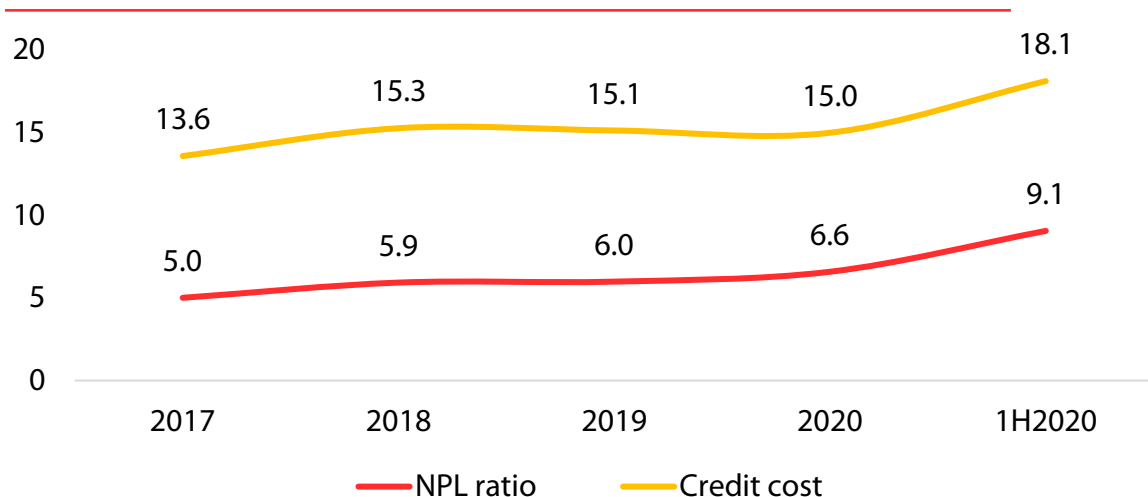


Source: VPB, Rong Viet Securities

Table 1: Business result 2020-2021E (VND bn)

	2H20A	1H21A	2H21E	%YoY	2021E	%YoY
Net interest income	16,624	18,325	18,668	+12.3%	36,993	+14.4%
Total operating income	20,179	23,098	23,357	+15.6%	46,445	+19.0%
PBT	6,435	9,037	6,949	+8.0%	15,986	+22.8%

Source: VPB, Rong Viet Securities

Figure 4: FEC NPL ratio and credit cost (% , TTM)


Source: VPB, Rong Viet Securities

2H2021: Proceeds from FEC's divestment to reduce the pressure of mobilization from customers; Operating costs and credit costs increase

- The proceeds from the divestment of FEC (~VND26 tn or USD1.13 bn after tax) in Q3 can be used for lending in 2H2021 in order to reduce mobilization pressure and funding costs. As a result, despite the reduction in lending rates to support customers, 2021 NIM will remain positive at 8.91% (2020: 8.79%). Credit growth only recovers from Q4 2021, making 2H2020 a high comparison base of credit growth.
- CIR 2021 reached 27.4%, lower than 2020 (29.2%) and higher than 1H2021 (25.3%) as FE Credit will increase recruitment to expand lending after the outbreak is contained.
- Credit costs will rise in Q3 amid the impact of the severe and prolonged outbreak, then recover in Q4.

2022: NIM keeps expanding because of low funding costs; risks of bad debt falls, causing credit costs to go down

- Asset yield recovers in line with lending rates and FEC's regains high credit growth while funding cost fall because of abundant new capital of SMBC. NIM climbs to 9.47% (2021: 8.91%). NII surges 21.5%, fee income grows 35% and TOI increases 17.6%.
- Income and debt repayment ability of customers recover after the outbreak is under control. Bad debt risks is reduced, supporting the improvement in credit costs compared to 2021.

RONGVIET
SECURITIES



LOGISTICS INDUSTRY

**GLOBAL RECOVERY TO DRIVE
VOLUME GROWTH**

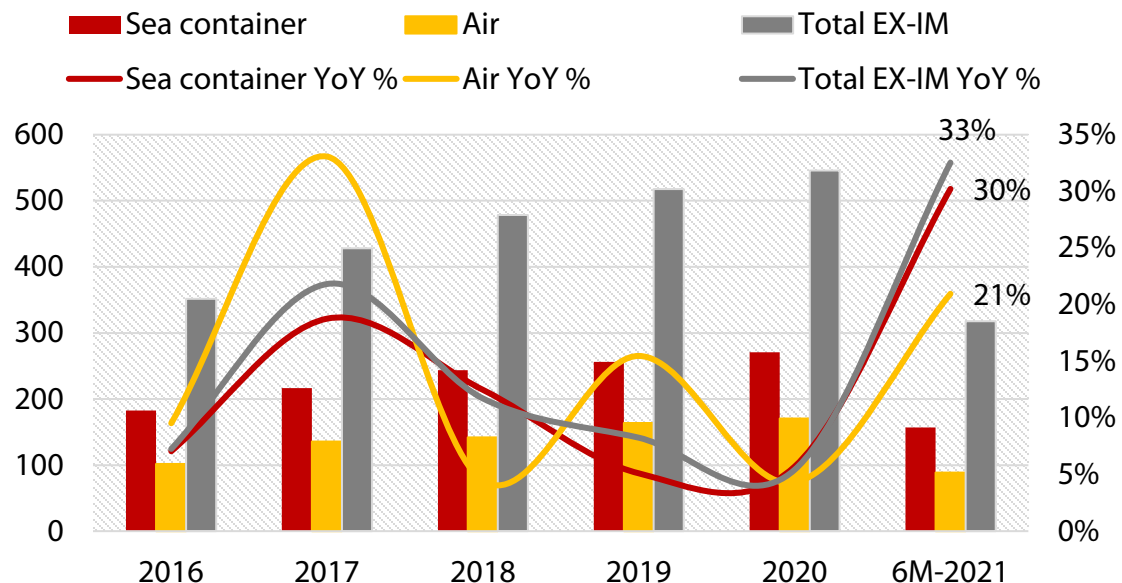


Tung Do - tung.dt@vdsc.com.vn

Anh Tran - anh.tt@vdsc.com.vn

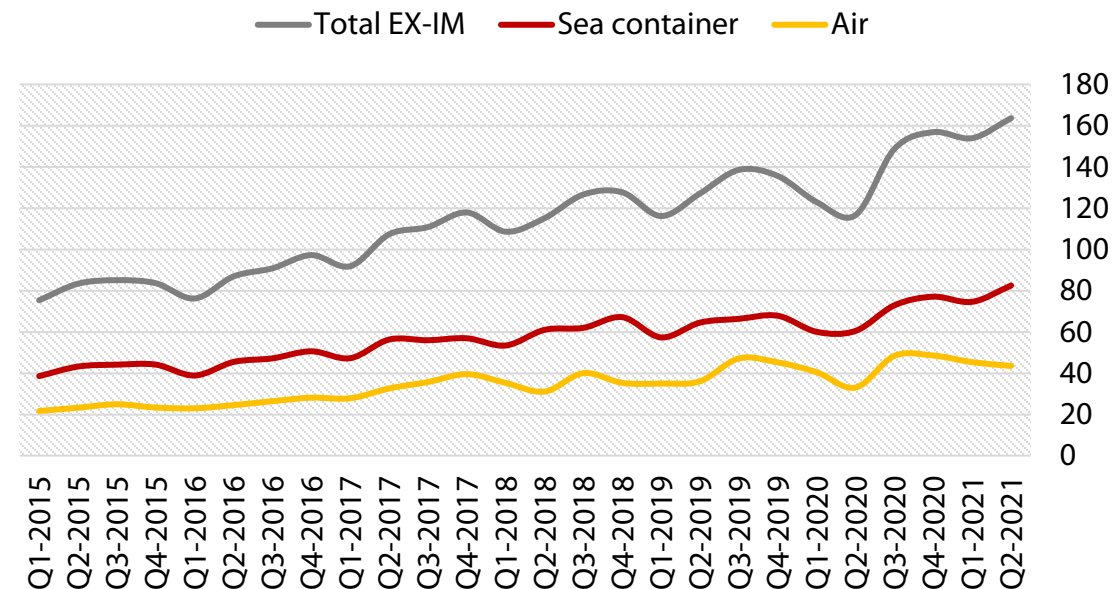


Figure 1: EX-IM value by transport mode (USD bn)



Source: Vietnam Customs, Rong Viet Securities

Figure 2: Quarterly trade value by transport mode (USD bn)



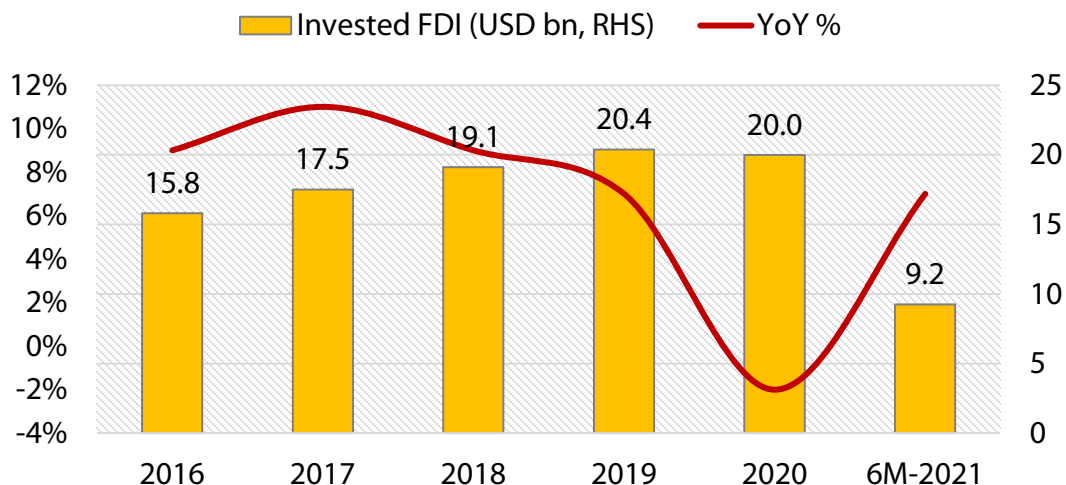
Source: Vinamarine, Rong Viet Securities

Vietnam's total trading value raised by 21% YoY in 6M-2021. Since Aug-2020, monthly total trading value stayed above USD50 bn (figure 2). While the two main transport modes for EX-IM goods (sea freight and air freight) witnessed a strong rebound since then, the **YTD accumulative value of EX-IM via sea freight (USD157bn, +30% YoY)**, however, has outperformed **air freight (USD89 bn, +21% YoY)**.

Sea freight 6M-2021 EX-IM value was mainly driven by robust growth of machineries (USD26bn, +49% YoY), wooden products (USD8 bn, +60% YoY), footwear (USD10 bn, +28% YoY), while textile (USD13 bn, +13% YoY), garments (USD6 bn, +27% YoY) and fishery (USD34 bn, +15% YoY) saw a more moderate growth rate despite last year's low base. However, we expect the latter's growth rate to pick up in 2H-2021 as key trading partners' economies recover.

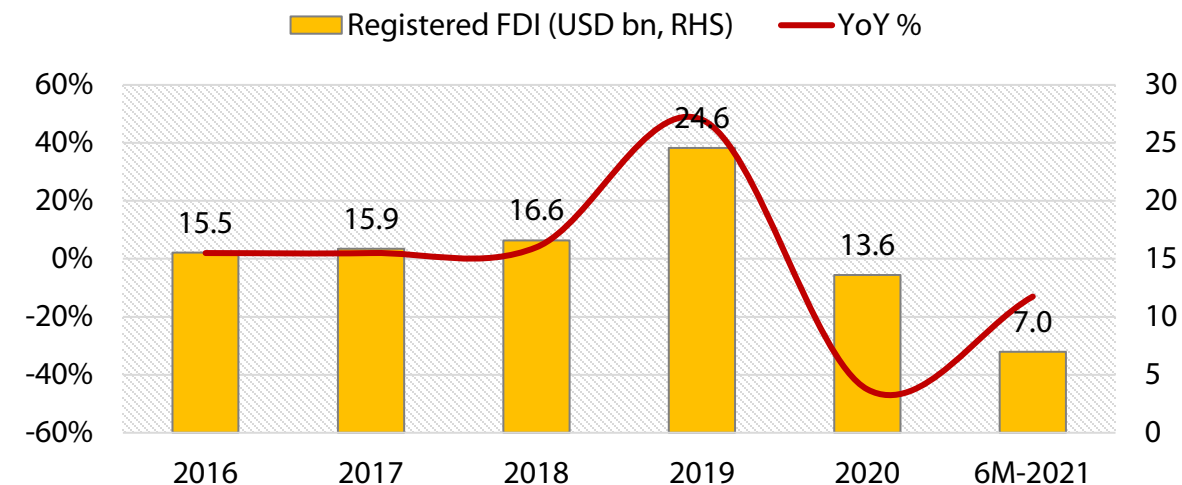
Q2-2021 Trade value of products primarily shipped via air (mobile phones, electronic components) dropped by 4% QoQ to USD44 bn likely due to a chip shortage.

Figure 3: FDI Inflows



Source: MPI, Rong Viet Securities

Figure 4: Steep decline in registered capital into manufacturing



Source: MPI, Rong Viet Securities

Disbursed FDI was a bright spot in 6M 2021. As of June 20, 2021, foreign investment projects were estimated to disburse USD9.2 bn, an increase of 6.8% YoY. At the same time, total newly registered and paid-in capital by foreign investors reached USD15.2 bn, down by 2.6% YoY.

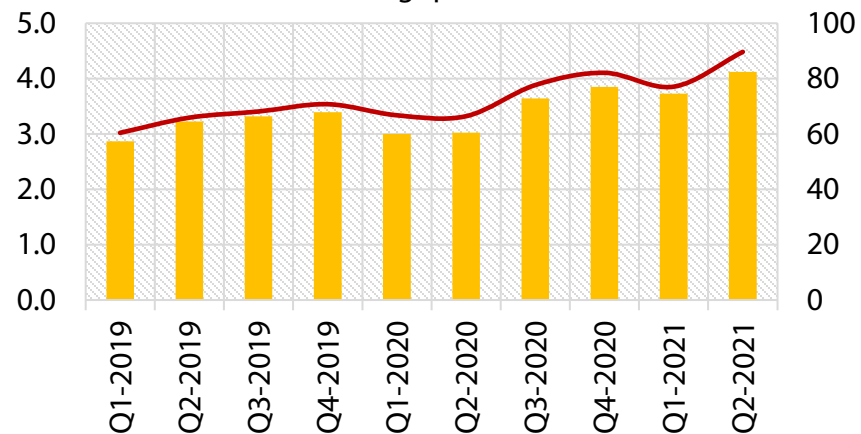
Challenges remain in the near-term as the fourth wave of the pandemic disrupts economic activity. The ongoing covid outbreak poses many challenges for foreign investing activity due to strict border closures, work permit requirements, and quarantine measures. Travel limitations made investors unable to travel, hold meetings physically and inspect sites and businesses. Furthermore, factory shutdowns in the wake of the outbreak have impacted investing sentiment and production as well. Accordingly, FDI poured in the manufacturing sector slumped by 13% YoY to USD7.0 bn.

Figure 5: Container volume throughput performance in 6M-2021

Vietnam

■ EX-IM value of sea container freight (USD bn - RHS)

— Int'l container throughput volume (mn TEU - LHS)



Terminal	Vol ('000 TEU)	YoY %	M/S

Cat Lai	2,891	9%	67%
ITC – Phu Huu	333	162%	8%
VICT	279	2%	6%
Dong Nai	245	64%	6%
Binh Duong	196	28%	5%

HCMC, Dong Nai, Binh Duong

4.4 mn TEU ▲ 19% YoY

Hai Phong

2.9 mn TEU ▲ 19% YoY

Central

0.5 mn TEU ▲ 25% YoY

Vung Tau

2.6 mn TEU ▲ 37% YoY

Terminal	Vol ('000 TEU)	YoY %	M/S

Tan Vu	536	23%	19%
HICT	363	32%	13%
VIP Green	296	9%	10%
Nam Hai DV	272	1%	10%
Nam DV	191	99%	7%

Terminal	Vol ('000 TEU)	YoY %	M/S

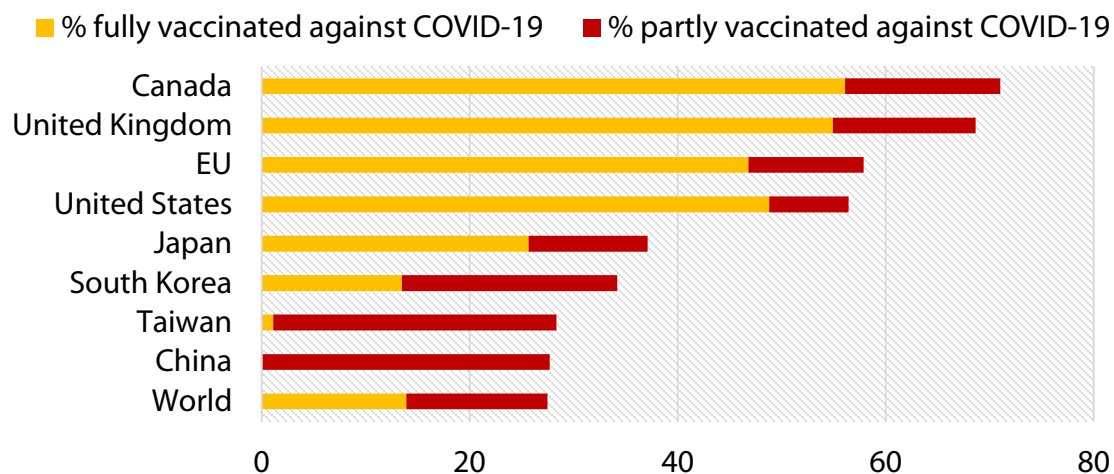
TCIT+TCCT	1,079	13%	41%
CMIT	486	12%	19%
SSIT	462	197%	18%
TCTT	341	-6%	13%
Gemalink	250	n.a	10%

Source: Vietnam Customs, VPA, Vinamarine, Rong Viet Securities

Table 1: Vietnam's top five trading partners by main exporting commodities/products in 6M-2021 via sea freight

EXPORT	1 st Largest	2 nd Largest	3 rd Largest	4 th Largest	5 th Largest
Textiles	The US	Japan	South Korea	China	Canada
Computers and electrical products	The US	China	Hong Kong	South Korea	Netherlands
Foot-wears	The US	China	Belgium	Germany	Japan
Machineries	The US	Japan	China	South Korea	Netherlands
Wooden products	The US	China	Japan	South Korea	UK
Fishery	The US	Japan	China	South Korea	UK

Source: Vietnam Customs, Rong Viet Securities

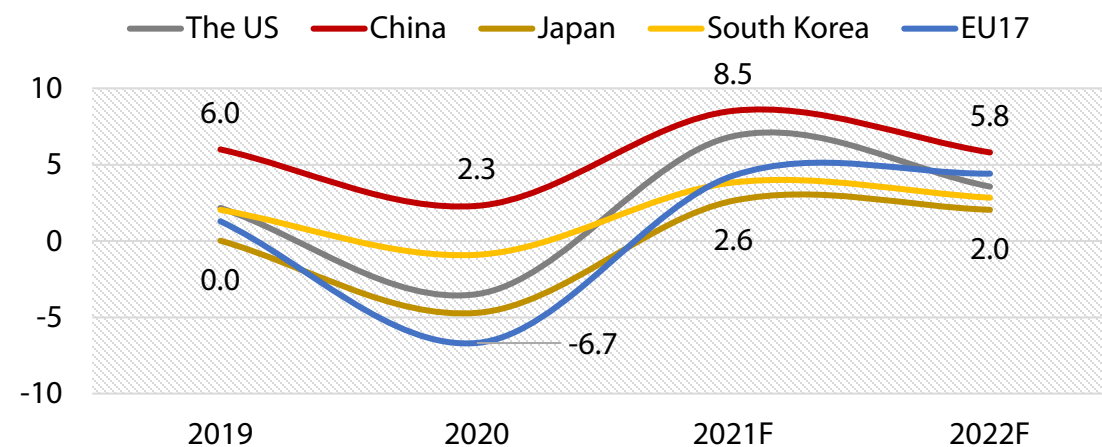
Figure 6: Share of vaccinated people across key trading partners


Source: Our World In Data, as of July 27th, 2021

Table 2: Vietnam's top five trading partners by main importing commodities/products in 6M-2021

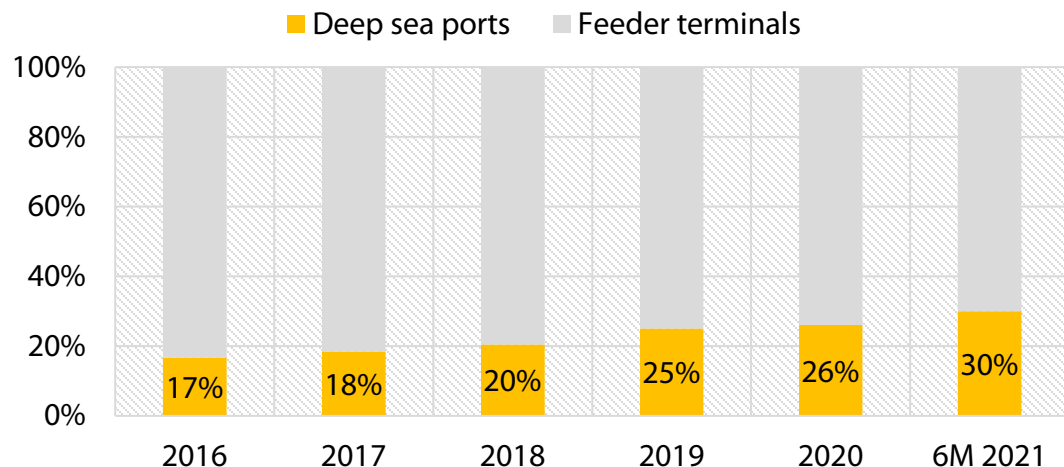
IMPORT	1 st Largest	2 nd Largest	3 rd Largest	4 th Largest	5 th Largest
Machineries	China	South Korea	Japan	Germany	Taiwan
Computers and electrical products	China	South Korea	Taiwan	Japan	The US
Garments	China	South Korea	Taiwan	Japan	Thailand
Plastics	China	South Korea	Taiwan	Saudi Arabia	Thailand
Textiles, leather, foot-wears materials	China	South Korea	Taiwan	The US	Thailand

Source: Vietnam Customs, Rong Viet Securities

Figure 7: GDP Growth of Vietnam's key trading partners (%)


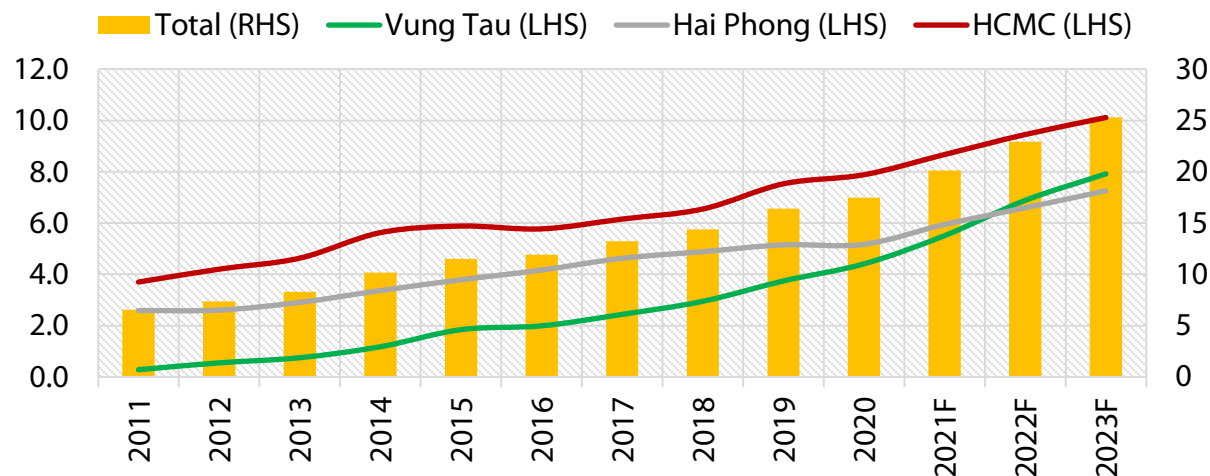
Source: OECD, Rong Viet Securities

Figure 8: Deep water ports' market share has surged over the past few years



Source: VPA, Vinamarine, Rong Viet Securities

Figure 9: Projected Vietnam container throughput volume (mn TEU)



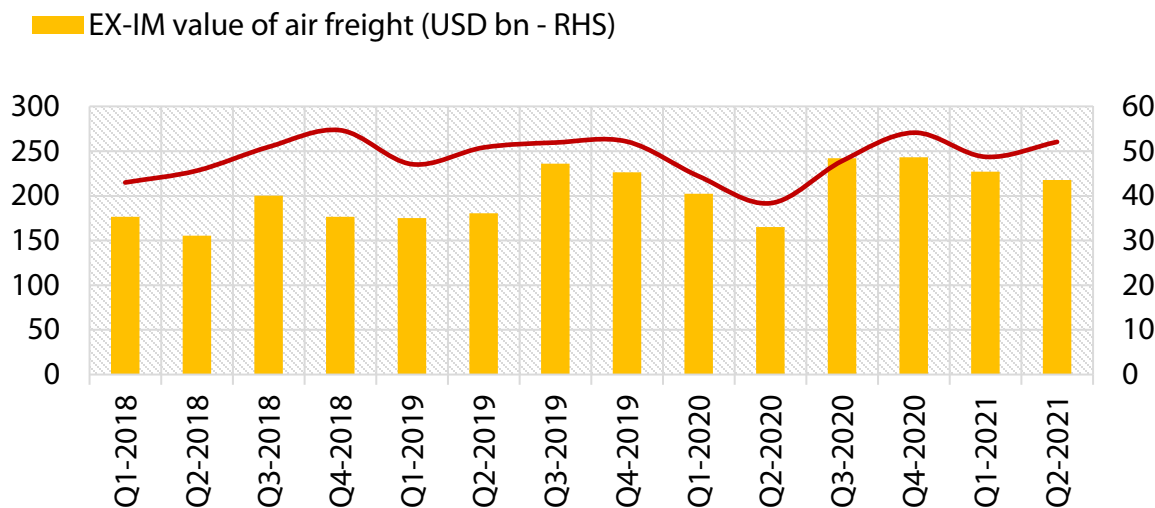
Source: VPA, Vinamarine, Rong Viet Securities

Advanced economies' higher growth projections are supportive for Vietnam EX-IM cargo throughput. Global GDP growth is now expected to be 5.8% this year (from 4.2% previously). For advanced economies, who are also Vietnam's key trading partners, vaccines rollout has enabled them to gradually open. We believe it will be supportive for Vietnam's export orders and, thus, cargo throughput volume at airports and seaports going forward.

Deep water terminals' role in Vietnam seaport system is increasingly crucial as more and more shipping lines opt for this kind of terminal. Not only to enhance shipping lines' operating efficiency, deep-water ports are perfect to accommodate long haul services connecting Vietnam with key trading partners. The growing market share of deep seaports and rising number of mother ships' long-haul services in Vietnam are solid evidence of that.

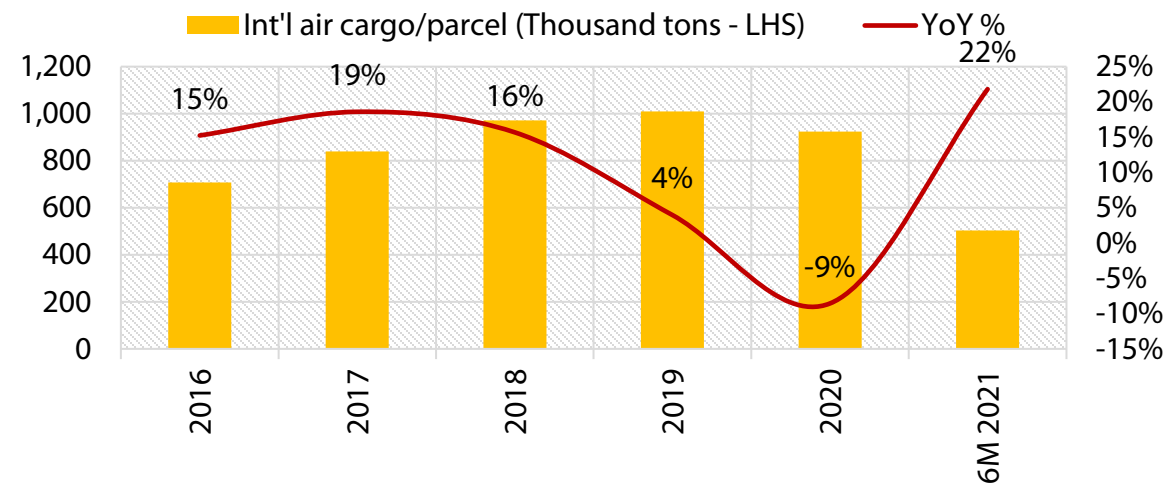
Despite near-term risks of manufacturing output disruption, we believe that total throughput volume at Vietnam seaports will still enjoy double-digit growth of 15%/14% in 2021F/22F on the back of an expectation that the country can significantly ramp up its vaccination rate in the coming months (vaccine shipments are in fact arriving almost every week) and complete the roadmap of inoculating 70% of total population by the end of Q1-2022. This will boost the prospects ongoing supply chain shift to Vietnam.

Figure 10: Int'l air cargo volume witnessed a clear V-shaped underpinned by EX-IM electronics products



Source: Vietnam Customs, ACV, Rong Viet Securities

Figure 11: Int'l air cargo volume in Vietnam

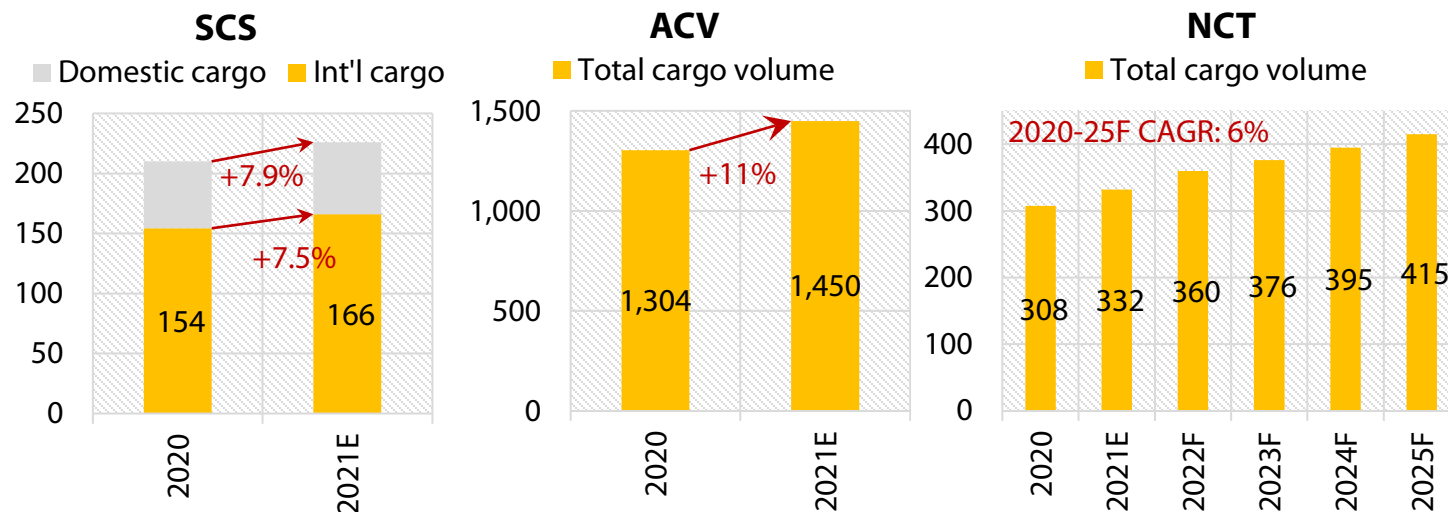


Source: ACV, Rong Viet Securities

6M 2021 int'l air cargo volume rebounded quickly from last year's low base, up 22% YoY, backed by resilient EX-IM of commodities shipped via air. The air freight sector was impacted directly in the first outbreak, but rapidly recovered since Q2 2020 as export orders for electronics products were going into peak season (new model roll-out) in 2H 2020.

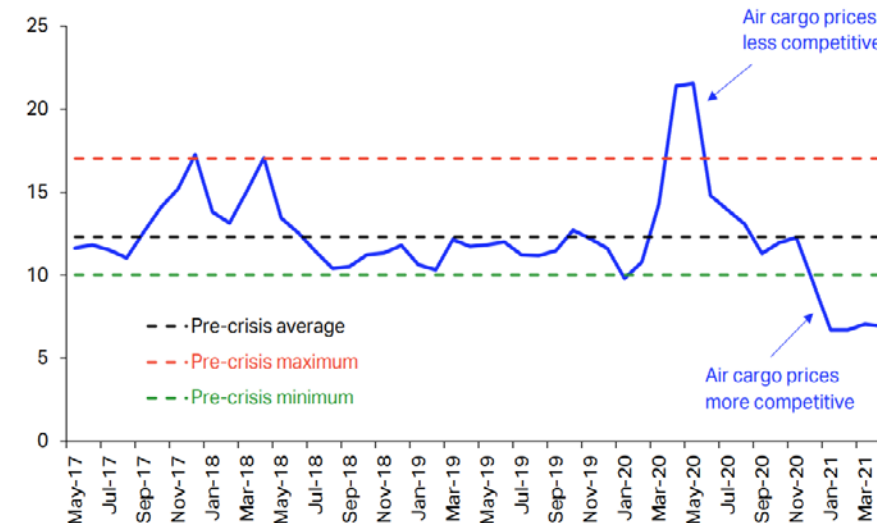
It seems like the global chip shortage has not largely impacted air freight in 1H 2021, but this worldwide issue will be a main challenge for the sector. The trading turnover and the air cargo throughput volume in Q1 and Q2 2021 were both higher than that of 2019 and, definitely, 2020. While trading turnover of air freight products in 1H 2021 was 25% higher than 1H 2019, the volume only advanced by 3%. Despite a considerable surge in commodity prices, production output for air freight remained pretty resilient. Having said that, we believe further impacts are likely to be seen in 2H 2021.

Figure 12: Steady growth prospects for throughput volume (thousand tons) for the rest of 2021 and beyond



Source: SCS, NCT, ACV, Rong Viet Securities

Figure 13: Air cargo transportation is becoming more competitive relative to ocean freight



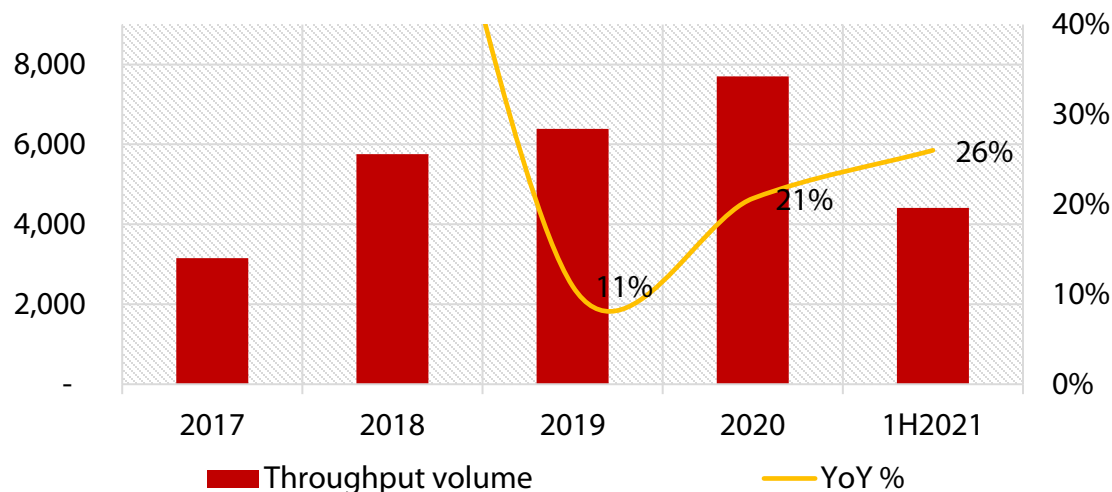
Source: Boeing, IATA CargoIS, Freightos Baltic Index

Semiconductor supply crunch could last until the end of Q2 2022, posing risks to mobile phones production and Vietnam's air cargo demand.

Taiwanese semiconductor companies are rotating to making chips for autos, so the shortage should be solved for autos in a few weeks, but other electronics like mobile phones could see persisting chip shortage problems.

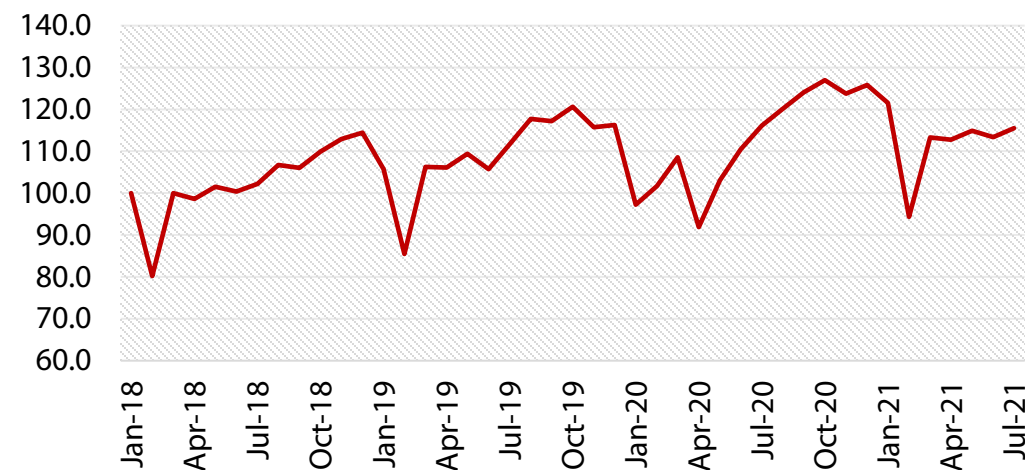
However, this issue could be compensated by many supportive factors, underpinning the sector's outlook. We expect that two-air cargo crucial engines – trade and industrial activity - will be soon ramping up backed by the expectations that economies will eventually open up after the global vaccines rollout. According estimates from the WTO, the volume of world merchandise trade is expected to increase by 8.0% in 2021. Besides, the ongoing rally in container freight rates has also shown that air cargo became relatively more affordable than container shipping, adding to the speed advantage of air cargo.

Figure 14: Domestic container throughput volume at seaports (TEU)



Source: Vinamarine, Rong Viet Securities

Figure 15: Vietnam industrial production index



Source: GSO, Rong Viet Securities; Jan 2018 = 100

Container volume transported by Vietnam shipping lines has held up, as evidenced by the domestic box throughput at seaports. The total volume of domestic throughput volume at Vietnam's seaports has been trending upward since 2017 with a 3Y CAGR of 16% in tons, from 442 Mn tons in 2017 to 689 Mn tons in 2020, while the 3Y CAGR in terms of container throughput reached 35%. The domestic box throughput volume at seaports rose significantly from around 3 Mn TEUs in 2017 to nearly 8 Mn TEUs in 2020. For 1H2021, it reached 4.4 Mn TEUs, up 26% YoY.

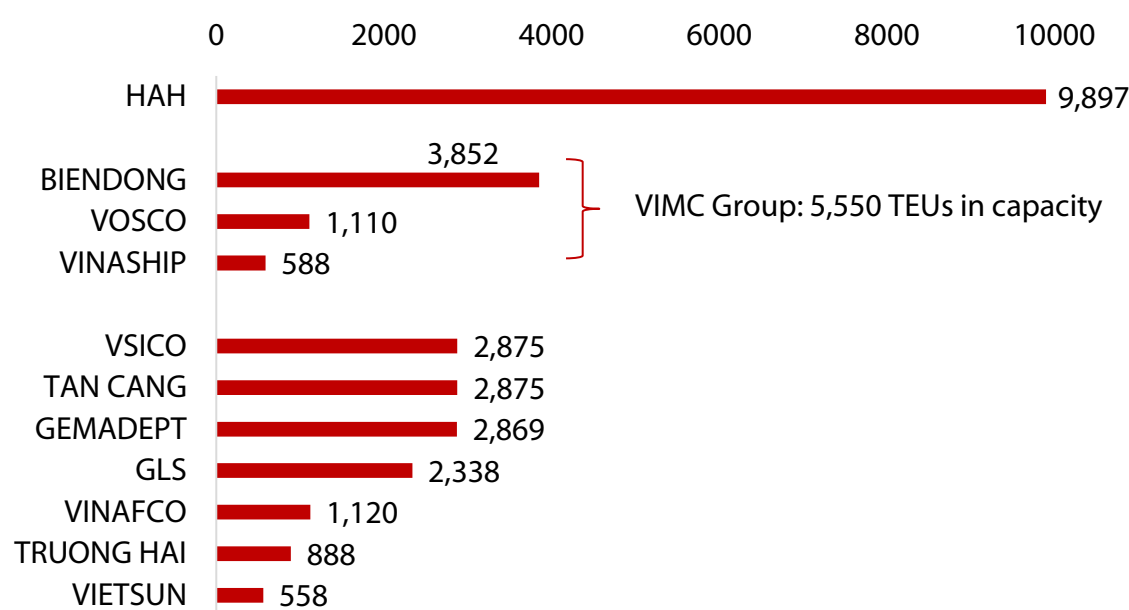
The growth of container volume transported was backed by steady growth of industrial production activities which have been rather resilient amid the pandemic. Accordingly, the Index of Industrial production for 7M 2021 increased by 7.9% YoY, per GSO. We believe this is supportive for domestic cargo.

Table 3: Domestic container shipping fleet

Shipping company	No of vessel	Average fleet age (years)	Average capacity per vessel (TEUs)
HAH	8	15	1,237
BIENDONG	5	17	770
VSICO	4	19	719
TAN CANG	4	20	719
GLS	4	19	585
GEMADEPT	3	16	956
VINAFCO	2	25	560
VOSCO	2	23	555
TRUONG HAI	2	16	444
VIMC	1	23	588
VIETSUN	1	13	558
Total	36	18	805

Source: Vietnam Register, Rong Viet Securities

Figure 16: Total capacity by shipping lines (TEUs)

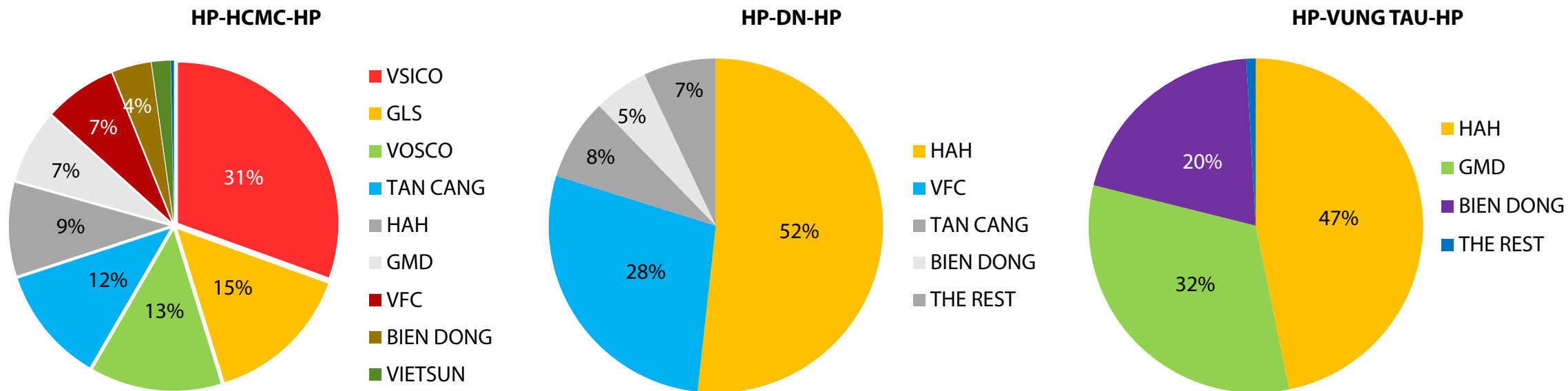


Source: Vietnam Register, Rong Viet Securities

Vietnam container fleet, in comparison to the global average, is quite smaller in terms of size, proportional contribution to total maritime ships but considerably older. Currently, the fleet includes 36 vessels, with a total carrying capacity of 29,000 TEUs. That makes an average capacity per container vessel in Vietnam at 805 TEUs, much lower than the world's average of 20,000 TEUs. In terms of vessel type mix, container vessel accounts for only 2.8% of total ships registered under the flag of Vietnam, while on the global scale the number of container ships account for roughly 10%. Vietnam's average fleet age stands at 18 years vs 10 years globally per Review of Maritime Transport 2020.

Hai An transport and stevedoring (HSX: HAH) is market leader. It owns a fleet of eight vessels with a total capacity of 9,897 TEUs. HAH possesses a capacity market share of 34%, though not all of its ships are assigned to the domestic transportation but accounts for 22% of total number of Vietnam container vessels.

Figure 17: Market shares in terms of vessel calls in 1H2021

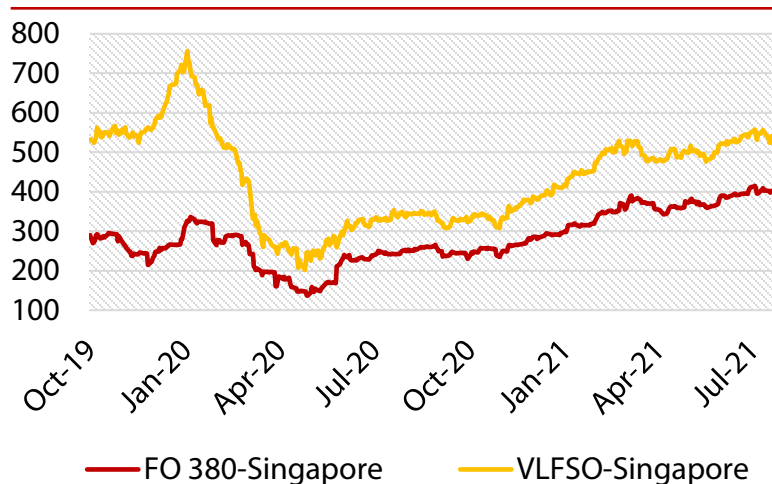


Source: Maritime administration of Hai Phong, Rong Viet Securities

HAH, Bien Dong, GLS, Tan Cang and GMD take up large shares in the number of ship calls in major domestic service routes. While the majority of shipping companies operate on route Hai Phong-Ho Chi Minh-Hai Phong, HAH, Bien Dong sharpen their competitive edge by additionally calling at other logistics hubs namely Da Nang and Cai Mep (Vung Tau) on the back of their large fleet.

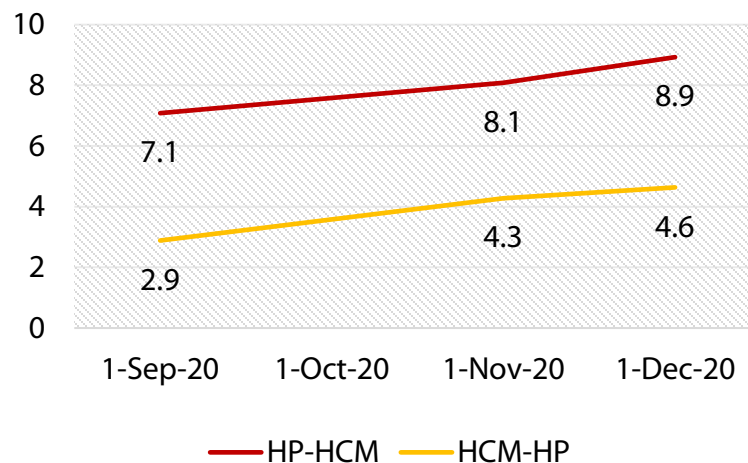
Basically, shipping lines compete on the number of transportation lanes and the shipping frequency, besides freight rates and carrying capacity. Owing to owning the largest domestic fleet, HAH is able to cover cargo transportation demand from North, Central and South regions which helps maximize the transport volume of each voyage and largely benefit operational efficiency.

Figure 18: Fuel Price (USD/metric tonne)



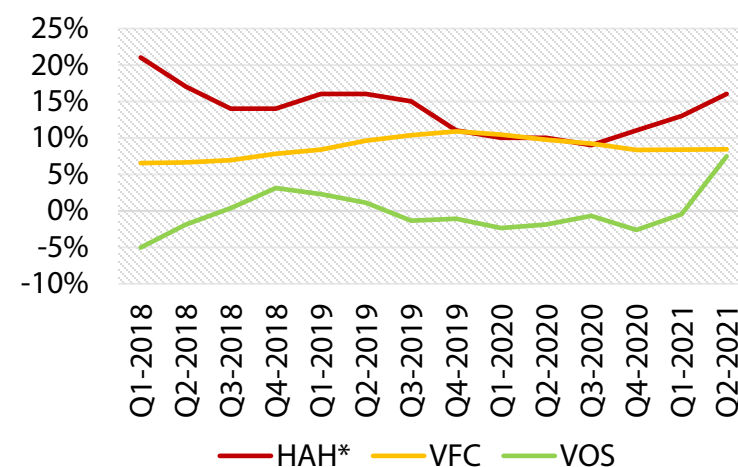
Source: Bloomberg, Rong Viet Securities

Figure 19: HAH's freight rates including surcharges (VND mn per TEU)



Source: HAH (for reference), Rong Viet Securities

Figure 20: Domestic shipping lines' GPM



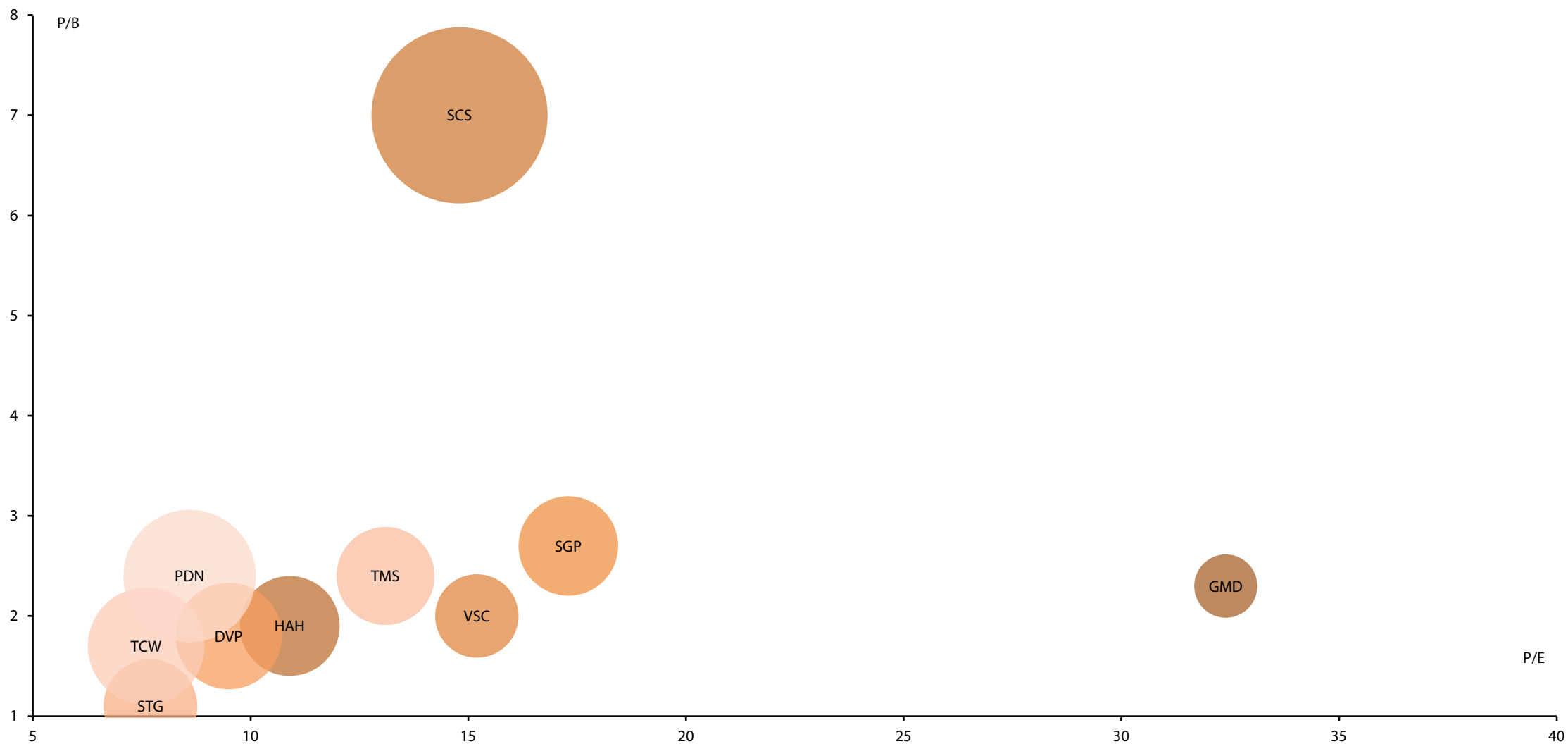
Source: Companies filings, Rong Viet Securities,* sea freight

Global supply chain disruption and fuel costs rally have driven global freight rates surge. Port congestion and container shortage due to disproportionate demand across the world, which were induced by the pandemic, have driven Drewry's composite World Container Index to jump by 80% YTD, reaching 8,859 USD per 40ft container (FEU). With increasingly important position in global supply chain, Vietnam domestic shipping sector has also been impacted from the container shortage issue, which has pushed up the rate for container leasing, eventually leading to freight rates hikes. For example, HAH's freight rate per TEU increased by 61% for route HCM-HP, and 26% for route HP-HCM. Additionally, from 1/1/2020, Vietnam's maritime fleet is required to use low sulphur oil (VLFSO), replacing high sulphur oil (IFO380 3.5% sulphur), per IMO 2020 regulation, and the spread between VLSFO and normal fuel oil have ranged about 100-150 USD/Metric tonne. To cope with this increased fuel costs, shipping lines raise freight rates through adding in low sulphur surcharge (e.g.: HAH introduced low sulphur surcharge of 300,000 VND/FEU since 2020).

For GPM of shipping lines, impact of IMO 2020 was reflected in decreasing GPM of shipping companies, such as HAH, Vinafco, and Vosco, due to extremely high cost for low sulphur fuel in 2020. In 2021, the GPM shows the recovery as the fuel cost becomes more stable and shipping lines increased their freight rate.

Ticker	Market cap (VND vn)	Target price (VND)	TTM Sales Growth (% YoY)	TTM EBITDA Growth (% YoY)	TTM EBITDA Margin (%)	TTM Operating Income Margin (%)	TTM Net Income Growth (% YoY)	TTM Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
GMD	14,255.2	55,000	8.8%	8.3%	33.6%	19.7%	22.6%	18.9%	4.4%	6.5%	2.6%	32.4	2.3
HAH	2,236.9	61,000	22.4%	39.6%	29.6%	19.8%	77.0%	17.8%	10.1%	16.2%	4.2%	10.9	1.9
SCS	6,896.3	155,600	11.6%	12.9%	76.9%	70.0%	14.3%	68.7%	43.8%	50.4%	5.9%	14.8	7.0
VSC	3,764.9	N/A	6.6%	5.6%	32.5%	20.7%	13.3%	18.7%	11.1%	12.5%	2.9%	15.2	2.0
SGP	6,424.1	N/A	23.0%	22.3%	34.0%	24.7%	61.9%	32.7%	7.5%	16.1%	0%	17.3	2.7
DVP	2,192.0	N/A	11.9%	-22.6%	34.7%	40.6%	-2.7%	39.9%	16.6%	18.4%	4.5%	9.5	1.8
STG	1,857.0	N/A	25.2%	33.2%	14.0%	10.4%	125.1%	10.1%	10.0%	14.3%	0%	7.7	1.1
TMS	4,804.4	N/A	33.5%	12.1%	7.1%	5.3%	11.6%	8.0%	8.6%	15.0%	3.3%	13.1	2.4
TCW	598.6	N/A	7.7%	4.6%	20.2%	12.9%	8.1%	10.2%	12.0%	22.7%	6.6%	7.6	1.7
ILB	735.1	N/A	3.9%	n/a	0.0%	0.0%	2.2%	0.0%	0.0%	0.0%	5%	11.3	1.7
PDN	1,574.4	N/A	16.2%	4.4%	26.8%	23.8%	14.9%	19.9%	17.5%	28.5%	3.5%	8.6	2.4

Source: Bloomberg, Rong Viet Securities. Share price as of Aug 2nd, 2021.

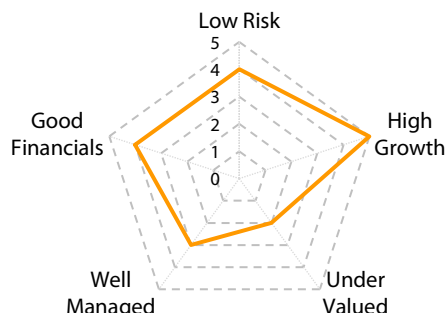
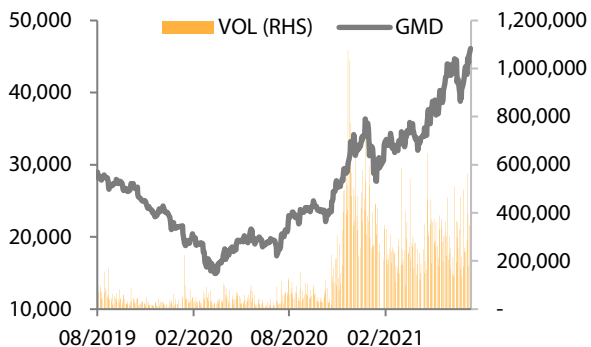


Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of Aug 2nd, 2021.

<BUY: 22%>

<MP: 46,100>

<TP: 55,000>



STOCK INFO

Sector	Industrials
Market Cap (VND Bn)	14,255.2
Current Shares O/S (mn shares)	301.4
3M Avg. Volume (K)	3,165.1
3M Avg. Trading Value (VND Bn)	128.3
Remaining foreign room (%)	7.0
52-week range ('000 VND)	18.3-46.1

GEMADEPT CORP

FINANCIALS

	2020A	2021F	2022F
Revenue	2,606	2,785	3,003
NPATMI	371	552	938
ROA (%)	3.8%	5.6%	8.6%
ROE (%)	6.3%	8.9%	13.7%
EPS (VND)	1,249	1,833	3,114
Book Value (VND)	19,875	20,488	22,664
Cash dividend (VND)	1,000	1,200	1,200
P/E (x) (*)	25.6	25.2	14.8
P/B (x) (*)	1.4	2.3	2.1

INVESTMENT RATIONALES

GMD's EBT is expected to thrive with a CAGR of 26% over the period of 2021F-25F

- Given the potential partnership with new shipping lines in the coming time, GML's earnings prospects will be much brighter and significantly uplift GMD's robust profit growth plus return on assets going forward.
- GMD's Hai Phong ports is on track with our expectations for volume throughput as they have been receiving new clients. 1H-2021 these ports have served 500K TEUs, up 18% YoY. More services are poised to connect with Nam Dinh Vu as HICT is facing low dredge level recently.

Vietnam's position in global supply chain and trading are strengthened, which is a favorable environment for GMD's extensive port network and logistics services.

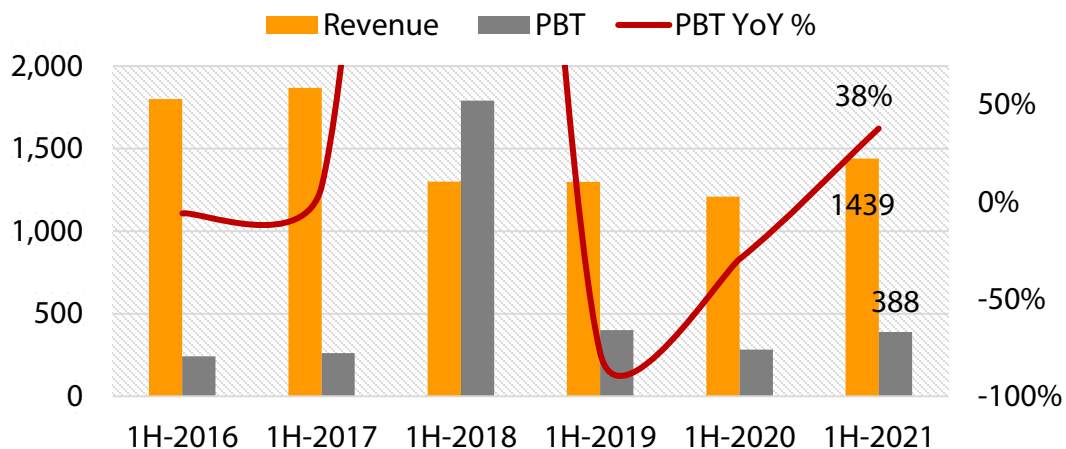
- We believe in GMD's promising potentials in the next few years given its nation-wide market share in terms of throughput volume of 10% currently and is increasing.

Successfully divestment in GML and non-core businesses (rubber farming and real estate) will be a potential catalyst in the short and longer-term, respectively.

RISKS TO OUR CALL

- Worsen empty container shortage issues and a more severe lockdown are worth noting as it will affect the Group's throughput volume. However, GMD's operation has proven to be resilient amid those headwinds, we believe there's unlikely a large downside from here.
- Larger-than-expected rubber plantation maintenance costs recognition.

Figure 1: 1H-2021 Business results (VND bn)



Source: GMD, RongViet Securities

Volume throughput in line with expectations but earnings are better than estimates

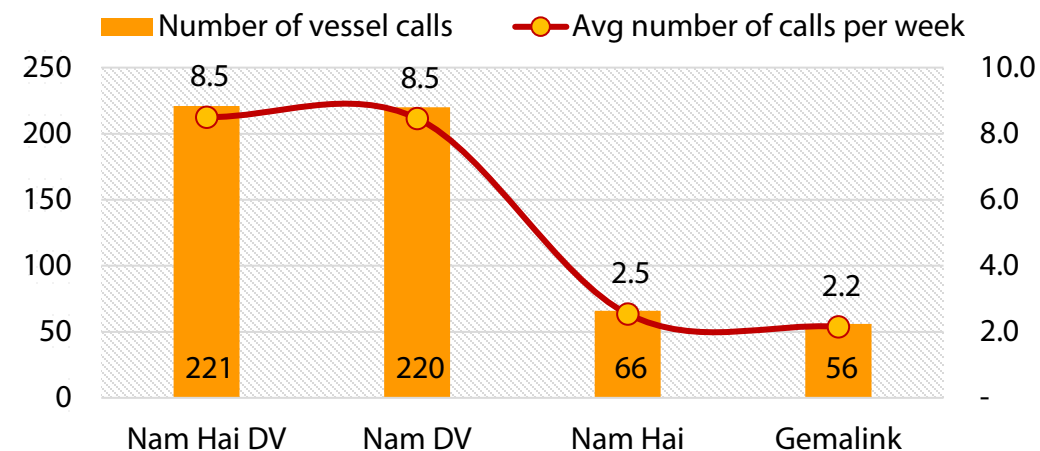
- GMD's total throughput volume jumped by 60% YoY to 943k TEUs as Gemalink (GML) was officially up and running in Jan-21.
- Excluding GML's volume, GMD's seaports in Hai Phong and HCMC have accommodate 693k TEUs, up 18% YoY as new services were established.
- Earnings ahead of expectation thanks to earnings surprise at GML.

Table 1: 1H-2021 Volume throughput at GMD's key terminals

Terminal	Vol ('000 TEU)	YoY %	M/S @ respective market
Nam Hai DV	272	1%	10%
Gemalink (E)	250	n.a	10%
Binh Duong	196	28%	5%
Nam DV	191	99%	7%
Nam Hai	34	-52%	1%
Total	943	60%	10%*

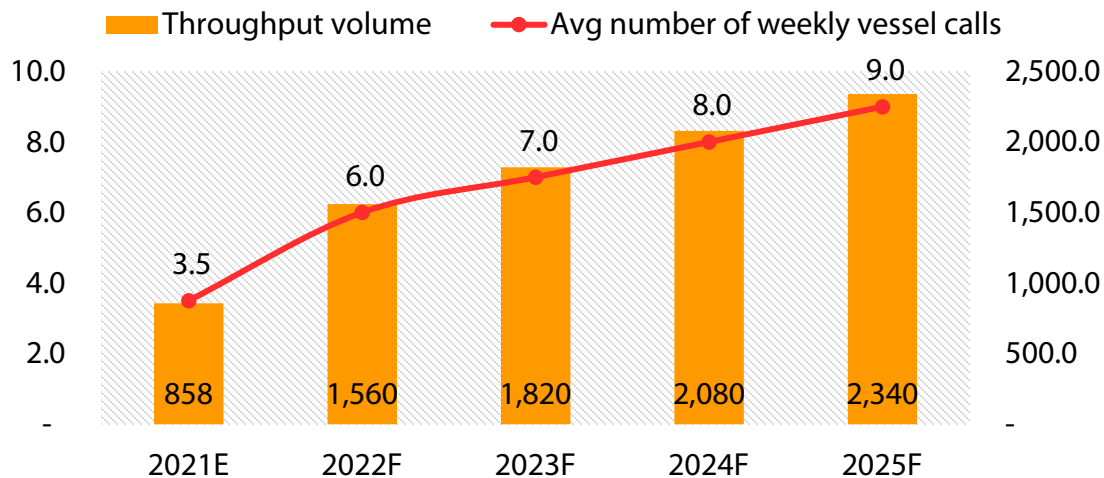
Source: VPA, Vinamarine, Rong Viet Securities, *estimated nation-wide market share

Figure 2: Vessel calls at GMD's key terminals in 1H-2021



Source: Vung Tau and Hai Phong Maritime Administration, RongViet Securities

Figure 3: New assumptions for GML



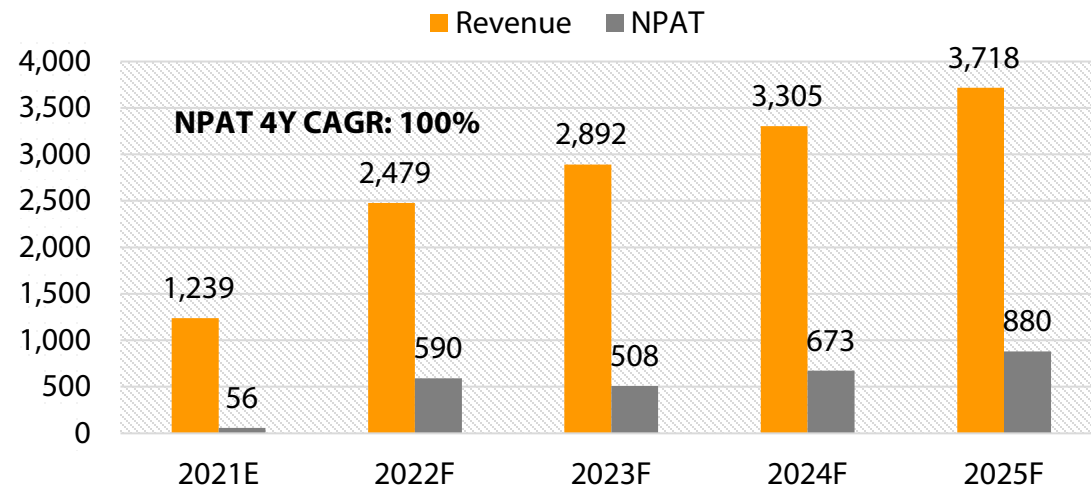
Source: Rong Viet Securities

Table 2: 2021F services at GML

Shipping line	No of services
CMA-CGM	3
Maersk	1
COSCO	1
Total	5

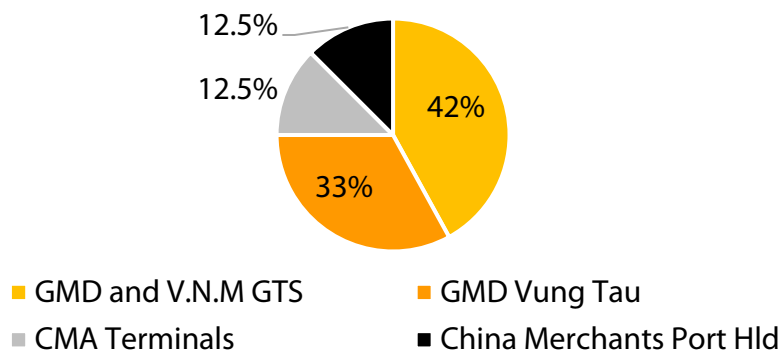
Source: GMD, RongViet Securities

Figure 4: Revised revenue and net profit (VND bn) forecast for GML



Source: Rong Viet Securities

Figure 5: Estimated GML ownership structure

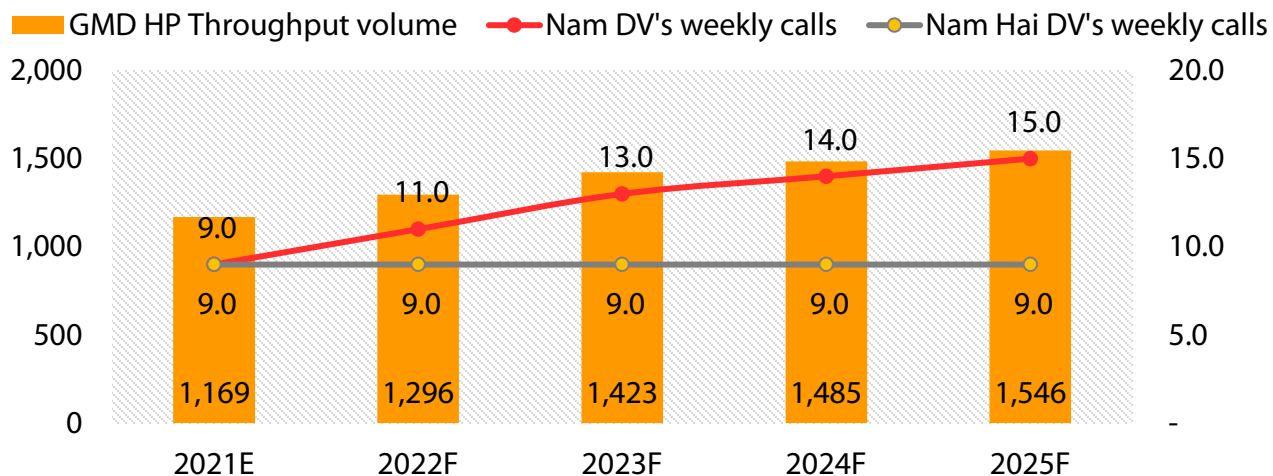


Source: MPI, RongViet Securities

On the back of healthy trade prospects, which will be driving robust performance of throughput volume at Cai Mep deep seaports, coupled with GML's advantageous location and available capacity, **we believe this terminal will succeed in attracting many more services going forward.**

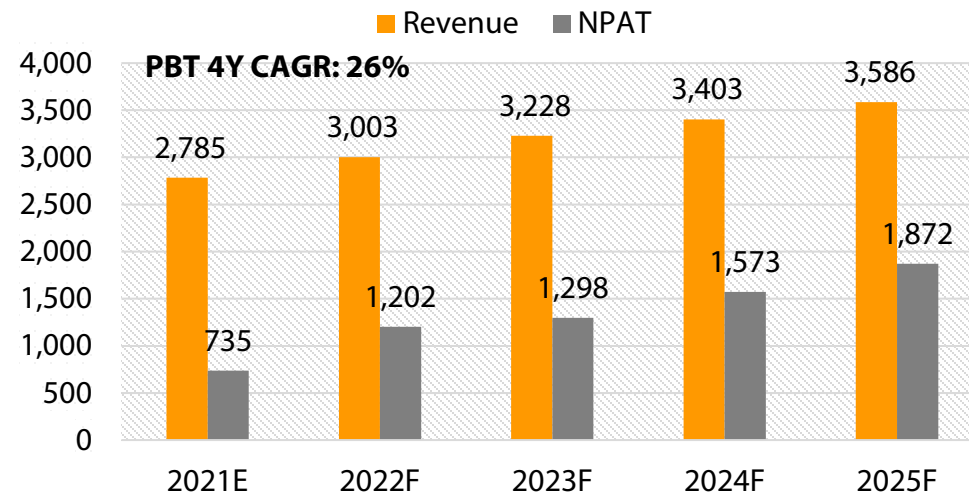
Also, a successful ownership transferring is a compelling story to watch for.

Figure 6: Volume throughput forecast



Source: GMD, Rong Viet Securities

Figure 7: Revenue and PBT (VND bn) forecast for GMD



Source: Rong Viet Securities

Stable growth at GMD's Hai Phong terminals to drive EBIT with a CAGR of 10% over the period of 2021F-25F.

- While Nam Hai DV is operating at its maximum designed capacity, Nam Dinh Vu with its upcoming Phase 2, which is under construction, still has a lot of head room to receive new services from international shipping lines.
- More services are poised to connect with Nam Dinh Vu as HICT is facing low dredge level recently.

<BUY: 29%>

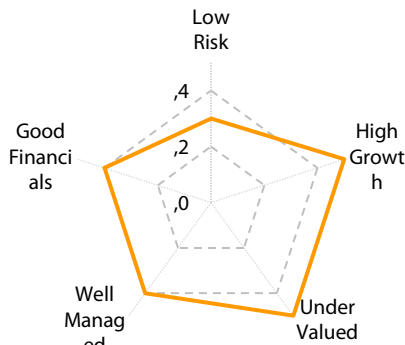
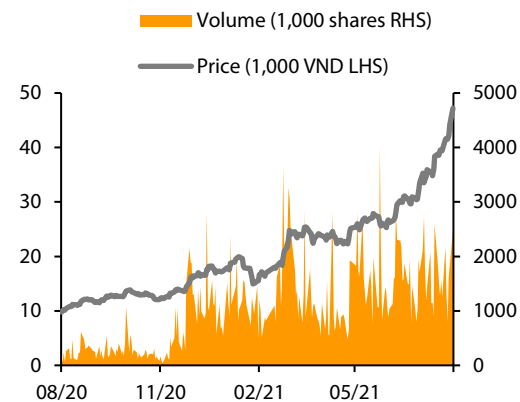
<MP: 47,200>

<TP: 61,000>

STOCK INFO

FINANCIALS

2020A 2021F 2022F



Sector	Logistics
Market Cap (\$ mn)	97
Current Shares O/S (mn shares)	47.4
3M Avg. Volume (K)	1,694
3M Avg. Trading Value (VND Bn)	53.7
Remaining foreign room (%)	40.7
52-week range ('000 VND)	9.8-47.2

Revenue	1,192	2,269	2,604
NPATMI	138	435	529
ROA (%)	6.6%	17.5%	17.5%
ROE (%)	12.9%	31.9%	29.6%
EPS (VND)	2,835	8,908	10,843
Book Value (VND)	27,283	27,918	36,596
Cash dividend (VND)	1,000	1,000	1,000
P/E (x) (*)	6.1	5.3	4.4
P/B (x) (*)	0.6	1.7	1.3

INVESTMENT RATIONALES

Robust transported volume growth, higher freight rates, coupled with an improving GPM, will lead to a booming 2H 2021 NPAT of VND285bn (+293% YoY) before a 22% YoY increase in 2022F.

- We expect volume transported by HAH fleet to jump by 72% YoY/13% YoY in 2021F/22F on the back of (1) increased international volume transported in cooperation with NVOCCs, and Main Line Operators (MLOs) for secured source of goods, (2) additional capacity from HAIAN EAST, one the two newly purchased vessels which will be deployed to domestic container shipping market in Q4 2021, and (3) industry productivity recovery.
- Expectation for freight rate: (1) Stable domestic rate due to inconsistency in movement of freight rate for each domestic routes (2) international rate rise as global trend. However, the growth prospect in 2021F is lower as the disruption and container shortage will be alleviated and the global rate will face downward risk.
- Higher economics of scale from surging transported volume, and favourable profit margin of chartering out vessels, will expand sea transportation segment's GPM by 1,900bps/200 bps in 2021F/22F.

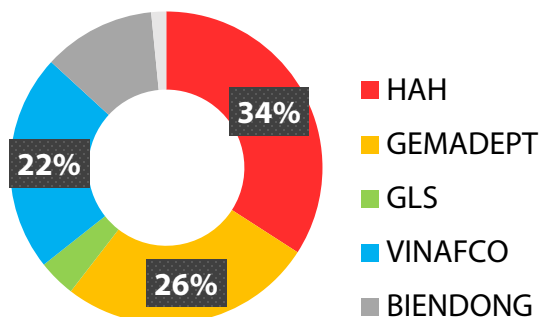
Owning container fleet with largest total capacity, coupled with extensive domestic shipping routes and an integrated business model of ports and warehouses, help HAH to lead in transport capacity and maintain high transported volume, thereby ensuring profit.

RISKS TO OUR CALL

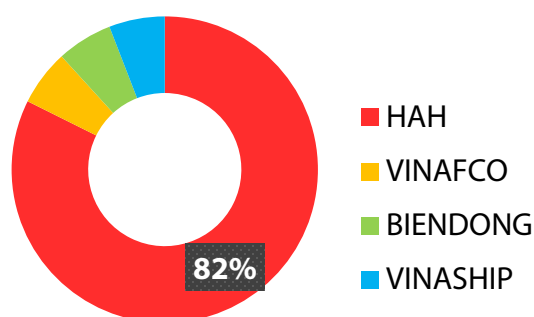
- More volatile freight rate and fuel cost than expectation.
- Different vessel leasing period from our expectations.

Figure 1: Domestic routes of HAH and respective market share

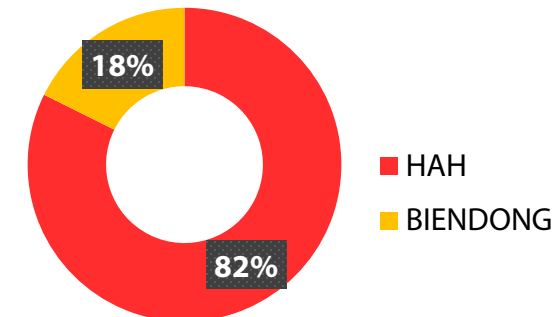
HP-DN-HCM-HP



HP-DN-HP



HP-CM-DN-HP



Source: Maritime administration of Hai Phong, Rong Viet Securities

HAH is market leader of domestic container transportation sector

- HAH's container fleet took over 22% of a total of 36 container vessels under Vietnam's flag, with the largest capacity of nearly 11,000 TEUs.
- HAH's fleet covers a wide range of shipping routes from Hai Phong, Da Nang, Cai Mep, to Ho Chi Minh, dominating the market in term of the number of domestic port coverage with a domestic frequency of four trips per week. Besides, HAH performs international feeder services for MLOs, such as HLL, ONE, OOCL on intra-Asia routes (HP-HK-HP, HCM-SGP-HCM) with a frequency of two trips per week.

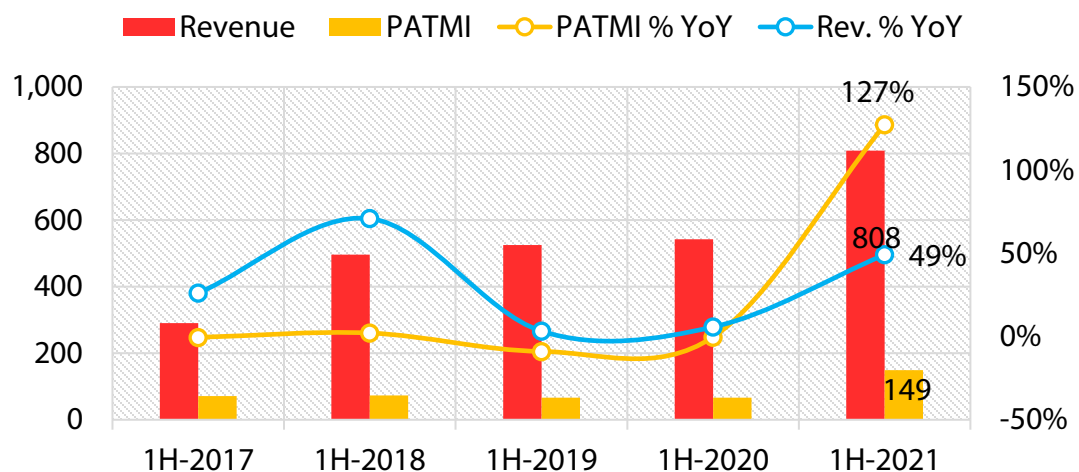
Hai An Port is currently utilized for HAH's fleet and SM lines, for which HAH has been an agent since 2017.

Table 1: HAH's container fleet

No.	Vessel Name	Purchased year	Capacity (TEUs)	Utilisation Purpose
1	HAIAN PARK	2014	787	Transportation
2	HAIAN TIME	2015	1,032	Transportation
3	HAIAN BELL	2017	1,200	Transportation
4	HAIAN LINK	2018	1,060	Time charter (TC)
5	HAIAN MIND	2019	1,794	Transportation
6	HAIAN VIEW	2020	1,577	Transportation
7	HAIAN WEST	2021	1,740	Transportation
8	HAIAN EAST	2021	1,702	Transportation/TC
Total			10,892	

Source: HAH, RongViet Securities

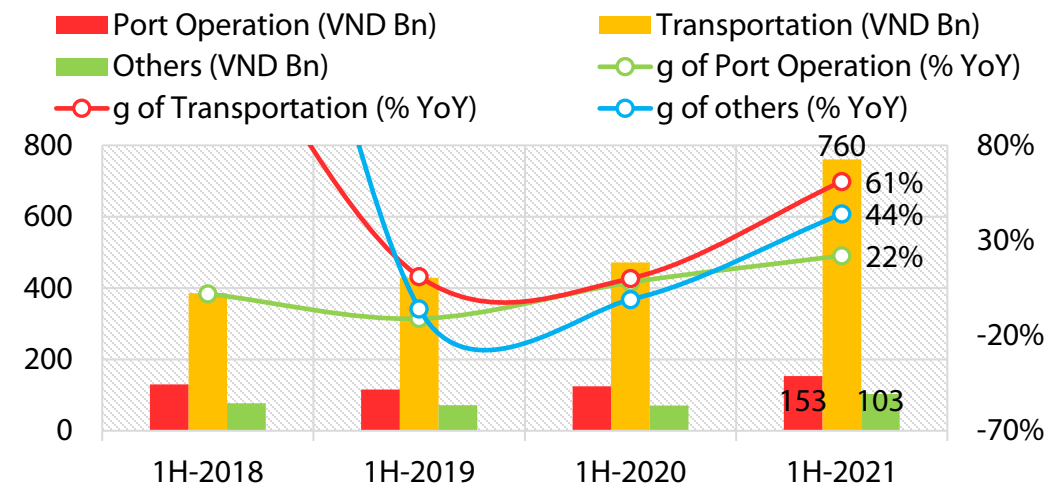
Figure 2: Business Results (VND bn)



Source: HAH, Rong Viet Securities

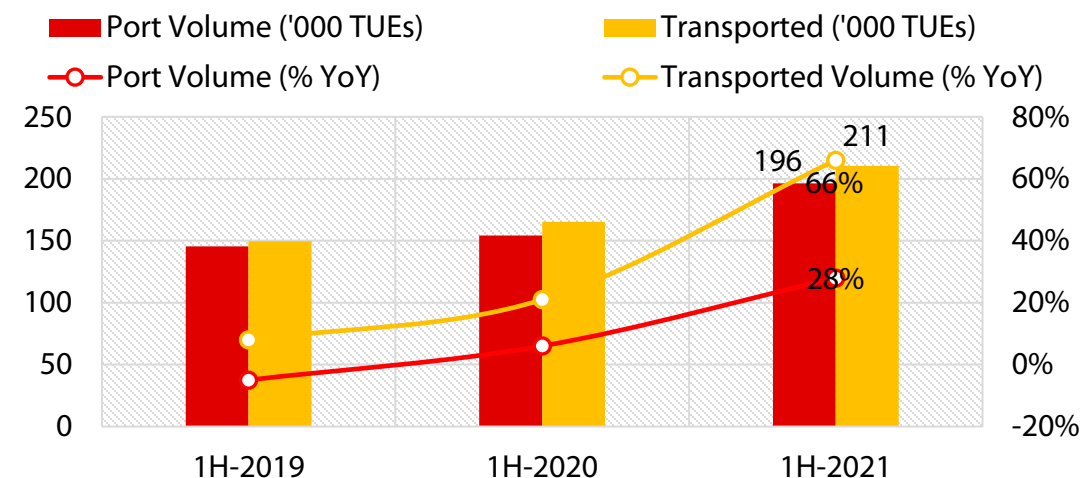
- Ballooning volume transported, due to additional vessels and rapidly developing its client base, higher freight rates and more importantly, chartering out one more vessel, have led to a solid transportation profit in 1H-2021.
- Hai An Port posted a 28% YoY increase in volume throughput, a majority of which were from HAH's fleet (86% in 1H-2021).

Figure 3: Revenue breakdown by business segments(*)



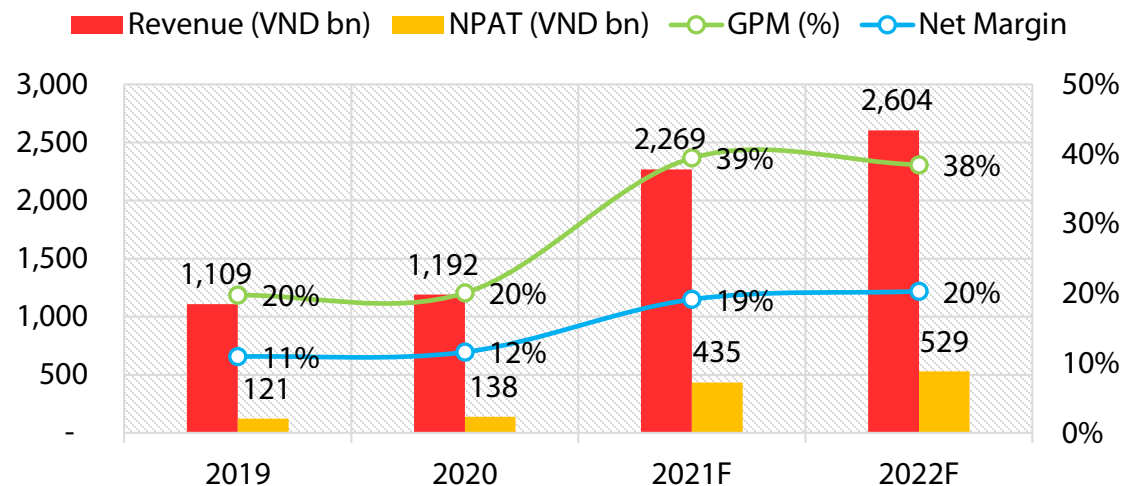
Source: HAH, Rong Viet Securities, *revenue before internal transaction net off

Figure 4: Volume of Port operation and Transport



Source: HAH, Rong Viet Securities

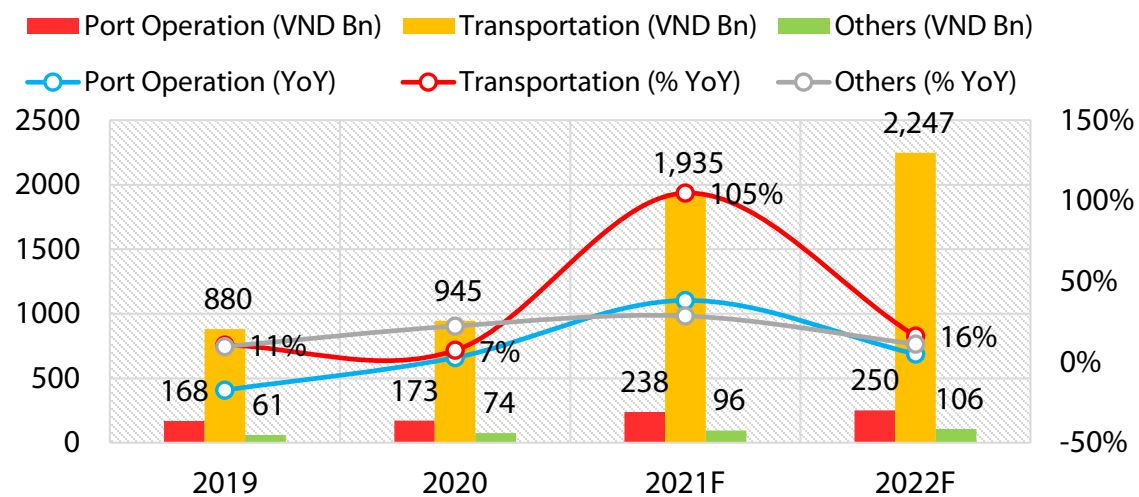
Figure 5: Projected revenue and net profit (VND bn)



Source: HAH, Rong Viet Securities

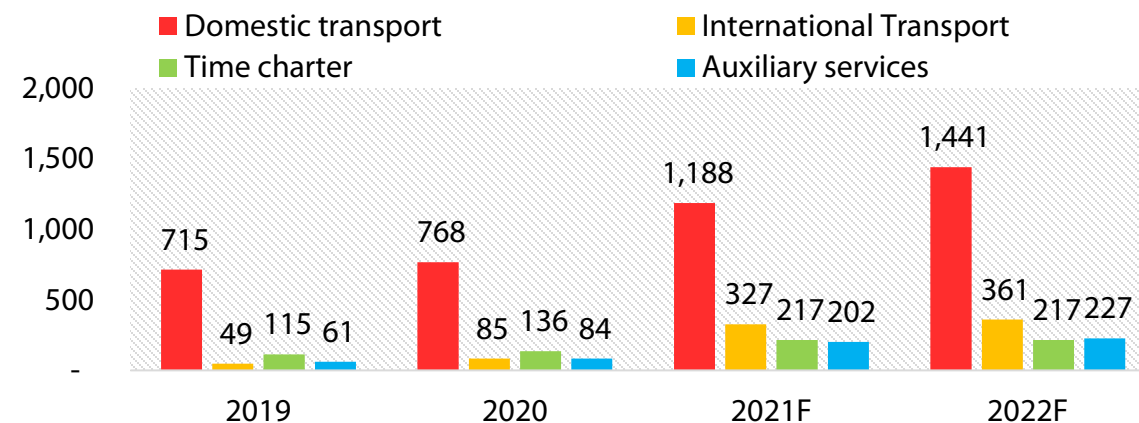
- **Projected NPAT to rise by 214% YoY/22% YoY in 2021F/22F** primarily driven by the container transportation segment with (1) a 72% YoY/ 13% YoY increase in container transported and (2) sustainably high freight rates.
- **We expect HAH's port operation to be stable** as the port has reached its designed capacity and the unlikelihood of a new international shipping lines.
- **Other segment:** CFS and Depot services, which just began operation in 2020, will provide huge jump in 2021F from the last year's low base and interesting growth going forward thanks to more committed source of goods.

Figure 6: Breakdown of revenue



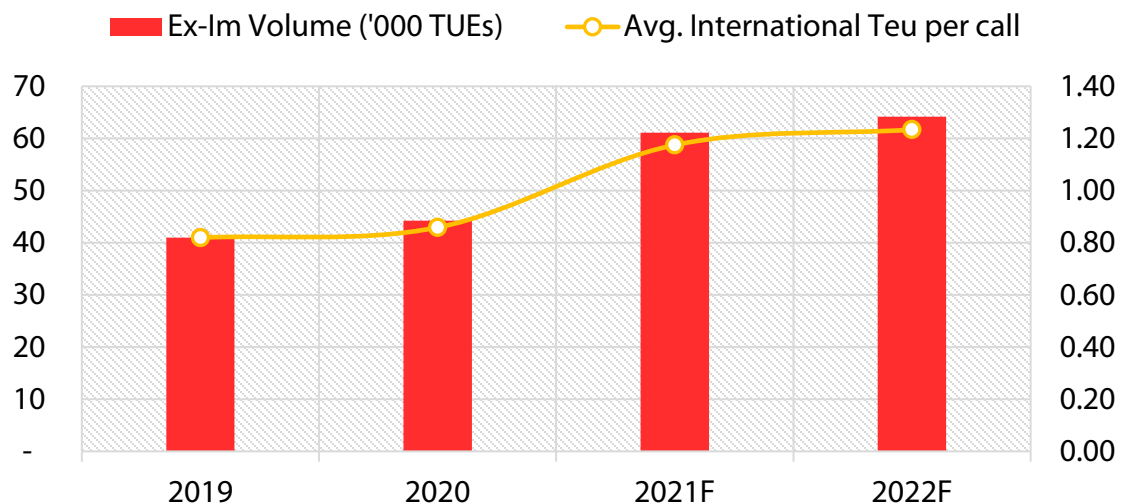
Source: HAH, Rong Viet Securities

Figure 7: Breakdown of transport revenue (VND Bn)



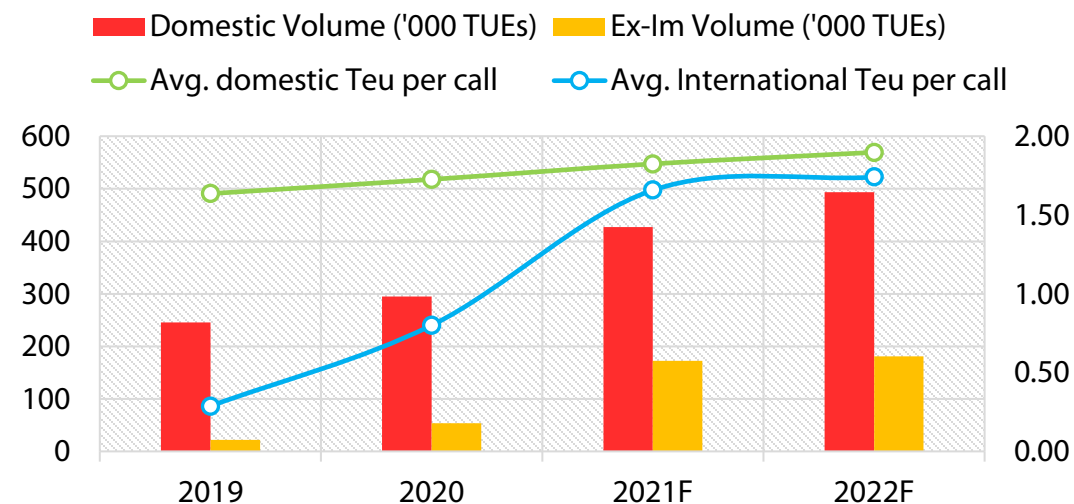
Source: HAH, Rong Viet Securities

Figure 8: Port Volume throughput forecast



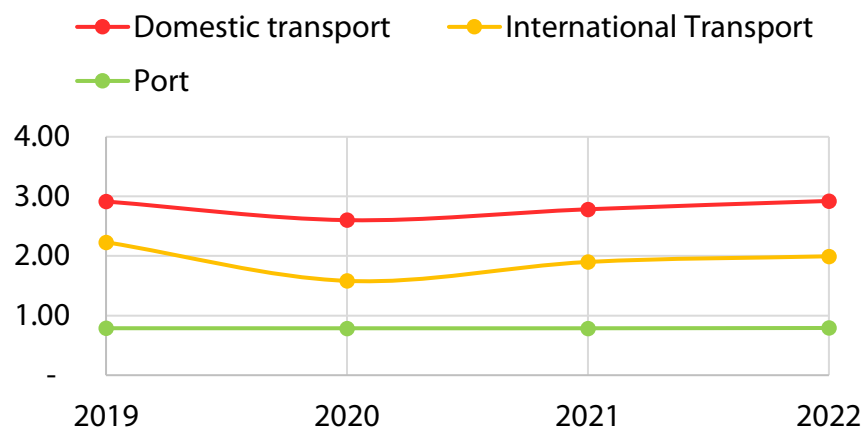
Source: HAH, Rong Viet Securities

Figure 9: Transported volume forecast



Source: HAH, Rong Viet Securities

Figure 10: Avg. Price per TEU (VND mn)

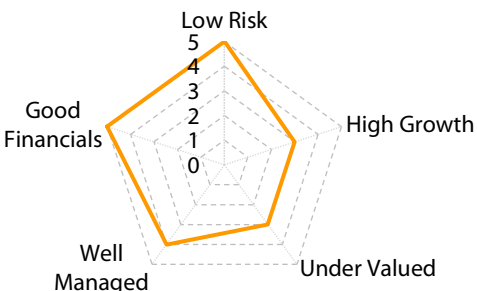
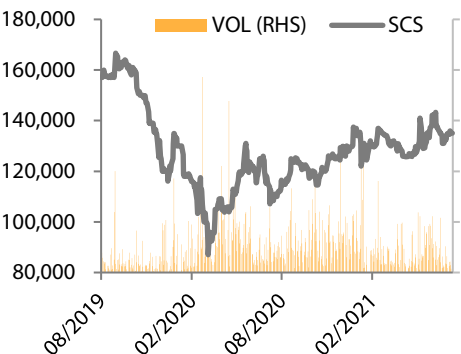


Source: HAH, RongViet Securities

<BUY: 21%>

<MP: 135,100>

<TP: 155,600>



STOCK INFO

Sector	
Market Cap (VND Bn)	6,896.3
Current Shares O/S (mn shares)	50.7
3M Avg. Volume (K)	23.8
3M Avg. Trading Value (VND Bn)	3.2
Remaining foreign room (%)	22.7
52-week range (VND)	108,400 - 143,300

FINANCIALS

	2020A	2021F	2022F
Revenue	693	803	896
NPATMI	464	567	647
ROA (%)	42.4%	53.6%	52.9%
ROE (%)	45.7%	51.2%	50.7%
EPS (VND)	9,221	9,719	11,139
Book Value (VND)	20,016	21,837	25,126
Cash dividend (VND)	8,000	8,000	8,000
P/E (x) (*)	13.5	15.0	13.1
P/B (x) (*)	6.2	6.2	5.4

INVESTMENT RATIONALES

The favorable outlook of Vietnam trade flow and diverse cargo mix will underpin SCS's long-term international cargo. Trade activities will accelerate in the near future given the ongoing recovery of Vietnam's key trading partners following massive vaccines roll-out. In addition to that, we expect that a variety of FTAs that Vietnam has been a part of and the implementation of China +1 strategy from global manufacturers will be a booster for Vietnam trade flows.

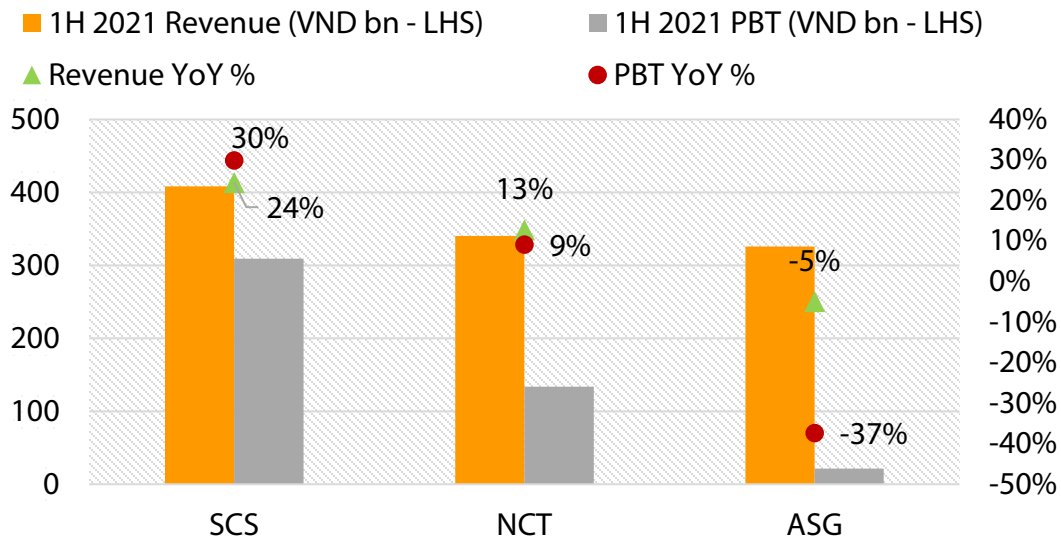
The surge in container shipping rates is making air transportation become relatively more attractive. Container shipping alliances have taken advantage of the global supply chain disruption (severe seaport congestion in China, global container shortage issues) to charge remarkably higher sea freight rates. Consequently, air cargo fare per kg as of June 2021, despite being 80% higher than pre-crisis values, have become relatively competitive to sea freight with only 5x higher than container shipping (vs historical average of around 10x). With the expected ongoing return of passenger aircraft belly capacity, air cargo fares are likely to further ease in the near future.

We project 2021F/22F net profit would grow by 22% YoY/14% YoY on the back of a 10% YoY/10% YoY of international cargo volume over the same period. Considering its position as one of the only two air cargo terminal operators in Tan Son Nhat International Airport, the unlikelihood of new market entrants and stable long-term earnings growth with a 5Y CAGR of 14% in 2020-25F, we believe the 2022F P/E ratio of 13.1x is compelling.

RISKS TO OUR CALL

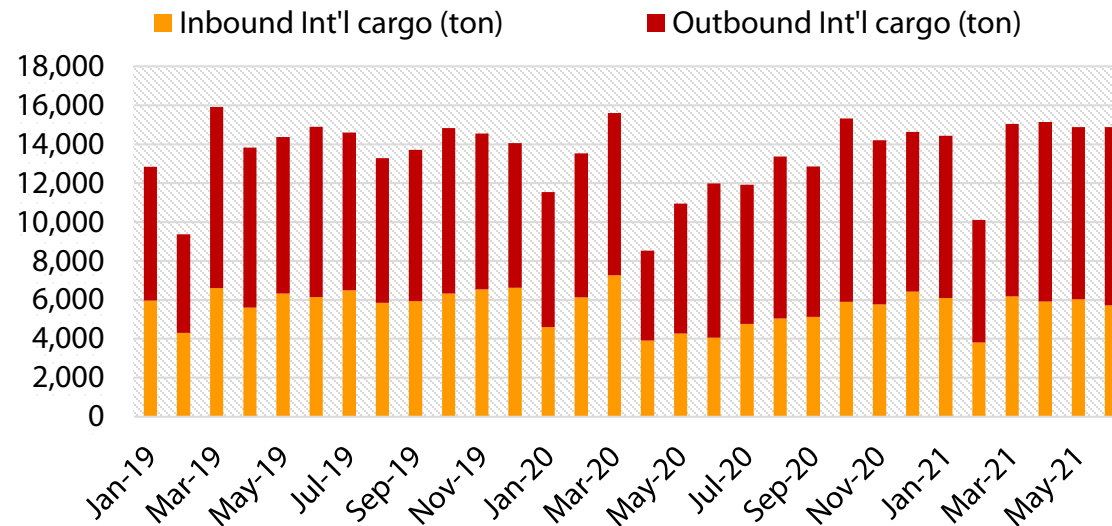
- Long-term risk includes the unsuccessful entry at Long Thanh International Airport – the prospective international hub for Southern Vietnam from 2025F onward.

Figure 1: 1H 2021 Results vs peers



Source: Companies filings, Rong Viet Securities

Figure 2: Monthly cargo volume quickly returned to pre-covid level



Source: SCS, Rong Viet Securities

SCS outperformed its peers in 6M 2021. SCS' international air cargo reached 84.4 thousand tons in 6M 2021, up 17% YoY and even 4% higher than 6M 2019. We believe this throughput volume is stronger than its counterpart in Northern Vietnam, NCT and ASG, given much higher revenue growth. Notably, SCS has seen its ASP increased by 3.5% YoY owing to the revised tariffs since early 2021.

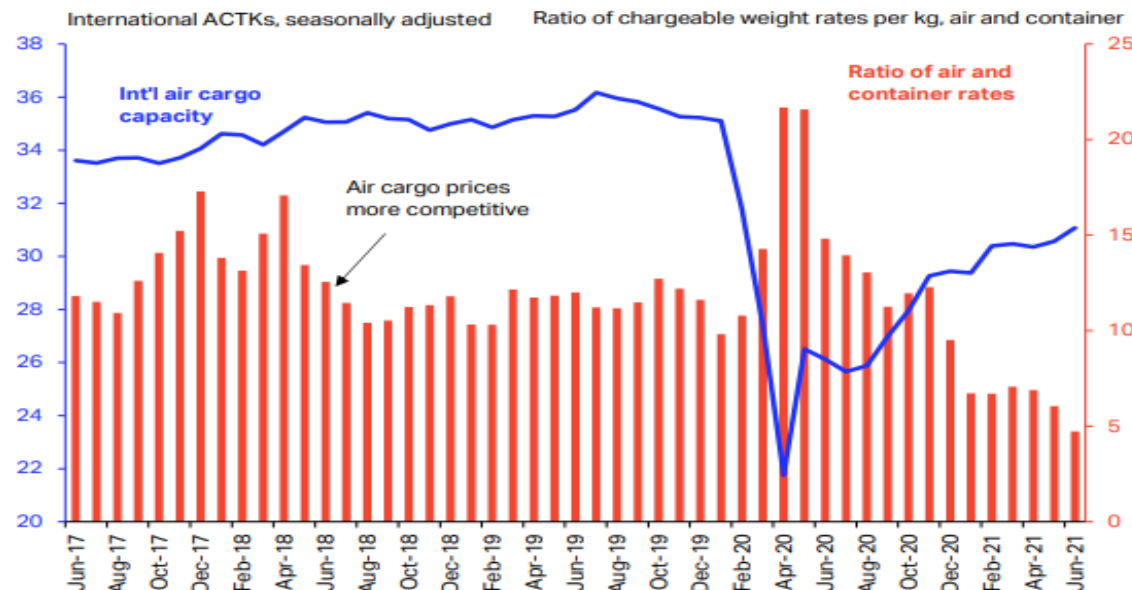
International cargo volume has stabilized at around 15 thousand tons per month on the back of favorable trade flow backdrop in the 1H 2021. In which, inbound and outbound cargo mix stayed at 40%/60%.

Figure 3: New export orders of global leading economies



Source: IATA, Markit, Refinitiv Datastream

Figure 4: Air cargo fares have become much more attractive in comparison to sea freight

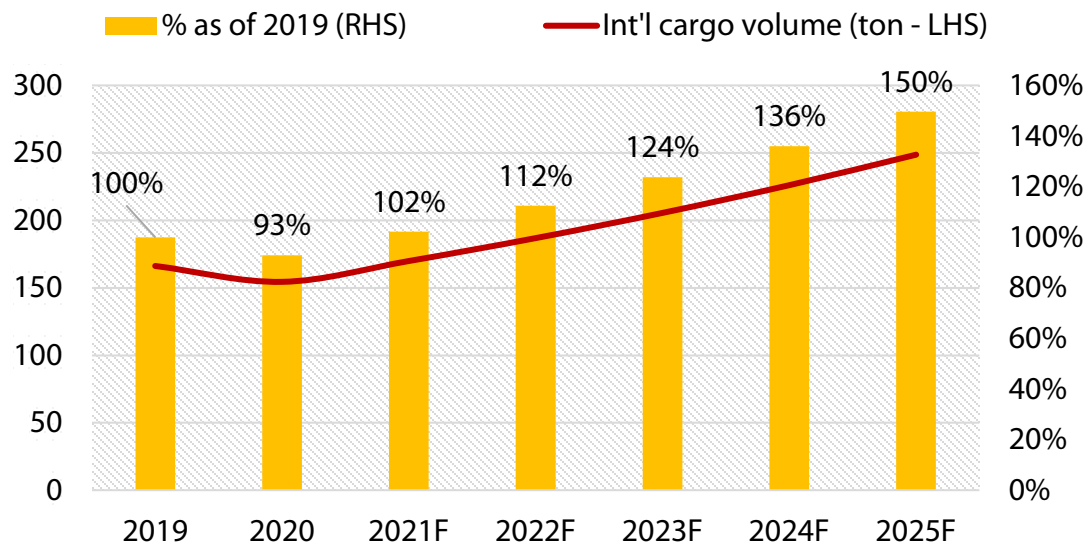


Source: Boeing, IATA CargoIS, Freightos Baltic Index

PMIs point to a continued strong air cargo traffic growth. New export orders PMIs, which have strongly correlated with cargo ton km growth, are above the 50, consistently expanding on a month-on-month basis in most key markets.

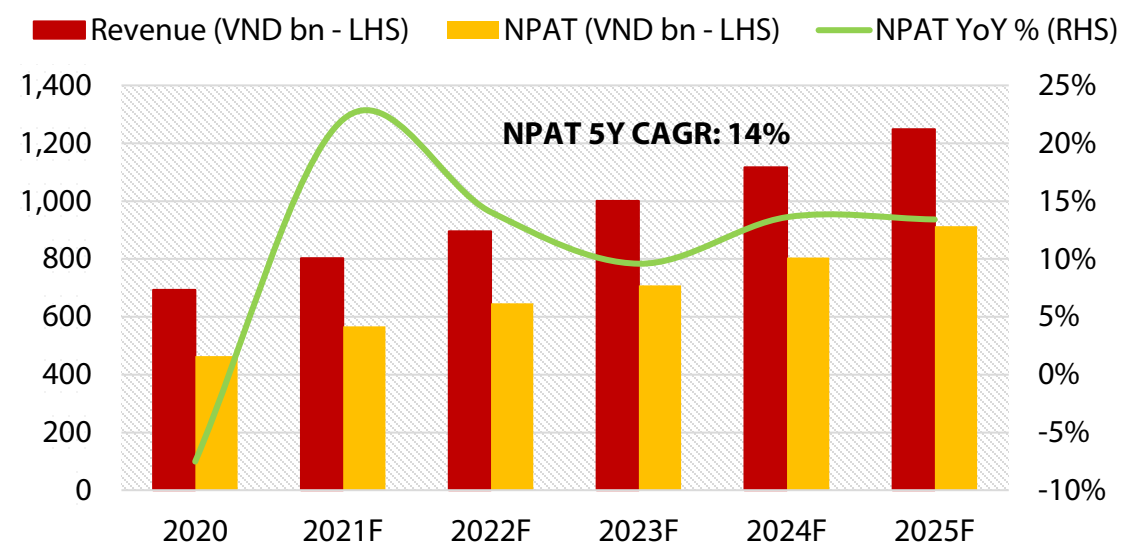
The ratio of air cargo fares versus container shipping rates continued to fall in June, cementing the competitive advantage of air cargo. Container shipping remains severely congested, this also means fares for container shipping have significantly increased. Consequently, air cargo fares – which were more than 80% higher than pre-crisis values in June 2021 – have become relatively lower. With the expected ongoing return of passenger aircraft belly capacity, air cargo fares are likely to further ease in the near future.

Figure 5: International cargo volume forecast



Source: SCS, Rong Viet Securities

Figure 6: Financial forecast



Source: SCS, Rong Viet Securities

We expect the international cargo volume, the main profit source of SCS, to grow with a CAGR of 10% over 2021F-25F on the back of favorable trade flow supported by Vietnam's increasingly integrated in global supply chain and the resilient demand from Vietnam's key trading partners. On the back of that, we project that NPAT will enjoy a healthy CAGR of 14% over the same period.



SEAFOOD

EXPORTS ARE ON THE REBOUND



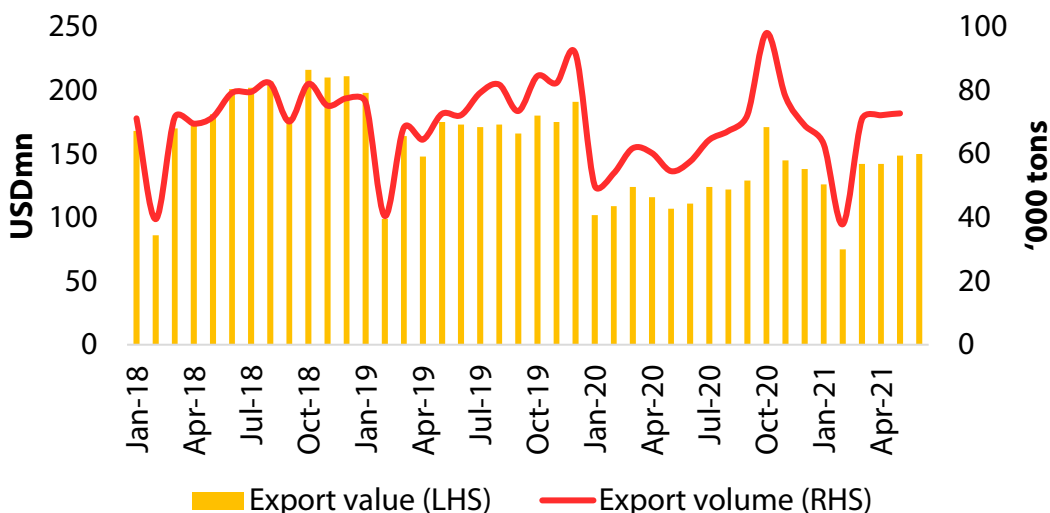
Loan Nguyen – loan.nh@vdsc.com.vn



The US market led pangasius growth

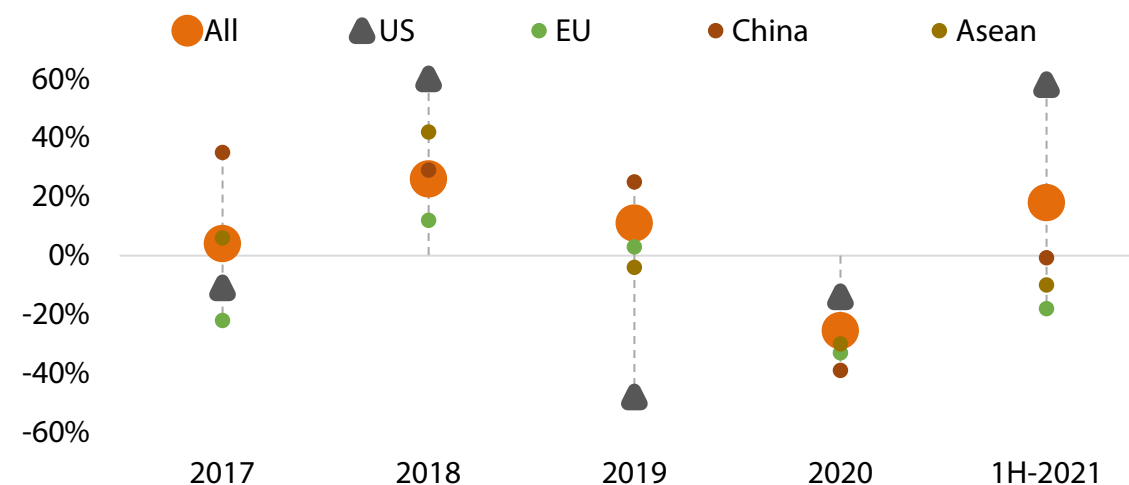
- In 1H-FY21, Vietnam's pangasius export value edged up 18% YoY to reach USD 788 Mn, driven by the US demand recovery of F&B services after the economic re-opening. Export volume returned to pre-COVID level, growing 19% YoY while ASP declined slightly 2% YoY, per MoIT.
- Export value to the US surged 58% YoY to reach USD 169 Mn in 1H-FY21. In contrast, the EU and China markets recorded 58 Mn USD (-18% YoY) and 207 Mn USD (-0.7% YoY), respectively. Exports to the EU plunged in 1H-FY21 as the result of low whitefish demand amid slow F&B service recovery (EU's whitefish imports in 1H-FY21 decreased 17% YoY). Exports to China faced stricter COVID-19-related controls and inspection requirements on frozen-food imports. Smaller markets (Mexico, Brazil, Thailand, Columbia, Russia) accounted for 2.5-4% each of Vietnam's pangasius export value but recorded double-digit growth in 1H-FY21.

Figure 1: Vietnam's pangasius export value and volume



Source: AgroMonitor, Rong Viet Securities

Figure 2: Vietnam's pangasius export value growth (YoY) by market

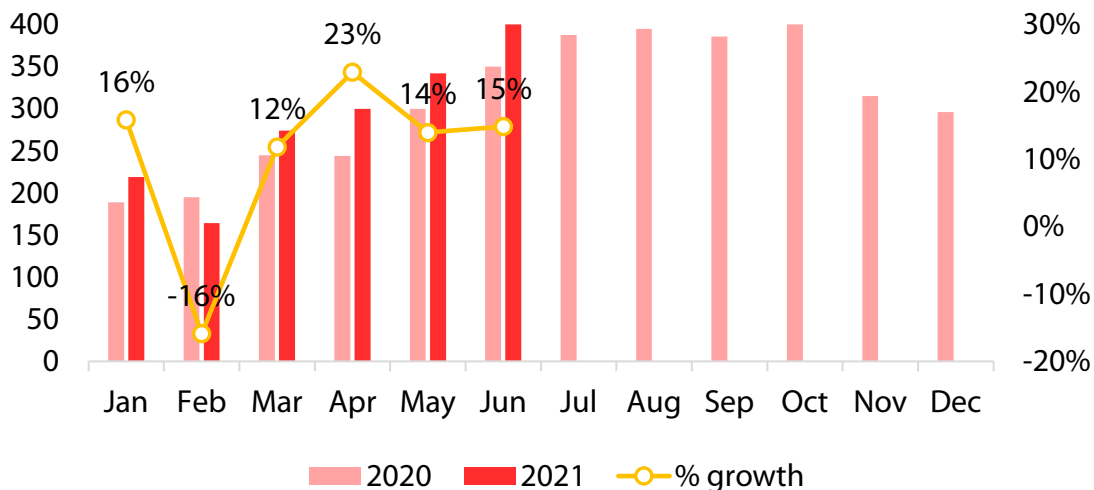


Source: VASEP, Rong Viet Securities

Shrimp exports remained in an upward trend

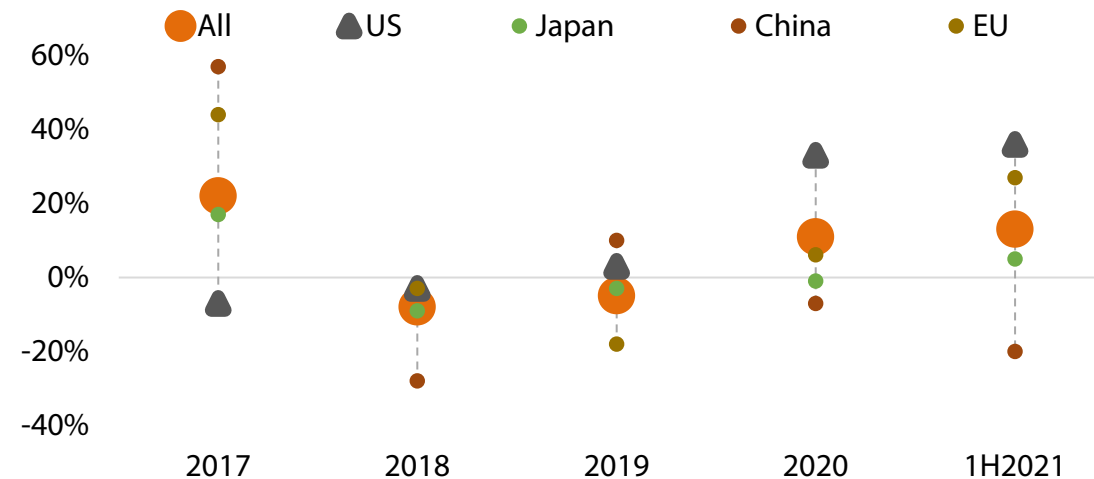
- Per VASEP, 1H-FY21 shrimp export value was USD 1.7 Bn, up 13% YoY.
- Exports to the US in 1H-FY21 rose 36% YoY to reach USD 440 Mn because of the resurgence in both retail and F&B services. EU and Japan markets also enjoyed positive growth, up 27% and 5% YoY, respectively. In contrast, exports to China witnessed a decline of 20% YoY due to strict COVID-19-related inspection requirements.

Figure 3: Vietnam's shrimp export value (USD Mn)



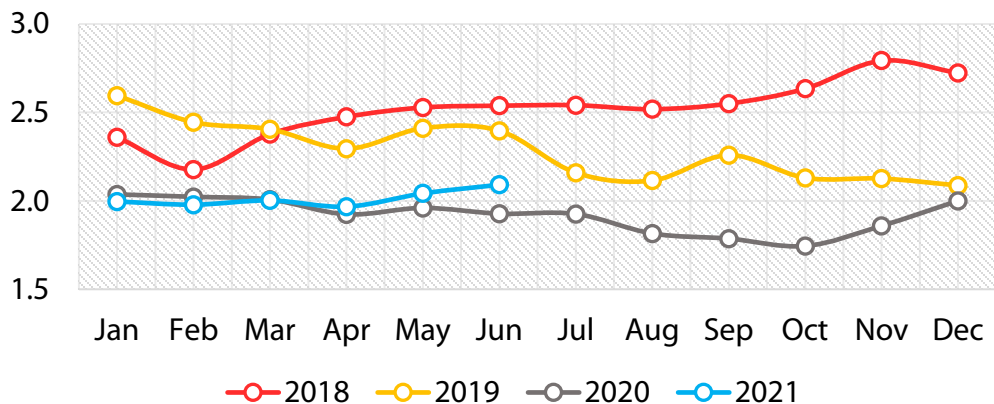
Source: VASEP, Rong Viet Securities

Figure 4: Vietnam's shrimp export value growth (YoY) by market



Source: VASEP, Rong Viet Securities

Figure 5: Vietnam's pangasius ASP (USD/kg)

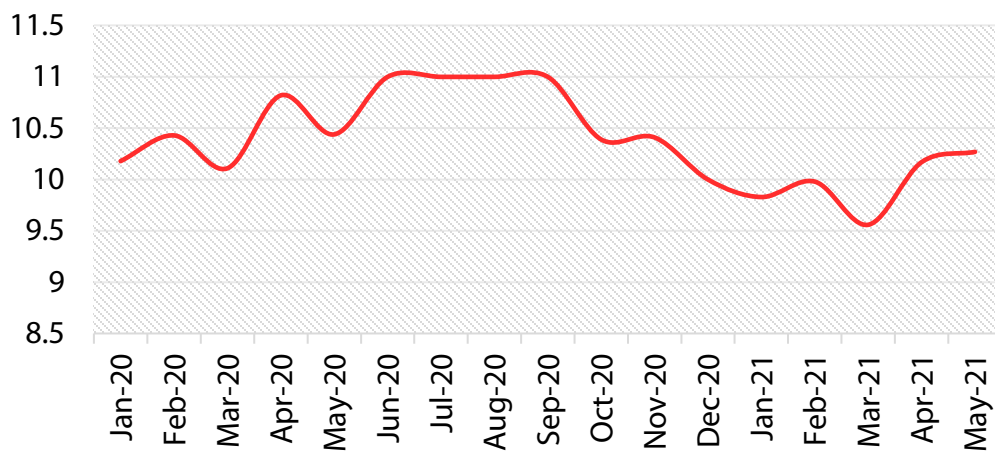


Source: AgroMonitor, Rong Viet Securities

Selling prices have been under pressure

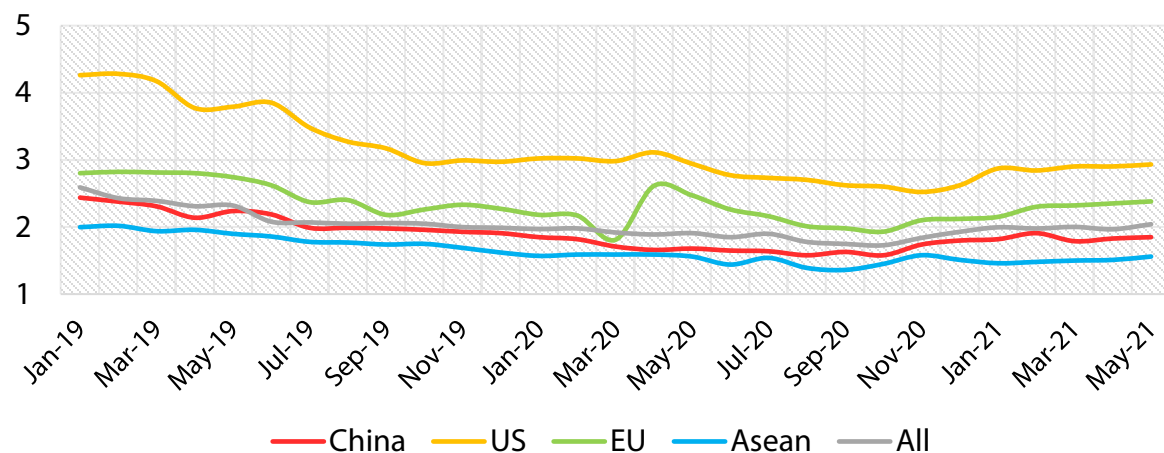
1H-FY21 pangasius average fillet selling prices (ASP) reached 2.0 USD/kg, inching up 2% YoY. Despite the strong rebound of export volume, ASP has not yet reached the pre-COVID level due to limited consumption expenditure. Similarly, shrimp ASP was also lower than the 2020 average owing to abundant shrimp supply in the Mekong Delta and low export prices to other countries.

Figure 6: Vietnam's shrimp ASP to the US (USD/kg)



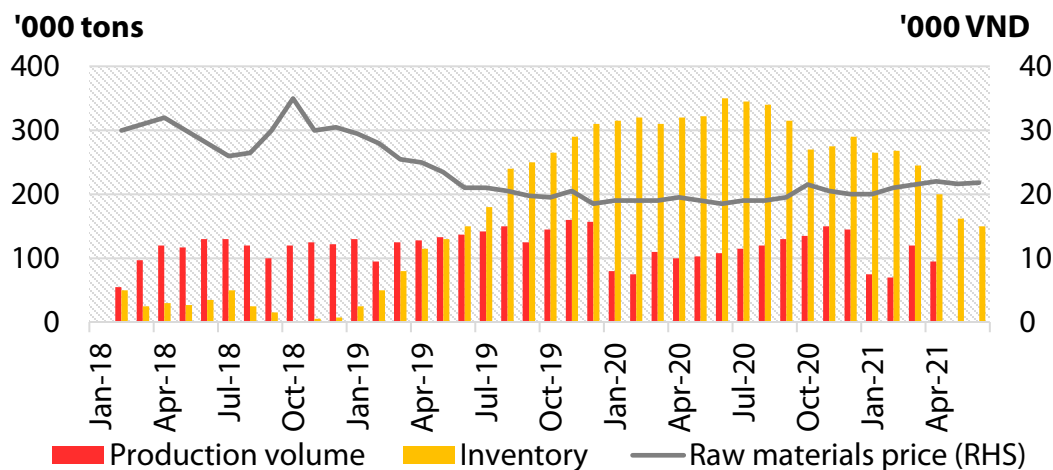
Source: Undercurrent News, Rong Viet Securities

Figure 7: Vietnam's pangasius ASP by market (USD/kg)



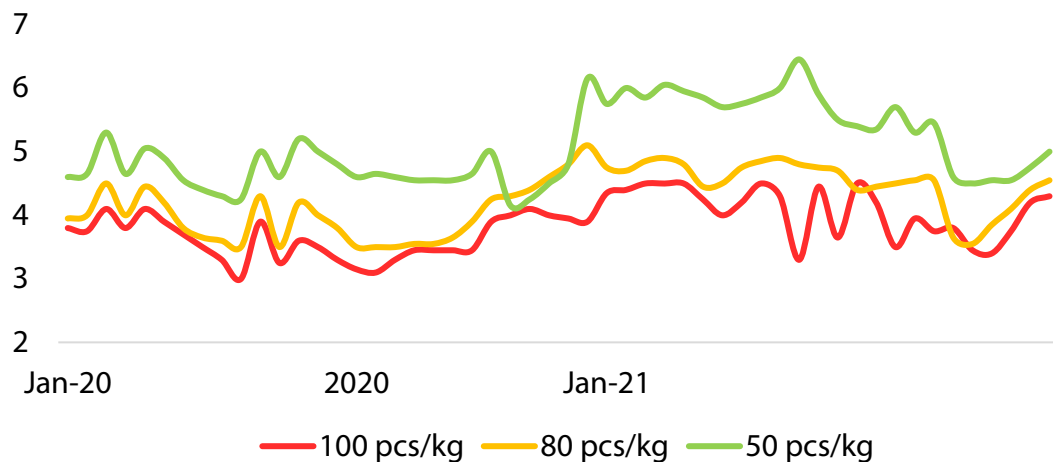
Source: ITC, Undercurrent News, Rong Viet Securities

Figure 8: Pangasius production volume, inventory and prices



Source: AgroMonitor, Rong Viet Securities

Figure 9: Shrimp materials prices (USD/kg)



Source: AgroMonitor, Rong Viet Securities

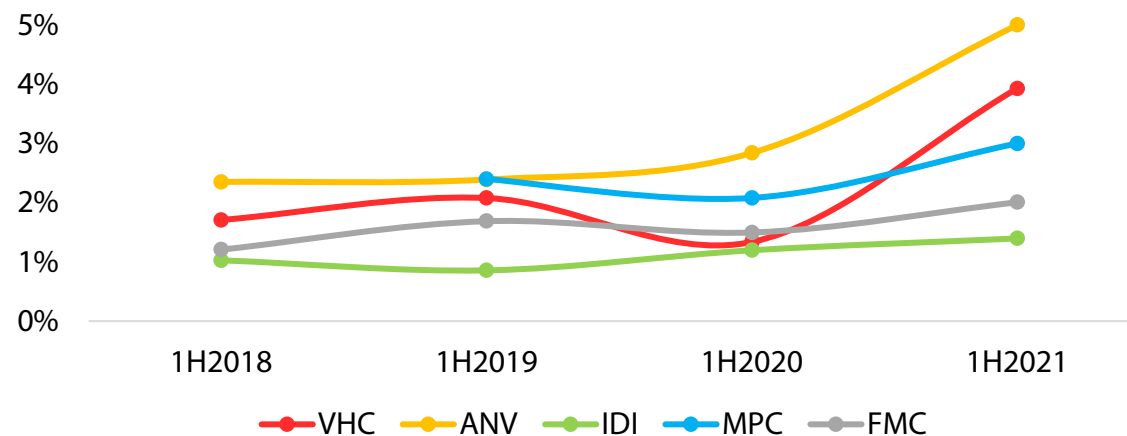
Raw pangasius materials prices to rise

- Vietnam's raw materials supply has grown slower than demand.
- Soaring feed prices due to rising commodity prices (soybeans, corn) continues to narrow affect farming areas, resulting in shrinking raw materials supply.

Logistics costs have been rising creating bottlenecks

Per VASEP, Vietnam's seafood companies have suffered a 5-7 times increase in logistics costs, resulting in contracting net margin. Per AgroMonitor, Vietnam's seafood exporters to the US increased contracts under CFR terms (accounting for 75% of total exports) instead of mainly FOB as usual.

Figure 10: Logistics costs/revenue ratio of seafood companies



Source: Rong Viet Securities compiled

Table 1: Global whitefish price trend, March 2020 & 2021

Species	Source	Product	2020	2021	%change
Alaska Pollock	US	Frozen fillets	3.08	2.88	-7%
Atlantic Cod	Norway	Fresh Whole	3.69	3.08	-17%
Pacific Cod	Russia	Frozen Whole	2.22	2.22	0%
Tilapia	China	Frozen fillets	2.57	2.64	3%
Pangasius	Vietnam	Frozen fillets	1.58	1.65	4%

*All prices in EUR/kg

Source: Kontali, NASF, Rong Viet Securities

Table 2: Export outlook in 2H-FY21 of seafood companies by market

	US	EU	China	Japan	ASEAN
VHC	X	X	X		
ANV		X	X		X
MPC	X	X		X	
FMC	X	X		X	

X: export revenue ≥ 10% company's revenue

Negative Neutral Positive

Source: Rong Viet Securities

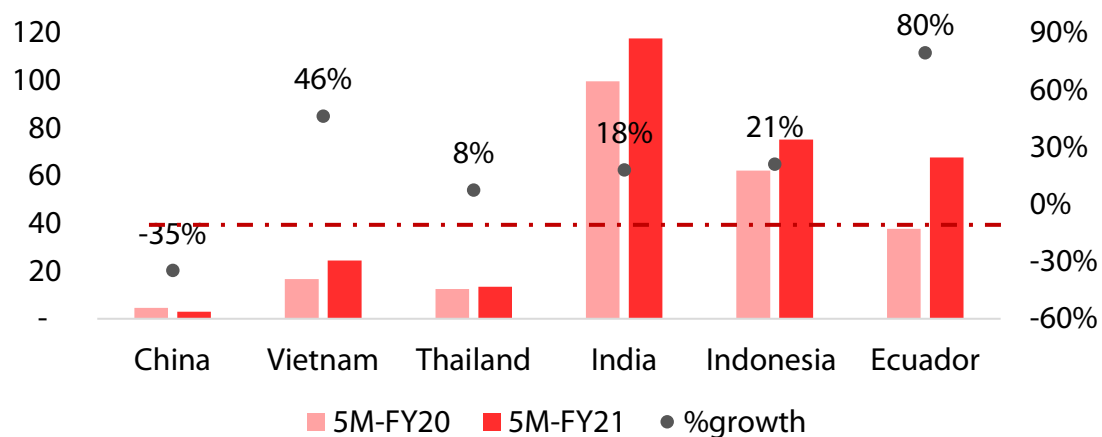
The US to remain the bright spot

- US:** Although new COVID cases are rising and can slowdown the demand for outdoor dining, we maintain our view that this market will continue to lead seafood export growth in 2H-FY21 due to the successful vaccine rollout.
- China:** Stricter COVID-19-related controls and inspection requirements on frozen-food imports will delay seafood exports. This issue will keep going in 2H-FY21 due to low vaccine coverage and new COVID outbreaks.
- EU:** Low pangasius ASP as Vietnam's pangasius exports compete with many types of whitefish products whose prices have gone down. Per Kontali, 2021 whitefish production is expected to reach 13 Mn tons, up 4% YoY while EU's whitefish imports declined 17% YoY in 1H-FY21.

Vietnam lockdown to negatively impact production and domestic logistics

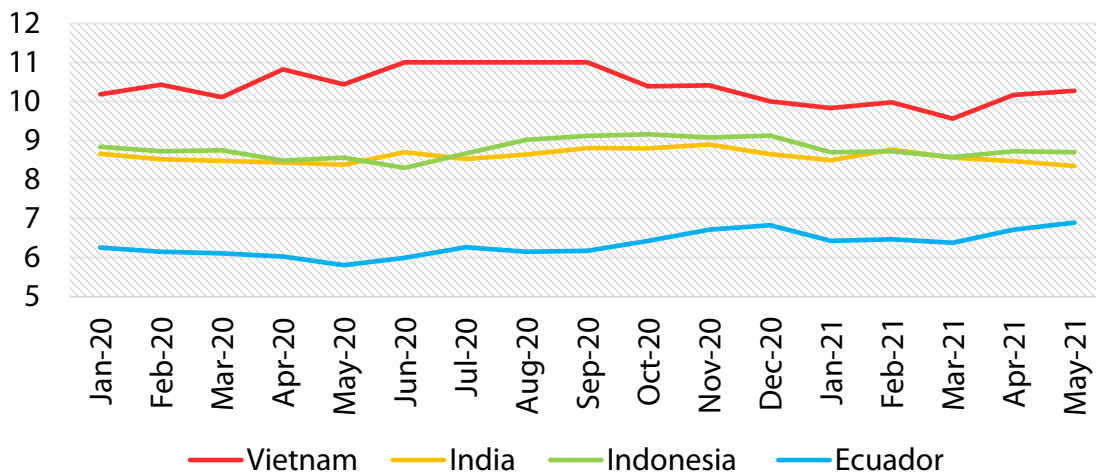
- COVID's resurgence in Vietnam has suspended many seafood factories.
- Domestic logistics have been tightened to control COVID, causing delays in shipments.

Figure 11: Shrimp export volume to the US by countries (thousand tons)



Source: NOAA, Undercurrent News, Rong Viet Securities

Figure 12: ASP to the US (USD/kg)



Source: NOAA, Undercurrent News, Rong Viet Securities

Benefiting from the difficulties of competitors

- US Department of Commerce (DOC) has announced preliminary anti-dumping tariff results that Indian shrimp will be taxed at a record-breaking level of 7.57%. This anti-dumping tariff will facilitate Vietnam's selling price competitiveness.
- India's shrimp supply has been dampened by COVID-19, opening up the opportunity for Vietnamese producers.

Selling prices to rise faster than shrimp raw materials prices

Per AgroMonitor, shrimp raw materials prices are expected to be flat due to abundant shrimp production. Given the supply shortage of Indian shrimps, we expect Vietnam's selling prices and producers' profit margin to rise in 2H-FY21.

Changing consumer behavior towards processed shrimp products

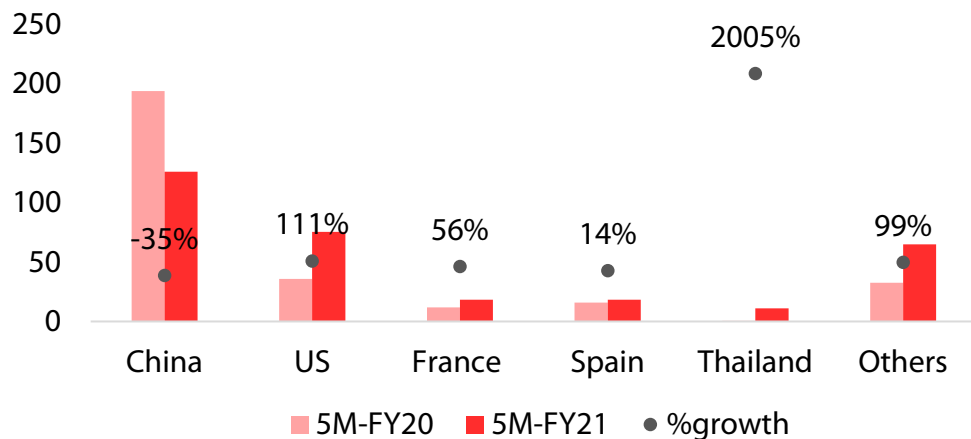
Per McKinsey, US and EU consumers tend to cook more at home since the pandemic, resulting in rising demand of packaged and processed food. Vietnam's processed shrimps are competitive, thereby benefiting this demand increase. (Report: [click here](#))

Table 3: POR16 pangasius results

	POR 13	POR 14	POR 15	POR 16
VHC	0.00	0.00	0.00	0.00
ANV	2.39	2.39	2.39	0.00
Bien Dong	0.19	0.19	0.19	0.19
Van Duc Tien Giang	2.39	2.39	2.39	0.09
NTSF	3.87	1.37	0.15	0.15
Can Tho Seafood	2.39	2.39	0.15	0.15
Nationwide	2.39	2.39	2.39	2.39

Source: The Federal Register, Rong Viet Securities

Figure 13: Shrimp export volume of Ecuador (thousand tons)



Source: Camara Nacional de Acuicultura, VASEP, Rong Viet Securities

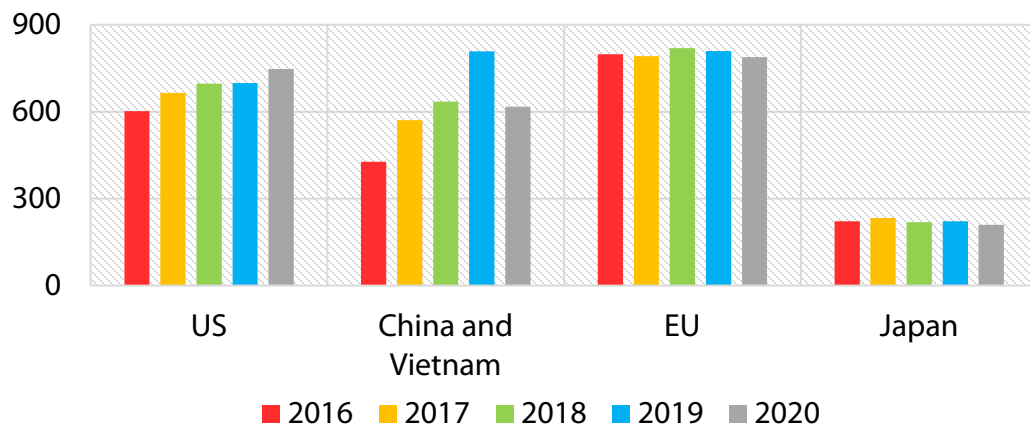
Pangasius: Anti-dumping duty to raise the competition among Vietnamese exporters

- As POR16 results, VHC and ANV are granted an anti-dumping duty of 0.00 USD/kg. In which, ANV's zero-tax duty is referenced from the mandatory respondent - VHC without direct individual examination. This is a large opportunity for ANV to re-enter the US market.
- If the next PORs continue to facilitate other Vietnamese exporters to enter the US market, VHC and Bien Dong's duopoly position (~90% market share) in the US market will be threatened.

Shrimp: Export growth is threatened by Ecuador's shrimp

- Due to the decline in export to China, Ecuador transfers to the US. In 5M-FY21, Ecuador's shrimp export volume to the US soared 111% YoY while export to China plunged 35% YoY.
- Ecuador started stepping into processed shrimp by exporting for value-added shrimp in Thailand. With low-priced advantage, reprocessing shrimp prices are even lower than Thailand's shrimp.

Figure 14: Shrimp imports (thousand tons)



Source: ITC, Chinese customs, Rong Viet Securities

Table 4: Investment projects of seafood companies

	Projects	Year	Purpose
ANV	Binh Phu pangasius farm	2021	Improve quality to export to EU and US
VHC	Expanding collagen & gelatin plant	2020	Aiming to become F&B - wellness firm
	Hi-tech agricultural-aquatic complex	2023	
MPC	Processing and value-added plants	2022	Increasing production capacity
	2-N-4 hi-tech shrimp farm		
FMC	Expand shrimp ponds to 370 ha	2021	30% self-supply ratio
	Construct new processing plant	2022	Increasing capacity

Source: Rong Viet Securities

Removing logistic cost bottlenecks, earnings of seafood companies will witness a turnaround

We expect logistics costs to cool down from 4Q-FY21 and thereby see stronger earnings in 2022.

Rosy shrimp consumption prospects in China and US markets

- **China:** Huge population, culinary history of eating seafood, declining domestic production are signs of Vietnam's export potential.
- **US:** Popularity of US foodservice, preference for processed and value-added shrimp products.

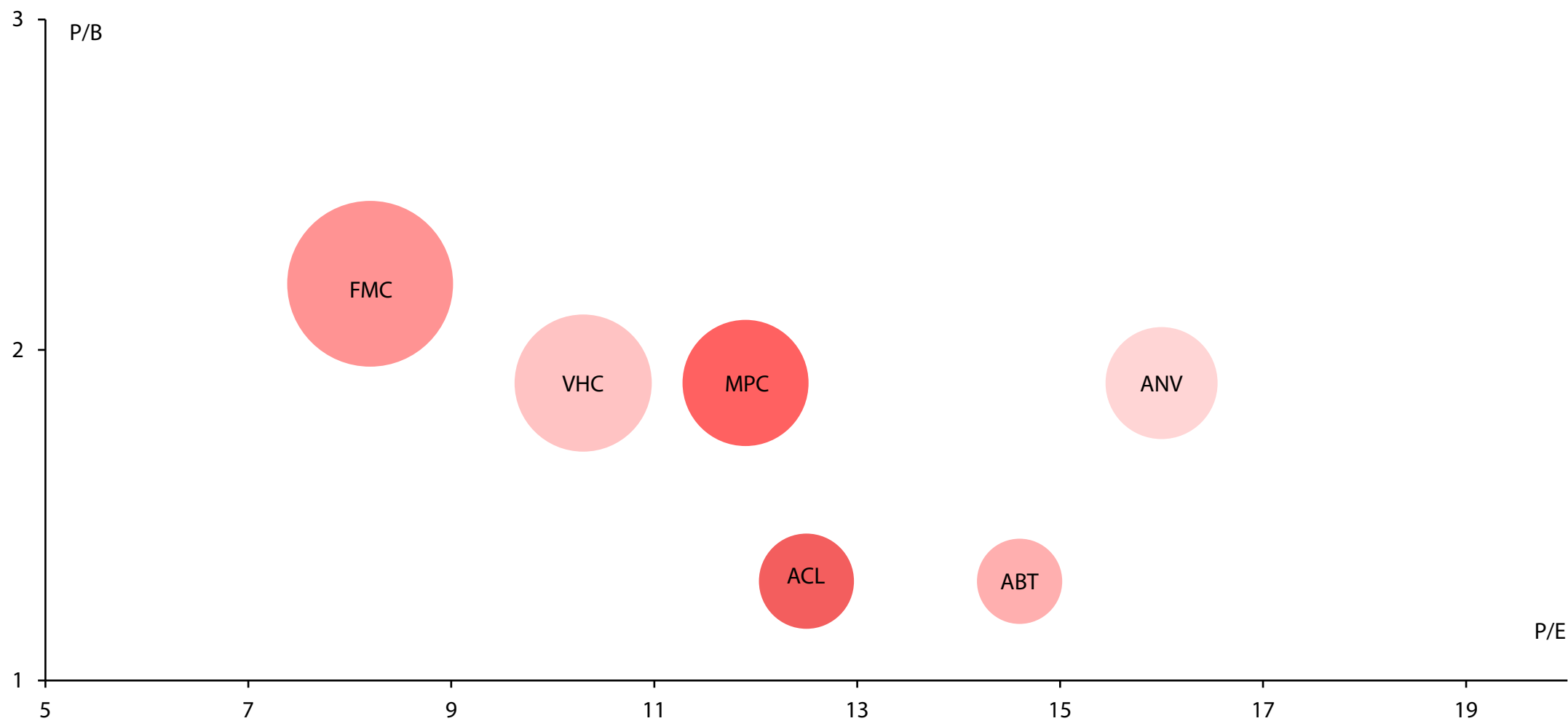
Ample room to benefit from EVFTA

- Tariffs of processed pangasius will be reduced from 7% to 0% within eight years. Tariffs of material shrimp will be reduced from 4.2% to 0% immediately.
- The benefits of material pangasius and processed shrimp may not be significant.

Accelerating investment projects post-pandemic creates opportunities

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)
ACL	24.9	N/A	5.80	2.54	11.42	4.41	24.19	4.02	2.87	6.54	0.00	12.51	0.80
ANV	149.2	N/A	-16.10	-29.75	10.26	6.13	-49.77	6.07	4.49	8.98	3.70	16.04	1.42
FMC	94.1	40,500	35.26	-26.87	4.36	5.11	7.33	4.97	11.49	19.69	6.80	8.22	1.66
VHC	321.1	45,000	7.18	-8.20	12.10	10.57	-13.08	9.15	9.80	13.49	4.93	10.26	1.36
ABT	13.6	N/A	-5.56	124.12	5.03	7.55	-33.23	7.45	4.00	5.19	3.70	14.55	0.75

Source: Bloomberg, Rong Viet Securities. Share price as of 02 Aug 2021.



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 02 Aug 2021.

<ACCUMULATE: 13%>

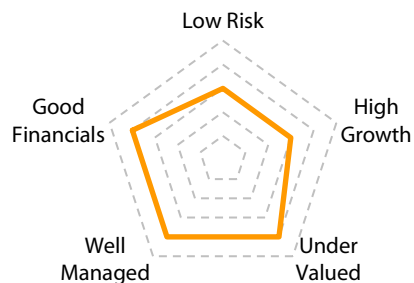
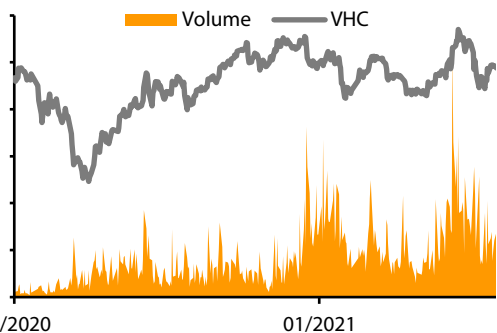
<MP: 40,600>

<TP: 45,000>

STOCK INFO

FINANCIALS

2020A 2021F 2022F



Sector	F&B
Market Cap (\$ mn)	321
Current Shares O/S (mn shares)	182
3M Avg. Volume (K)	1,538
3M Avg. Trading Value (VND Bn)	64.1
Remaining foreign room (%)	77.6
52-week range ('000 VND)	35-47.5

Revenue	7,037	8,668	9,528
NPATMI	705	738	808
ROA (%)	9.8%	9.3%	10.3%
ROE (%)	13.6%	13.5%	14.8%
EPS (VND)	3,844	3,991	4,951
Book Value (VND)	28,225	29,236	33,618
Cash dividend (VND)	2,000	1,000	1,000
P/E (x) (*)	10.8	11.3	9.1
P/B (x) (*)	1.5	1.5	1.3

INVESTMENT RATIONALES

Pangasius exports are on the rebound

- Fillet export revenue rose 17% YoY in 1H-FY21 mainly driven by the demand recovery of US market after the economic re-opening. We expect a positive fillet revenue growth will continue in 2022-2023F period owing to fully entering into the new growth cycle of the pangasius industry. Apart from near-monopoly position in the US market, China market still has room for VHC to boost fillet revenue due to huge consumption potential and declining domestic production. We forecast fillet revenue will grow at a 6% CAGR in 2021F-2023F.

Logistics costs to slow down earnings recovery path

- Despite strong revenue recovery, 1H-FY21 NPAT only rose 4% YoY because of soaring logistic costs. We expect freight rates may peak in 4Q-FY21, then go down slightly in 1H-FY22 and return to normal in FY23 as successful vaccine rollout will help global trade become more balanced. Thus, we expect VHC's NPAT will bounce back in 2022F-2023F.
- Beside logistics costs, rising raw materials prices due to pangasius supply shortage and rising feed prices will also put pressure on 2021 profit margins. In FY2021, we estimate VHC's revenue at VND 8,668 Bn (or USD 377 Mn, +23% YoY) and NPAT at VND 738 Bn (or USD 32 Mn, +5% YoY).

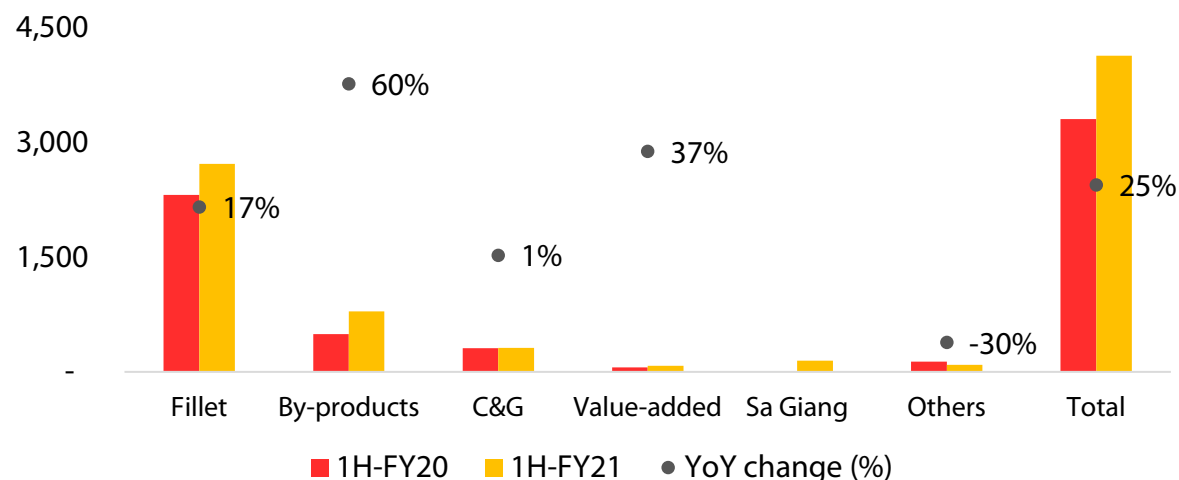
Collagen & gelatin and new business segments will be the growth drivers in the long term

- FY21 C&G profits could flatten due to weak demand and competition with cheaper products as bovine and porcine collagen in COVID-19. Despite these temporary disruptions, C&G's long-term prospect is still bright due to: (1) small market share, (2) shifting consumer preferences towards fish collagen, and (3) superior bioavailability to offer premium selling prices. As fillet segment has shown signs of saturation in US market, C&G and new segments (Sa Giang, fish feed, fruit, etc.) will stabilize and gradually increase profit margins in the long term.

RISKS TO OUR CALL

- COVID-19 resurgence may negatively affect on production and exports.

Figure 1: 1H-FY21 revenue breakdown by segment (VND bn)



Source: VHC, Rong Viet Securities

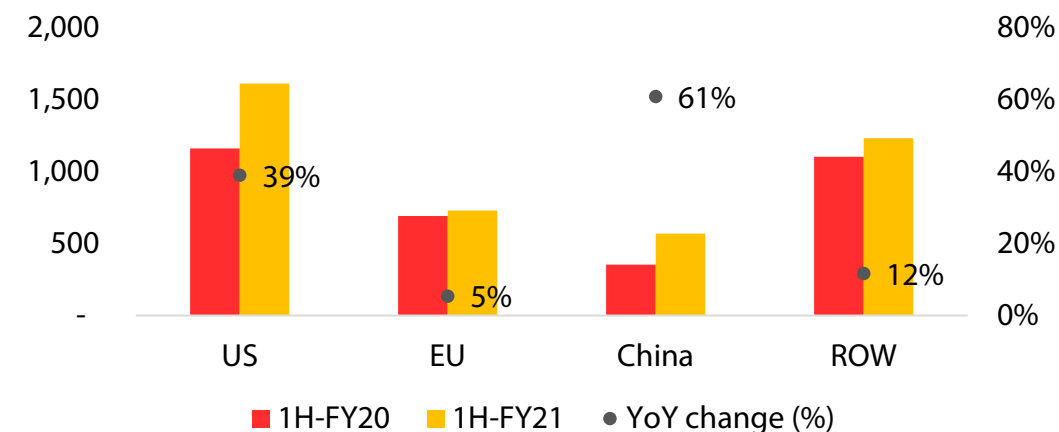
Fillet revenue and by products led revenue growth

- Fillet revenue escalated 17% YoY to reach VND 2,718 Bn (or USD 118 Mn). Export volume rose 25% while ASP declined 7% at 2.9 USD/kg.
- By products revenue surged 60% YoY. In contrast, C&G revenue flattened due to fierce competition.

Soaring logistics costs put pressure on profit margin

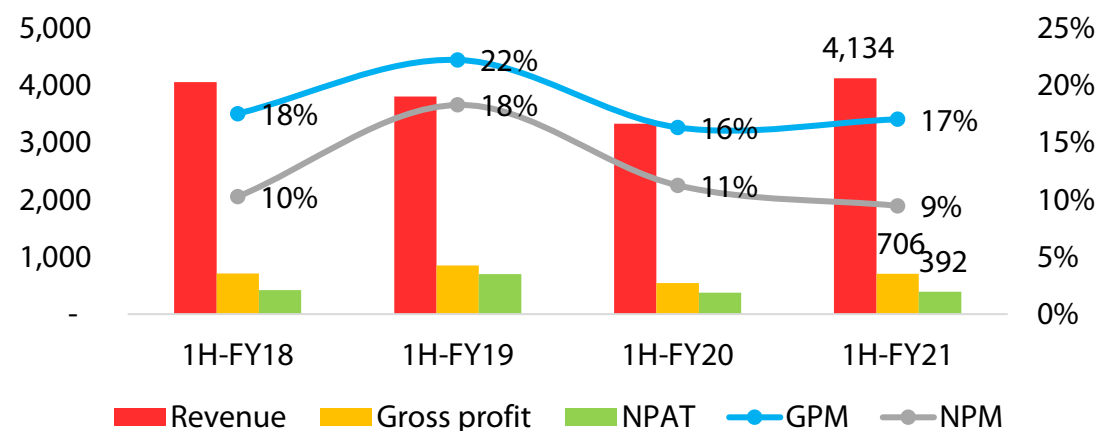
- Logistics costs surged 208% YoY. Logistics costs/revenue was 3.9%.
- 1H-FY21 NPAT only rose 4% YoY to reach VND 392 Bn (or USD 17 Mn).

Figure 2: 1H-FY21 revenue breakdown by market (VND bn)



Source: VHC, Rong Viet Securities

Figure 3: 1H-FY21 Revenue and NPAT (VND bn)



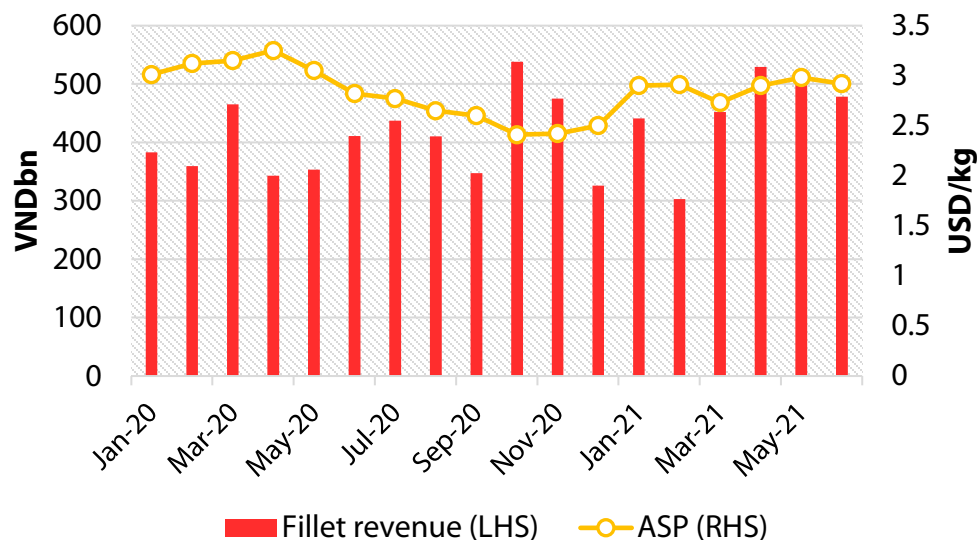
Source: VHC, Rong Viet Securities

Table 1: 2H-FY21 business forecast

	VNDbn	USDmn	+/- (hoh)	+/- (yoy)
Revenue	4,537	197	10%	21%
Gross profit	651	28	-8%	43%
EBIT	374	16	-10%	30%
NPAT	346	15	-12%	5%

Source: Rong Viet Securities

Figure 4: VHC's monthly fillet revenue and ASP

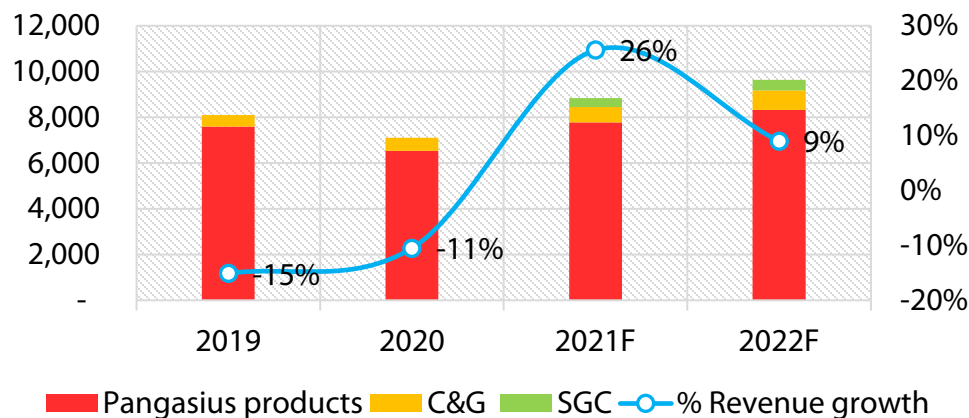


Source: VHC, AgroMonitor, Rong Viet Securities

Key assumptions of 2H-FY21 forecast:

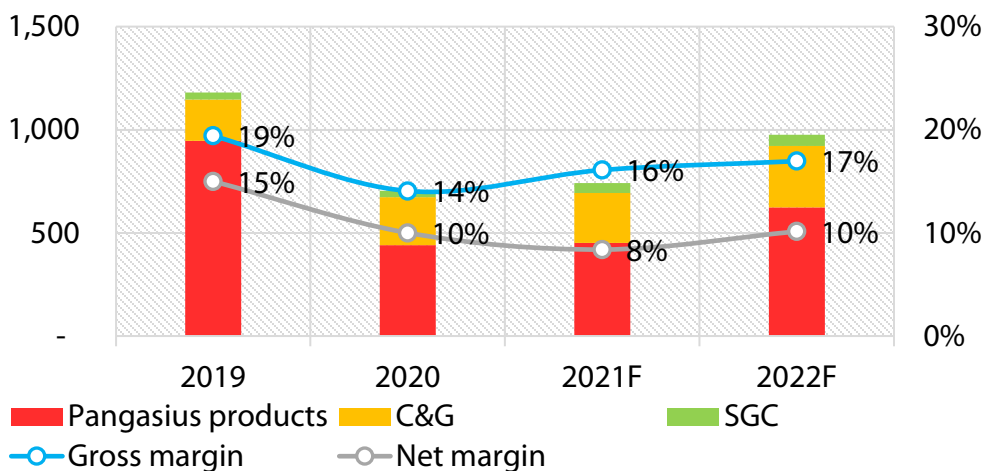
- Fillet export volume and ASP in 2H-FY21 rise 3% YoY and 19% YoY, respectively, leading to 22% YoY lift in fillet revenue. We concern that social distancing in Vietnam delaying a part of export orders could hurt 3Q-FY21 revenue. Moreover, mask mandate returning to some states in the US could slow down the demand of outdoor dining.
- 2H-FY21 C&G revenue at VND 361 bn, up 33% YoY and 16% HoH.
- SGC will contribute VND 220 Bn (or USD 10 Mn) in revenue.
- 2H-FY20 financial income included VND 59 Bn (or USD 2.6 Mn) income from trading securities, which will be no longer recorded in 2H-FY21.
- GPM in 2H-FY21 will be 14.4% (-272bps HoH and +218bps YoY) due to rising raw materials costs.
- Selling costs to soar 83% YoY due to rising logistic costs. NPM in 2H-FY21 at 7.6%, contracting 188bps HoH and 116bps YoY.

Figure 5: Revenue forecast (VND bn)



Source: Rong Viet Securities

Figure 6: Profitability and NPAT forecast (VND bn)



Source: Rong Viet Securities

Fillet export revenue to bounce back

- In FY21, we estimate revenue at VND 8,836 Bn (or USD 384 Mn, +26% YoY) and NPAT at VND 742 Bn (or USD 32 Mn, +5% YoY). Fillet revenue to rise 20% YoY, resulting from a 12% YoY jump in export volume and a 6% YoY rise in ASP.
- We estimate export revenue to the US to increase 13% YoY in 2H-FY21 and 23% YoY in FY-21. Export revenue to EU and China is expected to rise 7% YoY and 15% YoY in FY21.

C&G to face weak demand and competition with bovine and porcine collagen amid COVID-19

- We expect VHC could boost gelatin revenue in 2H-FY21, backed by increasing food demand in social distancing period while collagen could face a decline in selling prices. In FY21, we expect C&G revenue and NPAT to rise 16% YoY and 4% YoY, contributing 8% and 33% to the company's revenue and NPAT, respectively.

Profit margins under pressure of cost headwinds

- Raw materials prices could rise in 2H-FY21 due to declining raw materials inventory and soaring feed price. We forecast selling expenses to rise 114% YoY due to soaring logistic costs and container shortage.
- We project GPM and NPM in FY21 to reach 15.7% and 8.5%, up 143bps YoY and down 150bps YoY, respectively.

Table 2: Valuation summary

Method	Weight	Valuation (VND/share)
FCFF	50%	47,500
SoTP	50%	42,500
Total	100%	45,000
2021F P/E at target price		11.3x
2022F P/E at target price		9.1x

Source: Rong Viet Securities

Table 3: SOTP Valuation

SOTP	Method	VND/share
Pangasius	P/E @ 8x	22,377
Collagen & Gelatin	P/E @ 12x	17,548
SGC (ownership: 76.72%)	P/E @ 12x	2,538
Valuation		42,500

Source: Rong Viet Securities

- VHC's FY2021 will see bottlenecks for an income recovery as soaring costs to offset positive revenue growth.
- Beyond FY2021, we believe VHC's earnings will bounce back strongly due to: (1) cooling-down logistics costs after COVID-19 under control, (2) higher and stable GPM on the back of cost-cutting projects, and (3) brighter long-term perspective of collagen & gelatin segment.
- Using the valuation mix of FCFF and SoTP methods, we arrive at the fair value of VHC share at VND 45,000 combined with expected cash dividend of VND 1,000, implying 13% total return from the closing price on Aug 02nd, 2021. We recommend an **ACCUMULATE** rating for VHC share in one-year investment horizon.

<ACCUMULATE: +15%>

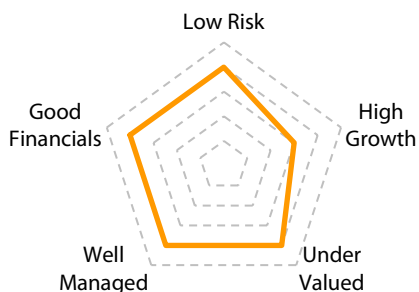
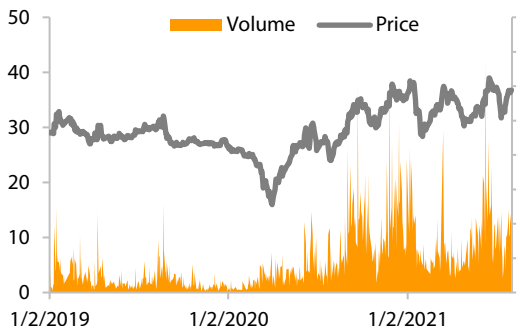
<MP: 36,800>

<TP: 40,500>

STOCK INFO

FINANCIALS

2020A 2021F 2022F



Sector	F&B
Market Cap (\$ mn)	94
Current Shares O/S (mn shares)	59
3M Avg. Volume (K)	458
3M Avg. Trading Value (VND Bn)	15.6
Remaining foreign room (%)	41.6
52-week range ('000 VND)	24.3-36.8

Revenue	4,415	4,678	5,197
NPATMI	226	212	252
ROA (%)	13.2%	9.1%	10.4%
ROE (%)	20.9%	15.1%	17.8%
EPS (VND)	4,607	3,582	4,269
Book Value (VND)	22,223	19,139	19,397
Cash dividend (VND)	2,500	2,000	2,000
P/E (x) (*)	7.0	11.3	9.5
P/B (x) (*)	1.5	1.7	1.7

INVESTMENT RATIONALES

Shrimp export revenue has recovered but COVID-19 resurgence to create challenges

- Shrimp demand remains bright outlook in both retail and HORECA channels while supply shortage in India and Indonesia will bolster Vietnam's shrimp exports. In 1H-FY21, FMC's export revenue rose 34% YoY to reach VND 2,134 Bn (~USD 87 Mn), driven by demand increase in the US and Japan market.
- However, COVID-19 resurgence will negatively affect in 2H-FY21 business results: 1) operating at 30-40% normal capacity in social distancing, 2) disruptions in logistic activities and 3) rising operating costs. For 2021, we forecast revenue to reach VND 4,678 Bn (or USD 203 Mn, +6% YoY) and NPAT of VND 212 Bn (or USD 9 Mn, -6% YoY).

New projects to drive long-term growth

- FMC is expanding two processing factories (Sao Ta and Tam An), increasing total capacity by 70%. In addition, the company plans to increase farming areas by 37% in 2022F. We believe these projects will bolster FMC to take advantage of EVFTA and gradually improve profit margins in the long run.

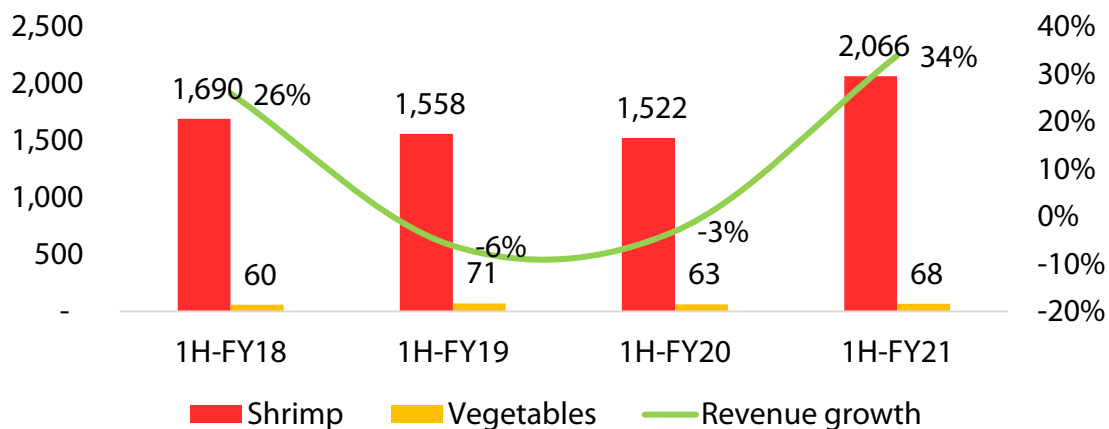
Robust financials and governance with PAN Group's participation

- PAN Group's participation since 2018, currently owns 51% of the shares, has proven its role in supporting financial management, corporate governance, customer network, business strategy, etc.

RISKS TO OUR CALL

Extending COVID-19 resurgence will negatively affected on productions.

Figure 1: 1H-FY21 revenue breakdown (VND bn)

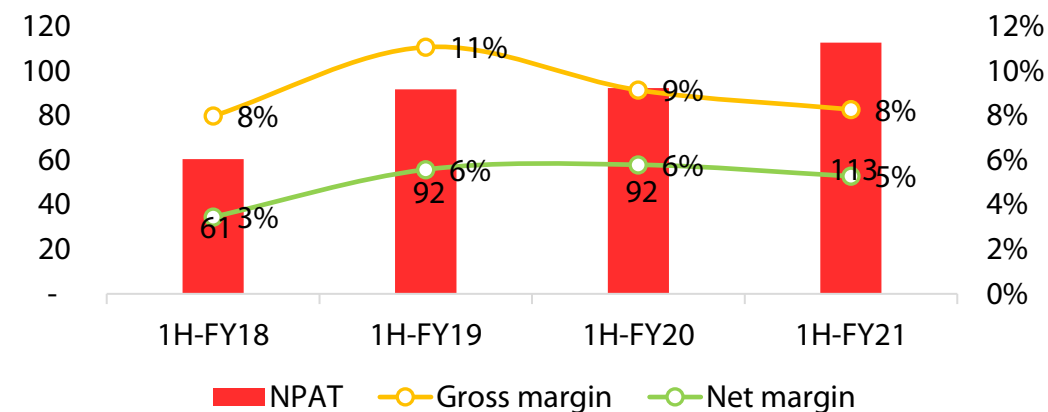


Source: FMC, Rong Viet Securities

1H-FY21: Revenue recovered strongly due to rising shrimp demand

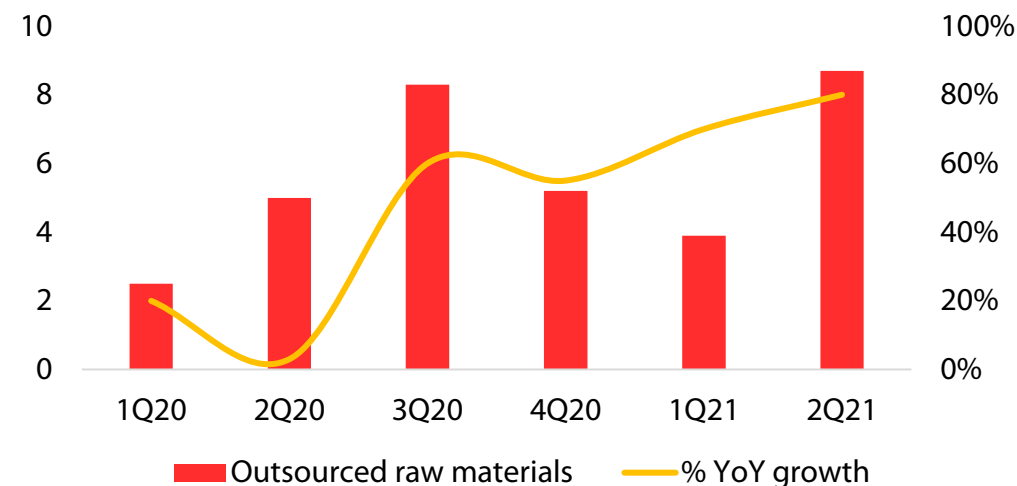
- Export revenue in 1H-FY21 reached VND 2,134 Bn (~USD 87 Mn, +34% YoY), driven by demand increase in the US and Japan market. Shrimp export volume rose 26% YoY while ASP recover slightly.
- NPAT rose 23% YoY to reach VND 113 Bn (~USD 5 Mn). GPM and NPM was 8.3% and 5.3%, contracting 87bps and 51bps YoY, respectively. Due to rising shrimp exports, FMC increased purchasing raw materials with higher prices than FMC's shrimp. Moreover, rising logistics costs (+29% YoY) also put pressure on profits.

Figure 2: NPAT (VND bn) and Profitability



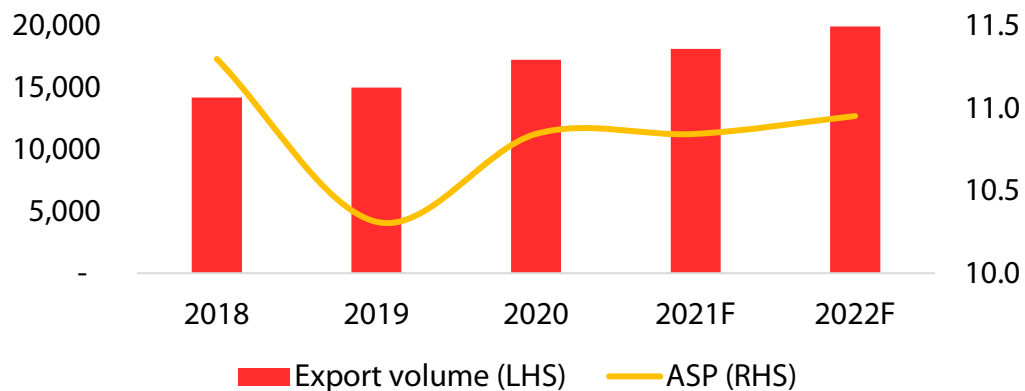
Source: FMC, Rong Viet Securities

Figure 3: Outsourced raw shrimp materials



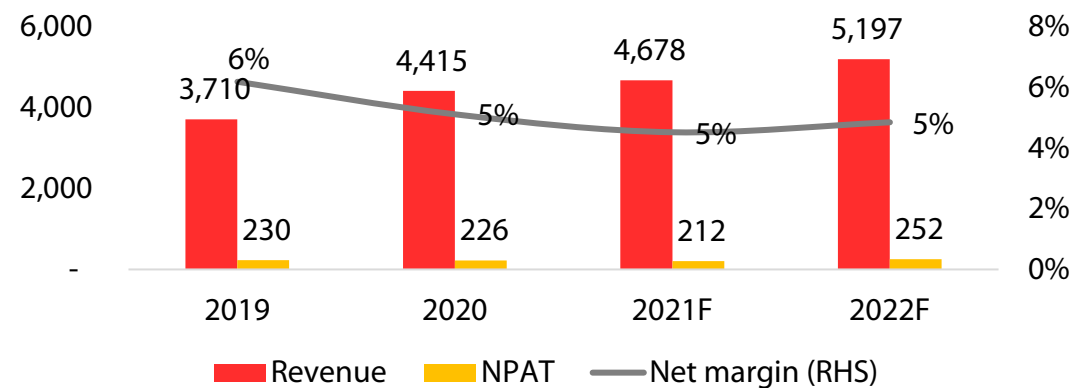
Source: FMC, Rong Viet Securities

Figure 4: Export volume (tons) and ASP (USD/kg) forecast



Source: FMC, Rong Viet Securities

Figure 5: Revenue and NPAT forecast (VND bn)



Source: FMC, Rong Viet Securities

2H-FY21: Demand to remain bright but COVID-19 resurgence to disrupt operations

- We expect shrimp demand in retail channel to remain high while HORECA channel to recover in the US and EU. Moreover, shrimp supply shortage in India and Indonesia due to COVID-19 will also bolster Vietnam's shrimp exports. However, COVID-19 resurgence will negatively affect: 1) operating at 30-40% normal capacity in social distancing, 2) disruptions in logistic activities and 3) rising operating costs.
- In 2H-FY21, we forecast revenue of VND 2,544 Bn (or USD 110 Mn, -11% YoY) and NPAT of VND 99 Bn (or USD 4 Mn, -26% YoY). For 2021, we forecast revenue to reach VND 4,678 Bn (or USD 203 Mn, +6% YoY) and NPAT of VND 212 Bn (or USD 9 Mn, -6% YoY). We expect export volume to rise 5% YoY while ASP will stay flat in FY21.

New projects will pave way for long-term growth

FMC is expanding two processing factories (Sao Ta and Tam An), increasing total capacity by 70% in 2022F. In addition, the company also plans to expand 100 hectares of farming areas in 2022F. We believe these projects will bolster FMC to take advantage of EVFTA and gradually improve profit margins in the long run. We project revenue and NPAT will grow at a CAGR of 8% and 14%, respectively in 2020-2025F.



RETAIL

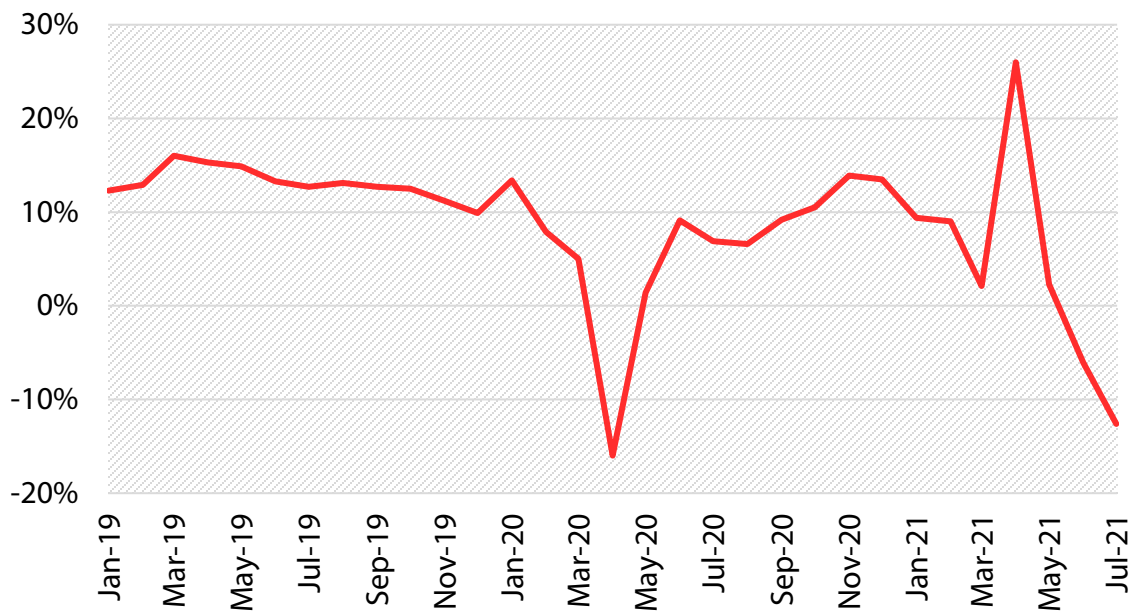
ACCELERATING SECULAR
TRENDS OF OMNICHANNEL AND
MODERN TRADE



Tung Do - tung.dt@vdsc.com.vn

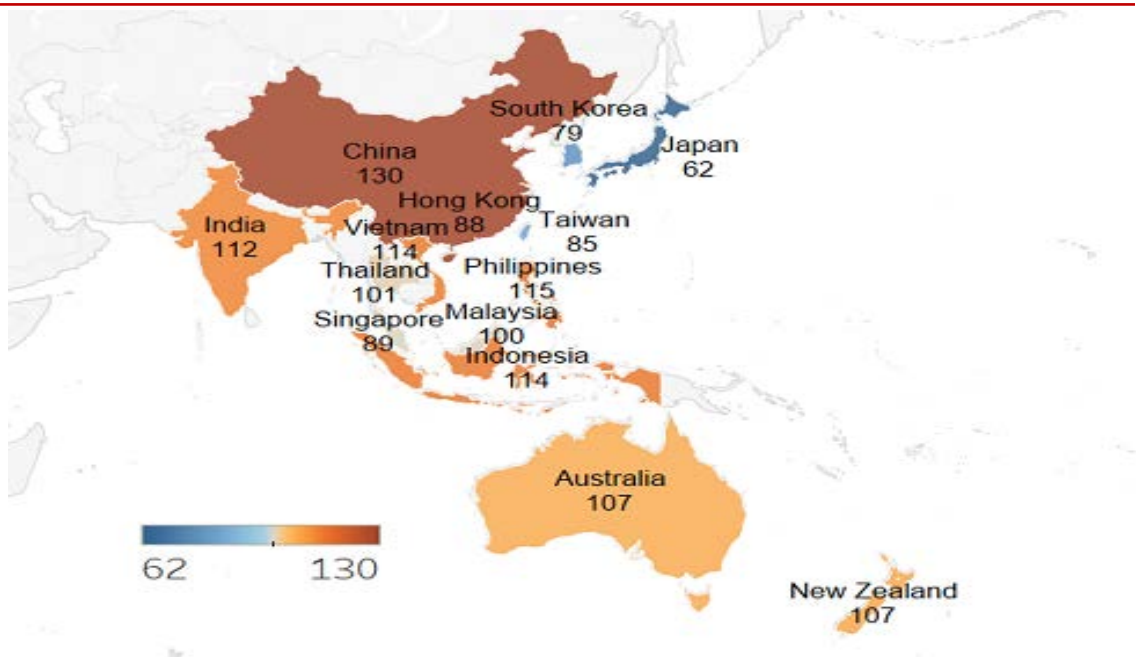


Figure 1: Monthly retail sales of goods in Vietnam (YoY %)



Source: GSO, Rong Viet Securities

Figure 2: Consumer confidence in Asia-Pacific, Q2 2021

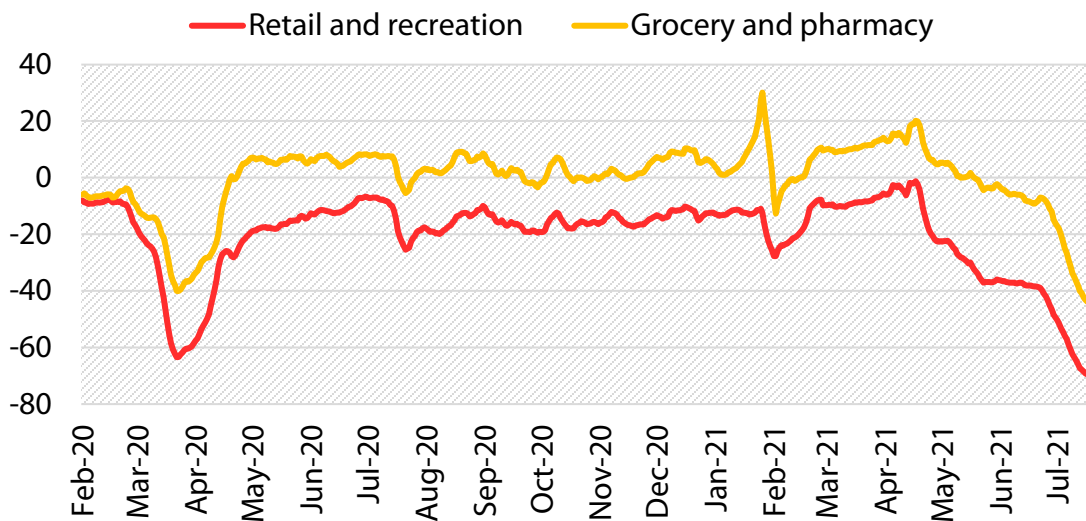


Source: The Conference Board

The most severe social distancing has led Vietnam's retail sales of goods to plummet in recent months. As a result, 7M 2021 growth rate decelerated to 3.6% YoY.

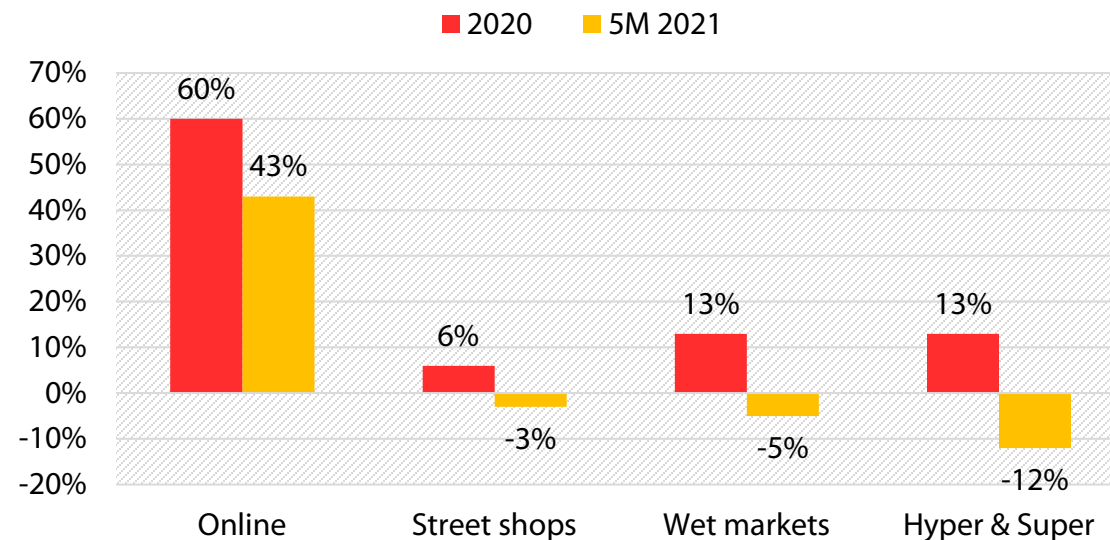
Consumer confidence declined to 114 points in Q2 2021 from 121 in Q4 2021 and 117 in Q1 2021, marking the lowest point in the past four years as job prospects and personal finances deteriorated due to the 4th wave of Covid. However, the fact that the index level was above 100 still indicates optimism among consumers, which could be viewed as a sign of a potential strong rebound of domestic consumption post-covid.

Figure 3: Vietnam mobility trend*



Source: Google Community Mobility Reports; % change relative to the median value of visitors number in the days before the pandemic - five-week period from January 3rd to February 6th, 2020.

Figure 4: FMCG value changes by channel



Source: Kantar Worldpanel, Rong Viet Securities

The current lockdown is the most stringent as we observe that mobility flows significantly declined during July, which is even lower than the lockdown last year in April. As of Aug 3rd, Google's data showed retail and recreation movements fell 71% below pre-COVID baseline while traffic to grocery and pharmacy were 44% lower.

As a result, this has accelerated online shopping demand. In fact, 1H2020 has seen many retailers' online revenue soaring. MWG's Online revenue in June increased by 30% MoM and surged by 67% compared to the average level in 4M 2021. In the first six months of the year, the number of BHX minimarket's online bills and online sales soared by 5x and 4.5x YoY.

Figure 5: FMCG sales in minimarket are surging*

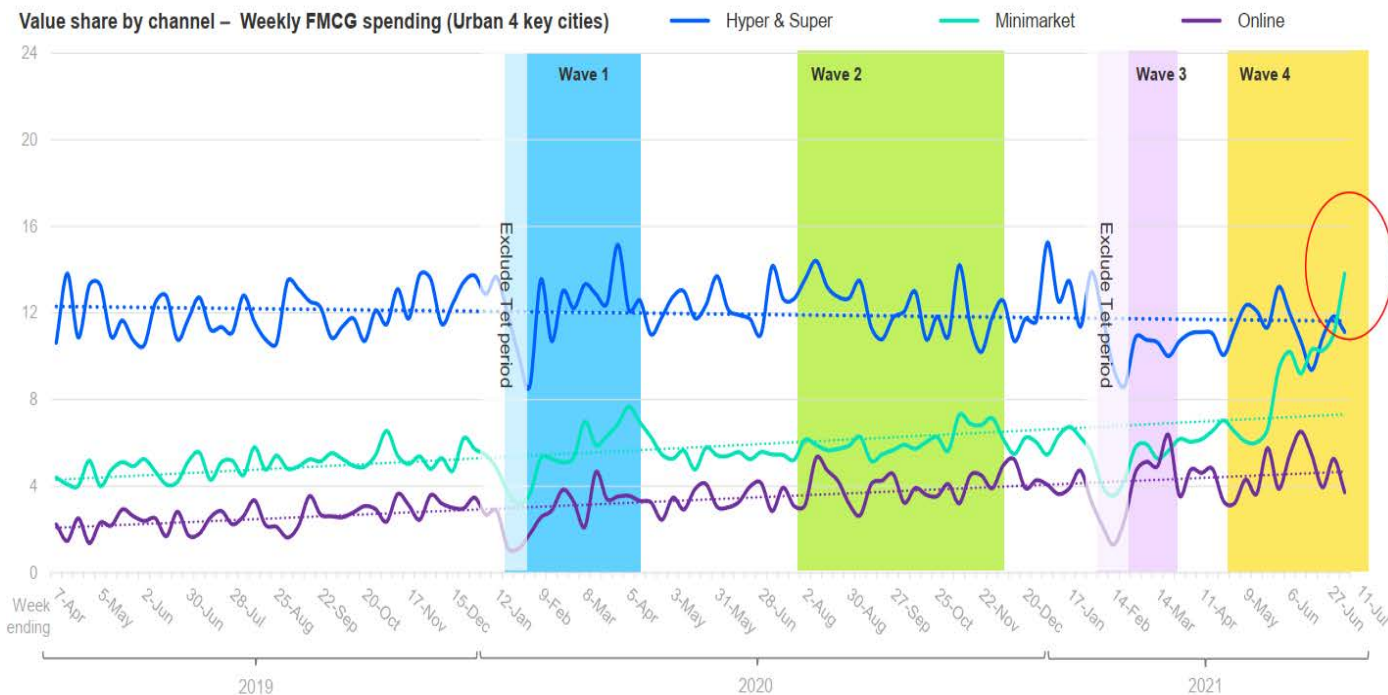
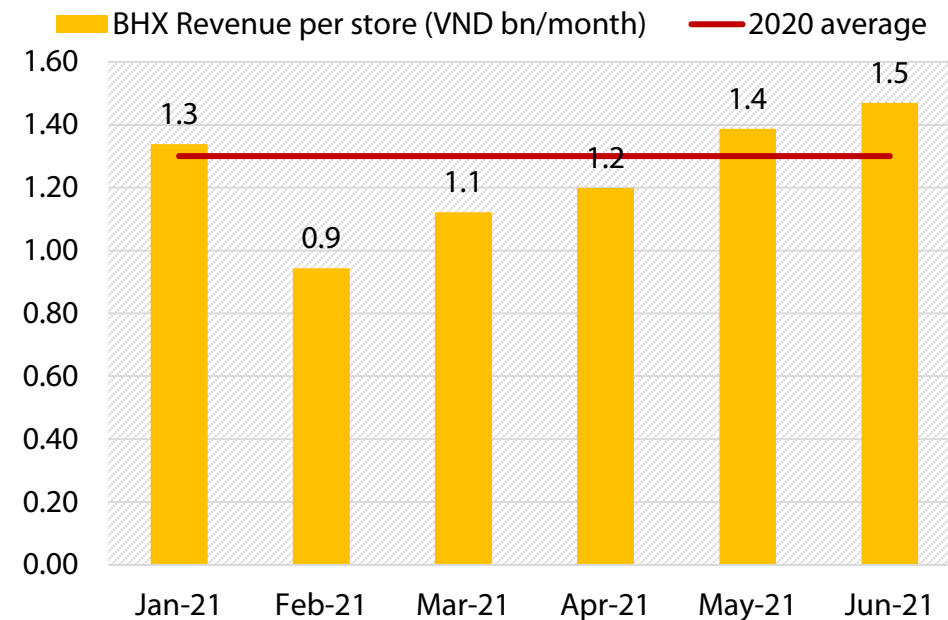


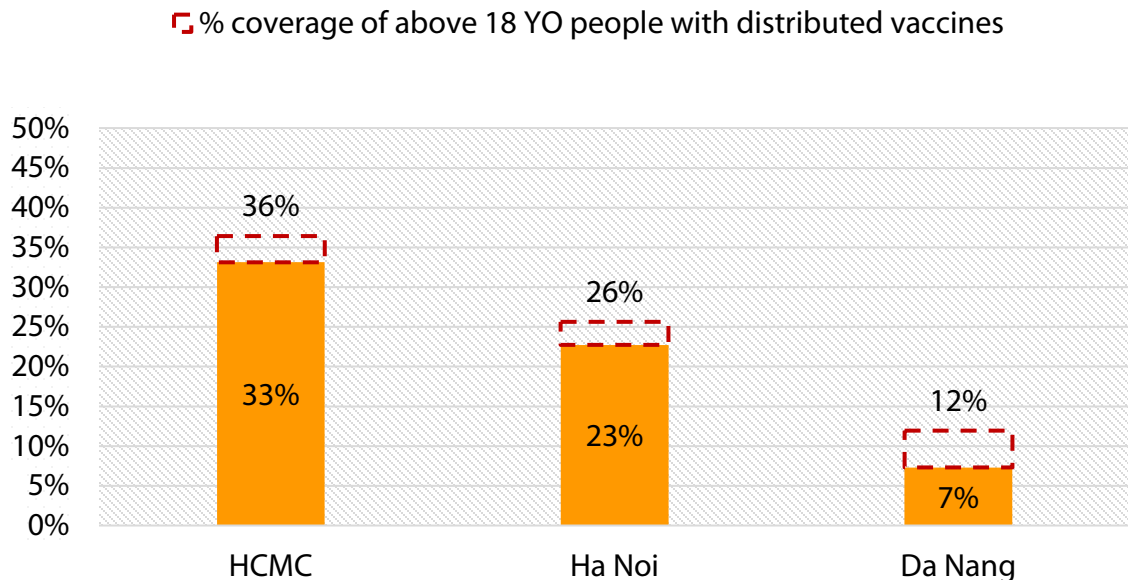
Figure 6: BHX sales per store soared amid the lockdown



Following the wet markets ban from June 20th and the application of Directive 16 from the 2nd week of July in HCMC, FMCG spending in minimarkets jumped up dramatically.

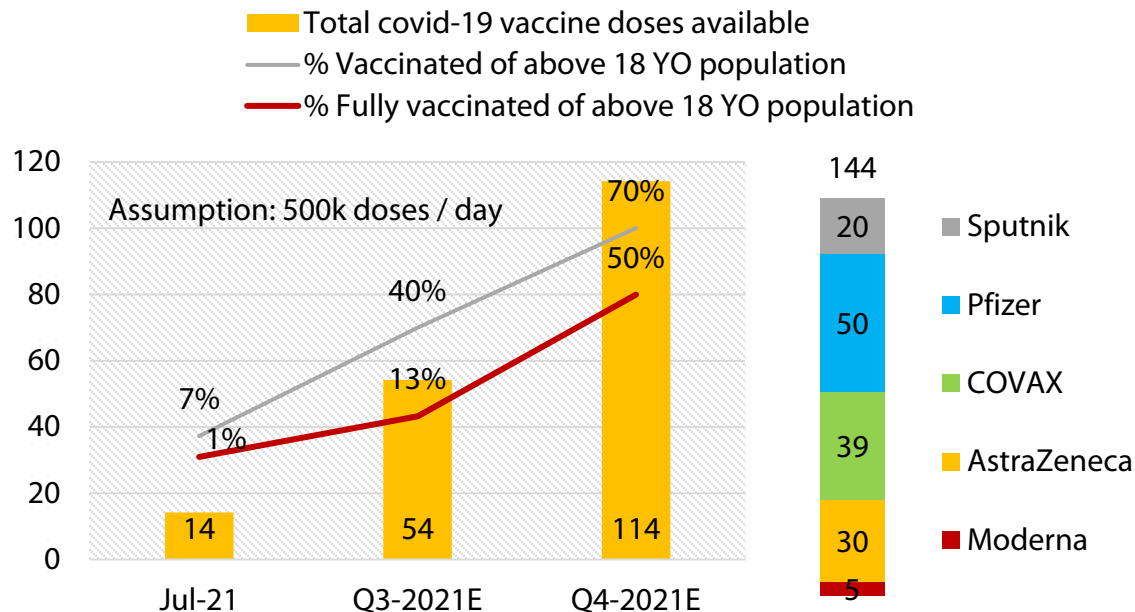
In late July and early August, many other markets in HCMC were also given the greenlight to reopen after they had fortified their COVID-19 safety regulations. As of Aug 3rd, an estimated 33 out of 237 traditional markets in HCMC have been up and running.

Figure 7: Share of partly vaccinated people (from 18 YO) in key urban cities as of August 8th, 2021



Source: National Center for Covid-19 Control, Rong Viet Securities

Figure 8: Estimated Vietnam Covid-19 vaccine rates and doses



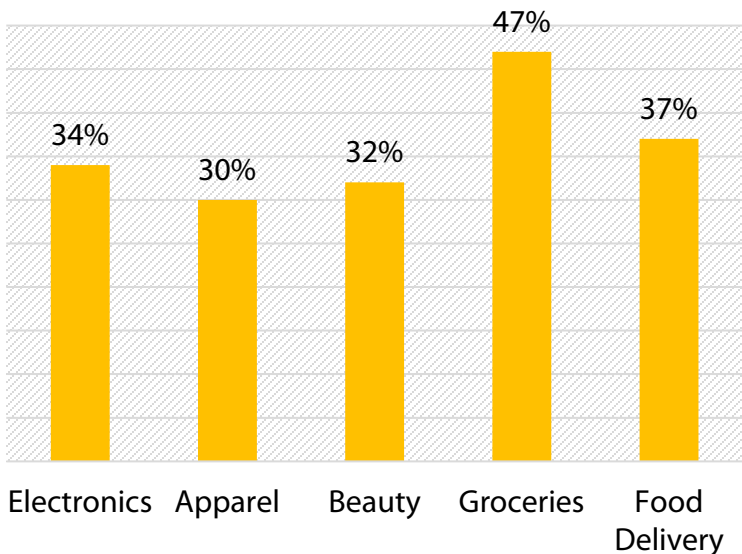
Source: MoH, Rong Viet Securities

Recovery in consumer spending relies on the vaccination progress. This will lead the government to gradually lift restrictions, which will boost consumer confidence and retail sales. We expect the current stringent restrictions to gradually ease towards the end of Q3 2021 as the vaccination rate increases.

The retail industry should experience a robust rebound when the lockdown is lifted thanks to “Revenge shopping” – a phenomenon driven by the pent-up demand in China and Europe – and promotional campaigns.

Figure 9: Groceries benefited most from the influx of new digital consumers in SEA

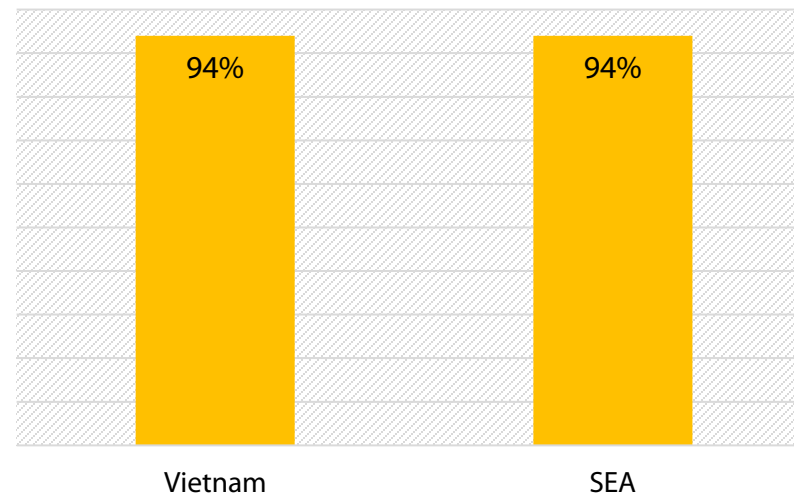
■ % of new digital consumers out of total service consumers



Source: Google, Temasek, Bain & Company

Figure 10: 9 in 10 new digital consumers intend to continue using digital services

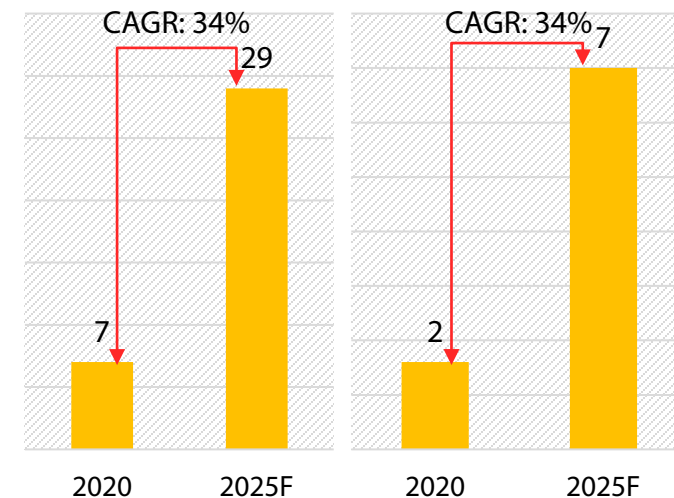
■ % of new digital consumers who will continue to use at least one digital service post-COVID-19



Source: Google, Temasek, Bain & Company

Figure 11: Vietnam GMV value by sector (USD Bn)

■ E-Commerce ■ Transport and Food

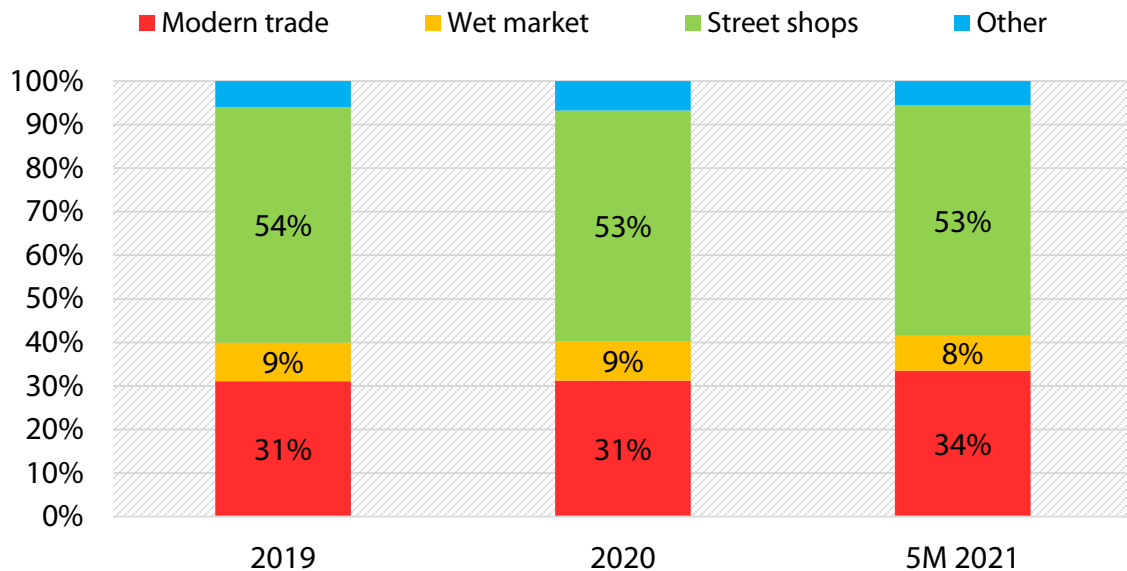


Source: Google, Temasek, Bain & Company

Vietnam has one of the highest online-shopping penetration rates in Asia (50%), bolstered by high internet penetration at 70%. At 5.5% of total retail sales, the e-commerce market was valued at around USD12bn in 2020, up from USD5bn in 2016, per MoIT. The coronavirus has brought about a permanent and massive digital adoption spurt, of which 90% intend to continue their newfound habits post-pandemic.

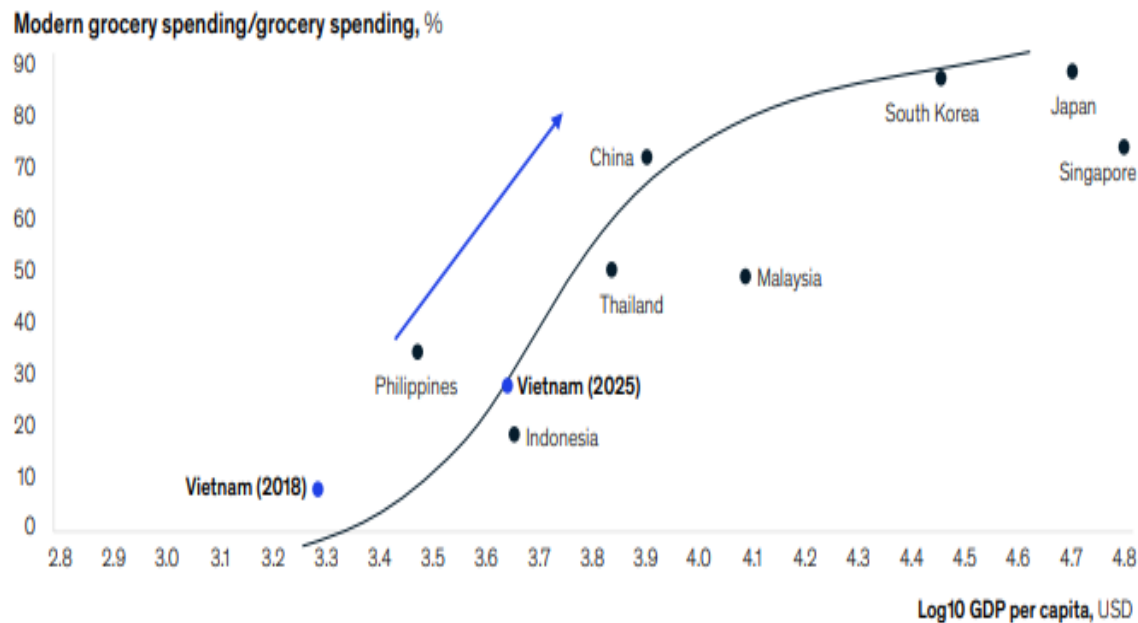
Nonetheless, the majority of customers said that online shopping focuses on small value products or products they have used before. As for products of high value, they will opt to experience the products on premise and then bring them home or order home delivery. According to Nielsen, 66% of Vietnamese will directly see the product at a physical store before placing an order.

Figure 12: FMCG value share by channels in four key urban cities*



Source: Kantar Worldpanel, Rong Viet Securities; *Ho Chi Minh City, Ha Noi, Da Nang and Can Tho

Figure 13: Modern segment grocery penetration is expected to further thrive as GDP per capita increases



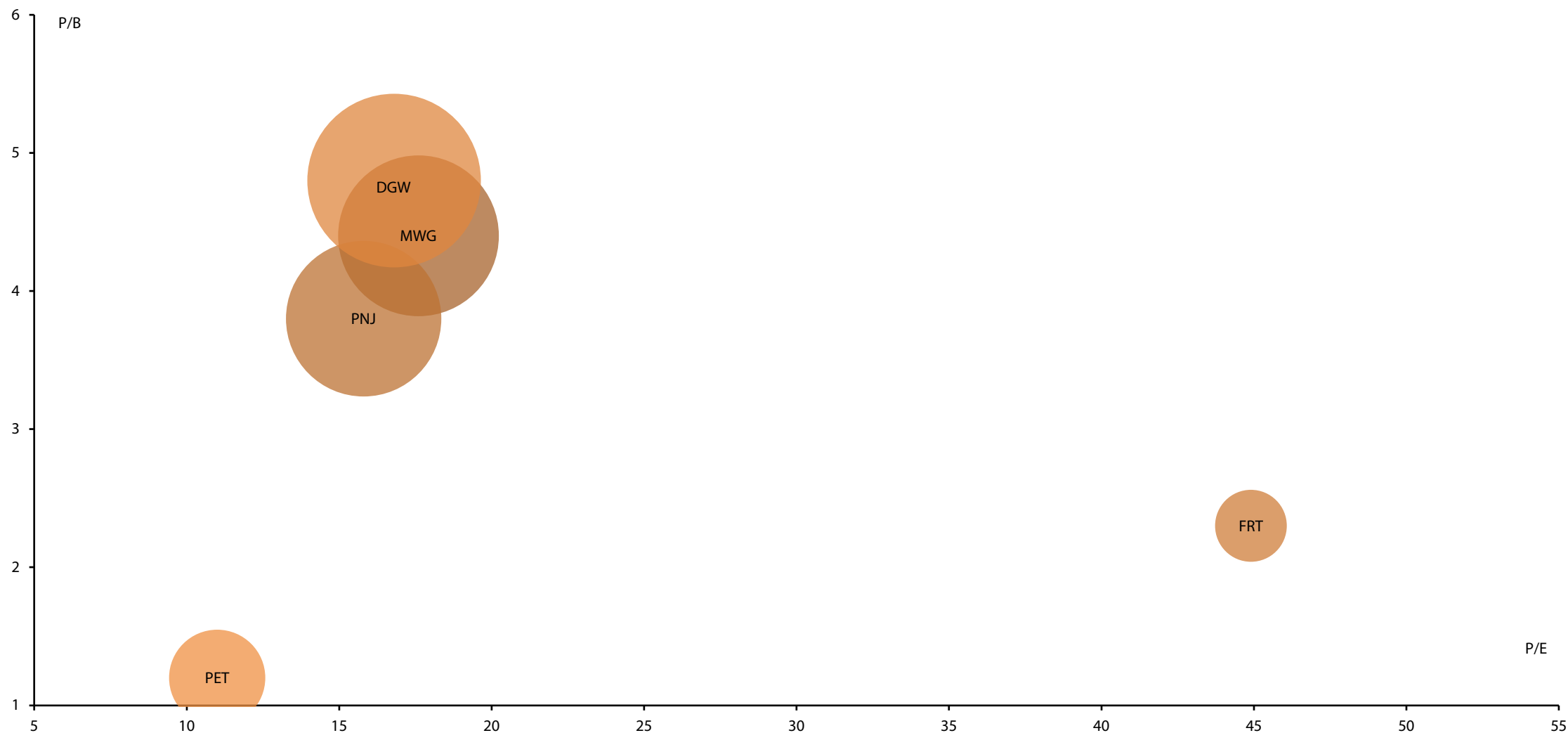
Source: World Bank, EIU

During the Covid-19 pandemic, the market has witnessed a trend of shifting from street stores to minimarkets. Although traditional sales channels are not replaceable, the modernization trend will persist in the future as customers' expectations for consumption will increase: customers will prioritize experience at locations with safe, clean spaces that can meet all needs without having to move to many places to reduce public contact.

Going forward, we expect modern trade to see its share soaring on the back of higher disposable income.

Ticker	Market cap (VND vn)	Target price (VND)	TTM Sales Growth (% YoY)	TTM EBITDA Growth (% YoY)	TTM EBITDA Margin (%)	TTM Operating Income Margin (%)	TTM Net Income Growth (% YoY)	TTM Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
MWG	80,748.6	222,600	6.3%	10.1%	7.1%	4.8%	13.4%	3.9%	9.3%	27.0%	0.9%	17.6	4.4
PNJ	21,736.2	106,800	22.2%	19.9%	8.9%	8.5%	27.7%	6.4%	16.1%	25.3%	2.0%	15.8	3.8
FRT	2,985.5	N/A	11.8%	-26.2%	0.4%	0.3%	443.4%	0.3%	1.0%	5.3%	0.0%	44.9	2.3
DGW	6,607.9	N/A	34.6%	48.5%	2.5%	2.5%	51.4%	2.3%	12.6%	31.5%	0.7%	16.8	4.7
PET	1,792.6	N/A	16.4%	18.7%	2.2%	1.8%	38.5%	1.2%	2.6%	9.7%	4.6%	11.0	1.2

Source: Bloomberg, Rong Viet Securities. Share price as of Aug 2nd, 2021.

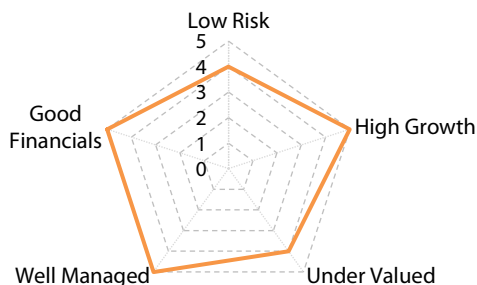
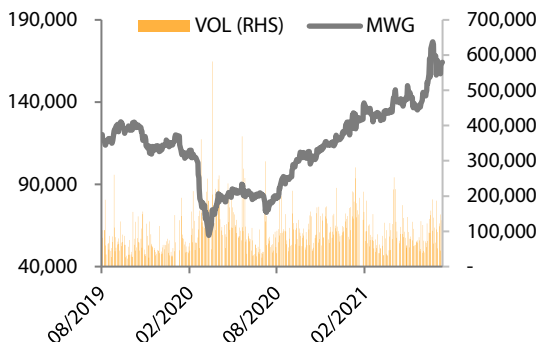


Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of Aug 2nd, 2021.

<BUY: 32%>

<MP: 169,900>

<TP: 222,600>



STOCK INFO

Sector	Consumer Services
Market Cap (VND Bn)	80,748.6
Current Shares O/S (mn shares)	475.3
3M Avg. Volume (K)	1,393.0
3M Avg. Trading Value (VND Bn)	218.4
Remaining foreign room (%)	0.0
52-week range (VND)	74,500 - 176,600

FINANCIALS

	2020A	2021F	2022F
Revenue	108,546	120,332	145,972
NPATMI	3,918	4,190	6,688
ROA (%)	8.5%	8.5%	12.4%
ROE (%)	25.3%	21.9%	26.6%
EPS (VND)	8,654	8,812	13,654
Book Value (VND)	34,177	40,170	51,368
Cash dividend (VND)	1,500	1,500	1,500
P/E (x) (*)	13.8	15.7	10.1
P/B (x) (*)	3.5	3.4	2.7

INVESTMENT RATIONALES

BHX is rapidly progressing toward profitability, which acts as a major catalyst for the stock price. The pandemic has accelerated the grocery modern retail adoption among consumers. We believe this shifting trend will persist even when the social distancing ends on the back of the outperformance vs traditional trade channel in terms of convenience, safety and cleanliness, while in the long-run, the trend will be bolstered by the increasing disposable income. We expect this to gradually drive BHX's revenue per store. Besides, we believe BHX's growing scale, enhanced product mix, cost optimization initiatives will further improve its operating profit margin, bringing the chain toward positive NPAT in 2022F before posting a 3Y CAGR of 44% over the 2022F-25F period.

The super-mini DMX (DMS) format will lessen the implications of the pandemic on smartphone and consumer electronics in the short-term while providing a solid growth in the next few years. We believe the DMS format will see its revenue contribution to the chain growing in the next few years (7%/15%/22% in 2021F/22F/23F). With its advantages of operating costs and favorable mix of home appliances products, we project that the two chains will post a 17% profit CAGR over the next four years.

Projected NPAT CAGR during 2022F-25F of 31% makes MWG's 2021F/22F PER of 15.7x/10.1x looks really compelling.

RISKS TO OUR CALL

- Prolonged social distancing under Directive 16 and weaker-than-expected consumer spending on non-essential products.
- Slower-than-expected BHX store openings.

<ACCUMULATE: 13%>

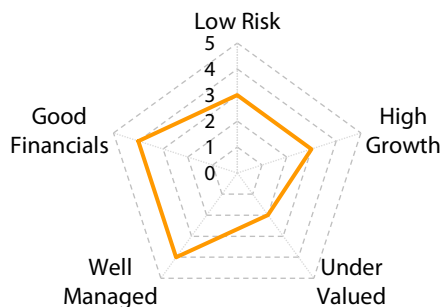
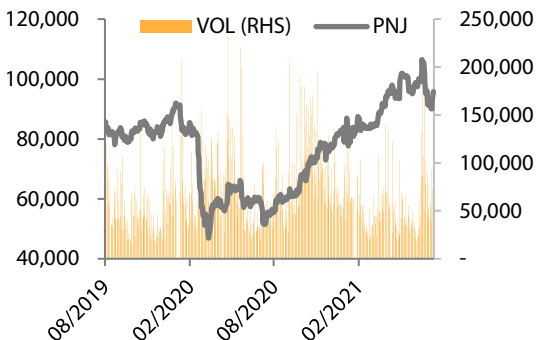
<MP: 95,800>

<TP: 106,800>

STOCK INFO

FINANCIALS

2020A 2021F 2022F



Sector	Consumer Goods
Market Cap (VND Bn)	21,736.2
Current Shares O/S (mn shares)	227.4
3M Avg. Volume (K)	765.1
3M Avg. Trading Value (VND Bn)	75.3
Remaining foreign room (%)	0.0
52-week range (VND)	51,600 - 106,500

Revenue	17,511	20,640	24,134
NPATMI	1,069	1,205	1,467
ROA (%)	12.6%	16.1%	15.2%
ROE (%)	25.2%	24.6%	25.3%
EPS (VND)	4,698	5,255	6,319
Book Value (VND)	18,675	21,357	24,928
Cash dividend (VND)	2,000	2,000	2,000
P/E (x) (*)	17.9	18.2	15.2
P/B (x) (*)	3.7	4.5	3.8

INVESTMENT RATIONALES

The largest jewelry retailer in Vietnam will see its market share getting even bigger when the pandemic ends. We estimate its market share in the fashion gold jewelry market temporarily surged over 70% last year. Although its share has stepped back to around 60% in 1H 2021 as some smaller retailers' have resumed operations, the market share has still moved upward in the last few years, making it the undisputed leader of the market. And while the pandemic will surely weigh on the jewelry market in the near term, we expect the impact to be disproportionate: smaller rivals will struggle more due to being financially weaker than the big names. This which will eventually cement PNJ's leadership and allow the company to be in a better position to capitalize on demand recovery in the longer term.

PNJ's strategy to further tap into a more affordable market segment, including rebranding its silver products lineup to Style by PNJ and co-operating with Pandora, will lessen the impact of the pandemic on retail sales in the near future.

The prospective private Investment will provide capital for technology and new factory investment, which will further strengthen PNJ's competitive edge post pandemic. We expect the technology investment will enhance its inventory management and effective promotion campaign through better customer analytics.

RISKS TO OUR CALL

- Protracted social distancing period that likely leads to weaker-than-expected jewelry demand.
- Slower-than-expected store openings.



INDUSTRIAL PARK

**TRYING TO EXPAND THE
LAND BANK**

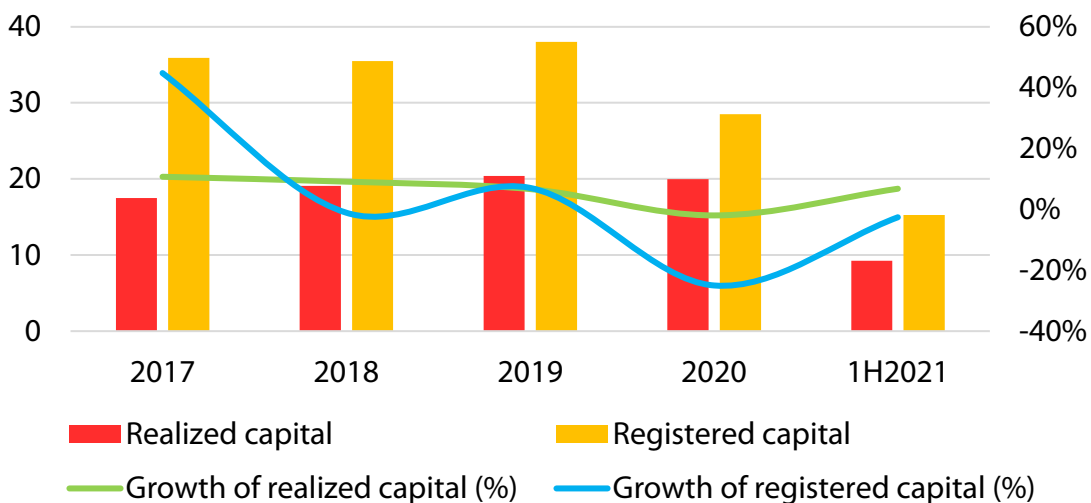


Hoang Bui – hoang.bh@vdsc.com.vn



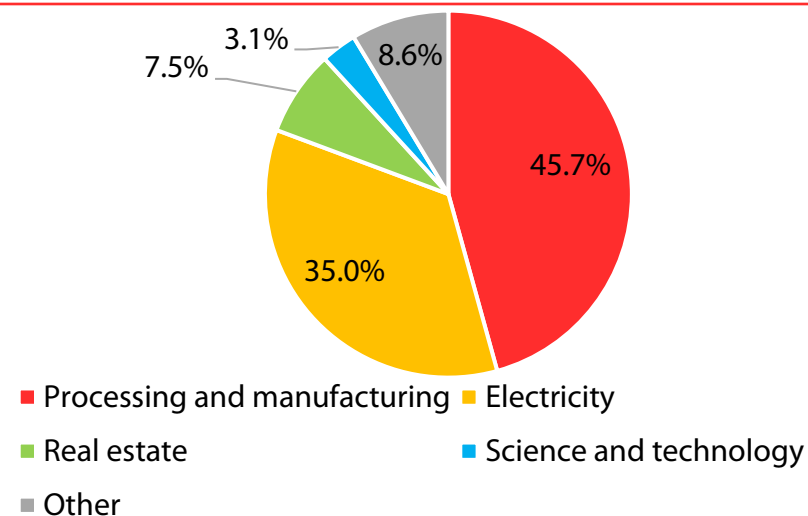
- In 1H2021, the positive economic outlook helped realized capital reach USD 9.24 billion, up by 6.8% yoy. In contrast, registered capital decreased slightly by 2.6% yoy, to USD 15.27 billion. Newly registered and adjusted capital reached USD 9.5 billion (+13% yoy - with large projects such as LNG Long An I and II thermal power plants with a capital of USD 3.1 billion and O Mon II thermal power plant with capital of over USD 1.3 billion) and USD 4.1 billion (+10% yoy - with big projects such as LG Display increasing capital by USD 750 million and Polytex Far Eastern increasing capital by USD 610 million), respectively. However, it could not offset the decrease in paid-in capital for share purchase (down by 54.3% yoy, reaching only USD 1.6 billion).
- The processing and manufacturing industry continued to attract the most investment with USD 6.98 billion (accounting for 45.7%). The second industry was electricity production and distribution with USD 5.34 billion (35%), followed by the real estate and science and technology industries.
- In terms of provinces, Long An attracted the most investment with USD 3.57 billion (accounting for 23.4%) thanks to the Long An I and II LNG thermal power plant. Ho Chi Minh city ranked second with USD 1.43 billion (9.3%), followed by Can Tho, Binh Duong and Hai Phong.

Figure 1: FDI (USD bn)



Source: MPI, Rong Viet Securities

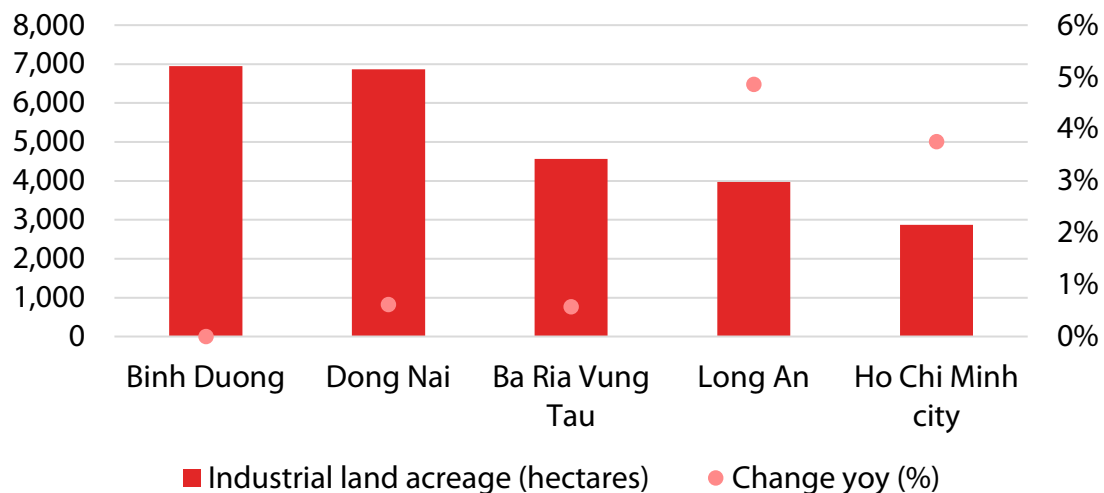
Figure 2: FDI by industry



Source: MPI, Rong Viet Securities

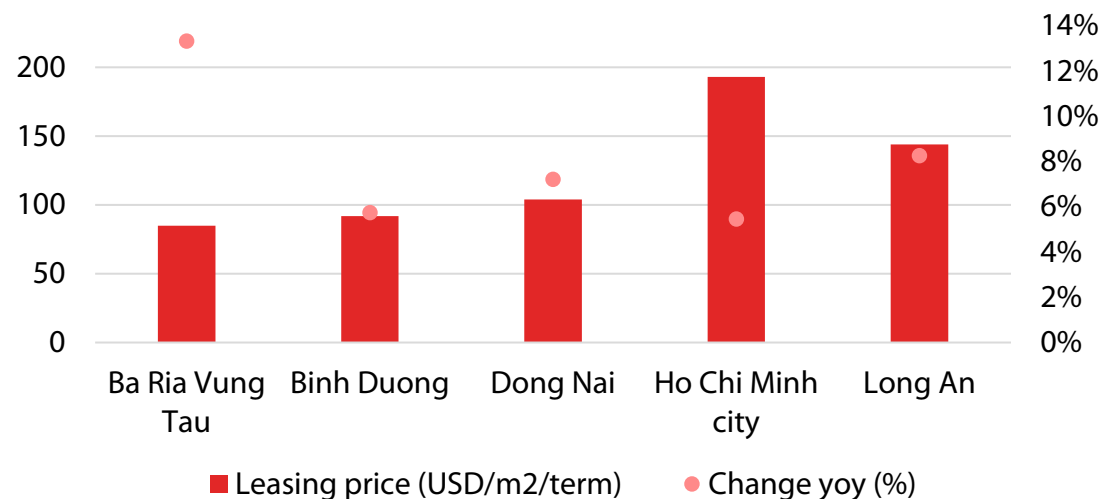
- Dong Nai and Binh Duong - the two oldest Industrial Parks in Vietnam - continued to lead the South with abundant land banks and the highest occupancy rate.
- The outbreak of Covid has slowed down the legal progress of new projects. Thus, the supply has not improved much as out of the five major industrial zones, only Long An recorded an adjustment to expand Phu An Thanh IP by 353 hectares (updated till the end of 1Q2021). Meanwhile, the demand increased, so the occupancy rate has remained high at 85%.
- The demand of new and existing investors increased while the supply was limited, so the leasing price in 2Q2021 increased by 7.1% yoy, to USD 113/m2/term. Leasing price in Vung Tau increased the most, by 13% yoy, to 85 USD/m2/term as demand for industrial land increased sharply because (1) supply in Binh Duong and Dong Nai was not plentiful and (2) the leasing price is more affordable than Long An's leasing price.

Figure 3: Industrial land supply in 2Q2021



Source: JLL, Rong Viet Securities

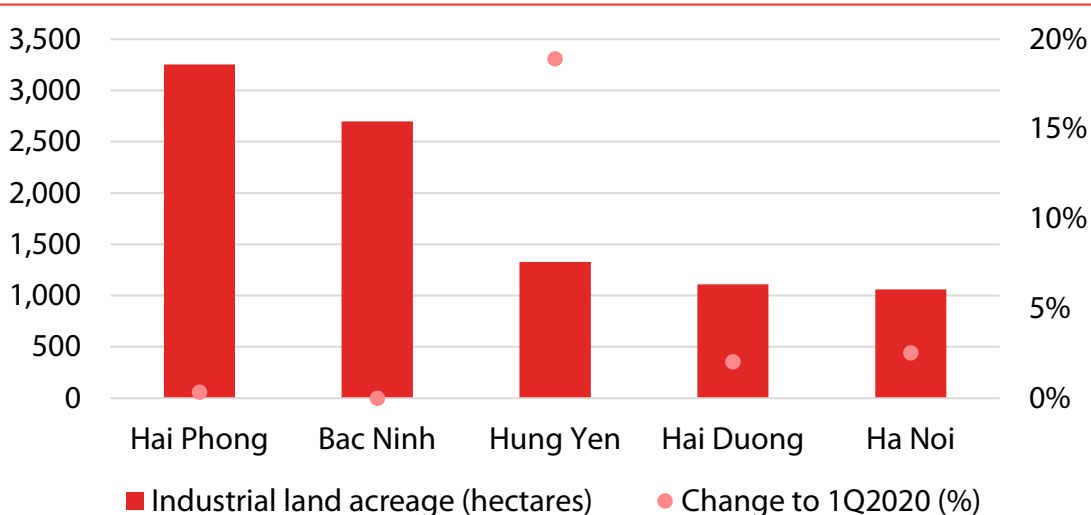
Figure 4: Leasing price in 2Q2021



Source: JLL, Rong Viet Securities

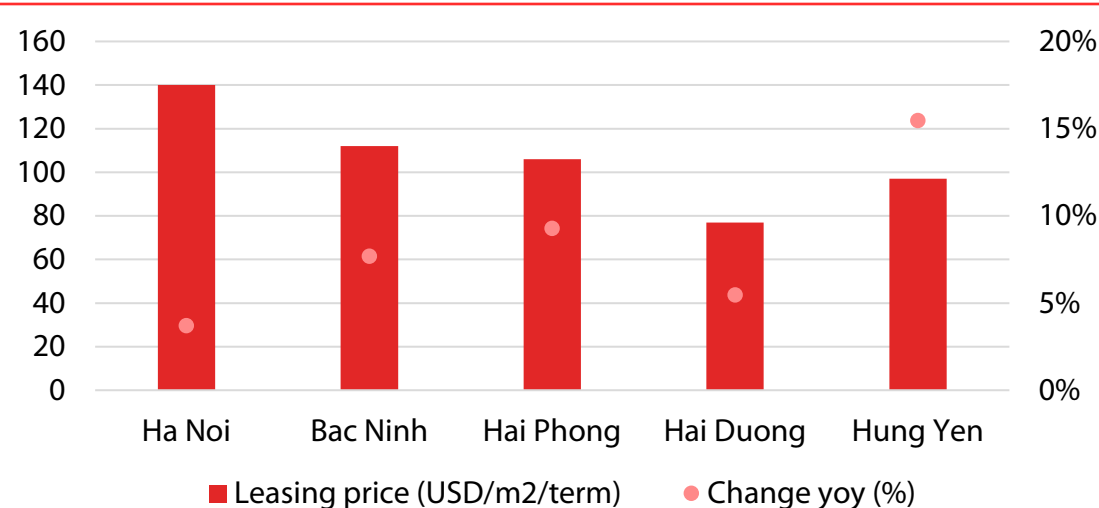
- Hai Phong and Bac Ninh are the leader in the Northern industrial zone due to the advantages of big land banks, favorable location and developed transportation infrastructure.
- Land lease contracts with large corporations such as Foxconn, Pegatron and LG Display helped the occupancy rate stay at 75%.
- IPs in Bac Ninh and Bac Giang were affected during the outbreak of Covid in 2Q2021, which partly affected leasing activities in this area. Therefore, in 2Q2021, the average leasing price of Northern IPs increased by 5.9% yoy, to 107 USD/m2/term, less than in the South.

Figure 5: Industrial land supply in 2Q2021



Source: JLL, Rong Viet Securities

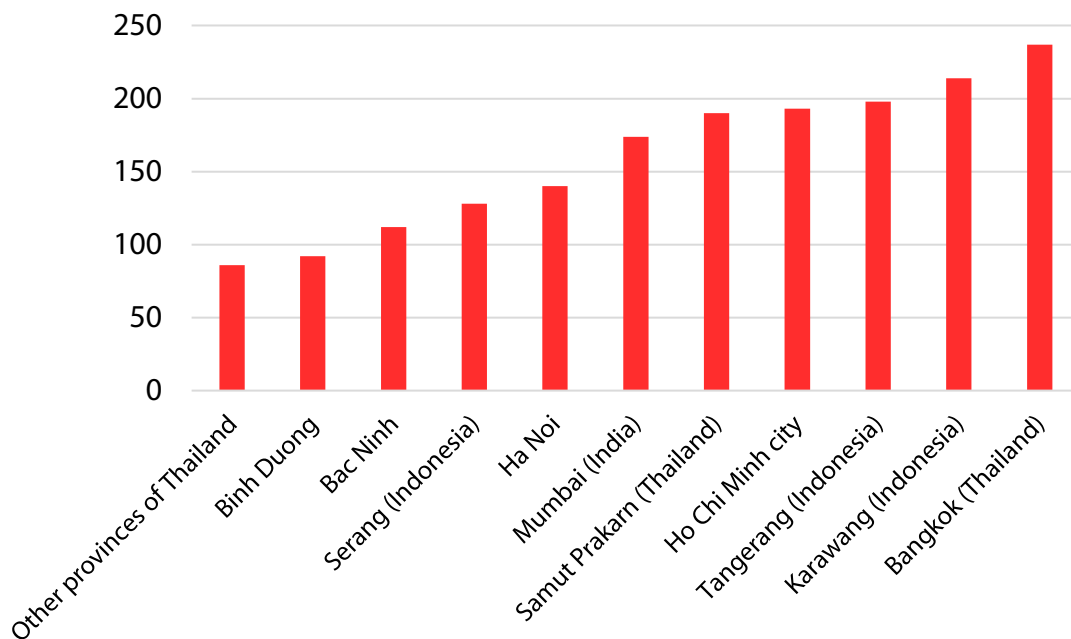
Figure 6: Leasing price in 2Q2021



Source: JLL, Rong Viet Securities

- The outbreak of Covid affected the number of potential clients. Leasing rates and leasing price growth will slow down in 2H2021.
- At the same time, the inspection and appraisal activities of the State officers will also be affected due to the pandemic. Therefore, the legal progress of future projects will slow down.

Figure 7: Leasing price in 1H2021 (USD/m2/term)

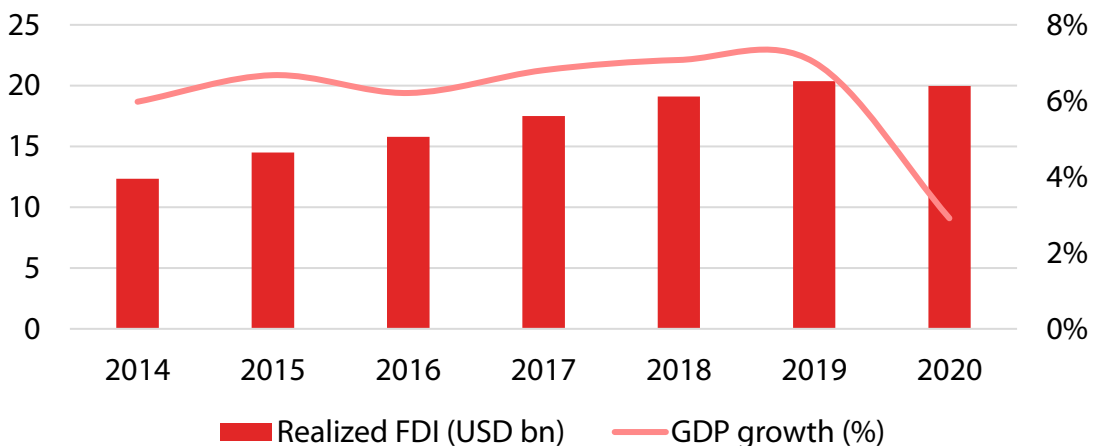


Source: Rong Viet Securities

For the long term, there are two main highlights:

- **Expanding the land bank is the optimal way** as the leasing price may not increase much in the future. The leasing price in Vietnam is getting closer to the price of other countries, reducing the Vietnamese price advantage. Therefore, the growth depending on the increase in leasing price will not be sustainable. Currently, KBC is expanding its land bank in Hai Duong, Hung Yen, Long An and Vung Tau. PHR expects to convert its rubber fields to IP projects such as Tan Binh expansion, Hoi Nghia, Binh My. Also, LHG wants to expand its supply with Long Hau expansion – phase 2, Tan Tap in Long An and An Dinh in Vinh Long.
- **Demand may shift to other provinces:** the current land bank in Bac Ninh, Binh Duong and Dong Nai has a high occupancy rate (>90%), while new projects need time to complete the legal process and infrastructure. Therefore, the demand may increase in:
 - Hai Phong and Vung Tau, as these two provinces have a large supply and competitive prices. In Hai Phong, BCM owning VSIP Hai Phong IP (507 ha, 72% occupancy rate by the end of 2020) and KBC owning Trang Due 3 IP (687 ha, expected to operate from 2023) will have growth opportunities. IDC owning Phu My 2 IP (621 ha, 77% occupancy rate), Phu My 2 expansion IP (401 ha, 34% occupancy rate) and SZC owning Chau Duc IP (1,556 ha, 40% occupancy rate) will benefit in Vung Tau.
 - Northeast provinces such as Quang Ninh and Thai Nguyen also have opportunities to attract more investment as leasing prices are competitive and the infrastructure has improved.

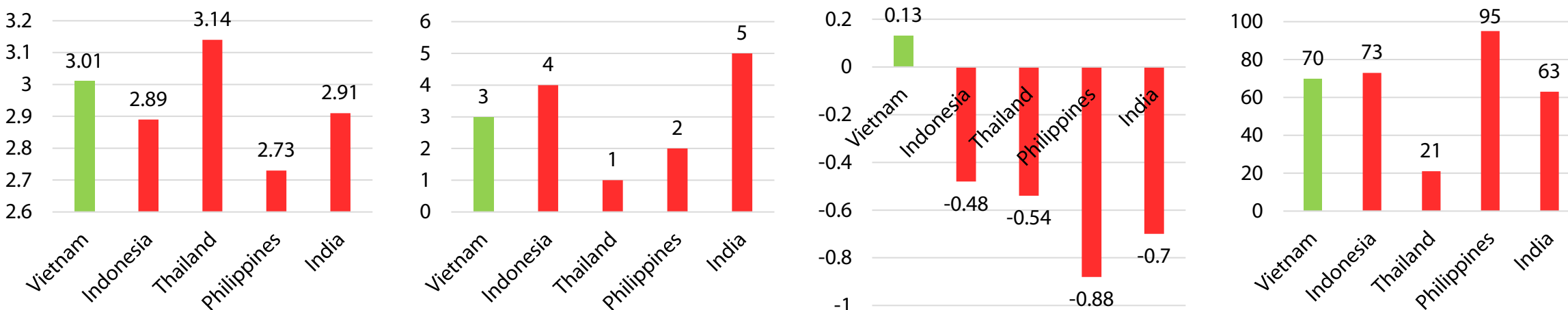
Figure 8: Realized FDI



Source: MPI, UNCTAD, Rong Viet Securities

- Vietnam FDI attraction has grown steadily thanks to (1) positive GDP growth; (2) stable political background; (3) continuous improved infrastructure; (4) transparent administrative and legal system; (5) competitive tax incentives.
- Compared to other countries, Vietnam has many strengths to attract FDI in the future as it is "slightly" better than Indonesia (having problems with ethnicity, religion and traffic), Thailand (political instability and high household debt), India (underdeveloped infrastructure and uncompetitive tax policy). The Philippines is a major competitor with good English-speaking workforce and low industrial land leasing prices.

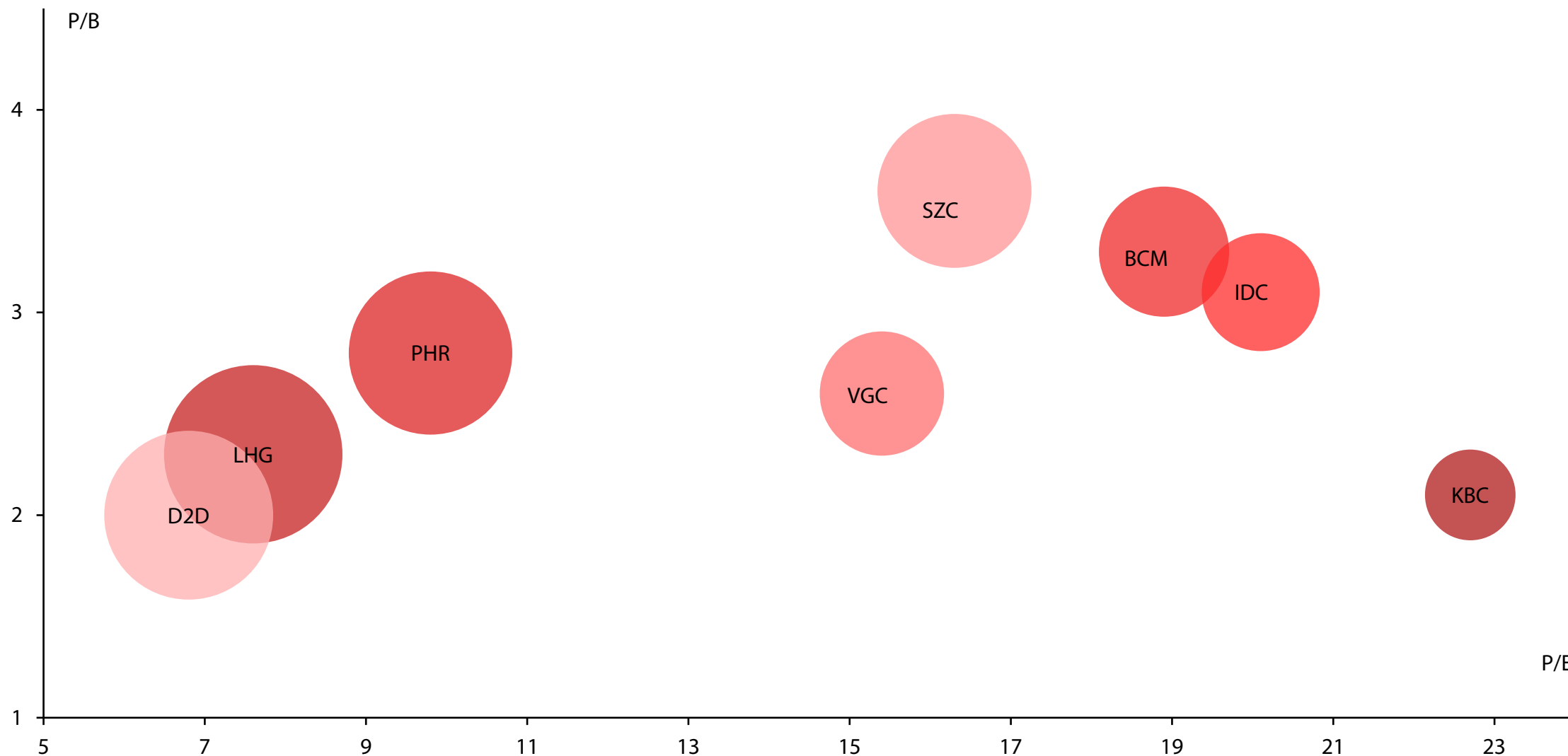
Figure 9: Infrastructure quality (scores), workforce ranking, political stability (scores) and ease of doing business index



Source: World Bank, Weforum.org, The Global Economy, Rong Viet Securities

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	705.7	46,200	49.6	N/A	0.0	0.0	36.6	0.0	0.0	0.0	0.0	22.7	1.6
PHR	300.5	61,300	19.8	-16.3	19.6	13.5	-18.0	39.5	11.4	21.6	4.9	9.8	2.3
LHG	111.3	52,300	30.5	105.7	49.1	43.6	104.7	36.8	12.5	25.9	0.0	7.6	1.8
BCM	1,881	N/A	-17.1	10.7	29.5	26.5	17.6	34.8	4.8	13.8	1.9	18.9	2.8
VGC	596.5	N/A	-1.6	82.9	29.4	12.9	37.5	9.6	4.3	12.6	3.6	15.4	2.1
IDC	440.9	N/A	-0.5	-1.4	19.7	10.9	25.8	13.3	3.4	11.3	0.0	20.1	2.6
SZC	176.5	N/A	13.1	-13.5	62.9	51.4	18.1	44.5	5.4	19.3	2.5	16.3	3.1
D2D	67.1	N/A	-48.5	-43.4	60.8	56.3	-50.7	55.9	11.4	23.2	3.9	6.8	1.5

Source: Bloomberg, RongViet Securities. Share price as of 2 Aug 2021

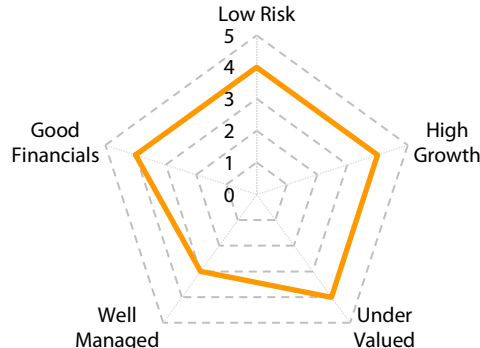
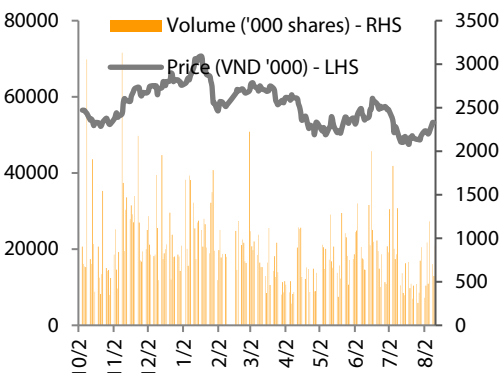


Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 2 Aug 2021.

<BUY: 20%>

<MP: 51,000>

<TP: 61,300>



STOCK INFO

Sector	Basic Materials
Market Cap (\$ mn)	300.5
Current Shares O/S (mn shares)	135.5
3M Avg. Volume (K)	811
3M Avg. Trading Value (VND Bn)	43.4
Remaining foreign room (%)	37.7
52-week range ('000 VND)	47.5-70.5

FINANCIALS

	2020A	2021F	2022F
Revenue	1,632	1,896	2,923
NPATMI	1,082	234	1,320
ROA (%)	16.5	3.4	16.9
ROE (%)	33.8	7.4	36.5
EPS (VND)	6,523	1,413	7,959
Book Value (VND)	24,096	23,953	27,244
Cash dividend (VND)	2,500	1,500	4,500
P/E (x) (*)	4.3	36.1	6.4
P/B (x) (*)	1.3	2.1	1.9

INVESTMENT RATIONALES

The land compensation will improve results and dividend in 2022

- PHR will hand over 691 ha to VSIP to develop the VSIP 3 IP. So far, VSIP has adjusted its plan and submitted it to the Government for the third time. However, due to the Covid-19 resurgence, the appraisal of the Government may be slower than expected, so we suppose that the legal process of VSIP 3 will be completed in 2022. Once PHR receive and book the land compensation money from VSIP, the NPAT will reach USD 57.4 mn (+463% YoY) in 2022 and the cash dividend will be at least USD 0.196/share. In the case PHR cannot book the land compensation money from VSIP (accounting for 80% of the planned parent company's PBT), we expect that the cash dividend will be USD 0.043-0.065/share instead of USD 0.174/share as the company expects.

Tan Lap 1 and Tan Binh expansion IPs will improve the income in the upcoming years

- The company submitted the Tan Lap 1 IP plan to the People's Committee of Binh Duong and expects to complete the project's legal in late 2021 or early 2022. We expect Tan Lap IP to start leasing from 2022 with an average of 35 hectare/year. In addition, the Tan Binh expansion IP's legal is processed and it is expected to be put into use from 2024 with 40-50 hectare leased per year. Accordingly, new IPs will increase revenue and gross profit in the 2021-2025 period by 30%/year and 68%/year.

Higher demand for tires and rubber gloves help the rubber segment recover

- The recovery of the automotive industry and higher demand for rubber gloves increase the demand for rubber. Supply decline in China (due to natural effects) and Thailand (disease reduces the yield) led to the increase in rubber prices. We expect that prices can remain high in the coming years as the demand from countries that can control Covid improve while Thailand's supply is still not plentiful.

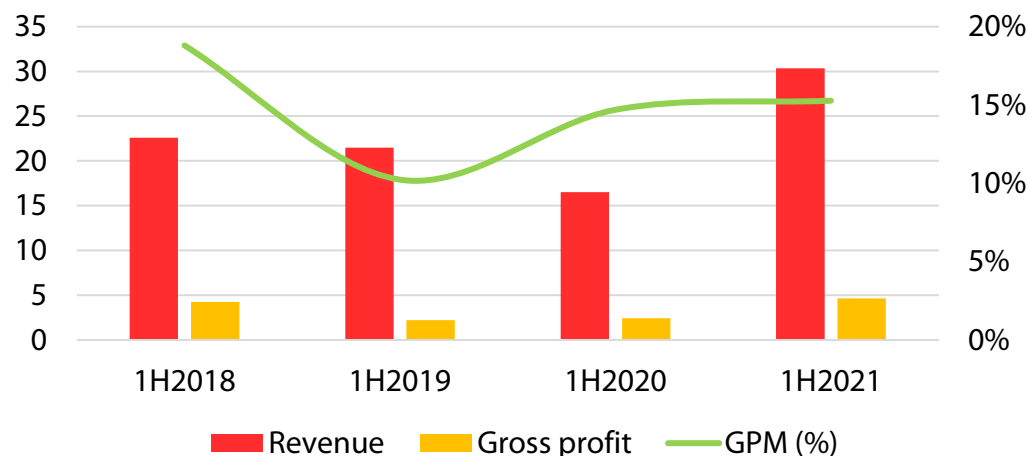
RISKS TO OUR CALL

- The legal procedures of IP projects are slower than expected, slowing down the growth of income. Or demand for renting industrial land is lower than expected, leading to a lower leased rate.

PHR could not book the compensation money as VSIP 3 IP's legal has not been completed

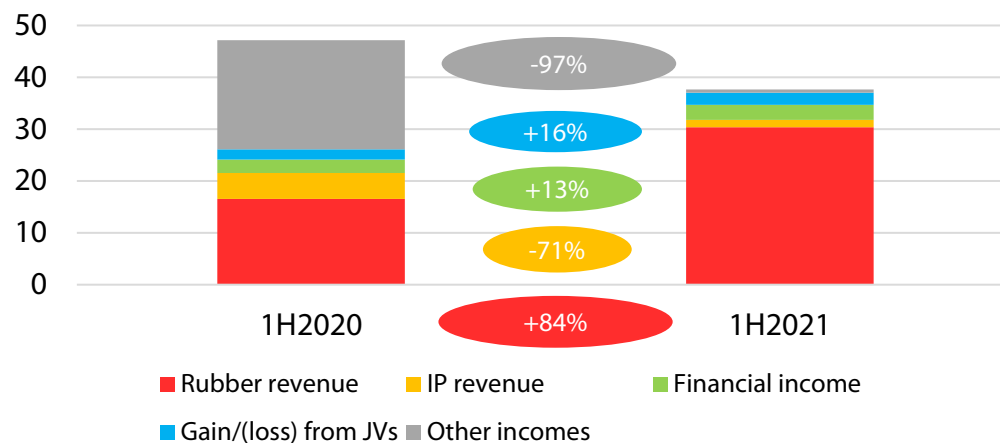
- In 1H2021, revenue was USD 31.8 mn, up by 48% YoY thanks to the recovery of the rubber segment. Meanwhile, NPAT decrease by 70% YoY, to USD 7 mn due to no land compensation money.
- The rubber segment recorded strong growth as revenue reached USD 30.3 mn, up by 84% YoY. The growth-driven were the increases in sales volume and selling price. The automotive industry's rebound in the US and China increase rubber demand (sale volume was 13,458 tons, up by 36% YoY). The demand was higher while supply decreased in China and Thailand, helping PHR's selling price increase by 36% YoY, reaching USD 1,900/ton.
- In contrast, the revenue of the IP segment decreased by 71% YoY, to USD 1.4 mn as the company could lease any industrial land in 1H2021.
- The gross profit dropped from 29% to 18% due to the decrease of the IP segment (having a higher GPM). Gross profit reached USD 5.6 mn, decreasing by 12% YoY.
- Selling expenses and G&A expenses increased by 13% YoY (to USD 0.5 mn) and 23% YoY (to USD 1.7 mn), respectively due to a rising of labor costs.
- The legal of the VSIP 3 IP is still waiting to be completed. Thus, PHR could not book any land compensation money in 1H2021. As a result, other incomes plummeted by 97% YoY, to USD 0.6 mn. Meanwhile, in 1H2020, the company booked the land compensation money of USD 19.8 mn from Nam Tan Uyen.

Figure 1: Results of the rubber segment (USD mn)



Source: PHR, Rong Viet Securities

Figure 2: Income sources (USD mn)



Source: PHR, Rong Viet Securities

Table 1: IP projects

	PHR's benefits (%)	Total area (hectare)	Commercial area (hectare)	Status	Implementary year
Nam Tan Uyen 3	32.9	346	259	Waiting for receiving land from the province and will start leasing from 2022	2021
VSIP 3	20	1,000	650	Submitted the investment plan to the Government	2022
Tan Lap 1	51	200	140	Submitted the investment plan to the People's Committee of Binh Duong	2022
Tan Binh expansion	80	1,055	739	Being a part of the district's 2021-2025 planning	2024
Tan Lap 2	51	180	126	Being a part of the district's 2021-2025 planning	2024-2025
Hoi Nghia	100	715	429	Being a part of the district's 2021-2025 planning	After 2025
Binh My	100	1,002	601	Being a part of the district's 2021-2025 planning	After 2025

Source: PHR, Rong Viet Securities

No land compensation money (from VSIP) will decrease results in 2021

- It is expected that revenue in 2021 will reach USD 82.4 mn (+16% YoY) as the rubber segment will continue to perform well in 2H2021. However, due to the bad performance of the IP segment, gross profit will drop by 32% YoY, to USD 11.4 mn.
- VSIP has adjusted the plan of VSIP 3 IP to solve some issues and it is waiting for the Government's approval. However, the Covid-19 re-outbreak and there are new leaders in the People's Committee of Binh Duong, so the process of appraising the application for the VSIP 3 project may be slowed down. It may be only completed in 2022, so that the land compensation money will not be booked in 2H2021. Accordingly, NPAT will reach only USD 10.2 mn (-78% YoY).

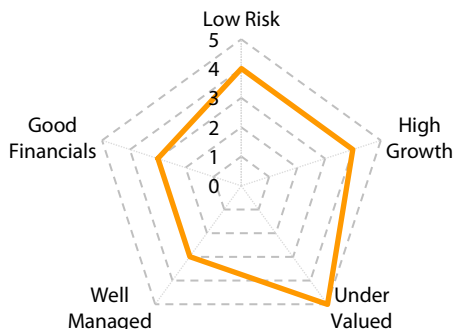
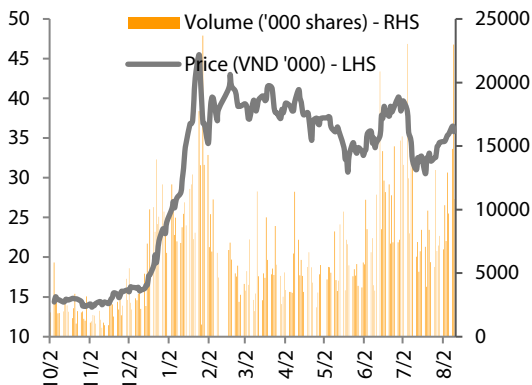
In 2022, results will grow thanks to the IP segment

- Besides the rubber segment (sales volume and selling price are expected to remain high) and Tan Binh IP, PHR's incomes will be improved when Tan Lap 1 IP is put into use. It is expected that Tan Lap 1 IP will be leased 35 ha with the leasing price of USD 109/m2/term. Also, the legal of VSIP 3 IP is expected to be completed in 2022, helping PHR book the compensation money of USD 39 mn.
- Hence, revenue and NPAT will reach USD 127.1 mn (+54% YoY) and USD 57.4 mn (+463% YoY), respectively.
- In addition, PHR will continue to process the legal document of other IP projects such as Tan Binh expansion, Tan Lap 2, Hoi Nghia and Binh My.

<BUY: 34%>

<MP: 34,550>

<TP: 46,200>



STOCK INFO

Sector	Financials
Market Cap (\$ mn)	705.7
Current Shares O/S (mn shares)	470
3M Avg. Volume (K)	8,741
3M Avg. Trading Value (VND Bn)	311
Remaining foreign room (%)	29.5
52-week range ('000 VND)	12.4-45.5

FINANCIALS

	2020A	2021F	2022F
Revenue	2,151	5,256	10,617
NPATMI	224	1,020	4,915
ROA (%)	0.9	4.2	17.2
ROE (%)	2.3	10.2	36.3
EPS (VND)	471	2,171	10,462
Book Value (VND)	20,650	21,321	28,783
Cash dividend (VND)	0	1,500	2,000
P/E (x) (*)	28.1	15.9	3.3
P/B (x) (*)	0.6	1.6	1.2

INVESTMENT RATIONALES

Industrial parks are located in favorable locations to help take advantage of the coming FDI

- In early 2021, Nam Son Hap Linh IP was officially put into use, helping to increase KBC's available commercial land to 324 hectares (updated till the end of 1Q2021). Also, land supply will increase sharply, reaching 780 hectares once Trang Due 3 IP is put into operation (expected in 2022). Thereby, that will ensure that the land bank is large enough to lease in the next five years.
- The leasing price will increase year over year thanks to (1) IPs located in hot spots that attract a lot of FDI such as Bac Ninh, Bac Giang, Hai Phong and Ho Chi Minh City. That will ensure the demand for industrial land remains stable. (2) Multiple customers base with huge international technology companies such as Samsung (in Que Vo IP), LG (in Trang Due IP), Foxconn (in Quang Chau IP) and Oppo (in Nam Son Hap Linh IP). This is a proof of KBC's product quality and also it helps to attract satellite companies.

The urban area will "explode" with the Trang Cat project

- Trang Cat urban area (584.9 ha) has completed land clearance of 582 ha. Currently, the company has paid all amount for land use fees, so the People's Committee of Hai Phong has handed the land to KBC. The implementation of infrastructure is planned to begin from the end of this year and will open for sale in 2022. Currently, Kinh Bac is negotiating to sell 60 hectares to a real estate developing company. Therefore, we expect KBC to book around USD 276.4 mn from this, contributing 60% to the revenue of 2022. Thereby, the forecasted revenue in 2022 will reach USD 461.6 mn, up by 102% yoy.

RISKS TO OUR CALL

- Delay of the legal completion of Trang Cat UA and Trang Due 3 IP may slow down the handover progress and booked revenue.

Table 1: Results of leasing industrial land

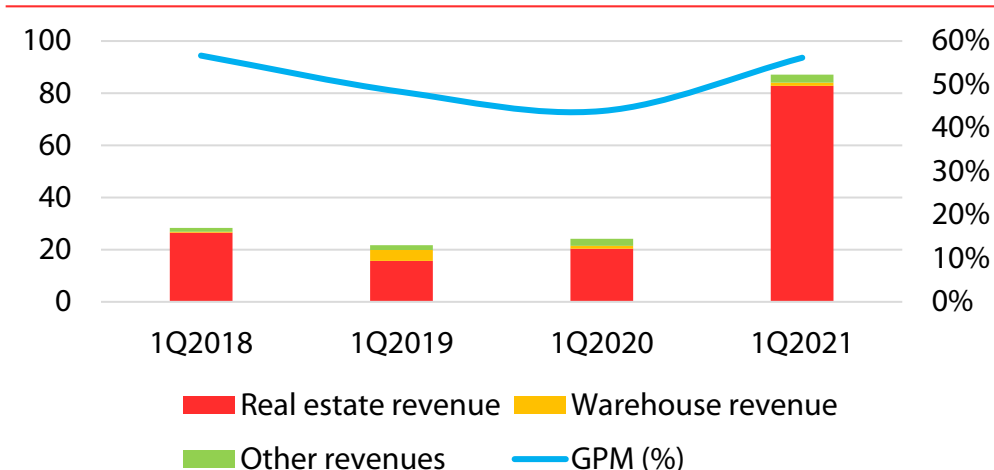
	Leased area (hectares)	Leasing price (USD/m2/term)	Change to 2020 (%)
Quang Chau IP	32.9	100	+25
Tan Phu Trung IP	21.9	130	+2
Nam Son Hap Linh IP	10.4	130	
Total	65.2 (+350% yoy)		

Source: KBC, Rong Viet Securities

Net revenue reached USD 87 mn (+260% yoy) and NPAT post-MI was USD 26 mn (+1.013% yoy) thanks to a sharp increase in the leased IP area.

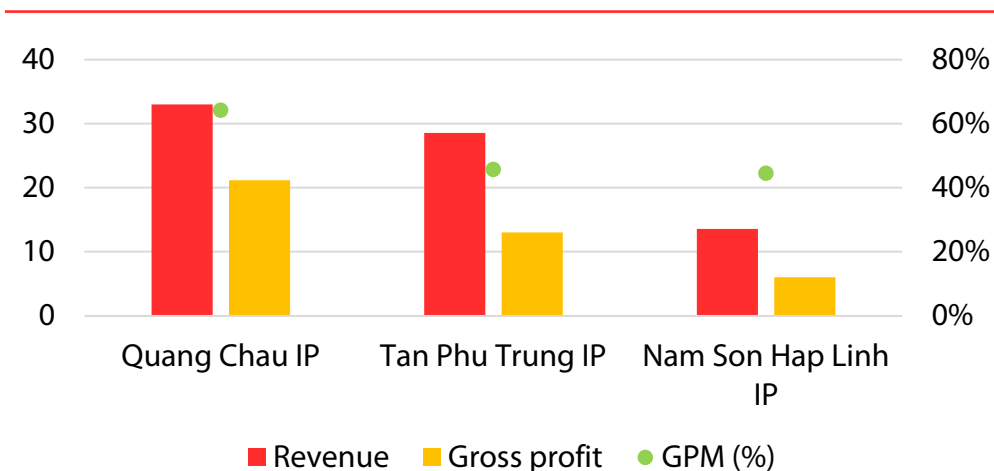
- The result of leasing industrial land was very positive as the leased area increased by 350% yoy, to 65.2 hectares and the leasing price also increased. Besides, KBC recorded the revenue of handing over 1.3 hectares of land in Trang Due UA with an average price of USD 478/m2. Thereby, real estate revenue increased by 307% yoy, to USD 82.8 mn.
- GPM increased from 44% to 56% because in 1Q2020, most of the real estate revenue came from Tan Phu Trung IP (having lower GPM than Quang Chau IP's GPM).
- Interest expenses increased by 101% yoy, to USD 3.7 mn as long-term debt rose to finance for land use fee in Trang Cat UA. High brokerage and consulting costs increased selling expenses by 754% yoy, to USD 4.7 mn.

Figure 1: Revenue sources (USD mn)



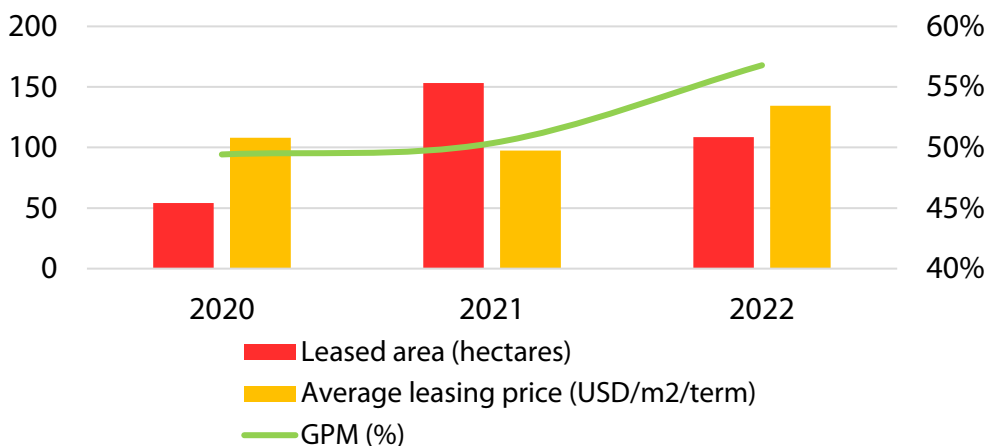
Source: KBC, Rong Viet Securities

Figure 2: Results of IP projects (USD mn)



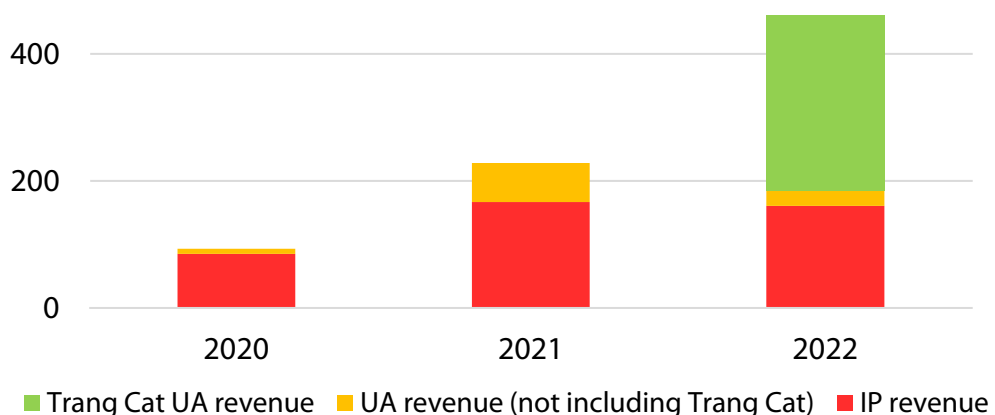
Source: KBC, Rong Viet Securities

Figure 3: Forecasted results of IP segment



Source: Rong Viet Securities

Figure 4: Revenue sources (USD mn)



Source: Rong Viet securities

2H2021 books a large income from Nam Son Hap Linh IP and Phuc Ninh UA

- KBC may book the revenue of leasing 63 hectares in Nam Son Hap Linh IP to Oppo with the leasing price of 70 USD/m2/term. Thus, the total leased industrial land in 2021 will reach 153 hectares, an increase of 183% yoy, including 88 hectares in Nam Son Hap Linh IP, 40 hectares in Quang Chau IP (+77% yoy) and 25 hectares in Tan Phu Trung IP (-20% yoy). In addition, the leasing price in Quang Chau and Tan Phu Trung Industrial Parks will reach 100 USD/m2/term (+25% yoy) and 130 USD/m2/term (+2% yoy), respectively. Besides, KBC will also book the revenue of handing over 7.33 hectares of land in Phuc Ninh UA.
- Revenue and NPAT post-MI in 2021 will grow by 144% yoy (to USD 228.5 mn) and 355% yoy (to USD 44.3 mn), respectively.

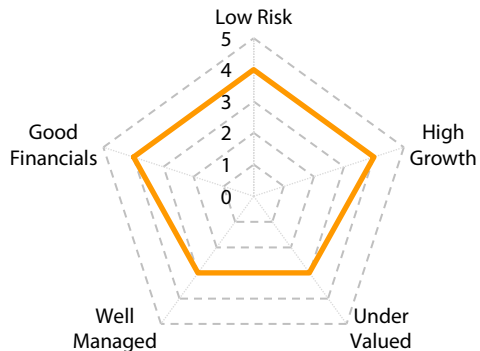
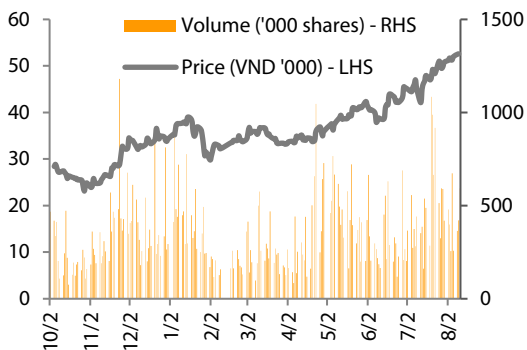
In 2022, income will be booked from selling part of Trang Cat UA

- Beside existing projects such as (1) Quang Chau IP (expected to lease the remaining 8 hectares of commercial area), Nam Son Hap Linh IP (40 hectares), Tan Phu Trung IP (40 hectares) and (2) Trang Due UA (handover 3 hectares) and Phuc Ninh (1 hectare), the revenue will improve with new projects such as Trang Due 3 IP (leasing 20 hectares with 122 USD/m2/term) and Trang Cat UA (wholesaling 60 hectares and booking the revenue of USD 276.4 mn, equivalent to 60% of total revenue).
- Revenue and NPAT post-MI in 2022 will reach USD 461.6 mn (+102% yoy) and USD 213.7 mn (+382% yoy), respectively.

<NEUTRAL: 2.1%>

<MP: 51,200>

<TP: 52,300>



STOCK INFO

Sector	Industrials
Market Cap (\$ mn)	111.3
Current Shares O/S (mn shares)	50
3M Avg. Volume (K)	426
3M Avg. Trading Value (VND Bn)	18.4
Remaining foreign room (%)	39.5
52-week range ('000 VND)	18.4-51

FINANCIALS

	2020A	2021F	2022F
Revenue	644	823	859
NPATMI	191	277	307
ROA (%)	7.3	9.4	9.8
ROE (%)	14.8	19.7	19.9
EPS (VND)	3,810	5,544	6,142
Book Value (VND)	25,673	28,158	30,801
Cash dividend (VND)	1,900	1,900	2,200
P/E (x) (*)	3.9	9.2	8.3
P/B (x) (*)	0.6	1.8	1.7

INVESTMENT RATIONALES

Convenient location helps leasing prices increase

- Long Hau 3 IP is located 25 km from Ho Chi Minh City, 25 km from Cat Lai and 3 km from Tan Cang - Hiep Phuoc port. In the future, besides the QL1, the DT 827E once it is completed will be an alternative way to connect Ho Chi Minh City and Long An, making the transportation of goods more convenient. Long An has attracted more and more FDI as the total FDI has increased by 17% per year in the 2017-2020 period. The increasing production investment helps the leasing price in Long Hau 3 IP reached 200 USD/m²/term in 1H2021 (+25% yoy).

The warehouse segment grows steadily as demand moves higher

- Renting ready-built warehouses/factories helps companies save time and costs, especially helping to reduce the production interruptions when moving factories from other countries to Vietnam. High demand helped the segment's gross profit grow by 21%/year in the 2017-2020 period. In the future, LHG will increase the supply when building ~57,000m² of warehouses, bringing the total supply to about 159,000m² in 2023 (up by 55% compared to the supply at the end of 2020).

The compensation fee related to Long Hau 1 resettlement site has not been finalized

- Tan Thuan Company required LHG to pay an amount of USD 14.3 mn (LHG paid USD 3.2 mn already), this amount was included in our valuation model as potential debt. The State officers are still investigating and have not come to a conclusion.

RISKS TO OUR CALL

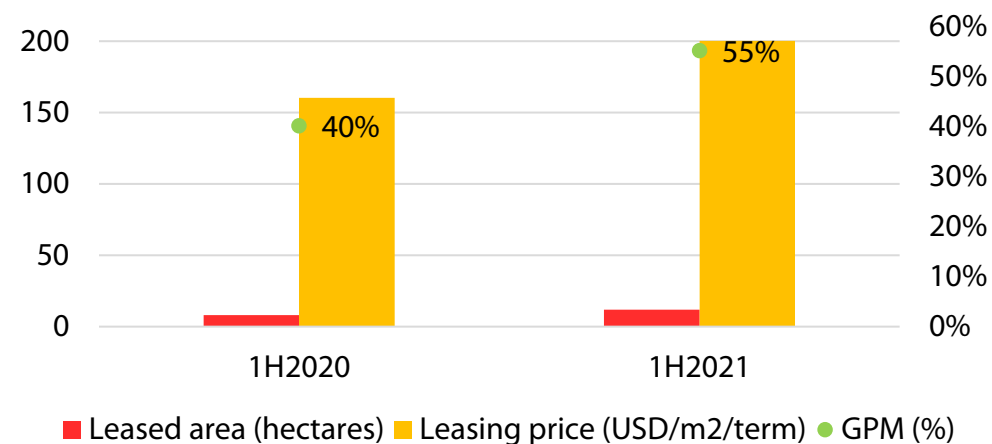
- The delay in compensation for the remaining land of Long Hau 3 - Phase 1 IP will reduce the absorption rate in the context of increasing demand.
- In case LHG has to pay the compensation fee to Tan Thuan, it may cause the share price to drop in the short term.

Positive results thanks to increased leased area and leasing price

Revenue increased by 72% yoy, to USD 29 mn and PAT increased by 126% yoy, to USD 10.9 mn thanks to a sharp increase in leased area and leasing price.

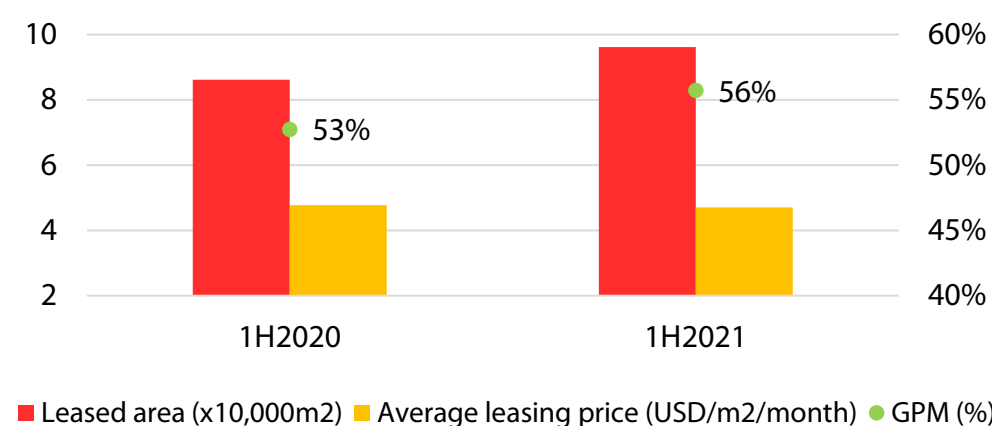
- In 1H2021, the company leased 12 hectares (+49% yoy), of which the majority (11 hectares) was leased to Logos – a company operating in logistics. The leasing price was 200 USD/m²/term (+25% yoy) thanks to the favorable location of Long Hau 3 - Phase1 IP and the limited supply in Long An province. Revenue of IP segment reached USD 23.7 mn (+73% yoy)
- Revenue of warehouse segment and IP services segment increased by 11% yoy (reaching USD 2.8 mn as LHG leased an additional 6,000m² of Long An high-rise warehouse) and 22% yoy (reaching USD 2.3 mn), respectively.
- The increase in leasing prices helped improve GPM from 42% to 54%. Gross profit reached USD 15.6 mn, up by 120% yoy.
- The increase in the bonus for management staff caused the G&A expenses to increase by 29% yoy, to USD 1.7 mn. Selling expenses increased by 19% yoy, to USD 0.4 mn.
- Good control of expenses helps expenses increased less than gross profit. Therefore, PAT reached USD 10.9 mn, up by 126% yoy.

Figure 1: Results of the IP segment



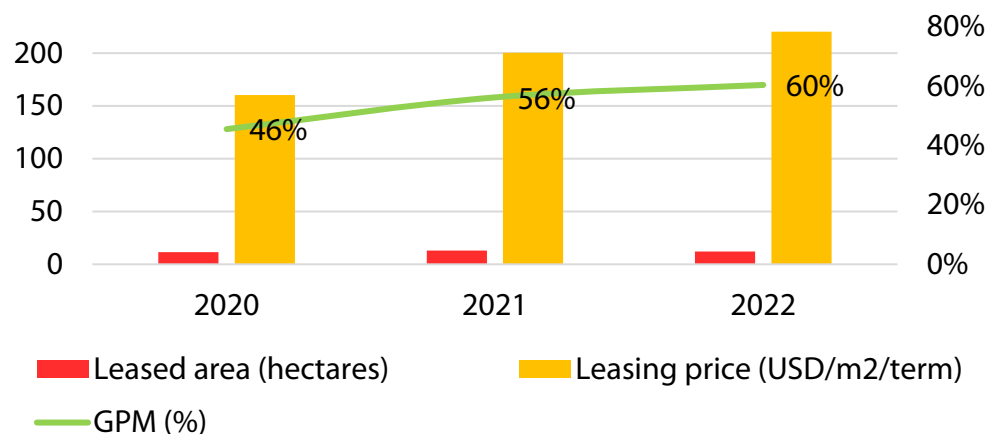
Source: LHG, Rong Viet Securities

Figure 2: Results of the warehouse segment



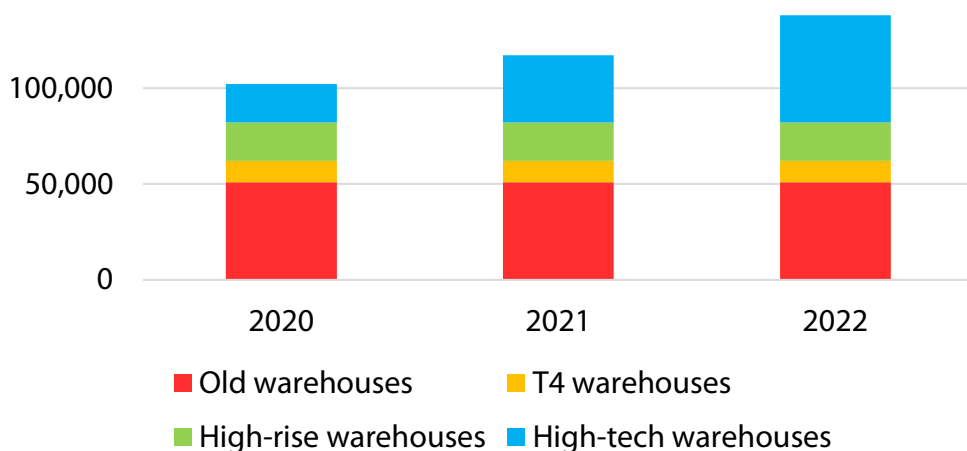
Source: LHG, Rong Viet Securities

Figure 3: Forecasted results of IP segment



Source: Rong Viet Securities

Figure 4: Warehouses supply (m2)



Source: Rong Viet securities

2H2021 - LHG will not lease too much industrial land due to its limited land bank and the impact of Covid-19

- Due to limited land bank and 12 ha already leased in 1H2021, LHG will not accelerate its industrial land leasing in 2H2021. It is expected that the leased area of 2021 will be only 13 hectares and the average leasing price will be 200 USD/m2/term (+25% yoy). Thereby, revenue and gross profit of the IP segment will increase by 39% yoy (to USD 26.1 mn) and 68% yoy (to USD 14.7 mn).
- The Covid-19 pandemic will negatively affect the demand for warehouses, so it is expected that the total warehouse area leased by the end of this year will only reach 98,180m2, an increase of 8,000m2 compared to 2020, of which 6,000m2 has added in 1H2021. Revenue and gross profit of the warehouse segment will reach USD 5.4 mn (+4.1% yoy) and USD 2.9 mn (+ 5.5% yoy).

2022 results are driven by leasing prices and increased warehouse supply

It is expected that revenue and PAT will reach USD 37.3 mn (+4.4% yoy) and USD 13.3 mn (+11% yoy), respectively. The growth drivers are an increase of 10% yoy in leasing price (to \$220/m2/term) and the total warehouse area for lease reached 123,430m2 (+26% yoy). In contrast, the industrial land leased will be only 12 ha (down by 1 ha yoy) as LHG does not want to lease too much land, so it can ensure a enough supply of land until 2025.



RESIDENTIAL REAL ESTATE

BRIGHTER OUTLOOK FROM Q4 2021



Kiet Tran – kiet.tht@vdsc.com.vn



1. Market overview 1H 2021

- The recovery of supply slowed down due to the Covid-19 pandemic, causing price to increase in all segments. In which, mid-end is main theme covering 79% of total new launches.
- Developers leverages technology to adapt to Covid-19.

2. Market outlook 2H 2021

- Infrastructure development is the key driver for growth.
- Improved legal framework is a mid to long-term solution for supply problems.
- Low-interest rates support home buying demand.
- Risks: Complicated situation of the Covid-19 would severely affect sales in Q3.

3. Appendix

- Supply recovered quickly in Q2 but slowed down when the Covid-19 broke out in June. In 1H2021, supply came from the West (31%) and the South (26%), East (22%). In which, Pi City (D.12), VHM Grand Park (D.9) and Grand Marina (D.1) were key contributors.

↑ 130% QoQ

↓ 9% YoY (6M2021)

New supply

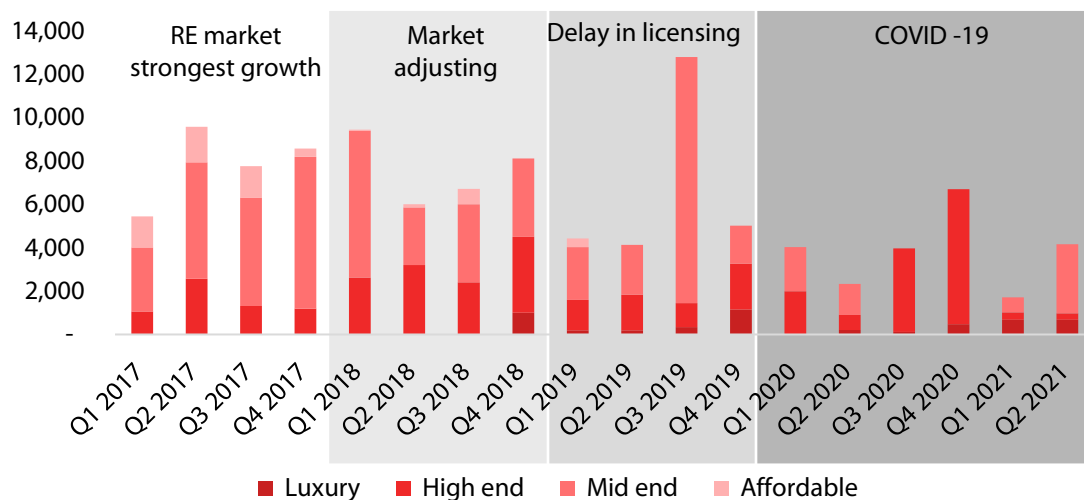
- In Q2/2021, the market recognized positive sales from the East (District 9), accounting for ~25% sold units per JLL, thanks to the Thu Duc City establishment and its good location with many nearby large-scale infrastructures: Metro No.1, Long Thanh Airport, Thu Thiem 2.

↑ 76% QoQ

↑ 28% YoY (6M2021)

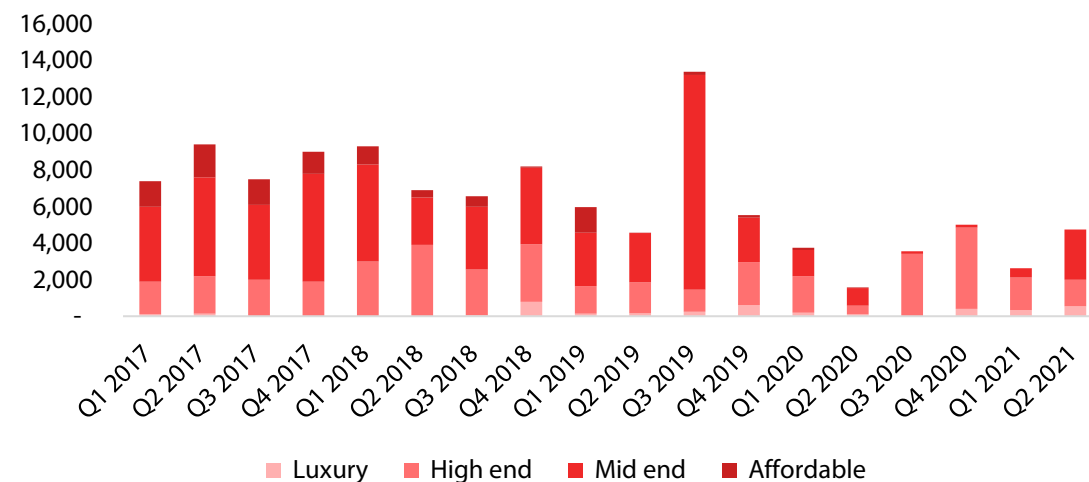
Units sold

Figure 1: New supply in HCMC (Units)



Source: CBRE

Figure 2: Units sold in HCMC (Units)



Source: CBRE

- Supply decreased QoQ due to the Covid-19 outbreak return in May. Supply mainly came from the West and East (~80%). In which, Panorama Hoang Van Thu, Vinhomes Ocean Park and Vinhomes Smart City project were the main contributors.

↓ -20% QoQ

↑ 10% YoY (6M2021)

New supply

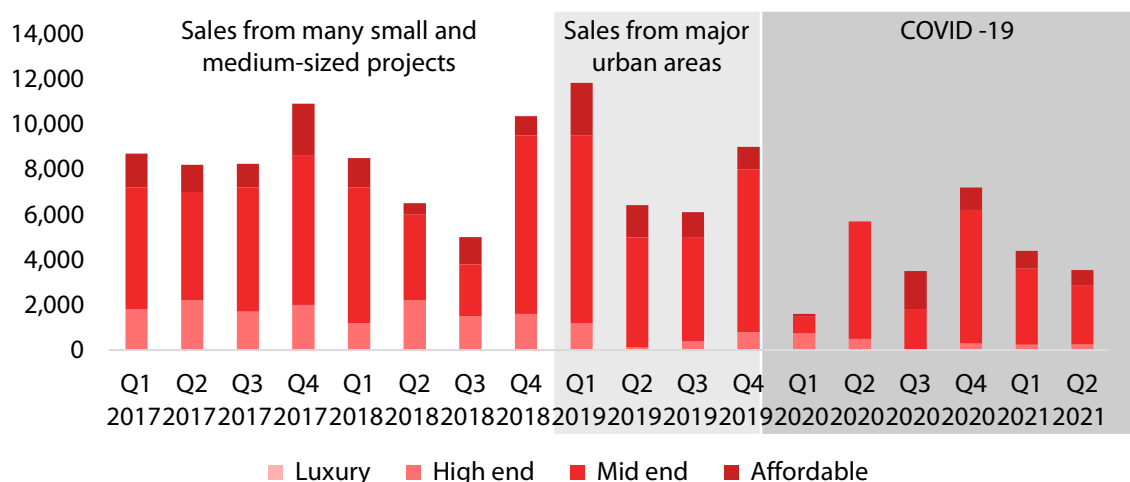
- Projects from township developments covered ~60% of sold units in 1H 2021. In which, Nam Tu Liem (44%), Gia Lam (18%), Cau Giay (12%) were key regions contributing to total units sold.

↓ -6% QoQ

↑ 20% YoY (6M2021)

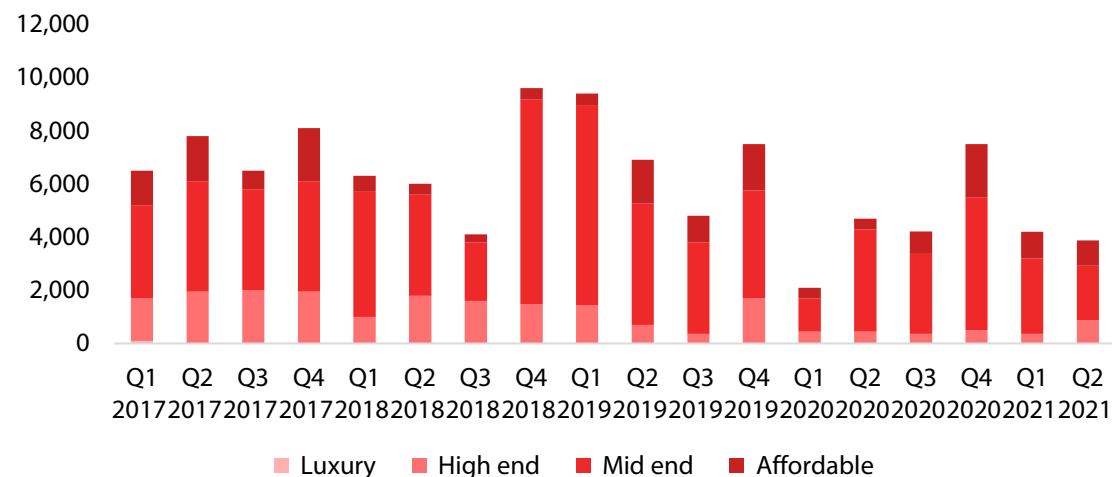
Units sold

Figure 3: New supply in Hanoi (units)



Source: CBRE

Figure 4: Units sold in Hanoi (units)



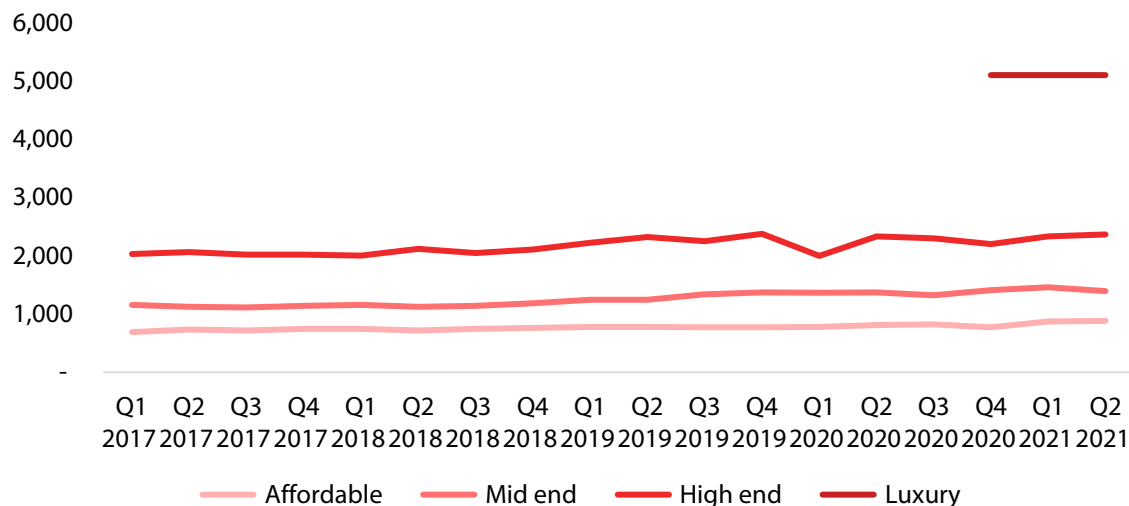
Source: CBRE

Price increased across all segments given the continuous supply limitation.

Hanoi

- Prices increased in all segments; the affordable segment increased sharply (+9.1% YoY) given the scarcity in supply of this segment vs other segments.

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

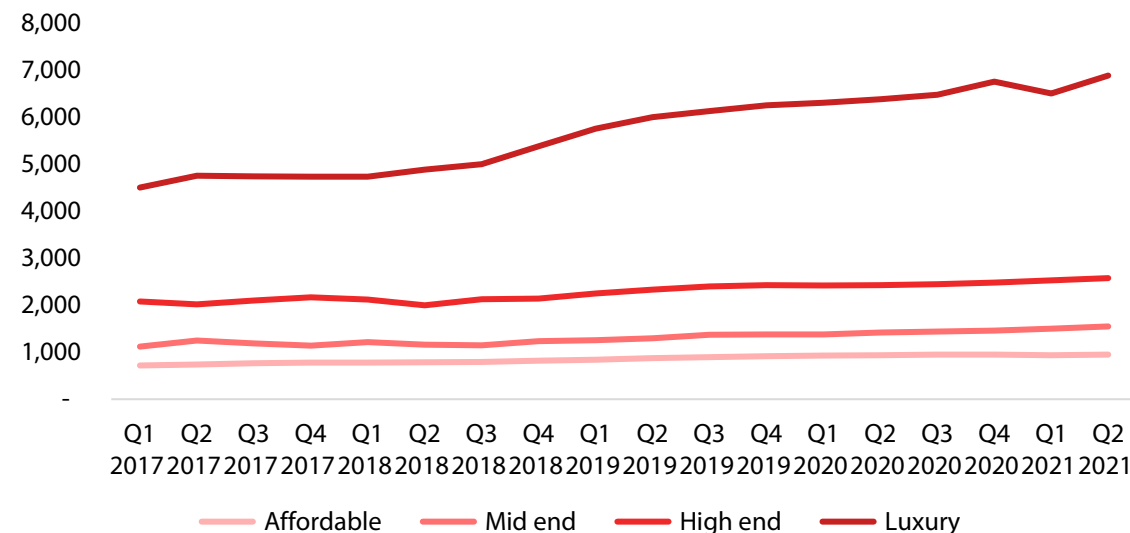


Source: CBRE

HCMC

- The luxury segment price increase was the strongest in Q2 2021 (+9.2% YoY) due to supply shortage, entrance of ultra-luxury units (Grand Marina in District 1, launched in Q2 2021)

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



Source: CBRE

Real estate developers pay more attention to technology applications

- In the context of faster digital transformation and complicated developments of the Covid-19 pandemic, developers leveraged online channels to adapt.
- In April 2021, Vinhomes launched an e-commerce platform to help customers buy, sell and rent houses. Moreover, Novaland also use KOLs and livestream methods for selling its products.

Figure 7: New management software for real estate businesses



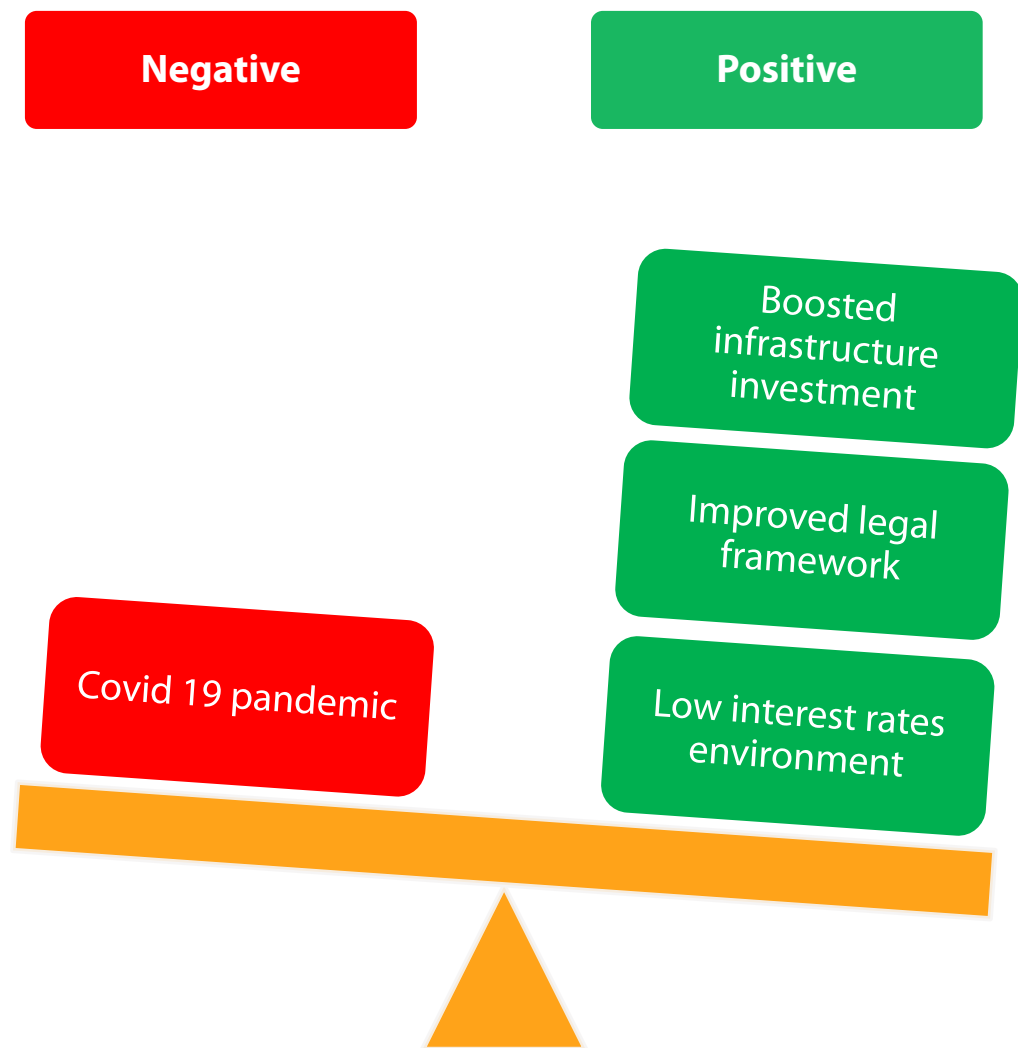
Source: Rong Viet Securities

Figure 8: Vinhomes' e-commerce platform



Source: Vinhomes

In 2H2021, we believe that boosting public investment focusing on transport infrastructure will be the key driver of the real estate industry. Besides, legal conditions will be more favorable from positive changes in the Law on Amendments to Construction Law 2020 and the Investment Law 2020 (effective from January 1, 2021), Decree 148/2020/ NĐ-CP (effective from February 8, 2021) along with other laws. In addition, the low interest rate environment is likely to keep demand stable. However, the main concern is the return of Covid 19 given its severe effect on sale events and project construction.





BOOSTED INFRASTRUCTURE
INVESTMENT



IMPROVED LEGAL
FRAMEWORK

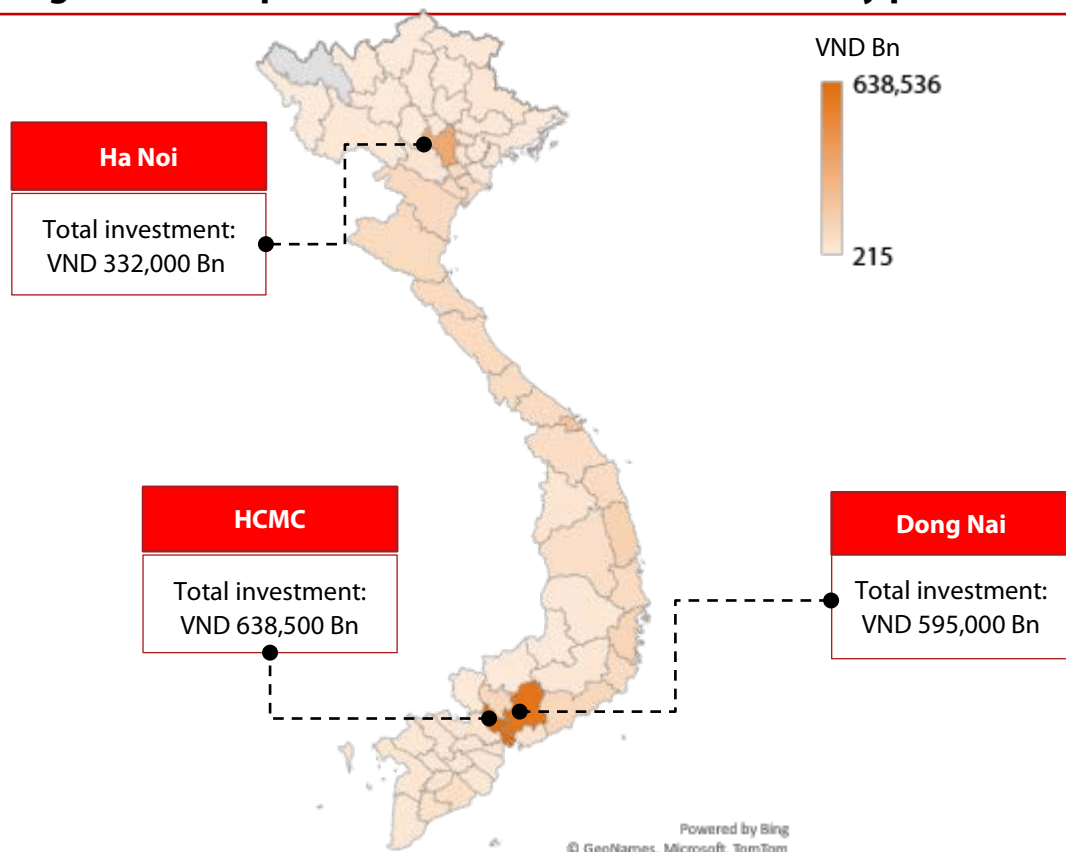


LOW INTEREST RATE
ENVIRONMENT

Infrastructure is the main catalyst for the medium to long term

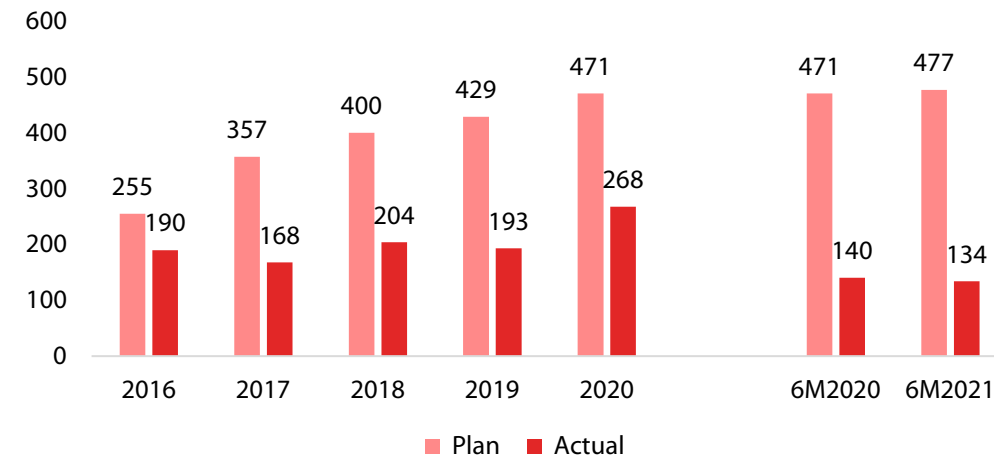
- The total estimated budget for the medium-term public investment plan for the 2021-2025 period is **VND 2,870 Trillion (or USD 120 Bn)**, an increase of **+43%** compared to the period 2016-2020 (VND 2,000 Trillion, or USD 87 Bn).
- Most of the public investment capital is for **transport infrastructure**.

Figure 9: Total planned infrastructure investment by provinces for 2021-2025



Source: Rong Viet Securities

Figure 10: Public investment disbursement plan and actual implementation 2016 - 6M2021 (VND trillion)



Source: GSO, Rong Viet Securities

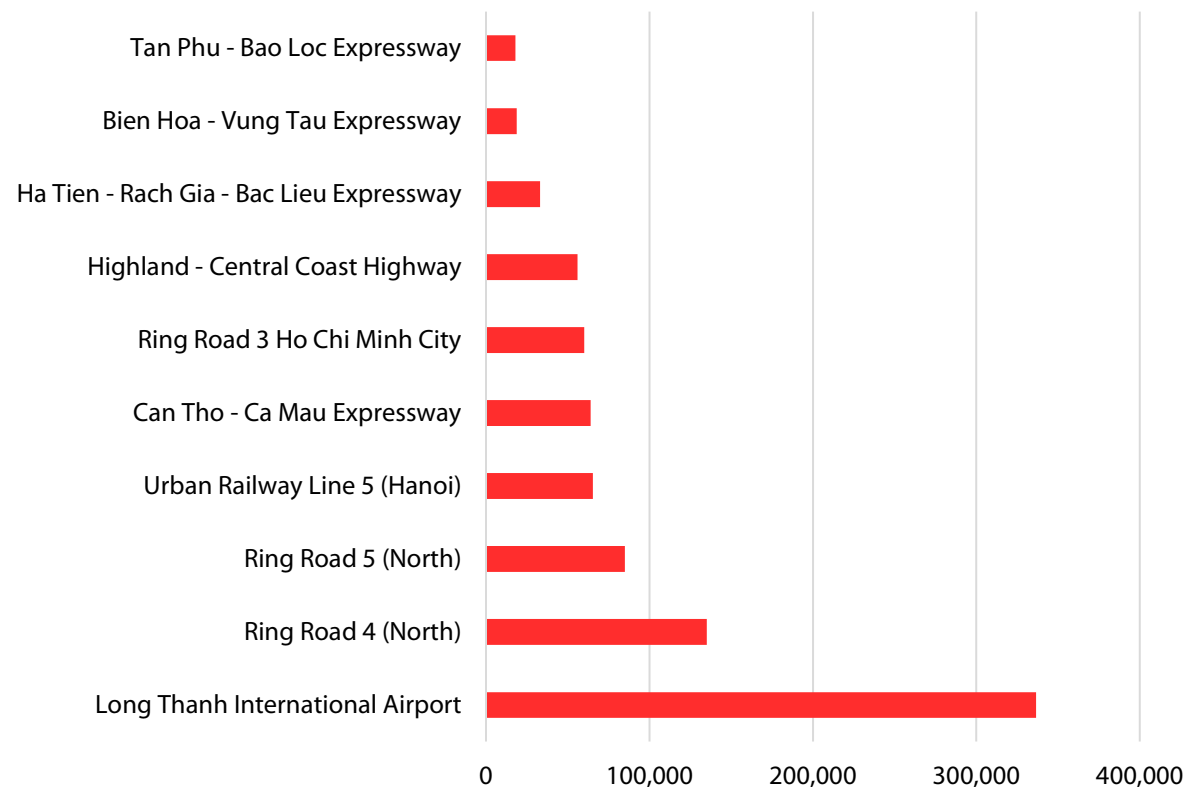
Improved public investment

- The Prime Minister has just issued **Directive No. 13/CT-TTg** dated May 23, 2021, on **accelerating** the progress of medium-term public investment in the 2021-2025 period.
- Therefore, we expect better public investment disbursement.

Infrastructure is the main catalyst for the medium to long term

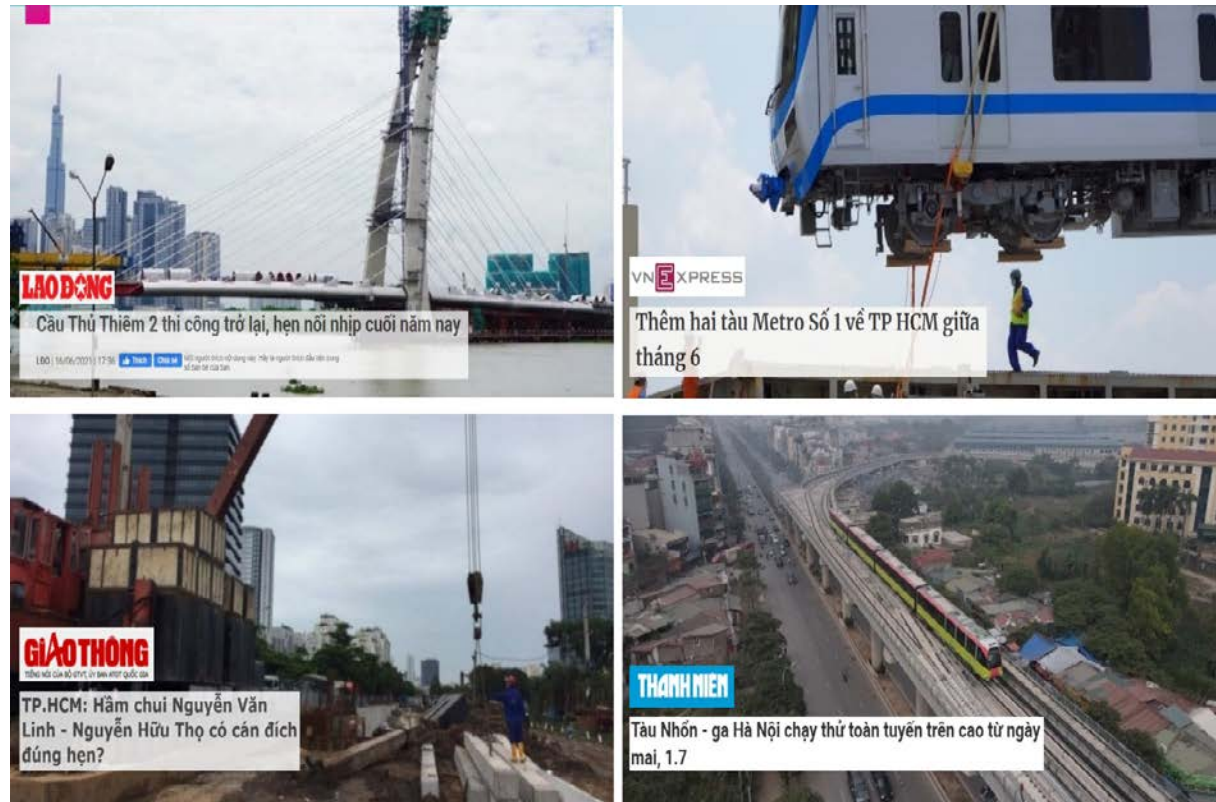
- **Thu Thiem 2, Metro 1 and Trung Luong – My Thuan** are notable large-scaled projects with expectation to be completed during 2021 – 2022

Figure 11: Some notable infrastructure projects 2021-2025 (VND Bn)



Source: Rong Viet Securities

Figure 12: Key projects promised to be completed during 2021 - 2022



Source: CBRE, Rong Viet Securities

Major infrastructure projects to be deployed in the period 2021-2035

The North



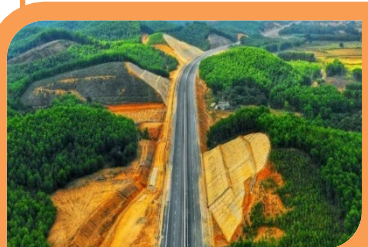
- Hoa Binh - Moc Chau Expressway
- Huu Nghi - Chi Lang Expressway
- Dong Dang - Tra Linh Expressway
- System of ring roads
- Hanoi urban railway system

Central Coast



- North-South Expressway
- North-South high-speed Railway

Central Highland



- Buon Ma Thuot - Nha Trang Expressway
- Tan Phu - Bao Loc Expressway
- Highland - Central Coast Highway

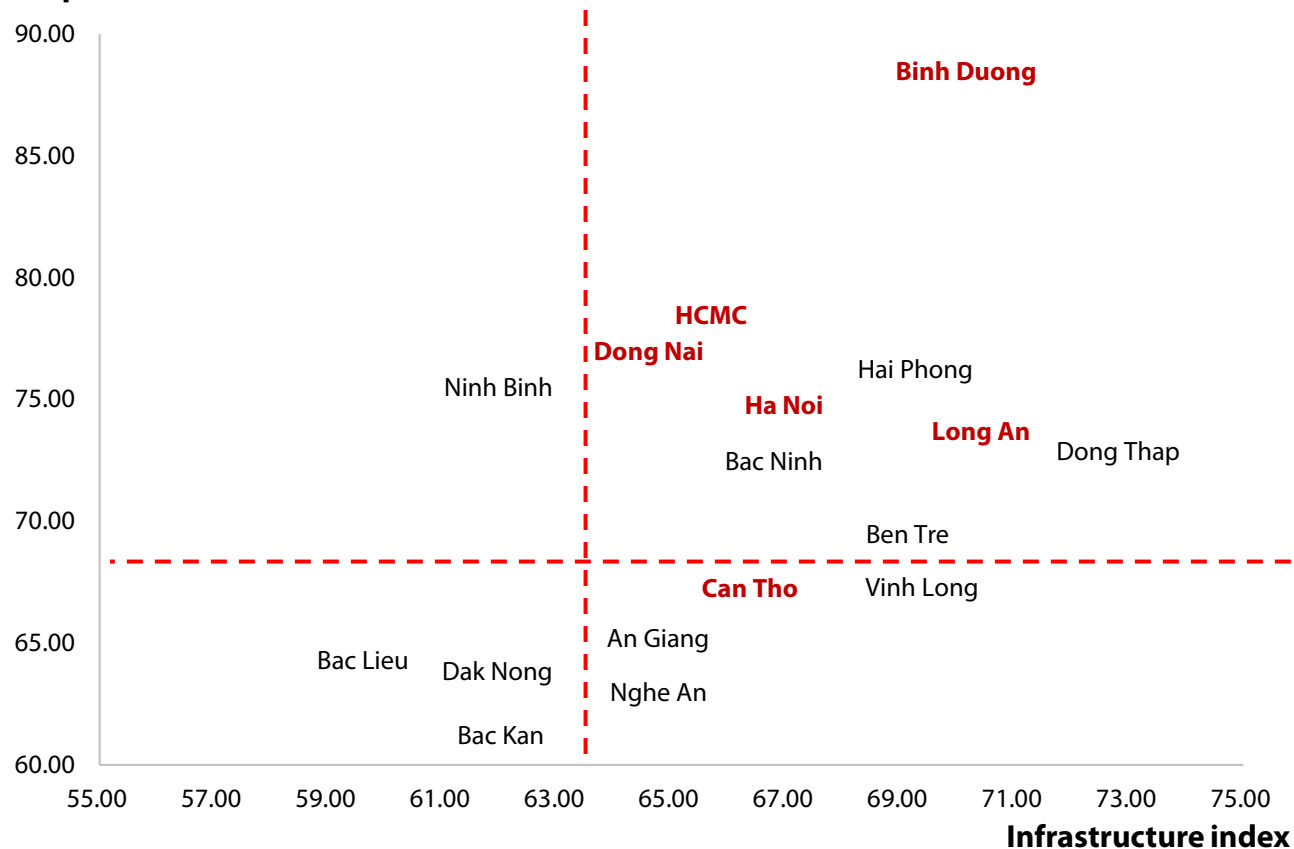
The South



- Phan Thiet - Dau Giay Expressway
- Bien Hoa - Vung Tau Expressway
- Can Tho - Ca Mau Expressway
- Ho Chi Minh City - Thu Dau Mot - Chon Thanh Expressway
- Ho Chi Minh City Metro lines
- Long Thanh International Airport

Figure 13: Provincial Competitiveness and Infrastructure Indices (2020)

Competitive index



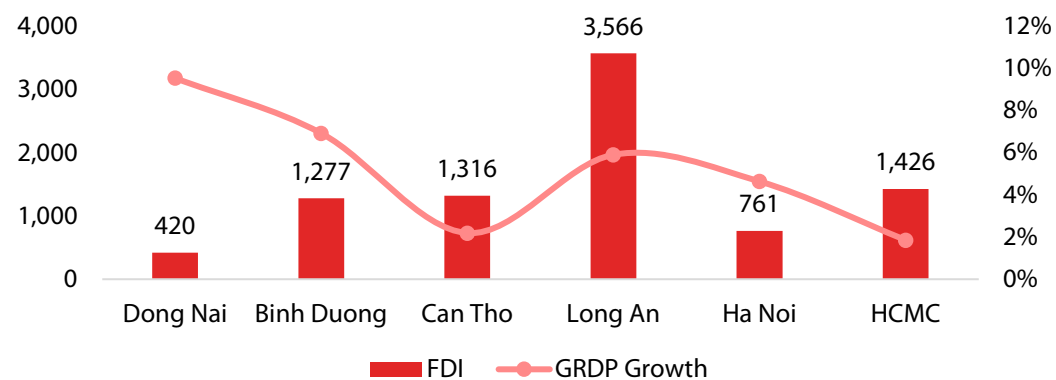
Source: PCI Vietnam

Note: The group of potential provinces is the group in the first quadrant, with the competitiveness index and infrastructure index greater than the national median.

NOTABLE PROVINCES

- Among the provinces, the most prominent provinces are **Ho Chi Minh City, Hanoi, Long An, Dong Nai, Binh Duong and Can Tho**
- These are localities that both have advantages in infrastructure development along with good competitiveness.
- The growth rate of GRDP along with foreign direct investment (FDI) is always among the top in the country.

Figure 14: FDI (June 2021, trillion) and GDP growth (2020)



Source: Rong Viet Securities

HCMC: K-coefficient and major infrastructure projects

- HCMC leads the nation in budgeted infrastructure investment for 2021-2025 (~VND 638,500 billion or USD 28 Bn). Notable projects include Metro No.1, Ring road 3, Thu Thiem Bridge 2.
- The revised K-coefficient (land adjustment coefficient) **accelerates compensation procedure for at least six months by making the compensation price closer to the market price.**

NOTABLE PROJECTS



Thu Thiem bridge 2

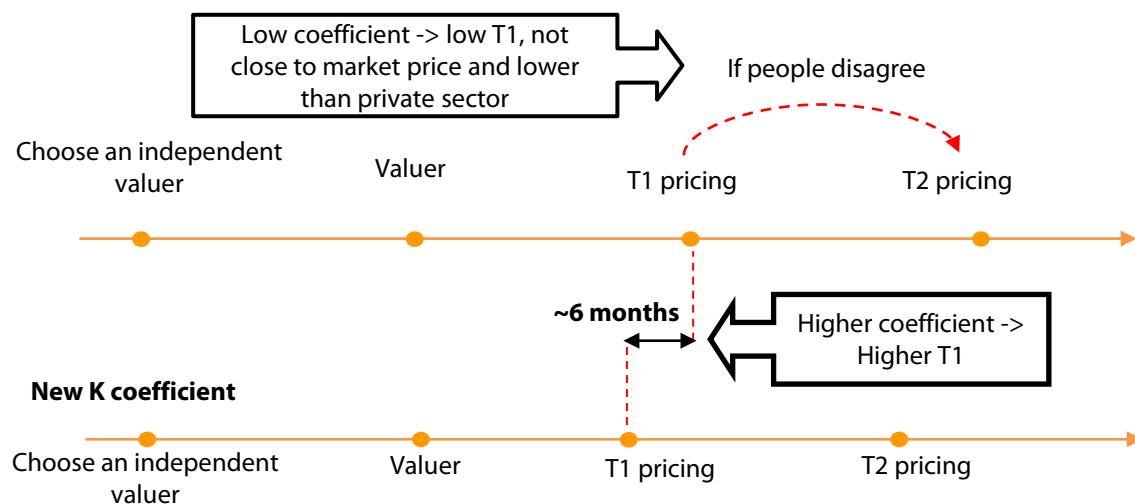


Metro No 1



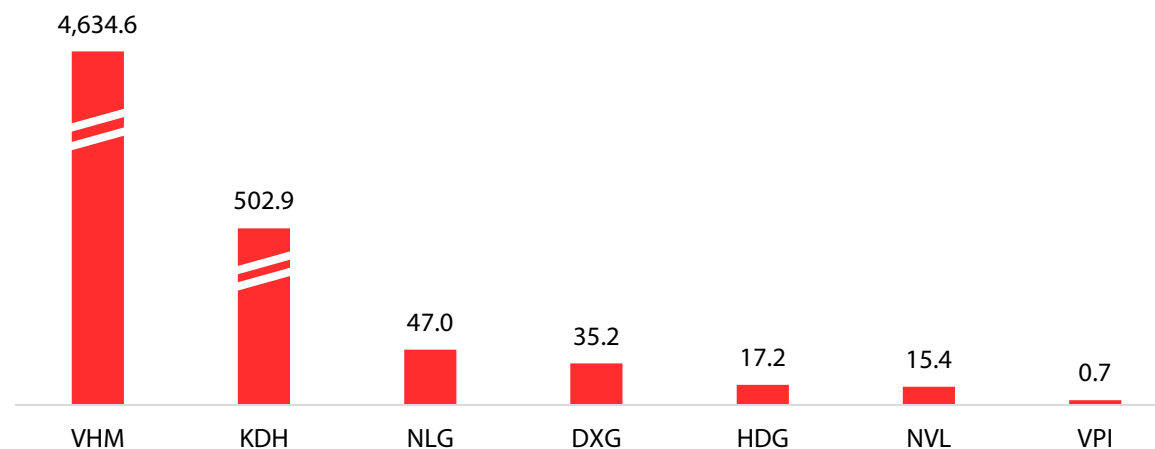
HCMC - Long Thanh - Dau Giay expressway

Figure 15: "Before and after" with the adjustment for K coefficient



Source: Rong Viet Securities

Figure 16: Land bank of listed companies in HCMC (ha)

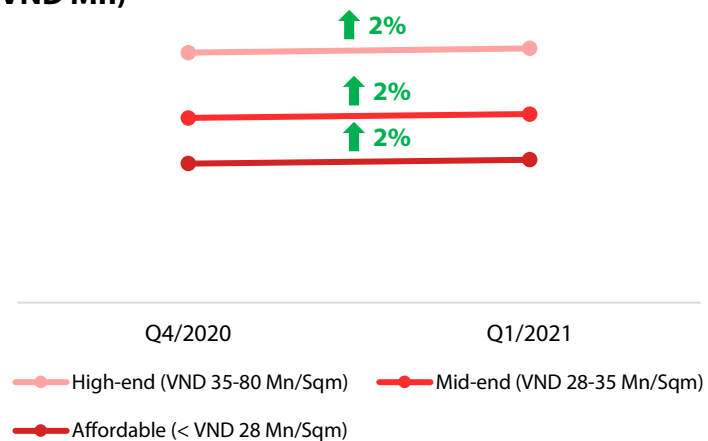


Source: Rong Viet Securities

Ha Noi

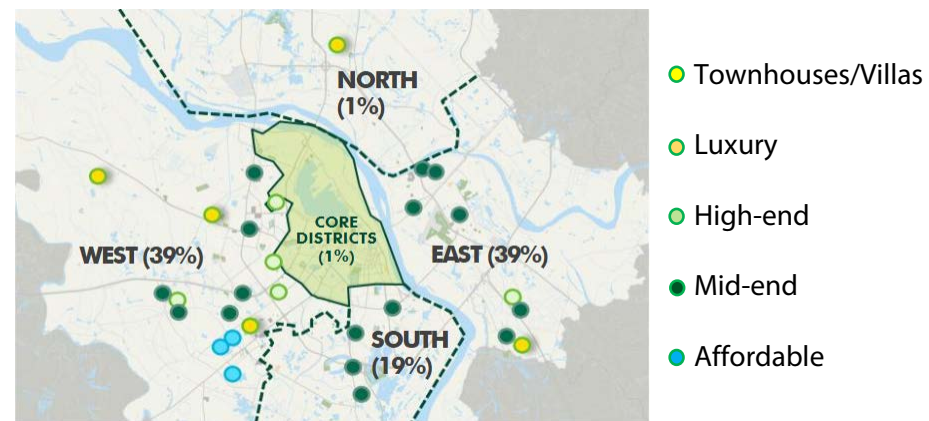
- The economic, political and social center of the country, security and safety.
- Currently, the trend of Hanoi real estate is shifting to **the East given the upgrade of eight wards to districts from 2026 - 2030**
- The apartment market is still favorable given customer interest of **+21%** (QoQ) and asking price **+2.6%** (QoQ) in Q2/2021 (according to statistics from Batdongsan.com).

Figure 17 : Average asking price volatility in Hanoi (VND Mn)



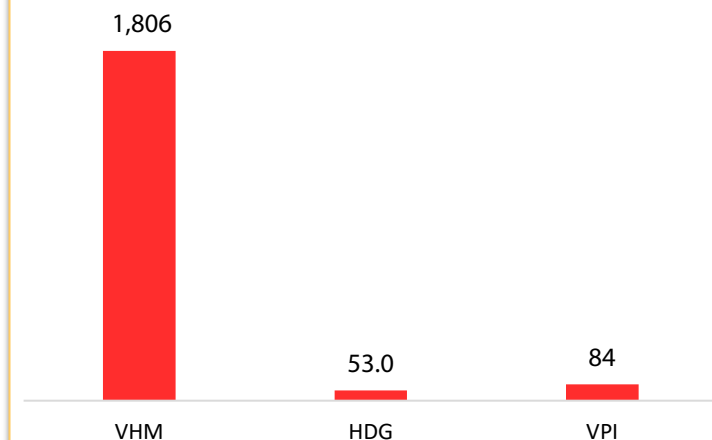
Source : Batdongsan.com

Figure 18: Supply map of apartments for sale in Hanoi 6M/2021



Source: CBRE

Figure 19: Land bank of some large real estate developers in Hanoi (ha)

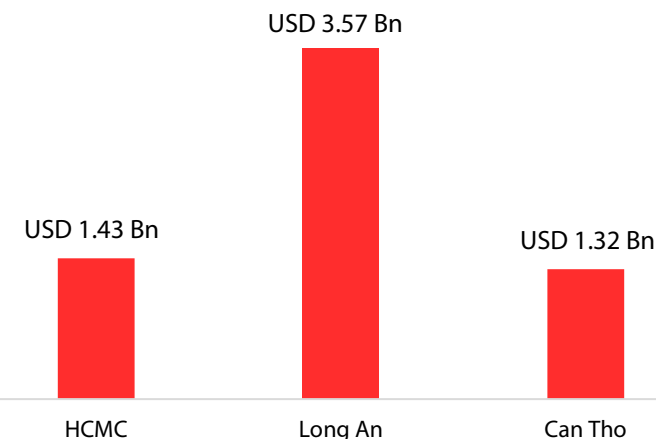


Source: Rong Viet Securities

Long An

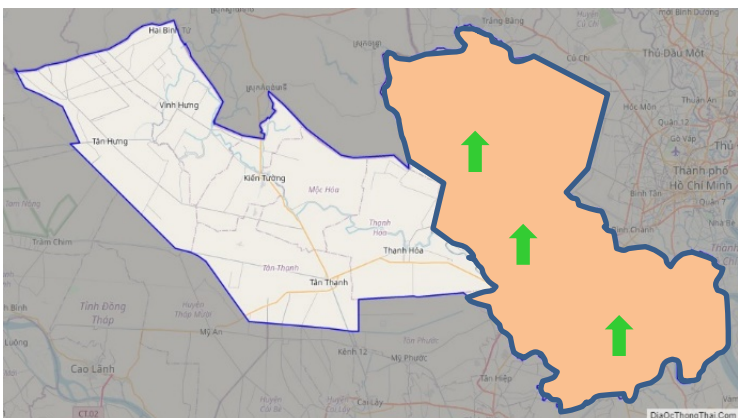
- **The hyphen** between the two key economic regions of the East and the Southwest, attracting the highest FDI in the country in H1 2021.
- Expanded area to relocate industrial plants most conveniently way from HCMC.
- Between 2021 and 2025, Ho Chi Minh City will upgrade 3 districts of Binh Chanh, Nha Be, and Hoc Mon into **urban governments** that actively support the price of Long An real estate in neighboring districts.
- Many infrastructure projects are being implemented: upgrading national highways 1A, 50, 62, N2. Expressways Ho Chi Minh City - Trung Luong, Ben Luc - Long Thanh. From 2021 to 2025, Long An is expected to spend about **VND 21,416 Bn** to invest in infrastructure upgrading and urban development.

TOP 1 FOR FDI ATTRACTION 6M/2021



Source: Foreign Investment Department

Figure 20: Potential areas to increase prices when 3 districts of HCMC level up



Source: Rong Viet Securities

infrastructure



High connectivity between the region and industrial zones is the main driver of the price increase of Long An real estate

Source: Rong Viet Securities

Industrial Park



Nam Long is a notable player with 355 ha of land banks in Long An

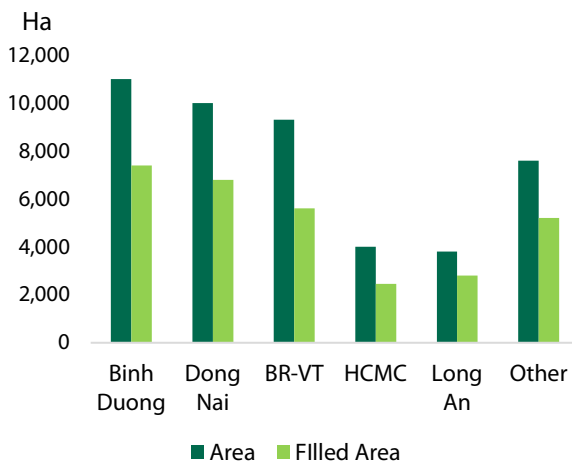


NAM LONG

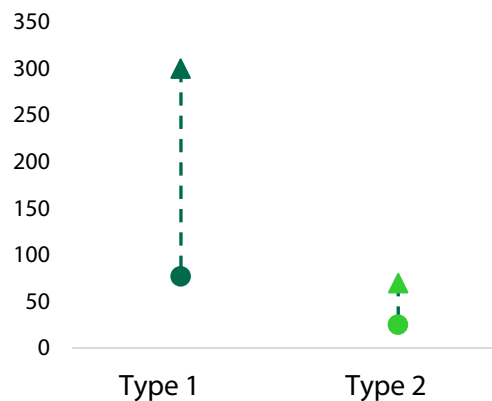
Binh Duong: Leading region regarding the number of industrial parks and GDP per capita

- Total area of industrial parks ranks #1 in the country: **62 industrial parks** with nearly **11,000 ha**.
- GDP per capita is the highest in the country with about **VND 7.034 Mn/month**, which is a key catalyst for sustainable demand given the higher purchase area than other regions in general.
- Notable future infrastructure projects promoting Binh Duong real estate: My Phuoc Tan Van overpass, HCMC - Thu Dau Mot - Chon Thanh Expressway.

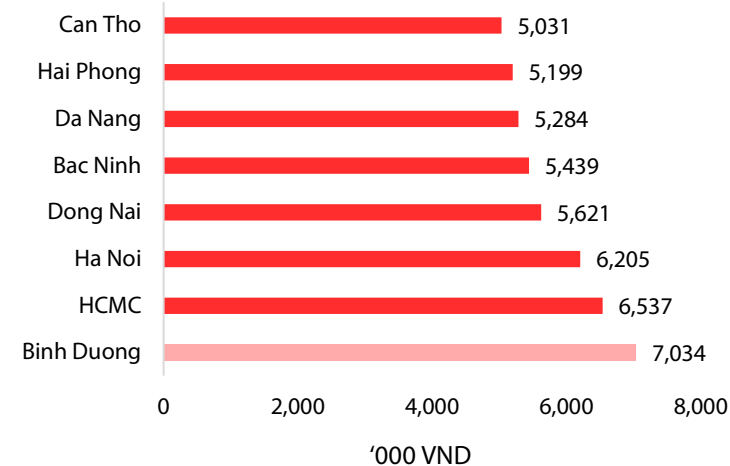
TOP TOTAL AREA OF INDUSTRIAL PARKS



Industrial land rental price in the South



TOP GDP PER CAPITA



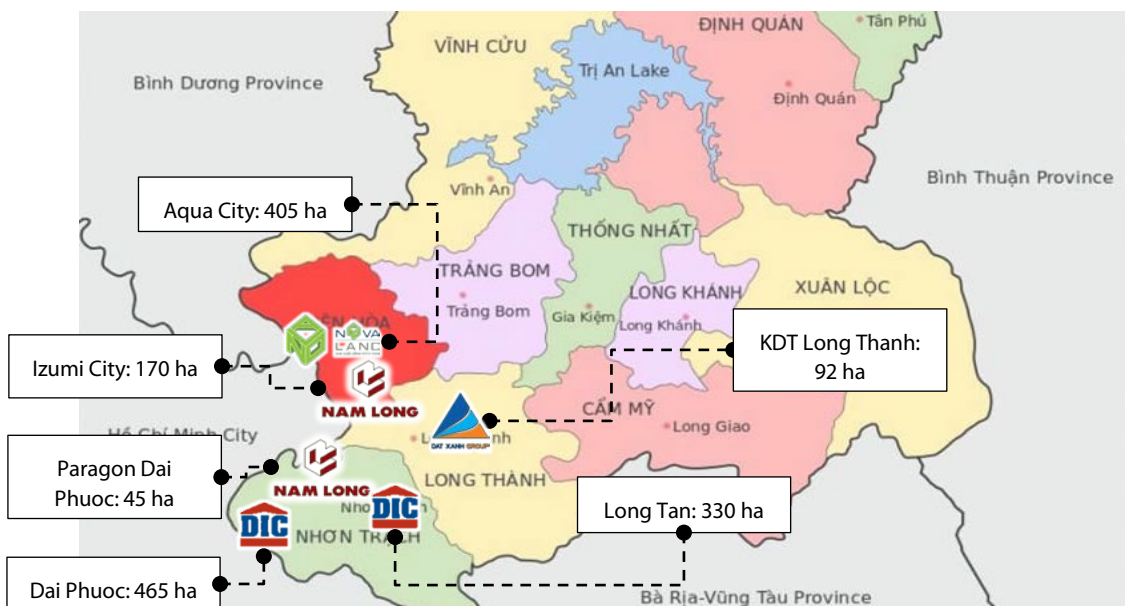
Source: CBRE, Rong Viet Securities

Source: Rong Viet Securities

Dong Nai: Adjacent to the East of Ho Chi Minh City with several infrastructure projects

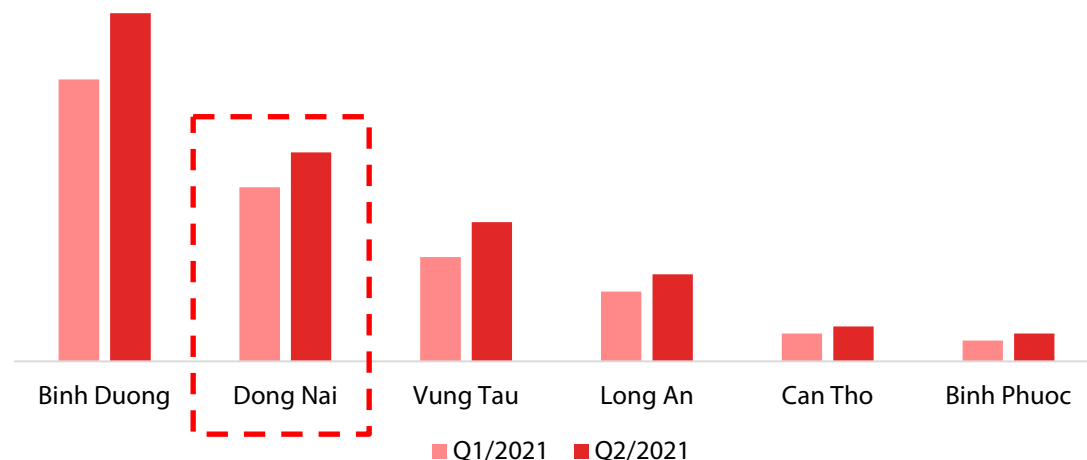
- Favorable geographical location, adjacent to Ho Chi Minh City and many key infrastructure projects connecting with neighboring areas: Ho Chi Minh City - Long Thanh - Dau Giay, Ring road 3 and Long Thanh International Airport...
- Dong Nai continues to receive a lot of attention from investors in 6M2021, ranking 2nd according to Batdongsan.com. Dong Nai will continue to be an attractive market due to: (1) the land bank is still abundant and cheaper than HCMC, (2) the connective infrastructure would shorten the travel time from Dong Nai to HCMC.

Figure 21: Residential projects of listed companies in Dong Nai



Source: Rong Viet Securities

Figure 22: The level of interest in the southern provinces (Index)

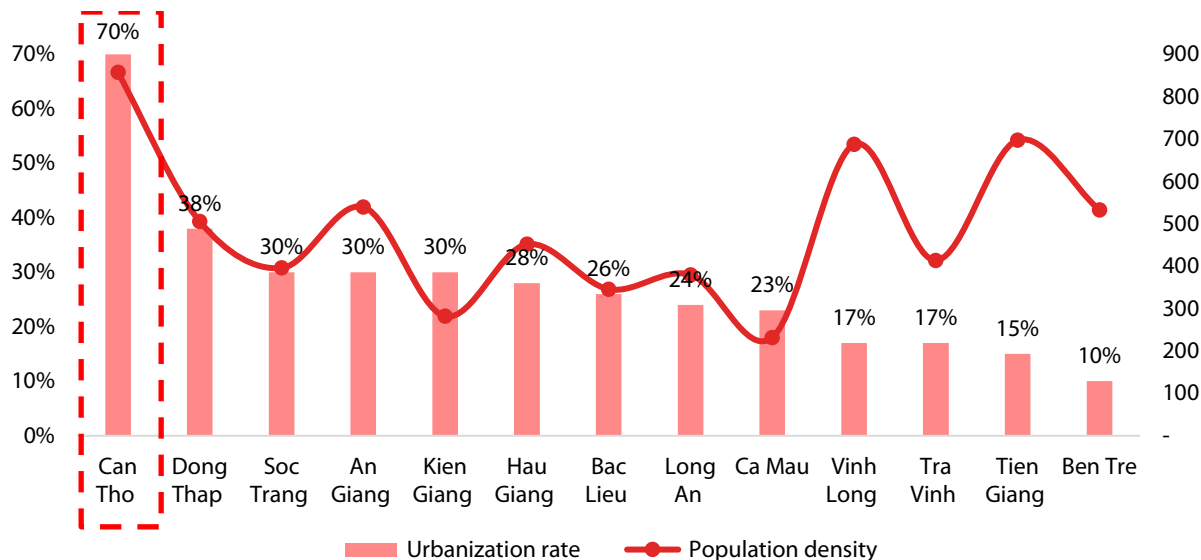


Source: Batdongsan.com

Can Tho: To be the most vibrant real estate market in the Mekong Delta

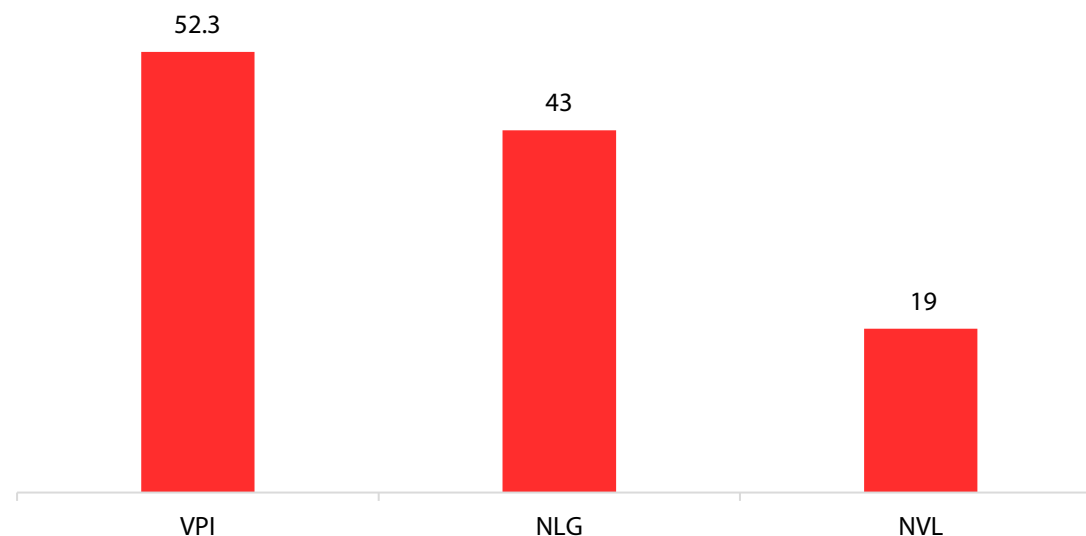
- Being the urban center of the Mekong Delta, Can Tho has high population density and high urbanization rate compared to neighboring provinces.
- Large land banks at low price.
- Transport infrastructure has seen investments. Particularly, there are several expressway projects connecting to HCMC such as Trung Luong - My Thuan and My Thuan - Can Tho highways (shortening the time to HCMC to only two hours), or with other areas in the region, such as Can Tho - Ca Mau highways, Chau Doc - Can Tho - Soc Trang highways, etc.

Figure 23: Urbanization rate (% , LHS), population density (people/km2, RHS)



Source: General Statistic Office, Rong Viet Securities

Figure 24: Land bank of listed companies (ha)



Source: Rong Viet Securities

New decrees and laws show consistency in the legal system and support the real estate investment processes.

- In early 2021, many new laws and decrees took effect, uniting the legal system of the real estate industry.
- There are issues that have not been completely resolved. For example, some projects whose type of land use is agricultural or non-agricultural land yet residential have been stuck in investor recognition step for many years. The new decrees/laws have not addressed that yet.

Figure 25: Typical legal process for a real estate project and positive impact of several Decrees and Laws

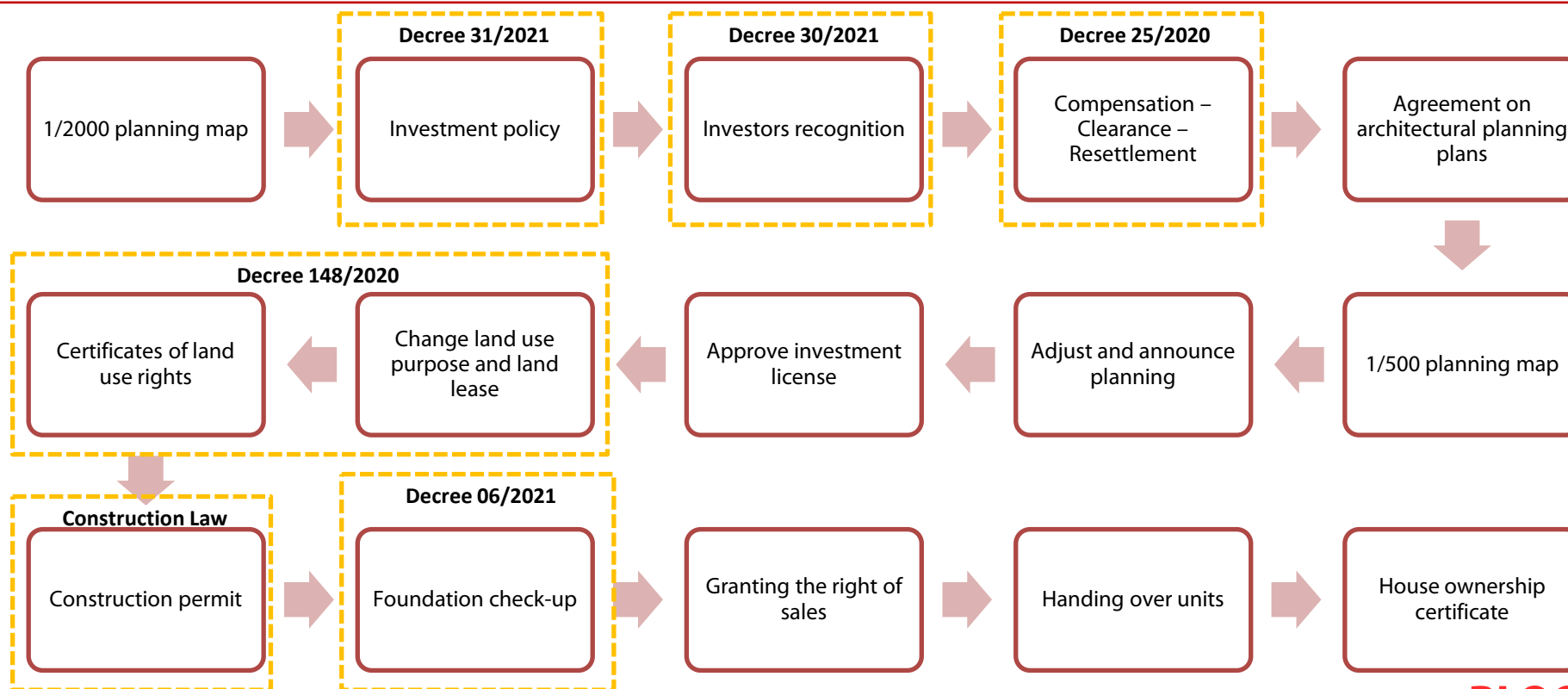
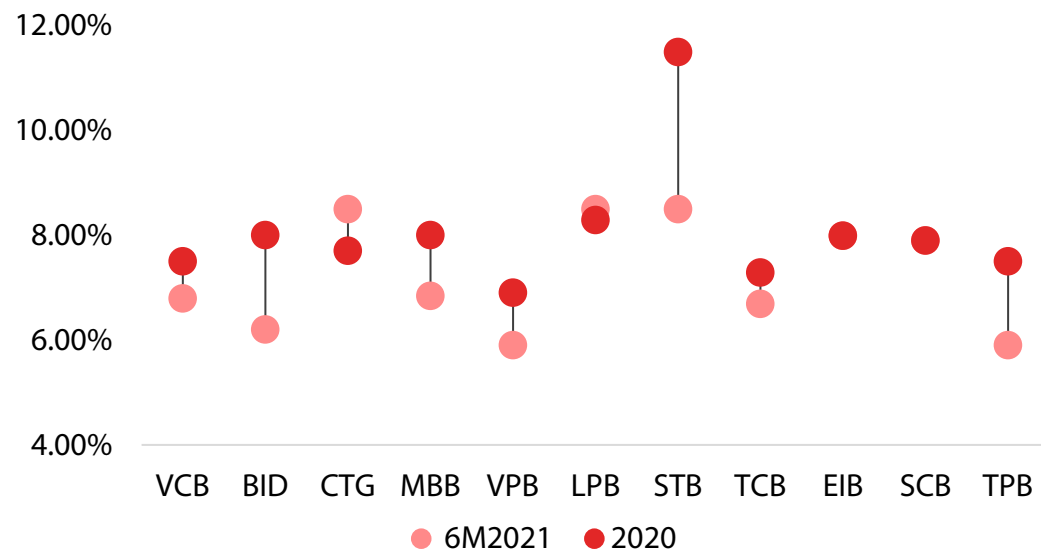


Figure 26: Home loan preferential interest rates 2020 and 6M2021



Source: Rong Viet Securities

- As of June 2021, domestic banks still maintained low home loan interest rates and even continued to decrease them rate slightly compared to that at the end of last year.
- Given the current complicated situation of the Covid-19 pandemic, we believe that the central bank will prolong its loose monetary policy to support economic growth. Therefore, the low-interest rate environment, at least until the end of this year, will be maintained.

- Covid19 affects construction procedure in Q3 2021. We expect the resumption of activities including sale launches and construction to ramp up in Q4 2021 given the opening of the economy, per our macro view. However, it will strongly affect the market if the lockdown continues in Q4 2021

Figure 27: The fourth Covid-19 wave was severe

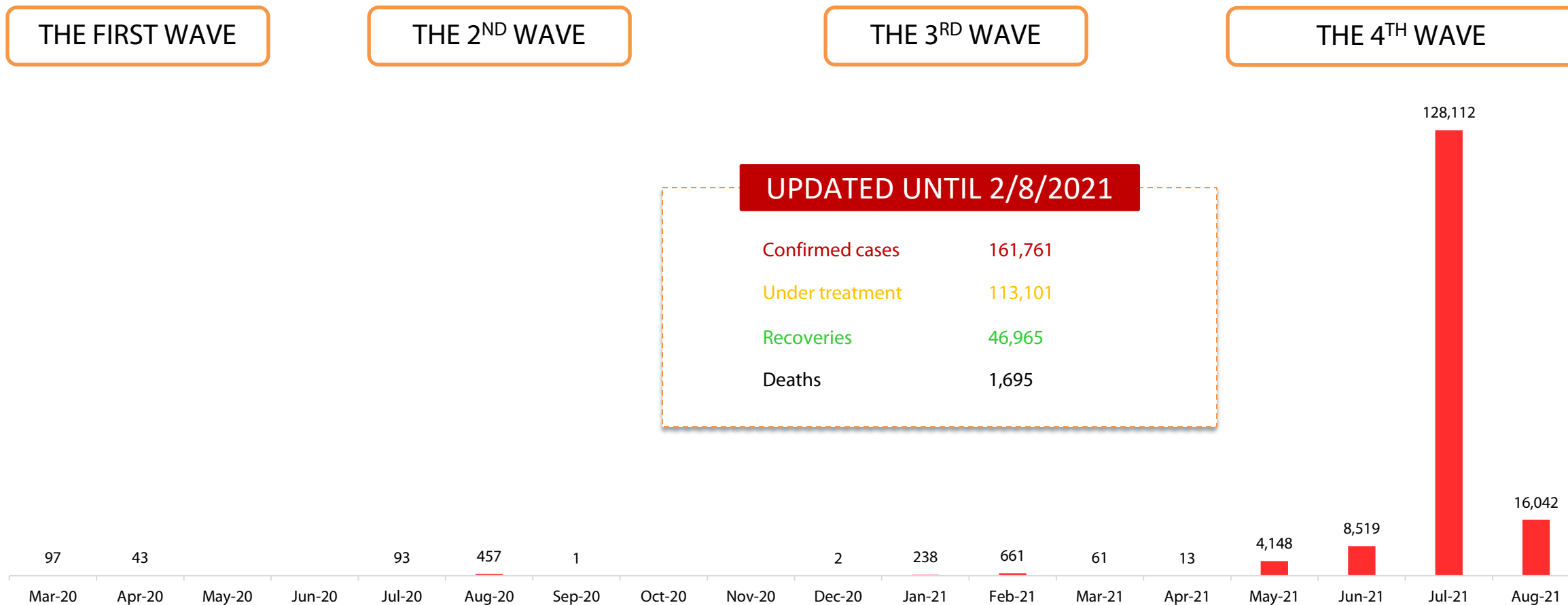
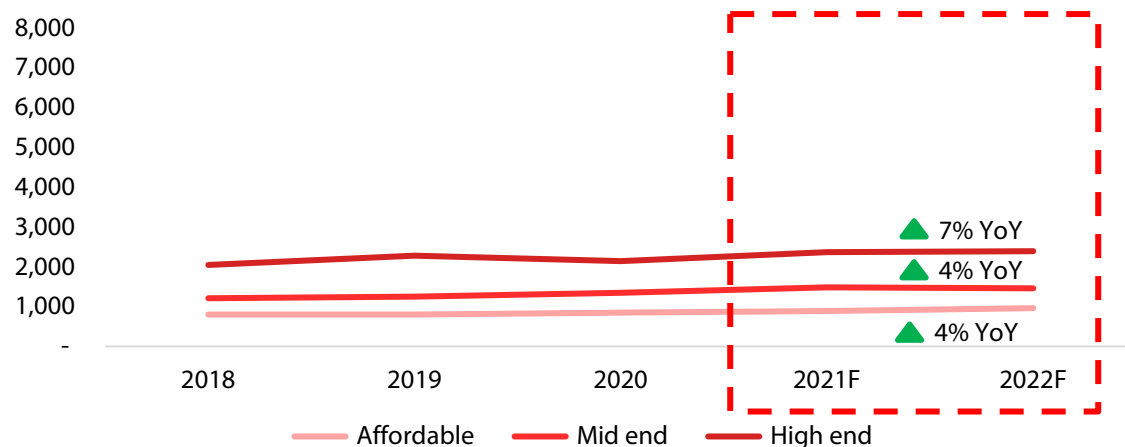
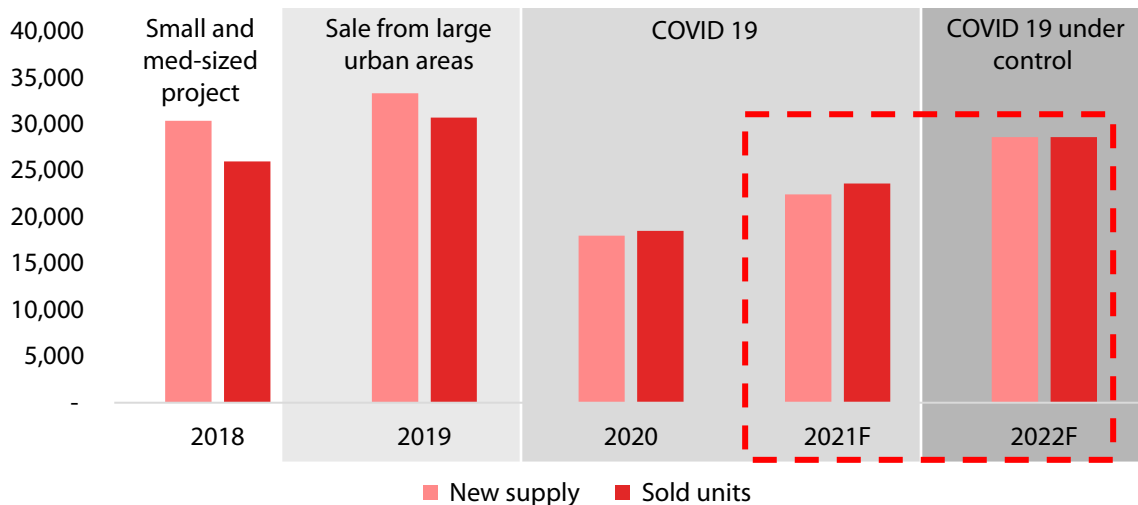


Figure 28: Estimated primary selling price of Hanoi apartments (USD/m2)



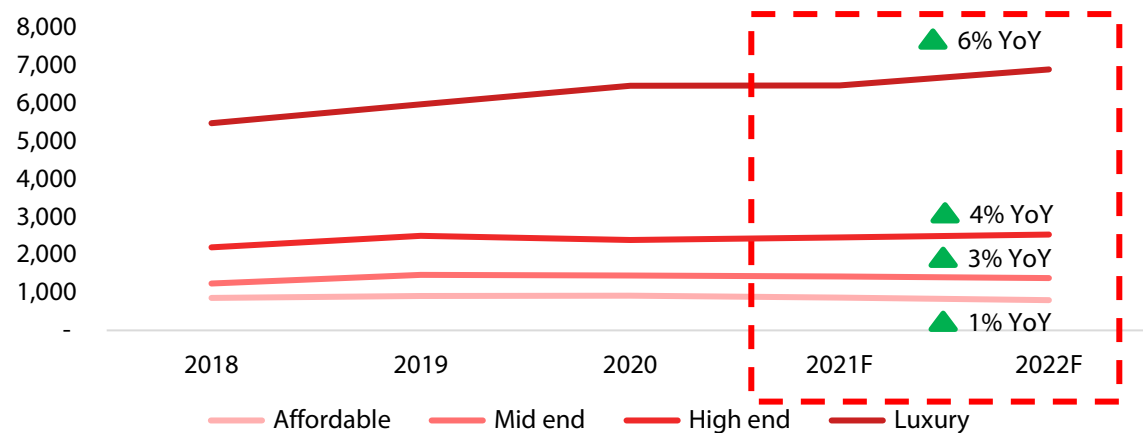
Source: CBRE

Figure 30: Forecast of supply and demand 2021F 2022F in Hanoi (units)



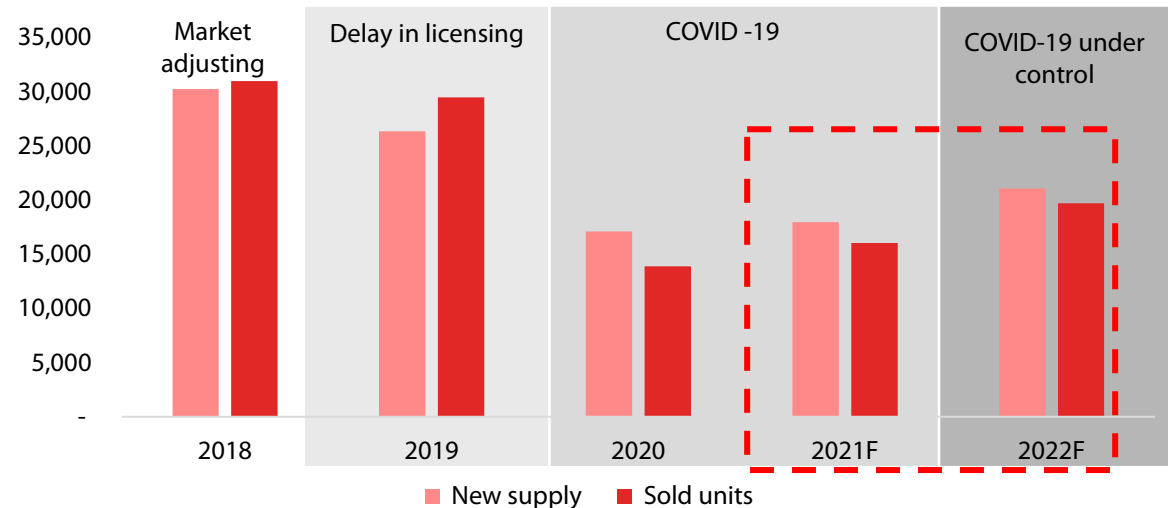
Source: CBRE

Figure 29: Estimated primary selling price of HCMC apartments (USD/m2)



Source: CBRE

Figure 31: Forecast of supply and demand 2021F 2022F in HCMC (units)



Source: CBRE

Table 1: K coefficient by region

Region	K coefficient	
Residential land (for street frontage)		
District 1, 3, 5, 6, 7	4,5	
District 4, 8, Tan Binh, Phu Nhuan	5,5	
District 10	6	
District 11	5	
District 12	12	
Binh Thanh	4	
Tan Phu, Thu Duc City	7,5	
Go Vap	8,5	
Binh Tan, Binh Chanh	6,5	
Nha Be	8	
Can Gio	9	
Hoc Mon	11	
Cu Chi	13	
Agricultural land		
	Agricultural land in frontage/in residential area	Pure agricultural land
District 1,3,4,5,6,8,10,11, Tan Binh, Tan Phu, Phu Nhuan, Go Vap, Binh Thanh	35	30
District 7, 12, Binh Tan, Thu Duc City	25	20
Binh Chanh District, Cu Chi, Nha Be, Hoc Mon	20	15

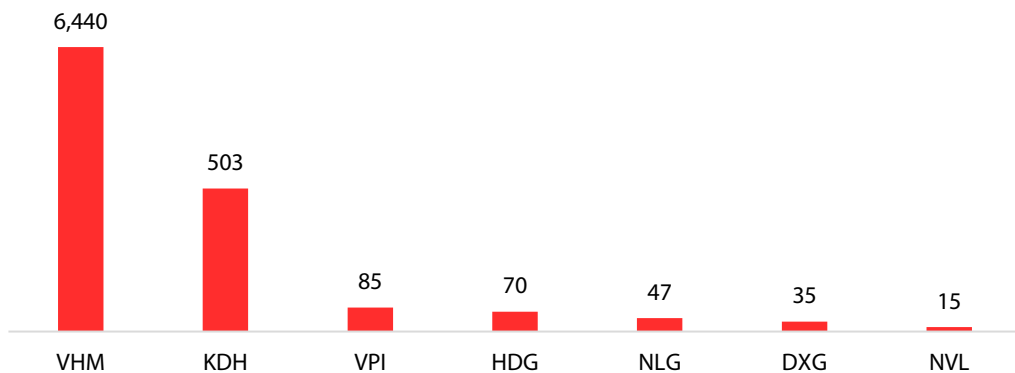
Source: Rong Viet Securities compiled

Table 2: Home loan interest rates 2020 and 6M2021

Bank	Preferential interest rates (June 2021)	Preferential interest rate (2020)	Difference
Vietcombank	6.79%	7.50%	↓ -0.71%
BIDV	6.20%	8.00%	↓ -1.80%
Vietinbank	8.50%	7.70%	↑ 0.80%
MB	6.84%	8.00%	↓ -1.16%
VPBank	5.90%	6.90%	↓ -1.00%
Lienvietpostbank	8.50%	8.29%	↑ 0.21%
Sacombank	8.50%	11.50%	↓ -3.00%
Techcombank	6.69%	7.29%	↓ -0.60%
Eximbank	7.99%	7.99%	→ -
SCB	7.90%	7.90%	→ -
TPBank	5.90%	7.50%	↓ -1.60%

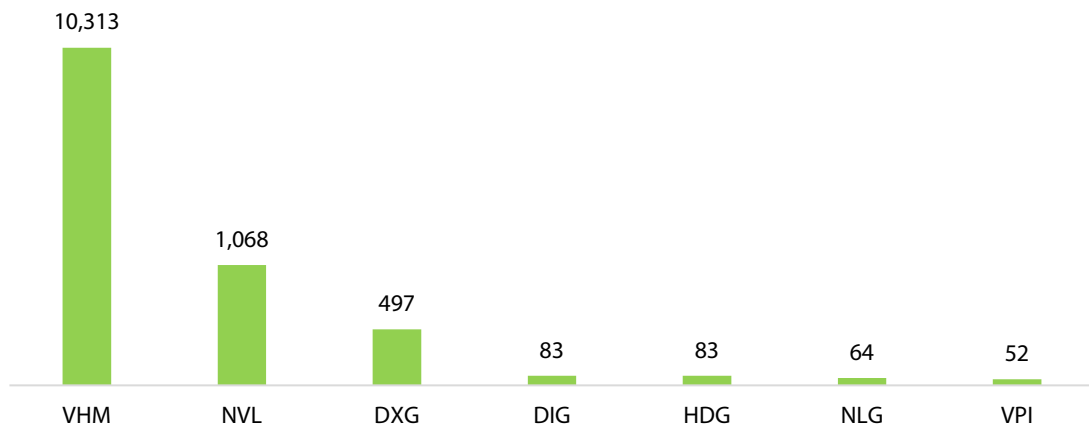
Source: Rong Viet Securities compiled

Figure 32: Land bank of listed companies in Ha Noi and HCMC (ha)



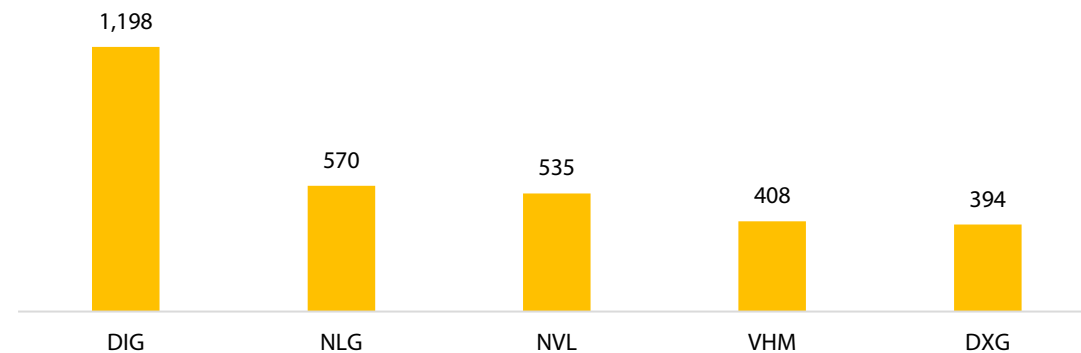
Source: Rong Viet Securities

Figure 34: Land bank of listed companies in other provinces (ha)



Source: Rong Viet Securities

Figure 33: Land bank of listed companies in neighboring provinces (ha)



Source: Rong Viet Securities

(*) Neighboring provinces of HCMC and Hanoi

- **VHM, DIG, NLG, KDH, NVL** are notable players with large land banks.

Table 4: Some prominent legal documents related to the real estate market

Documents	Effective date	Some positive points to the market compared to the previous law
Land Law 2013	01/07/2014	More equality in land access between domestic and foreign investors Changing the land price mechanism, adding the role of a third party to participate in the land pricing steps Reduce procedure costs
Law on Real Estate Business 2014	01/07/2015	Licensed to do business in houses and construction works to be formed in the future Establishing a real estate business with a legal capital of not more than 20 billion VND (Law 2006 stipulates 6 billion VND) Real estate formed in the future, if you want to sell or lease or purchase a house, you must have a guarantee Abolish the requirement for real estate transactions to go through the trading floor
Law on Housing 2014	01/07/2015	Foreigners are allowed to buy and own houses in Vietnam The investor must issue a certificate to the home buyer within 30 days from the date of handover
Decree 25/2020/ND-CP	20/04/2020	Land allocation to the winning investor is implemented immediately after completing the compensation, supporting resettlement of the project site, helping to speed up the land allocation. Eliminating the prequalification step for land use projects also helps to reduce the time and order of procedures in the process of selecting investors for the project.
Construction Law 2020 (amendment)	01/01/2021	Add projects exempt from construction permits Licensing duration is shortened to 20 days (Former Law 30 days) Abolish the regulation on sufficient capital to start construction
Investment Law 2020	01/01/2021	Foreign ownership up to 50% (Former law: 51%) Eliminating legal capital requirements for real estate businesses If the transfer between foreign investors does not increase the total ownership ratio, there is no need to apply for M&A approval
Decree 06/2021/ND-CP	26/01/2021	Add more responsibility of the investor for quality management, construction and maintenance of construction works Additional construction inspection and safety requirements
Decree 148/2020/ND-CP	08/02/2021	Dealing with interspersed public land: clear guidelines, facilitate the promotion of projects stuck by interspersed land
Decree 30/2021/ND-CP	26/03/2021	Clarifying the concept of project owner and investor Expanding 1 more condition for project owner recognition Management fees are clearly and transparently regulated
Decree 31/2021 ND-CP	26/03/2021	Stipulating the order and procedures for accepting and adjusting the investment policy, investment certificate, ...

Figure 35: Price movements of some real estate stocks compared to VN Index

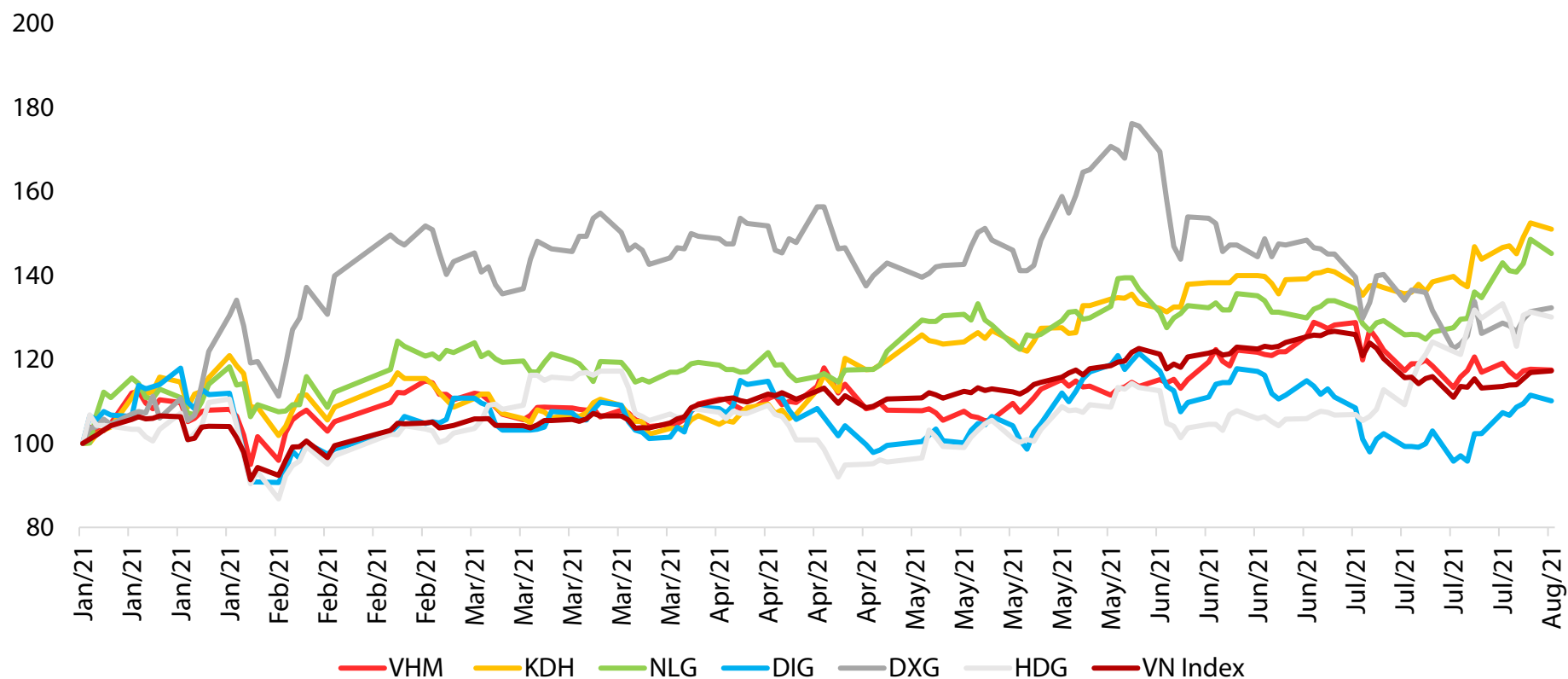


Table 5: HCMC - Notable Current Supply

No	Name of Project/Building	Developer	Location	Completion Year	Number of units	Asking Price (USD/sqm)
1	The Marq	Honkongland	District 1	2022	515	8,130
2	The metropole	Sonkimland	Thu Duc City	Q3/2021	646	7,909
3	The River	City Garden	Thu Duc City	Q3/2021	525	5,700
4	Sunshine City Saigon	Sunshine Group	District 7	Q3/2021	3,748	2,250
5	Q7 Saigon Riverside	Hung Thinh Corp.	District 7	Q1/2023	3,580	1,504
6	Saigon Sports City	Keppel Land	Thu Duc City	Q1/2022	4,300	3,653
7	Saigon Riverside City	Hiep Phuc Corp	Thu Duc City	Q2/2021	1,729	1,030
8	Lavita Charm	Hung Thinh Corp.	Thu Duc City	Q2/2021	939	1,146
9	Masteri Parkland	Thao Dien Investment	Thu Duc City	Q4/2022	800	2,379
10	Laimian City	HDTC	Thu Duc City	Q2/2021	13,092	2,812
11	Vinhomes Grand Park	Vingroup	Thu Duc City	Q2/2021	10,000 (Phase 1)	1,428
12	Green Towers Thao Dien	Oxley MK Holdings	Thu Duc City	Q4/2022	270	6,000
13	Cove Residence (Empire City)	Keppel Land	Thu Duc City	Q4/2022	136	3,500
14	West Gate	An Gia	Binh Chanh	Q4/2021	1,146	1,500

Table 6: HCMC - Notable Future Supply

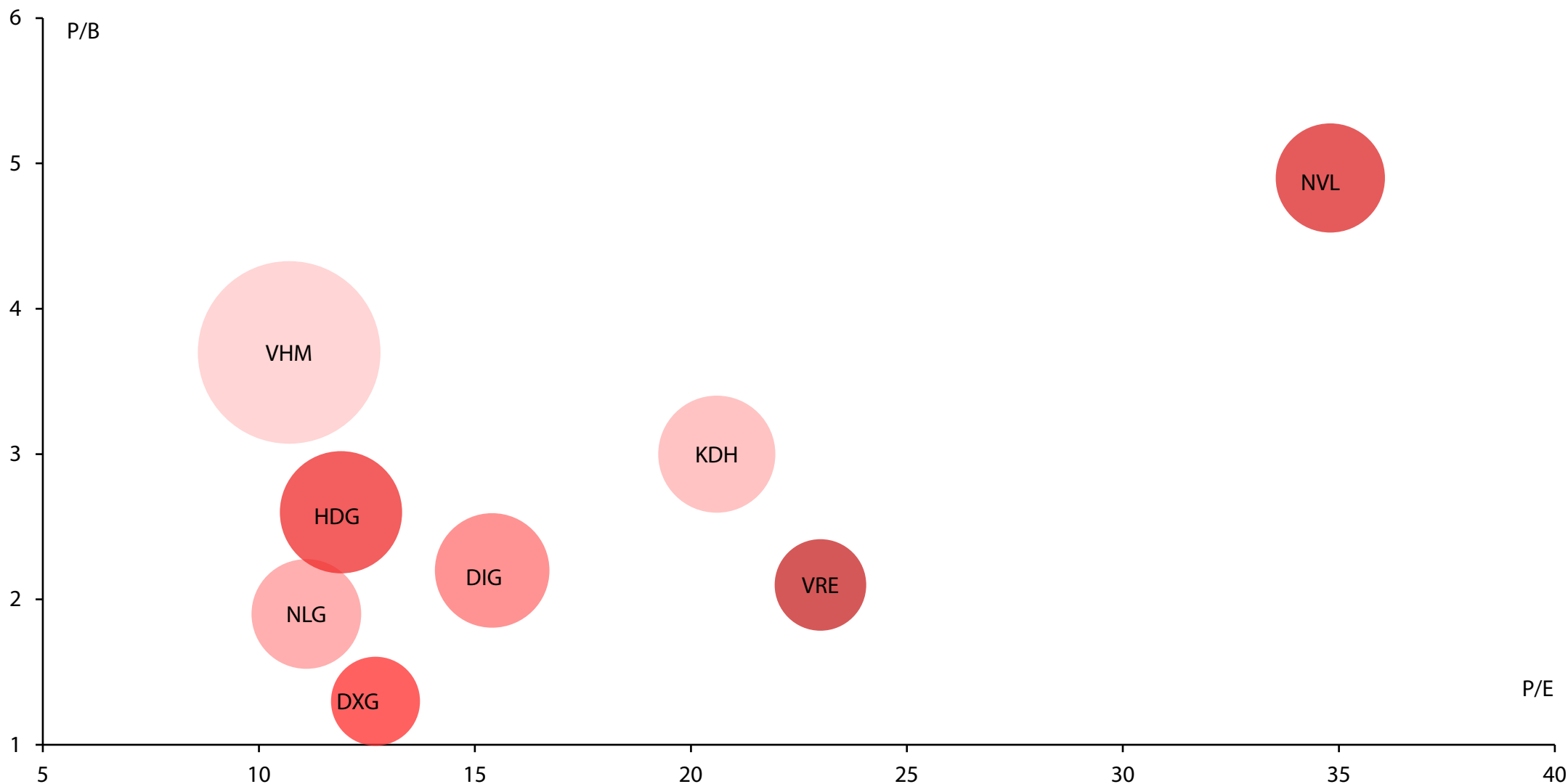
No	Name of Project/Building	Developer	Location	Completion Year	Number of units
1	Grand Manhattan	Novaland	District 1	Q4/2021	967
2	Akari City	Nam Long	Binh Chanh	2021	3,336
3	Mizuki Park	Nam Long	Binh Chanh	2021	3,273
4	Cape Pearl	SSG	Binh Chanh	2022	1,066
5	Lancaster Legacy	TTG	District 1	2021	419
6	Ventosa Luxury	Vietcomreal	District 5	2021	340
7	Cosmo City	Paujar Group	District 7	2021	228
8	Sunshine Diamond River	Sunshine	District 7	2021-2022	6,533
9	Ascent Garden Home	Tien Phat	District 7	2020-2021	478
10	Celesta Height	Keppel and Phu Long	Nha Be	2021	200
11	Empire City - Next phase	Keppel Land	Thu Duc City	2021	281
12	Masterise Center Point	Masterise Homes	Thu Duc City	2021-2022	5,049
13	Laimian City	HDTC	Thu Duc City	2021	12,871
14	King Crown Infinity	Gia Khang	Thu Duc City	2021	739

Table 7: Hanoi - Notable Future Supply

No	Name of Project/Building	Developer	Location	Completion Year	Number of units
1	Hanoi Golden City	Hoa Binh Group	Ba Dinh	2021	500
2	Panorama Hoang Mai	KLB	Hoang Mai	2021	1,650
3	The Manor Central Park	Bitexco	Hoang Mai	2021	763
4	Sunshine Green Iconic	Sunshine	Long Bien	2022	386
5	The Jade Orchid	Vimefulland	Long Bien	2021	2,176
6	BRG Park Residence	BRG Group	Thanh Xuan	2021	662
7	Masterise Smart City	Masterise Homes	Tu Liem	2021	3,600
8	Sunshine Empire	Sunshine	Tay Ho	2022	800
9	FLC Premier Park	FLC	Tu Liem	2022	870
10	BRG Smart City	Sumitomo	Tay Ho	2022	7,000
11	Vinhomes Co Loa	Vinhomes	Tay Ho	2022	3,000

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)
VHM	15,393	N/A	86.9%	49.2%	36.2%	35.2%	39.2%	37.3%	15.6%	36.6%	0.0%	10.7	3.7
KDH	1,087	45,200	63.8%	10.7%	32.7%	32.5%	9.6%	24.4%	8.6%	14.7%	0.0%	20.6	3.0
NLG	527	49,900	-3.3%	-93.5%	1.9%	0.6%	19.0%	49.2%	6.6%	13.2%	0.0%	11.1	1.9
HDG	374	63,400	-29.4%	-11.7%	47.7%	41.0%	-23.1%	25.7%	4.9%	16.4%	0.0%	11.9	2.6
DXG	487	27,500	82.9%	53.5%	32.1%	31.3%	99.0%	17.3%	3.5%	8.7%	0.0%	12.7	1.3
DIG	449	37,400	15.8%	2.6%	16.3%	16.3%	45.9%	25.2%	6.1%	14.4%	0.0%	15.4	2.2

Source: Bloomberg, Rong Viet Securities. Share price as of Aug 2nd, 2021.



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 02 Aug 2021.

<BUY: 48%>

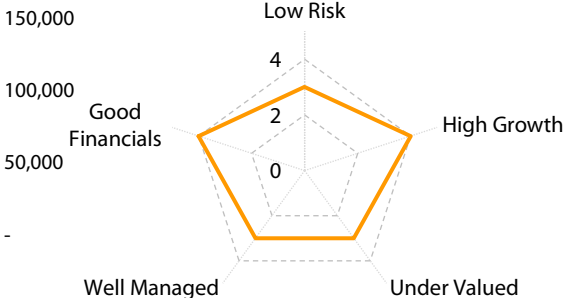
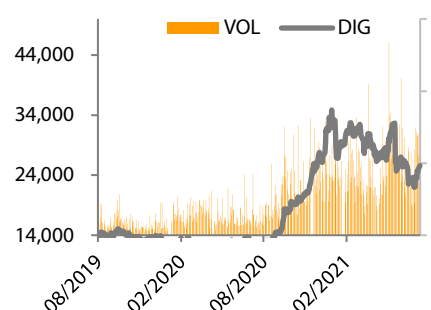
<MP: 25,300>

<TP: 37,400>

STOCK INFO

FINANCIALS

2020A 2021F 2022F



Sector	Real estate
Market Cap (\$ mn)	449
Current Shares O/S (mn shares)	410
3M Avg. Volume (K)	5,589
3M Avg. Trading Value (VND Bn)	150
Remaining foreign room (%)	46.6
52-week range ('000 VND)	12,150 – 34,850

Revenue (VND Bn)	2,487	2,266	4,393
NPATMI (VND Bn)	711	1,301	1,033
ROA (%)	6.3	8.6	4.9
ROE (%)	14.3	19.9	11.6
EPS (VND)	2,160	2,540	2,017
Book Value (VND)	14,818	17,546	19,780
Cash dividend (VND)	-	-	-
P/E (x) (*)	20.0	14.7	18.5
P/B (x) (*)	2.8	2.1	1.9

INVESTMENT RATIONALES

Large land bank is key driver to ensure long-term outlook.

- The large land bank of nearly 1,200 ha (200 ha in Vung Tau, 430 ha in Dong Nai and 530 ha in Ha Nam and Vinh Phuc) will ensure for long-term development.
- In the future, Long Tan (330 ha) will be the main driver thanks to its prime location - Dong Nai, surrounded by many infrastructure projects. Currently, Long Tan is on land clearance phase when 35% of the land is cleared and DIG expects to accelerate the progress financed by straight bond (VND 2,000 Bn or USD 87 Mn) and private placement (issue 75 Mn shares at VND 20,000/share), which is expected to execute in 2H 2021.

NPAT is expected to increase 83% YoY in 2021, mainly attributed by 31 ha land bank transfer from Dai Phuoc in 2H 2021.

- The possible sale in two major projects including Dai Phuoc and Pullman Hotel will bring extraordinary profits for DIG. We expect DIG to record VND 1,100 Bn when they transfer 31 ha of land banks in Dai Phuoc to investors (expect to finish in 2H 2021). For Pullman, management expects to gain USD 90 Mn by selling stakes of Pullman Hotel but we think the deal would be surprising factor in later years.
- For 2021, we expect DIG revenue and NPAT to reach VND 2,266 Bn (-9% YoY) and VND 1,301 Bn (+83% YoY) thanks to the delivery of remaining units of Gateway (over 80% of the total units were delivered in 2020 and management expects to deliver the remaining units in 2021), land lots at Nam Vinh Yen Phase 2 (the Phase 2 was opened for sale in Q1 2020 with 198 land lots so it would be delivered in 2021) and Cap Saint Jacques (90% of total units were sold) and aforementioned other profit from Dai Phuoc land bank transfer.

RISKS TO OUR CALL

- The slower than expected land clearance progress at large scale projects including Long Tan, Bac Vung Tau.

<BUY: 21%>

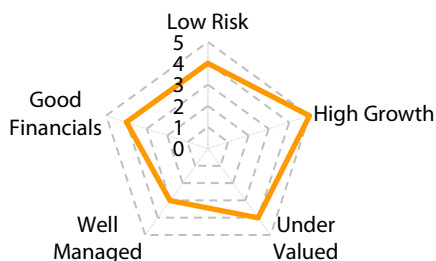
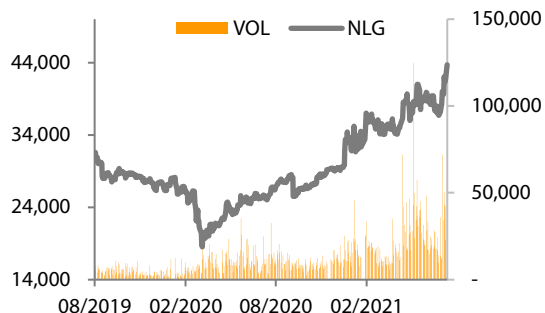
<MP: 42,500>

<TP: 49,900>

STOCK INFO

FINANCIALS

2020A 2021F 2022F



Sector	Real estate
Market Cap (\$ mn)	527
Current Shares O/S (mn shares)	285.3
3M Avg. Volume (K)	3,261
3M Avg. Trading Value (VND Bn)	127
Remaining foreign room (%)	3.7
52-week range ('000 VND)	25,000 – 43,700

Revenue (VND Bn)	2,217	4,435	5,716
NPATMI (VND Bn)	835	1,148	1,152
ROA (%)	6%	7%	5%
ROE (%)	13%	12%	9%
EPS (VND)	3,214	3,190	3,303
Book Value (VND)	21,231	25,555	26,862
Cash dividend (VND)	932	1,500	1,500
P/E (x) (*)	13.9	13.7	13.2
P/B (x) (*)	2.0	1.7	1.6

INVESTMENT RATIONALES

Positive sale results from its main projects in 2021 will secure 22% NPAT growth during 2021 – 2023

- In 2021, the main highlight from NLG is its solid pre-sale performance. In 6M2021, pre-sales value is even larger than in 2020, reaching VND 4,491 Bn (or USD 194 Mn) from 1,070 units of three projects including Flora Akari, Flora Mizuki, Valora Southgate.
- We estimate the pre-sale of 2021 to reach VND 9,317 Bn (or USD 403 Mn) from selling 2,359 units. Specifically, the company will launch 114 units at Mizuki (HCMC), 300 units at Izumi (Waterfront, Dong Nai), 601 units at Southgate (Long An), 271 units at Can Tho project and 3 units at Akari in 2H 2021. These projects offer an affordable selling price, especially in the context of supply shortage in HCMC, Long An and Can Tho. Therefore, we are confident in the success of sales. The rise of pre-sale value in FY2021 will support earnings growth in 2021 – 2023.

The new land banks acquisition plan will likely sustain long term growth

- After the M&A deal to acquire Dong Nai Waterfont in Q1 2021, NLG is on due diligence phase to acquire another 30-40 ha in the East of HCMC (expected to finish this year). The establishment of Thu Duc City (official on Jan 1st, 2021) along with many surrounded infrastructure projects such as new Eastern bus station, bridges and roads will draw attention from investors and homebuyers. Moreover, the proceeds of the private placement (expected to finish on Q3 2021), estimated at nearly VND 2,000 Bn will be a good source for NLG to quickly execute its land banks acquisition plan.

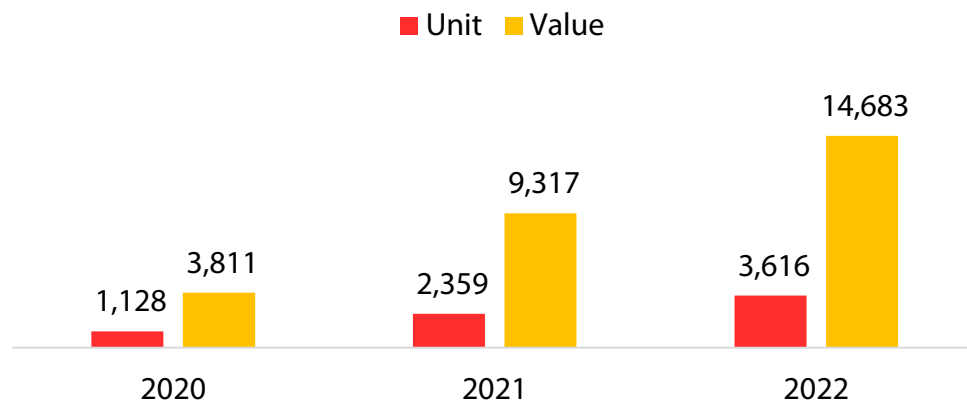
Attractive valuation

- The 2021 forward PER and PBR are 13.7x and 1.7x respectively, which is relatively attractive for a company that continuously increases its land bank. We estimate revenue and profit in 2021 to be VND 4,435 Bn (or USD 192 Mn, +100% YoY) and VND 1,148 Bn (or USD 50 Mn, +38% YoY), contributed by the handover of the Akari project and Waterfront revaluation.

RISKS TO OUR CALL

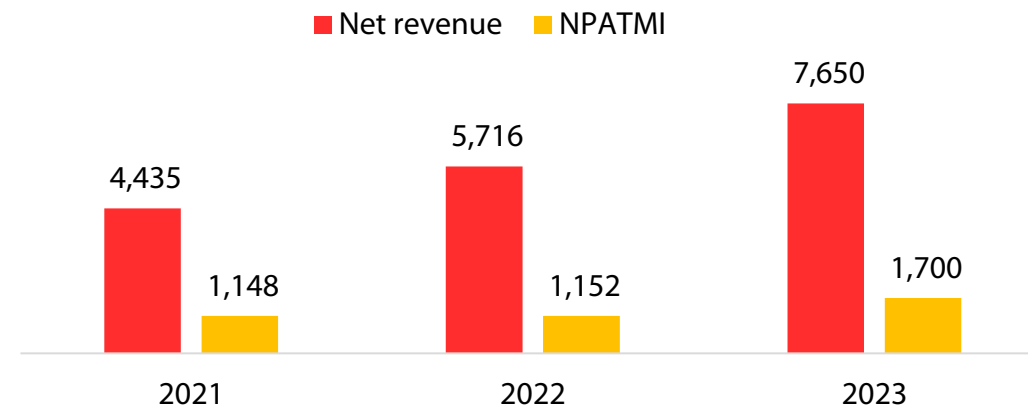
- Delay of sales from lengthened Covid-19 lockdown

Figure 1: Pre-sale units and value (VND Bn) 2020 – 2022F



Source: NLG, Rong Viet Securities

Figure 2: : Net revenue and NPATMI 2021 - 2023 (VND Bn)



Source: NLG, Rong Viet Securities

2H2021 pre-sale performance is expected to keep its momentum from 1H 2021

- 1H2021: In 6M2021, pre-sales value is even larger than for 2020, reaching VND 4,491 Bn (or USD 194 Mn, +209% YoY) thanks to Mizuki, Akari, Southgate projects with 1,070 sold units. In which, Mizuki project is an example of strong homebuyers' interest on NLG products when 646 units were sold within only five hours. For 2021, we estimate pre-sale to achieve VND 9,317 Bn (or USD 403 Mn) from 2,359 units, which is lower than management guideline of VND 13,519 Bn (or USD 585 Mn) from 3,459 units.
- Specifically, the company will launch 114 units at Mizuki (HCMC), 300 units at Izumi (Waterfront, Dong Nai), 601 units at Southgate (Long An), 271 units at Can Tho project and 3 units at Akari in 2H 2021. From 2022, we anticipate the ramp up of sale activities given the full control of Covid-19 from Q4 2021 per our assumption. These projects offer an affordable selling price, especially in the context of supply shortage in HCMC, Long An and Can Tho. Therefore, we are confident in the success of sales. The rise of pre-sale value in FY2021 will support earnings growth in 2021 – 2023.
- We estimate 2023 revenue and NPAT MI to reach VND 7,650 Bn (or USD 331 Mn,+34% YoY) and NPAT-MI of VND 1,700 Bn (or USD 74 Mn,+48% YoY), which is mainly attributed by the recognition of Izumi, Can Tho, Hai Phong projects and share of profits from associates of Southgate and Mizuki projects

Figure 3: Several infrastructure projects



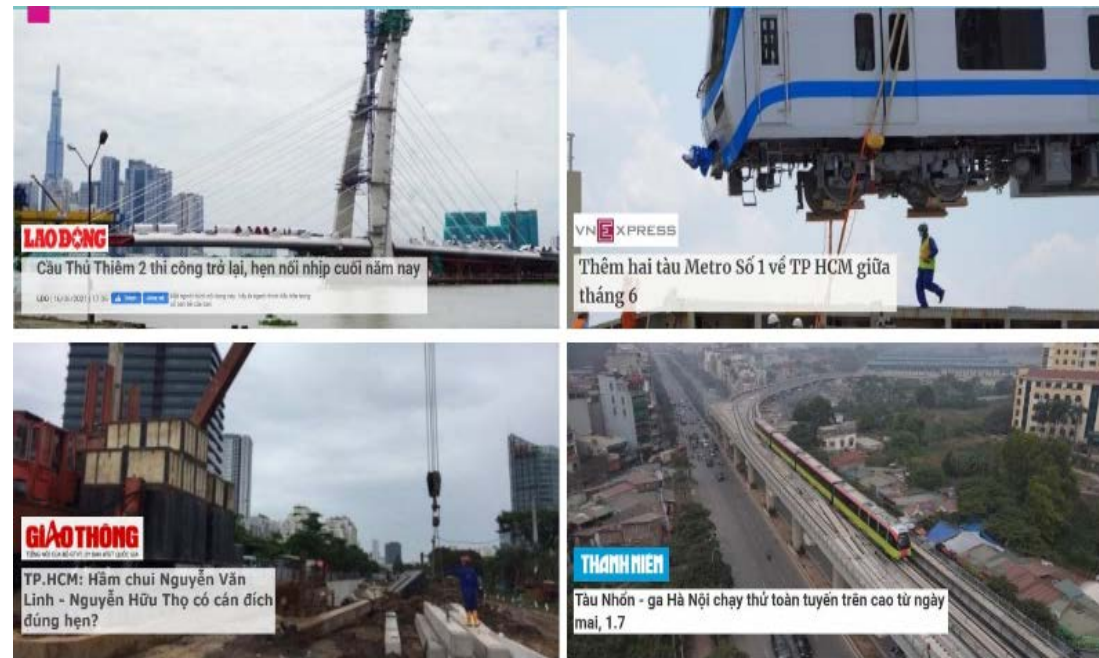
Source: RongViet Securities

The East is a favorable location, so it is a strong advantage for developers owning land banks in this area due to

- The establishment of Thu Duc City (Jan 1st, 2021)
- Ramped up progress of nearby large-scale infrastructure projects to be completed in next 1-2 years including Metro Line 1, Thu Thiem Bridge 2



Figure 4: Ramped-up progress of nearby infrastructure



Source: Rong Viet Securities

... NLG prospects would be more important if it can execute the plan to acquire 30-40 ha in the East

- Enjoy higher selling price + good absorption rate of their future products in the upcoming time given the development in that region
- It is possible to complete the land acquisition plan as NLG has proven experience on previous deal – Izumi and its possibly added capital of nearly VND 2,000 Bn from the on-going private placement

Table 1: Valuation summary

Projects	Method	Discount rate	NPV
Mizuki Park	DCF	9.5%	1,512
Akari	DCF	9.5%	2,195
Southgate	DCF	9.5%	975
Can Tho	DCF	9.5%	1,097
VSIP Hai Phong	DCF	9.5%	543
Paragon Dai Phuoc	BV	N/A	1,709
Izumi	DCF	9.5%	9,190
Waterpoint Phase 2	BV	N/A	1,174
Others	BV	N/A	530
Total			18,925



(+) Net cash	1,221
(+) Short-term investment	62
(+) Inventory	18,925
(-) Debts	2,795
(-) Minority interest	3,186
Net asset value	14,226
Total outstanding shares (Mn)	285
1Y Target price	49,900

- Our assumed price Izumi is on average of VND 61 Mn/m², which is quite suitable when price of surrounding projects including Aqua City, Vinhomes Grand Park are much higher (from VND 70 Mn – VND 120 Mn/m²).
- Waterpoint phase 2 value is estimated based on BV of Waterpoint phase 1 (Southgate) as of Q2 2021 given its limited detailed on this project.
- We have not yet factored the possible cash gain from private placement as the deal has not been done.

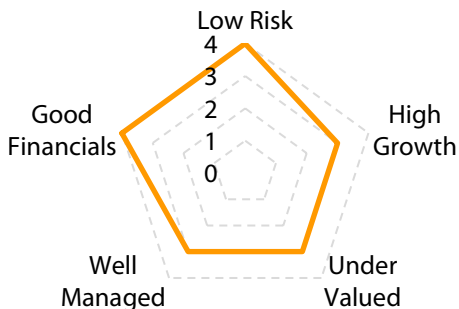
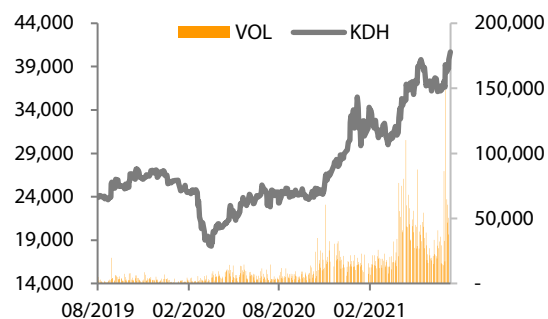
Source: RongViet Securities

<ACCUMULATE: 12%>

<MP: 40,400>

<TP: 45,200>

STOCK INFO



Sector	Financials
Market Cap (\$ mn)	1,087
Current Shares O/S (mn shares)	623.1
3M Avg. Volume (K)	4,062.6
3M Avg. Trading Value (VND Bn)	153.2
Remaining foreign room (%)	18.2
52-week range ('000 VND)	22,850 – 40,700

FINANCIALS

	2020A	2021F	2022F
Revenue (VND Bn)	4,523	3,422	3,916
NPATMI (VND Bn)	1,153	710	1,490
ROA (%)	9%	5%	10%
ROE (%)	15%	8%	13%
EPS (VND)	2,060	1,097	2,302
Book Value (VND)	14,544	14,910	17,897
Cash dividend (VND)	500	-	-
P/E (x) (*)	19.7	37.1	17.7
P/B (x) (*)	2.8	2.7	2.3

INVESTMENT RATIONALES

Ramp-up sale activities from 2022 will secure 20% NPAT growth during 2020 – 2023

- The delivery of villas and townhouses in two projects, namely Armena (District 9) and Clarita (District 2), will significantly improve KDH's gross profit margin to 59% in 2022 compared to 43% in FY2020 given the price rally in Thu Duc City. On a smaller note, we delay the revenue recognition of Armena to 2022 given the severe impact of Covid-19 on construction and sale activities.
- The recognition of several projects including Corona City (low-rise), Le Minh Xuan (expanded), Armena and Clarita will be the highlights for strong revenue growth in 2023 (+28% YoY).

Reputable brand, large land bank in HCMC to boost the long-term outlook

- KDH's current land bank is about 610ha (second after Vinhomes), all of which is located in Ho Chi Minh City. The real estate market in the city is lacking supply due to prolonged licensing procedures and land bank shortage. Owning a large-scale land bank like KDH is a huge advantage. In the long term, the large land banks in Tan Tao (330 ha) and Phong Phu 2 (132 ha) will be the main highlights to help KDH maintain its growth in the next 5-10 years.

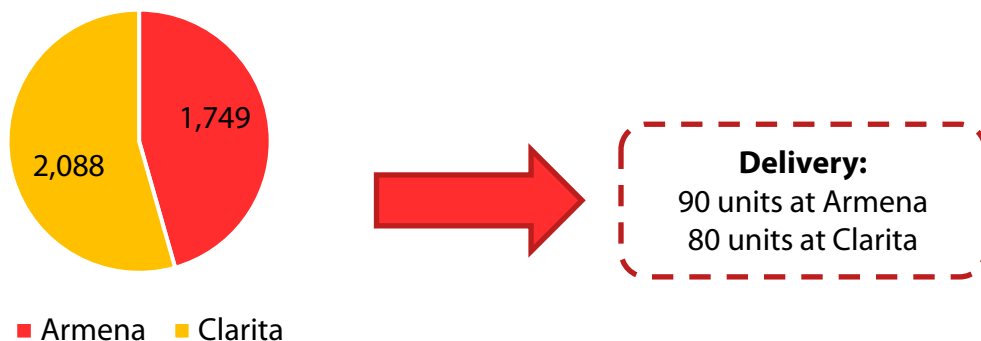
Valuation of KDH is still attractive given its profitability improvement during 2021 - 2023

- We expect an improvement of ROE from 8% in 2021 to 17% in 2023. With the ROE improvement, KDH is trading at a relatively low P/B (2.6x) compared to listed real estate developers possessing large land banks (2.9x).

RISKS TO OUR CALL

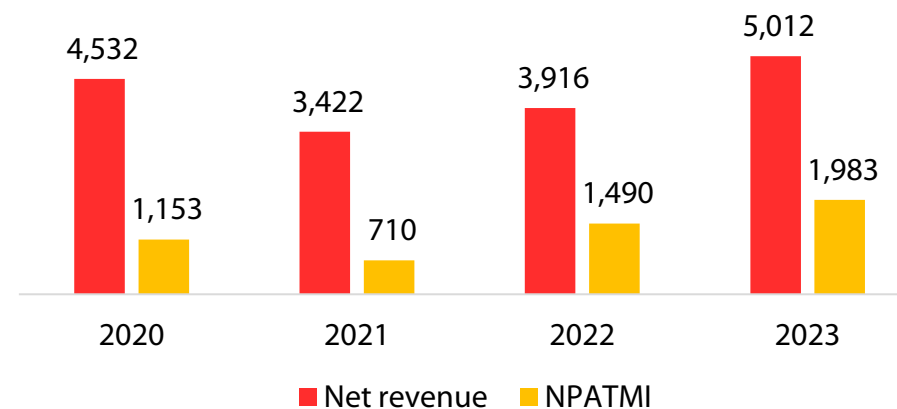
- Longer than expected licensing and land clearance at key projects including Tan Tao, Phong Phu 2, and Le Minh Xuan Industrial Park may affect KDH's future cash flow. Moreover, the prolonged lock down period (expand to Q4 2021) would deeply impact sales progress of Armena and Binh Tan Apartment.

Figure 1: Revenue breakdown by projects in 2022 (VND Bn)



Source: KDH, Rong Viet Securities

Figure 2: : Net revenue and NPATMI 2021 - 2023 (VND Bn)



Source: KDH, Rong Viet Securities

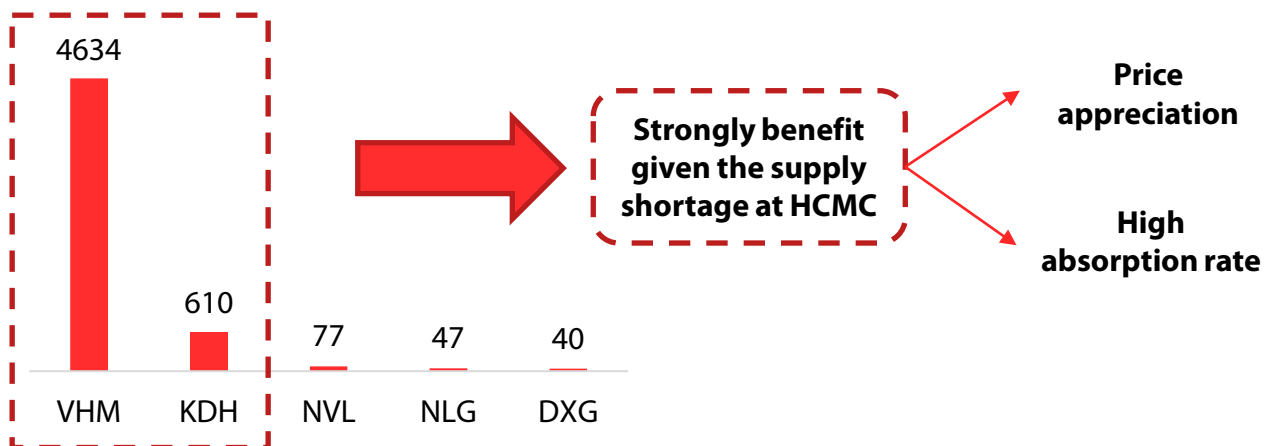
2021: Lovera Vista to support the earning but Armena revenue may be booked next year

- 1H2021: KDH recorded revenue and NPAT of VND 1,948 Bn (or USD 84.3 Mn, +31% YoY) and VND 470 Bn (or USD 20.3 Mn, +15%), respectively. Gross margin was 40% (lower than 1H 2020 at 50%) when fewer units from Verosa Park were delivered YoY as nearly 90% of units were delivered in 2019 – 2020.
- In 2H 2021, we expect that total 1,310 units of Lovera Vista project will be handed over. Currently, 50% of the units were handed over in 1H 2021. The remaining units will be handed over after Covid-19 lockdown (assumed in September). Regarding to sale activity, Armena project will be launched in Q4 2021 per management guidance. In 2021, we forecast revenue and NPAT to reach VND 3,422 Bn (or USD 148 Mn, -24% YoY) and VND 710 Bn (or USD 31 Mn, -38% YoY) given the revenue booking delay in Armena project.

2022 – 2023: NPAT to surge thanks to the recognition of two projects at Thu Duc City.

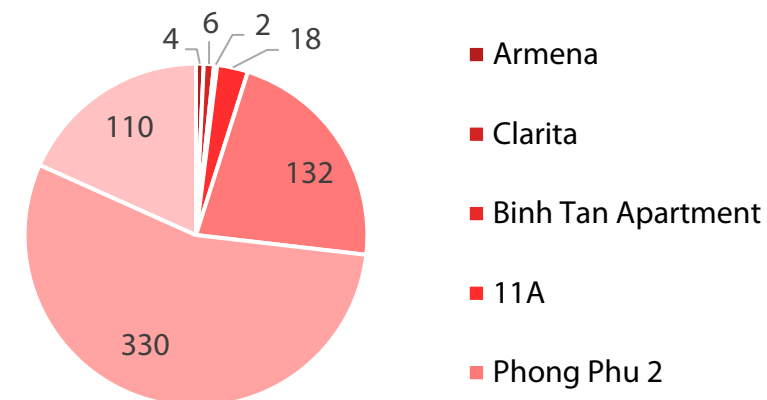
- 2022: Gross margin to be improved estimated at 59% from 43% in 2021 from recognition of Armena and Clarita (price from VND 115 to VND 120 Mn).
- 2023: The recognition of several projects including Corona City (low-rise), Le Minh Xuan (expanded), Armena and Clarita will be highlight for strong revenue growth in 2023 (+28% YoY).

Figure 3: Land bank (ha) in HCMC of listed developers (ha)



Source: RongViet Securities

Figure 4: Land bank breakdown by project for KDH (ha)



Source: KDH, Rong Viet Securities

Tan Tao: High-end urban area of 330 hectares with a strategic location in Binh Tan District

- Great potential thanks to a huge land area of nearly 330 hectares and an extremely convenient location adjacent to the existing residential area along with various utilities (e.g., Western Bus Station, Nguyen Van Linh Avenue, Aeon Mall Binh Tan, HCMC-Trung Luong Highway, etc.)
- KDH has completed land clearance on 70% of the entire land area and has obtained important documents such as investment certificate and land use right certificate in this project.

Phong Phu 2 – Green Villages : Urban area includes five subdivisions with a scale of 132 ha

- After acquiring Phong Phu 2, KDH owns a land bank of this project. Phong Phu 2 residential area is located in the Saigon South new urban area (2,975 ha). According to KDH, the project is built on a land of 132 hectares with about 3,383 townhouses, villas, and public facilities. The project is conveniently located as it is adjacent to the North by Phong Phu Industrial Park, to the West by Can Giuoc River, to the East by Viet Phu Garden Residential Area (Phong Phu 4 Residential Area).

Table 1: Valuation summary

Projects	NPV (VND Bn)
Lovera Vista	47
Armena	679
Clarita	2,021
Binh Tan Apartment	2,185
Corona City (11A)	1,927
Phong Phu 2 (Green Villages)	3,449
Tan Tao	14,850
Le Minh Xuan (expand)	2,156
Others (use Book value on FS)	1,220
Total	28,514



(+) Net cash (*)	1,849
(+) Short-term investment	-
(+) Inventory	28,514
(-) Debts (*)	(2,590)
Net asset value	26,645
Total outstanding shares (Mn)	615
1Y Target price (VND)	45,200

- Using RNAV, we use WACC of 9.5% for projects that are likely to be launched in 2021-2022 and increase WACC for 11A project (c.10.5%) since this project does not have detailed sale schedule. We also incorporate the information of 2Q 2021 financial statement for Net cash, Debts (*)
- Use transaction price in the market to estimate value of Tan Tao and Phong Phu 2. In detail, for Tan Tao project, we expect KDH can accelerate land clearance procedure in next 12 months with assume value of 248 ha compensated area (in total of 330 ha) is traded at VND 6 Mn/m². As for Phong Phu 2, we assume the same transaction price for the collected land of 57.475 ha (in total of 132 ha).

Source: RongViet Securities



CONSTRUCTION

NEAR-TERM HEADWINDS



Kiet Tran – kiet.tht@vdsc.com.vn



1. Market overview 1H 2021- Still difficult for core business

- Double hit from escalated input materials price and Covid-19 disruption.
- Some companies used other segments to save their gross margin.

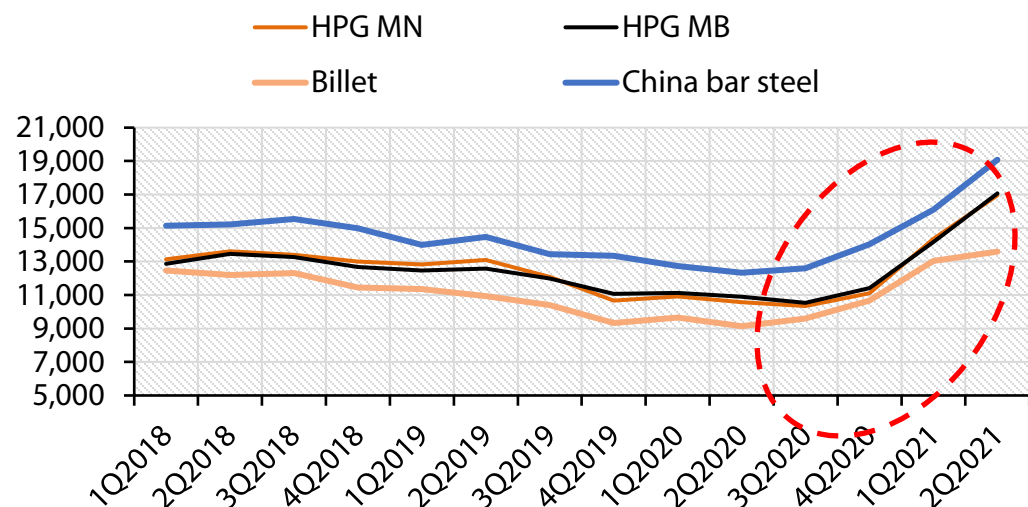
2. Market outlook 2H 2021- Find a new growth story

- Accelerated public disbursement in infrastructure is pivotal to uplift the industry.
- Investment opportunities are concentrated within some businesses.
- Risks: Complicated developments of the pandemic and slow disbursement of public investment.

The increase in material prices along with fierce competition shrank the profit margin of construction companies. However, some players found ways to escape.

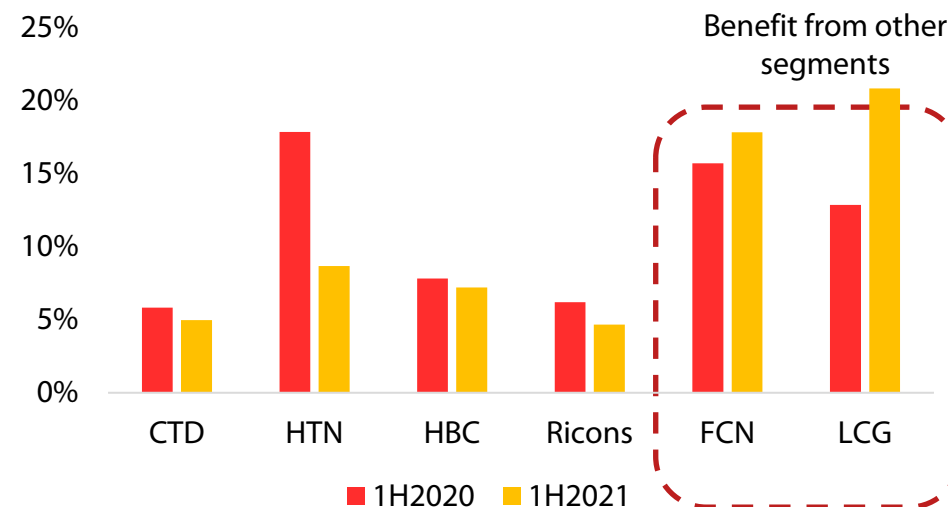
- According to the General Statistics Office of Vietnam (GSO), in 6M2021 the average price of housing construction materials and domestic gasoline prices increased by 5.03% YoY and 17.01% YoY, respectively.
- Steel price, accounting for 11% - 16% of input costs in construction projects surged (+40% vs end of 2020) and put pressure on gross margin. Consequently, several projects were forced to halt construction.
- Moreover, fierce competition explained the gross margin reduction in 1H 2021 (Figure 2). FCN and LCG recorded improved gross margin performance thanks to the contribution from other segments including real estate and energy infrastructure construction.

Figure 1: Price of steel products (VND per kg)



Source: HPG, RongViet Securities

Figure 2: Gross profit margin of construction firms in 1H 2021

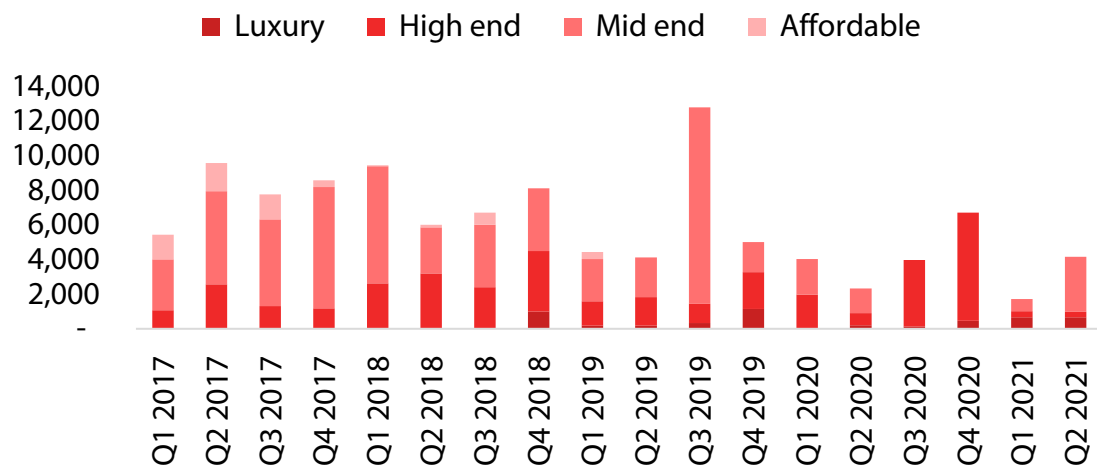


Source: RongViet Securities compiled

Freezing construction activities and project launching .

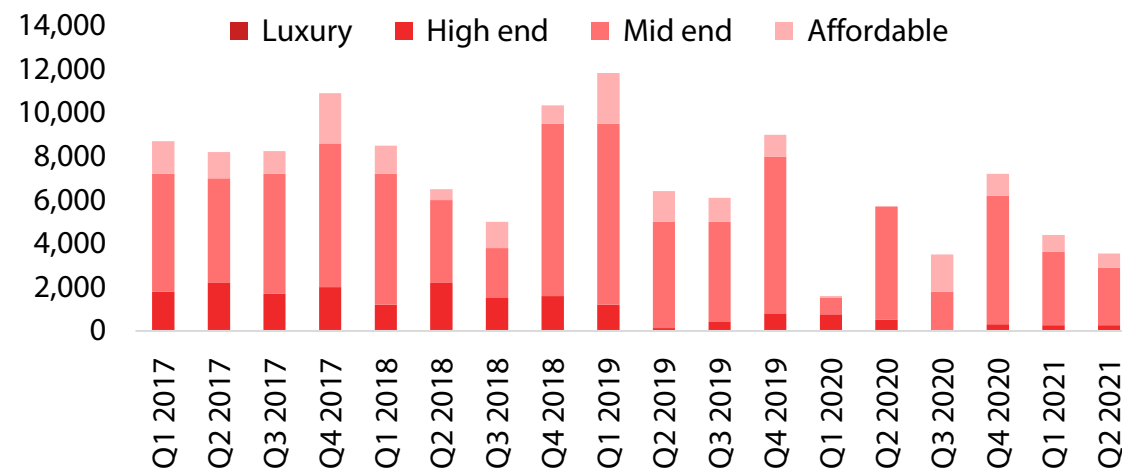
- According to CBRE, in 1H 2021, new launches in HCMC dropped 9% YoY while Ha Noi went up 10% but still lower from 2019 (Figure 3 and Figure 4). Covid-19 was a critical factor along with slow licensing procedures.
- Therefore, construction activities were limited given the delay of project launching and less workload to ensure health for employees during the pandemic.
- In July and August, the construction activities were further limited given the stringent lockdowns from Directive 16 of the Government in HCMC.

Figure 3: HCMC condo new launches (units)



Source: CBRE, Rong Viet Securities

Figure 4: Hanoi condo new launches (units)

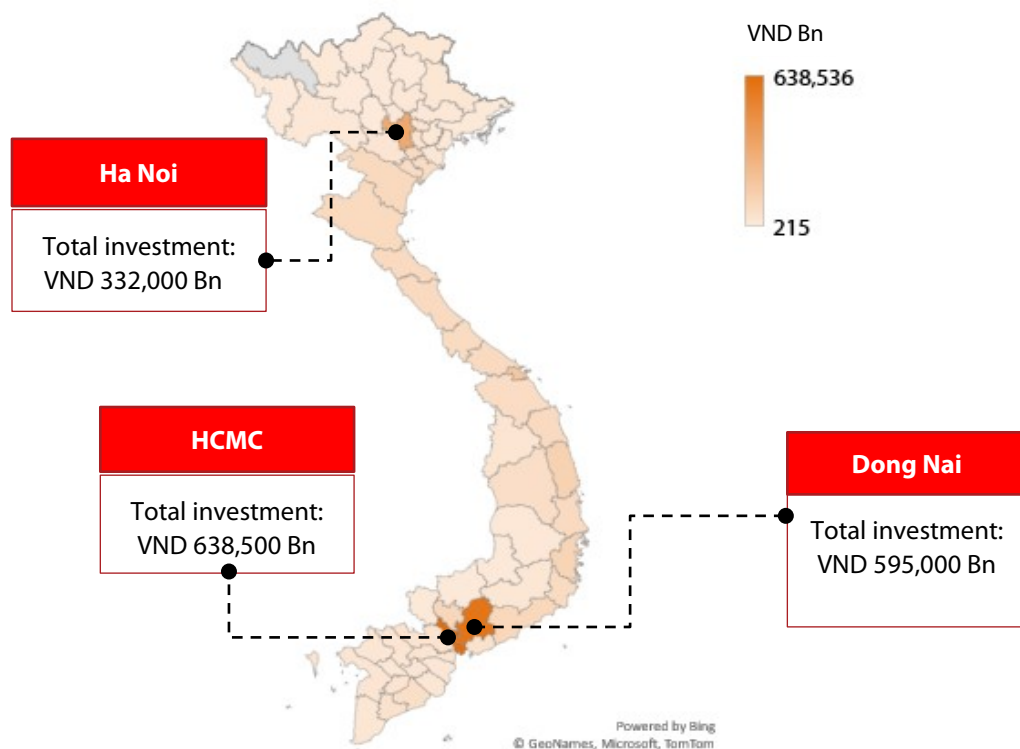


Source: CBRE, Rong Viet Securities

Vietnam's transport infrastructure sector will remain the largest driver of construction industry

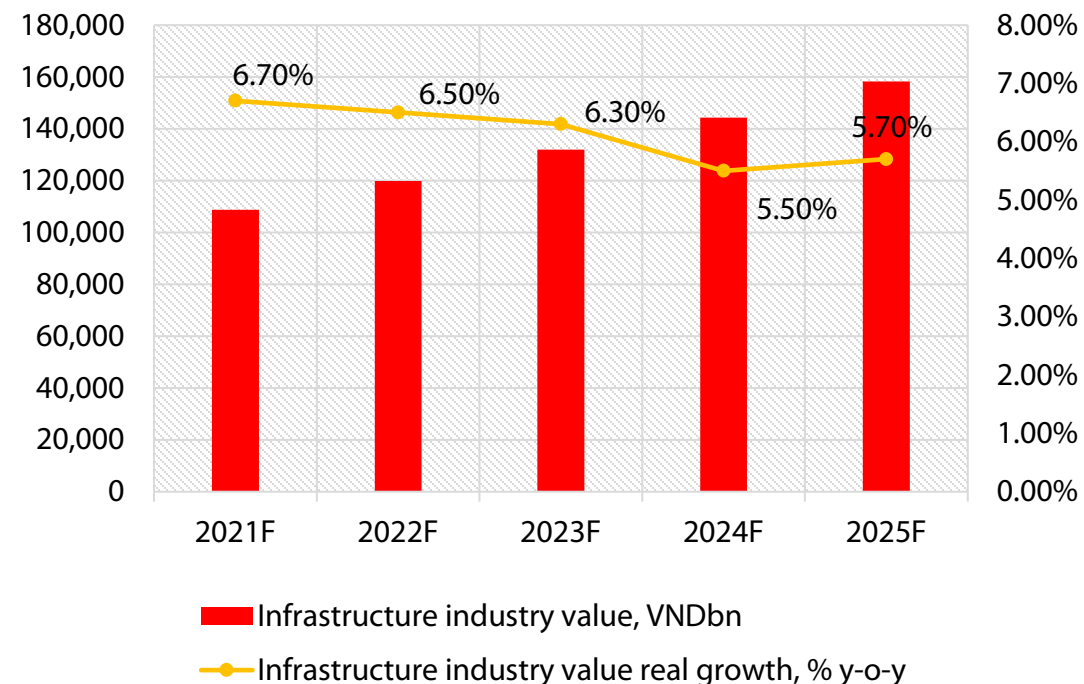
- Infrastructure projects are expected to boost the construction industry in the next five years. Per Fitch Solutions, the infrastructure industry value would reach VND 158,167 Bn in 2025 (or USD 6.8 Bn), implying CAGR of 10% during 2020 – 2025 (Figure 6).
- Strong government commitment and large pipeline of projects are key drivers. Specifically, the total investment plan for the 2021-2025 period is VND 2,870 Tn (+43% higher versus 2016 – 2020 period), including VND 1,500 Tn for key economic regions (Figure 5) and VND 1,370 Tn for other regions.

Figure 5: Planned infrastructure investment by provinces 2021-2025



Source: Rong Viet Securities

Figure 6: Infrastructure industry value (VND Bn)

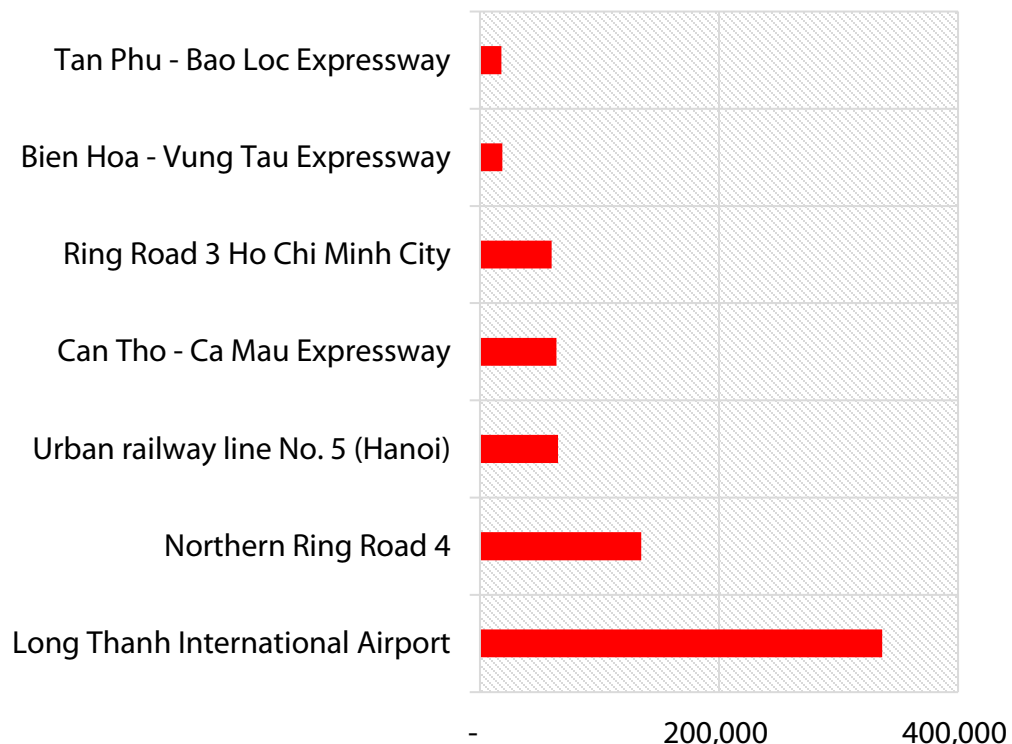


Source: Fitch Solutions

During 2021 – 2022, several large-scale projects are on the way

- Long Thanh Airport is the largest project. Construction kicked off in January 2021. For phase 1, 66% of land (~1,800 ha) is cleared. Phase 1 is expected to be completed in 2025. The total investment was USD 16 Bn (Figure 7).
- We expect that if these large-scale projects are ramped-up, it would likely to boost the construction industry.

Figure 7 : Notable infrastructure projects 2021-2022 (VND Bn)



Source: Rong Viet Securities

Figure 8: Update on projects to be implemented during 2021 - 2022

Project	Start Time	Status
Long Thanh International airport	January 2021	Under construction phase 1, combined with demining and clearing land
Ring Road 4 (North)	Q4/2021	Got investment approval, expected to construction in the end of 2021
Bien Hoa – Vung Tau Expressway	Q4/2022	Got investment approval, expected to construction in the Q4/2022
Tan Phu – Bao Loc Expressway	Q4/2022	Got investment approval, expected to start construction in 2022
Ring Road 3 Ho Chi Minh City	Q3/2022	Completed pre-feasibility report, expected to start construction in 2022
Can Tho – Ca Mau Expressway	2022	Submitted a pre-feasibility report, it is expected to start the construction of the Can Tho - Ca Mau phase in 2022
Urban railway line No.5 Hanoi	2022	Got investment approval, land clearance completed in 2022

Source: Fitch Solutions

Investment opportunities are concentrated within some businesses' own growth story

- In context of the hard time to win contracts given the fierce bidding process, businesses that do not go through the competition with other contractors or have new growth drivers by joining new construction segments.
- As mentioned earlier, infrastructure construction is quite promising supported by a strong pipeline monitored by the government. The focus is on building public infrastructure such as roads, highways . This would be expected to have the strongest growth per Fitch (Table1).

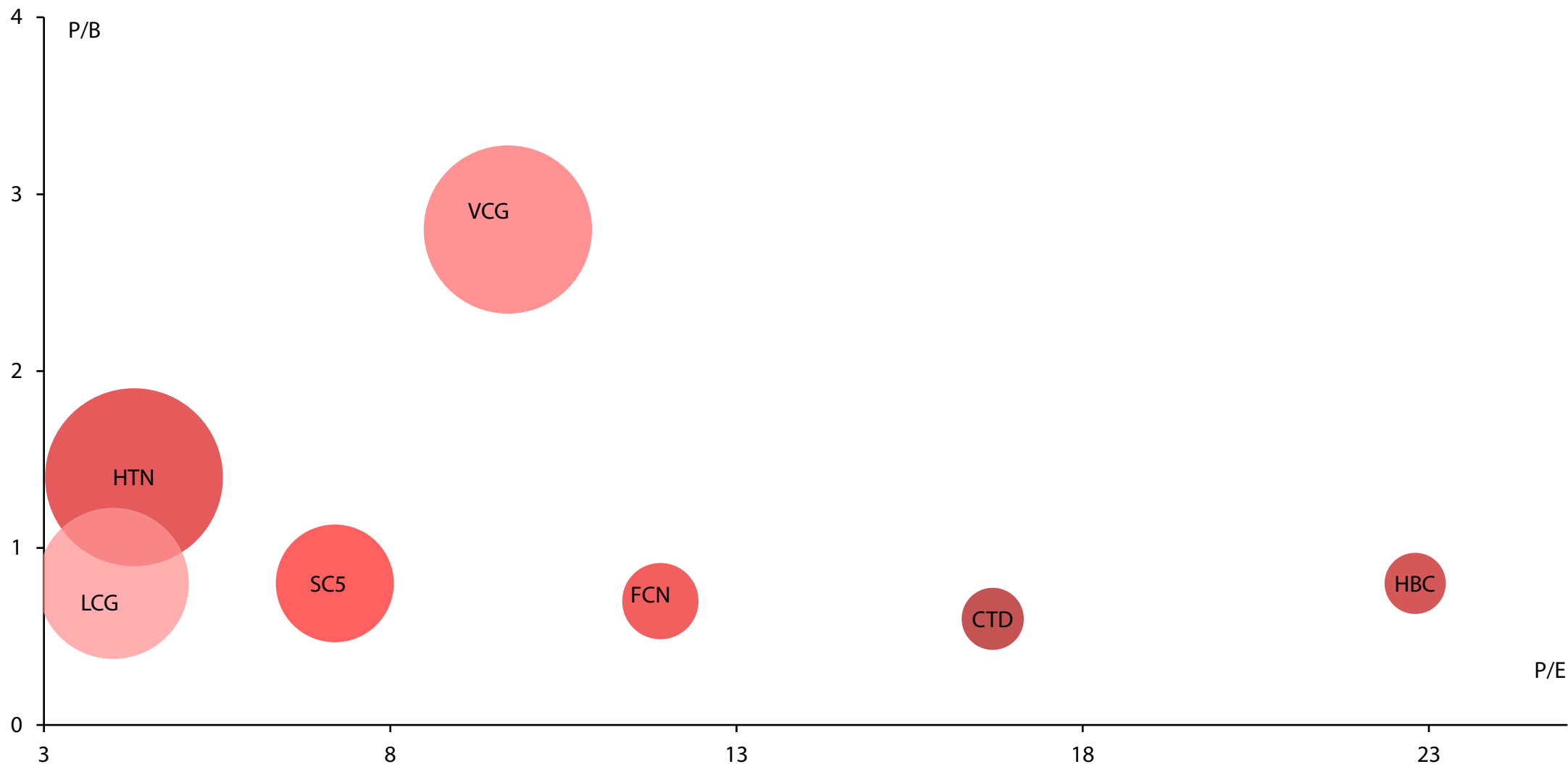
Table 1: Growth prospect of different segments in the construction industry in 2021F – 2025F

Industry	2020E	2021F	2022F	2023F	2024F	2025F
Roads and bridges	5.3%	9.3%	8.7%	7.5%	6.5%	6.6%
Railways	4.3%	6.7%	7.0%	7.2%	5.3%	5.4%
Airports	3.7%	4.0%	3.9%	3.8%	3.8%	3.9%
Energy and utilities	3.5%	4.8%	4,9%	5.5%	5.3%	5.7%

Source: Fitch Solutions

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	200.5	#N/A	-42.6%	-69.4%	1.8%	0.9%	-58.5%	2.3%	2.1%	3.3%	0.0%	16.7	0.6
HBC	132.9	#N/A	-25.1%	-34.9%	4.2%	2.1%	-47.1%	1.1%	0.9%	3.2%	0.0%	22.8	0.8
HTN	78.7	45,200	24.4%	n/a	0.0%	0.0%	28.5%	0.0%	0.0%	0.0%	0.0%	4.3	1.4
FCN	63.8	#N/A	5.0%	14.0%	11.9%	9.0%	0.2%	4.5%	2.0%	5.6%	0.0%	11.9	0.7
SC5	13.1	#N/A	16.1%	29.4%	4.2%	4.0%	135.1%	2.1%	2.0%	11.9%	0.0%	7.2	0.8
VCG	818.4	#N/A	-36.9%	n/a	-3.7%	-6.1%	73.0%	29.7%	6.6%	19.3%	0.0%	9.7	2.8
LCG	61.9	#N/A	35.8%	50.2%	14.7%	11.0%	110.2%	10.0%	6.0%	19.6%	0.0%	4.0	0.8

Source: Bloomberg, RongViet Securities. Share price as of 02 Aug 2021.



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 02 Aug 2021.

<ACCUMULATE: +12%>

<MP: 40,250>

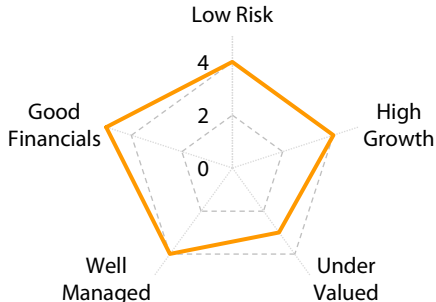
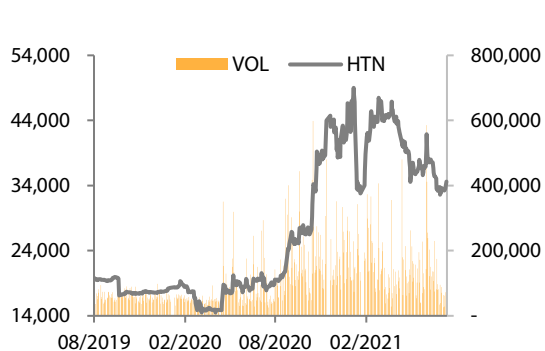
<TP: 45,200>

STOCK INFO

Sector	Construction
Market Cap (\$ mn)	78.7
Current Shares O/S (mn shares)	49.5
3M Avg. Volume (K)	133.2
3M Avg. Trading Value (VND Bn)	5.0
Remaining foreign room (%)	48.7
52-week range (VND)	17,900 - 49,000

FINANCIALS

	2020A	2021F	2022F
Revenue (VND Bn)	4,552	5,744	12,306
NPATMI (VND Bn)	345	225	493
ROA (%)	6.4	3.7	5.2
ROE (%)	39.4	27.7	28.7
EPS (VND)	10,281	4,807	9,948
Book Value (VND)	30,712	29,737	39,686
Cash dividend (VND)	1,800	-	-
P/E (x) (*)	3.1	8.9	4.0
P/B (x) (*)	1.1	1.4	1.0



INVESTMENT RATIONALES

Beneficiary from Hung Thinh's ecosystem

- Hung Thinh Incons is one of the leading contractors with nearly 15 years of experience. HTN conducted several iconic projects including Golden Bay (Nha Trang), Florita (District 7), SaigonMia (Binh Chanh), Vung Tau Melody (Vung Tau). HTN will be able to maintain its growth thanks to the projects of Hung Thinh Land (large backlog value of VND 37,030 Bn, or USD 1.6 Bn at YE 2020) without competing with other construction firms to win new contracts.

Outperformed gross margin and growth performance versus its peers

- Moreover, the advantage of knowing Hung Thinh Land product design and construction plan from the beginning and not going through fierce bidding process allowed Hung Thinh In cons to record superior revenue growth and higher gross margin than local peers.
- Looking forward to 2021, we believe earnings from the construction segment will strongly recover from the bottom of 2020 when key projects in Quy Nhon is still constructing without affecting by Directive-16. We estimate that HTN could post revenue of VND 5,744 Bn (or USD 249 Mn, +26% YoY) and NPAT-MI of VND 225 Bn (or USD 10 Mn,- 35% YoY).

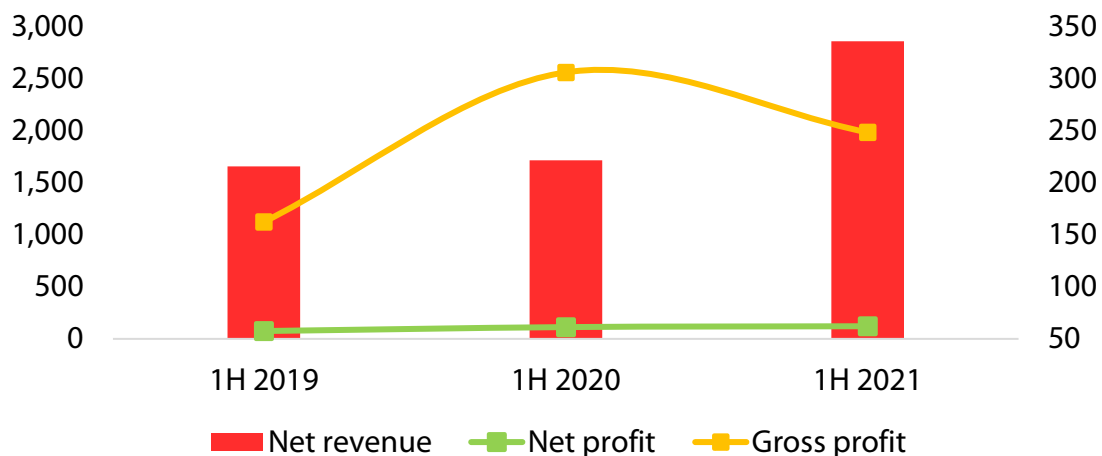
Potential upside from infrastructure construction segment.

- Expansion to infrastructure construction via strategic partnership with Deo Ca will allow revenue diversification and reduce the concentration risk (focus mainly on residential projects of Hung Thinh Land).

RISKS TO OUR CALL

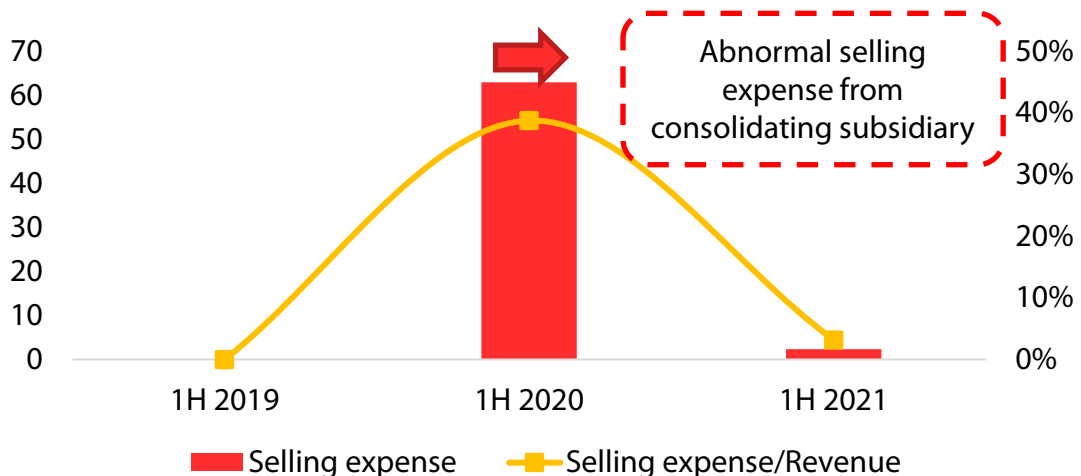
- Directive-16 implementation in the South can be extended for a longer time, hurting business in HCMC, Binh Duong, Dong Nai, Ba Ria-Vung Tau, Nha Trang.
- Cooling down of the real estate market.

Figure 1: Revenue (LHS), gross profit and net income (RHS) (VND bn)



Source: HTN, Rong Viet Securities

Figure 2: Selling expenses (VND bn)



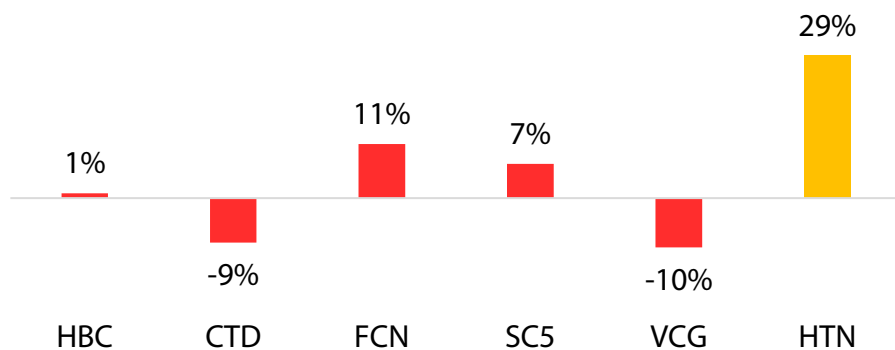
Source: HTN, Rong Viet Securities

In 1H 2021, HTN's net revenue was VND 2,855 billion (USD 124mn, +66.5% YoY), completing 68.3% of the 2021 target.

GPM shrank, but selling expenses also dropped strongly

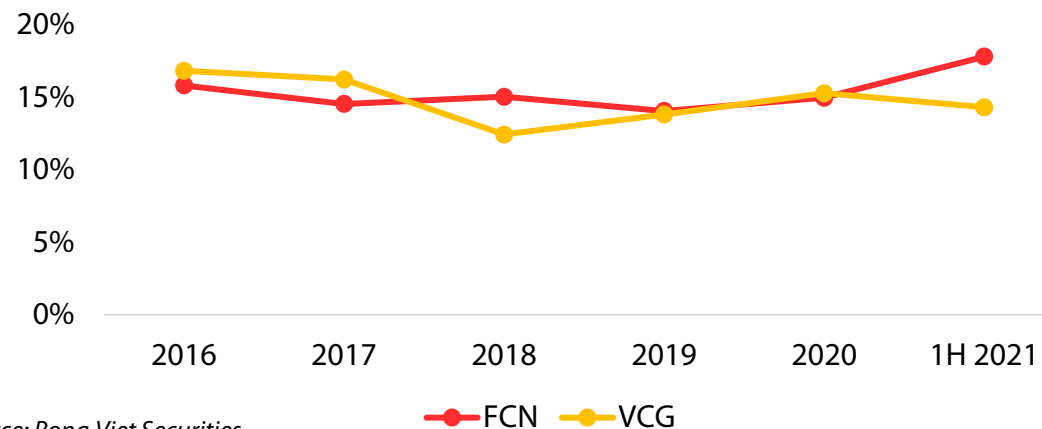
- GPM went from 18% in 1H2020 to 9% in 1H2021 given the lack of real estate revenue from the Richmond project.
- Hence, gross profit came at VND 248 Bn (USD 11 Mn, - 19% YoY).
- Selling expenses were reduced significantly from VND 63 Bn (or USD 2.7 Mn) in 1H 2020 to VND 2.4 Bn (or USD 103k) in 1H 2021 as abnormal selling expenses by consolidating the subsidiary Binh Trieu JSC was not booked in 1H 2021 given the lack of real estate revenue in the Richmond project.
- Net profit was still able to grow slightly and stayed at VND 120 Bn (or USD 5.2 Mn, +7% YoY).

Figure 3: Net revenue CAGR 2016 – 2020 of selected contractors



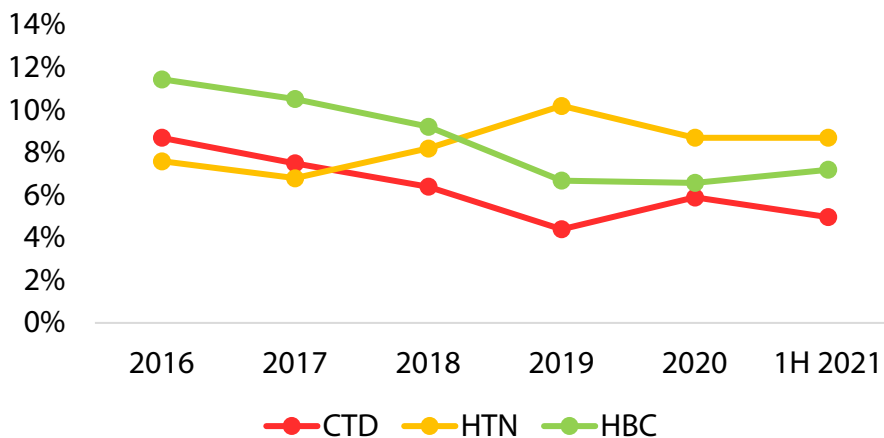
Source: HTN, Rong Viet Securities

Figure 5: Gross margin of infrastructure construction firms (2016 – 2020)



Source: Rong Viet Securities

Figure 4: HTN outperformed other local players on gross margin (%)



Source: Rong Viet Securities

Gross profit margin outpaced other civil construction players, namely HBC and CTD

- This superior performance is driven by its benefit from knowing the product design of Hung Thinh Corp and construction plan from the beginning, which helps HTN to reduce unnecessary costs.
- HBC and CTD still suffered from fierce competition while HTN secured most projects of Hung Thinh Land – real estate arm of Hung Thinh Corp will be constructed by Hung Thinh Incons.
- In the longer term, the strategic partnership with Deo Ca will allow HTN to diversify its revenue source and reduce the concentration risk, also expect for better margin.

Figure 6: Backlog of HTN from 2017 – 2020 (VND Bn)

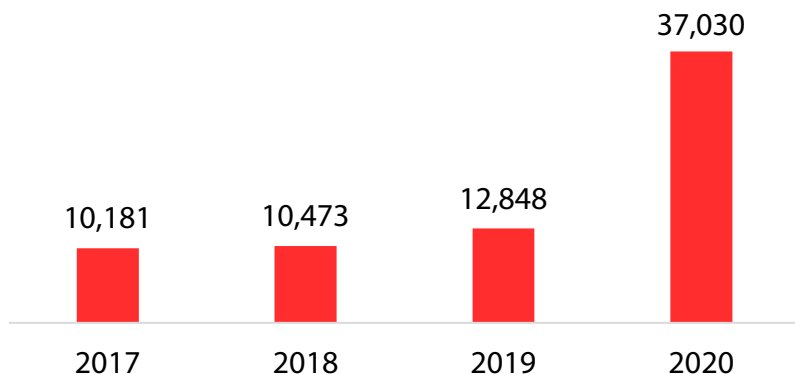


Figure 7: HTN benefits from HT Land



Source: HTN, Rong Viet Securities

2H2021: Social distancing would limit construction activities

- We reduce revenue of projects in the South regions given the stoppage of construction activities from Directive 16.
- We expect HTN to deliver a commercial center within Richmond project with estimated value of VND 230 Bn (or USD 10 Mn).
- 2021 NPAT was reduced by 35% given the smaller contribution of the real estate segment (in 2020 real estate revenue was VND 2,332 Bn or USD 100 Mn).

2022 outlook: Expecting stronger growth

- After the vaccination process is completed, we expect the ramp-up of construction activities.
- HTN would benefit from large projects of Hung Thinh Land (total GDV of USD 14.5 Bn). In the next three years, the large backlog as of YE 2020 of approx. VND 37,000 Bn (or USD 1.6 Bn) would be key a profit generator.
- Revenue and NPAT are expected to grow by 114% and 119%, respectively in 2022.



FOOD & BEVERAGE SECTOR

EYES TURN TO ESSENTIALS IN 2H21



Toan Dao – toan.dp@vdsc.com.vn



Demand of essential foods to surge amid strict social distancing under Directive 16



☐ All non-essential businesses and services are banned, while restaurant chains and F&B delivering services are suspended.

☐ The impact of Covid-19's outbreak is more persistent and causes to longer social distancing periods than those of last year.

☐ The increase of household spending points to FMCGs and essential foods to fulfill stockpiling demand and home cooking.

The rise of the modern trade format



☐ Traditional markets in Ho Chi Minh City have been suspended since early July due to the increase of COVID-19 infection cases.

☐ 2H21 to witness a strong consumption shift of essential foods from traditional channel to modern trade channel...

☐ ...with the increase of daily consumption value of fresh & packaged foods.

Agricultural companies to benefit from rising prices

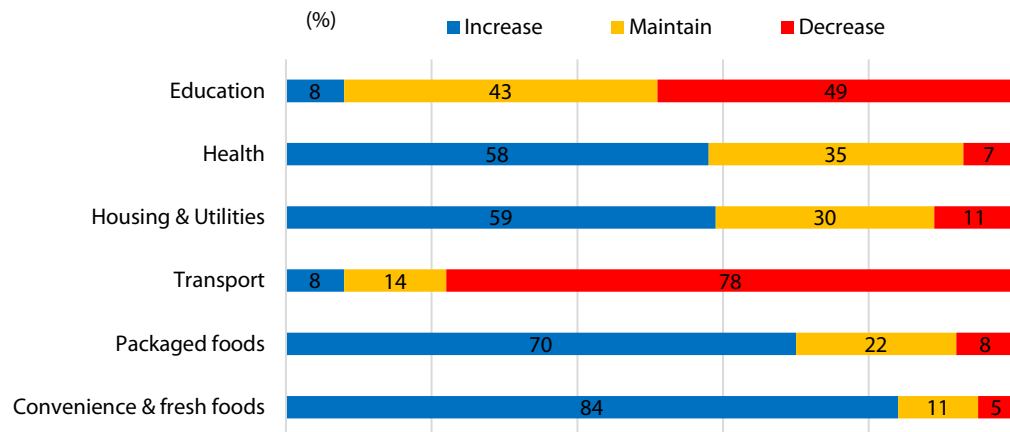


☐ 2H21 to witness the opposite prospects of agricultural producing companies (positive) and F&B processing companies (negative).

☐ Agricultural companies with their own raw material areas will benefit from rising prices.

☐ The increase of agricultural prices will put pressure on input material prices of F&B processing companies.

Figure 1: Consumers' priority in spending on essentials



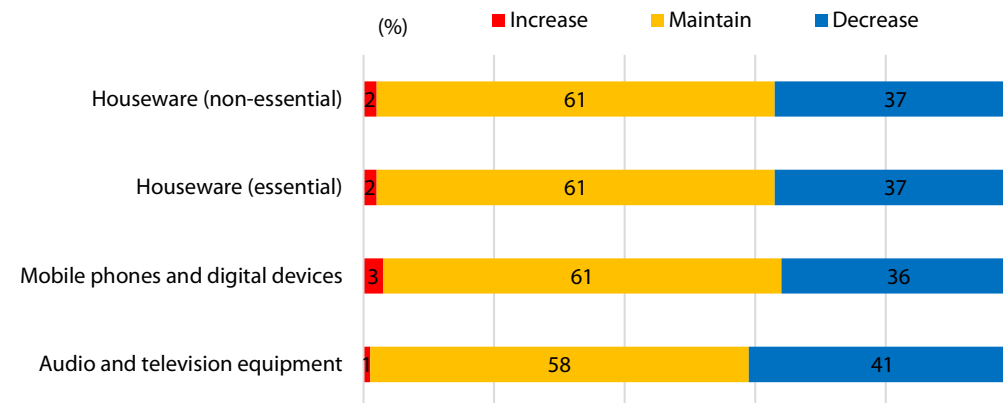
Source: Deloitte, RongViet Securities

Per Deloitte's 2020 survey, 84% and 70% of consumers will increase their household spending for fresh and packaged foods respectively in case Covid-19 resurges.

We expect that these changes in consumer behavior will be even stronger in 2H21 as the 4th Covid-19 wave is more intense and social distancing is stricter than that of the 1st Covid-19's wave.

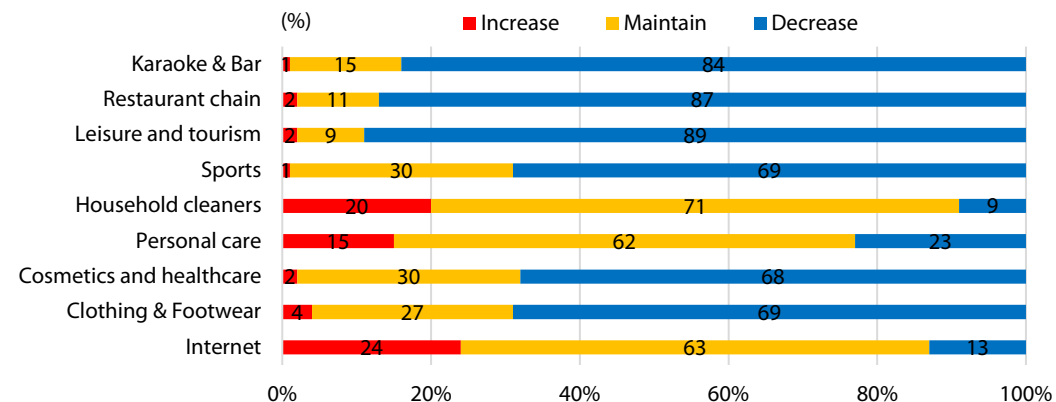
On the contrary, nearly 40% and at least 69% of consumers will tighten their spending budget for consumer electronics and personal entertainment respectively.

Figure 2: Consumers' priority in spending on consumer electronics



Source: Deloitte, RongViet Securities

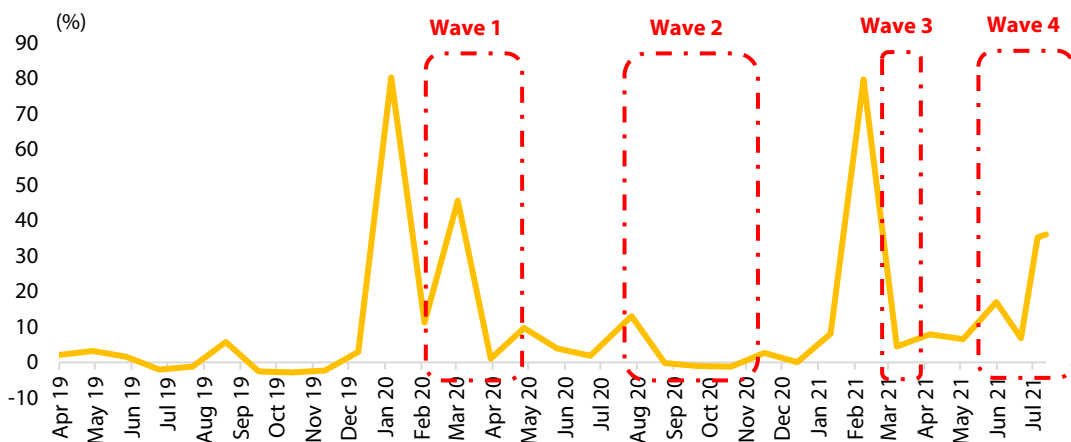
Figure 3: Consumers' priority in spending on utilities & personal entertainment



Source: Deloitte, RongViet Securities

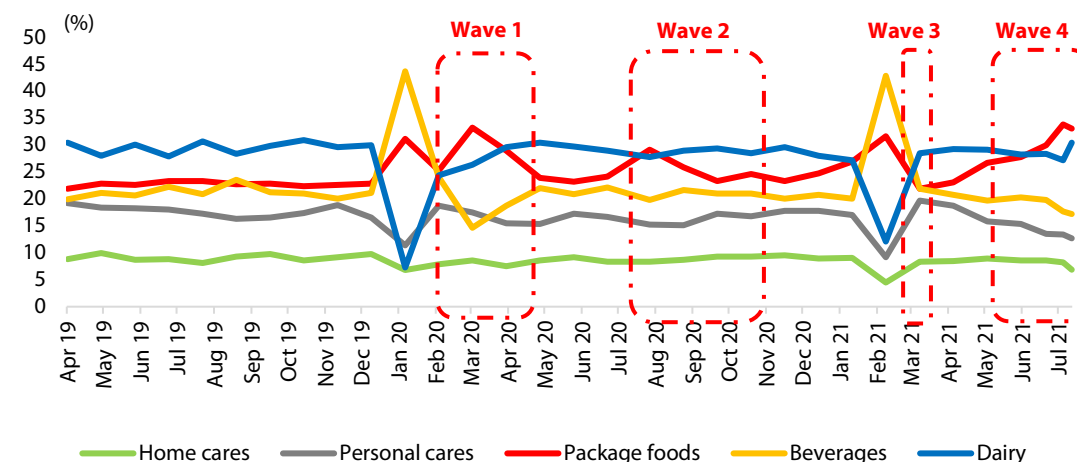
- Given the application of Directive 16 in Ho Chi Minh City since early July, FMCGs spending value of four key cities has increased dramatically and is reaching the peak of the 1st Covid-19 wave. Noticeably, FMCGs spending value in the 4th Covid-19 wave took only one week to reach the 1st wave's peak as people are limited to frequently buy FMCGs as traditional markets are closed. The current impact of Covid-19's outbreak will be more persistent and cause a longer social distancing period than those of last year, boosting fresh foods and FMCGs stockpiling to the historical level ever in 3Q-FY21.
- Spending value by products lines is showing the same trend with those of the 1st Covid-19 wave. Spending value for packaged foods soared rapidly to break the 1st Covid-19 wave's peak. On the contrary, spending on personal care and beverages is stable but shifting to more essential products (fresh foods and packaged foods).
- Although increasing in the 1st Covid-19 wave, spending value for dairy products decreased in the first two weeks of July due to the shutdown of traditional markets in Ho Chi Minh City, the largest domestic dairy market. However, we expect that total dairy spending will not drop dramatically as spending via modern trade channel is increasing fast, contributing to over 50% of total dairy spending.

Figure 4: Change in weekly FMCGs spending versus pre-Covid level (2019's average spending value) in 4 key cities (*)



Source: Kanta Worldpanel, RongViet Securities, (*) Ho Chi Minh City, Ha Noi, Da Nang, Can Tho

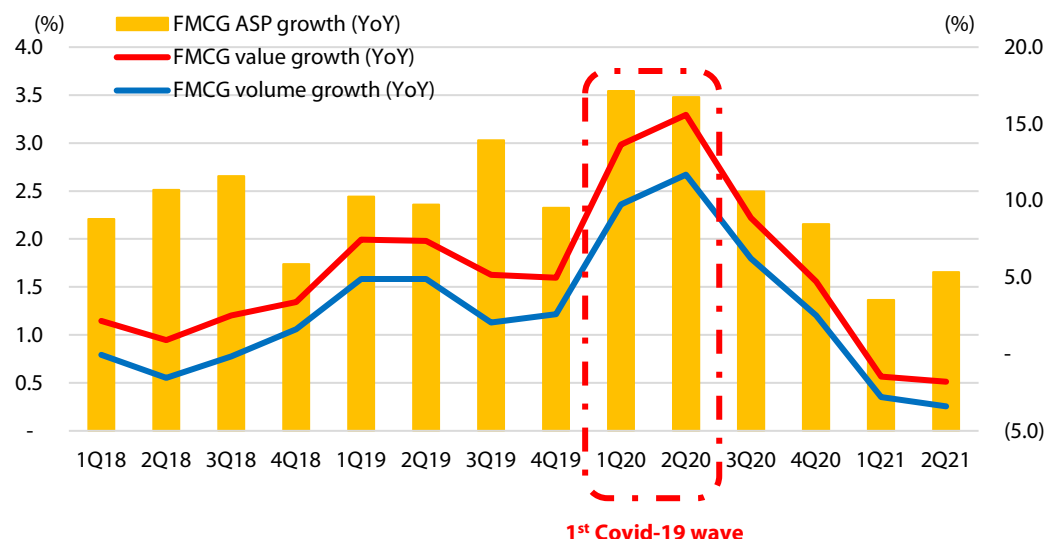
Figure 5: Weekly FMCGs spending value share by product lines in 4 key cities (*)



Source: Kanta Worldpanel, RongViet Securities, (*) Ho Chi Minh City, Ha Noi, Da Nang, Can Tho

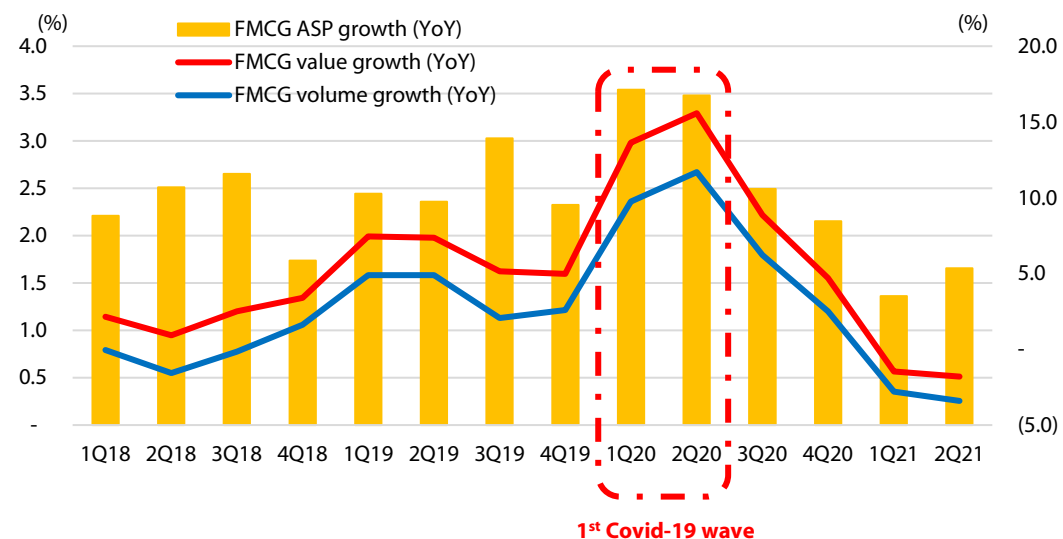
- FMCGs spending spiked in 1Q-FY21 when the government imposed social distancing. Particularly, spending on FMCGs in urban area grew 15% in value and 11% in volume. In rural area, spending on FMCGs grew 13% in value and 9% in volume.
- In 5M-FY21, FMCGs spending in both urban and rural areas still grew positively in value and volume. Five-month growth shows that consumers have kept their spending level on FMCGs equivalent to the spike of last year.
- We attribute the new high quarterly FMCGs spending level to the change of consumer behavior in the new normal. More time spent indoors has shown an increased preference for FMCG products, cooking aids, snacks and full-meal replacements while tightening expenditure budget for less essential products/services.

Figure 6: Spending on FMCGs in Vietnam's urban area



Source: Kanta Worldpanel, RongViet Securities

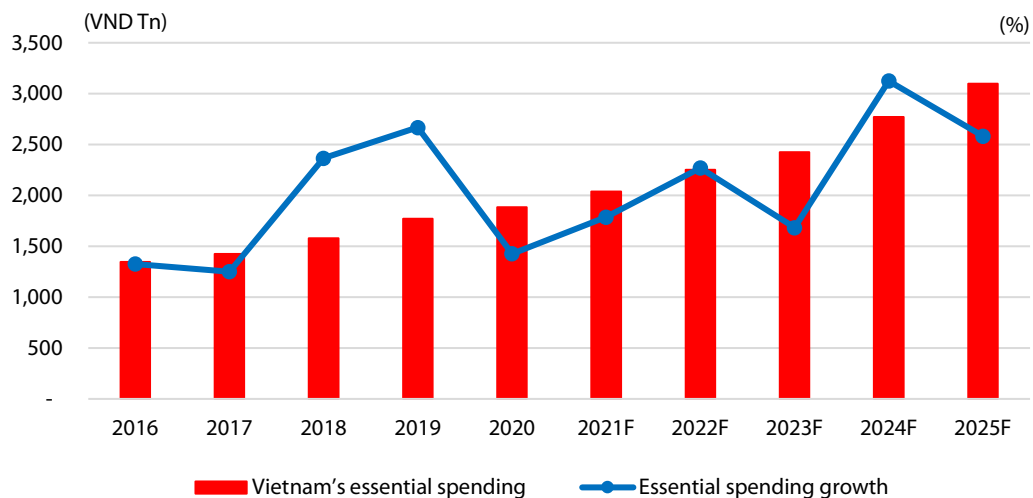
Figure 7: Spending on FMCGs in Vietnam's rural area



Source: Kanta Worldpanel, RongViet Securities

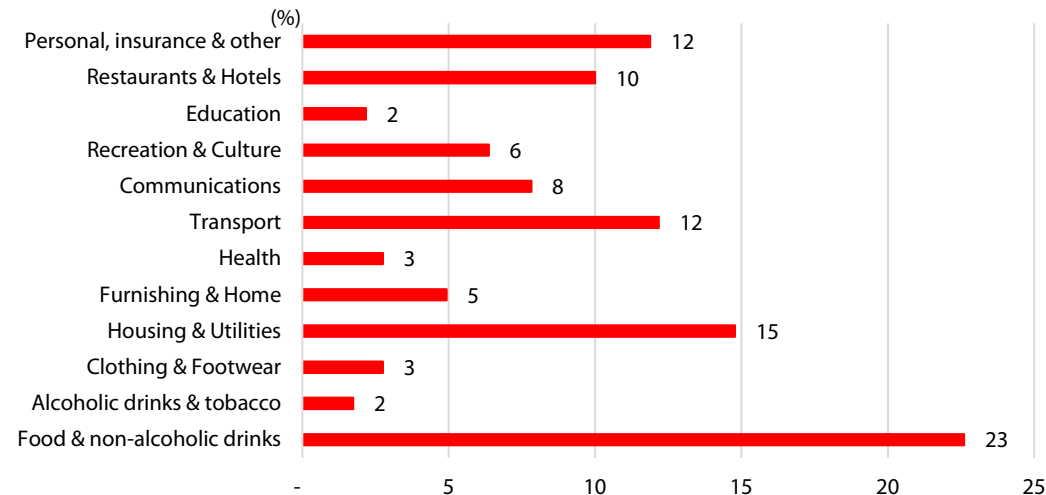
- Per Fitch Solutions, Vietnam's spending on essentials will reach VND 2,038 Tn (USD 88 Bn, +8% YoY) in 2021 as households increase stockpiling in 2H-FY21. Social distancing could be extended to the whole 2H-FY21. This will have longer effects on social life and customer behavior post-Covid-19.
- In 2022-2023, Vietnam's spending on essentials is estimated to grow 8% YoY and 10% YoY respectively, driven by the adjustment of social spending to the new normal, focusing on necessities (food & non-alcoholic drinks, housing & utilities, health, education). Households will allocate the largest share of their budgets towards food and non-alcoholic drinks (23%). Spending on housing & utilities will account for 15% of budget allocation.

Figure 8: Vietnam's essential spending



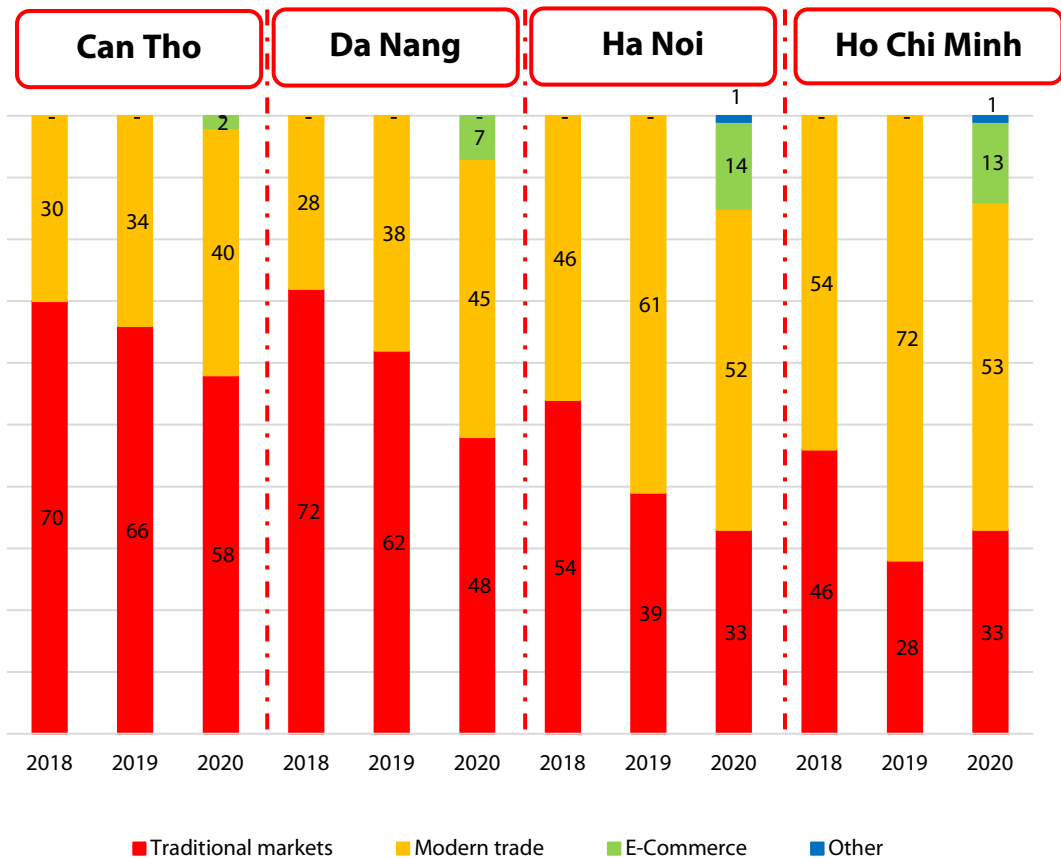
Source: Fitch Solutions, RongViet Securities

Figure 9: Total household spending breakdown



Source: Fitch Solutions, RongViet Securities

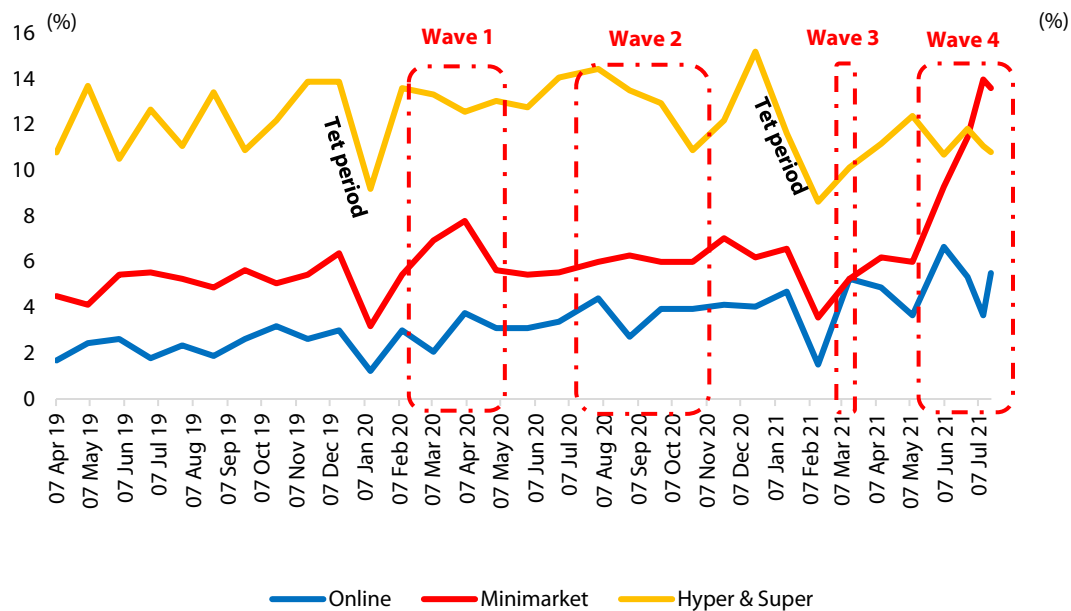
Figure 10: Customer's priority by shopping channel in 4 key cities



- Modern trade format has increased its priority position in four key cities since FY2019. Besides, we see the raise of priority throughout e-commerce channels in FY2020
- We note that unlike China, Malaysia and Singapore, Vietnamese consumers in FY2020 did not experience complete social distancing, during which people were only allowed to leave their homes for extremely essential needs and government prompted heavy scrutiny for traditional markets. Instead, people in four key cities can still shop in traditional markets. Therefore, modern trade format and e-commerce channel can even have a better outlook in 2H-FY21.

Source: Deloitte, RongViet Securities

Figure 11: Weekly spending value share by sales channel in 4 key cities (*)

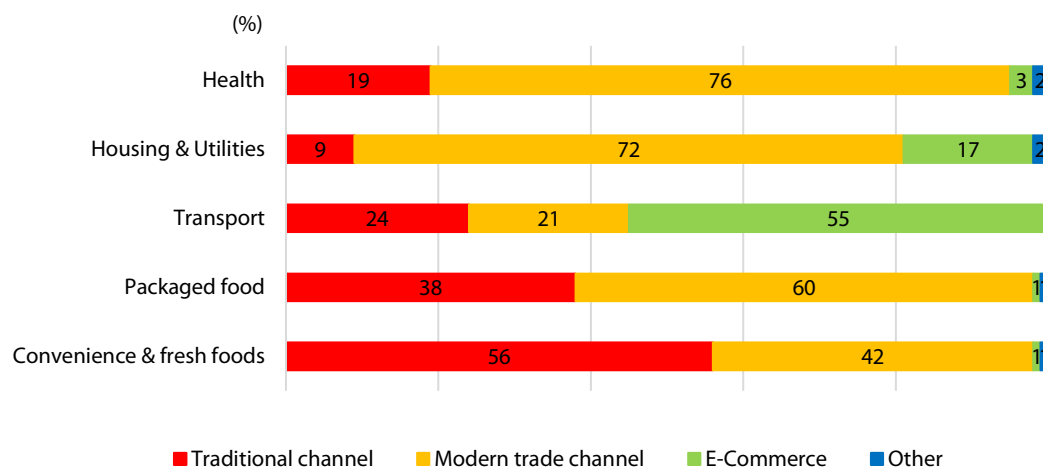


Source: Kanta Worldpanel, RongViet Securities, (*) Ho Chi Minh City, Ha Noi, Da Nang, Can Tho

- According to Kanta Worldpanel, minimarkets have reached a historically highest spending value share, which we attribute to the increase of customer spending due to less shopping choices.
- Although spending value via online channel surpassed that in the 1st Covid-19 wave, the spending value is decreasing rapidly in the second week of July. We view this decrease as a result of overload capacity of online channel to fulfill surging customer demand, causing to mass order cancellation and shortages in Ho Chi Minh City.

- According to Deloitte's 2020 customer survey, the consumption of processed, fresh and packaged food via modern trade channel account for 43% and 61% of total customer demand, respectively.
- Based on the mass closure of traditional markets and stricter social distancing since early July, we expect 2H-FY21 to witness a consumption shift of essential foods from traditional market channel to modern trade channel.
- Having a look back at China's consumer market during last year's social distancing period, the government imposed similar social distancing measures to Vietnam's current measures. Daily consumption value via modern trade channel of ready-to-cook food, packaged food, fresh meat, vegetable & fruits products in China witnessed a surge of 98%, 88%, 57% and 56% versus pre-Covid-19 figures, respectively.

Figure 12: Product lines spending by sales channel



Source: Deloitte, RongViet Securities

Figure 13: China's daily consumption value via modern trade channel in the social distancing period, % change versus pre-Covid-19's period

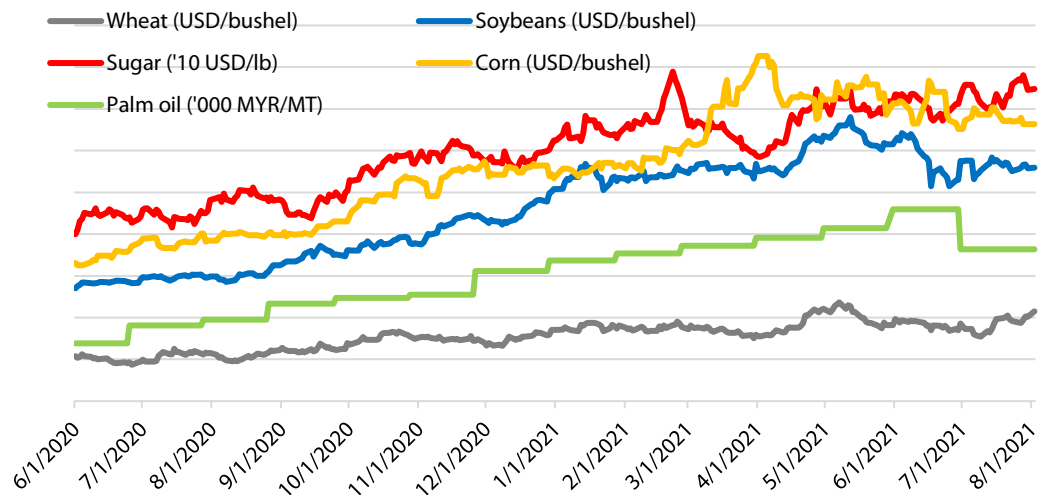


Source: Deloitte, RongViet Securities

Commodity prices have advanced over one year, driven by:

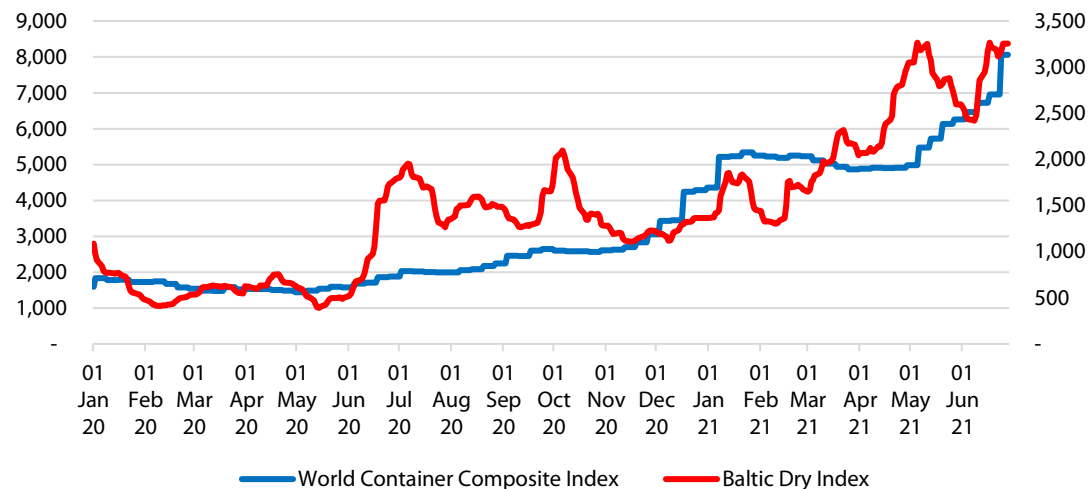
- F&B demand recovery in large countries that have controlled Covid-19's spread. In which, China's commodity storage increase has been one key driver.
- Covid-19 waves and adverse weather in leading commodity producers (Brazil, India, Argentina, Thailand...) have narrowed worldwide supply.
- The supply chain disruption caused escalating logistic costs, which are passed through consumers.

Figure 14: Increasing trend of agricultural prices



Source: Bloomberg, RongViet Securities

Figure 15: Global logistic costs have escalated



Source: Bloomberg, RongViet Securities



Agricultural producing companies:

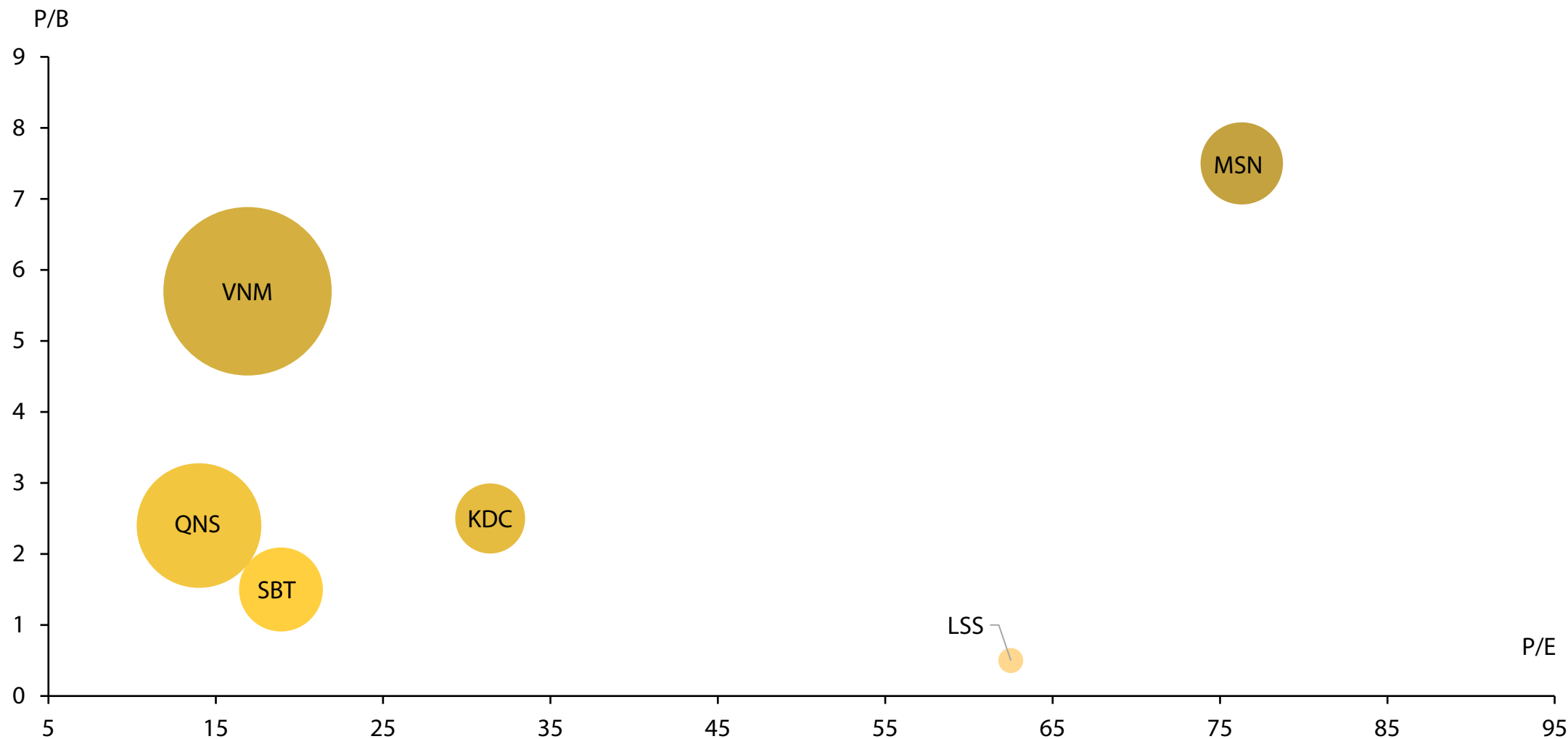
- 1) Core business closely relates to basic agricultural products, whose price have risen robustly.
- 2) Companies with large production volume and high economies of scales.
- 3) Companies with strong free cash flow and healthy balance sheet have lower business risk under the negative impact of Covid-19.

F&B processing companies:

- 1) F&B processing companies will face material cost pressure and record narrow profit margin in FY2021, due to their weaker selling price bargaining power caused by undermining F&B demand amid Covid-19's resurgence.

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)
MSN	160,789	164,000	50.0	48.0	10.4	4.5	-26.4	3.6	1.8	7.6	0.7	76.3	7.5
VNM	180,781	94,000	1.2	-2.9	23.6	20.0	1.1	18.4	21.0	31.9	5.0	16.9	5.7
KDC	14,228	N/A	24.9	86.9	8.3	5.6	150.0	5.7	3.4	5.5	-	31.4	2.4
QNS	15,802	50,000	0.8	-6.7	24.3	17.6	-5.2	16.4	12.5	17.5	7.0	14.0	2.4
SBT	12,073	N/A	15.1	42.5	10.5	7.7	73.9	4.3	3.2	7.9	2.3	18.9	1.5
LSS	694	N/A	-13.6	n/a	0.0	0.0	-41.1	0.0	0.0	0.0	7.0	62.4	0.5

Source: Bloomberg, RongViet Securities. Share price as of 2 Aug 2021.

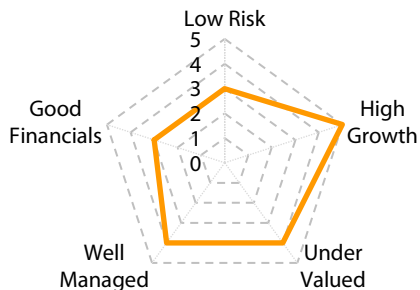
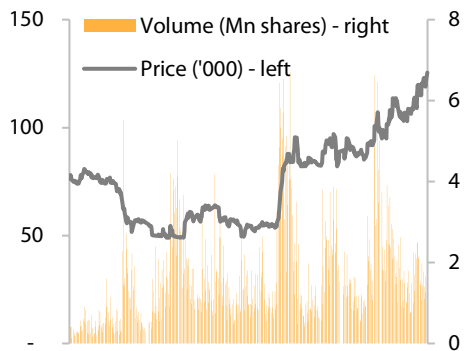


Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 2 Aug 2021.

<BUY: 21%>

<MP: 136.200>

<TP: 164.000>



STOCK INFO

Sector	Food & Beverage
Market Cap (USD mn)	160,789
Current Shares O/S (mn shares)	1,181
3M Avg. Volume (K)	1,916
3M Avg. Trading Value (VND Bn)	212
Remaining foreign room (%)	67
52-week range ('000 VND)	141.0-51.0

FINANCIALS

	2020A	2021F	2022F
Revenue (VND Bn)	77,218	96,506	109,575
NPATMI (VND Bn)	1,395	4,446	6,184
ROA (%)	1.2	3.5	4.8
ROE (%)	4.2	18.4	22.2
EPS (VND)	1,054	2,649	3,685
Book Value (VND)	13,568	15,225	17,921
Cash dividend (VND)	1,000	1,000	-
P/E (x) (*)	133.8	53.2	38.3
P/B (x) (*)	10.3	9.2	7.8

INVESTMENT RATIONALES

Overall results to see strong recovery on the back of consumer ecosystem pillars

- Based on optimistic prospects of the consumer segment, we expect Masan Group (MSN) to witness strong earnings rebound, which are mainly driven by Masan Consumer (MCH), Masan MEATLife (MML) and improving profitability of VinCommerce (VCM). We estimate Masan Group's FY2021 NPAT post-MI to achieve VND 3,112 Bn (or USD 135 Mn, +152% YoY), driven by MCH (+15% YoY) and MML (+74YoY), while VCM and MSR will record smaller net loss after tax. We estimate VCM retailing chain to record EBITDA margin of +2.1% (+612 bps YoY) and EBIT margin of -1.9% (+931 bps YoY) in FY2021.
- Per Kanta WorldPanel, consumer spending for FMCGs and packaged foods in Vietnam's four key cities has risen dramatically towards last year peak. We expect this consumption trend to support MSN's consumer ecosystem to stand out in 2H-FY21, focusing on essential food demand throughout modern trade channel.

Strategic investment deals will have a positive impact on both Masan Group's business and share price

- MSN advanced investment deals to scale up integrated consumer value chain, including raising fund for subsidiaries and signing strategic business contracts with other leading consumer players. As results are in line with our expectations and management guideline, we believe the coming deals, expected to focus on The CrownX and Masan MEATLife, will continuously upgrade the implied valuation for MSN share.

RISKS TO OUR CALL

- Covid-19's impact on the continuing operation of consumer sales network.
- Increasing metal price volatility to constrain MSR's recovery efforts.
- The impact of African swine fever outbreak on MML's business scale.

Table 1: 1H-FY21 MSN's business results

(VND Bn)	1H-FY21	Growth (% YoY)
Net revenue	41,196	16
Masan Consumer (MCH)	11,476	12
VinCommerce (VCM)	14,468	-9
Masan MEATLife (MML)	10,232	42
Masan High Tech Materials (MSR)	6,107	138
Gross profit	9,161	17
Masan Consumer (MCH)	4,549	11
VinCommerce (VCM)	2,661	9
Masan MEATLife (MML)	1,309	9
Masan High Tech Materials (MSR)	743	764
EBITDA	6,891	84
Masan Consumer (MCH)	2,557	10
VinCommerce (VCM)	298	- (*)
Masan MEATLife (MML)	920	20
Masan High Tech Materials (MSR)	1,194	87
Gain/(loss) from investment in Techcombank	1,953	72
NPAT	1,396	- (*)
NPAT post MI	979	737

Source:: MSN, Rong Viet Securities, (*) recording loss in 1H-FY20

- **MSN:** 1H-FY21's revenue was VND 41,196 Bn (USD 1.8 Bn, +16% YoY). 1H-FY21 NPAT post-MI was VND 979 Bn (USD 42 Mn, +737% YoY). 1H-FY21 revenue and profit growths were led by the improvement of consumer segments.
- **MCH:** 1H-FY21's revenue and NPAT were VND 11,476 Bn (USD 497 Mn, +12% YoY) and VND 2,012 Bn (USD 87 Mn USD, +8% YoY), respectively, which are strengthened by convenience foods, beverage and processed meat.
- **MML:** MEATDeli pork reached net revenue of VND 1,438 Bn (USD 62 Mn, +36% YoY). Feed segment revenue was VND 8,164 Bn (USD 353 Mn, +33% YoY). MML's EBITDA margin was 9% (-170 bps YoY).
- **VCM:** 1H-FY21 EBITDA was positive at 2.1% margin (+848 bps YoY), driven by total commercial margin improvement, store operating costs optimization, and logistics initiatives.
- **MSR:** Total revenue achieved growth of 138%, driven by pent-up customer demand post-COVID, higher metal realized prices, and the consolidation of H.C. Starck (HCS). Due to interest burdern, MSR's NPAT post-MI was VND -291 Bn (USD -13 Mn) in 1H-FY21.

Table 2: 2H-FY21 MSN's business forecast

(VND Bn)	2H-FY21	+/- HoH	+/- YoY
Revenue	55,310	34	32
Gross profit	14,246	56	42
EBIT	4,604	136	154
NPAT	2,124	115	90

Source: Rong Viet Securities

Table 3: FY2021 MSN's business forecast

(VND Bn)	FY2019	FY2020	FY2021F	FY2022F
Revenue	37,354	77,218	96,506	109,575
Growth (%)	-2.2	106.7	25.0	13.5
Gross profit	10,941	17,889	23,407	27,246
Gross margin (%)	29.3	23.2	24.3	24.9
SG&A expense	6,098	16,207	17,626	20,192
SG&A ratio (%)	16.3	21.0	18.3	18.4
EBIT	4,843	1,682	5,781	7,054
EBIT margin (%)	13.0	2.2	6.0	6.4
NPAT post-MI	5,557	1,234	2,884	4,164
Net margin (%)	14.9	1.6	3.0	3.8

Source: Rong Viet Securities

2H-FY21 MSN's business forecast

- 1) Total revenue in 2H-FY21 to grow at 32% YoY, mainly driven by revenue growths of MCH (+24% YoY) and MML (+40% YoY), which will show higher growths versus those of 1H-FY21, driven by boosting FMCGs and fresh meat demand.
- 2) Total NPAT in 2H-FY21 to grow at 90% YoY on the back of MCH (+19% YoY), MML (+40% YoY), while VCM improves its net loss with EBITDA margin of 2.1% in 2H-FY21.

FY2021 MSN's business forecast

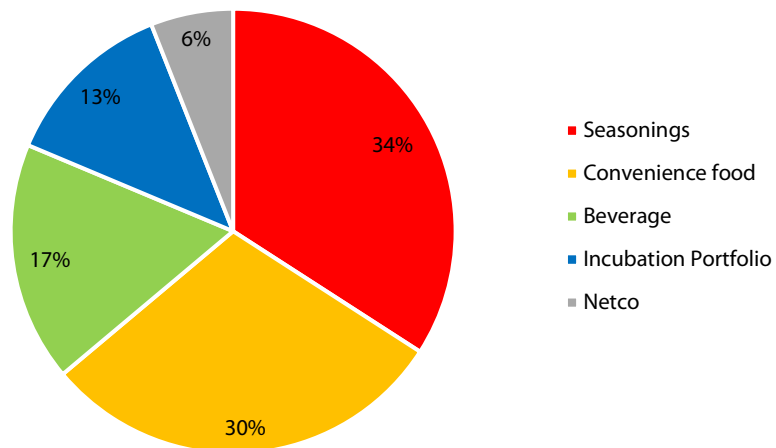
In FY2021, MSN will reach VND 96,506 Bn (USD 4.2 Bn, +25% YoY) in revenue and VND 3,112 Bn (USD 135 Mn, +152% YoY) in NPAT post-MI:

- **MCH's revenue and NPAT to grow 19% YoY and 15% YoY, respectively.** FCMGs portfolio will be the spotlight with broad-based product growths (convenience foods, processed meat)
- **MML's revenue and NPAT to grow 41% YoY and 74% YoY, respectively.** Growth pillar will be fresh meat with revenue and EBIT growths of 99% YoY and 35 times YoY.
- **VCM's revenue to grow 11% YoY and EBITDA margin reach 2.1% (+612 bps YoY).** The widening EBITDA margin is led by total commercial margin improvement, growing SSSG to increase revenue per store and logistic restructuring.

Table 4: FY2021 forecasts

(VND Bn)	FY2019	FY2020	FY2021F	FY2022F
Revenue	18,845	23,892	28,361	31,053
Gross profit	7,890	9,919	11,992	13,120
Gross margin	41.9	41.5	42.3	42.3
EBIT	3,985	4,838	5,746	6,277
EBIT margin	21.1	20.2	20.3	20.2

Source: Rong Viet Securities

Figure 1: Revenue by product lines


Source: Rong Viet Securities

FY2021 MCH forecast

- MCH is expected to stay the most robust pillar of MSN thanks to a leading position in the FMCG segment and own-label product brands with high market share.
- We expect convenience foods, processed meat and HPC to achieve revenue growth of 25% YoY, 100% YoY and 26% YoY, respectively.
- Optimistic revenue growth will be the key factor to gross profit growing at 21% YoY (VND 11,992 Bn or USD 519 Mn, per our estimates). We estimate the gross margin at 42.3%, up 77 bps YoY.
- EBIT is estimated to be VND 5,746 Bn (USD 249 Mn, +19% YoY), backed by robust revenue growth and stable operating cost ratio.
- Besides business growths, MCH is the best cash generating company of MSN with average VND 4,818 Bn (USD 209 Mn) generated free cash flow per year and stable cash dividend of VND 4,500, contributing dividend cashflow of VND 2,319 Bn (USD 100 Mn) per year for MSN's parent company.

Table 5: FY2021 forecast

(VND Bn)	FY2019	FY2020	FY2021F	FY2022F
Revenue	13,799	16,108	22,693	24,899
Gross profit	2,266	2,725	2,971	3,877
Gross margin	16.4	16.9	13.1	15.6
EBIT	788	1,186	1,473	2,284
EBIT margin	5.7	7.4	6.5	9.2

Source: Rong Viet Securities

Table 6: FY2021 forecast by product

(VND Bn)	FY2019	FY2020	FY2021F	FY2022F
Revenue	13,799	16,108	22,693	24,899
Animal feed	13,472	13,741	17,951	18,940
Fresh meat	327	2,378	4,743	5,958
EBIT	788	1,186	1,473	2,284
Animal feed	1,069	1,184	1,403	1,801
Fresh meat	-281	2	70	483

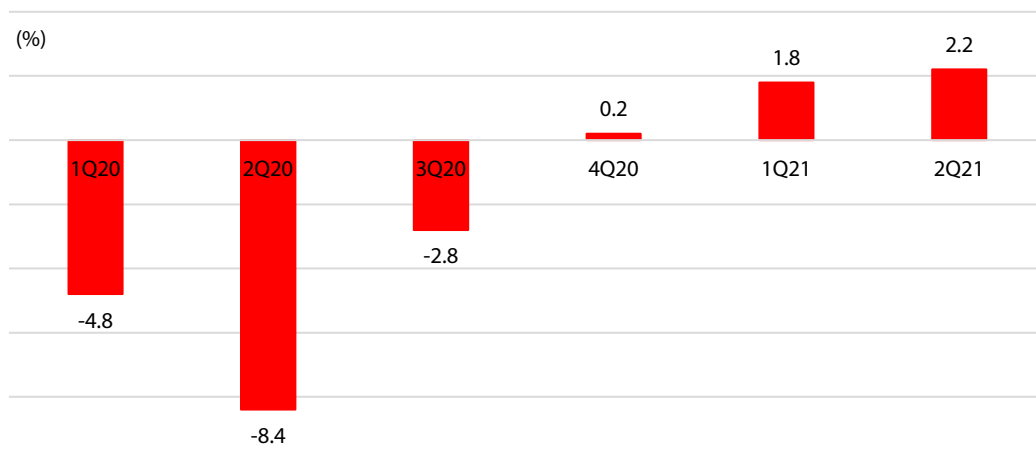
Source: Rong Viet Securities

- 1) MML will reach net revenue and EBIT of VND 22,693 Bn (USD 982 Mn, +41% YoY) and VND 1,473 Bn (USD 64 Mn, +24% YoY), respectively.
- 2) We estimate the fresh meat segment to reach VND 4,743 Bn (USD 205 Mn, +99% YoY) in revenue and MEATDeli pork will reach VND 410 Bn (USD 18 Mn) in EBIT.
 - As consumer spending is focusing on packaged food via modern trade channel, MEATDeli pork has a large opportunity to boost its revenue growth in 2H-FY21.
 - Furthermore, we are optimistic of the long-term prospect of MEATDeli pork as this segment is still in the first penetration stage to gain market share.
 - 3F Viet chicken can contribute VND 1,500 Bn (USD 65 Mn) to MML's revenue in FY2021.
- 3) Animal feed segment will reach VND 17,951 Bn (USD 777 Mn, +31% YoY) in revenue and VND 1,403 Bn (USD 61 Mn, +19% YoY) in EBIT:
 - Pig feed revenue to grow 50% YoY, driven by nationwide live hog supply recovery in FY2021. Aqua feed revenue and poultry feed revenue to grow 30% YoY and 10% YoY, respectively as poultry consumption is stable and the pangasius export outlook becomes clearer.
 - Due to escalating agricultural prices, we estimate animal feed's gross margin to be 12.8% (-407 bps YoY).

Table 7: FY2021 forecast

(VND Bn)	FY2019	FY2020	FY2021F	FY2022F
Revenue	25,824	29,791	32,920	41,156
Gross profit	3,629	5,084	6,606	8,670
Gross margin	14.1	17.1	20.1	21.1
EBITDA	-2,158	-1,197	691	1,118
EBITDA margin	-8.4	-4.0	2.1	2.7

Source: Rong Viet Securities

Figure 2: Quarterly EBITDA margin


Source: Rong Viet Securities

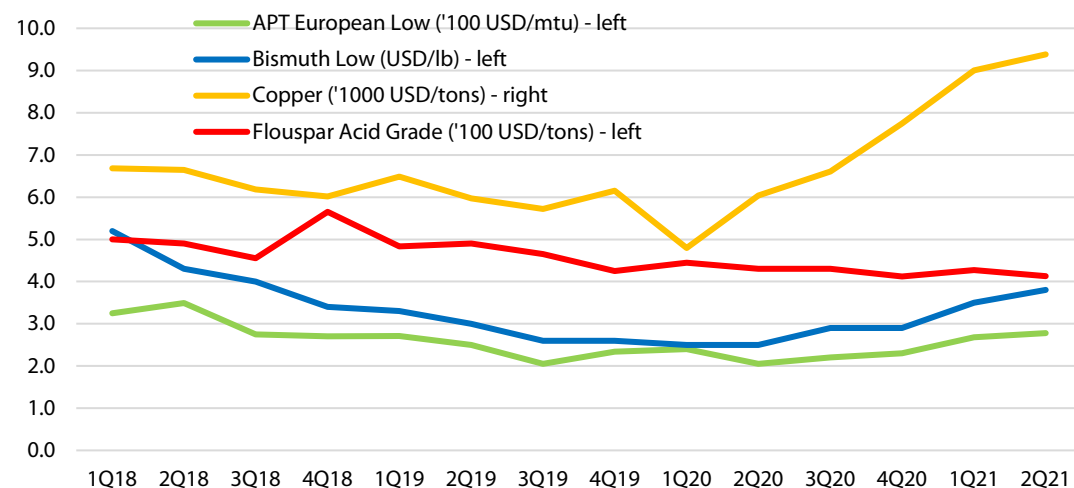
FY2021 forecast

- 1) Total revenue to grow at 11% YoY, backed by Vinmart+ revenue (VND 22,572 Bn or USD 977 Bn, +14% YoY). Due to extending effects of Covid-19's outbreak on shopping mall operations, we estimate Vinmart revenue to recover slowly at 4% YoY. In which, we are concerned that Vinmart revenue inside Vincom Retail shopping mall will plunge by 30% YoY in FY2021.
- 2) Gross profit to reach VND 6,606 Bn (USD 286 Mn, +30% YoY). Gross margin will be 20.1% (+300 bps YoY). We attribute gross margin improvement to VCM's efforts to:
 - Enhancing total commercial margins (TCM) through direct-sourcing and re-negotiation with suppliers.
 - Increasing the presence of own-label fresh foods in VCM's store network. VinEco products account for 14% of VCM's fruits & vegetables revenue, while MEATDeli and 3F Viet's products account for 50% of VCM's meat revenue.
 - VCM saw 2.4% TCM improvement in 1H-FY21 and is expected to gain additional 0.3-0.5% in 2H-FY21.
- 3) EBITDA positive for the whole FY2021 with a 2.1% margin (+612 bps YoY), driven by TCM improvement, store operating costs optimization, and logistics initiatives to improve goods flow.

Table 8: FY2021 forecast

(VND Bn)	FY2019	FY2020	FY2021F	FY2022F
Revenue	4,706	7,427	12,532	12,467
Gross profit	735	178	1,838	1,579
Gross margin	15.6	2.4	14.7	12.7
EBIT	488	-330	1,003	714
EBIT margin	10.4	-4.4	8.0	5.7

Source: Rong Viet Securities

Figure 3: quarterly metal prices


Source: Industrial Minerals, Rong Viet Securities

FY2021 forecast

- Total revenue growth will be 69%, driven by pent-up customer demand post-COVID, higher metal realized prices, and the consolidation of H.C. Starck (HCS) with VND 7,865 Bn (USD 340 Mn).
 - Tungsten revenue to reach VND 10,618 Bn (USD 460 Mn, double YoY).
 - Fluorspar revenue to flatten at VND 1,491 Bn (USD 65 Mn).
 - Bismuth revenue to reach VND 423 Bn (USD 18 Mn).
- Gross profit to reach VND 1,838 Bn (USD 80 Mn, 10x YoY). Besides solid gross profit contribution of fluorspar product (VND 969 Bn, or USD 42 Mn, per our estimates), gross profit of tungsten-related products will be VND 786 Bn (USD 34 Mn) at gross margin of 7% on the back of higher realized tungsten price in FY2021.
- We keep our cautious view that MSR will not receive a copper export license in 2H-FY21, causing a VND 44 Bn (USD 2 Mn) gross loss in FY2021.
- Despite of strong EBIT recovery, MSR's NPAT post-MI was VND -273 Bn (USD -12 Mn) in 1H-FY21 due to the interest burden with VND 2,307 Bn (USD 100 Mn) in FY2021.

Sum Of The Parts (SoTP)	FY2021F	Comments
1) Masan Consumer (MCH)		DCF method
Equity value	126,628	
Masan's ownership	72.7	
Equity value attributed to Masan Group (A)	92,059	24x justify PE multiple
2) Masan MEATLife (MML)		EV/EBITDA method
Equity value	26,222	
Masan's ownership	87.9	
Equity value attributed to Masan Group (B)	23,049	EV/EBITDA multiple of peer group = 13
3) Masan High-tech Materials (MSR)		Book value method
Equity value	13,739	
Masan's ownership	86.4	
Equity value attributed to Masan Group (C)	11,870	
4) VinCommerce (VCM)		P/S method
Equity value	32,920	
Masan's ownership	71.3	
Equity value attributed to Masan Group (D)	23,472	P/S multiple = 1.0
5) Long-term investment value		
Techcombank (TCB)	53,502	
Other long-term investment	945	Market value
Equity value attributed to Masan Group (E)	54,448	
6) Other net assets (F)	(12,349)	
Equity Value (A) + (B) + (C) + (D) + (E) + (F)	192,549	
Common outstanding shares (mn shares)	1,175	
Target Price	164,000	FY2021
Annualized price return	20.4	
Expected dividend yield	0.7	
Total expected return	21.1	FY2021

Source: Rong Viet Securities; VND Bn

- After one year of recording a large decrease of results (-78% YoY NPAT post-MI in FY2020), mainly due to net loss consolidation of VCM, MSN has shown large efforts to drive its earnings on a better path. Based on cost restructuring efforts and product combination from MCH and MML, VCM is in line with its guidance to achieve robustly positive EBITDA margin in FY2021. Besides, we believe MCH and MML's prospects point to a brilliant year with higher earning growth in 2H versus 1H, driven by rising FMCGs and packaged foods via modern trade channel.
- Based on SoTP valuation, we upgrade MSN value at VND 164,000 per share, driven by our higher business result estimates for MCH, MML and MSN consolidation, while the company's net cash is improving on the back of new capital raising and cash-generating consumer business. Therefore, despite the stock price surge of 33% in the recent two months, we maintain our **BUY** recommendation with total expected return of 21%, including 1% cash dividend.

<ACCUMULATE: 13%>

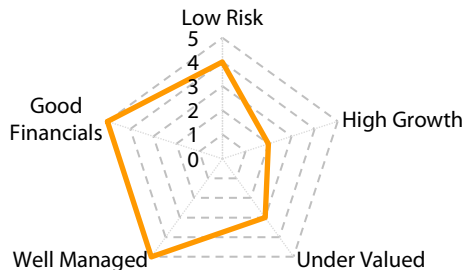
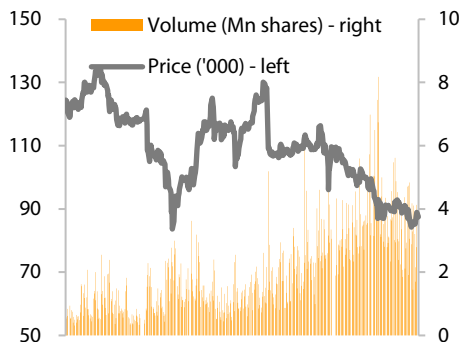
<MP: 86,500>

<TP: 94,000>

STOCK INFO

FINANCIALS

2020A 2021F 2022F



Sector	Food & Beverage
Market Cap (USD Mn)	180,781
Current Shares O/S (Mn shares)	2,090
3M Avg. Volume (K)	3,831
3M Avg. Trading Value (VND Bn)	343
Remaining foreign room (%)	45
52-week range ('000 VND)	114.9-84.3

Revenue (VND Bn)	59,636	58,653	61,807
NPATMI (VND Bn)	11,099	10,668	10,955
ROA (%)	23.0	21.0	20.8
ROE (%)	35.5	32.8	32.2
EPS (VND)	4,770	4,594	4,717
Book Value (VND)	16,099	15,569	16,286
Cash dividend (VND)	4,000	4,000	4,000
P/E (x) (*)	20.4	19.8	19.8
P/B (x) (*)	6.0	5.5	5.2

INVESTMENT RATIONALES

Covid-19 resurgence to hinder growth prospects

- In FY2021, we estimate Vinamilk's total revenue at VND 58,653 Bn (or USD 2.5 Bn, -1.6% YoY) and NPAT at VND 10,668 Bn (or USD 462 Bn, -3.9% YoY). Export markets will lead the overall revenue growth on the back of stable demand in Iraq and extending school re-opening in the US.
- Stricter social distancing measures under Directive 16 will directly hit consumer expenditure and Vinamilk's domestic revenue in 2H-FY21. Although domestic revenue via supermarkets, convenient stores and online channel will surge amid social distancing period, total domestic revenue is estimated to continue the decrease as traditional markets are still the company's largest sales channel accounting for 70%.

Leading position to be robust in the long-term

- In the long term, we believe the company's competitive factors will be robust, focusing on (1) solid leading position in Vietnam's dairy market combined with efforts to diversify its product portfolio, (2) stable long-term cash dividend and (3) the potential growth of export markets.

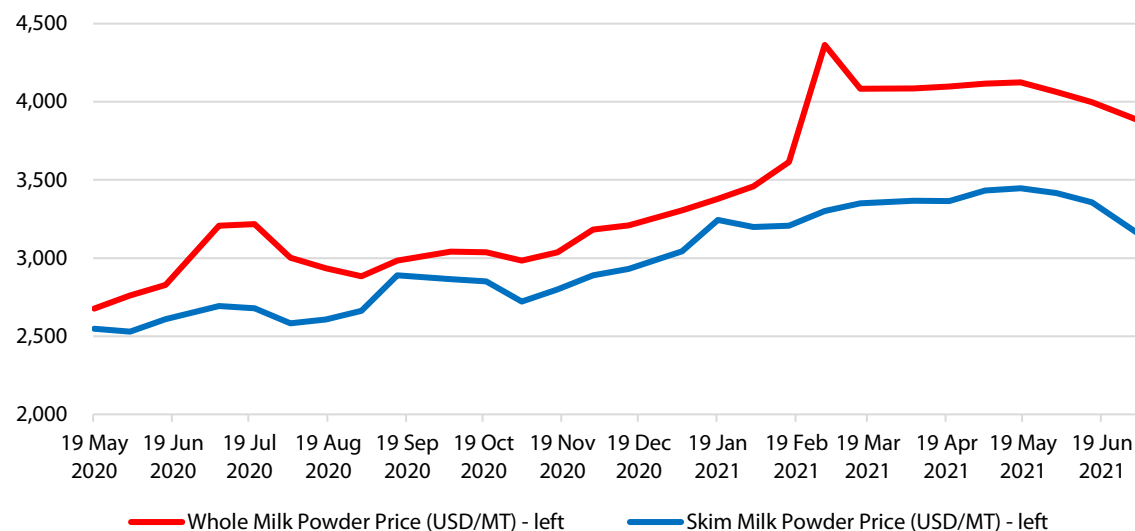
RISKS TO OUR CALL

- Covid-19's extended impact on F&B consumption.
- Increasing milk powder price volatility (whole milk and skim milk powder).

Table 1: 1H-FY21 results

(VND Bn)	1H-FY21	+/- (%) HoH	+/- (%) YoY
Revenue	28,906	(3.6)	(2.5)
Gross profit	12,609	(9.4)	(8.3)
EBIT	6,081	7.2	(7.8)
NPAT	5,411	2.8	(7.3)

Source: VNM, Rong Viet Securities

Figure 1: Whole milk powder (WMP) prices


Source: Global Dairy Trade, Rong Viet Securities

1H-FY21 results

In 1H-FY21, total revenue was VND 28,906 Bn (USD 1.3 Bn, -3% YoY). Domestic revenue decreased 4% YoY.

- On the contrary, export revenue increase 7% YoY on the back of Iraq and the US markets, benefit from domestic dairy chain disruption in Iraq and gradual school re-opening in the US.
- The company's domestic market share is flat QoQ at around 60%. Yogurt product remains fulfilled by rising demand of healthy products. In contrast, powdered milk has faced weakening consumption and decreasing market share due to more intense competition.
- Gross profit was VND 12,609 Bn (USD 546 Mn, -8% YoY). Gross margin was 43.6% (-270 bps YoY), due to input milk material price increase, which has surged since the early FY2021.
- SG&A expenses were VND 6,528 Bn (USD 282 Mn, -9% YoY). SG&A ratio dropped 153 bps which we attribute to SG&A cuts amid undermining dairy demand and the difficulties in running marketing and promotion campaign due to stricter social distancing.
- Due to the impact of revenue decrease and narrowing gross margin, NPAT post-MI was VND 5,411 Bn (USD 234 Mn, -7% YoY).

Table 2: 2H-FY21 forecast

(VND Bn)	2H-FY21	+/- (%) HoH	+/- (%) YoY
Revenue	29,747	2.9	-0.8
Gross profit	13,550	7.5	-2.7
EBIT	5,777	-5.0	1.9
NPAT	5,257	-2.8	-0.1

Source: Rong Viet Securities

Table 3: FY2021 VNM's business forecast

(VND Bn)	FY2019	FY2020	FY2021F	FY2022F
Revenue	56,318	59,636	58,653	61,807
Growth (%)	7.1	5.9	-1.6	5.4
Gross profit	26,572	27,669	26,159	27,938
Gross margin (%)	47.2	46.4	44.6	45.2
SG&A expense	14,390	15,406	14,302	15,627
SG&A ratio (%)	25.6	25.8	24.4	25.3
EBIT	12,182	12,263	11,857	12,311
EBIT margin (%)	21.6	20.6	20.2	19.9
NPAT	10,581	11,099	10,668	10,955
Net margin (%)	18.8	18.6	18.2	17.7

Source: Rong Viet Securities

2H-FY21 forecast

- 1) Domestic revenue to drop 4% YoY to be VND 24,377 Bn. In which, revenue will be hit most in the 3rd quarter (-10% YoY) as we assume social distancing period under Directive 16 will cause to seriously weakening dairy demand. We expect domestic revenue to recover in the 4th quarter.
- 2) Export revenue can reach VND 5,370 Bn (+17% YoY) on the back of stable demand in Iraq and school re-opening in the US.
- 3) Gross margin to be 45.6%, -88 bps YoY but +193 bps HoH as we estimate WMP price will grow 22% YoY and drop 4% HoH.

FY2021 forecast

Vinamilk's total revenue is going to be at VND 58,653 Bn (-1.6% YoY) and NPAT at VND 10,668 Bn (-3.9% YoY), based on:

- 1) FY2021 dairy volume to drop 4% YoY due to the impact of Covid-19.
- 2) Gross margin to be 44.6%, narrowing 180 bps YoY due to the increasing trend of milk powder price.
- 3) The company's SG&A expenses at VND 14,302 Bn (-7% YoY) with a ratio of 24.4% (-145 bps YoY), driven by marketing & promotion cut under the impact of undermining dairy demand amid Covid-19's resurgence.

Table 4: Valuation Summary

Method	Target price	Weight	Weighted average target price
FCFE	96,397	50%	48,198
P/E	90,932	50%	45,466
Target price (VND)		100%	94,000

Source: Rong Viet Securities

Although the recent price action has made VNM shares look more attractive, we are still prudent about its upside prospect in FY2021 as the company will face a difficult year under Covid-19. The impact of new investment projects will still need many years to create significant synergies on business results and stock valuation.

In the long term, we believe the company's competitive factors will be robust, focusing on (1) solid leading position in Vietnam's dairy market combined with efforts to diversify its product portfolio, (2) stable long-term cash dividend and (3) the potential growth of export markets.

We use our valuation mix of 50%:50% for DCF/PER to evaluate the stock. Our fair value comes at VND 94,000 per share, implying a FY2021 PER of 21x. With a cash dividend yield of 5%, we maintain our **ACCUMULATE** recommendation with a total stock return of 13%.



SUGAR INDUSTRY

**SUGAR PRICE SURGE TO LEAD
GROWTH**



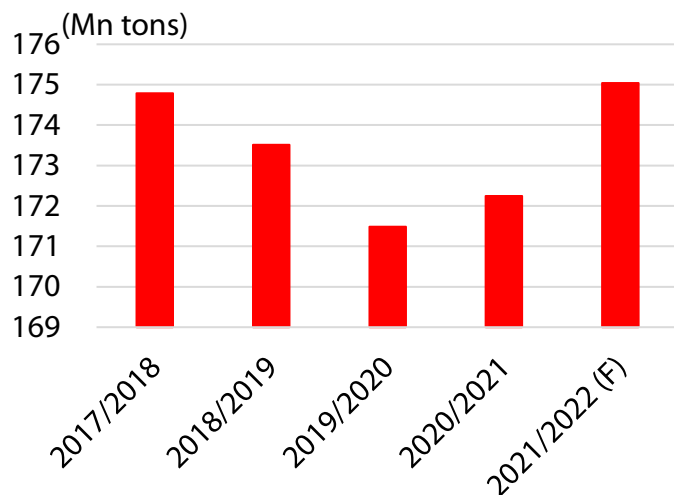
Toan Dao – toan.dp@vdsc.com.vn



Global sugar price has witnessed one year surge on the back of:

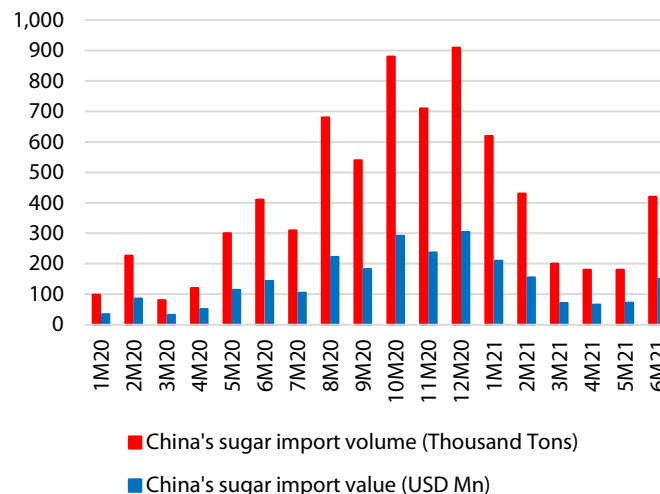
- F&B demand recovery in large countries that have controlled Covid-19's spread. In which, China's commodity storage, which has seen an increase of sugar volume of 16 times YoY in FY2020 and 3 times YoY in 4M-FY21.
- The supply chain disruption amid pandemic causing higher logistic costs.
- The stronger domestic currency against USD of large sugar exporters (Thailand, Euro, Brazil).

Figure 1: Global sugar consumption



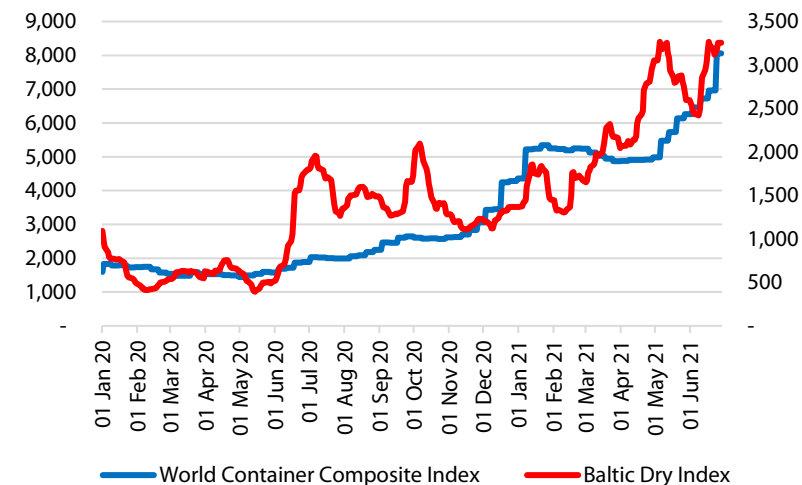
Source: USDA, Rong Viet Securities

Figure 2: China's sugar import



Source: China Custom, Rong Viet Securities

Figure 3: Global logistic cost have escalated

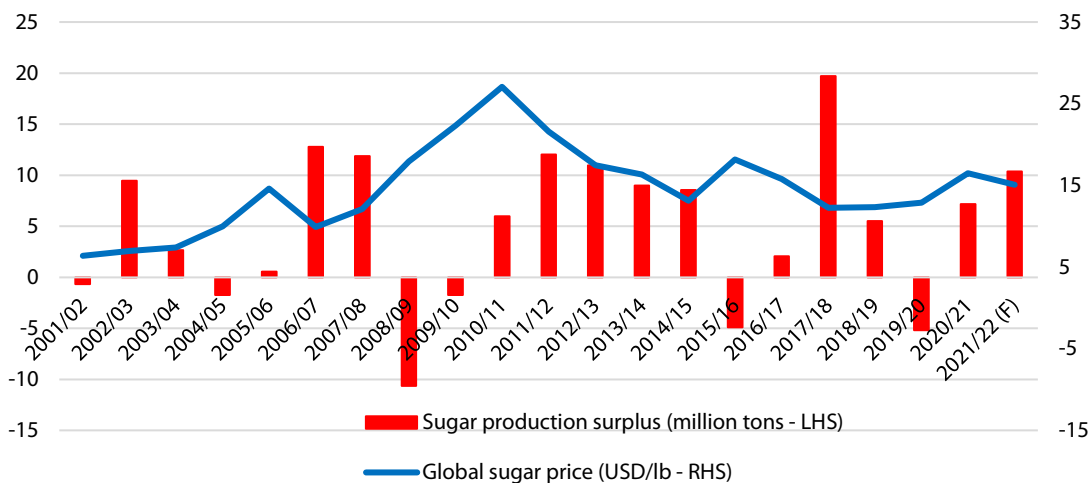


Source: Bloomberg, Rong Viet Securities

Global sugar prices are expected to increase 30% YoY for the whole FY2021 but will moderate H2 2021 compared to that in H1 2021 given some dragged-down factors in the coming quarters:

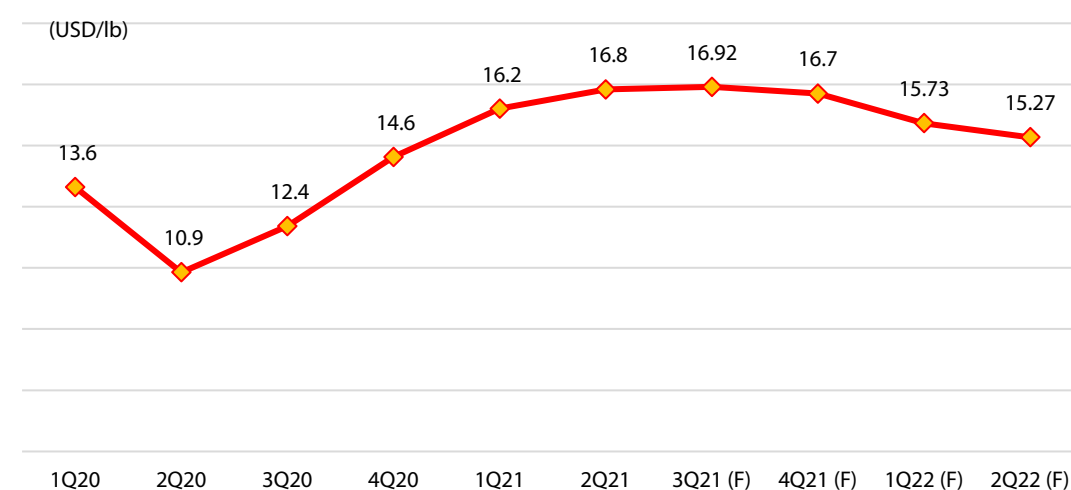
- **Global sugar industry to witness production surplus of 10 Mn tons in 2021/2022.** Per USDA, global sugar production will reach 183 Mn tons, increasing at 3% YoY while global sugar consumption is estimated to be 173 Mn tons, increasing 2% YoY. Furthermore, global sugar exports will reach 66 Mn tons, increasing 3% YoY with a global surplus at around 12 Mn tons in 2021/2022.
- **Logistic cost increases to decelerate from H2 2021** as global economic recovery and worldwide vaccine program acceleration will help global container shortage and congestion at large container shipping ports to be solved gradually.

Figure 4: Global sugar production surplus and sugar price



Source: USDA, Bloomberg, Rong Viet Securities

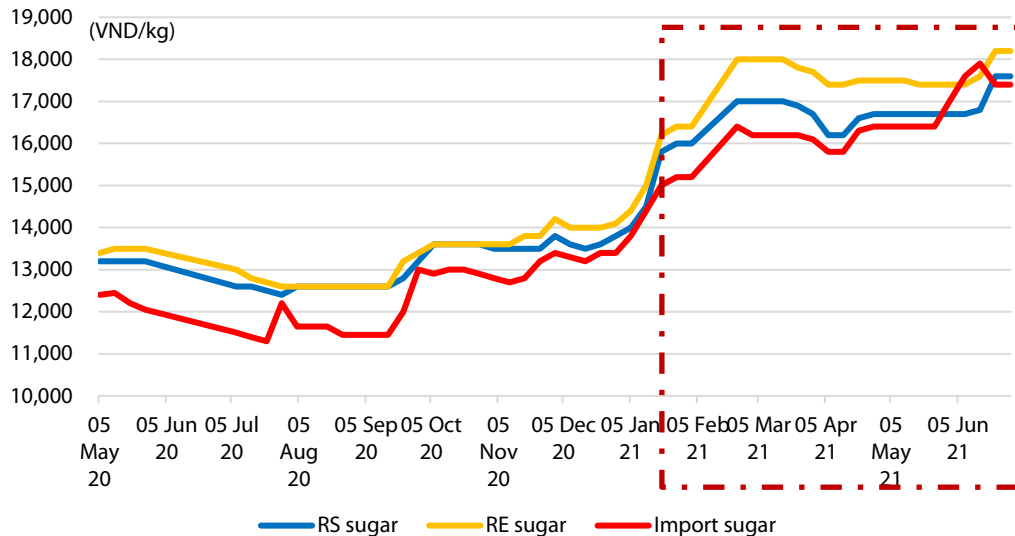
Figure 5: Quarterly global sugar price



Source: Bloomberg, Rong Viet Securities, (F): Forecast

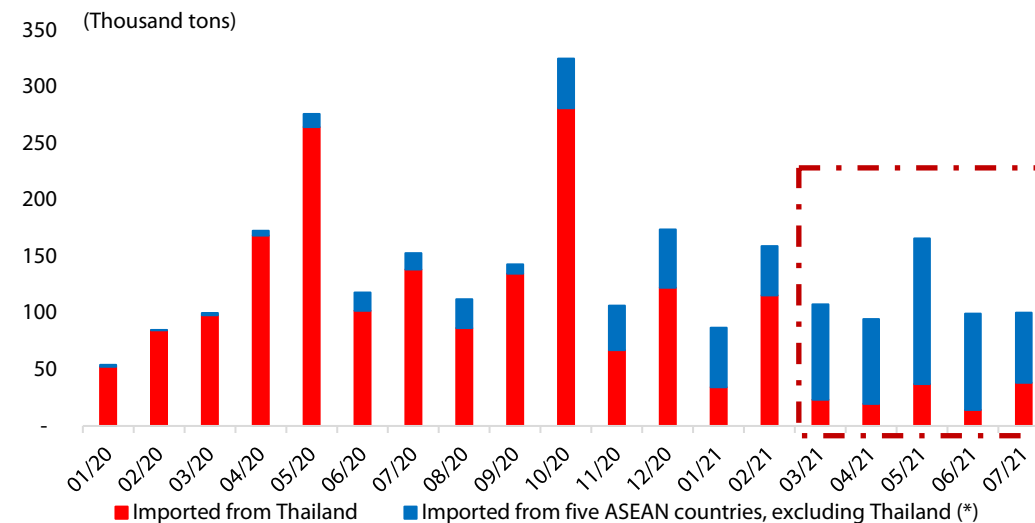
	Preliminary	Official
Tax rate	- Raw sugar: 33.88% - Refine sugar: 44.88%	- Raw sugar: 47.64% - Refine sugar: 47.64%
Effective term	09 Feb 2021	16 Jun 2021 - Valid in five year

Figure 6: Vietnam sugar domestic price and import price



Source: VSSA, Rong Viet Securities

Figure 7: Vietnam's sugar volume import



Source: AgroMonitor, VSSA, Rong Viet Securities

(*) Cambodia, Indonesia, Laos, Malaysia, Myanmar

Creating fair competitive environment between domestic sugar and Thailand-origin sugar:

- The strong method to prevent the unfair price competition of Thai-origin sugar.
- Domestic sugarcane price has also reacted positively to this event as increasing VND 100-200 thousand/ton in recent months.
- 4M-FY21 sugar volume imported from Thailand has plunged 68% YoY compared to four months before tax tariff valid day (in Feb 2021).

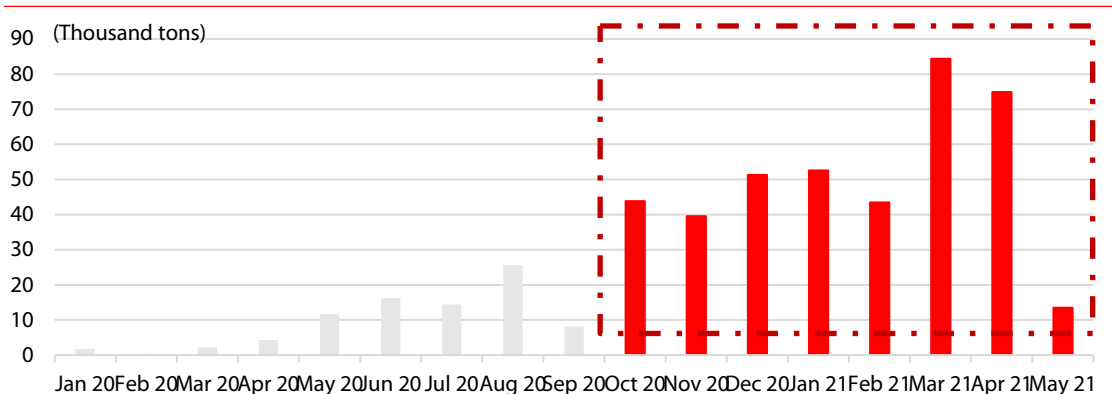
Promoting the uptrend of domestic sugar price and producers's profit margins

- Vietnam's domestic sugar price still remains at 20% lower price compared to ASEAN countries and China, while production cost of many Vietnamese sugar producers have decreased to those of Thai-origin sugar and region average.

The coming solution will focus on restricting the presence of Thai-origin sugar throughout other ASEAN countries

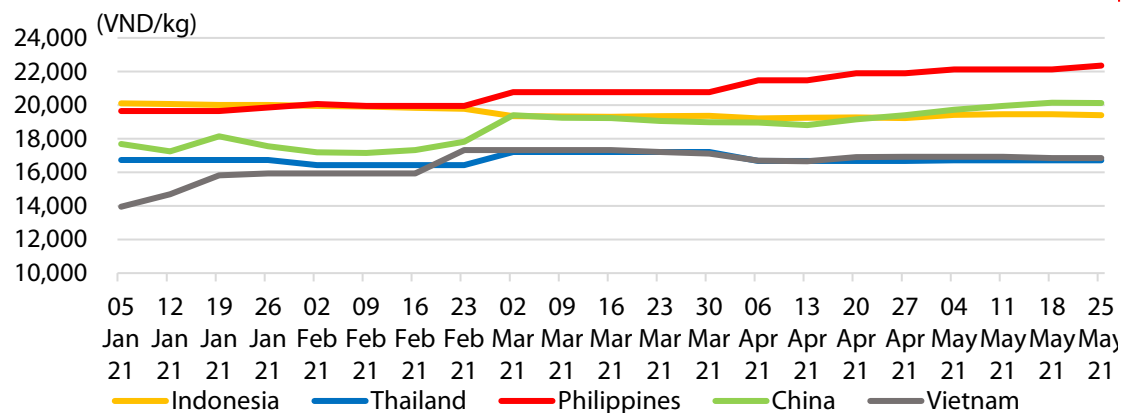
- Sugar import volume from ASEAN countries (including Cambodia, Indonesia, Laos, Malaysia, Myanmar but excluding Thailand) has surged 79% to 255 thousand tons. The volume surpasses domestic sugar producing capacity of these five countries, implying the ability of Thai-origin sugar to implement the third country export to avoid anti-dumping tax tariff.

Figure 8: Import sugar volume from Cambodia, Indonesia, Laos, Malaysia and Myanmar



Source: VSSA, Rong Viet Securities

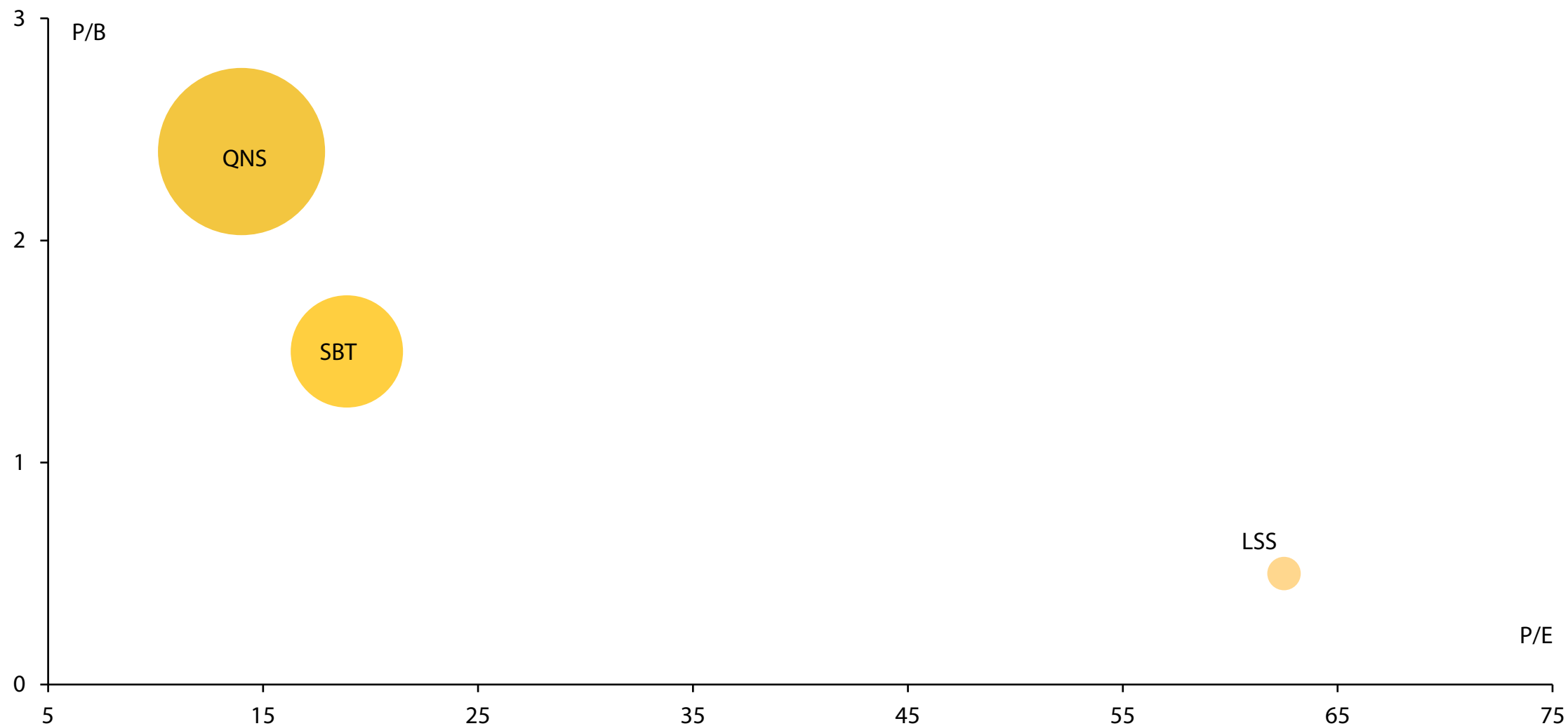
Figure 9: Domestic selling sugar price by country



Source: Bloomberg, Rong Viet Securities, (F): Forecast

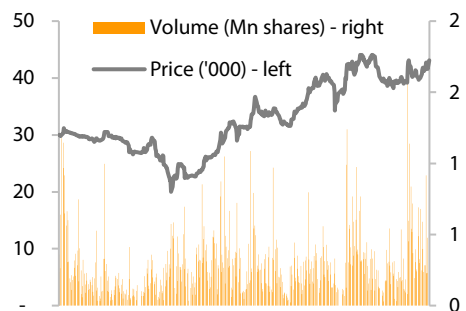
Ticker	Market cap (USD mn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
QNS	15,802	50,000	0.8	-6.7	24.3	17.6	-5.2	16.4	12.5	17.5	7.0	14.0	2.4
SBT	12,073	N/A	15.1	42.5	10.5	7.7	73.9	4.3	3.2	7.9	2.3	18.9	1.5
LSS	694	N/A	-13.6	n/a	0.0	0.0	-41.1	0.0	0.0	0.0	7.0	62.4	0.5

Source: Bloomberg, RongViet Securities. Share price as of 02 Aug 2021.



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 02 Aug 2021.

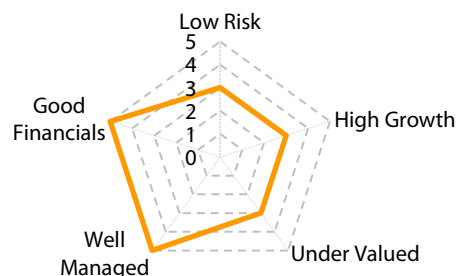
<ACCUMULATE: 19%>



<MP: 44,270>

<TP: 50,000>

STOCK INFO



Sector	Food & Beverage
Market Cap (\$ mn)	15,802
Current Shares O/S (mn shares)	357
3M Avg. Volume (K)	749
3M Avg. Trading Value (VND Bn)	32
Remaining foreign room (%)	33
52-week range ('000 VND)	46.6-29.2

FINANCIALS

	2020A	2021F	2022F
Revenue (VND Bn)	6,490	7,416	9,276
NPATMI (VND Bn)	1,053	1,232	1,540
ROA (%)	11.5	12.5	14.0
ROE (%)	15.9	17.7	20.3
EPS (VND)	3,463	4,004	5,008
Book Value (VND)	21,915	23,114	25,121
Cash dividend (VND)	3,000	3,000	3,000
P/E (x) (*)	7.8	12.6	10.0
P/B (x) (*)	1.2	2.2	2.0

INVESTMENT RATIONALES

Sugar segment to be the brightest one in FY2021

- We attribute sugar price increase to the combined positive impact of (1) FY2021 increase of average global sugar price and (2) the positive impact of tax imposition on Thai-origin sugar.
- Sugar segment's FY2021 NPAT to achieve VND 326 Bn (or USD 14 Mn), driven by 85% YoY revenue growth and widening gross margin of +2,102 bps YoY.
- Riding on sugar segment pillar, QNS will reach VND 7,416 Bn revenue (or USD 321 Mn, +14% YoY) and VND 1,232 Bn NPAT (or USD 53 Mn, +17% YoY) in FY2021.

Business growth to be strengthened in the long term

- We estimate QNS to reach 13% estimated five year CAGR NPAT, premised by 12% and 19% five year CAGR NPAT of soy milk and sugar segment, respectively, which are driven by (1) soymilk demand recovery post-2021, (2) soy milk's profit margin to improve year-by-year and (3) positive effect of Thai-origin sugar's tax imposition on sugar segment's business results.

Stable cash flow combined with strong cash flow yield

- 28% average D/E ratio with no long-term debt in FY2021-2025.
- Strong cash flow generation with USD 78 Mn annual average free cash flow and 16% FCF/EV.

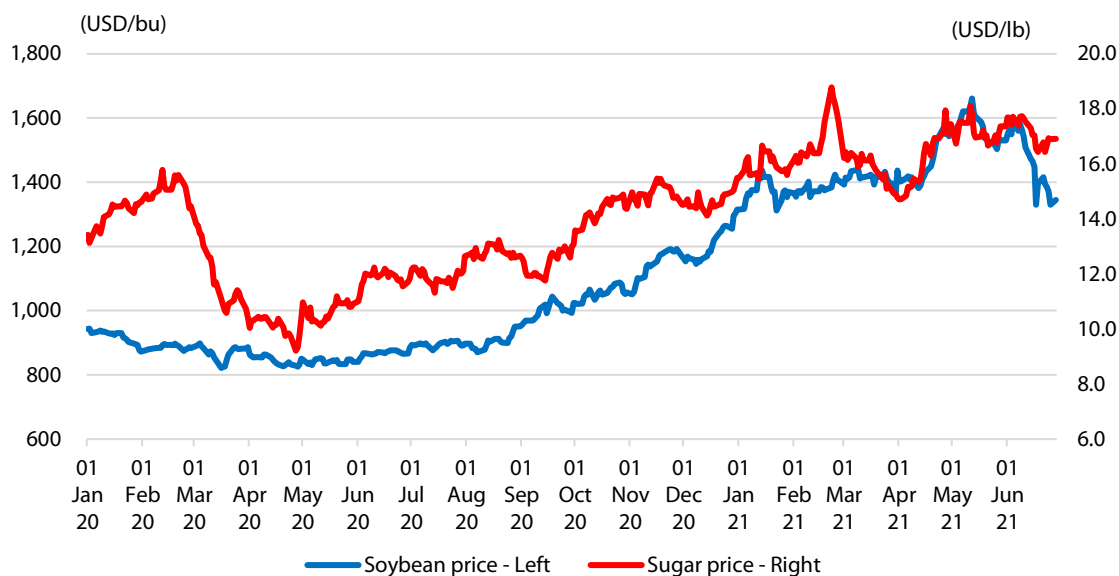
RISKS TO OUR CALL

- Covid-19's extending impact on F&B consumption.
- Increasing commodity price volatility (sugar price and soybean price).
- The instability of Vietnam's sugarcane productivity.

Table 1: 1H-FY21 results

(VND Bn)	1H-FY21	+/- (%) HoH	+/- (%) YoY
Revenue	3,670	13.3	12.9
Gross profit	1,040	(4.1)	7.6
EBIT	563	(14.6)	11.8
NPAT	521	(15.3)	19.3

Source: VNM, Rong Viet Securities

Figure 1: Soybean price and sugar price


Source: Bloomberg, Rong Viet Securities

1H-FY21 results

- 1H-FY21's revenue was VND 3,670 Bn (USD 159 Mn, +13% YoY). 1H-FY21 NPAT was VND 521 Bn (23 Mn USD, +19% YoY). 1H-FY21 revenue and profit growths were led by the outstanding performance of sugar segment.
- 1H-FY21 sugar segment achieved revenue of 869 Bn VND (38 Mn USD, +63% YoY) thanks to sugar price growth of 27% YoY and sugar output growth 28% YoY, per our estimates.
- The high double-digit growths of selling price and volume promoted sugar segment's gross profit to reach VND 144 Bn (USD 6.2 Mn, 41 times YoY) and gross margin of 17%. We estimate the sugar segment's 1H-FY21 NPAT at VND 106 Bn (USD 5 Mn) and contribute 20% of QNS's NPAT in 1H-FY21.
- 1H-FY21 soy milk reached VND 1,907 Bn (USD 83 Mn USD, +2% YoY), mainly backed by the growth of milk consumption in the context of flat selling prices YoY. Gross profit of soy milk segment was VND 789 Bn (USD 34 Mn, -7% YoY), affected by the shrinking gross profit margin (41%, - 406 bps YoY) due to hiking soybean price in 1H-FY21.

Table 2: 2H-FY21 forecast

(VND Bn)	2H-FY21	+/- HoH	+/- YoY
Revenue	3,746	2.1	15.6
Gross profit	1,341	28.9	23.6
EBIT	828	47.0	25.6
NPAT	710	36.2	15.3

Source: Rong Viet Securities

Table 3: FY2021 forecast

(VND Bn)	FY2019	FY2020	FY2021F	FY2022F
Revenue	7,681	6,490	7,416	9,276
Growth (%)	-4.4	-15.5	14.3	25.1
Gross profit	2,456	2,051	2,381	2,838
Gross margin (%)	32.0	31.6	32.1	30.6
SG&A expense	1,000	888	990	1,088
SG&A ratio (%)	13.0	13.7	13.3	11.7
EBIT	1,457	1,163	1,391	1,750
EBIT margin (%)	19.0	17.9	18.8	18.9
NPAT	1,292	1,053	1,232	1,540
Net margin (%)	16.8	16.2	16.6	16.6

Source: Rong Viet Securities

2H-FY21 forecast

- 1) Overall revenue to grow at 16%, driven by sugar segment's robust revenue growth of 111%, while soy milk segment's revenue will grow at 2% YoY.
- 2) Overall NPAT to grow at 15% YoY on the back of sugar segment's NPAT contribution (VND 220 Bn, or USD 10 Mn).

FY2021 forecast

In FY2021, QNS will reach VND 7,416 Bn (or USD 321 Mn, +14% YoY) in revenue and VND 1,232 Bn (or USD 53 Mn, +17% YoY) in NPAT:

- **QNS's positive NPAT growth is mainly driven by the sugar segment.** We estimate the segment's FY2021 NPAT to be VND 326 Bn (or USD 14 Mn) thanks to a 85% YoY revenue growth and widening gross margin of +2,102 bps YoY.
- **Soy milk segment to record weak performance with NPAT decrease of 13% YoY,** caused by YoY 3% ASP decrease amid Covid-19's resurgence, higher promotion costs to stimulate soy milk demand post-Covid-19 and the increase of input material prices to dampen margins.

Table 3: Soy milk segment FY2021 – forecast

(VND Bn)	FY2019	FY2020	FY2021F	FY2022F
Revenue	4,266	3,875	3,947	4,351
Gross profit	1,914	1,709	1,619	1,824
Gross margin	44.9	44.1	41.0	41.9
EBIT	1,130	997	873	1,024
EBIT margin	26.5	25.7	22.1	23.5
NPAT	979	873	765	889

Source: Rong Viet Securities

Table 4: Sugar segment FY2021 – forecast

(VND Bn)	FY2019	FY2020	FY2021F	FY2022F
Revenue	1,486	994	1,840	3,301
Gross profit	155	32	445	697
Gross margin	10.4	3.2	24.2	21.1
EBIT	113	-4	400	615
EBIT margin	7.6	-0.4	21.7	18.6
NPAT	91	-9	326	499

Source: Rong Viet Securities

FY2021 Soy milk segment

- 1) Expect 5% YoY volume growth while ASP to decrease 3% YoY amid Covid-19's resurgence.
- 2) The increase of input sugar and soybean prices will contract QNS's soy milk margins in FY2021.
- 3) Long-term outlook for QNS's soy milk products:
 - Dairy demand recovery as the nationwide vaccine program acceleration will repel the pandemic.
 - The ability to gain more market share of branded soy milk products, currently accounting for nearly 55% of Vietnam's total soy milk retailing value. It has a dominant position in Vietnam's branded soy milk with a 89% market share.
 - QNS's strategy to launch new dairy products, which supports the ASP improvement and expand soy milk market share.

FY2021 Sugar segment

- 1) FY2021 sugar price to increase 32% YoY, due to the combined positive effect of global sugar price increases and tax imposition on Thai-origin sugar.
- 2) FY2021 consumption volume to increase 41% YoY as RS sugar volume to recover 30% YoY from FY2020's low base while RE sugar will contribute sales volume of 10,000 tons in 2H-FY21.

Table 5: Valuation Summary

FCFE		SoTP (VND Bn)		
Risk Free Rate	1.1%	Business segment	Method	Valuation
Market Return	15.8%	Soy milk	P/E 13.4x	34,157
Equity Beta	1.2	Sugar	P/E 7.1x	7,745
Risk Premium (due to only listing on UPCoM)	3.0%	Biomass	FCFE	2,553
Cost of Equity	15.8%	Other (beer, mineral water)	P/E8.4x	5,194
Valuation (VND)	50,903	Valuation (VND)		49,649
Target price, VND (50% FCFE, 50% SoTP)				50,000

Source: Rong Viet Securities

For FY2021, the bright performance of the sugar business will lead the company's consolidated NPAT growth and cushion the lackluster soy milk segment. Beyond FY2021, we rely on a resurgence of F&B demand.

We estimate QNS to reach a 13% estimated five year CAGR NPAT and 16% FCF/EV in FY2021-2025, premised by 12% and 19% five year CAGR NPAT of the soy milk and sugar segments, respectively. Drivers will be (1) soymilk demand recovery post-2021, (2) soy milk's profit margin to improve year-by-year and (3) positive effect of tariff on Thai sugar.

Based on the 50%:50% valuation mix of DCF and SoTP, we evaluate QNS share value at VND 50,000. Because of market price increase of 10% since our previous BUY projection , we recommend to **ACCUMULATE** the stock with a total expected return of 19%, including a 7% cash dividend yield.



STEEL INDUSTRY

Opportunities Overseas



Tu Pham - tu.pm@vdsc.com.vn



The state is forcing decarbonization and solving overcapacity in the steel industry.

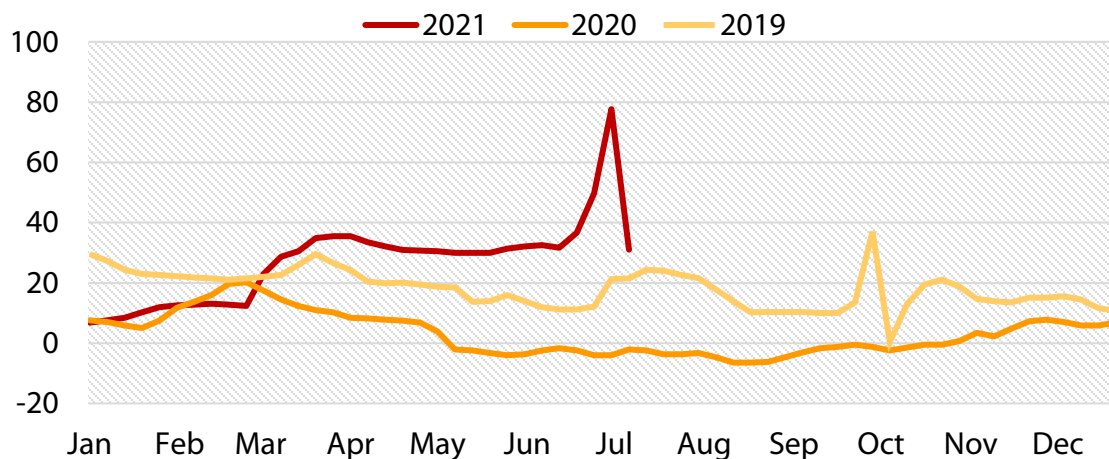
- China aims to achieve net zero carbon emissions before 2060 and raise the portion of EAF steel capacity from the current 10% to over 15% by 2025.
- China plans to hold the crude steel output in 2021 flat to the 2020 levels, which means production volume must be cut in 2H after increasing by 13% YoY in 1H.
- The state has posted the lists of steel mills that not meet ultra-low carbon emission and will be replaced. We estimate that mills with capacity of 74 mn tons per year (tpy) will be transformed to be more eco-friendly, and thus, reduce capacity by 23 mn tpy.

More drastic actions are being carried out.

- The country launched the world's largest carbon emissions trading scheme in July 2021, with sectors like steel to be added as soon as 2025.
- Besides, BF suspension rate has increased in most-producing provinces, such as Hebei (Figure 1).
- VAT tax rebate on CRC, coated steel export has been removed, and export tax was imposed on pig iron since August.

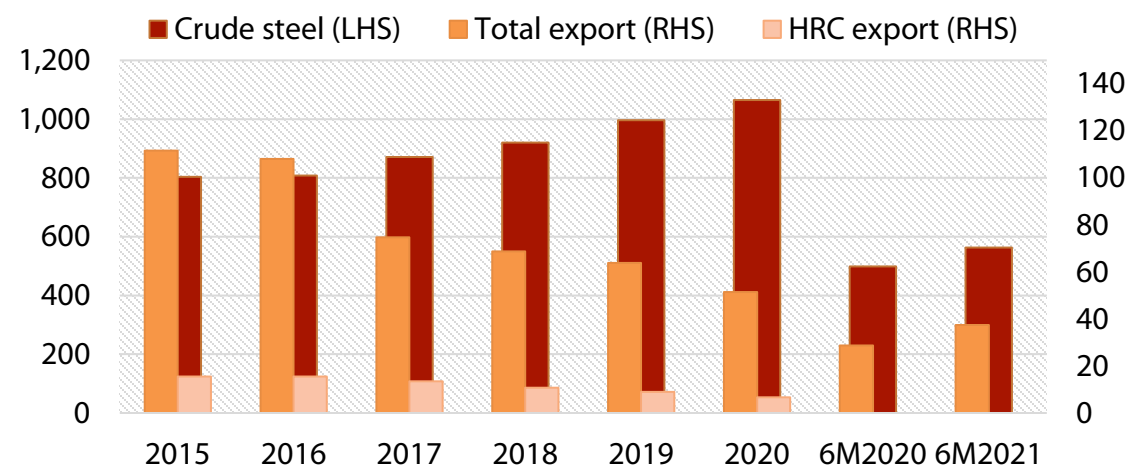
This can benefit Vietnam's producers by reducing competition and maintaining steel price in high level due to increasing production cost in China.

Figure 1: BOF capacity suspension rate (%) in Tangshan



Source: Goldman Sachs, RongViet Securities

Figure 2: China's crude steel, & steel export volume (thousand tons)



Source: National Bureau of Statistics of China, RongViet Securities

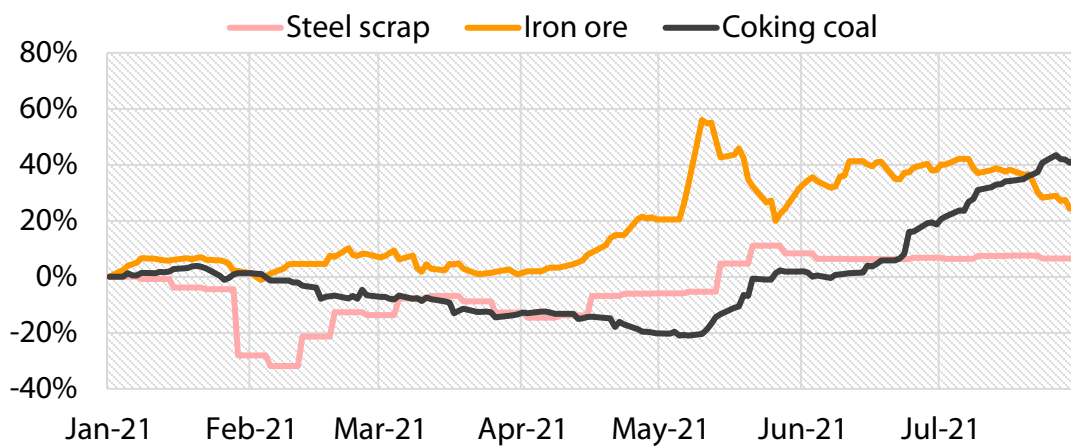
Increasing material price contributed to the rising steel price

- Iron ore price has gained 24% YTD due to high demand worldwide and weak supply from Brazil, **coupling with the increasing coking coal price that made BOF production cost rise**. Then increasing the steel price in 1H2021.

Steel price is hard to collapse and can maintain at high level until 1H2022.

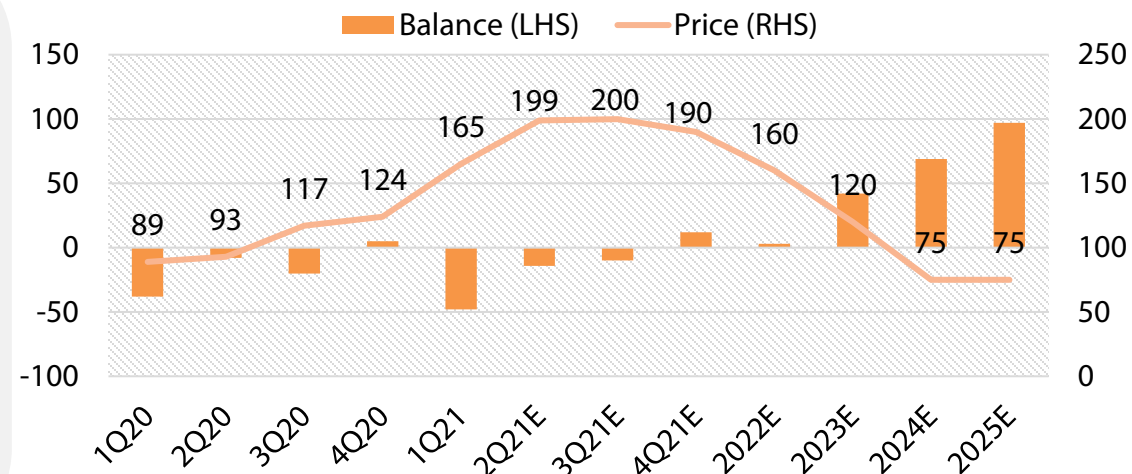
- Iron ore price can maintain at USD 160/ton in 2022 as demand can rise in ex-China countries, and Brazil mining volume grows slowly. Thus, BOF production cost is anticipated to stay high, and we believe that steel price is hard to collapse.
- Besides, China's attempts to cut production volume and strong demand in EU-North America markets can support steel price to be stable at current range until 1H2022.

Figure 4: Material price changes



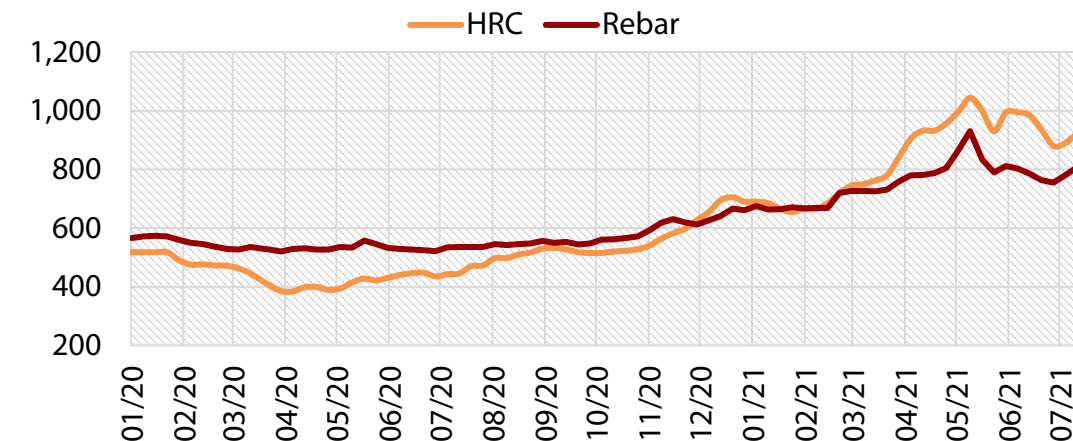
Source: Bloomberg, RongViet Securities

Figure 3: Iron ore balance (mn tons) and price (USD/ton) forecast



Source: Goldman Sachs, RongViet Securities

Figure 5: Steel prices (USD/ton)



Source: Bloomberg, RongViet Securities

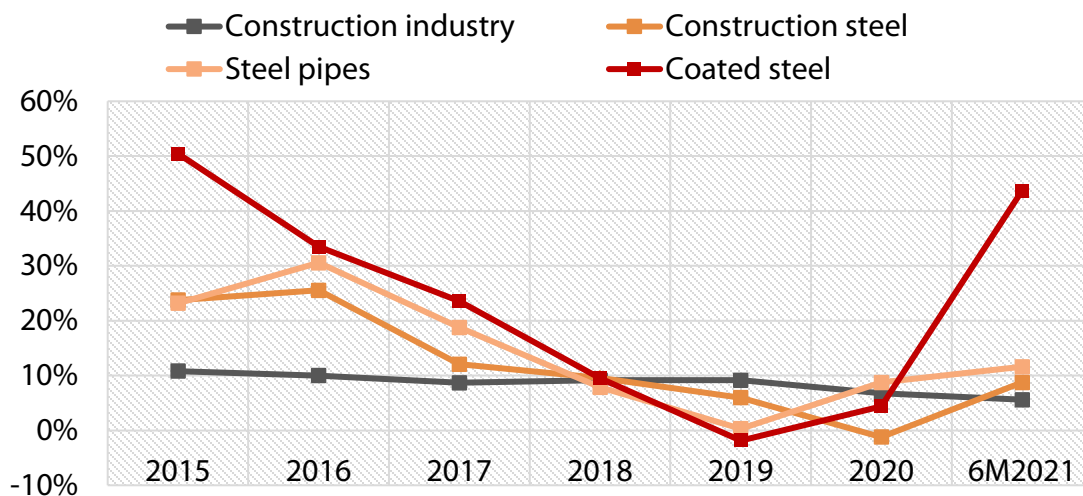
Construction steel: Volume grew at a higher pace than construction industry because of exports.

- Total sales volume increased 8.7% YoY, higher compared to construction growth rate of 5.6% YoY. Export volume rose by 27% to contribute 15.6% to total sales volume. Meanwhile, domestic production increased by only 5.9%.
- Increasing construction steel and HRC prices boosted HPG's GPM from 19% in 1H2020 to roughly 30% in 1H2021.

Coated steel: Benefits from strong demand overseas and increasing selling prices

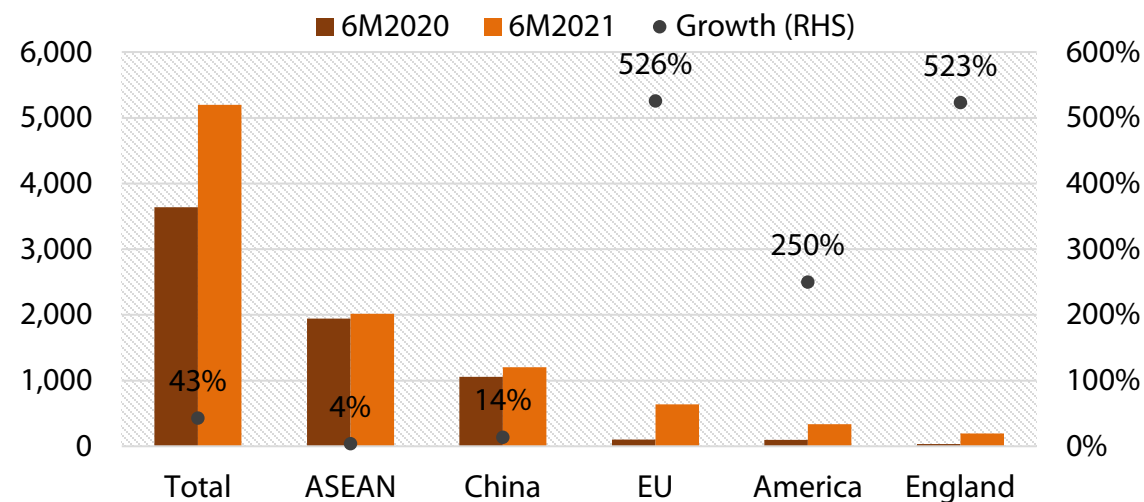
- Total sales volume grew by 44% YoY, supported by strong export volume growth, which was 133% YoY. Export volume to EU and North America rose sharply due to recovering demand in these countries and the ban/high import taxes on China's steel. EU-North America markets accounted for 80-90% of NKG's export volume, and 30% of HSG's.
- Besides, HRC prices increased by roughly 25% QoQ each quarter in 1H, boosting NKG and HSG's NPAT increased by 1,880% and 426% YoY in 6M2021.

Figure 6: Steel sales volume and construction industry growth



Source: VSA, GSO, RongViet Securities

Figure 7: Steel exports, by country (thousand tons)

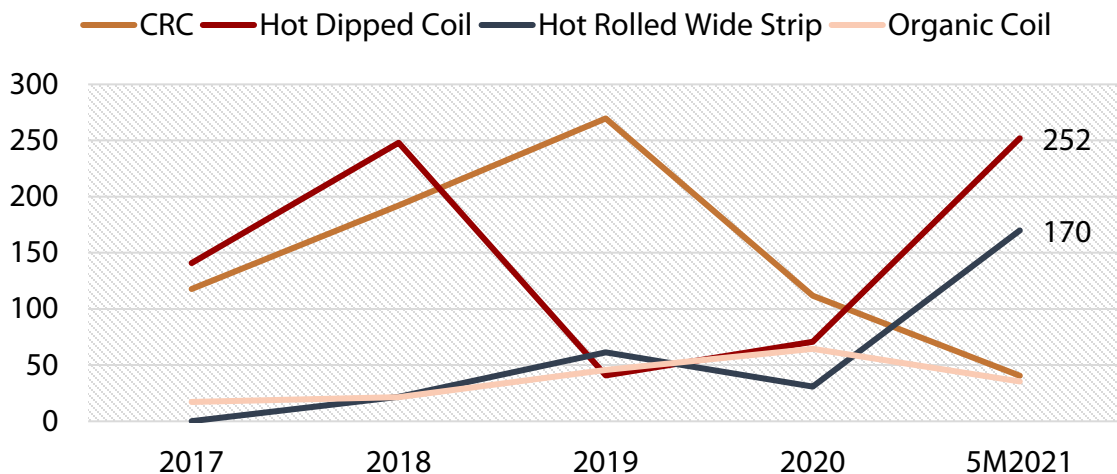


Source: Vietnam's Custom, RongViet Securities

Trade policies and robust demand still support coated steel exports.

- Steel demand in Europe is forecasted to grow by 10.2% YoY in 2021 and 4.8% in 2022.
- EU has extended steel import safeguards, mainly targeting China, India, South Korea and Turkey. Producers, such as NKG, HSG, received sufficient orders until November,
- Producers can increase ASEAN's portion to maintain high selling volume if demand from Europe-North America falls.
- Vietnam's export volume will still high until 2023 as EU plans to apply carbon border mechanism, harming Vietnam's competitiveness.

Figure 8: Vietnam's steel export to Europe (thousand tons)



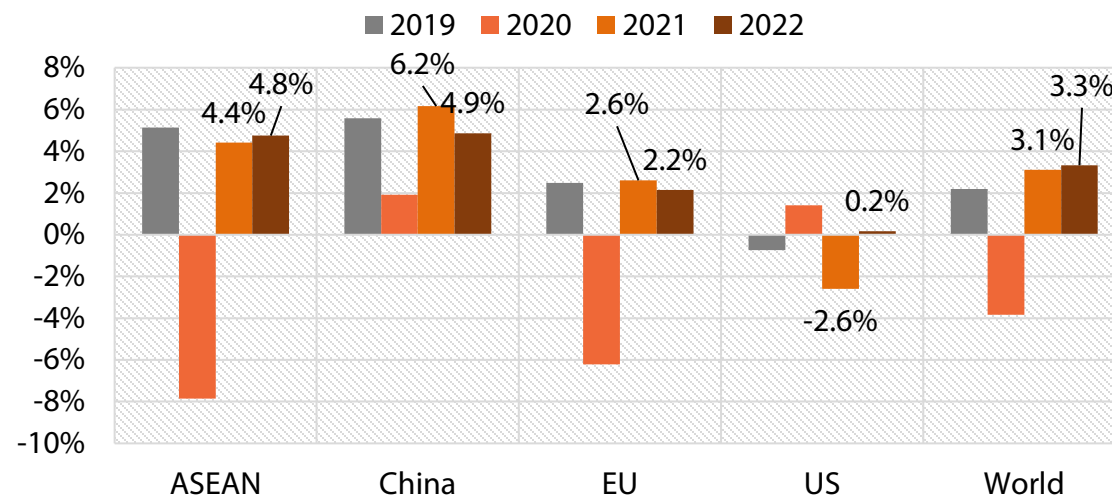
Source: EUROFER, RongViet Securities

Table 1: EU's steel import quota for VN's group (thousand tons)

	Jul 2020- Jun 2021	Jul 2021- Jun 2022	Jul 2022- Jun 2023	Jul 2023- Jun 2024
Hot Rolled Sheets & Strips	4,000	4,051	4,172	4,297
Cold Rolled Sheets & Strips	1,100	1,054	1,086	1,118
Metallic coated sheets (4A)	2,000	2,045	2,106	2,169
Organic coated sheets	112	158	163	168

Source: EUROFER, RongViet Securities

Figure 9: Construction industry growth outlook



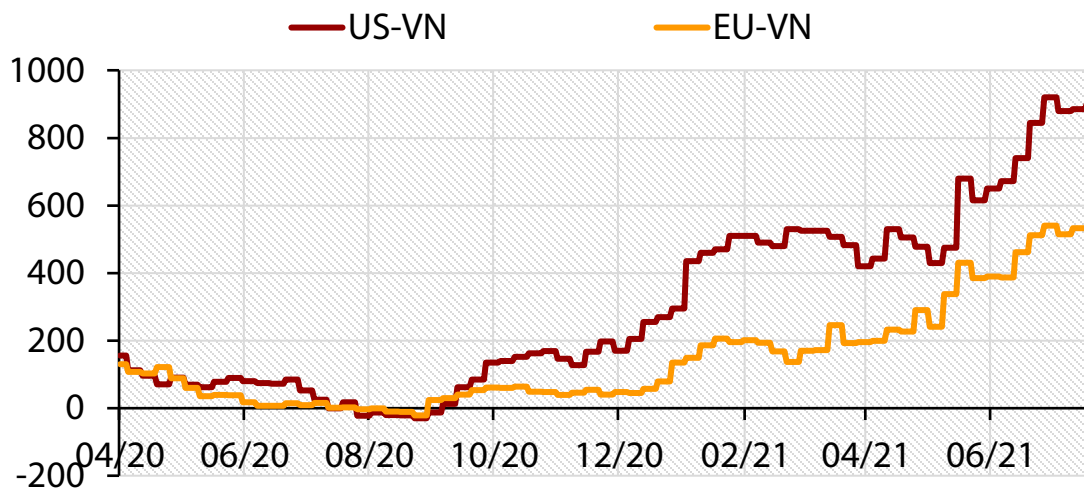
Source: IHS market, RongViet Securities

Vietnam's steel producers has strong competitiveness in terms of prices.

- The price gap between the EU & Vietnam has been increasing and varied in a range of USD 300-530/ton. We estimate GPM for Vietnam's exporters can range from 19%-22% in 2H.
- Assuming each ton of steel (BOF) needs to emit 1.85 tons of CO₂ (WSA), production cost in EU will be **120 USD** higher compared to Vietnam, India due to the cost of purchasing emission rights.
- Electricity prices range in USD 150-330/Mwh in EU, and USD 77/Mwh in Vietnam. This implies electricity cost (BOF) is USD 15-35 higher per ton in EU.
- Steel produced by Electric arc furnaces accounts for 40% of steel output in Europe and has 15%-20% higher production cost than steel produced by BOF.

We expect GPM of exporting to EU-North America can steadily decrease from 22% in 2Q to 14% in 2022, but it is still higher compared to 2018-2019 period.

Figure 10: HRC prices difference (USD/ton)



Source: Bloomberg, RongViet Securities

Figure 11: Carbon prices (USD/ton)



Source: EMBER, ICE, RongViet Securities

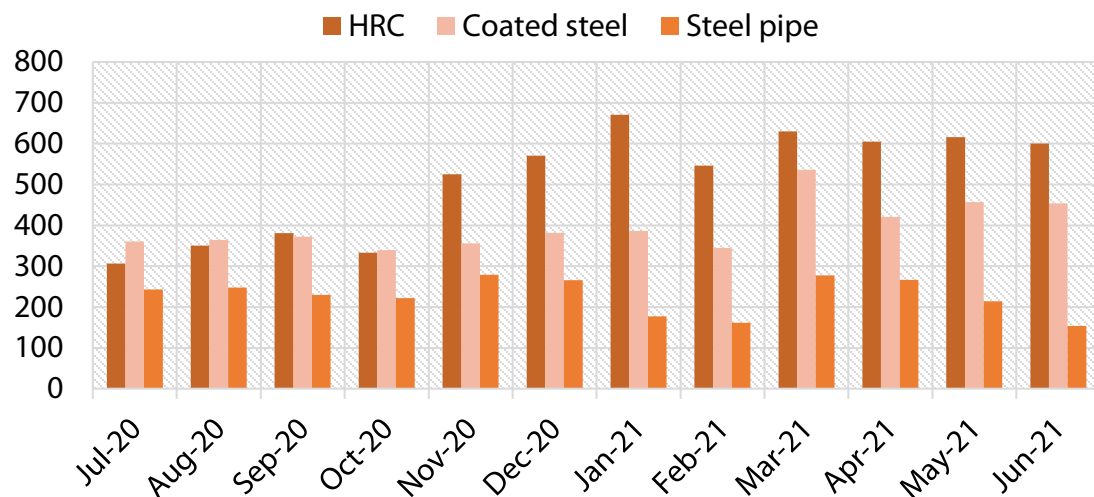
HRC consumption will be robust owing to strong downstream demand

- HRC selling price in 3Q is still high due to the strong demand for exporting to EU-North America markets, which banned Chinese-origin steel.
- For 2022, we expect the HRC consumption will be still high. The high price gap between Europe-North American and Vietnam allows HPG and Formosa to export with high profitability. Besides, coated steel export volume can remain strong due to Vietnam's competitive steel prices and the construction industry in EU-North American can keep recovering.
- Hence, HPG and Formosa will still enjoy high profitability and sales volume in 2H2021 in HRC segment.

But demand for construction steel is weak

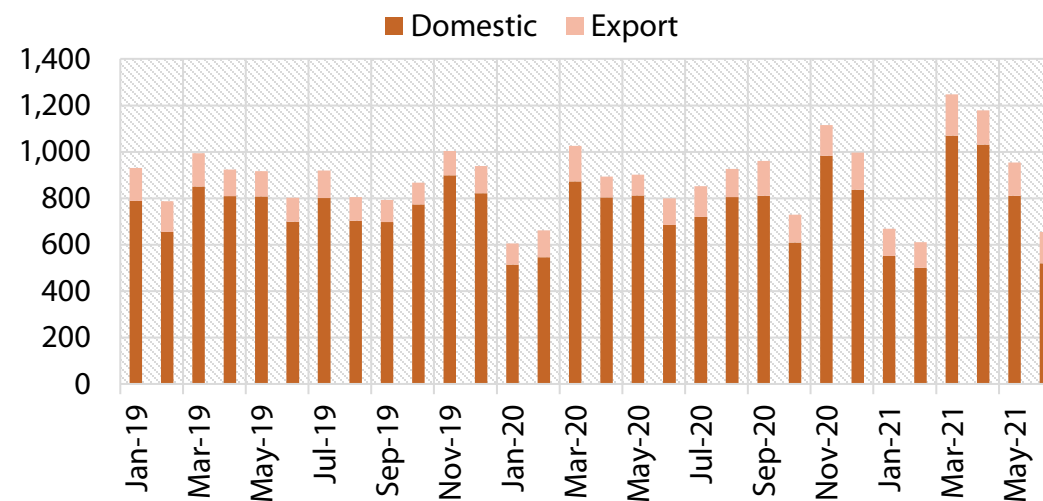
- Directive-16 can be applied at least until 14 August in the South, where accounts for 34% of construction steel consumption, can lead to low sales volume in 3Q. The consumption can recover strongly in 4Q due to seasonality and postponed projects in 3Q, but still depends on pandemic status.
- Coupled with increasing production cost, **construction steel producers' GPM will be put under high pressure in 2H.**

Figure 12: Flat steel sales volume (thousand tons)



Source: VSA, RongViet Securities

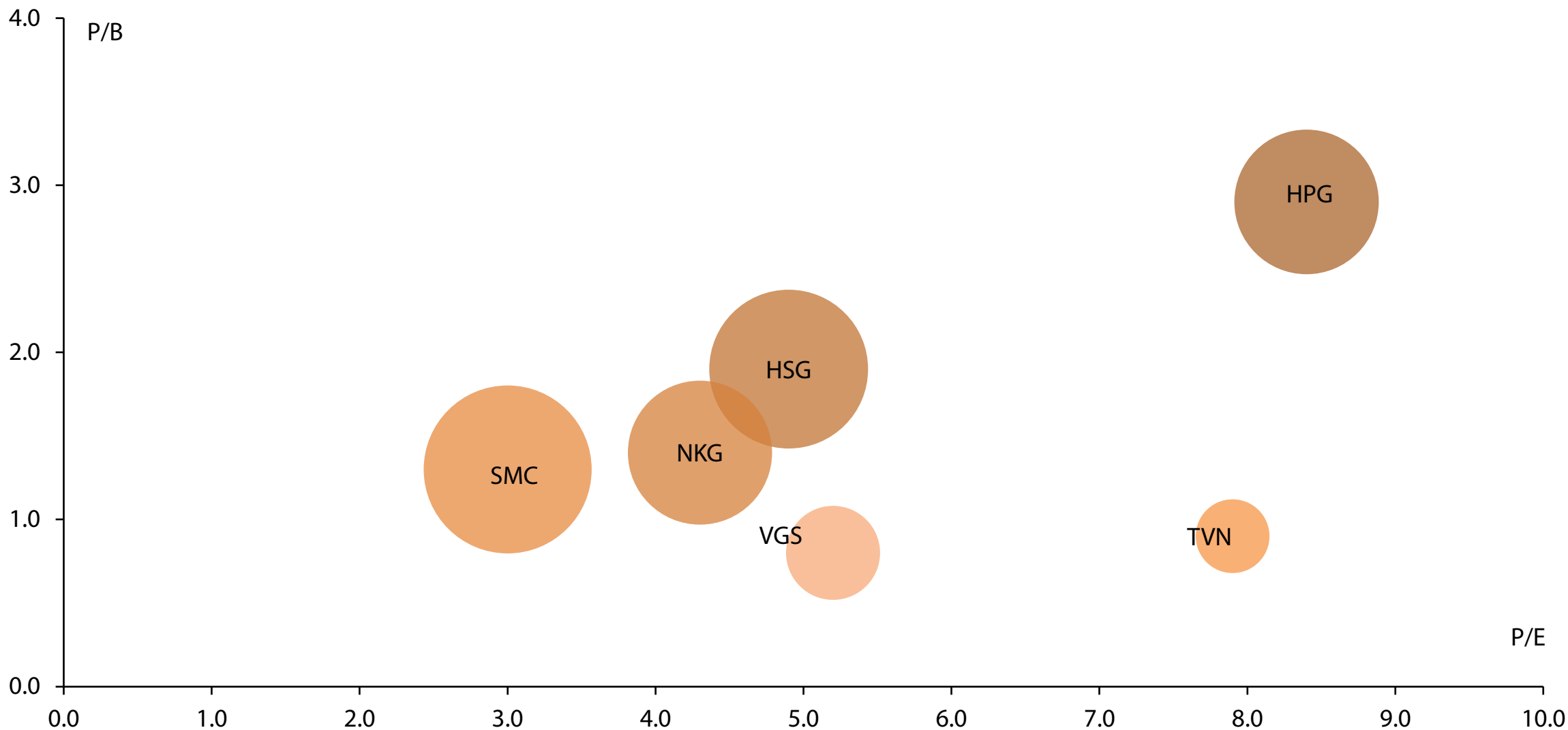
Figure 13: Construction steel sales volume (thousand tons)



Source: VSA, RongViet Securities

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	9,188.9	59,000	29.6	56.5	29.3	24.6	86.6	21.6	18.3	39.5	0.0	8.4	2.9
NKG	795.3	42,500	37.3	53.3	13.4	11.2	143.7	9.1	18.3	47.6	0.0	4.9	1.9
HSG	273.4	42,800	61.4	143.4	11.6	9.5	374.9	7.5	14.0	39.2	0.9	4.3	1.4
SMC	123.7	47,500	24.8	158.0	6.7	6.1	222.7	5.1	12.9	53.3	2.1	3.0	1.3
VGS	362.3	N/A	15.9	33.2	4.5	3.0	138.7	3.4	4.5	10.3	0.0	7.9	0.9
TVN	27.8	N/A	-2.8	N/A	0.0	0.0	19.0	0.0	0.0	0.0	6.6	5.2	0.8
TIS	79.1	N/A	17.3	27.4	3.7	2.4	500.2	1.0	1.2	5.8	0.0	16.2	0.9

Source: Bloomberg, RongViet Securities. Share price as of 02 Aug 2021.

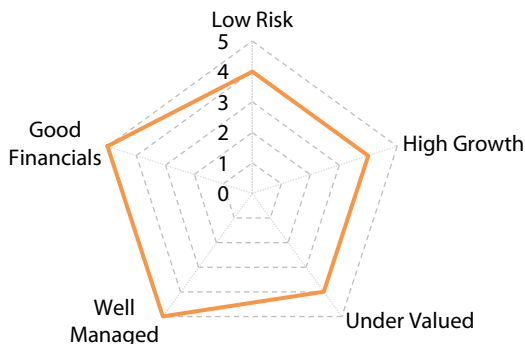
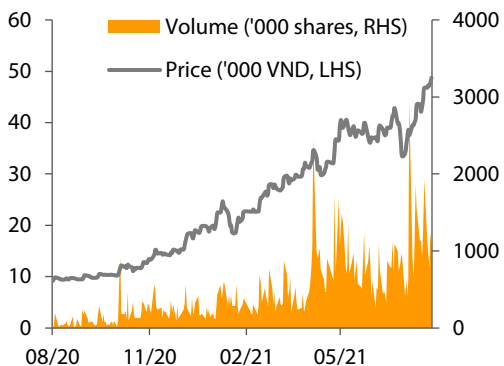


Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 09 Aug 2021.

<BUY: 26%>

<MP: 47,250>

<TP: 59,000>



STOCK INFO

Sector	Basic Materials
Market Cap (\$ mn)	211,346
Current Shares O/S (mn shares)	4,473
3M Avg. Volume (K)	30,965
3M Avg. Trading Value (VND Bn)	1,656
Remaining foreign room (%)	22
52-week range (VND)	21,700 - 67,800

FINANCIALS

	2020A	2021F	2022F
Revenue (VND Bn)	90,119	143,454	154,861
NPATMI (VND Bn)	13,439	32,724	33,546
ROA (%)	10.3	22	18.2
ROE (%)	22.8	32.8	27.4
EPS (VND)	2,824	6,877	7,050
Book Value (VND)	13,204	22,301	27,351
Cash dividend (VND)	0	500	2,000
P/E (x) (*)	6.6	7.0	6.9
P/B (x) (*)	2.3	2.2	1.8

INVESTMENT RATIONALES

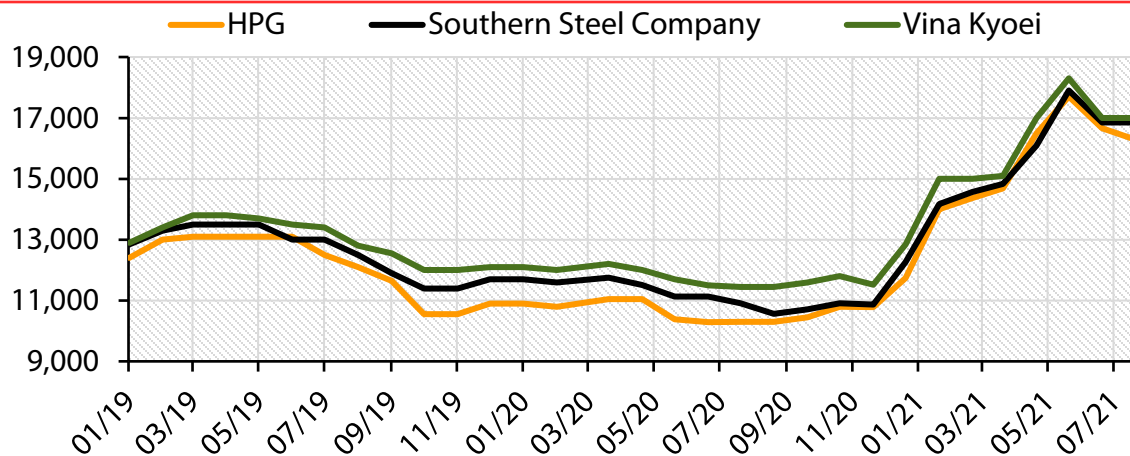
HPG can maintain a high profitability in the flat segment in 2H and 2022 due to high prices, favorable trade, and environmental policies in China and Europe.

- HPG's hot rolled steel (HRC) price in 3Q will keep increasing, from USD 870/ton to USD 960/ton. We expect that the HRC price can remain at USD 900/ton in 4Q. Hence, the company can see its GPM at 38.5% in 2H2021.
- For 2022, HPG's profitability in the flat steel segment can be still high. EU's trade defense on steel import, which focuses on India, Turkey, and South Korea, while the rising carbon price in the EU, leading to high steel production cost in EU, will be favorable market conditions for Vietnam's producers. The competition from China can decrease as this country is forcing decarbonization and reduce steel export.
- **The company has plentiful production capacity to reach high sales volume growth after the pandemic.**
- After the pandemic, demand for construction steel can recover, allowing HPG to sell more finished products and to reduce billet export volume, which has low gross margin.
- We expect HPG's construction steel sales volume will grow by 15% YoY in 2022, higher compared to a pace of 9% YoY in 2021.

RISKS TO OUR CALL

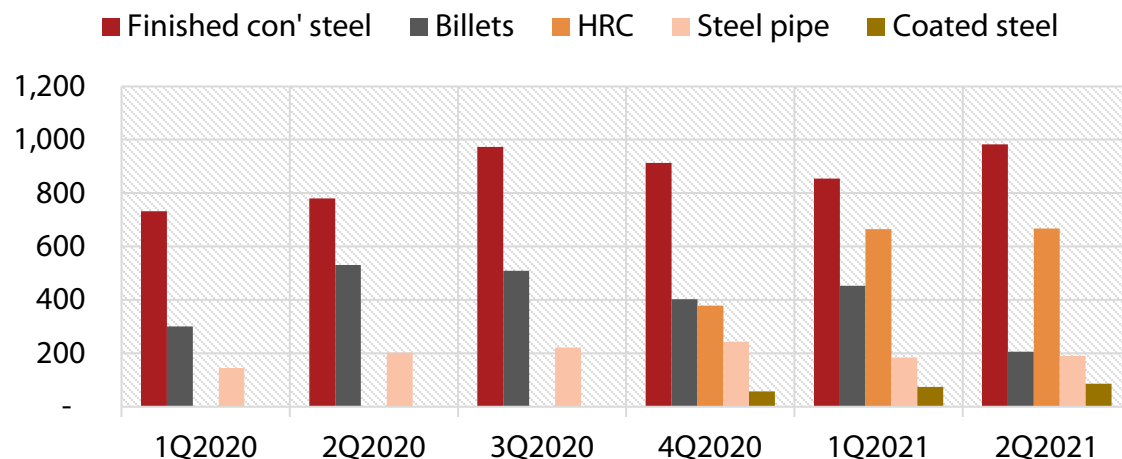
- Steel prices can decrease sharply, thus, harming HPG's GPM.
- Changes in EU's trade policies can affect HPG's NPAT significantly.

Figure 1: Leading construction steel companies' price (VND/kg)



Source: Rong Viet Securities

Figure 2: Sales volume, by product (thousand tons)



Source: HPG, Rong Viet Securities

1H: Revenue of VND 66,295 bn (+67%YoY); NPAT of VND 16,751 bn (+231% YoY); sales volume of 4.36 million tons (+62% YoY).

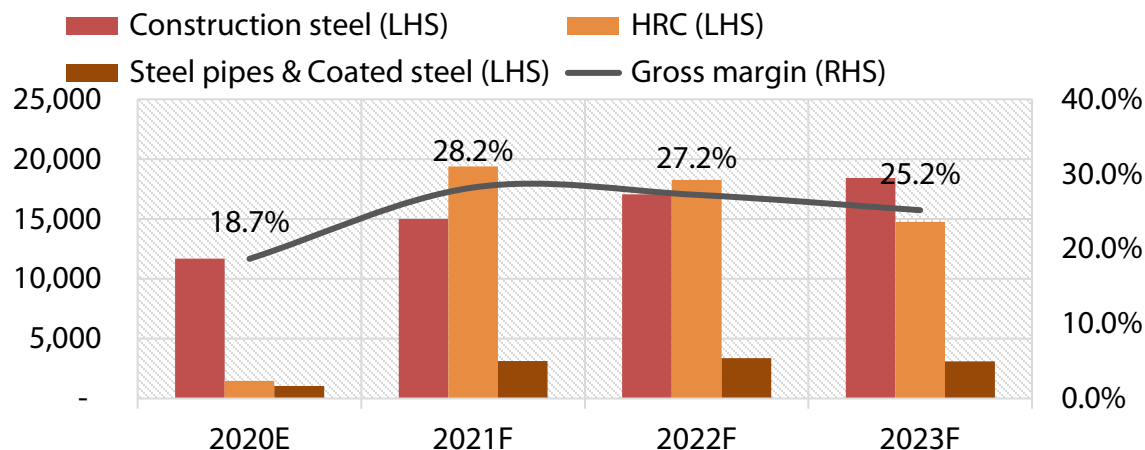
Increasing steel prices enhanced gross margin

- Quarterly HRC prices rose by 20% QoQ in 1Q and 26% QoQ to reach USD 870/ton in 2Q. Construction steel prices also rose strongly during the same period (figure 1).
- Material inventory accumulated at low prices allowed HPG to have a gross margin of 29.7% in 1H2021, increasing from 18.8% in 1H2020.

High-profitability product sales volume increased strongly

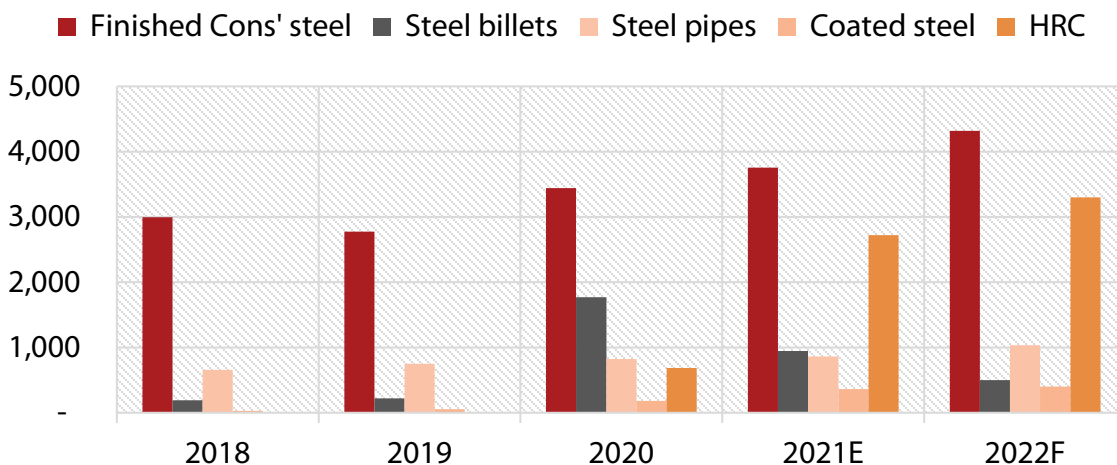
- HPG boosted finished construction steel exports as domestic demand was relatively weak. Sales volume grew by 22% YoY to 1.84 million tons in 1H, of which exports volume rose by 80%, while domestic sales grew by only 12%.
- Robust demand from EU-North America has boosted HRC and coated steel sales. HRC volume reached 1.33 million tons in 1H, contributing of 30.5% total steel sales (internal and external).

Figure 3: Steel segment's gross margin (%) and gross profit (VND bn)



Source: Rong Viet Securities

Figure 4: Sales volume forecast (thousand tons)



Source: HPG, Rong Viet Securities

Flat steel segment: Profit margin to keep increasing compared to 1H

- Downstream demand for domestic HRC is strong owing to vibrant coated steel export activities to EU and North American, which imposed a high tax on China's steel.
- HPG's HRC price in 3Q is roughly USD 960/ton and is forecasted to be USD 900/ton in 4Q. Due to high selling prices, we expect the company can earn a GPM of 37.5% in 2H, increasing slightly from 34.4% in 1H. GPM in this segment can reach 36.2% in 2021.
- For 2022, we expect HRC's GPM will be still high, reaching 31%, due to favorable demand and prices in Europe and North America.

Construction steel segment: Weak construction steel demand and rising production cost

- Domestic steel demand is weak in 2H due to measures to control the pandemic. HPG could sell 880,000 tons of finished products in 3Q, and 1.02 million tons in 4Q. Sales volume in 2H2021 can be flat YoY.
- Rising production costs caused by both iron ore and coking coal, coupled with weak demand, will put pressure on profitability. We expect GPM can decrease from 24.0% in 1H to 15.8% in 2H. GPM in this segment can reach 19.8% in 2021.
- For 2022, we expect demand for construction steel to recover, and HPG's sales volume to increase by 15%.

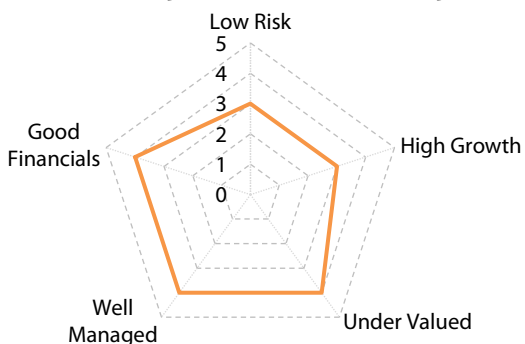
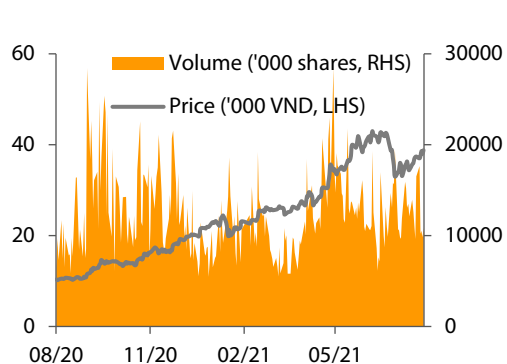
We forecast revenue and NPAT will be VND 77,000 bn (USD 3,348 mn, +53% YoY) and VND 16,300 bn (USD 709 mn, +93% YoY) in 2H2021.

<ACCUMULATE: 14%>

<MP: 37,400>

<TP: 42,800>

STOCK INFO



Sector	Basic Materials
Market Cap (\$ mn)	18291.7
Current Shares O/S (mn shares)	489.1
3M Avg. Volume (K)	13046.5
3M Avg. Trading Value (VND Bn)	507.4
Remaining foreign room (%)	38.9
52-week range (VND)	21,700 - 67,800

FINANCIALS

	2020A	2021F	2022F
Revenue (VND Bn)	27,543	46,025	58,908
NPATMI (VND Bn)	1,151	4,393	3,575
ROA (%)	6.5	19.6	13.9
ROE (%)	17.4	41.1	25.5
EPS (VND)	2,588	8,353	6,798
Book Value (VND)	14,860	21,863	28,661
Cash dividend (VND)	0	0	0
P/E (x) (*)	6.0	4.5	5.6
P/B (x) (*)	1.1	1.7	1.3

INVESTMENT RATIONALES

Robust demand overseas allows HSG to run coating factories at full capacity in 2H2021

- HSG will increase export volume in 4Q/FY20-21 to net-off the weak demand for coated steel in the domestic market. The company received sufficient orders overseas for production until November-December. Coated steel export volume can increase by 10% QoQ in 4Q, while selling volume in the domestic market can decrease by 11% QoQ.
- HSG can increase export's GPM to 19.5% in 4Q from 18.9% in 3Q. This is because export volume to the EU & US, which have a high GPM of roughly 22%, can grow by 120% QoQ to 184,000 tons in 4Q.

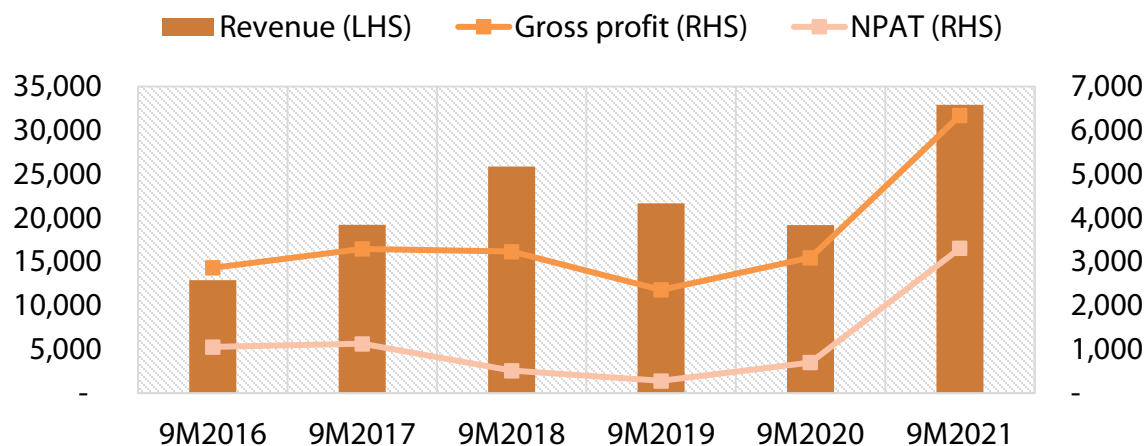
HSG can maintain strong export volume in the next fiscal year due to strong demand, favorable trade and environmental policies in Europe

- EU and America are commencing a bunch of infrastructure projects, demanding large amount of steel. Besides, Vietnam's producers benefit from the EU's trade defense on steel imports, which focus on India, Turkey and Korea. Rising carbon price in the EU leads to high steel production costs, which will make Vietnam steels competitive.
- We expect that HSG's export volume can be stable at 1.2 million ton in FY 2021-2022, which is high compared to previous years.

RISKS TO OUR CALL

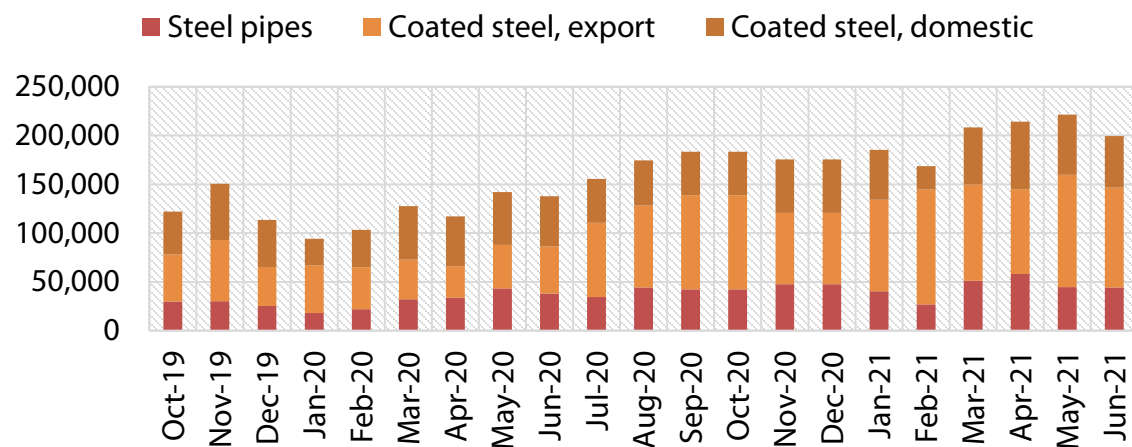
- Changes in the EU's trade policies can affect HSG's NPAT significantly.

Figure 1: Revenue and NPAT (VND bn)



Source: Rong Viet Securities

Figure 2: Sales volume (thousand tons)



Source: HSG, Rong Viet Securities

9M: Revenue of VND 32,932 bn (USD 1,419mn,+72%YoY); NPAT of VND 3,308 bn (USD 142mn, +372% YoY); sales volume of 1,731,000 tons (+56% YoY);

ASP increasing by 10% YoY.

Interest expenses dropping from VND 446 bn (USD 19mn) to VND 320 bn (USD 14mn) in 9M.

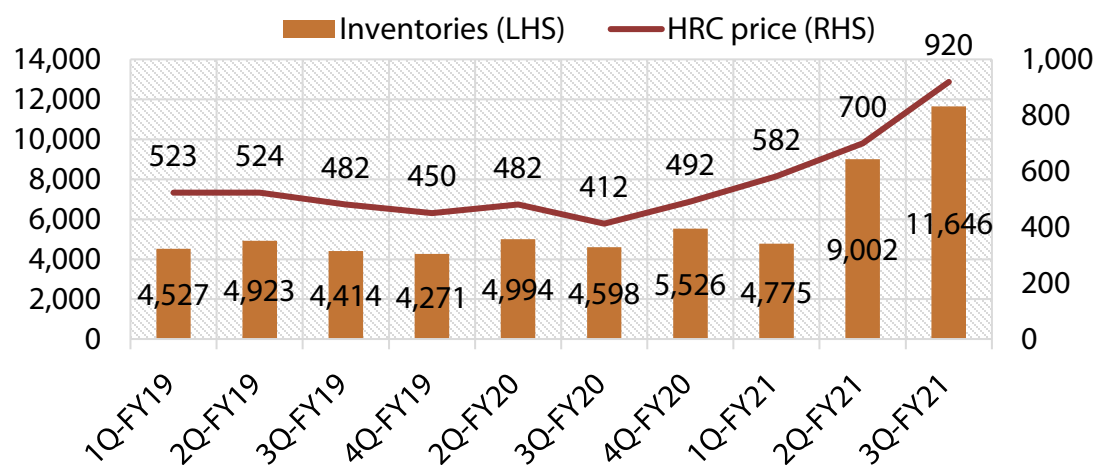
Increasing steel prices boosted the gross margin

- Quarterly HRC prices rose by 20%-31% QoQ each quarter from USD 582/ton in 1Q/FY20-21 to USD 920/ton in 3Q.
- Gross margin increased from 16.1% in 9M/FY19-20 to 19.2% in 9M/FY20-21.

Selling volume increased strongly mainly due to export activities

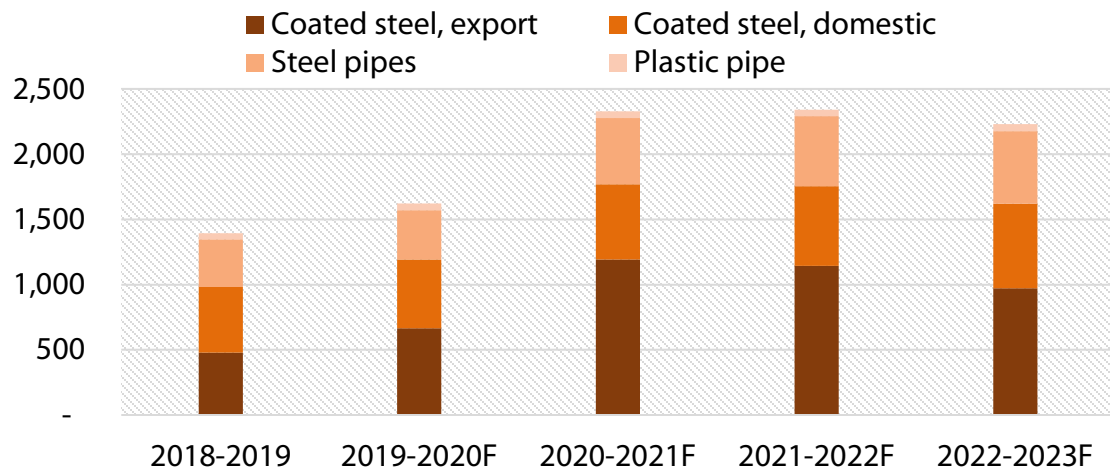
- In 9M, coated steel volume grew by 59%, of which export volume grew by 110%.
- Robust demand from EU-North America has boosted export volume. These markets accounted for 25%-30% of export volume in 3Q.

Figure 3: HSG's inventory (VND bn) and HRC price (USD/ton)



Source: Rong Viet Securities

Figure 4: Sales volume forecast (thousand tons)



Source: HSG, Rong Viet Securities

4Q/FY20-21: Focus on export markets

- HSG can increase its export volume from 304,000 tons in 3Q to 334,000 tons in 4Q. Coated steel selling volume can reach 480,000 tons in 4Q, increasing by 3% QoQ.
- Steel pipes selling volume can decrease by 18% to 116,500 tons due to directive-16 implementation in the South of Vietnam.
- EU-America markets can increase export portion in sales volume from 27% in 3Q to 55% in 4Q. GPM in these market is roughly 22%.
- GPM can fall to 19.5% in 4Q from 22.7% in 3Q as we expect GPM in the domestic market can decrease from 28% in 3Q to 20% in 4Q due to the weak demand and stable steel prices.
- Revenue: VND 13,095 bn (USD 564mn), +57%. NPAT: VND 1,100 billion (USD 47mn), +144% YoY.

FY21-22: Market conditions allow HSG to maintain a high export volume

- Export volume is expected to be stable at 1.2 million tons owing to favorable trade policies and robust demand in Europe after the pandemic, which may come from rising infrastructure investments.
- Domestic coated steel & steel pipe volume are expected to grow by 6% YoY.
- GPM in 2022 can fall from 19.2% to 14.1 % mainly due to stable steel prices. As a result, NPAT can decrease by 19% YoY to VND 3,575 bn (USD 154mn).

FY22-23: Due to EU's carbon border, HSG's export volume can decrease by 15% and GPM fall from 14.1% in previous FY to 12.7%.

<BUY: 24%>

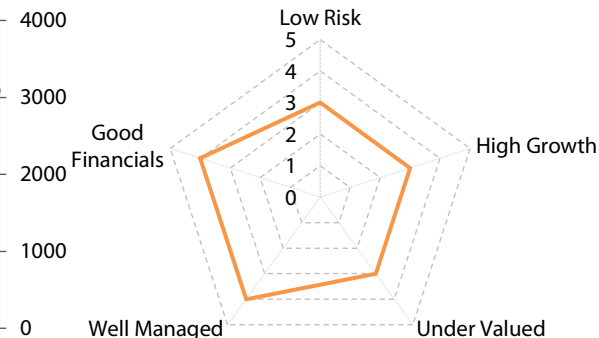
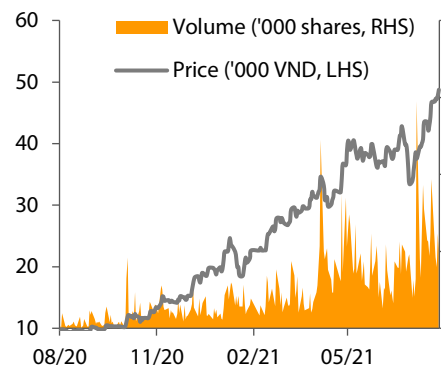
<MP: 34,550>

<TP: 42,500>

STOCK INFO

FINANCIALS

2020A 2021F 2022F



Sector	Basic Materials
Market Cap (\$ mn)	6288.1
Current Shares O/S (mn shares)	182.0
3M Avg. Volume (K)	5237.8
3M Avg. Trading Value (VND Bn)	169.1
Remaining foreign room (%)	35.2
52-week range (VND)	21,700 - 67,800

Revenue (VND Bn)	11,560	28,166	29,062
NPATMI (VND Bn)	295	2,264	1,503
ROA (%)	3.9	20.1	12.4
ROE (%)	9.3	43.2	23.2
EPS (VND)	1,101	11,820	7,847
Book Value (VND)	17,479	28,799	35,646
Cash dividend (VND)	0	300	1,000
P/E (x) (*)	9.2	3.2	4.8
P/B (x) (*)	0.9	1.3	1.1

INVESTMENT RATIONALES

Strong exporting activities will net-off the weak demand in domestic market in 2H2021

- NKG has received orders for production until November, helping factories run at full capacity in 2021. Export volume can account for roughly 80% of total coated steel sales volume.
- NKG can earn high export profit margin in 2H2021, compared to 2H2020 as NKG accumulated cheap HRC in June, coupling with the increasing ASP in its main markets Europe, American.

Favorable trade and environmental policies in Europe can support NKG's export in the next year

- EU extends trade-defense policy on steel import by three years, which focus on South Korea, Turkey. Then, this will create opportunity for Vietnam's exporters.
- Carbon prices have been increasing, leading to high steel production cost in EU compared to many countries, such as Vietnam and India.

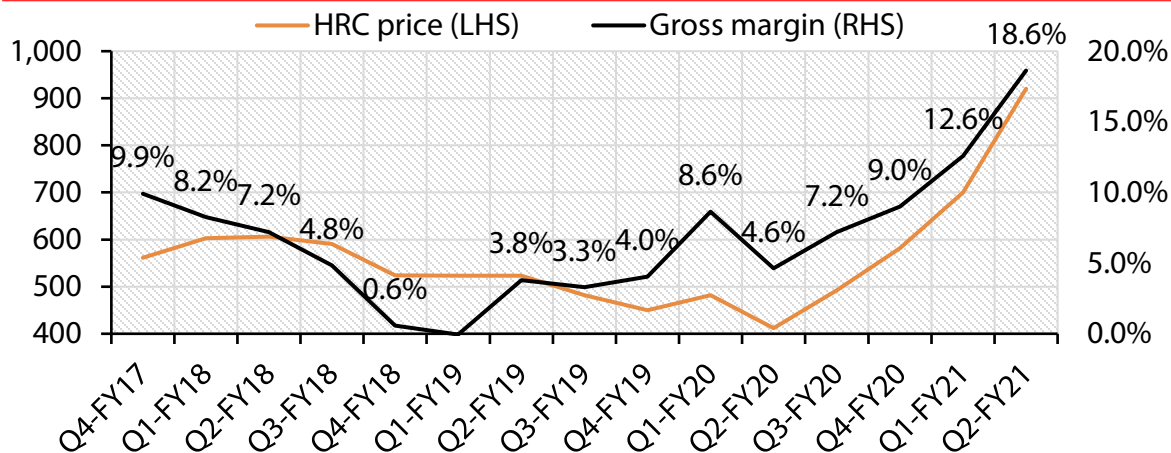
Expanding capacity to seize opportunities

- NKG is building a new warehouse and moving its steel pipe production lines to new factory, which can increase steel pipe capacity by 80% to 330,000 tons and coating capacity by 15% to 1.15 million tons.

RISKS TO OUR CALL

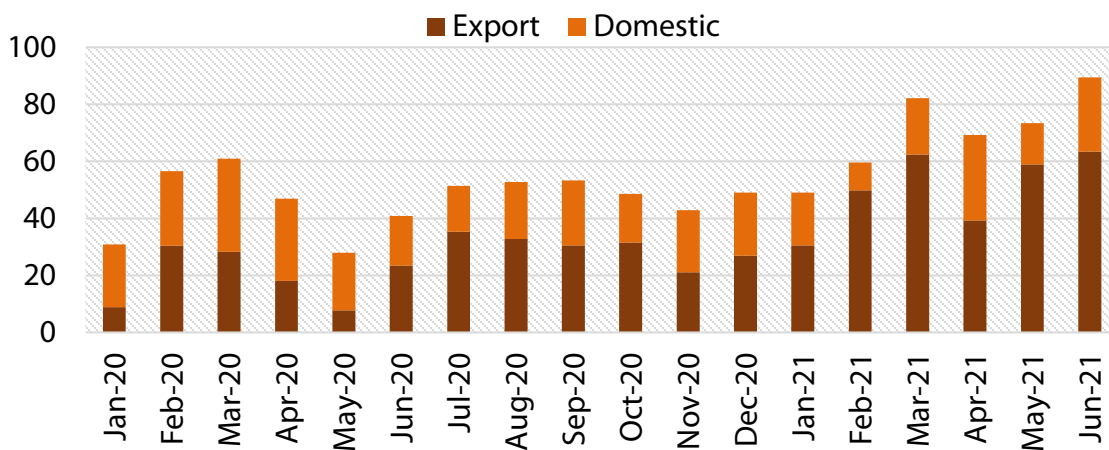
- Changes in EU's trade policies can affect NKG's NPAT significantly.

Figure 1: HRC price (USD/ton) and GPM (%)



Source: Rong Viet Securities

Figure 2: Coated sales volume, by market (thousand tons)



Source: NKG, Rong Viet Securities

1H: Revenue of VND 11,862 bn (USD 511mn, +149%YoY); NPAT of VND 1,166 bn (USD 50mn, +1,884% YoY); sales volume of 518,000 tons (+75% YoY)

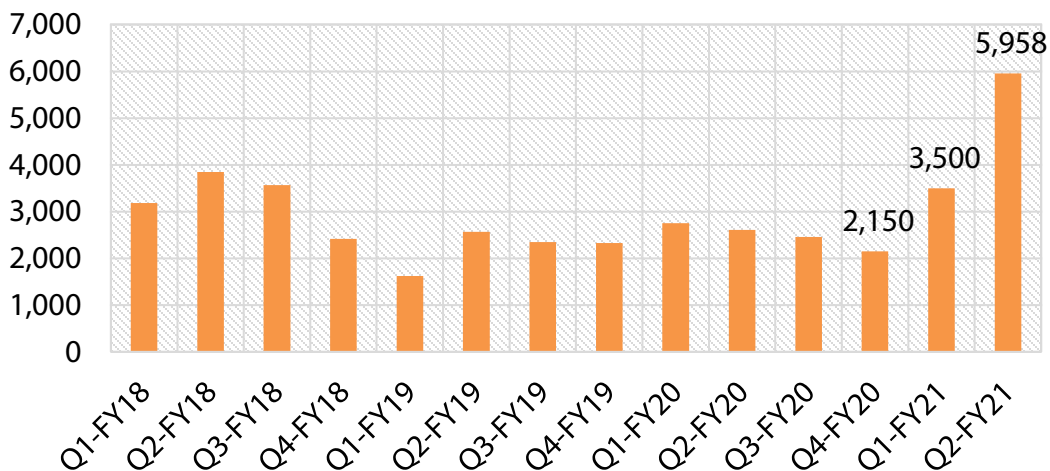
Positive effect of increasing steel price was amplified by large inventory

- Quarterly HRC price rose by 31% QoQ from USD 700/ton to USD 920/ton. NKG earned large profit by accumulating HRC at relatively low price in March. Its inventory increased by 63% QoQ in 1Q in terms of value.
- 2Q2021 ASP increased by 28% QoQ.
- Gross margin increased from a high level of 12.6% in 1Q to 18.6% in 2Q, which was very impressive compared to historical margins.

Export brings high profitability and boost sales volume

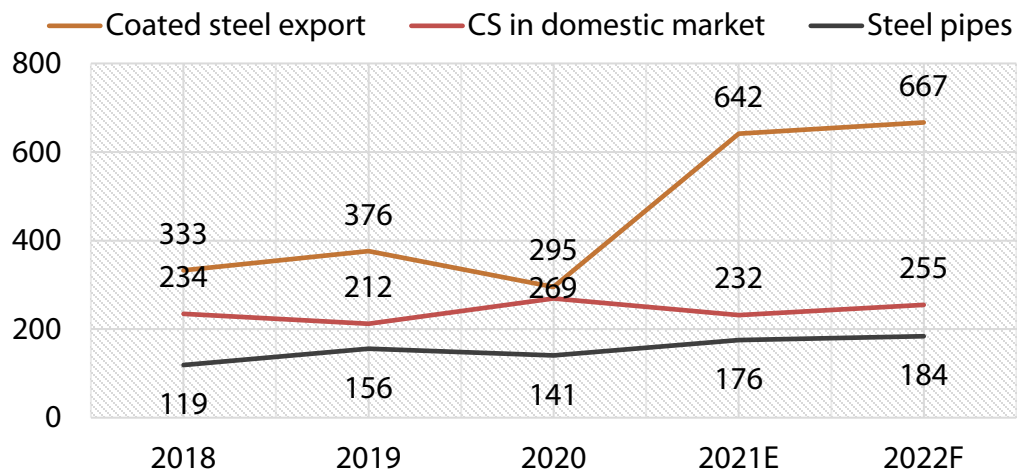
- Due to the large difference of HRC price between Europe and Vietnam, NKG earned high GPM for exporting, which we estimate was roughly 22%.
- Export volume increased by 160% YoY to 518,000 tons in 1H, contributing roughly 59% to total sales volume. This implied that most its factories ran at full capacity and the company also used external CRC to exploit coating capacity of one milline ton/year.

Figure 3: Inventory (VND bn) increased sharply in 2Q2021



Source: Rong Viet Securities

Figure 4: Sales volume forecast (thousand tons)



Source: NKG, Rong Viet Securities

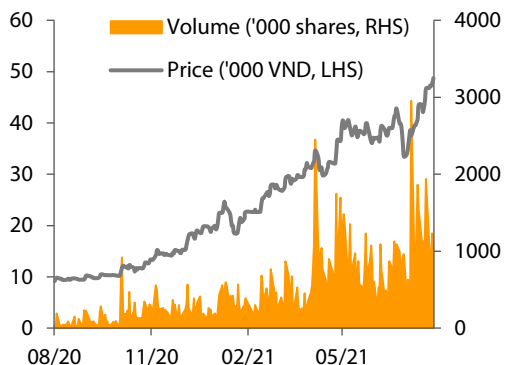
2H2021: Focus on export markets

- Currently, HRC prices reached USD 1,400/ton in Europe, higher compared to USD 900-1000/ton in Vietnam, implying high GPM for exporting segment.
- We forecast that GPM for exporting to EU can reach 19% in 3Q2021, lower than 2Q2021 but still better than that in last year. Overall, GPM can decrease to 12.2% in 2H2021 from 16.1% in 1H2021 because steel prices can be stable in 2H2021, while increasing strongly in 1H2021.
- Despite pandemic, NKG's factories can run at full capacity owing to large orders from Europe and North America. Volume is forecasted to reach 536 thousand tons in 2H2021, +32% YoY.
- Revenue and NPATMI to post VND 16,350 bn (USD 705mn), +140% and VND 1,160 bn (USD 50mn), +390% YoY, respectively in the H2 2021.

2022: NKG can maintain strong export volume and increase capacity.

- We expect that export volume can grow slightly in 2022 owing to favorable trade policy, and robust demand in Europe after the pandemic, which may come from rising infrastructure investments.
- NKG is investing roughly VND 120 billion (USD 5.2mn) in its new warehouse and steel pipe factory (moved from NK2 factory). Coated steel and steel pipe capacity will increase by 15% and 80% respectively in 2022.
- GPM in 2022 will decrease from 13.7% to roughly 9.0% due to stable steel prices. NPAT in 2022 will decrease by 34% to VND 1,500 bn (USD 64.7mn).

<ACCUMULATE: 4%>

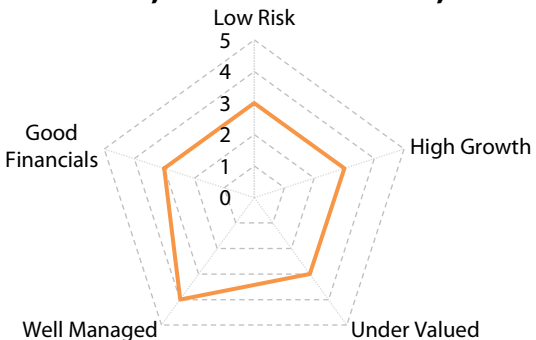


<MP: 46,700>

<TP: 47,500>

STOCK INFO

Sector	Basic Materials
Market Cap (\$ mn)	2845.1
Current Shares O/S (mn shares)	60.9
3M Avg. Volume (K)	913.6
3M Avg. Trading Value (VND Bn)	35.7
Remaining foreign room (%)	27.0
52-week range (VND)	21,700 - 67,800



FINANCIALS

	2020A	2021F	2022F
Revenue (VND Bn)	15,736	23,345	23,755
NPATMI (VND Bn)	300	820	409
ROA (%)	4.5	11.5	5.7
ROE (%)	19.8	36.1	15.7
EPS (VND)	4,932	13,295	6,641
Book Value (VND)	24,907	37,202	42,843
Cash dividend (VND)	1,000	1,000	1,000
P/E (x) (*)	4.0	3.3	6.6
P/B (x) (*)	0.8	1.2	1.0

INVESTMENT RATIONALES

SMC's sales activities will face obstacles from measures to control COVID-19 in 3Q, but can recover in 4Q

- By applying Directive-16 in the South, construction activities in the South will be suspended at least until August. We expect that trading and manufacturing volume will decrease by 19% QoQ and 15% QoQ respectively in 3Q, before growing 24% QoQ and 54% QoQ in 4Q as we expect that the demand will recover quickly after social distancing.
- Total volume can reach 1.2 million tons in 2021, 14% lower than our expectations before applying Directive-16 in the South.

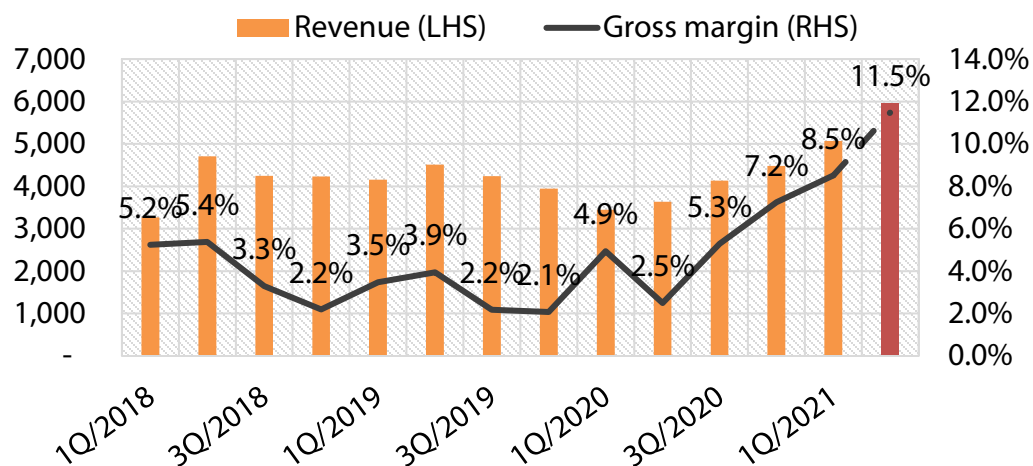
New factories can be completed in early 4Q, allowing seizing recovering demand after the pandemic

- Two new factories, including a Coil Center and a Precision Mechanical factory, can start operating in late-September. SMC's coil processing capacity will increase by 32.5% in 2022, reaching 530,000 tons of products.
- We expect these factories can provide 16,500 tons of products in 2021, contributing 4% to processing coil volume, before increasing to 150,000 tons in 2022, contributing 31% to processing coil volume.

RISKS TO OUR CALL

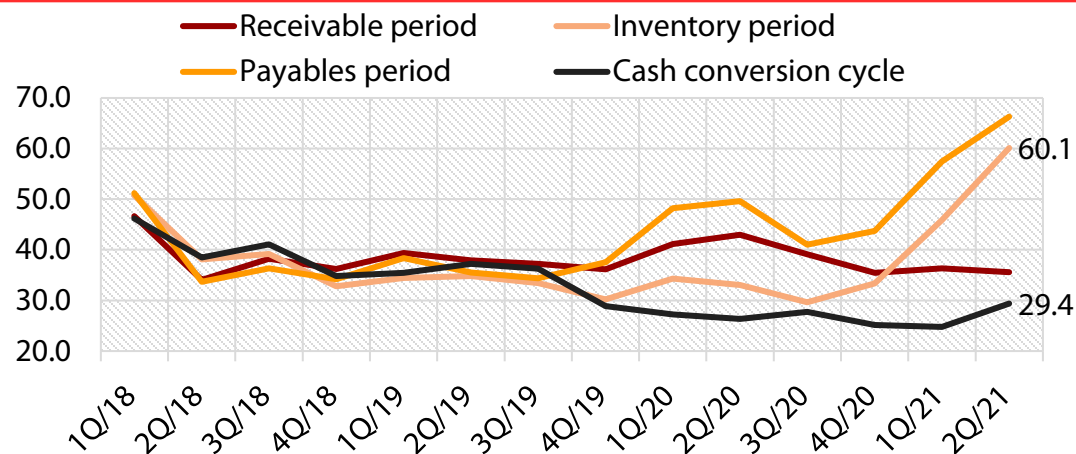
- Iron ore prices can decrease sharply, leading to lower steel prices, thus, harming GPM. Besides, measures to control COVID-19 can be extended, thus affecting negatively SMC's sales volume.
- Upside risk can come from China's export tax on HRC, which can boost HRC price in Vietnam, then impacting on domestic steel pipe and coated steel prices.

Figure 1: Revenue (VND bn) and Gross margin (%)



Source: Rong Viet Securities

Figure 2: Activity ratios (days)



Source: SMC, Rong Viet Securities

1H REVIEW:

Revenue of VND 11,019 bn (USD 475 mn, +56%YoY); NPAT of VND 710 bn (USD 30.6 mn, +1,244% YoY); APS increased by 49% YoY.

SMC's inventory period has been increasing since 4Q2020 and enough for two-month production in 2Q2021. Working capital was managed well as the cash conversion cycle remained 29.4 days, lower than 2018-2019 level.

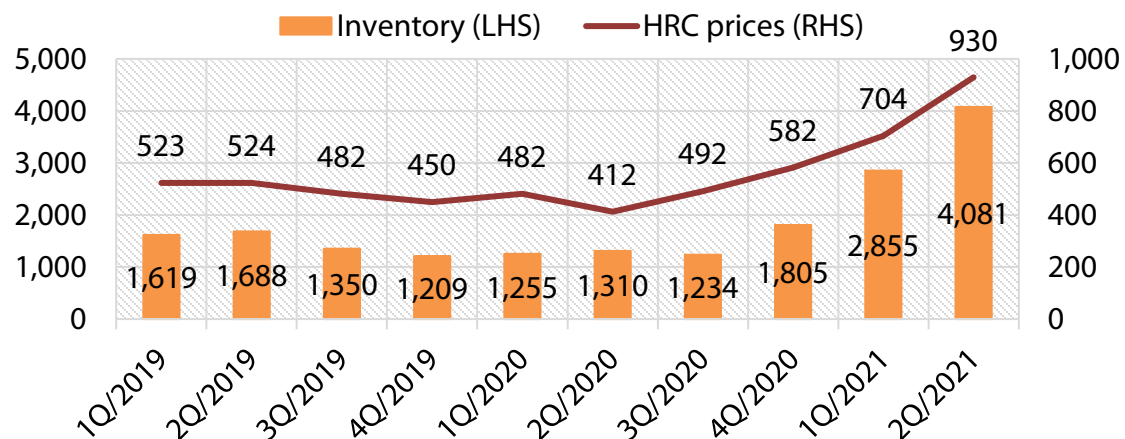
Increasing steel prices, coupled with low-price inventory, boosted gross margin

- Quarterly HRC prices rose by 20%-31% QoQ each quarter from USD 582/ton in 1Q/FY20-21 to USD 920/ton in 3Q.
- The company accumulated roughly 125,000 tons of flat steel at the average price of USD 760/ton in March. Hence, it earned large profit from the increase of steel price in 2Q, exposing on a record high gross margin of 11.5%.

Strong demand allowed SMC to run its factories at full capacity in 5M, before facing a decrease in sales due to the pandemic

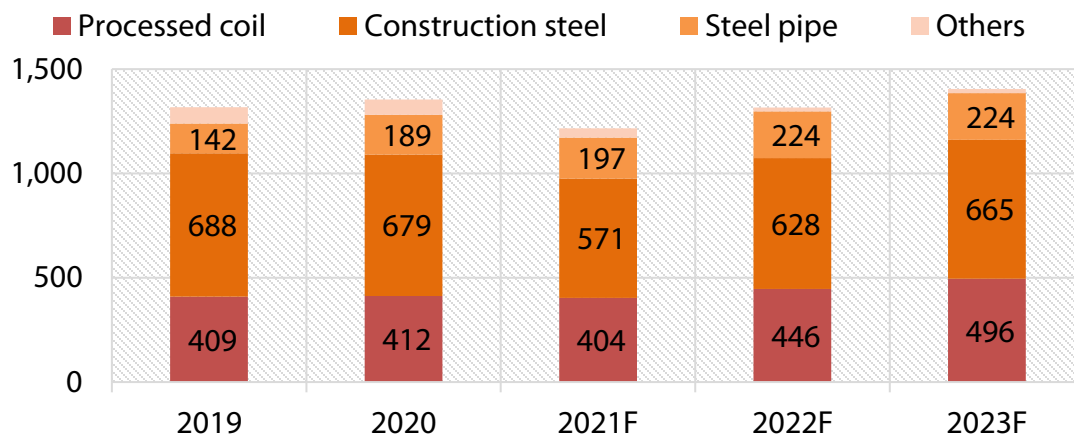
- After the pandemic's peak in 2Q2020, manufacturing, and construction activities have recovered, leading to robust demand for steel products and coil-processing services.
- Steel pipe and processed coil volume reached 103,000 tons (+20% YoY) and roughly 200,000 tons (+0% YoY) in 1H, respectively.
- Sales volume in 1H reached 646,305 tons (+4.4% YoY).

Figure 3: Inventory (VND bn) and HRC price (USD/ton)



Source: Rong Viet Securities

Figure 4: SMC's sales volume forecast (thousand tons)



Source: SMC, Rong Viet Securities

Demand can be very weak in 3Q, but it can recover fast in 4Q

- Sales activities face challenges due to the rainy season, high steel price, and Directive-16 implementation in the South. We expect sales volume can decrease by 17% QoQ in 3Q, and then grow by 34% QoQ in 4Q.
- We estimate inventory volume has increased by 10% QoQ in July. In which, flat steel inventory is sufficient for production in three months (140,000-150,000 tons), and the construction steel inventory period is roughly one month (~45,000 tons).
- GPM in 2H can fall from a 2Q record level because HRC price is expected to be stable in 2H while increasing sharply in 1H.
- We expect NPAT in 2H will decrease to VND 120 bn (USD 120mn), - 50% YoY.

New factories and recovering steel demand can bring back growth momentum, but GPM can decrease in 2022

- Coil-processing volume can increase by 10% in 2022, with 100,000 tons from new factories.
- GPM can fall to 4.4% in 2022, from 6.8% as the effect of increasing steel prices will fade. NPAT can decrease to VND 410 bn (USD 17.7 mn) in 2022, before increasing to VND 480 bn (USD 7.76mn) in 2023 as factories will ramp up steadily.



TEXTILE & GARMENT

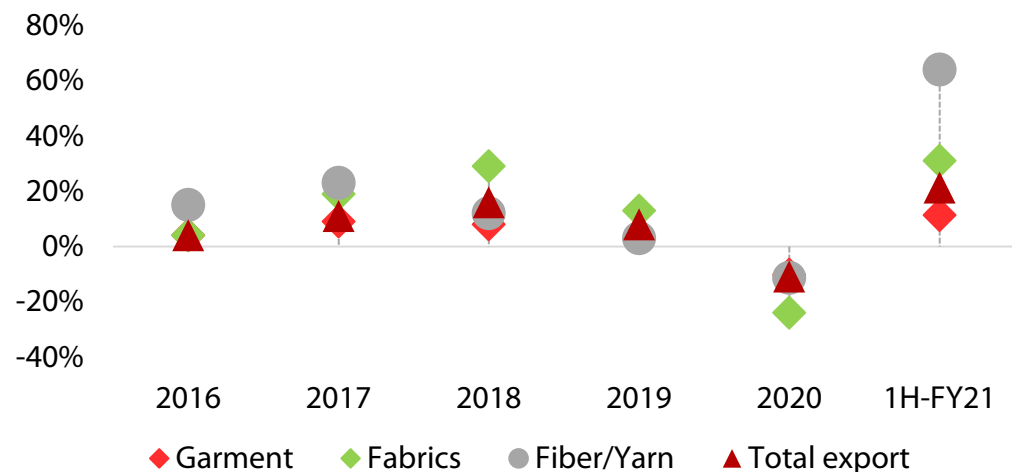
WHEN TAILWINDS BECOME HEADWINDS



Loan Nguyen – loan.nh@vdsc.com.vn

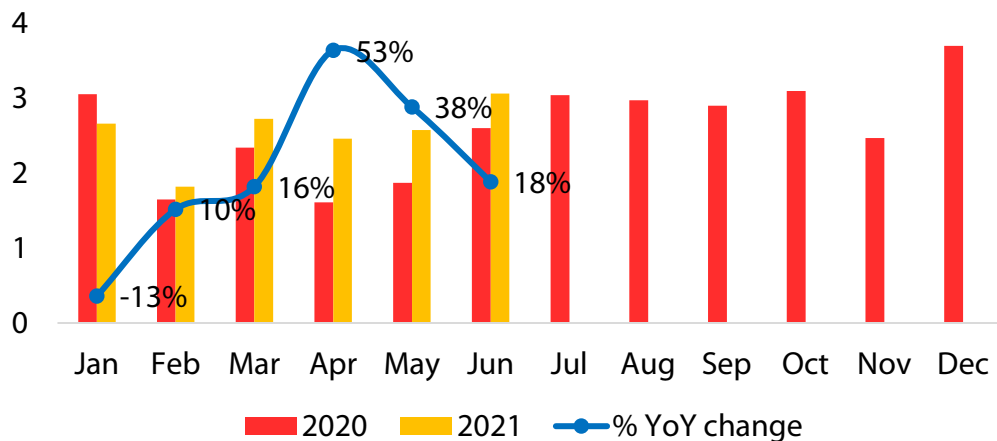


Figure 1: Textile & garment export growth (YoY) by segment (%)



Source: VITAS, Rong Viet Securities

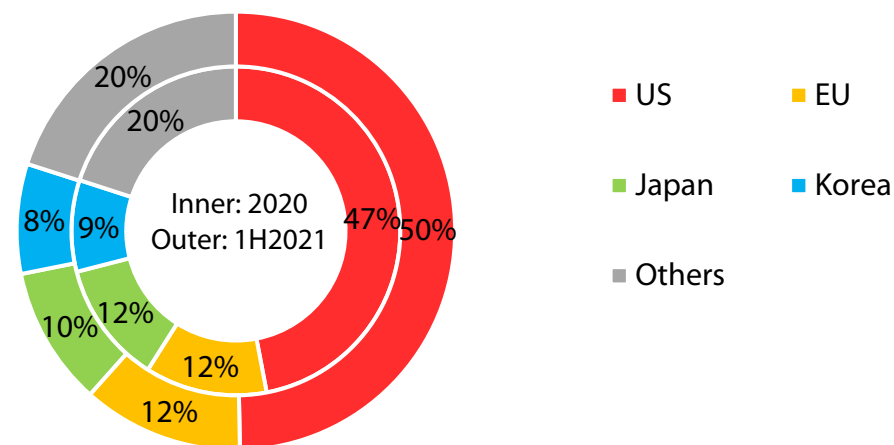
Figure 2: Vietnam's textile & garment exports (USDbn)



Source: Vietnam Customs, Rong Viet Securities

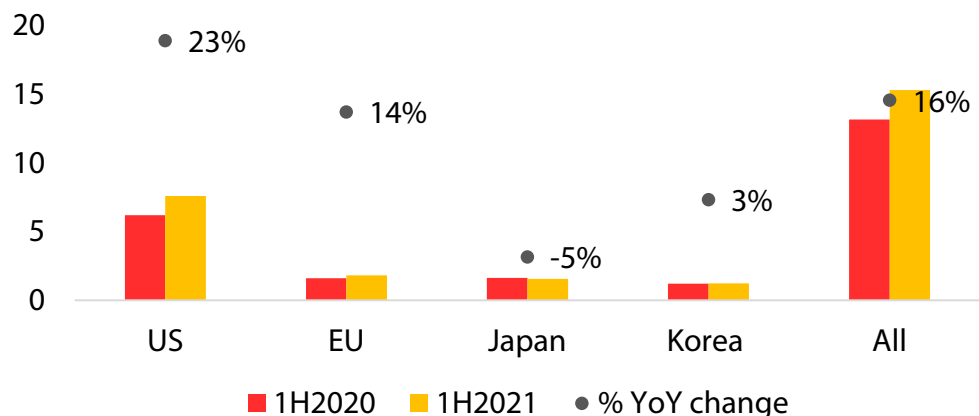
- In 1H2021, Vietnam's textile and garment exports was USD 18.79 Bn, up 21% YoY, driven by: (1) Stimulus packages and successful vaccine rollout, resulting in the demand recovery in main markets (US, EU, China, etc.); (2) The shift of orders from competitors affected by COVID-19 (India, Bangladesh, Cambodia) and coup (Myanmar).
- All segments showed signs of strong recovery from 2020: (1) Yarn witnessed the highest growth rate at 64% YoY due to the recovery of Chinese imports. Yarn selling prices rallied by 3%-25% YoY. (2) Garment rose by 11% YoY as a result of a ramp-up in orders, driven by the increasing demand from the US and EU, (3) Fabrics exports went up 31% YoY.

Figure 3: Textile & garment exports by market (%)



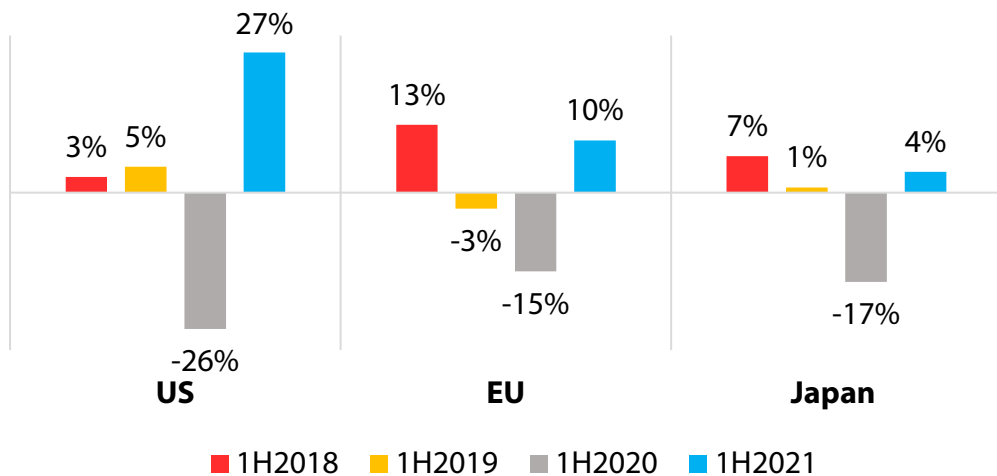
Source: Vietnam Customs, VITAS, Rong Viet Securities

Figure 4: Vietnam's exports by market (USD Bn)



Source: Vietnam Customs, Rong Viet Securities

Figure 5: Import growth (YoY) in major countries (%)



Source: Trademap, Eurostat, Rong Viet Securities

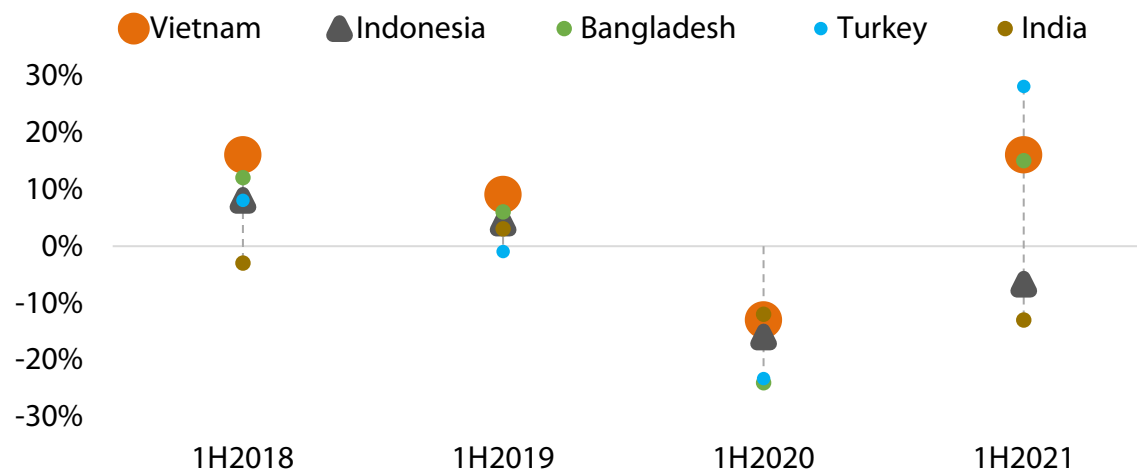
Imports of US and EU have been rebounding

The US continued to be the largest importer of Vietnam's textile and garment at US 7.6 Bn, up 23% YoY, accounting for 50% of total exports, followed by Japan at USD 1.6 Bn and the EU at USD 1.8 Bn. (see Figure 4,5)

Vietnam's exports prevailed over competitors due to better COVID-19 control in 1H2021

Vietnam was selected as a supplier to partially replace some countries (India, Bangladesh, Myanmar, Cambodia) as these countries had to temporarily close factories due to COVID-19's resurgence or political instability. (see Figure 6)

Figure 6: Export growth (YoY) in major countries (%)



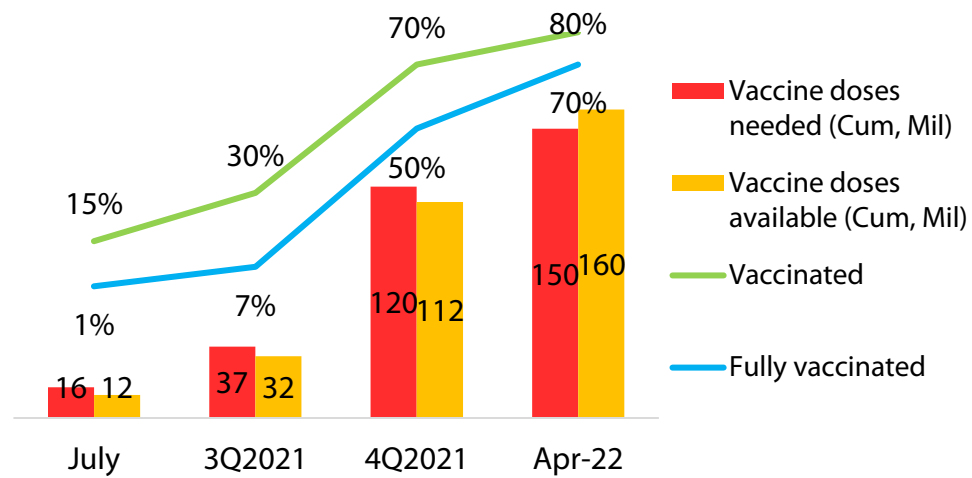
Source: Trademap, UN Comtrade, Rong Viet Securities

Table 1: Orders/operating capacity

Companies	Status
STK	70% workers stayed at factories at the end of July 2021
TCM	50% workers stayed at factories at the end of July 2021 Full orders until the end of 4Q2021
VGT	Full orders until the end of 4Q2021
TNG	Full orders until the end of 4Q2021

Source: Rong Viet Securities compiled

Figure 7: Vaccination plan



Source: MOH, Rong Viet Securities

COVID-19 resurgence to threaten manufacturing operations

- According to the Prime Minister's Directive 16, many manufacturers in the Southern area have been complied with the "3 on site" rule (production-eating-resting at factory). As a result, companies are affected: (1) low operation capacity due to lack of workers resulting in late shipments; (2) the disruption of domestic logistics causing delays in exports; (3) rising operating costs. *Many listed companies are affected by Directive 16: STK, TCM, GIL, PPH, GMC, etc.*
- COVID-19 tends accelerating in the US, EU and Asian countries could slow down the demand recovery in 2H2021. Apart from that, congestion in Chinese ports could cause a lack of raw materials as 60% of fabric materials are imported from there.

The ability to meet orders is a big concern

- Many companies have enough orders until the end of 4Q2021. Demand is no longer a concern, instead, the ability to meet orders on time is a big challenge. Delays have caused some brands to cancel orders and move out of Vietnam.
- Fabric prices and logistics costs have surged while importers require stable quality, shorter production lead time and lower prices, thereby putting pressure on operations and profits.
- The race to vaccination and the ability to handle potentially successive COVID-19 waves will decide the fate of recovery. Based on MOH's vaccination plan, we expect the industry's growth to return to 2019 level in 2H2022.

Table 2: Impact of COVID-19 on brand's strategies

Trends	Score (%)	Impacts
Shortening value chain	19	Accelerating to transfer CMT to OEM and FOB.
Diversifying suppliers	41	Moving orders from Vietnam to other countries or vice versa, depending on the ability to meet the requirements of brands.
Online sales	52	Smaller order value, shorter delivery time, less defects → puts pressure on manufacturers to improve operation.
Eco-friendly manufacturing	58	Replacing non-recycled products or polluting processes with products made from recycled/natural fibers and produced in an eco-friendly process.

Source: ERC, VITAS, Rong Viet Securities

Table 3: Textile & garment investment projects

Company	Project	Purpose
STK	Unitex factory	Focusing on recycled yarn
TCM	Vinh Long 2 factory	Increasing garment capacity by 50%
MSH	SH10 factory	Increasing capacity by 20%, focusing on FOB orders
TNG	Son Cam	Industrial real estate for weaving and dyeing factories
Texhong	Fabric factory	
Brotex	Colored-yarn factory	

Source: Rong Viet Securities

Textile & garment will adapt to post-COVID-19 trends

After COVID-19, manufacturers will pay more attention to operations, value chain, eco-friendly manufacturing and orders from online sales to adapt to the requirements of brands (see **Table 2**). We favor the business models of **STK** and **TCM** which are in line with the trends of integrated value chain and “green fashion”.

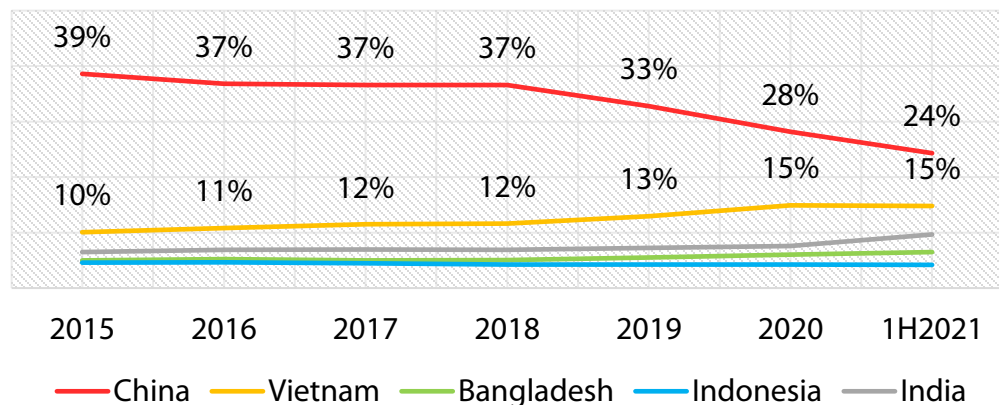
Companies will increase investment projects

To benefit from FTAs, some companies start constructing new projects to increase capacity and fulfill the value chain. Moreover, FDI projects will also help solve partly the principle “fabric onwards” in the long run. (see **Table 3**)

Diversifying into higher-margin business segments

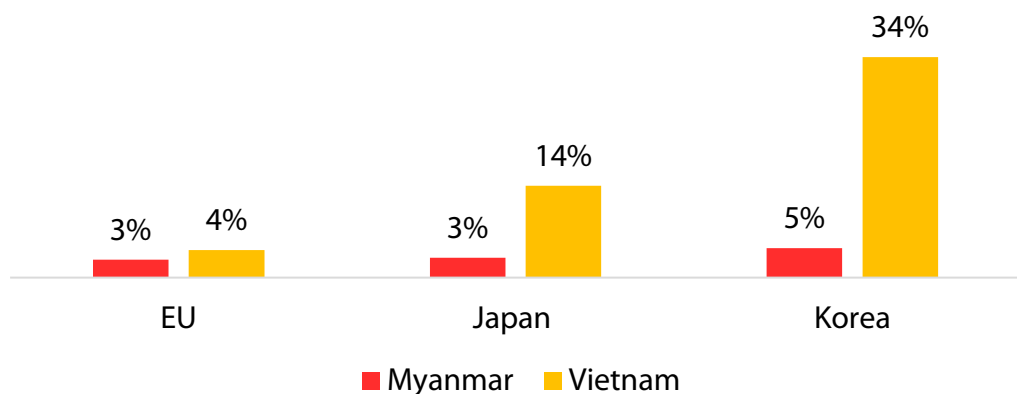
Due to the long-term labor and cost risks as well as low profit margin of the textile & garment industry, many companies tend to restructure their business model to other segments, typically real estate, such as: **GIL**, **TNG**, **TCM**, **ADS**. We think this trend will continue, especially for mid and small-sized companies if the issue of input materials is not resolved.

Figure 8: Market share of textile & garment imports to the US



Source: OTEXA, Rong Viet Securities

Figure 9: Market share of Vietnam and Myanmar in EU, Japan and Korea (2019)



Source: UN Comtrade, Wazir Analysis, Rong Viet Securities

Vietnam is a strong candidate in replacing China's orders

- Per Fitch Solutions, China looks to reduce its apparel manufacturing operations and move up the value chain. Vietnam, along with Bangladesh, Cambodia and Myanmar, is poised to benefit the most.

Difficulties of competitors will bolster Vietnam's ability to expand market share

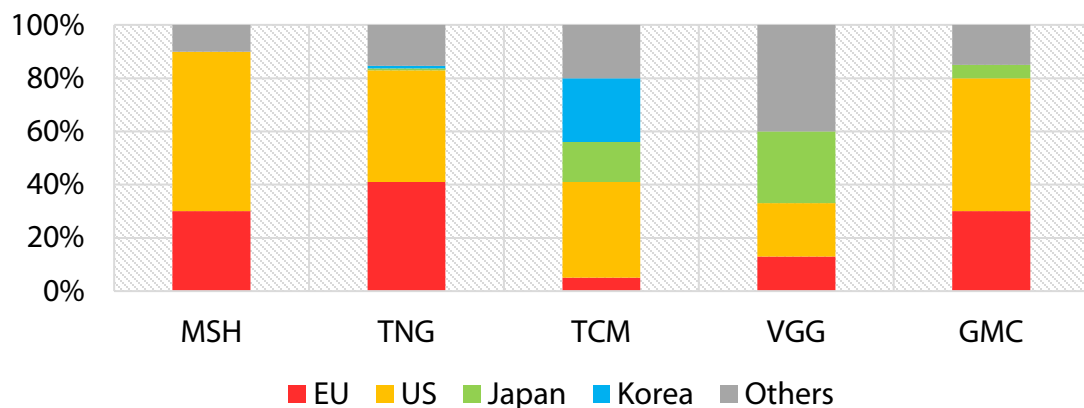
- In 1H2021, Myanmar's coup disrupted orders for many brands (H&M, Uniqlo, Primark, Wacoal, Shimamura, Adastria, OVS, Next, etc.), resulting in temporary shift of orders to Vietnam. Although some have begun to resume Myanmar orders (H&M, Bestseller), we believe many will gradually halt their orders going to politically stable places and Vietnam will be the main beneficiary. We expect that Vietnam might expand its market share in the EU, Japan and Korea which are mutual export markets of Vietnam and Myanmar. (see *Figure 9*)
- In addition, the EU withdrew 20% of the tariff preferences granted to Cambodia under the EBA scheme (*), including selected garments and footwear products, thereby creating an opportunity for Vietnam to gain market share in that zone.

(*) Read more [here](#)

EVFTA: Garment, which accounts for 90% of Vietnam's exports to the EU will start to benefit from EVFTA from 2021 on. The EU accounts for 34% of global total textile and garment imports while Vietnam's export to the EU only accounts for 4%. However, low self-supply of raw materials owing to the bottleneck of weaving and dyeing makes it difficult to meet the standard "fabric onwards". EVFTA is a catalyst to boost orders from the EU in the long run (*).

RCEP: Supports the textile & garment industry to reduce input costs as fabric export taxes from China are reduced from 10 to 2 per cent; also enjoying tax reduction in Japan, even using raw materials from China.

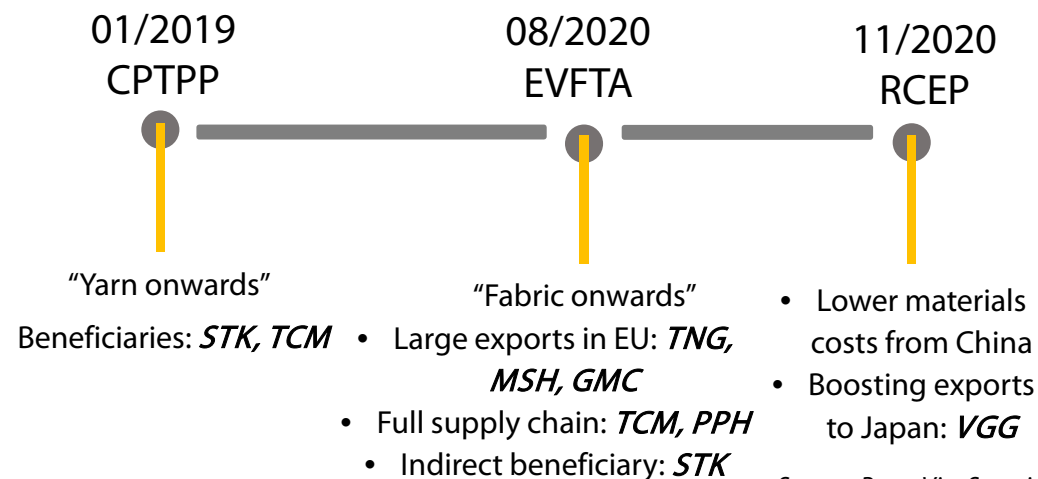
Figure 10: Export structure of listed garment companies (%)



Source: Rong Viet Securities compiled

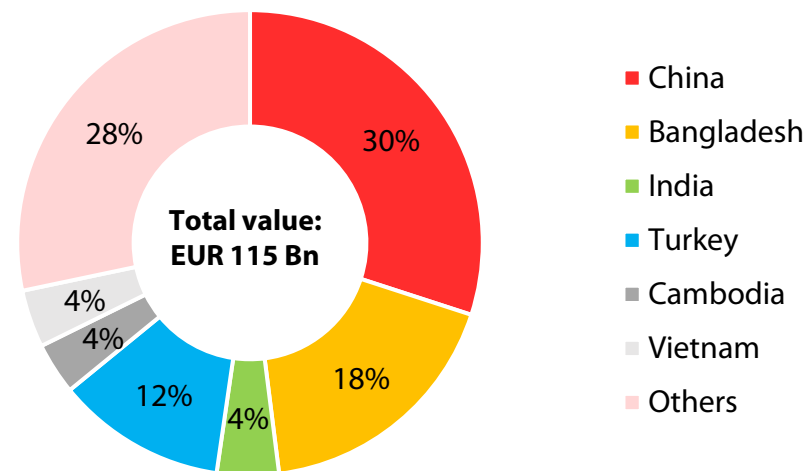
(*) Read more on Rong Viet's analysis about the EVFTA impact [here](#)

Figure 11: Summary of FTAs



Source: Rong Viet Securities

Figure 12: Market share in EU imports in 2020



Source: Euratex, Statista, Rong Viet Securities

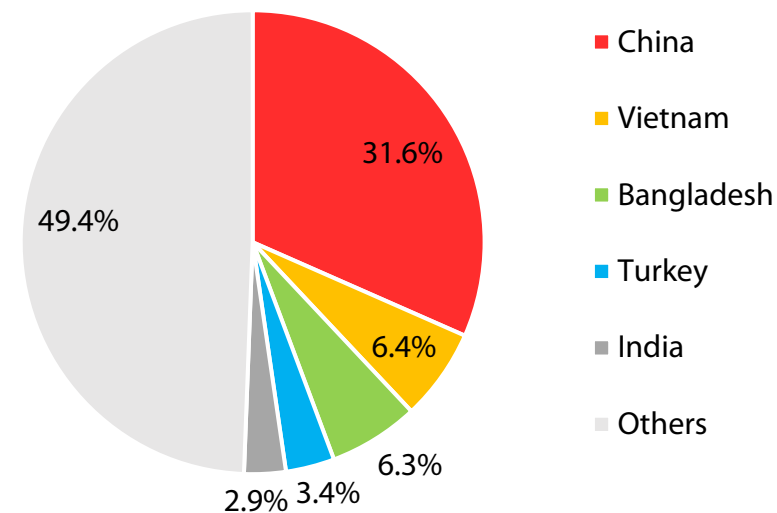
Vietnam remains numerous advantages compared to competitors

Vietnam is the second largest garment exporter in the world, following China. Vietnam has the advantage of cheap labor compared to China, India and Indonesia. FTAs will continue to create competitive advantages for Vietnam. Compared to Bangladesh and Cambodia, Vietnam dominates in terms of skilled labor and the production of complex products. However, Vietnam is weak in integrated value chain, especially bottlenecks from weaving and dyeing.

Integrated value chain will bolster Vietnam's position in the long run

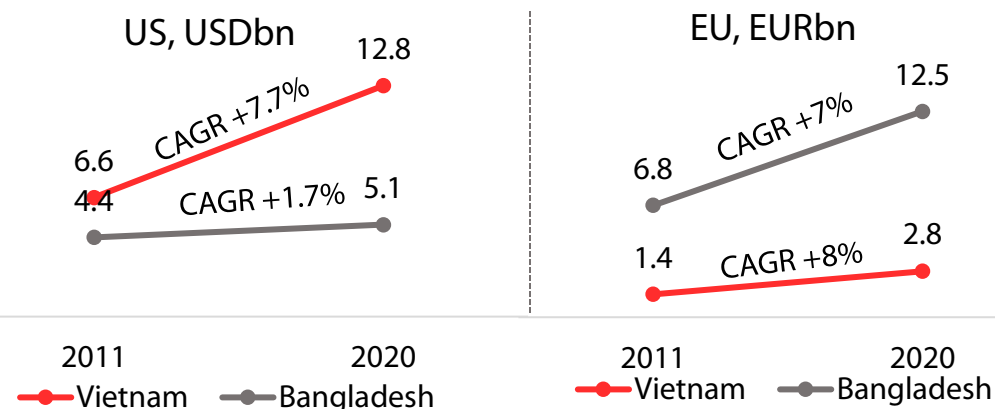
Garment companies import more than 65% of their input needs while 2/3 yarn produced in Vietnam has to be exported. Not only for beneficial FTAs, self supply of input materials will also help Vietnam increase its competitive advantage in the long run. In fact, the advantage of cheap labor in Vietnam is gradually disappearing, per the World Bank. To sustain Vietnam's position among textile & garment exporters, it needs to focus on building fully integrated value chain: Yarn - Weaving - Dyeing – Sewing, as the way that China, India and Indonesia have done.

Figure 13: Garment exports market share, 2020



Source: WTO, Rong Viet Securities

Figure 13: Garment import value from Vietnam and Bangladesh



Source: ITC, Eurostat, McKinsey, Rong Viet Securities

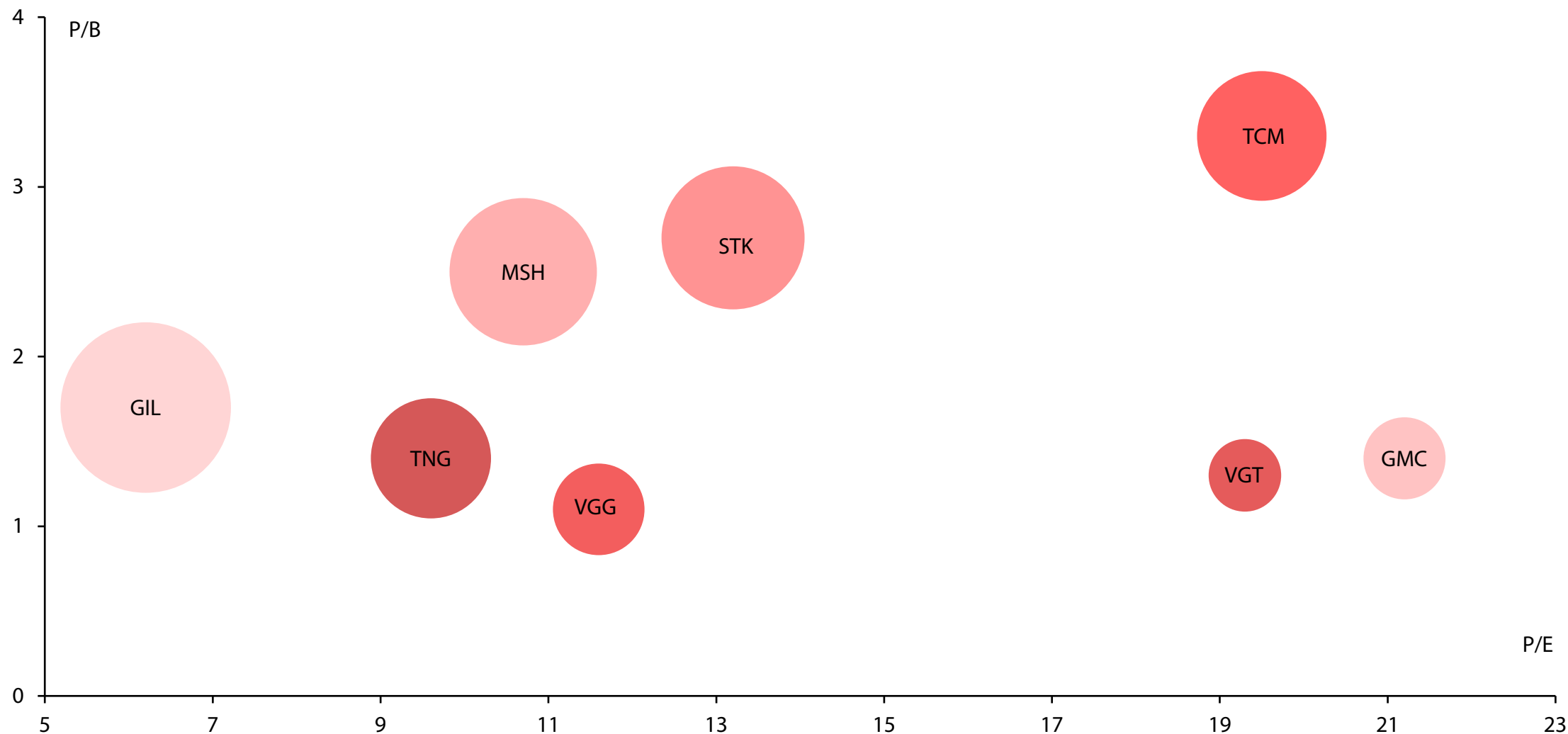
Table 4: Competitive advantages among textile & garment countries

	Vietnam	Bangladesh	China	Indonesia	India
Low labor costs	x	x			x
High labor skills	x		x		
Integrated value chain			x	x	x
Infrastructure			x	x	
FDI incentives	x	x			x

Source: ERC, VITAS, Rong Viet Securities

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)
GIL	105.0	N/A	14.0	26.9	13.6	12.7	27.2	9.9	13.5	29.8	1.5	6.2	1.7
GMC	41.6	N/A	-4.8	-11.8	6.3	3.8	-0.7	3.2	3.8	6.9	0.0	21.2	1.4
MSH	151.8	N/A	6.6	29.1	11.8	9.7	40.3	8.0	11.9	22.3	4.3	10.7	2.5
STK	131.9	46,000	-1.3	13.7	19.4	13.1	43.4	11.6	12.6	21.0	3.4	13.2	2.7
TCM	237.6	N/A	1.2	4.8	12.2	9.5	19.2	7.7	8.9	17.2	0.7	19.5	3.3
TNG	76.4	N/A	13.7	-2.0	9.7	4.3	-15.2	3.4	4.3	14.8	1.8	9.6	1.4
VGG	85.6	N/A	-11.0	-37.0	2.9	3.0	-30.6	2.6	3.8	9.3	4.6	11.6	1.1
VGT	367.9	N/A	-15.9	43.8	7.6	6.7	38.8	6.3	2.4	5.4	2.9	19.3	1.3

Source: Bloomberg, Rong Viet Securities. Share price as of 02 Aug 2021.

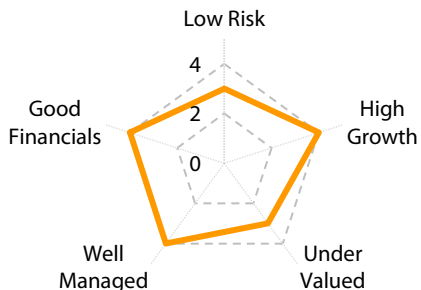
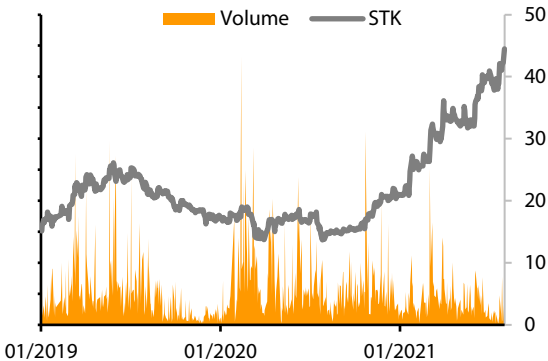


Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 02 Aug 2021.

<NEUTRAL: 7%>

<MP: 44,500>

<TP: 46,000>



STOCK INFO

Sector	Textile & Garment
Market Cap (\$ mn)	132
Current Shares O/S (mn shares)	68
3M Avg. Volume (K)	68
3M Avg. Trading Value (VND Bn)	2.5
Remaining foreign room (%)	36.8
52-week range ('000 VND)	14.1-44.5

FINANCIALS

	2020A	2021F	2022F
Revenue	1,766	2,152	2,754
NPATMI	143	231	324
ROA (%)	8.4	10.8	9.3
ROE (%)	13.3	17.3	21.2
EPS (VND)	2,028	2,762	3,866
Book Value (VND)	15,296	15,615	17,606
Cash dividend (VND)	1,500	1,500	500
P/E (x) (*)	10.3	16.3	11.6
P/B (x) (*)	1.4	2.8	2.5

INVESTMENT RATIONALES

Lucrative recycled yarn demand will drive STK's growth

- Recycled polyester yarn will enjoy favorable demand tailwinds in the coming years. 85 top-notch brands, including STK's major customers, already committed to the global percentage of recycled polyester from 14% in 2019 to 45% by 2025, equivalent a CAGR of 25% in 2019-2025F, per Textile Exchange.
- Demand and profit margins have been much more resilient for recycled yarn versus virgin yarn. STK has accelerated to increase the contribution of recycled yarn in revenue from 6% in 2017 to 56% in 1H2021. We forecast recycled yarn revenue to grow at a CAGR of 30% in 2021-2025F and contribute 75% and 88% in STK's revenue and NPAT in 2025F, respectively.

The Unitex factory paves way for long-term growth

- Doubling capacity after the factory construction is completed (first phase in 2023 and second phase in 2025) will bolster STK to take advantage of recycled yarn potential. In addition, tailwinds from "yarn/fabric onwards" rules under FTAs and low anti-dumping duties in the US will also boost STK's revenue in the coming years.

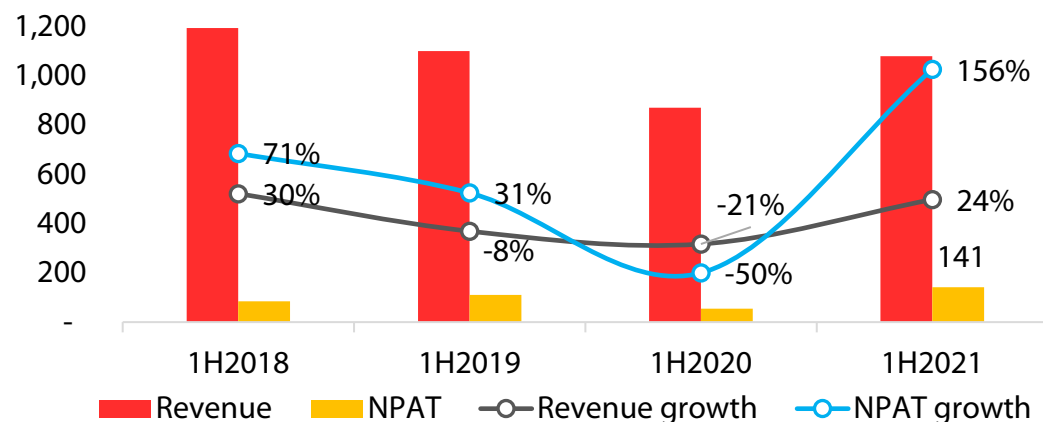
Healthy balance sheet and robust operating cash flow to support the upcoming CAPEX

- STK has no long-term debt and debt/equity of only 9.7% in 1H2021. Debt financing of Unitex factory (~USD 84 Mn) will push debt/equity to reach 78% (including upcoming private placements) in 2023F versus 25% in 2020. The average 2021F-2025F interest coverage ratio of 11 in our projection is higher than that of historical 2016-2020 period of 7.

RISKS TO OUR CALL

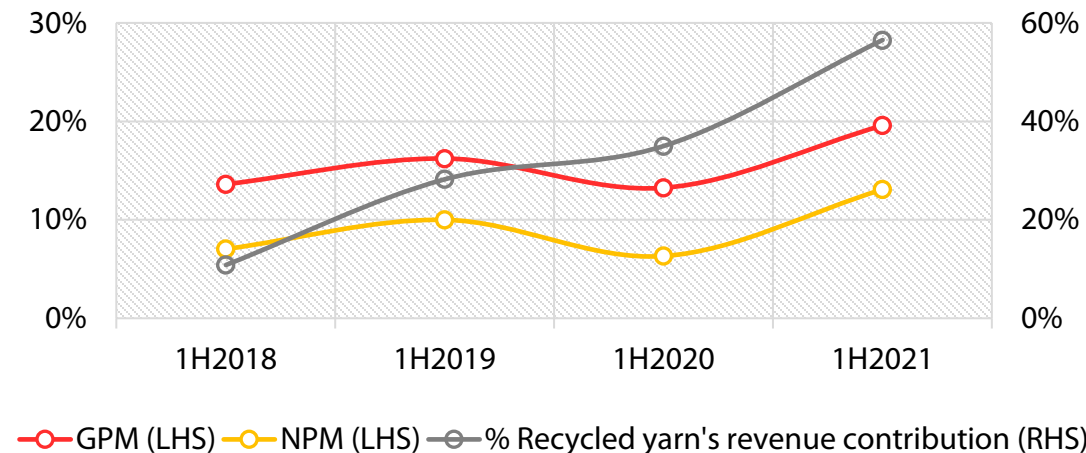
- Extending social distancing could negatively affect on STK's operations than expected.

Figure 1: 1H-FY21 Revenue and NPAT (VND bn)



Source: STK, Rong Viet Securities

Figure 2: GPM, NPM and contribution of recycled yarn (%)

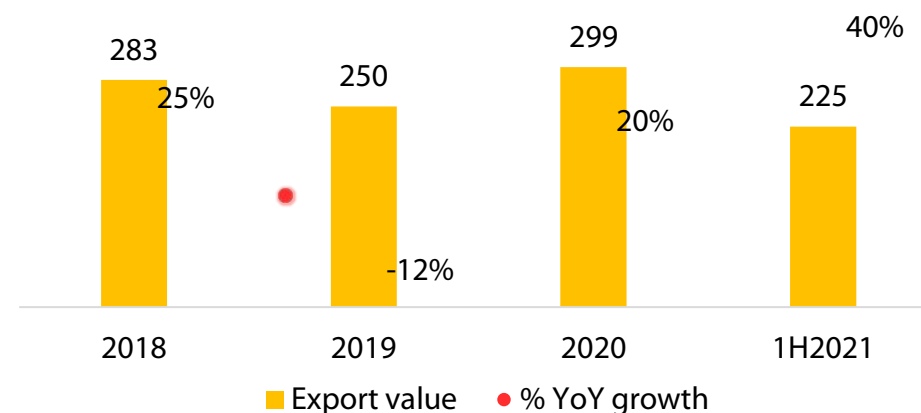


Source: STK, Rong Viet Securities

Recycled yarn showed an impressive growth

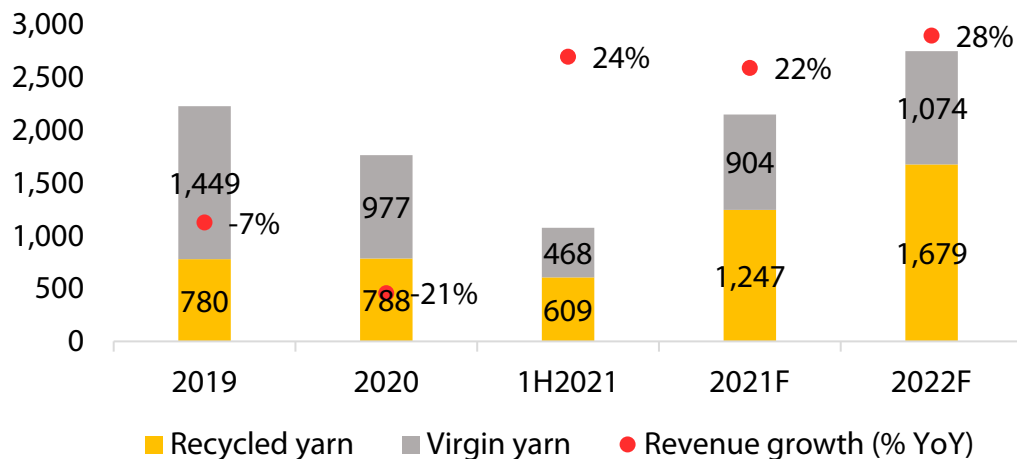
- Revenue reached VND 1,077 Bn (or USD 47 Mn), up 24% YoY due to the global garment demand recovery amid successful vaccine rollout boosting yarn demand.
- Recycled yarn revenue surged 100% YoY, contributing 56% to total revenue compared to 35% in 1H2020. In contrast, virgin yarn revenue plunged 17% YoY.
- Gross profit and NPAT rose sharply 83% and 157% YoY, respectively, owing to a product mix shift towards high-margin recycled yarn. Gross margin increased to 19.6% (+633 bps YoY and +131bps compared to 2019).

Figure 3: Vietnam's polyester filament yarn exports (USDmn)



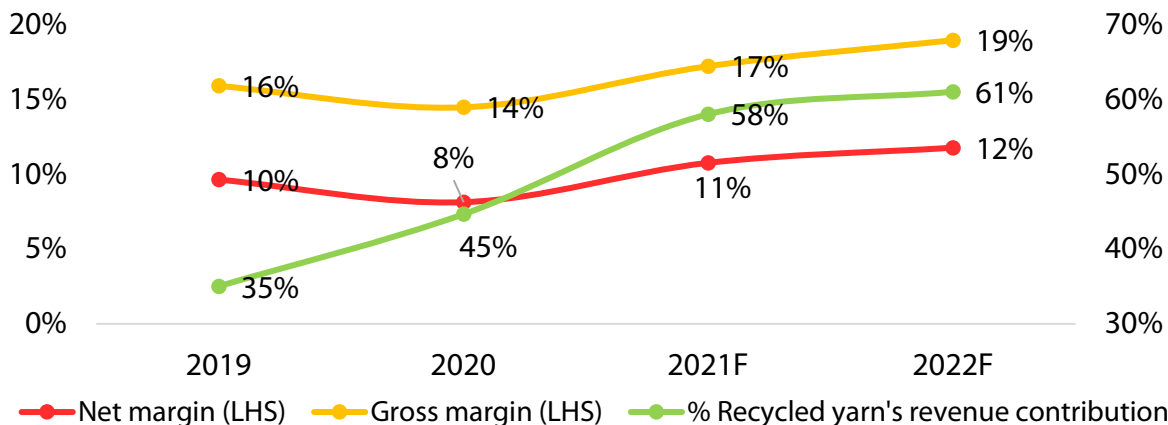
Source: Vietnam Customs, Rong Viet Securities

Figure 4: Revenue forecast (VND bn)



Source: STK, Rong Viet Securities

Figure 5: NPAT, GPM and Recycled yarn's revenue contribution



Source: STK, Rong Viet Securities

COVID-19 resurgence will put pressure on operations

- Currently, STK is operating at 70% of normal capacity owing to COVID-19 resurgence, likely causing delays in shipment and deterring logistics activities. In addition, operating costs are expected to increase due to COVID-19 tests and staying-at-factory-related costs.
- We forecast 2H2021 revenue at VND 1,074 Bn (or USD 47 Mn, +20% YoY) and NPAT at VND 90 Bn (or USD 4 Mn), up 2% YoY and down 36% HoH.

Key forecasts for 2021:

- We forecast revenue to rise 22% YoY to reach VND 2,152 Bn (or USD 94 Mn). Recycled yarn revenue will rise 58% YoY while virgin yarn revenue will decline 7% YoY. Recycled yarn's revenue contribution is forecasted to increase to 58% from 45% in 2020.
- We anticipate NPAT to be VND 231 Bn (or USD 10 Mn), up 61% YoY on the back of 2020 low base. Due to a product mix towards high-margin recycled yarn, we expect GPM and NPM to reach 17% and 11%, increasing 337bps and 307bps YoY, respectively.

What is recycled yarn's potential?

- With 85 brands and suppliers already committed in April 2021, the [2025 Recycled Polyester Challenge](#) serves as an essential catalyst for change in the apparel and textile industry that petitions the apparel industry to commit to increasing the global percentage of recycled polyester from 14% to 45% at 17.1 million metric tons by 2025.
- A ban on all the import of all resources classified by the Chinese Ministry of Ecology and Environment as 'solid waste' – including recovered fibre – came into effect in Jan 2021. This could jeopardize China's recycled polyester production which accounts for 70% of global polyester capacity (per IHS Markit), thereby creating opportunity for other countries to replace this supply shortage.

Recycled yarn will be STK's long-term growth driver

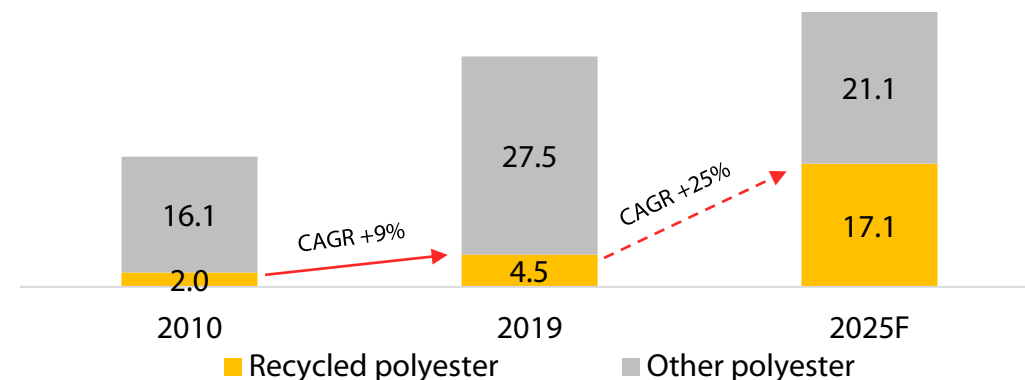
- We forecast STK's recycled yarn revenue to grow at a CAGR of 30% in 2021-2025F and contribute 75% into the company's revenue in 2025F.
- However, recycled yarn segment could face competition due to potential new competitors. In 2020, VNPoly partnered with Shinkong – Taiwanese textile giant.

Table 1: Recycled polyester target of STK's indirect customers (*)

Brand	%Current	Target	Year	% Products made in Vietnam	
				Apparel	Footwear
Adidas 	50%	100%	2024	20%	42%
Puma 	17%	75%	2025	-	35%
Decathlon 	35%	100%	2022	52%	35%
Nike 	59%	100%	2025	28%	50%
H&M 	64%	100%	2030	N/A	
Inditex 	20%	100%	2025	N/A	
Uniqlo 	Started using in 2020			N/A	

Source: Rong Viet Securities compiled (*) STK's major customers are suppliers for those brands

Figure 6: Global recycled polyester consumption for apparel



Source: Textile Exchange, Rong Viet Securities

Assuming a 3% growth rate of the apparel industry

<MONITOR>

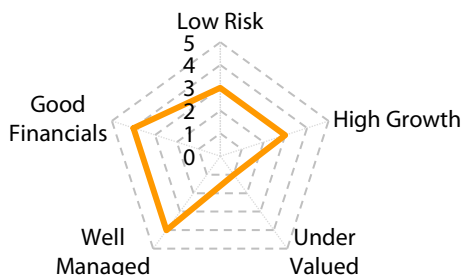
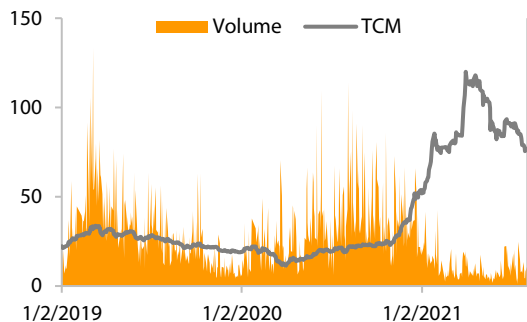
<MP: 76,700>

<TP: N/A>

STOCK INFO

FINANCIALS

2020A 2021F 2022F



Sector	Textile & Garment
Market Cap (\$ mn)	238
Current Shares O/S (mn shares)	71
3M Avg. Volume (K)	248
3M Avg. Trading Value (VND Bn)	22.1
Remaining foreign room (%)	4.9
52-week range ('000 VND)	18.6-104.4

Revenue	3,470	3,881	4,135
NPATMI	275	213	299
ROA (%)	9.3	6.4	8.1
ROE (%)	16.9	11.9	14.8
EPS (VND)	3,775	2,691	3,771
Book Value (VND)	26,402	25,081	28,336
Cash dividend (VND)	500	500	500
P/E (x) (*)	13.7	33.9	24.2
P/B (x) (*)	2.0	3.6	3.2

INVESTMENT RATIONALES

Traditional garment orders have recovered but COVID-19 resurgence to bring challenges in 2H2021

- Traditional garment demand has recovered in main export markets (US, Japan, Korea), bringing revenue and profits back to its sustainable growth trajectory. However, COVID-19 resurgence puts pressure in 2H2021 revenue and profits: (1) surging materials costs due to the shortages of globally material production, (2) low production capacity and logistics disruption to delay orders, (3) rising operating costs to comply with "3 on-site" rules under social distancing policy of Directive 16.

Closed supply chain creates favorable conditions for TCM to meet the requirements of FTAs

- The closed production chain from yarn to garment will facilitate TCM to meet "yarn/fabric onwards" principles, thereby taking advantage of FTAs. Moreover, TCM can also indirectly benefit FTAs through selling fabric to domestic apparel companies.

New projects will bolster its sustainable growth in the coming years

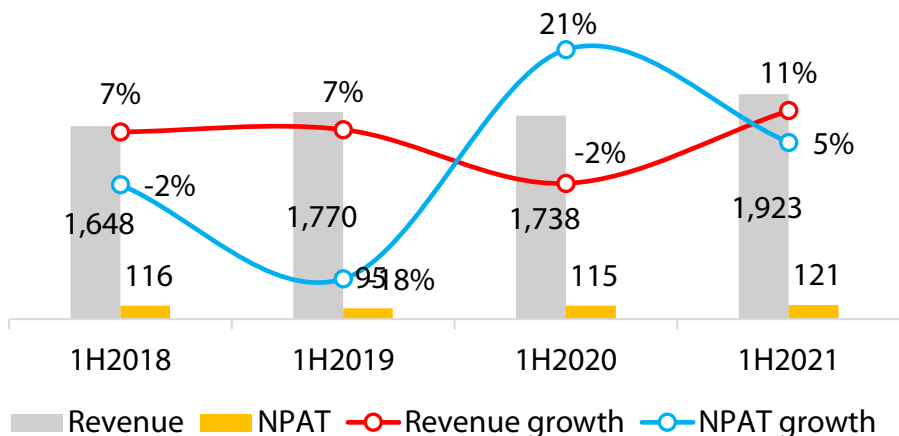
- Vinh Long 2 factory is expected to put into operation in end-2021, helping TCM to raise garment capacity by 50%, thereby reducing outsourcing orders to meet customer's requirements. Knitting and dyeing capacity expansion in 2022-2023F to increase its fabric capacity by 37% from 2023 onwards will bolster profit margin to expand sustainably in the long run.

Overvaluation. TCM is currently trading at TTM P/E of 19.5x - a 50% and 110% premium to peers and 5-year P/E average, respectively. We believe TCM is overvalued given our projected EPS CAGR of 6.2% over 2020-2023F.

RISKS TO OUR CALL

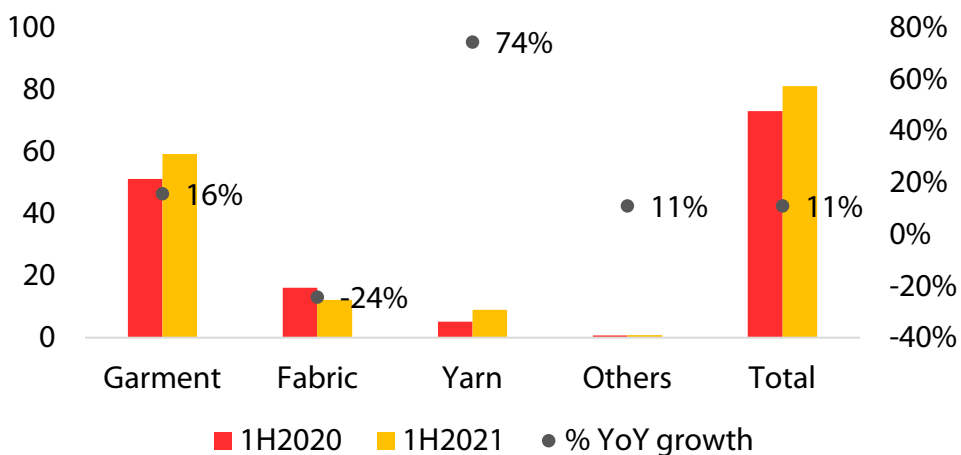
- Extending COVID-19 resurgence may negatively affect on productions and exports than expected.

Figure 1: Revenue, NPAT (VNDbn) and YoY growth (%)



Source: TCM, Rong Viet Securities

Figure 2: Revenue breakdown by product (USDmn)



Source: TCM, Rong Viet Securities

1H2021: NPAT growth slowed down due to no PPE(*) orders

- 1H2021 revenue increased 11% YoY to reach VND 1,923 Bn (or USD 84 Mn) due to the recovery of traditional garment orders.
- NPAT only rose 5% YoY due to no high-margin PPE orders. We remind that in 1H2020, TCM enjoyed high profit margin on the pandemic-related products.
- Net margin was 6.3%, contracting 33 bps YoY.

2H2021: Net margin to keep the downward trend

- We expect 2H2021 net margin will be under pressures: (1) surging materials costs due to the shortages of globally material production, (2) low production capacity and logistics disruption due to COVID resurgence, (3) rising operating costs as the workers stay at the factory, and (4) shortage of PPE orders.
- We project that TCM's revenue and NPAT in 2021 will reach VND 3,881 Bn (or USD 169 Mn, +12% YoY) and VND 213 Bn (or USD 9 Mn, -23% YoY). Net margin is expected to decrease to 5.5%, contracting 243bps YoY.

2022: Boosting revenue due to new factory

- Vinh Long 2 factory is expected to put into operation in end-2021, helping TCM to raise garment capacity by 50%, thereby reducing outsourcing orders to meet customer's requirements.

(*) PPE: Personal protective equipment for COVID-19 such as anti-bacterial fabrics and masks

<MONITOR>

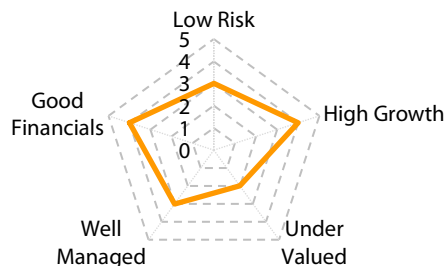
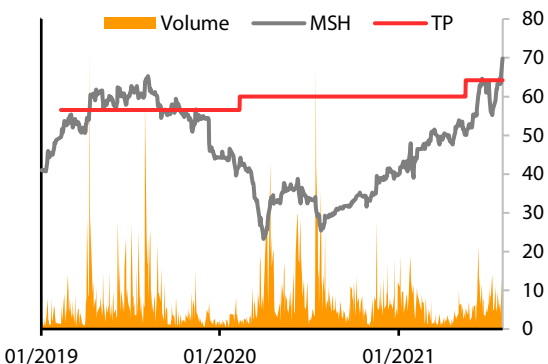
<MP: 69,800>

<TP: N/A>

STOCK INFO

FINANCIALS

2020A 2021F 2022F



Sector	Textile & Garment
Market Cap (\$ mn)	152
Current Shares O/S (mn shares)	50
3M Avg. Volume (K)	108
3M Avg. Trading Value (VND Bn)	6.2
Remaining foreign room (%)	42.3
52-week range ('000 VND)	27.4-69.8

Revenue	3,813	4,474	5,810
NPATMI	232	389	516
ROA (%)	8.8	11.3	12.7
ROE (%)	16.9	24.8	27.8
EPS (VND)	4,635	6,992	9,287
Book Value (VND)	27,366	31,358	37,146
Cash dividend (VND)	3,000	3,500	3,500
P/E (x) (*)	8.6	7.6	5.7
P/B (x) (*)	1.4	1.7	1.4

INVESTMENT RATIONALES

Demand has recovered in MSH's main markets

- Garment orders have been rebounding on the back of successful vaccine rollout in developed countries. Moreover, fashion retailers temporarily have shifted orders to Vietnam amid political uncertainty in Myanmar and massive outbreaks of Covid-19 in India and Cambodia. However, we are concerned that increasing material prices and freight costs could drag down profit margins in 2H2021.
- MSH is less affected by social distancing. In the context of COVID-19 cases continuing to increase rapidly in countries such as India, Indonesia and social distancing causing production disruption in the southern region of Vietnam, we expect MSH could increase orders in 2H2021.

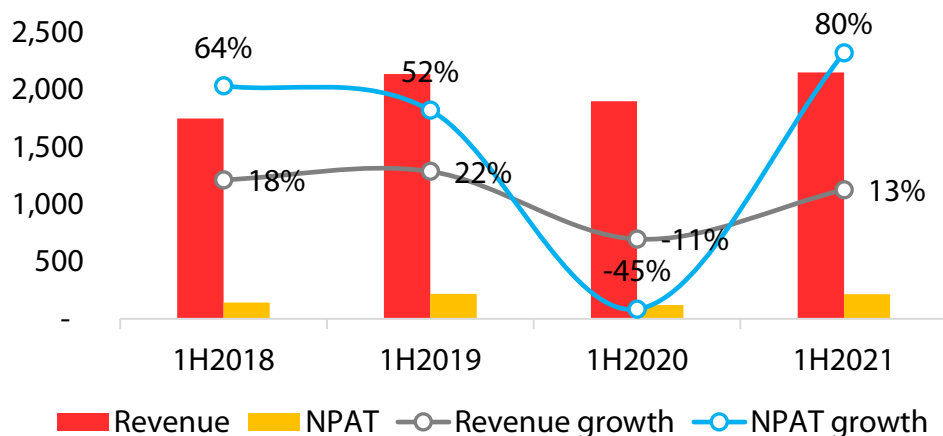
Song Hong 10 factory is a catalyst for growth

- Song Hong 10 new factory will be completed in November 2021 and will operate at full capacity from May 2022. Total capacity will rise 20% compared to present. Song Hong 10 will focus on complex items, of which 50-60% are FOB orders. Continuing to expand FOB orders will maintain MSH's position as the most profitable company in the industry.

RISKS TO OUR CALL

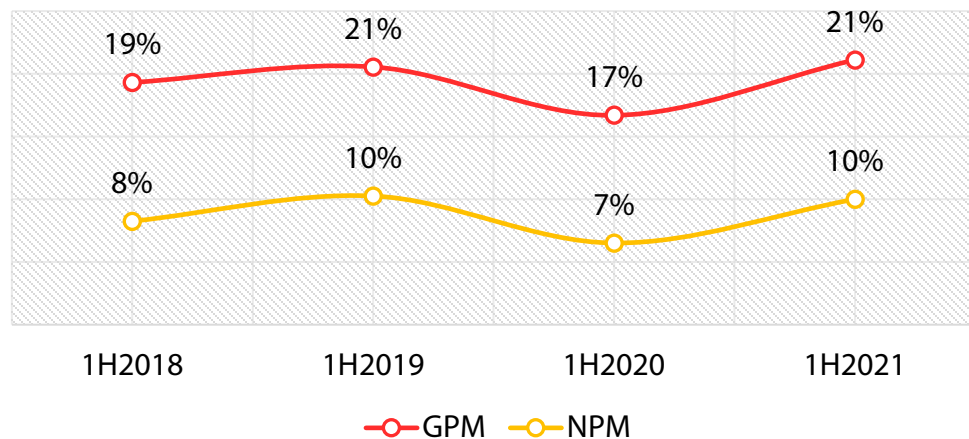
- COVID-19 resurgence in main markets may slowdown the recovery of apparel demand.
- Unexpected fluctuation in fabric materials price.

Figure 4: 1H2021 Revenue and NPAT (VND Bn)



Source: MSH, Rong Viet Securities

Figure 5: GPM and NPM (%)



Source: MSH, Rong Viet Securities

1H2021: Business results bounced back from 2020 low base

- In 1H2021, revenue recorded VND 2,152 Bn (or USD 94 Mn), up 13% YoY driven by recovering global apparels demand and difficulties in rival garment producing countries.
- NPAT soared 80% YoY to reach VND 216 Bn (or USD 9 Mn) due to increasing gross margin and reversal of receivables provision of VND 53 Bn (USD 2.3 Mn) in 1H2021.

2H2021: Increasing material prices and freight costs could drag down profit margins

- The rapid recovery of China's manufacturing activities has resulted in sharp increases in the prices of raw materials. With the usual one-quarter lag from purchasing materials to sales of MSH, the effect of the increase in material prices on gross margin could be seen in 2H2021.
- We project that MSH's revenue and NPAT in 2021 will reach VND 4,474 Bn (or USD 195 Mn) and VND 389 Bn (or USD 17 Mn), increasing 17% YoY and 68% YoY, respectively. Net margin is forecasted to be 8.7%

Song Hong 10 factory will boost revenue growth from 2022F

If the factory construction is completed in end-2021 as planned, MSH will record strong growth in revenue and profit in 2022 (+30% YoY and +33% YoY respectively, per our estimate) when operating at full capacity from May 2022. We estimate that the new factory will increase MSH's garment capacity by 20%.



SECURITIES

OPPORTUNE ENVIRONMENT



Thanh Nguyen – thanh.nn@vdsc.com.vn



Active market performance in the context of complicated pandemic development

- The number of total securities holding accounts has grown strongly to reach approximately 3.4 million, resulted from 630,000 cumulative newly opened accounts in 1H2021 (57% higher compared to that of 2020). With more than 90% of newly opened accounts belonging to individuals, retail investors were the main force propelling the index.
- Volume rose. Margin loan increased accordingly to the peak at VND 127 trillion (USD 5.5 bn), contributed to the market liquidity (VND 22.8 trillion or USD 1 bn of the daily average transaction value) as well as market performance (VNIndex, +28% YTD).
- Those factors created a favorable background resulting in dynamic earnings growth of securities firms, which was led by margin lending, securities services and proprietary trading.

Equity market and digitalization drove earnings in the first half

- The securities industry posted resilient growth, which was mainly driven by traditional businesses rather than investment banking services. The pandemic acts as a catalyst which drives the stock market with a higher contribution from retail investors. Favorable conditions facilitated earnings growth.
- Technology has been applied in operation, various products and selling channels to improve profit margins by lowering average operating expenses for brokerage services.
- Medium to small securities firms tended to have three-digit growth.

Figure 1: Transaction volume and change in index (shares, %QoQ)

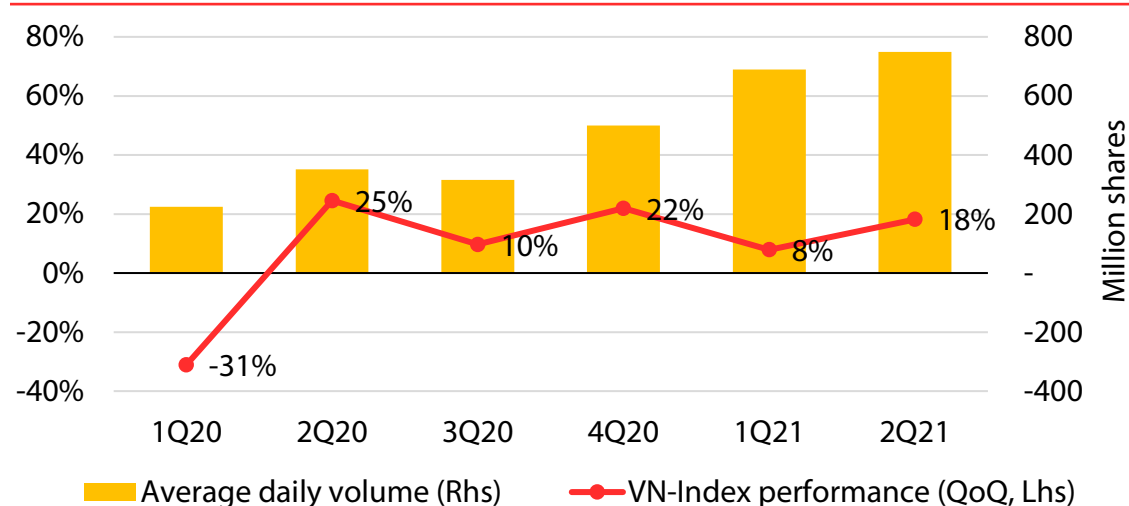
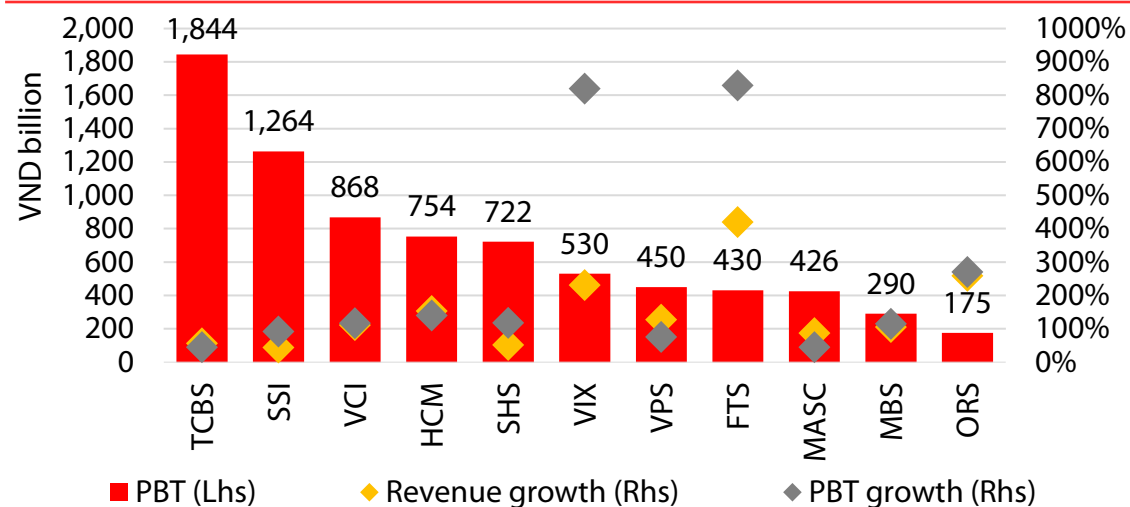


Figure 2: 1H2021 revenue and PBT of several firms (VND, %YoY)

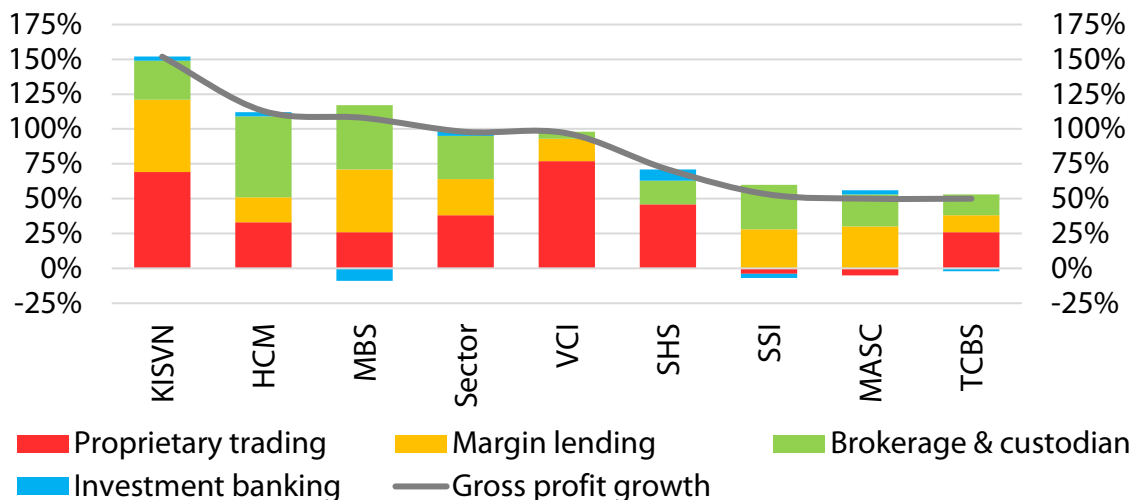


Source: Fiinpro, RongViet Securities

Brokerage-focused firms to benefit from the booming markets

- Key drivers for the 1H21 performance are proprietary trading and securities services. As market-sensitive segments, these income sources continuously produced dynamic results. Proprietary trading thrived dramatically on a low comparison base, recovering to become the largest contributors to earnings.
- Due to the active market, securities services grew robustly. This segment was dominated by several key players. Regarding stock brokerage, the market share of the top six securities firms increased to approximately 51% in 1H2020, due to the scaling advantage, full-service integration, quality products and competitive promotions. The bond brokerage market was more concentrated with TCBS, given the competitive advantage of ecosystem, technology and long-standing player.
- Despite the absolute improvement, competition on the fee and lending rate sides resulted in lower margin lending income than expected. The reduction of average lending income margin hindered earnings growth given the diverged movement of funding cost. The margin lending race is projected to be more severe with additional capital raising plans.

Figure 3: 1H21 gross profit breakdown and growth (% YoY)



Source: HSX, SSC, RongViet Securities

Figure 4: Total margin loans (VND)

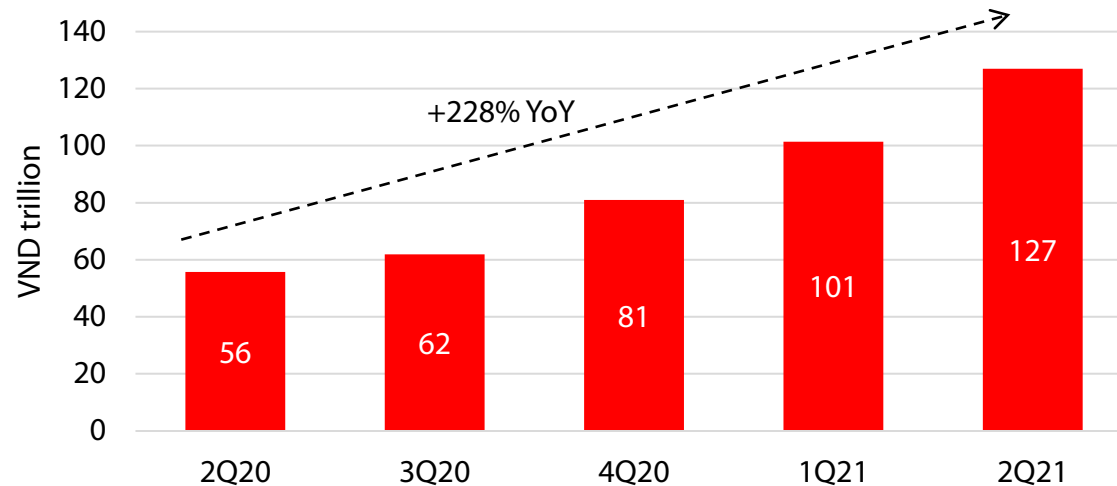


Figure 5: Deposit rate and VN-Index performance (%)

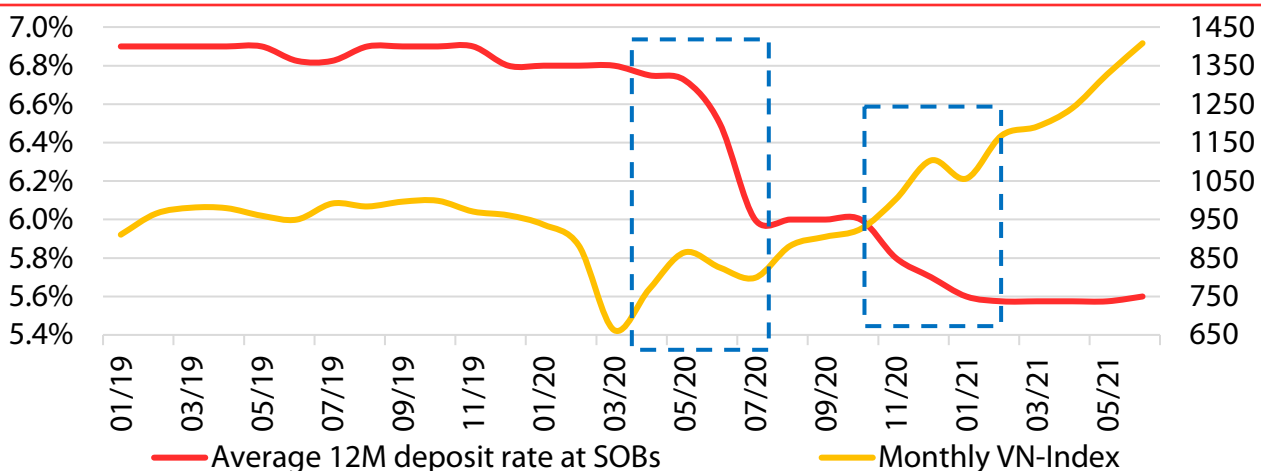
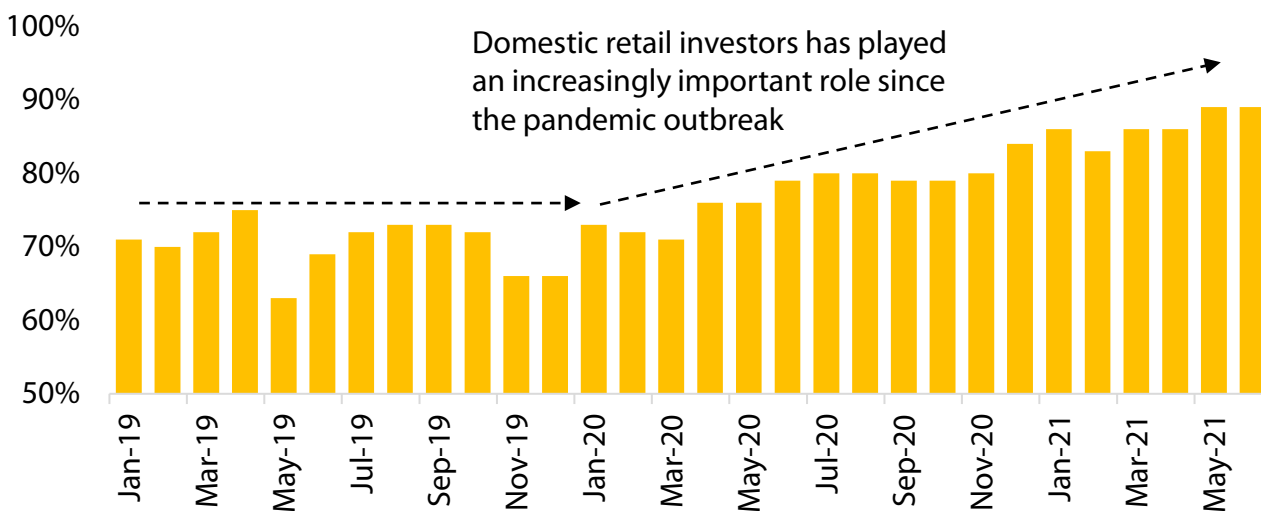


Figure 6: Contribution of domestic retail investor to trading value (%)



Source: Banks, Fiinpro, RongViet Securities

A new level of transaction volume driven by retail investors

- The number of retail investors witnessed a massive growth since the beginning of 2020, due to low deposit rate environment and the impact of the pandemic.
- The retail participation is still relatively low (less than 4% of the population), compared to comparable markets such as Thailand (25-30%), Singapore (32%), Malaysia (18%).

Expecting post-pandemic sustainable growth

- In 2H2021 as well as a part of 2022, given the latest interest rate package, supportive monetary policy and uncertain conclusion of the pandemic, we expect the money flow from the newcomers to stay in the market as equity might deliver a good return compared to savings. New money resulted from the portfolio rebalancing effect of savings is expected to continue flowing into the market at a lower pace.
- In a higher deposit rate environment, weak retail outflows might occur due to rebalancing, expanded wealth, higher financial literacy and better awareness of the stock market.
- Due to good money flow prospect, we expect the liquidity to stay at high level in the upcoming period. This delivers securities firms and related industries such as wealth management a favorable macro background to grow.

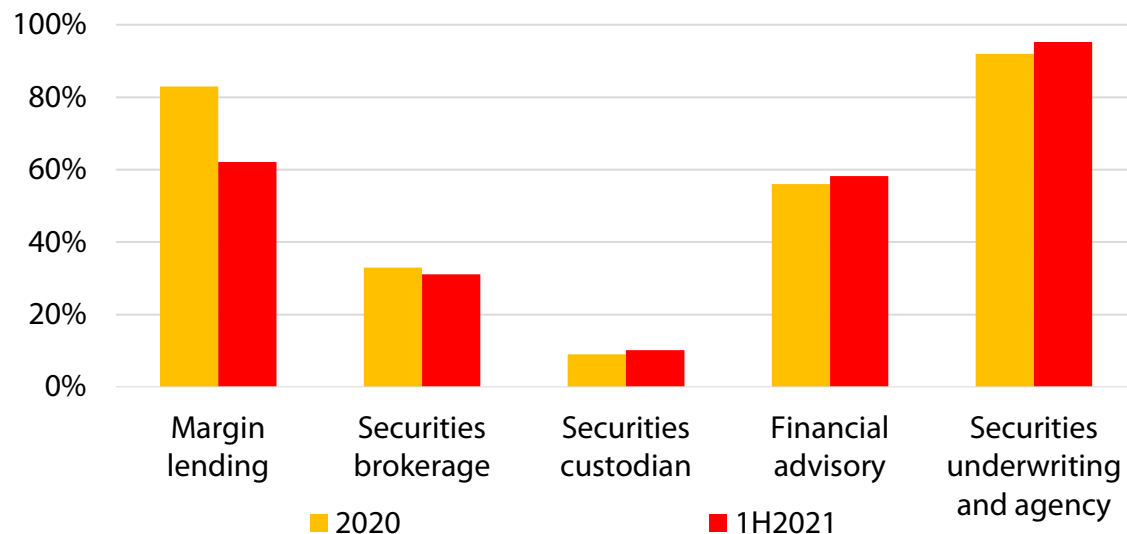
Investment banking: long-term upside with short-term cooling down growth momentum

- The favorable market conditions in 2020 set up a wave of capital raising in 2021. However, bond underwriting activities slowed down at the largest bond underwriter in 1H2021. Equity issuance deals were also closed with small deal values compared to the annual plan.
- The projection of restarting IPO and M&A activities will raise the proportion of income from investment banking services, instead of solely over-depending on market-related segments. We expect the on-off social distancing to have moderate impact on the deal closures.

Downside risk and market volatility might cause notable concern to the proprietary trading

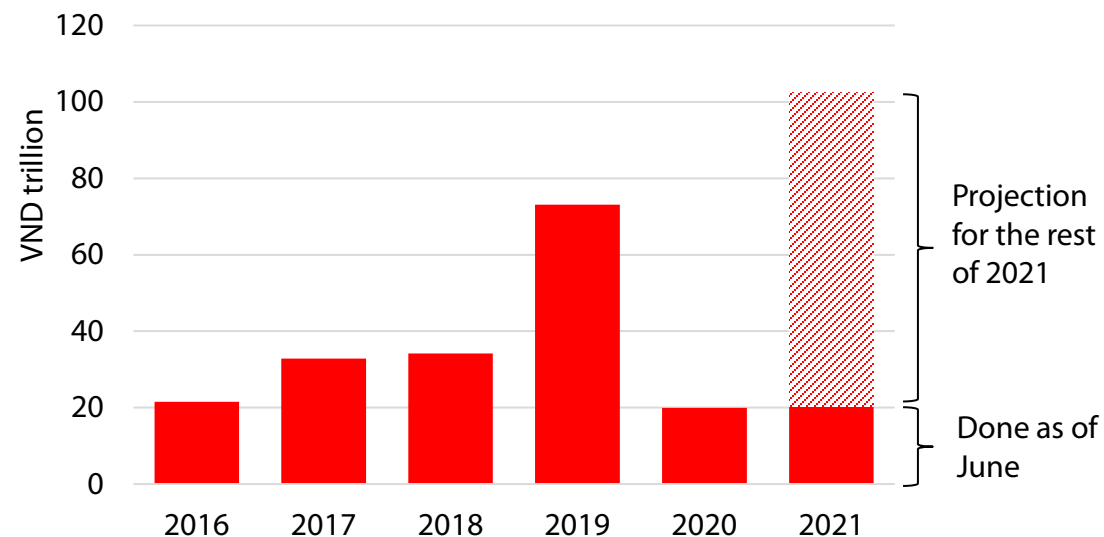
- Taking-profit pressure after a historic rally since the beginning of 2021 led to the recent market downside. This high volatility is likely to occur in the second half due to the severe impact of lockdowns on market sentiment and high base of valuation, thus, affecting proprietary trading.

Figure 7: Gross margin by segments (%)



Source: Fiinpro, RongViet Securities

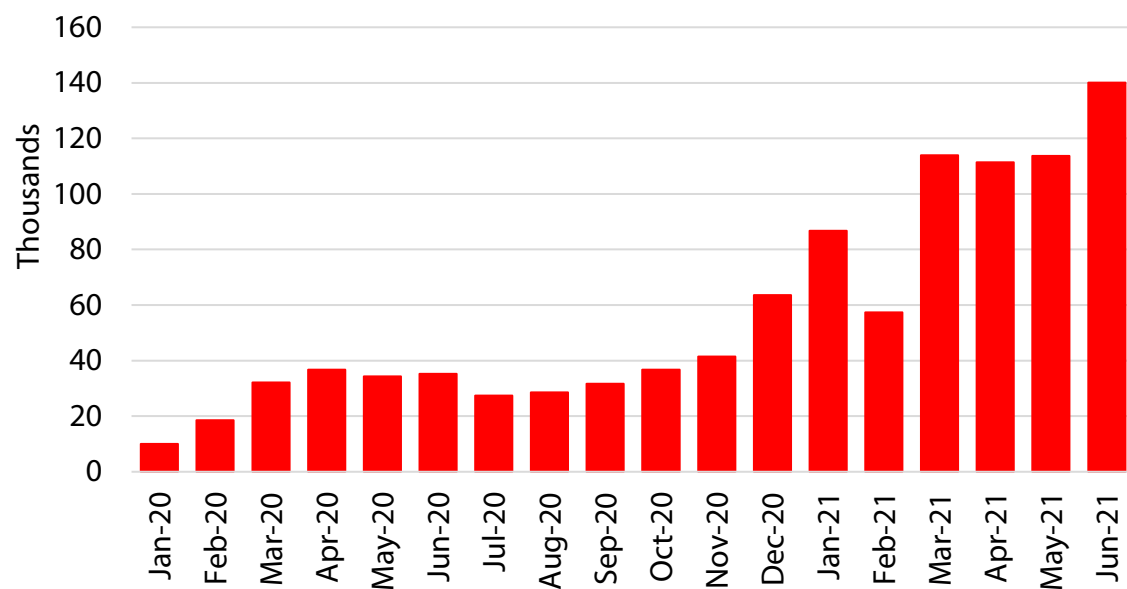
Figure 8: Value of public equity issuance (VND)



The opportune environment is projected to sustain, supporting the rapid growth of the industry

- Brokerage fee income is expected to grow in proportion to the transaction value of the stock and bond markets, which are not projected to be impacted by the pandemic but benefiting from increasing retail penetration.
- Margin lending balance is expected to increase disproportionately due to limited lending room at many large securities firms. Capital raising plan is online. In any case, we expect the income from margin lending to be robust based on low comparison base, current margin headroom and promotional lending interest.
- We expect proprietary trading revenue to be lower in 2H2021. Income from investment banking and other related services will be polarized among securities firms. Overall, we forecast 2H2021 earnings to sustain robust growth, but at a lower pace than 1H2021. Securities services including margin lending and brokerage will be the key drivers.

Figure 9: Number of newly opened accounts per month



Source: VSD, Fiinpro, RongViet Securities

Figure 10: Gross profit structure of several firms (%)

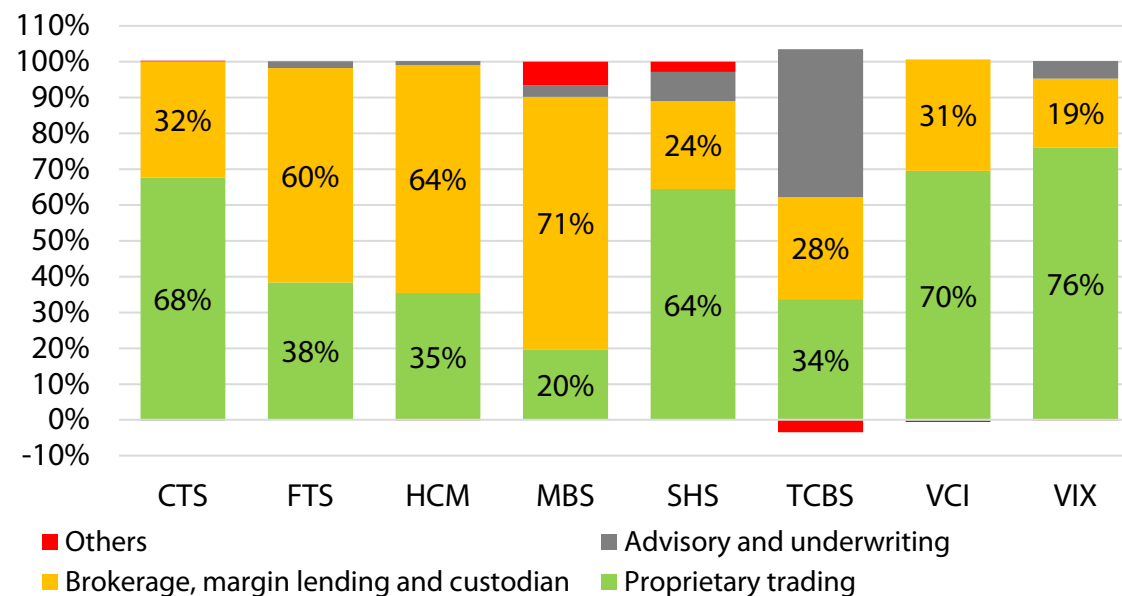


Figure 11: 1H21 margin loans market share and growth (% YoY)

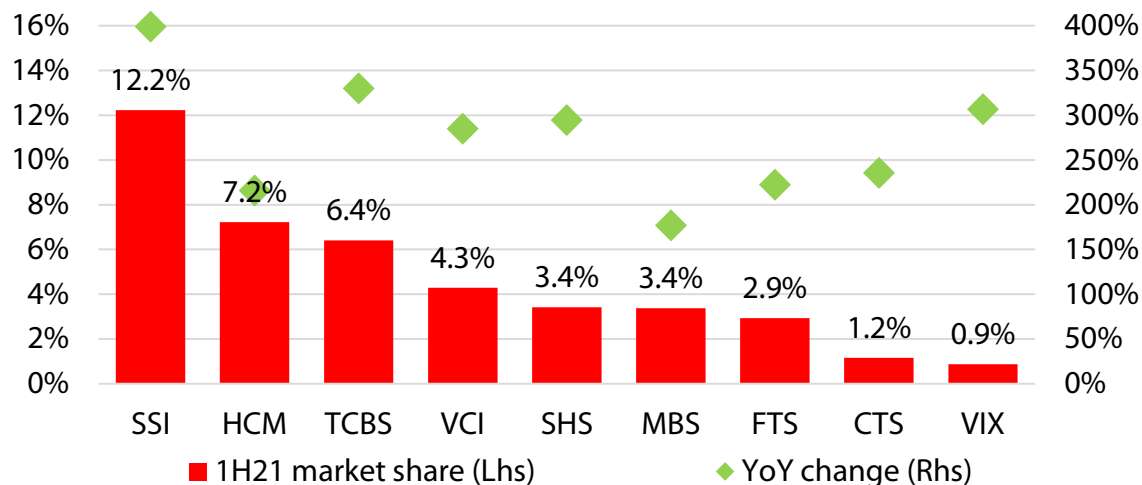
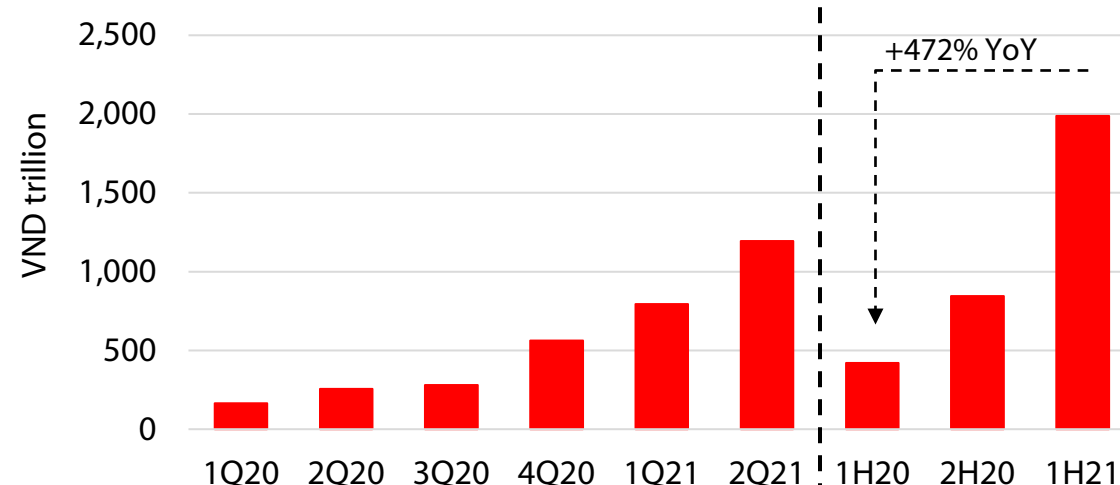


Figure 12: Total matching value VN-Index (VND)



Brokerage services: secured dynamic growth

- Given the momentum backed by retail penetration, market volume will improve. Even with an unfavorable market condition such a prolonged market downturn, liquidity is expected to increase at two-to-three-digit rate, based on the quarterly volume in 1H2021. Total matching value of 1Q21 was approximate to that of 2H20. Combined with the low base of transaction fees, we expect brokerage services to sustain strong growth.

Margin lending: ready to capture the booming liquidity

- With on-going capital raising plan, we expect the margin capacity of securities firms to be expanded in 2H2021. Large firms will have the advantage of funding costs and capital resources to provide affordable lending rates.
- Securities companies with large proportion of these service segments in income structure are forecasted to outperform others, as well as delivering strong performance.

Source: Fiinpro, RongViet Securities

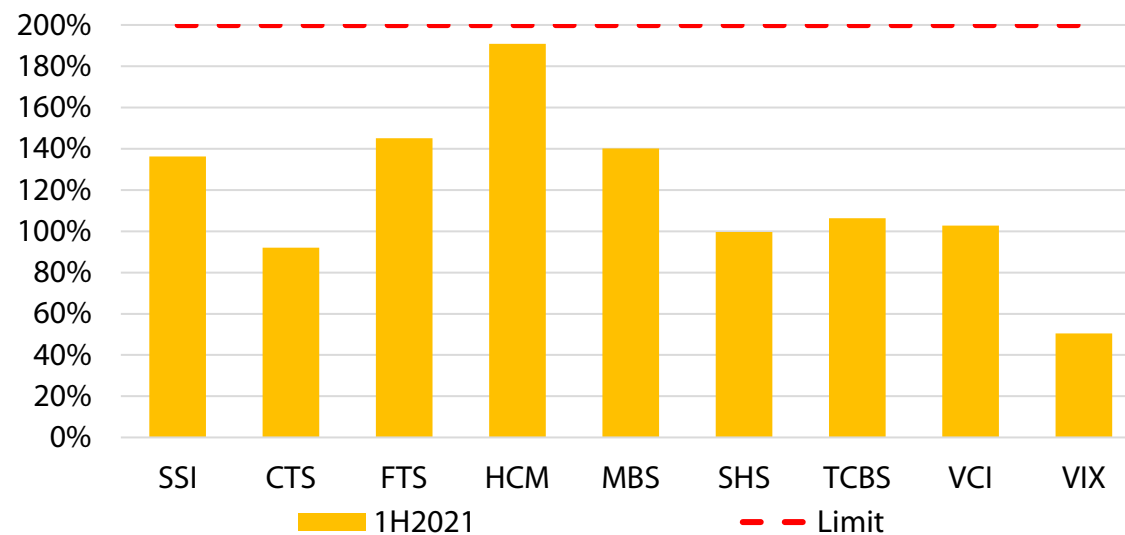
Equity issuance: critical solution to strengthen the buffer

- The total margin loan growth of listed securities corporations was reported to reach 240% YoY at the end of 1H2021. With the limit of the lending room, the lack of ability to provide loans partially hindered the equity market progress due to frequent capital tensions.
- After the completion of raising capital, the industry especially the margin lending segment is expected to meet the rising market demand to support the market rally as well as alleviate pressure on the ratio of margin loan to shareholders equity. The corporate bond segment is also restricted by the total investment limit to 70% of shareholder's equity. To capture potential customers in this opportune environment with large retail newcomers, this is a critical initiative to leverage profitability.
- Those issuances and dividends also act as price catalyst for firms in 2H2021.

Table 1: Capital raising plan of several listed firms in 2021

Ticker	Share dividend	Share issuance	ESOP
SSI	33.33%	43.2%	1.7%
CTS	29.1%		
FPTS	10%		1.56%
HCM		50%	
MBS	15%	42.8%	5%
SHS	5%	50%	1.93%
VCI	100%		0.5%
VND		100%	

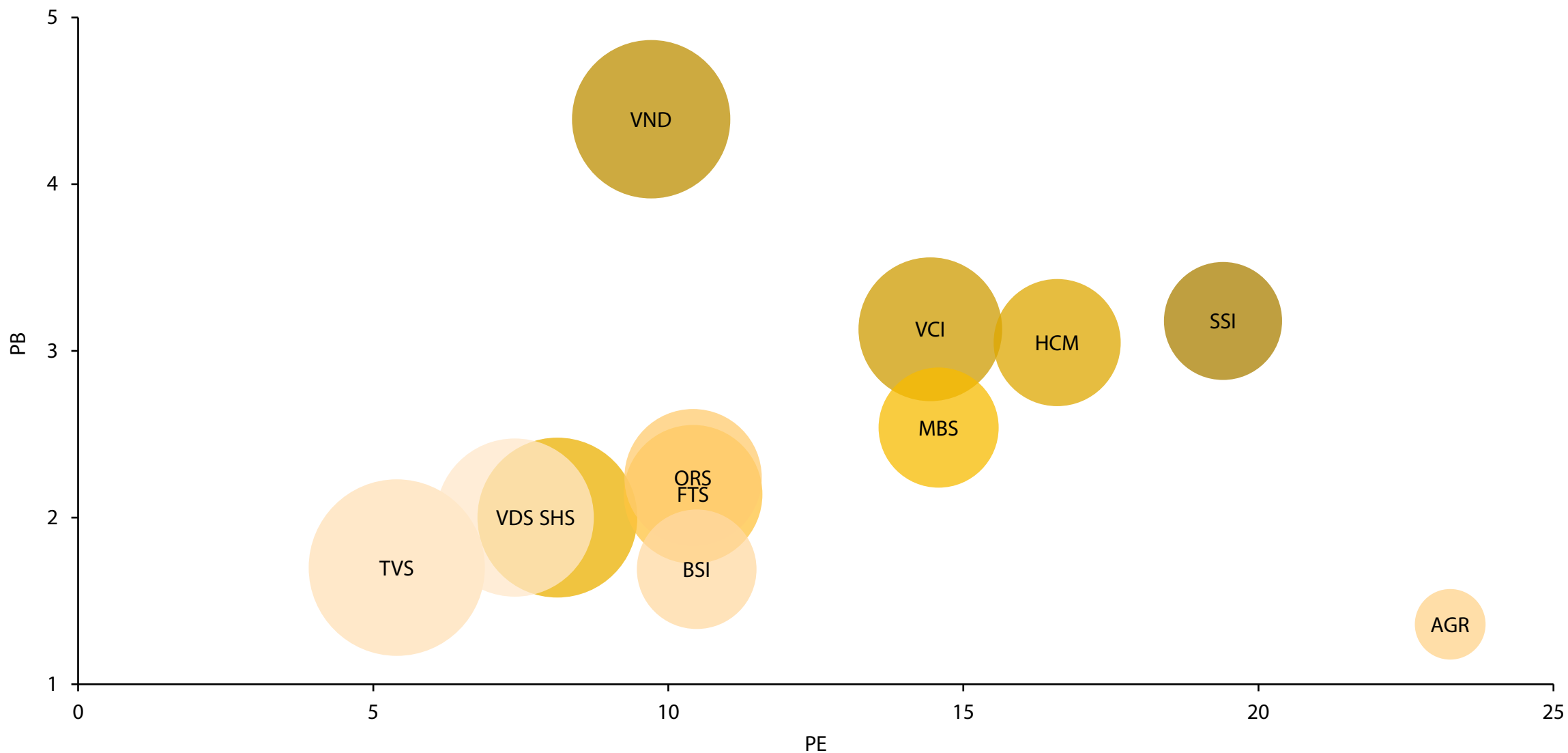
Figure 13: Margin loans to shareholder's equity 1H2021 (%)



Source: Fiinpro, RongViet Securities

Ticker	Market cap (USD mn)	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)
SSI	1,566	33.2%	39.5%	55.4%	54.3%	70.4%	32.4%	4.9%	16.5%	0.0%	19.4	3.2
VND	858	107.3%	113.0%	62.3%	61.8%	216.0%	41.0%	8.2%	34.3%	0.0%	9.7	4.4
VCI	722	67.2%	54.4%	62.6%	62.3%	70.1%	44.2%	12.7%	24.5%	0.0%	14.4	3.1
HCM	638	114.3%	77.9%	31.2%	30.4%	80.1%	24.5%	6.7%	19.2%	0.0%	16.6	3.1
SHS	378	66.2%	112.6%	67.8%	67.7%	163.3%	48.5%	14.1%	30.3%	0.0%	8.1	2.0
MBS	337	62.9%	54.3%	43.9%	43.7%	86.1%	23.9%	5.4%	17.0%	0.0%	14.6	2.5
FTS	241	304.1%	n/a	69.7%	67.7%	1562.3%	59.6%	12.9%	22.7%	0.0%	10.4	2.1
ORS	205	164.8%	277.9%	41.7%	41.6%	143.4%	24.8%	8.1%	22.3%	0.0%	10.4	2.2
AGR	122	42.8%	137.1%	76.0%	73.8%	171.5%	68.4%	9.3%	10.2%	0.0%	23.2	1.4
BSI	114	34.4%	191.8%	40.0%	39.4%	197.2%	25.7%	7.9%	17.7%	0.0%	10.5	1.7
TVS	109	98.4%	248.5%	77.2%	76.9%	445.8%	53.2%	11.3%	36.4%	0.0%	5.4	1.7
VDS	109	155.6%	1822.9%	58.3%	57.5%	1632.3%	47.1%	13.7%	31.0%	0.0%	7.4	2.0

Source: Fiinpro, RongViet Securities. Share price as of 02 Aug 2021.



Source: Fiinpro, RongViet Securities. Bubble size equals respective ROE. Share price as of 02 Aug 2021.



POWER INDUSTRY

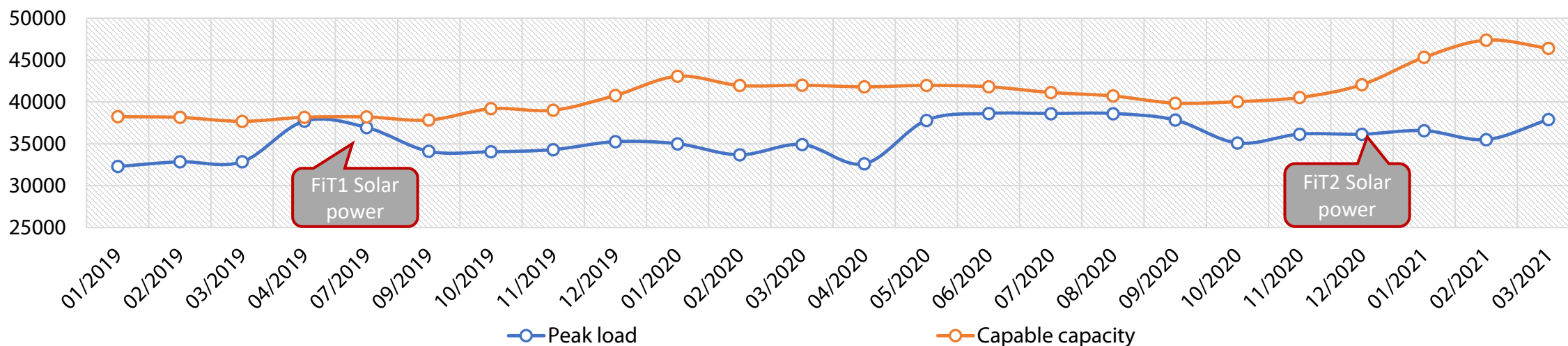
**TEMPORARY DEMAND-SUPPLY
IMBALANCE**



Thao Nguyen – thao.nn@vdsc.com.vn



Figure 1: Peak load and capable capacity (MW) (*)



Source: EVN, RongViet Securities

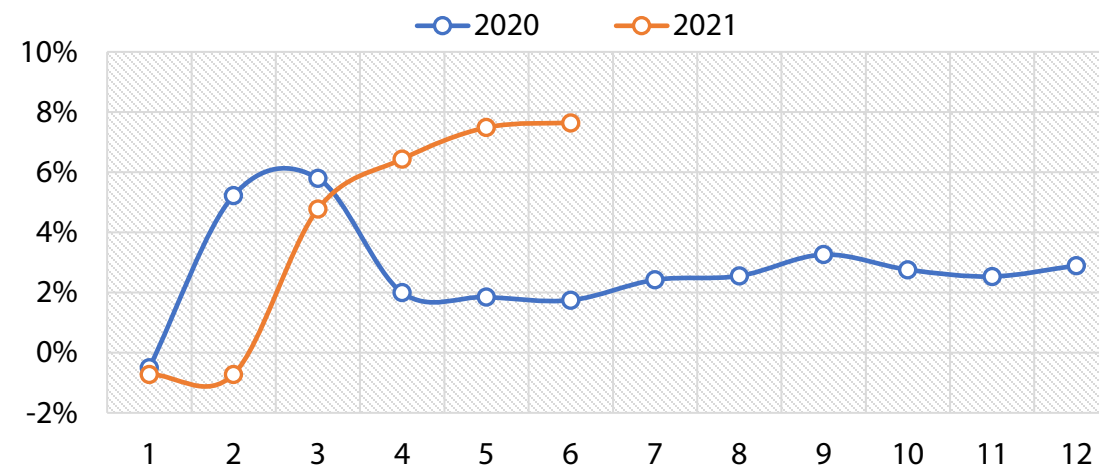
(*) Excluding small scale hydropower plants (<30MW)

Demand growth has not kept pace with supply yet

- Capacity expanded significantly in 2019 and 2020 (14% and 26% YoY) due to the renewable energy boom while demand growth slowed down because of Covid 19 (only 2.9% in 2020 and 7.4% in 1H2021). (*)
- Hence, total national volume shared smaller part for electricity plants, both thermal and renewable energy (RE) plants are not fully utilized.

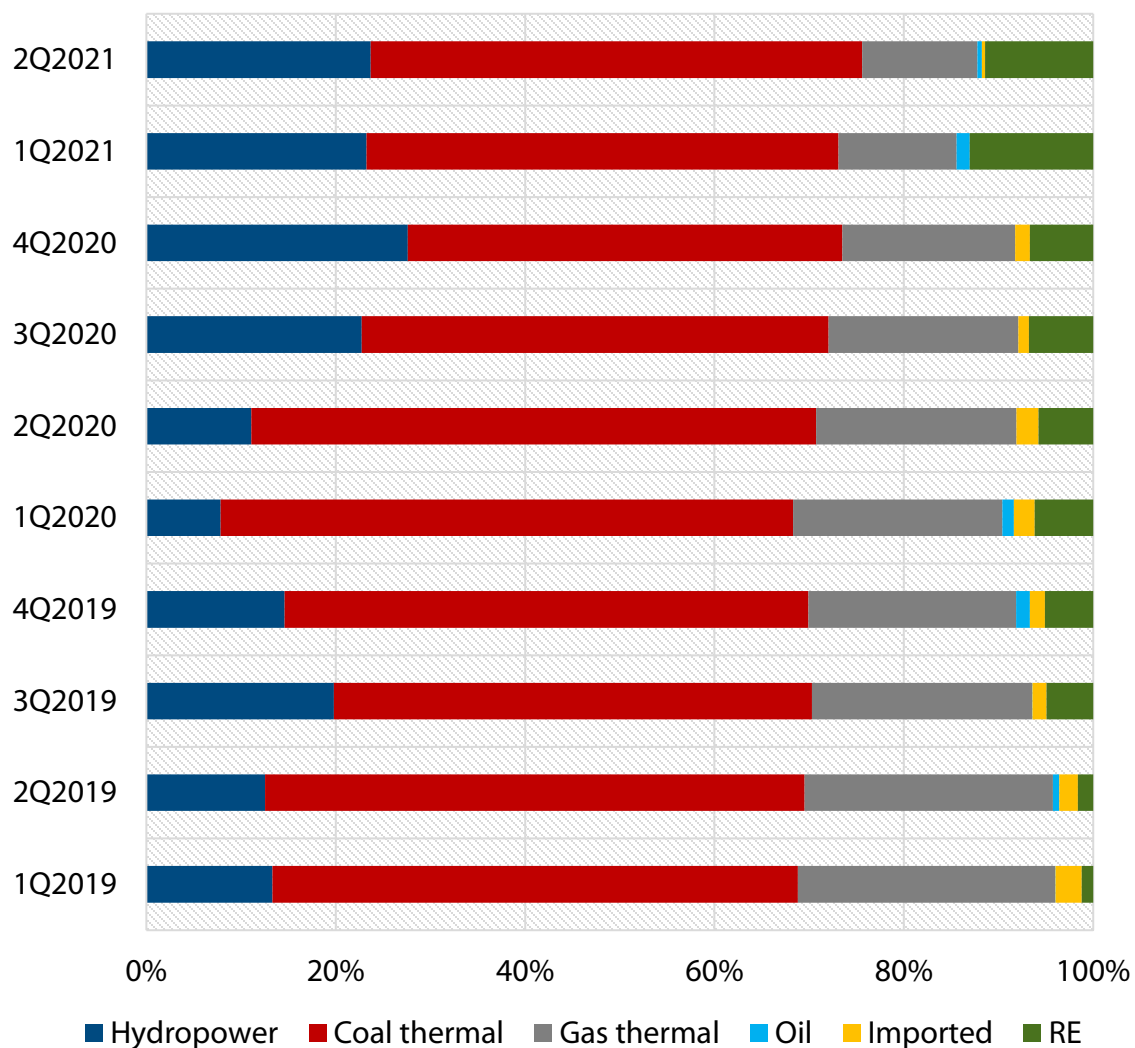
(*) Capacity growth is calculated at the year end

Figure 2: Consumption growth by month (YoY)



Source: MoIT, EVN, RongViet Securities

Figure 3: Portion among electricity groups

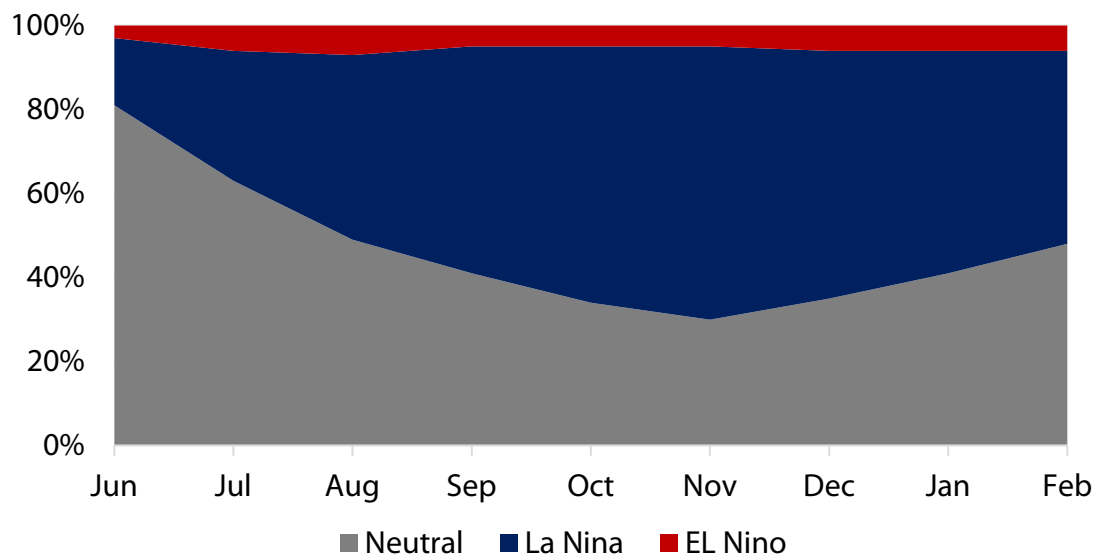


Source: EVN, RongViet Securities

Hydropower and renewable energy plants captured the thermal plant portion in 1H2021, compared to last year

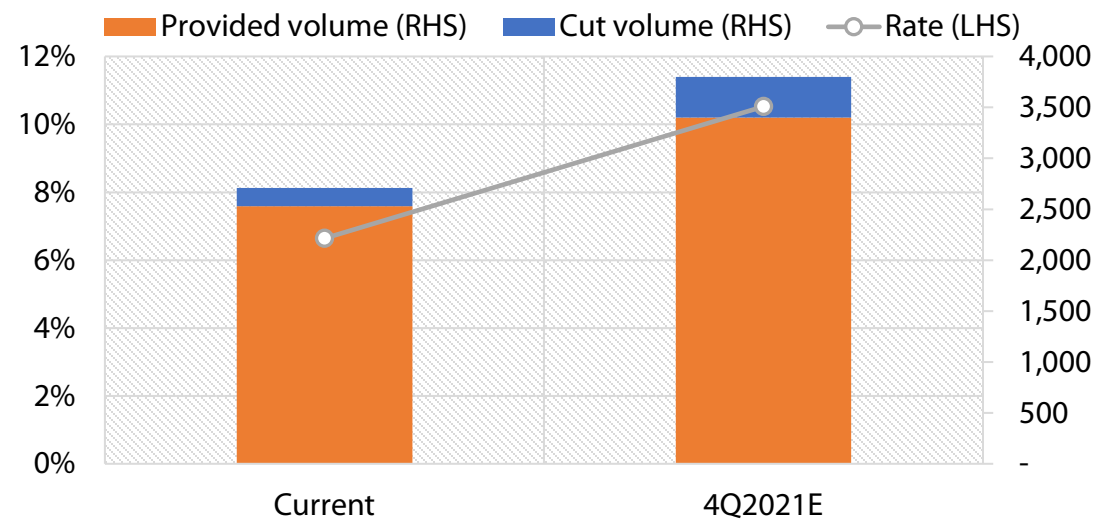
- Enjoying La Nina since 2H2020, volume of hydropower plants grew by 41% YoY, accounting for 24% of total volume in 1H2021.
- RE plants have raised market share gradually since their first appearance, particularly at the end of 2020 (FiT2 Solar power deadline). RE's volume surged to 15 bn kWh, +172% YoY, accounting for 11.43% of total national volume in 1H2021. These have been running at an average of 93% of capacity, varying between different areas.
- Thermal plants were affected by hydropower and renewable energy as the utilization declined, offering room for hydropower and RE (Figure 9, 10)
 - o Coal thermal volume held the majority with 52% of total national volume, -4% YoY in 1H2021. This decrease is lower than that in 1Q2021 (-12.4%) as 2Q2021 was the dry season.
 - o Gas thermal plants were the hardest affected group due to a surge in gas prices. Utilization and volume slumped, volume declined by-19% YoY, respectively (Figure 10).

Figure 4: La Nina forecast from Jun 2021 to Feb 2022 (%)



Source:: MoiT, EIA, BMI, RongViet Securities

Figure 5: Estimated monthly provided & cut volume (mn kWh)



Source: EVN, Estimated by RongViet Securities

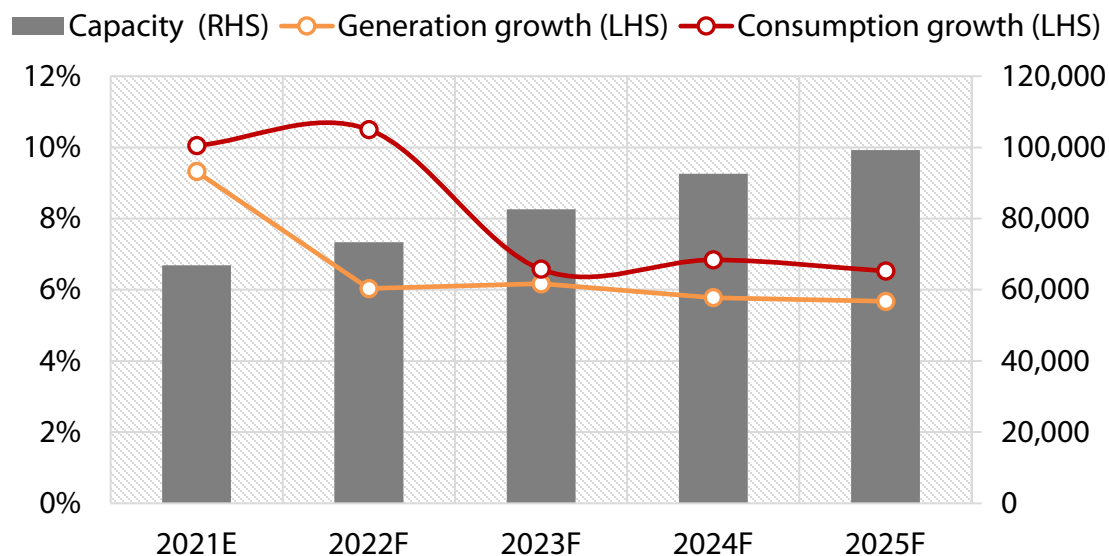
Hydrological condition continues supporting hydropower plants. La Nina phenomenon is forecasted to perform in 2H2021, thus hydropower companies will enjoy this to have a better performance than that in 1H2021. Beneficiaries are REE, PC1, GEG, VSH.

Numerous wind power plants will come online from 3Q2021 due to the FiT1 deadline. Year to date, EVN estimates that 5,656 MW wind power will be added to the system, equivalent to 8% of total national capacity. So, both current and upcoming RE farms will cut volume which will depend on the economic recovery in 4Q2021. Several companies that will add capacity and trigger earnings are REE, PC1, GEG.

Thermal plants will encounter difficulties in the rainy season. Both coal and gas thermal plants are going to have a low mobilized volume because of high volume from hydropower and wind power's capacity addition. However, company earnings will depend on contract volume and variable costs.

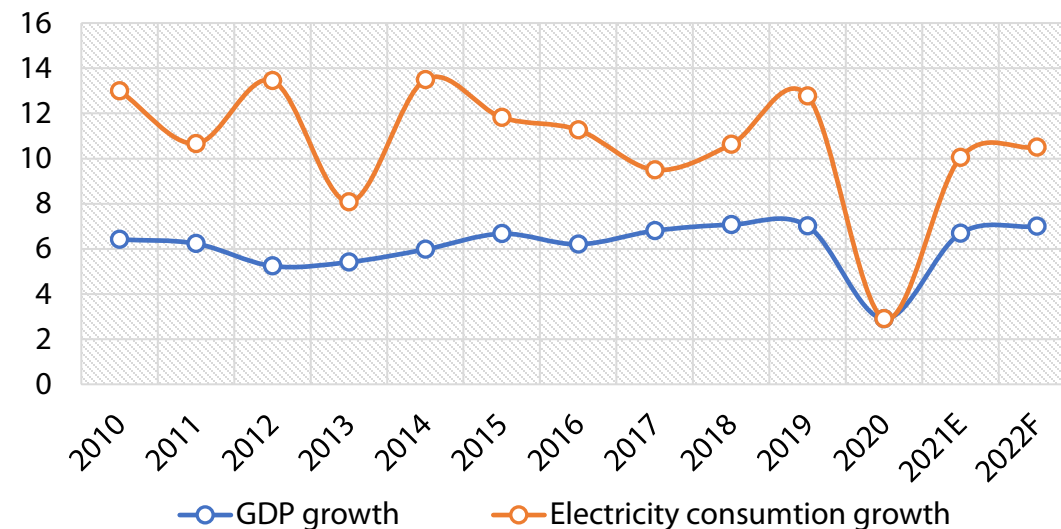
(*) La Nina average phase is roughly two years

Figure 6: Generation, consumption growth and capacity (MW)



Source:: MoIT, EIA, BMI, RongViet Securities

Figure 7: Forecasted GDP, electricity consumption growth (%)

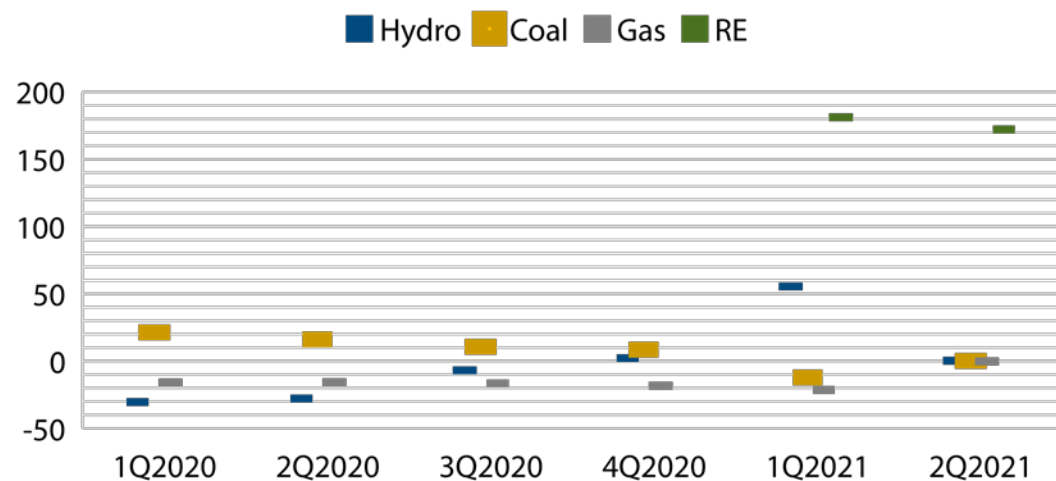


Source:: MoIT, EVN, RongViet Securities

The electricity system is on its way to reach optimal utilization point

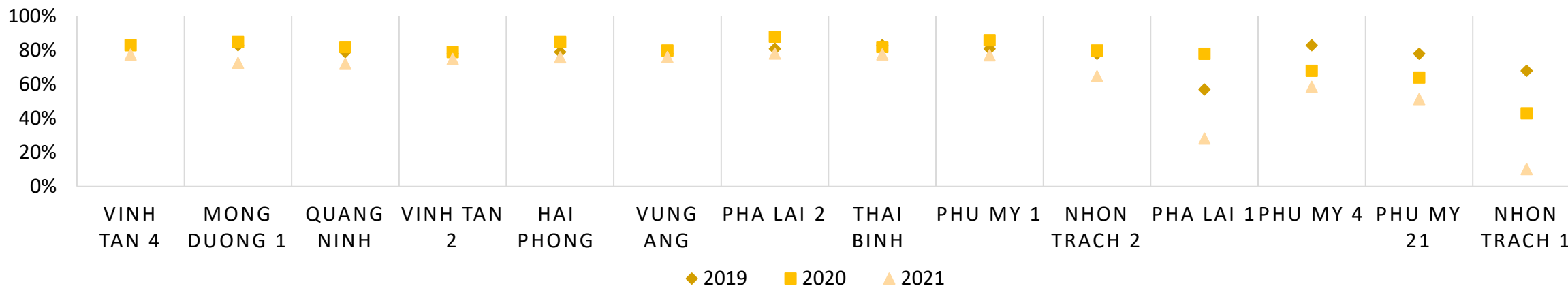
- Optimal utilization point is expected to happen in late 2022. According to the government, Vietnam will be fully vaccinated in mid-2022, the economic growth is expected to recover, demand growth will be higher than that in 2020 and 2021. Longer-term, Vietnam will still be the fastest-growing power market.
- Lower La Nina magnitude is expected to take place in late 2022 (Figure 11). Thermal plants and RE are able to provide higher volume.
 - Thermal plants are forecasted to have higher mobilized volume in late 2022 thanks to demand growth and lower La Nina magnitude.
 - Renewable energy is able to be fully utilized, expanding its profit margin. However, we need to monitor transmission line construction because of overcapacity in several areas (Figure 12) and the RE capacity addition in coming years (Figure 13).

Figure 8: Volume growth by segment by quarter (%)



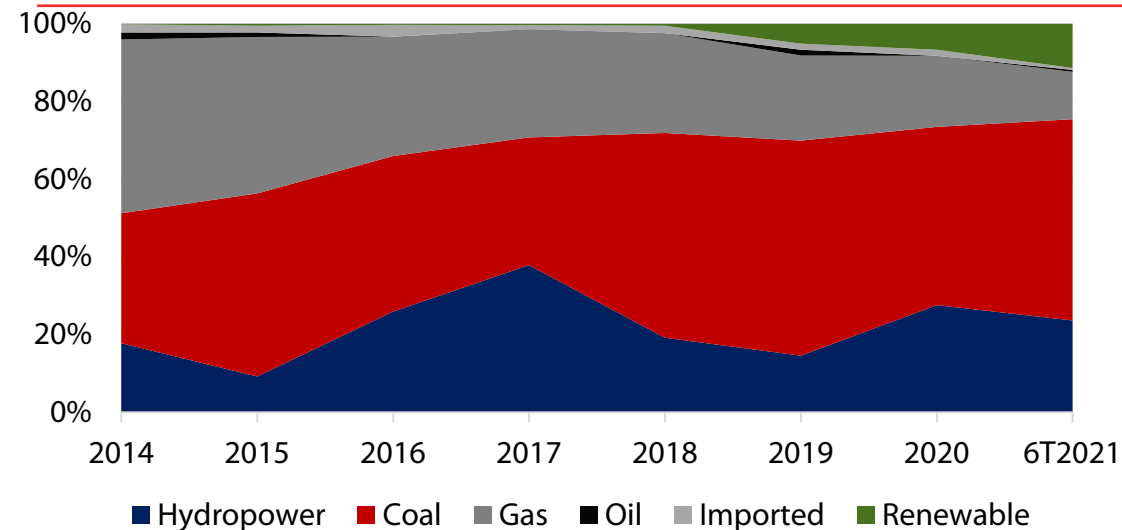
Source: MoIT, RongViet Securities

Figure 10: Thermal plant utilization by year (%)



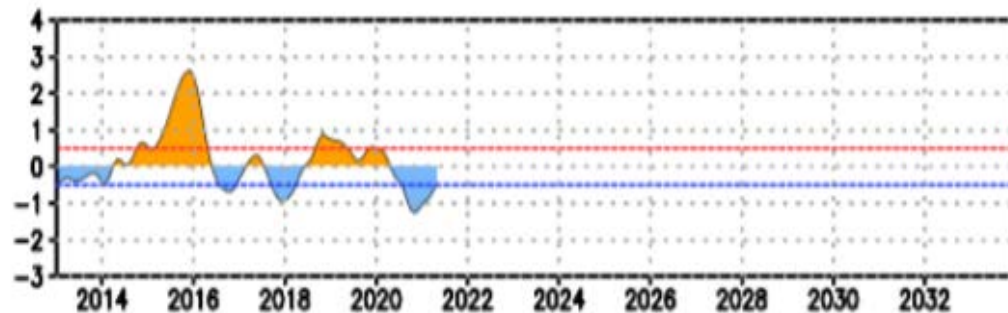
Source: A0, RongViet Securities

Figure 9 : Mobilized volume by group



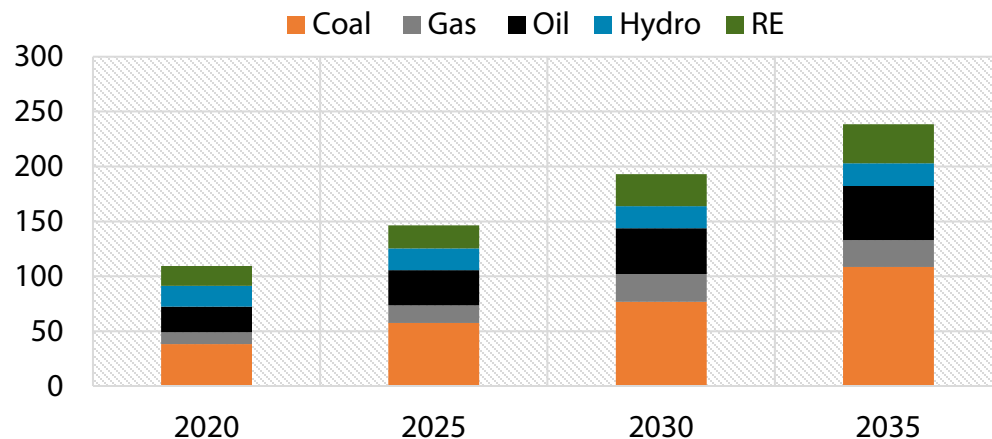
Source: Rong Viet Securities

Figure 11: La Nina magnitude (Blue: La Nina, Orange: El Nino)



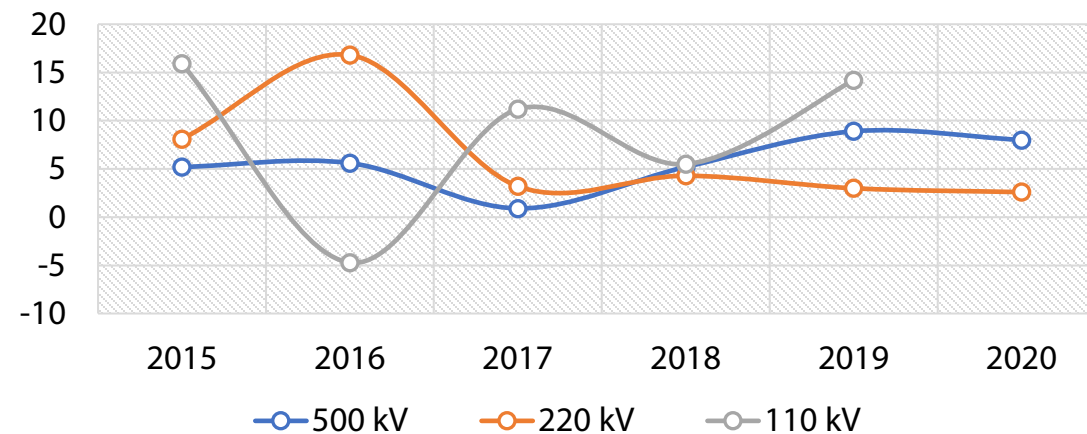
Source: MoiT, RongViet Securities

Figure 13: Volume by group as per 8th Master plan MTOE)



Source: A0, RongViet Securities

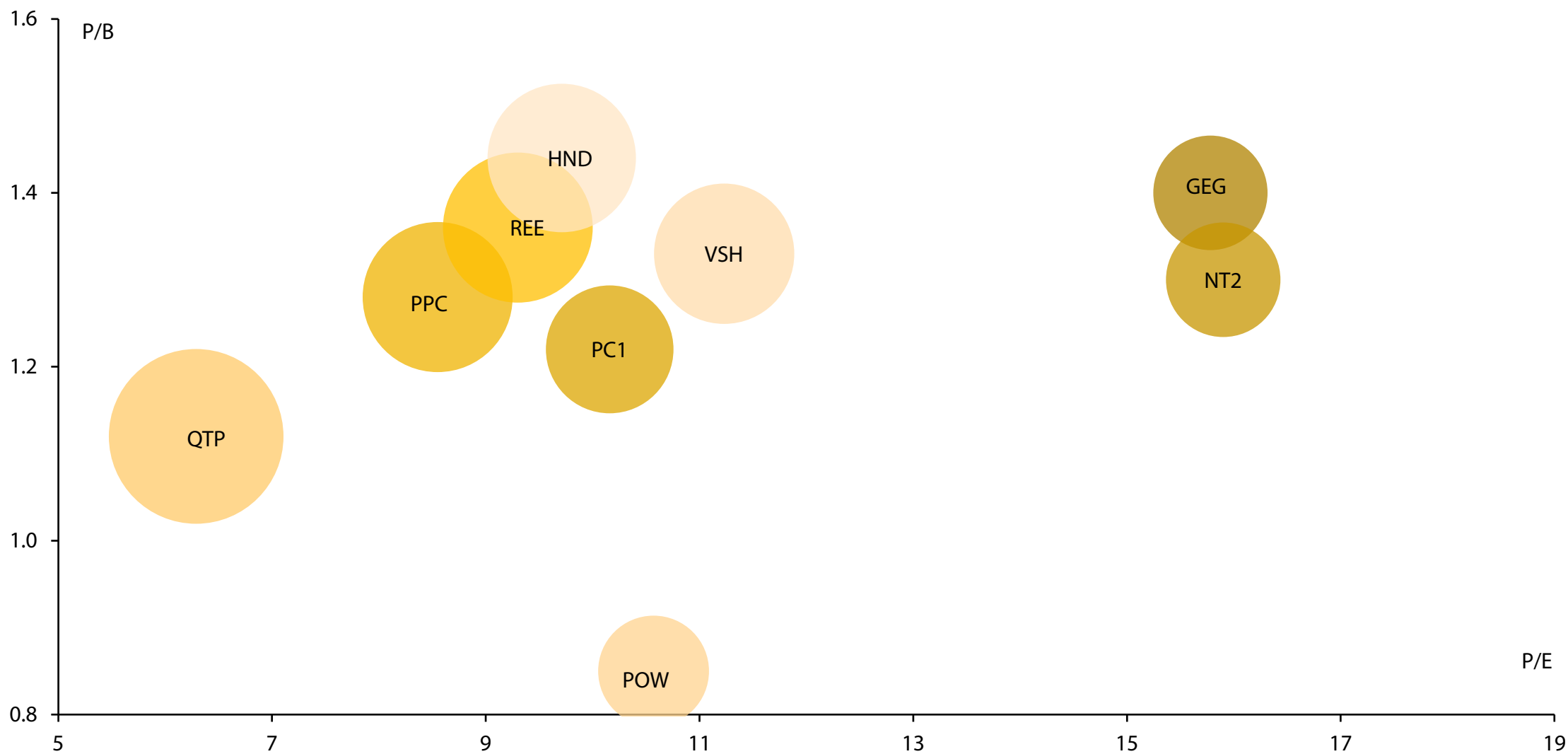
Figure 12: Transmission line construction growth per type (%)



Source: Rong Viet Securities

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)
POW	1,094.57	#N/A	-9.6%	-5.5%	20.1%	10.6%	3.4%	8.7%	4.2%	7.6%	1.9%	10.6	0.8
REE	725.60	65,300	19.2%	63.8%	34.7%	26.2%	25.5%	33.0%	7.9%	13.9%	0.0%	9.3	1.4
HND	372.72	17,900	-20.3%	-26.0%	28.3%	11.5%	-38.4%	9.5%	8.2%	13.6%	0.0%	9.7	1.4
PPC	316.43	21,200	-34.4%	-42.0%	10.0%	9.3%	-22.5%	14.9%	12.5%	13.9%	5.5%	8.5	1.3
QTP	288.41	#N/A	-21.2%	-23.7%	26.2%	17.3%	161.4%	13.4%	10.7%	18.8%	6.8%	6.3	1.1
NT2	232.80	22,900	-20.6%	-27.8%	20.4%	8.4%	-57.9%	5.9%	5.0%	8.1%	5.4%	15.9	1.3
VSH	222.89	#N/A	282.4%	451.0%	75.9%	53.3%	869.0%	45.6%	4.4%	12.1%	0.0%	11.2	1.3
PC1	221.11	30,100	61.4%	29.1%	12.0%	8.6%	53.0%	6.3%	4.1%	10.1%	0.0%	10.2	1.2
GEG	189.82	20,000	21.0%	7.5%	66.8%	43.0%	9.5%	20.1%	3.2%	8.1%	2.4%	15.8	1.4
TV2	84.16	#N/A	93.8%	12.2%	7.0%	6.2%	27.4%	6.7%	8.2%	23.2%	0.0%	7.2	1.6

Source: Bloomberg, RongViet Securities. Share price as of 02 Aug 2021.

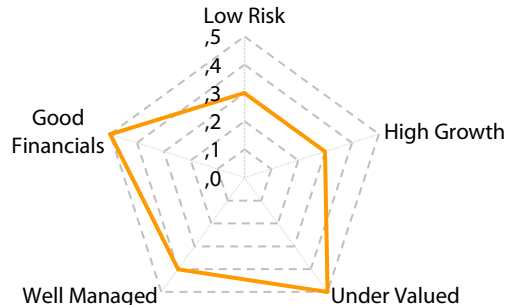
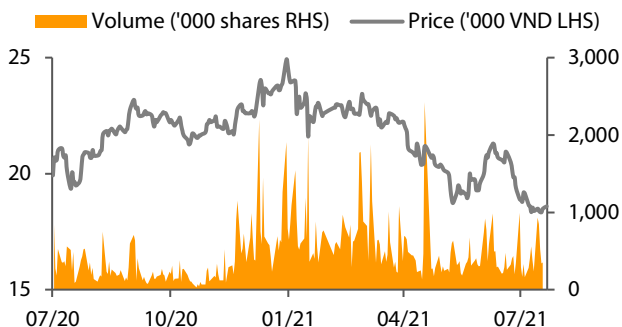


Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 02 Aug 2021.

<BUY: 28%>(*)

<MP: 18,600>

<TP: 22,900>



STOCK INFO

Sector	Utilities
Market Cap (\$ mn)	232.8
Current Shares O/S (mn shares)	287.9
3M Avg. Volume (K)	434.0
3M Avg. Trading Value (\$ mn)	0.4
Remaining foreign room (%)	35.1
52-week range ('000 VND)	18 - 26.0

FINANCIALS

	2020A	2021F	2022F
Revenue (VND bn)	6,082	6,389	6,777
NPATMI (VND bn)	625	306	435
ROA (%)	9.8	5.4	8.3
ROE (%)	14.5	8.2	12.6
EPS (VND)	2,125	1,041	1,477
Book Value (VND)	14,928	12,970	11,947
Cash dividend (VND)	2,498	2,000	1,500
P/E (x)	7.5	15.5	12.7
P/B (x)	1.2	1.4	1.5

INVESTMENT RATIONALES

Long-term debt free since 2Q2021, unlocking the company's cash flow

- Finish its debt obligation this June, utilizing entirely the operating cash flow to pay dividends owing to no investments or other financing activities.
- The company's profit might drop due to rising gas prices and a decrease of sale prices, leading to a stock price discount of more than 30% since its lately peak. Based on current price, the dividend yield in the coming years might be attractive.

Tough time will pass soon. Brighter outlook for thermal plants is expected to come back

- NT2 encountered numerous difficulties due to Covid19. Volume decreased significantly owing to low demand and high supply from hydropower and renewable energy.
- We expect that (1) High demand post Covid19 and (2) Lower La Nina magnitude will boost the company's volume in 2022.

Locating in Southern key economic zone, stable and efficient operation are the bottom line

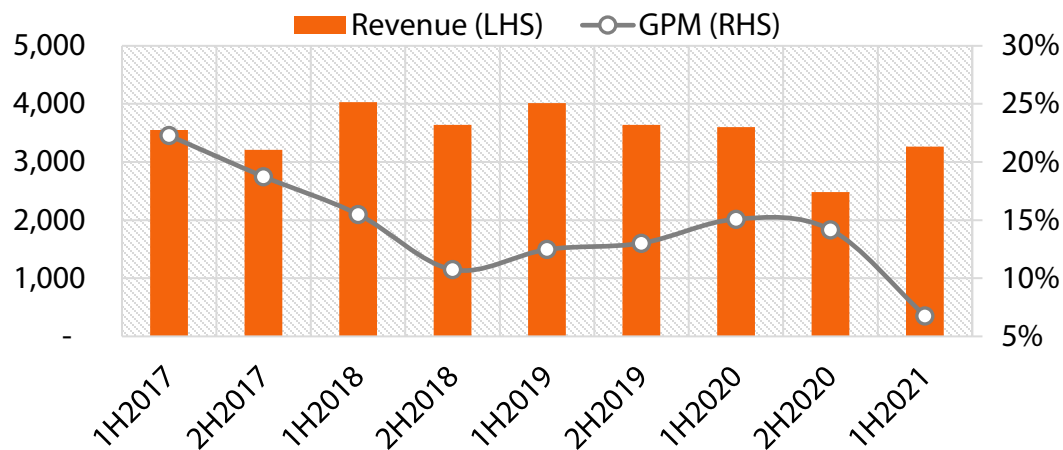
- NT2 is located in Nhon Trach, one of the pivotal economic zone in the South. Besides, regular maintenance ensures the company's stable operation.

RISKS TO OUR CALL

- Gas prices are on upward trend because the new high-price gas field weighted more compared to the old one such as Sao Vang Dai Nguyet.
- Contract volume portion continues decreasing, which may impact profits.

(*) Total return including expected VND 1,000 cash dividends in 12 months

Figure 1: 1H2021 revenue (VND bn) and GPM (%)

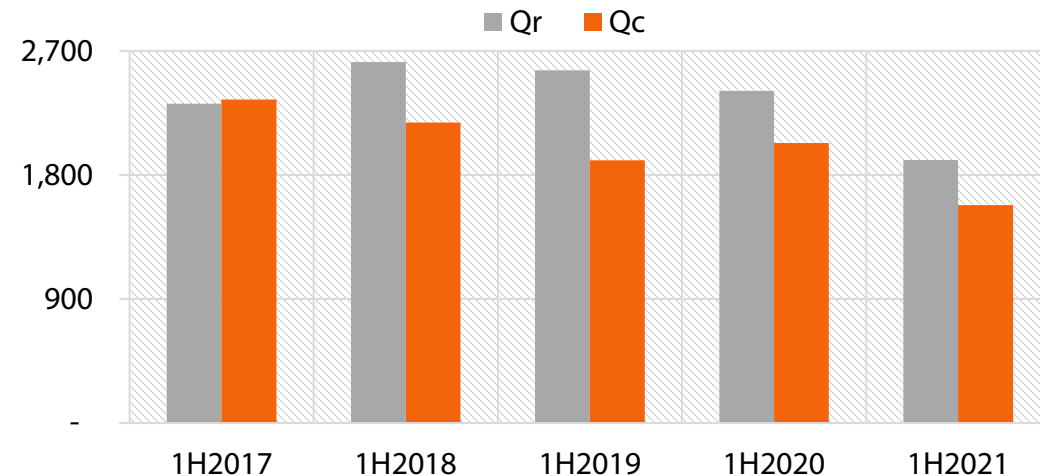


Source: NT2, RongViet Securities

Volume plummeted because of the industry difficulties

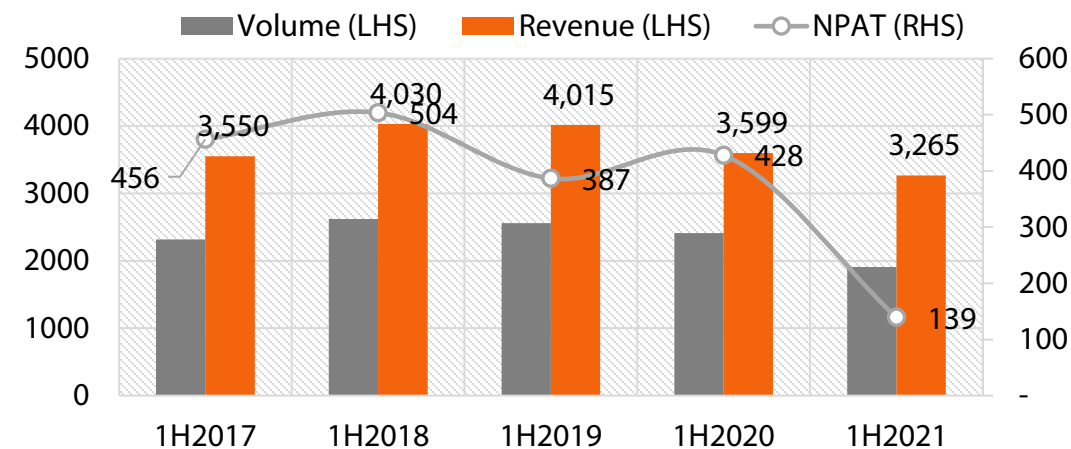
- Mobilized volume declined in 1H2021 because of (1) Low demand due to Covid19 dampen; (2) Abundant supply source from hydropower and renewable energy; (3) A gas price surge.
- The company provided 1,909 mn kWh in 1H2021, -21% YoY. In which, contract volume (Qc) was 1,565 mn kWh, accounting for roughly 82% of total volume, and -22% YoY.

Figure 2: 1H2021 contract and total volume (mn kWh) (*)



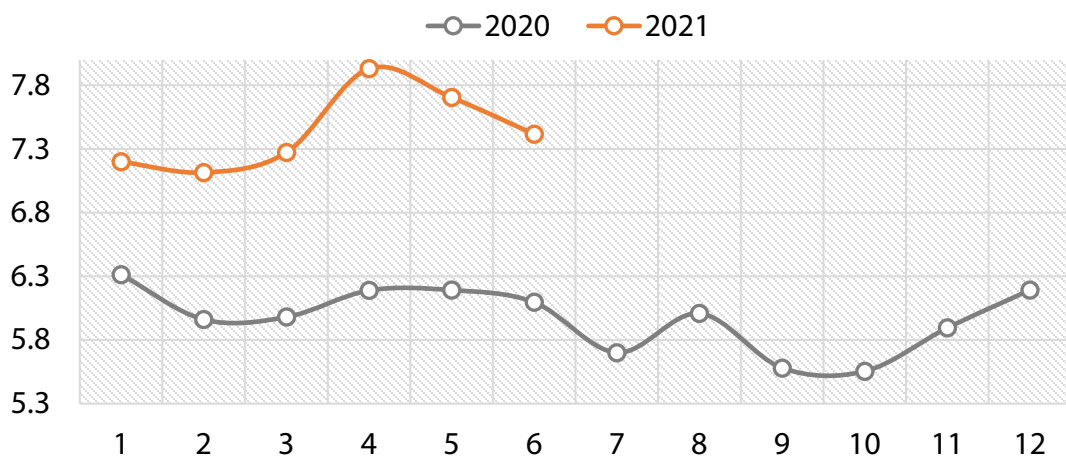
Source: NT2, Rong Viet Securities

Figure 3: 1H2021 volume (mn kWh) and business results (VND bn)



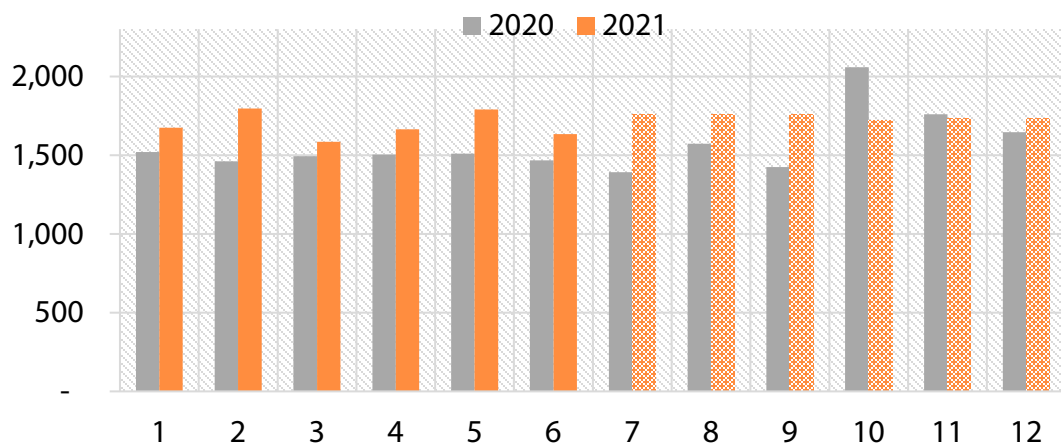
Source: NT2, RongViet Securities

Figure 4: Gas price by month (USD/mm BTU)



Source: Rong Viet Securities

Figure 5: Average selling price by month (VND)



Source: Rong Viet Securities

(*) Contract price (Pc) = fixed price + variable price

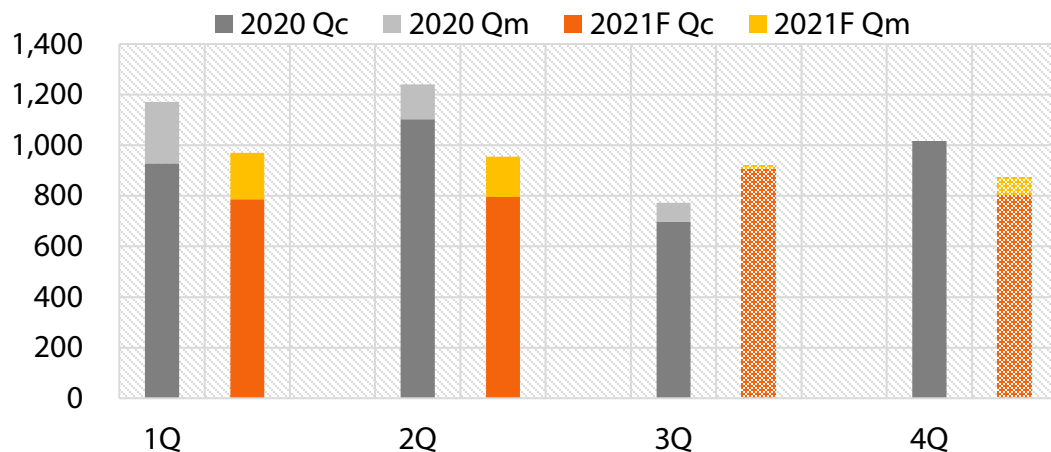
New PPA has been applicable in 2021, a decrease in fixed cost

- Fixed price in Pc(*) decreased by VND 37.59, which was finalized in April. Hence, the business results in 1Q2021 was still calculated by the old PPA. Thus, business results in 2Q2021 were negatively impacted by 1Q2021's retrospective.
- Selling price in 1H2021 seems to be higher than that in 2020 because of variable price growth. Gas price experienced an upward trend due to (1) Higher price from new gas field (Sao Vang Dai Nguyet - SVDN), (2) A recovery in oil price. Hence, the average gas price in 1H2021 was USD 7.44/ mm BTU, +22% YoY.
- The average selling price in 1H2021 was VND 1,711, +15% YoY.

Slightly decrease in revenue yet significantly in NPAT

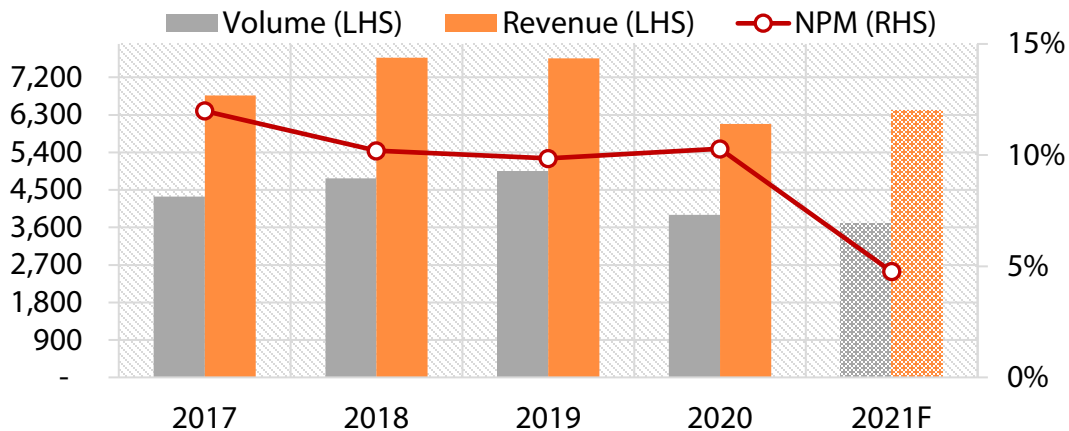
- Revenue was VND 3,265 bn (or USD142 mn) in 1H2021, -9% YoY because of lower volume than 2020.
- Gross profit margin diminished to 7% in 1H2021 from 15% in 1H2020, -831 bps (Figure 1). This is because of low Qc and the new Pc application.
- Accordingly, NPAT was VND 139 bn (or USD6 mn), -67% YoY, completing 30% 2021's plan. As a result, NPM shrank to 4%, -762 bps.

Figure 6: Contract and CGM volume by quarter (mn kWh) (*)



Source: Rong Viet Securities

Figure 7: Estimated business performance in 2021 (VND bn)



Source: Rong Viet Securities

(*) Qr = Qc + Qm

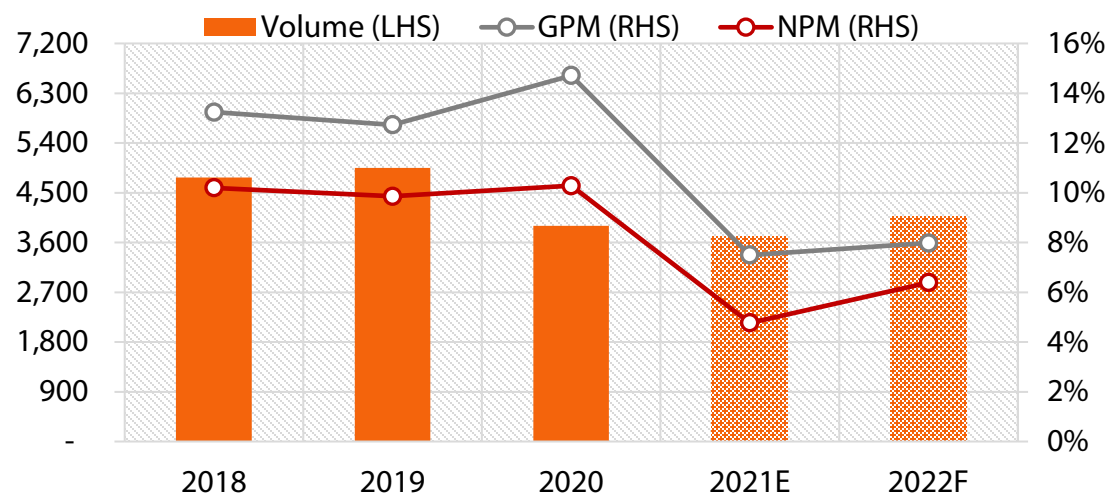
Higher Qc in 2H2021 than 1H2021

- In 2H2021, Qc reached 1,711 mn kWh, +8% compared to that in 1H2021 and nearly equal to that in 2H2020. Of noted, 2H2020 Qc was impacted by 36 days maintenance in Sep and Oct 2020. Totally, Qr(*) is forecasted to be 1,794 mn kWh, +20% YoY, meaning that Qc will account for 95% total volume in 2H2021.
- For the year 2021, we estimate revenue to reach VND 6,410 bn (or USD279 mn), +5% YoY, mostly because of an increase in selling price (gas price surge) while volume will decline. NPAT is estimated to be VND 306 bn (or USD13 mn), -51% YoY because of (1) A decrease in volume owing to industry difficulties; (2) A decline in Pc due to new PPA application (3) Gas price surge, mostly came from new gas field SVDN.

Brighter outlook for thermal plants is expected to turnback

- The company has encountered numerous difficulties, hurting the company profit in 2021. In 2022, demand growth is expected to recover post Covid19 19. In addition, La Nina magnitude is expected to be lower in late 2022. Hence, mobilized volume is expected to be higher than that in 2021.
- We forecast that volume is going to be roughly at 4,073 mn kWh, +10% YoY in 2022 (Figure 8). GPM and NPM is going to recover after 2021. Better outlook than our assumption might happen based on electricity demand recover speed.

Figure 8: Estimated revenue (VND bn) and profit margin (%)

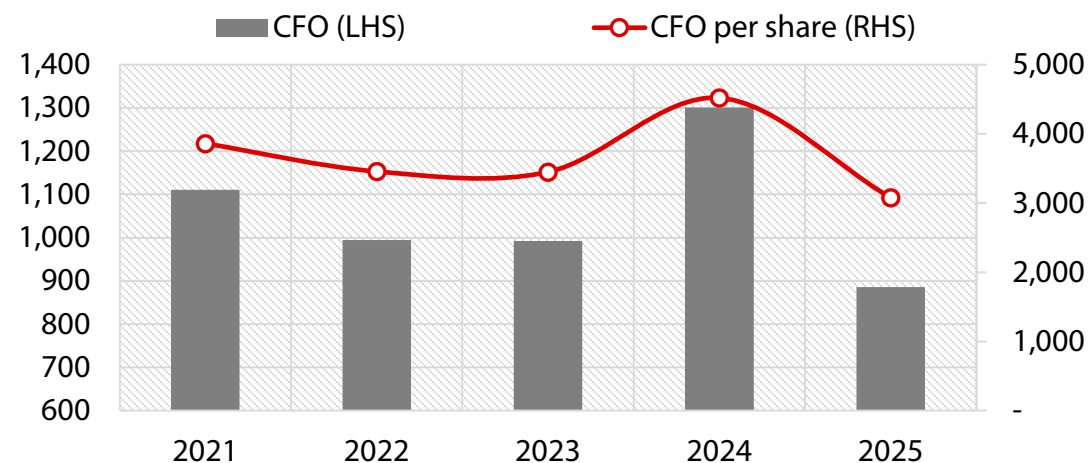


Source: NT2, RongViet Securities

Become a cash cow with an available source to pay dividends

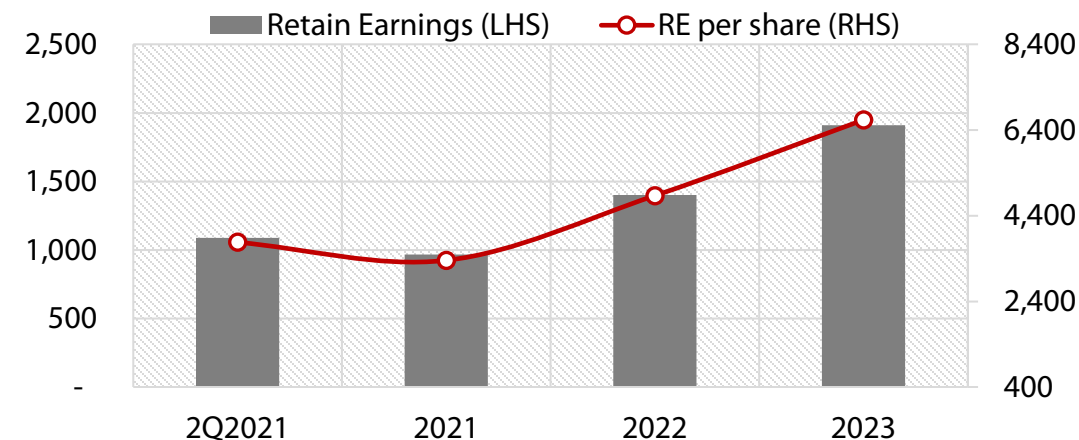
- The company's profit was hurt by a gas price upward trend and a decrease of fixed cost in selling price. However, the company finished its debt obligation, the operating cash flow will utilize to pay dividends because there is no investing activity.
- We estimate maximum cash flow and retain earnings per share at the end of this year roughly at VND 3,000.
- Besides, NT2 is on negotiation about FX income for the period from 2016 – 2020, roughly at VND 400 bn (or USD17 mn) according to the company.

Figure 9: Estimated CFO (VND bn) and CFO per share (VND)



Source: NT2, Rong Viet Securities

Figure 10: Estimated RE (VND bn) and RE per share (VND) (*)



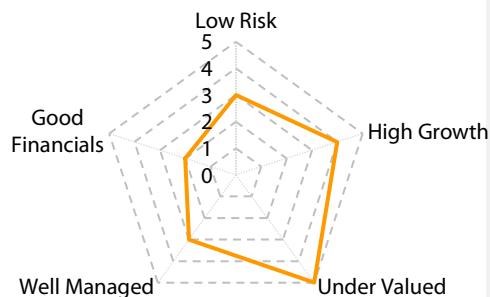
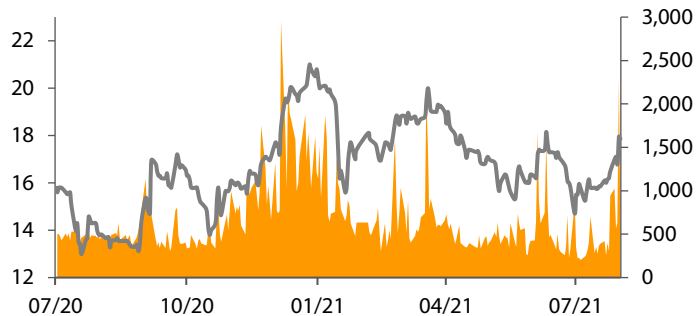
Source: NT2, RongViet Securities; (*) RE after 2021 is assumption no dividend payment since then

<BUY: +27%>(*)

<MP: 16,100>

<TP: 20,000>

Volume (1,000 shares RHS) Price (1,000 VND LHS)



STOCK INFO

Sector	Utilities
Market Cap (\$ mn)	221.1
Current Shares O/S (mn shares)	191.2
3M Avg. Volume (K)	568.5
3M Avg. Trading Value (\$ mn)	0.6
Remaining foreign room (%)	38.9
52-week range ('000 VND)	17 - 30.5

FINANCIALS

	2020A	2021F	2022F
Revenue (VND bn)	1,493	1,550	2,197
NPATMI (VND bn)	257	273	320
ROA (%)	3	2	3
ROE (%)	11	8	8
EPS (VND)	934	982	1,151
Book Value (VND)	11,274	12,949	13,100
Cash dividend (VND)	0	400	400
P/E (x)	17.1	16.4	14.0
P/B (x)	1.8	1.5	1.5

INVESTMENT RATIONALES

Wind power fuels the company's growth, triggering the company earnings from November this year

- Capacity to increase by 57% to 433 MW. In 2021, wind power is going to attribute the minority in NPAT due to only two months operation but will add more to profit in 2022.
- These projects possess high GPM (around 55% - 60%) and it will bring solid and sustainable CFs for the company in the medium term.

Hydropower continues enjoying the hydrological condition in the La Nina phase. La Nina phenomenon is forecasted to extend to early next year

- Hydropower is likely to enjoy La Nina and the rainy season in 2H2021. Volume and revenue are forecasted to grow 240% and 180%, respectively compared to that in 1H2021.

Holding five solar power plants, achieving FiT1 sale price, this segment is set to be the main pillar for GEG's earnings in the medium term

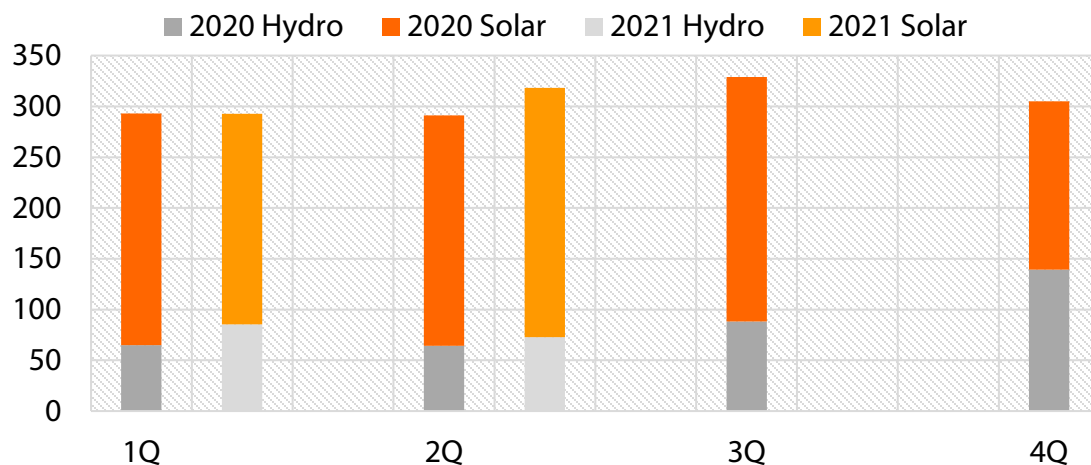
- This segment encountered industry risk in 1H2021, resulting in a volume decline. This is considered a short-term risk due to supply-demand imbalance and will be solved post Covid19.
- In the medium term, solar power will contribute the majority to the company revenue and profit. In 2021, solar power will attribute 58% in total revenue and gross profit.

RISKS TO OUR CALL

- Numerous projects in their pipeline require intensive capital, that might bear capital risk including interest rate risk for debt financing and dilution for equity raising.
- Risk of the renewable energy industry such as (1) Finishing its wind farms before FiT1 deadline to; (2) Volume cut by EVN; (3) Overcapacity in several areas.

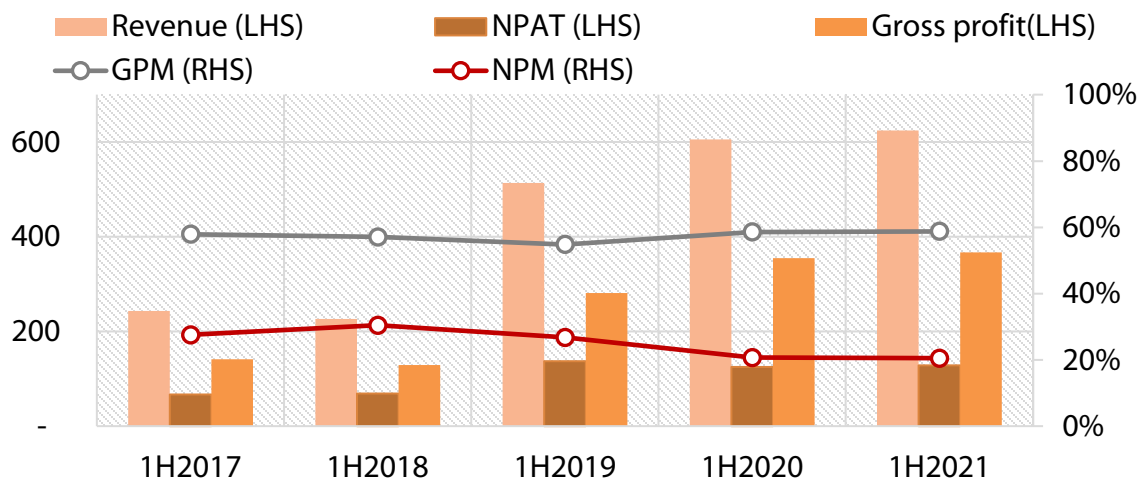
(*) Total return including VND 400 cash dividends

Figure 1: Revenue by segment (VND bn)



Source: Rong Viet Securities

Figure 2: Business results (VND bn) and profit margin



Source: Rong Viet Securities

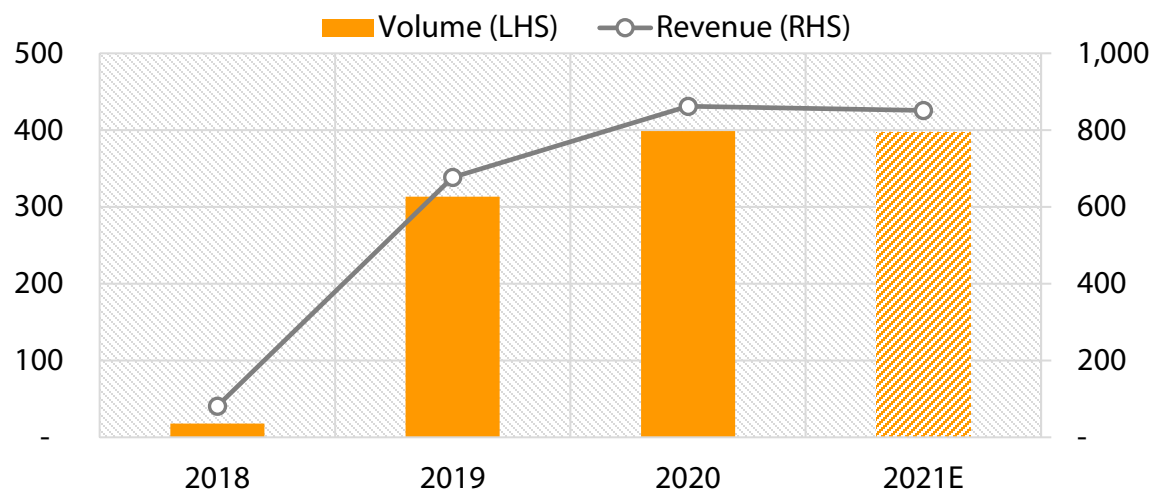
The main pillar - solar power was damaged by industry risk

- Hydropower volume in 1H2021 surged by 30% YoY, revenue increased 15% YoY thanks to hydrological condition support.
- Inversely, solar power's capacity was cut because of low demand. Total volume in 1H2021 increased slightly by 1% even the rooftop solar power (~30MW) operated (30 MW came online in late 2020). We estimate that solar power farm volume was cut roughly 10% compared to that in 2020. As the price is fixed price, the drop in volume led to a fall in solar power revenue.

Slight growth in revenue and NPAT

- Revenue in 1H2021 slightly reached VND 627 bn (or USD 27 mn), +3% YoY despite rooftop solar power addition and hydropower growth.
- NPAT-MI was VND 128 bn (or USD 5.6 mn) in 1H2021, +3% YoY. GPM and NPM were 59% and 21%, respectively, which remained unchanged compared to that in 2020.

Figure 3: Solar power volume (mn kWh) and revenue (VND bn)



Source: GEG, RongViet Securities

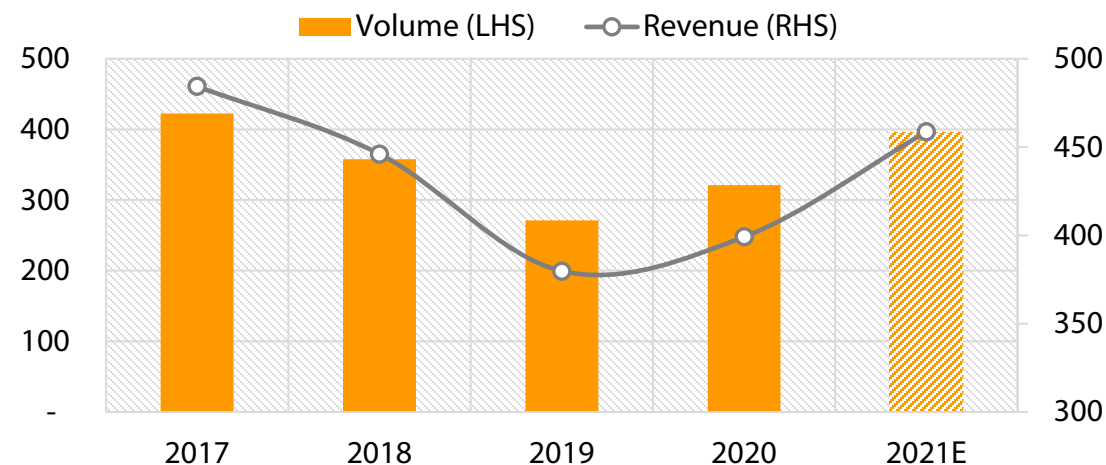
Hydropower will be supported by the rainy season and La Nina

- La Nina is forecasted to extend to Feb 2022, thus the hydropower segment in 2H2021 will perform as well as that in 2020.
- We forecast that hydropower revenue will be VND 459 bn (USD 20 mn), +17% YoY and gross profit will be VND 249 bn (USD 11 mn), +21% YoY.

The solar power segment might be cut as 1H2021

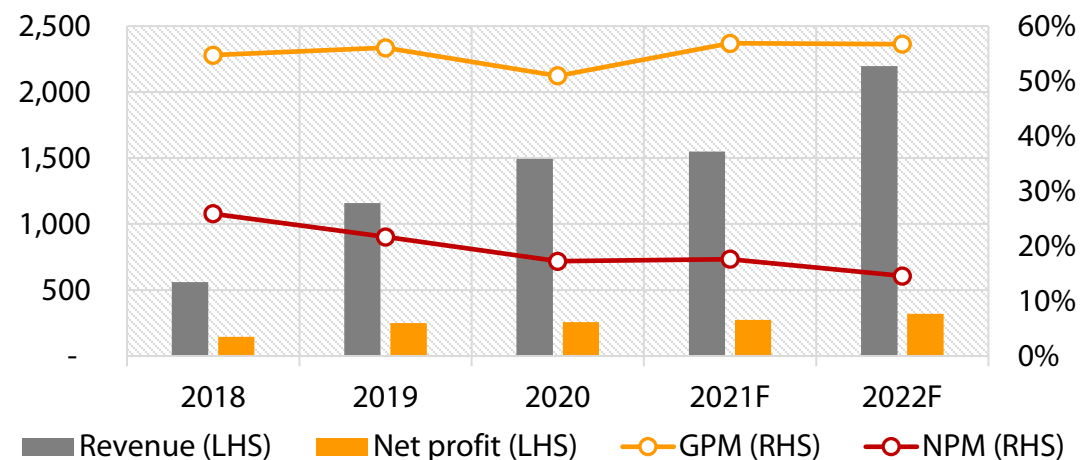
- We forecast solar power revenue to be VND 850 bn (or USD 37 mn), nearly unchanged to that in 2020 because the cut volume was offset by rooftop solar power addition.

Figure 4: Hydropower volume (mn kWh) and revenue (VND bn)



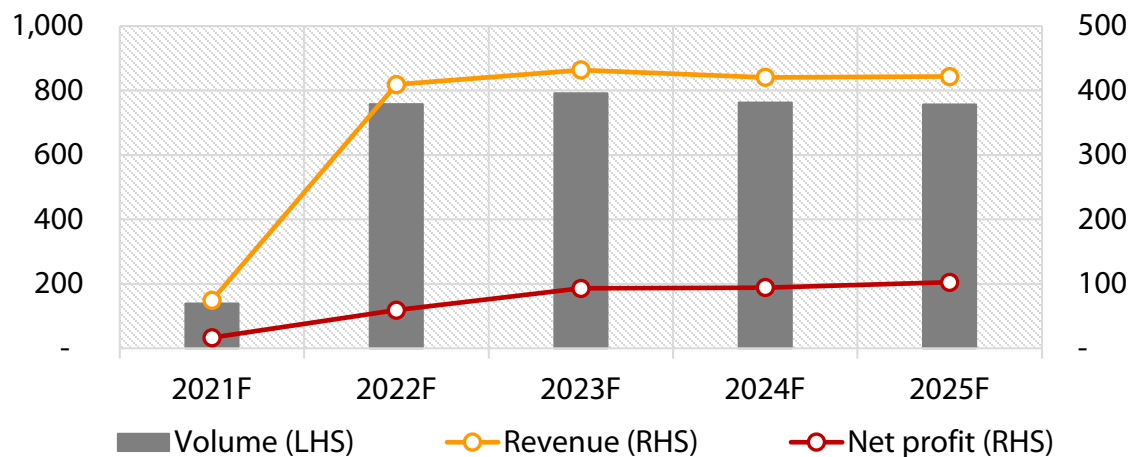
Source: GEG, Rong Viet Securities

Figure 5: Estimated business results (VND bn)



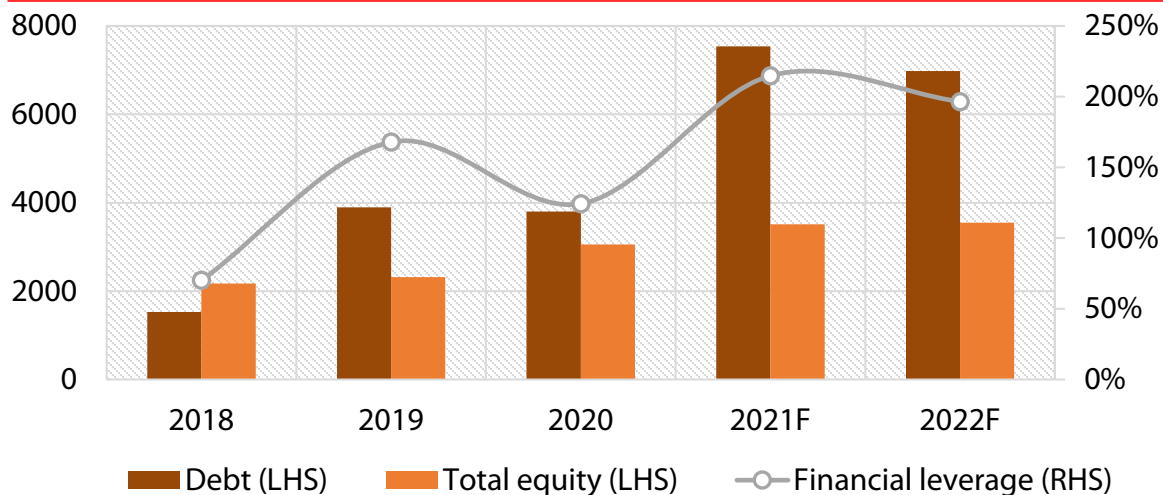
Source: GEG, RongViet Securities

Figure 6: Estimated wind power results (mn kWh and VND bn)



Source: Rong Viet Securities

Figure 7: Total debt and equity (VND bn) and financial leverage



Source: Rong Viet Securities

Wind power will trigger the company earnings from 4Q2021

- The company is constructing three wind power plants (130 MW) and will commercially operate in this Nov. Year to date, it finished almost pillar and is on the turbines installation phase
- The projects might bear the financial burden in early stage. However, the company will soon finish its debt obligation thanks to stable cash flow from the project.

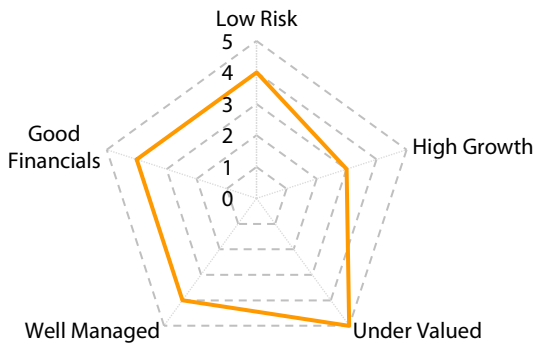
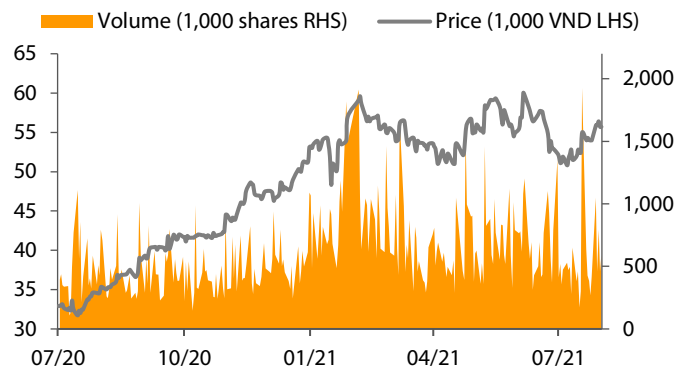
Full-year utilization from the three-wind power will drive the company growth in the medium term

- Wind power plants will be fully utilized in 2022, contributing more than VND 800 bn (USD35 mn) in revenue, and roughly 26% in NPAT in 2022. In 2022, revenue and NPAT are forecasted to be more than triple.
- We expect that RE farms will be cut a lower volume in early 2022 and will be fully utilized in late 2022 thanks to a surge in demand post-Covid 19.
- We forecast revenue and NPAT in 2022 to grow 42% YoY and 17% YoY, respectively, because financial expenses will surge by 64% YoY. We see that in case demand growth recovers sooner than our expectation, high volume mobilized from RE farms could lead to higher growth in NPAT.

<BUY: +21%>

<MP: 54,000>

<TP: 65,300>



STOCK INFO

Sector	Utilities
Market Cap (\$ mn)	725.6
Current Shares O/S (mn shares)	309.1
3M Avg. Volume (K)	717.4
3M Avg. Trading Value (\$ mn)	1.7
Remaining foreign room (%)	-
52-week range ('000 VND)	32 - 60.0

FINANCIALS

	2020A	2021F	2022F
Revenue (VND bn)	5,640	6,705	8,336
NPATMI (VND bn)	1,628	1,712	2,103
ROA (%)	7.9	5.5	6.6
ROE (%)	13.3	12.3	13.1
EPS (VND)	5,251	5,651	6,783
Book Value (VND)	39,389	45,040	51,823
Cash dividend (VND)	0	0	0
P/E (x)	10.3	9.6	8.0
P/B (x)	1.0	1.2	1.0

INVESTMENT RATIONALES

Holding a well-diversified portfolio in the power segment drives growth

- La Nina is forecasted to extend into Feb 2022, thus the hydropower *segment* continues to perform well in 2H2021. Besides, REE just consolidated VSH in May. The Thuong Kon Tum plant came online in April that will boost the company volume and earnings as well.
- Full-year utilization from rooftop solar power that commercially operated in late 2020 also boosts the company's profit in the power segment.
- Three wind power plants are on development and will operate commercially in 4Q2021, with 102 MW in capacity.

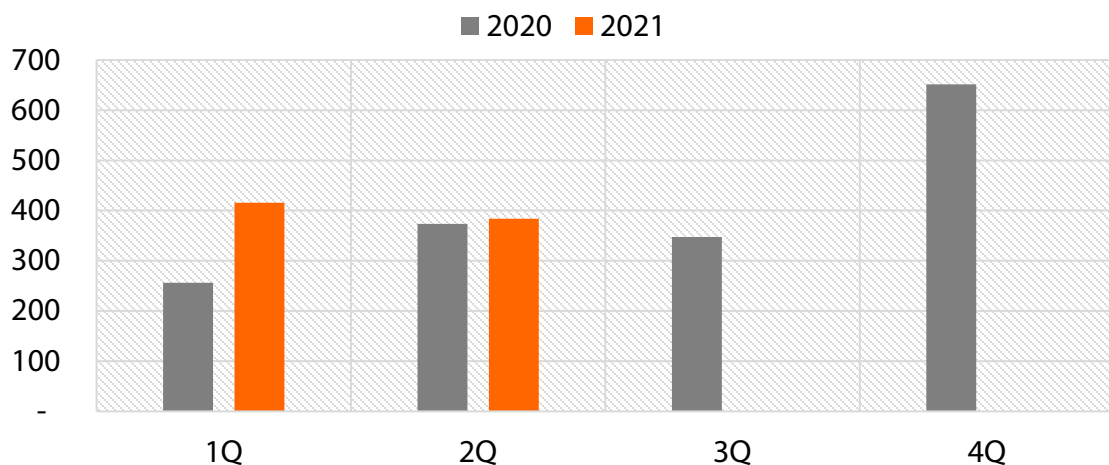
Solid contribution from leasing and water segment, creating steady cash flow

- Nearly full occupation in the leasing segment creating steady earnings and cash flow. Furthermore, the E.Town6 project will finish in Apr 2023, raising its leasable area by 33% to 200,000 m2.
- Capitalize on healthy financial position. Earnings from the water segment are sustainable year over year.

RISKS TO OUR CALL

- M&E services and trading, leasing segments might be sharply impacted due to the lockdown.
- Risk of the renewable energy industry including (1) Finishing wind power plants before FiT1 deadline, (2) Volume cut due to overcapacity and low demand.

Figure 1: NPAT by quarter (VND bn)

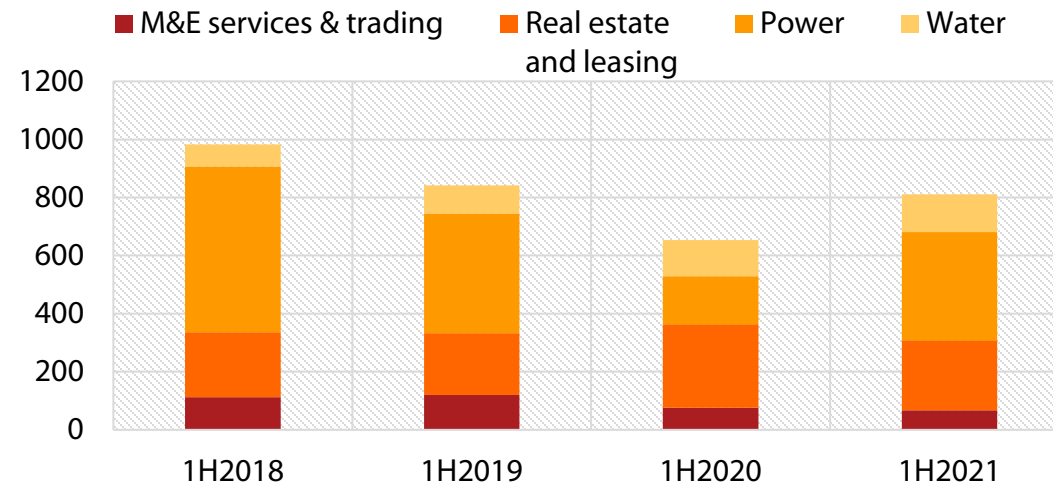


Source: REE, RongViet Securities

Power segment grew while M&E services and trading was hit by Covid19

- An increase of 14% in revenue in 1H2021 due to VSH consolidation and a surge of hydropower segment. NPAT-MI grew by 37% YoY in 1H2021 thanks to hydrological support and 1H2020 dry season.
- In 1H2021, the hydropower segment grew by 25% YoY, M&E services and trading declined by 12% YoY, other segments had minor changes.

Figure 2: NPAT by segment (VND bn)



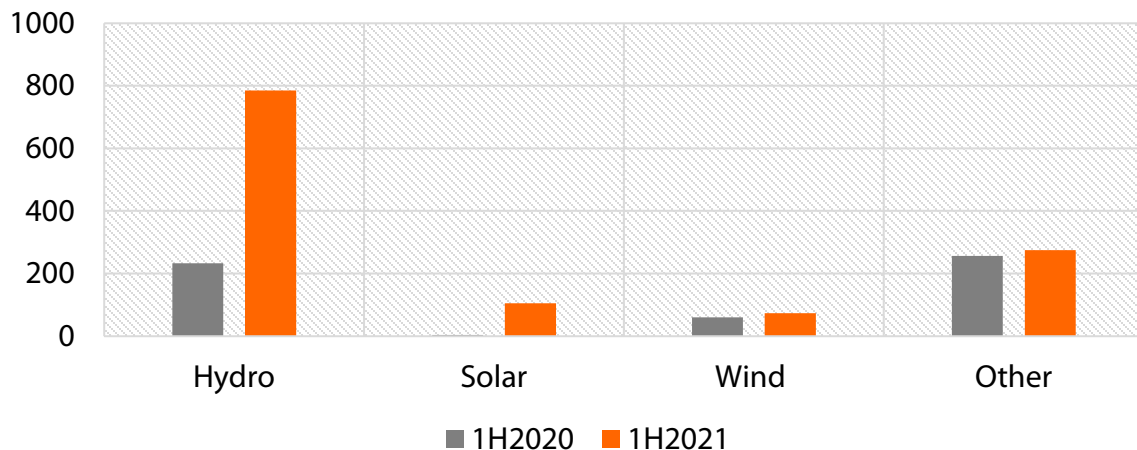
Source: REE, Rong Viet Securities

Figure 3: 1H2021 NPAT by segment (VND bn)



Source: REE, RongViet Securities

Figure 4: Revenue in the power segment (VND bn)

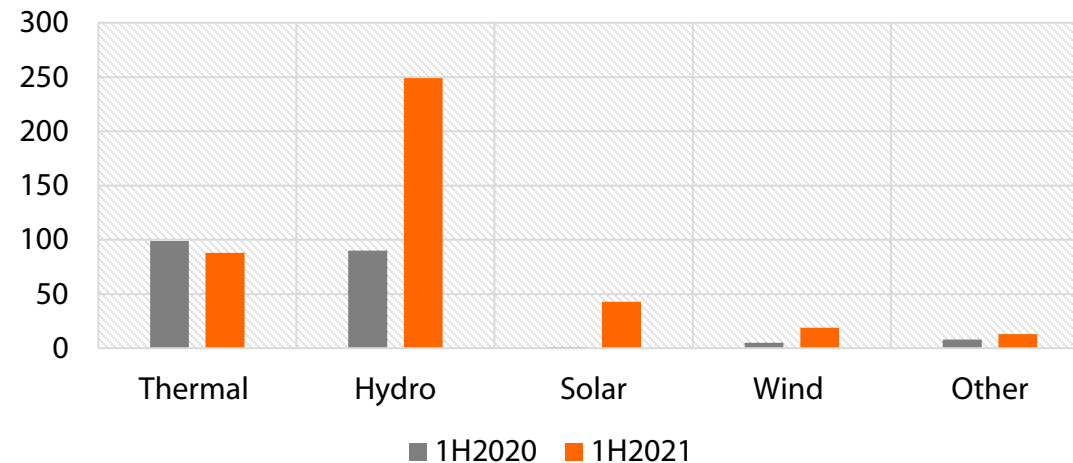


Source: REE, RongViet Securities

Hydrological conditions supported hydropower plants

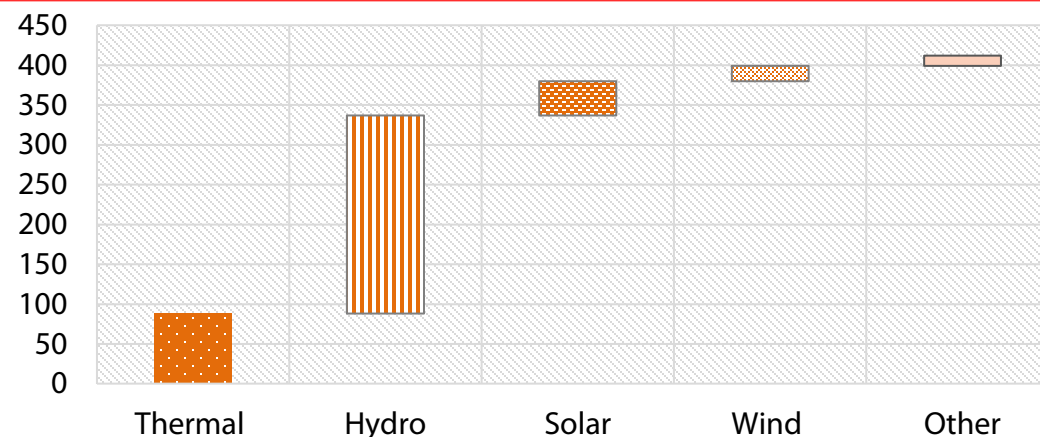
- Hydropower revenue in 1H2021 was 2.5 times higher, compared to that in 2020 thanks to VSH consolidation and hydrological support hydropower plants. This increase will be 79% in case VSH excluding.
- Hydropower contributed 60% in power NPAT, increasing 177% YoY. Inversely, thermal plants slightly decreased. Solar power has been fully utilized in 2021, contributing 10% to total NPAT.

Figure 5 : NPAT in the power segment (VND bn)



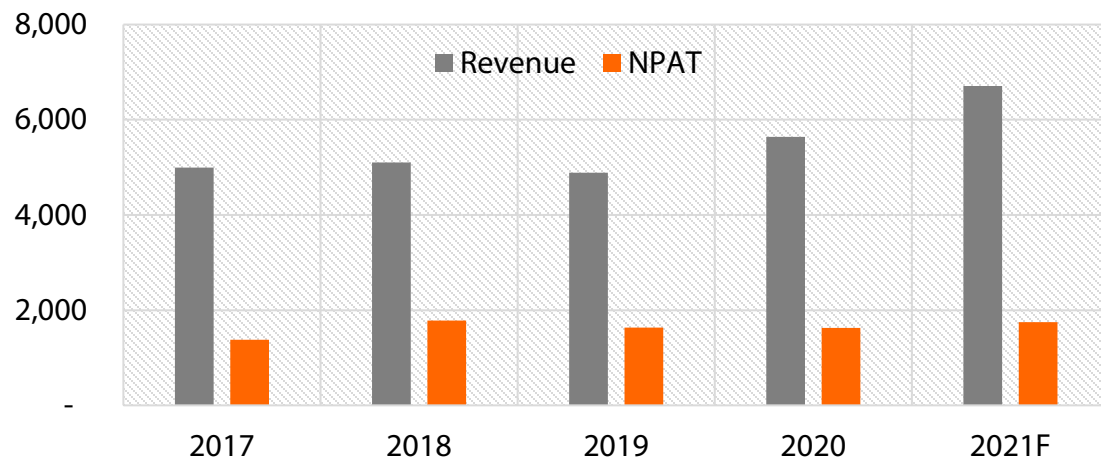
Source: REE, Rong Viet Securities

Figure 6: 1H2021 power NPAT by type (VND bn)



Source: REE, RongViet Securities

Figure 7: Revenue and NPAT (VND bn)



Source: Rong Viet Securities

Figure 8: 2021 NPAT by segment (VND bn)



Source: Rong Viet Securities

Power segment continues playing as the main pillar in 2H2021

- REE has gradually accumulated hydropower plants in its portfolio. 102 MW wind power will be in commercial operation in 4Q2021. We consider that this contribution will offset the low-performance of thermal plants. The power segment is forecasted to contribute 51% of total NPAT in 2021.
- The leasing and water segments are quite stable and will contribute 27% and 14% of total NPAT, respectively in 2021.
- M&E services and trading are forecasted to recover in late 2021. We forecast this segment will be 8% of total NPAT in 2021.

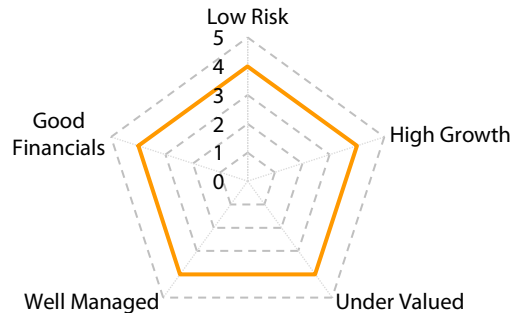
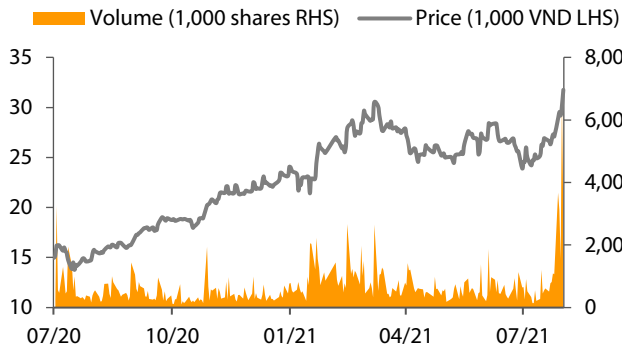
Capitalize on stable cash flow to continue accumulating utilities companies in its portfolio

- The company will not pay dividends in the medium term to concentrate on M&A and develop renewable energy projects.
- REE will gradually expand its earnings in the power segment and generate solid cash flow from the utilities and leasing segments.

<ACCUMULATE: +13%>

<MP: 26,600>

<TP: 30,100>



STOCK INFO

Sector	Utilities
Market Cap (\$ mn)	221.1
Current Shares O/S (mn shares)	191.2
3M Avg. Volume (K)	568.5
3M Avg. Trading Value (\$ mn)	0.6
Remaining foreign room (%)	38.9
52-week range ('000 VND)	17 - 30.5

FINANCIALS

	2020A	2021F	2022F
Revenue (VND bn)	6,656	8,513	6,965
NPATMI (VND bn)	506	450	445
ROA (%)	5.3	3.7	3.4
ROE (%)	13.6	10.7	9.6
EPS (VND)	2,526	2,117	2,096
Book Value (VND)	20,820	23,099	25,357
Cash dividend (VND)	0	0	0
P/E (x)	10.0	12.6	12.7
P/B (x)	0.9	1.2	1.0

INVESTMENT RATIONALES

Gradual capacity expansion from the power generation segment

- Electricity capacity has been expanding gradually and will be a solid contributor to the company's earnings in the medium term. In 2H2021, we expect that (1) Hydropower volume continues enjoying La Nina and (2) On-shore wind power plants will COD from 3Q2021 that will trigger PC1 earnings in the power generation segment.
- The power generation segment will generate VND 1,003 Bn (or USD 44 mn), +34% YoY and VND 572 Bn (USD 25mn), +27% YoY in terms of revenue and gross profit, respectively in 2021.

A reputable contractor in power construction that helps PC1 gain more contracts in the time to come

- A 57-year experienced player in the power construction market since its establishment that will help the company gain more contracts.
- In 2021, the segment is forecasted to contribute VND 5,530 Bn (or USD 240 mn) and VND 376 bn (or USD16 mn) to revenue and gross profit, +81% YoY and +22% YoY, respectively.

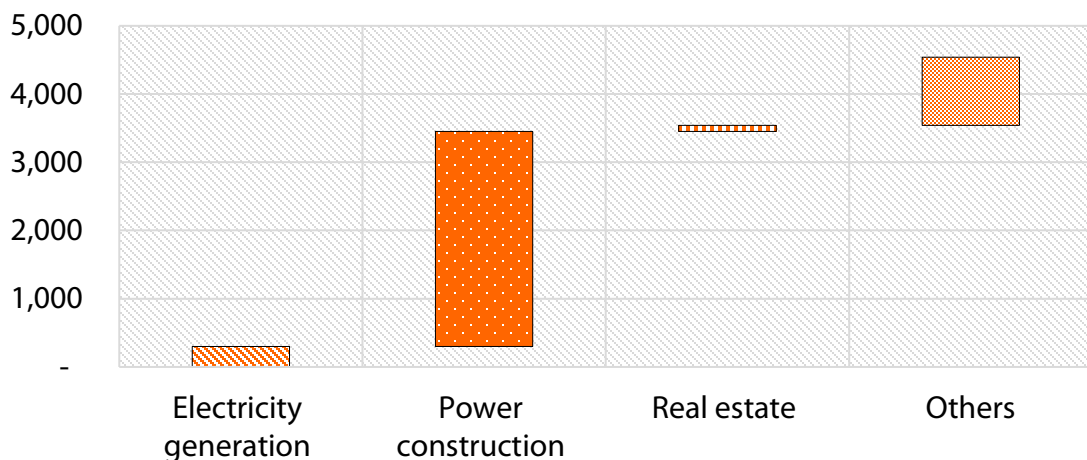
Real estate begins contributing in 2023

- Real estate omission shrinks PC1's bottom line in 2021. This segment is expected to contribute from 2023 through Vinh Hung and Bac Tu Liem projects.

RISKS TO OUR CALL

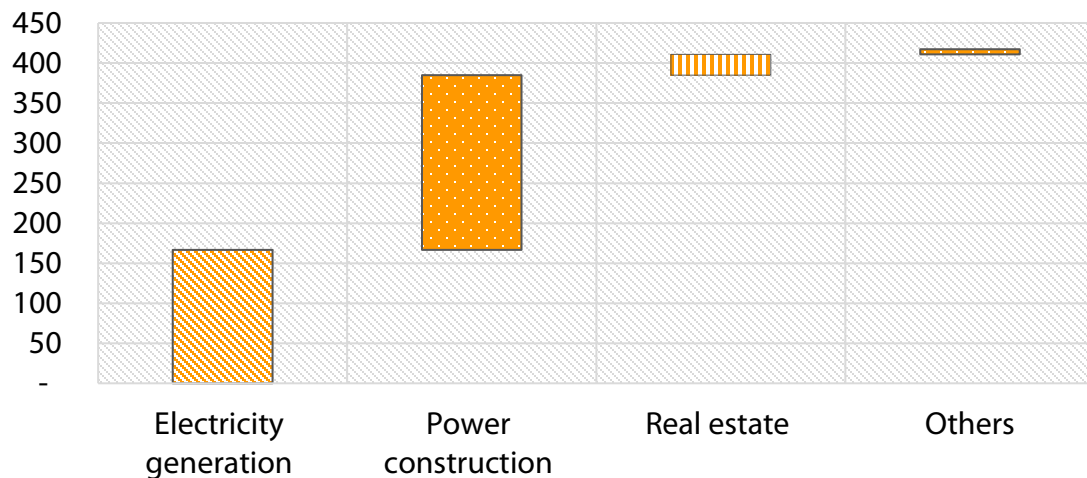
- RE projects encounter volume cut and overcapacity problems that might impact the company's net profit.
- More power project construction than our projection and real estate project might be recorded sooner. As a result, the company will earn more profit than our forecast.

Figure 1: 1H2021 revenue by segment (VND bn)



Source: Rong Viet Securities

Figure 2: 1H2021 gross profit by segment (VND bn)



Source: Rong Viet Securities

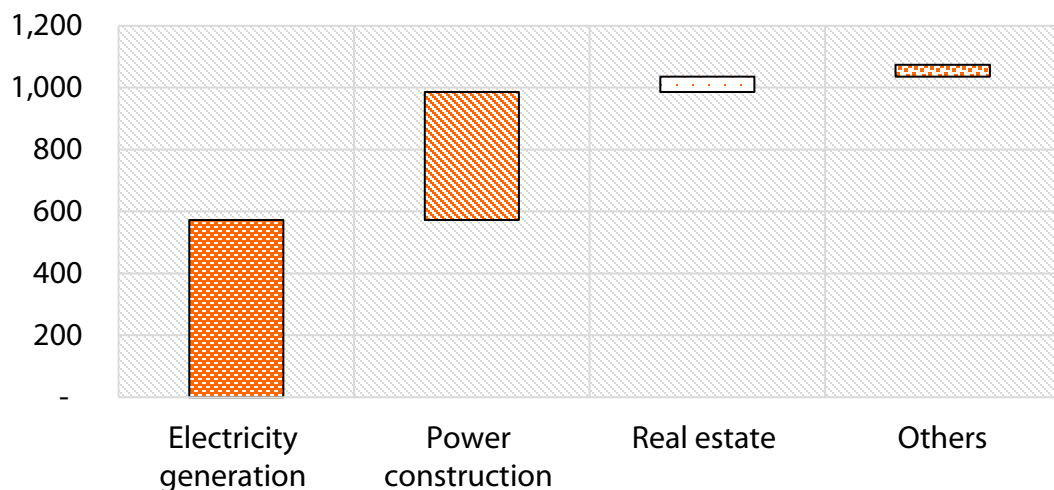
A surge in revenue thanks to power construction

- Total revenue reached VND 4,540 bn (or USD 197 mn) in 1H2021, surging by 79% YoY mostly thanks to power construction contribution.
- Power construction revenue contributed 65% to total revenue, nearly triple compared to that in 2020. The impressive result came from wind power projects construction.
- Power generation grew by 7% YoY due to hydrological support, contributing 7% to total revenue.

Real estate omission, power construction segment attempted to maintain earnings, NPAT was flattened in 1H2021

- Gross profit decreased by 12% to VND 438 bn (or USD19 mn) because of real estate omission. Power construction contributed 43% to total gross profit, and +85% YoY in 1H2021. The material price surge in 2Q2021 diminished this segment's gross profit margin to 4.8% from 10.7% in 1Q2021. Power generation's gross profit slightly increased by 1%YoY.
- Because high growth in revenue, mostly contributed from the low GPM segment – power construction, NPAT-MI in 1H2021 decreased by 2% YoY to VND 209 bn (USD 9 mn).

Figure 3: 2021 gross profit by segment (VND bn)

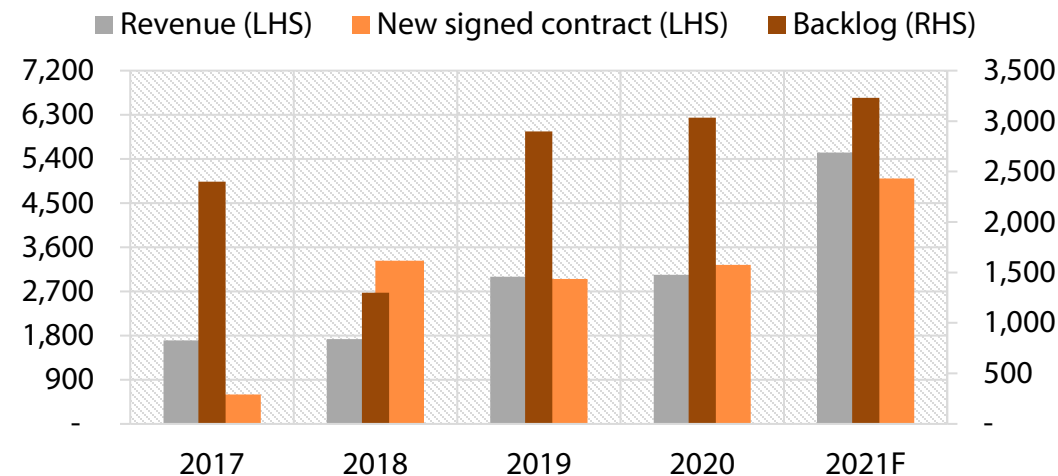


Source: PC1, Rong Viet Securities

Power construction has been negatively impacted by material price surge

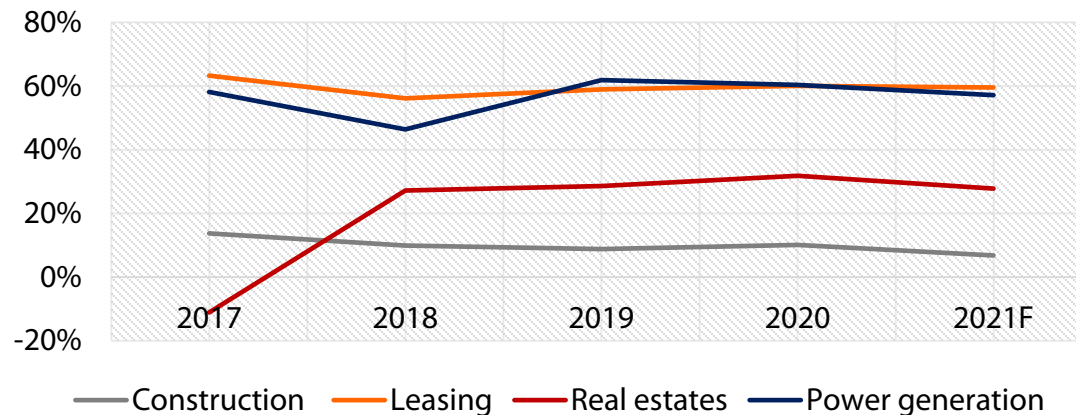
- This segment's revenue in 2021 is anticipated to surge thanks to the wind power construction contract. We forecast that this segment's revenue in 2H2021 will be VND 2,600 bn (or USD113 mn) based on the current backlog.
- However, the rising material price has shrunk this segment's gross profit margin. Hence, revenue and gross profit in 2021 are forecasted to be VND 5,530 Bn (or USD 240 mn) and VND 376 bn (or USD16 mn), +81% and +22% YoY, respectively.

Figure 4: Power construction performance (VND bn)



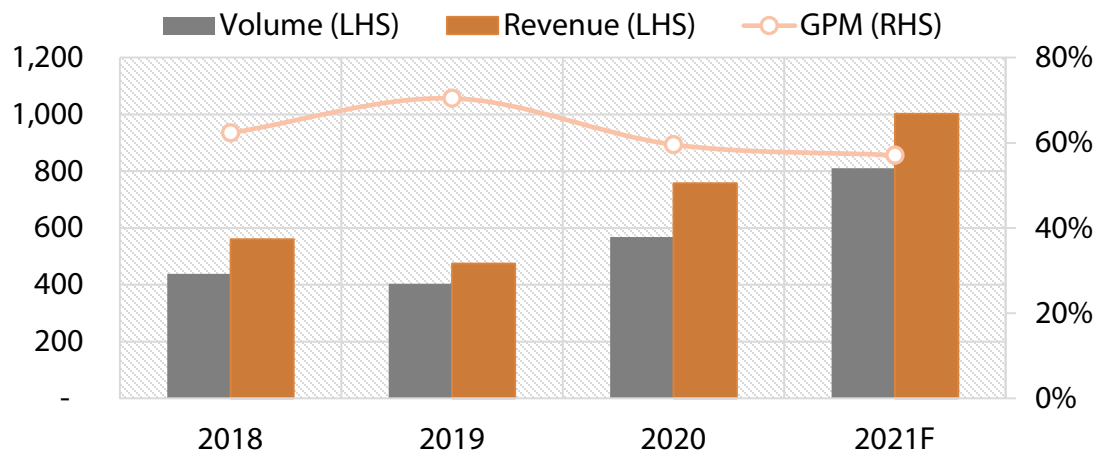
Source: PC1, Rong Viet Securities

Figure 5: Gross profit margin by segment



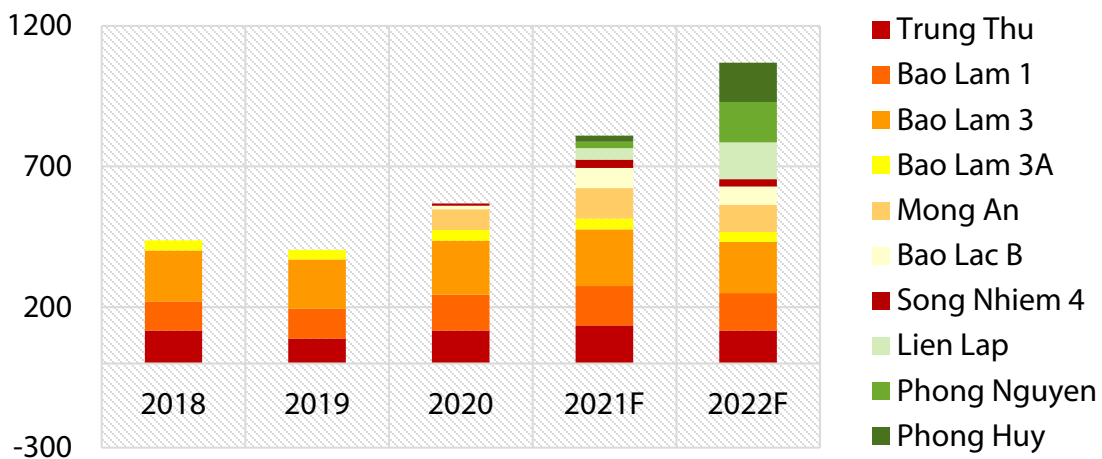
Source: PC1, Rong Viet Securities

Figure 6: Hydropower volume (mn kWh) and revenue (VND bn)



Source: Rong Viet Securities

Figure 7: Hydropower volume by plant (mn kWh)



Source: Rong Viet Securities

Power generation will be the main contributor to gross profit in 2H2021

- Three wind powers will raise its capacity by 86% to 312 MW in 2H2021. In addition, hydropower will surge in 2H2021 thanks to the rainy season, power generation will be the main contributor in 2H2021 with 61% of total gross profit in 2H2021. Revenue and gross profit are forecasted to be VND1,003 bn (or USD 44 mn), +34% YoY and VND 572 Bn (USD 25mn), +27% YoY.
- Real estate revenue is forecasted to be VND 114 bn (USD 5 mn) in 2021, the remaining of old projects, -86% YoY.
- Total revenue and NPAT-MI are forecasted to be VND 8,513 bn (or USD 370 mn) and VND 450 bn (or USD 20 mn), +28% YoY and -11% YoY respectively.

Three wind powers will be fully utilized in 2022

- In 2022, we forecast that power generation continues being the main contributor in gross profit while the real estate segment might not contribute because of slow progression as Covid 19. Power construction revenue is forecasted to be VND 3,350 bn (VND 146 mn).
- As a result, we estimate NPAT in 2022 to slightly increase by 9%YoY to VND 529 bn (or USD 23 mn).

<ACCUMULATE: 5%>

<MP: 17,100>

<TP: 17,900>

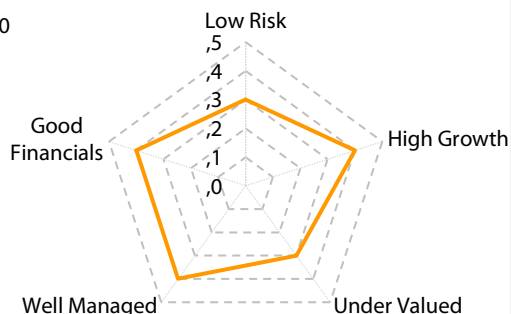
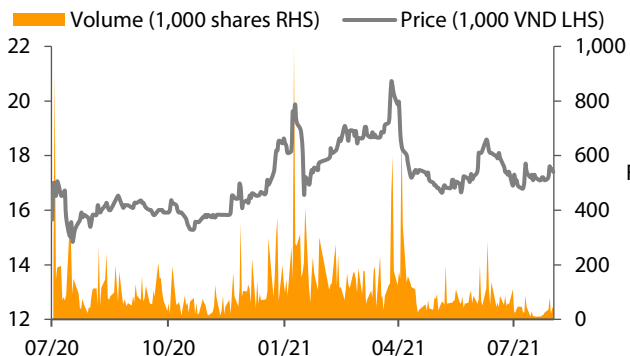
STOCK INFO

FINANCIALS

2020A 2021F 2022F

Sector	Utilities
Market Cap (\$ mn)	372.7
Current Shares O/S (mn shares)	500.0
3M Avg. Volume (K)	66.8
3M Avg. Trading Value (\$ mn)	0.1
Remaining foreign room (%)	49.0
52-week range ('000 VND)	16 - 22.4

Revenue (VND bn)	10,867	8,700	9,947
NPATMI (VND bn)	1,438	265	799
ROA (%)	12.5	2.7	9.0
ROE (%)	20.5	3.4	11.4
EPS (VND)	2,791	500	1,508
Book Value (VND)	13,862	13,138	13,205
Cash dividend (VND) (*)	1,350	1,350	2,175
P/E (x)	3.5	34.2	11.3
P/B (x)	0.7	0.8	0.7



INVESTMENT RATIONALES

Young and efficient operation machine is the company outstanding point

- Technological advancement helps HND efficiently operate. Young and efficient machine plays a pivotal role in creating profit for the company.
- In addition, well managed fixed and variable costs will help the company save expenses. Low coal consumption compared to other plants is an advantage to compete in the CGM.

The company is on the way to become a cash cow within two years

- Speedy and on-time debt payment year over year. The company is going to finish its debt obligation in the next two years. Afterward, operating CFs will be utilized to pay dividends.
- Cash dividends in 2021 will be lower than 10% per par value. However, sustainable growth in dividend payout ratios is expected in the coming years.

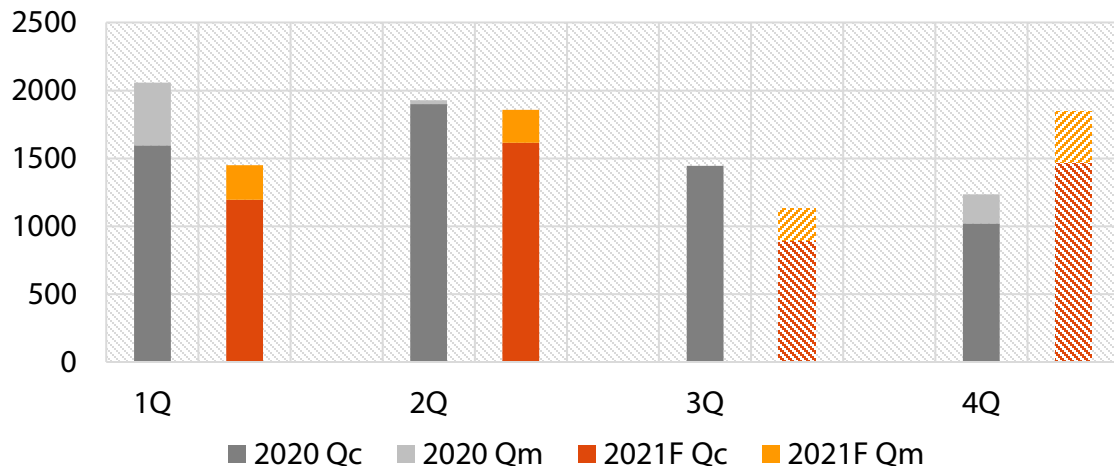
The company will soon weather the storm, a hard time for thermal plants

- HND is negatively impacted by (1) Electricity oversupply; (2) Hydrological condition support hydropower plants. Those difficulties are expected to diminish in 2022.

RISKS TO OUR CALL

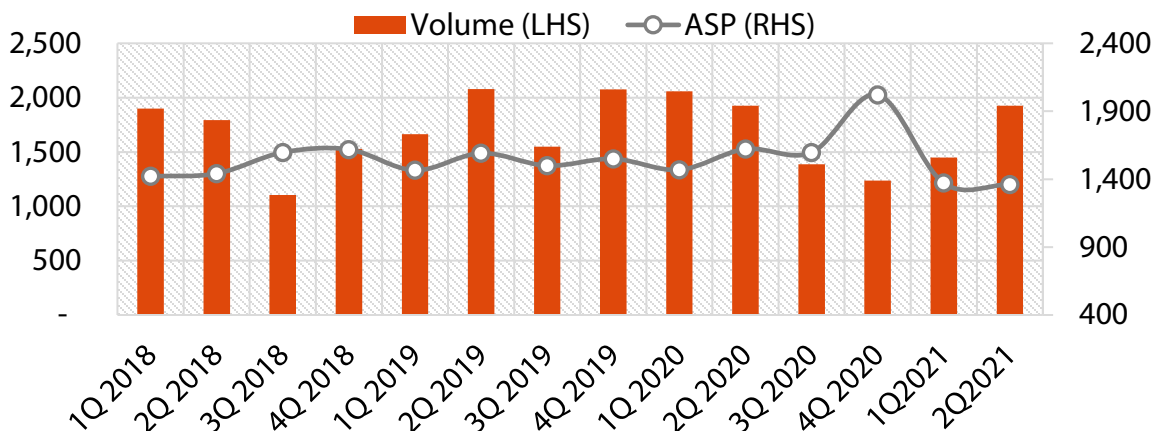
- The negative outlook in 2021 might significantly impact the company profit more than our expectations. Consequently, dividends pay out ratios might be lower.
- The company must install the environment treatment system due to government requirements. Therefore, it might impact the company's cash flow.

Figure 1: Contract and CGM volume (mn kWh) (*)



Source: HND, Rong Viet Securities (*) Volume in 3Q2021 and 4Q2021 is estimated

Figure 2: Volume (mn kWh) and ASP (VND)



Source: HND, Rong Viet Securities

(**) Contract price (Pc) = Fixed price + variable price

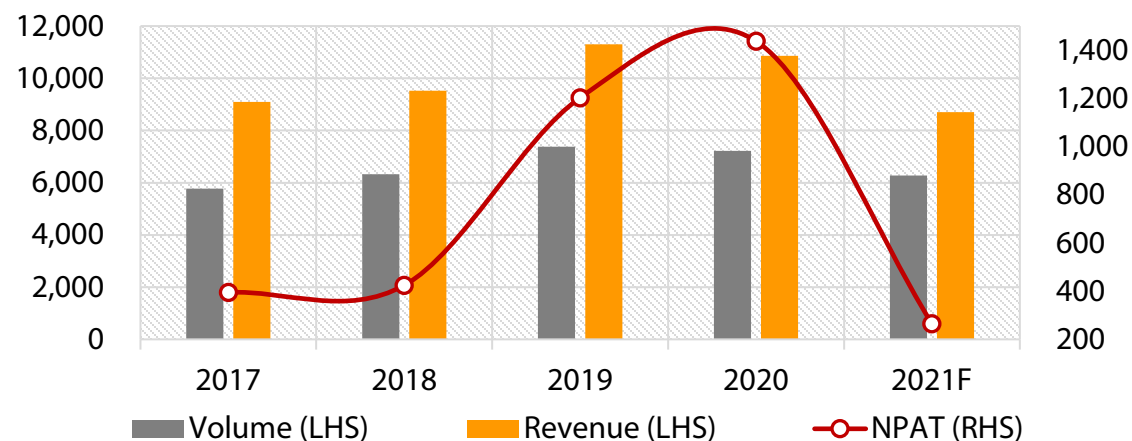
Volume plummeted because of thermal power difficulties

- Volume plummeted because (1) Supply growth speed surpassed demand one (2) Hydrological condition supported hydropower plants; thus, an abundant source volume was mobilized, taking thermal power volume portion.
- Total volume was 3,3 mn kWh in 1H2021, -17% YoY, Qc accounting for 85% of total volume, -20% YoY.

Volume and selling price declined that made the company profit drop in 1H2021

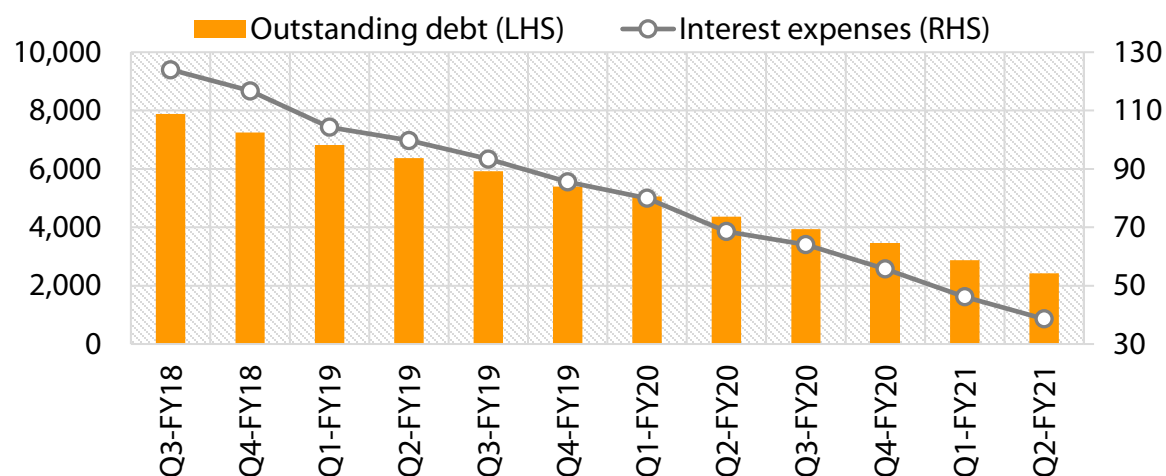
- Fixed price in Pc (**) declined by 40% from VND 601 to VND 410. Its ASP in 2021 declined by 10%, including the variable cost growth in 2021 (because of coal price surge lately).
- The average selling price in 1H2021 was VND 1,393, equivalent to the published Pc in AGM's document, -10% YoY.
- Revenue and NPAT in 1H2021 were VND 4,613 bn (or USD200 mn) and VND 177 bn (or USD8 mn), -25% YoY and -76% YoY, respectively. Profit margin declined due to a decrease in selling price.

Figure 3: Volume (mn kWh) and business results (VND bn)



Source: HND, Rong Viet Securities

Figure 4: Outstanding debt and interest expenses (VND bn)



Source: HND, Rong Viet Securities

Low performance in 2021 and wait for better outlook in 2022

- It is hard to earn profit in 3Q2021 (rainy season) because of low volume and selling price. The company is going to have maintenance from August to October (92 days in total).
- In general, both volume and selling price have decreased in 2021, thus performance is forecasted to be significantly lower than previous years. We forecast that revenue and NPAT in 2021 will be VND 8,700 bn (or USD378 mn), -20% YoY and VND 265 bn (USD 11.5 mn), -82% YoY, respectively.
- Better outlook is expected in 2022 thanks to the supply and demand balance and La Nina magnitude being lower than 2021.

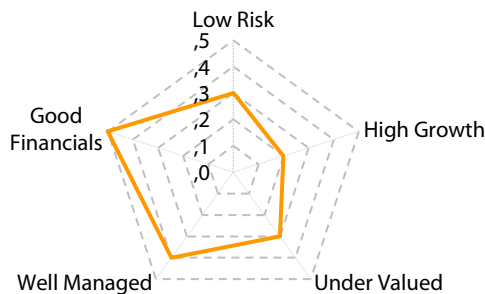
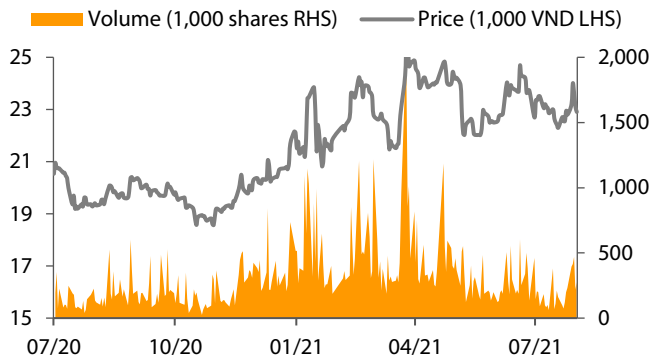
On the way to becoming a cash cow within two years

- Dividend payout ratio for the year 2021 might be lower than 2020 (plans to be 4% or 8%) due to the low performance.
- However, cash dividends will pay for shareholder in later years is expected to grow thank to speedy and on-time debt payment. Cash dividends payout ratios is planned to be higher than 20% after 2023.

<NEUTRAL: -1%>*

<MP: 22,700>

<TP: 21,200>



STOCK INFO

Sector	Utilities
Market Cap (\$ mn)	316.4
Current Shares O/S (mn shares)	320.6
3M Avg. Volume (K)	314.1
3M Avg. Trading Value (\$ mn)	0.3
Remaining foreign room (%)	34.1
52-week range ('000 VND)	22 - 29.1

FINANCIALS

	2020A	2021F	2022F
Revenue (VND bn)	7,929	4,546	7,115
NPATMI (VND bn)	1,011	92	692
ROA (%)	14.0	1.8	12.3
ROE (%)	15.6	2.1	14.7
EPS (VND)	2,992	274	2,047
Book Value (VND)	20,050	13,528	14,550
Cash dividend (VND)	1,350	5,544	500
P/E (x)	7.4	82.9	11.1
P/B (x)	1.2	1.7	1.6

INVESTMENT RATIONALES

Both internal and external difficulties curb the company's stably operation

- Machine maintenance might hamper the company performance in the short-term. The Pha Lai 2 plant encounters machine problem and needs a downtime to prepare before turning back.
- 2021 is the hardest year for thermal plants due to: (1) Supply growth surpassed demand; (2) Hydrological condition supports hydropower plants. Consequently, mobilized volume from thermal plants have been reduced significantly, hurting profit.

Stable and high dividend plays is vital for this stock

- Most of its cash flow is spent for paying dividends that attracts dividend-oriented investors. Historically, the company pay on average more than 25% per par value, which is a constant and high dividend payout policy year over year. However, this may not happen in 2021 because of accidental machine problem.

Stable performance is expected to turn back

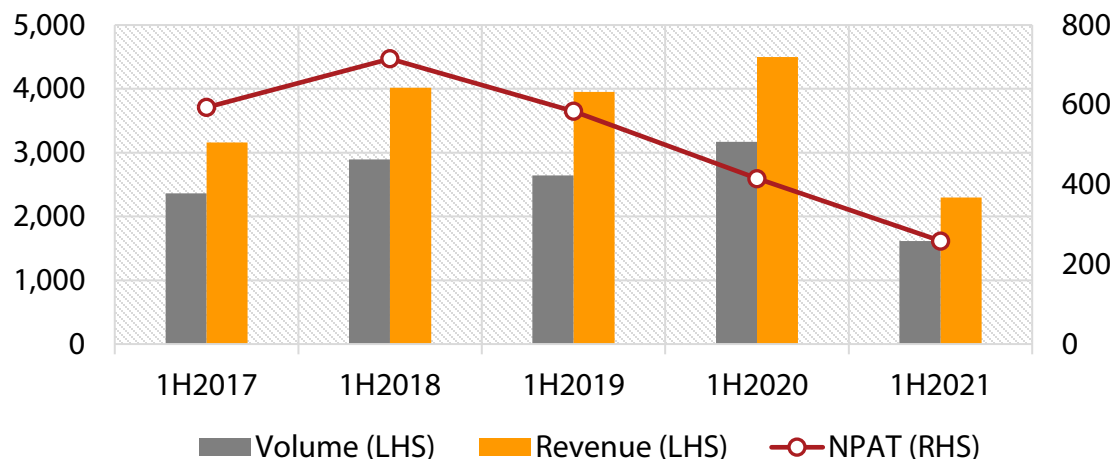
- Pha Lai is located in the key zone in the North. Besides, it is in a mature phase with stable operations. Thus, after maintenance, solid performance is expected to come back.

RISKS TO OUR CALL

- The aging machine at Pha Lai 1 might be shut down any time because of environmental concerns, that might impact the company's profit.
- Accidentally machine problem might occur due to the aging machine, that may impact the company volume and profit.

(*) Total return includes VND 1,250 cash dividends expected in next 12 months

Figure 1: 1H 2021 Volume (mn kWh), revenue and NPAT (VND Bn)



Source: PPC, RongViet Securities

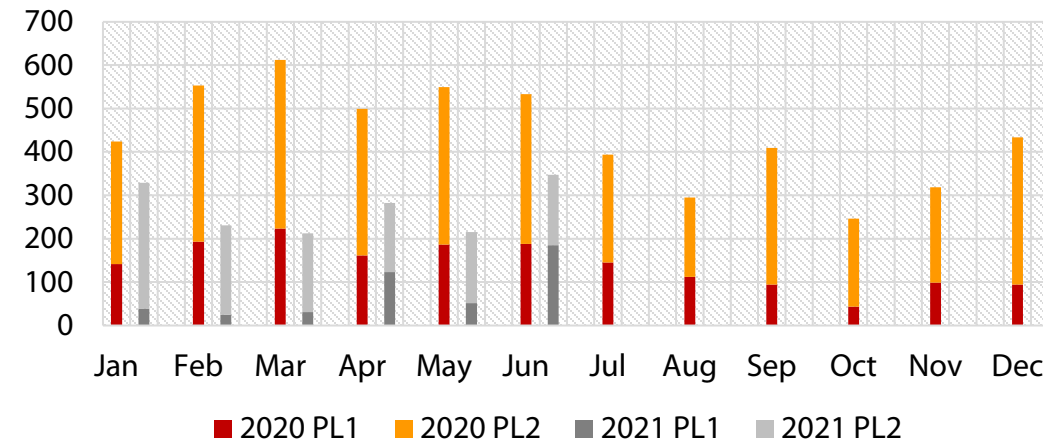
Volume drop weakened core business in 1H2021

- Provided volume plummeted to 1,6 bn kWh, -49% YoY, Qc was 1,3 bn kWh, -50% YoY. 2Q2021 was the dry season with high Qc mobilized volume. Unfortunately, PPC encountered a machine problem that lowered its profit.
- Revenue was VND 2,297 bn (or USD 100 mn), -49 %YoY, gross profit was -46 bn in 1H2021.

Financial income saved the company's performance in 1H2021

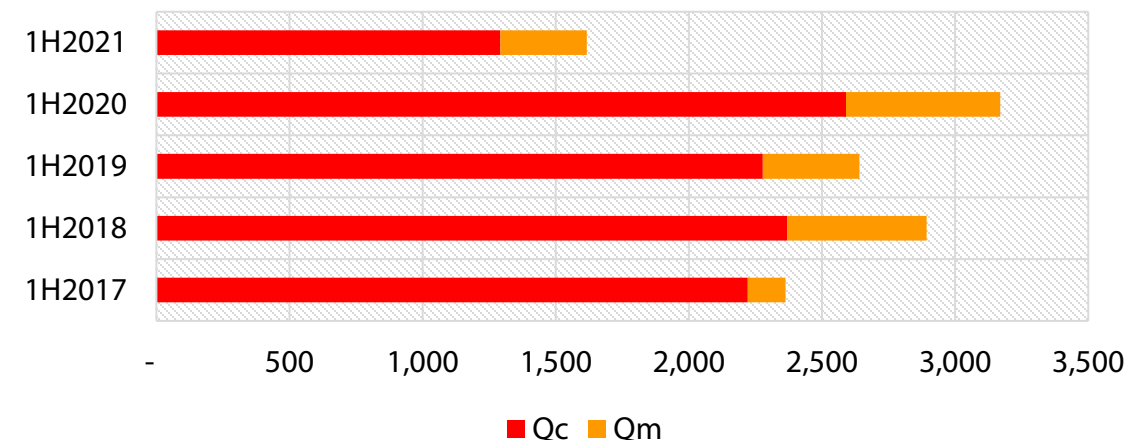
- Financial income reached VND 329 Bn (or USD14 mn), of which dividends from HND reached roughly VND 185 Bn (or USD8 mn).
- A loss from core business diluted financial income, resulting in VND 259 bn (or USD11 mn) in NPAT in 1H2021, -38% YoY.

Figure 2: Provided volume by plants (mn kWh)



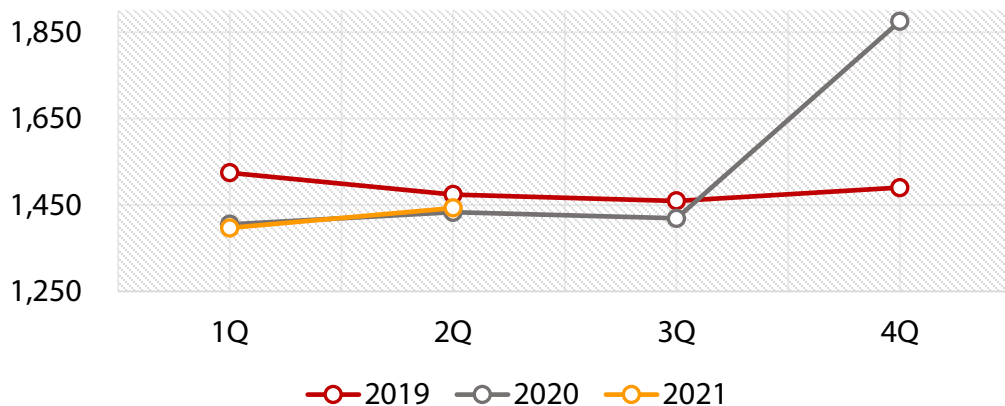
Source: PPC, Rong Viet Securities

Figure 3: 1H 2021 volume by contract and CGM (mn kWh)



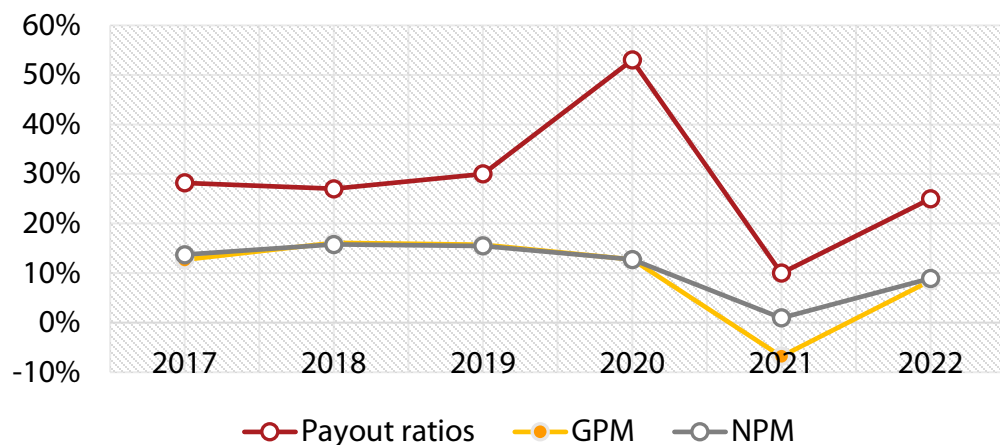
Source: PPC, RongViet Securities

Figure 4: Average selling price (ASP) per year



Source: Rong Viet Securities

Figure 5: Cash payout ratios, gross profit and net profit margin



Source: Rong Viet Securities

2H2021 is going to be tough

- The technical machine problem might take a while for maintenance, especially due to Covid 19.
- The company performance is affected by (1) Low mobilized volume due to numerous reason mentioned above. (2) CGM price is low because rainy season is coming. (3) Financial income is saving cash and QTP's dividends.
- For the year 2021, we forecast that the revenue will be VND 4,546 bn (or USD198 mn) and its EPS is lower than VND300 due to a loss in 2H2021.

Better outlook is expected to come back in 2022

- We expect mobilized volume in 2022 to be higher than 2021 due to: (1) Lower La Nina magnitude (2) Supply growth and demand growth in balance.
- Subsequent to the down time for maintenance, the machine is expected to be efficiently operating, creating profit to shareholders.
- The ASP is expected to be higher in late 2022 because: (1) La Nina magnitude will be lower and (2) Demand recovery post Covid 19.
- The fundamental attraction for this stock is dividends. The company is able to continue high dividends from 2022.



AUTOMOTIVE INDUSTRY

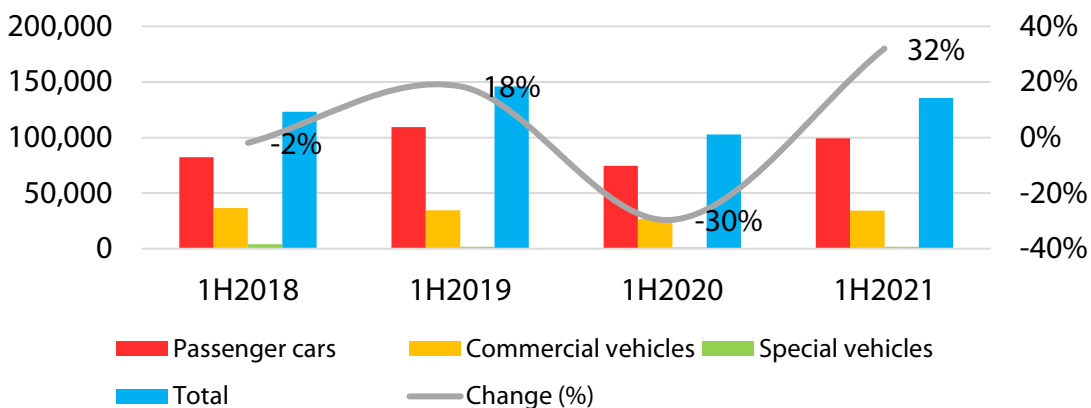
LOT OF CHALLENGES IN 2H2021



Hoang Bui – hoang.bh@vdsc.com.vn

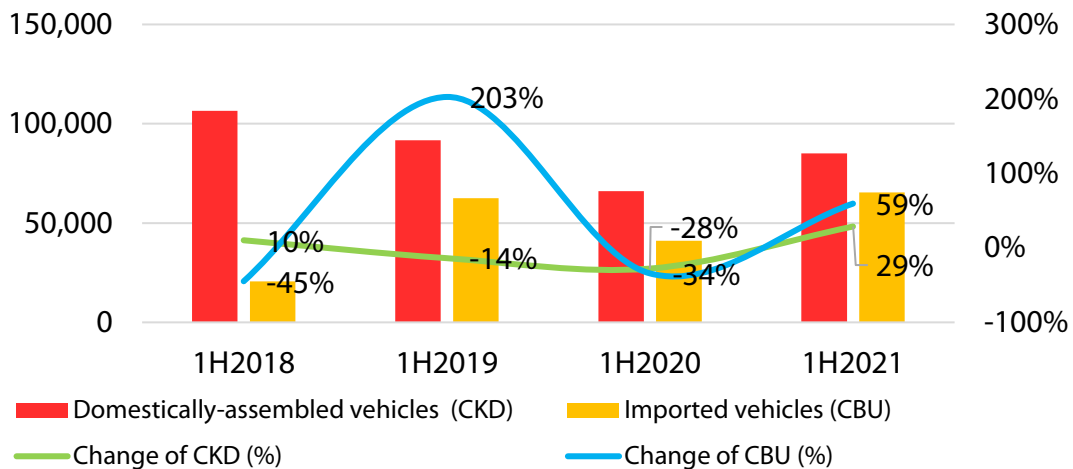


Figure 1: VAMA sales by type (units)



Source: VAMA, Rong Viet Securities

Figure 2: VAMA sales by vehicle origin (units)



Source: VAMA, Rong Viet Securities

- In 1H2021, VAMA sales surged 32% YoY, reaching 135,606 units.
 - Passenger car: sales increased by 33% YoY, reaching 99,410 units. The growth was mainly driven by (1) Car manufacturers (Mitsubishi, VinFast, Mercedes-Benz, MG and Honda) supported by clients' registration fees; (2) Lot of new and updated models were released.
 - Commercial vehicles and special-purpose vehicles: sales volume reached 34,362 units (+28% YoY) and 1,834 units (+46% YoY), respectively as the manufacturing and producing industries were gradually recovered in 5M2021.
- In terms of vehicle origin, the volume of domestically assembled and imported cars went up by 29% YoY (to 85,085 units) and 59% YoY (to 65,396 units). Cars imported from Thailand and Indonesia respectively increased by 126% YoY (reaching 40,485 units) and 41% YoY (reaching 23,072 units). Vietnamese companies increased imports as automakers in Thailand and Indonesia dropped their selling prices to liquidate inventories.
- The market is dominated by Thaco (27.9%) and Hyundai (18.3%). Toyota's Vios is no longer the most preferred option of buyers, causing its market share to drop from 2,1% to 15,8%. In contrast, VinFast Fadil and Mitsubishi X-pander have become more popular, so their market share went up to 8,6% and 8%, respectively.

Table 1: 2020's policies supporting the automotive industry

Decree No.	Valid date	Impacts
17/2020/ND-CP	Mar 22, 2020	Eliminating some regulations on type certificates, verification of each batch of imported cars. Helping to smoothen the importing activities.
41/2020/ND-CP	Apr 8, 2020	Extension of the deadline for tax and land rental payment. Supporting the cash flow.
70/2020/ND-CP	Jun 28, 2020 – Dec 31, 2020	A reduction of 50% in the registration fee for domestically manufactured and assembled cars. Lowering down the buying costs and stimulating demand.
57/2020/ND-CP	Jul 10, 2020	Applying 0% import tax to materials, supplies and components that have not yet been domestically produced. This is only applied to qualified assembly companies. Lowering the production costs by 2-5%.
109/2020/ND-CP	Sep 15, 2020	Extension of the deadline for paying excise tax on domestically manufactured or assembled cars. Supporting the cash flow.
52/2021/ND-CP	Apr 19, 2021	Extension of the deadline of value-added tax, corporate income tax, personal income tax and land rental payment in 2021.

Source: Rong Viet Securities

The Government has not yet issued new policies to support the automotive industry

After Decree 70/2020/ND-CP (about 50% reduction of registration fees) expired at the end of 2020, VAMA submitted a proposal to the Ministry of Finance on the extension of Decree 70/2020/ND-CP, exemption of excise tax on domestically produced components and priority given to lower engine, environment-friendly vehicles.

- The Ministry of Finance supposes that those policies in the past and the policies issued in 2020 (Decree No. 41, 57, 109) and Decree 52 in 2021 have partly supported the automotive industry during the pandemic. Therefore, there are no new policies released.

Currently, Government has reviewed:

- Price for calculating excise tax on cars with 9 seats or less, domestically produced → lower the excise tax, leading to an increase in demand for domestically produced cars.
- Preferential excise tax and registration fees for electric cars in 5 years → lowering down the costs. This will help electric vehicle developers such as Vinfast to grow.

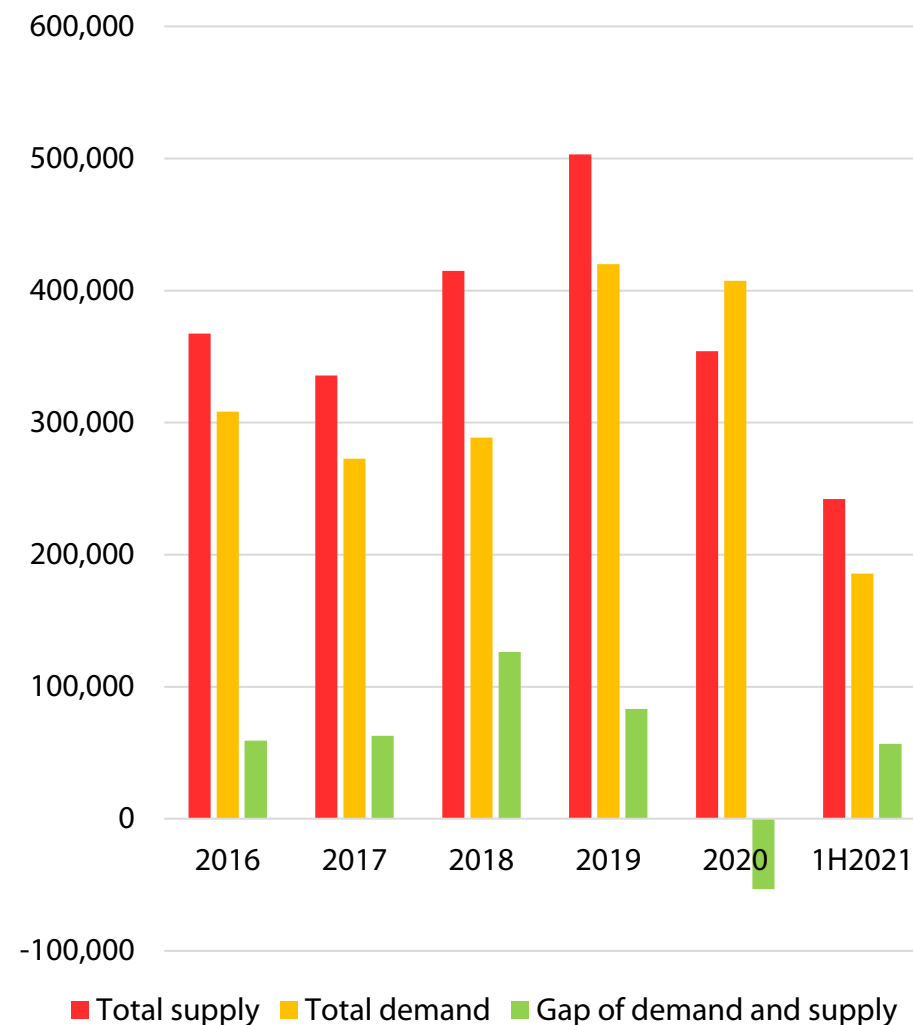
- Selling price may decrease to stimulate demand and liquidate inventory. The Covid-19 resurgence caused people to reduce their spending on non-essential products such as cars. Weaker demand in May and June caused the inventories to increase from 18,034 units (end of 1Q2021) to 56,668 units (end of 2Q2021).
- Production costs remain high due to (1) the shortage of semiconductor chips as chip manufacturers converted production lines toward chips used for electronic devices (having higher demand); (2) Higher steel price and shipping costs.
- Sales will be impacted as Covid-19 is freezing economic activities.

2H2021 outlook is not positive

- Car manufacturers may decline because they may have to lower selling prices to stimulate demand while COGS may remain high. Also, sales volume may be affected negatively by Covid.
- Distributing companies may not reach the high commission rate as the sale volume may be low due to the effect of Covid. Covid again badly affects the business activities and people income.
- Sales of components and spare parts manufacturing companies may decrease due to declined consumption.

In the case of luxury car manufacturers, the consumption behavior of potential customers will be less affected because the value of the car is quite small to their total assets. In addition, luxury car manufacturers produce smaller volumes compared to low/middle-class car manufacturers. Therefore, luxury car manufacturers are less affected by the shortage of semiconductor chips and even there are some companies that have stockpiled chips in advance, such as Daimler (Mercedes-Benz car manufacturer).

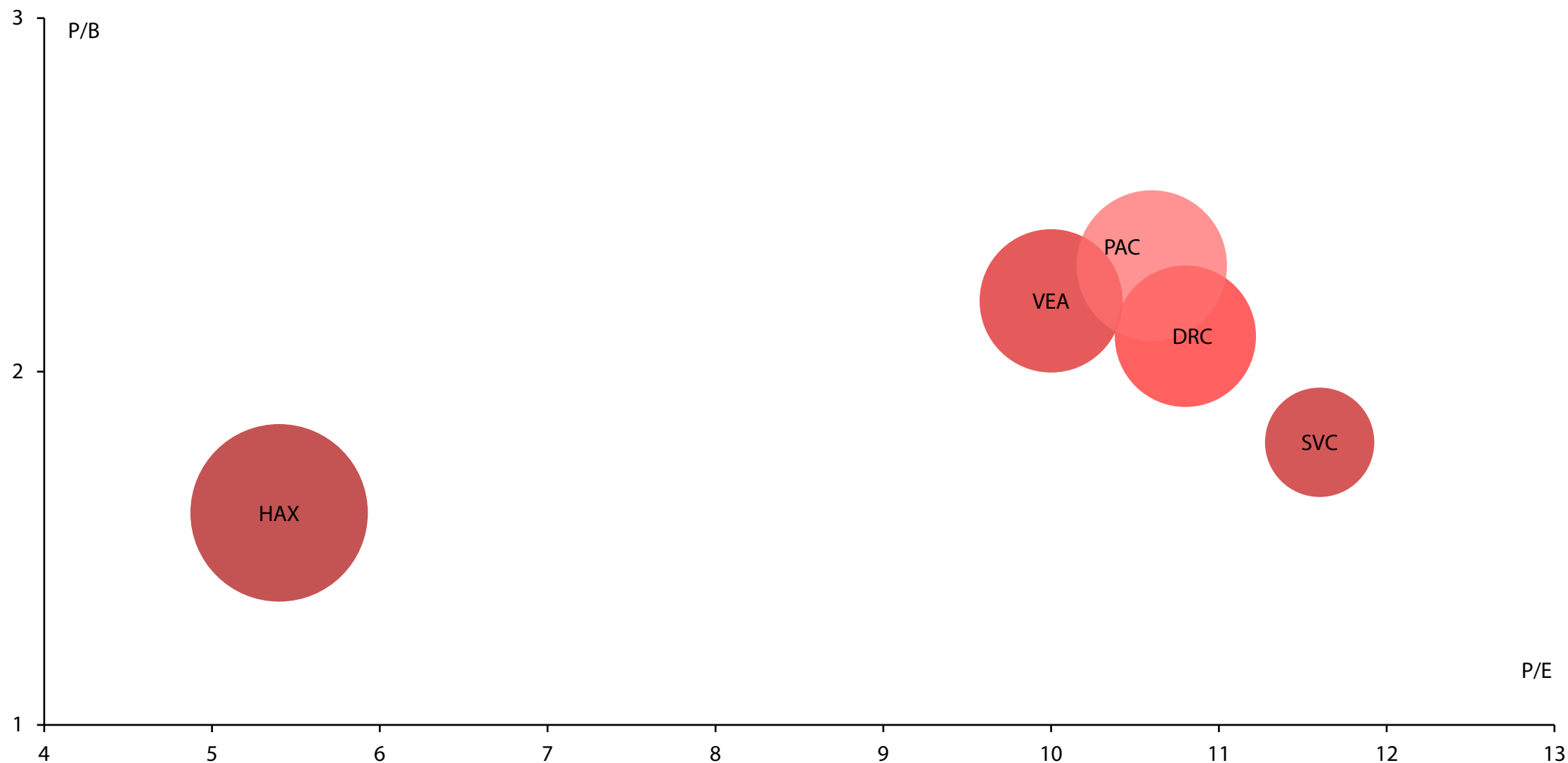
Figure 3: Supply and Demand (units)



Source: MoIT, General Department of Customs, Rong Viet Securities

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)
DRC	159.6	32,400	18.2	28.5	13.4	11	37.6	8.2	13.8	20.1	3.2	10.8	2.1
PAC	79.6	30,100	3.1	8.7	9.6	6.9	16.9	5.6	7	22.8	2.5	10.6	2.3
HAX	41.1	20,700	28.7	212	3.8	3.2	450.4	2.8	13.7	31.7	0.0	5.4	1.6
VEA	2,491.7	N/A	-1.3	N/A	5.2	-2.7	5.6	165.8	22.4	24.9	24	10	2.2
SVC	102.5	N/A	3.5	N/A	0.0	0.0	114	0.0	0.0	0.0	1.4	11.6	1.8

Source: Bloomberg, RongViet Securities. Share price as of 2 Aug 2021.

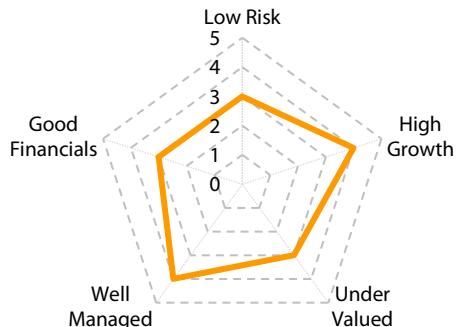
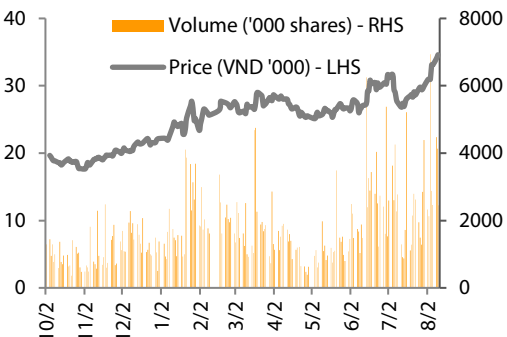


Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 2 Aug 2021.

<ACCUMULATE: 10%>

<MP: 30,900>

<TP: 32,400>



STOCK INFO

Sector	Consumer Goods
Market Cap (\$ mn)	159.6
Current Shares O/S (mn shares)	118.8
3M Avg. Volume (K)	2,093
3M Avg. Trading Value (VND Bn)	60.4
Remaining foreign room (%)	42.1
52-week range ('000 VND)	15.1-31.7

FINANCIALS

	2020A	2021F	2022F
Revenue	3,647	4,413	4,780
NPATMI	257	321	354
ROA (%)	10.6	11.9	12.1
ROE (%)	15.2	18.3	19.4
EPS (VND)	1,944	2,434	2,683
Book Value (VND)	14,206	14,815	15,372
Cash dividend (VND)	1,000	1,500	1,800
P/E (x) (*)	10	12.7	11.5
P/B (x) (*)	1.5	2.1	2

INVESTMENT RATIONALES

The efficiency of the radial tires segment will improve by increasing the production scale

- Currently, the US market is one of the company's largest markets with an estimated proportion of over 30% of radial tire sales. According to Transparency Market Research, the development of the e-commerce industry in the US will boost the demand for truck tires, which is expected to grow by ~6%/year in the 2020-2030 period. In the 2021-2025 period, it is expected that the export volume of radial tires to the US will increase by 60,000 tires/year, helping the total sales volume to grow by 12%/year, reaching 960,000 tires in 2025. The increase in production scale to meet the orders from the US will increase the GPM from 15.8% (in 2021) to 17.6% (2025). Accordingly, revenue and gross profit of the segment will increase by 13%/year and 16%/year.

Income from bias tires is maintained thanks to the opportunity to export to the US market

- New orders from the US for heavy truck bias tires used in agriculture and special-purpose bias tires (OTR) help improve the demand for bias tires after a period of production decline from 2017 to 2020. The demand from the US is expected to help the output of bias tires grow slightly in the coming years despite the gradually decreasing demand for bias tires in other markets due to the trend of radialization.

The risk of anti-dumping duty applied by the US is relatively low

- Unlike the tires used for passenger cars and light trucks, there are not many companies producing heavy truck tires in the US and the profit from heavy truck tires is not as high as the profit from passenger car and light truck tires. Therefore, the possibility of the US imposing a tax on Vietnam's heavy truck tires is relatively low.

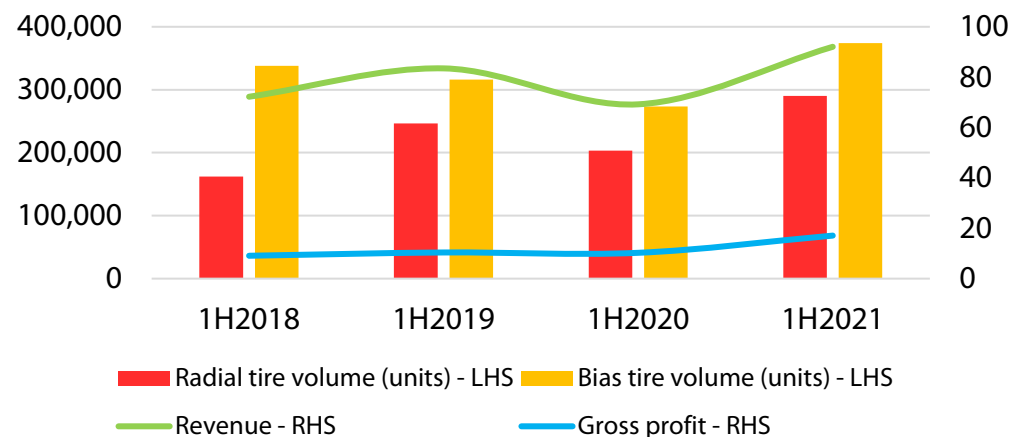
RISKS TO OUR CALL

- Competition from Chinese companies may be fiercer than expected or if DRC is subjected to anti-dumping duties by the US, causing DRC to reduce selling prices to compete, reducing profits.

Revenue increased by 33% yoy, to USD 92 mn and PAT increased by 111% yoy, to USD 7.4 mn. The growth drivers were (1) the recovery of US demand, (2) the decrease in depreciation expenses offsetting the increase in raw material costs and (3) good expenses management.

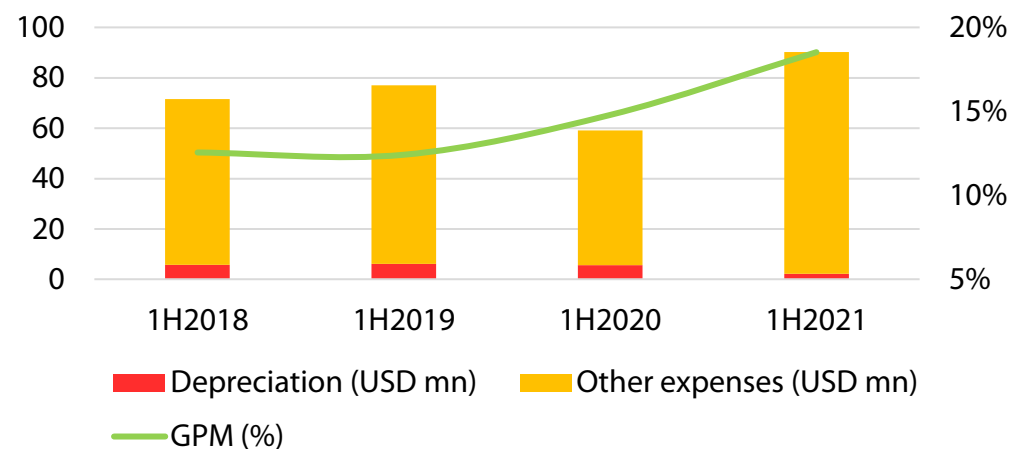
- **Demand for tires increased, especially in the US.** Accordingly, exported radial tire volume increased by 49% yoy, to 220,000 tires, helping radial tire revenue reach USD 46.9 mn (+39% yoy). DRC first exported bias tires to the US market in 1H2021, partly helping bias tire volume to reach 374,000 tires (+37% yoy). Bias tire revenue reached USD 28 mn (+32% yoy).
- **GPM increased from 14.8% to 18.5%.** The price of raw materials such as natural rubber, synthetic rubber and black coal increased, but it was offset by the reduction of depreciation expenses (by USD 3.5 mn) as the machinery and equipment of radial plant - phase 1 was fully depreciated.
- Interest expenses decreased by 42% yoy, to USD 1 mn as the long-term debt plummeted from USD 6 mn to USD 0.04 mn. G&A expenses increased slightly by 1.5% yoy, to USD 1.3 mn. In contrast, selling expenses increased by 88% yoy, to USD 6.2 mn due to increased advertising costs.

Figure 1: Results (USD mn, RHS)



Source: DRC, Rong Viet Securities

Figure 2: Depreciation and gross profit margin



Source: DRC, Rong Viet Securities

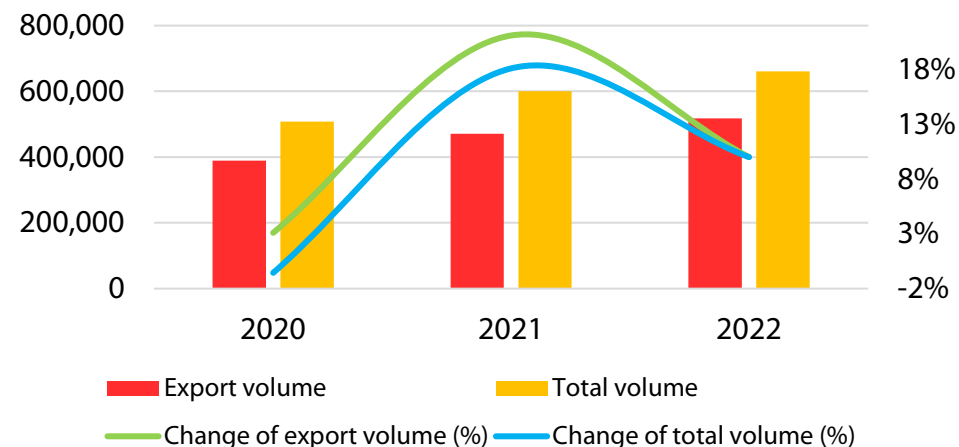
2H2021: the challenges of high shipping costs and Covid-19 pandemic

- Shipping costs are still high, so some export partners may reduce their orders. Covid-19 interrupted the company's production and goods transport. Also, materials price are expected to remain high as global manufacturing activities continue to recover.
- Due to the strong growth in 1H2021, for the entire year, radial tire volume will increase by 18% yoy (to 600,000 tires), of which export and domestic volumes will increase by 21% yoy and 8% yoy, respectively. Bias tire volume will increase by 15% yoy, to 724,000 tires. Revenue and PAT will reach USD 191.9 mn (+21% yoy) and USD 14 mn (+25% yoy).

2022 results will keep growing due to increased production scale and lower transportation costs

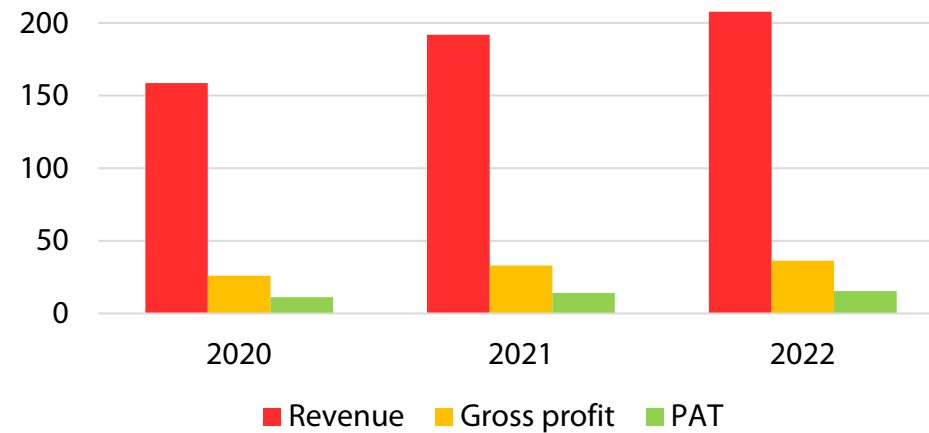
- DRC will increase the capacity of the radial plant from the end of 2021. The capacity is expected to reach 700,000 tires/year (+100,000 tires) by the end of 2022.
- Shipping charges may decrease gradually from the end of 2021 helping exports. Export volume to the US market will increase by 5,000 tires/month. Also, domestic demand will grow thanks to increased public investment once the vaccination rate in Vietnam rises.
- Radial tire volume will increase by 10% (to 660,000 tires), in which, export and domestic volume will both increase by 10% yoy. Similarly, bias tire volume will increase by 4.8% yoy (to 759,000 tires). Accordingly, revenue and PAT will reach USD 207.8 mn (+8.3% yoy) and USD 15.4 mn (+10% yoy).

Figure 3: Volume of radial tires 2020-2022 (tires)



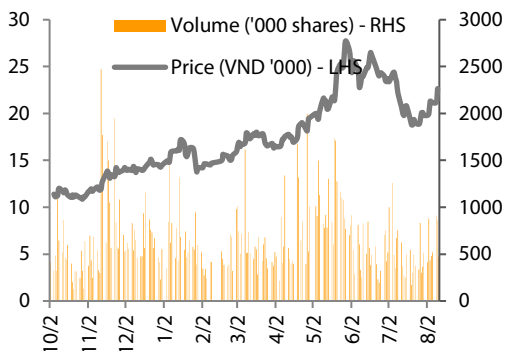
Source: Rong Viet Securities

Figure 4: Forecasted results for 2020-2022 (USD mn)



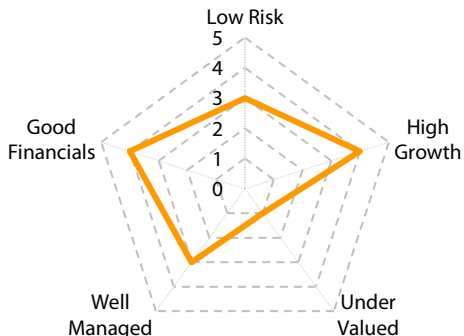
Source: Rong Viet securities

<ACCUMULATE: 12%>



<MP: 19,800>

<TP: 20,700>



STOCK INFO

Sector	Consumer Goods
Market Cap (\$ mn)	41.1
Current Shares O/S (mn shares)	47.8
3M Avg. Volume (K)	639.9
3M Avg. Trading Value (VND Bn)	16.1
Remaining foreign room (%)	31.3
52-week range ('000 VND)	11.5-32.9

FINANCIALS

	2020A	2021F	2022F
Revenue	5,570	5,663	6,129
NPATMI	125	131	164
ROA (%)	10.1	11.5	12.2
ROE (%)	23.5	19.9	23.4
EPS (VND)	3,325	2,683	3,366
Book Value (VND)	14,453	13,801	14,668
Cash dividend (VND)	1,500	0	2,500
P/E (x) (*)	5.0	7.4	5.9
P/B (x) (*)	1.2	1.4	1.3

INVESTMENT RATIONALES

Selling price is maintained at a high level, helping to improve gross profit margin

- The pressure to liquidate inventories is low and the demand is relatively stable, so the company does not have to reduce its selling price to stimulate demand. It is expected that the selling price will remain at a high level in 2021-1H2024 due to the low pressure of liquidation of old models. The price will only decrease at 2H2024 when Mercedes-Benz distributors need to liquidate the old models before importing new ones because every five years Mercedes-Benz will improve.

The affluent class and Mercedes-Benz's position in Vietnam ensure sales growth

- Good economic growth prospects (NCIF forecasts growth of >6%/year in the period 2021-2025) will increase the number of rich people in Vietnam. Wealth-X forecasts that the number of Vietnamese with total assets of USD 1-30 million will rise by 10.1% in 2018-2023 (the fourth highest in the world), leading to higher demand for luxury cars. Although Covid-19 temporarily slows down economic growth, in general, Vietnam's economic outlook and the growth rate of the affluent class in the future are still positive.
- Additionally, Mercedes-Benz owns brand popularity, diversified product portfolio and competitive price, so Mercedes-Benz accounted for 66% of the luxury car market in Vietnam in 2020. Accordingly, we forecast a sales growth of 8.1%/year in 2021-2025, higher than the growth of 3.7%/year of the industry.

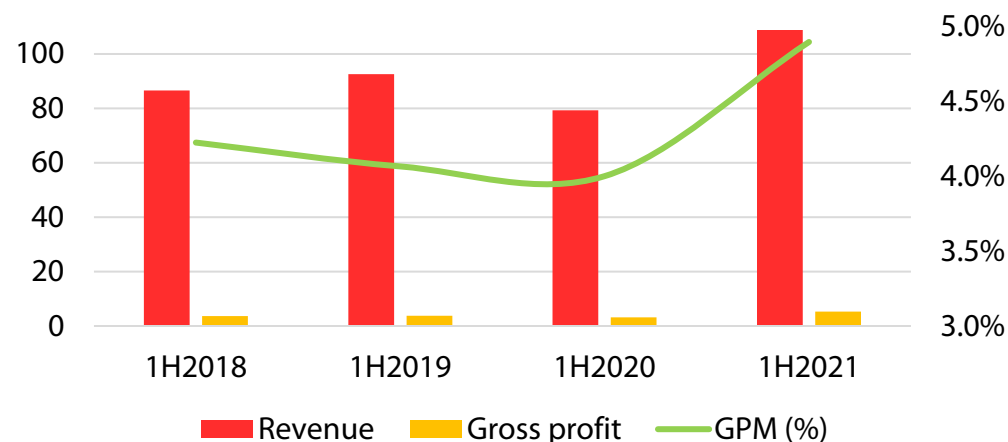
RISKS TO OUR CALL

- Other luxury car manufacturers reduce selling prices to compete, decelerating the sales growth of MBV and HAX.
- The prolonged Covid-19 pandemic caused the company's car sales to be lower than forecast.

The recovery of the car distribution segment helped improve the 1H2021 results

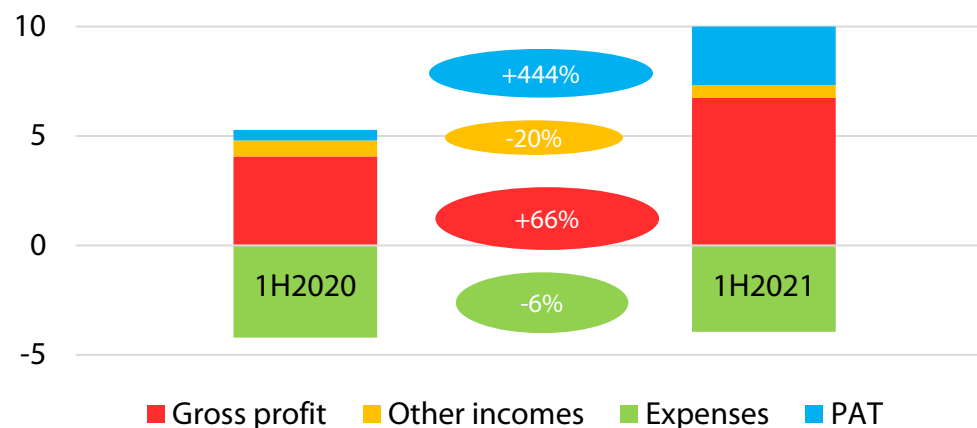
- Revenue increased by 34% yoy, to USD 116.8 mn and PAT surged by 444% yoy, to USD 2.7 mn thanks to the car distribution segment as its sales volume and GPM improved.
- Compared to 1H2020, 1H2021 car distribution was less interrupted by the pandemic. In the meantime, although Decree 70 (about 50% reduction of registration fees) has expired at the end of 2020, MBV has actively supported registration costs to customers. Thereby, Haxaco's car sales volume increased. Revenue from car distribution reached USD 108.8 mn, up by 37% yoy.
- Limited supply due to lack of semiconductor chips helped maintain high selling prices. As a result, GPM improved from 4% to 4.9%. Gross profit of car distribution segment reached USD 5.3 mn, up by 68% yoy.
- Besides, the repairing and spare parts sales segment reached USD 7.8 mn (-0.2% yoy). Because the service quality was improved, so GPM reached 17.7% (+555bps) and gross profit was USD 1.4 mn (+45% yoy).
- Retaining profits in 2020 helped reduce debt pressure. Short-term debt fell by 44% yoy, helping reduce the interest rate by 70% yoy, to USD 0.3 mn. Selling expenses were USD 2.5 mn (+27% yoy) and G&A expenses remained around USD 1.1 mn (+1.4% yoy).

Figure 1: Car distribution segment (USD mn)



Source: HAX, Rong Viet Securities

Figure 2: HAX's results (USD mn)



Source: HAX, Rong Viet Securities

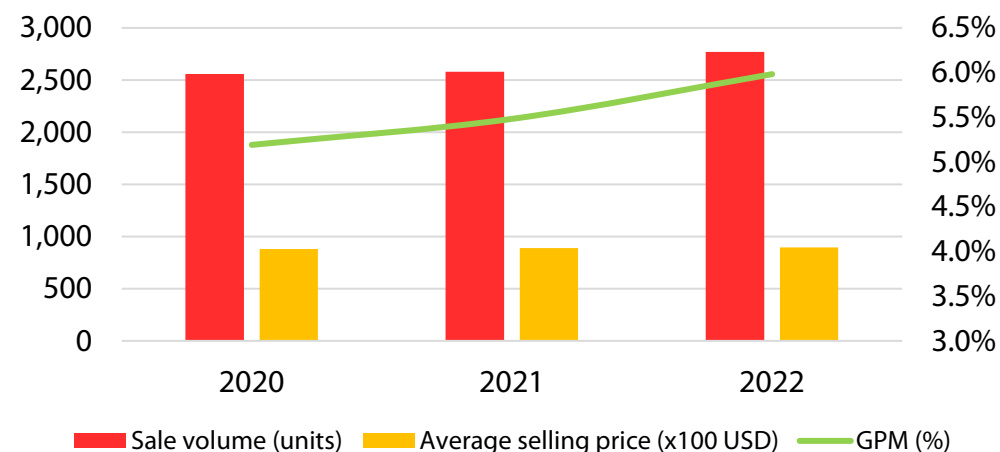
2H2021 - Covid disrupts the company's business activities

- The outbreak of Covid-19 will impact negatively on car sales in 3Q, before recovering in 4Q (expecting that the Government will lift the social distancing order). Therefore, despite the strong growth in 1H2021, it is expected that car sales in 2021 will only reach 2,580 units (+0.8% yoy). The low pressure of liquidating inventory help maintain the selling price around USD 88.8 mn/unit (+0.8% yoy), hence GPM will increase by 29bps, reaching 5.5%. The gross profit of the car distribution segment will reach USD 12.6 mn (+7.3% yoy).
- Revenue and PAT will be USD 246.2 mn (+1.7% yoy) and USD 5.7 mn (+4.9% yoy, thanks to a 24% yoy decrease in interest expense to USD 1.3 mn), respectively.

2022: Covid-19 and the semiconductor chip supply will support results

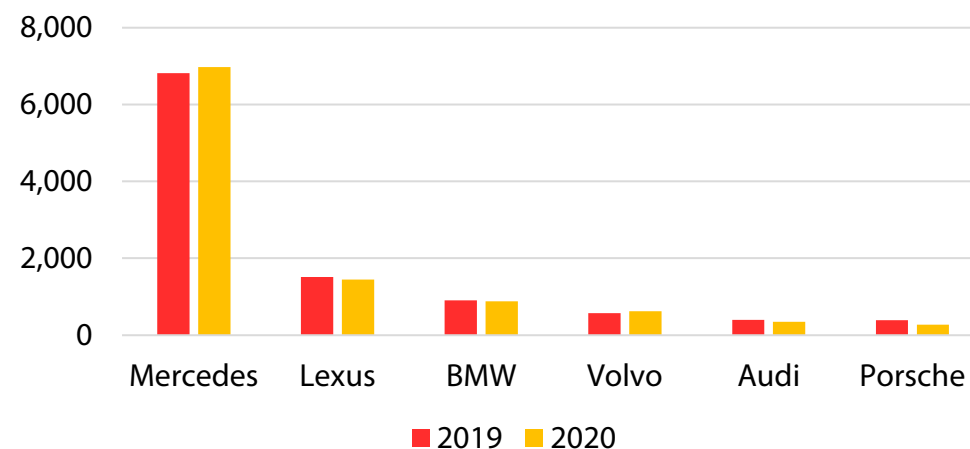
- We expect that Covid-19 will be under control and the increased capacity of semiconductor companies will help the auto industry and HAX no longer be interrupted. Along with the rise of the affluent class and the popularity of Mercedes-Benz in Vietnam (accounts for 66% of luxury car sales), we forecast that car sales in 2022 will increase by 7.4% yoy, to 2,770 units. Improved sales help the company to reach a higher GPM which will be around 6%.
- Revenue and PAT will reach USD 266.4 mn (+8.2% yoy) and USD 7.1 mn (+25% yoy), respectively.

Figure 3: Car distribution sector



Source: HAX, Rong Viet Securities

Figure 4: Sale volume by luxury car brands (units)



Source: Rong Viet securities

RONGVIET
SECURITIES



OIL & GAS INDUSTRY

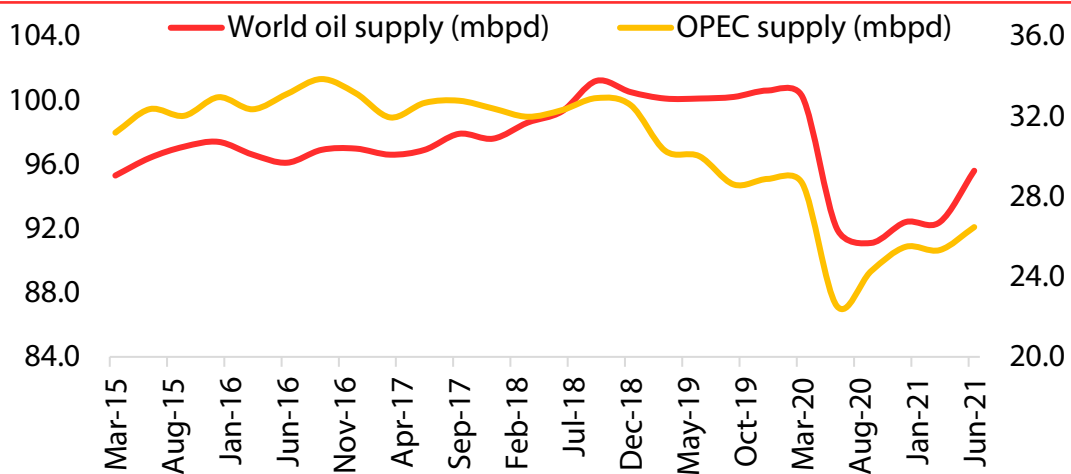
NOT GOOD FOR ALL



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



Figure 1: OPEC supply (RHS) vs world oil supply (LHS)



Source: IEA, RongViet Securities

OPEC+ to maintain the deal cut

- OPEC and its allies, known as OPEC+ have been applying the deal cut but gradually easing the cut from 7.2 mbpd to 5.8 mbpd in 1H2021.
- There was a conflict between the UAE and Saudi Arabia, worrying the market about ending the deal sooner than expectations. Finally, the compromise was made and OPEC+ will bring production up to 0.4 mbpd monthly in order to end the cut by September 2022.

Oil supply is expected to gain along with the OPEC+ deal cut

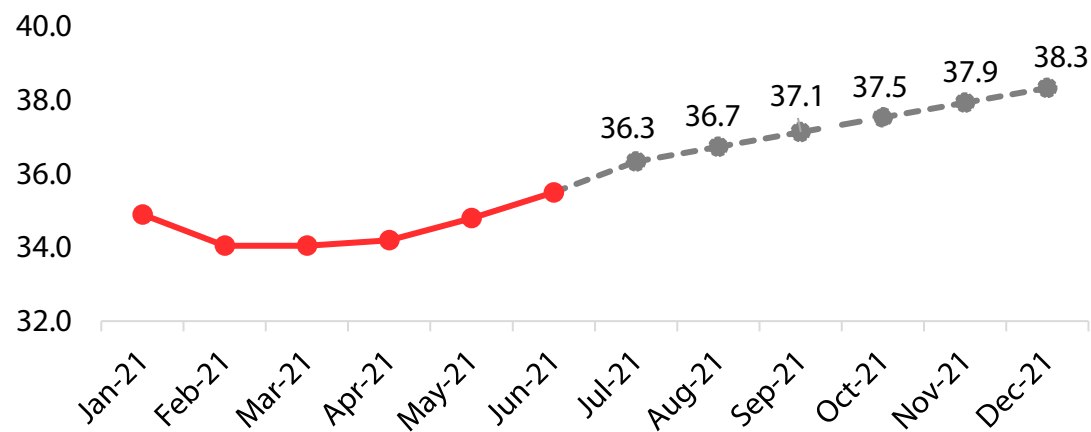
- In 2021, world oil supply is expected to reach 94.5 mbpd according to OPEC while IEA sees 95.3 mbpd for 2021.

Table 1: OPEC+ (incl OPEC and its allies) deal cut

Time	Event
Jul 2019	OPEC+ extended the cut of 1.2 mbpd to Mar 2020.
Dec 2019	OPEC+ increased the cut from 1.2 mbpd to 2.1 mbpd.
Apr 2020	OPEC+ agreed to curb 9.7 mbpd till Jun 2020.
Jul 2020	OPEC+ reduced the cut from 9.7 mbpd to 7.7 mbpd.
Dec 2020	OPEC+ reduced the cut from 7.7 mbpd to 7.2 mbpd.
Apr 2021	OPEC+ eased the cuts to 5.8 mbpd from May to Jun.
Jul 2021	OPEC+ targeted to end the production cuts by September 2022.

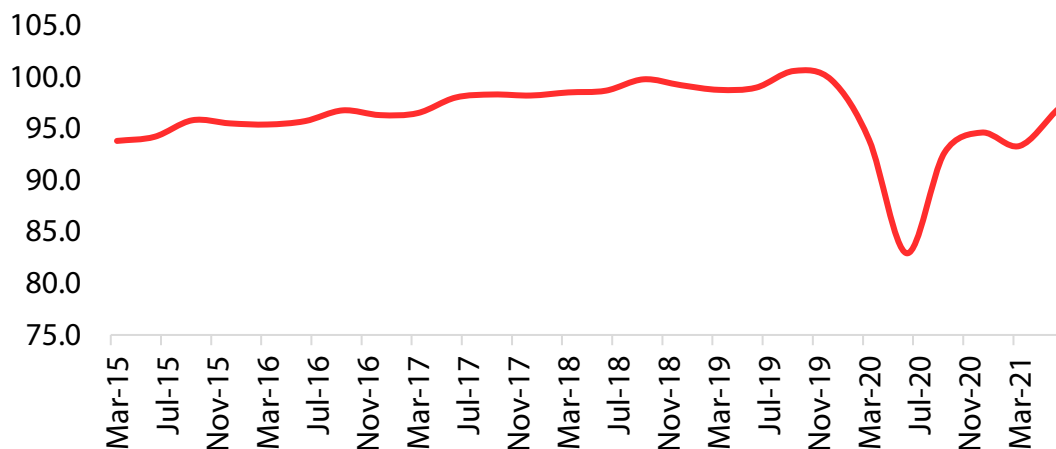
Source: IEA, RongViet Securities

Figure 2: OPEC+ production until the end of 2021



Source: Bloomberg, RongViet Securities

Figure 3: World oil demand (mbpd)



Source: IEA, RongViet Securities

Table 2: Change in oil demand by region (mbpd)

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Total*
Africa	-0.1	-0.9	0.5	0.2	0.1	-0.1	0.7
America	-2	-5.2	3.6	0.6	-0.3	1	4.9
Asia/Pacific	-3.1	-1	1.7	2.1	-0.1	-0.4	3.3
Europe	-0.8	-2.4	1.9	-0.3	-0.3	0.9	2.2
FSU	-0.3	-0.6	0.8	0	-0.2	-0.1	0.5
Middle East	-0.5	-0.8	1.1	-0.4	-0.2	0.2	0.7
Total	-6.8	-10.9	9.6	2.2	-1.0	1.5	

Source: RongViet Securities, * calculating from Sep-20

World oil demand to recover gradually from 3Q2020

- Overall, world oil demand has been recovering from its bottom of 82.9 mbpd since 2Q2020, led by the America and Asia/Pacific.
- At the end of 2Q2021, world oil demand reached 96.8 mbpd, up 3.7% QoQ.

The recovery is depended on controlling the pandemic

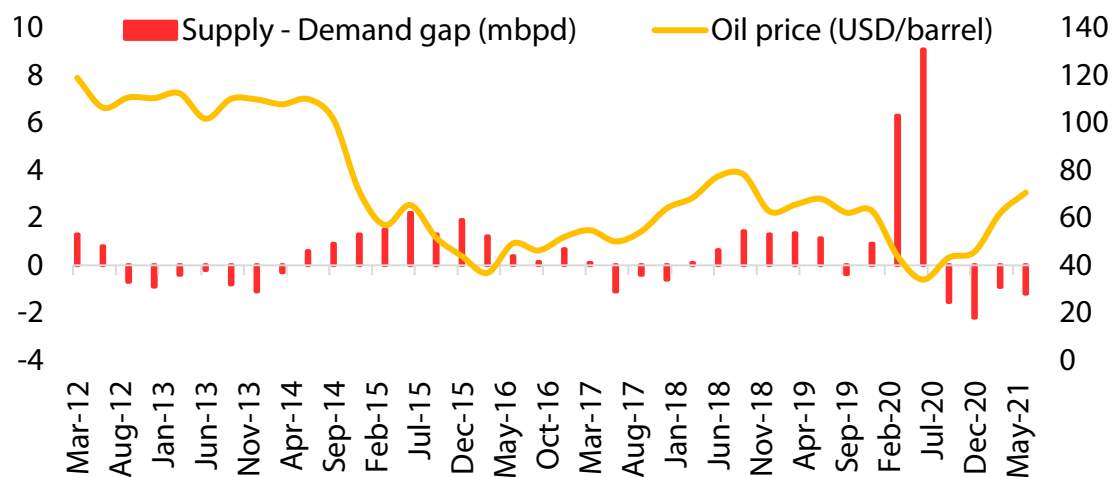
From the end of 2020 to 1Q2021, Asia/Pacific's demand gained the most thanks to the Covid being well-controlled.

- However, the outbreak from early 2Q2021 has hit oil demand in Asia/Pacific while the vaccination campaigns have helped demand increase in America and Europe.

World oil demand is expected to inch higher in 2021 and 2022

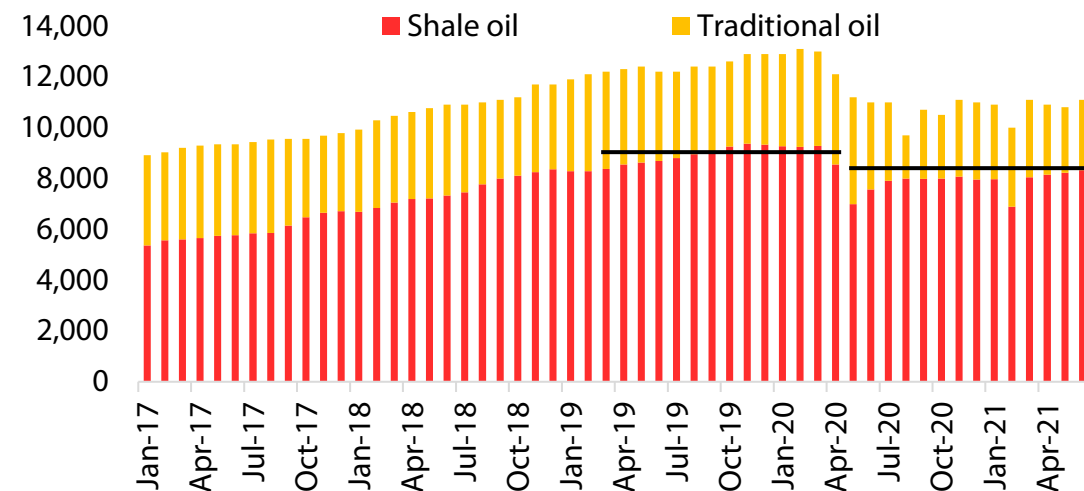
- According to OPEC, world oil demand is seen to rise by 6 mbpd to 96.6 mbpd in 2021. While IEA anticipates the total demand to reach 96.46 mbpd in 2021.
- For 2022, world oil demand is anticipated to rise by 3.3 mbpd to 99.9 mbpd according to OPEC as the acceleration of vaccination campaigns can push the global economic growth. While IEA expects the demand to return to pre-pandemic levels by the end of 2022 ~ above 100 mbpd.

Figure 4: Supply Demand gap (LHS) and Brent price (RHS)



Source: IEA, RongViet Securities

Figure 5: US oil production (tbpd)



Source: Rystad Energy, RongViet Securities

Oil price performed well in 1H2021, partly thanks to the low shale oil production

- As the demand surpassed supply, Brent oil price has experienced an impressive rise from 51.8 USD/barrel to 75.1 USD/barrel, equivalent to a growth of 45%.
- Besides, shale oil supply was still under its highest level although the oil price has been far above its break even point. This is due to shale oil companies focusing on improving returns over more volume.

Brent price is expected to be around 70 – 80 USD/barrel

- U.S. Energy Information Administration's (EIA) expects Brent to average 72 USD/barrel during 2H2021 and average 67 USD/barrel in 2022
- Goldman Sachs, JP Morgan, Morgan Stanley: 80 USD/barrel in 2H2021. Morgan Stanley believes Brent will trade between 75 USD to 80 USD through to the middle of 2022

Upstream companies are still waiting for major oil & gas projects

- Depending on oil & gas projects, upstream companies have not benefited as major projects are put on hold. High oil price is just a necessary condition for important projects to be considered.
- Business results in 1H2021 were not good due to the Covid 19 impact and stagnant domestic oil & gas projects. For the last six months, Block B is open for bidding, which can be the “lifesaver” for upstream players. However, kicking off this project is still a question.

Midstream and downstream to see positive result in first half

- On the contrary, midstream and downstream players posted positive earnings in 1H2021 thanks to the sustainable uptrend of oil price, leading to a higher selling price or better gross margin.
- For 2H2021, earnings for midstream and downstream players is likely to be hurt amid the Covid 19 outbreak in Vietnam. Especially, Ho Chi Minh has been implementing the Directive 16 since early July, along with other provinces in the Mekong Delta, leading to a lower demand for energy.

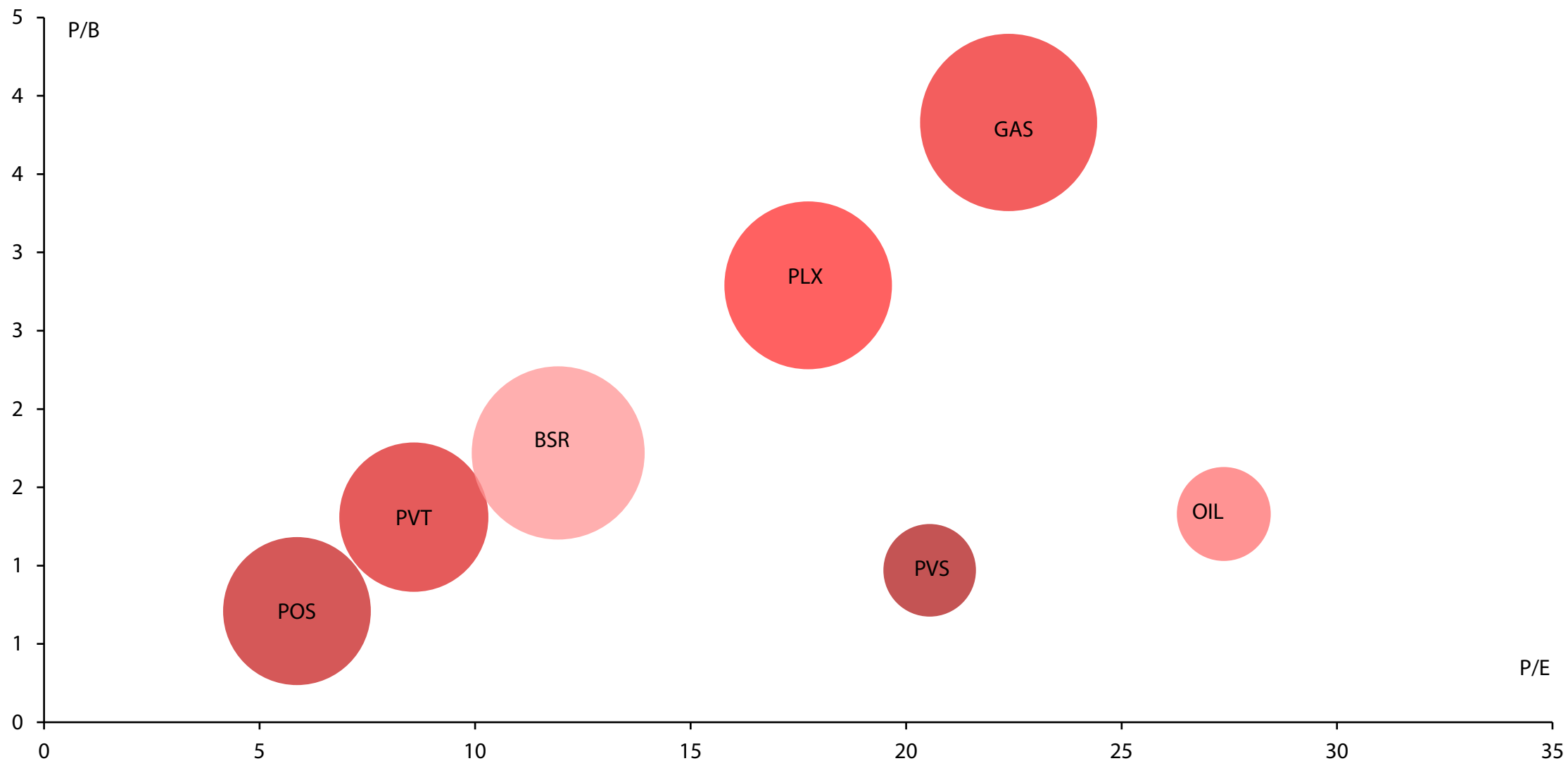
Table 3: Results by companies (USD mn)

	Ticker	Revenue			Net profit			Comment
		1H2020	1H2021	% change	1H2020	1H2021	% change	
Upstream	PVS	393	256	-35%	18	16	-16%	No contribution from new EPC contract.
	PVD	141	74	-47%	3	-3	-192%	Lower average operating rigs and decreasing rig day rates.
Midstream	PVT	152	161	6%	14	20	39%	New fleet contribution and gross margin improvement.
	GAS	1,466	1,806	23%	187	195	4%	Increasing revenue due to higher ASP in dry gas.
Downstream	BSR	1,423	2,193	54%	-191	158	N/A	Higher cracking spread and stable selling volume.
	OIL	1,316	1,130	-14%	-16	21	N/A	Stable oil price to support the domestic gasoline price.

Source: RongViet Securities

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)
PVD	336	19,600	-33.0	-56.1	8.0	-5.1	-82.5	1.1	0.0	0.0	0.0	2,617.8	0.6
PVS	517	24,400	0.7	-62.7	1.1	-1.9	-21.6	4.0	2.3	4.4	4.0	20.5	1.0
PVT	269	24,100	8.5	7.9	23.3	12.2	28.4	11.9	6.2	11.5	2.6	8.6	1.3
GAS	7,781	N/A	3.9	-11.4	17.0	13.0	-20.6	11.3	11.9	16.3	2.7	22.4	3.8
BSR	2,587	N/A	-10.1	1,767.5	9.4	6.2	-329.3	6.6	9.0	15.5	0.0	11.9	1.7
PLX	2,841	N/A	-12.0	112.5	4.3	2.9	169.2	2.9	6.1	15.2	2.3	17.7	2.8
OIL	567	N/A	-35.1	982.3	1.5	0.7	-317.9	1.4	2.1	4.6	0.0	27.4	1.3

Source: Bloomberg, RongViet Securities. Share price as of 02 Aug 2021.

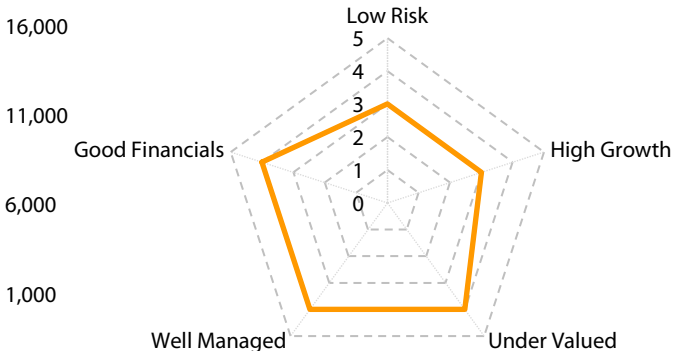
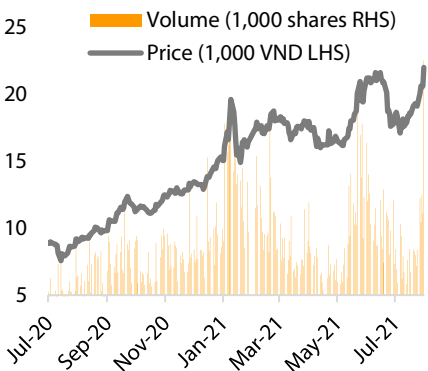


Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 02 Aug 2021.

<BUY: 29%>

<MP: 19,100>

<TP: 24,100>



STOCK INFO

Sector	Transportation
Market Cap (\$ mn)	310
Current Shares O/S (mn shares)	324
3M Avg. Volume (K)	5,087
3M Avg. Trading Value (\$ mn)	4
Remaining foreign room (%)	24
52-week range ('000 VND)	9.1-22.0

FINANCIALS

	2020A	2021F	2022F
Revenue (VND Bn)	7,383	8,086	8,385
NPATMI	669	930	850
ROA (%)	6.0	0.0	6.0
ROE (%)	13.7	0.0	13.7
EPS (VND)	1,946	2,701	2,469
Book Value (VND)	15,096	17,296	19,266
Cash dividend (VND)	400	500	500
P/E (x) (*)	7.2	7.1	7.7
P/B (x) (*)	0.7	1.1	1.0

INVESTMENT RATIONALES

Core business - transportation to recover in 2021

- Oil tanker will benefit from the stable operation of the Binh Son refinery factory as there is no turnaround this year. Moreover, the factory will prefer domestic crude oil so the we expect it can carry 5 mn tons for Binh Son in 2021, up 15.7% YoY. Oil product/chemical tanker is likely to keep growing thanks to the contribution of the new fleet - PVT Dawn, PVT Azura and a few vessels will be added in the coming quarters. LPG tanker is anticipated to maintain its growth momentum thanks to the stable LPG demand from the domestic market as well as fleet expansion with a new VLGC vessel.
- We forecast that the transportation will post VND 5,099 bn (USD 221.6 mn) in revenue, up 9.5% YoY.

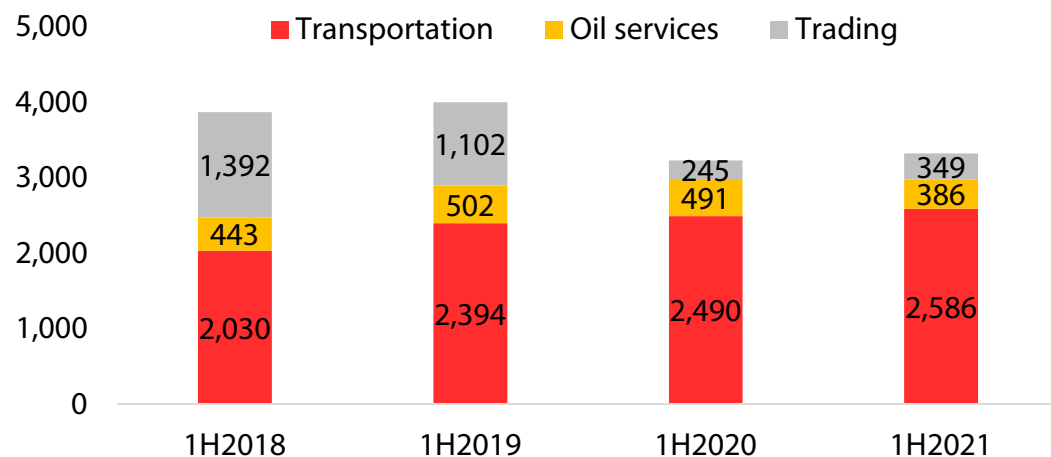
Abnormal profit will affect the bottom line

- Not only will the core business post positive earnings, PVT is forecasted to book VND180 bn (USD7.8 mn) from vessel liquidation, making profits to surge in 2021.
- In 2021, revenue and NPATMI are projected at VND 8,086 bn (USD 351.5 mn) (+9.5% YoY) and VND 930 bn (USD 40.4 mn) (+38.9% YoY) respectively.

RISKS TO OUR CALL

- In case of not liquidating the vessel, 2021 earnings growth will be much lower than our expectation.
- Oil price rise could hit the gross margin of the company.

Figure 1: Revenue by segment (VND bn)

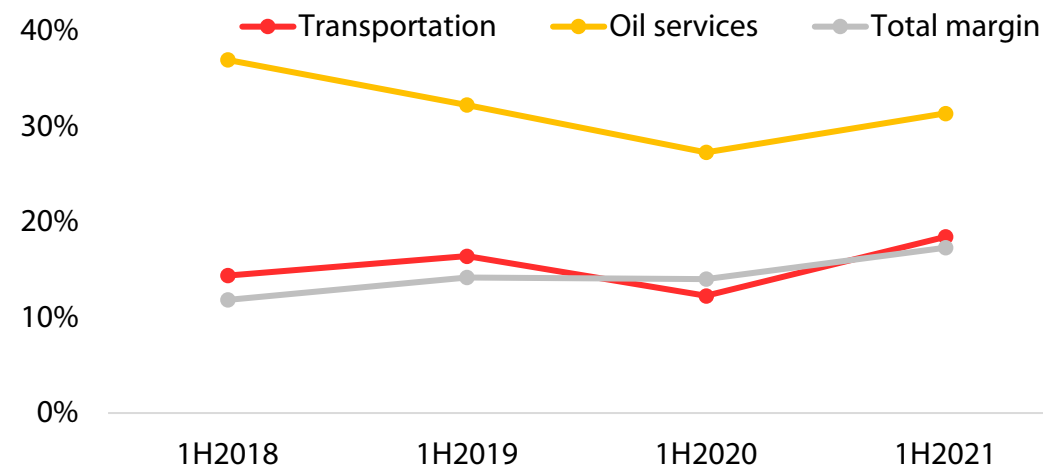


Source: PVT, RongViet Securities

Net profit surged thanks to gross margin improvement

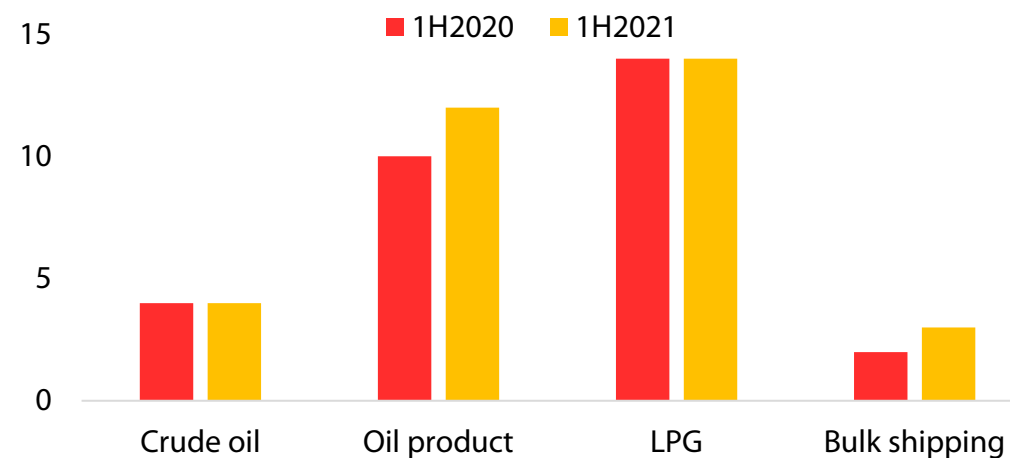
- Revenue of transportation segment improved in 1H2021 with VND2,586bn (USD 112.4 mn), up 3.8% YoY while Oil & Gas service experienced a revenue drop of 21% YoY to VND386 bn (USD 16.7 mn). Totally, PVT recorded VND3,581bn (USD 155.7 mn) in revenue in 1H2021, up 5.5% YoY.
- Gross margin improved significantly from 14.2% (1H2020) to 17.3% (1H2021), driven by the transportation segment.
- NPATMI posted VND353bn (USD 15.3 mn) in 1H2021, up 35.4% YoY.

Figure 2: Gross margin by main segment (%)



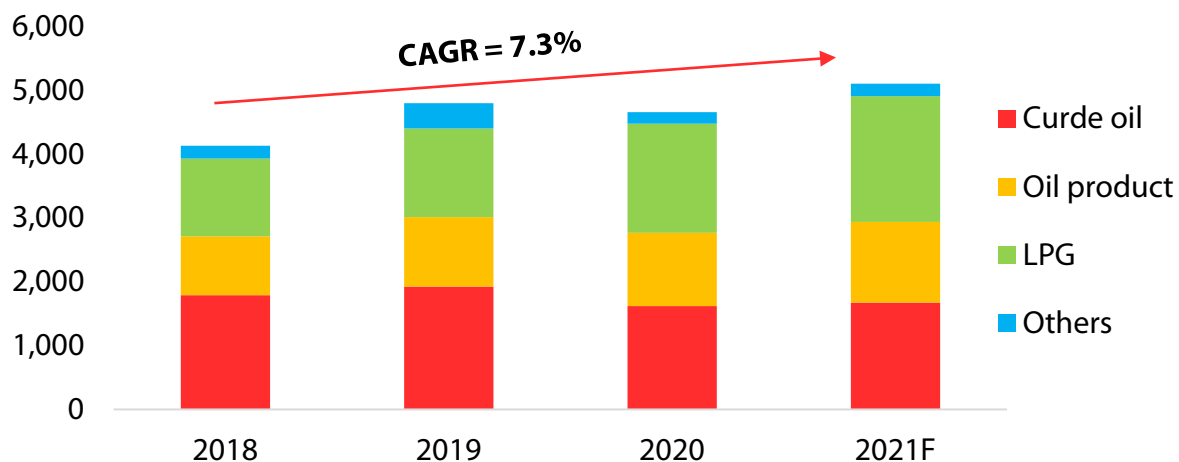
Source: PVT, Rong Viet Securities

Figure 3: Fleets of PVT at the end of 2Q2021



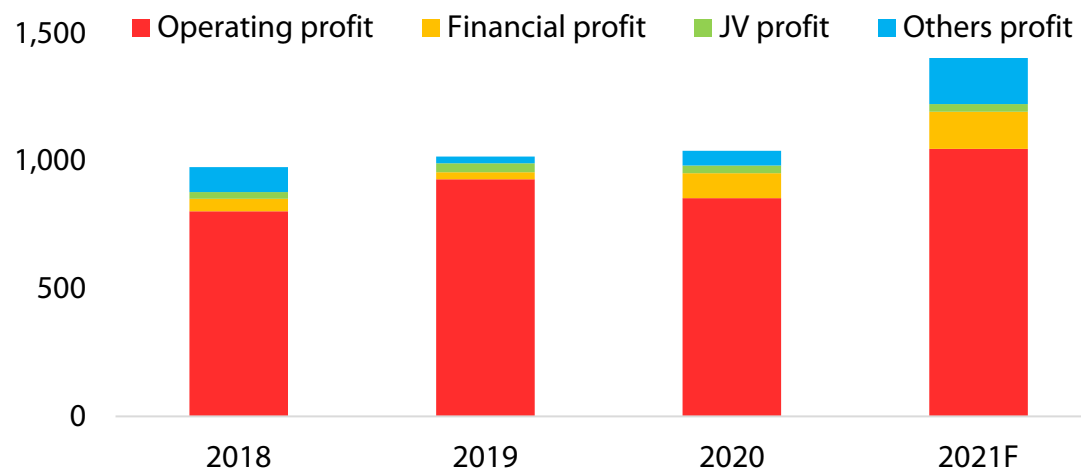
Source: PVT, RongViet Securities

Figure 4: Transportation revenue breakdown (VND bn)



Source: Rong Viet Securities

Figure 5: PBT breakdown forecast (VND bn)



Source: Rong Viet Securities

Fleet expansion and vessel demolition to bring growth

- In July, PVT has invested a VLGC and already earned a 2-year T/C contract for the vessel. Besides, PVT has plan to buy 2 more chemical tankers in 2H2021.
- We expect that PVT will demolish Athena vessel in 4Q2021 and add VND180bn (USD 7.8 mn) for the PBT, making 2H2021 earnings better than 1H2021. In details, NPATMI is projected at VND577 bn (USD 25.1 mn) in the last six months, up 63% compared to 1H2021.
- We forecast that PVT will post VND8,086 bn (USD 351.5 mn) in revenue and VND930 bn (USD 40.4 mn) in NPATMI in 2021, increasing by 9.5% YoY and 38.9% YoY, respectively. In which, the transportation will post VND 5,099 bn (USD 221.6 mn) in revenue, up 9.5% YoY.

PVT will continue its fleet strategy in coming years

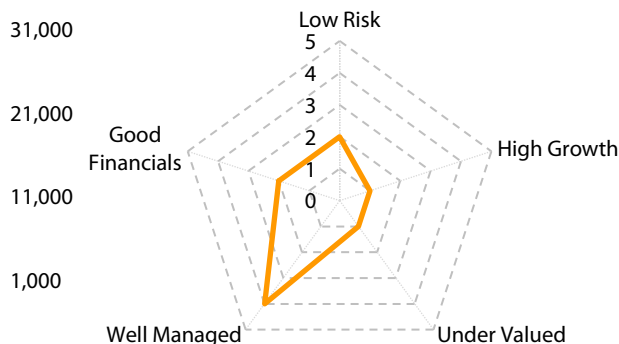
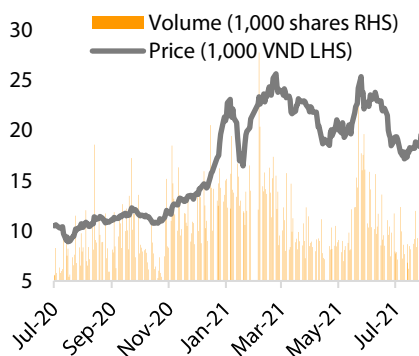
- For crude oil tanker, PVT will invest in two more Aframax and 1 VLCC (for Nghi Son).
- For oil product/chemical tanker, PVT will focus on the chemical tanker as the demand for this type is higher and the gross margin is better than oil product tanker.
- For LPG tanker, PVT will purchase another VLGC through Gas Shipping – one of its subsidiaries.

<ACCUMULATE: 6.8%>

<MP: 18,350>

<TP: 19,600>

STOCK INFO



Sector	Oil & Gas
Market Cap (\$ mn)	357
Current Shares O/S (mn shares)	421
3M Avg. Volume (K)	8,326
3M Avg. Trading Value (\$ mn)	8
Remaining foreign room (%)	42
52-week range ('000 VND)	10.4-25.7

FINANCIALS

	2019A	2020A	2021F
Revenue (VND bn)	4,368	5,228	3,900
NPATMI	184	184	24
ROA (%)	0.9	0.9	0.1
ROE (%)	1.3	1.3	0.2
EPS (VND)	304	278	56
Book Value (VND)	32,551	32,718	32,774
Cash dividend (VND)	0	0	0
P/E (x) (*)	49.5	58.3	327.4
P/B (x) (*)	0.5	0.5	0.6

INVESTMENT RATIONALES

To see a recovery in 2H2021 but 2021 is a cloudy year and maybe 2022

- As the utilization rate is likely to recover in 2H2021 thanks to the secured jobs for drilling rigs till the end of this year, we anticipate better earnings from the core business in the last six months. But PVD is still forecasted to post a loss of VND15 bn (USD0.6 mn) because of the low day rate and provision from Kris Energy.
- In the longer term, PVD can gain huge drilling contracts thanks to the major domestic oil & gas projects. Before this, the company has to look for jobs from the SEA region in 2022, where it is facing low day rate as well as fierce competition.

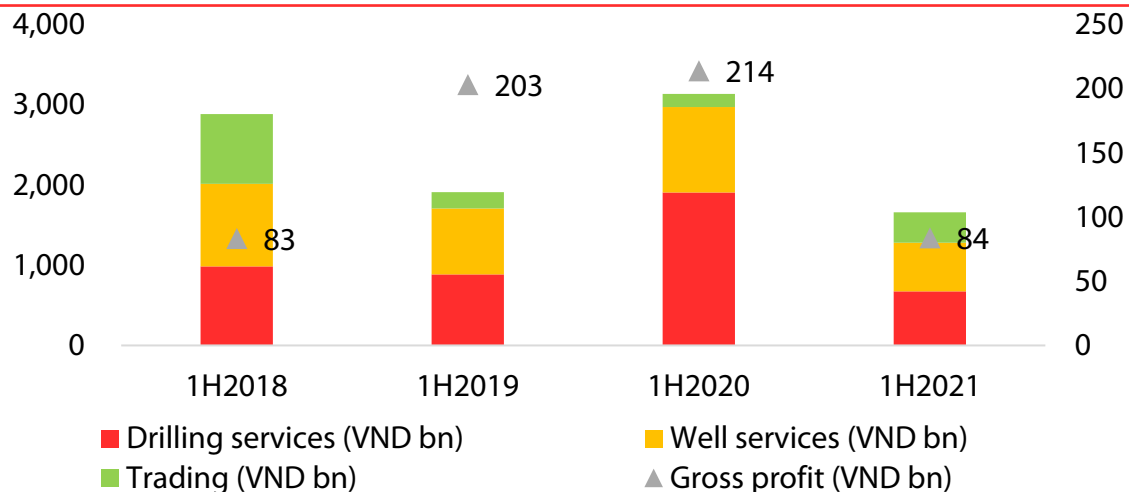
Potential income from provision reversal of PVEP and stable cash flow from PVD V

- At the end of 2Q2021, there is VND73 bn (USD3.1 mn) receivables from PVEP. In case of collecting this amount, PVD can revert VND73 bn (USD3.1 mn) to its 2021 earnings.
- Operating from this Oct, PVD V is expected to bring a stable cash flow for PVD to fulfill its debt obligation.

RISKS TO OUR CALL

- Slow progress can delay the major oil & gas projects longer. Besides, the drop in oil price can impact negatively the stock price.
- PVD can't collect debt from PVEP that will lower the actual 2021 earnings.

Figure 1: Revenue by segment (RHS), total gross profit (LHS)

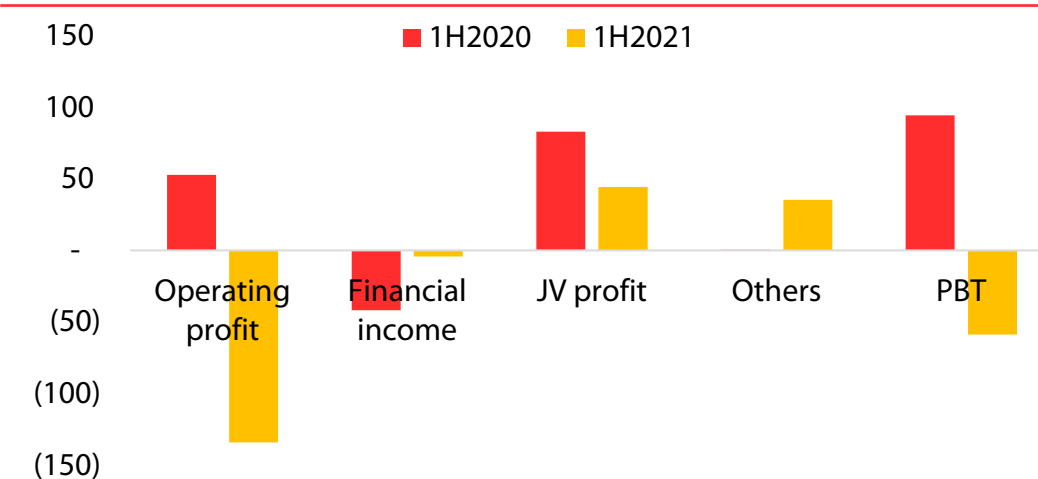


Source: PVD, RongViet Securities

A drop in the drilling segment plus provision hurt 1H profit

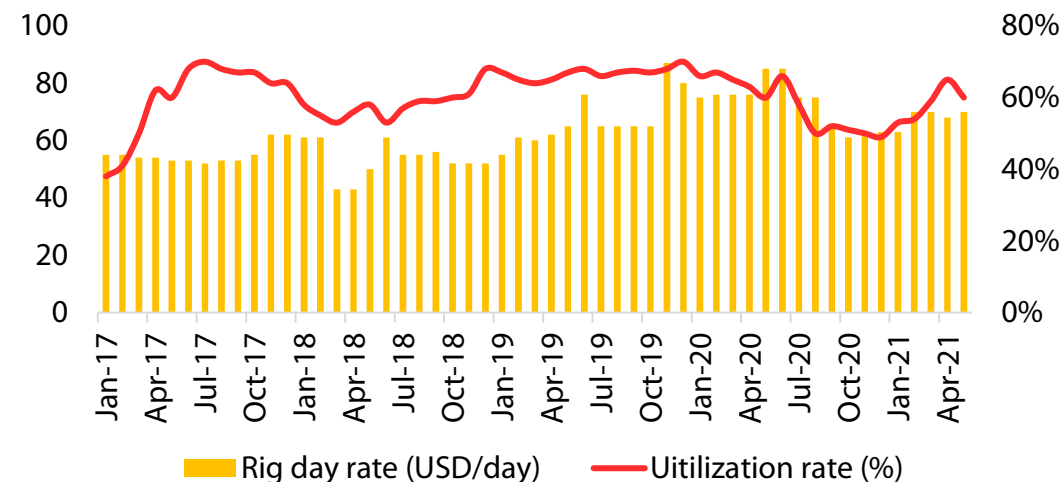
- Drilling service posted VND673 bn (USD29.2 mn) in revenue, down 64.6% YoY due to the lower day rate and average operating rig. In details, there were only 2.9 operating rigs in 1H2021, equivalent to utilization rate of 72%, lower than the level of 88% in 1H2020. Besides, the 1H2021 day rate was estimated to decrease by 20% YoY.
- PVD booked VND38 bn (USD1.6 mn) for provision while reverting VND43 bn (USD1.8 mn) from Technology and Science Fund. However, the slump in revenue can't save earnings. NPATMI reported a loss of VND95 bn (USD4.1 mn) in 1H2021, compared to VND86 bn (USD3.7 mn) profit last year.

Figure 2: PBT breakdown (VND bn)



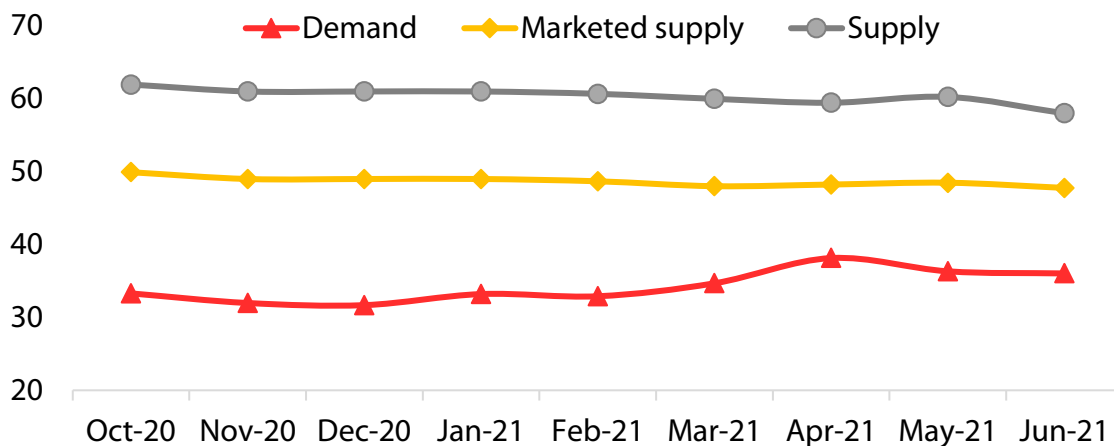
Source: PVD, Rong Viet Securities, operating profit = gross profit – SG&A expense

Figure 3: Utilization rate (RHS) and day rate (LHS) in SEA



Source: IHS, RongViet Securities

Figure 4: Rig supply and demand in SEA (rig)



Source: IHS, June 2021

Table 1: Drilling rig schedule in 2021

	Contract
PVD I	+ Cuu Long JOC: from Apr 2021 till Sep 2021. + Working in VN till the end of 2021.
PVD II	+ Vietsovpetro: from Jan 2021 till Jul 2021. + Hoang Long JOC: from Aug 2021 till the end of 2021.
PVD III	+ Vietsovpetro: from Jan 2021 till Jun 2021. + JVPC: from Jul 2021 to Sep 2021. + Got letter of interest for Repsol Malaysia (400 days).
PVD VI	+ ENI: from Mar 2021 to Oct 2021. + Thang Long JOC: from Nov 2021 till the end of 2021.
PVD V (TAD)	+ Installing DES in order to work for BSP from Oct 2021.

Source: PVD

Jobs for rigs are secured, boosting the 2H2021 earnings

- As most of the drilling rigs have been secured since June, the drilling segment is expected to recover in 2H with the utilization rate of 96%, leading to a rate of 85% for the full year. We forecast revenue of the drilling segment to reach VND 1,176 bn (USD51 mn) in 2H2021, up 74% compared to 1H2021. However, 2021 revenue of drilling segment is projected at VND 1,849 bn (USD 80 mn), down 40% YoY. Total revenue is forecasted to decrease by 25.4% YoY to VND 3,900 bn (USD 169 mn) in 2021.
- The provision from Kris Energy and lower gross margin are likely to made the core business loss VND16 bn (USD0.7 mn). But we anticipate that the Technology and Science Fund will be used to boost earnings to get away from losses as per the 2021 guidance.

Potential contracts from major oil & gas projects but short-term difficulties

- As the domestic upstream activities is not “exciting”, the E&P activities will not offer much jobs for PVD’s rigs. But in the future, there will be huge oil & gas projects to be kicked off such as Block B, Ca Voi Xanh, Su Tu Trang or Ken Bau. PVD can gain huge contracts from these thanks to its leading position in the drilling segment. Before this, PVD has to look for jobs in the SEA region, where it is facing a cloudy outlook due to the low day rate as well as fierce competition.

<ACCUMULATE: 2%>**

<MP: 24,900>

<TP: 24,400>

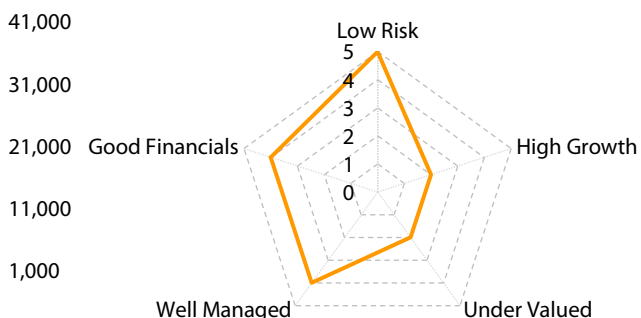
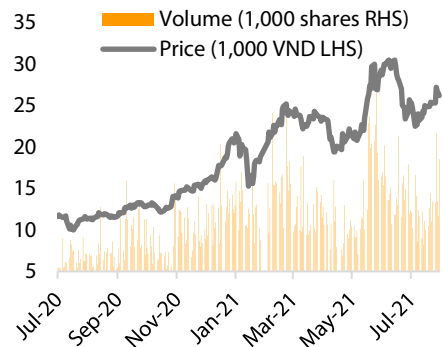
STOCK INFO

FINANCIALS

2020A

2021F

2022F



Sector	Oil & Gas
Market Cap (\$ mn)	544
Current Shares O/S (mn shares)	478
3M Avg. Volume (K)	14,188
3M Avg. Trading Value (\$ mn)	17
Remaining foreign room (%)	21
52-week range ('000 VND)	11.2-30.5

Revenue	20,180	13,289	15,584
NPATMI	624	796	670
ROA (%)	2.4	3.1	2.5
ROE (%)	5.1	6.3	5.2
EPS (VND)	1,046	1,499	1,262
Book Value (VND)	25,462	26,256	26,812
Cash dividend (VND)	1,000	700	700
P/E (x) (*)	23.8	16.6	19.7
P/B (x) (*)	1.0	0.9	0.9

INVESTMENT RATIONALES

Potential oil & gas projects contribution despite the lack of new contracts from the M&C segment in 2021

- In 2021, PVS will continue implementing the current oil & gas projects without any contribution from new EPC contracts due to the gloomy upstream activities. However, there are still a lot of potential domestic projects that can take place in the future. PVS is able to add these to its backlog due to its leading position in the M&C segment.
- Recently, PVS has been awarded two EPC contracts with an expected value of up to USD500 mn. These two contracts will be booked for 2022-2023.

JVs profit is expected to surge in 2021

- FPSO Lam Son has been extended the contract to June 2022, which can be a "proof" for PVS to revert the previous provision in 2021. Besides, FSO Sao Vang will be fully booked in 2021. We forecast that PVS will record VND674 bn (USD29.3 mn) for JV profit in 2021, 3.5x higher, compared to 2020.

NPATMI to see a strong growth in 2021 but valuation is high

- PVS is likely to revert the warranty of construction work in 2021 with the estimated value of VND370 bn (USD16.1 mn). Coupling with the hike in JVs profit, 2021 NPATMI is projected at VND796 bn (USD34.6 mn), increasing by 27.5% YoY, which is equivalent to 2021 P/E forward of 16, higher than its average of 11x. However, the oil price rally can push the stock price up.

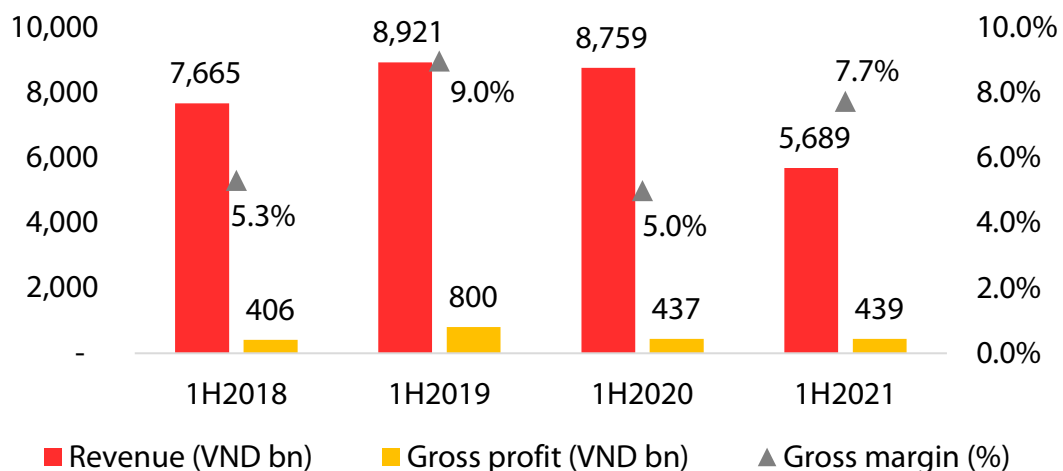
RISKS TO OUR CALL

- Slow progress can delay the major oil & gas projects longer. Besides, the drop in oil price can impact negatively on the stock price.
- PVS may not revert the warranty construction work in 2021 as our expectation, leading to a lower earnings.

* Share price as of 02 Aug 2021.

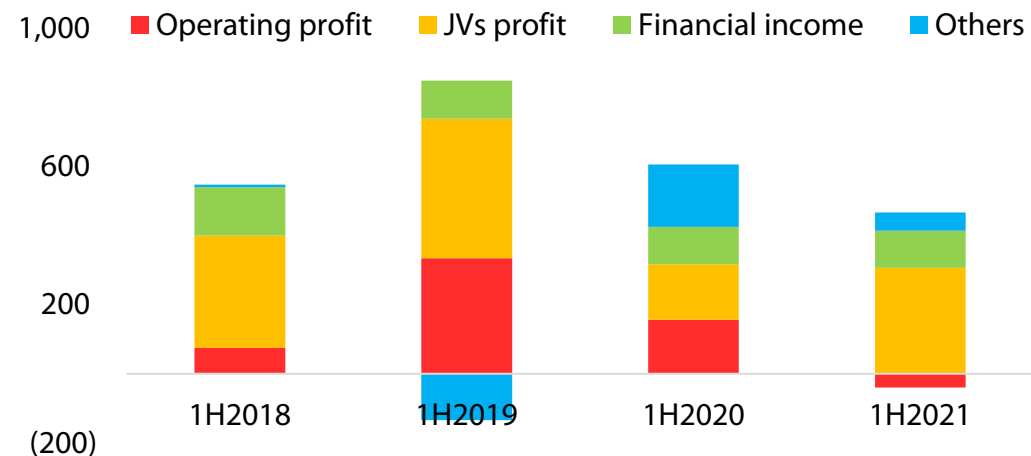
** Total return includes cash dividend in 12 months.

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



Source: PVS, RongViet Securities

Figure 2: PBT breakdown (VND bn)



Source: PVS, Rong Viet Securities, operating profit = gross profit – SG&A expense

Improvement in gross margin but provision hurt operating profit

- 1H revenue was down 35% YoY to 5,689 bn (USD247.3 mn) but the gross margin improved maintaining the gross profit at VND439 bn (USD19.1 mn). However, the provision for receivables pushed SG&A expenses higher, leading to a loss in operating profit.
- Notably, revenue was impacted by the M&C segment as PVS has not been awarded any new EPC contracts since early 2021.

Despite a surge in JV profit, other profit fell, dragging down the bottom line

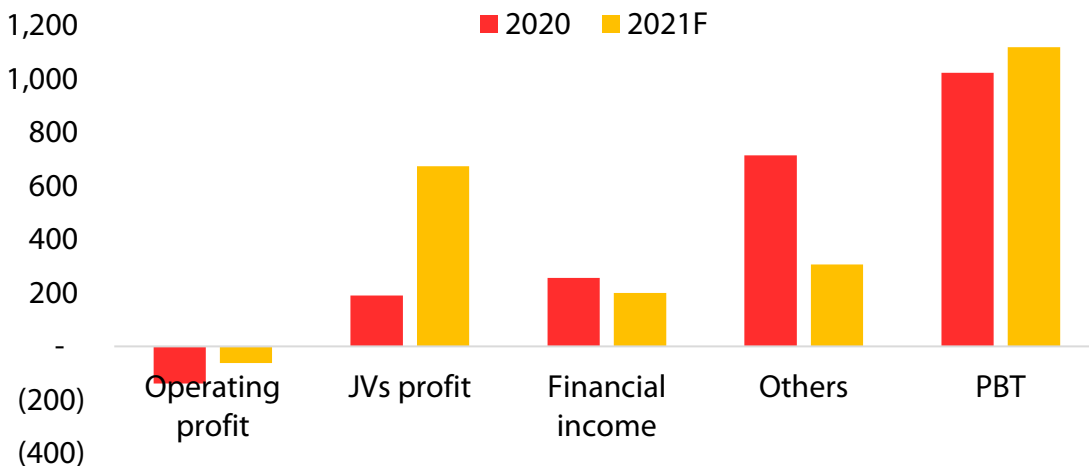
- In 1H2020, PVS reverted VND180 bn (USD7.8 mn) in the warranty of construction work while only booking VND13 bn (USD0.5 mn) in 1H2021. Coupling with the loss in operating profit, the NPATMI was only VND308 bn (USD13.4 mn), down 18.3% YoY.
- JV profit experienced a good result with VND307 bn (USD13.3 mn) in 1H2021, up 91% YoY.

Figure 3: Warranty construction work in some projects (VND bn)

	2017	2018	2019	2020	2Q21
Su Tu Trang	275	275	275	275	275
Daman	55	55	55	55	55
Gallaf	-	-	61	193	189
Sao Vang Dai Nguyet	-	-	482	573	560
NH3	-	-	10	10	8
NPK	-	-	5	5	5

Source: Rong Viet Securities

Figure 4: Profit before tax breakdown (VND bn)



Source: Rong Viet Securities

Operating profit to record a loss while JV's profit will support 2021 earnings

- In 2021, revenue is forecasted to decrease by 34.1% to VND13,289 bn (USD577.7 mn) due to the shortage of new contract from the M&C segment. Despite the improvement in the gross margin, we forecast that the operating profit will be VND -62 bn (USD -2.7 mn).
- 2021 earnings will rely on the financial profit, JV and other profit (warranty of construction work). Especially, JV's profit will experience an impressive performance in 2021 with VND674 bn (USD29.3 mn) thanks to FPSO Lam Son and FSO Sao Vang, which is 3.5x higher compared to 2020.
- NPATMI is projected at VND796 bn (USD34.6 mn), increasing by 27.5% YoY.

Potential backlog from major oil & gas projects

- As domestic upstream activities are not "exciting", the M&C segment is likely to be hurt. But in the future, there will be huge oil & gas projects such as Block B, Ca Voi Xanh, Su Tu Trang or Bau Ken. PVS can gain from these thanks to its leading position in the M&C segment.



AGRICULTURE INDUSTRY

MANY CHALLENGES

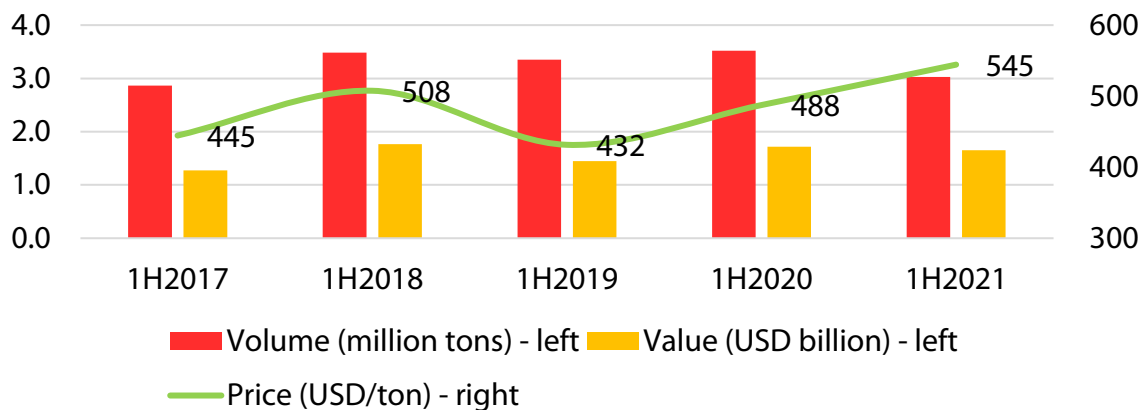


Hoang Bui – hoang.bh@vdsc.com.vn

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

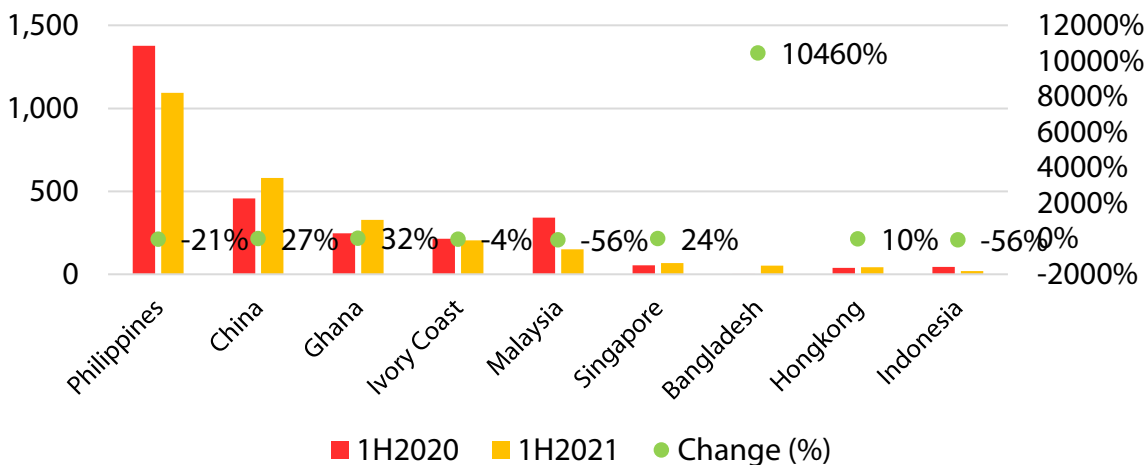


Figure 1: Rice exports



Source: General Department of Customs, Rong Viet Securitates

Figure 2: Rice exports by country ('000 tons)

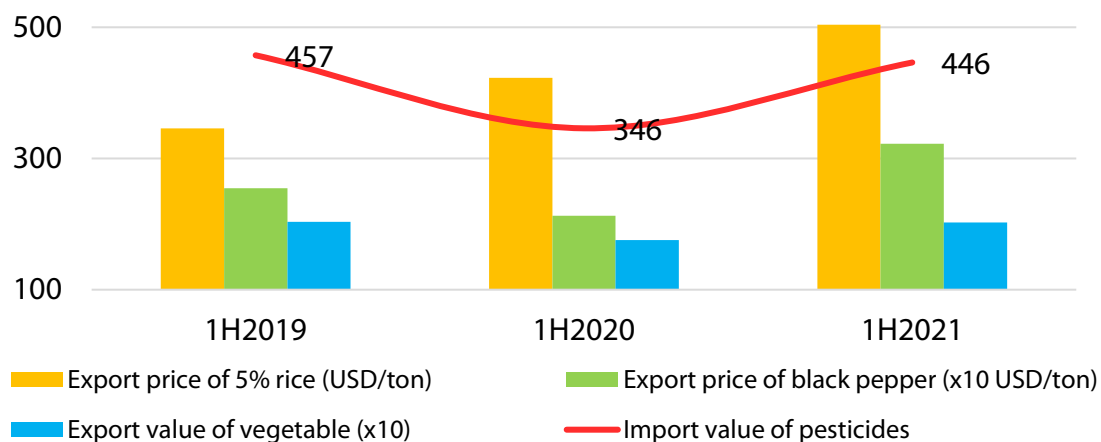


Source: General Department of Customs, Rong Viet Securitates

Exports reached USD 1.65 bn, down by 4% yoy as volume decreased by 14% yoy, to 3.03 million tons. By contrast, the average selling price increased by 12% yoy, to 545 USD/ton.

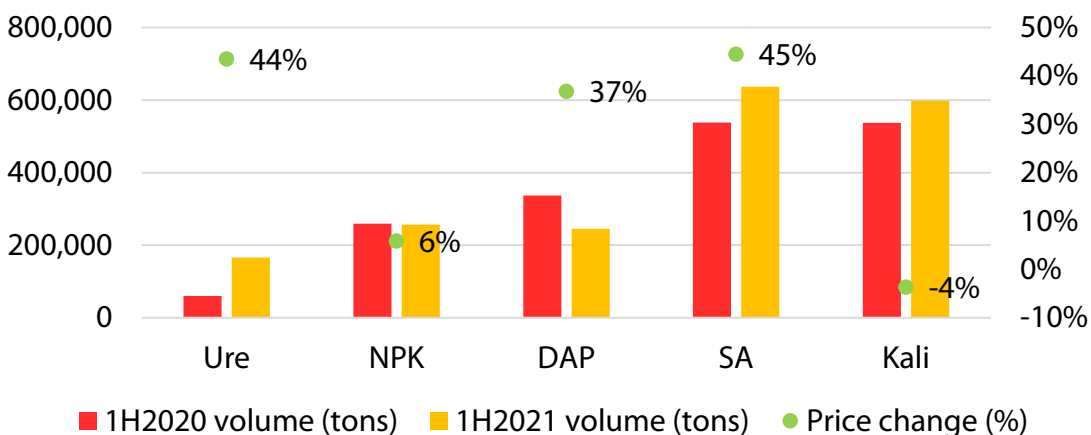
- Export volume dropped because the Philippines - the largest market - reduced imports to 1,093 thousand tons (-21% yoy). In the meantime, exports by Malaysia also plummeted by 56% yoy, to 151 thousand tons. The reasons were (1) the Philippines actively reduced imports as this year rice productivity was better (harvested volume may rise by 4% yoy); (2) there were not enough containers to pack. Conversely, exports to China, Ghana and Bangladesh recorded growth as these countries increased imports to top up their inventories.
- Export price surged thanks to (1) increase in export of fragrant rice, high-quality rice with higher selling price and added value; (2) domestic demand increased due to the need of replenishing the rice storage; (3) Winter-Spring crop was harvested lately compared to the previous year. Besides, Indian rice prices remained low thanks to abundant supply. The Thai rice prices went up in the beginning of 2021 before gradually decreasing due to the lower value of the Baht.

Figure 3: Import of pesticides (USD mn)



Source: General Department of Customs, Vietnam Food Association, Rong Viet Securities

Figure 4: Volume and price change of imported fertilizers



Source: General Department of Customs, Rong Viet Securities

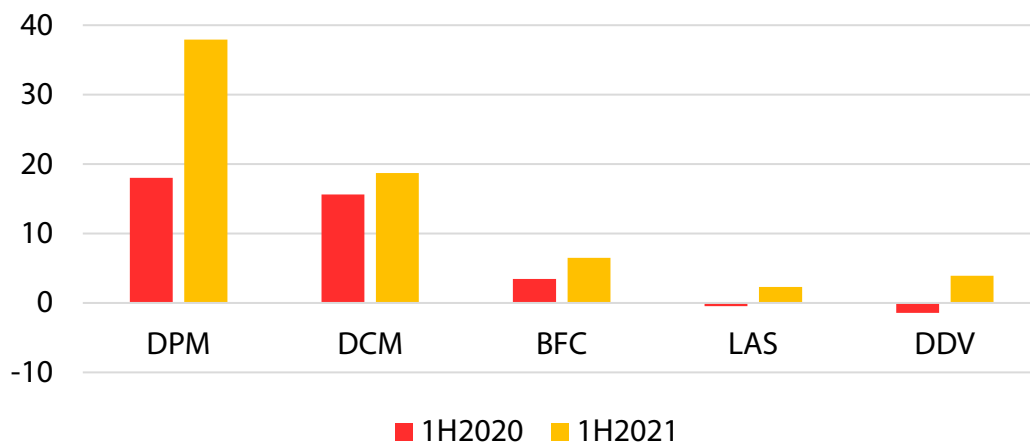
1H2021, Vietnam imported USD 446 mn of pesticides, up by 29% yoy due to the following factors:

- Agricultural products price and export value of vegetables and fruits were more positive than the same period in 2020, improving farmers' incomes. Thereby, farmers invested more in pesticides.
- The import of pesticides did not face many obstacles. Contrarily to last year, because when the Covid-19 appeared in 1Q2020, China imposed a lockdown interrupting imports.
- Cultivation area was maintained at 5,223 thousand hectares, slightly down by 0.9% yoy.

1H2021 import value of fertilizers was USD 645 mn, up by 26.9% yoy thanks to:

- Fertilizer demand improved as agricultural products price increased due to the global food storage demand and positive weather conditions in 1H2021. It is estimated that Vietnam imported 2.3 million tons of fertilizer, up by 14.7%.
- Besides the rising in import volume, the import price of fertilizer also recorded an increase in line with the global trend when production and transportation costs went up.

Figure 5: PAT of fertilizer companies (USD mn)



Source: Rong Viet Securities

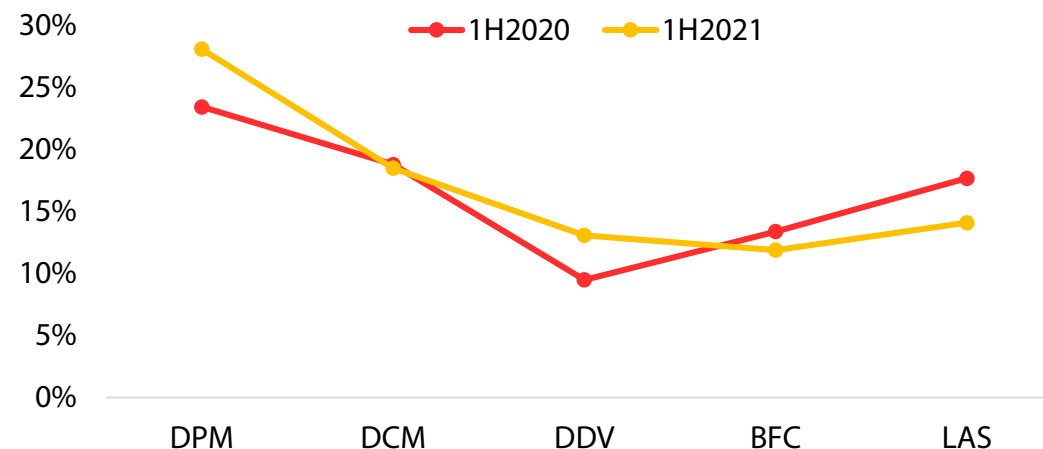
The gross profit margin of companies did not move in the same way

- In general, the gross profit margin in 1H2021 (compared to 1H2020) of the straight fertilizer companies (Urea, DAP) was better than that of the compound fertilizer companies (NPK). The main reason is that the fierce competition in the NPK market that makes companies could not increase their selling prices much to offset the high prices of input materials such as Urea and DAP.

However, PAT generally improved compared to 1H2020

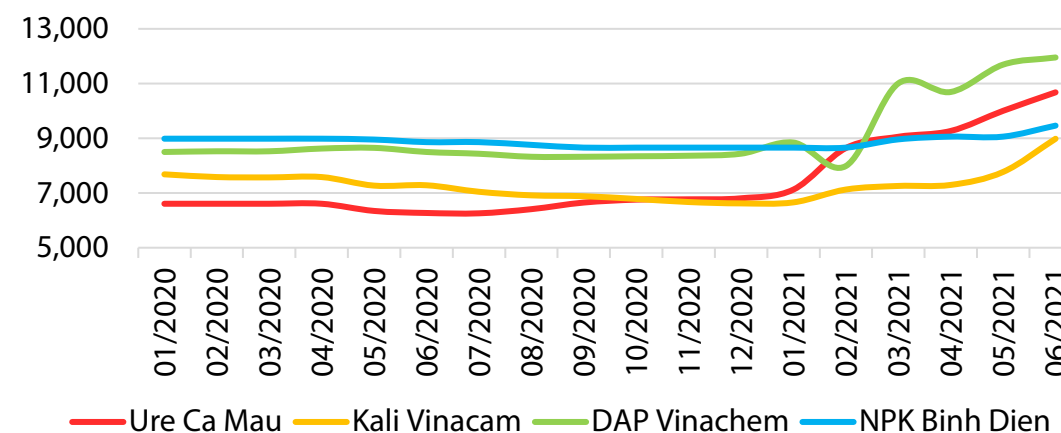
- The strong increase in revenue of fertilizer companies due to the recovery of sales volume combined with good gross profit margin, leading to the growth in PAT in 1H2021.

Figure 6: Gross profit margin of fertilizer companies (%)



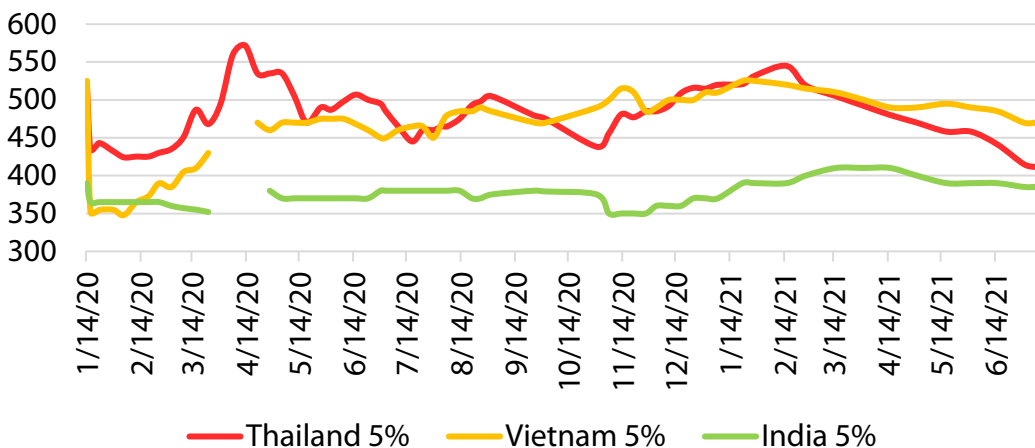
Source: Rong Viet Securities

Figure 7: Fertilizer prices updated until June 2021 (VND/kg)



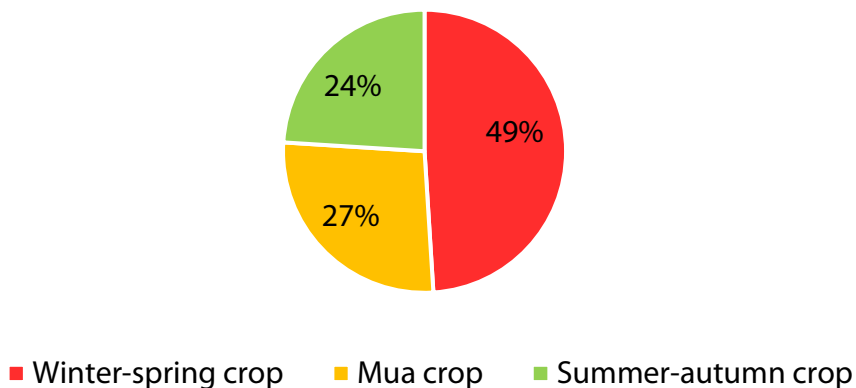
Source: Rong Viet Securities

Figure 8: Rice export price (USD/tons, FOB)



Source: Vietnam Food Association, Rong Viet Securities

Figure 9: Fertilizer demand by season



Source: Rong Viet Securities

Agricultural products prices may fall

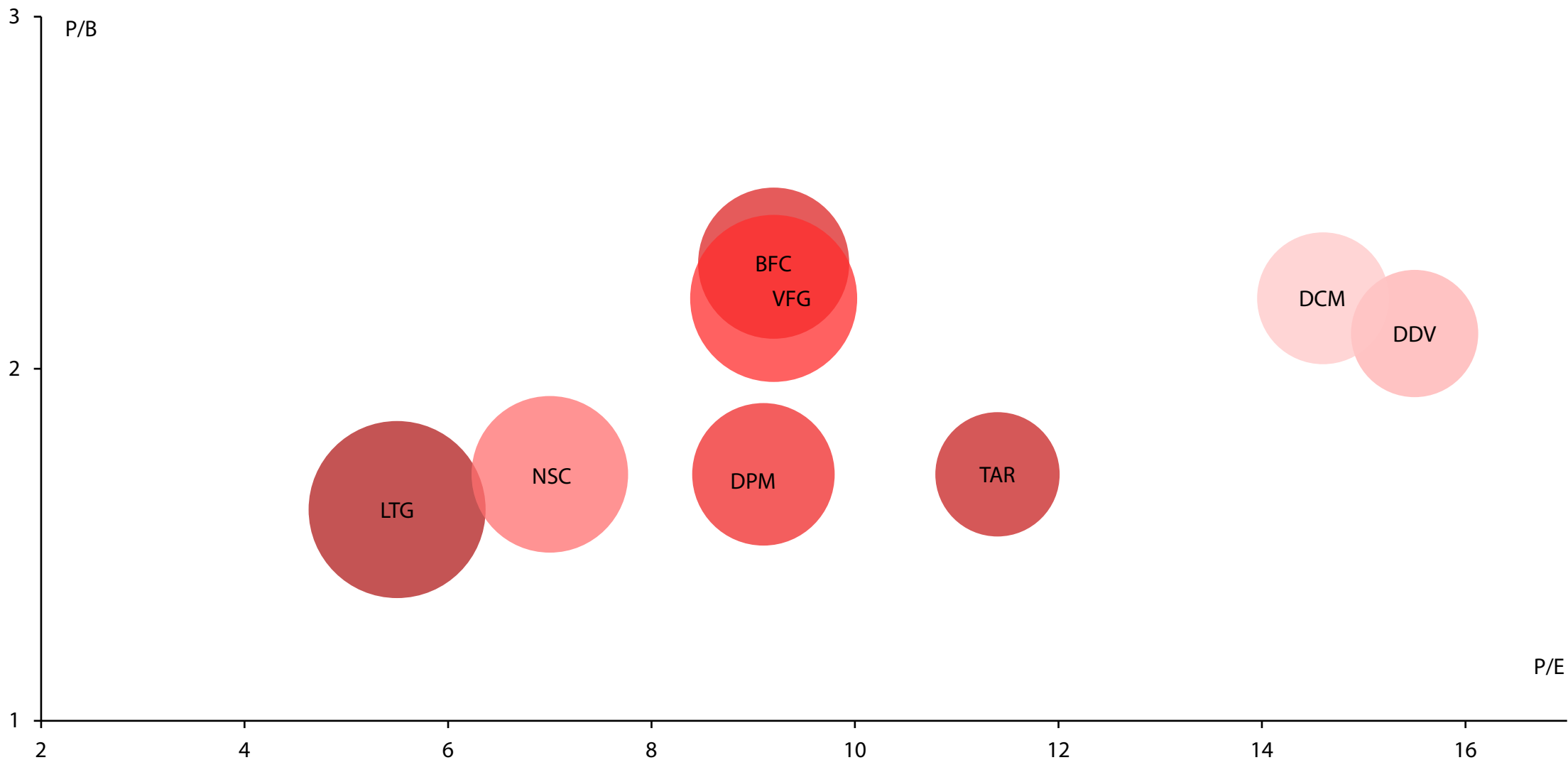
- Vietnamese rice prices may decrease to compete with Indian rice in the context that (1) Indian rice prices will remain low thanks to abundant supply; (2) Competition for rice exports to Philippines increases as this country will reduce imports by 14% yoy, to 2.1 million tons because of better seasons. Additionally, the Philippines has reduced the MFN tax (applicable to India) to 35% - equal to the tax rate applied to Vietnam - to find cheaper supplies. Thereby, controlling inflation.
- The pandemic control measures have disrupted trade activities between production areas and domestic consumption markets. This will negatively affect agricultural product prices and sales volume in 2H2021.

Falling agricultural products price may affect the spending on agricultural materials

- The drop in agricultural products price will affect farmers' income. Therefore, it is expected that the level of investment in pesticides will be negatively impacted. Thereby, pesticide sales of LTG may decrease slightly in 2H2021.
- Fertilizer sales will also be projected not to be as strong as that in 1H2021 when fertilizer's demand for the summer-autumn crop is low. Moreover, the fertilizer price is forecasted to maintain in 2H2021, which will partly affect demand as the prices of agricultural products are forecast to fall.

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)
DPM	452.6	26,700	8.8	22.6	18.8	12.7	62.8	13.3	9.9	13.7	7.9	9.1	1.2
LTG	139.3	41,300	70.1	76.2	9.8	8.2	144.9	4.6	6.4	16.9	2.5	5.5	1.1
BFC	74.8	24,000	23.5	13.4	6.4	5.4	51.2	3.4	6	15.4	5	9.2	1.8
DCM	474.2	N/A	24	13.1	23.9	8.2	50.7	8.7	8.3	11.7	6.8	14.6	1.7
DDV	94.6	N/A	63.6	136.9	11.7	5.6	-388.8	5.4	8.5	10.9	0.0	15.5	1.6
LAS	76.1	N/A	10.2	105	5.2	4.0	-445.5	2.6	3.9	5.6	0.0	62.8	1.4
VFG	72.5	N/A	13.6	21.4	10.7	9.7	42.9	8.6	10.5	18.8	6.7	9.2	1.7
NSC	58.9	N/A	25.5	13.3	15.1	13.9	7.7	11.5	10.3	16.5	7.8	7.0	1.2
TAR	29.7	N/A	-3.7	N/A	0.0	0.0	-42.9	0.0	0.0	0.0	0.0	11.4	1.2

Source: Bloomberg, RongViet Securities. Share price as of 2 Aug 2021

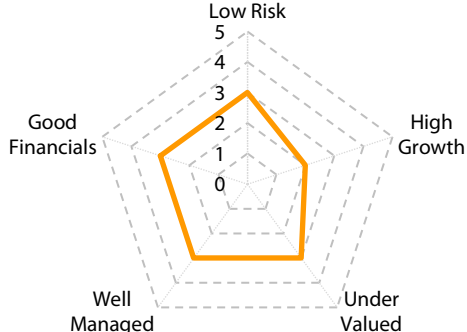
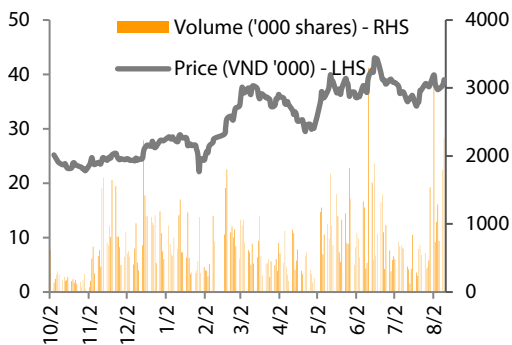


Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 2 Aug 2021.

<ACCUMULATE: 8.3%>

<MP: 39,900>

<TP: 41,200>



STOCK INFO

Sector	Basic Materials
Market Cap (\$ mn)	139.3
Current Shares O/S (mn shares)	80.6
3M Avg. Volume (K)	821
3M Avg. Trading Value (VND Bn)	31.1
Remaining foreign room (%)	10.6
52-week range ('000 VND)	17.3-43

FINANCIALS

	2020A	2021F	2022F
Revenue	7,506	10,285	12,381
NPATMI	366	425	450
ROA (%)	5.3	6.5	5.5
ROE (%)	13.1	14.3	14.4
EPS (VND)	3,859	4,172	4,522
Book Value (VND)	35,214	36,894	38,916
Cash dividend (VND)	1,500	2,000	2,500
P/E (x) (*)	7.1	9.6	8.8
P/B (x) (*)	0.8	1.1	1

INVESTMENT RATIONALES

The agricultural segment has the opportunity to grow thanks to the new model of association with cooperatives

- The new model creates a close connection between LTG and cooperatives as the latter commits to providing all production factors (such as pesticides, seeds, technology, knowledge, etc.) and helps to sell the products. This will improve the sales of agricultural materials. In addition, affiliated cooperatives are expected to increase over the years from 94,000 ha (currently) to 500,000 ha in 2025. Thereby, the revenue of the segment may grow by 4.7%/year in the 2021-2025 period, much better than a decline of 1%/year in the 2016-2020 period.

Working capital management continues to improve

- LTG has a policy in which it offers no debts to pesticide distributors, but in return, the distributors have a better payment discount. Thereby, the burden of receivables and the risk of bad debt gradually decreases. Also, increasing the proportion of sales to Vietnam's rice export companies (with prior agreement on volume and selling price) helps improve inventory turnover. In fact, at the end of 2Q2021, the quality of working capital management improved, helping to reduce the cash conversion cycle by 33% yoy, to 133 days.

The provisioning of reserve funds will affect the profit for shareholders

- The Group will allocate the excess profit of the next years into the reserve funds for employees (supporting employees affected by pandemic or force majeure clause) and farmers (supporting farmers associating with LTG when their crops are damaged by natural disasters). Accordingly, PAT is expected to grow by 10.2%/year in the 2021-2025 period, but the EPS of parent company shareholders will only grow by 5.7%/year.

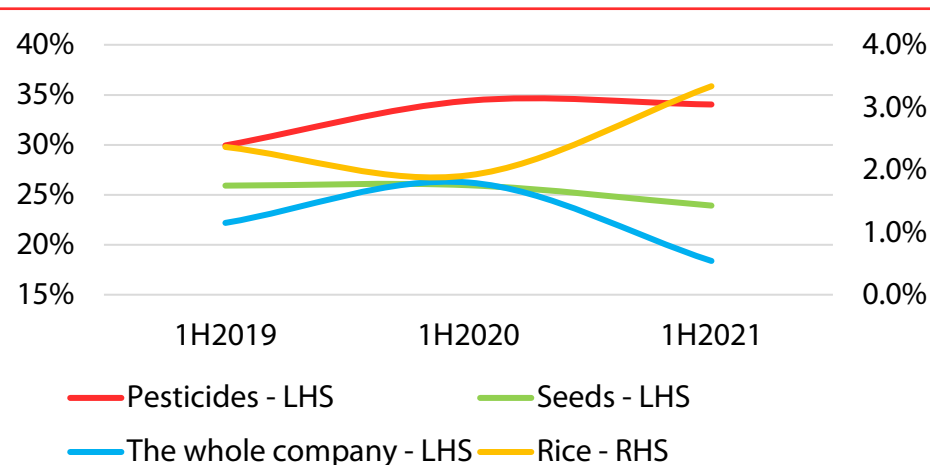
RISKS TO OUR CALL

- Competitive pressure may force LTG to loosen its sales policy again, increasing the pressure on receivables, increasing debt and reducing profit.

Those main segments simultaneously improved

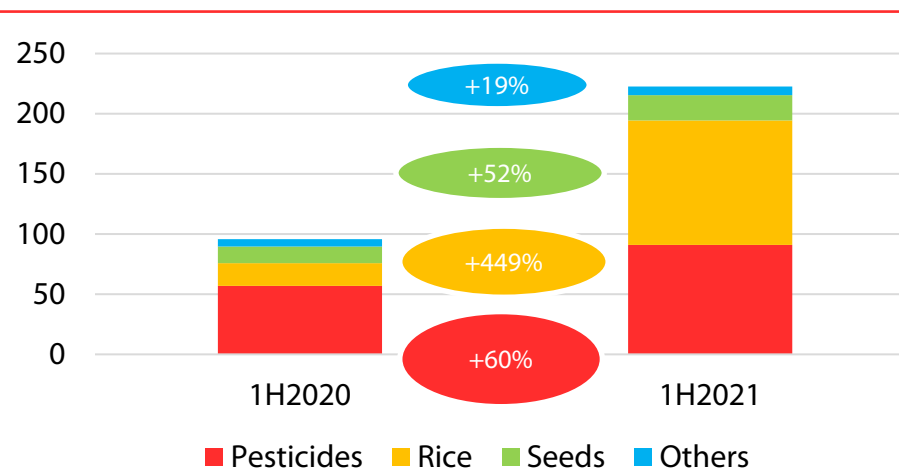
- Revenue and NPAT increased by 133% yoy (to USD 222.7 mn) and 100% yoy (to USD 9.9 mn), respectively, thanks to the demand recovery for agricultural materials and improved efficiency of the rice segment.
- Revenue of pesticides and seeds recorded a growth of 60% yoy (to USD 90.8 mn) and 52% yoy (to USD 20.9 mn), respectively. The growth drivers are favorable weather and high prices of agricultural products. Thus, farmers increased their investment in agricultural materials.
- Rice revenue increased by 449% yoy, to USD 103.7 mn. The growth driver is the company's expansion of distribution channels when selling to Vietnam rice export companies. Also, the good control of supply and demand, plus trade contracts finalized before the season helped improve the GPM from 1.9% to 3.3%.
- GPM decreased from 26.2% to 18.4% as the contribution of the rice segment (having low GPM) in revenue increased sharply from 20% to 47%. Gross profit reached USD 40.9 mn, up by 63% yoy.
- Average short-term debt increased by 38% yoy, causing interest expense to increase by 50% yoy, to USD 3.1 mn. Selling expenses increased by 49% yoy, to USD 16.2 mn due to the company's increase in advertising and promotion. Meanwhile, G&A expenses only increased slightly by 12% yoy, to USD 6.3 mn.

Figure 1: The segments' GPM (%)



Source: LTG, Rong Viet Securities

Figure 2: Revenue sources (USD mn)



Source: LTG, Rong Viet Securities

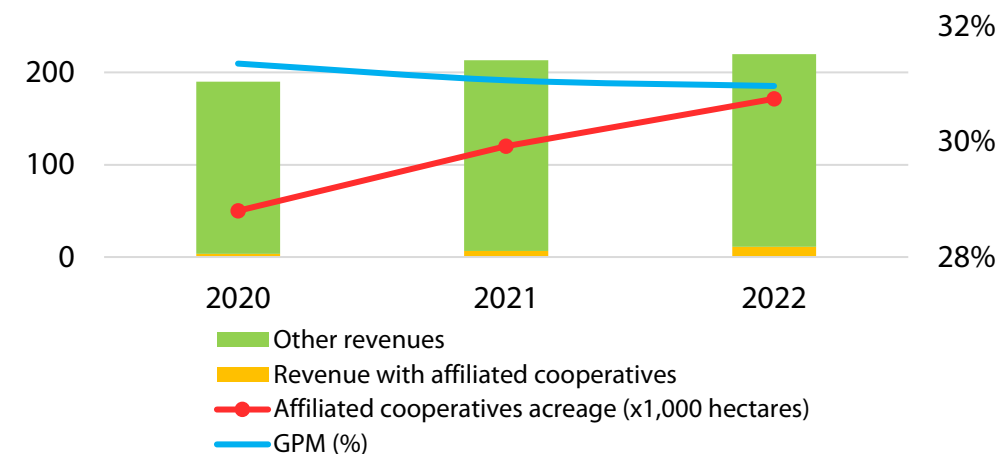
2H2021: many challenges

- To compete with Indian rice, the price of Vietnamese rice may decrease in 2H2021. In addition, the re-emergence of the Covid-19 will disrupt trade activities among provinces, so sales volume and agricultural product prices may go down. Thus, farmers may reduce their spending on agricultural materials. The revenue of agricultural materials may only reach USD 136.1 mn (-10% yoy).
- However, thanks to strong growth in 1H2021, revenue and NPAT will grow by 37% yoy (to USD 447.2 mn) and 16% yoy (to USD 18.5 mn), respectively.

2022: Increasing sales through new business models to improve results

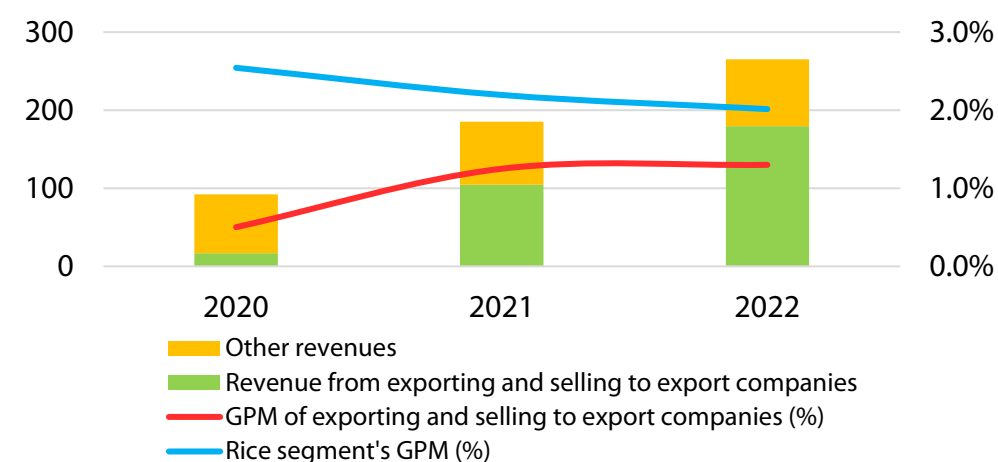
- It is expected that the area of affiliated cooperatives will reach 171,000 ha (+51,000 ha yoy) and the demand for agricultural products will recover (when Covid is under control), helping to increase the demand for agricultural materials.
- Expanding the scale of rice selling to other Vietnam export companies will increase the revenue of the rice segment by 43% yoy (to USD 265.3 mn) and make the segment's GPM decrease slightly by 18bps, to 2%.
- Revenue and PAT in 2022 will reach USD 538.3 mn (+20% yoy) and USD 19.6 mn (+5.9% yoy), respectively.

Figure 3: Results of the pesticides segment (USD mn)



Source: Rong Viet Securities

Figure 4: Results of the rice segment (USD mn)



Source: Rong Viet securities

<ACCUMULATE: 6%>

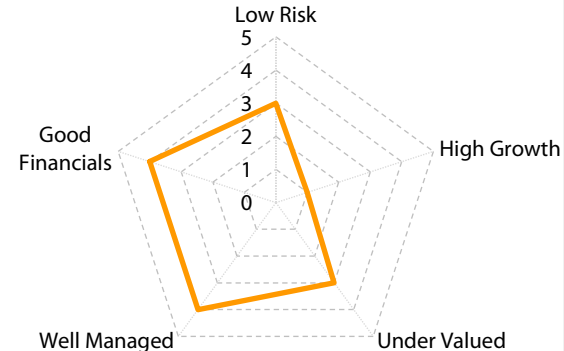
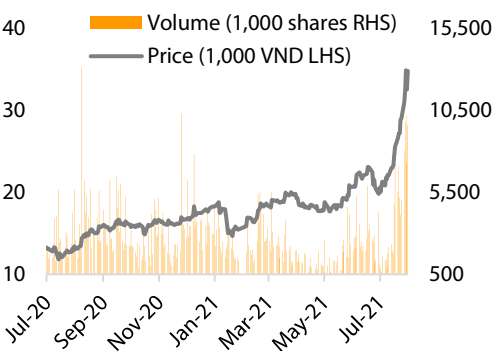
<MP: 26,600>

<TP: 26,700>

STOCK INFO

FINANCIALS

2020A 2021F 2022F



Sector	Chemical
Market Cap (\$ mn)	591
Current Shares O/S (mn shares)	391
3M Avg. Volume (K)	2,522
3M Avg. Trading Value (\$ mn)	4
Remaining foreign room (%)	29
52-week range ('000 VND)	13.3-34.8

Revenue (VND Bn)	7,762	10,741	10,103
NPATMI (VND Bn)	693	1,311	782
ROA (%)	6.1	10.9	6.4
ROE (%)	8.6	15.2	8.7
EPS (VND)	1,557	3,326	1,984
Book Value (VND)	20,661	21,976	22,954
Cash dividend (VND)	1,400	2,000	1,000
P/E (x) (*)	12	8.0	13.4
P/B (x) (*)	0.9	1.2	1.2

INVESTMENT RATIONALES

High average selling price (ASP) of urea and chemicals are a boon for 2021 earnings

- ASP of urea was up 27% YoY in 1H2021, improving the gross margin from 31.3% to 32.4%. NH3 also experienced a good performance in 1H2021 with gross margin of 47%, compared to 25% in 1H2020. The gross profit of DPM was VND1,373bn (USD59.7 mn) in 6M2021, up 51% YoY.
- Besides, DPM recorded VND91bn (USD3.9 mn) from the insurance claim for business losses and adjusted down VND300 bn (USD13.1 mn) from depreciation and maintenance costs.
- For 2021, we anticipate that DPM can reach VND10,741 bn (USD467 mn) in revenue (+38.4% YoY) and VND1,311 (USD57 mn) bn in NPATMI (+89% YoY).

Expect a change in VAT policy

- VAT for fertilizer is expected to be submitted with a new law drafted for discussion in 2021. In the case of it being approved, the company could see more than VND300bn added to its bottom line in the next coming years.

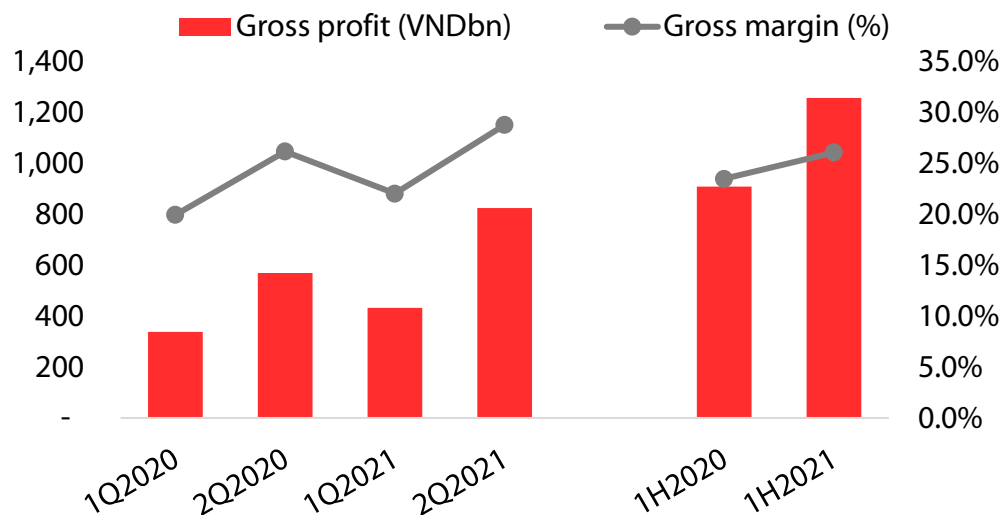
Valuation is not cheap if looking at 2022 earnings

- EPS 2021 is forecasted at VND3,325. So the forward P/E in 2021 is 8x. However, EPS 2022 is forecasted at VND1,984 then the 2022 P/E is 13.4x, higher than its average 3 years P/E of 11x.

RISKS TO OUR CALL

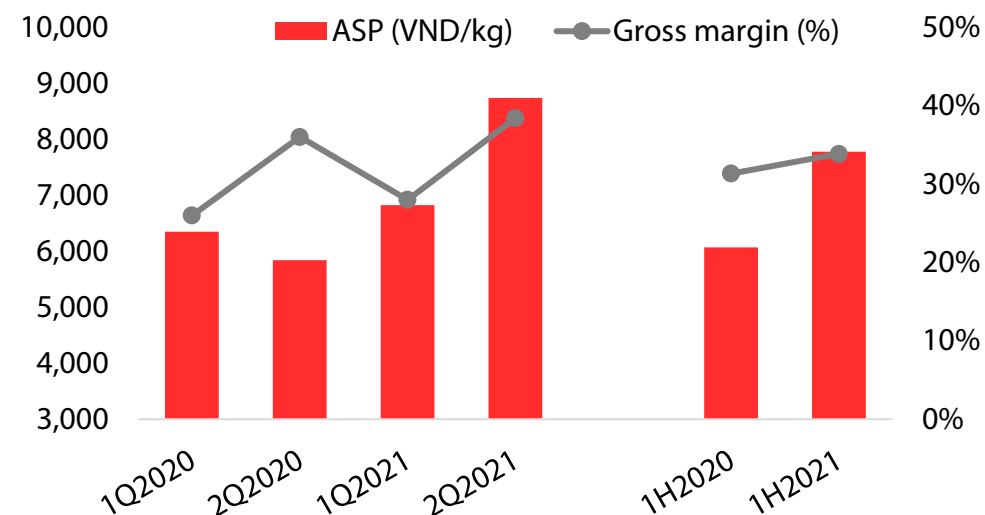
- The oil price or urea price fluctuation could likely to impact the gross margin of the urea segment.
- VAT policy for the fertilizer sector is not approved.

Figure 1: Overall gross profit (LHS) and gross margin (RHS)



Source: DPM, Rong Viet Securities

Figure 2: ASP (LHS) and gross margin of urea (RHS)



Source: DPM, Rong Viet Securities

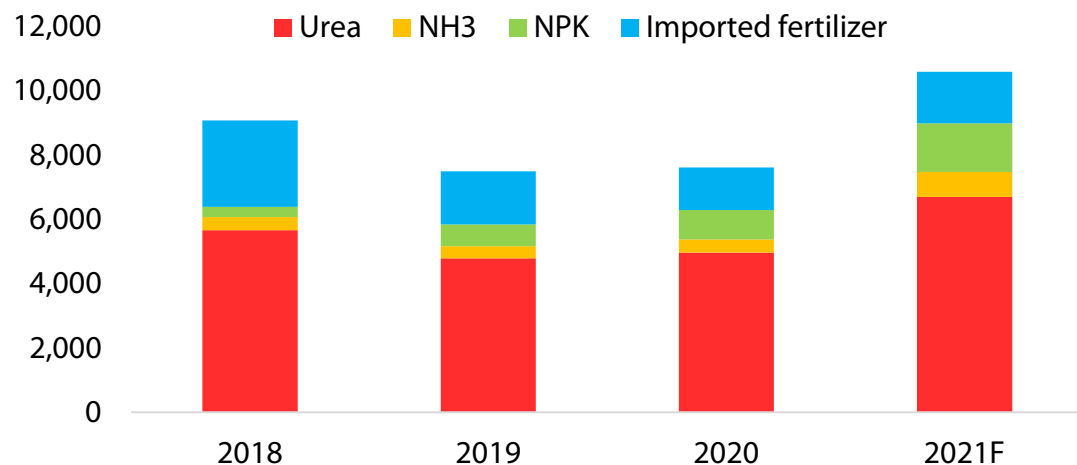
1H2021 performance picked up due to higher ASP and one-off profit

- 1H2021 urea price and NH3 price have been up 27% YoY and 55% YoY, respectively. Thus, improving the total gross margin from 23.5% to 28.1%. NH3's gross profit rose fourfold in 2Q2021 to VND137bn (USD5.9 mn), compared to the same period last year.
- Besides, DPM has booked VND91bn (USD3.9 mn) for the insurance claim as well as the retrospective amount of VND300 bn (USD13.1 mn), related to the depreciation and maintenance costs in 2020.
- For 1H2021, DPM announced VND4,953bn (USD215.3 mn) in revenue and VND855 bn (USD 37.1 mn) in NPATMI, up 25.7% YoY and 110% YoY, respectively.

Fierce competition in NPK segment

- Aiming to push the sales volume, DPM has kept the NPK selling price lower than its peer. So, the gross margin became thinner than last year, but the total sales volume was 1.8x higher with 89 thousand tons in the first six months of the year.

Figure 3: Revenue by segment (VND bn)



Source: DPM, RongViet Securities

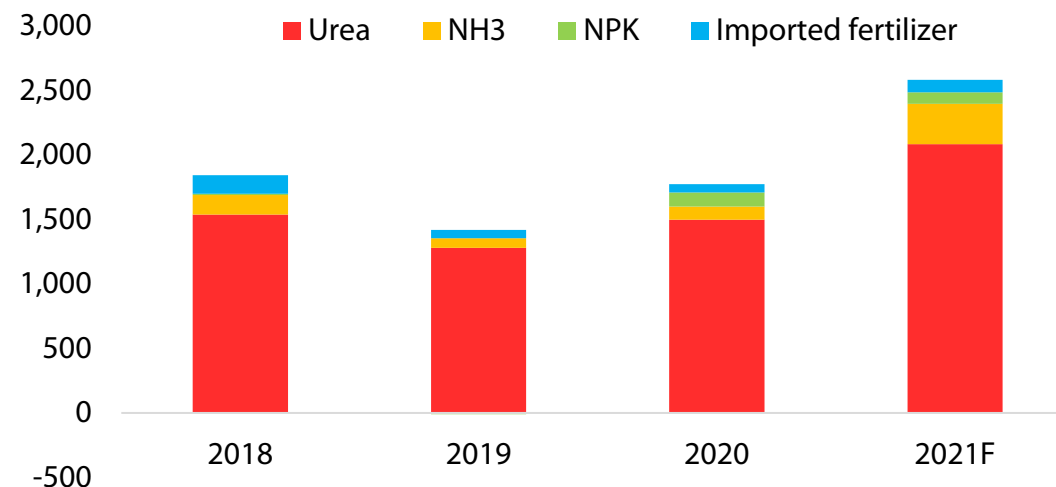
2H2021 profit is forecasted to drop

- We believe that the bottom line will experience a drop due to the lower gross margin in urea and no contribution from abnormal profit. DPM benefited from cheap urea inventories in 2Q2021. However, the current high oil price may impact the gross margin of urea from 3Q2021 onwards.
- For 2021, we estimate that the company can post VND10,741 bn (USD467 mn) in revenue (+31.1% YoY) and VND1,311 (USD57 mn) bn in NPATMI (+89% YoY).
- Earnings will likely be higher than the guidance so the company could pay a higher cash dividend than its target of VND 1,000 per share.

VAT policy will be the key catalyst for earnings next year

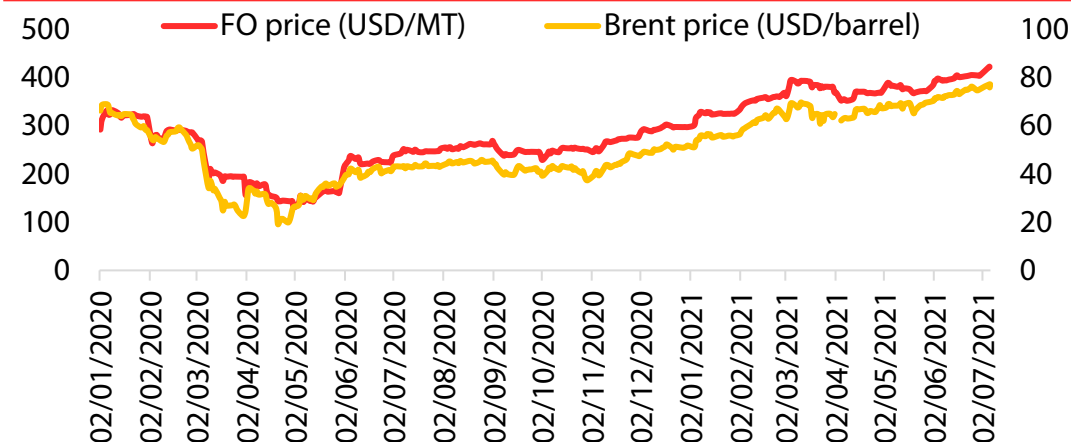
- The VAT change can add VND300 bn to the annual net profit in the future.

Figure 4: Gross profit by segment (VND bn)



Source: DPM, Rong Viet Securities

Figure 5: FO price (LHS) and Brent price (RHS)



Source: Bloomberg

<SELL: -11%>

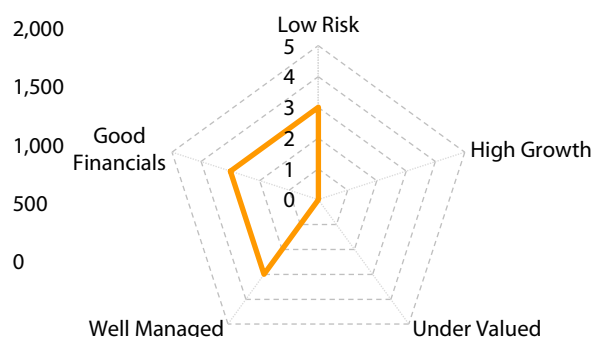
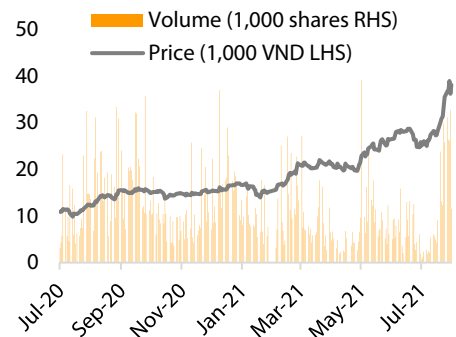
<MP: 30,100>

<TP: 25,100>

STOCK INFO

FINANCIALS

2020A 2021A 2022A



Sector	Chemical
Market Cap (\$ mn)	95
Current Shares O/S (mn shares)	57
3M Avg. Volume (K)	378
3M Avg. Trading Value (\$ mn)	0
Remaining foreign room (%)	29
52-week range ('000 VND)	12.7-38.9

Revenue	5,418	7,543	6,035
NPATMI	133	188	176
ROA (%)	4.4	5.6	5.5
ROE (%)	13.7	17.7	15.2
EPS (VND)	2,143	3,022	2,830
Book Value (VND)	17,065	18,587	20,217
Cash dividend (VND)	700	1,500	1,200
P/E (x) (*)	8.3	10.0	10.6
P/B (x) (*)	0.8	1.6	1.5

INVESTMENT RATIONALES

Improving working capital management to reduce the short-term debt

- BFC keeps reducing its receivable accounts, inventories, leading to a decrease in short-term debt. At the end of 2Q2021, the short-term debt decreased by 30.4% YoY to VND 925 bn (USD40.2 mn). We believe that BFC can keep the short-term debt around VND800 bn (USD 34.7 mn) in 2021, compared to VND1,000 bn (USD43.4 mn) in 2020.

Results keeps recovering in 2021 but valuation is not cheap

- Thanks to the rising fertilizer demand for agricultural products, the sale volume of NPK is expected to increase by 21% YoY to 704 thousand tons in 2021.
- In 2021, revenue and NPATMI are projected at VND 7,543 bn (USD327.9 mn) (+39.2%YoY) and VND 188bn (USD8,1 mn) (+41.3% YoY), respectively. However, the 2021 P/E forward is 10x, higher than its 3-year average of 9x and 2022 P/E forward is even higher with 11x.

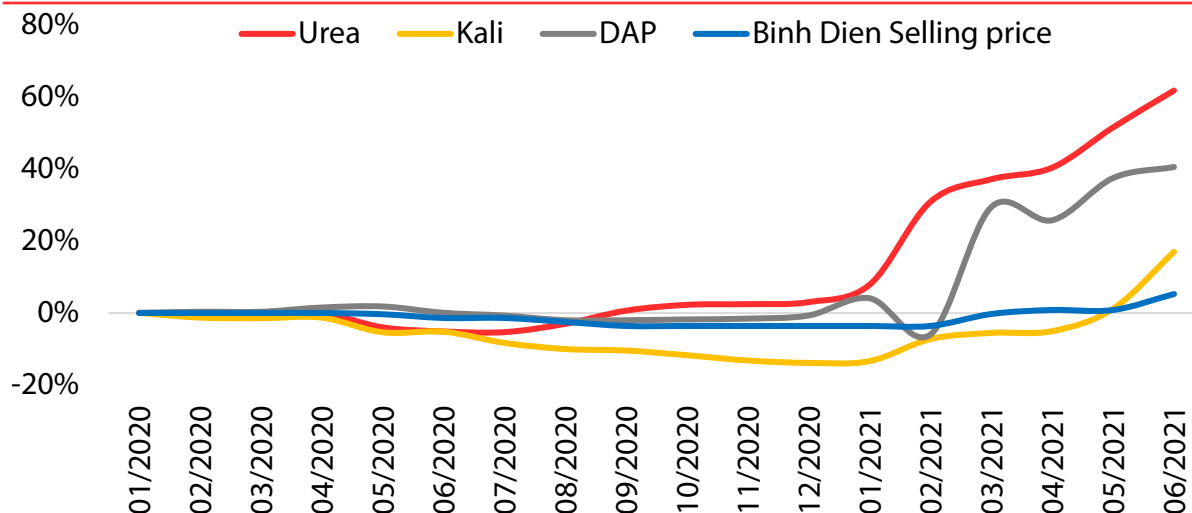
Fierce competition in NPK segment

- NPK market is still in the fierce competition, putting pressure on selling price of NPK producers when the material prices rally. Then hurting the gross margin.

RISKS TO OUR CALL

- The gross margin is not impacted as our expectation.
- The rising stock price in fertilizer sector may support the BFC stock price.

Figure 1: Change in material price, selling price compared Jan 2020



Source: RongViet Securities

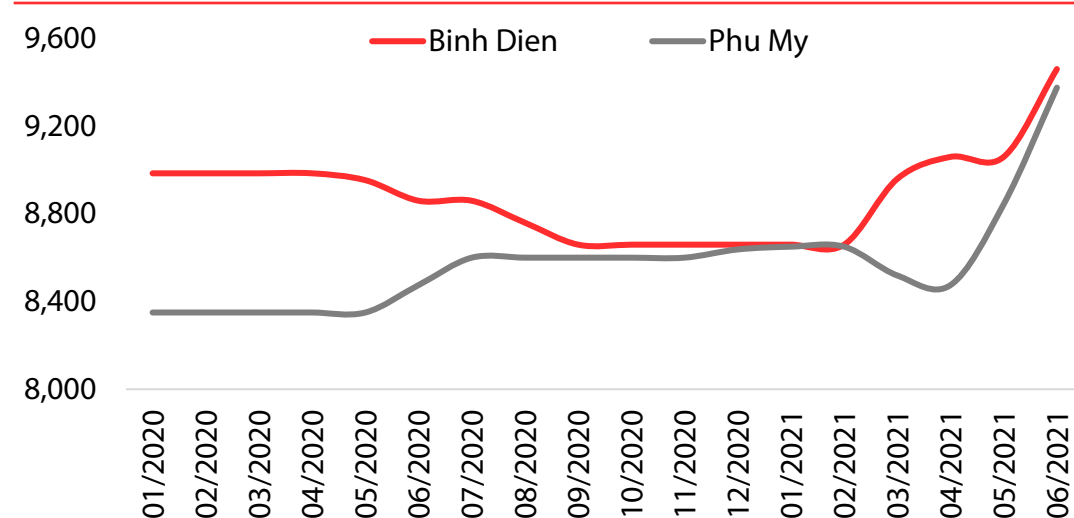
Strong earnings growth but falling gross margin due to competition

- Total sales volume was 400 thousand tons in 6M2021, up 51% YoY. Since the end of 2020, Urea, DAP, and Potassium fertilizer prices - main input for NPK production have increased by 35% - 50% while the NPK selling price experienced less due to competition. So the gross margin has been falling since 3Q2020, from 16.7% to 11.4% in 2Q2021.
- For 1H2021, net revenue and NPATMI posted VND 4,102 bn (USD178.3 mn) (+62% YoY) and VND112bn (USD4.9 mn) (+88%YoY), respectively.

Short term debt continues to reduce

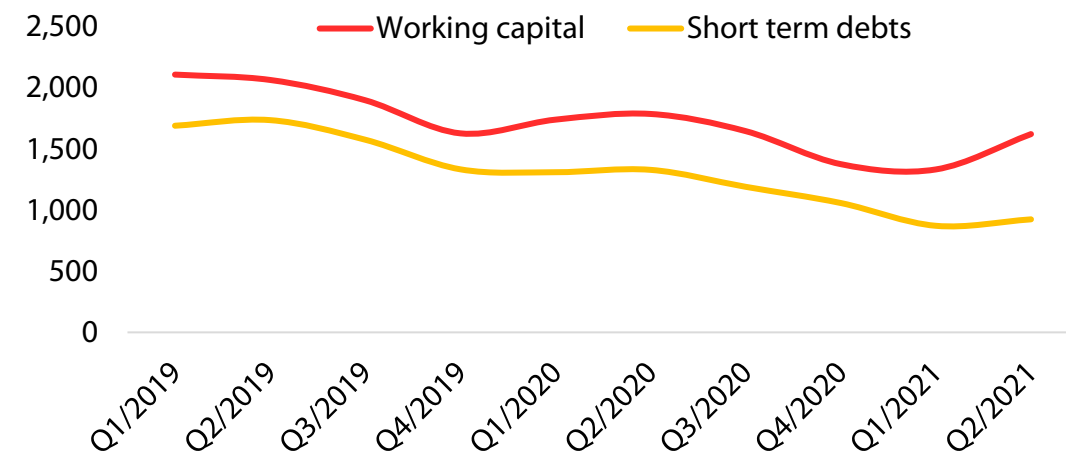
- BFC is managing its working capital better to reduce the short-term debt, exposing a lower interest expense in 2020 as well as 1H2021.

Figure 2: NPK 16-16-8+13S+TE selling price (VND/kg)



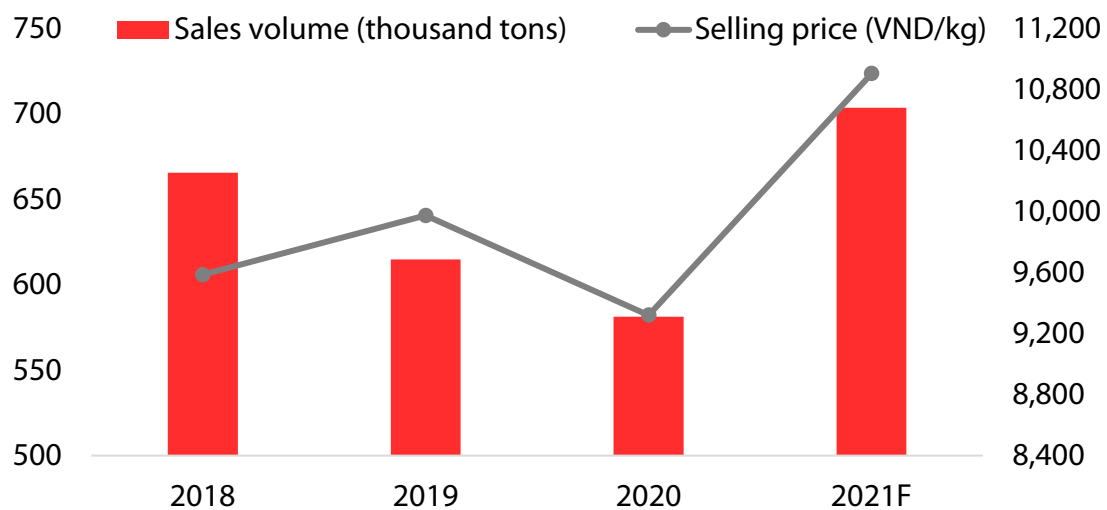
Source: RongViet Securities

Figure 3: Working capital and short-term debt (VND bn)



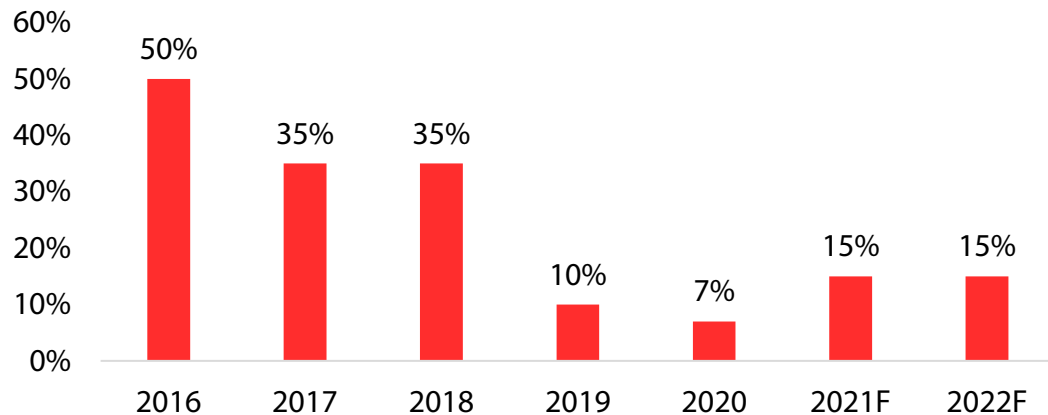
Source: Rong Viet Securities

Figure 4: Sales volume (LHS) and selling price (RHS)



Source: BFC, RongViet Securities

Figure 5: Cash dividend paid on par value



Source: BFC, Rong Viet Securities

To see a drop in gross margin

- BFC will stock material for 2-3 months of production amid the increasing input price while slightly increasing the selling price, easing the impact on the gross margin. However, we think that the overall margin in the next six months will drop from 11.9% in 1H2021, leading to a full year margin of 11.4%. On the other hand, we believe that BFC can control expenses (interest and selling expenses) to support earnings.
- In term of sales volume, we forecast that BFC can sell 704 thousand tons of NPK in 2021, up 21% YoY. While the ASP will adjust up 17% to VND10,905 per kg (USD0.4 per kg).
- For 2021, we estimate that the company can post VND7,543bn (USD327.9 mn) in revenue (+39.2% YoY) and VND188bn (USD8.1 mn) in NPATMI (+41.3%YoY).

The valuation is not cheap at all

- With VND188bn in NPATMI, EPS 2021 is VND3,022. So the stock is being traded at a 2021 P/E forward of 10x, based on the market price of VND30,100 (USD1.3), higher than the three-year average 9x. 2022 P/E forward is even higher with 11x.

Expect a better cash dividend policy for 2021

- In case of deeply fulfilling the guidance, BFC can pay at least VND1,500 cash dividend for 2021, higher than its plan - VND1,200 per share.



INSURANCE

HEADWINDS IN SHORT TERM

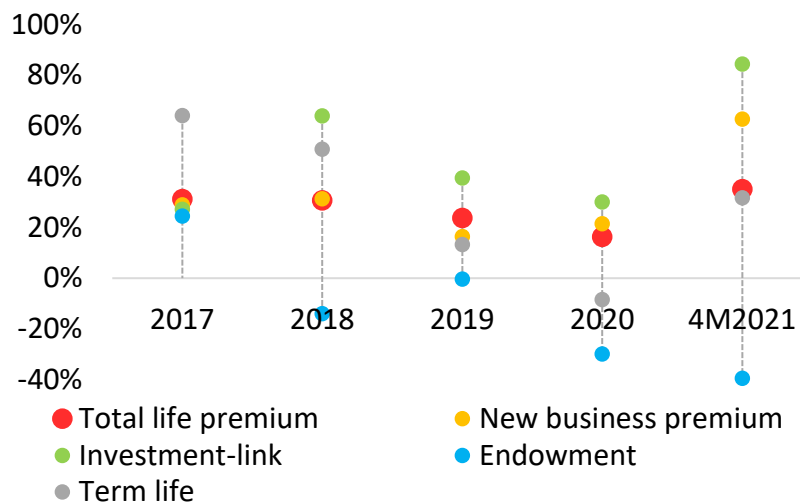


Tam Pham – tam.ptt@vdsc.com.vn



- **Total direct written premiums in 4M2021 posted VND 41,967 bn (~USD 1.8 bn, +25.4% YoY)** on the low base of the same time last year. “Softer” social distancing after the first outbreak (March and April 2020) has facilitated insurance sale activities. Fierce competition continued to narrow and reshape market shares among top five players while giving more opportunities to smaller ones.
- **Investment-link insurance once again dominated sales.** New business premiums in 4M2021 were VND 16,291 bn (~USD 708 mn), growing 62.7% YoY (4M2020: 8% YoY). Investment-link insurance products registered a growth rate of 84.4% YoY as government bond yields shank deeply in 1H2021. New business premium of endowment plummeted 39.6% YoY as a measure for relieving the mathematical provision burden.

Figure 1: 4M2021 life premium growth



Source: ISA, RongViet Securities

Figure 2: Structure of new business premium

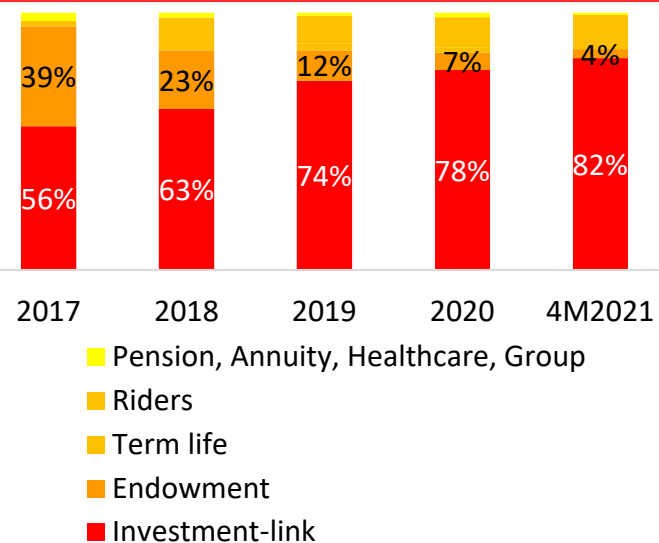
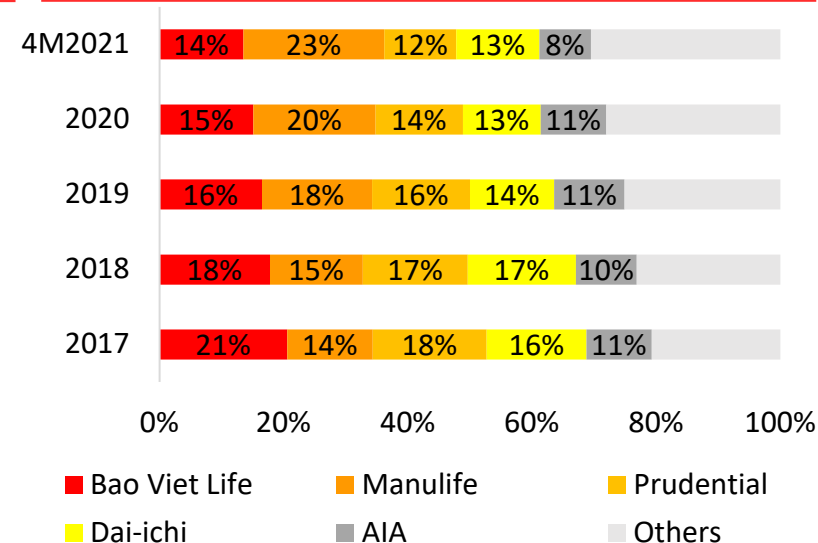


Figure 3: Market share in new business premium of top insurers

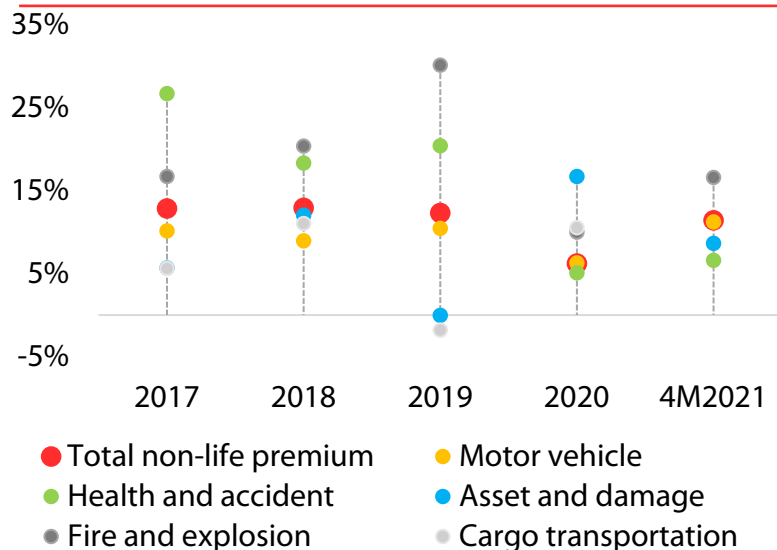


Non-life direct written premiums in 4M2021 came at VND 19,965 bn (~USD 868 mn, +11.4% YoY).

- Healthcare insurance growth cooled off to 6.6% YoY from the surge of 19.5% YoY in 4M2020, as since the end of March 2020 the authority required insurers to stop selling COVID-19 related healthcare insurance.
- Sales of other major products recovered largely. Motor vehicle insurance climbed 11.2% YoY, the strongest growth compared to the last for years, driven by the low base effect (sales fell 2% YoY in 4M2020). Asset and damage insurance growth was stable at 8.6% YoY. Fire and explosion insurance thrived 16.6% YoY, benefited from the government higher fire prevention requirements after some severe fires in the beginning of the year.

Top 5 companies continued to lose market share to smaller insurers.

Figure 4: 4M2021 non-life premium growth



Source: ISA, RongViet Securities

Figure 5: Product mix

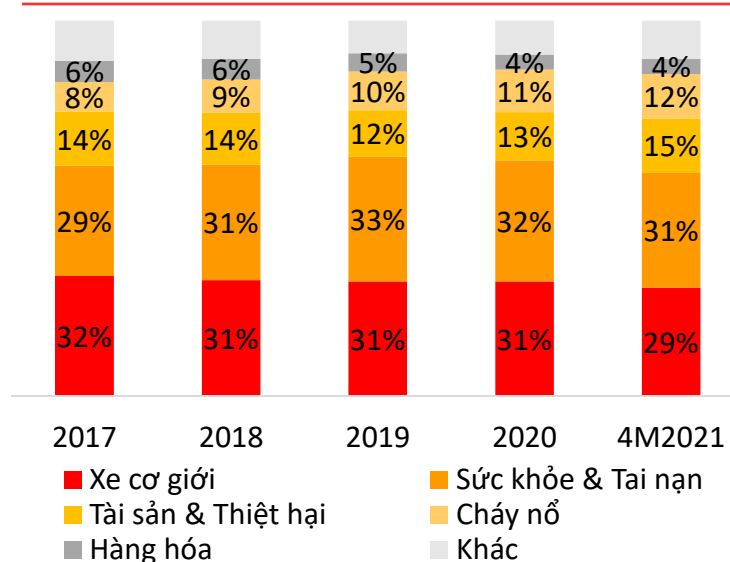


Figure 6: Market share of top insurers

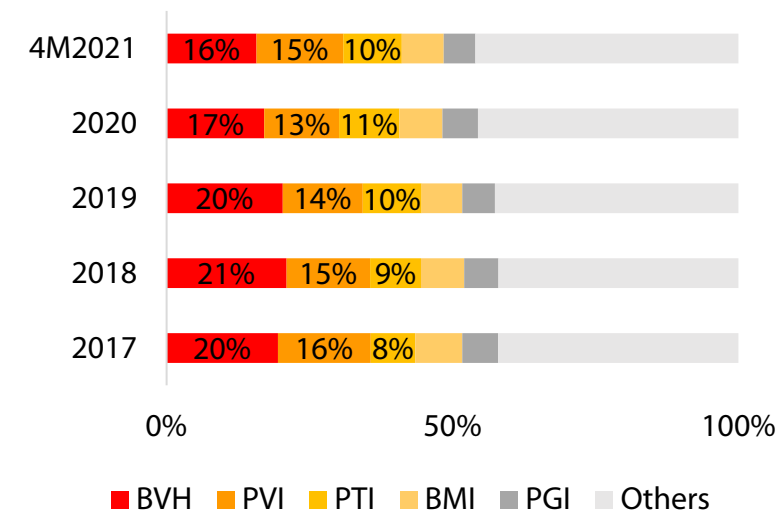
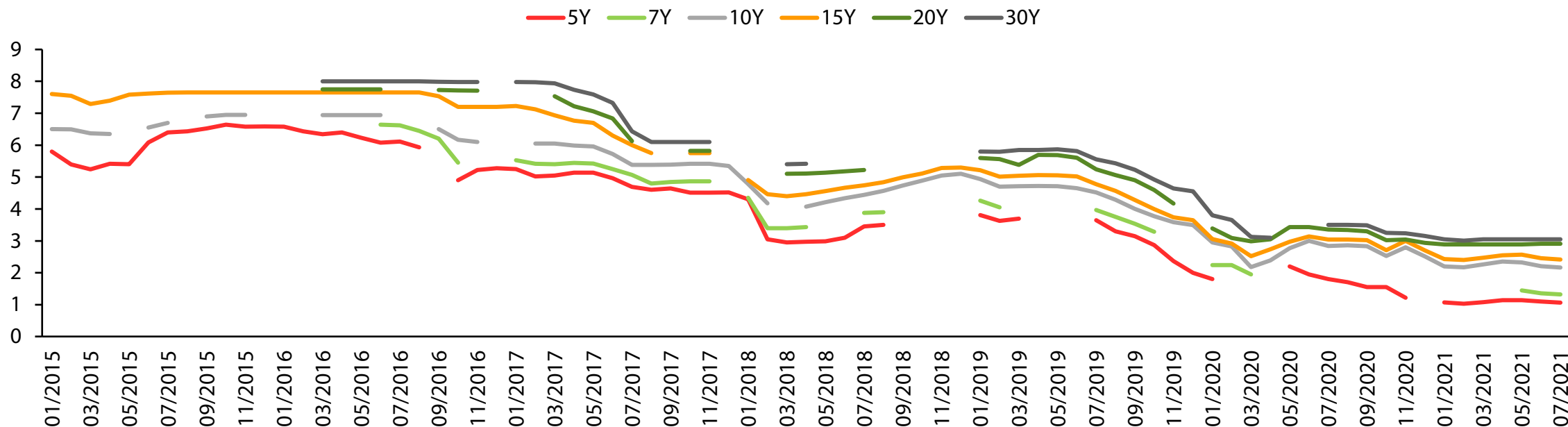


Figure 7: Vietnam government bond yields (%/year)



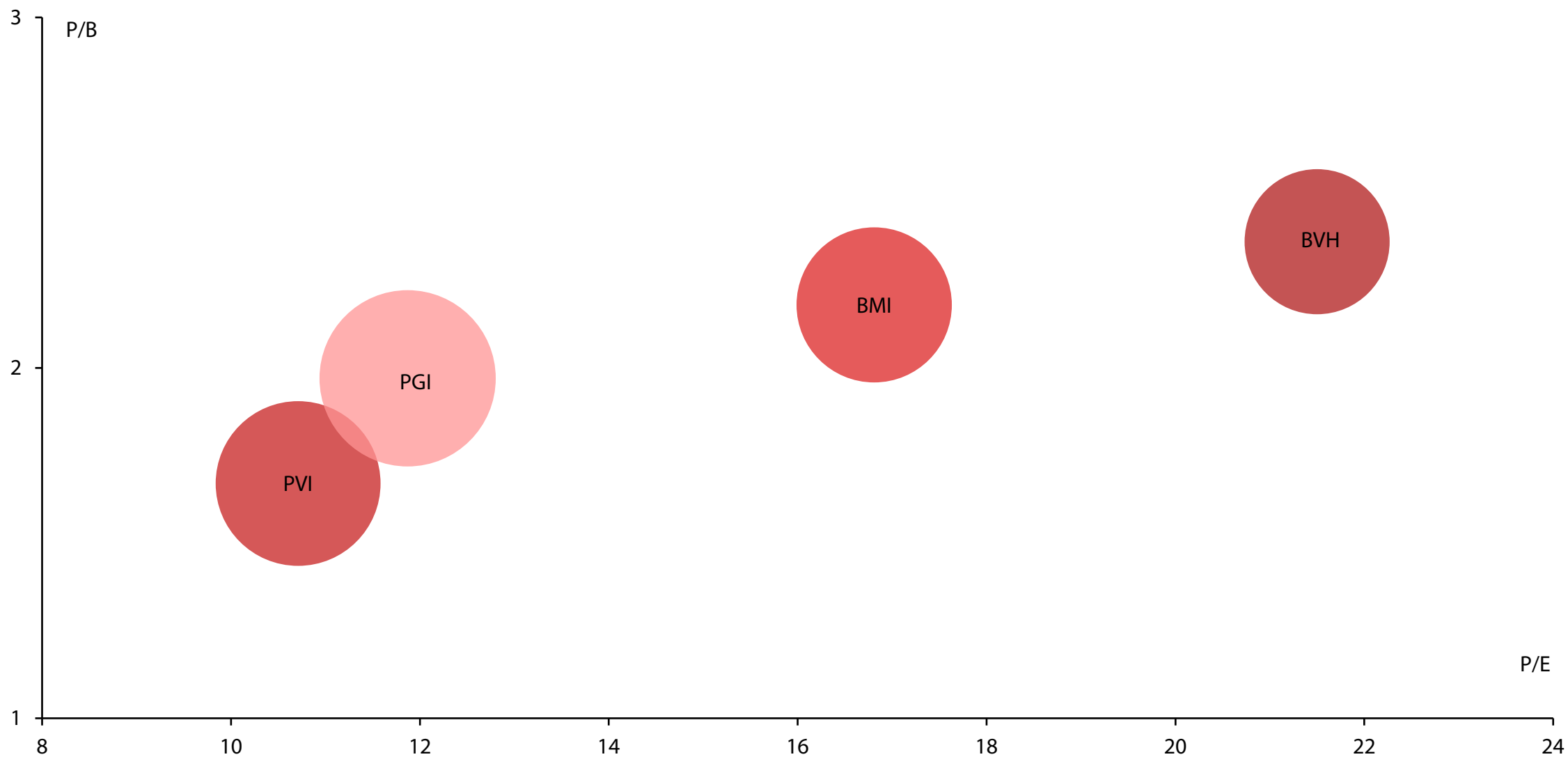
Source: HNX, RongViet Securities

Under stringent and long-lasting social distancing from mid July, sales are highly likely to slow down in Q3 before recover from Q42021.

- Q32021 will be a hard time for sales of life insurance due to consumers' income shortfalls. In terms of product mix, as the low interest rate environment tends to last long after the pandemic is contained in order to support the economic recovery, we think investment-linked insurance will lead the growth of new business premium at least in mid term.
- Similarly, sales of non-life insurance could fall or grow weakly amid (1) large scale business shutdown, (2) for firms that are still operating at low capacity, high input prices and spending on contagion prevention are squeezing their bottom line and thus, income of employees, leading to the cut of non-essential needs, including insurance, (3) the slowdown of the government's public investment programs.

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	98	N/A	8.8	27.9	10.5	9.1	29.2	7.5	3.6	15.0	2.1	11.9	1.5
BVH	1,784	N/A	8.1	22.7	8.3	7.7	69.0	4.9	1.2	8.5	0.0	21.5	1.9
PVI	373	N/A	4.2	7.2	23.3	24.4	13.9	17.2	3.5	11.0	5.9	10.7	1.2
BMI	162	N/A	-2.3	3.5	6.7	7.4	22.6	6.2	3.5	9.8	2.9	16.8	1.7

Source: Bloomberg, RongViet Securities. Share price as of Aug 2, 2021.

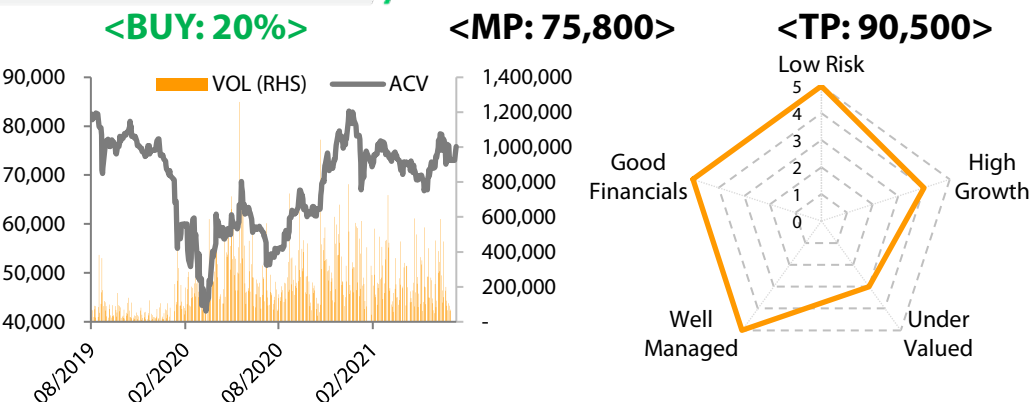


Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of Aug 2, 2021.



OTHER STOCKS





STOCK INFO

Sector	Industrials
Market Cap (VND Bn)	163,384.5
Current Shares O/S (mn shares)	2,177.0
3M Avg. Volume (K)	231.0
3M Avg. Trading Value (VND Bn)	16.6
Remaining foreign room (%)	45.4
52-week range (VND)	51,700 - 83,100

FINANCIALS

	2020A	2021F	2022F
Revenue	7,767	4,305	9,032
NPATMI	1,647	743	2,143
ROA (%)	2.9%	1.3%	3.5%
ROE (%)	4.4%	1.9%	5.1%
EPS (VND)	757	341	984
Book Value (VND)	17,235	18,299	19,185
Cash dividend (VND)	0	0	0
P/E (x) (*)	105.7	222.1	77.0
P/B (x) (*)	4.6	4.1	4.0

INVESTMENT RATIONALES

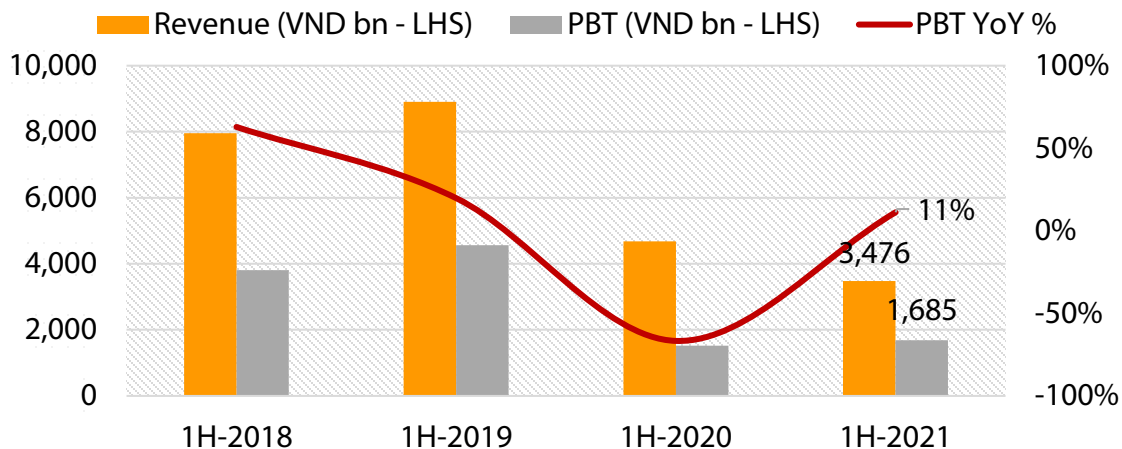
The pandemic will eventually be over and ACV, with its exclusive position in airport management, will benefit the most from the recovery of the industry. The recovering progress toward pre-covid level is accelerating by the global vaccine roll-out and will rely heavily on the pace of the vaccination campaign in Vietnam. We estimate that the campaign will partly vaccinate 70% of 18 years old and above, while the full vaccination rate should reach 50% by the end of 2021. This will allow Vietnam to gradually reopen international flights in Q4-2021 with relaxed entry quarantine requirement.

Alongside with the prospective rise in passenger volume, progress in aerodrome assets ownership will act as a significant catalyst for the stock price. Management expects that aerodrome assets ownership issues will be resolved in Q3-2021. It is proactively working on a legal scheme to resolve the aerodrome assets' ownership concern with the Ministry of Transport and expecting the matter to progress in Q3-2021 following the revaluation of current airfield assets. If this is the case, we believe ACV will be able to retain profits from those assets, and, more importantly, receive equitization settlement from the State governing bodies. The latter will remove the emphasis on relating matters in ACV's audited financial statements, allowing the company to list on HOSE, a significant catalyst for the stock.

RISKS TO OUR CALL

- Lower than expected vaccination pace.
- High CAPEX burden over the coming years will weigh on financial income.

Figure1: 1H 2021 Results overview

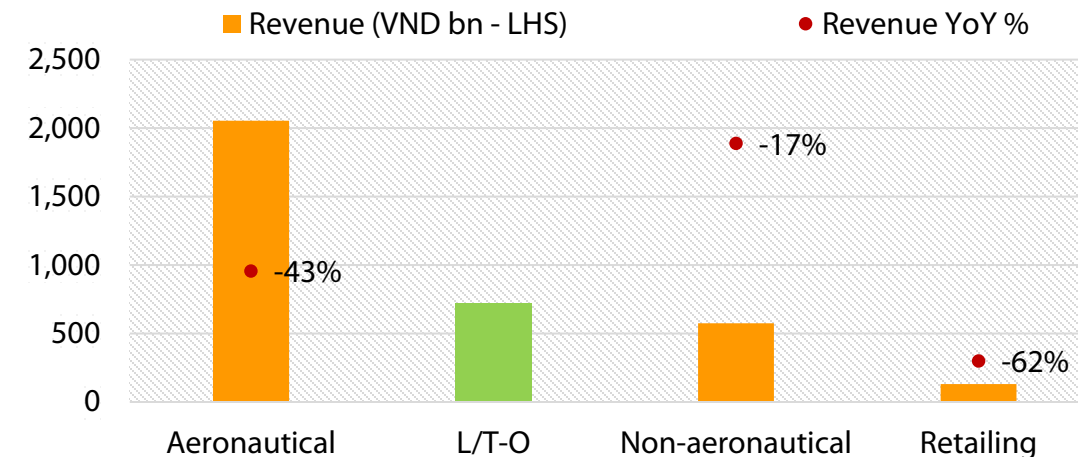


Source: ACV, Rong Viet Securities

Strict social distancing has massively weighed on Q2-2021 pax volume. 6M-2021 total passenger volume decreased by 20% YoY (int'l pax was down 97% YoY while domestic remain unchanged), driving revenue down by 25% YoY to VND3,477 despite additional revenue stream from aerodrome assets since early 2021. Q2-2021 EBIT declined to VND-317bn, leading to 1H-2021 EBIT of VND-129bn.

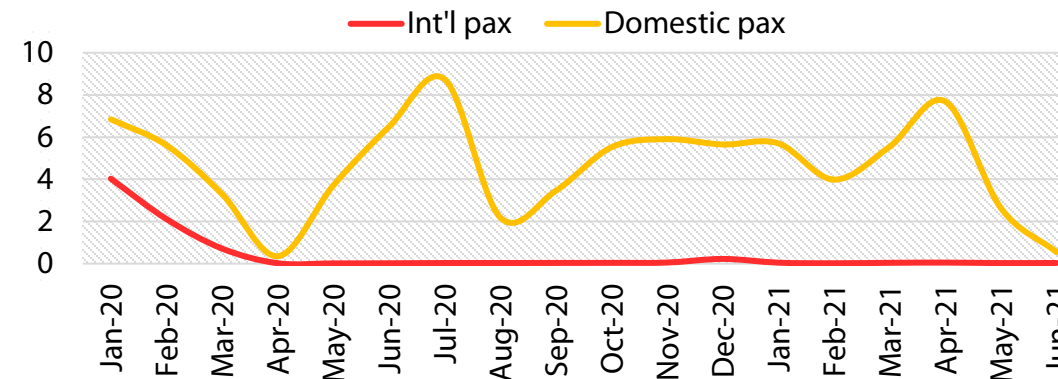
A 2.5x higher financial gain, on the back of JPY devaluation, and additional profit from L/T-O activity have largely helped PBT to grow by 11% YoY. Excluding L/T-O profit, 6M-2021 PBT would be down by 12% YoY.

Figure 2: 1H 2021 Revenue by segment



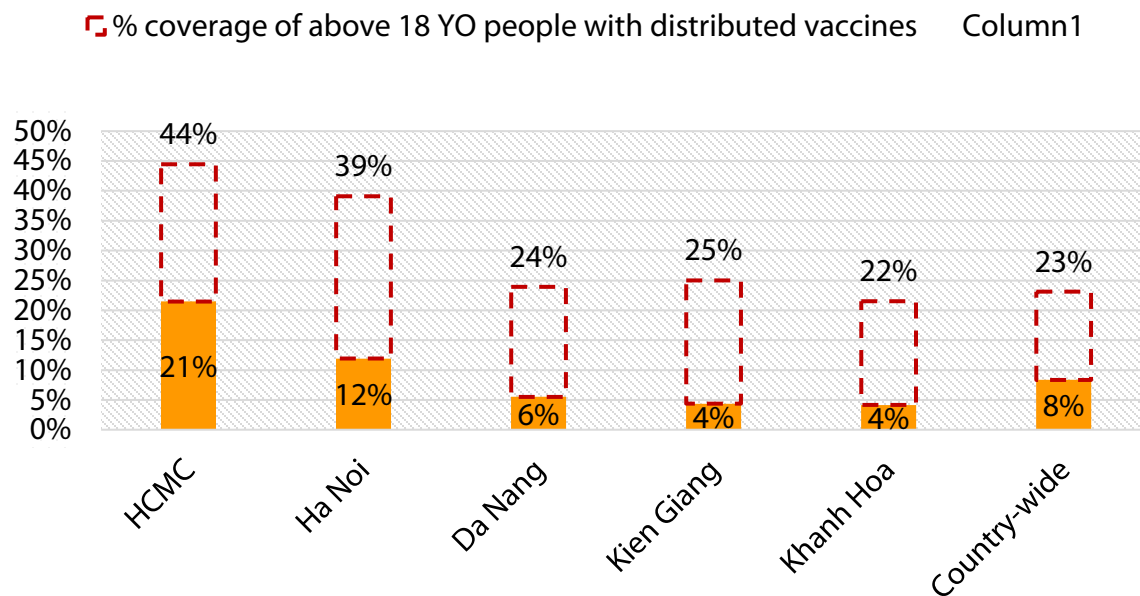
Source: ACV, Rong Viet Securities

Figure 3: Passenger throughput volume (mn pax)



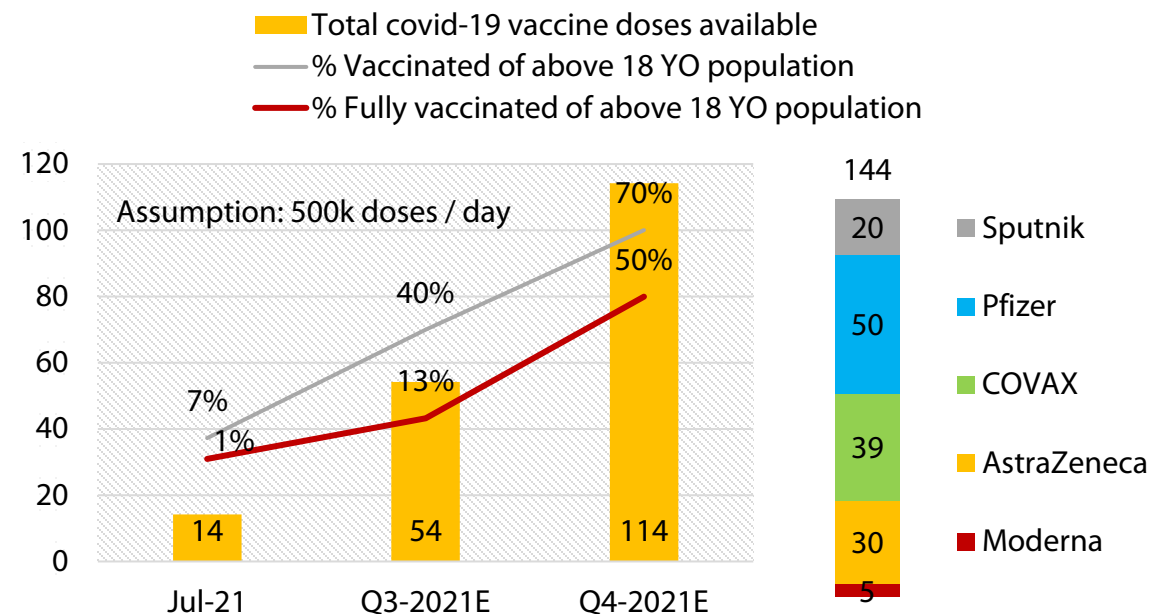
Source: ACV, Rong Viet Securities

Figure 4: Share of partly vaccinated people (from 18 years old) in Vietnam's hotspot for international travelers as of August 1st, 2021



Source: National Center for Covid-19 Control, Rong Viet Securities

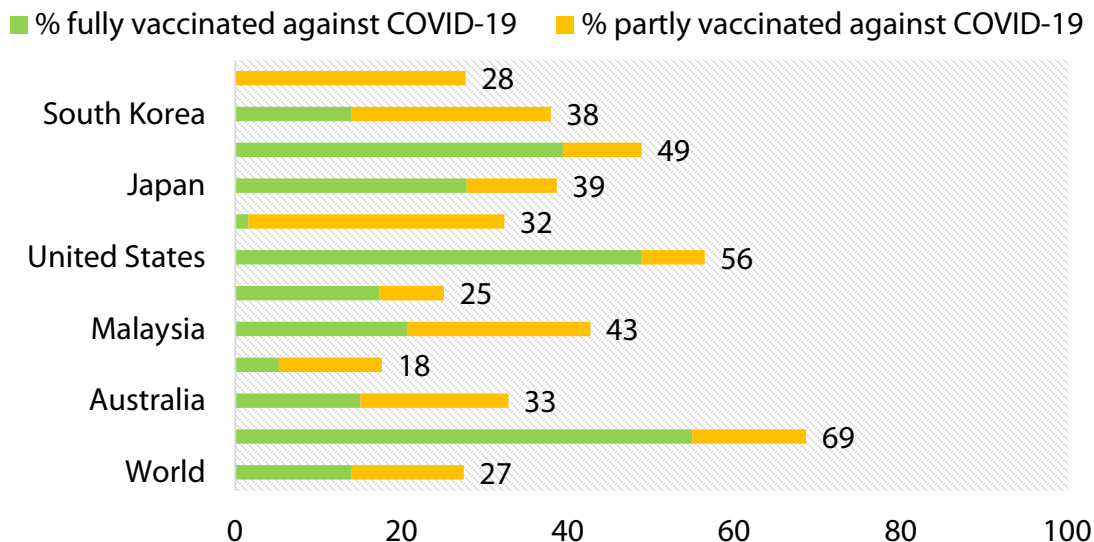
Figure 5: Estimated Vietnam Covid-19 vaccine doses



Source: MoH, Rong Viet Securities

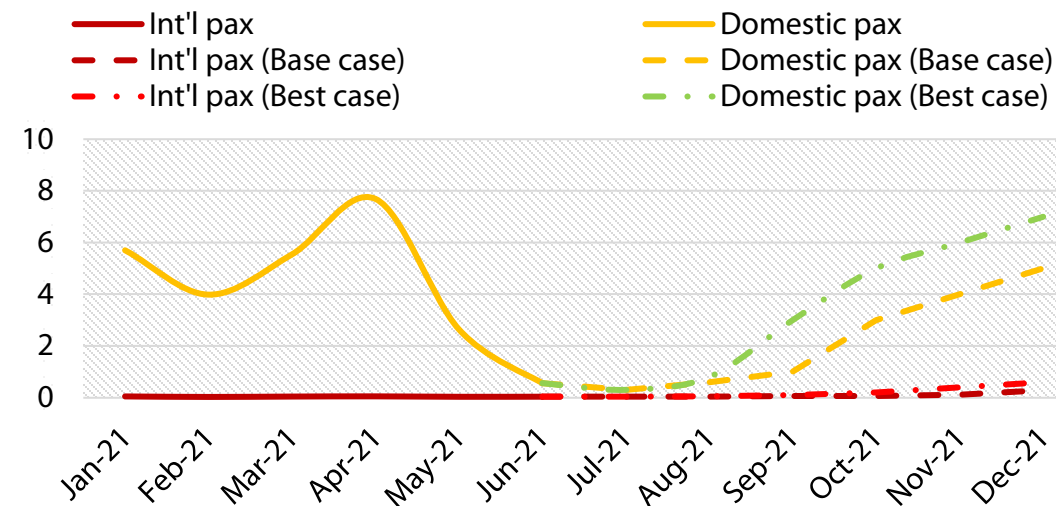
The COVID-19 vaccine passport is only effective when herd immunity is in place. The preventive effectiveness of vaccines against novel strains of SARS-CoV-2, especially with the Delta variant, is not high, but it, in fact, can only alleviate symptoms after infection. Therefore, the reopening of international routes based solely on the application of vaccine passports will pose infection risks if people entering the country are infected with new strains of Covid-19. In other words, the vaccine passport will only be effective when herd immunity is achieved in the country, that is when 70% of the population is vaccinated. **Therefore, the domestic inoculation campaign is vital in order to reopen international flights.**

Figure 6: Share of vaccinated people across top markets



Source: Our World In Data, Rong Viet Securities, data as of August 1st, 2021

Figure 7: Figure: Passenger volume recovery scenario for 2021F (mn pax)

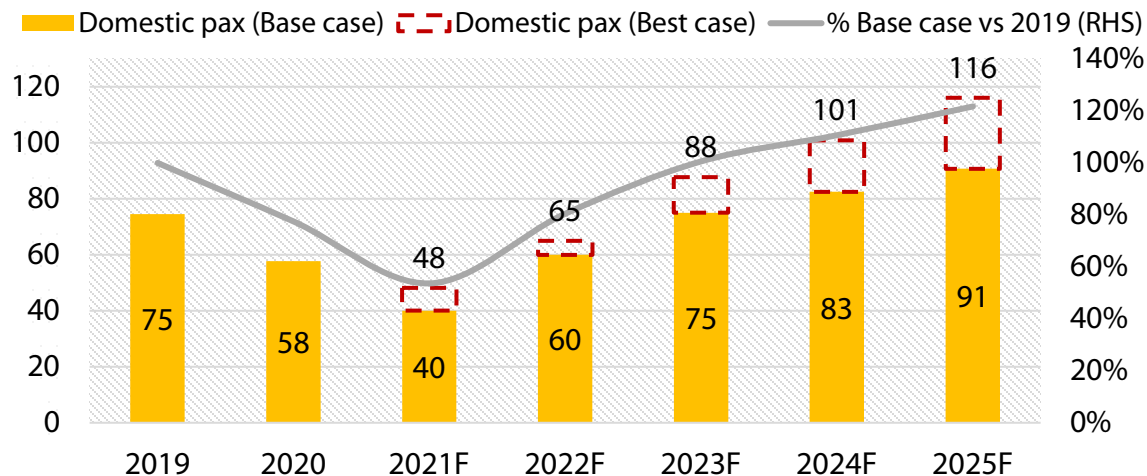


Source: ACV, Rong Viet Securities

As we expect partly vaccination rate in Vietnam's to reach 70% in Q4-2021, we believe the country will re-open international routes with more relaxed entry requirements by Dec 2021. As such, we strongly believe that international pax volume will return to Vietnam in 2022. Meanwhile, Phu Quoc is likely to see international travelers sooner than other key destinations, we expect it to be as soon as Oct 2021, owing to its isolated, low populated nature as an island. This is expected to bring 40,000 int'l travelers to Phu Quoc over six month. In 2019, Phu Quoc International Airport served around 300,000 international passengers, the fifth largest airport in Vietnam in terms of int'l passenger volume.

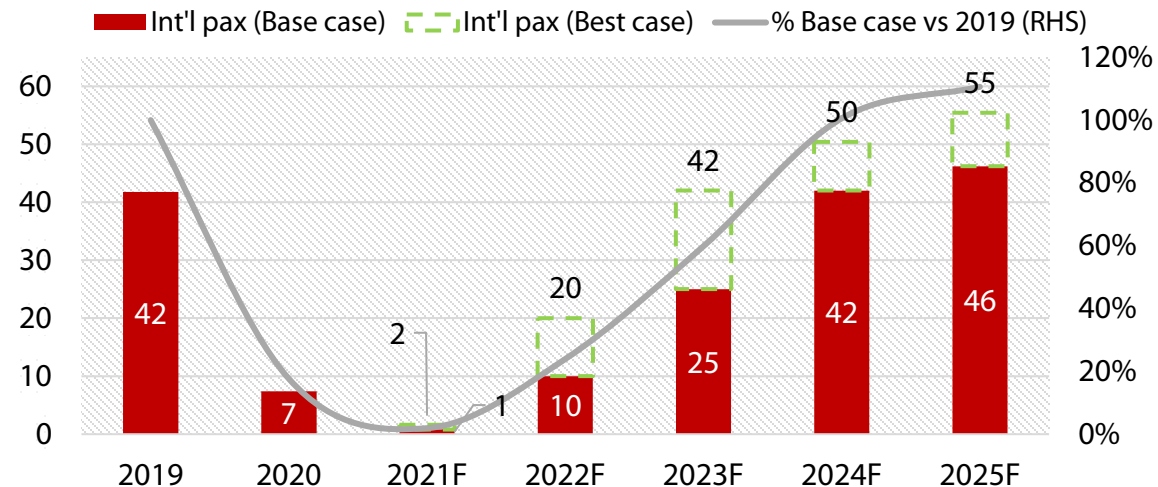
The "vaccine passport" scheme is likely to be applied in Vietnam. More and more countries are now considering Covid-19 passports, a form of accreditation (usually stored in digital form) issued to anyone who has been vaccinated, recently tested negative for Covid-19 or has recovered from infection, as a way to make travel easier.

Figure 8: Long-term domestic passenger projection



Source: ACV, Rong Viet Securities

Figure 9: Long-term international passenger volume projection

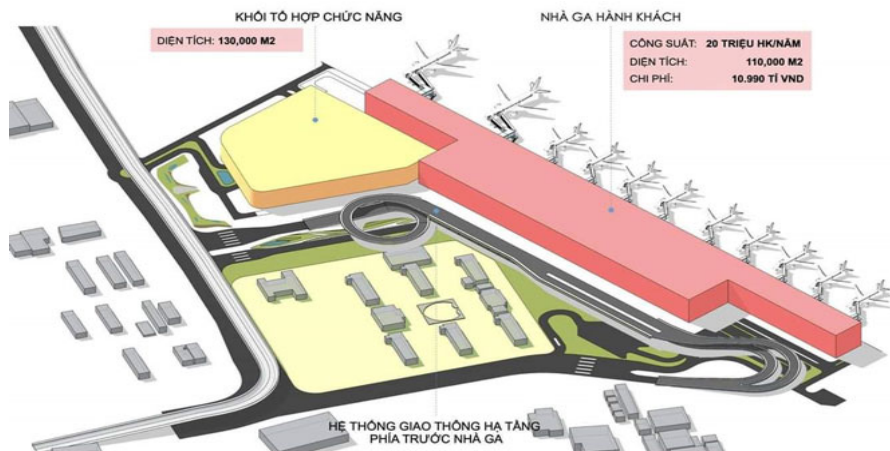


Source: ACV, Rong Viet Securities

In our base case scenario, we expect that the domestic aviation market will need two years to fully recover from the low in 2021, while the international market may need as many as three years. 4Y CAGR for domestic/international volume over the period of 2021F-25F is projected at 23%/176%.

We expect that the domestic passenger throughput volume will be 18% higher than the 2019 level by 2023F, and the international market will be returning to pre-covid level by then. Projected 4Y CACGR for domestic/international volume stay at 25%/143%.

Figure 10: Tan Son Nhat passenger terminal T3 is expected to start a 24-month construction phase in Oct-2021



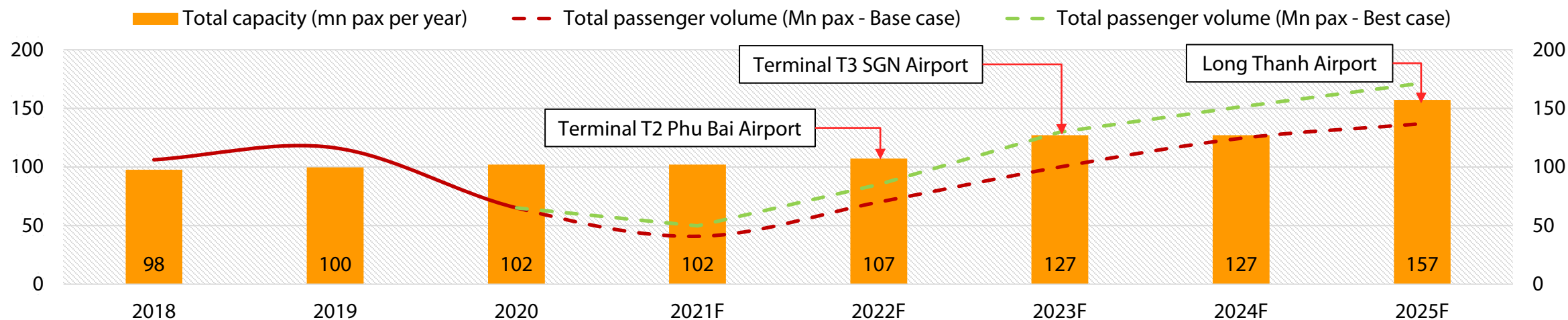
Source: ACV

Figure 11: Long Thanh International Airport Phase 1 is scheduled to operate by 2025F



Source: ACV

Figure 12: Total capacity and passenger throughput volume



Source: ACV, Rong Viet Securities

<ACCUMULATE: 18%>

<MP: 94,000>

<TP: 108,800>

STOCK INFO

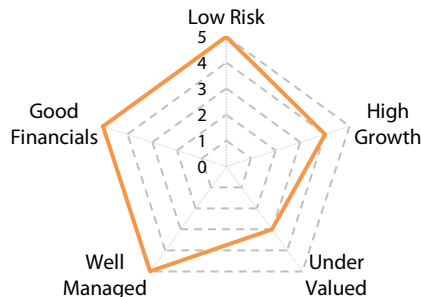
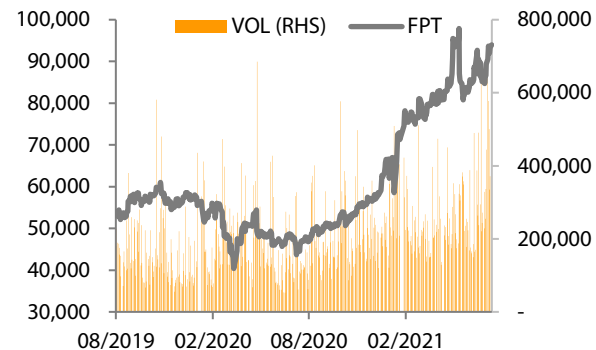
FPT CORP

FINANCIALS

2020A

2021F

2022F



Sector	Technology
Market Cap (VND Bn)	86,754.1
Current Shares O/S (mn shares)	907.5
3M Avg. Volume (K)	3,704.8
3M Avg. Trading Value (VND Bn)	330.2
Remaining foreign room (%)	0.0
52-week range (VND)	44,500 - 97,900

Revenue	29,830	34,510	41,063
NPATMI	3,538	4,399	5,240
ROA (%)	8.5%	8.9%	9.1%
ROE (%)	22.5%	22.2%	22.6%
EPS (VND)	4,512	4,828	5,751
Book Value (VND)	20,078	21,795	25,535
Cash dividend (VND)	2,000	2,000	2,000
P/E (x) (*)	11.3	19.5	16.3
P/B (x) (*)	2.1	4.3	3.7

INVESTMENT RATIONALES

Accelerated pace of digital adoption, fueled by economy recoveries, will underpin global technology segment's long-term earnings growth trajectory. Global Covid-19 vaccines rollout will kickstart global economic recovery, which will have a spillover effect on IT services market demand and accelerate the digital transformation (DX) even more than the pace seen in 2020. Furthermore, we believe an enhanced core technology capabilities and, thus, wider scope of services offered to FPT's clients along their DX journey (Consulting to implementation and maintenance) will position F-Soft well to capitalizing the mentioned market trend. It's evidenced in the surge of the number of large deals (+USD5mn in TCV) signed over 1H-2021 vs 1H-2021 (11 deals vs 2 deals).

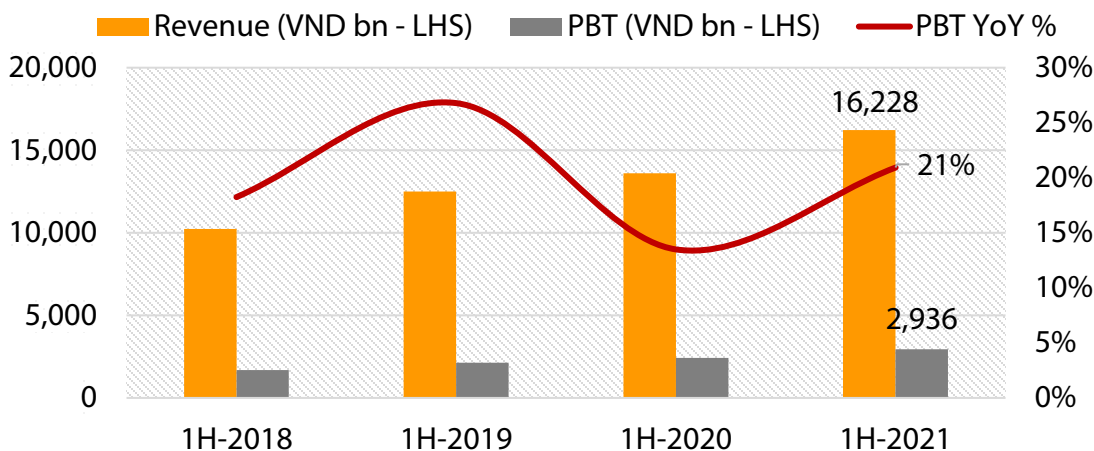
The domestic technology segment is at the beginning of a rapid growth phase. 1H-2021 domestic technology revenue are still growing at its highest level since 2014 (41% YoY and 19% higher than 1H-2019), even though Vietnamese firms are being hit by the worst covid-19 wave and FPT has strategically scale down hardware plus system integration sales. We believe this outcome was constructed by the growing adoption of IT into enterprises' operations and processes and the acquisition with Base.vn, a leading SaaS company in Vietnam. These are winning formula for FPT in the domestic market, we believe.

Pay TV and Data center (DC) to provide interestingly high growth opportunities for Telecom segment. We expect that the growing broadband subscriber will drive Pay TV users and further enhance profitability through higher economies of scale. Meanwhile, FPT's DC services will capture the booming demand driven by robust DX momentum created by the pandemic on the back of its rapidly ramping up DC capacity.

RISKS TO OUR CALL

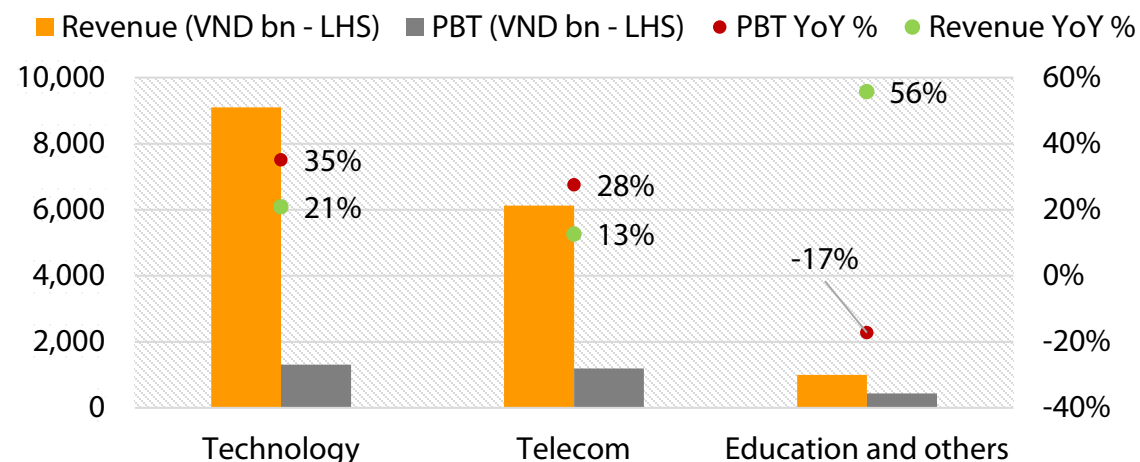
- IT services revenue in Japanese market grows slower-than-expected.

Figure 1: 1H 2021 Business results overview



Source: FPT, RongViet Securities

Figure 2: 1H 2021 revenue and PBT by segment



Source: FPT, Rong Viet Securities

Technology segment continues to play a key role, contributing 56% of the Group's revenue and 44% of PBT. The value of new orders robustly surged by 45% YoY to VND 11,682 bn on the back of continued increasing demand for IT investment. Additionally, FPT's efforts in implementing new technology solutions in the field of Low code, Cloud and Blockchain for international clients drove DX revenue to reach VND 2,116 bn, up 19.3% YoY. Notably, the Group secured 11 large deals vs two in 1H 2020.

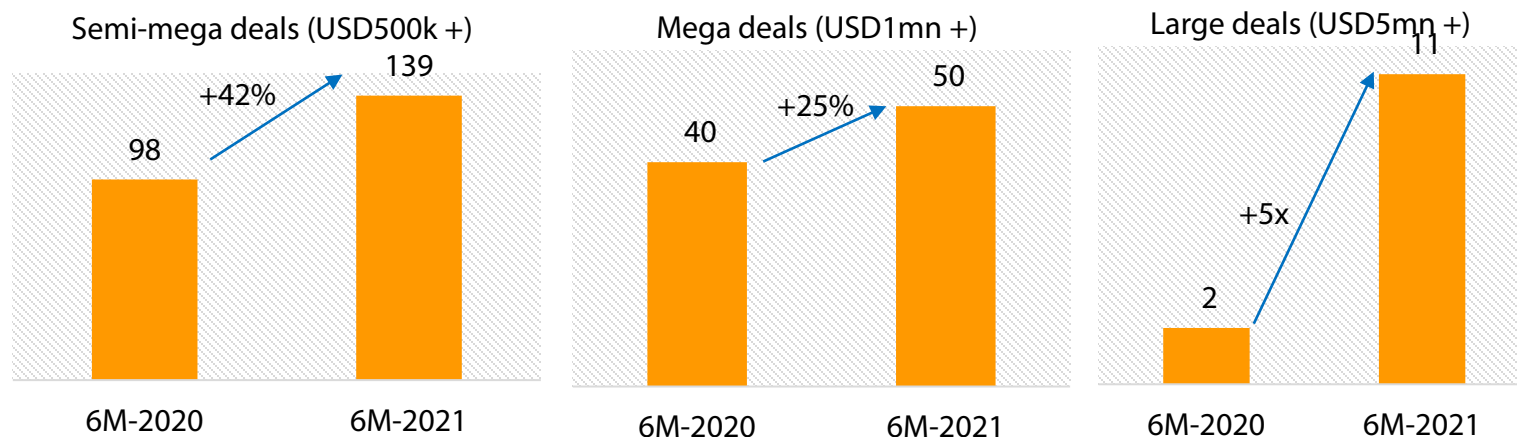
Profit margin for domestic tech segment expanded significantly as FPT strategically focus more on IT services. Also, **PBT margin of Telecom services continued to improve** due to a rise in Pay TV's profit, along with the pause in capital expenditure in new facilities due to the current pandemic situation.

Table 1: PBT margin by segment

Services groups	1H-2021	YoY Change
Global IT services	15.9%	+45 bps
Domestic IT services	10.1%	+601 bps
Telecom services	18.3%	+232 bps
Online advertising	45.9%	-163 bps
Total PBT margin	18.1%	+25 bps

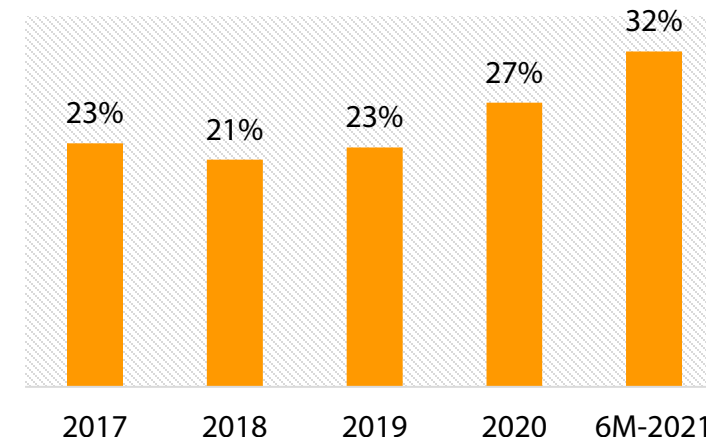
Source: FPT, Rong Viet Securities

Figure 3: The surging large projects will increase medium term visibility for revenue



Source: FPT, Rong Viet Securities

Figure 4: Growing share of DX revenue

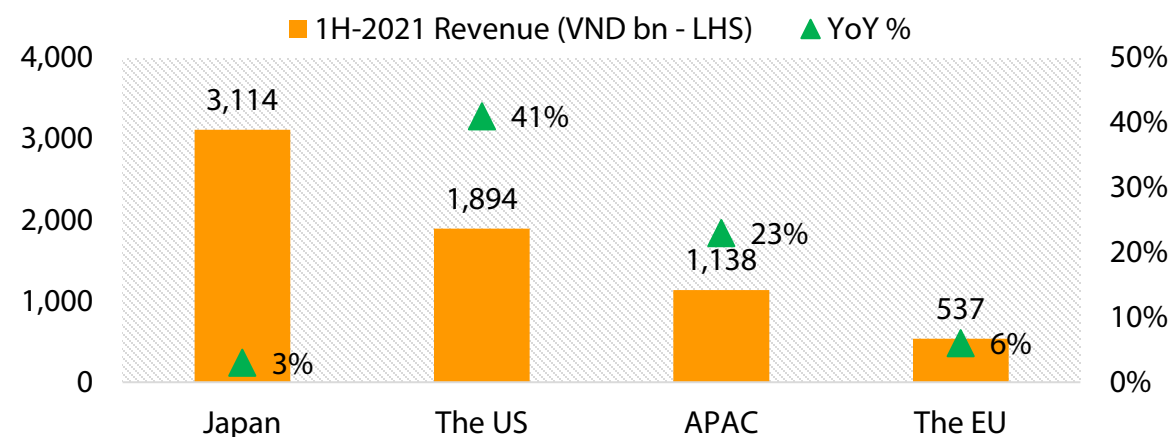


Source: Rong Viet Securities

As the world continues to open back up, Gartner forecasts **IT services segment is one of the top highest growth areas for 2021F/22F (9.8%/8.5%)**, primarily led by a boost in cloud services spending. Also, Gartner's CEO survey data shows there is a **consistent increasing trend in investments in digital capabilities**. The growing number of large projects signed, and DX revenue's portion are solid evidences.

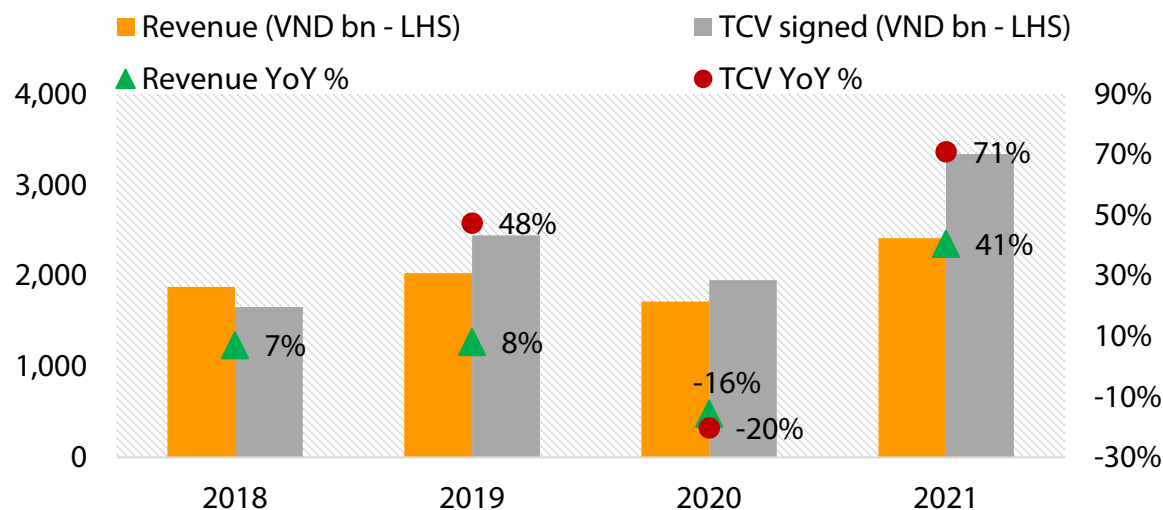
F-Soft is well positioned to enjoy high double-digit revenue growth in 2021F/22F of 14%/19%, as a competitive pricing IT vendor with increasingly enhanced technology capabilities. We believe the US market will lead the growth owing to its early inoculation campaign, while other markets will see growth gradually picking up.

Figure 5: The US is leading FPT's global markets in terms of growth



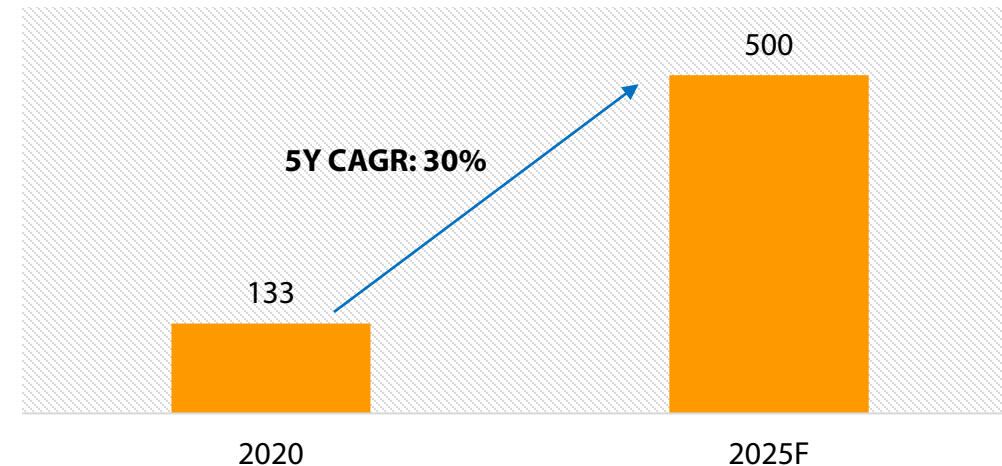
Source: FPT, Rong Viet Securities

Figure 6: Revenue and TCV of deals signed over the 1H in recent years



Source: Rong Viet Securities

Figure 7: Cloud services market in Vietnam (USD mn)



Source: Rong Viet Securities

The domestic technology segment also witnessed a robust growth due to increasing demand. 1H-2021 domestic technology revenue are still growing at its highest level since 2014 (41% YoY and 19% higher than 1H-2019), even though Vietnamese firms are being hit by the worst covid-19 wave and the fact that FPT has strategically scale down hardware plus system integration sales.

Having said that, the ongoing Covid-19 wave, and its strictest preventive measures imposed on Vietnam economy have led enterprises to scale back IT investment budget. In other words, **we believe this pent-up IT spending demand in 2021F will eventually drive robust growth trajectory from 2022F** given inevitable IT integration trend and digital transformation momentum created by the pandemic as the economy opens back up.

While 1H-2021 domestic technology results was mainly driven by focusing on DX services for Government customers and large enterprises, **the cooperation with Base.vn will rapidly enable FPT to tap into the lucrative cloud services market that caters SMES going forward thanks to the customer base of the partner.**

Table 2: 2021F/22F Forecast

Unit: VND bn	2021F	YoY %	2022F	YoY %
Total revenue	34,510	15.7%	41,063	19.0%
• Technology	19,246	14.5%	22,954	19.3%
• Telecom	13,393	16.8%	15,864	18.5%
• Education and other	1,871	20.0%	2,245	20.0%
PBT	6,552	24.5%	7,794	19.0%
• Technology	2,816	25.9%	3,438	22.1%
• Telecom	2,564	23.6%	3,007	17.3%
• Education and other	1,171	23.3%	1,349	15.2%
NPAT-MI	4,399	24.4%	5,113	19.1%

Source: Rong Viet Securities

Table 3: Valuation summary

Unit: VND bn	Fair equity value
1. Technology	63,354
Global IT services	56,192
Domestic IT services	7,161
2. Telecom	15,113
3. FPT Education and others	15,070
4. Net cash	2,741
5. TPB Stake	2,432*
Total	98,710
Implied target price (VND)	108,800

Source: Rong Viet Securities

Our one-year target price of VND108,800 is based on the SoTP approach with target P/E multiples for respective segments are referenced to their projected profit's 3Y CAGR. Accordingly, we project that NPAT's 3Y CAGR over 2021F-24F of F-Soft/FIS/FOX/FOC/FPT Education will reach 30%/20%/18%/10%/20%, respectively.

Considering a NPAT's 3Y CAGR of 20% over 2021F-24F, we believe the valuation is justified for the implied 2021F/22F P/E are 22.5x/18.9x respectively.

<ACCUMULATE: +8%>

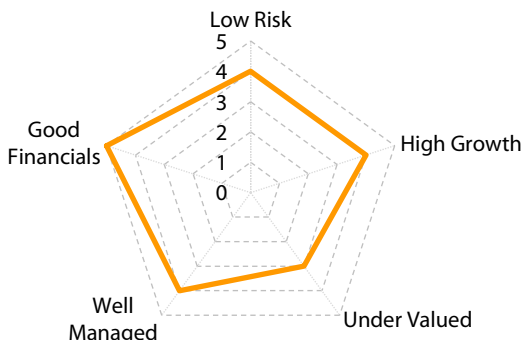
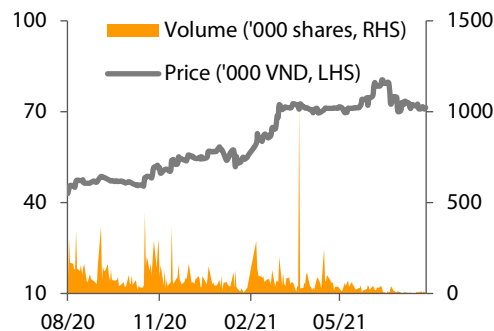
<MP: 71,000>

<TP: 75,000>

STOCK INFO

FINANCIALS

2020A 2021F 2022F



Sector	Health Care
Market Cap (\$ mn)	4733.7
Current Shares O/S (mn shares)	66.7
3M Avg. Volume (K)	251.6
3M Avg. Trading Value (VND Bn)	19.6
Remaining foreign room (%)	0.0
52-week range (VND)	21,700 - 67,800

Revenue (VND Bn)	1,369	1,439	1,769
NPATMI (VND Bn)	210	228	280
ROA (%)	10	9.8	11.1
ROE (%)	12.1	12.5	14.1
EPS (VND)	2,873	3,129	3,835
Book Value (VND)	26,939	28,483	30,856
Cash dividend (VND)	1,500	1,500	2,000
P/E (x) (*)	16.7	22.4	18.3
P/B (x) (*)	1.8	2.5	2.3

INVESTMENT RATIONALES

Bid winning value grew strongly, but IMP can take time to transform into high sales growth

- The company won a bidding value of VND 1,135 billion (USD 49mn) in 1H, increasing by roughly 105% YoY. IMP's bidding results by far outperformed other domestic pharmaceutical companies.
- Demand for drugs in 2H can be weaker compared to 1H as measures to control the pandemic are implemented in larger areas. IMP's main markets, such as Southern provinces, Ha Noi, HCMC, are all applying Directive-16.

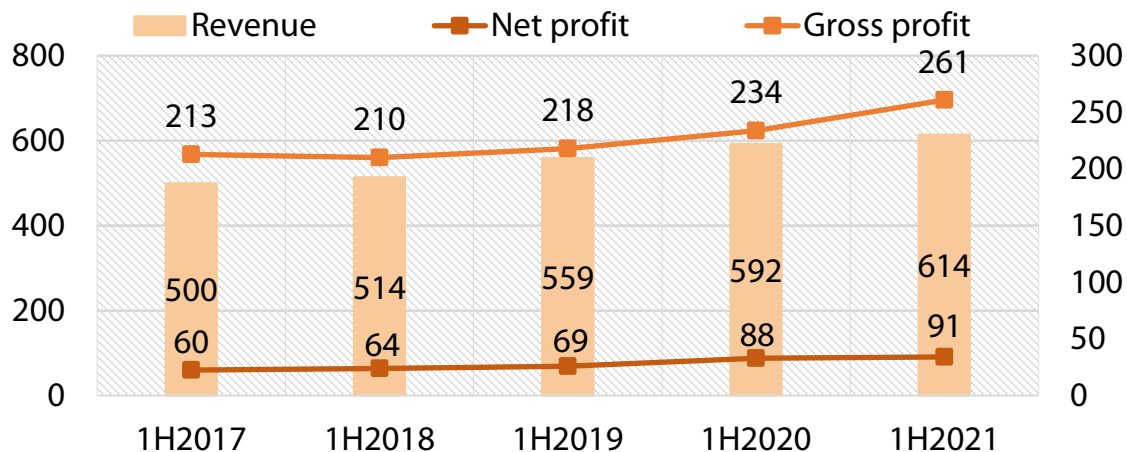
The company has strong growth potential as factories are running at low capacity, and orders in hospital channel are likely to increase quickly in the next few years

- IMP2 and IMP3 factories are running at low utilization rates, meanwhile, the IMP4 factory can be approved EU-GMP in 2022. Hence, IMP has large room to grow and seize opportunities from recovering demand in the next few years.
- Basing on large bid winning value in 1H2021, orders from hospitals for IMP's products can increase strongly in 2022.

RISKS TO OUR CALL

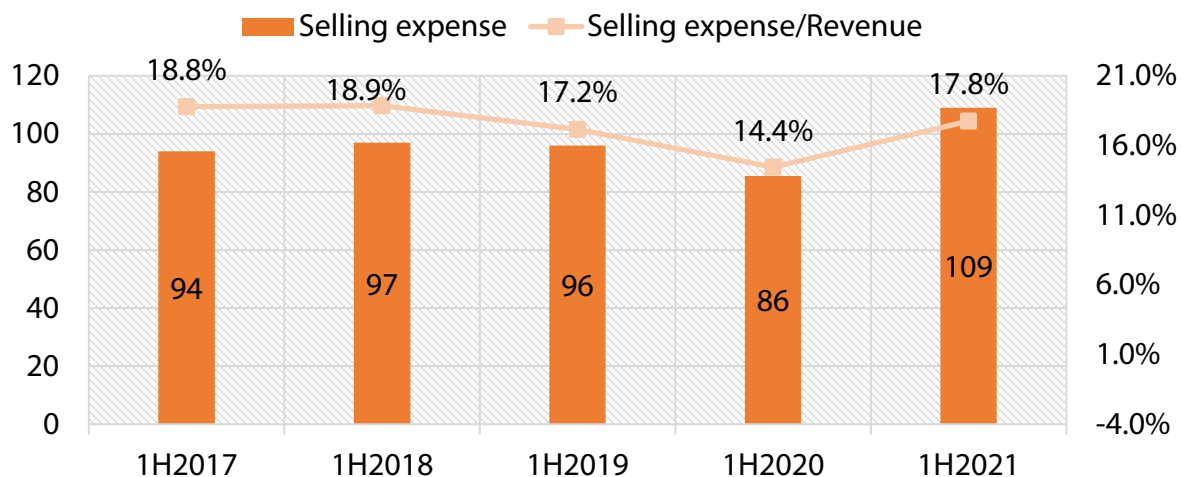
- Directive-16 implementation in the South can be extended in a longer time, harming IMP's sales volume.
- IMP4's EU-GMP approval process can take longer time.

Figure 1: Revenue, gross profit and net income (VND bn)



Source: IMP, Rong Viet Securities

Figure 2: Selling expenses (VND bn)



Source: IMP, Rong Viet Securities

In 1H, IMP's net revenue was VND 614 billion (USD 26mn,+4.4% YoY), completing 40.1% of the 2021 target.

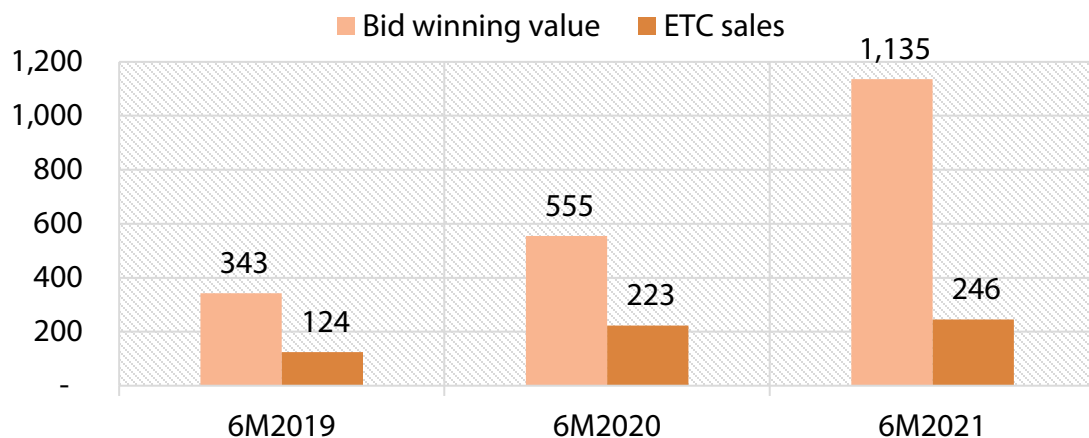
GPM improved, but selling expenses also rose strongly

- GPM improved from 39.6% in 1H2020 to 42.5% in 1H2021 as the company focused on drugs, qualified by EU-GMP, which offers higher profitability.
- Hence, gross profit grew at a higher pace than revenue, up by 11% YoY to VND 261 bn (USD 11mn).
- Selling expenses increased by 27.5% YoY as the company pushed selling and marketing activities in 1H2021, while stopping them in 2Q2020. As a result, NPAT increased by only 3.2% YoY in 1H.

ETC sales grew at a slower pace

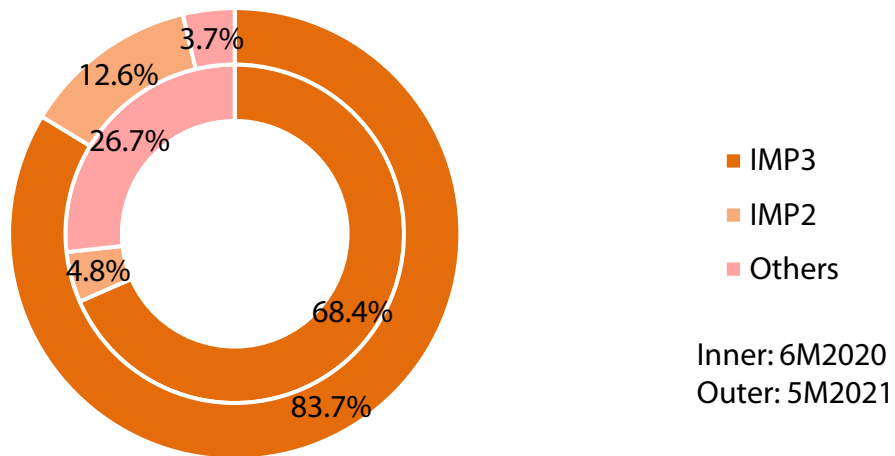
- 1H2021, ETC sales increased by 17% YoY to VND 246 bn (USD 10.6mn), while growing by 80% YoY in the same period last year. The growth pace was slow down during the pandemic.

Figure 3: IMP's bid winning value and ETC sales (VND bn)



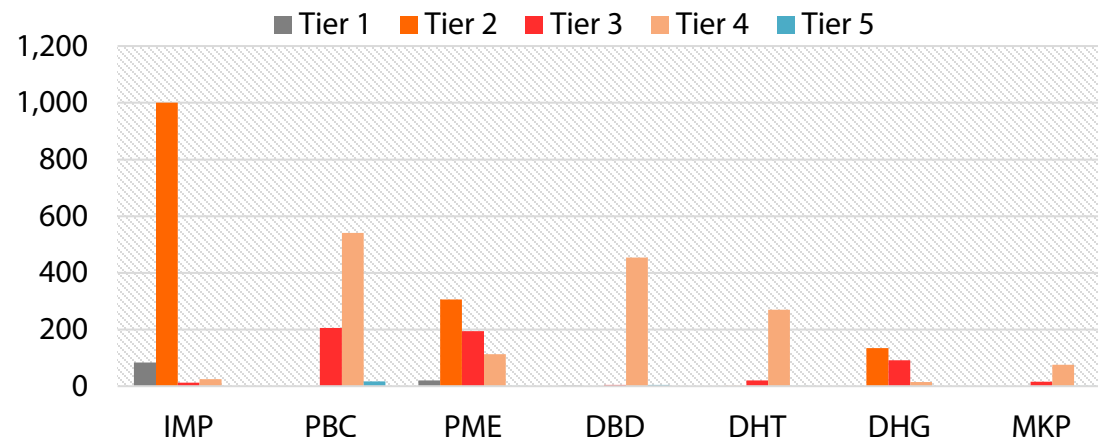
Source: IMP, Rong Viet Securities

Figure 4: Bid winning value structure



Source: IMP, Rong Viet Securities

Figure 5: Leading pharmaceutical firms' bid winning value (VND bn)



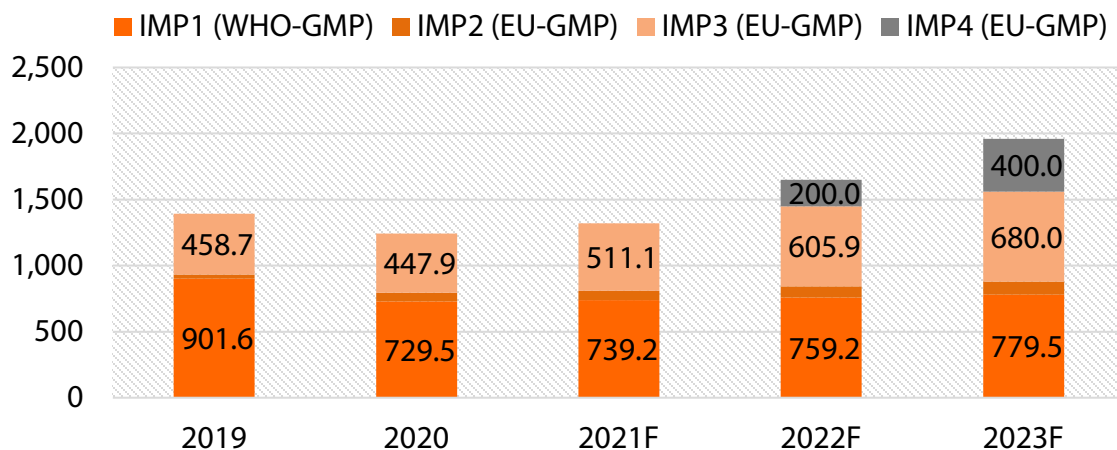
Source: IMP, Rong Viet Securities

IMP was the most successful domestic pharmaceutical company in terms of bidding results.

- In 6M2021, the company won a bidding value of VND 1,135 billion (USD 49mn) increasing by roughly 105% YoY.
- IMP3 (mainly Cephalosporin) contributed of 84% IMP's winning value.

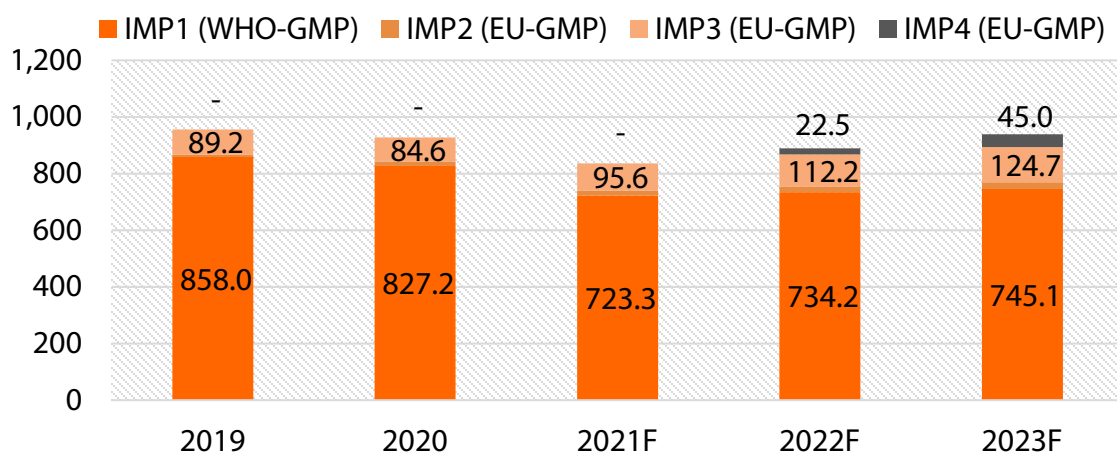
Although the demand in 2H can be affected by the pandemic, IMP's revenue can increase at a higher pace compared to the industry owing to the high bid winning value in 1H.

Figure 6: Revenue forecast, by factory (VND bn)



Source: IMP, Rong Viet Securities

Figure 6: Sales volume forecast, by factory (million units)



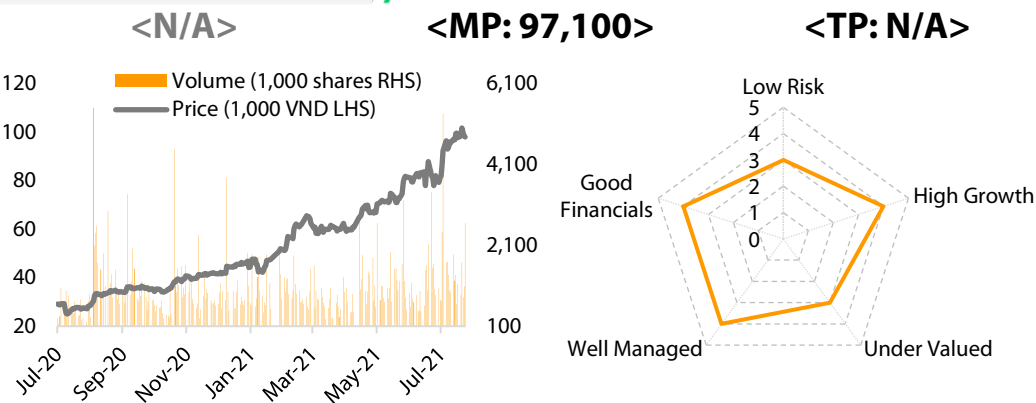
Source: IMP, Rong Viet Securities

2H2021: Weak demand in a short-term

- Sales can be weak in 3Q as the social distancing has been applied in the South and other large cities. The vaccination process can take more than six months. Hence, we expect revenue will grow slowly by 6% YoY in 2H.
- Selling expense can flat YoY as the company will stop its selling and marketing activities during 3Q.
- NPAT can increase by 13% as GPM can maintain at 41.2% in 2H2021, higher compared to 40% in 2H2020.

2022 outlook: Expecting stronger growth

- After the vaccination process completes, we expect demand for medicines can recover in 2022.
- IMP with three EU-GMP factories can seize opportunities to grow strongly. Besides, large bid winning value in 1H2021 can be transformed to high sales growth.
- We expect IMP3 factory can run in 2H2022, contributing VND 200 bn (USD 8.6mn) to total sales.
- Revenue and NPAT are expected to grow by 23% and 22.6% respectively in 2022.



STOCK INFO

Sector	Chemical
Market Cap (\$ mn)	729
Current Shares O/S (mn shares)	189
3M Avg. Volume (K)	1,298
3M Avg. Trading Value (\$ mn)	5
Remaining foreign room (%)	N/A
52-week range ('000 VND)	11.2-30.5

FINANCIALS

	2018A	2019A	2020A
Revenue (VND bn)	6,090	5,091	6,236
NPATMI	870	567	907
ROA (%)	18.4	12.0	15.4
ROE (%)	28.6	17.0	23.2
EPS (VND)	12,389	4,241	5,733
Book Value (VND)	28,225	25,695	26,289
Cash dividend (VND)	2,000	2,500	2,000
P/E (x) (*)	3.7	5.8	8.9
P/B (x) (*)	1.6	0.9	1.9

INVESTMENT RATIONALES

Improving gross margin story

- Operating Khai Truong 25 mine will improve the gross margin of DGC. Besides, the recent increasing price of yellow phosphorus (P4) is likely to improve the 3Q2021 gross margin as the new contract will be applied at a higher selling price. We believe that the gross margin of P4 will keep improving in 2022 in case of stable P4 selling price.
- DGC has been producing higher added value products, derived from P4, to improve its profit margin such as electric HPO and red phosphorus.

Impressive earnings in the third quarter can boost the full year profit

- Targets to achieve VND400 bn (USD17.4 mn) in net profit (+20.1% QoQ and +69.5% YoY) for 3Q2021. But we think that the company can reach further as DGC always exceeded its quarterly guidance. Overall, the bottom line is projected to achieve VND1,500bn (USD65.2 mn) in 2021, up 58.2% YoY, equivalent to a 2021 P/E forward of 11x, which is quite attractive for a growing company.

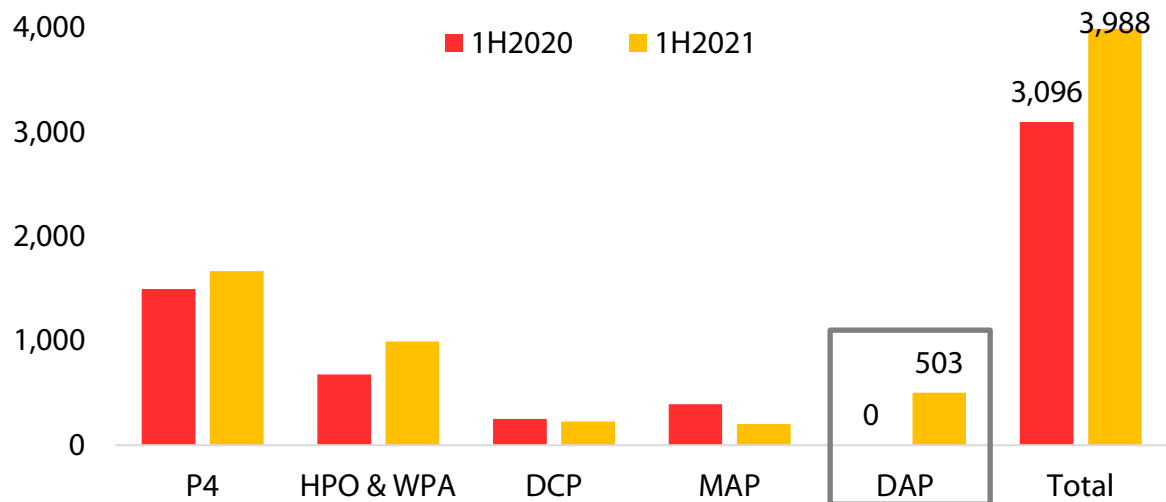
Nghi Son will be the main catalyst in the long run, along with the real estate project for the short run

- Nghi Son as well as the real estate project will be the growth engine from 2023. Nghi Son can double revenue as well as profits if running at full capacity from 2024-2025 onwards.

RISKS TO OUR CALL

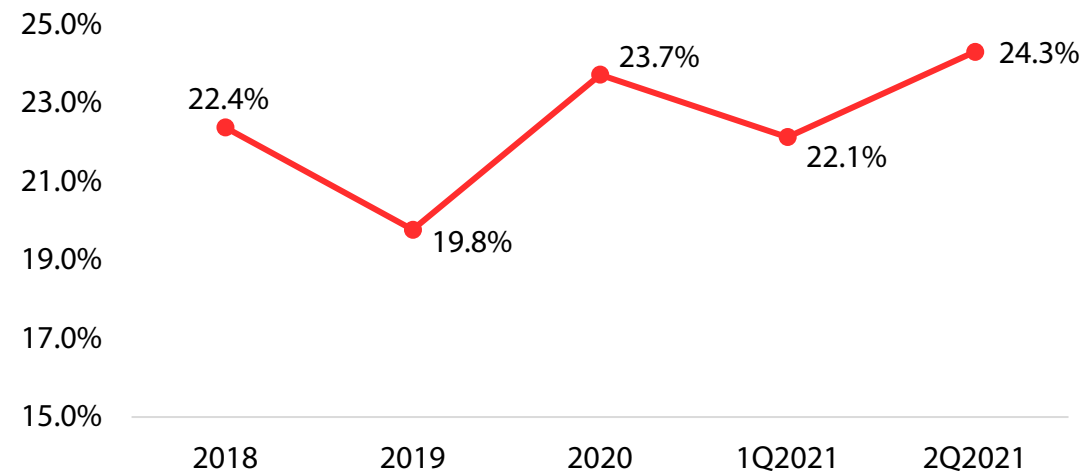
- Nghi Son to be delayed longer due to the environment problem, while the real estate project may take longer time to fulfill the legal documents.
- The impact of Khai Truong 25 mine is not so significant as our expectation.

Figure 1: Revenue breakdown by segment (VND bn)



Source: DGC

Figure 2: Gross margin of DGC (%)



Source: RongViet Securities

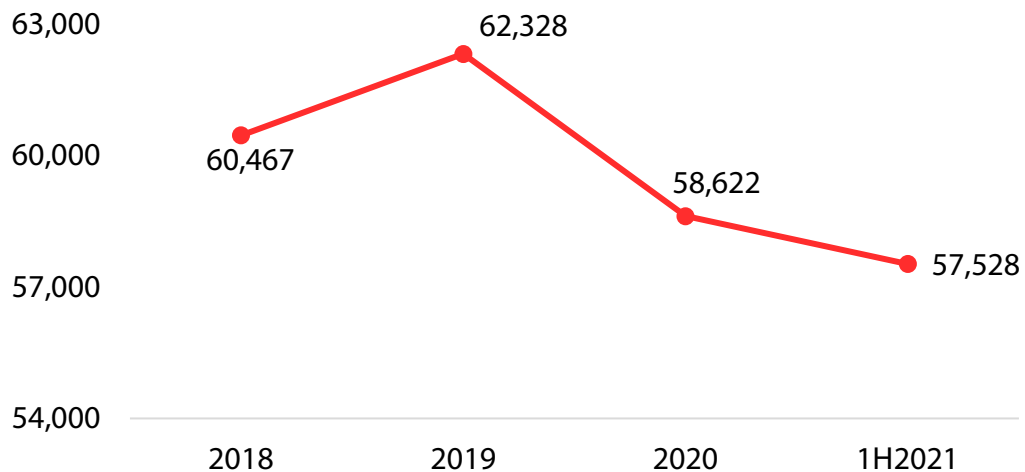
DAP revenue to surge in 1H2021, contributing the most to total sales

- Total sales volume was 44.7 thousand tons in 6M2021, contributing VND503bn (USD21.8 mn) in total sales after 6M2021. The new DAP production line has just gone online since 3Q2020. For 2021, DGC plans to consume 100 thousand tons of DAP, fulling 70% of its current capacity.
- We believe that the gross margin of DAP is quite high as price has been up over 30% since the beginning of this year.
- In 1H2021, revenue and NPATMI posted VND 3,988bn (USD173.4 mn) (+28.7% YoY) and VND606bn (USD26.3 mn) (+36.1%YoY), respectively.

Khai Truong 25 mine is expected to impact gross margin from 3Q2021

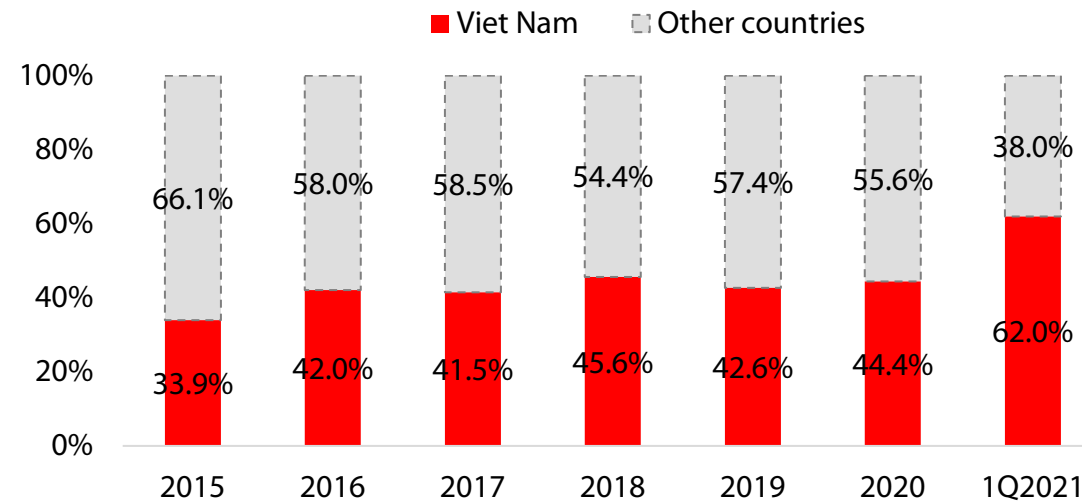
- Khai Truong 25 mine has come into operation since the end of 1Q2021, ensuring 30% of apatite ore demand for phosphorus production. Self-supply will help gross margin improve from 3Q2021 onwards.

Figure 3: DGC selling price of yellow phosphorus – P4 (VND/kg)



Source: DGC

Figure 4: Vietnam's phosphorus export market share



Source: RongViet Securities

DGC's P4 selling price is likely to run behind world price

- The selling price of P4 has sharply increased, especially in 2Q2021, as the output from China has fallen due to the power shortage in the Southwest region but DGC's P4 selling price has not improved much. The main reason might come from the fixed selling price in the previous contracts. Thus, we expect that the rising price of P4 will impact the results in the next six months.

P4 is forecasted to keep performing well in 2H2021

- Revenue of P4 to post VND1,667bn (+ 11.4% YoY) and total P4 sales volume to reach at 28.9k tons (+16% YoY) in the first 6 months.
- Not only improve the gross margin, the demand for phosphorus is also anticipated to stay high due to the shortage of semiconductors and Vietnam is still the biggest exporter of phosphorus, which ensures DGC's P4 output whose factory is running at 100% capacity.

Table 1: High added value project

	Capacity (ton/year)	Revenue (VND bn)
Red phosphorus	5,000	500
Electric HPO	30,000	300-400

Source: DGC

Table 2: Nghi Son and Real Estate project

	Revenue (VND bn)	Net profit (VND bn)
Nghi Son	8,000	1,000 – 1,200
Real Estate	2,000 – 3,000	600-900

Source: DGC, Rong Viet Securities

To see an improvement in gross margin

- DGC has been manufacturing higher added value products from phosphorus such as red phosphorus, electronic phosphoric acid (electronic HPO) to improve its gross margin, starting from August 2021.
- Thanks to Khai Truong 25, DGC can control 30% of input materials, thereby helping to improve the gross margin of the yellow phosphorus product from 20% to 30%.

Bottom line is expected to surprise the market in 2H2021

- Improving margin plus increasing sales can make the 3Q2021 earnings surprised. DGC targets to achieve VND400 bn (USD17.4 mn) in the net profit (+20.1% QoQ and +69.5& YoY) but we think that the company can reach further as DGC always exceeded its quarterly guidance. Overall, the bottom line is projected to achieve VND1,500bn (USD65.2 mn) in 2021, up 58.2% YoY, equivalent to VND 894 bn (USD38.8 mn) in the net profit for 2H2021, up 86.6% YoY.

Nghi Son will be the main catalyst in long run

- Revenue from Nghi Son project is expected at VND 8,000 bn when fully running from 2024 – 2025 onwards ~ 106% of DGC's 2021 target revenue.

Real estate will be the catalyst in the short run

- In case of kicking off at the end of 2021, DGC can fully record revenue from the project in 2023 – 2024, which will be VND2,000 bn - VND3,000 bn.

<REDUCE: -5%>

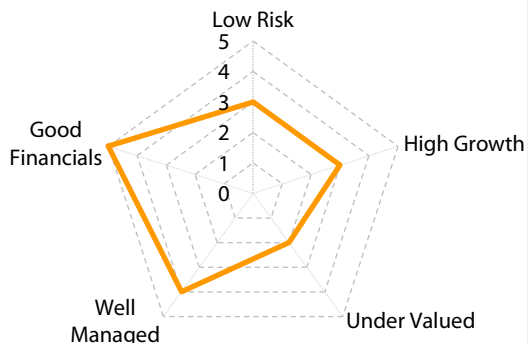
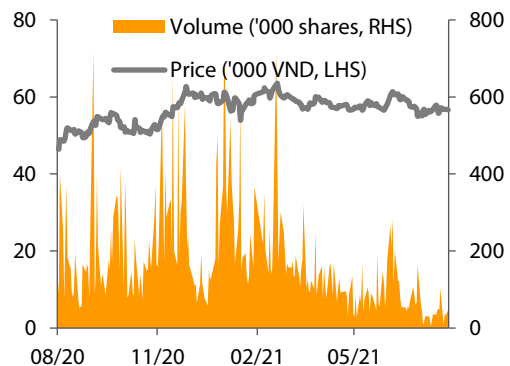
<MP: 57,200>

<TP: 52,600>

STOCK INFO

FINANCIALS

2020A 2021F 2022F



Sector	Basic Materials
Market Cap (\$ mn)	4682.4
Current Shares O/S (mn shares)	81.9
3M Avg. Volume (K)	95.5
3M Avg. Trading Value (VND Bn)	5.6
Remaining foreign room (%)	16.6
52-week range (VND)	21,700 - 67,800

Revenue (VND Bn)	4,686	5,207	5,936
NPATMI (VND Bn)	523	192	426
ROA (%)	17.3	6.3	13.1
ROE (%)	21.1	7.7	15.8
EPS (VND)	5,810	2,130	4,740
Book Value (VND)	30,193	30,323	33,063
Cash dividend (VND)	5,840	2,000	2,000
P/E (x) (*)	9.8	26.7	12.0
P/B (x) (*)	2.1	1.9	1.7

INVESTMENT RATIONALES

The company is going to face double challenges - increasing input price and weak demand in 2H

- Construction activities in the South have been postponed since June due to Directive-16. This will lead to weak demand for plastic pipes in 2H.
- The PVC price kept rising sharply in the May-June period to USD 1,600 per ton , +100% YoY. But BMP finds it difficult to increase the selling price to maintain GPM due to the weak demand conditions.

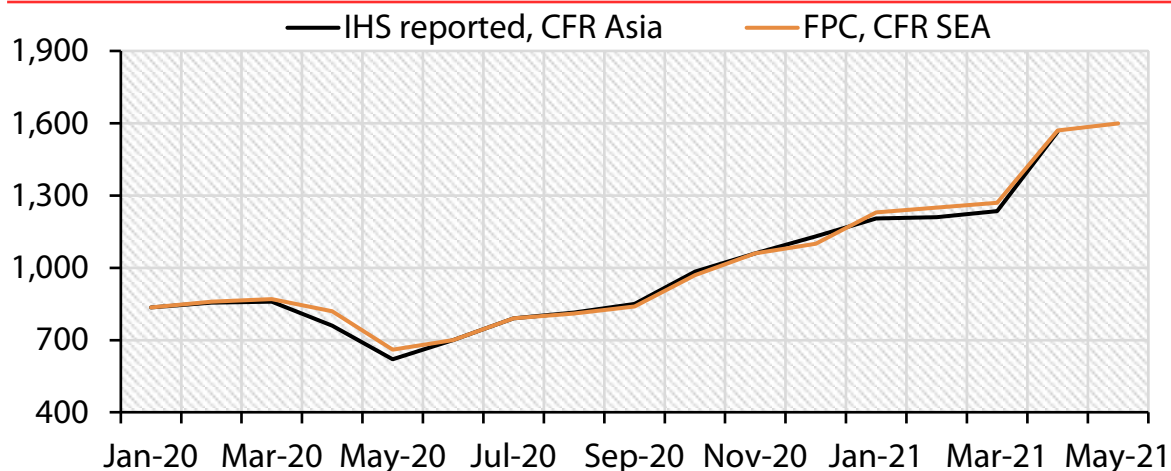
BMP still has a healthy financial condition and its NPAT can recover to a normal level after the pandemic

- With low debts, the company will not meet any financial difficulties. Besides, owing to plentiful cash, we expect that BMP can pay a cash dividend of VND 2,000 per share.
- BMP is still the largest plastic company in the South with strong competitiveness, including brand name, sizeable factories, and an experienced management team. We expect results to return to 'normal' after the vaccination process is complete.

RISKS TO OUR CALL

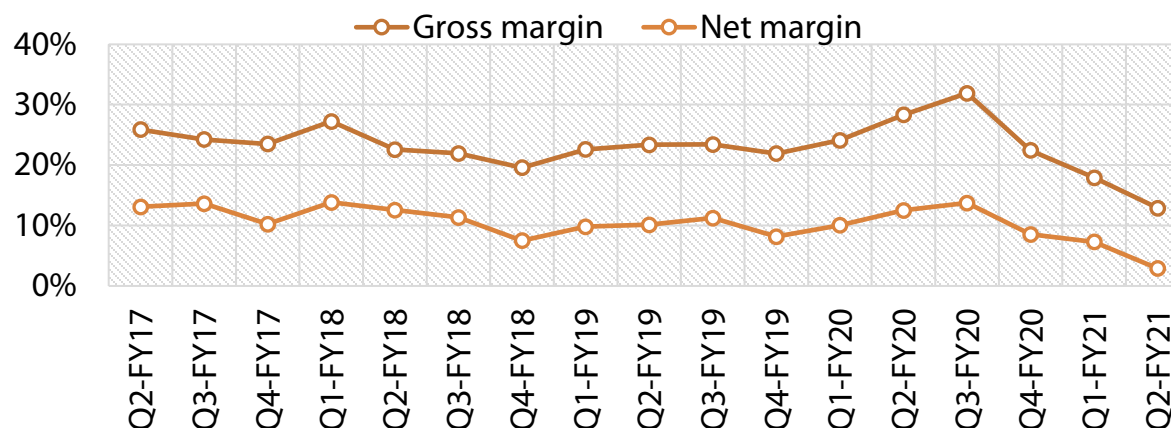
- Input prices can decrease due to weaker demand during the pandemic.

Figure 1: PVC price (USD/ton)



Source: BMP, Rong Viet Securities

Figure 2: Gross margin and net margin



Source: BMP, Rong Viet Securities

1H: Revenue of VND 2,606 bn (USD 112mn, +15%YoY); NPAT of VND 126 bn (USD 5.4mn, -51% YoY); sales volume of 55,828 tons (+3.4% YoY).

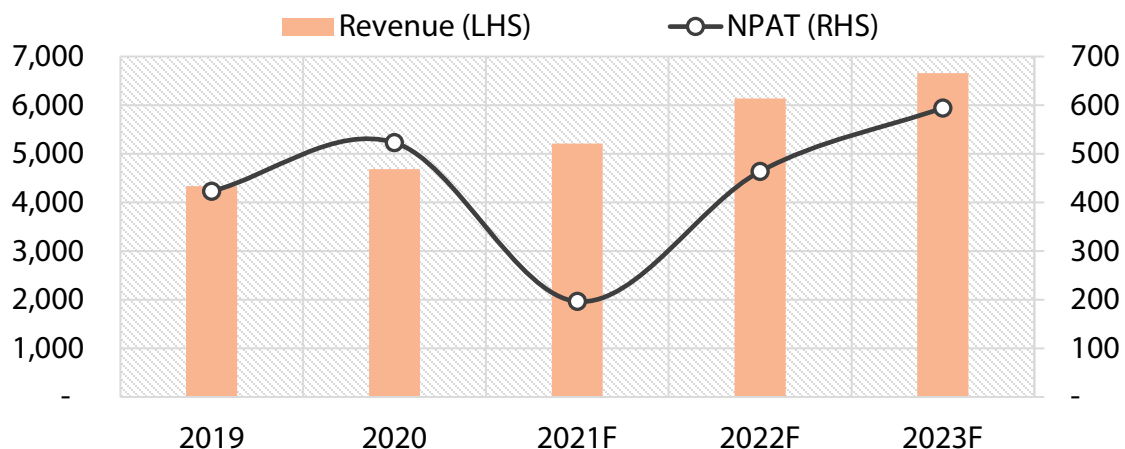
GPM decreased sharply due to high input plastic prices and freight costs.

- Increasing input prices and freight costs drove GPM down. PVC prices doubled in one year, reaching 1,600 USD/ton in May. Meanwhile, freight costs rose due to recovering transportation demand, thus, boosting PCV import price.
- GPM and NPM fell sharply from a high base of 26.4% and 11.4% in 1H2020 to 15.1% and 4.8% in 1H2021, respectively.
- NPAT barely met 51% of the half-year target, whereas revenue and sales volume completed 105% and 101% of BMP's target respectively.

Selling price increases slowly, supporting consumption volume and revenue to grow.

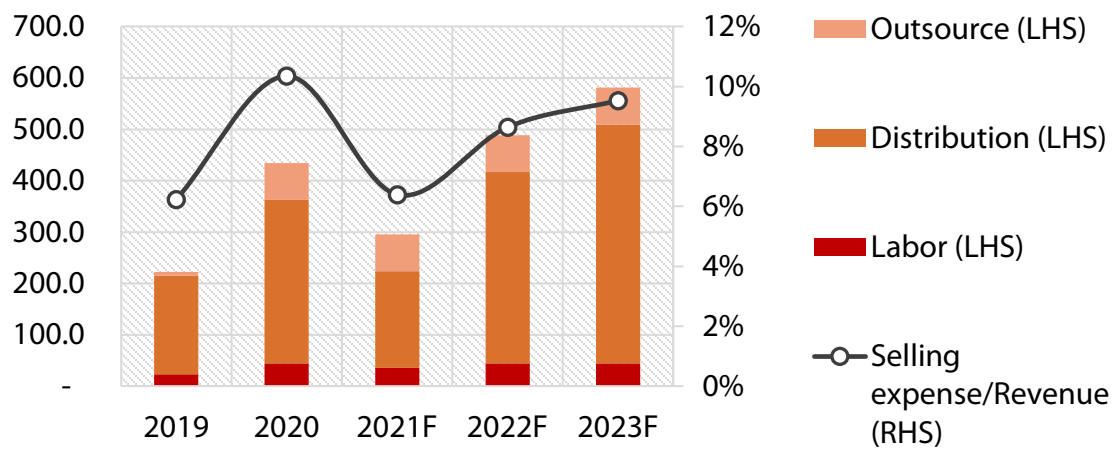
- BMP boosted its selling prices for the first time over the past 10 years by 11% in 1H2021 to partially offset the unfavorable impact of the high input prices.
- Per management, BMP offered the lowest increase in selling prices in Vietnam compared to other competitors (20-25%).

Figure 3: Revenue and NPAT (VND bn) forecast



Source: BMP, Rong Viet Securities

Figure 4: Selling expenses forecast (VND bn)



Source: BMP, Rong Viet Securities

Foreseeable weak demand in the southern market.

- Construction activities have been slowing down due to the Directive-16 implementation in the South. We think the construction industry will recover slowly in 4Q as the vaccination process advances gradually.
- Due to weak demand, we forecast BMP's sales volume in 2H can decrease by 7.5% YoY to 52,100 tons. In which, sales volume can decrease by 9.6% YoY in 3Q and by 5.4% YoY in 4Q.

Increasing production costs can put pressure on GPM.

- The PVC price has increased by 28% from March to reach USD 1,600/ton. BMP often stores sufficient inventory for 40 days of production. Hence, production costs can increase similarly to the PVC price, but with a time lag.
- Rising input price and weak demand can harm BMP's profitability in 2H. We expect GPM can fall from 15.1% in 1H to 11.7% in 2H.

BMP can cut selling expenses to support NPAT.

- We expect the company will remain low distribution expenses in 2H as in 2Q. Hence, selling expenses can drop by 29% YoY in 2021.

For 2H, we forecast revenue of VND 2,600 bn, +8%. NPAT of VND 66 bn (USD 2.9mn), -73% YoY. In the longer term, we expect NPAT can recover to VND 426 bn (USD 18.5mn) in 2022 as the vaccination process can be complete in 1H2022.

RONGVIET
SECURITIES



VIET DRAGON SECURITIES CORPORATION

Viet Dragon Tower, 141 Nguyen Du Street, Dist.1, HCMC, Vietnam

vdsc.com.vn



Ms. Lam Nguyen
Head of Research

F: + 84 28 6299 2006 (Ext: 1313)
E: lam.ntp@vdsc.com.vn

Mr. Vu Nguyen
Head of Institutional Clients

F: + 84 8 6299 2006 (Ext: 1367)
M: vu.na@vdsc.com.vn